
RESEARCH 4Q22

Kansas City Capital Markets



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 | Artistry Apartments

341 Units – Sold for \$94,00,000 (\$275,660/Unit)

Downtown / Crossroads | 1918 Locust Street

Retail | Ward Parkway Center

558,930 SF GLA – Sold for \$62,935,000 (\$113/SF)

South Kansas City | 8600-8800 Ward Parkway

Retail | Hawthorne Plaza Portfolio (4)

156,410 SF GLA – Sold for \$41,200,000 (\$263/SF)

South Johnson County | SWC W 119th Street & Roe Avenue

Hospitality | Marriott Kansas City Country Club Plaza

295 Rooms – Sold for \$38,580,000 (\$130,780/Room)

Midtown/Plaza | 4445 Main Street

Industrial (Sale-Leaseback) | Orizon

205,000 SF GLA – Sold for \$35,316,000 (\$172/SF)

South Johnson County | 56 Commerce Center



Capital Markets

KANSAS CITY MARKET OVERVIEW

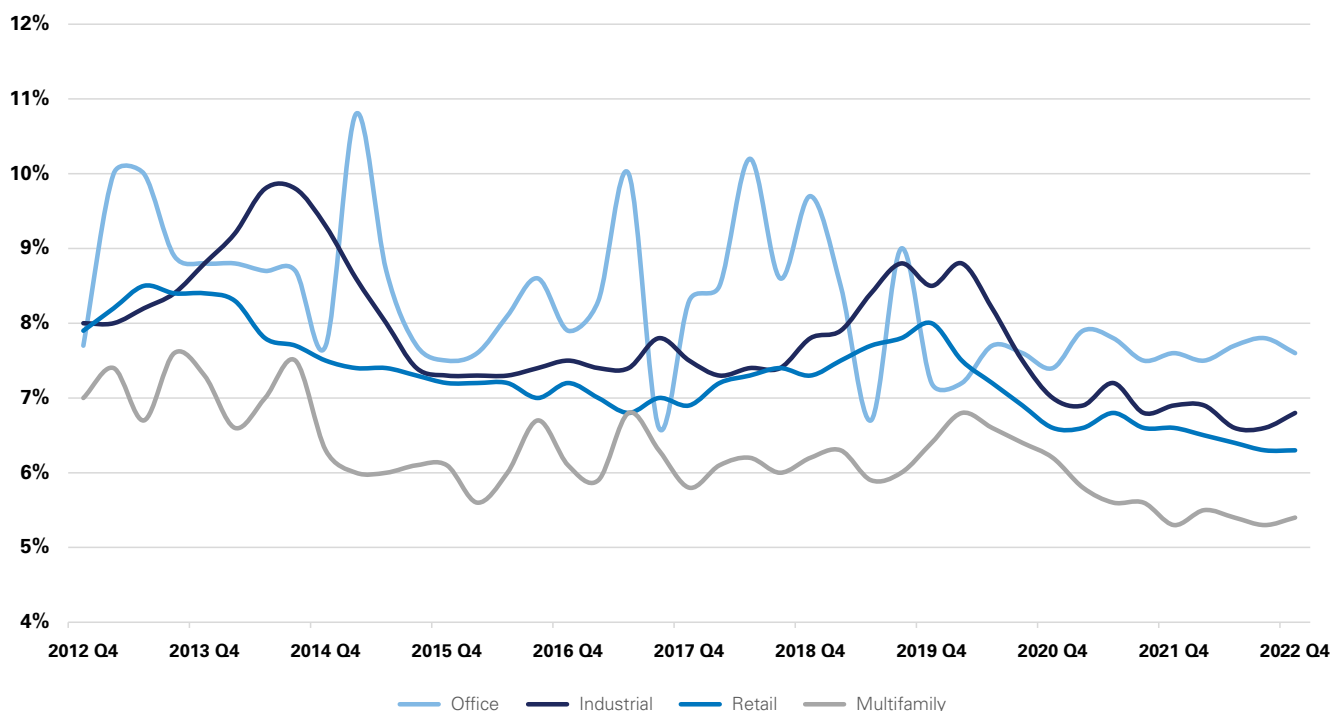
The pace of investment activity in the Kansas City market slowed during the past four quarters, with sales volume totaling \$4.0 billion, a decrease of 11.6% compared to the prior year. As a leading second-tier market, the Kansas City Metropolitan area ranked fifth out of the largest thirteen Midwest markets in total sales volume during the past twelve months, with multifamily and industrial assets combining for 69.1% of the Metro's activity.

