
RESEARCH 2022

Kansas City Capital Markets

NEWMARK
ZIMMER



Executive Summary

Newmark Zimmer is continuously 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

Industrial | MDH Partners Sunbelt Industrial Portfolio (6)
1,831,150 SF GLA – Sold for \$189,980,000 (\$104/SF)
Multiple Submarkets (4) | Kansas City, MO, KS; Lenexa, KS; Olathe, KS

Multihousing | Meridian at View High
312 Units – Sold for \$96,000,000 (\$307,692/Unit)
Southeast Jackson County | 201 NW Kessler Drive

Office | Lighton Plaza Portfolio (3)
475,800 SF GLA – Sold for \$61,813,000 (\$130/SF)
South Johnson County | 7300, 7400 & 7500 College Boulevard

Office | Freightquote
208,400 SF GLA – Sold for \$54,970,000 (\$264/SF)
South Kansas City | 901 Carondelet Drive

Office | Parkhill Office Building
71,510 SF GLA – Sold for \$15,000,000 (\$210 /SF)
South Johnson County | 10975 El Monte Street



Capital Markets

KANSAS CITY MARKET OVERVIEW

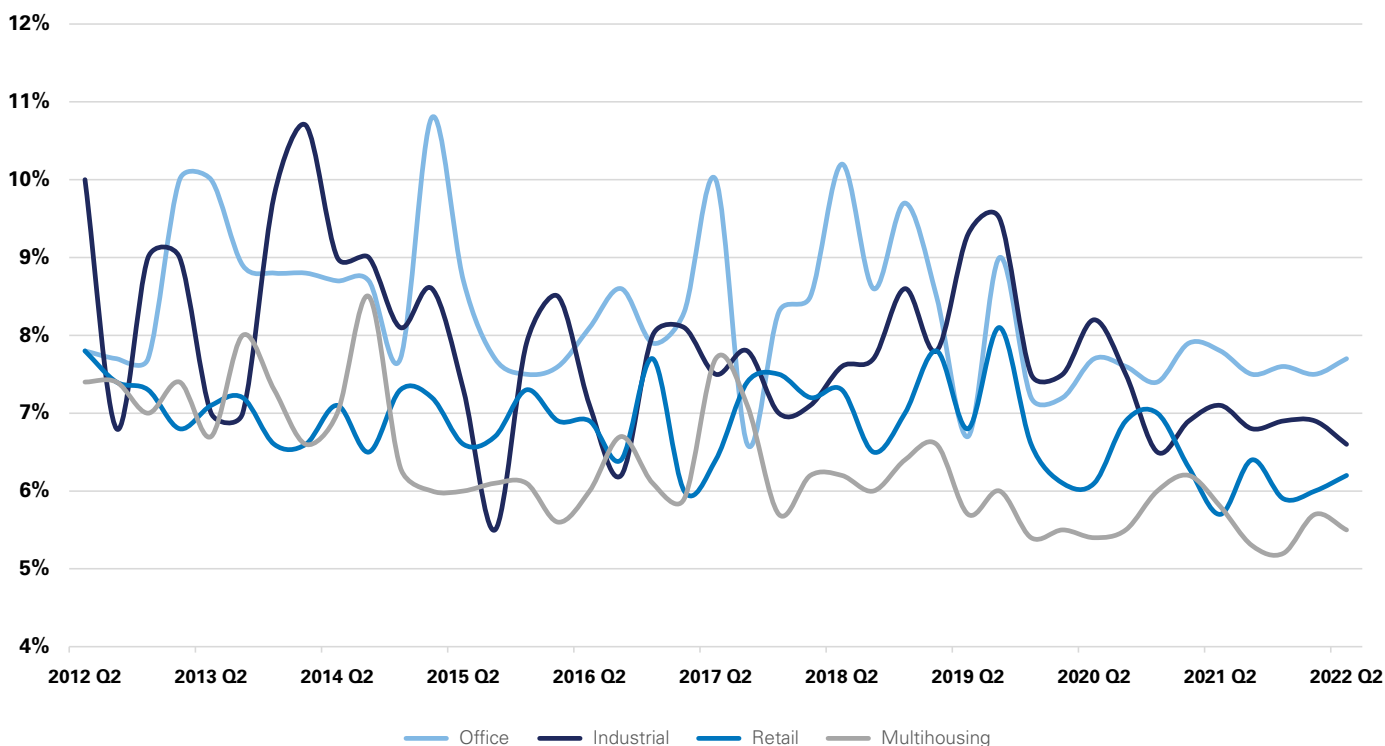
The pace of investment activity in the Kansas City market improved significantly during the past four quarters, with sales volume totaling \$4.9 billion, an increase of 53.0% compared to the prior year. As a leading second-tier market, the Kansas City Metropolitan area ranked fifth out of the largest thirteen Midwest markets in total sales volume during the past twelve months, with multihousing and industrial assets combining for 71.2% of the Metro's activity. Capitalization rates decreased 140 basis points (bps) compared to the past twelve months, registering 5.1% in the second quarter of 2022. Top quantile capitalization rates decreased 130 bps compared to the past twelve months, registering 4.0% in the second quarter of 2022.

