The analysis presented in this report was completed prior to the COVID-19 outbreak in the United States and therefore the forecast estimates do not take into account the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of countermeasures. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

Kansas City, Missouri-Kansas

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of January 1, 2020

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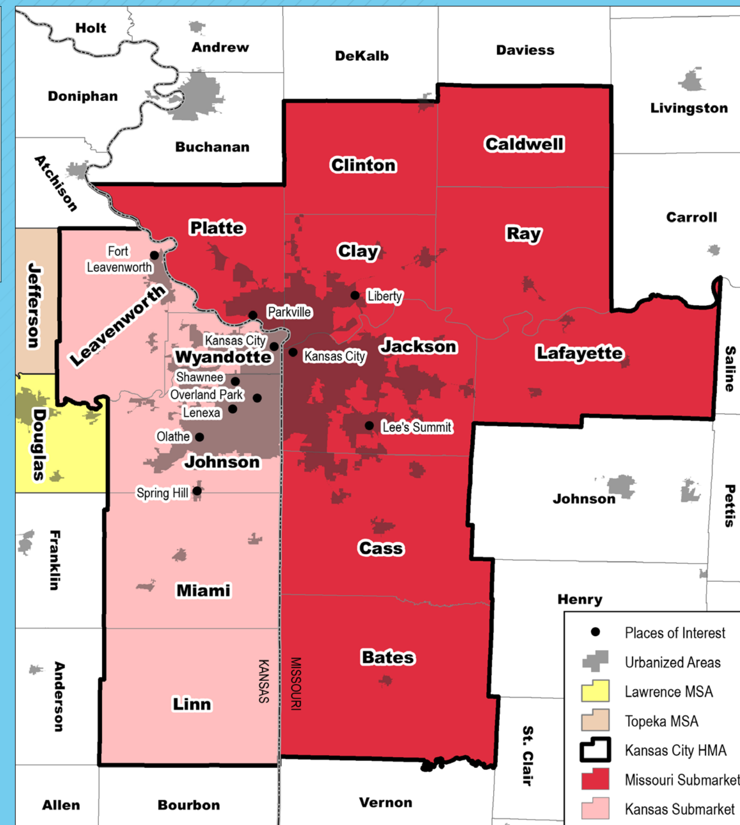

Executive Summary

Housing Market Area Description

The Kansas City Housing Market Area (HMA), coterminous with the Kansas City, MO-KS Metropolitan Statistical Area (MSA), encompasses 14 counties along the border between Missouri and Kansas. For this analysis, the HMA is divided into two submarkets: (1) the Missouri submarket, which consists of Bates, Caldwell, Cass, Clay, Clinton, Jackson, Lafayette, Platte, and Ray Counties; and (2) the Kansas submarket, which consists of Johnson, Linn, Miami, Leavenworth, and Wyandotte Counties. The city of Kansas City is known for its style of jazz. In 2018, the United Nations Educational, Scientific, and Cultural Organization designated Kansas City as a "City of Music," the only such city in the United States.

Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Increasing: During 2019, nonfarm payrolls increased by 15,100, or 1.4 percent, which was the ninth consecutive year of growth.

Since 2011, nonfarm payroll jobs have increased by an average of 16,200, or 1.6 percent, annually. The unemployment rate had dropped from a peak of 8.7 percent in 2009 and 2010 to 3.2 percent in 2019. During 2019, job gains occurred in 8 of the 11 employment sectors, with the education and health services sector having the largest increase, up by 7,000 jobs, or 4.5 percent. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 0.9 percent annually.

Sales Market

Slightly Tight: The average new and existing home sales price increased by 3 percent during 2019.

The home sales market in the Kansas City HMA is slightly tight, with an estimated vacancy rate of 1.3 percent, down from 2.7 percent in 2010. The number of home sales in the Kansas City HMA declined nearly 5 percent during 2019 from an all-time high in 2018, as a lack of inventory for sale constrained the market (Metrostudy, A Hanley Wood Company). During December 2019, there were 2.0 months of inventory on the market, down from 2.4 months in December 2018 (Kansas City Association of Realtors®). During the 3-year forecast period, demand is estimated for 17,875 new homes. The 1,480 homes under construction will satisfy a portion of the demand during the first year.

Rental Market

Balanced: The average rent for an apartment increased 3 percent during 2019, which is the lowest annual rent growth since 2013.

The overall rental market is currently balanced with an estimated 6.4-percent vacancy rate, down from 11.7 percent in 2010, when conditions were soft. Similar conditions exist in both submarkets where the overall vacancy rates have declined significantly since 2010. The apartment market in the HMA is slightly tight, with a vacancy rate of 4.5 percent during 2019, down from 4.9 percent in 2018 (Reis, Inc.). The apartment market improved significantly in the first half of the decade from soft conditions in 2010. By 2015, the apartment market conditions became tight. Increased rental production since then has helped to meet the increased demand and alleviate the tight conditions that existed in 2015. During the 3-year forecast period, demand is estimated for 13,425 new rental units. The 10,100 units under construction will satisfy a significant portion of the demand.

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3-Year Housing Demand Forecast

	Sales Units			Rental Units		
	Kansas City HMA Total	Missouri	Kansas	Kansas City HMA Total	Missouri	Kansas
Total Demand	17,875	10,350	7,525	13,425	8,375	5,050
Under Construction	1,480	800	680	10,100	5,500	4,600

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2020. The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Professional and Business Services

Economic conditions remain strong as nonfarm payrolls have increased in the Kansas City HMA for 9 consecutive years.

Primary Local Economic Factors

The city of Kansas City originated as a river port on the Missouri River and later became a major rail hub. Today, the HMA, which is near the geographic center of the continental United States, continues to serve as a hub for shipping and distribution for a large area of the country. As a transportation hub, one of the most recent developments in the HMA is Logistics Park Kansas City, a 1,700-acre planned development with a capacity of 17 million square feet of industrial space. The HMA is home to the Kansas City Southern railway, which ranks at 816 on the Fortune 1,000 list. The city of Kansas City also has a large federal government presence, which includes one of the five Internal Revenue Service (IRS) processing centers. With the IRS having a large presence in the city of Kansas City, the HMA is also home to H&R Block, Inc.

Current Conditions—Nonfarm Payrolls

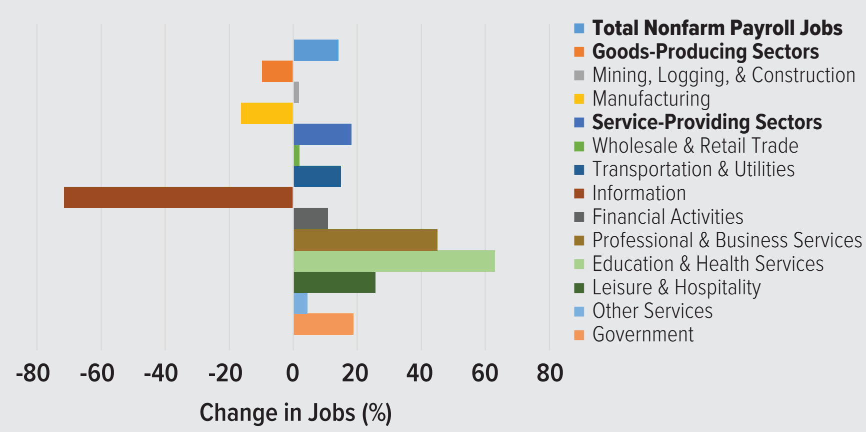
During 2019, nonfarm payrolls totaled more than 1.1 million, an increase of 15,100 jobs, or 1.4 percent from 2018 when nonfarm payrolls increased by 11,800, or 1.1 percent (Table 1). Nonfarm payrolls expanded in 8 of the 11 employment sectors, with job growth being led by the education and health services sector, which increased by 7,000 jobs, or 4.5 percent, to 162,500 jobs. Contributing to job growth in this sector was the opening of several new micro-hospitals and expansions of existing hospitals throughout the HMA, including the $100 million expansion at The University of Kansas Hospital Indian Creek Campus and a $100 million expansion of the Olathe Medical Center in Olathe, Kansas. From 2001 to current, the education and health services sector has been the fastest growing sector in the HMA, increasing by an average of 3,300 jobs, or 2.6 percent, annually (Figure 1).

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Kansas City HMA, by Sector

	12 Months Ending December 2018	12 Months Ending December 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**1,096.5**	**1,111.6**	**15.1**	**1.4**
Goods-Producing Sectors	126.5	128.7	2.2	1.7
Mining, Logging, & Construction	49.6	51.6	2.0	4.0
Manufacturing	76.9	77.2	0.3	0.4
Service-Providing Sectors	970.0	982.9	12.9	1.3
Wholesale & Retail Trade	162.7	160.8	-1.9	-1.2
Transportation & Utilities	53.9	53.9	0.0	0.0
Information	17.0	15.8	-1.2	-7.1
Financial Activities	80.0	78.3	-1.7	-2.1
Professional & Business Services	194.3	198.0	3.7	1.9
Education & Health Services	155.5	162.5	7.0	4.5
Leisure & Hospitality	110.0	111.1	1.1	1.0
Other Services	42.7	42.7	0.0	0.0
Government	154.0	159.7	5.7	3.7

Notes: Based on 12-month averages through December 2018 and December 2019. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Figure 1. Sector Growth in the Kansas City HMA, 2001 to Current



Note: The current date is January 1, 2020.
Source: U.S. Bureau of Labor Statistics

The government sector added the second greatest number of jobs, increasing by 5,700, or 3.7 percent, during 2019. Job growth accelerated in this sector due to increased employment in the federal government subsector, which increased by 1,400 jobs, or 5 percent, during 2019. Increased hiring of temporary census workers and the relocation of U.S. Department of Agriculture (USDA) employees from Washington, D.C., to a downtown Kansas City, Missouri location contributed to growth. More than 500 jobs in the USDA Economic Research Service and National Institute of Food and Agriculture moved to the HMA. The local government subsector increased by 4,300, or 3.9 percent, during 2019, which was mostly the result of hiring new schoolteachers, especially in the Kansas submarket, where local government hiring remained flat from 2014 through 2017. The federal government is the largest employer in the HMA, with more than 20,800 employees at various agencies and an additional 7,500 at Fort Leavenworth. Table 2 shows the list of the 10 largest employers in the Kansas City HMA.

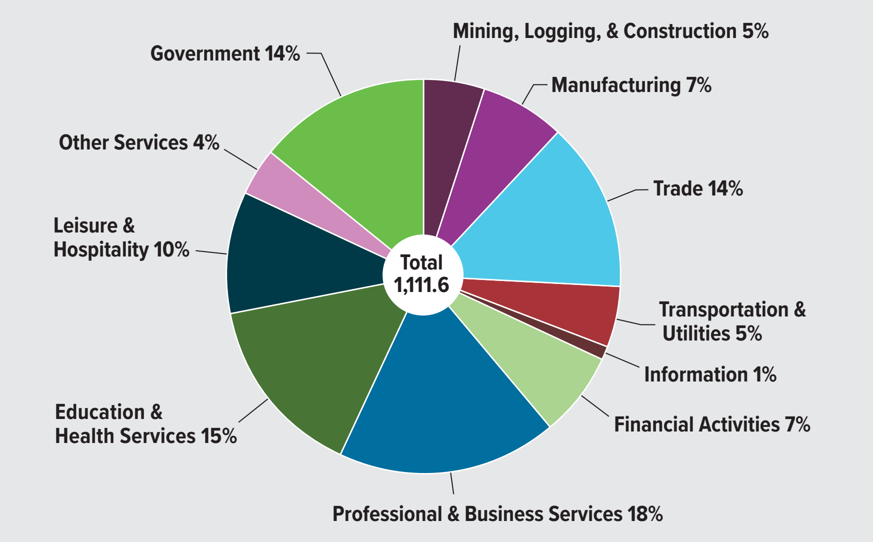
Table 2. Major Employers in the Kansas City HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Federal Government	Government	20,846
Cerner Corporation	Professional & Business Services	14,178
The University of Kansas Health System	Education & Health Services	10,229
HCA Midwest Health	Education & Health Services	9,963
Saint Luke's Health System	Education & Health Services	9,029
Fort Leavenworth	Government	8,937
Children's Mercy Hospital	Education & Health Services	8,614
Ford Motor Company	Manufacturing	6,640
Hallmark Cards, Inc.	Wholesale & Retail Trade	6,085
Sprint Corporation	Information	6,000

Notes: Excludes local school districts. Employment figures for Fort Leavenworth include federal government employees and private contractors who work on base and military personal, who are not counted in nonfarm payroll data.
Source: ThinkKC.com

The largest employment sector in the Kansas City HMA is the professional and business services sector with 198,000 jobs, accounting for nearly 18 percent of all nonfarm payroll jobs (Figure 2). The sector was the third largest growth sector in 2019, gaining 3,700 jobs, or 1.9 percent. This sector has been the second fastest growing sector in the HMA from 2001 to current, increasing by an average of 3,200 jobs, or 2.0 percent, annually. Since 2011, job creation in this sector has increased by an average of 5,100 jobs, or 3.0 percent, annually, the fastest pace among all sectors since 2011. Contributing to the large increase of jobs in this sector are several expansions at Cerner Corporation—a healthcare information technology company. Work is still ongoing at the Cerner Corporation Innovations Campus as construction is wrapping up on the third and fourth phases of this project. Since this project started in 2016, the company has added more than 4,000 full-time employees with continued growth expected over the next several years.

