

Ripple Effects

2011 Kansas Housing Markets Forecast

Center for Real Estate
W. Frank Barton School of Business



WICHITA STATE
UNIVERSITY

Making a Splash

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Ripple Effects

The 2011 Kansas Housing Markets Forecast marks the eighth straight year we have forecasted area housing market activity. With all of the economic turmoil over the past several years – not to mention the huge impact of the home buyer tax credit program – it has never been so difficult to track the underlying current of the market. That’s why we titled this year’s forecast “Ripple Effects.”

We hope you find the Kansas Housing Markets Forecast useful as you prepare for the coming year.

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

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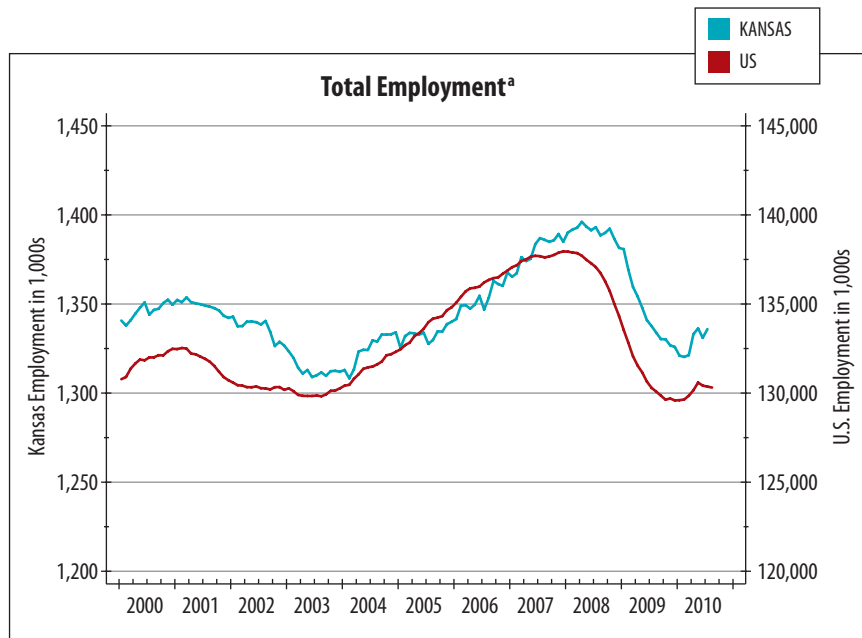
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Economic Overview

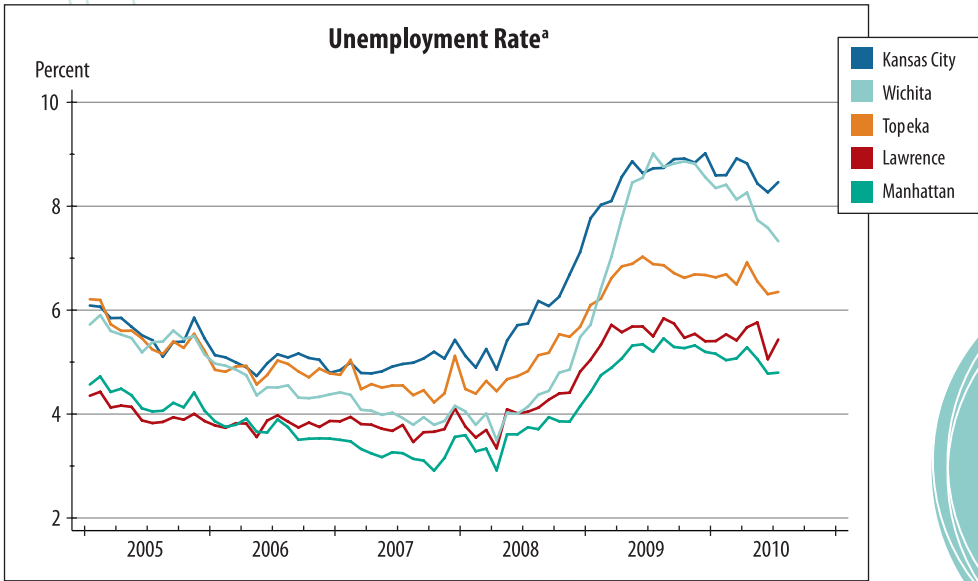
Total employment in Kansas fell by 5.4 percent between its peak in April 2008 and the trough last February. Since that time, employment has risen by 1.2 percent, but the job market outlook remains murky. The key question is whether job growth will continue as the effects of the stimulus dissipate.

One positive sign is that the private sector has been the driving force behind this recent employment growth. As a result, the unemployment rate has begun to creep down in many markets across the state.

Kansas employment has risen by 1.2 percent since the trough in February, with the private sector driving these gains.

