

Kansas

City HOUSING  
FORECAST

A NEW PERSPECTIVE



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WICHITA STATE  
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# Kansas

# City HOUSING FORECAST

Not everything we “know” turns out to be true. We begin to take the familiar for granted and fail to notice the changes happening around us. To see things more clearly, we sometimes need to look at things from *A New Perspective*.

This year’s Kansas City Housing Market Forecast can help you do just that. By combining the latest economic and housing market data with our own unique insights and analysis, the WSU Center for Real Estate provides you with the new perspective you need to prepare and adapt to the changing housing market.

*Dr. Stanley D. Longhofer*

*Director, WSU Center for Real Estate*

*WICHITA.EDU/REALESTATE*



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Center for Real Estate

# Special Thanks:

**Faith Atteberry** | WSU Center for Real Estate

**Kipp Cooper** | Kansas City Regional Association of REALTORS®

**Karen Gehle** | Kansas Association of REALTORS®

**Jeremy Hill** | WSU Center for Economic Development and Business Research

**Samuel Radaha** | WSU Center for Real Estate

**John Ringgold** | Real Estate Business Resources

**Diane Ruggiero** | Kansas City Regional Association of REALTORS®

**Participants in the 2015 Kansas City Real Estate Roundtable**

**The Center for Real Estate receives no state funding. Our activities are supported entirely through gifts from generous supporters throughout the region:**

**Clark Real Estate Foundation**

**Meritrust Credit Union**

**Pulaski Bank Home Lending**

**Security 1<sup>st</sup> Title**

**Walter Morris Endowment for Real Estate**

**REALTORS® of South Central Kansas**

We are also grateful to the REALTOR® boards and multiple listing services that have provided much of the data used to prepare this forecast:





# Center for Real Estate

Wichita State University has one of the oldest real estate programs in the country. Since its inception, the program has strived to maintain close connections with real estate professionals throughout the region.

The Center for Real Estate was established in 2000 to help deepen the connections between the professional real estate community and the academic programs at Wichita State University. Toward this end, the Center engages in a variety of activities that promote and enhance real estate markets and related industries:

- We maintain comprehensive databases of publicly-available information on Kansas real estate markets, and make many of these available on our website at [wichita.edu/realestate](http://wichita.edu/realestate). If there is data you need, let us know and we'll see what we can do to help.
- We provide independent, expert analysis of area real estate markets and policy issues related to real estate.
- We conduct high-quality academic research on real estate, and then apply this research to develop practical resources that benefit real estate practitioners, policy makers and the general public. This forecast is just one example of this effort.
- We help students connect with area real estate professionals & organizations. If you have opportunities for current students or want to hire recent graduates, let us know and we'll help you connect.

The W. Frank Barton School of Business at Wichita State has been the driving force behind some of the brightest minds and biggest ideas of the past 100 years. Combining the widest range of undergraduate degrees in the state and virtually unlimited learning opportunities (thanks to Kansas' largest business community), it's no surprise that employers continue to show a preference for hiring Barton School graduates.

