

# 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

**Industrial/Cold Storage | 31301 W 181st Street**  
632,000 SF GLA – Sold for \$223,000,000 (\$353/SF)  
South Johnson County | 31301 W 181st Street

**Multifamily | The Encore**  
322 Units – Sold for \$70,500,000 (\$218,944/Unit)  
North Cass County | 6407 E 163rd Street

**Multifamily | The Sovereign at Overland Park**  
253 Units – Sold for \$62,000,000 (\$245,059/Unit)  
South Johnson County | 13310 Melrose Lane

**Retail | Adams Dairy Landing Portfolio**  
281,040 SF GLA – Sold for \$39,800,000 (\$142/SF)  
East Jackson County | Blue Springs, MO- 8 properties

**Hospitality | Hilton Kansas City Airport**  
329 Rooms – Sold for \$23,500,000 (\$71,429/Unit)  
Platte County | 8801 NW 112th 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 \$2.2 billion, a decrease of 34.9% compared to the prior five-year average. As a leading second-tier market, the Kansas City Metropolitan area ranked sixth out of the largest 13 Midwest markets in total sales volume during the past 12 months, with multifamily and retail assets combining 71.2% of the Metro's activity.

Capitalization rates increased by 66 basis points compared with the past 12 months, registering 7.0% in the fourth quarter of 2024. Net absorption across the industrial, office, and retail sectors totaled 4.5 million SF over the past four quarters, an increase of 24.3% compared with the preceding year. Multifamily realized 5,757 units of net absorption during the past four quarters, an increase of 162.3% during a similar period a year ago.

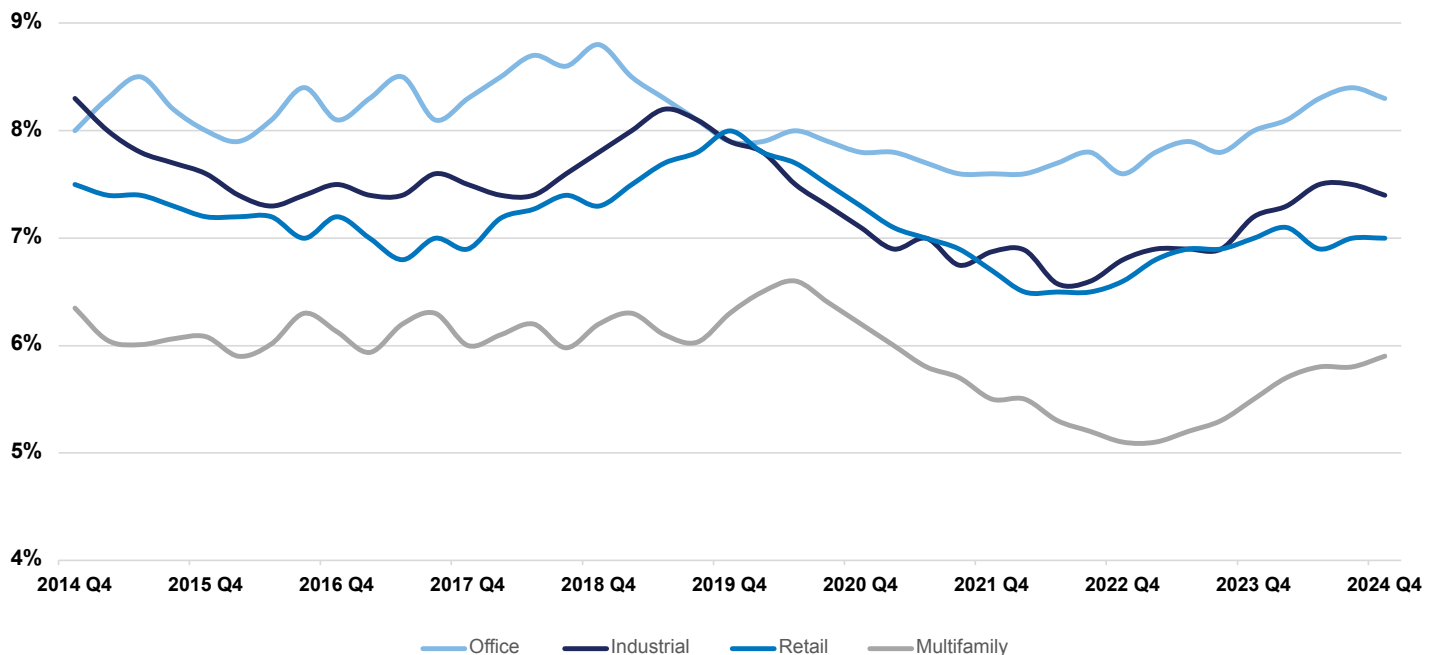
With speculative development kept in check and incentives offered to lock tenants in for longer lease terms, the office, industrial and multifamily sectors experienced new record

