Market Report

IPA INSTITUTIONAL PROPERTY ADVISORS

MULTIFAMILY 2Q/26

Kansas City Metro Area

Construction Shifts East, Positioning Kansas Submarkets for Tighter Vacancy

Supply pipeline tilts to Missouri as demand drivers anchor Kansas. Beyond the media discourse over stadium relocations from Missouri to Kansas, the two halves of the metro continue to diverge in multifamily development. Construction accelerated on the Kansas side over the past three years as Missouri tapered off, though that is expected to flip, with Missouri accounting for roughly 80 percent of the 2026 pipeline. Meanwhile, the Kansas side maintains higher average effective rents — now only about $100 above Missouri — as the Missouri side posted 4 percent year-over-year growth as of March, narrowing the gap.

CBD and suburban submarkets are diverging on pricing power. Despite the inventory in central Kansas City growing by over 2 percent annually since 2023, units in the CBD have been well absorbed, with the vacancy rate falling by 140 basis points year-over-year as of March 2026, the most of any submarket. However, effective rent growth decelerated as owners turned to incentives to fill vacant units. The CBD share of units offering concessions increased to 32.5 percent versus 19.2 percent metrowide. In the suburbs, the annual inventory growth rate has eased since 2023, and absorption has slowed, yet effective rents continue to climb 4 percent year-over-year.

2026 FORECAST

EMPLOYMENT

4,000 — Jobs will be created

0.3% — Increase Y-O-Y

CONSTRUCTION

3,000 — Units will be added

1.5% — Inventory increase Y-O-Y

VACANCY

4.3% — Vacancy rate

30 — BPS decrease Y-O-Y

RENT

$1,444 — Average effective rent by year-end

3.7% — Increase Y-O-Y

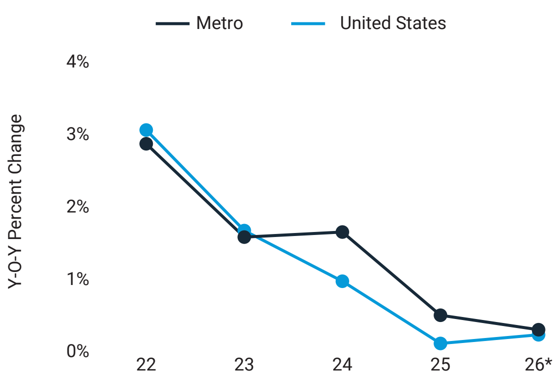
EMPLOYMENT

Job growth remained minimal over the past four quarters, weighed down by white-collar sectors that continued to shed positions, while education and health services and construction both created a net of over 3,000 jobs. Manufacturing employers have, however, staged a resurgence, adding a net 4,000 jobs in the first quarter of 2026 as new facilities came online, including the Panasonic battery plant in De Soto, Electrical Corporation of America in the south Kansas City-Grandview area, and Indra Group in Olathe.

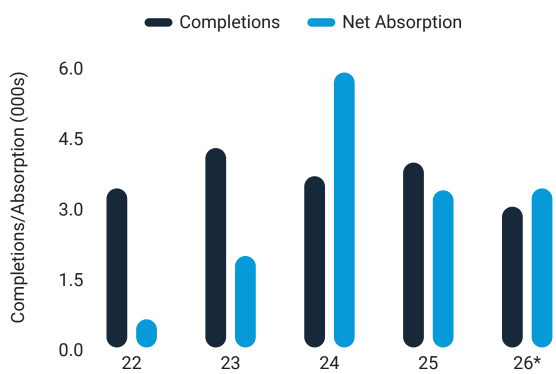
CONSTRUCTION

Development activity is shifting decisively to the Missouri side of the metro in 2026. Central Kansas City continues to anchor the pipeline at 23 percent of deliveries, while Lee's Summit-Blue Springs-Raytown is set to expand substantially, now accounting for roughly 20 percent. Meanwhile, the Kansas side is poised for a sharp pullback, with South Overland Park, Wyandotte County-Leavenworth, and Shawnee-Lenexa-Mission area collectively seeing pipeline activity fall to just 9 percent of the metro total.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



