



MULTIFAMILY REPORT

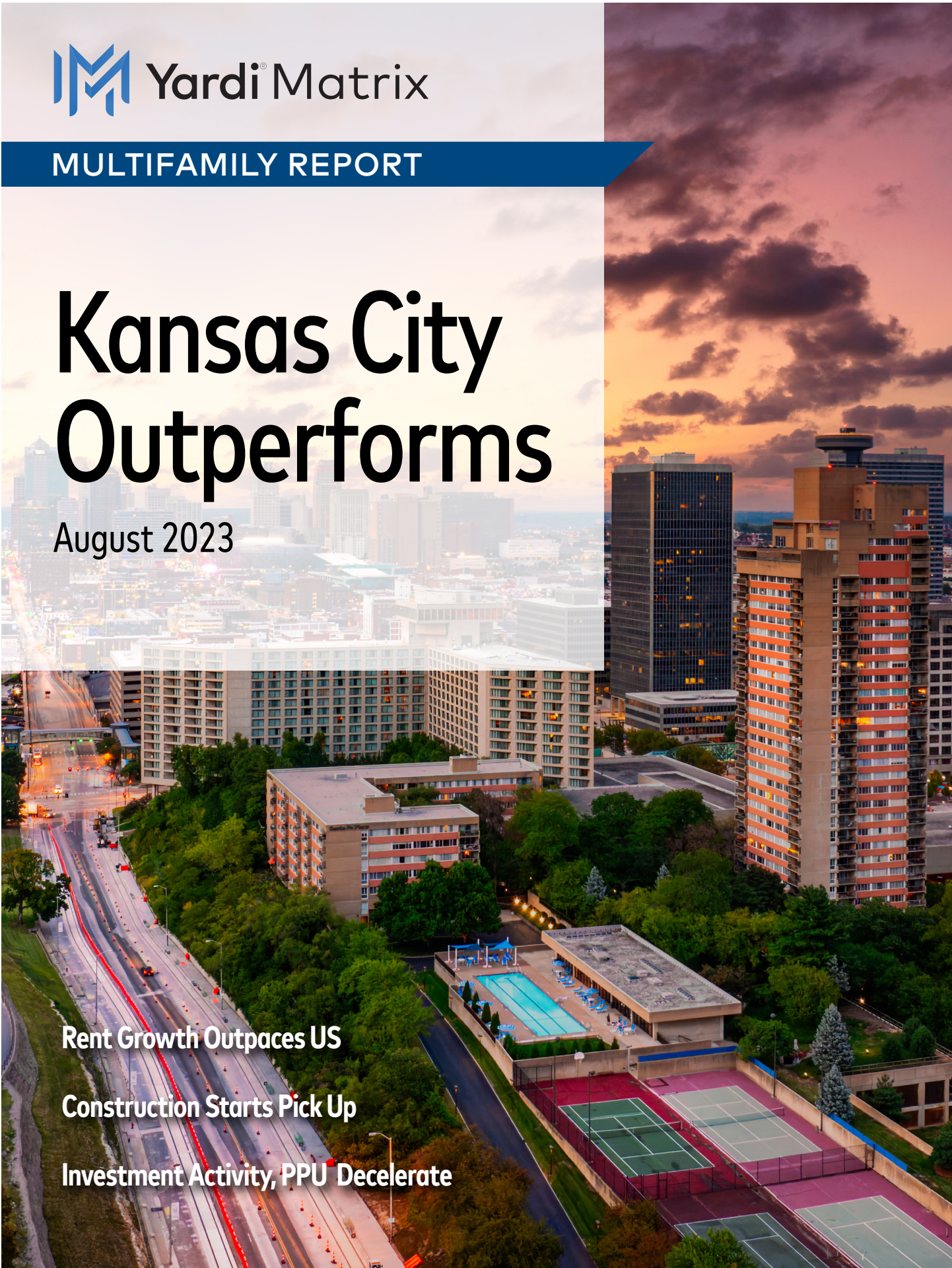
Kansas City Outperforms

August 2023

Rent Growth Outpaces US

Construction Starts Pick Up

Investment Activity, PPU Decelerate



KANSAS CITY MULTIFAMILY



Steady Demand Boosts Rent Growth

Kansas City displayed healthy fundamentals going into the third quarter, sustained by the metro's affordability and steady economy. Rents advanced 0.7% on a trailing three-month basis through June, and were up 5.2% year-over-year, marking one of the year's strongest performances. Yet with an average rent of \$1,241, the metro remained among the country's more affordable markets. Meanwhile, the occupancy rate in stabilized properties held up relatively well, declining by 60 basis points in the 12 months ending in June, to 95.1%.

The Kansas City unemployment rate stood at 2.8% in May, a 10-basis-point increase since the start of the year, according to data from the Bureau of Labor Statistics. While it trailed Missouri (2.5%) and Kansas (2.9%), the metro led the 3.7% national rate. The economy added 34,500 positions in the 12 months ending in April, the equivalent of a 3.2% expansion and ahead of the 2.9% national rate. All sectors gained jobs, led by leisure and hospitality (10,700 jobs). Job growth was aided by increased visitor volume, which in 2022 surpassed pre-pandemic levels.

Developers had 6,890 units underway as of June. The number of construction starts almost tripled year-to-date as of June from the same period last year. Meanwhile, investment activity tapered off, with just \$238 million in multifamily assets trading through June, for a price per unit that declined 22%.

