

Housing Update & Market Discussion

Presented By:

Dan Whitney

September 2008



Housing vs. “The Perfect Storm” ...a Battle of Epic Proportions!

- The Build-up
- First Signs
- The Impact
- The Aftermath
- The Recovery

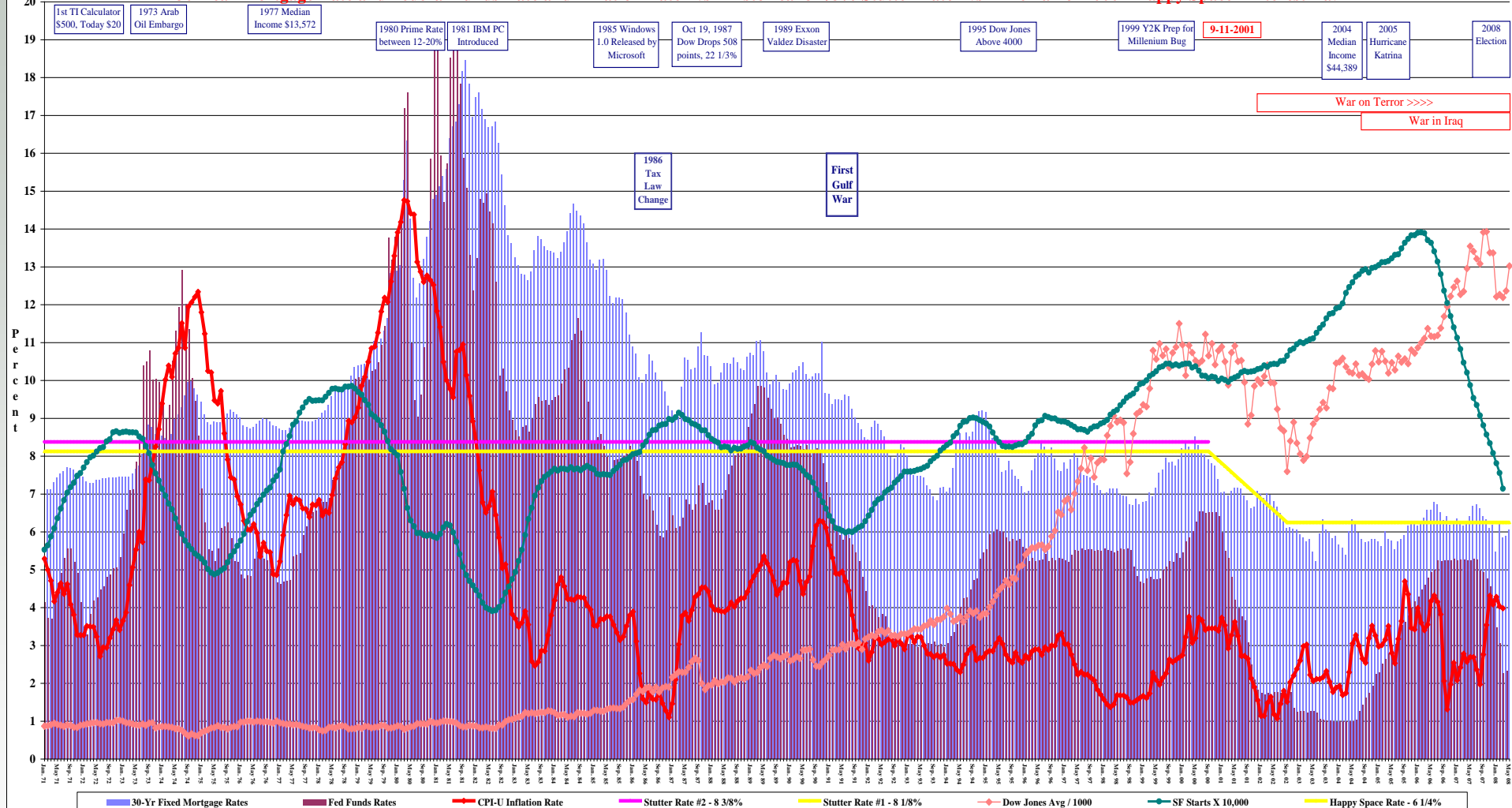
Housing vs. “The Perfect Storm” ...a Battle of Epic Proportions!

*How some survived, others
thrived and others were blown
apart!*

The Build-up

- Unprecedented growth w/o underlying fundamentals
- Foreign thirst for investments
- Money was too easy to consumers
- Changing demographic – Boomer housing
- Very little cost containment
- Consumers did not want to get left out
- **The system got sloppy!**

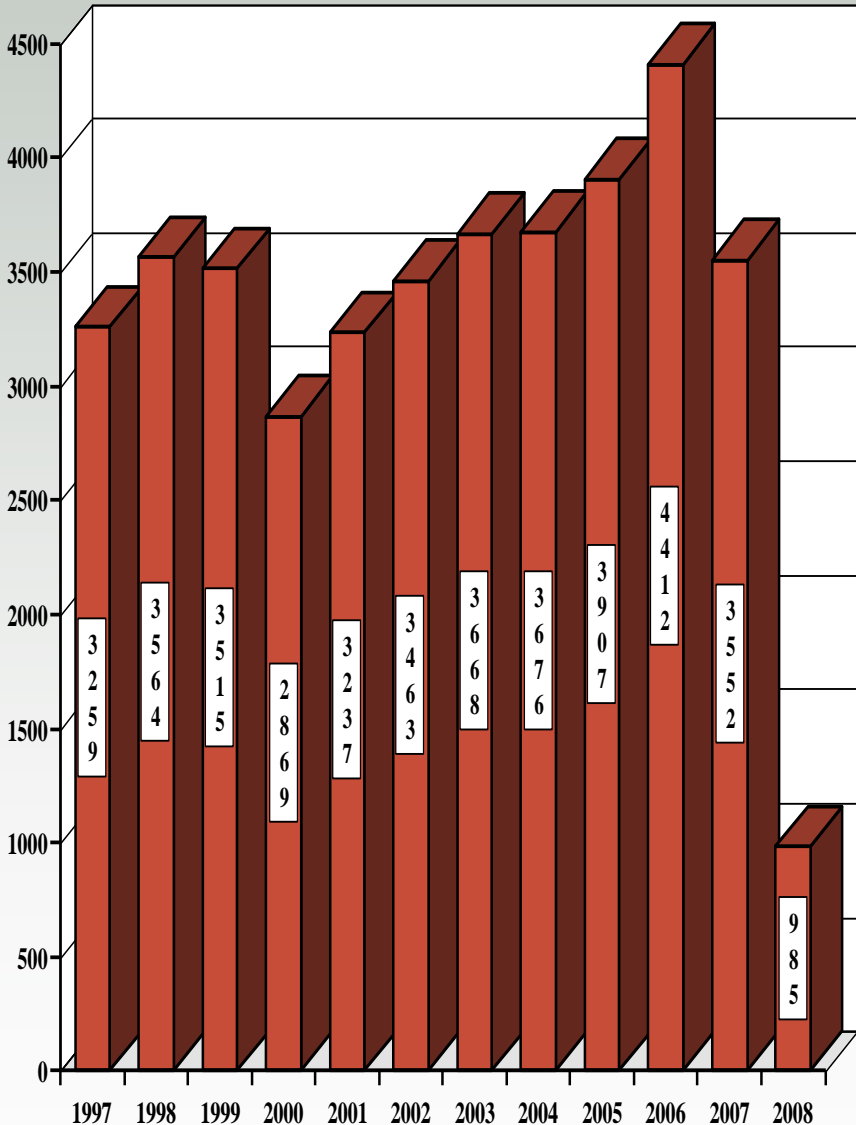
30-Year Mortgage Rate and Federal Funds Rate and Inflation Rate "vs" Historical 8 1/8% Stutter Rate "vs" The Fall of 2000 - Happy Space - Interest Rat



