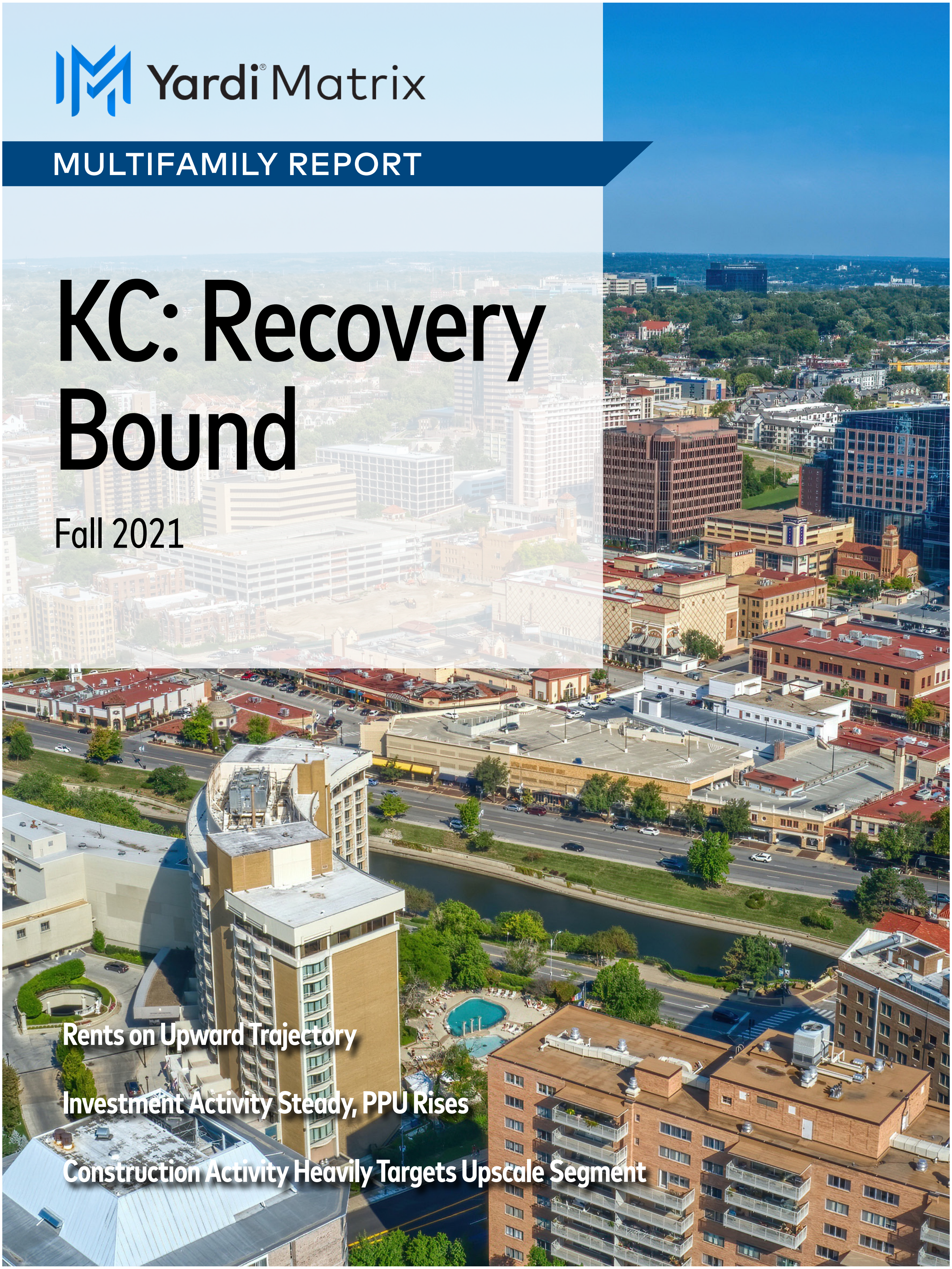

MULTIFAMILY REPORT

KC: Recovery Bound

Fall 2021

Rents on Upward Trajectory

Investment Activity Steady, PPU Rises

Construction Activity Heavily Targets Upscale Segment

KANSAS CITY MULTIFAMILY

Yardi Matrix

Kansas City Expects a Bright Recovery

Kansas City's multifamily market continued its path to recovery that began during the summer. As of October, rents in the metro were up 0.6% on a trailing three-month basis, to $1,099, below the $1,572 national average. RBN assets remained in constant demand, while Lifestyle growth accelerated over the past two quarters. Year-over-year, rents in Kansas City were up 7.0%.

