

Kansas City Office Market

Tenants Continue to Maintain Leverage in the Majority of Submarkets

Market vacancy in Kansas City increased to 14.6%, up 70 basis points from the prior quarter. The market realized an increase in asking rental rates in the first quarter of 2022, as rents slightly increased to \$21.33/SF, up \$0.06/SF from the fourth quarter of 2021. While the overall trend in asking rental rates since the second quarter of 2020 continues to increase, tenants are often seeing more concessions in the form of free rent and tenant improvement allowances to offset the increase, as well as longer lease terms to accommodate the ever-increasing construction costs. As trailing 12-month inflation continues at levels twice the normal average, real asking rental rate growth is stagnant across many metro markets in the U.S. Total market net absorption in the quarter measured -465,561 square feet, bringing the total for the past four quarters to -1.8 million square feet. Construction projects currently underway total 881,852 square feet. No projects delivered to the market during the quarter.

Market fundamentals in 2022 will remain contractionary as tenants continue to evaluate ever-changing space needs. Property owners that can provide flexible space options, accommodate work-from-home and in-office hybrid work models and offer creative space for both individual and collaboration space needs will earn a space on the short list for prospective tenants. Tenants will continue to maintain considerable leverage in 2022 in most Metro submarkets.

JLL Income Property Trust Purchases a Three-Building Medical Office Portfolio for \$22.0 Million

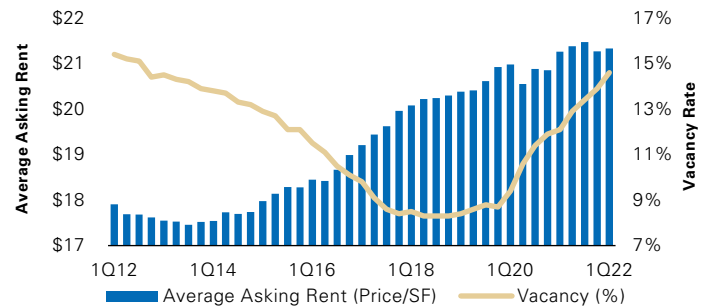
Medical office space has weathered the pandemic storm in the Kansas City Metro area and is expected to continue to receive heightened interest in 2022 from regional and national investors. Private and institutional investors view the MOB niche as a haven for office investments with long-term lease commitments from medical service providers. A combination of high demand, low-interest rates, resilience during market shifts and capital availability will continue to support values in the MOB sector. Sales activity for medical office buildings during the first quarter of 2022 remained robust as CBC Real Estate Group divested a MOB portfolio to JLL Income Property Trust for \$22.0 million, or \$441/SF.

Current Conditions

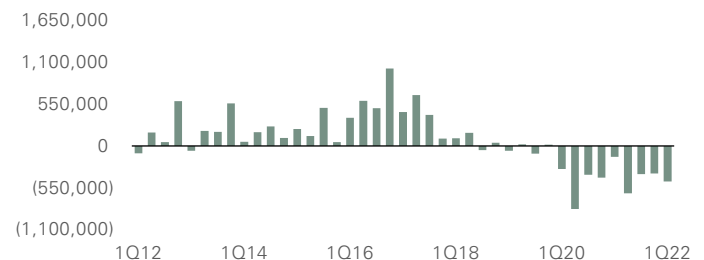
- Asking rental rates have trended upwards during the past seven quarters due to concessions in exchange for longer lease terms as well as inflationary pressures.
- JLL Income Property Trust purchased a three-building MOB portfolio for \$22.0-million.
- WellSky to lease an additional 132,140 SF at CityPlace Corporate Centre IV.
- Leasing commitments during the quarter were active, especially in the Downtown/Crown Center and South Johnson County submarkets.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory	74 MSF	74 MSF	74 MSF	↔
Vacancy Rate	14.6%	13.9%	12.1%	↑
Qtr. Net Absorp.	-465,561	-362,598	-141,199	↓
Avg. Asking Rent	\$21.33	\$21.27	\$21.26	↔
Under Con.	881,852	631,852	389,396	↔
Deliveries	0	0	0	↑

RESEARCH Q1 2022

The three-building portfolio totaled 49,840 square feet and includes properties in the North Johnson County, Northland and East Jackson County submarkets. The largest building, located at 5675 Roe Blvd. in Mission, Kansas accounted for nearly 65% of the portfolio based upon total square footage. The properties were fully leased at the time of sale.

