

# Kansas City: Bright Spot

August 2024

Rent Growth Outperforms Nation

New Construction Dwindles

Investment Activity Slows



# KANSAS CITY MULTIFAMILY



## Advertised Rents Improve, New Development Wanes

Kansas City's multifamily market posted a healthy performance during the first half of 2024, surpassing the metro's Sun Belt counterparts. The average advertised asking rent picked up the pace during the second quarter, up 0.6% on a trailing three-month basis through June, to \$1,292. That was double the national pace of growth, which brought the U.S. figure to \$1,739. Meanwhile, Kansas City occupancy marked a 100-basis-point decline year-over-year through May, decreasing from 95.0%, to 94.3%.

Kansas City added 19,100 net jobs in the 12 months ending in April, for a 1.2% expansion. Unemployment stood at 3.5% in May, outperforming the national rate by 50 basis points. Three sectors contracted for 4,900 jobs combined—professional and business services, information and construction. Gains were led by education and health services (8,200 jobs) and government (5,200 jobs). Several billion-dollar projects are underway in the metro, including the \$2 billion redevelopment of Brookridge in Overland Park and the AdventHealth Sports Park at Bluhawk.

During the first six months of 2024, developers delivered 1,134 units. While another 7,919 units were underway in June, the volume of new projects is dropping. Investment is also lagging, with just \$71 million in multifamily assets trading during the first half, for a price per unit that decreased slightly, to \$120,402.

## Market Analysis | August 2024

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### Recent Kansas City Transactions

#### Fairways Apartment Homes



City: Lee's Summit, Mo.  
Buyer: CRES Management  
Purchase Price: \$50 MM  
Price per Unit: \$167,518

#### Emerald Hills



City: Kansas City, Mo.  
Buyer: WAO Properties  
Purchase Price: \$14 MM  
Price per Unit: \$81,753

#### Flats at Wildwood

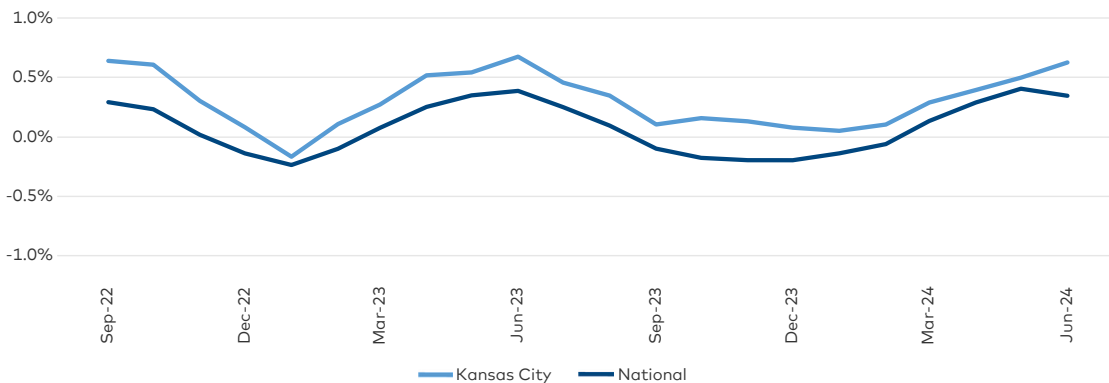


City: Raytown, Mo.  
Buyer: Sharpline Equity  
Purchase Price: \$11 MM  
Price per Unit: \$76,912

