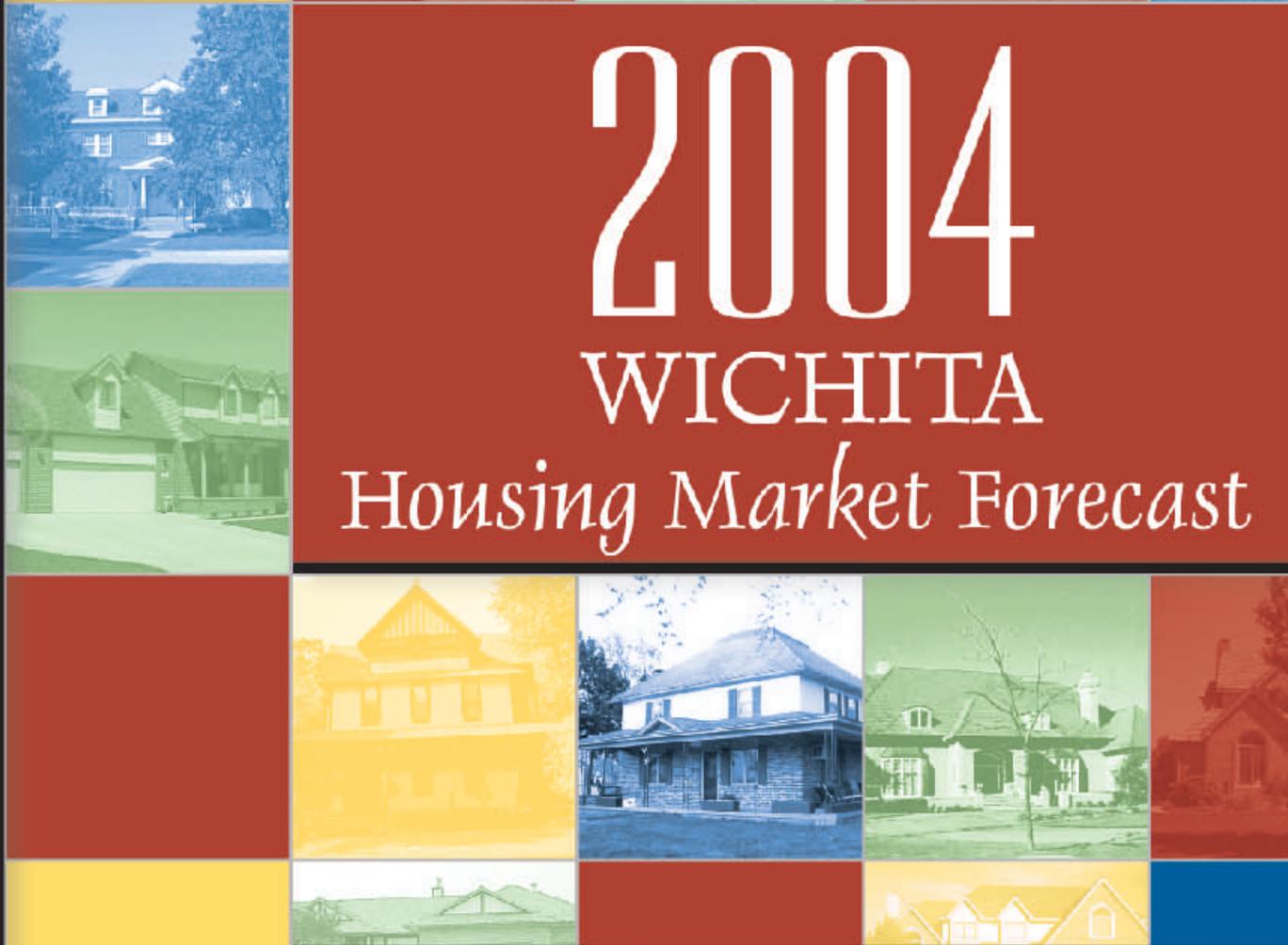




2004

WICHITA

Housing Market Forecast



2004 Wichita Housing Market Forecast

We are pleased to present the 2nd Annual Wichita Housing Market Forecast. The Center for Real Estate was created in 2000 to promote high-quality research and education on real estate-related topics, with a particular emphasis on issues of relevance to Kansas and the Wichita metropolitan area. Our annual Housing Market Forecast is one way we accomplish this mission.

The centerpiece of this forecast is the WSU Home Price Index. This year, we have completely revised our index using new data made available by the Sedgwick County Appraiser's Office. Our revised index provides a more accurate and comprehensive picture of home price appreciation in the Wichita area.

We hope you find the 2004 Wichita Housing Market Forecast useful as you work and live in the Wichita area. If you would like more information and analysis on the Wichita area housing market, we invite you to visit us at our website at REALESTATE.WICHITA.EDU.

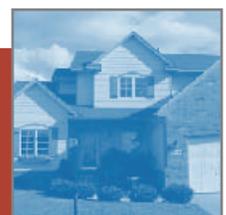
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This year we have been saddened by the loss of two dear friends. On January 25th, John T. Arnold died peacefully in his home after a brief illness. In the late 1970s, John was the driving force within the professional real estate community to create a real estate degree at Wichita State. His passion for this program never wavered in the decades that followed.

On August 25th, John Frazee – a founding member of the Center for Real Estate Advisory Board – died after a two-month battle with cancer. As he was in all his endeavors, John was tireless in his support of the real estate program at WSU.

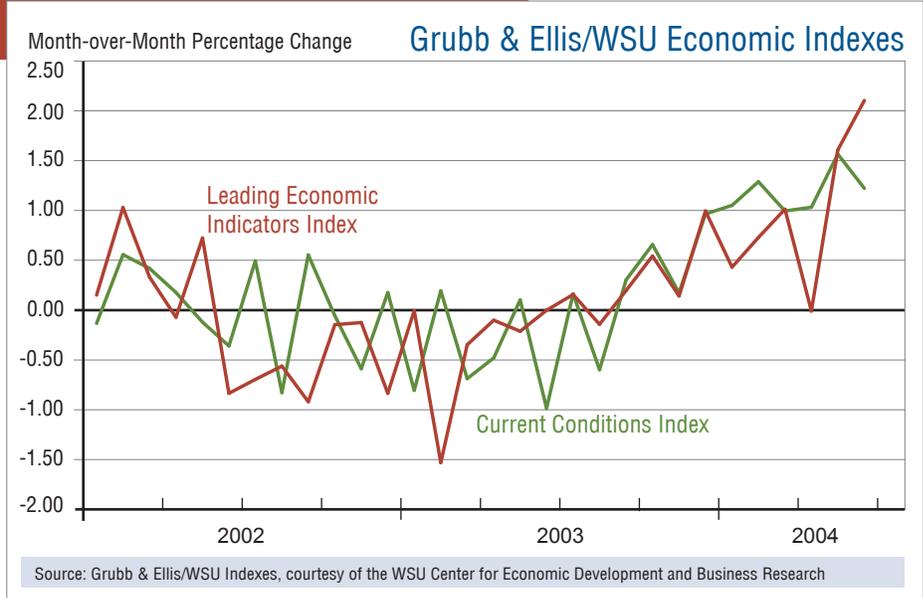
John and John, we will miss you both deeply.



Economic Overview

THE WICHITA ECONOMY FINALLY APPEARS TO BE ON THE rebound, with recent indicators reflecting a strengthening economy that should continue to rise as the national economic recovery gains momentum.

