

MANHATTAN

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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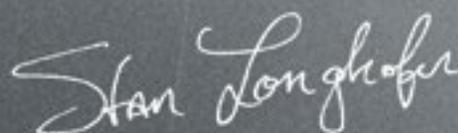
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MANHATTAN HOUSING FORECAST

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 Manhattan housing market. We trust you will find it useful as you work and live in the Manhattan area.

For the latest data and analysis of the Manhattan 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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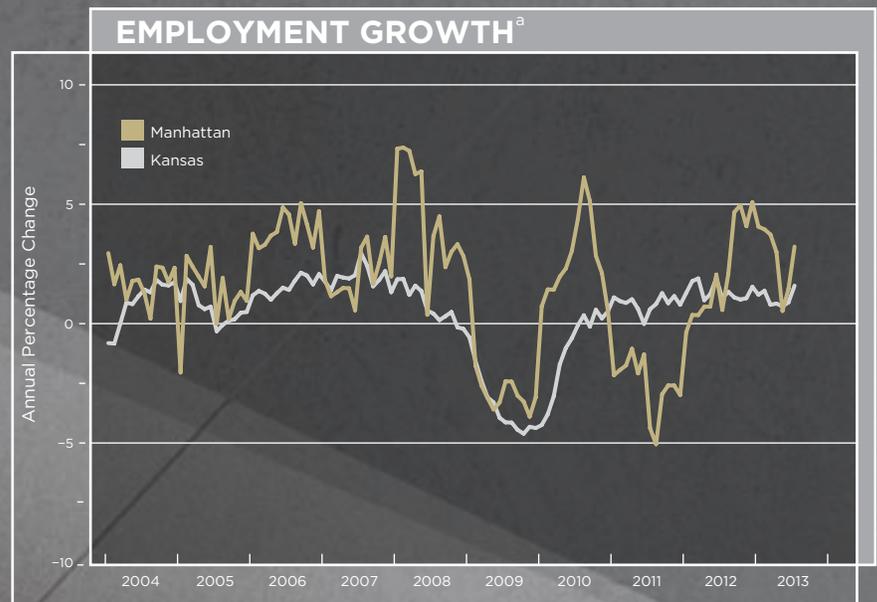
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KANSAS FORECAST

Employment growth in the Manhattan area has been mixed over the past several years. Nevertheless, total employment in the metropolitan area is now nearly 3 percent higher than it was at the beginning of 2008.

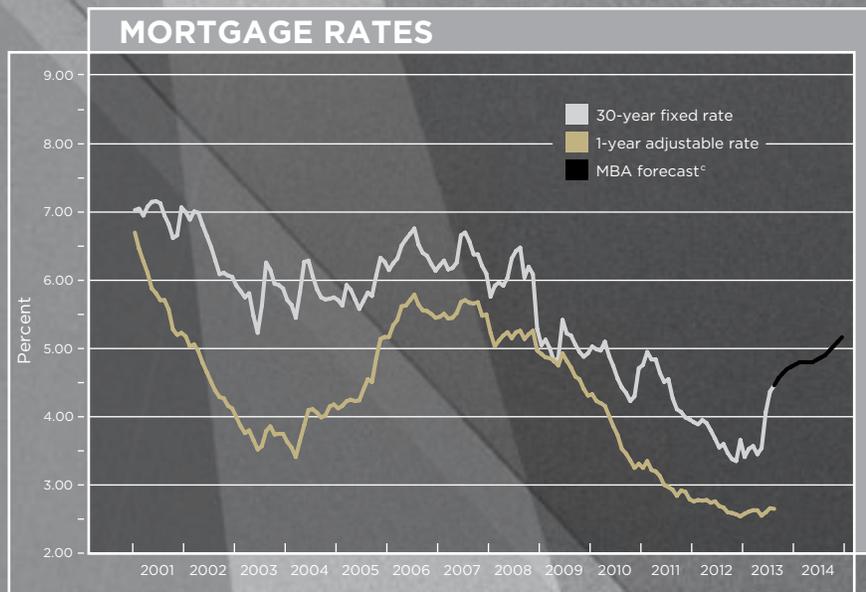
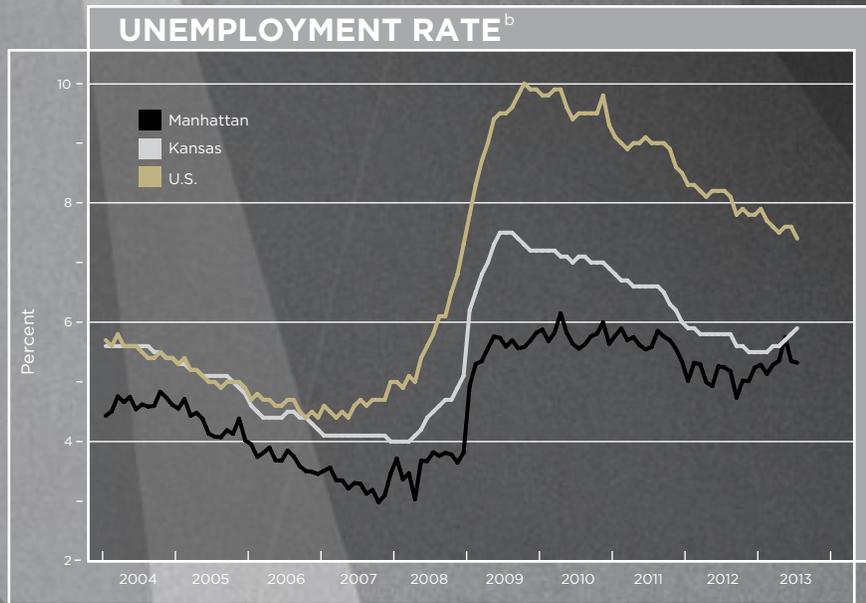
The Manhattan unemployment rate rose sharply at the end of 2008. Interestingly, this corresponded with a sizable increase in the area labor force, meaning that most of the increase in the unemployment rate was



