



**Table 1.** Housing Demand in the Kansas City HMA During the Forecast Period

	Kansas City HMA		Missouri Submarket		Southern Kansas Submarket		Northern Kansas Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	20,250	12,780	10,150	7,525	8,225	4,475	1,875	780
Under construction	935	5,900	480	3,700	380	2,200	75	0

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2015. A portion of the estimated 34,100 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is April 1, 2015, to April 1, 2018.

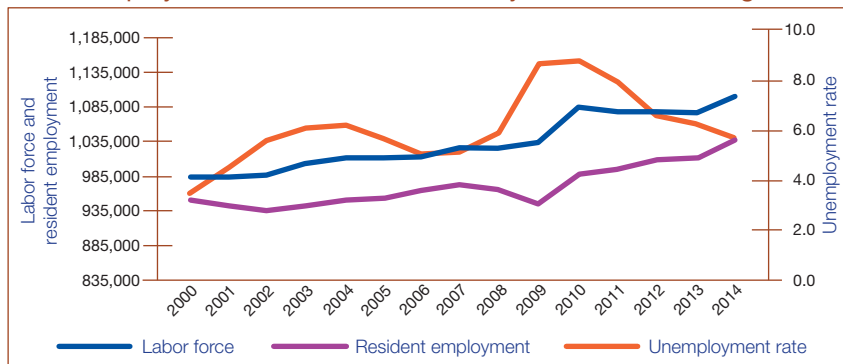
Source: Estimates by analyst

## Economic Conditions

With the recent trend in non-farm payroll growth that began in 2011, economic conditions in the Kansas City HMA are the strongest they have been since before 2000. Non-farm payrolls totaled nearly 1.03 million during the 12 months ending March 2015, which is an increase of 23,600 jobs, or 2.4 percent, and is double the rate of growth from the previous 12 months, when nonfarm payrolls increased by 11,800 jobs, or 1.2 percent. During 2014, nonfarm payrolls exceeded the previous peak level of 1.01 million jobs in 2008. The unemployment rate in the HMA was 5.4 percent, during the 12 months ending March 2015, down from 6.2 percent

during the previous 12 months and down from a high of 8.7 percent during 2010. Figure 1 shows the trends in labor force, resident employment, and the unemployment rate from 2000 through 2014. Job growth occurred in all but one sector during the most recent 12 months. The information sector, which declined by 200 jobs, or 0.7 percent, was the only sector with a decline in jobs during the 12 months ending March 2015 (Table 2). These losses are attributed to the layoff of 450 workers at Sprint Corporation from its Overland Park, Kansas headquarters in October 2014.

Kansas City originated as a river port on the Missouri River and later became a major rail hub. Today, the Kansas City 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. The HMA benefited from strong growth in both the wholesale and retail trade and the transportation and utilities sectors during the 12 months ending March 2015 with nonfarm payrolls increasing by 3,900 and 1,800 jobs, or 2.5 and

**Figure 1.** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Kansas City HMA, 2000 Through 2014

Source: U.S. Bureau of Labor Statistics

4.1 percent, to 160,100 and 45,700 jobs, respectively. One recent development that continues to build on the HMA's transportation reputation is Logistics Park Kansas City (LPKC), a master-planned distribution and warehouse development. The LPKC, in Edgerton, Kansas, was developed along the BNSF Railway transcontinental railroad line that runs from Chicago, Illinois, to ports in Long Beach and Los Angeles, California. BNSF Railway completed its \$250 million intermodal facility in November 2013. When fully built out in 2020, this facility is expected to have more than 15 million square feet of warehouse space and employ nearly 13,000 people.

The professional and business services sector is the largest employment sector in the HMA, with 169,100 jobs, which accounts for 16.5 percent of all non-farm payroll jobs, and led job growth during the 12 months ending March 2015, increasing by 5,000 jobs, or 3.0 percent. Figure 2 shows current non-farm payroll jobs by sector. Some of the recent growth in the professional and business services sector came from Sedgwick LLP, a San Francisco-based law firm, which expanded into Kansas City and added 100 jobs in 2014. One of the largest employers in the professional and business services sector in the HMA is H&R Block, Inc., a large tax preparation firm, headquartered in downtown Kansas City with more than 1,000 employees in the HMA.

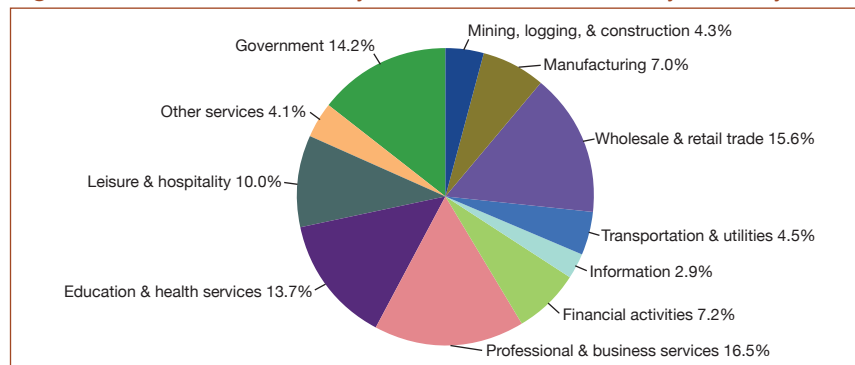
**Table 2. 12-Month Average Nonfarm Payroll Jobs in the Kansas City HMA, by Sector**

	12 Months Ending		Absolute Change	Percent Change
	March 2014	March 2015		
Total nonfarm payroll jobs	1,002,400	1,026,000	23,600	2.4
Goods-producing sectors	110,900	116,000	5,100	4.6
Mining, logging, & construction	41,600	44,100	2,500	6.0
Manufacturing	69,300	71,900	2,600	3.8
Service-providing sectors	891,500	910,000	18,500	2.1
Wholesale & retail trade	156,200	160,100	3,900	2.5
Transportation & utilities	43,900	45,700	1,800	4.1
Information	29,900	29,700	-200	-0.7
Financial activities	73,300	74,300	1,000	1.4
Professional & business services	164,100	169,100	5,000	3.0
Education & health services	137,600	141,000	3,400	2.5
Leisure & hospitality	99,300	102,300	3,000	3.0
Other services	41,900	42,100	200	0.5
Government	145,300	145,800	500	0.3

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2014 and March 2015.

Source: U.S. Bureau of Labor Statistics

**Figure 2. Current Nonfarm Payroll Jobs in the Kansas City HMA, by Sector**



Note: Based on 12-month averages through March 2015.

Source: U.S. Bureau of Labor Statistics

Construction activity increased significantly in the HMA during the past 12 months, leading to strong job growth in the construction subsector. The mining, logging, and construction sector had the largest percentage gain in non-farm payrolls during the 12 months ending March 2015, increasing 6.0 percent and adding 2,500 jobs. The increase in this sector is entirely because of growth in the construction subsector. Jobs in the construction subsector increased partly as a result of several new construction projects in downtown and south Kansas City. Construction began in 2014 on a 2.1-mile-long streetcar line through downtown Kansas City from the River Market district to Union Station. The project cost is \$114 million and completion is set for 2016. In the River Market district and along the streetcar line downtown, many new multifamily housing units are currently under construction or will be built in the coming years, leading to increased population growth in the central business district area

of Kansas City. Along with new construction in downtown Kansas City, many of the existing vacant buildings in that area are being renovated for commercial or residential use. Outside the construction in the central business district, another major project is the Three Trails campus of Cerner Corporation, which broke ground in November 2014. Three Trails is a 10-year, \$4.5-billion project in south Kansas City, Missouri, that will have 4.7 million square feet of office space in 16 buildings and create 16,000 jobs when it is complete. The first two buildings are currently under construction and

are anticipated to open in 2016. Cerner Corporation is a healthcare information technology company and is the largest employer in the HMA, with 10,150 employees. Table 3 lists the largest employers in the HMA.

The Kansas City HMA is a regional hub for medical services, and the education and health services sector has been the fastest growing sector in the HMA since 2000 in both job numbers and percentage gains (Figure 3). During the 12 months ending March 2015, employment in this sector increased by 3,400 jobs, or 2.5 percent, to 141,000 jobs. HCA Midwest Health, Children's Mercy Hospitals, and University of Kansas Hospital are three of the largest employers in the HMA, with 8,650, 7,425, and 6,500 employees, respectively.

