

# Multifamily Metro Outlook:

## Kansas City - Q4 2022

### Overview:

- Despite recapturing all of the jobs lost since February 2020, the job market recovery in Kansas City continues to expand tepidly. As of Q4 2022, the local job market in the metro expanded by 1.6% compared to 2.4% nationally. Despite overall tepid job growth, there are some bright spots emerging, specifically in the Manufacturing sector that could help the metro establish an economic pillar going forward.
- Apartment market fundamentals continue to perform well and performed well even during the height of the pandemic. Vacancies continue to hover around 5.5% during Q4 2022 and rent growth continues to stay positive coming in at 0.5% during the same period. The steady amounts of supply (currently 8,000 units underway) should continue to be absorbed as the metro's adult population is made up of approximately 33% of college degree holders.

### Market Strengths:

- The Kansas City metro area has a low cost of doing business. According to Moody's Analytics, the cost of business in the Kansas City metro area is 4% lower than the national average. As a result of the lower costs of business due to aggressive tax incentives and structures (especially in Kansas) many employers such as JPMorgan and AMC Theaters have relocated to the metro in order to save money according to CoStar.
- The Kansas City metro area was not too severely impacted by the onset of the virus despite its tepid level of job growth recovery. Fortunately, the pandemic inadvertently has allowed the metro to establish a new (niche) economic pillar in the Manufacturing sector, specifically vehicle manufacturing. According to Moody's Analytics, the increased focus on electric vehicles has allowed the auto manufacturing within the metro to flourish throughout 2022. As a result of the electric vehicle shift, Ford, plans to invest over \$100m in its Claycomo plant and hire an additional 1,000 employees and the increased scope of the electric vehicle tax break will continue to spur demand for the cars in both the near and long-term.
- The Kansas City metro is ripe for business development. According to CoStar, the population growth rates of both the general population and the prime renting cohort are both on par or slightly above the national average and will continue to be through 2027. As a result of lower than (national) average costs of living (2% below the national average) the high-tech industry is poised to be a leading sector of growth for the metro, with companies such as Garmin looking to take advantage of the metro's intellectual capital and cheaper costs.

### Market Weaknesses:

- Despite its high level of economic diversity, the Kansas City metro was starting to develop into a miniature tech-hub. However, due to rising interest rates and overall economic uncertainty, specifically within the Tech/Information sector, the growth in this sector had taken a bit of a hit in Q4 2022. According to Moody's Analytics, tech-titan, Oracle which had plans to expand its presence within the metro in 2022 recently announced a significant round of layoffs. Oracle announcing layoffs within the metro will have a ripple effect in the sector. As of Q4 2022, the Information sector expanded at a slower pace than the national average, 2.6% vs. 4.8% respectively.
- The Kansas City metro is unique in that it is essentially an MSA that is derived up of two separate states and cities (Missouri and Kansas). According to Moody's REIS, the Missouri portion of the metro accounts for nearly 56% of the metro's employment whereas the Kansas side has been trying to lure more employers and businesses by having more relaxed tax structures than its Missouri counterpart. Essentially the two sides of the metro are in competition with one another since they are in different states which can cause issues for the metro's (as a whole) bottom line.

### Development:

- Recent rental development is very modest. Nearly 22,000 have completed since 2017. However there has been a bit of an uptick in supply underway as there are approximately 8,000 units in the pipeline.
- Condo development is not an issue. Approximately 3,400 condo units were completed in Kansas City since the beginning of 2006 and there are currently very few units in the pipeline scheduled to deliver throughout 2024.

### Outlook:

- Apartment fundamentals continue to trend in the right direction despite seasonality and economic uncertainty due to elevated inflation rates and increasing interest rates. However, supply has been slightly elevated for a metro the size of Kansas City even though the metro does have the demographic profile to spur demand.
- Prior to the pandemic, local economic growth was tepid and slightly below the growth rate of the national rate. The metro continues to recover from the height of the virus; however, growth remains slightly below the national rate even as the economy picks up steam. On the bright side, the Manufacturing sector, specifically (electric) vehicle manufacturing has emerged as a potential new foundation for the local economy as the current administration has focused on electric vehicle production. Furthermore, the Kansas City metro will continue to grow at an average albeit slightly below the national rate pace as there is not a true economic pillar (yet), but the metro does have both low costs of living and business costs that will continue to lure residents.

