

Are we in the middle of a Housing Market Crisis?

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WICHITA STATE UNIVERSITY



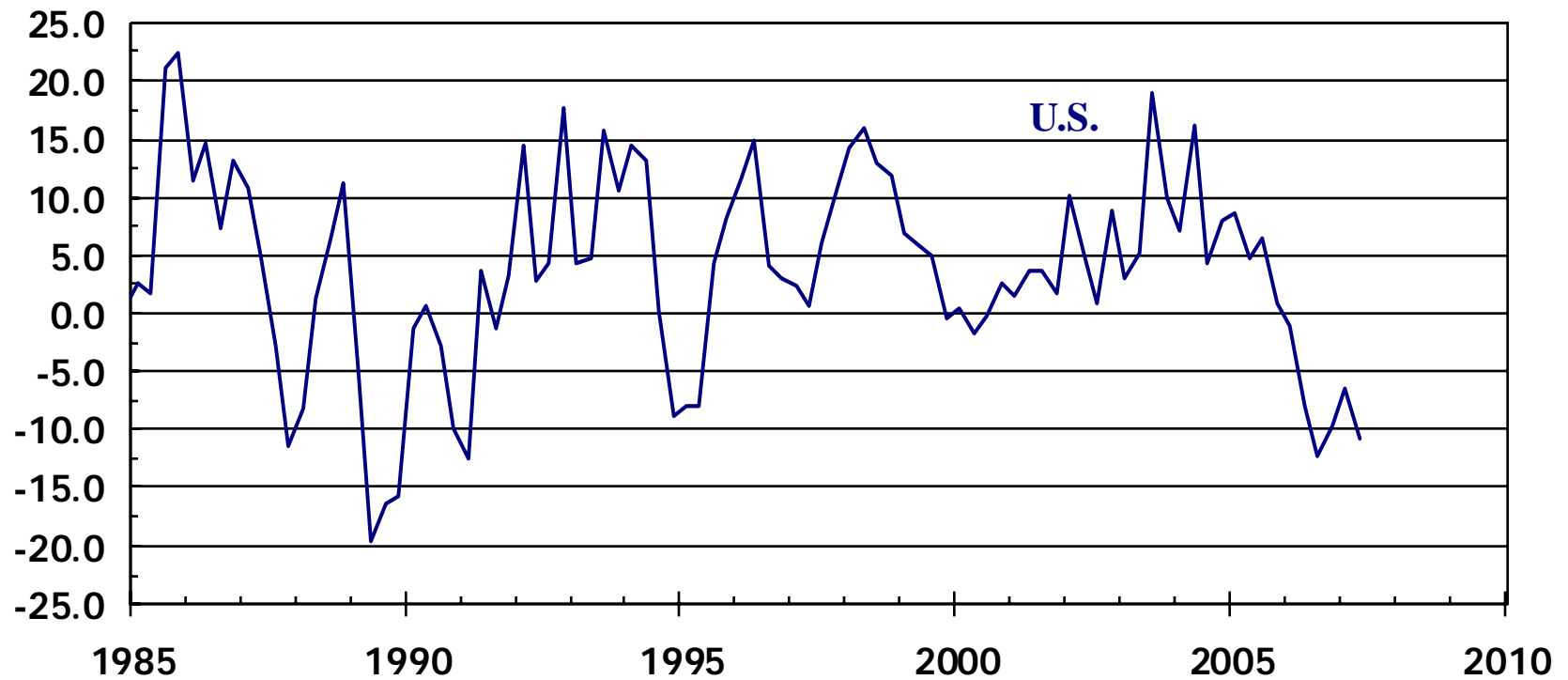


A Crisis in the Housing Market?

- Existing home sales are dropping
- New home construction and sales are falling as well
- Foreclosures are “skyrocketing”
- Home prices are falling across the country

