



MULTIFAMILY REPORT

# Kansas City Perseveres

Summer 2021



**Construction Starts More Than Double**

**Lifestyle Rent Growth Outpaces RBN**

**Hospitality Leads Employment Gains**

# KANSAS CITY MULTIFAMILY



## Job Growth Underscores Recovery Efforts

On similar footing with other Midwest metros, Kansas City's multifamily fundamentals continued to make headway during the second quarter. As of June, rents were up 0.9% on a trailing three-month basis, to \$1,058, below the \$1,482 U.S. average. Year-over-year, Kansas City rents edged up by 5.2% as of June.

In the 12 months ending in May, the metro regained 82,100 net jobs, with leisure and hospitality leading growth—the sector added 30,300 positions for a 38.8% increase. As of May, unemployment stood at 4.2% in Missouri, 3.5% in Kansas and 5.0% in the metro, all below the 5.8% May national rate. The \$1.9 trillion stimulus package allocated \$195 million to metro Kansas City, with the funds to be distributed in two tranches and spent over the next two years. More than \$111 million is going toward replacing lost tax and fee revenue.

Kansas City had 7,695 units under construction as of June, 96% of which are in upscale communities. Yardi Matrix expects 3,712 units to come online across the metro this year, slightly exceeding 2019 and 2020 deliveries. The pipeline has been fairly consistent since 2014, with developers adding an average of 3,700 apartments per year. Meanwhile, investment sales amounted to \$285 million this year as of June, with some 3,000 units sold in the first half of 2021.

## Market Analysis | Summer 2021

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### Recent Kansas City Transactions

#### SouthRidge



City: Kansas City, Kan.  
Buyer: Beitel Group  
Purchase Price: \$48 MM  
Price per Unit: \$130,273

#### 79 Metcalf



City: Overland Park, Kan.  
Buyer: 29th Street Capital  
Purchase Price: \$46 MM  
Price per Unit: \$165,750

#### West Hill



City: Kansas City, Mo.  
Buyer: Canyon View Capital  
Purchase Price: \$16 MM  
Price per Unit: \$220,737

#### The Life at Highland Village

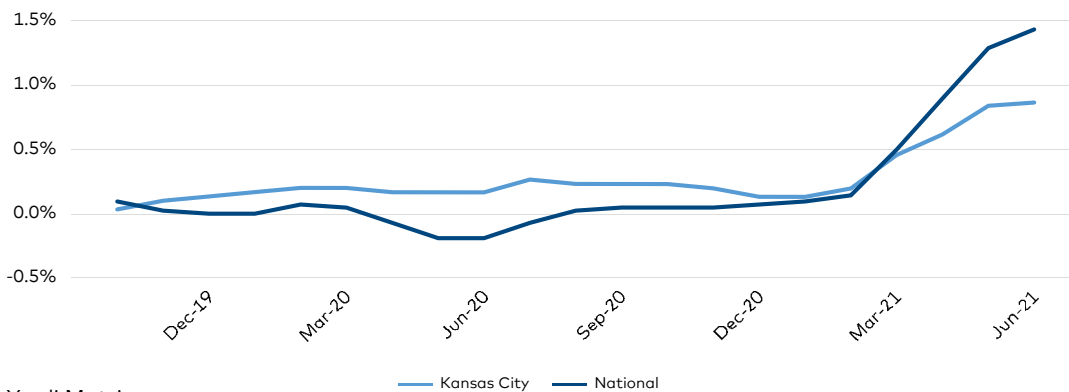


City: Kansas City, Mo.  
Buyer: Olive Tree Holdings  
Purchase Price: \$15 MM  
Price per Unit: \$76,667