In the second quarter, the Grubb & Ellis/WSU Current Conditions Index reached its highest level since the first quarter of 2000, indicating that the economy is stronger than it has been in four years. Moreover, the Grubb & Ellis/WSU Leading Economic Indicators Index has shown accelerating growth over the last year. Construction continues to be strong in the Wichita area, and the number of initial unemployment claims dropped by 37% between the first and second quarters. As a predictor of the future economy, the Leading Economic Indicators Index is painting a positive picture heading into 2005.



Wichita Consumer Expectations for Prices and Interest Rates^a

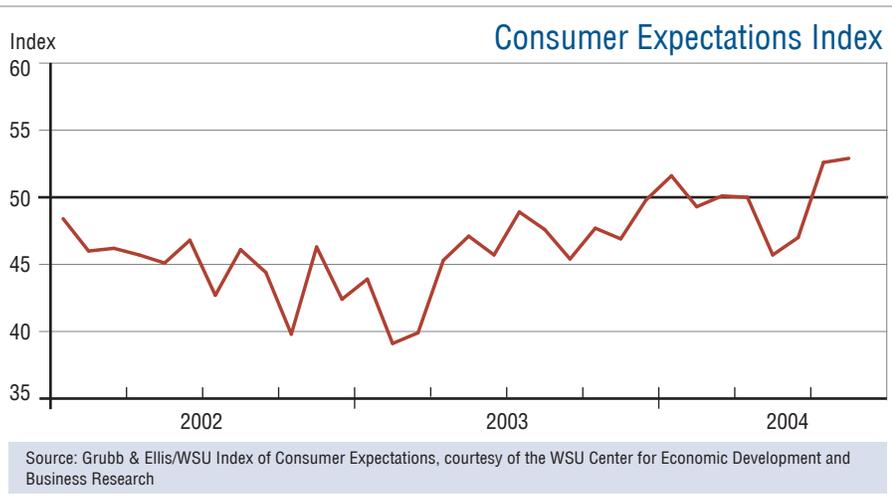
	2003Q1	2003Q2	2003Q3	2003Q4	2004Q1	2004Q2
Percent of Consumers Expecting Rising Interest Rates	38.7	41.3	49.8	49.9	49.2	64.4
Percent of Consumers Expecting Rising Prices	57.5	50.1	51.7	53.7	60.0	71.0

Source: Grubb & Ellis/WSU Index of Consumer Expectations, courtesy of the WSU Center for Economic Development and Business Research
 Note: a) Quarterly averages of monthly figures

“Consumers are concerned about rising prices and interest rates.”

Consumer confidence in the Wichita economy is improving, but still weak. A year ago consumers were primarily worried about rising unemployment and deteriorating local economic conditions, but they were upbeat about buying conditions according to the Grubb & Ellis/WSU Consumer Expectations Index. Today a majority of consumers are concerned about rising prices and interest rates. As a result, they are less upbeat about buying conditions.

Janet Harrah, Director, Center for Economic Development and Business Research

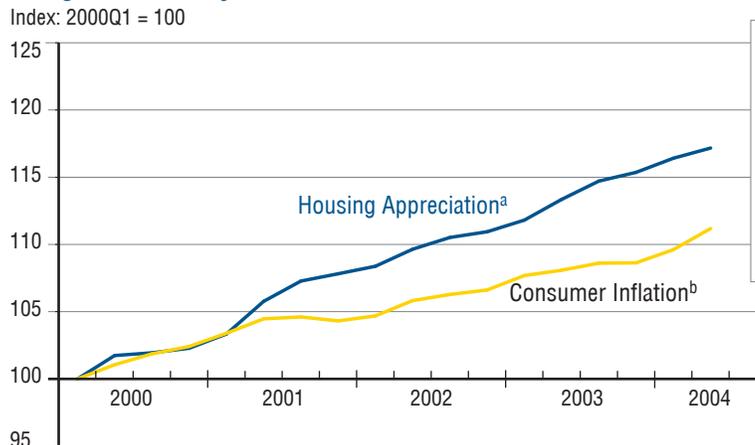


WSU Home Price Index

OVER THE PAST SEVERAL MONTHS, THE CENTER for Real Estate has been hard at work on revising its Home Price Index (HPI) for the Wichita area using data made available by the Sedgwick County Appraiser's Office. In this forecast we are pleased to present the newly revised WSU HPI.

The WSU HPI shows the percentage change in Sedgwick County home prices relative to a base quarter (in this case, the first quarter of 2000). Thus, the HPI value of 117.17 for the second quarter of 2004 means that the typical home in Sedgwick County has appreciated by 17.17% since the beginning of the decade. In comparison, consumer prices (inflation) have only risen by 11.18% over this same time frame.

Sedgwick County Home Price Index



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

Sedgwick County Home Price Appreciation

	2000	2001	2002	2003
Home Price Appreciation ^a	2.84%	5.41%	2.90%	3.98%
Consumer Inflation ^a	3.43%	1.86%	2.20%	1.90%
Real Home Price Appreciation	-0.59%	3.55%	0.70%	2.08%

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 WSU Home Price Index shows how Sedgwick County home prices have changed over time.”

The WSU HPI is a "constant quality" index, meaning that it accounts for the physical characteristics of the homes that have sold each quarter. In contrast, a median sale price figure is strongly influenced by the composition of homes that have sold during the quarter. As a result, in any given quarter the median sale price can dramatically misrepresent overall housing appreciation (see graph on the right).

For more detailed information about the WSU HPI, including further analysis, historical data back to 1985, and a description of the methodology used to calculate the index, visit the Center for Real Estate website at REALESTATE.WICHITA.EDU.

Sedgwick County Home Price Appreciation



Sources: WSU Center for Real Estate, using data provided by the Sedgwick County Appraiser's Office; Wichita Area Association of REALTORS® Multiple Listing Service
 Notes: (a) Year-over-year percentage change in median sale price of existing home sales in Sedgwick County

Home Construction Activity

NEW HOME CONSTRUCTION IN THE WICHITA AREA continues at a remarkable pace. Last year, 2,702 single-family residential building permits were issued in the Wichita area, an increase of 41.54% from three years earlier. This construction has been spread throughout the metropolitan area, and even the drop in the south and west suburbs earlier this year appears to be only a statistical anomaly.

In response to recent sales activity, developers added 520 net new "buildable lots" in Sedgwick County last year. At the last year's construction pace, this leaves 1.4 years supply of platted lots that are ready for new homes.

The rate of new home construction may slow somewhat in the coming months. Mortgage rates are expected to rise in 2005. While this may not dampen demand among those consumers who want "the latest and greatest" in their homes, it will drive some buyers out of the market.

