

# Lunch-n-Learn: Housing Market Update

*Wichita Area Association of Realtors®  
May 5, 2008*

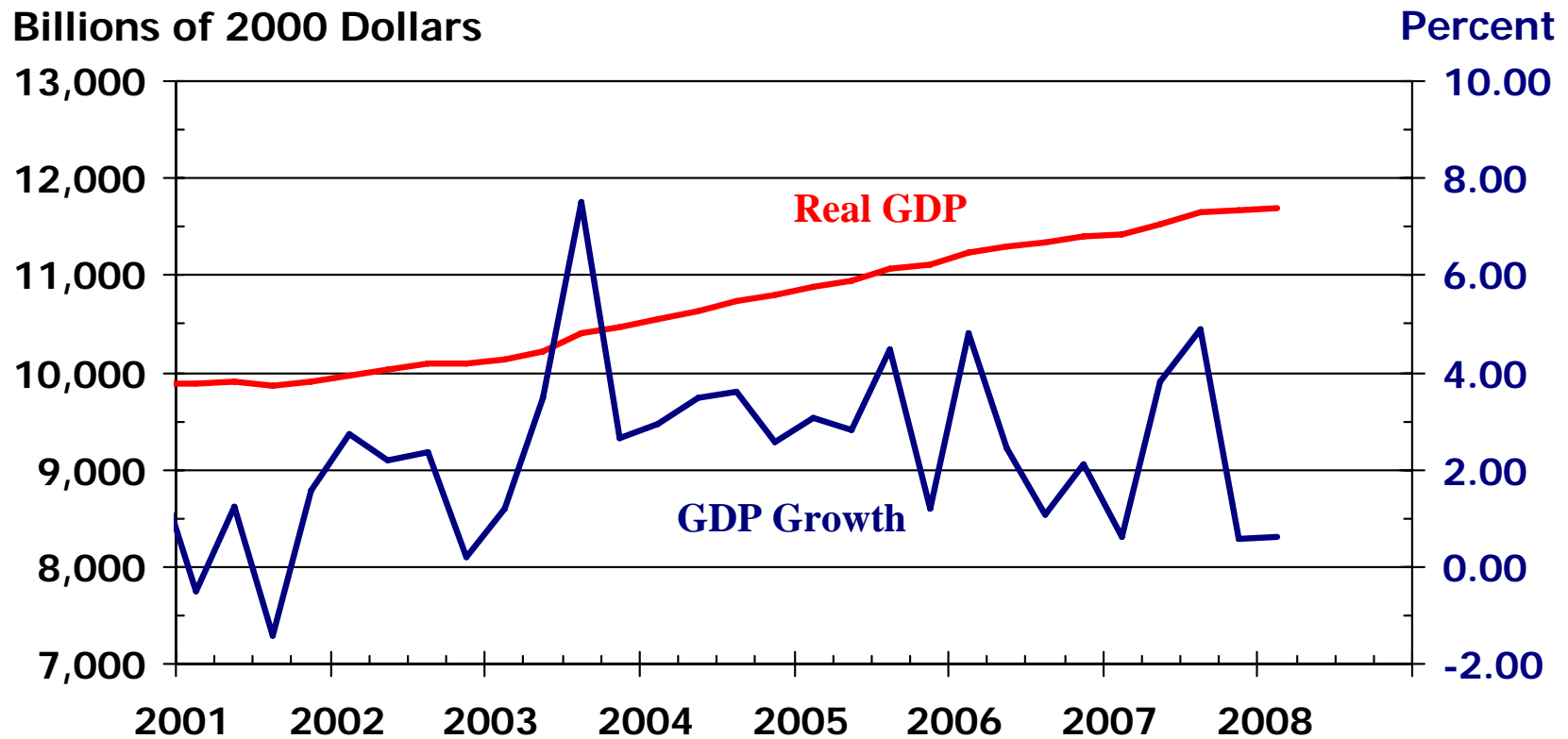




# Is the Market Strong? Weak? What's Going On?

- Review national and local economic indicators
- Consider the interest rate environment and mortgage market activity
- Analyze existing and new home sales
- Look at home price appreciation figures
- Try to understand what's happening with the “foreclosure crisis”

