



**2010 KANSAS HOUSING
MARKET FORECAST**

**Spring
Thaw**

Spring Thaw

Across the Kansas prairie, the winter winds blow cold. But as the days grow longer in February, more and more signs suggest that spring is just around the corner. The ice begins to melt, and warming seeds, dormant through the cold winter months, are getting ready to sprout from the earth.

So it is with the housing market as well. Although the market is still cold, a recovery appears to already be under way. By the end of 2010, the market's thaw should be complete, giving way to a solid recovery in 2011.

This year, we have expanded our annual forecast to encompass the entire state of Kansas, reflecting new data made available by the Kansas Association of Realtors. Local markets were included based on the availability of data. I am especially grateful to Karen Gehle with the Kansas Association of Realtors and Rob Hulse with the Lawrence Board of Realtors for allowing us to use their data in this year's forecast. Special thanks are also due to Dr. Julie Longhofer, Taha Halim and Nikki Yodo for their assistance in preparing this year's report.

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Warm Regards

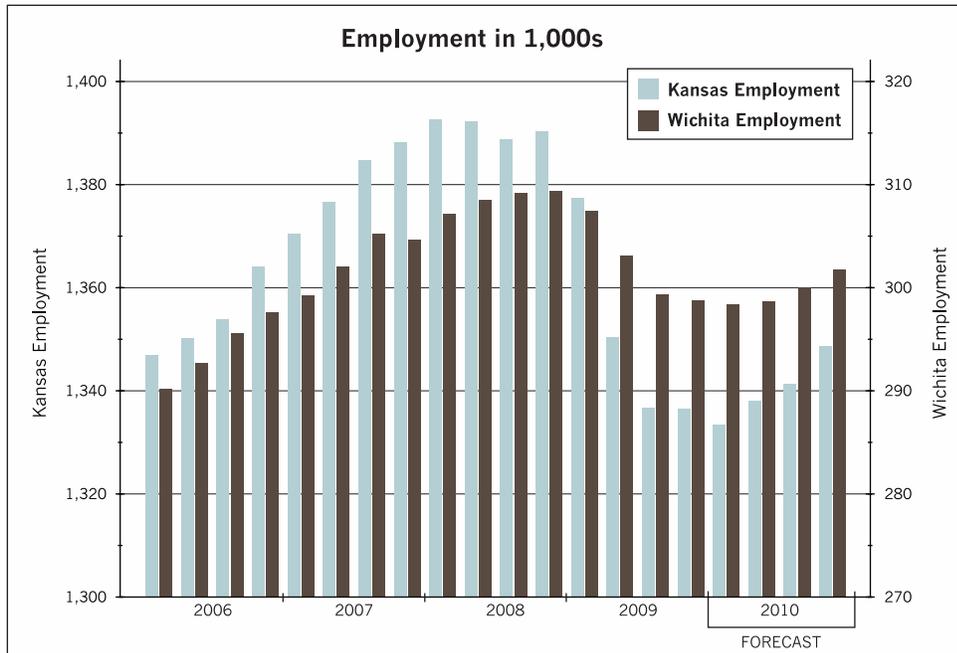
We are deeply grateful to the following companies and organizations for their generous contributions to support the Center for Real Estate. Without their ongoing support, the Center for Real Estate would not exist. We are especially grateful to Security 1st Title, whose contributions directly underwrite the cost of preparing this forecast.