After declining for most of the 2000s, the manufacturing sector recently started to increase in the HMA. During the 12 months ending March 2015, the manufacturing sector increased by 2,600 jobs, or 3.8 percent, following an increase of 500 jobs, or 0.5 percent,

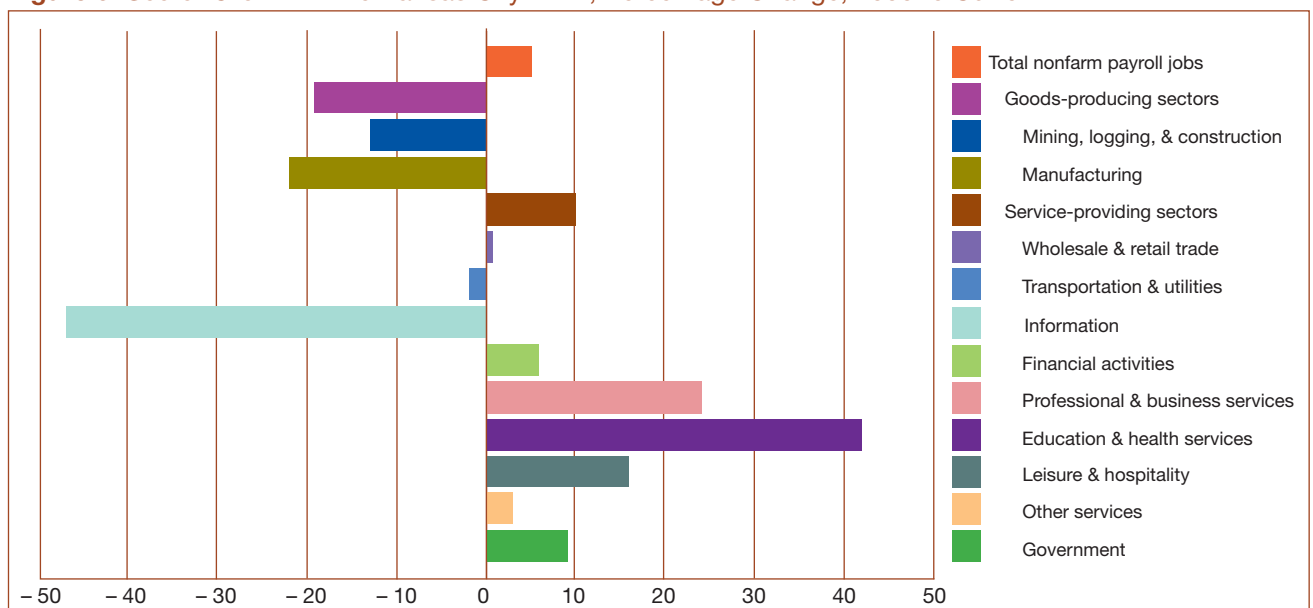
**Table 3. Major Employers in the Kansas City HMA**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Cerner Corporation	Information	10,150
Fort Leavenworth	Government	9,100
HCA Midwest Health	Education & health services	8,650
Sprint Corporation	Information	7,500
Children's Mercy Hospitals	Education & health services	7,425
Ford Motor Company	Manufacturing	7,000
University of Kansas Hospital	Education & health services	6,500
Hallmark Cards, Inc.	Information	4,850
DST Systems Inc.	Information	4,650
City of Kansas City, Missouri	Government	4,275

*Notes: Excludes local school districts. Employment numbers at Fort Leavenworth include 4,000 full-time military members who are not included in the nonfarm payroll numbers.*

*Source: Kansas City Area Development Council*

**Figure 3. Sector Growth in the Kansas City HMA, Percentage Change, 2000 to Current**



*Note: Current is based on 12-month averages through March 2015.*

*Source: U.S. Bureau of Labor Statistics*

during the previous 12 months. Most of the job growth was in the automotive parts manufacturing industry, because Ford Motor Company and General Motors Co. both have a significant presence in the HMA. Ford's 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 announced in 2013 a \$1.1 billion capital investment in its facilities to increase production. In addition to making this capital investment, Ford 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. In total, the number of jobs at the plant has increased from 4,000 to 6,000 since 2012.

During the 12 months ending March 2015, employment in the government sector, which is the third largest employment sector, with 145,800 jobs, increased by 500 jobs, or 0.3 percent. The federal government would be the largest employer in the HMA—with more than 27,000 employees—if all federal governmental entities were counted as a single employer. The rejuvenation of downtown Kansas City, Missouri, is, in part, because of the 900 General Services Administration jobs that are being relocated to the area with the closing of the Bannister Federal Complex in south Kansas City that should be complete by the fall of 2015. This relocation will add to the more than 10,000 federal employees who currently work in downtown Kansas City, Missouri, which includes nearly 3,000 full-time employees at the Internal Revenue Service. One out of every eight workers in downtown Kansas City, Missouri, is a federal employee (*Kansas City Star*).

In addition to housing the federal employees who work in downtown Kansas City, Missouri, the HMA is home to Fort Leavenworth in Kansas, which employs 4,000 full-time military members and nearly 5,100 civilian personnel. Fort Leavenworth also houses the United States Army Combined Arms Center, which is a leadership development training center that has as many as 1,400 students enrolled at any given time. It is estimated that Fort Leavenworth has a \$2 billion annual economic impact on the HMA (2013 report by the 27 committee, a regional economic development board).

During the 2000s, the Kansas City HMA's economy grew slowly when compared with the most recent trends, with nonfarm payroll jobs increasing by an average of 680, or less than 0.1 percent, annually. From 2000 through 2003, nonfarm payrolls declined by 7,275 jobs, or 0.8 percent, annually, to 951,400 jobs. Most of the job losses were in the manufacturing and information sectors, which declined by an average of 3,750 and 2,750 jobs, or 4.2 and 5.2 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.

From the beginning of 2004 through 2008, nonfarm payrolls in the HMA increased by an average of 11,650, or 1.2 percent, annually and peaked at 1.01 million jobs during 2008. The professional and business services and education and health services sectors led job growth during this time period, increasing by 5,375 and 3,250 jobs, or 4.0 and 2.9 percent, respectively.



H&R Block 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.

During 2009 and 2010, the HMA recorded significant job losses when nonfarm payrolls declined by an average of 22,700 jobs, or 2.3 percent, annually. The information sector lost the most jobs, declining by an average of 5,150 jobs, or 13.3 percent, 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 downturn in the economy also caused a slowdown in home construction, resulting in job losses in the mining, logging, and construction sector, which lost an average of 5,750 jobs, or 12.3 percent, annually. The manufacturing sector also suffered significant job losses during the downturn, declining by an average of 3,900 jobs, or 5.1 percent, annually.

The Bureau of Labor Statistics produces separate nonfarm payroll estimates for the Kansas and Missouri portions of the HMA, and, although nonfarm payroll growth was low on the Kansas side of the HMA during the 2000s, nonfarm payrolls actually declined on the Missouri side of the HMA. During the 2000s, nonfarm payrolls on the Kansas side of the HMA increased by an average of 1,750, or 0.4 percent, annually from 403,100 to 420,500 jobs, while the Missouri side lost an average of 1,050 jobs, or 0.2 percent, annually and declined from 563,700

to 553,100 jobs. The unemployment rate on the Kansas side of the HMA averaged 5.4 percent during the 2000s, with the highest unemployment rate being 7.4 percent in 2009. The unemployment rate on the Missouri side averaged 5.7 percent during the 2000s and was 9.6 percent by 2009. During 2010, both states in the HMA experienced losses in nonfarm payroll jobs and began adding jobs again during 2011. From 2011 through 2014, nonfarm payrolls on the Missouri side increased by an average of 4225 jobs, or 0.8 percent, annually compared with an increase on the Kansas side of 9,300 jobs, or 2.2 percent, annually. During the 12 months ending March 2015, job growth on the Missouri side had increased considerably, with nonfarm payrolls increasing by 11,200 jobs, or 2.0 percent, to 568,900 jobs. Nonfarm payrolls on the Kansas side of the HMA increased by 12,400 jobs, or 2.8 percent, to 457,100 nonfarm payroll jobs during the 12 months ending March 2015.

During the 3-year forecast period, the economy of the HMA is expected to continue to expand. Nonfarm payrolls are expected to increase an average of 2.2 percent annually, with the rate of job growth increasing each year. The Tree Trails campus project, a major Cerner expansion in Kansas City, Missouri, is expected to add 3,000 new jobs by the end of 2017 and contribute to strong employment growth in the information sector.

Employment in the construction subsector is expected to increase during the forecast period. The Three Trails campus project by Cerner Corporation is expected to create 4,500 new construction jobs during the next 3 years. The significant increase in residential

construction projects should also contribute to job growth in this sector, including several highrise apartment towers. The largest of these projects is the One Light apartment tower, which is being constructed in Kansas City's Power and Light district. This building is the first of the four planned apartment buildings of the Power and Light development that is being built in phases. The second building is set to begin construction in early 2016, with total completion of all four buildings scheduled for 2018.