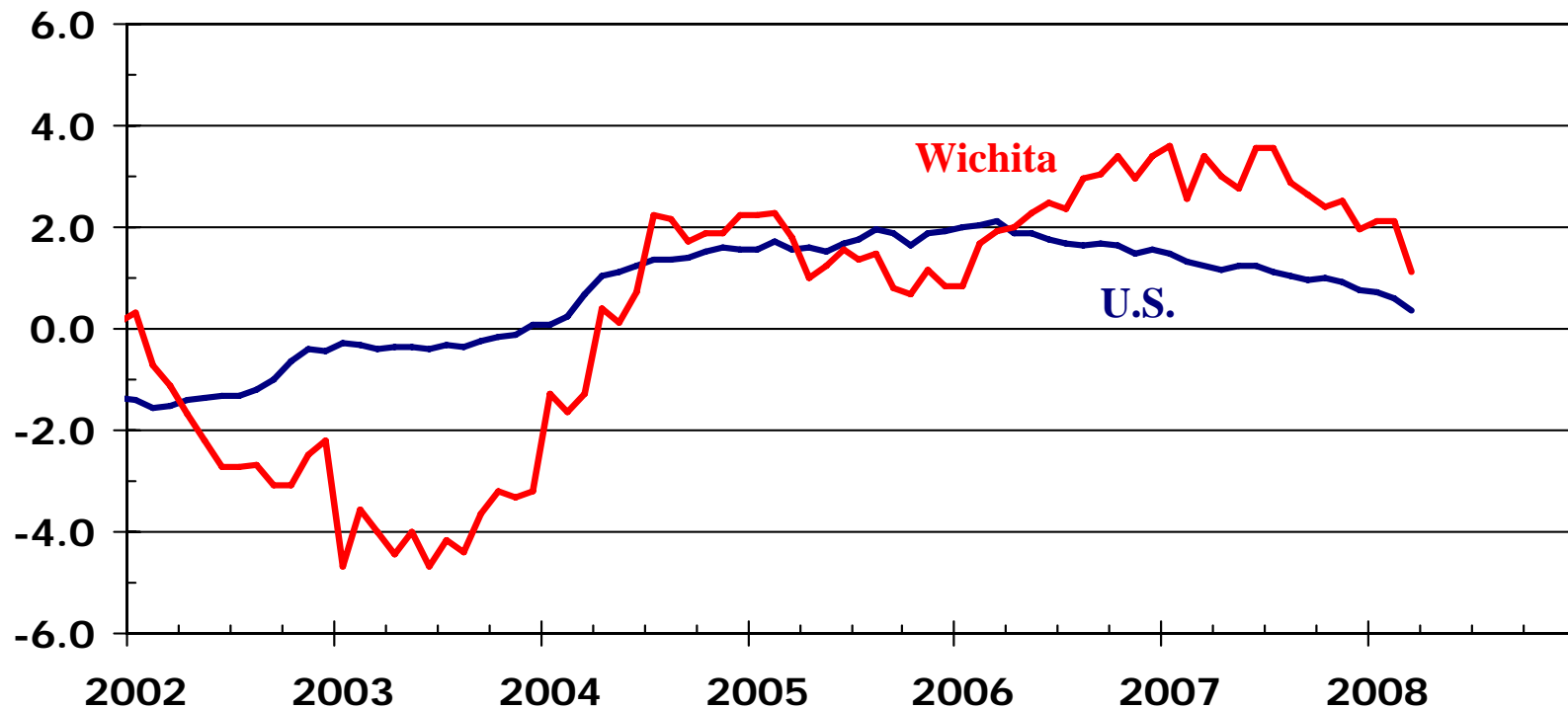
# Real Gross Domestic Product



Source: Bureau of Economic Analysis

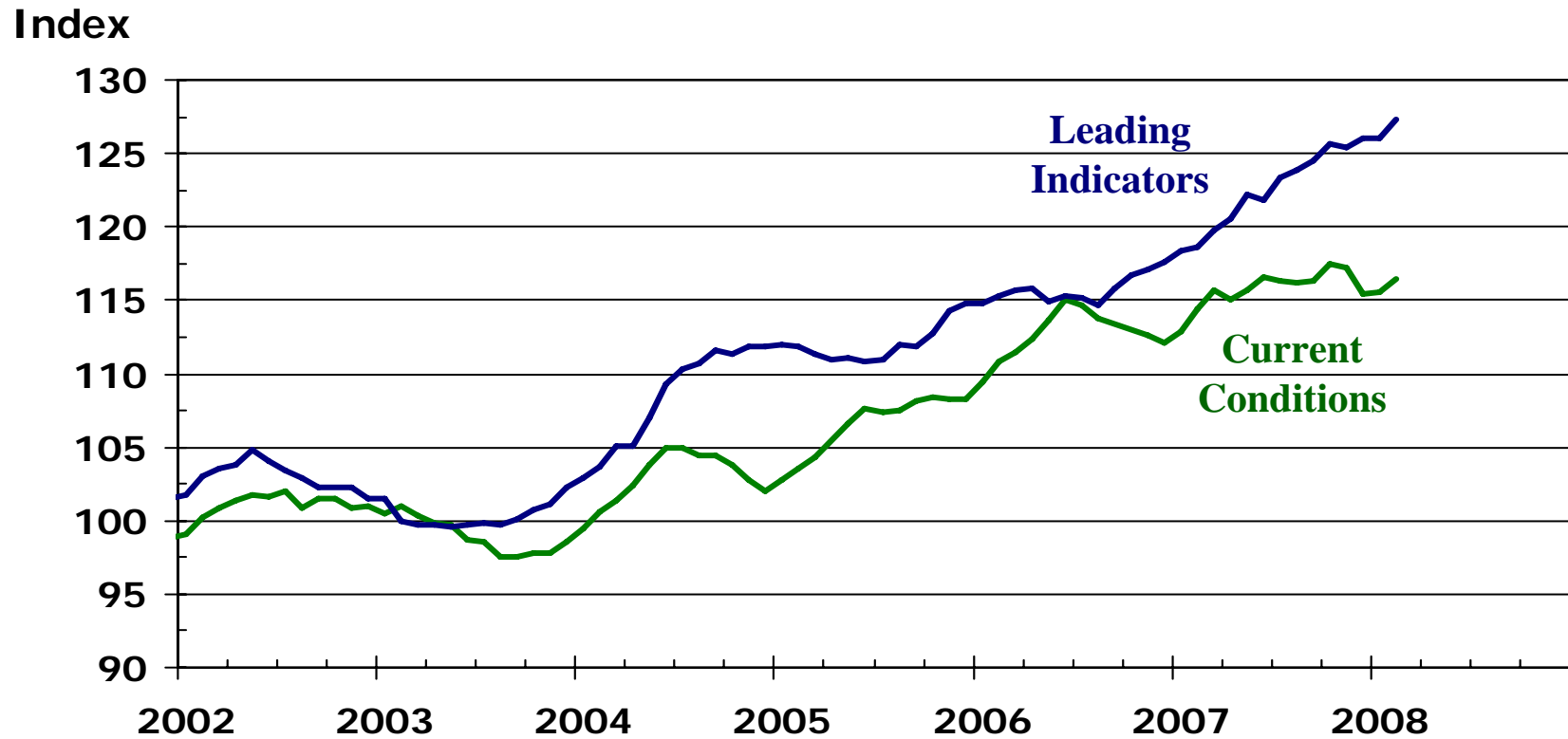
# Employment Growth

Year-over-Year Percentage Change



Sources: Kansas Department of Human Resources;  
U.S. Bureau of Labor Statistics

# WSU Economic Indices



Source: WSU Center for Economic Development  
and Business Research

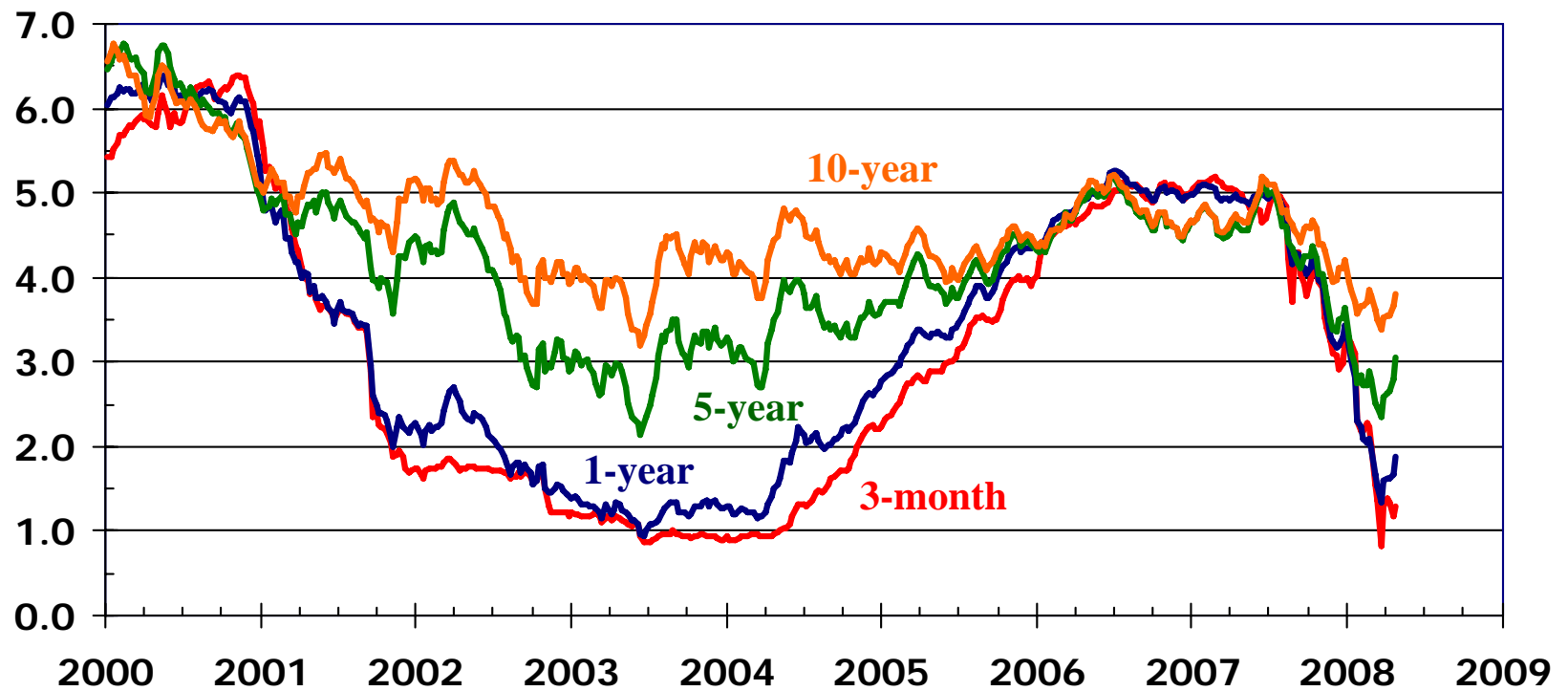


# Economic Indicators are Mixed

- National GDP growth has slowed to a crawl
- Employment growth in Wichita area is slowing
- Leading indicators for Wichita are mostly up
  - Aircraft & parts orders
  - Aerospace stock prices
  - Manufacturing hours worked
  - Value of residential & commercial permits
  - Commodity prices

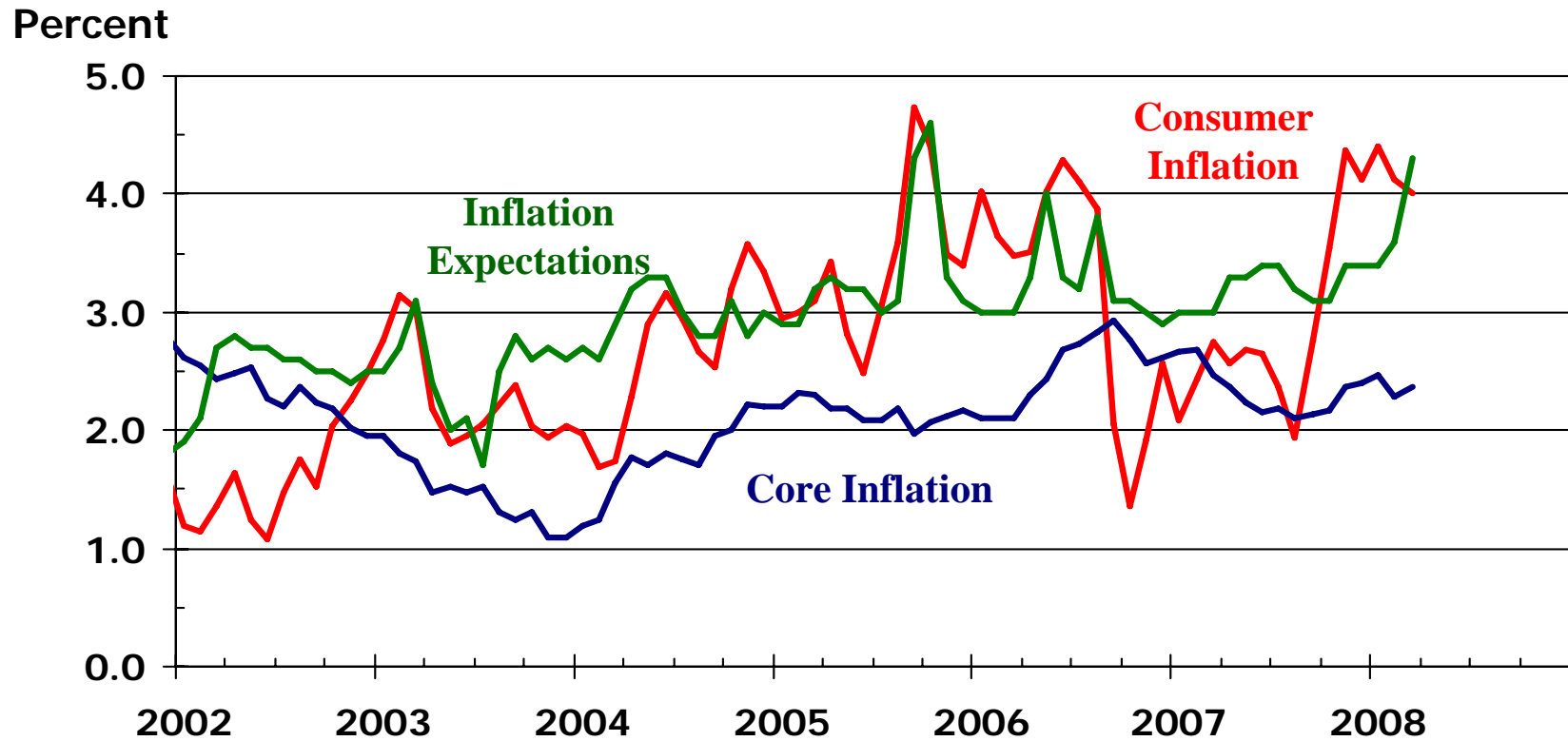
# Treasury Rates

Percent



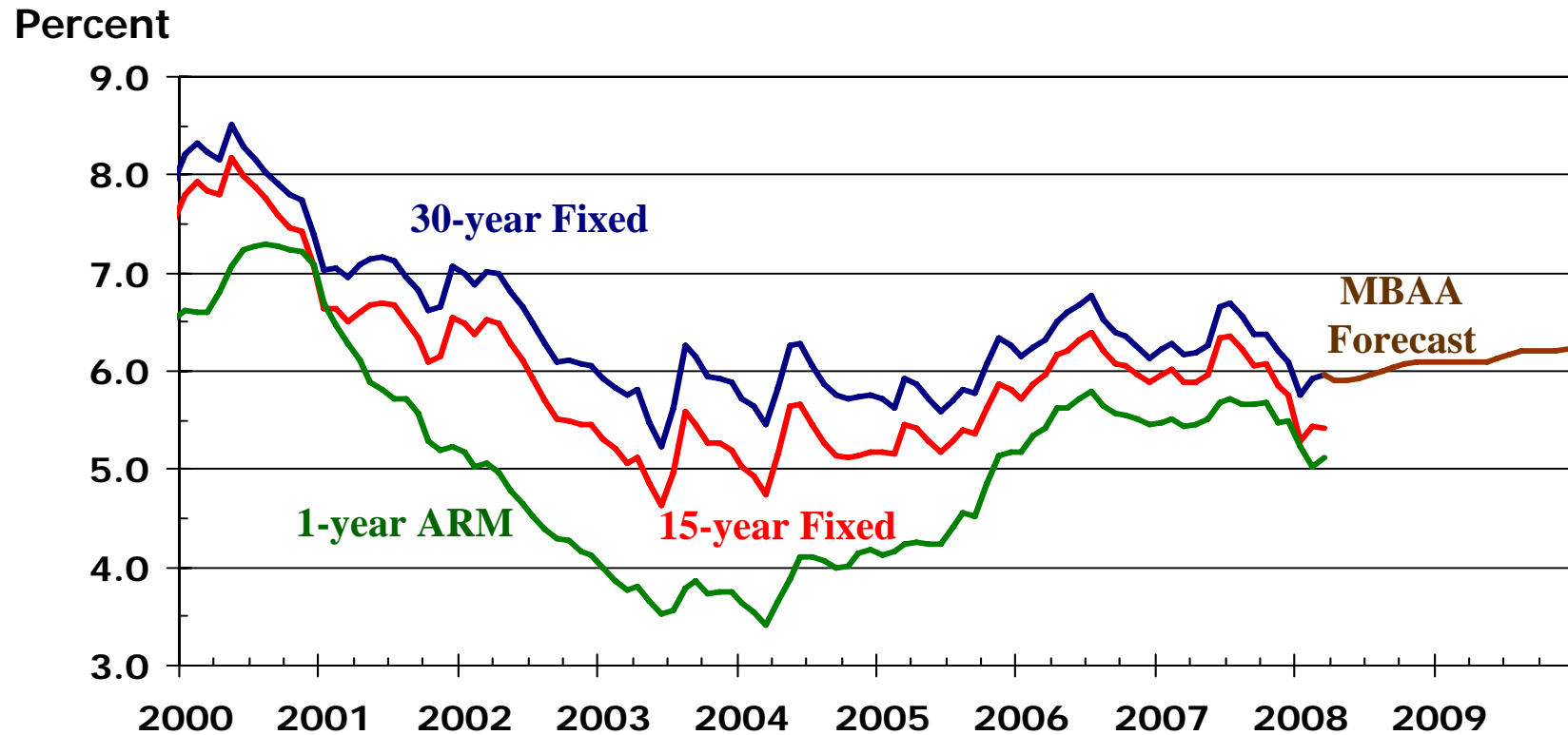
Source: Board of Governors of the Federal Reserve System

