

HOUSING FORECAST KANSAS CITY 2023



WICHITA STATE
UNIVERSITY

W. FRANK BARTON
SCHOOL OF BUSINESS

- ... Bidding wars
- ... Recession fears
- ... Runaway inflation
- ... Interest rate spikes

This year it seems like there's a new surprise around every corner. As in the past, the Kansas City Housing Forecast is here to help you understand the local housing market as you find your way through the maze.

Dr. Stanley D. Longhofer

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wichita.edu/realestate

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We are especially grateful to Security 1st Title and Fidelity Bank for underwriting the cost of preparing this year's Kansas City Housing Forecast.

We are also grateful to the Kansas City Regional Association of REALTORS®, the Heartland MLS, the Kansas Association of REALTORS® and participating multiple listing services across Kansas for providing much of the data used to prepare this forecast.

Thanks to the many colleagues and friends who have helped make this forecast possible:

Kipp Cooper | Kansas City Regional Association of REALTORS®

Mariann Kurosu Farina | WSU Center for Real Estate

Karen Gehle | Kansas Association of REALTORS®

Jeremy Hill | WSU Center for Economic Development and Business Research

Mehrzaad Saedi | WSU Center for Real Estate

Participants in the 2022 Kansas City Real Estate Roundtable



Security 1st Title

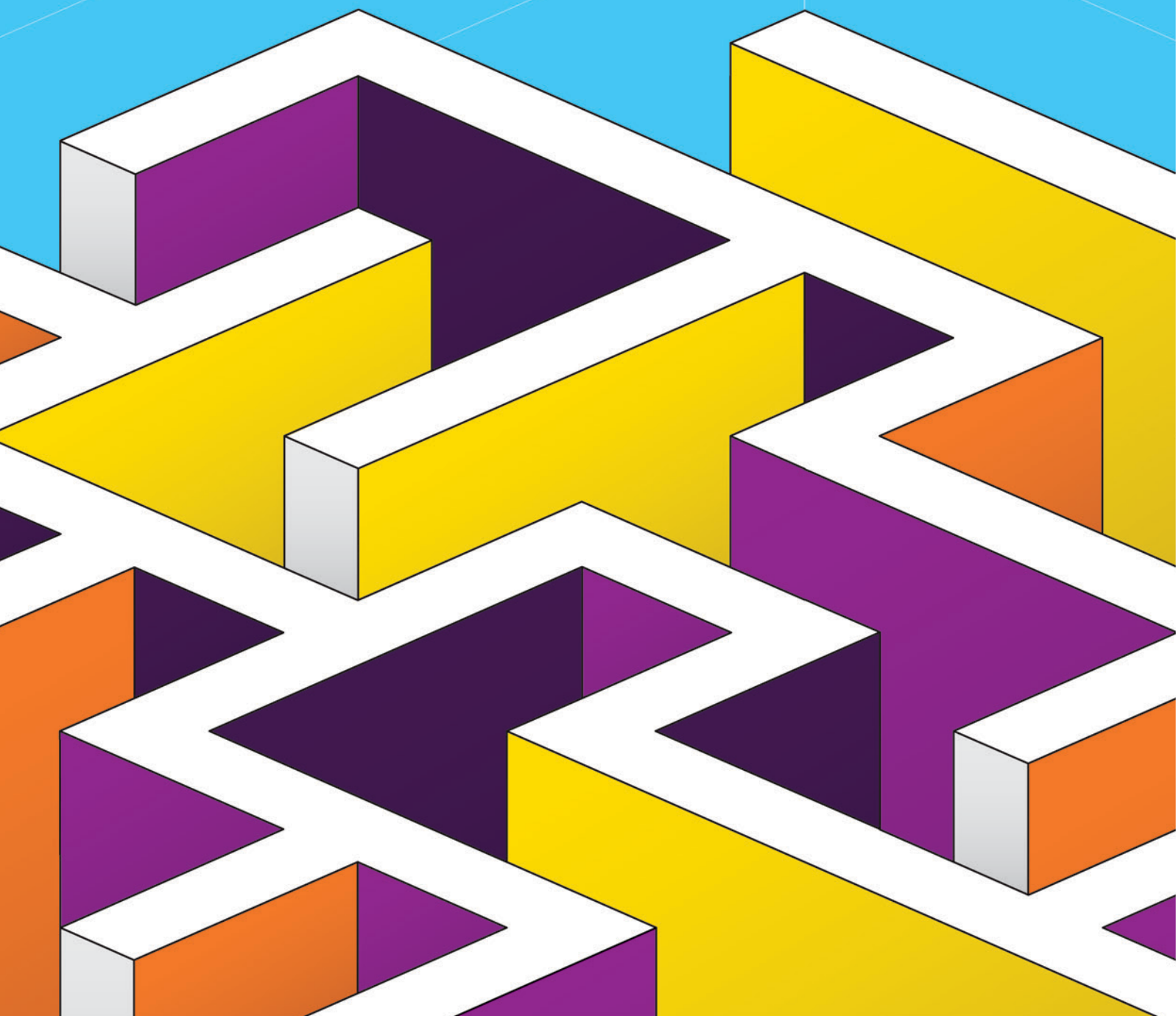
Fidelity
BANK

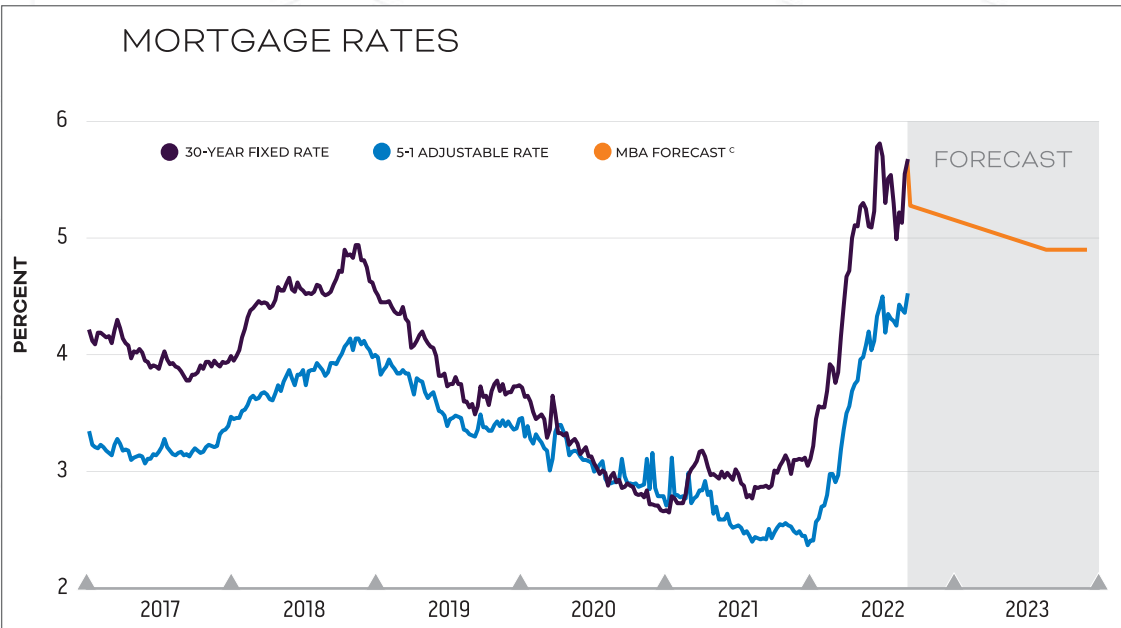
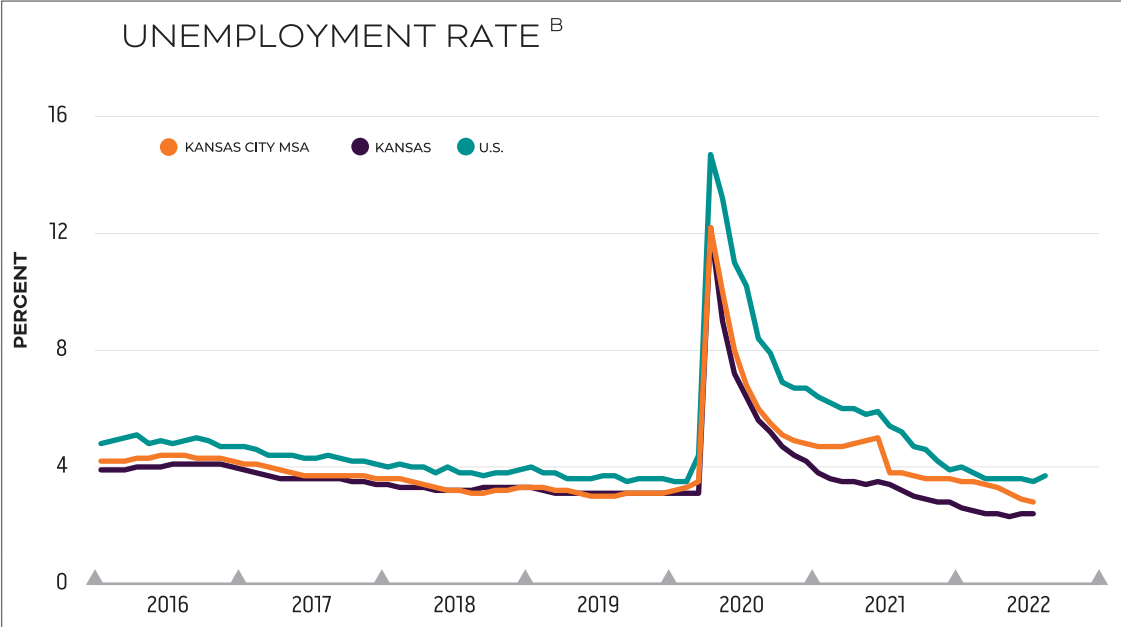
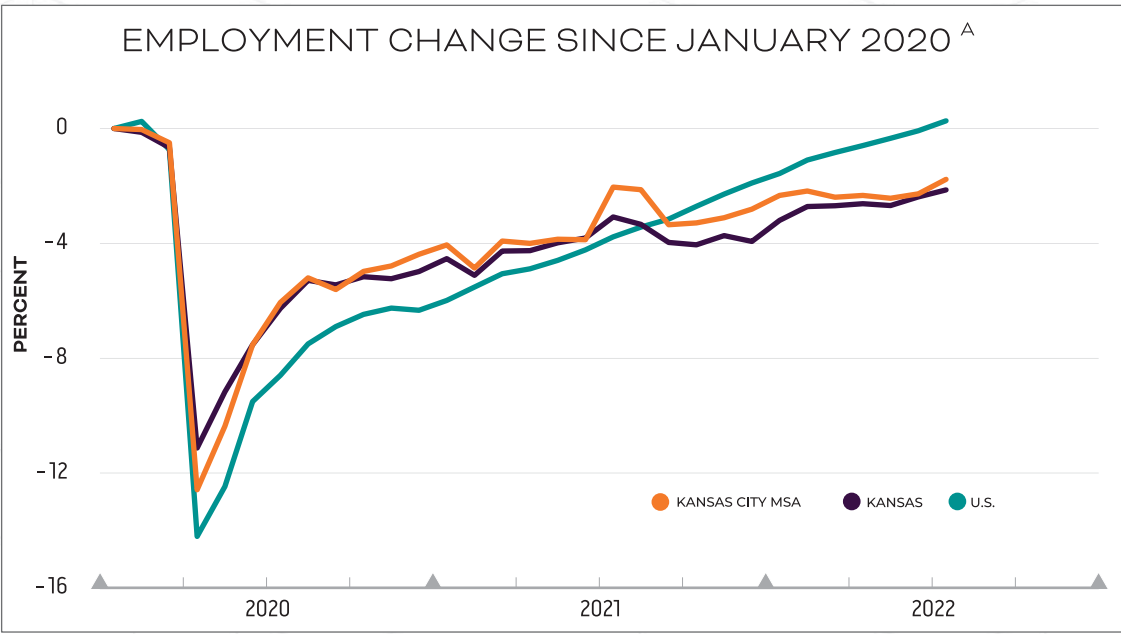


