

STATE OF THE MARKET

FEBRUARY
2025

Blaise Tomazic
Director of Market Analytics,
St. Louis & Kansas City
btomazic@costar.com



Agenda

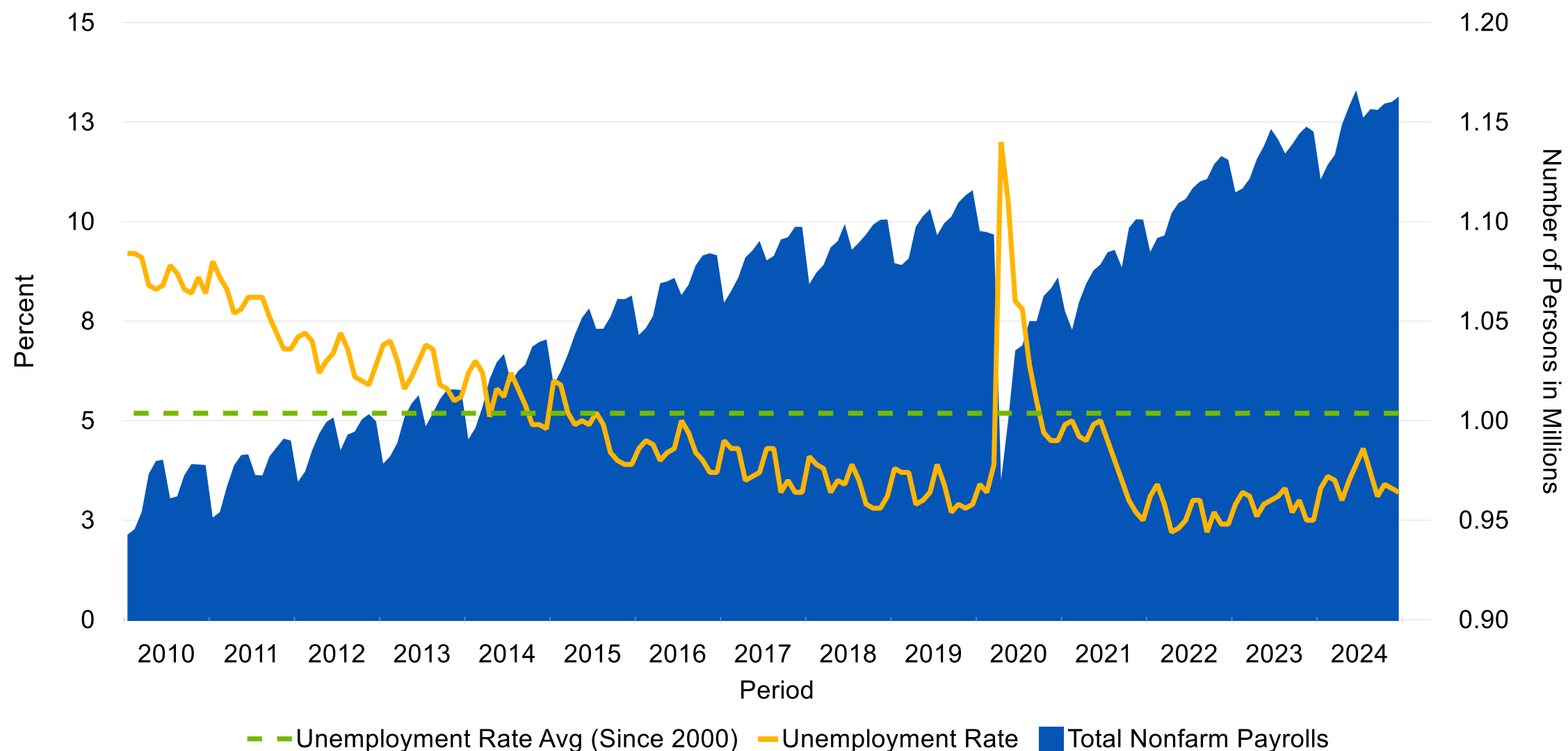
- Local Economic Update
- National & Local Updates
 - Office
 - Retail
 - Industrial
 - Multifamily



Local Economic Update



Kansas City Non-farm Payrolls and Unemployment

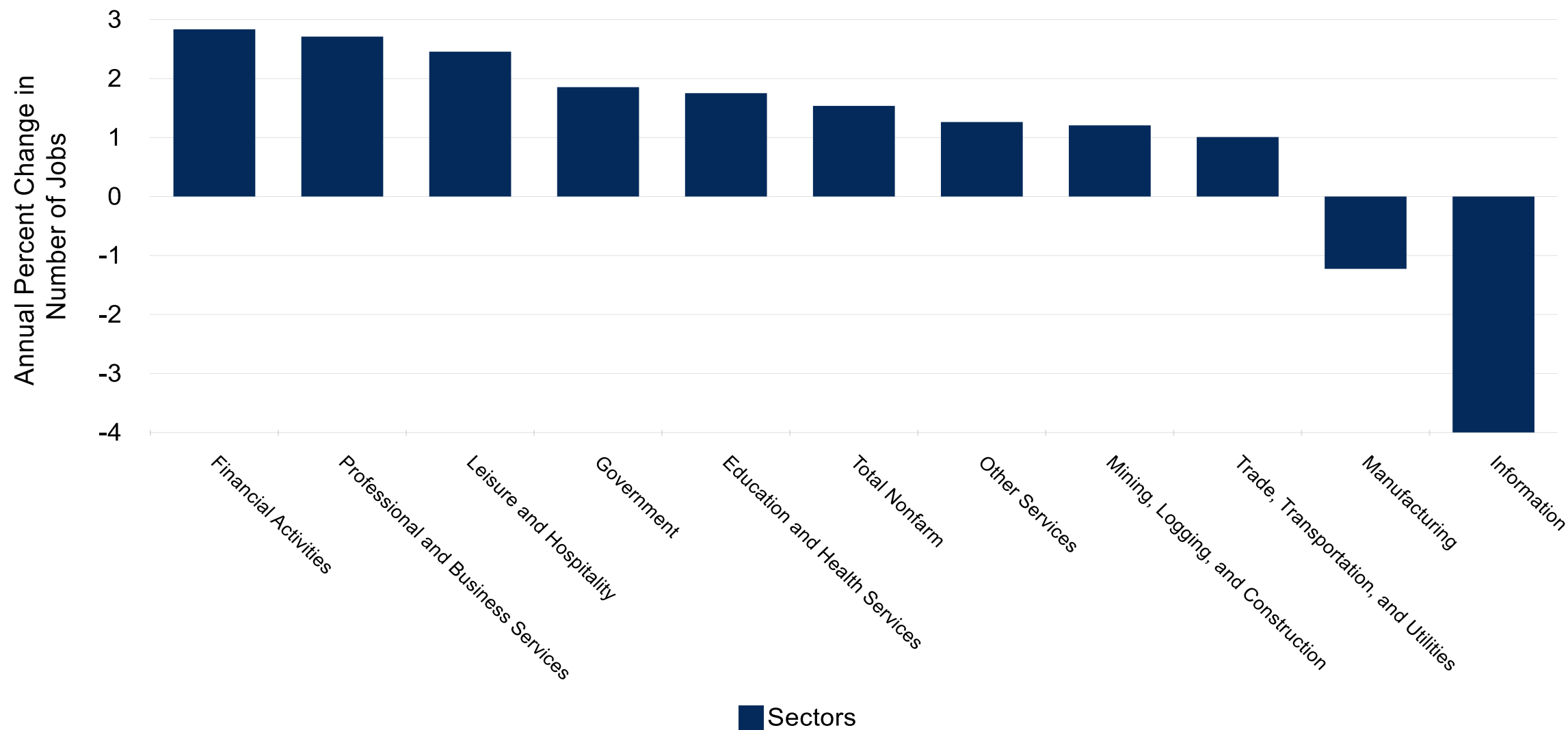


Source: CoStar, BLS, 12/2024



Source: CoStar, BLS, 12/2024

Annual Employment Change by Sector



Source: CoStar, BLS

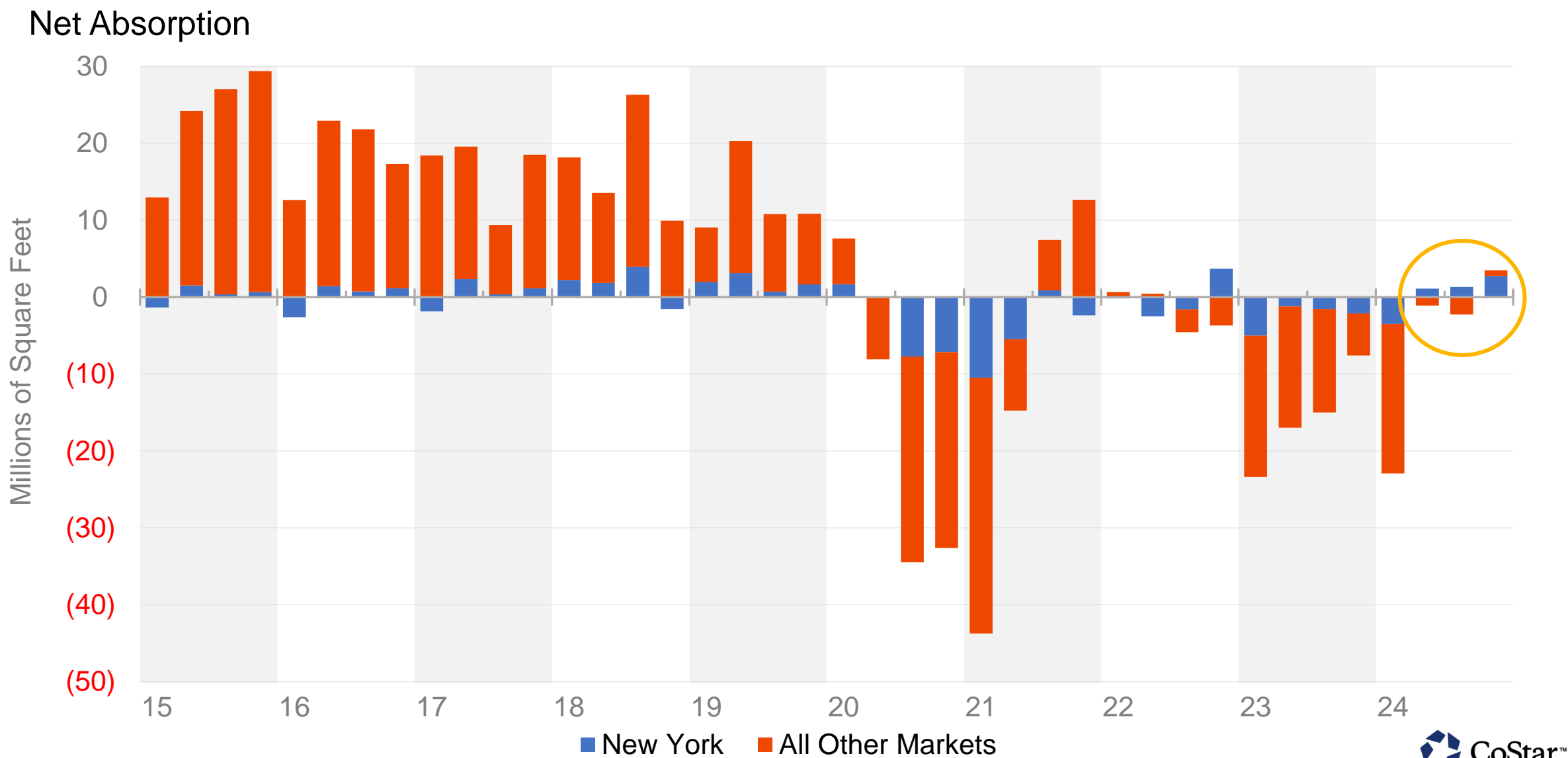
National & Local Office Update



Key Topics

- National
 - Office attendance is rising, though per-square-foot requirements have declined from pre-pandemic levels
 - Demand is stabilizing nationally, led by New York City
- Local
 - Availabilities have turned the corner and trending down.
 - Leasing volume continues to trend upward for new leases.

Demand stabilized in 2024, driven by attendance in New York



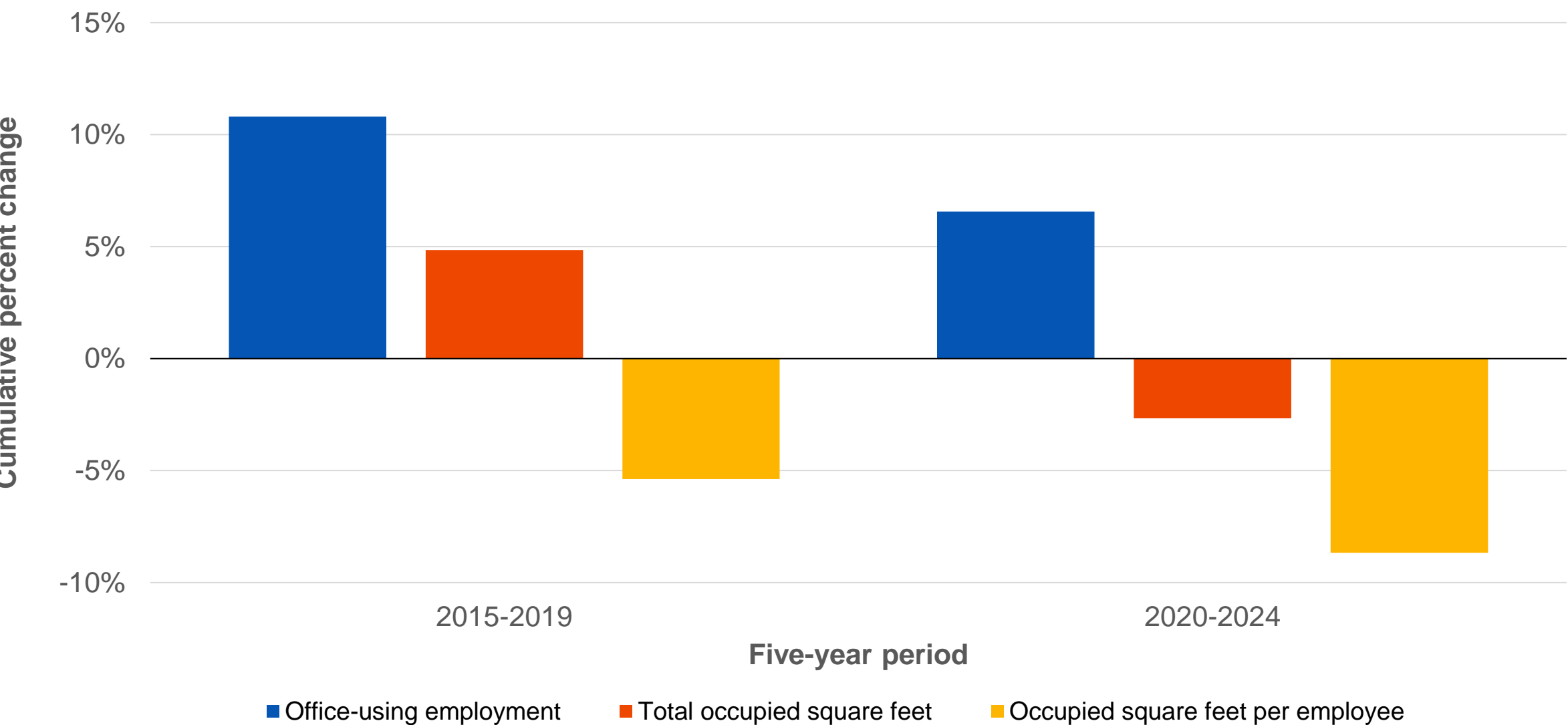
Source: CoStar, January 2025

Office attendance rose meaningfully in 2024



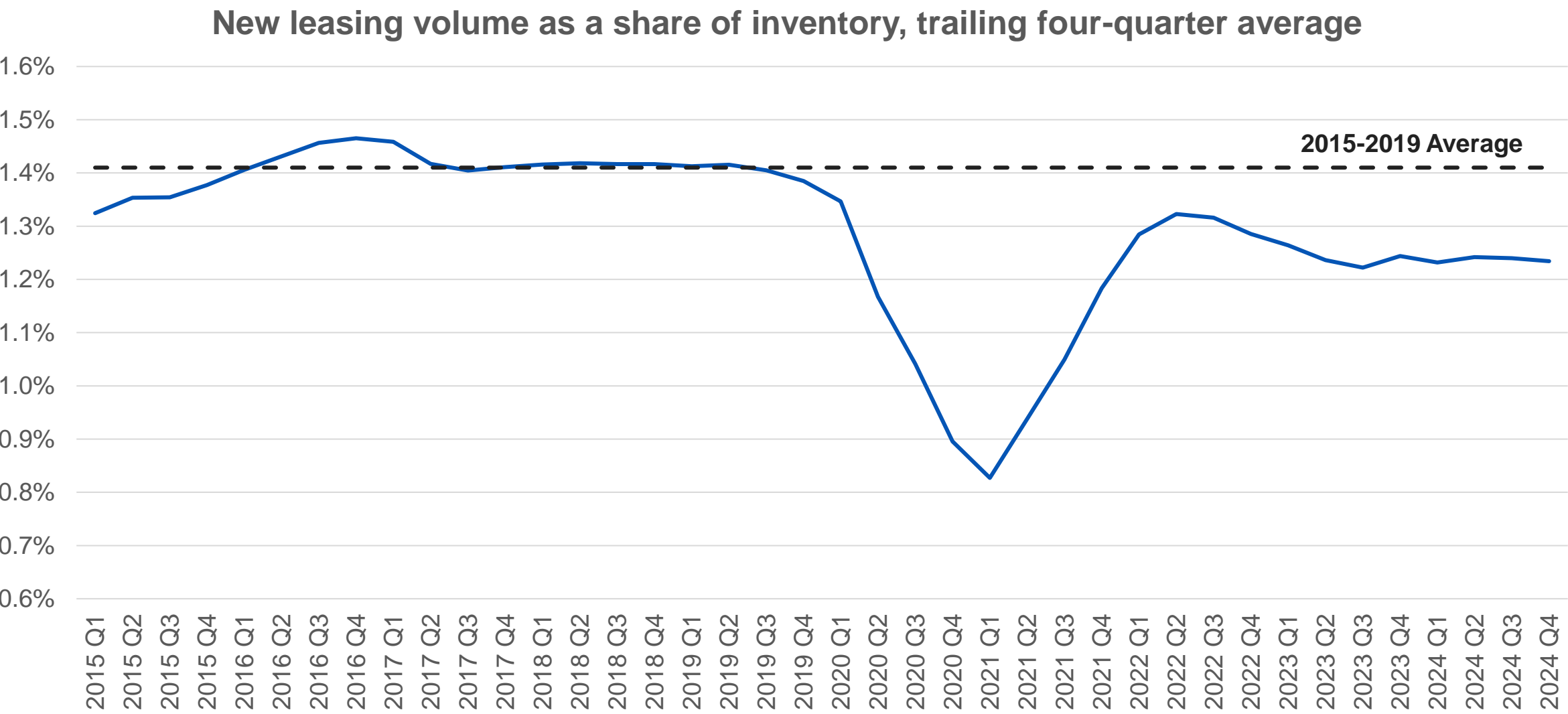
Source: Placer.ai, index of approximately 700 office buildings in the United States

Decrease in per-worker space accelerates in 2020s



Sources: CoStar, Bureau of Labor Statistics, February 2025

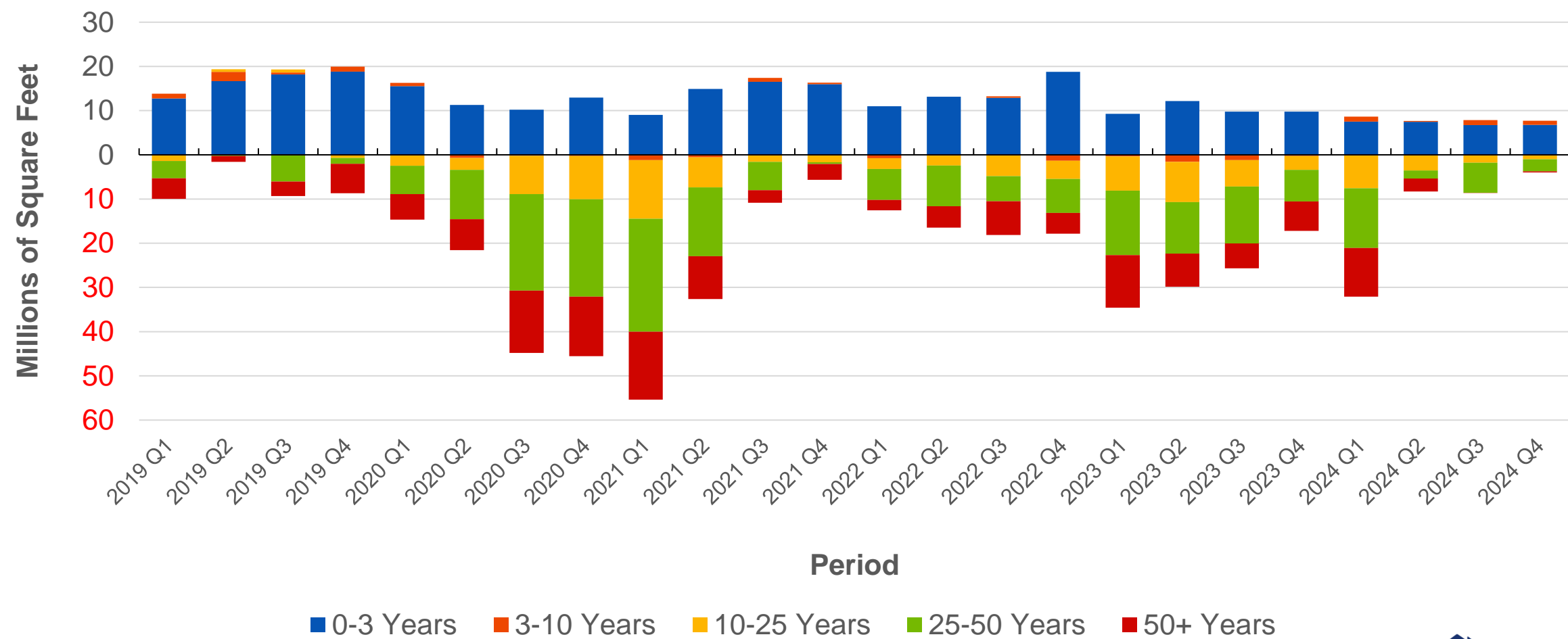
Leasing volume still lags its pre-pandemic norm



Source: CoStar, January 2025

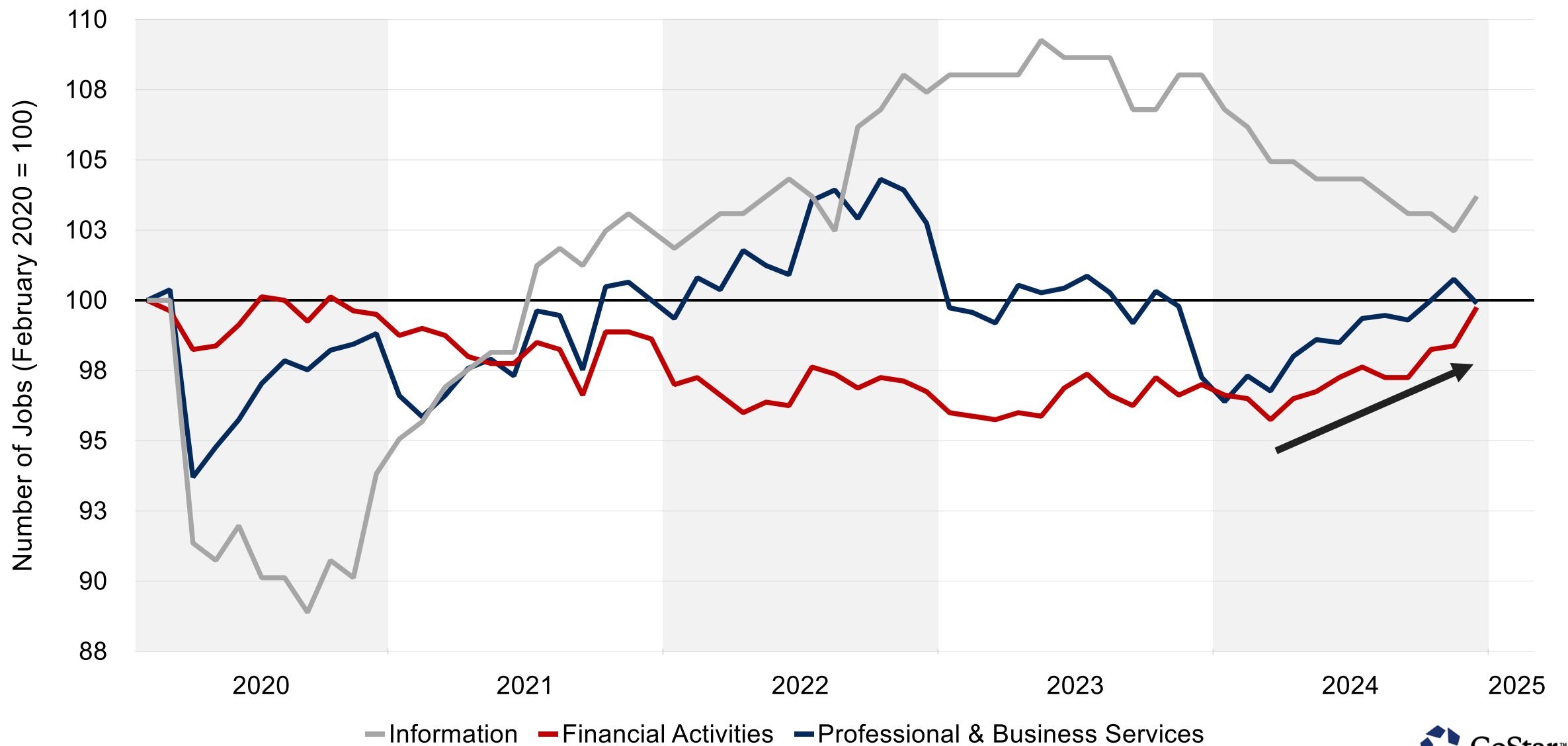
Buildings older than 10 years are still losing occupancy