Home Construction Activity^a

	2000	2001	2002	2003	2004Q1	2004Q2
Wichita	1,037 -19.55%	1,245 20.06%	1,419 13.98%	1,454 2.47%	389 17.52%	453 24.45%
North Suburbs ^b	157 -31.14%	169 7.64%	225 33.14%	206 -8.44%	34 -15.00%	67 19.64%
West Suburbs ^c	107 24.42%	125 16.82%	146 16.80%	139 -4.79%	14 -44.00%	17 -55.26%
South Suburbs ^d	219 -30.91%	266 21.46%	296 11.28%	308 4.05%	46 -29.23%	61 -36.46%
Sedgwick County	179 -49.86%	187 4.47%	200 6.95%	259 29.50%	44 -12.00%	65 6.56%
Butler County Suburbs ^e	162 -25.00%	195 20.37%	237 21.54%	266 12.24%	72 24.14%	74 7.25%
Harvey County Suburbs ^f	48 -23.81%	53 10.42%	61 15.09%	70 14.75%	10 -28.57%	21 10.53%
Area Totals	1,909 -25.31%	2,240 17.34%	2,584 15.36%	2,702 4.57%	609 4.46%	758 7.82%

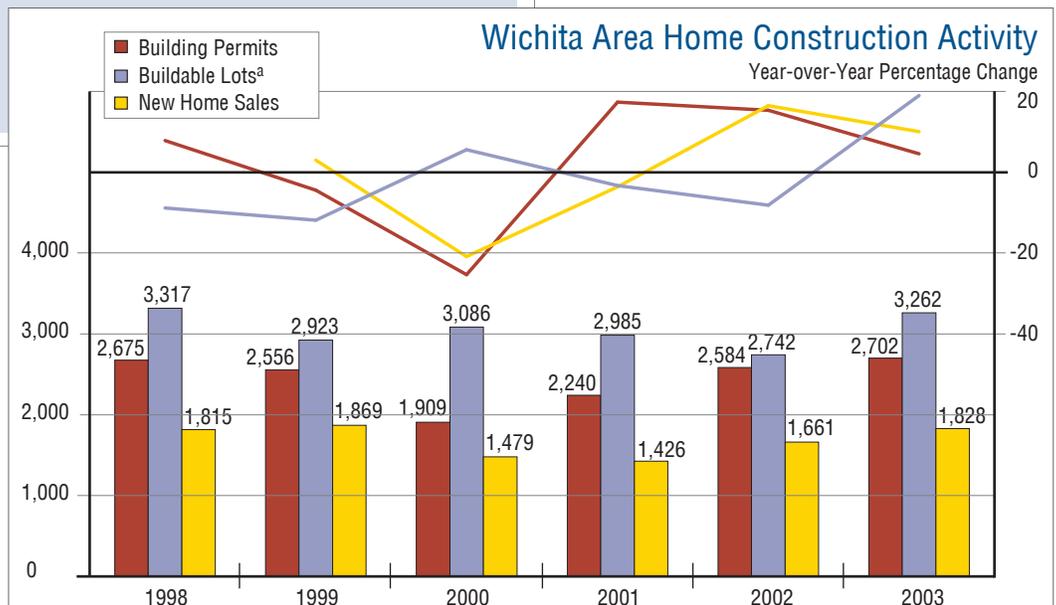
"The rate of new home construction may slow somewhat in the coming months."

Source: Wichita Area Builders Association

Notes: a) Number of single-family residential building permits in Wichita and selected surrounding communities, and year-over-year percentage change

- b) Bel Aire, Kechi, Park City
- c) and Valley Center
- d) Goddard and Maize
- e) Derby, Haysville and Mulvane
- f) Andover, Augusta and El Dorado
- Newton

"There is 1.4 years supply of platted lots that are ready for new homes."



Sources: Wichita Area Builders Association; Wichita/Sedgwick County Metropolitan Area Planning Department; Wichita Area Association of REALTORS® Multiple Listing Service

Notes: a) A lot is buildable if it has been zoned and platted for single-family residential use and has public water, sewer, and paved streets

Housing Market Forecast

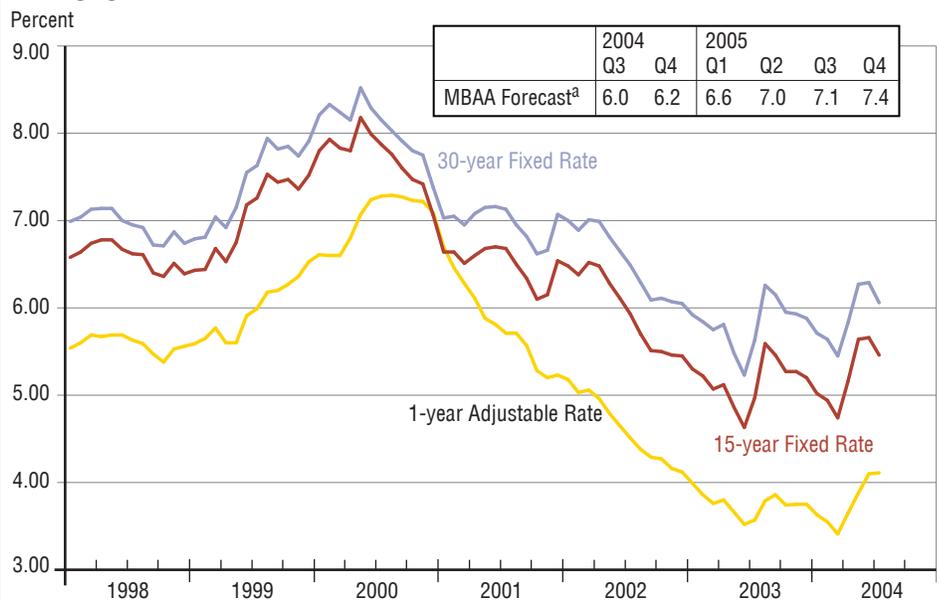
AS WITH THE REST OF THE COUNTRY, THE HOUSING market has been a bright spot in Wichita's economy during the last three years. Over this time, home sales in the Wichita area have increased at an annual rate of 4.45% to an all time record of 10,231 units in 2003.

