MARKETBEAT

KANSAS CITY

Multifamily Q4 2023

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
5.8% Vacancy Rate	▲	▬
1,481 YTD Absorption, units	▲	▲
$1.40 Effective Rent, PSF	▲	▬

(Overall, All Property Classes)
Source: RealPage

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
1,141.7K Kansas City Employment	▲	▲
3.1% Kansas City Unemployment Rate	▲	▲
0.3% Kansas City Household Growth	▼	▲

Source: BLS, Census Bureau, Moody's Analytics
2023Q4 Data are based on latest available data

ECONOMIC OVERVIEW

After starting 2022 with rates at almost zero, the Fed steadily rose rates over the next 12 months and by the start of 2023 the Federal Funds Effective Rate stood at 4.3%. Despite all the talk of rate increases, the Effective Rate ended the year only 100 basis points (bps) higher than it started. It really was a year where uncertainty was a bigger factor than any specific action or event. Kansas City's economy remained healthy and is well positioned for additional growth, with Panasonic's new battery plant set to bring 4,000 jobs itself by the time it goes operational in 2025.

PRICING: Rent Growth and Occupancy

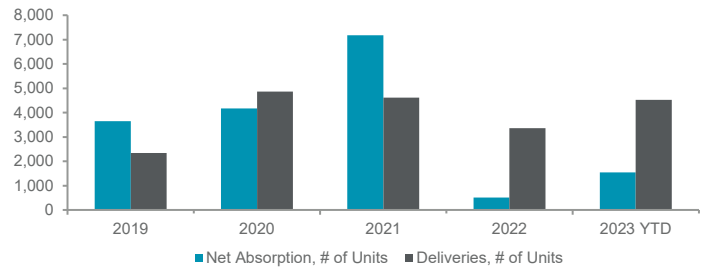
The rise in effective rental rates for multifamily units is a topic that has received a great deal of interest over the past couple of years. Kansas City first saw rapid increases in the middle of 2021, which was a bit later than the national trends, but the impact was very real. Effective rates in Kansas City jumped 5.6% in the third quarter of 2021 and in 2022 every quarter saw double-digit year-over-year growth. Those increases were unsustainable and gradually slowed, with final year-end growth for 2023 ending at 4.9%. Rates fell ever so slightly from the third quarter to the fourth—down 15 basis points (bps)—but there is little reason to believe rates will retreat going forward.

Over the last 12 months, the vacancy rate in the Kansas City multifamily market rose 99 bps, no doubt the impact of such drastic rate increases. At year end, the overall vacancy rate was 5.8%, the highest it had been in more than five years. This is due at least in part to developers trying to find the right balance. In 2021, absorption outpaced deliveries by more than 2,500 units, while for the last two years those numbers have more or less been inverted. While development has continued, high financing costs and slower demand may lead to a further pullback in new construction.

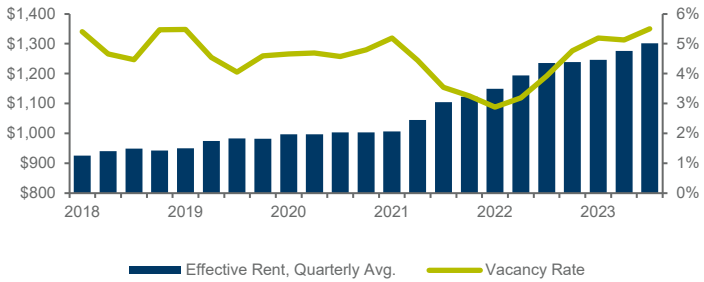
INVESTOR ACTIVITY: Continued Interest In High-End Properties

From 2013 through 2022, the Federal Funds Effective Rate averaged 85 bps on a monthly basis. In 2023, the monthly average was 502 bps. That kind of uptick will drastically slow lending and transaction volume on investment properties. Kansas City certainly felt the impact, with total transaction volume of $608 million the lowest since 2013. It is worth noting that in the last decade the Kansas City market set a record for total transaction volume six times, so even a modest recovery next year will put the market on reasonable footing by historical standards.

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	29,164	658	2.3%	1,841	154	7.1%	1.6%	$1,482	$1.77	1.2%
Clay County	21,723	548	2.6%	628	325	5.6%	0.9%	$1,155	$1.23	4.3%
Independence/East Kansas City	15,217	-	0.0%	275	(376)	7.2%	2.5%	$1,143	$1.35	9.3%
Lee's Summit/Blue Springs	15,266	257	1.3%	-	184	6.1%	0.0%	$1,256	$1.35	4.3%
North Overland Park	13,216	143	1.1%	499	(42)	5.5%	1.4%	$1,310	$1.39	5.5%
Olathe/Gardner	10,661	625	3.9%	569	290	3.5%	1.0%	$1,279	$1.41	5.6%
Platte County	10,360	283	2.8%	220	270	5.3%	0.0%	$1,226	$1.33	2.6%
Shawnee/Lenexa/Mission	17,208	165	1.0%	1,028	38	4.3%	0.7%	$1,384	$1.41	7.1%
South Kansas City/Grandview	18,485	1,300	7.6%	314	723	8.5%	2.7%	$1,022	$1.10	6.5%
South Overland Park	20,719	20	0.1%	1,477	(140)	5.3%	0.8%	$1,513	$1.52	3.7%
Wyandotte County/Leavenworth	13,504	245	1.8%	803	55	6.6%	1.3%	$1,099	$1.28	6.3%
	185,523	**4,244**	**2.2%**	**7,654**	**1,481**	**5.8%**	**1.0%**	**$1,300**	**$1.40**	**4.9%**

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / $ UNIT
Westley on Broadway	Central Kansas City	Opus / Tribal Community Development	256	$50.5M / $197,266
Flats at Creekside	Platte County	Parkville Development Old Town / Life Bridge	100	$19.3M / $193,000
Pinehurst Apartment Homes	Clay County	Tolis Advisors / CALCAP Advisors	146	$18.8M / $128,767
Glendale at the Mansion	Independence / East Kansas City	Harbor Group / Whitney Capital Company	550	$66.9M / $121,594

KEY CONSTRUCTION COMPLETIONS Q4 2023

PROPERTY	SUBMARKET	UNITS	OWNER / DEVELOPER
Ora	Clay County	275	Milhaus
Edison at Blue Springs	Lee's Summit / Blue Springs	198	The Kroenke Group

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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