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

due to more people looking for 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.

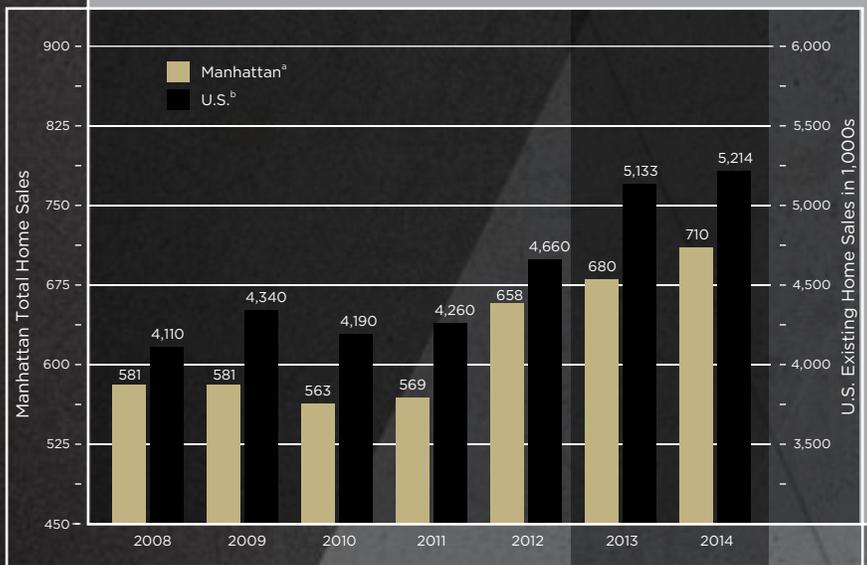


Sources: Freddie Mac; Mortgage Bankers Association; U.S. Bureau of Labor Statistics