Capitalization rates increased 70 basis points (bps) compared to the past twelve months, registering 6.1% in the fourth quarter of 2022. Top quantile capitalization rates increased 34 bps compared to the past twelve months, registering 4.6% in the fourth quarter of 2022. Total net absorption across the industrial, office and retail sectors totaled 17.3 million square feet during the past four quarters, an increase of 7.1 million square feet compared to the prior year. The multifamily sector realized 4,592 units of net absorption during the past four quarters, a decrease of 39.5% over a similar period a year ago. Modern Class A industrial properties quoted on a triple net basis, along 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, incentives being offered to lock tenants in for longer lease terms along with inflationary pressures, average asking rental rates also trended upwards for the office and multifamily sectors during the past two years. Vacancy in the multifamily sector dropped 50 bps from the prior year to 6.2%, while vacancy in the industrial sector is at a record low of 3.6%. After realizing six consecutive quarters of increasing vacancy rates in the retail sector, rising to 5.7% by the second quarter of 2021, vacancy has declined six consecutive quarters, totaling a decrease of 140 bps, registering a ten-year record low of 4.3% in the fourth quarter of 2022.

The Newmark Zimmer Midwest Capital Markets team anticipates reduced sales volume in the first half of 2023, due to continued price exploration among buyers and sellers. Allocations for commercial real estate investment continue to remain steady for industrial, multifamily, and medical office with strong fundamentals. In 2023 we expect activity to increase for general office and neighborhood retail assets as investors seek yield and data points support pricing. We continue to monitor the impact of interest rate increases on leveraged buyers return expectations and valuations.

KANSAS CITY CAP RATES

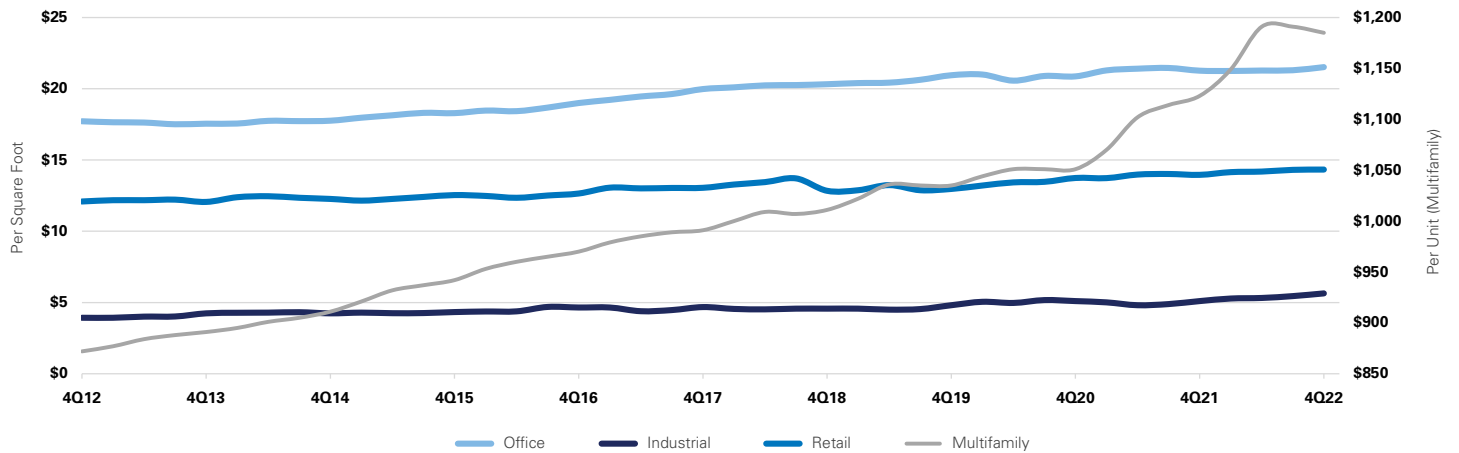


Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

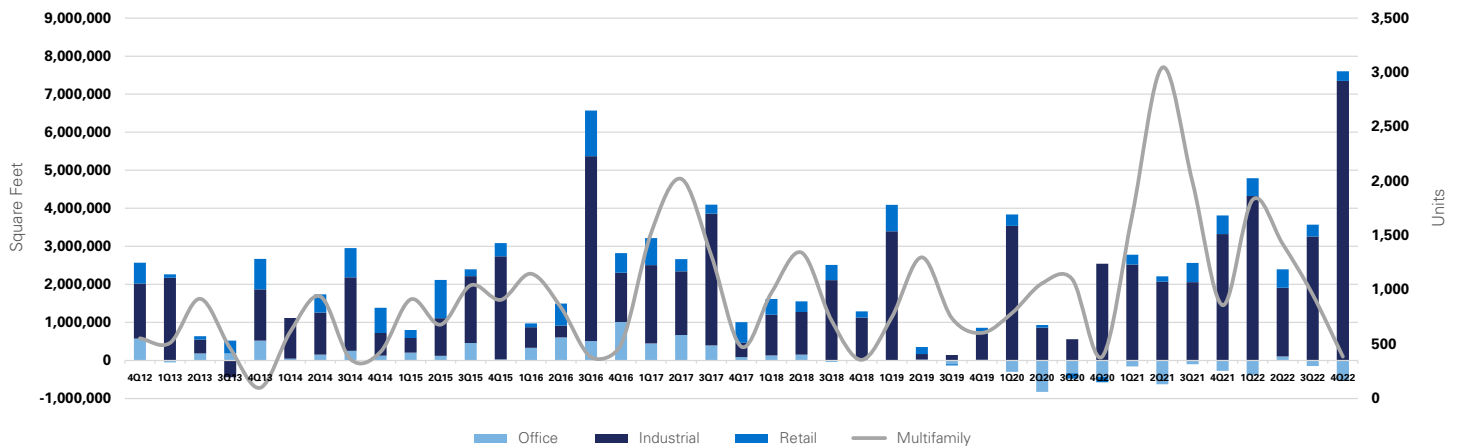
4Q22 Kansas City

MARKET ANALYSIS