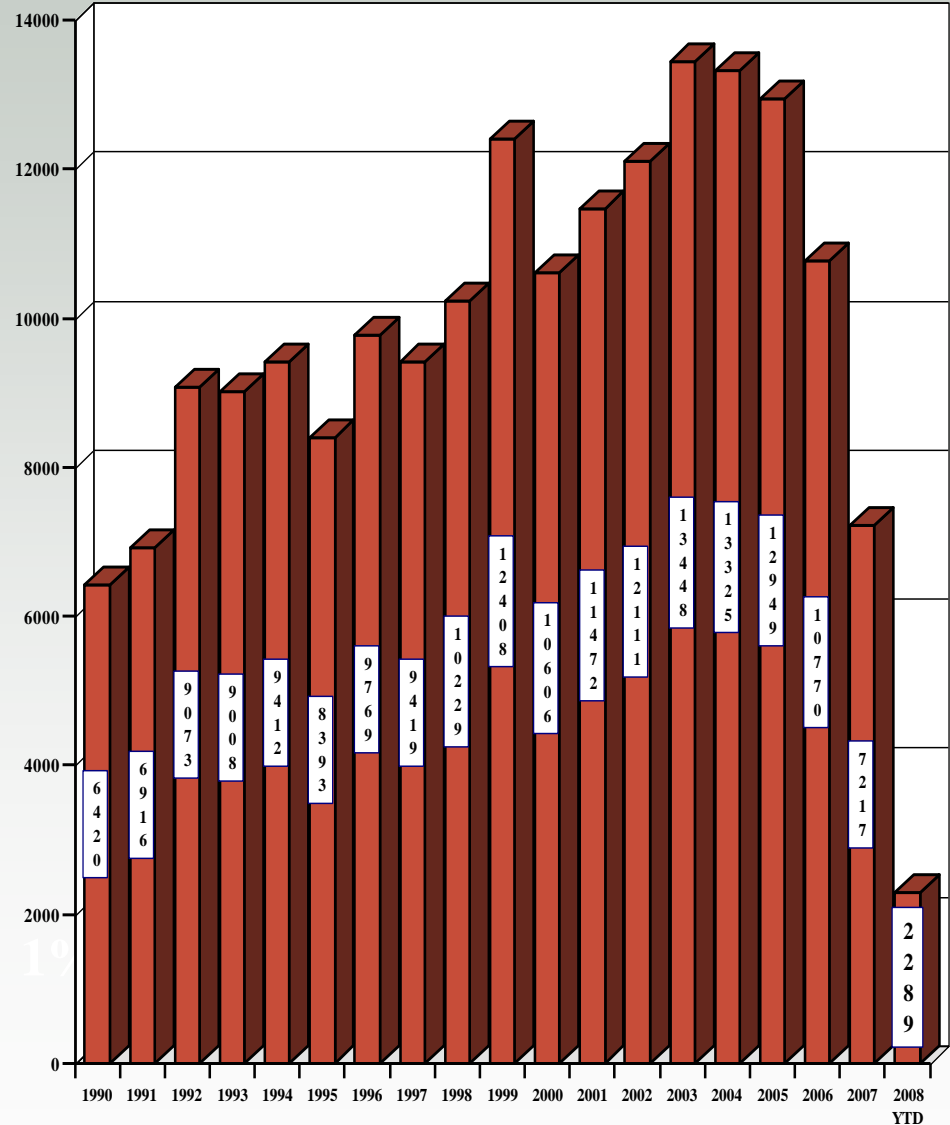
For 30 years the market started to shut down at the "stutter rate" of 8 1/8%. About September 2000 homebuyers tended to buy more space, partially with lower interest rates. Now to be "happy" with enough house space, the rate struggles at 6 1/4%. It takes "about" 2 to 3 months when interest rates go up to affect housing downward. It takes "about" 4 to 6 months when rates go down to affect starts upward.

