



# Kansas City

## 2025 HOUSING FORECAST

### *Full Circle*

Dr. Stanley D. Longhofer  
January 16, 2025



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The slides from today's presentation are available on the WSU Center for Real Estate website at

[wichita.edu/realestate](http://wichita.edu/realestate)



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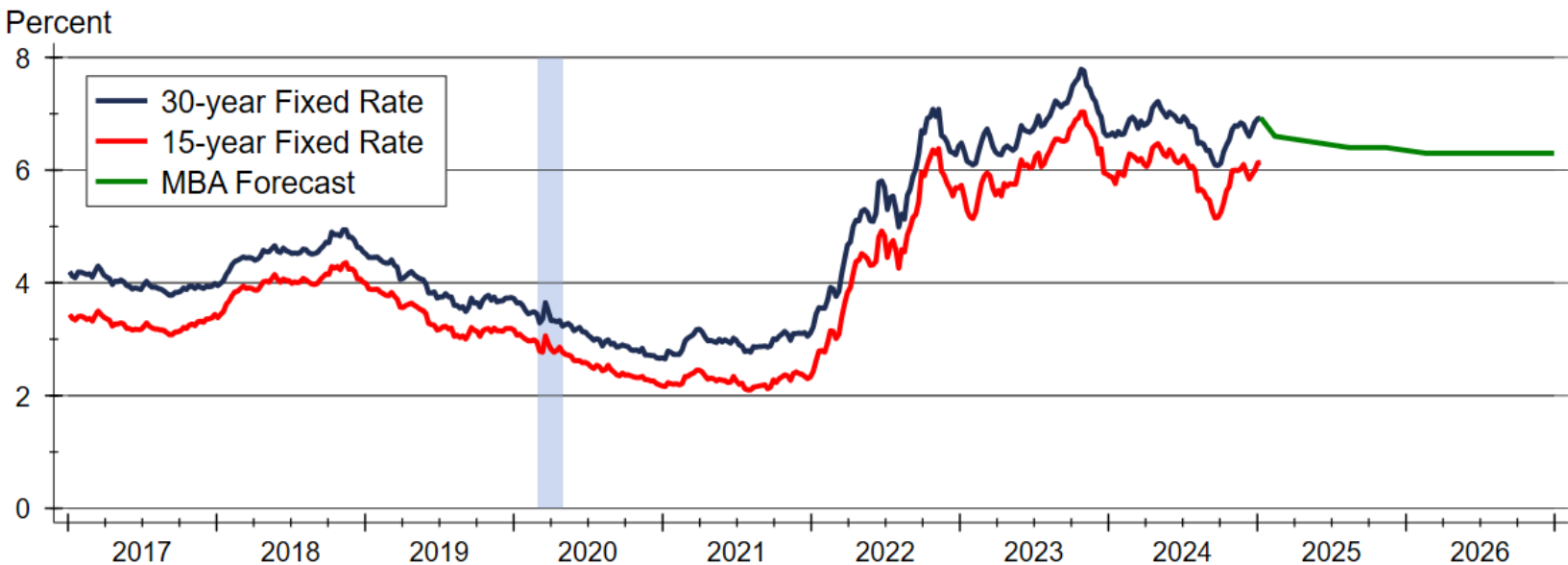
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# Mortgage Rates Have Risen Recently



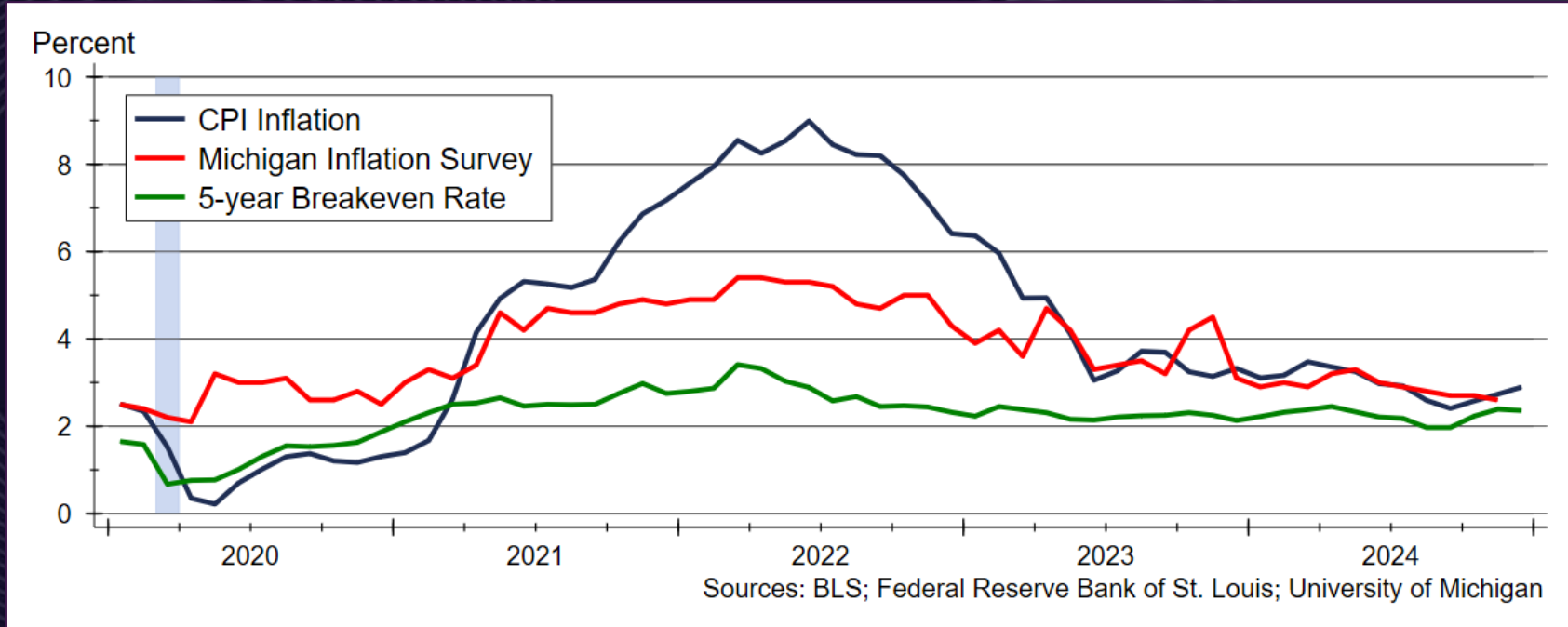
Sources: Freddie Mac; Mortgage Bankers Association



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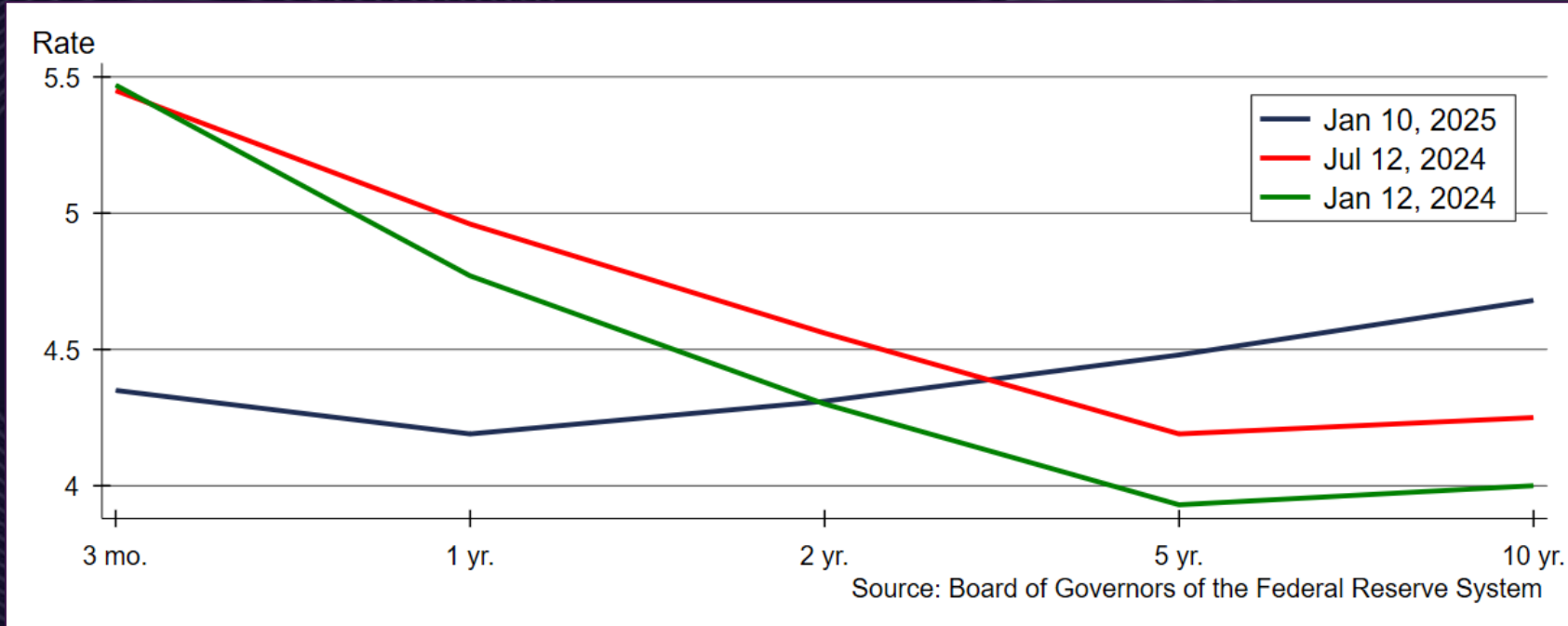