Figure 2. Share of Nonfarm Payroll Jobs in the Kansas City HMA, by Sector



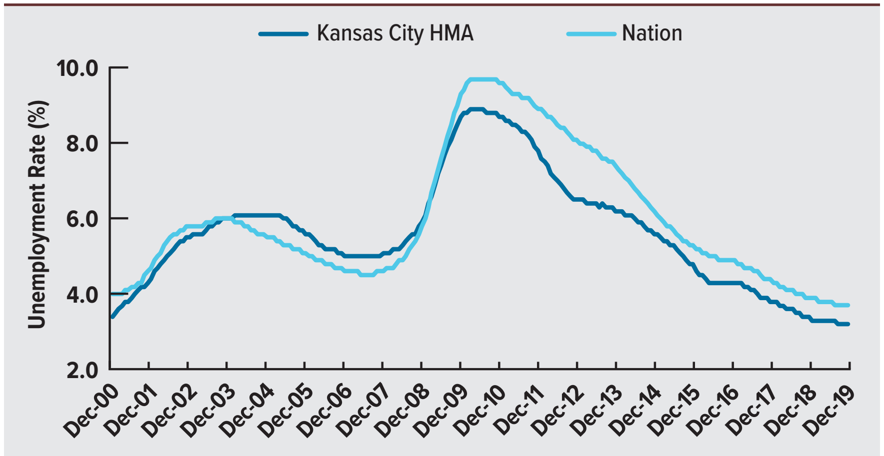
Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through December 2019.
Source: U.S. Bureau of Labor Statistics

A sharp increase in employment in the mining, logging, and construction sector, which increased by 2,000 jobs or 4.0 percent in 2019, was another factor in the increased rate of job growth in the HMA after the number of jobs in this sector remained flat during 2018. Along with the recent expansions at local hospitals, the Cerner Corporation, and ongoing expansions at the Logistics Park Kansas City, a $1.5 billion expansion of the Kansas City Airport began in April 2019. Another major project ongoing in Kansas City is the redevelopment of the former Kansas City Star newspaper headquarters building. The $95 million mixed-use development will convert the former headquarters building into office, retail, and dining locations.

Current Conditions—Unemployment

The unemployment rate in the Kansas City HMA during 2019 averaged 3.2 percent, down from 3.4 percent in 2018. The 2019 unemployment rate is the lowest rate recorded since 1999, when the unemployment rate averaged 3.1 percent. The unemployment rate in the HMA is below the national rate of 3.5 percent and has been below the national average since 2009. Figure 3 shows the 12-month average unemployment rate for the HMA and the nation.

Figure 3. 12-Month Average Unemployment Rate in the Kansas City HMA and the Nation



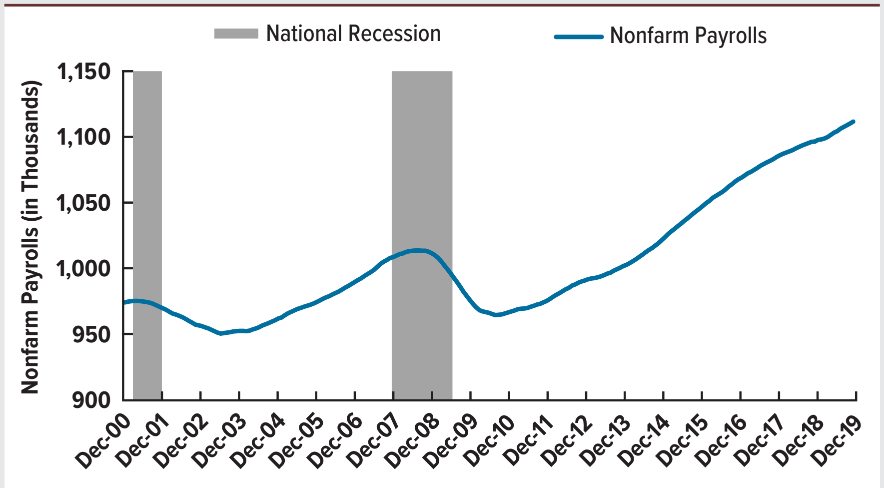
Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2000 through 2003

During the 2000s, the Kansas City HMA economy grew slowly compared with the most recent trends, with nonfarm payroll jobs increasing by an average of 200, or less than 0.1 percent, annually. Figure 4 shows the 12-month average of nonfarm payrolls in the HMA. From 2001 through 2003, nonfarm payrolls declined by 7,200 jobs, or 0.7 percent, annually, to 951,400 jobs as a result of the 2001 national recession. Most of the job losses were in the professional and business services, manufacturing, and information sectors, which declined by an average of 4,100, 3,700, and 2,800 jobs, or 3.1, 4.2, and 5.3 percent, a year, respectively. During this time, Sprint Corporation, which is headquartered in Overland Park, Kansas, laid off 1,700 workers. In addition, Ford Motor Company laid off 35,000 people worldwide in 2002, with a significant number of the cuts occurring in the HMA.

Figure 4. 12-Month Average Nonfarm Payrolls in the Kansas City HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

2004 through 2008

From 2004 through 2008, nonfarm payrolls in the HMA increased by an average of 11,900, or 1.2 percent, annually to 1.01 million jobs. The professional and business services sector and the education and health services sector led job growth during this period, increasing by 6,100 and 3,200 jobs, or 4.5 and 2.9 percent, respectively. H&R Block, Inc. opened its downtown Kansas City Campus in 2006, which added more than 1,000 jobs in the professional and business services sector. The education and health services sector benefited from the completion of the Midwest Centerpoint Medical Center in 2007, which cost $250 million and created more than 300 new jobs.

2009 through 2010

During 2009 and 2010, the HMA lost a significant number of jobs. Nonfarm payrolls declined by an average of 22,600 jobs, or 2.3 percent, annually as a result of the Great Recession, compared with jobs nationally declining by 2.5 percent annually during the same time period. The information sector had the largest percentage decline in jobs, falling by an average of 16.0 percent, or 5,700 jobs, annually during the period. In 2009, Sprint Corporation eliminated 8,000 jobs, or 14 percent of its workforce worldwide, with a significant portion of those cuts at its headquarters in the HMA. The economic downturn during 2009 and 2010 also caused a slowdown in home construction, resulting in job losses in the mining, logging, and construction sector. The mining, logging, and construction sector had the largest decline in jobs in the HMA, losing an average of 5,800 jobs, or 12.3 percent, annually. The manufacturing sector also had significant job losses during the downturn, declining by an average of 3,900 jobs, or 5.1 percent, annually. During this period, every employment sector declined except for the education and health services sector, which continued to add jobs as demand for healthcare services by an aging population helped this sector to continue to expand. During these years, the education and health services sector increased by an average of 3,200, or 2.5 percent, annually.

2011 through 2013

The economy of the Kansas City HMA began to recover from the Great Recession in 2011 and entered a prolonged period of growth. From 2011 through 2013, nonfarm payrolls increased by an average of 11,700, or 1.2 percent, annually. Job growth was led by the professional and business services sector, which increased by an average of 6,300 jobs, or 4.0 percent, annually. During these years, 7 of the 11 employment sectors grew. The education and health services sector and the leisure and hospitality sector also had strong job growth during these years, increasing by an average of 2,700 and 2,200 jobs, or 2.0 and 2.4 percent, annually, respectively. In percentage terms, the largest decline occurred in the information sector, which decreased an average of 3.8 percent, or 1,000 jobs, annually. Job losses continued in the manufacturing sector, which declined by 400 jobs, or 0.5 percent, annually.

2014 through 2016

The period from 2014 through 2016 was the strongest period of job growth in the HMA since the 1990s. Nonfarm payrolls increased by an average of 22,100, or 2.2 percent, annually. Job growth occurred in 10 of the 11 employment sectors, with the information sector being the only sector to decline. During this period, the manufacturing sector also started to add jobs, increasing by an average of 2,700, or 3.8 percent, annually. Most of the job growth was in the automotive parts manufacturing industry because Ford Motor Company and General Motors Company both have a significant presence in the HMA. The Ford Motor Company Claycomo plant in northern Kansas City, which produces F-150 trucks and is producing the new Ford Transit, is one of the largest automotive plants in the world. Ford Motor Company announced a $1.1 billion capital investment in its facilities in 2013 to increase production. In addition to making this capital investment, Ford Motor Company hired 1,200 workers to produce the new Transit line in mid-2014 and 900 additional workers in early 2015 to accommodate increased production of the F-150. The professional and business services sector led job gains during these years, increasing by an average of 5,600 jobs, or 3.2 percent, annually. An expansion at Cerner Corporation, which added 3,000 more jobs during these years, was a leading factor in this increase. The information sector, the one sector to lose jobs, declined by an average of 1,800 jobs, or 8.0 percent, annually. The decline is part of a long-term trend nationally, as automation has replaced many information sector jobs. A decline in local media and publishing has also led to job losses. In 2000, jobs in the information sector accounted for 5.7 percent of all nonfarm payrolls in the HMA, but by 2016, they were less than 1.8 percent.

2017 through 2018

Following the strong growth in the 2014-through-2016 period, job growth moderated during 2017 and 2018. During these years, nonfarm payrolls increased by an average of 14,500 jobs, or 1.3 percent, annually. Job growth was strongest in the education and health services sector, which increased by an average of 3,500 jobs, or 2.4 percent, annually. Job growth resulted from the opening of several new medical facilities, including the Olathe Medical Center expansion, which added more than 200 jobs in 2017. The government sector also had strong job growth, increasing by an average of 3,200 jobs, or 2.1 percent, annually. All of the job growth occurred in the local government subsector, which increased by an average of 3,200 jobs, or 3.0 percent, annually.

Economic Conditions by Submarket

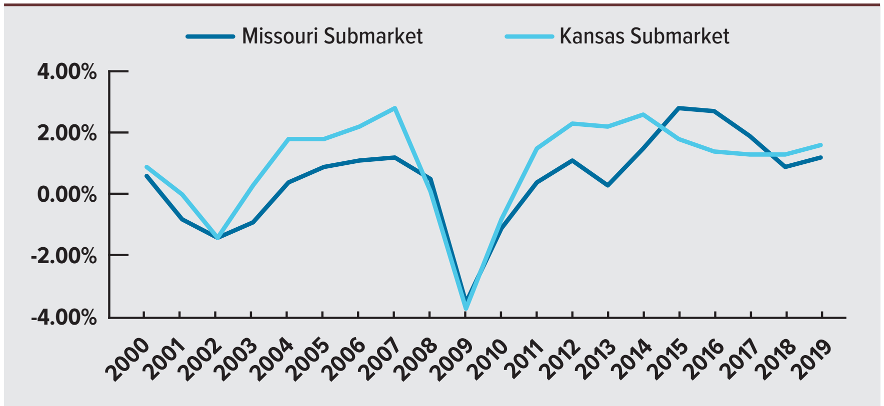
Submarket Nonfarm Payroll Trends

For most of the recent past, nonfarm payrolls increased much faster in the Kansas submarket compared with the Missouri submarket. In 2000, the Kansas submarket accounted for 41.8 percent of all nonfarm payrolls in the Kansas City HMA. From 2001 through 2014, nonfarm payroll growth in the Kansas submarket averaged 3,500 jobs, or 0.8 percent, annually. Meanwhile, nonfarm payrolls in the Missouri submarket declined during the same period by an average of 100 jobs, or less than 0.1 percent, annually. From 2015 through 2017, however, nonfarm payroll growth was much stronger in the Missouri submarket, increasing by an average of 10,600 jobs, or 1.8 percent, annually, compared with an increase of 6,900 jobs, or 1.5 percent, annually in the Kansas submarket. In 2018, nonfarm payrolls had stronger growth in the Kansas submarket, increasing by 6,200 jobs, or 1.3 percent, compared with an increase of 5,600 jobs, or 0.9 percent, in the Missouri submarket.

Current Conditions: Missouri Submarket

The Bureau of Labor Statistics produces separate nonfarm payroll estimates for the Kansas and Missouri submarkets of the HMA. Figure 5 shows the percentage change in nonfarm payrolls by submarket since 2000. During 2019, nonfarm payrolls in the Missouri submarket increased by 7,200, or 1.2 percent, to 620,400 jobs, which accounted for 55.8 percent of all nonfarm payrolls in the HMA (Table 3). Job growth was led by the education and health services sector, which increased by 4,500 jobs, or 5.2 percent, to 90,900 jobs, making it the third largest employment sector in the submarket. The largest employment sector in the submarket is the government sector, which increased by 4,200

Figure 5. Percentage Change in Nonfarm Payrolls in the Kansas City HMA by Submarket



Source: U.S. Bureau of Labor Statistics

Table 3. Share of Nonfarm Payrolls in the Kansas City HMA, by Submarket from 2000 to Current

Submarket	2000	2010	Current
Missouri	58.2%	56.6%	55.8%
Kansas	41.8%	43.4%	44.2%

Source: U.S. Bureau of Labor Statistics

jobs, or 4.4 percent, to 100,700 jobs during 2019. The unemployment rate in the Missouri submarket averaged 3.3 percent during 2019, down from 3.4 percent during 2018 and a peak of 9.9 percent during 2010.

