

2013 KANSAS HOUSING MARKETS FORECAST

PICKING *up* STEAM



CENTER FOR REAL ESTATE | W. FRANK BARTON SCHOOL OF BUSINESS

PICKING UP STEAM

The 2013 Kansas Housing Markets Forecast marks the 10th year we have prepared an annual housing forecast. For the first several years our focus was on Wichita alone. Starting in 2010, we expanded our scope to cover the other metropolitan areas in Kansas. This year we have expanded it further, including information about the condition of smaller markets across the state. So the title for this year's forecast seems to have a double meaning. Just like the state's housing markets, the Center for Real Estate is *Picking Up Steam*.

Dr. Stanley D. Longhofer

Director, WSU Center for Real Estate

SPECIAL THANKS TO:

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CENTER FOR REAL ESTATE SPONSORS

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ABOUT THE CENTER

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. To accomplish this, we do a number of things to 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/realstate. 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.

THE WSU CENTER FOR REAL ESTATE: *Laying a Foundation for Real Estate in Kansas*

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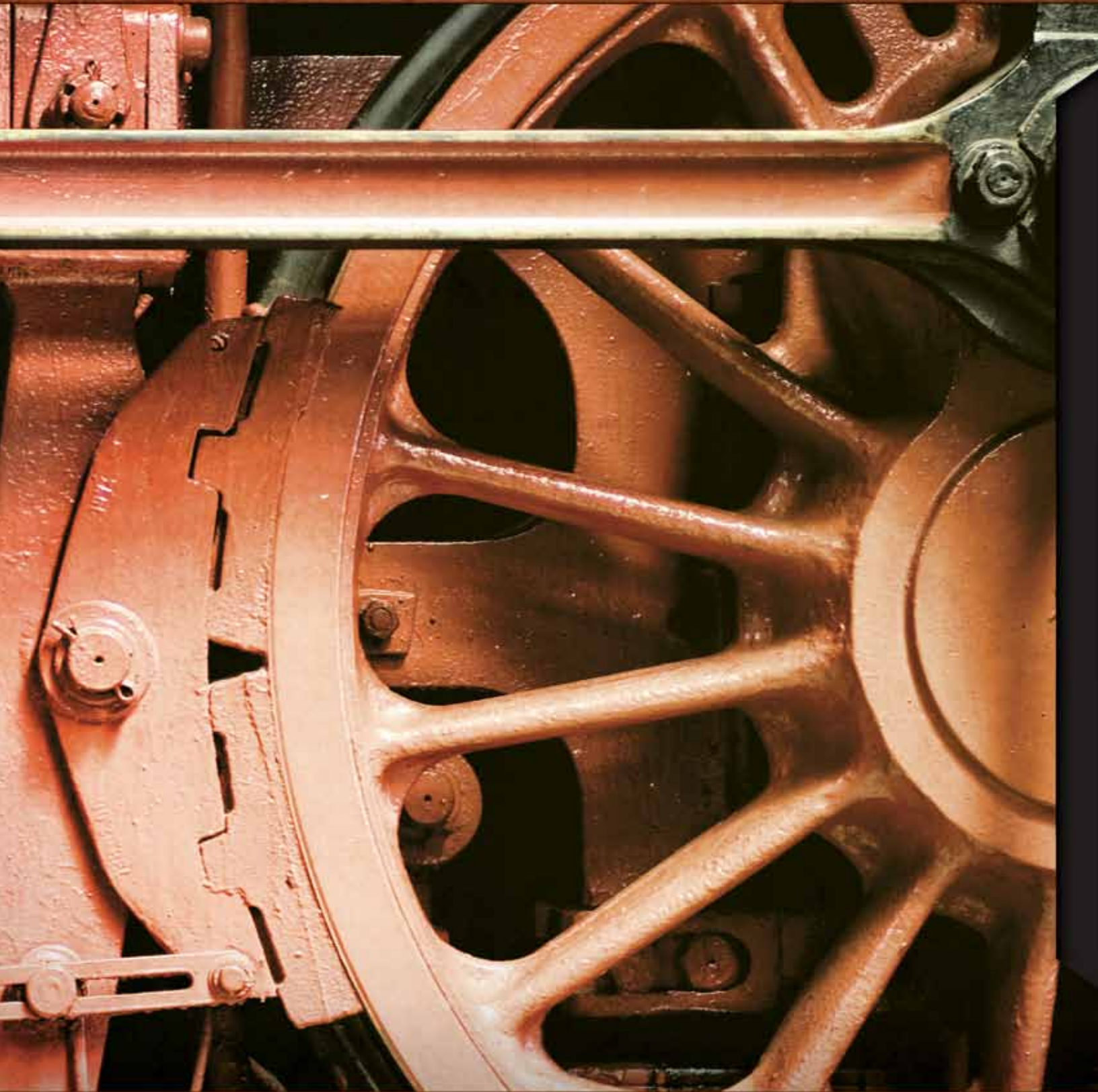
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ECONOMIC OVERVIEW

The underlying economic environment continues to leave Kansas housing markets facing an uphill climb. Job growth since the end of the recession has been sluggish at best. And although unemployment rates across the state have declined, they remain at very high levels.

The Federal Reserve's continuing commitment to purchase mortgage-backed securities should keep mortgage rates at historically low levels for the foreseeable future. Unfortunately, this is unlikely to have a significant impact on local housing markets, at least until underwriting requirements ease to more reasonable levels.