Net Absorption by Building Age



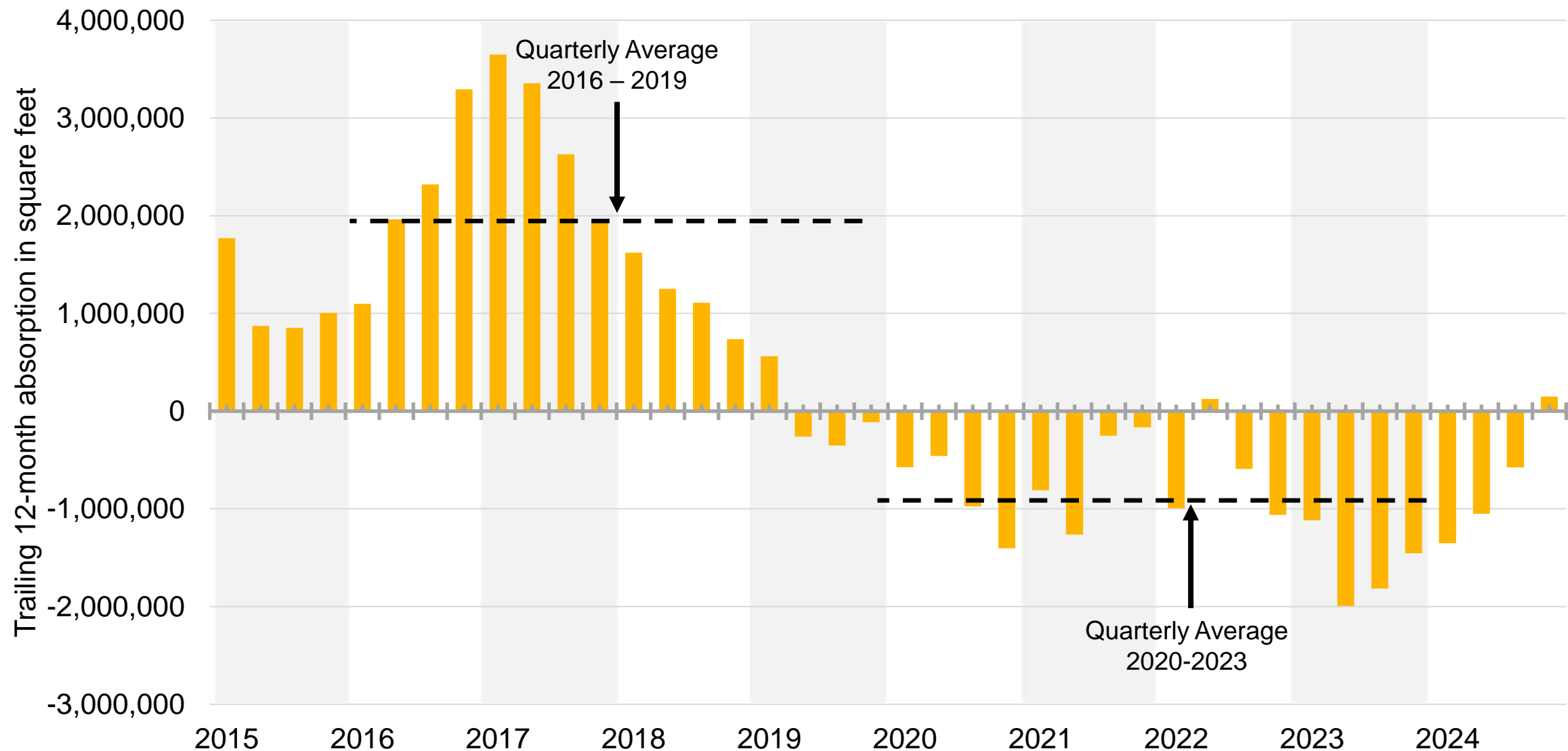
Source: CoStar, January 2025

Kansas City Office Employment Indexed to January 2020



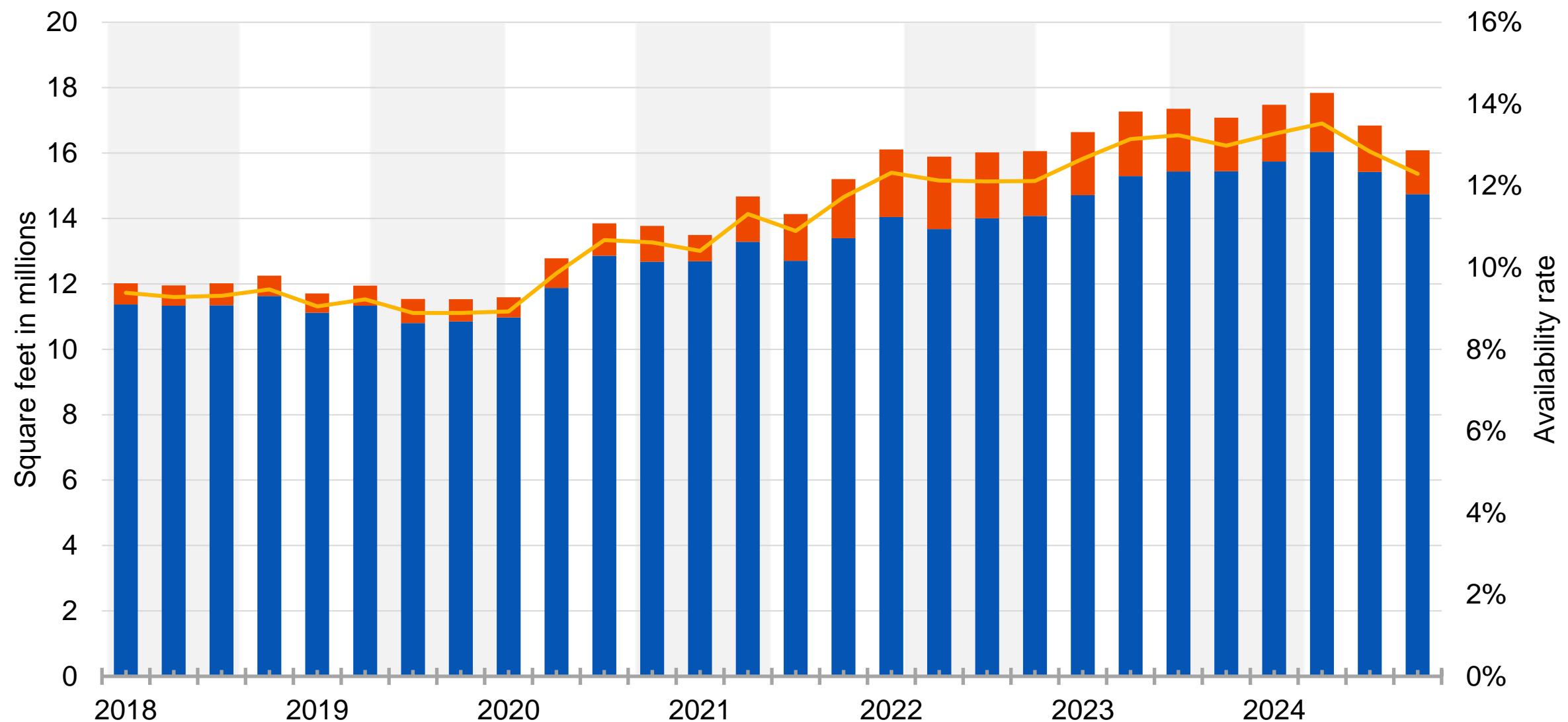
Source: U.S. Bureau of Labor Statistics (BLS), 12/2024

Kansas City Absorption Coming Off Record Lows



Source: CoStar

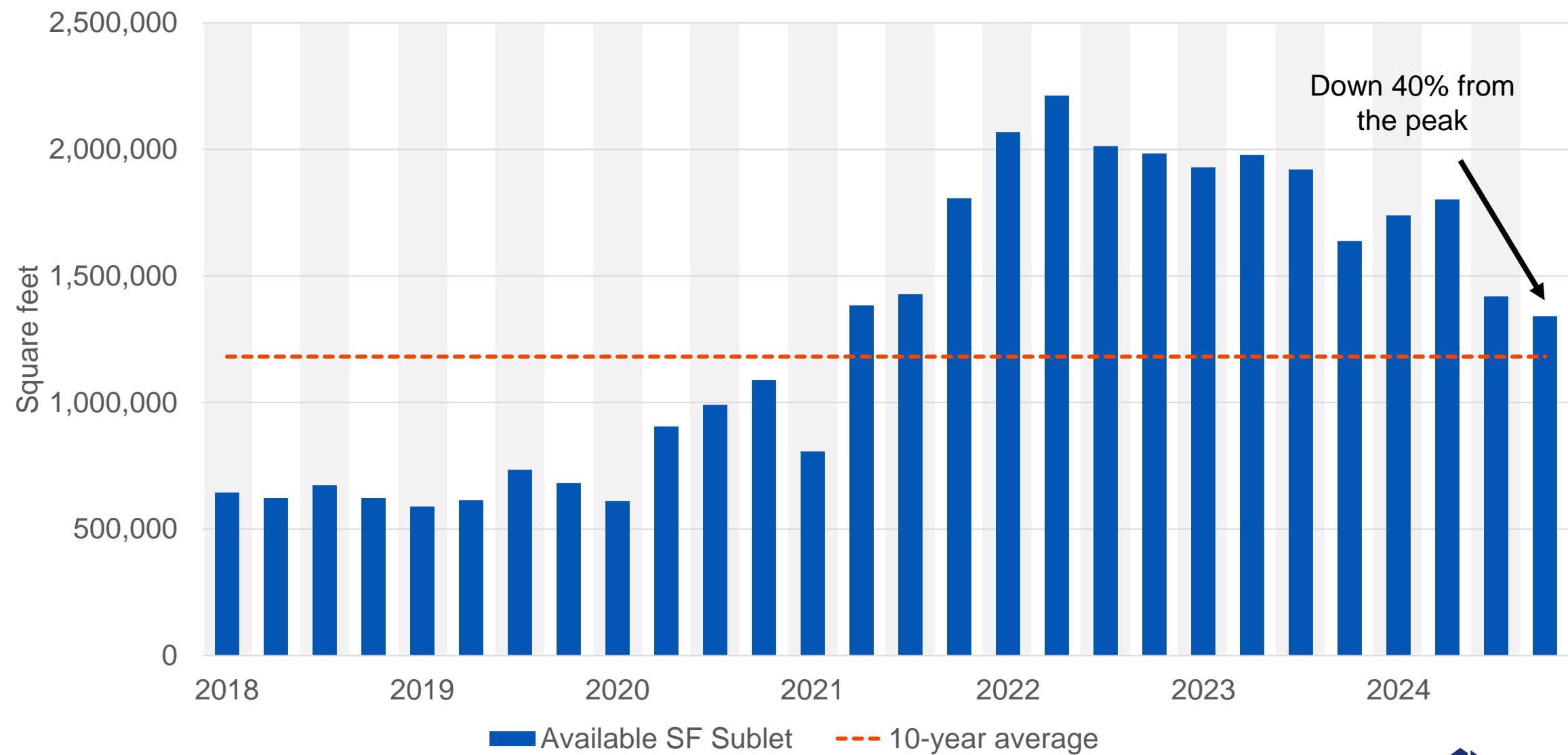
Kansas City Available Space Has Plateaued



Source: CoStar

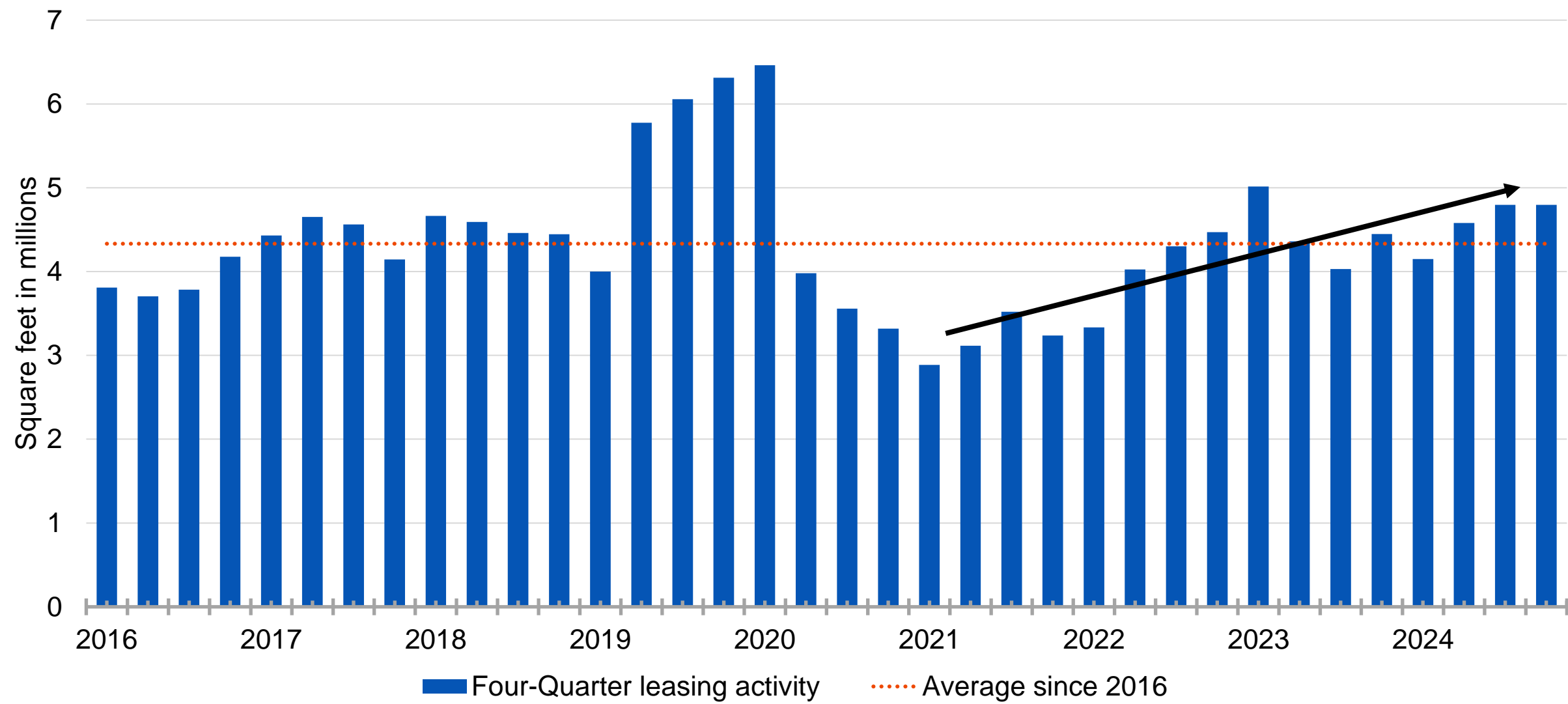


Kansas City Sublet Space On The Decline

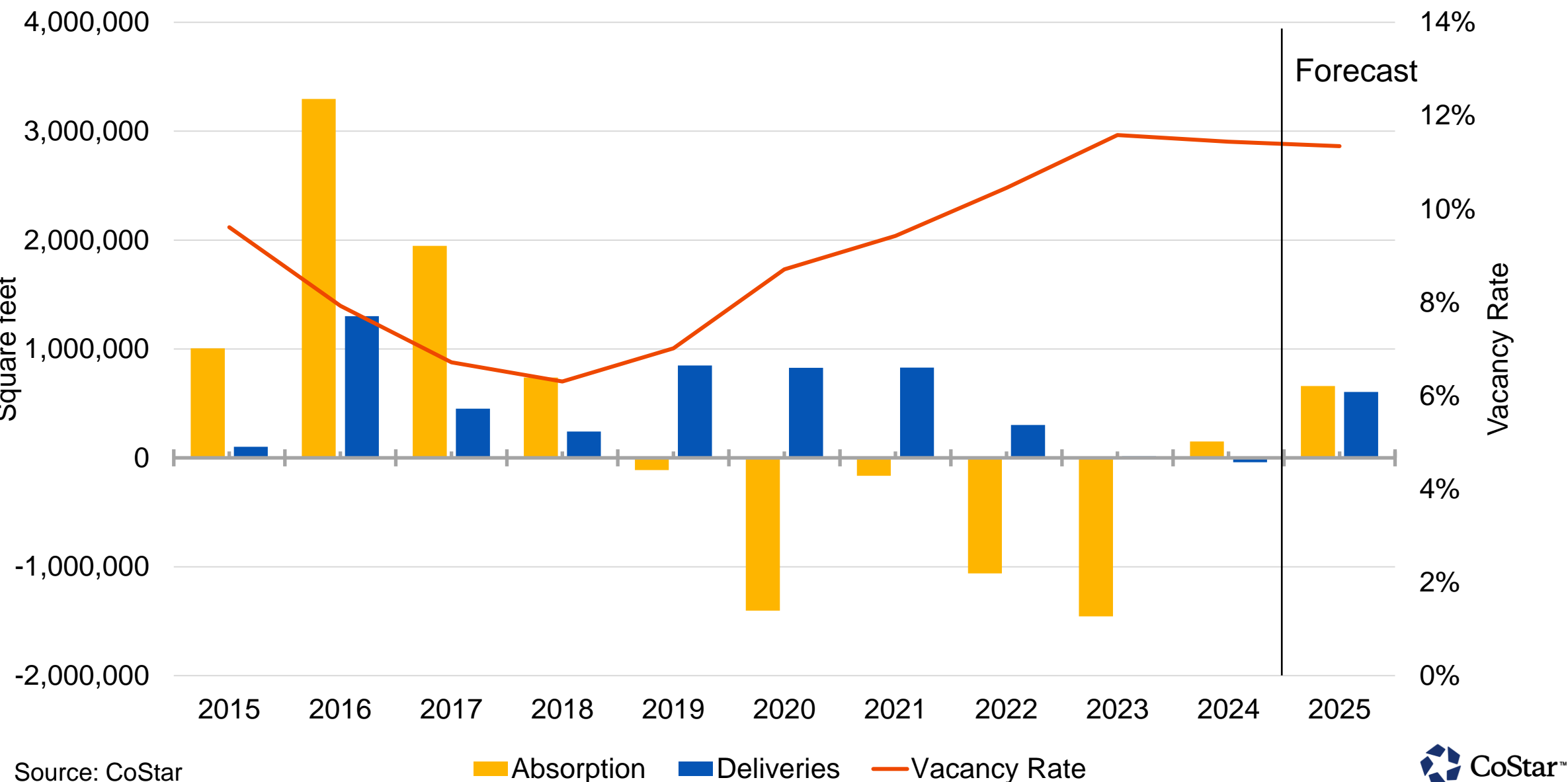


Source: CoStar

Leasing Activity Rebounds



Kansas City Office Forecast



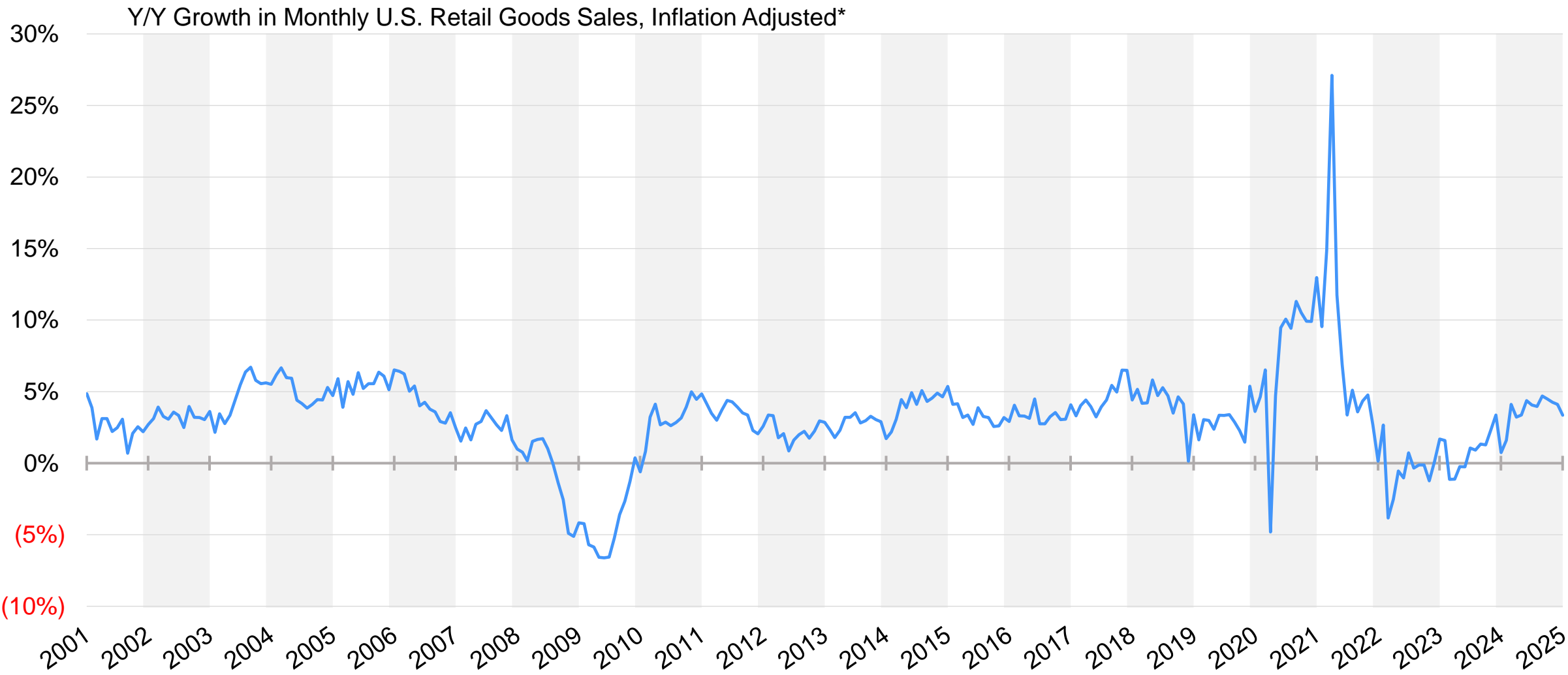
National and Local Retail Update



Key Topics

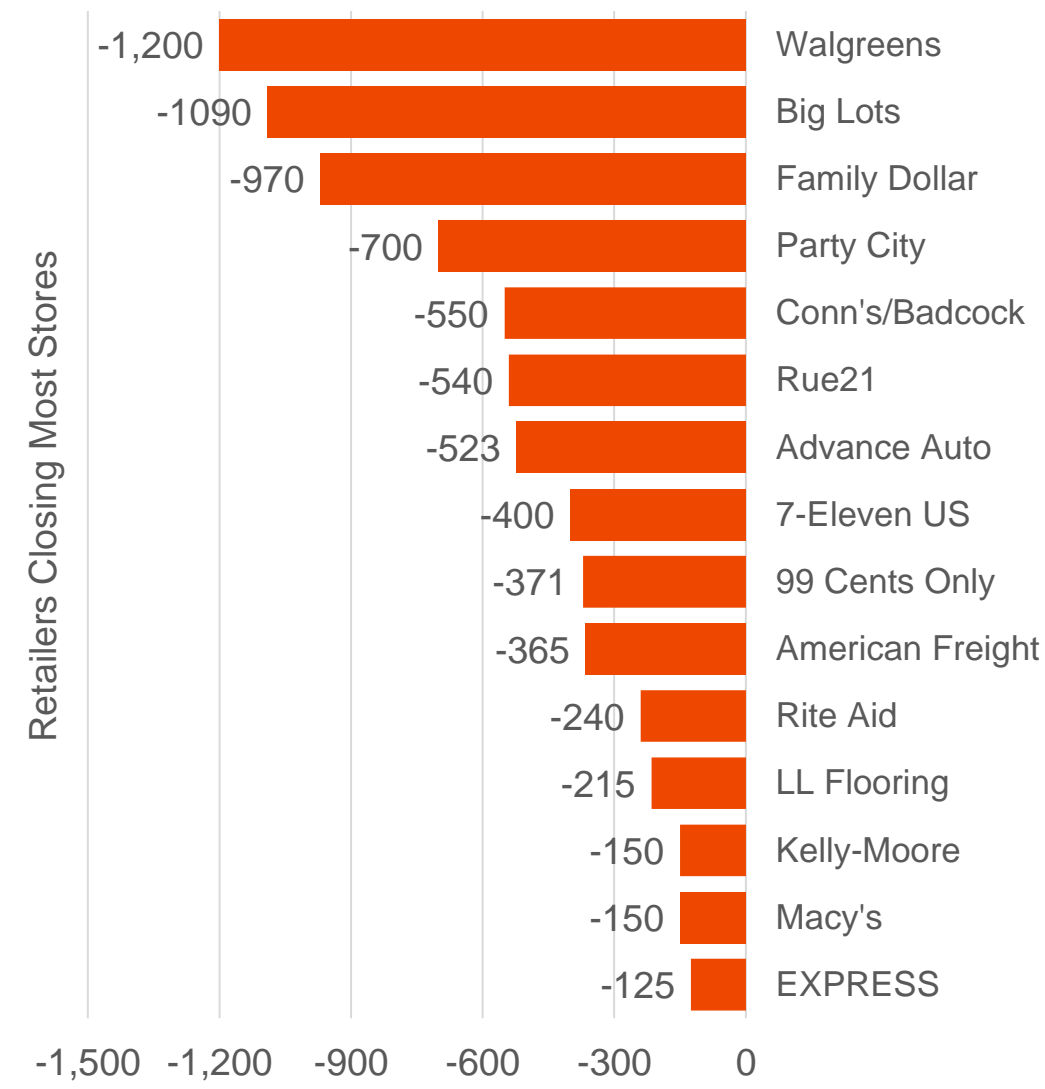
- National
 - Retail Sales remain strong but announced store closures doubled in 2024.
 - However, a lack of development and tight conditions will ease the impact of these closures.
- Local
 - The market's vacancy rate is the lowest on record.
 - Softening conditions in early 2025 will only moderately impact the market as most of the available space on the market was built before 1990.

