

LAWRENCE

HOUSING FORECAST

WICHITA STATE UNIVERSITY | W. FRANK BARTON SCHOOL OF BUSINESS | CENTER FOR REAL ESTATE

2014

KANSAS HOUSING MARKETS FORECAST



WICHITA STATE
UNIVERSITY

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Special Thanks to:

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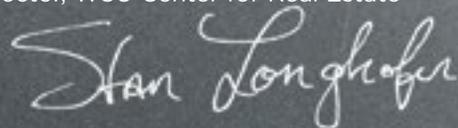
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LAWRENCE HOUSING FORECAST

Through market ups and downs, our goal at the Center for Real Estate is always to provide you with the latest market data and unbiased analysis to help you understand and prepare for whatever the future may bring. With this aim in mind, we have separated the markets in our annual forecast to bring you a publication focused exclusively on the Lawrence housing market. We trust you will find it useful as you work and live in the Lawrence area.

For the latest data and analysis of the Lawrence housing market—and to view our forecasts for other markets across the state—we invite you to visit us at our website at WWW.WICHITA.EDU/REALESTATE.

Dr. Stanley D. Longhofer
Director, WSU Center for Real Estate



THE WSU 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 www.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.



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ECONOMIC OVERVIEW

Employment growth in the Lawrence area has been halting at best since the last recession, and still remains about 2.5 percent below its level at the end of the last expansion. State budget cuts have hit the community particularly hard, limiting the growth of employment at the University.

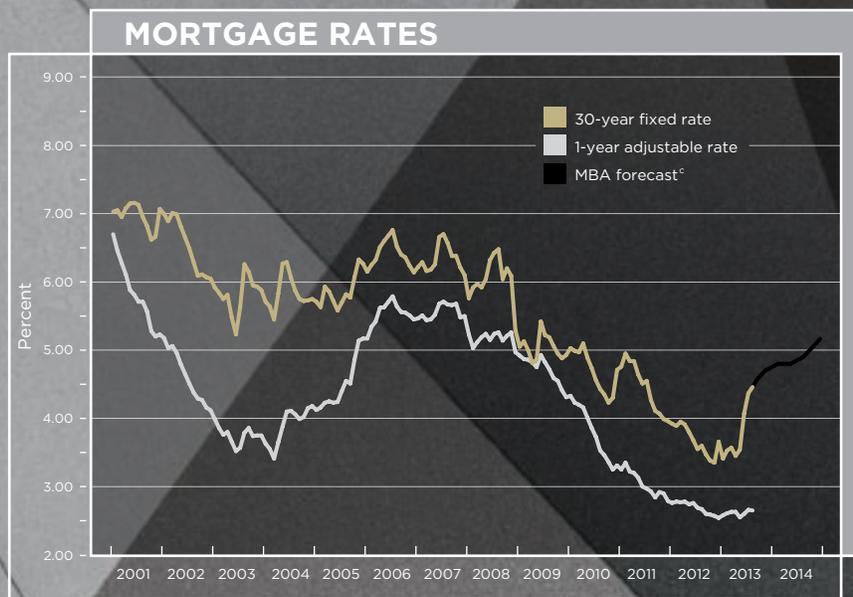
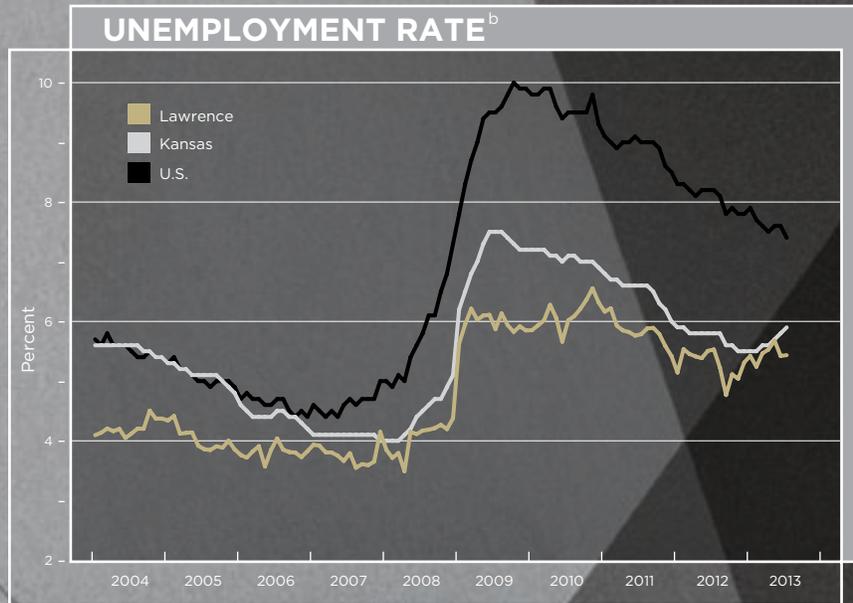
The Lawrence unemployment rate rose sharply at the end of 2008. Interestingly, this corresponded with a sizable increase in the area labor force, meaning that most of the increase in the unemployment rate was due to more people looking for



