

1Q25

Kansas City Office Market Overview

Market Observations

Economy

- The region’s labor market remains resilient despite uncertain macroeconomic conditions. February’s unemployment rate of 4.3% was 40 basis points above the 10-year historical average of 3.9%.
- Year-over-year, job growth has been strongest in the services sector, which continues its post-pandemic recovery. Education and Health led all industries in job gains over the past 12 months, followed by Financial Activities and Government.
- Professional business and technology firms are recalibrating their labor needs, with two of the three office-occupying sectors reporting year-over-year employment growth.

Major Transactions

- Kiewit has committed to lease the entire 177,000-SF forthcoming building at 8600 Renner Boulevard, with occupancy anticipated by August 2025.
- Southwind will relocate its headquarters and 400 employees to 108,410 SF at 6300 Lamar Avenue in Overland Park. a former Waddell & Reed campus building.
- Kimley-Horn has leased 29,910 SF at Lighton Plaza I, with a move-in expected in the third quarter of 2025.
- WireCo has signed a 79-month sublease for 20,510 SF at 8700 State Line Road in Leawood.

Leasing Market Fundamentals

- The market recorded 75,411 SF of net absorption during the quarter, bringing the four-quarter total to 269,465 SF. This marks the third consecutive quarter of positive absorption, driven by tenants capitalizing on favorable leasing conditions.
- The non-owner-occupied construction pipeline has remained inactive since the fourth quarter of 2018, with just 120,100 SF currently under construction.
- Vacancy decreased by 10 basis points to 16.4% and is expected to edge down toward 16.0% as the market continues to stabilize. Asking rental rates are anticipated to soften in the coming quarters, following a modest year-over-year increase of 0.8%.

Outlook

- Uncertainty in the macroeconomic outlook persists, prompting occupiers and investors to approach transactions with greater caution, which is likely to impact both leasing and investment activity. Tenants are expected to retain considerable leverage in lease negotiations given the elevated volume of available space.
- The conversion of office properties to alternative uses will help reduce obsolete inventory, tempering further vacancy increases.
- While landlords typically offer concessions, such as free rent or tenant improvement allowances in lieu of lowering quoted rates, those facing liquidity pressures may opt to provide more substantial concessions in exchange for lower effective rents.

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1. Economy
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 3. Submarket Statistics

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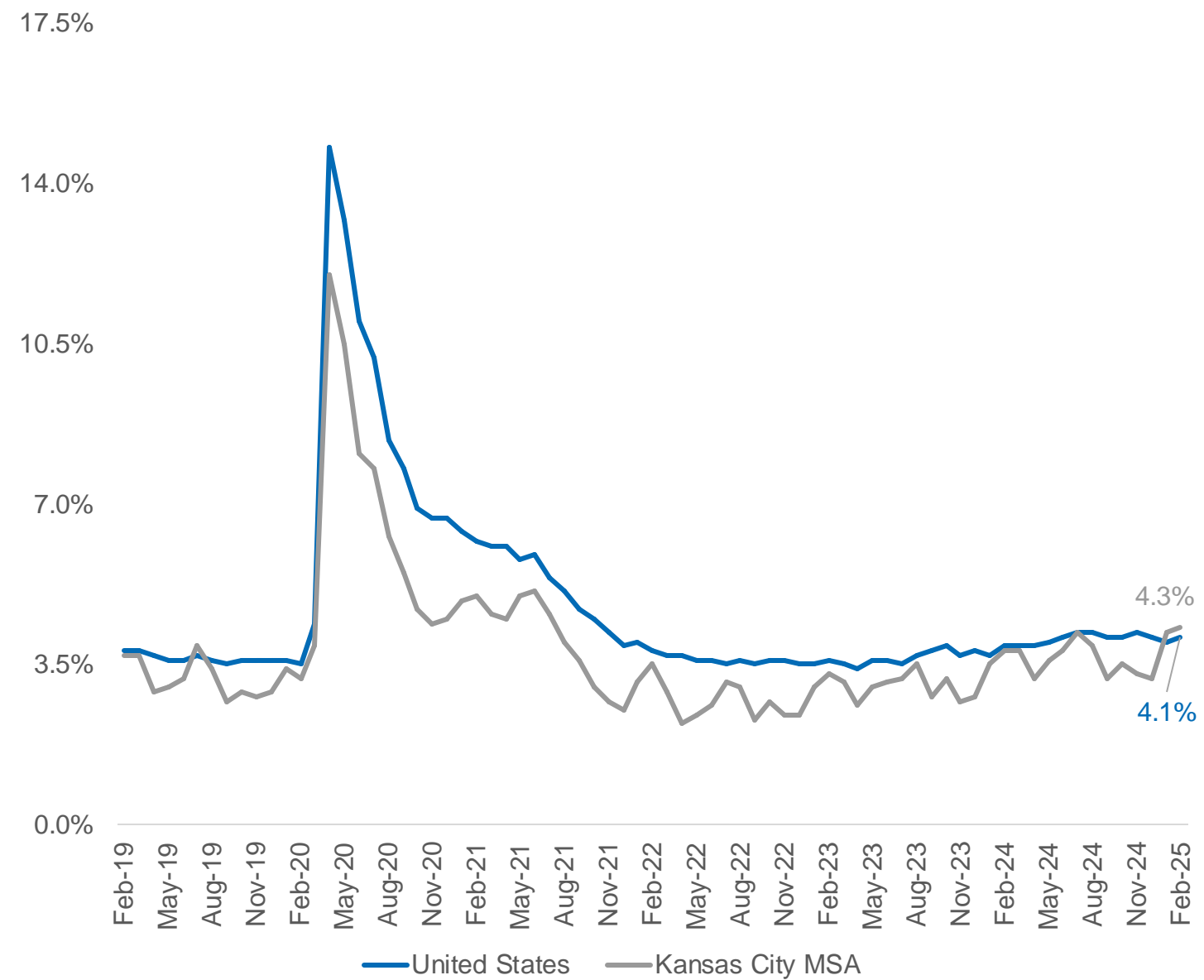
Economy



