



# KANSAS CITY

## 3Q20 | MULTIFAMILY

### KEY TAKEAWAYS

- > The Kansas City market ended Q3 2020 with an occupancy rate of 95.40%.
- > Kansas City's occupancy rate has remained above 95% for 26 consecutive quarters. Overall, occupancy has improved relative to the first half of 2020, however, is down 50 basis points from this time a year ago.
- > Multifamily development in the Kansas City market continues to remain robust. Total inventory reached 171,865 units at the end of Q3 2020, while another 4,256 units are under active construction, well above the five-year average annual supply of 3,452 units.
- > Effective rents remained elevated from a historic standpoint throughout the Kansas City metro. Average monthly rentals rates increased to \$1,002 per unit. The average rate per square foot increased slightly to \$1.09 at the close of the Q3 2020, representing a 0.7% quarterly increase.
- > Annual rent growth was 1.5% for Q3 2020, in line with the past five years measuring between 1.5 % and 3.7%.
- > In Q3 2020, 1,859 units were delivered throughout the Kansas City Metro. Apartment inventory is projected to grow another 2.8% with a total of 5,452 units expected to be delivered in 2020.

### RENTAL RATES

- > By the end of Q3 2020, the average effective rental rate per unit was \$1,002 per month (\$1.09 PSF). Central Kansas City, South Overland Park and the Shawnee/Lenexa/Mission submarkets continued to command the highest monthly rents within the metro with averages of \$1,266, \$1,146 and \$1,064 per unit, respectively.
- > Q3 rents were largely unimpacted as a result of COVID-19 and rent collection has been more stable than originally anticipated. Landlords and investors are keeping a watchful eye on rent collections throughout the remainder of 2020 as the pandemic continues to affect everyday life.
- > At the end of Q3 2020, monthly overall asking rents rose in the Kansas City Metro across all product classes. Class A asking rents slightly improved to \$1,331 per unit (\$1.41 PSF). Class B monthly rates increased to an average of \$970 per unit (\$1.08 PSF), while Class C increased to an average of \$792 per unit (\$0.83 PSF).
- > Economic concessions related to leasing activity have started to see a notable change with more concessions being offered to renters in order to finalize leases.

MARKET INDICATORS Relative to prior period	Kansas City 3Q19	Kansas City 3Q20
OCCUPANCY	↑	↑
EFFECTIVE RENTS	↑	↑
CONSTRUCTION	↑	↑
DELIVERIES	↓	↓

SUMMARY STATISTICS Q3 2020	Kansas City Market
TOTAL INVENTORY (UNITS)	171,865
VACANCY RATE	4.60%
TOTAL OCCUPANCY RATE	95.40%
UNITS UNDER CONSTRUCTION	4,252
UNIT DELIVERIES IN Q3 2020	1,859

## CONSTRUCTION ACTIVITY

- The Kansas City market continues to experience robust construction activity relative to the historical norm of the market. In Q3 2020, nine different multifamily developments were delivered totaling 1,859 units in addition to 1,855 units that were delivered last quarter. At the end of Q3 2020, there were 4,256 units under active construction.
- Several recent completions in Q3 2020 were focused near the urban core with The Westley, Flashcube Luxury Apartments, REVERB, Netherland and 2501 Beacon Hill delivered in this area. Johnson County completions included Element 25, Satori and The Lofts at City Center. In Lee's Summit, The Donovan was completed just north of Summit Orchards, a new retail development.
- Several other multifamily developments are expected to be delivered in Q4 2020 including ArtistryKC and the Second and Delaware project in the urban core, along with Vale at Overland Park.

