Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	5,537
UNITS DELIVERED (YTD)	3,649

MARKET FUNDAMENTALS

VACANCY RATE	6.8%
YEAR-OVER-YEAR CHANGE	+80bps
ASKING RENTS	$1,257
YEAR-OVER-YEAR CHANGE	+2.6%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$177,400

KANSAS CITY MULTIFAMILY
Q3 2025

MARKET INSIGHTS

Multifamily transaction activity accelerates

HIGHLIGHTS

- Multifamily operating conditions in Kansas City softened during the third quarter, with vacancy edging higher while asking rents recorded a slight decrease. The pace of construction accelerated, with roughly 3,650 units delivered so far this year.
- The vacancy rate continued to inch higher during the third quarter, rising by 10 basis points to 6.8%. Year over year, local vacancy has risen by 80 basis points.
- Asking rents ticked slightly lower in recent months, decreasing by 0.5% during the third quarter to $1,257 per month. During the past 12 months, rents have increased by 2.6%.
- Multifamily sales activity picked up in the third quarter, bringing the year-to-date transaction count nearly 90% higher compared to the same point last year. The median sale price has risen 50% from 2024 to $177,400 per unit.

KANSAS CITY MULTIFAMILY MARKET OVERVIEW

Kansas City multifamily fundamentals have softened in recent months, though many individual submarkets continued to post rent growth and vacancy improvements. A major factor in some of these shifting operating conditions is the pace of deliveries, which has picked up in recent months, surpassing the same point last year by nearly 20%. Newly built properties are spread out across the metro, with a concentration in and around Downtown. The Southwest portion of the metro also accounts for a major share of completions, particularly in areas like Overland Park and Lenexa, and has generally been the best performing portion of the Kansas City market. Over the past 12 months, Overland Park South was one of the leading submarkets for vacancy improvement, while both Overland Park North and South, as well as the Merriam/Mission/Prairie Village area, were some of the top submarkets for rent growth.

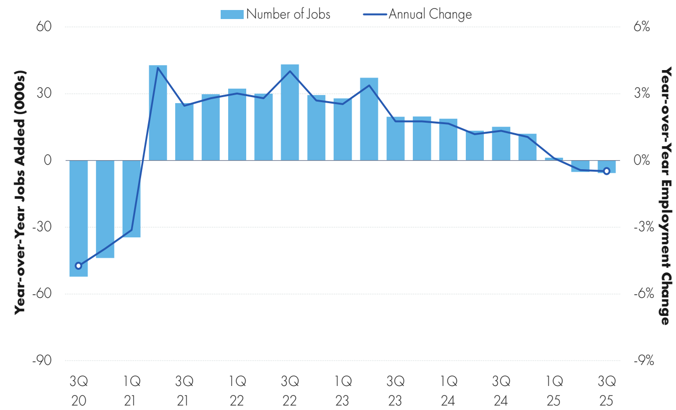
Multifamily sales activity in Kansas City continued to accelerate in the third quarter. The total number of transactions at this point in the year has reached a five-year high, surpassing the full-year totals for 2023 and 2024. These transactions have occurred throughout Kansas City, though the Southwest side of the metro area contains the greatest share of sales to this point in the year, with elevated activity in areas like Overland Park. After Class C properties made up around half of all sales during the first two quarters of the year, third quarter sales were primarily made up of Class A and Class B assets. This shift contributed to a significant rise in the median sale price, which reached $177,400 per unit, just 4% below peak pricing recorded in 2022. The mix of property sales also brought the average cap rate down to 5.5%, after being elevated throughout the first half of the year.

EMPLOYMENT

- Employment in Kansas City continued to soften in recent months. Year over year, total employment decreased by 0.5%, with a net loss of approximately 5,600 jobs.
- While overall employment was down, some sectors still recorded solid growth. The financial activities sector posted a 3.3% increase in employment over the past year, with roughly 2,600 new positions being filled.
- Master's, a provider of commercial vans and buses, announced that the company will be relocating its headquarters to Kansas City. Upon opening, this facility is projected to create over 350 new jobs in the area.
- **FORECAST:** The Kansas City job market should record a modest recovery toward the end of the year. Employment growth in 2025 is forecast to reach 0.25% with the addition of approximately 3,000 jobs.