Total net absorption across the industrial, office and retail sectors totaled 11.1 million square feet during the past four quarters, an increase of 5.1 million square feet compared to the prior year. The multihousing sector realized 5,376 units of net absorption during the past four quarters, a decrease of 13.8% over a similar period a year ago. Modern Class A industrial properties quoted on a triple net basis, along with multihousing and retail properties, experienced strong demand during the past four quarters, registering new record highs for asking rental rates during the quarter.

With development kept in check during the past five years, additional incentives being offered to lock tenants in for longer lease terms and inflationary pressures, average asking rental rates also trended upwards for the office and retail sectors during the past two years. Vacancy in the multihousing sector dropped 30 bps from the prior quarter to a low of 6.0%, while vacancy in the industrial sector is near record lows, at 4.4%. After realizing six consecutive quarters of increasing vacancy rates in the retail sector, rising to 6.0% by the second quarter of 2021, vacancy declined four consecutive quarters, totaling a decrease of 110 bps, registering a ten-year record low of 4.9% in the second quarter of 2022, driven by Class A multifamily.

Coming off a record year of investment sales transactions in 2021, the Newmark Zimmer Midwest Capital Markets team expects transaction volume to remain steady throughout 2022 driven by strong allocations for commercial real estate investment. Activity will continue to remain strong in industrial, multifamily, STNL retail, and medical office. We expect a rebound of general office and neighborhood retail assets as investors seek yield and data points support pricing. We are monitoring the impact of recent interest rate hikes on leveraged buyers return expectations and valuations.