ECONOMIC OVERVIEW:

While Kansas City employment is still 1.8 percent lower than it was prior to the pandemic, the local labor market is extremely tight. In fact, the Kansas City unemployment rate was just 2.8 percent in July, the lowest figure ever recorded. As a result, housing demand continues to remain strong.

After rising sharply during the first half of the year, the 30-year fixed mortgage rate bounced between 5 and 5.5 percent this summer as markets struggled to assess how Fed policy will affect inflation and economic growth. The Mortgage Bankers Association, for one, appears to believe the Fed will navigate a soft landing. They forecast that mortgage rates will fall to 4.9 percent by the end of next year.





SOURCES:
 Freddie Mac
 Mortgage Bankers Association
 U.S. Bureau of Labor Statistics

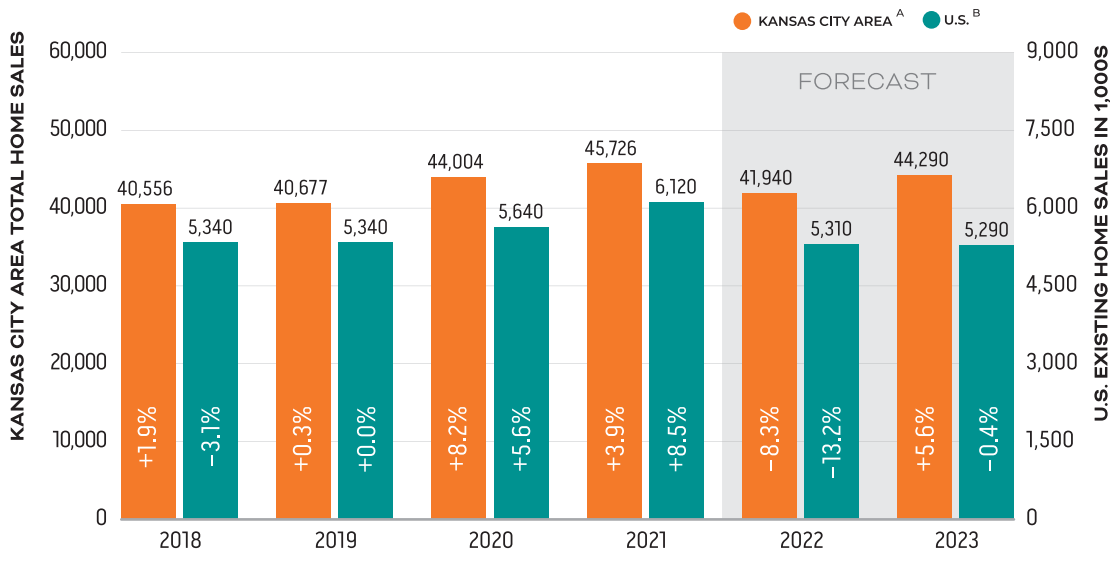
NOTES:
^A Cumulative change in total non-farm employment, seasonally adjusted
^B Seasonally adjusted
^C Mortgage Bankers Association August 2022 forecast of the 30-year conventional mortgage rate