MORTGAGE RATES SHOULD REMAIN BELOW 5.25 PERCENT THROUGH THE END OF NEXT YEAR.

work (students perhaps?), as opposed to people losing their jobs. If students are the reason the unemployment rate rose, that could also explain why it has fallen so little during the recent recovery.

After hitting all-time lows late last year, mortgage rates rose sharply in June. Even if rates rise above 5 percent next year, however, they will still be remarkably low by any standard. As a result, rising rates shouldn't put too much of a damper on the housing market.

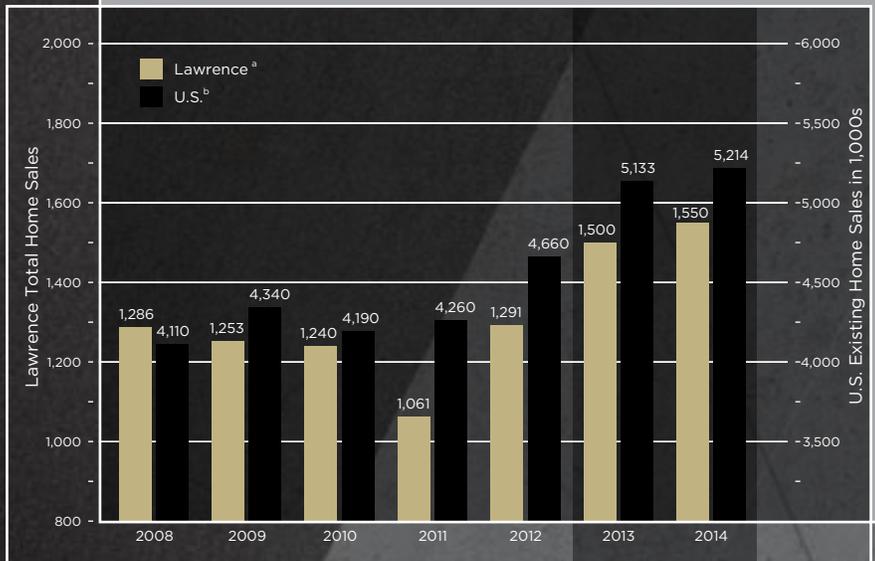


Sources: Freddie Mac; Mortgage Bankers Association; U.S. Bureau of Labor Statistics

- Notes:
- a) Year-over-year percentage change in total non-farm employment
 - b) Seasonally adjusted
 - c) Mortgage Bankers Association August 2013 forecast of the 30-year conventional mortgage rate

