

# WICHITA

## 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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## Special Thanks to:

**Karen Gehle** | Kansas Association of REALTORS®

**Jeremy Hill** | WSU Center for Economic Development and Business Research

**Tessa Hultz** | Wichita Area Association of REALTORS®

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**Nick Thomas** | WSU Center for Real Estate

### Participants in the 2013 Wichita Real Estate Roundtable

We are also grateful to the REALTOR® boards and multiple listing services that have provided much of the data used to prepare this forecast:



## Security 1<sup>st</sup> Title



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# WICHITA HOUSING FORECAST

It's hard to believe this is the 11<sup>th</sup> straight year that we have prepared a housing market forecast for the Wichita area. 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 bring you the 2014 Wichita Housing Market Forecast. We trust you will find it useful as you work and live in the Wichita area.

For the latest data and analysis of the Wichita 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](http://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](http://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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The W. Frank Barton School of Business at Wichita State has been the driving force behind some of the brightest minds and biggest ideas of the past 100 years. Combining the widest range of undergraduate degrees in the state and virtually unlimited learning opportunities (thanks to Kansas' largest business community), it's no surprise that employers continue to show a preference for hiring Barton School graduates. [www.wichita.edu/business](http://www.wichita.edu/business)



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# ECONOMIC OVERVIEW

Employment growth in the Wichita area has lagged behind the state as a whole throughout the recovery. The new forecast by the WSU Center for Economic Development and Business Research projects that jobs in the Wichita area will increase by only 1.2 percent in 2014.

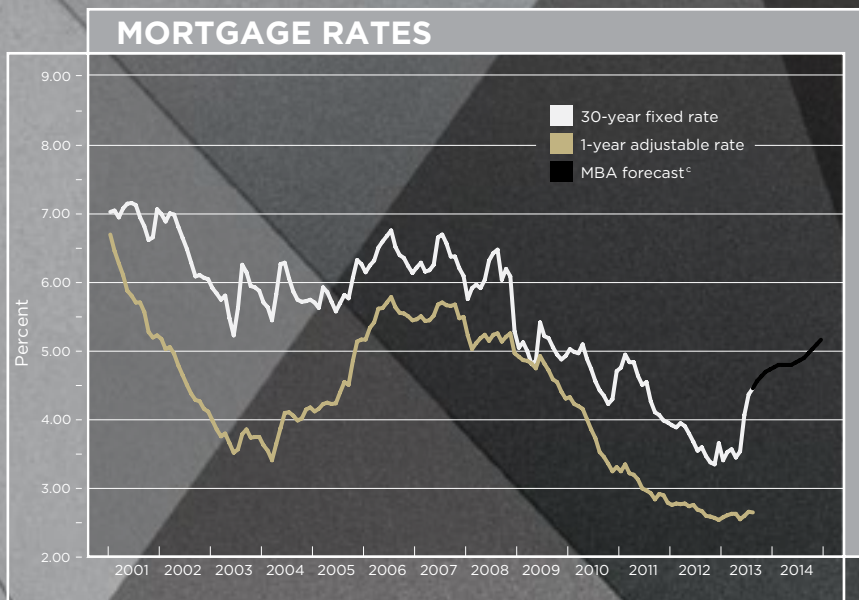
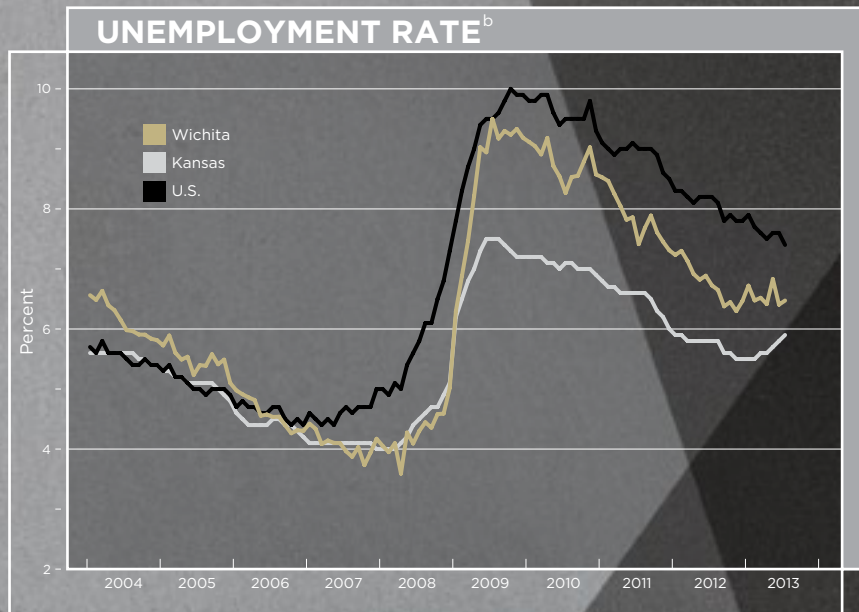




