

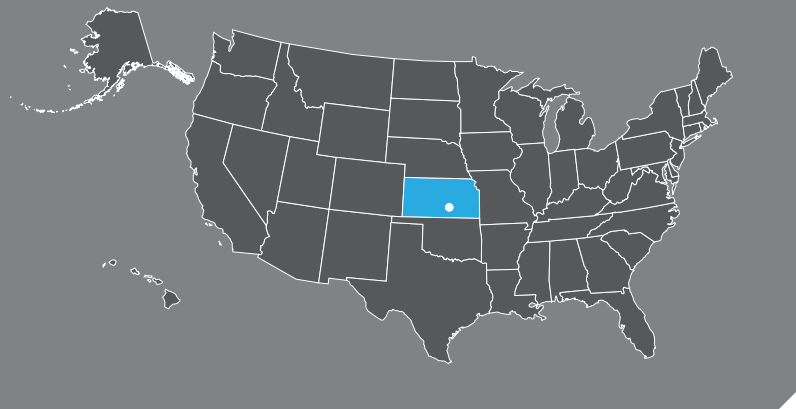
HUD PD&R Housing Market Profiles

Wichita, Kansas



Quick Facts About Wichita

- Current sales market conditions: slightly tight
- Current apartment market conditions: balanced
- Known as the “Air Capital of the World,” the Wichita metropolitan area is a key hub for aircraft and aircraft parts production. In the Wichita metropolitan area, payrolls in the aerospace manufacturing industry account for 46 percent of manufacturing jobs and 8 percent of nonfarm jobs overall.



By Randall Goodnight | As of December 1, 2020

Overview

The Wichita metropolitan area consists of Butler, Harvey, Kingman, Sedgwick, and Sumner Counties in south-central Kansas. The metropolitan area is home to McConnell Air Force Base (AFB) and the corporate headquarters of 2020 Fortune 500 company Spirit AeroSystems, Inc. (hereafter, Spirit AeroSystems). The metropolitan area ranked sixth in the nation among places that take the least amount of time for renters to become owners in 2020, according to SmartAsset. The metropolitan area was ranked 11th in the nation for best places to live for recent college graduates in 2020, according to a report by Interest.com. The relatively low cost of living in the metropolitan area contributed to those rankings.

- The current population of the metropolitan area is an estimated 653,800, representing an average increase of 2,150, or 0.3 percent, annually since April 2010, entirely the result of net natural increase (Census Bureau and estimates by the analyst).
- With 516,000 residents, Sedgwick County was the most populous county in 2019, accounting for 80 percent of the population of the metropolitan area.

continued on page 2



continued from page 1

- The population of Sedgwick County increased an average of 1,900, or 0.4 percent, annually from 2010 to 2019, representing the greatest growth among counties in the metropolitan area both in number and rate.
- Wichita, in Sedgwick County, was the largest city in the metropolitan area and the state in 2019, with a population of 389,900, up an average of 1,150, or 0.3 percent, annually since 2010.

Economic Conditions

The economy of the Wichita metropolitan area has weakened significantly since the onset of COVID-19, which the World Health Organization declared a global pandemic on March 11, 2020. Beginning in late March 2020, the State of Kansas and local municipalities in the metropolitan area issued stay-at-home orders, mandated temporary closures of nonessential businesses, and placed restrictions on business hours and capacity in an effort to slow the spread of COVID-19. Consequently, widespread layoffs occurred in the metropolitan area. During March and April 2020, nonfarm payrolls decreased by a combined 32,000 jobs, or 10.4 percent, compared with February 2020. Many restrictions on business operations have since been lifted in the metropolitan area; this easing of restrictions allowed most businesses to reopen and contributed to a combined increase of 19,800 jobs during the months of May through November 2020. This increase represents a recovery of 62 percent of the jobs lost during March and April 2020.

