

MARKET PULSE [OFFICE]

KANSAS CITY Year-End 2019

KANSAS CITY ANNOUNCEMENTS

Kansas Governor, Laura Kelly, signed an executive order during 3Q 2019 that effectively ended the economic border war between Kansas and Missouri. The order ends the use of the state incentives to lure businesses from Jackson, Platte, Clay or Cass counties in Missouri to Johnson, Wyandotte or Miami counties in Kansas. The order does allow for incentives to be issued for “net new jobs” created by an employer relocating from Missouri to Kansas.

Waddell & Reed selects 1400 Baltimore Avenue for its \$140 million headquarters in Kansas City. The 260,000-square-foot tower is planned to be completed in 2022. Although Waddell & Reed will not own the building, the project is expected to house the financial services firm for at least 15 years bringing about 1,000 jobs to Kansas City’s Central Business District. Incentives include \$35 million from the city through various tax incentives, including a property tax abatement, an exemption on sales tax for construction materials and a 50% abatement of the economic activity tax. The local incentives come in addition to as much as \$62 million from Missouri for jumping the state line from Overland Park. Burns & McDonnell will handle the exterior design and construction of the tower with HOK out of St. Louis designing the building’s interior space.

Blue Cross Blue Shield of Kansas City is considering a 200,000-sf build-to-suit headquarters. The existing location, at 2301 Main Street and the 46,000-sf occupied at 2300 Main Street is not sufficient for providing a workplace that prioritizes company needs, workforce wellness, innovation, and collaborative workspaces. Several locations are being considered in the Downtown submarket.

CONSTRUCTION ACTIVITY

Creative Planning announced plans to break ground on a new building similar to the one completed in 2018, Creative Campus Building One situated at the corner of I-435 and Nall Avenue. The 3rd building will be available entirely for lease. Creative Planning presently occupies the entire 5-story, 125,000-sf building and half of a 102,750-sf building, which also houses HCA Midwest Health’s headquarters.

Approximately 70% of underway construction activity is on the metro’s Missouri side, with the four largest projects located in the Country Club Plaza, Crown Center, and South Kansas City, Missouri submarkets.

46 Penn Centre on the Country Club Plaza broke ground in 2017 on the construction on the 209,500-sf building and has secured several tenants including UBS Financial Services, Pulse Design, CrossFirst Bank, and RSM.

SALE ACTIVITY YEAR-END 2019

A new record was set in 2019, with nearly \$660 million changing hands with the largest sale of office building in Kansas City being the 255,000-sf Plaza Vista that sold in May 2019 for \$118 million (\$466/SF) to an out-of-town investment manager, Platform Ventures.

(Average cap rates during the past 12 months equates to 7.4% with an average price per sf of \$108.00.)

The Brain Group purchased the Executive Centre Office Complex consisting of three buildings totaling 222,426 sf situated on 14.1 acres at 108th & Lowell Avenue in Overland Park, Kansas for \$22.8 million.

BUILDINGS SOLD IN 2019

- 1201 Walnut, 480,886 sf - \$53,768,689 (\$112/sf)
- 11201 Renner Blvd., 169,585 sf - \$53,300,000 (\$314/sf)
- Sprint Campus, 119th & Nall, 4,166,000 sf - \$250,000,000 (\$60.01/sf)
- 7900 College Boulevard - \$7,500,000 (\$132.50/sf)
- 1100 Main Street - \$37,400,000 (\$56.92/sf)
- Westbrook III, 8050 Marshall Drive - \$15,300,000 (\$155/sf)
- Waterside IV, 15500 W. 113th Street - \$11,679,115 (\$128/sf)
- Southlake Technology Park – 11 Buildings in Lenexa, KS totaling 784,557 sf - \$88,000,000
- Park Central Plaza I/II – Country Club Plaza – 150,000 sf \$31,000,000 (\$206/sf)

STATS ON THE GO

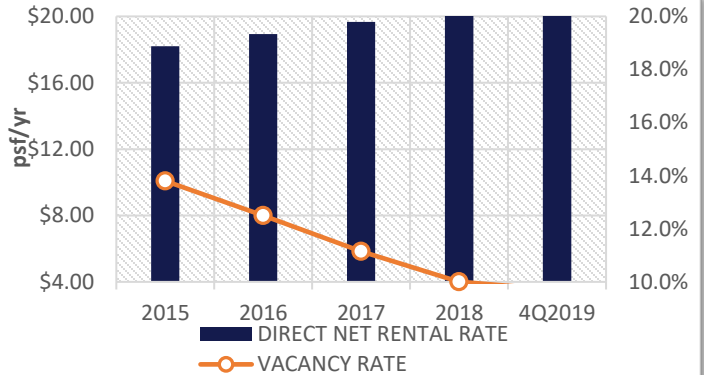
	Q4 2018	Q4 2019
Overall Vacancy	10.3%	9.7%
Direct Asking Rents (psf/yr)	\$20.48	\$21.22
YTD Leasing Activity (sf)	3,202,326	2,235,210

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KESSINGER/HUNTER TRANSACTIONS FOR Year-End 2019:

- Department of Labor (83,541 sf)
- Blue Cross/Blue Shield (15,013 sf)
- Reece & Nichols Realtors (11,332 sf)
- Suture Express, Inc. (9,158 sf)
- Autism Support Now (6,458 sf)
- Meyer Companies (6,332 sf)
- Helm Fertilizer Corporation (4,256 sf)
- Daily's Premium Meats (4,191 sf)
- Heart Training (3,814 sf)
- Psychology Office Management (2,578 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	11,556,760	1,124,005	9.7%	151,635	\$21.13
East Jackson County	70	2,311,437	223,681	9.7%	13,773	\$15.92
Kansas City, KS	15	1,038,002	32,463	3.1%	(6,459)	\$13.62
Midtown	44	3,821,349	394,681	10.3%	(164,739)	\$26.06
North Johnson County	139	5,706,504	308,139	5.4%	151,451	\$21.61
North of the River	61	3,445,192	697,985	20.3%	(50,229)	\$16.80
South Johnson County	195	14,731,341	1,380,874	9.4%	(222,948)	\$23.01
South Kansas City	53	3,650,381	345,841	9.5%	79,583	\$19.19
Southeast Jackson County	3	1,096,769	67,310	6.1%	36,751	\$18.93
Subtotal of Non-CBD	580	35,800,975	3,566,976	9.6%	28,657	\$21.24
Totals = CBD + Non-CBD	656	47,357,735	4,690,981	9.7%	180,292	\$21.22

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



Featured Property Renaissance III - 7045 College Boulevard Overland Park, KS

Up to 20,450± RSF – 6th Floor; 8,016± RSF 1st Floor “Lobby Exposure”
Institutional quality & ownership

