

Kansas City Presses On

March 2024



Employment Gains Spotty

Rent Growth Outperforms US

Construction Starts Double

KANSAS CITY MULTIFAMILY



Stable Rent Growth Despite Pipeline Boom

Taking all economic factors into account, Kansas City multifamily fared well in 2023. The metro recorded moderate rent growth but managed to outperform most of the country last year. On a trailing three-month basis through January, rents were flat, at \$1,253, while the U.S. rate was down 0.2%. The metro's average occupancy in stabilized assets, however, fell 80 basis points year-over-year, to 94.5%, as of January. Both working-class Renter-by-Necessity and Lifestyle rates declined.

Kansas City employment expanded 2.4%, or 14,400 net jobs, in the 12 months ending in November, 20 basis points above the U.S. rate. The government sector led growth, with 10,400 positions added, for a 6.3% increase. The area's unemployment rate stood at 2.5% as of December, 120 basis points lower than the U.S. average, according to preliminary data from the Bureau of Labor Statistics. A longer-term boost could come from the development of a \$2 billion new ballpark, announced by the Kansas City Royals.

Developers had 8,236 units underway as of January across metro Kansas City, with an additional 53,000 units in the planning and permitting stages. The number of construction starts doubled in 2023, with 5,119 units breaking ground, up from 2,505 in 2022. The sales slowdown continued, with multifamily deals totaling just \$414 million in 2023.

Market Analysis | March 2024

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Recent Kansas City Transactions

Westley on Broadway



City: Kansas City, Mo.
Buyer: Seminole Tribe of Florida
Purchase Price: \$41 MM
Price per Unit: \$160,938

Parkville Place



City: Parkville, Mo.
Buyer: Land & Apartments
Purchase Price: \$17 MM
Price per Unit: \$99,206

Willowind



City: Kansas City, Mo.
Buyer: Oak IQ Investments
Purchase Price: \$8 MM
Price per Unit: \$83,333

Oakwood Garden

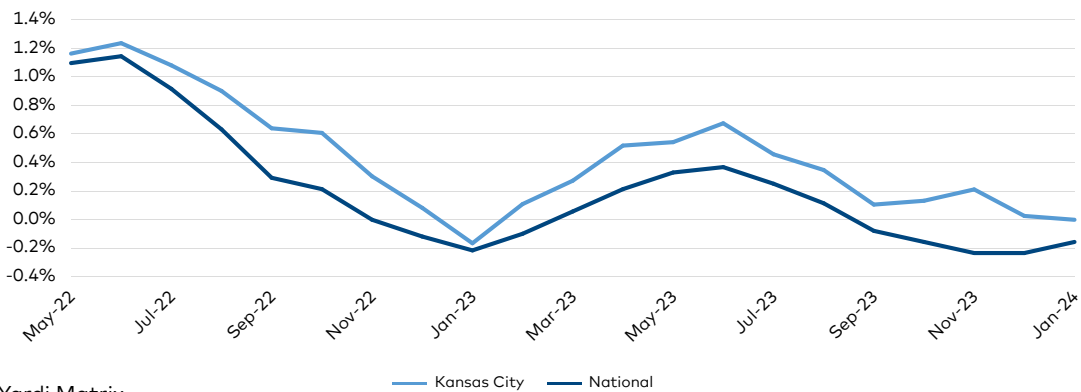


City: Kansas City, Mo.
Buyer: Appreciate
Purchase Price: \$4 MM
Price per Unit: \$80,000

