

Kansas HOUSING FORECAST

A NEW PERSPECTIVE



.....
WICHITA STATE
UNIVERSITY

Kansas HOUSING FORECAST

Not everything we “know” turns out to be true. We begin to take the familiar for granted, and fail to notice the changes happening around us. To see things more clearly, we sometimes need to look at things from *A New Perspective*.

This year’s Kansas Housing Markets Forecast can help you do just that. By combining the latest economic and housing market data with our own unique insights and analysis, the WSU Center for Real Estate provides you with the new perspective you need to prepare and adapt to the changing housing market.

Dr. Stanley D. Longhofer
Director, WSU Center for Real Estate
WICHITA.EDU/REALESTATE



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Center for Real Estate

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Participants in the 2015 Real Estate Roundtables across Kansas

We are especially grateful to Security 1st Title and Credit Union of America for underwriting the cost of preparing this year's Kansas Housing Market Forecast.



Security 1st Title



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of America

Welcome to 80 Years of Friendly

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



South Central Kansas MLS



The Center for Real Estate receives no state funding. Our activities are supported entirely through gifts from generous supporters throughout the region:

Clark Real Estate Foundation

Meritrust Credit Union

Pulaski Bank Home Lending

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Walter Morris Endowment for Real Estate

Realtors® of South Central Kansas

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 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.

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.

WICHITA.EDU/BUSINESS



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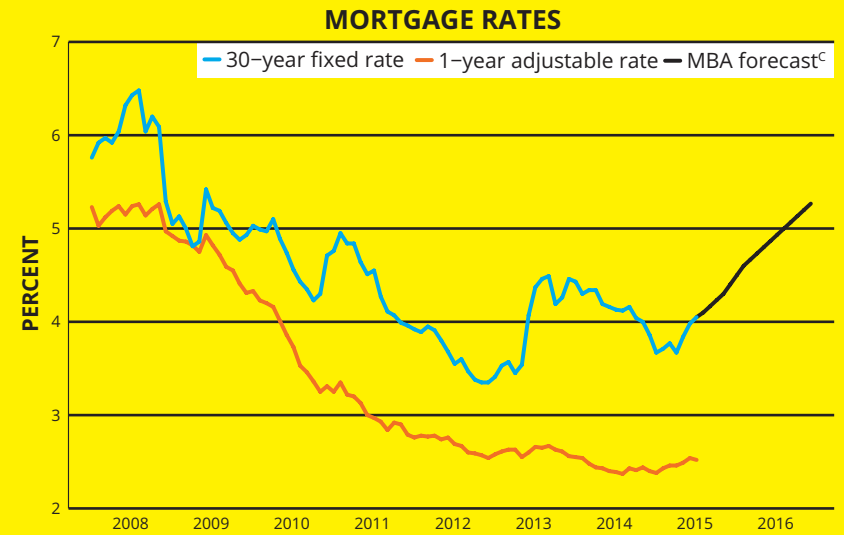
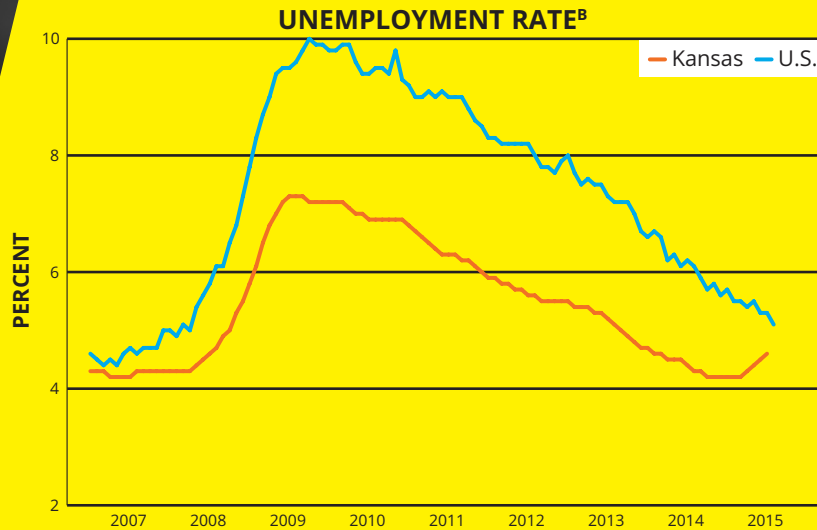
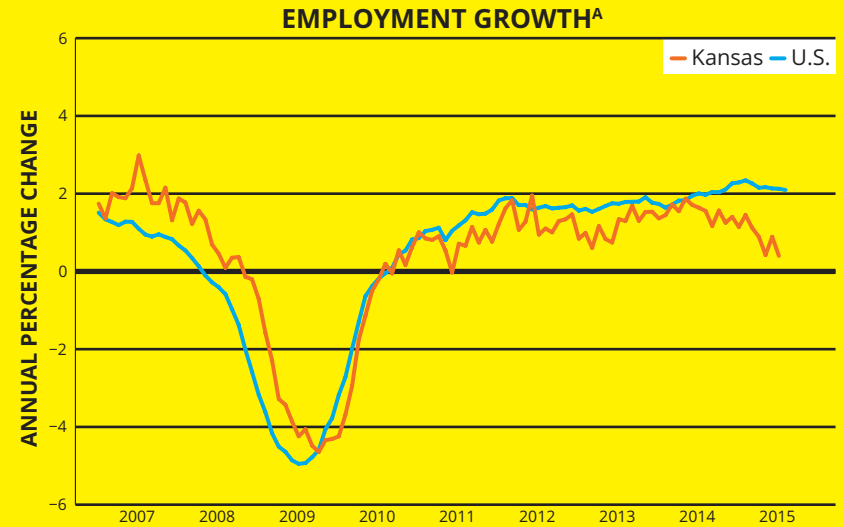
Economic Overview