Existing Home Sales

Year-over-year Percentage Change

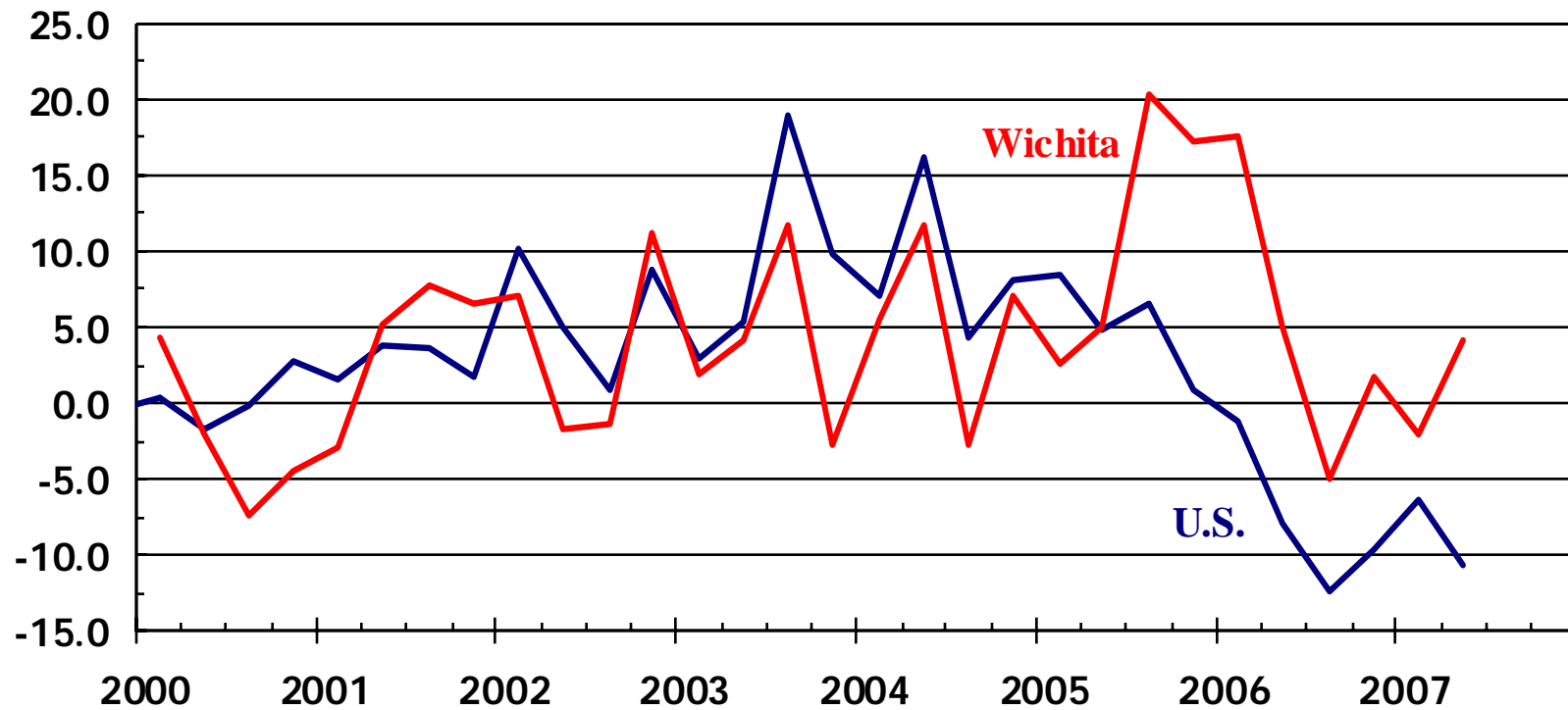


Sources: NAR



Existing Home Sales

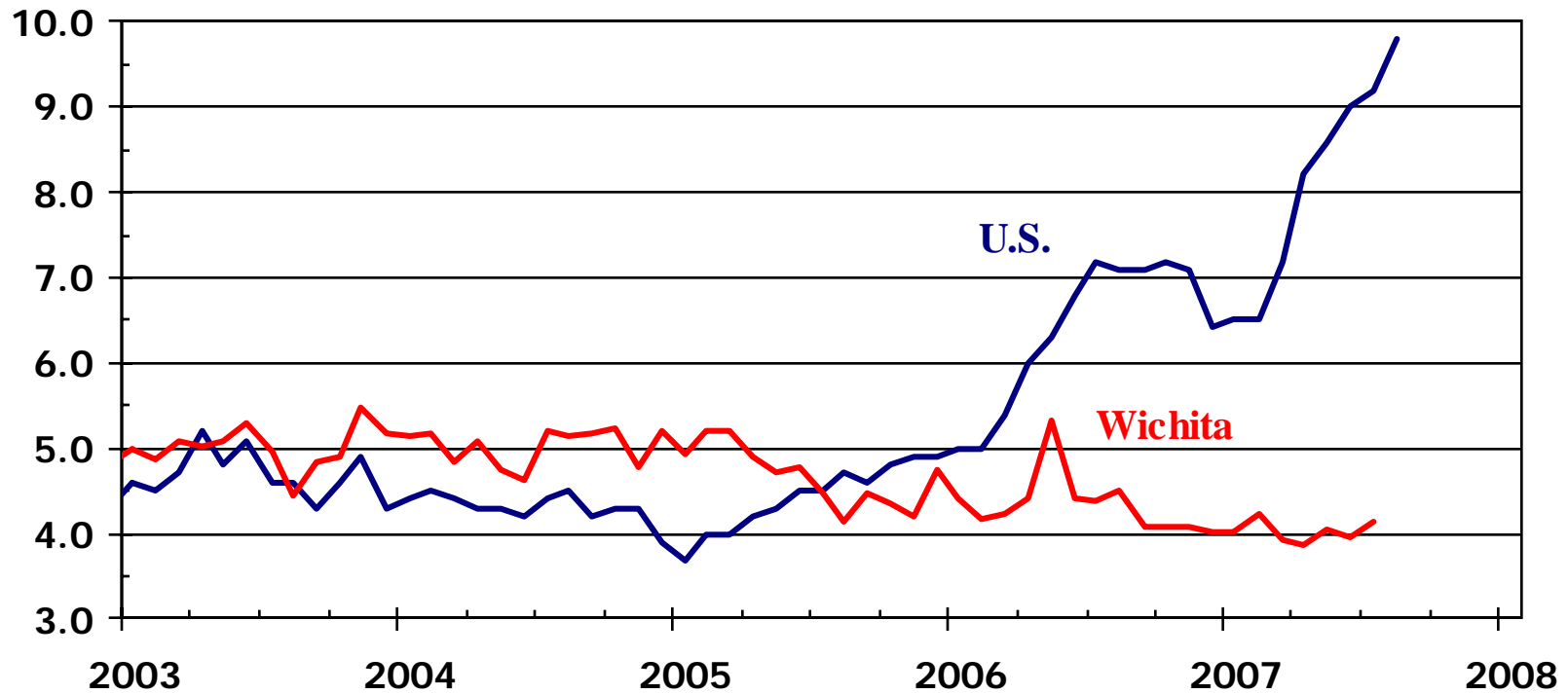
Year-over-year Percentage Change



Sources: NAR; SCK MLS

Inventory of Existing Homes Available for Sale

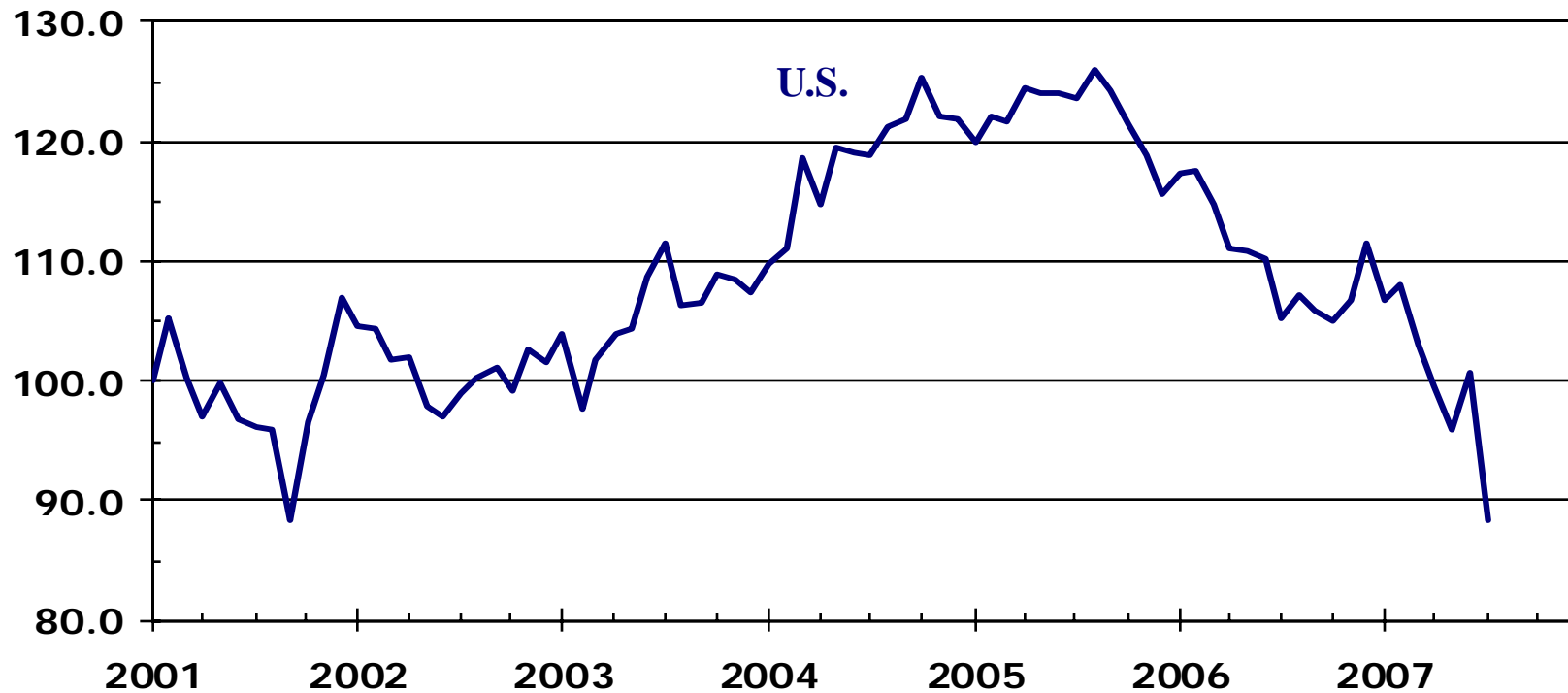
Months Supply (SA)



Sources: NAR; WSU Center for Real Estate
using data from SCK MLS

Pending Home Sales Index

Index (SA)