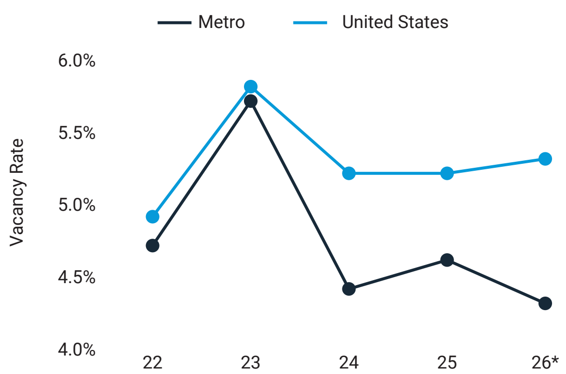
* Forecast

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

VACANCY

Central Kansas City's vacancy rate fell the most of any submarket year-over-year to 5.6 percent as of March 2026. However, a heavy development pipeline will continue to test the submarket, as owners lean on concessions to absorb new units. Shawnee-Lenexa-Mission held the metro's tightest vacancy at 3.5 percent despite a modest 20-basis-point year-over-year uptick, and a notably smaller pipeline should help the submarket maintain or further compress its rate going forward.

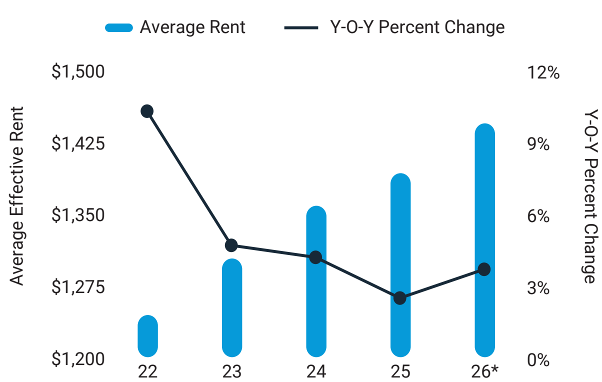
VACANCY TRENDS



RENT

The Missouri side led the metro in average effective rent growth over the past year, supported by strong absorption. Clay County and Independence-East Kansas City both posted year-over-year gains exceeding 6 percent and decreases in vacancy as of March 2026. However, South Overland Park and Platte County could see average effective rent growth accelerating going forward, as both submarkets already recorded year-over-year gains and are positioned to benefit from a sharp pullback in construction.

RENT TRENDS



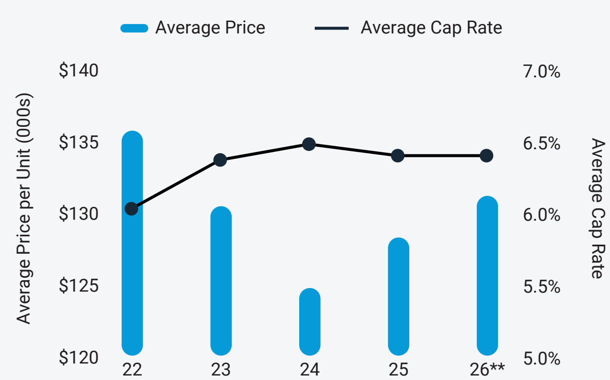
* Forecast ** Through 1Q

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

INVESTMENT HIGHLIGHTS

- The average price per unit climbed 4 percent year-over-year as of March 2026, while the mean cap rate held relatively steady. This combination, alongside a nearly 30 percent jump in transaction activity, signals strengthening investor confidence across the metro. Growth was led by deals between $1 million and $10 million, up 35 percent, and deals over $20 million, up 65 percent, reflecting conviction from both private and institutional capital. Notably, deals under $10 million also gained share, now accounting for roughly 66 percent of the metro's transaction activity.
- Johnson County saw a notable increase in transaction velocity, growing by 33 percent year-over-year and now comprising 23 percent of trades metrowide. Overland Park still captures a notable share of county activity, accounting for over 30 percent. Outside of Johnson County, central Kansas City continues to account for nearly 20 percent of the metro's trading activity. Within central Kansas City, investors targeted Midtown and the Plaza, given its limited pipeline beyond 2026.
- Large projects are likely to continue to attract capital to the Kansas side of the metro. Investors should remain active in Overland Park as Black and Veatch plans to expand its headquarters, which is expected to increase its employment capacity from 2,250 to more than 3,500. Meanwhile, investors may become more interested in Johnson County, as Panasonic recently completed its battery plant, which plans to employ up to 4,000 workers when the site reaches capacity.

SALES TRENDS



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