

---

RESEARCH 2024

# 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 | Independence Ridge & Robin Hill - Portfolio**

476 Units – Sold for \$39,000,000 (\$81,933/Unit)

East Jackson County / Northland | 19012 E 37th Ter S; 701-711 NE 85th Ter

### **Retail | Price Chopper**

51,030 SF GLA – Sold for \$5,750,000 (\$113/SF)

Leavenworth County | 2107 S 4th Street

### **Industrial | 2515 Semco Drive**

22,040 SF GLA – Sold for \$5,600,000 (\$254/SF)

North Cass County | 2515 Semco Drive

### **Retail | Crash Champions**

34,500 SF GLA – Sold for \$5,520,000 (\$160/SF)

East Jackson County | 11911 E 40 Highway

### **Office/Medical | Cline Wood Building**

13,820 SF GLA – Sold for \$3,600,000 (\$260/SF)

South Johnson County | 11250 Tomahawk Creek Parkway

# 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 \$1.3 billion, a decrease of 64.4% compared to the prior five-year average. As a leading second-tier market, the Kansas City Metropolitan area ranked 10th out of the largest 13 Midwest markets in total sales volume during the past 12 months, with multifamily and industrial assets combining for 64.6% of the Metro's activity.

Capitalization rates increased by 10 basis points compared with the past 12 months, registering 6.6% in the second quarter of 2024. Total net absorption across the industrial, office, and retail sectors totaled 4.3 million SF during the past four quarters, a decrease of 64.9% compared with the preceding year. Multifamily realized 3,323 units of net absorption during the past four quarters, an increase of 183.5% during a similar period a year ago.

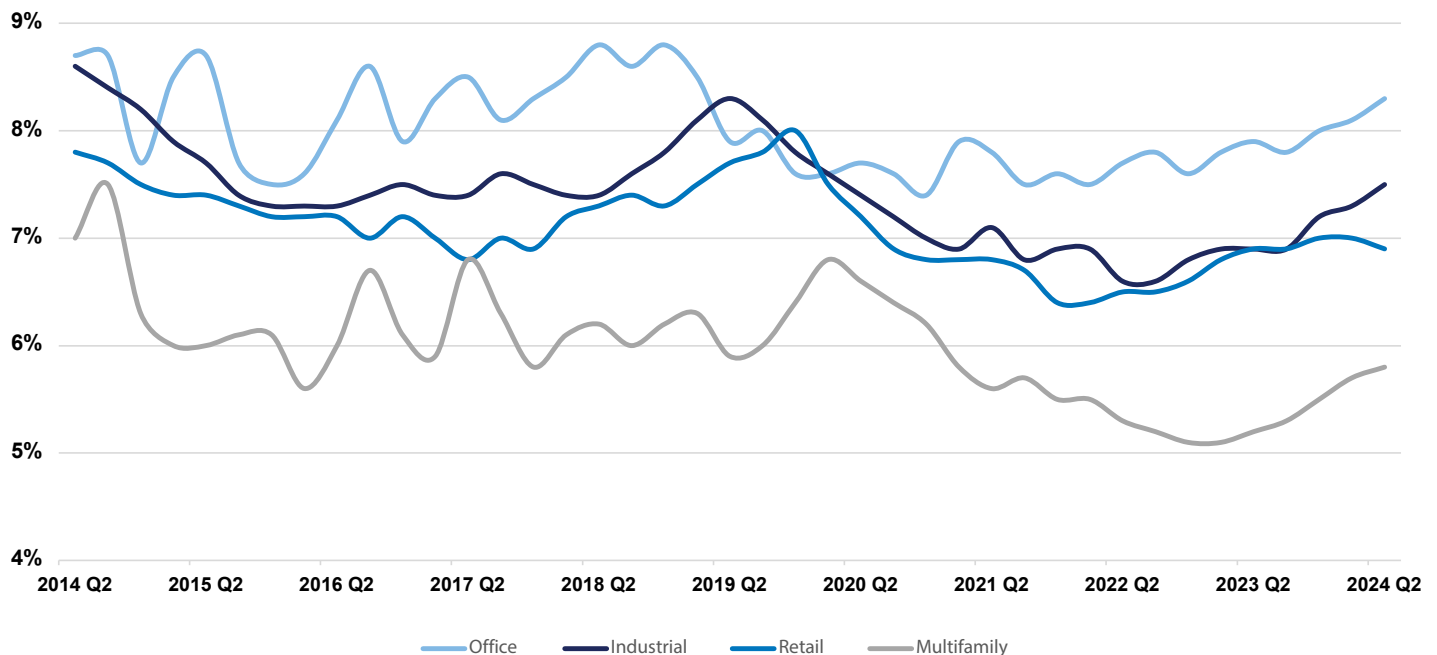
With speculative development kept in check and incentives offered to lock tenants in for longer lease terms, the industrial, office, and multifamily sectors experienced new