Nonfarm payrolls in the metropolitan area reached a pre-Great Recession peak level of 310,500 jobs during 2008, before

declining an average of 4.1 percent annually during 2009 and 2010 as a result of the housing crisis and Great Recession. The metropolitan area economy began to stabilize during 2011, declining only 0.2 percent, and began to recover in 2012. Nonfarm payrolls increased an average of 0.8 percent annually from 2012 through 2016 before declining 0.7 percent during 2017. Job growth averaged 4,900, or 1.6 percent, annually during 2018 and 2019. Contributing to relatively strong job growth during the period were gains in the manufacturing sector, which increased by an average of 2,300, or 4.5 percent, annually. Nearly two-thirds of the gain in the sector occurred in the aerospace product and parts manufacturing industry, which increased by 1,500, or 5.4 percent, annually.

During the 3 months ending November 2020—

- Nonfarm payrolls declined by an average of 12,500, or 4.1 percent, to 294,900 jobs, compared with a 1.3-percent increase during the same period a year earlier.
- Nonfarm payroll declines were greatest in the manufacturing sector, which is the largest sector in the metropolitan area.

continued on page 3

Nonfarm payrolls decreased significantly in the Wichita metropolitan area during the 3 months ending November 2020, with 45 percent of losses occurring in the manufacturing sector.

	3 Months Ending		Year-Over-Year Change	
	November 2019 (Thousands)	November 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	307.4	294.9	-12.5	-4.1
Goods-Producing Sectors	71.4	65.6	-5.8	-8.1
Mining, Logging, & Construction	16.3	16.1	-0.2	-1.2
Manufacturing	55.1	49.5	-5.6	-10.2
Service-Providing Sectors	235.9	229.3	-6.6	-2.8
Wholesale & Retail Trade	40.4	39.3	-1.1	-2.7
Transportation & Utilities	10.2	10.5	0.3	2.9
Information	3.9	3.5	-0.4	-10.3
Financial Activities	11.8	11.5	-0.3	-2.5
Professional & Business Services	35.3	35.4	0.1	0.3
Education & Health Services	47.1	47.6	0.5	1.1
Leisure & Hospitality	32.9	28.8	-4.1	-12.5
Other Services	11.2	10.4	-0.8	-7.1
Government	43.1	42.3	-0.8	-1.9
Unemployment Rate	3.1%	7.3%		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



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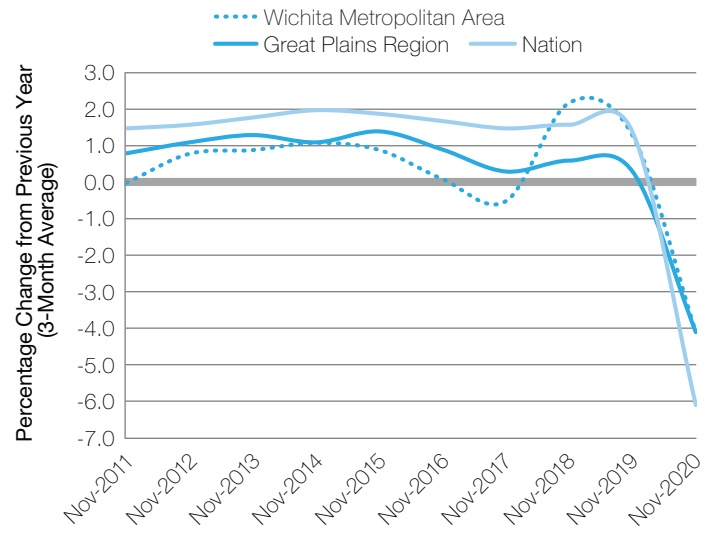
The manufacturing sector decreased by 5,600, or 10.2 percent, to 49,500.

- The aerospace product and parts manufacturing industry declined by 7,700, or 25.4 percent, to 22,700, accounting for all of the decline in the manufacturing sector. Decreased national demand for commercial aircraft contributed to the decline.
- Nonfarm payroll declines were also significant in the leisure and hospitality sector, which decreased by 4,100, or 12.5 percent, to 28,800. More than three-fourths of losses in the sector occurred in the food services and drinking places industry, which decreased by 3,100, or 12.5 percent, to 21,900. Widespread layoffs stemming from countermeasures implemented to slow the spread of COVID-19 contributed to the decline.
- Job growth occurred in only three job sectors—the education and health services, the transportation and utilities, and the professional and business services sectors—increasing by 500, 300, and 100 jobs, or 1.1, 2.9, and 0.3 percent, respectively.
- The average unemployment rate increased to 7.3 percent, compared with 3.1 percent a year earlier.