Goods Spending Growth Back in Line With Pre-Pandemic Trends



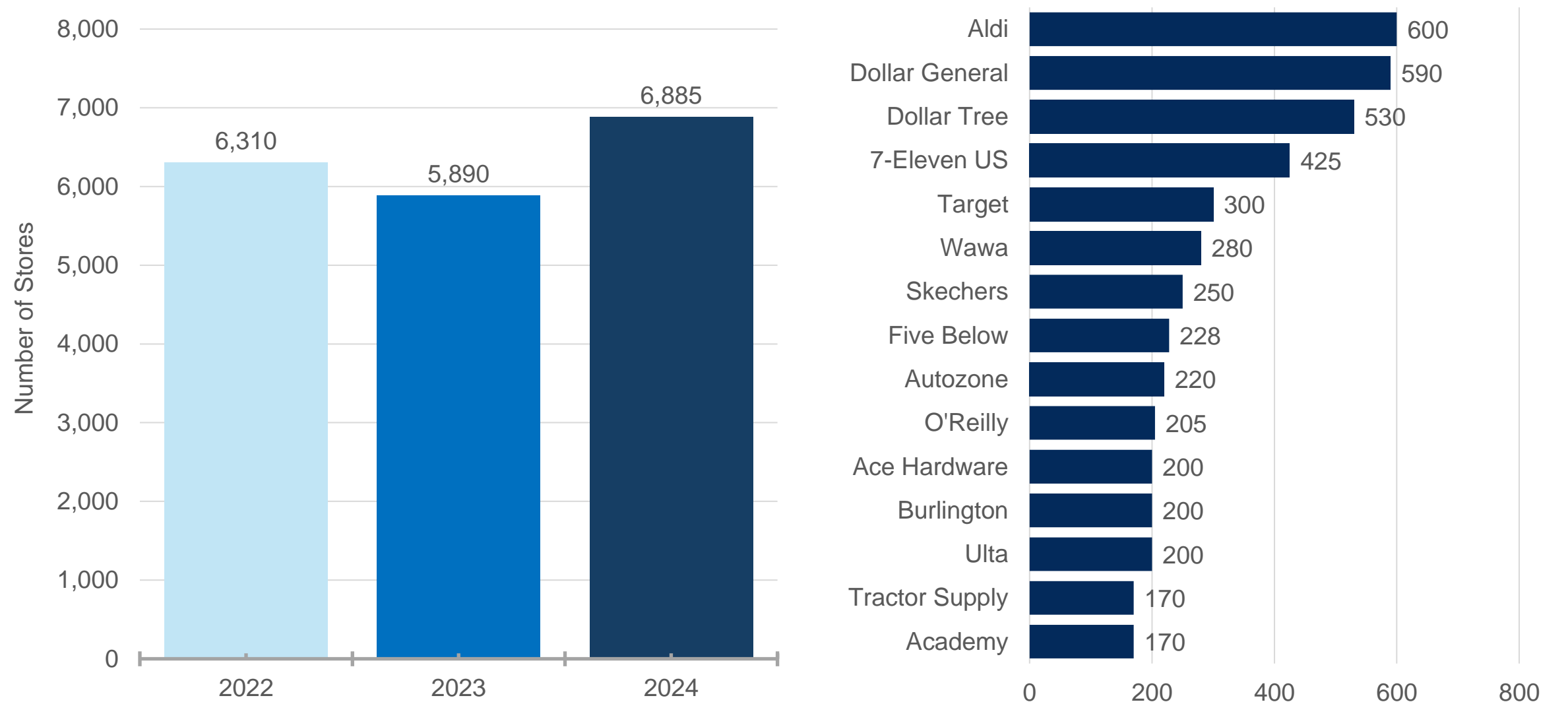
*Excludes sales at gas stations, auto dealers, and food service/drinking places. Each category within retail sales is adjusted for inflation within the CPI's most comparable category and expressed in 2024 dollars.
Source: U.S. Census Bureau

Announced store closures more than doubled in 2024



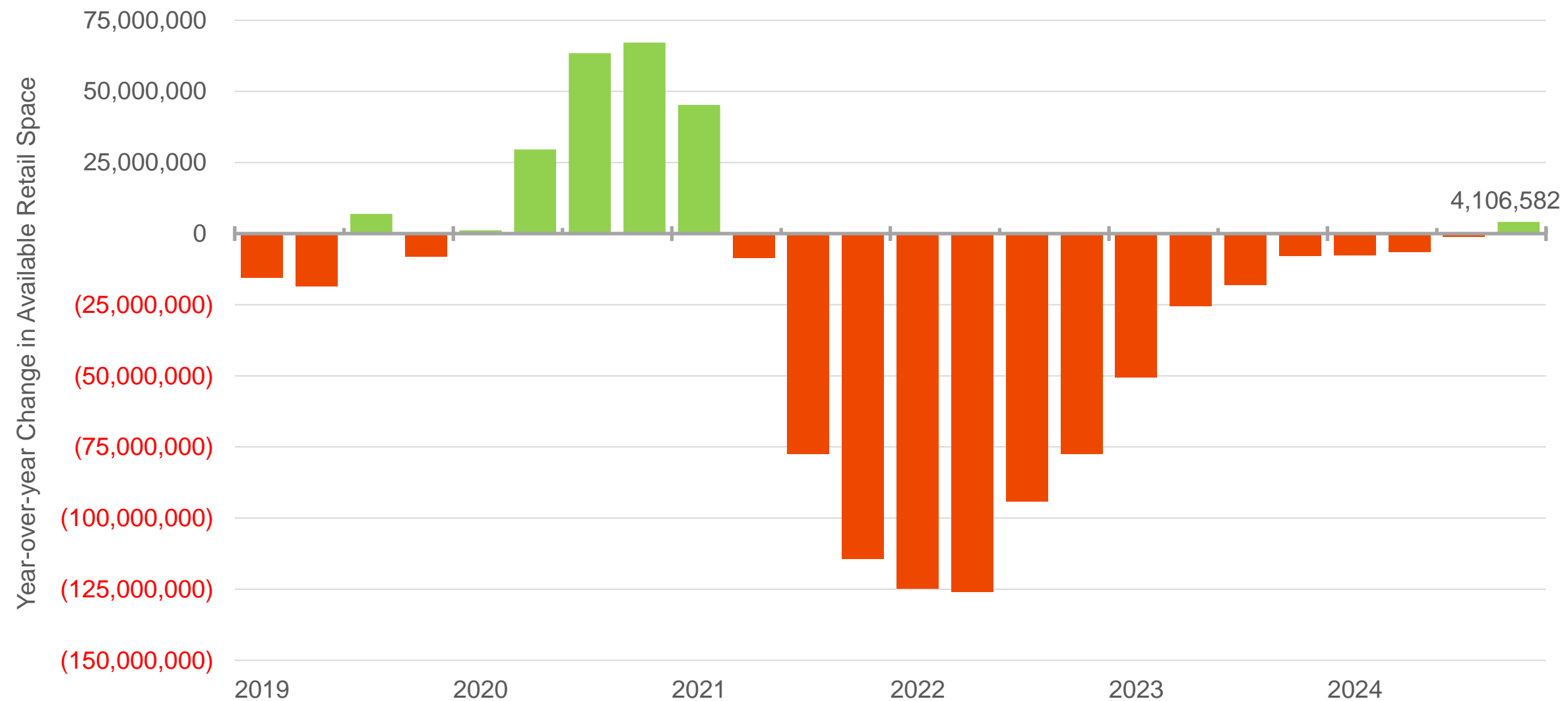
Source: Daily on Retail
Note: Based upon openings and closing plans announced during the period regardless of the store opening date

Announced store openings rose to a new high in 2024



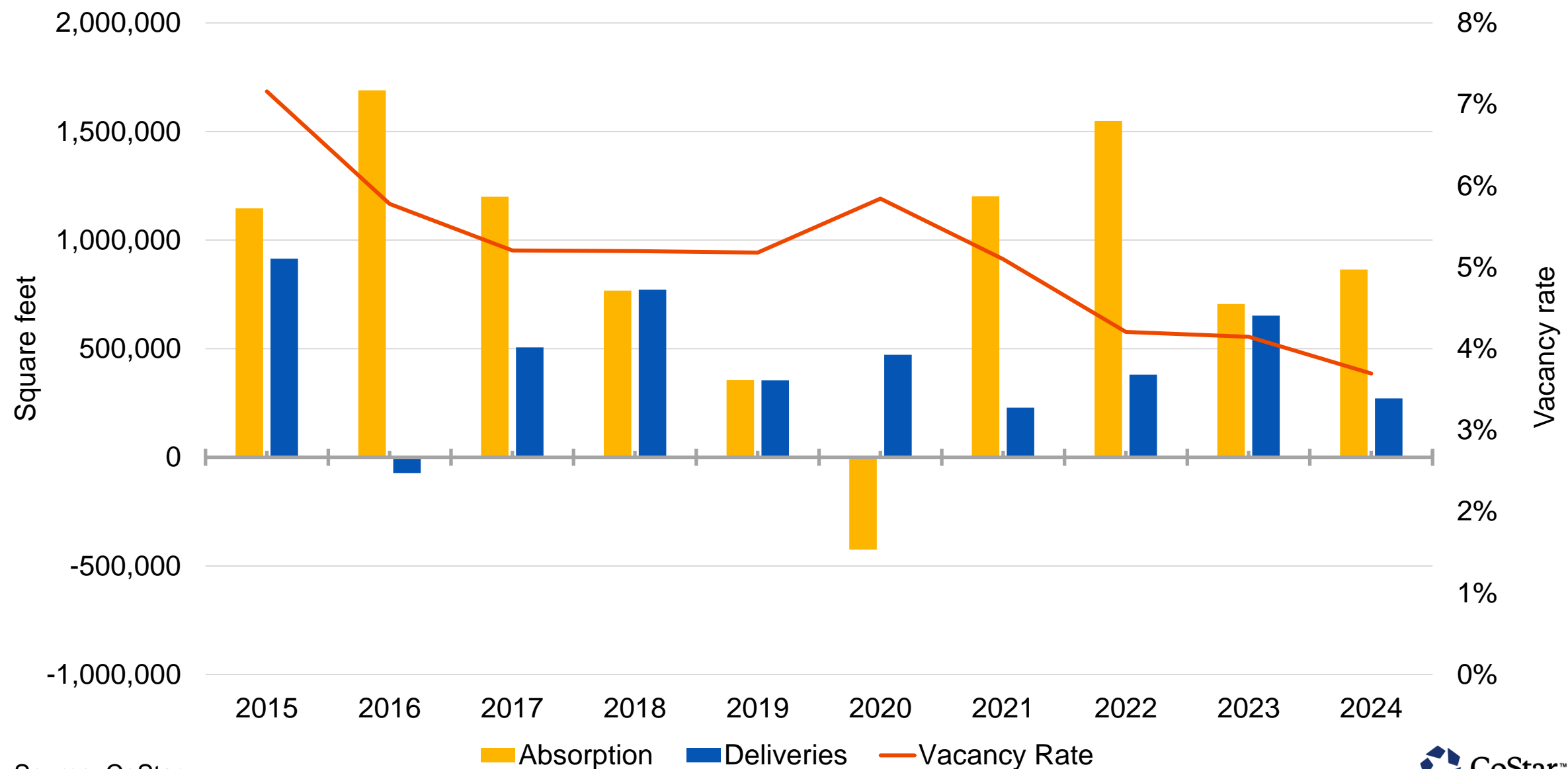
Source: Daily on Retail
Note: Based upon openings and closing plans announced during the period regardless of the store opening date

Available retail space ticked higher for first time in 15 quarters in Q4



Source: CoStar, January 2025

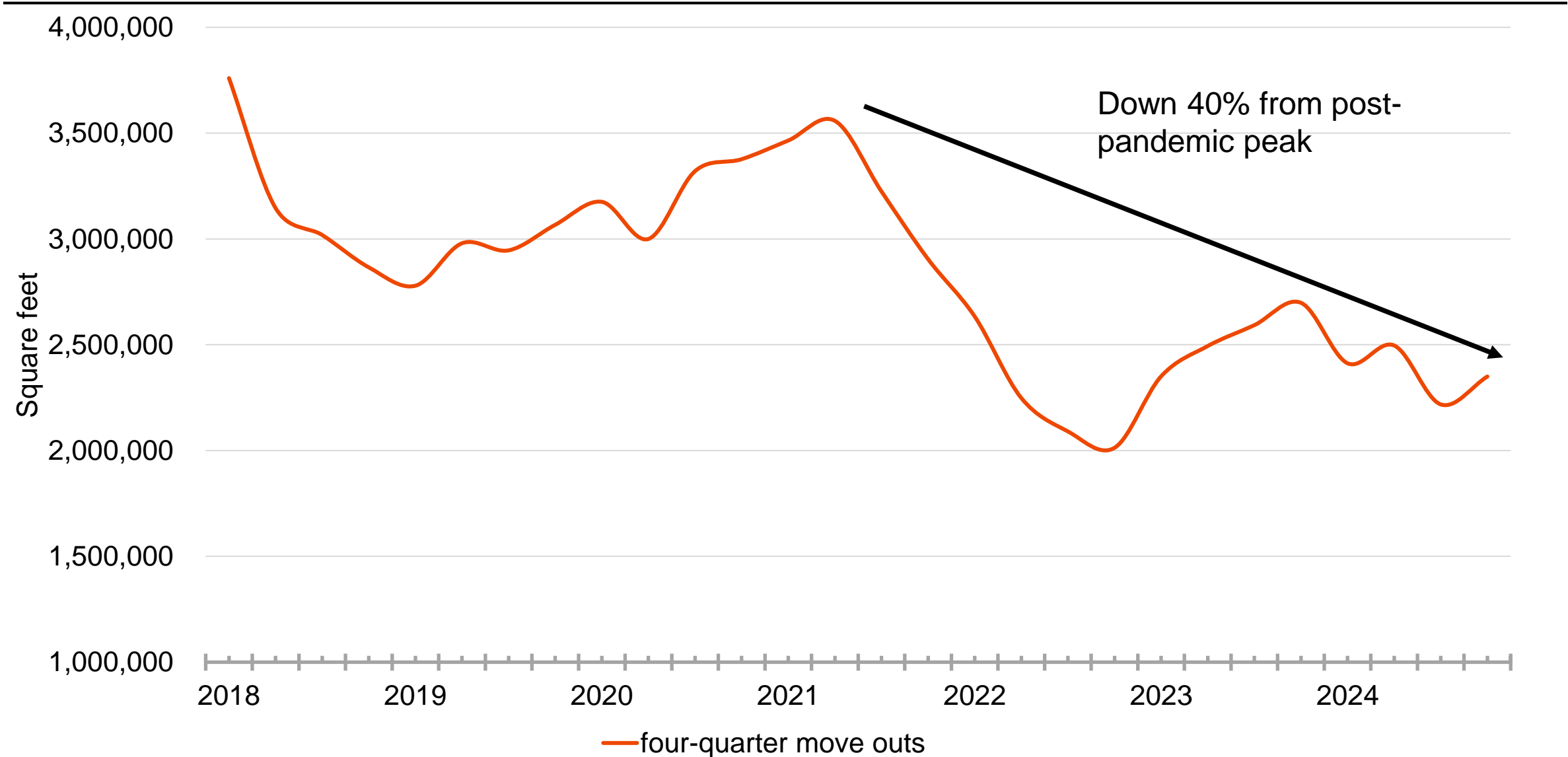
Kansas City retail fundamentals continue to tighten