RENT TRENDS

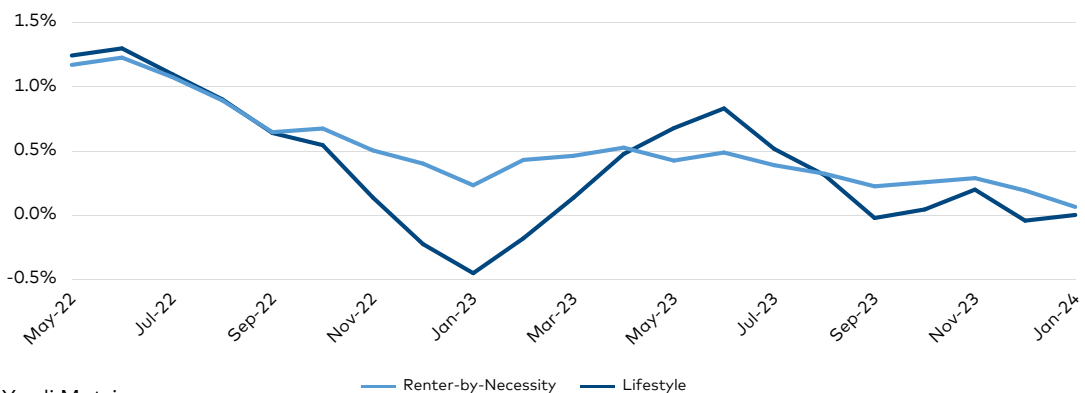
- ▶ Kansas City rents plateaued on a trailing three-month (T3) basis through January, at \$1,253, while the U.S. rate was down 0.2% during the same time frame. Year-over-year, rates were up 3.4% as of January, placing the metro fourth among major U.S. metros. Meanwhile, the national figure improved just 0.5%, to \$1,710.
- ▶ The average rent in the working-class Renter-by-Necessity segment recorded a small uptick on a T3 basis, up 0.1% in January, to \$1,047. Meanwhile, the Lifestyle figure plateaued, at \$1,509. RBN asking rents have been on a steady rise over the 12 months ending in January. Meanwhile, Lifestyle numbers were in negative territory in January (-0.5%) and February (-0.2%) of last year, on the tail end of a harsher seasonal slowdown.
- ▶ The metro's average overall occupancy rate in stabilized properties stood at 94.5% as of January, an 80-basis-point decrease in 12 months. The Lifestyle rate recorded a 50-basis-point decline, to 94.7%. Meanwhile, occupancy in the RBN segment fell to 94.2%, down 100 basis points in the 12 months ending in January.
- ▶ Growth was clear across the map as of January. Of the 42 submarkets tracked by Yardi Matrix, all but one recorded year-over-year rent improvements. The exception was Blue Springs, where the average was down 0.4%. Some of the metro's most expensive submarkets saw consistent yearly gains, including Downtown Kansas City (2.9% to \$1,596), Lenexa (5.2% to \$1,469) and large swaths of Overland Park.

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 Kansas City expanded 2.4% year-over-year as of November 2023, which was 20 basis points above the national average. The metro added 14,400 net jobs in the 12 months ending in November.
- Five sectors lost a combined 2,300 jobs: construction, manufacturing, trade, transport and utilities, information and professional and business services. The government sector more than made up for the losses, with a 6.3% expansion, gaining 10,400 positions. Other sectors that registered significant gains were financial activities (3,100), education and health services (2,000) and leisure and hospitality (1,100).
- The metro's unemployment rate stood at 2.5% as of December 2023, a solid 120 basis points below the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. Last year, Kansas City unemployment peaked in August, at a still tight 3.4%.
- The development of a new downtown ballpark could provide a great boost to the local economy, with the Kansas City Royals recently announcing their final decision on the stadium. The \$2 billion project would take shape near the T-Mobile Center and the Power & Light District, adjacent to Interstate 670. Plans call for a 34,000-seat baseball stadium, team offices, entertainment and residential spaces, as well as a hotel.

Kansas City Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
90	Government	175	14.7%
55	Financial Activities	81	6.8%
65	Education and Health Services	172	14.4%
70	Leisure and Hospitality	121	10.1%
80	Other Services	45	3.8%
15	Mining, Logging and Construction	59	4.9%
60	Professional and Business Services	201	16.8%
40	Trade, Transportation and Utilities	239	20.0%
50	Information	17	1.4%
30	Manufacturing	85	7.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Kansas City's population expanded by 14,626 residents in 2022.
- The metro's population registered a 0.7% increase in 2022, while the U.S. population expanded by 0.4% during the same period.

