

2012 Kansas Housing Markets Forecast

Navigating the Turbulence

Center for Real Estate
W. Frank Barton School of Business


WICHITA STATE
UNIVERSITY

Special Thanks To:

- Angie Danner, Manhattan Association of REALTORS®
- Karen Gehle, Kansas Association of REALTORS®
- Connie Goodnow, Topeka Area Association of REALTORS®
- Rob Hulse, Lawrence Board of REALTORS®
- Tessa Hultz, Wichita Area Association of REALTORS®
- Kasey Jolly, WSU Center for Economic Development and Business Research
- Fei Li, WSU Center for Real Estate
- Dr. Julie Longhofer, my faithful navigator
- Andrew Maness, WSU Center for Real Estate
- Diane Ruggiero, Kansas City Regional Association of REALTORS®

We are also grateful to the numerous REALTOR® boards and multiple listing services across the state for providing much of the data used to prepare this forecast:



Topeka Area
Association
of REALTORS®



Center For Real Estate Advisory Board

Steven R. Barrett, J.P. Weigand & Sons, Inc.
Michael S. Borchard, Sedgwick County Appraiser's Office
Mert Buckley, Adams Jones Law Firm
Craig L. Burns, Security 1st Title
Terry Cassady, City of Wichita
Mitch Crouch, Pulaski Bank
Kevin Dreiling, Restaurant Management Company
Wesley Galyon, Wichita Area Builders Association
Craig Hanson, Weigand-Omega Management, Inc.
W. Alan Huffman, Key Management
Paul Jackson, Vantage Point Properties, Inc.
George E. Laham II, Laham Development
Jeff Lange, Jeff Lange Real Estate

Steven J. Martens, Grubb & Ellis|Martens Commercial Group
Lonn McCurdy, McCurdy Auction, LLC
John W. McKenzie, Coldwell Banker Plaza Real Estate
John McKay, Casado McKay Company
Jadd Munn, Bank of Leon
Marlin Penner, NAI John T. Arnold Associates
Steve Robl, Robl Construction
Gary D. Schmitt, INTRUST Bank N.A.
Wayne Short, RE/MAX Realty Professionals
Ron Spangenberg, Spangenberg Phillips Tice Architecture
Jeffrey T. Van Sickle, GLMV Architecture
William R. Wood II, Foulston Siefkin LLP

Center For Real Estate Sponsors

Once again, we must express our heartfelt gratitude to the many contributors who support the activities of the Center for Real Estate. We are especially grateful to Security 1st Title, whose contributions directly underwrite the cost of preparing this forecast.



Security 1st Title

Clark Investment Group | Wichita Area Builders Association
Wichita Area Association of REALTORS®

Designed by:
 Visual Fusion
GRAPHIC DESIGN STUDIO
VisFusion.com

Navigating the Turbulence

From the recent financial crisis and recession to the home buyer tax credit, from debates in Washington over the federal deficit to jumps in oil prices, from the European debt crisis to flash crashes in the stock market, every day it seems something new happens to buffet the housing recovery. Navigating today's housing market is difficult indeed.

Each year, however, we prepare the Kansas Housing Markets Forecast to help you prepare for what is coming ahead. Whether you are a REALTOR®, lender, home builder, or an individual who is thinking about buying or selling your home, we hope this forecast helps you chart a steady course through turbulent times.

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



Table of Contents

- 4 | Economic Overview
- 6 | Kansas City Forecast
- 8 | Lawrence Forecast
- 10 | Manhattan Forecast
- 12 | Topeka Forecast
- 14 | Wichita Forecast
- 16 | Kansas Forecast
- 18 | Forecast Summary

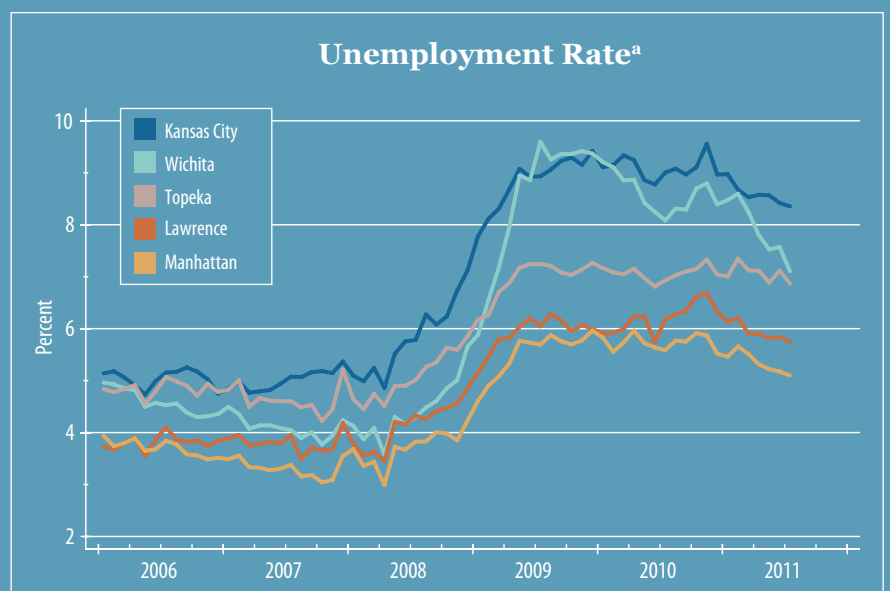
Economic Overview



Kansas employment is forecasted to rise by 1.1 percent in 2012.

