

Lawrence HOUSING FORECAST

A NEW PERSPECTIVE



.....
WICHITA STATE
UNIVERSITY

Lawrence 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 Lawrence 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



WICHITA STATE
UNIVERSITY

W. FRANK BARTON
SCHOOL OF BUSINESS

Center for Real Estate

Special Thanks:

Faith Atteberry | WSU Center for Real Estate

Karen Gehe | Kansas Association of REALTORS®

Jeremy Hill | WSU Center for Economic Development and Business Research

Rob Hulse | Lawrence Board of REALTORS®

Samuel Radaha | WSU Center for Real Estate

John Ringgold | Real Estate Business Resources

Participants in the 2015 Lawrence Real Estate Roundtable

We are especially grateful to Security 1st Title and Meritrust Credit Union for underwriting the cost of preparing this year's Lawrence Housing Market Forecast.



Security 1st Title



CREDIT UNIONSM

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 1st 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:



PUBLICATION DESIGN BY

 **VISUAL FUSION GRAPHIC DESIGN**
VisualFusionGraphicDesign.com



Center for Real Estate

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.

WICHITA.EDU/BUSINESS



**WICHITA STATE
UNIVERSITY**

**W. FRANK BARTON
SCHOOL OF BUSINESS**

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:

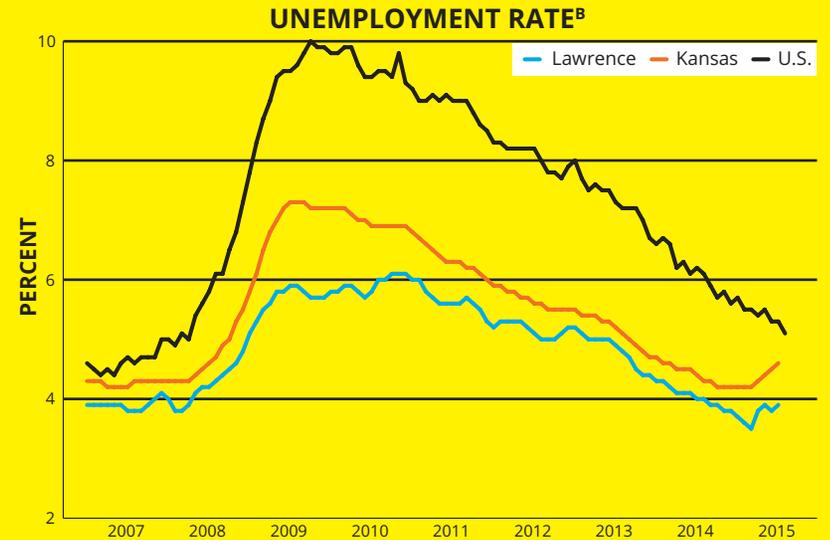
- We maintain comprehensive databases of publicly-available information on Kansas real estate markets, and make many of these available on our website at **wichita.edu/realestate**. If there is data you need, let us know and we'll see what we can do to help.
- We provide independent, expert analysis 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.

Economic Overview

While employment growth in Kansas has been slowing over the past year, the opposite has been happening in the Lawrence metropolitan area, where total employment so far this year is up more than 2 percent. 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 job growth in Lawrence has improved, the unemployment rate has continued to decline, and is now back down below 4 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.