The metropolitan area economy is heavily dependent on the aerospace industry. Annual payrolls in the aerospace product and parts manufacturing industry in the metropolitan area totaled \$2.3 billion in 2018 (Bureau of Labor Statistics). The aerospace product and parts manufacturing industry is also a large exporter of transportation equipment to the international market. Aircraft products and parts exports accounted for 10 percent of the metropolitan area gross domestic product in 2018 (The Brookings Institution and JPMorgan Chase & Co., Export Monitor). Spirit AeroSystems and Textron Aviation Inc. are the largest and second largest employers in the metropolitan area, with 13,500 and 9,500 employees, respectively. McConnell AFB is the third largest employer,

with 6,550 employees; this number includes 5,650 military personnel and 900 civilian employees. McConnell AFB includes the 22nd Air Refueling Wing, the 931st Air Refueling Wing, and the Kansas Air National Guard 184th Intelligence Wing.

The number of jobs declined in the Wichita metropolitan area and the Great Plains region at a slower pace than the nation during the 3 months ending November 2020.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Wichita Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Spirit AeroSystems, Inc.	Manufacturing	13,500
Textron Aviation Inc.	Manufacturing	9,500
McConnell Air Force Base	Government	6,550

Notes: Excludes local school districts. Data for McConnell Air Force Base include military personnel, who are generally not included in nonfarm payroll survey data. Sources: Greater Wichita Partnership; employers

Sales Market Conditions

Sales housing market conditions are slightly tight in the Wichita metropolitan area. The estimated sales vacancy rate is currently 1.5 percent, down from 2.2 percent as of April 1, 2010, when conditions were soft. The relatively tighter home sales market conditions compared with 2010 have been partly because of a decrease in unsold home inventory available for sale. The inventory of unsold homes in November 2020 was 1,200, down 38 percent from a year earlier and down 72 percent compared with March 2010 (Wichita State University, or WSU). The

decrease in the inventory of homes for sale during the past year reflects a large number of existing homes for sale being taken off the market during the COVID-19 pandemic.

As of October 2020, 4.4 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or in real estate owned (REO) status, up from 1.5 percent a year earlier but below the 4.6-percent peak rate in January 2012 (CoreLogic, Inc.). The percentage of seriously delinquent mortgages and REO properties increased significantly as

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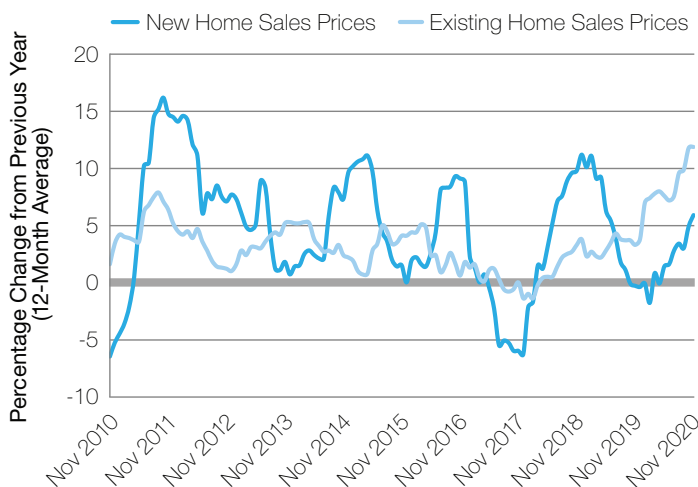
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weakened economic conditions during the COVID-19 pandemic made it more difficult for many homeowners to stay current on their mortgage payments. As of October 2020, 2,425 home loans, or 3.9 percent, were in forbearance. Of the home loans in forbearance, about 1,550, or 64 percent, were in forbearance for 90 or more days, accounting for 57 percent of seriously delinquent mortgages and REO properties. During the 12 months ending November 2020, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 14,200, unchanged from a year earlier (Zonda). The average home price increased by a record level of \$21,850, or 12 percent, to \$207,200. Contributing to the record increase in the average home price was the recent decline in the number of homes in unsold inventory, placing upward pressure on home prices. By comparison, home sales declined 1 percent during the 12 months ending November 2019, and the average home price increased 3 percent.

