

Market Insights

Greater Kansas City Multifamily 1Q 2022



Construction Activity



4,494

Units under construction

379

Units delivered (YTD)

Market Fundamentals



5.6%

Vacancy

+40 bps

Year over year change

\$1,099

Asking Rent

+10.7%

Year over year change

Transaction Activity



\$250,000

Median sales price per unit (YTD)

Prices Continue to Push Higher to Start 2022

Highlights

- The Kansas City multifamily market posted improved performance at the start of the year. Asking rents trended higher while the vacancy rate held steady. Area employers continued to expand payrolls in recent months, strengthening the local economy.
- The average vacancy rate remained at 5.6 percent in the first quarter. Year over year, the rate is up 40 basis points, but vacancy has been essentially flat since the second half of 2021.
- The pace of rent growth accelerated to this point in 2022. Asking rents rose 3.9 percent in the first quarter to \$1,099 per month. Year over year, average rents jumped 10.7 percent.
- Transaction volume held steady in the first quarter, matching the number of sales from the fourth quarter of last year. The median sales price surged in recent months, reaching \$250,000 per unit. Cap rates continue to compress, averaging 3.6 percent in the first quarter.

Kansas City Multifamily Market Overview

The Kansas City multifamily market recorded gains in the first few months of 2022. The vacancy rate has largely stabilized since the second half of last year, allowing for an accelerating pace of rent growth. Asking rents climbed at a rapid pace in the first quarter, fueled by a rebounding local economy and an increasingly competitive rental environment. The largest gains in rents in recent months were recorded in the Lee's Summit and Platte submarkets with first quarter increases of around 5 percent. Supply growth was limited at the start of the year, although new apartment construction is ongoing throughout the Kansas City area.

The Kansas City investment market is off to a strong start in 2022, as the pace of sales in the first quarter was ahead of levels recorded at the start of the last two years. Prices continued to trend higher with activity picking up in the sale of newer, Class A properties. The median sales price in the first quarter surged to \$250,000 per unit, after reaching nearly \$175,000 per unit in the final few months of last year. As prices jumped, cap rates compressed, averaging in the mid-3 percent range to this point in 2022. Although some smaller deals closed, the bulk of the properties that traded in the first quarter consisted of large multifamily projects, including a handful of transactions consisting of 300 units or more.

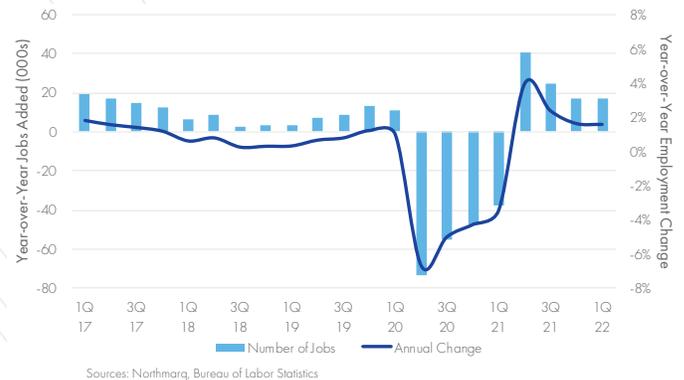
Employment

- The local labor market in Kansas City continued to expand at the start of the year, adding back jobs at a steady pace. Area employers added 4,600 workers in the first quarter. Year over year, total employment grew by 16,900 jobs, a 1.6 percent gain.
- The professional and business services sector has outperformed the market as a whole during the past several quarters. Year over year, professional employment has expanded by 2.6 percent with the addition of 4,700 jobs.
- Meta, the parent company of Facebook, announced plans to build a 5.5 million-square-foot data center campus in the Northland area at the Golden Plains Technology Park. The \$800-million project will be one of the largest capital expenditures in the market and bring nearly 100 jobs to the region by 2024.
- **Forecast:** The Kansas City employment market is expected to maintain a fairly steady pace of growth in the coming quarters. Employers are forecast to add approximately 20,000 jobs in 2022, a 1.9 percent pace of growth.



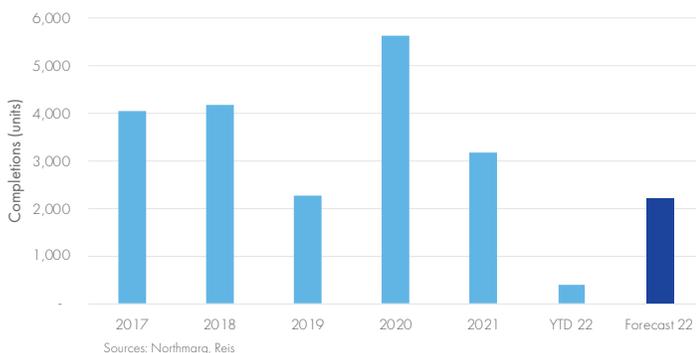
Year over year, employment grew by 16,900 jobs.

