



# KANSAS CITY

## 2Q20 | MULTIFAMILY

### A NOTE REGARDING COVID-19

As we publish this report, the U.S. and the world at large are facing a tremendous challenge, the scale of which is unprecedented in recent history. The spread of the novel coronavirus (COVID-19) is significantly altering day-to-day life, impacting society, the economy and, by extension, commercial real estate.

The extent, length and severity of this pandemic are unknown and continues to evolve at a rapid pace. The scale of the impact and its timing varies between locations. To better understand trends and emerging adjustments, please subscribe to [Colliers' COVID-19 Knowledge Leader page](#) for resources and recent updates.

### KEY TAKEAWAYS

- > The KC market ended Q2 2020 with an occupancy rate of 95.20%
- > Kansas City's overall occupy rate has remained above 95% for 26 consecutive quarters. Overall occupancy remained in line with the first quarter 2020 and is up 10 basis points from this time a year ago.
- > Multifamily demand in the Kansas City market continues to remain elevated. Total inventory reached 171,419 units at the end of Q2 2020, while another 4,074 units are under active construction which is well above the five-year average annual supply of 3,388 units.
- > Effective rents remained elevated from a historic standpoint throughout the Kansas City metro. Average monthly rentals rates increased to \$996 per unit. The average rate per square foot increased to \$1.08 at the close of the Q2 2020 which represented a 0.2% quarterly increase.
- > Annual rent growth was 1.7% for Q2 2020, which is right in line with the past five years measuring between 1.7 % and 3.7%.
- > In Q2 2020, 1,855 units were delivered throughout the Kansas City Metro. Apartment inventory is projected to grow another 2.9% with a total of 4,926 units expected to be delivered in 2020.

MARKET INDICATORS <small>Relative to prior period</small>	Kansas City 2Q19	Kansas City 2Q20
OCCUPANCY	↑	↔
EFFECTIVE RENTS	↑	↑
CONSTRUCTION	↑	↓
DELIVERIES	↓	↑

SUMMARY STATISTICS <small>Q2 2020</small>	Kansas City Market
TOTAL INVENTORY (UNITS)	171,419
VACANCY RATE	4.80%
TOTAL OCCUPANCY RATE	95.20%
UNITS UNDER CONSTRUCTION	4,074
UNIT DELIVERIES IN Q2 2020	1,855

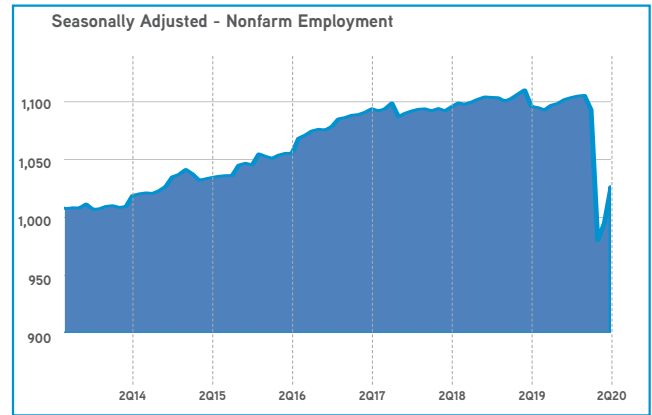
### TRANSACTIONS / CAPITAL MARKETS NEWS:

Many investors continue to take a cautious approach at this time. Given the upcoming elections and the continued COVID-19 pandemic. Throughout Q2 there was more than \$98 million in transactions related to multifamily product, which is well below the output of nearly \$200 million recorded in Q1. Last year the Kansas City multifamily market produced a record \$908 million in transactions, while 2020 is well off that pace currently. The second quarter of 2020 saw continued cap rate compression. Even with a softening throughout the quarter, average cap rate decreased and the average price per unit increased over the same time period a year ago. Large, institutional investors and national developers maintained a presence in the market as the most active buyers and sellers.

## RENTAL RATES

- By the end of Q2 2020, the average effective rental rate per unit was \$996 per month or \$1.079 PSF. Central Kansas City, South Overland Park and the Shawnee/Lenexa/Mission submarkets continue to command the highest monthly rents within the metro. Those submarkets command rent of \$1,281, \$1,157 and \$1,041 per unit, respectively.
- Q2 rents were largely unimpacted as a result of COVID-19 and rent collection has been more stable than originally anticipated. Landlords and investors will continue to keep a watchful eye on rent collections throughout the third quarter with the expiration of the CARES act unemployment benefit of \$600 a week that is set to expire at the end of July.
- At the end of Q2 2020, monthly overall asking rents rose across the Kansas City Metro across all product classes. Class A asking rents slightly declined to \$1,325 per unit (\$1.41 PSF). Class B monthly rates slightly decreased to an average of \$952 per unit (\$1.06 PSF), while Class C asking increased to an average of \$782 per unit (\$0.82 PSF).