Source: NAR

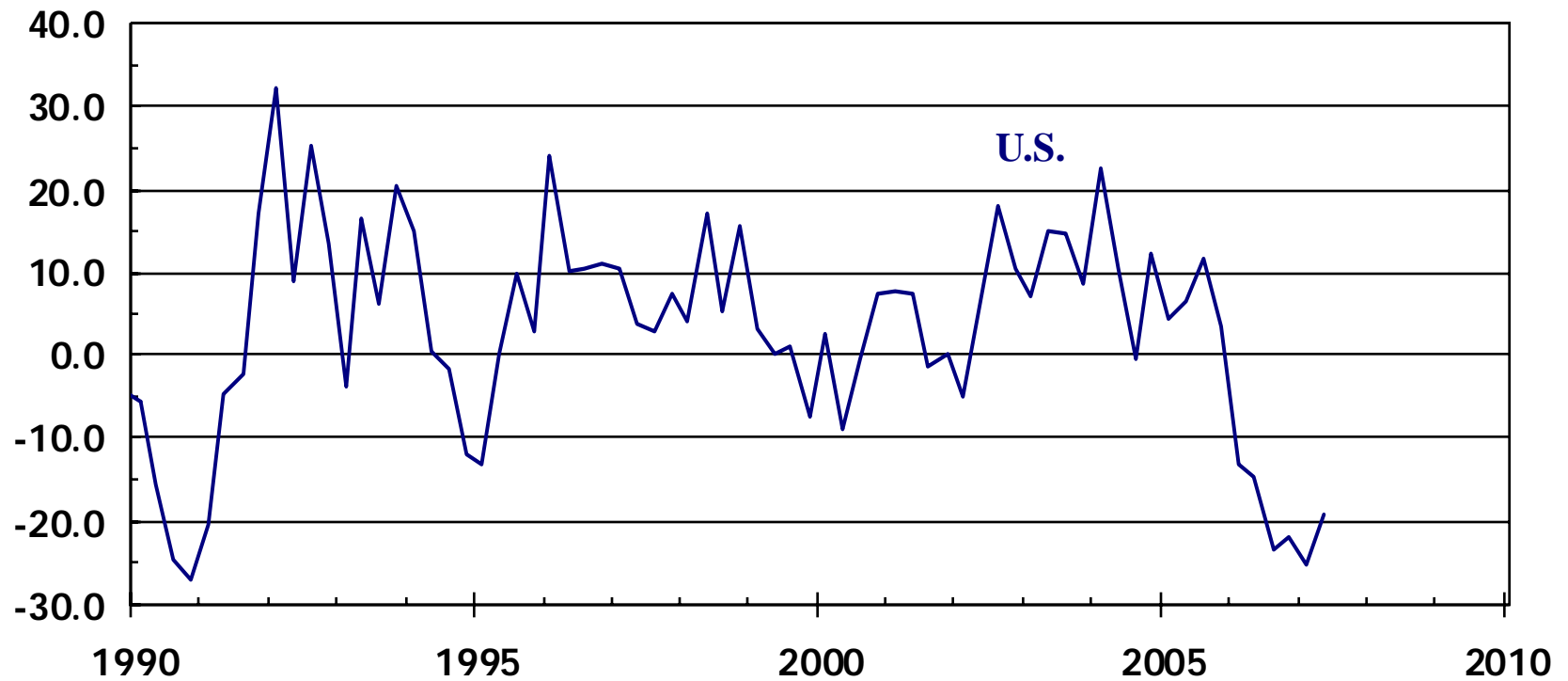


Existing Home Sales

- The decline in existing home sales is a real phenomenon nationwide
 - Wichita sales remain robust, however
- The rise in inventories is largely due to the decline in sales, not an up-tick in new listings
- The NAR Pending Home Sales index suggests the downturn is not yet over
- Question: What is driving the decline in existing home sales across the country?

