

Multifamily Metro Outlook:

Kansas City - Q1 2021

Overview:

- The Kansas City metro fared much better during its COVID impacted period than originally anticipated. As of Q1 2021 all of the local employment sectors had achieved (positive) growth and cumulative job growth for the metro was approximately 7.3 percent although below the national rate of 8.5 percent.
- Apartment market fundamentals continue to perform decently and have been also minimally impacted by the onset of the virus. Vacancies as of Q1 2021 were at 6.25 percent and rent growth remains positive at 0.75 percent faring slightly better than the national average of 0.5 percent. The steady amounts of supply (currently 6,400 units underway) should continue to be absorbed as the metro's adult population is made up of approximately 33 percent 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 3 percent 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 has been able to mitigate the severe impacts of COVID-19. The pandemic may have also created a new economic crutch for the Kansas City local economy: the Logistics sector. According to Moody's Analytics, there is an above-average concentration of Logistics/Transportation payrolls (5 percent) in the metro. Furthermore, as the virus shifted consumer behavior and made e-commerce more essential, Kansas City's central location bodes well for the future of e-commerce. Importantly, about 20 percent of residents within the US live within 500 miles of the Kansas City metro which is significant because 500 miles is shorter than the maximum permitted drivable distance for truck drivers during shifts. Additionally, Amazon has announced that they will be opening a logistics facility in Central Kansas that will create up to 1,000 jobs.
- The Kansas City metro is ripe for business development. According to Moody's Analytics, 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 2025. Furthermore, approximately 1/3 of the working population has at least a bachelor's degree making the Kansas City metro a hub for intellectual capital.

Market Weaknesses:

- During 2020, the Sprint/T-Mobile merger has finally closed. However, with many mergers comes uncertainty and this merger is no different. According to the Kansas City Star, approximately 240 jobs have been lost in the Kansas City metro as a result of the merger. T-Mobile has announced that further restructuring will continue which will impact all sectors of the economy, but the company has also announced that they plan to hire 5,000 new positions over the next few years.
- 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 percent 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 18,000 have completed since 2016. However there has been a bit of an uptick in supply underway as there are approximately 6,400 units in the pipeline and 15,000 units in the planning stages.
- 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 through Q2 2022.

Outlook:

- Multifamily Outlook: Steady. Apartment fundamentals continue to trend in the right direction. 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.
- Economic Outlook: Stable. Prior to the pandemic, local economic growth was tepid and slightly below the growth rate of the national rate. The metro has begun to recover from the virus; however, growth remains below the national rate even as the economy picks up steam. On the bright side, the Logistics and Transportation sector has emerged as a potential new foundation for the local economy as the pandemic has changed consumer behavior around the country. 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 low costs of living that will continue to lure residents.

Five Year Metro Area Growth Forecast

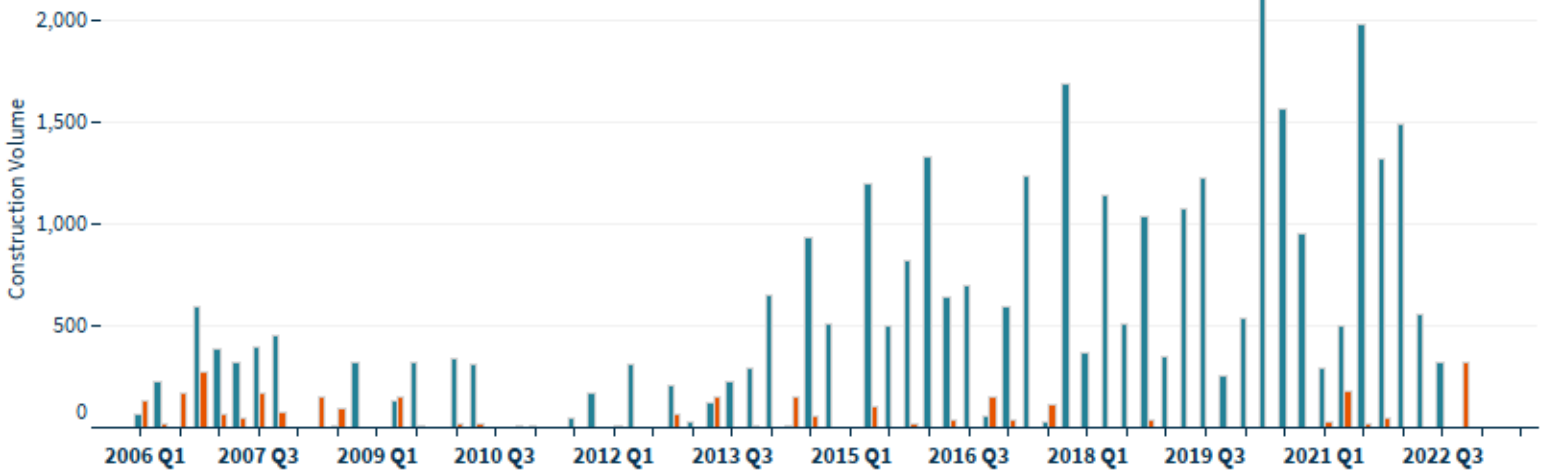
	Q4 2020	Q4 2025	Kansas City (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population	2,180	2,230	0.45%	0.52%
Households	866	913	1.07%	1.41%
Renting Cohort (Ages 20-34)	436	434	-0.09%	-0.26%
Total Employment	1,063	1,133	1.30%	1.71%
Median Household Income	\$74,483	\$83,869	2.40%	2.83%
Median SF Home Price	\$260,170	\$303,061	3.10%	4.30%
Net Migration	5,479	773		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