Current Conditions: Kansas Submarket

During 2019, nonfarm payrolls in the Kansas submarket increased by 7,900, or 1.6 percent, to 491,200 jobs, which accounted for 44.2 percent of all nonfarm payrolls in the HMA. During 2019, job growth was led by the professional and business services sector, which increased by 3,500 jobs, or 3.7 percent, to 97,900 jobs, the most of any sector in the submarket. The unemployment rate in the submarket averaged 3.2 percent during 2019, down from 3.3 percent during 2018 and a peak of 7.4 percent during 2009.

Submarket Commuting Patterns

With both submarkets having significant employment centers, most people work and live in the same state. Still, a higher percentage of Missouri residents commute into the Kansas submarket for work (2015 U.S. Census Bureau Journey to Work data). Table 4 shows jobs by place of worker residence in the HMA. The Kansas submarket has a significantly higher percentage of workers who live outside the HMA and commute into the HMA for work. This higher percentage is more a factor of geography, as both the Lawrence and the Topeka MSAs, with a combined population of 300,000, are less than 60 miles from Johnson County, Kansas, and a significant number of workers from these areas commute into the county.

Table 4. Jobs by Place of Worker Residence in the Kansas City HMA

Worker Residence	Location of Primary Job	
	Missouri (%)	Kansas (%)
Missouri	82%	16%
Kansas	14%	75%
Outside the HMA	4%	9%

Note: Columns may not add to 100 percent due to rounding.
Source: 2015 U.S. Census Bureau Journey to Work

Employment Forecast

During the next 3 years, nonfarm payroll growth is expected to remain positive and average 0.9 percent annually. Both submarkets are expected to add nonfarm payrolls during the next 3 years. The Kansas submarket is likely to maintain the trend from the past 2 years of having a slightly higher percentage growth than the Missouri submarket. Continued job growth at the Logistics Park Kansas City will provide solid job growth in the Kansas submarket. Also, the second phase of the expansion of the Garmin Ltd. headquarters in the Kansas submarket is expected to add 1,400 full-time jobs over the next 3 years. The expansion of the Kansas City Airport is likely to be a contributor to job growth in the Missouri submarket during the next 3 years. This $1.5 billion project is the largest public work project ever in the history of the city of Kansas City and is scheduled to be completed in early 2023 before the National Football League draft takes place in Kansas City.

Population and Households

Current Population: 2.17 Million

Since 2010, net in-migration has accounted for nearly 36 percent of all population growth in the HMA, up from 31 percent during the 2000s.

Population Trends

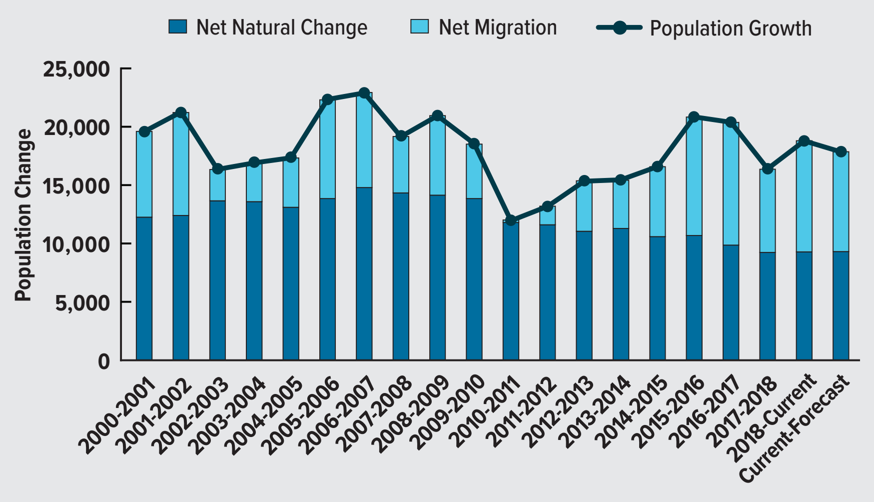
The population of the Kansas City HMA is estimated at more than 2.17 million, an average increase of 16,700 people, or 0.8 percent, annually since 2010 (Table 5). Since 2010, net in-migration has averaged 6,100 people per year. Figure 6 shows the components of the population change from 2000 through the forecast period. The Missouri submarket is the larger of the two submarkets, with 59 percent of the total population in the HMA. Figure 7 shows the current population by submarket in the HMA. The median age in the HMA was 37.6 years in 2018, up from 36.6 in 2010. Approximately 14.9 percent of the population of the HMA was 65 years and older in 2018, compared with 12 percent in 2010. Figure 8 shows the population by age range in the Kansas City HMA in 2010 and 2018. In 2018, 37 percent of the population aged 25 and older had at least a bachelor's degree, up from 32.5 percent in 2010.

Table 5. Kansas City HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	Population	2,009,342	2,172,000	2,226,000
	Average Annual Change	19,800	16,700	17,900
	Percentage Change	1.0	0.8	0.8
		2010	Current	Forecast
Household Quick Facts	Households	789,533	856,400	878,700
	Average Annual Change	8,125	6,850	7,425
	Percentage Change	1.1	0.8	0.9

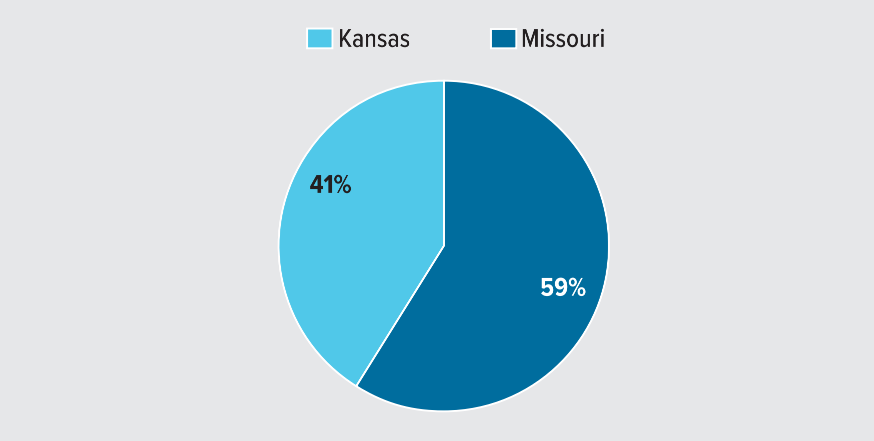
Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 6. Components of Population Change in the Kansas City HMA, 2000 Through the Forecast



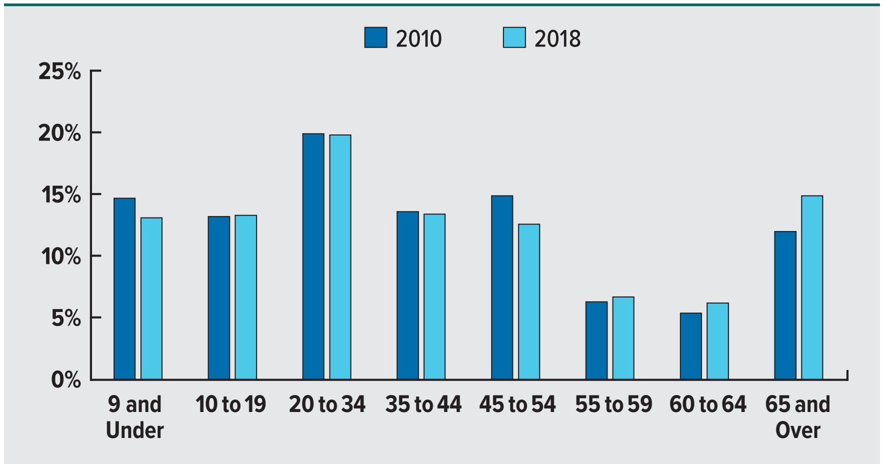
Notes: Net natural change and net migration totals are average annual totals over the period. The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Figure 7. Current Population in the Kansas City HMA, by Submarket



Source: Estimates by the analyst

Figure 8. Population by Age Range in the Kansas City HMA



Source: U.S. Census Bureau

Population Trends: Missouri Submarket

The population of the Missouri submarket is currently estimated at more than 1.27 million, an average increase of 8,575, or 0.7 percent, annually since 2010, with net in-migration averaging 3,225 people annually. The Missouri submarket contains 9 of the 14 counties in the HMA, but the dynamics of population growth vary among these counties. The four largest counties in the Missouri submarket—Jackson, Cass, Clay, and Platte Counties—all gained population between 2010 and 2018, while the five smaller counties lost population. In percentage terms, Platte County had the largest average gain, increasing by an average of 1.7 percent, or 1,650 people, per year. Jackson County, the predominant county of the HMA, had the largest population growth numerically, increasing by an average of 3,175 people, or 0.5 percent, annually during that period.

Net in-migration in the Missouri submarket since 2010 is a tale of two different periods. From 2010 through 2015, net in-migration in the Missouri submarket averaged only 400 people per year. Since 2015, net in-migration has spiked to more than 6,000 people annually. A leading factor in this increase in net in-migration stems from people choosing to live in the central city. From 2015 to 2018, the population of the city of Kansas City, Missouri, increased by an average of 5,500 people, or 1.1 percent, annually. By comparison, from 2010 through 2015, the population of the city increased by an average of 2,975 people, or 0.6 percent, annually, which was still a significant increase compared with the 2000s when the population increased by an average of 1,825 people, or 0.4 percent, annually. Even with the most recent increase in population, the city of Kansas City is still below its all-time peak population of 507,087 in 1970. The city suffered from a period of population decline from the 1970s through the 1990s.

From 2000 through 2010, the population of the Missouri submarket increased by an average of 9,325, or 0.8 percent, annually, with net in-migration averaging 2,175 people per year. During this period, the population increased in all nine counties in the Missouri submarket, with Platte and Cass Counties leading growth in percentage terms, each increasing by an average of 1.9 percent annually.

Population Trends: Kansas Submarket

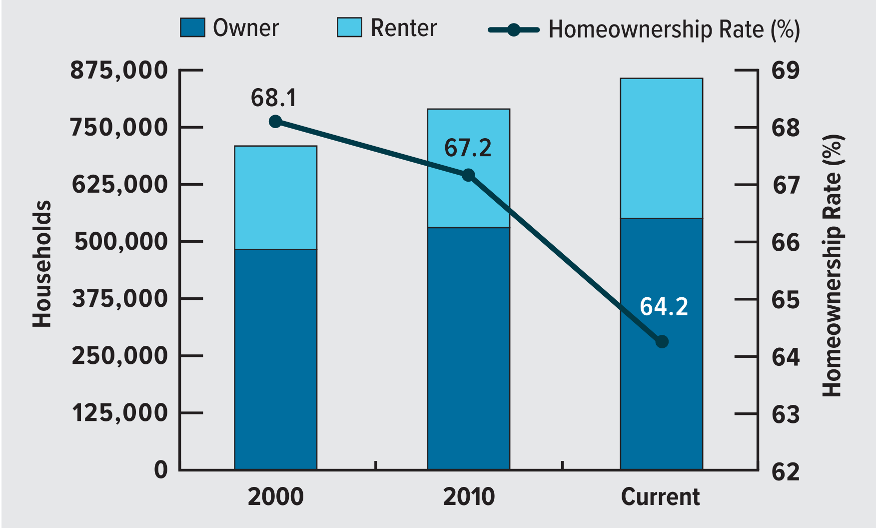
The population of the Kansas submarket is currently estimated at 899,300, an average increase of 8,100 people, or 0.9 percent, annually since 2010, with net in-migration averaging 2,650 people annually. All five counties in the submarket increased in population from 2010 to 2018, including Wyandotte County, reversing the trend from 1970 to 2010 when the county lost population. During the 2000s, the population of the Kansas submarket increased by an average of 10,500 people, or 1.4 percent, annually, with net in-migration averaging 4,000 people per year. The rate of population growth has been steadily slowing in the submarket. The earliest parts of the 2000s were the peak years for population growth in this submarket—a result, in part, of businesses starting up or expanding in the submarket to be near the Sprint Corporation headquarters. From 2000 through 2002, population growth averaged 11,900 people, or 1.6 percent, annually, with net in-migration averaging 5,850 people per year. After this period and with the telecom bust, population growth slowed. From 2002 through 2010, population growth averaged 10,050 people, or 1.3 percent, annually, with net in-migration averaging 3,425 people annually. As more of the population growth in the HMA occurred in the urban core, the growth rate of this submarket slowed. From 2010 to 2015, population growth averaged 8,500 people, or 1.0 percent, annually, with net in-migration averaging 2,825 people. From 2015 to the current date, population growth in this submarket has slowed even more, as more people choose to live in downtown Kansas City, Missouri. From 2015 to the current date, population growth in this submarket has averaged 7,625 people, or 0.9 percent, annually, with net in-migration averaging 2,625 people per year.

