Overview

Kansas City’s job market has recovered and rebounded from a slump lasting consecutive quarters. Year-over-year employment as of March 2017 has expanded by 2.8 percent, nearly double the national rate of 1.5 percent.

Apartment market fundamentals are performing decently. The vacancy rate for the Kansas City metro as of Q1 2017 was 6.0 percent. In addition, rent growth has remained positive at 0.25 percent, and net absorption was also positive as improving job growth numbers have fueled demand.

The Kansas City metro area has a low cost of doing business. According to Moody’s Analytics, the cost of business in the area is 7.0 percent lower than the national average. Many high-tech companies are lured to the metro due to these low business costs and the addition of the super-speedy Google Fiber internet services that Google has brought to the metro.

Compared with the Missouri side of the metro area, Kansas provides additional incentives for businesses. According to CoStar, AMC Theaters and JPMorgan have relocated from the Missouri side of the metro to the Kansas side to take advantage of the state’s more favorable tax incentives.

The dollar’s increasing value is weighing on the local market. In particular, the manufacturing and trade industries are feeling the negative effects of the strengthened dollar. According to Reis Inc., manufacturers such as General Motors are planning to increase their summer break period from two weeks to five weeks, a period in which employees do not receive compensation, in an effort to recoup some of the losses from declining auto sales of their Chevy Malibu and Buick Lacrosse models.

The Telecommunications sector continues to cast a major dark cloud over the local economy. Sprint, one of the metro’s largest employers, continues to cut jobs in order to stay competitive. According to Moody’s Analytics, Sprint will cut approximately $2.5 billion nationally, including through layoffs and hiring freezes. As of Q2 2017, 830 jobs have been cut with more looming as Softbank, the parent company, continues to change Sprint’s business model.

Development

Recent rental development is very modest. In a rental market of 130,000+ units, only 10,400 have completed since 2012. There are nearly 6,500 units underway and 11,300 units in the planning stages.

However, condo development is not an issue. Approximately 3,000 condo units were completed in Kansas City since the beginning of 2006 and there are currently fewer than 100 condos in the pipeline through 2018.

Outlook

Attractive apartment fundamentals are leading the metro in their effort to recovery. Low business costs and high educational affluence will continue to attract migrants and employers to the area. Although job growth is rebounding, the metro’s struggle to establish a stable economic pillar will continue to drag on future growth. More so, Sprint’s ongoing troubles are continuing to hinder economic progress in the metro as the employer continues to cut costs and eliminate jobs.

Vacancies and rent growth have recovered from the recession. Over the longer term, average population, inconsistent job growth, and single-family housing affordability will likely keep the for-rent market from a stronger rating.

Vacancy and Rent Composite Estimates

![Vacancy Rate Graph](source: Fannie Mae Multifamily and Economics Research)

- **Q2 2017: 5.75%**
- **National**
- **Kansas City**

![Asking Rent Growth Graph](source: Fannie Mae Multifamily and Economics Research)

- **Q2 2017: +1.0%**
- **Asking Rent: $900**
Multifamily Metro Outlook: Kansas City Fall 2017

Q2 2017 Market Inventory: 131,000 Units

Q2 2017 Market Inventory: 124,000 Units

Q2 2017 Market Inventory: 148,000 Units

Annual Rent Growth

CBRE-EA
REIS
CoStar

© 2017 Fannie Mae. Trademarks of Fannie Mae.
## Multifamily Metro Outlook: Kansas City Summer 2017

### Construction Bidding/Underway

(36 projects/6,800 Units/8.2 M Sq. Feet)

<table>
<thead>
<tr>
<th>CBRE-EA Submarket</th>
<th>Number of Projects</th>
<th>Total Sq Ft (000's)</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown/East KC</td>
<td>9</td>
<td>2553</td>
<td>2046</td>
</tr>
<tr>
<td>Gladstone/Liberty</td>
<td>2</td>
<td>607</td>
<td>493</td>
</tr>
<tr>
<td>Grandview/Far South</td>
<td>1</td>
<td>400</td>
<td>340</td>
</tr>
<tr>
<td>Independence</td>
<td>1</td>
<td>250</td>
<td>300</td>
</tr>
<tr>
<td>Jackson County/Other</td>
<td>2</td>
<td>532</td>
<td>551</td>
</tr>
<tr>
<td>Johnson County / Other</td>
<td>1</td>
<td>262</td>
<td>270</td>
</tr>
<tr>
<td>North Kansas City</td>
<td>1</td>
<td>328</td>
<td>328</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CBRE-EA Submarket</th>
<th>Number of Projects</th>
<th>Total Sq Ft (000's)</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olathe</td>
<td>1</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Overland Park North</td>
<td>3</td>
<td>1017</td>
<td>734</td>
</tr>
<tr>
<td>Overland Park South</td>
<td>2</td>
<td>744</td>
<td>626</td>
</tr>
<tr>
<td>Platte</td>
<td>3</td>
<td>491</td>
<td>417</td>
</tr>
<tr>
<td>Shawnee/Lenaxa</td>
<td>7</td>
<td>700</td>
<td>455</td>
</tr>
<tr>
<td>University/Plaza</td>
<td>3</td>
<td>341</td>
<td>210</td>
</tr>
</tbody>
</table>

Source: Dodge Data & Analytics

© 2017 Fannie Mae. Trademarks of Fannie Mae.
Multifamily Metro Outlook: Kansas City Fall 2017

Fannie Mae Multifamily Economics and Market Research

Francisco Nicco-Annan, Economist

Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae’s Multifamily Economics and Market Research (EMR) group included in this commentary should not be construed as indicating Fannie Mae’s business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the EMR group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the EMR group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.