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2025 HOUSING
FORECAST

Full Circle

Dr. Stanley D. Longhofer
January 27, 2025

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

wichita.edu/realestate



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2025 Lawrence Forecast Sponsors



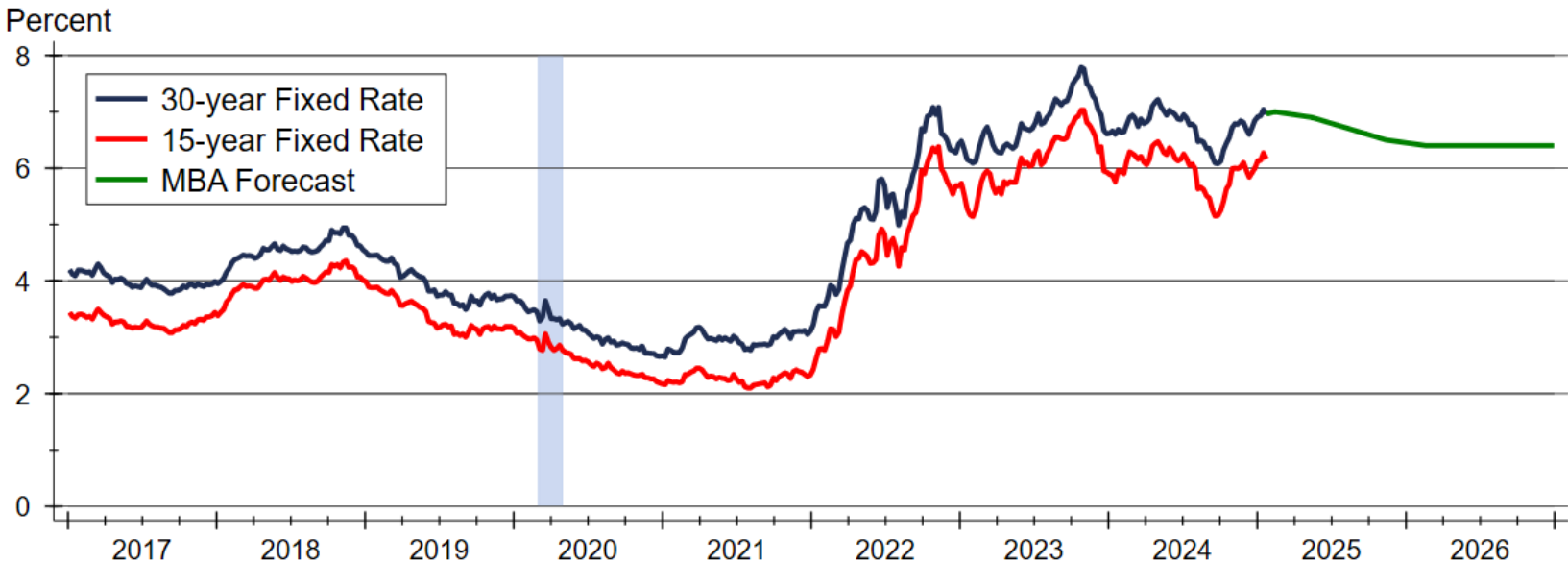
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Mortgage Rates Have Risen Recently

