



MULTIFAMILY REPORT

Kansas City's Path to Growth

December 2023



Rent Expansion Among Leading Metros

Construction Starts Pick Up

Sales Activity Still Slow

KANSAS CITY MULTIFAMILY



Construction, Rents Up in Kansas City

Kansas City recorded solid fundamentals at the start of the year's fourth quarter, though the metro showed some signs of moderation. The average asking rent was up 0.2% on a trailing three-month basis through October, to \$1,250, while the U.S. saw its second consecutive month of short-term decreases. The average occupancy rates in stabilized assets fell 20 basis points year-over-year, to 95.3% as of September. While Renter-by-Necessity properties registered a 40-basis-point drop to 94.8%, the Lifestyle segment saw a 30-basis-point improvement, to 95.8%.

The metro added 27,500 new jobs in the 12 months ending in August, up 3.0% and 50 basis points above the U.S. rate. Kansas City registered its highest employment growth in the government sector, a 4.6% increase, with 7,400 positions added to the workforce. The metro's unemployment rate was 2.7% as of September, 110 basis points lower than the U.S. average, according to preliminary data from the Bureau of Labor Statistics. Nevertheless, employment could get a boost, as Google submitted plans for a data center campus in Kansas City, a project valued at \$600 million.

Developers had 8,355 units under construction as of October. Of these, 4,132 units broke ground this year, 27% more than the number of apartments that started construction during the same period in 2022. In the 10 months ending in October, multifamily deals totaled \$340 million, as the sales slowdown persisted.

Market Analysis | December 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

The Mansion



City: Independence, Mo.
Buyer: Highgate Capital Group
Purchase Price: \$75 MM
Price per Unit: \$135,980

Timberlane Village



City: Kansas City, Mo.
Buyer: Venterra Realty
Purchase Price: \$46 MM
Price per Unit: \$101,855

Pinehurst

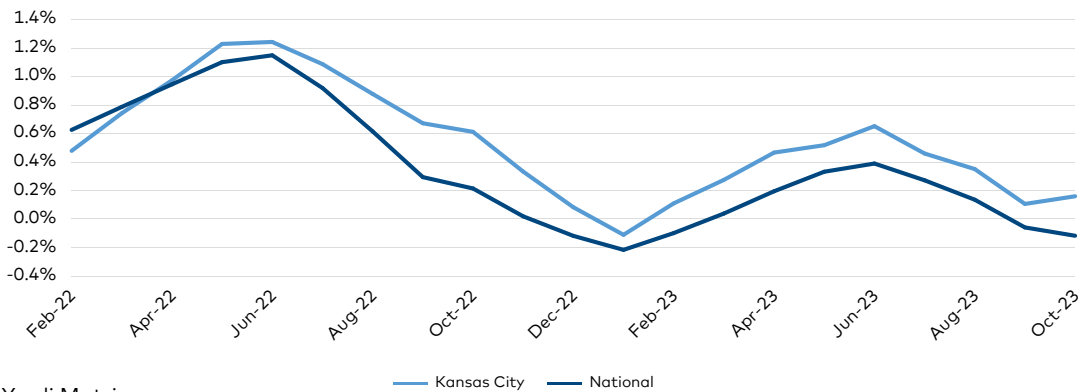


City: Kansas City, Mo.
Buyer: CALCAP Advisors
Purchase Price: \$17 MM
Price per Unit: \$116,701

RENT TRENDS

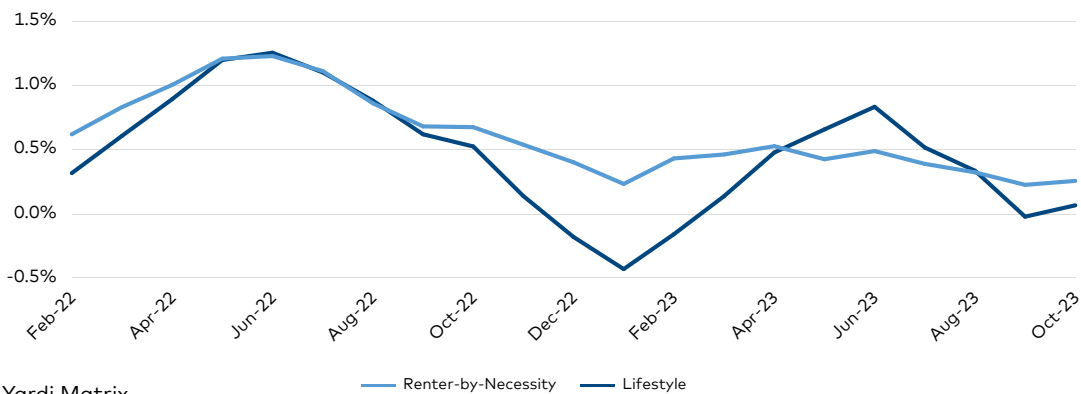
- ▶ Kansas City rents rose 0.2% on a trailing three-month (T3) basis through October, reaching an average asking rent of \$1,250. Gains remained positive following a slight dip in January, bucking the national rate of growth, which contracted for the second consecutive month, at -0.1%.
- ▶ On a year-over-year basis, Kansas City rent development was 3.0%, far outpacing the 0.4% U.S. figure and the fifth highest rate of improvement among major metros.
- ▶ Short-term growth was driven by the working-class quality segment, with the Renter-by-Necessity average up 0.3% on a T3 basis through October, to an average of \$1,044. Lifestyle figures were only up 0.1%, to \$1,506.
- ▶ The metro's average overall occupancy rate in stabilized properties stood at 95.3% as of September, a 10-basis-point decrease year-over-year. The Lifestyle rate recorded a 30-basis-point improvement, to 95.8%. Meanwhile, occupancy in Renter-by-Necessity properties was down 40 basis points, to 94.8%.
- ▶ Growth was uneven year-over-year as of October. Of the 39 submarkets tracked by Yardi Matrix, 34 recorded year-over-year rent improvement, while five others recorded contractions. Submarkets with rent growth in the double digits included Independence – West (12.7%) and Independence – East (12.4%). The former also led the metro in transaction activity over the 12 months ending in October.

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

- Employment in metro Kansas City grew 3.0% as of September, 50 basis points higher than the national average. The metro added 27,500 new jobs in the 12 months ending in August.
- Only the information sector lost jobs during the interval, down 400 jobs during the interval. The government sector saw the most substantial growth rate, up 4.6% following the addition of 7,400 new positions added to the workforce. Employment growth has been on a steady path, staying in the 3.4% to 3.2% band throughout the 12 months.
- The metro's unemployment rate was 2.7% as of September, 110 basis points below the U.S. figure and the lowest rate since January 2023, when it registered the same figure, according to preliminary data from the BLS. Over a 12-month period, the metro reached its highest unemployment rate in August, at 3.4%.
- Google submitted project plans for a data center in Northland at Hunt Midwest Business Center in Kansas City. The 1.4 million-square-foot campus is being built over 315 acres and will be completed in four phases. The schedule for the project, which is valued at \$600 million, is yet to be announced.

Kansas City Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
90	Government	169	14.2%
70	Leisure and Hospitality	126	10.6%
65	Education and Health Services	171	14.4%
60	Professional and Business Services	201	16.9%
55	Financial Activities	81	6.8%
15	Mining, Logging and Construction	60	5.0%
80	Other Services	45	3.8%
30	Manufacturing	86	7.2%
40	Trade, Transportation and Utilities	232	19.5%
50	Information	17	1.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Kansas City's population expanded with 5,912 residents in 2021.
- While the metro's population registered a 0.3% increase, the U.S. population expanded just 0.1% during that same period.