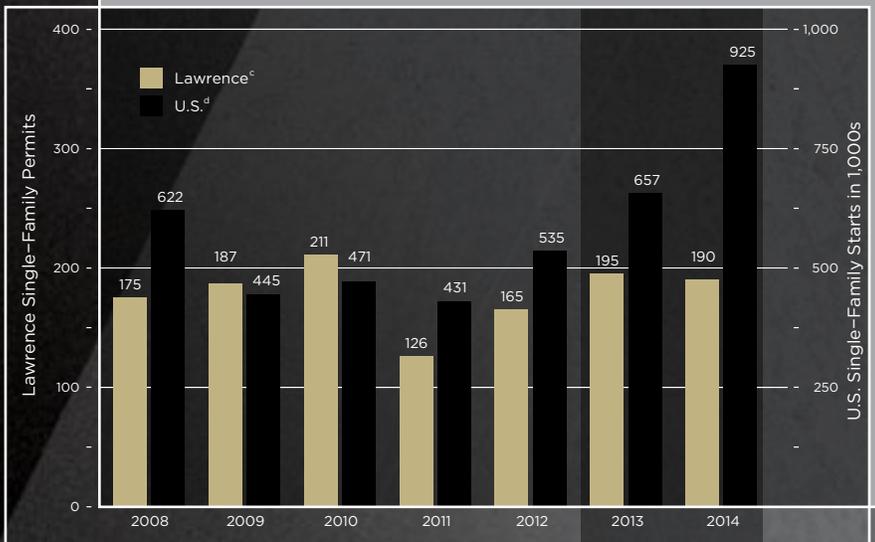
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HOME SALES ACTIVITY



FORECAST

NEW HOME CONSTRUCTION ACTIVITY



FORECAST

HOME SALES CONSTRUCTION

LAWRENCE HOME SALES SHOULD INCREASE BY 3.3 PERCENT IN 2014.

After a remarkable rebound in 2012, Lawrence area home sales are rising once again this year. We expect to end the year with sales up 16.2 percent at 1,500 units. A lack of inventory may constrain this growth next year, however, with sales forecast to rise by only 3.3 percent in 2014 to 1,550 units.

Total single family permits exceeded 400 units every year during the first half of the last decade before falling to a low of only 126 units in 2011. Last year, permits rebounded dramatically, rising 31.0 percent, and this year they are on pace to rise another 18.2 percent to 195 units. New home construction will fall off slightly next year, however, as financing difficulties constrain the new home market. We forecast new permits to fall 2.6 percent to 190 units in 2014.

Sources:

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

Notes:

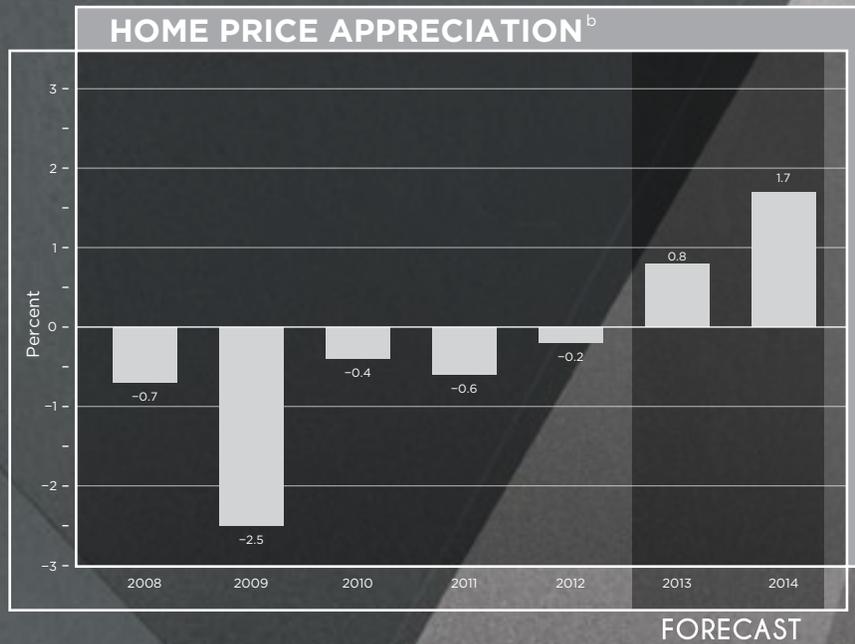
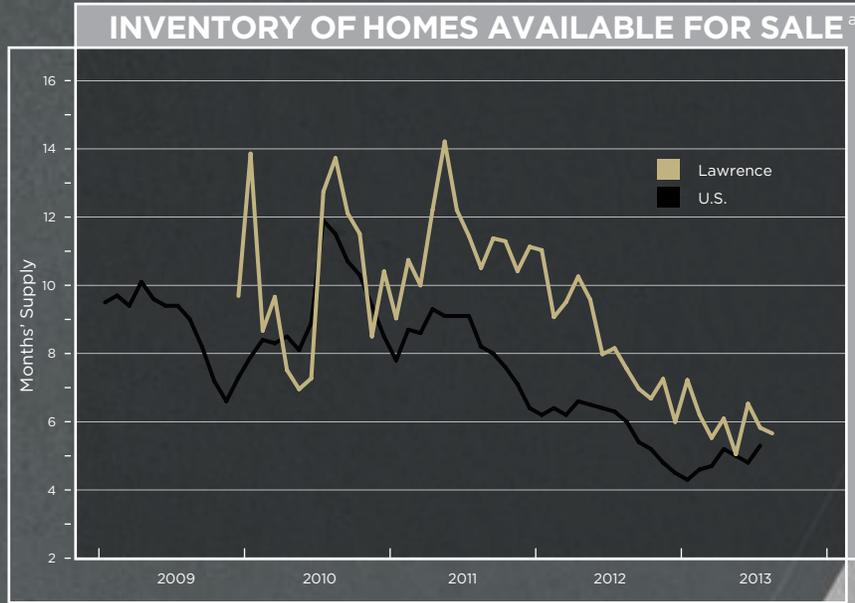
- a) Total home sales in the Lawrence area as reported by the Lawrence Multiple Listing Service
- b) U.S. existing home sales as reported by the National Association of REALTORS®
- c) Single-family building permits issued in the Lawrence metropolitan area as reported by the U.S. Bureau of the Census
- d) U.S. single-family housing starts as reported by the U.S. Bureau of the Census