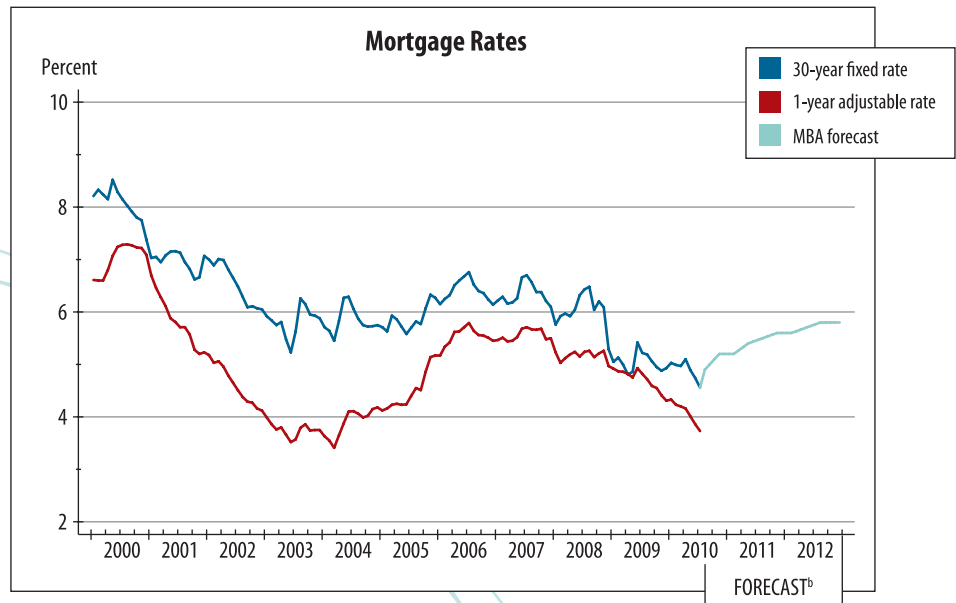


Sources: U.S. Bureau of Labor Statistics; Mortgage Bankers Association
 Notes: a) Seasonally adjusted.
 b) Mortgage Bankers Association July 2010 forecast of the 30-year conventional mortgage rate.



Mortgage rates are expected to rise from their recent historic lows, but should remain below 6 percent for the foreseeable future.

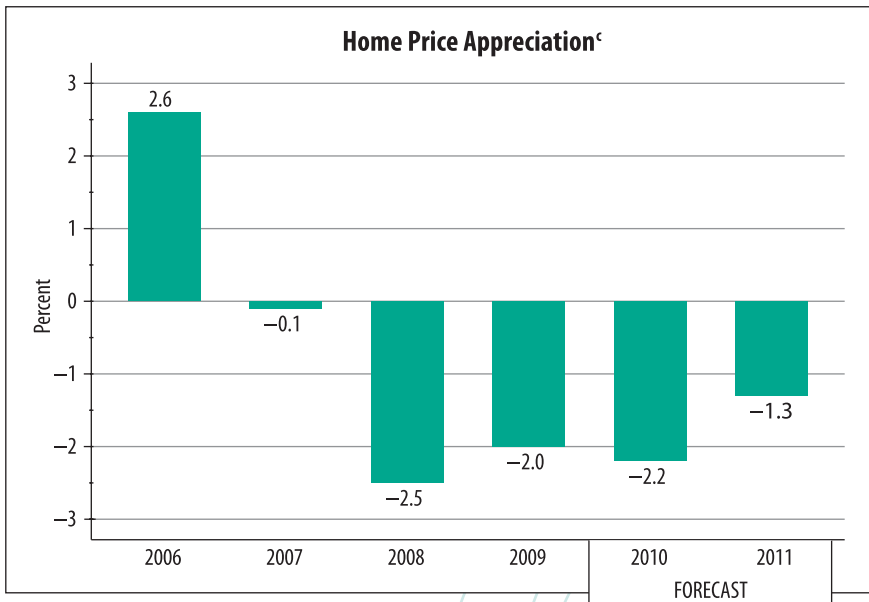
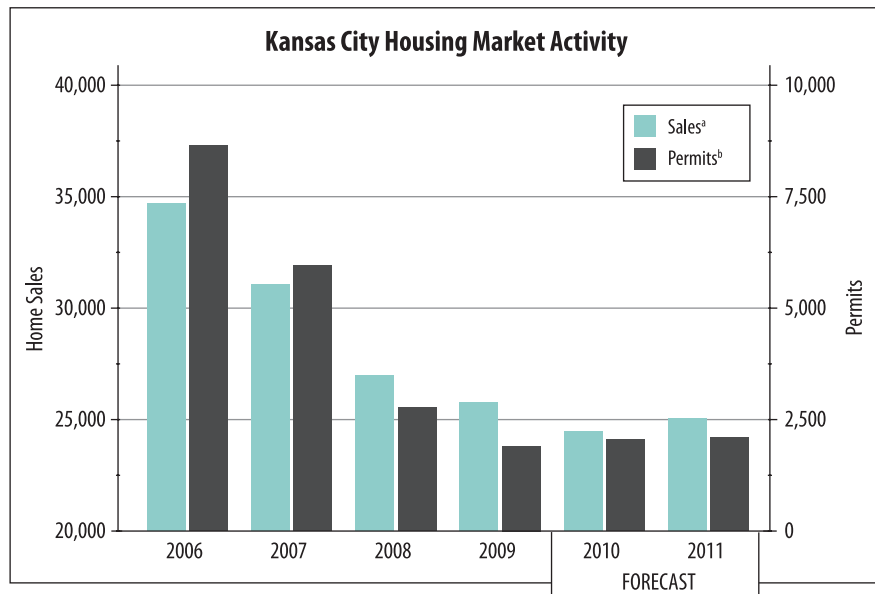
The unemployment rate is finally starting to decline across much of the state.