Even as the national economy has begun to pick up steam over the past year, employment growth in Kansas has been slowing. The WSU Center for Economic Development and Business Research forecasts that total non-farm employment state-wide will rise by 19,958 jobs in 2016, a 1.4 percent increase.

After falling to 4.2 percent at the end of 2014, the Kansas unemployment rate has risen slightly in recent months. This is due to a decline in the overall labor force, as well as an increase in the number of people unemployed.

Although the Federal Reserve did not raise short-term interest rates during its September meeting, the question is when—not if—mortgage rates will begin to rise. Given low inflationary pressures, a modest increase in mortgage rates may actually help the housing market, strengthening the demand for starter homes that are now being bypassed by first-time buyers trying to stretch into more expensive homes given current low rates.

**EMPLOYMENT
IN KANSAS
IS EXPECTED
TO GROW BY
1.4 PERCENT
IN 2016.**



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

Notes:
A) Year-over-year percentage change in total, non-farm employment, seasonally adjusted
B) Seasonally adjusted
C) Mortgage Bankers Association August 2015 forecast of the 30-year conventional mortgage rate

Northeast Kansas

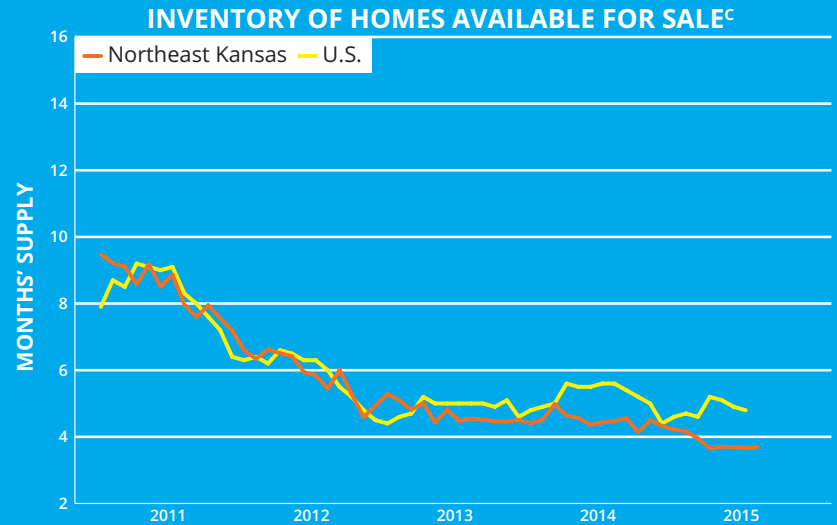
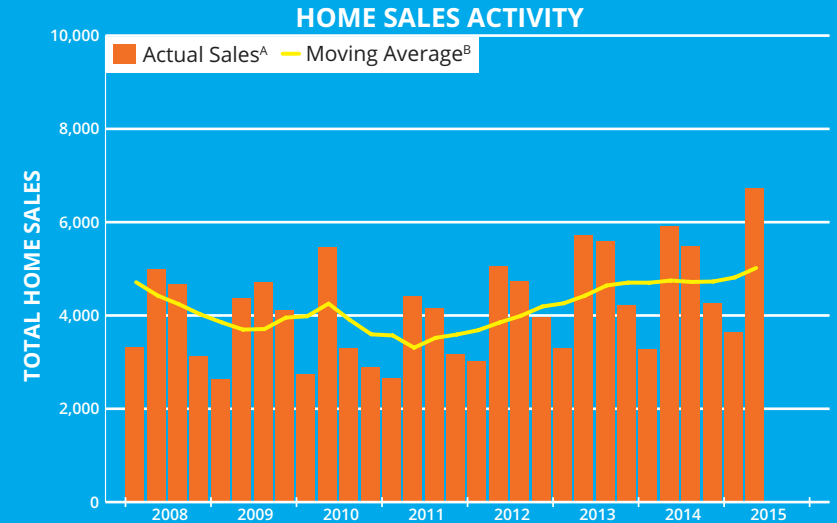


Following only modest growth in 2014, home sales activity in Northeast Kansas has strengthened considerably this year. This is likely to continue in the coming year, with Kansas City, Lawrence and Topeka all forecasted to post solid gains.

As home sales have risen, new listings have not kept pace. As a result, the inventory of homes available for sale in Northeast Kansas has dropped below a four months' supply, and area home price appreciation is beginning to accelerate.

