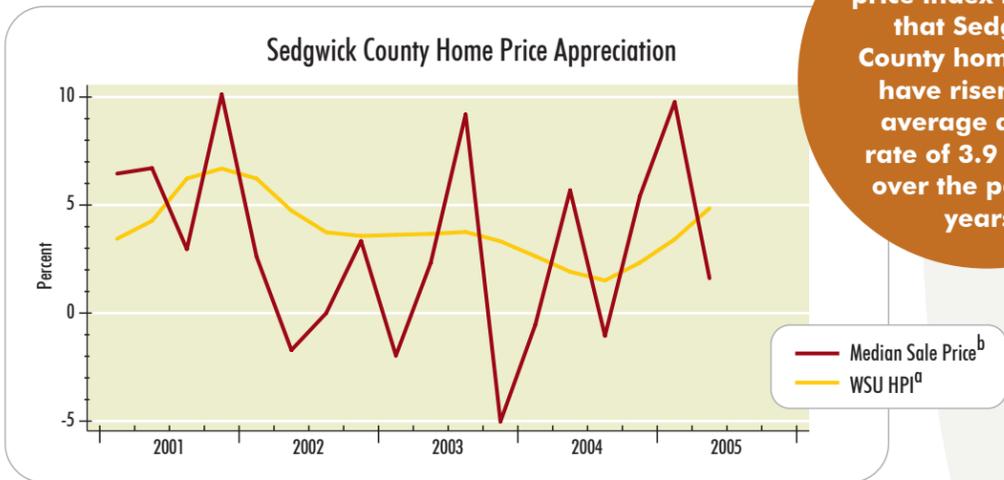


Comparing Apples to Apples

A recent report by the National Association of REALTORS® showed that the median sale price of existing homes nationally was up 14.1 percent in June compared to a year earlier. At the same time, local Multiple Listing Service statistics show that the median price of existing homes in the Wichita area fell by 1.5 percent in June. Does this mean the Wichita housing market is in a slump during one of the biggest housing booms in American history?



The WSU Home price index indicates that Sedgwick County home prices have risen at an average annual rate of 3.9 percent over the past five years.

The average appreciation of area homes was 4.9 percent between the second quarters of 2004 and 2005.

The answer is no. The problem is that the median sale price is simply the middle price of all homes that have sold. As a result, the median price is strongly influenced by *which* homes are selling at a given point in time. If low-end homes are selling well, the median sale price will drop, even if each individual home's value has risen.

In fact, this is what happened in Wichita between June 2004 and June 2005. In June 2004, homes above \$200,000 comprised 11.0 percent of all existing home sales, while these high-end homes only made up 9.0 percent of all sales in June 2005.



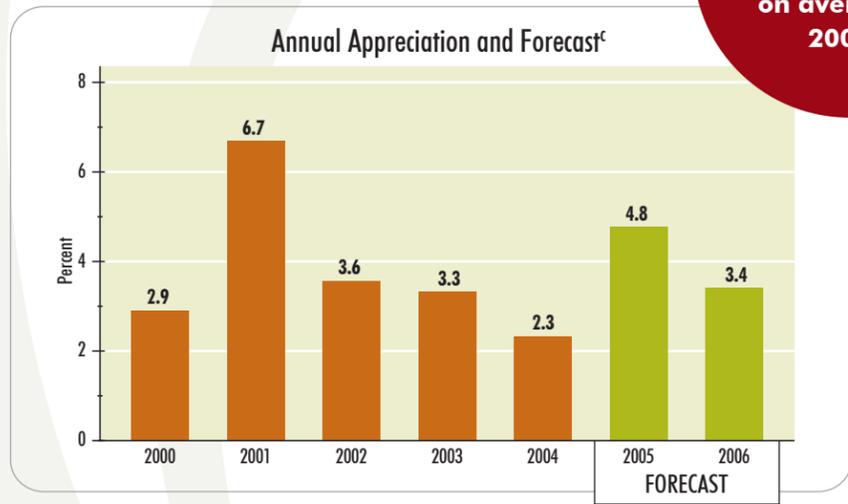
At the same time, 13.6 percent of the existing homes that sold in June 2004 had prices below \$50,000, compared to 14.5 percent of the sales in June 2005. Thus, the drop in the median sale price over the year was a result of the *composition* of homes that sold, not a reduction in home values.

In order to accurately track home price appreciation, we need a way to make an apples-to-apples comparison over time. The WSU Home Price Index (HPI) does just this. We look at every home sale in Sedgwick

County and take into account their sizes, number of bedrooms, neighborhoods, and other physical characteristics to come up with a measure of home price appreciation that isn't affected by which homes sell when.

Home price appreciation should slow somewhat in the coming months, ending 2005 with a total gain of 4.8 percent for the year.

Sedgwick County home prices will rise by 3.4 percent on average in 2006.



Sources: National Association of REALTORS®; WSU Center for Real Estate using data provided by the Sedgwick County Appraiser's Office; South Central Kansas Multiple Listing Service
 Notes: a) Year-over-year percentage change in the WSU HPI for Sedgwick County
 b) Year-over-year percentage change of existing home sales in entire MLS system
 c) Year-over-year percentage change as measured using 4th quarter values