The Kansas submarket accounts for more than 30 percent of the total population of the state of Kansas and is home to Johnson County, which has the largest population of any county in the state of Kansas. The Wichita, KS MSA is the largest MSA area-wise wholly contained in the state of Kansas, but the Kansas submarket of the Kansas City HMA is nearly 38 percent larger than the Wichita, KS MSA. Johnson County has 4 of the 10 largest cities in the state of Kansas. In 2010, the population of Johnson County surpassed Sedgwick County (which is part of the Wichita, KS MSA) as the largest county in the state of Kansas.

Household Trends

Currently, an estimated 856,400 households reside in the Kansas City HMA, an increase of 6,850, or 0.8 percent, annually since 2010. The rate of household growth since 2010 is lower than during the 2000s, when household growth averaged 8,125, or 1.1 percent, annually. The current homeownership rate in the HMA is 64.2 percent, down from 67.2 percent in 2010 (Figure 9). The slowdown in household formation since 2010 has been more pronounced in the Kansas submarket, where household growth has averaged 3,275, or 1.0 percent, annually since 2010, well below the average household increase of 4,250, or 1.5 percent, annually between 2000 and 2010. Currently, an estimated 345,900 households reside in the Kansas submarket. While household formation also slowed in the Missouri submarket since 2010 compared with the previous decade, the slowdown was not as sharp as the decline in the Kansas submarket. Currently, an estimated 510,500 households reside in the Missouri submarket, an average increase of 3,575, or 0.7 percent, annually since 2010. From 2000 to 2010, households in the Missouri submarket increased by 3,875, or 0.9 percent, annually.

Figure 9. Households by Tenure and Homeownership Rate in the Kansas City HMA

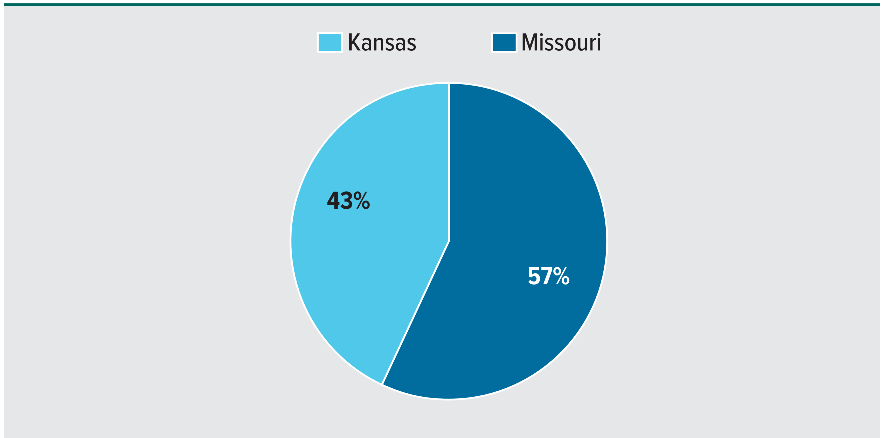


Note: The current date is January 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Population and Household Forecast

During the 3-year forecast period, population growth in the Kansas City HMA is expected to average 17,900 people, or 0.8 percent, annually. The Missouri submarket is likely to see a continued trend of net in-migration of people desiring to live in the central city of Kansas City, Missouri, and population growth is expected to average 10,200 people, or 0.8 percent, annually, while population growth in the Kansas submarket is expected to average 7,700 people, or 0.8 percent, annually. Figure 10 shows the share of population growth by submarket during the forecast period. Household growth in the HMA is expected to increase by an average of 7,425, or 0.9 percent, annually. Household growth in the Missouri submarket is expected to increase to an average of 4,250, or 0.8 percent, annually during the next 3 years, while household growth in the Kansas submarket is expected to average 3,175, or 0.9 percent, annually during the next 3 years.

Figure 10. Share of Forecast Population Growth by Submarket



Source: Estimates by the analyst

Home Sales Market

Sales Market—Kansas City HMA

Sales Market Conditions: Slightly Tight

Home sales in the Kansas City HMA declined nearly 5 percent in 2019 from an all-time peak level of sales in 2018. The 2019 home sales remained the third highest number of home sales recorded annually in the HMA.

Current Conditions

The home sales market is currently slightly tight, with an estimated 1.3-percent vacancy rate, down from 2.7 percent in 2010 (Table 6). During December 2019, there were 2.0 months of inventory on the market, down from 2.4 months in December 2018, and 9.1-months of inventory in March 2010. During 2019, homes for sale were on the market for an average of 39 days, down from 41 days in 2018.

Table 6. Home Sales Quick Facts in the Kansas City HMA

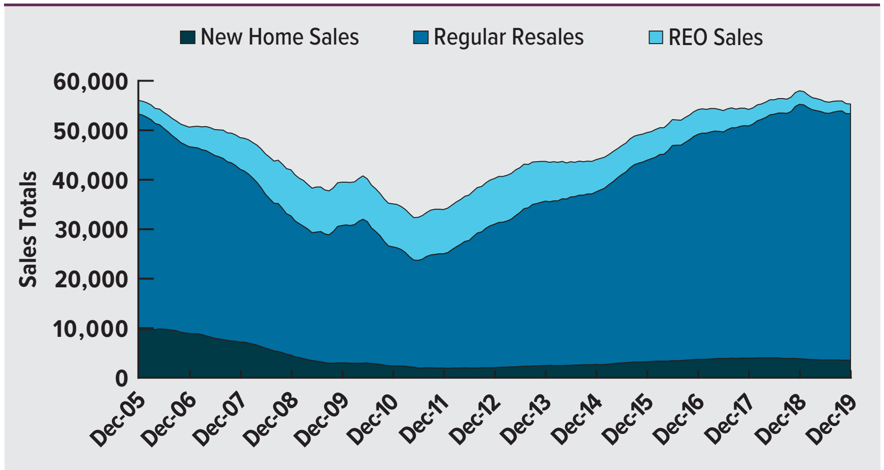
		Kansas City HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.3%	NA
	Months of Inventory	2.0	3.0
	Total Home Sales	55,350	6,195,000
	1-Year Change	-5%	-1%
	New Home Sales Price	$403,000	$386,800
	1-Year Change	6%	2%
	Existing Home Sales Price	$247,900	$301,200
	1-Year Change	4%	3%
	Mortgage Delinquency Rate	1.1%	1.4%

NA = data not available.
Notes: The vacancy rate is as of the current date (January 1, 2020); home sales and prices are for the 12 months ending December 2019; and months of inventory and mortgage delinquency data are as of December 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

Home Sales Trends

Home sales, including new and existing single-family homes, townhomes, and condominiums, totaled 55,400 during 2019, a decline of 2,700 home sales, or nearly 5 percent from the all-time peak in 2018 (Metrostudy, A Hanley Wood Company). During 2018, home sales in the Kansas City HMA totaled more than 58,000, surpassing the previous peak of 56,100 in 2005. Figure 11 shows annual sales totals by type of sale in the Kansas City HMA.

Figure 11. 12-Month Sales Totals by Type in the Kansas City HMA



REO = real estate owned.
Source: Metrostudy, A Hanley Wood Company

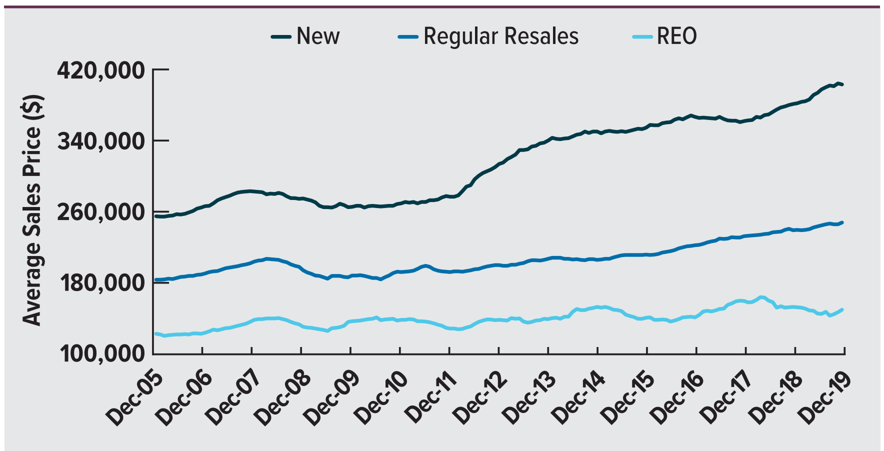
REO Sales and Delinquent Mortgages

In December 2019, 1.1 percent of home loans in the metropolitan area were seriously delinquent or had transitioned into real estate owned (REO) status, down from 1.3 percent 1 year earlier, and significantly down from the peak of 5.8 percent in February 2010. The current rate is lower than the 1.4-percent rate for the nation. For more context, the national rate peaked at 8.6 percent in January and February of 2010.

Home Sale Price Trends

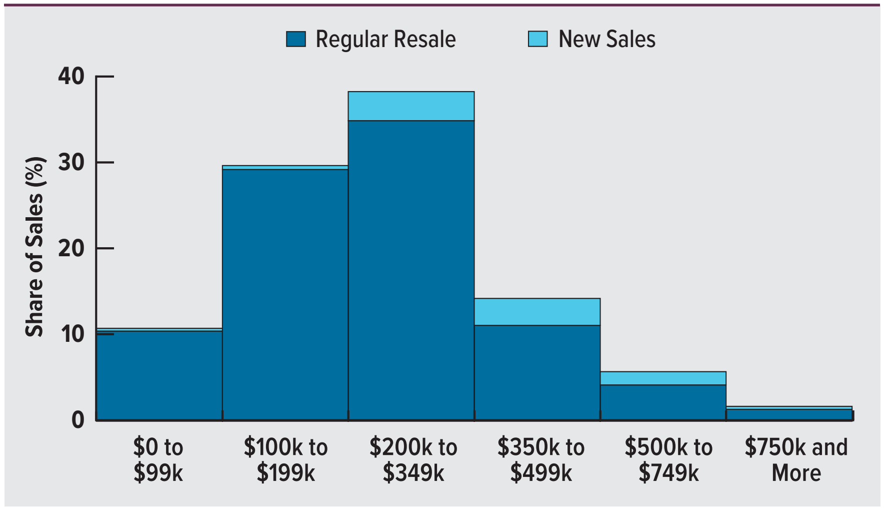
During 2019, the average sales price of a home was $260,300, an increase of $8,350, or 3 percent, since 2018 (Metrostudy, A Hanley Wood Company). Figure 12 shows the change in the 12-month average sales price by sale type in the HMA since 2005. Since 2011, the average sales price of a new home in the Kansas City HMA has increased faster than the average sales price of an existing home. This is due to the overall percentage of new homes sold in the higher priced Kansas submarket remaining fairly stable while the percentage of overall existing home sales has increased in the lower priced Missouri Submarket. In 2011, nearly 34.7 percent of all existing homes sales were in the Kansas submarket, but by 2019 that share of sales decreased to 29.7 percent. The largest number of home sales during 2019 were in the $200,000-to-$349,000 price range, which accounted for more than 38 percent of all home sales that year (Figure 13). In 2010, the home sales market was soft, with a 2.7-percent vacancy rate and 7.4-months' supply of inventory on the market in April 2010. By June 2011, the supply of inventory reached a peak of 9.8 months and then began to decline slowly. By December 2014, as the sales market reached balanced conditions, supply was down to 4.1 months of inventory, and the average number of days on the market was down to 12 weeks. The home sales market tightened in 2015, after the sales growth allowed for the absorption of the previous oversupply of homes for sale. From 2015 through 2018, the average sales price of a home increased by an average of $8,425, or 4 percent, annually, as reduced levels of inventory helped to increase the average sales price. During these years, the months' supply of inventory dropped below 2.0 months, and the average number of days for a home to be on the market decreased to below 6 weeks.

Figure 12. 12-Month Average Sales Price by Type of Sale in the Kansas City HMA



REO = real estate owned.
Source: Metrostudy, A Hanley Wood Company

Figure 13. Share of Sales by Price Range During the 12 Months Ending December 2019 in the Kansas City HMA

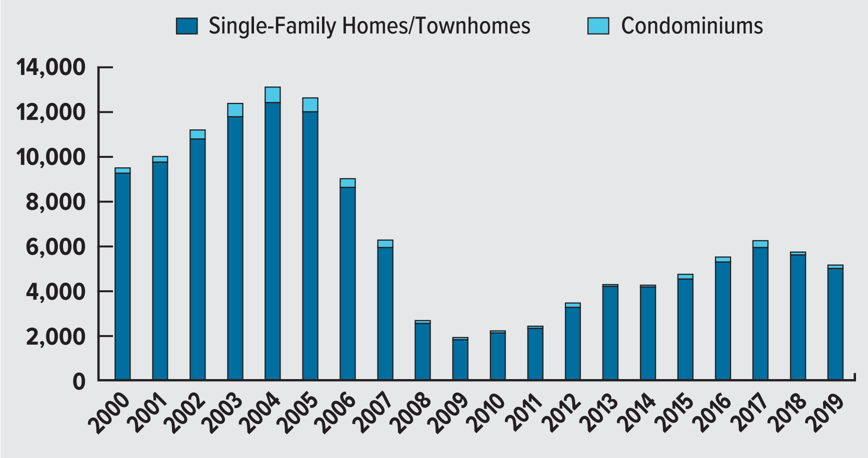


Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Metrostudy, A Hanley Wood Company

Sales Construction Activity

During 2019, homebuilding activity, as measured by the number of single-family homes, townhomes, and condominiums permitted, totaled 5,150, a decline of 580, or 10 percent, from 2018. This marks the second consecutive year of declines as the number of owner units permitted declined by 520, or 8 percent, from the recent peak of 6,250 owner units permitted in 2017 (Figure 14). Even with the number of owner units permitted increasing every year from 2010 through 2017 by an average of 550, or 16 percent, annually, the construction of new homes is well below the peak level of 13,100 in 2004.

