

RESEARCH 1Q 2021

NEWMARK
ZIMMER

Kansas City Capital Markets



Executive Summary

Newmark Zimmer is constantly monitoring market indicators, tracking and analyzing supply and demand drivers, cyclical patterns and industry trends. The following quarterly research report examines the multifaceted Kansas City investment market.

Newmark Zimmer research and analytics has established a system of data flow unique in our industry. Rather than rely on third-party data sources, our data acquisition efforts involve inputs from advisors in the field, analysts and brokers executing transactions. Newmark Zimmer research converts market data and analysis into knowledge that creates value for our clients.

Our clients include market-leading investors and distinguished institutions in and around the Kansas City area and the Midwest. Our market knowledge continues to expand as the market progresses and evolves.

Select Market Transactions

MULTIHOUSING | SATORI OLATHE & CYAN SOUTHCREEK PORTFOLIO (2)

620 UNITS – SOLD FOR \$123,000,000 (\$198,387/UNIT)

South Johnson County | 12100 S Pflumm Road, 13220 Foster Street

INDUSTRIAL | EXCELLIGENCE LEARNING CORPORATION

645,460 SF GLA – SOLD FOR \$44,000,000 (\$68/SF)

South Johnson County | 17001 Mercury Street

MULTIHOUSING | THE RESERVES AT SOUTH POINTE

301 UNITS – SOLD FOR \$23,000,000 (\$76,412/UNIT)

South Kansas City | 8900 Old Santa Fe Road

OFFICE (MEDICAL) | CREEKWOOD MEDICAL BLDGS II & III PORTFOLIO (2)

48,280 SF GLA – SOLD FOR \$17,477,000 (\$362/SF)

Northland | 200 & 211 NE 54th Street

OFFICE (MEDICAL) | DOCTORS' MEDICAL BUILDING

62,800 SF GLA – SOLD FOR \$16,760,000 (\$267/SF)

South Johnson County | 10550 Quivira Road



Capital Markets

KANSAS CITY MARKET OVERVIEW

The pace of investment activity in the Kansas City market improved significantly during first-quarter 2021 and fourth-quarter 2020, with sales volume totaling \$1.8 billion, an increase of 60.0% compared to the previous two quarters. As a leading second-tier market, the Kansas City metropolitan area ranked fourth out of the largest nine Midwest markets in total sales volume during the past twelve months with multihousing and industrial assets combining for 68.2% of the metro's activity.

