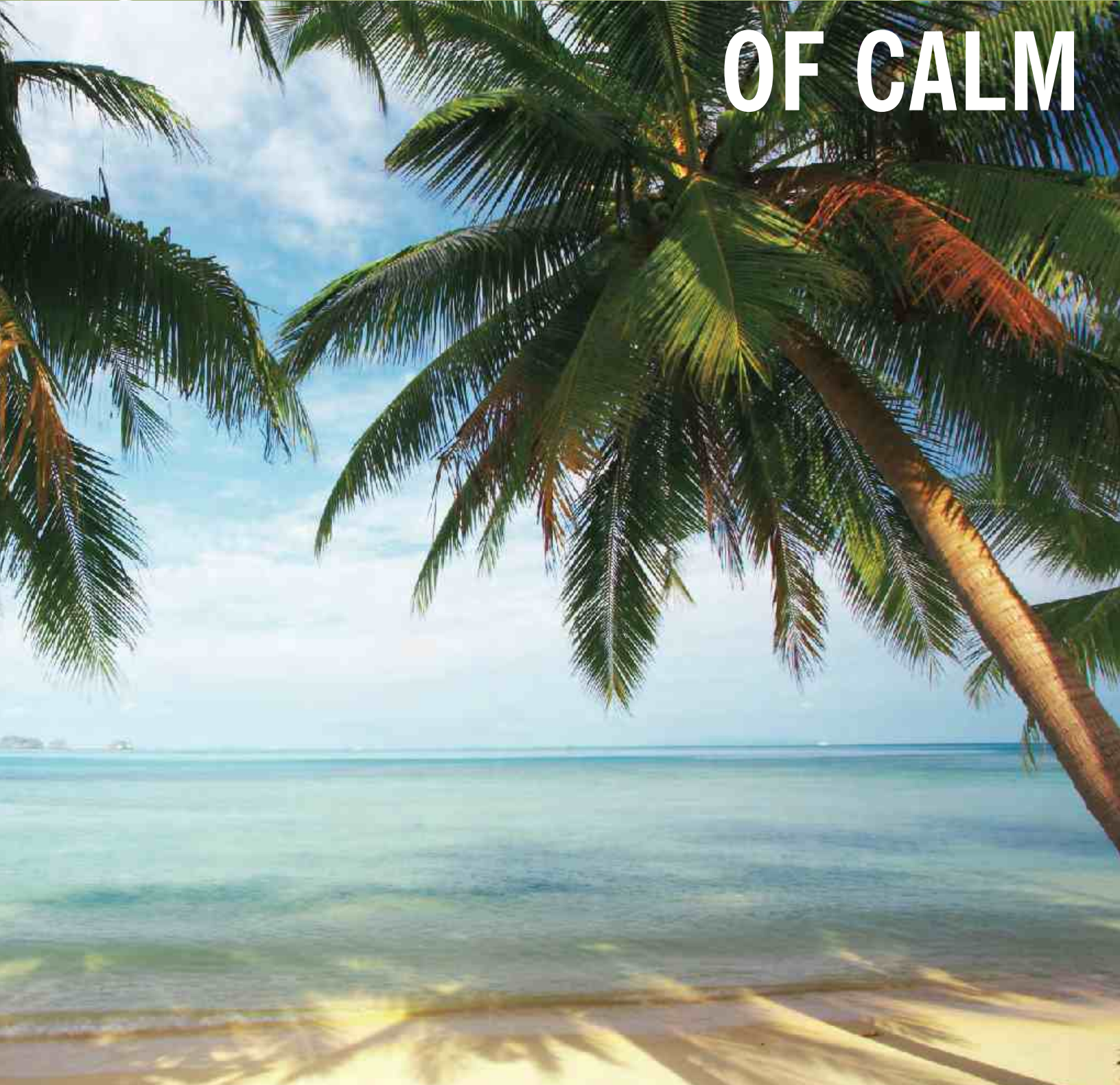


2008 WICHITA HOUSING MARKET FORECAST

*an island*

OF CALM



REALESTATE.WICHITA.EDU | CENTER FOR REAL ESTATE | WICHITA STATE UNIVERSITY

# An island of calm...

Nearly every week it seems there are new headlines about the housing market downturn. Don't let those headlines fool you. Wichita remains an island of calm amidst the stormy seas of the nation's housing market. As you'll see in this year's forecast, Wichita area home prices continue to appreciate and sales remain strong. And despite the recent turmoil in the credit markets, there appears to be little on the horizon to indicate anything but smooth sailing in the year to come.

– Dr. Stanley D. Longhofer, Director, Center for Real Estate

Thanks to the many colleagues and friends who have helped make the 2008 Wichita Housing Market Forecast possible:

- Abrizal, WSU Center for Real Estate
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# AMIDST A SEA OF TROUBLE

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“soaked by bad news for the third consecutive day...”

## Faithful Friends:

The Center for Real Estate is entirely funded by the generous contributions of many visionaries throughout the region. Without their faithful support, the Center for Real Estate would simply not exist. We are especially grateful to **First American Title**, whose contributions directly underwrite the cost of preparing this forecast.



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# Economic Overview

## A STEADY BREEZE

The Wichita economy is the wind that fills the "sales" of the local housing market, and right now the market is running with a steady breeze. While employment growth nationally has been slowing over the past year, Wichita employment rose by a remarkable 5.3 percent in July. Aviation manufacturing, in particular, is having a banner year, with continued growth expected into 2008 and beyond.

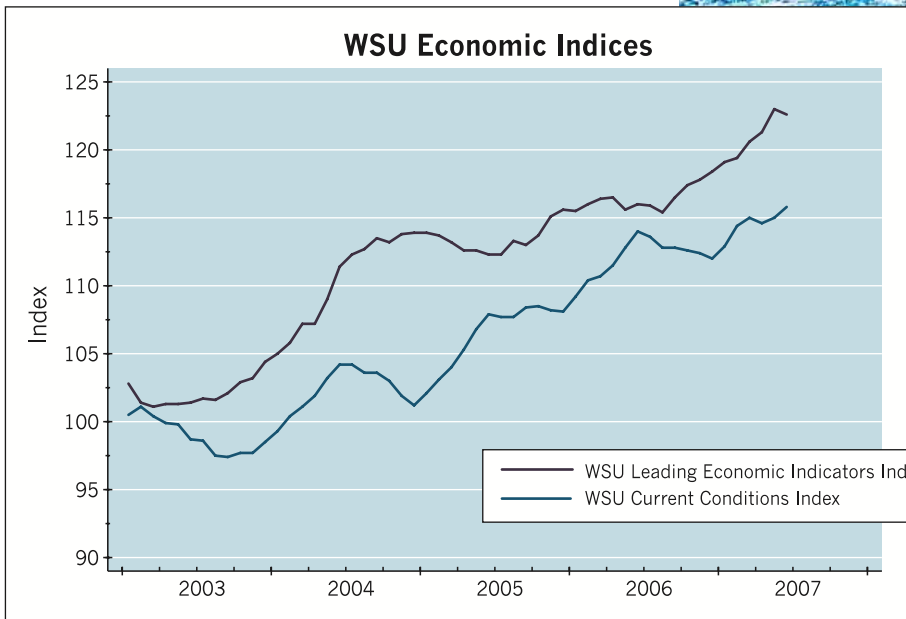
The WSU Current Conditions index has trended upward every year since 2003.