Permit History

Central KS vs. KC Metro



YTD

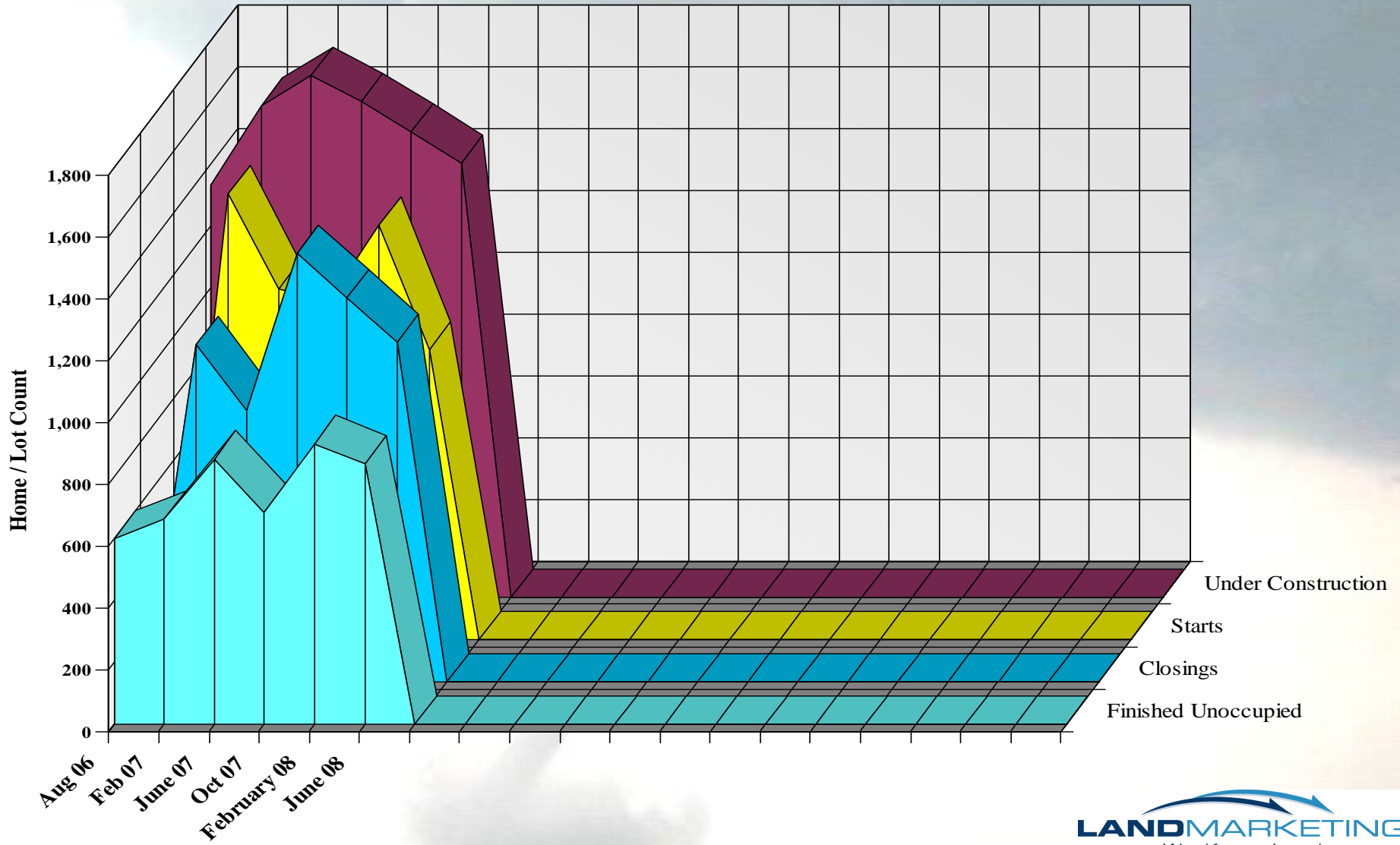


YTD

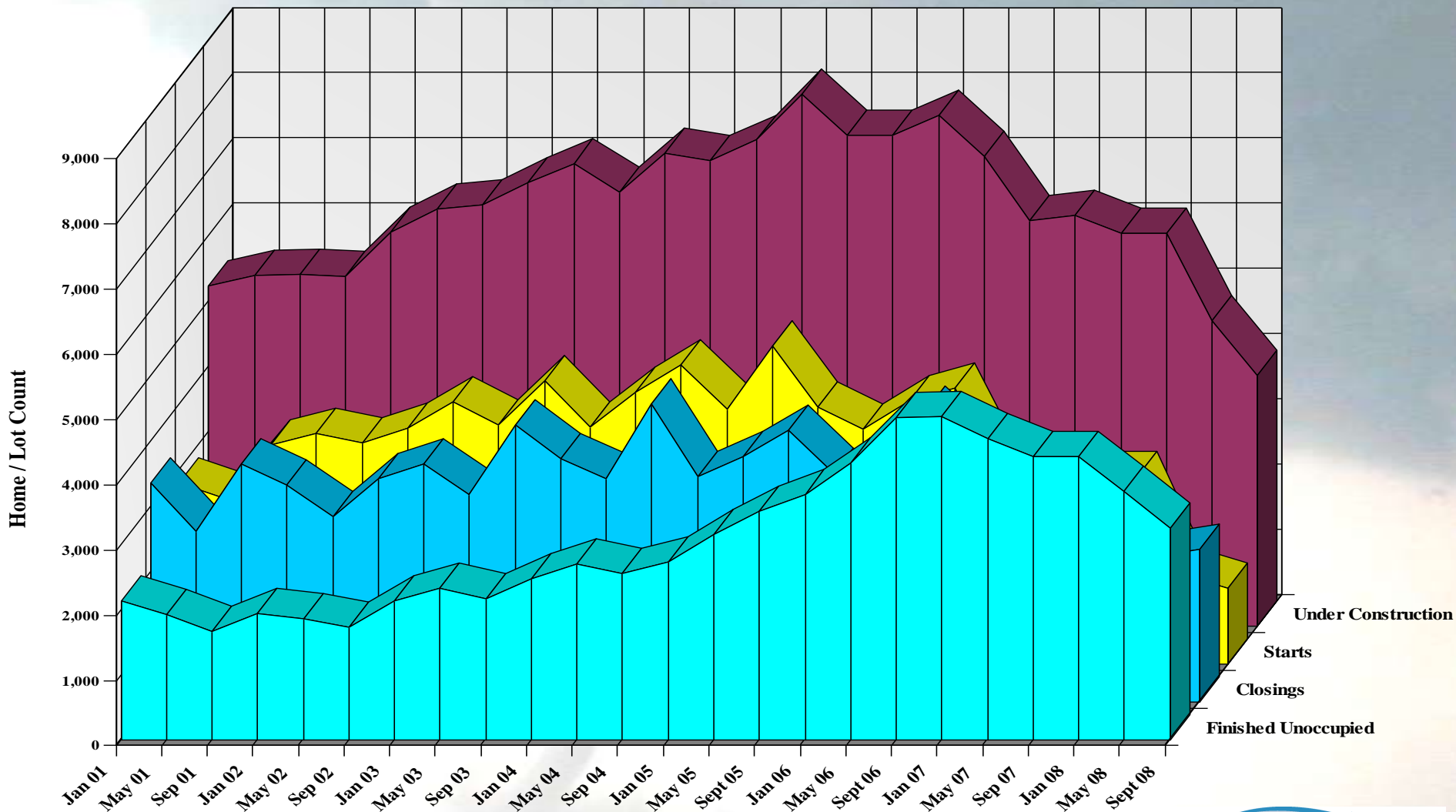
First Signs

- Land prices spiraled
- Normal due diligence abandoned
- Bankers required less equity to start developments
- Developers quit fighting cities
- Development and impact fees continued to increase
- National media focus on coastal markets
- Buyers got nervous in mid 2005
- **The industry kept producing**

