

Kansas City 2024 Market Forecast

MARKET SNAPSHOT



AVERAGE RENT
\$1,233 4Q 2023
\$1,282 4Q 2024



2024 RENT CHANGE
4.0%



OCCUPANCY RATE
93.3% 4Q 2023
93.0% 4Q 2024



2024 OCCUPANCY CHANGE
-30 BASIS POINTS



EMPLOYMENT*
1.13M 2023
1.14M 2024



UNEMPLOYMENT RATE**
2.9% 2023
3.4% 2024

* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

** Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

KEY TAKEAWAYS

- The commencement of operations at the Panasonic plant will provide for a strong boost in manufacturing employment in Kansas City this year.
- Net Absorption is forecasted to surpass the 1,000-unit mark in three out of four quarters, surpassing the pre-pandemic average and signaling a positive market shift.
- Johnson County, poised to receive the largest share of new units in 2024, is projected to sustain its pricing strength, seeing annual rent growth outpace the broader market in 2024.
- With 3,900 units beginning construction in 2023, the lowest since 2019, Kansas City's market is expected to balance supply and demand by 2025, barring major economic disruptions.

Supply & Demand

2024 FULL YEAR FORECAST

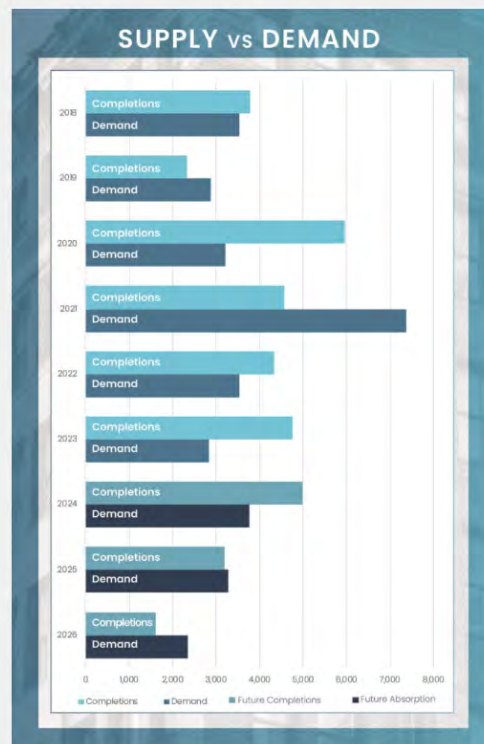


3,768 Units
 FORECASTED ABSORPTION



4,980 Units
 FORECASTED NEW SUPPLY

Annual Demand Vs Completions



Demand / Occupancy Outlook

At the close of 2023, Kansas City's rental market maintained consistent demand, although it lagged behind the pace of new supply in four of the last five quarters. This mismatch resulted in a dip in the market's average occupancy rate to 93.3% in Q4 2023, a decline of approximately 70 basis points from the previous year. However, Kansas City's average occupancy decline was slower than the national average, thanks to the metro's population growth and economic expansion.

Looking ahead to 2024, demand in the Kansas City apartment market is expected to increase, particularly starting from the second quarter, which marks the beginning of the spring leasing season. Net Absorption is forecasted to surpass the 1,000-unit mark in all but the first quarter of 2024. This is a notable improvement compared to the pre-pandemic average quarterly net absorption of around 750 units, signaling a positive turn for the market. Despite these encouraging signs, the absorption rate is still likely to fall slightly short of the large volume of new apartments entering the market in 2024. However, the shortfall is expected to be relatively small. By year-end, the apartment occupancy rate is projected to be marginally lower, with an anticipated decrease of about 30 basis points from Q4 2023.