## RENT TRENDS

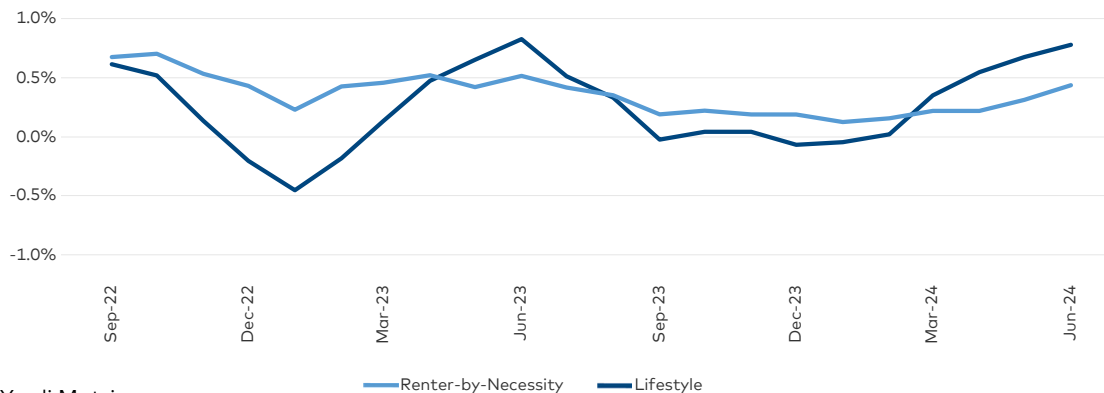
- ▶ The Kansas City average advertised asking rent rose 0.6% on a trailing three-month (T3) basis through June, double the national pace. Following stronger gains in the second quarter of 2024, the metro's average advertised asking rent rose to \$1,292, still well below the \$1,739 U.S. figure.
- ▶ Year-over-year rents posted the second-best performance among Yardi Matrix's top 30 metros, up 3.4%. That was behind only New York City (4.8%) and well ahead of the 0.6% U.S. rate.
- ▶ Rent growth was led by the upscale Lifestyle segment, with the rate up 0.8% on a T3 basis through June, to \$1,559. That was double the 0.4% increase, to \$1,073, posted by the working-class Renter-by-Necessity segment during the same period.
- ▶ The occupancy rate in stabilized properties fell 100 basis points year-over-year in May, to 94.3%. The RBN figure dropped to 94.0%, while Lifestyle was a bit higher, at 94.7%.
- ▶ Year-over-year, rent movement was positive in all but four submarkets. Independence-East (-8.0% to \$1,096) registered the largest contraction. Downtown Kansas City remained the most expensive area (up 0.3% to \$1,616), followed by Overland Park-Southeast (3.9% to \$1,573) and Overland Park-Southwest (4.5% to \$1,561).
- ▶ The average advertised rent for single-family rentals in Kansas City increased 5.1% year-over-year in June, to \$1,758. Meanwhile, occupancy slid 0.5% year-over-year as of May, to 95.7%.

### 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 unemployment rose to 3.5% in May, up 50 basis points month-over-month, but was still 50 basis points below the U.S. average, according to preliminary data from the Bureau of Labor Statistics. Unemployment was on par with the Missouri rate but trailed the 2.9% Kansas state average.
- ▶ The metro's job market expanded by 1.2%, or 19,100 net jobs, in the 12 months ending in April, while the U.S. rate softened to 1.4%. Job growth was virtually flat for the past three months, both at the local and national levels.
- ▶ Three Kansas City sectors shed jobs, with the largest losses in professional and business services (-3,900 jobs). Information and construction lost 500 jobs each. Education and health services (8,200 jobs) and government (5,200 jobs) led gains, followed closely by leisure and hospitality (5,100 jobs).
- ▶ Several projects are underway in metro Kansas City, including the \$2 billion redevelopment of the mixed-use Brookridge in Overland Park, which began late last summer. Another project is the AdventHealth Sports Park at Bluhawk in Overland Park, with the first phase set to open in October. The initial phase spans 260,000 square feet across facilities such as basketball and volleyball courts, turf areas and an NHL-sized ice rink.

### Kansas City Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	179.7	15.1%
90	Government	169.1	14.2%
70	Leisure and Hospitality	127.1	10.7%
40	Trade, Transportation and Utilities	238.1	20.0%
80	Other Services	48.1	4.0%
30	Manufacturing	89.4	7.5%
55	Financial Activities	77.4	6.5%
15	Mining, Logging and Construction	59.1	5.0%
50	Information	17	1.4%
60	Professional and Business Services	188.2	15.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Kansas City gained 14,626 people in 2022, up 0.7% and 30 basis points above the U.S. rate. Population expansion slowed down after the 1.5% increase recorded in the previous year.
- ▶ Between 2019 and 2022, the metro's population was up 3.1%, beating the 2.0% national average.

### 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

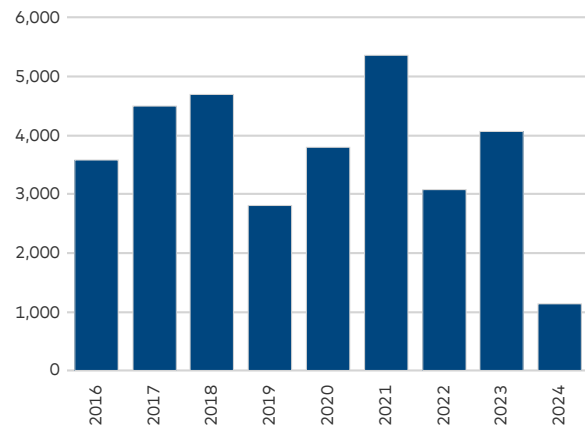


## SUPPLY

- ▶ During the first half of the year, developers added 1,134 units, or 0.7% of existing stock, to Kansas City's multifamily inventory, 40 basis points behind the U.S. rate. All units were in Lifestyle projects except for a new 62-unit property in the Kansas City–East submarket.
- ▶ The construction pipeline comprised 7,919 units that were underway as of June, while another 55,000 were in the planning and permitting stages. Yardi Matrix expects 3,721 apartments to be completed across metro Kansas City for the year. That would register close to the area's five-year average of 3,819 apartments.
- ▶ New construction, meanwhile, nearly came to a halt across the metro, as only one 150-unit property broke ground this year through June. During the first half of last year, developers started construction on 3,350 units, while the total for 2023 reached 4,859 apartments.
- ▶ As of June, development was most intense in Downtown Kansas City (1,047 units) and Olathe (1,020 units), with Kansas City–South (714 units) rounding out the top three.
- ▶ Olathe houses the largest completion for the first half of the year: the 318-unit The Clearing