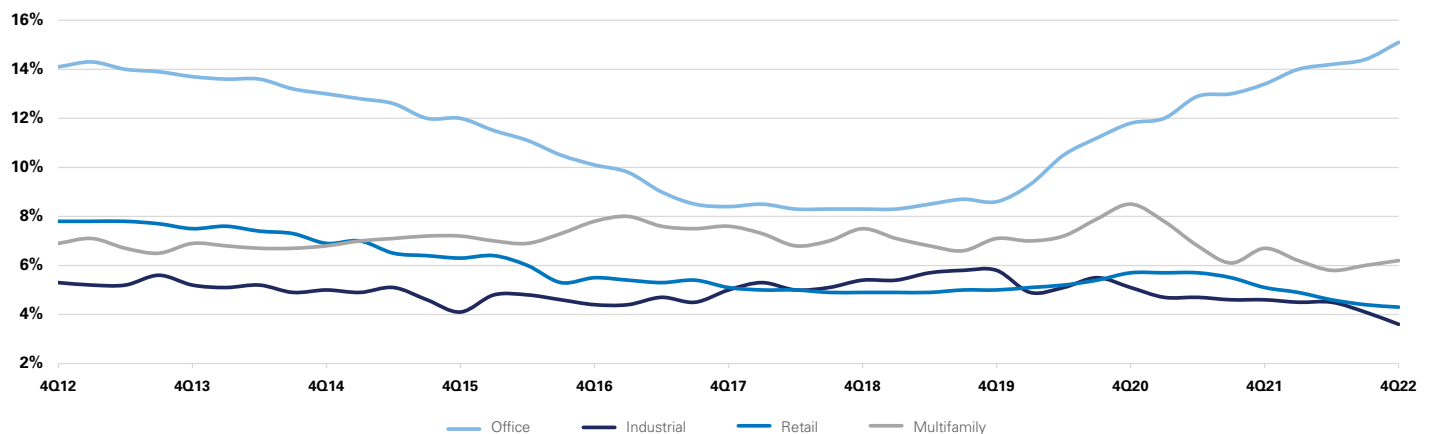
AVERAGE ASKING RENT



NET ABSORPTION



VACANCY RATE





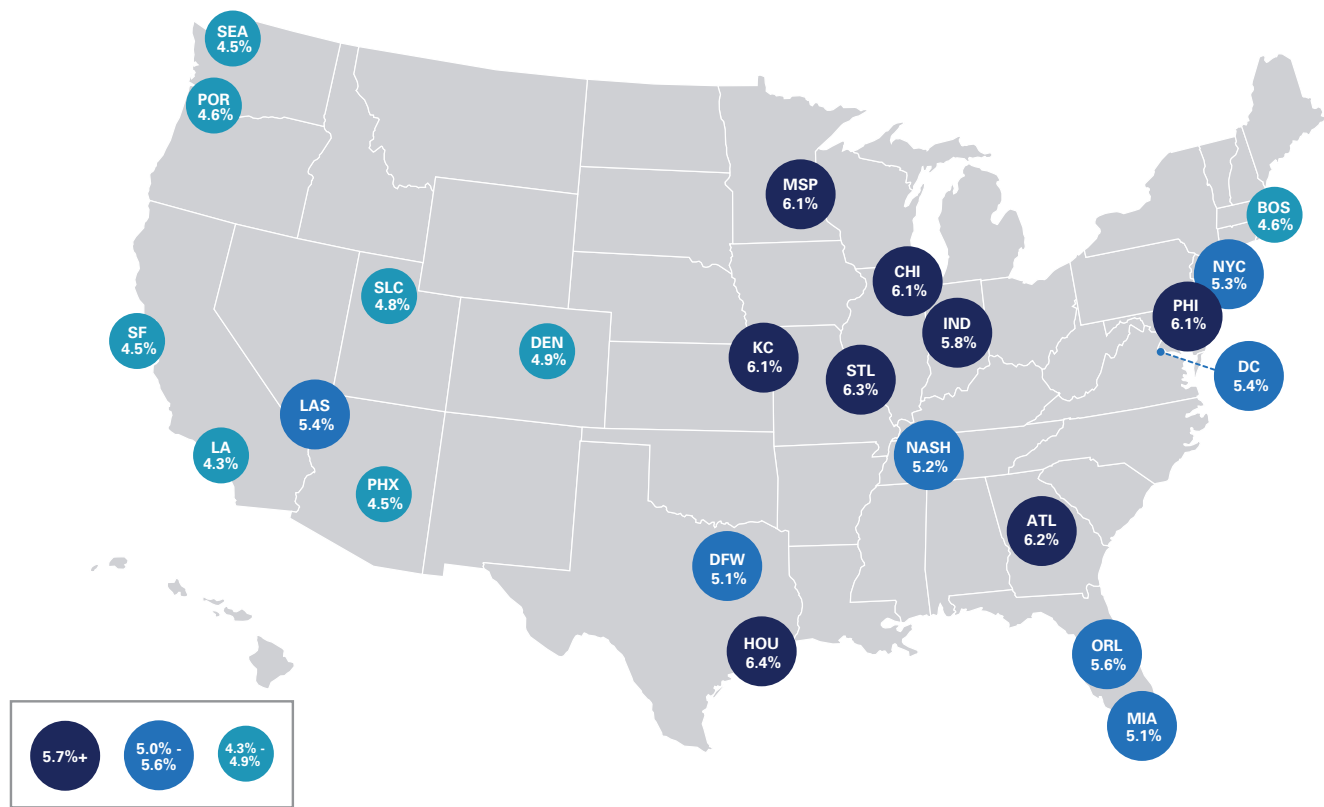
SELECT SALES TRANSACTIONS | FOURTH QUARTER OF 2022