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Economic Overview

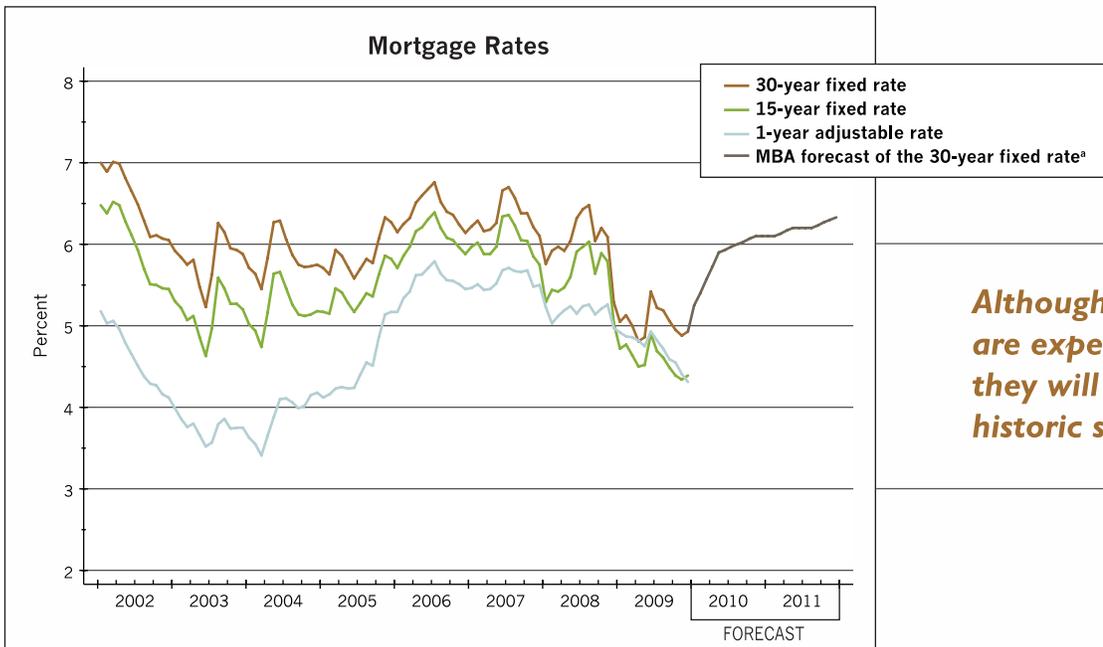


The winter winds blow cold across the prairie in February, and sometimes it feels as if spring will never come. The same can be true in the depths of an economic recession. Total non-farm employment in Kansas has fallen by 4.0 percent since the beginning of 2008. The WSU Center for Economic Development and Business Research forecasts that employment will continue to decline through the first quarter of 2010, after which a slow recovery will begin.



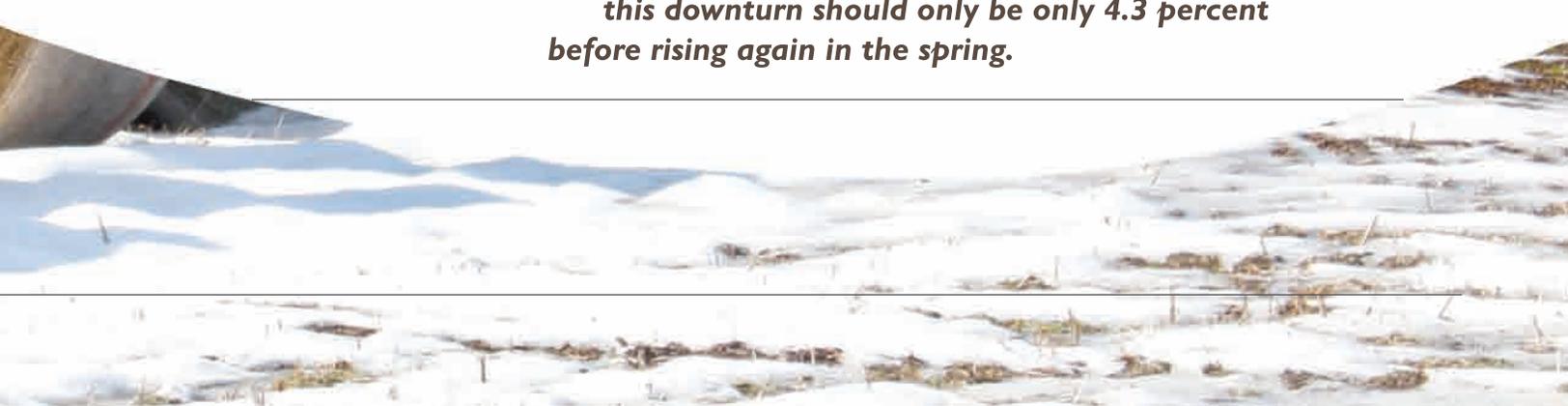
Record low mortgage rates have helped warm housing markets during the long, cold downturn. Although it's unlikely that long-term mortgage rates will stay below 5 percent indefinitely, there is no indication they will rise

to levels that might cause markets to freeze again. In fact, the Mortgage Bankers Association forecasts the 30-year fixed mortgage rate will rise only to around 6.3 percent by the end of 2011.



Although mortgage rates are expected to rise, they will remain low by historic standards.

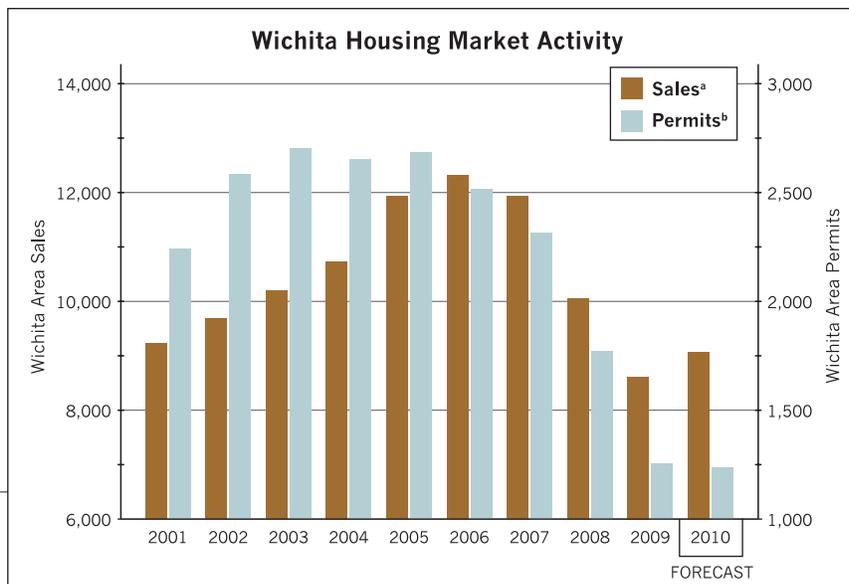
The total drop in Kansas employment during this downturn should only be only 4.3 percent before rising again in the spring.