Kansas City vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Kansas City	2,124,518	2,144,129	2,176,124	2,190,750

Source: U.S. Census

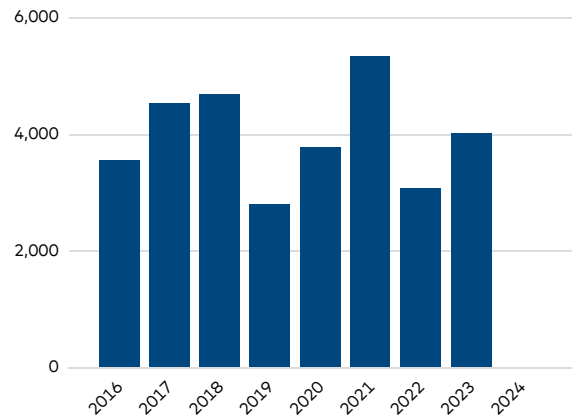
SUPPLY

- ▶ Kansas City added 4,028 units to its multifamily inventory last year. Deliveries accounted for 2.4% of existing stock, 20 basis points lower than the U.S. rate. Last year's Kansas City total marked a notable increase compared to the 3,084 units delivered in 2022 yet fell short of the decade high of 5,355 units that came online in 2021.
- ▶ The metro had 8,236 units under construction as of January 2024, while an additional 53,000 apartments were in the planning and prospective stages. Building starts doubled in 2023, with a total of 5,059 units breaking ground, compared to the 2,452 units that started construction in the prior year, Yardi Matrix data shows.
- ▶ Of the 42 submarkets tracked by Yardi Matrix, more than half had at least one project of 50 units or more under construction. The Olathe submarket was the only one to pass the 1,000-unit threshold, leading with 1,338 apartments underway. The two submarkets rounding out the top three were Victory Hills (864 units) and Downtown Kansas City (818 units).
- ▶ The metro's largest development as of January 2024 was in the Olathe submarket. In March 2022, Ellis Enterprises broke ground on the

444-unit The Brentwood, slated to wrap up this March. The project was subject to a \$28 million construction loan in 2021, originated by Security Bank of Kansas City.

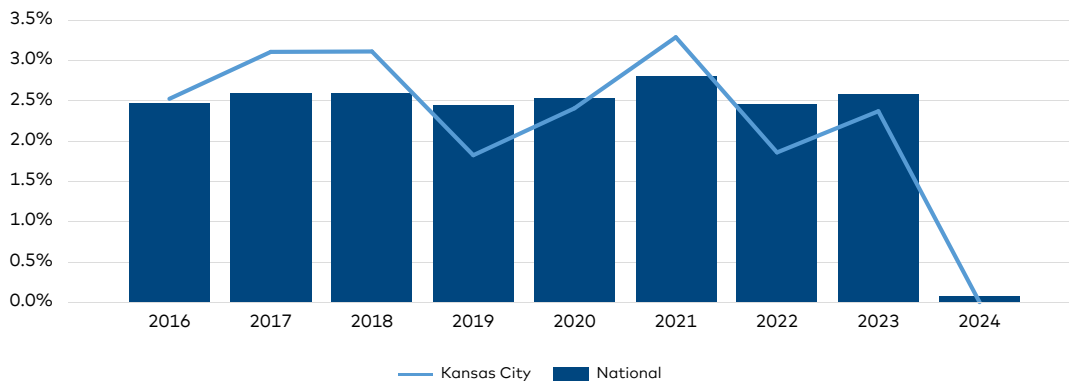
- ▶ The largest project completed in 2023 was The Chadwick, a 347-unit property in the Shawnee submarket. NorthPoint Development delivered the project, which is already stabilized and was refinanced in November 2023.

Kansas City Completions (as of January 2024)



Source: Yardi Matrix

Kansas City vs. National Completions as a Percentage of Total Stock (as of January 2024)