Housing Activity – Central KS



Housing Activity – KC Metro



The Impact

- Buyers stopped buying
- Developers caught with expensive land
- Builders stopped buying lots
- Permit rates plummeted
- Banks required development loan refi's
- KC Inventories peaked in January 2007
- **Fee revenue for cities plummeted**

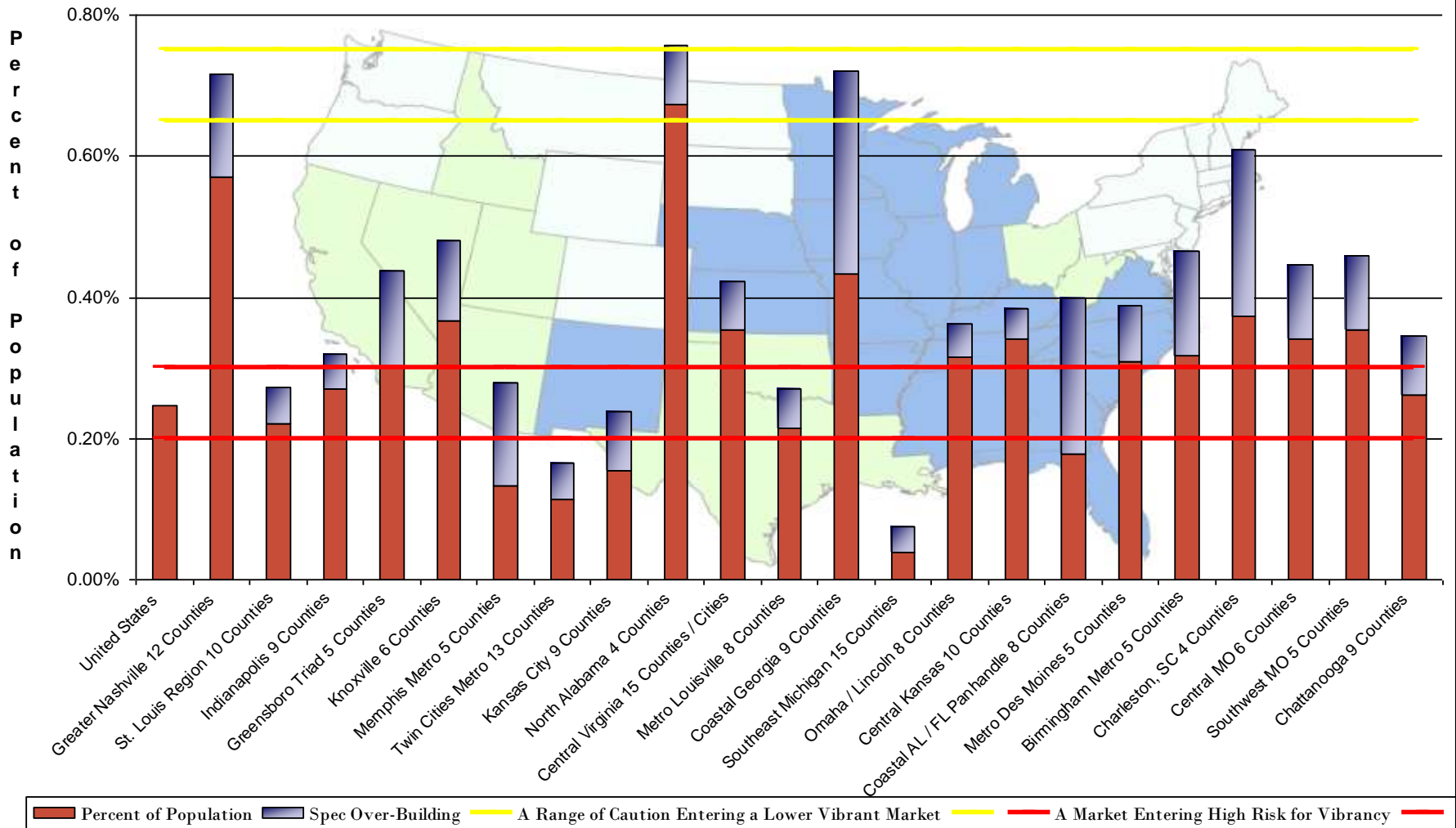
The Impact – Central KS

- 11.6% increase in subdivisions
- 3.3% increase in developed lots
- 7.8% increase in undeveloped lots
- .1% YTD increase in permits
- 21.0% decrease in starts
- 5.1% increase in closings
- 1.9% decrease in completed, not occupied homes

The Impact – KC Metro

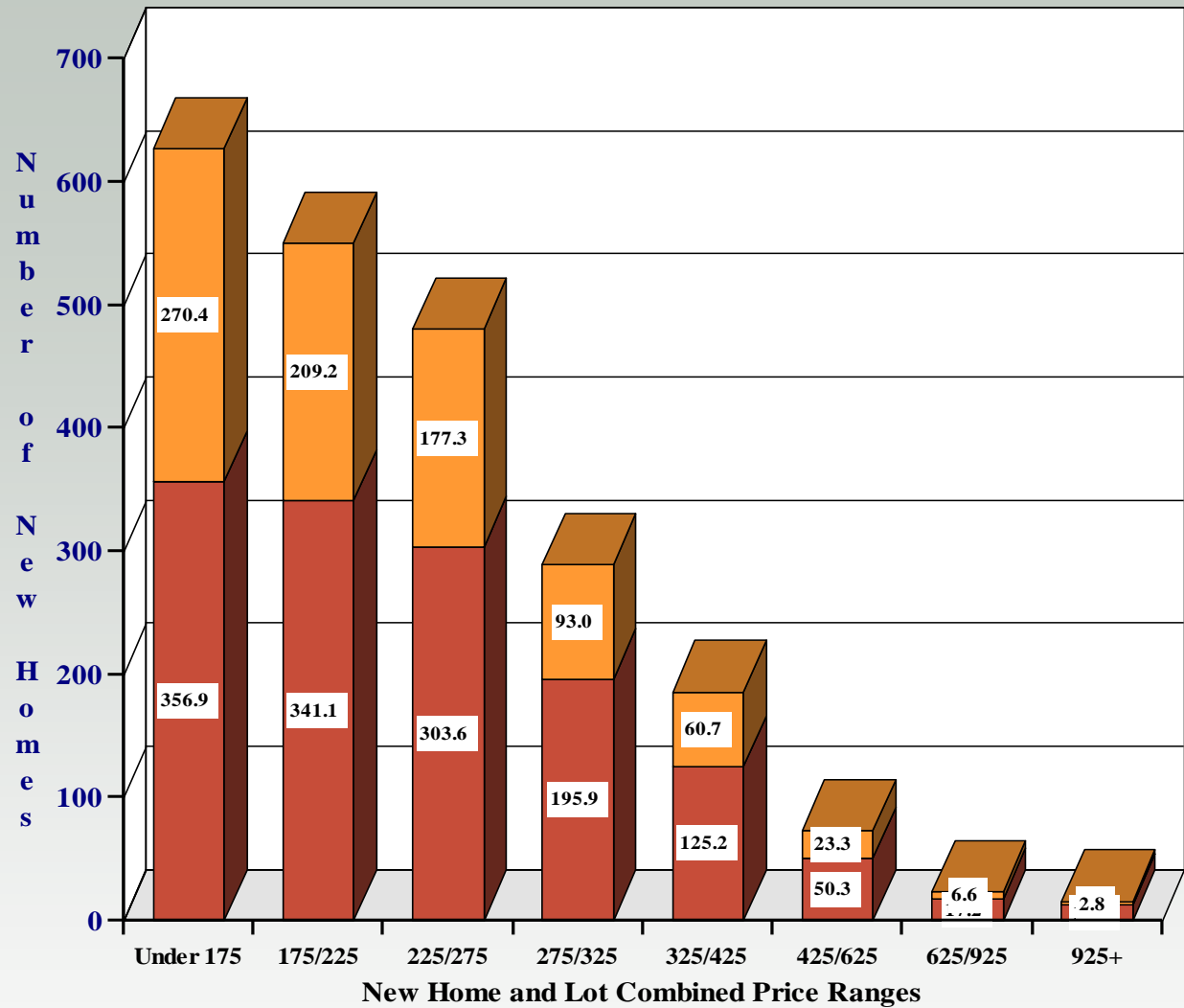
- 5.1% decrease in subdivisions
- 3.6% increase in developed lots
- 8.2% decrease in undeveloped lots
- **135.1% YTD decrease in permits**
- 80.7% decrease in starts
- 38.1% decrease in closings
- 33.7% decrease in completed, not occupied homes

Single-Family Housing Permits (not rentals) as Percent of Population (To obtain to .75% in a mature, larger city is Excellent)



Metro- Wide Central KS

Counted
Inventory



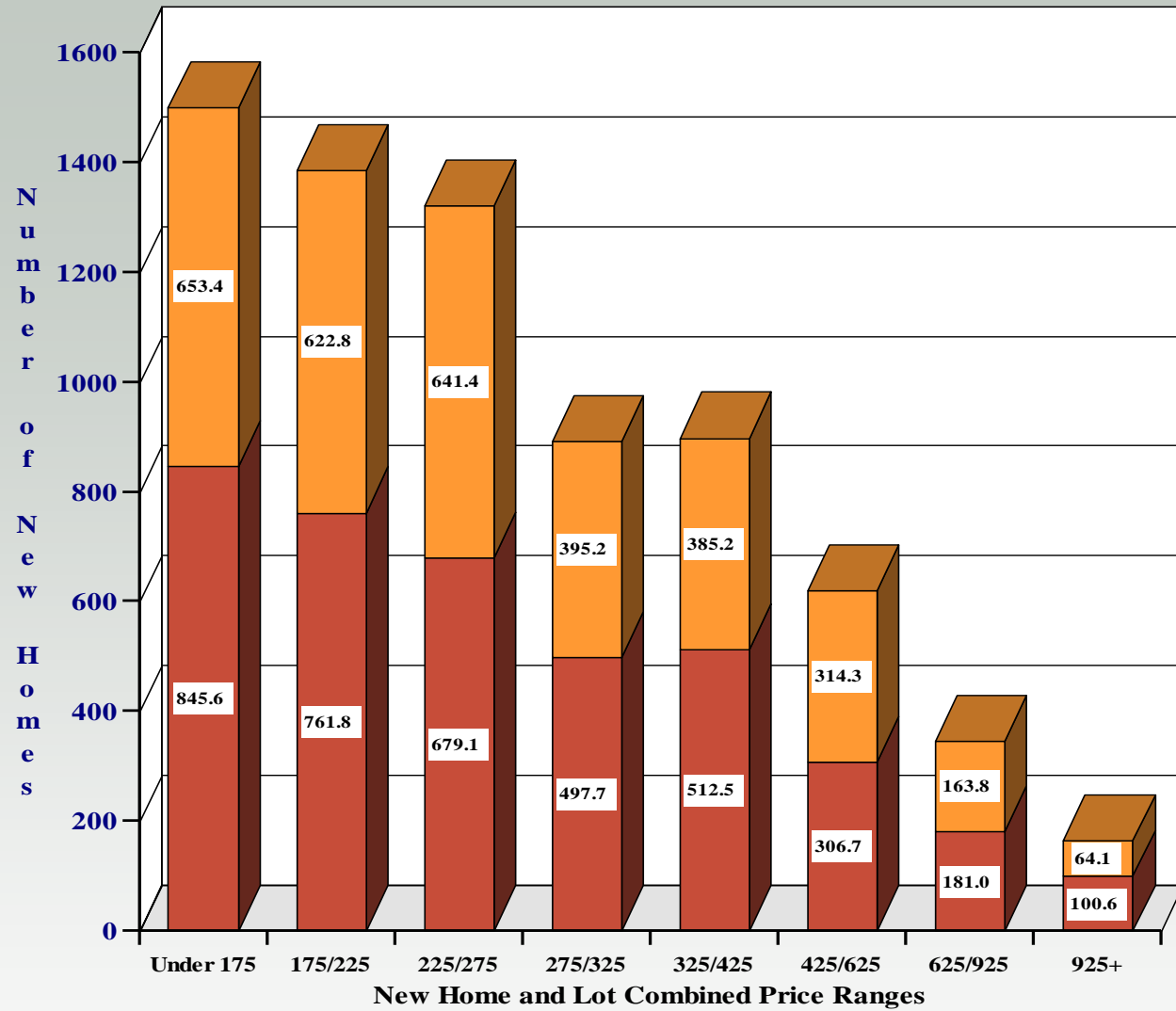
■ Under Construction ■ Finished Unoccupied Including Models (i.e.) NFU