New Home Sales

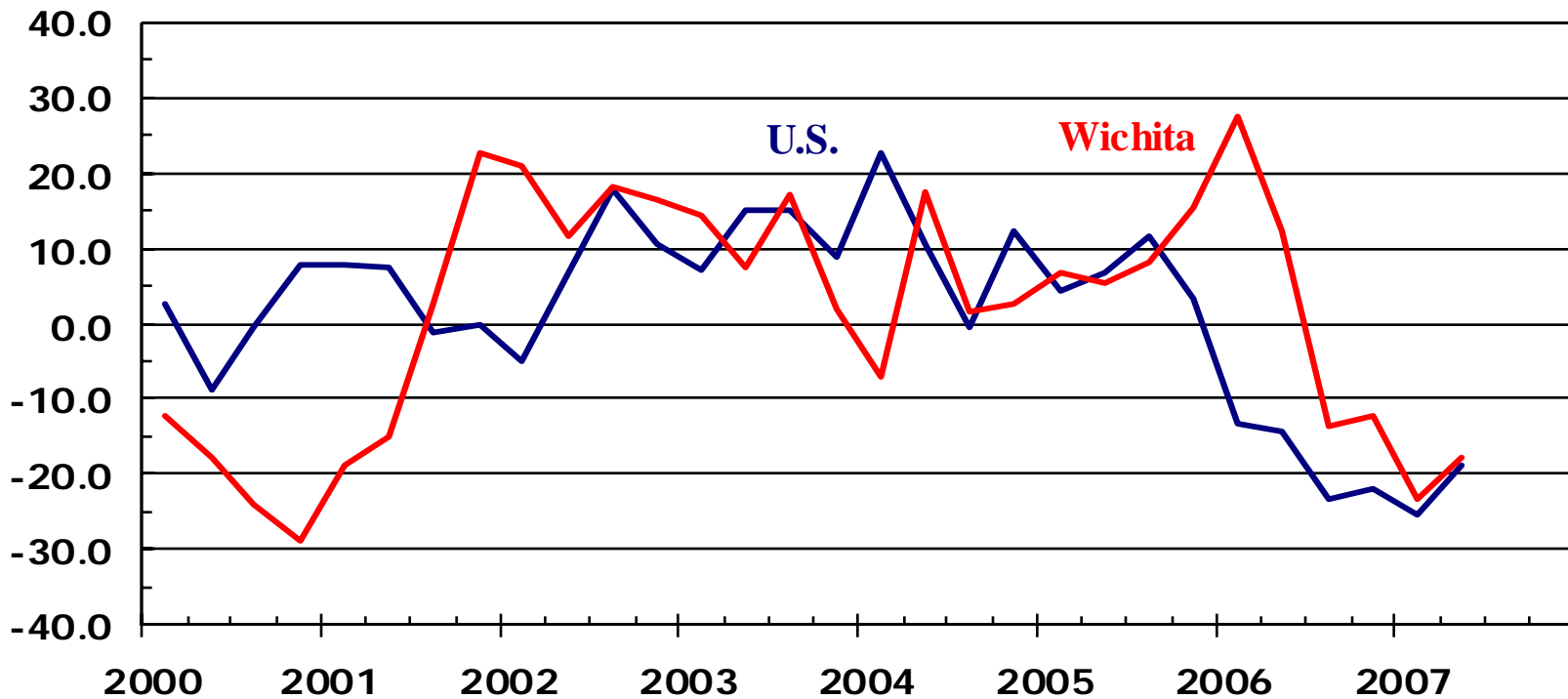
Year-over-year Percentage Change



Sources: HUD

New Home Sales

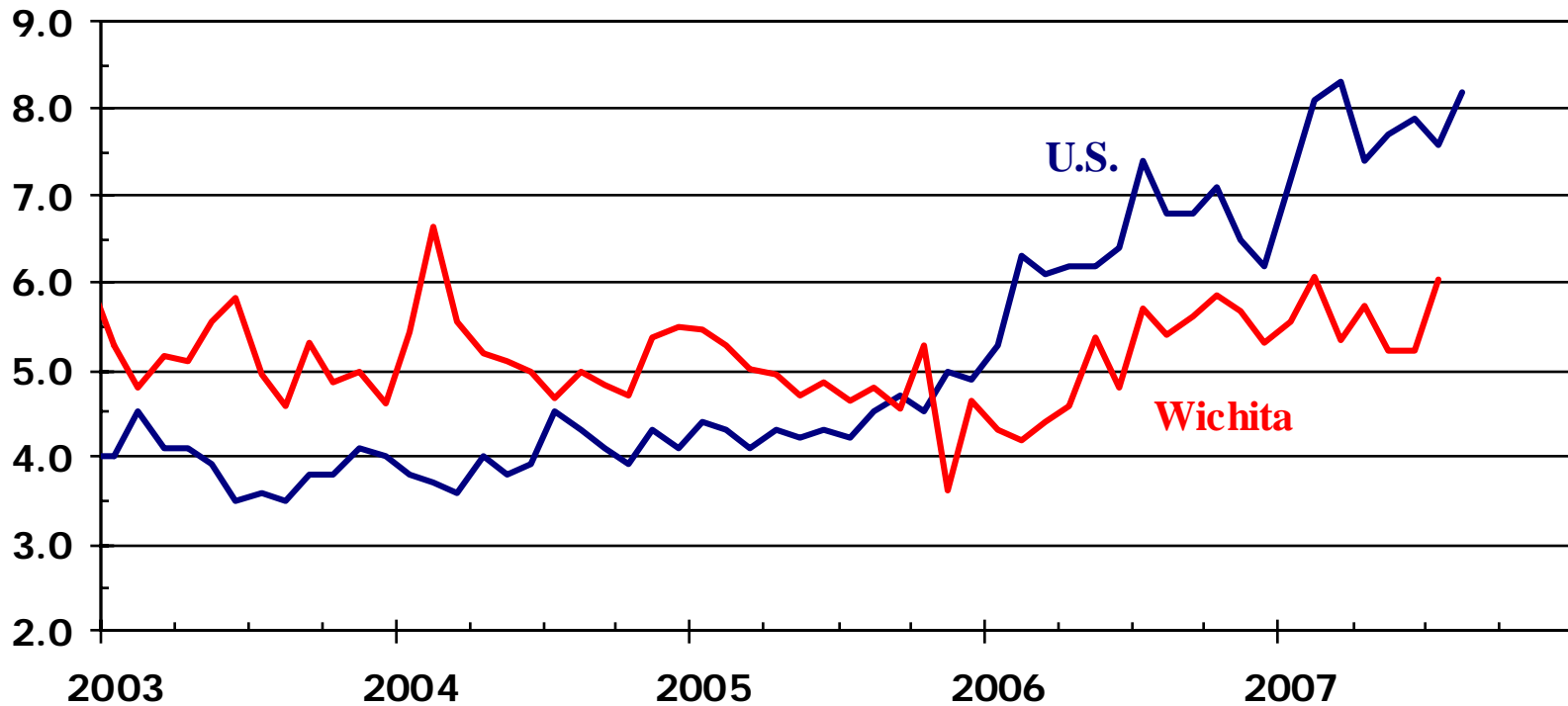
Year-over-year Percentage Change



Sources: HUD; SCK MLS

Inventory of New Homes Available for Sale

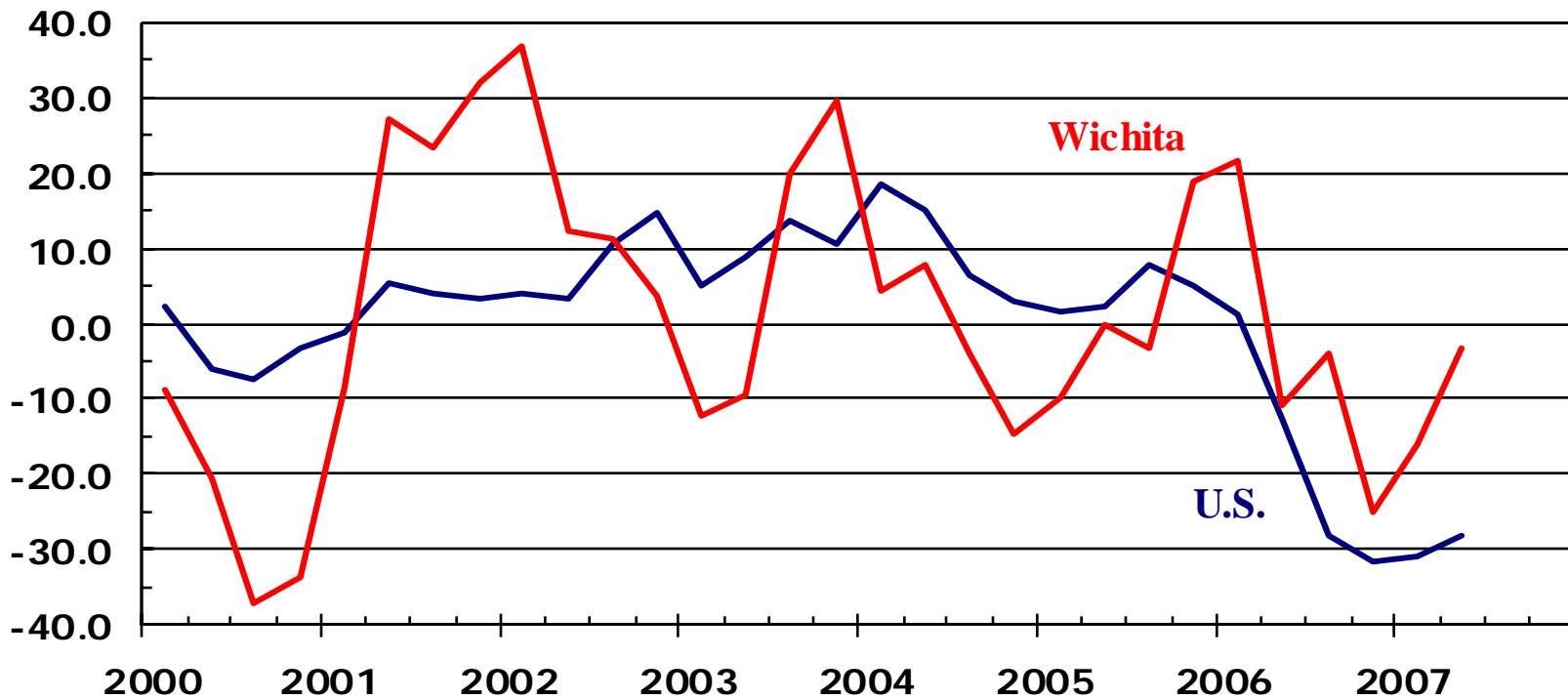
Months Supply (SA)



Sources: HUD; WSU Center for Real Estate
using data from SCK MLS

New Home Construction

Year-over-year Percentage Change in Single-Family Building Permits



Sources: HUD; WABA



New Home Sales & Construction

- New home sales and construction have suffered sharp contractions nationwide
 - Wichita's decline has not been unusual and is largely weather related
- Inventories nationally have begun to stabilize, reflecting the decline in new housing starts
 - Wichita inventories are within historic norms