“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

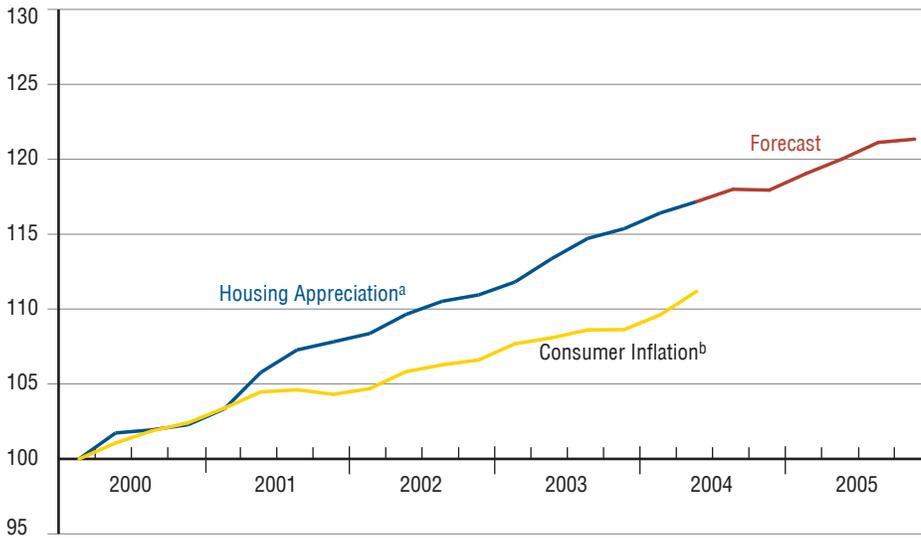
(b) Median sale price

(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

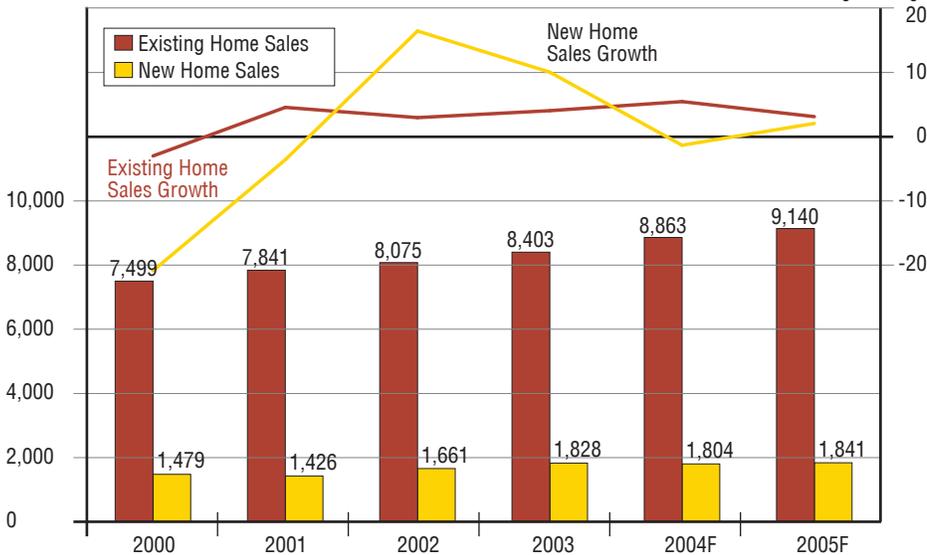


Sources: WSU Center for Real Estate, using data provided by the Sedgwick County Appraiser's Office; U.S. Department of Labor: Bureau of Labor Statistics
 Notes: (a) WSU Home Price Index for Sedgwick County
 (b) Quarterly average of the Consumer Price Index for All Urban Consumers

Wichita Area Home Sales

Number of Sales

Year-over-Year Percentage Change



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.

Northeast Sector

THE NORTHEAST SECTOR CONTAINS A diverse array of older neighborhoods on Wichita's near Northeast side. It is bounded by Broadway on the west and Kellogg on the south.

Home prices in Northeast Wichita appreciated rapidly in 2001 and 2002, outpacing inflation by 8.66% over the two-year period.

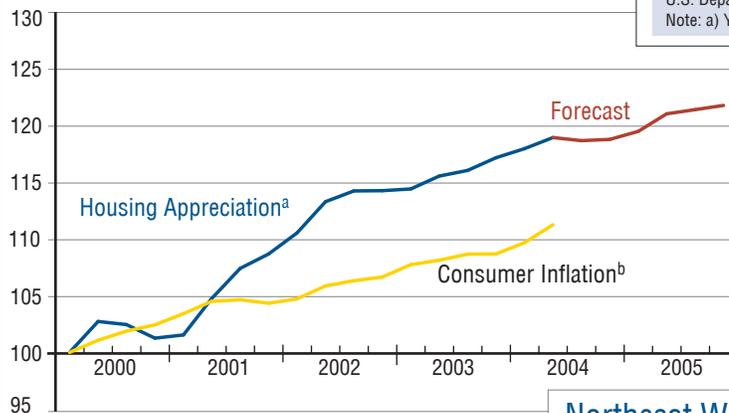
Northeast Wichita Home Price Appreciation

	2000	2001	2002	2003	2004F	2005F
Home Price Appreciation ^a	0.41%	7.29%	5.10%	2.54%	1.37%	2.50%
Consumer Inflation ^a	3.43%	1.86%	2.20%	1.90%	n/a	n/a
Real Home Price Appreciation	-3.02%	5.43%	2.90%	0.64%	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

Northeast Wichita Home Price Index and Forecast

Index: 2000Q1 = 100



Appreciation slowed somewhat in 2003, to a still-respectable 2.54%.

We forecast that homes in Northeast Wichita will appreciate by a 1.37% this year and 2.50% in 2005.

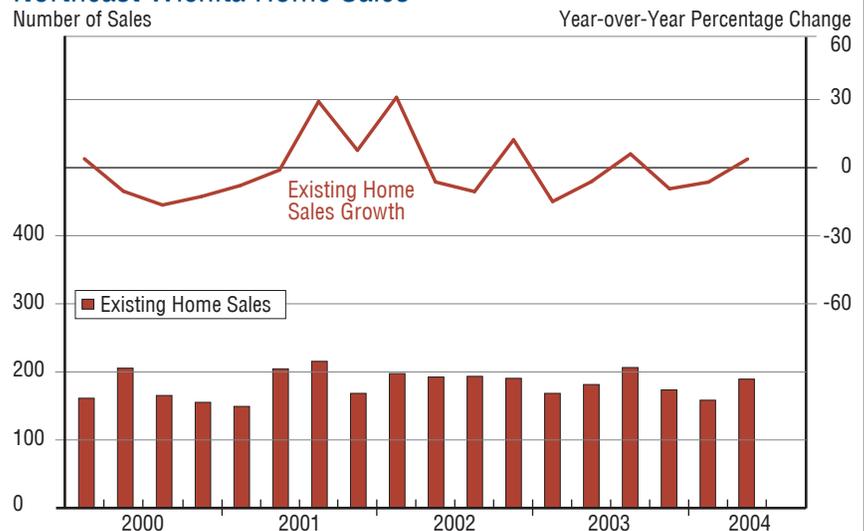
Sources: WSU Center for Real Estate, using data provided by the Sedgwick County Appraiser's Office; U.S. Department of Labor: Bureau of Labor Statistics
Notes: (a) WSU Home Price Index for Northeast Wichita
□ □ b) Quarterly average of the Consumer Price Index for All Urban Consumers

After a record year in 2002, existing home sales in the Northeast Sector were down slightly last year, from 772 to 728.

The market for existing homes continues to be active in 2004, with the pace of sales so far this year matching last year's numbers.

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

Northeast Wichita Home Sales



Northeast Wichita Housing Market Activity

	2002 Q1	Q2	Q3	Q4	2003 Q1	Q2	Q3	Q4	2004 Q1	Q2
Home Price Index ^a	110.47	113.20	114.15	114.17	114.32	115.45	115.95	117.07	117.85	118.83
MSP - Existing Homes ^b	\$83,000	\$89,900	\$92,000	\$88,850	\$89,250	\$83,000	\$97,915	\$75,000	\$64,500	\$88,400
MSP - New Homes ^b	\$122,797	\$101,418	\$98,035	\$110,000	\$103,000	n/a	\$106,700	\$96,000	\$95,000	\$99,000
Sales Volume - Existing Homes ^c	\$18.434	\$19.434	\$21.058	\$20.276	\$16.466	\$17.308	\$22.851	\$14.808	\$13.825	\$20.566
Sales Volume - New Homes ^c	\$0.359	\$0.391	\$0.380	\$0.304	\$0.480	n/a	\$0.530	\$0.192	\$0.291	\$0.198
Days on Market ^d	46	28	29	48	39	38	27	47	68	28

Source: 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
Notes: a) WSU Home Price Index for Northeast Wichita; b) Median sale price; c) Total sales volume in millions; d) Median days on market for existing homes

Northwest Sector

THE NORTHWEST SECTOR IS BOUNDED BY Kellogg on the south, Broadway on the east, and the Big Ditch on the west. Notable neighborhoods in this sector include Delano, Riverside, Midtown, and Benjamin Hills.