Employment growth in 2025 is forecast to reach 0.25%.

EMPLOYMENT OVERVIEW



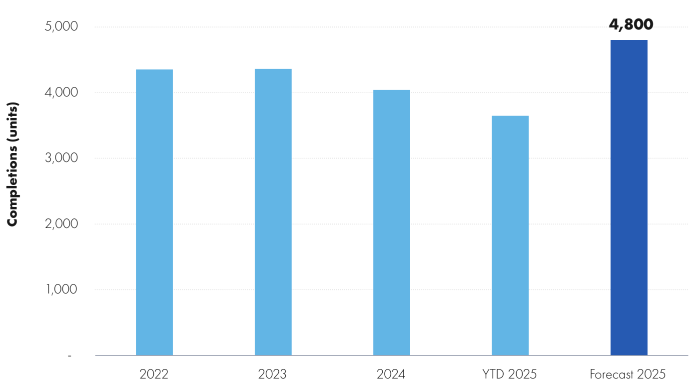
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- Developers delivered new units at a strong pace in the third quarter, completing roughly 1,000 units. Year to date, there have been approximately 3,650 units delivered, up 18% from the same point in 2024.
- There are currently over 5,500 units under construction in Kansas City, down 10% from one year ago. While Downtown Kansas City still contains the greatest number of properties under construction, Lee's Summit contains a greater unit count, with over 1,700 units underway.
- Multifamily permitting cooled during the third quarter following a spike in the second quarter. Still, year-to-date permitting remains 5% higher than it was one year ago, with permits issued for projects totaling nearly 3,200 units.
- **FORECAST:** Total completions in 2025 are expected to be elevated. Approximately 4,800 units are forecast to be delivered in 2025, up 19% from last year and reaching a five-year high.

Year to date, roughly 3,650 units have delivered.

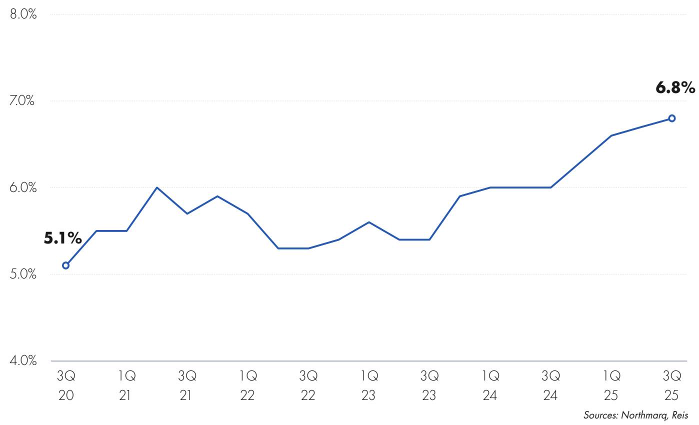
DEVELOPMENT TRENDS



Sources: Northmarq, CoStar, Reis

Demand has strengthened compared to 2024.