## Five Year Metro Area Growth Forecast

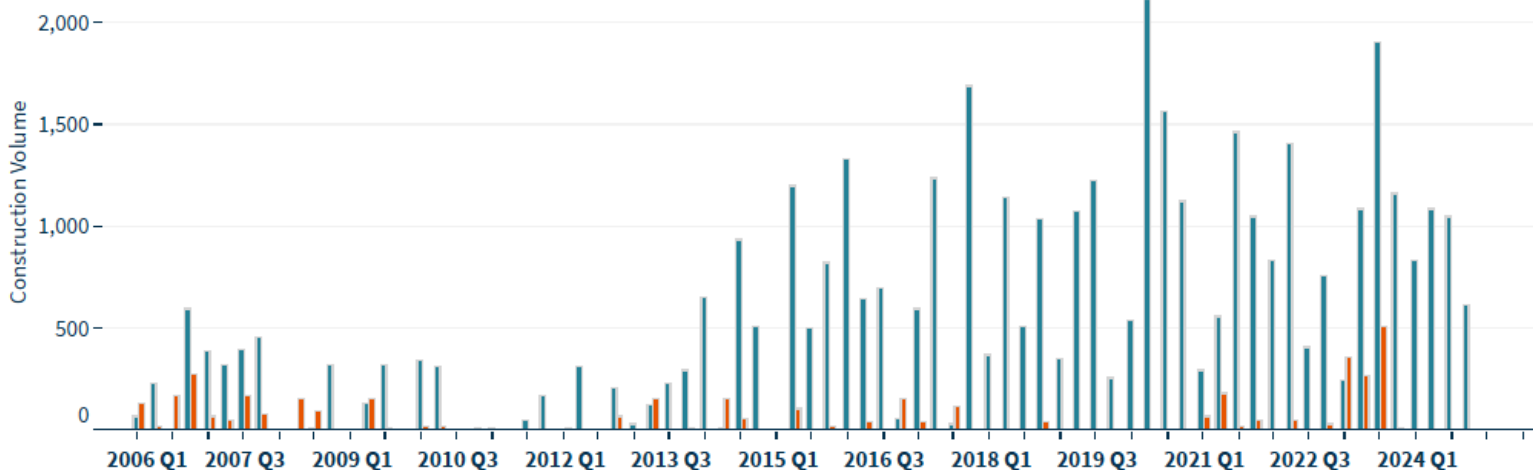
	Q4 2022	Q4 2021	Kansas City (5-Year Annual Average Change)	National (5-Year Annual Average Change)
<b>Population</b>	2,188	2,215	0.25%	0.41%
<b>Households</b>	879	893	0.32%	0.75%
<b>Renting Cohort (Ages 20-34)</b>	434	425	-0.40%	-0.40%
<b>Total Employment</b>	1,098	1,102	0.08%	0.52%
<b>Median Household Income</b>	\$74,929	\$88,072	3.29%	3.45%
<b>Median SF Home Price</b>	\$306,242	\$267,837	-2.64%	-0.04%
<b>Net Migration</b>	900	-1,124		