During the 12 months ending November 2020—

- New home sales increased 8 percent to 860 homes, and the average price for a new home increased 6 percent to \$317,400. New home sales were greatest in the city of Wichita, accounting for 66 percent of total new home sales in the metropolitan area.
- Existing home sales, which include regular resales and REO sales, declined 1 percent to 13,250, and the average price for existing homes increased 12 percent to \$198,400.

Year-over-year existing home price growth in the Wichita metropolitan area was at a record pace in November 2020, and new home prices have increased since May 2020.

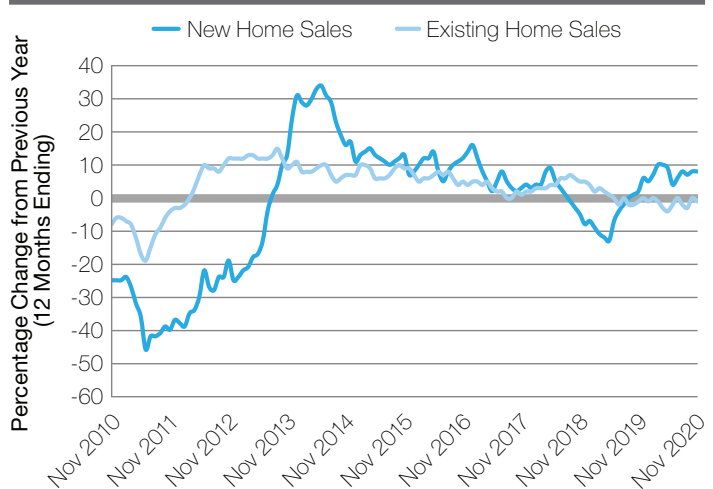


Note: Includes single-family homes, townhomes, and condominiums. Source: Zonda

- Regular resale home sales increased 1 percent to 12,800 homes, and the average price for a regular resale home increased 11 percent to \$201,000 from a year earlier.
- REO sales decreased 34 percent to 540, and the average REO sale price declined 5 percent to \$111,800. REO sales accounted for only 4 percent of existing home sales, down

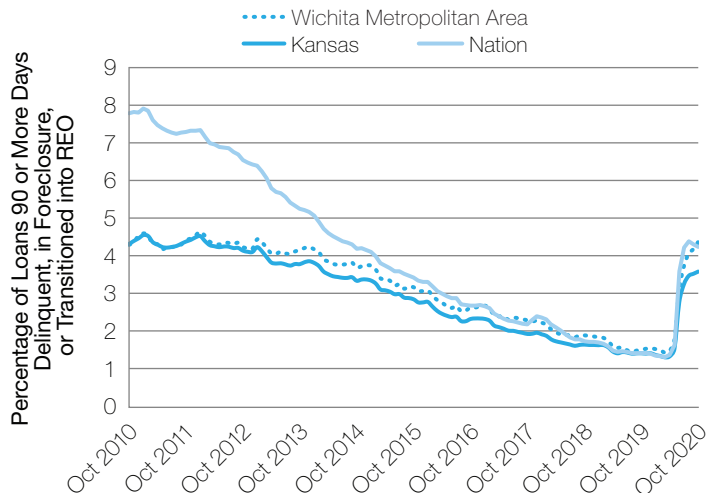
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New home sales in the Wichita metropolitan area have increased year-over-year every month since October 2019, but existing home sales have been relatively flat since June 2019.



Note: Includes single-family homes, townhomes, and condominiums. Source: Zonda

The rates of properties becoming seriously delinquent and REO properties have surged in the Wichita metropolitan area, the state of Kansas, and the nation since June 2020.



REO = real estate owned. Source: CoreLogic, Inc.