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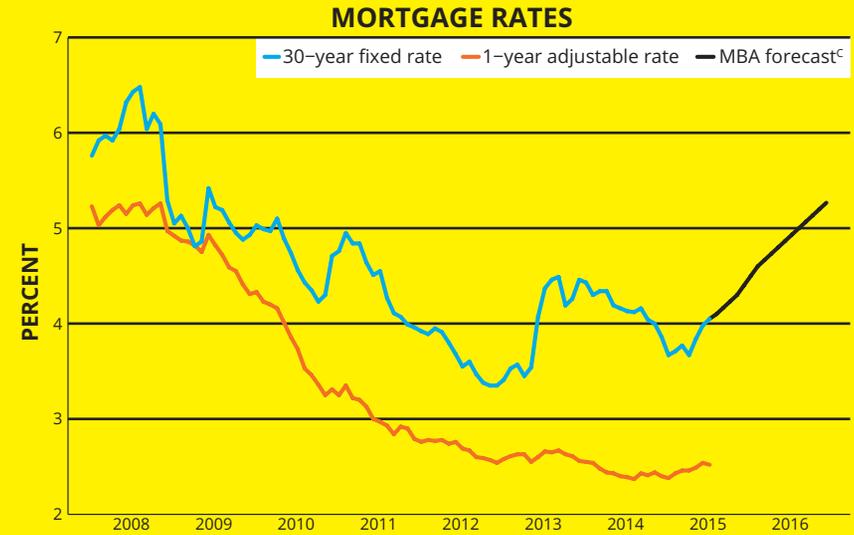
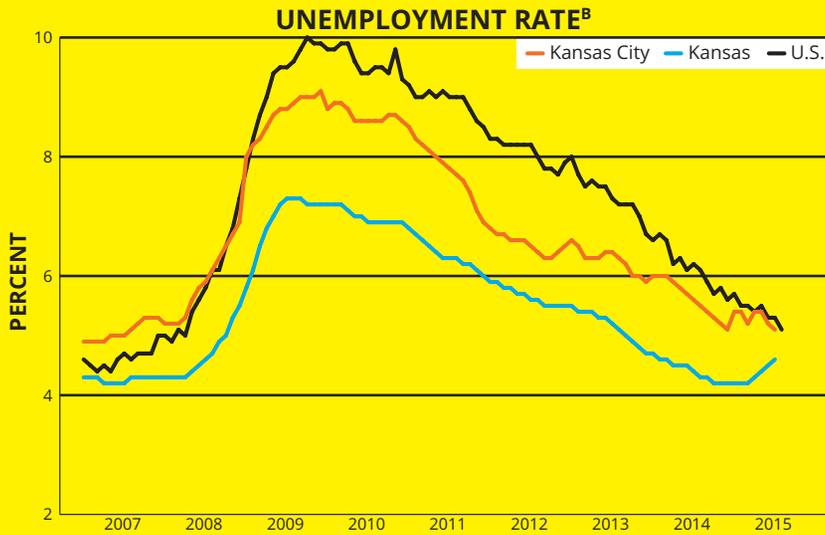
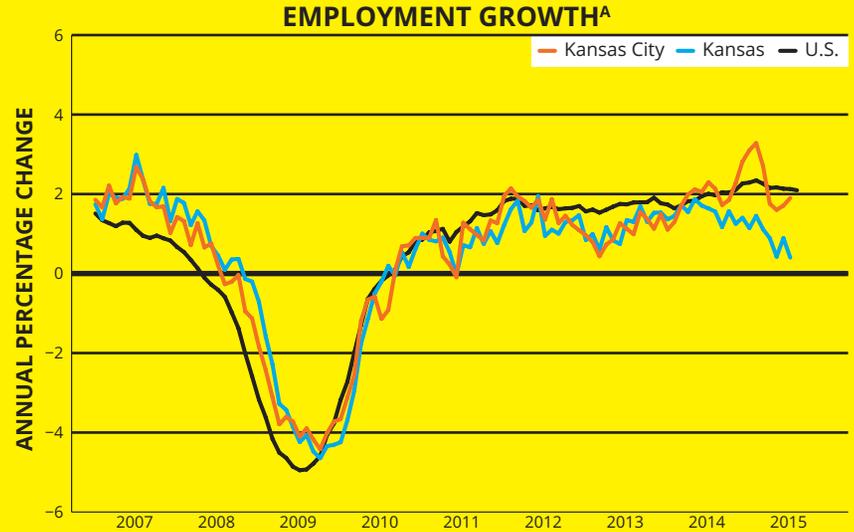
While employment growth in Kansas has been slowing over the past year, the opposite has been happening in the Kansas City metropolitan area. The WSU Center for Economic Development and Business Research forecasts that total non-farm employment statewide will rise by 19,958 jobs in 2016, a 1.4 percent increase.

As the Kansas City job market has picked up, the unemployment rate has continued to decline, and is now back down to 5 percent, the level it was before the beginning of the Great Recession.

Although the Federal Reserve did not raise short-term interest rates during its September meeting, the question is when—not if—mortgage rates will begin to rise. Given low inflationary pressures, a modest increase in mortgage rates may actually help the housing market, strengthening the demand for starter homes that are now being bypassed by first-time buyers trying to stretch into more expensive homes given current low rates.

# Economic Overview

# KANSAS CITY EMPLOYMENT GROWTH HAS ACCELERATED OVER THE PAST YEAR.



**Sources:**  
Freddie Mac, Mortgage Bankers Association, U.S. Bureau of Labor Statistics

**Notes:**  
A) Year-over-year percentage change in total, non-farm employment, seasonally adjusted  
B) Seasonally adjusted  
C) Mortgage Bankers Association August 2015 forecast of the 30-year conventional mortgage rate

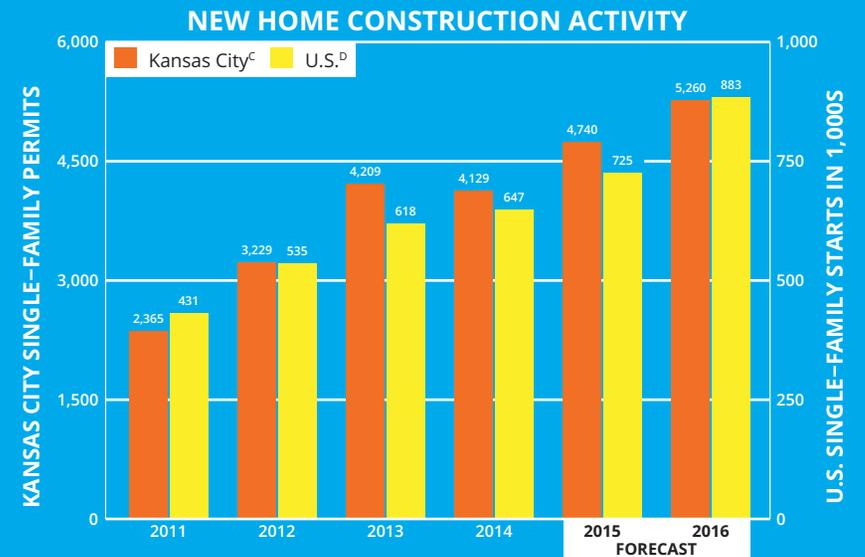
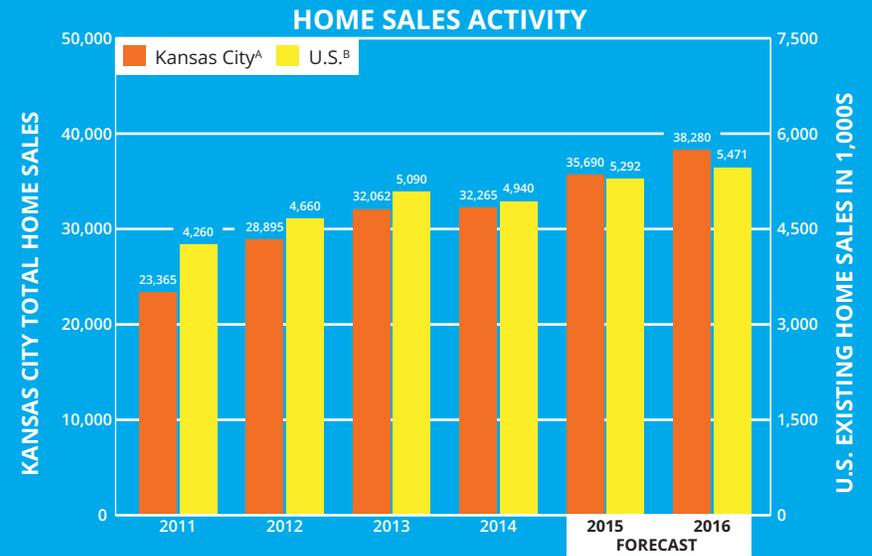
# Home Sales & Construction

Based on revised figures from the Kansas City Regional Association of REALTORS®, area home sales were essentially flat in 2014, rising just 0.6 percent to 32,265 units. The market has been strong so far this year, however, and we expect total home sales to rise by 10.6 percent this year, followed by another 7.3 percent increase in 2016.

The pace of new home construction has picked up this year as well, following a slight decline in 2014. We expect this trend to continue next year, with new single-family building permits rising 11.0 percent to 5,260 units.