## RENT TRENDS

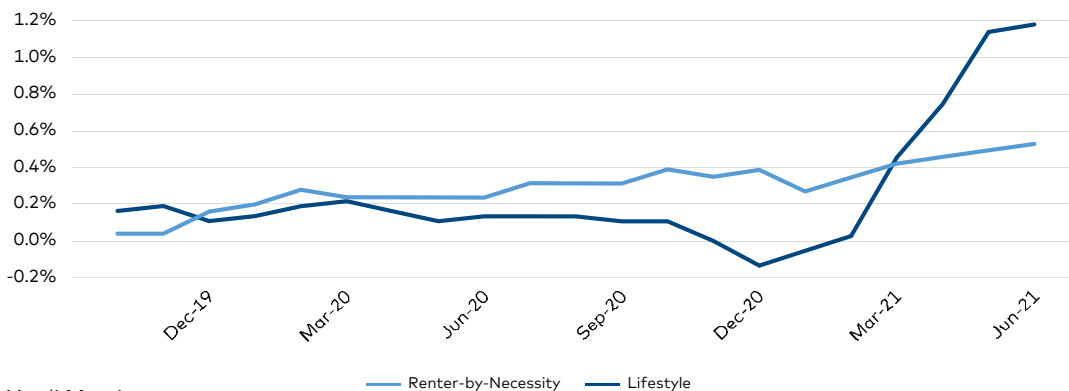
- ▶ As the national rebound powers through, metro Kansas City rents increased 0.9% on a trailing three-month (T3) basis as of June, 50 basis points behind the U.S. rate. The average rent in the metro was \$1,058, below the \$1,482 U.S. average. Year-over-year, Kansas City rents edged up 5.2% as of June.
- ▶ In line with nationwide trends, Lifestyle rents are expanding at a faster pace than working-class Renter-by-Necessity rents for the first time since 2011. As of June, rates in the Lifestyle segment inched up 1.2% to \$1,301 on a T3 basis, while RBN rents rose 0.5%, to \$891. The above-average growth is likely to continue in the near term.
- ▶ Kansas City–East (14.6% to \$865), Kansas City–Southeast (11.3% to \$820) and Lenexa (10.2% to \$1,231) were among the leading submarkets for rent growth in the 12 months ending in June. Meanwhile, rates in Downtown Kansas City—the priciest submarket—slid 0.9% to \$1,385.
- ▶ As of June, metro Kansas City rents in the single-family rental sector were up 3.9% year-over-year, well below the 11.1% national rate. The average SFR rent in the metro was \$1,428, trailing the \$1,827 U.S. figure.
- ▶ Missouri has allocated \$324 million in rental relief through the State Assistance for Housing Relief Program, while Kansas directed \$200 million toward rental assistance through the Kansas Housing Resources Corp.

### Kansas City vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

### Kansas City Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- ▶ In the 12 months ending in May, the metro gained 82,100 net jobs. With the worst of the pandemic-induced downturn in the rearview mirror, May marked the first month of year-over-year gains since last March. Leisure and hospitality led growth—the sector added 30,300 positions for a 38.8% increase, the largest rate of all sectors. Professional and business services gained 18,100 jobs, followed by trade, transportation and utilities, up 17,400 positions.
- ▶ As of May, unemployment hit 4.2% in Missouri, 3.5% in Kansas and 5.0% in metro Kansas City, according to preliminary BLS data. All three figures were below the 5.8% May national rate.

More than three-quarters of jobs lost due to the pandemic are expected to be regained in the metro by the end of 2021, according to the Center for Economic Development and Business Research.

- ▶ The \$1.9 trillion rescue package allocated \$195 million to metro Kansas City. The funds will be distributed in two tranches and spent over the next two years, with more than \$111 million going toward replacing lost tax and fee revenue. The city is also setting aside some \$23 million for earnings tax refunds on behalf of people who work for Kansas City firms but live outside city limits and worked from home during the pandemic.

### Kansas City Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	108	9.6%
60	Professional and Business Services	199	17.8%
40	Trade, Transportation and Utilities	222	19.8%
65	Education and Health Services	162	14.5%
30	Manufacturing	79	7.1%
80	Other Services	41	3.7%
90	Government	163	14.6%
15	Mining, Logging and Construction	55	4.9%
50	Information	14	1.3%
55	Financial Activities	77	6.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ The metro added 15,222 residents in 2020, for a 0.7% population expansion. Meanwhile, the nation gained more than 1.1 million residents, for a 0.4% uptick.
- ▶ Over the past decade, Kansas City's population grew by 7.9%, above the 6.5% national rate.

### Kansas City vs. National Population

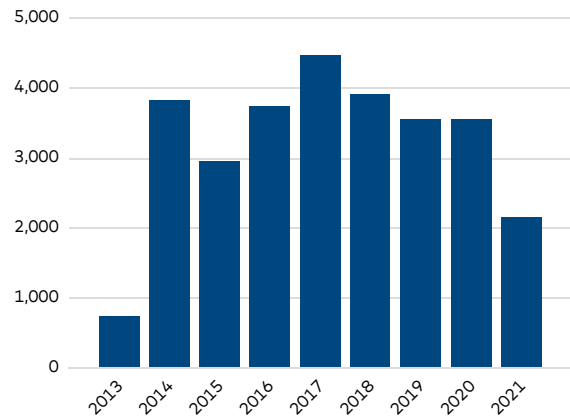
	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Kansas City	2,127,259	2,143,651	2,157,990	2,173,212

