

# A steady pace of demand and supply growth

## CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **6,122**

UNITS DELIVERED (YTD) **801**

## MARKET FUNDAMENTALS



VACANCY RATE **5.4%**

YEAR-OVER-YEAR CHANGE **-10bps**

ASKING RENTS **\$1,182**

YEAR-OVER-YEAR CHANGE **+1.2%**

## TRANSACTION ACTIVITY (YTD)



MEDIAN SALES PRICE PER UNIT **\$101,700**

## HIGHLIGHTS

- Property fundamentals in the Kansas City multifamily market posted a mixed performance during the first quarter, as vacancy improved while rents ticked lower. Deliveries slowed but the construction pipeline remains elevated.
- Area vacancy ticked lower in recent months, as the rate dipped by 10 basis points during the first quarter to 5.4 percent. Year over year, vacancy is also down 10 basis points. Vacancy has operated between 5 percent and 6 percent during the past three years.
- Asking rents declined by 0.7 percent during the first quarter to \$1,182 per month. Despite decreasing in recent months, area rents rose 1.2 percent during the past 12 months.
- Sales activity in the Kansas City multifamily investment market remained limited at the start of 2024, as total sales closely tracked levels recorded in the fourth quarter. The median price to this point in 2024 is \$101,700 per unit, down 21 percent from last year.

## KANSAS CITY MULTIFAMILY MARKET OVERVIEW

Although operating conditions in the Kansas City multifamily market posted a mixed performance during the first quarter, the overall market remained stable. Vacancy is being supported by a strong, consistent renter demand that has kept pace with supply growth during the past three years. Since the beginning of 2021, local vacancy has remained between 5 percent and 6 percent, with the current vacancy rate being 5.4 percent. While the pace of multifamily deliveries continued to slow at the start of 2024, annual forecasts call for a third straight year of annual completions of around 4,500 units. Rent growth has tapered off in recent quarters, however, apartment operators are still recording quarterly gains more often than not. Year over year, asking rents rose 1.2 percent.

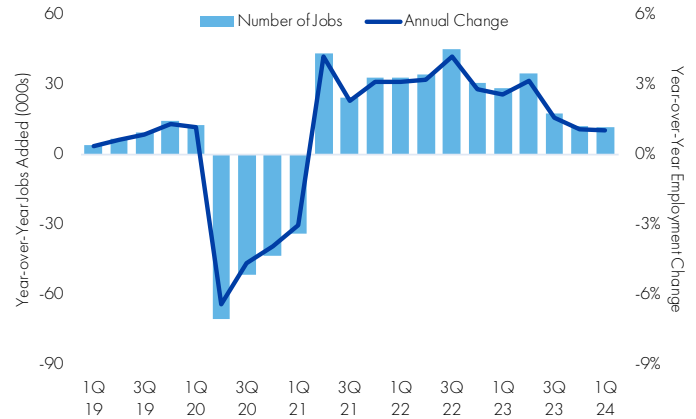
Transaction volume in the Kansas City multifamily investment market remained light in the early months of 2024, as limited sales activity in the second half of 2023 carried over into this year. Class B assets continued to make up the greatest number of sales, while simultaneously being the primary source for the recent pricing dip. Two-thirds of the assets sold to this point in 2024 were for middle-tier properties, up from about half of all sales last year. The median price to this point in 2024 is \$101,700 per unit, down 21 percent from 2023. The median price of Class B assets thus far in 2024 is identical to the market's overall median price; last year many middle-tier assets sold for more than \$150,000 per unit. Cap rates continued to rise, ranging from 5 percent to 5.75 percent.

## EMPLOYMENT

- While employers in Kansas City continue to add new positions, the pace of growth is slowing. Year over year, total employment expanded by 11,500 positions, an increase of 1 percent. Last year at this time, the growth rate was closer to 2.5 percent.
- The retail sector has recorded solid growth during the past 12 months. Employers in retail hired 3,000 new workers during the past year, an increase of 2.7 percent.
- During the first quarter, door and window manufacturer Marvin announced that the company had chosen Kansas City for its newest manufacturing facility. The site will be located in the Scannell 435 Logistics Center and will begin operating in 2025. The company is expected to start with 100 positions before expanding to up to 600 on-site employees by 2028.
- **FORECAST:** Employment growth for the full year will closely track levels recorded in 2023. Area employers are forecast to hire 13,000 new workers this year, an annual expansion of 1.2 percent. Last year, the local labor market gained 12,300 employees.

Year over year, employment expanded by 11,500 positions.