Figure 14. Annual Sales Permitting Activity in the Kansas City HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through December 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 17,875 sales units (Table 7). Demand is expected to be strongest in the first year and will decline slightly each subsequent year as population growth slows each year of the forecast period. The 1,480 units currently under construction will satisfy a portion of the demand during the first year. Demand for new homes will remain strongest in the $200,000-to-$349,999 price range.

Table 7. Demand for New Sales Units in the Kansas City HMA During the Forecast Period

	Sales Units
Demand	17,875 Units
Under Construction	1,480 Units

Note: The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Source: Estimates by the analyst

Sales Market—Missouri Submarket

Trends in Missouri Submarket Sales Market Conditions

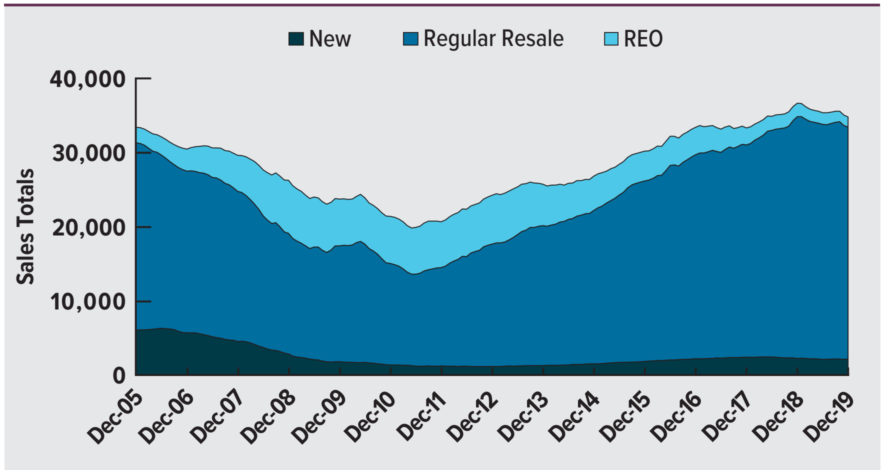
The sales housing market in the Missouri submarket is currently slightly tight. The current vacancy rate is estimated at 1.2 percent, a strong decline from April 2010, when the market was soft with a vacancy rate of 3.0 percent (Table 8). The current homeownership rate in the submarket is estimated at 62.7 percent, down from 65.9 percent in 2010 due to strong renter household growth, especially in the downtown Kansas City area. The foreclosure crisis shifted some owners into rental housing in the late 2000s and early 2010s. The rate of seriously delinquent mortgages and mortgages that transitioned into REO status peaked in the submarket in January 2010 at 5.8 percent of all outstanding mortgages. Despite strengthening economic conditions, many new residents in the submarket continue to rent rather than own due, in part, to strong population growth in the urban core of this submarket. Total home sales in 2019 were down from an all-time peak in 2018. Figure 15 shows home sales by sales type in the Missouri submarket.

Table 8. Home Sales Quick Facts in the Missouri Submarket

		Missouri Submarket	Kansas City HMA
Home Sales Quick Facts	**Vacancy Rate**	1.2%	1.3%
	Months of Inventory	NA	2.0
	Total Home Sales	34,850	55,350
	1-Year Change	-5%	-5%
	New Home Sales Price	$370,900	$403,000
	1-Year Change	7%	6%
	Existing Home Sales Price	$218,800	$247,900
	1-Year Change	3%	4%
	Mortgage Delinquency Rate	1.2%	1.1%

NA = data not available.
Notes: The vacancy rate is as of the current date (January 1, 2020); home sales and prices are for the 12 months ending December 2019; and months of inventory and mortgage delinquency data are as of December 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

Figure 15. 12-Month Sales Totals by Type in the Missouri Submarket



Source: Metrostudy, A Hanley Wood Company

Home Sales Trends

During 2019, new home sales in the Missouri submarket totaled 2,075, a decline of 110 sales, or nearly 5 percent from 2018, the second consecutive year of declining new home sales in the Missouri submarket. In 2018, new home sales declined by 150, or 6 percent, as population growth in the Missouri submarket decreased, and this limited overall new owner sales due to a slight decline in demand. This is a reversal of the trend from 2013 through 2017, when new home sales increased by an average of 250, or 17 percent, per year. In 2005, new home sales totaled 6,000 but then declined by an average of 700, or nearly 22 percent, annually to reach 1,075 in 2012.

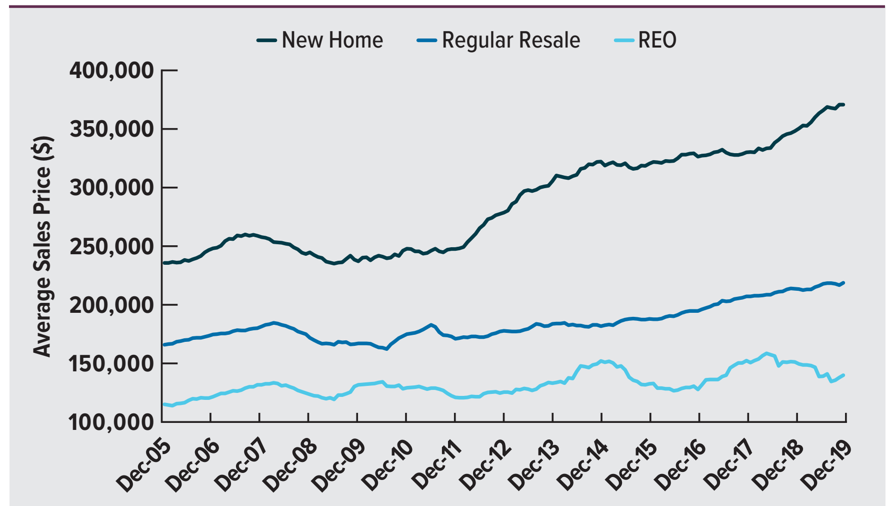
The regular resale of existing homes (hereafter existing home sales) totaled 31,400 during 2019, a decline of 1,300 home sales, or 4 percent, from the all-time peak in 2018. During 2005, existing home sales totaled 25,350 but declined during the next 6 years by an average of 2,000 home sales, or 10 percent, annually to reach 13,300 in 2011. Beginning in 2012, existing home sales began to recover. By 2018, they reached a peak of 32,700, an average annual increase of 2,775 existing home sales, or 14 percent.

REO sales totaled 1,375 during 2019, a decline of 450 sales, or 25 percent. In 2005, REO sales totaled 2,100 and increased for the next 3 years by an average of 1,675, or 51 percent, annually to reach an all-time peak level of 7,150 in 2008. In 2009, REO sales declined slightly, and from 2009 through 2012, REO sales averaged 6,375 per year. During 2013, the inventory of REO homes began to diminish. By 2018, the inventory was down to 1,825 REO sales, an average annual decline of 800, or more than 19 percent.

Home Price Trends

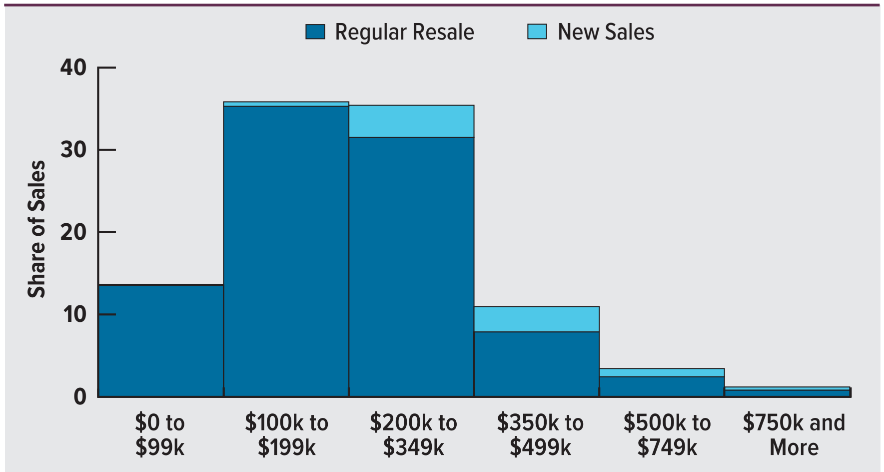
The average sales price of a new home in the Missouri submarket during 2019 was $370,700, an increase of $22,500, or nearly 7 percent from 2018 (Figure 16). Most new home sales were in the $200,000 to $349,999 price range (Figure 17). From 2010 through 2018, the average sales price of a new home increased by an average of $12,350, or more than 4 percent, annually. The average new home price increase has not been continuous. During 2011,

Figure 16. 12-Month Average Sales Price by Type of Sale in the Missouri Submarket



REO = real estate owned.
Source: Metrostudy, A Hanley Wood Company

Figure 17. Share of Sales by Price Range During the 12 Months Ending December 2019 in the Missouri Submarket



Source: Metrostudy, A Hanley Wood Company

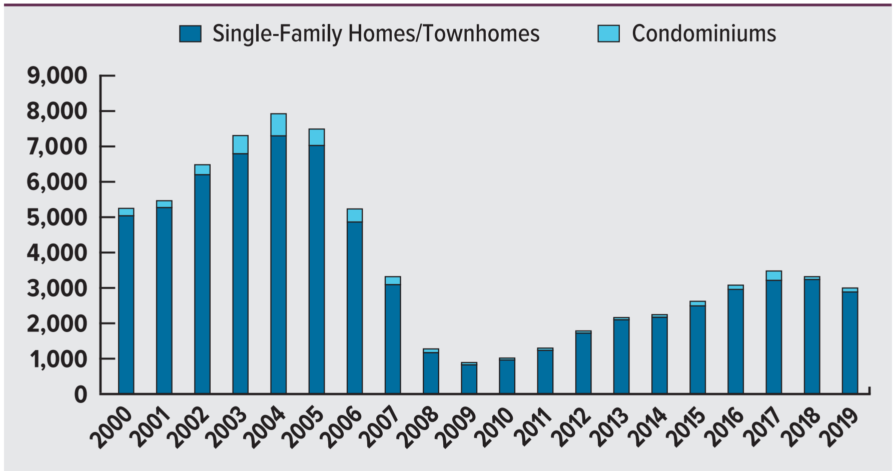
the average sales price of a new home was down by 0.1 percent and down by 0.5 percent in 2015. These price declines were not indicative of any softening of the market overall, but more a result of the price points and locations of product delivered to the market during these years. During 2005, the average sales price of a new home was $235,700. The average new home sales price increased during the next 2 years by an average of $11,000, or nearly 5 percent, annually, to reach a price of $257,700 in 2007. With the onset of the housing crisis and the economic downturn, the average sales price of a new home declined from 2008 through 2009 by an average of $10,350, or slightly more than 4 percent, annually to reach a price of $237,100 in 2009.

The average sales price of an existing home in the Missouri submarket was $218,800 during 2019, an average increase of $5,250, or 2 percent. This marks the eighth consecutive year of growth in the average sales price of an existing home. From 2012 through 2018, the average sales price of an existing home increased by an average of $6,100, or 3 percent, annually, reflecting national trends. In 2005, the average sales price of an existing home was $165,900, and during the next 2 years increased by an average of $7,800, or 5 percent, annually to reach $181,500 in 2007. During the next 2 years, home prices began to decline. By 2009, the average sales price was $167,000, an average decline of $7,250, or 4 percent, annually. In 2010, the average sales price increased by $7,850, or 5 percent, only to decline again during 2011, by $3,950, or 2 percent.

Homebuilding Activity

Homebuilding activity totaled 3,000, a decline of 320 homes, or 10 percent, from 2018 (Figure 18). This was the second consecutive year of declines in the number of new homes permitted as the rate of net in-migration and population growth has slowed in the submarket, contributing to a slowdown in demand. The number of homes permitted in 2018 was down by 160, or 5 percent, from the recent peak of 3,475 for sale units permitted in 2017. In 2000, there were 5,250 homes permitted in the Missouri submarket, and, with increasing demand for owner units in this submarket, there was a steady increase in production. From 2001 through 2004, the number of homes permitted increased by

Figure 18. Annual Sales Permitting Activity in the Missouri Submarket



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through December 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

an average of 670, or 11 percent, annually, to reach a peak of 7,925 homes permitted during 2004. The number of homes permitted declined by 430, or 5 percent, during 2005 as the market began to slow. In 2006, production dropped even further, and from 2006 through 2009, production of new homes declined by an average of 1,650, or 42 percent, annually. The number of for-sale units permitted bottomed out in 2009 at 840. From 2010 through 2017, the number of homes permitted increased by an average of 330, or 19 percent, annually as the local economy recovered from the Great Recession.