New Supply Outlook

As we enter 2024, Kansas City's real estate landscape continues to evolve, marked by a consistent stream of new developments. Currently, there are 8,200 units under construction, which accounts for 4.7% of the total market inventory. While this rate exceeds the long-term average, it remains below the national level of 5.0%. Notably, Johnson County, a traditional hub for development, is home to a third of these new units. Wyandotte County is also gaining traction as a key development area, with its current operational inventory of around 9,140 units. Of these, 1,320 units, or 14.5% of the base inventory, are under construction, representing 16% of the total units being developed across Kansas City.

Looking ahead to 2024, the number of units expected to come online will be high by historical standards. However, a closer examination of the 2023 project starts presents a contrasting picture. Developers are contending with increased borrowing and construction costs, prompting some to postpone projects. This year, only 3,900 units commenced construction, the lowest number since 2019. Assuming the absence of major economic disturbances, the Kansas City market is anticipated to achieve a balance between supply and demand by 2025.

Occupancy & Rent Trends

RENT VS OWN MONTHLY PAYMENT



\$2,325

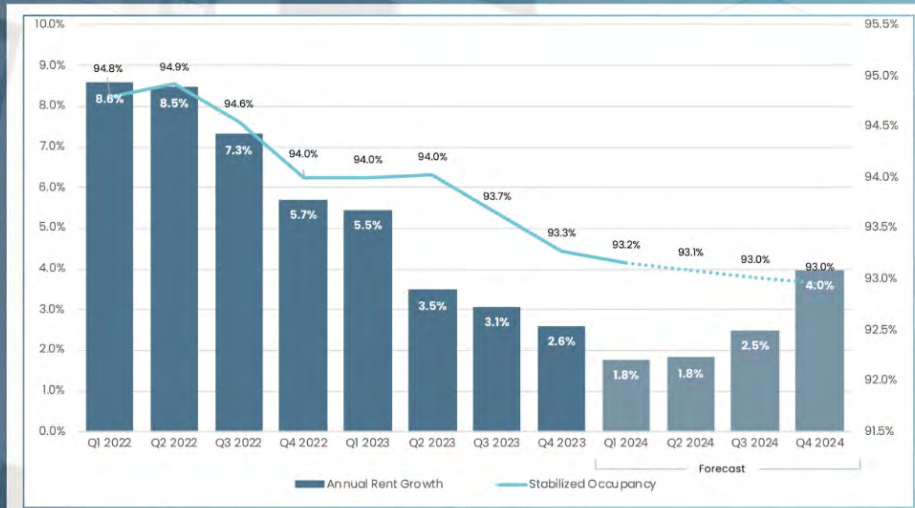
Average Monthly Mortgage Payment



\$1,233

Average Monthly Rent

RENT vs OCCUPANCY



2024 RENT TRENDS OUTLOOK

Although the pace of rent growth in Kansas City has slowed since the peak years of 2021 and 2022, the market's owners and operators continue to perform well relative to their counterparts nationwide. Throughout 2023, Kansas City consistently ranked within the top ten of the 50 largest U.S. markets for annual rent growth. By the end of the fourth quarter, it held the number 10 position, achieving an annual growth rate of 2.6%. This figure is significantly higher than the national average, which remains below 1.0%.

As we look ahead to 2024, rent growth in Kansas City is expected to continue its moderate pace, initially dipping below 2.0% in the first half of the year. However, a rebound is anticipated in the latter half, with the year closing at a robust 4.0% annual increase. Johnson County, poised to receive the lion's share of new units in 2024, is projected to sustain its pricing strength. This is attributed to its expanding population and consistently higher-than-average occupancy rates. By the fourth quarter of 2024, rents in Johnson County are forecasted to rise by a healthy 4.2%, which is approximately 20 basis points above the overall metro area increase of 4.0%.

Apart from some minor softening in rent growth in Miami County, which accounts for a small portion of the total market inventory, rent increases across all submarkets are expected to remain closely clustered within a range of 3.6% to 4.3%.

