KANSAS CITY Year-End 2021

KANSAS CITY ANNOUNCEMENTS

Kansas City's largest private employer, with more than 12,700 local full-time employees, is in the middle of a proposed $28.3 billion, all-cash deal to sell to Oracle Corp. with a closing expected in 2022. Cerner is further consolidating its office footprint amid its ongoing transition to a hybrid workforce by listing the two, 660,000-square-foot (sf), 9-story property known as "Continuous Campus," located at 10200 Abilities Way in Kansas City, Kansas.

Creative One and TreviPay relocate to the Aspiria Campus (formerly Sprint Campus). TreviPay will move into a 73,000-sf space at 6450 Sprint Parkway relocating from its headquarters at 8650 College Boulevard. CreativeOne, a diversified financial services organization, will move into 25,000 sf at 6330 Sprint Parkway relocating its headquarters from 11460 Tomahawk Creek Parkway in Leawood, KS. Yellow Corp leased 84,684-sf located at 11500 Outlook Street.

Industrial Accessories Company signed a 35,000-sf lease in Summit52, the former Swiss Re building located at 5200 Metcalf Avenue, Overland Park, KS.

The FBI signed a new 20-year, $102.1 million lease occupying 136,910 sf of offices on or about the 1st quarter of 2024 located at the SWC of 112th Street and Interstate 29. The Bureau's lease at 1300 Summit Street expires June 2025.

Hughes Hubbard & Reed relocates its 13,000 sf KC office to Town Pavilion from 2345 Grand.

NIC relocates from Cedar Creek to Executive Hills Building 39 at 7701 College Boulevard for nearly 50,000 sf on a long-term lease for occupancy later this year.

CONSTRUCTION ACTIVITY

UMB Bank is working with VanTrust to redevelop the 4.32-acre corner of I-435 and State Line Road in South Kansas City, Missouri into an office building consisting of 105,000 sf with a 293-space parking garage. UMB will maintain 1 acre at the corner leaving 3.34 acres of the site for construction by VanTrust as a speculative building with demolition starting in February 2022.

Copaken Brooks and Jury & Associates is developing Strata, the first Class A office high-rise, multi-tenant building in KC since 1991. The 265,000-rsf, 16-story building is located at the corner of 13th & Main offering varied sized floor plates from 11,400 rsf - 16,500 rsf available for lease on top of a parking structure and the currently existing retail. Completion is scheduled for late summer 2022.

Garmin purchased the former Great Mall of the Great Plains in Olathe (193 acres at the NWC of 151st Street and I-35). The $98 million phase involves transforming 544,000 sf of warehouse and manufacturing space into a research-and-development facility with office space for its aviation business unit.

RECENT SALE ACTIVITY

Within the Kansas City office market, 327 office deals have closed in the past year, which was a significant increase compared to the five-year average sales count. Average annual sales volume has averaged $443 million over the past five years, and the 12-month high for deal volume over that period reached $773 million with the recorded volume over the past year totaling just $168 million. Market pricing, derived from the estimated price of all office properties in the metro, was $137/sf during the first quarter of 2022. The price is a significant discount compared with the overall average for the United States, which is more than 50% below the average office market price in the United States. The cap rate has increased in the past 12 months to 8.2%. This is the highest cap rate that has been seen in Kansas City in the past 5 years, with the cap rate usually being higher here than those across the country.

The Housing Authority of Kansas City purchased a 60,000-sf office building at 3822 Summit Street for $4.3 million relocating its 100 employees from 920 Main Street.

LARGE BLOCKS OF SPACE ON THE MARKET

- Waddell & Reed Campus (400,000 RBA / 361,683 sf Available 3Q 2022)*
- 1200 Main, KCMO (822,391 RBA / 100,000 sf Available*
- 6800 W. 115th Street, Overland Park, KS (733,400 RBA / 70,383 sf Available*
- 1100 Main, KCMO (663,656 RBA / 294,090 sf Available)
- 5200 Metcalf, OPKS (220,511 RBA / 88% Available)
- 2400-2480 Pershing Road, KCMO (596,011 RBA / 207,591 sf Available)
- 2001 NE 46th Street, KCMO (218,662 RBA / 52% Available)
- 2555 Grand Blvd., KCMO (183,555 sf Available)
- 9401 Renner Blvd., Lenexa, KS (150,910 RBA / 100% Available)
- 333 W 11th Street, KCMO (87,488 RBA / 100% Available)
- Former Sprint Campus / Third-Party (1,461,921 RBA / 319,590 sf Available in 7 buildings) *Total Campus 3.9 million sf

**Available for Sublease*

Kessinger Hunter & Company
2600 Grand Boulevard, #700
Kansas City, MO 64108
www.kessingerhunter.com

