

# MARKET PULSE [OFFICE]

## KANSAS CITY Mid-Year 2020

### KANSAS CITY ANNOUNCEMENTS

The unemployment rate in the US averaged 5.75% from 1948 until 2020, reaching an all-time high of 14.70% in April 2020 with a record low of 2.50% in May 1953. As of June 2020, the unemployment rate in Missouri was 7.9% compared to Kansas 7.5% per the Bureau of Labor Statistics.

Swiss Re downsized from 220,000 sf to 120,000 sf from Kansas to One Kansas City Place in Missouri. Swiss Re will receive \$20 million over the next five years for moving its nearly 400 jobs from North Johnson County.

Lee Jeans relocated its headquarters to North Carolina from 9001 W. 67<sup>th</sup> Street, Merriam, Kansas “consolidating the lifestyle brands under one roof.” Lee Jeans moved from Salina, Kansas to Kansas City in 1917.

Jack Cooper Transport relocated its 24,548 sf of space to 2345 Grand; Paylt signed a 22,971-sf lease at Lightwell, 1100 Main Street; Henderson Building Solutions leased 20,942 sf of space in the Pine Ridge Business Park. BOK Financial Corporation announces relocating its headquarters from Lighton Tower to 7101 College Boulevard taking two full floors. Euronet leased 30,111 sf in the American Academy of Family Physicians building located at 11400 Tomahawk Creek Parkway, Leawood, Kansas.

### CONSTRUCTION ACTIVITY

A majority of the 1.71 million sf under construction in Kansas City is on the Missouri side of the State Line, with the four largest projects located in the Country Club Plaza, Crown Center, and South Kansas City submarkets.

Cerner has one more building under construction (450,000 sf) on Rock Creek Parkway. A BTS for Waddell & Reed’s 260,000-sf headquarters located at 1400 Baltimore Avenue broke ground in January 2020 with an estimated completion by early 2022. Waddell received a \$35 million, 15-year tax abatement to make the move from Overland Park and add 1,000 workers to the Downtown area.

Shamrock Trading Company’s 200,000-sf headquarters at 9455 Metcalf Avenue, Overland Park, Kansas is set to finalize construction and open for business in October 2020.

46 Penn Centre located at 4622 Pennsylvania Avenue on the Country Club Plaza, a 225,000-sf, 14-story building that is 50% preleased is set to open late 2020. The building will have approximately 106,500 sf available for lease.

### RECENT SALE ACTIVITY

A new record was set in 2019, with nearly \$750 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 \$118M (\$466/sf) to an out-of-town investment manager, Platform Ventures.

Lingerfelt Commonwealth Partners bought the 535,000-sf office building located at 2345 Grand for \$68 million (\$127/sf) in 2018. In August 2017, Corporate Woods Office Park, totaling approximately 2 million sf of office space in 21 office properties, along with a 30,000-sf retail building, was purchased by RMC for \$295 million (\$134/sf), at an 8% cap rate. **(Average cap rates dipped below 7.5%).**

### RECENT SIGNIFICANT SALES

- 11201 Renner Blvd. - 169,585 sf - \$53,300,000 (\$314/sf)
- Sprint Campus, 119<sup>th</sup> & 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. 113<sup>th</sup> Street - \$11,679,115 (\$128/sf)
- Southlake Technology Park - 11 Buildings in Lenexa, KS totaling 784,557 sf - \$88,000,000 (\$112.17/sf)
- Park Central Plaza I/II - Country Club Plaza – 150,000 sf \$31,000,000 (\$206/sf)
- 8000 W. 110<sup>th</sup> Street - \$5,700,000 (\$105/sf)
- 8527-8551 Bluejacket Drive - \$3,750,000 (\$132/sf)
- 7800 College Boulevard - \$2,400,000 (\$118/sf)