Source: CoStar

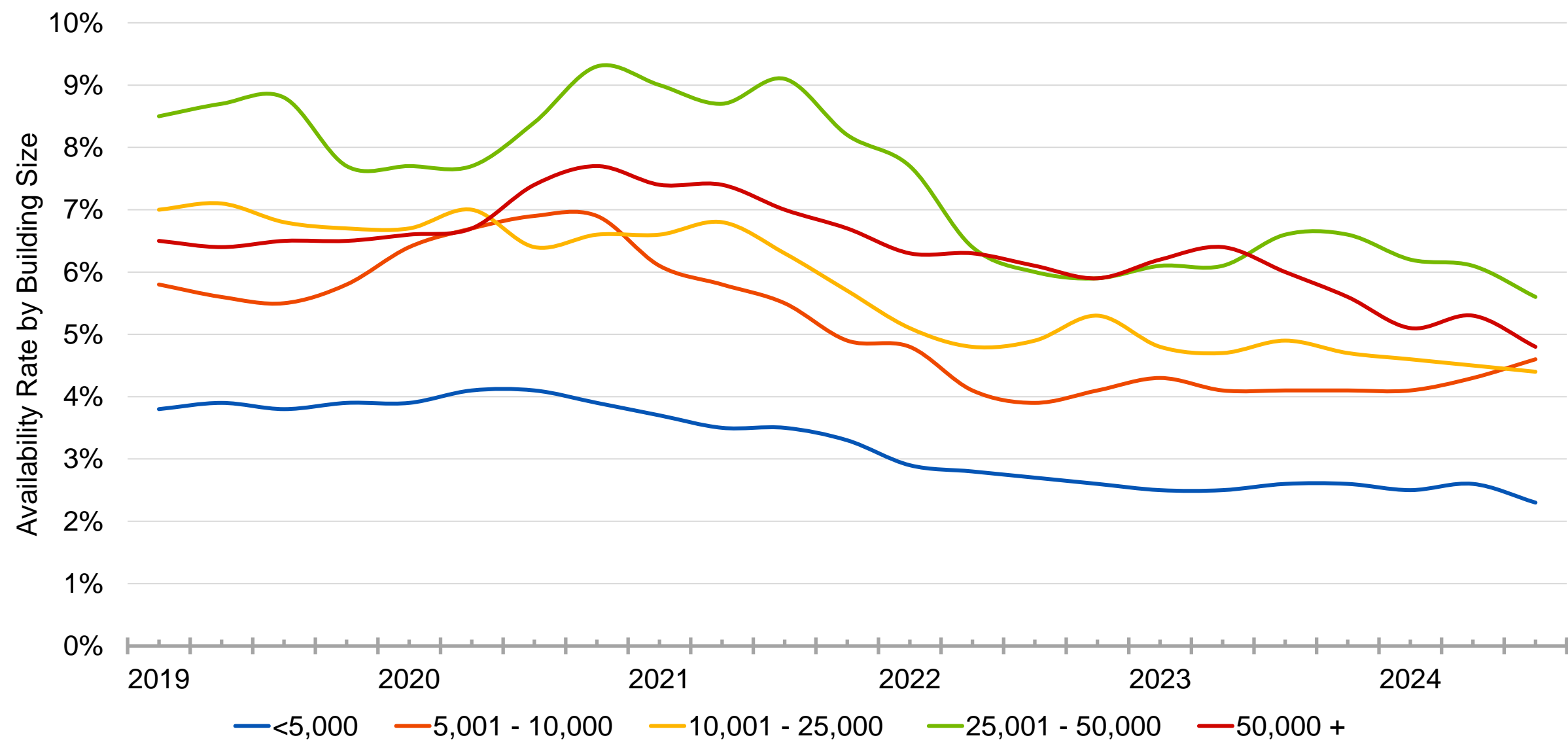


Move-outs by retailers trend down over the past three years



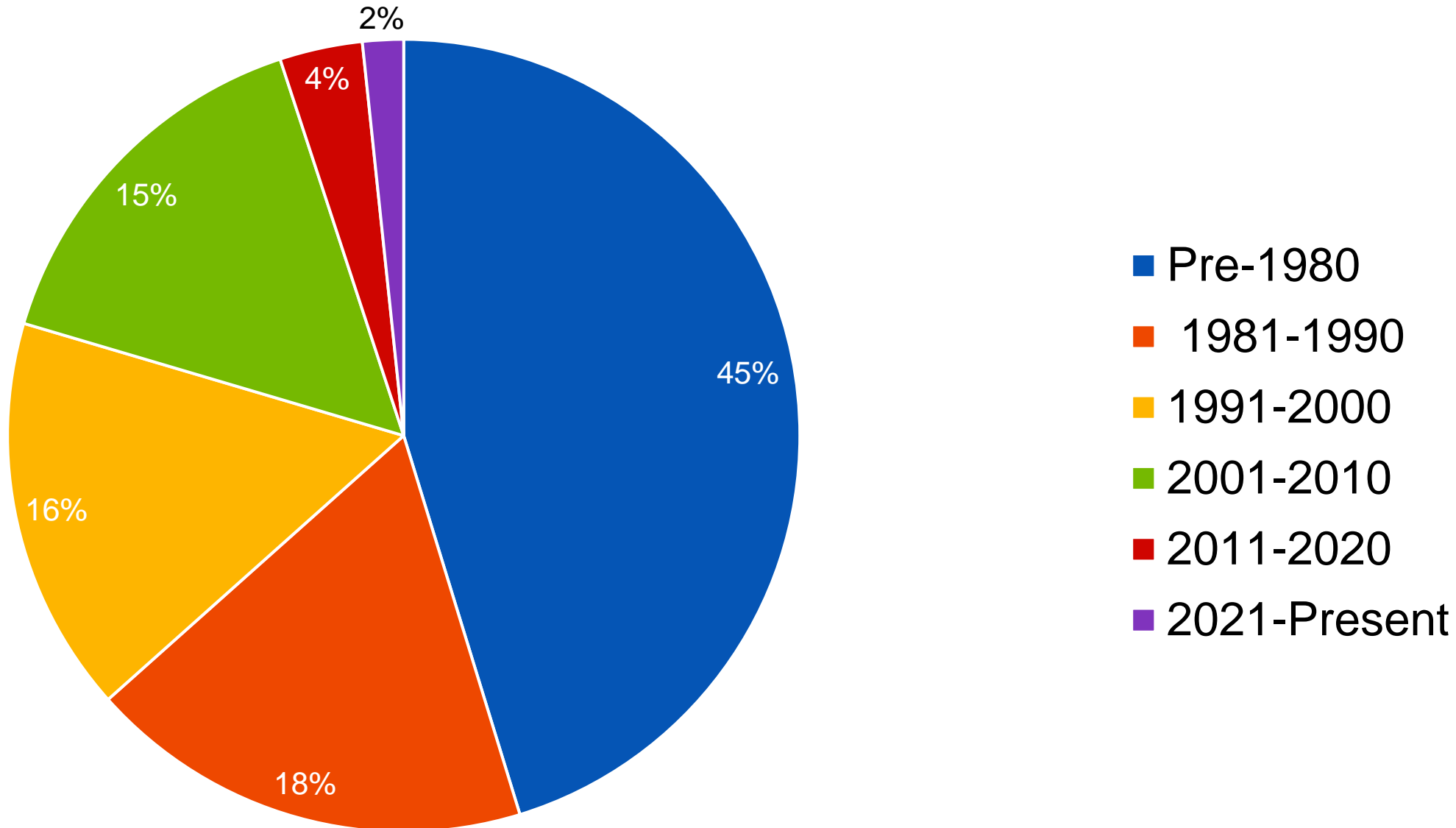
Source: CoStar

Smaller Properties Are Seeing the Tightest Fundamentals



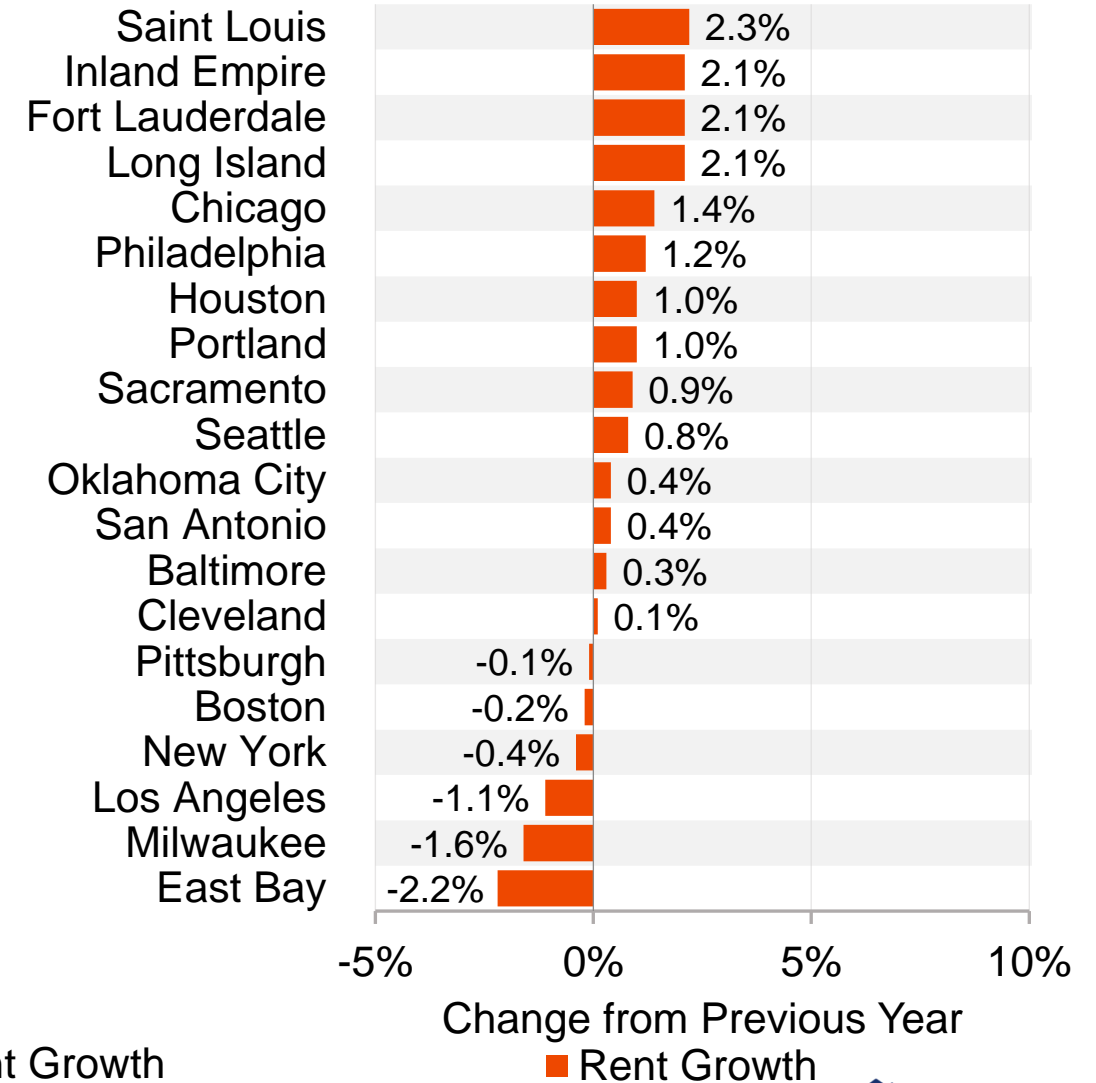
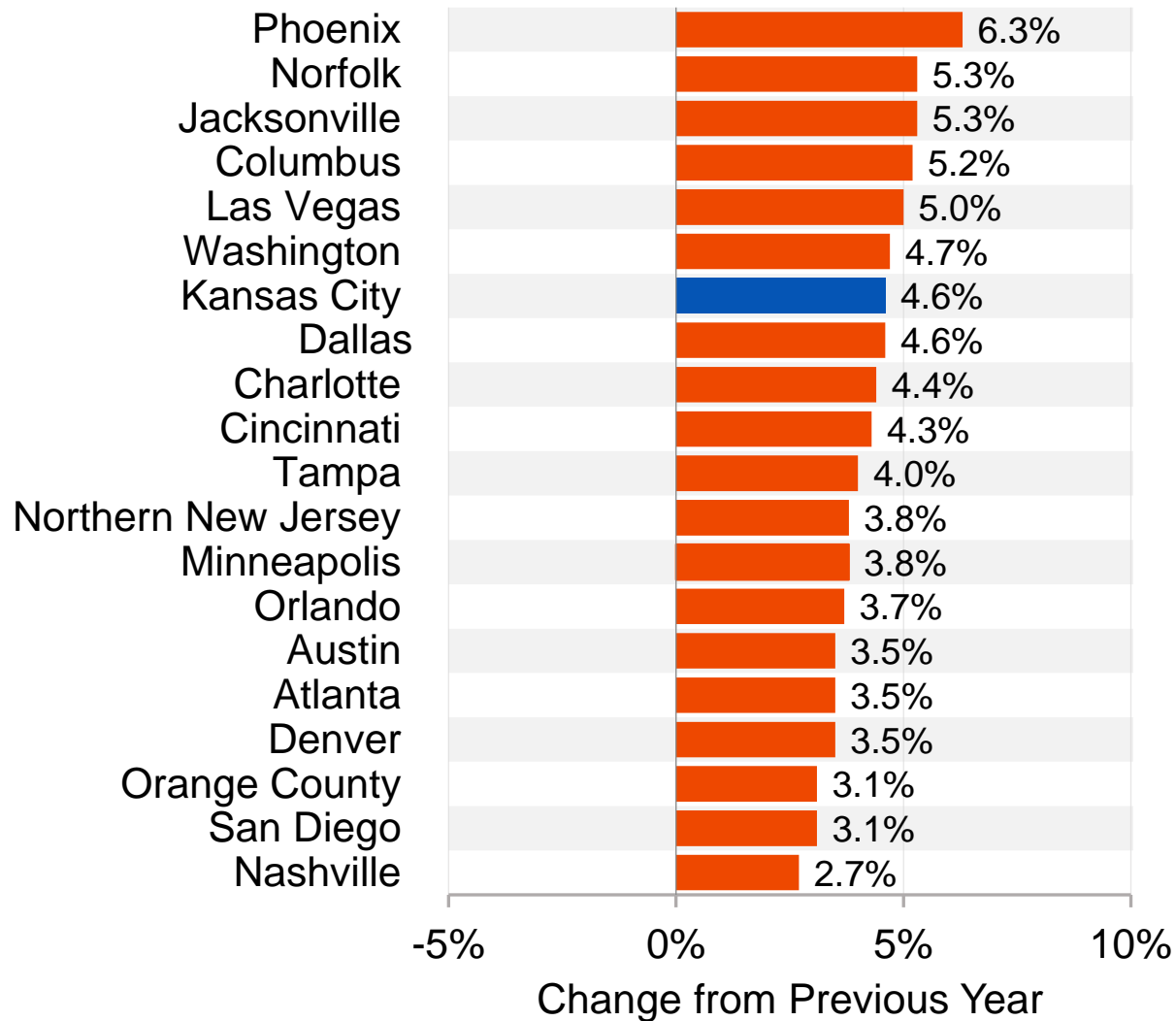
Source: CoStar

While Available Space is Concentrated at Older Properties



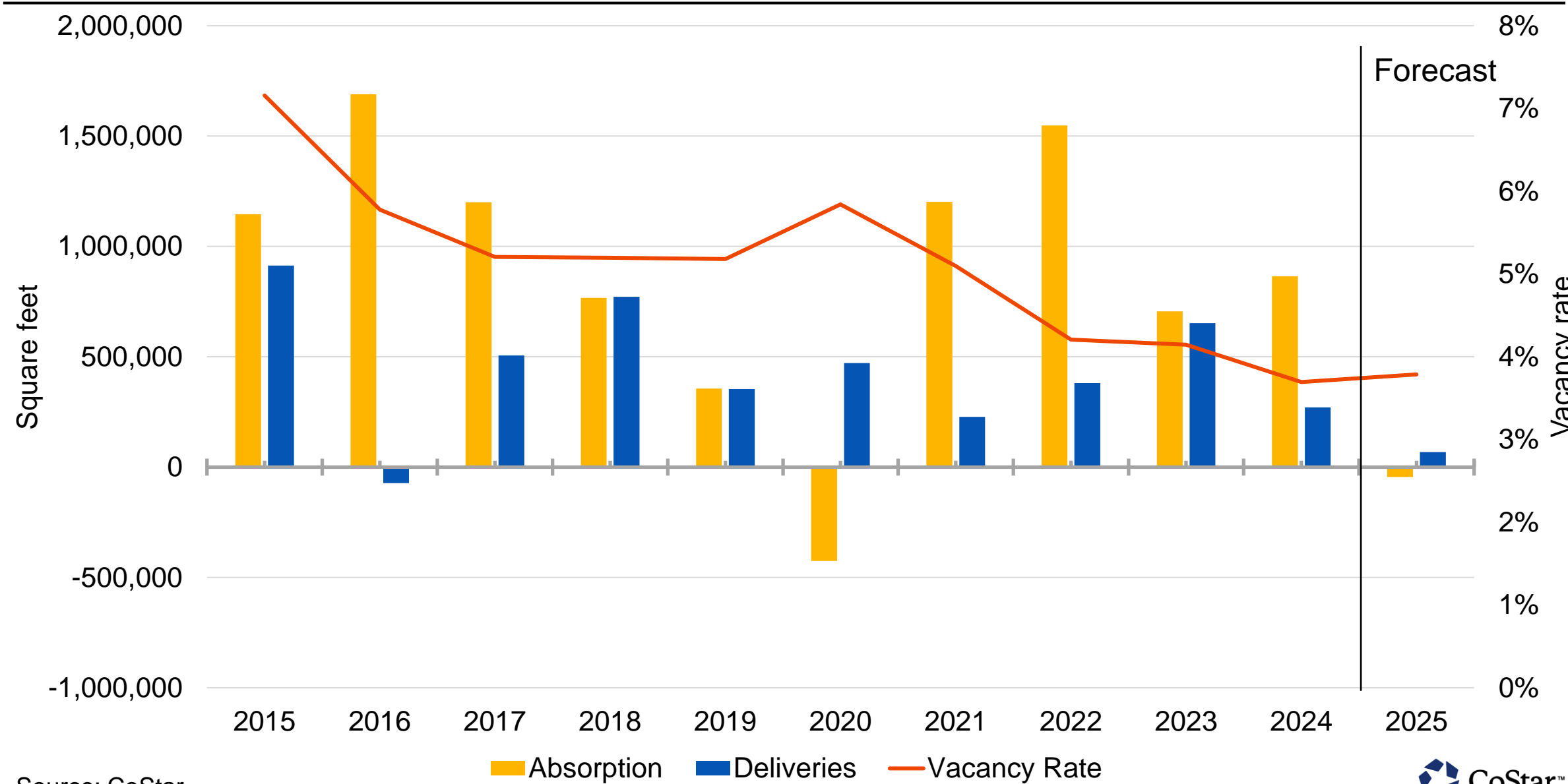
Source: CoStar

Sunbelt and Midwest markets outperforming over past year



Note: Includes markets with 100 Million+ Square Feet inventory.

Similar market conditions are projected to exist through the end of next year



Source: CoStar



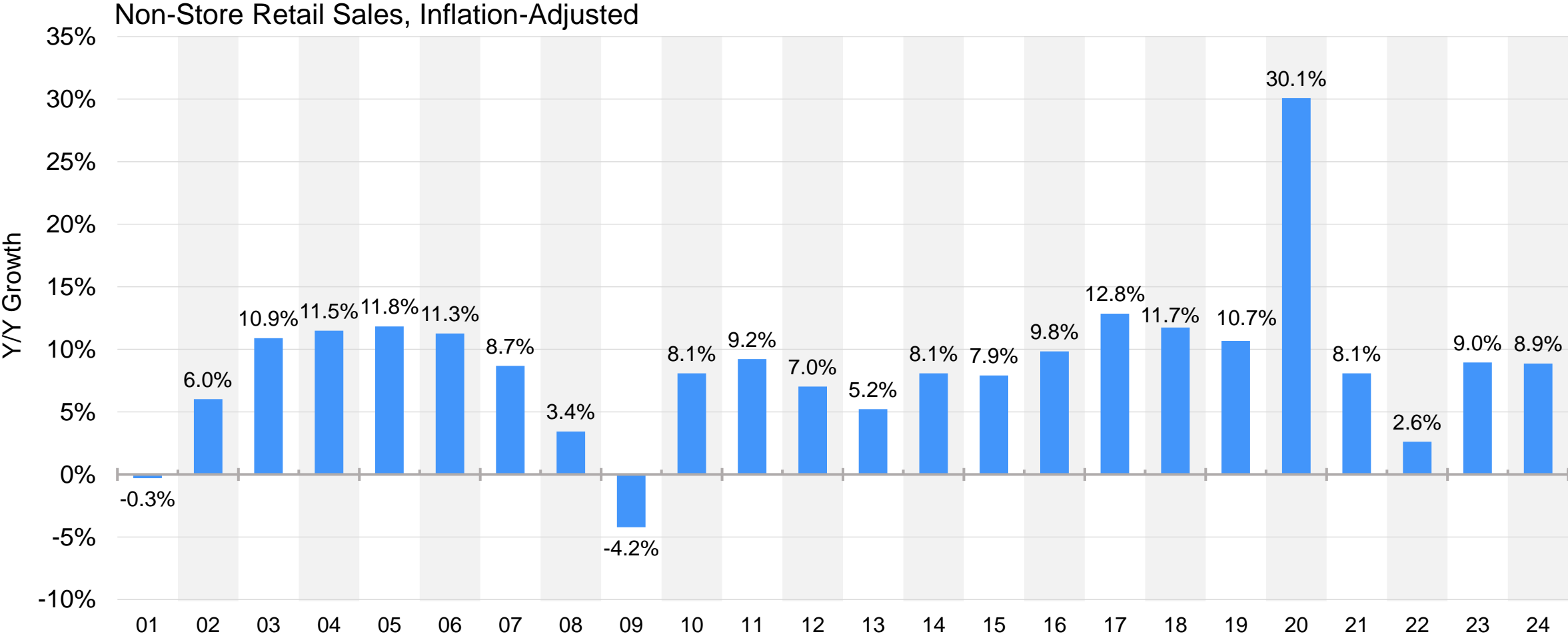
National & Local Industrial Update



Key Topics

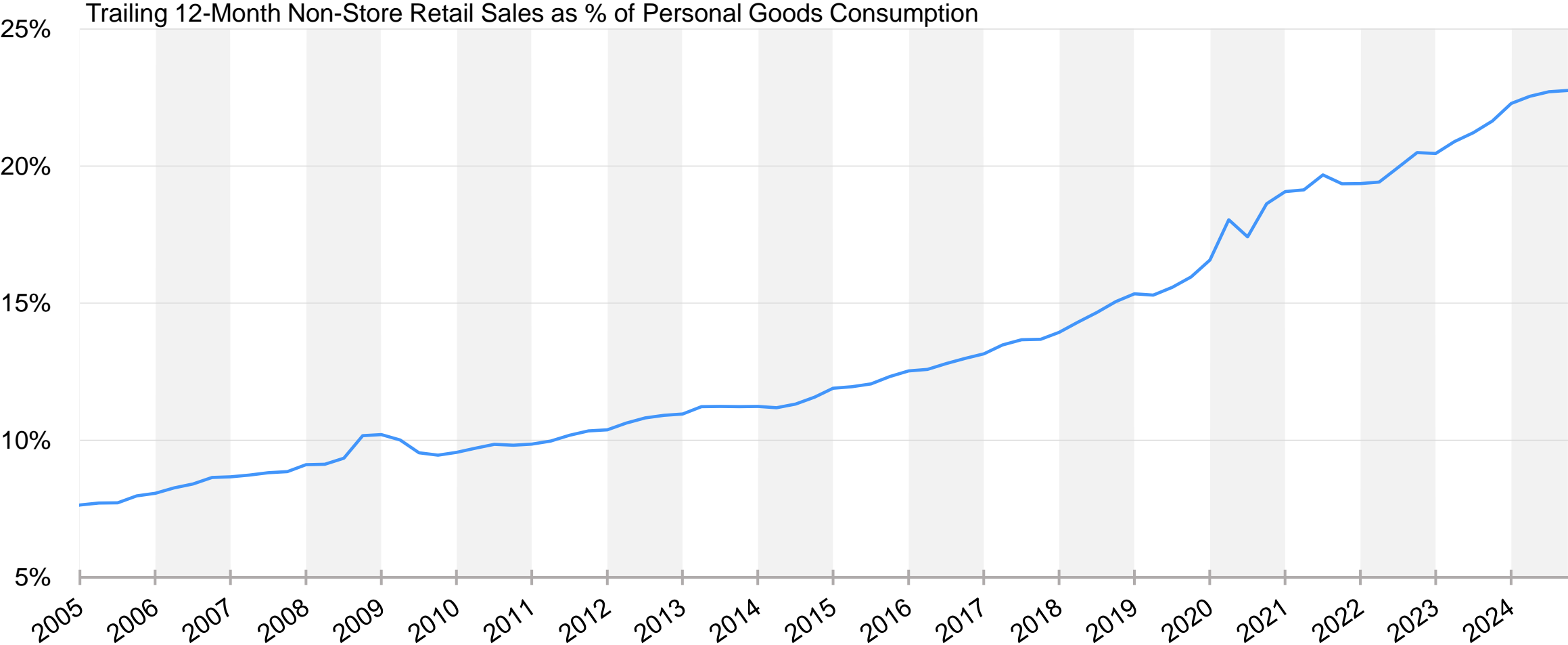
- National
 - The rebound from mid-2022 to mid-2023 slump in real retail goods sales and imports continues, but the housing market remains a drag.
 - Vacancy likely near a mid-to-late 2025 peak. Slowing spec completions are already causing vacancy to rise at a slower pace and vacancy is tightening across an increasing number of markets
- Local
 - Built-to-suit projects are driving development.
 - While demand is down from previous years, it remains well ahead of the slowdown across the country.

Real Non-Store Sales Grew 9% For Second Consecutive Year



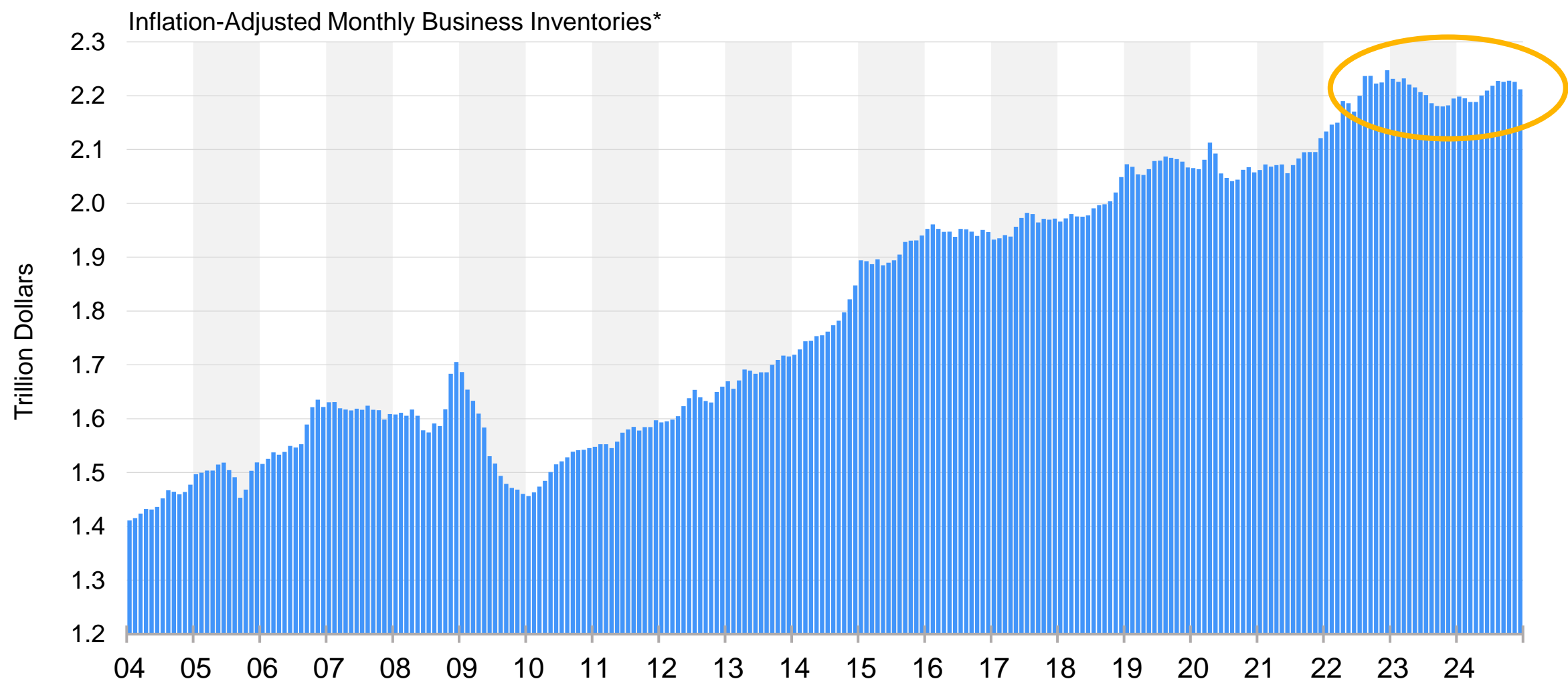
*Sales are adjusted for inflation using CPI commodities price index.
Source: U.S. Census Bureau