HOME PRICES

LAWRENCE HOME VALUES SHOULD RISE BY 1.7 PERCENT IN 2014.

As home sales have risen over the past 2 years, the inventory of homes available for sale in the Lawrence market has not kept pace. This summer, inventories fell below a 6 months' supply, a level consistent with a balanced market.

As a result, home prices in the Lawrence area have begun to stabilize. After falling by 5.2 percent between 2007 and 2012, sale prices have begun to rise again this year. We expect average Lawrence home values to end the year up just slightly, and then to appreciate by a modest 1.7 percent in 2014.



Sources:

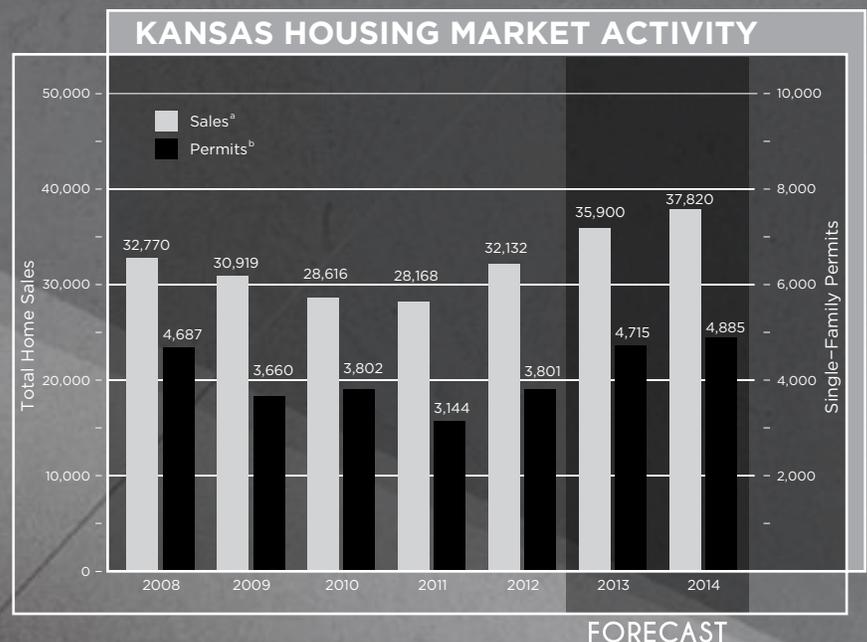
Federal Housing Finance Agency; Lawrence Multiple Listing Service; National Association of REALTORS®; WSU Center for Real Estate

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

Sales across the state have been even stronger than expected this year. The majority of the MLS systems across the state—both large and small—have seen strong sales gains so far this year. As a result, we expect statewide sales to end the year up 11.7 percent at 35,900 units, and then to rise another 5.3 percent to 37,820 units in 2014.

