

Lunch-n-Learn: Housing Market Update

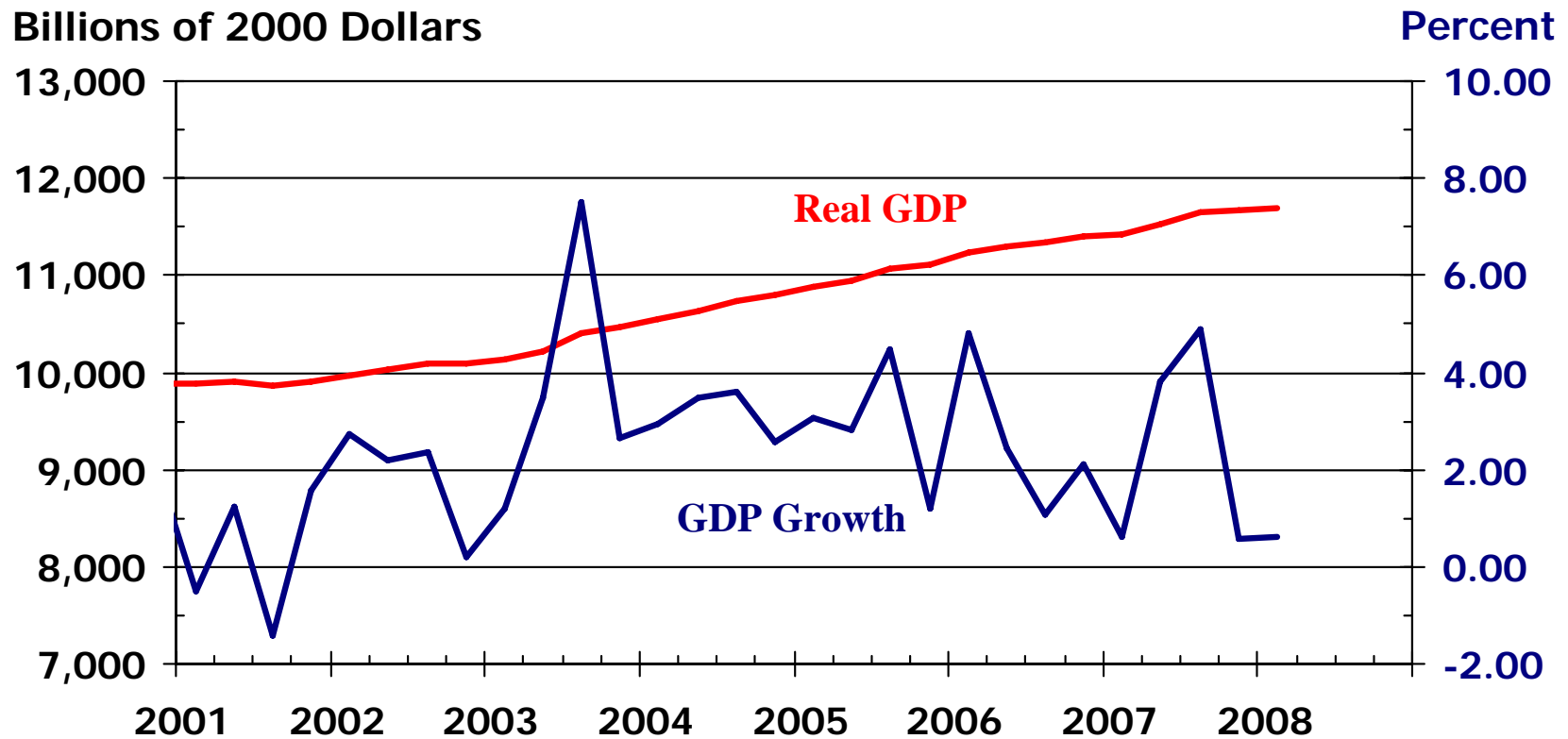
Dr. Stanley D. Longhofer
May 13, 2008



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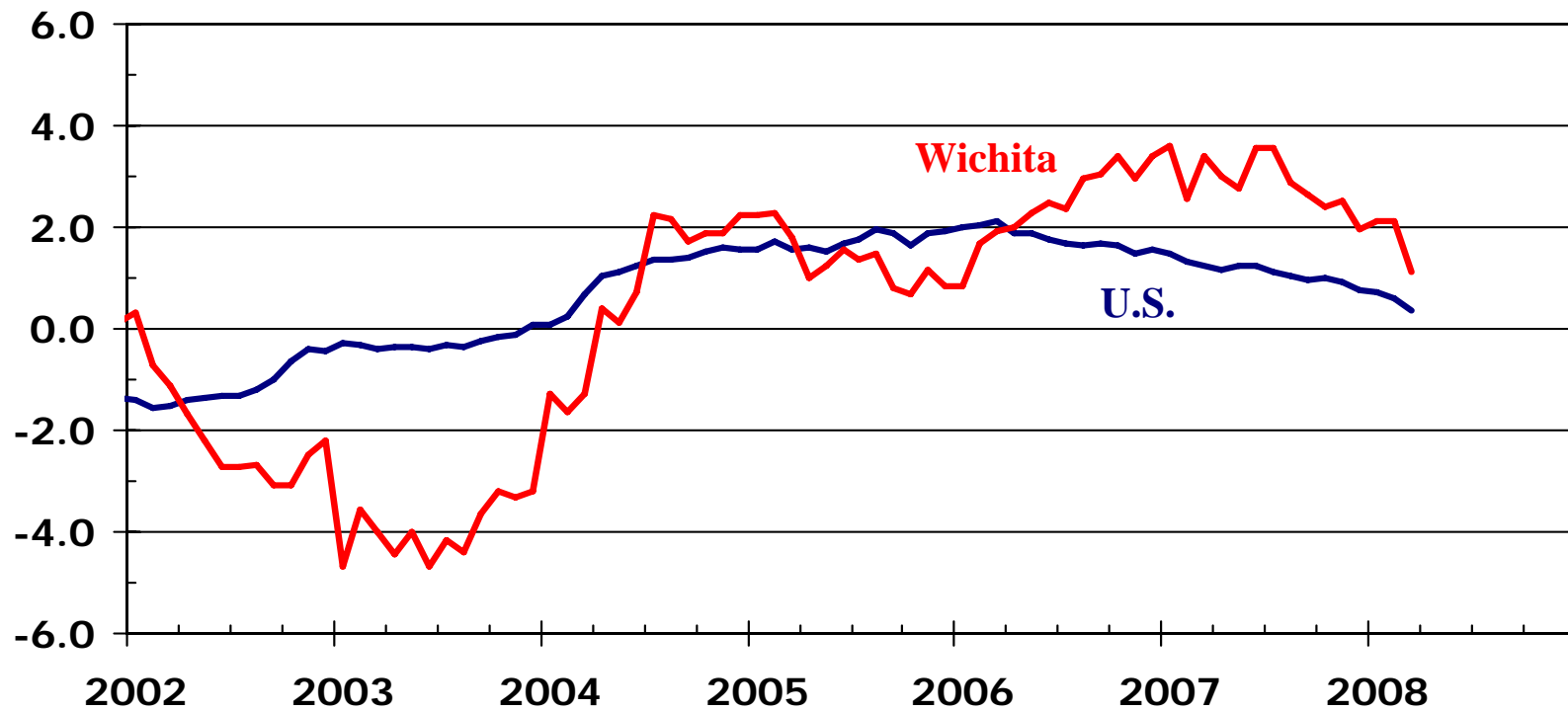
Real Gross Domestic Product