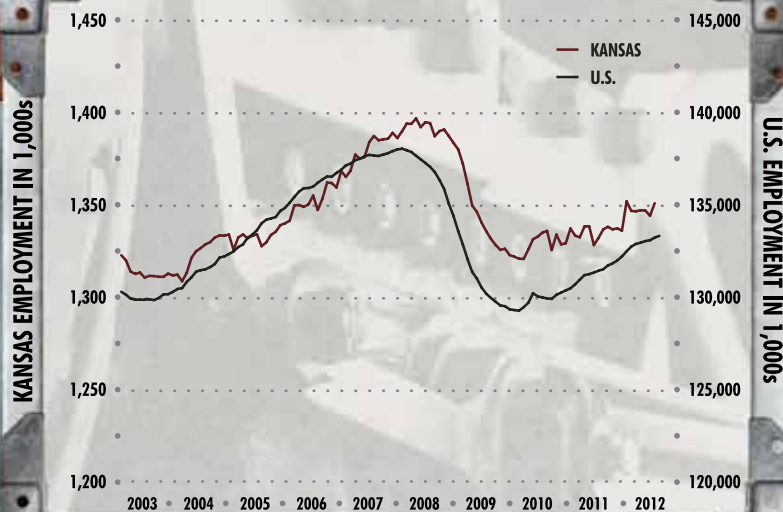
Despite these concerns, the overall economy does appear to be improving, if slowly. As long as major new roadblocks don't arise (European debt? The "fiscal cliff"?), the economic engine should begin to help drive the housing market forward in the months ahead.

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

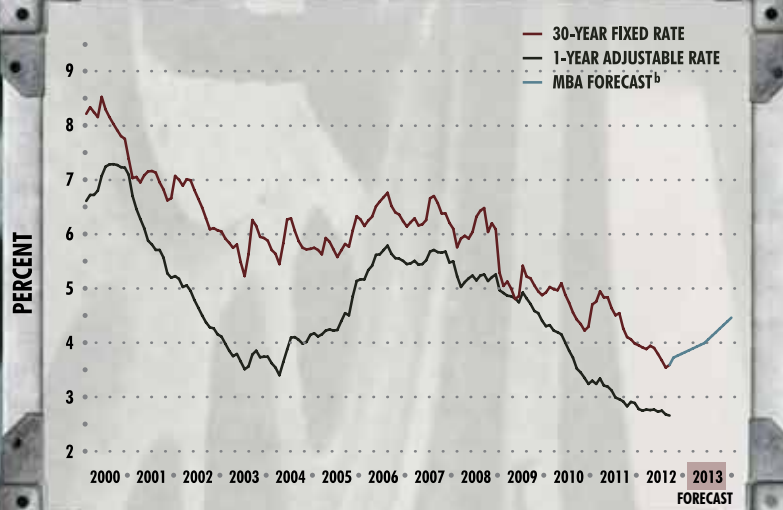
Notes: a) Seasonally adjusted.

b) Mortgage Bankers Association September 2012 forecast of the 30-year conventional mortgage rate.

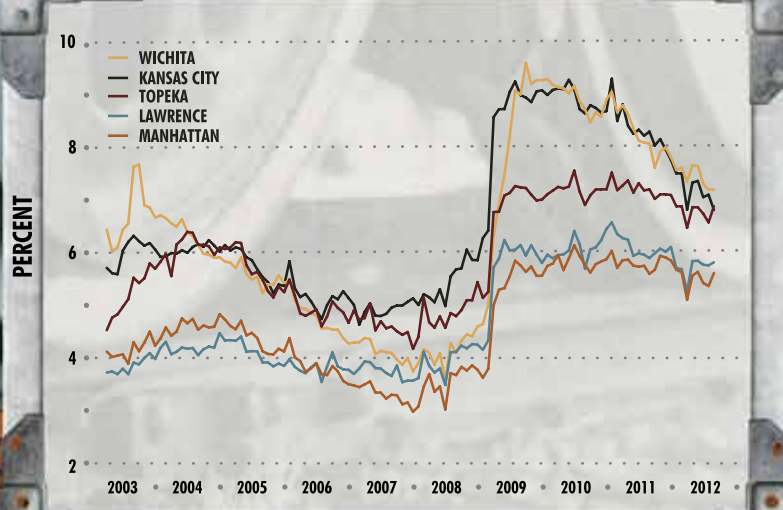
TOTAL EMPLOYMENT ^a



MORTGAGE RATES



UNEMPLOYMENT RATE ^a



KANSAS CITY

The Kansas City housing market appears to have turned the corner in 2012, with home sales on pace to increase by nearly 18 percent. This trend should continue in 2013, albeit at a slower pace, with sales rising by more than 5 percent to 28,420 units.

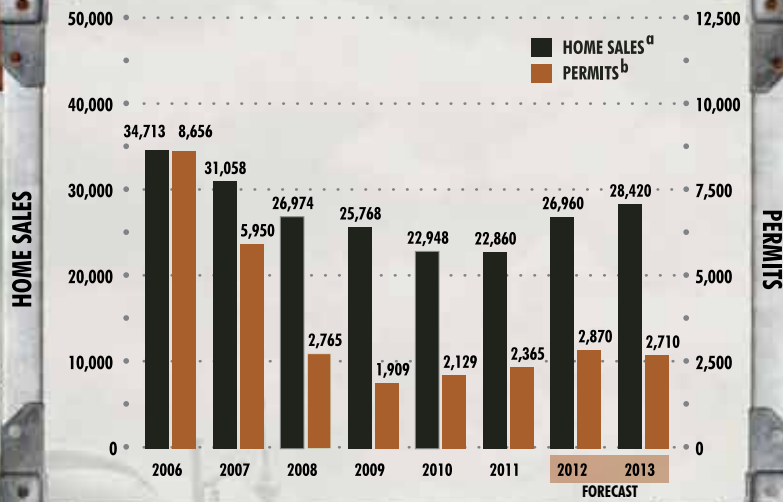
Average home prices in the Kansas City area have fallen more dramatically than in any other market across the state in recent years. Recently, however, tightening inventories of homes available for sale — at the end of August there was only a 5.9 months' supply — have begun to change the balance of the market. As a result, area home prices should begin to rise in 2013.

