

Housing Market Forecast

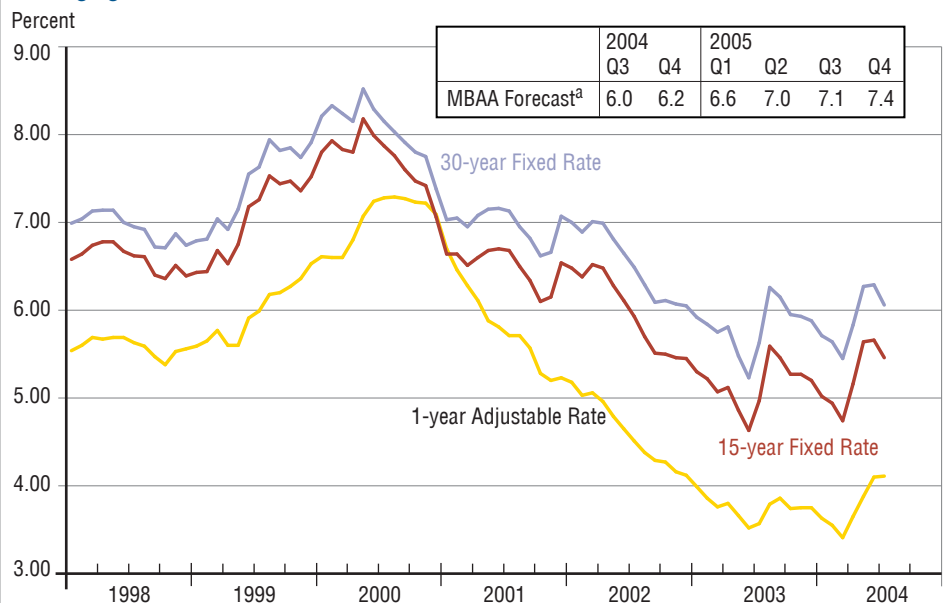
AS WITH THE REST OF THE COUNTRY, THE HOUSING market has been a bright spot in Wichita's economy during the last three years. Over this time, home sales in the Wichita area have increased at an annual rate of 4.45% to an all time record of 10,231 units in 2003.

“The housing market has been a bright spot in Wichita's economy during the last three years.”

A significant amount of this growth has come in the new home market; sales of new homes have risen by more than 10% in each of the last two years. New homes continue to get more expensive as well, with the typical new home now priced above \$150,000.

Home values have continued to rise also, albeit not at the dizzying pace seen in some parts of the country. Over the last three years, home prices in Sedgwick County have appreciated at an annual rate of 4.09%, 2.11% faster than the overall inflation rate.

Mortgage Rates



Sources: Federal Home Loan Mortgage Corporation; Mortgage Bankers Association of America

Note: a) Mortgage Bankers Association of America's August 2004 forecast of the 30-year conventional mortgage rate

Sedgwick County Home Price Appreciation

	2000	2001	2002	2003	2004F	2005F
Home Price Appreciation ^a	2.84%	5.41%	2.90%	3.98%	2.24%	2.88%
Consumer Inflation ^a	3.43%	1.86%	2.20%	1.90%	n/a	n/a
Real Home Price Appreciation	-0.59%	3.55%	0.70%	2.08%	n/a	n/a

Sources: WSU Center for Real Estate, using data provided by the Sedgwick County Appraiser's Office; U.S. Department of Labor: Bureau of Labor Statistics

Note: a) Year-over-year percentage change as measured using 4th quarter values

The driving force behind this solid housing market performance has been remarkably low long-term mortgage rates. Although these rates are expected to rise somewhat over the next year as the economy continues to strengthen, they should remain at levels low enough to support continued growth in the housing market.

Housing Market Activity

	2002				2003				2004	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Home Price Index ^a	108.37	109.65	110.52	110.94	111.81	113.35	114.71	115.36	116.41	117.17
MSP - Existing Homes ^b	\$84,000	\$86,000	\$87,000	\$89,900	\$82,350	\$88,000	\$95,000	\$85,333	\$82,300	\$93,339
MSP - New Homes ^b	\$137,152	\$134,900	\$132,809	\$141,330	\$141,740	\$148,790	\$142,690	\$150,481	\$146,786	\$152,362
Existing Home Sales	1,620	2,251	2,258	1,946	1,651	2,344	2,520	1,888	1,725	2,596
New Home Sales	352	408	451	450	403	439	524	462	367	504
Building Permits ^c	666	779	605	534	583	703	724	692	609	758

Sources: WSU Center for Real Estate, using data provided by the Sedgwick County Appraiser's Office and the Wichita Area Association of REALTORS® Multiple Listing Service; Wichita Area Builders Association

