

Kansas City 1Q 2023 Multifamily Market Report

Welcome to the Kansas City Multifamily Market Report. This comprehensive analysis provides valuable insights into the multifamily sector's performance and emerging trends. Our data-driven approach equips investors and stakeholders with the knowledge to make informed decisions and maintain a competitive edge. We invite you to explore this resource and leverage its findings to refine your investment strategy.

Supply and Demand

Completions in 1Q 2023

1,483 units delivered in the first quarter of 2023. Supply was greatest in Shawnee / Lenexa / Mission and Clay County submarkets, with 457 units and 338 units delivered, respectively.

Annual Supply Trends

3,444 units delivered in the 2022 calendar year, expanding the local inventory base by 2.1%, with the strongest concentration in Central Kansas City, Lee's Summit / Blue Springs / Raytown, and South Overland Park submarkets.

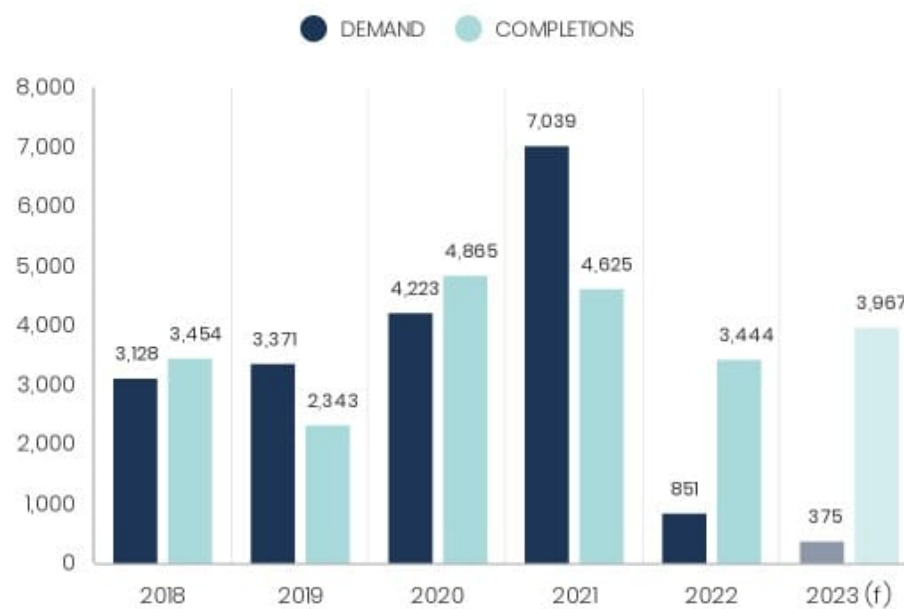
Units Under Construction

At the end of 2022, there were 8,977 units under construction with 3,967 scheduled to complete in 2023. Deliveries in the coming year are expected to be concentrated in Olathe / Gardner and South Kansas City / Grandview.

Annual Absorption Trends

Annual absorption turned negative in the first quarter of 2023 due to weak demand in the back half of last year. However, on a quarterly basis absorption turned positive following two consecutive quarters of negative absorption. Demand was particularly robust in South Kansas City / Grandview and Central Kansas City submarkets. conversely, demand lagged in Olathe / Gardner, where 205 net move-outs were recorded.

ANNUAL DEMAND VS COMPLETIONS



Occupancy and Rent Trends

▼ Occupancy Trends

Due to a discrepancy between the influx of new renters and the growth of the inventory base, apartment occupancy continued to decline on an annual basis. However, on a quarterly basis, occupancy remained flat at 94.4%. Class B units boasted the highest average occupancy rate at 95.3%, with Class A and B units following closely at 94.4%. Submarket occupancy rates primarily ranged between 94% and 96%.