KANSAS CITY CAP RATES

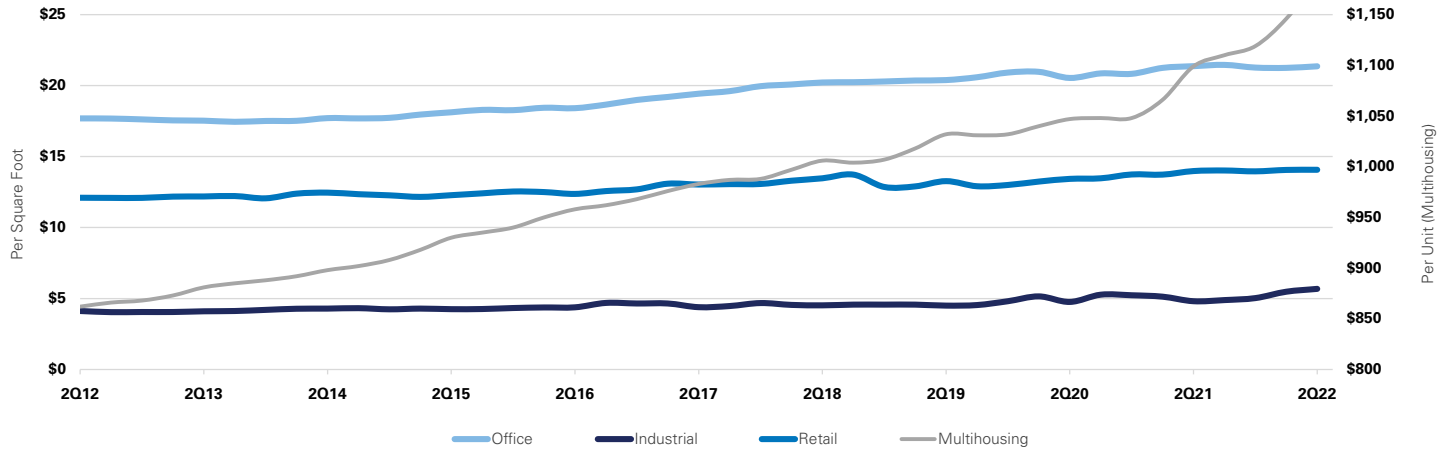


Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

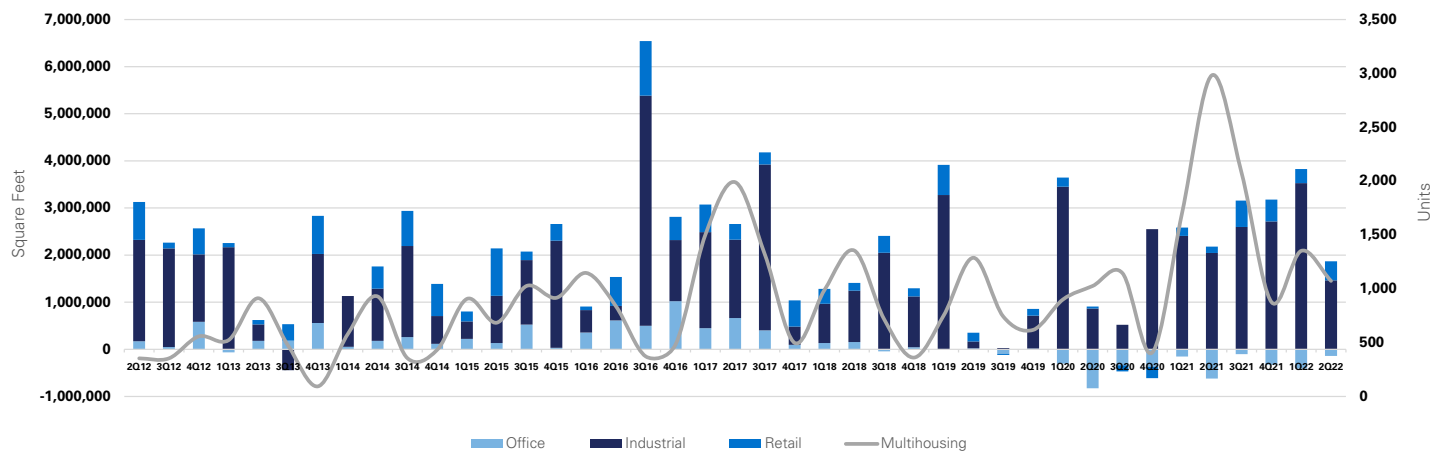
2Q22 Kansas City

MARKET ANALYSIS