Submarket Rent & Occupancy

Submarket	Q4 2023 Stabilized Occupancy	Q4 2024 Stabilized Occupancy (f)	Annual Occupancy Change (2024/2023)	Q4 2023 Average Monthly Rent	Q4 2024 Average Monthly Rent (f)	Annual Rent Change (2024/2023)
Cass County	96.4%	96.1%	-0.2%	\$1,238	\$1,286	3.9%
Clay County	98.6%	98.4%	-0.1%	\$967	\$1,013	4.7%
Downtown Kansas City MO	92.5%	92.2%	-0.3%	\$1,514	\$1,574	4.0%
East Side Kansas City MO	89.8%	89.2%	-0.5%	\$870	\$903	3.8%
Inner Jackson County MO	85.8%	85.2%	-0.6%	\$968	\$1,005	3.8%
Johnson County KS	95.4%	95.1%	-0.2%	\$1,348	\$1,404	4.2%
Lafayette County	94.0%	93.6%	-0.4%	\$570	\$595	4.3%
Leavenworth County	93.3%	92.9%	-0.4%	\$1,046	\$1,091	4.3%
Miami County	99.3%	99.1%	-0.2%	\$1,247	\$1,284	3.0%
Midtown Kansas City MO	90.5%	90.1%	-0.4%	\$1,070	\$1,112	3.9%
Northeast Kansas City MO	90.7%	89.9%	-0.9%	\$655	\$681	4.1%
Northland	93.7%	93.4%	-0.3%	\$1,192	\$1,238	3.8%
Outlying Jackson County MO	92.4%	92.0%	-0.4%	\$1,115	\$1,158	3.9%
Platte County	93.0%	92.6%	-0.4%	\$997	\$1,037	4.0%
Plaza Area	91.9%	91.5%	-0.4%	\$1,306	\$1,357	3.9%
Wyandotte County	91.5%	91.1%	-0.4%	\$1,004	\$1,040	3.6%
Market	93.3%	93.0%	-0.3%	\$1,233	\$1,282	4.0%

Submarket Construction Pipeline



173,798
4Q 2023 Unit Inventory



8,242
Number of Units Under Construction



4,980
Number of Units UC Delivering In the Next 4 Quarters

Submarket	Unit Inventory: 4Q 2023	Units Under Construction	% of Existing Inventory UC	% of Total UC	Units UC Delivering in the Next 4 Quarters
Cass County	3,384	300	8.9%	3.6%	298
Clay County	714	0	0.0%	0.0%	0
Downtown Kansas City MO	14,033	739	5.3%	9.0%	489
East Side Kansas City MO	2,860	80	2.8%	1.0%	78
Inner Jackson County MO	7,544	9	0.1%	0.1%	5
Johnson County KS	61,314	2,728	4.4%	33.1%	1,136
Lafayette County	145	0	0.0%	0.0%	0
Leavenworth County	1,359	0	0.0%	0.0%	0
Miami County	604	0	0.0%	0.0%	0
Midtown Kansas City MO	8,113	842	10.4%	10.2%	459
Northeast Kansas City MO	2,044	62	3.0%	0.8%	60
Northland	29,106	734	2.5%	8.9%	500
Outlying Jackson County MO	26,471	1,030	3.9%	12.5%	706
Platte County	945	148	15.7%	1.8%	147
Plaza Area	6,020	248	4.1%	3.0%	245
Wyandotte County	9,142	1,322	14.5%	16.0%	857
Market	173,798	8,242	4.7%	100.0%	4,980

Sales Activity

According to preliminary data from MSC1, the 2023 sales volume for conventional multifamily assets in Kansas City concluded on a notably subdued note. While it is typical for sales to be recorded up until the final days of the year, and for data services to require several weeks to consolidate these transactions, it seems unlikely that any last-minute surge in volume will significantly shift the overall trend observed throughout the year.