EFFECTIVE RENTS Per Unit Per Month	Kansas City Metro
AVERAGE PER UNIT	\$996
RENT PSF	\$1.079
RENT GROWTH (ANNUAL)	1.7%

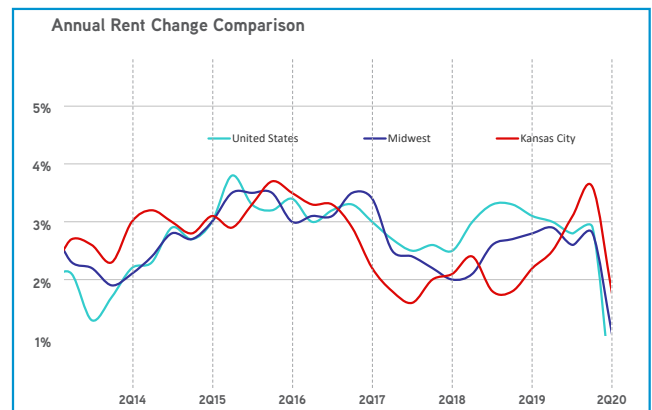
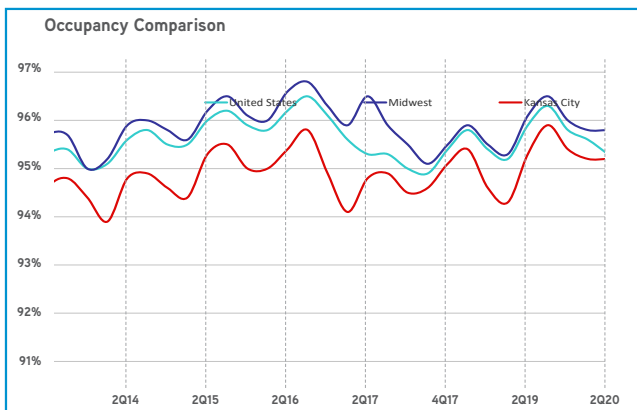


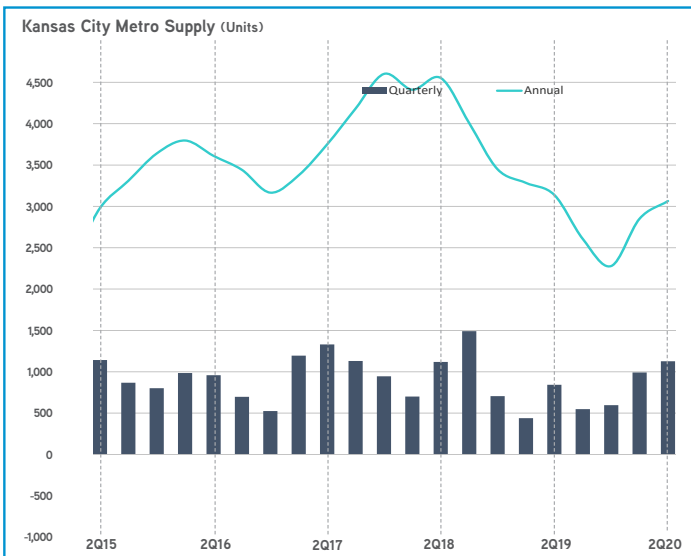
## CONSTRUCTION ACTIVITY

- The Kansas City market continues to experience elevated levels of construction activity relative to the historical norm of the market. In Q2 2020, nine different multifamily developments were delivered totaling 1,855 units. At the end of Q2 2020, there were 4,074 units under active construction.
- Recent completions in Q2 2020 in Johnson County included Cyan Southcreek, The Villas at Ridgeview Falls and The Locale. Urban Core deliveries included West Bottom Flats, The Yards, 44 Washington, RM West II and Quinlan Place. In the Northland, Brighton Crossing Apartments were completed in Q2.
- Several other multifamily developments are expected to be delivered in Q3 2020 including The Donovan, Element 25, The Westley, Satori and Reverb among others.