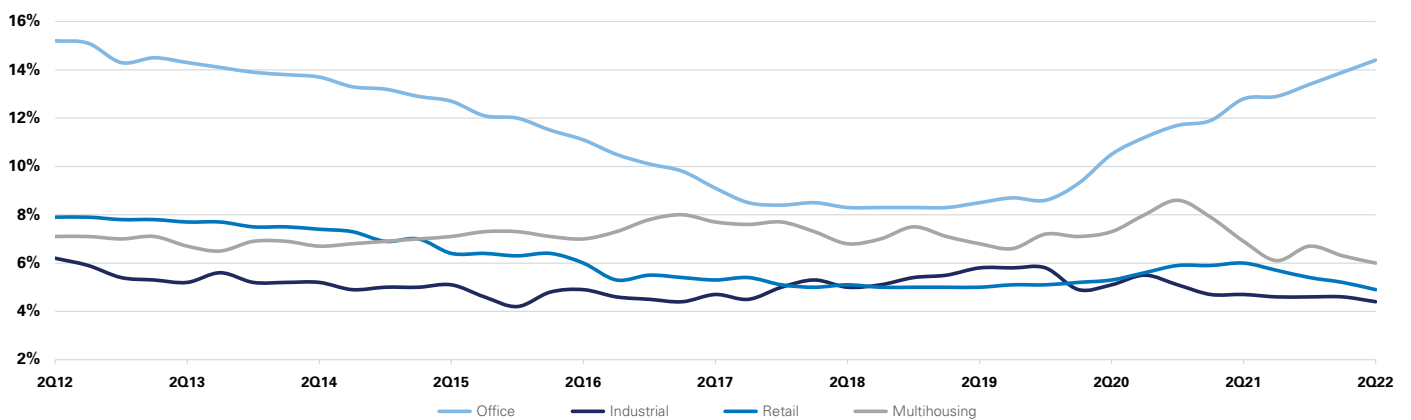
AVERAGE ASKING RENT



NET ABSORPTION



VACANCY RATE





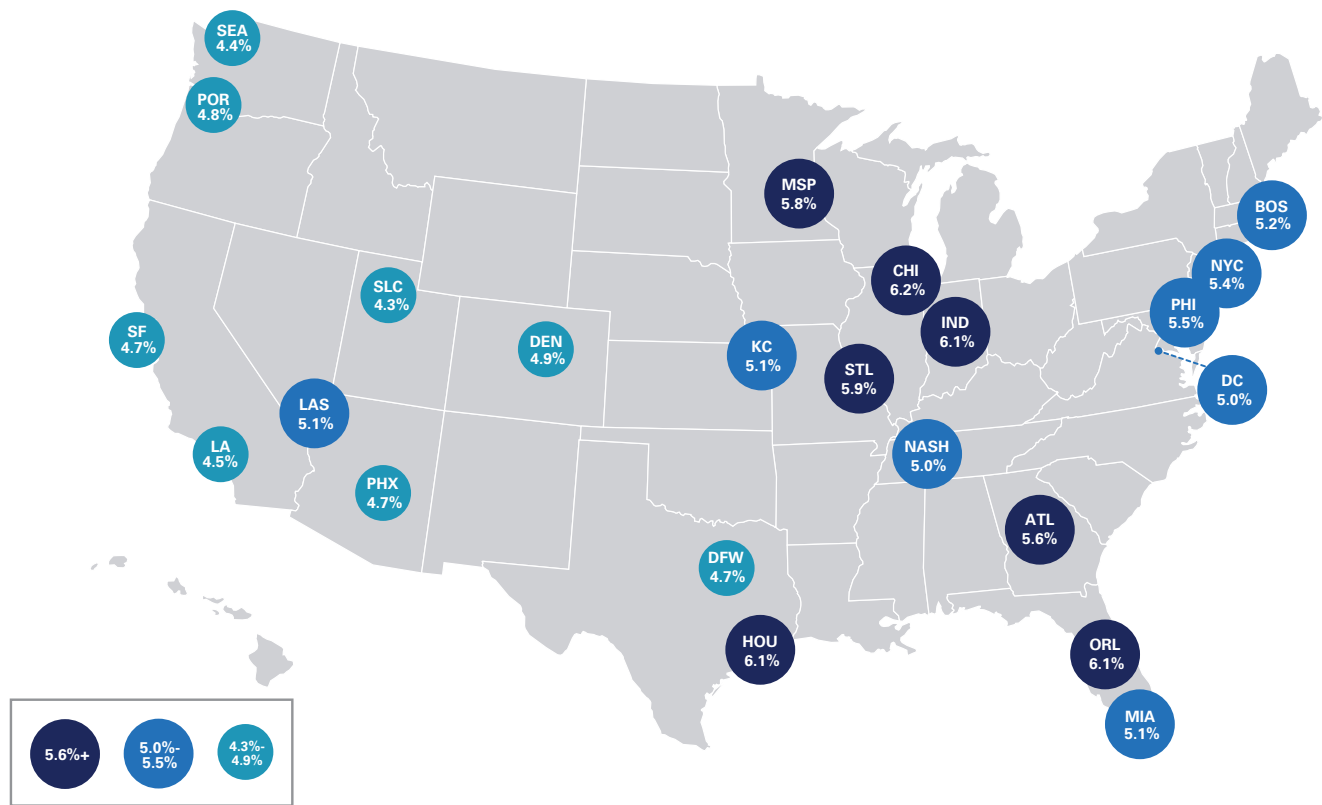
SELECT SALES TRANSACTIONS | SECOND QUARTER OF 2022

