



### MARKET OVERVIEW

The Kansas City apartment market gained significant traction in 1Q '12, posting annual same-store rent growth of 4.1% to an average of \$738 per unit, its largest gain in more than a decade. Meanwhile, occupancies continued to surge upward as demand outpaced supply, finishing the first quarter at 93.8%, up from 92.1% the previous year. Also, and much to the delight of metro owners, the use of concessions has subsided significantly, with only 20.9% of metro units giving away free rent, down from 35.2% the previous quarter and 47.7% the previous year.

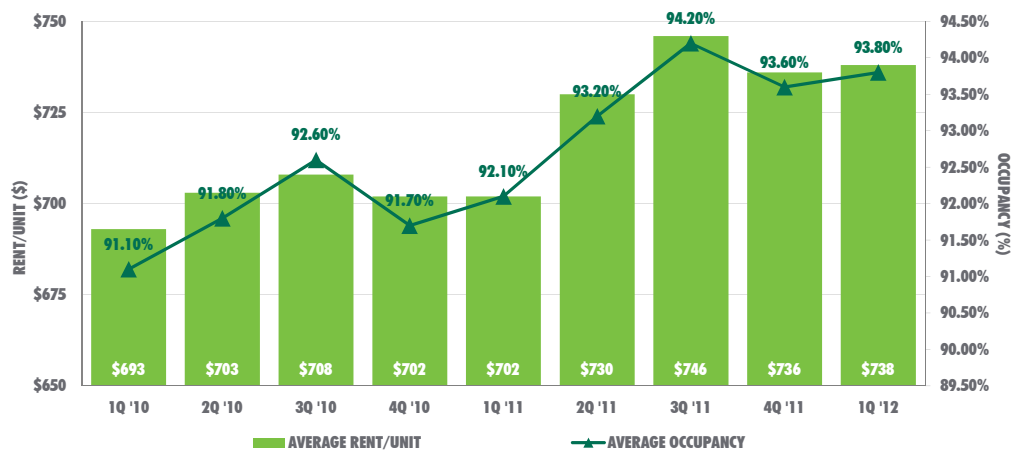
In a trend that is taking place across the country, Kansas City's improvement over the last year was driven by the top end of the market as newer communities and more affluent submarkets posted the largest gains to occupancy and rent. Properties built after 1980 reported average occupancy of 94.7%, compared to 92.2% for pre-1980 vintage communities. Furthermore, rents climbed 6.1% year-over-year for properties built after 2000, compared to 3.3% for all other age groups.

Since 1Q '07, annual deliveries have averaged approximately 1,300 units. Completions totaled 1,012 units for the year ending 1Q '12, below the recent historic average as well as annual completions through the previous quarter and year. Over the next four quarters, completions will be even less. Two properties totaling 380 units are currently under construction that will deliver in 2012. Phase I of Horizon Trails in Gardner, KS will total 168 units and is set to deliver this summer. Further north at I-435 and Mission Rd. is The Village at Mission Farms, which will add 212 luxury units to the South Overland Park submarket in November. There are another 1,257 units that should break ground in the next year that will deliver in 2013.

According to MPF Research, "Improvements to metro fundamentals have come as the local employment base continues along its slow but steady ascent. Kansas City has strung together solid gains in each of the past six quarters." Indeed, average metro unemployment was 6.6% as of April 2012, down from 7.8% the previous year. The national average through April was 7.7%. Improvements to the Kansas City economy should continue to feed demand for rental housing. Through 1Q '12, annual net absorption totaled 3,149 units, up from 2,526 units the previous year. Coupled with low deliveries in the months ahead, supply-demand economics should give way to increased occupancy and rents.

