

YoY
Chg 12-Mo.
Forecast**4.8%**

Vacancy Rate

**5,402**

Net Absorption, units

**\$1.24**

Effective Rent, PSF

(Overall, All Property Classes)
Source: Yardi**ECONOMIC INDICATORS
Q4 2021**YoY
Chg 12-Mo.
Forecast**1,097.9K**Kansas City
Employment**3.7%**Kansas City
Unemployment Rate**0.8%**Kansas City
Household GrowthSource: BLS, Census Bureau, Moody's Analytics
2021Q4 Data are based on latest available data**ECONOMIC OVERVIEW**

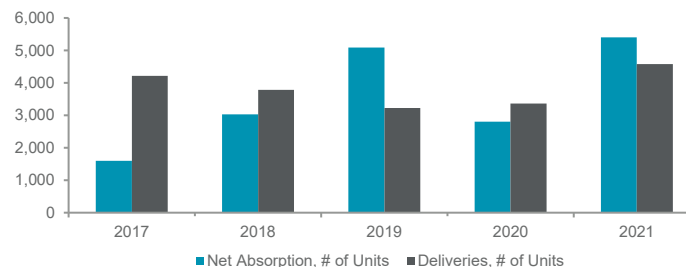
Throughout the recovery that started when the US began to emerge from the COVID-19 pandemic, much of the focus has been on labor figures. After an unprecedented number of jobs were lost from March through May in 2019, a huge question for the country as a whole and for each individual market was how quickly those jobs would return. According to the most recent figures available from the Bureau of Labor Statistics, Kansas City has reached 99.4% of its pre-pandemic level of jobs. Nationally, the figure is 97.4%. There is much to be learned regarding the lasting impact of the previous 24 months on commercial real estate and all aspects of the US economy, but a healthy labor market is one of the strongest indicators of the economic health of a community.

SUPPLY/DEMAND: Construction Remains Strong, Absorption Catches Up

Kansas City ended 2021 with 6,500 units under construction, which is roughly the same amount as at the end of 2020. Deliveries were a bit slow for the year, coming in at just under 4,600, but that was undoubtedly impacted by supply chain issues and slowdowns in construction caused by various factors. On the other hand, absorption was exceedingly strong, coming in at 5,400 units, or 17.4% higher than deliveries. While this is an indicator that demand remains strong, it also is the market playing catchup from 2020 when deliveries remained steady but new move-ins were slow due to the pandemic. The year-end vacancy rate of 4.8%, down from 6.5%, shows demand remains strong in Kansas City. Additionally, East & Southeastern Jackson County was the only submarket to show a meaningful increase in vacancy rate (0.7%), but it also saw the highest growth in inventory of any submarket, ending the year with 9.0% more units than in 2020.

PRICING: Rents Rise Across the Market

Asking rates rose across the market, especially in the second half of the year, and finished 2021 8.6% higher than in 2020. For several years, rate growth has been driven by the delivery of new projects in the downtown area that not only offered a higher class of product than the market was used to but also included levels of amenities never before seen in Kansas City. But in 2021, rate growth in the River-Crown-Plaza submarket was 6.4%, the lowest of any submarket. Instead, landlords were able to push rates in existing properties around the market, which reflected national trends and also may have been impacted by the dramatic rise in single family homes throughout Kansas City.

DEMAND / DELIVERIES**OVERALL VACANCY & EFFECTIVE RENT**

MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	YTD DELIVERIES (UNITS)	YTD % INVENTORY GROWTH	UNDER CONSTRUCTION (UNITS)	YTD NET ABSORPTION (UNITS)	VACANCY RATE	YOY VACANCY RATE CHANGE (BPS)	AVG EFFECTIVE RENT / UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT GROWTH
River-Crown-Plaza	14,560	967	7.1%	1,578	1,966	8.1%	-5.9%	\$1,389	\$1.71	6.4%
East & SE Jackson County	8,120	670	9.0%	276	406	5.0%	0.7%	\$1,130	\$1.18	11.8%
I-29 Northland	9,045	640	7.6%	-	524	4.1%	-0.4%	\$1,143	\$1.23	12.0%
I-35 Northland	14,991	162	1.1%	271	(76)	4.2%	-0.4%	\$1,052	\$1.11	9.4%
Independence & East Kansas City	8,430	249	3.0%	571	233	5.6%	0.0%	\$916	\$1.13	11.2%
Northern Johnson County	14,397	-	0.0%	169	-	4.3%	-1.8%	\$1,131	\$1.19	7.1%
Olathe	7,139	181	2.6%	402	212	3.4%	-0.6%	\$1,091	\$1.25	8.3%
Southern Johnson County	17,763	1,001	6.0%	1,042	1,594	3.7%	-3.7%	\$1,297	\$1.31	8.2%
South Kansas City & Grandview	11,802	406	3.6%	263	158	6.1%	0.2%	\$872	\$1.00	6.7%
Western 435	12,771	304	2.4%	1,658	320	3.9%	-1.2%	\$1,184	\$1.20	7.0%
Wyandotte County	6,157	-	0.0%	274	65	4.6%	-1.0%	\$938	\$1.18	10.2%
	125,175	4,580	3.8%	6,504	5,402	4.8%	-1.7%	\$1,128	\$1.24	8.6%

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
51 Main	River-Crown-Plaza	VanTrust Real Estate / Justus Companies	176	\$59.3M / \$336,932
River Market Portfolio	River-Crown-Plaza	Alchemy Ventures / JES Holdings	263	\$45.0M / \$171,103
The Carlyle Apartment	Western 435	BH Management / Cohen Esrey	436	\$54.4M / \$123,853
Park 67	Western 435	Worcester Investments / Greystone Capital	192	\$22.7M / \$118,229

KEY CONSTRUCTION COMPLETIONS Q4 2021

PROPERTY	SUBMARKET	UNITS	OWNER / DEVELOPER
The Apex at CityPlace	Southern Johnson County	370	Block Real Estate Services
The Element by Watermark	I-29 Northland	276	Thompson Thrift Residential

MARKET DRIVERS

- Most economic metrics have Kansas City ahead of the curve in the economic recovery and the strong labor market will support continued development.
- Kansas City saw a record level of investment activity in 2021, coming in substantially higher than any other year. The arrival of out-of-market, institutional money will reinforce the belief that Kansas City is an attractive option for investors.
- While development remains strong for now, there are early signs that a complete revamp of incentive requirements in parts of the metro may lead to slowdown in the new projects in the future.

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