Sector	Building	Submarket	Sale Price	Price per SF/ Unit ¹	SF/ Units ²
Multihousing	Adara Overland Park 13401 Westgate Street	South Johnson County	\$83,193,500	\$319,975	260
Multihousing	Greenwood Reserve 13825 College Boulevard	South Johnson County	\$55,250,000	\$242,325	228
Industrial + Office	Faultless Portfolio (4) 1005, 1009-1013, 1025, 1100 W 8th Street	Downtown	\$13,000,000	\$52	248,860
Industrial	MW Company/ALT Fuel Innovations Buiding 6600 Stadium Drive	East Jackson County	\$9,500,000	\$34	277,780
Office	Argus Building 1300 Washington Street	Downtown	\$9,000,000	\$109	82,660
Retail	Walmart Neighborhood Market 2300 Metropolitan Avenue	Wyandotte County	\$8,750,000	\$210	41,670
Hospitality	Sonesta Select Kansas City Airport Prairie View 7600 NW 97th Terrace	Northland	\$6,600,000	\$44,295	149
Hospitality	MainStay Suites Kansas City Overland Park 11001 Oakmont Street	South Johnson County	\$4,500,000	\$36,885	122
Retail	Firestone Complete Auto Care 12380 W 95th Street	North Johnson County	\$4,250,000	\$557	7,630
Industrial/Flex	8300-8320 Nieman Road	North Johnson County	\$4,250,000	\$100	42,460

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.