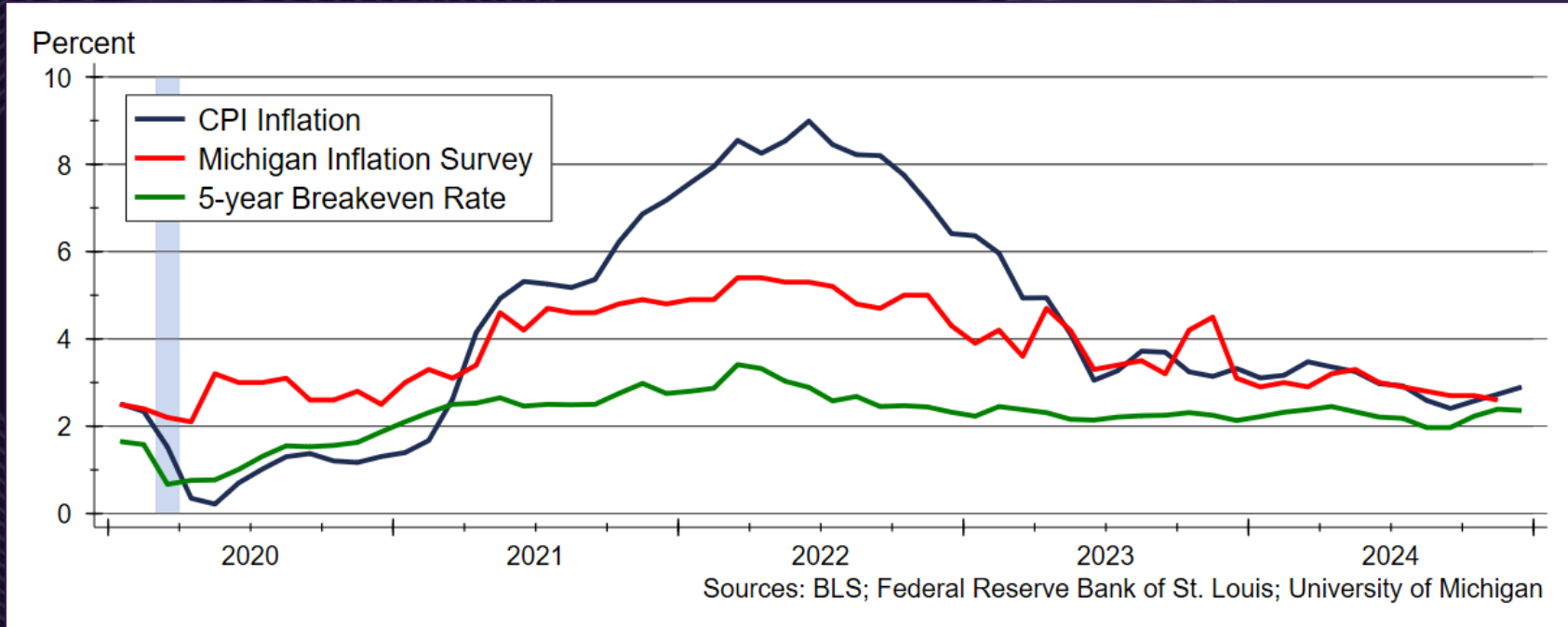


Sources: Freddie Mac; Mortgage Bankers Association



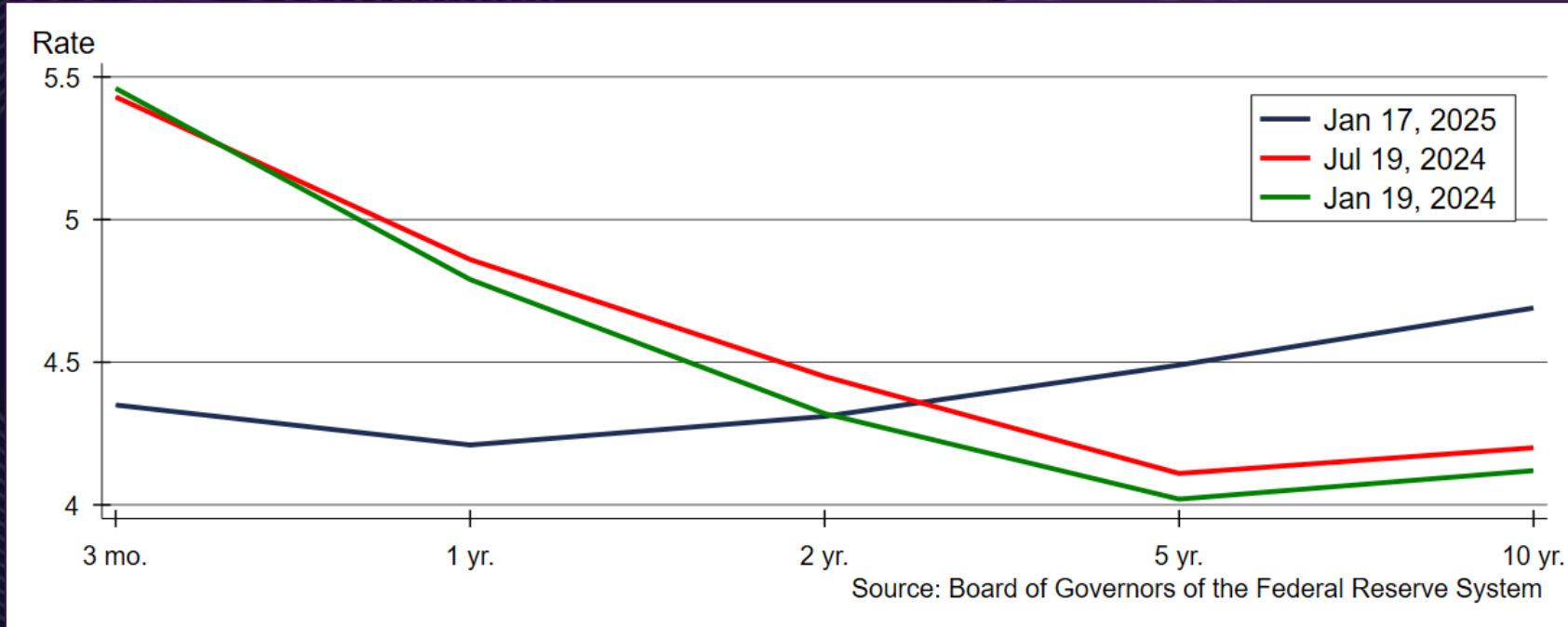
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Inflation Expectations Have Risen Slightly



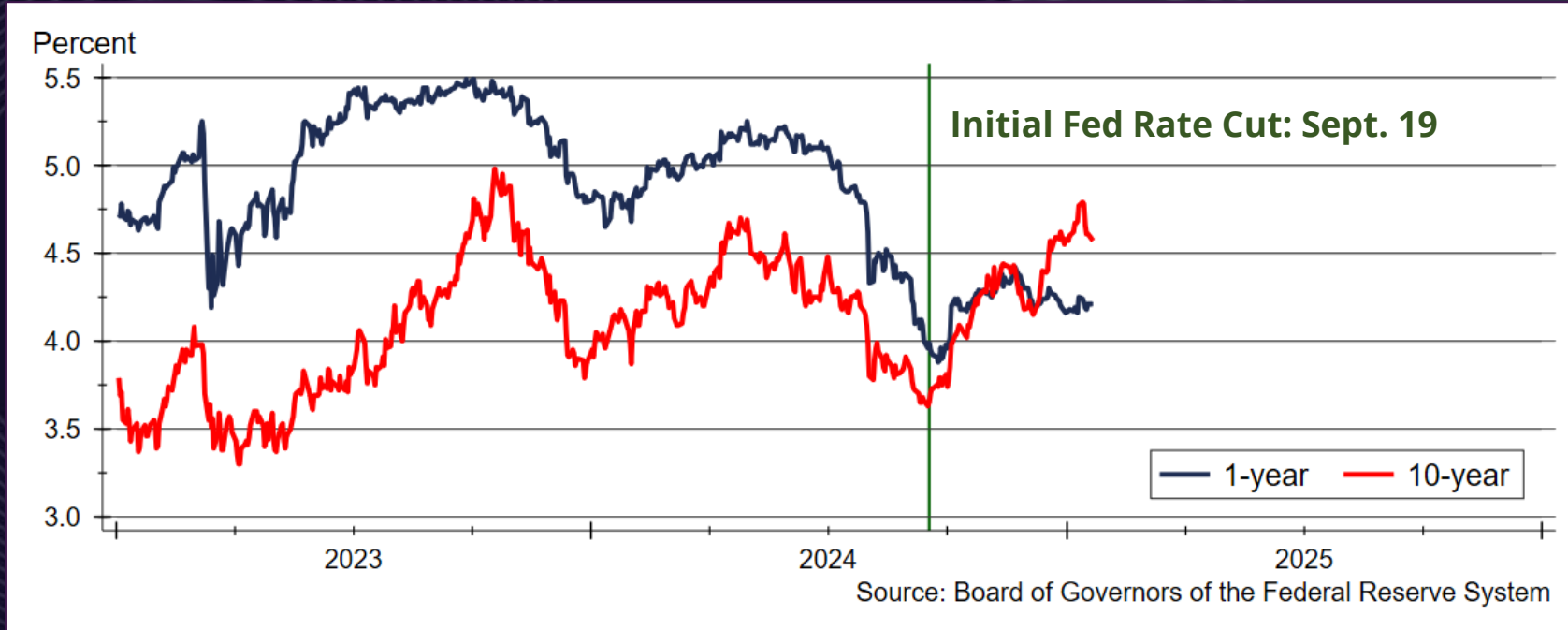


The Yield Curve Has “Reverted”