**NORTHEAST
KANSAS HOME
SALES SHOULD
CONTINUE TO
RISE IN THE
COMING YEAR.**

**INVENTORIES OF
HOMES AVAILABLE
FOR SALE ARE
TIGHT, LEADING
TO STRONG
PRICE GAINS.**



Sources:
National Association of REALTORS®, Participating REALTOR® multiple listing services across Kansas

Notes:
A) Total home sales in Northeast Kansas as reported by participating REALTOR® multiple listing services across Kansas
B) Four-quarter trailing moving average of actual sales
C) Ratio of active listings to home sales, seasonally adjusted

Southeast Kansas

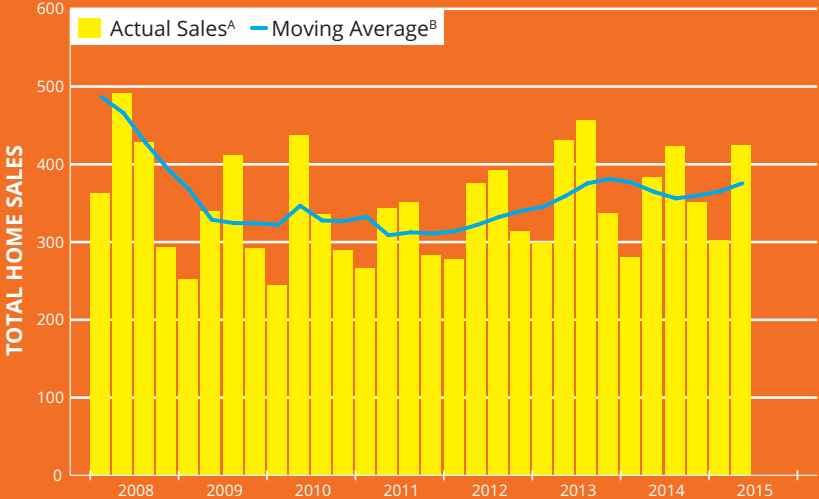


Home sales in Southeast Kansas have rebounded nicely through the first half of 2015, following a modest decline last year. Nevertheless, sales activity is still significantly below its levels prior to the onset of the financial crisis.

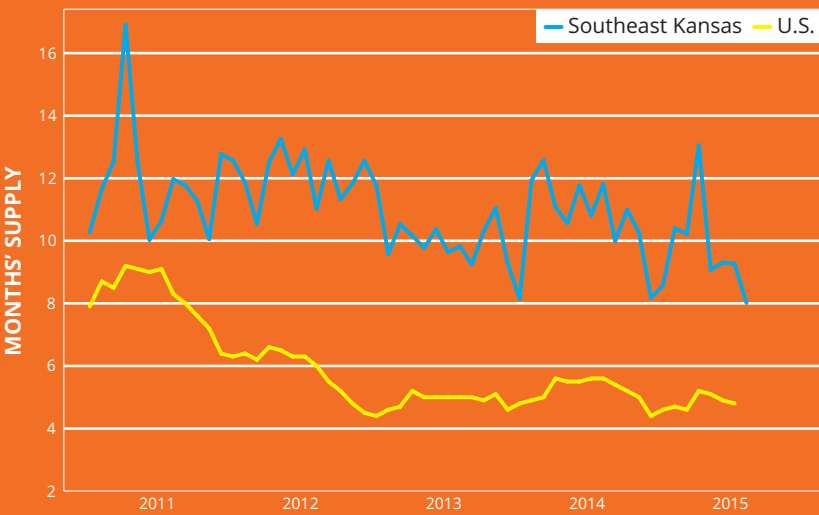
The inventory of homes available for sale in Southeast Kansas has slowly begun to decline over the past year and a half. The eight months' supply at the end of August was the smallest inventory in the past five years.

**HOME SALES
IN SOUTHEAST
KANSAS HAVE
REBOUNDED OVER
THE FIRST HALF
OF THE YEAR.**

HOME SALES ACTIVITY



INVENTORY OF HOMES AVAILABLE FOR SALE^C



Sources:
National Association of REALTORS®, Participating REALTOR® multiple listing services across Kansas

Notes:
A) Total home sales in Southeast Kansas as reported by participating REALTOR® multiple listing services across Kansas
B) Four-quarter trailing moving average of actual sales
C) Ratio of active listings to home sales, seasonally adjusted

North Central Kansas

A white outline map of the state of Kansas, with a smaller white outline map of the North Central region of the state.