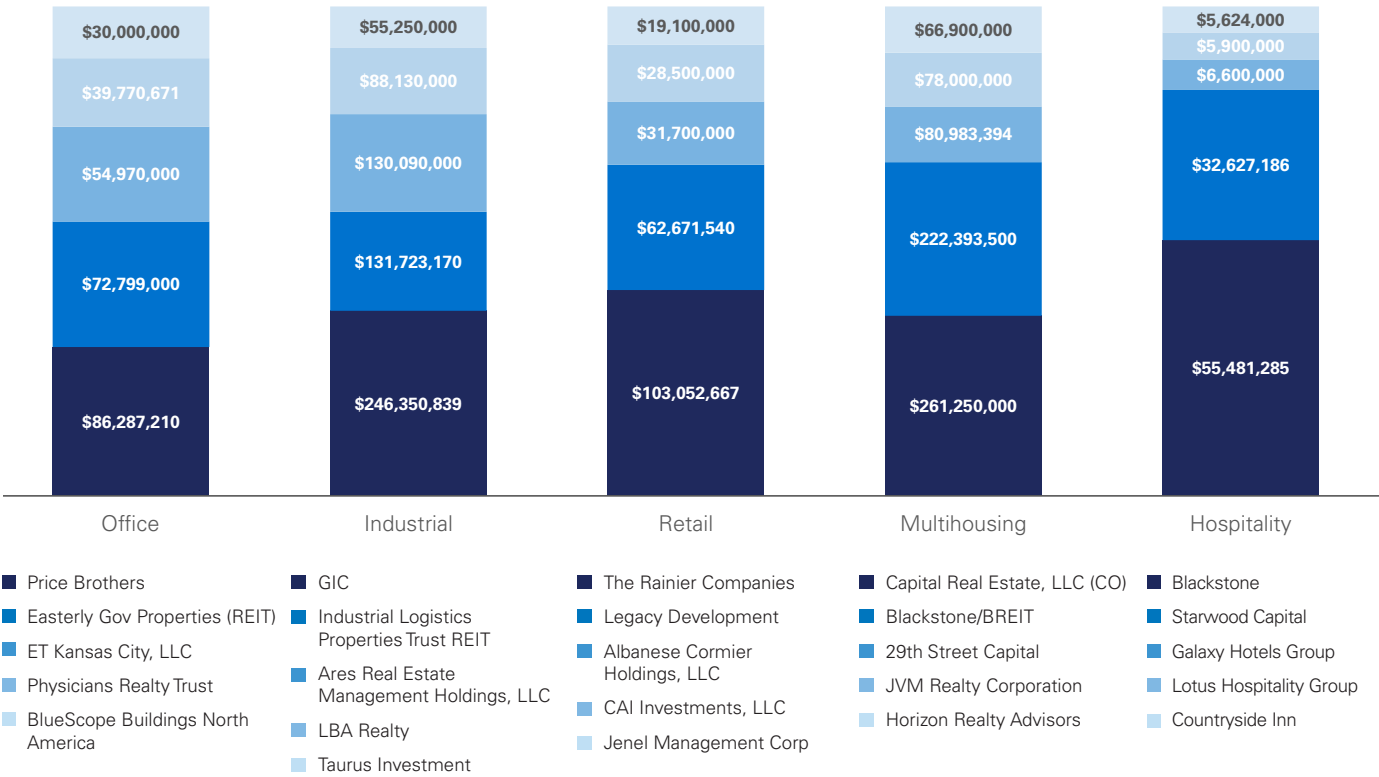
CAP RATES | ALL PROPERTY TYPES

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

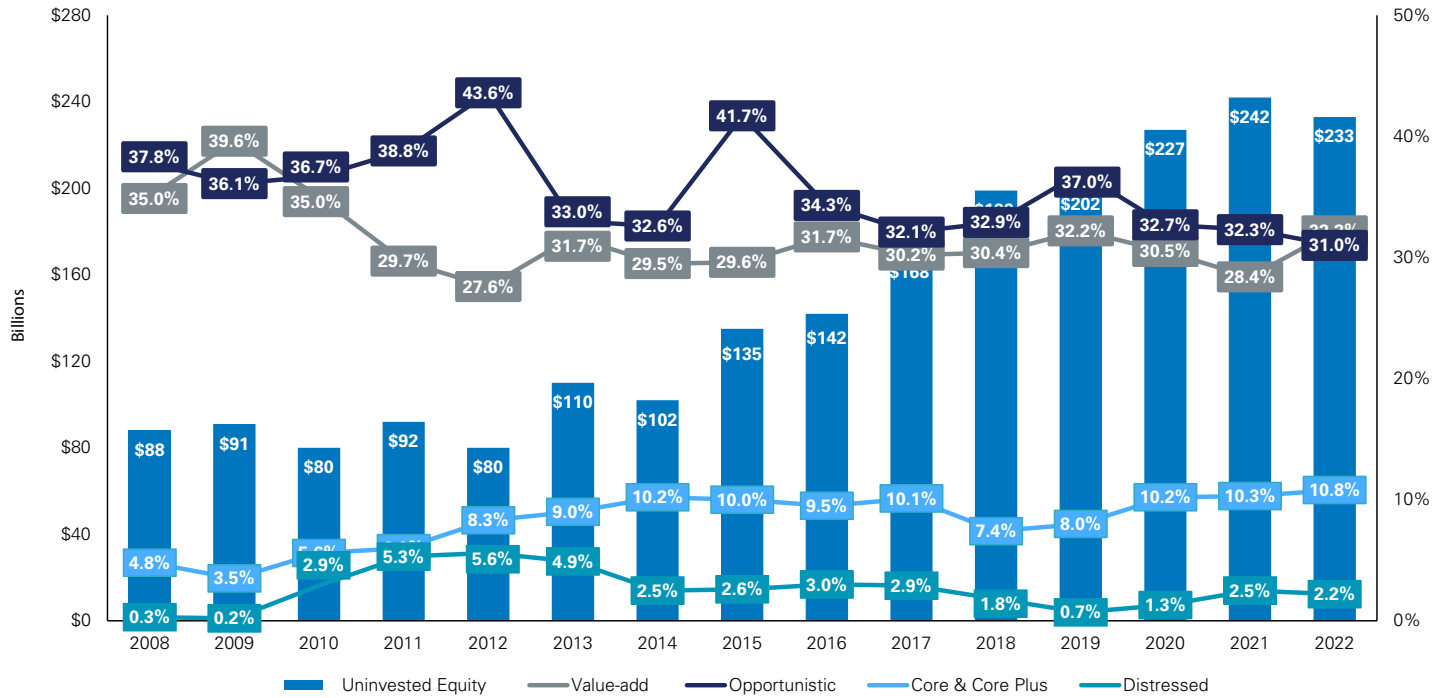


MOST ACTIVE BUYERS IN THE KANSAS CITY MARKET BY ASSET TYPE

12-MONTH TOTALS



DRY POWDER



Note: Excludes Debt Funds, Secondaries, Fund of Funds, Co-Investment

Source: Newmark Research, Preqin

DEBT FUND DRY POWDER



Source: Newmark Research, Preqin

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We transform untapped potential into limitless opportunity.

We don't just adapt to what our partners need—we adapt to what the future demands.

Since our start, we've faced forward, predicting change and pioneering ideas. Almost a century later, the same strategic sense and audacious thinking still guide our approach. Today our integrated platform delivers seamlessly connected services tailored to every type of client, from owners to occupiers, investors to founders, and growing startups to leading companies.

Tapping into smart tech and smarter people, we bring ingenuity to every exchange and transparency to every relationship.

We think outside of boxes, buildings and business lines, delivering a global perspective and a nimble approach. From reimagining spaces to engineering solutions, we have the vision to see what's next and the tenacity to get there first.

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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