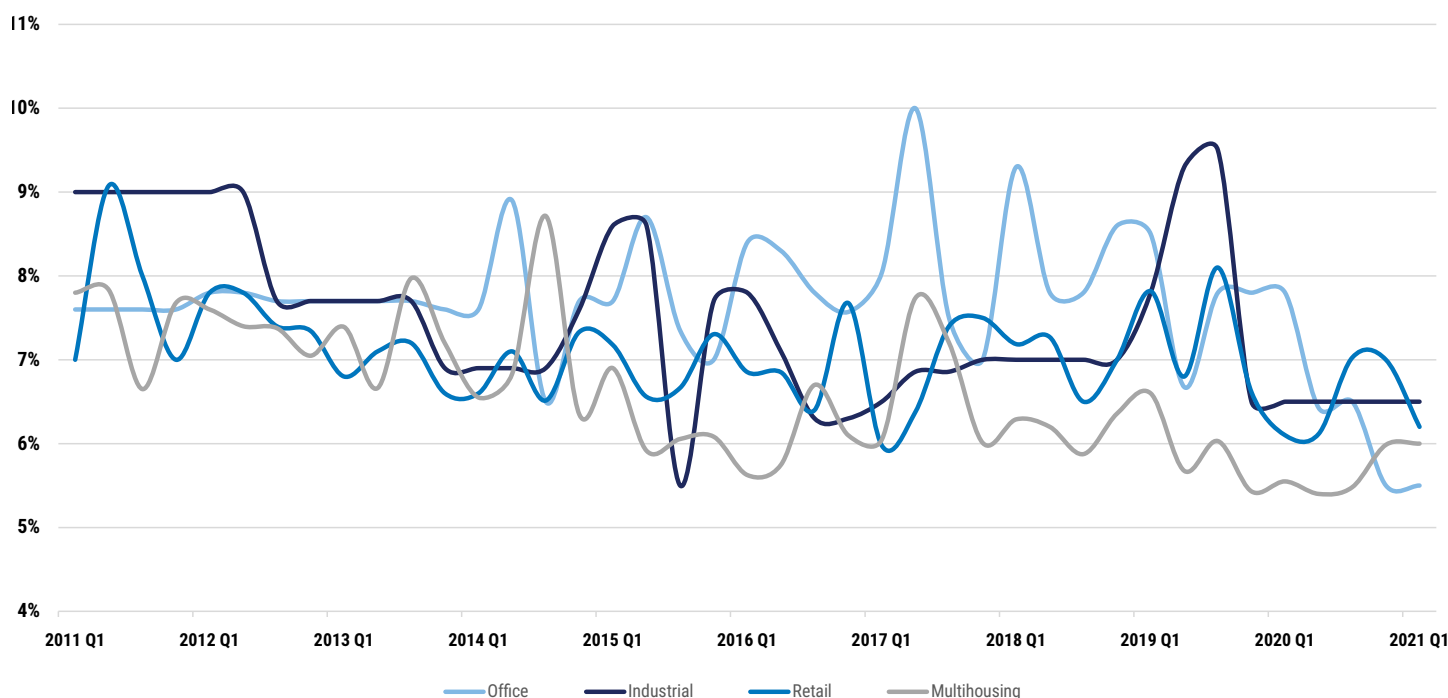
Both overall and top quantile capitalization rates slightly increased five basis points (bps) compared to the prior quarter, registering 6.3% and 5.3% respectively. Capitalization rates are trending lower with industrial, multihousing and retail sectors within 15.4%, 10.0% and 3.6%, respectively of 10-year lows and office at a record low cap rate of 5.5%. Total net absorption across the industrial, office, and retail sectors combined increased 4.4 million square feet during the past two quarters compared to third-quarter and second-quarter 2020. With development kept in check during the past five years and net absorption rising substantially, average

asking rental rates were pushed upwards for the office, retail and multihousing sectors, which all set new record highs in first-quarter 2021. Modern, Class A industrial properties quoted on a triple net basis also registered new record highs during the quarter. Vacancy decreased during the past two consecutive quarters in the industrial sector, dropping 60 basis points to 5.1%. After realizing three and four consecutive quarters of increasing vacancy rates in the multihousing and retail sectors respectively, vacancy dropped 10 basis points to 8.5% for multihousing properties while vacancy remained flat at 6.0% for retail properties.

The Newmark Zimmer Capital Markets team anticipates increased investment transaction volume over the coming year. Overall, we continue to see multiple sources of debt and equity pursuing opportunities in the Midwest for all property types. The large gap between existing values versus new construction costs as well as significant amounts of dry powder will continue to drive activity across all asset classes in the Kansas City market through 2021.

