

**CONSTRUCTION
ACTIVITY**



UNDER CONSTRUCTION **6,255**

UNITS DELIVERED (YTD) **2,883**

**MARKET
FUNDAMENTALS**



VACANCY RATE **5.5%**

YEAR-OVER-YEAR CHANGE **+40bps**

ASKING RENTS **\$1,210**

YEAR-OVER-YEAR CHANGE **+3.3%**

**TRANSACTION
ACTIVITY (YTD)**



MEDIAN PRICE PER UNIT **\$116,900**

**KANSAS CITY MULTIFAMILY
3Q 2024**

MARKET INSIGHTS

Renter demand remains elevated, supporting rent growth

HIGHLIGHTS

- Property fundamentals in the Kansas City multifamily market performed well during the third quarter, as rents continued to rise, and the vacancy rate went unchanged. Development continued to ramp up, but renter demand has kept pace to this point in the year.
- Area vacancy continued to operate in a tight range, with the rate holding steady at 5.5 percent during the third quarter. Local vacancy is up 40 basis points in the past year and has remained in the mid-5 percent range throughout 2024.
- Apartment rents continued to rise after rent growth rebounded in the previous quarter. Rents advanced by 0.7 percent during the third quarter to \$1,210 per month. Year over year, local rents trended higher by 3.3 percent.
- After restrained activity levels in earlier periods, multifamily sales velocity has been steady in recent quarters. The median price to this point in the year is \$116,900 per unit, and cap rates ranged between 4.75 percent and 5.75 percent.

KANSAS CITY MULTIFAMILY MARKET OVERVIEW

Operating conditions in the Kansas City multifamily market remained healthy during the third quarter, as vacancies were steady while rents continued to advance. Renter demand has fueled improved property performance, as apartments in Kansas City recorded net absorption of nearly 1,400 units during the third quarter, slightly outpacing levels recorded in the previous quarter. These net move-ins have kept vacancies in a tight range even as new units have come online. Area vacancies have averaged in the mid-5 percent range throughout 2024, and the rate has remained between the mid-4 percent and mid-5 percent range since 2017. Apartment rents continued to advance in recent months, building upon solid gains in the previous quarter. Kansas City has been one of the top Midwest markets for rent growth, with annual increases averaging nearly 5 percent for the past five years.

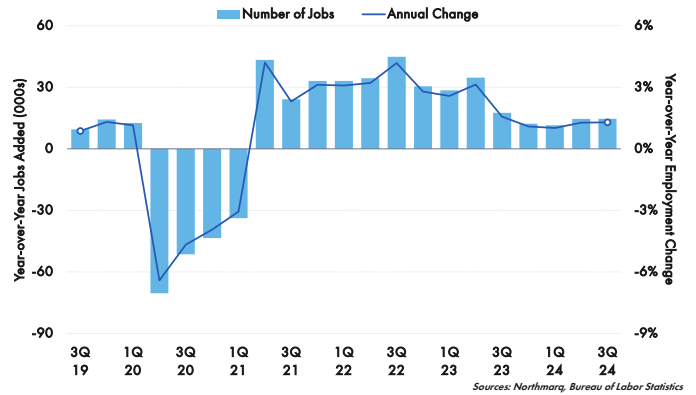
Sales velocity in the Kansas City multifamily investment market has increased gradually following limited activity levels in the second half of 2023 and early 2024. Transaction volume was steady from the second quarter to the third quarter. Sales velocity during the past nine months has been most active in East and Southeast Kansas City, with sales occurring in Independence/East Kansas City and Lee's Summit/Blue Springs/Raytown. Additionally, activity for top-tier assets picked up in recent months, with sales of Class A assets during the third quarter coming close to the combined totals of top-tier property sales from the prior 18 months. Before slowing in 2023, Class A properties traded at a fairly active pace in 2021 and 2022. Class A assets have accounted for roughly 30 percent of the transaction mix to this point in the year.

EMPLOYMENT

- Employment growth in Kansas City has been steady during the past 12 months, closely tracking the market’s long-term average pace of expansion. Year over year, area employers have added 14,700 workers, increasing total employment by 1.3 percent.
- The retail sector has recorded solid gains over the past few quarters. During the past year, total employment in retail has increased by 3,000 positions, an expansion of 2.7 percent.
- Google recently began construction on a \$1 billion data center in The Northland which will be used to help with the company’s Artificial Intelligence sector. Google’s data center is expected to employ roughly 1,400 people across logistics, warehousing, and on-site employees working at the facility.
- **FORECAST:** Employment growth through the end of the year is expected to closely track the pace set to this point in 2024. Area employers are on pace to add 16,000 net new employees in 2024, an annual expansion of 1.4 percent.

