

MARKET PULSE [OFFICE]

KANSAS CITY Mid-Year 2019

KANSAS CITY ANNOUNCEMENTS

The U.S. Department of Agriculture announced that hundreds of jobs would be coming to Kansas City with the relocation of two agencies: The Economic Research Service and the National Institute of Food and Agriculture. The USDA will look on both sides of the state line for a 120,000-sf, Class A office building to house the 568 employees relocating from their current offices in Washington. Local government agencies offered \$26 million in incentives to win the jobs. They also figure to save nearly \$300 million in employment and rent costs over the course of a 15-year lease in Kansas City.

Waddell & Reed is in the market considering space on either side of the state line relocating up to 1,000 jobs into Missouri.

The former headquarters building for DST, located at 333 W. 11th Street, is available for lease. The building offers a total of 84,488 sf of Class A space.

Industrious, a New York based flexible workspace provider, is entering Kansas City leasing 30,000 sf located at 420 Nichols Road on the Country Club Plaza.

WeWork will open 2nd KC location in Lightwell, formerly City Center Square, totaling 100,000 sf. WeWork also occupies space in Corrigan Station.

CONSTRUCTION ACTIVITY

A 250,000-sf office tower is proposed for downtown Kansas City. It's been 30 years since Kansas City had a newly constructed Class A tower in the CBD. If the City Council approves the development agreement, Kansas City would pay \$27 million toward the cost of the building in addition to \$36 million for a 750-space parking garage.

Denver-based developer, Epoch Developments, LLC announced that it plans to turn the parking lot at the northwest corner of 3rd & Delaware streets into a 64,000-sf, \$25 million, five-story speculative office building.

City Center Lenexa, located at the west side of I-435 between Renner Boulevard and 87th Street will begin development of three office towers, Penn I, II, and III, each having approximately 45,000 sf of office space over three stories.

SALE ACTIVITY AT MID-YEAR 2019

Total office building sale activity in 2018 reached more than \$330 million, a significant drop off from the peak above \$600 million the previous year.

(Average cap rates during the past 12 months equates to 8.0% with an average price per sf of \$118.00.)

Occidental Management, a Wichita, Kansas-based company, has closed on its purchase of the 17-building, 190-acre, 4 million-sf Sprint Headquarters Campus. The sale includes a sale-leaseback agreement with Sprint, which would continue to occupy a portion of the campus. Sprint plans to consolidate its operations from 11 buildings to four.

Platform Ventures purchased the 253,720-sf Plaza Vista Office Building located at 900 W. 48th Street. The sales price of \$118 million, equates to \$466 psf from an undisclosed seller managed by EverWest Real Estate Investors.

City Center Square was recently purchased by Somera Road, Inc. from NG City Square, LLC, an investment group, that closed in January. The 30-story, 663,656-sf office tower located at 1100 Main will be renamed to the Lightwell Building. The developers are asking for a 95%, 10-year property tax exemption for redevelopment.

BUILDINGS THAT HAVE RECENTLY SOLD

- Southlake Office & Tech Center
- Park Central Plaza I/II – Kansas City, MO
- 7900 College Boulevard, Overland Park, Kansas
- 8675 W. 96th Street, Overland Park, KS
- 4745 W. 136th Street, Leawood, KS

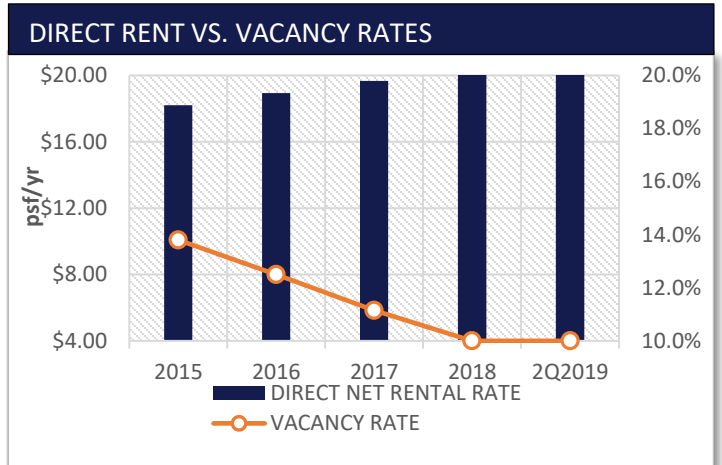
STATS ON THE GO

	Q2 2018	Q2 2019
Overall Vacancy	9.1%	10.0%
Direct Asking Rents (psf/yr)	\$20.20	\$20.60
YTD Leasing Activity (sf)	349,582	70,717

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KESSINGER/HUNTER TRANSACTIONS FOR Mid-Year 2019:

- Burns & McDonnell (155,295 sf)
- Boilermakers-Blacksmith Nat. Pension (52,432 sf)
- Intouch Solutions (132,633 sf)
- Responsive Centers (11,297 sf)
- VentureUS (10,618 sf)
- MOST (9,280 sf)
- CareStaf, Inc. (4,296 sf)
- Freestate Advisors (3,562 sf)



Market	Existing Inventory		Vacancy		YTD Net Absorption	Average Rents
	# Buildings	Total RBA	Total SF Available	% Vacant		
Downtown/CBD	76	11,582,968	1,201,033	10.4%	146,806	\$19.77
East Jackson County	70	2,309,127	264,158	11.4%	(44,978)	\$15.57
Kansas City, KS	15	1,038,002	32,463	3.1%	7,263	\$13.62
Midtown	45	3,835,700	365,669	9.6%	(127,762)	\$25.46
North Johnson County	139	5,722,251	323,223	5.6%	147,813	\$21.24
North of the River	60	3,425,192	620,857	16.9%	5,459	\$16.30
South Johnson County	195	14,766,153	1,458,847	9.9%	(34,455)	\$23.20
South Kansas City	54	3,942,572	390,229	9.9%	49,557	\$19.22
Southeast Jackson County	3	1,087,072	111,530	10.3%	1,562	\$19.42
Subtotal of Non-CBD	581	36,126,069	3,566,976	9.9%	4,459	\$20.98
Totals = CBD + Non-CBD	657	47,709,037	4,768,009	10.1%	151,265	\$20.70

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

Welcome to Kessinger Hunter Drew Neubauer - Office Broker

Drew Neubauer joined Kessinger Hunter as part of the office brokerage team in June of 2019, after graduating from Kansas State University in May of 2019. He will specialize in tenant representation within office brokerage. As he continues to gain experience, he aims to expand his role further into the market. Drew is an enthusiastic member of the community and is proud to be a part of helping clients develop successful businesses in the Kansas City area and beyond.