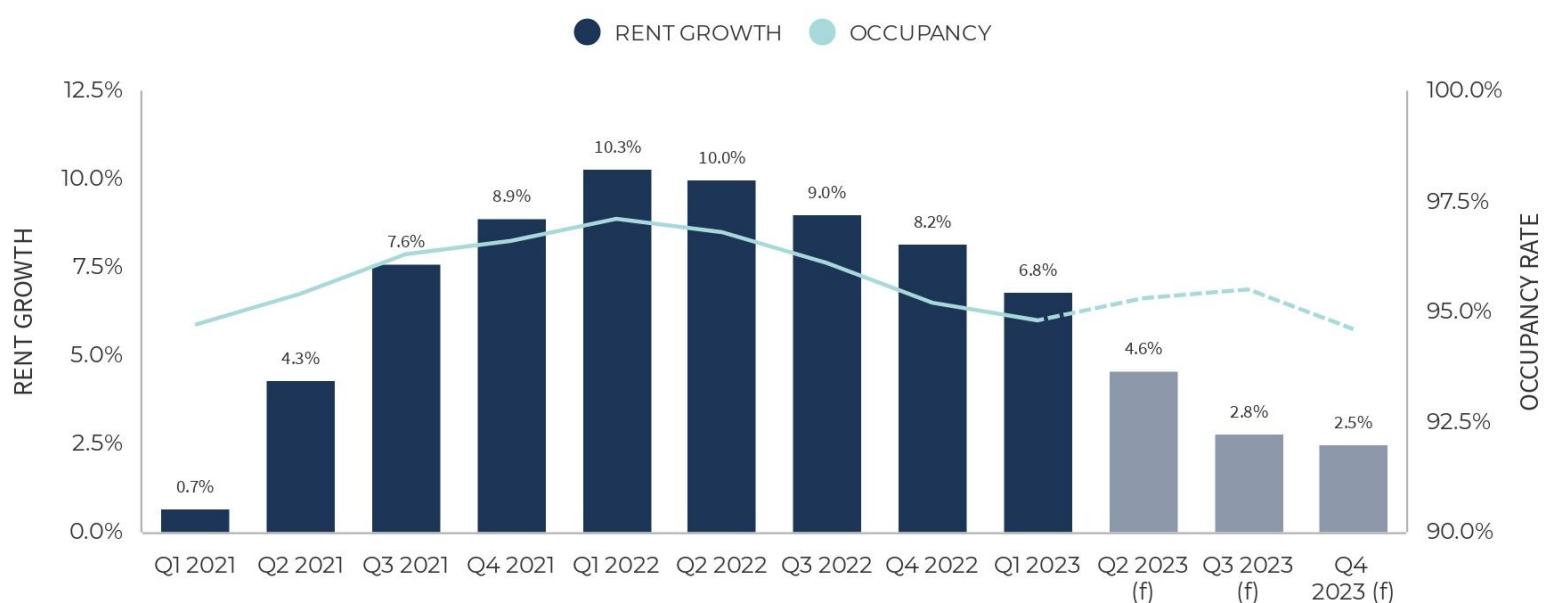
All of Kansas City's submarkets experienced a drop in occupancy, year over year. However, the Lee's Summit / Blue Springs / Raytown submarket experienced the smallest occupancy change, dropping 130 basis points to 94.0%. South Kansas City / Grandview held the lowest overall rate in the first quarter, standing at 93.7%. In a notable exception, the Olathe/Gardner submarket outshone its counterparts with an impressive 96.8% occupancy rate, reflecting the areas appeal to renters.

▼ Rental Trends

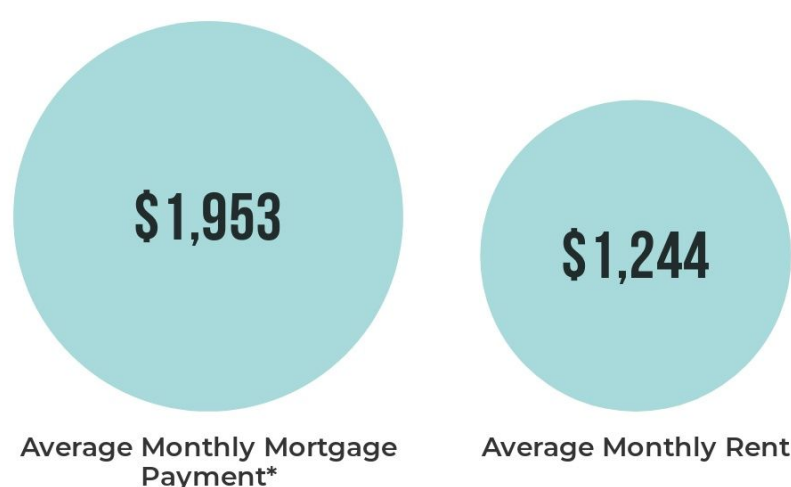
Despite modestly shrinking occupancy rates, overall occupancy remains healthy. In the midst of a persistently tight rental market, operators pushed effective asking rents beyond historical benchmarks. Kansas City's rental landscape experienced an impressive 6.4% year-over-year increase in rent (\$1,244), significantly surpassing the historical average of 2.2%. In fact, Kansas City's performance in rent growth ranked fifth among the top 50 markets, following two other Midwest rent growth leaders, Cincinnati and Indianapolis.

Class B properties thrived, boasting a robust annual rent growth rate of 8.1%, reflecting strong demand for affordable, well-maintained housing options in attractive neighborhoods among a diverse tenant base. In contrast, Class A units saw a slightly more modest increase of 5.6%, potentially constrained by increased competition from a surge in newly delivered units. Submarket performance displayed a wide range, with North Overland Park emerging as the top performer at an impressive 9.1% growth, while the Central Kansas City submarket trailed with a more modest 4.1%. The high-supply urban core of Central Kansas City, brimming with various housing options, likely limited the amount operators could achieve amidst decelerating demand.