### METRO RENT & VACANCY TREND

SOURCE: MPF RESEARCH



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### QUICK STATS (1Q '12)

| METRIC               | 1Q '12            | CHANGE FROM LAST |          |
|----------------------|-------------------|------------------|----------|
|                      |                   | QTR              | YR       |
| Occupancy            | 93.8%             | ↑ 93.6%          | ↑ 92.1%  |
| Average Rent         | \$738             | ↑ \$736          | ↑ \$702  |
| Average Rent/SF      | \$0.81            | → \$0.81         | ↑ \$0.78 |
| Annual Rent Growth   | 4.1%              | ↑ 3.1%           | ↑ 2.0%   |
| Net Absorption       | 3,149<br>(Annual) | ↓ 3,735          | ↑ 2,526  |
| Completions          | 1,012<br>(Annual) | ↓ 1,253          | ↓ 1,243  |
| Units w/ Concessions | 20.9%             | ↓ 35.2%          | ↓ 47.7%  |

SOURCE: MPF RESEARCH

### HIGHLIGHTS (1Q '12)

- Annual rent growth was 4.1%, the metro's highest in more than a decade.
- Net absorption totaled 3,149 units for the year, pushing the metro's average occupancy to 93.8%, up from 92.1% the previous year.
- Only 380 units are set to deliver in 2012, well below the metro's average of 1,300 units per year since 2007.
- Improvements to fundamentals were driven by a strong performance from the metro's newer properties in more affluent submarkets.
- Metro unemployment was 6.6% as of April 2012, down from 7.8% a year prior.

### SUBMARKET OVERVIEW (1Q '12)

| SUBMARKET                         | UNIT INVENTORY | ANN. UNIT ABSORPTION | AVERAGE OCCUPANCY | CHANGE OVER QTR YR |             | AVERAGE RENT/UNIT | CHANGE OVER QTR YR |             | AVERAGE RENT/SF | UNITS W/ CONCESSIONS |
|-----------------------------------|----------------|----------------------|-------------------|--------------------|-------------|-------------------|--------------------|-------------|-----------------|----------------------|
| Central Kansas City               | 20,455         | 737                  | 93.9%             | 0.7%               | 2.3%        | \$851             | -0.9%              | 3.4%        | \$1.08          | 9.9%                 |
| Independence/East KC              | 13,096         | 278                  | 92.9%             | 2.2%               | 2.1%        | \$632             | 2.0%               | 2.1%        | \$0.76          | 19.9%                |
| Lee's Summit/Blue Springs/Raytown | 10,573         | 198                  | 92.2%             | 0.6%               | 1.9%        | \$668             | 2.1%               | 1.0%        | \$0.73          | 29.6%                |
| South KC/Grandview                | 13,517         | 124                  | 90.9%             | 0.4%               | 0.9%        | \$649             | 1.5%               | 4.0%        | \$0.71          | 30.4%                |
| Shawnee/Lenexa/Mission            | 11,715         | 113                  | 94.4%             | -0.7%              | 0.9%        | \$751             | 1.5%               | 5.9%        | \$0.81          | 11.7%                |
| North Overland Park               | 10,231         | 218                  | 95.4%             | -0.3%              | 2.1%        | \$737             | -0.1%              | 4.6%        | \$0.81          | 28.2%                |
| South Overland Park               | 12,811         | 257                  | 95.6%             | 0.1%               | 2.0%        | \$895             | 2.0%               | 6.8%        | \$0.91          | 10.7%                |
| Olathe/Gardner                    | 7,457          | 238                  | 96.0%             | 0.4%               | 1.0%        | \$737             | -1.1%              | 3.4%        | \$0.84          | 59.4%                |
| Wyandotte County/Leavenworth      | 11,158         | 102                  | 87.5%             | -0.5%              | 0.3%        | \$677             | 3.4%               | 2.6%        | \$0.85          | 18.2%                |
| Platte County                     | 8,566          | 97                   | 94.1%             | 0.9%               | 1.1%        | \$723             | 2.4%               | 3.0%        | \$0.79          | 2.7%                 |
| Clay County                       | 15,131         | 463                  | 93.5%             | 0.3%               | 2.4%        | \$683             | 1.0%               | 2.0%        | \$0.74          | 18.6%                |
| <b>KANSAS CITY METRO</b>          | <b>134,710</b> | <b>3,149</b>         | <b>93.8%</b>      | <b>0.2%</b>        | <b>1.7%</b> | <b>\$738</b>      | <b>1.2%</b>        | <b>4.1%</b> | <b>\$0.81</b>   | <b>20.9%</b>         |