Employment Overview



Permits for more than 1,600 multifamily units were pulled in the first quarter.

Development Trends



Development and Permitting

- The pace of deliveries slowed during the first quarter with only a few new apartment properties coming online. Projects totaling roughly 380 units were completed, including the first significant new apartment construction in Downtown Olathe in decades.
- Developers had nearly 4,500 units under construction at the end of the first quarter, down 26 percent from one year ago. The Downtown/East Kansas City submarket has been one of the most active regions for new development and adaptive reuse in recent years; more than 500 units are currently under construction in the submarket.
- Permitting spiked at the start of the year, signaling an increase in future development. Permits for more than 1,600 multifamily units were pulled in the first quarter, the highest level of issuance at the beginning of a year since 2001.
- **Forecast:** Multifamily deliveries will accelerate in the coming quarters with projects totaling approximately 2,220 units slated to come online in 2022.

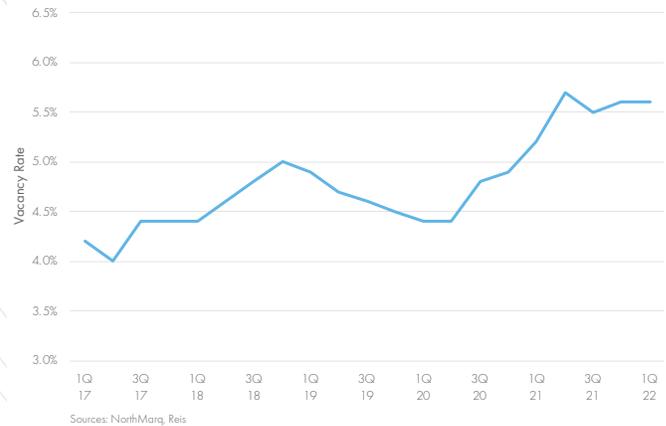
Vacancy

- Vacancy in Kansas City held steady during the past several quarters. The rate finished the first quarter at 5.6 percent, matching the level at the end of 2021.
- Year over year, vacancy rose 40 basis points. The average rate is heavily affected by two submarkets, Downtown/East Kansas City and Midtown, where vacancy rates are both above 12 percent. Excluding these two submarkets, the average vacancy rate is in the mid-4 percent range.
- Absorption levels were strongest in Class B and Class C units in recent months, driving vacancies lower. The combined vacancy rate in Class B and Class C properties dropped 30 basis points in the first quarter to 2.9 percent.
- **Forecast:** Net absorption and new supply growth are forecast to closely track each other in the remainder of the year, allowing for a modest decline in vacancy. The vacancy rate in Kansas City is expected to dip 20 basis points in 2022, ending the year at 5.4 percent.



The vacancy rate held steady at 5.6 percent in the first quarter.

Vacancy Trends



Apartment rents rose 3.9 percent in the first quarter to \$1,099 per month.

Rent Trends



Rents

- The pace of rent growth accelerated at the start of 2022. Apartment rents in Kansas City rose 3.9 percent in the first quarter to \$1,099 per month.
- Year over year, asking rents jumped 10.7 percent, the fastest annual growth on record in Kansas City. Rents in the area's largest submarket, Overland Park South, climbed 8.2 percent during the past year to \$1,423 per month. In the Overland Park North submarket, rent growth was more rapid, topping \$1,200 per month in the first quarter, up 11.3 percent in the past 12 months.
- Although asking rents trended higher across all property classes in recent quarters, the strongest gains occurred in Class A units. Year over year, Class A apartment rents jumped 11.7 percent to \$1,337 per month.
- **Forecast:** Average rents are forecast for continued growth in the remainder of the year. Area rents are expected to rise 8.7 percent in 2022, reaching \$1,150 per month.

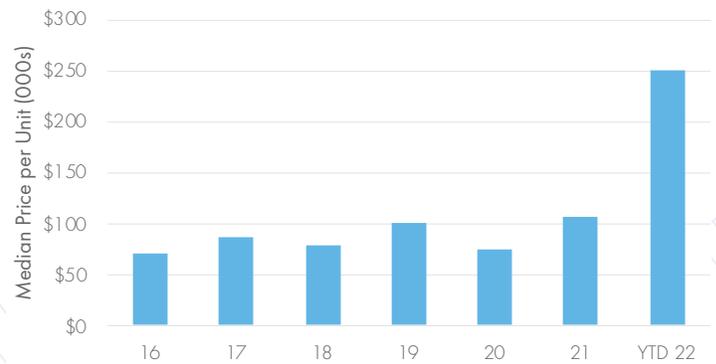
Multifamily Sales

- Transaction activity has been steady with sales velocity in the beginning of 2022 closely tracking levels from the fourth quarter of last year. Quarterly transaction volume to this point in 2022 is ahead of levels recorded at the start of the previous two years.
- The median sales price spiked in the first quarter, rising to \$250,000 per unit, up from about \$107,000 per unit in 2021. Prices began to gain momentum in the fourth quarter of last year, when the median price approached \$175,000 per unit. The recent surge in prices is largely due to the transaction mix consisting primarily of newer, Class A properties.
- Cap rates in Kansas City continued to tighten in recent months. Cap rates averaged 3.6 percent during the first quarter, down 20 basis points from the previous period.