This positive outlook is confirmed by the WSU Current Conditions Index, which offers a broader perspective on the Wichita economy. This index has trended upward every year since 2003.

While national employment growth has been slowing, Wichita's was a remarkable 5.3 percent in July.



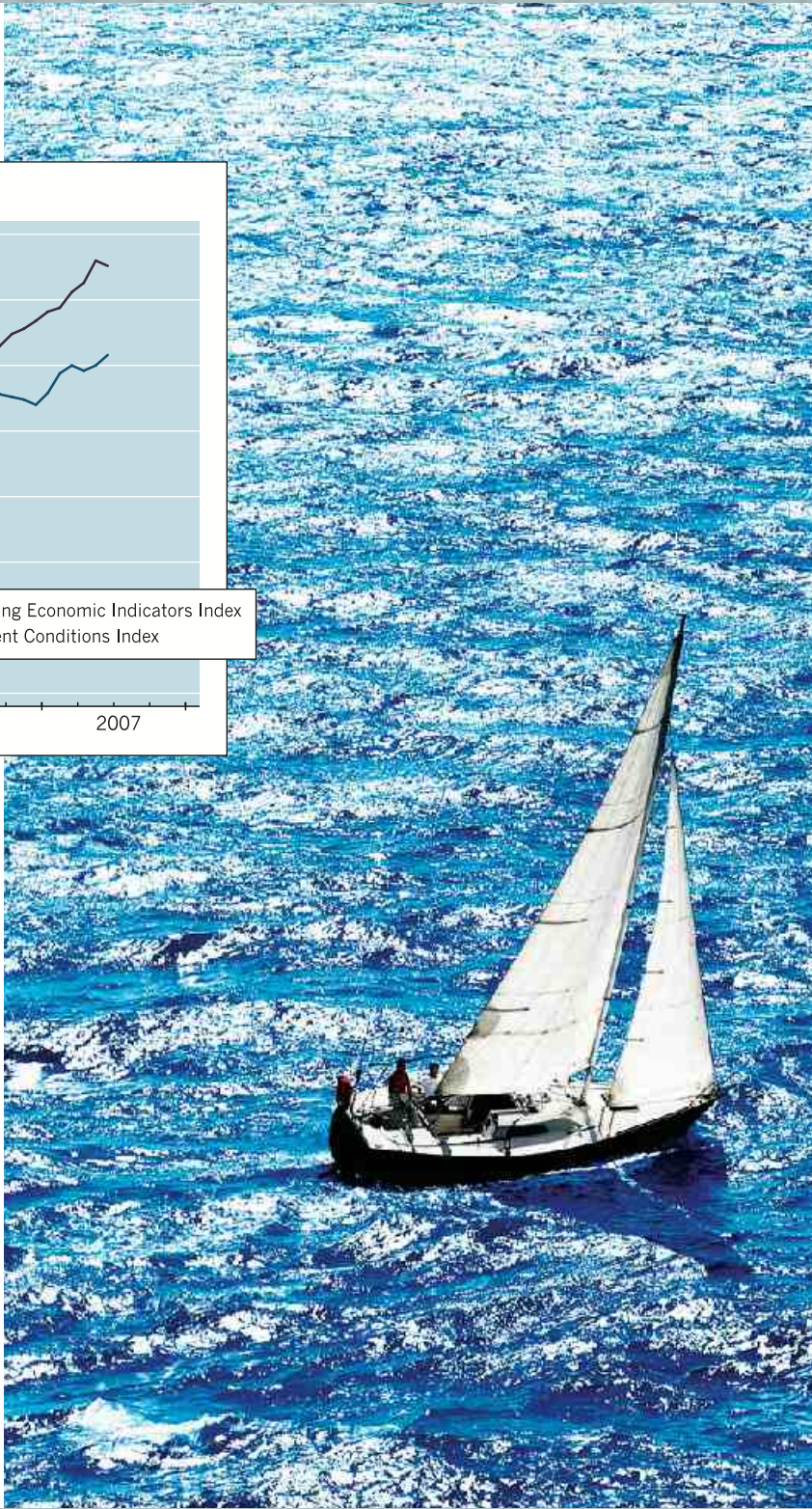




The WSU Leading Economic Indicators Index suggests the favorable winds will continue. The index continues to rise to new records, and its level in the second quarter was up 5.4 percent from the prior year.