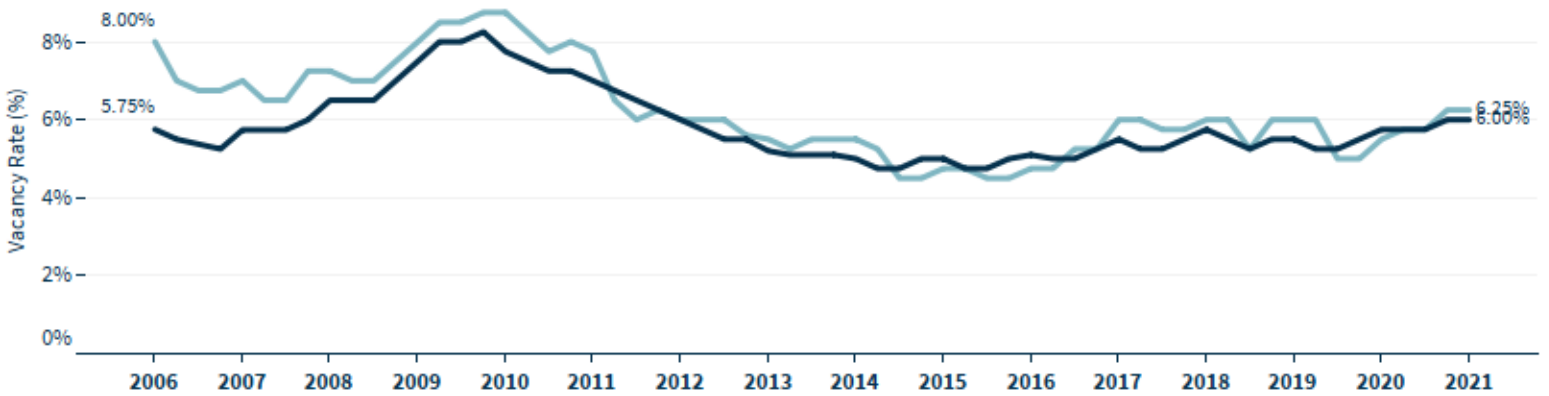
Vacancy & Rent Composite Estimates

Vacancy Rates

Kansas City | National

Q1 2021 Vacancy Rate:

6.25%

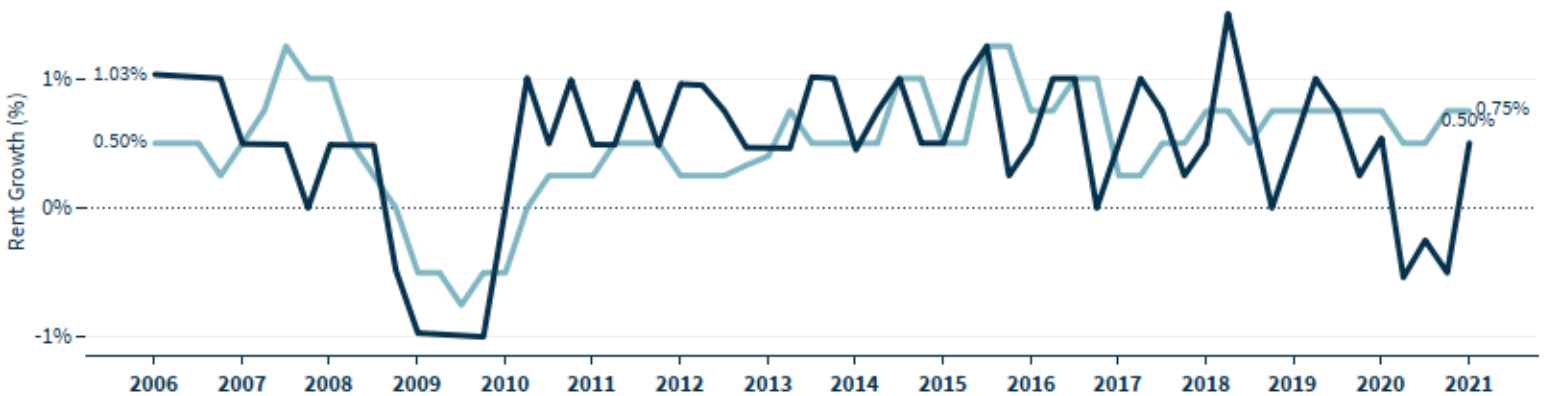


Asking Rent Growth

Kansas City | National

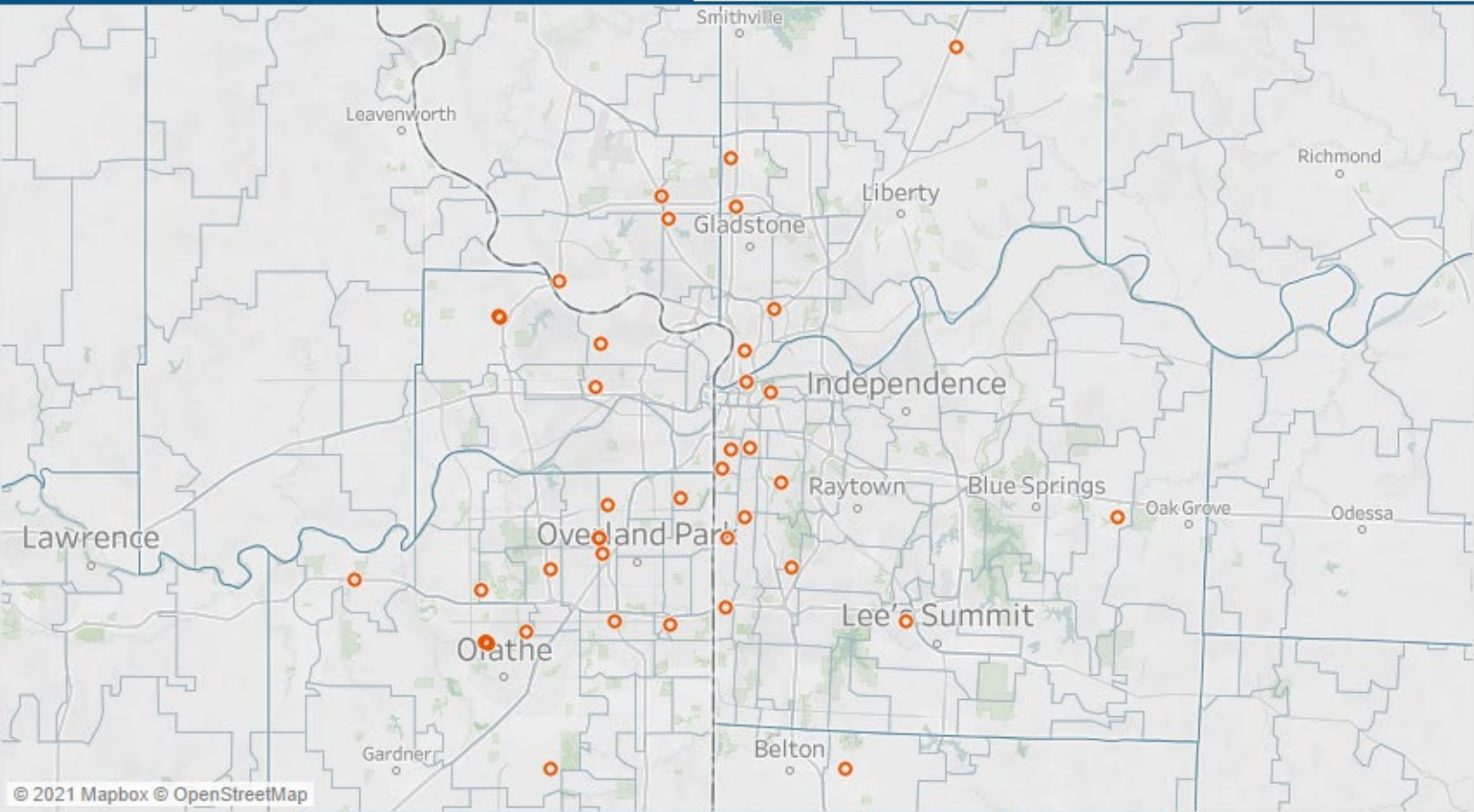
Q1 2021 Asking Rent:

\$1,010



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Central Kansas City	3	400	0.76M
Clay County	5	615	0.63M
Independence/East Kansas City	3	426	0.50M
Lee's Summit/Blue Springs/Raytown	2	267	0.34M
North Overland Park	2	641	0.39M
Olathe/Gardner	7	257	0.24M
Platte County	3	816	0.93M
Shawnee/Lenexa/Mission	5	936	1.07M
South Kansas City/Grandview	5	1,075	1.06M
South Overland Park	2	686	0.85M
Wyandotte County/Leavenworth	4	231	0.24M
Grand Total	41	6,350	7.01M

Multifamily: ESR Team

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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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