3Q25

Kansas City Office Market Overview

Market Observations

Economy

- The region's labor market loosened as macroeconomic conditions shifted. August's unemployment rate increased to 4.5%, 20 basis points above the national average of 4.3%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Other Services. Business and Professional and Information posted the largest job losses over the past 12 months.
- Professional business and technology firms are reassessing their workforce needs, with local employment declining in two out of the three office-occupying sectors compared to the prior year.

Leasing Market Fundamentals

- The market recorded 67,924 SF of net absorption during the quarter, bringing the four-quarter total to 1.1 million SF. This marks the fifth 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 84,500 SF currently under construction.
- Vacancy remained flat at 16.2% but is expected to trend downwards to 15.8% as the market stabilizes and Class A product continues to experience strong leasing momentum. Asking rental rates increased $0.46 to $23.42/SF in the quarter, approaching a new record high.

Major Transactions

- Propio Language Services will relocate its office from Corporate Woods to 4900 College Blvd. in Leawood. The firm leased 78,600 SF of space.
- Conexon will relocate its headquarters from the Crossroads Arts District to 2323 Grand in March 2026. The fiber broadband solutions company will increase its footprint to 48,830 SF.
- Security Benefit will relocate its offices from Corporate Woods to the Aspiria Campus in early 2026. The firm will increase its footprint to 26,000 SF and is expected to create an additional 30 jobs at the location over the next five years.

Outlook

- Uncertainty in the macroeconomic outlook persists, prompting occupiers and investors to approach transactions with greater caution. However, most local tenants have finalized post-pandemic work strategies. Tenants will 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.
- With the amount of debt coming due in the next 12-24 months, prime-located buildings are expected to trade as opportunistic investors can capitalize on the continued 'flight to quality' trend by adding amenities and modernizing the properties.

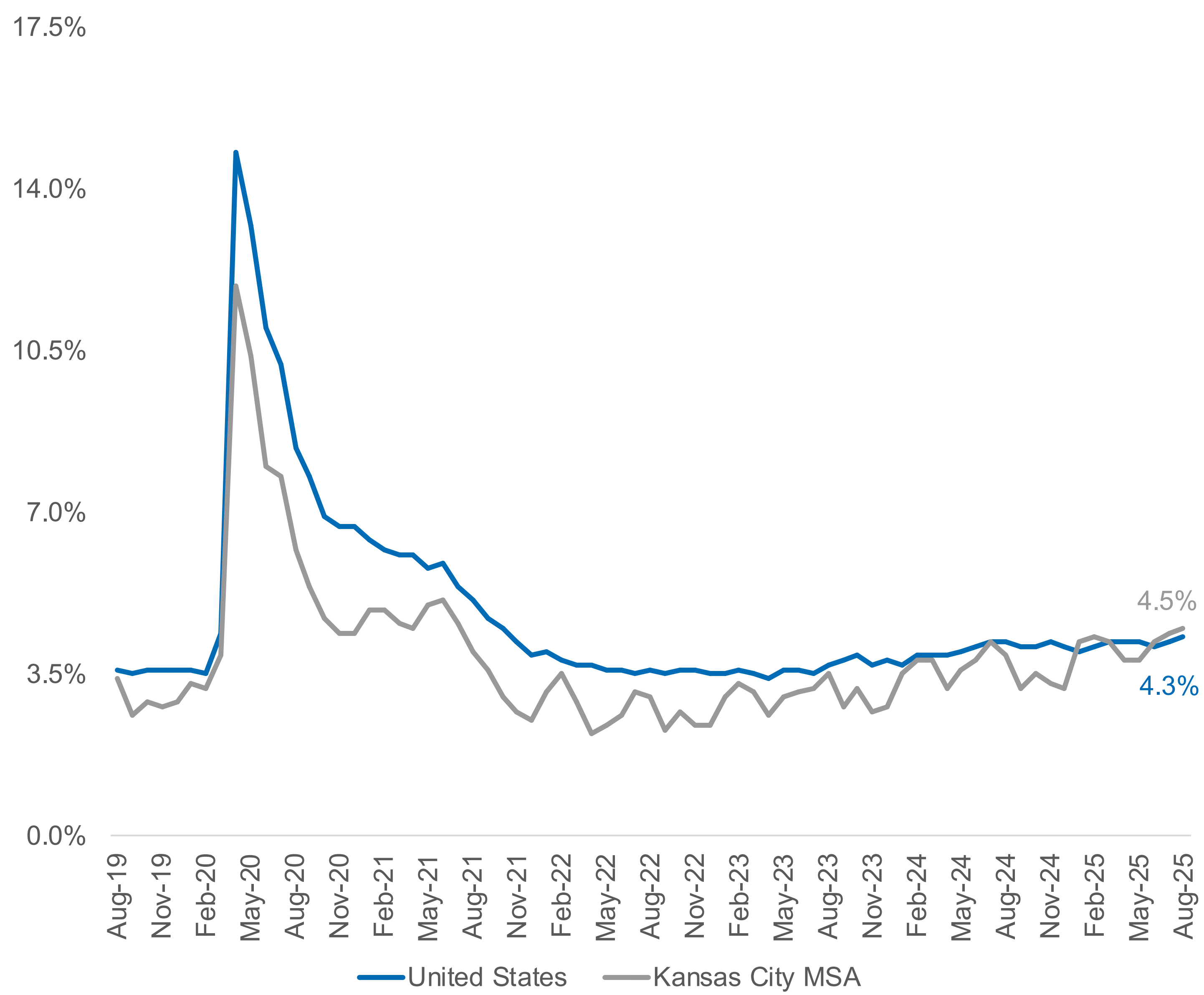
1. Economy
2. Leasing Market Fundamentals
3. Submarket Statistics