E-commerce Share of Total Spending Continuing to Rise



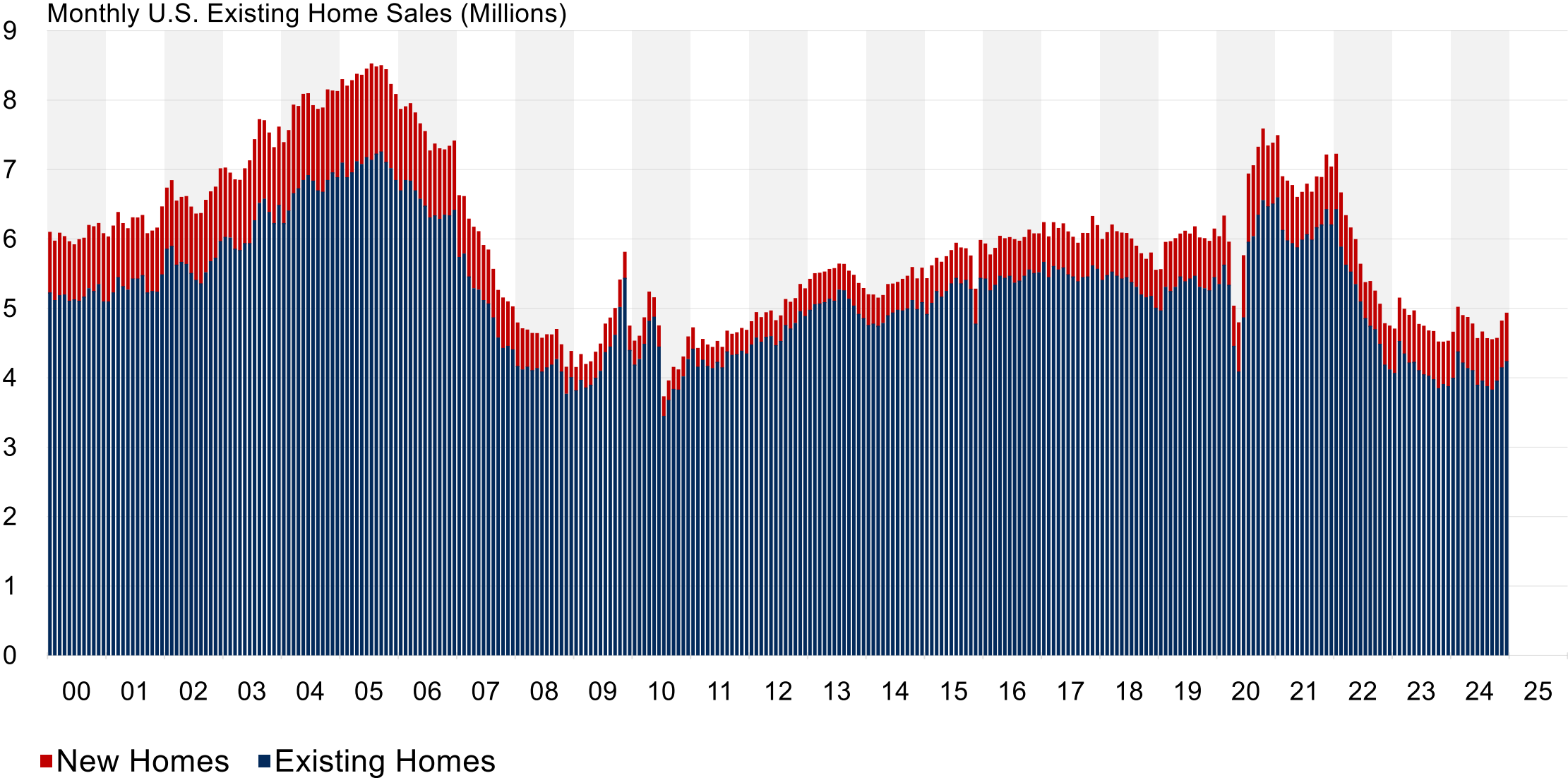
Source: U.S. Census Bureau

Business Inventories Back on the Rise



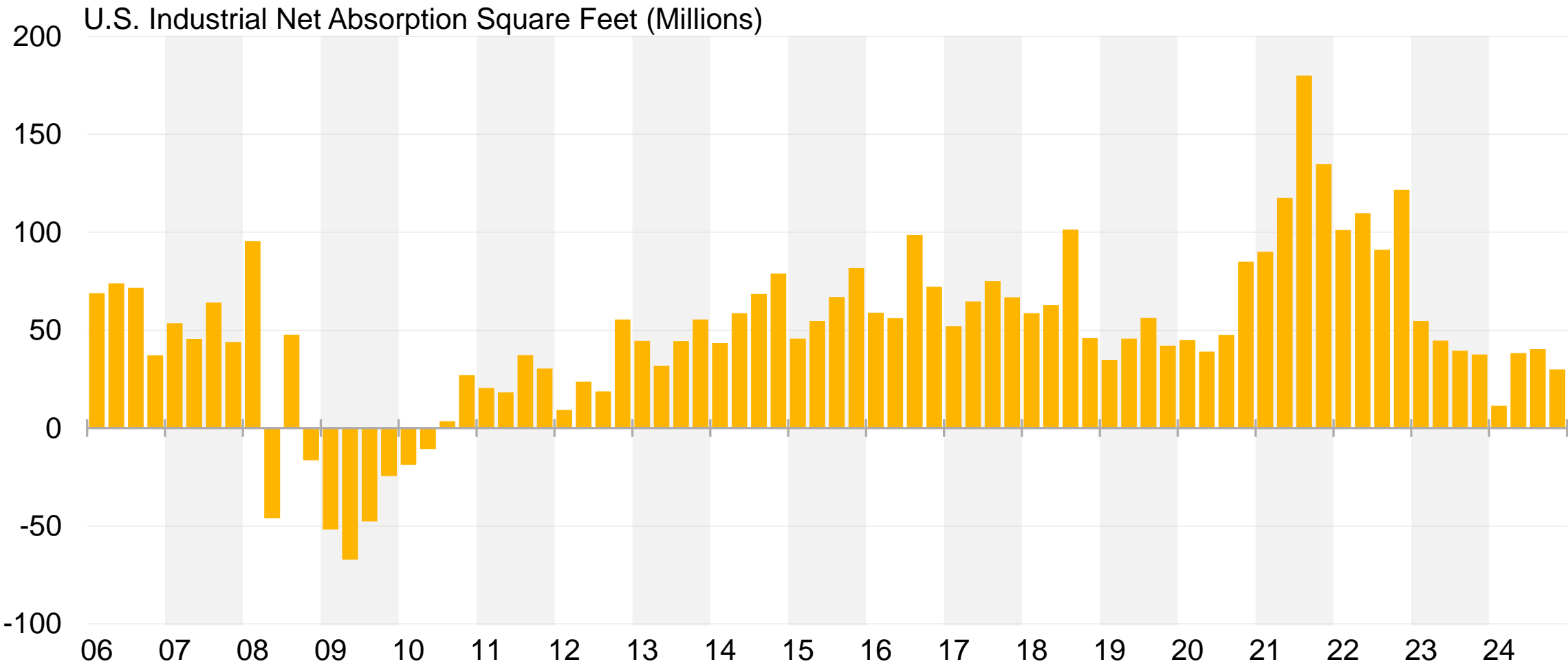
Source: U.S. Census Bureau
*Inventories are adjusted for inflation using CPI commodities index and expressed in 2023 dollars. Exclude manufacturers' inventories of petroleum and coal products, and retailers' inventories of motor vehicles and parts.

Headwind – Home sales remain very low



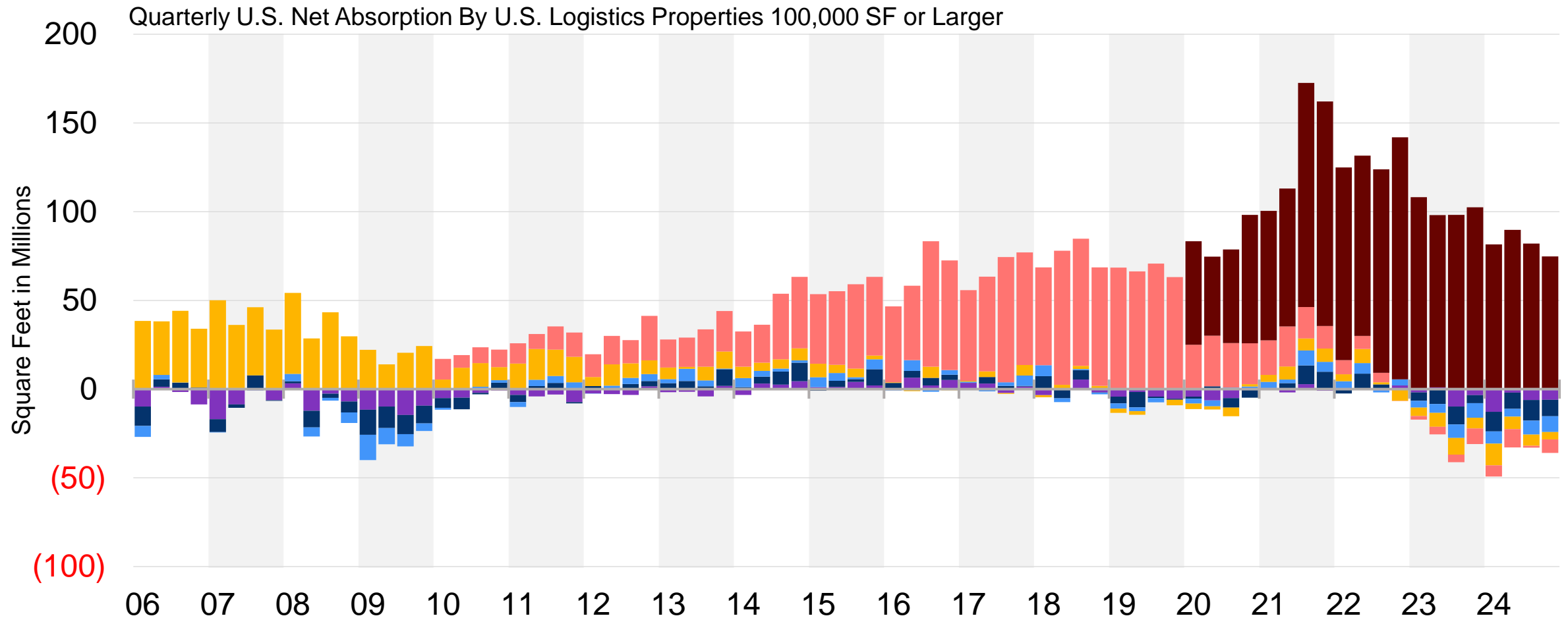
Source: National Association of Realtors (NAR), U.S. Census Bureau

Net Absorption Still at Lowest Levels Since 2012



All figures above are the aggregate of the 87 U.S. markets that comprise CoStar's National Index
Source: CoStar

Shift Into Modern Logistics Buildings Underway

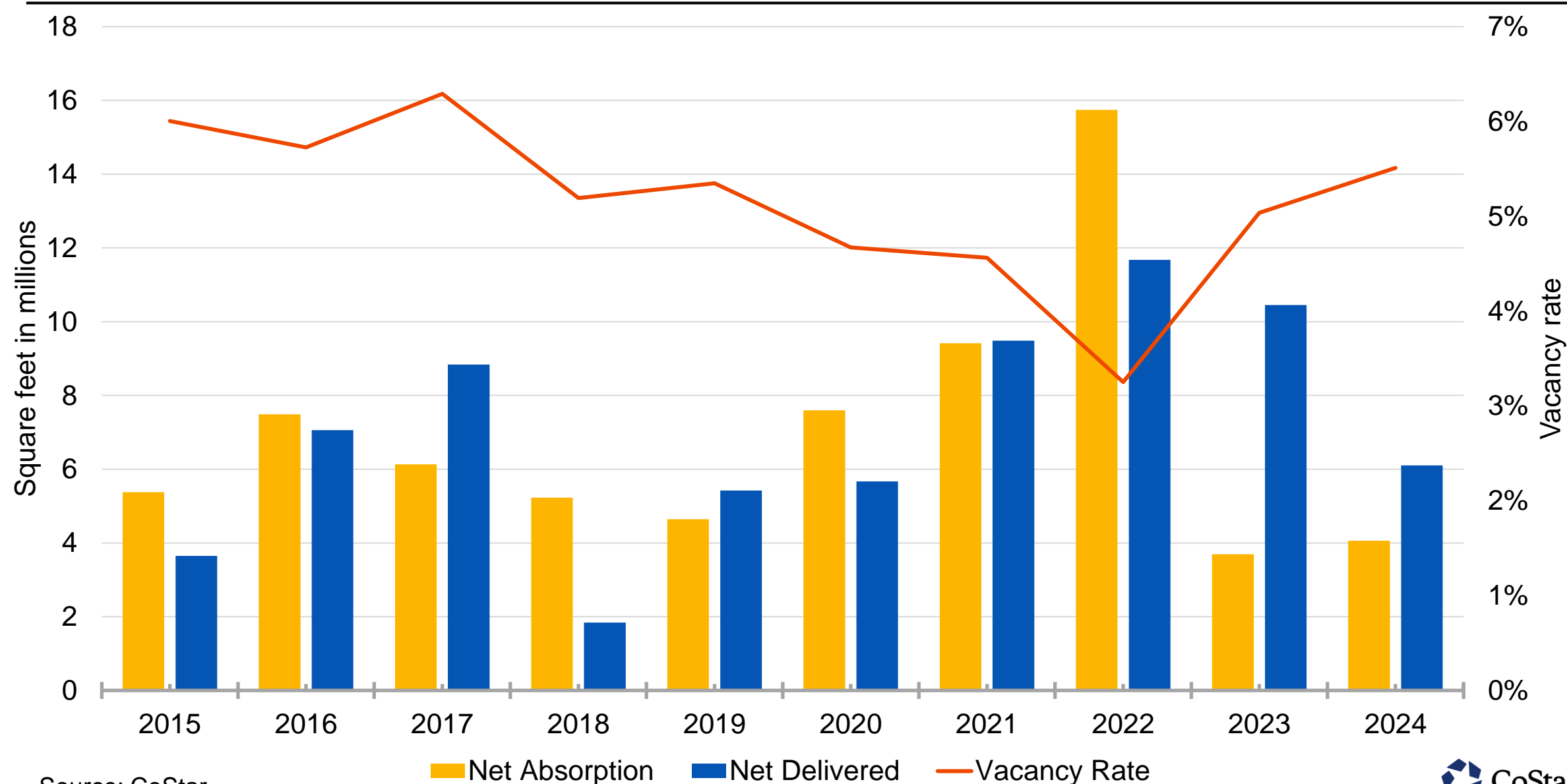


Year Built Range

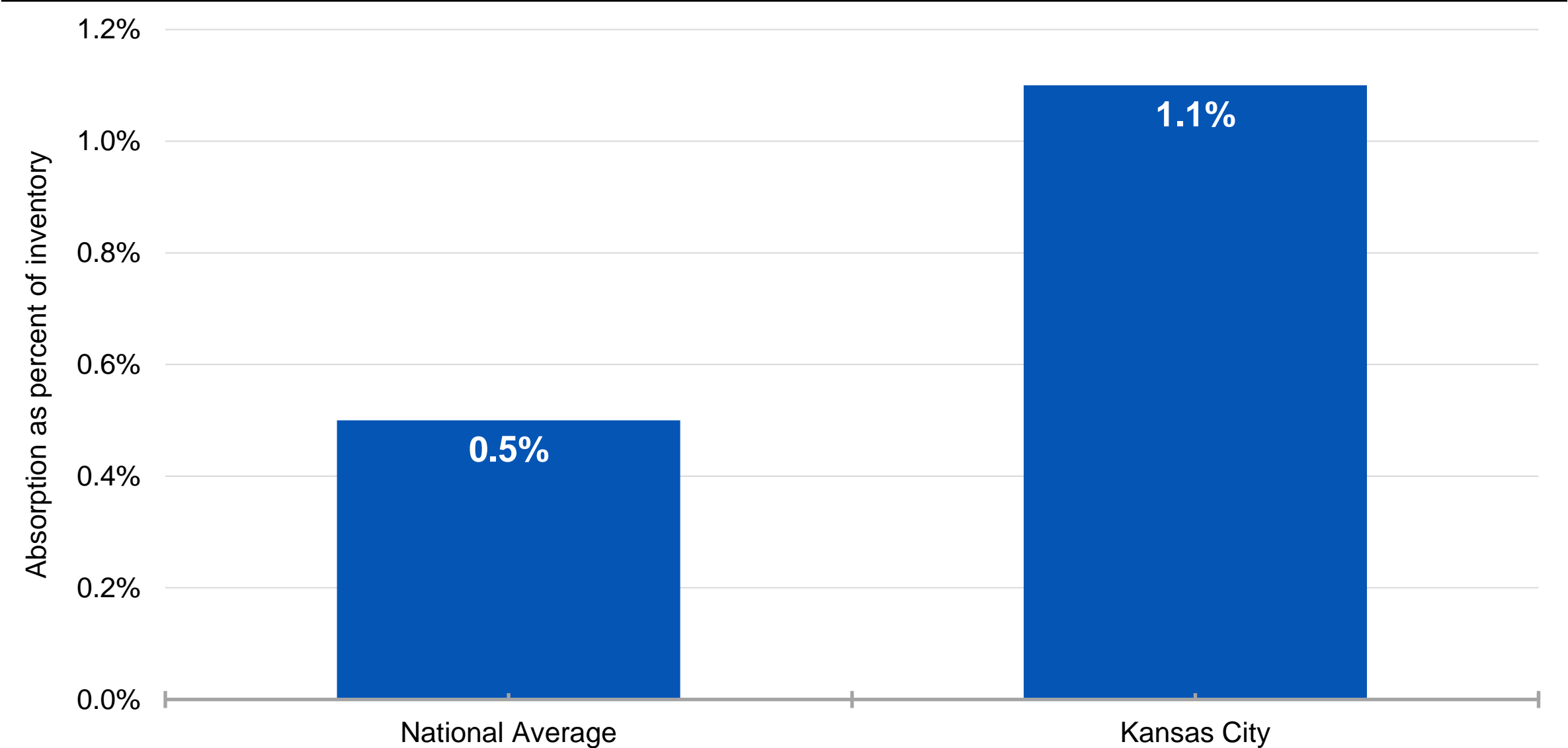
■ Before 1970 ■ 1970-1989 ■ 1990-1999 ■ 2000-2009 ■ 2010-2019 ■ 2020 or Later