Employment in the manufacturing sector should continue to expand with General Motors, whose Fairfax stamping plant in Kansas City, Kansas, recently initiated a \$600 million investment to increase its capacity 15 percent by the end of 2015. With two of the big three domestic auto producers having major facilities in the HMA, many smaller suppliers are attracted to the area. In addition, Yanfeng USA

Automotive Trim Systems, a Michigan-based subsidiary of Yanfeng Visteon of China, recently announced a \$45 million new facility in the HMA that will add nearly 250 new jobs during the next 3 years in the manufacturing sector.

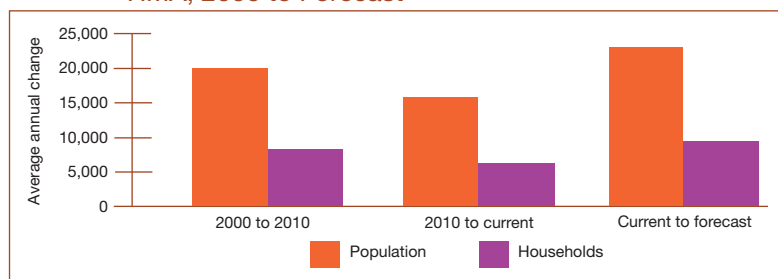
The further development of LPKC will contribute to job growth in the trade, transportation, and utilities sector during the next 3 years. In addition, the education and health services sector should continue its trend of strong growth with several expansions. The Olathe Medical Center began a \$100 million expansion in January 2015 that, when complete, in 2017 will add 200 jobs. In addition, the University of Kansas Hospital broke ground in March 2015 on the Cambridge North Tower, a \$280 million project also scheduled for completion in 2017. As a result, job growth is likely to continue in this sector during the next several years.

## Population and Households

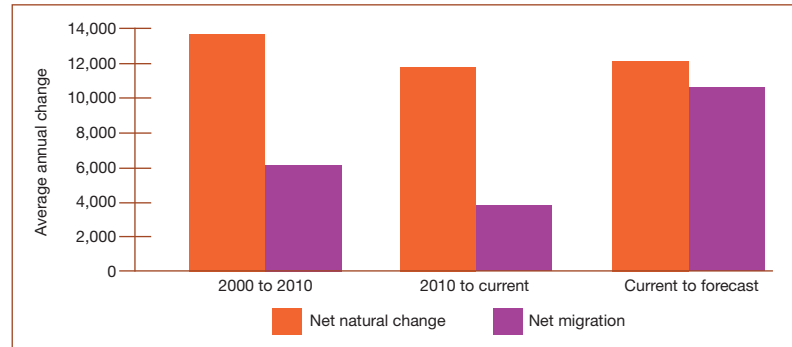
As of April 1, 2015, the population of the Kansas City HMA is estimated at nearly 2.09 million. Since 2010, the population of the HMA has

increased by an average annual 15,550, or 0.8 percent, and net in-migration has averaged 3,850 people, annually. Accelerating job growth contributed to increased net in-migration during the past year, however. Net in-migration averaged 2,200 people annually from 2010 to 2013 but has since increased to an annualized level of 7,650 people (Census Bureau population estimates as of July 1). Population growth between the 2000 and 2010 census dates averaged 19,800 people, or 1.0 percent, annually, with in-migration averaging 6,150 people annually. Figures 4 and 5

**Figure 4. Population and Household Growth in the Kansas City HMA, 2000 to Forecast**



Notes: The current date is April 1, 2015. The forecast date is April 1, 2018.  
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

**Figure 5. Components of Population Change in the Kansas City HMA, 2000 to Forecast**

Notes: The current date is April 1, 2015. The forecast date is April 1, 2018.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

show population and household growth and the components of population change, respectively, in the HMA from 2000 through the forecast period.

Kansas City, Missouri, is the largest city in the HMA; the population of roughly 468,000 accounts for approximately 22 percent of the HMA's population. Overland Park, Kansas, is the largest city in the Southern Kansas submarket, with a population approaching 181,300. Kansas City, Kansas, which is separated from Kansas City, Missouri, by State Line Road and the Missouri River, has an estimated population of 149,000 and is the largest city in the Northern Kansas submarket.

Population growth in the Missouri submarket was much stronger in the second half of the 2000s than in the first half because of stronger job growth. From 2000 to 2005, population growth averaged 7,925 people, or 0.7 percent, annually, with net in-migration averaging 1,175 people annually. From 2005 to 2010, population growth in this submarket increased to an average of 10,700 people, or 0.9 percent, annually, with net in-migration averaging nearly 3,200 people a year. Since 2010, population growth has averaged 6,600 people, or 0.5 percent, annually

because in-migration to the submarket has declined to an average of 700 people a year.

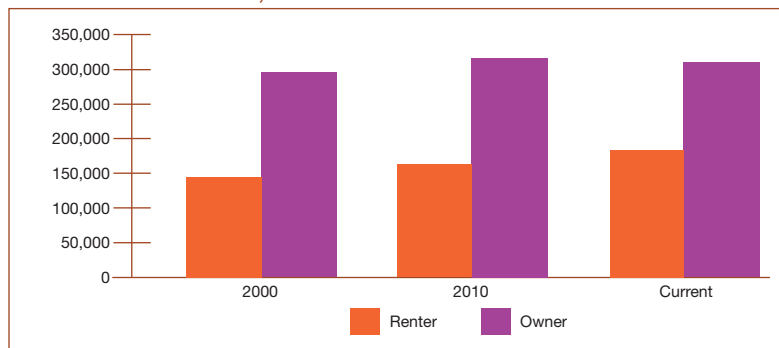
The Southern Kansas submarket has consistently recorded the fastest rate of growth in the HMA because of the strong job growth in this submarket. Johnson County, Kansas, is the predominant county in this submarket with an estimated population of 580,000, which accounts for 93 percent of the total population in the submarket and has accounted for nearly 100 percent of population growth in the submarket since 2000. From 2000 to 2006, population growth in this submarket accounted for 55 percent of the HMA's total population growth. During those years, population growth in the submarket averaged 10,550 people, or 2.0 percent, annually with net in-migration averaging 6,000 people a year. From 2006 to 2010, population growth in the submarket averaged 8,050 people, or 1.4 percent, annually, with the population growth slowing each successive year during this period. Since 2010, the rate of population growth in this submarket has continued to slow and increased by an average of 7,250 people, or 1.2 percent, annually because in-migration has slowed considerably to 3,250 people per year.



The Northern Kansas submarket has consistently recorded the slowest population growth of any of the submarkets. From 2000 to 2006, the population of this submarket declined when the submarket lost an average of 70 people per year, with net out-migration averaging 1,775 people annually. This situation reversed itself between 2006 and 2010, when the submarket population increased by an average of 1,975, or 0.9 percent, annually, with in-migration averaging 130 people per year during this time. Since 2010, migration patterns in this submarket have changed again, with a net out-migration of 200 people per year contributing to slower population growth that has averaged 1,625 people, or 0.7 percent, annually.

During the next 3 years, population growth in the HMA is expected to average 22,650 people, or 1.1 percent, annually as the HMA reaches a population of more than 2.15 million by April 1, 2018. Stronger than average employment growth is expected to contribute to average annual net in-migration of 10,550 people, as people migrate to the area to fill jobs. The population of the Missouri submarket is expected increase by an average annual 11,000, or 0.9 percent, while population growth in the Southern Kansas submarket is expected to average 9,675 people, or 1.5 percent, annually. Population growth will continue to be slowest in the Northern Kansas submarket, which is expected to be an average of 1,900 people, or 0.8 percent, annually.

**Figure 6. Number of Households by Tenure in the Missouri Submarket, 2000 to Current**



Note: The current date is April 1, 2015.  
Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

**Figure 7. Number of Households by Tenure in the Southern Kansas Submarket, 2000 to Current**



Note: The current date is April 1, 2015.  
Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

As of April 1, 2015, an estimated 820,400 households are in the Kansas City HMA; household growth has averaged 6,175 households, or 0.8 percent, annually since 2010. Between 2000 and 2010, household growth in the HMA averaged 8,125 households, or 1.1 percent, annually.

The Missouri submarket has the largest number of households, with 489,400, which represents an average increase of 2,750 households, or 0.6 percent, since 2010. This increase is less than the rate of household growth between 2000 and 2010, which averaged 3,875 households, or 0.9 percent, annually. This submarket currently has a 62.7-percent homeownership rate, which is down from 65.9 percent during 2010. Figures 6, 7, and 8 show the number of households by tenure in the respective submarkets.

An estimated 243,650 households are currently in the Southern Kansas submarket. The rate of household

**Figure 8.** Number of Households by Tenure in the Northern Kansas Submarket, 2000 to Current

Note: The current date is April 1, 2015.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

growth traditionally has been strongest in this submarket and has averaged 2,925 households, or 1.2 percent, annually since 2010. The rate of household growth is much slower than it was during the period from 2000 to 2010, when the number of households increased by an average of 4,025, or 2.0 percent, annually. This submarket has the highest homeownership rate of any of the submarkets in the HMA, with 68.2 percent of all households being owner households which is down from 71.4 percent in 2010.