Source: Bureau of Economic Analysis

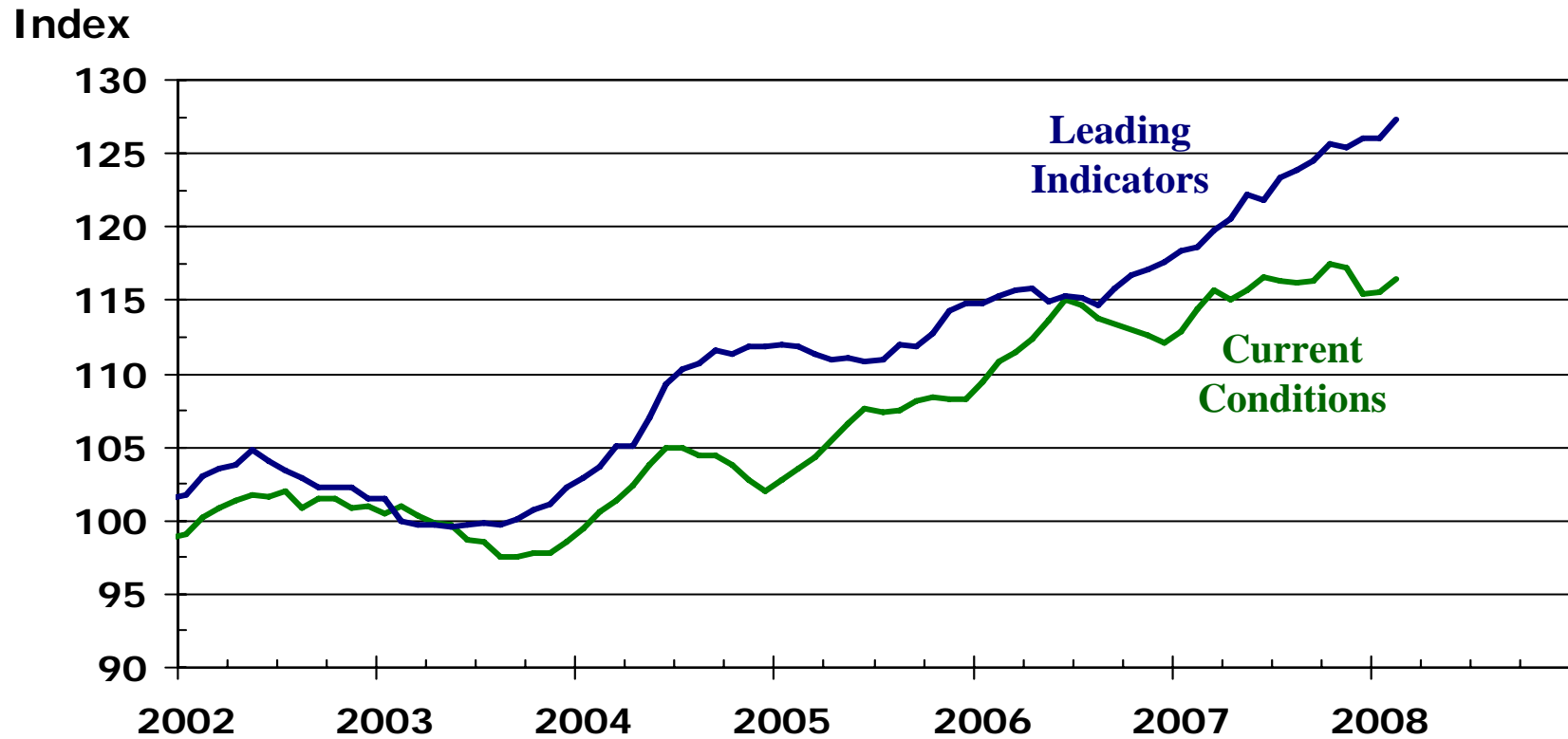
Employment Growth

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



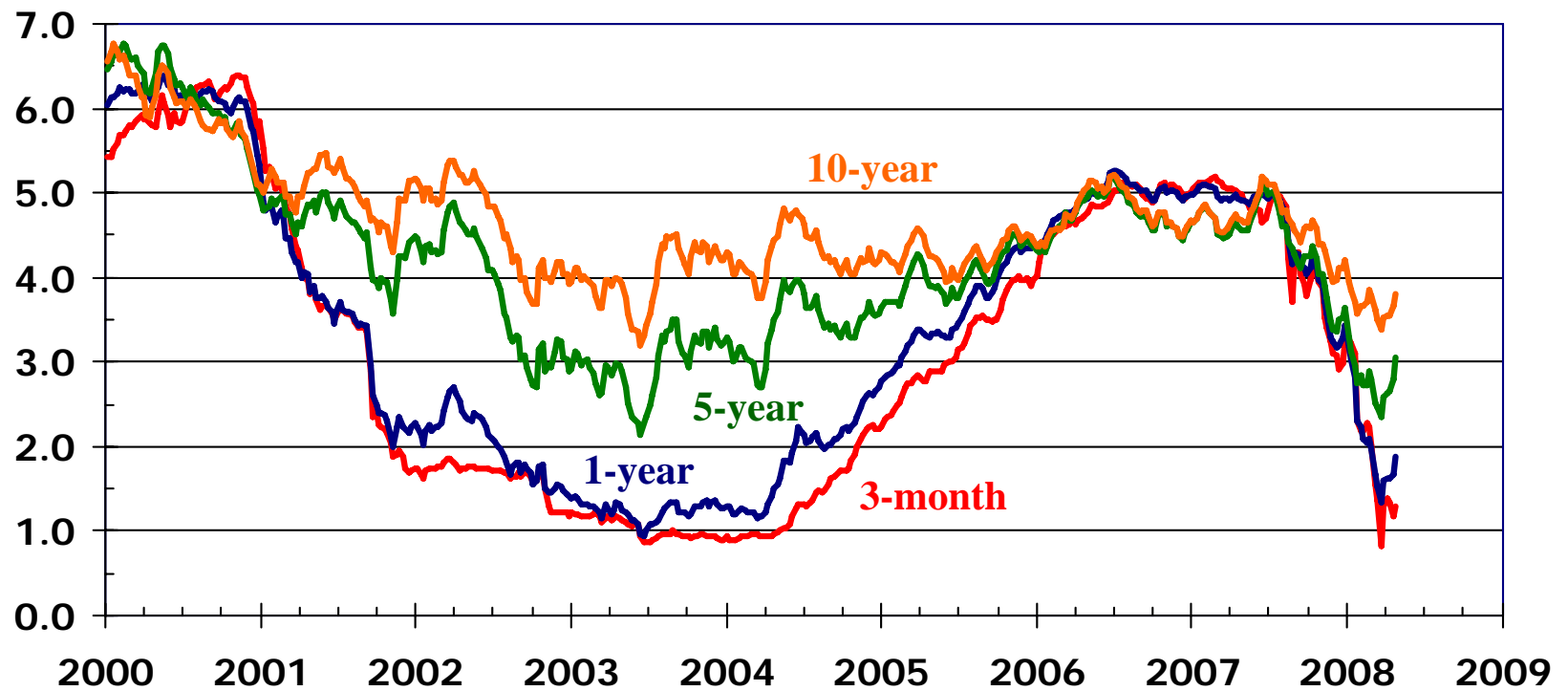
Economic Indicators are Mixed

- 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



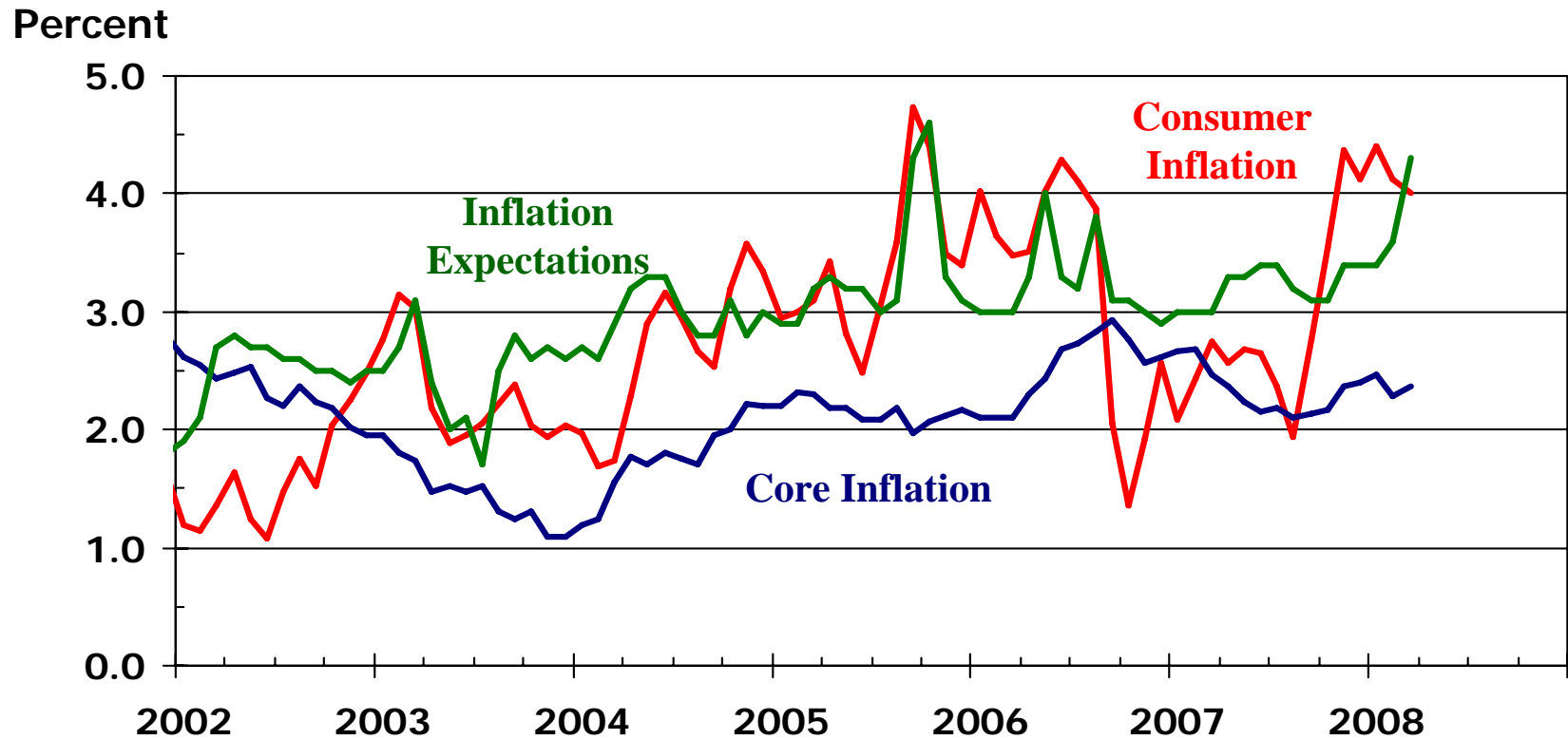
Source: Board of Governors of the Federal Reserve System



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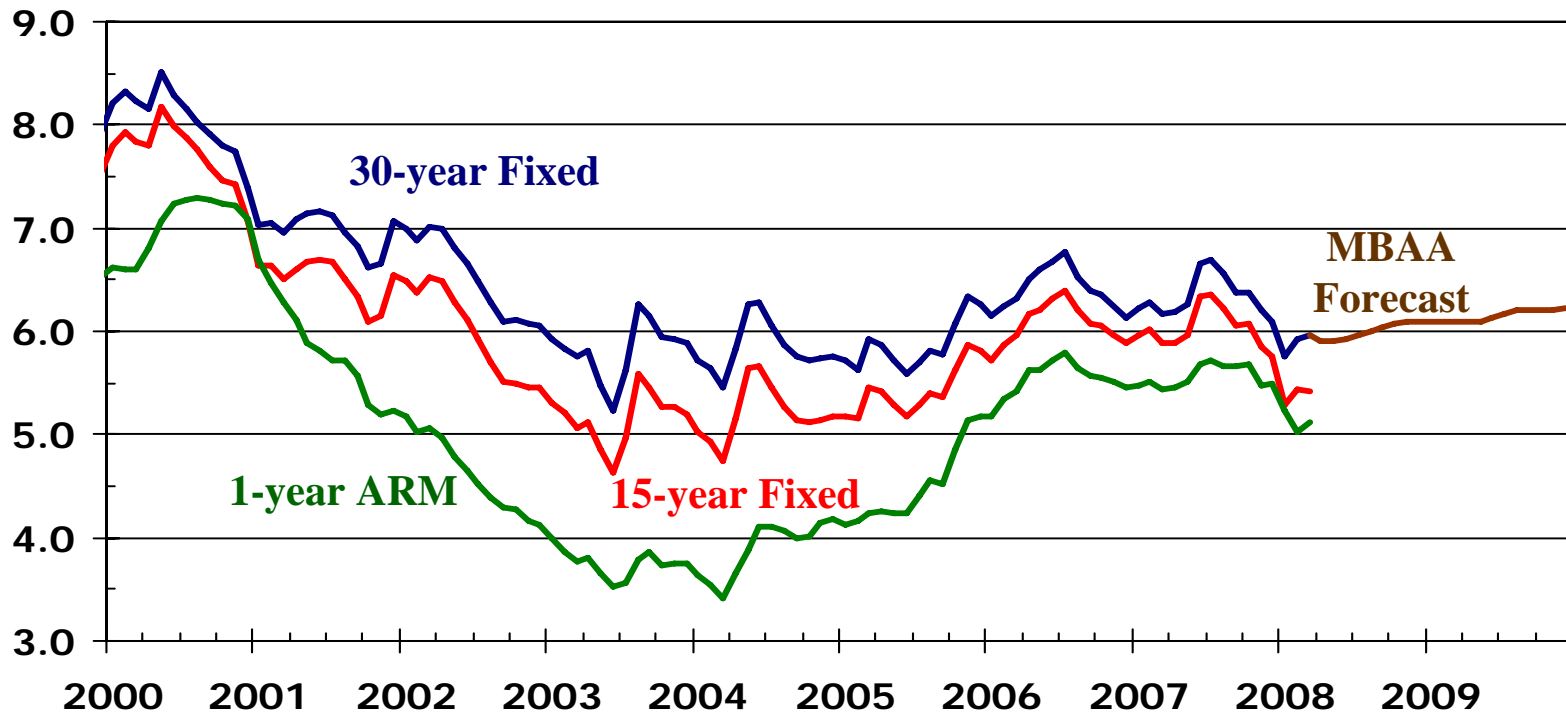
Consumer Inflation