SOURCE: MPF RESEARCH

#### TOP SUBMARKETS BY OCCUPANCY

|   |                        |       |
|---|------------------------|-------|
| 1 | Olathe/Gardner         | 96.0% |
| 2 | South Overland Park    | 95.6% |
| 3 | North Overland Park    | 95.4% |
| 4 | Shawnee/Lenexa/Mission | 94.4% |
| 5 | Platte County          | 94.1% |

#### TOP SUBMARKETS BY RENT/UNIT

|         |                                       |       |
|---------|---------------------------------------|-------|
| 1       | South Overland Park                   | \$895 |
| 2       | Central Kansas City                   | \$851 |
| 3       | Shawnee/Lenexa/Mission                | \$751 |
| 4 (Tie) | North Overland Park<br>Olathe/Gardner | \$737 |
| 5       | Platte County                         | \$723 |

#### TOP SUBMARKETS BY RENT/SF

|         |   |        |
|---------|---|--------|
| 1       | Central Kansas City                           | \$1.08 |
| 2       | South Overland Park                           | \$0.91 |
| 3       | Wyandotte/Leavenworth                         | \$0.85 |
| 4       | Olathe/Gardner                                | \$0.84 |
| 5 (Tie) | North Overland Park<br>Shawnee/Lenexa/Mission | \$0.81 |

### MARKET DETAIL (1Q '12)

|                   | AVERAGE OCCUPANCY | CHANGE OVER QTR YR |             | AVERAGE RENT/UNIT | CHANGE OVER QTR YR |             |
|-------------------|-------------------|--------------------|-------------|-------------------|--------------------|-------------|
| <b>YEAR BUILT</b> |                   |                    |             |                   |                    |             |
| 2000+             | 94.3%             | 0.3%               | 1.0%        | \$933             | 1.5%               | 6.1%        |
| 1990s             | 94.8%             | 0.0%               | 1.9%        | \$804             | -0.1%              | 2.9%        |
| 1980s             | 94.9%             | -0.1%              | 1.8%        | \$675             | 0.5%               | 3.3%        |
| 1970s             | 92.2%             | 0.7%               | 1.5%        | \$639             | 2.9%               | 2.7%        |
| Pre-1970          | 92.1%             | -0.4%              | 1.9%        | \$655             | 1.1%               | 4.5%        |
| <b>UNIT TYPE</b>  |                   |                    |             |                   |                    |             |
| Efficiency        | 94.4%             | 0.2%               | 0.5%        | \$528             | 3.9%               | 5.8%        |
| 1BR               | 94.0%             | -0.2%              | 1.7%        | \$640             | 1.3%               | 4.8%        |
| 2BR               | 93.5%             | 0.3%               | 1.6%        | \$784             | 1.0%               | 3.8%        |
| 3BR               | 94.1%             | 0.5%               | 2.2%        | \$1,017           | 1.5%               | 2.8%        |
| <b>METRO AVG</b>  | <b>93.8%</b>      | <b>0.2%</b>        | <b>1.7%</b> | <b>\$738</b>      | <b>1.2%</b>        | <b>4.1%</b> |

