

WICHITA, KS



2023

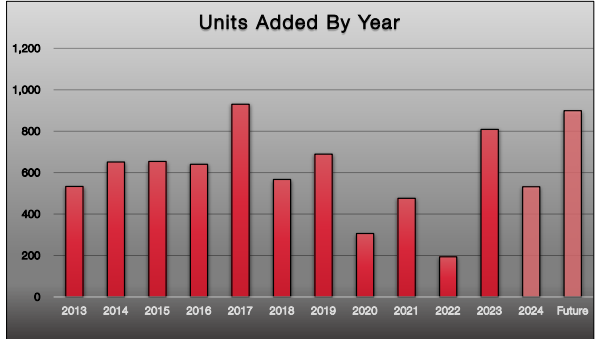
MULTIFAMILY MARKET UPDATE

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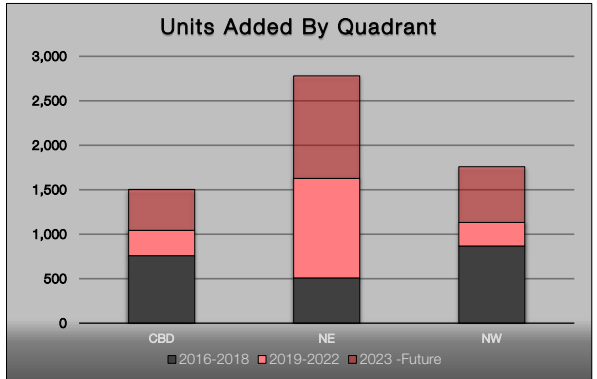
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NEW DEVELOPMENT

New Development in the Wichita MSA decreased from 2020 through 2022 with under 1,000 units completed during this three-year period due to COVID-19, followed by pricing increases on construction material and labor shortages. The pause in construction changed in 2023 and new units added to the market have increased to the highest level since 2017, with just over 800 units added to the market in 2023. It is expected this will slightly decrease in 2024 with 500 – 600 units constructed, which is standard for the Wichita market. However, this may increase with the announcements of new projects through the remainder of the year and future projects announcing definitive groundbreaking dates.



The largest growth continues to be in the Northeast section of the market with over 1,600 units completed over the past 5 years, with that number anticipated to continue growing in the next few years. The Northeast sector accounts for nearly half of all new development throughout Wichita. The Central Business District and Northwest sectors are close to evenly split making up the remaining 50% of new development throughout the Wichita MSA. The growth of the north Greenwich Road area in Northeast Wichita and north Ridge Road corridor in Northwest Wichita have continued. These desirable locations for dining, entertainment, and living have sparked new developments in those sectors.



The trend of mixed-use developments utilizing the ground floor for dining, retail, and office suites remains. Notably, the second phase of Uptown Landing, The National in downtown Wichita and Skyloft Apartments at Heritage Square in Andover have focused on using their first floors to help create a sense of community where residents can live, eat, play and work.

Duplex developments continue to be a strong sector of the overall rental market in Wichita and the surrounding suburban areas, including Bel Aire, Andover, Maize, and Derby. There has been a significant increase in rents due to high occupancy rates, increased construction cost, and the cost of single-family homes, making it more difficult for first-time home buyers to purchase homes. There has also been an increase in the amount of “empty nesters” choosing to move toward duplexes due to a lifestyle change in which they no longer need a larger home and a preference for less maintenance.

