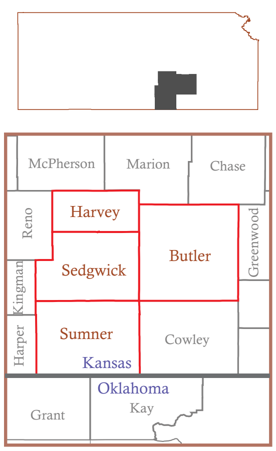
COMPREHENSIVE HOUSING MARKET ANALYSIS

Wichita, Kansas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2007

PD&R

Housing Market Area



The Wichita, Kansas Housing Market Area (HMA) is defined as Butler, Harvey, Sedgwick, and Sumner Counties in south-central Kansas and is coterminous with the Wichita Metropolitan Statistical Area. Wichita is the most populous city in Kansas, with a 2000 population of 344,284. The top three employers in the HMA are in aircraft manufacturing, which is the primary industry in the HMA.

Summary

Economy

Economic conditions in the Wichita HMA strengthened during the past 2 years after a downturn in the early part of the decade. Nonfarm employment for the 12 months ending June 2007 totaled 299,400 jobs, up 3.5 percent compared with the number of jobs for the previous 12 months. Employment in all sectors except transportation and utilities increased during the 12 months ending June 2007 compared with the 12 months ending June 2006. Led by continued growth in manufacturing employment, the economy is expected to remain strong during the forecast period.

Sales Market

The sales housing market in the HMA is currently soft, with an estimated vacancy rate of 3.1 percent. The inventory of unsold homes remains high although sales prices have continued to increase. Improved economic conditions in the HMA and anticipated household growth are expected to result in demand for an estimated 6,500 new sales housing units during the 3-year forecast period (see Table 1).

Rental Market

The rental housing market in the HMA has been soft since 2000 due to an increase in homeownership levels. Given the current surplus of market-rate rental units and the approximately 500 units under construction, no demand for additional rental units is expected through the forecast period (see Table 1).

Table 1. Housing Demand in the Wichita HMA, 3-Year Forecast, July 1, 2007 to July 1, 2010

	Wichita HMA	
	Sales Units	Rental Units
Total Demand	6,500	0
Under Construction	600	500

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2007.

Source: Estimates by analyst

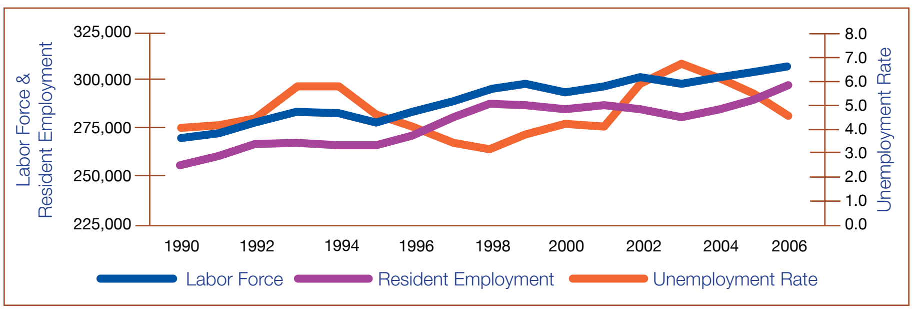
Market Details

Economic Conditions

Resident employment in the Wichita HMA increased in the late 1990s and early 2000s, peaked at 288,800 workers in 1998, and began to decline in 2002. Resident employment totaled 279,500 workers in 2003, has increased each year since then, and currently totals 297,000. The unemployment rate is estimated at 4.4 percent for the 12 months ending June 2007 compared with 5.1 percent for the 12 months ending June 2006. Figure 1 illustrates trends in the labor force, resident employment, and unemployment rate in the HMA from 1990 to 2006.