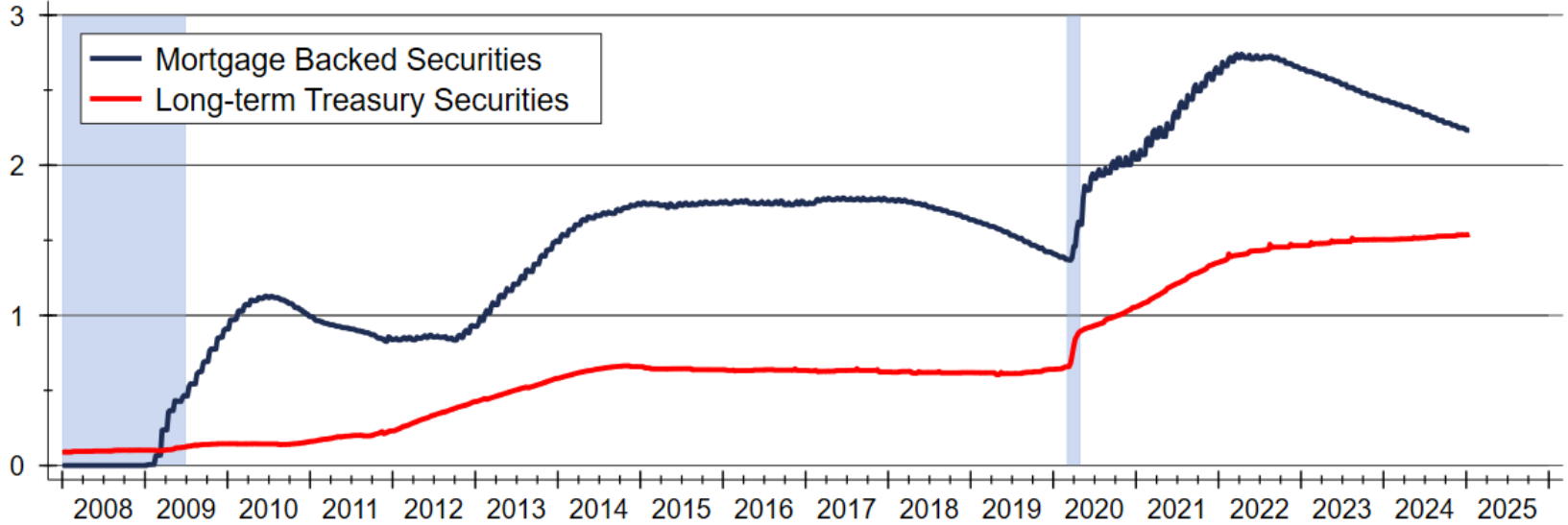


Daily Treasury Rates



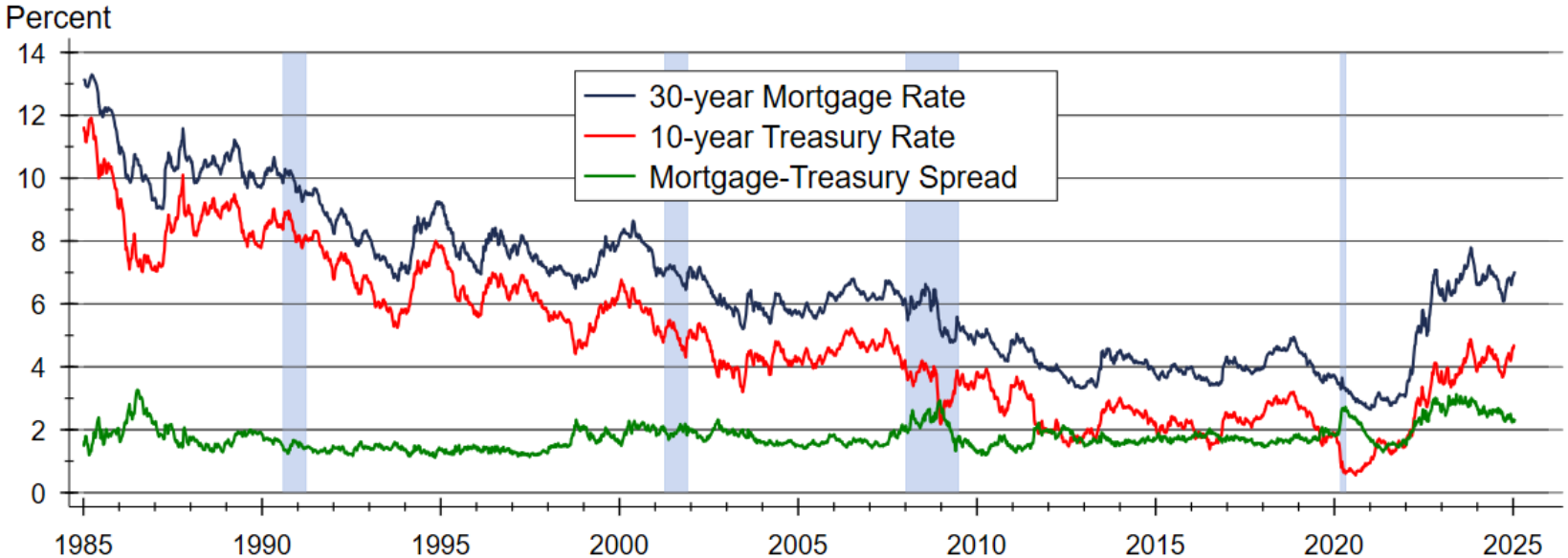
Federal Reserve Continues to Reduce MBS Holdings