KANSAS CITY CAP RATES

INCLUDES PROPERTY OR PORTFOLIO SALES \$2.5 MILLION OR GREATER

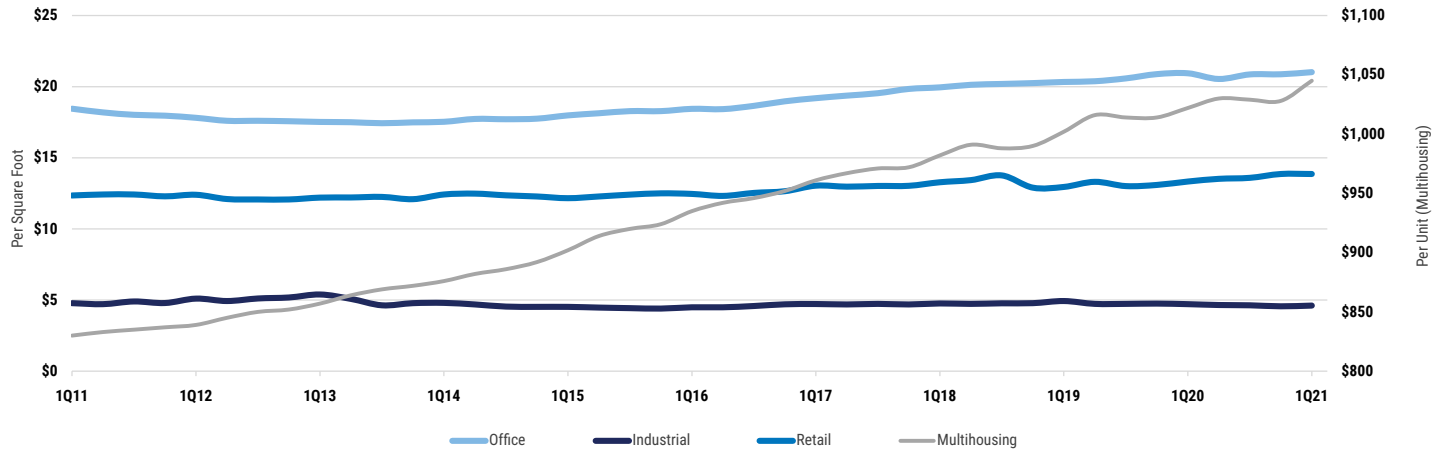


Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

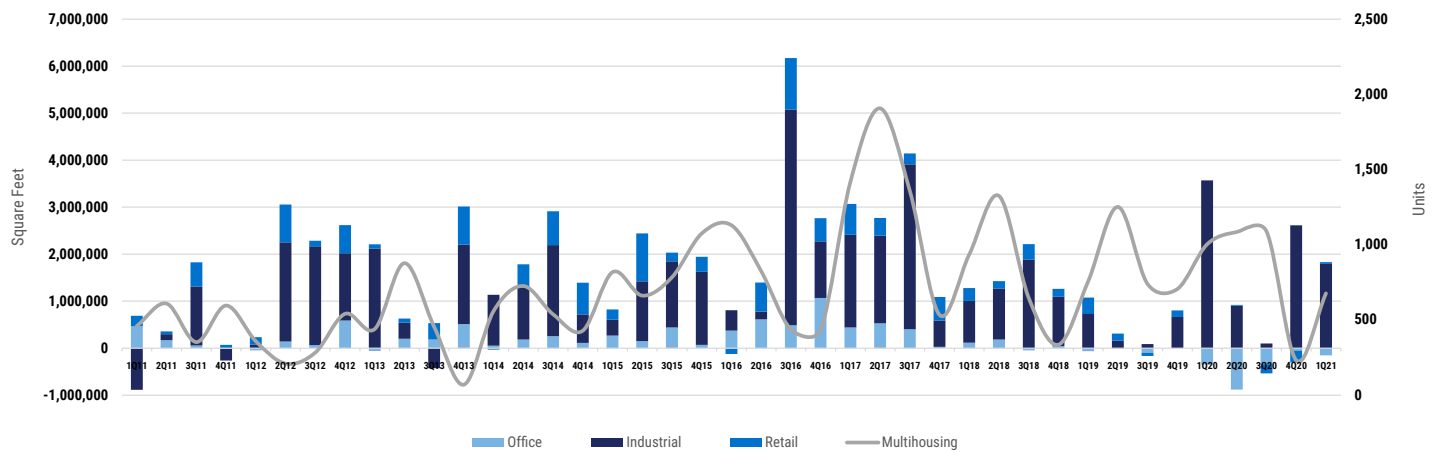
1Q21 Kansas City

MARKET ANALYSIS

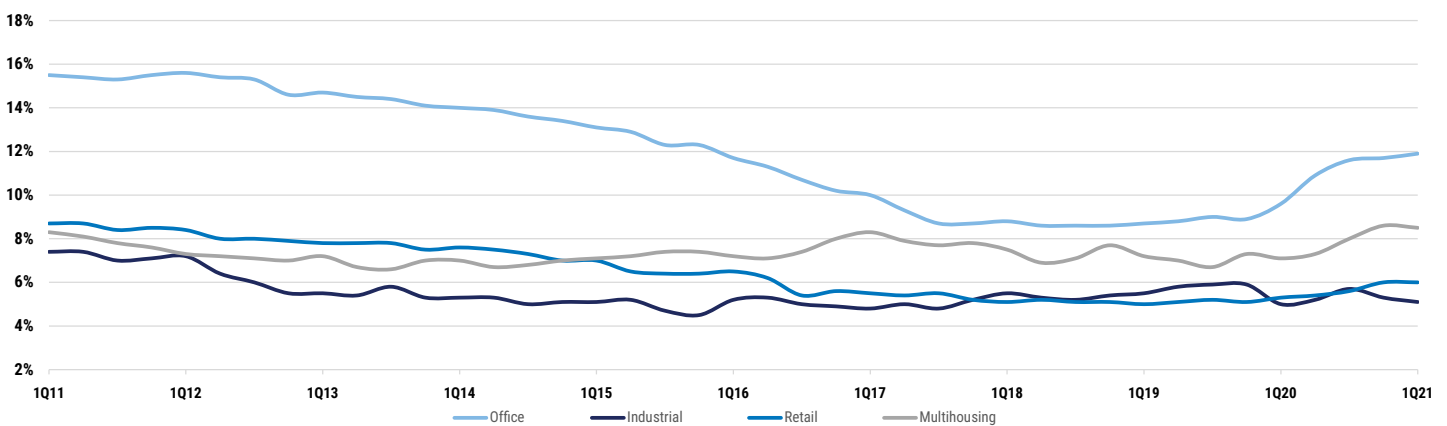
AVERAGE ASKING RENT



NET ABSORPTION



VACANCY RATE





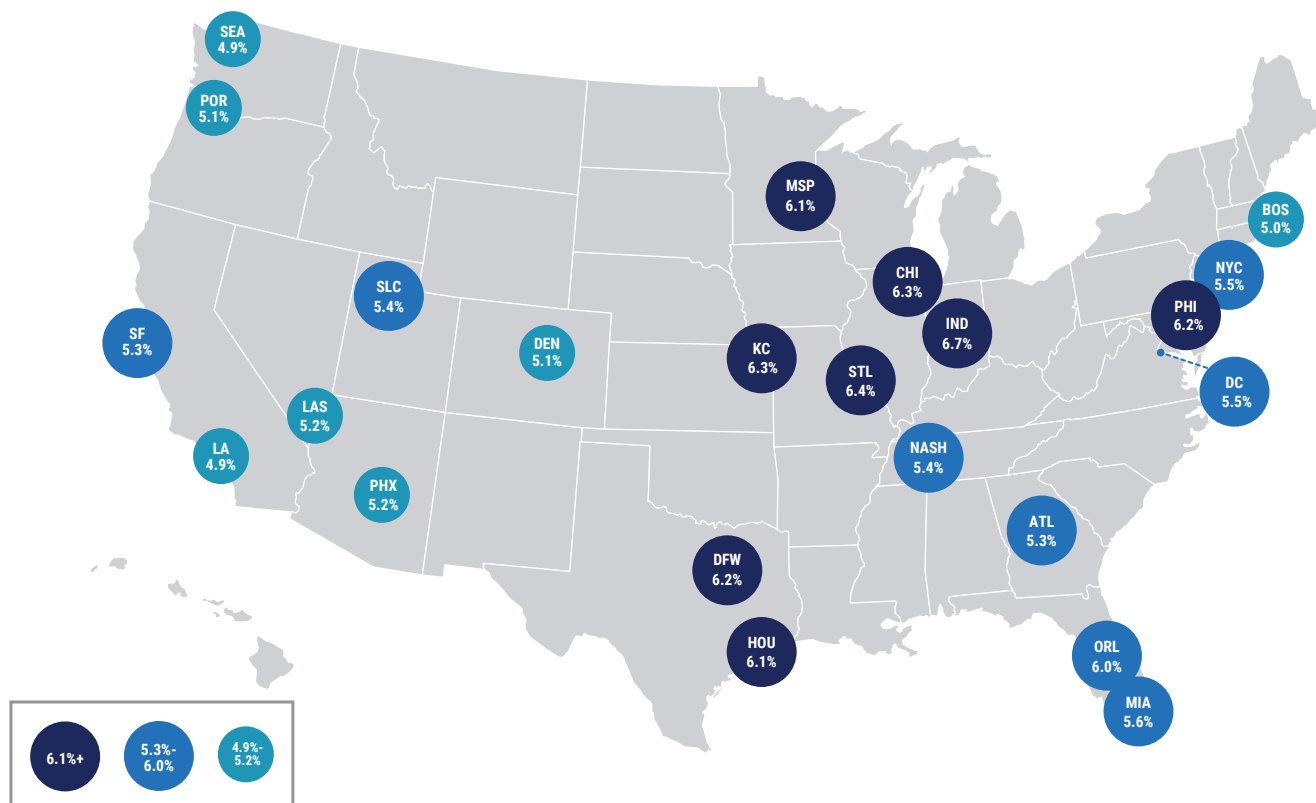
SELECT SALES TRANSACTIONS | FIRST QUARTER OF 2021

Sector	Building	Submarket	Sale Price	Price per SF/Unit ¹	SF/Units ²