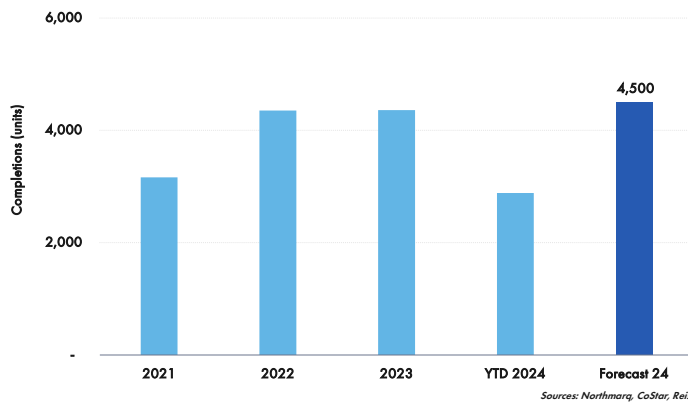
Year over year, area employers have added 14,700 workers.

EMPLOYMENT OVERVIEW



Projects totaling roughly 6,250 units are under construction.

DEVELOPMENT TRENDS

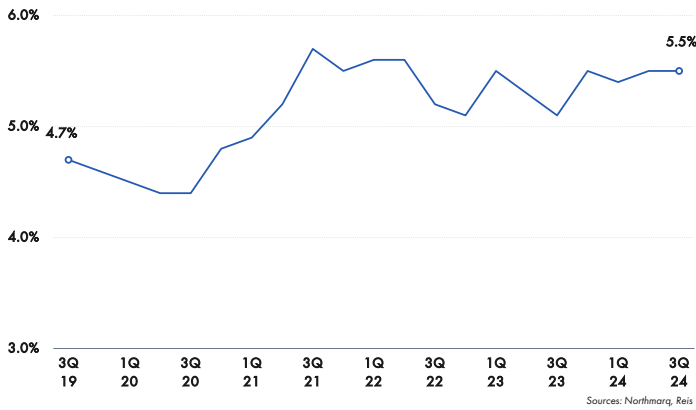


DEVELOPMENT & PERMITTING

- Developers have delivered projects totaling nearly 2,900 units year to date, similar to recent construction trends. In the preceding five years, an average of roughly 2,800 units came online during the first nine months of the year.
- Projects totaling roughly 6,250 units are currently under construction across Kansas City, up slightly from one year ago. Activity is dispersed throughout the region, with nearly every submarket in Kansas City recording development. The Downtown/East Kansas City submarket is leading the way, with approximately 900 units under construction.
- Developers continue to pull permits at a steady pace, as permits for more than 900 multifamily units were issued during the third quarter. In each of the past four quarters, developers pulled permits for between 900 and 1,050 units.
- **FORECAST:** The pace of multifamily deliveries is forecast to accelerate through the end of the year, with projects totaling 4,500 units being expected to come online in 2024. This year’s anticipated completions total represents a slight increase from each of the past two years, where deliveries have averaged roughly 4,350 units.

The rate remained at 5.5 percent during the third quarter.

VACANCY TRENDS



VACANCY

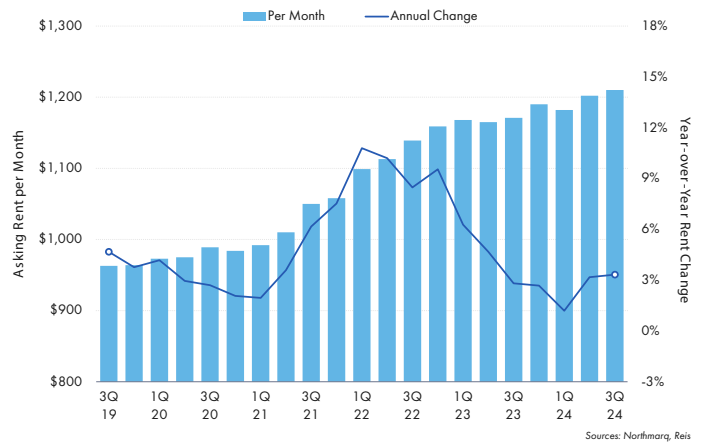
- Vacancy conditions in Kansas City were steady in recent months, with the rate remaining at 5.5 percent during the third quarter. Year over year, area vacancy is up 40 basis points, but the current rate is identical to levels recorded at the end of 2023.
- Vacancy in South and Southwest Kansas City has performed well in recent quarters. Year over year, both the Lee’s Summit and Southwest Kansas City submarkets posted vacancy declines of 60 basis points, ending the third quarter at 6.6 percent and 5.4 percent, respectively. Raytown is recording some of the tightest conditions in the region, with a rate of 4.3 percent.
- Vacancies in Class B and Class C assets have remained consistently lower than the overall market during the past several periods. The combined vacancy rate for Class B and Class C properties rose 40 basis points during the past year to 4.4 percent.
- **FORECAST:** Area vacancy is forecast to remain in the mid-5 percent range through the end of the year, remaining consistent with levels recorded at the end of each of the previous three years. Stable vacancy conditions will likely carry over into 2025.