Kansas housing markets continue to fly against headwinds from the underlying economic environment. Since the recession ended in 2009, Kansas employment growth has been marginal at best. The WSU Center for Economic Development and Business Research, however, has forecasted that Kansas employment will rise by 1.1 percent in 2012.

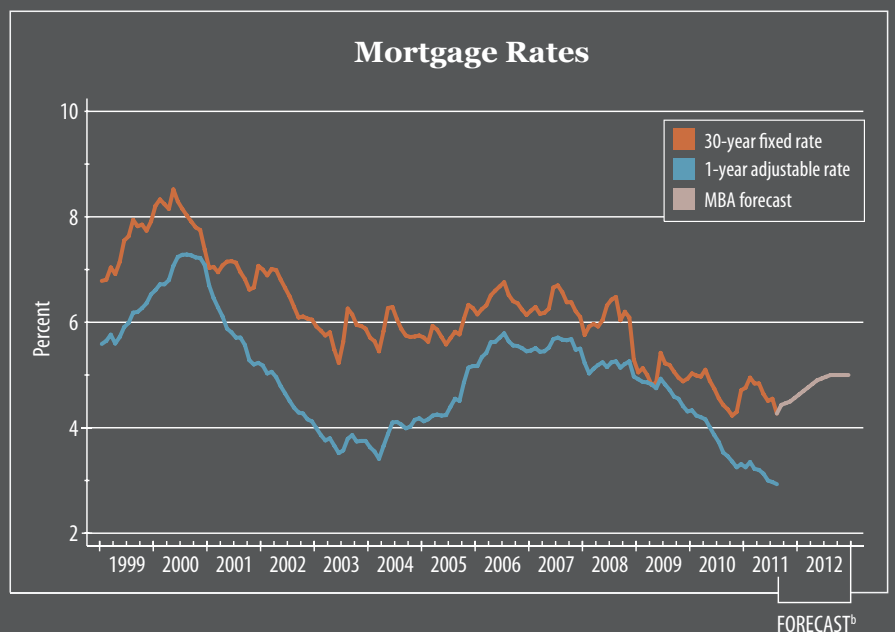
Unemployment remains high across the state but, with the exception of Topeka, it has been declining for almost a year. Further declines will be needed, however, before the employment situation can have a positive impact on housing markets.





Although historically low mortgage rates are likely to continue for the foreseeable future, their impact on the housing market will be muted until other economic fundamentals improve.

Historically low mortgage rates will have only a limited impact on the housing market.



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

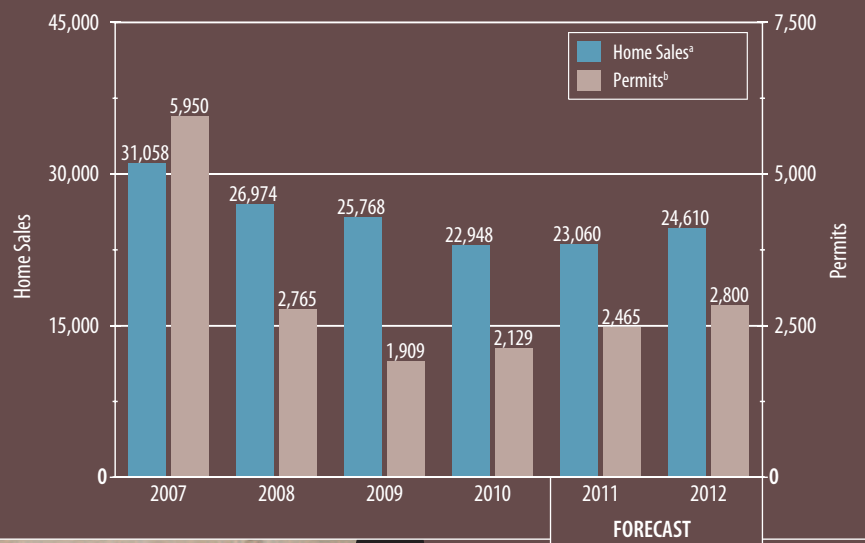
Notes: a) Seasonally adjusted.

b) Mortgage Bankers Association September 2011 forecast of the 30-year conventional mortgage rate.

