

MARKET PULSE [OFFICE]

KANSAS CITY Q4 2017

ECONOMIC OVERVIEW

Kansas City's unemployment rate has dropped to 3.2%, the lowest since 2000. The jobs that were added were engineering, computer system design, and legal. That sector is up 5,900 jobs since October 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.

- Teva Pharmaceutical announced layoffs nationwide.
- Plaza building located at 2 Emanuel Cleaver Boulevard was purchased by NorthPoint Development, who plans to turn it into high-end senior housing.

CONSTRUCTION ACTIVITY

Block Real Estate Services broke ground on 46Penn Centre located at 46th 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 4Q17, one building (7,880 sf) was completed. This compares to seven buildings (93,921 sf) completed in 3Q17, six buildings (451,345 sf) completed in 2Q17, and seven buildings (405,816 sf) completed in 1Q17.

The largest projects under construction are located at 5700 W. 112th Street, a 147,463-sf building, and Corporate Centre at 135th Street, a 60,000-sf facility.

STATS ON THE GO

	Q4 2016	Q4 2017
Overall Vacancy	12.3%	11.0%
Direct Asking Rents (psf/yr)	\$18.95	\$19.70
YTD Leasing Activity (sf)	2,759,766	2,357,703

SIGNIFICANT SALES ACTIVITY IN 2017

Corporate Woods - \$292,000,000 / 2,200,000 sf
 Valencia Tower - \$75,000,000 / 242,038 sf
 2323 Grand Boulevard - \$35,000,000 / 321,000 sf
 Two Brush Creek - \$10,300,000 / 78,835 sf
 College Oaks Buildings - \$17,900,000 / 236,200 sf

[Cap rates have been higher in 2017, averaging 9.21% compared to the same period in 2016 when they averaged 8.01%.]

Total office building sales activity in 2017 was down compared to 2016. In the first nine months of 2017, there were 15 office sales for a total volume of \$141,824,830 with a price per square foot averaging \$166.21. In 2016, 30 transactions with a total volume of \$241,611,322 averaged \$75.47 per square foot.

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.

Stanton Road Capital has a contract to buy 2323 Grand, an 11-story, 321,000-sf office building from Assurant, Inc.

Kiewit Energy Group is under contract to acquire 100% in Lexmark Properties Kansas, LLC, which includes the two, 120,000-sf buildings at 8900 Renner Boulevard. Kiewit is expected to build a third headquarters tower on the expansion ground to make additional room for its associates.



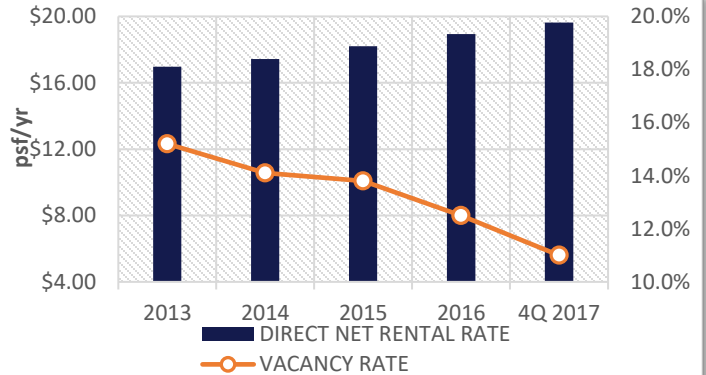
Tim Cowden, President and CEO of KCADC, served as moderator for KCRAR's local panel of Kansas City's top commercial industry leaders. Greg Swetnam, Principal/Director of Office Brokerage for Kessinger/Hunter, represented the office market (second from left).

KANSAS CITY Q4 2017

KESSINGER/HUNTER TRANSACTIONS FOR Q4 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)
- POAH Communities, LLC (8,341 sf)
- Meyer Companies (6,332 sf)
- Odyssey Healthcare (6,164 sf)
- First Citizens Bank & Trust Company (5,117 sf)
- Dr. Blaine Kingsbury (4,088 sf)

DIRECT RENT VS. VACANCY RATES



Market	Existing Inventory		Vacancy		YTD Net Absorption	Average Rents
	# Buildings	Total RBA	Total SF Available	% Vacant		
Downtown/CBD	75	11,536,352	1,251,455	10.8%	329,491	\$19.67
East Jackson County	71	2,321,986	173,840	7.5%	95,850	\$16.26
Kansas City, KS	15	1,098,892	250,211	22.8%	(1,699)	\$15.77
Midtown	46	3,795,369	264,032	7.0%	2,638	\$20.45
North Johnson County	137	5,416,741	467,329	8.6%	(17,557)	\$19.53
North of the River	60	3,385,729	802,411	23.7%	(39,764)	\$15.70
South Johnson County	193	14,447,648	1,321,511	9.1%	(203,176)	\$22.25
South Kansas City	55	3,931,283	524,738	13.3%	150,870	\$18.20
Southeast Jackson County	3	1,089,390	104,840	9.6%	(50,717)	\$18.94
Subtotal of Non-CBD	580	35,487,038	3,908,912	11.3%	672,288	\$19.72
Totals = CBD + Non-CBD	655	47,023,390	5,160,367	11.0%	1,001,779	\$19.70

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
4Q 2017	10.9% (3.7% decrease)	\$19.67 (\$.79 increase)
4Q 2016	14.6% (2.3% decrease)	\$18.88 (\$.85 increase)
4Q 2015	16.9%	\$18.03
Non-CBD		
4Q 2017	11.0% (.60% increase)	\$19.72 (\$.75 increase)
4Q 2016	11.6% (1.5% decrease)	\$18.97 (\$.36 increase)
4Q 2015	13.1%	\$18.61
South Johnson County		
4Q 2017	9.1% (.10% increase)	\$22.25 (\$1.11 increase)
4Q 2016	9.2% (.70% decrease)	\$21.14 (\$.60 increase)
4Q 2015	9.9%	\$20.54

Tom Ward joins Kessinger/Hunter

Tom Ward joined Kessinger/Hunter in December as an Office Broker specializing in Tenant Representation. Tom graduated from the University of Kansas with Bachelor Degrees in Communication Studies and General Studies in Business Administration.