# Consumer Inflation



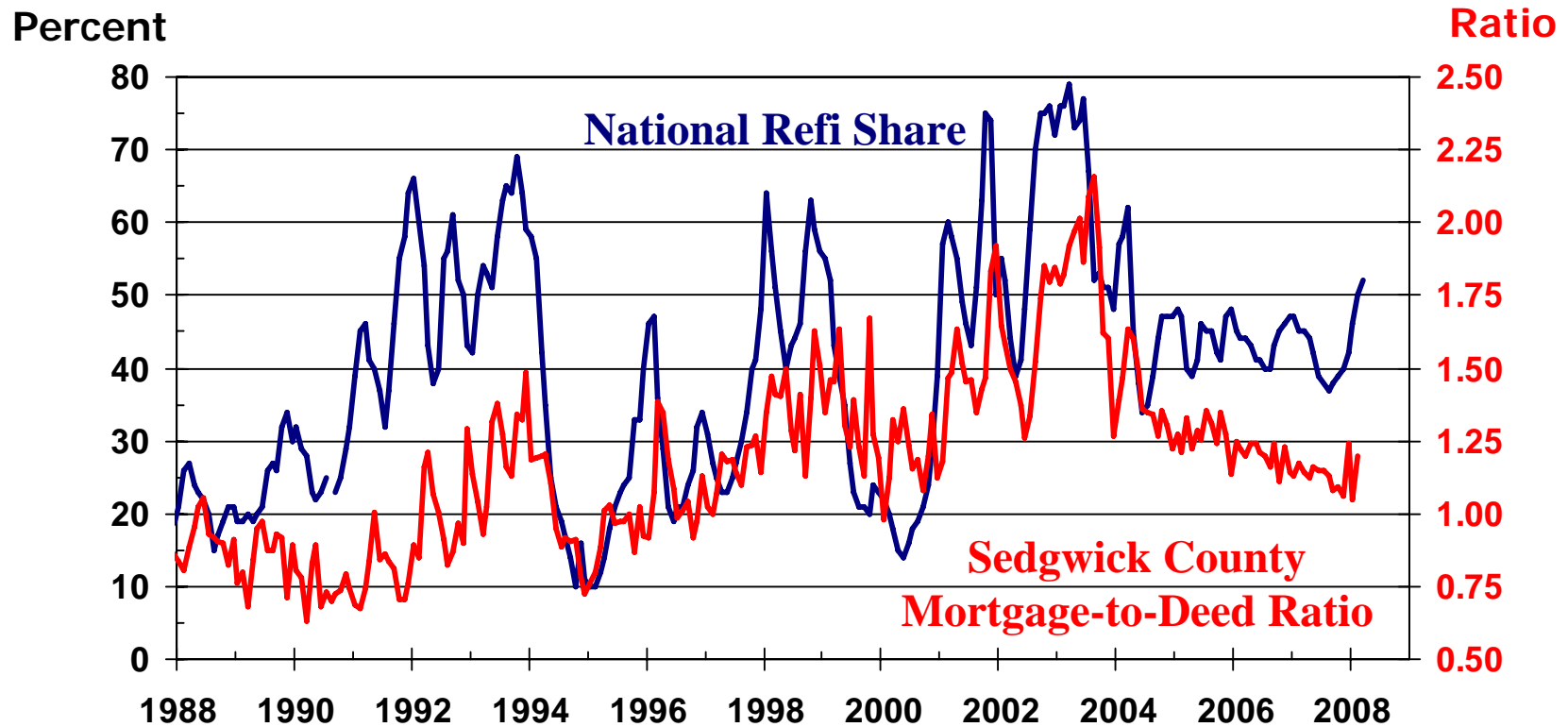
Sources: U.S. Bureau of Labor Statistics;  
University of Michigan

# Mortgage Rates



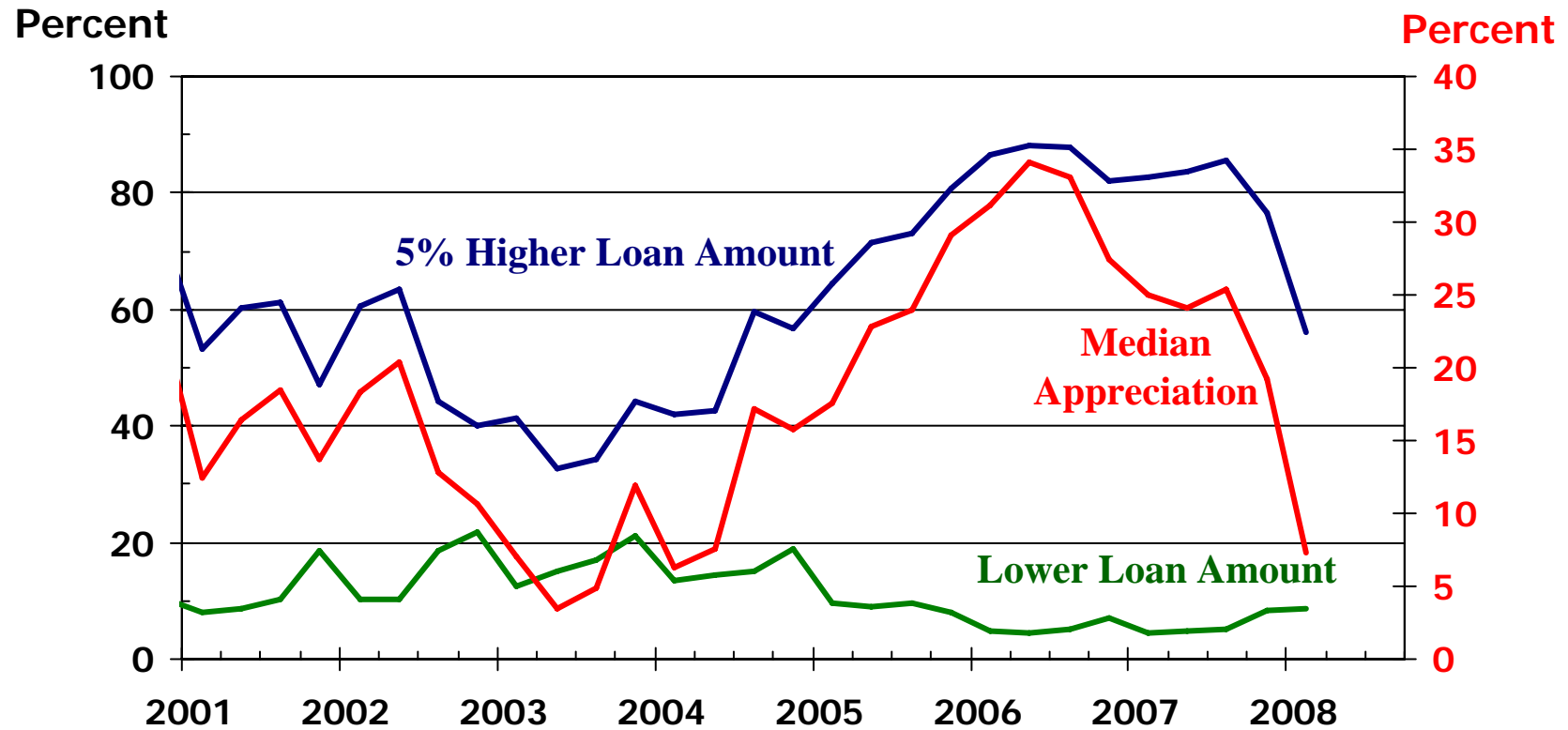
Sources: Freddie Mac;  
Mortgage Bankers Association of America