WellSky to Lease an Additional 132,140 Square Feet at CityPlace Corporate Centre IV

CityPlace in Overland Park received positive news, as WellSky announced it will occupy an additional 132,140 square feet in the development located off U.S. Hwy. 69 and College Blvd. The healthcare technology firm is headquartered in CityPlace Corporate Centre III and will occupy 65,970 square feet on the fifth and sixth floors of CityPlace Corporate Centre IV space in 2022. It plans to lease the remaining 66,170 square feet after one year. Construction on Corporate Centre IV is slated to begin by the end of the second quarter of 2022 and is expected to deliver to the market by the second quarter of 2023.

Overall Market Vacancy Should Range from 14.4% to 16.2% During the Next Four Quarters

The Kansas City office market loosened in the first quarter of 2022 as -465,561 square feet were absorbed. With net

absorption during the past four quarters totaling -1.8 million square feet, average quarterly net absorption has significantly decreased, measuring -447,544 square feet during the past two years. Although the market has already begun to adjust to work-from-home and hybrid workplace strategies, expect a decrease in total net absorption to continue to take place during 2022. Leasing commitments during the quarter were active, especially in the Downtown/Crown Center and South Johnson County submarkets, as tenants locked in favorable terms for new direct and subleased spaces. Users in the professional services, technology and healthcare sectors led the quarter. Expect favorable conditions and opportunities for prospective tenants to upgrade from Class B to Class A space during 2022, as three submarkets in the Metro display vacancy rates for Class A space exceeding 20% and three additional submarkets displaying vacancy from 16.0% to 20.0%. Concessions in the form of abated rent and additional tenant improvement allowances, plus inflationary pressures offset by longer lease terms, continue to assist in driving asking rental rates upwards. Overall market vacancy should range from 14.4% to 16.2%, while asking rental rates are expected to range from \$21.20/SF to \$21.80/SF during the next four quarters.

Lease/User Transactions				
Tenant	Building	Submarket	Type	Square Feet
NIC	7701 College Blvd	South Johnson County	New	50,000
DiPasquale Moore	4600 Madison Ave	Midtown/Plaza	New	37,000
ProMax	2555 Grand Blvd	Downtown/Crown Center	Sublease	26,020
Tetra Tech, Inc.	415 Oak St	Downtown/Crown Center	Renewal	16,500
NSPJ Architects	3515 W 75th St	North Johnson County	New	10,890
The Kansas City Star	2405 Grand Blvd	Downtown/Crown Center	New	8,500
Tickets For Less	7311 W 130th St	South Johnson County	New	8,290

Sales Transactions				
Building	Submarket	Sale Price	Price/SF	Square Feet
9201 State Line Rd	South Kansas City	\$27,600,000	\$177	155,930
CBC Real Estate Group Portfolio (3) - MOB	Multiple Submarkets (3)	\$22,000,000	\$441	49,840
105 N Stewart Ct	Northland	\$4,594,000	\$171	26,840
1801 McGee St	Downtown/Crown Center	\$3,565,000	\$178	20,000
7600 W 110th St	South Johnson County	\$2,812,500	\$141	20,000
7200 W 129th St - MOB	South Johnson County	\$6,396,000	\$675	9,470
900 E 21st St - MOB	Downtown/Crown Center	\$6,500,000	\$834	7,790