# Inflation Expectations Have Risen Slightly



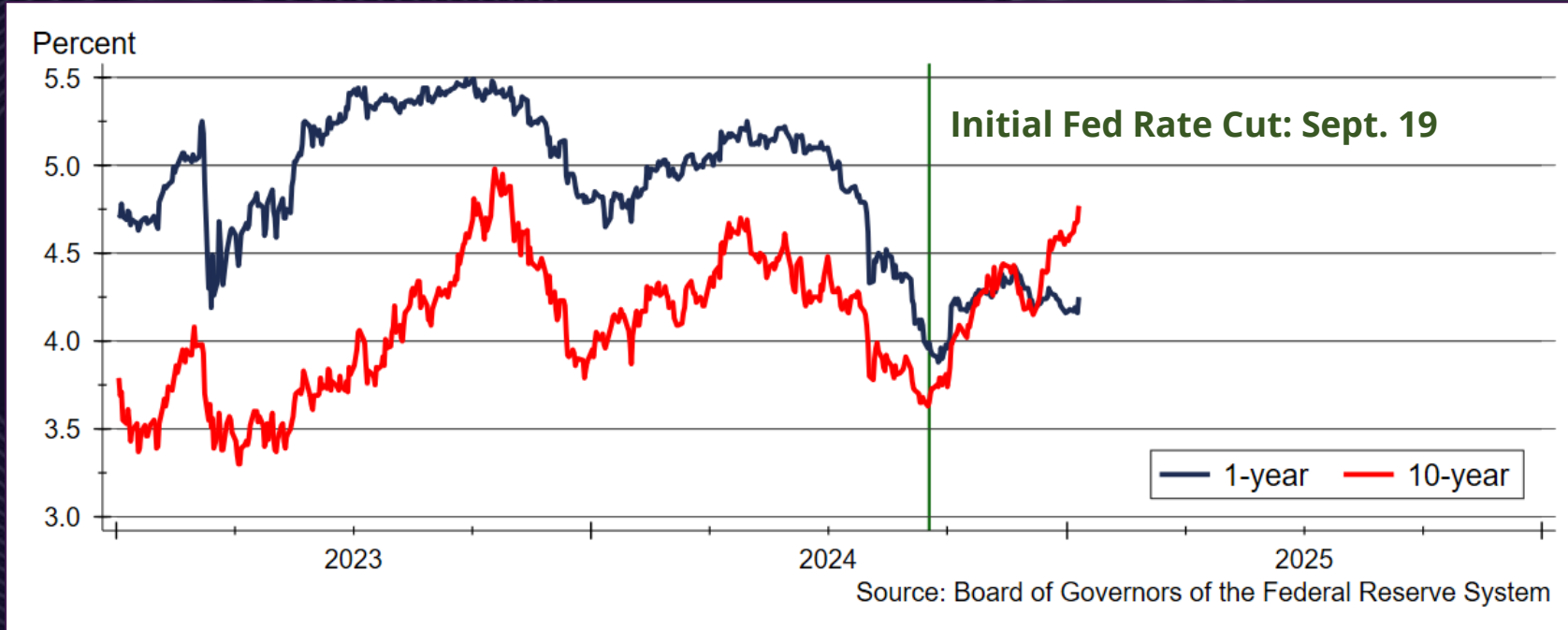


# The Yield Curve Has “Reverted”



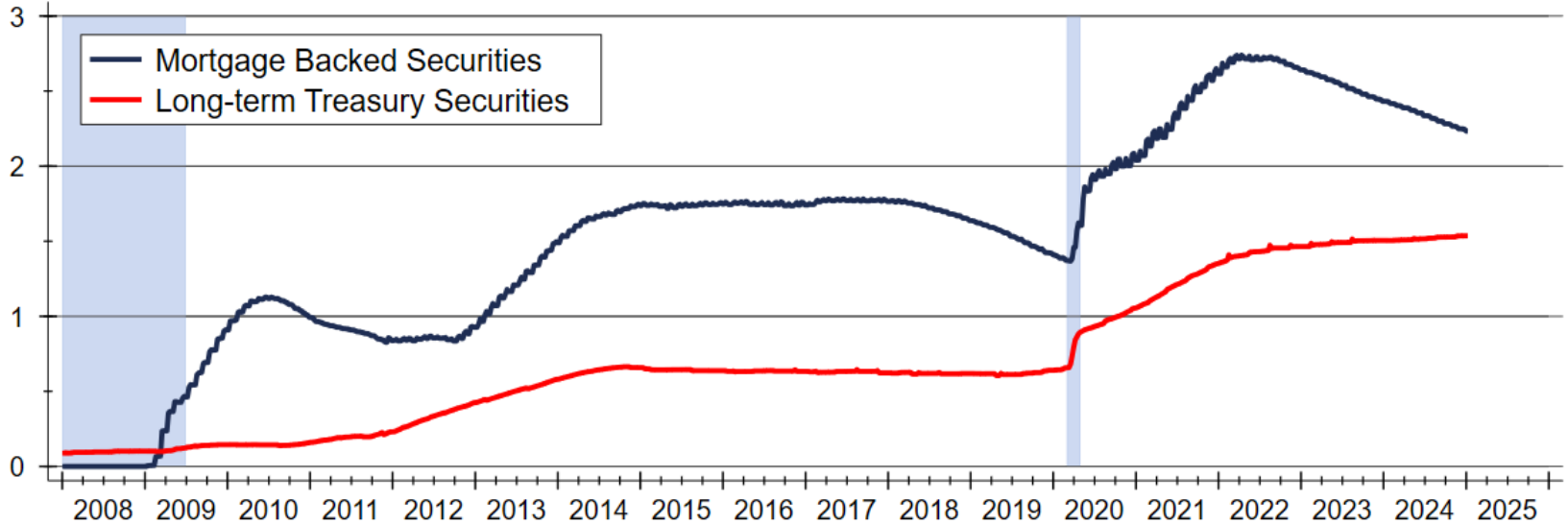


# Daily Treasury Rates



# Federal Reserve Continues to Reduce MBS Holdings

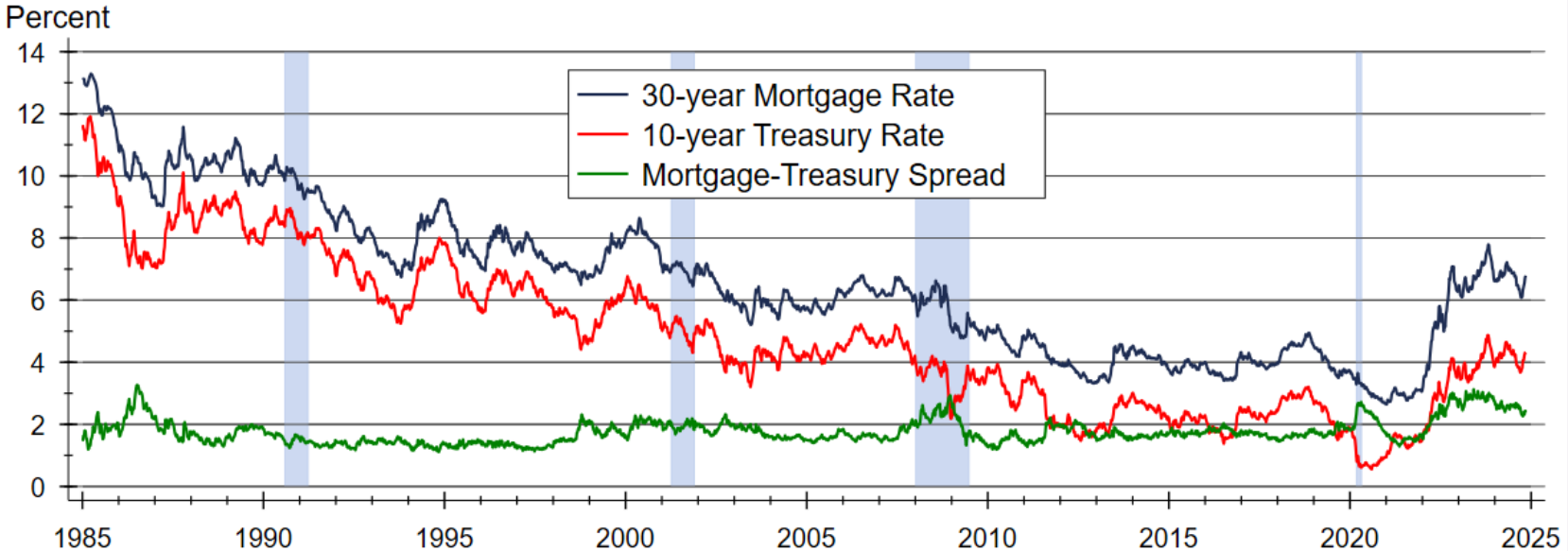
Trillions of Dollars



Source: Federal Reserve Board of Governors



# Mortgage Risk Premium Remains Higher than Normal



Sources: Board of Governors of the Federal Reserve System; Freddie Mac



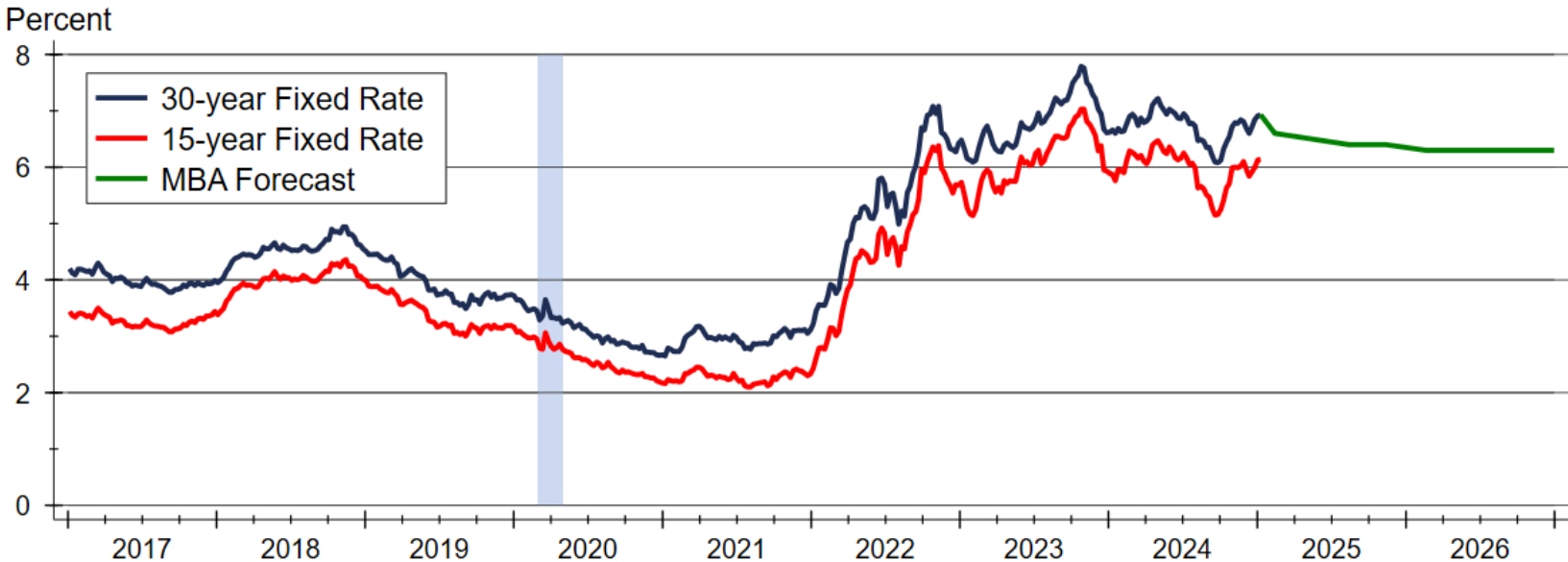
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# Normal Mortgage Rates

- In a healthy economy with low inflation, mortgage rates should incorporate the following
  - Real, risk-free return  $\approx 2\% - 3\%$
  - Premium for expected inflation  $\approx 1.5\% - 2.5\%$
  - Premium for risk  $\approx 1.5\% - 2.5\%$
- *This implies the “normal” range for the 30-year fixed mortgage rate is between 5% and 8%*