Wichita Forecast

Wichita area home sales have fallen by more than 30 percent over the past three years. There are signs, however, that the market is beginning to thaw. On a seasonally-adjusted basis, sales actually began to rise in January of 2009, albeit slowly.

Wichita area home sales should rise by 5.1 percent to 9,059 units in 2010.



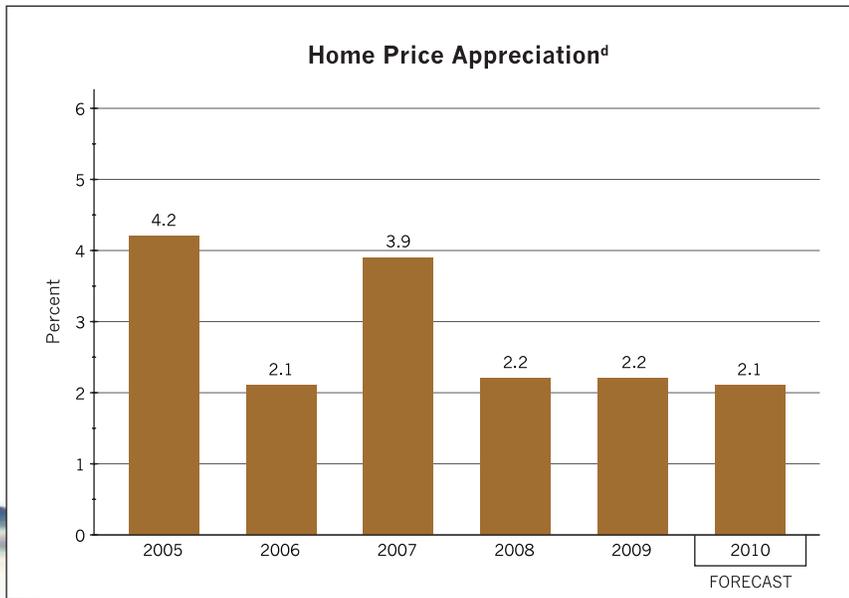
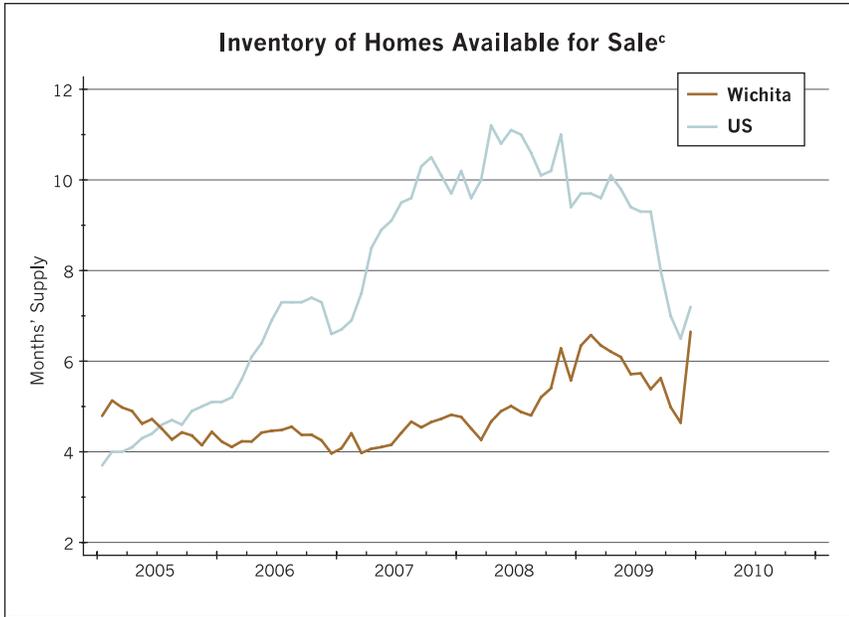
This caused inventories to fall throughout the year, with the December rise an anomaly due to the feared expiration of the homebuyer tax credit. As a result, home prices have continued to appreciate (slowly) throughout the downturn.

Home sales should rise during the first half of 2010 before leveling off in the latter part of the year. New home construction activity, however, will not see a measurable rebound until at least 2011.

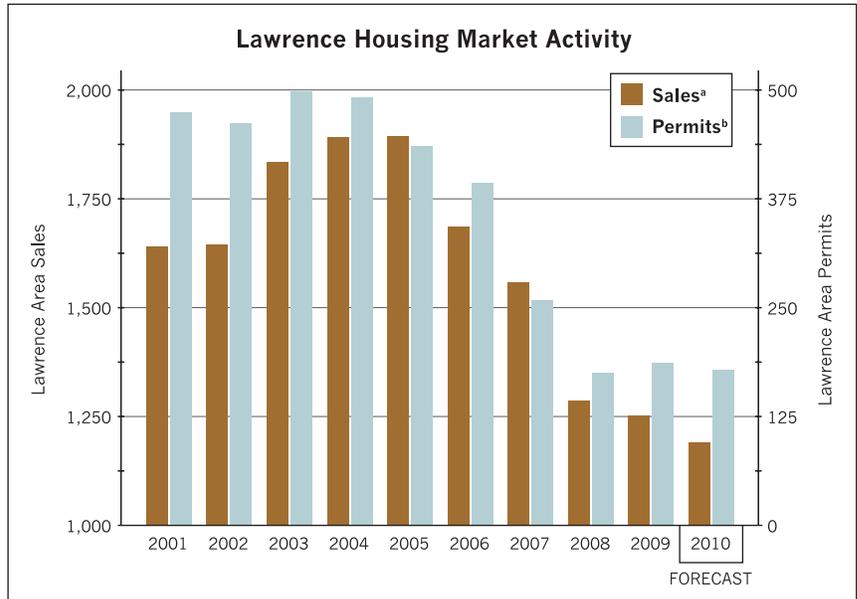
Sources: South Central Kansas Multiple Listing Service; Wichita Area Builders Association; Federal Housing Finance Agency; WSU Center for Real Estate

- Notes:
- a) Total home sales as reported by the South Central Kansas Multiple Listing Service.
 - b) Total single-family building permits issued in the Wichita area as compiled by the Wichita Area Builders Association.
 - c) Ratio of active home listings to home sales, seasonally adjusted. Wichita figures combine new and existing homes.
 - d) Year-over-year percentage change in the Federal Housing Finance Agency all-transactions index for the Wichita MSA, as measured using 4th quarter values.

New home construction activity will fall by 1.4 percent in 2010 to 1,239 units.



Lawrence Forecast



The Lawrence housing market has been in a deep freeze for a number of years now. Even with the tax-credit induced surge in the fourth quarter, sales in 2009 were down for the fourth straight year, and have fallen by more than 30 percent since the 2005 peak.

Sources: Lawrence Board of Realtors; U.S. Bureau of the Census; Federal Housing Finance Agency; WSU Center for Real Estate

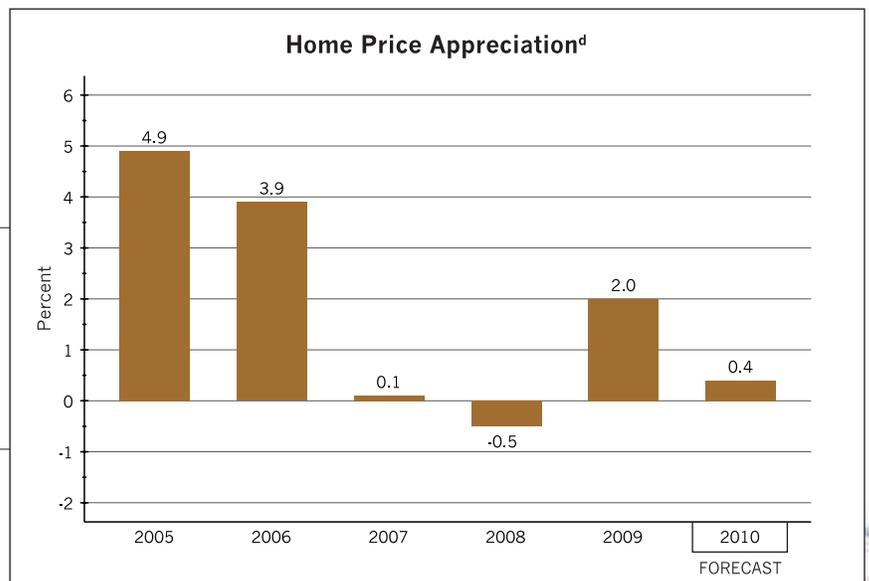
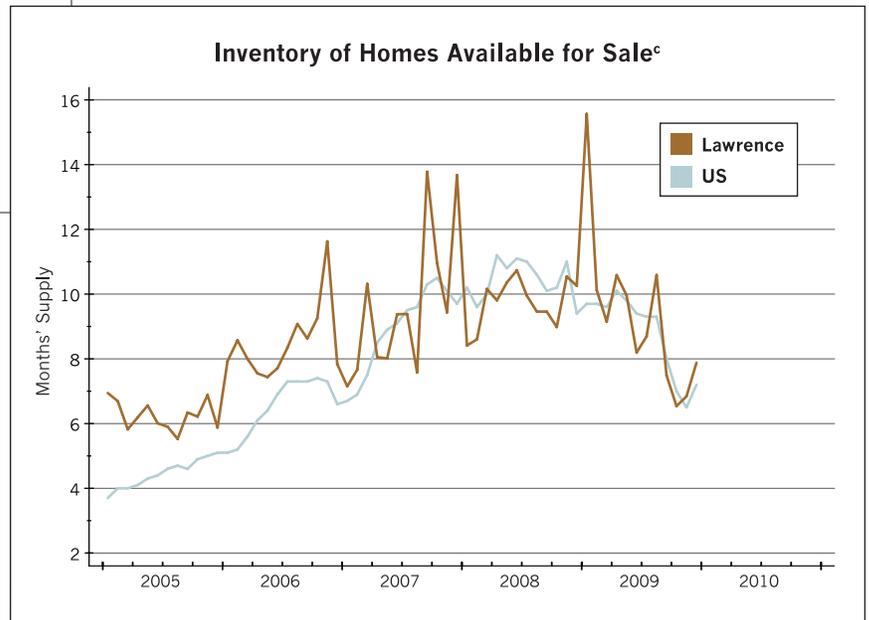
- Notes:
- a) Total home sales as reported by the Lawrence Board of Realtors.
 - b) Total single-family building permits issued in the Lawrence MSA as reported by the U.S. Bureau of the Census.
 - c) Ratio of active home listings to home sales, seasonally adjusted. Lawrence figures combine new and existing homes.
 - d) Year-over-year percentage change in the Federal Housing Finance Agency all-transactions index for the Lawrence MSA, as measured using 4th quarter values.

Lawrence area home sales should fall by 4.9 percent to 1,191 units in 2010.

Home sales should surge in the first half of 2010 because of the extended tax credit. Fundamentally, however, we have seen no independent turnaround in the market, meaning sales will likely drop again after the tax credit expires this summer.

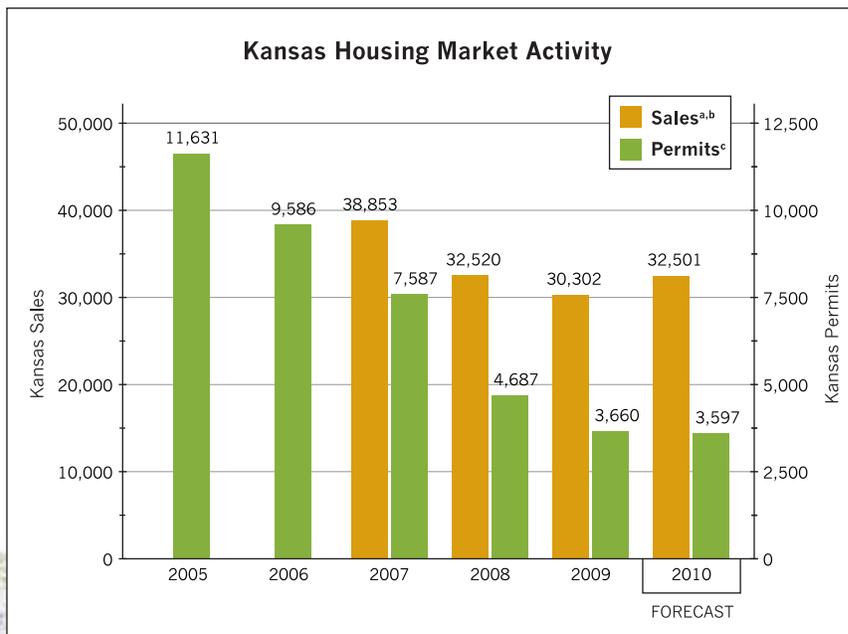
The tax credit also appears to have helped buoy the area's home prices. As with sales, however, we expect prices will drop again slightly once the credit expires, ending the year essentially flat.

New home construction activity will fall by 4.4 percent in 2010 to 179 units.



Kansas Forecast

Kansas home sales should rise by 7.3 percent in 2010 to 32,501 units.



Sources: Kansas Association of Realtors and participating multiple listing service systems across Kansas; U.S. Bureau of the Census; Federal Housing Finance Agency; WSU Center for Real Estate