Unemployment in the metro reached 3.5% in September, according to Bureau of Labor Statistics preliminary data, highlighting the city's eagerness to recover ground lost in 2020. Some 48,900 net jobs were gained over a 12-month period ending in August, up 5.0%. The leisure and hospitality sector added the most jobs (20,800), but the metro's largest sectors—trade, transportation and utilities, and professional and business services—also saw positive gains. Of the $194 million granted through the American Rescue Plan Act, Kansas City has received half, with the second distribution expected in May. The city committed more than $15.6 million to support disproportionately impacted communities.

Developers shifted their focus due to the increased demand for Lifestyle properties. Kansas City had 7,492 units under construction as of October, with the Lifestyle segment comprising 93.9% of the pipeline. Investment sales generated $471 million over the first ten months of the year.

Market Analysis | Fall 2021

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On the cover: Photo by Jacob Boomsma/iStockphoto.com

Recent Kansas City Transactions

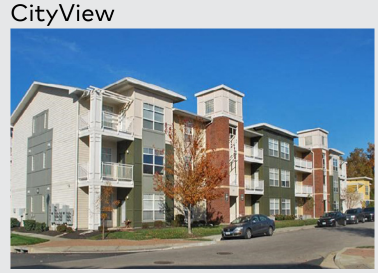
SouthRidge

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

79 Metcalf

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

CityView



City: North Kansas City
Buyer: KC Venture Group
Purchase Price: $46 MM
Price per Unit: $208,108

RENT TRENDS

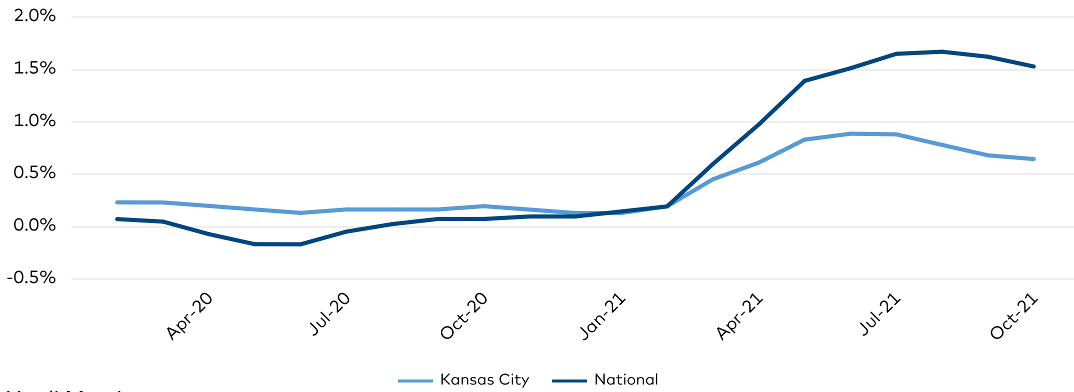
- Kansas City rents grew 0.6% on a trailing three-month (T3) basis as of October, 90 basis points behind the U.S. rate. The average rent in the metro was $1,099, well below the $1,572 national figure. Kansas City multifamily demand stabilized as more flexible work environments became the norm, and rents continued to grow throughout the crisis, increasing 7.0% year-over-year, as of October.

- The Lifestyle segment saw rent growth at 0.7% on a T3 basis through October, to an average of $1,355, and 7.9% higher year-over-year. RBN rates also improved by 0.7%, to $916 (up 6.2% year-over-year).

- Occupancy in stabilized assets rebounded in Kansas City, reaching 95.4% in September, up 90 basis points year-over-year. Lifestyle occupancy reached 95.6% in September, up 170 basis points year-over-year. In the RBN segment, occupancy was up 90 basis points year-over-year, to 95.3%.

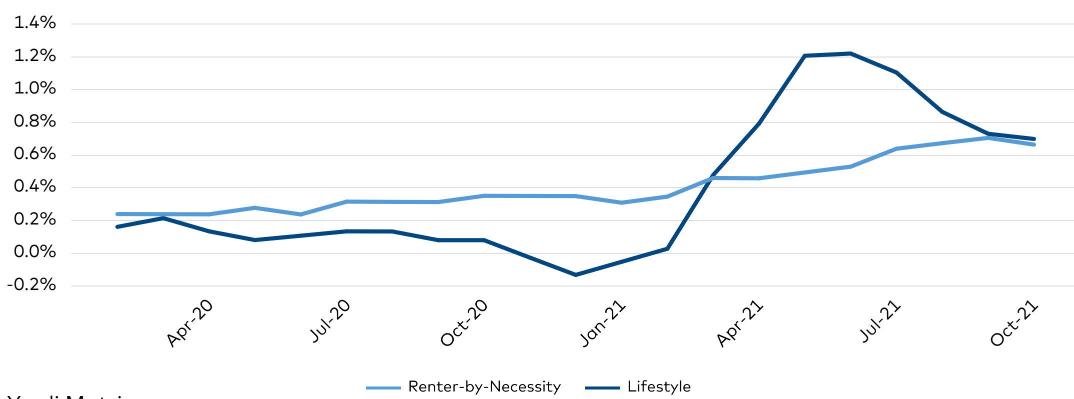
- Rents increased across the board over the 12 months ending in October, with most areas of Kansas City posting year-over-year growth of over 5.0%. The fastest-growing prices were recorded in the Victory Hills (up 13.1%, to $945), Gardner (13.0%, to $929) and Crossgates (12.9%, to $925) submarkets. More modestly priced submarkets also recorded significant growth, such as Kansas City–East, where rates increased by 11.5%, to $875.

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

- Over a 12-month period ending in August, Kansas City's job market continued its momentum with the fourth month of positive gains, adding 48,900 jobs. Employment growth clocked in at 5.0%, 40 basis points above the national average.

- The unemployment rate in Kansas City reached 3.5% in September, according to Bureau of Labor Statistics preliminary data. Tracking a steady recovery path, the metro recorded its best month yet since the onset of the health crisis. The rate exceeded the U.S. average by 70 basis points.

- Kansas City is on the path to regain 90 percent of the jobs lost last year by the end of 2022, according to the Center for Economic Development and Business Research. In line with national trends, the leisure and hospitality sector led growth, with 20,800 positions added, up 21.4% year-over-year. The metro's largest sectors also recorded significant rebounds. Trade, transportation and utilities, and professional and business services added 7,200 (up 3.3% year-over-year) and 11,900 jobs (6.4%).

- In July, Kansas leaders announced the U.S. Highway 69 Expansion and Modernization project. With an estimated cost of $300 million, the project will add a third lane to Route 69 in Overland Park.

Kansas City Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	118	10.4%
60	Professional and Business Services	199	17.6%
40	Trade, Transportation and Utilities	225	19.9%
30	Manufacturing	86	7.6%
65	Education and Health Services	162	14.3%
15	Mining, Logging and Construction	57	5.0%
80	Other Services	41	3.6%
90	Government	156	13.8%
50	Information	14	1.2%
55	Financial Activities	77	6.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Kansas City added roughly 15,000 residents in 2020, for a 0.7% rate of population growth. The metro's population has been steadily expanding at a rate that's higher than the overall U.S. figure, which measured 0.4% in 2020.

- Affordable rents and the option of remote work have driven migration.

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

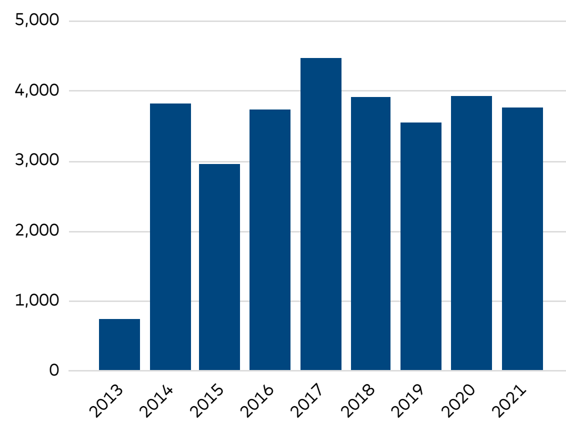
- As of October, Kansas City had 7,492 units under construction, half of which broke ground this year. Multifamily development has continued at a healthy pace in the metro, as construction starts over the first 10 months (3,753 units) increased by 34.4% compared to the same period last year. Developers were focused on the Lifestyle segment, which comprised 93.9% of all units under construction as of October, while only 2.2% of assets underway were fully affordable.

- With an additional 36,800 units in the planning and permitting stages, the metro is poised to meet future demand if market conditions hold. Overall occupancy rates in the market improved by 90 basis points year-over-year, to 95.4% in September, while occupancy for Lifestyle assets grew by 170 basis points year-over-year.

- Year-to-date through October, developers completed 3,780 units, just under the total deliveries recorded in 2020—3,936 units—and on par with the average number of new units added per year since 2014 (3,700). Completions represented 2.3% of total stock, 50 basis points higher than the U.S. rate.

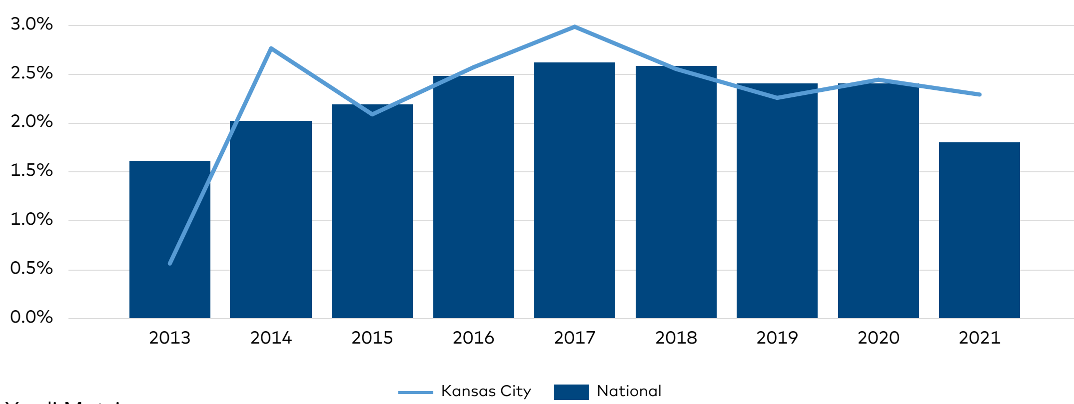
- Four submarkets are responsible for nearly half of all units underway. Lenexa led activity with 974 units, followed by Overland Park–South (934 units), Downtown Kansas City (812 units) and Kansas City–South (772 units). The largest development slated for delivery this year is Block Real Estate Services' 298-unit The Villas at Waterside in the Lenexa submarket.

Kansas City Completions (as of October 2021)