Source: CoStar

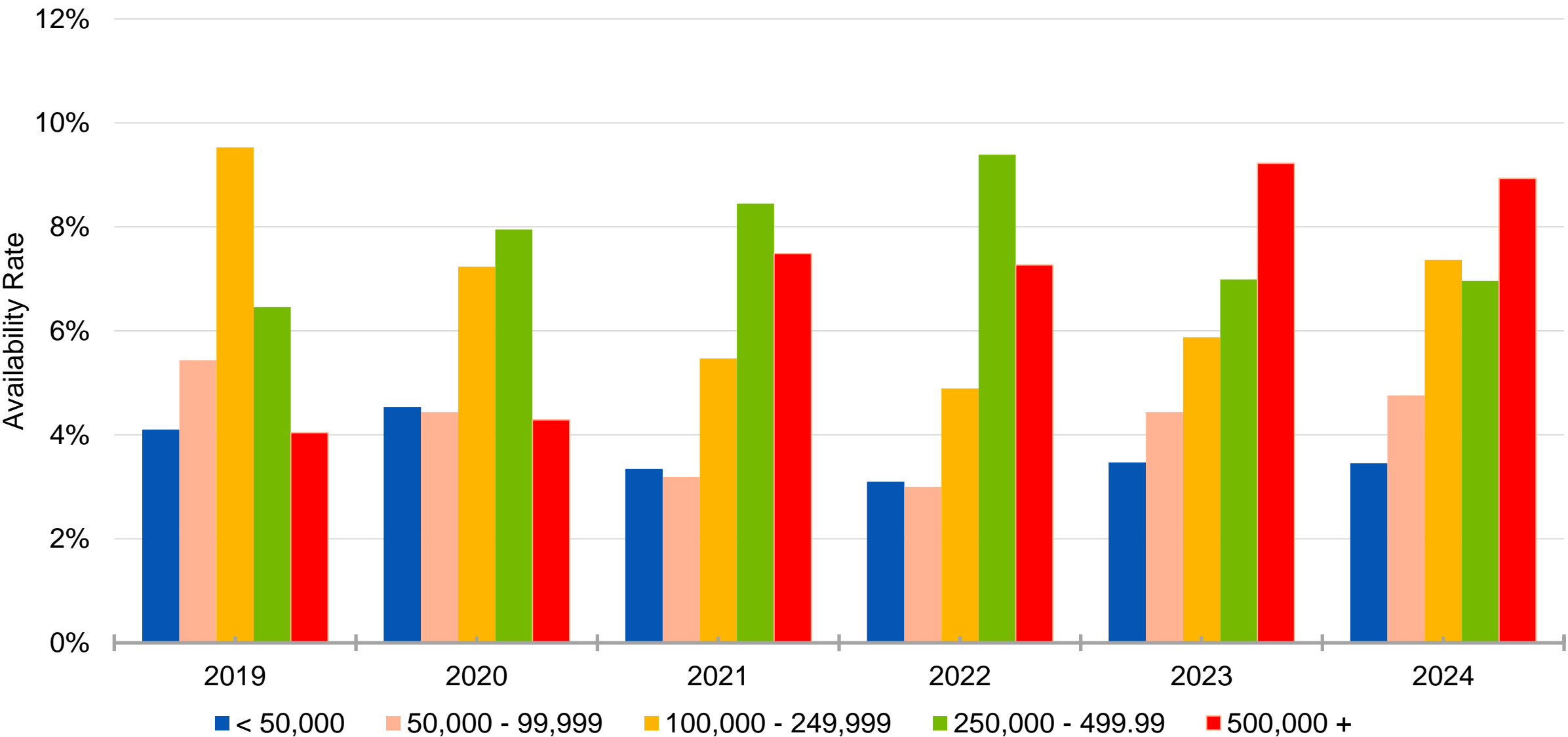
Kansas City Industrial Fundamentals



Kansas City absorption outpacing the national average

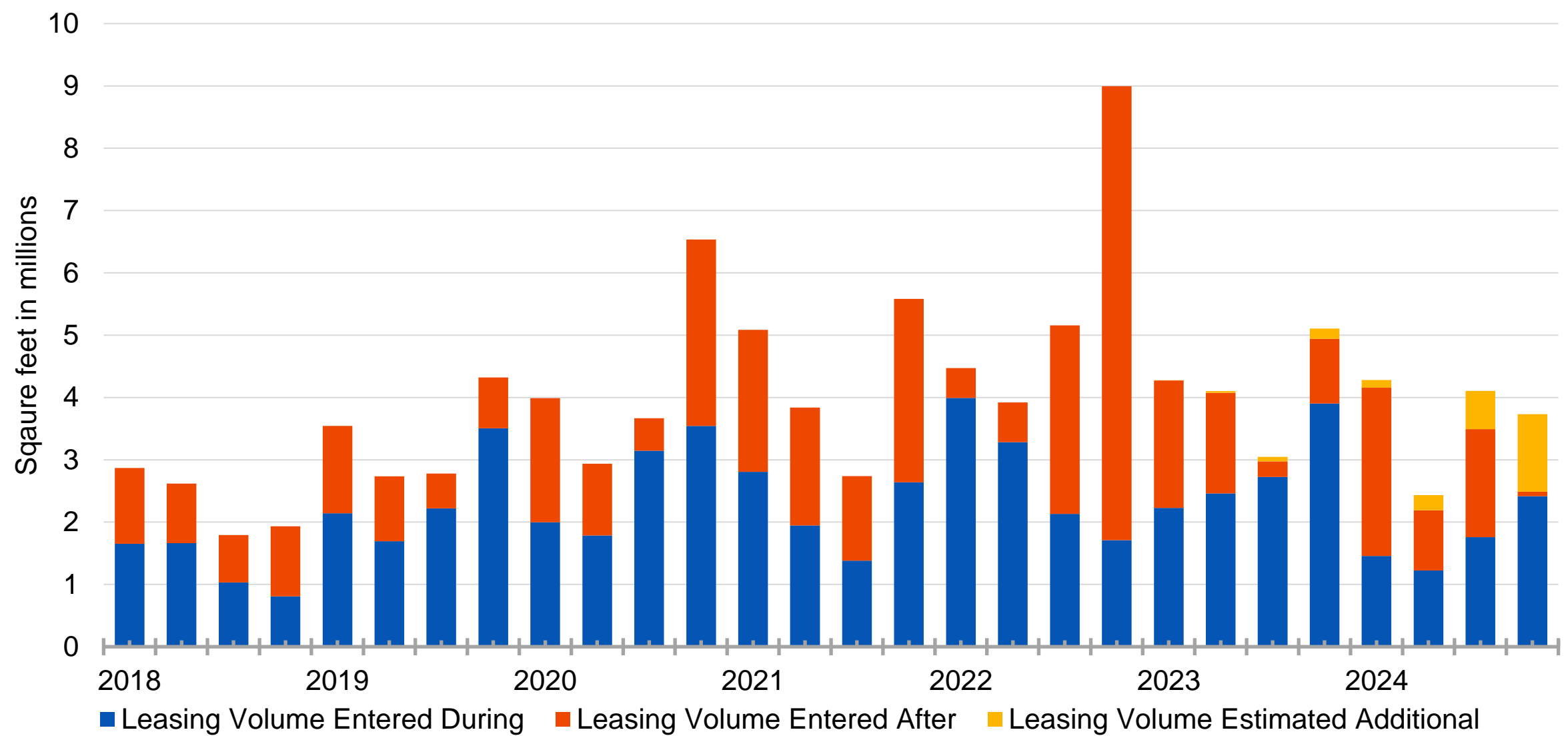


Availabilities Up the Most in Larger Properties



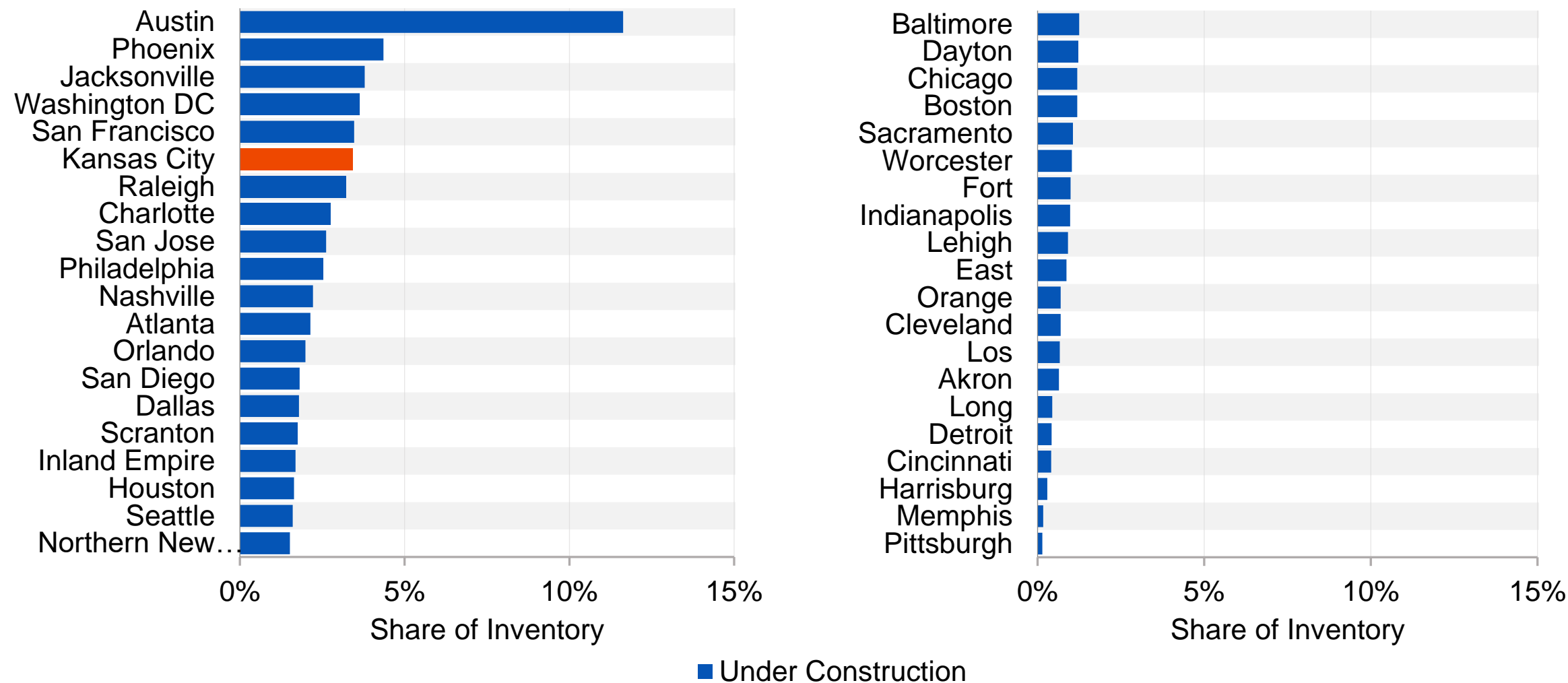
Source: CoStar

Leasing increased in the second half of 2024



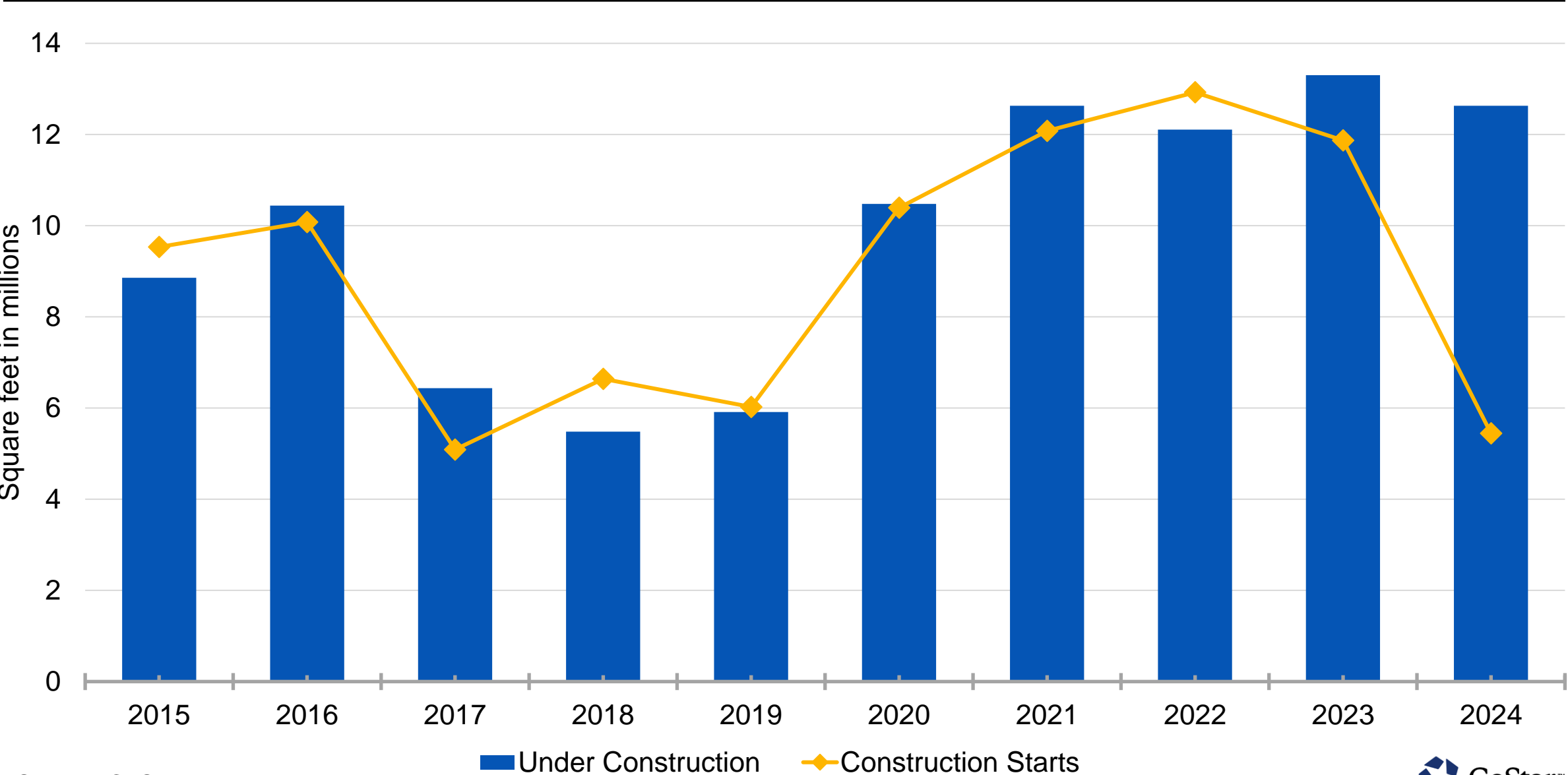
*Leasing totals exclude renewals
Source: CoStar

Build to Suit projects keep KC construction pipeline elevated



Note: Includes markets with 100 Million+ Square Feet inventory.
Source: CoStar

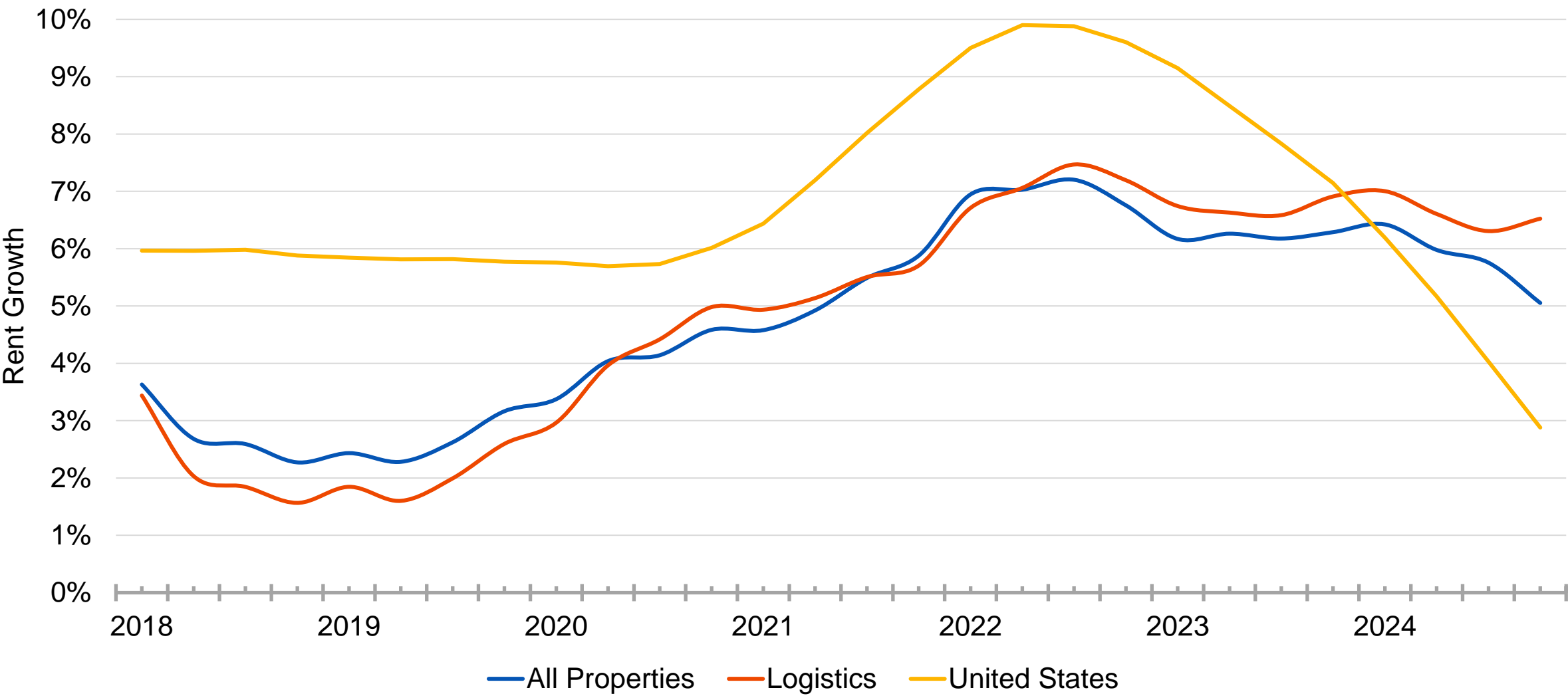
Construction starts are back to pre-pandemic levels



Source: CoStar



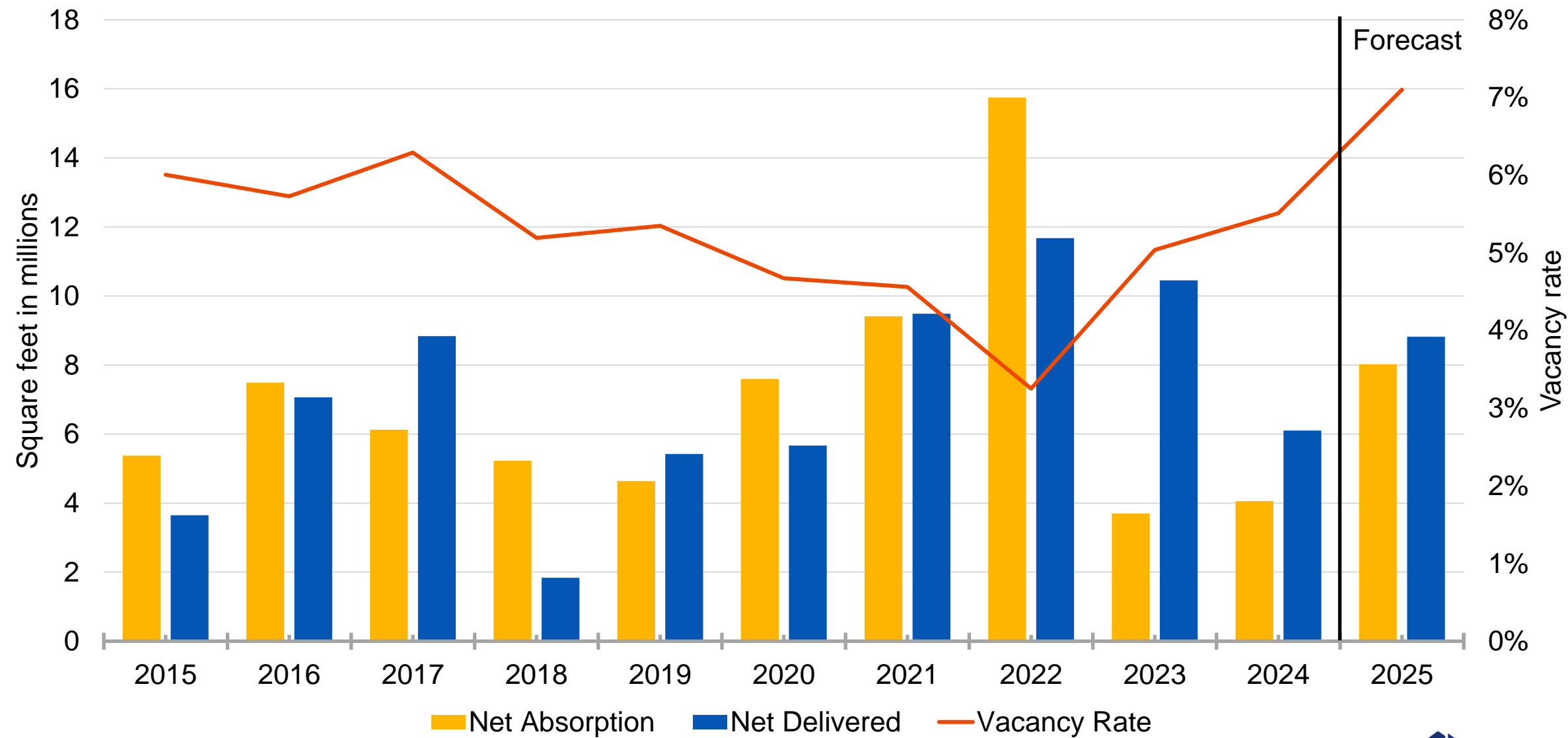
Annual Rent Growth Steady Among Logistics Properties



Source: CoStar



Vacancies projected to rise slightly this year



Source: CoStar

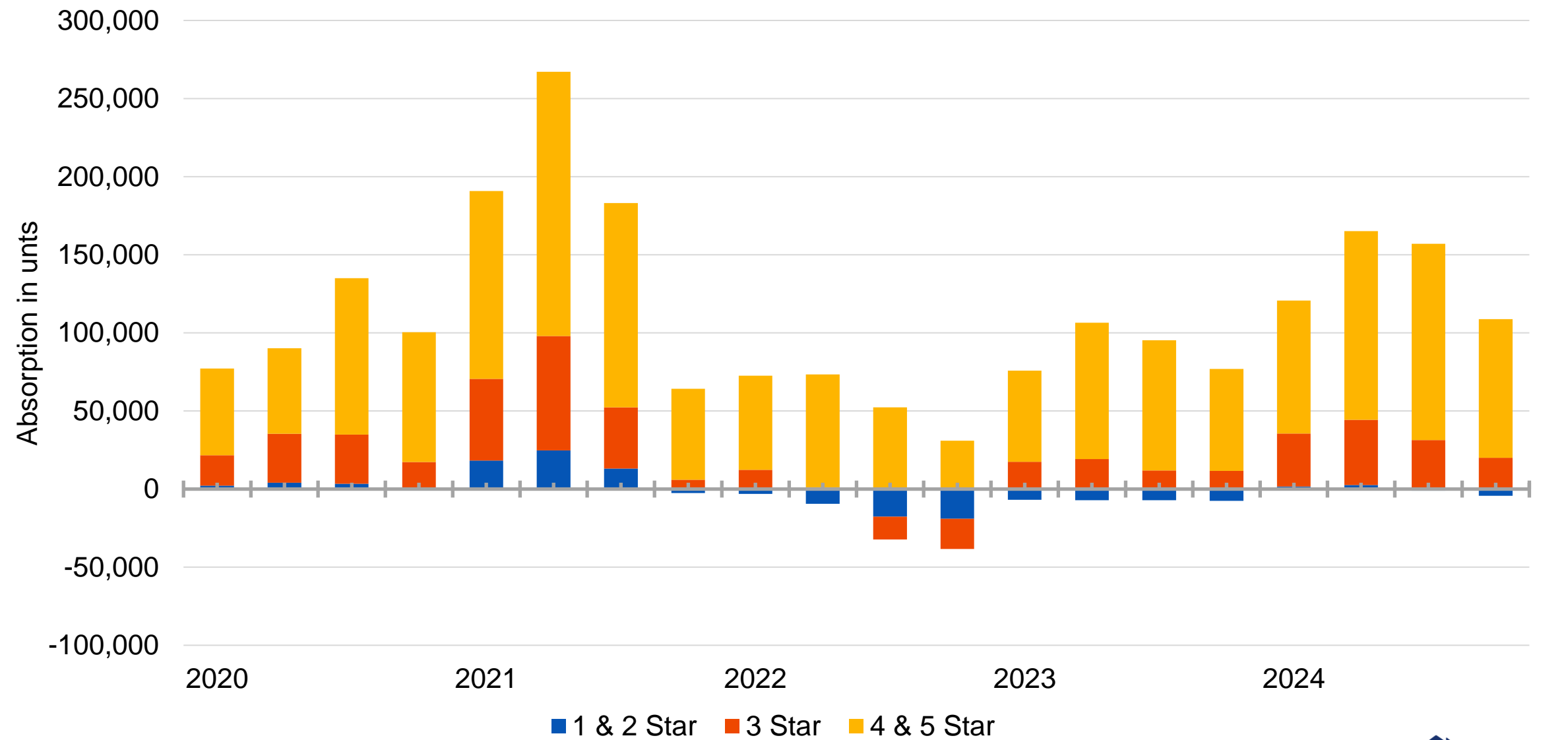
National & Local Apartment Update



Key Topics

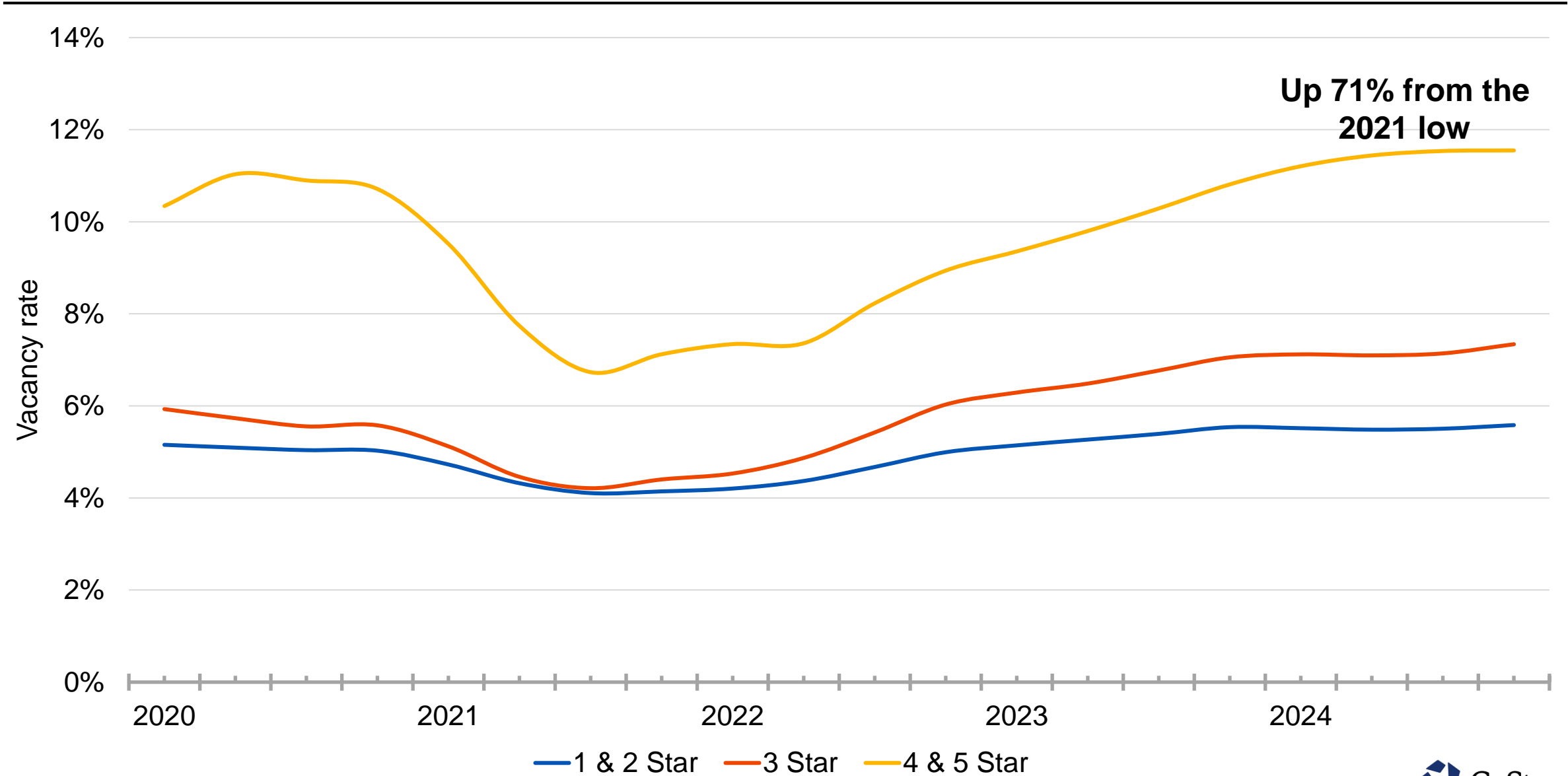
- National
 - Renter demand is up sharply from the late 2022 lows
 - Vacancies among 4 & 5 Star properties are finally starting to level off
- Local
 - Demand outpaced new supply in 2024 for the first time in three years.
 - Tightening conditions kept rent growth ahead of the national average and was second in the country.