# MBA Mortgage Rate Forecast



Sources: Freddie Mac; Mortgage Bankers Association

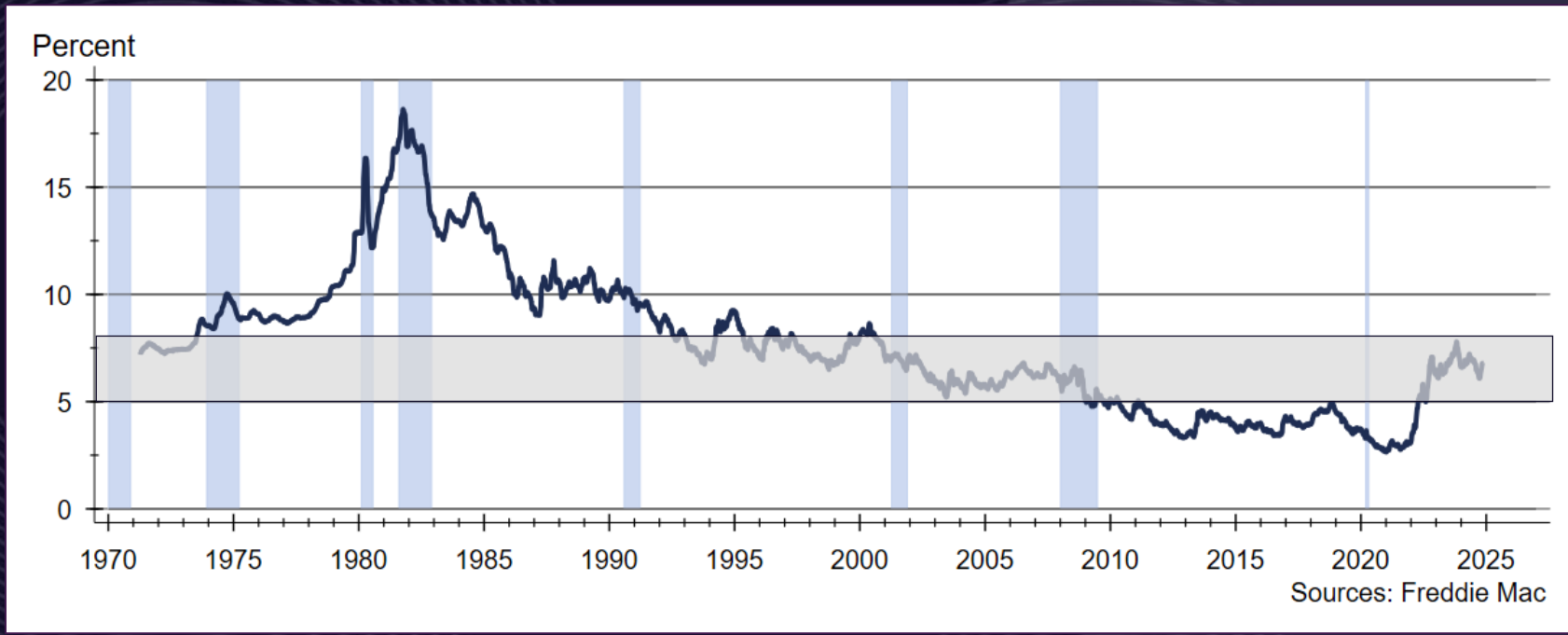


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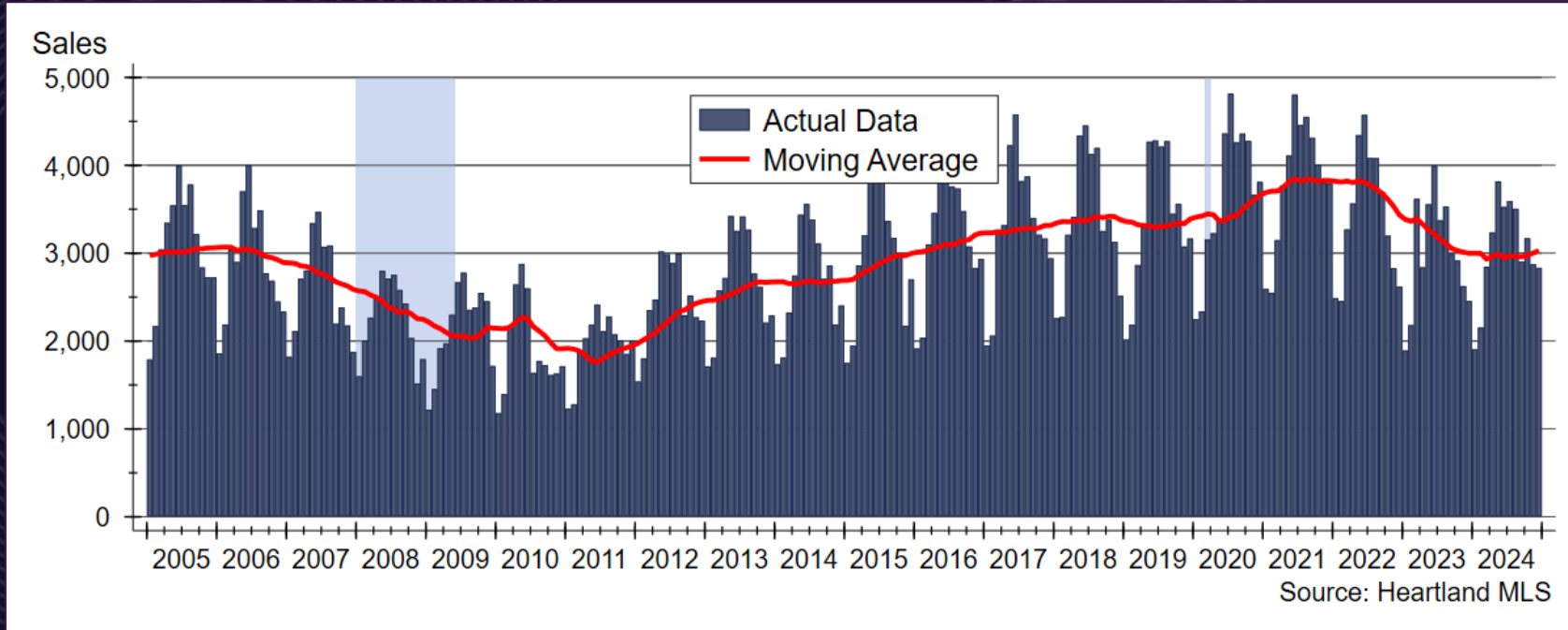
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# Historic Mortgage Rates