# Mortgage Refinancing Activity



Sources: Freddie Mac; Sedgwick County Register of Deeds

# Cash Out Refis



Source: Freddie Mac

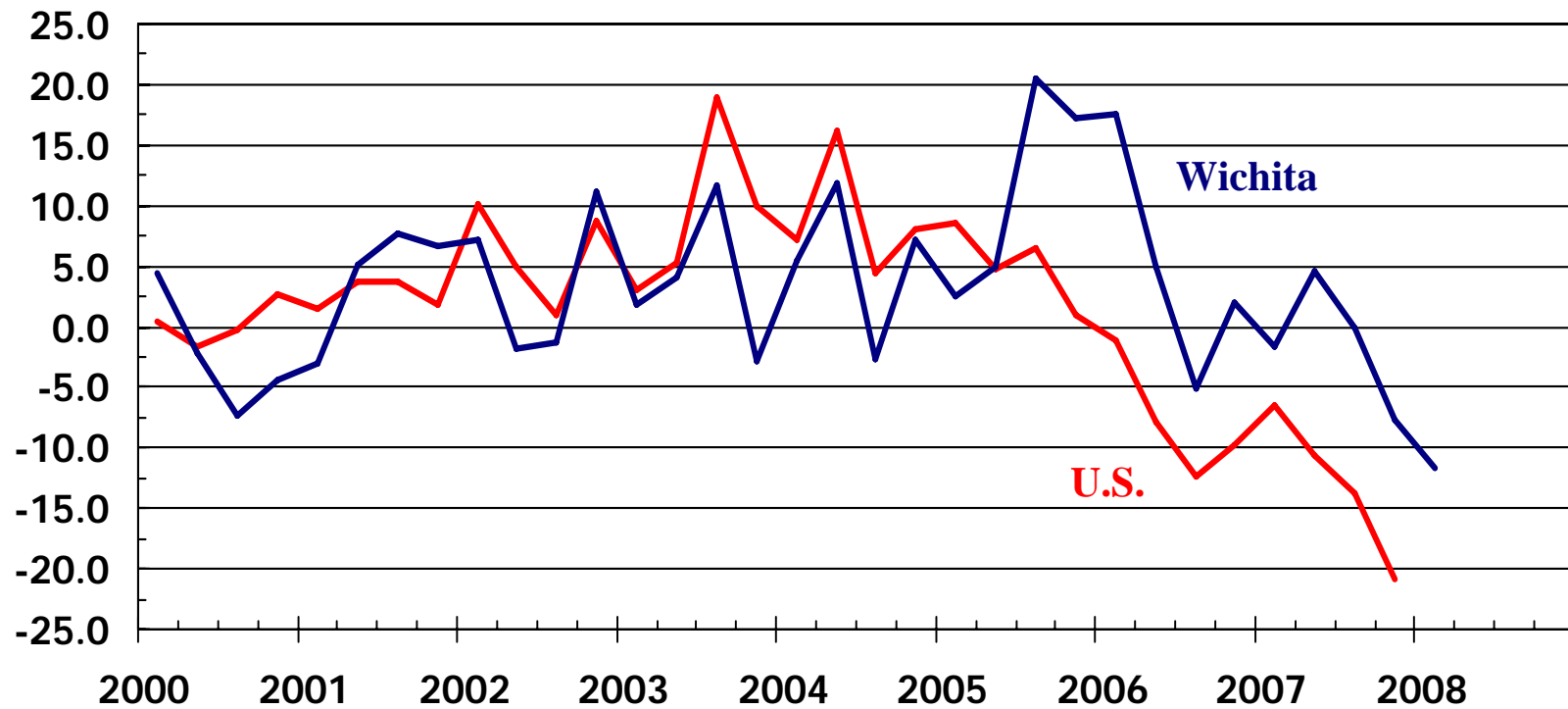


# Mortgage Rates are Steady, For Now...

- The Fed's response to the credit market "crisis" may lead to a rise in core inflation in the coming quarters
- Mortgage rates will rise in the future if inflation is not contained
- Cash-out refinancing activity has slowed

# Existing Home Sales

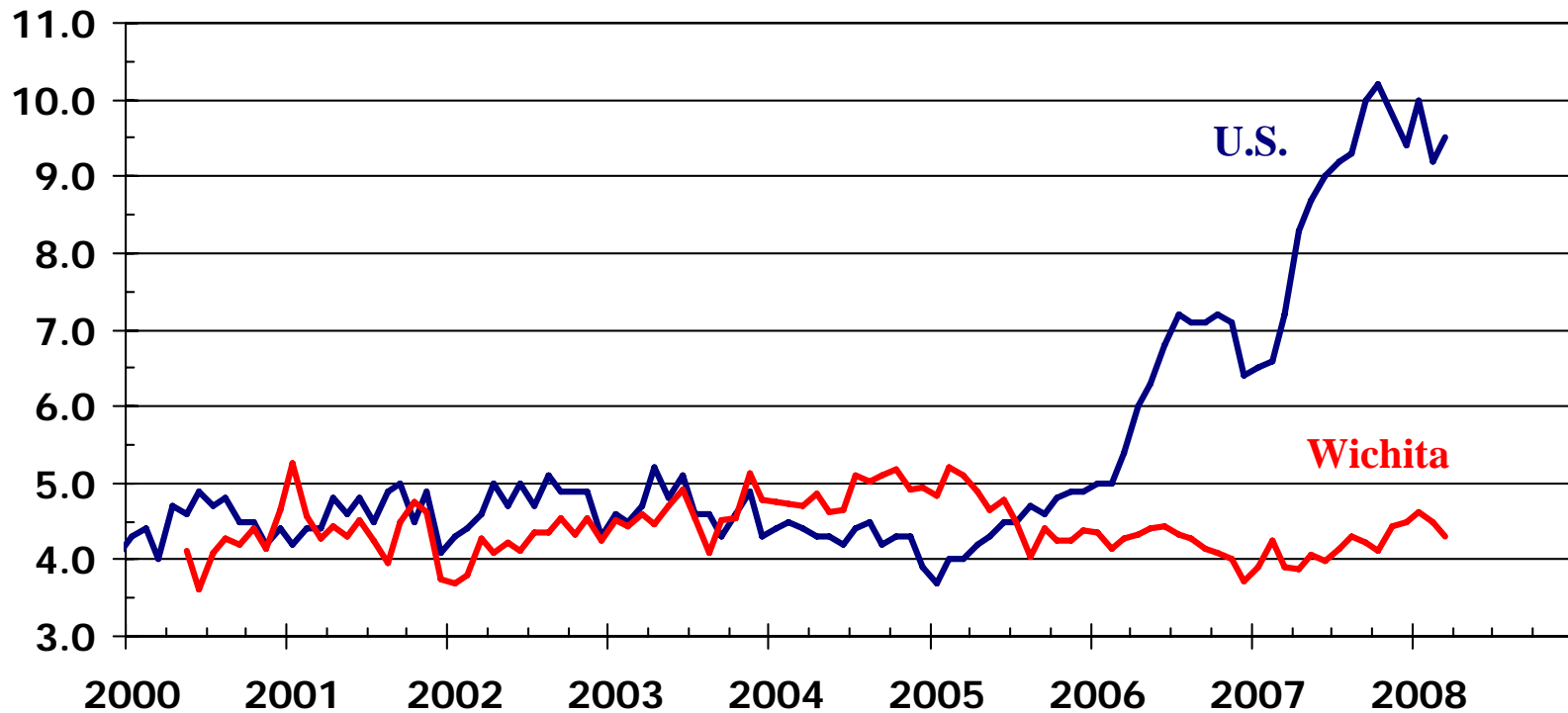
Year-over-year Percentage Change



Sources: NAR; KCRAR; SCK MLS

# Inventory of Existing Homes Available for Sale

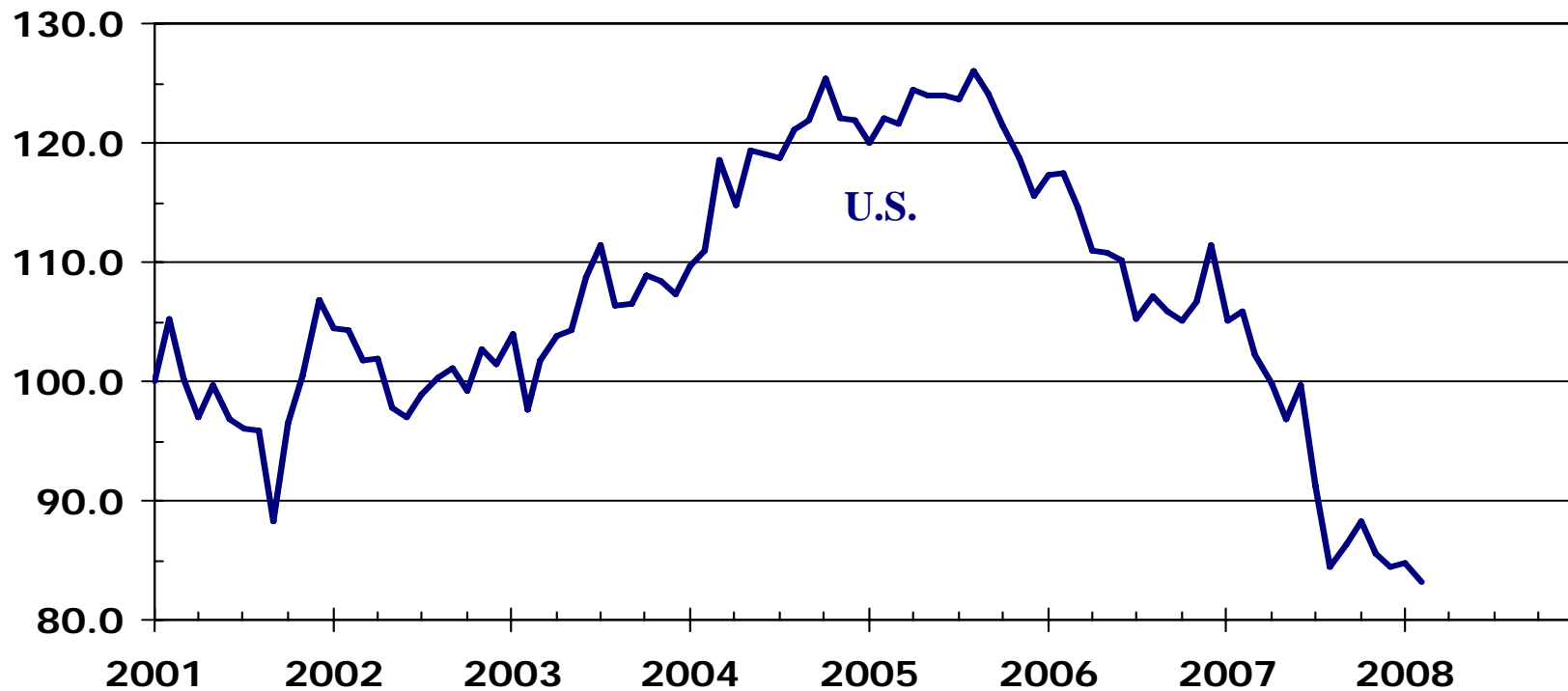
Months Supply (SA)



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

# Pending Home Sales Index

Index (SA)