Kansas City Forecast



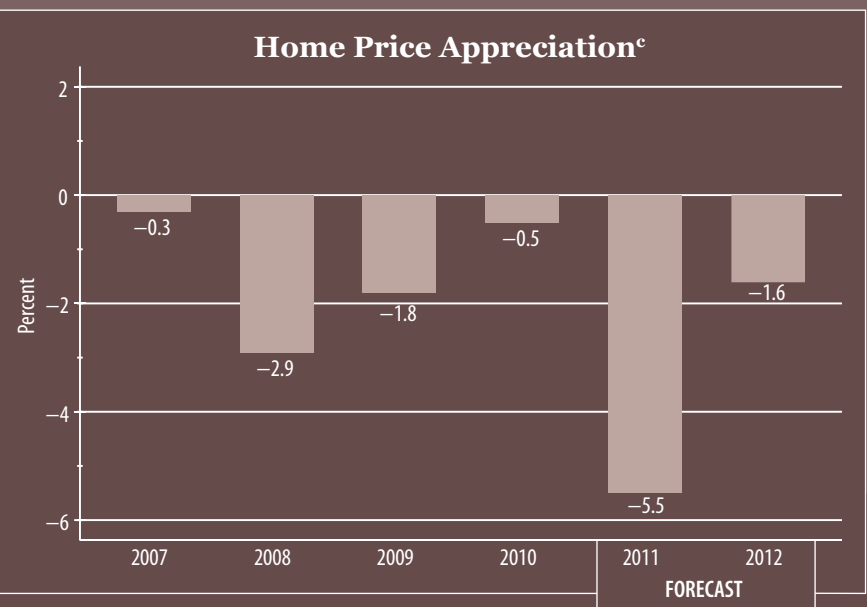
Kansas City Housing Market Activity



Home sales in the Kansas City area are poised to rise by 6.7 percent in 2012. New home construction should increase by 13.6 percent next year.

As stormy as the market has been, the clouds appear to be breaking in Kansas City. Average home prices have fallen by more than 9 percent over the past four years, and sales have dropped by more than 30 percent. Recently, however, sales activity has begun to pick up and should rise by 6.7 percent in 2012, led by homes at the lower end of the market.

New home construction actually grew by 11.5 percent in 2010, and is poised to rise again both this year and next. Of course, the absolute level of building activity is still quite low.



As sales activity improves, home prices should begin to stabilize. Although average prices will fall by 5.5 percent this year, the pace of decline should slow to 1.6 percent in 2012.

Average home prices in the Kansas City area have continued to fall in 2011. The pace of decline should slow in 2012, with home prices falling 1.6 percent.

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-transaction housing price index for the Kansas City metropolitan area, as measured using 4th quarter values.



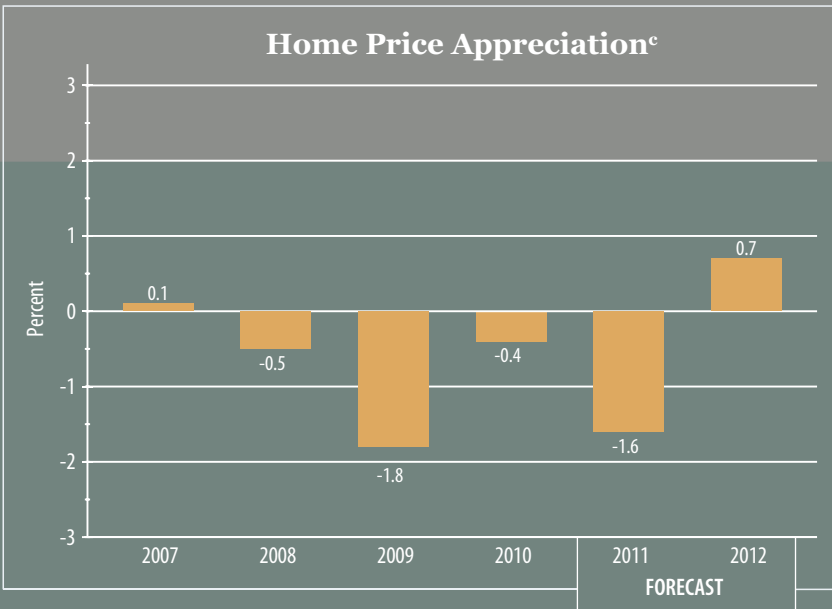
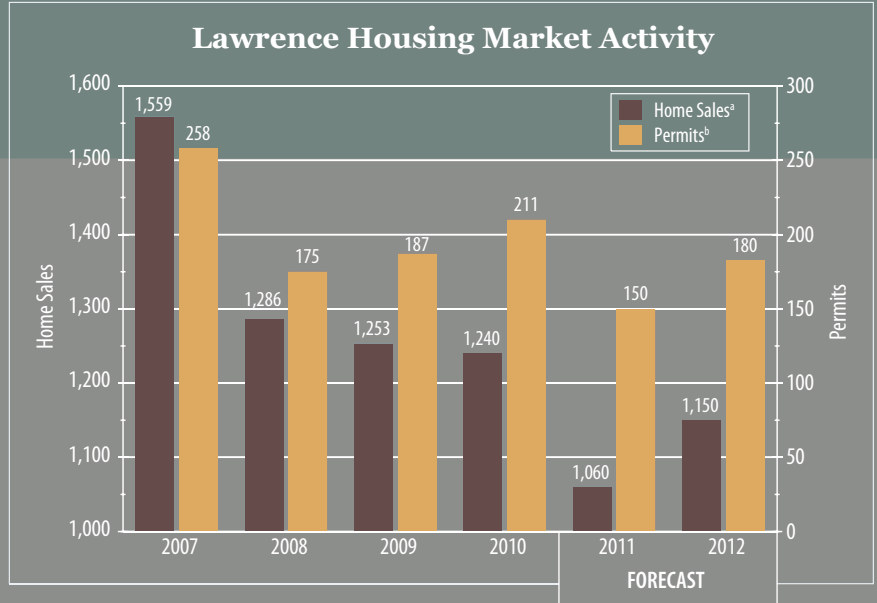
Lawrence Forecast