Some recent new single-family developments in the submarket include Creekside at Raintree Lake, which is a 31-home development in the city of Lee's Summit with home prices starting at $350,000. This development is 65 percent complete with buildout anticipated by the fall of 2020. A 20-home subdivision in the city of Parkville, Chapel Ridge, is 75 percent complete. Home prices start at $350,000 for a three-bedroom home.

Forecast

During the 3-year forecast period, demand for new sales units in the Missouri submarket is estimated at 10,350 units, of which the 800 units currently under construction will satisfy a small portion (Table 9). In the Missouri submarket, the construction of new sales units will likely be distributed geographically, depending on the type of unit. Townhomes and condominiums will be more likely to be built in Jackson County, while the construction of single-family homes is likely to take place in the more suburban counties.

Table 9. Demand for New Sales Units in the Missouri Submarket During the Forecast Period

	Sales Units
Demand	10,350 Units
Under Construction	800 Units

Note: The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Source: Estimates by the analyst

Sales Market—Kansas Submarket

Trends in Kansas Submarket Sales Market Conditions

The sales housing market in the Kansas submarket is currently slightly tight. The current vacancy rate is estimated at 1.4 percent, down from 2.2 percent in April 2010, when soft market conditions existed (Table 10). The current homeownership rate in the submarket is estimated at 66.5 percent, down from 69.0 percent in 2010 due to strong renter household growth, especially concentrated in Johnson County. Figure 19 shows 12-month sales by type in the Kansas submarket.

Table 10. Home Sales Quick Facts in the Kansas Submarket

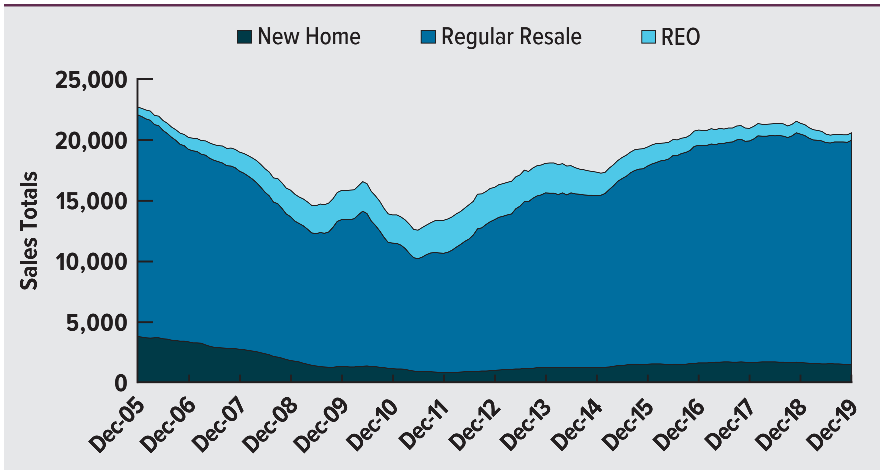
		Kansas Submarket	Kansas City HMA
Home Sales Quick Facts	**Vacancy Rate**	1.4%	1.3%
	Months of Inventory	NA	2.0
	Total Home Sales	20,600	55,350
	1-Year Change	-4%	-5%
	New Home Sales Price	$448,000	$403,000
	1-Year Change	5%	6%
	Existing Home Sales Price	$297,200	$247,900
	1-Year Change	5%	4%
	Mortgage Delinquency Rate	1.0%	1.1%

NA = data not available.
Notes: The vacancy rate is as of the current date (January 1, 2020); home sales and prices are for the 12 months ending December 2019; and months of inventory and mortgage delinquency data are as of December 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

Home Sales

During 2019, new home sales totaled 1,500, a decline of 150 sales, or 9 percent, from 2018 (Metrostudy, A Hanley Wood Company). During 2005, new home sales totaled 3,775, then declined for the next 6 years. From 2006 through 2011, new

Figure 19. 12-Month Sales Totals by Type in the Kansas Submarket



REO = real estate owned.
Source: Metrostudy, A Hanley Wood Company

home sales declined by an average of 500, or 23 percent, annually to reach 800 home sales in 2011 as the national housing crisis had slowed new home construction considerably nationwide, as well as in the submarket. In 2012, new home sales began to rise again as consumer confidence increased with an improving economy. During 2012 and 2013, new home sales increased by an average of 220 sales, or 25 percent, annually to total 1,250 in 2013. During 2014, new home sales declined by 25, or 2 percent, to 1,225 sales, before beginning to increase again in 2015. From 2015 through 2018, new home sales increased by an average of 100, or 8 percent, annually.

Existing home sales during 2019 totaled 18,500, a decline of 340, or less than 2 percent from the all-time peak level reached in 2018. In 2005, existing home sales totaled 18,275, before declining the next 6 years by an average of 1,400 sales, or 10 percent, annually. The existing home sales trends followed a similar pattern as the new home sales trends and increased during 6 of the next 7 years, with a small decline of 1 percent during 2014. The general trend from 2012 through 2018 for existing home sales was positive, increasing by an average of 1,275, or 10 percent, annually from 2012 through 2018.

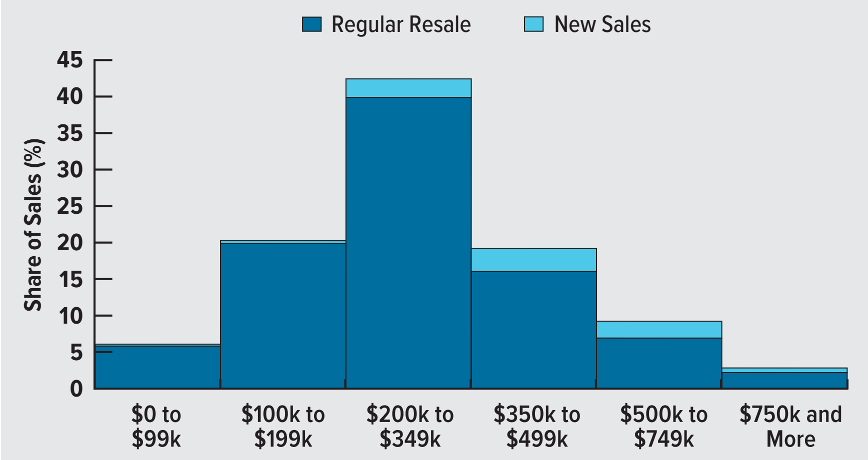
REO sales during 2019 totaled 610, a decline of 300 sales, or 33 percent, from 2018. During 2019, the number of REO sales fell below the 2005 number of 660 sales. REO sales peaked in 2011 with 2,725 sales, an average increase of 340, or 27 percent, annually from 2005. Following this peak, REO sales began to decline once more as economic conditions improved, and by 2018, totaled 910, an average decline of 260 REO sales, or 14 percent, annually from 2012 through 2018.

Home Sales Price

During 2019, the average sales price of a new home in the Kansas submarket was $448,000, an increase of $23,000, or 5 percent, from 2018. The average sales price of a new home in the Kansas submarket is more than 20 percent higher than the average sales price of a new home in the Missouri submarket. In 2005, the average sales price of a new home in the Kansas submarket was $285,200. The average new home sales price increased during the next 2 years by an average of $19,200, or 7 percent, annually to reach $323,500. The 2008-through-2010 period was the worst of the housing crisis and the economic downturn locally, and this is when the average price of a new home steadily declined. From 2008 through 2010, the average sales price of a new home in the Kansas submarket declined by an average of $9,725, or 3 percent, annually. From 2011 through 2018, the average sales price for a new home in the Kansas submarket increased by an average of $16,350, or 5 percent, annually.

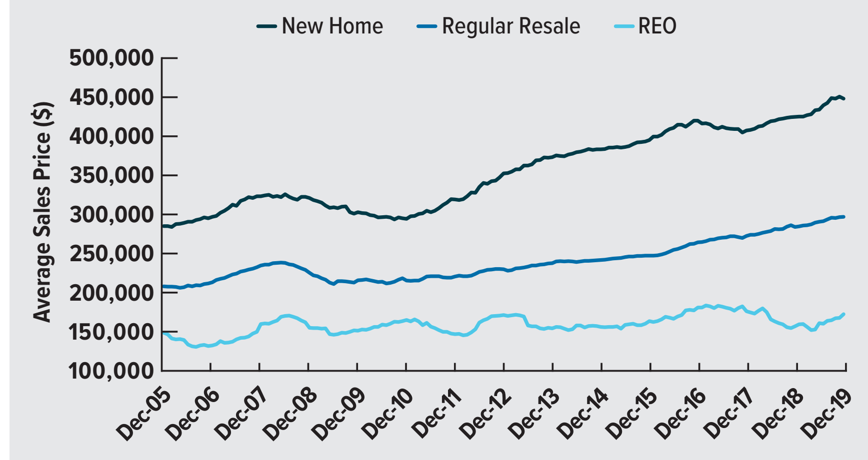
During 2019, the sale prices of existing homes in the Kansas submarket averaged $297,200, an increase of $12,900, or 5 percent, from 2018. Most existing home sales were in the price range from $200,000 to $349,999 (Figure 20). This is the ninth consecutive year of an increase in the average sales price of an existing home. From 2006 through 2007, the average sales price of an existing home increased by an average of $13,300, or 6 percent, annually. After this period of

Figure 20. Share of Sales by Price Range During the 12 Months Ending December 2019 in the Kansas Submarket



Source: Metrostudy, A Hanley Wood Company

Figure 21. 12-Month Average Sales Price by Type of Sale in the Kansas Submarket



REO = real estate owned.
Source: Metrostudy, A Hanley Wood Company

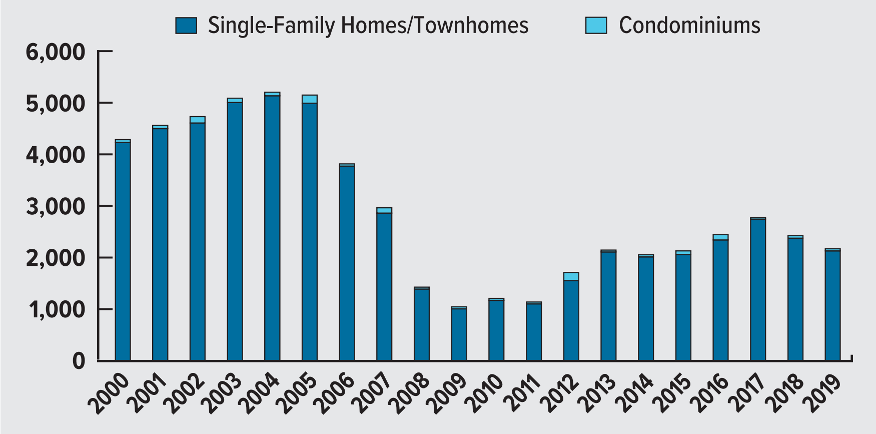
increasing prices, the average sales price of an existing home declined for 3 consecutive years by an average of $6,375, or 3 percent, annually from 2008 through 2010 as a result of the economic downturn. From 2011 through 2018, the average sales price in the Kansas submarket increased by an average of $8,575, or 4 percent, annually. Figure 21 shows the 12-month average sales price by type of sale in the Kansas submarket.

Building Activity

New construction of for-sale units, as measured by the number of homes (single-family, townhome, and condominium) permitted, declined by nearly 11 percent, or 260 units, to 2,175 homes permitted during 2019. This marks the second consecutive year of declines for starts of new homes, as there was a decline of 350, or nearly 13 percent, during 2018. This 2-year downturn in construction activity followed a period from 2011 through 2017 when the number of new homes permitted increased each year by an average of 280 units permitted, or 16 percent, annually. The 6 years of increasing levels of construction surpassed the period from 2001 through 2004 when the number of homes permitted increased by an average of 230 homes, or 5 percent, annually, to reach a peak of 5,200 homes in 2004. From 2005 through 2009, new home construction declined by an average of 840, or 28 percent, annually as new homebuilding slowed during the housing market crash. Figure 22 shows the annual number of sales units permitted since 2000.

Some recent single-family developments include the Fox Ridge subdivision in Johnson County, Kansas—a 41-home subdivision that is 50 percent sold. Home prices at Fox Ridge start at $600,000 for a four-bedroom home. Ridgestone Meadows, in Shawnee, Kansas, is a 142-home subdivision that began construction in 2016 and is 80 percent built out. Home prices in this subdivision range from $515,000 to $700,000 for four- and five-bedroom homes.

Figure 22. Annual Sales Permitting Activity in the Kansas Submarket



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through December 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 7,525 new sales units. The 680 units currently under construction will meet a portion of that demand in the first year (Table 11). Most new sales units in the Kansas submarket during the next 3 years will be built in Johnson County, a continuation of trends from the past 30 years. Demand for new units is likely to be strongest in the first year and slowly decline each of the next 2 years as population growth slows off the recent highs.

Table 11. Demand for New Sales Units in the Kansas Submarket During the Forecast Period

	Sales Units
Demand	7,525 Units
Under Construction	680 Units

Note: The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Source: Estimates by the analyst

Rental Market

Rental Market—Kansas City HMA

Market Conditions: Balanced

Since 2013, apartment rent growth has averaged 3.9 percent each year, compared with an average of 1.4 percent annually from 2001 through 2012.