Strongest Multifamily Demand Since 2021 Almost Matching Supply



Source: CoStar, January 2025

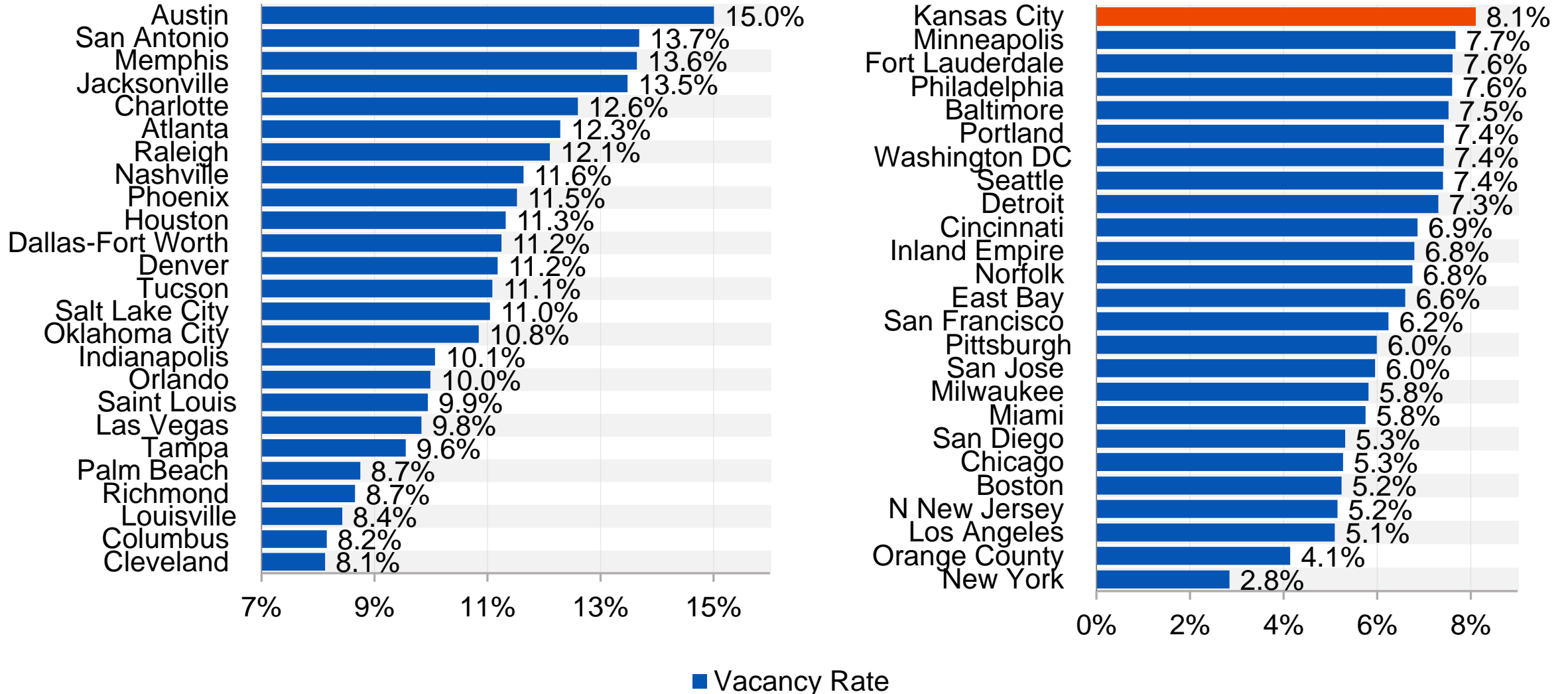
4&5 Star Vacancy May Have Finally Stopped Rising



Source: CoStar, January 2025

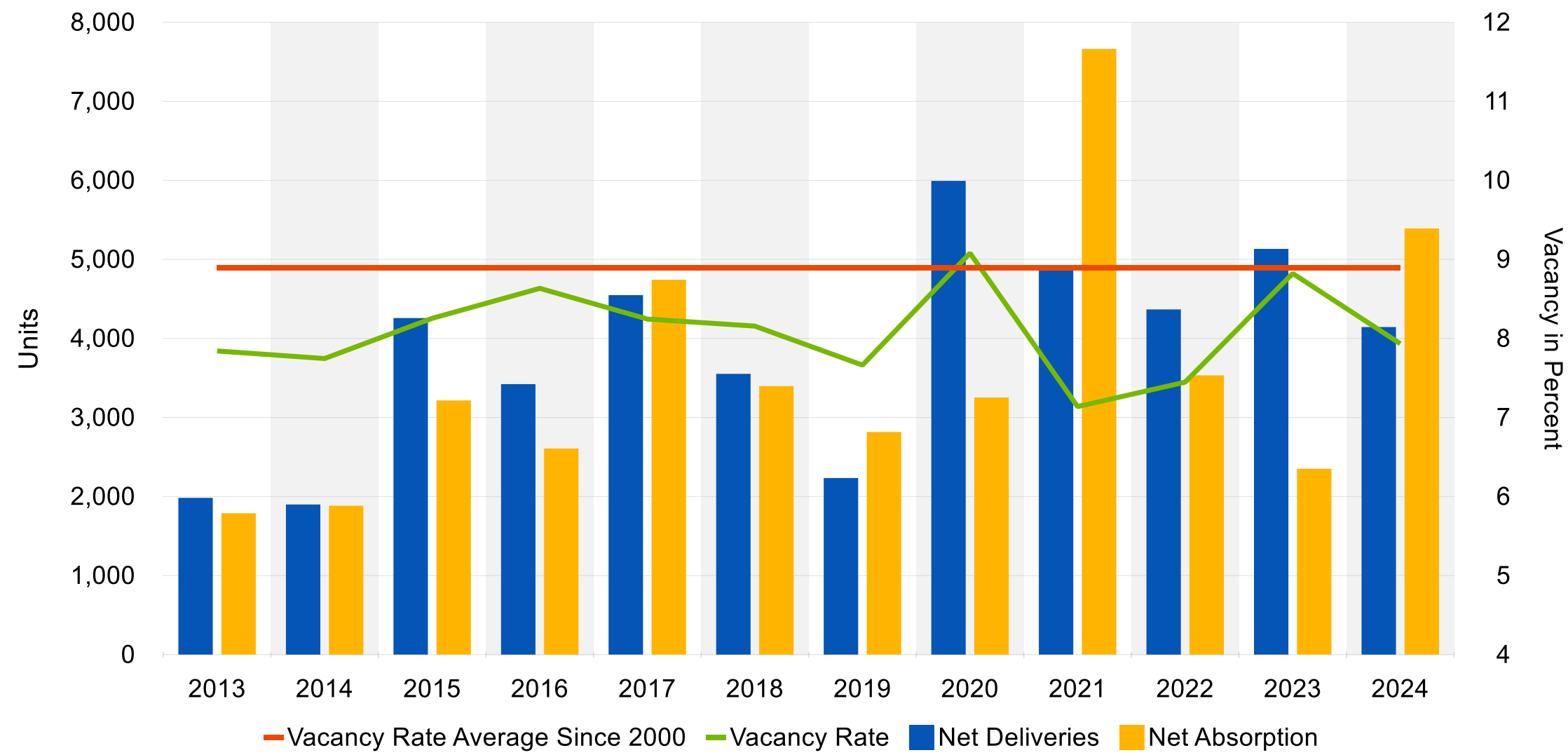


Sun Belt Markets Top Vacancy Rates for Top 50 Markets



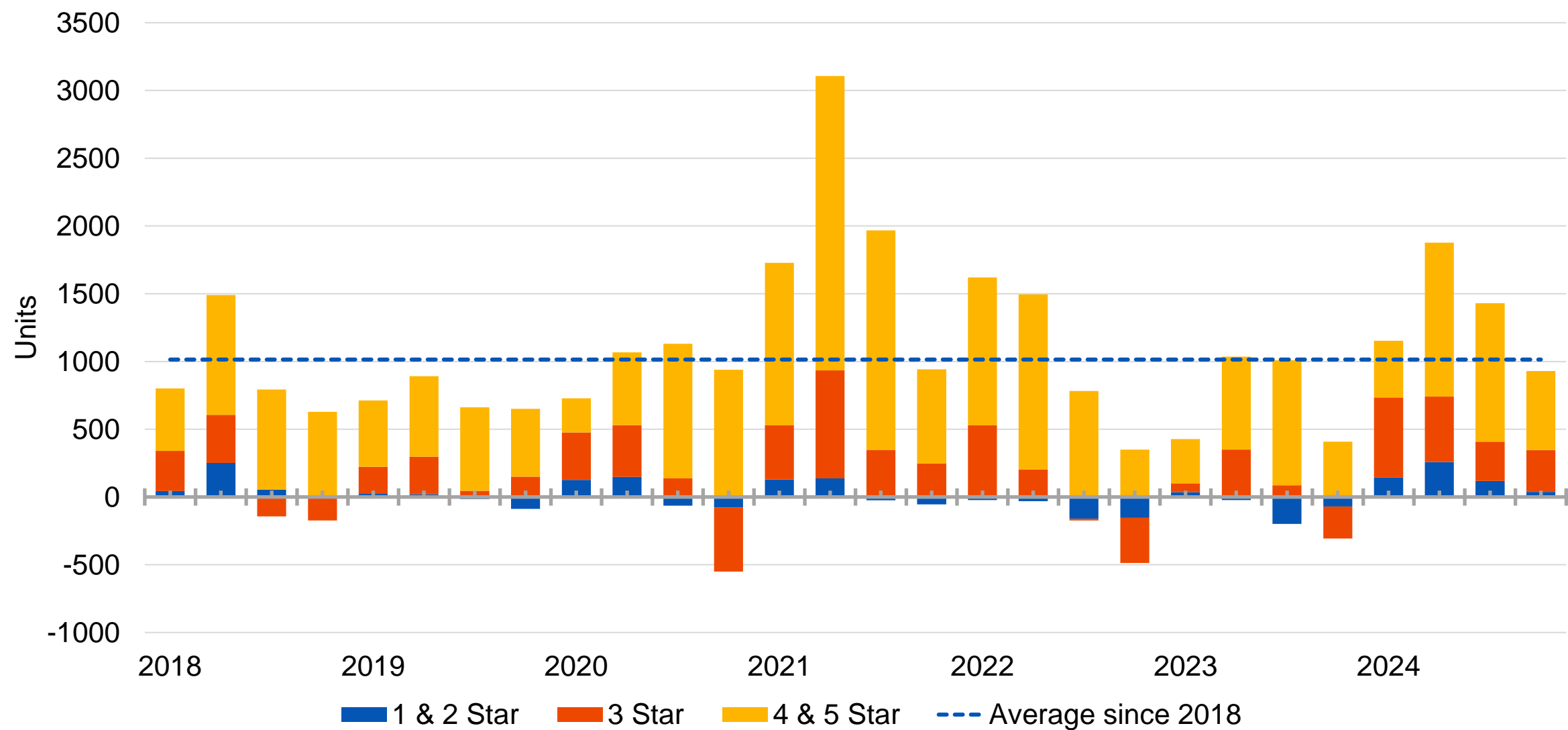
Source: CoStar, January 2025

Kansas City Multifamily Fundamentals



Source: CoStar, January 2025

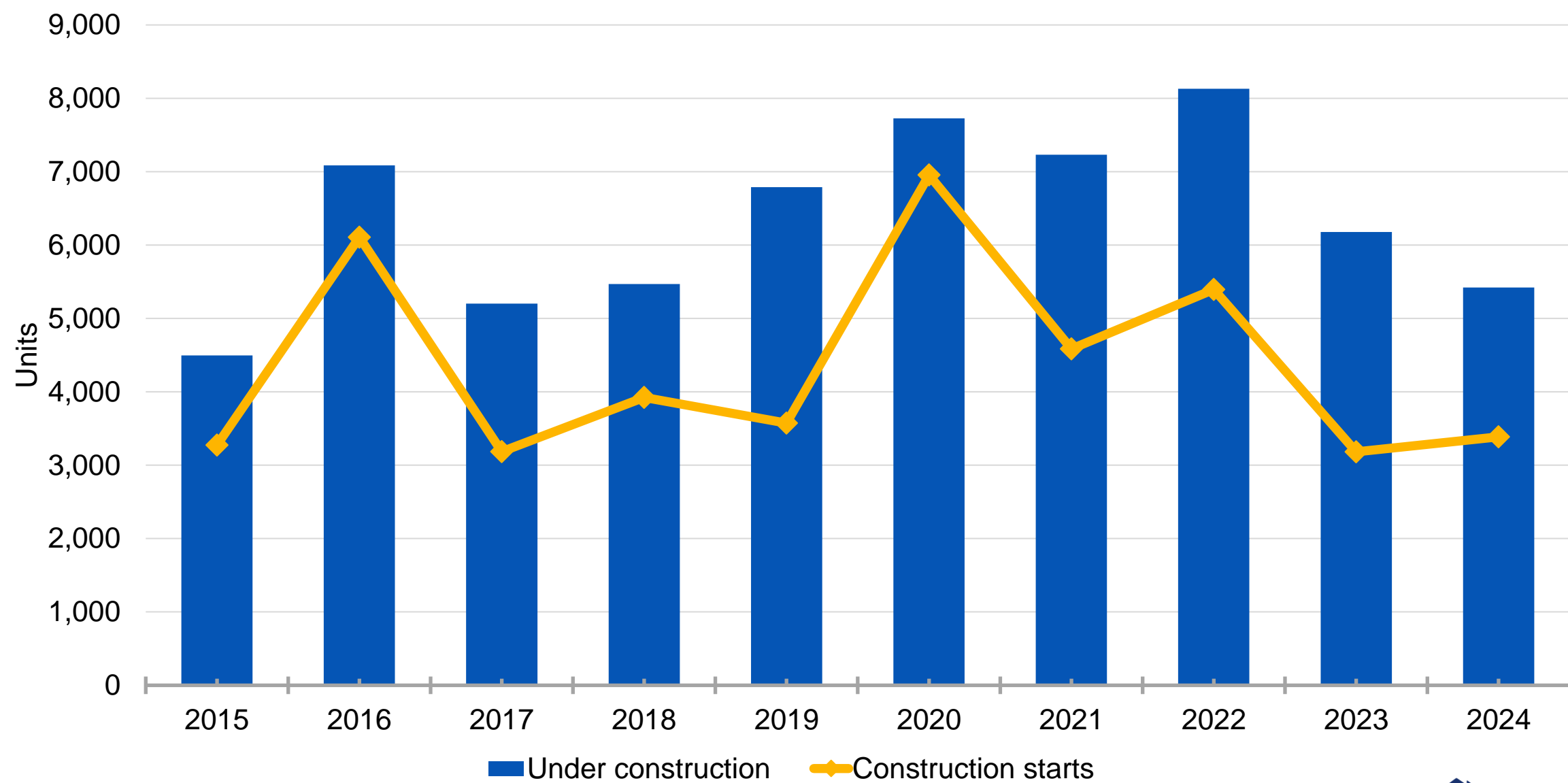
Demand From the Middle of the Market Increased in 2024



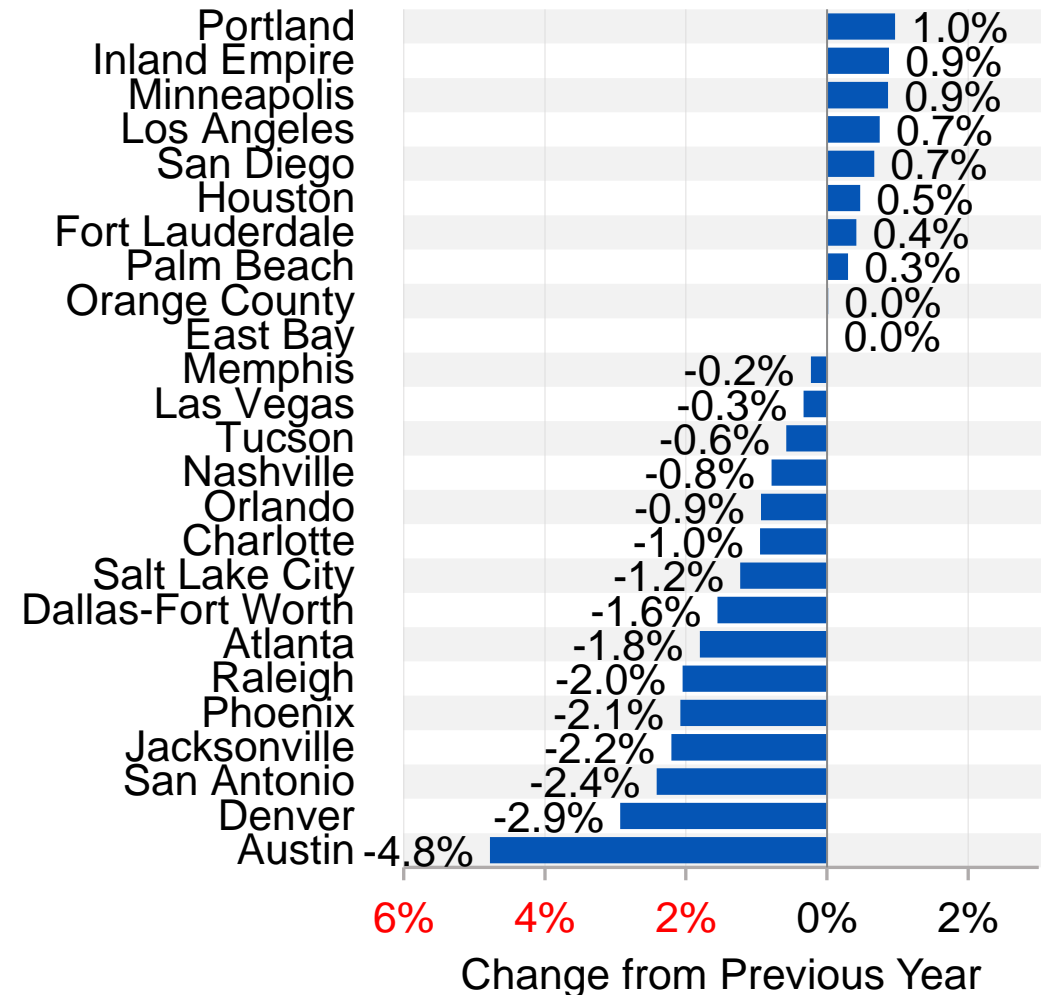
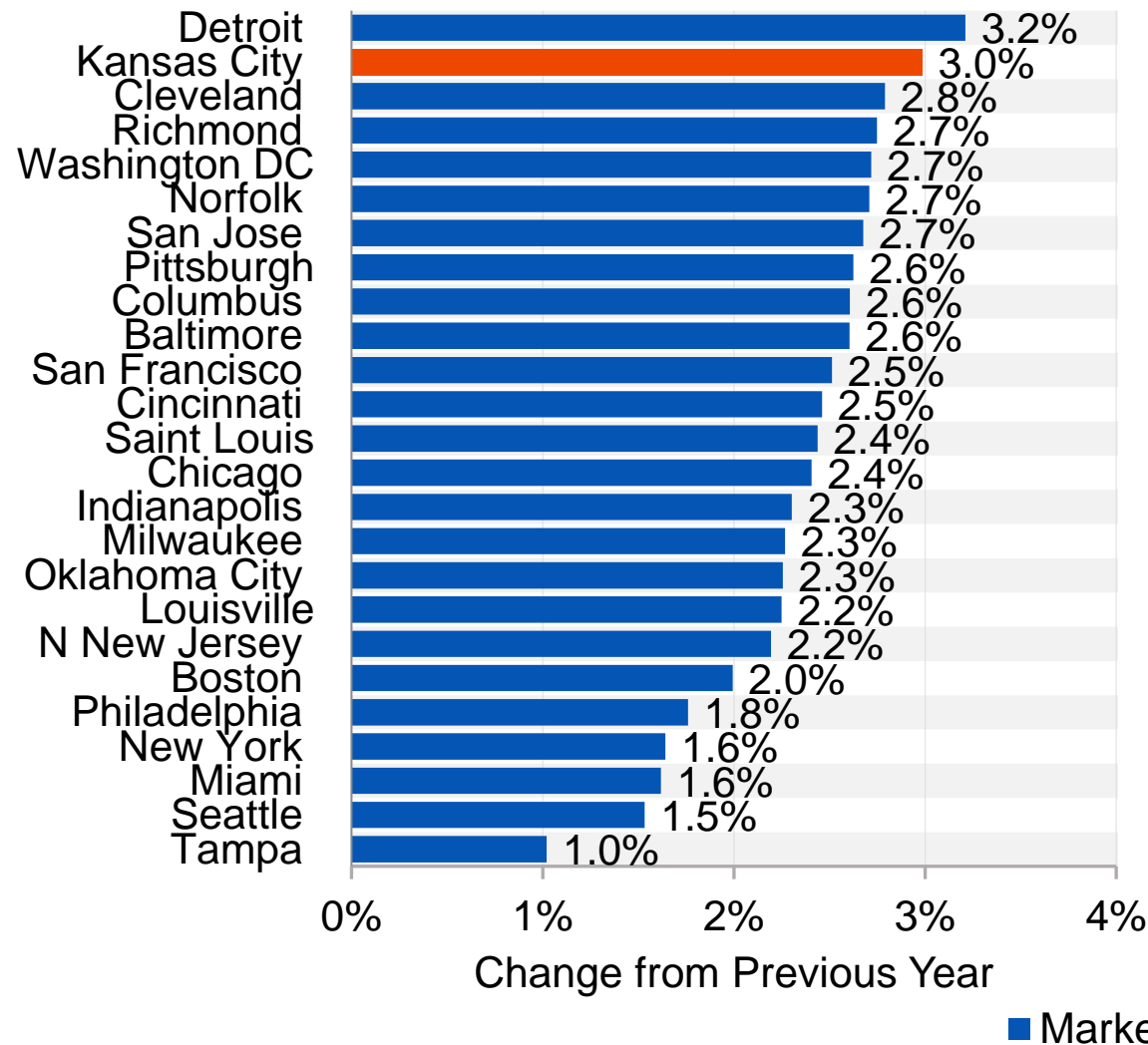
Source: CoStar



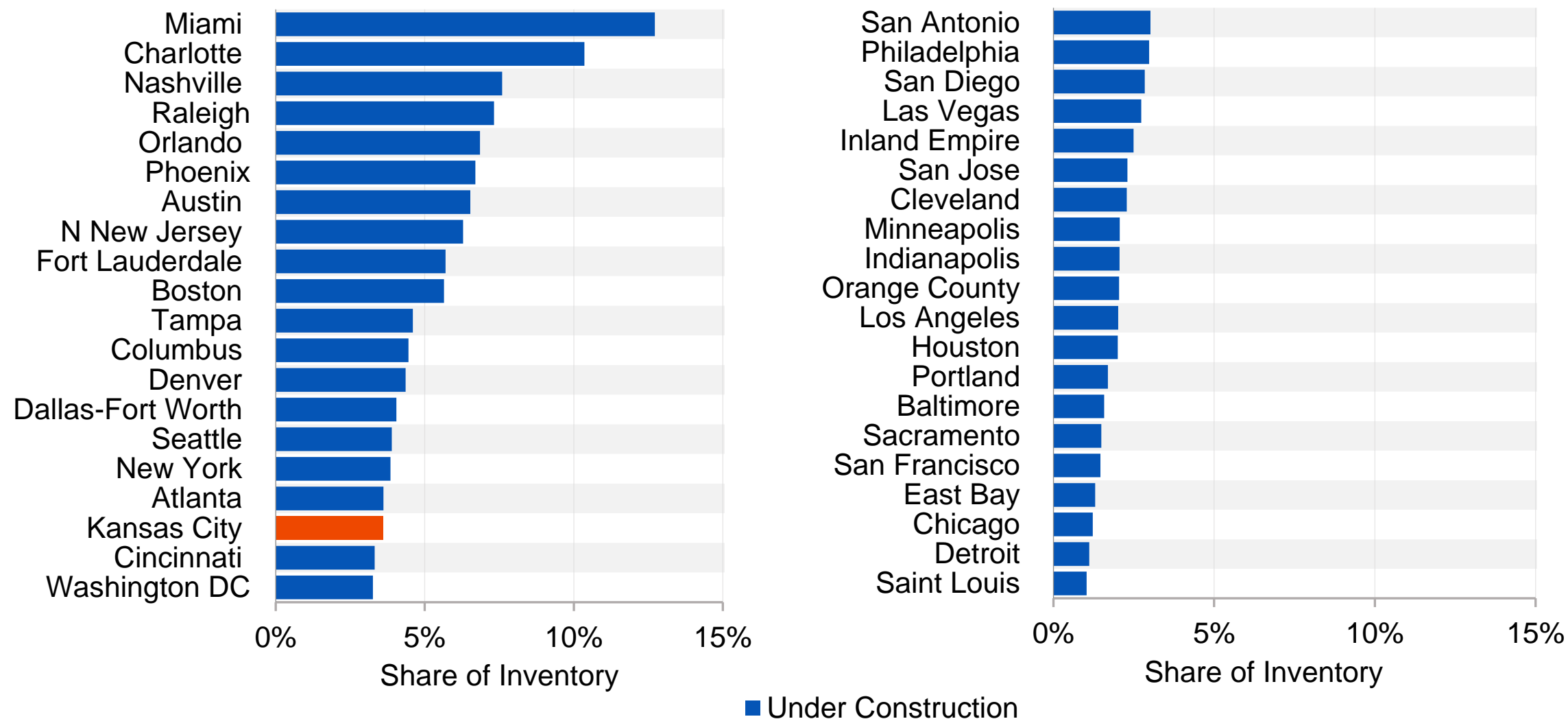
Kansas City Starts and Under Construction Units