New home construction activity remains low. Although permits are on pace to rise this year, financing constraints for both builders and home buyers continue to hamper the new home market. As a result, permitting activity in the Kansas City area should fall slightly next year, far below its pre-crisis levels.

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) Ratio of active home listings to home sales, seasonally adjusted. Kansas City figures combine new and existing homes.
 - d) 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.

KANSAS CITY HOUSING MARKET ACTIVITY



2013 FORECAST

SALES UP 5.4%

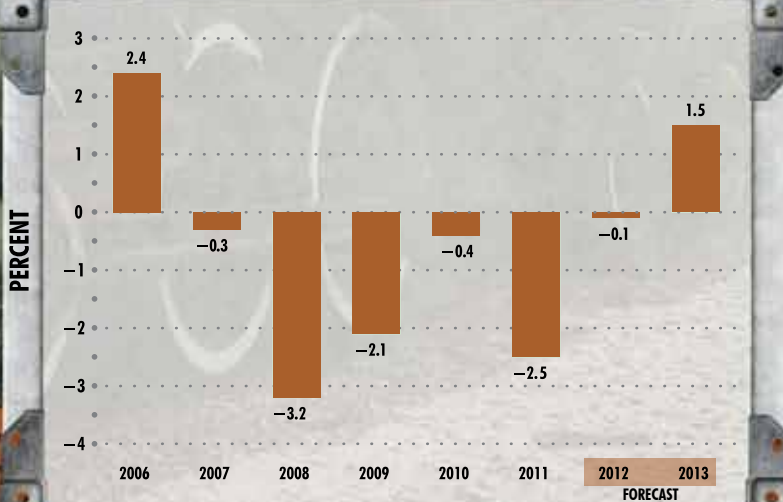
PRICES UP 1.5%

PERMITS DOWN 5.6%

INVENTORY OF HOMES AVAILABLE FOR SALE^c



HOME PRICE APPRECIATION^d



2013 KANSAS HOUSING MARKETS FORECAST

LAWRENCE

2013 FORECAST

SALES UP 15.8%



PRICES UP 2.1%



PERMITS UP 3.1%



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

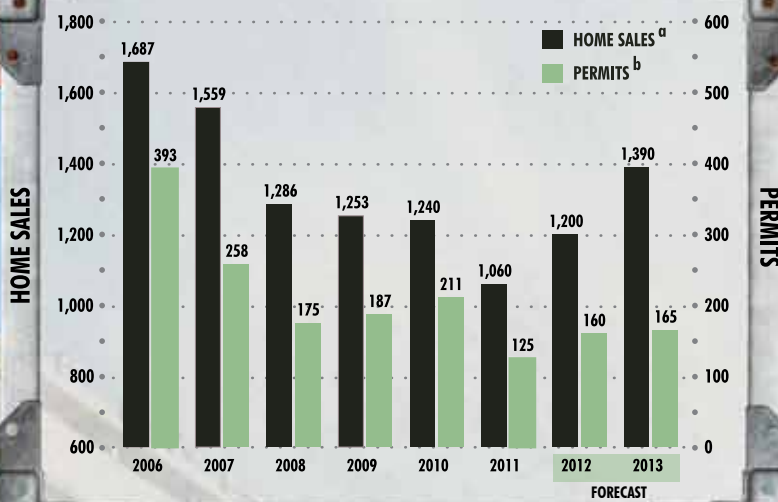
Notes: a) Total home sales in the Lawrence area as reported by the Lawrence Board of REALTORS®.

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

c) Ratio of active home listings to home sales, seasonally adjusted. Lawrence figures combine new and existing homes.

d) 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.

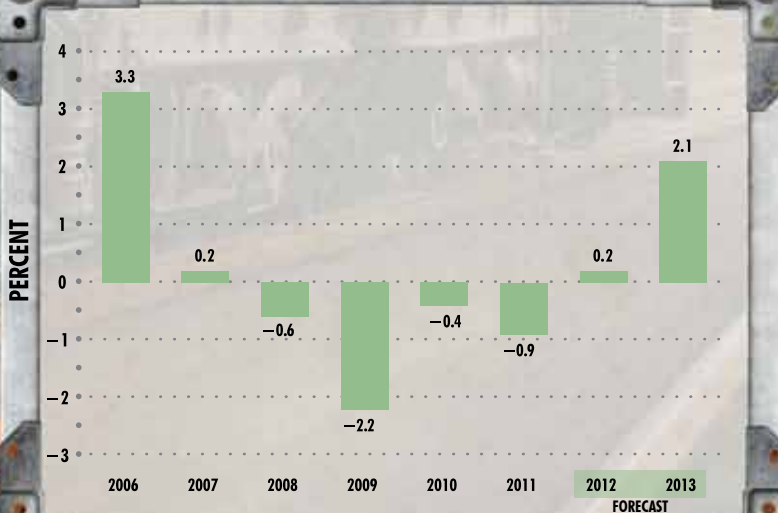
LAWRENCE HOUSING MARKET ACTIVITY



INVENTORY OF HOMES AVAILABLE FOR SALE^c



HOME PRICE APPRECIATION^d



Although sales in the Lawrence area fell sharply in 2011 following the expiration of the tax credit, they have rebounded nicely this year and are on pace to rise by more than 13 percent in 2012. Sales should continue to strengthen in 2013, rising by nearly 16 percent to 1,390 units.