Notes: (a) WSU Home Price Index for Sedgwick County

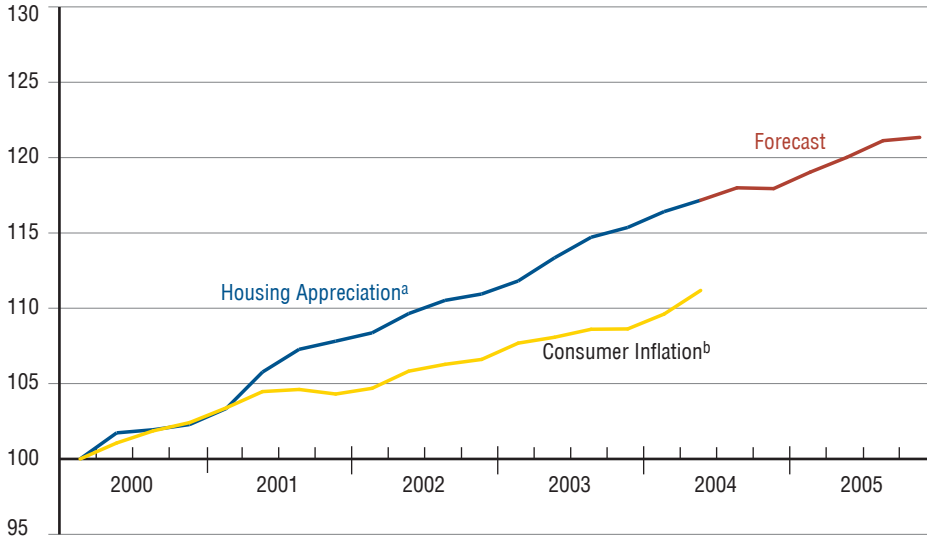
(b) Median sale price

(c) Single-family residential building permits in the Wichita area as collected by the Wichita Area Builders Association

Continued... Housing Market Forecast

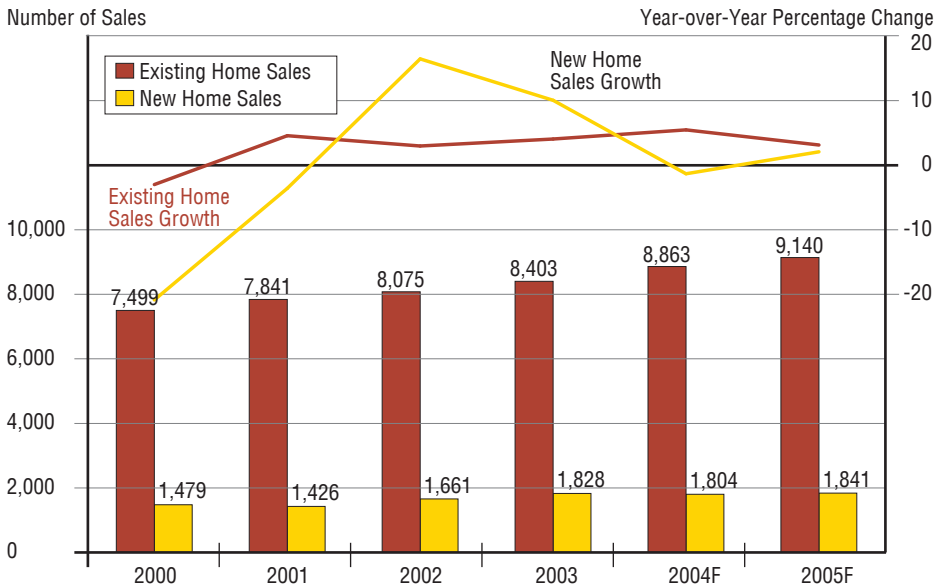
Sedgwick County Home Price Index and Forecast

Index: 2000Q1 = 100



Sources: WSU Center for Real Estate, using data provided by the Sedgwick County Appraiser's Office; U.S. Department of Labor: Bureau of Labor Statistics
 Notes: (a) WSU Home Price Index for Sedgwick County
 (b) Quarterly average of the Consumer Price Index for All Urban Consumers

Wichita Area Home Sales



Source: WSU Center for Real Estate, using data provided by the Wichita Area Association of REALTORS® Multiple Listing Service

Housing Market Forecast

	2004 Q3	Q4	2005 Q1	Q2	Q3	Q4
Home Price Index ^a	117.99	117.94	119.03	120.01	121.13	121.34
MSP - Existing Homes ^b	\$94,419	\$90,086	\$87,881	\$93,481	\$96,684	\$92,234
MSP - New Homes ^b	\$149,746	\$152,026	\$150,330	\$154,198	\$152,710	\$155,527
Existing Home Sales	2,512	2,030	1,830	2,601	2,614	2,094
New Home Sales	475	457	409	489	482	461
Building Permits ^c	599	568	580	711	627	577

Sources: WSU Center for Real Estate, using data provided by the Sedgwick County Appraiser's Office and the Wichita Area Association of REALTORS® Multiple Listing Service; Wichita Area Builders Association
 Notes: (a) WSU Home Price Index for Sedgwick County; (b) Median sale price;
 (c) Single-family residential building permits in the Wichita area as collected by the Wichita Area Builders Association

Sedgwick County home prices have risen at an annual rate of 4.09% over the last three years, 2.11% faster than the overall inflation rate.

Home price appreciation will moderate in the coming 18 months, increasing by 2.24% in 2004 and 2.88% in 2005.

The median sale price of existing homes will remain below \$100,000 for the foreseeable future. New home sale prices, however, will continue to rise.

Existing home sales will continue on their steady track upward, topping 9,000 units in 2005.

New home sales appear to be slowing somewhat this year, but should rise again modestly next year with over 1,800 sales.

The pace of new home construction will taper off in the coming year as the impact of rising interest rates begins to be felt in the market.