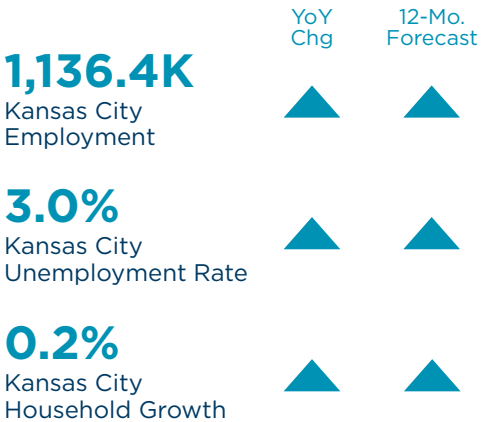


(Overall, All Property Classes)
Source: RealPage

ECONOMIC INDICATORS Q1 2024



Source: BLS, Census Bureau, Moody's Analytics
2024Q1 Data are based on latest available data

ECONOMIC OVERVIEW

For the past several years, the local economy has been powered by job growth. Since the pandemic recovery began, Kansas City has maintained an unemployment rate well below the national level and at times so low that the lack of available workers had the potential to be a major drag on growth. The Federal Reserve Bank has long defined "full employment" as an unemployment rate of 5.0%, so the local market remains tight. Yet this is still a noticeable step up in worker availability over the past couple of years, where the local unemployment rate has dipped as low as 2.3%. The Kansas City metro area added 6,300 jobs over the last 12 months and forecasts call for that growth to continue.

PRICING: Rent Growth and Occupancy

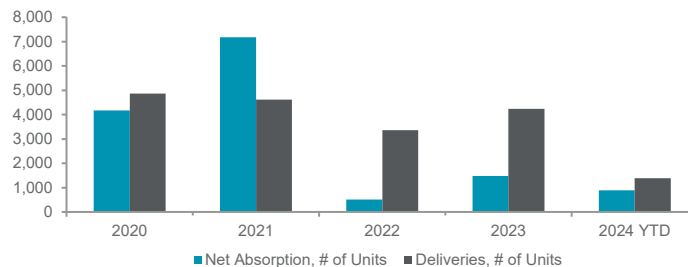
In 2022, effective rates in both Kansas City and nationally rose rapidly. While those rates slowed in 2023, they remained high. In the second quarter of 2022, the growth of local effective rates reached a high of 14.3% year-over-year (YOY) and since then that number has come down each quarter, reaching 4.3% in the first quarter of 2024. In fact, the average effective rate for a unit in Kansas City over the first three months of the year was \$1,299, down \$1 from the previous quarter. Such a small move hardly qualifies as statistically relevant, and on a per-unit basis the average effective rate in Kansas City is up 13.1% compared to two years ago and on a per-square-foot (psf) basis it is up 10.3%.

Not surprisingly, the vacancy rate in Kansas City has been creeping up over as rents have risen. In the first quarter of 2022, the vacancy rate reached a low of 2.9%, driven in part by pent up demand from the challenges of 2020 and 2021. Since then, the rise in vacancy has followed the trend of rental rates, although not as dramatically. The market saw a substantial number of new deliveries in 2023 and as those are absorbed the vacancy rate should drop. It is also worth noting that there can be seasonality factors in the multi-family market and the second quarter has a positive history. In 2019, the last pre-pandemic year, the vacancy rate fell from 5.5% in the first quarter to 4.5% in the second quarter.

INVESTOR ACTIVITY: Continued Interest In High-End Properties

Investment activity in the market was slow in the first quarter, marking the third quarter in a row where volume in both dollars and units was subdued. Kansas City saw an explosion of investment activity in 2021 and 2022. In 2021, the market set a record for total dollar volume and in 2022 that was shattered by 64.9%. One factor is a lack of product ready to come to market in submarkets such as Central Kansas City and Johnson County submarkets, but higher quality assets in the Jackson County suburban submarkets have started to generate investor interest.

DEMAND / DELIVERIES



OVERALL VACANCY & EFFECTIVE RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	YTD DELIVERIES (UNITS)	YTD % INVENTORY GROWTH	UNDER CONSTRUCTION (UNITS)	YTD NET ABSORPTION (UNITS)	VACANCY RATE	YOY VACANCY RATE CHANGE	AVG EFFECTIVE RENT / UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT GROWTH
Central Kansas City	29,555	391	2.6%	1,613	419	6.9%	0.9%	\$1,478	\$1.76	1.8%
Clay County	21,916	235	2.3%	435	178	5.8%	0.7%	\$1,156	\$1.24	4.5%
Independence/East Kansas City	15,256	39	0.3%	236	(74)	7.9%	1.6%	\$1,111	\$1.31	4.9%
Lee's Summit/Blue Springs	15,266	-	0.5%	323	(36)	6.3%	0.1%	\$1,257	\$1.35	3.9%
North Overland Park	13,216	-	0.4%	499	(44)	5.8%	1.3%	\$1,313	\$1.39	3.7%
Olathe/Gardner	11,167	486	10.5%	313	448	3.7%	0.5%	\$1,311	\$1.44	6.1%
Platte County	10,380	20	1.9%	200	(32)	5.8%	0.1%	\$1,218	\$1.32	4.0%
Shawnee/Lenexa/Mission	17,208	-	0.2%	1,153	(100)	4.7%	0.7%	\$1,392	\$1.41	6.3%
South Kansas City/Grandview	18,670	143	6.6%	129	172	8.3%	1.6%	\$1,045	\$1.12	7.3%
South Overland Park	20,699	-	0.0%	831	(129)	5.9%	1.3%	\$1,510	\$1.51	3.7%
Wyandotte County/Leavenworth	13,532	69	2.1%	775	86	6.5%	0.6%	\$1,090	\$1.28	3.5%
	186,865	1,383	2.3%	6,507	888	6.1%	0.9%	\$1,299	\$1.39	4.3%

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
Juniper Gardens	Wyandotte County/Leavenworth	HAKC / Expo Real Estate Holdings	390	n/a
Madison Overland Park	South Overland Park	Equus Capital Partners / Archstone Capital	202	n/a
Village Woods Estates	Wyandotte County/Leavenworth	Urban Village / Axiom Property Management	108	n/a
Soho West Lofts	Central Kansas City	Master Realty Props / Ives Dairy Shoppes	55	n/a

KEY CONSTRUCTION COMPLETIONS Q1 2024

PROPERTY	SUBMARKET	UNITS	OWNER / DEVELOPER
Legends 267	Wyandotte County/Leavenworth	267	KKR
Twin Creeks	Platte County	220	Red River Development

OUTLOOK

- Central Kansas City has seen a large number of conversions to multi-family over the past decade, but it is unlikely that trend will continue in the immediate future.
- As work on the KC Streetcar continues, sites along the line that will run from Crown Center to the Plaza remain in high demand for multifamily development.
- If the Federal Reserve Bank does drop interest rates in the second half of the year, investor activity could pick up quickly.

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