The home buyer tax credit “hangover” in the Lawrence market has been deeper and longer than many anticipated. Nonetheless, the clouds do appear to be parting up ahead, with home sales activity picking up through the summer and early fall. Overall, sales will be down 14.5 percent in 2011, but should begin to rise again late next year, increasing by 8.5 percent in 2012.

New home construction continues to be sluggish, with permits activity in 2011 on pace to be the lowest figure on record. Next year will be only slightly better, with only 180 permits forecast for the year.

Overall, average Lawrence home prices have fallen by 5.4 percent since their peak at the beginning of 2007. Prices appear to be stabilizing, however, and should rise just slightly in 2012.

Lawrence area sales are on pace to fall by 14.5 percent in 2011, but should rebound in 2012, rising 8.5 percent.



Lawrence home prices will end the year down 1.6 percent in 2011 before rising slightly in 2012.

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-transaction housing price index for the Lawrence metropolitan area, as measured using 4th quarter values.

Manhattan Forecast

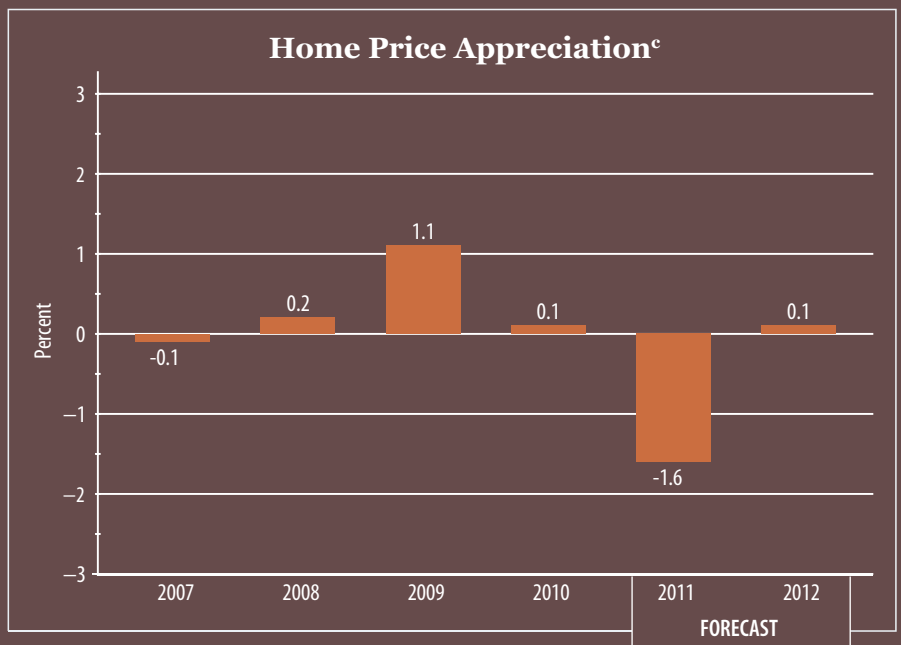
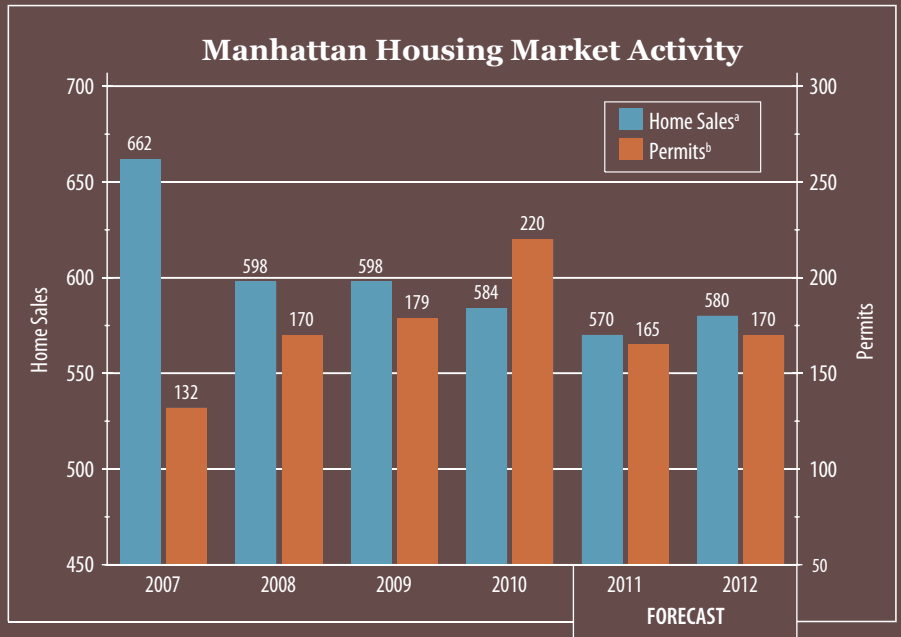
Home sales in Manhattan should fall another 2.4 percent in 2011 but rise slightly in 2012.