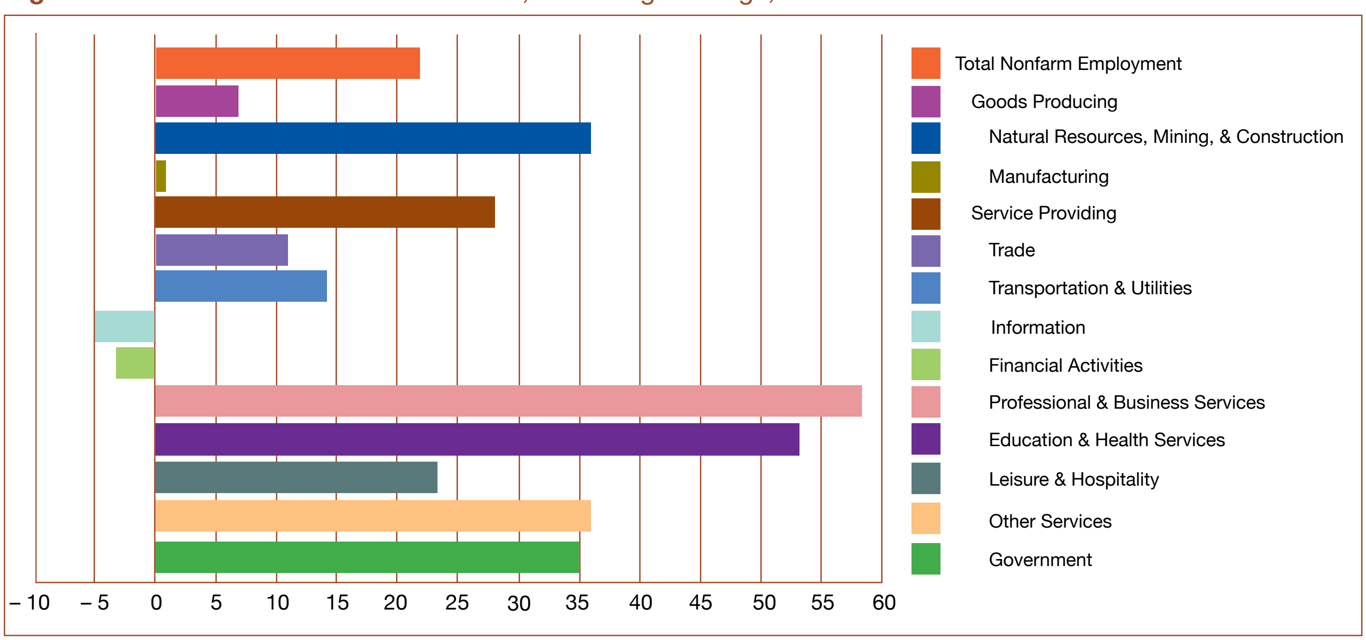
Nonfarm employment increased throughout the 1990s and through 2001 before declining in 2002 and 2003. The declines in 2002 and 2003 were significant, amounting to 2 and 4 percent, respectively. The goods-producing sectors were particularly impacted, experiencing declines of 8.4 percent in 2002 and 8.9 percent in 2003, which resulted in total losses of 7,500 and 7,300 jobs, respectively, for the 2 years. Employment in the service-providing sectors has grown each year since 1990 except in 2003, when the sectors lost 4,300 jobs, a 2-percent decrease compared with the number of jobs recorded in 2002. Figure 2 provides nonfarm employment trends in the HMA from 1990 to the current date. Starting in 2004, nonfarm employment has increased each year, yielding 2005 and 2006 increases of 2.6 and 3.8 percent, respectively, in the goods-producing

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Wichita HMA, 1990 to 2006



Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Wichita HMA, Percentage Change, 1990 to Current

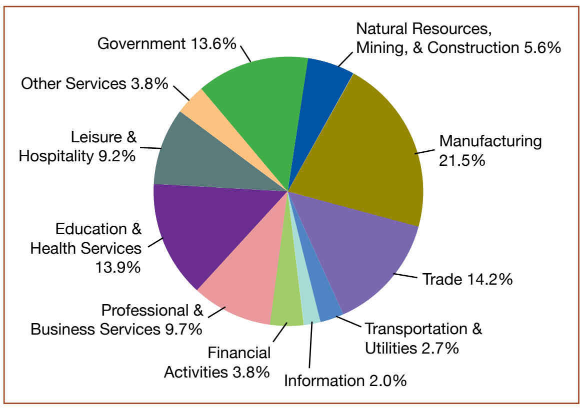


Note: Current is based on 12-month averages through June 2007.
Source: U.S. Bureau of Labor Statistics

sectors and increases of 1 and 1.5 percent, respectively, in the service-providing sectors.

Manufacturing is the largest employment sector in the economy of the HMA, accounting for nearly 22 percent of total nonfarm employment, based on the 12-month averages ending in June 2007; the national average for employment in the manufacturing sector is 10 percent. Figure 3 details current employment by sector in the HMA. Aircraft manufacturing accounts for an estimated 58 percent of manufacturing jobs in the HMA. Cessna Aircraft Company, Spirit AeroSystems, Inc., and Raytheon Aircraft Company are the area's top three employers, according to the Wichita Metro Chamber of Commerce. Table 2 lists the 10 leading employers in the HMA.