# MORTGAGE RATES SHOULD REMAIN BELOW 5.25 PERCENT THROUGH THE END OF NEXT YEAR.

Slow job growth has left many people in the area unemployed. Although the unemployment rate has dropped dramatically from its highs during the recession, over the past year it has stabilized at around 6.5 percent, well above a healthy level.

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.

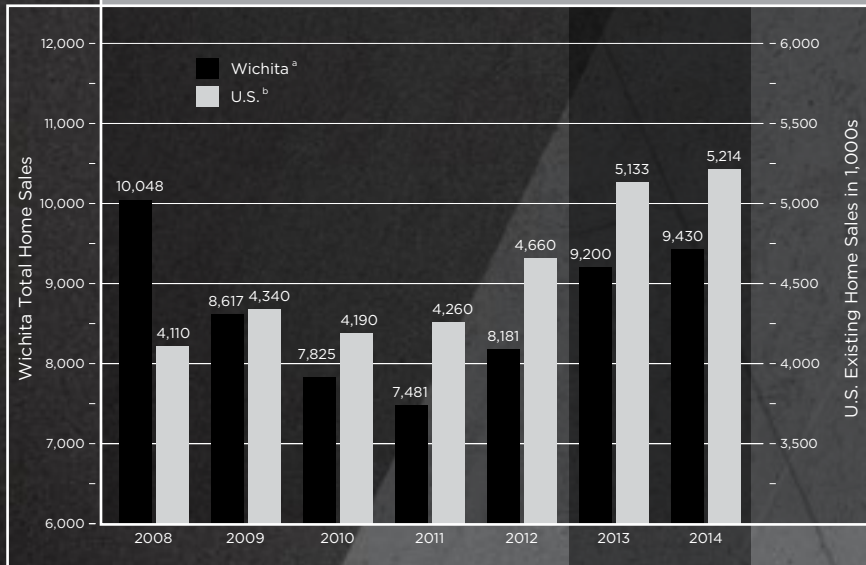


Sources: Freddie Mac; Mortgage Bankers Association; U.S. Bureau of Labor Statistics