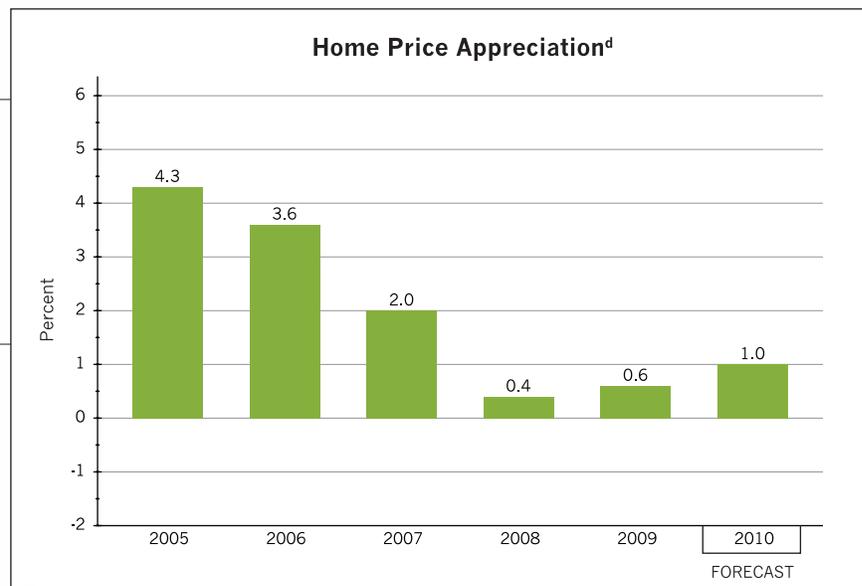
- Notes:
- a) Total home sales in Kansas as reported by multiple listing services across the state.
 - b) Complete home sales figures for Kansas are not available prior to 2007.
 - c) Total single-family building permits issued in Kansas as reported by the U.S. Bureau of the Census.
 - d) Year-over-year percentage change in the Federal Housing Finance Agency all-transactions index for Kansas, as measured using 4th quarter values.

Although total home sales in Kansas have fallen by 22 percent since 2007, there are signs that spring may be just around the corner. Even before the new homebuyer tax credit was enacted last year, many markets across the state had begun to stabilize. We expect that the extended tax credit will cause sales to increase sharply in the second quarter, and while activity may fall off slightly after that, total sales for the year should be up 7.3 percent.

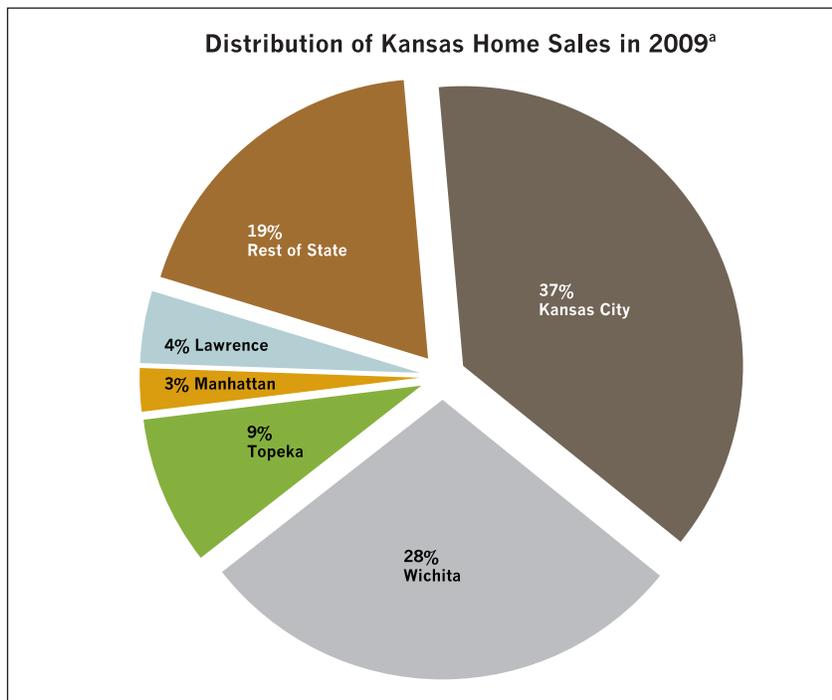
The decline in construction activity also appears to be slowing. In fact, building permits actually increased in the fourth quarter of last year, and are likely to be up again in the first half of 2010 as well. For the year, however, we expect permits to be down just slightly (1.7 percent) from 2009. A sustained rebound in new home construction will likely have to wait until at least 2011.

A sustained increase in new home construction across Kansas will not occur until 2011 or later.

Home prices in Kansas should rise by about 1 percent in 2010.