Trillions of Dollars



Source: Federal Reserve Board of Governors

Mortgage Risk Premium Remains Higher than Normal

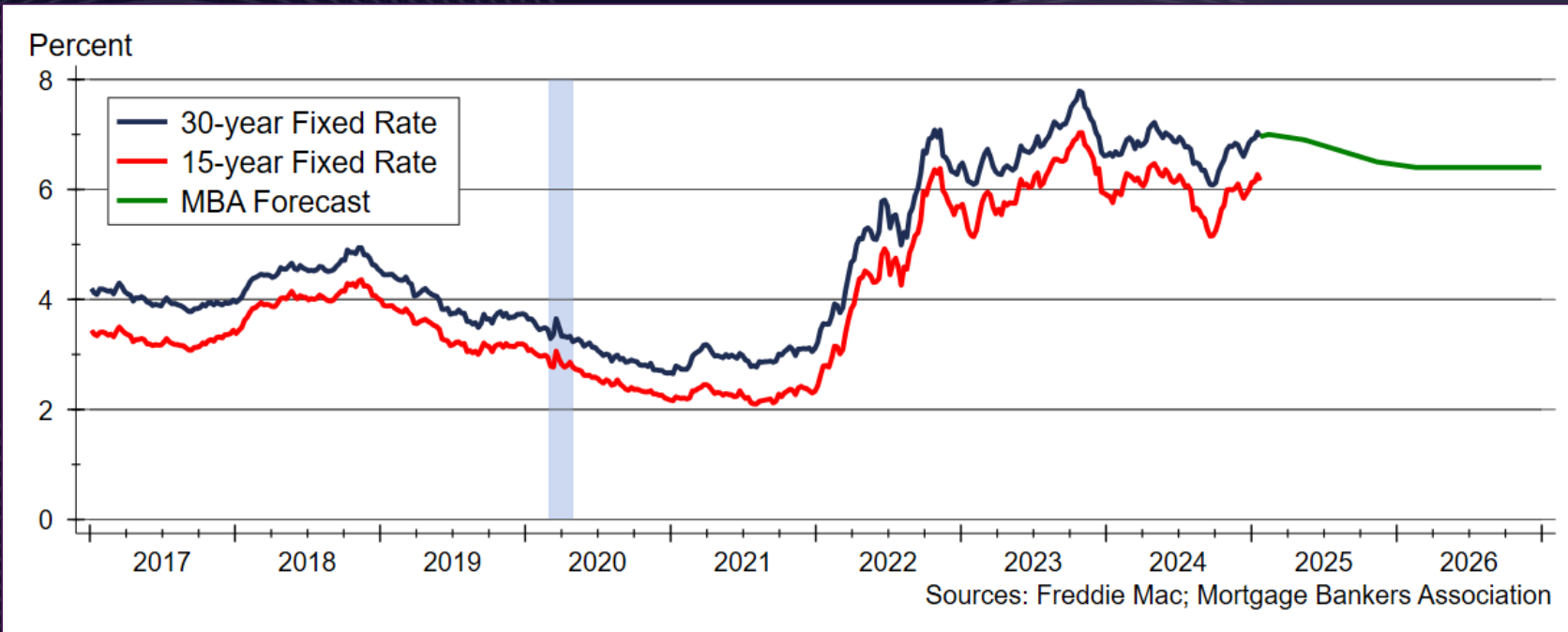


Sources: Board of Governors of the Federal Reserve System; Freddie Mac

Normal Mortgage Rates

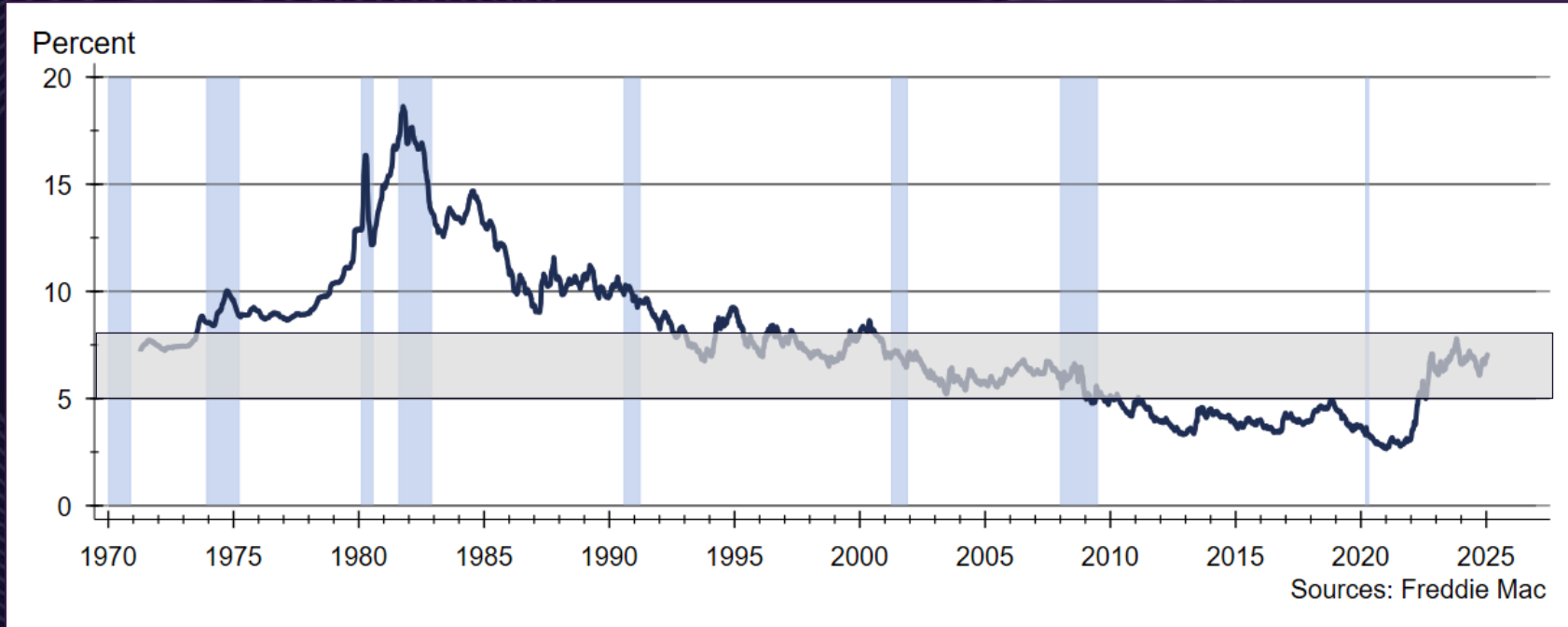
- In a healthy economy with low inflation, mortgage rates should incorporate the following
 - Real, risk-free return $\approx 2\% - 3\%$
 - Premium for expected inflation $\approx 1.5\% - 2.5\%$
 - Premium for risk $\approx 1.5\% - 2.5\%$
- *This implies the “normal” range for the 30-year fixed mortgage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

