

MARKET PULSE [OFFICE]

KANSAS CITY Q3 2018

KANSAS CITY ANNOUNCEMENTS

In its mid-year economic forecast, Mid-America Regional Council (MARC) noted Kansas City was falling behind other Midwest metros in GDP growth, quality of jobs, and median household income levels. MARC projects the local economy would continue to lag behind that of the U.S. before catching up next year.

H&R Block was in a long-term lease through 2023 in the 59,000-square foot (sf), 4400 East Blue Parkway building; however, vacating in 2010. The City proposed subleasing from H&R Block, but the City Council declined the offer. H&R Block decided to purchase the building and lease directly to Kansas City where they will house their Neighborhoods and Housing Services Department.

SelectQuote plans to add 400 people to its Kansas City workforce over the next two years.

Glass Lewis & Co., who advises pension plans, mutual funds, and asset managers on proxy and other governance issues, leased 10,262 sf in the 2323 Grand building for an operation services center expecting to create 50 new jobs.

TEVA Neuroscience will sublease its 156,000-sf building at 11100 Nall Avenue to Netsmart Technologies, Inc. through 2028. Due to Netsmart's growth, they plan to add more than 400 employees in the next 5 years. Since 2011, Netsmart's local employment has grown from 10 to 660 occupying 5 buildings in Overland Park.

Salt Lake City-based Woodbury Corporation announced plans to buy the former Great Mall of the Great Plains and redevelop it for sports and entertainment and a 200,000-sf office and medical building.

RECENT RELOCATIONS

- PBI Gordon – 22701 W. 68th Terrace (95,510 sf)
- TrialCard – 2001 NE 46th Street (23,000 sf)
- Aetna, Inc. – 9401 Indian Creek Parkway (18,048 sf)
- BRR Architecture – 82nd Street & Metcalf (35,000 sf)

CONSTRUCTION ACTIVITY

Burns & McDonnell started its 2nd phase, \$42 million expansion of its Kansas City headquarters campus. The four-story, 142,000-sf building and a 550-space parking garage will tie into the company's 9450 Ward Parkway building, which opened in 2016. The company projected hiring of 1,000 in 2018; however, they have already hit that mark with plans to hire an additional 200 by year's end.

SALE ACTIVITY IN Q3 2018

Total office building sale activity in 2018 was down compared to 2017. In the first six months of 2018, the market saw 17 office sale transactions with a total volume of \$115,462,500 equaling \$107.05 per sf.

(Cap rates have been lower in 2018, averaging 8.92% compared to 8.97% in 2017.)

The largest transaction that has occurred within the last four quarters is the sale of a 239,366-sf office building located 6700 W. 115th Street in Overland Park, Kansas. The building sold for \$44,600,000 (\$186.33/sf) on 1/3/18 at a 9.40% cap rate.

ON THE MARKET FOR SALE IN THE KANSAS CITY METRO

- Southlake Office & Tech Center
- Park Central Plaza I/II – 47th Street & Grand
- 7900 College Boulevard
- West Edge on the Country Club Plaza

STATS ON THE GO

	Q3 2017	Q3 2018
Overall Vacancy	11.5%	10.5%
Direct Asking Rents (psf/yr)	\$19.43	\$20.38
YTD Leasing Activity (sf)	1,534,086	1,695,135

SIOR Development Day
Thursday, September 20, 2018 – Union Station



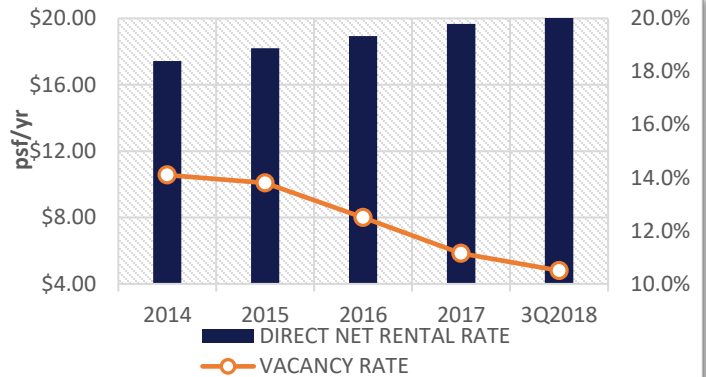
Vicki O'Malley, Dan Jensen, Debbie Schulte & Greg Swetnam

KESSINGER/HUNTER TRANSACTIONS FOR Q3 2018:

- First Draw, LLC (6,000 sf purchase)
- Allegiant Networks (7,811 sf)
- Kansas City Urology Care, PA (7,372 sf purchase)
- Excel Sleep Center (7,424 sf purchase)
- Equity Bank (6,989 sf)
- True Wealth & Company (2,988 sf)
- Stratus Group, LLC (2,536 sf)
- LabCorp (1,697 sf)

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DIRECT RENT VS. VACANCY RATES



Market	Existing Inventory		Vacancy		YTD Net Absorption	Average Rents
	# Buildings	Total RBA	Total SF Available	% Vacant		
Downtown/CBD	75	11,571,478	1,310,481	11.3%	158,170	\$19.75
East Jackson County	70	2,294,832	276,194	12.0%	(83,194)	\$16.56
Kansas City, KS	15	1,061,975	39,807	3.7%	804	\$13.89
Midtown	45	3,729,761	226,926	6.1%	33,941	\$25.63
North Johnson County	139	5,655,023	434,217	7.7%	10,846	\$20.91
North of the River	60	3,389,495	880,250	26.0%	(75,874)	\$16.42
South Johnson County	195	14,758,118	1,302,165	8.8%	257,582	\$22.36
South Kansas City	55	3,960,007	504,068	12.7%	18,040	\$18.88
Southeast Jackson County	3	1,089,390	29,047	2.7%	42,074	\$19.21
Subtotal of Non-CBD	582	35,938,601	3,692,674	10.3%	204,219	\$20.58
Totals = CBD + Non-CBD	657	47,510,079	5,003,155	10.5%	362,389	\$20.38

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

Featured Property for Lease – 8001 College Boulevard, Overland Park, KS 66210

This two-story, 30,551-rsf building is centrally located on College Boulevard between Antioch Road and Lowell Avenue providing immediate access. The entire 15,832-rsf first floor is available and offers exterior building and monument signage. In addition, Suite 200 is available with 3,924 rsf.

There are 183 parking spaces providing a parking ratio of 6:1,000 spaces immediately surrounding one of the three building entrances. Common areas were fully updated in 2018.