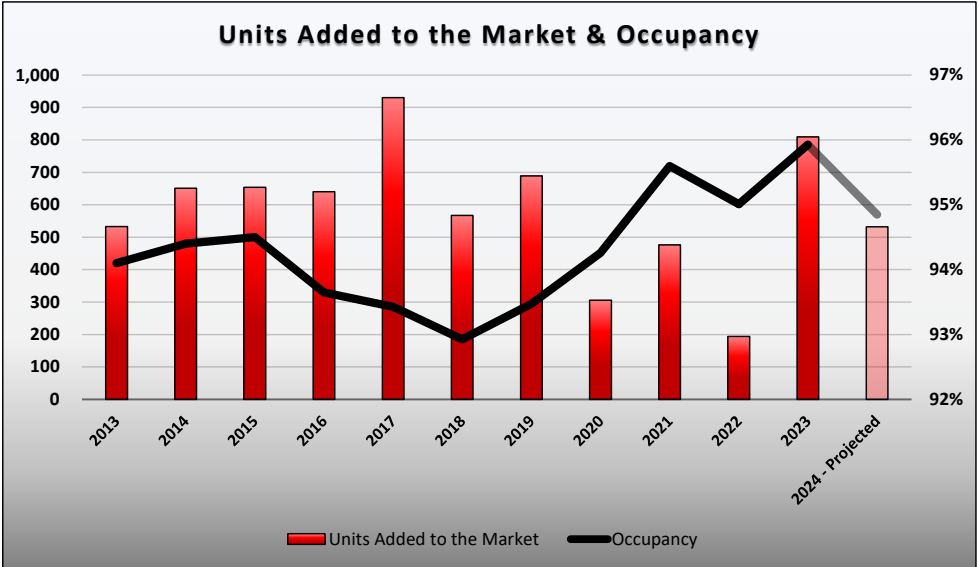
A few of the most notable projects to be completed within the next year include:

- **Avante Apartments** in Northwest Wichita, a luxury Class A 360-unit complex with 180 units completed in 2023 and 180 units scheduled for 2024
- **The National**, a luxury 152-unit redevelopment project in Downtown Wichita
- **Skyloft Apartments** at Heritage Square in Andover, consisting of 186-units within a 100-acre mixed-use development community
- The continued additions of **Stoney Pointe Apartments** in Northeast Wichita adding 109 units
- **The Dumont at Delano**, offering 96 units in the Delano District
- Phase Two of **Uptown Landing** comprising of 125 additional Class-A units, all part of a mixed-use master plan development in College Hill, just east of the core area of Wichita



OCCUPANCY

After steadily increasing from 2018 to 2021, occupancy has remained strong, hovering around 95% - 95.5% for the last two years. Occupancy in mid-2023 reached a new high for recent years edging toward 96%. The continued strong occupancy is partially because of the lack of new units added to the market from 2020-2022. New construction ramped back up in 2023 and is expected to continue in 2024, which will have an impact on occupancy rates.



The occupancy of Class A units was the only segment that experienced a drop from last year, from an average occupancy of 96.3% in 2022 to 95.3% in 2023. The decrease is associated with the amount of Class A units added to the marketplace in 2023 and the lease-up time for these properties to reach stabilization. Class B lead the market with a 170-basis point increase to over 96% in 2023. Class C units remained steady year-over-year at 95% occupancy.

It is expected that both Class A and B will experience a modest decrease in occupancy next year due to recent sharp increases in Class B rents and the new units scheduled to be added to the market in 2023 and 2024. It is expected this will cause overall occupancy to decrease to 94.5% - 95% next year.

The Northwest, Southeast and Southwest areas of Wichita continue to have the highest occupancy rates. The Northwest quadrant had a large number of units added to that section of the market in 2016 – 2018, but has since slowed causing the occupancy to climb. However, the planned units to be completed in the Northwest quadrant in 2023-2024 are anticipated to slightly pull down the occupancy rate. The Northeast and CBD areas of the market are both around 95%. These areas have seen the highest percentage growth in number of units over recent years.



Uptown Landing (Phase Two)

RENTAL RATES

Asking rental rates over the past 12 months in the Wichita market experienced an aggressive increase of 10.2% year-over-year. This was across the board with studio units increasing \$80/month on average, one-bedroom units \$100/month and two-bedroom units \$120/month.

This is the strongest increase in over a decade for the Wichita market and is attributed to:

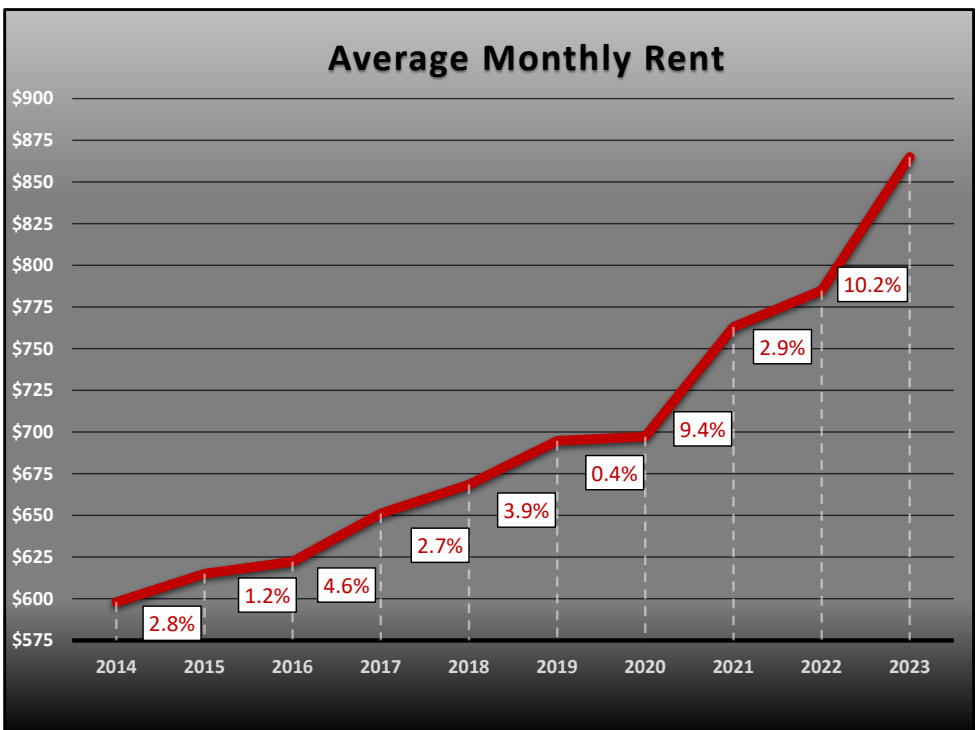
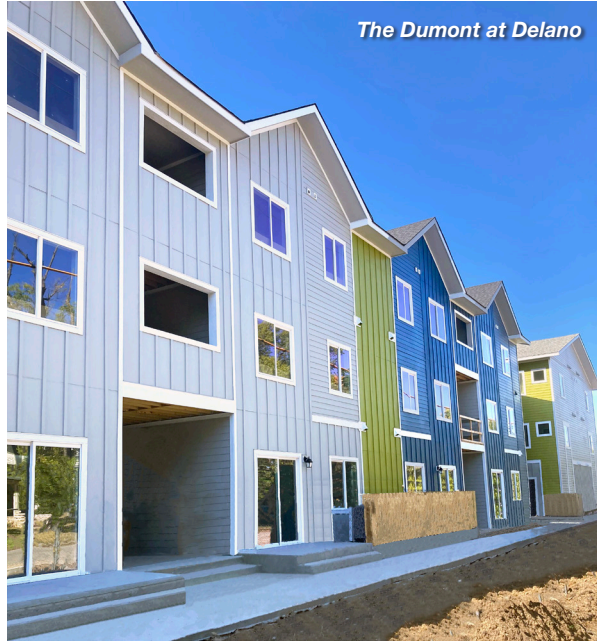
- Overall increase of inflation and increasing operational expenses
- Increased home prices causing a larger demand for rental housing
- Prospective residents continued demand for quality property
- Lack of new development over the past few years
- Properties continuing to renovate units with contemporary finishes, which command higher rents.

The largest overall increase was in the Class B market, which is also the largest segment of the market. Asking rents on Class B one-bedroom rents increased \$125/month after remaining relatively flat in the previous year. In part, this can be attributed to

investors renovating some Class B units built in the 1970's – 1980's and demanding rents \$100 - \$200/month higher than unrenovated units.

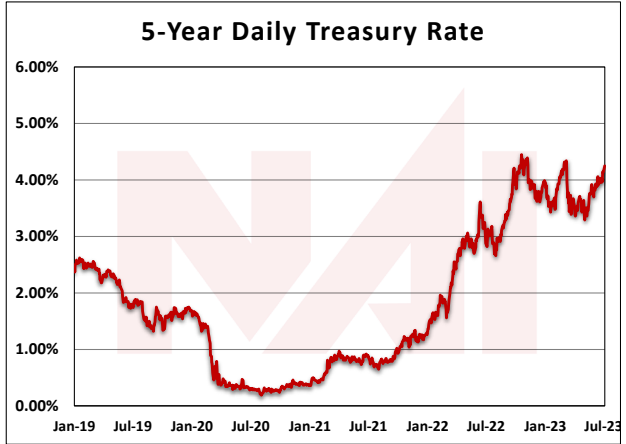
Class A also had a healthy increase in asking rents with one-bedroom units averaging \$100/month increase for the second straight year, while Class C had the lowest average increase at \$60/month, which are still above normal increases.