Kansas Housing Markets



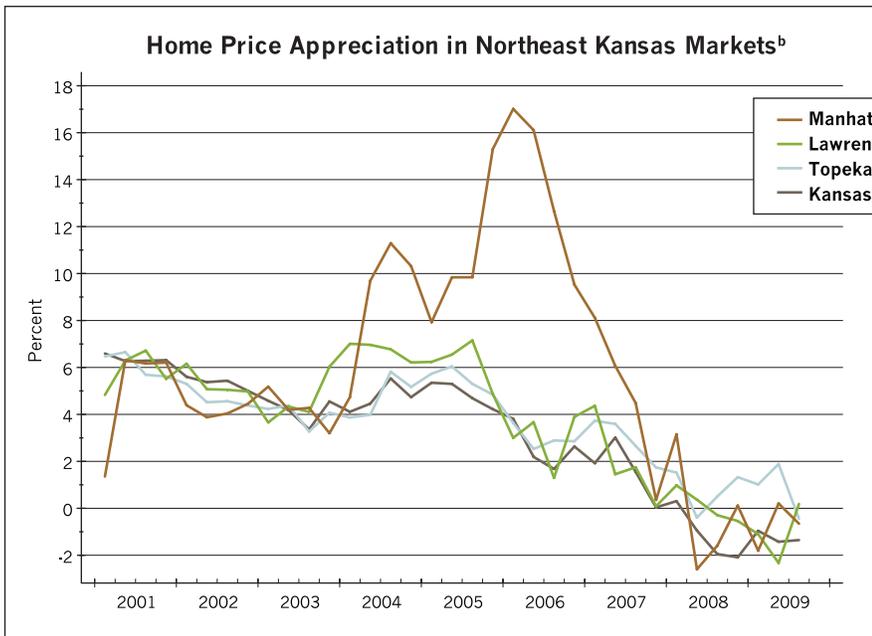
Nearly 20 percent of all Kansas home sales in 2009 occurred in small markets outside of metropolitan areas.

Although we sometimes talk about the “Kansas housing market,” the reality is that each market is unique. Sometimes important differences across markets are missed when

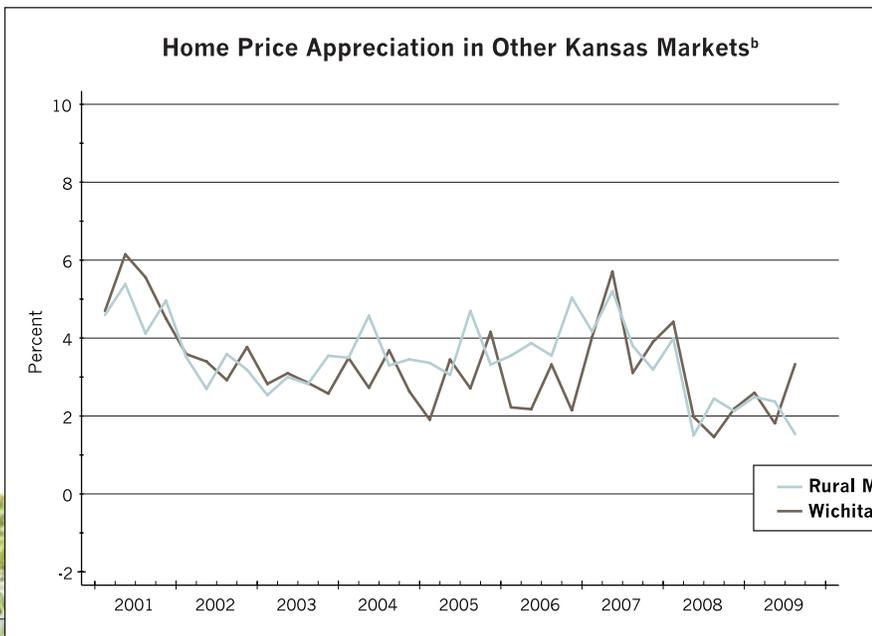
we focus on the state as a whole. This is especially true when two large markets (Kansas City and Wichita) account for the majority of all home sales in the state.

Sources: Kansas Association of Realtors and participating multiple listing service systems across Kansas; Federal Housing Finance Agency.

Notes: a) The percentage of 2009 total Kansas home sales in each market as reported by its local multiple listing service. Kansas City-area sales include only those sales occurring within Kansas as reported by the Heartland Multiple Listing Service.
b) Year-over-year percentage change in the Federal Housing Finance Agency all-transactions index for the indicated metropolitan area, as measured using 4th quarter values. Rural prices are measured using the Federal Housing Finance Agency all-transactions index for non-metropolitan area counties in Kansas.



In fact, small markets outside of the state's metropolitan areas accounted for nearly one out of every five home sales last year. Moreover, home price appreciation has remained positive in these markets, in contrast to the declines in the larger markets in the northeast part of the state.



Home price appreciation has remained positive in smaller Kansas markets, in contrast to the declines in the larger markets in the northeast part of the state.

Forecast Summary

HOUSING MARKET ACTIVITY

	Lawrence		Wichita		Kansas	
	2008	2009	2008	2009	2008	2009
Total Home Sales ^a	1,286	1,253	10,048	8,617	32,520	30,302
Average Price	184,856	181,739	135,450	132,203	161,411	156,237
Sales Volume ^b	238	228	1,361	1,139	5,249	4,734
Days on Market ^c	100	89	N/A	N/A	99	102
Months' Supply ^d	6.1	6.4	4.3	5.2	N/A	6.0
Building Permits ^e	175	187	1,773	1,256	4,687	3,660
Home Price Appreciation ^f	-0.54	2.04 ^g	2.19	2.19 ^g	0.39	0.60 ^g

Sources: WSU Center for Real Estate; Lawrence Board of Realtors; South Central Kansas Multiple Listing Service; Kansas Association of Realtors and participating multiple listing services across Kansas; U.S. Bureau of the Census; Federal Housing Finance Agency

Notes: a) Combined new and existing home sales.

b) Millions of dollars.

c) Average number of days between listing and contract dates.

d) End-of-year active listings divided by average monthly sales for the year.

e) Lawrence and Kansas building permits are single-family residential building permits as reported by the U.S. Bureau of the Census, Wichita building permits are single-family residential building permits in the Wichita area as collected by the Wichita Area Builders Association.

f) Year-over-year percentage change in the Federal Housing Finance Agency all-transactions home price index as measured using 4th quarter values.