Economy

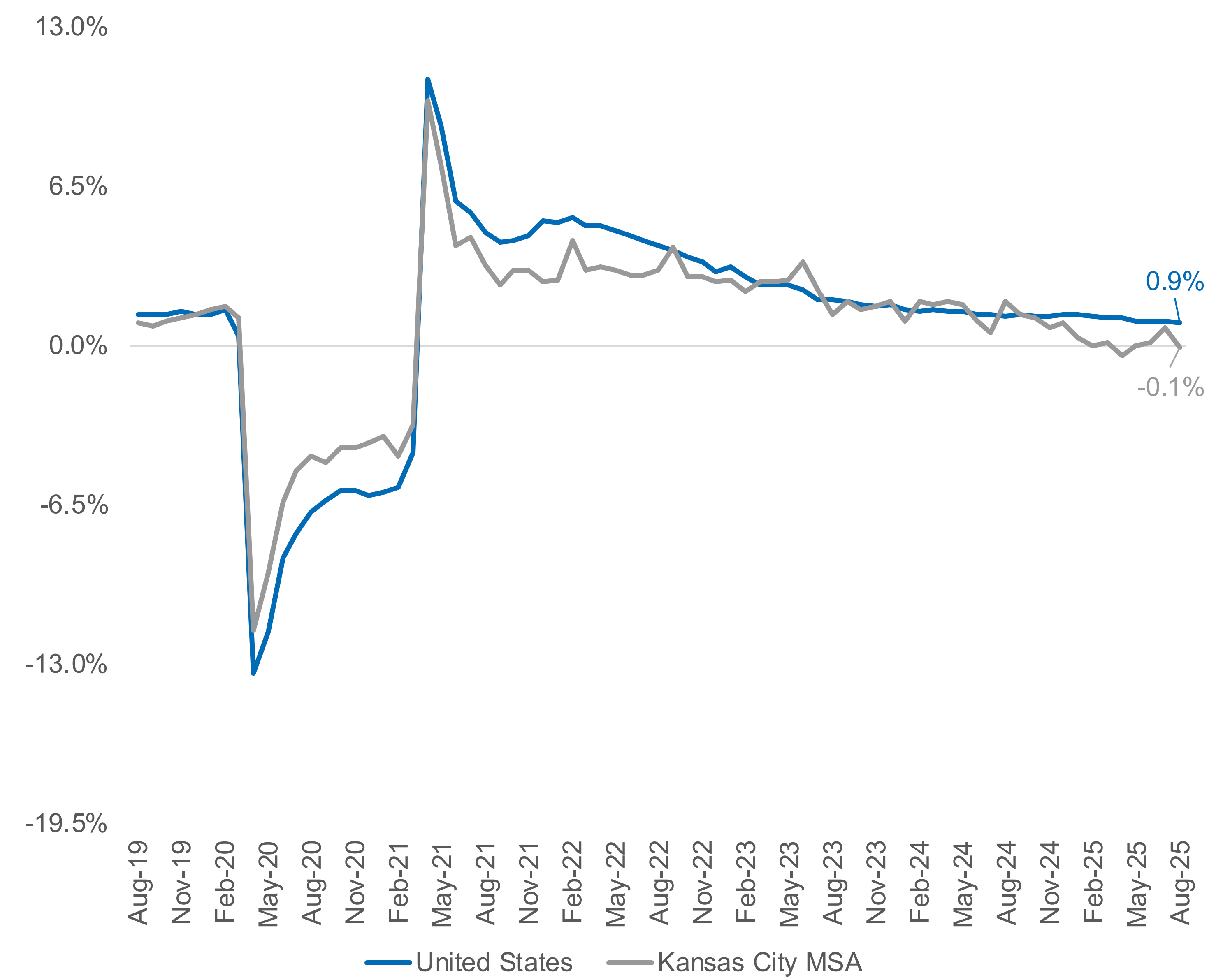
Metro Employment Trends Signal Increasing Unemployment

The Kansas City region's labor market loosened as unemployment increased 70 basis points from the previous quarter. The regional unemployment rate now stands 20 basis points above the national average, signaling economic rigidity. Nonfarm payroll employment in the region remains in negative territory at negative 0.1%. According to the Kansas City Fed Labor Market Conditions Indicators, activity declined modestly to 0.25, while momentum decelerated modestly to -0.32 in August 2025.