### LARGE BLOCKS OF SPACE HEADED OUR WAY

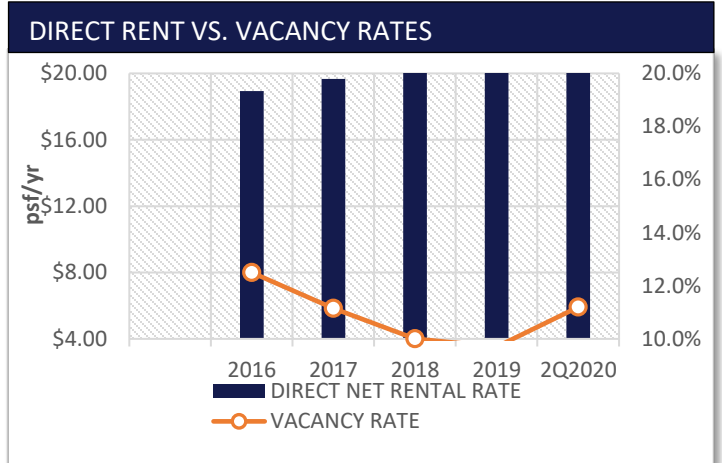
- Waddell & Reed Campus (400,000 RBA / 361,683 sf Available 1Q 2022)
- 1100 Main, KCMO (663,656 RBA / 278,134 sf Available)
- 5200 Metcalf, OPKS (220,511 RBA / 100% Available)
- 2400-2480 Pershing Road, KCMO (596,011 sf / 227,315 sf Available)
- 2001 NE 46<sup>th</sup> Street, KCMO (212,122 RBA 100% Available)
- 2555 Grand Blvd., KCMO (183,555 sf Available)
- 9401 Renner Blvd., Lenexa, KS (150,958 RBA / 100% Available)
- 9001 W. 67<sup>th</sup> St, Merriam, KS (146,000 RBA / 100% Available)
- 9701 Renner Road, Lenexa, KS (129,321 RBA / 100% Available)
- 1100 Walnut St., KCMO (100,527 sf Available)
- 1200 Main, KCMO (822,391 RBA / 100,000 sf Available)
- 333 W 11<sup>th</sup> Street, KCMO (87,488 RBA / 100% Available)
- CityPlace CC I, Lenexa, KS (120,000 RBA / 75,000 sf Available)
- Former Sprint Campus / Third-Party (1,461,921 RBA / 195,937 sf Available) \*Total Campus 3.9 million sf

# KANSAS CITY Mid-Year 2020

## KESSINGER HUNTER TRANSACTIONS

### Mid-Year 2020:

- Burns & McDonnell / St. Louis, MO (21,646 sf)
- RGN-Kansas City II, LLC (17,492 sf)
- Kansas Medical Clinic (7,385 sf)
- Ralston Kinney, LLC (7,139 sf)
- The Independence ASC, LLC (5,500 sf)
- AspyreWealth (5,243 sf)
- Silverlight RCM, LLC (4,915 sf)
- Saint Luke's South Hospital, Inc. (4,862 sf)
- St. Jude's (3,878 sf)
- Westar Foods (3,005 sf)



Market	Existing Inventory		Vacancy		YTD Net Absorption	Average Rents
	# Buildings	Total RBA	Total SF Available	% Vacant		
<b>Downtown/CBD</b>	75	11,527,035	1,289,723	11.2%	(178,082)	\$21.02
East Jackson County	70	2,337,481	284,020	12.2%	(53,881)	\$16.58
Kansas City, KS	15	1,038,002	35,609	3.4%	(3,146)	\$16.97
Midtown	45	3,837,599	399,514	10.5%	3,132	\$25.41
North Johnson County	139	5,708,347	546,145	9.6%	(233,746)	\$22.03
North of the River	61	3,445,192	837,067	24.3%	(129,448)	\$15.60
South Johnson County	195	14,756,437	1,496,982	10.1%	9,970	\$22.83
South Kansas City	53	3,665,103	361,947	9.9%	(11,637)	\$19.13
Southeast Jackson County	3	1,096,769	67,310	6.1%	0	\$19.37
<b>Subtotal of Non-CBD</b>	581	35,884,930	4,028,594	11.2%	(418,756)	\$20.98
<b>Totals = CBD + Non-CBD</b>	656	47,411,965	5,318,317	11.2%	(596,838)	\$20.99

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

**COVID-19 Update: A national independent survey of 40K office users in search of future trends in the workplace on a post-COVID basis was recently conducted. Some of the major findings are:**

- \*50% of the workforce will likely be working across a balance of office, home, and third-place locations.
- \*Employers found that employees can be productive anywhere, not just in the office.
- \*The new normal will be a mix of a variety of locations.

In essence, the office isn't going anywhere! It will continue to take on a purpose of providing a destination that strengthens cultural connections, learning, bonding with customers, colleagues, fostering creativity, innovation, and a collaborative environment. The fact is, COVID has fostered a culture of Trust!! While there clearly will be real fallout from this virus on both a short and long-term basis will generally be based on the type of business or industry conducted. Any business that requires the ability to feed off face-to-face interaction is hard to replicate in a remote environment.

*In addition to regular communication with our clients, it's important to consider new ideas that could provide a competitive edge. Now is the time to start developing a plan, examining your criteria, and looking for ways to create value.*

*Please contact Kessinger Hunter should your company need help with this process and the evaluation of your current office space.*