- 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

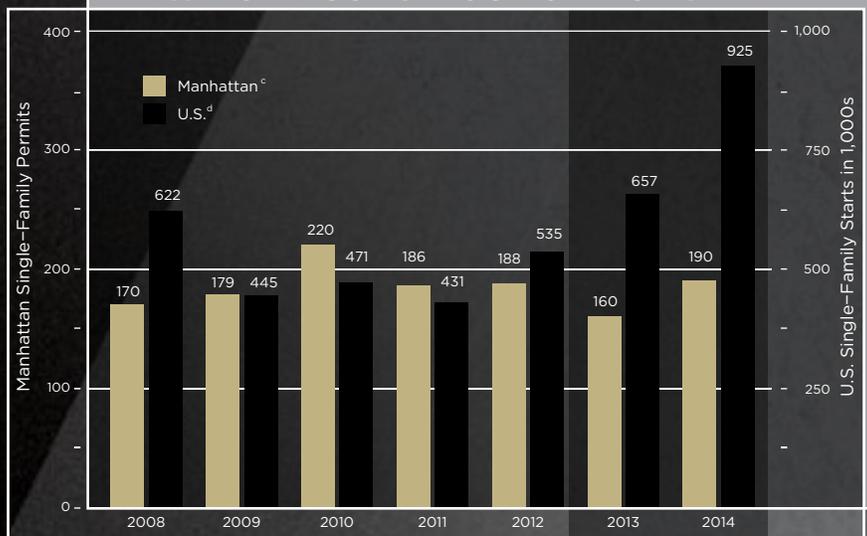
HOME AND CONSTRUCTION

HOME SALES ACTIVITY



FORECAST

NEW HOME CONSTRUCTION ACTIVITY



FORECAST

HOME SALES CONSTRUCTION

MANHATTAN HOME SALES SHOULD RISE BY 4.4 PERCENT IN 2014.

Total home sales in the City of Manhattan rose to the highest level on record last year. This is likely to happen again this year, although the pace of growth will slow. We expect Manhattan will end the year with a total of 680 sales, up 3.3 percent from 2012. Sales will continue to expand in 2014, rising 4.4 percent to 710 units.

The demand for new homes in the Manhattan area remains quite strong. Nevertheless, difficulties in financing spec homes and the lack of available lots have led to a drop in permitting activity this year. Although we expect activity to pick up in the last part of this year, new construction in Manhattan should end the year down 14.9 percent at 160 units. We forecast permitting to rise again next year, ending 2014 up 18.8 percent at 190 units.

Sources:

Manhattan Association of REALTORS®; National Association of REALTORS®;
U.S. Bureau of the Census; WSU Center for Real Estate

Notes:

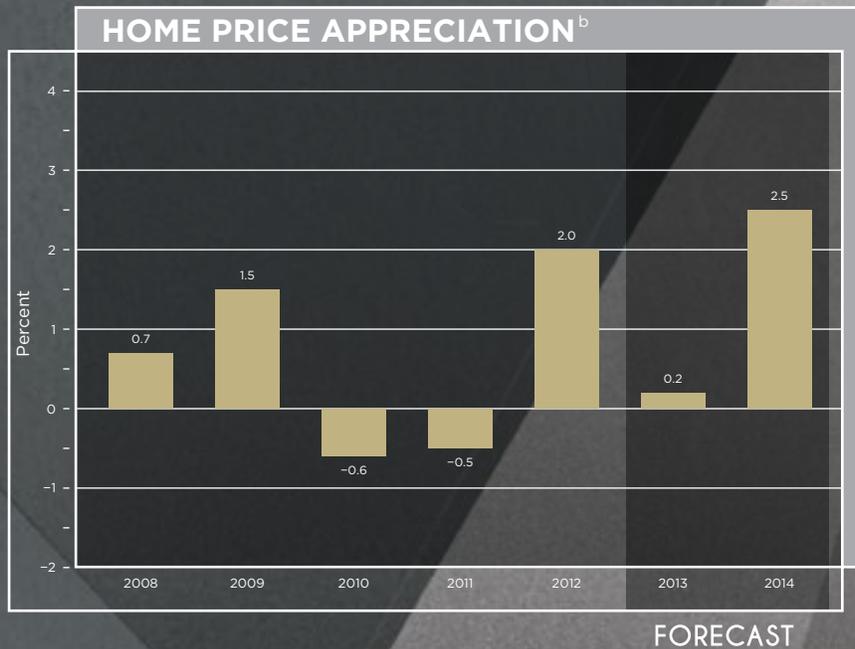
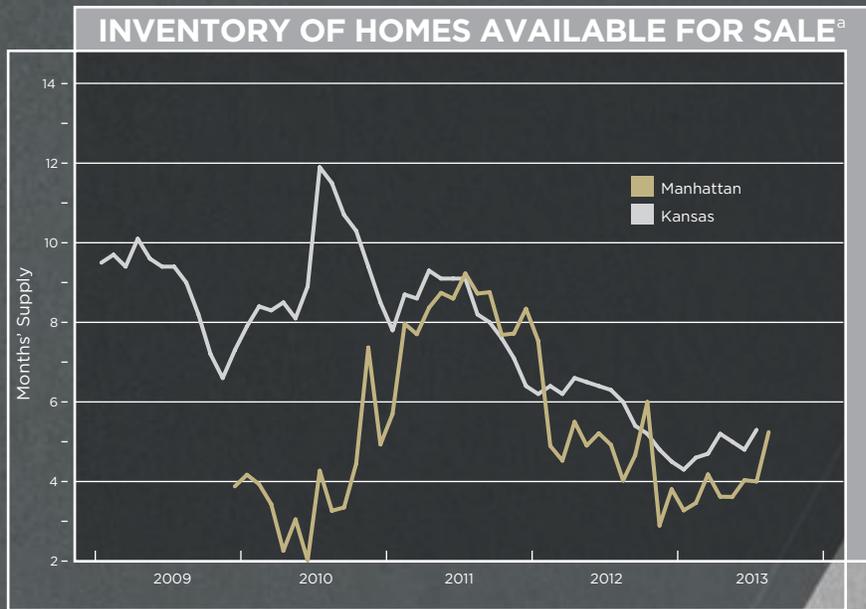
- a) Total home sales in the City of Manhattan (zip codes 66502 and 66503) as reported by the Manhattan Association of REALTORS®
- b) U.S. existing home sales as reported by the National Association of REALTORS®
- c) Single-family building permits issued in Manhattan as reported by the City of Manhattan
- d) U.S. single-family housing starts as reported by the U.S. Bureau of the Census

