Multifamily Metro Outlook

KANSAS CITY – SUMMER 2019

Overview

• Kansas City’s job market continues to expand and has finally caught up with the pace of the nation. Employment as of Q1 2019 has expanded by +1.7 percent, slightly above the national rate of +1.6 percent.
• Apartment market fundamentals are performing decently. Vacancies as of Q1 2019 for the Kansas City metro were 6.0 percent. Rent growth has also remained positive at +0.75 percent, and net absorption was also positive as positive job growth numbers have fueled demand.
• 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 5 percent lower than national average.
• According to CoStar, the Kansas side of the metro has been luring away many businesses from the Missouri side as a result of the state’s tax incentives. Wyandotte County has been one of the prime beneficiaries of the state’s friendly tax incentives and could continue to be a catalyst for local growth. There has been some development in the Leisure/Hospitality sector over the last few years and there is plenty of land prime for more development.
• Kansas City’s demographic profile is meager. Population growth in the metro as of Q1 2019 was approximately +0.3 percent compared to +0.7 percent nationally. Furthermore, over the next five years it doesn’t appear as if the population prospects will improve. Over the forecast, Kansas City’s population growth will continue to lag behind the national rate.
• The Manufacturing sector which was once an economic pillar for the metro has been struggling as of late. According to Moody’s Analytics, the signs of struggle do not appear as if they will be ending anytime soon as a result of declining car sales coupled with ongoing trade tensions between the US and China. As a result of the declining automobile sales nationwide, Ford has been forced to cut approximately 2,000 workers with more cuts looming.

Development

• Recent rental development is very modest. In a rental market of 130,000+ units, nearly 16,300 have completed since 2014. There are nearly 7,400 units underway and 10,000 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 four units in the pipeline through 2020.

Outlook

• Vacancies and rent growth have recovered from the recession. Longer term, below average population, inconsistent job growth, and single-family housing affordability will keep the For-Rent market from a stronger rating.
• Attractive apartment fundamentals are leading the metro in their effort to recovery. Low business costs and high educational affluence will continue to attract migrants and employers to the metro. Although inconsistent job growth, barely on par with the national average and the metro’s struggle to establish a stable economic pillar will continue to hinder future growth. More so, the ongoing troubles of the Manufacturing sector are something to keep an eye on as it appears the industry will continue to struggle for growth in both the near term and the short term as a result of trade tensions and declining auto sales.

Vacancy and Rent Composite Estimates

Vacancy Rate

Asking Rent Growth

Source: Fannie Mae Multifamily and Economics Research
Q1 2019 Market Inventory: 136,000 Units

Q1 2019 Market Inventory: 128,000 Units

Q1 2019 Market Inventory: 146,000 Units

Annual Rent Growth

Source: Multifamily Market Research – July 31, 2019 · Contact: Francisco Nicco-Annan
Construction Bidding/Underway
36 projects/7,700 Units/8.9 M Sq. Feet

<table>
<thead>
<tr>
<th>CBRE-EA Submarket</th>
<th>Number of Projects</th>
<th>Total Sq Ft (000's)</th>
<th>Total Units</th>
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<tr>
<td>Downtown/East KC</td>
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<td>2463</td>
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<tr>
<td>Gladstone/Liberty</td>
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<td>Grandview/Far South</td>
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<tr>
<td>Jackson County/Other</td>
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<td>Merriam/Mission/Prairie Village</td>
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Fannie Mae Multifamily Economics and Market Research
Francisco Nicco-Annan, Economist

Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody’s Analytics
- Real Capital Analytics
- Reis, Inc.

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