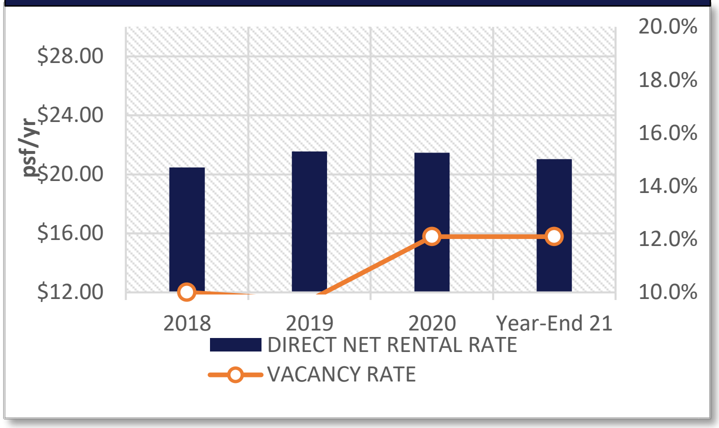
For more information, contact:
Gregory W. Swetnam
816 936 8510
gswetnam@kessingerhunter.com

KANSAS CITY Year-End 2021

KESSINGER HUNTER OFFICE TRANSACTIONS Year-End 2021:

- Burns & McDonnell (39,308 sf)
- Data Systems International (20,929 sf)
- Menufy.com, LLC (20,771 sf)
- mySidewalk, Inc. (10,400 sf)
- Burns & McDonnell (9,270 sf)
- Multivac, Inc. (9,012 sf)
- ProAg Management, Inc. (7,451 sf)
- Wyrsch Hobbs & Mirakian (7,333 sf)
- NL Newhouse, DDS (3,879 sf)
- Jubilent (3,092 sf)
- Van Deurzen & Associates (3,076 sf)
- Rank Fuse Interactive (2,596 sf)
- Wendy Prestwood (2,524 sf)

DIRECT RENT VS. VACANCY RATES



	Existing Inventory			Vacancy		
Market	# Buildings	Total RBA	Total SF Available	% Vacant	YTD Net Absorption	Average Rents
Downtown/CBD	79	12,078,177	2,060,955	17.1%	240,345	$23.98
East Jackson County	70	2,439,713	424,876	17.4%	(209,812)	$16.29
Kansas City, KS	15	1,038,002	25,276	2.4%	3,874	$16.97
Midtown	45	3,765,581	579,729	15.5%	(24,986)	$26.10
North Johnson County	139	5,721,134	828,123	14.5%	(219,532)	$20.09
North of the River	60	3,467,142	906,362	26.1%	(79,088)	$16.18
South Johnson County	198	15,057,842	2,196,579	14.3%	(426,294)	$22.22
South Kansas City	53	3,685,726	343,632	9.3%	(1,666)	$19.50
Southeast Jackson County	3	188,366	158,249	13.3%	(90,939)	$19.33
Subtotal of Non-CBD	583	35,363,506	5,462,826	13.7%	(1,045,343)	$21.32
Totals = CBD + Non-CBD	662	47,441,683	5,757,715	15.4%	(804,998)	$21.67

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

The State of the Kansas City Marketplace "As We See It"

The current marketplace is in a kind of unusual state in that the pandemic has slowed the amount of activity and velocity in leasing. While it is really the slowest in the Downtown submarket, the same can be said for the South Johnson County submarket. Tenants are struggling with an overall space strategy. This is primarily true with tenants above the 10K sf range with predominantly open space layouts. Employers want to return to the office but are struggling with their employee-to-employer relationship. Therefore, for the time being and depending on the industry, they are looking to a hybrid workspace of employees showing up just 2-3 days a week. When you take that into consideration, coupled with a lease roll, tenants are trying to take less space, but also not wanting to make a big mistake in too little or too much space to accomplish a time frame over the next 5+ years. One thing is certain and that is CHANGE!! That uncertainty is keeping a lot of CEOs up at night!

Most properties are trying to hold their rate to the asking terms on the surface, but that all changes once a prospect begins to show real interest. While most landlords, outside of new construction, are more willing to get aggressive to secure a tenant who is showing buying signs on a particular space (to the tune of an 8-10% discount), the cost of tenant improvements to modify a specific space is really pushing the limits (all depending on the level of residual improvements versus a gut re-build situation), of what would be considered a good return from anyone's perspective. With construction costs jumping as much as 15-25% in the last 12 months, the pressure on return is becoming more and more difficult. The real battle occurs when a landlord must provide a competitive rate to attract the tenant vs. the ever-rising costs in tenant improvements to construct the space. Securing a good quality credit tenant with some level of return may be better than no return. The tight rope is finding the right space for the right user. Some landlords will win the deal because they can get more aggressive on rate and term due to the fact that they are spending less tenant finish to secure a lease. Many of the institutional landlords and some locals, as well, will do what it takes to make the deal today on a smaller return basis. Their strategy will be to live for the next rollover with the hope of spending less tenant finish and concessions on the renewal, along with the hope of timing a stronger market for a much better return on a longer-term basis. Clearly, there is still the risk of losing tenants at rollover, but you are surviving in a difficult market with the anticipation of making it in the long run.

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