Sources: U.S. Census, Moody's Analytics

## SUPPLY

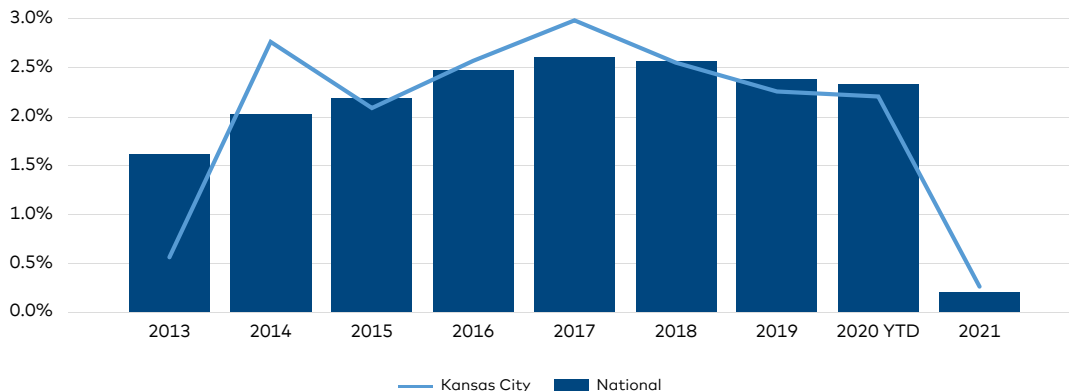
- ▶ Kansas City had 7,695 units under construction as of June, with the sweeping majority (95.7%) aimed at high-income renters. Yardi Matrix expects 3,712 units to come online across the metro this year, slightly exceeding the 2019 and 2020 totals. As of June, Kansas City had an additional 35,200 units in the planning and permitting stages. Year-over-year, occupancy in the metro slid by 20 basis points as of May.
- ▶ Developers completed 2,157 units in the first half of 2021, equal to 1.3% of total stock and 40 basis points above the U.S. figure. New deliveries favored the Lifestyle segment—83% of newly completed properties were upscale communities. Construction has maintained a steady pace since 2014, with developers adding an average 3,700 apartments per year. Over the last decade, deliveries peaked at 4,469 units in 2017.
- ▶ Developers broke ground on 4,384 units across 18 properties in the 12 months ending in June. The figure is more than double the one recorded in the previous 12 months, when developers broke ground on 2,145 units across 11 properties.
- ▶ As of June, Downtown Kansas City (1,036 units) led development, accounting for 13% of the total pipeline. Lenexa (974 units) and Overland Park–Southeast (822 units) rounded out the top three.
- ▶ Price Brothers' 500-unit Sorrento Place in Overland Park–Southeast was the largest development underway in the metro as of June, slated for completion in late 2022.