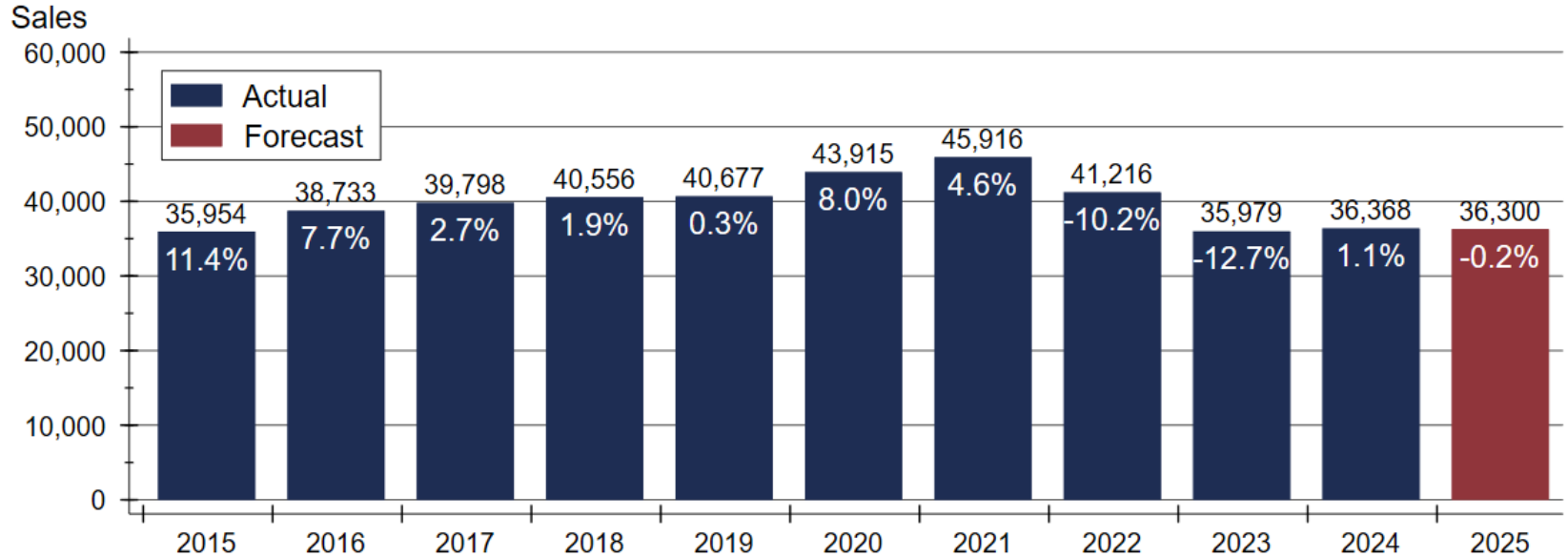


# Kansas City Home Sales Activity



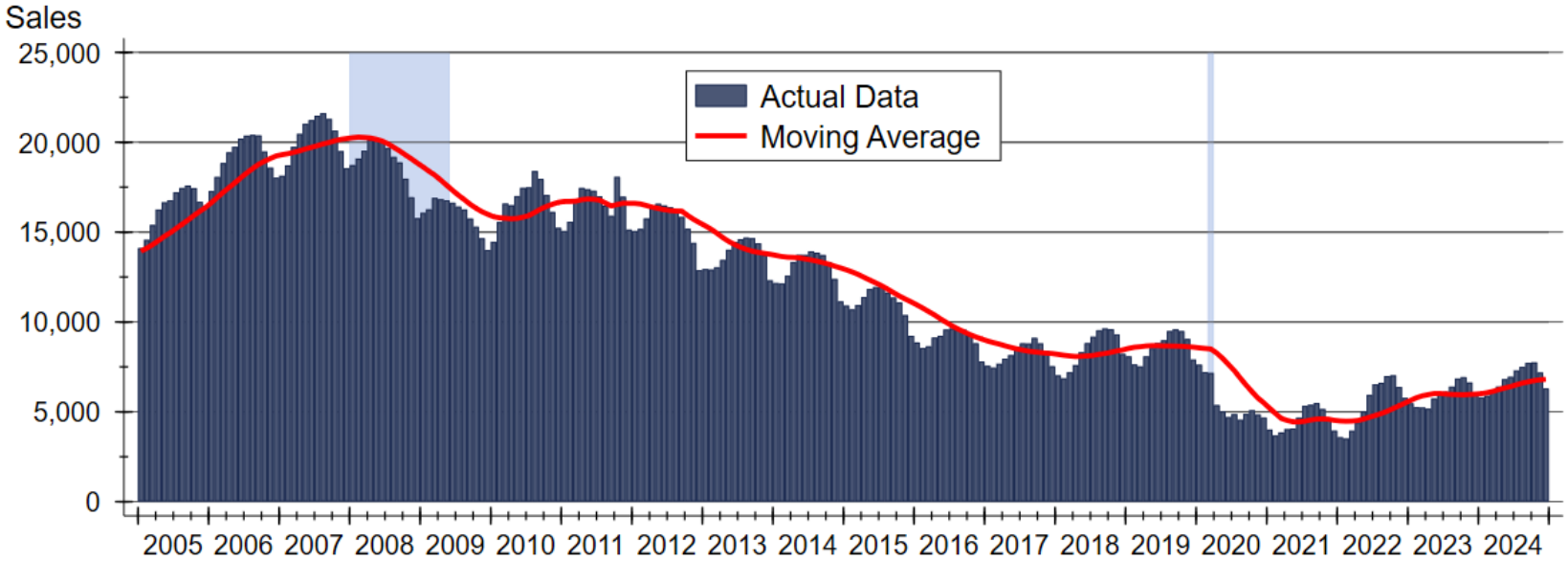


# Kansas City Home Sales Forecast



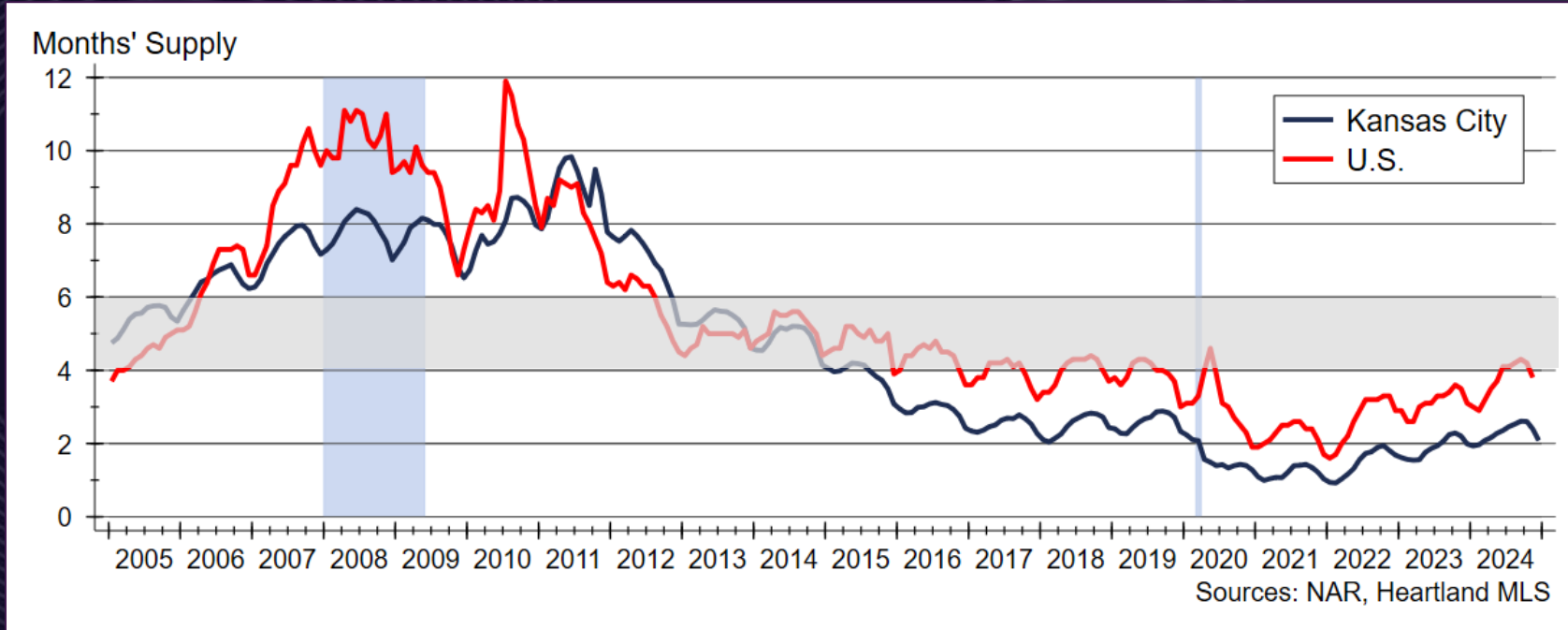
Sources: WSU Center for Real Estate and Heartland MLS