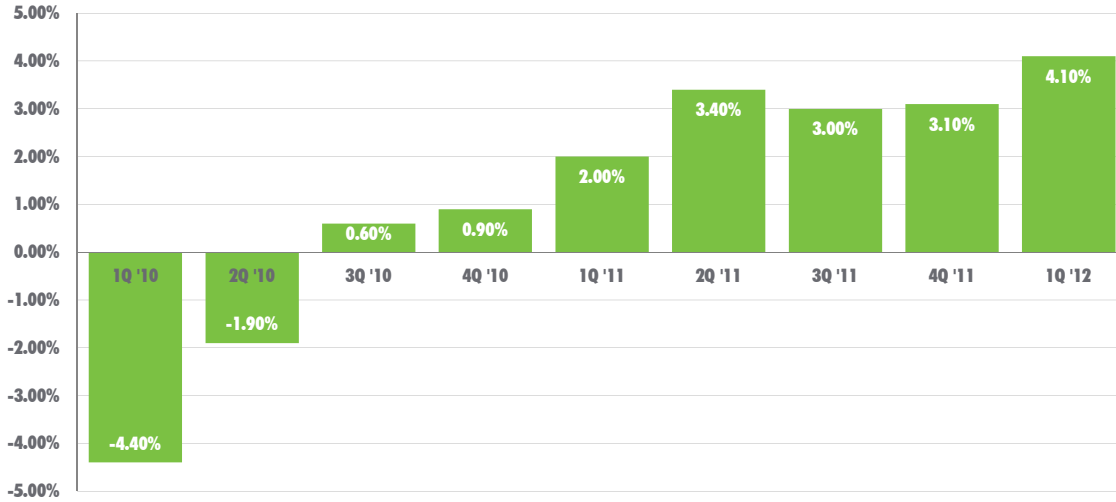
SOURCE: MPF RESEARCH

### CONSTRUCTION ACTIVITY

| PROPERTY                  | LOCATION        | UNITS | EST. DELIVERY |
|---------------------------|-----------------|-------|---------------|
| <b>UNDER CONSTRUCTION</b> |                 |       |               |
| Horizon Trails (Ph I)     | Gardner, KS     | 168   | Summer 2012   |
| Village at Mission Farms  | Leawood, KS     | 212   | Fall 2012     |
| <b>PLANNED</b>            |                 |       |               |
| Prairie Creek             | Lenexa, KS      | 350   | 2013          |
| Res. at Burlington Creek  | Kansas City, MO | 298   | 2013          |
| Hts. at Delaware Ridge    | Kansas City, KS | 228   | 2013          |
| 51st & Main St.           | Kansas City, MO | 204   | 2013          |
| 46th & Pennsylvania       | Kansas City, MO | 170   | 2013          |

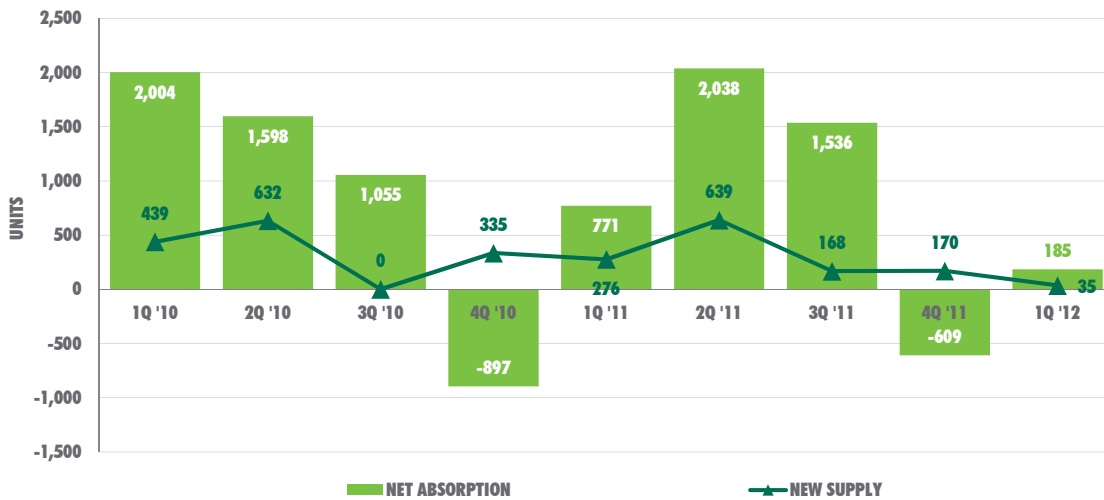
### METRO RENT GROWTH (1Q '10 - 1Q '12)