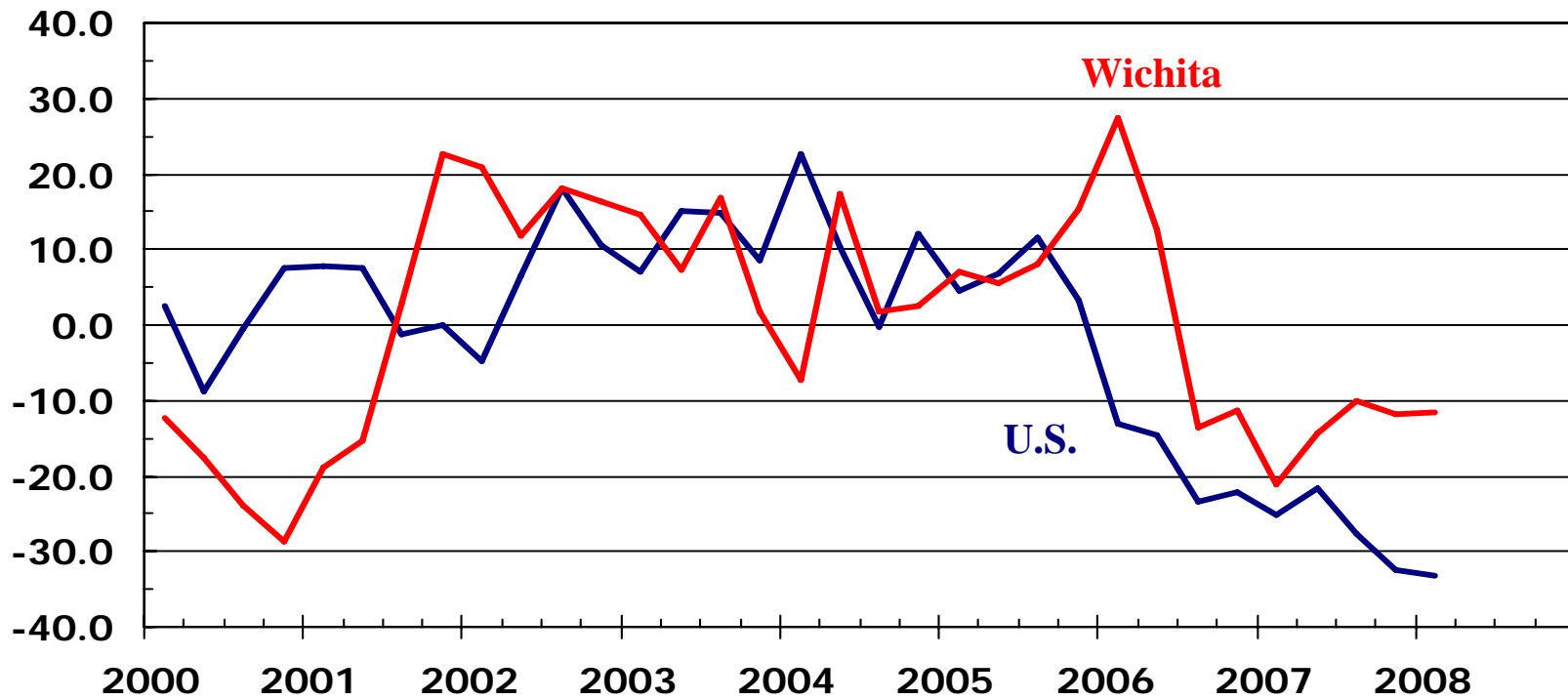


Source: NAR



# New Home Sales

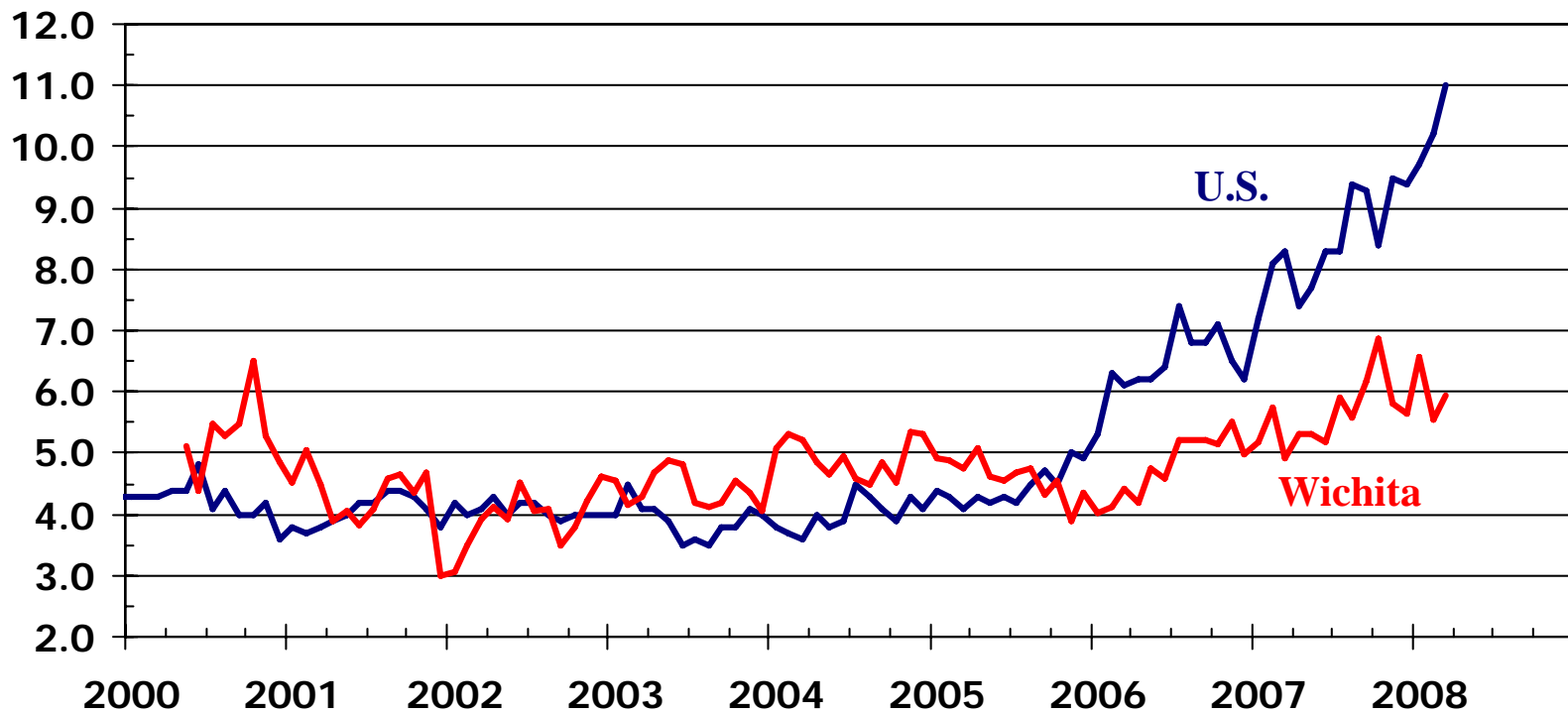
Year-over-year Percentage Change



Sources: HUD; SCK MLS; KCRAR

# Inventory of New Homes Available for Sale

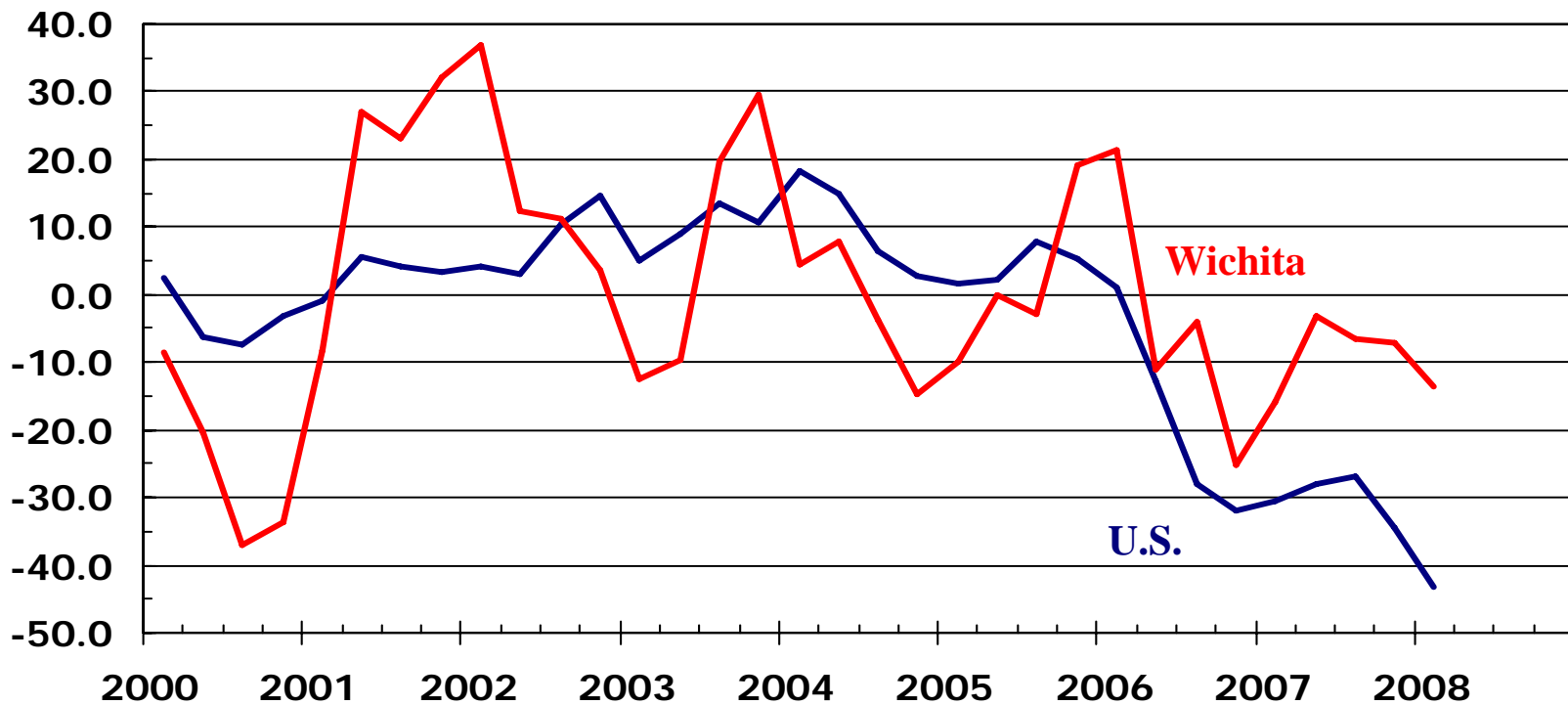
Months Supply (SA)