VACANCY TRENDS



VACANCY

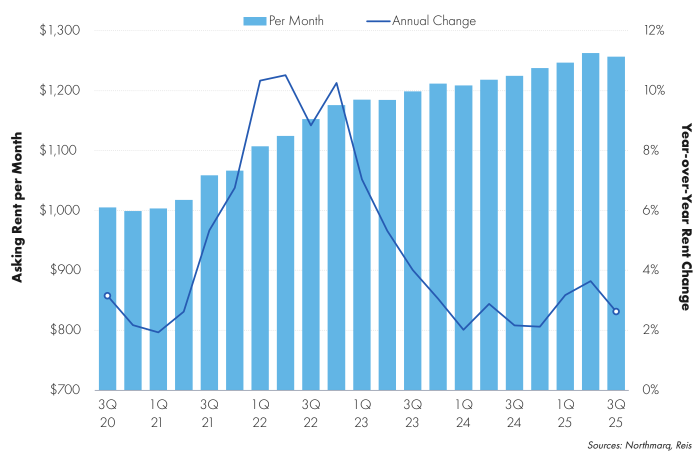
- Vacancy inched higher in the third quarter, ticking up 10 basis points following a modest rise in the previous quarter. Year over year, apartment vacancy in Kansas City is up 80 basis points to 6.8%.
- The far southwestern submarkets were some of the only areas to post vacancy improvement over the past 12 months. The Olathe/Gardner area recorded a 40 basis point improvement in vacancy, while neighboring Overland Park South had vacancy dip 10 basis points.
- Even as vacancy rises, demand has strengthened. Year to date, net absorption has reached nearly 1,900 units, up 7% from levels recorded at the same point last year.
- **FORECAST:** As deliveries continue to outpace immediate demand, the vacancy rate is expected to rise gradually, reaching 7.0% by year-end, a 60 basis point increase compared to the end of last year.

RENTS

- Rent trends reversed in the third quarter, with asking rents declining by 0.5% to $1,257 per month. Year over year, Kansas City asking rents are up 2.6%.
- Rents have generally fared better on the southwestern side of the Kansas City metro. The Overland Park North and Overland Park South submarkets posted rent increases of 3.9% and 3.0%, respectively, over the past 12 months.
- Another southwestern Kansas City submarket, Merriam/Mission/Prairie Village, was one of the leading submarkets for rent growth over the past year. Asking rents in this submarket increased by 8.6% during this period to $1,146 per month.
- **FORECAST:** Asking rents should begin to rise again in the fourth quarter, though the increase will likely be modest. Full year rent growth in 2025 is expected to match 2024 at 2.2%, reaching roughly $1,265 per month.

Year over year, Kansas City asking rents are up 2.6%.

RENTS TRENDS

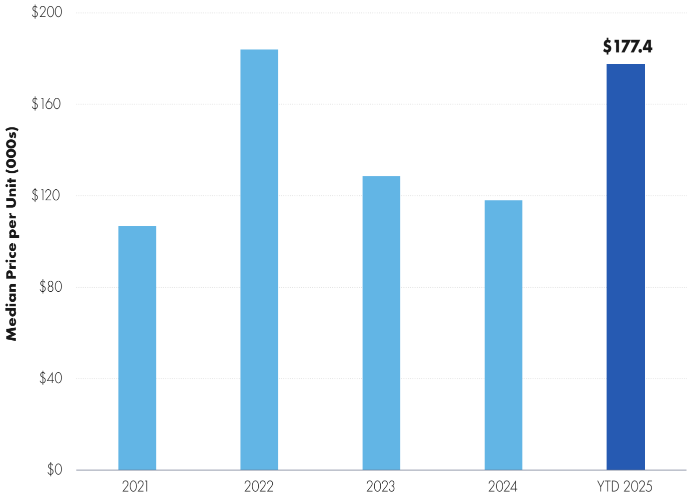


MULTIFAMILY SALES

- The number of multifamily transactions taking place in Kansas City continued to grow in the third quarter, steadily accelerating since the beginning of the year. Year to date, roughly 90% more properties have traded in 2025 than in the same period of 2024.
- As activity has gained momentum, pricing on multifamily properties has been rising. Year to date, the median sale price is $177,400 per unit, or 50% higher than last year. Compared to peak pricing in 2022, it is down 4%.
- Cap rates have dipped slightly this year, now averaging 5.5%. Most sales recorded cap rates ranging between 5.0% and 6.3%.