HOME SALES AND CONSTRUCTION:

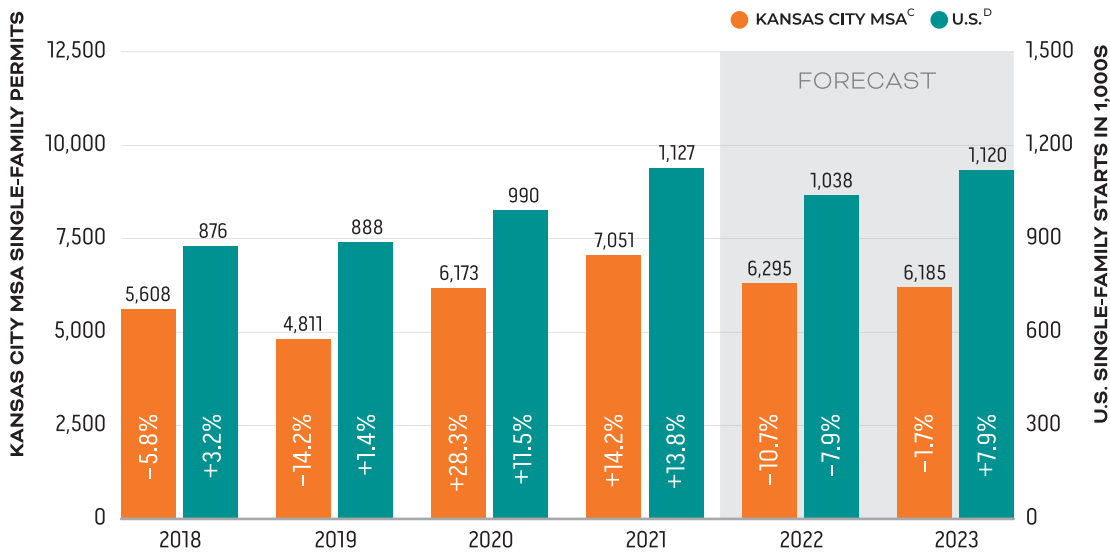
Demand has softened slightly due to rising mortgage rates since the beginning of the year. Nevertheless, the real reason sales have slowed this year is because of a lack of homes available for sale. We forecast that total home sales in the Kansas City area will end the year down 8.3 percent at 41,940 units. Sales activity should rebound in 2023, rising 5.6 percent to 44,290 units.

After strong gains in 2020 and 2021, single-family permitting activity in the Kansas City metropolitan area slowed considerably over the first half of this year due to supply chain issues and labor shortages. While new home construction should pick up over the next several months, we project that Kansas City will end the year with 6,295 single-family permits, down 10.7 percent from 2021. Permitting activity should drop again slightly in 2023, falling 1.7 percent to 6,185 units.

HOME SALES ACTIVITY



NEW HOME CONSTRUCTION ACTIVITY



SOURCES:

Heartland Multiple Listing Service
 National Association of REALTORS®
 U.S. Bureau of the Census
 WSU Center for Real Estate

NOTES:

- Ⓐ Total home sales in the Kansas City area as reported by the Heartland Multiple Listing Service
- Ⓑ U.S. existing home sales as reported by the National Association of REALTORS®; forecast is the August 2022 forecast by the National Association of REALTORS®
- Ⓒ Single-family building permits issued in the Kansas City metropolitan area as reported by the U.S. Bureau of the Census
- Ⓓ U.S. single-family housing starts as reported by the U.S. Bureau of the Census; forecast is the August 2022 forecast by the National Association of REALTORS®

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HOME PRICES:

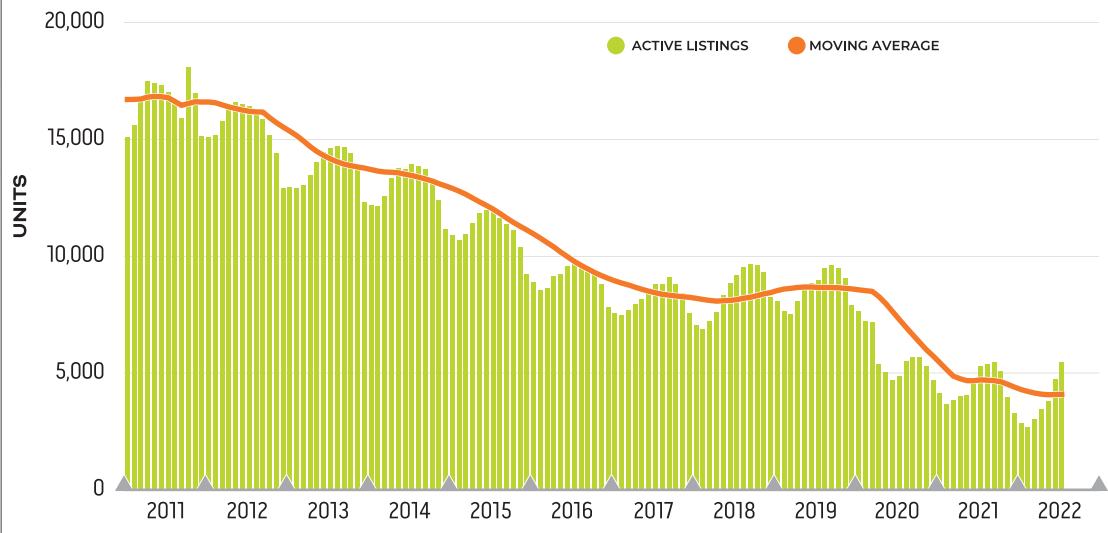
Although it may seem like the recent explosion in home prices was due to the pandemic, it has actually been the result of supply problems that have been building for years. In fact, there were less than half as many homes available for sale at the beginning of 2020 than there were back in 2011.

As a result, Kansas City has been in a sellers' market – with less than a 4 months' supply of homes available for sale – since at least 2015. Even if there is a significant softening in demand due to higher mortgage rates, it will take a long time for Kansas City to return to a balanced market.

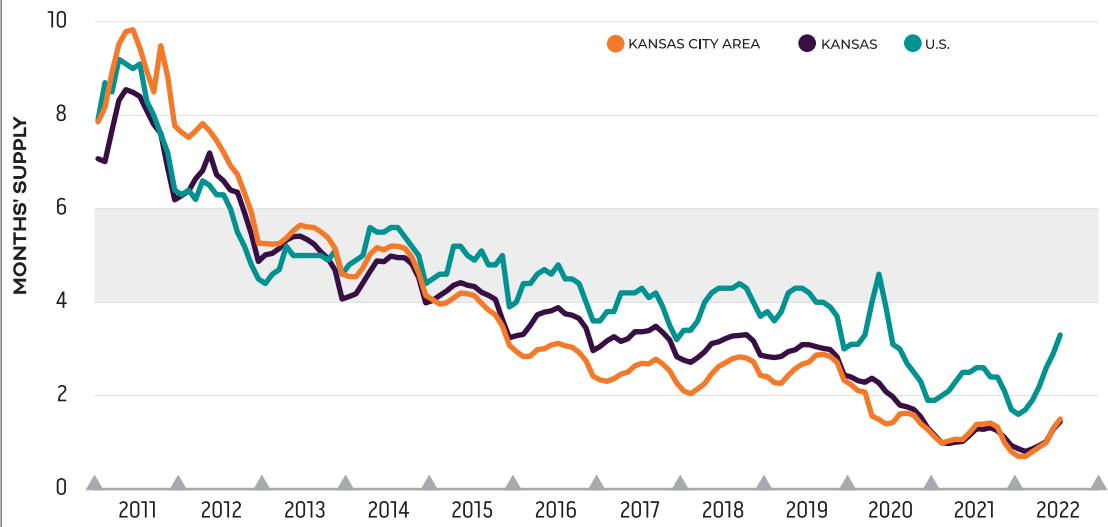
The frenzied demand that characterized the market through the early part of this year appears to have eased. Nevertheless, extremely tight inventories will continue to put upward pressure on home prices. We project that Kansas City metro area home values will end the year up 13.8 percent before slowing to a more-normal but still quite strong appreciation rate of 6.5 percent in 2023.



