MARKET REPORT

Stability, Revitalization, and Growth: A Look at Kansas City's Three Prominent Submarkets

NOVEMBER 12, 2024

Downtown Kansas City and the Country Club Plaza are established submarkets in Kansas City, each with strong demand generators and numerous hotels, while Village West is a growing submarket with a strong pipeline of development. While these markets are all in different economic stages, the outlook is optimistic for all three.

The greater Kansas City MSA hotel market benefits from economic strength, supported by strong existing and anticipated demand generators. Within the metropolitan area, the Downtown Kansas City, Country Club Plaza, and Village West neighborhoods are three of the city's most prominent hotel submarkets with notable developments. While there is optimism for the outlook for all three hotel submarkets, each one is at a different stage of the economic cycle, and the hotels within these submarkets focus on different demand sources.



Downtown

Downtown Kansas City hotels benefit from strong commercial demand generators, such as the H&R Block headquarters, the Canadian Pacific Kansas City Railroad headquarters, SS&C Technologies, and the federal government. Leisure demand generators include the Power & Light District, T-Mobile Center, National WWI Museum and Memorial, and Crown Center shopping complex.

Another significant demand generator for downtown hotels is the Kansas City Convention Center. In 2020, the 800-room Loews hotel opened as the flagship hotel for the convention center, allowing the city to host larger events. The number of events held at the convention center has increased annually since 2020, surpassing pre-pandemic levels in 2022 and further increasing in 2023.

Given the leisure demand sources and the increased convention activity, the downtown hotel market has experienced a strong recovery from the COVID-19 pandemic, with RevPAR far exceeding pre-pandemic levels since 2022. Thus, the downtown submarket has fully recovered from the pandemic and is relatively stable with an expectation of modest RevPAR growth in the coming years.

Hotel Development and Outlook

Optimism from developers has led to recent hotel development in this submarket. Two new downtown hotels opened in October 2024: the 239-room AC Hotel Kansas City Downtown and the 118-room Origin Hotel at Berkley Riverfront Park. Several other hotels have been proposed for Downtown Kansas City, such as the Hyatt House, Cambria Hotel, and Canopy by Hilton, but various delays in development have prevented these projects from making notable progress.

Given the development interest and recent new supply in this market, it is evident that investors are optimistic. Still, the volume of anticipated new supply does not greatly outpace the expected growth of demand in this neighborhood, indicating a positive long-term outlook for RevPAR in this submarket.

Country Club Plaza

The Country Club Plaza is an outdoor, regional shopping center that includes several high-end retail stores and some of the city's most well-regarded restaurants, including JJ's Restaurant, Gram & Dun, and Rye; therefore, hotels within this submarket capture a high volume of leisure demand throughout the year. While a majority of business travelers stay in Downtown Kansas City, hotels at the Country Club Plaza attract commercial travelers related to Lockton Companies, Polsinelli Law Firm, and St. Luke's Hospital.

Prior to the COVID-19 pandemic, hotels in this neighborhood achieved the highest RevPAR levels in the Kansas City area; however, increasing vacancy rates and criminal activity have limited the recovery of this submarket. In the summer of 2024, the shopping center was sold to HP Village Partners. The new ownership group plans to revitalize the area by significantly increasing security, renovating several existing buildings, adding a new office building, opening a new boutique hotel, and spending over $150 million on infrastructure upgrades.

As a result, the Country Club Plaza is entering a period of revitalization. New ownership's improvement plans for the Country Club Plaza and the area's strong hotel offerings should allow the neighborhood to reach its full potential once again.

Hotel Development and Outlook

Given the recent issues that this area has faced, the downtown submarket has outpaced the Country Club Plaza in RevPAR for the past couple of years; however, the improvements planned by new ownership of the Plaza should drive demand in this submarket and support area hotels surpassing the pre-pandemic RevPAR levels. In addition, although the Aloft Hotel and the Cascade Hotel, a Tribute Portfolio affiliate both opened in 2023, no new lodging supply is expected in the near future within the Country Club Plaza area.

Village West

Village West is located approximately 15 miles west of Downtown Kansas City. Development in this area began with the opening of the Kansas Speedway in 2001, and the area has been growing since. Village West is now one of the top tourist destinations in the state of Kansas, featuring the leisure demand generators shown below, among others.



Compass Minerals National Performance Center


Children's Mercy Park


Kansas Speedway



Legends Outlets

Sources: Visit KC, Argyle Events Instagram, Visit Kansas City Kansas, Visit Overland Park

Developments

Village West is currently in a period of rapid growth with a number of large developments planned or underway. Most notably, Vacation Village is an ongoing $838-million development on the site of the former Schlitterbahn Water Park. This development includes an existing indoor sports facility and youth baseball complex, with plans for several more attractions, such as Big Shots Golf, the Atlas9 interactive museum, and a 55,000-square-foot sports and concert arena. Additionally, the 230-room Margaritaville Resort is under construction within Vacation Village and will include several restaurants, nearly 7,000 square feet of conference space, and numerous family-friendly amenities. Vacation Village is expected to be completed in the summer of 2025.

Another significant development in Village West is the new American Royal complex, which will be moving to this area

from its Downtown Kansas City location in 2025. The new agricultural-events campus will include an exhibition hall, two arenas, and a learning-engagement center. The facilities will host livestock shows, barbecue competitions, equine shows, and rodeos.

Additionally, Mattel Adventure Park has been proposed for development in Bonner Springs, adjacent to Village West. The 180-acre theme park will include family-friendly attractions such as roller coasters, an immersive theater, and themed dining. Reportedly, construction could start by the end of 2024, with the park expected to open by 2026.

The hotel market in Village West largely comprises limited-service hotels, with the exception of the Great Wolf Lodge. As mentioned previously, the Margaritaville Resort is under construction and expected to open in the summer of 2025. The only recent change to supply has been the opening of the Fairfield by Marriott in September 2024.

Village West is a young neighborhood experiencing rapid growth. This market is currently disadvantaged by the limited number of full-service hotels and higher-end restaurants, which makes it difficult for this area to compete for some of the demand that is captured by Downtown and Country Club Plaza hotels. However, in the years following completion of the aforementioned major developments, demand in this area is expected to significantly increase.

Hotel Development and Outlook

Demand growth is expected to intensify in the coming years given the completion of Vacation Village, the American Royal Complex, and the Mattel Adventure Park, and hotels in this submarket will be able to capture a more notable portion of the city's leisure and group demand. While only one lodging property is currently under construction in this submarket, we expect that new hotel projects will be proposed and completed in Village West over the next several years.

Conclusion

The greater Kansas City hotel market has experienced a strong recovery from the COVID-19 pandemic, and the area benefits from the development of strong demand generators and an increase in citywide events. While each submarket and property is unique, the recent performance and outlook for the greater hotel market should inspire confidence in investors and developers within the Kansas City area.

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