RENT AND OCCUPANCY TRENDS



RENT VS OWN MONTHLY PAYMENT



The average monthly mortgage payment is based a median home price \$298,000 as reported by NAR

Submarket Analysis

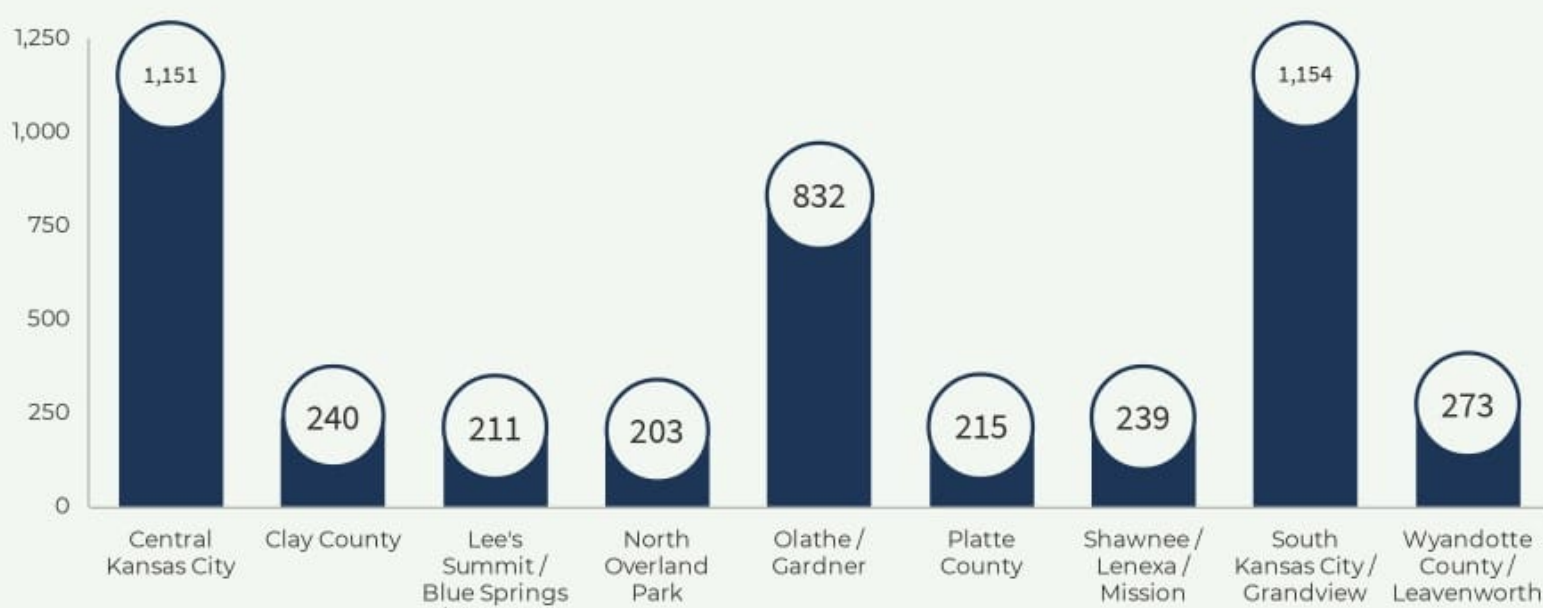
During this period, Central Kansas City, Lee's Summit / Blue Springs / Raytown, and South Overland Park became focal points for development, accounting for 54% of the market's total completions. As 2022 came to a close, 7,124 units were under construction, with 4,747 of those slated for completion in the next four quarters.

Looking ahead, the upcoming year's scheduled deliveries are expected to be concentrated primarily in Olathe / Gardner and South Kansas City / Grandview. This trend highlights the continued growth and development in these vibrant and in-demand submarkets, shaping the multifamily landscape in the Kansas City area.

Over the past year, South Kansas City / Grandview and Independence / East Kansas City emerged as hotspots for new supply in the multifamily market. Averaging 3,831 new units annually, the inventory growth rate held steady at 2.2% over the last five years.