HOME PRICES

MANHATTAN HOME VALUES SHOULD RISE BY 2.5 PERCENT IN 2014.

After rising dramatically through the first half of the last decade, Manhattan area home prices were essentially flat between 2007 and 2011 before rising by 2.0 percent last year. Inventories of homes available for sale have remained at around a 4 months' supply through most of the year—a remarkably low level. Nevertheless, the market remains fairly balanced between buyers and sellers.

Because of this, we expect home prices in the Manhattan area will end the year up just slightly, before appreciating by 2.5 percent in 2014. Over the longer term, however, Manhattan appears poised for faster home price appreciation, due to population growth and a limited supply of prime land available for development.



Sources:

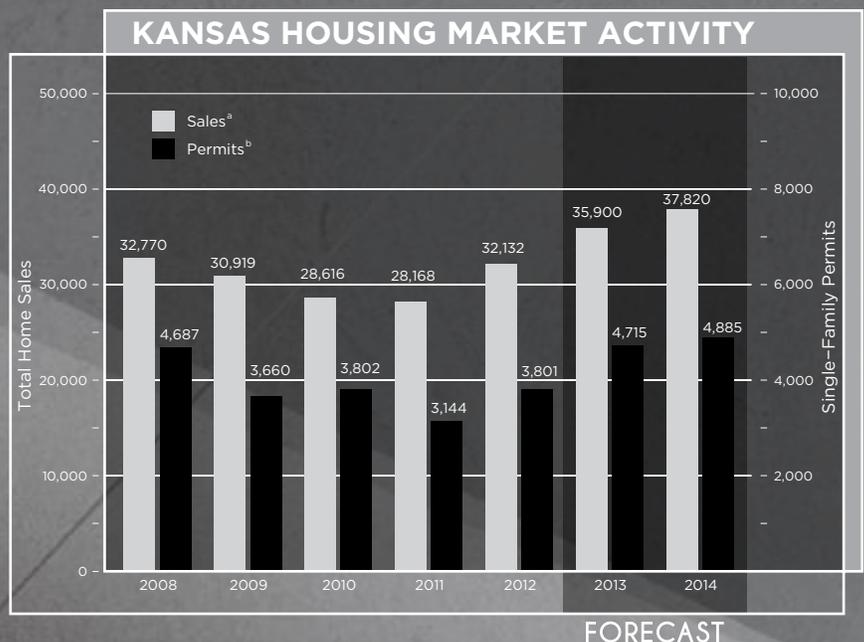
Federal Housing Finance Agency; Manhattan Association of REALTORS[®]; National Association of REALTORS[®]; WSU Center for Real Estate

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 Manhattan 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.