- 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

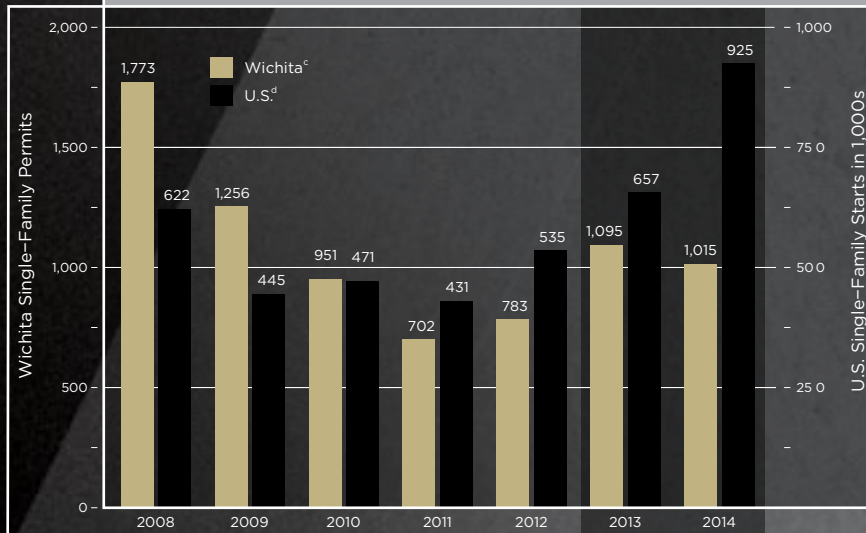
# HO AND CO

## HOME SALES ACTIVITY



FORECAST

## NEW HOME CONSTRUCTION ACTIVITY



FORECAST



# HOME SALES CONSTRUCTION

## WICHITA HOME SALES SHOULD RISE BY 2.5 PERCENT IN 2014.

Wichita area home sales have now been rising for 3 straight years since the expiration of the homebuyer tax credit in June 2010. In fact, sales this year are on pace to rise by 12.5 percent, the largest year-over-year gain on record. This trend should continue into 2014, with sales rising by another 2.5 percent to 9,430 units.

New home construction in the Wichita area has rebounded nicely this year, spurred in part by property tax rebates scheduled to expire at the end of the year. All told, single-family permits in the Wichita area should end the year up 39.9 percent at 1,095 units. The rebate program may have stolen some growth from next year, however. As a result, permitting activity is forecast to drop by 7.3 percent in 2014 to 1,015 units.

#### Sources:

National Association of REALTORS®; South Central Kansas Multiple Listing Service; U.S. Bureau of the Census; Wichita Area Builders Association; WSU Center for Real Estate

#### Notes:

- a) Total home sales in the Wichita area as reported by the South Central Kansas Multiple Listing Service
- b) U.S. existing home sales as reported by the National Association of REALTORS®
- c) Single-family building permits issued in the Wichita area as compiled by the Wichita Area Builders Association
- d) U.S. single-family housing starts as reported by the U.S. Bureau of the Census

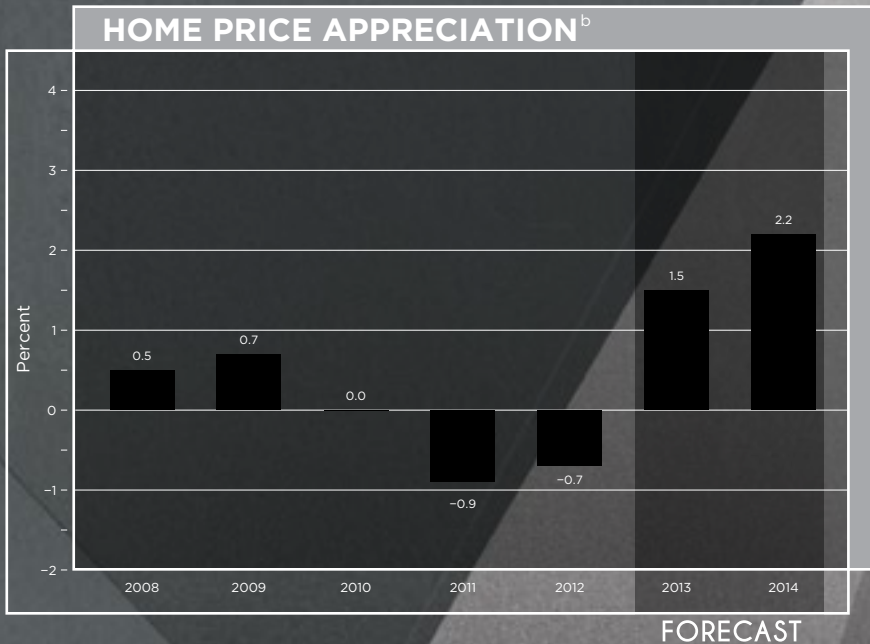
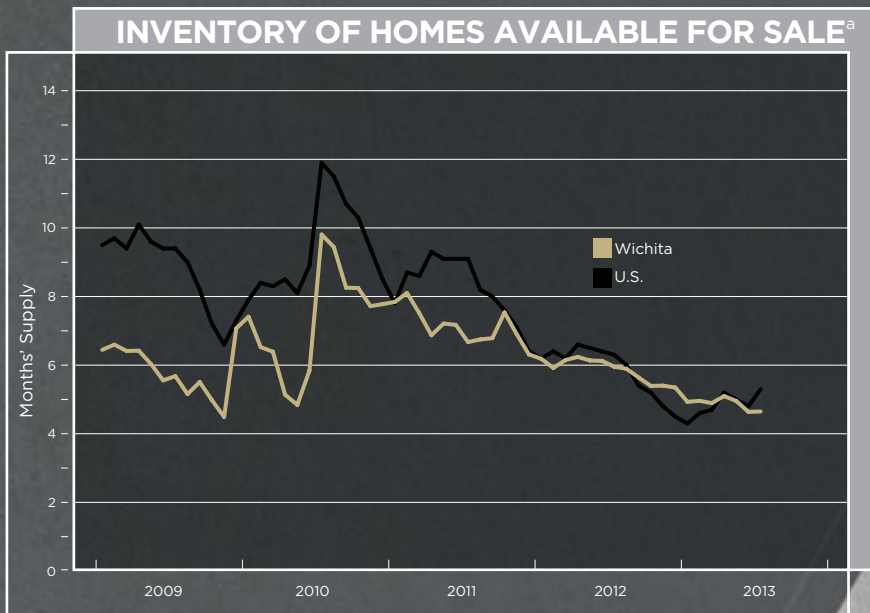
# HOME PRICES