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

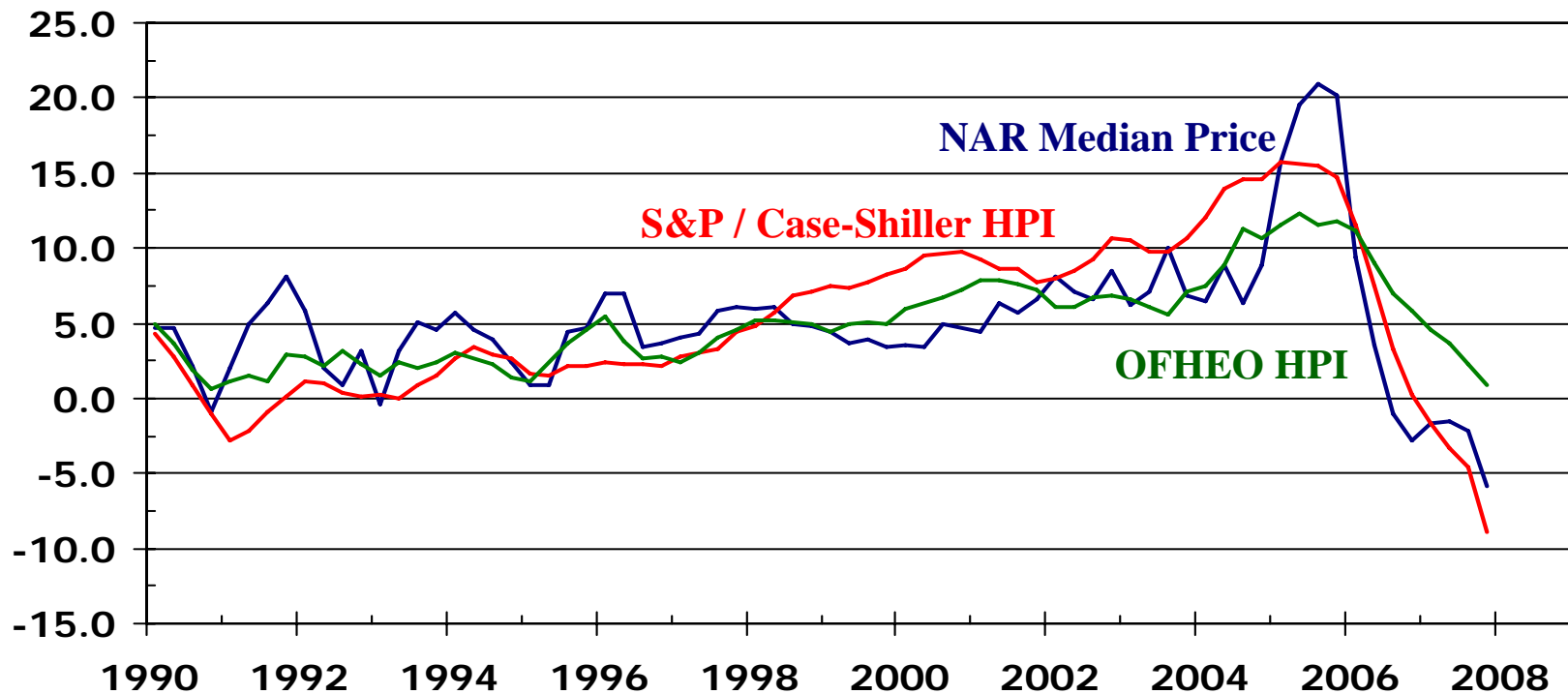


# Wichita Home Sales Are Down

- But not for the same reasons as the “bubble” markets on the coasts
  - Lower end of the market may be pressed by tightening credit standards
  - Inventories for existing homes remain quite low
- New home sales and construction have been down for two years
  - Inventories are up a bit, but nothing like other markets
  - Poised for a surge in 2008?

# U.S. House Price Appreciation

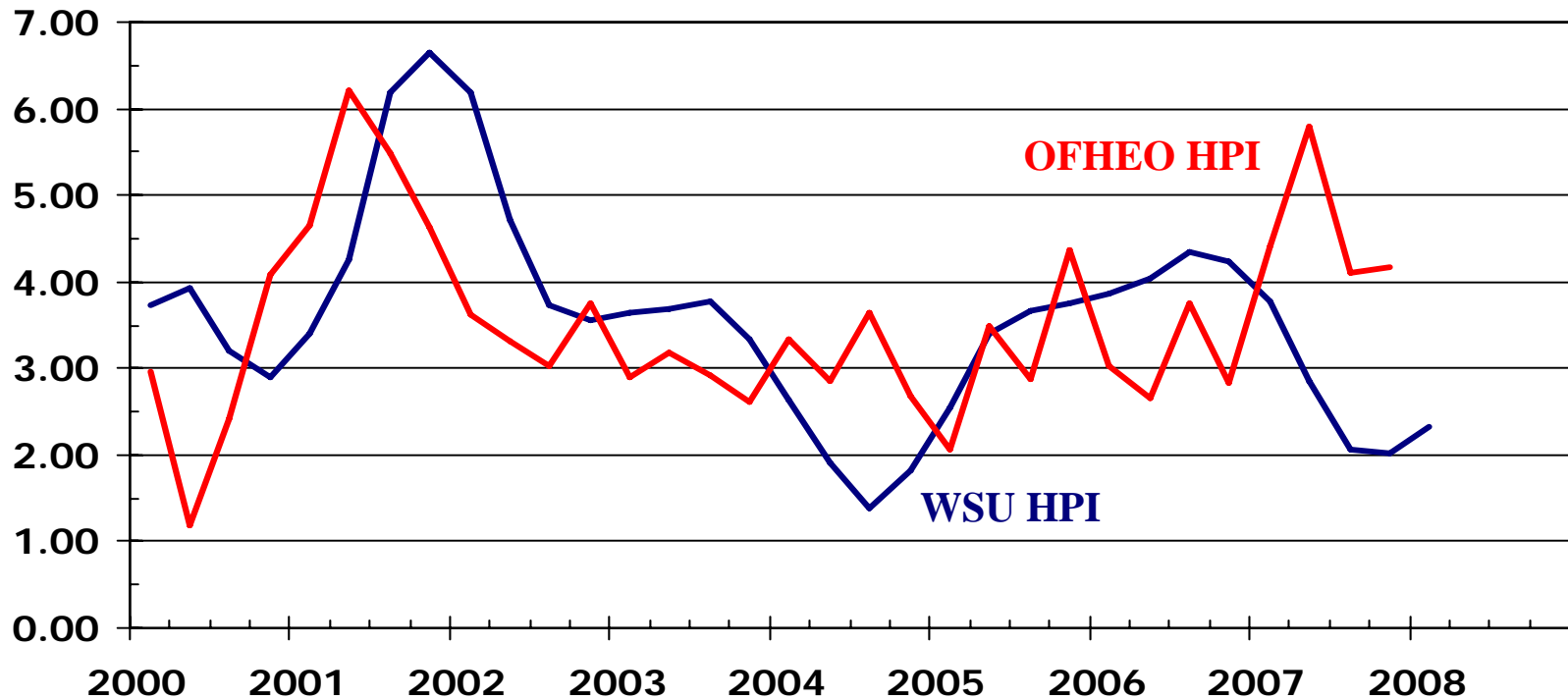
Year-over-year Percentage Change



Sources: NAR; S&P; OFHEO

# Wichita Area Home Price Appreciation

Year-over-year Percentage Change

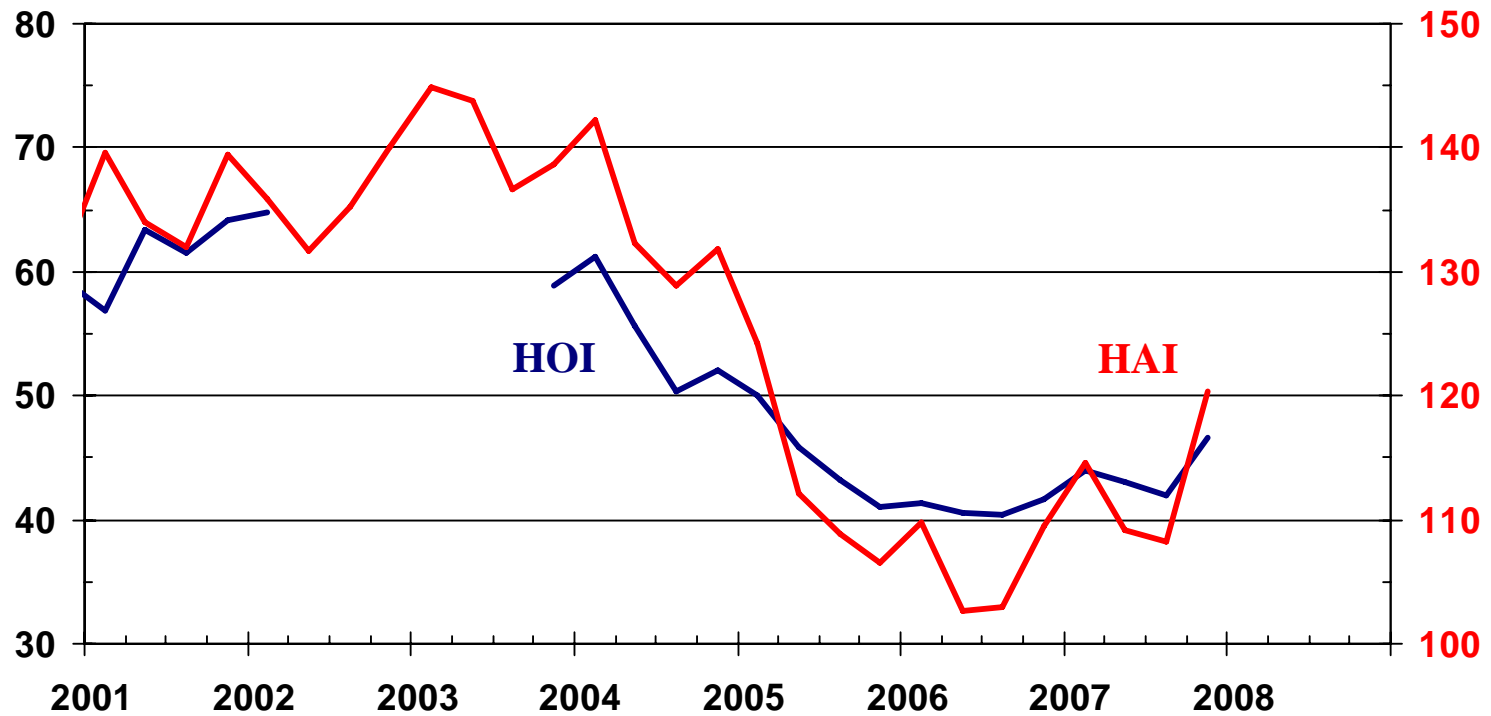


Sources: WSU Center for Real Estate;  
Office of Federal Housing Enterprise Oversight