Submarket Name	1Q23 Occupancy Rate	Annual Change	1Q23 Effective Rent	Annual Change
Kansas City Market	94.8%	-2.3%	\$1,244	6.8%
Central Kansas City	94.1%	-1.4%	\$1,455	4.1%
Independence / East Kansas City	93.7%	-2.6%	\$1,059	6.1%
Lee's Summit / Blue Springs / Raytown	94.0%	-1.3%	\$1,211	5.5%
South Kansas City / Grandview	93.7%	-3.0%	\$977	7.3%
Shawnee / Lenexa / Mission	95.9%	-2.0%	\$1,305	7.8%
North Overland Park	95.5%	-2.4%	\$1,265	9.1%
South Overland Park	95.4%	-2.5%	\$1,457	7.4%
Olathe / Gardner	96.8%	-1.8%	\$1,237	7.3%
Wyandotte County / Leavenworth	94.0%	-2.9%	\$1,040	6.2%
Platte County	94.3%	-2.3%	\$1,171	6.8%
Clay County	94.3%	-3.0%	\$1,105	6.9%

UNITS BY SUBMARKET DELIVERING IN 2023



Submarket	Pre-Planned	Planned	UC	UC / Lease-Up	Grand Total
Central Kansas City	5,171	894	1,983	-	8,048
Clay County	593	-	569	-	1,162
Independence / East Kansas City	694	-	275	-	969
Lee's Summit / Blue Springs / Raytown	2,645	-	276	267	3,188
North Overland Park	317	150	182	143	792
Olathe / Gardner	2,112	-	935	288	3,335
Platte County	108	-	255	300	663
Shawnee / Lenexa / Mission	4,630	280	1,600	-	6,510
South Kansas City / Grandview	709	-	300	1,236	2,245
South Overland Park	2,141	759	684	-	3,584
Wyandotte County / Leavenworth	1,700	129	551	273	2,653
Grand Total	20,820	2,212	7,610	2,507	33,149

Sales Activity

In 2022, Kansas City's multifamily investment market experienced a surge in transaction volume, reaching an impressive \$1.7 billion. This figure represents a robust 34% increase year-over-year, marking only the second instance in which annual volume for a calendar year exceeded the one billion dollar milestone. While numerous markets across the country observed a decline in transaction activity during the third and fourth quarters of 2022, Kansas City defied this trend. With transaction activity totaling \$500 million in the fourth quarter it was the second-highest quarterly volume total in 2022. This robust performance underscores Kansas City's multifamily investment market's resilience, positioning it as an attractive option for investors seeking opportunities in a thriving market.

Turning our attention to the first quarter of 2023, it's crucial to contextualize the seemingly dramatic 81% decline in annual transaction volume to \$108 million. Although this figure might appear alarming at first glance, a more in-depth analysis paints a subtler picture. Compared to the pre-pandemic period between 2015 and 2019, the first quarter's volume falls relatively in line with the median total of transaction activity in the pre-pandemic period. This indicates that the market, despite being somewhat tempered, continues to demonstrate resilience and remains relatively active compared to its historical performance.

Transaction Trends

Transaction Volume

\$1.27B

1Q 2023 Transaction Volume
(trailing 4Q total)

Pricing

\$176k

1Q 2023 Price Per Unit
(trailing 4Q average)

-29%

Annual Volume Change

+5%

Annual Price Change

Top Buyers (Prev. 12 Mos)

1. Sentinel Real Estate
2. Capital RE (CO)
3. JRK Property Holdings
4. JVM Realty Corp.
5. Timberland Partners

Top Sellers (Prev. 12 Mos)

1. Crow Holdings
2. CrossHarbor Capital
3. Milhaus
4. VanTrust Real Estate
5. Sundance Bay

Economy

In March 2023, the Kansas City Metro witnessed significant job growth, adding 33,800 new positions, as reported by the Bureau of Labor Statistics (BLS). The growth rate of 3.1% beat the national average gain of 2.7%. The region experienced strong job gains across multiple sectors. The leisure and hospitality sector led the way with 8,400 new jobs, followed by the education and health services (6,800), manufacturing (5,000), and professional and business services sectors (4,400). Kansas City's unemployment rate stands at a low 2.9%, outperforming the national average of 3.6%.

Major Economic Developments



\$4B EV Gigafactory coming to De Soto

4,000

New jobs

\$4B

Investment

De Soto

Location

1Q23

Construction commenced

Spring 2025

Operational



Meta announces \$800M data center in KC

\$800M

Investment

100

Jobs created

1,300

Jobs generated during construction

2024

New data center opens

Northland

Location



KC Royals Envision \$2B Downtown Ballpark District

\$2B

Estimated total investment

Mixed-use project

Including hotel, office, retail and residential uses

Largest public-private project in KC history

No increased taxes for Jackson County residents

Market Outlook

Despite nationwide cooling, Kansas City stands strong with a thriving economy and rebounding job gains. But with over 7,100 units underway at the end of 4th quarter 2022 and 4,700 more set to deliver in the next year, the market may face some headwinds. However, this is not a cause for concern as nearly every submarket is expected to have some level of supply in the coming year, with the Olathe/Gardner area leading the way with around 1,200 units. While market conditions may moderate, rent growth and occupancy should remain steady and resilient.

sources: RealPage; RCA; BLS; Kansas City Business Journal



**To Gain Further Insights Into The Kansas City Market Please
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