

The analysis presented in this report includes data from the early stages of the COVID-19 outbreak in the United States. The unprecedentedly large and rapid changes in many data series, and the similarly unprecedentedly large policy responses, make analysis of, and longer run predictions for, the economy and housing markets exceptionally difficult and uncertain. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

Wichita, Kansas

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of September 1, 2020



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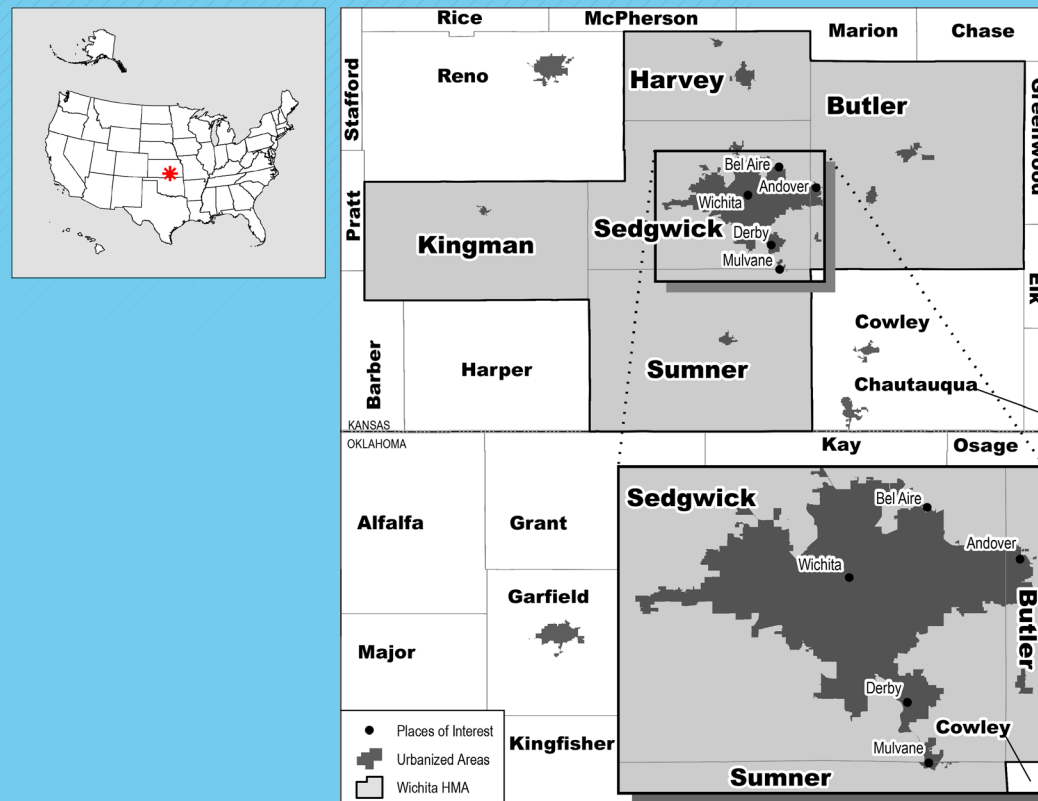


Executive Summary

Housing Market Area Description

The Wichita Housing Market Area (HMA), which consists of Butler, Harvey, Kingman, Sedgwick, and Sumner Counties in south central Kansas, is coterminous with the Wichita, KS Metropolitan Statistical Area (MSA). The central city of the HMA, Wichita, is the most populous city in Kansas and is an aviation center with more than 140 companies in the aerospace product and parts industry. The HMA is also home to McConnell Air Force Base (AFB), which includes the 22nd Air Refueling Wing, the 931st Air Refueling Wing, and the Kansas Air National Guard 184th Intelligence Wing.

The current population of the HMA is estimated at 650,900.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance [tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the Community Assessment Reporting [Tool](#).

Market Qualifiers

Economy



Weak: Nonfarm payrolls decreased 2.1 percent during the 12 months ending August 2020, compared with a 2.2-percent gain a year earlier.

Nonfarm payrolls declined significantly during the most recent 12 months, mostly due to countermeasures taken to slow the spread of the COVID-19 virus, which led to a significant decline in demand for aerospace products and parts stemming from decreased air travel. The economy is expected to slowly improve during the 3-year forecast period. Nonfarm payrolls are expected to increase an average of 1.0 percent annually, with a modest gain during the first year and stronger job growth during the second and third years.

Sales Market



Slightly Tight: The current sales vacancy rate is estimated at 1.7 percent, down from 2.2 percent in April 2010.

Sales housing market conditions in the HMA are currently slightly tight compared with more soft conditions in April 2010. During the 12 months ending July 2020, home sales increased 1 percent, and the average home sales price increased 7 percent (Zonda, with adjustments by the analyst). Demand for 3,025 new homes is forecast during the next 3 years. Demand is expected to increase slightly in the second and third years of the forecast period as economic conditions improve; the 280 homes currently under construction will satisfy some of that demand.

Rental Market



Slightly Soft: The rental vacancy rate is currently estimated at 9.2 percent, down from 10.4 percent in April 2010.

Rental market conditions are slightly soft in the HMA as of September 1, 2020, compared with softer conditions in April 2010. The average apartment market rent during the second quarter of 2020 increased 1 percent to \$652 from a year earlier (Reis, Inc.). During the forecast period, demand is estimated for 1,125 new rental units. The 500 units currently under construction are expected to satisfy part of that demand.

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3-Year Housing Demand Forecast

	Sales Units	Rental Units
Wichita HMA		
Total Demand	3,025	1,125
Under Construction	280	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 September 1, 2020. The forecast period is September 1, 2020, to September 1, 2023.

Source: Estimates by the analyst



Economic Conditions

Largest Sector: Manufacturing

The manufacturing sector, supporting 53,000 jobs during the 12 months ending August 2020, accounted for 18 percent of nonfarm payrolls in the HMA, compared with 9 percent nationally (Figure 1).

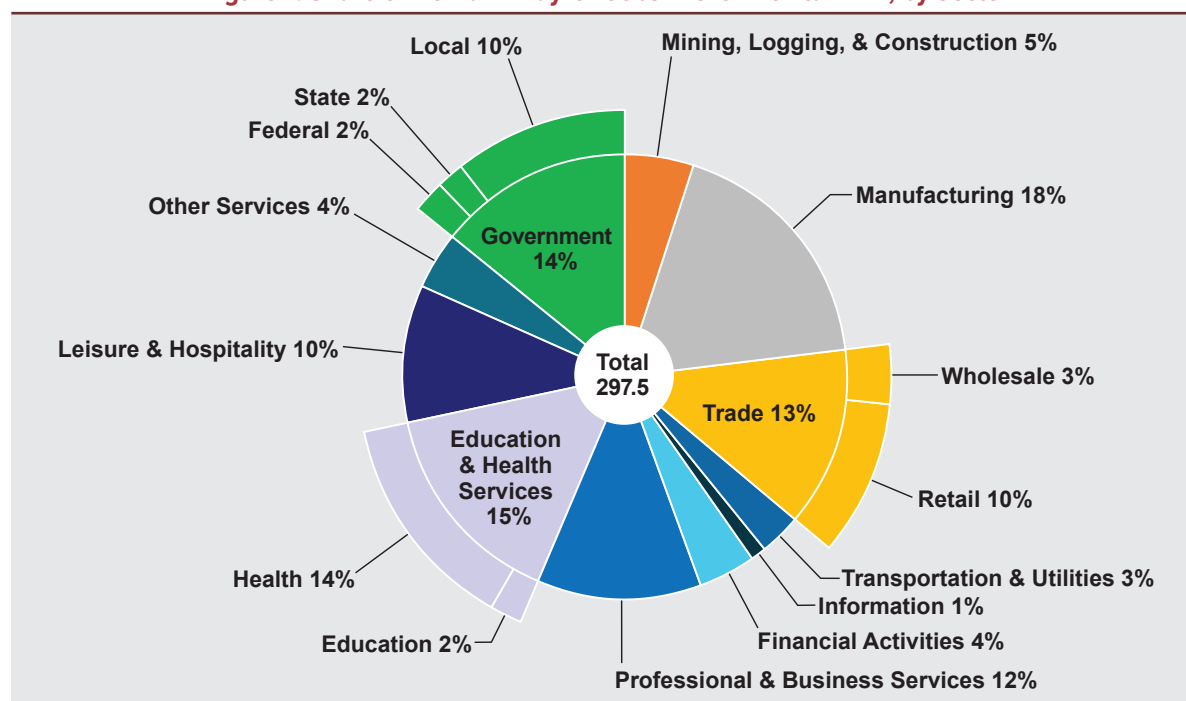
Primary Local Economic Factors

The Wichita HMA economy depends heavily on the aerospace industry. The HMA has been known as the Air Capital of the World since the 1920s and is a hub for the production of aircraft and aircraft parts. Jobs

in the aerospace product and parts manufacturing industry account for approximately 52 percent of manufacturing jobs and 9 percent of all nonfarm payrolls in the HMA. Annual payrolls in the aerospace product and parts manufacturing industry totaled \$2.3 billion in 2018 (Bureau of Labor Statistics). Spirit AeroSystems Holdings, Inc. (hereafter, Spirit AeroSystems) and Textron Aviation Inc. (hereafter, Textron) are the largest employers in the HMA, with 13,500 and 9,500 employees, respectively (Table 1). The aerospace product and parts manufacturing industry in the HMA also exports transportation equipment, including aircraft products and parts, to the international market. Those exports account for 10 percent of the HMA gross domestic product (The Brookings Institution and JPMorgan Chase & Co., Export Monitor 2018).