In the final quarter of 2023, the sales volume amounted to \$118.3 million, the lowest for any quarter that year. The annual transaction volume totaled \$511.5 million, distributed across 26 individual asset sales. This figure represents a stark 71% decrease in dollar volume from the previous year, marking it as the lowest annual total sales volume Kansas City has seen in the last decade. The assets traded during this period were predominantly of lower caliber, which reflects a pullback by institutional investors from the Kansas City market. This trend is further evidenced by the decrease in the price per unit (PPU) compared to 2022.

Looking forward to 2024, the Kansas City market may experience a resurgence in deal activity if interest rates stabilize or decline. The city's underlying sleeper tailwinds could provide support for steady growth in deal volume, particularly as sidelined capital seeks to invest in markets with strong fundamentals and a healthier balance of supply and demand.

TRANSACTION VOLUME
\$511.5M (p)

2023 Transaction Volume

-71%

Y-O-Y Change

58 YTD

Individual Transaction Count

\$134.4k*

Price Per Unit

-31%

Annual PPU Price Change

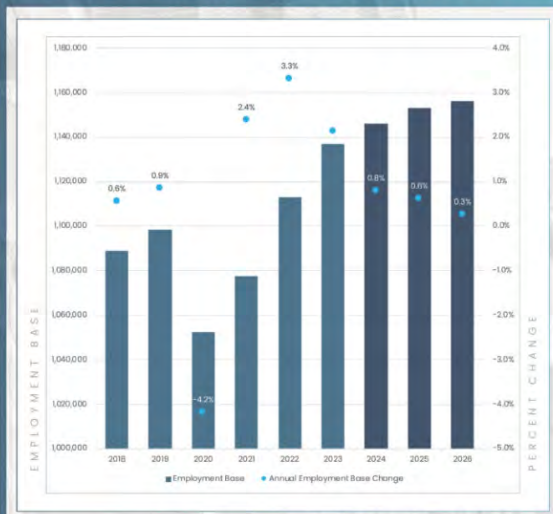
* Trailing 4Q average PPU

* Preliminary Data from RCA - Individual transaction \$2.5M +

P=Preliminary

Employment Forecast

EMPLOYMENT SECTOR FORECAST



Forecasted 2024 Employment Sector Growth

Sector	Employment Change 2023 to 2024	Percent Change
Overall Employment	9,600	0.8%
Manufacturing	1,300	1.5%
Construction	(800)	-1.5%
Trade, Transport, & Utilities	1,600	0.7%
Information	100	1.2%
Financial Activities	1,200	1.5%
Professional & Business Services	900	0.5%
Education & Health Services	2,100	1.3%
Government	2,000	1.3%
Leisure & Hospitality	1,100	0.9%
Other Services	100	0.2%

Economic Outlook

The Kansas City economy is bolstered by robust industrial construction activity, particularly with the commencement of the Panasonic plant. The region's unemployment rate, standing at 2.8%, is significantly lower than the national average of 3.9%, highlighting a resilient labor market. A notable highlight for Kansas City is the Panasonic plant's operational start, which is set to significantly enhance manufacturing employment, surpassing initial projections. The health care sector continues to be the fastest-growing industry, a trend that is expected to persist into 2025. As we look ahead, health care remains the leading sector, closely followed by manufacturing. Additionally, the construction sector is anticipated to experience a revival, driven by declining interest rates.

Sources: Costar; Yardi Matrix; BLS; MSC; Moody's Analytics

TO GAIN FURTHER INSIGHTS INTO THE KANSAS CITY MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



TJ Wahl
Senior Advisor

tj.wahl@mmgrea.com



Harry Trotter
Senior Advisor

harry.trotter@mmgrea.com



Jake Sullivan
Associate Advisor

jake.sullivan@mmgrea.com



Colson Bayles
Associate Advisor

colson.bayles@mmgrea.com



Alex Blagojevich
Executive Managing Director &
Founding Partner

alex.blagojevich@mmgrea.com



Michael Sullivan
Executive Managing Director &
Founding Partner

michael.sullivan@mmgrea.com



mmgrea.com/kansas-city-2024-forecast/