KANSAS CITY Year-End 2023

KANSAS CITY ANNOUNCEMENTS

Office tenants continue evaluating options to right-size their footprint as leases expire, decreasing per-worker square footage requirements. Office-occupying industries has slowed in Kansas City. As a result, the market has seen an increase in its availability rate. Currently, there is 1.7 million sf of sublet space available. The market continues to see companies offer space for sublease.

Enterprise Bank leased 14,654 rsf at 6329 Glenwood, 3rd Floor, Overland Park, Kansas with an expected occupancy of 4Q23.

Husch Blackwell signed a 12-year lease extension (95,000 sf) in the Plaza Colonnade building at 4801 Main Street. Plans are in place to blow out windows to build a 10-floor patio into its space.

Clarivate, a London-based, $2.6 billion publicly traded data analytics company, has leased 10,000 sf in the same building that Mariner Wealth Advisors is located at 5700 W. 112th Street in Overland Park, Kansas. Forty of the 50 new associates came from Cerner Corp.

Hill's Pet Nutrition will relocate its global and corporate headquarters from Topeka to Overland Park, KS. They have signed a lease on the Aspiria campus, 6180 Sprint Parkway for 100,000 sf. The office design will feature "a modern approach to the workplace and an on-site dog park. Hill's plans to continue its manufacturing operations in North Topeka.

Kutak Rock has signed a 23,479-sf lease at 2405 Grand Boulevard in the Crown Center Complex.

The FAA has signed a new 82,000-sf lease at 1100 Main Street and will move from a government-leased building at 901 Locust in 2025.

CONSTRUCTION ACTIVITY

Most of the 960,000 SF currently under construction in the market is being driven by user demand. Shamrock Trading kicked off the second phase of its east campus with a 392,000-sf office building during the summer of 2022. It is the largest office project under construction in Kansas City as of this date. The first building on the campus was finished in 2020.

A build-to-suit project was completed for the FBI Building in the I-29 Corridor submarket near the airport. The 137,000-sf project is scheduled to deliver in the second half of 2023 with occupancy more likely in early 2024.

Office buildings continue to be a prime target for conversion. The two-building Continuous Campus in Wyandotte County was recently approved for a zoning change, clearing the path for at least one of the buildings to become apartments.

As the pandemic ensued and office demand subsided, development interest dried up, particularly on the speculative front. Presently, there is 960,000 sf under construction, much of it user-driven. Office buildings continue to be a logical target for apartment conversions.

RECENT SALE ACTIVITY

Sales volume in the Kansas City office market over the past year reached $257 million, far below the market's 10-year average of $425 million. Activity began to slow in the second half of 2022 in conjunction with rising interest rates. As a result, 2023 is on pace to be one of the slowest years in Kansas City over the past decade.

Private buyers have been the most active over the past 12 months, accounting for 86% of the buyer pool. One group that has stepped back is institutional investors involved in just 2% of activity in the past years Price Brothers acquired the high-profile Lighton Plaza consisting of three buildings located at 7300, 7400, and 7500 College Boulevard totaling 474,519 Class "A" sf. The seller was an affiliate of NewTower Trust Co. of Bethesda, Maryland and closed the middle of June. Price Brothers also purchased 10 Main Center, a 355,241-sf former office building and will convert to apartments and condominiums.

SVN (Scuola Vita Nuova) Charter School purchased the building located at 2021 Independence Avenue for new middle school classrooms and facilities spending approximately $2.1 million.

LARGE BLOCKS OF SPACE ON THE MARKET

- 10990 Roe Avenue – YRC Worldwide (174,000 sf Available)*
- 600 New Century Parkway (former CenturyLink), Gardner, KS (443,747 sf Available)
- 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 St., OP, KS (733,400 RBA / 204,470 sf Available / 70,383 sf Sublease)*
- 1100 Main, KCMO (639,586 RBA / 282,731 sf Available)
- 5200 Metcalf, OPKS (295,631 RBA / 164,224 sf Available)
- 2400-2480 Pershing Road, KCMO (596,011 RBA / 354,629 sf Available)
- 2001 NE 46th Street, KCMO (317,732 RBA / 52% Available)
- 2555 Grand Blvd., KCMO (183,555 sf Available)*
- 9401 Renner Blvd., Lenexa, KS (150,000 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
- 4802 Mitchell Ave., St. Joe, MO (former Am. Family Campus) (363,961 sf Available)