FORECAST^b

Kansas City Forecast

Kansas City area home sales should rebound in 2011, rising by 2.5 percent.



The Kansas City housing market has suffered as much as any in the state during the recent downturn. Sales and new home construction have fallen by 30 and 84 percent, respectively, since the 2005 peak. As a result, average home prices have fallen as well, dropping by 5.6 percent over the past two years.

Sources: Heartland Multiple Listing Service; U.S. Bureau of the Census; Federal Housing Finance Agency; WSU Center for Real Estate

Notes: a) Total home sales in the Kansas City area as reported by the Heartland Multiple Listing Service.

b) Total single-family building permits issued in the Kansas City metropolitan area as reported by the U.S. Bureau of the Census.

c) Year-over-year percentage change in the Federal Housing Finance Agency all-transactions housing price index for the Kansas City metropolitan area, as measured using 4th quarter values.

There are signs, however, that the market has begun to stabilize. Even before the tax credit was enacted last year, home sales activity began to increase. Construction activity rose in the first half of this year as well – an improvement that cannot be entirely explained by the tax credit.

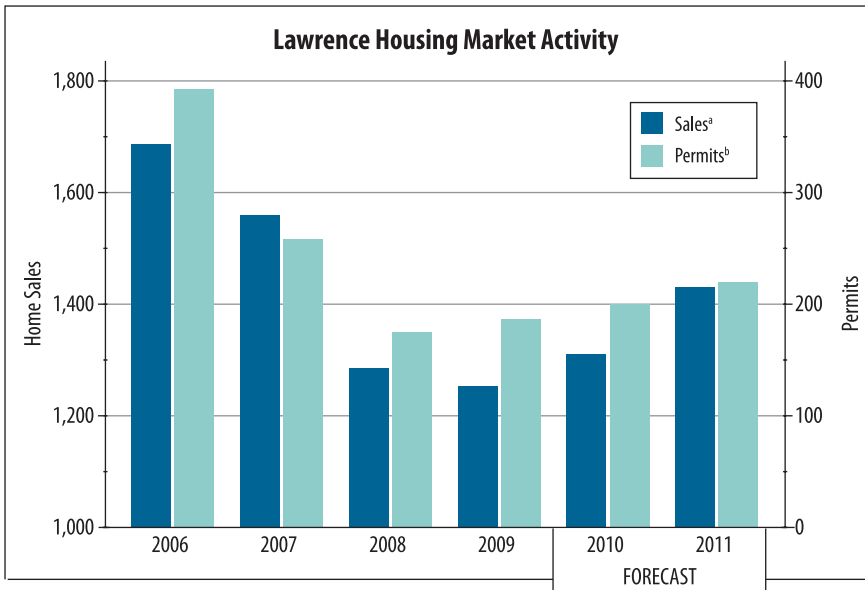
New home construction in the Kansas City area is poised to increase by 7.9 percent in 2010, followed by a more modest increase of 1.9 percent in 2011.

Average home prices in the Kansas City area are beginning to stabilize, but will likely fall another 1.3 percent in 2011.

Lawrence Forecast

The Lawrence housing market has begun to show signs of improvement, with home sales on pace to increase by 4.6 percent this year. While construction activity fell 65 percent between 2003 and 2008, new single-family building permits actually rose by 6.9 percent last year. This trend should continue, with permits rising by another 7 percent in 2010 and 10 percent in 2011.

Lawrence area sales are on pace to rise by 4.6 percent in 2010 and another 9.2 percent in 2011.