highs for asking rental rates during 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 the office sector increased year-over-year, while rates remained flat or decreased in the industrial, retail and multifamily sectors. The office sector increased by 70 bps to 16.7%, the industrial sector remained flat at 5.4%, the retail sector decreased by 40 bps to 3.7%, and the multifamily sector decreased by 90 bps to 7.9%.

The Newmark Zimmer Midwest Capital Markets team anticipates an increase in sales volume throughout 2025, 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 **7.4%**      Retail **7.0%**      Multifamily **5.9%**



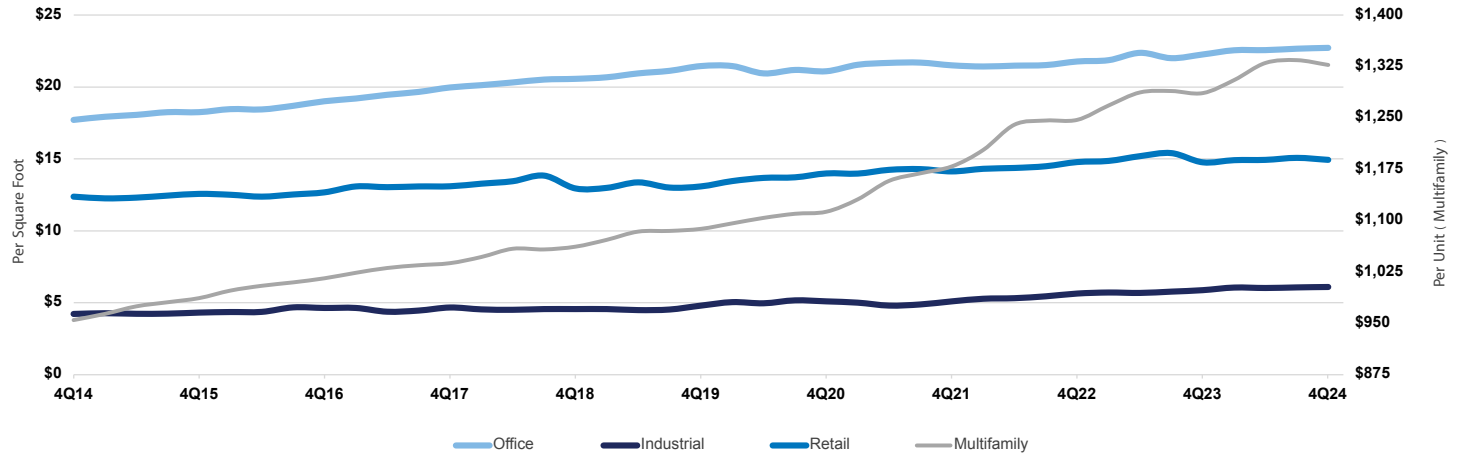
Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

