

MARKET PULSE [OFFICE]

KANSAS CITY Q2 2017

ECONOMIC OVERVIEW

Per the U.S. Bureau of Labor Statistics, the unemployment rate for the Kansas City Metro area at the end of May 2017 was 3.9%, down from 4.4% in February 2017.

KANSAS CITY ANNOUNCEMENTS

Spring Venture Group, a direct-to-consumer distributor of Medicare supplement insurance, will move its headquarters to 130,000 square feet (sf) at 12 Wyandotte Plaza, 120 West 12th Street in downtown Kansas City, Missouri. It is estimated that improvements to be made associated with this move are between \$8 million and \$12 million.

Dairy Farmers of America (DFA) received \$18 million in state incentives for moving their new headquarters across the state line from Missouri to Kansas. Though the DFA deal is substantial, Kansas economic weapon, Promoting Employment Across Kansas (PEAK), has allowed the state to award five grants even larger.

CONSTRUCTION ACTIVITY

During 2Q17, six buildings totaling 451,345 sf were completed, compared to seven buildings totaling 405,816 sf completed in 1Q17. There is 414,929 sf of office space under construction at the end of 2Q17. The largest project underway is the 5200 W. 110th Street, 150,000-sf building.

Over the next two years, a total of four new developments are set to bring more than 17,000 sf of office space in Downtown Overland Park as part of mixed-use developments.

Briarcliff Development Corp. announced their final phase of office development within its nearby 400-acre mixed-use community in the Northland. The four sites are shovel-ready and range from 30,000 to 200,000 square feet. Construction of each site is projected to begin once 40 to 50 percent of lease commitments are attained.

STATS ON THE GO

	Q2 2016	Q2 2017
Overall Vacancy	15.39%	11.3%
Direct Asking Rents (psf/yr)	\$17.86	\$19.39
YTD Leasing Activity (sf)	649,366	691,636

The \$1.8 billion Brookridge redevelopment mixed-use project in Overland Park recently modified its plans to include a 12-story, 400,000-square-foot office building in an attempt to accommodate Kiewit Engineering Group. A 2Q19 completion date is anticipated if incentives are approved on schedule.

A 34,560-square-foot office building will be built on a speculative basis, anchoring the \$15.5 million Stag's Creek mixed-use project in Shawnee, Kansas. The property will be delivered in 4th quarter 2017 with asking rates in the range of \$24.00 to \$28.00/SF.

Terracon will construct a new corporate headquarters in Olathe, Kansas, just south of its current leased location at Corporate Ridge Office Park. They will invest \$21 million to construct the 65,000-square foot building. By keeping 200 jobs in Olathe, they will receive both state and local level incentives, including a 10-year, 65% property tax abatement. Construction is estimated to be complete by 1Q18. Projections indicate that employee growth rate will be 10% to 15% annually.

SALES ACTIVITY

Sprint Corp. has made available 284,000 sf of Class A office space in two buildings, 6300 and 6330 Sprint Parkway, both five-story buildings, of its 3.9 million-sf world headquarters campus in Overland Park. The Sprint Campus consists of 17 brick buildings built to accommodate 14,500 employees. After years of downsizing, Sprint has about 6,000 employees.

Corporate Woods, a 22-building, 2.2 million-sf office park in Overland Park, Kansas, sold to Group RMC Corp., a New York based co-investment and management firm, for an estimated \$295 million, with a cap rate of 8.5%. The office park was last sold in 2006 for \$290 million to CenterSquare Investment Management and Stoltz Real Estate Partners.

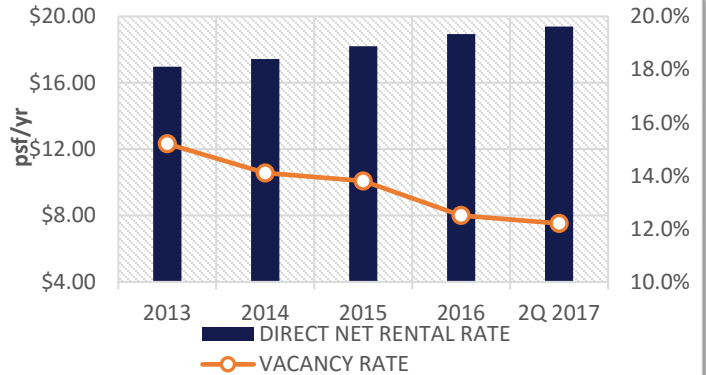
Five office transactions 1Q17 with a total volume of \$40,393,750 and 436,525 sf at an average price per square foot of \$92.53. Cap rates have been higher in 2017, averaging 9.26% compared to the same period in 2016 when they averaged 8.40%

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KESSINGER/HUNTER TRANSACTIONS FOR Q2 2017:

- Burns & McDonnell (57,025 sf)
- Encompass Medical (18,584 sf)
- Lockton Companies (9,413 sf)
- Paccar (8,486 sf)
- BHS Hospital Services (8,321 sf)
- Village Pediatrics (8,312 sf)
- Bosley Inc. (7,000 sf)
- Monsees & Mayer (6,139 sf)
- Keyence Corp. of America (4,398 sf)

DIRECT RENT VS. VACANCY RATES



Market	Existing Inventory		Vacancy		YTD Net Absorption	Average Rents
	# Buildings	Total RBA	Total SF Available	% Vacant		
Downtown/CBD	76	11,627,949	1,371,126	11.8%	326,853	\$19.36
East Jackson County	70	2,266,665	198,051	8.7%	81,760	\$15.66
Kansas City, KS	15	1,098,892	248,611	22.6%	(99)	\$18.71
Midtown	46	3,802,419	287,226	7.6%	20,821	\$20.40
North Johnson County	137	5,417,475	474,751	8.8%	(18,861)	\$19.31
North of the River	61	3,403,698	799,218	23.5%	32,971	\$15.45
South Johnson County	193	14,465,214	1,421,901	9.8%	17,977	\$21.49
South Kansas City	55	3,931,283	451,190	11.5%	225,602	\$18.56
Southeast Jackson County	3	1,089,390	49,511	4.5%	4,612	\$19.70
Subtotal of Non-CBD	580	35,475,036	3,930,459	12.1%	364,783	\$18.66
Totals = CBD + Non-CBD	656	47,102,985	5,301,585	11.3%	691,636	\$19.39

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

KESSINGER/HUNTER OFFICE BROKERAGE PROFESSIONALS



BACK ROW: Cassidy Mears, Greg Swetnam, Joe Heinzler FRONT ROW: Debbie Schulte, Kathy Lapp, Holly Mills, Sharon Gartin