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from 6 percent a year earlier and down from the peak level of 17 percent during 2011.

- Absentee-owner home sales, which are primarily investment or second-home purchases, accounted for 8 percent of total home sales, down from 12 percent a year earlier and less than one-half the average of 20 percent of home sales from 2010 through 2018.

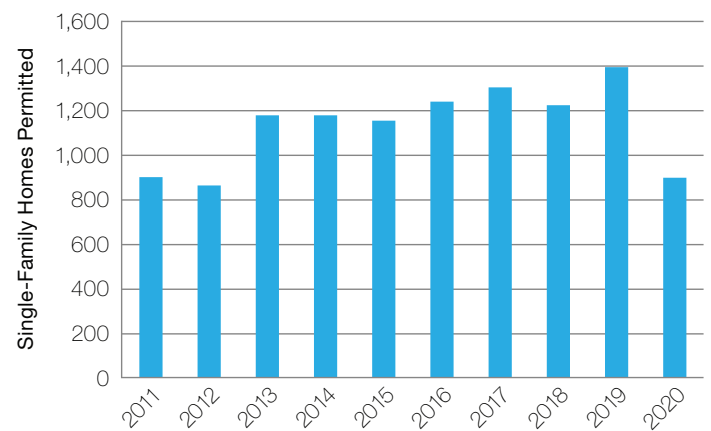
Single-family homebuilding activity, as measured by the number of single-family homes permitted, decreased by 340, or 26 percent, to 960 homes during the 12 months ending November 2020 compared with a year earlier. The decline was partly because of decreased single-family home production during the second quarter of 2020, when economic and home sales market uncertainty stemming from the effects of the COVID-19 pandemic were greatest. Approximately 280 homes are currently under construction.

- As a result of decreased home sales demand stemming from the housing crisis and Great Recession, single-family home permitting in the metropolitan area slowed to an average of 1,050 permits annually from 2009 through 2012.
- From 2013 through 2019, single-family home construction activity averaged 1,250 homes annually. Increased demand stemming from job growth during most of the period, and increased access to credit, contributed to the gain in homebuilding during the period; the gain is compared with single-family home permitting from 2009 through 2012.
- Construction is currently underway at the Firefly residential community in the city of Wichita. Single-family homes with two to five bedrooms, ranging in size from 1,470 to 2,770 square feet, are offered at the development, with prices starting in the \$200,000s. Since opening in 2017, 37 new

homes have sold for an average price of \$344,300. An additional two homes are available for sale, and 21 home sites remain available for construction.

- In the city of Andover, east of the city of Wichita in Butler County, construction is nearing completion at the Prairie Creek home community. Since 2011, when construction began at the community, 116 new single-family homes have sold for an average price of \$203,200. The Prairie Creek residential community has four new two- and three-bedroom single-family homes available for sale, ranging in size from 1,150 to 1,400 square feet. Prices for those homes start at \$195,200, and three home sites remain available for construction.

Single-family home construction activity in the Wichita metropolitan area was relatively strong during 2013 through 2019 compared with that during 2011 and 2012.



Note: Includes preliminary data from January 2020 through November 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions are currently balanced in the metropolitan area, compared with softer conditions in 2010. During the third quarter of 2020, the average apartment vacancy rate was 4.0 percent, down from 5.1 percent a year earlier and 7.8 percent during the third quarter of 2010 (Reis, Inc.). By comparison, the average apartment vacancy rate was 5.2 percent from 2012 through 2018. An increased preference to rent, and the local economic recovery that began in 2012, contributed to a lower average apartment vacancy rate compared with 2010.

During the third quarter of 2020—

- The average apartment rent in the metropolitan area was \$658, an increase of 1 percent, compared with a 3-percent increase a year earlier.

- The average vacancy rate for class A apartments in the metropolitan area decreased to 4.6 percent from 5.3 percent a year earlier, and the average rent was \$848, unchanged from a year earlier.
- The average vacancy rate for class B/C apartments decreased to 3.8 percent from 4.5 percent a year earlier, and the average rent for class B/C units increased 2 percent to \$567.
- Apartment vacancy rates in the metropolitan area ranged from 3.2 percent in the Reis, Inc.-defined McConnell AFB market area, to 5.1 percent in the North Wichita market area. Average apartment rents ranged from \$528 in the South market area to \$752 in both the West Wichita and WSU/Northeast market areas.

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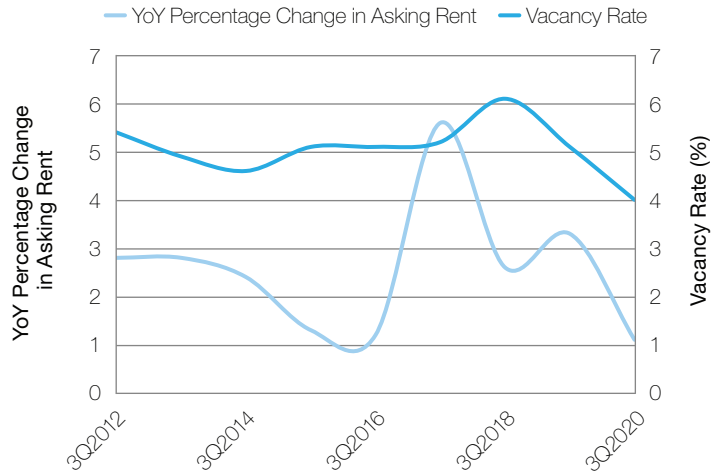


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Multifamily construction activity in the Wichita metropolitan area, as measured by the number of multifamily units permitted, fluctuated during 2010 through 2014. Annual building activity ranged from 250 units in 2010 to 940 units in 2012 and averaged 530 units annually from 2010 through 2014. During 2015 through 2017, multifamily construction activity was relatively strong, averaging 1,200 units annually, before slowing to an average of 830 multifamily units permitted annually during 2018 and 2019.

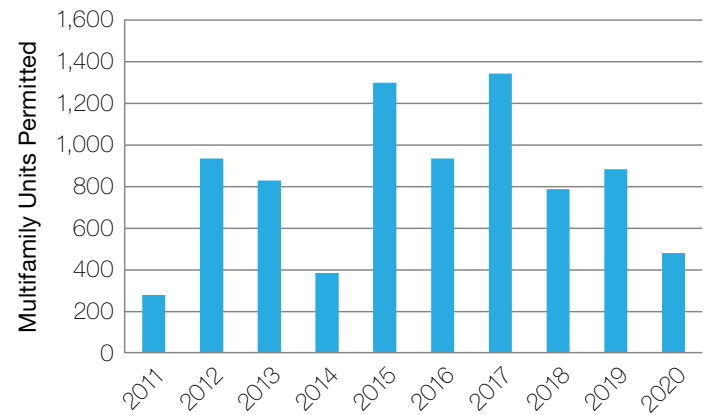
- Multifamily construction activity totaled an estimated 550 units during the 12 months ending November 2020, compared with 870 units permitted a year earlier (preliminary data, with adjustments by the analyst).
- Approximately 550 multifamily units are currently under construction in the metropolitan area, which are all in the city of Wichita. Since 2010, nearly two-thirds of all multifamily construction activity in the metropolitan area has occurred in the city of Wichita.
- In downtown Wichita, construction began in 2019 on the 204-unit 225 Sycamore apartment community. The development will include units ranging from studio units to four-bedroom units when completed. 225 Sycamore is expected to be completed in the spring of 2021.
- In the northeast portion of the city of Wichita, construction began in August 2020 on the Camden Chase Independent Senior Living community. The three-story, 134-unit development will be restricted to residents ages 55 and older. The community is expected to be complete by July 2021 and include 43 one-bedroom units and 91 two-bedroom units.

Rent growth in the Wichita metropolitan area has been moderate during most years since 2012, and the average vacancy rate has been below 6.0 percent every year except 2018.



3Q = third quarter. YoY = year-over-year.
Source: Reis, Inc.

Multifamily permitting in the Wichita metropolitan area has fluctuated, with relatively strong multifamily construction activity in 2015 and 2017.



Note: Includes preliminary data from January 2020 through November 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