Lawrence home prices have begun to stabilize as well, and are forecasted to rise by just over 2 percent in 2013, as inventories of homes available for sale settle into levels consistent with a balanced market.

New home construction in the Lawrence area has risen somewhat in 2012 as well, although still far below the strong numbers in the early part of the last decade. Although there is pent-up demand for new homes, financing challenges will prevent a full rebound in this segment of the market for some time to come.

MANHATTAN

2013 FORECAST

SALES UP 3.1%



PRICES UP 3.3%

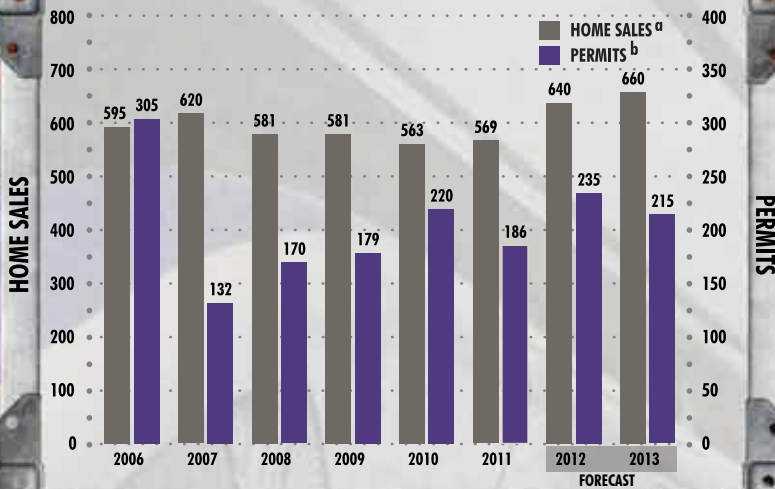


PERMITS DOWN 8.5%

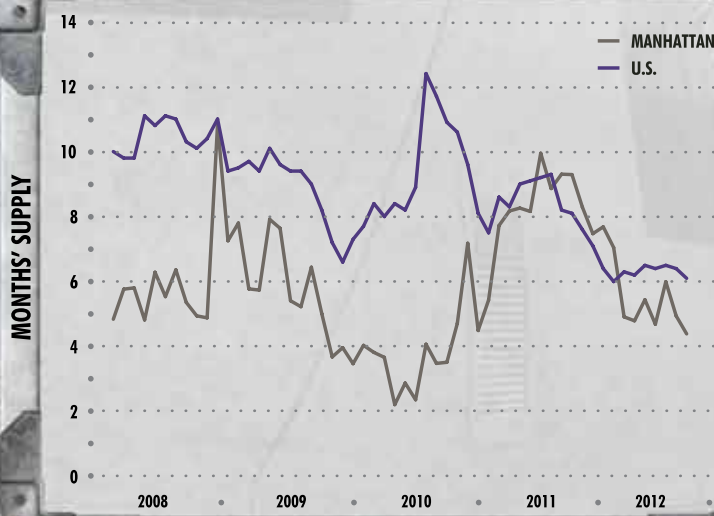


Sources: Manhattan Association of REALTORS®; City of Manhattan; Federal Housing Finance Agency; WSU Center for Real Estate
Notes: a) Total home sales in the city of Manhattan (zip codes 66502 and 66503) as reported by the Manhattan Association of REALTORS®.
b) Total single-family building permits issued in Manhattan as reported by the City of Manhattan.
c) Ratio of active home listings to home sales, seasonally adjusted. Manhattan figures combine new and existing homes.
d) 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.

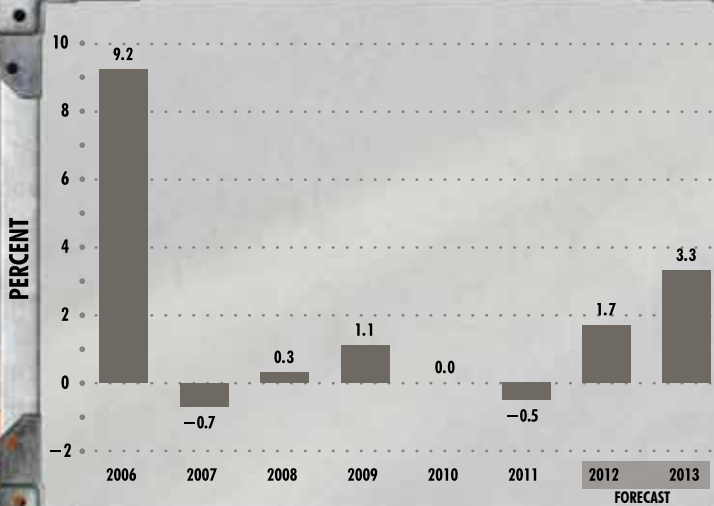
MANHATTAN HOUSING MARKET ACTIVITY



INVENTORY OF HOMES AVAILABLE FOR SALE^c



HOME PRICE APPRECIATION^d



If other housing markets across the state are picking up steam, Manhattan is moving full steam ahead. Sales within the city of Manhattan are set to rise nearly 13 percent in 2012, and then another 3 percent in 2013 to 660 units, the highest level on record.