MBA Mortgage Rate Forecast





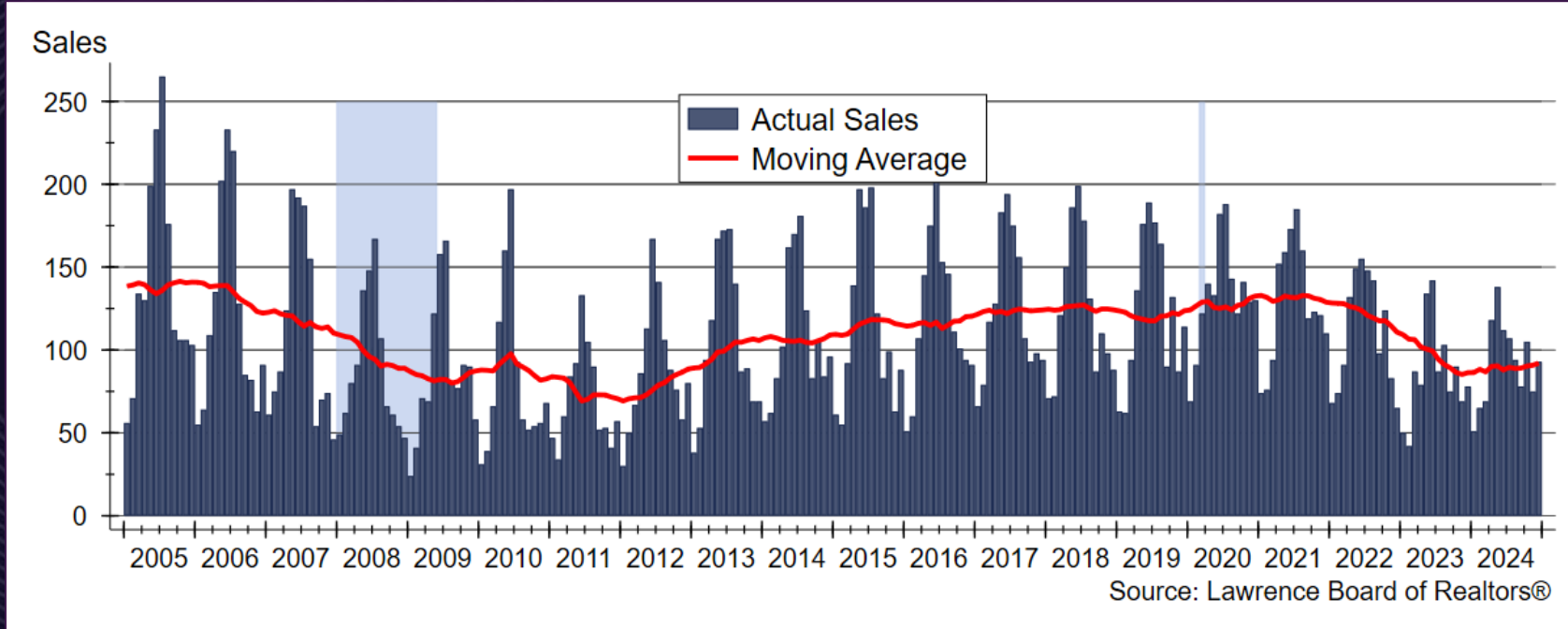
Historic Mortgage Rates





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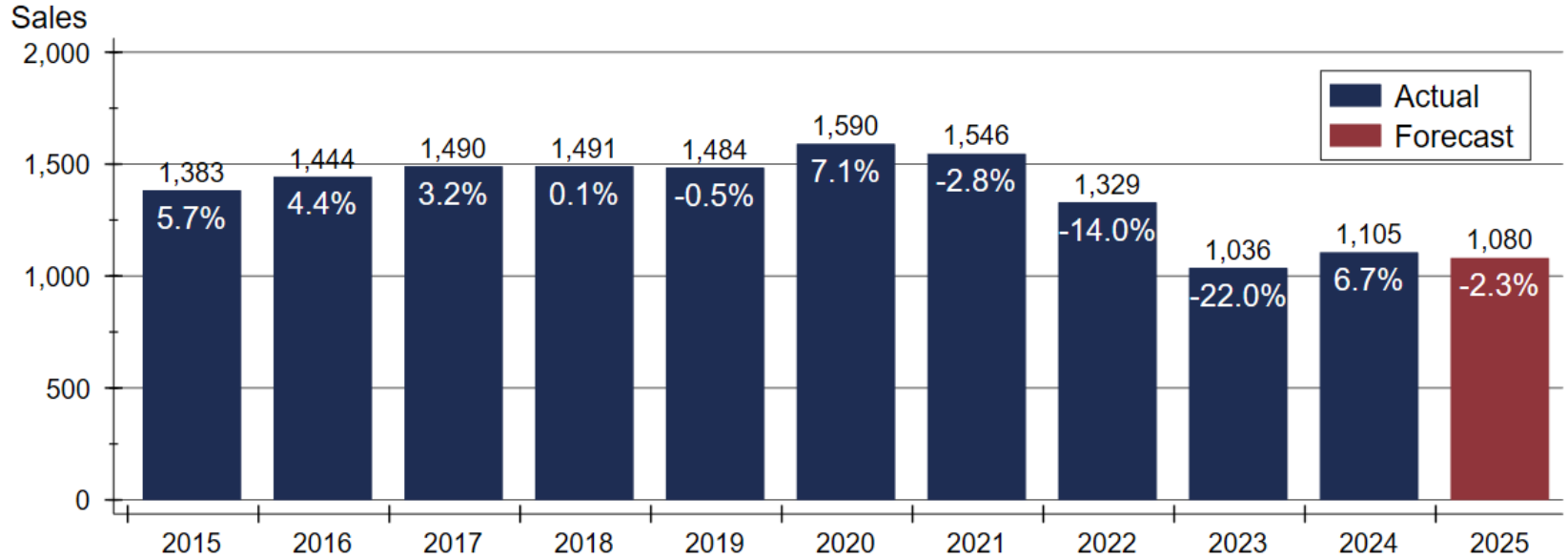
Lawrence Home Sales Activity





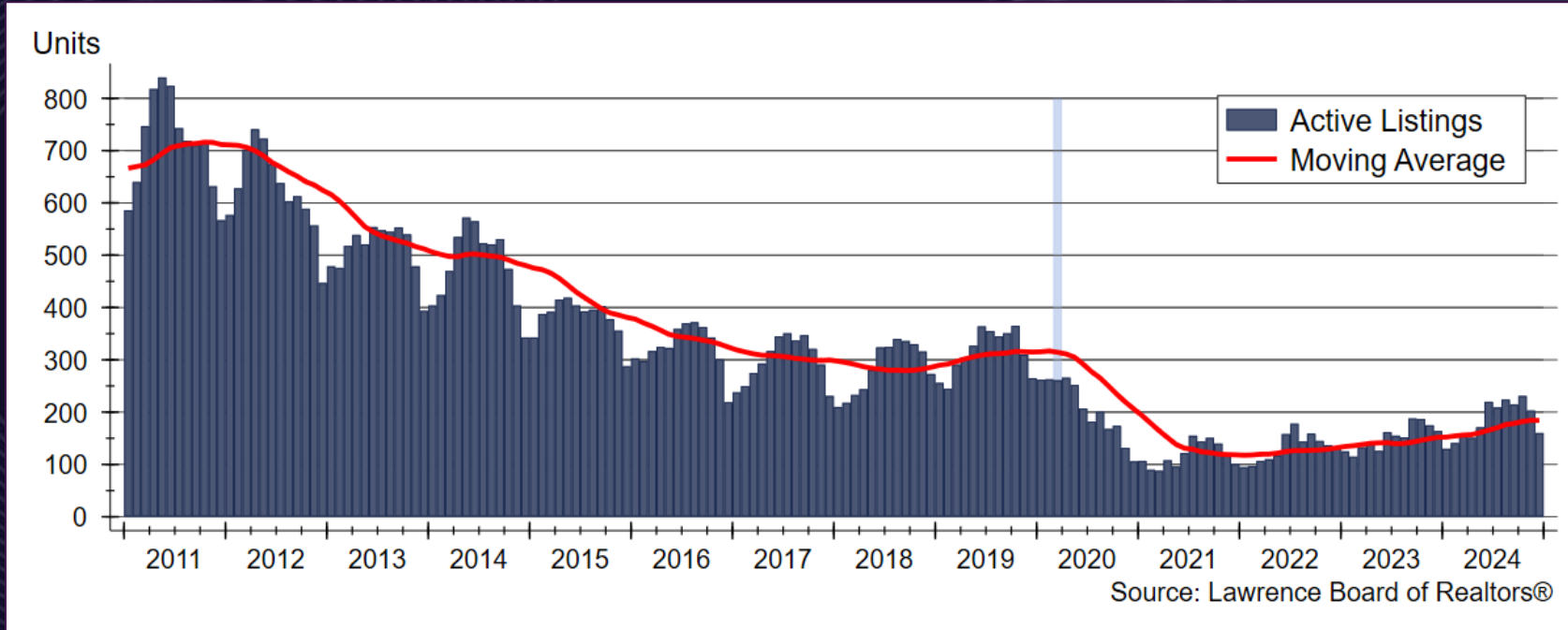
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Lawrence Home Sales Forecast



Sources: WSU Center for Real Estate and Lawrence Board of REALTORS®

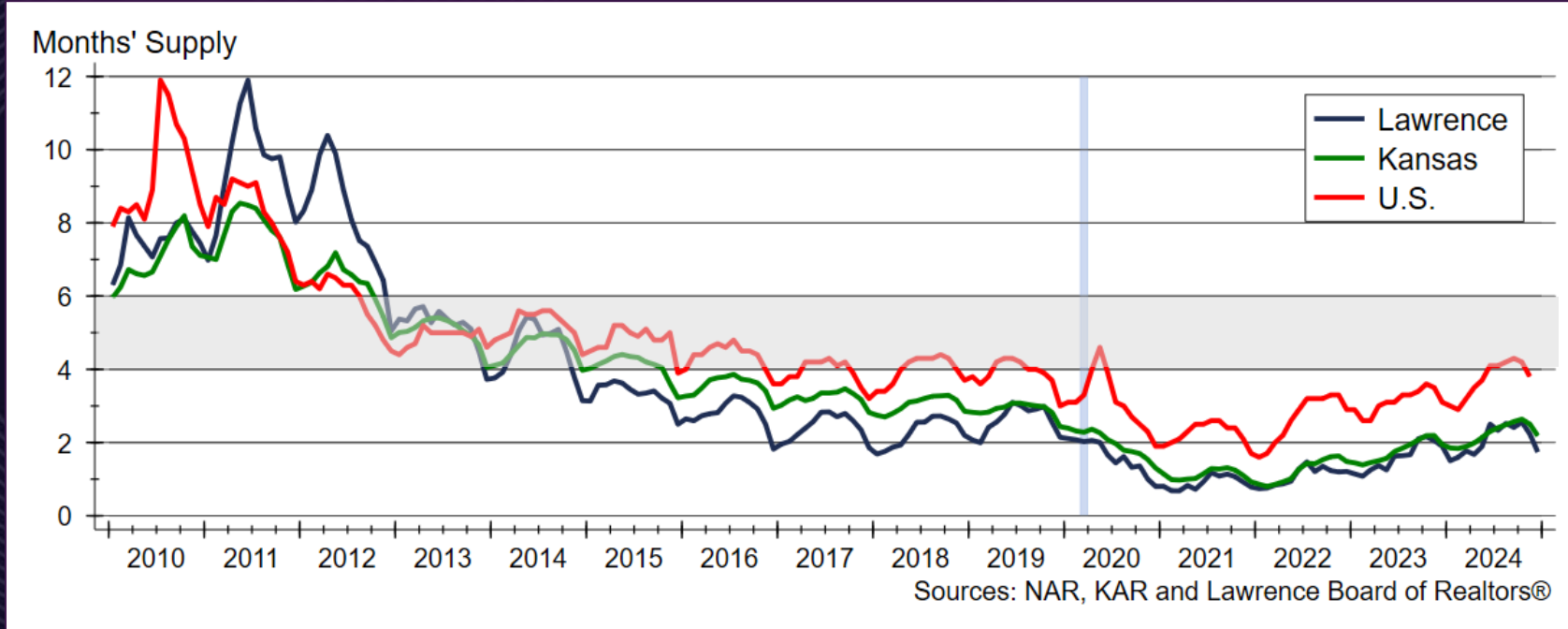
Active Listings are Still Well-Below Pre-Pandemic Levels



