

From the Wichita Business Journal:

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Multifamily market report shows people are moving downtown despite higher rents

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The development of new multifamily units appears to be slowing in 2019, a new quarterly report shows, but Jeff Englert says that's a good sign for Wichita.

On Monday, real estate firm NAI Martens released its third quarter multifamily market report, which says more than 1,000 proposed units are on the drawing board across Wichita — about 500 coming online in 2019.

But add too many, Englert said, and that can negatively impact the occupancy and rental rates — and Wichita may lose its signature low cost of living.

"There's room to build more, but we're not going to overdo it at the same time," Englert, senior vice president of NAI Martens, told the WBJ.

Englert and Nathan Farha of NAI Martens compile the report.

Development

The development of multifamily projects in Wichita are still steady after a huge spike in 2017, when 831 units became available — the highest number in the last



CITY OF WICHITA

EPC Real Estate LLC is planning a five-story, 204-unit apartment complex south and east of the Advanced Learning Library.

seven years.

The 500 to 600 range is the sweet spot, Englert said.

In 2019, the 348-unit Cottages at Crestview in east Wichita, and the refurbished, 41-unit Spaghetti Works apartments downtown, have come on the market for renters.

Looking ahead, Cooper Creek at Hampton Lakes is in its first phase of construction off Maize Road in northwest Wichita. Two apartment complexes are planned for the Wichita State area, including one that broke ground in July off 17th Street. And a five-story, 204-unit apartment and mixed-use building is planned on the Delano catalyst site that's south of the Advanced Learning Library.

The report says development has slowed slightly after a few busy years, especially in the central business district. Fewer than 350 units are expected to be added in 2020.

But that could change.

"A number of projects have been announced and are in the planned stages in the CBD, northeast and northwest quadrants, so development has the potential to pick back up in the near future," the report reads.

Occupancy

New units entering the market in 2019 did not appear to have a major effect on occupancy, the report says. Overall, occupancy has increased, especially in northeast Wichita and downtown, right around 94-percent occupancy.

The report shows Class-A occupancy is strong — about 90 percent — especially in the central business district. So while new multifamily development has slowed downtown in 2019, occupancy is up about 6 percent over last year, a sign that more Wichitans are moving downtown.

Class-B inventory has been steady, with 94 percent of available units occupied. Class-C communities, meanwhile, which reach tenants searching for below-market affordable housing, saw a 2.5-percent decrease this year in occupancy.

Rents

Overall rental rates increased and mid-2019 monthly rents were 4.5-percent higher than a year ago, the NAI Martens report says — an above average increase year-over-year.

New luxury apartment construction in 2017 may be to blame, Englert said. Despite higher rents at apartments such as the new River Vista along the Arkansas River and Renew Wichita on Douglas Avenue, occupancy rates are high, he said, so those new complexes appear to be well received by residents.

And with development slowing, the rents may level out, the report says.

The report shows that rents average \$1.07 per square foot for studio apartments, 91 cents per square foot for one-bedroom units and 79 cents per square foot for two-bedroom units.

Englert said there's actually room to increase rents in Wichita, without pulling down occupancy rates and driving up rents.

"The biggest driver is job growth," he said. "If you see significant job growth in well-paying jobs, whether that be skilled manufacturing, or more white-collar, corporate-type of jobs, which is less likely, you need to see a strong increase there to really increase rental rates.

"None of this stands alone. It all works together."

Shelby Reynolds

Reporter

Wichita Business Journal



