

Wichita Home Price Index

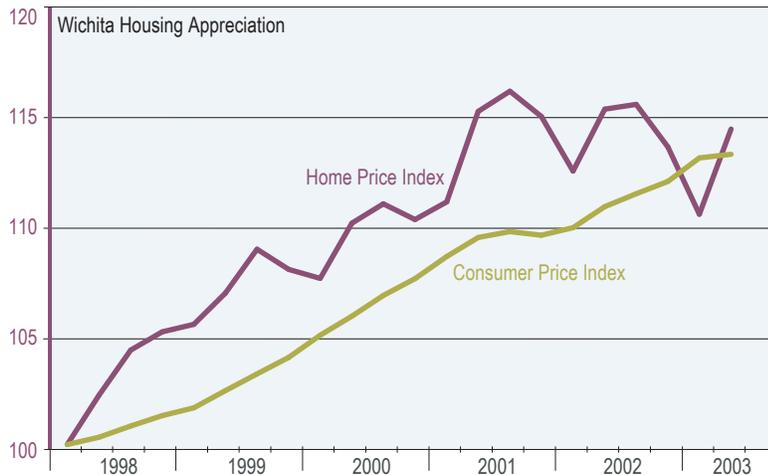
The Center for Real Estate is pleased to introduce its new Wichita Home Price Index. This index provides a more accurate picture of home price appreciation than existing statistics because it accounts for the "quality" or physical characteristics of homes that have sold during any given quarter.

A home price index (HPI) shows the percentage change in home prices relative to a base quarter (in our case,

1998Q1). Thus, the HPI value of 114.36 for the second quarter of 2003 means that the typical Wichita home has appreciated by 14.36% since the first quarter of 1998. In comparison, consumer prices (inflation) have increased by 13.21% over this same time period.

Appreciation in home prices over any time frame can be found in a similar manner by simply calculating the percentage change in the HPI values between the quarters of interest.

Index: 1998Q1 = 100



Sources: WSU Center for Real Estate, using data provided by the Wichita Area Association of REALTORS®; U.S. Department of Labor: Bureau of Labor Statistics

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Why not simply use changes in the median sale price of existing homes to measure housing appreciation? The problem with the median sale price figure is that it is strongly influenced by the composition of homes that have sold in any given quarter; if more high-end homes sell, the median sale price will rise, regardless of whether the value of any individual home has risen or not.

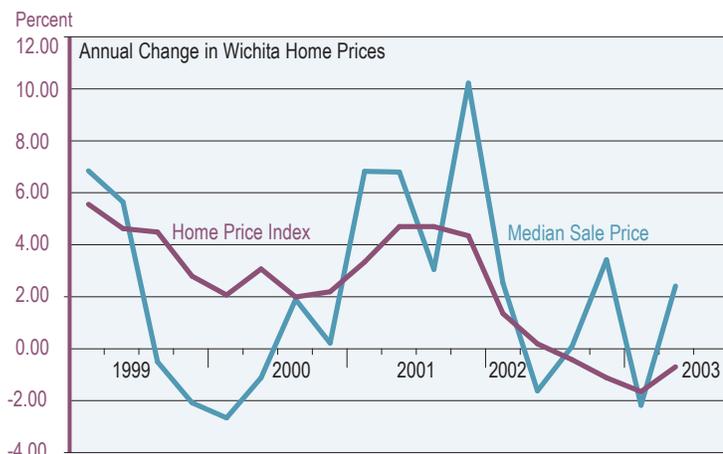
For example, the fourth quarter of 2001 saw a significant drop in sales of homes priced below \$50,000, while higher-valued homes continued to sell fairly well. Accordingly, the median sale price that quarter showed a stunning 10.13% increase relative to the year before. This does not mean that the typical home was worth 10.13% more than it was a year earlier. In fact, the Center for Real Estate's Wichita Home Price Index shows that home prices rose by a still-healthy 4.25% over 2001.

Wichita Housing Appreciation

	1999	2000	2001	2002
Home Price Appreciation ^a	2.70%	2.10%	4.25%	-1.21%
Consumer Inflation	2.62%	3.44%	1.84%	2.24%
Real Appreciation	0.08%	-1.34%	2.41%	-3.45%

a) Year-over-year percentage change as measured using 4th quarter values

Sources: WSU Center for Real Estate, using data provided by the Wichita Area Association of REALTORS®; U.S. Department of Labor: Bureau of Labor Statistics



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