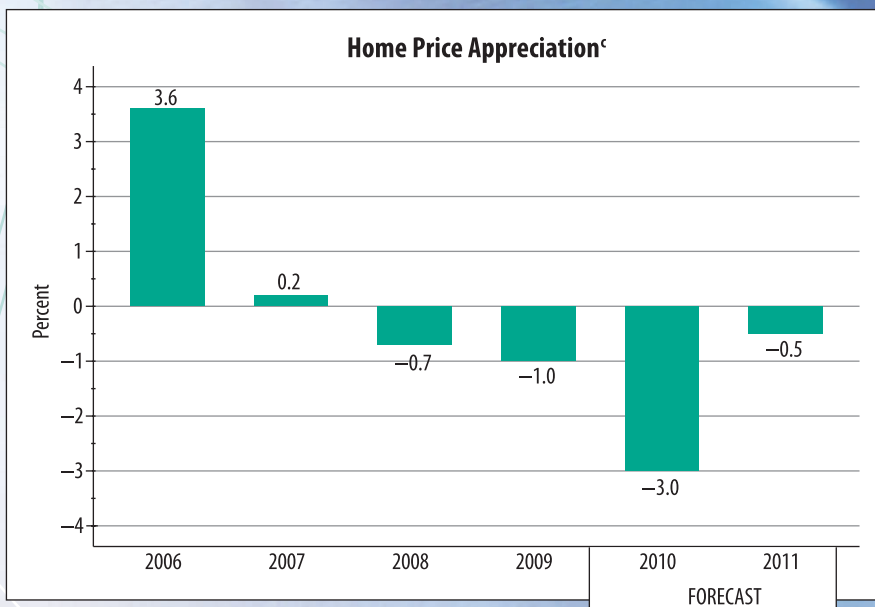
Buyers are in the market, but they expect to get a deal if they are going to sign purchase agreements. As a result, average home prices in Lawrence have fallen by about 5 percent over the past three years. Prices appear to be stabilizing, however, and should fall by a negligible 0.5 percent in 2011.

Sources: Lawrence Board of REALTORS®; U.S. Bureau of the Census; Federal Housing Finance Agency; WSU Center for Real Estate

Notes: a) Total home sales in the Lawrence area as reported by the Lawrence Board of REALTORS®.
 b) Total single-family building permits issued in the Lawrence metropolitan area as reported by the U.S. Bureau of the Census.
 c) Year-over-year percentage change in the Federal Housing Finance Agency all-transactions housing price index for the Lawrence metropolitan area, as measured using 4th quarter values.

Average home prices in the Lawrence area have continued to fall in 2010 and should end the year down 3 percent. Prices should stabilize in 2011, falling by a negligible 0.5 percent.

New home construction appears to be on the rebound, with permits set to increase by 7 percent in 2010 and 10 percent in 2011.



Manhattan Forecast

Home sales in Manhattan should be flat in 2010 but rise by 3.3 percent in 2011.

The Manhattan housing market has held up better than most across the state during the most recent downturn.

After falling by 9.7 percent in 2008, home sales in the city have remained stable over the past two years. This year sales should be up just slightly and then rise by 3.3 percent in 2011.

The tax credit appears to have helped spur building activity, with permits set to rise by 11.7 percent this year. New construction should slow in 2011, falling 5 percent.

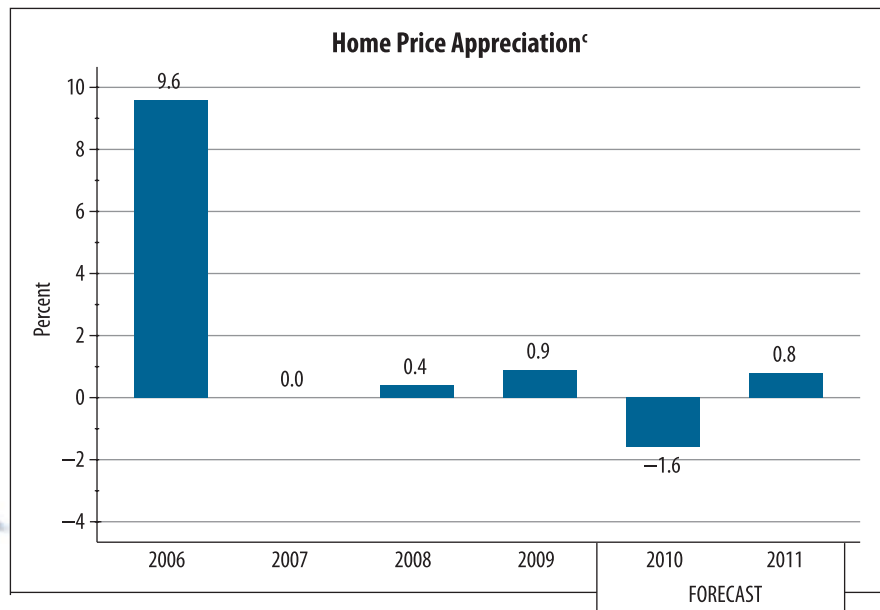
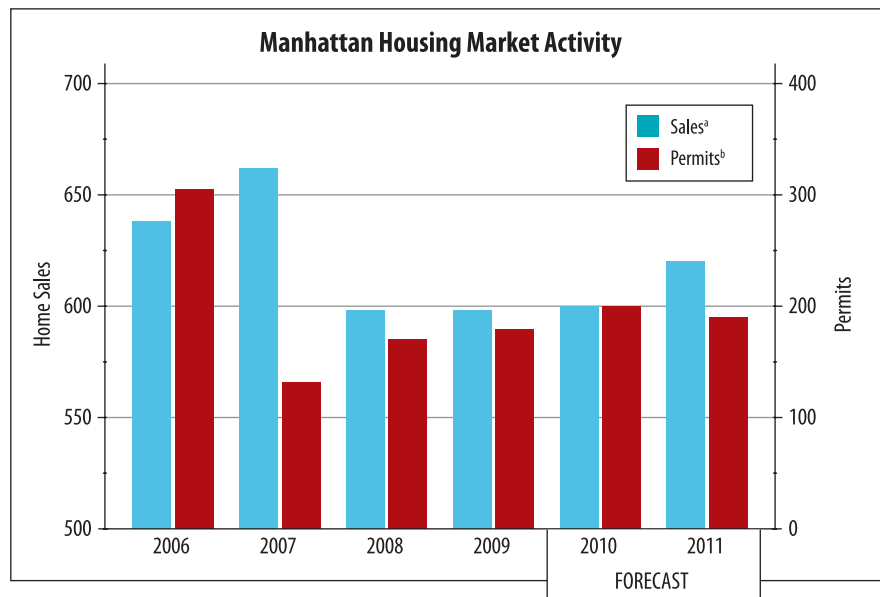
Sources: Manhattan Association of Realtors[®]; City of Manhattan; Federal Housing Finance Agency; WSU Center for Real Estate