Figure 3. Current Employment in the Wichita HMA, by Sector



Note: Based on 12-month averages through June 2007.
Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Wichita HMA

Name of Employer	Employment Sector	Number of Employees
Cessna Aircraft Company	Manufacturing	9,400
Spirit AeroSystems, Inc.	Manufacturing	8,300
Raytheon Aircraft Company	Manufacturing	6,250
Via Christi Health System	Health Services	5,050
McConnell Air Force Base	Government	5,000
Boeing Integrated Defense Systems	Manufacturing	3,700
Bombardier Learjet	Manufacturing	2,550
Catholic Diocese of Wichita	Other Services	2,000
Koch Industries, Inc.	Financial Activities	1,800
Wichita State University	Government	1,800
Wesley Health Care Center, Inc.	Health Services	1,700

Source: Wichita Metro Chamber of Commerce

Manufacturing employment declined by more than 20 percent between 2000 and 2004, resulting in a loss of approximately 14,700 jobs. Aircraft manufacturing firms were particularly hard hit during the economic slowdown; together, they employed approximately 32,200 people in 2004, from a high of 46,500 employees in 1998. Employment in the aircraft manufacturing industry has been steadily increasing since 2004 and is estimated at 37,400 jobs for the 12 months ending June 2007. Despite this increase, employment in the manufacturing sector and aircraft manufacturing industry currently reflects decreases of 12 and 13 percent, respectively, compared with 2000 employment levels. Continued growth in the aircraft manufacturing industry is projected during the forecast period.

Service-providing employment rose by 3.0 percent in the 12-month period ending June 2007 compared with employment in the service-providing sectors in the previous 12-month period (see Table 3). Health care, wireless communications, and financial and investment services are prominent service industries in the Wichita HMA. Via Christi Health System, the fourth leading employer in the HMA, recently announced plans to build a $75 million, 72-bed community hospital in west Wichita.

McConnell Air Force Base (AFB), located southeast of the city of Wichita, currently employs more than 5,000 people, including an estimated 2,400 active-duty military personnel. The AFB, home of the 22nd Air Refueling Wing, had an estimated annual economic impact on the Wichita HMA of more than $390 million, according to a 2006 estimate by the Financial Management Administration, 2nd Comptroller Squadron of the U.S. Air Force.

Wichita State University (WSU) also contributes significantly to the Wichita economy. WSU has approximately 14,300 students and 1,800 full-time and part-time faculty and staff. The university's general operating budget was approximately $270 million in 2006.

Table 3. 12-Month Average Employment in the Wichita HMA, by Sector

	12 Months Ending June 2006	12 Months Ending June 2007	Percent Change
Total Nonfarm Employment	289,200	299,400	3.5
Goods Producing	77,600	81,400	4.9
Natural Resources, Mining, & Construction	15,900	16,900	6.3
Manufacturing	61,700	64,500	4.5
Service Providing	211,600	218,000	3.0
Trade	41,200	42,600	3.4
Transportation & Utilities	8,400	8,200	– 2.4
Information	5,800	5,900	1.7
Financial Activities	11,300	11,500	1.8
Professional & Business Services	27,500	29,000	5.5
Education & Health Services	40,100	41,500	3.5
Leisure & Hospitality	26,400	27,500	4.2
Other Services	11,200	11,400	1.8
Government	39,800	40,600	2.0

Notes: Based on 12-month averages through June 2006 and June 2007. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

