

# Multifamily Metro Outlook:

## Kansas City - Q3 2023

### Overview:

- After a period of steady growth that gave the local job market a nice boost, the Kansas City job market has entered a period of slowdown for the period ending Q3 2023. During this period, local job growth was approximately 1% compared to 1.2% as much of the slowdown in job growth can be attributed to the slumping Manufacturing and Trade employment sectors which have contracted year-over-year by -0.6% and -0.7% respectively, according to CoStar.
- The elevated levels of supply for the metro have now moderated as the apartment market has now gotten used to the higher levels of supply. Vacancies have fallen from where they were to start the year, and they now sit at approximately 6% for the period ending Q3 2023. Furthermore, rent growth continues to perform decently and for the period ending Q3 2023, rent growth remained positive at 0.5%, which was the same value as the previous quarter.

### 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 continue to look to the metro to take advantage of the lower business costs.
- Demand for automobiles has dramatically increased since Spring 2020 and continues to stay comparatively elevated. According to Moody's Analytics, in an effort to meet the increased demand for automobiles and more specifically the increased focus on electric vehicles, the metro has emerged as an EV hub. Large employers such as Panasonic and Tesla have initiated plans to construct battery plants which will employ more than 4,000 employees. Furthermore, automaker, Ford also continues to expand its presence in the metro and as a result of the successful United Auto Workers negotiations, will be investing more than \$1 billion into its local facilities.

### Market Weaknesses:

- 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.
- Even though the long-term outlook of the Manufacturing sector for the metro looks to be on good footing, short-term there have been some bumps in the road. According to Moody's Analytics, the sector was greatly impacted by the ongoing labor disputes, specifically the one that occurred at General Motors and resulted in the layoff of nearly 2,000 employees. For the period ending Q3 2023, the Manufacturing sector contracted by nearly -0.6% compared to -0.1% nationally.

### Development:

- Recent rental development is modest. Nearly 27,000 have completed since 2017. However there has been a bit of an uptick in supply underway as there are approximately 8,800 units in the pipeline.

### Outlook:

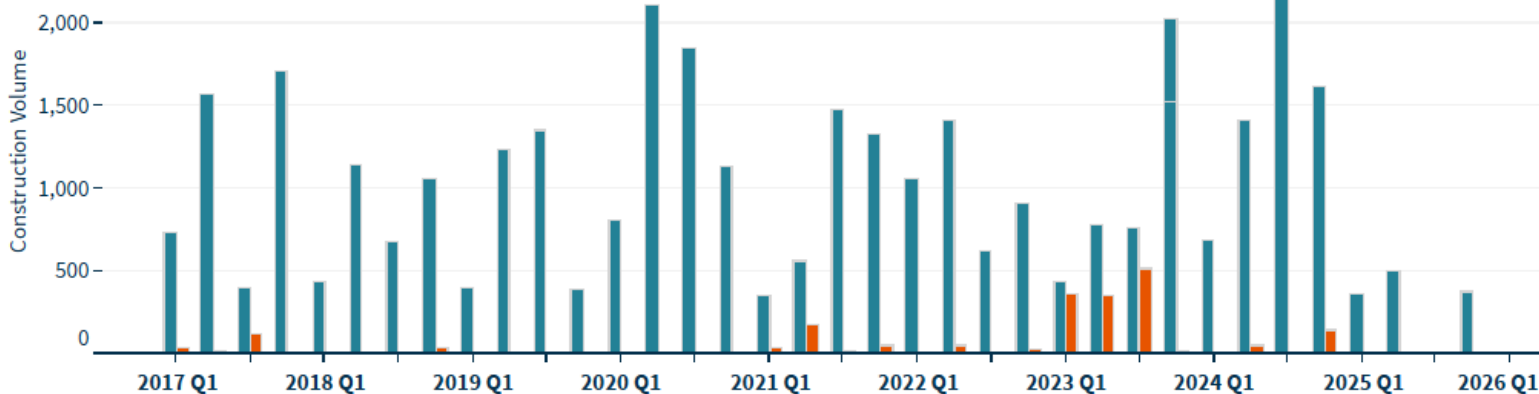
- Apartment fundamentals have seemingly worked their way through elevated levels of supply as vacancies have moderated and rent growth continues to stay positive. Although supply continues to be elevated for the metro's size, there is a decent enough demographic profile present to absorb the influx of new units.
- Despite capturing all of the jobs lost since February 2020, job growth had been tepid in the metro for quite some time. Additionally, one of the economic crutches, the Manufacturing sector has seemingly been impacted by labor disputes and has taken a short-term decline in performance. 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 both residents and businesses.