Market Analysis | August 2023

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Recent Kansas City Transactions

Summit Square



City: Lee's Summit, Mo.
Buyer: Avanti Residential
Purchase Price: \$80 MM
Price per Unit: \$259,740

Timberlane Village



City: Kansas City, Mo.
Buyer: Ventera Realty
Purchase Price: \$46 MM
Price per Unit: \$101,856

Centennial Park



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

Province of Briarcliff



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

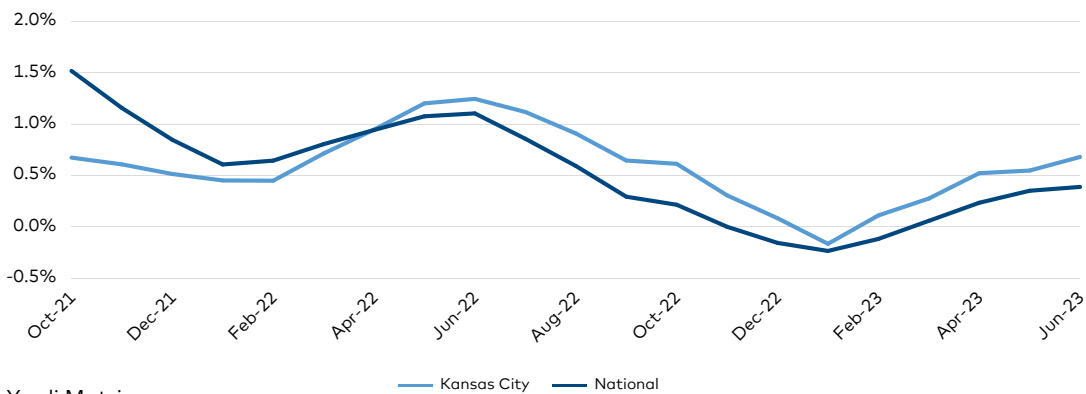
RENT TRENDS

- ▶ Kansas City's average asking rent rose 0.7% on a trailing three-month (T3) basis through June, posting a remarkable performance from the -0.2% low in January. Moreover, at \$1,241, the metro remains fairly affordable and well below the \$1,726 U.S. rate, which posted a 0.2% increase during the period. On a year-over-year basis, rate growth in Kansas City hit 5.2% as of June. The metro came in as a top performer and was significantly ahead of the 1.8% U.S. figure.
- ▶ Rent expansion was led by the upscale Lifestyle segment, up 0.9% on a T3 basis through June to \$1,506. Meanwhile, working-class Renter-by-Necessity figures rose 0.5% to \$1,033. The metro's limited supply expansion helped sustain not just rent growth but also the occupancy rate in stabilized properties, which declined just 50

basis points in the 12 months ending in June, to 95.1%. The decrease was equal across property segments, down 0.5% in both, to 94.8% for RBN and to 95.4% for Lifestyle.

