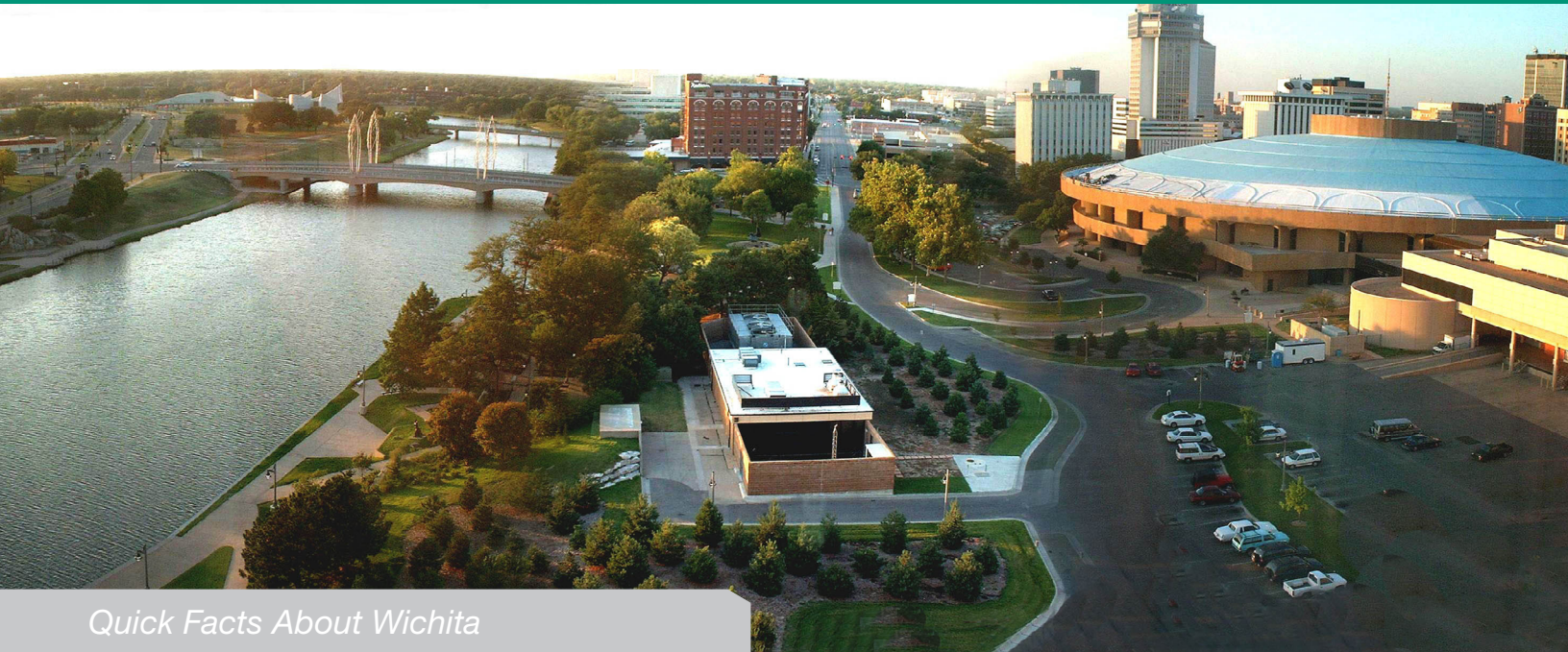


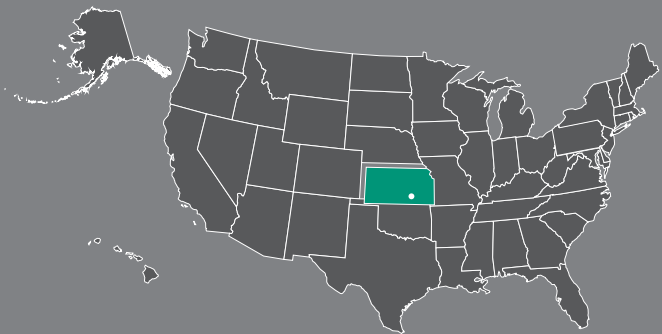
# HUD PD&R Housing Market Profiles

## Wichita, Kansas



### Quick Facts About Wichita

- **Current sales market conditions: balanced.**
- **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, with payrolls in the aerospace manufacturing industry accounting for about one-half of manufacturing jobs and one-tenth of nonfarm jobs overall.**



By Randall Goodnight | As of March 1, 2017

### 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 and the corporate headquarters of 2017 Fortune 500 company Spirit AeroSystems. The metropolitan area ranked tenth in the nation for best places to live for recent college graduates in 2016, according to a report by SmartAsset. The relatively low cost of living in the metropolitan area contributed to the ranking.