Even with large rate increases, Wichita is still one of the lowest rents in the country. Reported as #100 out of the 100 largest cities based on population with an average one-bedroom rent of \$690. Rental rate increases are predicted next year to be more modest, around 3%.



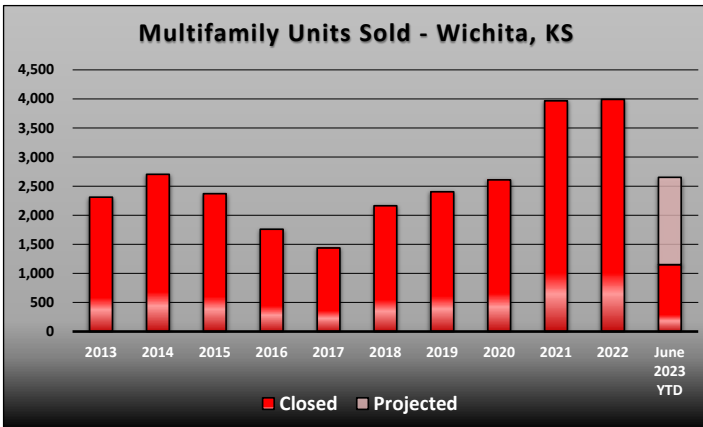
TRANSACTIONS

2021 and 2022 were record years for multifamily transactions in the Wichita market. Nearly 8,000 units were sold between the two years totaling nearly \$600 million in total transaction volume. Climbing interest rates did not have an impact on 2022 transactions even though the 5-year treasury in mid-2022 was over three times higher than mid-2021. Notable transactions in Q4 2022 include Cross Creek Apartments, Berkshire Apartments, and Twin Lakes Apartments - all Class B properties.



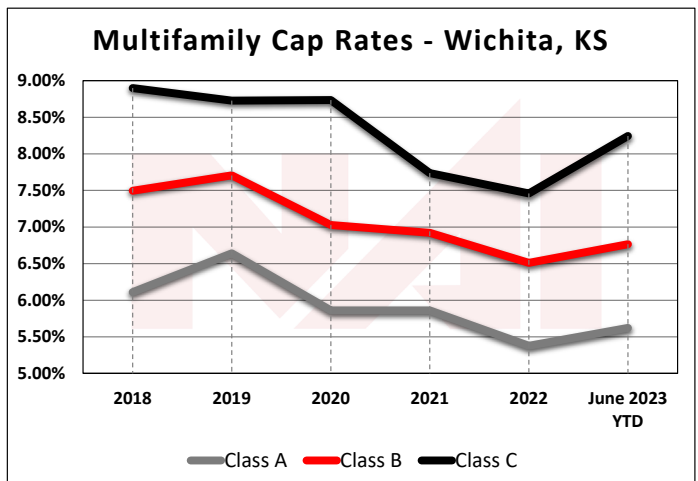
Although 2022 ended strong, the continually increasing interest rates have slowed transaction activity into the first half of 2023. Five properties with more than 50 units closed in the first half of 2023. This is compared to nine properties with 50+ units sold during the first half of 2022 and eight in first half of 2021. 2023 first half transactions include:

- Main Street Residences - an 88-unit B Class Property located in Downtown Wichita
- Central Park Village - a 66-unit C Class property located in north Wichita
- Brickstone at Woodlawn - a 264-unit Class B complex located in northeast Wichita
- Fox Run Apartments - a 336-unit Class B complex located in southeast Wichita
- Aspen Heights Apartments - a newer construction student-housing complex located near Wichita State University



Activity has increased in the second half of 2023 as buyers and sellers have adapted to the increased interest rates and accepted the new norm. It is expected that the second half of 2023 will outpace the first six months and total transaction volume for the year will be similar to 2018 – 2020.

Cap rates have begun to level off and slightly increase after several years of declining cap rates. On average, cap rates have increased approximately 50 basis points from a year ago. With Cap rates leveling off and increased interest rates, properties have still been able to maintain or increase in value due to increasing rental rates.



2023 Wichita Multifamily Update

NAI Martens Multifamily Team



**\$300,000,000
IN MULTIFAMILY
PROPERTIES SOLD**



**6,000+
UNITS SOLD**



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