FOR THE LATEST TRENDS AND STATISTICS, VISIT [WICHITA.EDU/REALESTATE](http://WICHITA.EDU/REALESTATE)

**KANSAS CITY HOME SALES SHOULD RISE ANOTHER 7.3 PERCENT IN 2016.**



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

**Notes:**  
 A) Total home sales in the Kansas City area as reported by the Heartland Multiple Listing Service  
 B) U.S. existing home sales as reported by the National Association of REALTORS®; forecast is the September 2015 forecast by the National Association of REALTORS®  
 C) Single-family building permits issued in the Kansas City metropolitan area as reported by the U.S. Bureau of the Census  
 D) U.S. single-family housing starts as reported by the U.S. Bureau of the Census; forecast is the September 2015 forecast by the National Association of REALTORS®

# Home Prices

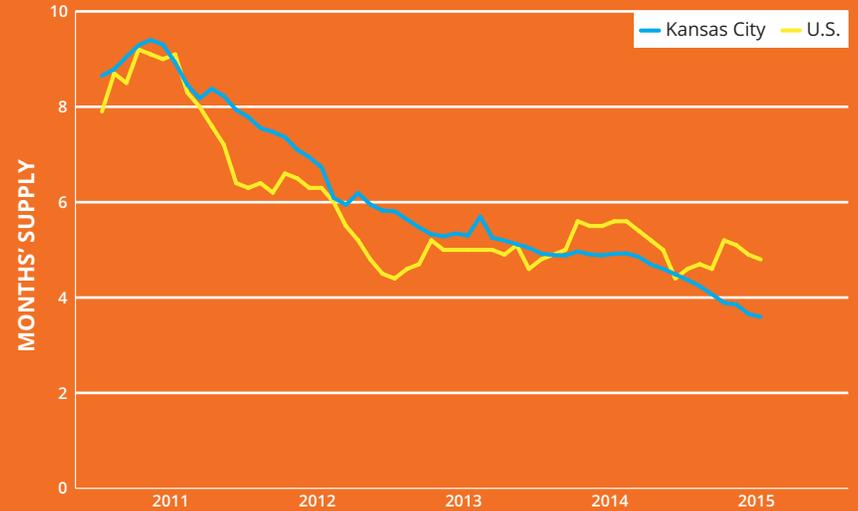
The inventory of homes available for sale in the Kansas City area has continued to tighten this year as new listings have failed to keep pace with sales. Ironically, the shortage of listings may be keeping some move-up sellers out of the market, afraid they will sell their existing homes before they can find a new one to buy.

These tight inventories have resulted in fairly strong home price gains. We expect average home values in the Kansas City area to rise by 6.1 percent this year, followed by a 6.3 percent gain in 2016.

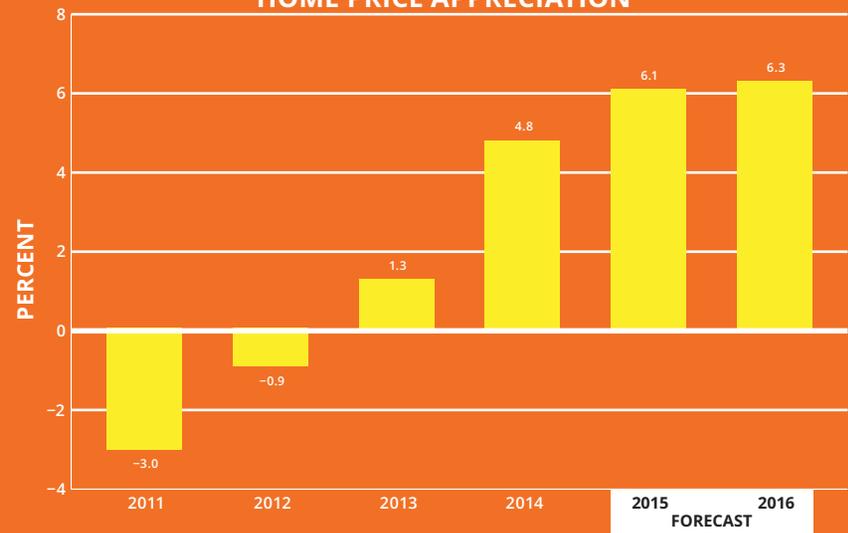
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**TIGHT INVENTORIES OF HOMES AVAILABLE FOR SALE ARE LEADING TO STRONG PRICE GAINS.**

**INVENTORY OF HOMES AVAILABLE FOR SALE<sup>A</sup>**



**HOME PRICE APPRECIATION<sup>B</sup>**



**Sources:**  
Federal Housing Finance Agency, Heartland Multiple Listing Service, National Association of REALTORS®, WSU Center for Real Estate

**Notes:**  
A) Ratio of active listings to home sales, seasonally adjusted  
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 4<sup>th</sup> quarter values