Unemployment Rate, Non-Seasonally Adjusted



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

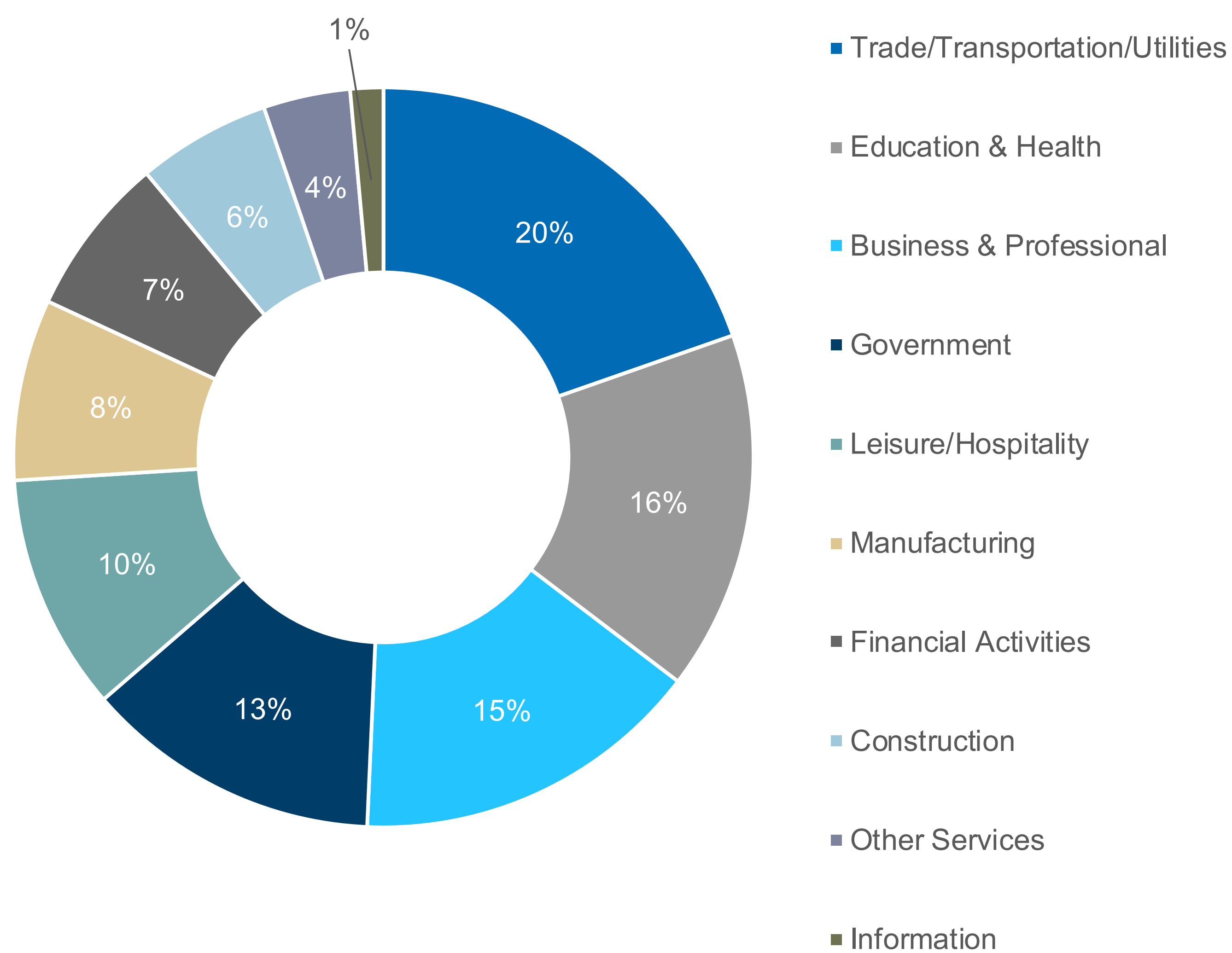


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

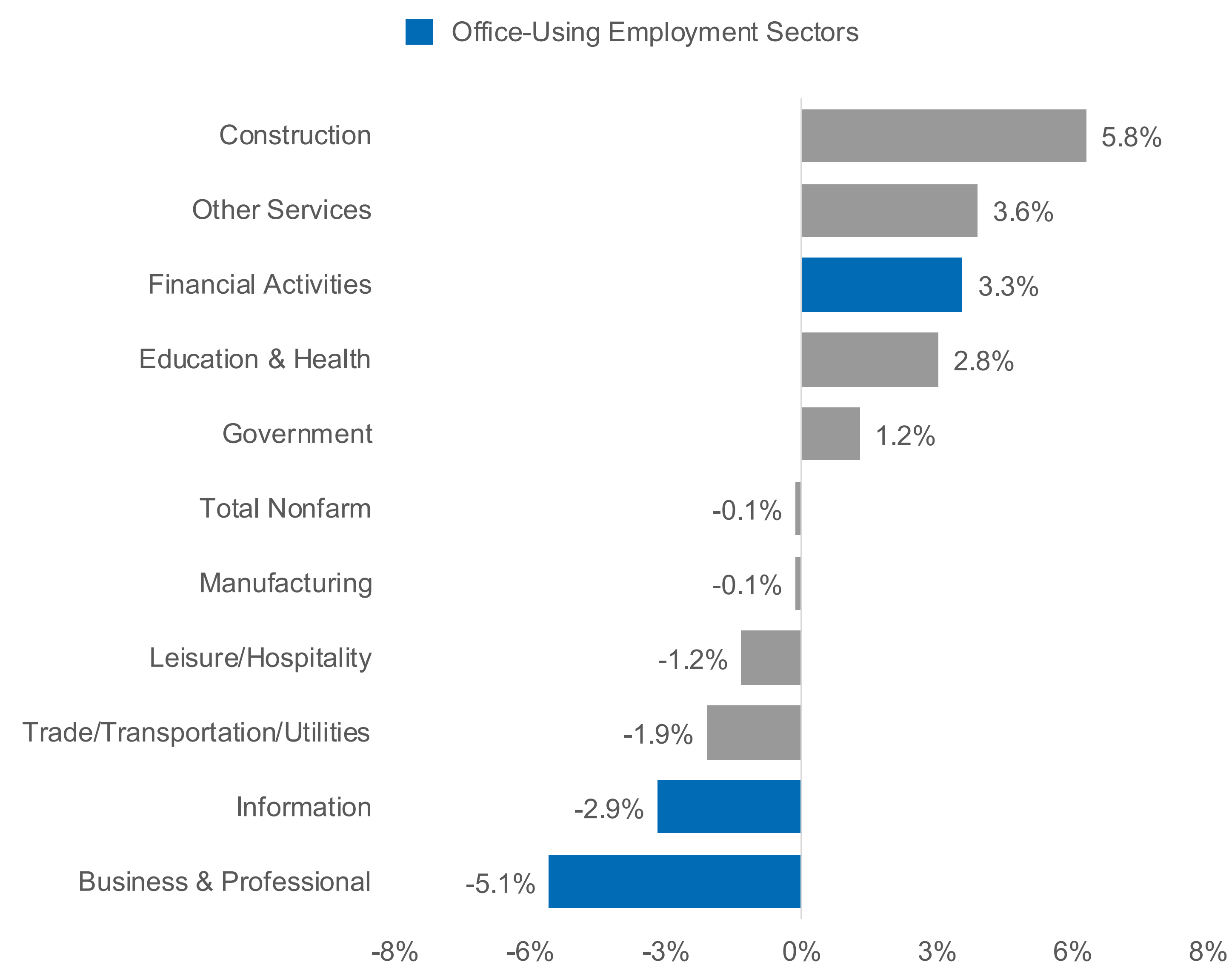
Business and Professional and Information Sectors Lead Regional Job Losses

The Construction sector led regional annual job growth, followed by Other Services. The Business and Professional and Information sectors posted the largest annual job losses, with declines of 5.1% and 2.9%, respectively. Only one of the three office-occupying industries, Financial Activities, reported year-over-year job growth.

Employment by Industry, August 2025



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

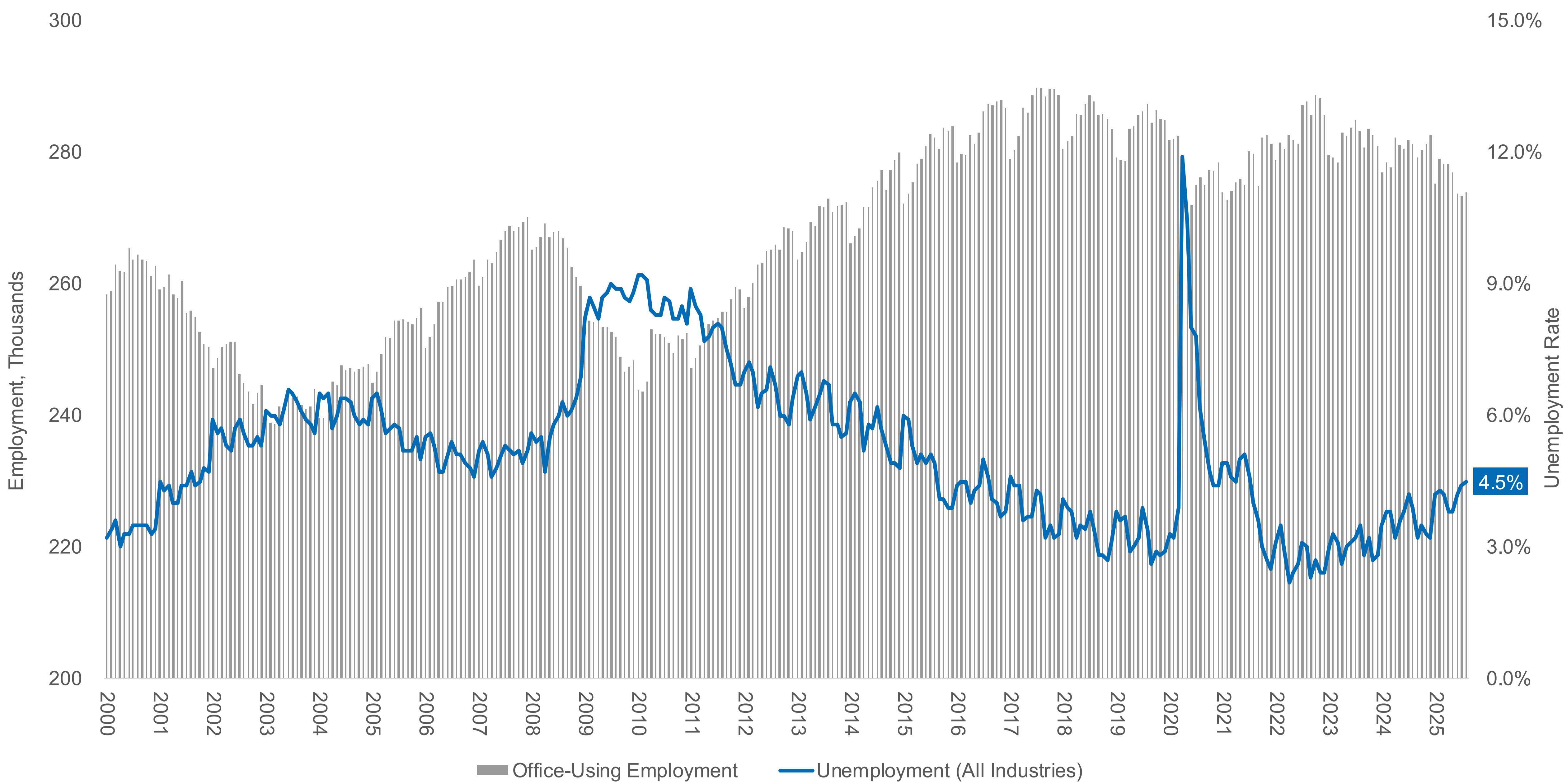


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

Overall Office Employment Trending Upward

Office employment rebounded from its pandemic low but has trended downward since October 2022, now aligning with levels last seen in 2021. While a slight seasonal dip is typical early in the year, the region is expected to experience a modest decline through the remainder of 2025.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Kansas City MSA
Note: August 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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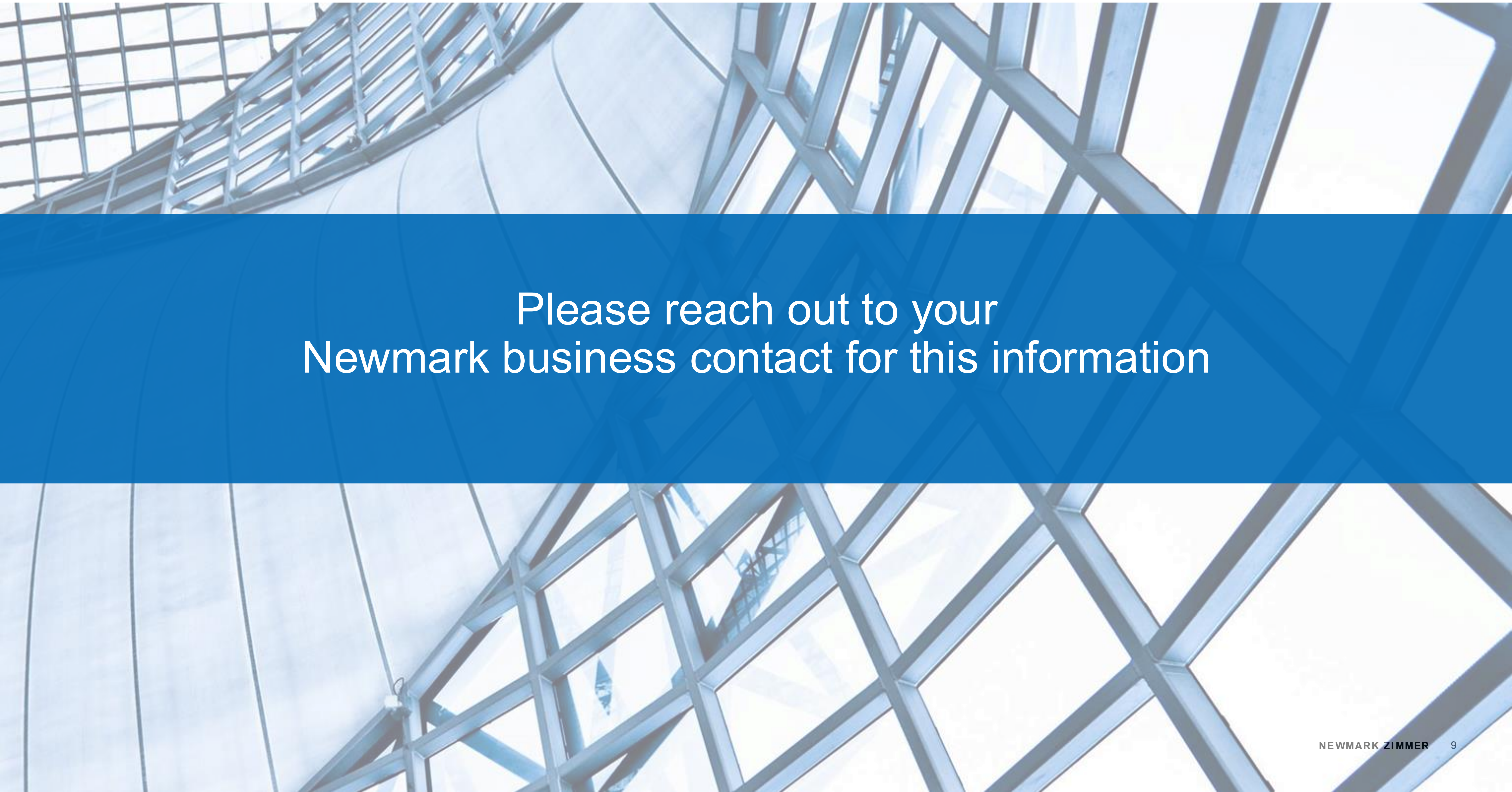
Leasing Market Fundamentals

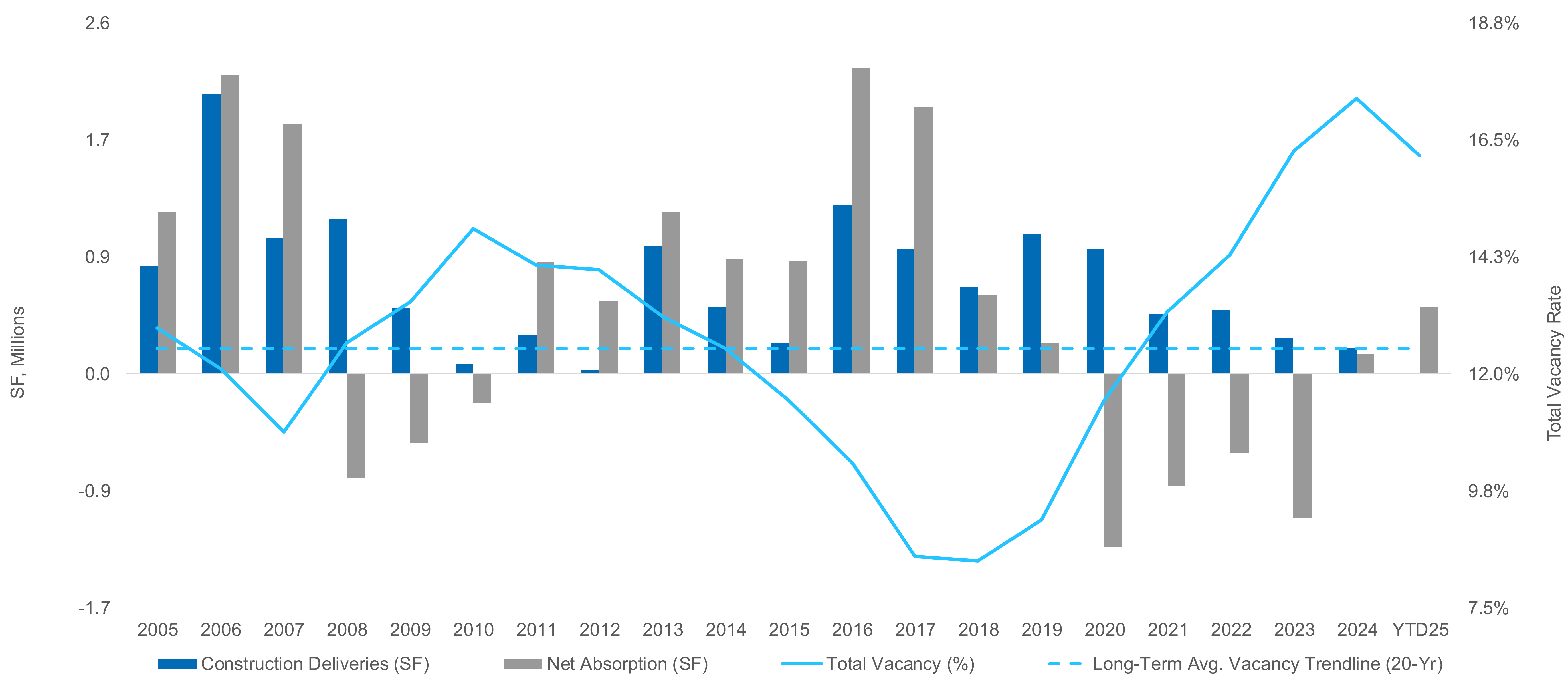
Market Overview



Vacancy Dropping As Market Recalibrates

The vacancy rate declined by 1.1 percentage points year over year to 16.2% as most tenants have finalized work strategies now in place. Office-to-multifamily conversions 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. With the amount of debt coming due in the next 12-24 months, prime-located buildings are expected to trade as opportunistic investors can capitalize on the continued 'flight to quality' trend by adding amenities and modernizing the properties.

Historical Construction Deliveries, Net Absorption, and Vacancy

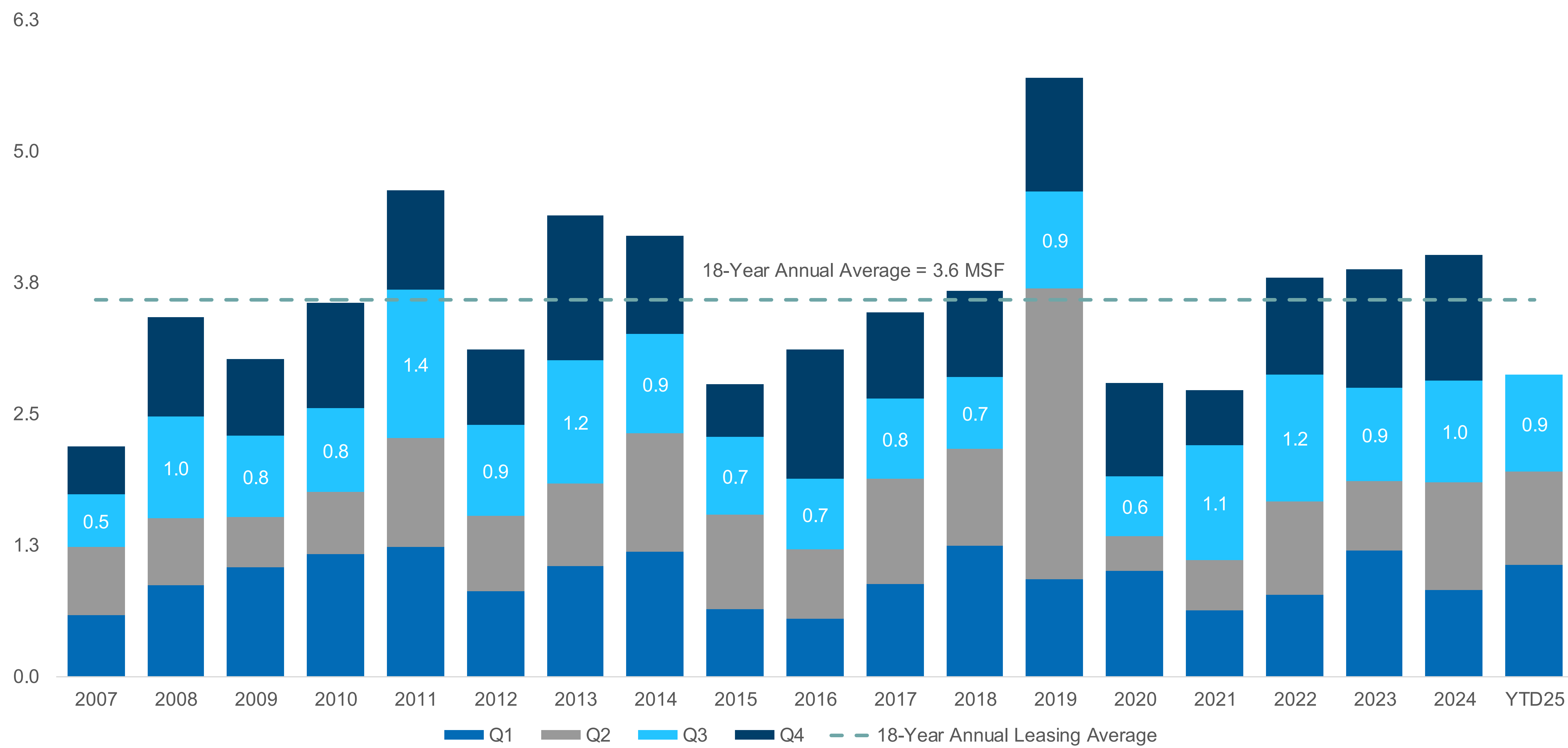


Source: Newmark Research

Leasing Activity Climbs Above 18-Year Historical Average

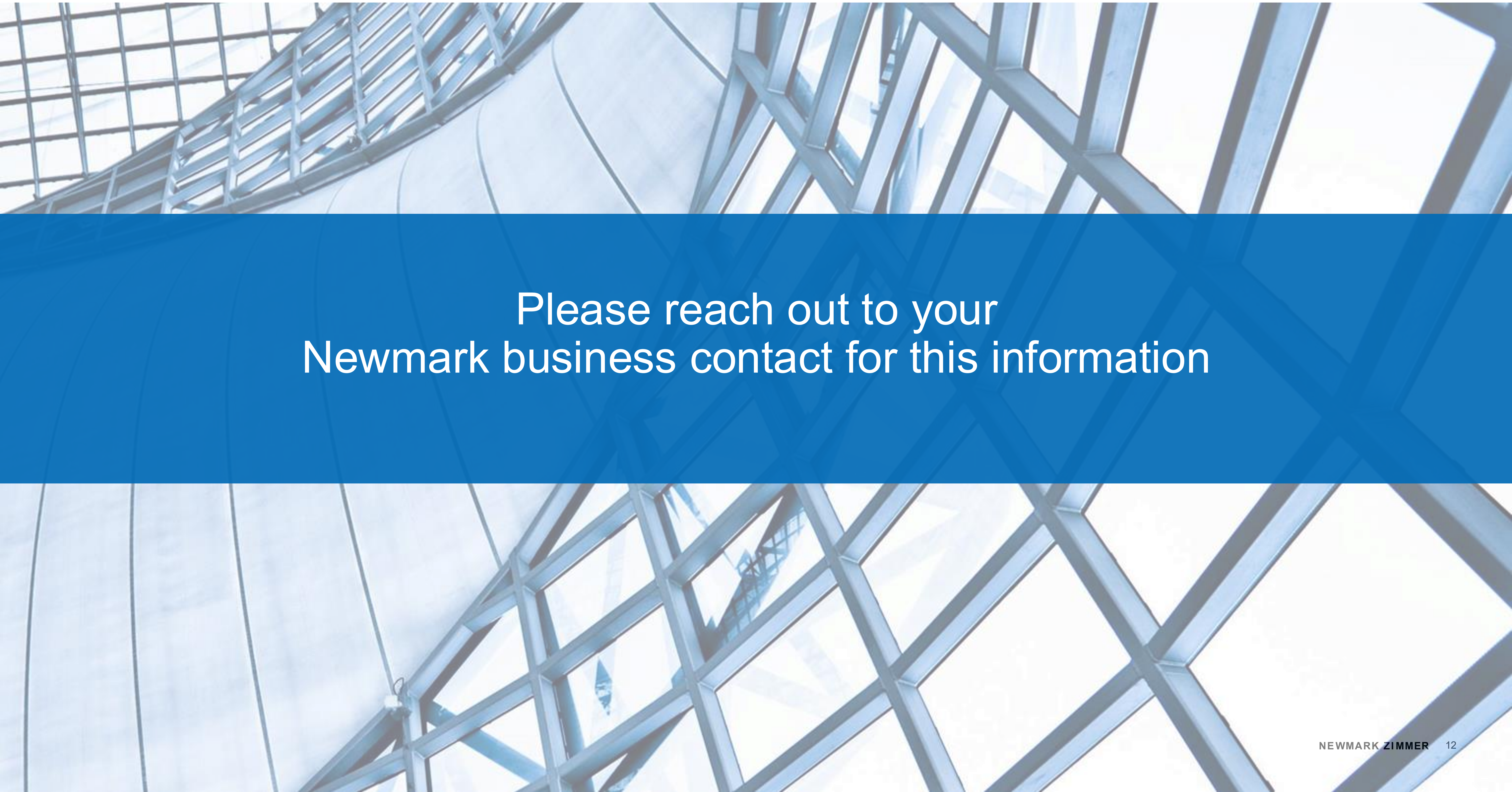
Leasing activity is expected to remain above average over the next four quarters as tenants pursue favorable long-term lease agreements. Momentum continues, especially in the Class A segment, with third-quarter 2025 marking a total of 4.1 million SF of leasing activity during the past four quarters. Kansas City's leasing activity for the calendar year 2025 is projected to total between 3.9 million and 4.1 million SF.