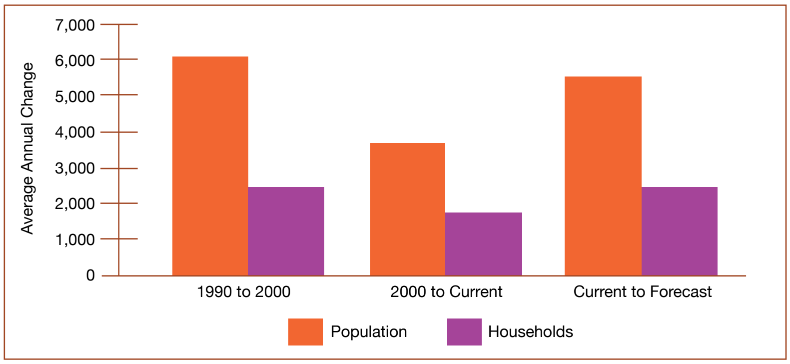
Population and Households

Economic growth in the Wichita HMA resulted in population gains averaging 6,000 a year during the 1990s, including net in-migration of 1,600 people a year. Since 2000, and as a result of the slowing economy between 2001 and 2003, population growth has averaged 3,725 a year, a decrease of nearly 38 percent from the growth recorded during the 1990s. During this same period, net out-migration averaged 475 people annually. Figure 4 illustrates population and household growth in the HMA from 1990 to the forecast period. Figure 5 illustrates components of population change in the HMA from 1990 to the forecast period.

The current nonhousehold population of the HMA is estimated at 11,650. That figure includes residents of nursing homes and assisted-living facilities (approximately 41 percent of the nonhousehold population), inmates in correctional facilities (approximately 31 percent), students in dormitories (an estimated 24 percent), and personnel at McConnell AFB and in other group quarters (approximately 4 percent). No significant change in the nonhousehold population is expected during the 3-year forecast period.

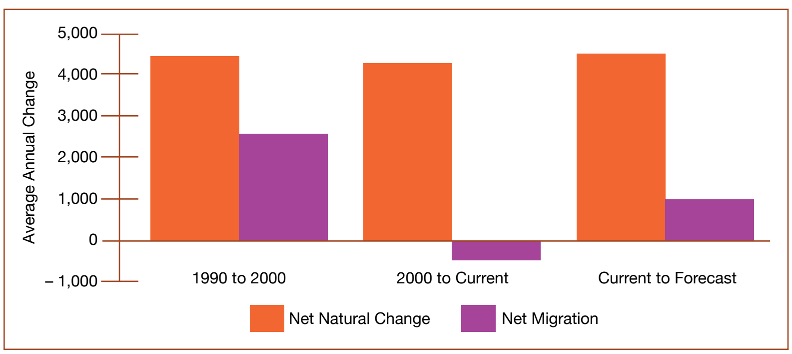
Since 1990, the increase in the number of households in the HMA has paralleled the population change in the area. The economy is expected to continue improving during the forecast period; likewise, household formation is expected to increase. The absolute annual growth in the number of households increased at a slower rate between 2000 and the current date compared with the level recorded between 1990 and 2000. The current number of households is estimated at 233,200. Based on expected population growth, the number of households will increase by an average of 2,425 annually, or 1 percent a year, to 240,500 households by the end of the 3-year forecast period. Household sizes are projected to decline due to an increasing number of households headed by seniors and the trend of smaller households migrating to downtown Wichita, a popular location among young professionals. Figure 6 illustrates the number of households by tenure in the HMA from 1990 to the current date.

Figure 4. Population and Household Growth in the Wichita HMA, 1990 to Forecast



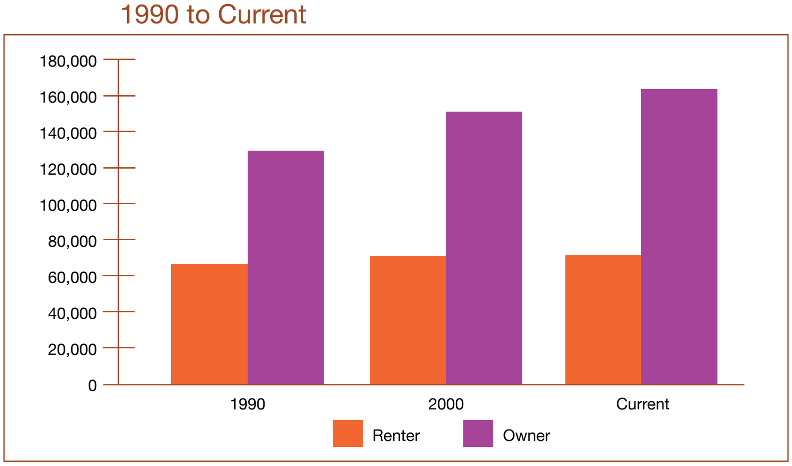
Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Wichita HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Wichita HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Housing Market Trends