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

**The WSU Leading Economic Indicators Index suggests the favorable winds will continue.**



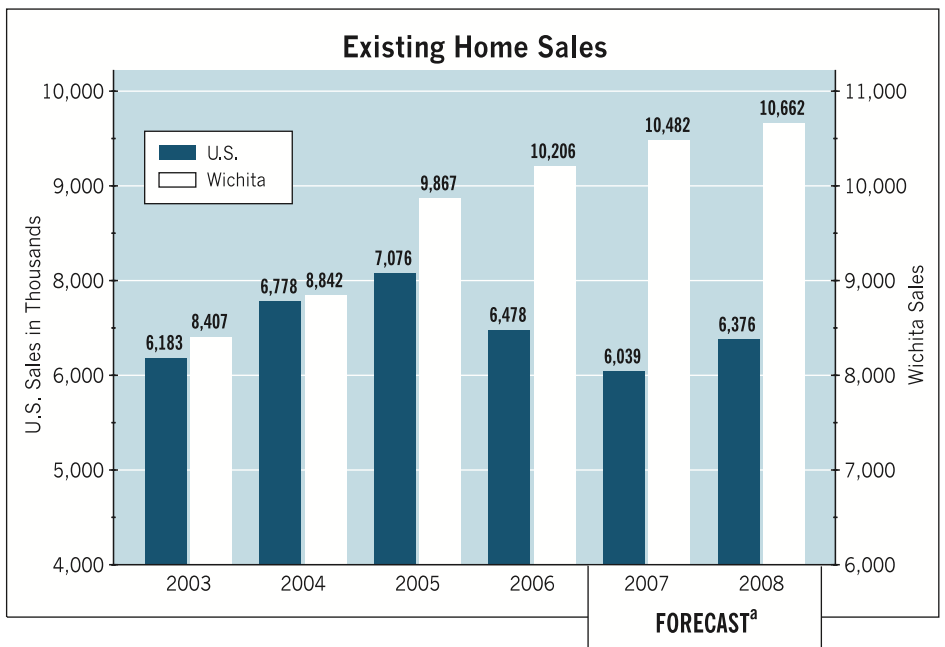
# Existing Homes

## AN ISLAND OF CALM... AMIDST A S

Wichita is a sellers' market, even if national media reports have led many to think otherwise.

Amidst the stormy seas of the nation's housing market, Wichita remains an island of calm and stability. Existing home sales rose 3.4 percent in 2006 – our sixth consecutive annual increase – even as sales nationwide fell by 8.5 percent. This trend is continuing, with Wichita sales in the first six months of 2007 topping last year's record figures.

Wichita is a sellers' market right now, even if the national media reports have led many to think otherwise. The typical time to sell a home is well below 40 days, and we have



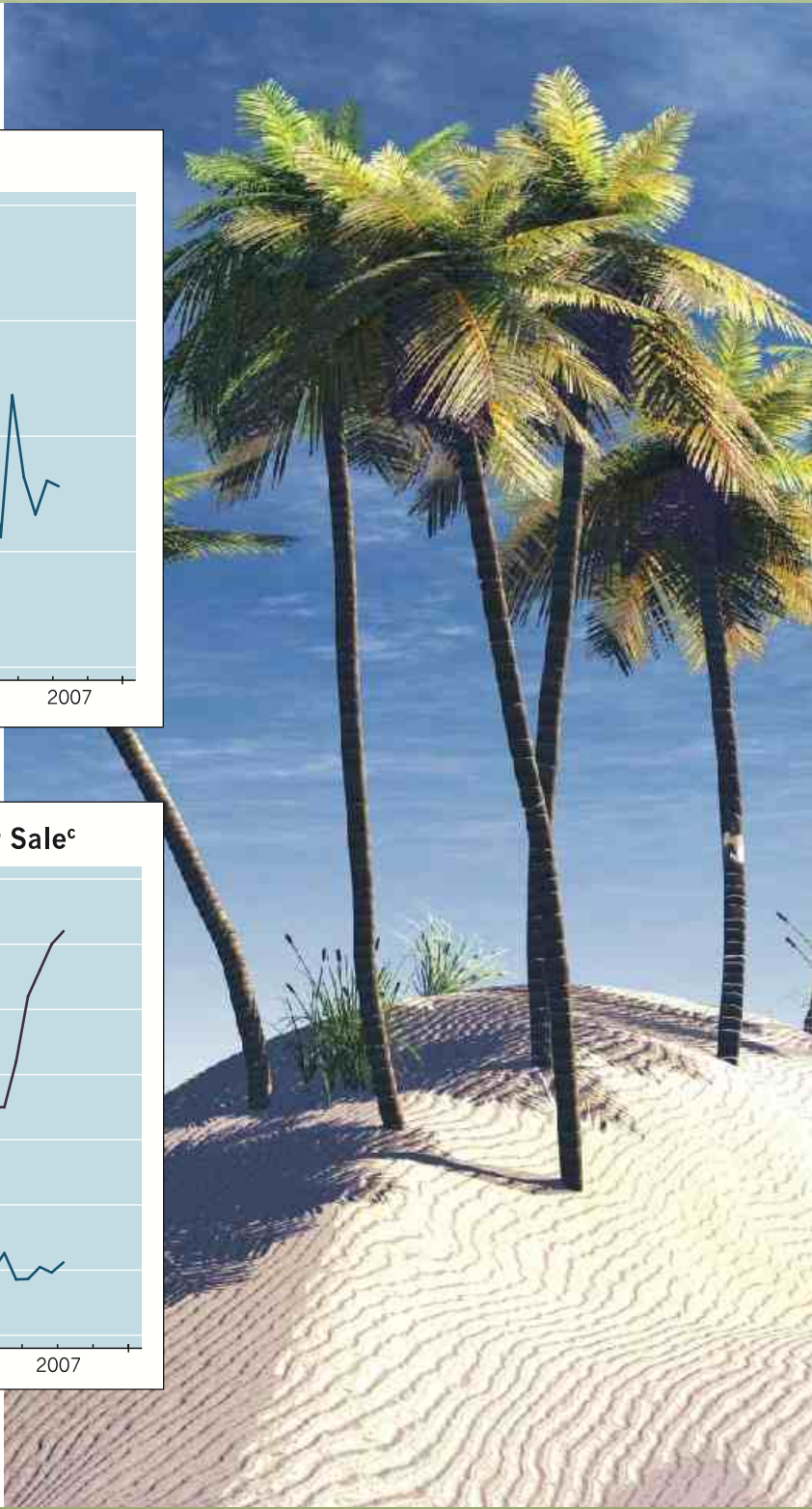
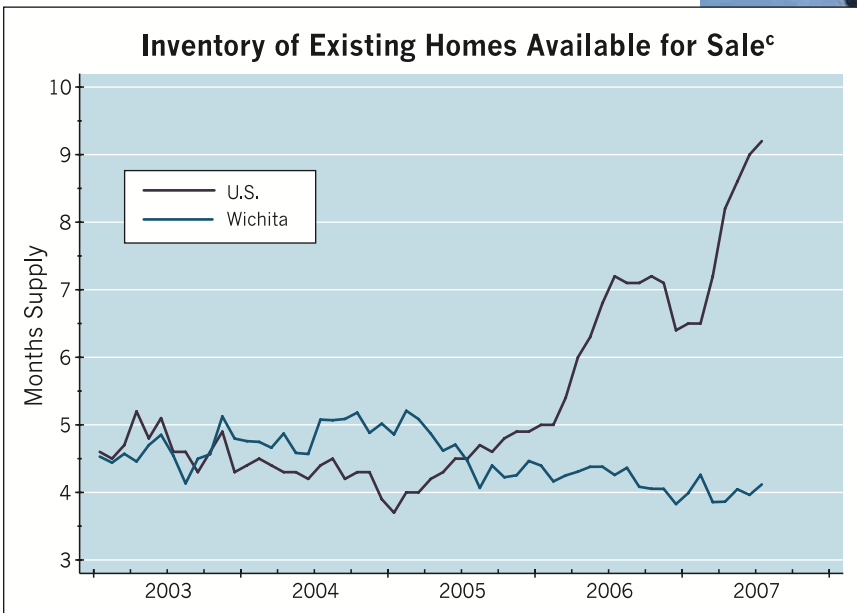
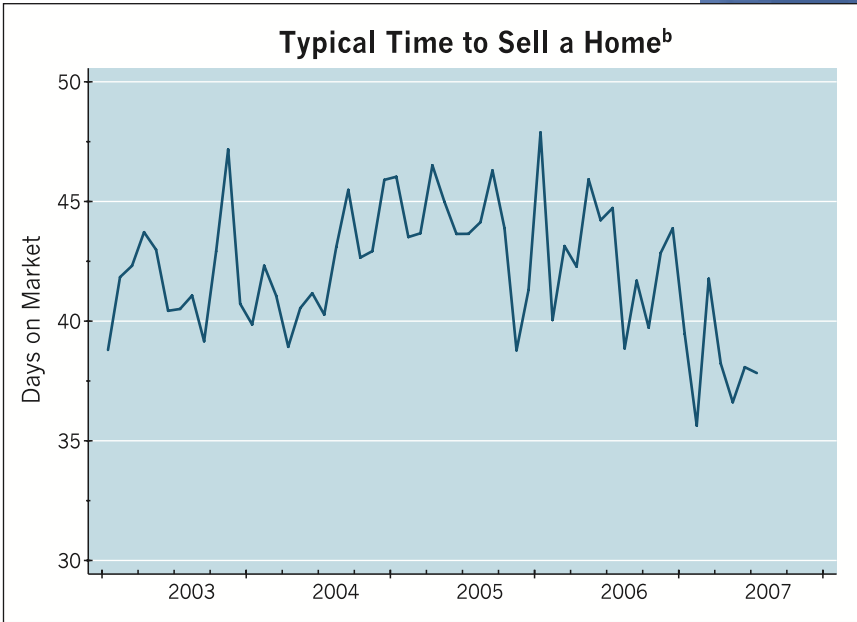
only a four months supply of existing homes available for sale on the market.