Manhattan area home prices will fall by 1.6 percent in 2011 and then rebound slightly in 2012.

Home sales within the city of Manhattan have fallen slightly from the strong years of 2006 and 2007, but Manhattan remains a much stronger housing market than most across the state. Sales activity should pick up again next year, rising a modest 1.8 percent.

New home construction rose sharply in 2010 in response to the home buyer tax credit. This year, however, permitting activity in Manhattan should fall below its 2009 level and remain low through 2012.

Manhattan area home prices have remained remarkably stable through the recent housing downturn. This year, however, average values will drop by 1.6 percent, and then remain flat in 2012.



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-transaction housing price index for the Manhattan metropolitan area, as measured using 4th quarter values.

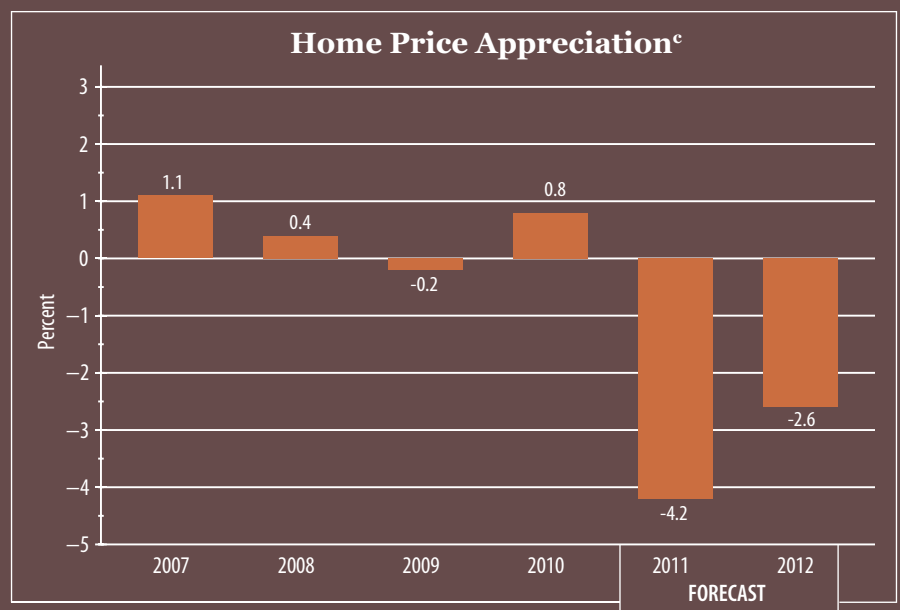
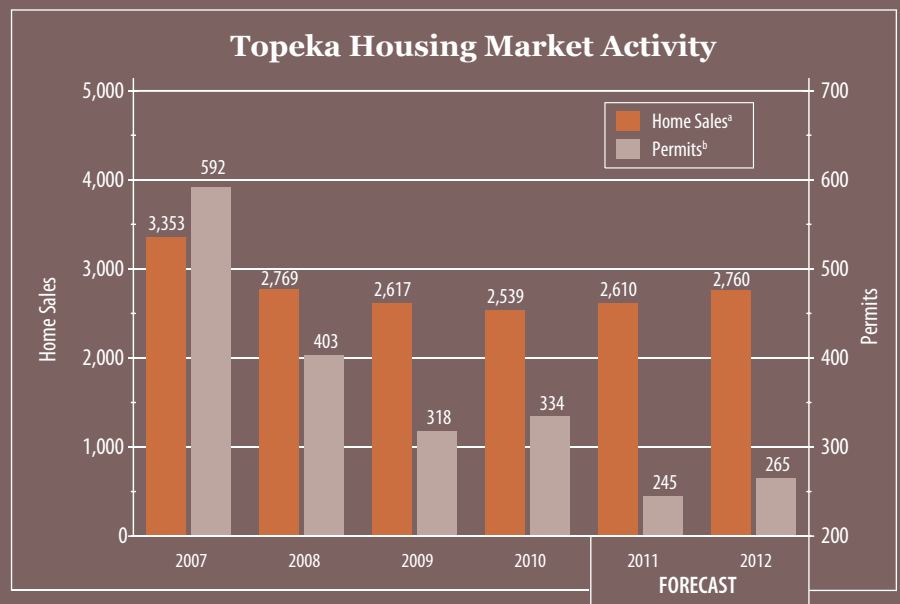
Topeka Forecast

Topeka home sales are on pace to rise by 2.8 percent this year, but remain at very low levels. The pace of sales should pick up a bit in 2012, rising by 5.8 percent.

Declining employment, however, is still putting downward pressure on home prices, which will likely end the year down 4.2 percent and then fall an additional 2.6 percent in 2012.

After a modest bump last year due to the homebuyer tax credit, new home construction has dropped off considerably this year. We expect only 245 building single-family building permits will be issued in the Topeka area in 2011, the lowest figure on record. Next year will be slightly better, with permits rising 8.2 percent.

Home prices in the Topeka area will continue to fall this year and next.





Home sales activity appears to be bottoming out. Sales should end 2011 up 2.8 percent and then rise by 5.8 percent in 2012.

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-transaction housing price index for the Topeka metropolitan area, as measured using 4th quarter values.



Wichita Forecast

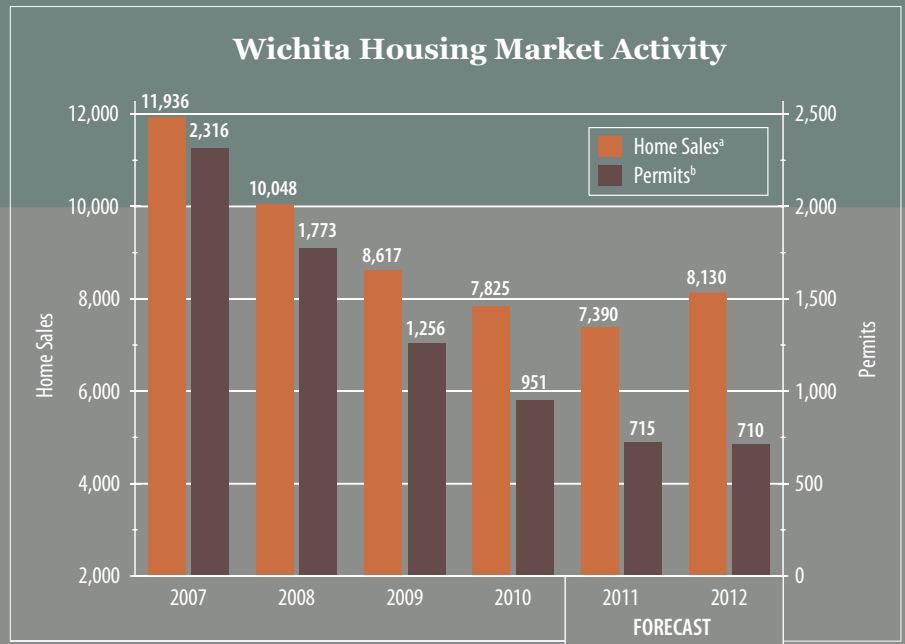
Home sales fell to their lowest level in a decade last year and are on pace to fall another 5.6 percent this year. Sales should begin to rebound next year, rising by 10.0 percent, but still remain below their 2009 level.