The HMA economy also benefits from the presence of McConnell AFB, which is the third largest employer, with 6,550 employees, including 5,650 military personnel and 900 civilian employees (military personnel at McConnell AFB are not reported in nonfarm payrolls). McConnell AFB is home to the 184th Kansas Air National Guard Intelligence Wing, the 22nd Air Refueling Wing, and the 931st Air Refueling Wing, sustaining an economic impact of \$617 million annually on the HMA (McConnell AFB). The government sector, with 41,100 jobs, is the third largest sector in the HMA.

Figure 1. Share of Nonfarm Payroll Jobs in the Wichita HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through August 2020. Source: U.S. Bureau of Labor Statistics

The Effects of the COVID-19 Pandemic

The economy of the HMA has weakened significantly since the World Health Organization declared the COVID-19 outbreak a global pandemic on March 11, 2020. Beginning in late March 2020, the State of Kansas and local municipalities in the HMA issued stay-at-home orders, mandated temporary nonessential business closures, and placed restrictions on business hours and capacity in an effort to slow the spread of COVID-19. Consequently, widespread layoffs occurred in the HMA, resulting in a significant increase in the number of unemployed workers and the unemployment rate, surging to 59,450 and 17.7 percent, respectively, in April 2020, compared with only 10,400 and 3.3 percent, respectively, a month earlier. The number of unemployed workers and the unemployment rate decreased each month following the April 2020 peak, reaching 32,900 residents, or 10.4 percent, by August 2020.

There was also a significant decline in nonfarm payrolls in March and April 2020, decreasing by a combined 32,000 jobs, or 10.4 percent, compared with February 2020. During this period, job losses were greatest in the leisure and hospitality sector, which accounted for 38 percent of all jobs lost in the HMA. Many restrictions on business operations have since been lifted in the HMA, allowing most businesses

Table 1. Major Employers in the Wichita HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Spirit AeroSystems Holdings, Inc.	Manufacturing	13,500
Textron Aviation Inc.	Manufacturing	9,500
McConnell Air Force Base	Government	6,550
Ascension Via Christi	Education & Health Services	4,400
Koch Industries, Inc.	Manufacturing	3,100
City of Wichita	Government	2,900
Sedgwick County	Government	2,500
State of Kansas	Government	2,150
Wichita State University	Government	2,050
HCA Healthcare	Education & Health Services	2,050

Notes: Excludes local school districts. Data include military personnel, who generally are not included in nonfarm payroll survey data.

Sources: Greater Wichita Partnership; employers

to reopen and contributing to a combined increase of 13,800 jobs during the months of May through August 2020—compared with April 2020. This increase represents 43 percent of the jobs lost during March and April 2020.

Job growth occurred in most sectors in the HMA during the months of May through August 2020, with the largest gains in the leisure and hospitality sector, which increased by a combined 7,500 jobs, or 63 percent of the jobs lost in the sector in March and April 2020. However, job losses continued in some sectors during May through August 2020, including the manufacturing sector, which decreased by an additional 1,700 jobs after declining by 4,700 jobs in March and April 2020. Decreased demand for aerospace products and parts stemming from a significant decline in commercial air travel nationally contributed to the job losses. The aerospace product and parts manufacturing industry lost 3,100 jobs during May through August 2020, compared with 4,300 jobs lost during March and April 2020. Spirit AeroSystems has laid off a combined 2,800 workers since June 2020, citing decreased demand for aircraft parts as a primary reason for the layoffs. Textron, which manufactures Cessna and Beechcraft aircraft, has laid off 870 workers during the same period for the same reason.

Current Conditions Nonfarm Payrolls

During the 12 months ending August 2020, nonfarm payrolls in the HMA declined by 6,300 jobs, or 2.1 percent, to 297,500 (Table 2), compared with a 2.2-percent increase in nonfarm payrolls during the

previous 12 months. Widespread layoffs stemming from temporary business closures to slow the spread of COVID-19 contributed to the decline. Payrolls declined in 6 of 11 sectors in the HMA. Job losses were greatest in the leisure and hospitality sector, which decreased by 2,700 jobs, or 8.2 percent, to 30,200, representing 42 percent of all job losses during the period. Job decreases were also significant in the manufacturing sector, which declined by 1,400, or 2.6 percent, to 53,000 jobs. The aerospace product and parts manufacturing industry accounted for all manufacturing sector job losses, declining by 2,000 jobs, or 6.8 percent, to 27,800, compared with an increase of 6.5 percent a year earlier. Decreased national demand for commercial aircraft contributed to the decrease. Also contributing to the decline were 2,800 layoffs at Spirit AeroSystems in January 2020 because of reduced production of components for The Boeing Company, which paused production of the 737 MAX commercial airplane (Spirit AeroSystems). Spirit AeroSystems produces 70 percent of the components on each 737 MAX aircraft. Since January 2020, a combined total of 5,600 employees have been laid off at Spirit AeroSystems.

Economic Periods of Significance

2001 through 2008

Following an increase in nonfarm payrolls in 2001 by 3,400 jobs, or 1.1 percent, to 301,300, payrolls

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Wichita HMA, by Sector

	12 Months Ending August 2019	12 Months Ending August 2020	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	303.8	297.5	-6.3	-2.1
Goods-Producing Sectors	71.2	69.2	-2.0	-2.8
Mining, Logging, & Construction	16.9	16.1	-0.8	-4.7
Manufacturing	54.4	53.0	-1.4	-2.6
Service-Providing Sectors	232.6	228.3	-4.3	-1.8
Wholesale & Retail Trade	40.6	39.3	-1.3	-3.2
Transportation & Utilities	9.9	10.1	0.2	2.0
Information	4.0	3.7	-0.3	-7.5
Financial Activities	11.6	11.7	0.1	0.9
Professional & Business Services	35.3	35.3	0.0	0.0
Education & Health Services	46.1	46.1	0.0	0.0
Leisure & Hospitality	32.9	30.2	-2.7	-8.2
Other Services	10.5	10.8	0.3	2.9
Government	41.7	41.1	-0.6	-1.4

Notes: Based on 12-month averages through August 2019 and August 2020. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Modest job growth occurred in the HMA in the financial activities, the other services, and the transportation and utilities sectors during the 12 months ending August 2020—adding a combined 600 jobs. The number of jobs in the education and health services and the professional and business services sectors was unchanged at 46,100 and 35,300, respectively. Logistics centers and warehouses in the HMA, which were considered essential businesses and have remained open amid the COVID-19 pandemic, contributed to a gain in the transportation and utilities sector of 200 jobs, or 2.0 percent, due in part to a national trend of increased e-commerce.

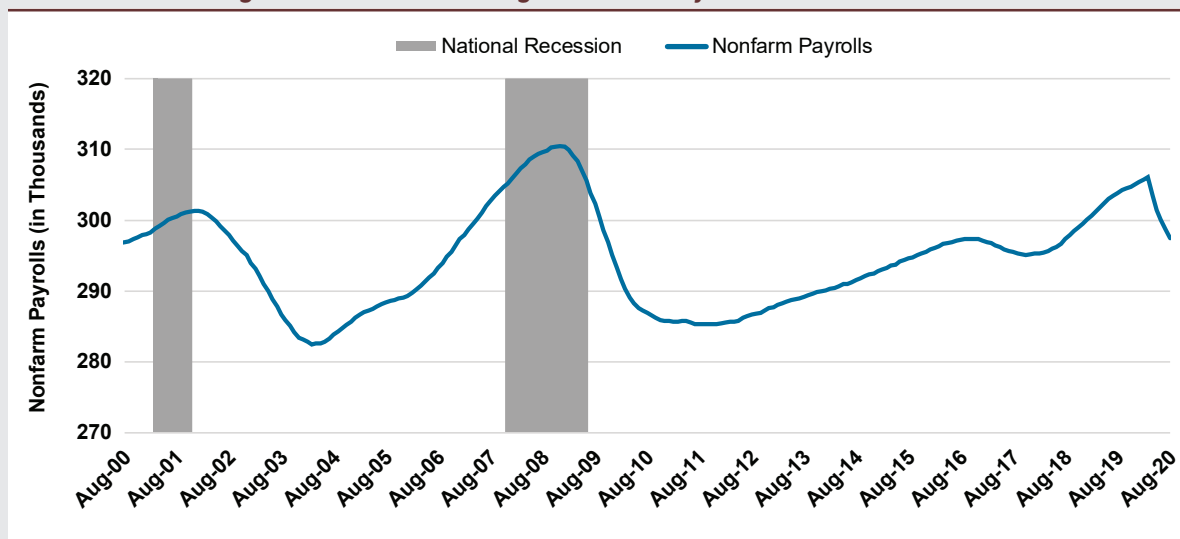
declined during 2002 and 2003 by an average of 9,000 jobs, or 3.0 percent, annually to 283,400 (Figure 2). During 2002 and 2003, the aerospace product and parts manufacturing industry decreased by 6,400, or 15.2 percent, annually to 32,600, accounting for 71 percent of jobs lost in the HMA. By comparison, jobs in the industry declined an average of 7 percent annually during the same period nationally. The national recession from March 2001 to November 2001, and the terrorist attacks of September 11, 2001, contributed to job losses in the aerospace product and parts manufacturing industry both in the HMA and nationally

(*Final Report of the Commission on the Future of the United States Aerospace Industry*). The HMA economy expanded from 2004 through 2008, with jobs increasing annually by an average of 5,400, or 1.8 percent, to a peak of 310,500. Gains in the aerospace product and parts manufacturing industry during this period accounted for nearly one-third of overall job growth, increasing by an average of 1,700, or 4.7 percent, annually, compared with a 2.8-percent average annual increase nationally. During this period, job growth in the HMA was also strong in the professional and business services and the education and health services sectors, increasing by annual averages of 1,200 and 1,100 jobs, or 4.2 percent and 2.6 percent, to 32,600 and 43,500, respectively. The opening of 21 new hospitals and medical facilities contributed to gains in the education and health services sector (CBRE).

2009 through 2010

During 2009 and 2010, the number of nonfarm jobs in the HMA declined by an average of 12,300, or 4.1 percent, annually, to 285,800 in 2010, reflecting the effects of the Great Recession, which transpired from December 2007 through June 2009. Job losses in the HMA were greatest during 2009 and 2010 in the manufacturing sector, which declined by an annual average of 7,400, or 11.9 percent, to 51,700, accounting

Figure 2. 12-Month Average Nonfarm Payrolls in the Wichita HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

for 60 percent of overall job declines. Nationally, by comparison, job losses in the manufacturing sector accounted for 27 percent of the jobs lost during the same period. Job losses in the aerospace product and parts manufacturing industry in the HMA during this period averaged 5,100, or 13.3 percent, accounting for 69 percent of losses in the manufacturing sector and 41 percent of the decline in nonfarm payrolls. The only employment sector to add jobs during this period was the government sector, which increased by an annual average of 600, or 1.3 percent, to 42,500. Two-thirds of these gains were in the federal government subsector, which increased by an average of 400, or 6.9 percent, annually.

2011 through 2017

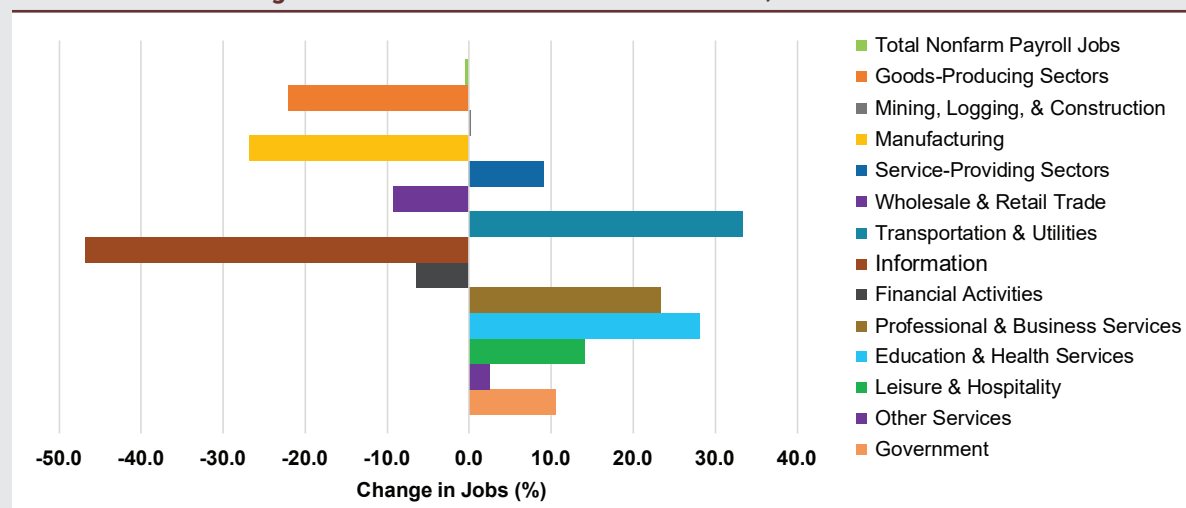
The HMA economy began to stabilize during 2011, with nonfarm payrolls decreasing by only 500, or 0.2 percent, to 285,300 jobs. In 2012, the HMA economy began to recover, although it had yet to reach 2008 peak payroll levels. From 2012 through 2016, nonfarm payrolls increased by an average of 2,400, or 0.8 percent, annually to reach 297,300 jobs. Gains were greatest in the leisure and hospitality sector, up by an

average of 1,000 jobs, or 3.3 percent, annually, to 32,300. The Kansas Star Casino opened in 2012 in the city of Mulvane, 15 miles south of the city of Wichita, contributing more than 1,000 new jobs to the increases in this sector. Job growth in the HMA from 2012 through 2016 was also strong in the professional and business services sector, which increased by an average of 600 jobs, or 2.0 percent, annually, to 34,200 jobs. One-third of the increase was in the temporary help services industry, which gained an average of more than 200 jobs, or 6.2 percent, annually, to 4,600. Contributing to gains in this industry was an increased use of temporary workers among manufacturing companies, reflecting national trends, which also contributed to the decline in aerospace product and parts manufacturing jobs in the HMA, decreasing by an average of 700, or 2.3 percent, annually. Also contributing to declines in the aerospace product and parts manufacturing industry was the closing of The Boeing Company facility in 2013, resulting in a loss of 2,100 manufacturing jobs. Nonfarm payrolls declined in 2017 by 2,100, or 0.7 percent, to 295,200. One-third of job losses in 2017 occurred in the wholesale and retail trade sector, which decreased by 700, or 1.6 percent, to 41,900. Contributing to the decline in the sector were several store closures, including J. C. Penney Company, Inc., Sears, Roebuck and Co., and Kmart Corporation, which closed stores nationwide during this period.

2018 through 2019

Nonfarm payrolls in the HMA increased during 2018 and 2019 by an average of 4,900, or 1.6 percent, annually to 305,000 jobs, representing the greatest percentage increase during a 2-year period since 2007 and 2008, when job growth averaged 2.4 percent annually. During 2018 and 2019, job growth was greatest in the manufacturing sector, which gained an average of 2,300 jobs, or 4.5 percent, annually to 55,000. 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 to 30,200 jobs. Contributing to the gain in the industry were numerous expansions by Spirit AeroSystems, which resulted in a combined 2,400 new positions at the company during the 2-year period. Similarly, Textron added a combined 2,000 employees in the HMA during 2018 and 2019 as a result of expanded operations. Job growth was also strong in the education and health services sector, increasing an average of 1,400, or 3.1 percent, to 46,600. Increased hiring with the completion of construction of 10 new medical offices in the HMA during the period contributed to gains in the sector (CBRE). The education and health services sector has been the second fastest growth sector in the HMA since 2001 (Figure 3).

Figure 3. Sector Growth in the Wichita HMA, 2001 to Current



Note: The current date is September 1, 2020.
Source: U.S. Bureau of Labor Statistics

Unemployment Trends

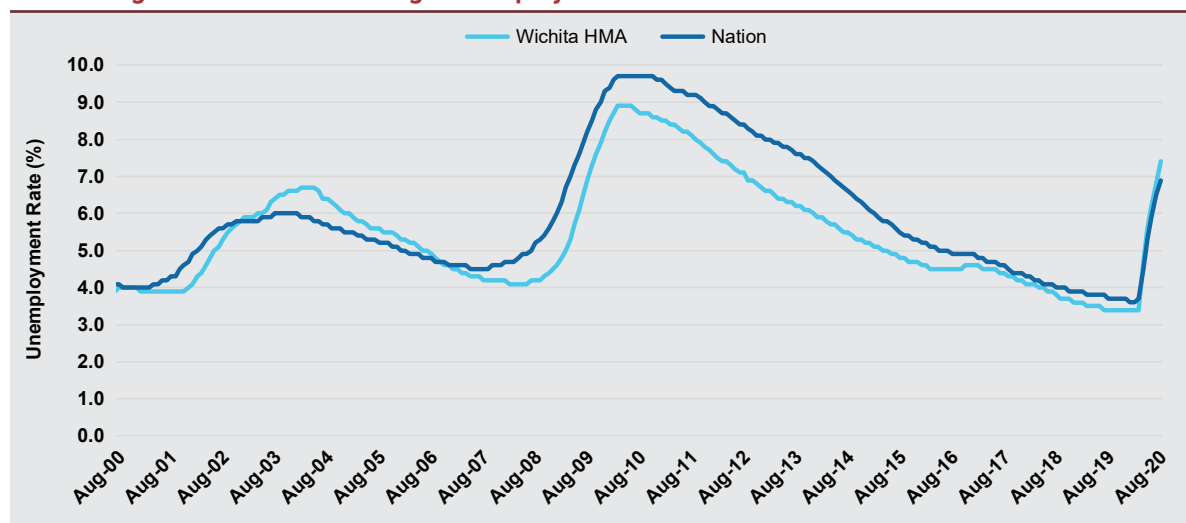
The average unemployment rate in the HMA was 7.4 percent during the 12 months ending August 2020, compared with 3.4 percent a year earlier. The recent increase was because of widespread layoffs as a result of countermeasures to slow the spread of COVID-19 and because of the large number of layoffs at Spirit AeroSystems stemming from paused production of the 737 MAX commercial airplane. The average unemployment rate increased from 4.0 percent in 2001 to 6.6 percent in 2003 because of the effects of the 2001 national recession (Figure 4). Reflecting an economic expansion in the HMA from 2004 through 2008, the average unemployment rate decreased to 4.2 percent by 2007 before increasing slightly to 4.5 percent in 2008. Significant job losses in the HMA because of the effects of the Great Recession

caused the average unemployment rate to increase, peaking at 8.6 percent during 2010. During the remainder of the 2010s, the unemployment rate steadily dropped to reach 3.4 percent in 2019 as a result of an expanding HMA economy during most of the period.