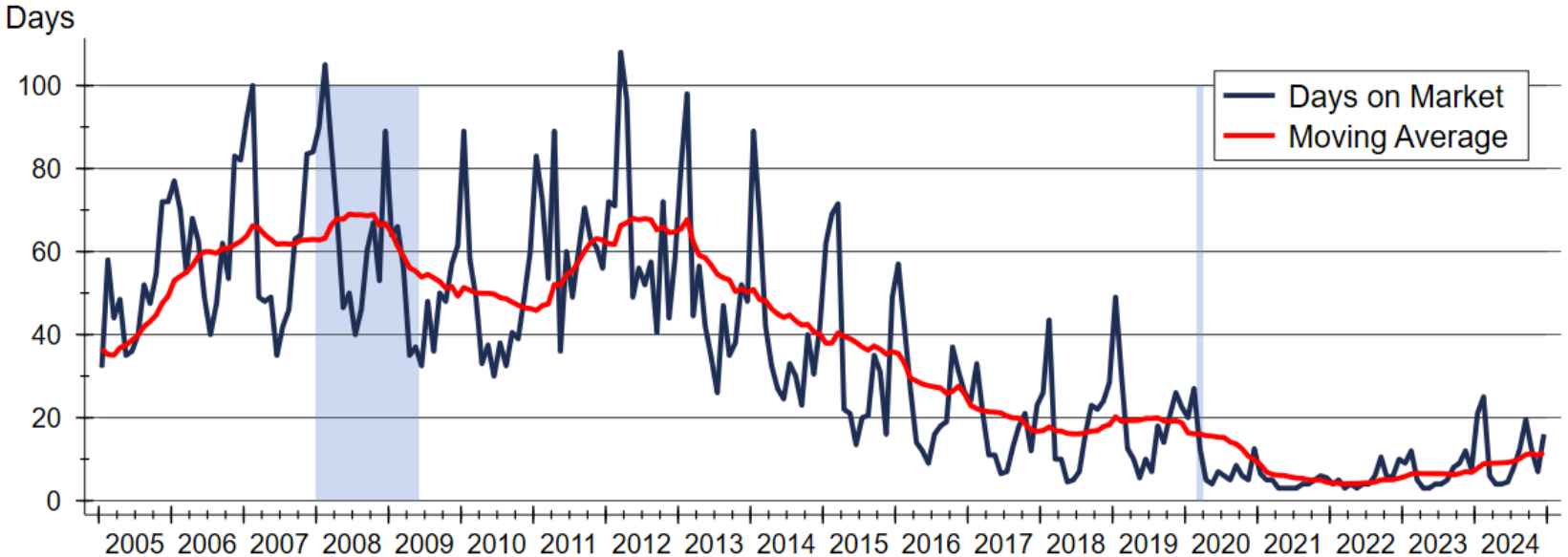


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Inventory of Homes Available for Sale