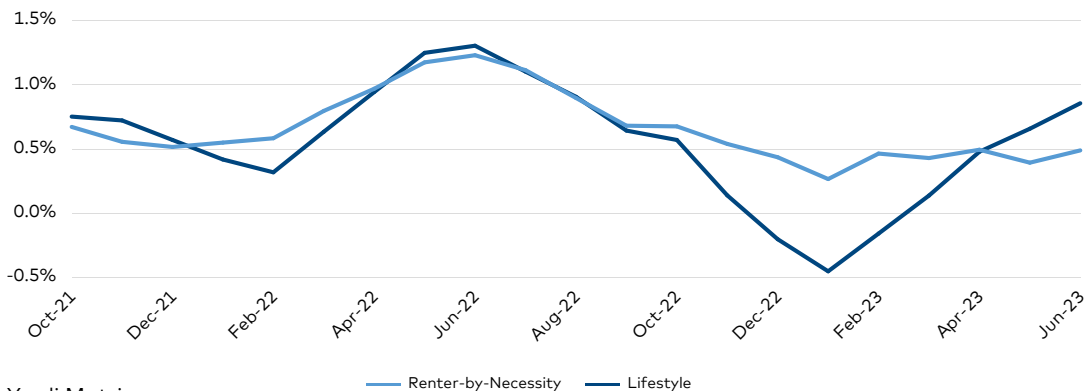
- ▶ Rents increased in all submarkets on a year-over-year basis through June, with nine posting double-digit rent development. This performance increased the number of submarkets with rents above the \$1,000 mark to 27 from 21 a year ago. The most expensive areas remained Downtown Kansas City (2.0% to \$1,568), Overland Park-Southeast (5.7% to \$1,503) and Overland Park-Southwest (9.6% to \$1,488).
- ▶ The metro's single-family rental segment also recorded healthy annual growth, up 3.4% as of June, while occupancy was down 0.2% as of May.

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

- ▶ Despite multiple economic woes, Kansas City unemployment has remained below 3.0% since August 2022, clocking in at 2.8% in May, 10 basis points above the January rate. This placed the metro 30 basis points behind Missouri, 10 basis points behind Kansas and 90 basis points ahead of the 3.7% national rate.
- ▶ The metro added 34,500 jobs in the 12 months ending in April for a 3.2% expansion, slightly above the 2.9% U.S. rate. Unlike the national employment market, which showcased a decelerating trajectory in the past 18 months, the metro displayed a linear performance, remaining in the 3.0% to 4.0% band during this time. All sectors gained positions, led by leisure and hospitality (10,700 jobs), and followed by education and health services (5,700) and professional and business services (5,100).
- ▶ Overland Park registered 4.7 million in visitor volume in 2022, according to Tourism Economics, rebounding beyond pre-pandemic levels. This boost was aided by the opening of the new \$1.5 billion airport, which replaced the one built in 1972. Moreover, the metro hosted the NCAA Regionals, as well as the 2023 NFL Draft, an event attended by more than 300,000 people. In the past decade, Kansas City has been establishing itself as a tech market, and recently Meta announced plans for an \$800 million data center at Golden Plains Technology Park.

Kansas City Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	126	10.7%
65	Education and Health Services	171	14.5%
60	Professional and Business Services	200	16.9%
15	Mining, Logging and Construction	61	5.2%
90	Government	165	14.0%
55	Financial Activities	80	6.8%
30	Manufacturing	85	7.2%
80	Other Services	45	3.8%
40	Trade, Transportation and Utilities	233	19.7%
50	Information	17	1.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Kansas City's population increased by 0.3%, or 5,912 residents, in 2021, roughly triple the 0.1% U.S. rate.
- ▶ Between 2010 and 2021, the metro expanded by 9.2%, outperforming the 7.3% national figure.

