

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

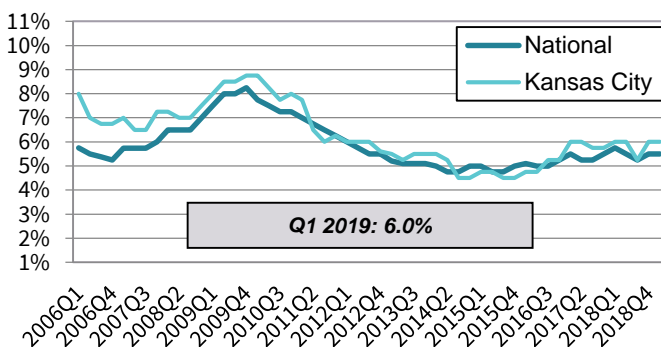
- Recent rental development is very modest. In a rental market of 130,000+ units, nearly 16,300 have completed since 2014. There are nearly 7,400 units underway and 10,000 units in the planning stages.
- Condo development is not an issue. Approximately 3,400 condo units were completed in Kansas City since the beginning of 2006 and there are currently four units in the pipeline through 2020.

Outlook

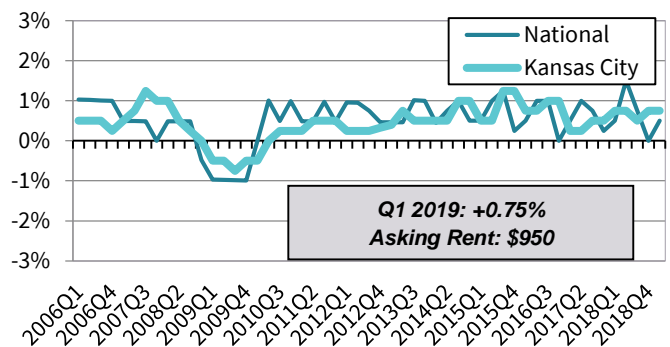
- Vacancies and rent growth have recovered from the recession. Longer term, below average population, inconsistent job growth, and single-family housing affordability will keep the For-Rent market from a stronger rating.
- Attractive apartment fundamentals are leading the metro in their effort to recovery. 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