SOURCE: MPF RESEARCH



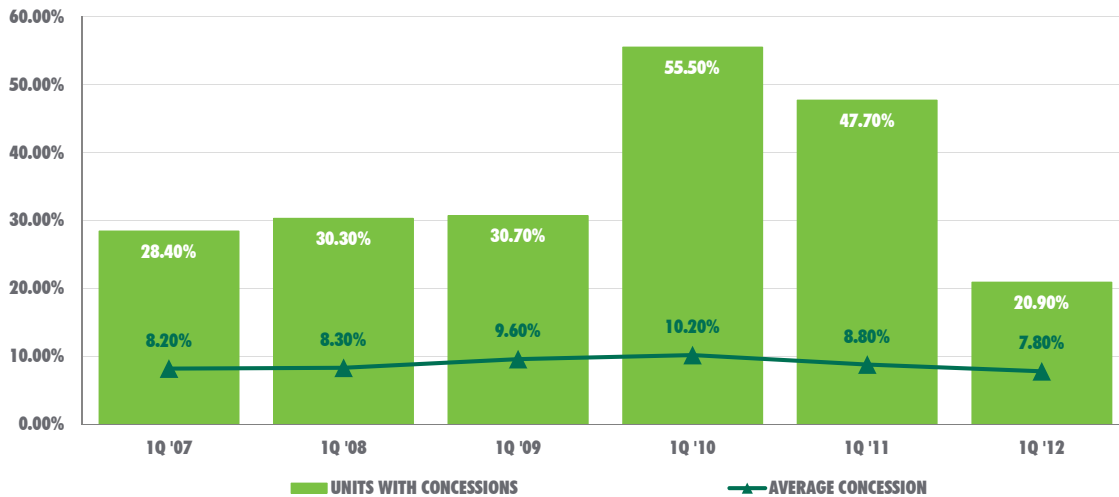
### METRO SUPPLY & DEMAND (1Q '10 - 1Q '12)

SOURCE: MPF RESEARCH



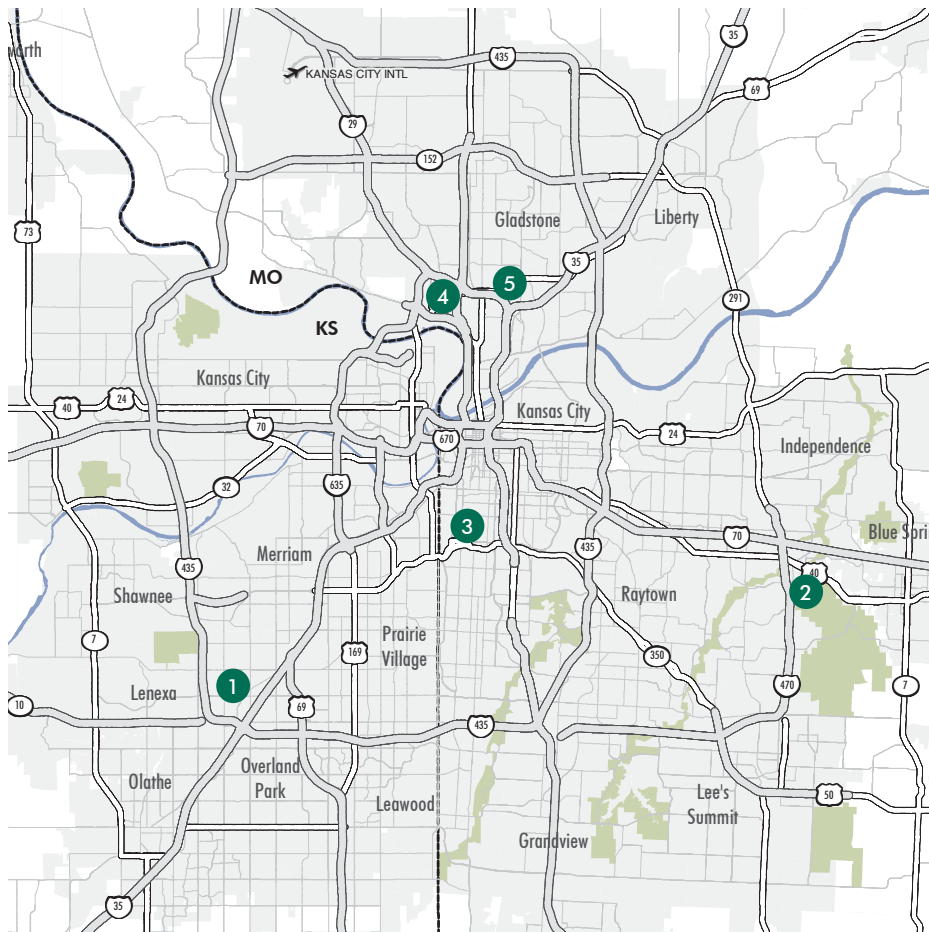
### METRO CONCESSION TREND (1Q '07 - 1Q '12)