New home construction continues to be strong in Manhattan as well, and should end the year up 26 percent to 235 units. Although permits should fall somewhat in 2013, the biggest constraint on the new home market in the Manhattan area is the limited number of desirable lots available for sale.

Manhattan home prices have begun rising as well. With increased demand from Fort Riley and the new National Bio and Agro-Defense Facility (NBAF), the Manhattan housing market appears poised for further price gains in the future.

TOPEKA

The Topeka housing market continues to improve, despite ongoing employment declines due to state budget cuts. Home sales are on pace to rise by nearly 4 percent this year, but will level off at 2,710 units in 2013.

Home prices have remained stable in recent years, avoiding major declines during the housing downturn. This should continue in the coming months, with prices ending 2013 close to their 2010 levels.

New home construction in the Topeka area continues to languish. Although permits are up slightly for the year, they should drop again in 2013 to 225 units, the lowest level on record. Until the area sees some significant employment growth, Topeka's new home market is unlikely to recover anytime soon.

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

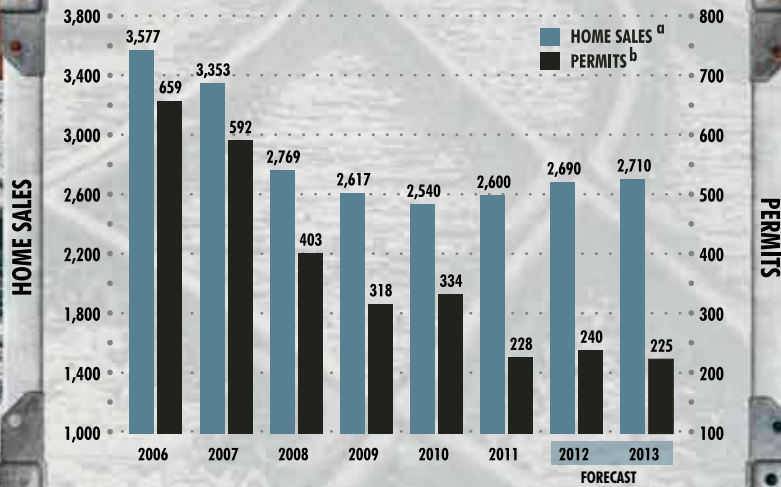
Notes: a) Total home sales in the Topeka area as reported by the Topeka Area Association of REALTORS[®].

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

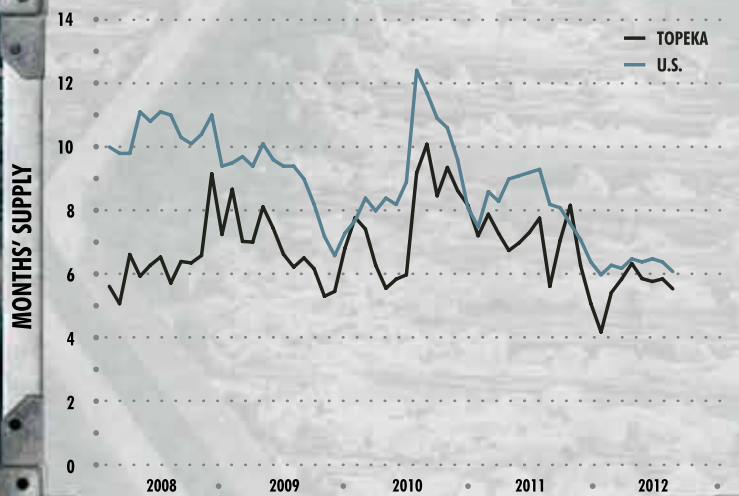
c) Ratio of active home listings to home sales, seasonally adjusted. Topeka figures combine new and existing homes.

d) 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.