Total Leasing Activity (MSF)



Source: Newmark Research, CoStar

Tenants Locking-In Favorable Terms As Flight To Quality Continues



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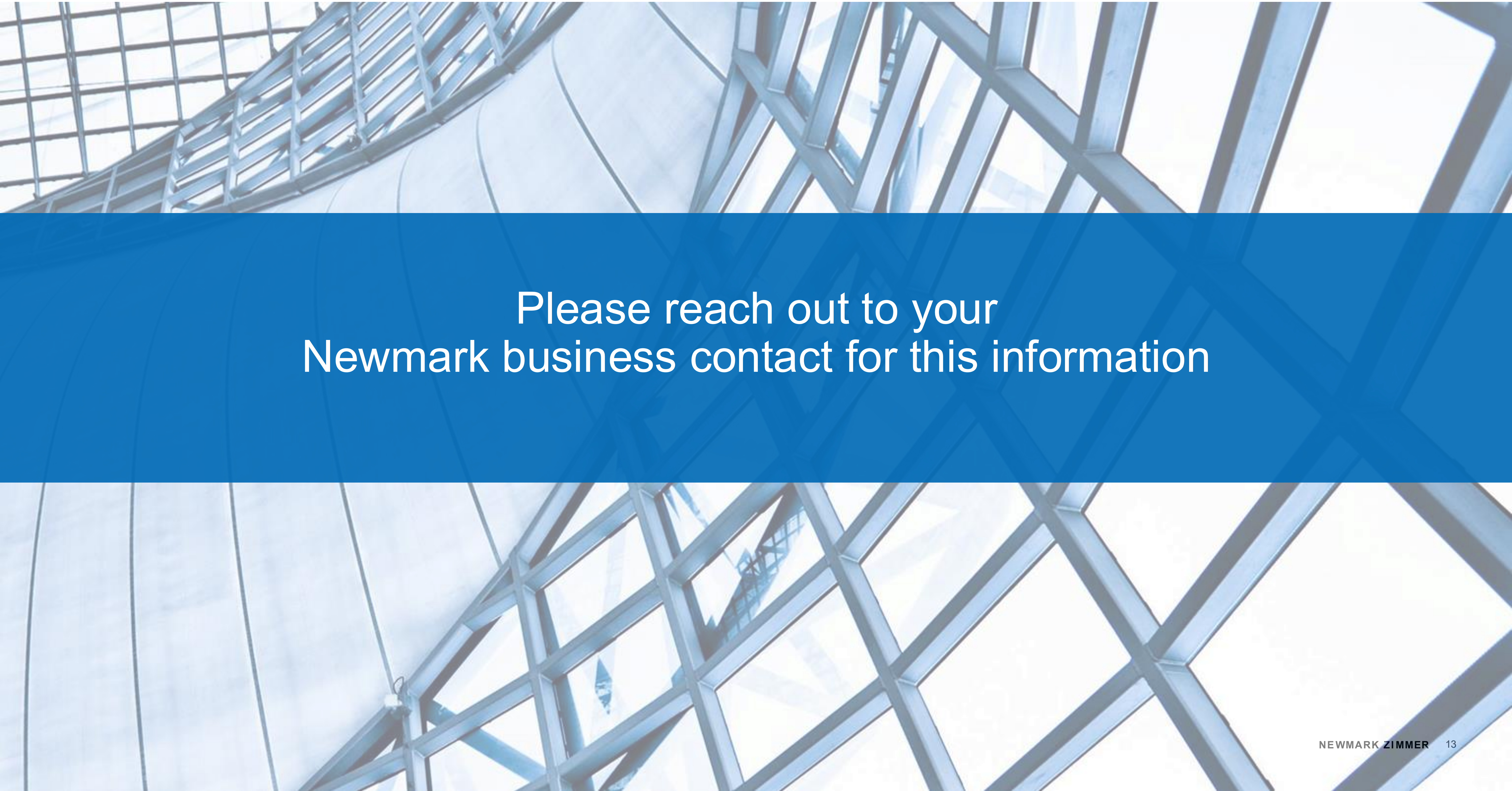
Several Large Leases Expected In Marquee Submarkets