Current Conditions and Recent Trends

The overall rental housing market is currently balanced, with an estimated 6.4-percent vacancy rate down from 11.7 percent in 2010. Similar conditions exist in both submarkets where the overall vacancy rates have declined significantly since 2010. Renter households have accounted for more than 70 percent of all new household formations in the Kansas City HMA since 2010, significantly higher compared with the 2000s, when just over 41 percent of all new household formations were renter households. Nearly 41 percent of all renter households live in single-family homes, which is slightly below the nearly 44 percent of renter households who live in buildings with five or more units (2018 American Community Survey 1-year data) (Table 12).

Vacancy Rates

The apartment market is slightly tight with a 4.5-percent vacancy rate, down from 4.9 percent 1 year earlier (Reis, Inc., with adjustments by the analyst). During 2009, the apartment vacancy rate peaked at 9.0 percent, but with improving economic conditions and new household formation, the apartment vacancy rate slowly declined to 3.7 percent in 2015. With the declining vacancy rate, the market responded, and the construction of new rental units increased significantly in 2012 and increased every year through 2016. This increased construction helped to meet the strong demand for rental units and alleviate the tight conditions while meeting demand from new renter households in the HMA. Figure 23 shows the number of rental units permitted in the Kansas City HMA by year since 2000. By 2018, the apartment vacancy rate had increased to 4.9 percent. The drop in the apartment vacancy rate in 2019 was due, in

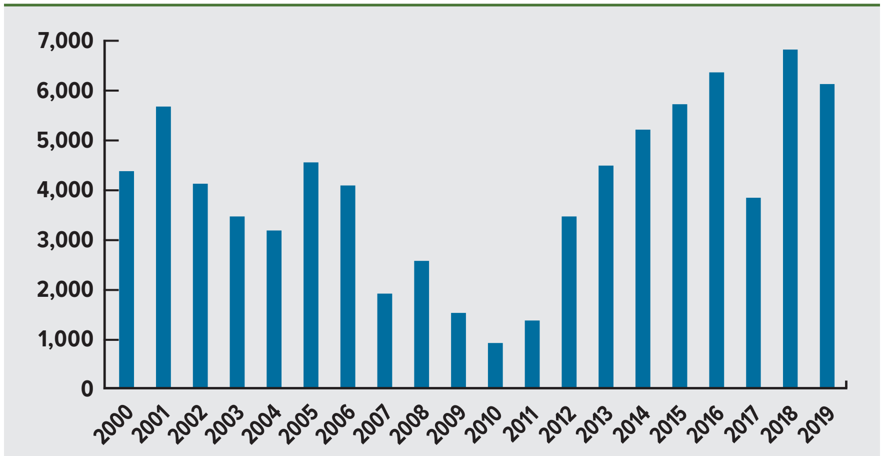
Table 12. Rental and Apartment Market Quick Facts in the Kansas City HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	11.7	6.4
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	39.0	40.7
	Multifamily (2–4 Units)	17.3	14.0
	Multifamily (5+ Units)	41.6	43.8
	Other (Including Mobile Homes)	2.0	1.4

		Current	YoY Change
Apartment Market Quick Facts	**Apartment Vacancy Rate**	4.5%	-0.40
	Average Rent	$964	3.0
	Studio	$663	3.1
	One-Bedroom	$861	3.0
	Two-Bedroom	$1,041	3.0
	Three-Bedroom	$1,260	2.5

YoY= year-over-year.
Notes: The current date is January 1, 2020. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2018 American Community Survey, 1-year data; Reis, Inc.

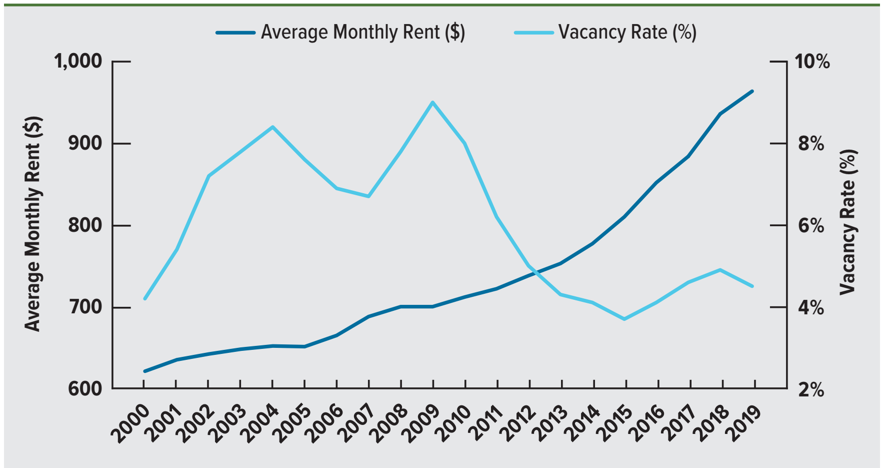
Figure 23. Annual Rental Permitting Activity in the Kansas City HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through December 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000—2017 final data and analyst estimates; 2018 and 2019 preliminary data and estimates by the analyst

part, to strong demand coupled with a downturn in construction of rental units in 2017. From 2013 through 2016, an average of 5,450 rental units was permitted annually, but in 2017, there were only 3,850 rental units permitted. With construction times, this meant there was a downturn in the number of new units entering the market in the Kansas City HMA during 2019, resulting in a decline in the vacancy rate. Figure 24 shows average rents and vacancy rates in the HMA.

Figure 24. Apartment Rents and Vacancy Rates in the Kansas City HMA



Source: Reis, Inc.

Rents

The average rent for an apartment in the Kansas City HMA is currently $964, an increase of $28, or 3 percent, from 1 year earlier. Since 2012, rent growth has been strong across the HMA as demand for rental units has helped push prices higher. The large number of new units coming online with the construction surge has also contributed to increased average rent. From 2012 through 2018, rent growth in the HMA averaged $36, or 4 percent, annually. This rate of rent increase was significantly higher than the period from 2001 through 2011, when the average rent increased by $9, or 1 percent, annually.

The average rent for an apartment unit built since 2012 is $1,480. The average rent by bedroom size is $1,059, $1,260, $1,713, and $1,925 for a studio, one-, two-, and three-bedroom unit, respectively (ALN Apartment Data, Inc.). Since 2012, nearly 55 percent of all apartment units built in the HMA have been either studio or one-bedroom units, compared with slightly more than 44 percent of all apartment units from 2011 or earlier being studio or one-bedroom units.

Forecast

During the 3-year forecast period, demand is estimated for 13,425 new rental units (Table 13). The 10,100 units under construction will satisfy a significant portion of the demand. The vast majority of new rental units will be built in either Jackson County, Missouri, or Johnson County, Kansas—the two largest counties in the HMA. Following the most recent trends of smaller units in the urban area, most apartment units expected to be built in the Kansas City HMA will be either studio or one-bedroom units.

Table 13. Demand for New Rental Units in the Kansas City HMA During the Forecast Period

	Rental Units
Demand	13,425 Units
Under Construction	10,100 Units

Note: The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Source: Estimates by the analyst

Rental Market—Missouri Submarket

Current Conditions and Recent Trends

The rental housing market in the Missouri submarket is currently balanced with a 6.4-percent vacancy rate, down from 12.5 percent in 2010 (Table 14). Since 2010, more than 82 percent of all new household formations in the Missouri submarket have been renter households, up significantly from only 45 percent of all new household formation during the 2000s. Since 2012, nearly 59 percent

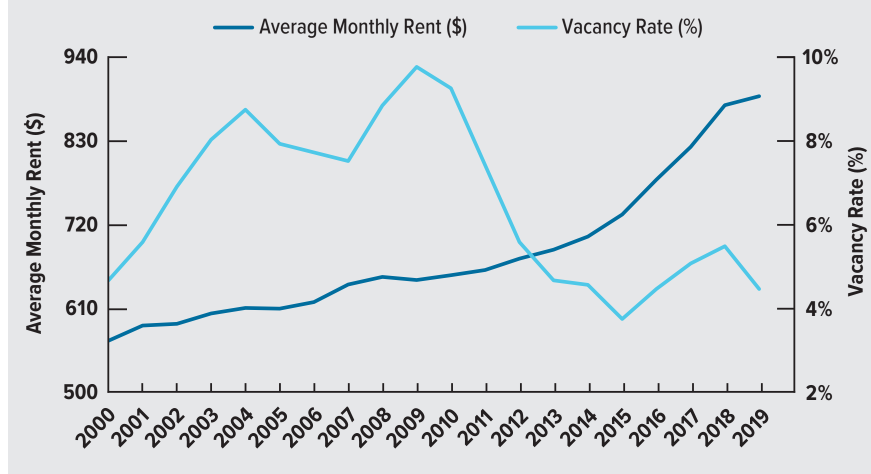
Table 14. Rental and Apartment Market Quick Facts in the Missouri Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	12.5	6.4

Apartment Market Quick Facts		Current	YoY Change
	Apartment Vacancy Rate	4.4	-1.0
	Average Rent	$889	1.4

YoY= year-over-year.
Notes: The current date is January 1, 2020. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2018 American Community Survey, 1-year data; Reis, Inc.

Figure 25. Apartment Rents and Vacancy Rates in the Missouri Submarket



Source: Reis, Inc.

of all apartment units built in the HMA have been either studios or one-bedroom units, compared with slightly more than 45 percent of all apartment units from 2011 or earlier (ALN Apartment Data, Inc.). In Jackson County, the most urban county of the submarket, the shift to smaller apartment units has been more extreme. Before 2012, nearly 46 percent of all apartment units built were either one-bedroom or studio units, but since 2012, that is up to 62 percent.

Vacancy Rates

The apartment market in the Missouri submarket is currently slightly tight, with a 4.4 percent vacancy rate during 2019, down from 5.4 percent in 2018 (Reis, Inc., with adjustments by the analyst) (Figure 25). Since 2012, the apartment market has remained slightly tight even with increased production by developers as stronger population growth in this submarket, especially in the urban core of the city of Kansas City, has increased demand for rental housing. This is a sharp turnaround from earlier periods when the apartment market had significantly higher vacancy rates. In 2000, the apartment market was slightly tight, with a 4.6 percent vacancy rate. Beginning in 2001, the average apartment vacancy rate steadily increased to 8.6 percent. By 2004, the apartment market was soft, as the local economy lost jobs during these years. In 2005, with improving economic conditions, the vacancy rate began to slowly decline once more. By 2007, the market returned to balanced conditions as the vacancy rate dropped to 7.4 percent. The balanced conditions were short-lived, as the economic downturn and the national housing crisis led to soft apartment market conditions as the vacancy rate increased to 9.6 percent in 2009. The increasing vacancy rate and deteriorating economic conditions led to a reduction in rental production, which helped stabilize the market, and the rental vacancy rate began to decline in 2010. From 2010 through 2015, with improving economic conditions, the vacancy rate declined every year and reached an all-time low of 3.7 percent in 2015. As the market was tightening during these years, developers responded by increasing construction of apartment units, and the vacancy rate started to increase slightly and by 2018 was up to 5.4 percent in the Missouri submarket.

Rents

During 2019, the average rent for an apartment in the Missouri submarket was $889 a month, up by more than $10, or 1 percent, from 2018. This was the smallest percentage increase in average rents since 2011, when the average rent increased by slightly more than $5, or 1 percent, to $660. From 2012 through 2018, as the market tightened and an increased number of new units came online, the average rent increased by an average of $31, or 4 percent, annually. The rent growth from 2012 through 2018 has been significantly higher than previous periods of rent growth, due, in part, to the rapid tightening of the market. Also, the rent growth has been stronger while the market was producing a higher number of studio units and one-bedroom units. From 2000 through 2004, rent growth averaged $11, or 2 percent, annually, as the apartment market slowly softened and increasing vacancy rates limited rent growth. In 2005, the average rent dropped by $1, as landlords in some properties attempted to cut rents to increase occupancy. From 2006 through 2008, rent growth averaged $14, or 2 percent, annually, as declining vacancy rates and improving economic conditions provided landlords more cushion to allow for rent increases. In 2009, with increasing job losses in the local economy, the average rent declined by $4, or 1 percent. During the next 2 years, rent increases were small as the local economy began to improve, and the large number of vacant units were absorbed. From 2010 through 2011, the average rent for an apartment increased by only $7, or 1 percent, annually.