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

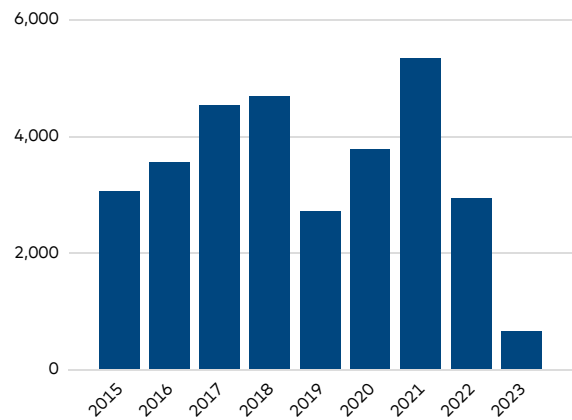
Source: U.S. Census

SUPPLY

- ▶ Developers had 6,890 units under construction across metro Kansas City in June, and another 58,000 in the planning and permitting stages. Developers continued to focus on Lifestyle renters, as a staggering 90.6% of the pipeline represented units in Lifestyle projects. Just 6.5% of the units under construction were in fully affordable communities.
- ▶ During the first half of 2023, just 654 units came online in Kansas City, the equivalent of 0.4% of existing stock, half the 0.8% U.S. average. All deliveries were upscale Lifestyle projects.
- ▶ In the first two quarters, 1,557 units broke ground in Kansas City. This volume signaled a response to strong demand for rentals. The figure was more than triple the 410 units that started construction during the same period last year and above the 925 units recorded during the first half of 2021.
- ▶ Half the submarkets in Kansas City had at least 50 units under construction as of June, led by Victory Hills (979 units), Belton/Raymore (928 units) and Shawnee (719 units). All three areas had average rents around the \$1,100 mark.

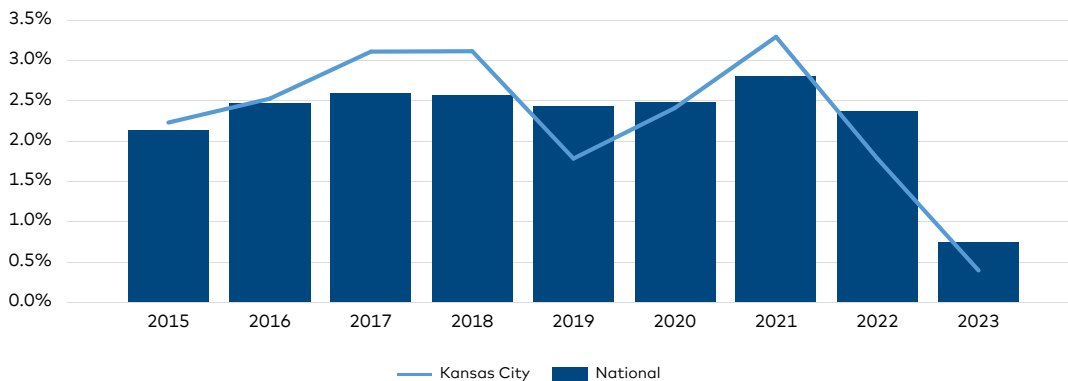
- ▶ The largest project under construction was The Isaac in Overland Park-Southeast. The 500-unit property is owned by Price Brothers and is being built with aid from a \$71 million construction loan issued in 2021 by Commerce Bank.

Kansas City Completions (as of June 2023)



Source: Yardi Matrix

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



Source: Yardi Matrix

TRANSACTIONS

- ▶ In line with the national trend, investment activity was tepid in Kansas City, with just \$238 million in multifamily assets changing hands in 2023 through June, just 20% of the \$1.2 billion volume that traded during the same period last year.
- ▶ The price per unit marked a 22% year-over-year depreciation in June, to \$143,879, significantly behind the \$182,694 national average. The drop was caused in part by the sales composition, with two-thirds consisting of value-add opportunities, and by the financing challenges caused by prolonged interest rate hikes and lower volume of for-sale assets.
- ▶ The largest price tag recorded in the metro in the first half of the year was paid by Avanti Residential for the 308-unit Summit Square in Lee's Summit. North Point Development received \$80 million, or \$259,740 per unit.