**Kansas City Completions** (as of June 2021)



Source: Yardi Matrix

**Kansas City vs. National Completions as a Percentage of Total Stock** (as of June 2021)



Source: Yardi Matrix

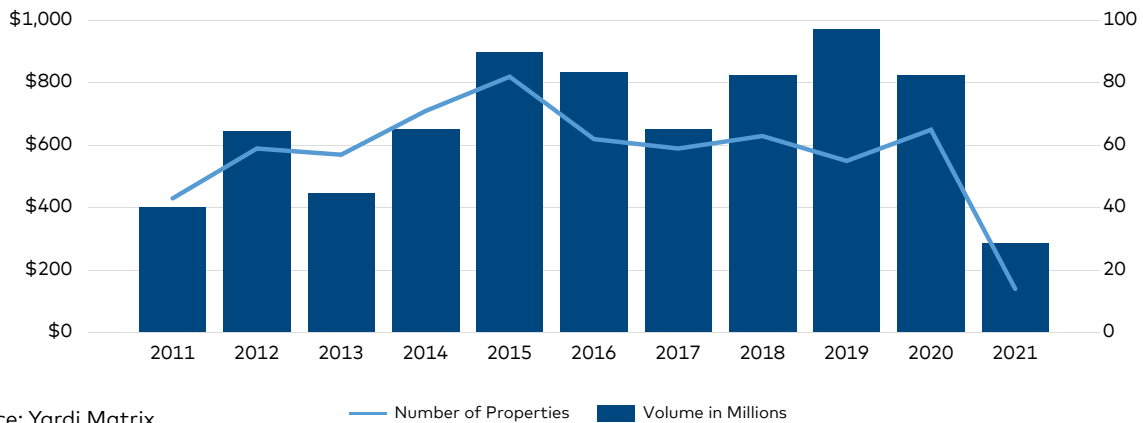
## TRANSACTIONS

- ▶ In the first half of the year, 14 assets (3,015 units) sold for a total of \$285 million, on par with the volume recorded during the same interval last year. Some \$825 million in rental assets traded in 2020, down 15% from 2019, but slightly above 2018 levels.
- ▶ A total of 10,043 units traded in the 12 months ending in June. Investors focused on the RBN segment—of the 56 properties that traded, nearly one-third (64%) are RBN communities,

while only 23% are in the Lifestyle segment, with the remaining 13% being fully affordable assets. As of June, the average per-unit price stood at \$125,725, an 11.1% uptick over the same time frame last year.

- ▶ Kansas City–South led transactions in the 12 months ending in June, with \$92 million in multifamily communities trading. Overland Park–North (\$86 million) and Calico Farms/Bridlespur (\$86 million) rounded out the top three.

### Kansas City Sales Volume and Number of Properties Sold (as of June 2021)



Source: Yardi Matrix

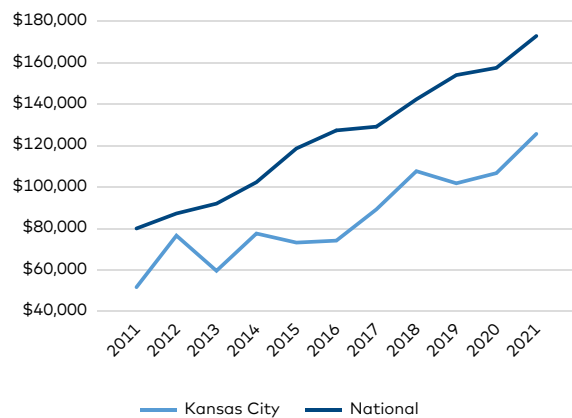
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Kansas City–South	92
Overland Park–North	86
Calico Farms/Bridlespur	86
Kansas City Northwest/Riverside	83
Victory Hills	81
Overland Park–Southeast	74
Kansas City–West	48

Source: Yardi Matrix

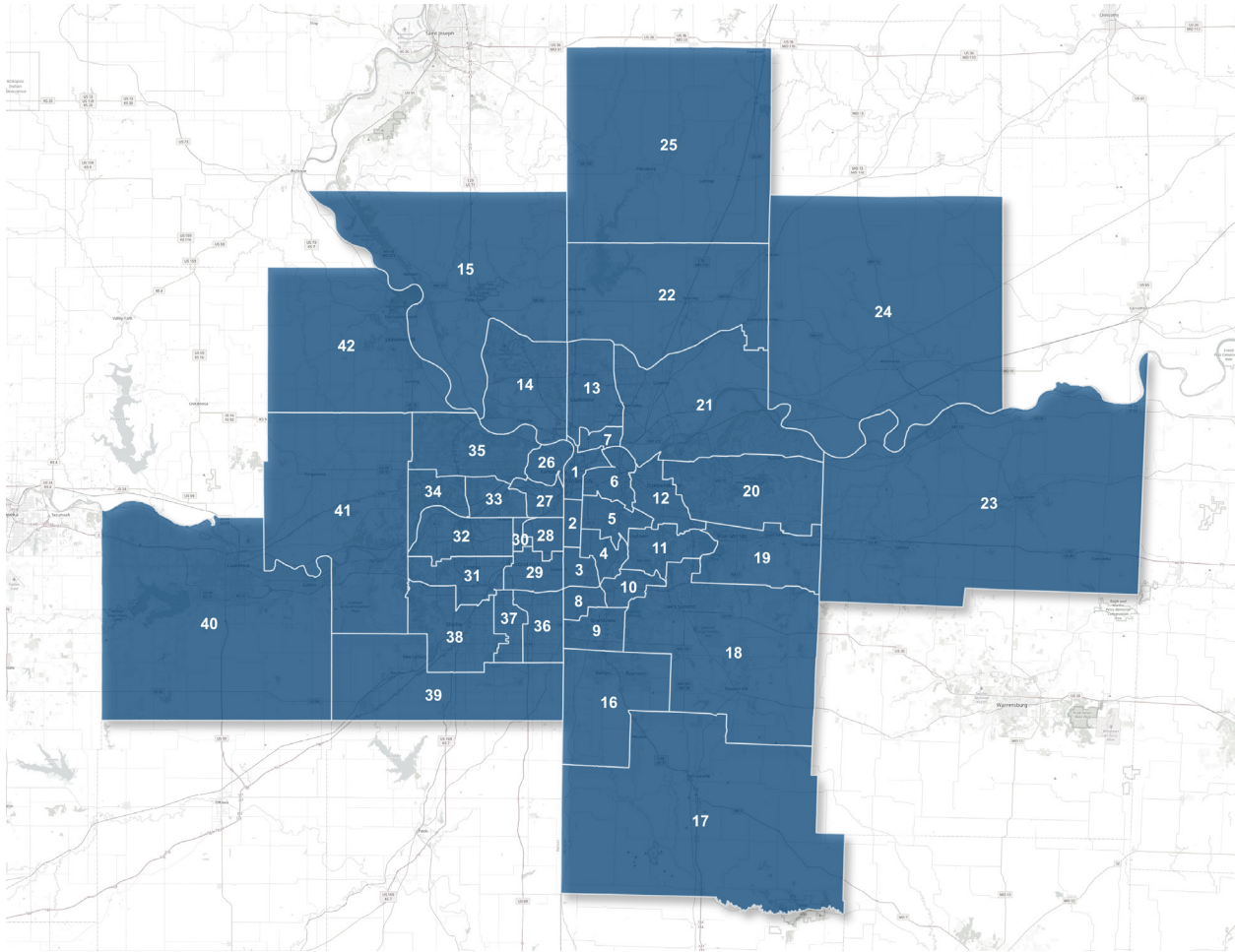
<sup>1</sup> From July 2020 to June 2021