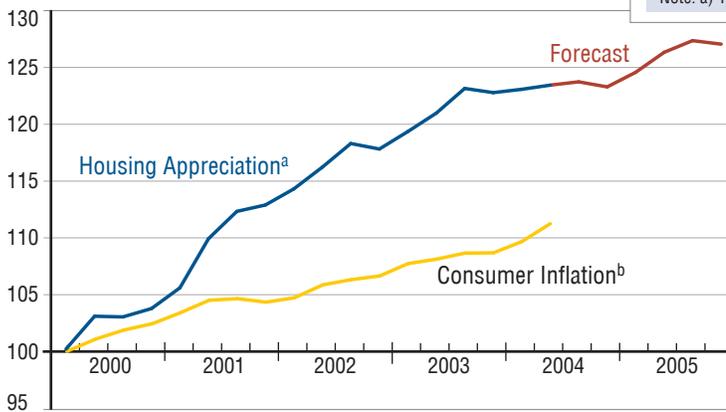
Northwest Wichita Home Price Appreciation

	2000	2001	2002	2003	2004F	2005F
Home Price Appreciation ^a	4.56%	8.83%	4.40%	4.24%	0.41%	3.07%
Consumer Inflation ^a	3.43%	1.86%	2.20%	1.90%	n/a	n/a
Real Home Price Appreciation	1.13%	6.97%	2.20%	2.34%	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

Northwest Wichita Home Price Index and Forecast

Index: 2000Q1 = 100



Home prices in Northwest Wichita appreciated at a strong annual rate of 5.49% over the last four years.

We forecast home prices in this sector will remain fairly flat through 2004. Next year should see renewed appreciation of just over 3% for the year.

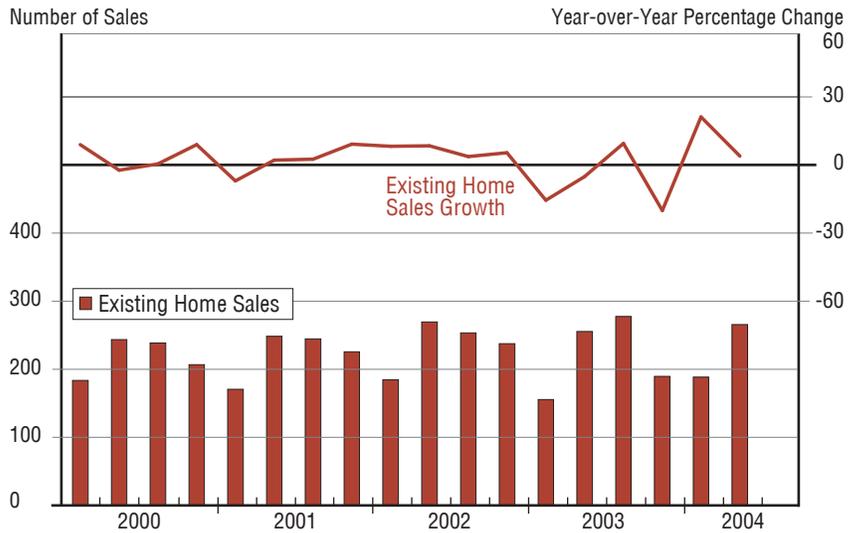
Sources: WSU Center for Real Estate, using data provided by the Sedgwick County Appraiser's Office; U.S. Department of Labor: Bureau of Labor Statistics
 Notes: a) WSU Home Price Index for Northwest Wichita
 b) Quarterly average of the Consumer Price Index for All Urban Consumers

Existing home sales in the Northwest sector slowed somewhat last year. This year, however, they are on pace to match the record sales of 947 units set in 2002.

Existing homes in this sector continue to sell quickly, with more than half of all sales occurring in less than one month.

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

Northwest Wichita Home Sales



Northwest Wichita Housing Market Activity

	2002 Q1	Q2	Q3	Q4	2003 Q1	Q2	Q3	Q4	2004 Q1	Q2
Home Price Index ^a	114.16	116.09	118.18	117.70	119.23	120.86	123.05	122.68	122.96	123.34
MSP - Existing Homes ^b	\$69,000	\$72,700	\$74,900	\$79,500	\$72,950	\$75,125	\$78,950	\$73,500	\$74,900	\$78,250
MSP - New Homes ^b	\$220,181	\$262,694	\$95,750	\$99,273	\$105,000	\$78,000	\$412,900	\$103,500	\$89,000	\$352,650
Sales Volume - Existing Homes ^c	\$13.838	\$21.534	\$20.646	\$20.174	\$13.047	\$21.005	\$24.077	\$15.570	\$14.738	\$22.940
Sales Volume - New Homes ^c	\$0.440	\$1.010	\$0.589	\$0.469	\$0.520	\$0.078	\$1.738	\$0.920	\$0.304	\$1.493
Days on Market ^d	34	22	15	24	24	29	26	33	36	26

Source: 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
 Notes: a) WSU Home Price Index for Northwest Wichita; b) Median sale price; c) Total sales volume in millions; d) Median days on market for existing homes

Southeast Sector

THE SOUTHEAST SECTOR INCLUDES THOSE Wichita neighborhoods bounded by Broadway on the west, Kellogg on the North and I-35/K-15 on the east. These tend to be older, working-class neighborhoods with an even mix of owner-occupied and renter-occupied housing.

Home prices in Southeast Wichita grew by a remarkable 14.15% between the fourth quarters of 1999 and 2001.

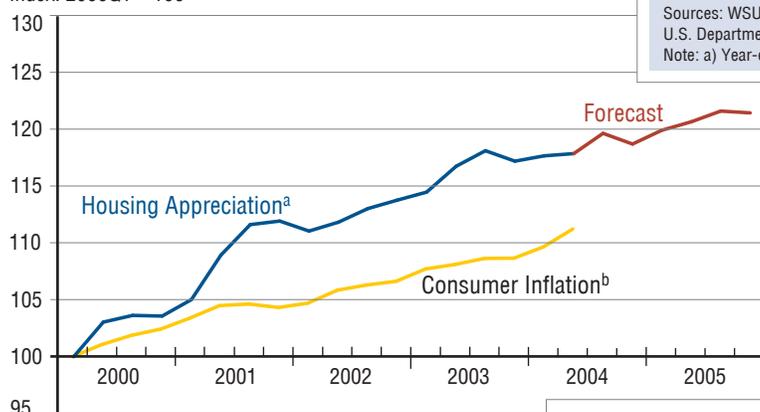
Southeast Wichita Home Price Appreciation

	2000	2001	2002	2003	2004F	2005F
Home Price Appreciation ^a	5.67%	8.03%	1.63%	3.01%	1.28%	2.30%
Consumer Inflation ^a	3.43%	1.86%	2.20%	1.90%	n/a	n/a
Real Home Price Appreciation	2.24%	6.17%	-0.57%	1.11%	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

Southeast Wichita 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 Southeast Wichita
 b) Quarterly average of the Consumer Price Index for All Urban Consumers

Since 2001, home price appreciation in this sector has only managed to keep pace with inflation.

Until there is a substantial uptick in manufacturing employment, home price appreciation in Southeast Wichita should continue to be limited to the overall inflation rate.

Southeast Wichita Home Sales



Existing home sales in Southeast Wichita remained strong in 2002, rising more than 10% over the prior year to 940 units. Although sales are off somewhat this year, 2004 is still on pace to be the second highest year on record.

