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RESEARCH 3Q23

# 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

### Multifamily | The Mansion

550 Units – Sold for \$66,880,000 (\$121,600/Unit)  
East Jackson County | 2905 S Lees Summit Road

### Multifamily | Timber Lakes

322 Units – Sold for \$46,150,000 (\$143,323/Unit)  
South Kansas City | 11201 Montgall Avenue

### Office | Compass Corporate Centre I

84,660 SF GLA – Sold for \$8,000,000 (\$95/SF)  
South Johnson County | 11225 College Boulevard

### Industrial | 10960 Lakeview Ave

102,430 SF GLA – Sold for \$7,950,000 (\$78/SF)  
South Johnson County | 10960 Lakeview Avenue

### Retail | Academy Sports + Outdoors

71,930 SF GLA – Sold for \$10,000,000 (\$139/SF)  
South Johnson County | 14405 W 135th Street



# Capital Markets

## KANSAS CITY MARKET OVERVIEW

The pace of investment activity in the Kansas City market slowed during the past four quarters, with sales volume totaling \$2.7 billion, a decrease of 27.4% compared to the prior five-year average. As a leading second-tier market, the Kansas City Metropolitan area ranked fifth out of the largest 13 Midwest markets in total sales volume during the past 12 months, with multifamily and retail assets combining for 70.2% of the Metro's activity.

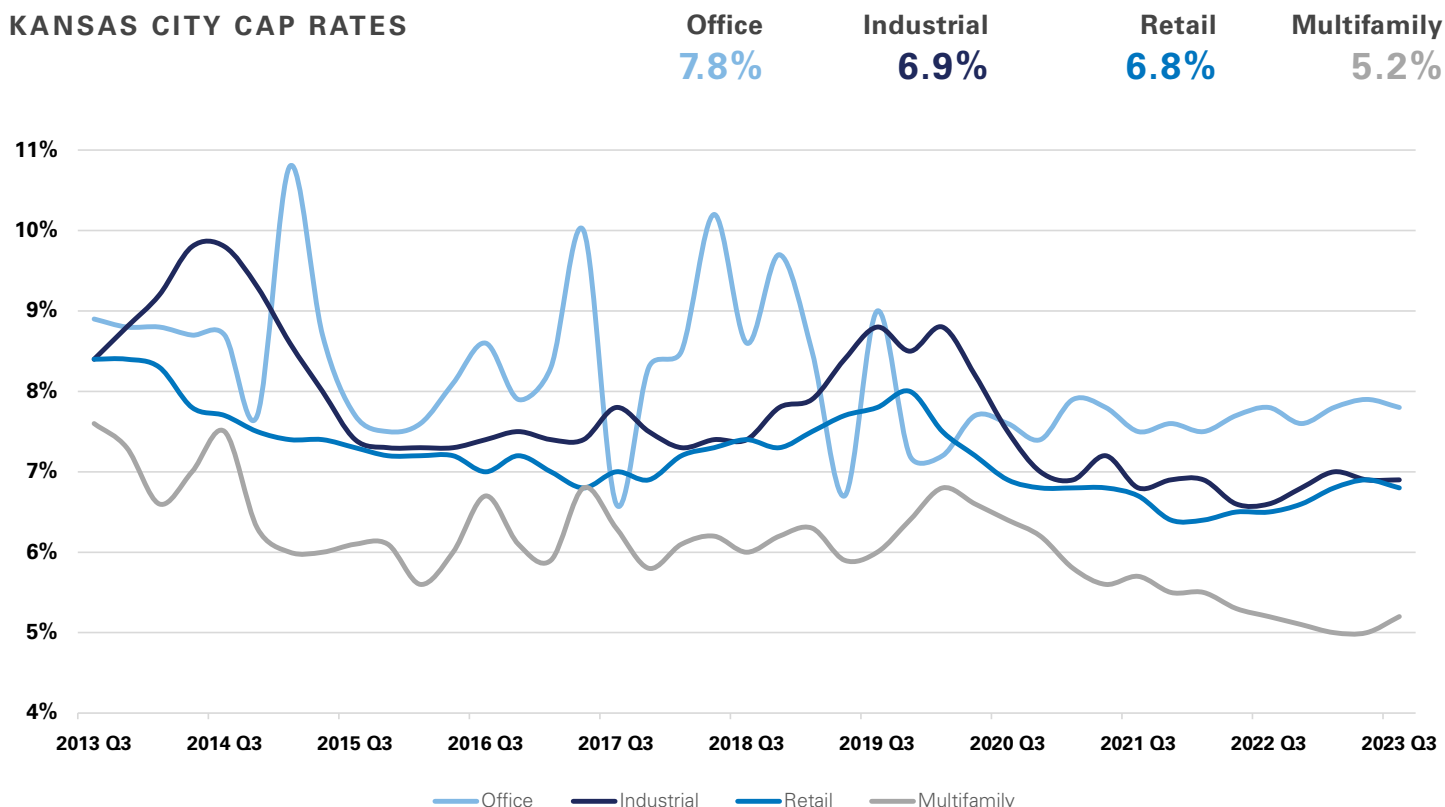
Capitalization rates increased 81 basis points compared with the past 12 months, registering 6.4% in the third quarter of 2023. Top-quantile capitalization rates increased 148 bps compared with the past 12 months, registering 5.6% in the third quarter of 2023. Total net absorption across the industrial, office and retail sectors totaled 10.9 million SF during the past four quarters, a decrease of 15.1% compared with the preceding year. The multifamily sector realized 755 units of net absorption during the past four quarters, a decrease of 82.9% over a similar period a year ago.

With development kept in check and incentives being offered to lock tenants in for longer lease terms along

with inflationary pressures, the industrial and retail sectors experienced new record highs for asking rental rates during the third quarter of 2023. Rental rates for Class A office space and multifamily offerings are near record highs after pulling back slightly during the quarter. Vacancy in all sectors increased compared with the prior year. The retail sector increased 10 bps to 4.4%, the industrial sector increased 100 bps to 4.9%, the multifamily sector increased 130 bps to 7.7%, while the office sector increased 150 bps to 16.7%.

The Newmark Zimmer Midwest Capital Markets team anticipates an increase in sales volume through the end of 2023, as buyers and sellers begin to adjust to the current market conditions and the interest rate environment stabilizes. Allocations for commercial real estate investment continue to remain steady for industrial, neighborhood retail, multifamily and medical office with strong operating fundamentals. We continue to monitor the impact of lending conditions on leveraged buyers return expectations and valuations.

## KANSAS CITY CAP RATES

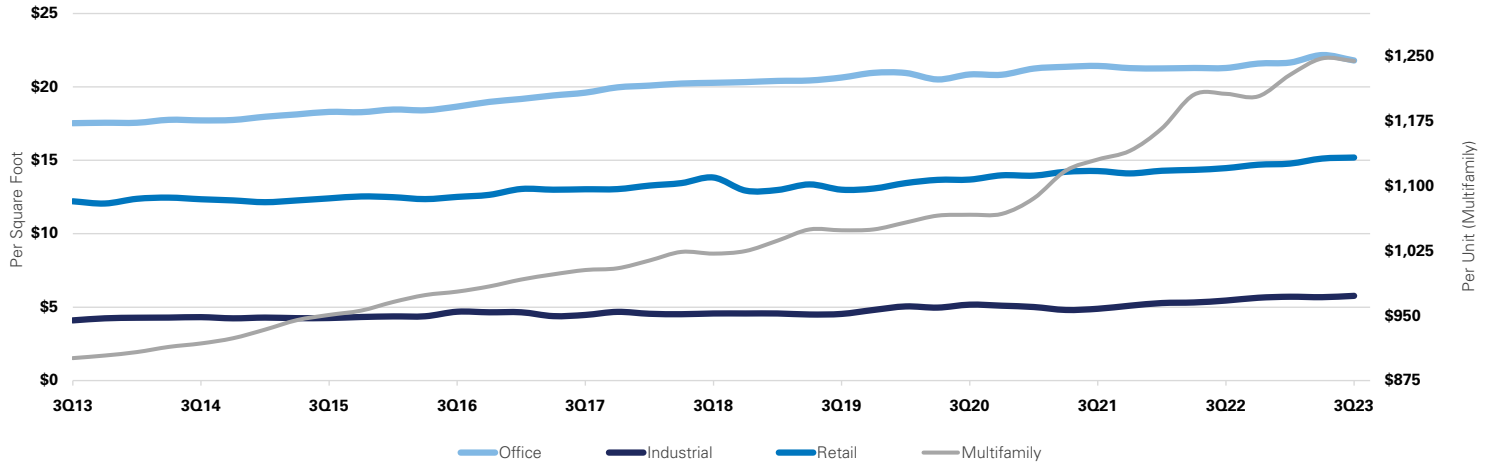


Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

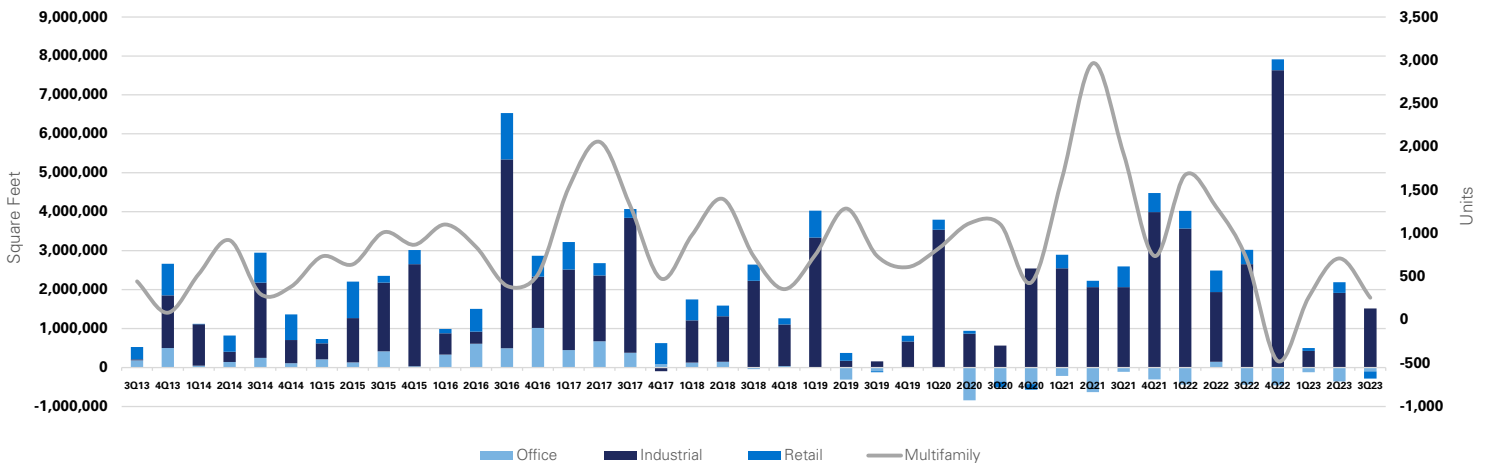
# 3Q23 Kansas City

## MARKET ANALYSIS

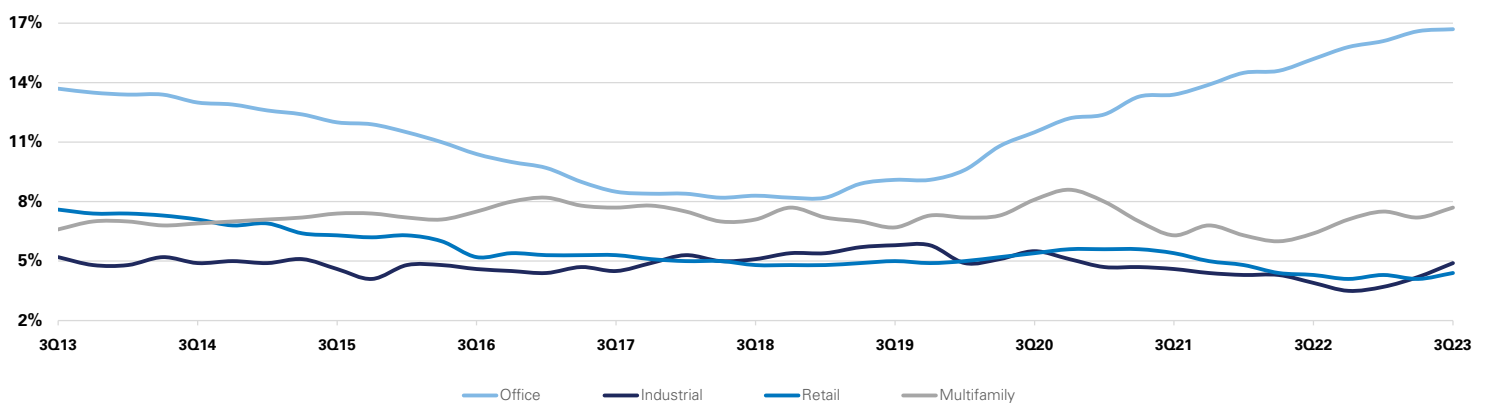
### AVERAGE ASKING RENT



### NET ABSORPTION



### VACANCY RATE







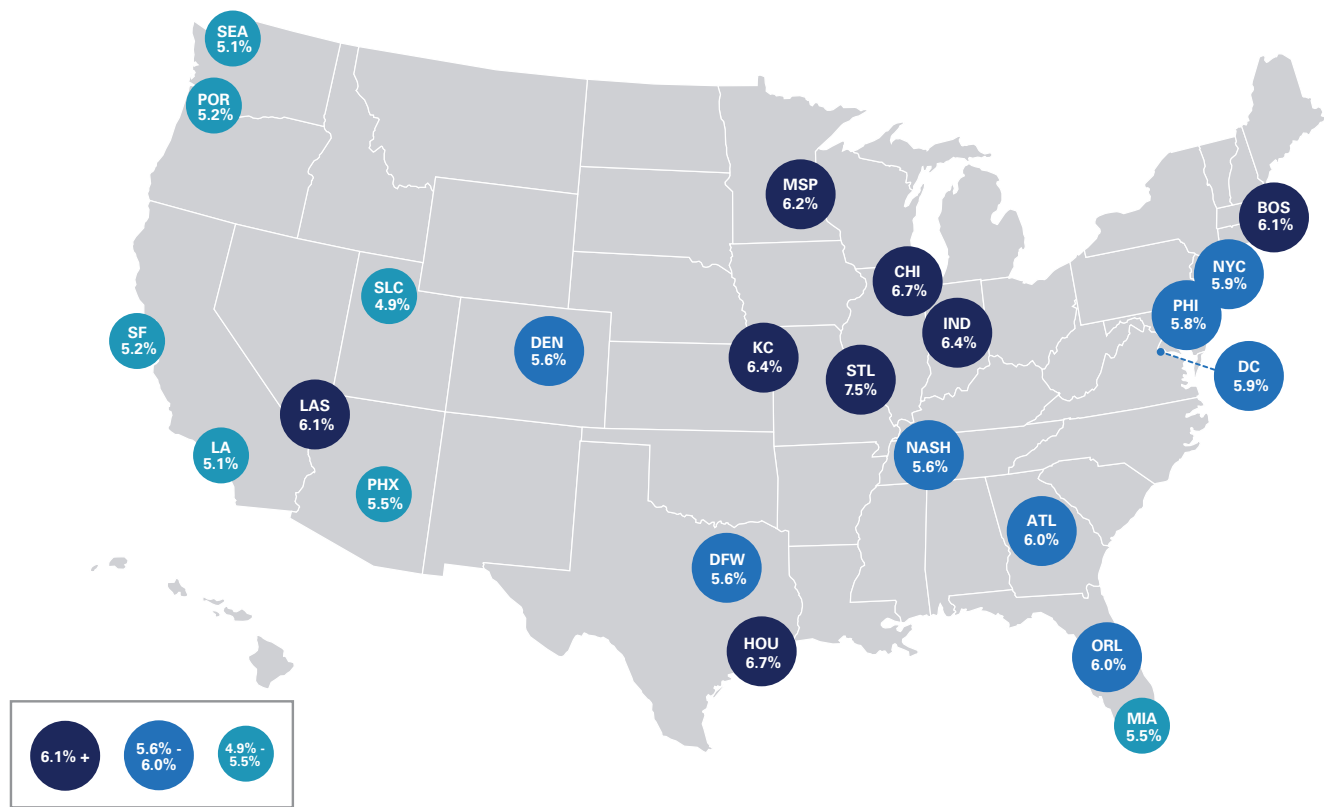
## SELECT SALES TRANSACTIONS | THIRD QUARTER OF 2023

Sector	Building	Submarket	Sale Price	Price Per SF/Unit <sup>1</sup>	SF/Units <sup>2</sup>
Multifamily	Creekwood Park Duplex Townhomes   5826 NE 42nd Street	Northland	\$8,400,000	\$144,828	58
Retail (Dealership)	8775 Metcalf Avenue Portfolio (3)	North Johnson County	\$6,800,000	\$135	50,480
Multifamily	Four Seasons Apartments   9512 W 87th Street	North Johnson County	\$5,250,000	\$99,057	53
Industrial	3651 N Skiles Avenue	Northland	\$5,200,000	\$163	31,870
Office	4601 Madison Avenue	Midtown/Plaza	\$4,850,000	\$123	39,550
Office (Medical)	3501 SW Market Street	Southeast Jackson County	\$4,780,000	\$664	7,200
Industrial	21945 W 83rd Street	North Johnson County	\$3,960,000	\$85	46,430
Retail	Walgreens   8450 W 151st Street	South Johnson County	\$2,954,400	\$212	13,910
Industrial	579 N Lindenwood Drive	South Johnson County	\$2,750,000	\$183	15,000
Retail	Popeyes Louisiana Kitchen   7601 Raytown Road	East Jackson County	\$1,610,000	\$559	2,880

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

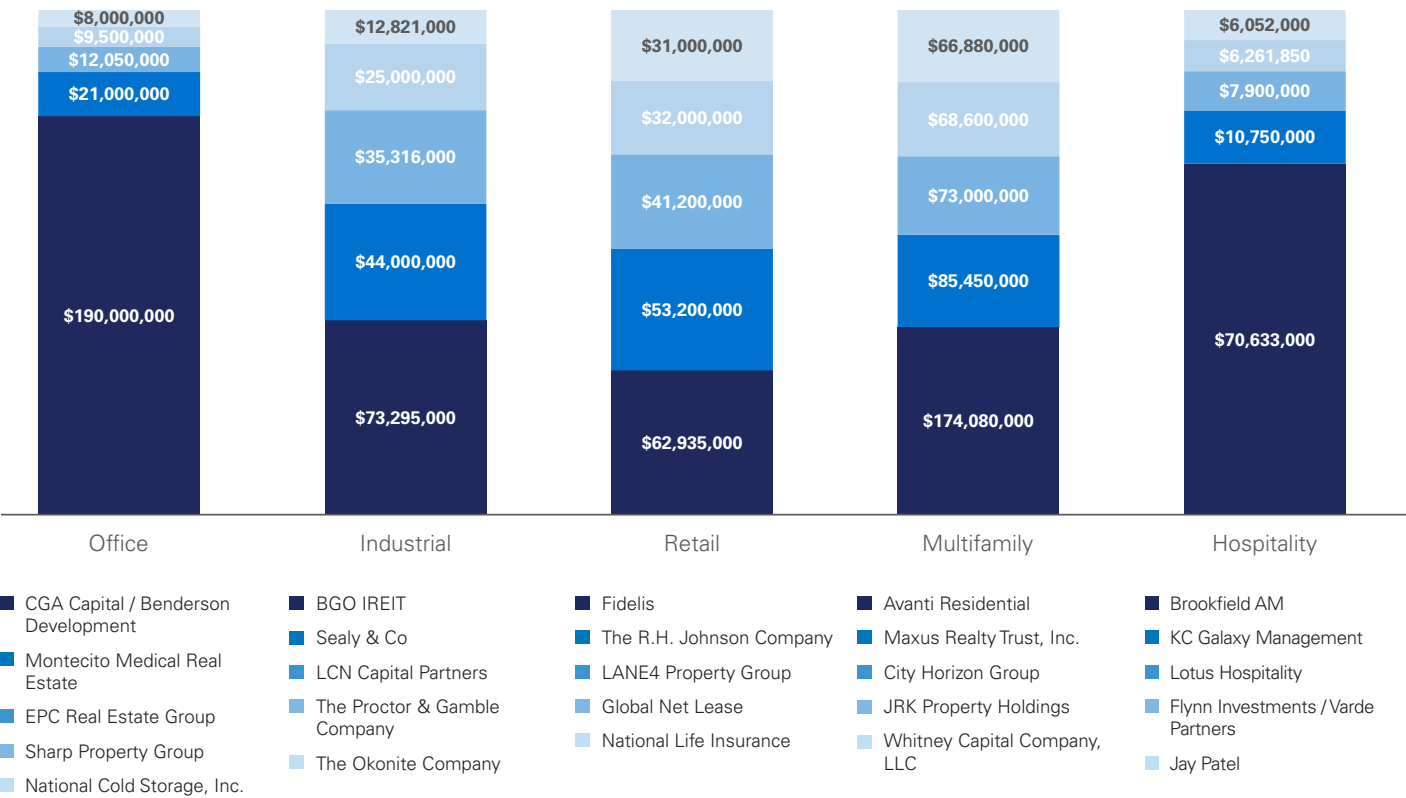
CAP RATES | ALL PROPERTY TYPES

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



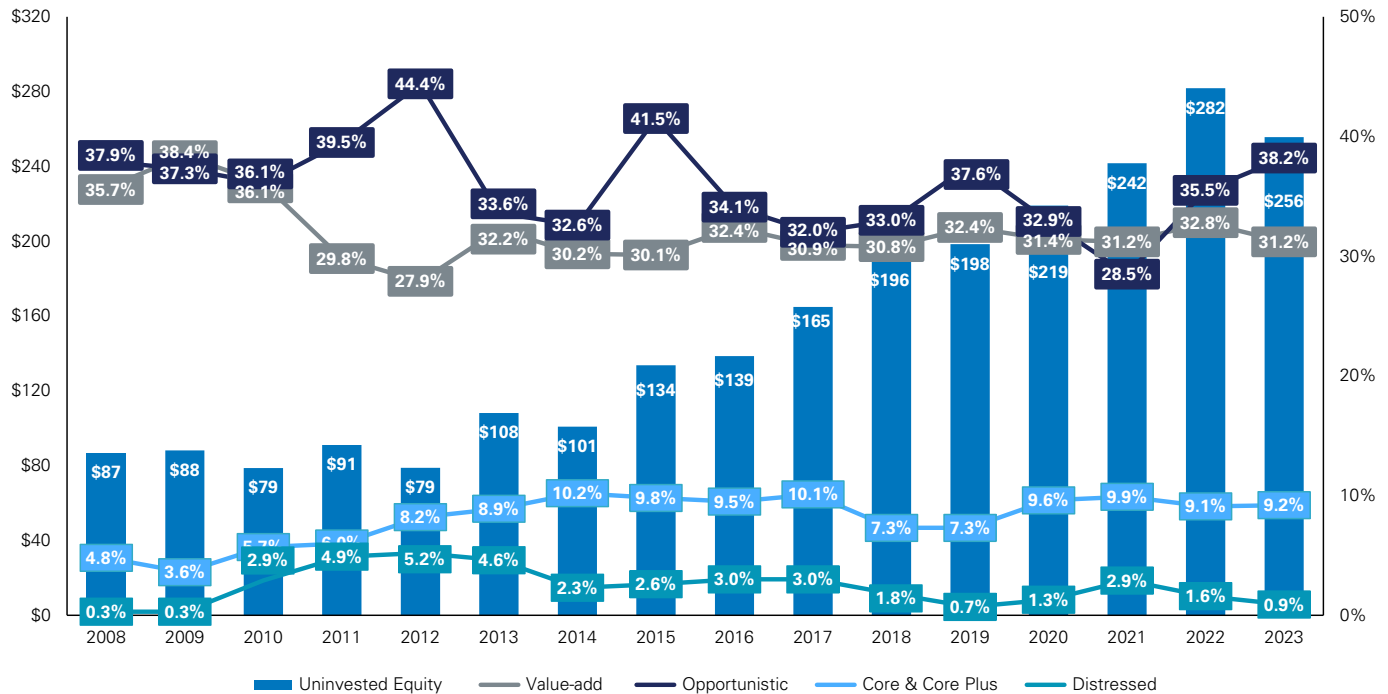
MOST ACTIVE BUYERS IN THE KANSAS CITY MARKET BY ASSET TYPE

12-MONTH TOTALS



## DRY POWDER

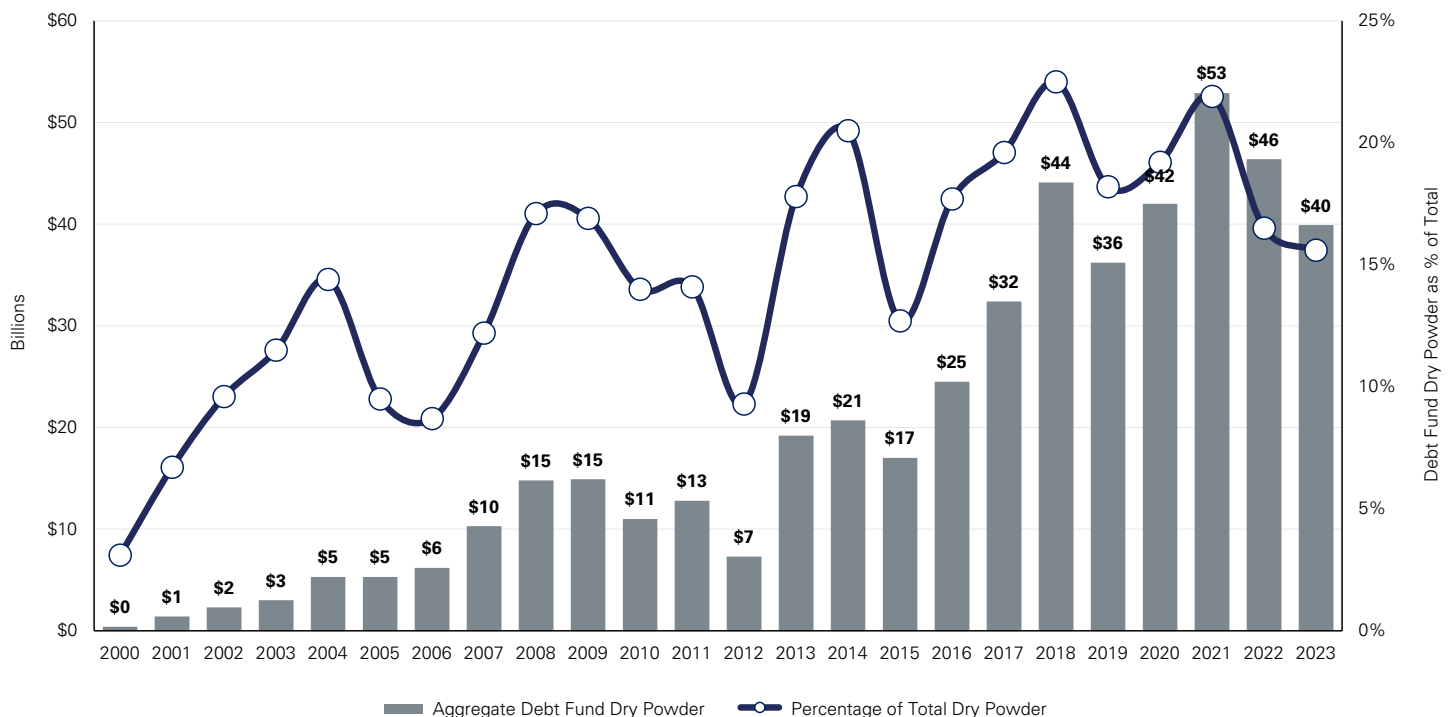
With high levels of dry powder, expect creative approaches to deploy capital. Dry powder allocated to opportunistic deals increased significantly 970 bps from 28.5% in 2021 to 38.2% year-to-date in 2023. Value-add strategies have remained stable during the past 10 years, ranging from 30.1% in 2015 to 32.8% in 2022.



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 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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