Notes: a) Total home sales in Manhattan (zip codes 66502 and 66503) as reported by the Manhattan Association of Realtors[®].
b) Total single-family building permits issued in Manhattan as reported by the City of Manhattan.
c) Year-over-year percentage change in the Federal Housing Finance Agency all-transactions housing price index for the Manhattan metropolitan area, as measured using 4th quarter values.

Manhattan area home prices will fall by 1.6 percent in 2010 and then rebound slightly in 2011.

The home buyer tax credit also appears to have spurred an increase in new home construction, with permits set to rise by 11.7 percent this year. Construction activity in Manhattan should fall off next year, however, dropping by 5 percent.

Manhattan area home prices rose at an average annual rate of 6.8 percent during the first seven years of the last decade. Since then prices have remained essentially flat, defying the boom-bust trend of other hot markets across the country.



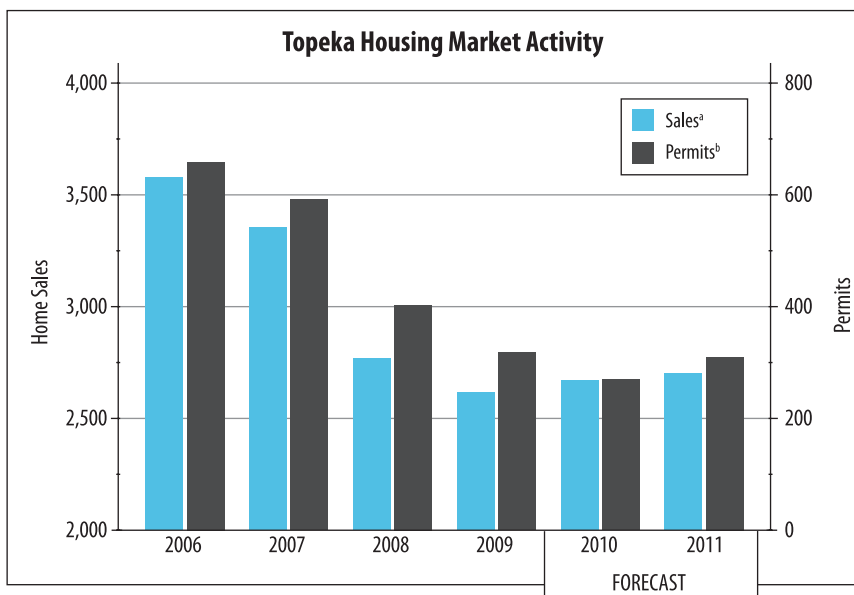
Topeka Forecast

Topeka area home sales should rise modestly over the next two years, increasing by 2 percent in 2010 and 1.1 percent in 2011.

Topeka home sales appear to have stabilized this year after having fallen by more than 25 percent since 2006. Sales should rise by a modest 2 percent in 2010 and another 1.1 percent in 2011.

Construction activity continues to falter, however, with the 127 permits issued in the first half of 2010 the lowest figure on record. As a result, new construction should fall by 15.1 percent this year before rebounding by 14.8 percent in 2011.

New home construction in the Topeka area will fall by 15.1 percent in 2010 before rebounding by 14.8 percent next year.