	Under 175	175/225	225/275	275/325	325/425	425/625	625/925	925+	Total
COUNTED INVENTORY	627.2	550.3	480.9	288.9	185.8	73.6	23.8	15.8	2246.0
NOT SOLD INVENTORY	252.4	198.5	170.6	91.4	59.3	22.0	6.0	3.3	803.5
PROJ. MONTHLY DEMAND	109.7	72.3	65.3	33.8	19.8	9.1	5.3	2.3	317.3
NO. MONTHS SUPPLY	2.3	2.7	2.6	2.7	3.0	2.4	1.1	1.5	2.5

Metro-Wide

KC Metro

Counted Inventory



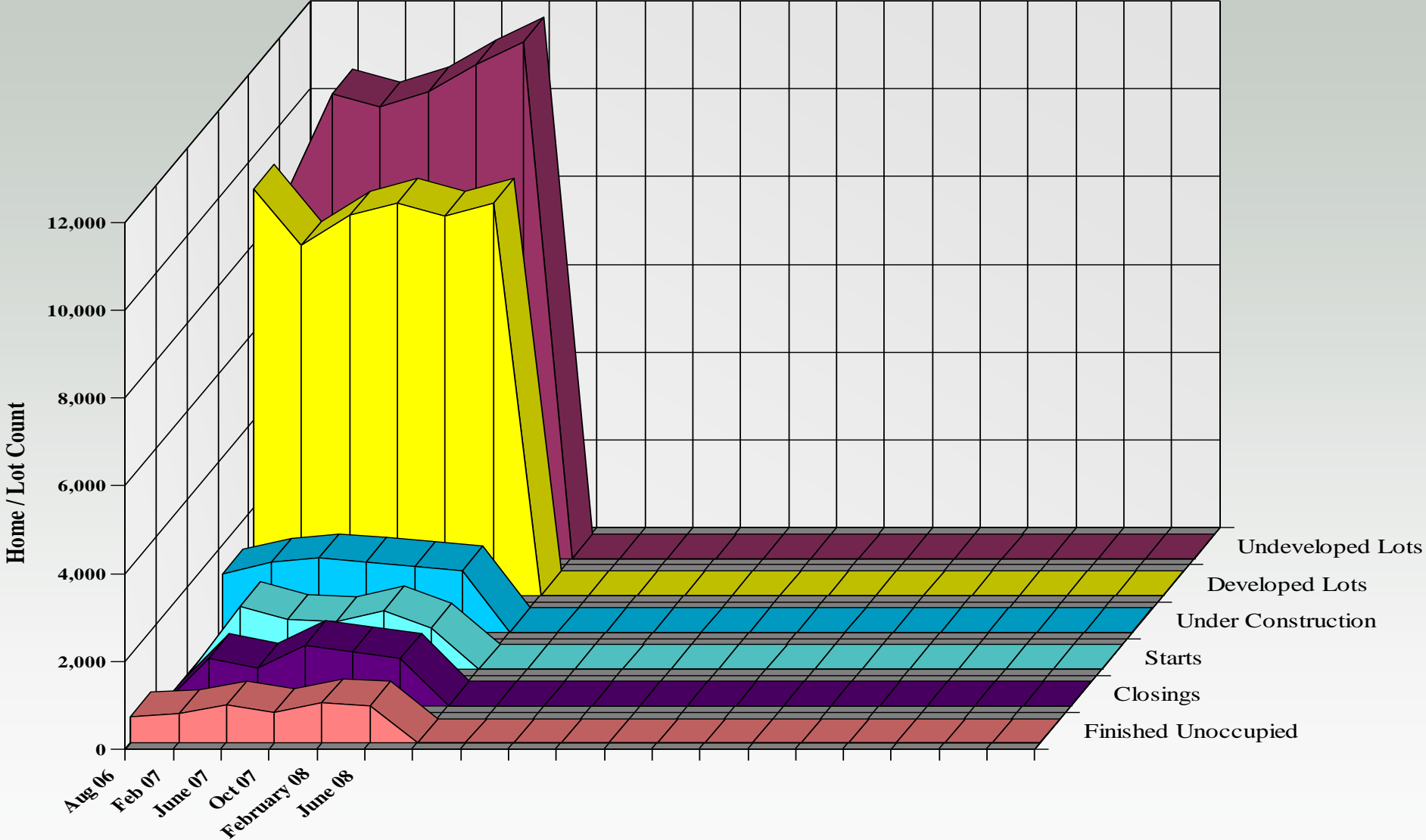
■ Under Construction ■ Finished Unoccupied Including Models (i.e.) NFU

	Under 175	175/225	225/275	275/325	325/425	425/625	625/925	925+	Total
COUNTED INVENTORY	1499.0	1384.6	1320.5	892.9	897.7	621.0	344.8	164.7	7125.0
NOT SOLD INVENTORY	586.6	598.1	610.4	376.6	374.8	301.8	154.5	61.8	3064.6
PROJ. MONTHLY DEMAND	130.2	129.6	119.2	79.1	76.8	49.5	27.3	12.4	624.0
NO. MONTHS SUPPLY	4.5	4.6	5.1	4.8	4.9	6.1	5.7	5.0	4.9