Submarket Statistics								
Submarket	Class	Total Number of Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Quarter Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
Downtown/Crown Center	ALL	173	19,451,421	772,656	13.80%	61,895	61,895	\$23.02
	Class A	28	8,046,230	772,656	20.30%	28,714	28,714	\$24.59
	Class B	112	9,537,573	0	9.70%	10,635	10,635	\$19.62
	Class C	33	1,867,618	0	7.20%	22,546	22,546	\$18.18
East Jackson Co.	ALL	76	4,033,134	21,396	9.40%	-45,041	-45,041	\$17.92
	Class A	2	166,010	0	17.20%	0	0	\$22.17
	Class B	45	2,565,809	21,396	12.00%	-47,876	-47,876	\$18.10
	Class C	29	1,301,315	0	3.20%	2,835	2,835	\$15.62
Midtown/Plaza	ALL	76	6,069,033	0	11.20%	-2,366	-2,366	\$26.35
	Class A	18	2,800,679	0	16.30%	-68,617	-68,617	\$29.41
	Class B	42	2,494,262	0	6.30%	66,251	66,251	\$21.17
	Class C	16	774,092	0	8.30%	0	0	\$17.99
North Johnson Co.	ALL	133	7,211,661	0	18.20%	-45,916	-45,916	\$19.85
	Class A	17	1,645,373	0	36.60%	-104,329	-104,329	\$21.49
	Class B	100	5,061,763	0	13.20%	58,678	58,678	\$19.00
	Class C	16	504,525	0	8.10%	-265	-265	\$14.22
Northland	ALL	94	5,610,815	0	23.10%	14,554	14,554	\$18.24
	Class A	8	1,152,257	0	38.40%	5,150	5,150	\$20.97
	Class B	70	3,897,218	0	21.10%	6,387	6,387	\$16.96
	Class C	16	561,340	0	5.80%	3,017	3,017	\$16.51
South Johnson Co.	ALL	285	22,458,550	0	16.20%	-390,189	-390,189	\$21.11
	Class A	83	11,088,673	0	14.20%	-304,194	-304,194	\$22.50
	Class B	189	11,097,877	0	18.40%	-81,073	-81,073	\$19.87
	Class C	13	378,676	0	4.80%	-4,922	-4,922	\$18.09
South Kansas City	ALL	56	5,249,955	0	9.20%	-59,094	-59,094	\$19.36
	Class A	12	2,559,438	0	0.90%	-22,208	-22,208	\$20.00
	Class B	42	2,618,615	0	17.60%	-36,886	-36,886	\$19.32
	Class C	2	71,902	0	0.00%	0	0	\$15.00
Southeast Jackson Co.	ALL	18	1,617,132	87,800	12.70%	-5,639	-5,639	\$22.33
	Class A	2	103,442	35,000	0.00%	0	0	\$23.50
	Class B	12	931,598	52,800	21.00%	0	0	\$22.33
	Class C	4	582,092	0	1.50%	-5,639	-5,639	\$18.91
Wyandotte Co.	ALL	40	2,250,125	0	5.10%	6,235	6,235	\$19.15
	Class A	2	111,995	0	17.90%	0	0	\$27.91
	Class B	24	1,441,908	0	4.40%	3,880	3,880	\$18.88
	Class C	14	696,222	0	4.50%	2,355	2,355	\$15.20
Kansas City Market	ALL	951	73,951,826	881,852	14.60%	-465,561	-465,561	\$21.33
	Class A	172	27,674,097	807,656	17.50%	-465,484	-465,484	\$23.56
	Class B	636	39,646,623	74,196	14.10%	-20,004	-20,004	\$19.33
	Class C	143	6,737,782	0	5.50%	19,927	19,927	\$15.96

Submarket Statistics – Class A

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Downtown/Crown Center	8,046,230	772,656	20.30%	28,714	28,714	\$26.08	\$16.97	\$24.59
East Jackson County	166,010	0	17.20%	0	0	\$22.17	-	\$22.17
Midtown/Plaza	2,800,679	0	16.30%	-68,617	-68,617	\$29.74	\$22.04	\$29.41
North Johnson County	1,645,373	0	36.60%	-104,329	-104,329	\$22.01	\$16.00	\$21.49
Northland	1,152,257	0	38.40%	5,150	5,150	\$20.97	-	\$20.97
South Johnson County	11,088,673	0	14.20%	-304,194	-304,194	\$23.46	\$16.62	\$22.50
South Kansas City	2,559,438	0	0.90%	-22,208	-22,208	\$20.00	-	\$20.00
Southeast Jackson County	103,442	35,000	0.00%	0	0	\$23.50	-	\$23.50
Wyandotte County	111,995	0	17.90%	0	0	\$27.91	-	\$27.91
Kansas City Market	27,674,097	807,656	17.50%	-465,484	-465,484	\$24.55	\$17.01	\$23.56