## Multifamily Apartment Pipeline

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

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

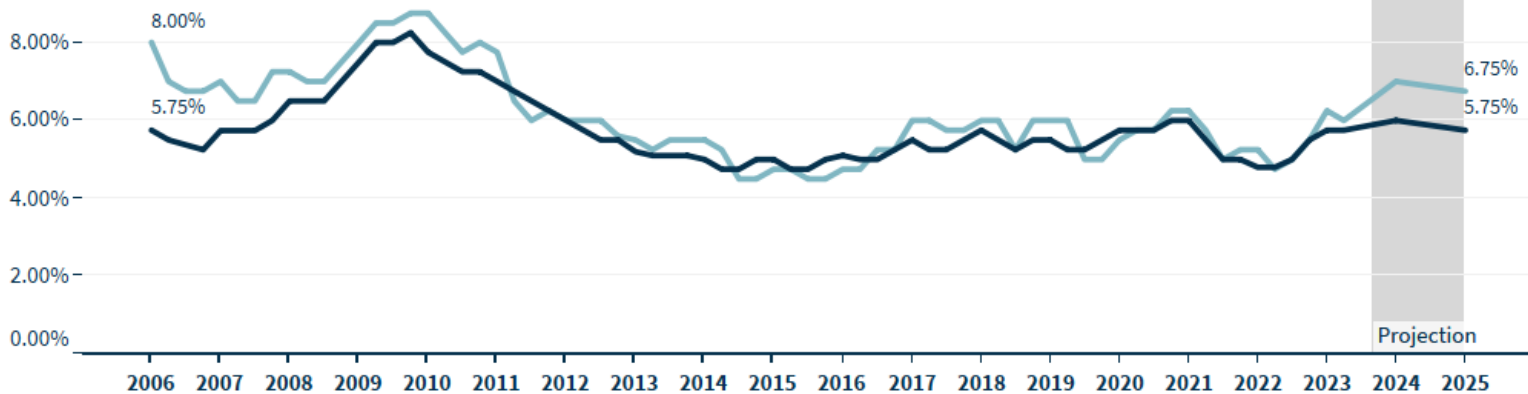
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Kansas City | National

Q3 2023 Vacancy Rate:

6.00%



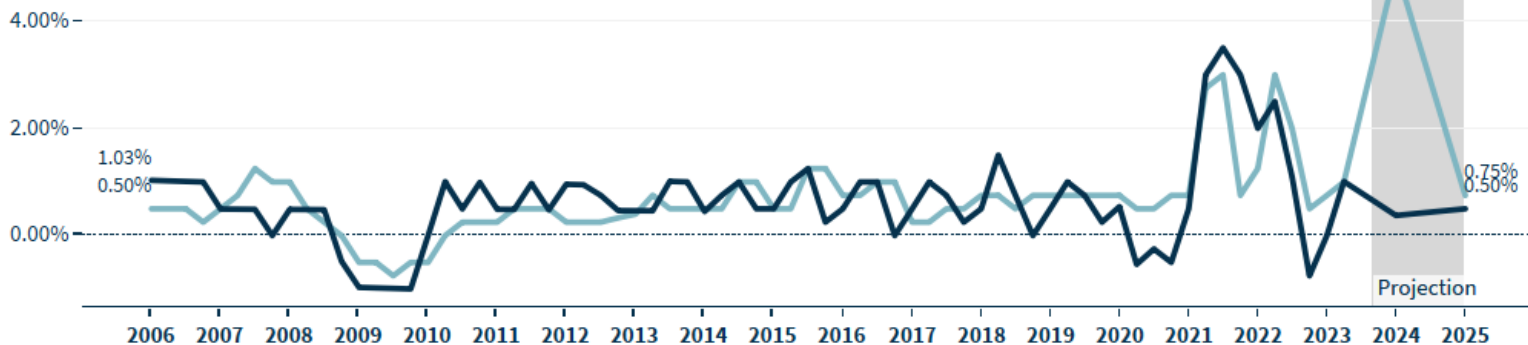
Projection

### Asking Rent Growth

Kansas City | National

Q3 2023 Asking Rent:

\$1,240

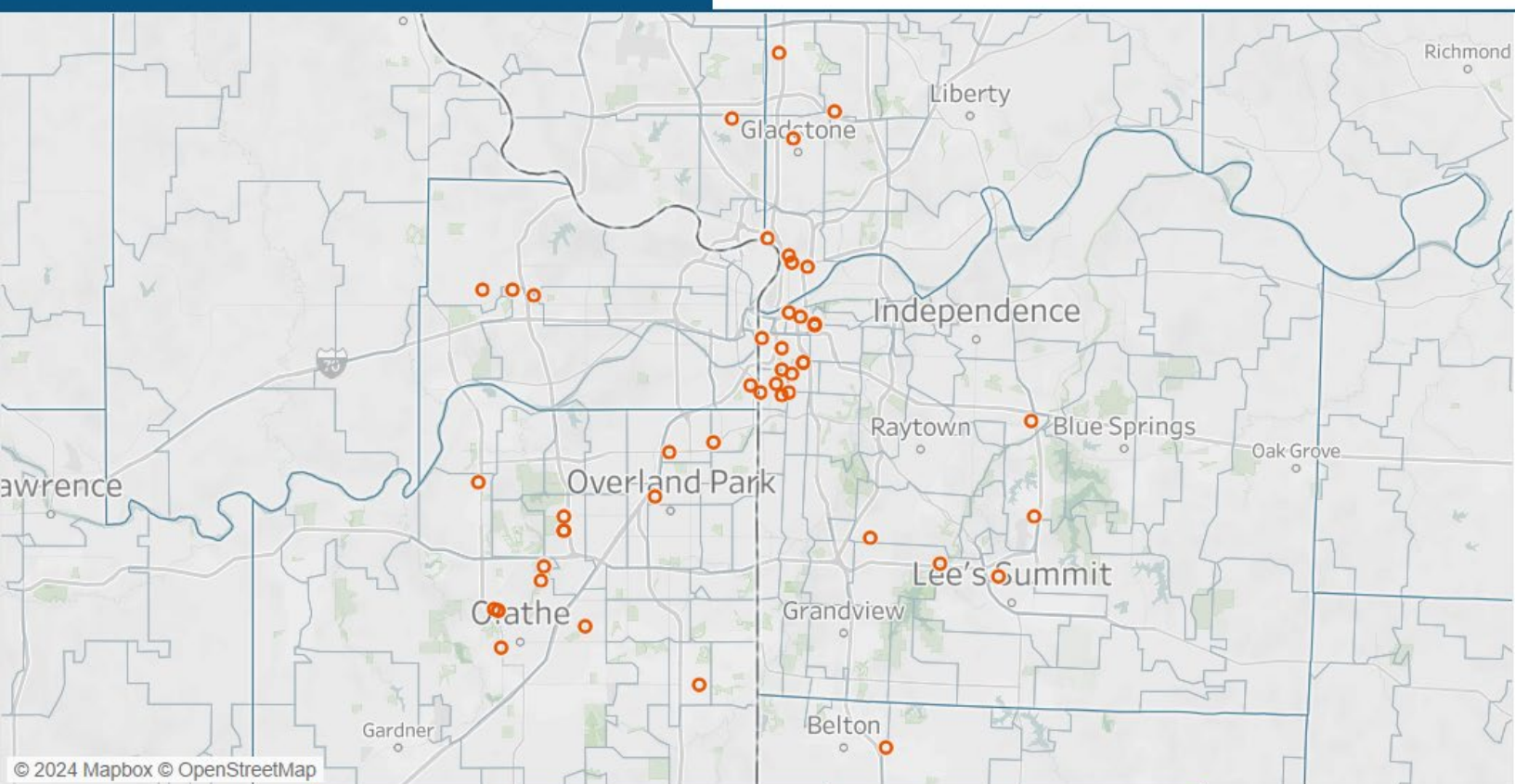


Projection

Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Central Kansas City	12	1,813
Clay County	7	1,326
Independence/East Kansas City	3	350
Lee's Summit/Blue Springs/Raytown	3	851
North Overland Park	1	9
Olathe/Gardner	7	1,244
Platte County	1	49
Shawnee/Lenexa/Mission	6	1,222
South Kansas City/Grandview	2	690
South Overland Park	1	130
Wyandotte County/Leavenworth	4	1,095
<b>Grand Total</b>	<b>47</b>	<b>8,779</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

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## Multifamily Economics and Market Research Team

Francisco Nicco-Annan, Economic and Strategic Research - Economics – Advisor

### Sources Used

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

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