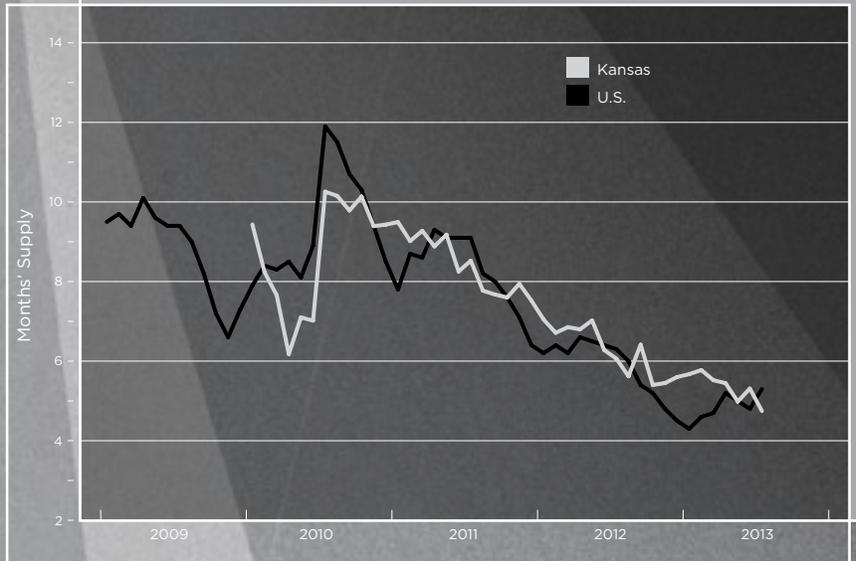


**HOME SALES ACROSS KANSAS SHOULD
INCREASE BY 5.3 PERCENT IN 2014.**

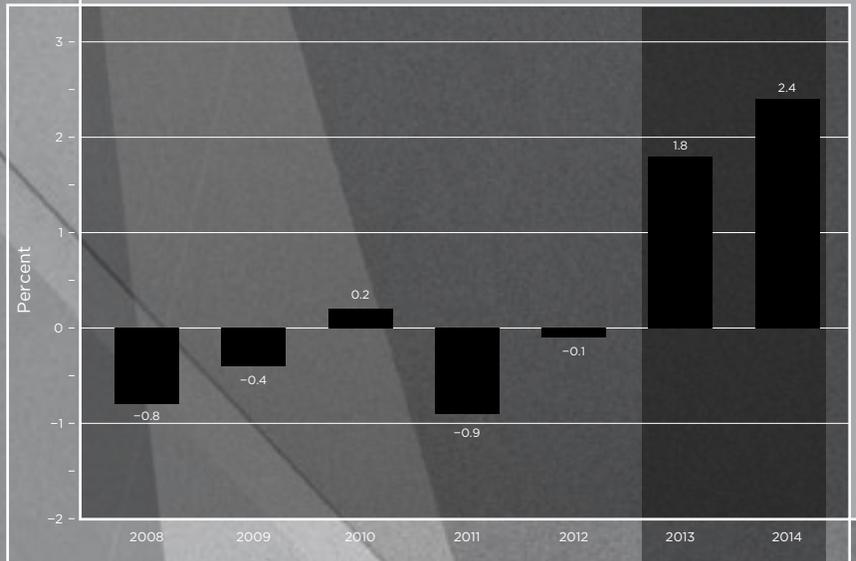
Kansas new home construction has risen sharply this year as well, led by especially strong gains in the Kansas City and Wichita markets. Permits should end the year up 24.0 percent at 4,715 units. Permitting activity will continue to rise in 2014, primarily due to growth in the Kansas City area.

Dwindling inventories of homes available for sale across the state are finally beginning to affect home prices. We expect home values across the state to end the year up 1.8 percent on average, and then to rise by another 2.4 percent in 2014.