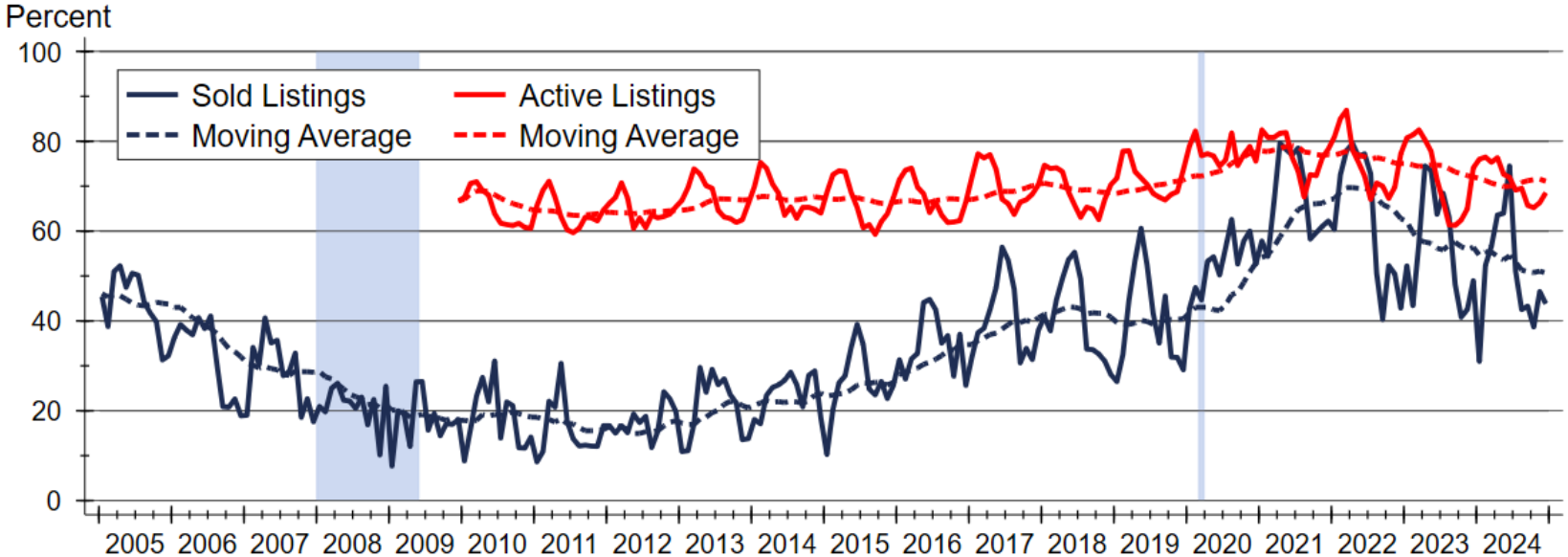


Median Number of Days On Market



Source: Lawrence Board of Realtors®

Premium Listings and Sales

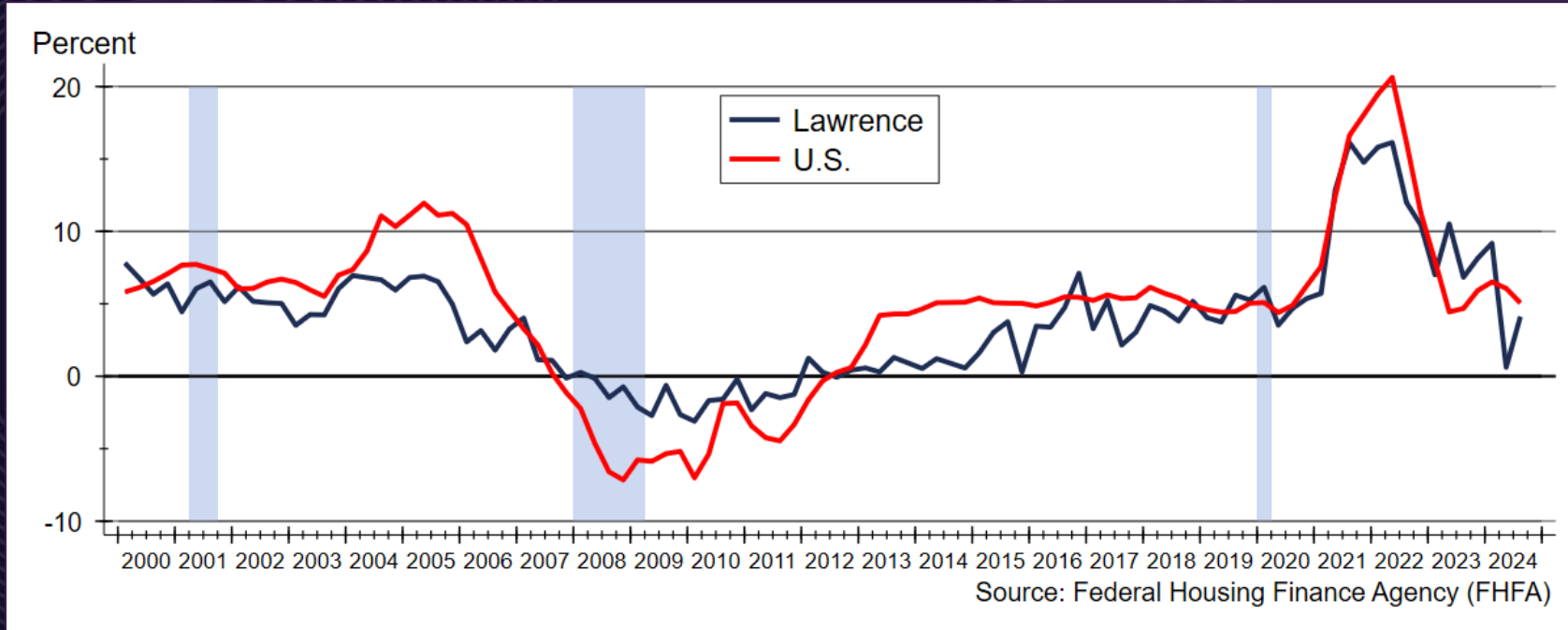


Source: CRE using data from Lawrence Board of Realtors®

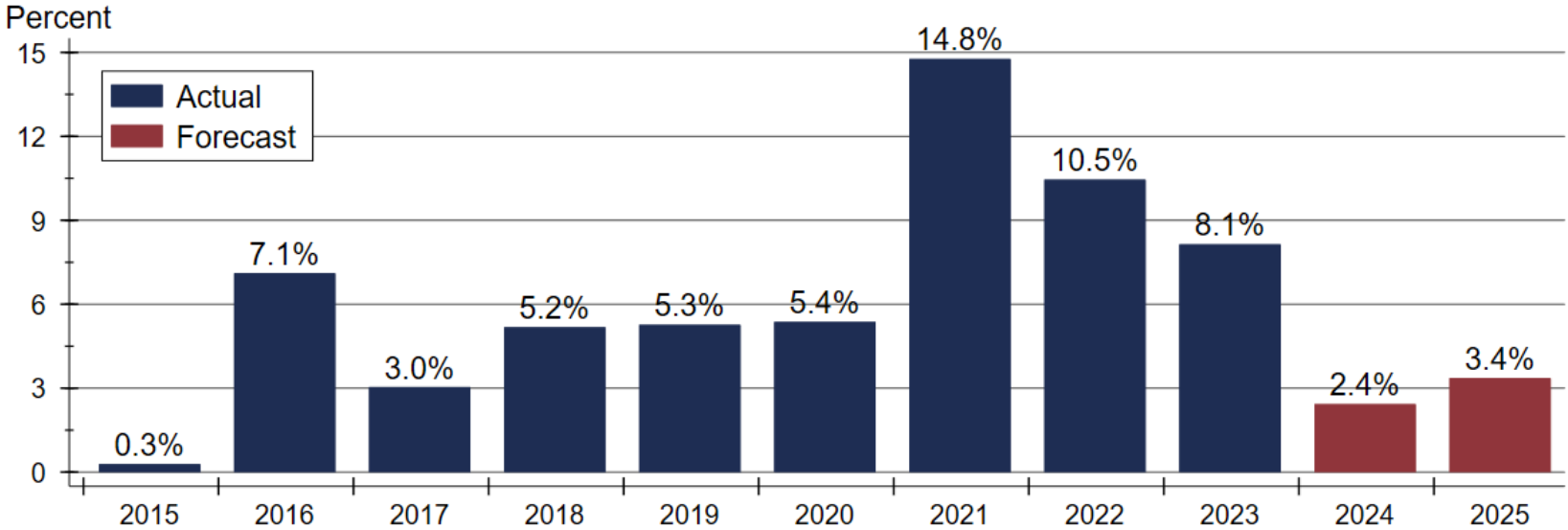


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Home Price Appreciation

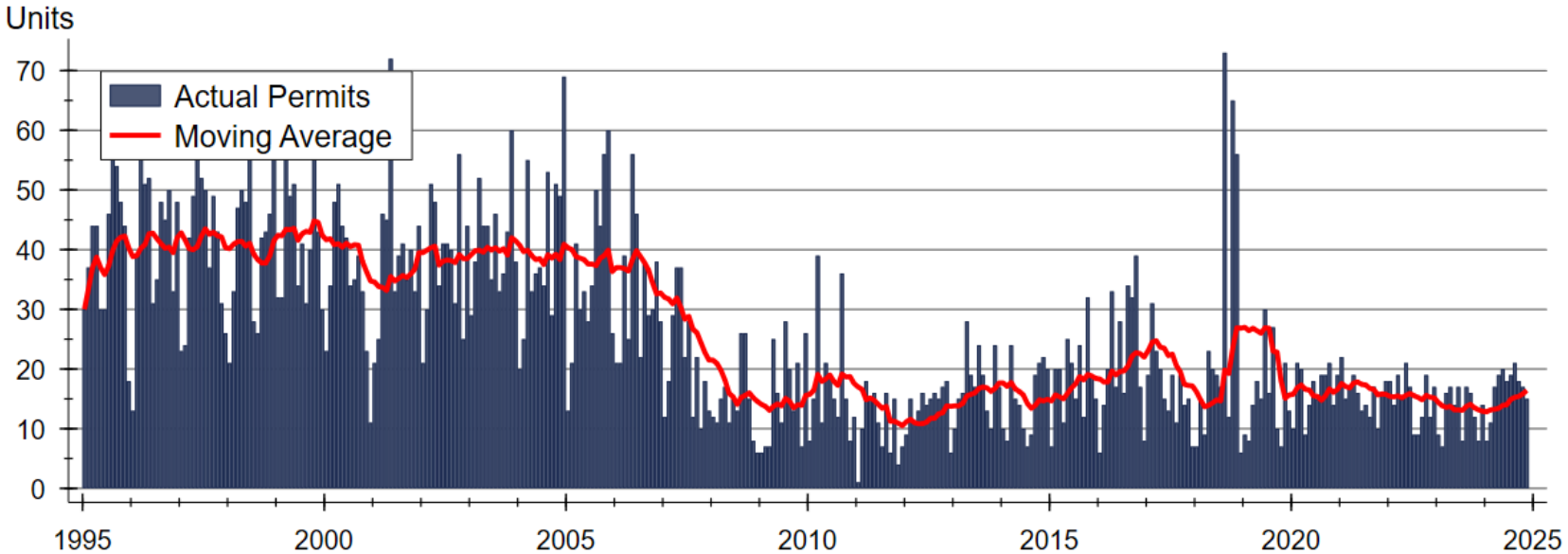


Lawrence Home Price Appreciation Forecast



Sources: WSU Center for Real Estate and Federal Housing Finance Agency
Appreciation calculated using 4th quarter values of the FHFA all-transactions house price index