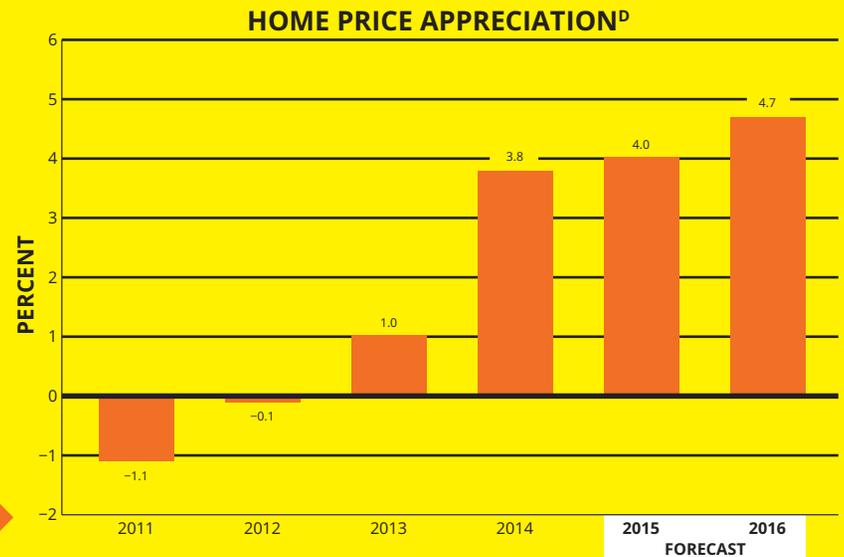
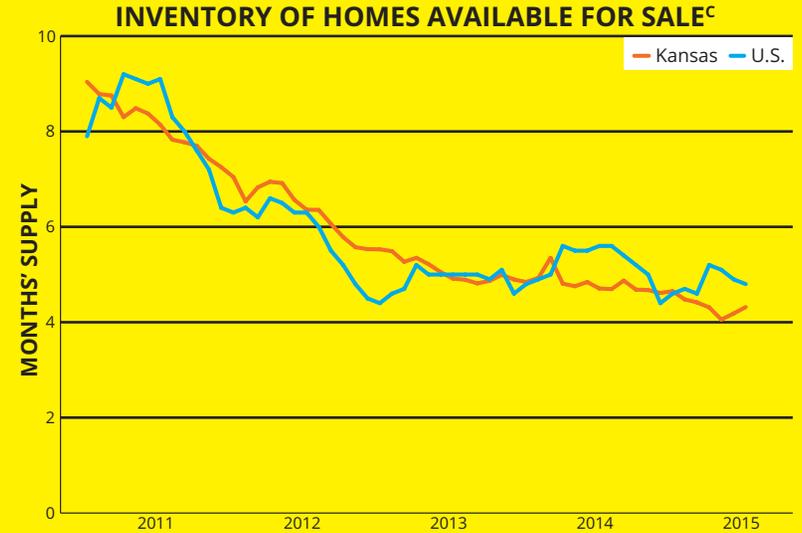
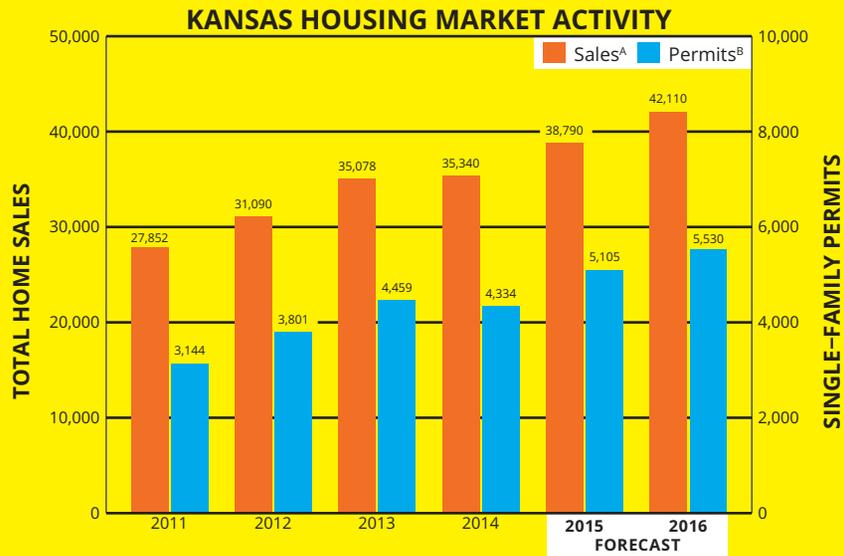
## HOME SALES ACROSS KANSAS WILL RISE BY 8.6 PERCENT IN 2016.

