



MULTIFAMILY REPORT

Kansas City's Solid Footing

December 2024

Employment Mirrors Larger Trends

Rent Gains Among Nation's Strongest

Construction Starts Dwindle

KANSAS CITY MULTIFAMILY



Rent Movement Remains Positive

Kansas City continued to post solid fundamentals, but the metro did not escape the overall economic turbulence. The average advertised asking rate was up 0.2% on a trailing three-month basis through October, to \$1,301, while the U.S. figure dipped 0.1%. Year-over-year, Kansas City displayed some of the strongest gains among larger markets, at 3.7% as of October. Meanwhile, the metro's occupancy in stabilized assets marked a 20-basis-point uptick year-over-year, to 94.9%.

Kansas City added 19,300 net jobs in the 12 months ending in August. At 1.4%, the metro's rate of growth mirrored the national figure. Leisure and hospitality led gains with 7,100 jobs. Unemployment stood at 3.4% as of October, 70 basis points below the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. The list of notable projects underway in the area includes data center and cloud provider Patmos' second campus, which will cost \$1 billion. The company will turn a vacant printing plant into a 100-megawatt facility.

Developers delivered 3,105 units across Kansas City during the first 10 months of 2024. And while the metro still had an additional 7,919 apartments underway as of October 2024, construction starts have significantly dropped. Meanwhile, investment remained scarce at just \$294 million in sales volume, marking the lowest figure of the past decade.

Market Analysis | December 2024

Contacts

Jeff Adler

Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x14006

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Madalina Pojoga

Associate Editor

Recent Kansas City Transactions

Summit Ridge



City: Lee's Summit, Mo.
Buyer: BH Equities
Purchase Price: \$77 MM
Price per Unit: \$178,697

Gallerie



City: Kansas City, Mo.
Buyer: Bow River Capital
Purchase Price: \$73 MM
Price per Unit: \$200,823

Burr Oak Woods



City: Blue Springs, Mo.
Buyer: Resource Management Group
Purchase Price: \$9 MM
Price per Unit: \$108,059

Holiday

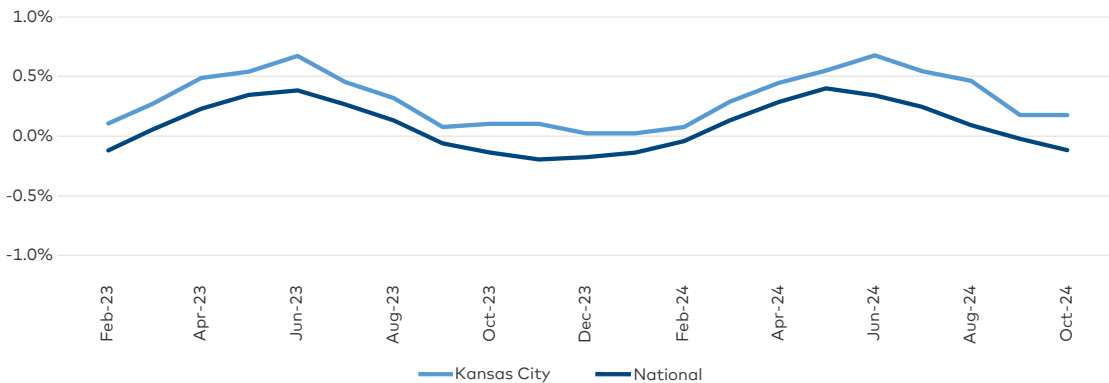


City: Kansas City, Mo.
Buyer: Beyond Base Equity
Purchase Price: \$5 MM
Price per Unit: \$30,000