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

Southeast Wichita Housing Market Activity

	2002 Q1	Q2	Q3	Q4	2003 Q1	Q2	Q3	Q4	2004 Q1	Q2
Home Price Index ^a	110.98	111.77	112.95	113.69	114.40	116.66	118.02	117.11	117.57	117.78
MSP - Existing Homes ^b	\$56,025	\$58,300	\$62,500	\$61,500	\$54,900	\$60,020	\$66,950	\$59,250	\$55,000	\$62,925
MSP - New Homes ^b	\$97,250	\$138,495	\$54,900	\$160,679	n/a	n/a	\$89,500	\$89,900	n/a	\$115,900
Sales Volume - Existing Homes ^c	\$9.934	\$14.341	\$13.806	\$12.151	\$11.969	\$16.642	\$14.573	\$12.347	\$9.604	\$16.746
Sales Volume - New Homes ^c	\$0.195	\$0.277	\$0.055	\$0.321	n/a	n/a	\$0.090	\$0.090	n/a	\$0.116
Days on Market ^d	33	26	26	31	51	30	36	40	42	36

Source: 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
 Notes: a) WSU Home Price Index for Southeast Wichita; b) Median sale price; c) Total sales volume in millions; d) Median days on market for existing homes

Southwest Sector

THE SOUTHWEST SECTOR IS COMPRISED of Wichita neighborhoods south of Kellogg and west of Broadway, and roughly matches Zone 200 in the Wichita MLS system. These neighborhoods predominantly contain moderately-priced, owner-occupied housing.

Southwest Wichita home prices grew by a solid 5.65% in 2003 after sluggish gains the prior year.

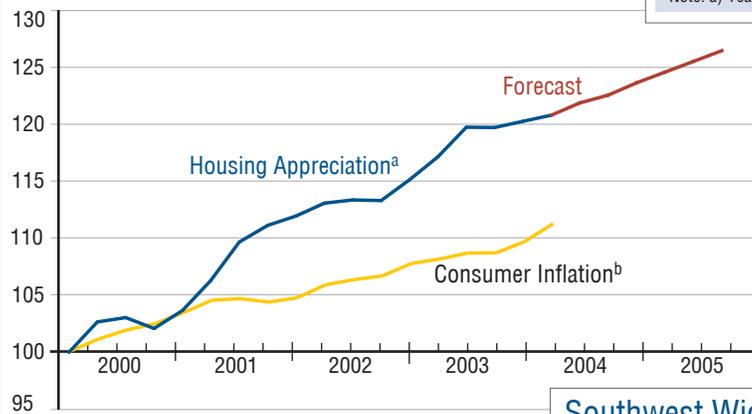
Southwest Wichita Home Price Appreciation

	2000	2001	2002	2003	2004F	2005F
Home Price Appreciation ^a	3.36%	8.85%	1.97%	5.65%	2.37%	3.18%
Consumer Inflation ^a	3.43%	1.86%	2.20%	1.90%	n/a	n/a
Real Home Price Appreciation	-0.07%	6.99%	-0.23%	3.75%	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

Southwest Wichita Home Price Index and Forecast

Index: 2000Q1 = 100



Overall, home prices in this sector have appreciated at annual rate of 4.93% over the last four years.

We forecast that this pace will slow somewhat this year, but home prices will still show solid appreciation of 3.18% in 2005.

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 Southwest Wichita
 (b) Quarterly average of the Consumer Price Index for All Urban Consumers

Last year, existing home sales in Southwest Wichita were up 6.08% over the prior year to 646 units. Sales this year are even stronger.

New home sales are a growing factor in the Southwest Sector. In the first two quarters of this year, new home sales volume topped \$2.75 million.

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

Southwest Wichita Home Sales



Southwest Wichita Housing Market Activity

	2002				2003				2004	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Home Price Index ^a	111.96	113.08	113.37	113.31	115.14	117.14	119.73	119.72	120.26	120.80
MSP Existing Homes ^b	\$57,725	\$62,590	\$63,750	\$65,000	\$59,900	\$66,450	\$64,250	\$67,900	\$65,700	\$67,950
MSP - New Homes ^b	\$98,323	\$99,765	\$106,930	\$103,798	\$95,959	\$111,720	\$121,895	\$108,515	\$123,161	\$117,000
Sales Volume - Existing Homes ^c	\$7.166	\$10.169	\$12.093	\$9.206	\$8.394	\$12.670	\$11.207	\$10.434	\$11.240	\$13.503
Sales Volume - New Homes ^c	\$1.313	\$1.093	\$0.379	\$0.960	\$0.614	\$1.251	\$1.820	\$0.992	\$0.747	\$1.998
Days on Market ^d	25	22	18	31	38	30	32	32	36	27

Source: 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
 Notes: a) WSU Home Price Index for Southwest Wichita; b) Median sale price; c) Total sales volume in millions; d) Median days on market for existing homes

East Sector

THE EAST SECTOR IS COMPRISED OF the newer development that wraps around the east side of the city. It mirrors the West Sector in composition and age of the housing stock.

After lagging behind inflation in 2000, home prices in East Wichita have appreciated more rapidly since then. Over the last four years, home price appreciation in this sector has matched overall inflation.

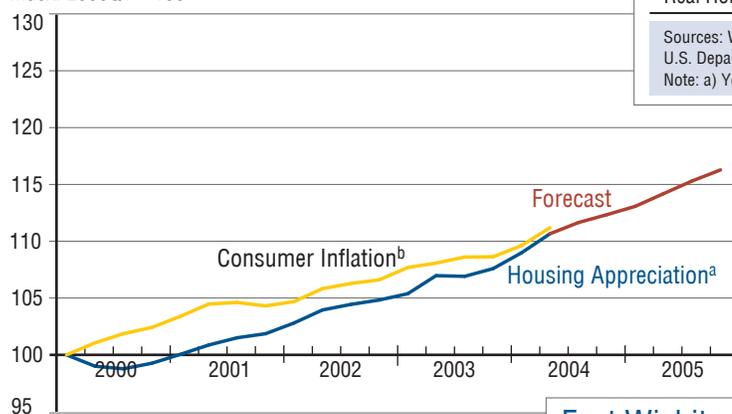
East Wichita Home Price Appreciation

	2000	2001	2002	2003	2004F	2005F
Home Price Appreciation ^a	-0.53%	2.62%	2.91%	2.63%	4.41%	3.51%
Consumer Inflation ^a	3.43%	1.86%	2.20%	1.90%	n/a	n/a
Real Home Price Appreciation	-3.96%	0.76%	0.71%	0.73%	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

East Wichita Home Price Index and Forecast

Index: 2000Q1 = 100



We project that homes in East Wichita will appreciate by a strong 4.41% this year before slowing to a still-respectable 3.51% in 2005.