The median sale price is $ 177,400 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

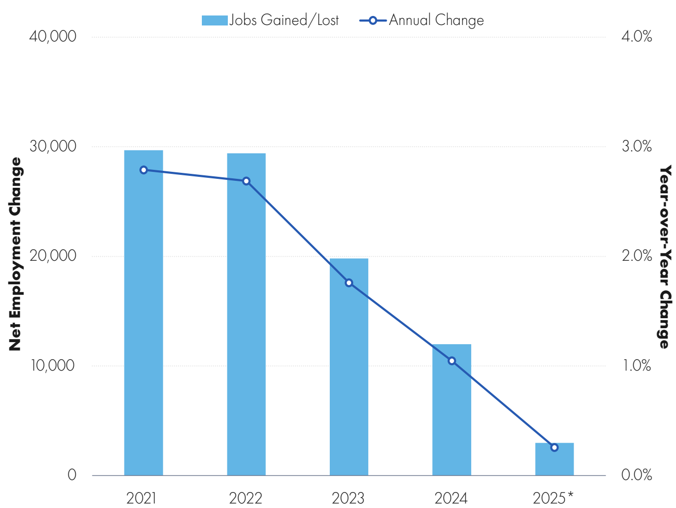
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
MAA ONE28	12840 S. Black Bob Road., Olathe	2023	318	$96,250,000	$302,673
Cyan Southcreek	13220 Foster St., Overland Park	2020	380	$90,000,000	$236,842
Corbin Crossing	6801 W. 138th Terrace, Overland Park	2006	298	$67,550,000	$226,678
Brookside Commons	6551 Rockhill Road., Kansas City	2022	210	$43,000,000	$204,762
The Bluffs	7005 N. Bales Ave., Gladstone	1968	138	$11,700,000	$84,783

LOOKING AHEAD

Changes in multifamily operating conditions during the fourth quarter are expected to be similar to what was recorded throughout the first half of the year, with rents rising while the vacancy rate continues to soften. This rent growth should make up for the recent loss recorded in the third quarter, though annual projected rent growth will be slightly lower than previously expected. Developers are forecast to bring completions to a five-year high in 2025, which will further impact the vacancy rate. The annual increase in vacancy should be closely in line with the previous two years when vacancy increased by 50 basis points annually. The greatest share of construction is in Downtown Kansas City and Lee's Summit, and these areas will likely experience greater short term impacts on operating conditions.

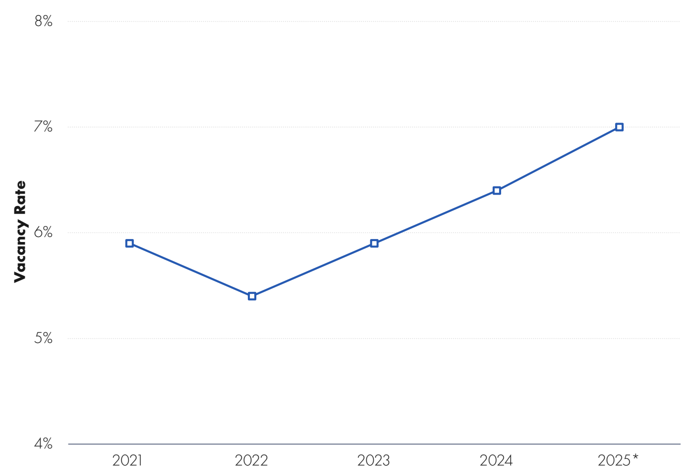
Multifamily investment activity is expected to maintain a strong pace throughout the remainder of the year. If current conditions persist, 2025 could reach a cyclical high in number of transactions, surpassing 2022 for peak activity. Year to date, more properties have changed hands in 2025 than during the same period in 2022. Class B assets are likely to continue representing the largest share of sales in 2025, while Class C properties are gaining a growing portion of activity. While Class A sales will remain a smaller share of all trades, 2025 is on track to be one of the strongest years for Class A transactions since 2020. The average cap rate may rise slightly by year-end as the number of lower-tier sales increase, though increases should be modest and remain within the range observed since the first half of the year.