Kansas City vs. National Population

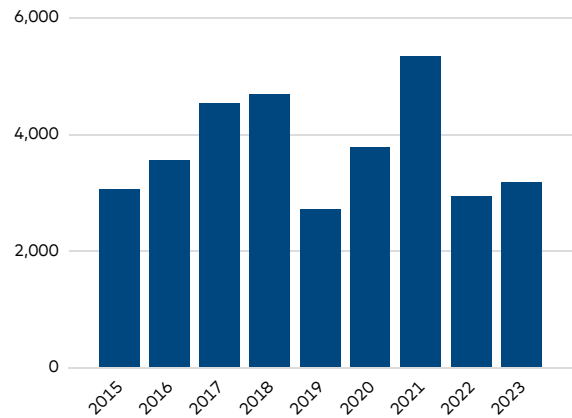
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Kansas City	2,147,602	2,161,639	2,193,578	2,199,490

Source: U.S. Census

SUPPLY

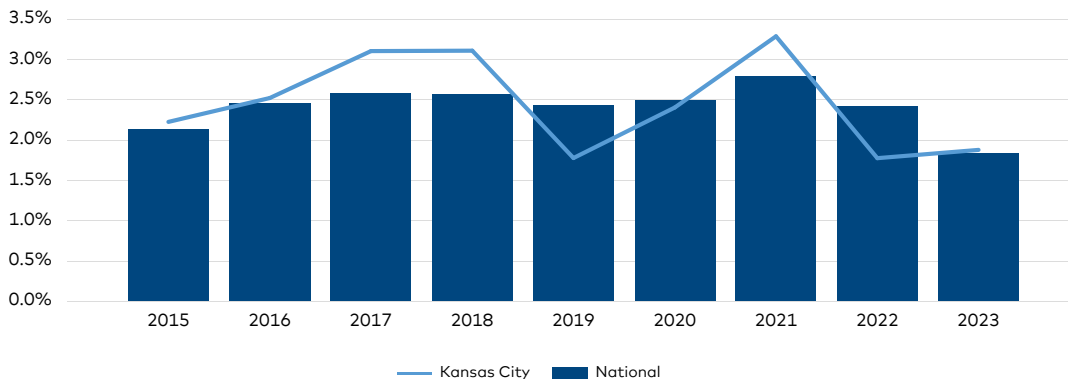
- ▶ Developers brought 3,175 units online in 2023 through October. Deliveries accounted for 1.9% of existing rental stock, 10 basis points higher than the 1.8% national rate. The total marks an increase compared to the 2,389 apartments delivered during the same period in 2022. The metro's decade-high mark for multifamily completions was in 2021 when the new-unit total reached 5,355 units.
- ▶ The metro had 8,355 units under construction as of October, while an additional 54,000 units were in the planning and prospective stages. Development increased, with a total of 4,132 units breaking ground this year through October, 27% higher than the 3,013 construction starts during the same period last year.
- ▶ Multifamily development activity in Kansas City was strong across the map. Of the 42 submarkets tracked by Yardi Matrix, 24 had more than 50 units underway. Olathe was the only submarket with more than 1,000 units under construction as of October (1,338 apartments), followed by Victory Hills (864 units) and Kansas City – South (852 units).
- ▶ The metro's largest development as of October 2023 is located in the Olathe submarket. Ellis Enterprises is building The Brentwood, a 444-unit asset. The project was subject to a \$28 million construction loan originated by Security Bank of Kansas City and is slated for completion in March 2024.

Kansas City Completions (as of October 2023)