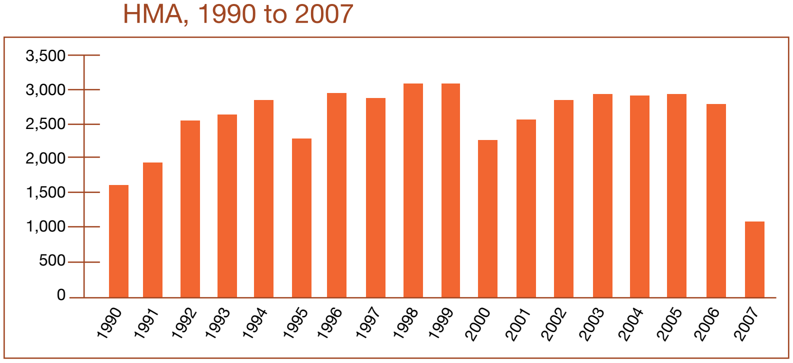
Sales Market

The sales housing market in the Wichita HMA is soft, with an estimated vacancy rate of 3.1 percent, up from 1.9 percent in 2000, and includes a number of recently constructed homes. The number of new and existing homes sold during the 12 months ending June 2007 totaled 11,750, a 2-percent decline compared with the 12,030 homes sold during the 12 months ending June 2006. According to data provided by the Wichita Area Association of REALTORS®, the number of unsold homes on the market as of the end of June 2007 totaled 4,350, relatively unchanged when compared with the number of unsold homes as of the end of June during each of the previous 3 years.

Sales prices of both new and existing homes in the HMA have increased in recent years. During 2006, the median price of existing homes rose by 3 percent to $97,000 and the median price of new homes rose by 5 percent to $170,100. The median prices for these homes in 2005 were $94,000 and $162,200, respectively.

Homebuilding activity, as measured by the number of single-family building permits issued, increased every year through the 1990s except in 1995 and 1997. The increase in the number of permits issued continued from 2000 to 2005 before declining in 2006 (see Figure 7) as builders began responding to rising inventories and slowing sales. During the 12 months ending June 2007, single-family construction activity decreased to 2,200 homes; approximately 2,700 homes were permitted during the 12 months ending June 2006. The proportion of owner households in the HMA has increased since 1990, as shown in Figure 6. The trend of increasing homeownership is expected to continue throughout the forecast period and is supported by the availability of land for new single-family housing development near employment centers.

Figure 7. Single-Family Building Permits Issued in the Wichita HMA, 1990 to 2007



Notes: Includes only single-family units. Includes data through June 2007.
Source: U.S. Census Bureau, Building Permits Survey

Condominium development, a relatively recent occurrence in the HMA, accounted for approximately 6 percent of the residential transactions that closed in the 12 months ending June 2006, according to the Wichita Area Association of REALTORS®. Condominium development is occurring in the Old Town neighborhood near downtown Wichita, where the rehabilitation of existing buildings has been successful in attracting young professionals to the downtown core. Properties in Old Town, such as The Grant Telegraph Centre Condominiums with 15 units and The Rumley Lofts with 24 units, sold out in 18 and 12 months, respectively. Plans for the Lofts at Exchange Place, currently under construction in Old Town, include nearly 100 condominium loft units, ranging in size from 720 to 2,700 square feet with base pricing of $123,900, and commercial space on the ground floor.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Wichita HMA, July 1, 2007 to July 1, 2010

Price Range ($)		Units of Demand	Percent of Total
From	To		
100,000	124,999	520	8.0
125,000	149,999	650	10.0
150,000	199,999	975	15.0
200,000	249,999	1,300	20.0
250,000	299,999	1,300	20.0
300,000	349,999	780	12.0
350,000	399,999	455	7.0
400,000	499,999	325	5.0
500,000	and higher	195	3.0

Source: Estimates by analyst

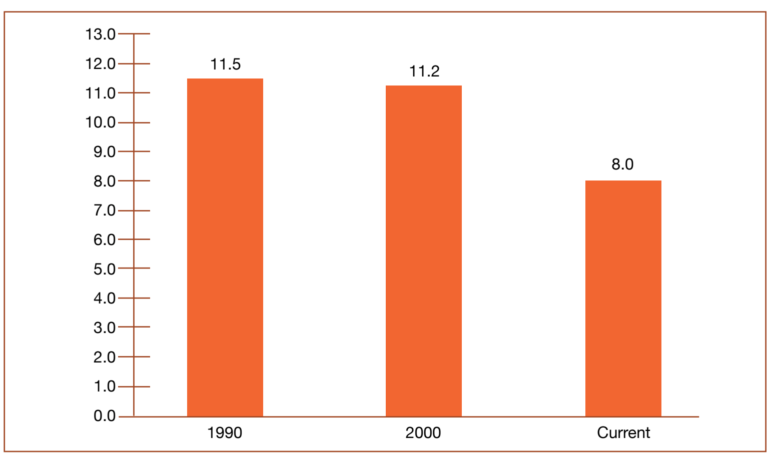
Demand for an estimated 6,500 new homes is expected during the forecast period. Currently 600 homes are under construction in the HMA. See Table 4 for a profile of demand for new market-rate sales housing in the HMA through the 3-year forecast period.