RENTS

- Asking rents continued to trend higher in recent months, advancing 0.7 percent during the third quarter to \$1,210 per month. Rents rose 3.3 percent during the past 12 months, one of the faster rates of increases among major markets.
- Apartment rents rose across the market during the past year, with the Olathe/Gardner submarket posting very rapid increases. Year over year, asking rents in Olathe/Gardner surged by 6.4 percent, reaching \$1,152 per month.
- Class A rents have leveled off during the past several quarters, following steep increases in 2021 and 2022. Current Class A asking rents are up just 0.7 percent since the end of 2022, ending the third quarter at \$1,451 per month.
- **FORECAST:** Apartment rents should continue to advance at a steady pace in the coming months. Asking rents are forecast to rise 2.5 percent in 2024 to \$1,220 per month. Outside of a few peak years, area rents have increased by an average of 3.2 percent per year.

Rents rose 3.3 percent during the past 12 months.

RENTS TRENDS

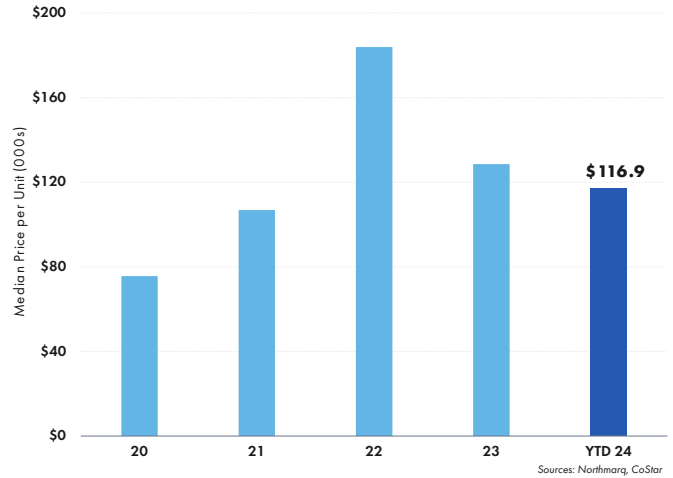


MULTIFAMILY SALES

- Transaction volume in the Kansas City multifamily market was steady from the second quarter to the third quarter. Following a slow start to the year, sales velocity during the past six months is much closer to traditional levels.
- The median price thus far in 2024 is \$116,900 per unit, down 9 percent from one year ago. There has been a strong concentration of sales in Kansas City’s eastern submarkets. The Independence/ East Kansas City and Lee’s Summit/Blue Springs/Raytown submarkets have accounted for nearly 40 percent of the sales to this point in 2024.
- Class A properties accounted for a greater share of the transaction totals during the third quarter, and these assets are trading at per-unit prices that are nearly twice as high as the market median price. Most Class A properties that have changed hands to this point in 2024 have sold between \$215,000 per unit and \$260,000 per unit.
- Cap rates came down slightly in recent months. Rates ranged between 4.75 percent and 5.75 percent in the last three months, slightly lower than in earlier months. There was an increase in Class A property sales during the third quarter which likely contributed to some of the cap rate compression.

The median price thus far in 2024 is \$116,900 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

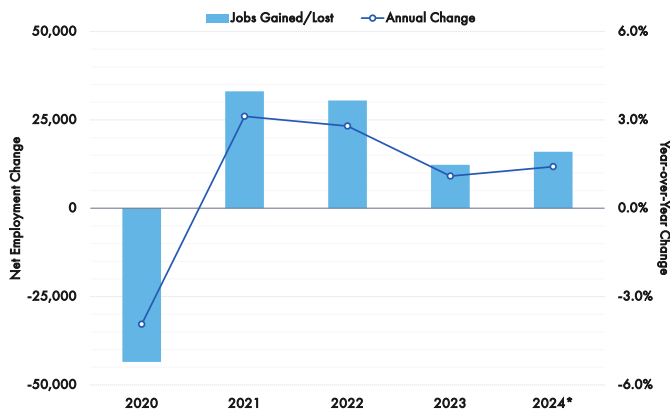
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Gallerie & ICON	227 E 27th St., Kansas City	2021	418	\$89,700,000	\$214,593
The Donovan	837 NW Donovan Rd., Lee's Summit	2020	327	\$76,000,000	\$232,416
Altitude 970	6301 N Klamm Rd., Kansas City	2017	291	\$63,000,000	\$216,495
Crossroads Westside	601 Avenida Cesar E Chavez, Kansas City	2018	222	\$58,500,000	\$263,514
Silverwood	5100 Foxridge Dr., Mission	1986	280	\$32,700,000	\$116,786