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

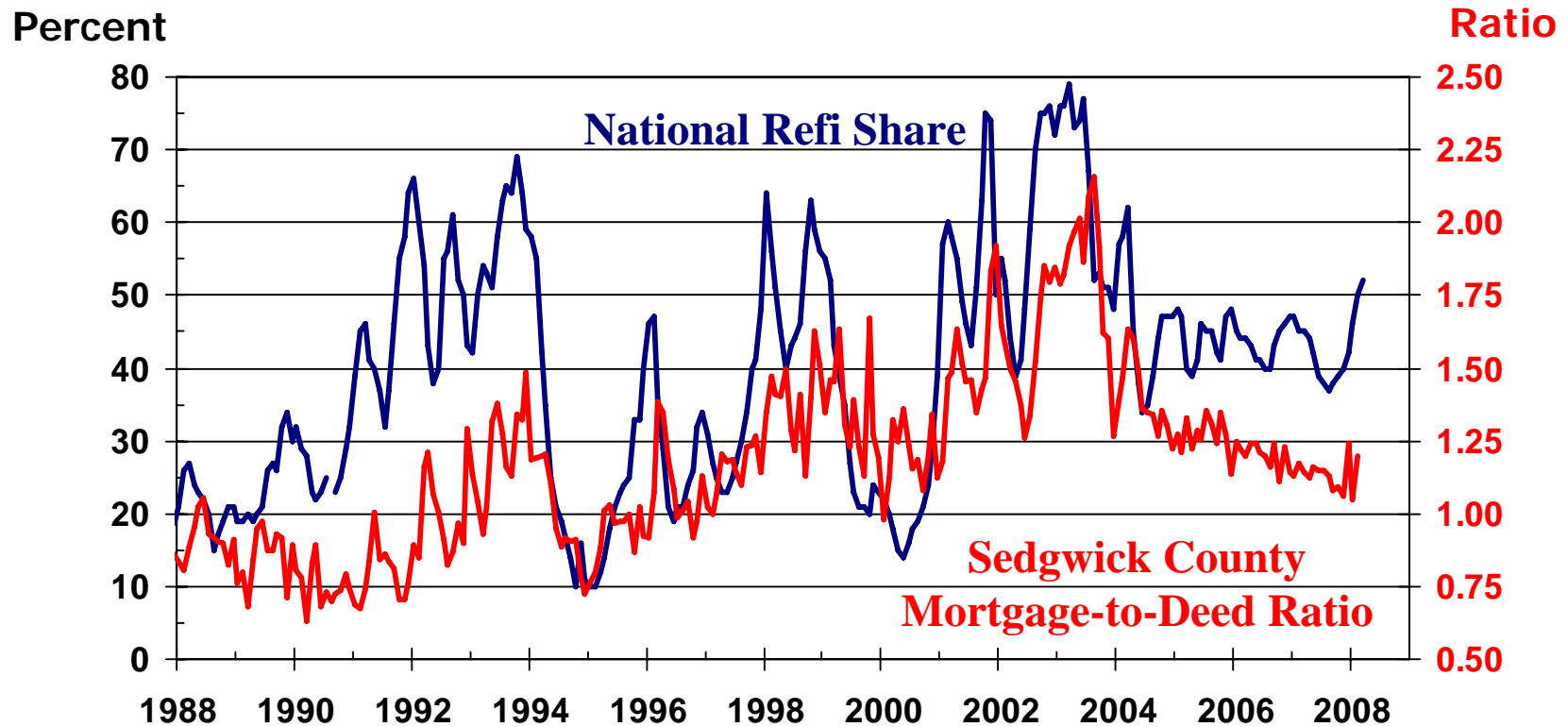
Mortgage Rates

Percent



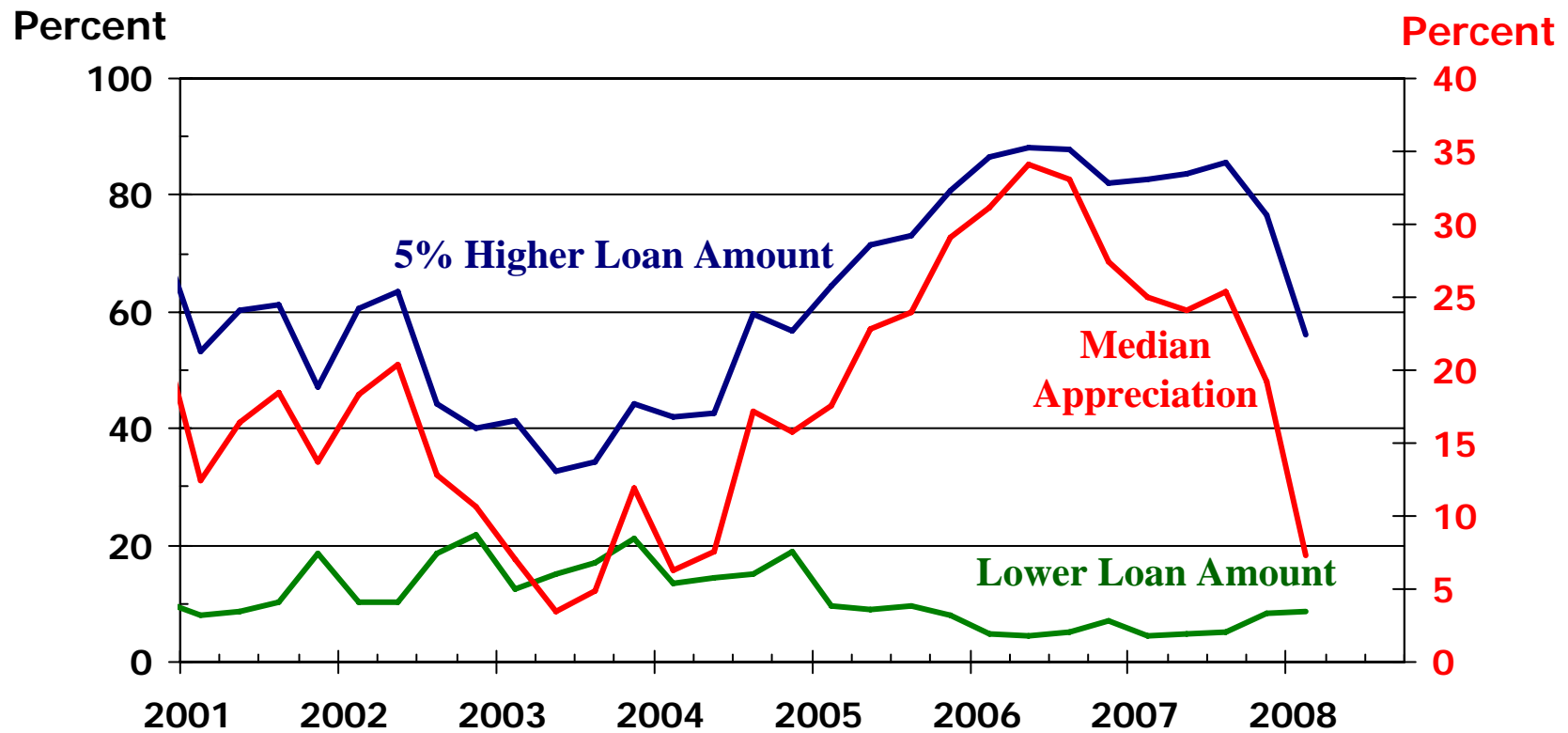
Sources: Freddie Mac;
Mortgage Bankers Association of America