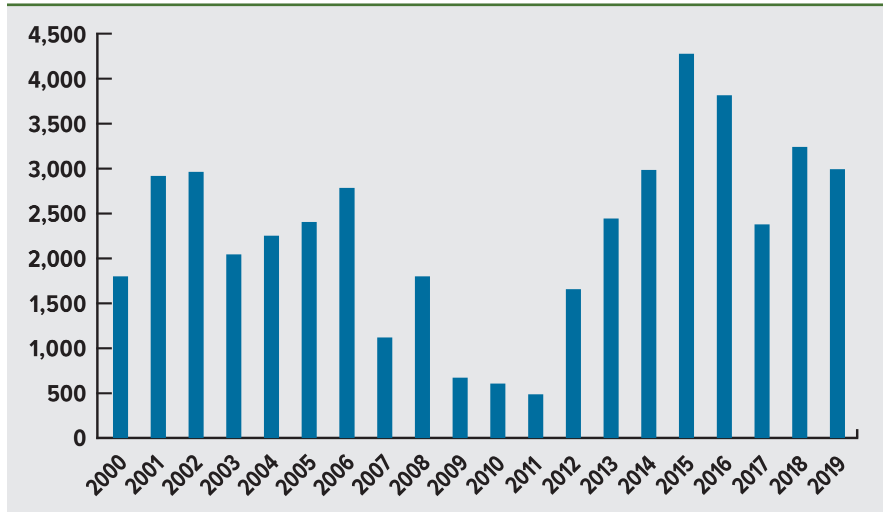
Local Market Areas

There is significant variation in the rental market across various Reis, Inc.-defined market areas. The Downtown Kansas City market area has the highest average rent in the Missouri submarket at $1,201 per month, which was down by $48, or nearly 4 percent from 1 year earlier. The apartment market in the Downtown Kansas City market area is currently balanced, with a 7.1-percent vacancy rate, down from 12.5 percent 1 year earlier. The apartment vacancy rate in this market area was 5.6 percent in 2016, but during 2017 and 2018, 3,675 apartment units entered this market area during those 2 years and caused the vacancy rate to rise. Those 3,675 units accounted for more than 60 percent of all new apartment units in the Missouri submarket during that period. During 2019, there were less than 100 new units that entered this market area, and in conjunction with the declining average rent, allowed this submarket to come back into balance. In 2000, the Downtown Kansas City market area was the fifth most expensive market area out of the 11 Reis, Inc.-defined market areas in the Missouri submarket, but by 2010, it was the second most expensive market area in the Missouri submarket. The Reis, Inc.-defined Southwest Kansas City market area has the lowest average rent, $694 per month, of any market area; the vacancy rate in this market area was 3.0 percent during 2019, unchanged from 2018.

Building Activity

Construction of rental units, as defined by the number of rental units permitted, has increased since 2012 in response to the increase of renter household formation in this submarket (Figure 26). During 2019, there were 4,075 rental units permitted in the Missouri submarket, an increase of 825 units, or 25 percent, from 2018. This is the second consecutive year of increasing rental building activity, as the number of rental units permitted in 2018 was up by 875 units, or 37 percent, from 2017. Even with the recent large increases in the production of rental units, the construction of new rental units is below the all-time high of 4,275 in 2015, which was followed with 3,825 rental units

Figure 26. Annual Rental Permitting Activity in the Missouri Submarket



Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through December 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000—2017 final data and analyst estimates; 2018 and 2019 preliminary data and estimates by the analyst

permitted in 2016. These 2 years of production surpassed the total number of units permitted in any 3-year period from 2000 through 2014. With such a surge in production, developers slowed production in 2017 to allow time for the pipeline to be absorbed, but once again increased production as those units were absorbed.

Recent developments in the submarket include Two Light Luxury Apartments in the downtown Kansas City Power & Light District. This 25-story tower opened in 2018 and includes 296 apartment units. Rents range from $1,499 for a one-bedroom unit to $5,525 for a two-bedroom penthouse unit. The Copper Ridge Apartments in Liberty, Missouri, also opened in the submarket in 2018. This 292-unit garden-style development has rents ranging from $934 for a one-bedroom unit to $1,689 for a two-bedroom unit. Since 2010, approximately 28 percent of all apartment units built in this submarket have been in garden-style developments, significantly lower than the period from 2000 to 2009 when nearly 82 percent of all apartment units were built in garden-style developments. This is part of a trend, especially in the city of Kansas City, with more dense, mixed-use developments such as apartments on the upper floors with retail or other amenities on the lower levels.

Forecast

During the 3-year forecast period, demand is estimated for 8,375 new rental units in the Missouri submarket (Table 15). The 5,500 units currently under construction will satisfy a significant portion of the demand during the first 2 years. The majority of the new apartment construction is expected to occur in Jackson County as people are choosing to live in a more urban environment. Demand will be greatest in the first year and slow each successive year along with population growth.

Table 15. Demand for New Rental Units in the Missouri Submarket During the Forecast Period

	Rental Units
Demand	8,375 Units
Under Construction	5,500 Units

Note: The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Source: Estimates by the analyst

Rental Market—Kansas Submarket

Current Conditions and Recent Trends

The overall rental housing market in the Kansas submarket is currently balanced with an estimated 6.5 percent vacancy rate, down from 10.5 percent in 2010 (Table 16). Since 2010, nearly 58 percent of all new household formations in the submarket have been renter households, up from slightly more than 38 percent of all new household formations during the 2000s.

Table 16. Rental and Apartment Market Quick Facts in the Kansas Submarket

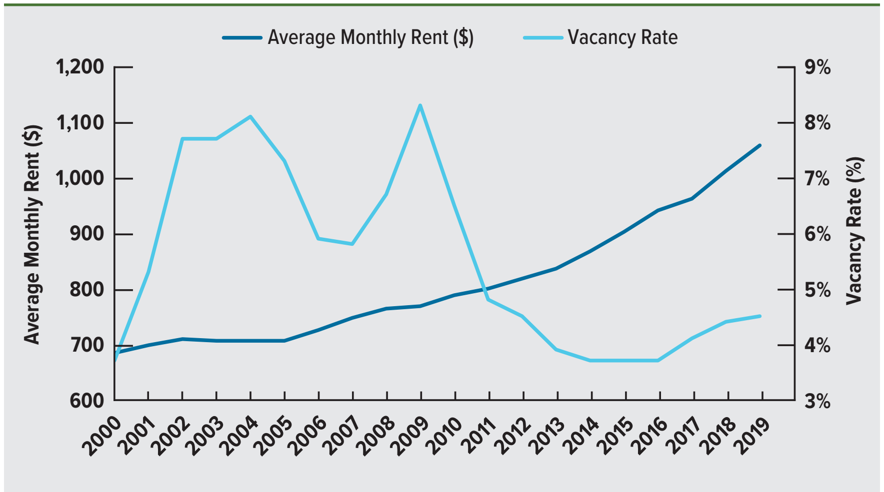
		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	10.5	6.5
		Current	**YoY Change**
Apartment Market Quick Facts	Apartment Vacancy Rate	4.5%	1.0
	Average Rent	$1,058	4.5

YoY= year-over-year.
Notes: The current date is January 1, 2020. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2018 American Community Survey, 1-year data; Reis, Inc.

Vacancy Rates

The apartment market in the submarket is currently slightly tight, with a 4.5 percent vacancy rate, up from 4.4 percent during 2018 and 4.1 percent in 2017 (Figure 27). The apartment vacancy rate has been increasing for 3 consecutive years as developers responded to tight conditions with increased production. The past 3 years of increasing vacancy rates follow the 3-year period from 2014 through 2016, when the apartment market was at its tightest point in this submarket, with a 3.7-percent vacancy rate. The 3.7-percent vacancy rate that existed in this submarket from 2014 through 2016 tied the all-time low vacancy rate of 3.7 percent in 2000. Following the 3.7-percent vacancy rate in 2000, the apartment vacancy rate increased for the next 4 years as the local economy lost jobs reaching 8.1 percent during 2004. With the local

Figure 27. Apartment Rents and Vacancy Rates in the Kansas Submarket



Source: Reis, Inc.

economy improving in 2005 and the production of rental units declining by 2007, the apartment vacancy rate was down to 5.8 percent in 2007. In 2008, with the economic downturn, the apartment vacancy rate began to increase once more, reaching an all-time high of 8.3 percent in 2009. With an improving economy in 2010 and production remaining limited during the early part of the recovery, by 2014, the apartment vacancy rate was down to 3.7 percent.

Rents

During 2019, the average rent for an apartment in the Kansas submarket was $1,058, an increase of $46, or 5 percent, from 2018. Rent growth has been above 2 percent in the submarket since 2012, increasing by an average of $30, or 3 percent, annually. In 2000, the average rent for an apartment in the submarket was $684 and increased by an average of $13, or 2 percent, annually, to reach $709 during 2002. Even as the local economy began to improve in 2003, the large number of units permitted in 2000 and 2001 entered the market and caused the vacancy rate to increase, placing downward pressure on rents. During 2003, the average rent for an apartment declined by $3, or less than 1 percent, to $706 and remained unchanged from this level through 2005. In 2006, the average rent began to increase once more in this submarket, and by 2011, it was up to $800, an average increase of $16, or 2 percent, annually.

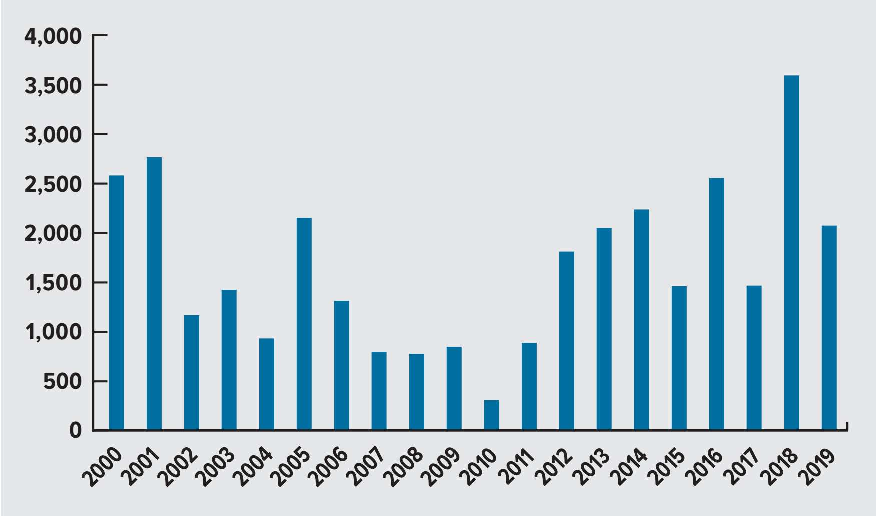
Local Market Areas

The Kansas submarket contains six Reis, Inc.-defined market areas, with the Overland Park South market area having the highest average rent at $1,250 per month. The apartment vacancy rate in this market area is currently 4.9 percent, up from 4.5 percent in 2018. The Overland Park South market area has consistently been the most expensive in the Kansas submarket since 2000. The Wyandotte market area is the least expensive apartment market area in the Kansas submarket, with an average rent of $780 during 2019, which is up by $38, or more than 5 percent, from 2018. The Wyandotte market area is also the tightest in the submarket, with a 2.8 percent vacancy rate, down from 3.3 percent 1 year earlier.

Building Activity

During 2019, construction of rental units, as measured by the number of rental units permitted, totaled 2,075, a sharp decline of 1,525 units, or more than 42 percent from 2018 when an all-time peak level of 3,600 rental units were permitted (Figure 28). Production in 2018 exceeded the previous all-time peak in 2001 of 2,775 rental units permitted by nearly 30 percent. Following the previous peak in 2001, rental production remained limited from 2002 through 2004, with an average of 1,175 rental units permitted annually as an increasing vacancy rate caused developers to cut back on production. In 2005, rental production spiked with 2,150 rental units permitted, but production dropped by 850 units, or 40 percent, to only 1,300 rental units permitted in 2006. Beginning in 2007, rental production dropped further, with an average of 800 rental units permitted annually from 2007 through 2009. In 2010, rental production bottomed out, with only 300 rental units permitted. In 2011, as the economy began to improve and the vacancy rate declined, production began to increase again. From 2011 through 2014, rental production increased by an average of 480, or 65 percent, annually and totaled 2,225 rental units permitted

Figure 28. Annual Rental Permitting Activity in the Kansas Submarket



Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through December 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000—2017 final data and analyst estimates; 2018 and 2019 preliminary data and estimates by the analyst

in 2014. Since 2015, rental production has oscillated every year as developers tried to avoid overproduction and allow for the units built to be absorbed. In 2015, rental production totaled 1,450, a decline of 780, or 35 percent, from 2014, but during 2016, rental production totaled 2,550, an increase of 1,100, or 75 percent, from 2015. In 2017, rental production dropped once more, totaling 1,450 again, a decline of 1,100 units, or 43 percent, from the previous year.

Some recent developments include The District at City Center in Lenexa, Kansas. This is a 175-unit development with rents ranging from $1,050 per month for a studio apartment to $2,595 for a two-bedroom unit. BlackHawk Apartment Homes in Spring Hill, Kansas, have one- and two-bedroom units with rents that range from $825 to $1,135, respectively, per month. Since 2010, approximately 47 percent of all apartment units built in this submarket have been in garden-style developments, significantly lower than the period from 2000 to 2009, when nearly 95 percent of all apartment units were built in garden-style developments.

Forecast

During the 3-year forecast period, demand is estimated at 5,050 new rental units in the Kansas submarket (Table 17). The 4,600 units currently under construction will satisfy a significant portion of that demand. Most of the new rental construction will take place in Johnson County near the major employment centers. Demand will be strongest during the first year and decline each subsequent year after.

Table 17. Demand for New Rental Units in the Kansas Submarket During the Forecast Period

	Rental Units
Demand	5,050 Units
Under Construction	4,600 Units

Note: The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, estimates this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Forecast Period	1/1/2020–1/1/2023—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or rent. The term, therefore, includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits

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