Source: Yardi Matrix

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



Source: Yardi Matrix

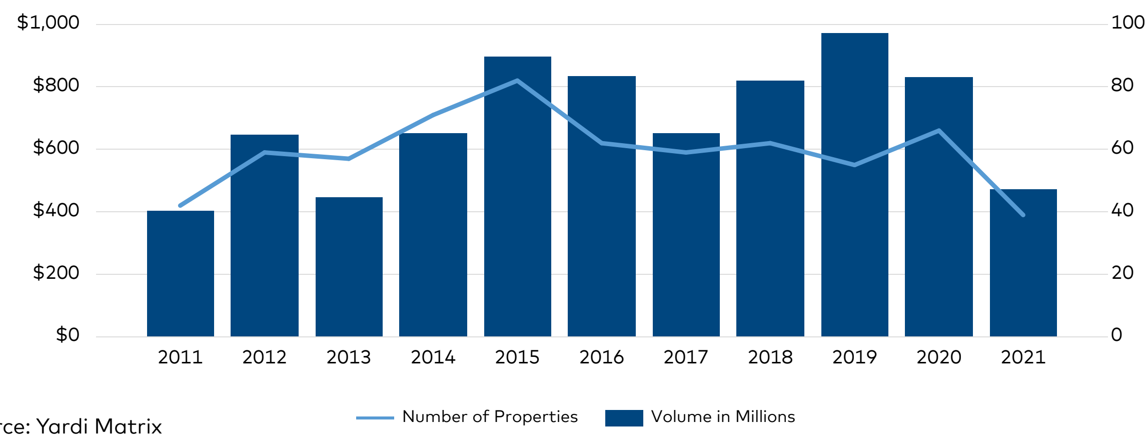
TRANSACTIONS

- Multifamily sales in Kansas City totaled $471 million in 2021 through October, a 29.5% decrease from the $669 million recorded over the same period in 2020.

- Despite the dip in activity, the price per unit has increased by 10.0% year-over-year, to $117,405—remaining 36.1% below the $184,007 national average. The average price per unit for RBN assets reached $98,574 this year, up 22.4% year-over-year, while Lifestyle assets averaged $173,228 per unit, virtually unchanged from last year's $173,339.

- Investment activity was highest in the Overland Park-North submarket, where sales totaled $86 million in the 12 months ending in October. Kansas City–North, and Victory Hills rounded out the top three submarkets for investment activity, both with $72 million in completed deals.

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



Source: Yardi Matrix

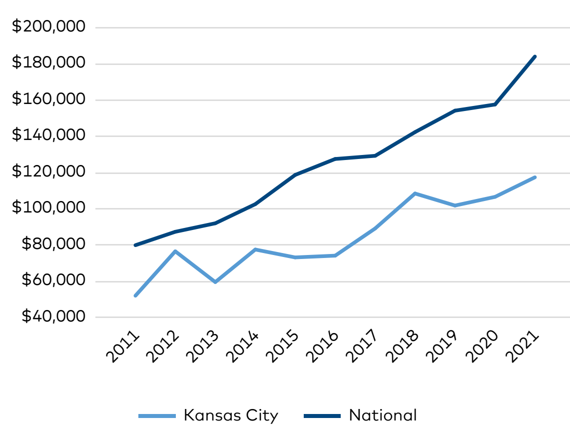
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Overland Park-North	86
Kansas City-North	72
Victory Hills	72
Kansas City-West	58
Marlborough Heights	45
Kansas City-Northwest	41
Park Farms	35

Source: Yardi Matrix

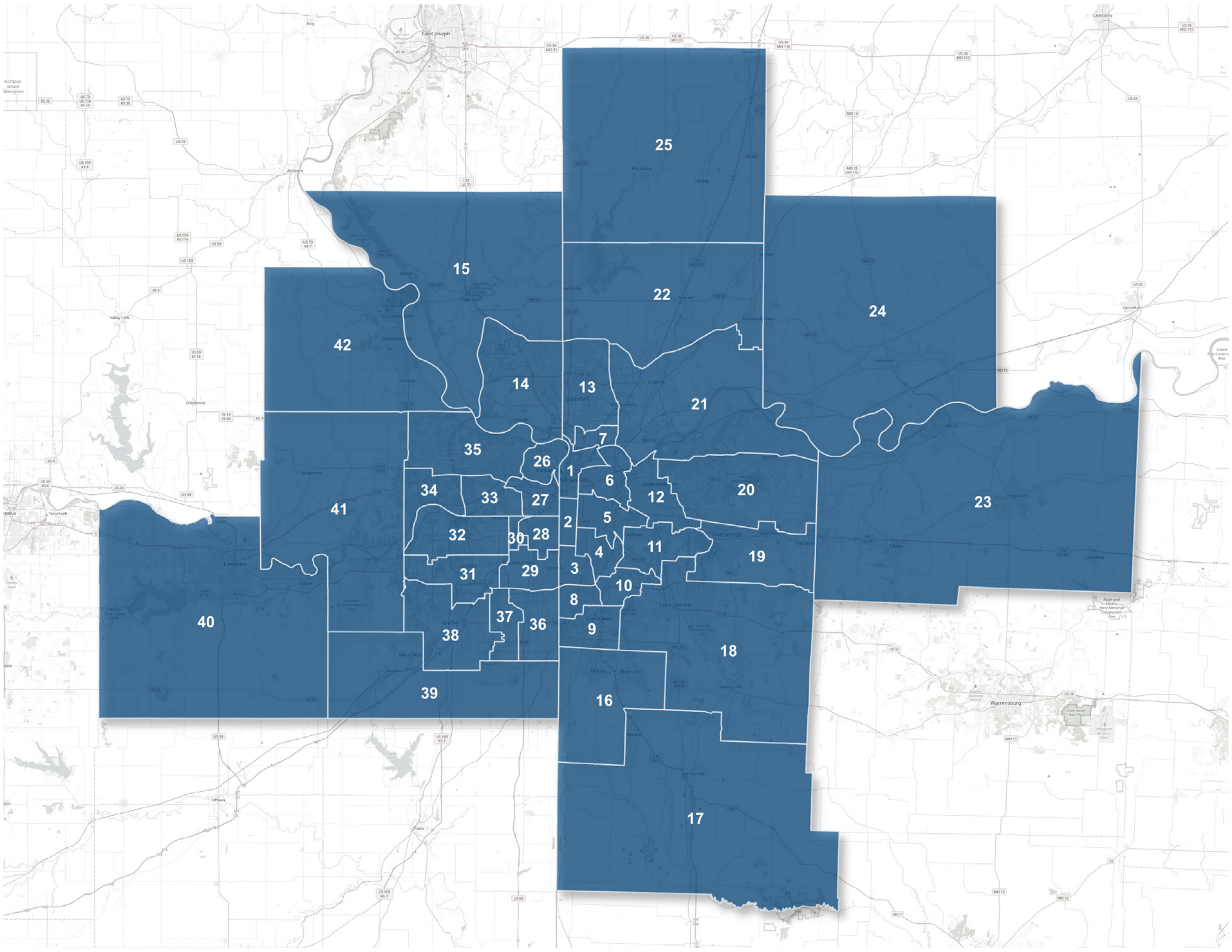
[1] From November 2020 to October 2021

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

Yardi® Matrix

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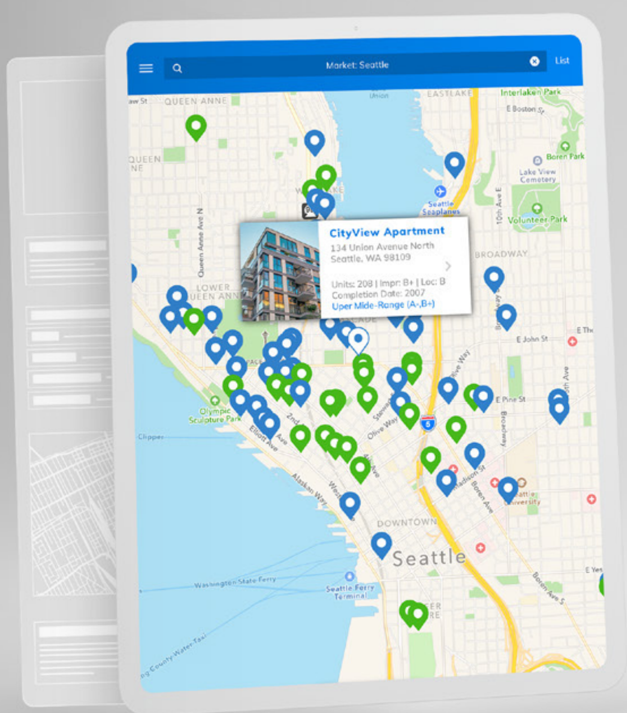

Yardi Matrix Multifamily provides accurate data on **19+ million units**, covering over **90% of the U.S. population**.

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