**TOTAL
EMPLOYMENT
IN LAWRENCE
WAS UP
MORE THAN
2 PERCENT
OVER THE
FIRST HALF
OF THIS YEAR.**

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

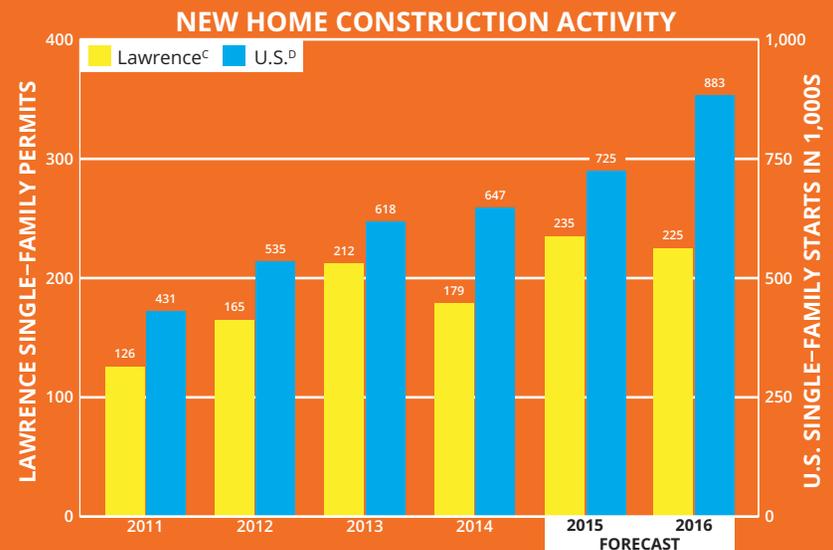
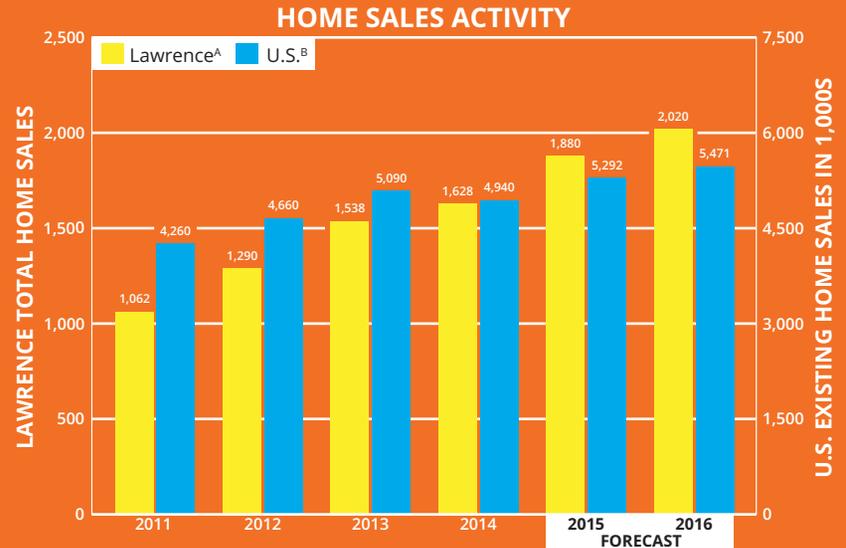
Notes:
A) Year-over-year percentage change in total, non-farm employment, seasonally adjusted
B) Seasonally adjusted
C) Mortgage Bankers Association August 2015 forecast of the 30-year conventional mortgage rate

Home Sales & Construction

After a slow start to the year, the Lawrence housing market strengthened considerably over the past few months. Sales are now on pace to end the year up 15.5 percent at 1,880 units. This trend should continue next year, with sales rising to 2,020 units, above the record set in 2005 prior to the onset of the housing crisis.

Despite the strength of the existing home market, new home construction in the Lawrence area has remained slow. Permitting activity fell 15.6 percent last year, and while recent figures point to a strong rebound this year, the forecast of 225 new units in 2016 is still less than half of the levels seen in the early 2000s.

LAWRENCE SHOULD SET A NEW RECORD FOR HOME SALES IN 2016.



Sources: Lawrence 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 Lawrence area as reported by the Lawrence 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 Lawrence 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®

