

# MARKET PULSE [OFFICE]

## KANSAS CITY Q1 2018

### ECONOMIC OVERVIEW

Despite the first employment loss in nearly 7 years in Kansas City, the labor market is healthy and absorbing workers faster than new workers are entering. Official unemployment is at the lowest level in 16 years.

### KANSAS CITY ANNOUNCEMENTS

Mediware Information Systems will be the new anchor tenant in CityPlace Office X located at Interstate 435, U.S. 69, and College Boulevard. Mediware has signed a 10-year lease for 60,000 square feet (sf). The building will deliver in 2019.

The University of Kansas Health System leases the entire 172,000 sf building at Southlake Technology Park located at 11300 Corporate Avenue, Lenexa, Kansas.

- Quintiles Transnational Corp – 6700 W. 115<sup>th</sup> Street, Overland Park, KS (176,838 sf)
- Essence of Australia – 15500 W. 113<sup>th</sup> Street, Overland Park, KS (59,642 sf)
- Edison Spaces – 7900 College Boulevard, Overland Park, KS (27,082 sf)
- SelectQuote – 6800 W. 115<sup>th</sup> St., Overland Park, KS (25,255 sf)
- Sunderland Foundation – Nall Corporate Center II, Overland Park, KS (14,209 sf)

### CONSTRUCTION ACTIVITY

During 1Q18, one building totaling 40,000 sf was completed in the Kansas City market. There were no buildings completed in 4Q17, five buildings totaling 74,716 sf completed in 3Q17, and 491,034 sf in eight buildings completed in 2Q17. A total of 747,647 sf of office space is under construction at the end of the 1Q18.

The largest buildings under construction at the end of 1Q18 were Overland One, a 121,615-square-foot building with 100% of its space pre-leased to Creative Planning, and the 96,745-square-foot Cerner Corp Innovations Campus on Rock Creek Parkway.

#### STATS ON THE GO

	Q4 2017	Q1 2018
Overall Vacancy	11.0%	12.3%
Direct Asking Rents (psf/yr)	\$19.70	\$20.06
YTD Leasing Activity (sf)	2,357,703	2,357,703

### SALE ACTIVITY IN Q1 2018

The 239,366-sf building located at 6700 W. 115<sup>th</sup> Street sold for \$44,600,000 / \$186.33, closing on 1/3/18, at a 9.40% cap rate.

*[Cap rates have been higher in 2017, averaging 8.31% at year-end compared to the year-end 2016 when they averaged 8.08%.]*

Total office building sales activity in 2017 was down compared to 2016. In the 12 months of 2017, the market saw 30 office sales transactions for a total volume of \$268,597,868 with a price per square foot averaging \$141.20. In 2016, 43 transactions with a total volume of \$342,406,722 averaged \$79.85 per square foot.

The border war continues with HCH Midwest Health will move across the state line into a new Overland Park office this summer. The planned 25,000-sf division headquarters is currently under construction near the intersection of I-435 and Nall Avenue. HCA Midwest plans to make a \$10.8 million capital investment in the new building. Leawood-based wealth advisory firm, Creative Planning, will also move into the 125,000-sf building known as Overland One, being the anchor tenant for the development.

Tallgrass Technologies, LLC has been headquartered in Lenexa for 23 years, is planning to move across the state line to the Crossroads Arts District this summer. The firm plans to create about 33 new full-time jobs over the next five years. The move is in order to enhance the company's brand and talent.



### KCRAR Commercial Real Estate 2018 Forecast

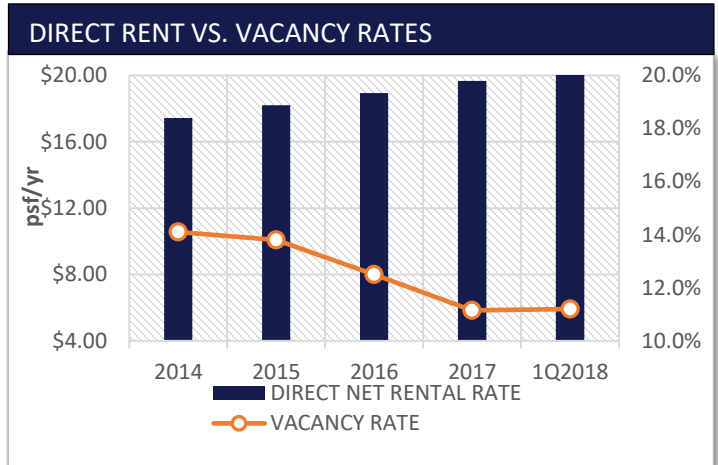


*Kessinger/Hunter is proud to have been awarded CoStar Power Broker Awards for its exceptional deal-making accomplishments, Top 10 Leasing/Sales Firms, in 2017. Greg Swetnam, Principal/Director of Office Brokerage, and Debbie Schulte, Principal, were among the Top 10 Kansas City Office Leasing Brokers.*

# KANSAS CITY Q1 2018

## KESSINGER/HUNTER TRANSACTIONS FOR Q1 2018:

- Blue Cross/Blue Shield (46,070 sf)
- Prime Capital Investment Advisors (30,888 sf)
- Edison Spaces (27,082 sf)
- Lindt & Sprungli (NA), Inc. (10,037 sf)
- Shawnee Mission Medical Center (9,245 sf)
- Independence Pediatrics (9,401 sf)
- Odyssey Healthcare (6,164 sf)
- Centerpoint Medical Center (7,709 sf sf)
- JCC-KC (6,665 sf)



Market	Existing Inventory		Vacancy		YTD Net Absorption	Average Rents
	# Buildings	Total RBA	Total SF Available	% Vacant		
<b>Downtown/CBD</b>	75	11,536,352	1,547,907	12.2%	181,780	\$19.78
East Jackson County	70	2,282,271	184,785	8.1%	3,215	\$16.55
Kansas City, KS	15	1,099,380	251,715	23.4%	(6,520)	\$14.03
Midtown	44	3,711,641	255,054	7.7%	11,397	\$19.84
North Johnson County	138	5,635,528	570,488	10.6%	(24,767)	\$22.53
North of the River	58	3,335,355	808,445	24.3%	(9,756)	\$16.01
South Johnson County	193	14,570,045	1,312,956	10.9%	23,290	\$21.94
South Kansas City	55	3,947,678	499,940	13.9%	(24,411)	\$17.97
Southeast Jackson County	3	1,089,390	71,389	9.6%	(268)	\$19.14
<b>Subtotal of Non-CBD</b>	576	35,671,288	3,954,772	12.3%	(27,820)	\$20.03
<b>Totals = CBD + Non-CBD</b>	651	47,207,640	5,502,679	12.3%	153,960	\$18.64

\*Kessinger/Hunter's subset includes buildings 10,000 sf & greater, non-owner/user, non-medical, and non-government\*

## Featured Property for Lease – 2300 Main

2300 Main located at Main and Pershing, Kansas City, Missouri has 22,239± contiguous rsf available. The building has a state-of-the-art conference facility accommodating 150+ individuals; workout facility including showers, lockers, and changing area; on-site deli and catering, security, 24 hours-7 days/week with card access; and many closely located retail, restaurants, and hotel amenities, with easy access to the Street Car Line.