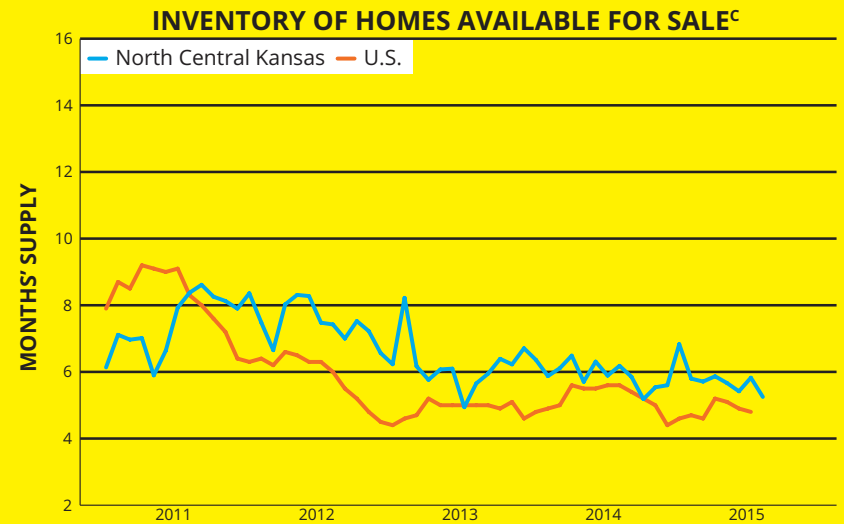
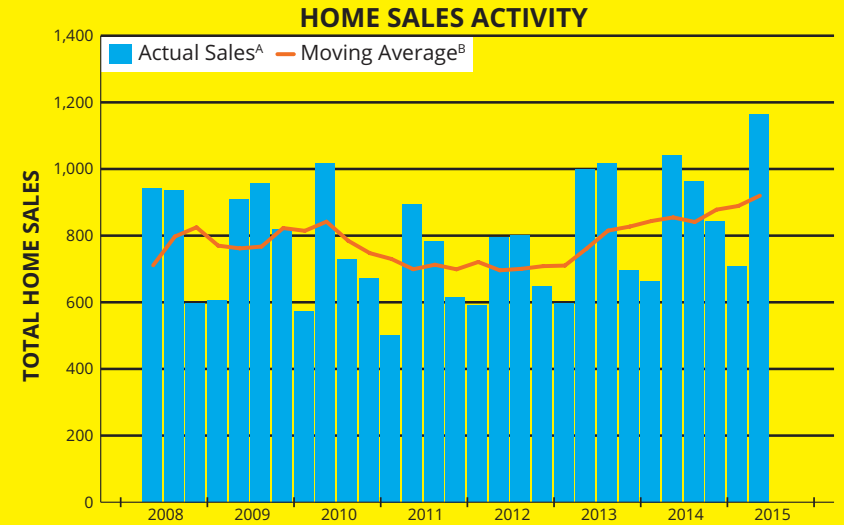
Home sales in the North Central Kansas have increased steadily since 2012, and this pace has only picked up over the past year. With strong economic growth in the Manhattan area, this trend is likely to continue for the foreseeable future.

As sales have risen, the inventory of homes available for sale has continued to be depleted, especially in the Manhattan area where there is currently less than a five months' supply.

FOR THE LATEST TRENDS AND STATISTICS, VISIT WICHITA.EDU/REALESTATE



HOME SALES IN NORTH CENTRAL KANSAS CONTINUE TO RISE.



Sources:
National Association of REALTORS®, Participating REALTOR® multiple listing services across Kansas

Notes:
A) Total home sales in North Central Kansas as reported by participating REALTOR® multiple listing services across Kansas
B) Four-quarter trailing moving average of actual sales
C) Ratio of active listings to home sales, seasonally adjusted

South Central Kansas



Since bottoming out at the end of 2010, home sales activity in South Central Kansas has increased steadily. This trend is likely to continue in 2016, led by modest growth in the Wichita area.

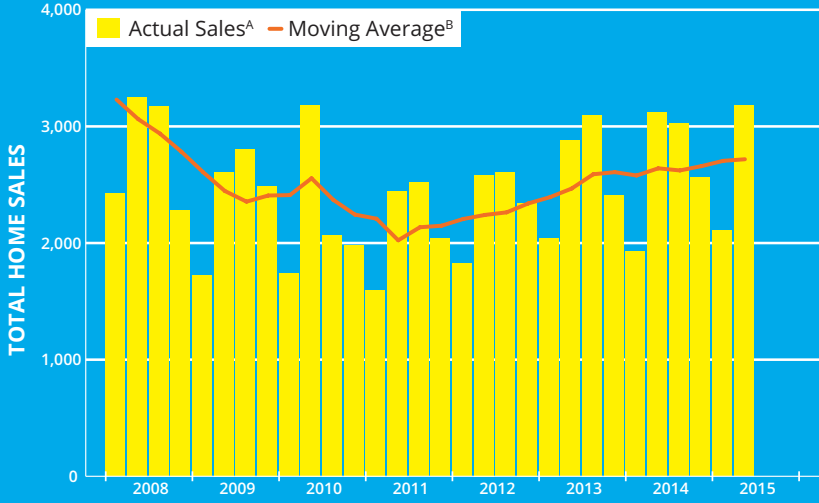
As sales have increase, new listings of home being put on the market have failed to keep pace. As a result, there is now less than a four months' supply of homes available for sale, and sale prices are beginning to rise once again.