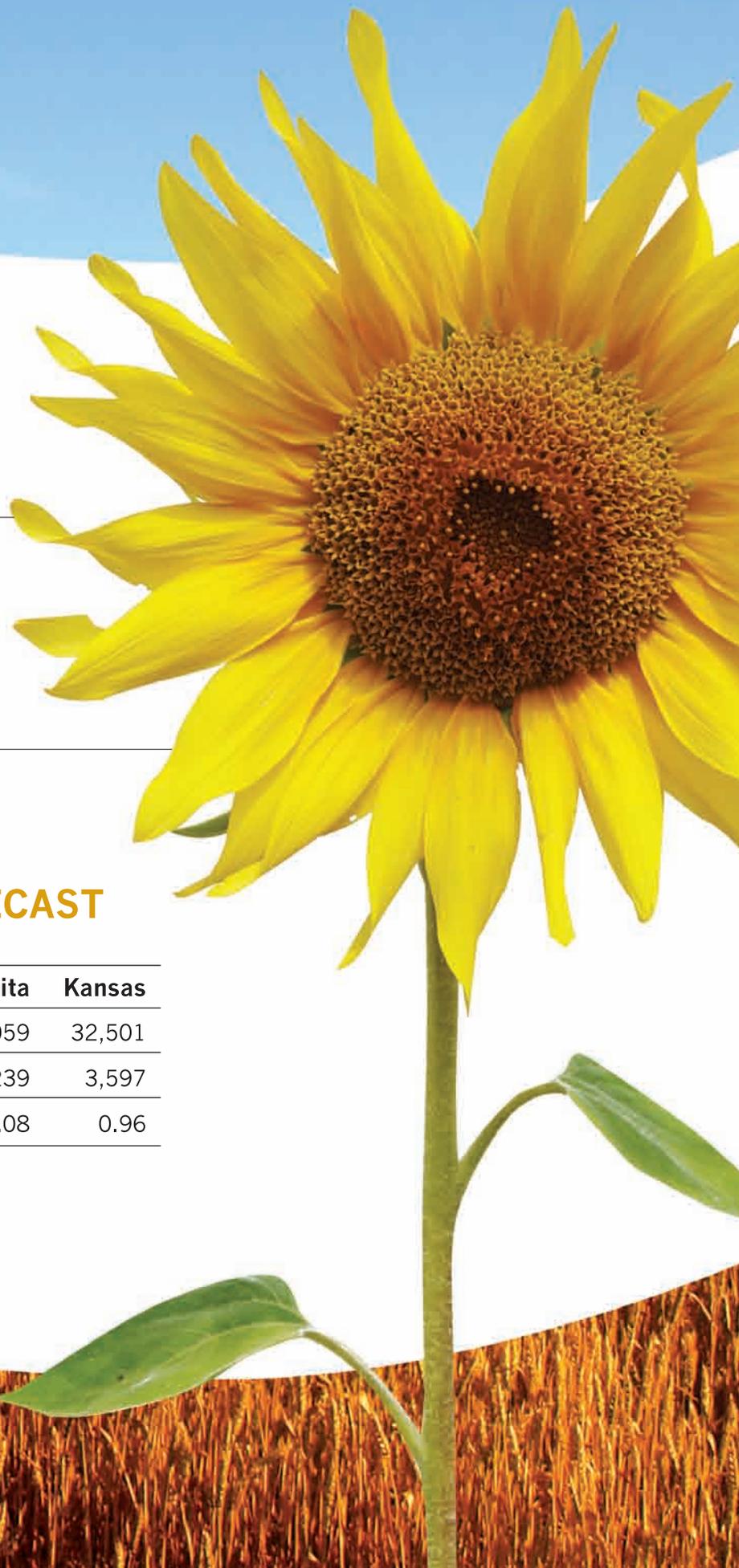
g) Estimated

*“Winter relaxing its hold, has
already allow’d us a foretaste
of spring.”*

— Walt Whitman

HOUSING MARKET FORECAST

	Lawrence	Wichita	Kansas
Total Home Sales ^a	1,191	9,059	32,501
Building Permits ^e	179	1,239	3,597
Home Price Appreciation ^f	0.42	2.08	0.96





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The WSU Center for Real Estate is the premier resource for data and analysis of area real estate markets. Our website offers the most comprehensive source of historical data compiled from a variety of published sources, along with insightful analysis into the latest market trends.

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