2024 Annual Apartment Rent Growth in Top 50 Markets

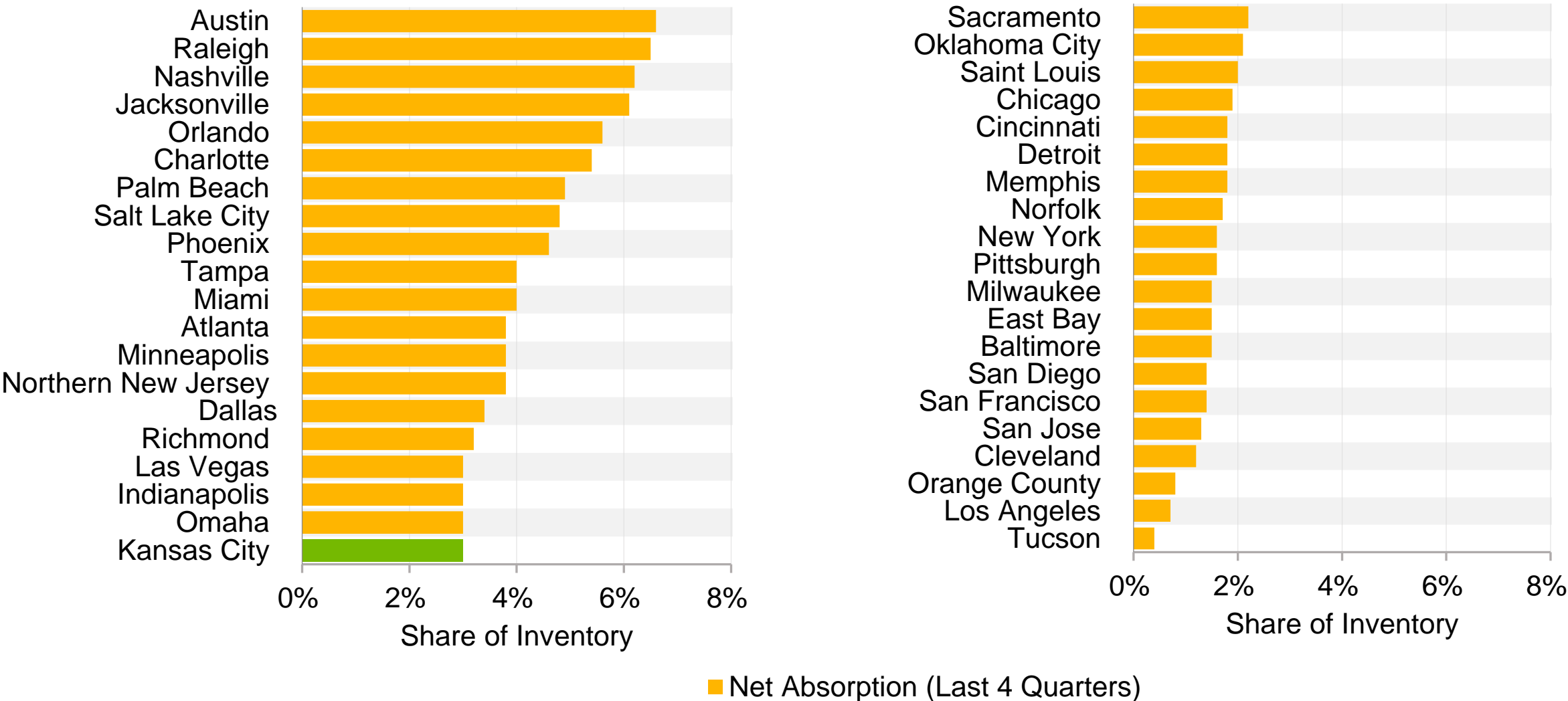


Units Under Construction As Share of Inventory



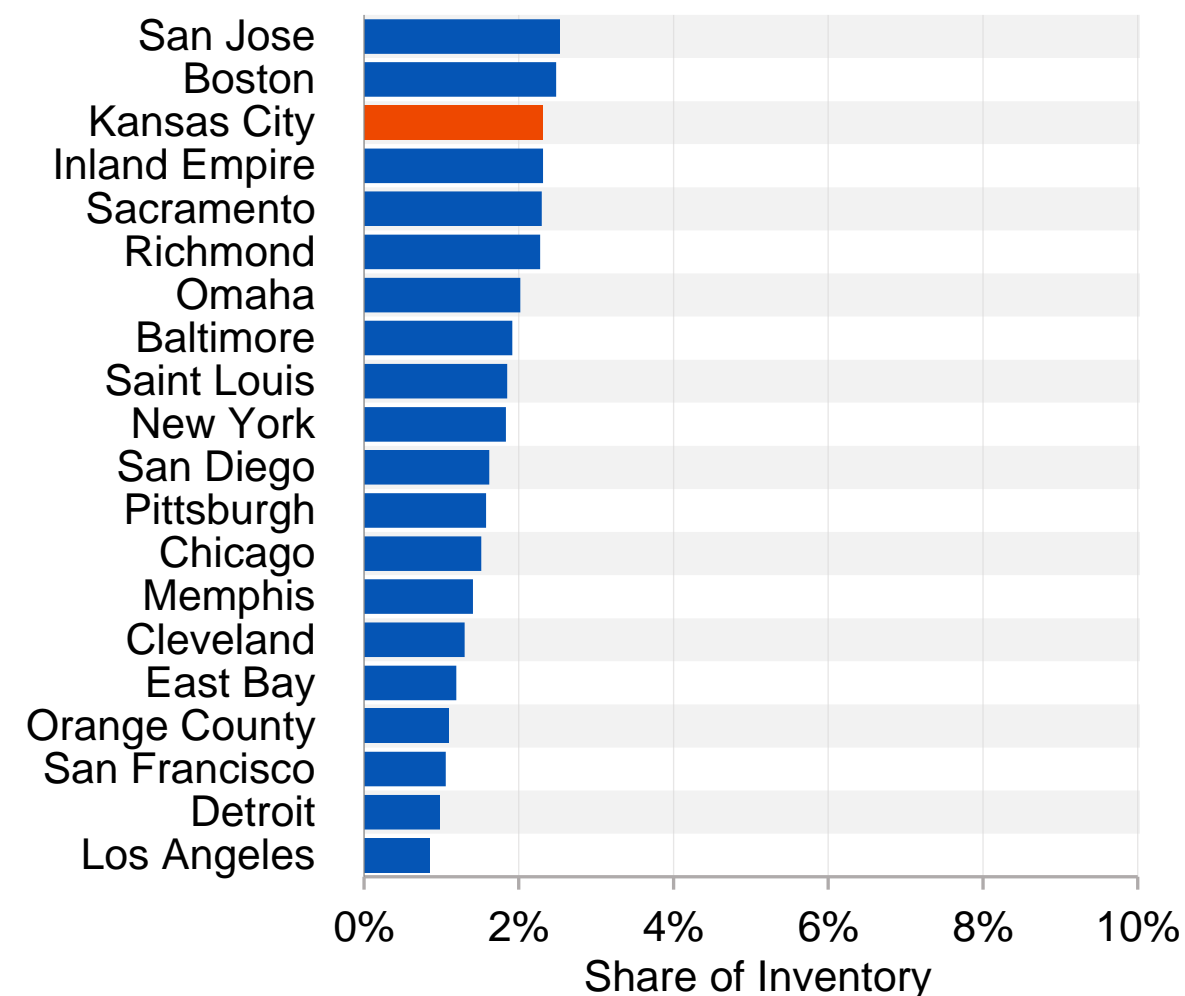
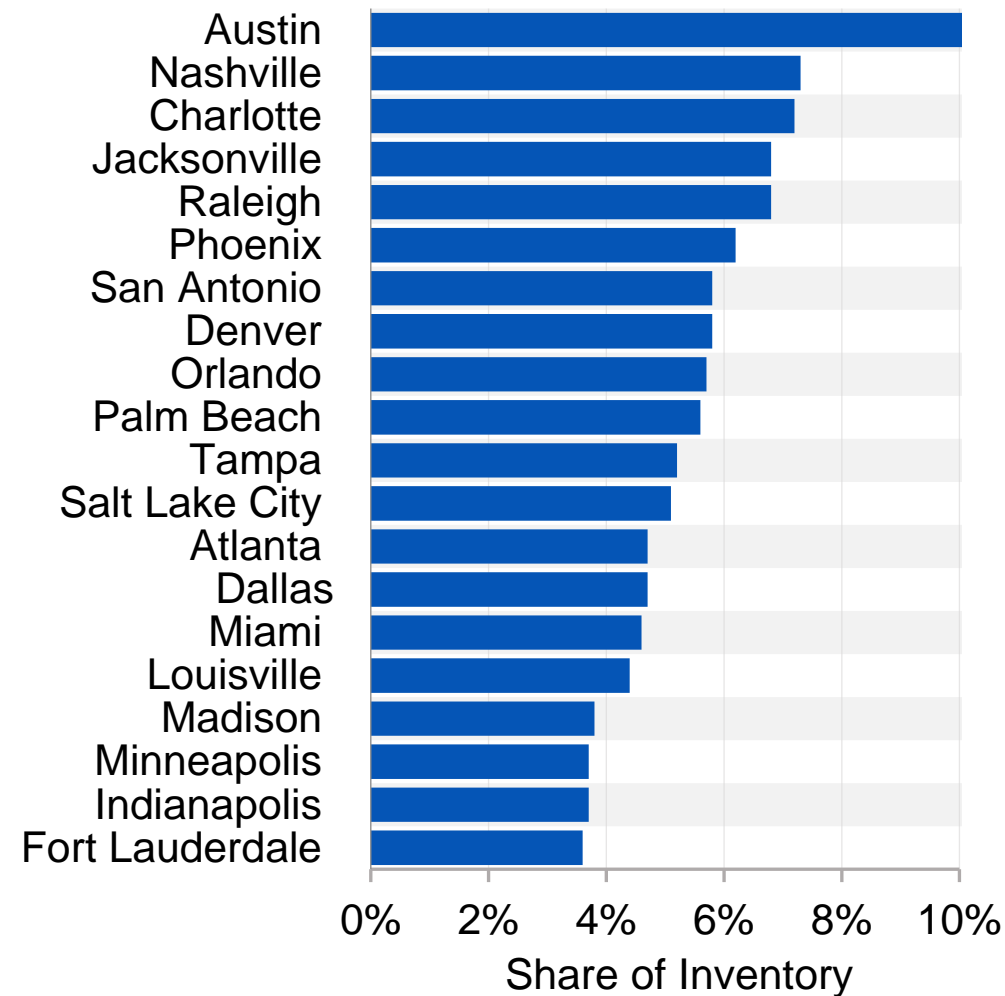
Note: Includes markets with 125,000+ units inventory. Labels show Under Construction in Thousand Units.

Net Absorption As Share of Inventory



Note: Includes markets with 75,000+ units inventory. Labels show Net Absorption in Thousand Units.

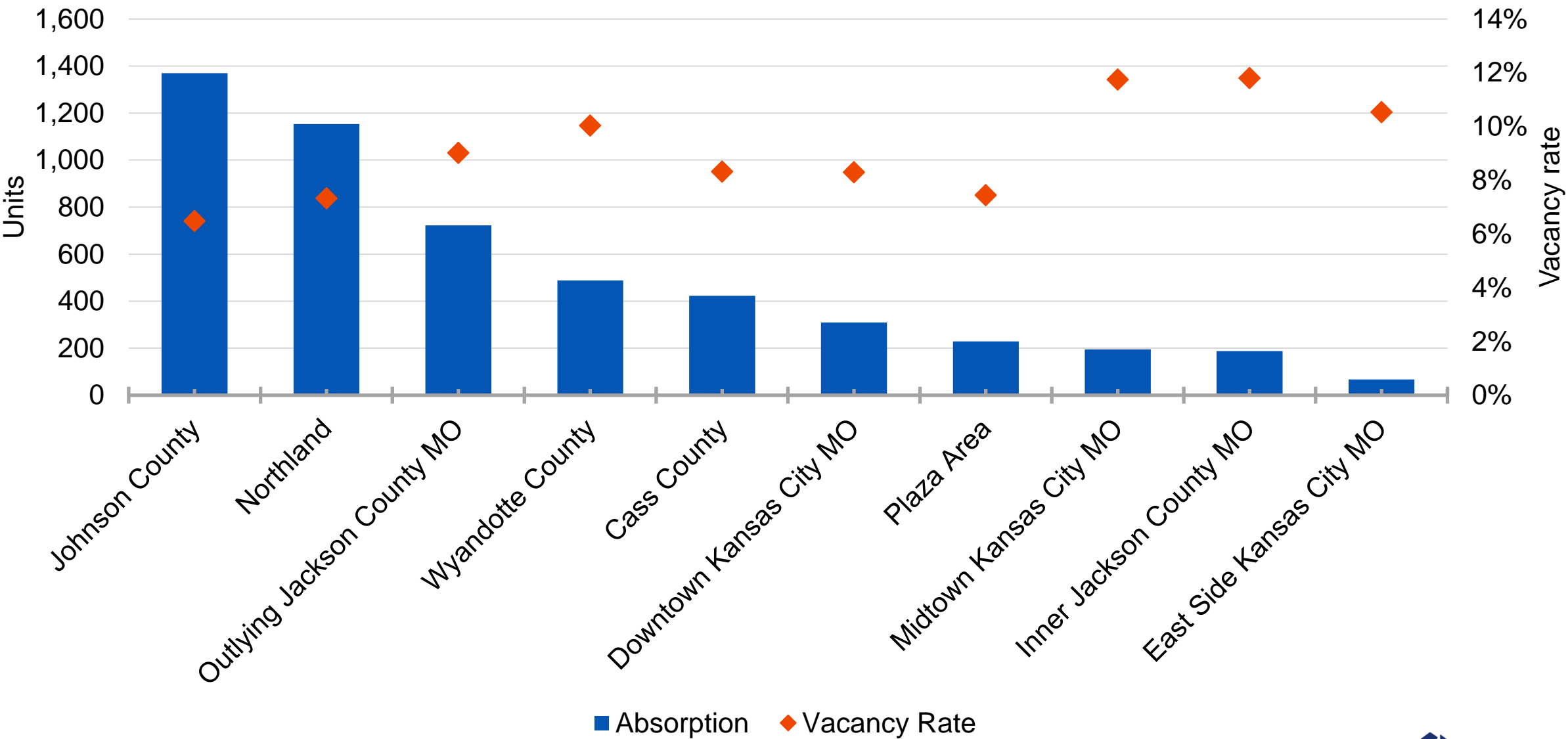
Net Deliveries As Share of Inventory



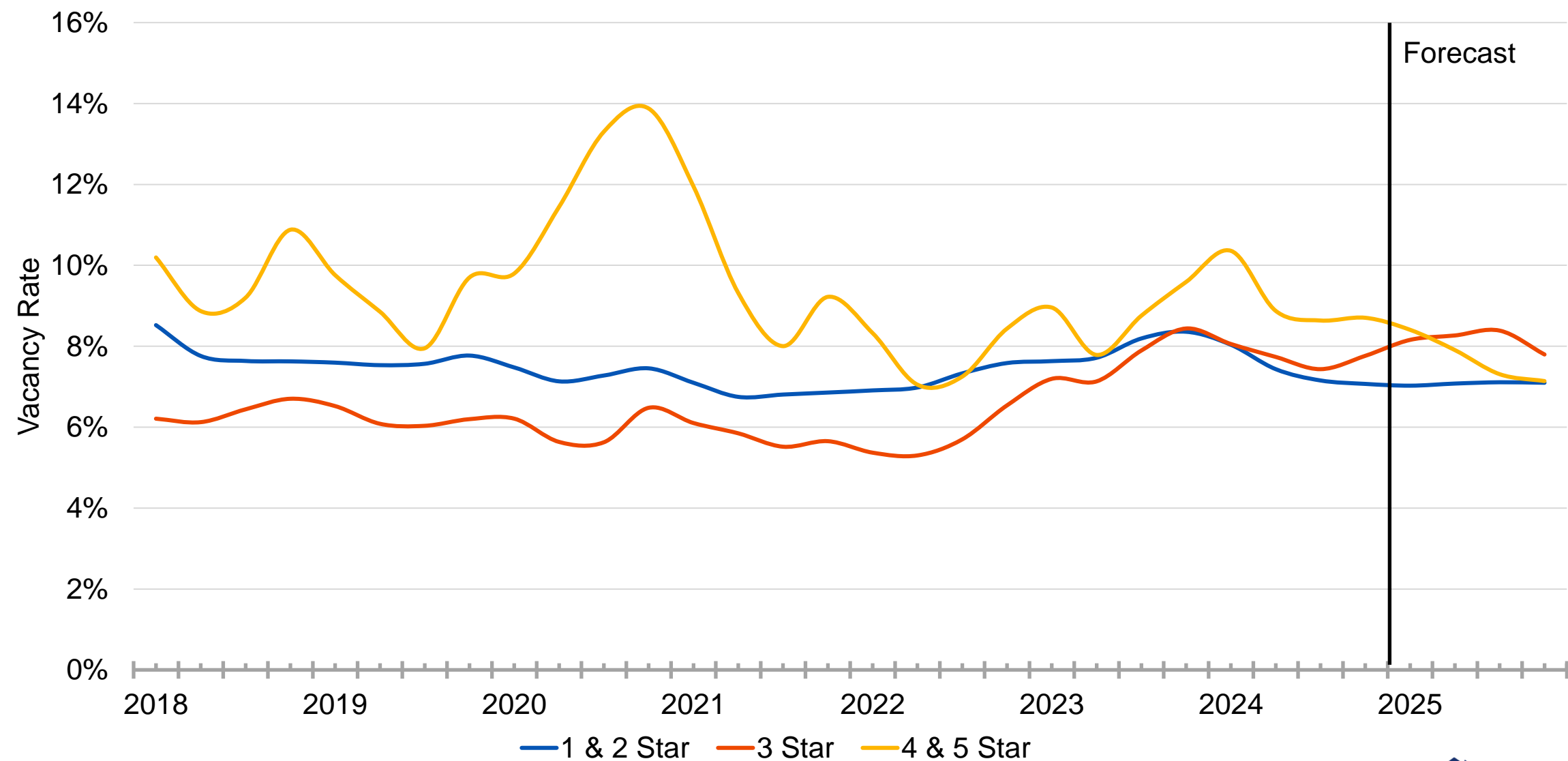
■ Net Deliveries (Last 4 Quarters)

Note: Includes markets with 75,000+ units inventory

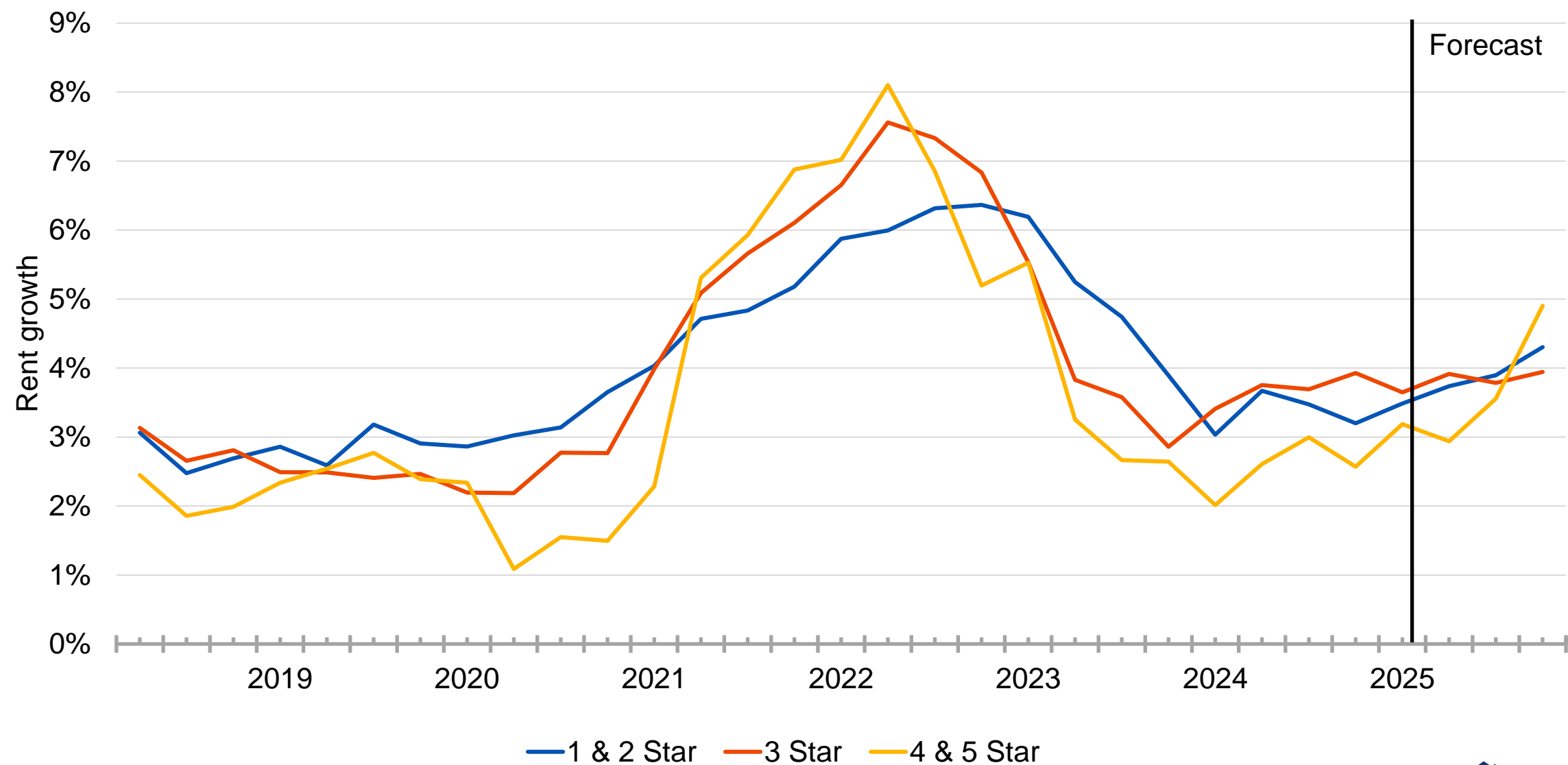
Submarket comparison (top 10 by unit count)



Vacancy Rate: Base Case Forecast



Rent Growth Forecast: Base Case Forecast

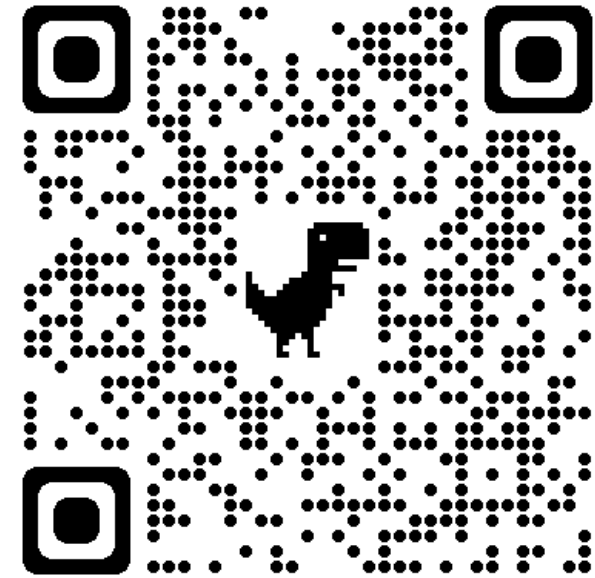




Thank You!

Blaise Tomazic
Director of Market Analytics, Kansas City & St. Louis
btomazic@costar.com

Scan to connect on LinkedIn



These materials contain financial and other information from a variety of public and proprietary sources. CoStar Group, Inc. and its affiliates (collectively, "CoStar") have assumed and relied upon, without independent verification, the accuracy and completeness of such third party information in preparing these materials. The modeling, calculations, forecasts, projections, evaluations, analyses, simulations, or other forward-looking information prepared by CoStar and presented herein (the "Materials") are based on various assumptions concerning future events and circumstances, which are speculative, uncertain and subject to change without notice.

CoStar does not represent, warrant or guaranty the accuracy or completeness of the information provided herein and shall not be held responsible for any errors in such information. Any user of the information provided herein accepts the information "AS IS" without any warranties whatsoever. To the maximum extent permitted by law, CoStar disclaims any and all liability in the event any information provided herein proves to be inaccurate, incomplete or unreliable.

© 2024 CoStar Realty Information, Inc. No reproduction or distribution without permission.