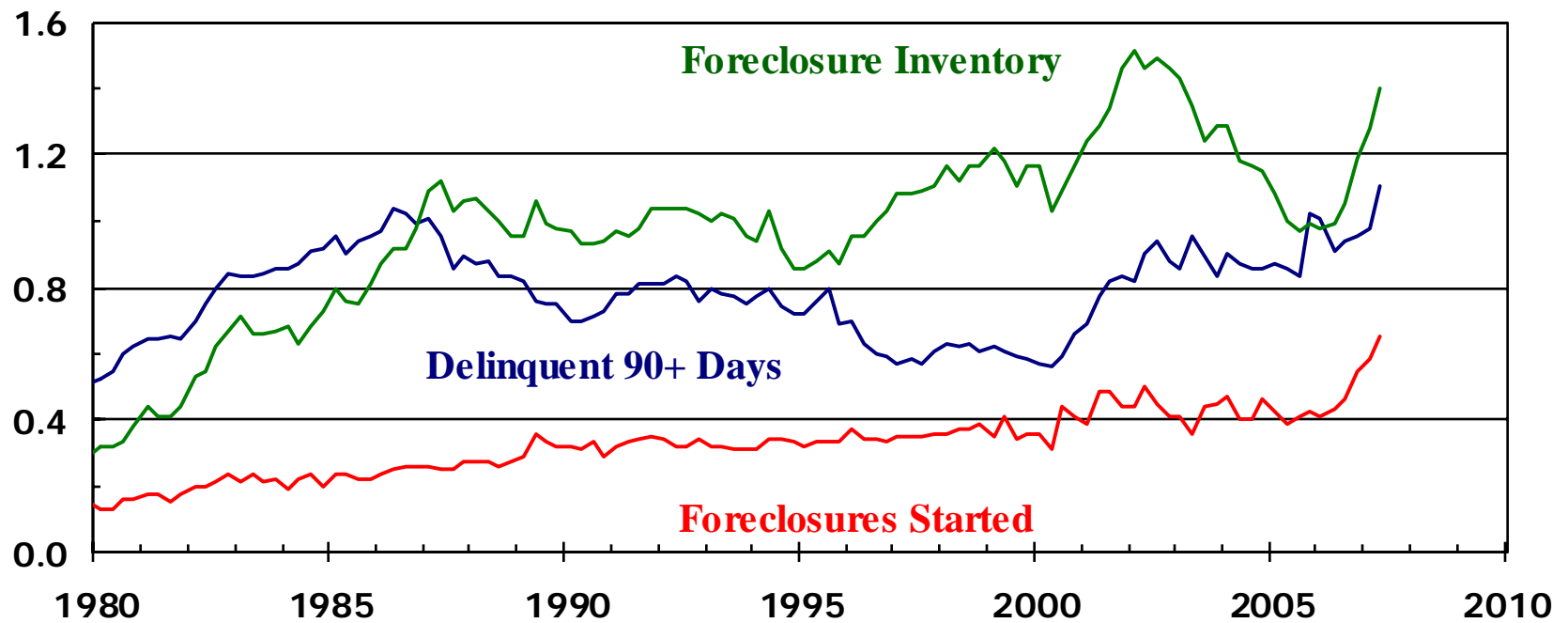


The Foreclosure Debacle?

- Ignore any foreclosure reports that use data from RealtyTrac
 - Their coverage changes each month, meaning the percentage changes they report are meaningless
- The “good” foreclosure and delinquency data are compiled by the Mortgage Bankers Association of America

Foreclosures & Delinquencies

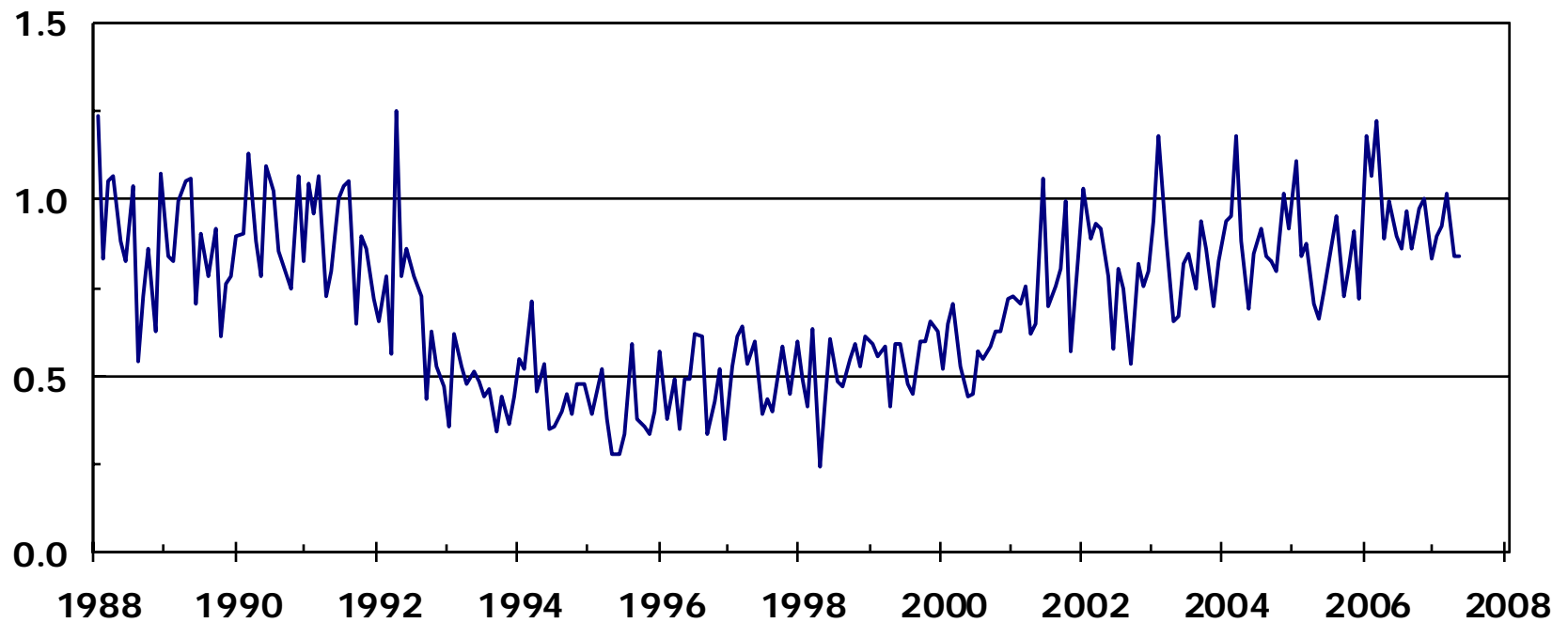
Year-over-year Percentage Change



Source: MBAA

Sedgwick County Foreclosure Rate

Foreclosures per 1,000 Mortgages over Past Five Years



Source: WSU Center for Real Estate using data from the Sedgwick County Register of Deeds



The Foreclosure Debacle?