Submarket Statistics – Class B

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Downtown/Crown Center	9,537,573	0	9.70%	10,635	10,635	\$20.39	\$12.72	\$19.62
East Jackson County	2,565,809	21,396	12.00%	-47,876	-47,876	\$18.10	-	\$18.10
Midtown/Plaza	2,494,262	0	6.30%	66,251	66,251	\$21.17	-	\$21.17
North Johnson County	5,061,763	0	13.20%	58,678	58,678	\$19.67	\$17.11	\$19.00
Northland	3,897,218	0	21.10%	6,387	6,387	\$17.04	\$16.85	\$16.96
South Johnson County	11,097,877	0	18.40%	-81,073	-81,073	\$20.59	\$16.37	\$19.87
South Kansas City	2,618,615	0	17.60%	-36,886	-36,886	\$19.63	\$16.04	\$19.32
Southeast Jackson County	931,598	52,800	21.00%	0	0	\$22.33	-	\$22.33
Wyandotte County	1,441,908	0	4.40%	3,880	3,880	\$18.88	-	\$18.88
Kansas City Market	39,646,623	74,196	14.10%	-20,004	-20,004	\$19.79	\$16.26	\$19.33

Economic Conditions

The local economy continued to improve in February, with total employment growth of 2.8% and growth occurring in six out of 10 industries, calculated on a 12-month percent change basis.

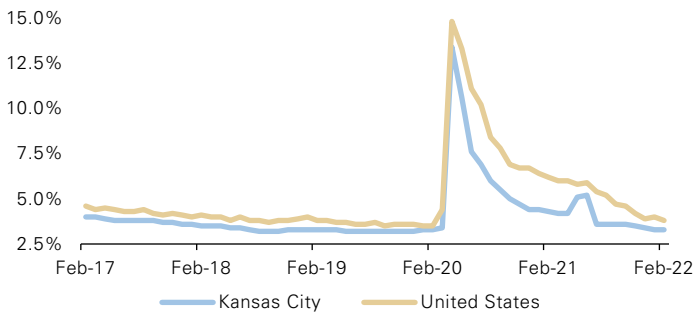
Payroll employment in Kansas City increased significantly in February 2022 compared to the prior year, increasing to 2.8%. The national average also increased substantially, up from -5.9% in February 2021 to 4.8% in February 2022.

The Consumer Price Index for the U.S. increased 620 basis points compared to the prior year, registering 7.9% in February 2022, while the Midwest Urban CPI increased 630 basis points to 8.0%, both at record highs during the past decade.

Unemployment in the U.S. decreased 40 basis points to 3.8%, while unemployment in Kansas City decreased 20 basis points to 3.3% compared to the past quarter. Unemployment in Kansas City decreased 100 basis points from a year prior.

Unemployment Rate

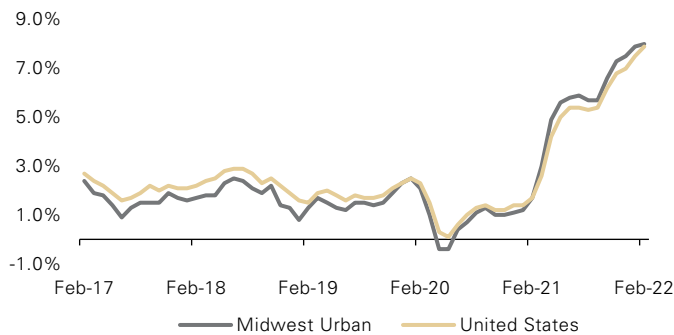
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2022

Consumer Price Index (CPI)

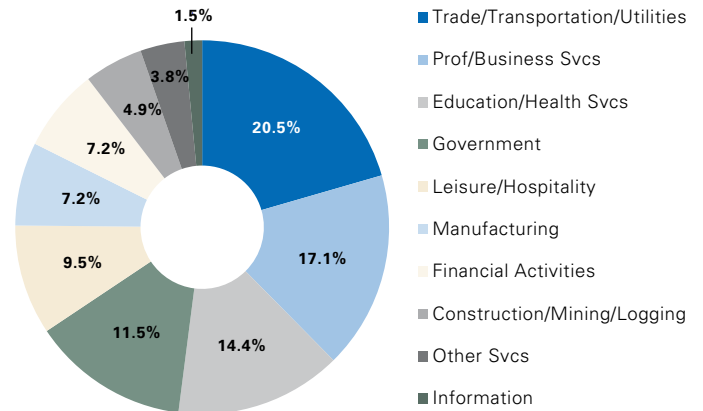
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2022