Since 2010, household growth in the Northern Kansas submarket has increased by an average of 500, or 0.6 percent, annually to 87,350. By comparison, the number of households increased by an average of only 210, or 0.2 percent, annually from 2000 to 2010. This submarket has the lowest

homeownership rate (59.1 percent) of any of the three submarkets in the HMA. The homeownership rate is currently down from 62.6 percent in 2010.

Household growth in the HMA is expected to average 9,275, or 1.1 percent, annually during the next 3 years with household growth increasing in all three submarkets while job growth attracts people to the HMA. The largest household growth is expected to occur in the Missouri submarket, with growth averaging 4,625, or 0.9 percent, annually. The southern Kansas submarket is expected to continue to have the highest growth rate, with household growth averaging 1.6 percent annually, or 3,950 new households a year. Household growth in the Northern Kansas submarket is expected to average 670, or 0.8 percent, annually.

## Housing Market Trends

### Sales Market—Missouri Submarket

The sales housing market in the Missouri submarket is currently slightly soft but improving with a vacancy rate of 2.5 percent, which is down from 3.0 percent during April 2010.

During March 2015, this submarket had a 4.4-month supply of inventory, which increased slightly from a 4.3-month supply 1 year earlier Kansas City Regional Association

of Realtors® [KCRAR]). In March 2015, 3.6 percent of all mortgage loans in the HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned (REO) status, which was down from 4.2 percent in March 2014 and well below the peak level of 6.9 percent in January 2010 (Black Knight Financial Services, Inc.).

New home sales in the submarket increased during the past 24 months, reversing the previous trend of declining sales. During the 12 months ending March 2015, 1,450 new homes sold, an increase of 240, or 20 percent, from the 12 months ending March 2014, when homes sales increased by 120 homes, or nearly 11 percent, from the previous 12 months (Metrostudy, A Hanley Wood Company). The average sales price of a new home in the submarket was \$321,700 during the 12 months ending March 2015, an increase of \$13,200, or 4 percent, from the previous 12 months. The number of new home sales in the submarket remains 76 percent, below the peak of 6,025 new home sales in 2005. Following 2005, the number of new home sales declined for 7 consecutive years, to a low of 1,050 new homes sold in 2012, an average annual decline of 710, or 22 percent. When the number of new home sales began to decline, the average sales price of new homes continued to increase for 2 additional years, peaking at \$269,600 in 2007. Following the peak, and coinciding with the national economic downturn, the average new home sales price declined during the next 2 years by an average of \$15,950, or 6 percent, annually, to a low of \$237,700 during 2009. Beginning in 2010, new home sales prices started to appreciate again as the economy began to improve. From 2010

through 2012, home prices increased by an average of \$10,300, or slightly more than 4 percent, annually to \$278,800.

The regular resale of existing homes (which excludes REO home sales and is hereafter referred to as existing homes) has increased each year since 2012, but remains below the peak levels in the mid-2000s. During the 12 months ending March 2015, existing home sales totaled 21,000, an increase of 1,850, or nearly 10 percent from the previous 12 months. During the same period, the average sales price of an existing home remained unchanged at an all-time peak of \$189,100. With improving economic conditions during 2012 and 2013, existing home sales climbed by an average of 2,800, or slightly more than 19 percent, annually to 18,900 sales during 2013, and the average sales price increased by an average of \$9,100, or more than 5 percent annually to \$188,600. The number of existing home sales in the past 12 months remains 18 percent below the all-time peak of 25,300 sales during 2005 when the average sales price was \$180,000. Following 2005, existing home sales declined for 6 consecutive years to 13,300 sales during 2011, an average annual decline of nearly 2,000 homes, or 10 percent. The average sales price of an existing home dropped to \$170,400 during 2011, an average annual decline of \$1,600, or nearly 1 percent annually since 2005.

The improving housing market in the Missouri submarket led to a decline in both the number of REO sales and their percentage of total sales in the past few years. During the 12 months ending March 2015, REO sales totaled 4,050, which is down 1,200, or 23 percent, from the previous 12 months. REO sales accounted for more than

16 percent of all existing home sales in the submarket during the most recent 12 months, down from 22 percent of all existing home sales during the previous 12 months. In 2005, 2,075 REO properties sold in the submarket, accounting for nearly 8 percent of existing home sales. During the next 3 years, REO sales increased by an average of 1,675, or 51 percent, annually to a peak of 7,125 during 2008, which accounted for 29 percent of all existing home sales in the submarket. REO sales stabilized at an average of 6,350 a year from 2009 through 2012, but still accounted for more than 28 percent of all existing home sales in the submarket during the period.

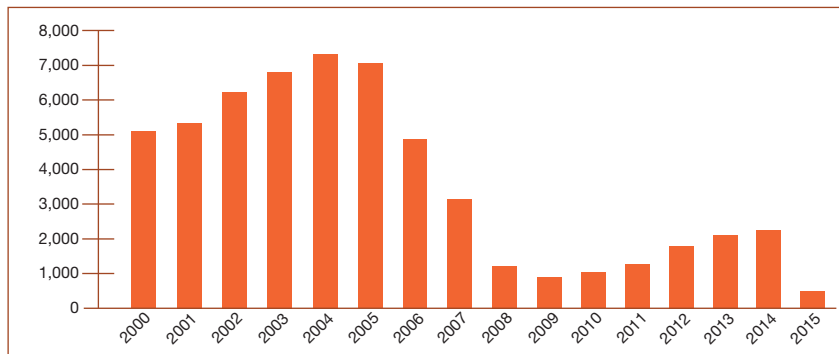
Despite improved sales market conditions, homebuilding activity, as measured by the number of single-family homes permitted, remains at a low level. During the 12 months ending March 2015, 2,275 single-family homes were permitted, an increase of 150 units, or more than 7 percent, from the previous 12 months (preliminary data). From 2000 through 2005, an average of 6,275 single-family homes were permitted annually. This time was the prime building period in the submarket, and production began to decline in 2006 when 4,850 single-family homes were permitted. The

number of single-family homes permitted from 2006 through 2009 declined by an average of 1,000, or 36 percent, annually to bottom out with the 820 single-family homes permitted during 2009. Starting in 2010, single-family construction started to increase along with an improving economy. From 2010 through 2013, the number of single-family homes permitted increased by an average of 320, or more than 26 percent, annually to 2,100 permits in 2013. Figure 9 shows the number of single-family homes permitted in the Missouri submarket.

Newer developments in the submarket include Forest Ridge Estates, in the Northland area of Kansas City, Missouri. This development is one-half complete with 17 of its 33 homes built. Sales prices in this subdivision start at \$443,000 for four- and five-bedroom homes. The Legacy Woods development, in Lee's Summit, Missouri, began a new phase consisting of 44 lots in late February 2015; the phase should be complete by the end of 2016. Home prices in this development range from \$288,900 to more than \$350,000

Demand is estimated for 10,150 new homes in the submarket during the 3-year forecast period, with demand increasing during each successive year of the forecast. The 480 homes currently under construction will meet part of the demand during the first year (Table 1). A portion of the 24,250 other vacant units in this submarket may reenter the market and satisfy some of the forecast demand. Demand is expected to be the greatest for homes in the \$250,000-to-\$299,999 price range. New single-family home demand will likely be concentrated in the Northland sections of Kansas City and the

**Figure 9.** Single-Family Homes Permitted in the Missouri Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

## Housing Market Trends

Sales Market—Missouri Submarket Continued

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Missouri Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
135,000	199,999	800	8.0
200,000	249,999	1,900	19.0
250,000	299,999	2,800	28.0
300,000	349,999	2,200	22.0
350,000	399,999	1,600	16.0
400,000	449,999	400	4.0
450,000	499,999	200	2.0
500,000	and higher	100	1.0

Notes: The 480 homes currently under construction and a portion of the estimated 24,250 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is April 1, 2015, to April 1, 2018.

Source: Estimates by analyst

inner suburbs in Jackson County during the next 3 years. The central area of Kansas City in Jackson County is likely to see numerous infill single-family homes as the recent national trend of more urban living continues in the city. Table 4 shows estimated demand for new market-rate sales housing in the Missouri submarket, by price range.