Lawrence MSA Single-Family Building Permits

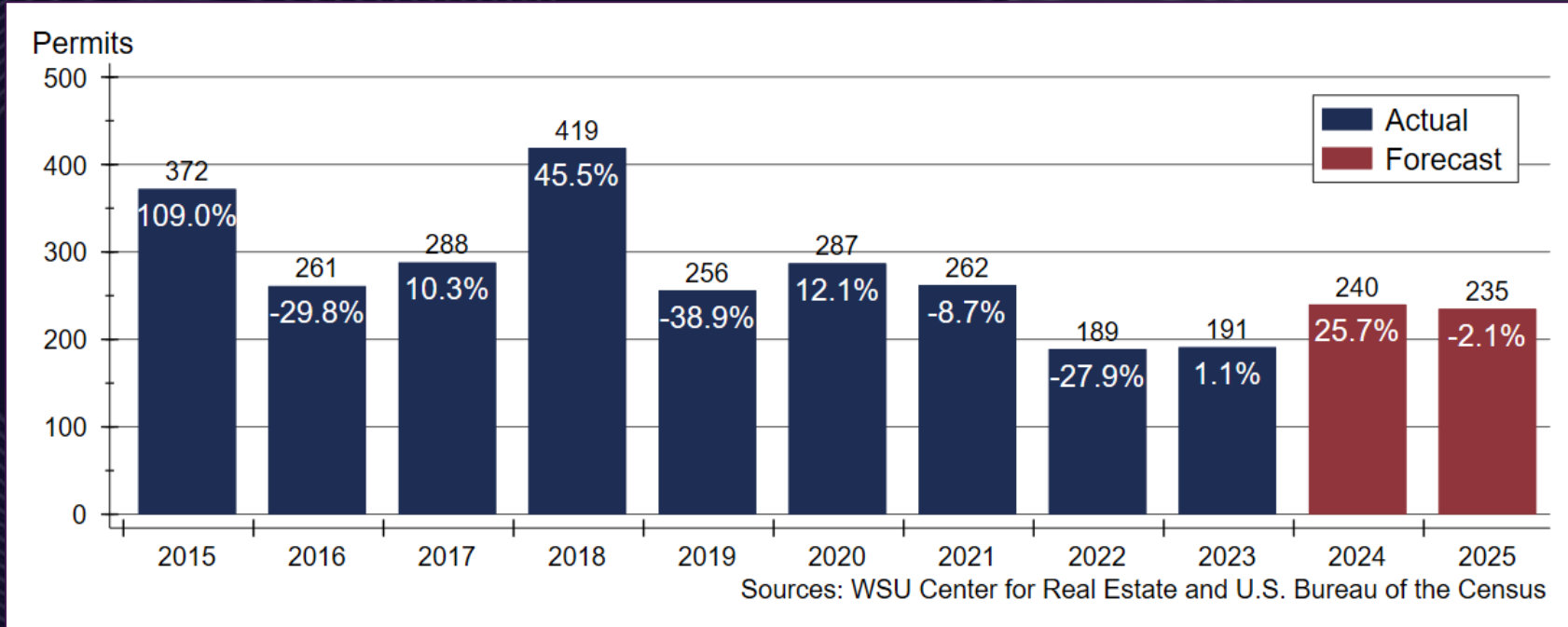


Source: U.S. Bureau of the Census

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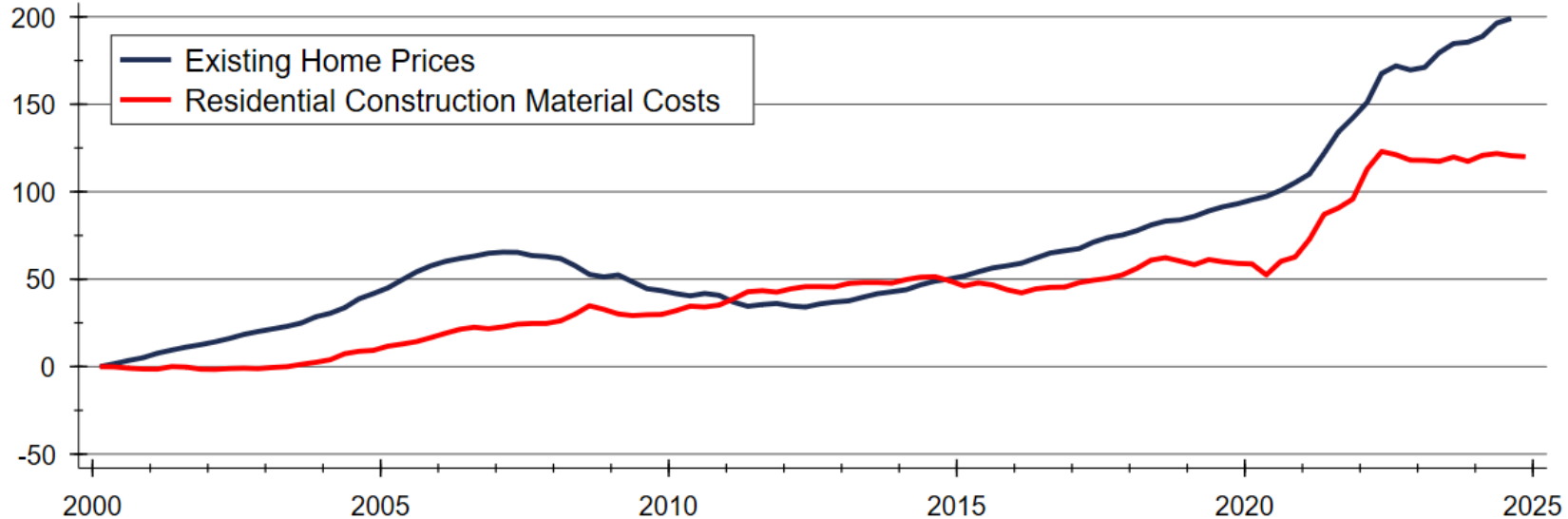


Lawrence Single-Family Home Construction Forecast



Existing Home Price Appreciation vs. Residential Construction Costs

Percentage Change Since 2000q1



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



2025 Lawrence Housing Forecast

	2022 <u>Actual</u>	2023 <u>Actual</u>	2024 <u>Act./Fore.</u>	2025 <u>Forecast</u>
Total Home Sales	1,329 units -14.0%	1,036 units -22.0%	1,105 units +6.7%	1,080 units
SF Building Permits	189 units -27.9%	191 units +1.1%	240 units +25.7%	235 units -2.1%
Home Price Appreciation	+10.1%	+9.0%	+2.4%	+3.4%



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