# Housing Affordability

Opportunity Index

Affordability Index



Sources: NAHB; NAR

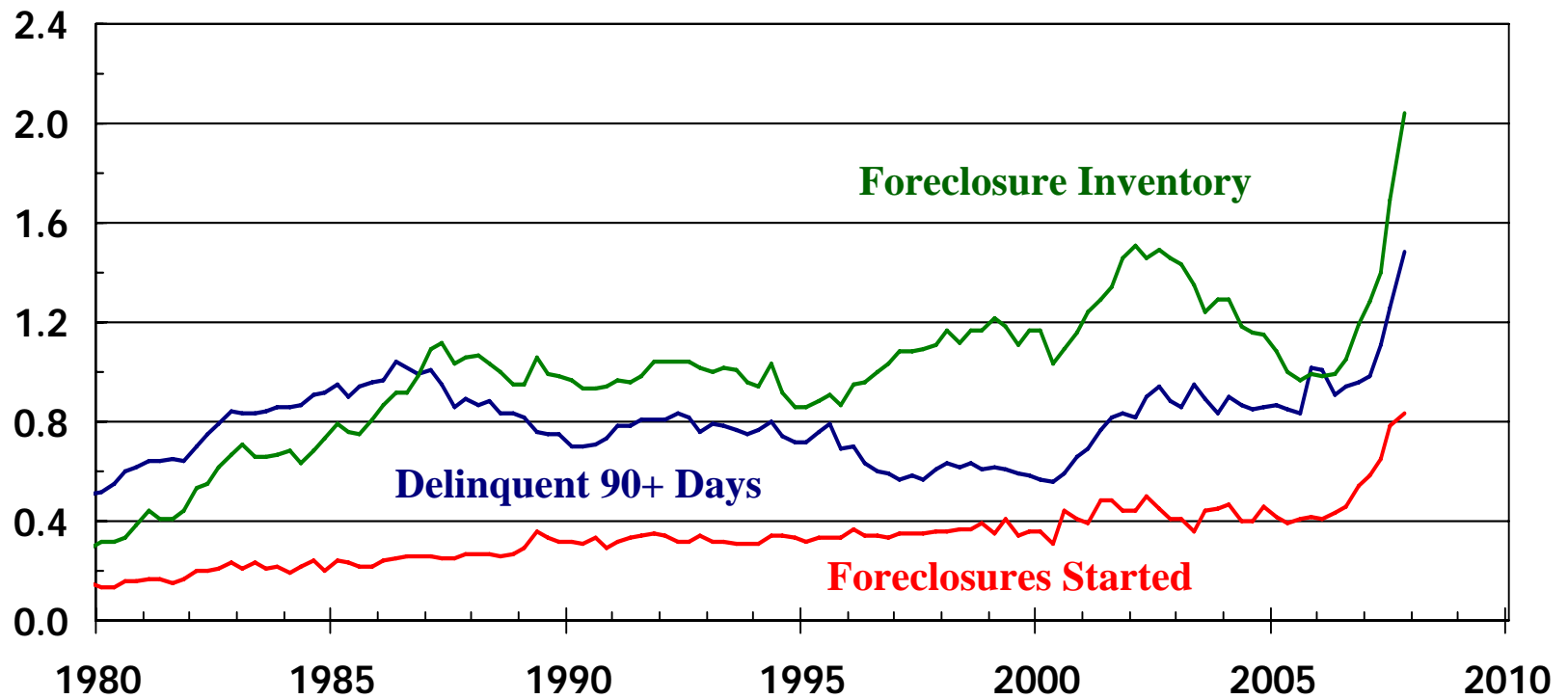


# Home Prices

- Wichita area home price appreciation has slowed, but remains positive
  - Much better than many markets with genuine price declines
  - Slow but steady wins the race
- Rising affordability may be one light at the end of the housing market crisis tunnel