# Active Listings are Still Below Pre-Pandemic Levels





# Inventory of Homes Available for Sale

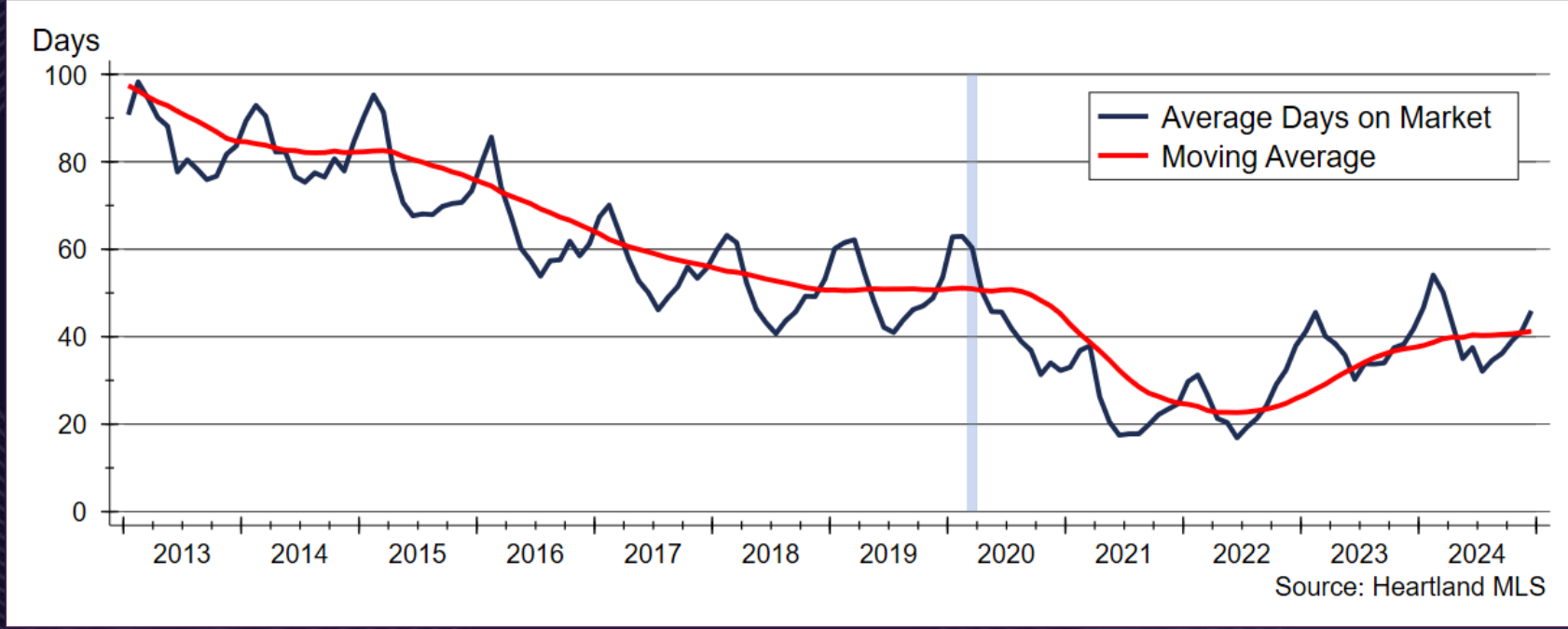






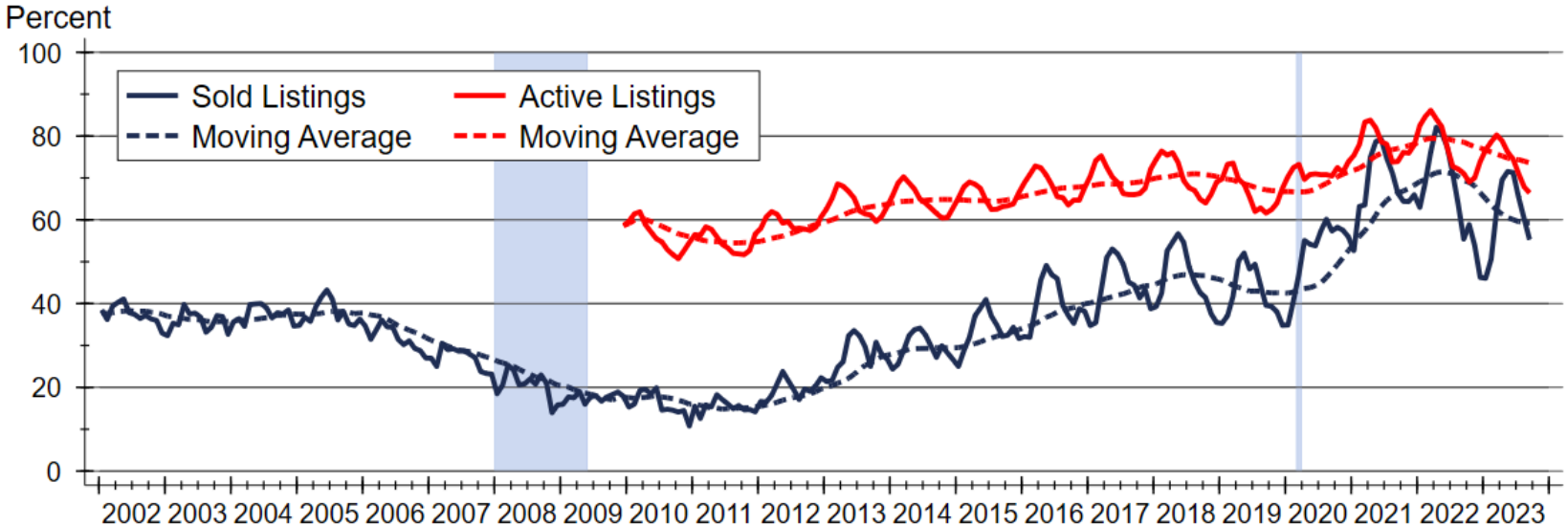
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# Average Days On Market



