

# MARKET PULSE [OFFICE]

## KANSAS CITY Q3 2017

### ECONOMIC OVERVIEW

Per the U.S. Bureau of Labor Statistics, the unemployment rate for the Kansas City Metro area at the end of August 2017 was 4.4%, up from 3.8% in December 2016.

### KANSAS CITY ANNOUNCEMENTS

Sprint adds another building to the open market located at 6100 Sprint Parkway for a total of 254,482 square feet (sf) available by December 2018. To-date, Sprint is leasing about seven buildings, approximately 1 million sf on its campus to third-parties.

In a continuation of the economic border war, Swiss Re, an international reinsurance company, will relocate its offices from Kansas to Missouri. Twenty million dollars in state incentives helped lure the company from its present location at 5200 Metcalf, Overland Park, to One Kansas City Place located at 1200 Main Street, bringing 400 jobs to Missouri in late 2018.

### CONSTRUCTION ACTIVITY

Block Real Estate Services broke ground on 46Penn Centre located at 46<sup>th</sup> Terrace & Pennsylvania Avenue. The 14-story, 220,000-rsf building will feature office, restaurant, and parking space all within steps of the Country Club Plaza.

During 2Q 2017, six buildings totaling 451,345 sf were completed compared to 405,816 sf in 1Q 2017. Plexpod Westport Commons, a build-to-suit 166,650-sf facility and Nall Corporate Center II, a 147,463-sf building delivered in 1Q 2017 and is now 82% occupied.

The largest projects under construction at the end of 2Q 2017 are located at 5700 W. 112<sup>th</sup> Street, a 147,463-sf building, and Corporate Centre at 135<sup>th</sup> Street, a 60,000-sf facility.

#### STATS ON THE GO

	Q3 2016	Q3 2017
Overall Vacancy	14.1%	11.5%
Direct Asking Rents (psf/yr)	\$18.47	\$19.43
YTD Leasing Activity (sf)	1,163,305	1,534,086

### CROWN CENTER BUILDINGS "FOR SALE"

Totaling approximately 1 million-sf, three Class "A" buildings go on the market "for sale" in Crown Center:

- 2345 Grand Boulevard – 528,000 sf, 28 stories
- 2380 McGee Street – 78,400 sf, 4 stories
- 2323 Grand Boulevard – 321,000 sf, 11 stories

### SALES ACTIVITY

Total office building sales activity in 2017 was up compared to 2016. First quarter 2017, a total of five office sales transactions with a total volume of \$40,393,750 occurred. The price per sf averaged \$92.53. During this same period in 2016, six transactions for a total volume of \$13,670,000 occurred. Cap rates have been higher in 2017, averaging 9.26% compared to the same period in 2016, which averaged 8.40%.

McCownGordon purchased the 850 Main Street building, formerly occupied by Catholic Charities of Kansas City-St. Joseph, for \$5.2 million. The construction company will retrofit the building for their new headquarters. The existing headquarters at 422 Admiral Boulevard is on the market for sale.

### KCRAR Commercial Real Estate 2018 Forecast



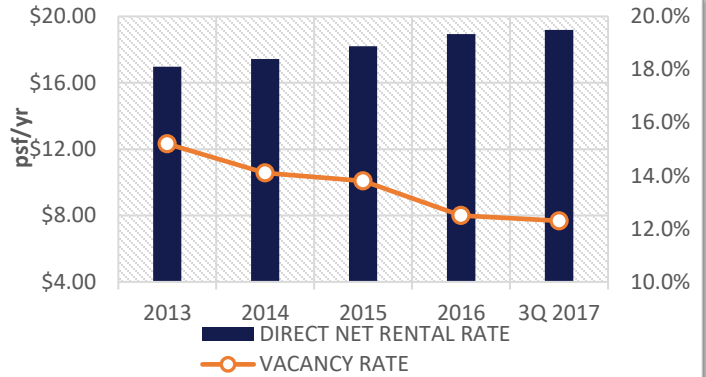
Tim Cowden, President and CEO of KCADC, served as moderator for KCRAR's local panel of Kansas City's top commercial industry leaders. Greg Swetnam, Principal/Director of Office Brokerage for Kessinger/Hunter, represented the office market (second from left).

## KANSAS CITY Q3 2017

### KESSINGER/HUNTER TRANSACTIONS FOR Q3 2017:

- Department of Labor (111,356 sf)
- Burns & McDonnell (38,277 sf)
- Payne & Jones (24,791 sf)
- Heart of America Eye Care (9,681 sf)
- Meyer Companies (6,332 sf)
- Odyssey Healthcare (6,164 sf)
- The Patterson Foundation (4,290 sf)
- Flury-Hinderks Insurance (2,727 sf)

#### DIRECT RENT VS. VACANCY RATES



Market	Existing Inventory		Vacancy		YTD Net Absorption	Average Rents
	# Buildings	Total RBA	Total SF Available	% Vacant		
<b>Downtown/CBD</b>	75	11,519,780	1,381,611	12.0%	340,399	\$19.27
East Jackson County	70	2,283,056	207,460	9.1%	77,476	\$15.71
Kansas City, KS	15	1,098,892	248,611	22.6%	(99)	\$14.01
Midtown	46	3,802,419	264,026	7.0%	18,322	\$20.78
North Johnson County	137	5,416,741	459,739	8.5%	(20,147)	\$19.11
North of the River	60	3,385,729	874,462	25.8%	(44,377)	\$15.50
South Johnson County	193	14,444,877	1,407,043	9.7%	157,169	\$22.00
South Kansas City	55	3,931,283	505,894	12.9%	214,429	\$18.27
Southeast Jackson County	3	1,089,390	49,746	4.6%	4,377	\$18.14
<b>Subtotal of Non-CBD</b>	579	35,452,387	4,016,981	11.3%	407,150	\$19.49
<b>Totals = CBD + Non-CBD</b>	654	46,972,167	5,398,592	11.5%	747,549	\$19.43

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

### Kansas City Market Summary

CBD		
	Vacancy	Average Rate/SF
3Q 2017	12.0% (3.7% decrease)	\$19.27 (\$.88 increase)
3Q 2016	15.7% (0.5% decrease)	\$18.39 (\$.61 increase)
3Q 2015	16.2%	\$17.78
Non-CBD		
3Q 2017	11.3% (.5% decrease)	\$19.49 (\$.85 increase)
3Q 2016	11.8% (1.6% decrease)	\$18.64 (\$.09 decrease)
3Q 2015	13.4%	\$18.73
South Johnson County		
3Q 2017	9.7% (.1% increase)	\$22.00 (\$1.07 increase)
3Q 2016	9.6% (1.1% decrease)	\$20.93 (\$.24 increase)
3Q 2015	10.7%	\$20.69

### Featured Listing

Three Hallbrook Place (165,000± RSF) located at SWC College Boulevard & State Line, Leawood, KS [Upon a 50% pre-leased contract, owner will break ground and commence construction of the final phase of the office park.]

