Fannie Mae

Multifamily Metro Outlook:

Kansas City – Q3 2024

Overview:

- After a period of steady growth that boosted the local job market, the Kansas City job market continued its tepid pace of expansion for the period ending Q3 2024. During this period, local job growth was approximately 1.6%, compared to 1.4% nationally. Even though the local job market has expanded slightly above the national average during this period, job growth over the last few years has either been on par or slightly below the national average.
- The elevated levels of supply for the metro have now moderated as the apartment market has gotten used to the higher levels of supply. Vacancies continue to fall, and they now sit at approximately 6.5% for the period ending Q3 2024. Furthermore, rent growth continues to be a steady performer, and for the period ending Q3 2024, rent growth remained positive at 0.75%, which is down slightly from the previous two quarters.

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 metro area is 4% lower than the national average. As a result of the area's aggressive tax incentives and structures (especially in Kansas), many employers continue to look to the metro to take advantage of the lower business costs.
- Although the local information and tech employment sector has been a laggard in the metro, there is optimism that Kansas City can become a mini-Midwestern tech hub. According to Moody's Analytics, the concentration of tech and information workers is in the top 10% for Midwestern metros. More importantly, Kansas City's pivot from the telecom industry to health care and software technology could potentially be a boon for the metro, as employers could be enticed by the area's friendly business climate.
- The trade and transportation employment sector has been a steady performer and helped the metro emerge into a logistics hub. According to Moody's Analytics, consumers' changing behaviors, including the shift to e-commerce, have fueled the need for more warehouse space. The increased need for warehouse space, coupled with cheaper business costs, has lured Amazon to the metro. The company has set up more than seven distribution facilities in the metro over the last few years.

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, 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. The two sides of the metro are essentially in competition with one another since they are in different states, which can cause issues for the overall metro's bottom line.
- The manufacturing sector continues to be a drag on the local Kansas City economy. For the period ending Q3 2024, the local employment sector contracted by 0.8%, which was worse than the national average of a 0.4% dip. Furthermore, the local auto industry is facing more short-term hardship, as General Motors (GM) is making a shift to electric vehicle production and therefore laying off nearly 1,700 employees, per Moody's Analytics. However, the sliver lining for the shift to EV production is that once the change is complete, GM will be looking at rehiring employees to produce more electronic vehicles in the metro.

New Development:

- Recent rental development is modest. Nearly 32,000 have completed since 2017. However, there has been a bit of an uptick in supply underway as there are approximately 8,600 units in the pipeline.

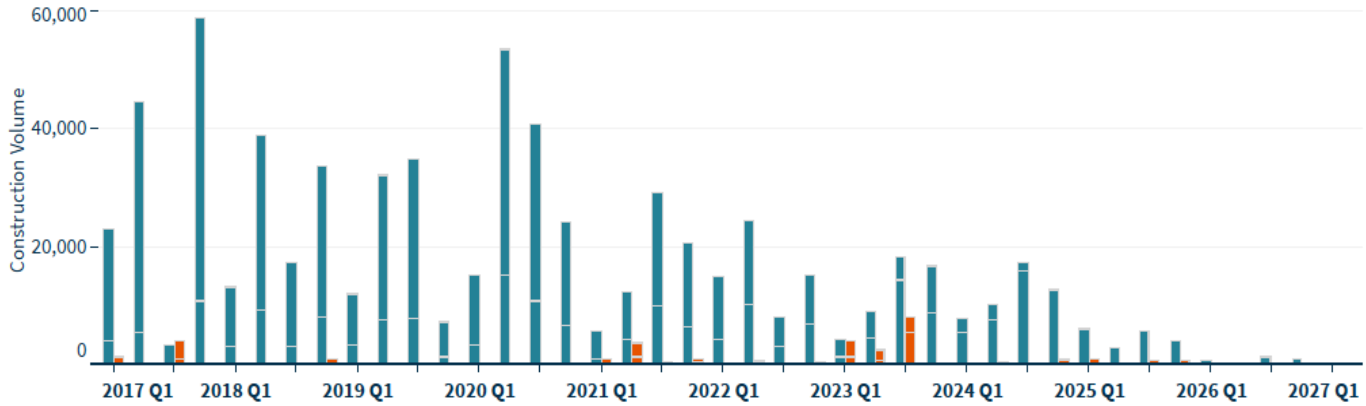
Outlook:

- Apartment fundamentals have seemingly worked their way through elevated levels of supply. Vacancies and rent growth continue to trend in the right direction, although supply continues to be elevated for the metro's size. However, there is still a decent demographic profile present to absorb the influx of new units.
- Despite capturing all of the jobs lost since February 2020, job growth continues to be tepid in the metro. Furthermore, the Kansas City metro will continue to grow at an average pace, albeit slightly below the national rate, as there is not a true economic pillar yet. However, the metro does have both low costs of living and doing business that will continue to lure both residents and companies. The emergence of both a tech and logistics hub could help the metro finally find some economic pillars and establish long-term growth prospects as these employment sectors are turning the corner.

Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | *Condos*



Source: Dodge Data & Analytics SupplyTrack Pipeline

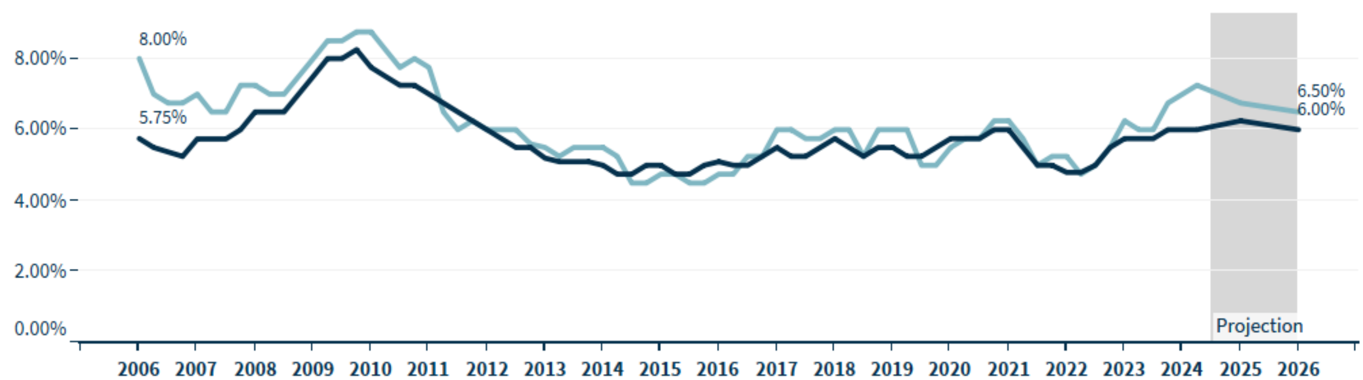
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Kansas City | *National*

Q3 2024 Vacancy Rate:

6.50%

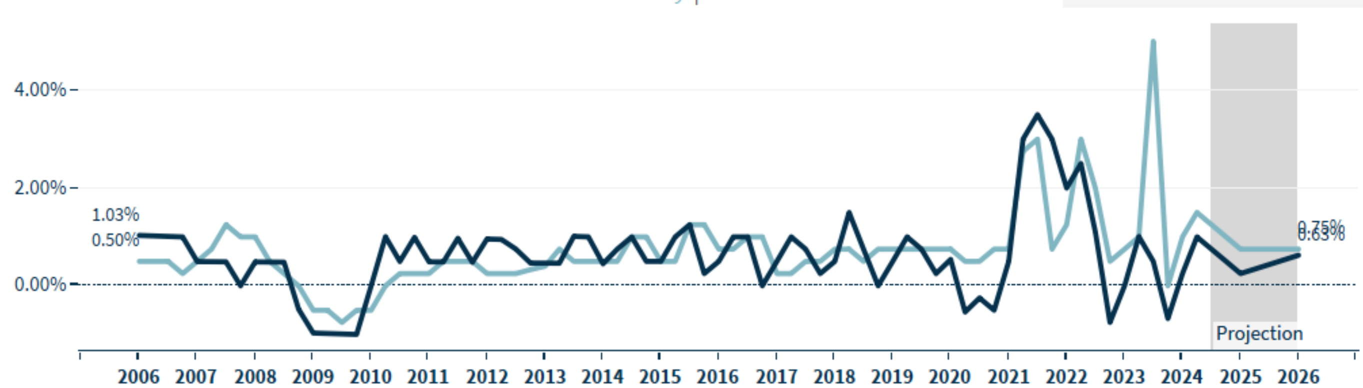


Asking Rent Growth

Kansas City | *National*

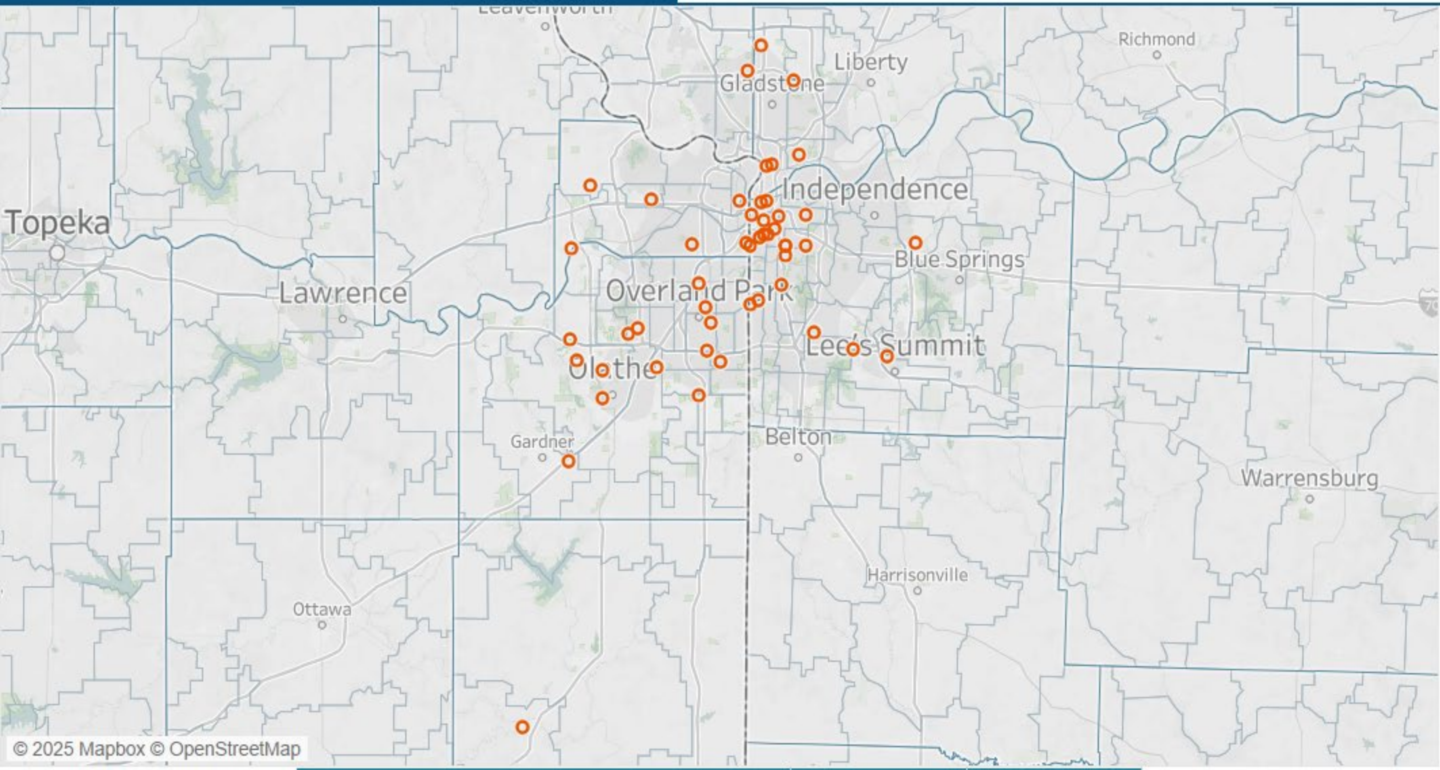
Q3 2024 Asking Rent:

$1,280



Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Central Kansas City	10	1,816
Clay County	6	1,037
Independence/East Kansas City	7	596
Lee's Summit/Blue Springs/Raytown	2	575
North Overland Park	3	329
Olathe/Gardner	6	488
Shawnee/Lenexa/Mission	4	1,171
South Kansas City/Grandview	3	894
South Overland Park	2	766
Wyandotte County/Leavenworth	6	889
Grand Total	**49**	**8,561**

Source: Dodge Data & Analytics SupplyTrack Pipeline

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi