

FALL 2023

STATE OF SPACE REPORT

Kansas City Office Market

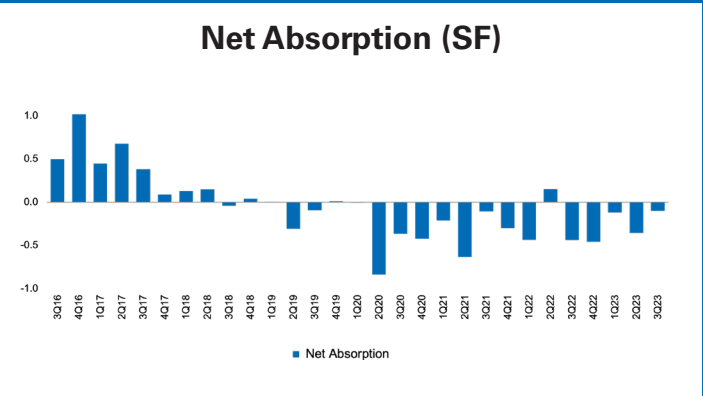
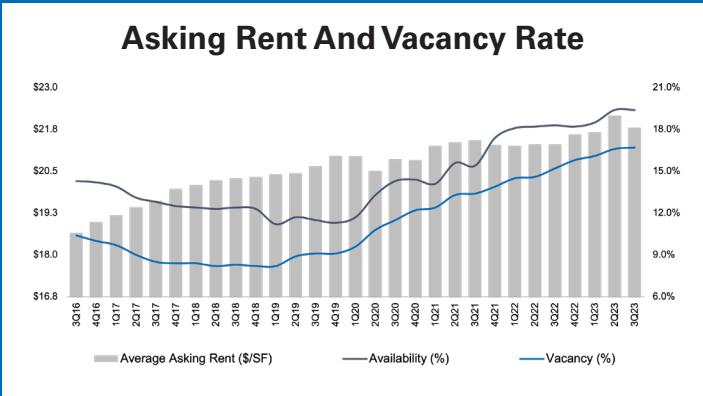
NEWMARK
ZIMMER



STATE OF SPACE REPORT

The Q3 2023 State of Space Report is a snapshot of the current Kansas City office market and provides detailed information that is useful for both owners and occupiers of office space throughout the Kansas City metropolitan area.

MARKET ANALYSIS



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory	74.4M	74.4M	74.2M	↔
Vacancy Rate	16.7%	16.6%	15.2%	↑
Qtr. Net Absorption	-99,958	-356,744	-439,592	↓
Avg. Asking Rent	\$21.80	\$22.17	\$21.29	↔
Under Construction	497,210	431,210	319,492	↔
Deliveries	0	0	0	↑



OBSOLETE OFFICE BUILDINGS OFFER OPPORTUNITY FOR REDEVELOPMENT

As office tenants flock to high quality Class A buildings to attract new employees and retain top tier talent, office landlords of struggling Class B and C office assets are faced with the challenges of reinvesting significant capital into their buildings to keep up with what the market demands for an uncertain return. Several landlords of high vacancy office buildings are considering repurposing their assets to higher and better uses in today’s market such as hospitality or multifamily. Over the last 3 years Newmark Zimmer tracks over 1.2M SF of planned or recently completed office to residential or hospitality in the Kansas City market and over 3.4M SF over the last decade. Given the continued headwinds in the office sector we believe the conversion of obsolete office space will help moderate supply and help decrease overall market vacancy rates.



Several successful examples of conversions of office buildings primarily in the urban core include the Mark KC formerly Mark Twain Tower, a 204K SF office buildings roughly 25% occupied that was converted into 222 Class A apartments and the Hotel Kansas City, a 120K SF historic office building transformed into a Class A 144 room hotel. Most recently Newmark Zimmer sold the AT&T Building at 500 E 8th Street to an out of town developer who plans to convert the 344k SF building into apartments and a 40K SF building at 800 Broadway to a local developer who plans 48 lofts with first floor commercial.

MIXED-USE PROPERTIES POST COVID IN KANSAS CITY

In today’s office market, the term “Flight to Quality” has been used ad nauseam to provide a simple snapshot of the positive trend for office tenants across the country. This trend is real and we are seeing evidence of companies moving into the nicest and most well located buildings. However, another positive trend, particularly in Kansas City, is the post-covid success of mixed-use buildings. Mixed-use buildings would be characterized as developments with a combination of office, retail, entertainment, and or residential space. These types of buildings have seen an overwhelming amount of success in the last few years as many companies have looked to relocate to properties that offer employees a different experience than a traditional office building. Four of the larger mixed-use developments in the Kansas City region, Park Place in Leawood, The Edison District in Downtown Overland Park, Lenexa City Center, and Zona Rosa in the Kansas City North all saw a wave of new tenants move in post Covid. At these four properties, the vacancy rate decreased from 24% in Q3 2019 down to 5.6% today.

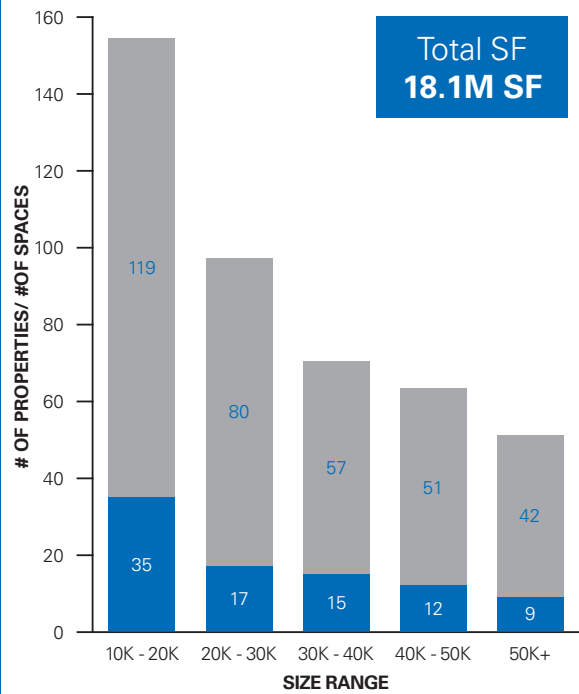


AVAILABLE SPACE REPORT

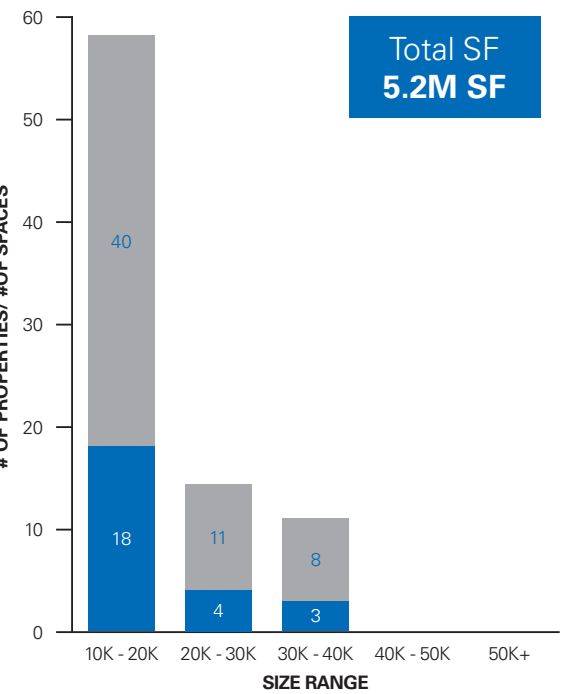
PROPERTIES SPACES

The charts included in this Available Space Report describe the number of available spaces within buildings that are designated Class A & B in each submarket. The charts then identify the number of available spaces within certain size ranges.

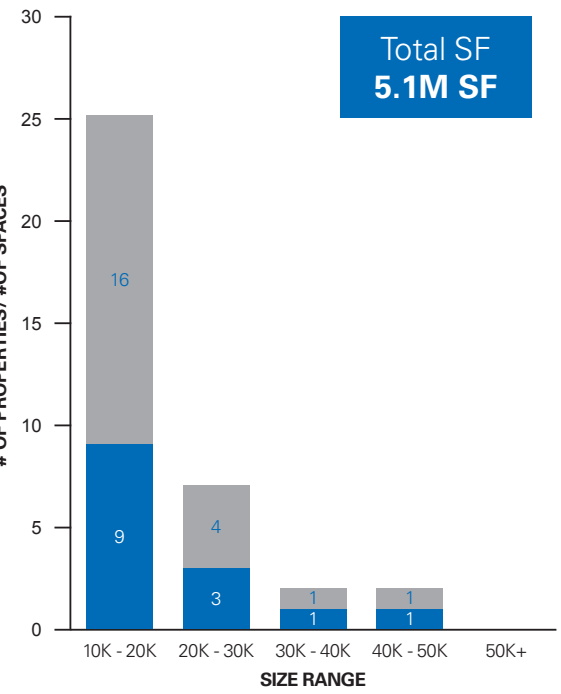
CENTRAL BUSINESS DISTRICT



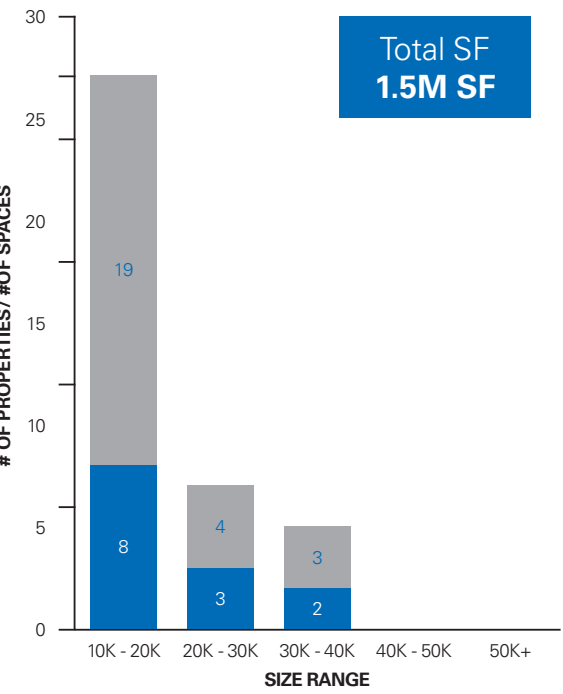
MIDTOWN TO PLAZA



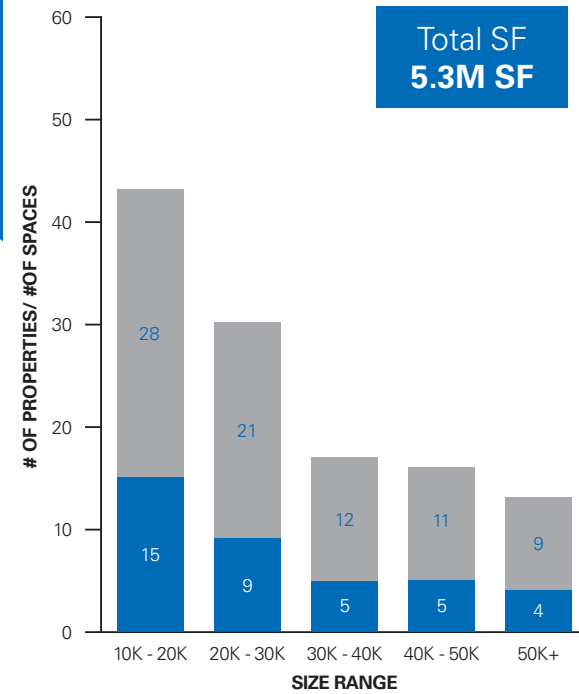
SOUTH KANSAS CITY



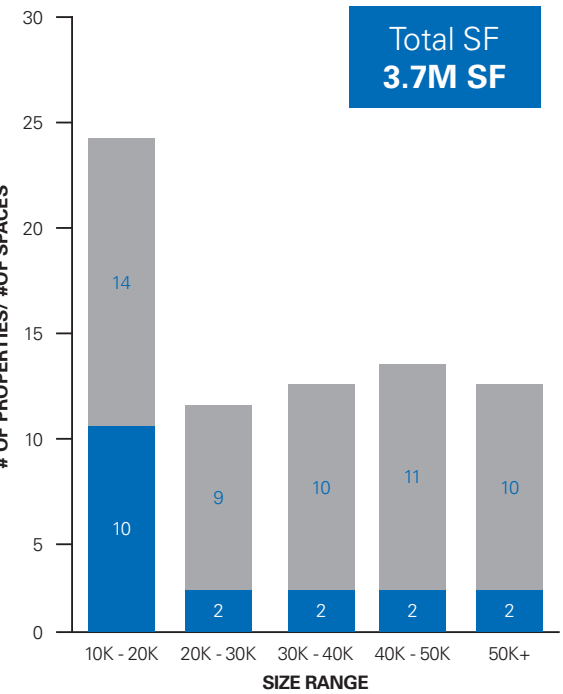
WYANDOTTE COUNTY



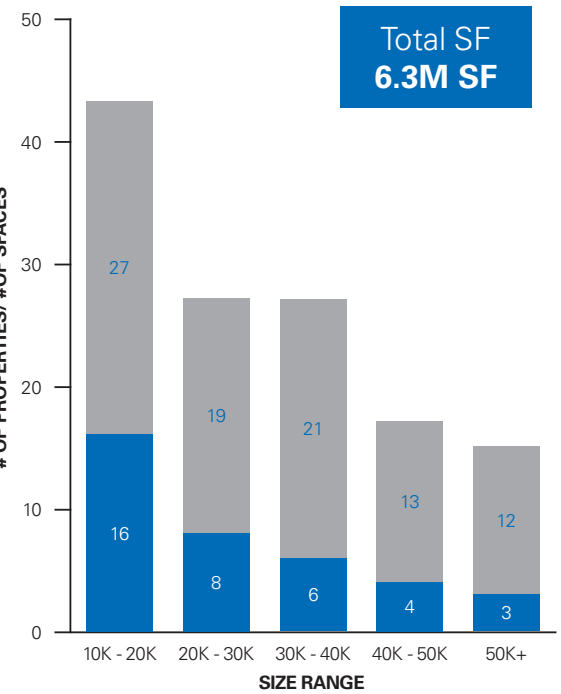
NORTHLAND



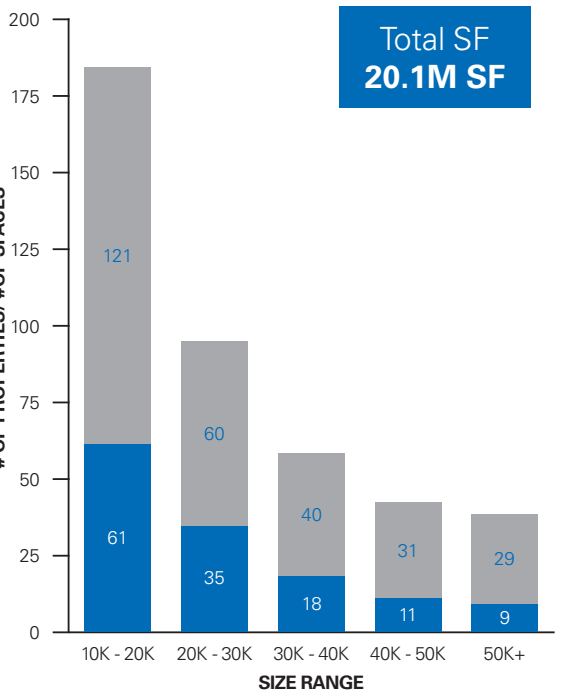
EASTERN JACKSON COUNTY



NORTH JOHNSON COUNTY



SOUTH JOHNSON COUNTY



RECENT TRANSACTIONS

SALES



CGA Capital
8950 Renner Boulevard,
Lenexa, KS
240,000 SF



National Cold Storage, Inc.
11225 College Boulevard,
Overland Park, KS
84,656 SF



Real Deal Advisors, LLC
4240 Blue Ridge Boulevard,
Kansas City, MO
101,469 SF



Anderson Engineering
8455 College Boulevard,
Overland Park, KS
16,623 SF



601 Partnership 1, LLC
601 Minnesota Avenue,
Kansas City, KS
75,000 SF



SML 1200 LLC
1200 E 104th Street,
Kansas City, MO
68,224 SF



Fountain City Renewal, LLC
9237 Ward Parkway,
Kansas City, MO
53,412 SF



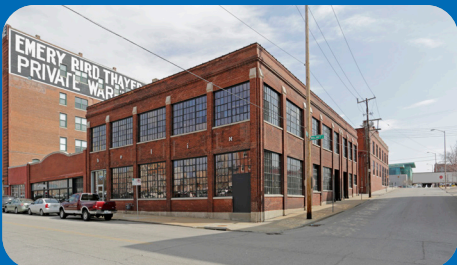
Kansas City Premium Partners, LLC
221 W Lexington Avenue,
Independence, MO
40,796 SF



DaVita Kidney Vare
4601 Madison Avenue,
Kansas City, MO
39,547 SF



Kansas 101 Linwood, LLC
101 W Linwood Boulevard,
Kansas City, MO
32,563 SF



1629 Walnut, LLC
1625-1629 Walnut,
Kansas City, MO
20,344 SF



Brodie J Coleman
5454 W 110th Street,
Overland Park, KS
227,000 SF

LEASES



TruHome Solutions
6330 Sprint Parkway,
Overland Park, KS
36,500 SF



FAA
1100 Main Street,
Kansas City, MO
82,270 SF



Kutak Rock
2405 Grand Boulevard,
Kansas City, MO
23,479 SF



Health Forward Foundation
2800-3100 Dr. Martin Luther Kind Jr.
Boulevard, Kansas City, MO
20,000 SF



NAIC (Renewal)
1111 Main Street,
Kansas City, MO
108,000 SF



Simmons Bank
1200 Grand Boulevard,
Kansas City, MO
20,471 SF



NIC, Inc.
7701 College Boulevard,
Overland Park, KS
49,964 SF



Gragg Advertising
5200 Metcalf Avenue,
Overland Park, KS
21,000 SF



Black & Veatch (Sublease)
6100 Sprint Parkway,
Overland Park, KS
77,790 SF



Missouri Housing
1201 Walnut Street,
Kansas City, MO
30,713 SF



Airshare
6240 Sprint Parkway,
Overland Park, KS
20,920 SF

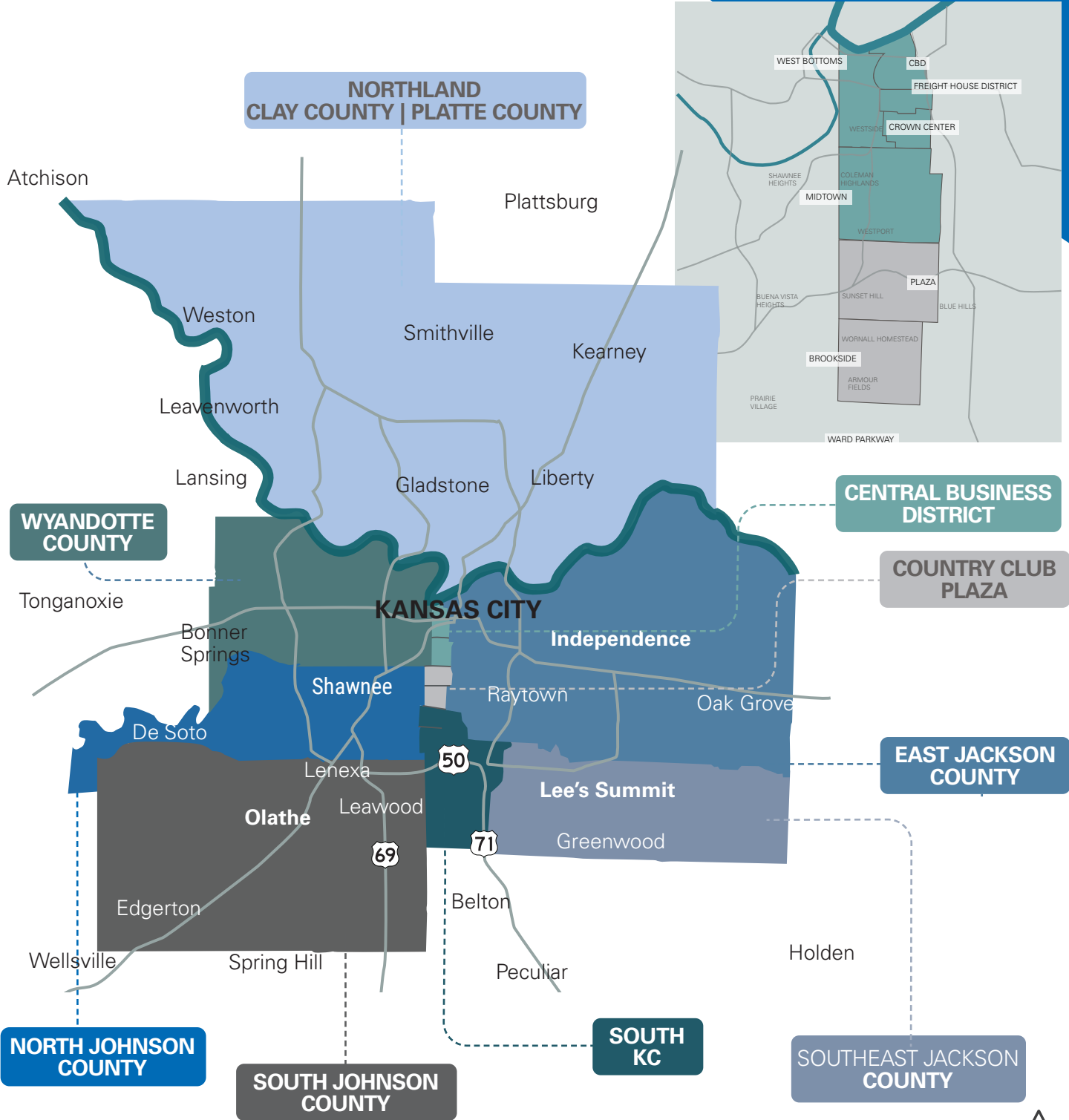


Western Governors University
12200 N Ambassador Drive,
Kansas City, MO
19,750 SF

KC OFFICE UNDERWRITING REPORT

The table below describes certain statistics related to average lease terms across different submarkets in the Kansas City Metropolitan area.

	Average Class A Rental Rate	Average TI Allowance per Year of Lease Term	Average Lease Size	Average Lease Term	Annual Rent Escalations	Absorption	Vacancy Rate	Commissions (New & Renewal)
NORTHLAND CLAY & PLATTE COUNTY	\$21.09/SF	New Deal: \$3-\$5/SF Renewal Term: \$2/SF	3,000 SF	3-5 years	1.5%	12-18 months	15.70%	6%
CENTRAL BUSINESS DISTRICT	\$24.72/SF	New Deal: \$5/SF Renewal Term: \$2/SF	6,000 SF	5 years	2%	6-9 months	14.70%	6%
COUNTRY CLUB PLAZA	\$28.99/SF	New Deal: \$5/SF Renewal Term: \$2/SF	4,000 SF	5 years	2%	6-9 months	9.10%	6%
EAST JACKSON COUNTY	\$22.23/SF*	New Lease: \$4/SF Renewal Term: \$1.50/SF	3,200 SF	3-5 years	1.5%	12-18 months	6.10%	6%
SOUTHEAST JACKSON COUNTY	\$23.50/SF*	New Lease: \$5/SF Renewal Term: \$2/SF	3,900 SF	3-5 years	1.5%	9-12 months	12.10%	6%
SOUTH KANSAS CITY	\$20.00/SF	New Lease: \$5/SF Renewal Term: \$2/SF	5,700 SF	3-5 years	1.5%	9-12 months	9.40%	6%
NORTH JOHNSON COUNTY	\$21.50/SF	New Lease: \$5/SF Renewal Term: \$1.50/SF	4,300 SF	3-5 years	2%	6-9 months	19.00%	6%
SOUTH JOHNSON COUNTY	\$22.38/SF	New Lease: \$5/SF Renewal Term: \$2/SF	8,000 SF	5 years	2.5%	6-9 months	17.40%	6%
WYANDOTTE COUNTY	\$21.00/SF*	New Lease: \$4/SF Renewal Term: \$1.50/SF	4,000 SF	3-5 years	1.5%	12-18 months	7.10%	6%



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AVERAGE TENANT EXPENSES



WORKSTATIONS BUDGET:

High end: \$5,000
Mid-Tier: \$3,000
Budget/Used-Tier: \$1,000



PRIVATE OFFICE FURNISHINGS:

High End: \$7,500 plus
Mid-Tier: \$2,500- \$4,000
Budget/Used-Tier: \$1,200- \$1,900



CONFERENCE ROOM: (TABLE & CHAIRS)

High End: \$1000 plus per seat
Mid-Tier: \$450 per seat
Budget/Used-Tier: \$325 per seat



SEATING:

High-End: \$900 plus per chair
Mid-Tier: \$350 - \$550 per chair
Budget/Used-Tier: \$300 per chair



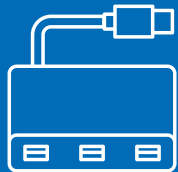
INSTALLATION COST:

Ranges from 10 - 20% of total furniture cost. The larger the project, typically the smaller the percentage.



AVERAGE MOVING COST:

\$2.50/SF (can vary based on tenants use)



INTERNET/ PHONE CABLING INSTALLATION

\$3.00 - \$5.00+ /SF (Pricing may increase dependent on tenant's requirement)



BASIC CONSTRUCTION COSTS:

Paint: \$1.25 - \$1.65/SF
Carpet: \$4.00 - \$8.00/SF

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