## **WICHITA HOME VALUES SHOULD RISE BY 2.2 PERCENT IN 2014.**

As home sales have risen in the Wichita area, the number of new listings has not kept pace. As a result, the inventory of homes available for sale has fallen to less than a 5 months' supply, the lowest non-tax credit level seen since before the housing crisis.

These tight inventories have begun to affect home prices in the Wichita area. During the first half of this year, Wichita area home values rose for the first time since 2009, albeit only slightly. We expect average Wichita home values to end the year up 1.5 percent. This pace should accelerate somewhat in 2014, with home values rising by 2.2 percent.





Sources:

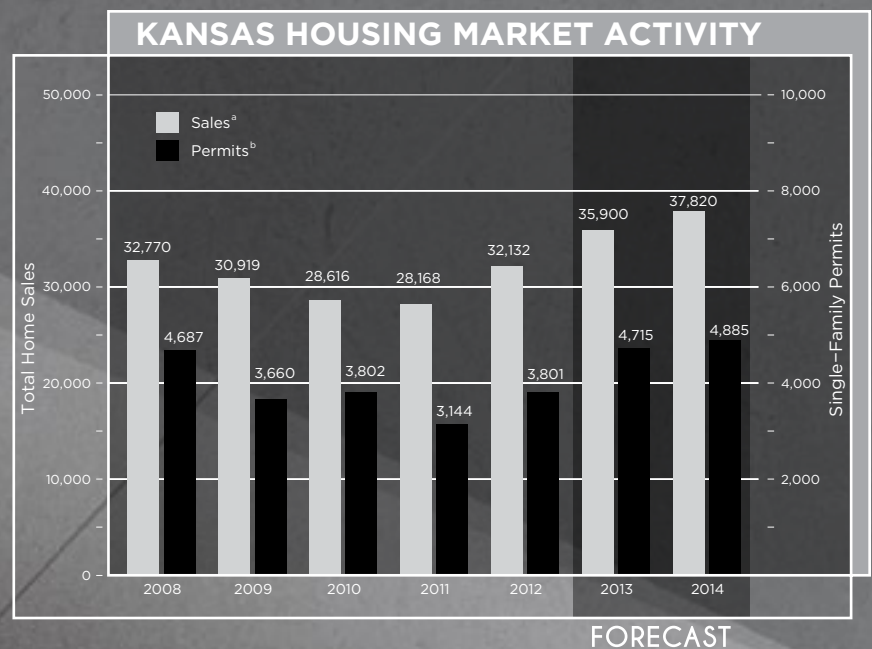
Federal Housing Finance Agency; National Association of REALTORS<sup>®</sup>; South Central Kansas Multiple Listing Service; WSU Center for Real Estate

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 Wichita 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.