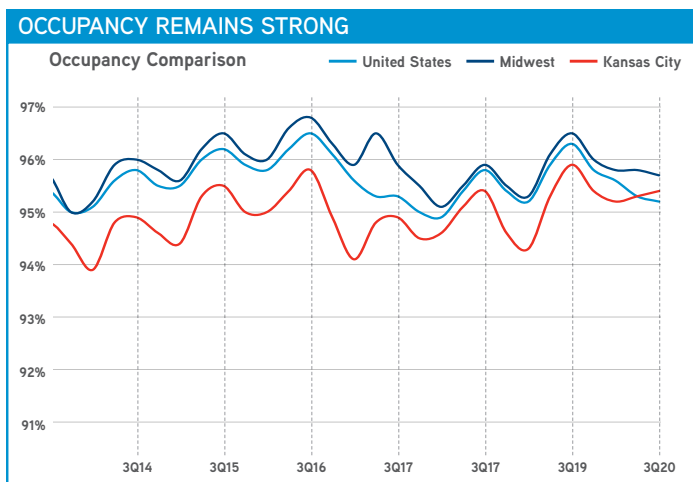
EFFECTIVE RENTS Per Unit Per Month	Kansas City Metro
AVERAGE PER UNIT	\$1,002
RENT PSF	\$1.086
RENT GROWTH (ANNUAL)	1.5%

## MULTIFAMILY INVESTMENT

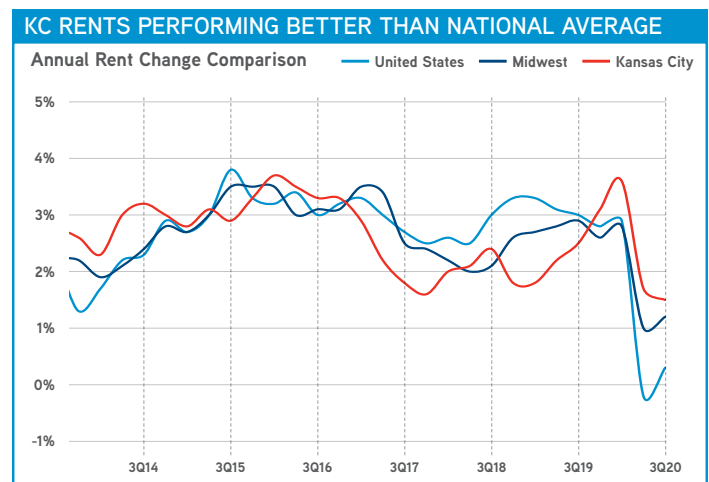
- The underlying multifamily market fundamentals were strong at the beginning of the pandemic and as the economy continues to reopen and progress, market activity has been rebounding quickly.
- Given the magnitude of the job losses and decrease in economic activity, the U.S. apartment market weathered the storm better than anticipated in terms of occupancy and rental rates to this point.
- New investors are discovering the Midwest's, and specifically, Kansas City's diverse economy and resiliency during this health crisis.
- The multifamily sector remains particularly desirable to investors as a result of renters' desire for flexibility in their living situations and potential prolonged tenancy for some renters as a result of uncertainty in employment and economic conditions.

## KANSAS CITY ECONOMIC ACTIVITY

- According to a recent Mid-America Regional Council and KC Chamber report, the Kansas City metro has outperformed the nation, recovering nearly 60% of the jobs initially lost as a result of the COVID-19 pandemic. Kansas City's unemployment rate is about a full percentage point below the national average based on the latest BLS data.
- The industrial market continues to perform very well in Kansas City as there is a strong demand for additional distribution and warehousing operations.
- Urban Outfitters will invest \$403 million for a new 880,000-square-foot distribution center in Wyandotte County. The project is expected to support 985 full-time and 739 part-time jobs over a five-year span.
- Amazon announced plans to invest \$110 million for a 1.08-million-square-foot logistics building at the former Woodlands racetrack in Wyandotte County. The new operation will support 500 new jobs.