Source: Yardi Matrix

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



Source: Yardi Matrix

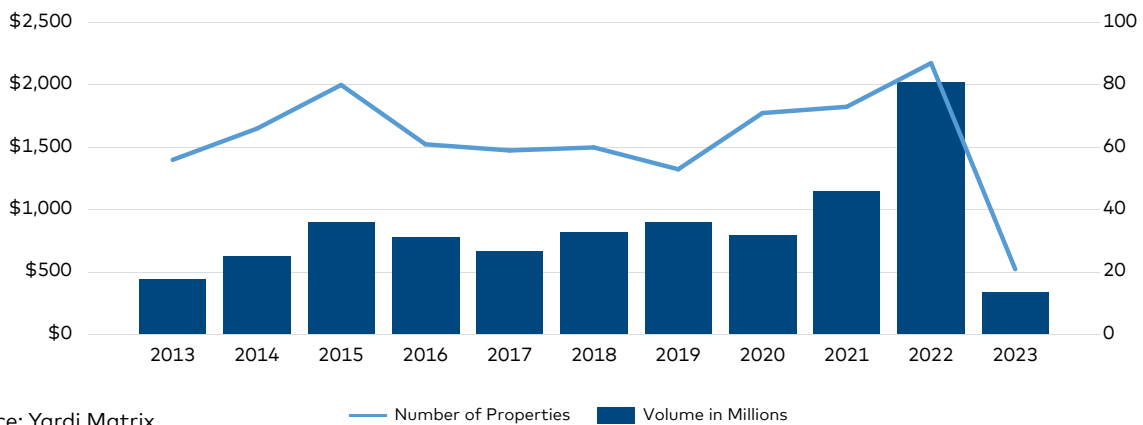
TRANSACTIONS

- Rising interest rates have impacted Kansas City, as the metro registered a transaction volume of \$340 million in 2023 through October, with a total of 21 properties changing hands. The number is significantly lower compared to the previous two years, which marked consecutive all-time highs for the last decade, with the total number of sales valued at \$1.2 billion in 2021 and \$2 billion in 2022.
- The average price per unit in the metro was \$136,036 in the first 10 months of 2023, still

trailing the \$187,497 U.S. figure. Kansas City maintained its average per-unit price above the \$100,000 threshold for the last three years, reaching its highest value in 2022, at \$166,946.

- Only the Independence – West submarket exceeded the \$100 million mark for multifamily transactions during the 12 months ending in October. Overland Park – Southeast (\$98 million) and Lee’s Summit (\$80 million) rounded out the top three.

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



Source: Yardi Matrix

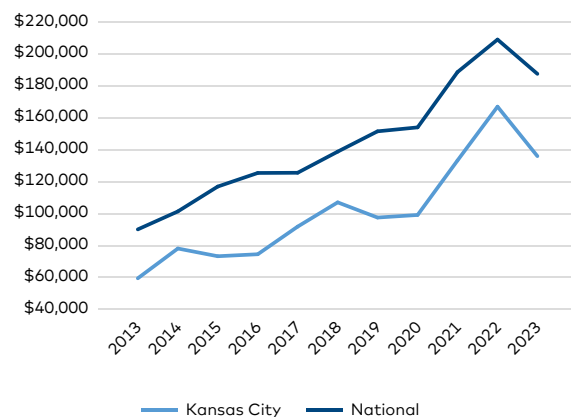
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Independence – West	115
Overland Park – Southeast	98
Lee’s Summit	80
Gladstone	61
Park Farms	46
Downtown Kansas City	39
Lenexa	32