Mortgage Refinancing Activity



Sources: Freddie Mac; Sedgwick County Register of Deeds

Cash Out Refis



Source: Freddie Mac



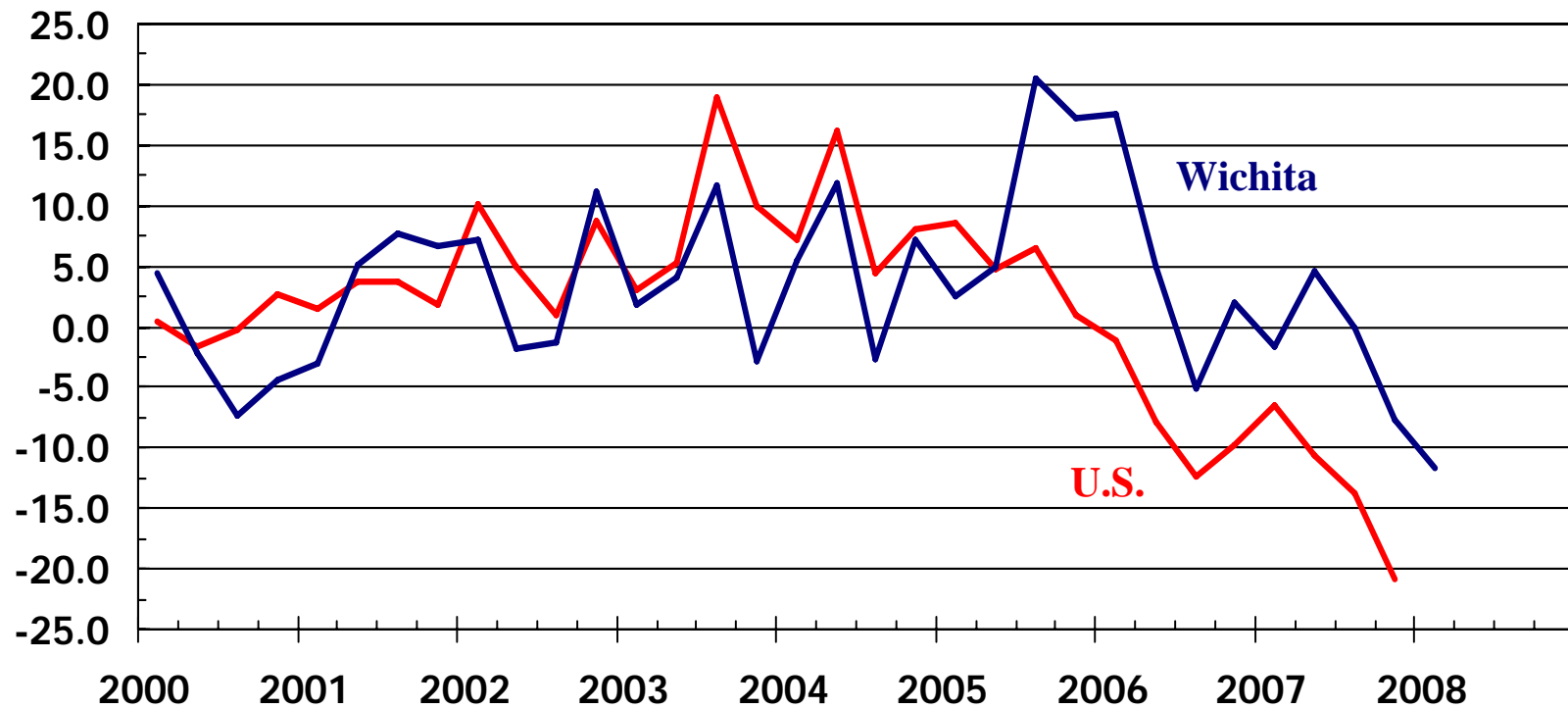
Mortgage Rates are Steady, For Now...

- 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

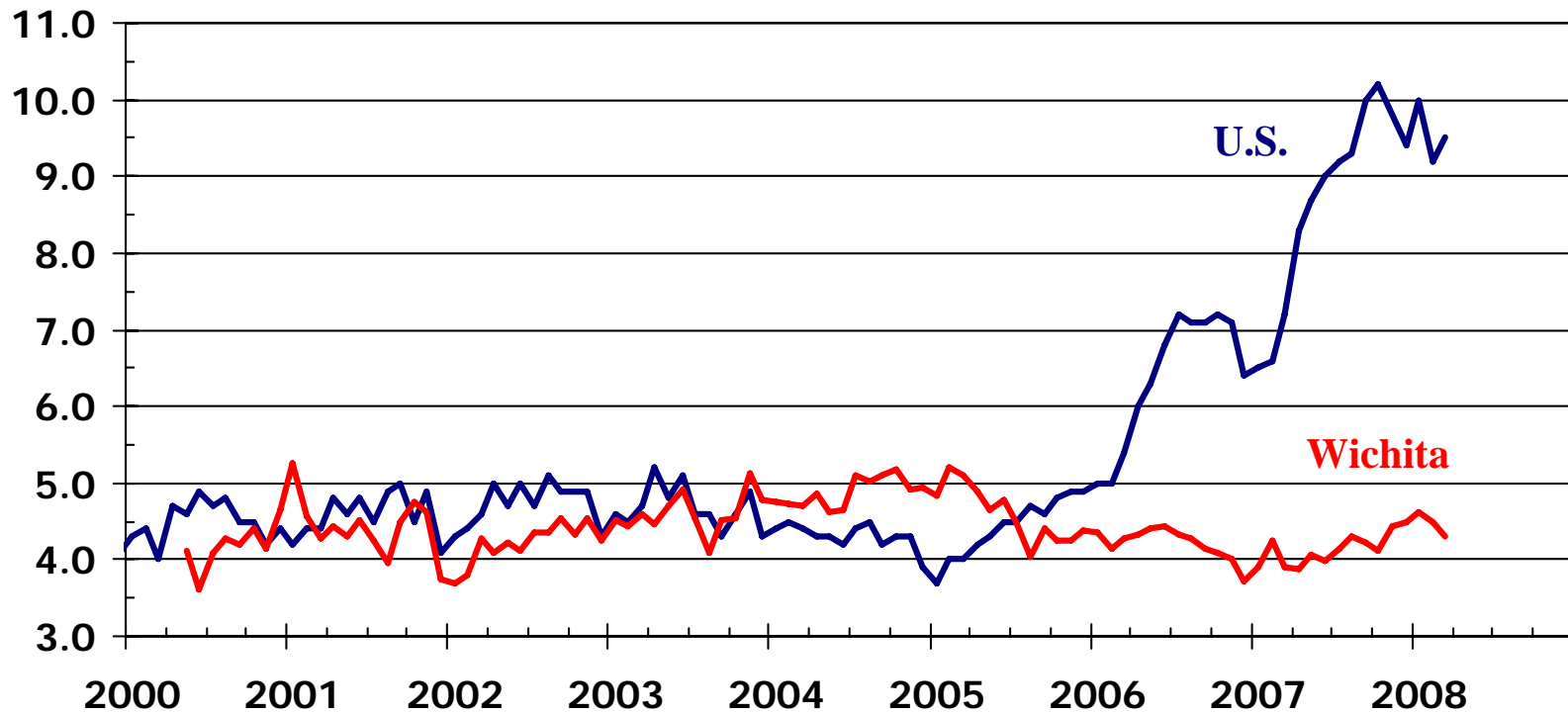
Year-over-year Percentage Change



Sources: NAR; KCRAR; SCK MLS

Inventory of Existing Homes Available for Sale

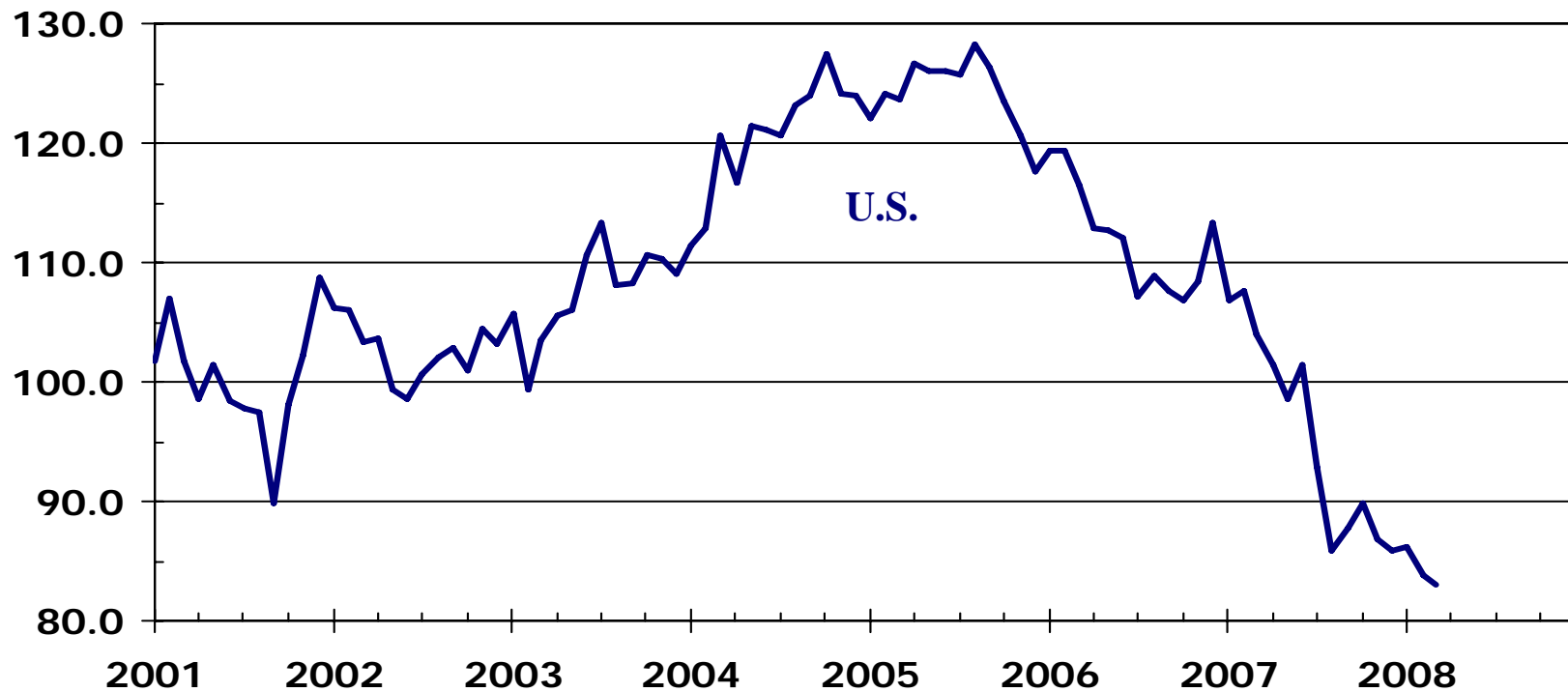
Months Supply (SA)