## Rental Market—Missouri Submarket

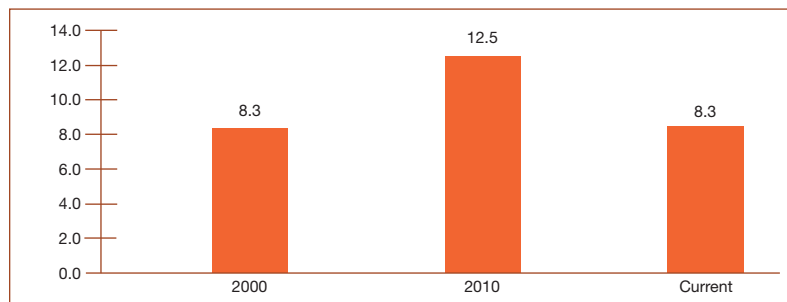
The overall rental market (including single-family homes, mobile homes, and apartment units) in the Missouri submarket is slightly soft but improving, with an 8.3-percent vacancy rate (Figure 10). The overall vacancy rate is currently down significantly from 12.5 percent in April 2010. Single-family homes have become an increasingly important part of the rental market with 35 percent of renter households residing in single-family homes (2013 American Community Survey [ACS] 1-year data), up from 30 percent in 2010 and 28 percent in 2000.

The apartment market in the submarket is balanced, with a 4.6-percent vacancy rate in the first quarter of 2015, which is down from 4.8 percent 1 year

earlier. The average rent for an apartment in this submarket was \$710, an increase of \$20, or nearly 3 percent, from the first quarter of 2014 (Reis, Inc., with adjustments by the analyst). In 2000, the apartment vacancy rate was 4.6 percent, but steadily increased during the next 4 years, peaking at 8.6 percent in 2004 as job growth and immigration to the submarket slowed substantially during these years. As population growth increased in this submarket, demand for apartments increased slightly, contributing to a decline in the vacancy rate to 7.4 percent in 2007. Coinciding with the economic downturn that began in 2008, the apartment vacancy rate began to increase and had risen to 9.1 percent by the end of 2010.

An increasing portion of new multifamily construction is occurring in downtown Kansas City, Missouri, relative to previous years, as urban living becomes more desirable for young professionals. Multifamily building activity, as measured by the number of units permitted, totaled 4,000 units during the 12 months ending March 2015, which is more than double the 1,500 units from the previous 12 months,

**Figure 10.** Rental Vacancy Rates in the Missouri Submarket, 2000 to Current



Note: The current date is April 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst



## Housing Market Trends

Rental Market—Missouri Submarket Continued

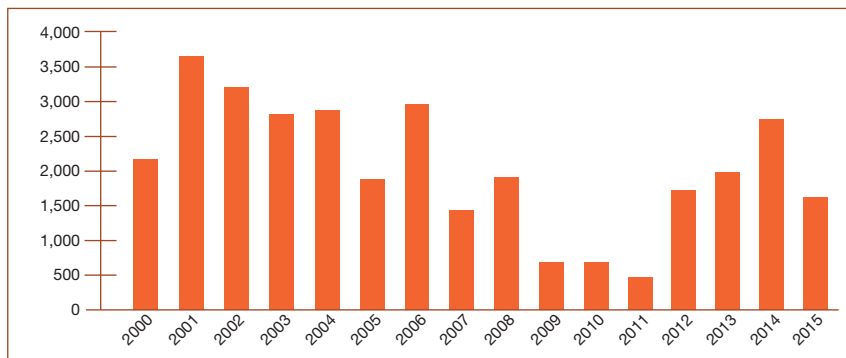
and greater than the previous high of 3,650 units permitted in 2001 (preliminary data). The peak period for multifamily construction in the Missouri submarket was from 2000 through 2004 when an average of 2,950 multifamily units were permitted annually. Multifamily construction began to slow slightly as apartment market conditions softened from 2005 through 2008 when an average of 2,050 units were permitted annually. From 2009 through 2011, an average of 600 multifamily units were permitted annually as the economic downturn slowed formation of new households and in turn, housing demand. Multifamily construction started to increase in 2012, when 1,700 multifamily units were permitted, as increased in-migration to the area spurred demand for new

housing units. Figure 11 shows the number of multifamily units permitted in the Missouri submarket.

Newer rental properties include the 46 Penn apartments in Kansas City completed in November 2014. This 188-unit property has one- and two-bedroom units. One-bedroom rents range from \$1,295 to \$1,695, while the two-bedroom units range from \$2,015 to \$2,835. The Twenty9G development, which began leasing up in March 2015 consists of eight one-bedroom units that rent for \$1,025, and 14 two-bedroom units that rent from \$1,300 to \$1,650 a month. Both of these projects are directly south of downtown Kansas City's central business district.

During the forecast period, demand is estimated for 7,525 new rental housing units (Table 1). Demand is expected to be greatest for two-bedroom units in the \$1,050-to-\$1,249 price range (Table 5). Demand for rental units in downtown Kansas City will remain strong during the next 3 years as the downtown streetcar line is completed providing an impetus for development of living space in the central business district. The 3,700 units currently under construction that will come on the market during the next 3 years will meet a portion of the forecast demand.

**Figure 11.** Multifamily Units Permitted in the Missouri Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Missouri Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
550 to 749	75	725 to 924	1,100	850 to 1,049	1,075	965 to 1,164	300
750 to 949	60	925 to 1,124	1,275	1,050 to 1,249	1,625	1,165 to 1,364	180
950 or more	15	1,125 to 1,324	440	1,250 to 1,449	610	1,365 to 1,564	60
		1,325 to 1,524	190	1,450 to 1,649	180	1,565 to 1,764	30
		1,525 or more	160	1,650 or more	110	1,765 or more	30
<b>Total</b>	<b>150</b>	<b>Total</b>	<b>3,150</b>	<b>Total</b>	<b>3,600</b>	<b>Total</b>	<b>600</b>

Notes: Numbers may not add to totals because of rounding. The 3,700 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2015, to April 1, 2018.

Source: Estimates by analyst

## Sales Market—Southern Kansas Submarket

The sales housing market in the Southern Kansas submarket is currently tight, with a vacancy rate of 1.1 percent, which is down from 2.0 percent during April 2010. During March 2015, 2.8 months of supply of inventory was on the market, up slightly from a 2.6-month supply 1 year earlier, which is similar to supply rates in the Missouri submarket (KCRAR). The percentage of seriously delinquent loans and REO properties has also declined in this submarket. In March 2015, 2.2 percent of all mortgage loans in the HMA were seriously delinquent or transitioned into REO status, which was down from 2.6 percent in March 2014 and well below the peak level of 4.1 percent in January 2010 (Black Knight Financial Services, Inc.).

During the 12 months ending March 2015, 1,075 new homes sold in this submarket, unchanged from the previous 12 months, while the average sales price of a new home was \$406,300, which is an increase of \$14,000, or nearly 4 percent, from the previous 12 months (Metrostudy, A Hanley Wood Company). The level of new home sales is currently 69 percent below the 2005 peak level of 3,300 new home sales in this submarket. Following 2005, new home sales steadily declined for 6 straight years and reached a low of 670 new home sales in 2011, an average annual decline of 440, or 23 percent. With improving economic conditions, new home sales started to increase, and, by 2013, new home sales totaled 1,100, which was an average annual increase of 210 homes sold, or nearly 28 percent, from 2011. Even with new home sales declining during 2006 and 2007, the sales price of new homes continued to increase

for a little longer. During 2005, the average sales price of a new home was \$324,100; prices continued to increase by an average of \$32,400, or nearly 10 percent, annually, to \$388,900 during 2007. After this increase, and coinciding with the national economic downturn, new home prices declined during the next 3 years by an average of \$26,100, or more than 7 percent, annually, to an average sales price of \$310,900 during 2010. From 2011 through 2013, when improving economic conditions helped spur more demand for new housing, new home prices increased by an average of \$25,900, or 8 percent, annually, to \$388,300 by the end of 2013.

Existing home sales declined by 300, or slightly less than 3 percent, to 10,700 homes sold during the 12 months ending March 2015, but the average sales price of an existing home increased by \$7,400, or 3 percent, to \$260,600 compared with prices during the previous 12 months. The slight decline in sales follows a period of rapid increases during 2012 and 2013, when improving economic conditions spurred increased home sales by an average of 1,800, or nearly 22 percent, annually, to 11,200 homes sold. With 12,200 sales, existing home sales peaked in 2005, and the peak average sales price of \$304,900 occurred in 2006. Following their respective peaks, sales of existing homes and the average sales price began a period of decline. From the peak in 2005 through 2011, existing home sales declined by an average of 780 sales, or nearly 8 percent, annually, to 7,550 homes sold, and the average sales price declined by an average of \$13,800, or 5 percent, annually from the peak price in 2006 to an average sales price of \$236,000 during 2011.