RENT TRENDS

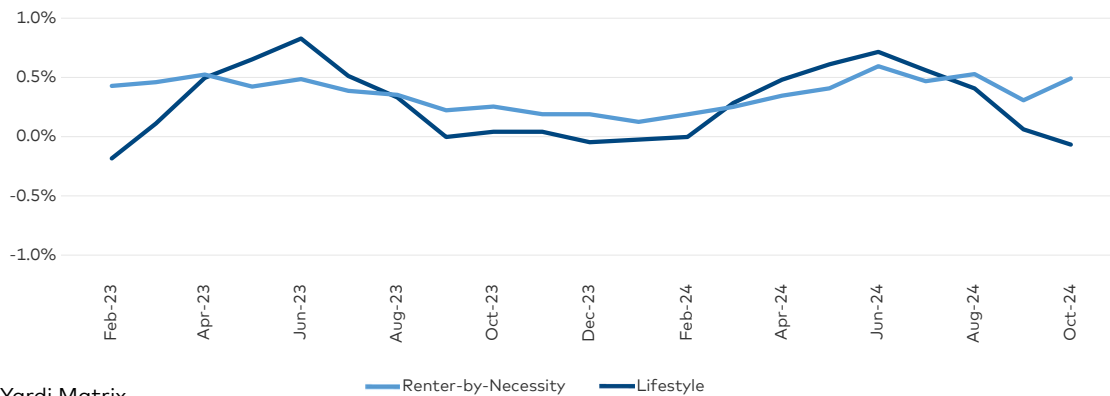
- ▶ Kansas City advertised asking rents were up 0.2% on a trailing three-month (T3) basis as of October, to \$1,301. The U.S. average dipped 0.1%, to \$1,748. T3 movement remained positive or flat in the metro in the 12 months ending in October, peaking in June, at 0.7%.
- ▶ Year-over-year, Kansas City advertised asking rents were up 3.7%, placing the metro in the top three among Yardi Matrix's top 30 markets. It was surpassed only by New York City (5.3%), and tied with Detroit (3.7%).
- ▶ Lifestyle advertised asking rates were down 0.1% on a T3 basis, to \$1,550, while working-class Renter-by-Necessity rents fared much better, up 0.5%, to \$1,087.
- ▶ The market's average overall occupancy rate in stabilized properties stood at 94.9% as of October, a 20-basis-point increase year-over-year. The RBN rate was flat over 12 months, at 94.4%. Meanwhile, Lifestyle assets recorded a 30-basis-point bump, reaching 95.4%. Occupancy did not, however, mirror rent performance in Kansas City: RBN rates increased 4.4% year-over-year, while Lifestyle was up a relatively more modest 2.9%.
- ▶ Of the 42 submarkets tracked by Yardi Matrix, only three posted year-over-year contractions as of October. Downtown Kansas City remained the most expensive area (up 1.2% to \$1,597), followed by Overland Park–Southwest (4.3% to \$1,579) and Overland Park–Southeast (1.8% to \$1,565).

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 rose 1.4% as of August, matching the national rate of growth. In the 12 months ending in August, the metro added 19,300 net jobs, with the most additions recorded in leisure and hospitality (7,100 jobs) and manufacturing (6,300 jobs).
- The metro lost jobs in three sectors, with professional and business services marking the largest drop (-2,600 positions), followed by information (-800) and government (-300).
- Kansas City unemployment stood at 3.4% as of October, 70 basis points below the U.S. figure, according to preliminary data from the Bureau of Labor Statistics. Despite oscillations, it landed just 10 basis points short of the January 2023 rate. Kansas City also outperformed Missouri, which clocked in at 3.8%.
- Several large projects are underway in metro Kansas City. Data center and cloud provider Patmos is adding a second campus in the area, spending \$1 billion for a redevelopment. The company will turn a vacant printing plant into a 100-megawatt facility.
- Eastside Innovation is also planning a \$700 million project at the site of the former Indian Springs Mall, which was demolished in 2016. The development will include residential, retail and hospitality components.

Kansas City Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	134.7	11.3%
30	Manufacturing	89.6	7.5%
65	Education and Health Services	177.4	14.9%
40	Trade, Transportation and Utilities	239	20.0%
15	Mining, Logging and Construction	61.9	5.2%
55	Financial Activities	77.9	6.5%
80	Other Services	47.8	4.0%
90	Government	158.6	13.3%
50	Information	16.8	1.4%
60	Professional and Business Services	188.9	15.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Metro Kansas City added 14,626 residents in 2022, registering a 0.7% increase. That was almost double the 0.4% U.S. figure.
- Growth was significantly slower, as the metro recorded a 1.5% increase in the previous year.

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

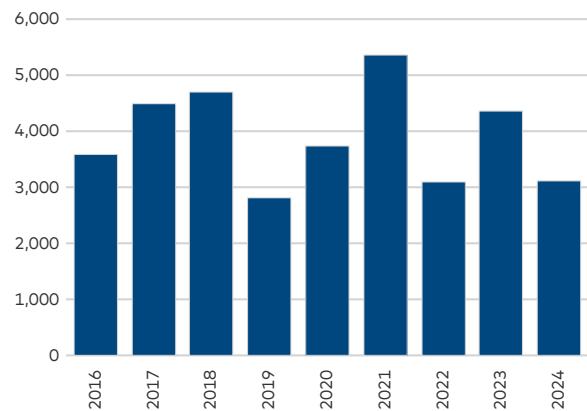
SUPPLY

- ▶ Kansas City added 3,105 units in the first 10 months of 2024. That was 1.8% of existing stock and 40 basis points below the 2.4% U.S. rate. Supply is still far from the 2021 decade high, when deliveries totaled 5,355 units. The relatively slow pace of development, coupled with a rising population, partially accounts for the rent growth rates in the area—and across the Midwest at large.
- ▶ Kansas City had 7,391 units under construction as of October. Another 60,000 units were in the planning and permitting stages. The scale tilted toward upscale projects once again, with almost 85% of units in Lifestyle developments. RBN and fully affordable projects accounted for the remaining 15% of units.
- ▶ Construction starts saw a sharp drop, in line with national trends. A total of 2,009 units across 11 projects broke ground in the first 10 months of 2024. Last year, developers began work on 3,827 units across 17 projects during that same period, registering a nearly 50% slide.
- ▶ Of the 42 submarkets tracked by Yardi Matrix, only one had more than 1,000 units under construction. Downtown Kansas City led with

1,425 apartments, followed by Kansas City–South (714 units) and Olathe (576 units).