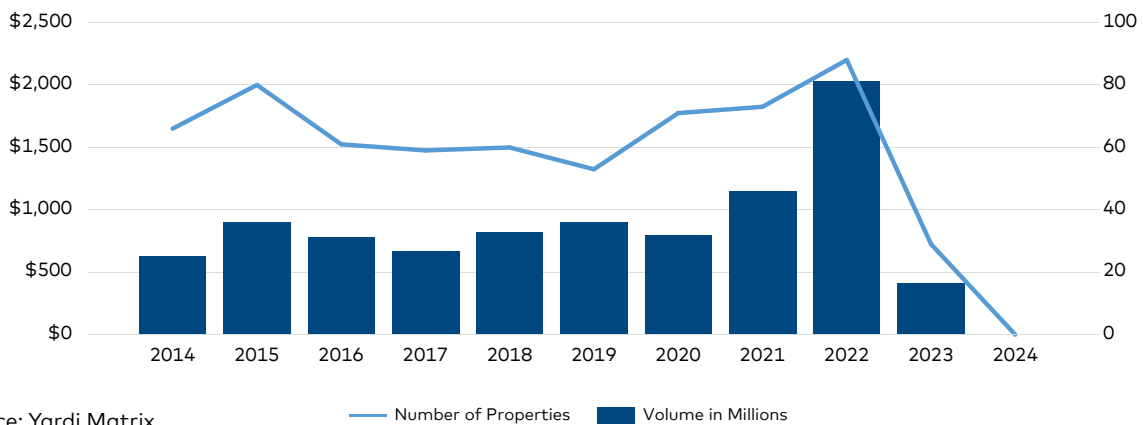


Source: Yardi Matrix

TRANSACTIONS

- ▶ Multifamily investment totaled \$414 million in 2023, a far cry from the \$2 billion recorded just one year prior. Rising interest rates dampened the market following two consecutive years (2021-2022) that saw no fewer than 161 transactions, amounting to a total of \$3.2 billion.
- ▶ Renter-by-Necessity was the preferred segment, accounting for 20 of the 29 deals that closed last year. Kansas City's average price per unit dropped to \$130,154 in 2023, trailing both the previous year's \$166,416 and the \$185,562 U.S. average.
- ▶ No submarket exceeded the \$100 million mark for multifamily transactions during the 12 months ending in January. Lee's Summit led with \$80 million, followed by Independence-West (\$67 million) and Kansas City-South (\$47 million) rounding out the top three.

Kansas City Sales Volume and Number of Properties Sold (as of January 2024)



Source: Yardi Matrix

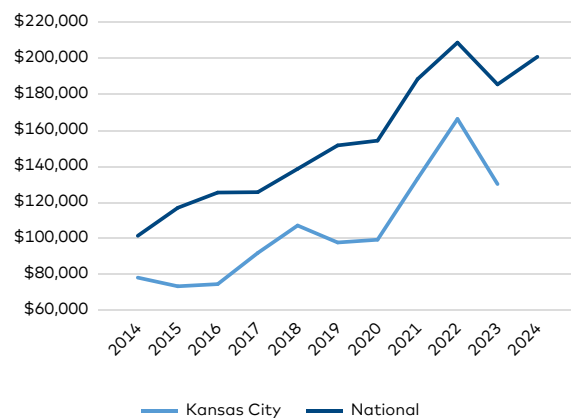
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Lee's Summit	80
Independence-West	67
Kansas City-South	47
Park Farms	46
Kansas City Northwest/Riverside	28
Gladstone	17
Downtown Kansas City	16