The outlook for the future looks calm as well. Existing home sales should increase by 2.7 percent in 2007 and another 1.7 percent in 2008.

The calm seas should continue into the coming year, with existing home sales increasing by 2.7 percent in 2007 and another 1.7 percent in 2008.



# EA OF TROUBLE



Notes: b) Median number of days between listing and contract dates, seasonally adjusted  
 c) Ratio of active existing home listings to existing home sales, seasonally adjusted

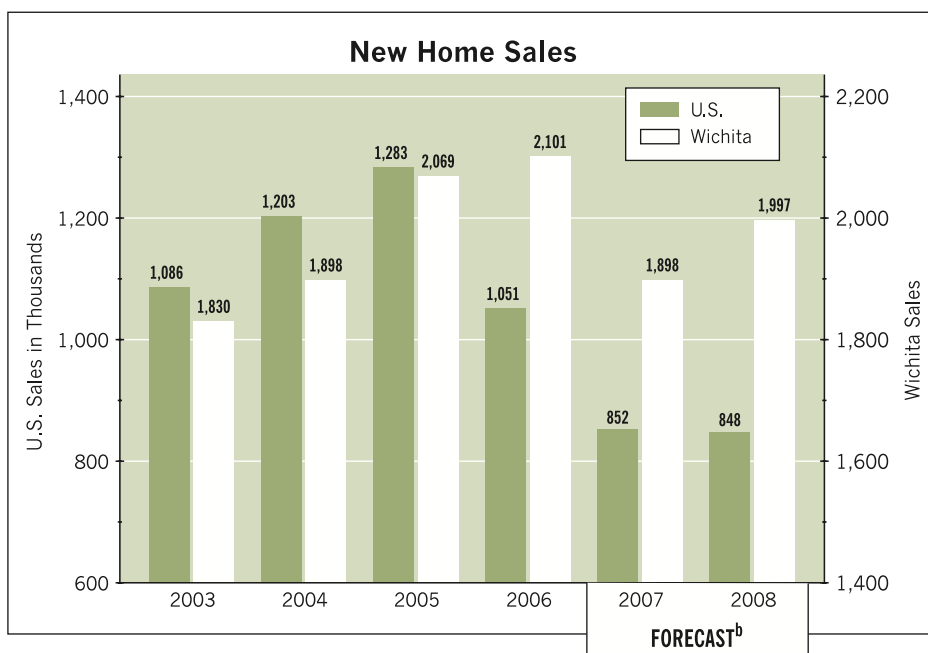
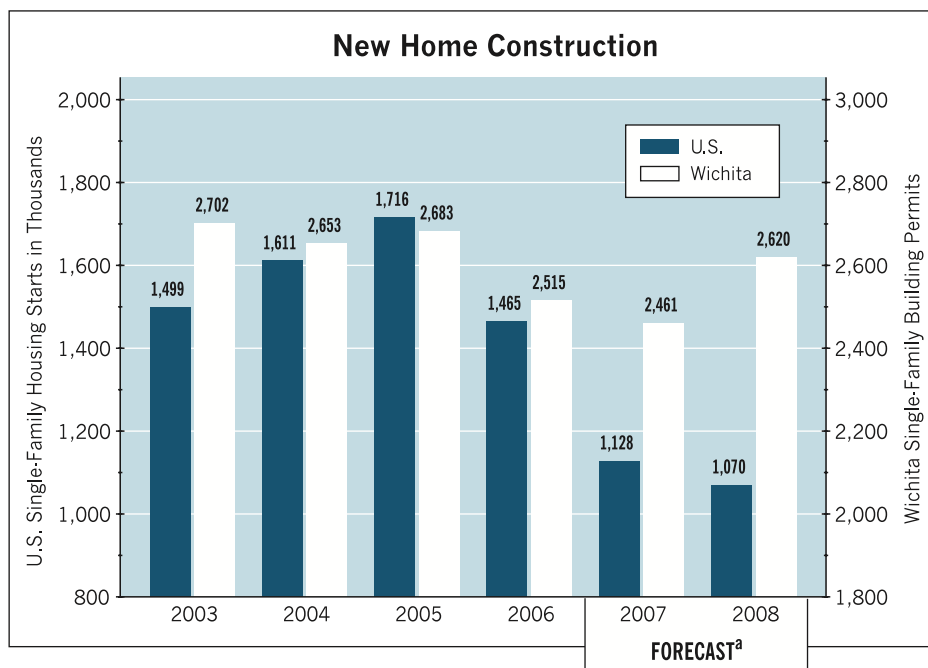
# New Homes and

## SPRING SQUALLS

The spring rain kept coming... and coming...and coming. Arriving on the heels of an unusually cold and snowy winter, it should be no surprise that new home sales and construction were down considerably in the first half of this year.