record highs for asking rental rates during the first half of 2024. Rental rates for retail space are near record highs after pulling back slightly from a high in the third quarter of 2023. Vacancy rates in all sectors increased compared with the prior year except for retail properties, which decreased 20 bps to 3.8% in the second quarter of 2024. The industrial sector increased by 140 bps to 5.5%, the office sector increased by 90 bps to 17.5%, and the multifamily sector increased by 60 bps to 8.0%.

The Newmark Zimmer Midwest Capital Markets team anticipates an increase in sales volume throughout the second half 2024, 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

Office **8.3%**      Industrial **7.5%**      Retail **6.9%**      Multifamily **5.8%**



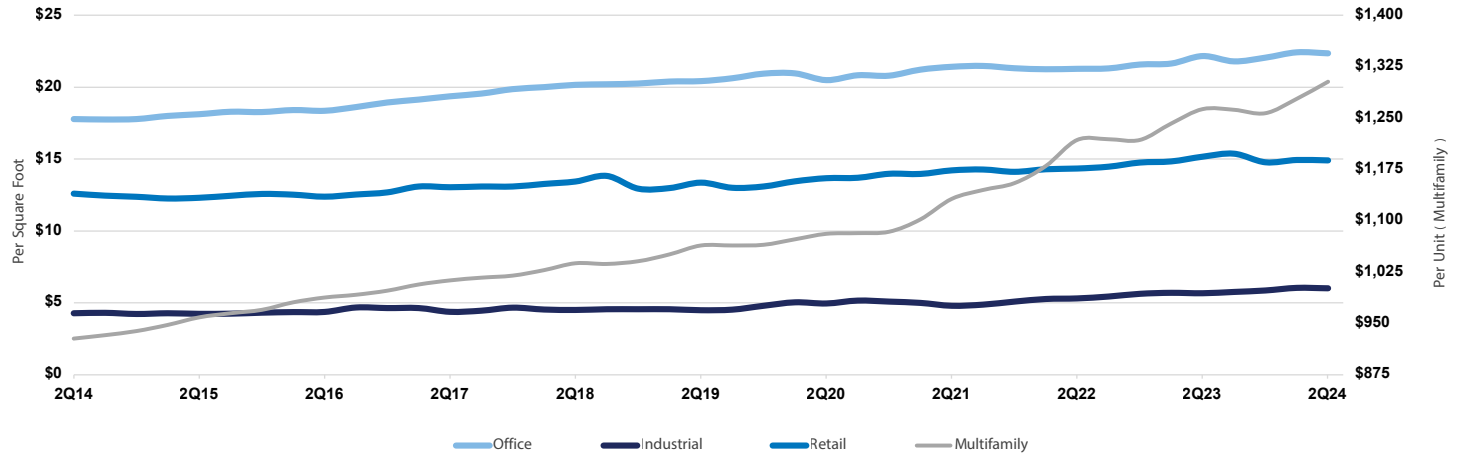
Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

# 2Q24 Kansas City

## MARKET ANALYSIS

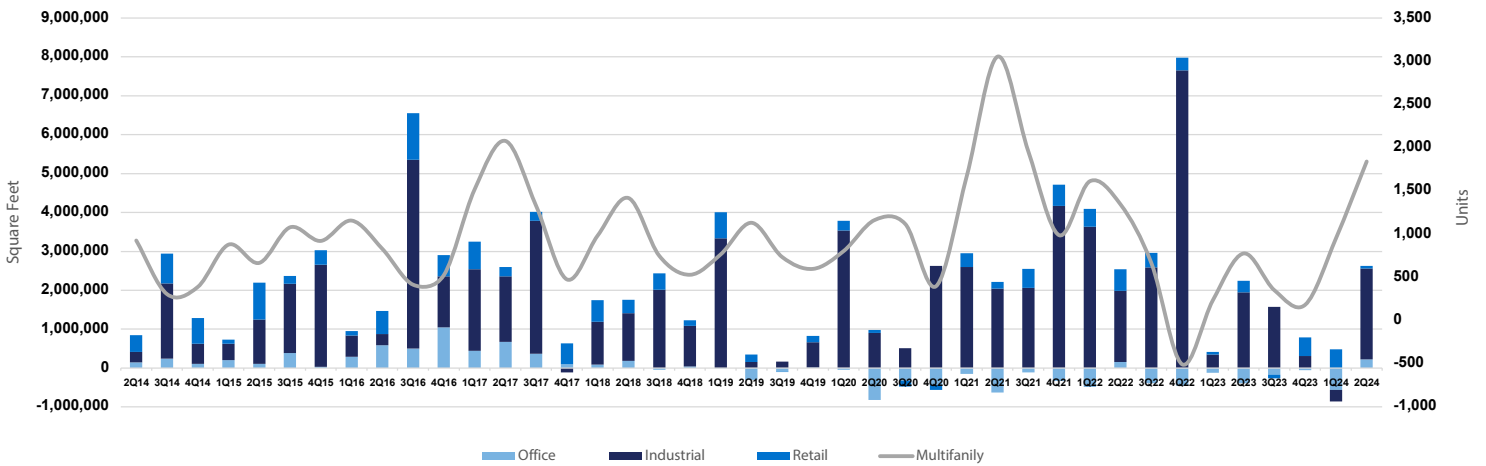
### AVERAGE ASKING RENT

Office **\$22.37** Industrial **\$6.02** Retail **\$14.92** Multifamily **\$1,303**



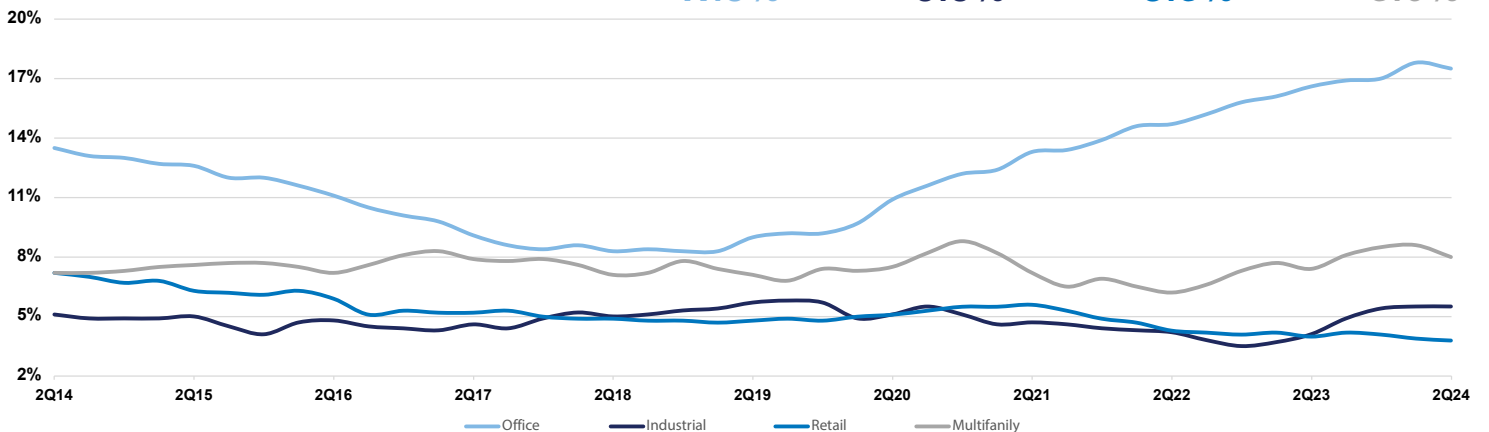
### NET ABSORPTION

Office **229,041 SF** Industrial **2,330,348 SF** Retail **69,371 SF** Multifamily **1,839 Units**



### VACANCY RATE

Office **17.5%** Industrial **5.5%** Retail **3.8%** Multifamily **8.0%**





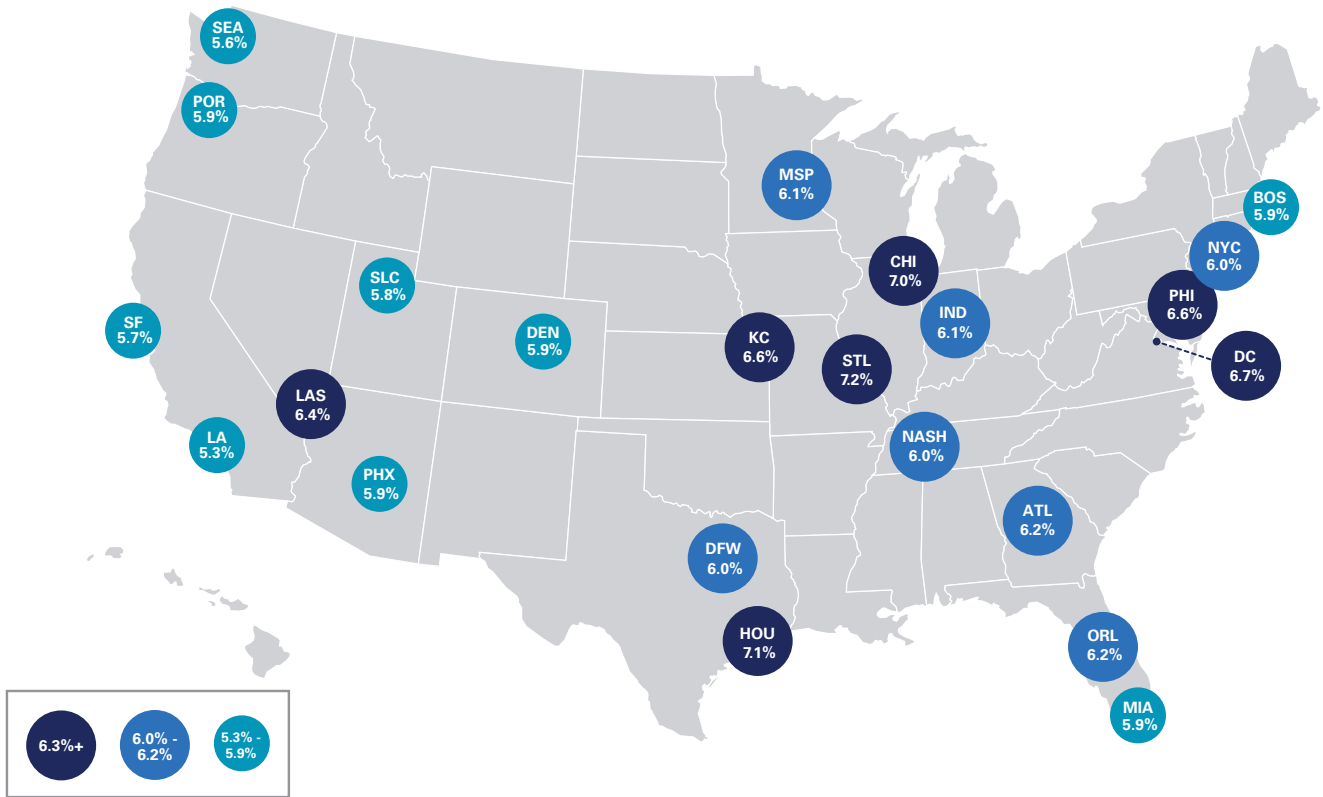
## SELECT SALES TRANSACTIONS | SECOND QUARTER OF 2024

Sector	Building	Submarket	Sale Price	Price Per SF/Unit <sup>1</sup>	SF/Units <sup>2</sup>
Multifamily	Meadowbrook Apartments & Winner Place Apartments- Portfolio	East Jackson County	\$10,000,000	\$57,803	173
Multifamily	8040-8076 SW 4th Street	East Jackson County	\$3,465,000	\$216,563	16
Industrial/Flex	Maruka USA   1206-1210 NE Douglas Street	Southeast Jackson County	\$2,900,000	\$165	17,600
Multifamily	Admiral Apartments   1310 Admiral Boulevard	Downtown	\$2,700,000	\$72,973	37
Hospitality	Liberty Inn & Suites   115 N Stewart Road	Northland	\$2,500,000	\$41,667	60
Retail	Dollar General   650 S Peculiar Drive	North Cass County	\$2,400,000	\$300	8,000
Retail	Dutch Bros   14075 W 135th Street	South Johnson County	\$2,195,000	\$2,311	950
Office/Medical	Corporate Lakes- Lakeside Professional Suites   6700 W 121st Street	South Johnson County	\$1,950,000	\$130	15,020
Office/Medical	Pediatric Smiles Dentistry   9791 N Cedar Avenue	Northland	\$1,700,000	\$243	7,000
Retail/Office	Chase Bank   105 Mullen Road	North Cass County	\$1,700,000	\$517	3,290

<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.

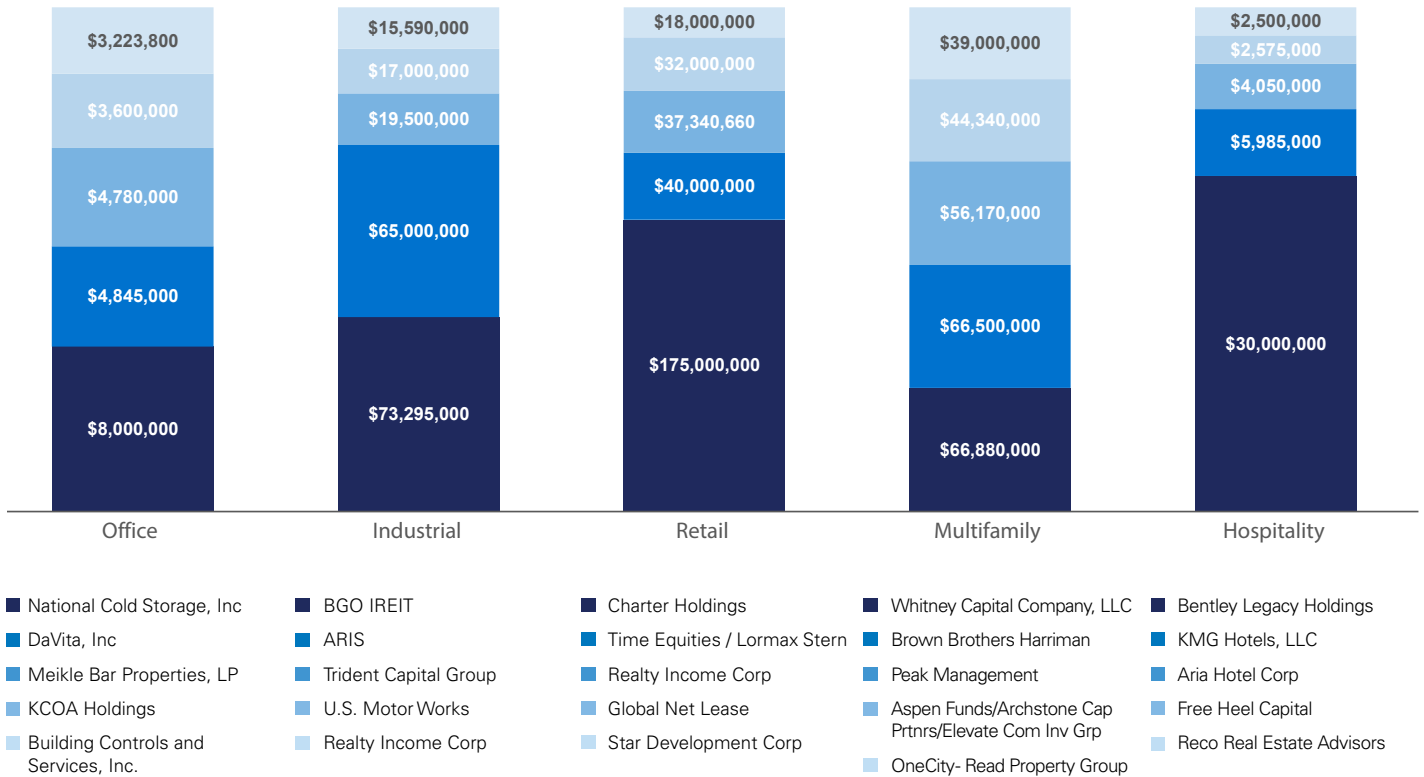
# CAP RATES | ALL PROPERTY TYPES

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



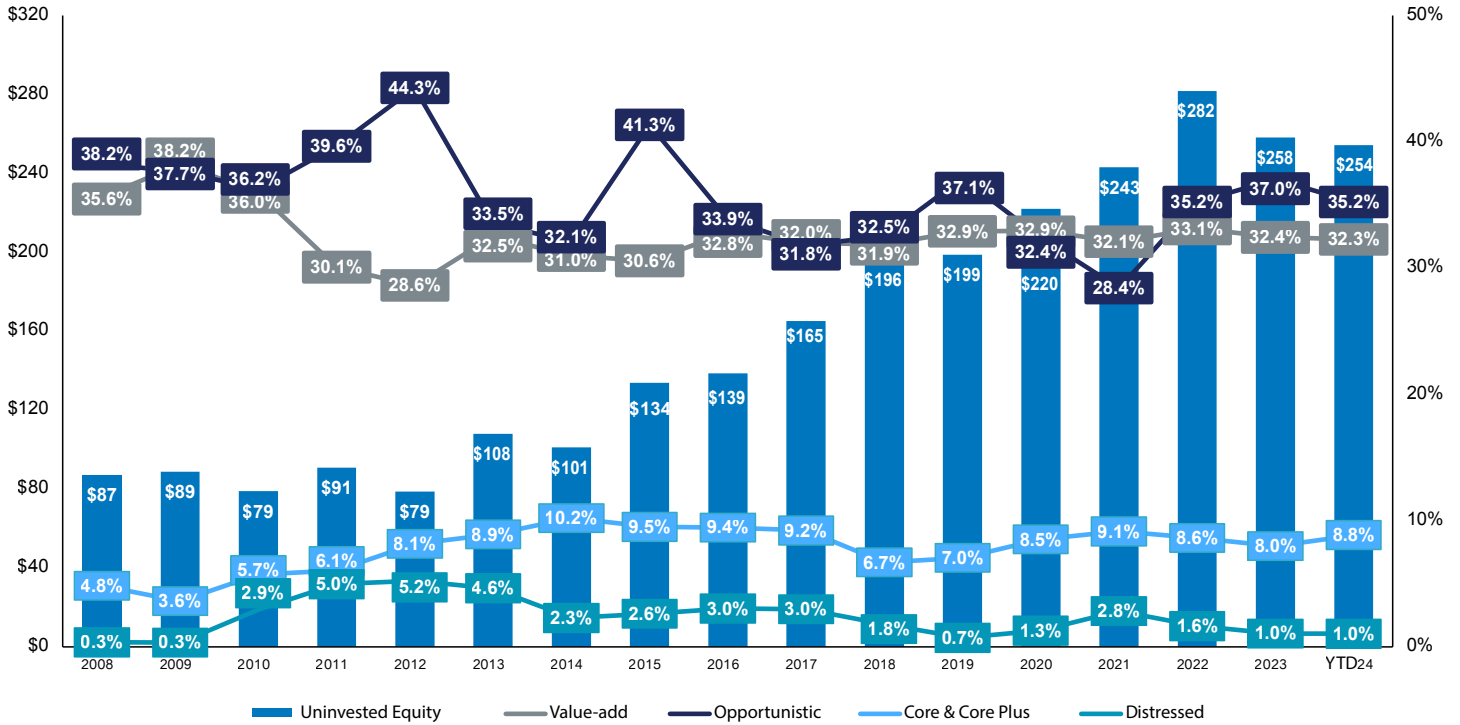
# MOST ACTIVE BUYERS IN THE KANSAS CITY MARKET BY ASSET TYPE

12-MONTH TOTALS



## DRY POWDER

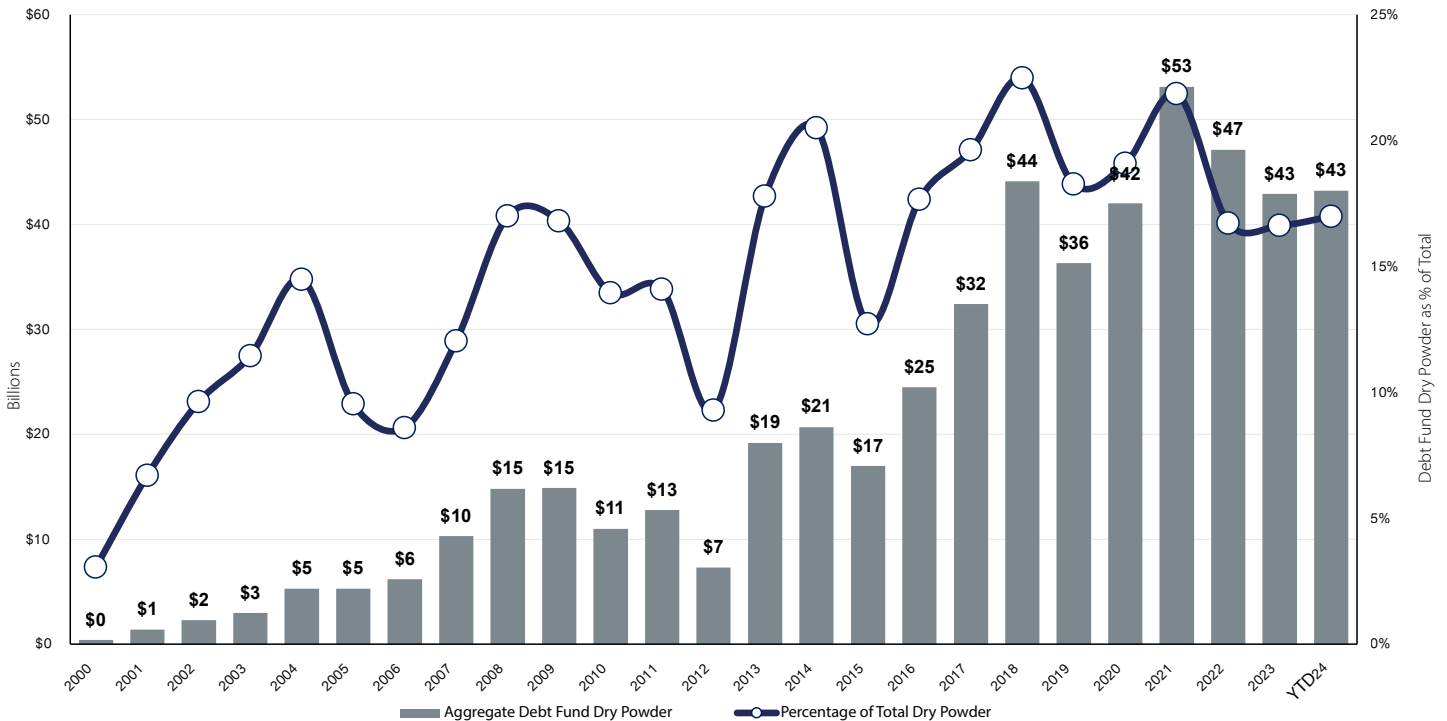
With high levels of dry powder, expect creative approaches to deploy capital. Dry powder allocated to opportunistic deals increased significantly 680 bps from 28.4% in 2021 to 35.2% in 2Q24. Value-add strategies have remained stable during the past 10 years, ranging from 30.6% in 2015 to 33.1% in 2022.



Note: 'Uninvested Equity' includes Fund of Funds, Debt, Co-Investment and Secondaries, not displayed in the above graphic

Source: Newmark Research, Prequin

## DEBT FUND DRY POWDER



Source: Newmark Research, Prequin

For more information:

### **Kansas City, MO**

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

### **Eastern Jackson County**

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

[nrmkzimmer.com](http://nrmkzimmer.com)



### **Michael VanBuskirk, SIOR, CCIM, CRE**

*Vice Chairman, Principal*

[mvanbuskirk@nzimmer.com](mailto:mvanbuskirk@nzimmer.com)  
816-512-1010

### **Chris Robertson, CCIM**

*Executive Managing Director, Principal*

[crobertson@nzimmer.com](mailto:crobertson@nzimmer.com)  
816-512-1014

### **Raegen Root, CCIM**

*Senior Financial Analyst*

[rroot@nzimmer.com](mailto:rroot@nzimmer.com)  
816-512-1005

### **Andrew Garten**

*Director, Research*

[agarten@nzimmer.com](mailto:agarten@nzimmer.com)  
816-256-4288

# 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.

## DISCLAIMER

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. 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 with any third party. This publication is 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. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

## RESEARCH

Newmark Zimmer research reports are also available at [nrmkzimmer.com](http://nrmkzimmer.com)