- If it were not for two problem areas, U.S. foreclosures would have fallen in the 2nd quarter
 - Rust belt
 - Arizona, California, Florida, and Nevada
- The Sedgwick County foreclosure rate has been relatively flat over the past few years

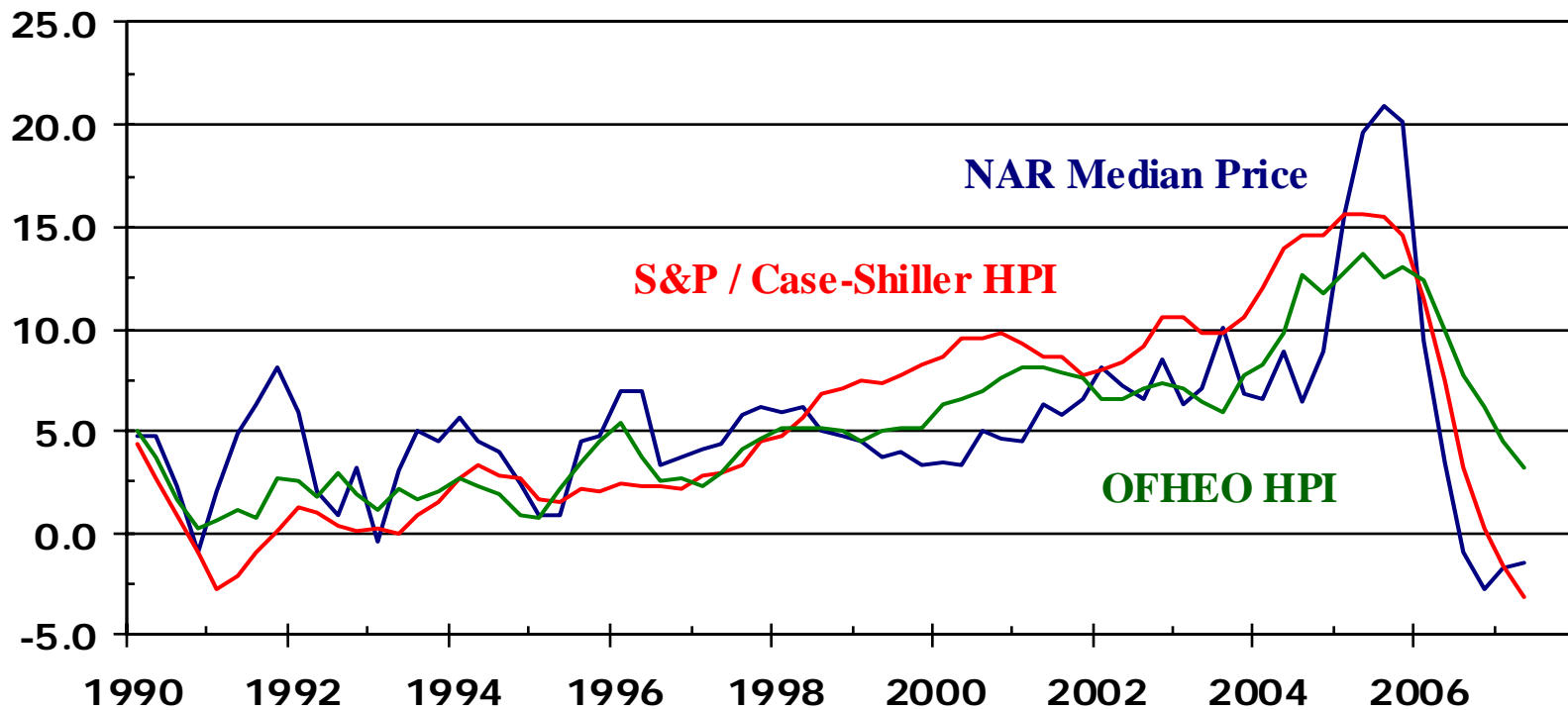


Are Home Prices Falling?

- It depends on whom you ask?
 - NAR median sale price
 - OFHEO house price index
 - S&P / Case-Shiller house price index

U.S. House Price Appreciation

Year-over-year Percentage Change



Sources: NAR; S&P; OFHEO

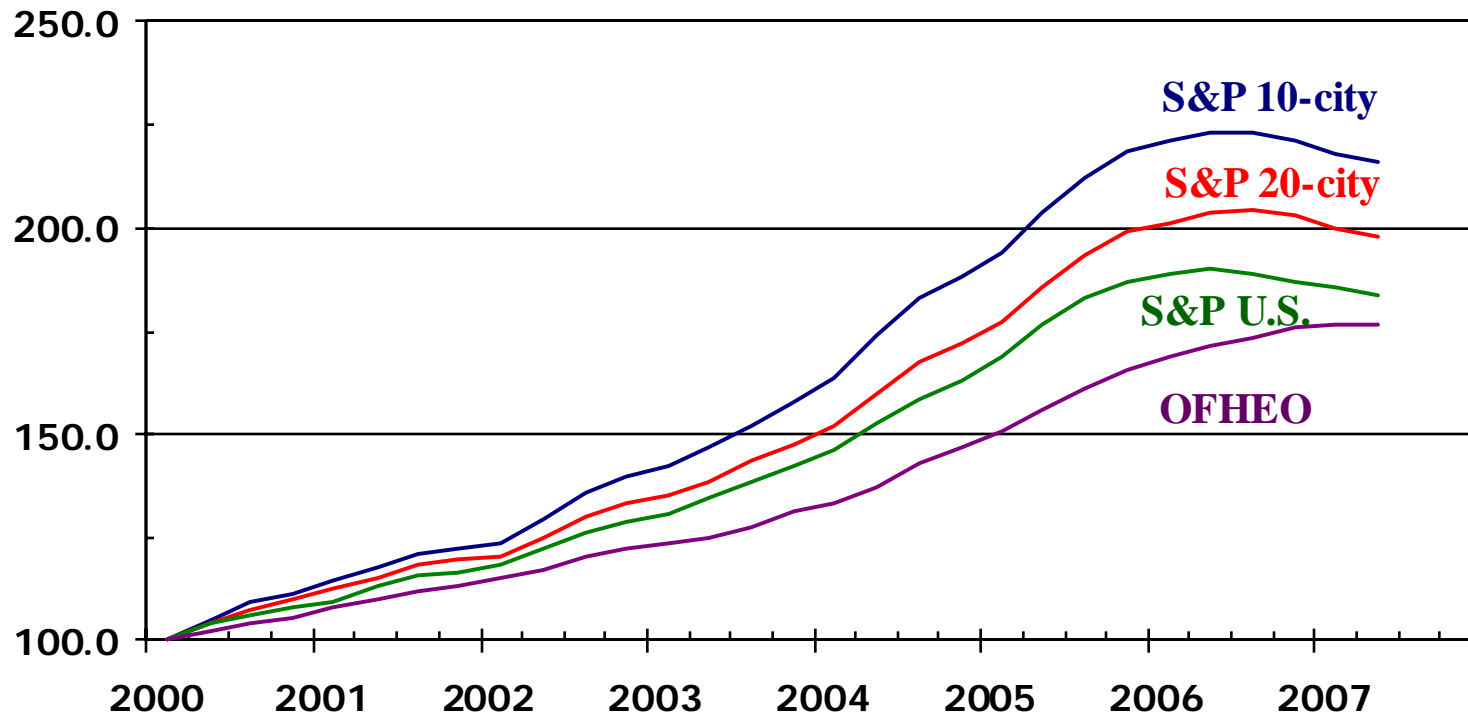


Comparing Price Indices

- The drop in the NAR median sale price reflects fewer sales in high-priced coastal markets, not a decline in the value of any given house
- The S&P index is constructed so that it emphasizes changes in high-priced houses
 - S&P index focuses on large, higher-priced markets
 - S&P index includes very-high priced houses that are excluded from the OFHEO index
 - S&P index is value-weighted, meaning an \$800,000 house receives 8 times as much weight as a \$100,000 house