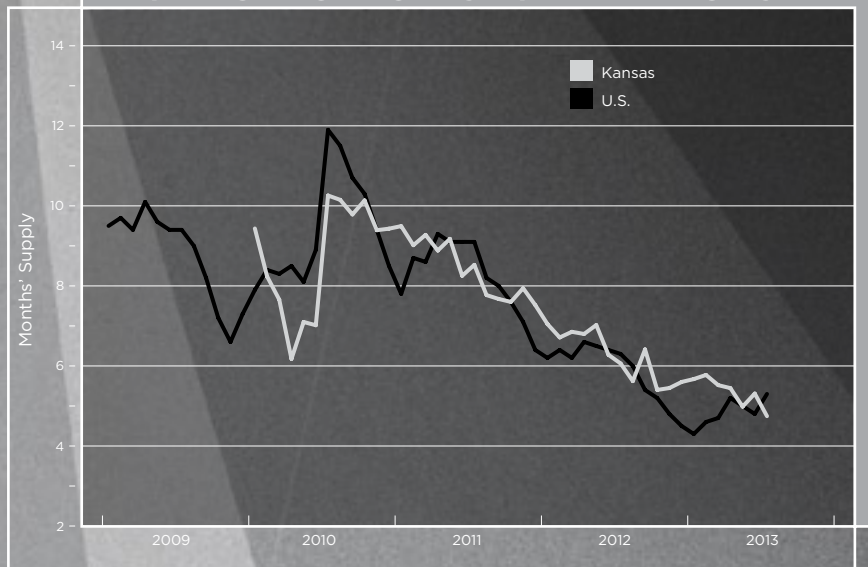
**HOME SALES ACROSS KANSAS SHOULD  
INCREASE BY 5.3 PERCENT IN 2014.**



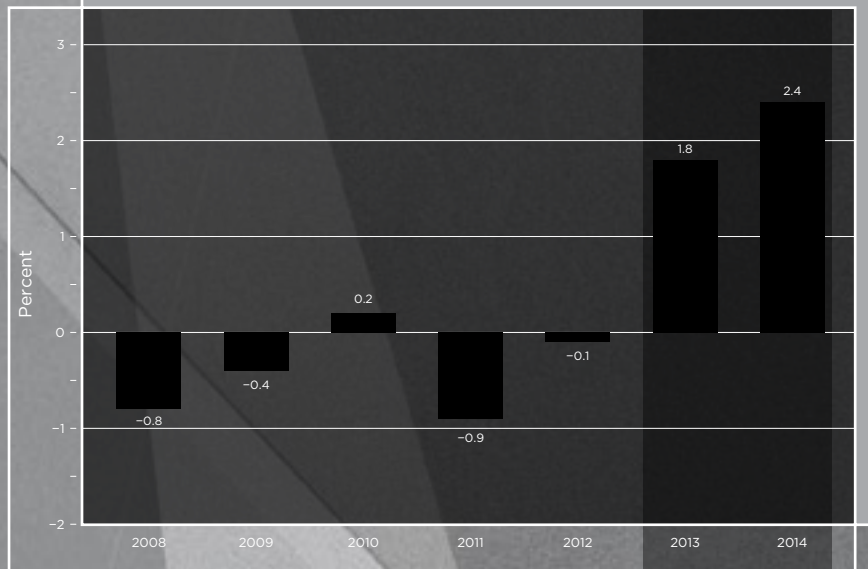
Kansas new home construction has risen sharply this year as well, led by especially strong gains in the Kansas City and Wichita markets. Permits should end the year up 24.0 percent at 4,715 units. Permitting activity will continue to rise in 2014, primarily due to growth in the Kansas City area.

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<sup>c</sup>**



**HOME PRICE APPRECIATION<sup>d</sup>**



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](http://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

	2010	2011	2012	2013	2014
<b>KANSAS</b>					
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		
<b>KANSAS CITY</b>					
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		
<b>LAWRENCE</b>					
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		
<b>MANHATTAN</b>					
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		
<b>TOPEKA</b>					
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		
<b>WICHITA</b>					
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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