Employment Forecast

During the forecast period, nonfarm payrolls are expected to increase an average of 1.0 percent annually. Job growth is expected to increase each year of the forecast period, with modest but widespread gains among most job sectors during the first year as restrictions to slow the spread of COVID-19 are eased further and consumer confidence gradually increases. Job growth is not expected to occur until the second and third years of the forecast period in the manufacturing sector, where gains were greatest during the 2 years before the onset of COVID-19. Sluggish demand for aerospace products and parts stemming from an expected slow return to pre-COVID-19 air travel volume will contribute to a protracted recovery period in this sector (International Air Transport Association Global Passenger Forecast).

Figure 4. 12-Month Average Unemployment Rate in the Wichita HMA and the Nation



Note: Based on 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Population and Households

Current Population: 650,900

Population growth has been slow in the HMA since 2010, with net natural increase (births minus deaths) accounting for all of the population gain during the period.

Population Trends

During the 2000s, the HMA population increased by an average of 5,100, or 0.8 percent (Table 3), annually, with an average annual net in-migration of 780 people, or 15 percent of total population growth (U.S. Census Bureau decennial census counts). Population growth was slow during the early 2000s, when the population increased by an average of 3,125, or 0.5 percent, annually from April 2000 to 2005, entirely the result of net natural change (U.S. Census Bureau decennial census counts; U.S. Census Bureau population estimates, as of July 1). During this period, net out-migration averaged 1,025 annually. Significant declines in payrolls and relatively high unemployment during 2002 and 2003 contributed to the slow population growth and net out-migration. Population growth in the HMA was stronger from 2005 to April 2010. During this period, the population increased by an average of 7,300, or 1.2 percent, annually, with net in-migration accounting for 38 percent of the total increase. Net in-migration occurred during this period partly because of relatively strong job growth during 2007 and 2008 and because jobseekers were drawn to the HMA, the largest metropolitan area and employment center in Kansas, during the Great Recession. From April

2010 to 2018, population growth was slow in the HMA, averaging 1,675, or 0.3 percent, annually, partly because of job declines during 2010, 2011, and 2017 and relatively modest job growth of less than 1.0 percent during much of the remainder of the period. Net out-migration occurred each year from April 2010 to 2018, averaging 1,625 residents annually. Since 2018, the population has increased by an average of 2,825, or 0.4 percent, annually, with net in-migration accounting for 19 percent of the population growth (Figure 5). Relatively strong job growth during 2018 and 2019 contributed to net in-migration during the period.

Age Cohort Trends

The age cohort of 60 and older has grown at a strong pace in the HMA since 2010 compared with the age cohort of 59 and younger, reflecting national trends. From April 2010 to July 2019, the population of residents in the HMA ages 60 and older increased an average of 2.9 percent annually to 141,500 (U.S. Census Bureau decennial census counts and U.S. Census Bureau population estimates as of July 1). By comparison, the number of residents ages 59 and younger decreased an average of 0.4 percent annually. The rate of population growth among residents in the HMA ages 60 and older resulted in the cohort accounting for a greater proportion of the total population in 2019, increasing to 21.9 percent, compared with 17.1 percent in 2010 (Figure 6).

Table 3. Wichita HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast
	Population	630,919	650,900
	Average Annual Change	5,100	1,925
	Percentage Change	0.8	0.3
Household Quick Facts	2010	Current	Forecast
	Households	243,586	251,800
	Average Annual Change	1,975	790
	Percentage Change	0.9	0.3

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast.

The forecast period is from the current date (September 1, 2020) to September 1, 2023.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

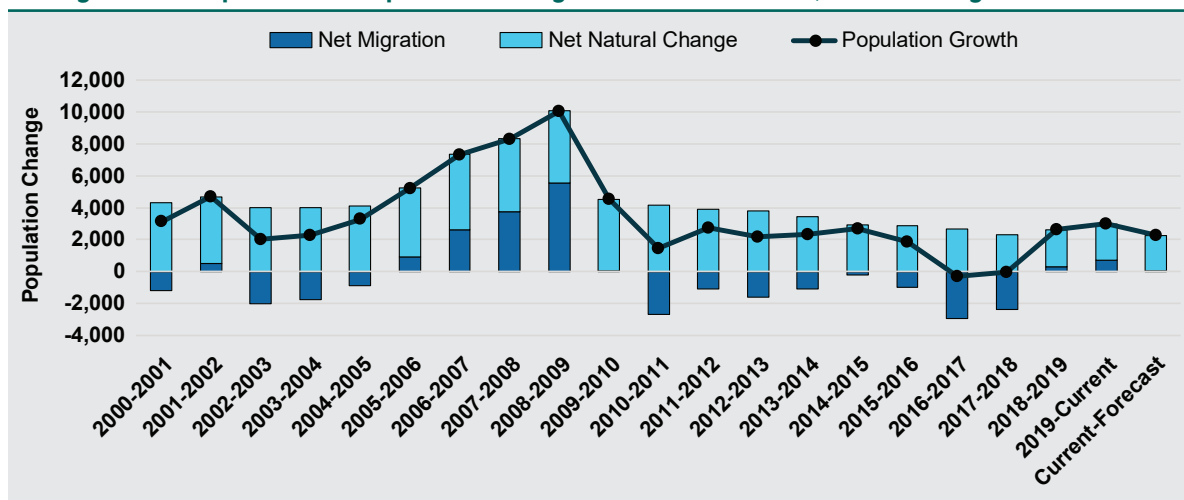


Nationally, the age cohort of 60 years and older increased an average of 2.9 percent annually from 2010 to 2019, whereas the age cohort of 59 and younger increased an average of only 0.1 percent annually. The population of residents 60 years and older accounted for 22.7 percent of the population nationally in 2019, compared with 18.5 percent in 2010. The increase in the population of residents 60 years and older in the HMA was primarily the result of residents aging in place (U.S. Census Bureau).

Population by Geography

The most populous county in the HMA in 2019 was Sedgwick County, with 516,000 residents, accounting for 80 percent of the population of the HMA. Butler County was the second largest county, with a population of 66,900, or about 10 percent of the HMA. Harvey, Kingman, and Sumner Counties accounted for the remaining 10 percent, with a combined population of 64,400. 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 HMA both in number and rate. Wichita, in Sedgwick County, was the largest city in the HMA and the state in 2019, with a population of 389,900, up an average of 1,150, or 0.3 percent, since 2010. The second largest city in the HMA is Derby, also in Sedgwick County, which had a population

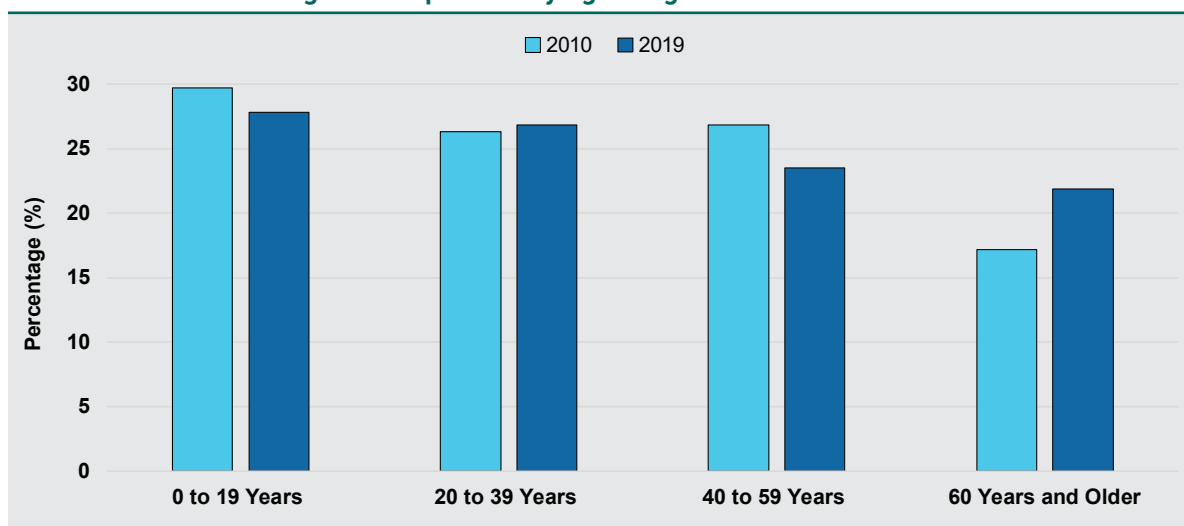
Figure 5. Components of Population Change in the Wichita HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (September 1, 2020) to September 1, 2023.

Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Figure 6. Population by Age Range in the Wichita HMA



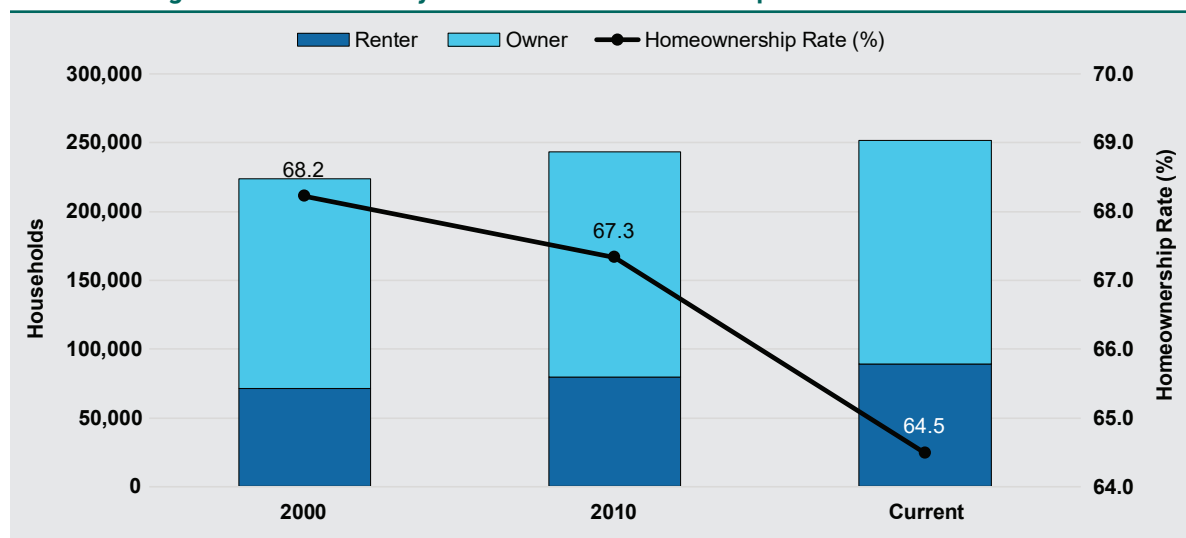
Source: U.S. Census Bureau

of 24,950 as of 2019, representing an average increase of 300, or 1.3 percent, annually from 2010. The population of the city of Wichita increased by the greatest number of residents in the HMA from 2010 to 2019, although the city of Bel Aire, a suburb of Wichita in Sedgwick County, increased by the greatest percentage, an average of 2.2 percent annually.

Household Trends

The current number of households in the HMA is estimated at 251,800, representing an average annual increase of 790 households, or 0.3 percent, since April 2010—a pace similar to that of population growth in the HMA during the same period. The number of households increased an average of 0.9 percent annually during the 2000s, a slightly faster pace compared with population growth during the same period. Since 2010, renter household growth has accounted for all total household growth, compared with 43 percent during the 2000s. Tightened mortgage lending standards and an increased propensity to rent, particularly during the early 2010s, contributed to the increased share of renter households. Job losses during the early 2010s also contributed to the strong rate of renter household formation. Renter households currently account for an estimated 35.5 percent of all households in the HMA, compared with 32.7 percent in 2010 (Figure 7).

Figure 7. Households by Tenure and Homeownership Rate in the Wichita HMA



Note: The current date is September 1, 2020.

Source: U.S. Census Bureau

Military and Student Households

McConnell AFB and the three largest universities in the HMA have a notable impact on the local housing market. Military and student households currently total an estimated 9,700 households, accounting for 4 percent of all households in the HMA overall and 2 and 7 percent of owner and renter households, respectively. McConnell AFB provides housing for 100 unmarried military personnel and has approximately 450 privatized housing units for married military personnel and their families. The remaining military personnel and family members, approximately 3,600 households, of which an estimated 2,600 are renter households, reside off base in the surrounding private housing market. Combined, the three largest universities in the HMA—Wichita State University (WSU), Friends University, and Newman University—provide on-campus housing for 2,200 students, or 11 percent of the 20,500 students enrolled as of the fall 2020 semester. The remaining students, totaling an estimated 6,100 households, of which an estimated 5,800 are renter households, reside in the local housing market. Current military personnel and student enrollment levels in the HMA are relatively unchanged compared with 2010, with average annual

increases of 0.1 percent in both military personnel at McConnell AFB and enrollment at the three largest universities.

Forecast

During the forecast period, the population of the HMA is expected to increase by an average of 2,275, or 0.3 percent, annually, almost entirely because of

net natural increase. Net out-migration is expected to occur during the first year, reflecting slow job growth, although modest net in-migration is expected to occur during the second and third years as the economy expands. The number of households in the HMA is expected to increase by an average of 950, or 0.4 percent, annually during the forecast period—a slightly faster pace than population growth.



Home Sales Market

Market Conditions: Slightly Tight

Job growth during most years since 2012, a decrease in the inventory of homes for sale, and increased access to credit have contributed to tighter sales market conditions in the HMA compared with April 2010.

Current Conditions

Sales housing market conditions in the Wichita HMA are currently slightly tight compared with softer conditions in April 2010. The sales vacancy rate is currently estimated at 1.7 percent, down from 2.2 percent in April 2010 (Table 4). The tighter home sales market conditions in the HMA compared with 2010 has been partly because of a decrease in unsold home inventory available for sale. During the 12 months ending August 2020, the unsold inventory in the HMA averaged 1,600 homes, a decrease of 26 percent compared with a year earlier and a 60-percent decline compared with the 12 months ending March 2010 (Wichita State University). 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. A decrease

in mortgage interest rates since 2010 also contributed to tighter sales market conditions. The average mortgage rate nationally for a 30-year, fixed-rate mortgage was 2.9 percent in August 2020, down from 5.0 percent in 2010 (Freddie Mac). In addition, adjustable-rate mortgages, which can be used as a tool to qualify more borrowers, have accounted for 6.6 percent of home loans in the HMA since 2017, or three times the portion in 2010 (Zonda). Job growth during most years since 2012 has also contributed to the decline in the sales vacancy rate since 2010.

Current Home Sales and Prices

During the 12 months ending July 2020, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 14,200 homes sold in the Wichita HMA (Zonda, with adjustments by the analyst). That number was a year-over-year increase of 90 homes sold, or 1 percent, compared with a decrease of 2 percent a year earlier. The average home sales price increased by \$13,750, or 7 percent, to \$197,900, compared with a 4-percent increase a year earlier. New home sales increased 6 percent to 830 during the 12 months ending July 2020, and the average price for a new home increased 3 percent to \$312,000. Regular resale home sales increased 2 percent to 12,700 homes, and the average price for a regular resale home was \$191,900, up 8 percent from a year earlier. REO sales declined 22 percent to 670, and the average

Table 4. Home Sales Quick Facts in the Wichita HMA

Home Sales Quick Facts	Wichita HMA		Nation
	Vacancy Rate	1.7%	NA
	Total Home Sales	14,200	5,430,000
	1-Year Change	1%	-4%
	New Home Sales Price	\$312,000	\$408,800
	1-Year Change	3%	-1%
	Existing Home Sales Price	\$189,100	\$320,900
	1-Year Change	8%	5%
	Mortgage Delinquency Rate	4.1%	4.4%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending July 2020; and mortgage delinquency data are as of August 2020. The current date is September 1, 2020.

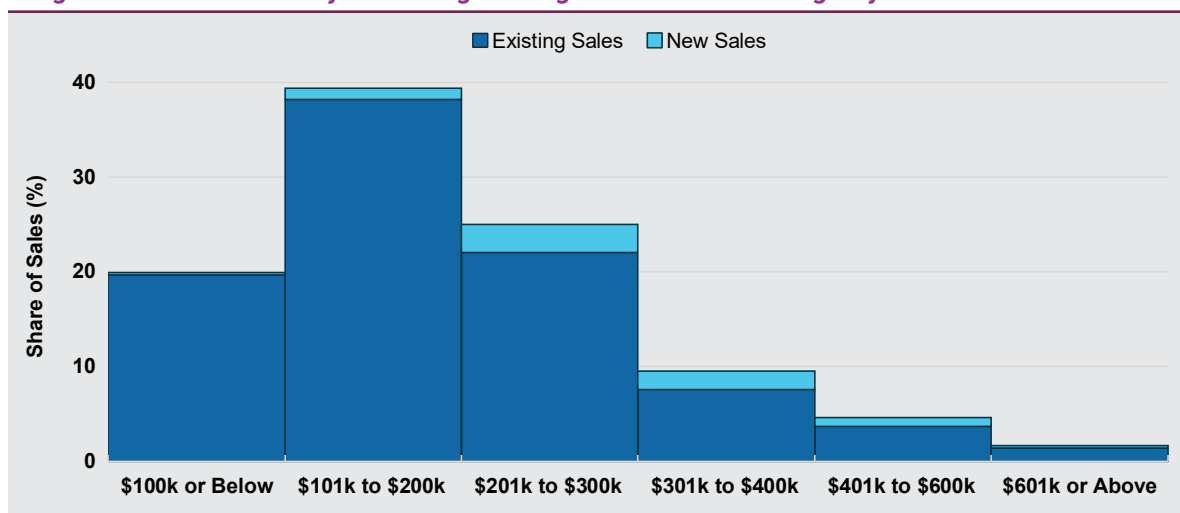
Sources: CoreLogic, Inc.; Zonda, with adjustments by the analyst

REO sale price declined 8 percent to \$112,800. New and existing homes priced from \$101,000 to \$200,000 accounted for the greatest share of total home sales in the HMA during the past year (Figure 8). Absentee-owner sales—which are primarily investment or second-home purchases—accounted for 9 percent of total sales during the 12 months ending July 2020, down from 12 percent a year earlier and less than one-half the average of 20 percent from 2010 through 2018. By comparison, absentee-owner sales accounted for 26 percent of total sales nationally during the 12 months ending July 2020, down from an average of 28 percent from 2010 through 2018.