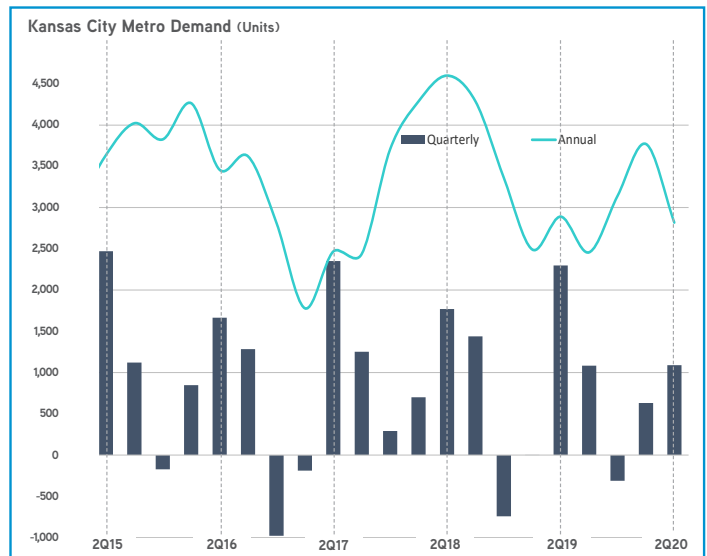
## MULTIFAMILY INVESTMENT

- The underlying multifamily market fundamentals were strong at the beginning of the pandemic. As the economy continues to reopen and progress, market activity is expected rebound quickly.
- Given the magnitude of the job losses and decrease in economic activity, the U.S. apartment market weathered the storm better than anticipated in terms of occupancy and rental rates to this point.
- Transaction volume for multifamily assets plunged both nationally and locally during the second quarter. Portfolio and entity-level transactions were virtually nonexistent throughout the second quarter.
- Opportunistic buyers continue to make their way to the market; however sellers currently are not willing to part with assets at a discounted price.
- Multifamily sector remains desirable to investors particularly as a result of renters' desire for flexibility in their living situations and potential prolonged tenancy for some renters as a result of uncertainty with employment and economic conditions.





Source: MPF Research



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## SUBMARKET BREAKDOWN

SUBMARKET	MONTHLY RENT	RENT PSF	QUARTERLY RENT GROWTH	ANNUAL RENT GROWTH	FIVE-YEAR AVG ANNUAL CHANGE	OCCUPANCY	EXISTING UNITS	ANNUAL INVENTORY CHANGE %
Central Kansas City	\$1,281	\$1.534	0.2%	-0.9%	5.8%	93.8%	26,400	4.7%
Independence/East Kansas City	\$835	\$1.036	2.1%	5.3%	6.2%	95.8%	14,410	0.0%
Lee's Summit/Blue Springs/Raytown	\$932	\$0.999	1.2%	3.6%	6.3%	95.9%	13,082	3.9%
South Kansas City/Grandview	\$789	\$0.858	-0.3%	-0.1%	5.5%	94.5%	16,143	0.0%
Shawnee/Lenexa/Mission	\$1,041	\$1.078	0.1%	2.1%	4.8%	95.4%	16,679	0.6%
North Overland Park	\$974	\$1.039	0.0%	1.4%	3.9%	96.5%	12,775	1.9%
South Overland Park	\$1,157	\$1.172	-0.7%	1.8%	5.5%	94.8%	19,069	4.3%
Olathe/Gardner	\$980	\$1.086	-0.1%	2.7%	5.8%	96.8%	9,189	0.0%
Wyandotte County/Leavenworth	\$849	\$1.029	0.1%	1.8%	4.4%	94.9%	13,383	1.0%
Platte County	\$946	\$1.027	0.2%	0.9%	5.8%	94.1%	9,989	1.1%
Clay County	\$910	\$0.962	1.3%	2.9%	4.0%	95.8%	20,300	0.0%
<b>Kansas City Metro</b>	<b>\$996</b>	<b>\$1.079</b>	<b>0.2%</b>	<b>1.7%</b>	<b>3.7%</b>	<b>95.2%</b>	<b>171,419</b>	<b>1.8%</b>