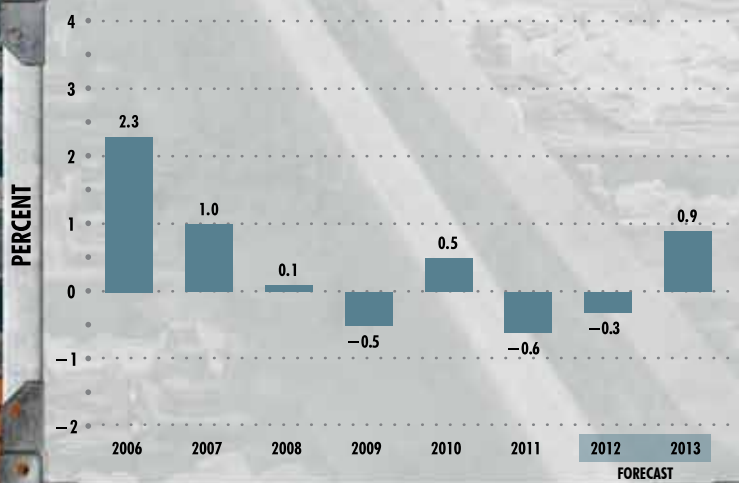
TOPEKA HOUSING MARKET ACTIVITY



INVENTORY OF HOMES AVAILABLE FOR SALE^c



HOME PRICE APPRECIATION^d



2013 FORECAST

SALES UP 0.7%

PRICES UP 0.9%

PERMITS DOWN 6.3%

2013 KANSAS HOUSING MARKETS FORECAST

WICHITA

2013 FORECAST

SALES UP 4.2%

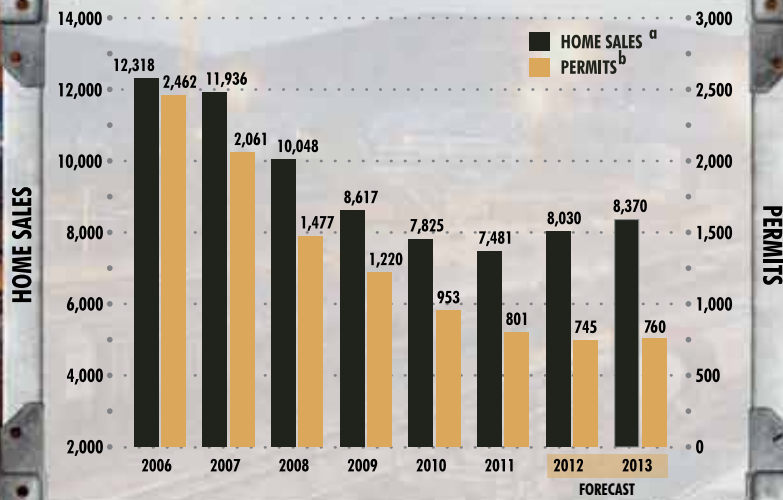
PRICES UP 1.3%

PERMITS UP 2.0%

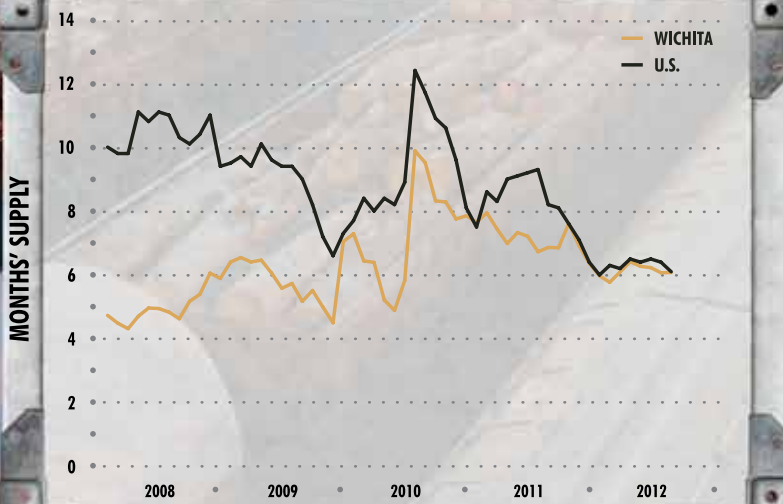
Sources: South Central Kansas Multiple Listing Service; U.S. Bureau of the Census; Federal Housing Finance Agency; WSU Center for Real Estate

- Notes:
- a) Total home sales in the Wichita area as reported by the South Central Kansas Multiple Listing Service.
 - b) Total single-family building permits issued in the Wichita metropolitan area as reported by the U.S. Bureau of the Census.
 - c) Ratio of active home listings to home sales, seasonally adjusted. Wichita figures combine new and existing homes.
 - d) 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.

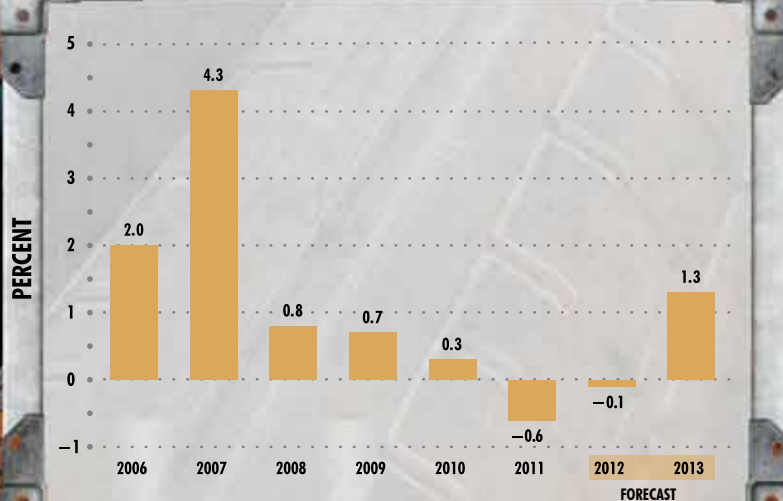
WICHITA HOUSING MARKET ACTIVITY



INVENTORY OF HOMES AVAILABLE FOR SALE^c



HOME PRICE APPRECIATION^d



Since the expiration of the home buyer tax credit in the summer of 2010, home sales in the Wichita area have risen steadily, if slowly, for two full years. Sales are on pace to rise by more than 7 percent this year. This growth will continue in 2013, with sales rising another 4 percent to 8,370 units.

New home construction continues to languish, with permitting activity in the Wichita area set to end 2012 at its lowest level on record. Despite some help from new home incentive programs in the area, construction activity is unlikely to improve much in 2013.

Wichita area home prices fell only modestly over the past two years, and seem poised to rebound in 2013. As in many markets across the state, the inventory of homes available for sale has declined sharply over the past two years, giving sellers more leverage than they've had in several years.