The median sales price spiked to \$250,000 per unit.

Investment Trends



Sources: NorthMarq, CoStar

Recent Transactions

Multifamily Sales Activity

Property Name	Street Address	Units	Sales Price	Price/Unit
Kinsley Forest	5400 N Summit St., Kansas City	328	\$65,000,000	\$198,171
Greenwood Reserve	13825 College Blvd., Olathe	228	\$57,000,000	\$250,000
Arterra	2100 Wyandotte St., Kansas City	126	\$49,500,000	\$392,857

Looking Ahead

The Kansas City multifamily market is set for continued growth in the remainder of the year. After a slow start for apartment completions to this point in 2022, the pace of deliveries will accelerate in the coming quarters. Despite an expected uptick in the number of delivered units, this year's annual completion total will trail behind its historical average, allowing for the vacancy rate to tighten slightly. Asking rents jumped in the first few months of the year, setting the stage for a continued pace of rapid rent growth in 2022. Economic expansion and employment growth should support heightened renter demand in the Kansas City region for at least the next few quarters.

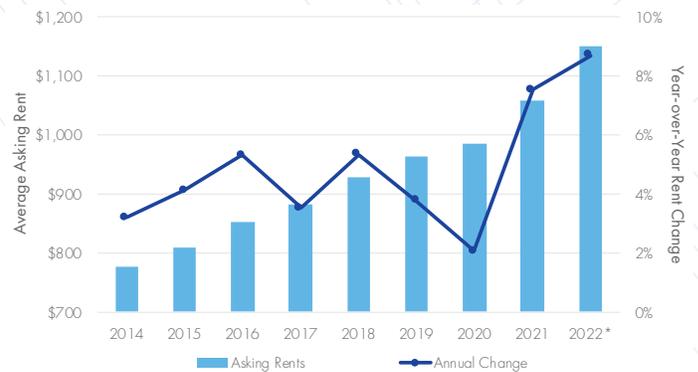
Building on an active period for multifamily sales in the first quarter, the Kansas City investment market is set for a healthy performance in the remainder of the year. Two factors have fueled a spike in prices in recent periods: Rents have pushed higher, while there has also been an increased number of newer, Class A property sales. The rent growth should persist, but prices could level off in the coming quarters as the transaction mix broadens across the quality spectrum. The demand for investment properties should remain consistent in Kansas City as operating conditions strengthen.

Employment Forecast



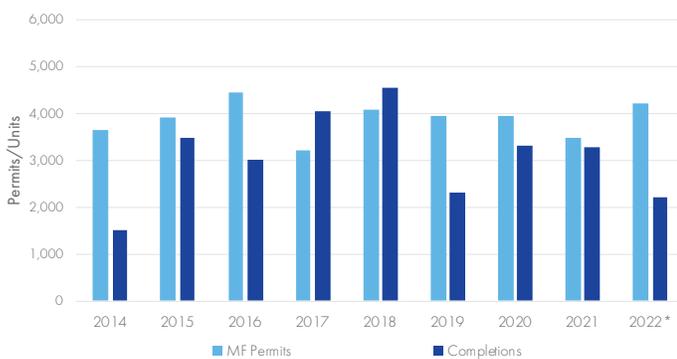
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

Rent Forecast



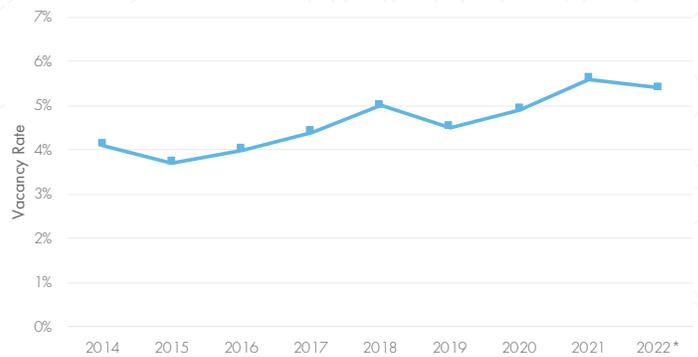
* Year End Forecast
Sources: Northmarq, Reis

Construction & Permitting Forecast



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

Vacancy Forecast



* Year End Forecast
Sources: Northmarq, Reis



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Northmarq offers real estate investors access to experts in debt, equity, investment sales and loan servicing. We combine industry-leading capabilities with an open, flexible structure, allowing our team of seasoned professionals to do the best work on behalf of clients and lenders. Our solid foundation and innovative approach have led to substantial growth, with more than 700 employees, loan servicing volume approaching \$70 billion, and \$30+ billion in transaction volume.