The spring squalls are giving way to clear skies for the foreseeable future.

Don't associate this drop with the national housing market storm, however. Ours was just a spring squall, giving way to clear skies for the foreseeable future.



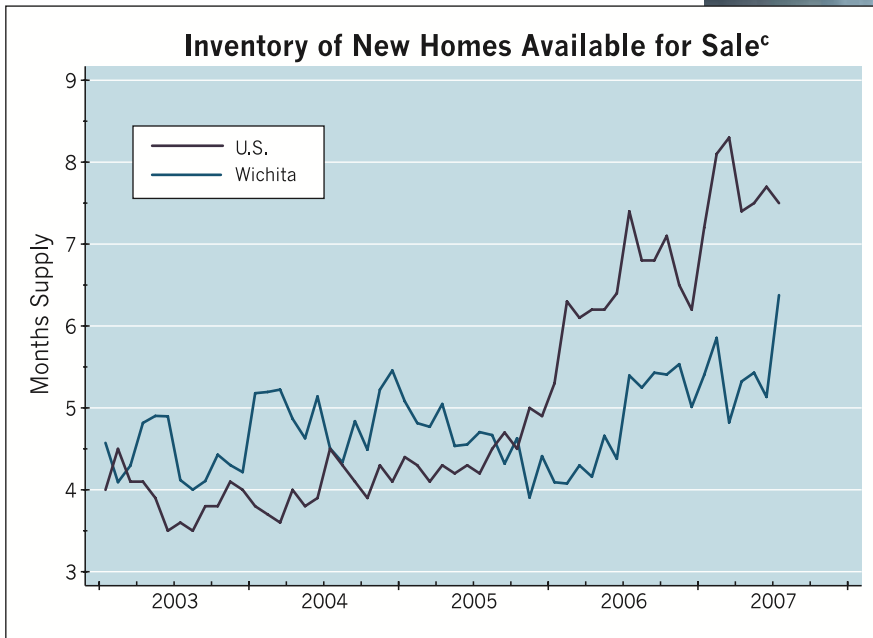
Sources: Wichita Area Builders Association; U.S. Census Bureau / U.S. Department of Housing and Urban Development; National Association of REALTORS<sup>®</sup>; South Central Kansas MLS; WSU Center for Real Estate

Notes: a) U.S. forecast is the National Association of REALTORS<sup>®</sup> August 2007 forecast of national single-family housing starts



# Construction

Construction should rebound next year, increasing by 6.5 percent in 2008.



Inventories of new homes for sale remain near historical norms, and pent up demand should buoy the market in the coming months. As a result, both construction and sales should rise in the last half of the year, although not enough to offset the year's slow start. The rebound should continue next year, with new home construction rising by 6.5 percent in 2008. New home sales will follow, increasing by 5.2 percent in 2008.

**New home sales should rise as well, increasing by 5.2 percent in 2008.**

Notes: b) U.S. forecast is the National Association of REALTORS® August 2007 forecast of national new single-family home sales  
 c) Ratio of active new home listings to new home sales, seasonally adjusted

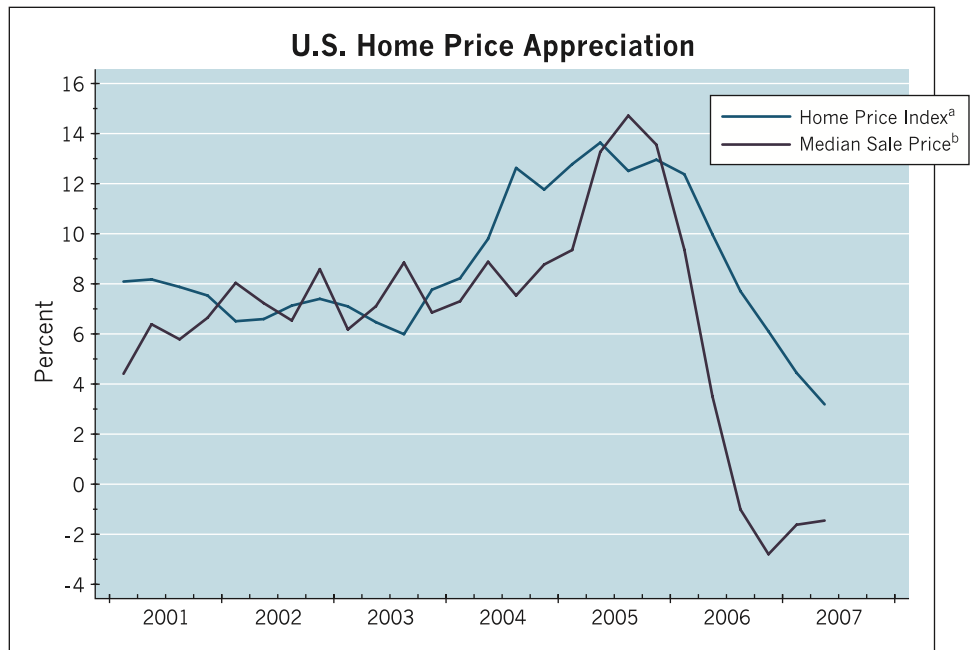
# Home Prices

## SMOOTH SAILING

Home prices nationwide rose at an average annual rate of 3.2 percent through the 2nd quarter of 2007.

For all the news you hear about falling home prices, prices nationwide actually rose at an average annual rate of 3.2 percent through the second quarter of this year. This is much slower than it has been in recent years, but certainly not the crash we've all been led to believe.

So why do people think home prices are falling? Well, it is true that prices have fallen in some large markets nationwide. More important, however, are reports by the National Association of REALTORS® indicating that the median sale price of existing homes has fallen for more than a year.