Home Sales Trends

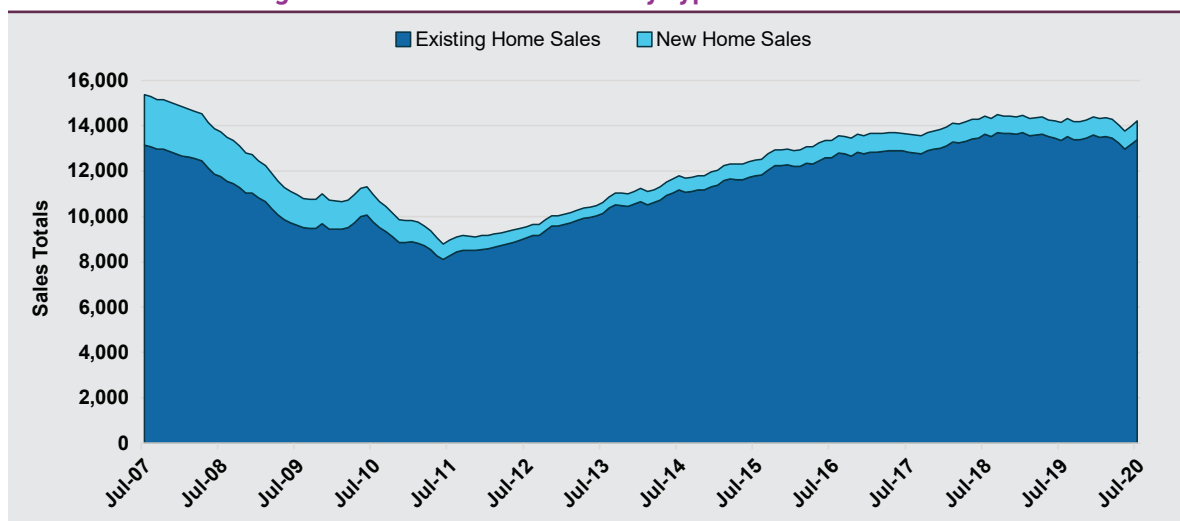
During the 2000s, total home sales in the HMA were particularly strong from 2005 through 2007, averaging 14,400 annually (Zonda, with adjustments by the analyst). Job and population growth, combined with relaxed lending standards, contributed to strong home sales during this period. From 2005 through 2007, adjustable-rate mortgages accounted for 14 percent of all home mortgages in the HMA (Zonda). From 2008 through 2018, home sales trends in the HMA were similar to national trends. Home sales in the HMA declined during 2008 and 2009 by an average of 2,100, or 15 percent, annually to 10,700 (Figure 9), compared with an average annual decrease of 14 percent nationally. The significant decrease in home sales in the HMA during the period resulted from the

Figure 8. Share of Sales by Price Range During the 12 Months Ending July 2020 in the Wichita HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Figure 9. 12-Month Sales Totals by Type in the Wichita HMA



Source: Zonda, with adjustments by the analyst

housing crisis and job losses. Tighter mortgage lending standards also contributed to declining home sales during the period. In 2009, adjustable-rate mortgages accounted for only 2 percent of all home mortgages in the HMA. Job losses in the HMA contributed to home sales decreasing during 2010 and 2011 by an average of 790, or 8 percent, annually, to 9,150, compared with an average annual decrease of 4 percent nationally. From 2012 through 2018, home sales increased an average of 750, or 7 percent, annually to 14,350, equal to the rate of increase nationally. Increased access to credit in the HMA and job growth during almost every year of the period contributed to increased home sales.

Home Sale Price Trends

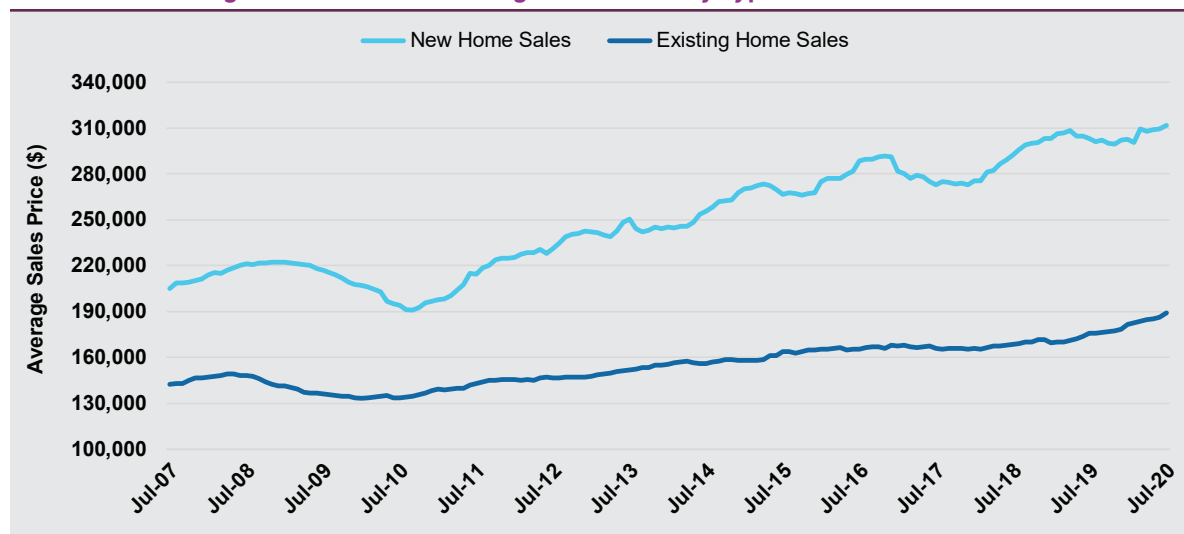
During 2006 and 2007, before the local economic downturn, the average price for a home in the HMA increased by an average of \$7,750, or 5 percent, annually, to \$156,700. During 2008 and 2009, the average price declined by an average of \$6,200, or 4 percent, annually, to \$144,300. During this period, the average price for an existing home decreased an average of 4 percent annually. The average new home sales price continued to increase during 2008, however, before declining significantly in 2009. During 2008, the average new home sales price increased 5 percent, followed by a 7-percent decrease in 2009. Lower home sales demand in the HMA stemming from the housing crisis and

job losses contributed to a decrease in the average home sales price during the period. From 2010 through 2018, the average price of a home increased almost every year, averaging a gain of \$4,050, or 3 percent, annually to reach \$180,700. During this period, the average price for a new home increased an average of 4 percent annually, compared with a 3-percent average annual increase in the average price for existing homes. Increased home sales demand, particularly beginning in 2012, when the local economy began to recover, contributed to an increase in the average home price from 2010 through 2018. Also contributing to the increase in home prices was the declining share of relatively lower priced REO sales, decreasing each year from a peak level of 16 percent in 2011 to 7 percent in 2018. From 2010 through 2018, the average REO sales price was 31 percent lower than the average price for a regular resale home and 57 percent lower than the average price for a new home. See Figure 10 for new and existing home price trends since July 2007.

Delinquent Mortgages and REO Properties

In August 2020, 4.1 percent of home loans in the Wichita HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status; that percentage is up from 1.4 percent a year earlier but below the 4.6-percent peak rate in January 2012 (CoreLogic, Inc.). By comparison, the

Figure 10. 12-Month Average Sales Price by Type in the Wichita HMA



Source: Zonda, with adjustments by the analyst

national rate of seriously delinquent mortgages and REO properties was 4.4 percent in August 2020, up from 1.4 percent a year earlier but below the peak rate of 8.6 percent in January 2010. The percentage of seriously delinquent mortgages and REO properties increased significantly both in the HMA and nationally beginning in May 2020 as weakened economic conditions during the COVID-19 pandemic made it more difficult for many homeowners to stay current on their mortgage payments.

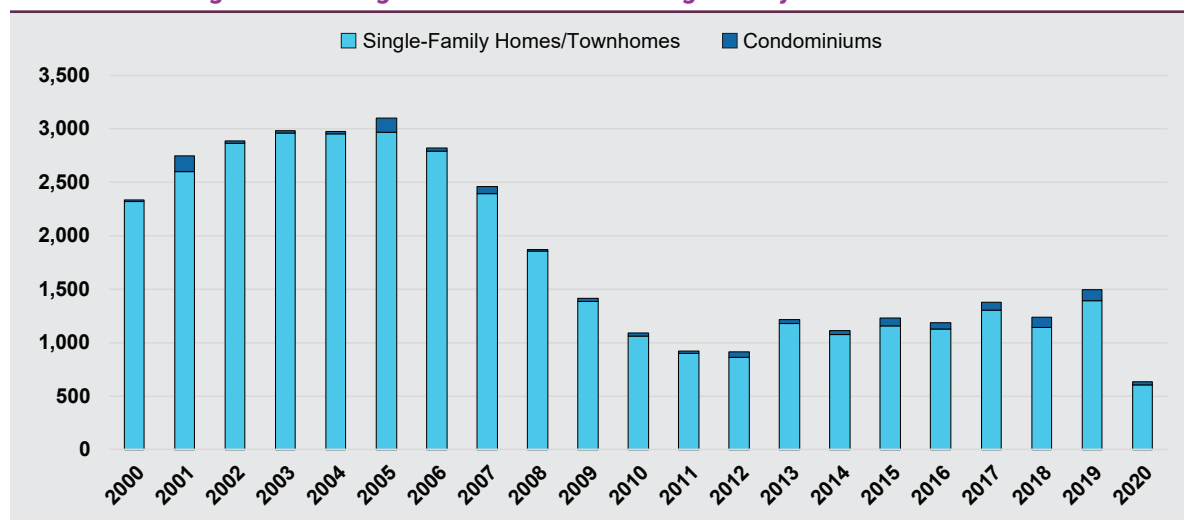
Current Sales Construction

Home sales construction activity, as measured by the number of building permits issued for sales housing, which includes single-family homes, townhomes, and condominiums, declined 7 percent to 1,250 during the 12 months ending August 2020 compared with a year earlier (preliminary data, with adjustments by the analyst). The decline during the past year was partly because of decreased home production during the second quarter of 2020 when economic and home sales market uncertainty stemming from the impact of COVID-19 were greatest.