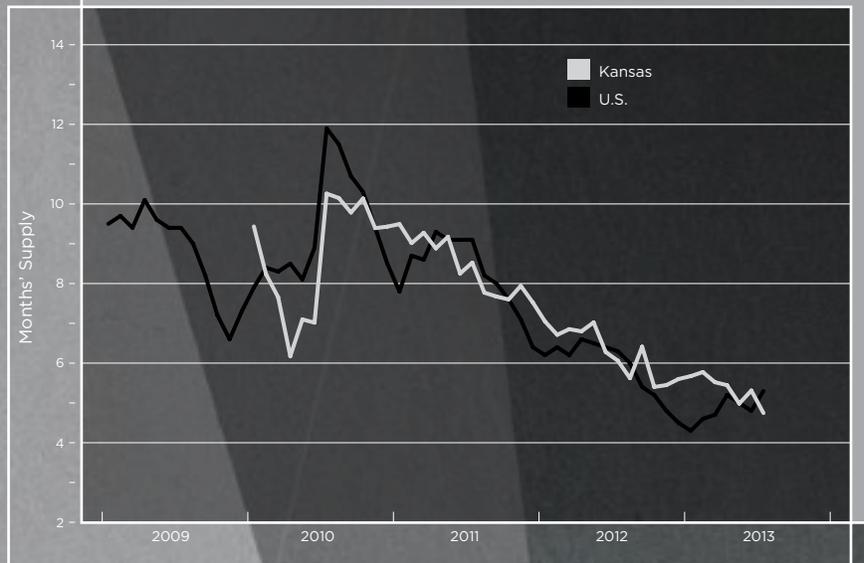


HOME SALES ACROSS KANSAS SHOULD
INCREASE BY 5.3 PERCENT IN 2014.

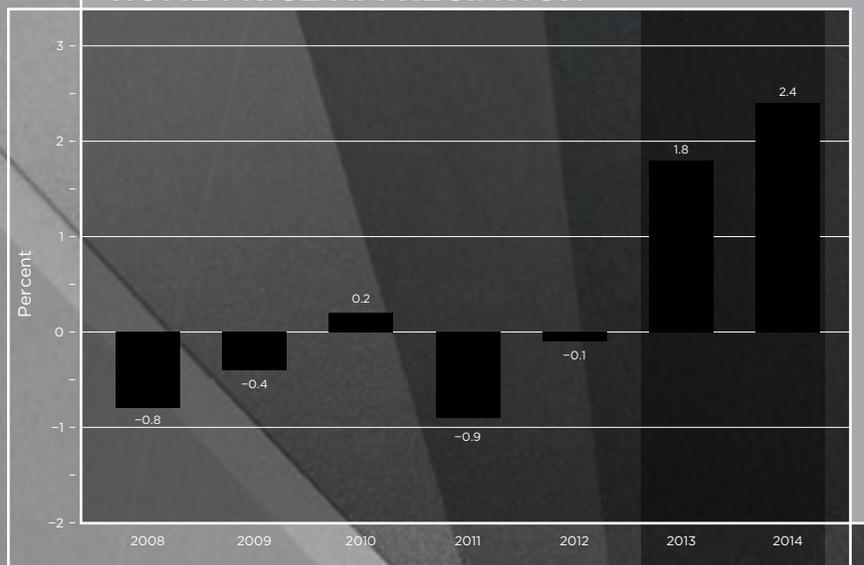
Kansas new home construction has risen sharply this year as well, led by especially strong gains in the Kansas City and Wichita markets. Permits should end the year up 24.0 percent at 4,715 units. Permitting activity will continue to rise in 2014, primarily due to growth in the Kansas City area.

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:

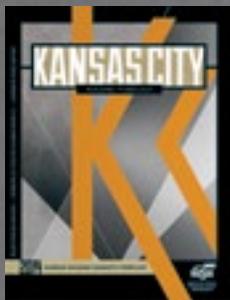
- a) Total home sales in Kansas as reported by participating REALTOR[®] multiple listing services across the state.
- b) Single-family building permits issued in Kansas as reported by the U.S. Bureau of the Census
- c) Ratio of active listings to home sales, seasonally adjusted
- d) Year-over-year percentage 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

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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