New home construction continues to languish. Permits are expected to end

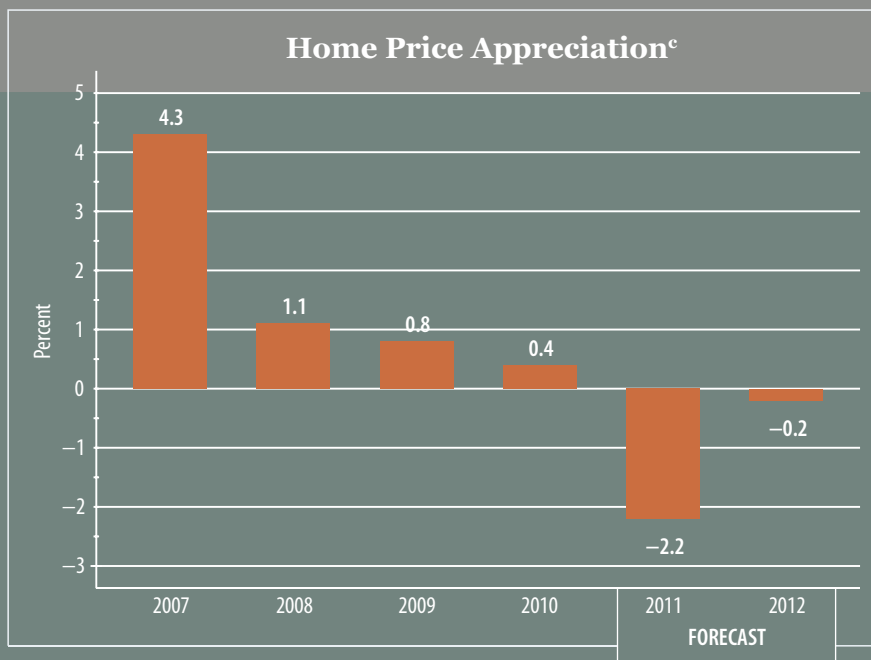
2011 down 24.8 percent and then level off in 2012. Existing home sales activity will need to show sustained gains before new home construction will pick up again.

Home prices in the Wichita area have finally begun to fall a bit. They should end 2011 down 2.2 percent and then fall a negligible 0.2 percent in 2012.

Wichita area home sales are poised to rise by 10 percent in 2012, but will still remain below their 2009 level.



Home Price Appreciation^c



Wichita home prices will fall by 2.2 percent this year and then remain essentially flat in 2012.

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.

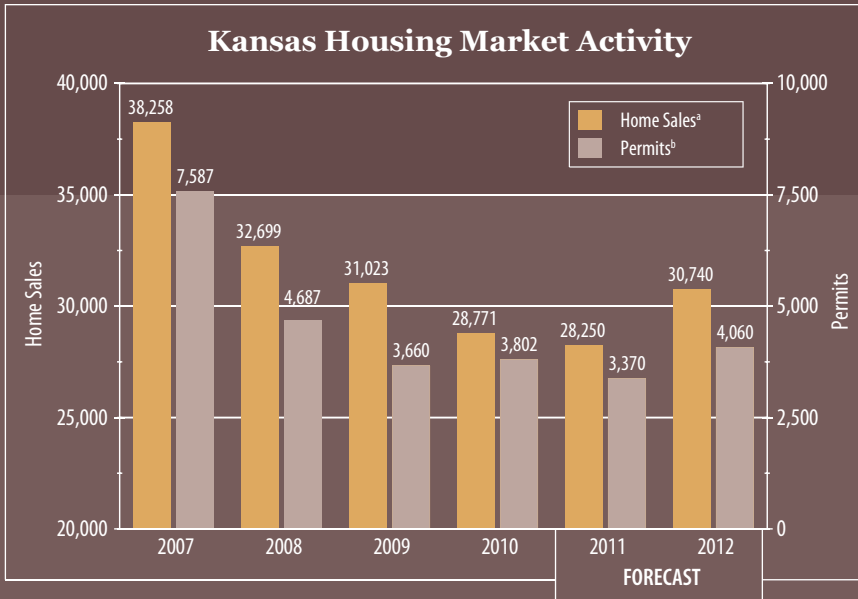
c) Year-over-year percentage change in the Federal Housing Finance Agency all-transaction housing price index for the Wichita metropolitan area, as measured using 4th quarter values.



Kansas Forecast

Home sales across the state are on pace to end the year down 1.8 percent, but should rise by 8.8 percent in 2012.