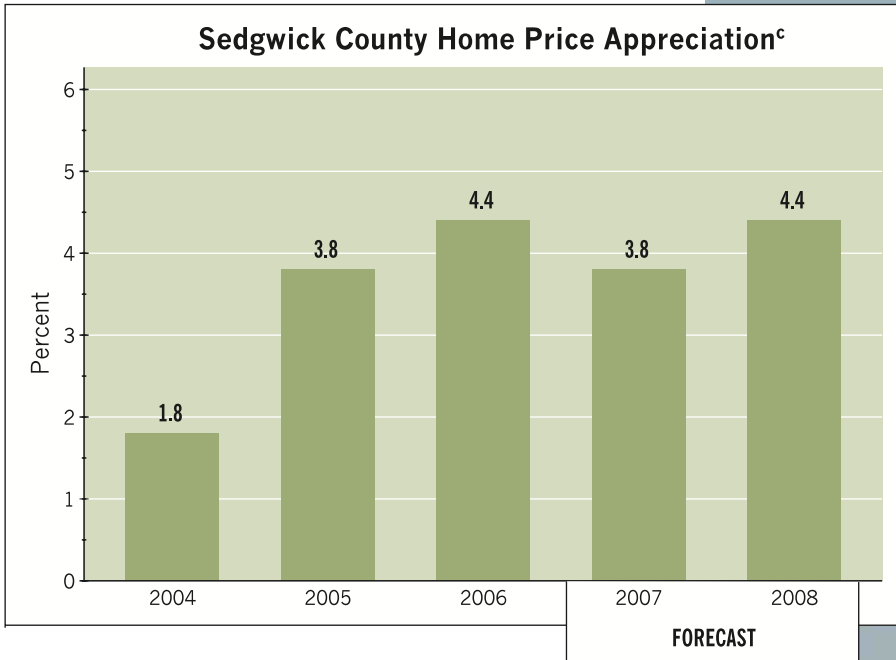
The median price is simply the price at which half the homes sold for more and half sold for less. Given the slowdown of sales in the high-priced markets on the coasts, it is not surprising that the "median sale" has shifted to lower-priced markets in the nation's interior. Thus, the median price has fallen even as the prices of individual homes have risen on average.

The fall in the median sale price is due to fewer sales in high-priced coastal markets, not a decline in the price of the typical home.

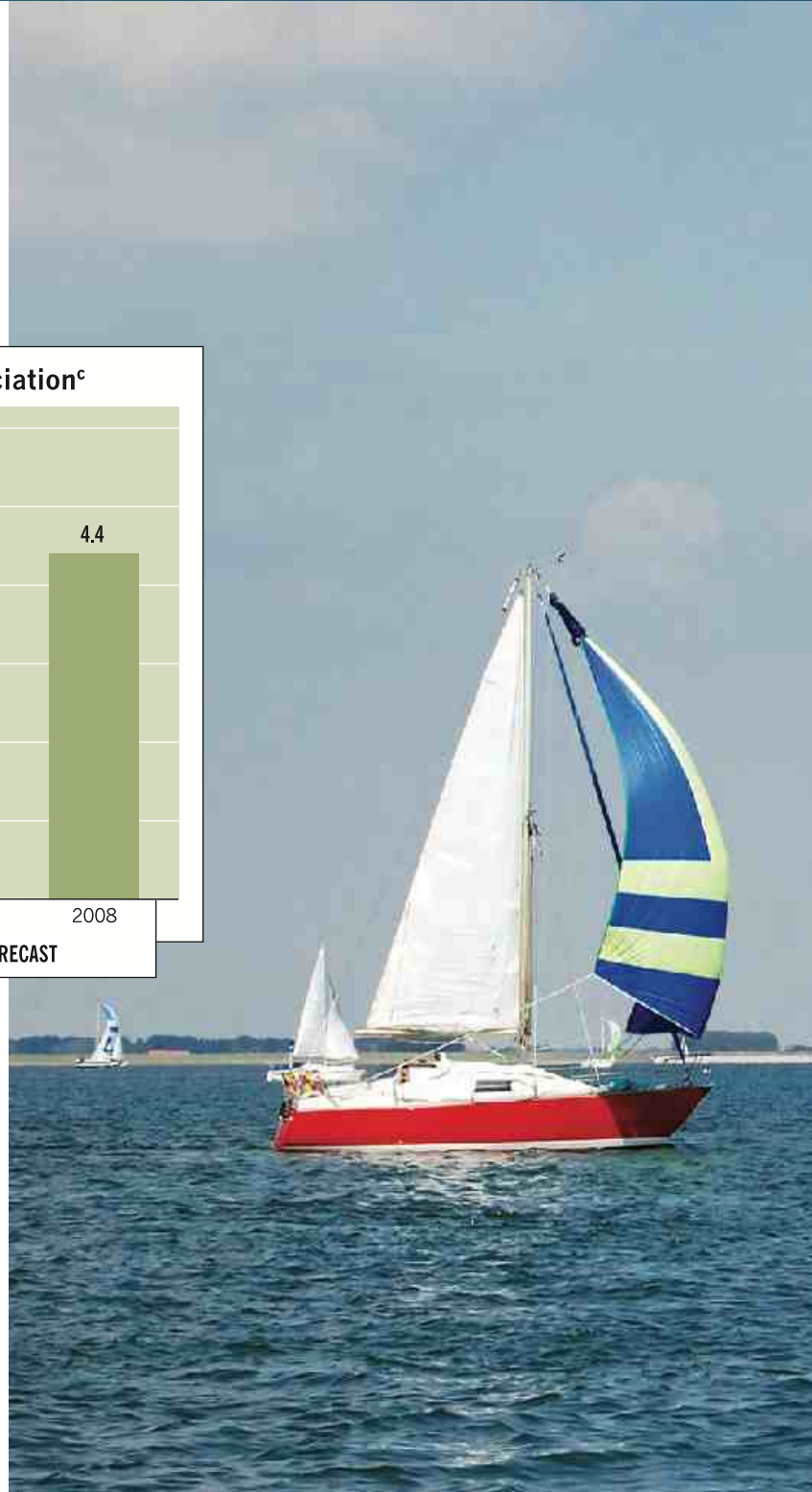




Wichita will have smooth sailing in the months ahead, with prices rising 3.8 percent in 2007 and 4.4 percent in 2008.



Here in Wichita, home prices have continued their steady trend of recent years, with annual appreciation sitting at 4.0 percent in the second quarter of this year. It looks like we will have smooth sailing in the months ahead as well, with prices rising 3.8 percent in 2007 and another 4.4 percent in 2008.