# 4Q24 Kansas City

## MARKET ANALYSIS

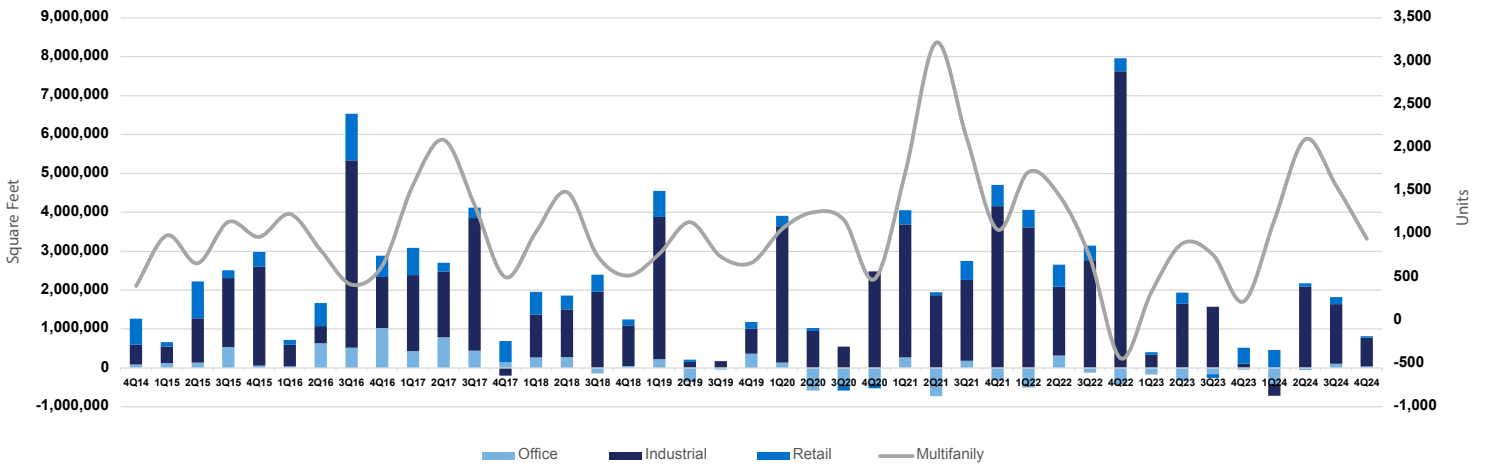
### AVERAGE ASKING RENT

Office **\$22.73** Industrial **\$6.09** Retail **\$14.92** Multifamily **\$1,327**



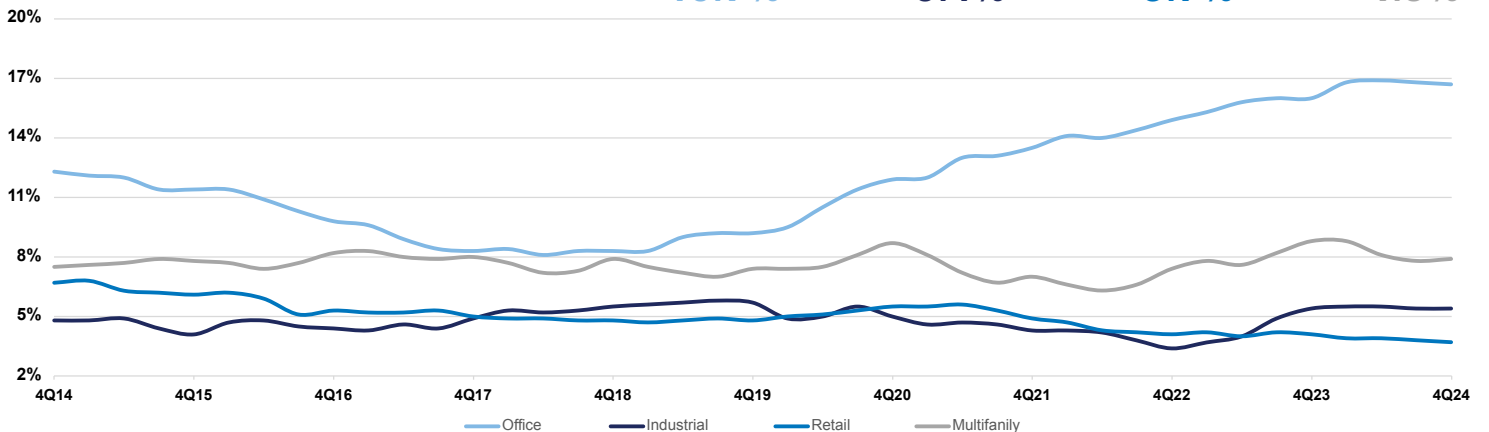
### NET ABSORPTION

Office **41,729 SF** Industrial **739,865 SF** Retail **37,885 SF** Multifamily **943 Units**