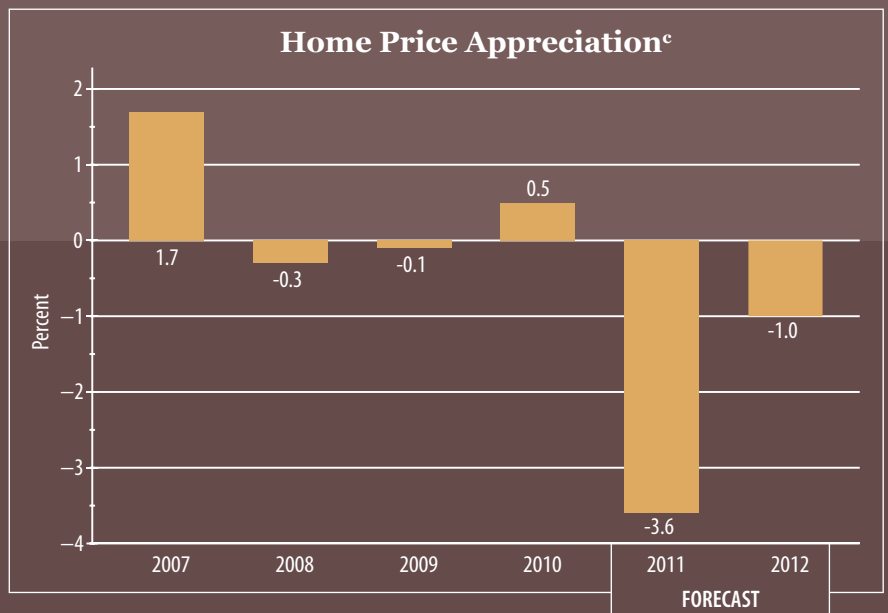
Home sales across the state have fallen in each of the past three years. This trend will likely continue in 2011, with sales ending the year down 1.8 percent. Next year, however, sales should begin to rise again, increasing by 8.8 percent.



Average home prices across the state will fall by 3.6 percent in 2011 and then fall by another 1.0 percent.

New home construction in Kansas fell sharply this year and should end 2011 down 11.4 percent. Increases in the Kansas City area, however, should cause permitting activity in Kansas to rebound in 2012.

Average home prices in Kansas have been falling in 2011, led by declines in the northeast part of the state. Overall, values will likely decline by 3.6 percent in 2011 and then 1.0 percent in 2012.



Sources: Participating REALTOR® 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 participating REALTOR® 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-transaction house price index for Kansas, as measured using 4th quarter values.

Forecast Summary

| | | 2009 | 2010 | FORECAST | |
|--------------------|-------------------------|---------|---------|-----------------|--------|
| | | | | 2011 | 2012 |
| Kansas | | | | | |
| | Total Home Sales | 31,023 | 28,771 | 28,250 | 30,740 |
| | Building Permits | 3,660 | 3,802 | 3,370 | 4,060 |
| | Home Price Appreciation | -0.1 | 0.5 | -3.6 | -1.0 |
| | Sales Volume | 4,830 | 4,459 | | |
| | Average Price | 155,680 | 154,993 | | |
| Kansas City | | | | | |
| | Total Home Sales | 25,768 | 22,948 | 23,060 | 24,610 |
| | Building Permits | 1,909 | 2,129 | 2,465 | 2,800 |
| | Home Price Appreciation | -1.8 | -0.5 | -5.5 | -1.6 |
| | Sales Volume | 4,168 | 3,748 | | |
| | Average Price | 161,757 | 163,319 | | |
| Lawrence | | | | | |
| | Total Home Sales | 1,253 | 1,240 | 1,060 | 1,150 |
| | Building Permits | 187 | 211 | 150 | 180 |
| | Home Price Appreciation | -1.8 | -0.4 | -1.6 | 0.7 |
| | Sales Volume | 228 | 224 | | |
| | Average Price | 181,739 | 180,339 | | |



| | | FORECAST | | | |
|-------------------------|--|-----------------|---------|-------|-------|
| | | 2009 | 2010 | 2011 | 2012 |
| Manhattan | | | | | |
| Total Home Sales | | 598 | 584 | 570 | 580 |
| Building Permits | | 179 | 220 | 165 | 170 |
| Home Price Appreciation | | 1.1 | 0.1 | -1.6 | 0.1 |
| Sales Volume | | 114 | 110 | | |
| Average Price | | 189,833 | 189,041 | | |
| Topeka | | | | | |
| Total Home Sales | | 2,617 | 2,539 | 2,610 | 2,760 |
| Building Permits | | 318 | 334 | 245 | 265 |
| Home Price Appreciation | | -0.2 | 0.8 | -4.2 | -2.6 |
| Sales Volume | | 322 | 309 | | |
| Average Price | | 123,037 | 121,726 | | |
| Wichita | | | | | |
| Total Home Sales | | 8,617 | 7,825 | 7,390 | 8,130 |
| Building Permits | | 1,256 | 951 | 715 | 710 |
| Home Price Appreciation | | 0.8 | 0.4 | -2.2 | -0.2 |
| Sales Volume | | 1,139 | 1,034 | | |
| Average Price | | 132,175 | 132,165 | | |

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.



Security 1st Title

Security 1st Title is the leading provider of Title Insurance, Abstract Products, and Closing Services in Barber, Butler, Cowley, Greenwood, Harper, Kingman, Reno, Sedgwick, and Sumner counties in Kansas. Security 1st Title is locally owned and committed to earning your business by providing professional service and convenient locations.

SECURITY1STKS.COM



WICHITA STATE
UNIVERSITY

*W. FRANK BARTON
SCHOOL OF BUSINESS*

Center for Real Estate

REALESTATE.WICHITA.EDU