Source: Heartland MLS

# Premium Listings and Sales



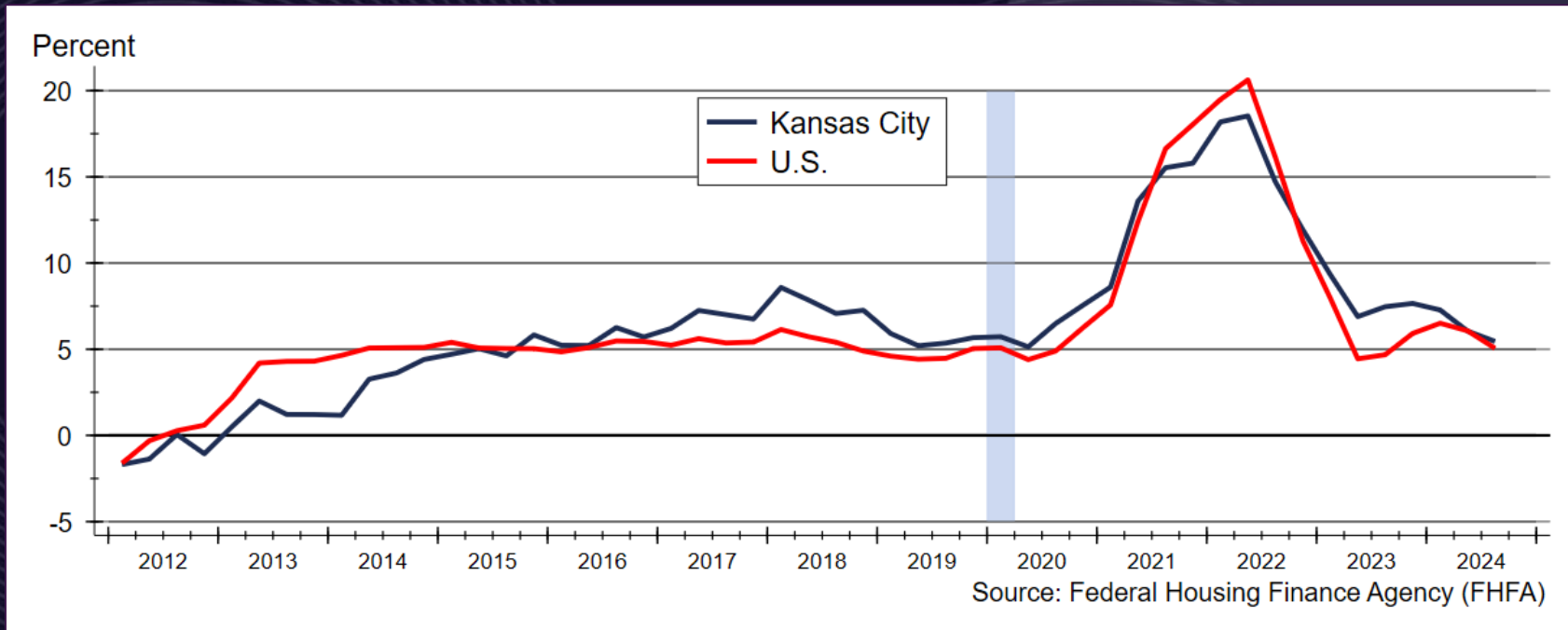
Source: CRE using data from Heartland MLS

Note: Kansas sales only



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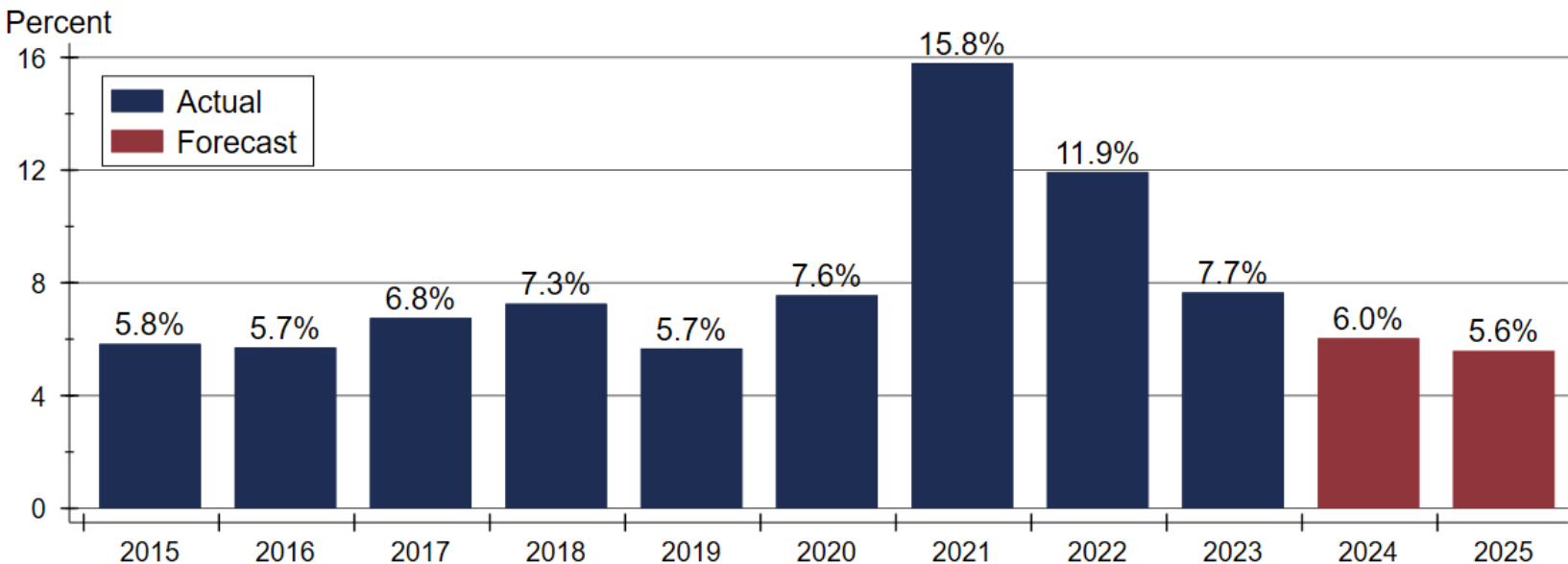
# Home Price Appreciation





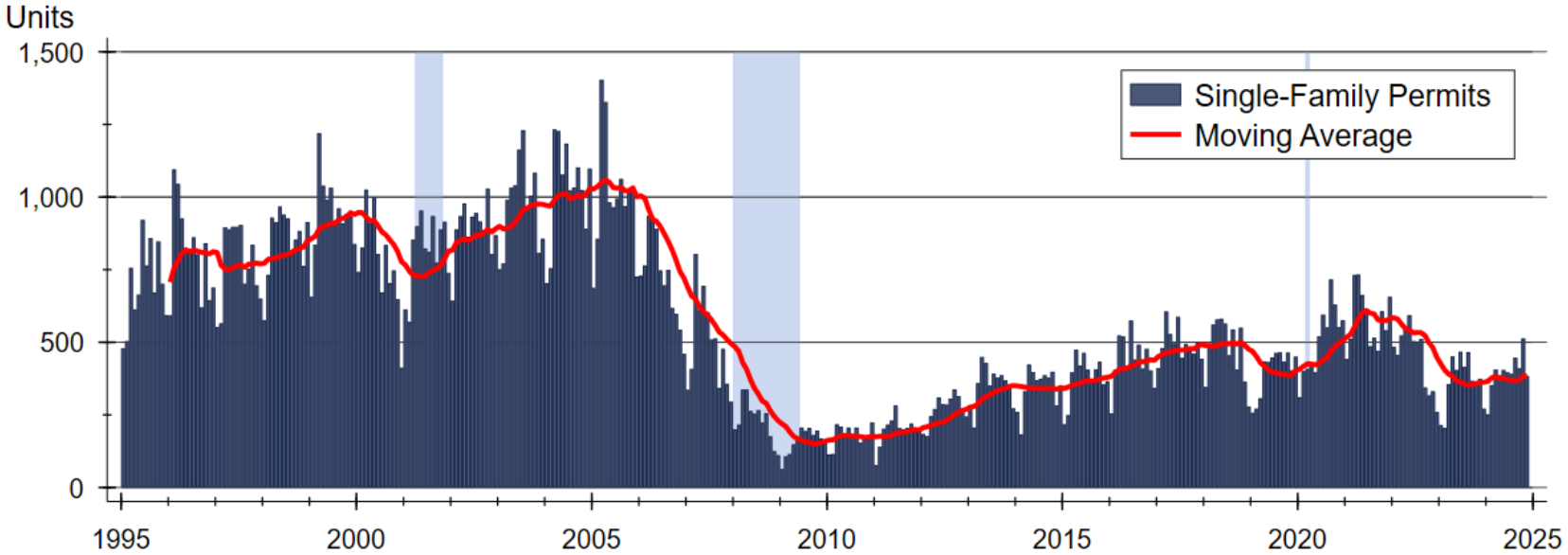
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# Kansas City Home Price Appreciation Forecast