Sales Construction Trends

Homebuilding activity peaked in 2005 when 3,100 homes were permitted (Figure 11). Increased demand stemming from relaxed mortgage lending standards and job growth were the primary reasons for increased homebuilding.

Figure 11. Average Annual Sales Permitting Activity in the Wichita HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2020 are through August 2020.

Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

Home construction declined during 2006 and 2007 by an average of 11 percent annually, to 2,450, before decreasing significantly from 2008 through 2010, when permitting slowed an average of 24 percent annually to 1,100. Decreased confidence in the home sales market, tighter lending standards stemming from the national housing crisis and recession, and job losses in the HMA during 2009 and 2010 contributed to the decline from 2008 through 2010. Homebuilding continued to decline during 2011 and 2012, although at a slower pace, decreasing by an average of 90, or 9 percent, annually, to 910 homes. From 2013 through 2018, home construction activity was relatively stable, reaching 1,250 permits, an increase of an average of 55, or 5 percent, 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. Only moderate condominium construction has occurred in the HMA since 2000, with condominiums accounting for less than 3 percent of home sales construction activity.

Home Sales Construction by Geography

Sedgwick County has accounted for 80 percent of homebuilding activity in the HMA since 2010, with Butler County accounting for an additional 12 percent. A combined total of 8 percent of home permits

were issued during the period in the remaining three counties. Recent homebuilding has been particularly strong in the city of Wichita. Since 2010 the city has accounted for 59 percent of home construction in Sedgwick County and 48 percent of all homebuilding in the HMA. Construction is underway at the Firefly residential community in the city of Wichita. 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, 33 new homes have sold for an average price of \$345,600. An additional six homes are available for sale, and 63 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, 112 new homes have sold for an average price of \$176,700. The Prairie Creek residential community has eight new two- and three-bedroom single-family homes available for sale, ranging in size from 880 to 1,400 square feet, with prices starting at \$158,800, and four home sites remain available for construction.

Forecast

Demand is expected for 3,025 new homes in the HMA during the next 3 years (Table 5). New home sales demand is expected to increase slightly each year of the forecast period, partly because of increasing employment and net in-migration during the second and third years. The 280 homes currently under construction will meet part of the demand during the first year.

Table 5. Demand for New Sales Units in the Wichita HMA During the Forecast Period

Sales Units	
Demand	3,025 Units
Under Construction	280 Units

Note: The forecast period is from September 1, 2020, to September 1, 2023.
Source: Estimates by the analyst

Rental Market

Market Conditions: Slightly Soft

Despite an increase in the supply of new rental units, rental market conditions in the HMA have moved from soft to slightly soft since 2010, partly because of job growth in the HMA, which occurred almost every year since 2012, and an increased propensity to rent among households.

Current Conditions

The rental housing market in the Wichita HMA is slightly soft, with a current overall rental vacancy rate estimated at 9.2 percent. Rental market conditions have improved since April 2010, when the rental vacancy rate was 10.4 percent and conditions were softer (Table 6). The apartment rental market is currently balanced, having improved since 2010 when conditions were soft. The average apartment vacancy rate during the second quarter of 2020, excluding properties in lease-up, was 4.6 percent, down from 5.1 percent a year earlier and well below the 8.0-percent rate during the second quarter of 2010 (Reis, Inc.; Figure 12). Occupied single-family rental homes in the HMA account for an estimated 47.1 percent of the total number of occupied rental units overall (2017 American Community Survey [ACS] 1-year data). Single-family rental home vacancy rates are often higher than apartment vacancy rates,

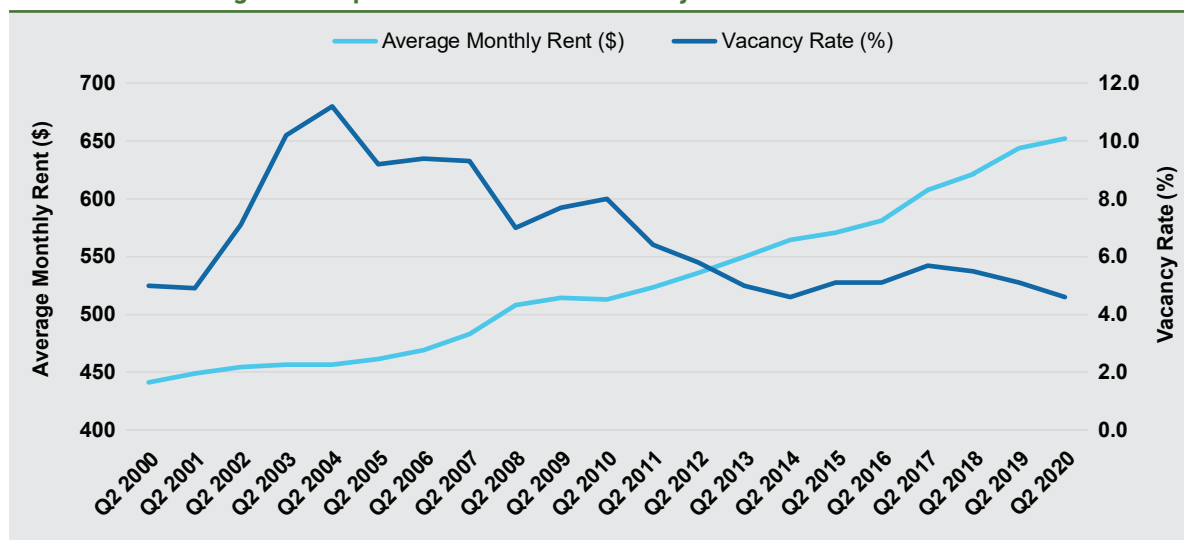
Table 6. Rental and Apartment Market Quick Facts in the Wichita HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	10.4	9.2
		2013 (%)	2017 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	47.6	47.1
	Multifamily (2–4 Units)	13.4	17.5
	Multifamily (5+ Units)	35.6	31.3
	Other (Including Mobile Homes)	3.4	4.1

Notes: The current date is September 1, 2020. Percentages may not add to 100 due to rounding.

Sources: 2010 Census, 2013 and 2017 American Community Survey 1-year data, and estimates by the analyst

Figure 12. Apartment Rents and Vacancy Rates in the Wichita HMA



Q2 = second quarter.

Source: Reis, Inc.

partly because amenities and services—such as clubhouses, swimming pools, and lawn service—are typically offered at apartments but not at single-family rental homes. Also contributing to a higher single-family rental vacancy rate in the HMA is the higher portion of relatively old single-family rental homes. An

estimated 52 percent of occupied single-family renter homes in the HMA were built before 1960, compared with only 11 percent of renter-occupied apartments with five or more units per structure.

The average apartment market rent during the second quarter of 2020 increased 1 percent from a year earlier to \$652 (Reis, Inc.). Apartment vacancy rates during the second quarter of 2020 ranged from 3.7 percent in the Reis, Inc.-defined McConnell AFB market area to 5.8 percent in the West Wichita market area. Apartment rents ranged from an average of \$527 in the South Wichita market area to \$747 in the West Wichita market area. The average vacancy rate for Class A apartments in the HMA was 5.7 percent, unchanged from a year ago, and the average rent for Class A apartments increased less than 1 percent to \$855. The average vacancy rate for Class B/C apartments was 4.2 percent, down from 4.8 percent a year earlier, and the average rent for Class B/C apartment units increased 2 percent to \$563. Apartment market conditions near WSU and McConnell AFB are relatively tight, with average apartment vacancy rates at communities within 2 miles of WSU and McConnell AFB at 3.4 and 2.9 percent, respectively. The average rents for units at apartment communities within 2 miles of WSU and McConnell AFB were \$730 and \$573, respectively.

Rental Affordability

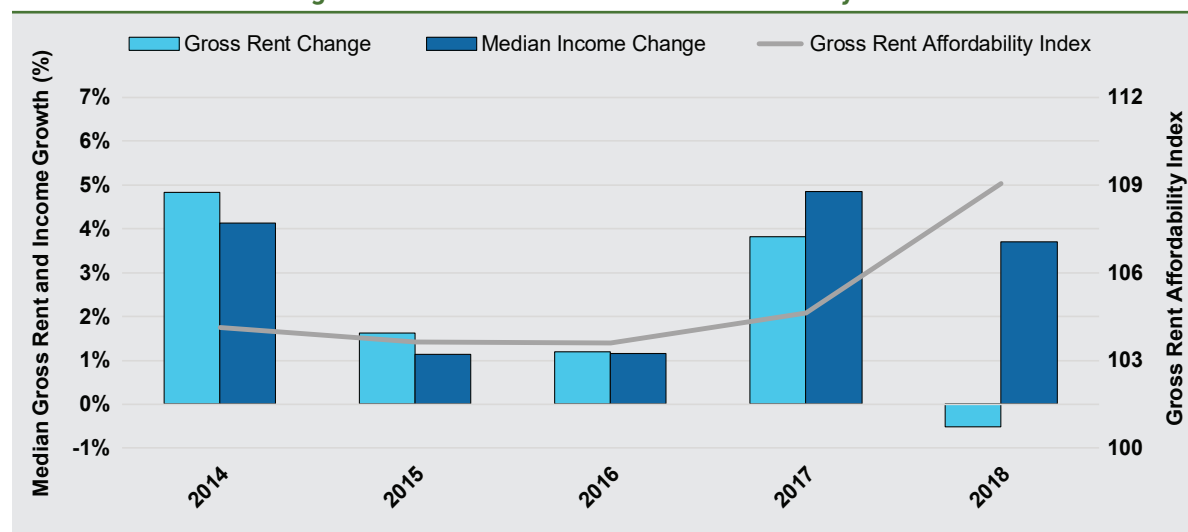
Rental housing has been relatively affordable in the HMA during the past several years. The HUD

Gross Rent Affordability Index (GRAI), a measure of median renter household income relative to qualifying income for the median-priced rental unit, was above 100.0 each year from 2014 through 2018 (Figure 13). The increase in the median income has been greater than the increase in the median gross rent in the HMA, contributing to an increase in overall affordability since 2014. The median renter household income increased 16 percent from 2014 to 2018, whereas the median gross monthly rent rose only 11 percent during the same period. As a result, the GRAI increased to 109.0 in 2018 compared with 104.1 in 2014. The average apartment rent in the HMA during the second quarter of 2020, \$652, was the lowest average apartment rent among 82 primary market areas covered by Reis, Inc., a ranking held by the HMA since 2001.

Apartment Vacancy Trends

Apartment vacancy trends in the HMA have mostly reflected economic trends since 2000. Job declines in the HMA during 2002 and 2003 contributed to the average apartment vacancy rate increasing from 4.9 percent during the second quarter of 2001 to a decade-high rate of 11.2 percent during the second

Figure 13. Wichita HMA Gross Rent Affordability Index



Note: The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditure.

Source: American Community Survey, 1-year data

quarter of 2004. From 2005 to 2008, the average apartment vacancy rate declined almost every year to 7.0 percent during the second quarter of 2008. An expanding local economy contributed to the decline in the average apartment vacancy rate during the 2005-to-2008 period. Job declines during 2009 and 2010 contributed to the average apartment vacancy rate increasing to 8.0 percent by the second quarter of 2010. The average apartment vacancy rate decreased to 6.4 percent during the second quarter of 2011 as job losses diminished. An increased preference to rent among households in the HMA, and the local economic recovery that began in 2012, contributed to a lower average apartment vacancy rate of 5.3 percent during the 2012-to-2018 period, with rates ranging from 4.6 percent during the second quarter of 2014 to 5.8 percent during the second quarter of 2012.

Apartment Rent Growth Trends

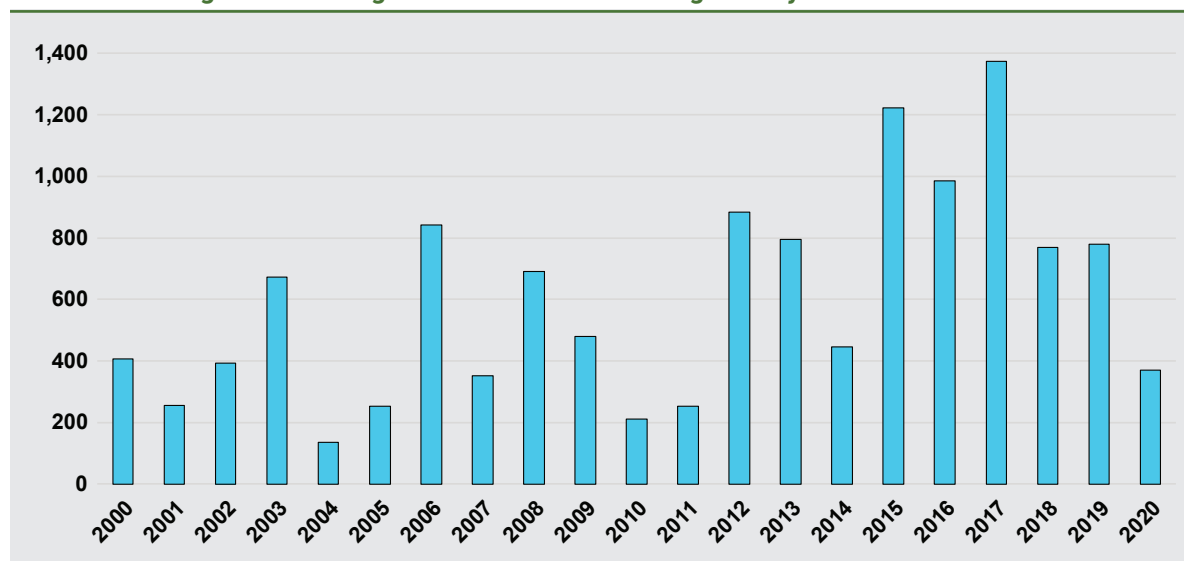
Rent growth has been generally slow in the HMA, with the average apartment rent increasing an average of 2 percent annually since the second quarter of 2001. During the period, year-over-year changes in average apartment rents ranged from no change during the second quarters of 2003, 2004, and 2010, when apartment market conditions were relatively soft, to 5-percent increases during the second quarters of 2008 and 2017. Relatively strong rent growth during the second quarter of 2008 was partly because of

job growth and an increase in renter demand stemming from diminished competition from the home sales market because of the housing crisis. Strong rent growth in 2017 occurred despite the local economic downturn primarily because approximately 1,000 Class A apartment units, which typically command relatively higher rents, were completed during the period.

Rental Construction Activity Trends

Rental construction activity in the Wichita HMA, as measured by the number of rental units permitted, has recently been at or above annual rental construction activity levels during the 2000s and early 2010s but has moderated compared with the mid-2010s. During the 12 months ending August 2020, 890 units were permitted, up 16 percent compared with a year earlier (preliminary data, with adjustments by the analyst). During the 2000s, rental construction activity averaged 450 units permitted annually (Figure 14). By comparison, during 2010 and 2011, rental construction activity averaged only 230 units annually, mostly because of job losses from 2009 through 2011. Rental construction activity averaged 840 units annually during 2012 and 2013, reflecting increased rental demand stemming from job growth and an increased

Figure 14. Average Annual Rental Permitting Activity in the Wichita HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2020 are through August 2020.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2019—final data and analyst estimates; 2020—preliminary data and estimates by the analyst

propensity for households to rent. After declining to 450 units in 2014, rental construction activity increased from 2015 through 2017, averaging 1,200 units annually, as builders responded to increased rental demand stemming from job growth during 2015 and 2016 and relatively low apartment vacancy rates. A contracting local economy and an influx of new apartment supply in 2017 contributed to a decline in rental construction activity in 2018 and 2019 when an average of 770 units were permitted annually. Since 2000, approximately 2,125 age-restricted rental units have been constructed in the HMA, accounting for 17 percent of all rental construction activity during the period. Age-restricted rental construction activity has totaled 1,075 units since 2010, accounting for 13 percent of rental construction activity during the period. During the 2000s, 1,050 age-restricted rental units were built, accounting for 23 percent of rental construction activity during the period.

Rental Construction by Geography

Since 2010, rental construction activity has primarily occurred in Sedgwick County, accounting for 94 percent of rental construction activity in the HMA during the period. Nearly two-thirds of rental construction activity in Sedgwick County has occurred in the city of Wichita since 2010. An estimated 500 apartment units are currently under construction in the HMA, all in the city of Wichita. In downtown Wichita, construction began in 2019 on the 200-unit 225 Sycamore apartment community. The development will include studio, one-, two- and four-bedroom units when completed. 225 Sycamore is expected

to be completed in the summer of 2021. Construction is nearly complete at Aspen Heights, an off-campus student apartment community located near the WSU campus. Rents at the community, which include 90 units with a combined 325 beds, range from \$679 to \$689 per bed in four-bedroom units to \$989 for one-bedroom units. 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 completed by July 2021 and includes 43 one-bedroom units and 91 two-bedroom units.

Forecast

During the forecast period, demand is estimated for 1,125 new rental units in the HMA (Table 7). Demand is expected to increase slightly in the second and third years of the forecast period because of net in-migration and improving economic conditions. The 500 units currently under construction are expected to satisfy demand during the first year of the forecast period.

Table 7. Demand for New Rental Units in the Wichita HMA During the Forecast Period

Rental Units	
Demand	1,125 Units
Under Construction	500 Units

Note: The forecast period is September 1, 2020, to September 1, 2023.
Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
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.
Forecast Period	9/1/2020–9/1/2023—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term, therefore, includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of 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.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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 expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits

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