Source: Yardi Matrix

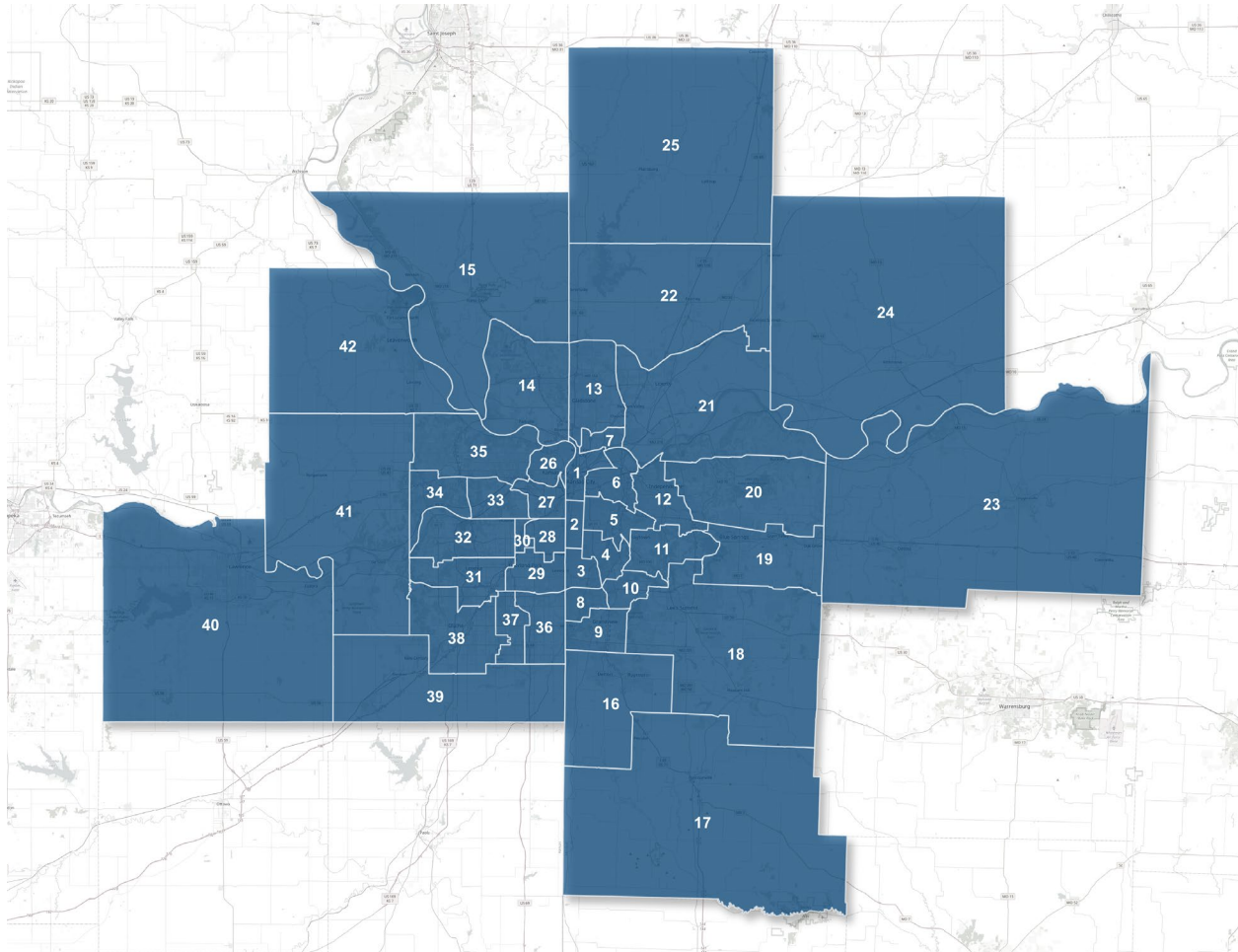
¹ From February 2023 to January 2024

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.

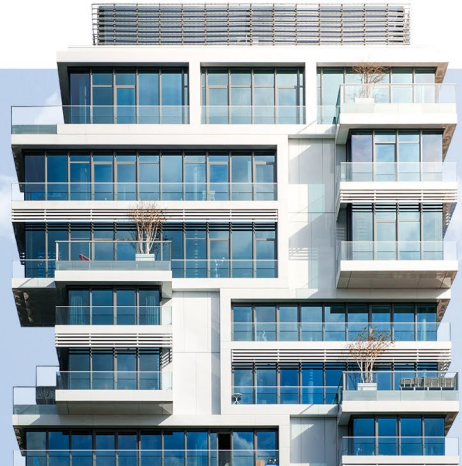
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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



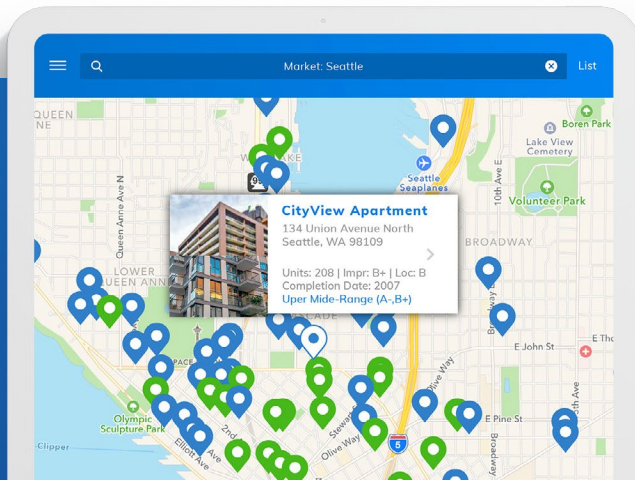
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