Sector	Building	Submarket	Sale Price	Price per SF/ Unit ¹	SF/ Units ²
Multifamily	Wild Oak Apartment Homes 7903-7987 NE Flintlock Road	Northland	\$64,410,000	\$185,086	348
Multifamily	Reverb 1800 Walnut Street	Downtown/Crossroads	\$50,000,000	\$378,788	132
Multifamily	Centennial Park Apartments 12000 Hayes Lane	South Johnson County	\$40,200,000	\$236,471	170
Industrial	Lindenwood Business & Tech Center- IV 520-580 N Rogers Road	South Johnson County	\$11,550,000	\$55	208,610
Retail	JOANN Fabrics & Crafts/Planet Fitness 11401-11411 Metcalf Avenue	South Johnson County	\$10,400,000	\$169	61,710
Industrial	Serta Simmons Bedding 7910 Hedge Lane	North Johnson County	\$9,800,000	\$76	129,430
Office	Pointe de Bleu 4911 S Arrowhead Drive	East Jackson County	\$9,500,000	\$190	50,010
Retail	Academy Sports + Outdoors 269 S Stewart Road	Northland	\$8,650,000	\$138	62,910
Office	BioLife Plasma Services 19351 E Eastland Center Court	East Jackson County	\$6,050,000	\$577	10,480
Hospitality	Holiday Inn Express & Suites KC Sports Complex 8551 E State Route 350	East Jackson County	\$5,639,000	\$69,617	81