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

Pending Home Sales Index

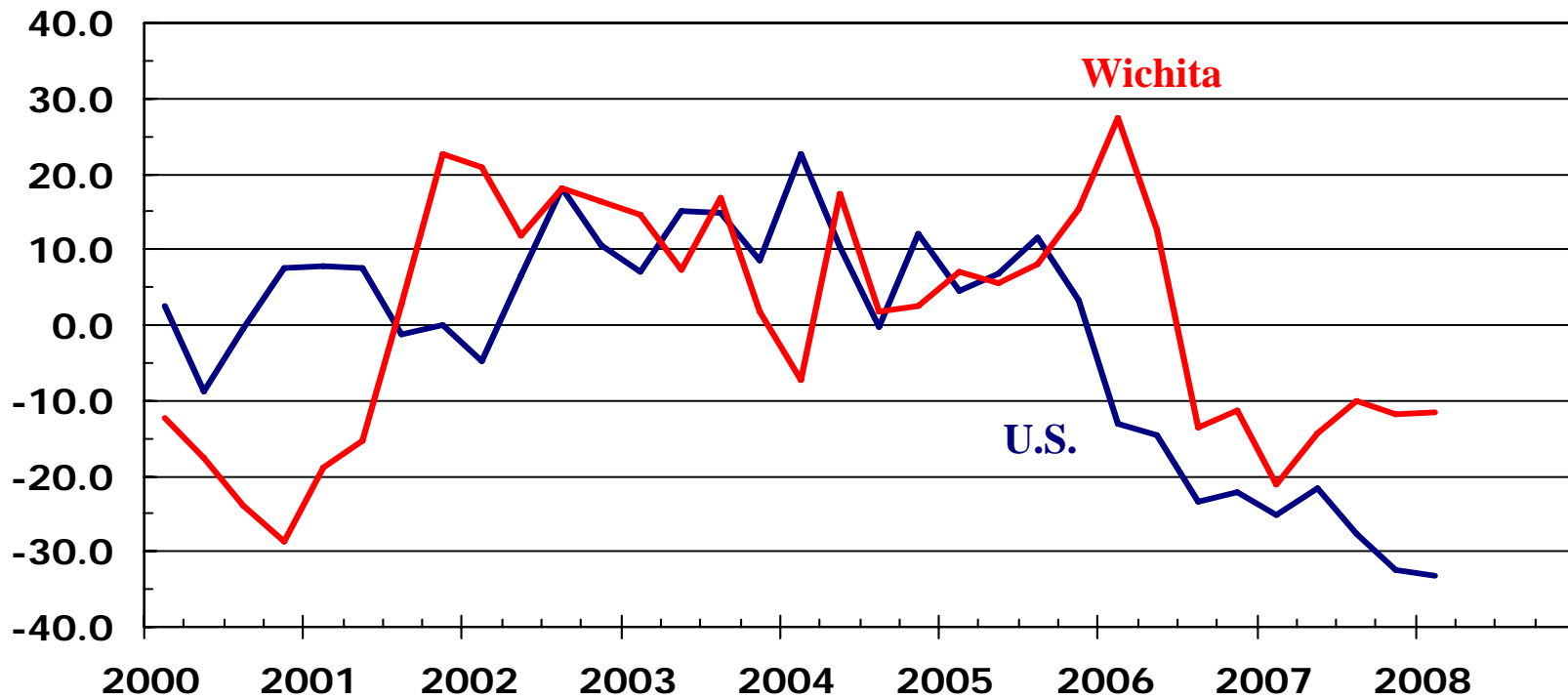
Index (SA)



Source: NAR

New Home Sales

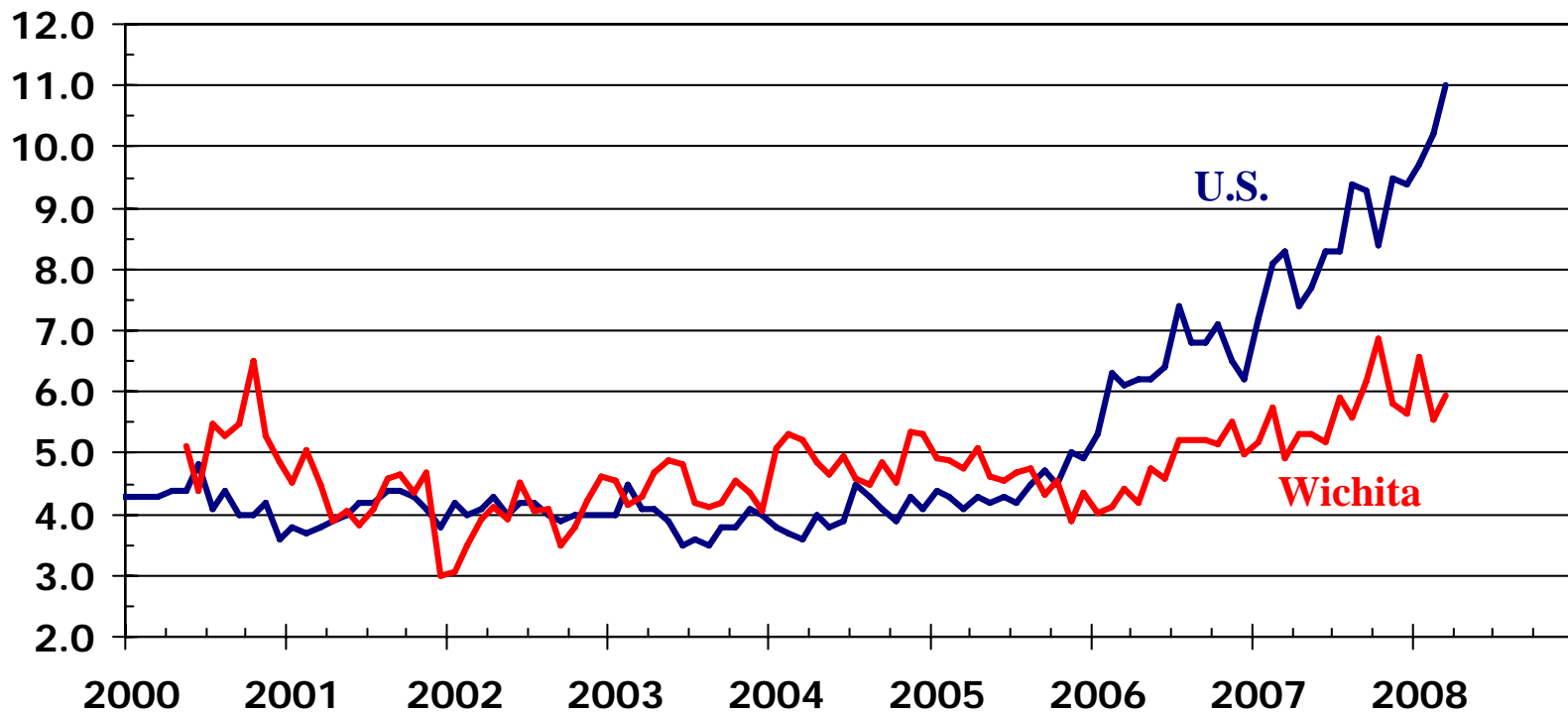
Year-over-year Percentage Change



Sources: HUD; SCK MLS; KCRAR

Inventory of New Homes Available for Sale

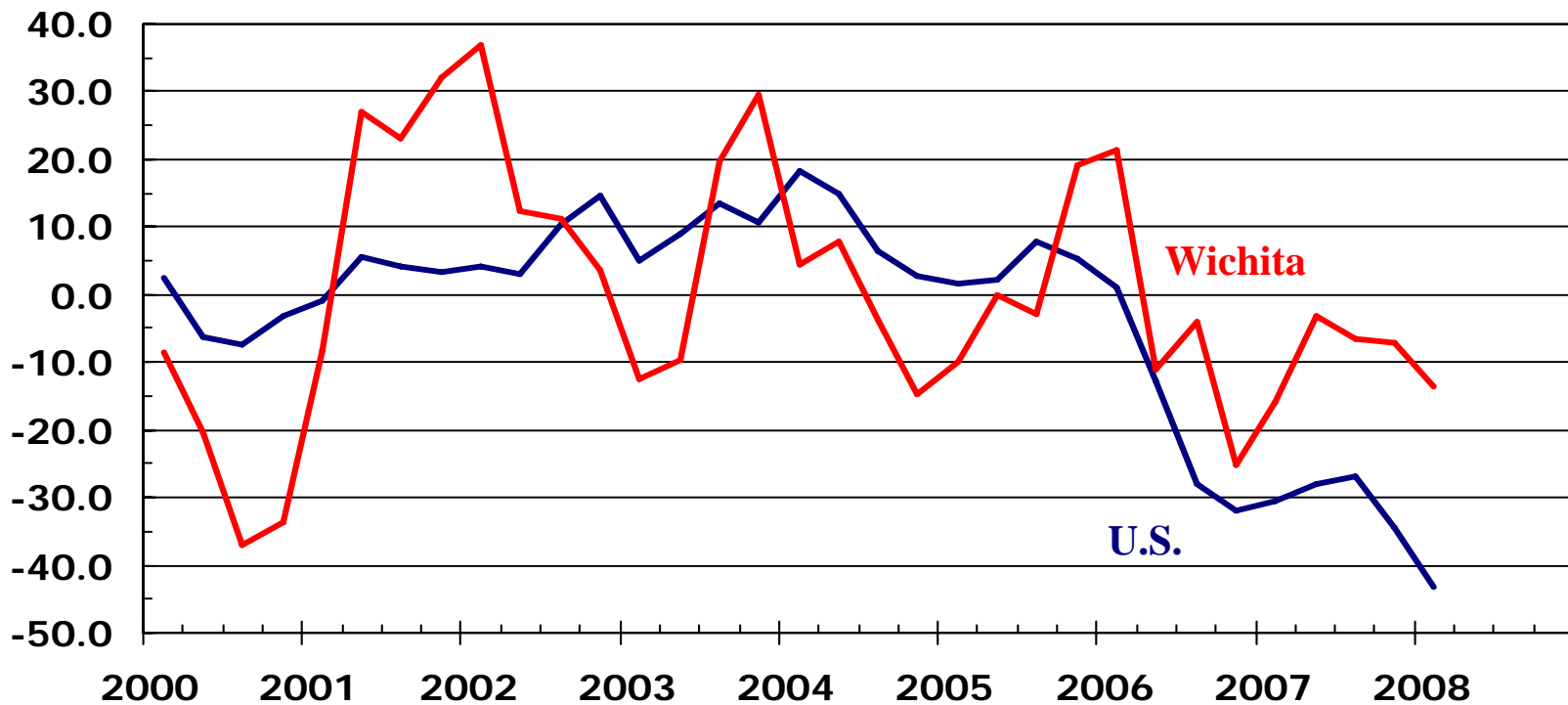
Months Supply (SA)