Source: Yardi Matrix

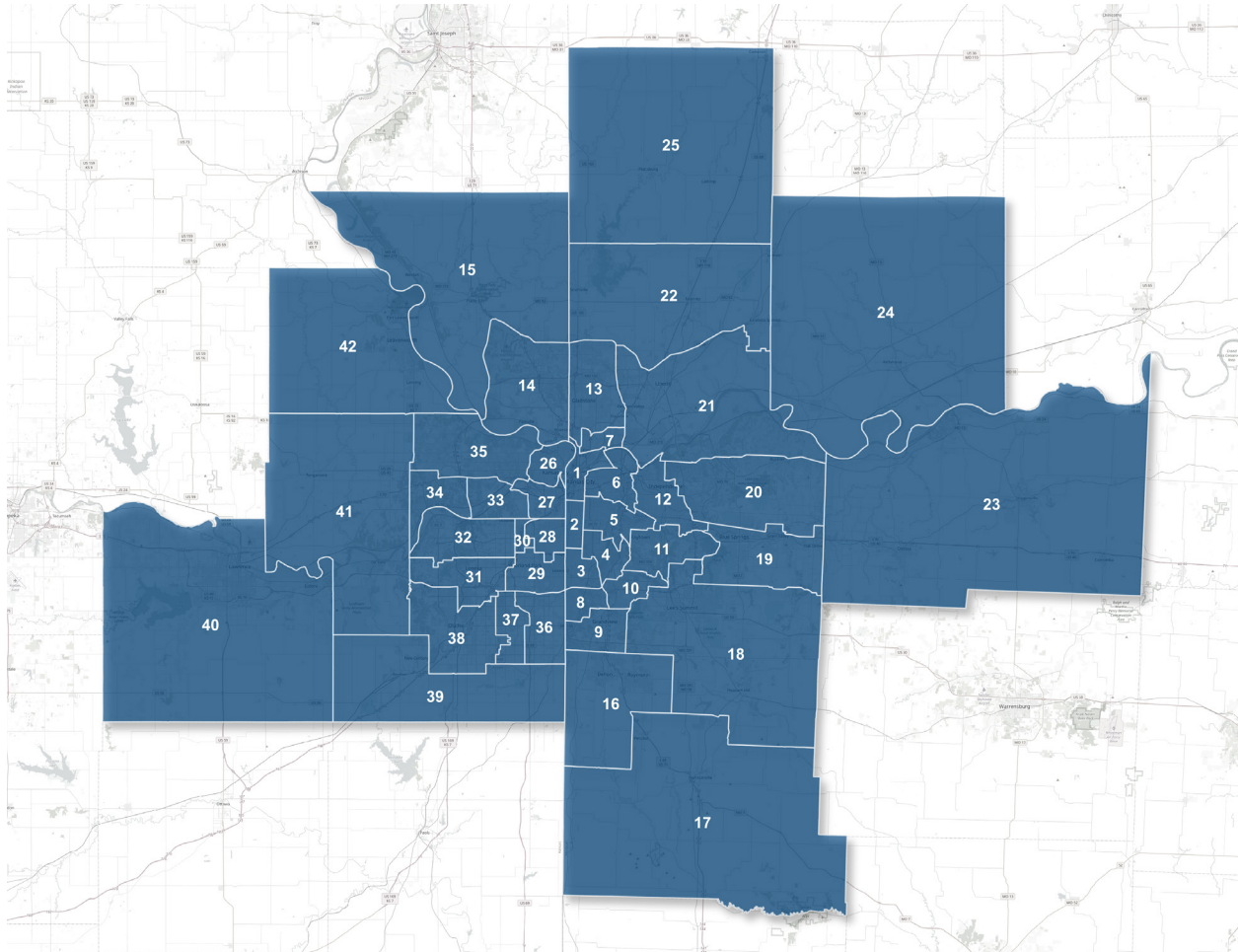
¹ From November 2022 to October 2023

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 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.



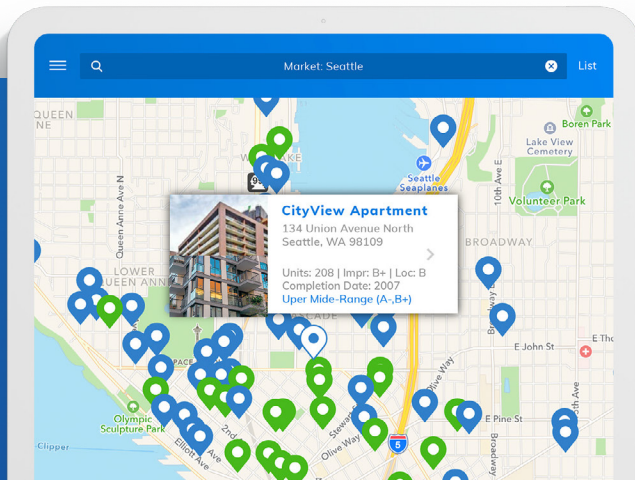
Yardi[®] Matrix

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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



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