INVENTORY OF HOMES AVAILABLE FOR SALE^c



HOME PRICE APPRECIATION^d



FORECAST

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

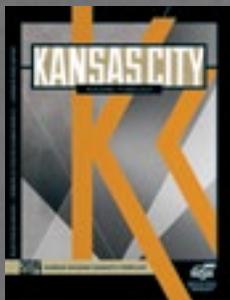
FORECAST SUMMARY

The WSU Center for Real Estate prepares housing market forecasts for each of the major markets across the state. A summary of these forecasts is provided here.

To download a copy of the complete forecast for each market, visit our website at www.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 REALTOR® multiple listing services across Kansas; Lawrence Multiple Listing Service; Manhattan Association of REALTORS®; South Central Kansas Multiple Listing Service; Topeka Area Association of REALTORS®; U.S. Bureau of the Census; Wichita Area Builders Association; WSU Center for Real Estate.

Notes:

Total home sales and average price 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. Sales volume includes both existing and new home sales and is measured in millions of dollars.

2010 2011 2012 2013 2014

FORECAST

KANSAS

| | | | | | |
|-------------------------|---------|---------|---------|--------|--------|
| Total Home Sales | 28,616 | 28,168 | 32,132 | 35,900 | 37,820 |
| Building Permits | 3,802 | 3,144 | 3,801 | 4,715 | 4,885 |
| Home Price Appreciation | 0.2 | -0.9 | -0.1 | 1.8 | 2.4 |
| Sales Volume | 4,444 | 4,261 | 5,082 | | |
| Average Price | 155,282 | 151,270 | 158,169 | | |

KANSAS CITY

| | | | | | |
|-------------------------|---------|---------|---------|--------|--------|
| Total Home Sales | 22,948 | 22,860 | 26,743 | 29,550 | 30,870 |
| Building Permits | 2,129 | 2,365 | 3,229 | 4,400 | 4,960 |
| Home Price Appreciation | -0.6 | -2.8 | -0.9 | 2.3 | 2.7 |
| Sales Volume | 3,736 | 3,576 | 4,503 | | |
| Average Price | 162,795 | 156,430 | 168,375 | | |

LAWRENCE

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|-------------------------|---------|---------|---------|-------|-------|
| Total Home Sales | 1,240 | 1,061 | 1,291 | 1,500 | 1,550 |
| Building Permits | 211 | 126 | 165 | 195 | 190 |
| Home Price Appreciation | -0.4 | -0.6 | -0.2 | 0.8 | 1.7 |
| Sales Volume | 224 | 196 | 235 | | |
| Average Price | 180,339 | 184,900 | 181,807 | | |

MANHATTAN

| | | | | | |
|-------------------------|---------|---------|---------|-----|-----|
| Total Home Sales | 563 | 569 | 658 | 680 | 710 |
| Building Permits | 220 | 186 | 188 | 160 | 190 |
| Home Price Appreciation | -0.6 | -0.5 | 2.0 | 0.2 | 2.5 |
| Sales Volume | 107 | 109 | 132 | | |
| Average Price | 189,992 | 191,492 | 200,552 | | |

TOPEKA

| | | | | | |
|-------------------------|---------|---------|---------|-------|-------|
| Total Home Sales | 2,540 | 2,603 | 2,787 | 3,010 | 3,060 |
| Building Permits | 334 | 228 | 263 | 270 | 270 |
| Home Price Appreciation | 0.3 | -0.2 | -1.1 | -0.7 | 0.9 |
| Sales Volume | 309 | 306 | 333 | | |
| Average Price | 121,694 | 117,668 | 119,422 | | |

WICHITA

| | | | | | |
|-------------------------|---------|---------|---------|-------|-------|
| Total Home Sales | 7,825 | 7,481 | 8,181 | 9,200 | 9,430 |
| Building Permits | 951 | 702 | 783 | 1,095 | 1,015 |
| Home Price Appreciation | 0.0 | -0.9 | -0.7 | 1.5 | 2.2 |
| Sales Volume | 1,034 | 974 | 1,062 | | |
| Average Price | 132,165 | 130,209 | 129,795 | | |

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