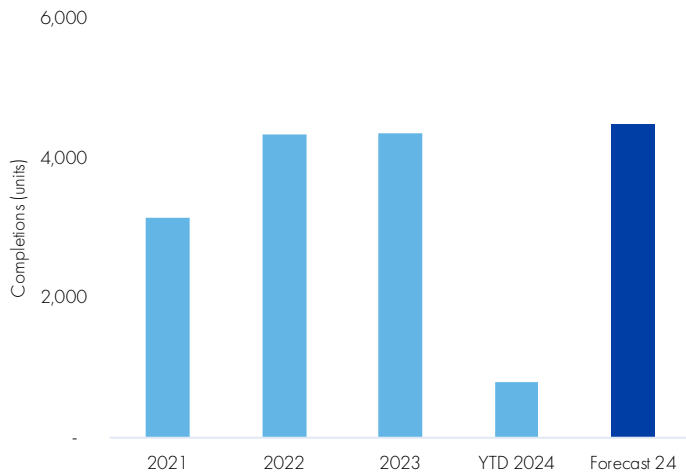
### EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

Projects totaling roughly 800 units came online during the first quarter.

### DEVELOPMENT TRENDS



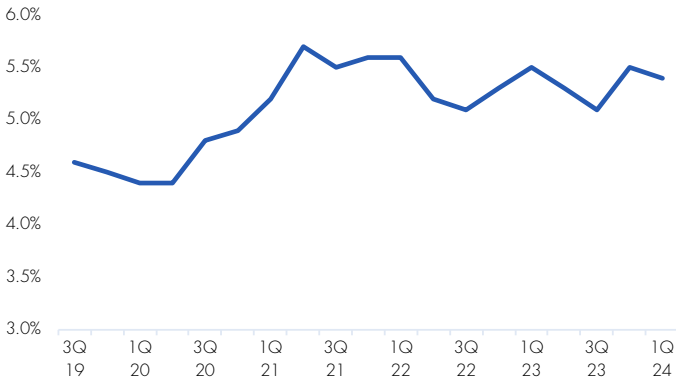
Sources: Northmarq, CoStar, Reis

### DEVELOPMENT & PERMITTING

- The pace of multifamily deliveries in Kansas City slowed in recent months. Projects totaling roughly 800 units came online during the first quarter, down 36 percent from the preceding quarter.
- While deliveries have slowed, the construction pipeline has remained elevated, with projects totaling more than 6,100 units currently under construction, slightly higher than one year ago. Construction is most heavily concentrated in the Johnson County submarket, with Downtown Kansas City, and Outlying Jackson County also areas with multiple projects in development.
- Developers pulled permits for more than 1,030 multifamily units in the first three months of the year, closely tracking recorded in the closing quarter of 2023.
- **FORECAST:** Projects totaling 4,500 units are forecast to be completed in 2024, after developers delivered roughly 4,350 units in each of the previous two years.

Year over year, vacancy is down 10 basis points.

VACANCY TRENDS



Sources: Northmarq, Reis

VACANCY

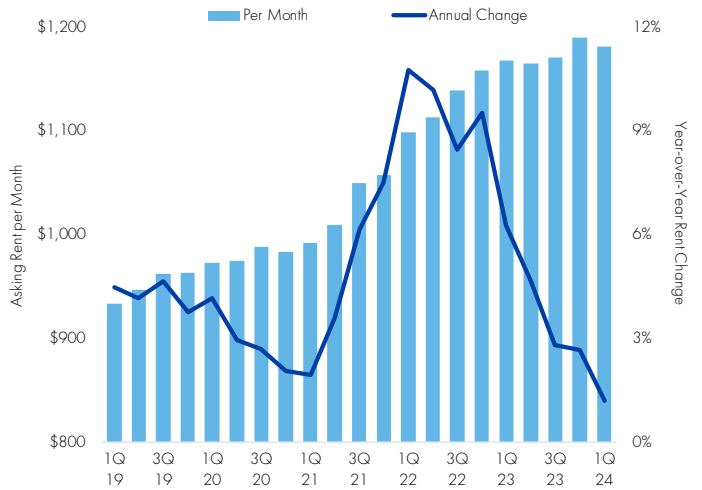
- Vacancy in Kansas City posted slight improvements in recent months after conditions softened in the closing months of 2023. The rate trended lower by 10 basis points during the first quarter to 5.4 percent. Year over year, vacancy is down 10 basis points.
- Vacancy trends across Kansas City varied in recent quarters. The Gladstone/Liberty submarket posted some of the steepest vacancy declines in the past year, improving by 80 basis points to 4.7 percent.
- Vacancy for Class A properties finished the first quarter at 6.7 percent, matching the figure from one year ago.
- **FORECAST:** Vacancy conditions should remain stable through the end of 2024, mirroring trends that have been in place during the past three years. The vacancy rate is forecast to close the year in the mid-5 percent range, nearly identical to last year.

