

May 10, 2013: Fletcher Powell, interviewing John McKenzie at McKenzie's office in east Wichita.

First of all, let me just have you say your name and tell me what your position is.

John McKenzie, president and chief executive for Coldwell Banker Real Estate.

OK, and are you from Wichita?

Originally from the East Coast, I came out here in the '60s to play a little baseball and went to school out here and ended up settling here in 1971, and I've been here ever since.

And how soon did you move into real estate?

In 1972. I was 23 and got into real estate at a very early age. My local broker that I worked for was LG Langston, Langston Realty Company, and so I got my feet wet in the business with a good mentor, and he was an excellent teacher.

So, we're talking about the impact of Boeing on real estate and housing in Wichita. Are there specific residential areas of the city that might have grown more because of Boeing's presence here?

Oh, I think the south part of Wichita has had the most impact. I think a great example is the bedroom community of Derby. I think Haysville, Mulvane, and a good portion of southeast Wichita has really felt most of the impact there. I know Derby, in itself, really was a Boeing mainstay for housing for many years. And I think in some ways, Spirit now has—Spirit Aircraft—has played a major role down there as well.

As we know about Boeing, it tends to go through those 'feast and famine' years. Can you see that kind of thing in housing? When it's peaking and doing quite well, and then when it's troughing and having struggles?

Oddly enough, and having done this for 40 years, the fluctuation in our market has been almost negligible. We started to see a major impact in the last, um... 2010—9, '10, and '11. We started to see a recovery take place in 2012, and, interestingly enough, I think that announcement on Boeing took place somewhere around the first part of 2012, maybe the latter part of '11—

The announcement that they were leaving.

Exactly. And, of course, at that time we had no idea what impact that might have. But as it turned out, we're not seeing a significant impact, even though this was going to be a phase-out process. Most of the transfers that have taken place have either gone

through Oklahoma City, San Antonio, I believe, and other parts of the country, but I am gonna say rough estimates was somewhere around the 350, 400 mark. The impact on it hasn't been so dramatic, it really hasn't. And I think we've absorbed that which has come on the market. So, it's not anything that I think is an economic impact of any magnitude. I think it's more of an emotional impact. I think it's more of an impact of somebody who's had a legacy in this town for so long, where multi-generations were affected by the fact that their grandparents and their parents and even current workers have felt the loss of something very near and dear to them. But, basically that's my observation on it, anyway.

Did you see any effect when they sold part of their company to Spirit?

We did, it was an effect of uncertainty. They weren't quite sure how that was going to break out. And as it turned out, the transition seemed to me, and it seemed from the real estate community, to be seamless. We didn't see any negative impact on that. I know a lot of people have felt that the family of Boeing might have been disrupted, but I think a new family emerged as a result of this transition over into Spirit. So... that's something I think the workers would probably have a better way of answering than I.

Was there ever—can you tell a difference between the purchasing of homes or the renting of places based on Boeing workers, was there anything that was maybe more prominent than others at various times, or because of Boeing workers?

5:08

Well, the only thing I can say that relates somewhat to this is that there have been some transfers that took place, whereby the homeowners who owned property in Wichita decided not to sell. They decided to keep their current residences and rent them out.

These are people who transferred to other cities.

Correct, those that accepted the transfers, and, uh, so I think what that says is that they really didn't want to leave. But they're going, as a result, because the job is bringing them to that kind of a decision, but they thought they would come back at some future date. And we did see, um, we did see quite a bit of that, it was interesting. Kind of surprised us, really.

Really?

Yeah, it really did. Normally on a group move or transfer, they usually sell, go down to another area and buy something else. Some did, and we handled quite a few of those. But there were a lot that decided to keep their properties.

We touched on this slightly, but did you ever see a shortage of housing or an excess of housing based on Boeing's fluctuations?

I'm trying to think back, you know, over the years there's been maybe three or four major layoffs. And during the course of those layoffs we saw spikes in foreclosures in various times, but nothing to the extent that it was dramatic, that it impacted our market. Wichita is an anomaly in itself, compared to other cities. I mean, our market, our real estate market has been relatively flat. We've seen anywhere from two to four percent appreciation in our market over these years. And even in the downturn, I mentioned earlier, 2010 and '11 and part of '12, we did not see any appreciable depreciation in the market at all, as opposed to other markets across the United States. So, Boeing's impact, and anybody's impact, and include some of the other aircraft companies, have been felt, it's more of an emotional stigma, more of a stigma of uncertainty, people kind of hold back, perhaps, in their buying decision, but as far as dramatic economic impacts, I have not seen it. At all.

It's interesting that you say—and I knew that Wichita was less affected by the downturn—um, it's interesting that you say there wasn't much of an appreciable difference at all. You know, I'm not plugged into the real estate market, but anecdotally it seems like there were a lot of houses on the market and a lot of people were having trouble selling their houses, but apparently that was just my perception.

No. Your perception was correct, but it wasn't a result of Boeing.

OK.

Your perception was correct in that the market, for a lot of people—job layoffs, unemployment spikes, things of that nature—had an effect on foreclosures, therefore we saw a lot of properties enter the marketplace that had an effect on us as a result of foreclosures and bad loans, if you would.

Like a lot of things that were going on.

Yes. And, now, I have to tell you, other parts of the country have really been enormously affected by that. That has not been the case with us. We've felt it, but it's remarkable that we've absorbed it as well. And I think low interest rates had a lot to do with that. It really did.

So, going forward, it sounds like, um, like you've said, this is more of an emotional impact than an economic impact. With Boeing pulling out completely, it sounds like maybe you're saying there won't be too much of a major economic impact or an impact on the housing market here.

Up to this point, no. I have not seen any major impact as a result of this. There have been a gradual phasing out and transfers of some of those folks. As opposed to when Pizza Hut left us, which is even another story, when Pizza Hut left us there was an

immediate 4 to 5, 600 people leaving this town and we were extremely concerned about that. But even then, we absorbed that market quickly, I think it was in less than nine months. We were able to get the property on the market and resell them right out, it was amazing. Truly.

Why does that happen? How are you able to recover?

You know, I don't know. I think Wichita is probably, and I think the Midwest, in general, is a resilient community. It is a community of family, it is a community of closeness, it has this sense of, 'we can do anything.' And I think that carries over—work ethic, uh, real estate, our founding fathers and our city councilmembers has a positive attitude about things. Even when things don't always look so bright.

So, looking forward, and this can be in housing or any other way you want to think of it, what might you speculate Boeing's legacy in Wichita could be?

10:09

Oh, I think its product and its work ethic during the war years. I think the fact that the community and Boeing was synonymous with Wichita. They may have had their corporate headquarters located in other parts of the country like Seattle and now in Chicago, but Boeing will always be looked upon as being part of the Air Capital, along with the other aircraft companies. So, um, I think its legacy will be an airplane giant that once lived in the Air Capital of the World and continues to have its impact in the aircraft industry. But I think Wichita will always look at Boeing as a positive, not as a negative, I really do.

So, as I came in, you said that there were, you had some general impressions maybe of Boeing and the city and we might have gotten to all of those, but if we didn't, I'm happy to hear what you were thinking of before I came in.

Only that I think it's been positive and I think we just reiterated that. I don't see—I don't think anybody is feeling vindictive, hateful... I think disappointment, probably, would be the best word for that. But, again, that resiliency seems to rise and people go, 'we're gonna move on, there are other businesses and other jobs out there available and we're doing well, let's continue to do so.' And that's Wichita. That's why I love it, that's why I stayed here. This is my home.