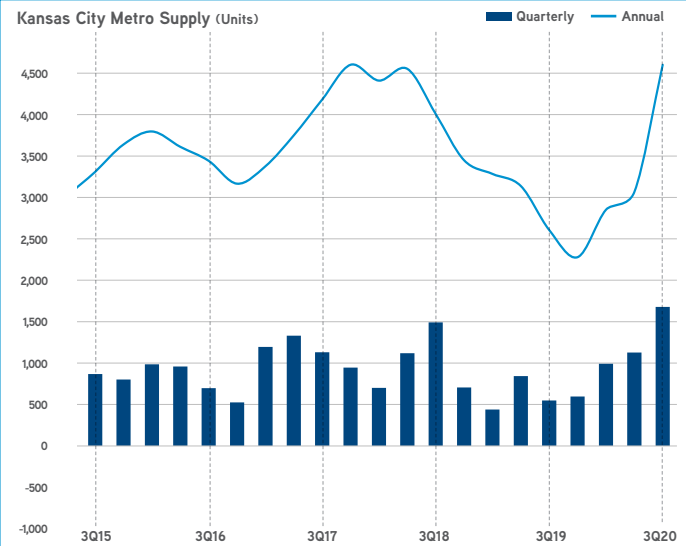


Source: MPF Research



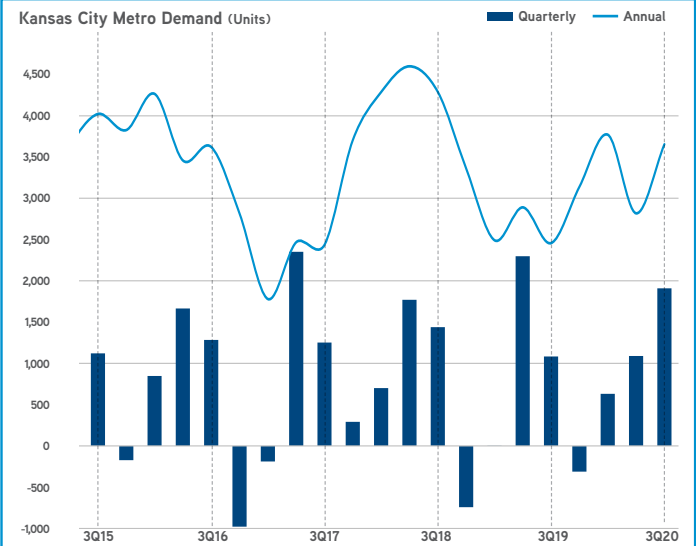
Source: MPF Research

## CONSTRUCTION ACTIVITY IS HEALTHY



Source: MPF Research

## DEMAND LEVELS REMAIN ELEVATED



Source: MPF Research

## SUBMARKET BREAKDOWN

SUBMARKET	MONTHLY RENT	RENT PSF	QUARTERLY RENT GROWTH	ANNUAL RENT GROWTH	FIVE-YEAR AVG ANNUAL CHANGE	OCCUPANCY	EXISTING UNITS	ANNUAL INVENTORY CHANGE %
Central Kansas City	\$1,266	\$1.502	-2.0%	-2.9%	1.7%	94.0%	27,063	8.8%
Independence/East Kansas City	\$848	\$1.049	1.9%	5.7%	3.9%	95.2%	14,410	0.0%
Lee's Summit/Blue Springs/Raytown	\$958	\$1.028	2.7%	3.8%	4.2%	95.9%	13,258	4.7%
South Kansas City/Grandview	\$806	\$0.879	2.5%	3.4%	2.4%	94.6%	16,143	0.0%
Shawnee/Lenexa/Mission	\$1,064	\$1.098	1.1%	1.0%	2.8%	96.0%	16,323	1.5%
North Overland Park	\$981	\$1.046	0.5%	0.7%	2.1%	96.5%	12,775	0.9%
South Overland Park	\$1,146	\$1.162	-0.3%	0.7%	2.3%	94.9%	19,323	5.7%
Olathe/Gardner	\$988	\$1.094	0.8%	3.1%	3.4%	96.8%	9,427	2.6%
Wyandotte County/Leavenworth	\$853	\$1.034	1.1%	1.9%	2.9%	95.4%	13,383	0.7%
Platte County	\$960	\$1.041	1.4%	1.9%	2.4%	94.8%	9,723	0.9%
Clay County	\$923	\$0.975	1.4%	3.4%	2.8%	95.9%	20,037	0.0%
<b>Kansas City Metro</b>	<b>\$1,002</b>	<b>\$1.086</b>	<b>0.7%</b>	<b>1.5%</b>	<b>2.6%</b>	<b>95.4%</b>	<b>171,865</b>	<b>2.8%</b>