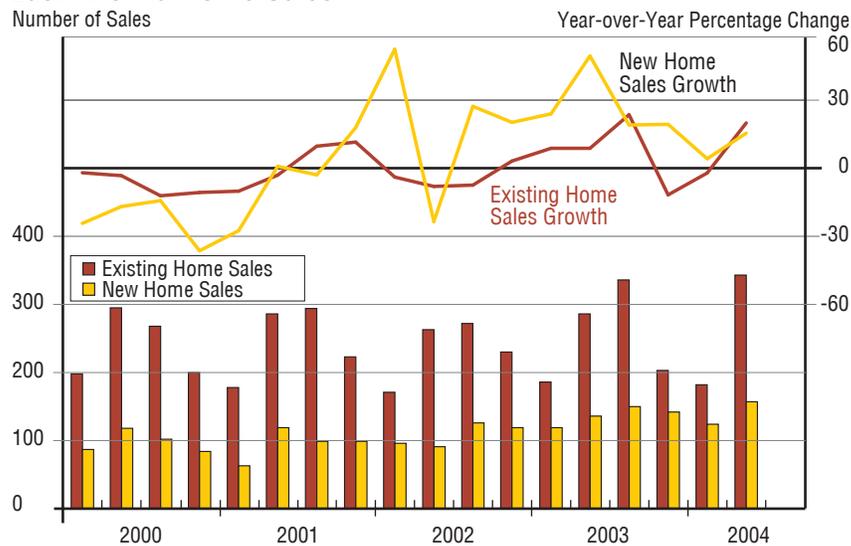
Sources: WSU Center for Real Estate, using data provided by the Sedgwick County Appraiser's Office; U.S. Department of Labor: Bureau of Labor Statistics
 Notes: (a) WSU Home Price Index for East Wichita
 (b) Quarterly average of the Consumer Price Index for All Urban Consumers

After increasing 44% between 2001 and 2003, new home sales in East Wichita are on pace to set a new record again this year.

Existing home sales volume in East Wichita was up a remarkable 27% in the first quarter compared to the same period in 2003.

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

East Wichita Home Sales



East Wichita Housing Market Activity

	2002				2003				2004	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Home Price Index ^a	102.80	103.95	104.44	104.83	105.38	106.97	106.91	107.59	108.98	110.66
MSP - Existing Homes ^b	\$123,900	\$126,000	\$129,900	\$129,900	\$127,450	\$132,750	\$132,750	\$131,000	\$135,250	\$139,900
MSP - New Homes ^b	\$145,100	\$145,218	\$151,549	\$163,000	\$163,153	\$163,191	\$168,012	\$169,443	\$164,650	\$173,954
Sales Volume - Existing Homes ^c	\$26.505	\$44.159	\$47.142	\$35.915	\$30.743	\$49.002	\$57.495	\$32.978	\$31.583	\$62.333
Sales Volume - New Homes ^c	\$16.073	\$17.315	\$24.951	\$25.553	\$26.123	\$28.690	\$30.381	\$27.938	\$25.252	\$35.902
Days on Market ^d	48	41	45	40	40	40	34	35	58	37

Source: 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
 Notes: a) WSU Home Price Index for East Wichita; b) Median sale price; c) Total sales volume in millions; d) Median days on market for existing homes

West Sector

THE WEST SECTOR IS COMPRISED OF WICHITA neighborhoods west of the Big Ditch, and roughly matches Zone 100 in the Wichita MLS System. This fast-growing sector has a variety of new housing developments in all price ranges.

Home prices in West Wichita rose by a robust 4.91% in 2003, more than one-and-a-half times the inflation rate for the year.

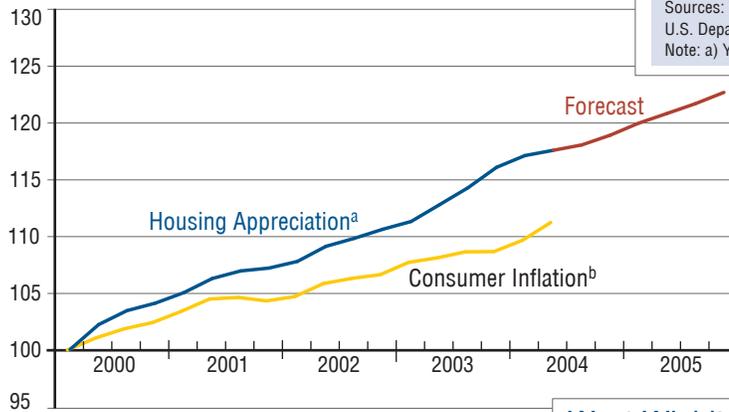
West Wichita Home Price Appreciation

	2000	2001	2002	2003	2004F	2005F
Home Price Appreciation ^a	4.56%	2.94%	3.19%	4.91%	2.44%	3.17%
Consumer Inflation ^a	3.43%	1.66%	2.20%	1.90%	n/a	n/a
Real Home Price Appreciation	1.13%	1.08%	0.99%	3.01%	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

West Wichita Home Price Index and Forecast

Index: 2000Q1 = 100



Home price appreciation will continue at a steady, if slower, pace in the near future. We forecast home prices in this sector to rise by 2.44% in 2004, and 3.17% in 2005

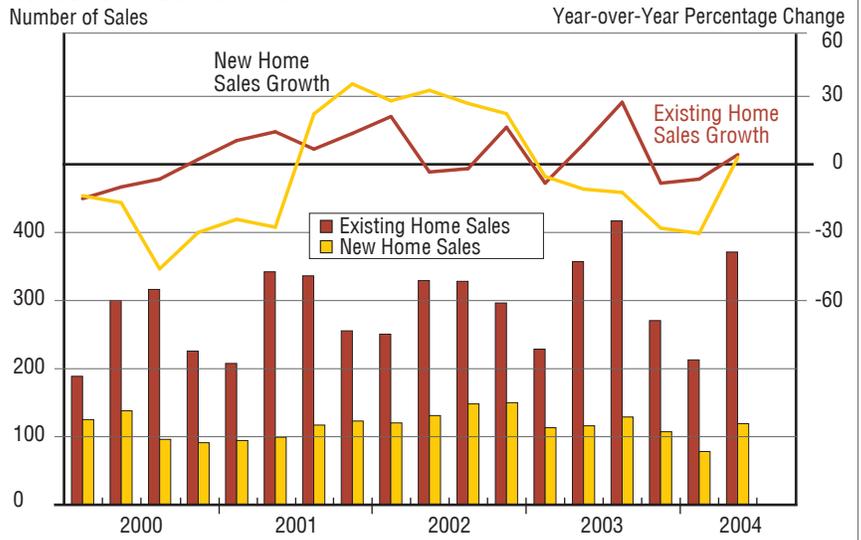
Sources: WSU Center for Real Estate, using data provided by the Sedgwick County Appraiser's Office; U.S. Department of Labor: Bureau of Labor Statistics
 Notes: a) WSU Home Price Index for West Wichita
 □ □ b) Quarterly average of the Consumer Price Index for All Urban Consumers

Existing home sales in this sector continue to rise at a steady rate, increasing by more than 5% in each of the last two years.

In contrast, new home sales in West Wichita have slowed over the past several years, dropping by over 15% in 2003.