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

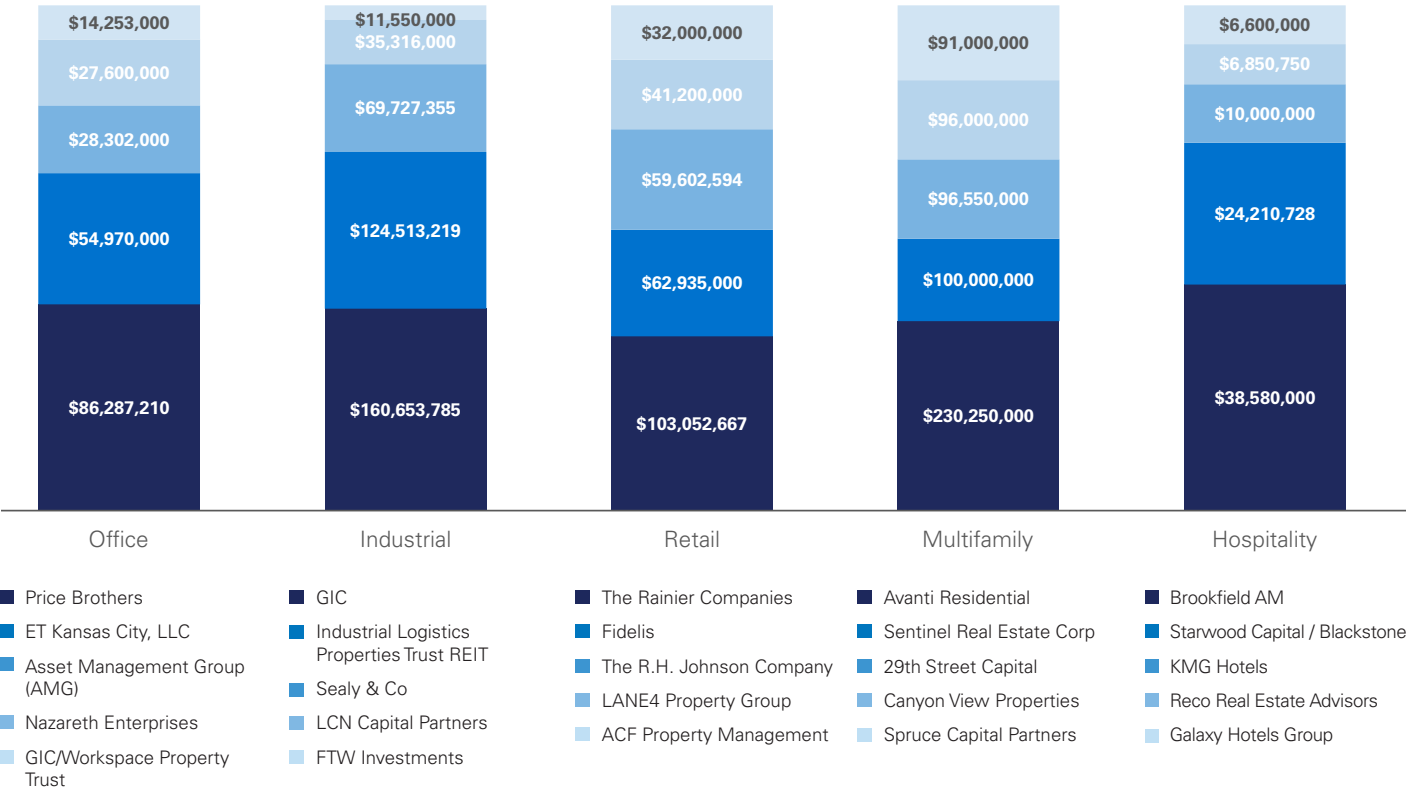
CAP RATES | ALL PROPERTY TYPES

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



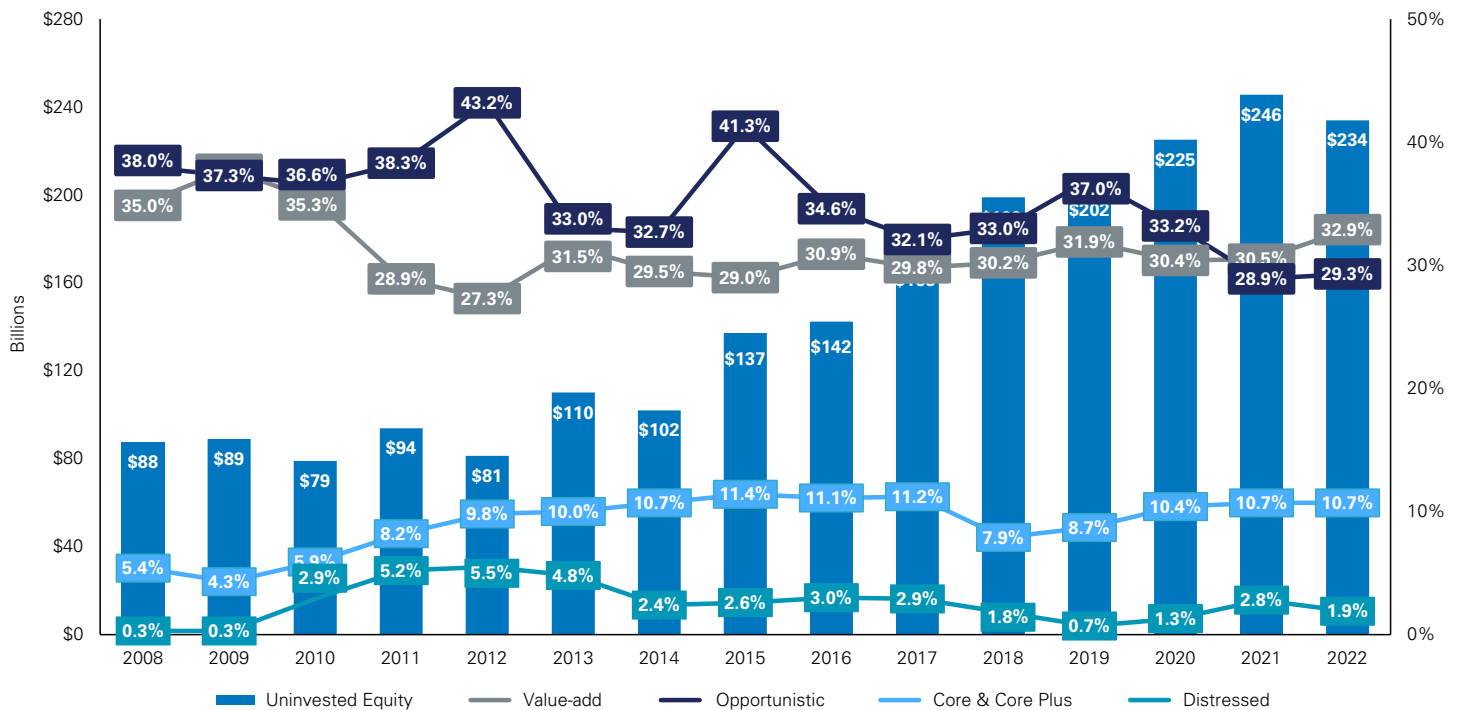
MOST ACTIVE BUYERS IN THE KANSAS CITY MARKET BY ASSET TYPE

12-MONTH TOTALS



DRY POWDER

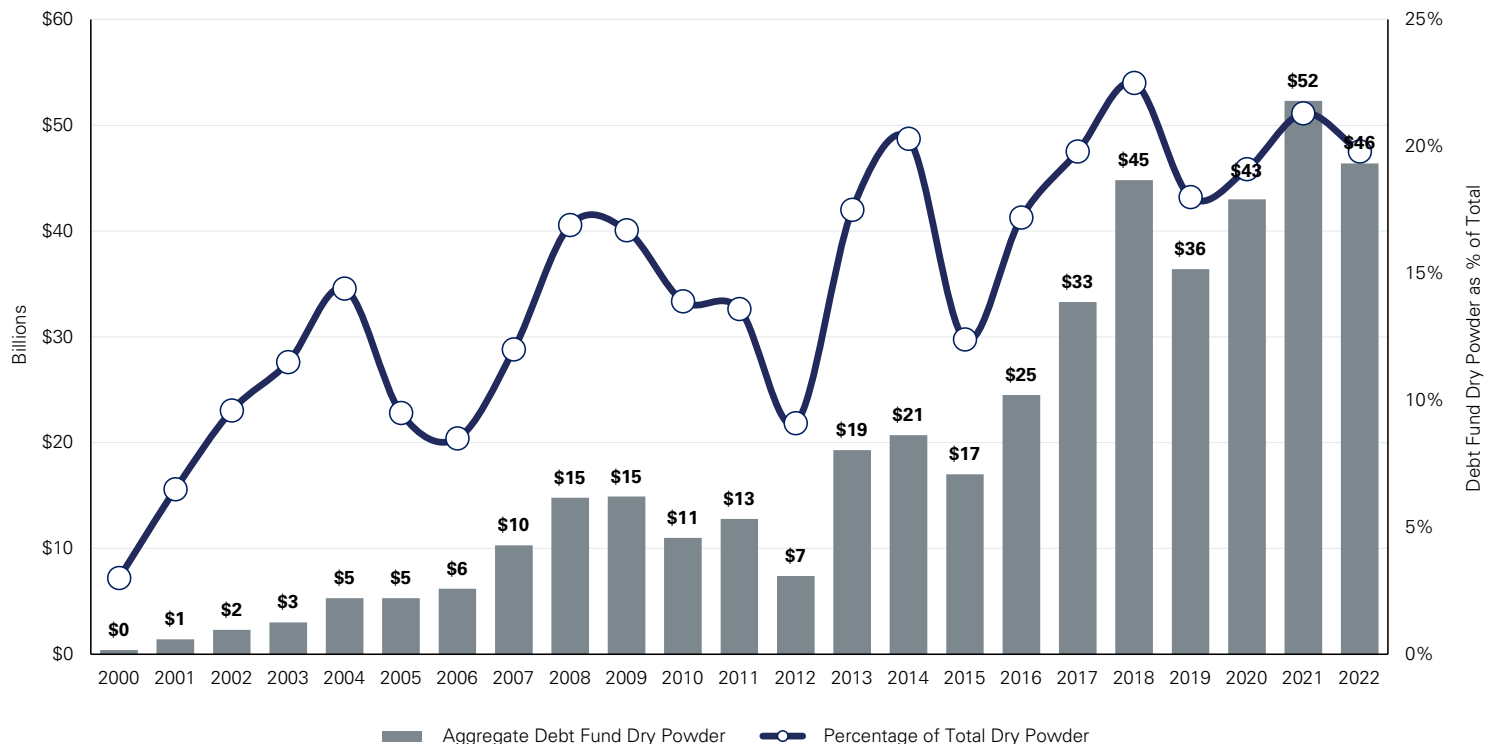
North American focused funds have accumulated \$234 billion of dry powder in 2022, a decrease of \$11.7 billion compared to 2021. Dry powder allocated to core and core plus strategies remains elevated at 10.7% of the total, as many investors prioritize high-quality assets with stable cash flows.



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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