EMPLOYMENT FORECAST



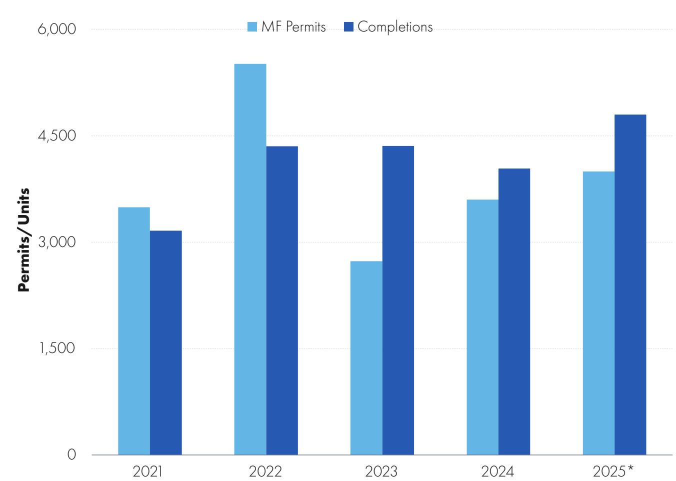
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



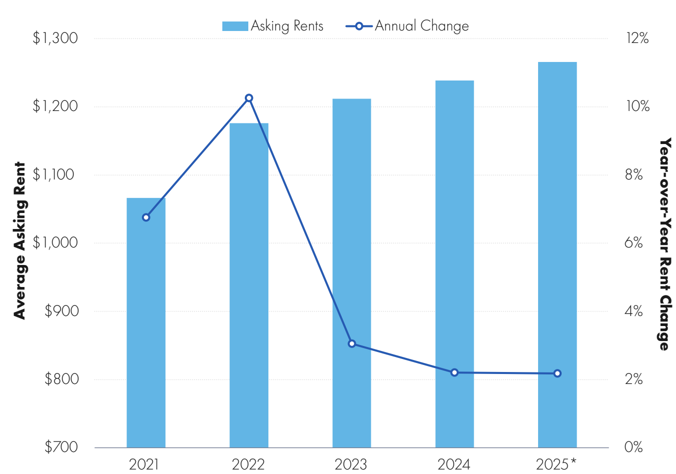
** Year End Forecast*
Sources: Northmarq, Reis

CONSTRUCTION & PERMITTING FORECAST



** Year End Forecast*
Sources: Northmarq, Census Bureau, CoStar, Reis

RENTS FORECAST



** Year End Forecast*
Sources: Northmarq, Reis

FOR MORE INFORMATION, **PLEASE CONTACT**

JEFF LAMOTT
Managing Director, Investment Sales
913.647.1640
jlamott@northmarq.com

CASEY WILHM
Senior Vice President, Investment Sales
913.647.1647
cwilhm@northmarq.com

DAVID BELPEDIO
Senior Associate, Investment Sales
913.469.6536
dbelpedio@northmarq.com

GREG DUVALL
Managing Director, Debt + Equity
913.647.1610
gduvall@northmarq.com

JOHN DUVALL
Vice President, Debt + Equity
913.647.1620
jduvall@northmarq.com

JOE HEINZLER
Vice President, Debt + Equity
913.647.1635
jheinzler@northmarq.com

PETE O'NEIL, *National Director, Research* | 602.508.2212 | poneil@northmarq.com

JOHN TAGG, *Research Manager* | 972.455.4916 | jtagg@northmarq.com

LUCAS BAUM, *Research Analyst* | 602.598.7351 | lbaum@northmarq.com

ABOUT **NORTHMARQ**

Northmarq is one of the largest privately held commercial real estate firms in the United States, combining a nationwide presence with deep local expertise. With more than 50 offices across the country, we provide a full suite of debt, equity, investment sales, loan servicing and fund management solutions for a comprehensive range of property types. Our unique structure allows us to connect clients with the best opportunities, yet be nimble enough to ensure access to every expert across our company. The firm manages a loan servicing portfolio of over $78 billion and has completed $69.5 billion in transactions over the past three years. At Northmarq, collaboration fuels results, helping clients achieve success in every market, nationwide. For more information, visit www.northmarq.com .