- As of March 1, 2017, the estimated population of the metropolitan area is 646,600, representing an increase of 2,250, or 0.4 percent, annually, since April 2010.
- Net out-migration occurred at an average pace of 1,250 annually since April 2010.
- The population grew an average of 0.8 percent annually during the 2000s, with population growth peaking during 2008 and 2009 at an average of 1.5 percent annually.



Declines in nonfarm jobs in the Wichita area were greatest in the wholesale and retail trade sector and the manufacturing sector.

	3 Months Ending		Year-Over-Year Change	
	February 2016 (thousands)	February 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	296.7	295.3	- 1.4	- 0.5
Goods-producing sectors	68.8	67.0	- 1.8	- 2.6
Mining, logging, and construction	16.2	15.7	- 0.5	- 3.1
Manufacturing	52.6	51.3	- 1.3	- 2.5
Service-providing sectors	227.9	228.3	0.4	0.2
Wholesale and retail trade	42.9	40.4	- 2.5	- 5.8
Transportation and utilities	9.8	10.1	0.3	3.1
Information	4.6	4.6	0.0	0.0
Financial activities	11.3	11.1	- 0.2	- 1.8
Professional and business services	32.9	34.1	1.2	3.6
Education and health services	44.5	45.3	0.8	1.8
Leisure and hospitality	30.9	31.6	0.7	2.3
Other services	9.9	10.2	0.3	3.0
Government	41.1	40.9	- 0.2	- 0.5
	(percent)	(percent)		
Unemployment rate	4.5	4.6		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

## Economic Conditions

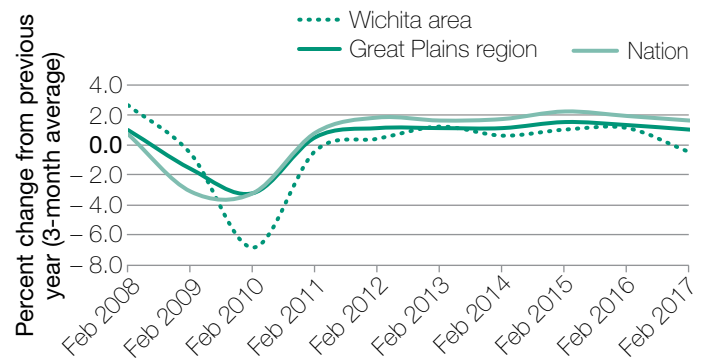
The economy of the Wichita metropolitan area was impacted significantly by the past recession, losing an average of 12,400 jobs, or 4.1 percent, annually, during 2009 and 2010, with nearly one-half of job losses occurring in the aerospace product and parts manufacturing industry. The local economy improved from 2012 through 2016, with job growth averaging 0.8 percent annually during the period. Payrolls declined most recently, however, primarily because of job losses in the retail trade subsector and the manufacturing sector.

During the 3 months ending February 2017—

- Nonfarm payrolls decreased by 1,400 jobs, or 0.5 percent, from a year earlier to an average of 295,300 jobs, as job losses in five sectors more than offset gains in five sectors.
- The manufacturing sector declined by 1,300, or 2.5 percent, to 51,300 because of layoffs that occurred among several aerospace-related manufacturing companies.
- Numerous retail store closures, including those by J C Penney Company Inc., Sears, and Kmart contributed to a decline in the wholesale and retail trade sector, decreasing by 2,500, or 5.8 percent, to 40,400, with the losses occurring nearly entirely in the retail trade subsector.

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Nonfarm payrolls declined in the Wichita area following consecutive year-over-year gains since 2012.



Note: Excludes military jobs.