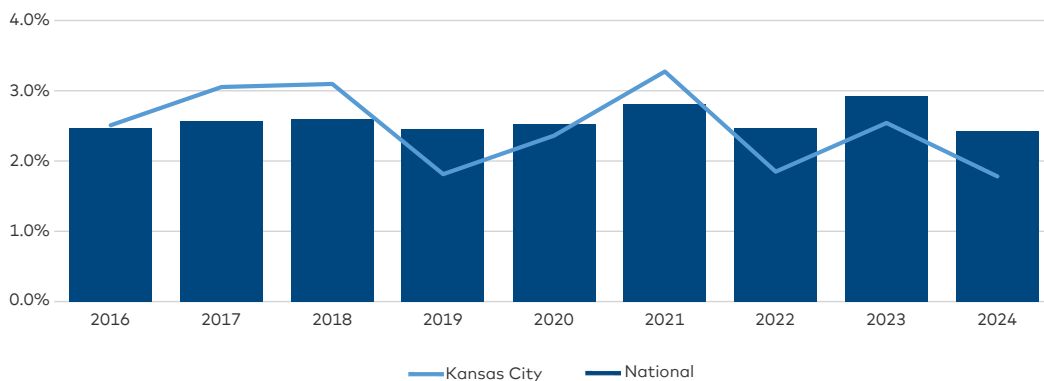
- ▶ The largest development as of October is in the Overland Park–Southwest area, which is one of the metro’s most expensive submarkets. The OsLo is being developed by Ryan Cos., with help from a \$70.2 million construction loan originated by Security Bank of Kansas City. The project is slated for completion next year.

Kansas City Completions (as of October 2024)



Source: Yardi Matrix

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

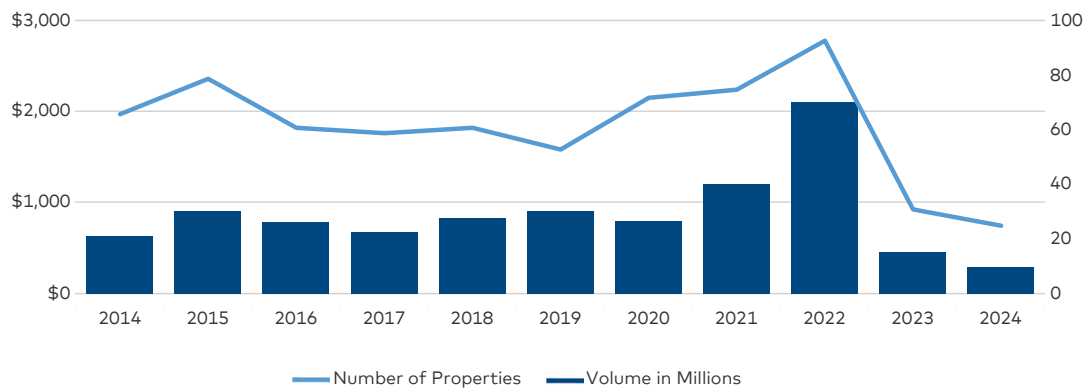


Source: Yardi Matrix

TRANSACTIONS

- ▶ Kansas City transaction volume was sparse, at \$294 million through the first 10 months of 2024. That was the lowest figure of the past decade. It was also in line with the downward trend that began in 2023, when the metro recorded \$452 million in total volume.
- ▶ Investors remained focused on working-class properties, as 19 of the 25 assets that changed hands through October were Renter-by-Necessity. However, the per-unit price moved up, clocking in at \$152,449, a 20% uptick compared to 2023. Still, the metro landed below the \$190,509 U.S. average.
- ▶ Two submarkets crossed the \$100 million mark. Downtown Kansas City led sales in the 12 months ending in October, with \$132 million in assets changing hands. It was followed by Lee's Summit (\$123 million) and Kansas City–South (\$41 million).