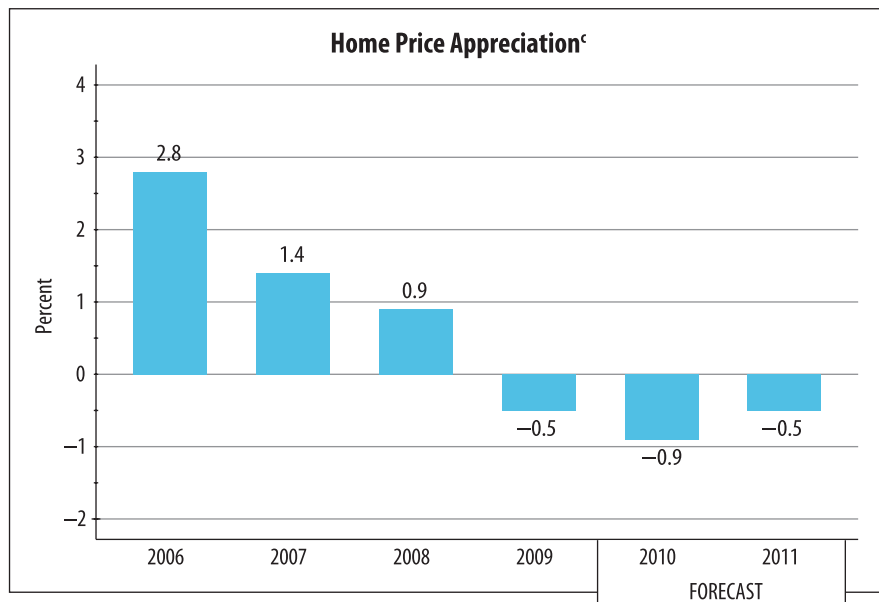


Sources: Topeka Area Association of REALTORS®; U.S. Bureau of the Census; Federal Housing Finance Agency; WSU Center for Real Estate

- Notes:
- a) Total home sales in the Topeka area as reported by the Topeka Area Association of REALTORS®.
 - b) Total single-family building permits issued in the Topeka metropolitan area as reported by the U.S. Bureau of the Census.
 - c) Year-over-year percentage change in the Federal Housing Finance Agency all-transactions housing price index for the Topeka metropolitan area, as measured using 4th quarter values.

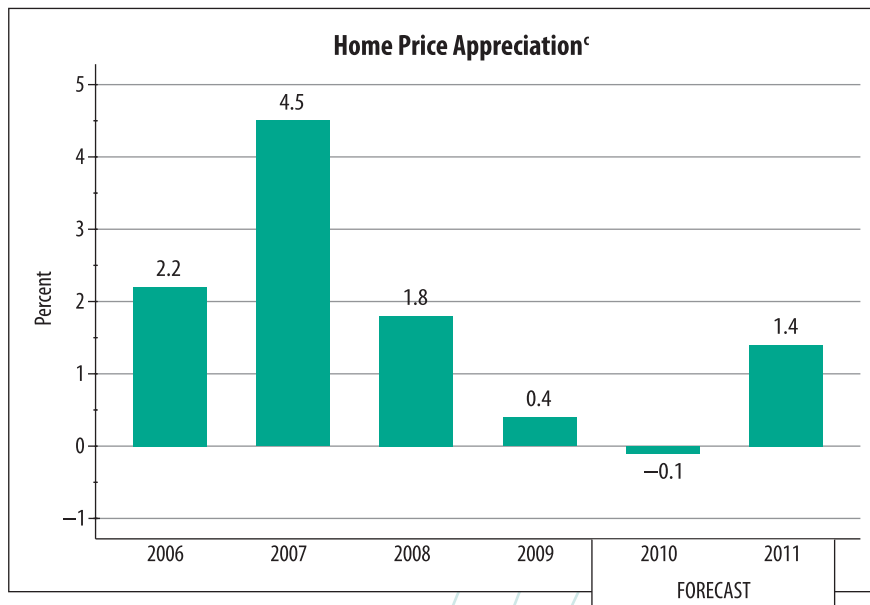
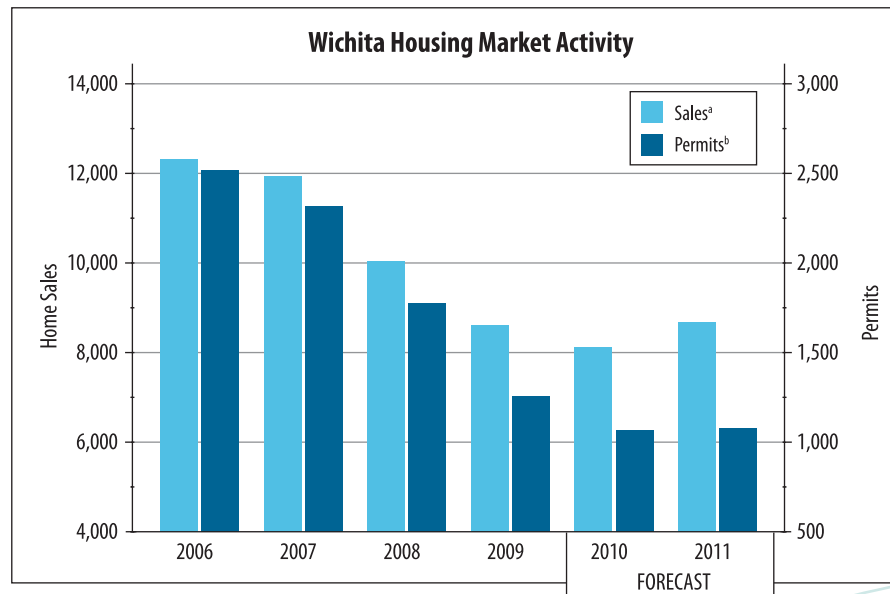
Home prices in the Topeka area should continue to decline slightly this year and next.