## NOTABLE DELIVERIES

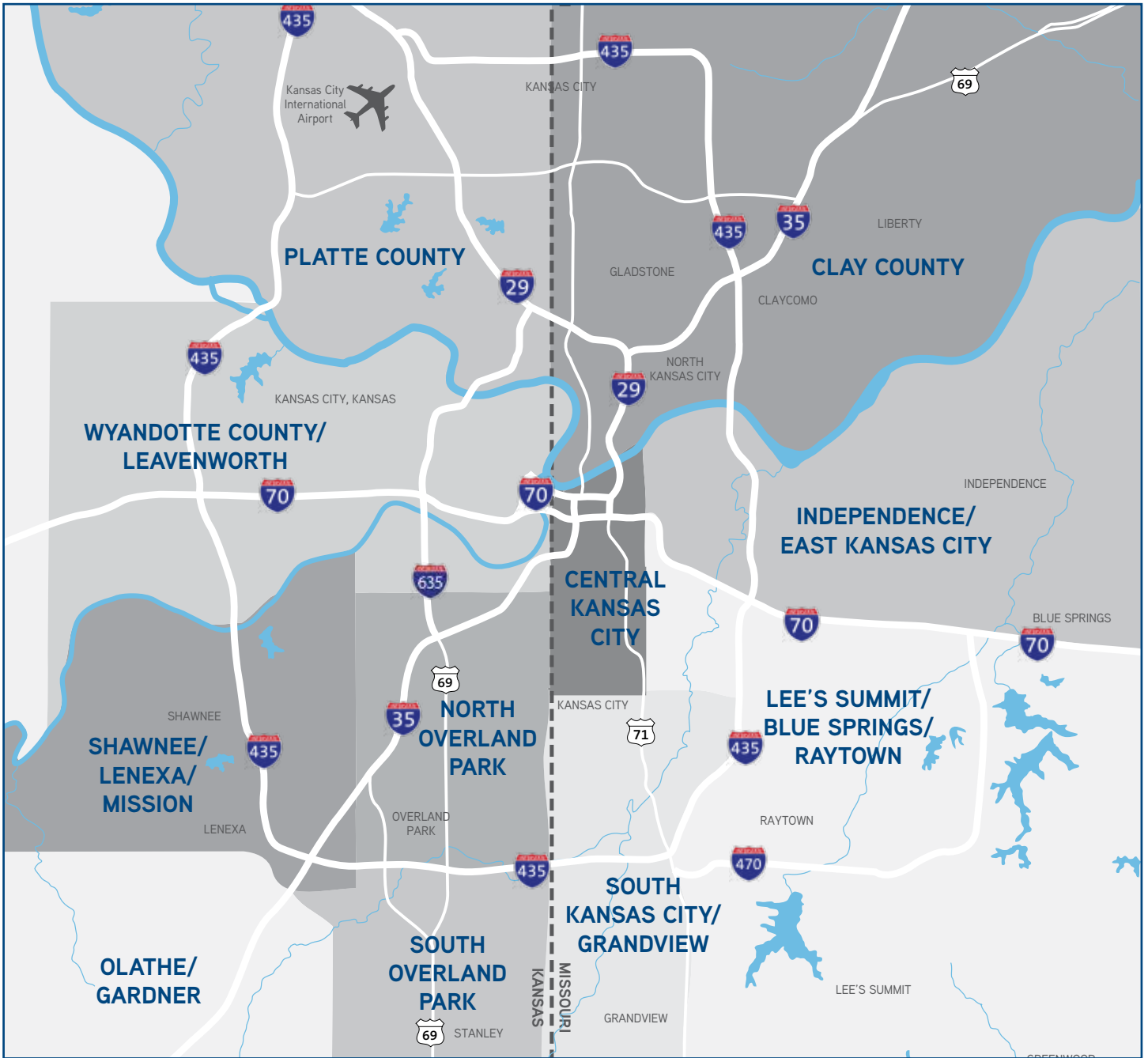
PROPERTY	SUBMARKET	UNITS	AVG UNIT SIZE	AVG RENT	PSF	DEVELOPER
The Donovan	Lee's Summit/Blue Springs/Raytown	327	926	\$1,285	\$1.39	NorthPoint Development
Element 25	South Overland Park	289	873	\$1,535	\$1.76	The Spanos Corporation
The Westley	Central Kansas City	254	708	\$1,585	\$2.24	OPUS Group
2501 Beacon Hill	Central Kansas City	248	719	\$1,193	\$1.66	GSSW Real Estate Investments
Satori	Olathe/Gardner	240	1,141	\$1,433	\$1.26	Davis Development
Flashcube Luxury Apartments	Central Kansas City	184	735	\$1,396	\$1.90	Worcester Investments
REVERB	Central Kansas City	132	906	\$2,160	\$2.30	Copaken Brooks
The Netherland	Central Kansas City	118	454	\$884	\$1.95	Exact Partners
The Lofts at City Center	Shawnee/Lenexa/Mission	67	785	\$1,462	\$1.70	Real Property Group