Source: U.S. Bureau of Labor Statistics

### Largest employers in the Wichita area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Spirit AeroSystems	Manufacturing	10,800
Textron Aviation, Inc.	Manufacturing	9,500
McConnell Air Force Base	Government	6,700

Notes: Excludes local school districts. Includes permanent military personnel jobs at McConnell Air Force Base.

Source: Greater Wichita Partnership

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- Job declines were partly offset by job gains in the professional and business services sector, which increased by 1,200, or 3.6 percent, to 34,100.

The metropolitan area economy is expected to benefit from increased hiring in several sectors because of ongoing expansions and planned developments. More than 30 projects with a combined cost of \$350 million are currently under way, and an additional 44 projects with a combined estimated cost of \$450 million are in the planning phase (CBRE, Inc.). In the city of Derby,

11 miles south of the city of Wichita, construction of the Field Station: Dinosaurs is expected to begin in the spring of 2017 and be completed in the summer of 2018. The \$160 million prehistoric theme park will include several exhibitions with life-size animatronic dinosaurs, an 18-hole miniature golf course, an amphitheater, and a fitness trail. The theme park is expected to create about 870 new jobs when completed and draw 1.2 million visitors annually (Kansas Department of Commerce). Also in Derby, construction is expected to begin in 2017 on the Rock Regional Hospital. The hospital is scheduled to open by the end of 2018 and staff 125 employees.

## Sales Market Conditions

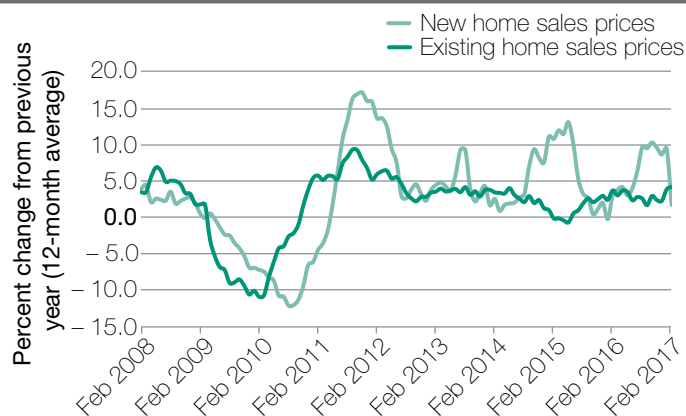
The sales housing market in the Wichita area is currently balanced, with an estimated vacancy rate of 2.1 percent compared with the rate of 2.2 percent in April 2010. The inventory of homes for sale represented a 3.9-month supply in February 2017, down from 4.4 months a year earlier and from a 7-month supply in 2010 (Realtors® of South Central Kansas). The easing of home mortgage-lending standards and, until recently, an expanding economy contributed to improved sales market conditions compared with conditions in 2010. Adjustable-rate mortgages, which can be used as a tool to qualify more borrowers, accounted for 6 percent of home loans in the metropolitan area during the 12 months ending February 2017, compared with 2 percent during both 2009 and 2010 (Metrostudy,

A Hanley Wood Company). New and existing home sales (including single-family homes, townhomes, and condominiums) decreased 2 percent from a year earlier to 12,650 homes sold during the 12 months ending February 2017, but the average price increased 4 percent to \$174,600 (CoreLogic, Inc., with adjustments by the analyst). By comparison, from 2012 through 2015, new and existing home sales increased an average of 7 percent annually, and the average home sales price increased an average of 3 percent annually. Moderating home sales volume during the 12 months ending February 2017 was partly because of decreased demand stemming from recent job declines.

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**New and existing home prices in the Wichita area have increased since the spring of 2011 and the fall of 2010, except during brief periods in the spring of 2016 and the summer of 2015, respectively.**

**A recent slowdown in home sales demand in the Wichita area resulted in a decline in new home sales since July 2015 and in existing home sales since January 2017.**



Note: Includes single-family homes, townhomes, and condominiums, or any combination.

Source: CoreLogic, Inc., with adjustments by the analyst



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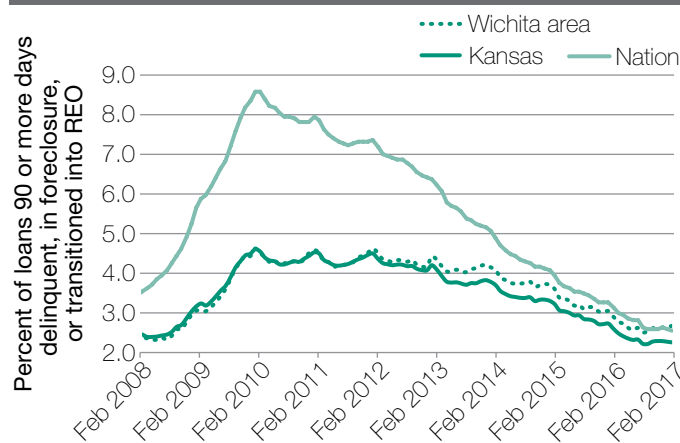
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During the 12 months ending February 2017—

- The average price for new homes increased by \$4,700, or 2 percent, to \$274,900, compared with the average price a year earlier, and existing homes sold for an average price of \$169,900, up by \$6,900, or 4 percent.
- New home sales decreased 5 percent, to 580 homes, and existing home sales totaled 12,100, a decrease of 2 percent compared with a year earlier.
- Real estate owned (REO) and short sales comprised a combined 1,350 homes, down 20 percent from a year earlier, but the average price for REO and short sales was up 7 percent to \$121,900.
- The share of seriously delinquent loans (90 or more days delinquent or in foreclosure) and properties that had transitioned to REO status was 2.7 percent compared with 2.9 percent a year earlier and a peak level of 4.6 percent in January 2012.

Decreased new home sales in the Wichita area during the 12 months ending February 2017 contributed to a relatively large

**Reflecting national trends, the percentage of homes 90 or more days delinquent, in foreclosure, or recently transitioned to REO status was steady during the past several months in the Wichita area.**



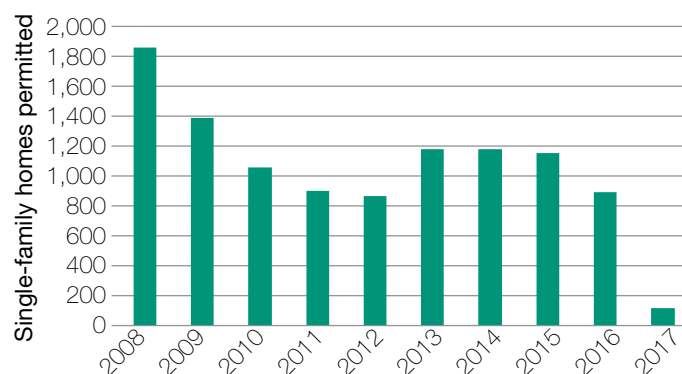
REO = real estate owned.

Source: CoreLogic, Inc., with adjustments by the analyst

decrease in single-family homebuilding activity, as measured by the number of homes permitted, compared with recent years.

- During the 12 months ending February 2017, single-family home permitting decreased by 250, or 23 percent, to 850 homes (preliminary data) compared with a decline of only 2 percent from 2014 through 2015.
- Single-family home construction in the 2010s peaked during 2013 and 2014 at 1,175 homes permitted each year.
- Construction is currently under way at The Courtyards at Auburn Hills residential community in the city of Wichita, 11 miles west of downtown. Twenty-one new two- and three-bedroom homes, ranging in size from 1,100 to 2,700 square feet, sold for an average price of \$339,200. Approximately 55 home sites remain available for construction.
- In the city of Mulvane, 17 miles south of the city of Wichita, construction is under way at the Cedar Brook residential community. Twenty-nine new two-, three-, and four-bedroom homes, averaging about 2,300 square feet in size, have sold at Cedar Brook for an average price of \$263,400. Approximately 90 home sites are available for construction at the development.

**The recent decline in new home sales demand in the Wichita area contributed to a decline in single-family home construction.**



Note: Includes preliminary data from January 2016 through February 2017.