Hospitality	Residence Inn Independence 3700 S Arrowhead Avenue	East Jackson County	\$9,540,000	\$119,250	80
Multihousing	Coventry Park 3910-4022 S Redwood Avenue	East Jackson County	\$8,502,000	\$64,409	132
Retail	Blackbob Marketplace 13600 S Blackbob Road	South Johnson County	\$7,100,000	\$116	61,230
Multihousing	Independence Towers 728 N Jennings Road	East Jackson County	\$6,950,000	\$56,048	124
Retail/Office	Thomas Transfer & Storage 7924-7930 Santa Fe Drive	North Johnson County	\$6,825,000	\$240	28,500
Retail	Overland Pointe Marketplace 8500-8532 W 135th Street	South Johnson County	\$6,300,000	\$79	80,050
Office/Flex (Data Center)	Verizon Data Center	South Johnson County	\$5,800,000	\$113	51,300
Retail	Walgreens 1453 E 151st Street	South Johnson County	\$5,757,000	\$388	14,820
Retail	Famous Dave's Bar-B-Que 1320 Village West Parkway	Wyandotte County	\$4,550,000	\$659	6,900
Retail	Walgreens 1536 E 23rd Street South	East Jackson County	\$3,968,000	\$285	13,910

¹ The price per unit/room is displayed for the Multihousing and Hospitality sectors. ² The number of total units/rooms is displayed for the Multihousing and Hospitality sectors.