Source: Colliers Research, Yardi, MPF Research

## NOTABLE SALES

PROPERTY	SUBMARKET	YR BUILT	UNITS	PRICE	PRICE PER UNIT	SELLER	BUYER
Fountain View On the Plaza	Central Kansas City	1999/2014	398	\$87,000,000	\$218,593	DWS	Abacus Capital Group
Town Center	South Overland park	1997	156	\$28,853,000	\$184,955	Artemis & CRES	Town Management
Villa Medici	North Overland Park	1968/2013	166	\$25,000,000	\$150,602	CF Lane AKA CF Real Estate Services	Artisan Capital Group
Lakeside Village	Platte County	1984	80	\$7,400,000	\$92,500	Eighteen Capital Group	Centennial Community Management
Havencroft	Olathe/Gardner	1967/1977	72	\$5,192,000	\$72,111	Perkins LLC	KC Property Group
Brougham Estates II	Wyandotte County/Leavenworth	1981	180	\$9,450,000	\$52,500	Thomas Brougham	KDR Realty
The Hudson	Independence/East Kansas City	1969/2016	253	\$12,634,000	\$49,937	Urban Southwest	Belmont Development
T.E.H. Realty Portfolio*	South Kansas City/Grandview		365	\$6,960,000	\$19,068	T.E.H. Realty	SRI (NY/TX)

\*Portfolio includes Somerset Village, Coach Lamp, Raytown Village



**Bob Galamba** *SIOR, CCIM*  
 Senior Vice President | Kansas City  
 +1 816 556 1152  
 bob.galamba@colliers.com



**Kevin Jury**  
 Associate | Kansas City  
 +1 816 556 1122  
 kevin.jury@colliers.com



**Martin Maguire** *CPRC*  
 Senior Research Director | Kansas City  
 +1 816 556 1102  
 martin.maguire@colliers.com



**Tyler Hague**  
 Senior Vice President | Chicago  
 +1 312 612 5936  
 tyler.hague@colliers.com



**Will Mathews**  
 Managing Director | Platform Leader  
 +1 404 877 9285  
 will.mathews@colliers.com