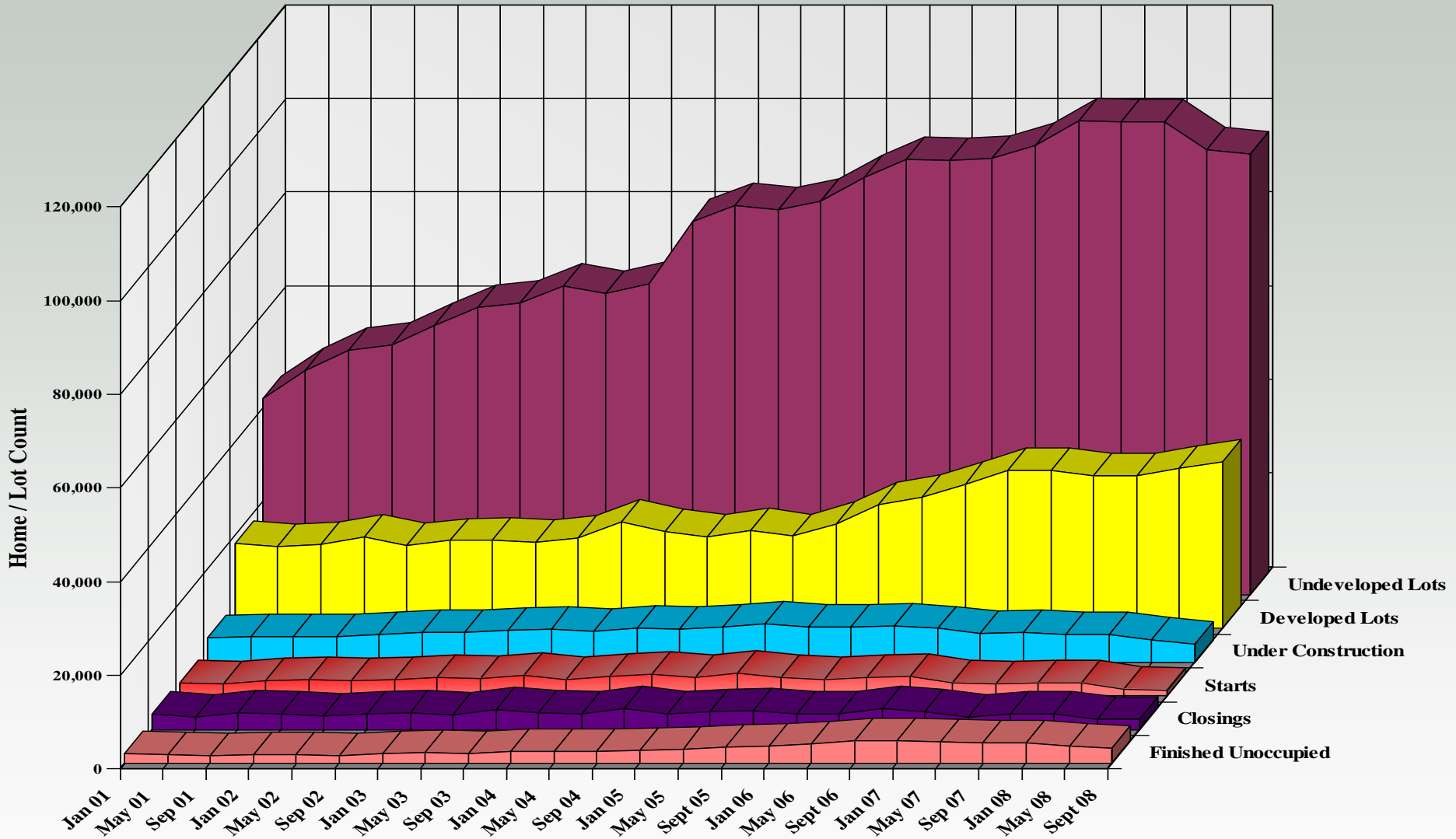
The Aftermath

- Overcapacity in the building industry
- Oversupply of developed lots
- Overly strict lending standards
- Record number of developments near default
- Record number of bank owned new unsold homes
- Reduced municipal revenue
- Excess municipal service capacity