LOOKING AHEAD

The same multifamily property performance trends that have prevailed in Kansas City through the first three quarters of this year show no signs of letting up and will likely carry over into 2025. Net absorption is expected to keep pace with future completions, as vacancy is forecast to remain at 5.5 percent, which would mark four consecutive years of vacancy closing in the mid-5 percent range. Similarly to vacancy, annual supply growth is on pace to closely track levels recorded in each of the prior two years, following a cyclical peak in 2020. Inventory growth will likely begin to taper off in 2025 and into 2026. The steady additions to supply and continued renter demand are resulting in healthy rent growth, which is forecast to continue to advance at a pace that is similar to overall inflation.

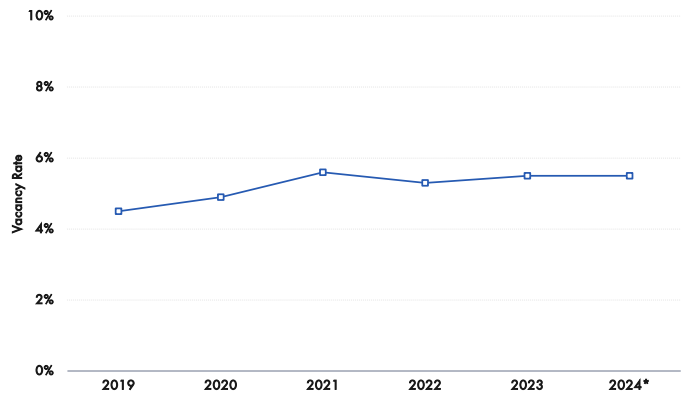
Sales activity in the Kansas City multifamily investment market could gain momentum in the closing months of 2024, as the expectations gap between buyers and sellers appears to have become more closely aligned. Transaction volume in 2024 will likely outpace the activity levels recorded last year but should fall short of historical averages. Recent transaction volumes have been supported by an increase in the number of newer, Class A properties changing hands, and these assets are expected to continue to appeal to investors, particularly in a market where renter demand is elevated, and rents are pushing higher. While several recently delivered properties sold during the third quarter, only about 15 percent of properties that have completed since 2020 have changed hands to date, and additional transactions are likely.

EMPLOYMENT FORECAST



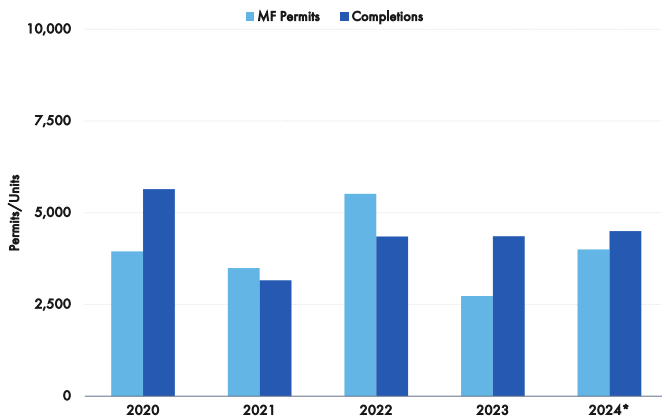
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



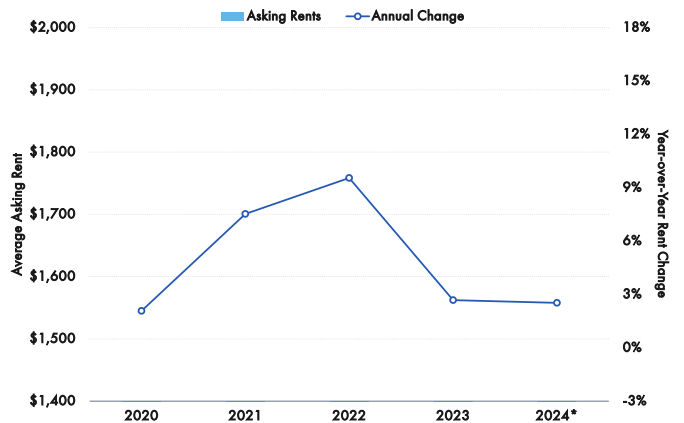
* Year End Forecast
Sources: Northmarq, Reis

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, Census Bureau, CoStar, Reis

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, Reis



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