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



Source: Yardi Matrix

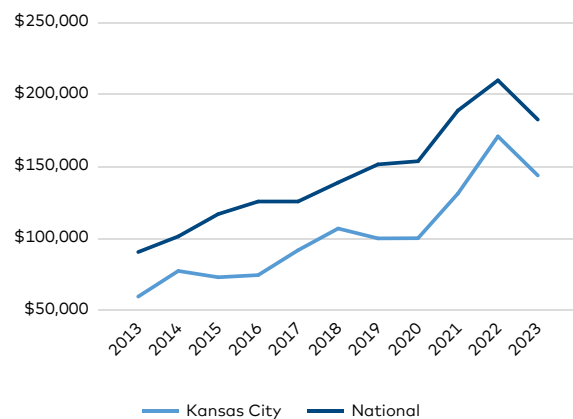
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Lenexa	238
Downtown Kansas City	174
Overland Park-Southeast	98
Kansas City Northwest/Riverside	81
Lee's Summit	80
Liberty	79
Overland Park-North	57

Source: Yardi Matrix

¹ From July 2022 to June 2023

Kansas City vs. National Sales Price per Unit



Source: Yardi Matrix

10 Most Affordable US Markets

By Anca Gagiuc

Before the health crisis, metros located farther from gateway cities offered more attainable rents. Then the work-from-home trend morphed into a new way of living. Eliminating daily commutes enabled people to re-design their lives and suddenly, housing affordability improved, as long as relocation was considered.