Central KS Lot Activity



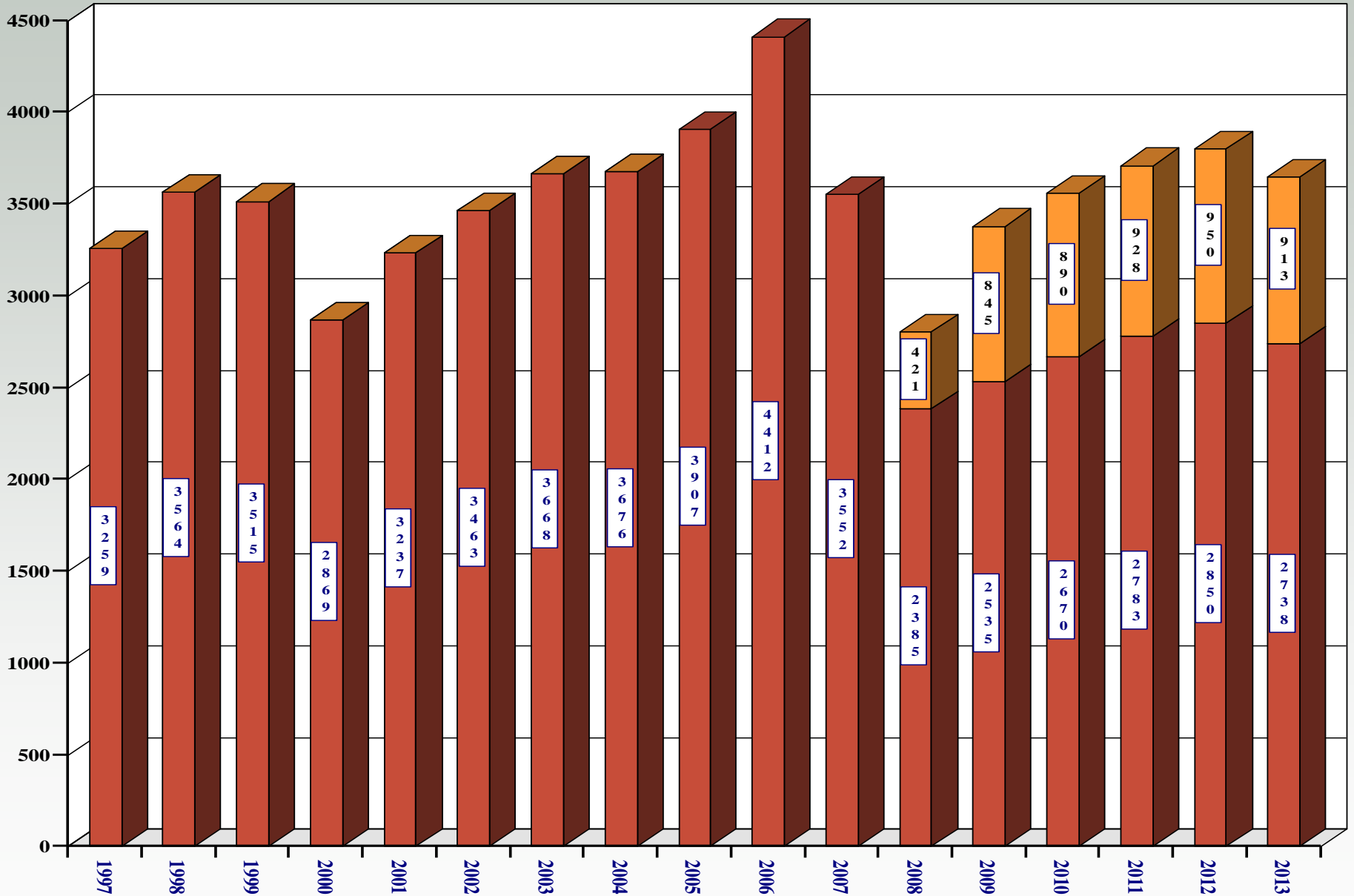
KC Metro Lot Activity



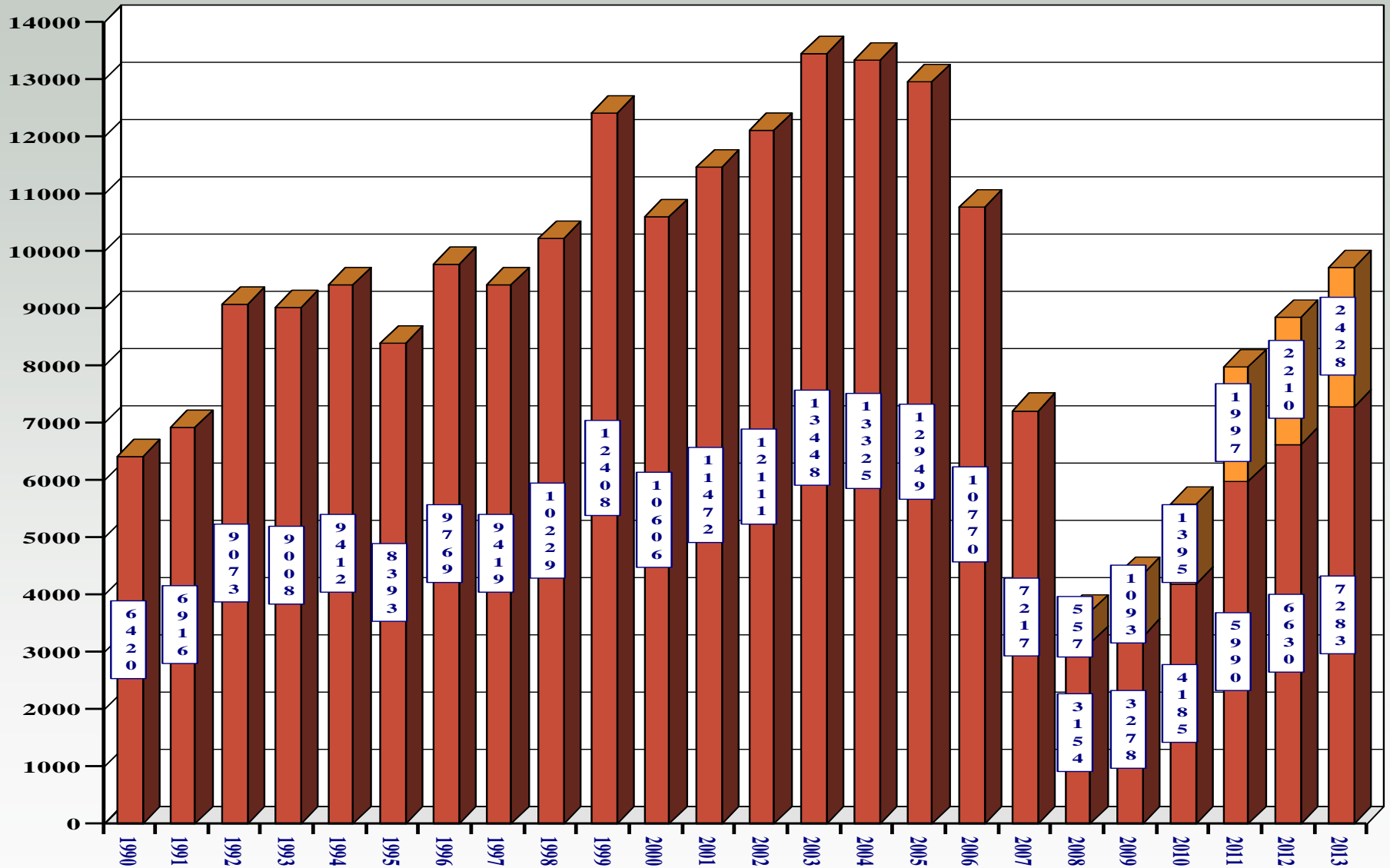
The Recovery

- More careful monitoring of housing statistics
- Bankers quietly disposing of properties
- Builders regrouping, refining or leaving
- Developers repositioning and re-pricing lots
- Foreclosed home investors flourishing
- Municipal department restructuring
- Cities attempting to raise fees
- Housing growth rate widely variable

Central KS Permit Forecast



KC Metro Permit Forecast



1990 thru 1993 were adjusted for counties with poor historical records.

Housing vs. “The Perfect Storm” ...a Battle of Epic Proportions!

Who survived?

Who thrived?

Who was blown apart?

Housing vs. “The Perfect Storm” ...a Battle of Epic Proportions!

Who survived?

Who thrived?

Who was blown apart?

Housing vs. “The Perfect Storm” ...a Battle of Epic Proportions!

*Who survived?
Kansas City Metro*

Housing vs. “The Perfect Storm” ...a Battle of Epic Proportions!

*Who thrived?
Wichita*

Housing vs. “The Perfect Storm” ...a Battle of Epic Proportions!

*Who got blown apart?
Junction City*

Why Only One Had Success?

- Employment growth
- Price-point of homes
- Style of homes
- Home builder structure
- Approval challenges and expenses
- Municipal incentives



MarketGraphics Areas of Kansas City

9 Counties,
256 Sub-Markets