After remaining essentially flat in 2014, home sales across Kansas have risen sharply over the first half of the year. As a result, we expect total home sales to reach 38,790 units by the end of the year, a 9.8 percent gain. This trend should continue in 2016, with sales rising another 8.6 percent to 42,110 units.

After a lull in 2014, new home construction activity has rebounded nicely this year. We expect total permits will rise another 8.3 percent in 2016 to 5,530 units. This is the highest level since 2007, but still less than half of the peak reached in 2005.

Markets all across the state are reporting tight inventories of homes available for sale, and this has begun to affect home values. Average home price appreciation across the state was 3.8 percent in 2014. We expect this pace to accelerate, with prices rising 4.0 percent in 2015 and another 4.7 percent in 2016.

# Kansas Forecast



**KANSAS HOME PRICE APPRECIATION IS ACCELERATING.**

**Sources:** Federal Housing Finance Agency, National Association of REALTORS®, Participating REALTOR® multiple listing services across Kansas, U.S. Bureau of the Census, WSU Center for Real Estate

**Notes:**

A) Total home sales in Kansas as reported by participating REALTOR® multiple listing services across the state

B) Single-family building permits issued in Kansas as reported by the U.S. Bureau of the Census

C) Ratio of active listings to home sales, seasonally adjusted

D) Year-over-year percentage change in the Federal Housing Finance Agency all-transactions housing price index for Kansas, as measured using 4<sup>th</sup> quarter values

**FOR THE LATEST TRENDS AND STATISTICS, VISIT [WICHITA.EDU/REALESTATE](http://WICHITA.EDU/REALESTATE)**

# 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](http://wichita.edu/realestate). While there, you can also explore the wealth of additional data and analysis we provide on housing markets across the state.

*The WSU Center for Real Estate:  
Laying a Foundation for Real Estate in Kansas*

**Sources:**

City of Manhattan; Federal Housing Finance Agency; Heartland Multiple Listing Service; Kansas Association of REALTORS® and participating multiple listing services across Kansas; Lawrence Multiple Listing Service; Manhattan Association of REALTORS®; 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 4<sup>th</sup> quarter values. Kansas City figures include transactions from both Kansas and Missouri.

## 2012

	Kansas	Kansas City	Lawrence	Manhattan	Topeka	Wichita
Total Home Sales	31,090	28,895	1,290	700	2,787	8,207
Building Permits	3,801	3,229	165	188	263	781
Home Price Appreciation	-0.1%	-0.9%	0.0%	1.8%	-0.6%	-1.1%
Sales Volume (in millions)	\$4,988	\$4,859	\$235	\$137	\$333	\$1,080
Average Price	\$160,435	\$168,176	\$181,947	\$196,020	\$119,422	\$131,642

## 2013

Total Home Sales	35,078	32,062	1,538	762	3,003	9,024
Building Permits	4,459	4,209	212	174	270	995
Home Price Appreciation	1.0%	1.3%	1.6%	1.1%	0.5%	0.4%
Sales Volume (in millions)	\$5,978	\$5,863	\$299	\$153	\$374	\$1,262
Average Price	\$170,423	\$182,874	\$194,646	\$200,300	\$124,423	\$139,839

## 2014

Total Home Sales	35,340	32,265	1,628	790	2,965	9,225
Building Permits	4,334	4,129	179	193	262	1,012
Home Price Appreciation	3.8%	4.8%	1.2%	3.4%	1.8%	3.0%
Sales Volume (in millions)	\$6,239	\$6,204	\$301	\$163	\$366	\$1,347
Average Price	\$176,536	\$192,278	\$184,826	\$206,163	\$123,411	\$146,001

## 2015

Total Home Sales	38,790	35,690	1,880	870	3,280	9,650
Building Permits	5,105	4,740	235	165	305	1,015
Home Price Appreciation	4.0%	6.1%	2.7%	3.9%	0.4%	3.6%

## 2016

Total Home Sales	42,110	38,280	2,020	950	3,430	9,970
Building Permits	5,530	5,260	225	175	315	1,065
Home Price Appreciation	4.7%	6.3%	3.0%	4.9%	0.9%	3.0%

FORECAST



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