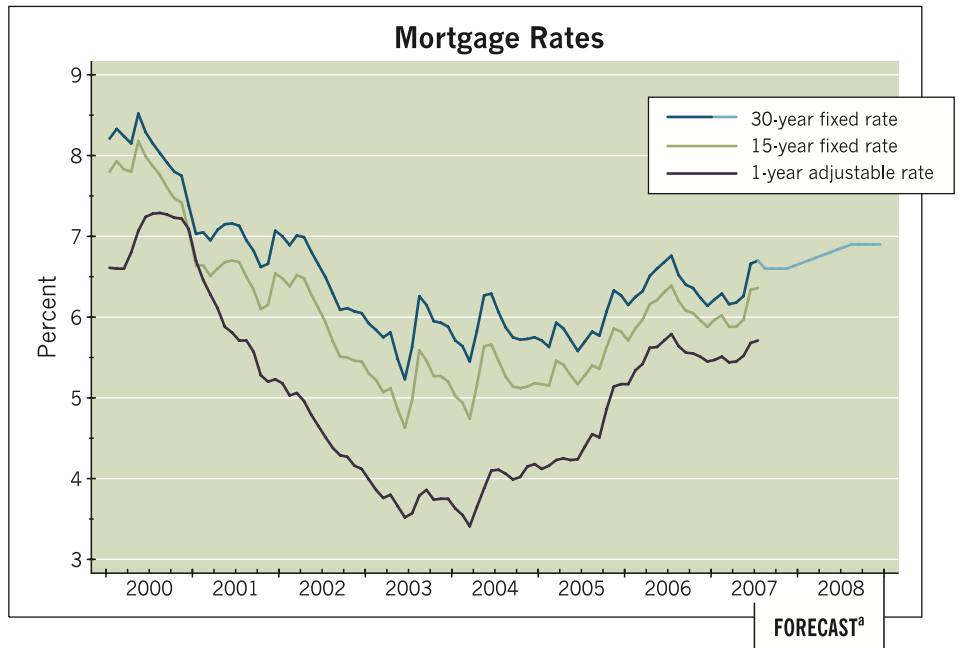
Notes: b) Year-over-year percentage change in median sale price of existing homes nationwide as reported by the National Association of REALTORS®  
 c) Year-over-year percentage change as measured using 4th quarter values

# Mortgage Markets

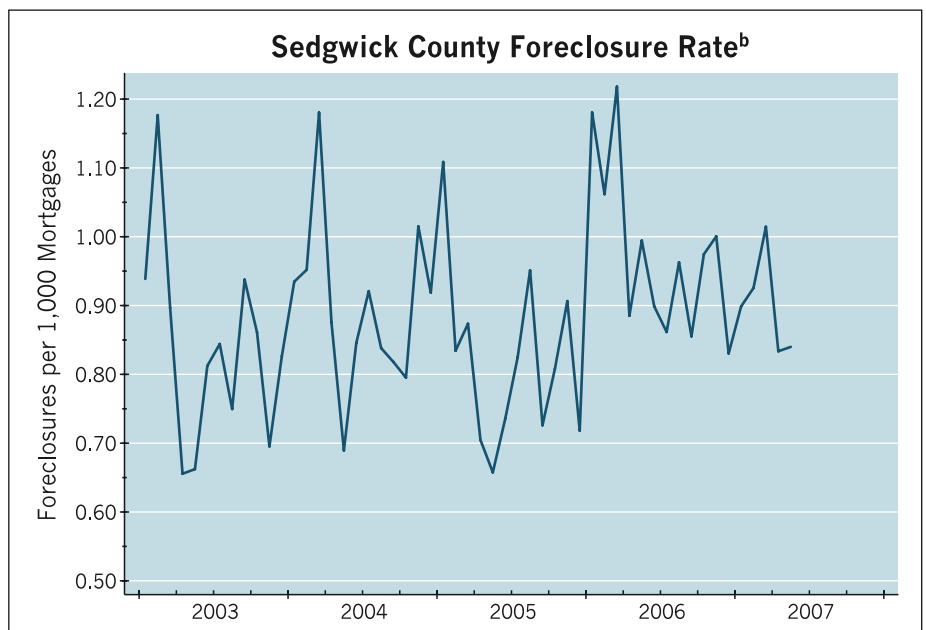
## A CLOUD ON THE HORIZON?

The sun may be shining overhead, but the rumble of thunder from the stormy credit markets can be clearly heard in the distance.

**Buyers with poor credit and small down payments may have fewer financing options in the coming months.**



In August, concerns about the risk of securities backed by subprime mortgages led to a world-wide credit market crisis. Although the panic has subsided, the end result is that home buyers with poor credit and those wanting to borrow 100 percent of the purchase price have fewer financing options than they did just a few short months ago.