Sources: WSU Center for Real Estate and Federal Housing Finance Agency

# Kansas City MSA Single-Family Building Permits

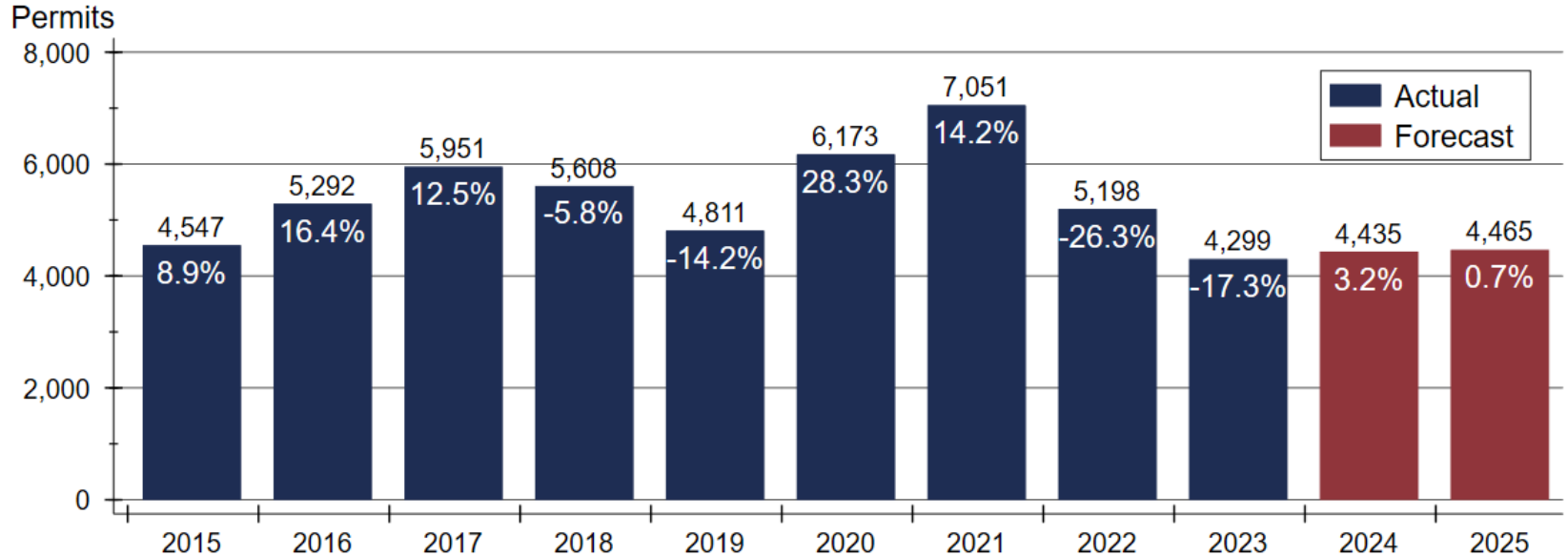


Source: U.S. Bureau of the Census

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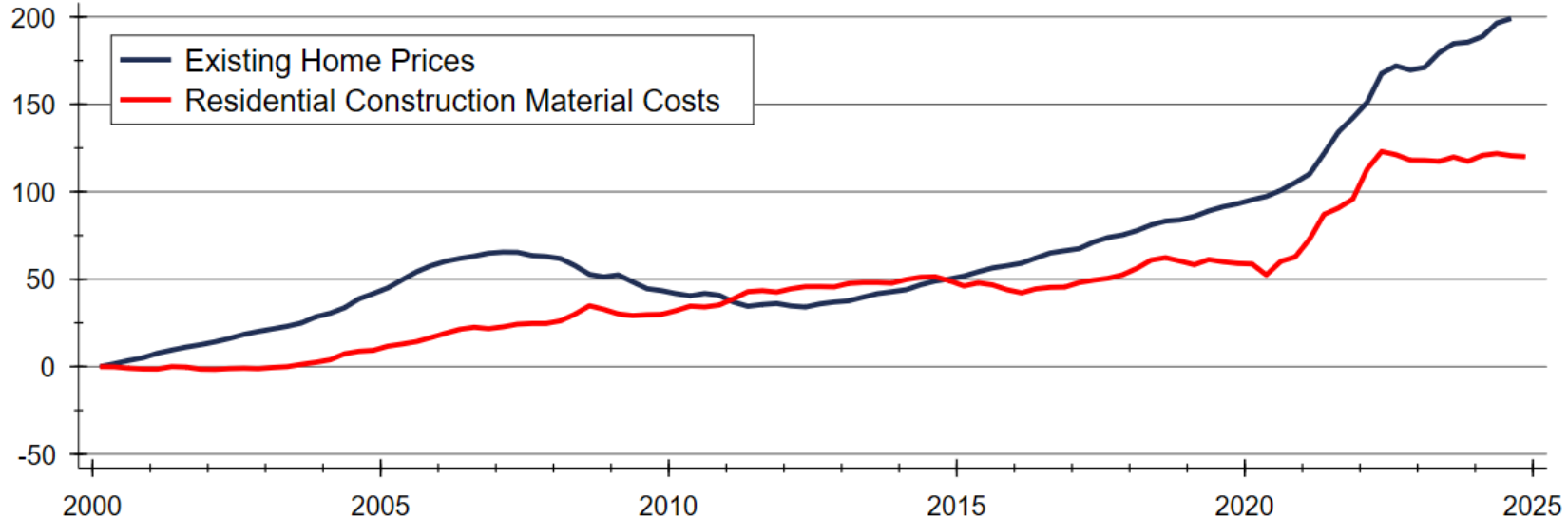
# Kansas City Single-Family Home Construction Forecast



Sources: WSU Center for Real Estate and U.S. Bureau of the Census

# Existing Home Price Appreciation vs. Residential Construction Costs

Percentage Change Since 2000q1



Source: Bureau of Labor Statistics and Federal Housing Finance Agency (FHFA)

# 2025 Kansas City Housing Forecast

	<u>2022 Actual</u>	<u>2023 Actual</u>	<u>2024 Act./Fore.</u>	<u>2025 Forecast</u>
Total Home Sales	40,737 units -11.3%	35,978 units -11.7%	36,368 units +1.1%	36,300 units
SF Building Permits	5,198 units -26.3%	4,299 units -17.3%	4,435 units +3.2%	4,465 units +0.7%
Home Price Appreciation	+12.1%	+7.4%	+6.0%	+5.6%



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