The Southern Kansas submarket traditionally has had the lowest percentage of REO sales in the Kansas City HMA and, during the 12 months ending March 2015, 760 REO homes sold, down by 570, or 43 percent, from the previous 12 months. REO sales accounted for nearly 7 percent of all existing home sales in this submarket during the most recent 12 months, down from 11 percent of all existing home sales during the previous 12 months. In 2005, 320 REO homes sold in this submarket, accounting for less than 3 percent of all existing home sales. During the next 7 years, as the economy began to slow and the nation underwent a housing crisis, REO sales increased by an average of 170 sales, or 25 percent, annually, to 1,525 REO sales during 2012, which accounted for 16 percent of all existing home sales in the submarket.

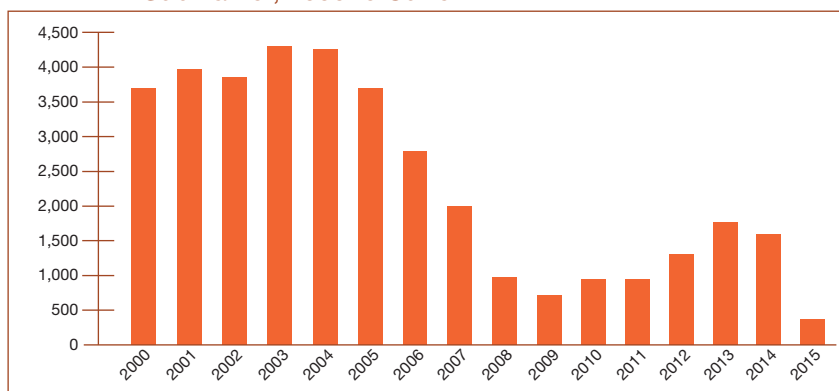
Single-family homebuilding activity, as measured by the number of homes permitted, declined slightly during the 12 months ending March 2015. During the same period, 1,625 single-family homes were permitted, a decline of 75 homes, or 4 percent, from the previous 12 months (preliminary data). The most recent numbers are still significantly below the average of 3,550

single-family homes permitted annually from 2000 to 2007, when population growth was strongest in this submarket. Following the national economic downturn and resulting slowdown in the national housing market, construction in the submarket declined to an average of 890 homes permitted annually from 2008 through 2011, a decline of nearly 75 percent from the average between 2000 and 2007. Single-family home construction started to rebound in 2012 and 2013, when an average of 1,525 single-family homes were permitted annually. Figure 12 shows the number of single-family homes permitted in the Southern Kansas submarket.

Coffee Creek Crossing in far south Overland Park, Kansas, is an ongoing development totaling 161 units. This development recently began its third phase, which totals 31 homes; the first home in this phase is scheduled to be finished in mid-April 2015. The previous two phases totaled 101 units; the fourth and final phase consists of 29 lots, which will begin development as the third phase builds out. New home prices in this development start at \$400,000 for four- to six-bedroom homes. Bluestem subdivision, a 159-home development on the west side of Overland Park, Kansas, recently began construction of its final phase of 40 homes. New home prices in this development range from \$437,000 to \$552,000 for four- and five-bedroom homes.

Demand is estimated for 8,225 new homes in this submarket during the 3-year forecast period, with demand expected to increase in each successive year. The 380 homes currently under construction will meet part of the demand during the first year (Table 1).

**Figure 12.** Single-Family Homes Permitted in the Southern Kansas Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

## Housing Market Trends

Sales Market—Southern Kansas Submarket *Continued*

**Table 6.** Estimated Demand for New Market-Rate Sales Housing in the Southern Kansas Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
135,000	249,999	660	8.0
250,000	299,999	1,150	14.0
300,000	349,999	1,475	18.0
350,000	399,999	1,650	20.0
400,000	449,999	1,225	15.0
450,000	499,999	1,075	13.0
500,000	599,999	660	8.0
600,000	and higher	330	4.0

Notes: The 380 homes currently under construction and a portion of the estimated 5,050 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is April 1, 2015, to April 1, 2018.

Source: Estimates by analyst

A portion of the 5,050 other vacant units may reenter the market and satisfy some of the forecast demand. Demand is expected to be the greatest for homes in the \$350,000-to-\$399,999 price range. Most of the demand in this submarket is expected to be for homes in Johnson County. Table 6 shows estimated demand for new market-rate sales housing in the Southern Kansas submarket by price range.

## Rental Market—Southern Kansas Submarket

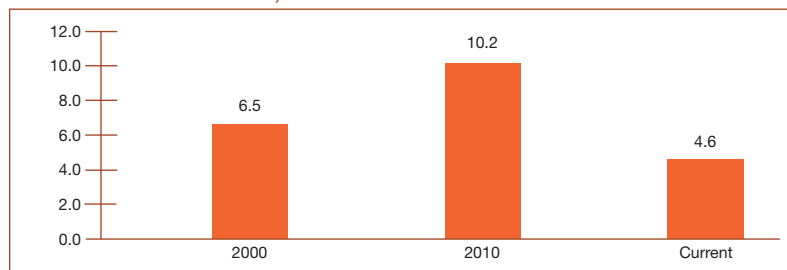
The overall rental market (including single-family homes, mobile homes, and apartment units) in the Southern Kansas submarket is balanced, with a 4.6-percent vacancy rate. The current overall vacancy rate is down significantly from 10.2 percent during April 2010 (Figure 13). Improving economic conditions and significant declines in multifamily construction during 2010 and 2011 in this submarket allowed for the absorption of many of the previously vacant units.

The apartment market in this submarket is slightly tight, with a 3.6-percent vacancy rate during the first quarter of 2015, which increased from 3.4 percent 1 year earlier (Reis, Inc., with adjustments by the analyst). During the first quarter of 2015, the average

rent for an apartment in this submarket was \$860, which is unchanged from the same quarter in 2014. In 2000, the apartment vacancy rate was 3.7 percent and the average rent was \$705. The vacancy rate steadily increased during the next 4 years, to 8.0 percent, and rents increased less than 1 percent annually, to \$725, in 2004. As developers scaled back on construction during 2006 and 2007 in this submarket, some of the excess vacant units were absorbed and, by 2007, the apartment vacancy rate was 5.7 percent. During this same period, rent growth also picked up, increasing by an average of more than \$10, or nearly 2 percent, annually, to \$764. The apartment vacancy rate increased to 8.1 percent in 2009, and, from 2008 through 2009, the average rent increased more than 1 percent annually, to \$785. Beginning in 2010, the apartment market tightened considerably, with the vacancy rate declining to 3.4 percent by the first quarter of 2014. During this same period, rents increased by an average of nearly \$20, or slightly more than 2 percent, annually, to \$860.

The number of multifamily units permitted has been trending upward

**Figure 13.** Rental Vacancy Rates in the Southern Kansas Submarket, 2000 to Current



Note: The current date is April 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst



## Housing Market Trends

Rental Market—Southern Kansas Submarket *Continued*

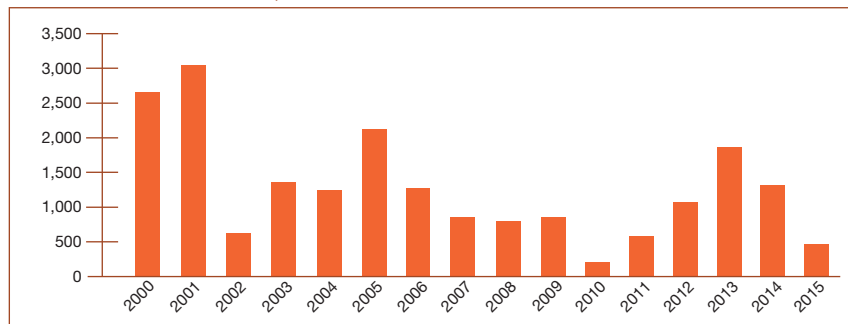
since 2012 compared with the 2008 through 2011 period, as developers responded to an improving economy and a tightening rental market. Multifamily building activity, as measured by the number of units permitted, totaled 1,450 units during the 12 months ending March 2015, which reflects an increase of 275 units, or 23 percent, from the previous 12 months (preliminary data). The peak period for multifamily construction in this submarket was from 2000 through 2005, when an average of 1,825 units were permitted annually. Construction activity declined 49 percent to an average of 930 units permitted annually from 2006 through 2009, which allowed for some previously built units to be absorbed. As apartment market conditions in this submarket began to soften, construction slowed considerably; the number of units permitted annually decreased to an average of 380 units from 2010 through 2011. With tightening

apartment conditions, multifamily construction began to increase again; an average of 1,400 units were permitted annually from 2012 through 2014. Figure 14 shows the number of multifamily units permitted in the Southern Kansas submarket.

The Milano Apartment Homes and Twin Villas is a 270-unit development that was recently completed. This property consists of one-, two- and three-bedroom units in Leawood, Kansas. The monthly rents range from \$1,025 to \$1,345 for a one-bedroom unit, from \$1,605 to \$1,765 for a two-bedroom unit, and from \$2,950 to \$3,050 for a three-bedroom unit. The Residences at Prairiefire in Overland Park, Kansas, is a new mixed-use development with 300 apartment units that was completed in 2014. Rents start at \$950 for a one-bedroom unit, \$1,525 for a two-bedroom unit, and \$2,275 for a three-bedroom unit.