### VACANCY RATE

Office **16.7%** Industrial **5.4%** Retail **3.7%** Multifamily **7.9%**

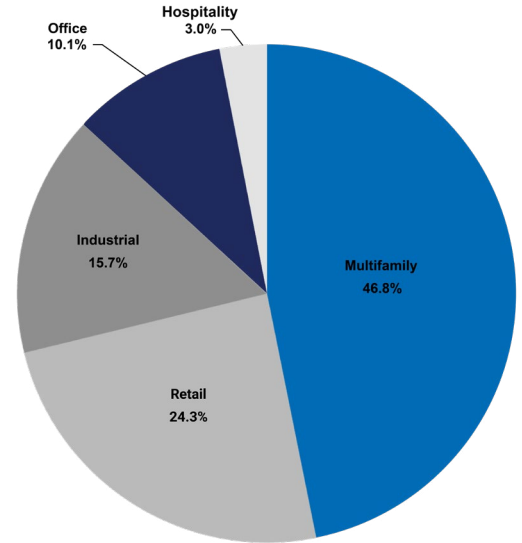






## SALES VOLUME BY PROPERTY TYPE

KANSAS CITY; 12-MONTH TOTALS



Property Type	Volume	# of Properties
Multifamily	\$1.05B	42
Retail	\$544.9M	46
Industrial	\$351.7M	36
Office	\$225.0M	23
Hospitality	\$68.1M	7
<b>TOTAL</b>	<b>\$2.2B</b>	<b>154</b>

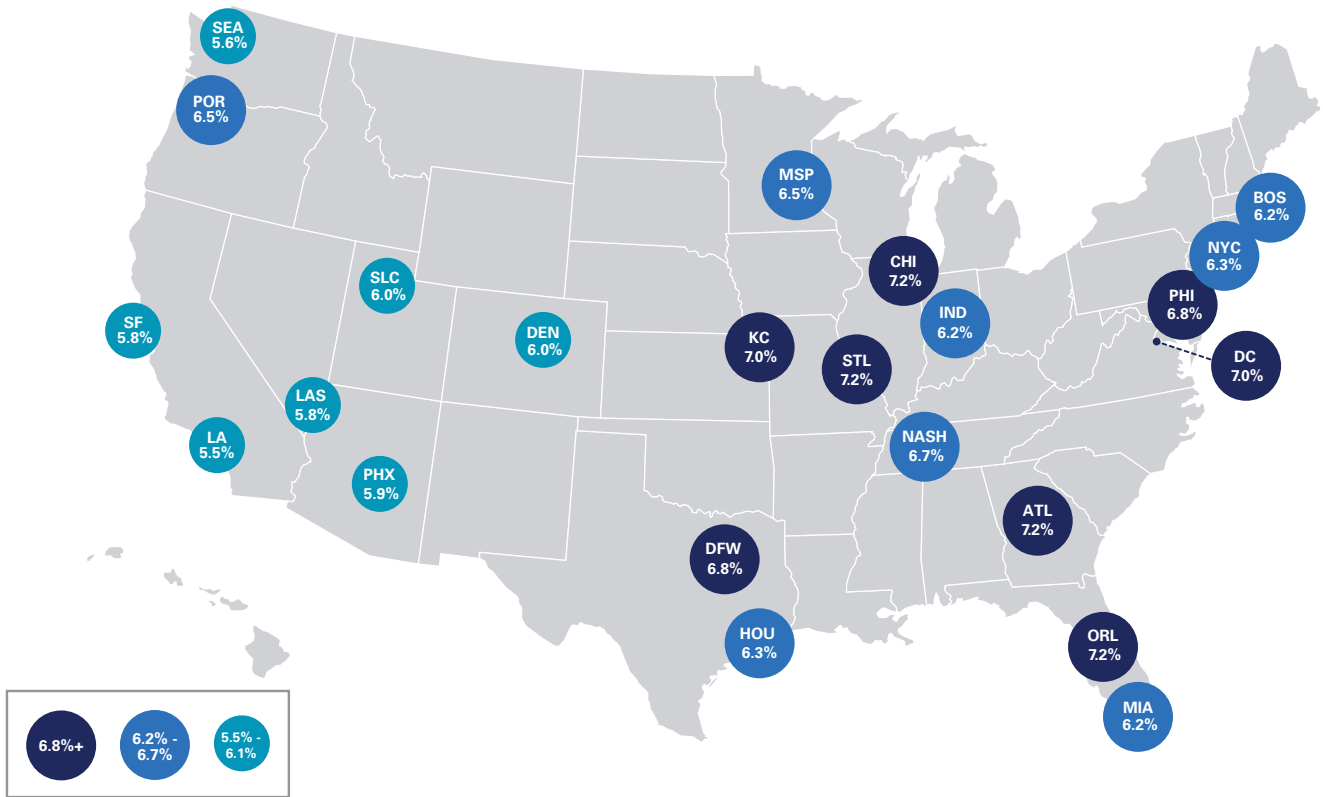
## SELECT SALES TRANSACTIONS | FOURTH QUARTER OF 2024