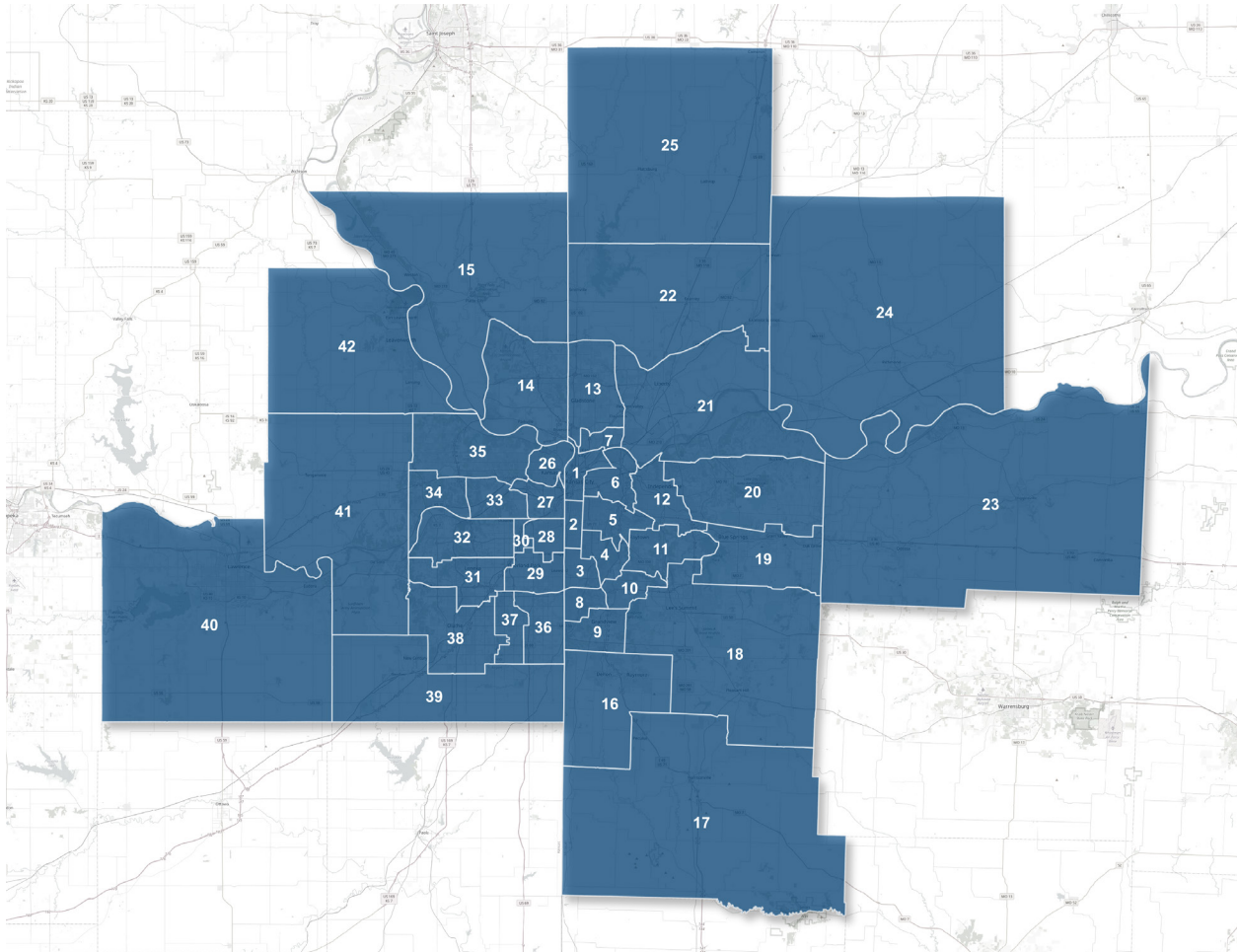
Rank	Metros	Average rent RBN Segment	Rent Growth T3 % RBN	Rent Growth RBN % March 2022 vs. March 2023
1	Kansas City	\$1,031	1.5%	8%
2	St. Louis	\$1,055	0.3%	5.9%
3	Houston	\$1,060	1.1%	5.4%
4	San Antonio	\$1,078	-0.2%	5.2%
5	Indianapolis	\$1,093	1.7%	9.1%
6	Columbus	\$1,143	1.6%	7.2%
7	Cincinnati	\$1,151	2.1%	8.8%
8	Albuquerque	\$1,157	-0.4%	8.2%
9	Detroit	\$1,179	-0.5%	3.3%
10	Pittsburgh	\$1,198	1.5%	6.3%

Kansas City

Kansas City was the most affordable major multifamily rental market, with the average RBN rent at \$1,031 as of March, up 1.5% on a T3 basis and 8.0% above the rate posted in March last year. Here, RBN rent payment accounted for 23% of the area median income, the lowest rate in this group, on par with Cincinnati and Pittsburgh. In 2023 through April, deliveries represented 0.6% of total stock, on par with Cincinnati. Last year, the metro's stock expanded by 0.9%.



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.



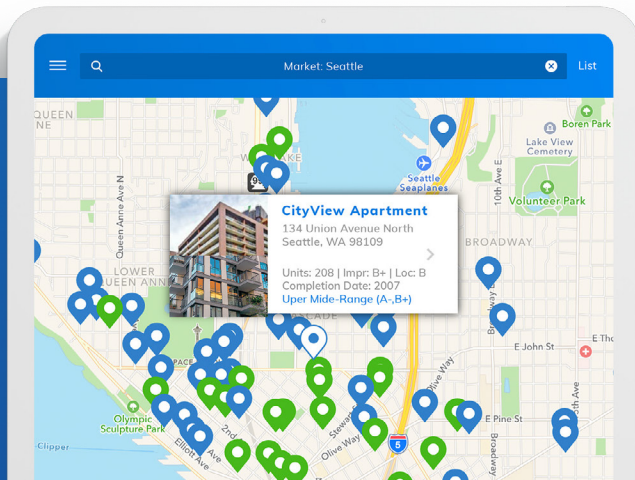
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19.7+ million units, covering over
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