Source: Moody's

## SupplyTrack Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



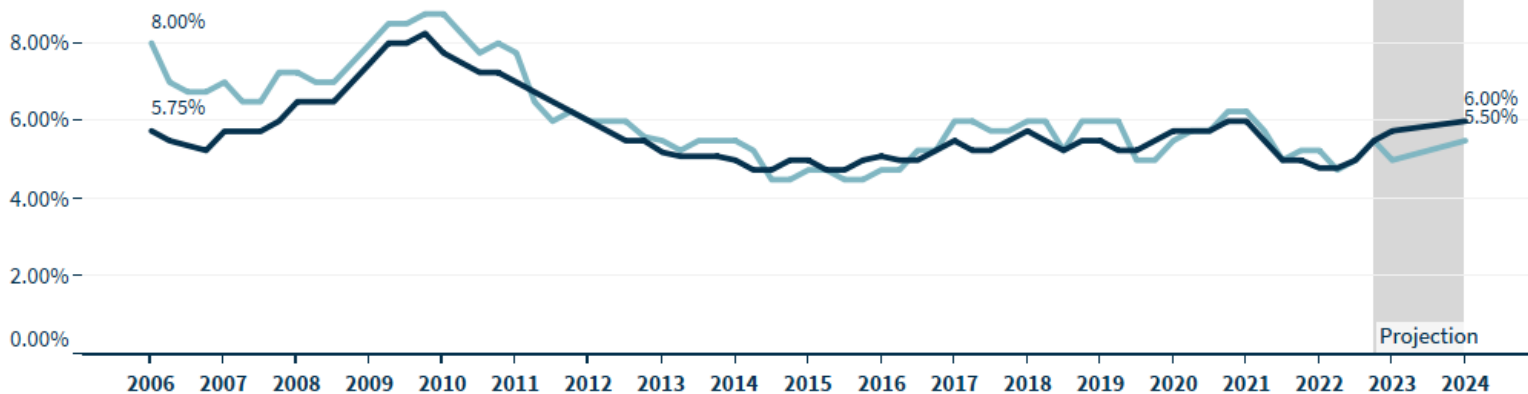
## Vacancy & Rent Composite Estimates

### Vacancy Rates

Kansas City | National

Q4 2022 Vacancy Rate:

5.50%

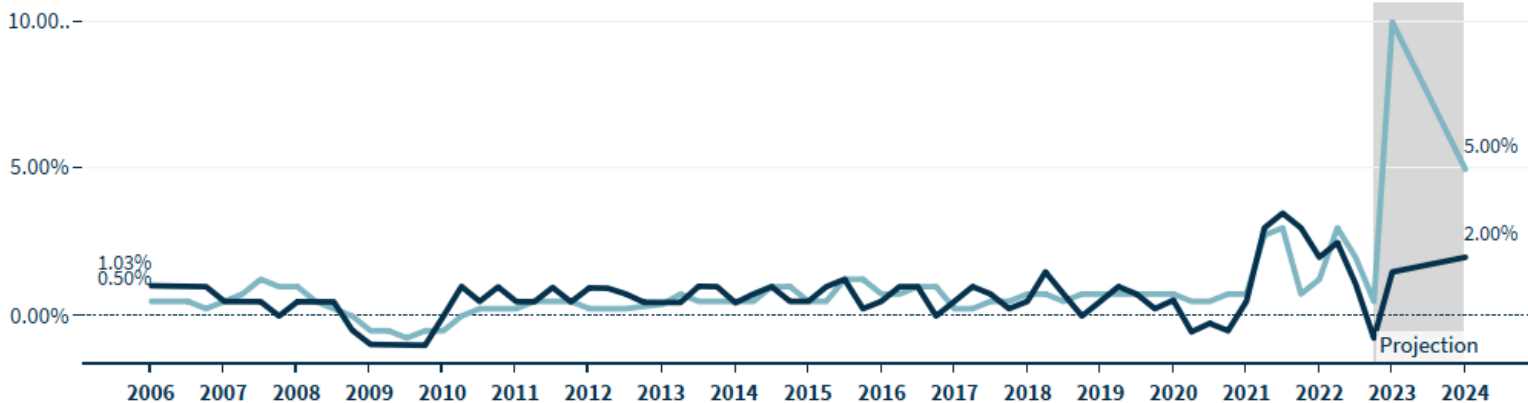


### Asking Rent Growth

Kansas City | National

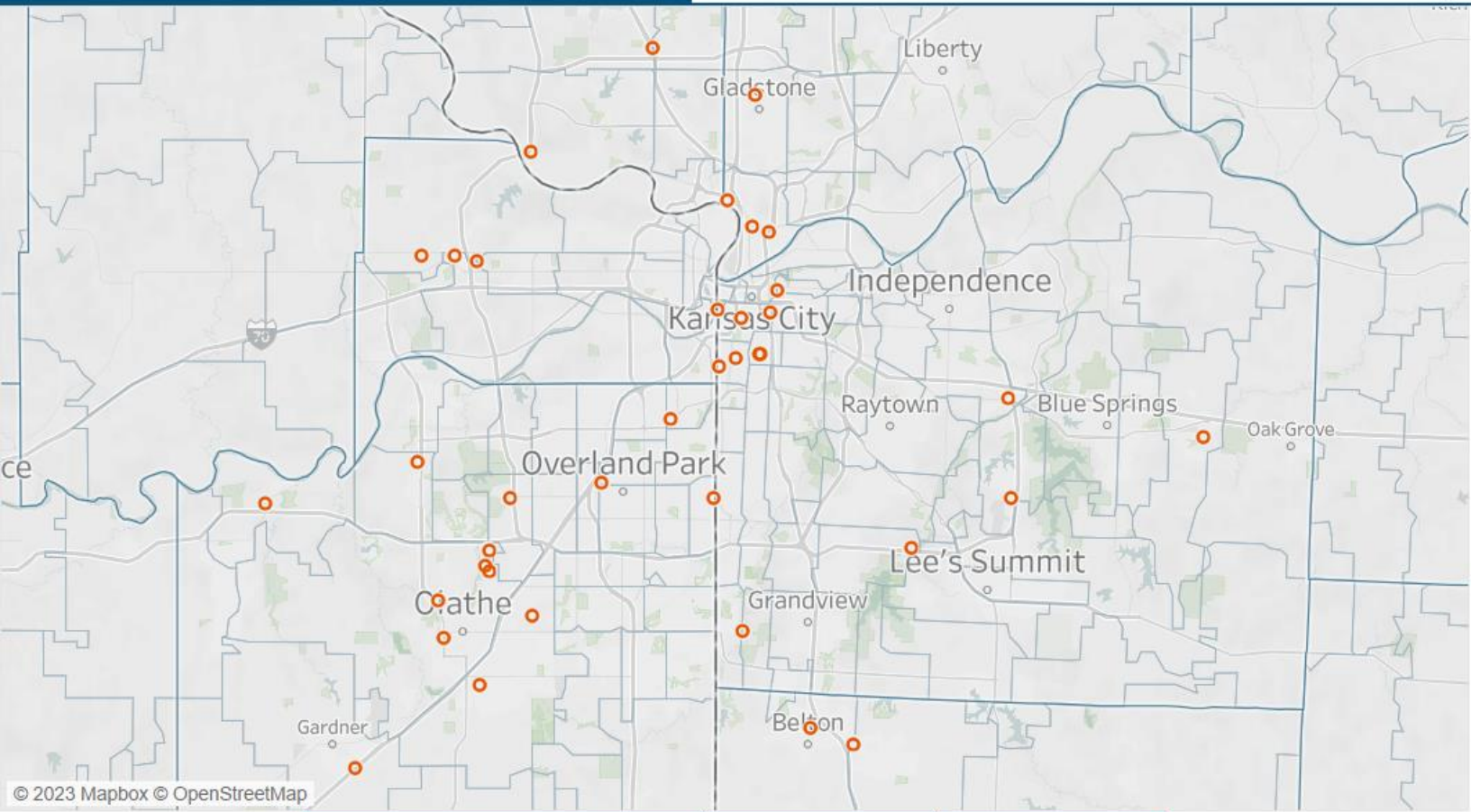
Q4 2022 Asking Rent:

\$1,190



Source: Multifamily Economics and Research

## Construction: Bidding & Underway



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<i><b>TWR Submarket Name</b></i>	<i><b>Apartments</b></i>	<i><b>Building Units</b></i>
Central Kansas City	7	1,059
Clay County	4	1,037
Independence/East Kansas City	2	347
Lee's Summit/Blue Springs/Raytown	2	340
North Overland Park	2	188
Olathe/Gardner	9	2,116
Platte County	2	297
Shawnee/Lenexa/Mission	3	518
South Kansas City/Grandview	4	1,204
Wyandotte County/Leavenworth	3	867
<b>Grand Total</b>	<b>38</b>	<b>7,973</b>

## Multifamily: ESR Team

# Multifamily Metro Outlook: Kansas City Q4 2022

## Multifamily Economics and Market Research Team

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### Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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