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



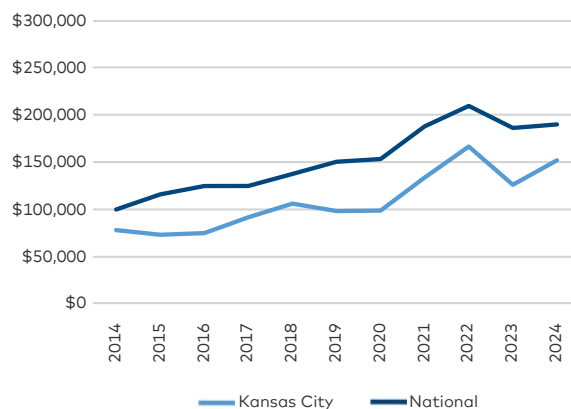
Source: Yardi Matrix
Part: \$2.4B National (Kansas City)

Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Downtown Kansas City	132
Lee's Summit	123
Kansas City–South	41
Kansas City Northwest/ Riverside	28
Park Farms	14
Raytown	11
Independence–East	9

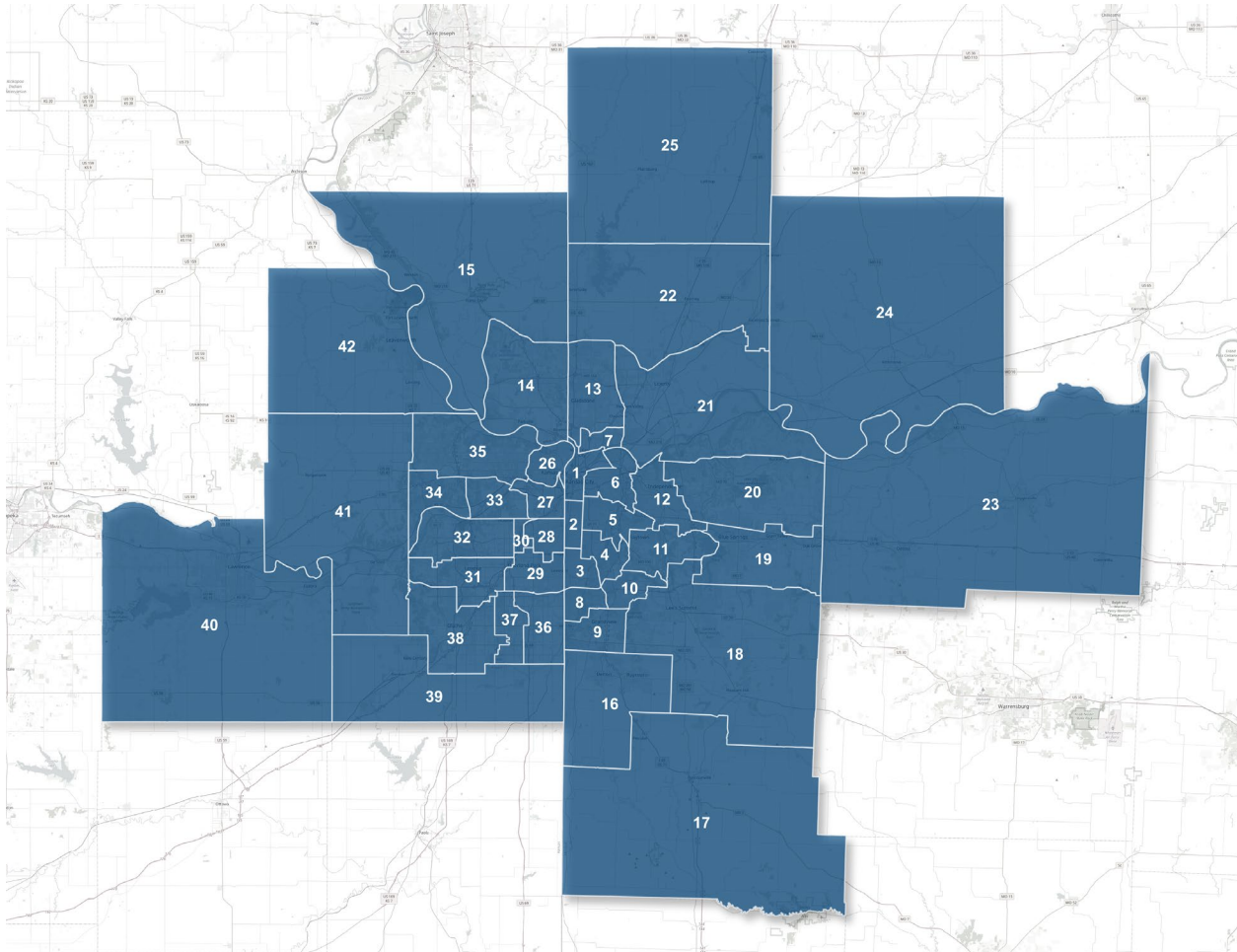
Source: Yardi Matrix
¹ From November 2023 to October 2024

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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