RENTS

- Asking rents ticked lower in recent months after posting steady growth during the second half of last year. Apartment rents in Kansas City declined by 0.7 percent during the first quarter to \$1,182 per month. Despite the recent dip, rents advanced by 1.2 percent during the past year.
- The majority of Kansas City’s submarkets recorded rent growth during the past year, with the Shawnee/Lenexa submarket posting some of the greatest gains. Year over year, asking rents in this submarket rose by 2.7 percent to \$1,312 per month.
- Rent growth for Class B and Class C assets was solid during the past year. During the past 12 months, combined rents in Class B and Class C properties rose 1.5 percent to \$897 per month.
- **FORECAST:** Rent growth should rebound in the coming quarters, as asking rents are forecast to record modest gains in 2024. Area rents are expected to rise more than 2 percent annually to \$1,215 per month.

Rents advanced by 1.2 percent during the past year.

RENT TRENDS



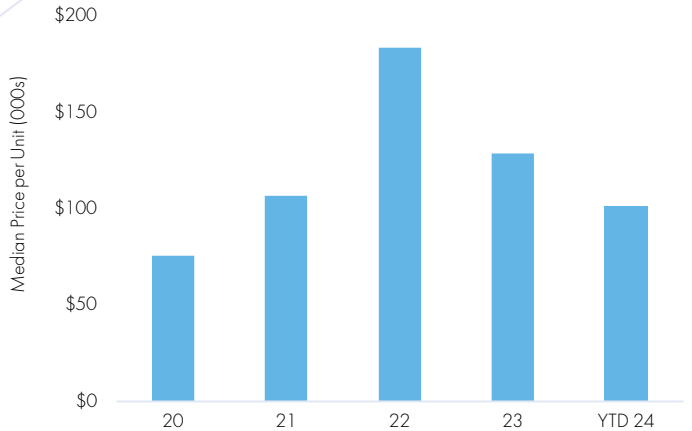
Sources: Northmarq, Reis

## MULTIFAMILY SALES

- Transaction volume in Kansas City remains limited, as the dip in sales activity recorded in the second half of 2023 spilled over into the early months of this year. Total sales during the first quarter were identical to levels recorded in the preceding three months.
- The median sales price year to date is \$101,700 per unit, down 21 percent from last year. In the properties that have sold in 2024, the greatest pricing declines appear to be occurring in Class B assets.
- Cap rates trended higher slightly in recent months, specifically on the lower end of the range recorded in the preceding quarter. Cap rates ranged from 5 percent to 5.75 percent during the first quarter after ranging from 4.75 percent to 5.75 percent in the closing three months of 2023.

The median sales price year to date is \$101,700 per unit.

### INVESTMENT TRENDS



Sources: Northmarq, CoStar

## RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

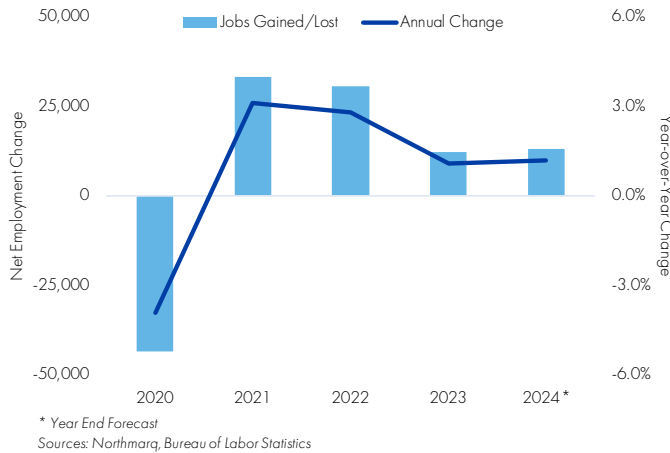
PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
Sandstone Creek	7450 W 139th Terrace, Overland Park	364	\$68,500,000	\$188,187
Independence Ridge	19012 E 37th Terrace S., Independence	336	\$29,000,000	\$86,310
Village Woods Estates	1500 N 74th St., Kansas City	129	\$15,100,000	\$117,054

## LOOKING AHEAD

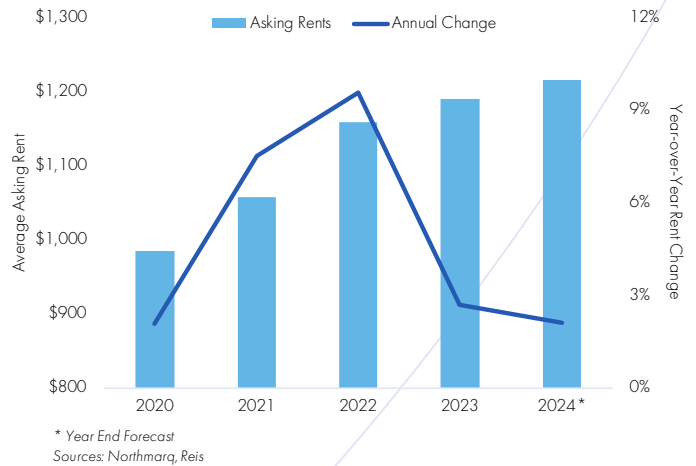
Property fundamentals in the Kansas City multifamily market are forecast to remain stable through the end of the year. Fueled by continued growth in the local labor market, renter demand will likely remain active, while supply growth is expected to closely track levels recorded in the previous two years. With both supply and demand set to mirror metrics posted in the past few periods, vacancy is forecast to remain in its current range. Rent growth should rebound in the coming quarters after asking rents inched lower at the start of 2024. Area rents are forecast to advance by more than 2 percent this year, similar to longer-term averages in the region.

Kansas City's strong, stable property fundamentals should ultimately move investors off of the sidelines. Sales velocity will likely accelerate as the year progresses, with transaction volumes for the full year being forecast to outpace totals recorded in 2023. Class B properties typically account for the greatest share of sales, but in 2024, there may be a rebound in sales velocity for top-tier assets. Class A properties sold frequently in 2021 and 2022 before only a handful of these assets traded in 2023. Cap rates may continue to be pressured higher, trending towards the 5.5 percent to 6 percent range if interest rates remain stubbornly elevated through the end of the year.

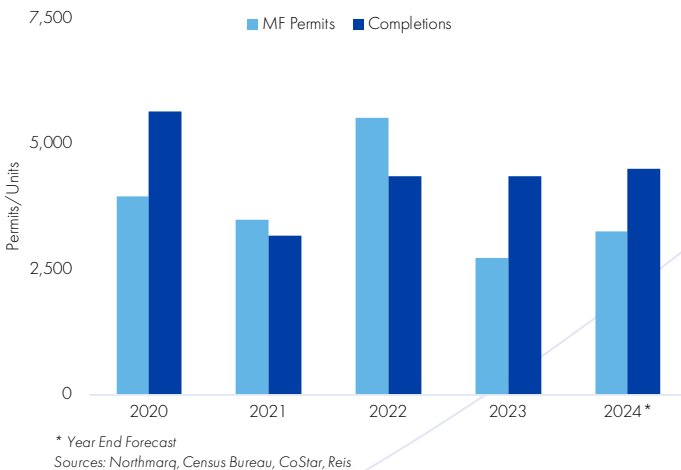
### EMPLOYMENT FORECAST



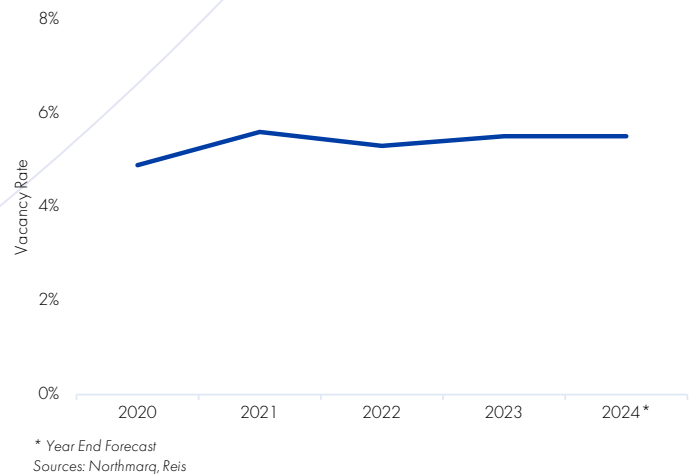
### RENT FORECAST



### CONSTRUCTION & PERMITTING FORECAST



### VACANCY FORECAST





**FOR MORE INFORMATION,  
PLEASE CONTACT:**

**JEFF LAMOTT**

*Managing Director—Investment Sales*  
913.647.1640  
jlamott@northmarq.com

**GREG DUVAL**

*Managing Director—Debt & Equity*  
913.647.1610  
gduvall@northmarq.com

**JOHN DUVAL**

*Vice President—Debt & Equity*  
913.647.1620  
jduvall@northmarq.com

**JOE HEINZLER**

*Vice President—Debt & Equity*  
913.647.1635  
jheinzler@northmarq.com

**TREVOR KOSKOVICH**

*President—Investment Sales*  
602.952.4040  
tkoskovich@northmarq.com

**PETE O'NEIL**

*Director of Research*  
602.508.2212  
poneil@northmarq.com

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