Comparing Price Indices

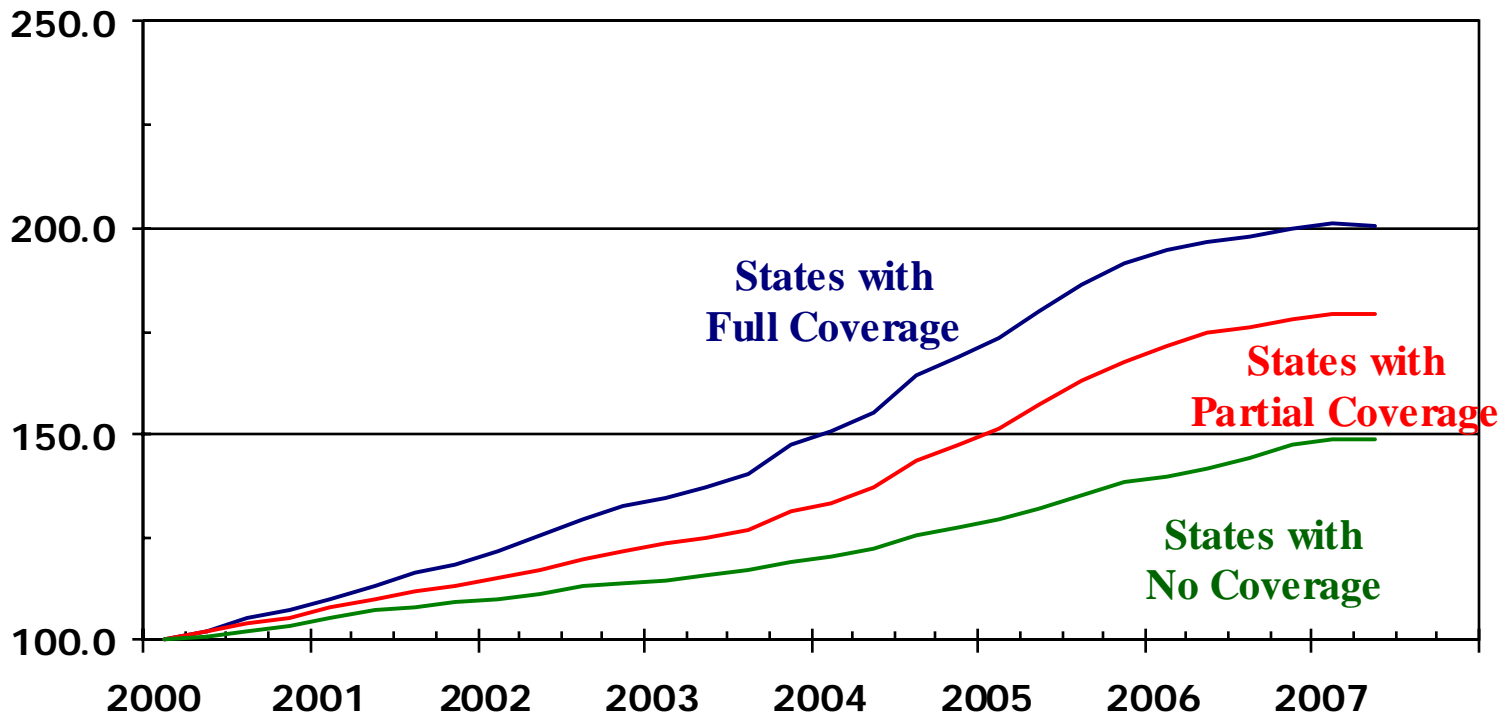
Index: 2000Q1 = 100



Sources: S&P; OFHEO

OFHEO HPI by S&P Coverage

Index: 2000Q1 = 100



Source: WSU Center for Real Estate, using data from OFHEO and U.S. Census Bureau

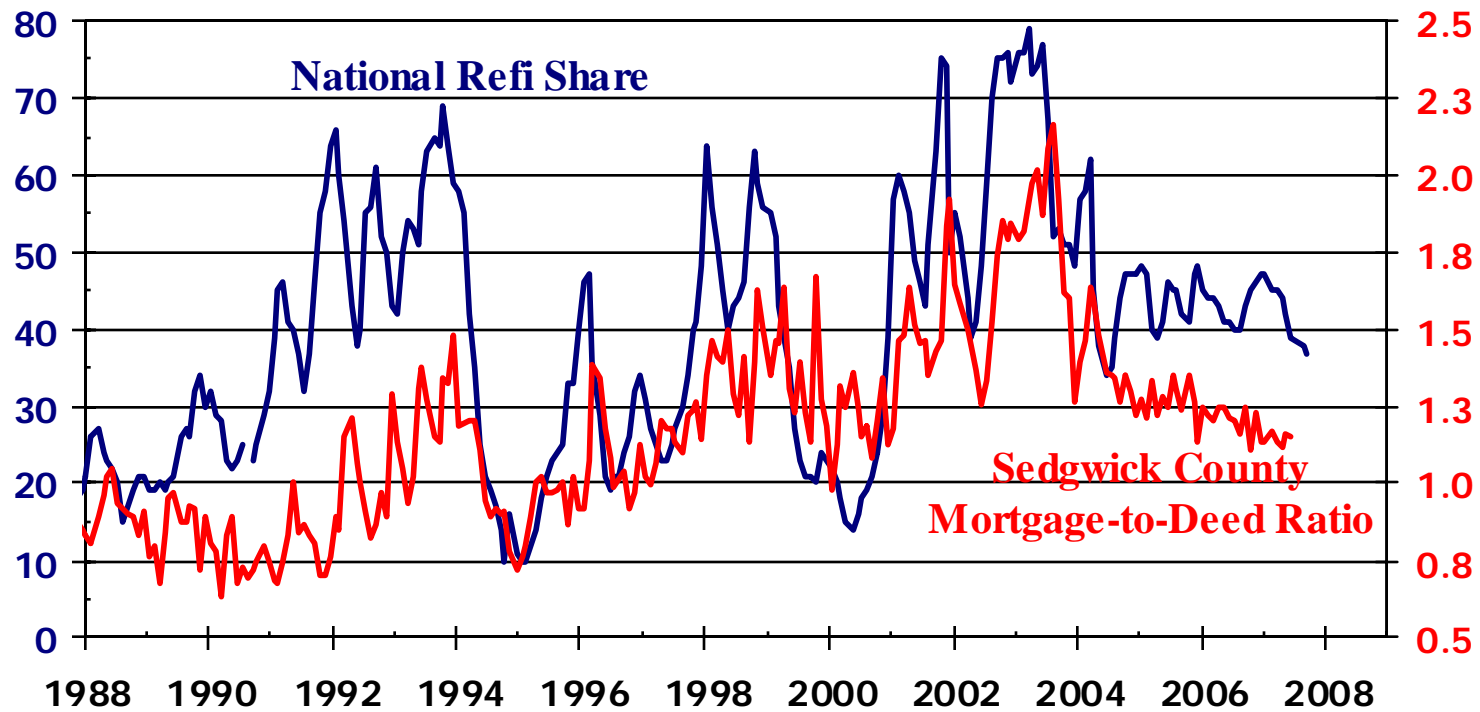


Comparing Price Indices

- The OFHEO HPI provides a broader picture of what is really happening to single-family house values nationwide
 - Appreciation nationwide has slowed dramatically, but is still positive
 - House prices are still rising in over 80 percent of the markets nationwide