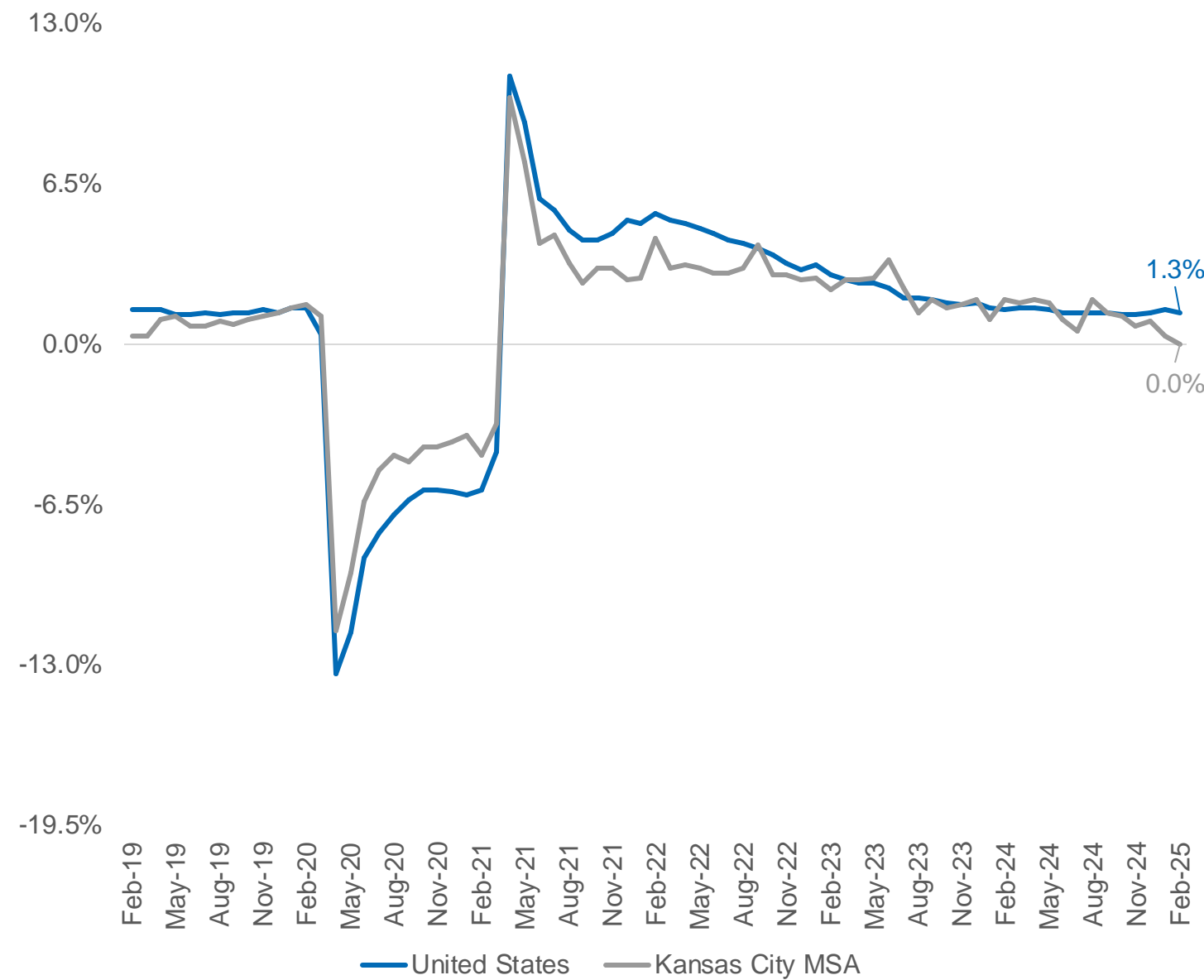
Metro Employment Trends Signal Weakening Economy

The Kansas City region’s labor market softened, with unemployment rising 100 basis points from the previous quarter. The regional unemployment rate now stands 20 basis points above the national average, signaling a pullback in economic resilience.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

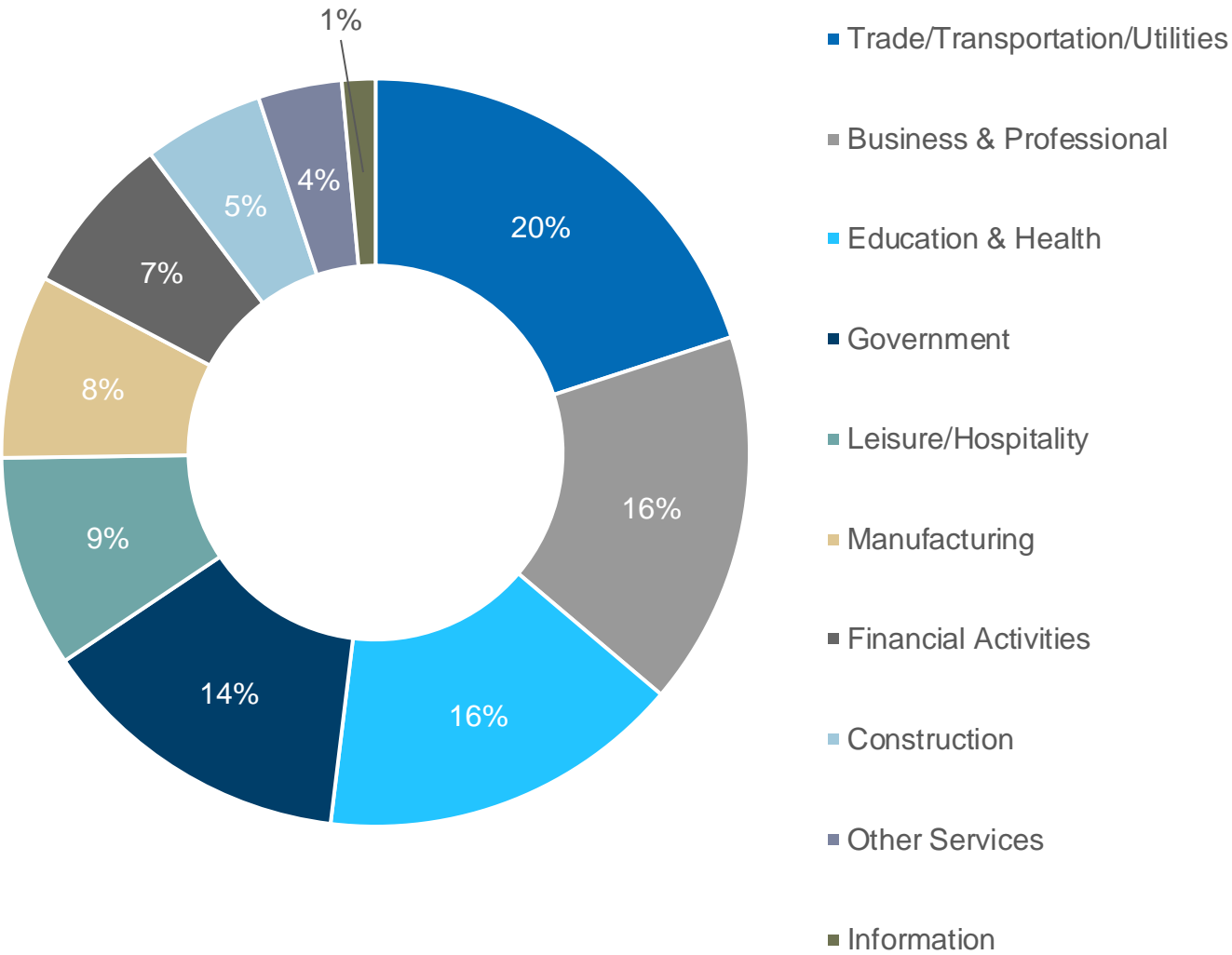


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

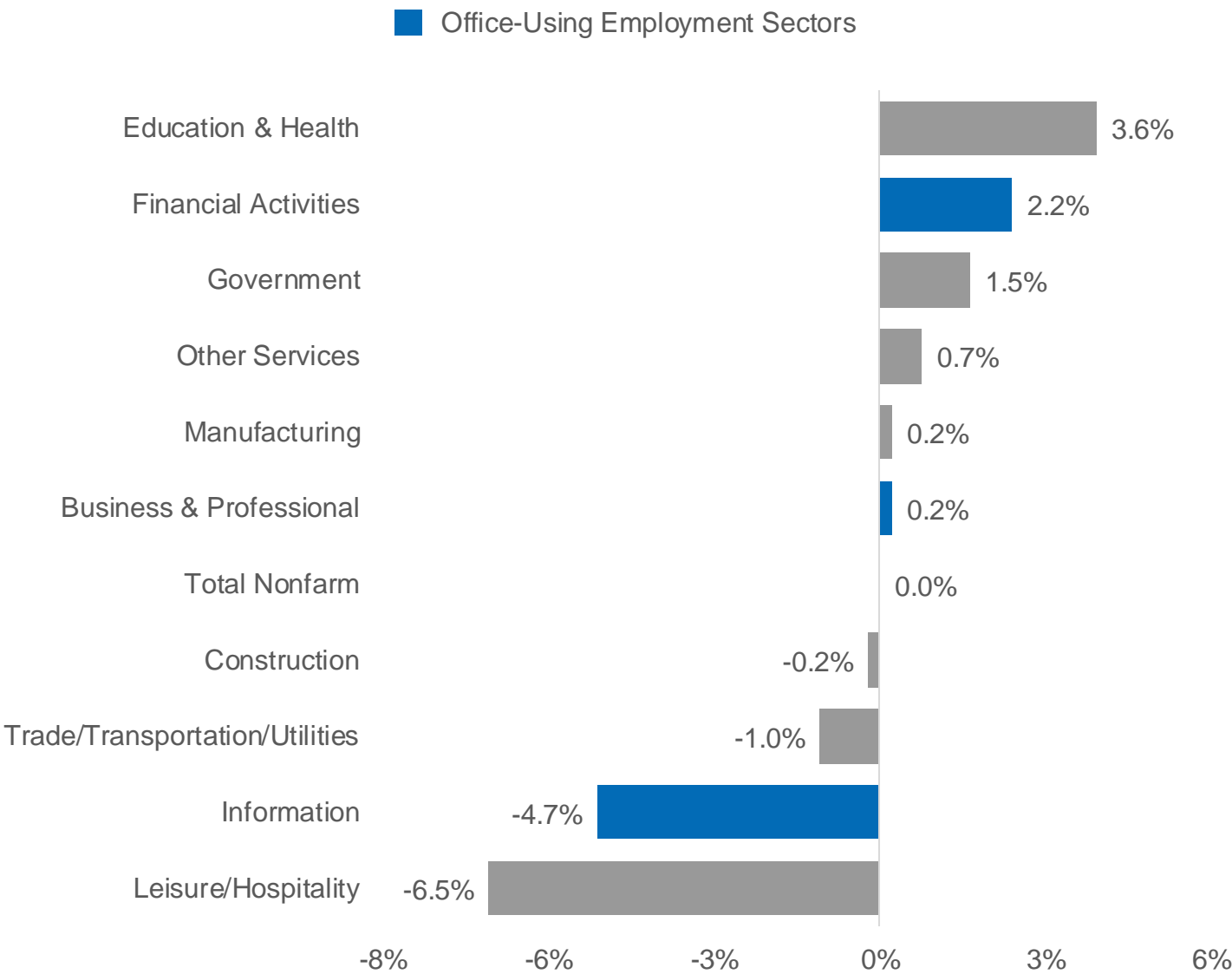
Information and Leisure/Hospitality Sectors Lead Job Losses

The Education & Health sector led regional annual job growth, followed by Financial Activities. The Leisure/Hospitality and Information sectors posted the largest annual job losses, with declines of 6.5% and 4.7%, respectively. Two of the three office-occupying industries—Financial Activities and Business & Professional—reported year-over-year job gains.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

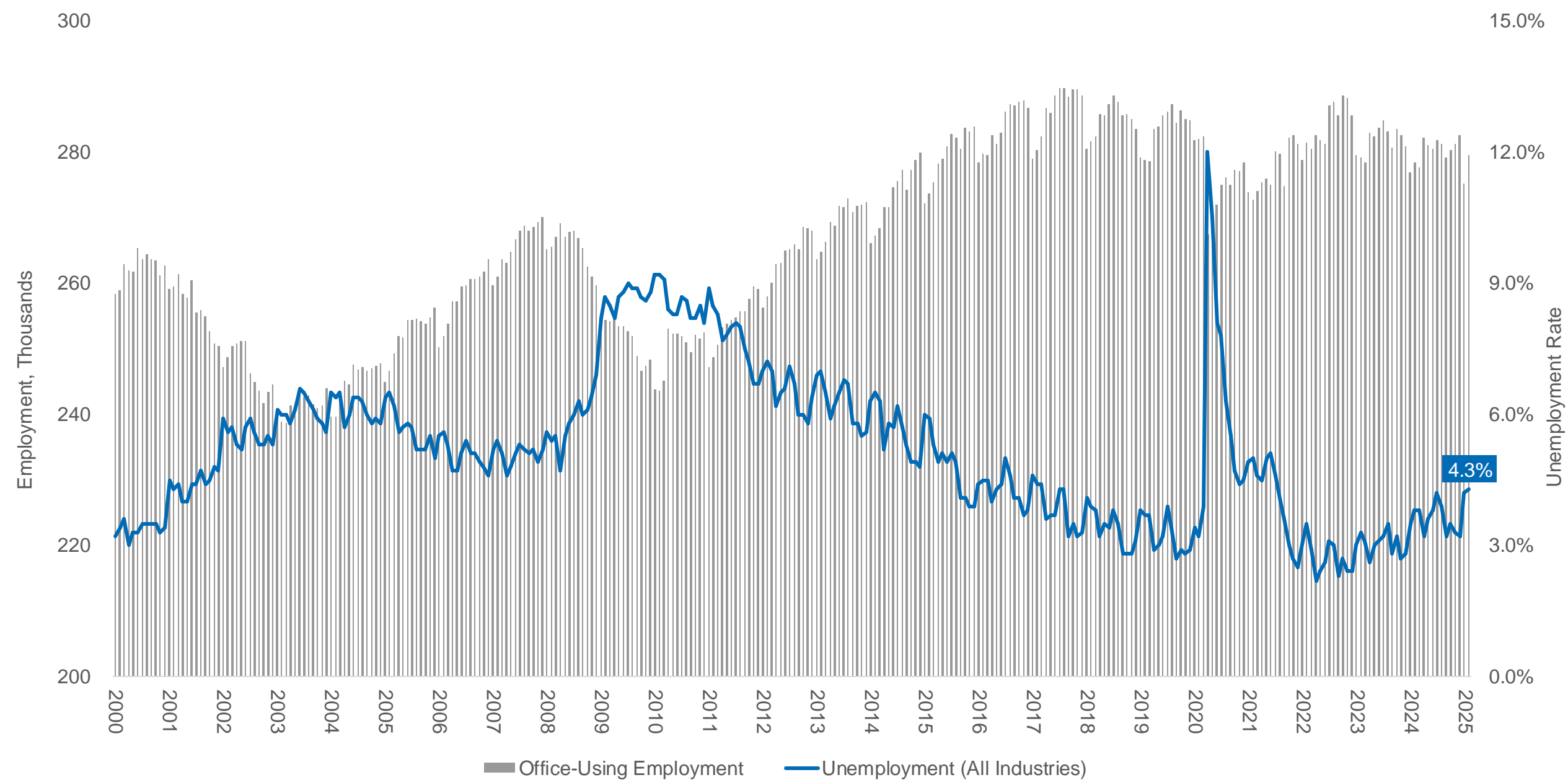


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

Overall Office Employment Rebounds

Office employment has rebounded from its pandemic low but has trended downward since October 2022, now aligning with levels last seen in January 2019. While a slight seasonal dip is typical early in the year, the region is expected to remain flat or experience a modest decline through 2025.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Kansas City MSA
Note: February 2025 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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Leasing Market Fundamentals



Market Overview

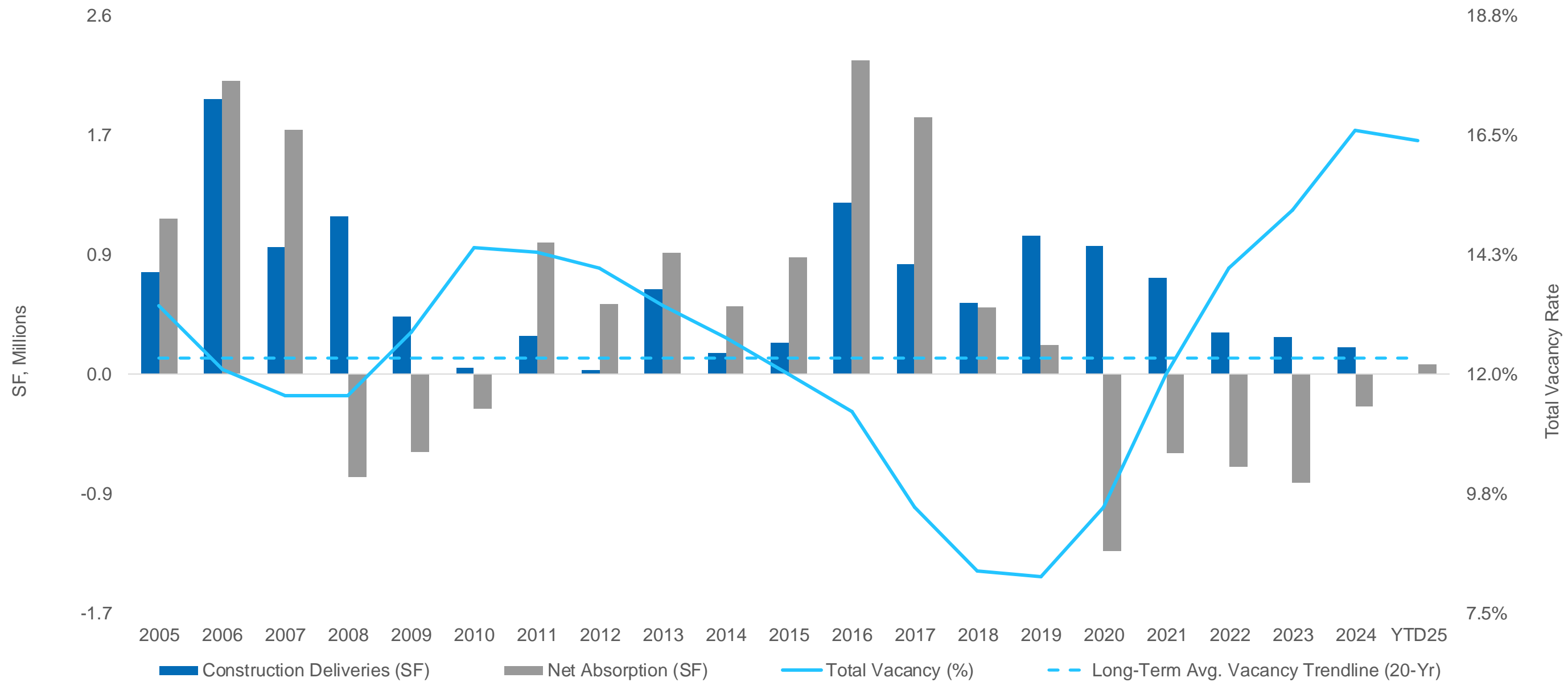


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Vacancy Stabilizing As Market Recalibrates

The vacancy rate declined by 0.2 percentage points year over year to 16.4% as tenants adapt to hybrid work strategies and reassess evolving space needs. Office-to-multifamily conversions, including the 372,450-SF former AT&T Building and the 220,000-SF former Mark Twain Tower in Downtown Kansas City, are expected to support further vacancy reductions. Tenants are expected to maintain significant leverage across most Metro submarkets, prompting landlords to adopt more competitive deal structures.

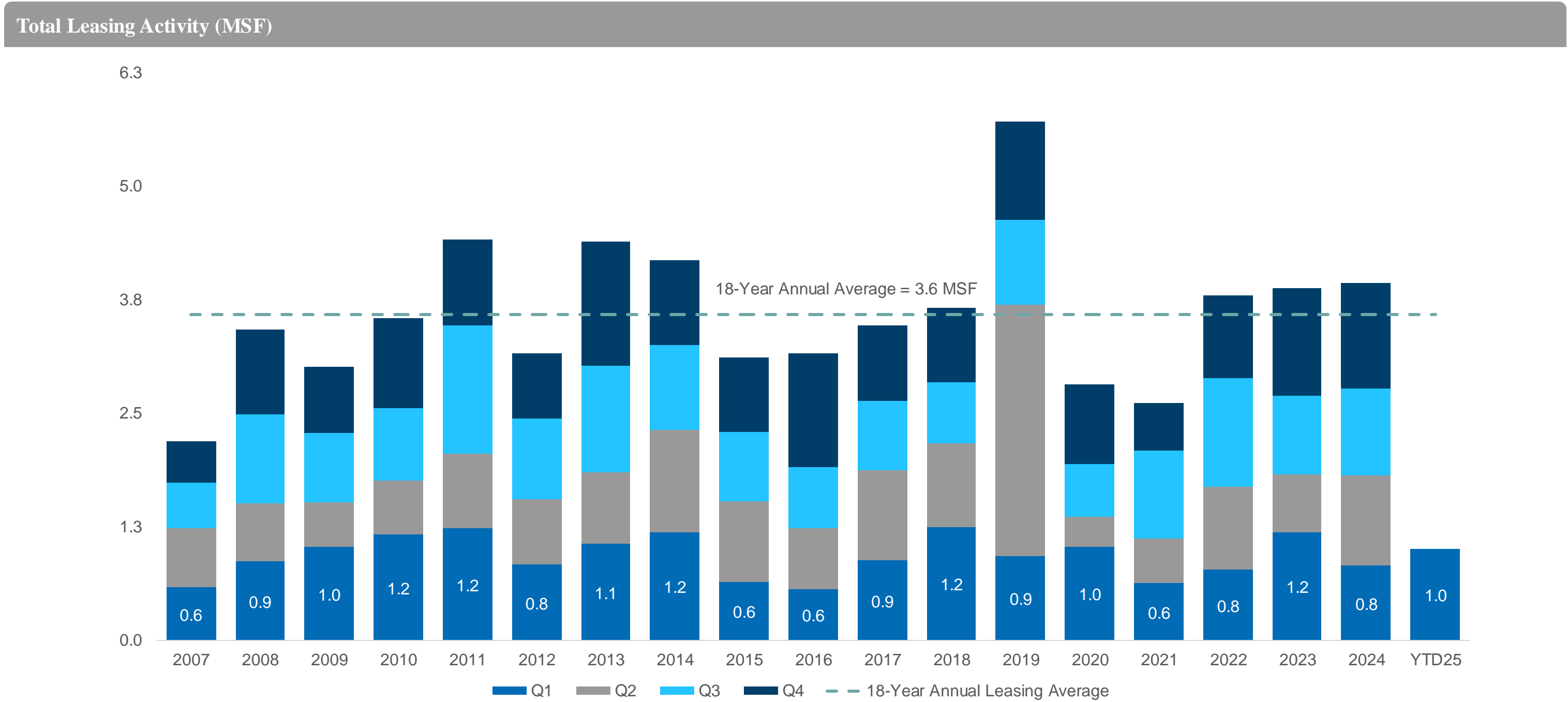
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Leasing Activity Climbs Above 18-Year Historical Average

Leasing activity is expected to remain slightly above average over the next four quarters as tenants pursue favorable long-term lease agreements. Momentum continues, with first-quarter 2025 marking the second-highest leasing volume for the period in the past five years. Kansas City’s 2025 leasing activity is projected to total between 3.8 million and 4.2 million SF.



Source: Newmark Research, CoStar

Macro Economic Uncertainty and Financing Constraints Slow Leasing Activity

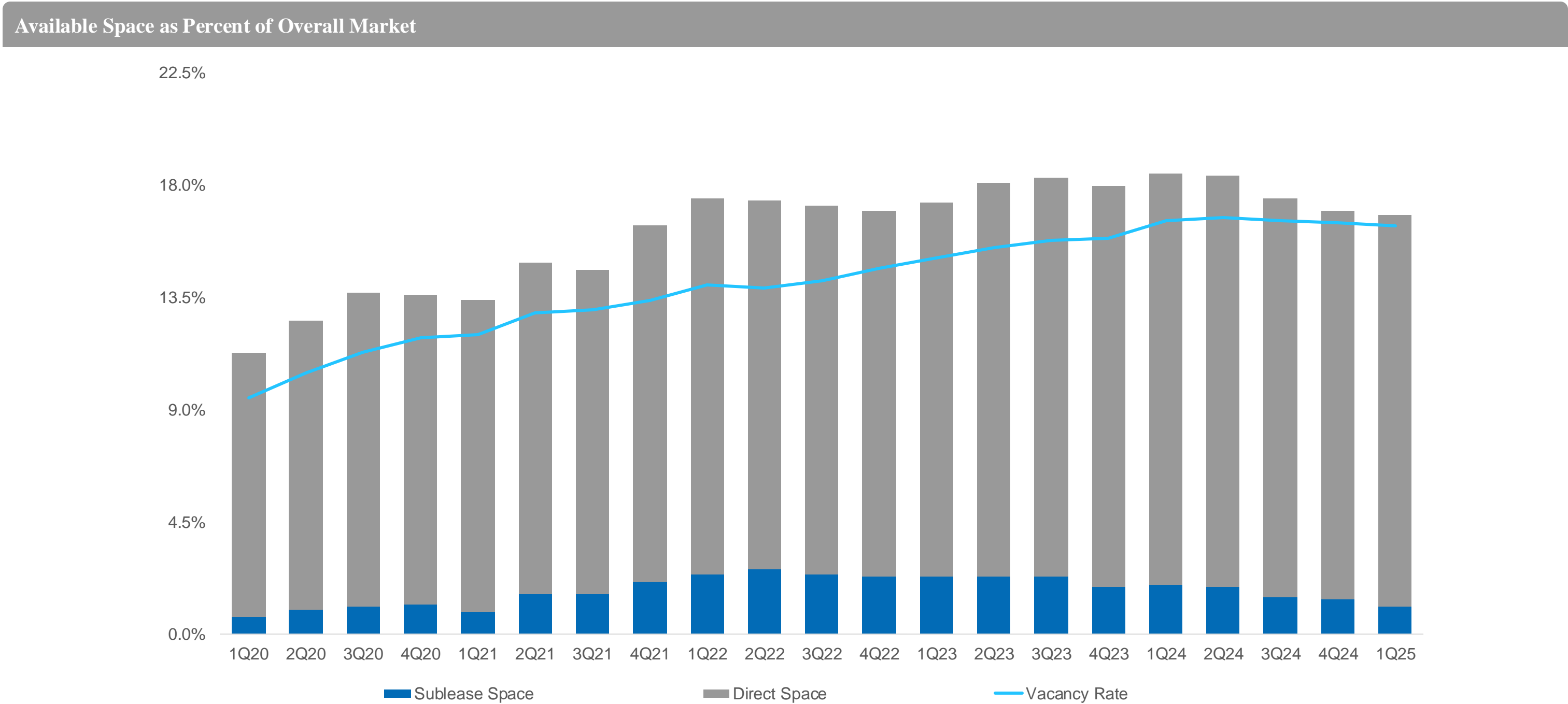
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Downtown/Crown Center Leasing Activity Surpasses Pre-Pandemic Average

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Direct and Sublease Availability Trending Downward

In the years leading up to the pandemic, many tech firms—including Oracle Cerner and T-Mobile—leased space in anticipation of future growth, aiming to hedge against tightening supply and rising rents. Recent job cuts in the sector have since added to sublease availability. However, sublease inventory is projected to decline gradually toward 1.1% over the next four quarters.



Source: Newmark Research

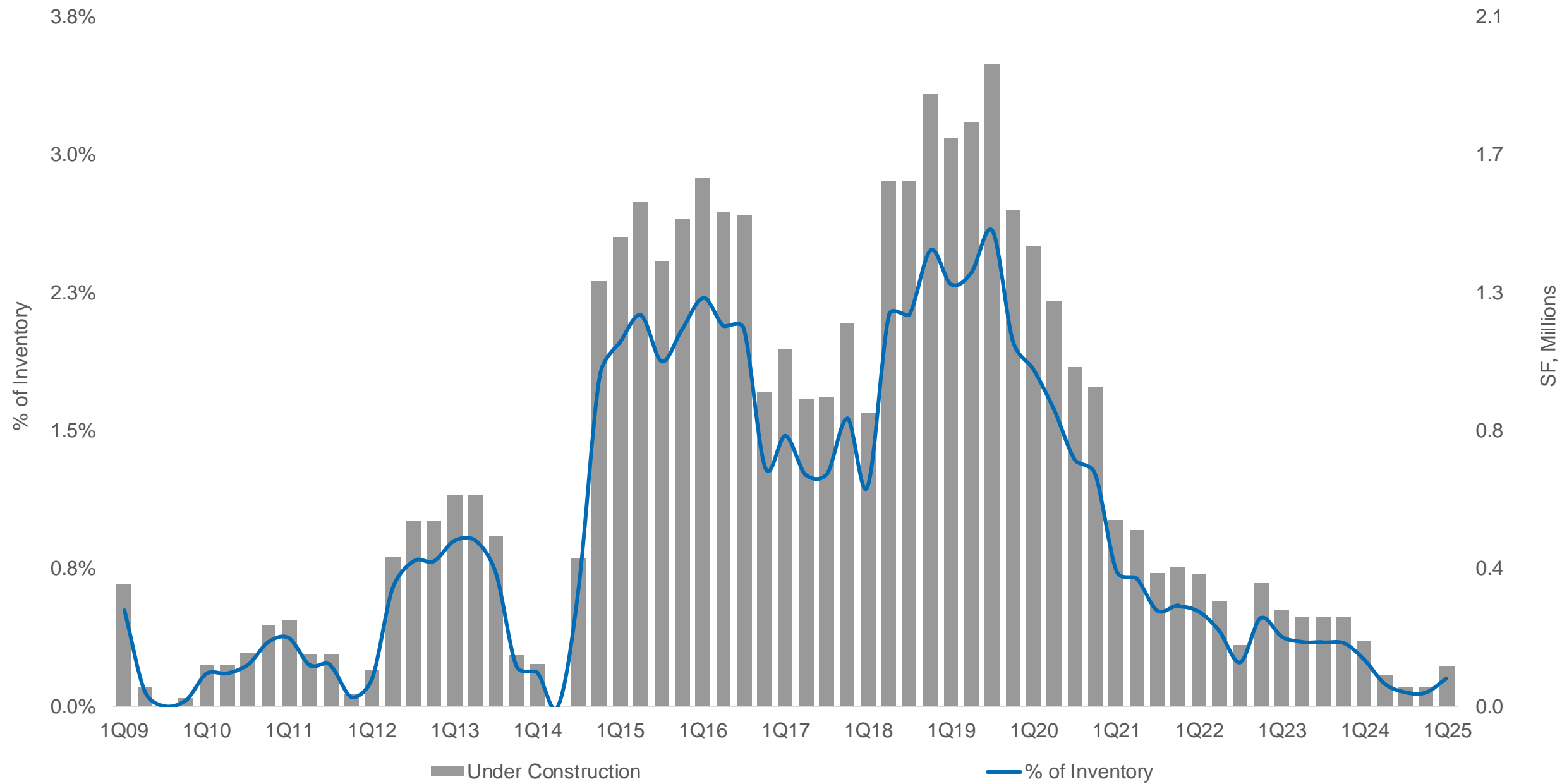
Northland Sees Largest Drop In Availability Rate

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New Construction Limited as Vacancy Holds at 16.4%

Following the delivery of 1400KC at 1400 Baltimore Avenue in the second quarter of 2022 and the 190,380-SF CityPlace Corporate Center IV in the fourth quarter of 2023, non-owner-occupied construction has been nearly absent.

Office Under Construction and % of Inventory

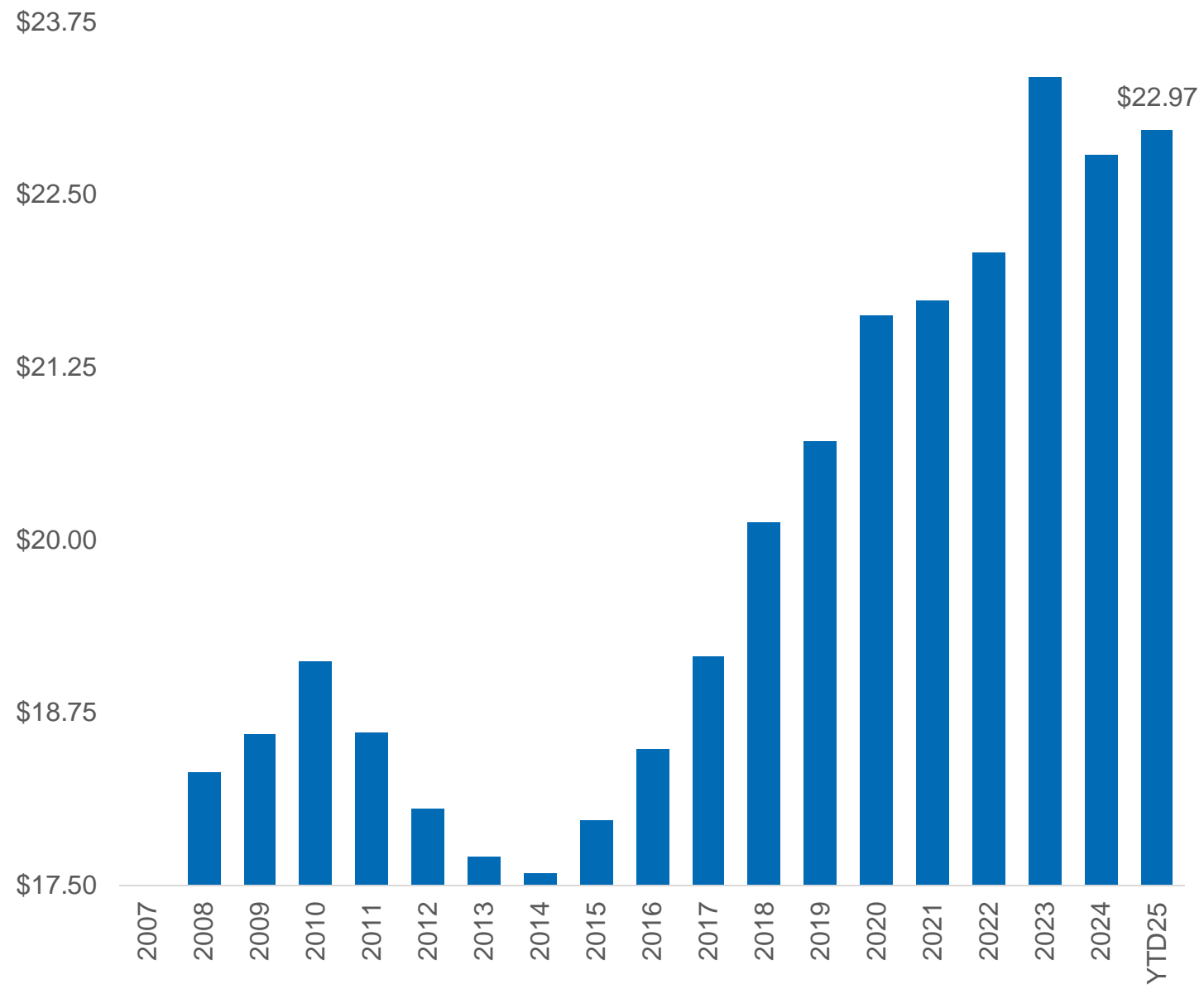


Source: Newmark Research, CoStar, Kansas City Market

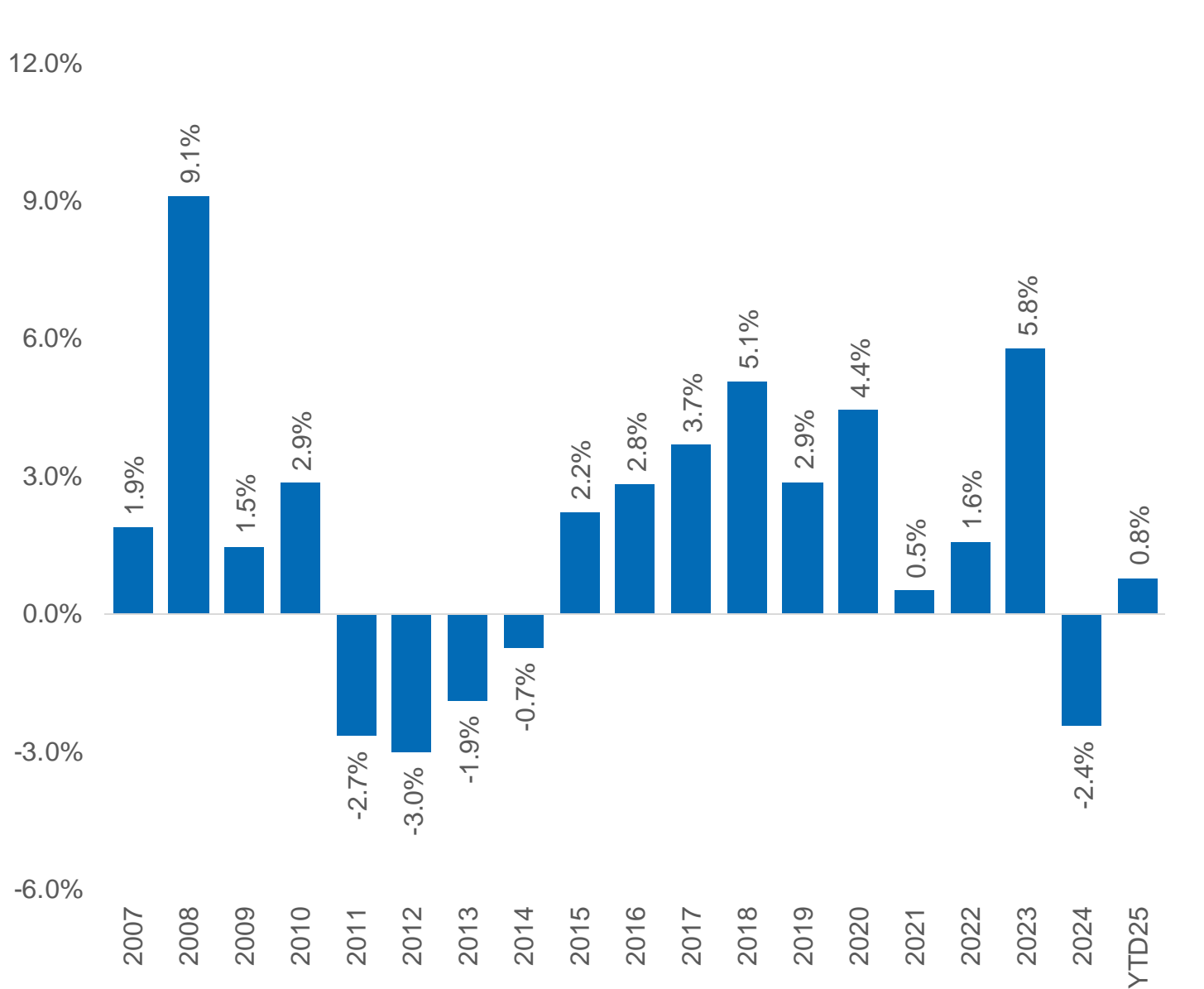
Rents Continue to Rise, Though Growth Expected to Slow

Overall asking rates rose year over year, increasing from \$22.79/SF to \$22.97/SF. However, this upward trend is expected to stabilize as liquidity constraints prompt landlords to reduce rents rather than expand concession packages. With 12-month inflation holding near 3.0%, real asking rent growth has remained flat.

Office Average Asking Rent, \$/SF, FS



Year-Over-Year Asking Rent Growth Rate

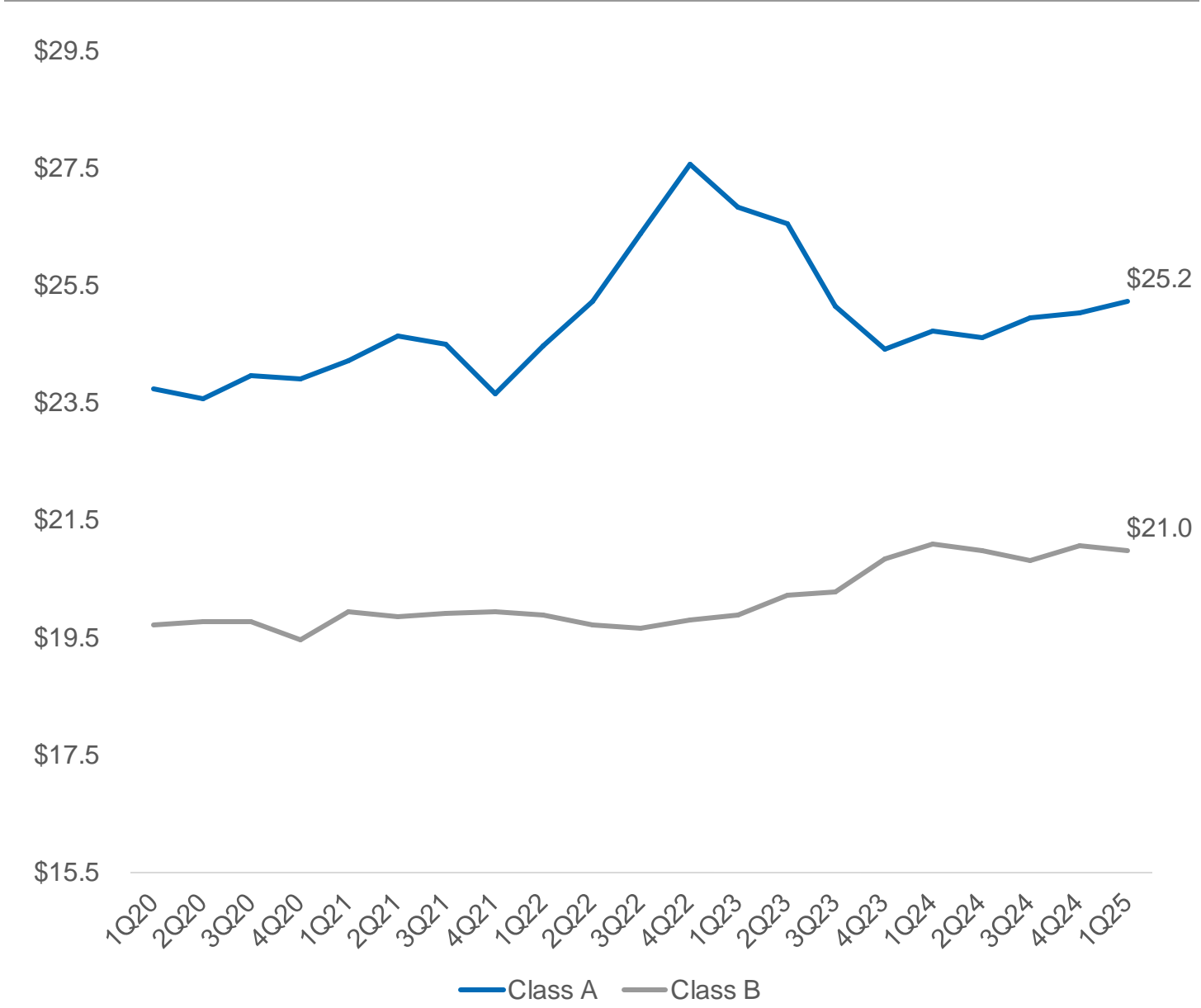


Source: Newmark Research, CoStar

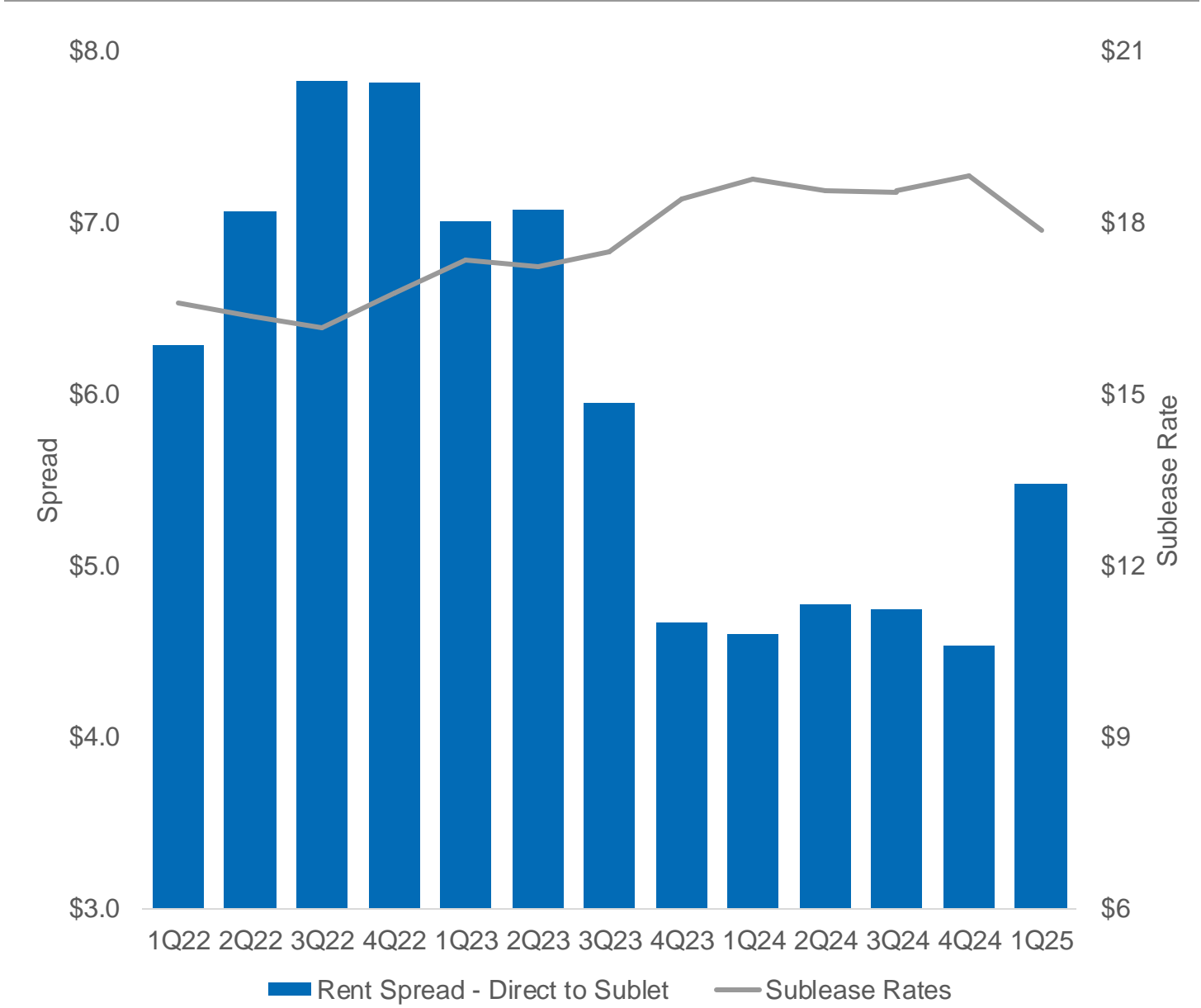
Class B Rents Up 5.5% Since 1Q23

In past market cycles, asking rents typically declined alongside weakened demand. Since the onset of the pandemic, however, rents have largely held firm, with secondary and tertiary markets like Kansas City continuing to see rent appreciation. Sublease rents have also increased over the past three years, driven by tenants capitalizing on favorable market conditions.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Key Submarkets Drive Overall Rental Rate Growth

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1Q25 Notable Leasing Activity

New or newly renovated Class A office space with premium amenities is expected to see sustained demand over the next four quarters. In contrast, large multitenant Class B buildings may face challenges as small and midsize tenants downsize in favor of higher-quality options. Leasing activity is projected to increase during this period as tenants pursue favorable long-term strategies in Class A and upgraded Class B+ properties.

Select Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Kiewit	8600 Renner Boulevard	North Johnson County	Direct Lease	177,000
Kiewit announced it officially leased the entire 177,000 SF at the forthcoming building at 8600 Renner Blvd. The firm is anticipated to move-in by August 2025.				
Southwind	6300 Lamar Avenue	North Johnson County	Direct Lease	108,410
Southwind will relocate its headquarters and 400 employees to one of Waddell & Reed's former campus buildings at 6300 Lamar Ave. in Overland Park. The firm will occupy the entire building and is anticipated to move-in by May 2025.				
Kimley-Horn	7300 College Boulevard	South Johnson County	Direct Lease	20,910
Kimley-Horn has signed a lease for 29,910 SF on the fifth floor of Lighton Plaza I in Overland Park. The engineering consultant is anticipated to move-in by the end of the third quarter of 2025.				
WireCo	8700 State Line Road	South Kansas City	Sublease	20,510
WireCo agreed to sublease 20,510 SF of space on the second floor of the 96,760-SF building at 8700 State Line Road in Leawood. The sublease will expire on October 31, 2031. The firm is anticipated to move-in by April 2025.				
Holmes Murphy	1729 Grand Boulevard	Downtown (Crossroads)	Direct Lease	15,180
Holmes Murphy signed a lease for 15,180 SF on the third floor of the 300,000-SF Grand Place building. The firm is anticipated to move-in by November 2025. The asking starting rent was published at a rate of \$36.00/SF prior to leasing.				

Source: Newmark Research

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Submarket Statistics



Submarket Statistics: All Classes, Class A, Class B

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