FOR THE LATEST TRENDS AND STATISTICS, VISIT WICHITA.EDU/REALESTATE

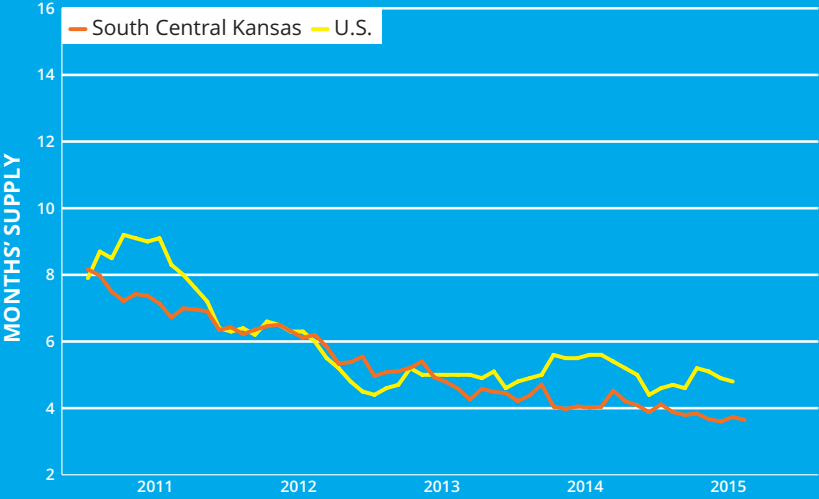


HOME PRICES ARE BEGINNING TO RISE IN THE WAKE OF TIGHT INVENTORIES OF HOMES AVAILABLE FOR SALE.

HOME SALES ACTIVITY



INVENTORY OF HOMES AVAILABLE FOR SALE^c



Sources:

National Association of REALTORS®, Participating REALTOR® multiple listing services across Kansas

Notes:

- A) Total home sales in South Central Kansas as reported by participating REALTOR® multiple listing services across Kansas
- B) Four-quarter trailing moving average of actual sales
- C) Ratio of active listings to home sales, seasonally adjusted

Western Kansas

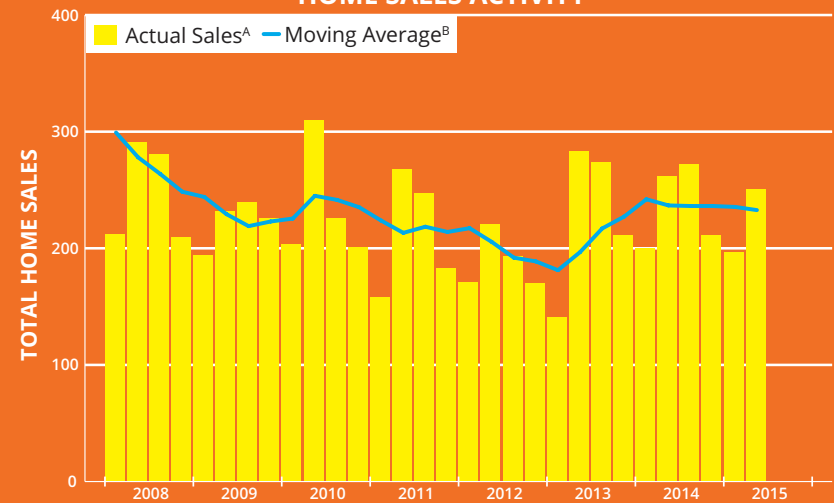


After strong gains in 2013, home sales activity in Western Kansas has flattened over the past year and a half. With energy prices falling, it does not appear this will change over the coming year.

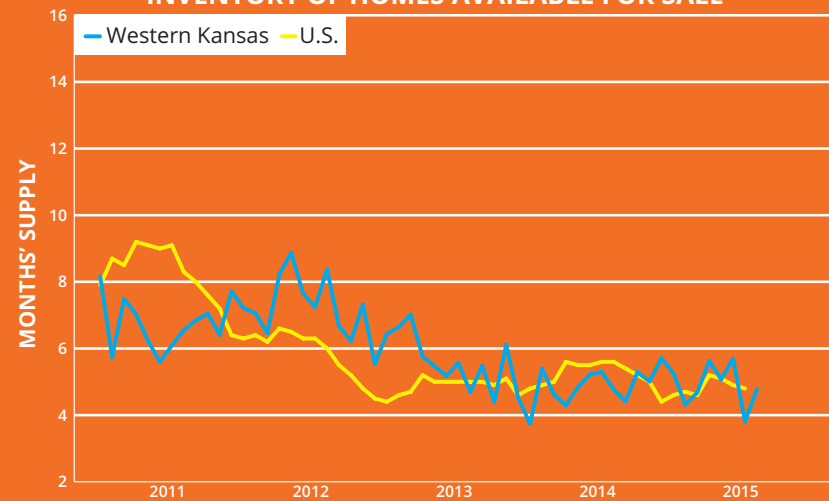
Despite the slowdown in home sales activity, the inventory of homes available for sale in Western Kansas has held fairly steady between four and six months over the past three years. This is a level consistent with a balanced market, favoring neither buyers nor sellers.

THE HOUSING MARKET IN WESTERN KANSAS APPEARS TO BE FAIRLY BALANCED RIGHT NOW.