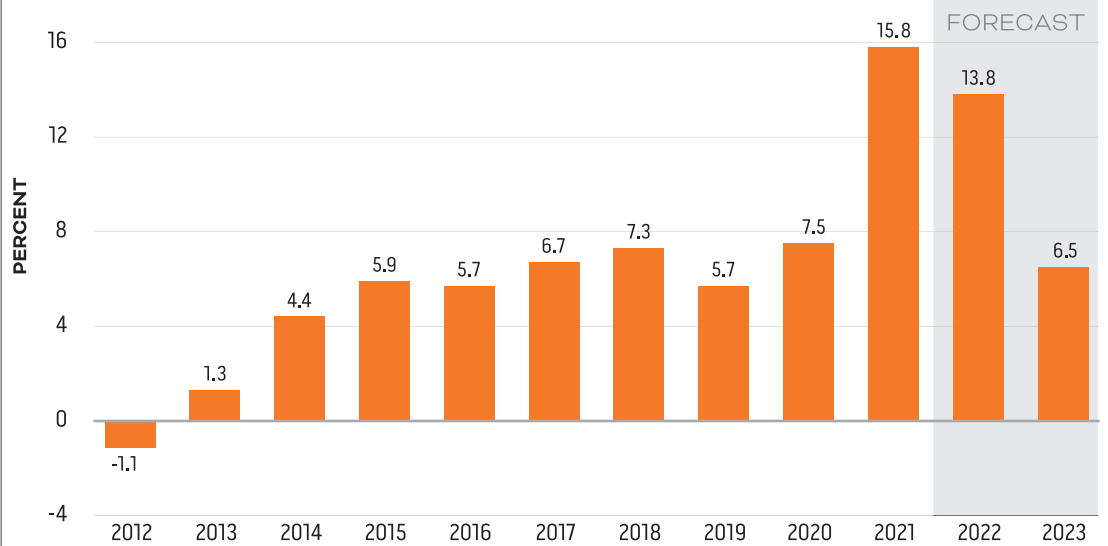
HOMES AVAILABLE FOR SALE



INVENTORY OF HOMES AVAILABLE FOR SALE ^A



HOME PRICE APPRECIATION ^B



SOURCES:

Federal Housing Finance Agency
Heartland Multiple Listing Service
WSU Center for Real Estate

NOTES:

- ^A Active listings divided by the 12-month trailing moving average of sales; Kansas listings only
- ^B Year-over-year percentage change in the Federal Housing Finance Agency all-transactions housing price index for the Kansas City metropolitan area, as measured using 4th quarter values

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KANSAS FORECAST:

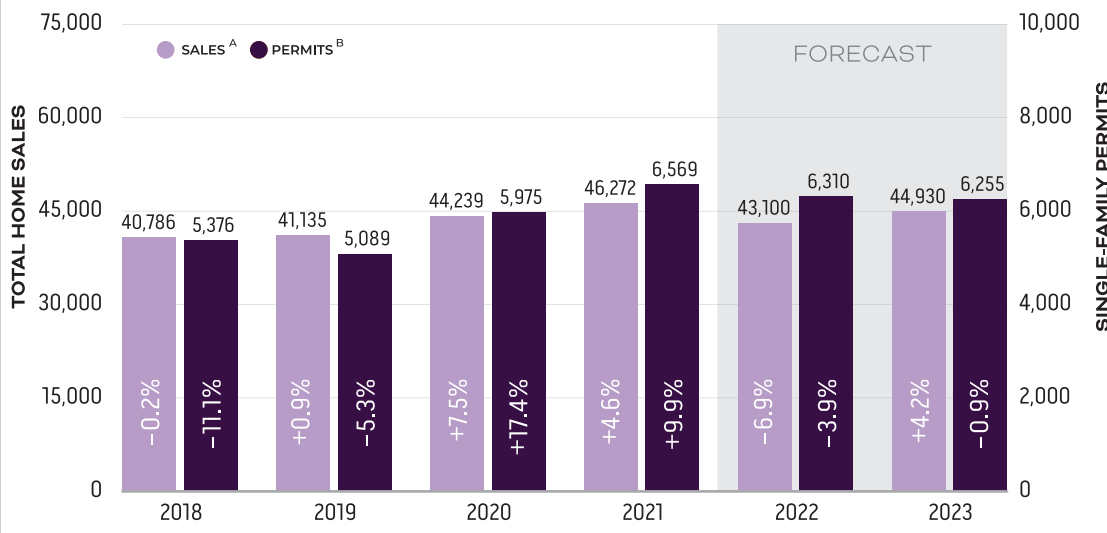
Home sales have declined this year across most of the state. This was true even before the recent rise in mortgage rates began to soften demand. As a result, we expect sales to end the year at 43,100 units, down 6.9 percent. Home sales should rebound to 44,930 units in 2023, largely due to gains in the Kansas City area.

New single-family building permits in Kansas are expected to decline by 3.9 percent this year. This is largely due to softening in the Kansas City area, as permits are expected to rise in all of the state's other major markets. Construction activity should stabilize in 2023, dropping a modest 0.9 percent to 6,255 units.

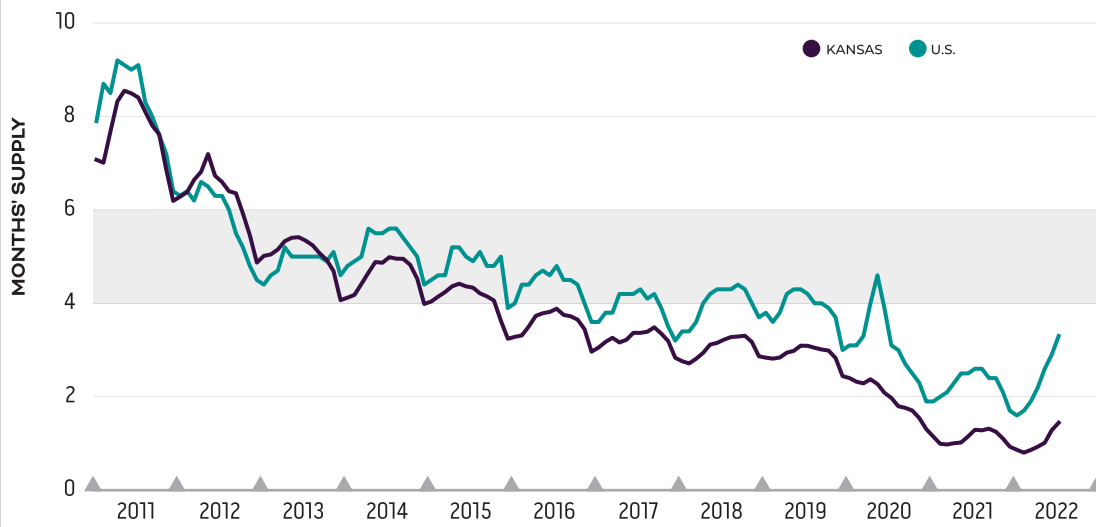
Home prices across the state rose by a stunning 14.6 percent last year as surging demand ran headlong into supply constraints that have been building for years. While demand has eased with rising mortgage rates, we still project that Kansas home values will end the year up 12.3 percent. The pace of appreciation should slow next year, to a still-strong 5.4 percent.