# and Foreclosures

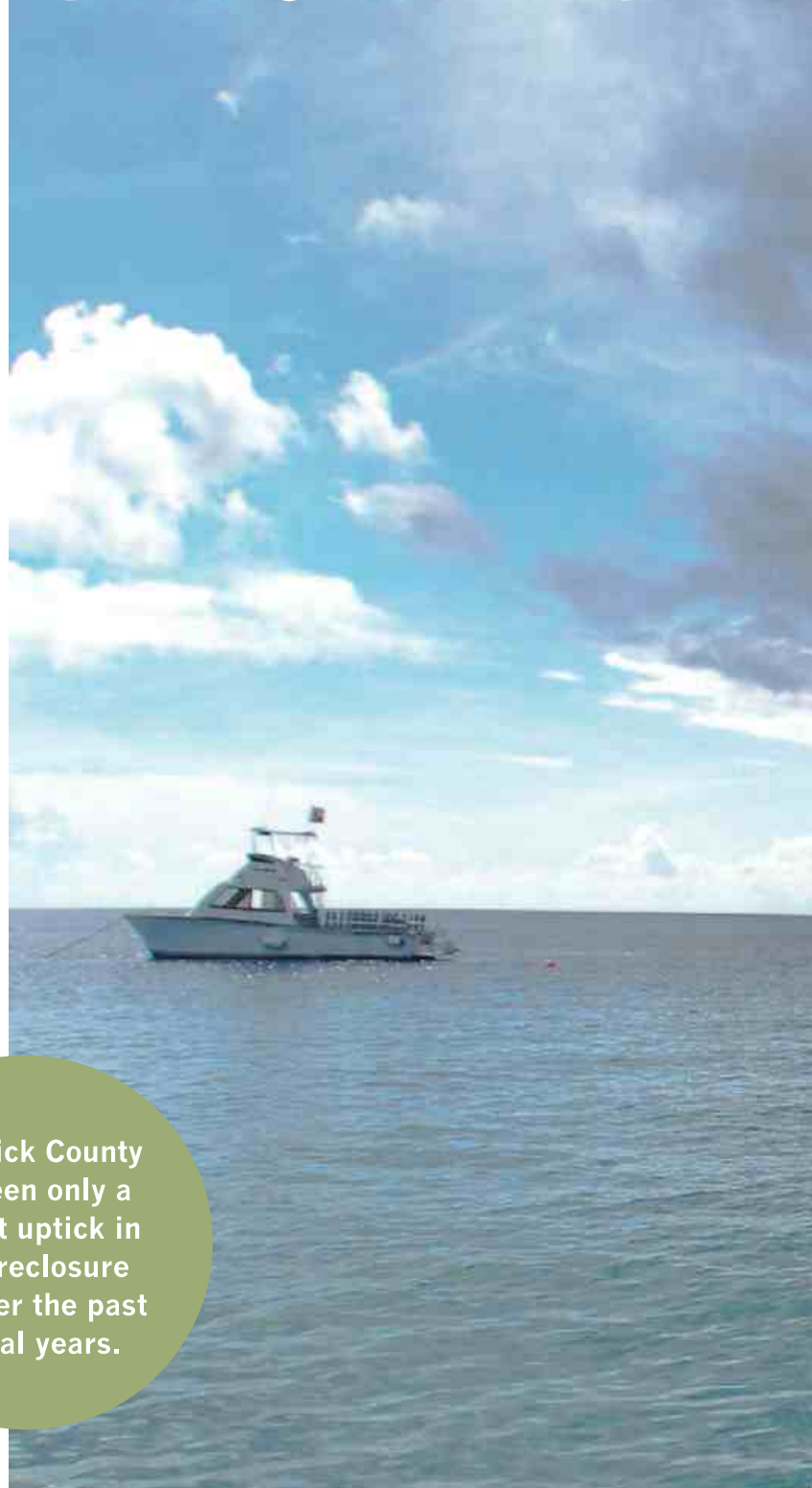
Borrowers with good credit and cash for a down payment, however, should be relatively unaffected. In fact, long-term mortgage rates have dropped recently, and are expected to remain below 7 percent through the end of next year.

**30-year mortgage rates for prime borrowers are expected to remain below 7 percent through the end of 2008.**

Although foreclosure rates are on the rise nationally, the Mortgage Bankers Association of America recently reported that this is largely due to problems in the rust belt and four states with a high percentage of loans to speculative investors (Arizona, California, Florida, and Nevada).

In the Wichita area, we have seen only a modest uptick in the foreclosure rate over the past several years. A strong local economy and stable home-price appreciation should keep foreclosures in check for the foreseeable future.

**Sedgwick County has seen only a modest uptick in the foreclosure rate over the past several years.**



## REAL ESTATE

## Roundtable

## MANNING THE SAILS

Each August, the Center for Real Estate brings together top residential real estate professionals for our annual *Real Estate Roundtable*. Although we are skilled at analyzing past trends in the data, it is the professionals who work day-to-day with buyers and sellers who are the first to sense a change in the wind. We are grateful to everyone who participated in this year's *Real Estate Roundtable*, providing us insight into what's really going on in the market.

Marsha M. Allen, **RE/MAX Realty Professionals**

June Bailey, **Community Housing Services**

Stephen Banks, **Wichita/Sedgwick County MAPD**

John Beckman, **First Horizon Home Loans**

Rick W. Brock, **McCurdy Auction Service**

Terry Cassidy, **City of Wichita**

Bud Cortner, **Keller Williams Hometown Partners, Inc.**

Lenny Diaz, **Casas & Homes Realty**

Lily J. Duncan, **Lily Duncan Realty, Inc.**

Shayla Elder, **J. Russell Companies**

Carolyn I. French, **Carolyn French Team**

Angie George, **Plaza Real Estate, Inc.**

Curtis Gibson, **Grubb & Ellis | Martens Commercial Group**

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Ron Spangenberg, **Spangenberg-Phillips**

Scott Stremel, **J.P. Weigand & Sons, Inc.**

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Steve Wheeler, **Wheeler, Kelly & Hagny Investment**

Karen A. Wilkins, **J.P. Weigand & Sons, Inc.**

Melissa Womack, **J. Russell Companies**

James Wood, **New Home Marketing, Inc.**

Robert M. Zwiesler, **Crown III Realty**



# Forecast Summary

## HOUSING MARKET ACTIVITY

	2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2
HOME PRICE APPRECIATION <sup>a</sup>	3.86	4.03	4.37	4.36	4.10	3.95
EXISTING HOME SALES	2,097	2,884	2,809	2,416	2,053	3,002
Volume <sup>b</sup>	220.658	325.829	330.424	276.451	223.814	363.325
Median Price	89,000	99,000	101,000	96,360	90,000	109,000
Percent of List <sup>c</sup>	98.32	98.71	98.57	98.40	98.13	98.82
Days on Market <sup>d</sup>	51	39	38	43	46	34
Month Supply <sup>e</sup>	4.27	4.36	4.24	3.98	4.04	3.96
NEW HOME SALES	510	611	500	480	392	506
Volume <sup>b</sup>	98.542	119.149	108.725	102.881	79.686	103.493
Median Price	159,900	169,700	172,418	175,344	168,569	169,900
Month Supply <sup>e</sup>	4.16	4.40	5.36	5.32	5.36	5.30
BUILDING PERMITS <sup>f</sup>	667	674	648	526	561	653

## HOUSING MARKET FORECAST

	2007		2008			
	Q3	Q4	Q1	Q2	Q3	Q4
Home Price Appreciation <sup>a</sup>	3.83	3.82	4.09	4.49	4.51	4.45
Existing Home Sales	2,964	2,463	2,141	2,992	3,032	2,497
New Home Sales	514	486	425	533	545	494
Building Permits <sup>f</sup>	635	612	614	734	662	609

Sources: WSU Center for Real Estate using data provided by the Sedgwick County Appraiser's Office; South Central Kansas MLS; Wichita Area Builders Association

Notes: a) Year-over-year percentage change in the WSU HPI for Sedgwick County

b) Millions of dollars

c) Median sale price as a percent of listing price

d) Median number of days between listing and contract dates

e) Quarterly average of the seasonally adjusted monthly ratio of active listings to sales

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



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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.

**REALESTATE.WICHITA.EDU**