### Kansas City vs. National Sales Price per Unit



Source: Yardi Matrix

# KANSAS CITY SUBMARKETS



Area No.	Submarket
1	Downtown Kansas City
2	Kansas City–South
3	Marlborough Heights
4	Park Farms
5	Kansas City–Southeast
6	Kansas City–East
7	Kansas City–North
8	Calico Farms–Bridlespur
9	Grandview
10	Crossgates
11	Raytown
12	Independence–West
13	Gladstone
14	Kansas City Northwest–Rivers

Area No.	Submarket
15	Platte City
16	Belton–Raymore
17	Harrisonville
18	Lee's Summit
19	Blue Springs
20	Independence–East
21	Liberty
22	Smithville–Excelsior Springs
23	Lafayette County
24	Ray County
25	Clinton County
26	Kansas City–Northwest
27	Kansas City–West
28	Mission

Area No.	Submarket
29	Overland Park–North
30	Merriam
31	Lenexa
32	Shawnee
33	Muncie
34	Edwardsville–Bonner Springs
35	Victory Hills
36	Overland Park–Southeast
37	Overland Park–Southwest
38	Olathe
39	Gardner
40	Lawrence
41	De Soto
42	Leavenworth

## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

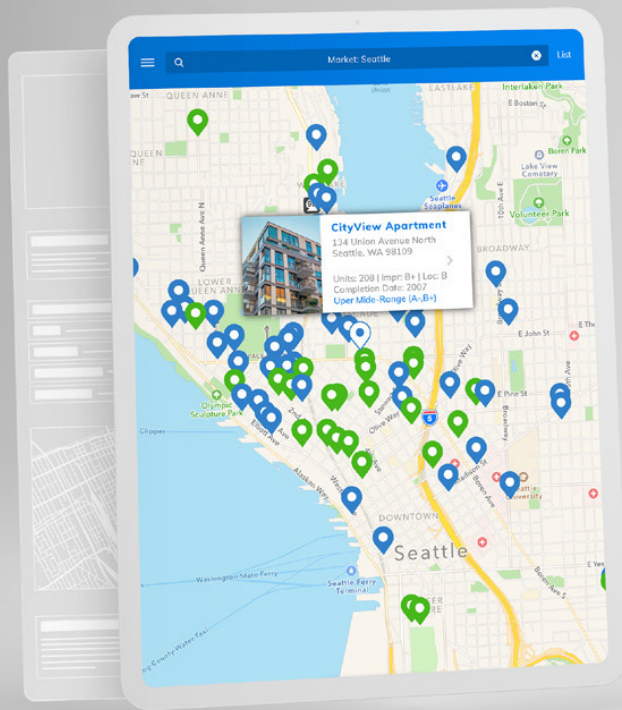
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