Topeka home prices fell slightly in 2009. This trend will likely continue, with prices falling another 0.9 percent in 2010 and 0.5 percent in 2011.



Wichita Forecast

Home sales in the Wichita area fell sharply following the expiration of the tax credit. As a result, it appears that total sales will be down once again in 2010, to 8,140 units. The tax credit "hangover," however, should end next year, and sales should rise by 6.6 percent in 2011.



Wichita area home sales will likely fall by another 5.5 percent in 2010 before rising by 6.6 percent in 2011.

Sources: South Central Kansas Multiple Listing Service; Wichita Area Builders Association; Federal Housing Finance Agency; 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) Total single-family building permits issued in the Wichita area as reported by local permitting offices and compiled by the Wichita Area Builders Association.

c) 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.

Wichita home prices should remain essentially unchanged in 2010 and then rise by 1.4 percent in 2011.

The homebuyer tax credit appeared to have had almost no impact on new home construction activity. Permits have continued to decline over the past several months, and should end the year down 14.8 percent. As sales pick up, however, construction activity should stabilize, rising by 0.9 percent in 2011.

Wichita has continued to see positive, if slow, home price appreciation throughout the economic downturn. While prices may end the year down slightly (0.1 percent), they should rise once again next year.

New home construction activity has continued to fall in 2010 and should end the year down 14.8 percent. Next year permits should level off, rising by 0.9 percent.



Kansas Forecast

We should point out right away that there is no such thing as a “Kansas housing market.” After all, no one actually owns the average Kansas home. Each of us owns *a* home, in *a* market, in *a* neighborhood within that market. That is why it is so important to work with a local market professional when it comes time to buy or sell a home – someone who not only knows your market, but also how your home fits into that market.

That being said, the statewide figures do provide a picture of what is happening across the state. Sales on average across the state will be down 3.4 percent in 2010, largely due to the sharp 3rd quarter decline following expiration of the home buyer tax credit. Sales should rebound next year, rising by 4.2 percent.