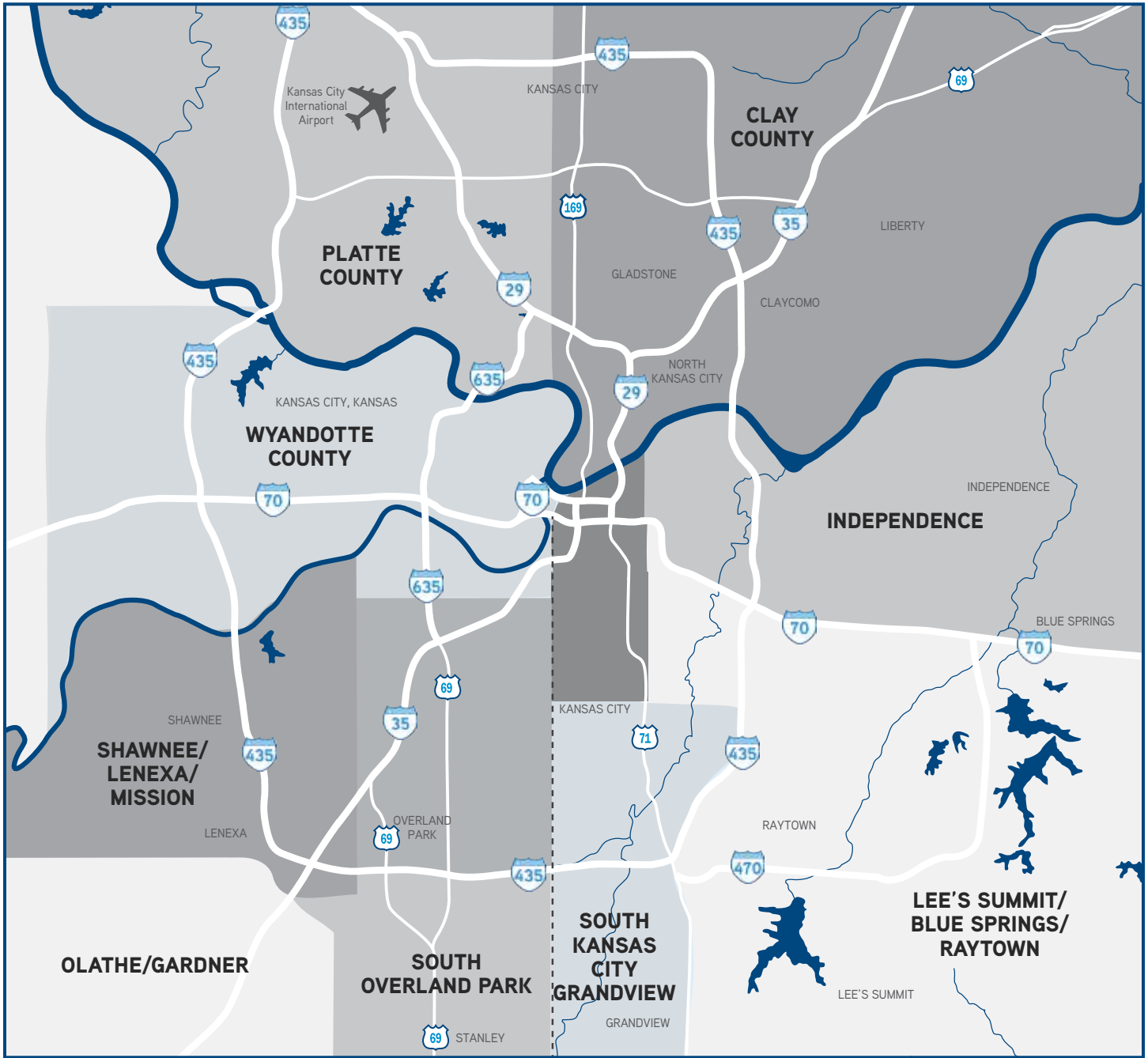
## NOTABLE DELIVERIES

PROPERTY	SUBMARKET	UNITS	AVG UNIT SIZE	AVG RENT	PSF	DEVELOPER
Cyan Southcreek	South Overland Park	380	988	\$1,280	\$1.30	Davis Development
West Bottom Flats	Central Kansas City	265	598	\$1,168	\$1.95	MCM Company
The Villas at Ridgeview Falls	Olathe/Gardner	237	1,139	\$1,756	\$1.54	JA Murphy Group
The Yards	Central Kansas City	232	866	\$1,320	\$1.52	Flaherty & Collins
The Locale	Shawnee/Lenexa/Mission	200	803	1481	1.84	EPC Real Estate Group
44 Washington	Central Kansas City	196	866	1826	2.11	Block Real Estate Services
Brighton Crossing Apartments	Clay County	168	761	\$758	\$0.99	Andy Mackey & Mike Yeates
RM West II	Central Kansas City	120	858	\$1,802	\$2.10	Northpoint / GFI Development
Quinlan Place	Central Kansas City	57	952	682	0.84	Brinshore Development

Source: Yardi, MPF Research

## NOTABLE SALES

PROPERTY	SUBMARKET	YR BUILT	UNITS	PRICE	PRICE PER UNIT	SELLER	BUYER
Coach House	South Kansas City/Grandview	1961	807	\$81,500,000	\$100,991.33	Harbor Group International	Landmark Realty
Brougham Estates II	Wyandotte County	1981	180	\$9,450,000	\$52,500.00	Thomas Brougham	KDR Realty
Raytown Gardens	South Kansas City/Grandview	1960	60	\$2,320,000	\$38,666.67	Modern Investments	Mario Flores
Bowen Towers	South Kansas City/Grandview	1962	92	\$6,000,000	\$65,217.39	Canyon View Capital	Charles Hill



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