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

West Wichita Home Sales



West Wichita Housing Market Activity

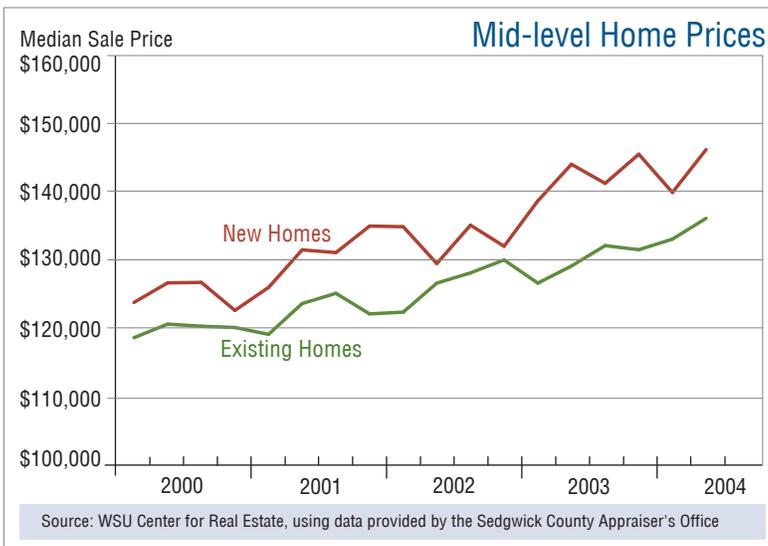
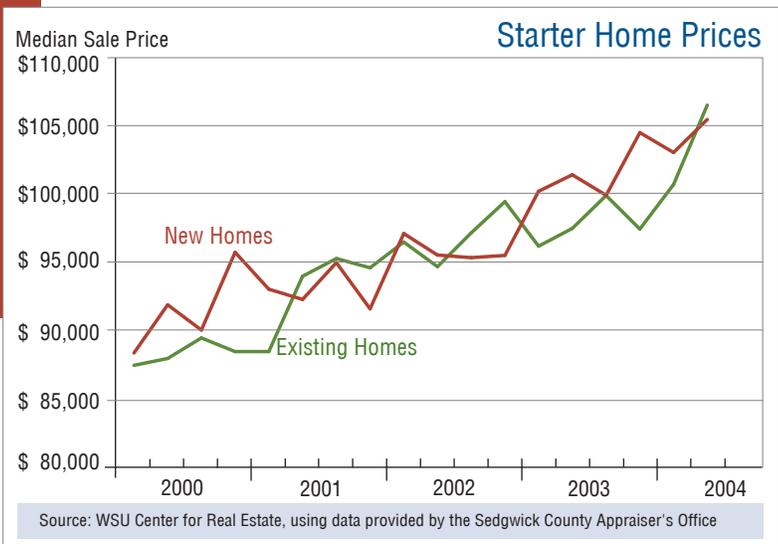
	2002				2003				2004	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Home Price Index ^a	107.74	109.05	109.77	110.56	111.24	112.72	114.20	115.99	117.03	117.50
MSP - Existing Homes ^b	\$117,900	\$120,000	\$123,000	\$121,000	\$116,500	\$120,600	\$125,200	\$123,000	\$125,000	\$130,000
MSP - New Homes ^b	\$145,160	\$144,320	\$132,875	\$141,380	\$143,000	\$163,566	\$156,000	\$164,894	\$157,240	\$156,525
Sales Volume - Existing Homes ^c	\$32.706	\$44.417	\$44.537	\$39.496	\$29.572	\$46.339	\$57.339	\$38.545	\$30.244	\$53.180
Sales Volume - New Homes ^c	\$19.325	\$20.990	\$22.696	\$23.838	\$18.144	\$20.232	\$21.341	\$18.965	\$13.916	\$19.707
Days on Market ^d	35	25	29	31	47	29	30	36	42	29

Source: 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
 Notes: a) WSU Home Price Index for West Wichita; b) Median sale price; c) Total sales volume in millions; d) Median days on market for existing homes

Benchmark Home Prices

THE WSU CENTER FOR REAL ESTATE'S Benchmark Home Price series have been created to provide a simple measure of the cost of standard home types in Sedgwick County. Each benchmark is designed to capture the physical characteristics of homes in a different segment of the market.

STARTER HOMES are those that are most often purchased by younger, first-time home buyers. We have defined this benchmark to include homes having between 800 and 1,200 square feet of total finished living area, with 2 or 3 bedrooms, and 1 or 2 full baths.

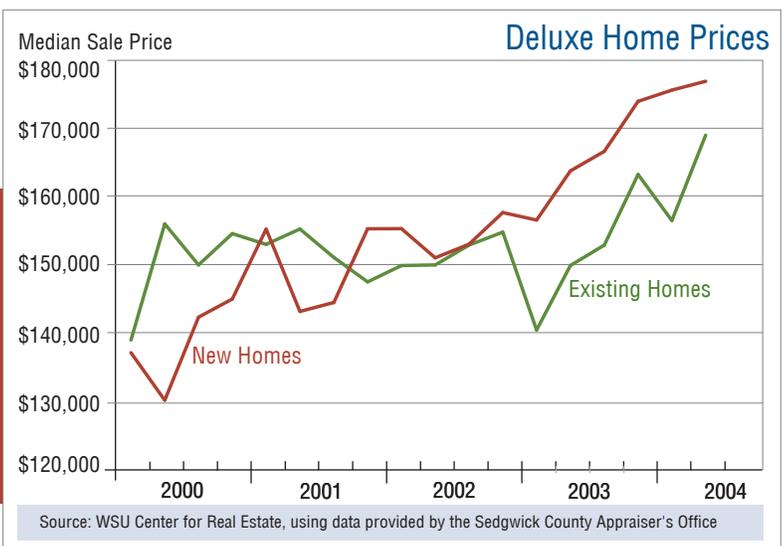


MID-LEVEL HOMES are slightly larger, and often serve as a "move-up" home for families wanting more space and amenities. This benchmark includes homes that are between 1,200 and 1,800 square feet in size, with 3 or 4 bedrooms, and 2 or 3 full baths.

DELUXE HOMES provide long-term housing for upper-middle class, professional households. They are larger and have more features than mid-level homes, but are not to be confused with the very large executive homes at the very top end of the market. Deluxe homes have 1,800 to 2,500 square feet of finished living area, between 3 and 5 bedrooms, and 2 to 5 full baths.

All benchmarks are restricted to homes no more than 25 years old at the time of sale, to control for the varying physical condition of older homes.

For each of these benchmarks, the Center for Real Estate calculates the median sale price of homes that have sold during the quarter that fit specified characteristics. Within each benchmark, a separate figure is calculated for new and existing homes.



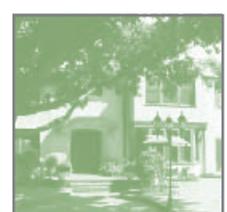
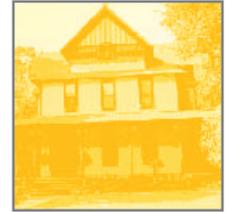
A Final Word

Last year, we introduced the 1st Annual Wichita Housing Market Forecast to provide a better picture of the Wichita area single-family housing market.

Through our ongoing efforts to improve the quality and usefulness of this forecast, we discovered inconsistencies in the way home size was measured in the data we used to create our home price index. To correct this problem, we have updated our index using new data made available by the Sedgwick County Appraiser's Office. As a result, we have revised upward our estimates of the home price appreciation that has occurred in the Wichita area over the last several years. It is these revised figures that we present in this edition of the forecast.

With our newly-revised WSU Home Price Index, we are confident that you will find that the 2004 Wichita Housing Market Forecast offers the most comprehensive and reliable overview of the Wichita area housing market available.

Stanley D. Longhofer, Ph.D.
Director, Center for Real Estate



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For more than 20 years, the Wichita Area Association of REALTORS® has been a steadfast supporter of real estate research and education at WSU.

You can learn more about the REALTOR® organization by visiting WWW.WICHITAREALTORS.COM

The Wichita Area Builders Association

The Wichita Area Builders Association is pleased to support the work of the Center for Real Estate at WSU. This year, WABA's donation to the Center has been made in honor of **John Frazee**, a long-time member and friend of WABA and member of the Center for Real Estate Advisory Board.



For more information about WABA visit WWW.WABAHOME.COM