

MARKET REPORT

Multifamily
Kansas City Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

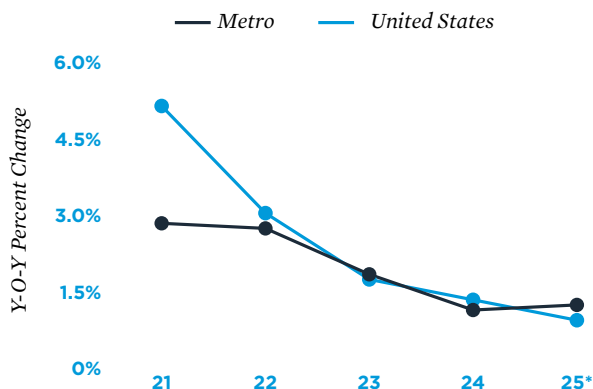
2Q/25

In-Migration Positions Market to Sustain Strong Fundamentals Despite Still-Elevated Deliveries

Demographic trends drive rebound in apartment demand. Kansas City ranks among the 10 most affordable major apartment markets by the ratio of average local rent to income. The metro's income growth also exceeded the national rate. In the four quarters ended in March, these factors contributed to record net in-migration for the market, supporting the fourth-largest population growth among Midwestern metros. As a result, renter demand surged in the second half of 2024, reversing two years of weak net absorption and placing the market among the Midwest's four highest-occupancy metros as of March. With in-migration expected to remain near historic highs — nearly 20,000 people are relocating on net — Kansas City is well-positioned to retain sub-5 percent vacancy through 2025.

City center faces short-term supply pressure. Of the roughly 3,000 units set to deliver through the last nine months of this year, over 1,500 will open in just three submarkets. Central Kansas City will welcome over 600 units, followed by the Lee's Summit-Blue Springs-Raytown and Shawnee-Lenexa-Mission areas with over 500 and 400 units, respectively. Alongside openings in South Overland Park, this will sustain vacancy pressure in the main metro area. Still, following triple-digit basis-point vacancy drops in central suburbs and the highest first-quarter net absorption of any submarket in the CBD itself, the city-center is expected to absorb these additions with only moderate short-term dips in vacancy and rent growth.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2025 Outlook



**13,600
JOBS**

will be created

EMPLOYMENT:

Growth in the health care, trade, transportation and utilities sectors will help employment grow by 1.2 percent. While below average for the last four years, this is well above the pre-pandemic mean of 9,800 jobs.



**4,200
UNITS**

will be completed

CONSTRUCTION:

Inventory will rise 2.2 percent as deliveries surpass 4,000 units for the fourth time in six years. Up roughly 83 percent from Kansas City's pre-2020 mean, this will be the second-largest expansion in the Midwest this year.



**20
BASIS POINT**

increase in vacancy

VACANCY:

Vacancy inches up to 4.7 percent as scheduled openings accelerate and demand growth softens to more typical levels. This rate is on par with the five-year mean and up 170 basis points from the metro's long-term average.



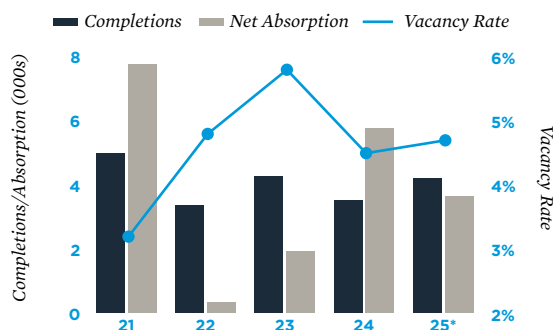
**2.8%
INCREASE**

in effective rent

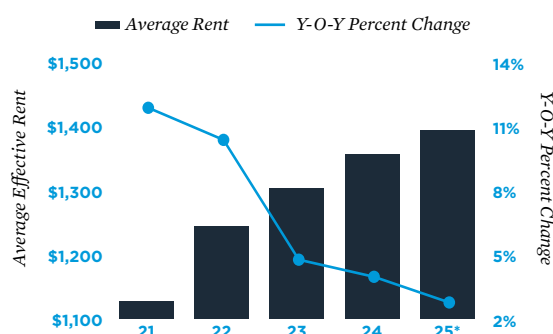
RENT:

After ranking in the top six major metros for rent growth in 2023 and 2024, gains will moderate this year as new supply continues to pressure rates. The mean effective rent will rise to \$1,878 per month.

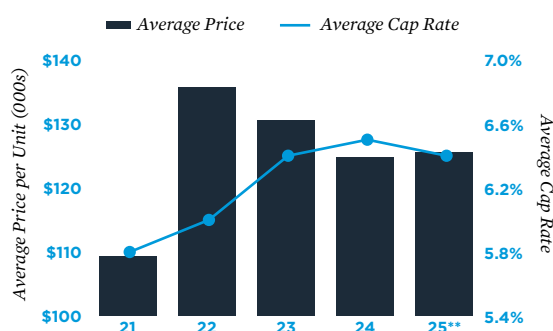
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

IPA Multifamily Andrew Leahy

Senior Vice President, National Director
Tel: (202) 536-3700 | aleahy@ipausa.com

IPA Multifamily Research

Dags Chen

First Vice President, Head of IPA Multifamily Research & Strategy
Tel: (212) 430-5100 | dchen@ipausa.com

Price: \$250

1Q 2025 — 12-Month Period



CONSTRUCTION

3,630 units completed

- Exiting March, local inventory expanded by 1.9 percent in the trailing 12 months. About 5,500 units remained under active development.
- Central Kansas City recorded the most local deliveries, with approximately 700 apartments. The Shawnee-Lenexa-Mission area and Clay County followed with about 570 and 490 doors, respectively.



VACANCY

150 basis point decrease in vacancy Y-O-Y

- The addition of almost 11,000 households in the year ended in March drove the absorption of nearly 6,300 units, dropping vacancy to 4.6 percent.
- Central Kansas City welcomed nearly 24 percent of deliveries in the last five years and is expected to remain a focal point for openings in 2025. Local vacancy sits at 7.1 percent, well above the 4.5 percent suburban rate.



RENT

4.6% increase in the average effective rent Y-O-Y

- Surging demand lifted the metrowide average to \$1,394 per month. Class A and B monthly rates each grew more than 5 percent, landing at \$1,739 and \$1,357, respectively. Class C rent climbed 3.5 percent to \$1,015 per month.
- Aided by a growing stock of new, high-quality apartments, the mean rent in the CBD rose 7.2 percent to \$1,598, drastically outpacing suburban gains.

Investment Highlights

- Transaction velocity jumped over 30 percent during the 12-month period ended in March. Activity rose across price points, with a notable uptick in capital-intensive deals. Year over year, Class B/C trades over \$10 million nearly doubled, while Class A deals above \$20 million increased fivefold. These transactions primarily focused on properties of 150 rooms or more that were built or renovated in the last decade within the city proper.
- Exiting the first quarter, the average cap rate stood at 6.4 percent — up from a low of 5.8 percent in 2021. This, combined with a more than 7.5 percent reduction in the average price per unit since its peak in 2022, has drawn national attention to Kansas City properties. In each of the last two years, about half of buyers came from out of state.
- In the last year, the Shawnee-Lenexa-Mission area, which boasts the second-highest average effective rent of any suburban submarket, posted a 150-basis-point drop in vacancy — despite a more than 3 percent inventory increase. Private investors here targeted sub-50 unit, Class C assets in central Overland Park. Those deploying large pools of capital, meanwhile, sought Class B and C properties of 300 doors or more near Interstate 35.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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