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



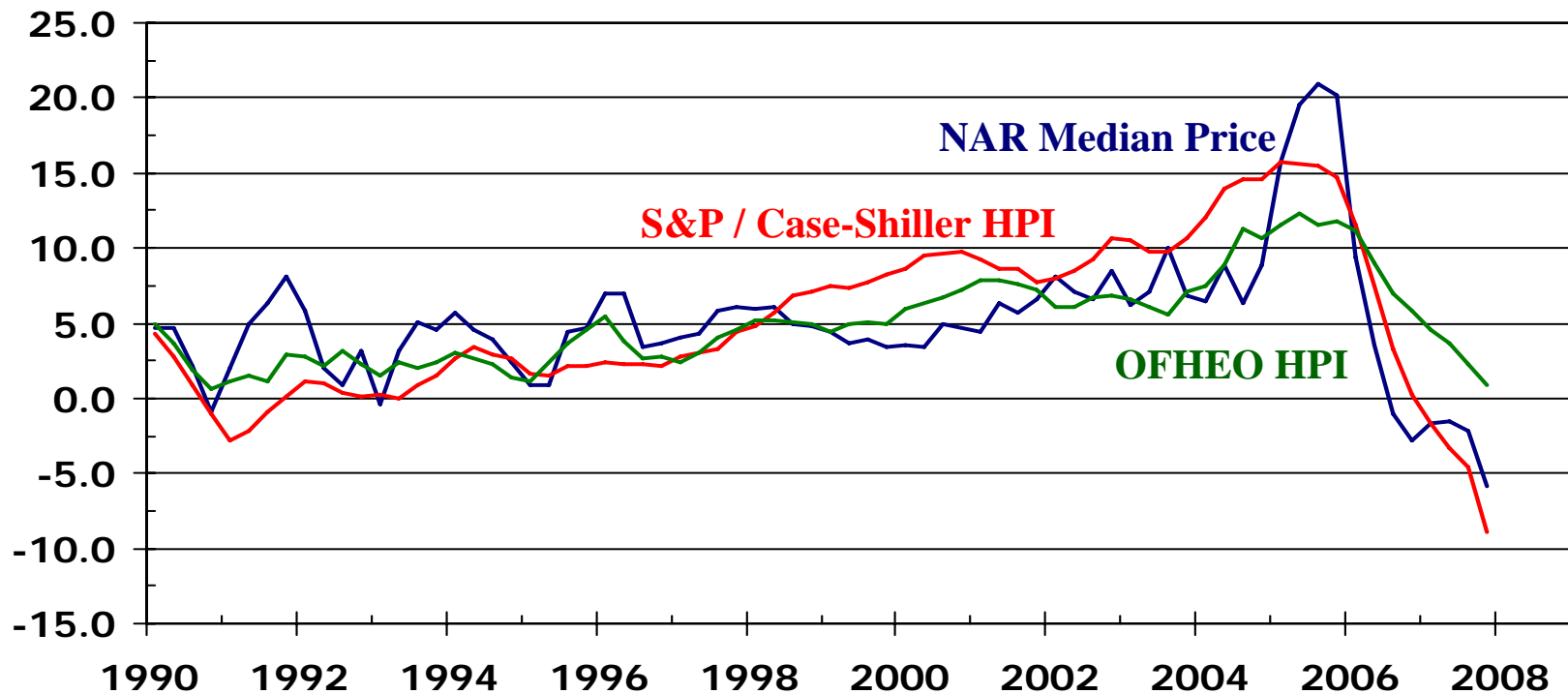
Wichita Home Sales Are Down

- 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

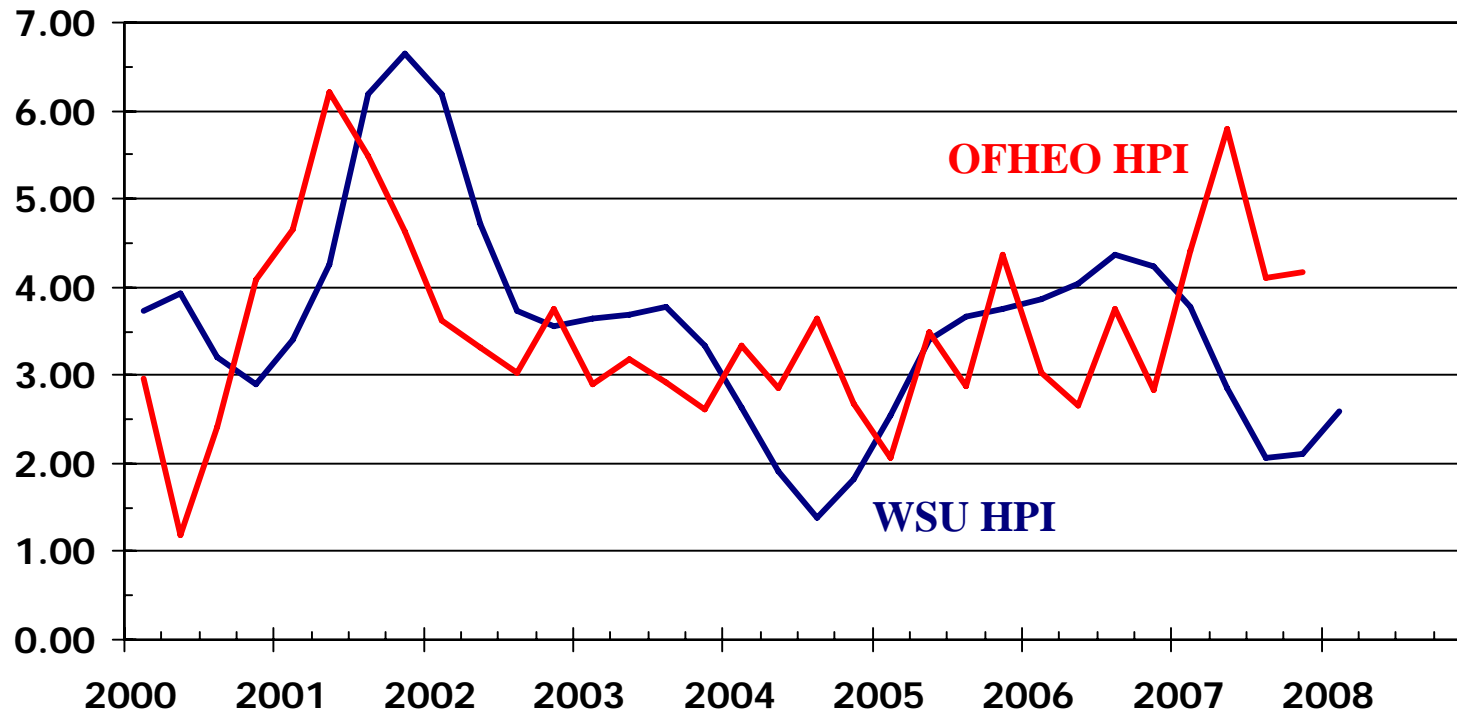


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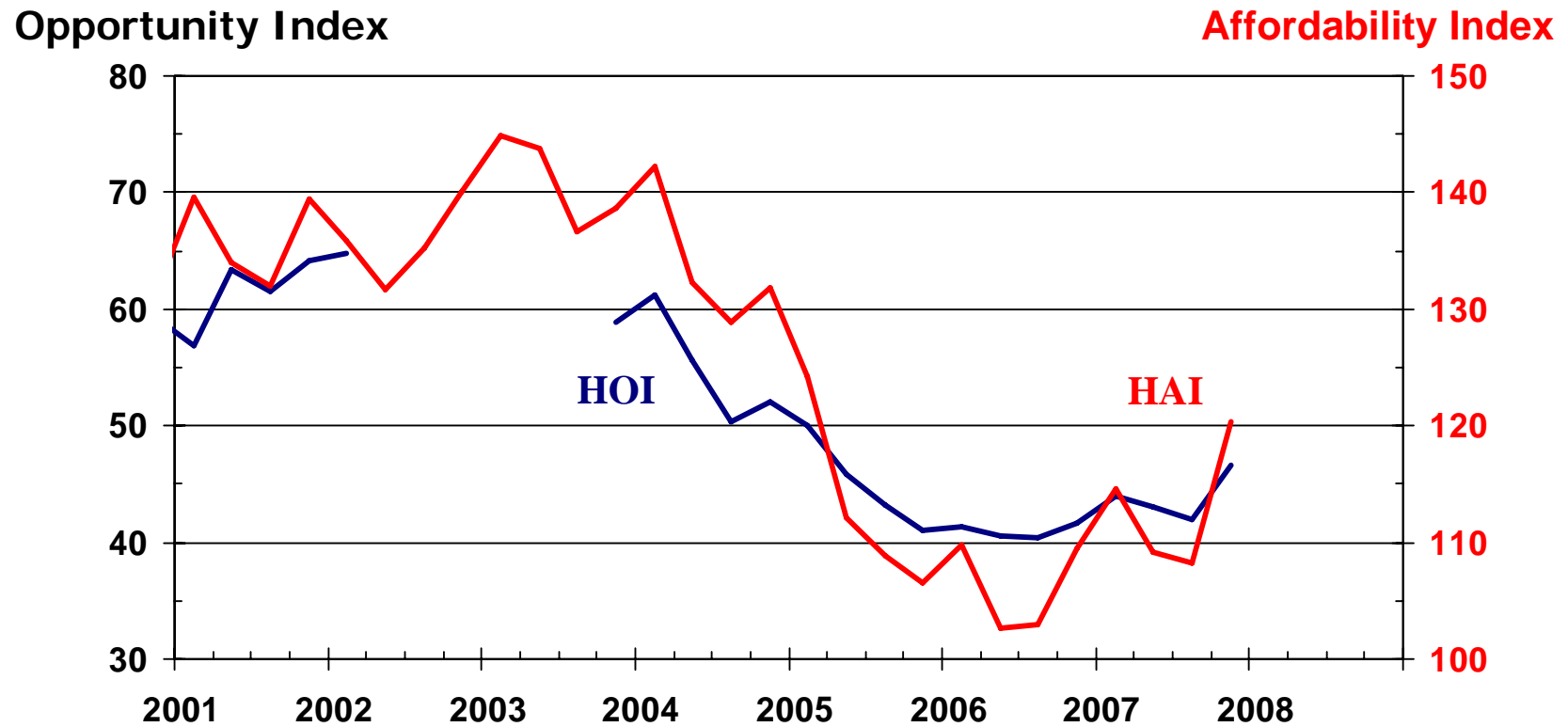
Wichita Area Home Price Appreciation

Year-over-year Percentage Change



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

Housing Affordability



Sources: NAHB; NAR



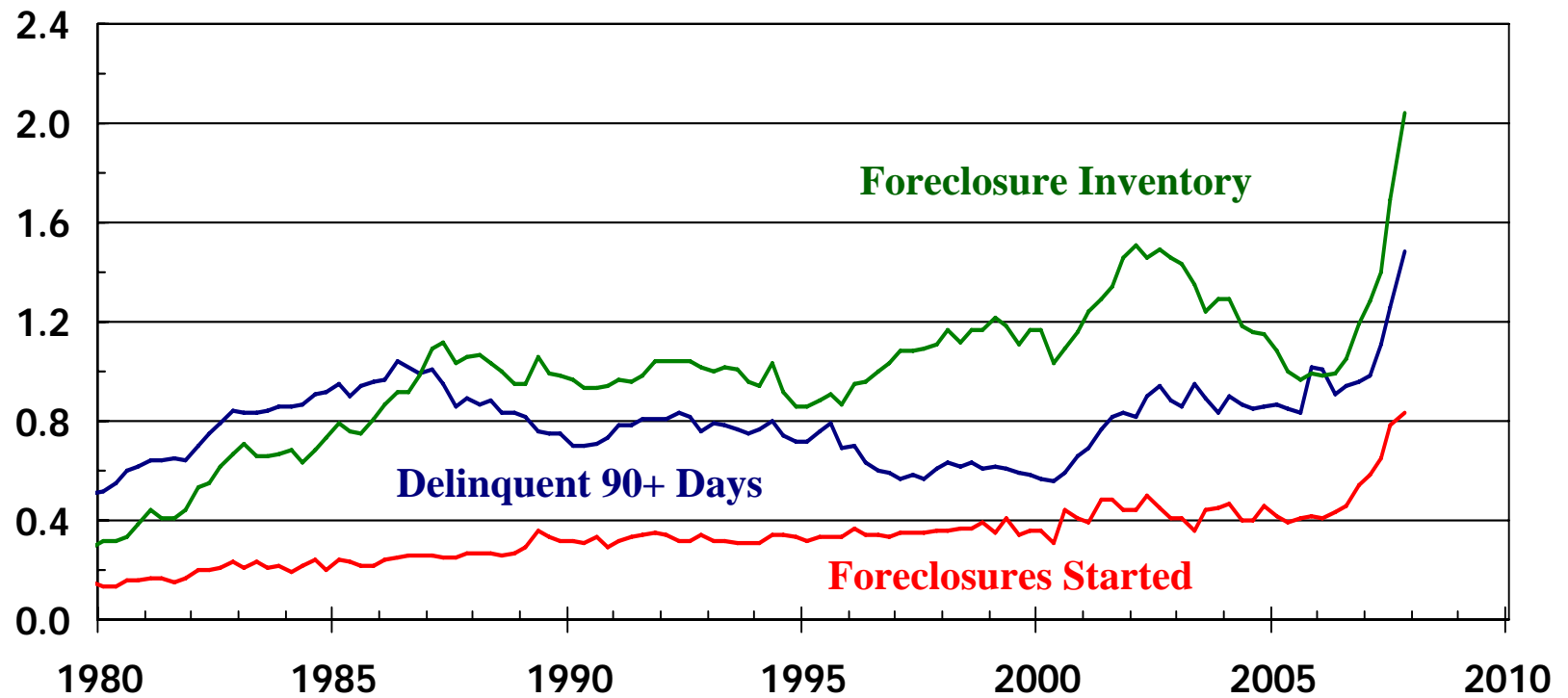
Home Prices

- 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

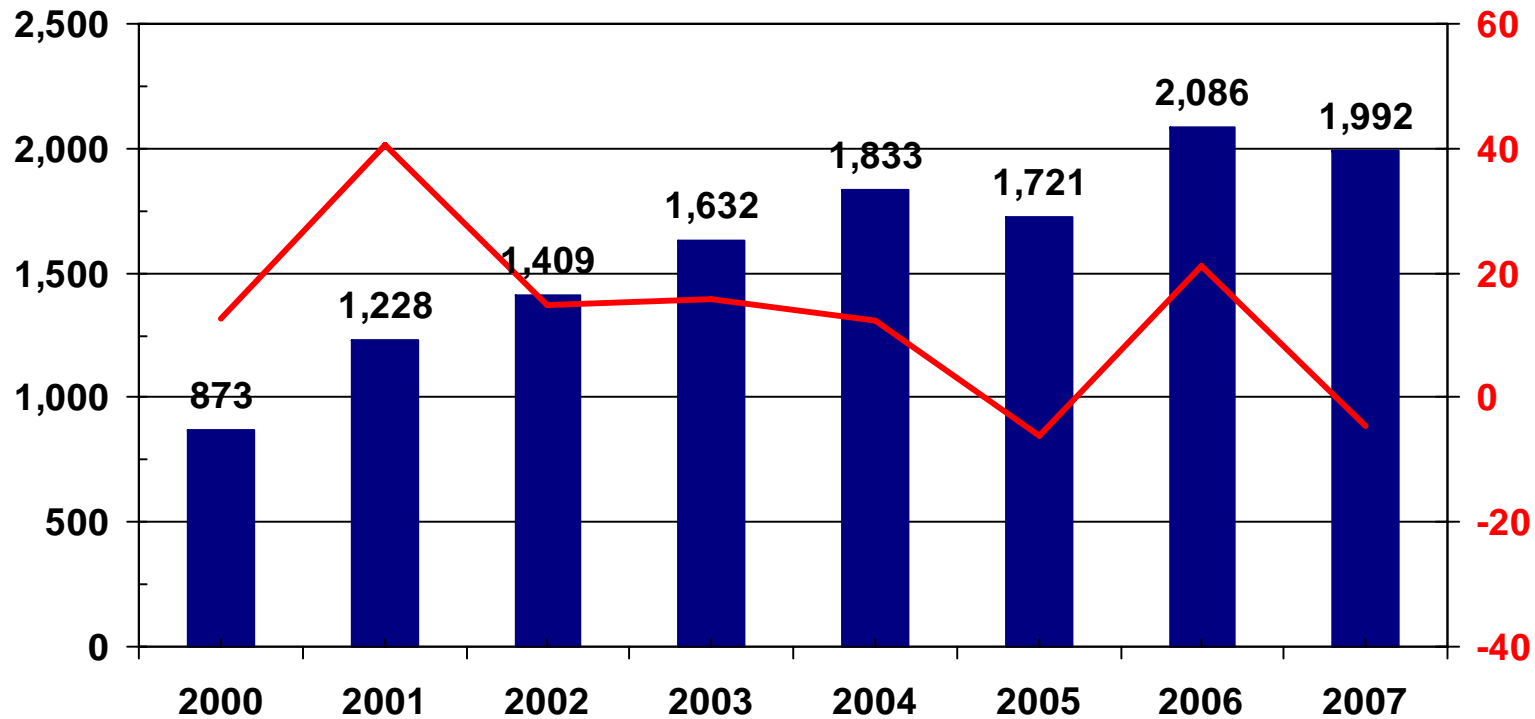


Source: MBAA

Sedgwick County Foreclosures

Number of Foreclosures

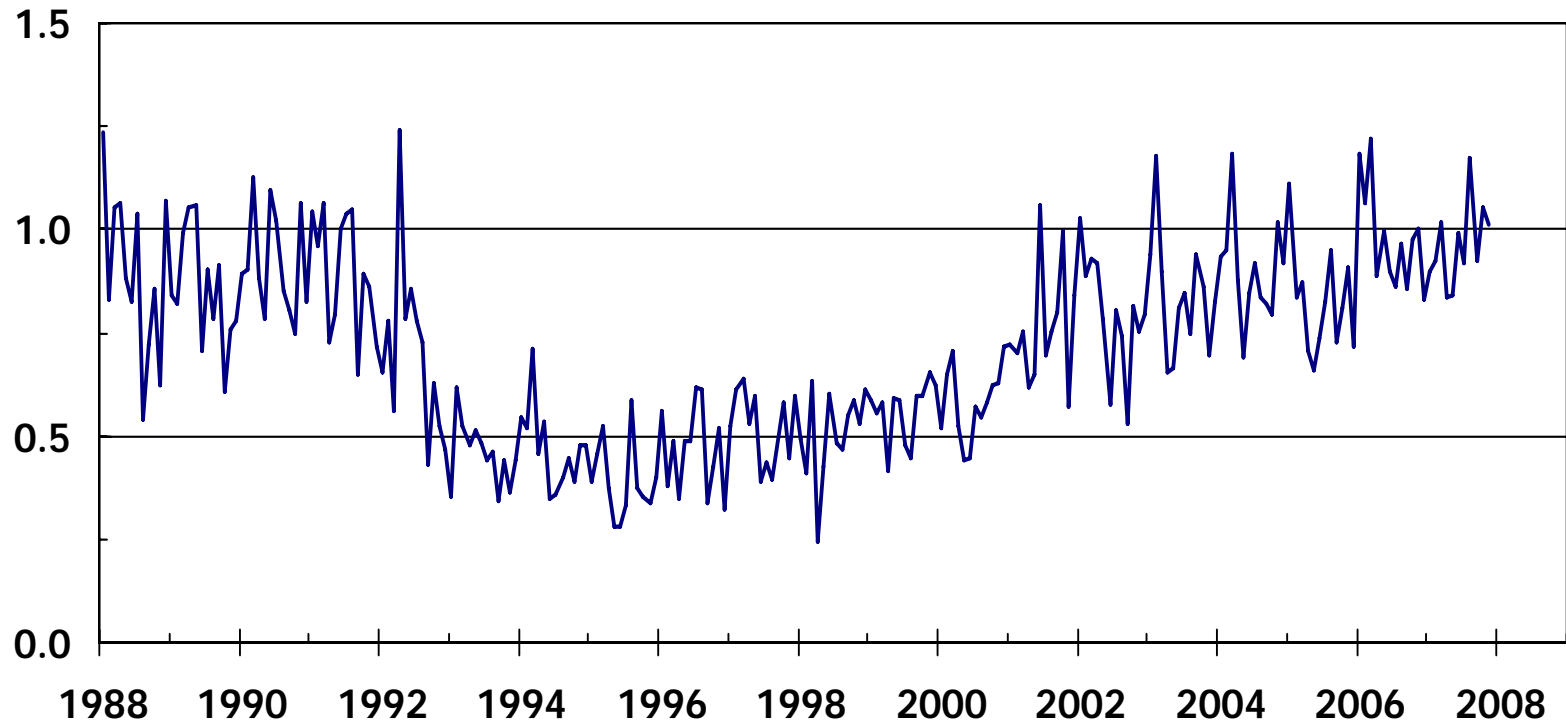
Year-over-year Percentage Change



Source: Sedgwick County Register of Deeds Office

Sedgwick County Foreclosure Rate

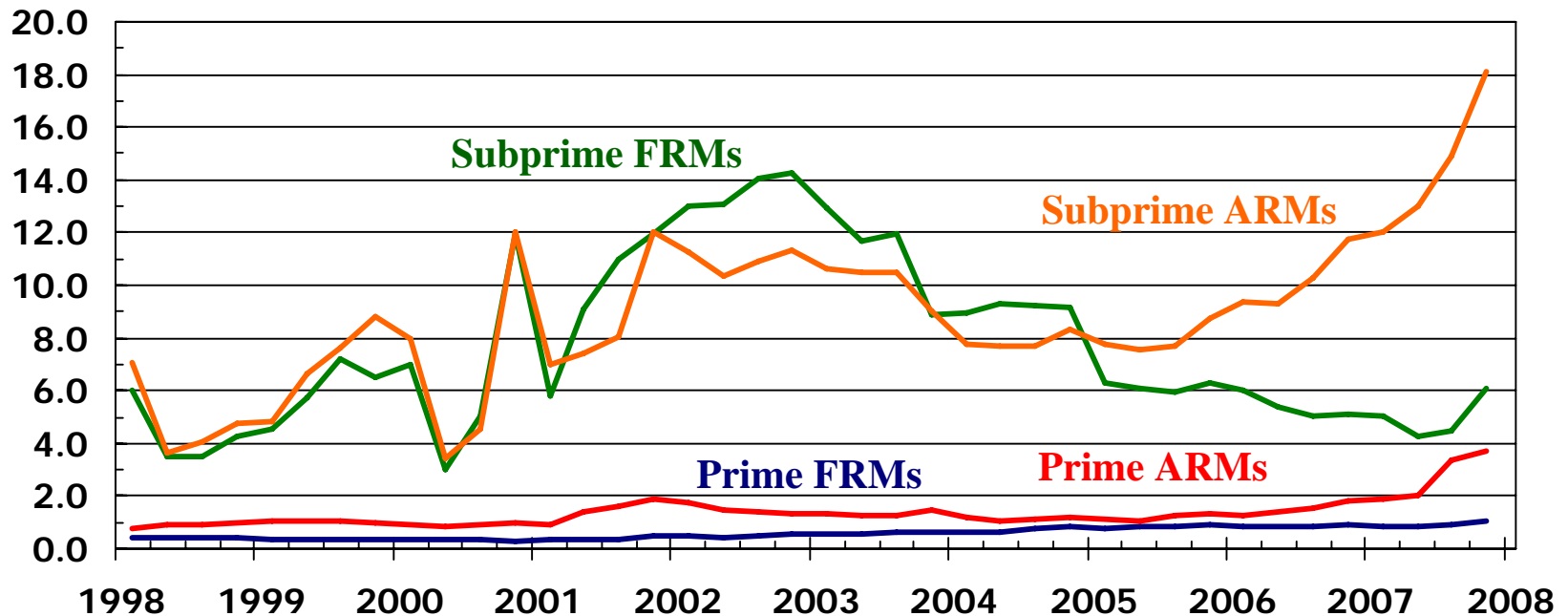
