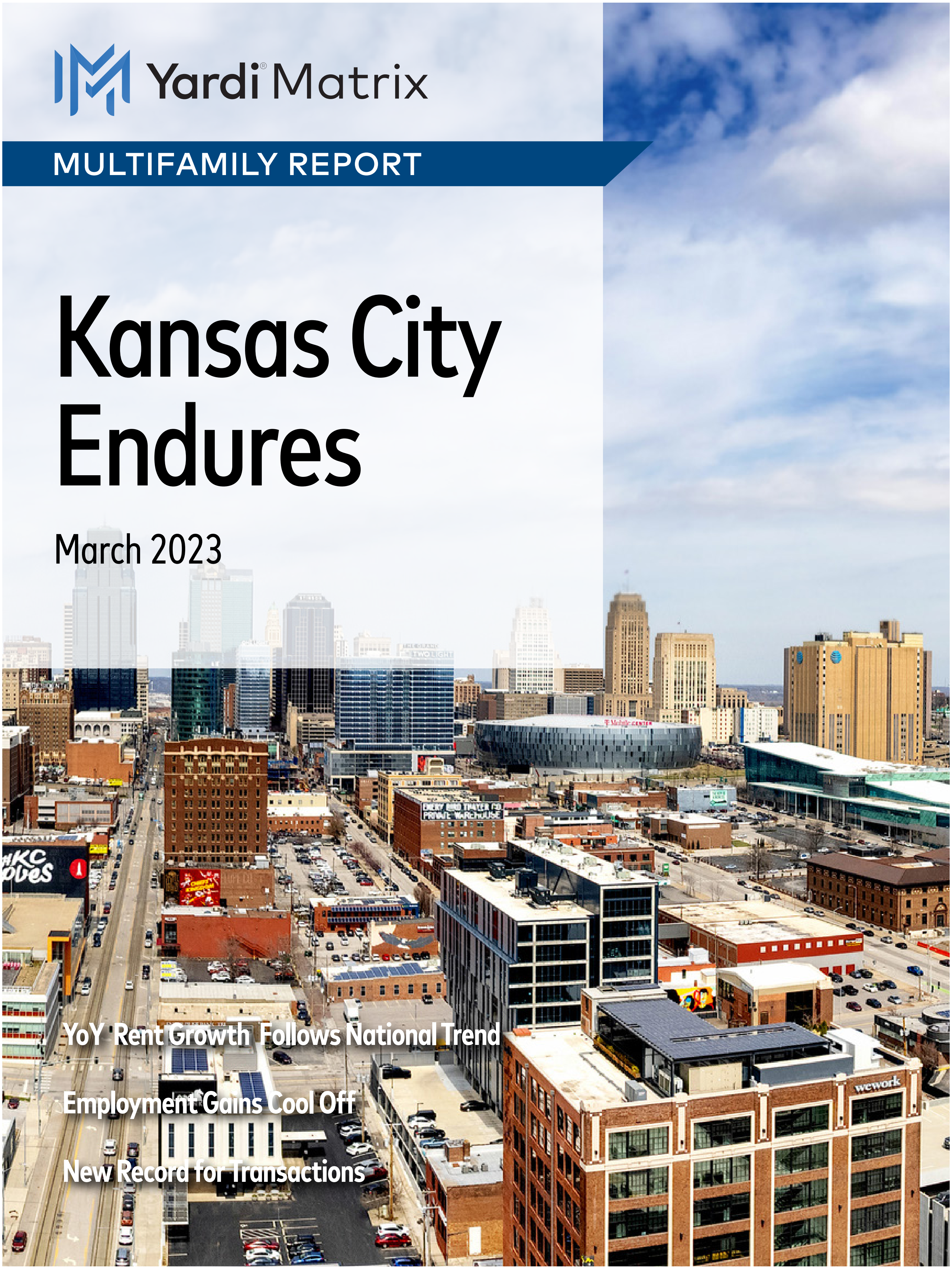
Yardi Matrix

MULTIFAMILY REPORT

Kansas City Endures

March 2023



YoY Rent Growth Follows National Trend

Employment Gains Cool Off

New Record for Transactions

KANSAS CITY MULTIFAMILY

Yardi Matrix

Market Stabilizes After Post-Pandemic Growth

Kansas City fundamentals returned to a more tempered rate of growth in the second half of 2022. On a trailing three-month basis through January, rent development followed national patterns, and rates declined 0.3%, to an average of $1,199, with the metro remaining a more affordable alternative to larger markets. After an outsize supply pipeline produced record delivery volume in 2021, Kansas City's overall occupancy in stabilized assets declined 50 basis points year-over-year, to 95.2%, as of December 2022.

The metro's job market remained on a positive track, with the average unemployment rate dropping 100 basis points since the beginning of the year, to 2.4% as of December, according to preliminary data from the Bureau of Labor Statistics. Over a 12-month period through November, Kansas City's labor pool expanded by 1.4%, with 26,300 jobs added. Growth diminished in the second half of the year, as concerns about a potential downturn halted expansion plans. The metro will soon debut its largest infrastructure project yet—the $1.5 billion development of a new terminal at Kansas City International Airport, expected to accommodate an additional 20,000 passengers.

In 2022, the metro added 2,887 units to its stock. As of January, Kansas City had 6,453 units underway. Transactions reached a new high, at $1.7 billion in sales, while the price per unit increased by 31.1%, to $168,830.

Market Analysis | March 2023

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Recent Kansas City Transactions

The Residences at Park Place

City: Leawood, Kans.
Buyer: JRK Property Holdings
Purchase Price: $58 MM
Price per Unit: $224,985

Centennial Park

City: Overland Park, Kans.
Buyer: Greystar
Purchase Price: $40 MM
Price per Unit: $237,660

Jefferson Park

City: Liberty, Mo.
Buyer: GFI Capital Resources Group
Purchase Price: $29 MM
Price per Unit: $138,038

Province of Briarcliff

City: Kansas City, Mo.
Buyer: Peak Capital Partners
Purchase Price: $24 MM
Price per Unit: $198,333

RENT TRENDS

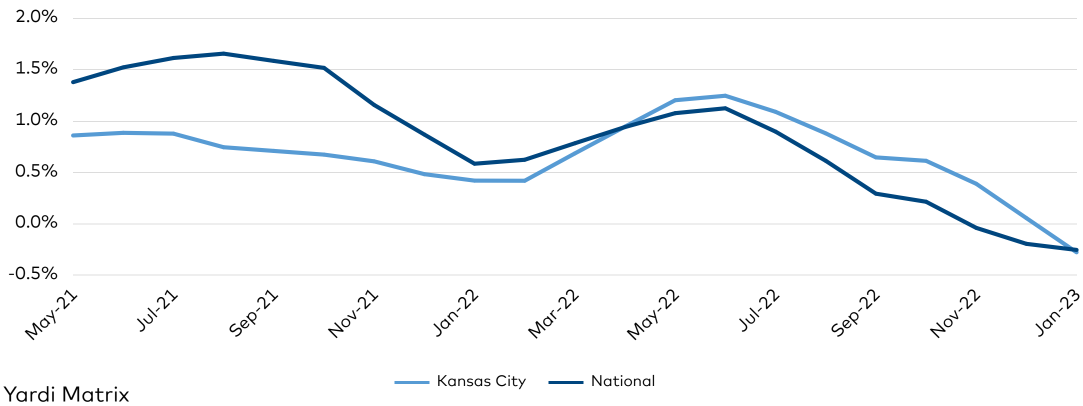
- Kansas City rent growth plateaued toward the end of 2022, with rates down 0.3% on a trailing three-month (T3) basis as of January, on par with the national average. The metro had a good year for rate gains, trailing or exceeding overall U.S. figures, with T3 movement peaking in June, at 1.2%. Year-over-year, rates increased 7.3%, 180 basis points above the national figure. Yardi Matrix expects Kansas City rents to increase by an additional 2.8% by the end of the year.

- The average rate in the market was $1,199 as of January, remaining far below the U.S. average of $1,701. On a T3 basis through January, Lifestyle rents declined by 0.5%, to $1,462, while the RBN segment recorded a slide of 0.3%, to an average of $997.

- Oversupply due to post-pandemic delays has decreased occupancy rates in the market. As of December, the overall average occupancy rate for stabilized assets was down 50 basis points year-over-year, to 95.2%, 10 basis points lower than the U.S. average. Lifestyle assets saw a sharper decline of 70 basis points, to 95.3%, while the RBN segment experienced a 50-basis-point drop, to 95.1%.

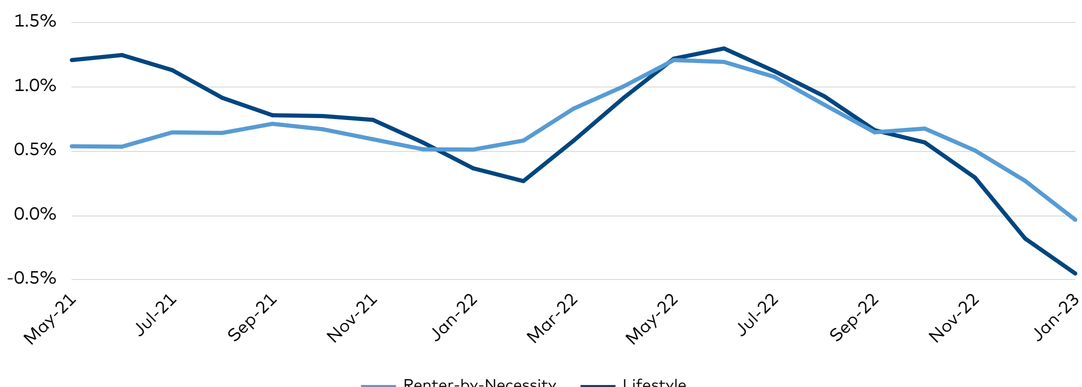
- A handful of submarkets exceeded the $1,000 mark and recorded year-over-year rent growth of more than 10%. Gains were led by Blue Springs, with rates up 15.8%, to $1,252, followed by Kansas City-East (up 13.6%, to $1,005), De Soto (up 13.3%, to $892), Kansas City-West (11.9%, to $991) and Calico Farms/Bridlespur (11.5%, to $1,097).

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

- Kansas City's unemployment rate dropped 100 basis points since January, to 2.4% as of December, according to preliminary data from the BLS. The overall national rate improved to 3.5%.
- Over a 12-month period ending in November, Kansas City added 26,300 jobs, for a 1.4% expansion of the labor pool—230 basis points below the national rate of growth. The metro remained on a positive trend, despite a slower post-pandemic recovery. For most of 2022, Kansas City stayed below the national growth rate, and job gains started diminishing in the second half of the year.
- Education and health services led growth, with 7,700 jobs added, or a 4.8% expansion, followed by construction (6,200 jobs, up 11.2%), professional and business services (5,800, up 3.1%) and leisure and hospitality (5,800, up 5.4%). Two sectors lost a sizable number of positions over this period—government (down 2,200 jobs, -1.3%) and financial activities (down 2,000 jobs, -2.6%).
- The $1.5 billion project to add a new terminal at Kansas City International Airport was completed in late February, nearly six years after it was first approved. The 1 million-square-foot terminal added 39 new gates and will serve 20,000 additional passengers.

Kansas City Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	168	14.7%
15	Mining, Logging and Construction	62	5.4%
60	Professional and Business Services	195	17.0%
70	Leisure and Hospitality	113	9.9%
30	Manufacturing	81	7.1%
80	Other Services	43	3.8%
40	Trade, Transportation and Utilities	229	20.0%
50	Information	16	1.4%
55	Financial Activities	76	6.6%
90	Government	162	14.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- As a more affordable alternative to larger metros, Kansas City's population continued to increase in 2021. The city added 5,912 residents, representing a 0.3% increase from the previous year.

Kansas City vs. National Population

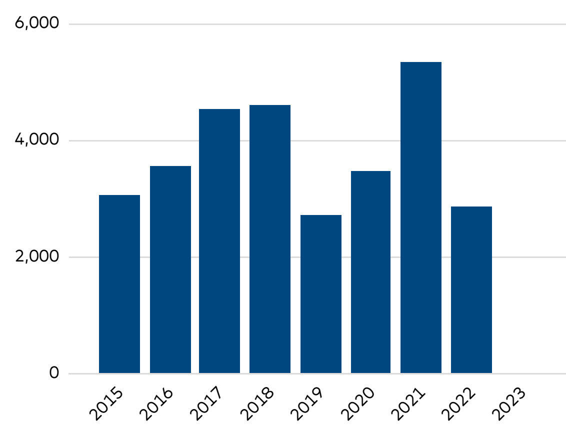
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Kansas City	2,147,602	2,161,639	2,193,578	2,199,490

Source: U.S. Census

SUPPLY

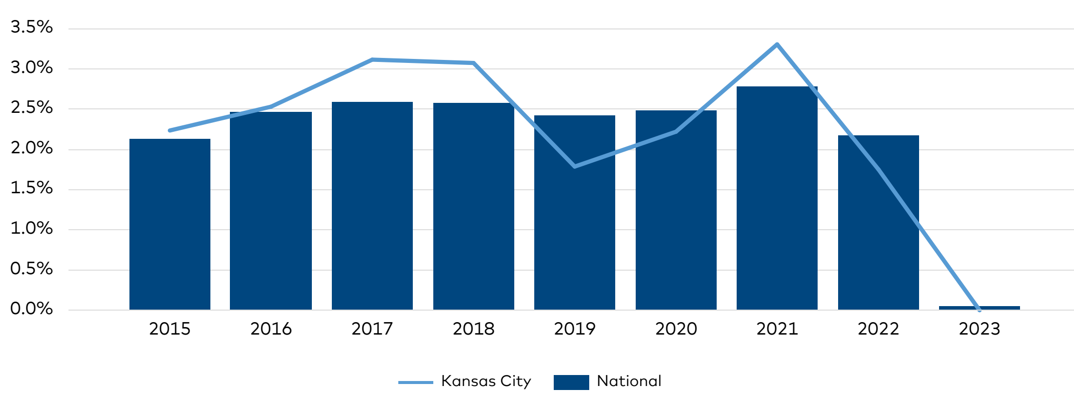
- Developers completed 2,887 units in 2022, 46.1% less than the previous year, when a record number of deliveries were recorded. Completions represented a 1.8% expansion of existing stock—40 basis points under the national rate. The metro was in line with national trends, as the previous year saw record completions, followed by slower growth in 2022. Over the past five years, developers have added an annual average of 3,815 units to the market.
- Kansas City had 6,453 units under construction as of January. Of these, more than 90 percent were in the Lifestyle segment, while only 5.6% were fully affordable. An additional 51,800 units were in the planning and permitting stages, highlighting developer confidence in the market's future. Roughly 5,800 units are marked for completion in 2023, should conditions remain favorable.
- Construction starts in the market also slowed down—in 2022, nine properties broke ground, comprising 1,498 units, a 61.1% decline year-over-year.
- Development activity was concentrated in a handful of markets around the metro's core, led by Shawnee (719 units under construction), Olathe (671 units), Belton/Raymore (628 units), Overland Park-Southeast (612 units) and Downtown Kansas City (496 units).
- A single property accounted for almost all units underway in the Overland Park-Southeast submarket. The Isaac is a 500-unit, age-restricted community currently under development by Price Brothers Management Co. and is slated to come online this spring.

Kansas City Completions (as of January 2023)



Source: Yardi Matrix

Kansas City vs. National Completions as a Percentage of Total Stock (as of January 2023)

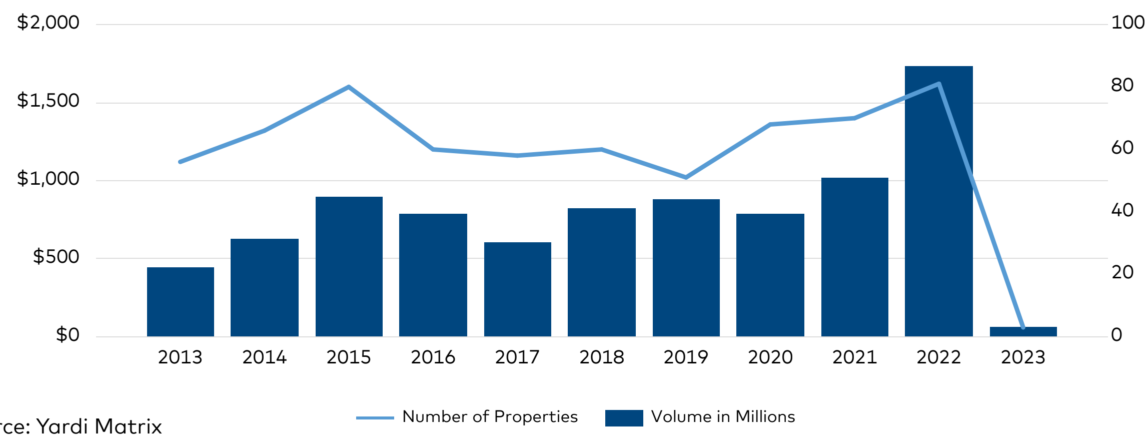


Source: Yardi Matrix

TRANSACTIONS

- In 2022, multifamily investment totaled $1.7 billion, almost double the $936 million recorded in 2021. A total of 55 properties changed hands, with RBN assets favored by investors. Thirty-three transactions involve RBN properties, totaling $713 million. The remaining 22 Lifestyle assets traded for a total of $1 billion.
- The average price per unit was $168,830 in 2022, a 31.1% increase year-over-year, but still lagging the U.S. rate of $211,873. RBN properties crossed the $100,000 mark for the first time, with the average per-unit price improving 33.6% year-over-year, to $132,874. Meanwhile, Lifestyle assets recorded a 10% increase, to $214,105.
- The largest sale occurred in April—Centennial Holding Co. acquired the 237-unit Century West Pryor for $81.2 million, or $342,616. The age-restricted community was completed in 2021 and received a $60.9 million CMBS loan.

Kansas City Sales Volume and Number of Properties Sold (as of January 2023)



Source: Yardi Matrix

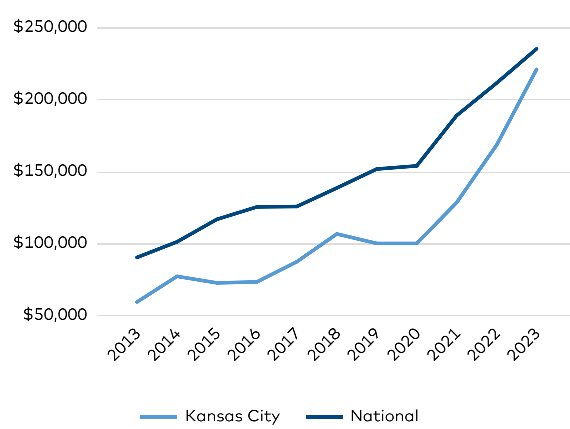
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Downtown Kansas City	$270
Lenexa	$259
Overland Park-North	$177
Gladstone	$130
Overland Park-Southeast	$98
Kansas City Northwest/ Riverside	$87
Lee's Summit	$81

Source: Yardi Matrix

[1] From February 2022 to January 2023

Kansas City vs. National Sales Price per Unit



Source: Yardi Matrix

EXECUTIVE INSIGHTS

Brought to you by: MHN MULTI-HOUSING NEWS

What's Shaping Multifamily Development in the Midwest

By Anda Rosu

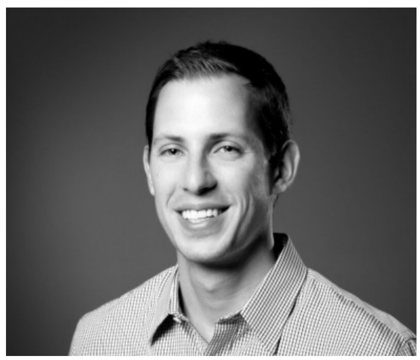
Multifamily developers continue to be active in the Midwest, despite the uncertain economic environment. This doesn't mean that they don't have challenges to deal with, but the region's historic resilience and lower cost of doing business are pushing multifamily developers' projects forward. Milhaus Vice President of Development Brad Vogelsmeier weighed in on development hotspots and trends in the region.

What are the hottest markets in the Midwest today and what makes them so popular among developers?

The ones that rise to the top are Indianapolis; Cincinnati; Columbus, Ohio; Nashville, Tenn.; and Kansas City, Mo. Economic diversity and growth are big drivers of why these cities are so successful. Young people are moving to these cities, and they're ranked in top publications as some of the best places to live for tech jobs, to raise families, as well as for foodies and you name it.

Are Midwestern markets more resilient in the face of adversity than markets in other regions of the country? Why?

Yes, Midwestern markets are generally more resilient, especially during periods of economic uncertainty. Unemployment tends to stay lower in secondary Midwestern markets compared to both the national average and larger gateway markets, which creates a lot more stability, including in the multifamily space.



The cost of doing business here is also more affordable, which plays a large part in driving both job and household growth. These items collectively make the Midwest an attractive place for new investment and development.

What is fueling your expansion in the Kansas City metro area?

Kansas City is economically diverse, boasts a low cost of doing business, and is comparatively a more affordable place to live. More specifically, the city and larger metro area have done a fantastic job in making key public investments and supporting quality new developments that make Kansas City a unique place to live, work and visit. With the new airport, we will see more business travel and convention traffic which will drive continued investments in infrastructure and the urban core.

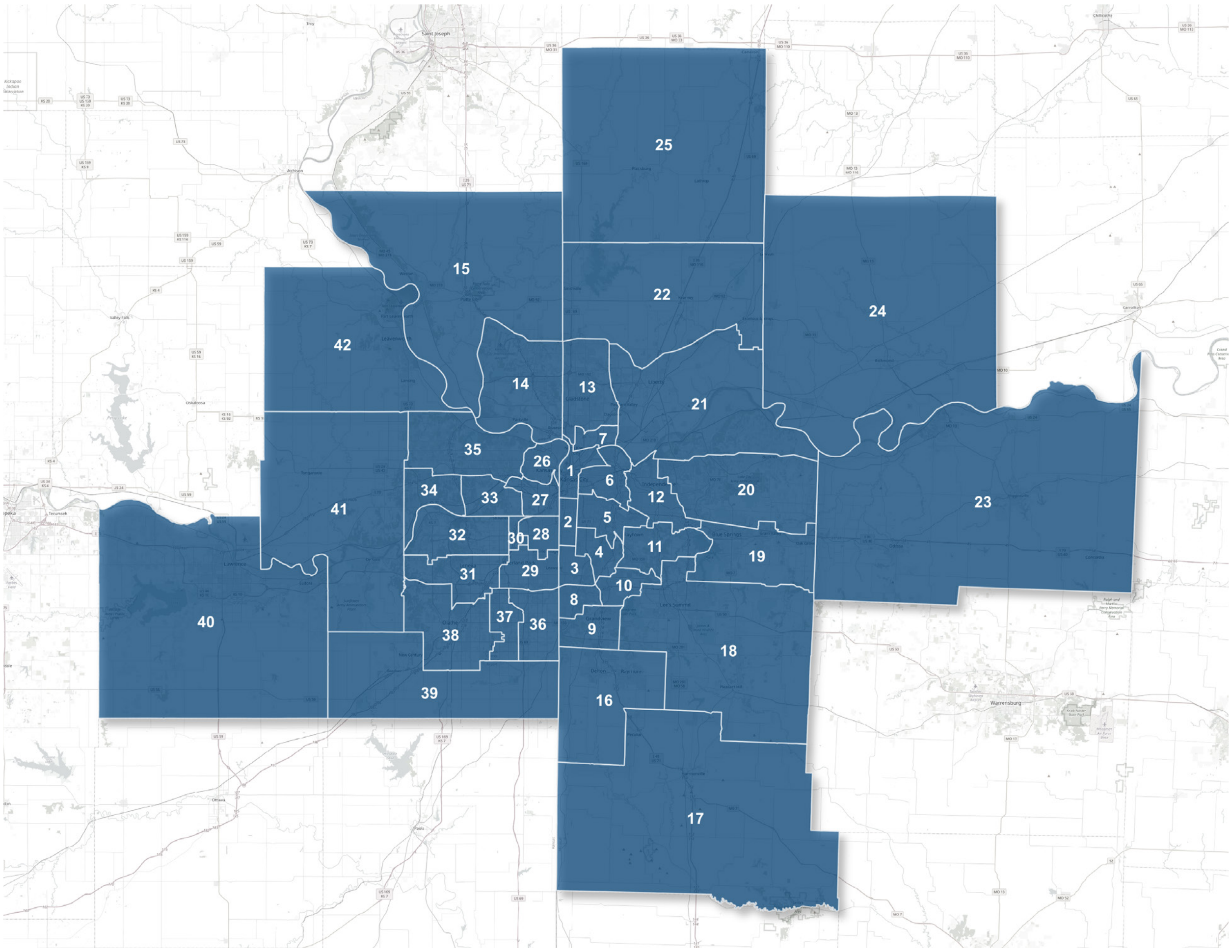
Furtherly, Kansas City is drawing new talent on a national level thanks to major employers such as Cerner (Oracle), H&R Block, Burns & McDonnell, the Federal Government and more. These are steady economic forces that all make the Kansas metro a dynamic market.

Would you like to add anything else about multifamily development in the Midwest?

The Midwest has been successful because of our roll-up-your-sleeves attitude at all levels of development. Developers, municipalities, as well as public and private stakeholders alike think more creatively about development in the Midwest. We have the mentality to keep moving forward despite economic uncertainty.

(Read the complete interview on multihousingnews.com.)

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 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 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, 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.

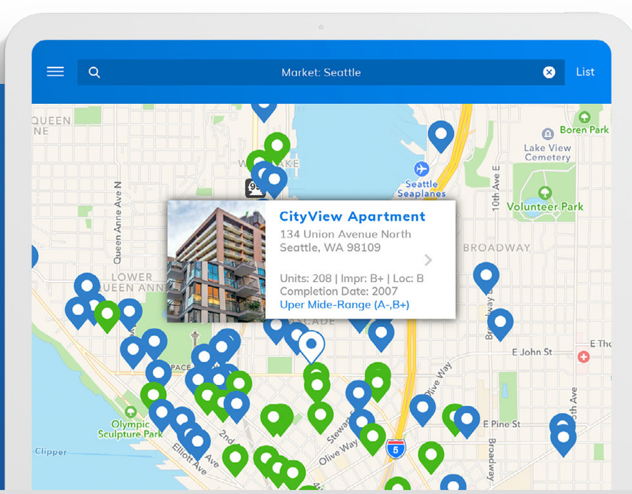
To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

Yardi Matrix

Power your business with the industry's leading data provider

MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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