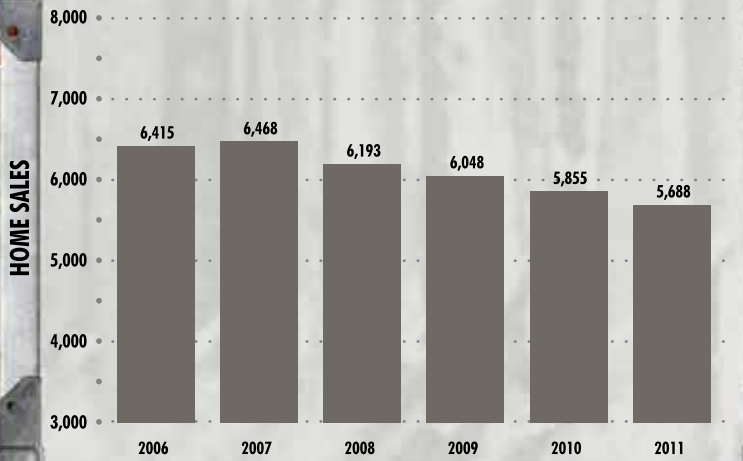
SMALL KANSAS MARKETS

Although we do not forecast future activity for the smaller markets across the state, we do track their progress. After falling for four straight years, home sales in these markets have begun to rise in 2012, and we expect this trend will continue in 2013.

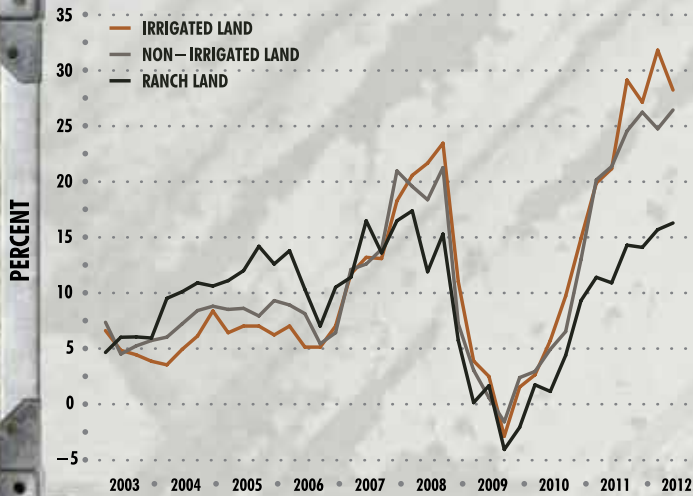
Interestingly, average home prices in counties outside of the state's five metropolitan areas have continued to rise slowly throughout the national housing downturn. This may be driven in part by high commodity prices and the rising values of rural farm and ranch land.

- Sources: Participating REALTOR® multiple listing services across Kansas; Federal Housing Finance Agency; Federal Reserve Bank of Kansas City
- Notes:
- a) Total home sales in Kansas markets other than Kansas City, Lawrence, Manhattan, Topeka, and Wichita, as reported by participating REALTOR® multiple listing services across the state.
 - b) Year-over-year percentage change in rural land prices in the 10th Federal Reserve District as reported by the Federal Reserve Bank of Kansas City Agricultural Credit Survey.
 - c) Year-over-year percentage change in the Federal Housing Finance Agency all-transactions house price index for non-metropolitan areas in Kansas, as measured using 4th quarter values.

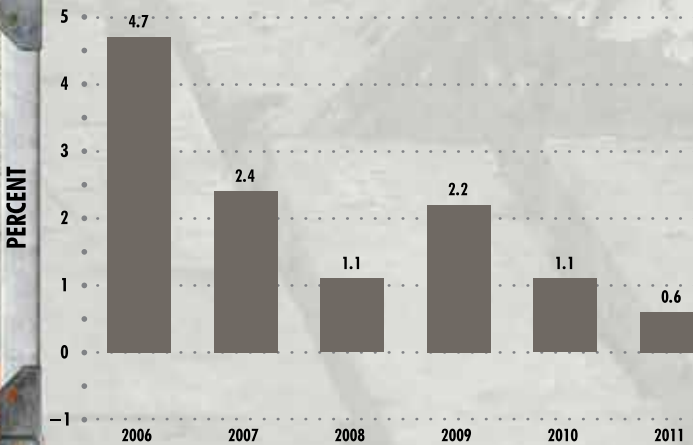
SMALL MARKET HOME SALES^a



RURAL LAND PRICES^b



HOME PRICE APPRECIATION^c



KANSAS

Home sales across the state are poised to rise by nearly 13 percent in 2012, led by strong growth in the northeast part of the state. Although the pace of growth will slow in 2013, sales should rise again by more than 6 percent to 33,760 units.

Statewide, new home construction will rise only slightly in 2012, with strong gains in Kansas City, Lawrence and Manhattan being offset by declines in Wichita. As construction slows in the northeast next year, permitting in Kansas will decline by nearly 7 percent, falling to 3,095 units.

Average home price appreciation across the state is set to rise by nearly 2 percent in 2012, with the rural parts of the state showing stronger growth than the metropolitan areas. Home prices should rise modestly again in 2013.

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

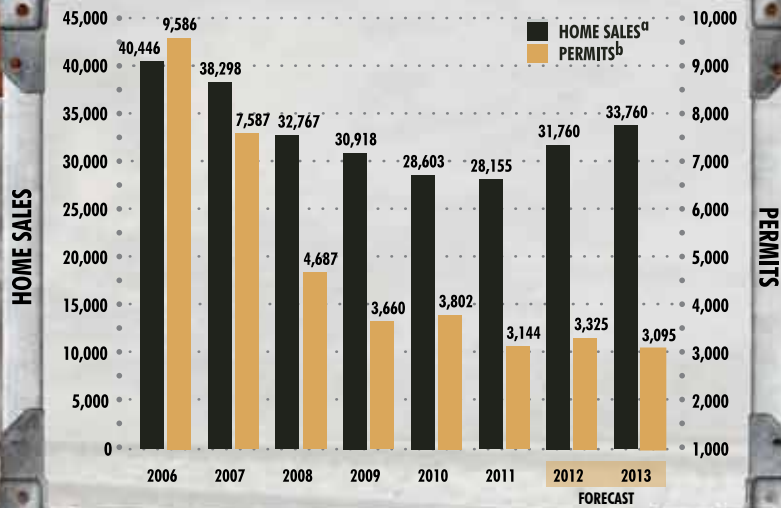
Notes: a) Total home sales in Kansas as reported by participating REALTOR® multiple listing services across the state.

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

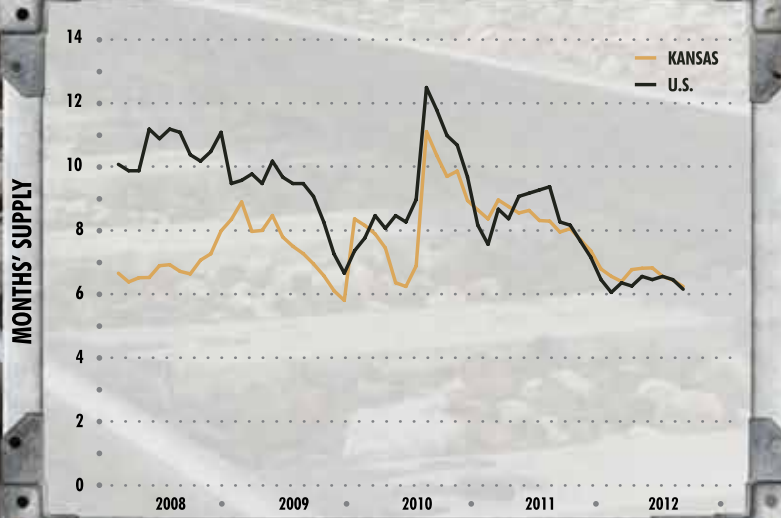
c) Ratio of active home listings to home sales, seasonally adjusted. Kansas figures combine new and existing homes

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

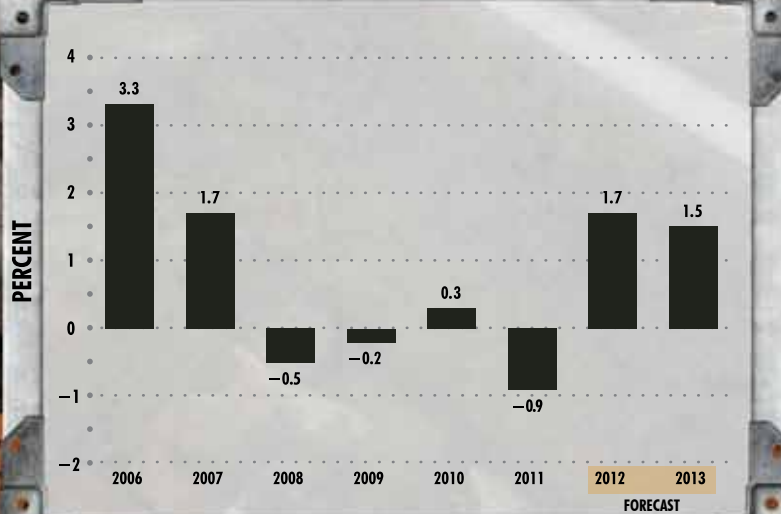
KANSAS HOUSING MARKET ACTIVITY



INVENTORY OF HOMES AVAILABLE FOR SALE^c



HOME PRICE APPRECIATION^d



2013 FORECAST

SALES UP 6.3%

PRICES UP 1.5%

PERMITS DOWN 6.9%

FORECAST SUMMARY

KANSAS

	2009	2010	2011	2012	2013
Total Home Sales	30,918	28,603	28,155	31,760	33,850
Building Permits	3,660	3,802	3,144	3,325	3,105
Home Price Appreciation	-0.2	0.3	-0.9	1.8	1.5
Sales Volume	4,819	4,443	4,260		
Average Price	155,848	155,341	151,321		

KANSAS CITY

Total Home Sales	25,768	22,948	22,860	27,080	28,700
Building Permits	1,909	2,129	2,365	2,880	2,725
Home Price Appreciation	-2.1	-0.4	-2.5	-0.1	1.6
Sales Volume	4,133	3,736	3,576		
Average Price	160,398	162,795	156,430		

LAWRENCE

Total Home Sales	1,253	1,240	1,061	1,200	1,390
Building Permits	187	211	126	160	160
Home Price Appreciation	-2.2	-0.4	-0.9	0.2	2.1
Sales Volume	228	224	196		
Average Price	181,739	180,339	184,900		

MANHATTAN

Total Home Sales	581	563	569	630	650
Building Permits	179	220	186	235	215
Home Price Appreciation	1.1	0.0	-0.5	1.7	3.3
Sales Volume	111	107	109		
Average Price	190,720	189,992	191,492		

TOPEKA

Total Home Sales	2,617	2,540	2,600	2,690	2,710
Building Permits	318	334	228	240	225
Home Price Appreciation	-0.5	0.5	-0.6	-0.3	0.9
Sales Volume	322	309	306		
Average Price	123,037	121,694	117,764		

WICHITA

Total Home Sales	8,617	7,825	7,481	8,030	8,370
Building Permits	1,220	953	801	745	760
Home Price Appreciation	0.7	0.3	-0.6	-0.1	1.3
Sales Volume	1,139	1,034	974		
Average Price	132,175	132,165	130,209		



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; 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.



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