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

## Apartment Market Conditions

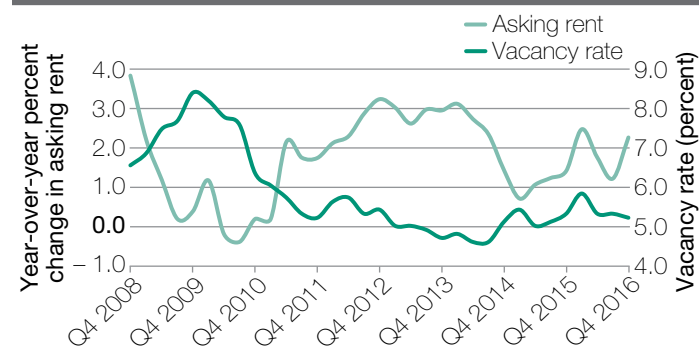
Apartment housing market conditions in the Wichita area are currently balanced, with an average vacancy rate during the fourth quarter of 2016 of 5.3 percent, down from 5.4 percent a year earlier and much less than a high of 8.4 percent during the fourth quarter of 2009 (Reis, Inc.). Increased renter household growth, stemming from a greater propensity to rent, and until recently, an expanding economy contributed to the decline in vacancy rates compared with the late 2000s.

During the fourth quarter of 2016—

- The average apartment rent increased 2.3 percent to \$588 from a year earlier compared with an average increase of 2.1 percent annually the previous 5 years.
- Apartment vacancy rates ranged from 3.5 percent in the Reis, Inc.-defined market area (hereafter, area) of West Wichita to 6.8 percent in the WSU/Northeast area; both market areas are in Sedgwick County.
- Average apartment rents ranged from \$490 in the South Wichita area to \$704 in the WSU/Northeast area.
- The average vacancy rate for Class A apartments in the metropolitan area was 6.1 percent, up from 3.7 percent a year earlier, and the average rent for Class A apartments increased 2.1 percent to \$766.

Multifamily construction activity, as measured by the number of units permitted, totaled 1,250 during the 12 months ending

**The apartment vacancy rate has declined significantly since 2009 in the Wichita area, and asking rents have increased year-over-year each quarter since 2011.**

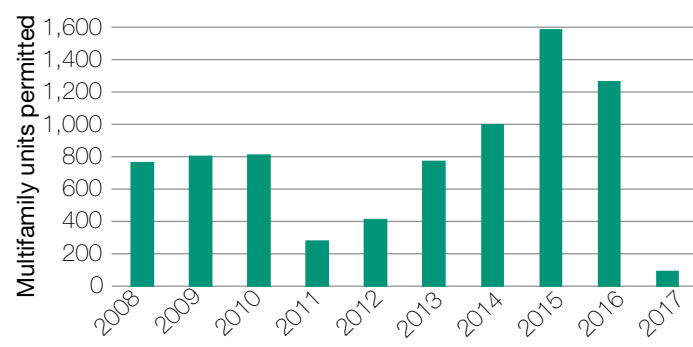


Q4= fourth quarter.  
Source: Reis, Inc.

February 2017 (preliminary data, with adjustments by the analyst), down 20 percent from a year earlier. An average of 620 units were permitted annually from 2011 through 2014.

- An estimated 1,300 apartment units are currently under construction in the metropolitan area.
- The Stoney Pointe apartment community in the city of Wichita, 12 miles northeast of downtown, is currently under construction and expected to be completed in the fall of 2019. Proposed rents at the 438-unit development range from \$735 for one-bedroom units to \$935 for two-bedroom units.
- In downtown Wichita, The Douglas Apartments are currently being converted from former office space. The 173-unit apartment development, comprising three high-rise towers, is also slated for completion in the spring of 2017. Proposed rents range from \$715 to \$1,180 for studio units, \$900 to \$1,690 for one-bedroom units, \$1,285 to \$2,175 for two-bedroom units, and \$1,950 to \$2,000 for three-bedroom units.
- Also in downtown Wichita, construction is to be completed in spring of 2018 at the 204-unit River Vista apartments, adjacent to the Arkansas River. The development is expected to offer one-, two-, and three-bedroom units. Information on asking rents at the community is not yet available.

**Multifamily construction in the Wichita area has been strong since 2013.**



Note: Includes preliminary data from January 2016 through February 2017.  
Source: U.S. Census Bureau, Building Permits Survey, with adjustments by the analyst