**Available for Sublease*

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

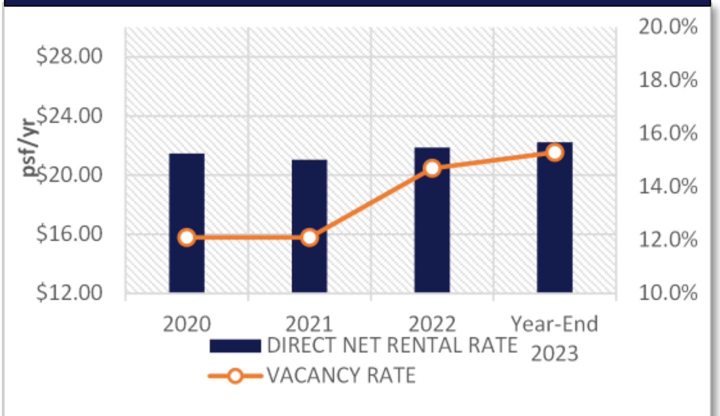
For more information, contact:
Gregory W. Swetnam
816 289.4873
gswetnam@kessingerhunter.com

KANSAS CITY Year-End 2023

KESSINGER HUNTER OFFICE TRANSACTIONS Year-End 2023:

- Plaza Street Partners, LLC (10,900 sf)
- Independence Pediatrics (9,401 sf)
- Academy Bank (5,477 sf)
- Dubois Consultants, Inc. (5,000 sf)
- St. Luke's South Hospital, Inc. (4,862 sf)
- Continental Title Holding (4,706 sf)
- Behavioral Health Practice Services (4,694 sf)
- Cross Manufacturing (3,481 sf)
- JDRF International (3,441 sf)
- David Stamos (2,995 sf)
- Petrovic Financial Solutions (2,792 sf)
- CBT Kansas City, LLC (2,278 sf)
- Prime Capital Investment Advisors (2,250 sf)

DIRECT RENT VS. VACANCY RATES



Market	Existing Inventory # Buildings	Total RBA	Vacancy Total SF Available	% Vacant	YTD Net Absorption	Average Rents
Downtown/CBD	86	14,140,916	2,215,126	15.7%	(112,557)	$22.35
East Jackson County	70	2,433,462	167,020	6.9%	24,233	$19.90
Kansas City, KS	15	1,043,499	25,033	2.4%	(14,576)	$18.77
Midtown	44	3,755,528	419,945	11.2%	4,581	$26.99
North Johnson County	135	5,558,384	871,860	15.7%	37,292	$21.02
North of the River	60	3,441,377	477,104	13.9%	152,474	$16.34
South Johnson County	207	17,101,055	2,715,777	20.8%	(290,201)	$23.69
South Kansas City	52	3,554,754	373,665	19,7%	(1,760)	$20.18
Southeast Jackson County	3	1,096,769	386,242	35.2%	(111,618)	$18.91
Subtotal of Non-CBD	586	37,984,828	5,436,646	14.3%	(199,524)	$22.29
Totals = CBD + Non-CBD	672	52,125,744	7,651,772	1530.0%	(312,081)	$22.22

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

'If & When'

Overall work from home job numbers have dropped from their peak in the spring of 2020, when more than 60% of days were worked from home to about 25% in 2023 (according to USA Today). While these numbers look promising for the upcoming year, back to work generally is spelling a hybrid schedule to three days back in the office and a continual trend of downsizing pretty much across the board depending on the type of business, how work is distributed, and the company's overall culture, or lack thereof from the top down.

In the end, we believe the upcoming year will be more of the same in the de-valuation of commercial office property, a slight migration to quality (of which there is very little), and a struggle to stabilize especially large concentrations of office space. With all these challenges having a dramatic effect on valuations, high interest rates, and financing could be a sizable struggle for some owners in refinancing upcoming loan maturities. To make matters more difficult, costs of construction continue to be the "Achilles heel" of nearly every lease transaction. While face rates have increased across the board, competition from an abundance of supply, the costs of operating expenses, and tenant finish increase up 30-40% post, pandemic continues to test ownership resilience for the future. Please don't get us wrong, we are transacting leases, it is just a slower, much more deliberate process with smaller room for error, making the need for professional representation all the more necessary, with the continual uncertainty, high level of vacancy, and continual pressure on costs. The ability for the market to fully recover will continue, challenging tenants to get what they specifically want and landlords to stabilize rates and make a suitable return. Unfortunately, time will be the only telling factor of all the obstacles.

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

For more information, contact:
Gregory W. Swetnam
816 289 4873
gswetnam@kessingerhunter.com