SOURCE: MPF RESEARCH



SELECT METRO TRANSACTIONS (1Q '12)

|   | PROPERTY                                  | SUBMARKET                 | UNITS | BUILT | SALE DATE    | PRICE        | PER UNIT  | CAP RATE |
|---|---|---------------------------|-------|-------|--------------|--------------|-----------|----------|
| 1 | Rosehill Pointe<br>Lenexa, KS             | Shawnee/Lenexa/Mission    | 498   | 1985  | March '12    | \$28,750,000 | \$57,731  | 7.00%    |
| 2 | Dunes Eastland Center<br>Lee's Summit, MO | Lee's Summit/Blue Springs | 232   | 2007  | March '12    | \$24,250,000 | \$104,526 | 5.70%    |
| 3 | The Neptune<br>Kansas City, MO            | Central Kansas City       | 96    | 1988  | March '12    | \$11,000,000 | \$114,583 | N/A      |
| 4 | Briardiff City Apts.<br>Kansas City, MO   | Central Kansas City       | 263   | 2011  | February '12 | \$43,800,000 | \$166,540 | 5.50%    |
| 5 | Knollwood<br>Kansas City, MO              | Clay County               | 315   | 1969  | January '12  | \$10,300,000 | \$32,698  | 8.75%    |



SUBMARKET ZIP CODES

- CENTRAL KANSAS CITY: 64101, 64102, 64105, 64106, 64108, 64109, 64110, 64111, 64112
- INDEPENDENCE/EAST KC: 64016, 64050, 64052, 64053, 64054, 64055, 64056, 64057, 64058, 64088, 64120, 64123, 64124, 64125, 64126, 64127, 64128, 64129, 64130
- LEE'S SUMMIT/BLUE SPRINGS/RAYTOWN: 64011, 64014, 64015, 64029, 64034, 64063, 64064, 64070, 64074, 64075, 64081, 64082, 64086, 64133, 64136, 64138, 64139
- SOUTH KC/GRANDVIEW: 64012, 64030, 64083, 64113, 64114, 64131, 64132, 64134, 64137, 64145, 64146, 64147, 64149
- SHAWNEE/LENEXA/MISSION: 66202, 66203, 66205, 66215, 66216, 66217, 66218, 66219, 66220, 66226, 66227, 66250
- NORTH OVERLAND PARK: 66204, 66206, 66207, 66208, 66212, 66214
- SOUTH OVERLAND PARK: 66013, 66085, 66209, 66210, 66211, 66213, 66221, 66223, 66224
- OLATHE/GARDNER: 66018, 66021, 66030, 66031, 66061, 66062, 66083
- WYANDOTTE COUNTY/LEAVENWORTH: 66007, 66012, 66020, 66027, 66043, 66048, 66052, 66086, 66101, 66102, 66103, 66104, 66105, 66106, 66109, 66111, 66112, 66113, 66115, 66118, 66160
- PLATTE COUNTY: 64018, 64079, 64098, 64150, 64151, 64152, 64153, 64154, 64163, 64164, 64195, 64439, 64444
- CLAY COUNTY: 64024, 64048, 64060, 64062, 64068, 64077, 64089, 64116, 64117, 64118, 64119, 64155, 64156, 64157, 64158, 64161, 64165, 64166, 64167, 64492