Foreclosures per 1,000 Mortgages over Past Five Years



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



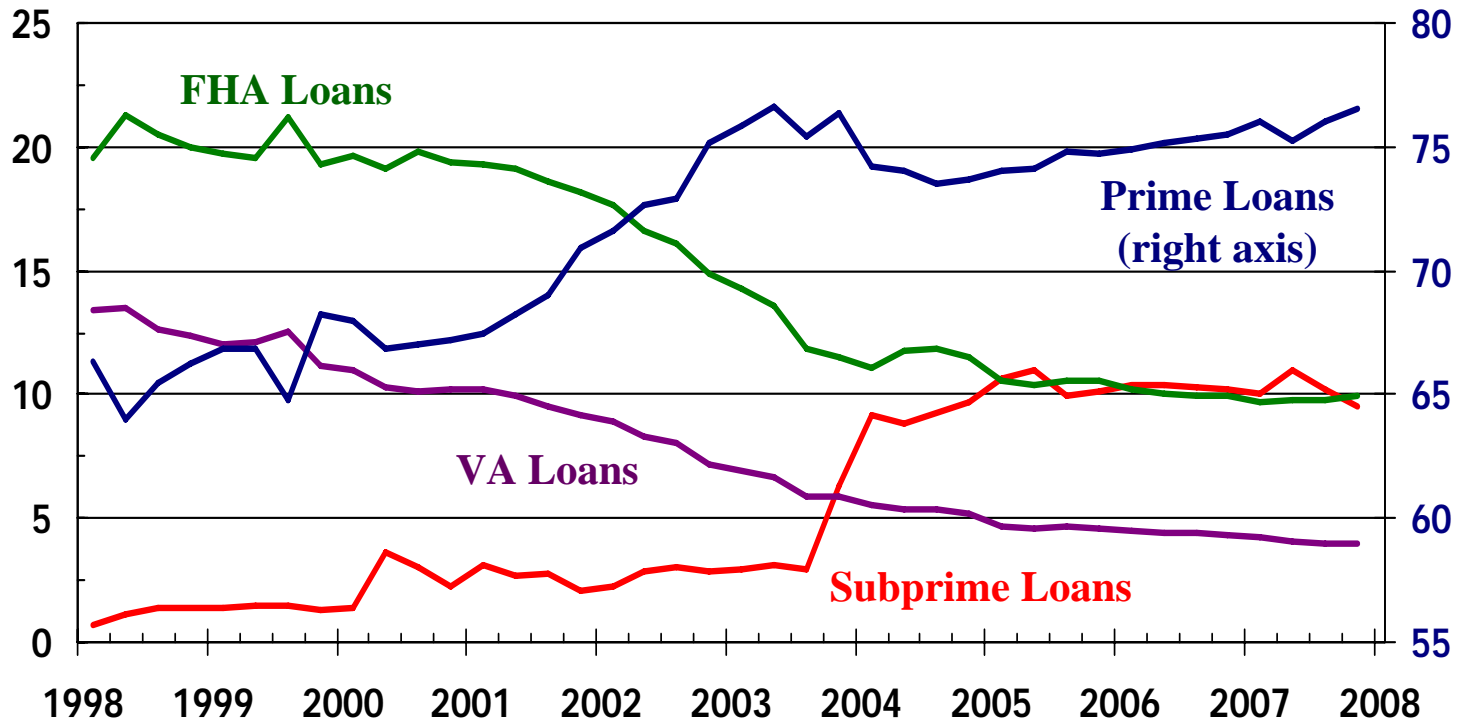
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The Growth of Subprime Lending: Kansas

Percent of Loans Serviced

Percent of Loans Serviced



Source: MBAA

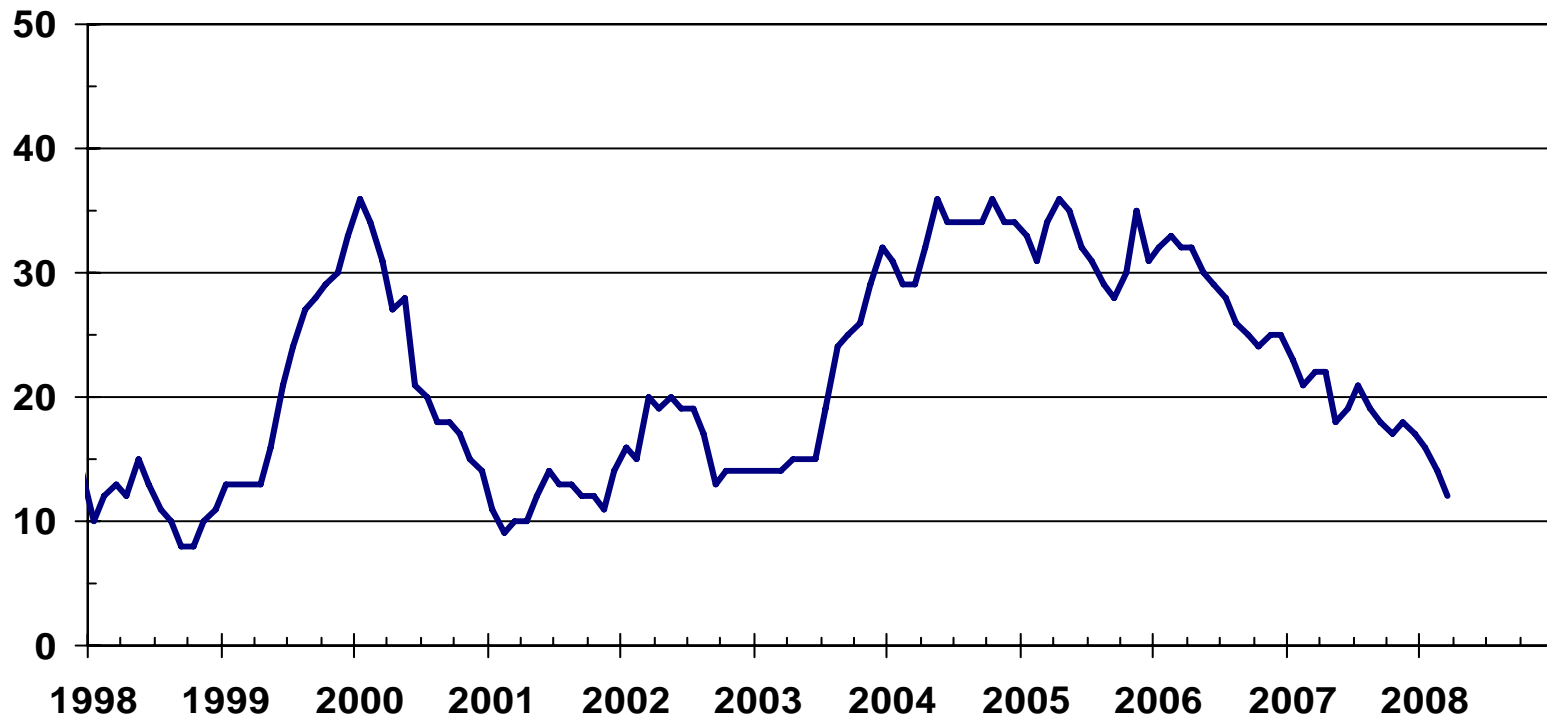


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ARM Share of New Mortgage Originations

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*



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