Sector	Building	Submarket	Sale Price	Price Per SF/Unit <sup>1</sup>	SF/Units <sup>2</sup>
Multifamily	The Belleview   4400-4434 Belleview Avenue	Country Club Plaza	\$21,250,000	\$208,333	102
Industrial	Arco Construction   5450 NW 40th Street	Northland (Riverside)	\$9,225,000	\$173	53,250
Office	6700 W 115th Street	South Johnson County	\$6,600,000	\$28	239,370
Industrial	Benton Vista XI   1226 Chestnut Avenue	East Jackson Co. (East Bottoms)	\$6,171,000	\$140	43,990
Retail	Landmark Plaza Portfolio	Cass County	\$5,430,000	\$62	87,560
Industrial	620 S 38th Street	Wyandotte County (Turner)	\$4,258,000	\$209	20,400
Retail	Big O Tires   15810 W 67th Street	North Johnson County	\$3,800,000	\$472	8,060
Retail	Olathe Pointe Outlot   11975-11995 S Blackbob Road	South Johnson County	\$3,500,000	\$448	7,820
Office/Retail	The Garment House   1000 Broadway Boulevard	Downtown	\$3,200,000	\$65	49,250
Industrial	Heartland Meadows   2800 E Heartland Drive	Northland (Liberty)	\$3,200,000	\$128	25,000

<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.

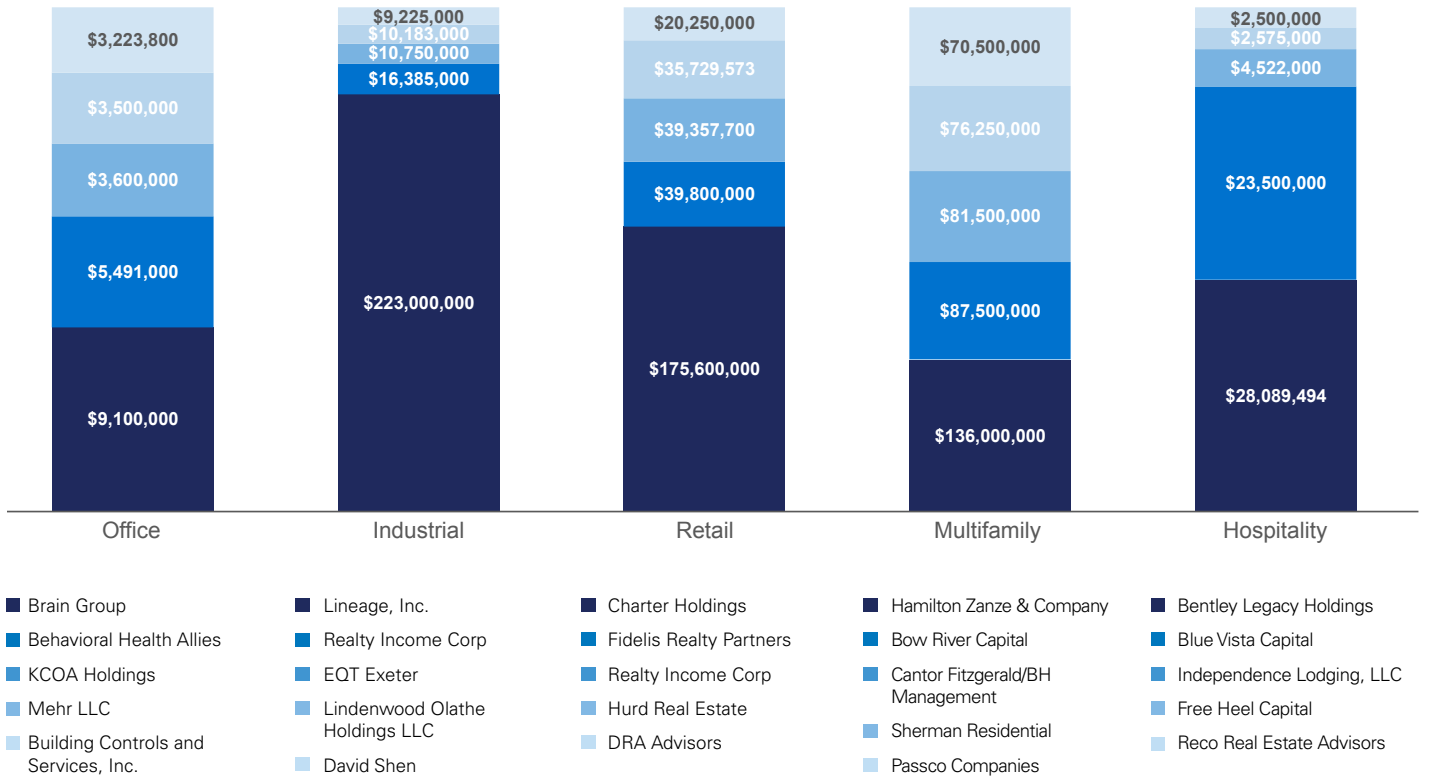
# CAP RATES | ALL PROPERTY TYPES

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



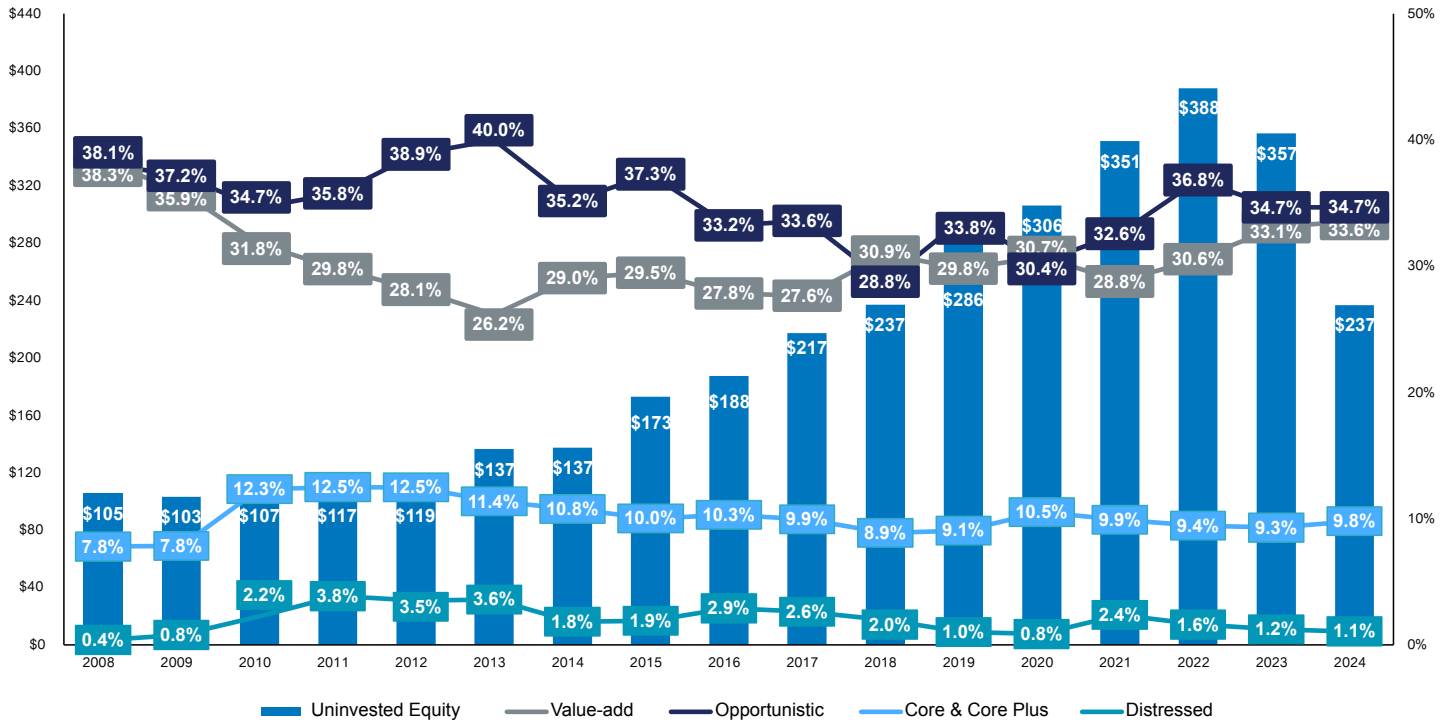
# MOST ACTIVE BUYERS IN THE KANSAS CITY MARKET BY ASSET TYPE