Employment By Industry

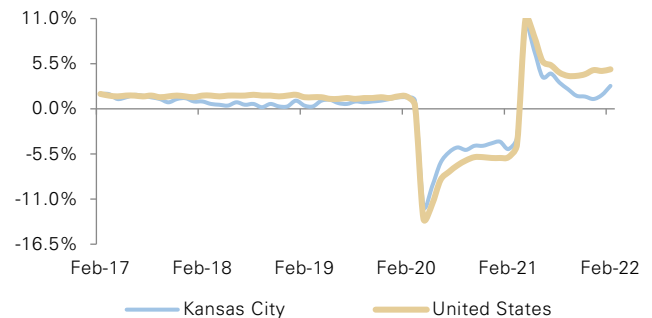
Kansas City, February 2022



Source: U.S. Bureau of Labor Statistics, March 2022

Payroll Employment

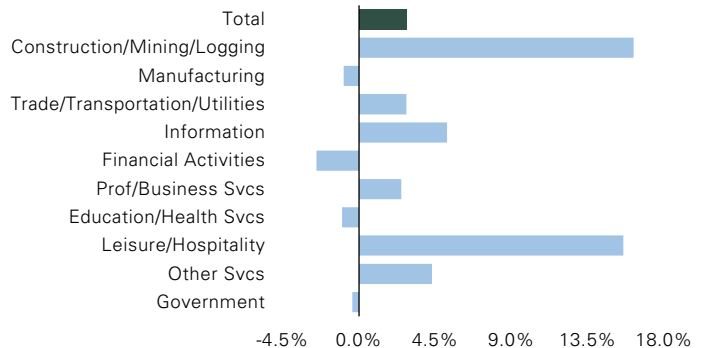
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, March 2022

Employment Growth By Industry

KC, Feb. 2022, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2022

For more information:

KANSAS CITY

1220 Washington Street, Suite 300
Kansas City, MO 64105
816-474-2000

ST. LOUIS

8235 Forsyth Boulevard, Suite 200
Clayton, MO 63105
314-254-4600

LEE'S SUMMIT

1485 SW Market Street
Lee's Summit, MO 64081
816-474-2000

Mark Long, CRE, SIOR, CCIM, LEED AP

President & CEO – Newmark Zimmer
816-512-1011
mlong@nzimmer.com

Andrew Garten

Director, Research
816-474-2000
agarten@nzimmer.com

nmrkzimmer.com

ALABAMA
Birmingham

ARIZONA
Phoenix

ARKANSAS
Bentonville
Fayetteville
Little Rock

CALIFORNIA
El Segundo
Fresno
Irvine
Los Angeles
Newport Beach
Pasadena
Sacramento
San Francisco
San Jose
San Mateo
Santa Rosa
Visalia

COLORADO
Denver

CONNECTICUT
Stamford

DELAWARE
Wilmington

DISTRICT OF COLUMBIA

FLORIDA
Boca Raton
Jacksonville
Jupiter
Miami
Palm Beach
Tampa

GEORGIA
Atlanta

ILLINOIS
Chicago

INDIANA
Indianapolis

KENTUCKY
Louisville

LOUISIANA
New Orleans

MARYLAND
Baltimore
Salisbury

MASSACHUSETTS
Boston

MICHIGAN
Detroit

MINNESOTA
Minneapolis

MISSOURI
Kansas City
Lee's Summit
St. Louis

NEVADA
Las Vegas
Reno

NEW JERSEY
Rutherford
East Brunswick
Morristown

NEW YORK
Buffalo/Amherst
New York

NORTH CAROLINA
Charlotte

OHIO
Cincinnati
Cleveland
Columbus

OKLAHOMA
Oklahoma City
Tulsa

OREGON
Portland/Lake
Oswego

PENNSYLVANIA
Allentown
Philadelphia
Pittsburgh

TEXAS
Austin
Dallas
Houston

UTAH
Salt Lake City

VIRGINIA
Tysons Corner

WASHINGTON
Seattle

WISCONSIN
Milwaukee

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.