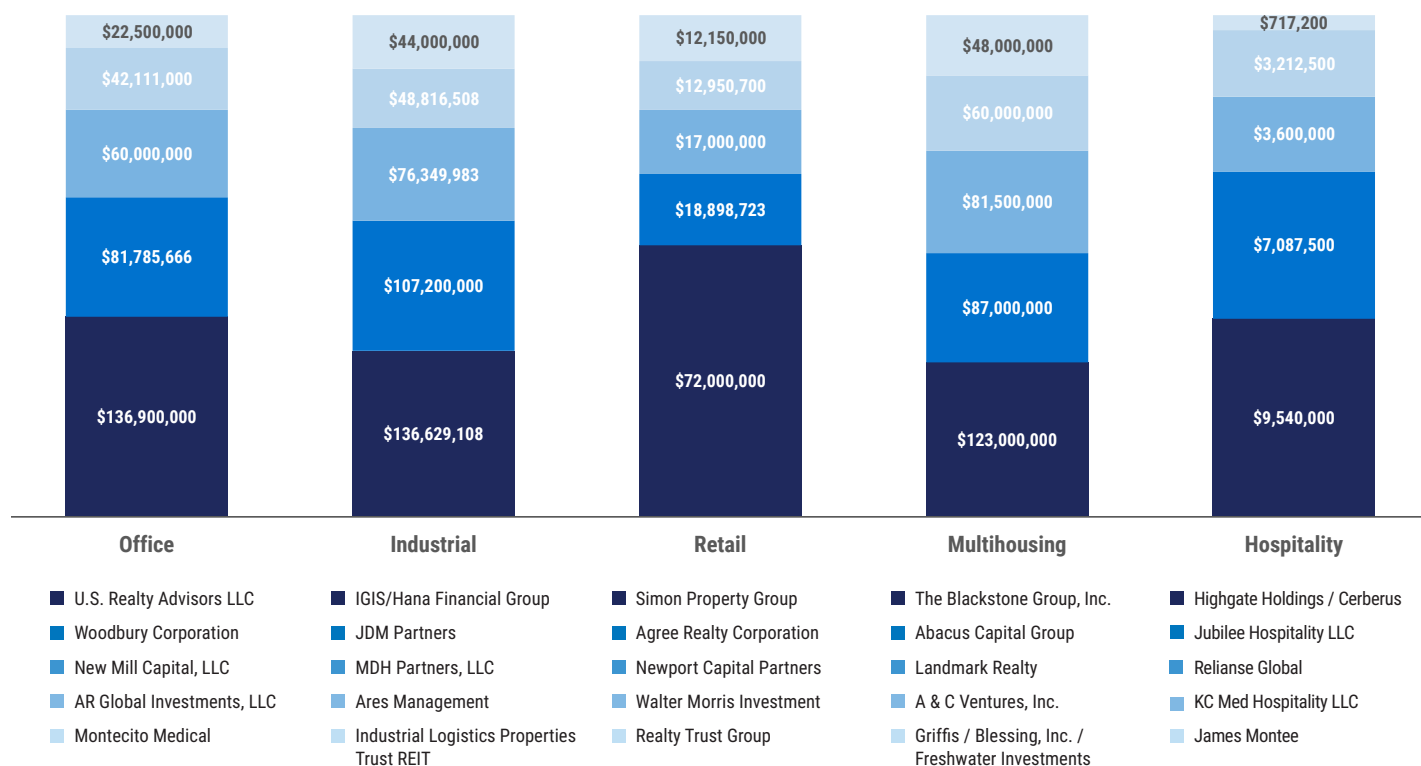
CAP RATES | ALL PROPERTY TYPES

12-MONTH AVERAGE, INCLUDES PROPERTY OR PORTFOLIO SALES \$2.5 MILLION OR GREATER

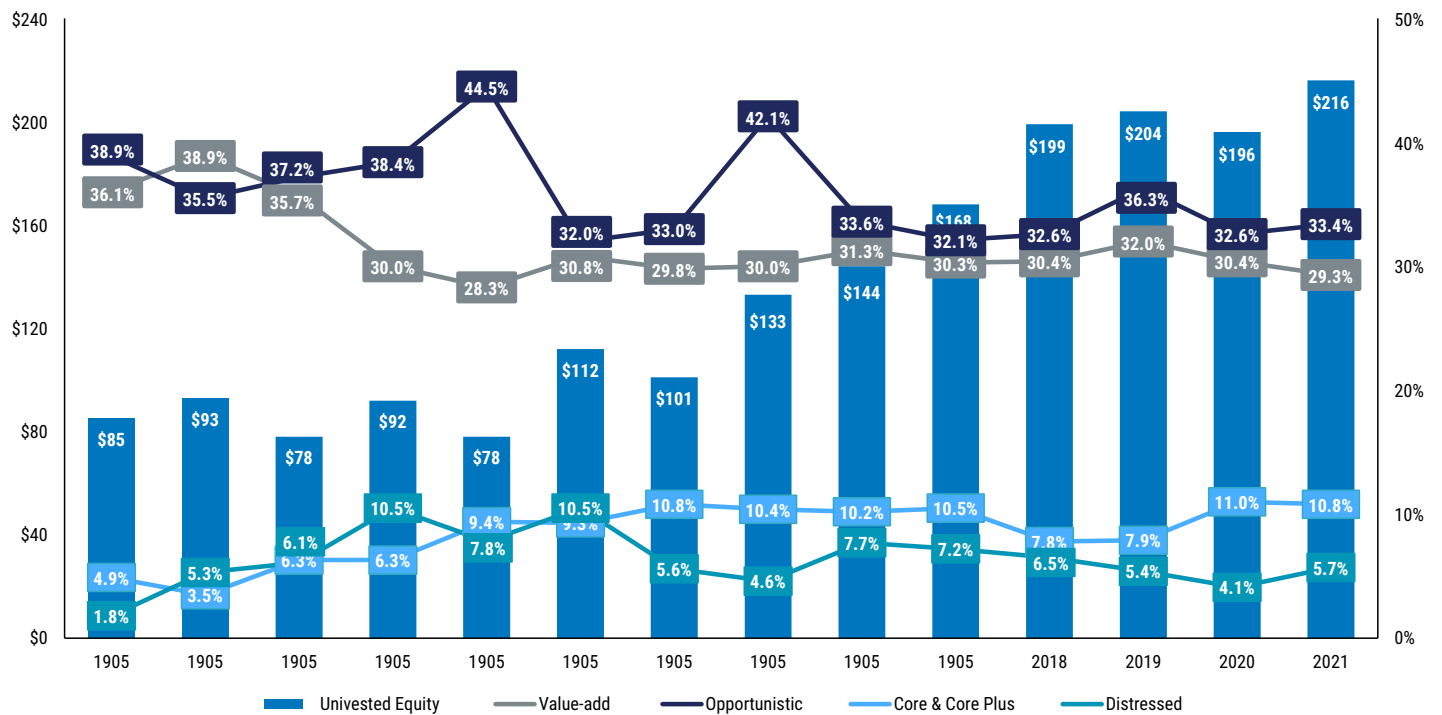


MOST ACTIVE BUYERS IN THE KANSAS CITY MARKET BY ASSET TYPE

12-MONTH TOTALS



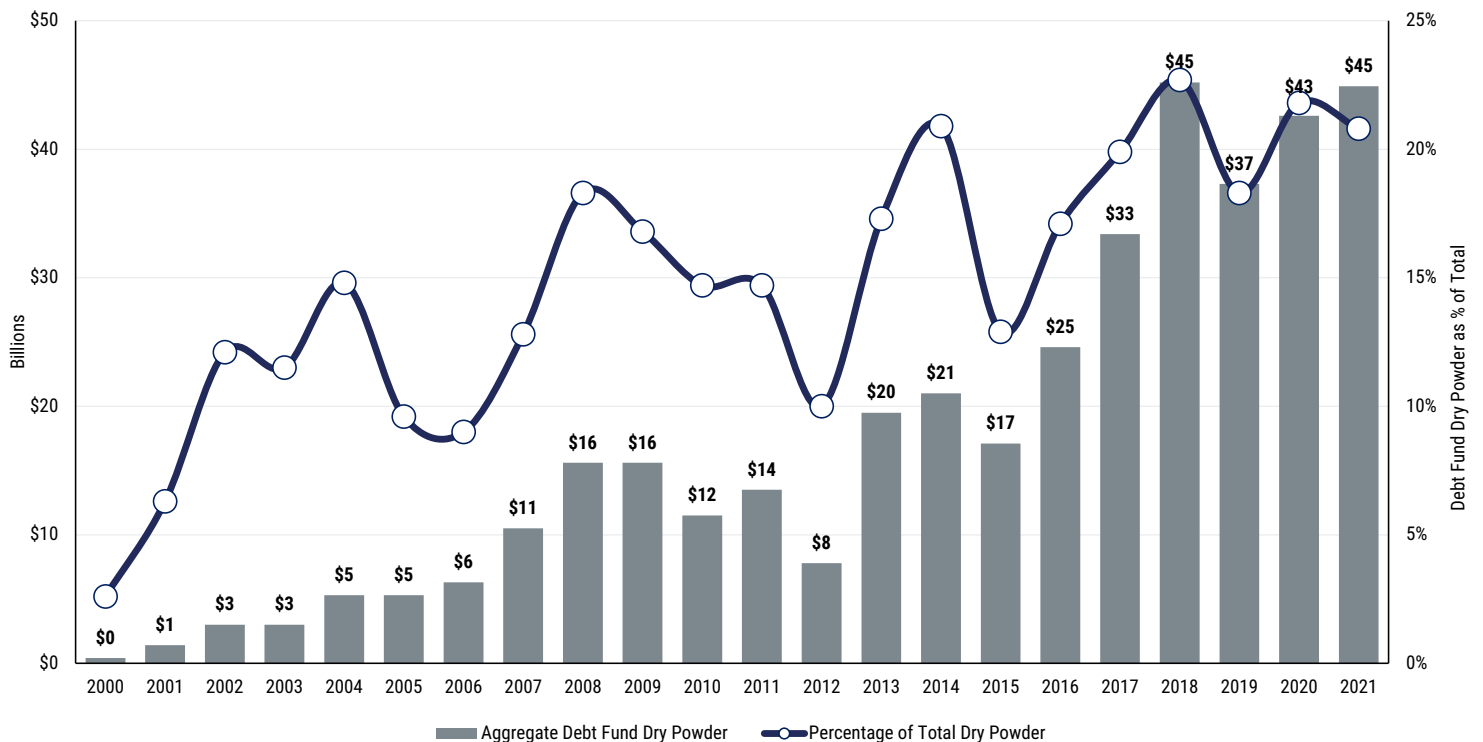
DRY POWDER



Note: Excluding Debt and Distressed Funds

Source: Newmark Research, Preqin

DEBT FUND DRY POWDER



Source: Newmark Research, Preqin

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North America

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United States

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Ireland
Italy
Netherlands
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Portugal
Romania
Russia
Spain
Switzerland
United Kingdom

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Costa Rica
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Hong Kong
India
Indonesia
Japan
Malaysia
New Zealand
Singapore

South Korea

Taiwan
Thailand

Africa

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Middle East

Saudi Arabia
United Arab Emirates

Retail Terms and Definitions

Gross Leasable Area (GLA) – Expressed in square feet. It is the total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines. It is the standard measure for determining the size of retail spaces, specifically shopping centers, where rent is calculated based on GLA occupied. There is no real difference between RBA (Rentable Building Area) and GLA except that GLA is used when referring to retail properties while RBA is used for other commercial properties.

Vacancy Rate – The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant.

Net Absorption – The net change in physically occupied space over a period of time.

Average Asking Rent – The dollar amount asked by landlords for available space expressed in dollars per square foot per year. Retail rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a prorata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

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