# U.S. Foreclosures & Delinquencies

Percent of Loans Serviced

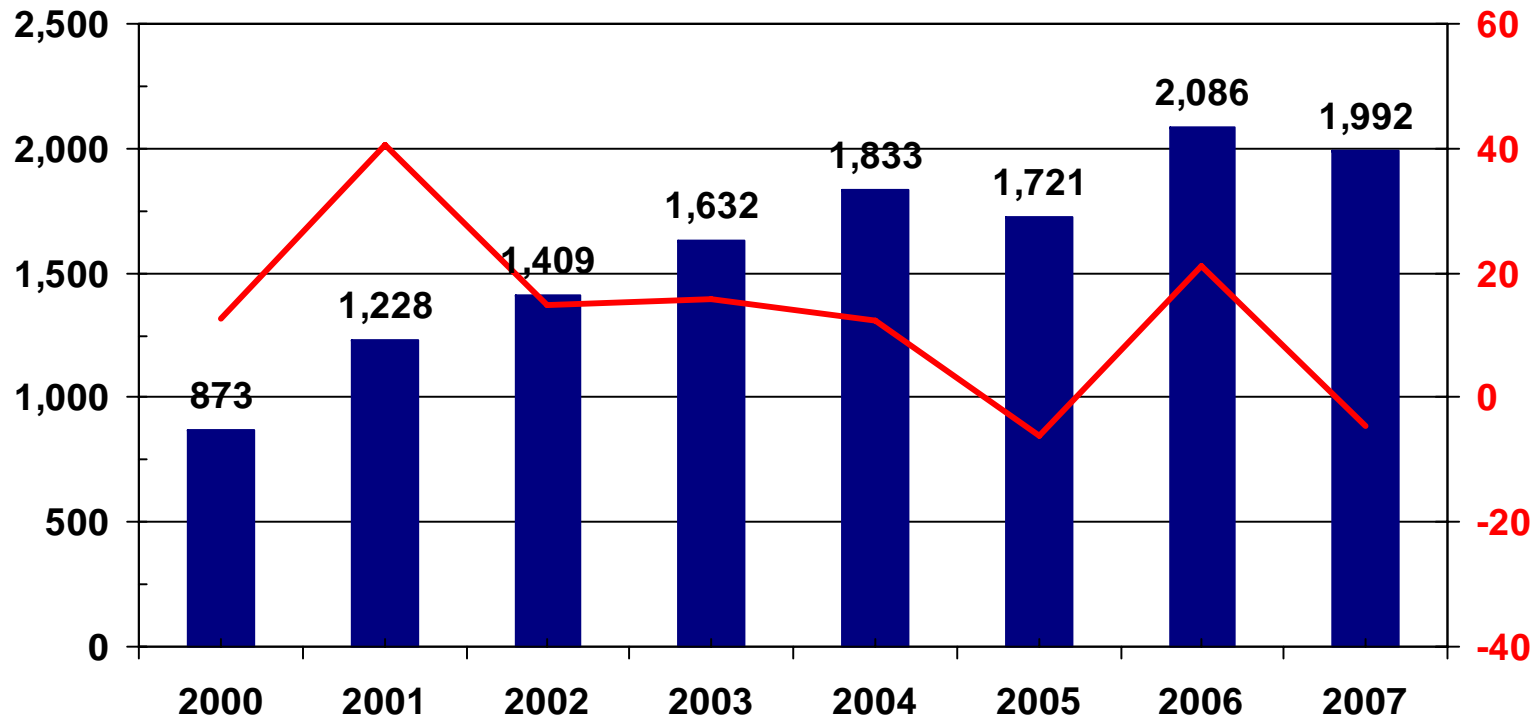


Source: MBAA

# Sedgwick County Foreclosures

Number of Foreclosures

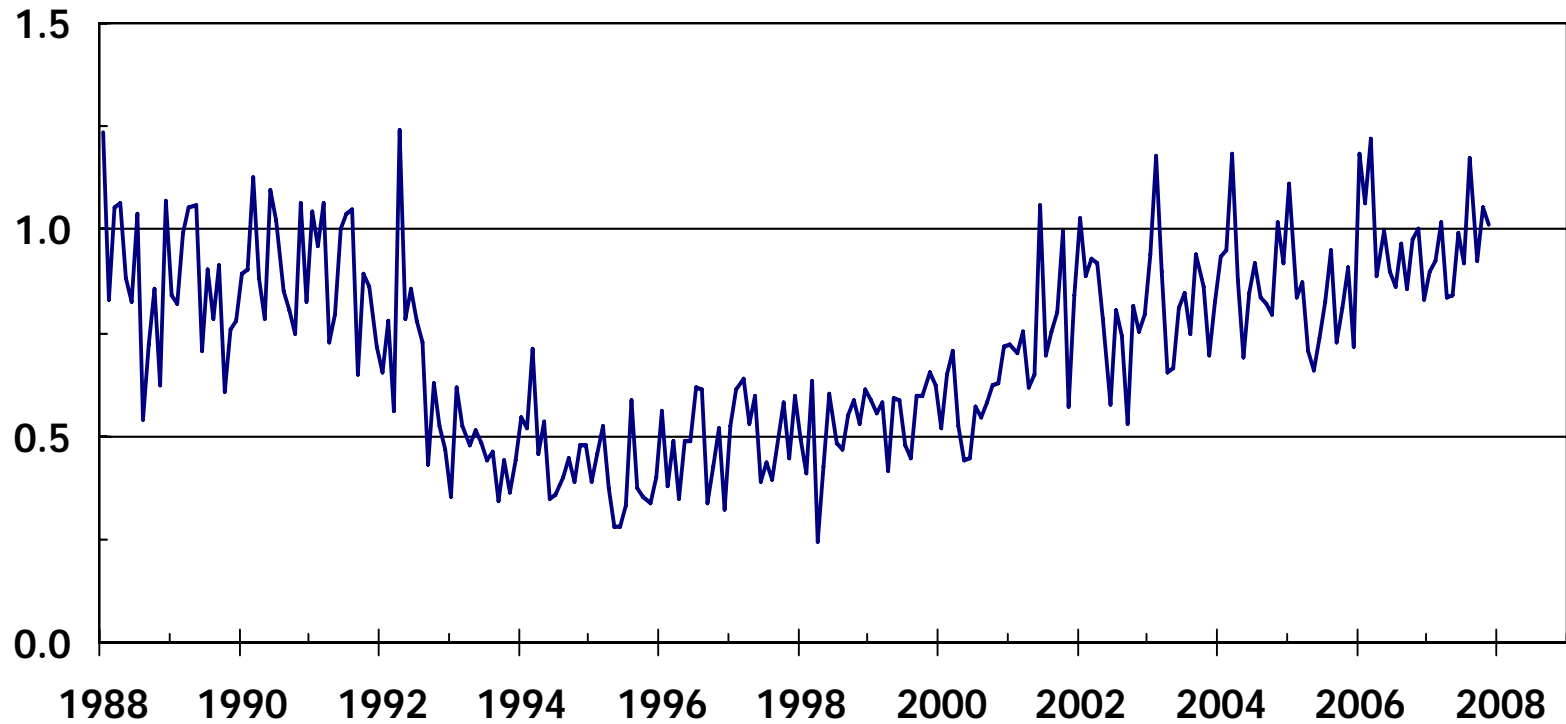
Year-over-year Percentage Change



Source: Sedgwick County Register of Deeds Office

# Sedgwick County Foreclosure Rate

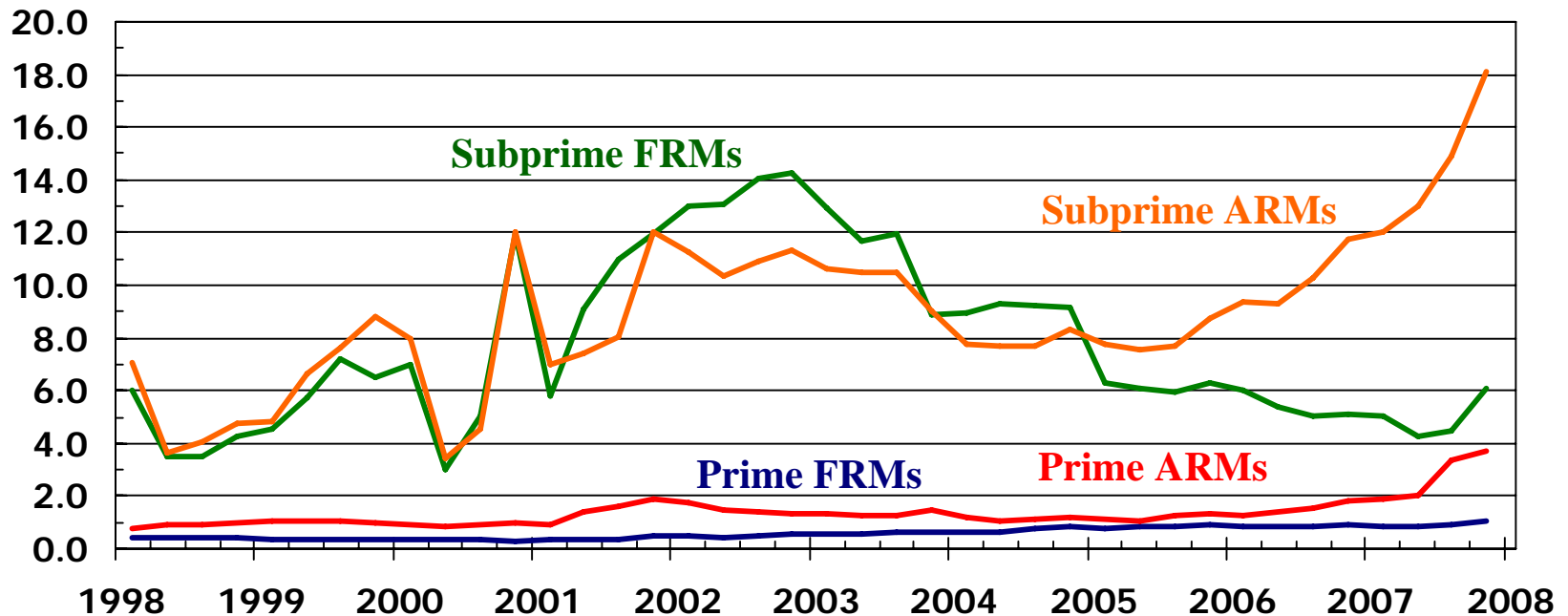
Foreclosures per 1,000 Mortgages over Past Five Years



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

# KS Severely Delinquent Loans

Percent of Loans Serviced



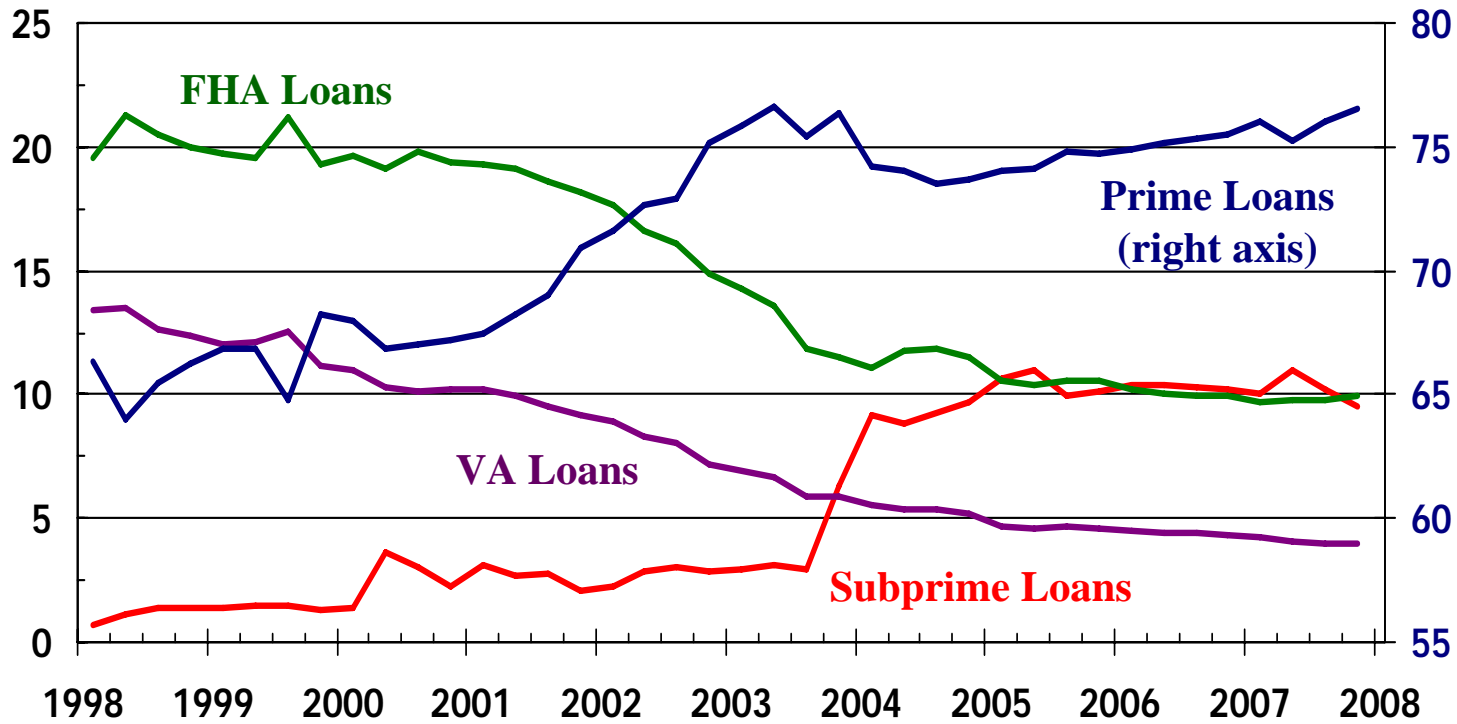
**ARMs make up over 40% of subprime loans in KS but about 10% of all prime loans**

Source: MBAA

# The Growth of Subprime Lending: Kansas

Percent of Loans Serviced

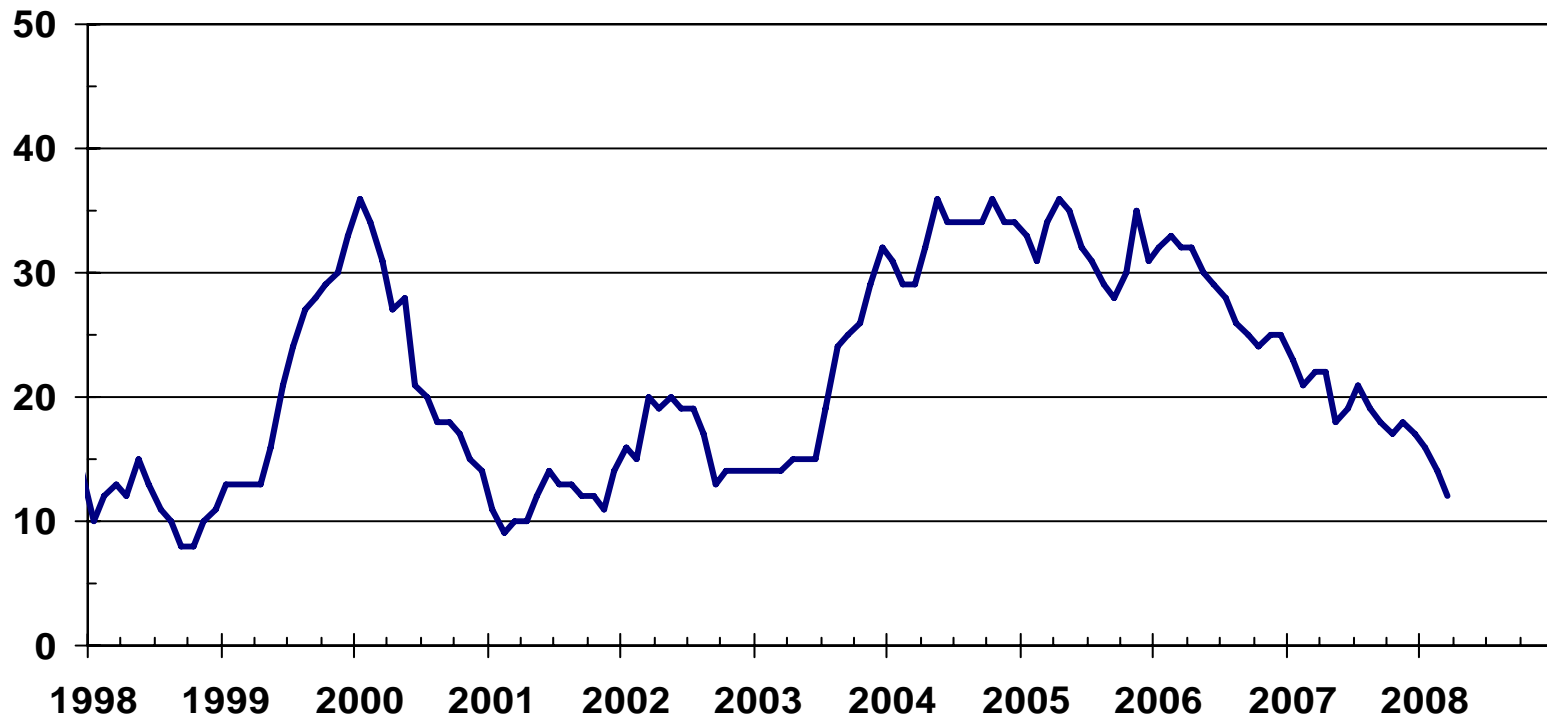
Percent of Loans Serviced



Source: MBAA

# ARM Share of New Mortgage Originations

Percent



Source: Freddie Mac



# Foreclosures

- The foreclosure problem has been driven by ARMs, especially among sub-prime loans
- Foreclosures in the Wichita area have not yet spiked like they have in other parts of the country, but they still may
  - In Kansas generally, if not specifically in Wichita

# Wichita State University Center for Real Estate

*Laying a Foundation for  
Real Estate in Kansas*



WICHITA STATE UNIVERSITY