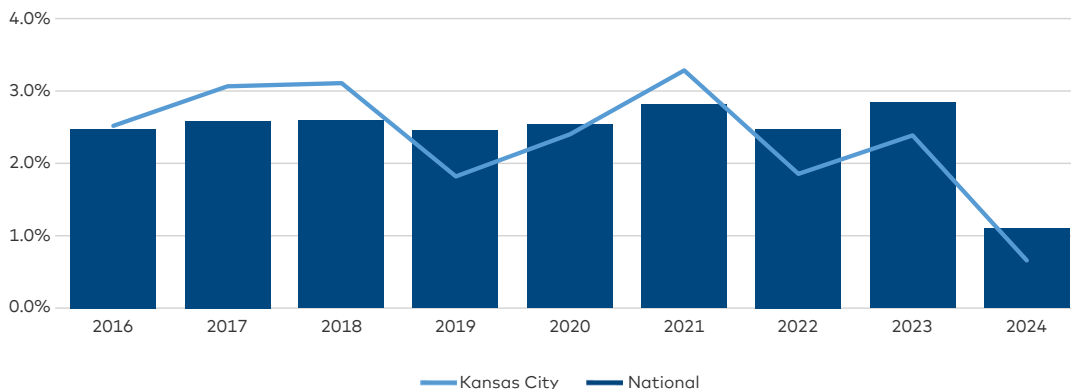
at ONE28. Owned by Block Real Estate Services, the project was built with aid from a \$58.5 million construction loan originated by U.S. Bank. Olathe is also home to the largest project under construction, the 444-unit The Brentwood. Owned by Ellis Enterprises, the development is subject to a \$28 million construction loan issued by the Security Bank of Kansas City and is slated for completion by the end of this year.

**Kansas City Completions** (as of June 2024)



Source: Yardi Matrix

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

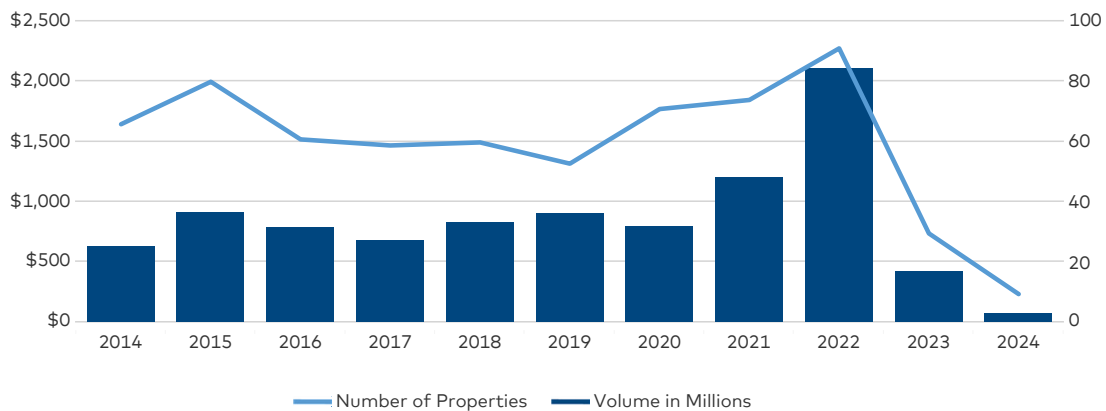


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Following the weakest year for transaction volume in the past decade, investment remained muted in Kansas City, with just \$71 million in multifamily assets trading through June.
- ▶ Nearly all sales recorded during the first half of the year consisted of value-add properties, with nine of the 10 deals involving RBN assets. The sales composition contributed to a 7.5% year-to-date decrease of the average per-unit price, to \$120,402, which is 27.8% below the peak value recorded in 2022. Meanwhile, the U.S. figure slid just slightly, to \$180,183.
- ▶ Notable transactions recorded in 2024 include the sale of The Fairways Apartment Homes, a 274-unit asset located in Lee's Summit. CRES Management, in partnership with Artemis Real Estate Partners, acquired it from Harbor Group International, with aid from a \$29.8 million, five-year Freddie Mac loan issued by Newmark.