12-MONTH TOTALS



## DRY POWDER

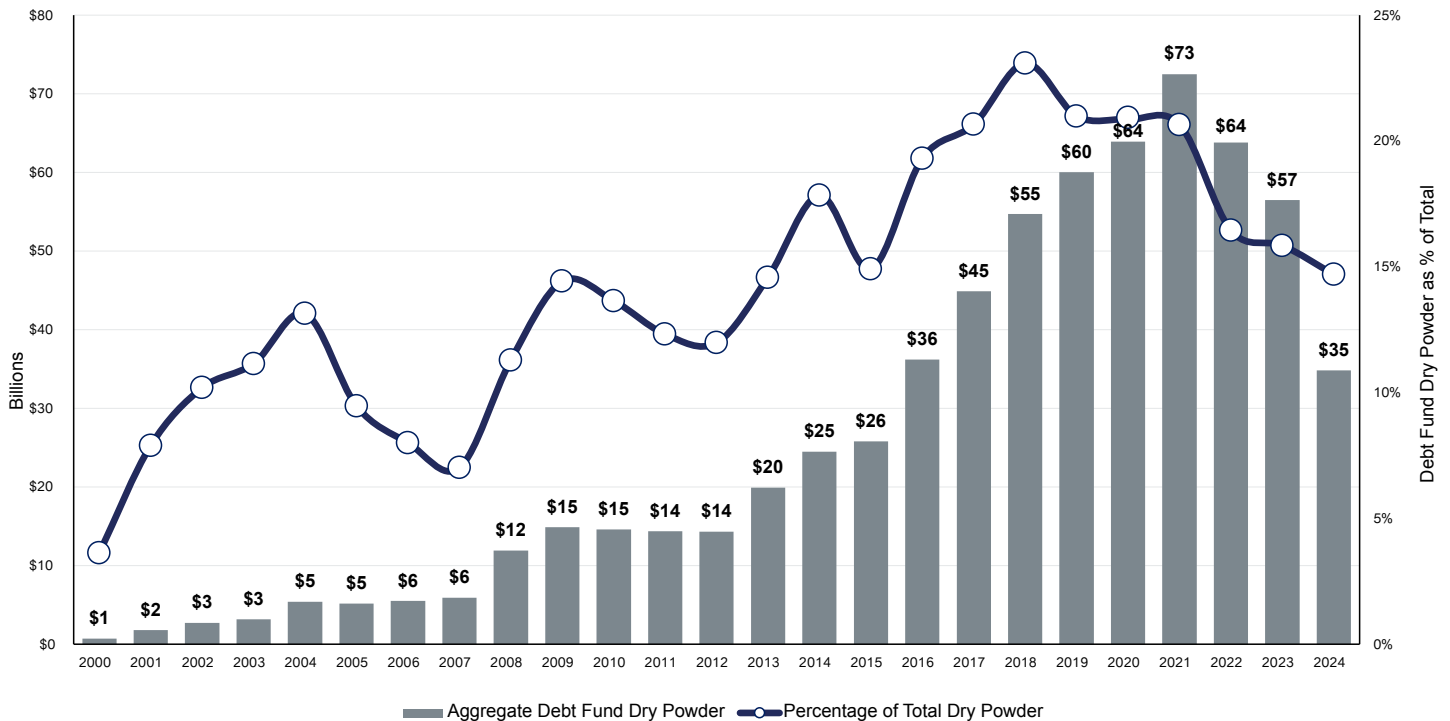
Uninvested equity decreased to 237 billion in 2024. Dry powder allocated to value-add deals increased significantly 480 bps from 28.8% in 2021 to 33.6% in 2024. Opportunistic strategies increased 430 bps from 30.4% in 2020 to 34.7% in 2024.



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

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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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