HOME SALES ACTIVITY



INVENTORY OF HOMES AVAILABLE FOR SALE^C



Sources:

National Association of REALTORS®, Participating REALTOR® multiple listing services across Kansas

Notes:

- A) Total home sales in Western Kansas as reported by participating REALTOR® multiple listing services across Kansas
- B) Four-quarter trailing moving average of actual sales
- C) Ratio of active listings to home sales, seasonally adjusted

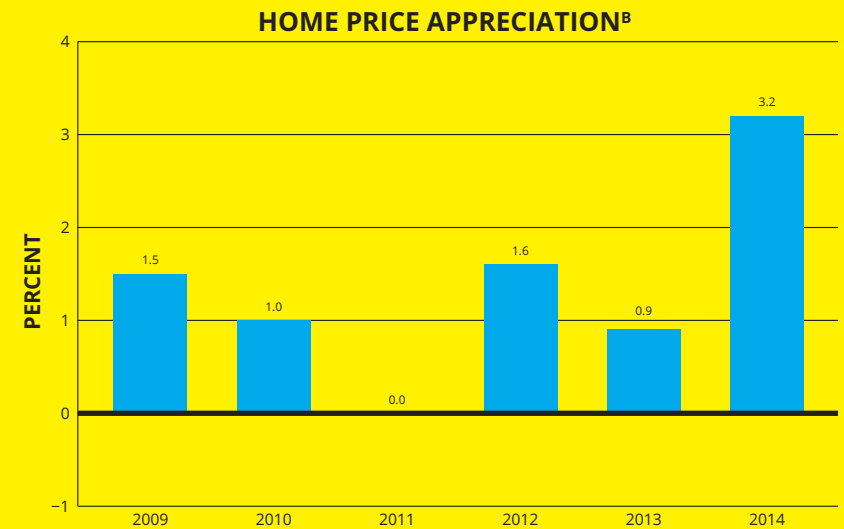
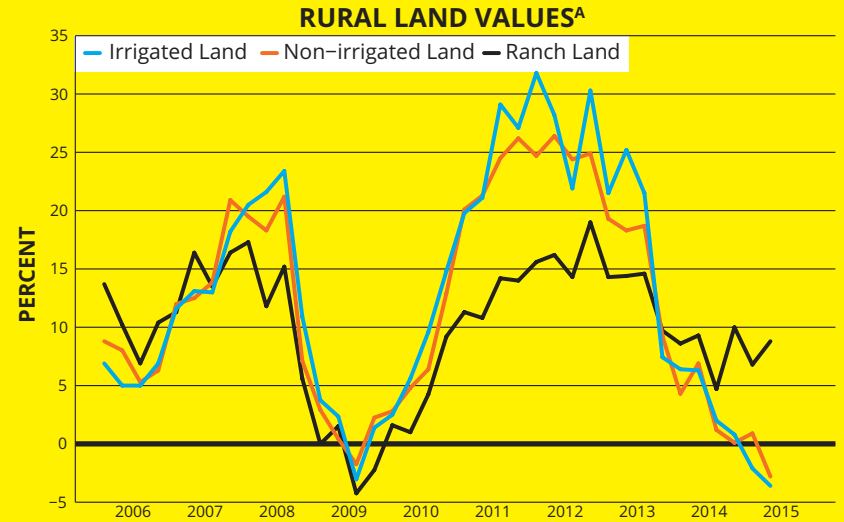
Rural Kansas Markets

According to the Federal Reserve Bank of Kansas City, irrigated and non-irrigated farm land values have dropped slightly over the past year. At the same time, ranch land values have settled into a healthy appreciation pattern.

After several years of modest but positive appreciation, home values in the non-urban parts of the state began appreciating at a faster pace in 2014. Given the tight inventories of homes available for sale across the state, this trend is likely to continue into the coming year.



**HOME PRICES IN THE
NON-METROPOLITAN
AREAS ACROSS
KANSAS ROSE BY
3.2 PERCENT IN 2014.**



Sources:
Federal Housing Finance Agency; Federal Reserve Bank of Kansas City

Notes:
A) 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
B) 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