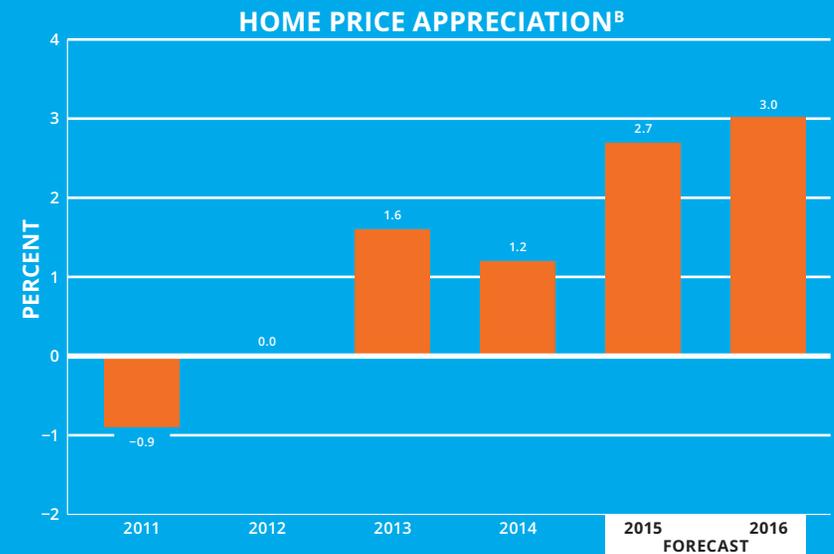
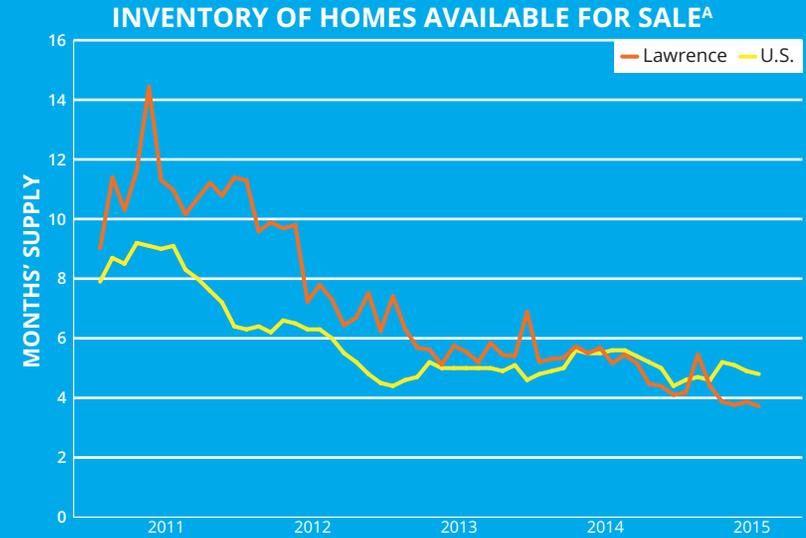
FOR THE LATEST TRENDS AND STATISTICS, VISIT WICHITA.EDU/REALESTATE

Home Prices

The inventory of homes available for sale in the Lawrence market continues to tighten, as new listings fail to keep pace with increased sales. Supplies are especially tight among mid-priced homes in popular neighborhoods, and real estate agents are regularly reporting listings that have sold in just a few days with multiple offers.

In response, Lawrence home values have begun to appreciate once again, with average values expected to rise by 2.7 percent this year, and another 3.0 percent in 2016.

A LACK OF INVENTORY SHOULD CAUSE LAWRENCE HOME VALUES TO RISE BY 3 PERCENT IN 2016.



Sources:
Federal Housing Finance Agency, Lawrence 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 Lawrence metropolitan area, as measured using 4th quarter values

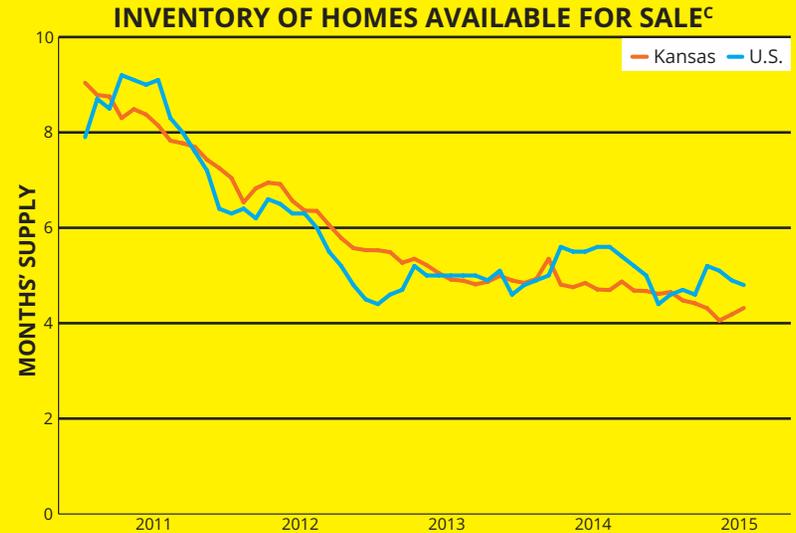
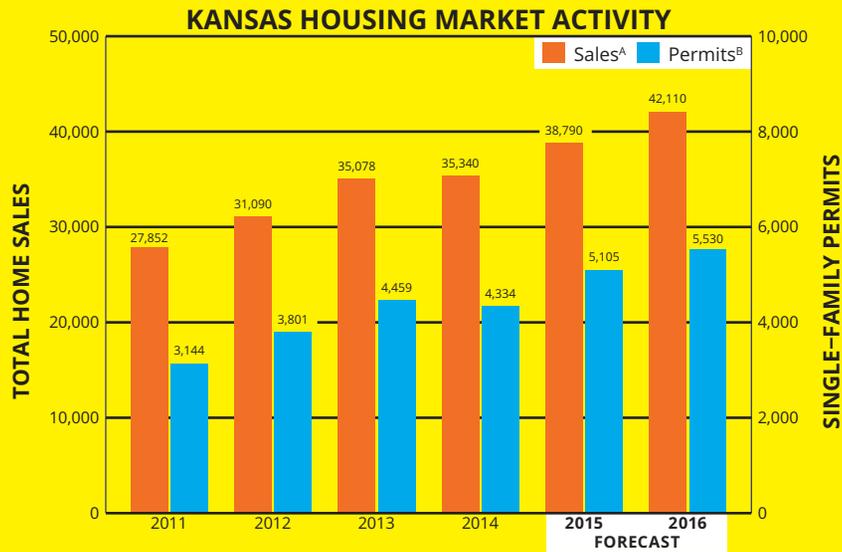
Kansas Forecast