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



Source: Yardi Matrix

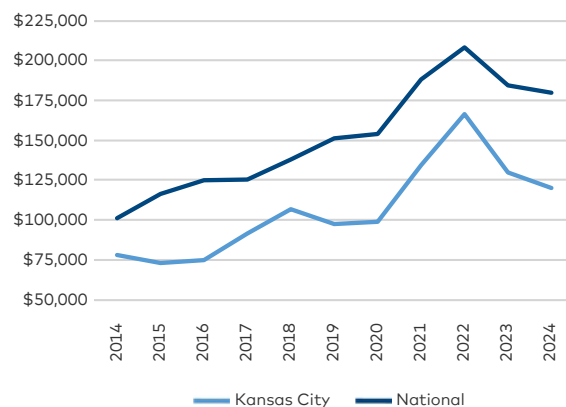
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Independence–West	67
Lee's Summit	46
Kansas City–South	41
Kansas City Northwest/Riverside	28
Gladstone	17
Park Farms	14
Kansas City–Southeast	12

Source: Yardi Matrix

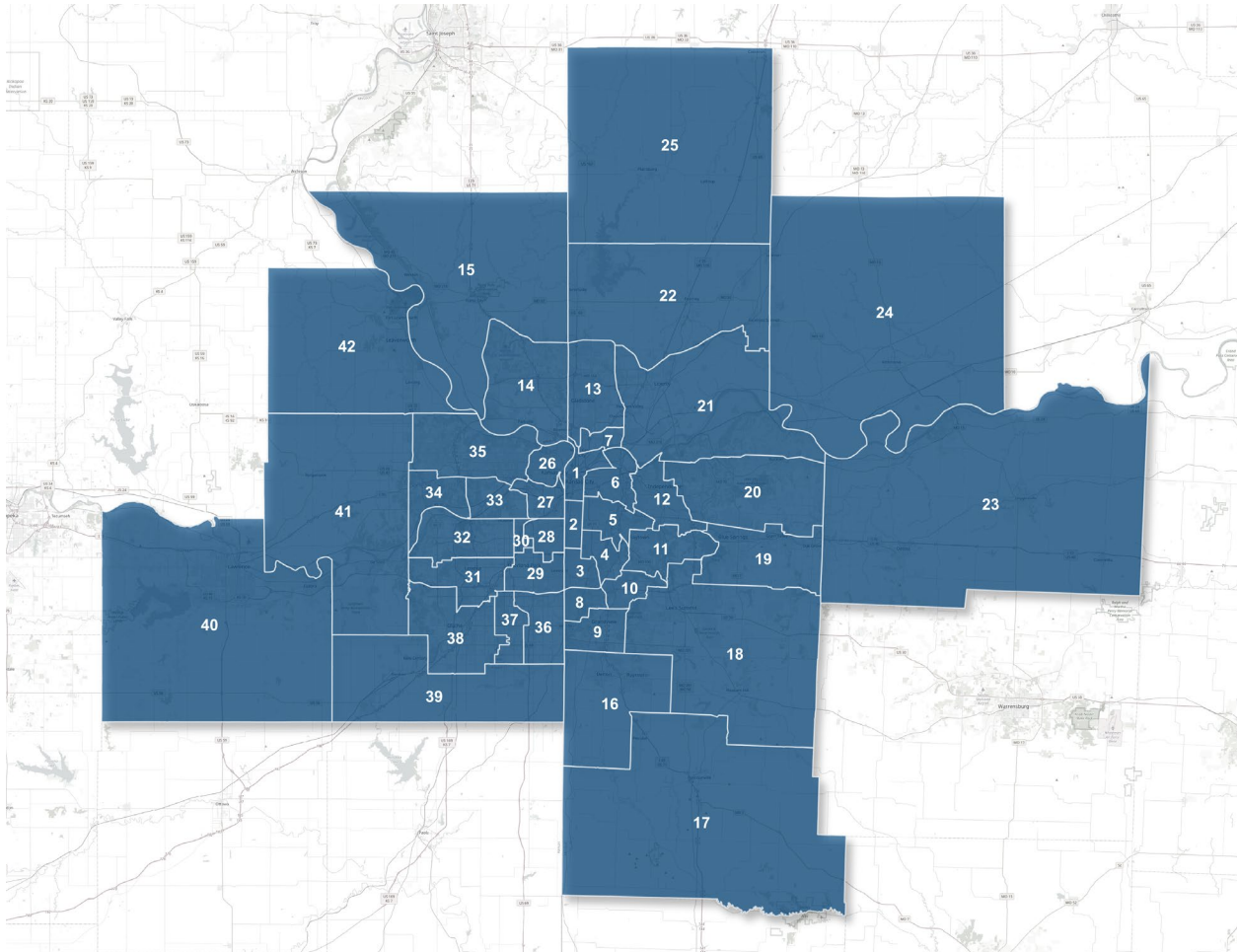
<sup>1</sup> From July 2023 to June 2024

**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.

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