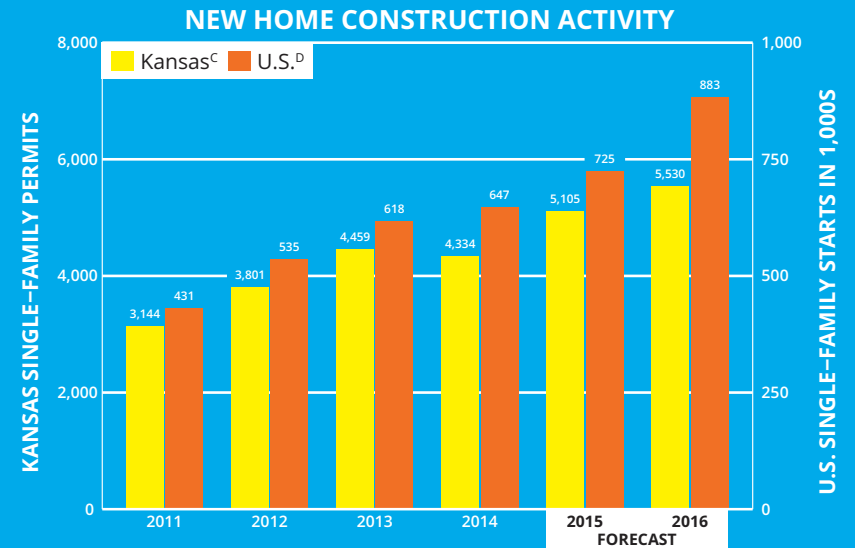
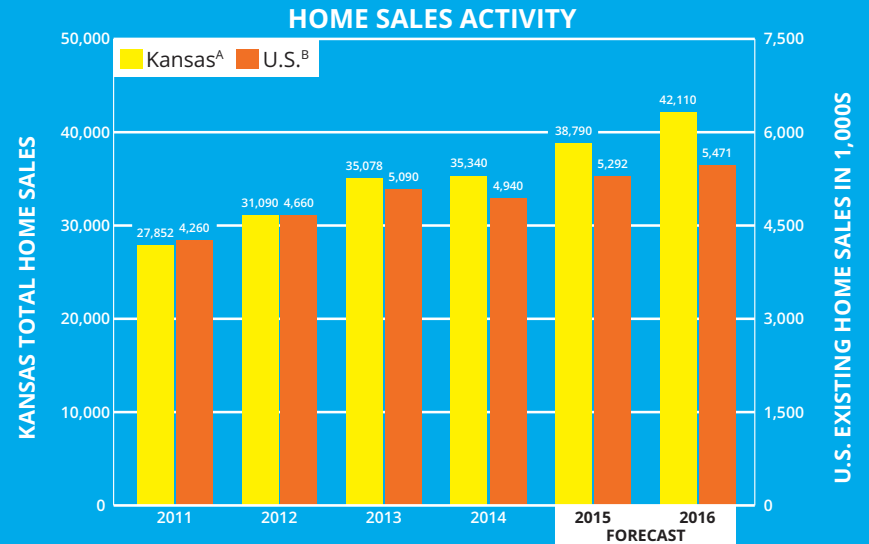
Home Sales & Construction

After remaining essentially flat in 2014, home sales across Kansas have risen sharply over the first half of the year. As a result, we expect total home sales to reach 38,790 units by the end of the year, a 9.8 percent gain. This trend should continue in 2016, with sales rising another 8.6 percent to 42,110 units.

After a lull in 2014, new home construction activity has rebounded nicely this year. We expect total permits will rise another 8.3 percent in 2016 to 5,530 units. This is the highest level since 2007, but still less than half of the peak reached in 2005.

FOR THE LATEST TRENDS AND STATISTICS, VISIT WICHITA.EDU/REALESTATE

**HOME SALES
ACROSS KANSAS
WILL RISE BY 8.6
PERCENT IN 2016.**



Sources:
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 Kansas
B) U.S. existing home sales as reported by the National Association of REALTORS®; forecast is the September 2015 forecast by the National Association of REALTORS®
C) Single-family building permits issued in Kansas as compiled by the U.S. Bureau of the Census
D) U.S. single-family housing starts as reported by the U.S. Bureau of the Census; forecast is the September 2015 forecast by the National Association of REALTORS®

**KANSAS HOME
VALUES WILL RISE
BY 4.7 PERCENT
NEXT YEAR.**

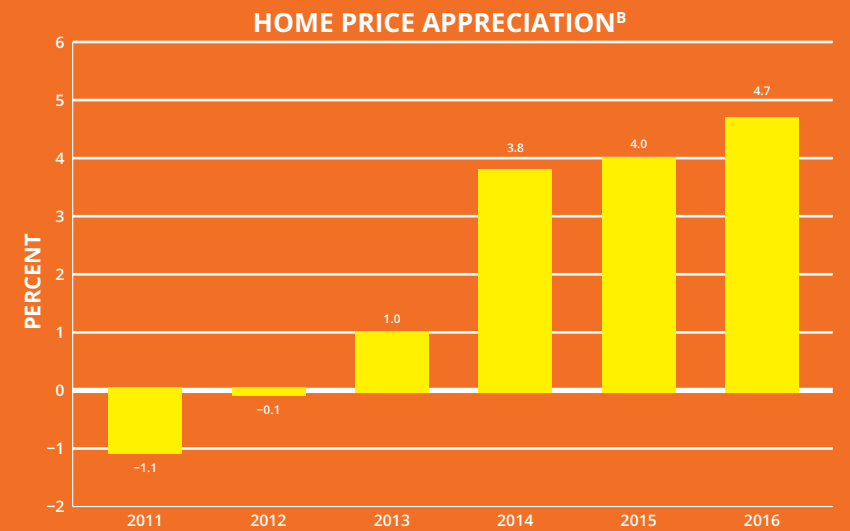
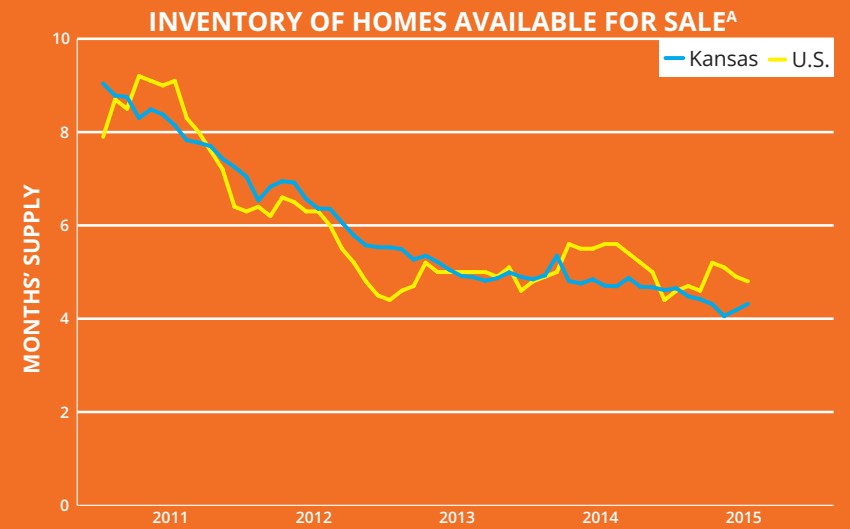
Home Prices