Rental Market

Although the Wichita HMA rental housing market remains slightly soft, conditions have improved since 2000. The current rental vacancy rate is estimated at 8 percent, down from 11.2 percent in 2000 (see Figure 8). The decline in vacancies is due primarily to the strengthening economy, which has resulted in increased household formation and in-migration.

Market-rate rents have increased slightly in the past year and currently average approximately $435 for a one-bedroom unit, $565 for a two-bedroom unit, and $700 for a three-bedroom unit. Recent rental housing developments typically are located outside the city of Wichita and often are built adjacent to single-family developments. Newer units with more amenities rent for $100 to $200 more a month than do similar-size older units with fewer amenities and are reporting strong absorption. Concessions in the HMA are minor, generally 1 month's rent or less, and occur in both older and newer rental properties.

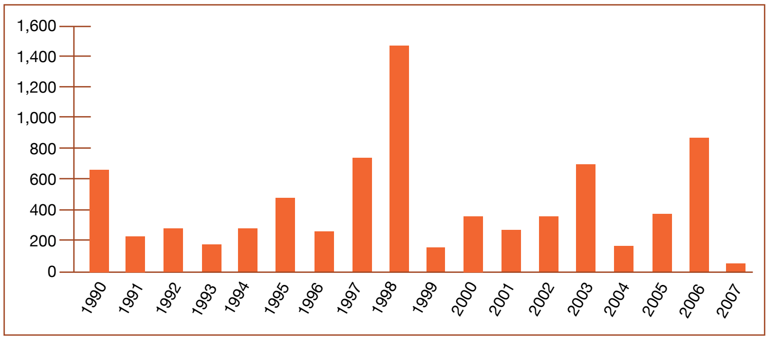
Figure 8. Rental Vacancy Rates in the Wichita HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

During the 1990s, multifamily construction, as measured by the number of building permits issued, averaged 470 units a year in the HMA. From 2000 to 2006, the number of multifamily units permitted averaged 450 a year (see Figure 9). The number of units permitted during the 12 months ending June 2007 totaled 240; in comparison, 760 units were permitted during the 12 months ending June 2006. Since 2000, an estimated 10 to 20 percent of the multifamily permits issued have been for condominiums; almost all of these units are in the city of Wichita.

Figure 9. Multifamily Building Permits Issued in the Wichita HMA, 1990 to 2007



Notes: Includes all multifamily units in structures with two or more units. Includes data through June 2007.

Source: U.S. Census Bureau, Building Permits Survey

The current supply of vacant rental units will satisfy demand during the forecast period. The construction of additional rental units to meet demand beyond the 3-year forecast period should not begin until the third year of the forecast period.

Data Profile

Table DP-1. Wichita HMA Data Profile, 1990 to Current

				Average Annual Change (%)	
	1990	2000	Current	1990 to 2000	2000 to Current
Total Resident Employment	258,790	287,979	297,000	1.1	0.4
Unemployment Rate (%)	4.1	3.9	4.5		
Nonfarm Employment	246,100	294,492	299,400	1.8	0.2
Total Population	511,111	571,166	598,200	1.1	0.6
Total Households	196,329	220,440	233,200	1.2	0.8
Owner Households	129,029	150,061	162,300	1.5	1.1
Percent Owner (%)	65.7	68.1	69.6		
Renter Households	67,300	70,379	70,900	0.4	0.1
Percent Renter (%)	34.3	31.9	30.4		
Total Housing Units	213,290	238,564	254,200	1.1	0.9
Owner Vacancy Rate (%)	2.1	1.9	3.1		
Rental Vacancy Rate (%)	11.5	11.2	8.0		
Median Family Income	NA	$51,660	$53,200	NA	0.4

Notes: Median family incomes are for 1989, 1999, and 2006. NA = data are not available.

Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 7/1/2007—Analyst's estimates

Forecast period: 7/1/2007–7/1/2010—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_WichitaKS.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.