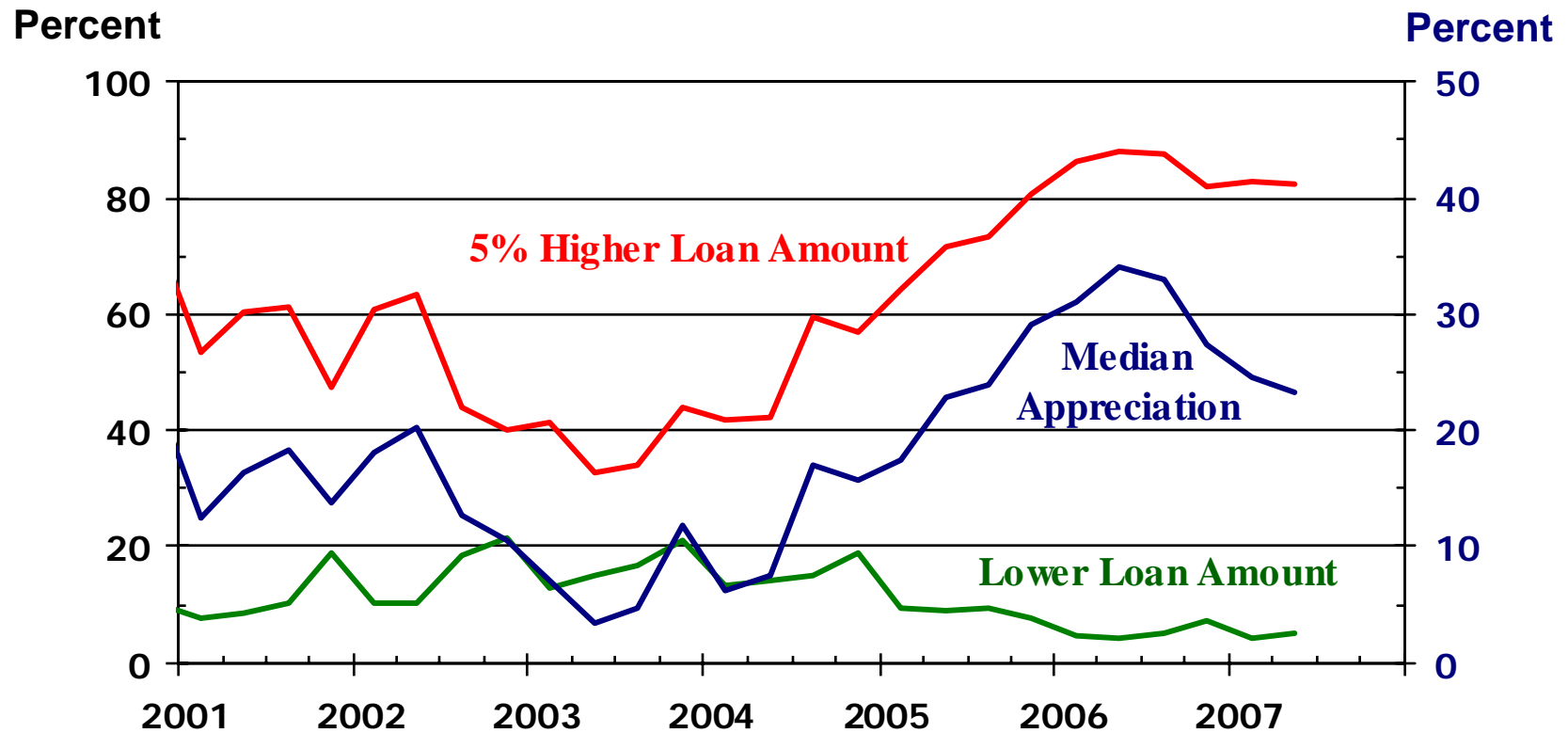
Mortgage Refinancing Activity

Percent



Sources: Freddie Mac; WSU Center for Real Estate using
Data from the Sedgwick County Register of Deeds

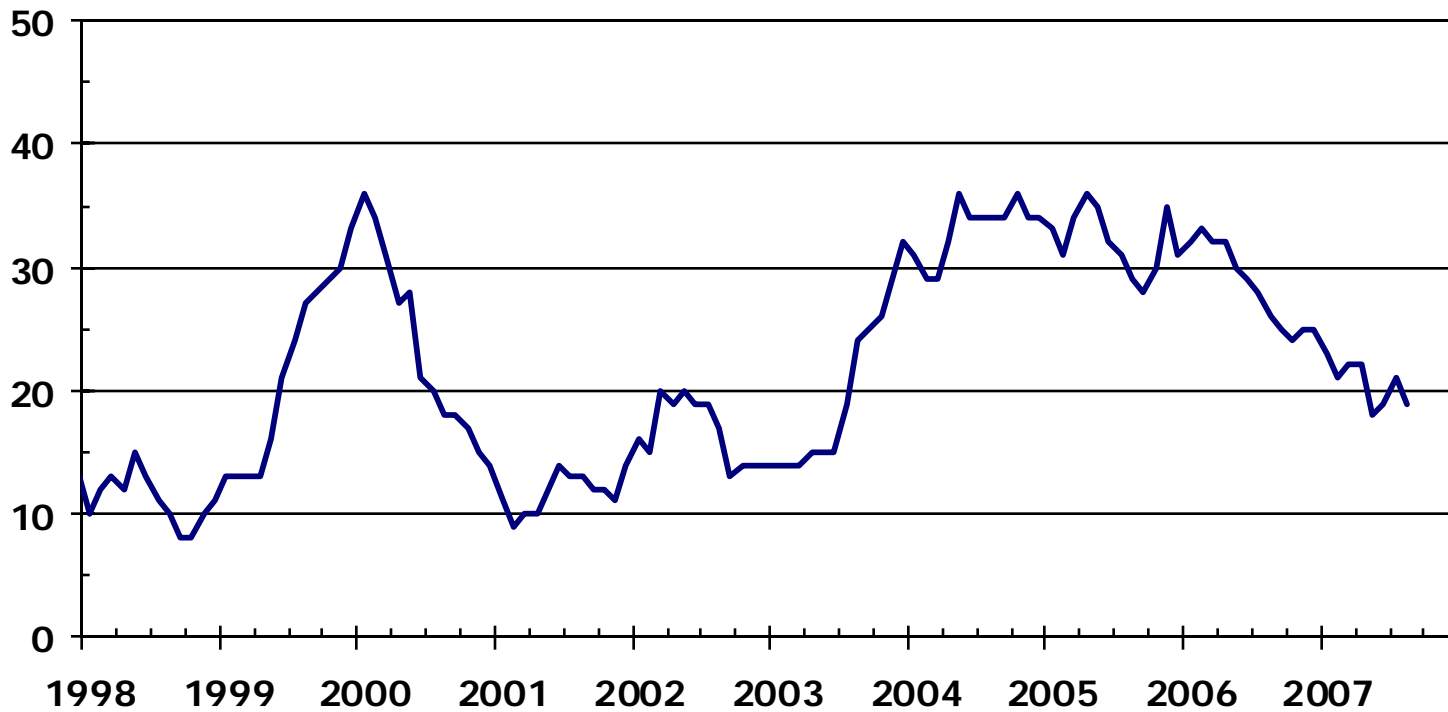
Cash Out Refis



Source: Freddie Mac

ARM Share of New Mortgage Originations

Percent



Source: Freddie Mac



A Housing Market Crisis?

- New and existing home sales have fallen, but it is hardly the crash being portrayed in the media
 - A self-fulfilling prophecy?
- Foreclosure problems are fairly isolated
- House price appreciation has slowed, but prices continue to rise throughout most of the U.S.

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