**KANSAS
HOME PRICE
APPRECIATION IS
ACCELERATING.**

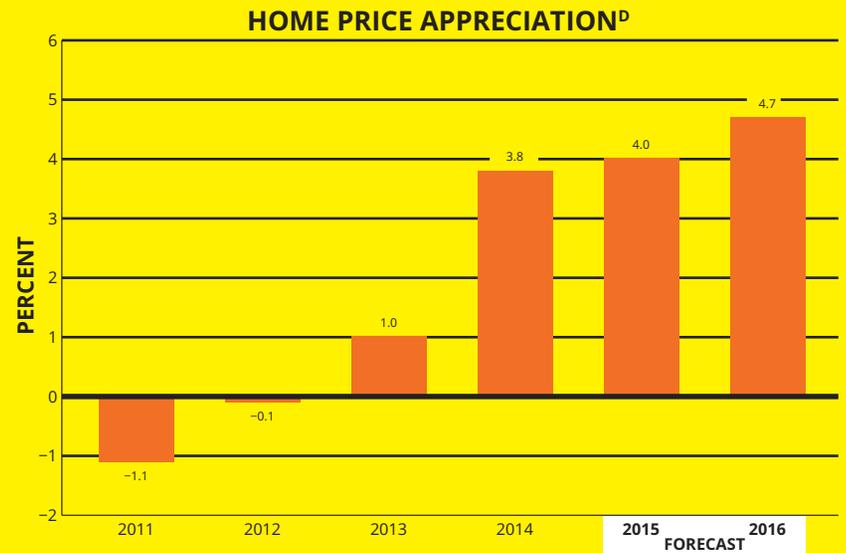
After remaining essentially flat in 2014, home sales across Kansas have risen sharply over the first half of the year. As a result, we expect total home sales to reach 38,790 units by the end of the year, a 9.8 percent gain. This trend should continue in 2016, with sales rising another 8.6 percent to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



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



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 4th quarter values

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.

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 4th quarter values. Kansas City figures include transactions from both Kansas and Missouri.

	Kansas	Kansas City	Lawrence	Manhattan	Topeka	Wichita
2012						
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

All of your friends at Security 1st Title would like to thank you for your business. We take great pride in providing you with a consistent, friendly and professional experience. In the title industry it is truly all about the service. Our team of local experts can assist you with your residential, commercial or multifamily transaction whether the property is located inside or outside of our local communities. When you think of title and closing companies, be sure to make us *Your 1st Choice!*

Security 1st Title



SECURITY1STKS.COM

Meritrust Credit Union is open to the public with 15 branches in metro-Wichita, Junction City, Lawrence and Manhattan, Kansas. We offer members the products, services and tools needed to achieve financial goals with confidence, including flexible mortgage programs with local servicing. Meritrust brings simplicity to the home-buying process. On the Meritrust path to homeownership, we're here for you, every step of the way. No runaround. No unnecessary delays. No surprises.

For more information, visit meritrusthomeloans.com.



CREDIT UNIONSM
MERITRUSTCU.ORG



WICHITA STATE
UNIVERSITY

W. FRANK BARTON
SCHOOL OF BUSINESS

Center for Real Estate