During the forecast period, demand is estimated for 4,475 new rental housing units (Table 1). Demand is expected to be greatest for two-bedroom units in the \$1,150-to-\$1,349 price range (Table 7). Most of the demand for new rental units is expected to be in northeastern Johnson County. The 2,200 units currently under construction will satisfy a significant portion of the forecast demand during the next 3 years.

**Figure 14.** Multifamily Units Permitted in the Southern Kansas Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

**Table 7.** Estimated Demand for New Market-Rate Rental Housing in the Southern Kansas Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
675 or more	45	875 to 1,074	1,275	1,150 to 1,349	1,425	1,375 to 1,574	290
		1,075 to 1,274	370	1,350 to 1,549	440	1,575 to 1,774	80
		1,275 to 1,474	90	1,550 to 1,749	220	1,775 to 1,974	15
		1,475 or more	90	1,750 or more	110	1,975 or more	10
Total	45	Total	1,825	Total	2,200	Total	400

Notes: Numbers may not add to totals because of rounding. The 2,200 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2015, to April 1, 2018.

Source: Estimates by analyst



## Sales Market—Northern Kansas Submarket

The sales housing market in the Northern Kansas submarket is currently balanced after significant improvements in the market since 2012. The sales vacancy rate is estimated at 1.7 percent, which is down from 3.1 percent during April 2010. The percentage of seriously delinquent mortgage loans and REO properties has also declined as a result of improving home sales and economic conditions. In March 2015, 5.9 percent of all mortgage loans in the HMA were seriously delinquent or transitioned into REO status, which was down from 6.7 percent in March 2014 and well below the peak level of 9.2 percent in January 2010 (Black Knight Financial Services, Inc.).

In this submarket during the 12 months ending March 2015, 190 new homes sold, an increase of 40 sales, or 24 percent, and the average sales price was \$265,600, an increase of \$14,200, or nearly 6 percent, from the previous 12 months (Metrostudy, A Hanley Wood Company). New home sales peaked in the submarket during 2006, at 720 homes, with an average sales price of \$236,800. New home sales declined rapidly from 2007 through 2012, when slow population growth and the effects from the national recession combined to cause a slowdown in housing demand. During the period, the number of new home sales declined by an average of 110 sales, or 30 percent, annually, to a low of 80 homes sold in 2012. The average sales price of a new home reached a low point in 2008, at \$212,100, a decline of \$24,700, or more than 10 percent, from the previous year. During the next 2 years, the average new home sales price was fairly volatile because of the low sales

volume, increasing by \$13,900, or nearly 7 percent, during 2009 but declining again in 2010 by \$2,300, or slightly more than 2 percent, to \$220,700. The average sales price began to trend up again beginning in 2011; by 2013, the average sales price of a new home was \$253,100, an average annual increase of \$10,800, or nearly 5 percent, since 2011.

The number of existing homes sold in this submarket totaled 3,350 during the 12 months ending March 2015, an increase of 100 sales, or nearly 3 percent, but the average sales price of an existing home declined by \$10,400, or more than 6 percent, to \$152,100, from the previous 12 months. This level is still well below the peak of 6,025 sales during 2005, however. After 2005, the sale of existing homes declined during the next 6 years by an average of 630 sales, or 15 percent, annually, to 2,250 homes sold, during 2011. Existing home sales increased by 325, or 14 percent, during 2012, with 2,575 sales, as the local economy began to improve. During 2013, 3,150 existing homes sold, an increase of 570 homes, or 22 percent, from 2012. When sales of existing homes peaked during 2005, the average sales price was \$140,000, but, unlike the number of sales, the average sales price continued to rise for a few more years. By 2009, the price of an existing home was \$160,700, indicating an average annual increase of \$5,175, or 4 percent, since 2005. During 2010, the average sales price of an existing home in this submarket was \$135,500, a drop of \$25,200, or nearly 16 percent, from the previous year. Following this decline, the average sales price began to increase once

again; by 2013, the average sales price was \$158,700, reflecting an average annual increase of \$7,750, or more than 5 percent, since 2010.

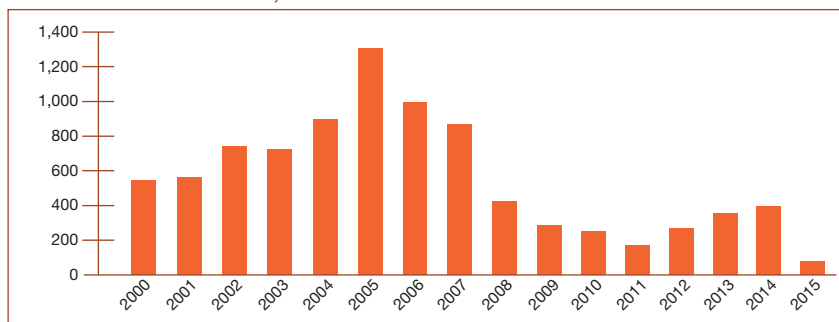
REO sales account for a significant portion of all home sales in the Northern Kansas submarket and the highest percentage of any submarket in the HMA. This submarket has the lowest median income of any submarket, causing it to be more susceptible to financial difficulties. During the 12 months ending March 2015, 810 REO homes sold, which is down by 320 sales, or 28 percent, from the previous 12 months. REO sales accounted for approximately 20 percent of all existing home sales in this submarket during the most recent 12-month period compared with 26 percent during the previous 12 months. Before the beginning of the most recent recession and housing market downturn, REO sales in 2005 accounted for more than 5 percent of all existing home sales in the submarket, with 330 REO homes sold. During the next 3 years, REO sales increased by an average of 320 sales, or 57 percent, annually, with 1,275 REO sales during 2008, which accounted for more than 29 percent of all existing home sales in the submarket. REO sales declined slightly between 2009 and 2013 and averaged 1,100 sales

annually, which accounted for nearly 30 percent of all existing home sales in this submarket during these years.

Single-family homebuilding activity, as measured by the number of homes permitted, remained flat during the 12 months ending March 2015. Unchanged from the previous 12 months, 360 single-family permits were issued (preliminary data). Construction of new single-family homes has increased in the Northern Kansas submarket as the local economy has improved. The current level of production increased 100 units, or 39 percent, from the 280 single-family homes that were permitted annually between 2008 and 2012. The current level of construction is still historically low; an average of 640 single-family homes were permitted in this submarket from 2000 through 2003, before increasing by 390 homes, or slightly more than 60 percent, to an average of 1,025 annually from 2004 through 2007. Figure 15 shows the number of single-family homes permitted in the Northern Kansas submarket.

Recent developments in this submarket include the Ridge at Rock Creek, which is a 142-unit development that began construction in 2013. The first phase of this development was 42 units and was completed in early-2015. The second phase, consisting of 34 units, broke ground in late-2014 and two more phases are waiting for development. The development contains four- to six-bedroom homes between 2,700 and 3,200 square feet that sell from \$300,000 to \$400,000. Lei Valley, in Bonner Springs, Kansas, is a 194-unit development that broke ground in 2009 and is 65 percent complete, with 67 unsold lots remaining. Home prices range from \$179,000 to \$259,000 for two- to four-bedroom homes.

**Figure 15.** Single-Family Homes Permitted in the Northern Kansas Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

## Housing Market Trends

Sales Market—Northern Kansas Submarket *Continued*

Demand is estimated for 1,875 new homes in the submarket during the 3-year forecast period, with demand expected to increase in each successive

**Table 8.** Estimated Demand for New Market-Rate Sales Housing in the Northern Kansas Submarket During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
115,000	149,999	90	5.0
150,000	199,999	180	10.0
200,000	249,999	740	40.0
250,000	299,999	550	30.0
300,000	and higher	280	15.0

*Notes: The 75 homes currently under construction and a portion of the estimated 4,800 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is April 1, 2015, to April 1, 2018.*

*Source: Estimates by analyst*

year. The 75 homes currently under construction will meet part of the demand during the first year (Table 1). A portion of the 4,800 other vacant units may reenter the market and satisfy some of the forecast demand. Demand is expected to be the greatest for homes in the \$200,000-to-\$249,999 price range. Most of the demand for new homes will likely be in the western portions of the submarket near the Interstate 435 (I-435) corridor. Table 8 shows estimated demand for new sales housing in the Northern Kansas submarket by price range.

