

INVESTMENT FORECAST

Office
Kansas City Metro Area

IPA
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ADVISORS

2025

Thriving Employment Ecosystem Drives Retail Demand, Focuses Attention Within Kansas City Proper

Corporate investment contributes to record-low vacancy. Kansas City was home to several corporate grand openings in the final quarter of 2024 and is expecting to add Panasonic's De Soto EV Battery Facility to that list within the next few months. Though the company has hired several hundred employees, Panasonic is aiming to grow that figure to 1,000 by summer, with roughly 4,000 total jobs anticipated as operations ramp up. In addition to increasing local consumer demand, these positions contribute to the metro's total employment gains, which have seen historic highs in recent years and will match pre-pandemic averages this year. Attended with household income and income growth that both exceed national measures, this tailwind supports strong demand for retail. North and South Johnson counties each saw triple-digit decreases in availability last year, while rates in East Jackson County and southwestern Clay County fell 50 basis points or more. With one of the smallest local construction pipelines on record and much of the year's new supply pre-leased as of February, 2025 is expected to close out with the metrowide rate at its lowest in at least 18 years.

Dwindling vacancy draws investors to submarkets near city center. Investment last year was heaviest in the urban core, with the greatest activity focused near downtown and along Interstates 35 and 70 to the south and east of the city center. Storefronts were the most popular asset, followed by mixed-use retail and office spaces, as well as an even share of restaurant, fast food and auto repair locations. Notably, the northeast quarter of the city proper entered 2025 with sub-3 percent vacancy, while East Jackson and Johnson counties are already leading the metro with move-ins above 10,000 square feet. As such, these areas will likely hold significant interest through 2025.

2025 MARKET FORECAST

+1.2%



EMPLOYMENT: On net, 14,000 positions will be added to Kansas City's employment base in 2025. While a smaller addition than last year, this is in-line with the pre-pandemic average for the metro.

400,000
sq. ft.



CONSTRUCTION: Following the fewest completions on record in 2024, this year will see inventory raised by 0.3 percent, as deliveries mark the second-lowest level of new supply in at least 18 years.

-30 bps



VACANCY: Aided by strong tenant demand and minimal availability among newly constructed spaces, the metrowide rate will fall to just 3.9 percent by the end of the year.

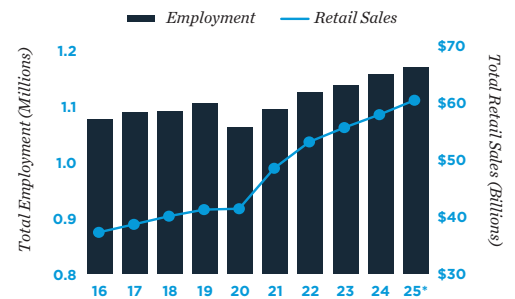
+1.0%



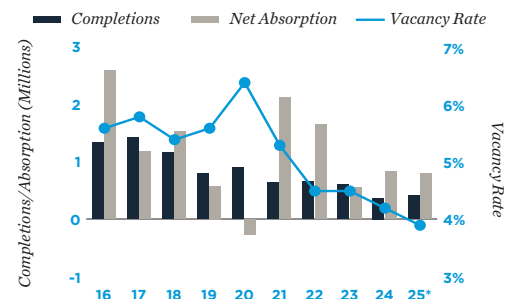
RENT: While rent growth has been slowing since its peak in 2022, continued reductions in available floorspaces will raise the mean marketed rate to \$15.01 per square foot by December.

INVESTMENT: As Panasonic starts operations, investors may seek assets along Kansas Highways 7 and 10, or in Lenexa, Olathe and De Soto, where numerous new, current and proposed multifamily projects are located.

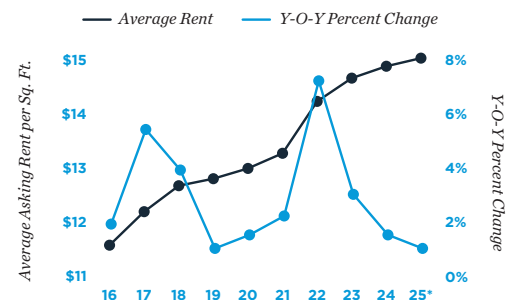
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. 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.