As sales have risen over the past four years, new home listings have not kept pace. As a result, the inventory of homes on the market has fallen below five months, with even tighter inventories in some markets.

These tight inventories have meant that home values across the state have begun to rise once again. Average home price appreciation across the state was 3.8 percent in 2014. We expect this pace to accelerate, with prices rising 4.0 percent in 2015 and another 4.7 percent in 2016.



2016 KANSAS HOUSING MARKETS FORECAST KANSAS: HOME PRICES



Sources: Federal Housing Finance Agency, National Association of REALTORS®, Participating REALTOR® multiple listing services across Kansas, 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 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 those forecasts is provided here.

To download a copy of the complete forecast for each market, visit our website at 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 multiple listing services across Kansas; Lawrence Multiple Listing Service; Manhattan Association of REALTORS®; South Central Kansas Multiple Listing Service; Sunflower Association of REALTORS®; U.S. Bureau of the Census; Wichita Area Builders Association; WSU Center for Real Estate

Notes:

Total home sales, average price and sales volume 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. Kansas City figures include transactions from both Kansas and Missouri.

2012

| | Kansas | Kansas City | Lawrence | Manhattan | Topeka | Wichita |
|----------------------------|-----------|-------------|-----------|-----------|-----------|-----------|
| Total Home Sales | 31,090 | 28,895 | 1,290 | 700 | 2,787 | 8,207 |
| Building Permits | 3,801 | 3,229 | 165 | 188 | 263 | 781 |
| Home Price Appreciation | -0.1% | -0.9% | 0.0% | 1.8% | -0.6% | -1.1% |
| Sales Volume (in millions) | \$4,988 | \$4,859 | \$235 | \$137 | \$333 | \$1,080 |
| Average Price | \$160,435 | \$168,176 | \$181,947 | \$196,020 | \$119,422 | \$131,642 |

2013

| | | | | | | |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Home Sales | 35,078 | 32,062 | 1,538 | 762 | 3,003 | 9,024 |
| Building Permits | 4,459 | 4,209 | 212 | 174 | 270 | 995 |
| Home Price Appreciation | 1.0% | 1.3% | 1.6% | 1.1% | 0.5% | 0.4% |
| Sales Volume (in millions) | \$5,978 | \$5,863 | \$299 | \$153 | \$374 | \$1,262 |
| Average Price | \$170,423 | \$182,874 | \$194,646 | \$200,300 | \$124,423 | \$139,839 |

2014

| | | | | | | |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Home Sales | 35,340 | 32,265 | 1,628 | 790 | 2,965 | 9,225 |
| Building Permits | 4,334 | 4,129 | 179 | 193 | 262 | 1,012 |
| Home Price Appreciation | 3.8% | 4.8% | 1.2% | 3.4% | 1.8% | 3.0% |
| Sales Volume (in millions) | \$6,239 | \$6,204 | \$301 | \$163 | \$366 | \$1,347 |
| Average Price | \$176,536 | \$192,278 | \$184,826 | \$206,163 | \$123,411 | \$146,001 |

2015

| | | | | | | |
|-------------------------|--------|--------|-------|------|-------|-------|
| Total Home Sales | 38,790 | 35,690 | 1,880 | 870 | 3,280 | 9,650 |
| Building Permits | 5,105 | 4,740 | 235 | 165 | 305 | 1,015 |
| Home Price Appreciation | 4.0% | 6.1% | 2.7% | 3.9% | 0.4% | 3.6% |

2016

| | | | | | | |
|-------------------------|--------|--------|-------|------|-------|-------|
| Total Home Sales | 42,110 | 38,280 | 2,020 | 950 | 3,430 | 9,970 |
| Building Permits | 5,530 | 5,260 | 225 | 175 | 315 | 1,065 |
| Home Price Appreciation | 4.7% | 6.3% | 3.0% | 4.9% | 0.9% | 3.0% |

FORECAST

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