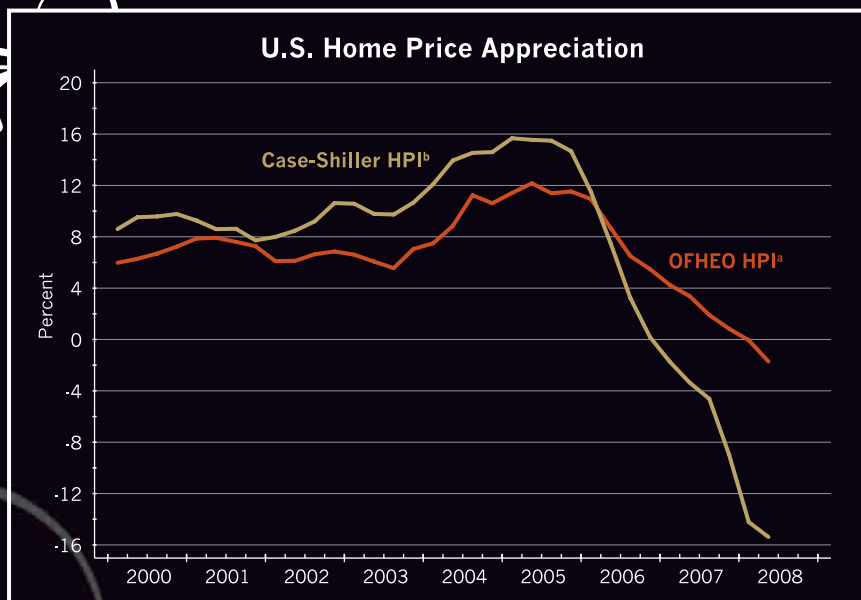


# Home Prices Defying Gravity



*“Reality is merely an illusion, albeit a very persistent one.”*  
- Albert Einstein

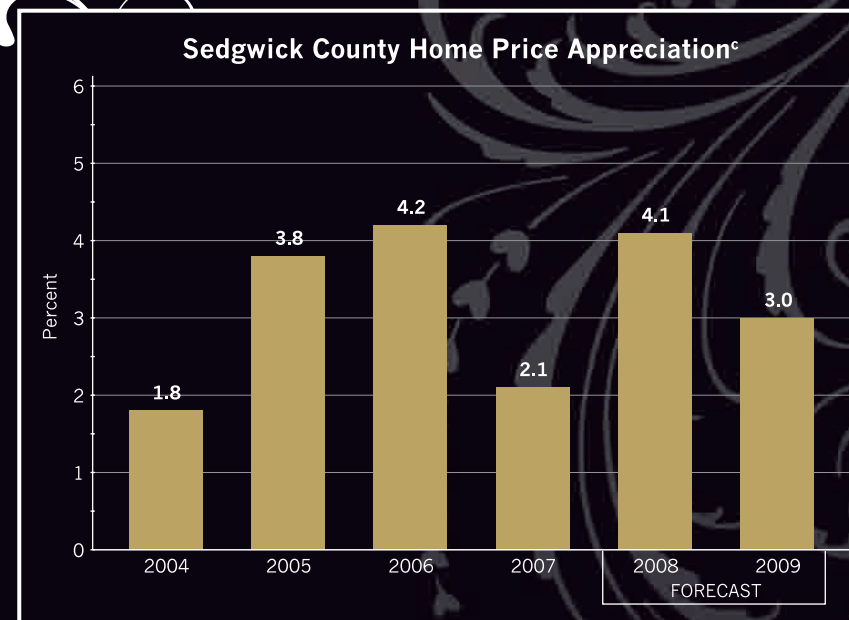
Here in Wichita, home prices continue to defy the gravity of the national press reports, with prices rising by 3.3 percent over the past year. This appreciation should accelerate through the end of this year, before slowing somewhat in 2009.



The national headlines just get worse and worse. According to the widely-cited S&P Case-Shiller index, U.S. home prices in the 2nd quarter fell by 15 percent from their values a year earlier.

Such reports make great headlines, but it turns out that the Case-Shiller index is heavily biased toward what is happening in the largest, most expensive markets across the U.S. A better reflection of typical U.S. home prices is provided by the OFHEO house price index, which showed that prices fell by less than 2 percent through the second quarter of this year.

*“The Case-Shiller index is a poor measure of what is happening to the values of most American homes.”*



*“Wichita area home prices should rise by 4.1 percent in 2008 and another 3.0 percent in 2009.”*

Sources: Office of Federal Housing Enterprise Oversight; Standard & Poors; WSU Center for Real Estate using data provided by the Sedgwick County Appraiser's Office  
Notes: a) Year-over-year percentage change in the OFHEO U.S. all-transactions house price index

Notes: b) Year-over-year percentage change in the Standard & Poors, Case-Shiller U.S. house price index  
c) Year-over-year percentage change as measured using 4th quarter values