

INVESTMENT FORECAST

Retail
Kansas City

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Renewed Net Absorption, Trading Surge Lift Outlook, Despite Diverging Submarket Performance

Moderate rebound ahead, although some submarkets may lag. After a year of negative net absorption in 2025, Kansas City is positioned for a gradual recovery in 2026. North of the River was resilient last year, combining a single-tenant 3.1 percent vacancy rate with 9.3 percent rent growth and strategic access via Interstates 35 and 435. The new 16,000-capacity Morton Amphitheater, set to open in 2026, should increase event-driven traffic in the area and tenant demand for nearby pad sites. Multi-tenant performance is mixed, with South Johnson County posting negative net absorption last year; however, a strong employment base points to a modest recovery ahead. Although Midtown experienced a sharp rise in vacancy last year, the recent KC Streetcar's connectivity to the University of Missouri-Kansas City, employment centers, and entertainment districts positions the corridor for renewed demand in 2026.

Pricing recovery and public momentum signal market strength. Average pricing ended a four-year downward trend in 2025, rising to about \$308 per square foot, signaling renewed confidence. Even with this lift, pricing remained among the lowest in major metros and was paired with an average cap rate in the high-7 percent band, which could compress slightly as competition intensifies. These factors contributed to trading growing by 60 percent in 2025 as REITs capitalized on this arbitrage. Portfolio trades from public REITs and other institutions represented over half of 2025 capital deployment, targeting post-1995 assets, a trend likely to persist as investors favor modern layouts and efficiency. Private investors may continue to target East Jackson and North Johnson County, where most properties under 10,000 square feet traded, with trading in North Johnson County growing by over 70 percent in 2025.

2026 MARKET FORECAST

+0.6%



Employment: Kansas City's job base is stabilizing after last year's pull-back, adding 7,000 new roles. However, office-using sectors continue to shrink, pointing to a slower recovery.

460,000
sq. ft.



Construction: Inventory will increase moderately by 0.3 percent. Johnson County will account for the largest share of completions, comprising nearly 40 percent of deliveries.

+10 bps



Vacancy: Although net absorption improves compared to last year, demand will not offset the increase in inventory, resulting in the vacancy rate inching higher to 4.6 percent.

-1.1%

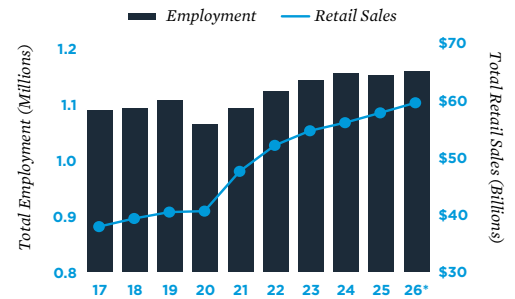


Rent: After rent growth stalled last year, weak demand nudges the average asking rent down slightly to \$15.20 per square foot, keeping it on the lower end of Midwest markets.

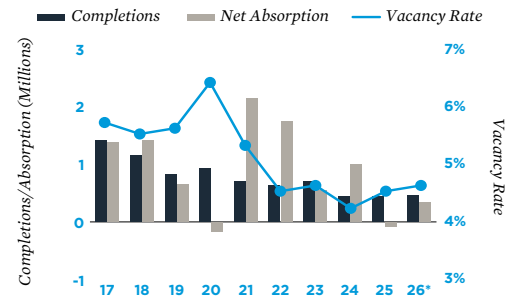
INVESTMENT:

The Kansas City Chiefs plan to move their stadium to Wyandotte County in 2031. The stadium will be built near existing entertainment venues, which should increase foot traffic and investor interest.

Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

Gregory A. LaBerge

Senior Vice President, National Division Leader

Tel: (818) 212-2250 | glaberge@ipausa.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. 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 office 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.