MARKETBEAT

KANSAS CITY

Multifamily Q3 2023

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
5.1% Vacancy Rate	▲	▬
1,239 YTD Absorption, units	▼	▲
$1.37 Effective Rent, PSF	▲	▲

(Overall, All Property Classes)
Source: RealPage

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
1,143.1K Kansas City Employment	▲	▲
2.7% Kansas City Unemployment Rate	▲	▲
0.3% Kansas City Household Growth	▼	▲

Source: BLS, Census Bureau, Moody's Analytics
2023Q3 Data are based on latest available data

ECONOMIC OVERVIEW

At its September meeting, the Federal Reserve Bank elected to hold the target Federal Funds Rate at 5.5% after increasing the rate the previous 11 times the Federal Open Market Committee had met. The Kansas City labor market has generally performed well over the past few years and for the twelve months ending July 2023 an average of 35,100 new jobs were added per-month, but that figure dropped to 20,900 in August. Time will tell if that is a one-time blip or the start of a larger slowdown.

PRICING: Rent Growth and Occupancy

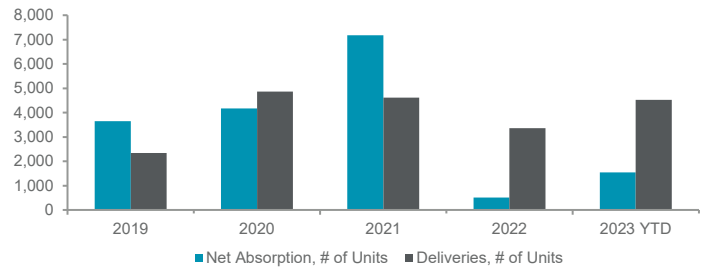
Nine months into 2023, effective rent growth for Kansas City multifamily units remained strong. Year-over-year, rents were up 5.5% to an average of $1,302 per-unit or $1.40 per-square-foot (psf). In a sign of how concentrated the higher priced units are only two of the ten tracked submarkets reported rates above that market average, with Central Kansas City at $1.79 psf and South Overland Park at $1.54 psf (North Overland Park was at $1.40 psf exactly). It is also worth noting that those two submarkets had the second and third lowest year-over-year growth rates in effective rents.

The market's vacancy rate rose around 120 basis points (bps) to 5.1% over the last year, with every submarket seeing an increase. Part of this is due to the delivery of just over 4,500 units so far in 2023 with a net absorption total of about 1,500 units, but four submarkets have reported negative absorption through the first three quarters. Those negative absorption totals are between 95 and 155 units, and both South Overland Park and North Overland Park are in that group. While those numbers are hardly drastic and could be quickly reversed it may also be a sign that after more than 18 months of rapid rent increases people are looking to consolidate a bit more than they previously were.

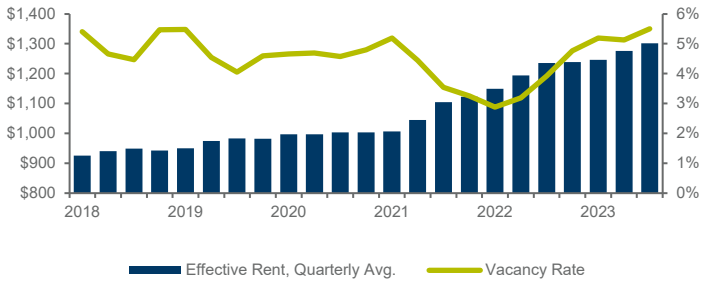
INVESTOR ACTIVITY: Continued Interest In High-End Properties

Interest rates may have held steady at the end of the third quarter, but they are still 525 bps higher than they were at the start of 2022, and that has had an impact on investment transactions. Total volume through the end of the third quarter was $538.3 million. There have been some signs of activity in the market and it is not out of the question that the year-end total could catch 2016 ($677.3 million) or even 2017 ($779.4 million). But from 2019 through 2022 the annual average was over $1.3 billion and the low was $980.9 million. Other metrics, including per-unit-price on transactions, have held steady and interest across all price points is well distributed. The drop is directly due to a broad market slowdown.

DEMAND / DELIVERIES



OVERALL VACANCY & EFFECTIVE RENT



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MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	YTD DELIVERIES (UNITS)	YTD % INVENTORY GROWTH	UNDER CONSTRUCTION (UNITS)	YTD NET ABSORPTION (UNITS)	VACANCY RATE	YOY VACANCY RATE CHANGE	AVG EFFECTIVE RENT / UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT GROWTH
Central Kansas City	29,124	784	2.8%	2,010	276	6.3%	1.6%	$1,498	$1.79	2.9%
Clay County	21,569	375	1.8%	782	44	5.4%	1.5%	$1,146	$1.22	4.5%
Independence/East Kansas City	15,262	163	1.1%	275	(155)	5.7%	2.0%	$1,132	$1.35	11.7%
Lee's Summit/Blue Springs	15,107	267	1.3%	276	97	6.2%	0.6%	$1,257	$1.34	5.3%
North Overland Park	13,216	143	1.1%	182	(95)	4.9%	1.8%	$1,313	$1.40	6.0%
Olathe/Gardner	10,386	398	1.7%	829	119	3.3%	0.5%	$1,269	$1.39	6.1%
Platte County	10,381	372	3.7%	236	259	5.2%	0.9%	$1,231	$1.34	1.7%
Shawnee/Lenexa/Mission	17,208	359	2.1%	1,616	292	3.5%	0.3%	$1,371	$1.39	6.6%
South Kansas City/Grandview	18,367	1,443	8.5%	389	977	7.2%	2.2%	$1,004	$1.07	6.3%
South Overland Park	20,740	41	0.2%	779	(133)	4.2%	0.8%	$1,533	$1.54	4.0%
Wyandotte County/Leavenworth	13,439	180	1.4%	868	(136)	6.3%	2.3%	$1,107	$1.29	6.3%
	184,799	**4,525**	**2.3%**	**8,242**	**1,545**	**5.1%**	**1.2%**	**$1,302**	**$1.40**	**5.5%**

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / $ UNIT
Summit Square	Lee's Summit / Blue Springs	Townsend Capital / Avanti Residential	320	$80.1M / $250,250
Pine Meadows Townhomes	Shawnee / Lenexa / Mission	Block & Co / Freshwater Investments	102	$24.6M / $240,686
Rosehill Pointe	Shawnee / Lenexa / Mission	Lexington Realty International / Maxus Properties	498	$85.5M / $171,586
Timber Lakes at Red Bridge	South Kansas City / Grandview	Harbor Group / RAJ Capital Management	322	$46.2M / $143,323

KEY CONSTRUCTION COMPLETIONS Q3 2023

PROPERTY	SUBMARKET	UNITS	OWNER / DEVELOPER
Three Light	Central Kansas City	288	Cordish
Darby at Briarcliff	Clay County	255	Balboa Real Estate Partners

A NOTE ON DATA

Cushman & Wakefield has made the decision to modify our data source, which has led to redefining submarket boundaries and some definitions. This has created some noticeable changes to data, specifically regarding the total inventory of units and the mix of submarkets. We believe this source will allow us to offer more accurate coverage of the market and better research. If you have any questions, please do not hesitate to reach out.

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