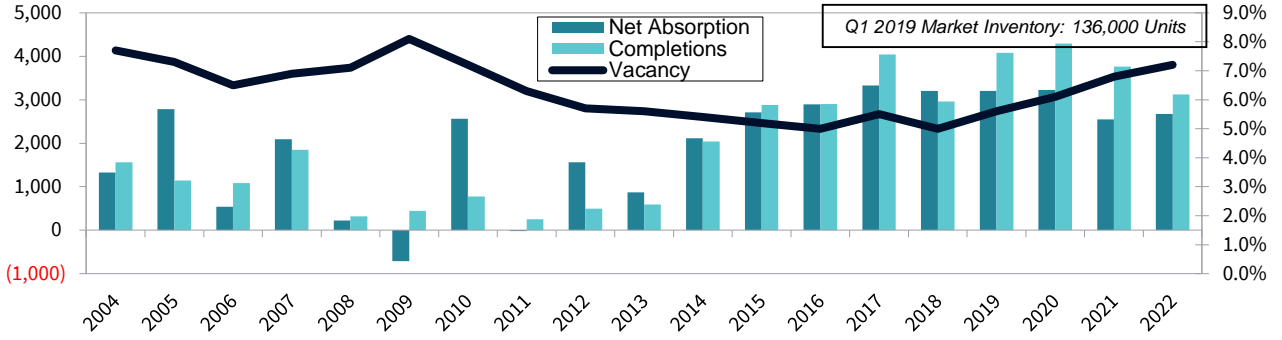


Asking Rent Growth

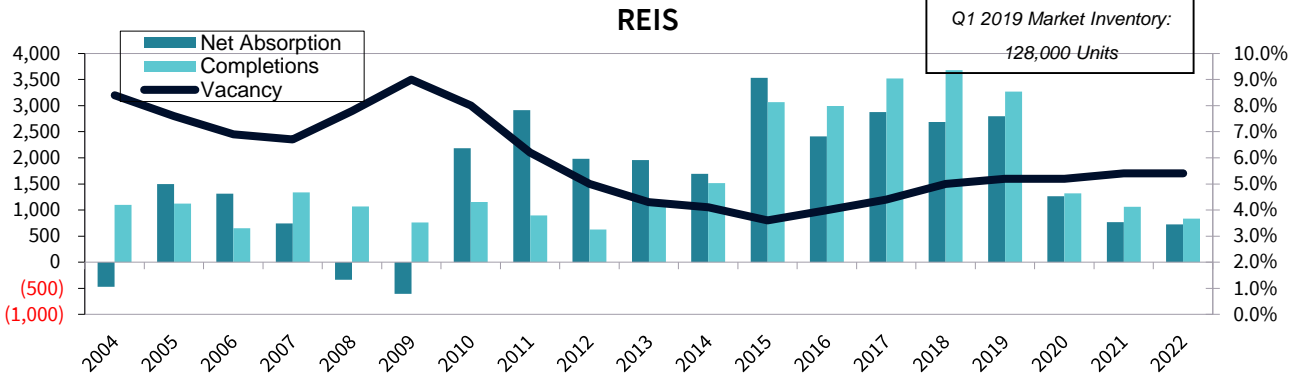


Source: Fannie Mae Multifamily and Economics Research

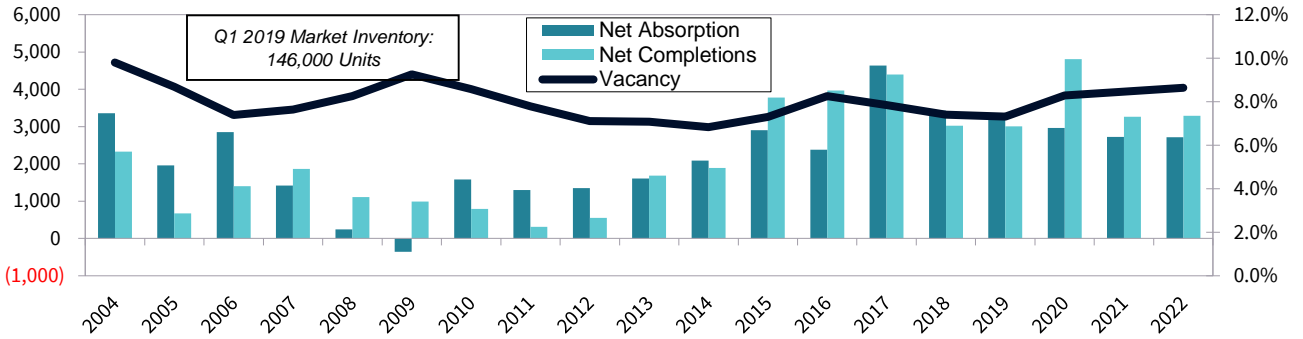
CBRE-EA



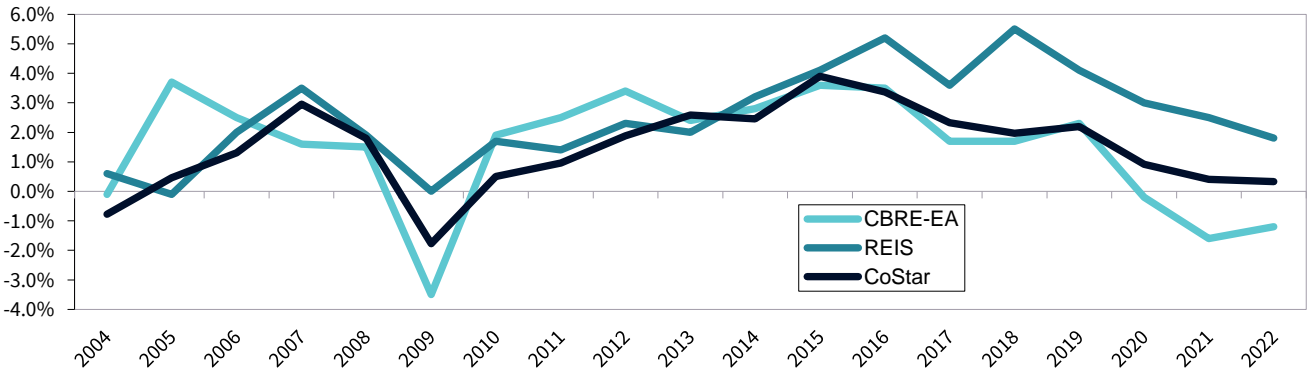
REIS



CoStar

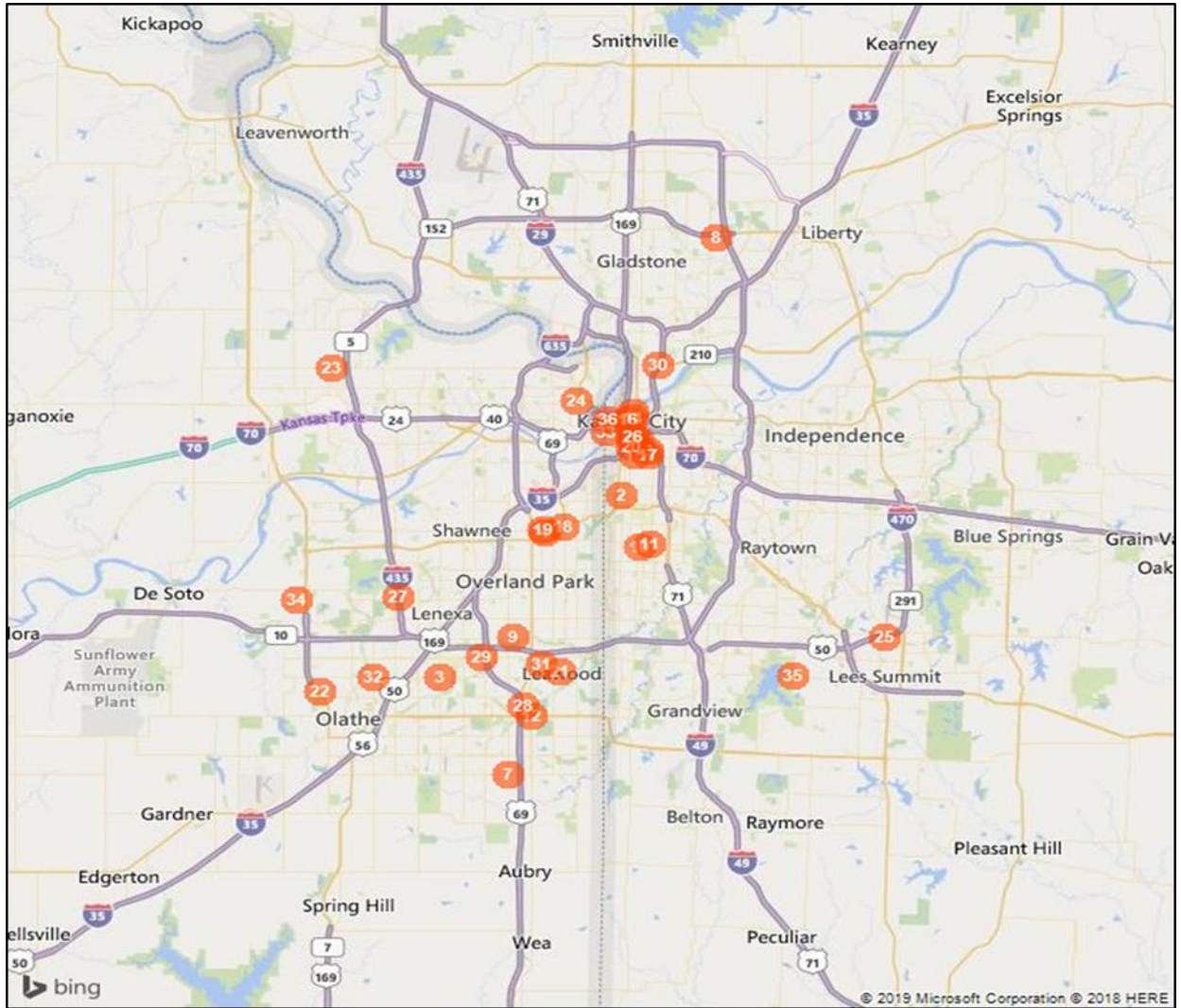


Annual Rent Growth



Multifamily Metro Outlook: Kansas City Summer 2019

Construction Bidding/Underway
36 projects/7,700 Units/8.9 M Sq. Feet



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Downtown/East KC	12	2931	2463
Gladstone/Liberty	1	123	162
Grandview/Far South	1	316	312
Jackson County/Other	1	220	243
Merriam/Mission/Prairie Village	3	582	485
North Kansas City	1	283	240
Olathe	3	1236	881
Overland Park North	2	812	681
Overland Park South	5	1414	1175
Shawnee/Lenexa	2	301	326
Southwest Kansas City	2	262	245
University/Plaza	1	188	188
Wyandotte	2	275	300

Multifamily Metro Outlook: Kansas City Summer 2019

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.

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Multifamily Economics and Market Research (EMR) group included in this commentary should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the EMR group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the EMR group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.