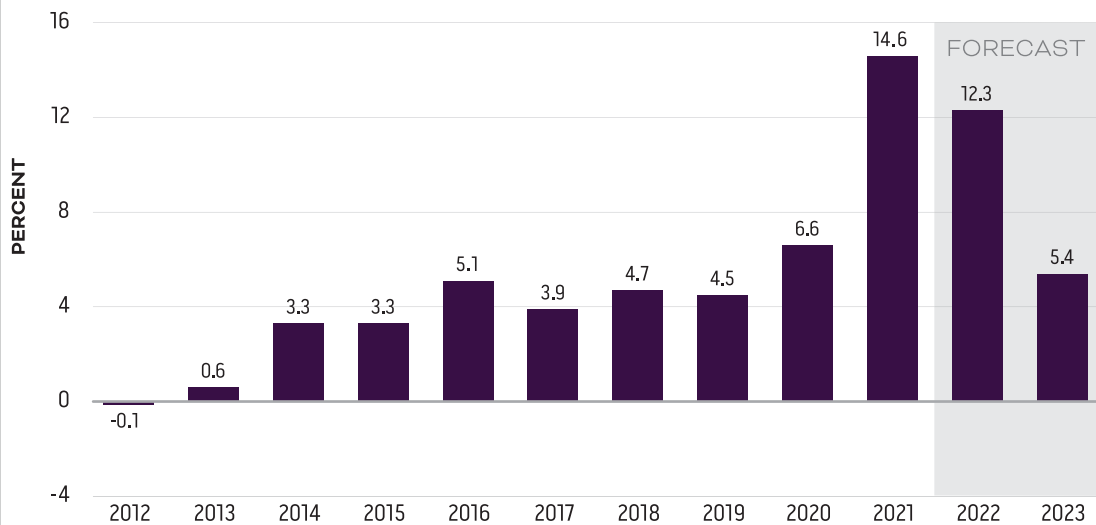
KANSAS HOUSING MARKET ACTIVITY



INVENTORY OF HOMES AVAILABLE FOR SALE ^C



HOME PRICE APPRECIATION ^D



SOURCES:

Federal Housing Finance Agency
 Participating REALTOR[®] multiple listing services across Kansas
 U.S. Bureau of the Census
 WSU Center for Real Estate

NOTES:

- Ⓐ Total home sales in Kansas as reported by participating REALTOR[®] multiple listing services across the state
- Ⓑ Single-family building permits issued in Kansas as reported by the U.S. Bureau of the Census
- Ⓒ Active listings divided by the 12-month trailing moving average of sales, segmented by list price
- Ⓓ Year-over-year percentage change in the Federal Housing Finance Agency all-transactions housing price index for Kansas, as measured using 4th quarter values

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FORECAST SUMMARY:

The WSU Center for Real Estate prepares housing market forecasts for each of the major markets across the state. A summary of those forecasts is provided here. To download a copy of the complete forecast for each market, visit our website at wichita.edu/realestate. While there, you can also explore the wealth of additional data and analysis we provide on housing markets across the state.



KANSAS Statewide

	2018	2019	2020	2021
Total Home Sales	40,786	41,135	44,239	46,272
Building Permits	5,376	5,089	5,975	6,569
Home Price Appreciation	4.7%	4.5%	6.6%	14.6%
Sales Volume (in millions)	\$8,493	\$8,910	\$10,482	\$12,153
Average Price	\$208,228	\$216,594	\$236,951	\$262,637

KANSAS CITY Area (KS & MO)

	2018	2019	2020	2021
Total Home Sales	40,556	40,677	44,004	45,726
Building Permits	5,608	4,811	6,173	7,051
Home Price Appreciation	7.3%	5.7%	7.5%	15.8%
Sales Volume (in millions)	\$9,620	\$10,070	\$11,941	\$13,977
Average Price	\$237,209	\$247,554	\$271,371	\$305,668

LAWRENCE MSA

	2018	2019	2020	2021
Total Home Sales	1,491	1,484	1,591	1,546
Building Permits	419	256	287	262
Home Price Appreciation	5.4%	5.2%	5.3%	15.2%
Sales Volume (in millions)	\$356	\$365	\$421	\$466
Average Price	\$238,817	\$245,839	\$264,888	\$301,658

MANHATTAN MSA

	2018	2019	2020	2021
Total Home Sales	1,462	1,536	1,877	2,239
Building Permits	233	262	236	266
Home Price Appreciation	1.3%	3.5%	5.3%	8.3%
Sales Volume (in millions)	\$289	\$308	\$383	\$497
Average Price	\$197,646	\$200,739	\$204,235	\$222,137

TOPEKA Area

	2018	2019	2020	2021
Total Home Sales	3,320	3,131	3,469	3,496
Building Permits	330	301	380	417
Home Price Appreciation	4.0%	4.7%	6.3%	17.0%
Sales Volume (in millions)	\$505	\$485	\$583	\$667
Average Price	\$151,981	\$154,827	\$168,168	\$190,842

WICHITA Area

	2018	2019	2020	2021
Total Home Sales	10,384	10,823	11,494	12,152
Building Permits	993	1,075	1,397	1,455
Home Price Appreciation	3.3%	4.8%	7.7%	14.6%
Sales Volume (in millions)	\$1,721	\$1,884	\$2,218	\$2,616
Average Price	\$165,780	\$174,032	\$193,001	\$215,276

FORECAST 2022 2023

Total Home Sales	43,100	44,930
Building Permits	6,310	6,255
Home Price Appreciation	12.3%	5.4%

Total Home Sales	41,940	44,290
Building Permits	6,295	6,185
Home Price Appreciation	13.8%	6.5%

Total Home Sales	1,470	1,480
Building Permits	275	265
Home Price Appreciation	12.3%	4.8%

Total Home Sales	2,030	1,980
Building Permits	275	285
Home Price Appreciation	9.3%	4.2%

Total Home Sales	3,410	3,390
Building Permits	435	425
Home Price Appreciation	9.7%	3.3%

Total Home Sales	11,560	11,640
Building Permits	1,530	1,570
Home Price Appreciation	12.9%	4.7%

SOURCES:

Federal Housing Finance Agency; Flint Hills Association of REALTORS®; Heartland Multiple Listing Service; Kansas Association of REALTORS® and participating multiple listing services across Kansas; Lawrence Multiple Listing Service; South Central Kansas Multiple Listing Service; Sunflower Association of REALTORS®; U.S. Bureau of the Census; Wichita Area Builders Association; WSU Center for Real Estate

NOTES:

Total home sales, average price and sales volume figures include both existing and new home sales. Building permits reflect single-family residential building permits. Home price appreciation figures are the year-over-year percentage change in the Federal Housing Finance Agency all-transactions house price index, as measured using 4th quarter values. Kansas City figures include transactions from both Kansas and Missouri.

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CENTER FOR REAL ESTATE:

The Center for Real Estate was created to help deepen the connections between the region's professional real estate community and the academic programs at Wichita State University.

Whether you need to better understand the area's real estate markets or would like to engage our students as interns or full-time employees, the WSU Center for Real Estate is your go-to resource.

KEEP IN TOUCH WITH US ONLINE

WEB: WICHITA.EDU/REALESTATE
FACEBOOK: [WSUREALESTATE](https://www.facebook.com/WSUREALESTATE)
TWITTER: [@WSUREALESTATE](https://twitter.com/WSUREALESTATE)
YOUTUBE.COM/WSUREALESTATE



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CENTER FOR REAL ESTATE CONTRIBUTORS:



Security 1st Title

Meritrust
HOME LOANS



WALTER MORRIS
ENDOWMENT FOR REAL ESTATE



Fidelity
BANK



KANSAS CCIM CHAPTER
BRADEN MCCURDY
AKAM



Security 1st Title

We Protect Property Rights. Security 1st Title offers licensed and trained professionals to assist you with your local and national title and closing needs. Our local, experienced staff delivers exceptional service to the protect property rights of homeowners and lenders. Our team has extensive knowledge and experience in handling residential, commercial, new construction, refinance and relocation transactions. Find us online at www.security1st.com to contact our local office for more details on how we can assist you.

Fidelity
BANK

The success of our fourth generation, family-owned bank began with homes. The forerunner of Fidelity Bank – The Fidelity Investment Company – opened its doors for business in Wichita in 1905 as a mortgage lender. Today, our \$2.9 billion bank employs more than 500 people across a network of offices in Kansas and Oklahoma and maintains the position as the top lender in Sedgwick County. We are proud to empower individuals and families to build their financial futures and achieve the dream of homeownership. For all that has changed in the banking industry since we began, our philosophy has remained the same: To create a better future by acting with courage and integrity alongside our customers and in our communities, as together we move Bravely Onward. Learn more at fidelitybank.com.



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