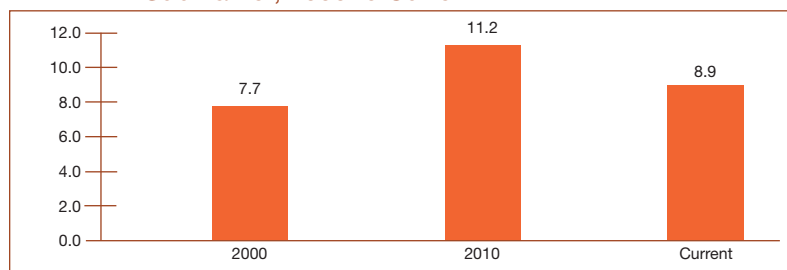
## Rental Market—Northern Kansas Submarket

The rental housing market in the Northern Kansas submarket, including single-family homes, mobile homes, and apartment units, is currently soft but improving. The current rental vacancy rate is 8.9 percent, which is down from 11.2 percent in April 2010 (Figure 16). More than 58 percent of all renter households in this submarket live in single-family homes, which is a significantly higher percentage than in the other two submarkets in the Kansas City HMA (2013 ACS 1-year data).

The apartment market in this submarket is soft, with a 7.6-percent vacancy rate during the first quarter of 2015,

down from 8.2 percent 1 year earlier (Reis, Inc.). The average rent for an apartment was \$662, up \$23, or nearly 4 percent, from the previous year. The 7.6-percent apartment vacancy rate is the highest of any submarket in the HMA but is a significant improvement from the 14.6-percent vacancy rate during the first quarter of 2010. The apartment market in the submarket has not always been significantly softer than the apartment market in the rest of the HMA. In 2000, the apartment vacancy rate was 3.8 percent and the average rent was \$492. With fairly steady multifamily construction and nearly no population growth, however, the apartment vacancy rate increased to 9.5 percent by 2004. With the increasing vacancy rate, multifamily construction slowed slightly and the vacancy rate declined to 6.7 percent during 2007 before starting to increase again to 12.0 percent during 2009. The average rent for an apartment in the submarket had increased to \$588 by 2009, indicating an average annual increase of \$10, or 2 percent, during the 2000s.

**Figure 16.** Rental Vacancy Rates in the Northern Kansas Submarket, 2000 to Current



*Note: The current date is April 1, 2015.*

*Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst*

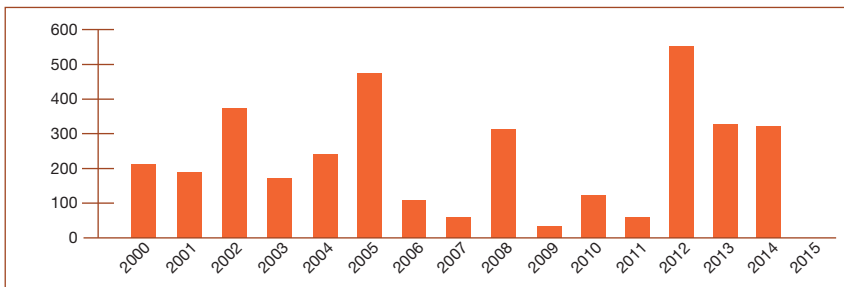
Building activity, as measured by the number of multifamily units permitted, totaled 320 units during the 12 months ending March 2015, down 3 percent from the 12 months ending March 2014 (preliminary data). During 2012, 550 multifamily units were permitted in this submarket, which is the highest single-year total since the 570 units permitted in 1986. Multifamily construction averaged 280 units annually from 2000 to 2005 but declined to an average of 120 units annually from 2006 through 2011, when the rental

market softened considerably. Figure 17 shows the number of multifamily permits issued in the Northern Kansas submarket.

Recent developments in the submarket include the Heights at Delaware Ridge apartments, which consist of 228 units. The development, which was completed in late 2013, is directly west of the Kansas Speedway. This project has one-, two-, and three-bedroom units with rents starting at \$750, \$995, and \$1,250, respectively. The Village West Apartments in Kansas City, Kansas, completed its first phase of 306 units in September 2014. This project consists of one- and two-bedroom units, with rents ranging from \$930 to \$1,300 for one-bedroom units and \$1,330 to \$1,630 for two-bedroom units. A second phase currently under construction at this project will bring an additional 300 units on line when complete in 2016.

During the forecast period, demand is estimated for 780 new rental housing units (Table 1). No units are currently under construction in this submarket. Demand is expected to be greatest for two-bedroom units in the \$900-to-\$1,099 price range (Table 9). Most of the demand for new rental units in the Northern Kansas submarket will likely be along the I-435 corridor.

**Figure 17.** Multifamily Units Permitted in the Northern Kansas Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

**Table 9.** Estimated Demand for New Market-Rate Rental Housing in the Northern Kansas Submarket During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
725 to 924	250	900 to 1,099	290	1,100 to 1,299	55
925 to 1,124	65	1,100 to 1,299	75	1,300 or more	10
1,125 or more	15	1,300 or more	20		
<b>Total</b>	<b>340</b>	<b>Total</b>	<b>380</b>	<b>Total</b>	<b>65</b>

Notes: Numbers may not add to totals because of rounding. The forecast period is April 1, 2015, to April 1, 2018.

Source: Estimates by analyst

**Table DP-1. Kansas City HMA Data Profile, 2000 to Current**

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	950,464	987,813	1,048,000	0.4	1.4
Unemployment rate	3.4%	8.7%	5.4%		
Nonfarm payroll jobs	973,200	964,300	1,026,000	-0.1	1.5
Total population	1,811,254	2,009,342	2,087,000	1.0	0.8
Total households	708,309	789,533	820,400	1.1	0.8
Owner households	482,600	530,278	524,600	0.9	-0.2
Percent owner	68.1%	67.2%	63.9%		
Renter households	225,709	259,255	295,800	1.4	2.7
Percent renter	31.9%	32.8%	36.1%		
Total housing units	757,344	871,952	889,200	1.4	0.4
Owner vacancy rate	1.6%	2.7%	2.0%		
Rental vacancy rate	7.8%	11.7%	7.5%		
Median Family Income	\$57,700	\$70,400	\$71,200	2.0	0.3

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2015. Median Family Incomes are for 1999, 2009, and 2013. The current date is April 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

**Table DP-2. Missouri Submarket Data Profile, 2000 to Current**

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	1,095,674	1,188,988	1,222,000	0.8	0.5
Total households	436,796	475,624	489,400	0.9	0.6
Owner households	292,142	313,657	306,800	0.7	-0.4
Percent owner	66.9%	65.9%	62.7%		
Rental households	144,654	161,967	182,600	1.1	2.4
Percent renter	33.1%	34.1%	37.3%		
Total housing units	469,735	531,301	538,300	1.2	0.3
Owner vacancy rate	1.8%	3.0%	2.5%		
Rental vacancy rate	8.3%	12.5%	8.4%		

Notes: Numbers may not add to totals because of rounding. The current date is April 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

**Table DP-3. Southern Kansas Submarket Data Profile, 2000 to Current**

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	489,007	586,622	622,900	1.8	1.2
Total households	188,742	229,063	243,650	2.0	1.2
Owner households	137,481	163,483	166,100	1.7	0.3
Percent owner	72.8%	71.4%	68.2%		
Rental households	51,261	65,580	77,550	2.5	3.4
Percent renter	27.2%	28.6%	31.8%		
Total housing units	197,316	245,207	254,400	2.2	0.7
Owner vacancy rate	1.1%	2.0%	1.1%		
Rental vacancy rate	6.5%	10.2%	4.6%		

Notes: Numbers may not add to totals because of rounding. The current date is April 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst



**Table DP-4.** Northern Kansas Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	226,573	233,732	241,900	0.3	0.7
Total households	82,771	84,846	87,350	0.2	0.6
Owner households	52,977	53,138	51,600	0.0	-0.6
Percent owner	64.0%	62.6%	59.1%		
Rental households	29,794	31,708	35,750	0.6	2.4
Percent renter	36.0%	37.4%	40.9%		
Total housing units	90,293	95,444	96,550	0.6	0.2
Owner vacancy rate	1.7%	3.1%	1.7%		
Rental vacancy rate	7.7%	11.2%	8.9%		

*Notes: Numbers may not add to totals because of rounding. The current date is April 1, 2015.*

*Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst*

## Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census  
 2010: 4/1/2010—U.S. Decennial Census  
 Current date: 4/1/2015—Analyst’s estimates  
 Forecast period: 4/1/2015–4/1/2018—Analyst’s estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

**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.

**Other Vacant Units:** In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for 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.

**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,

makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to [huduser.gov/publications/pdf/CMARtables\\_KansasCityMO-KS\\_15.pdf](http://huduser.gov/publications/pdf/CMARtables_KansasCityMO-KS_15.pdf).

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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.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to [huduser.gov/portal/ushmc/chma\\_archive.html](http://huduser.gov/portal/ushmc/chma_archive.html).