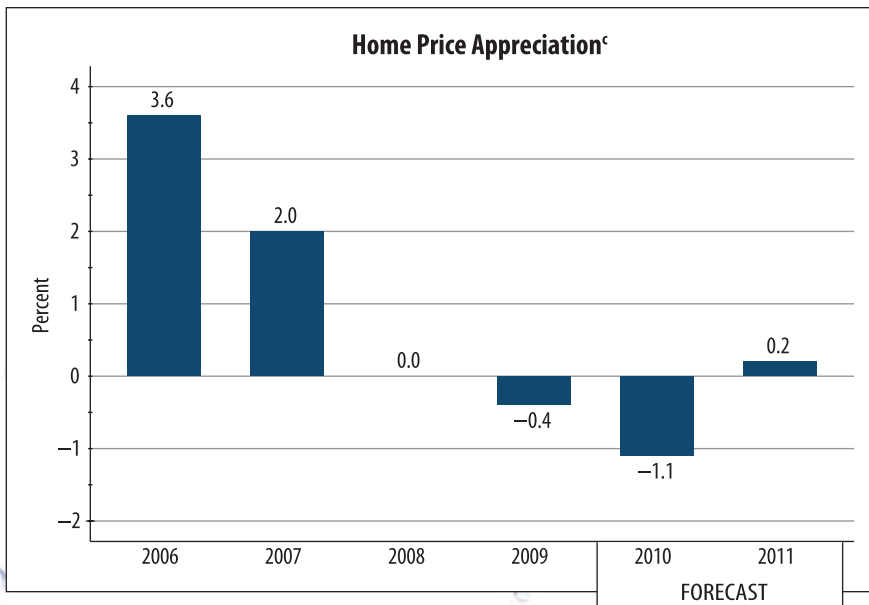
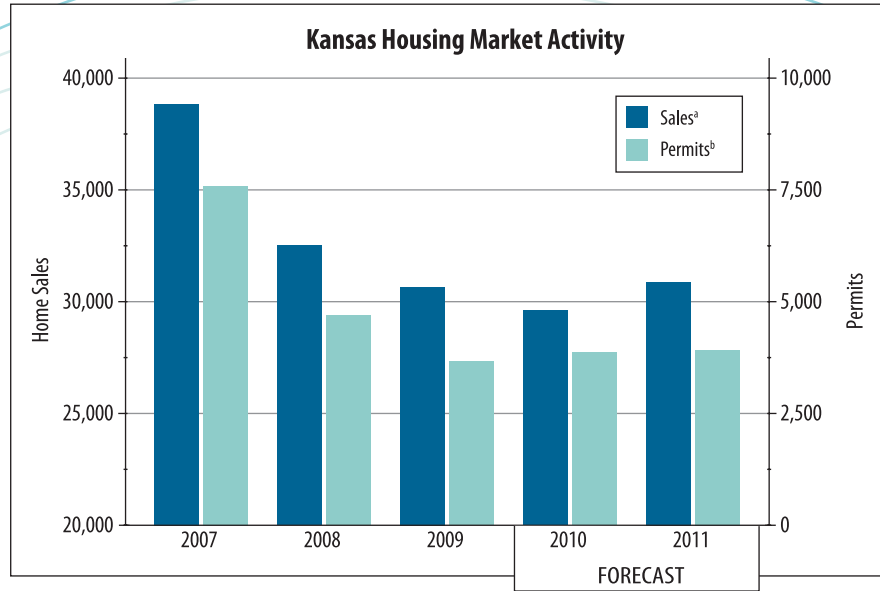
In the same way, new home construction across the state appears poised for a rebound. And prices, while down somewhat this year, should stabilize in 2011.

Home sales across the state will fall by 3.4 percent in 2010 before rebounding by 4.2 percent in 2011.

Sources: Kansas Association of REALTORS® and participating multiple listing services across Kansas; U.S. Bureau of the Census; Federal Housing Finance Agency; WSU Center for Real Estate

Notes: a) Total home sales in Kansas as reported by multiple listing services across the state.
b) Total single-family building permits issued in Kansas as reported by the U.S. Bureau of the Census.
c) Year-over-year percentage change in the Federal Housing Finance Agency all-transactions housing price index for Kansas, as measured using 4th quarter values.

New home construction activity should end the year up by 5.5 percent and then rise by another 1.3 percent in 2011.



Kansas home prices will fall by 1.1 percent on average in 2010 and then remain essentially flat in 2011, rising by only 0.2 percent.



Forecast Summary

		2008	2009	FORECAST	
				2010	2011
Kansas					
	Total Home Sales	32,521	30,650	29,600	30,850
	Building Permits	4,687	3,660	3,860	3,910
	Home Price Appreciation	0.05	-0.35	-1.10	0.16
	Sales Volume	5,267	4,793		
	Average Price	161,946	156,384		
Kansas City					
	Total Home Sales	26,974	25,768	24,450	25,050
	Building Permits	2,765	1,909	2,060	2,100
	Home Price Appreciation	-2.53	-2.02	-2.16	-1.26
	Sales Volume	4,534	4,168		
	Average Price	168,074	161,757		
Lawrence					
	Total Home Sales	1,286	1,253	1,310	1,430
	Building Permits	175	187	200	220
	Home Price Appreciation	-0.68	-0.97	-3.05	-0.46
	Sales Volume	238	228		
	Average Price	184,856	181,739		

Sources: Heartland Multiple Listing Service; Lawrence Board of REALTORS®; Manhattan Association of REALTORS®; Topeka Area Association of REALTORS®; South Central Kansas Multiple Listing Service; Kansas Association of REALTORS® and participating multiple listing services across Kansas; U.S. Bureau of the Census; City of Manhattan; Wichita Area Builders Association; Federal Housing Finance Agency; 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.

FORECAST

	2008	2009	2010	2011
Manhattan				
Total Home Sales	598	598	600	620
Building Permits	170	179	200	190
Home Price Appreciation	0.42	0.90	-1.60	0.76
Sales Volume	112	114		
Average Price	187,532	189,833		
Topeka				
Total Home Sales	2,769	2,617	2,670	2,700
Building Permits	403	318	270	310
Home Price Appreciation	0.90	-0.48	-0.90	-0.48
Sales Volume	333	322		
Average Price	120,274	123,037		
Wichita				
Total Home Sales	10,048	8,617	8,140	8,680
Building Permits	1,773	1,256	1,070	1,080
Home Price Appreciation	1.79	0.36	-0.07	1.35
Sales Volume	1,378	1,139		
Average Price	137,096	132,175		



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