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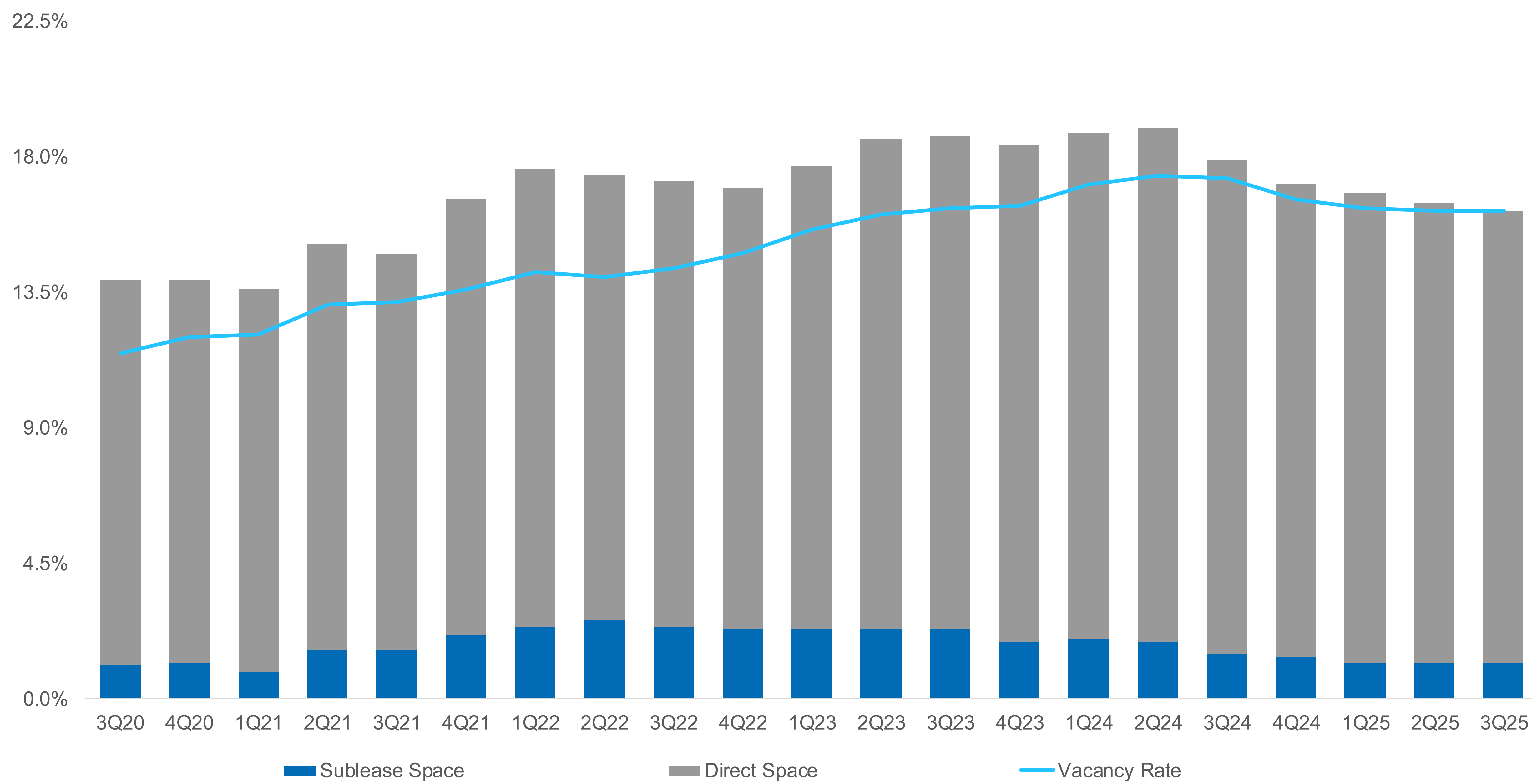
Direct and Sublease Availability Trending Downward

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 1.0% over the next four quarters.

Available Space as Percent of Overall Market



Source: Newmark Research

Northland Sees Largest Availability Rate Drop In Past Five Years

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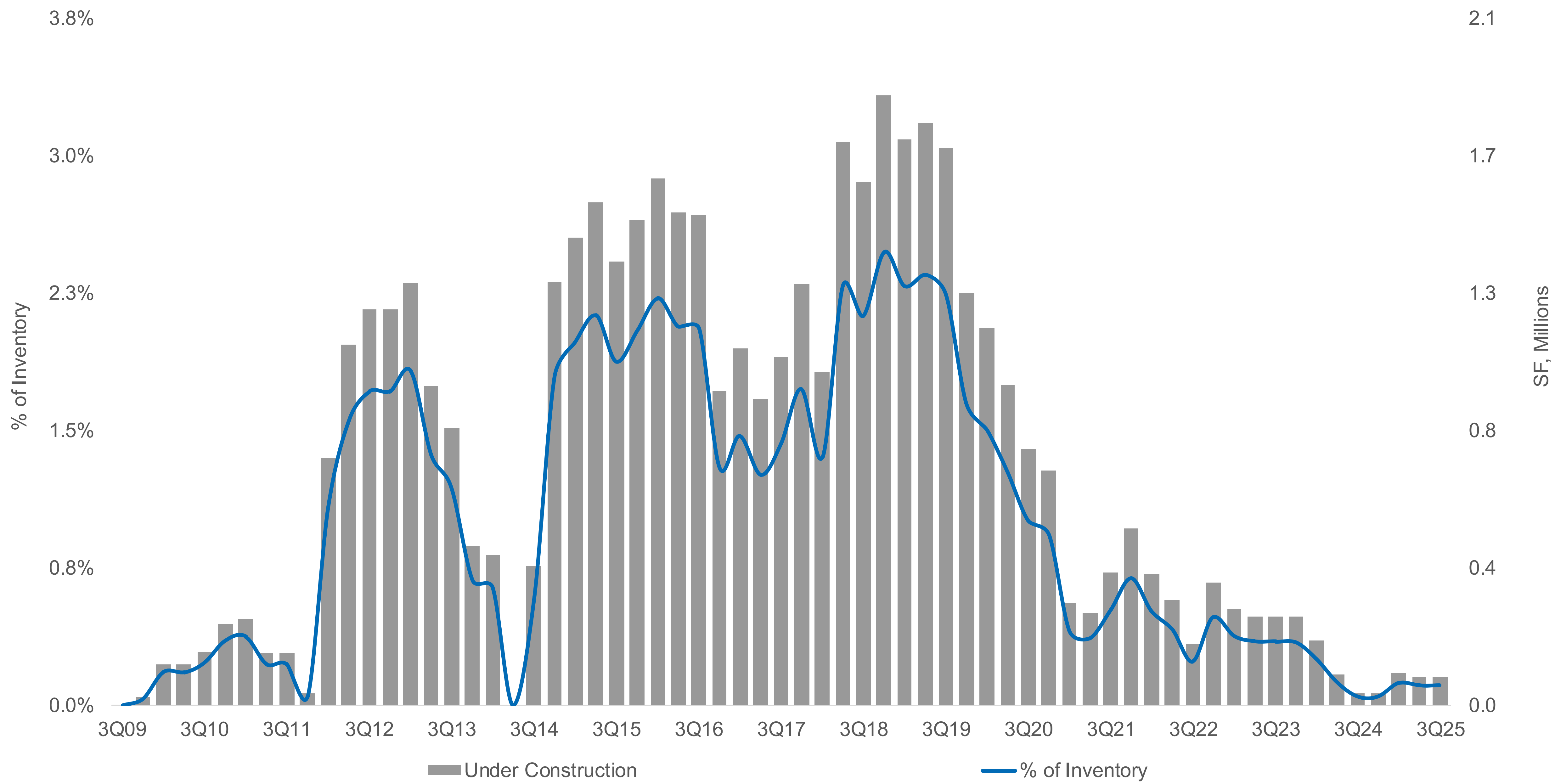
Speculative Construction Remains On Hold As High Interest Rates Persist

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. Speculative projects are on hold and are projected to remain this way until there is further downward movement in interest rates. Developers will need a pre-committed tenant in hand to occupy at least 30% to 50% of the project before they could begin work in the current environment.

Office Under Construction and % of Inventory

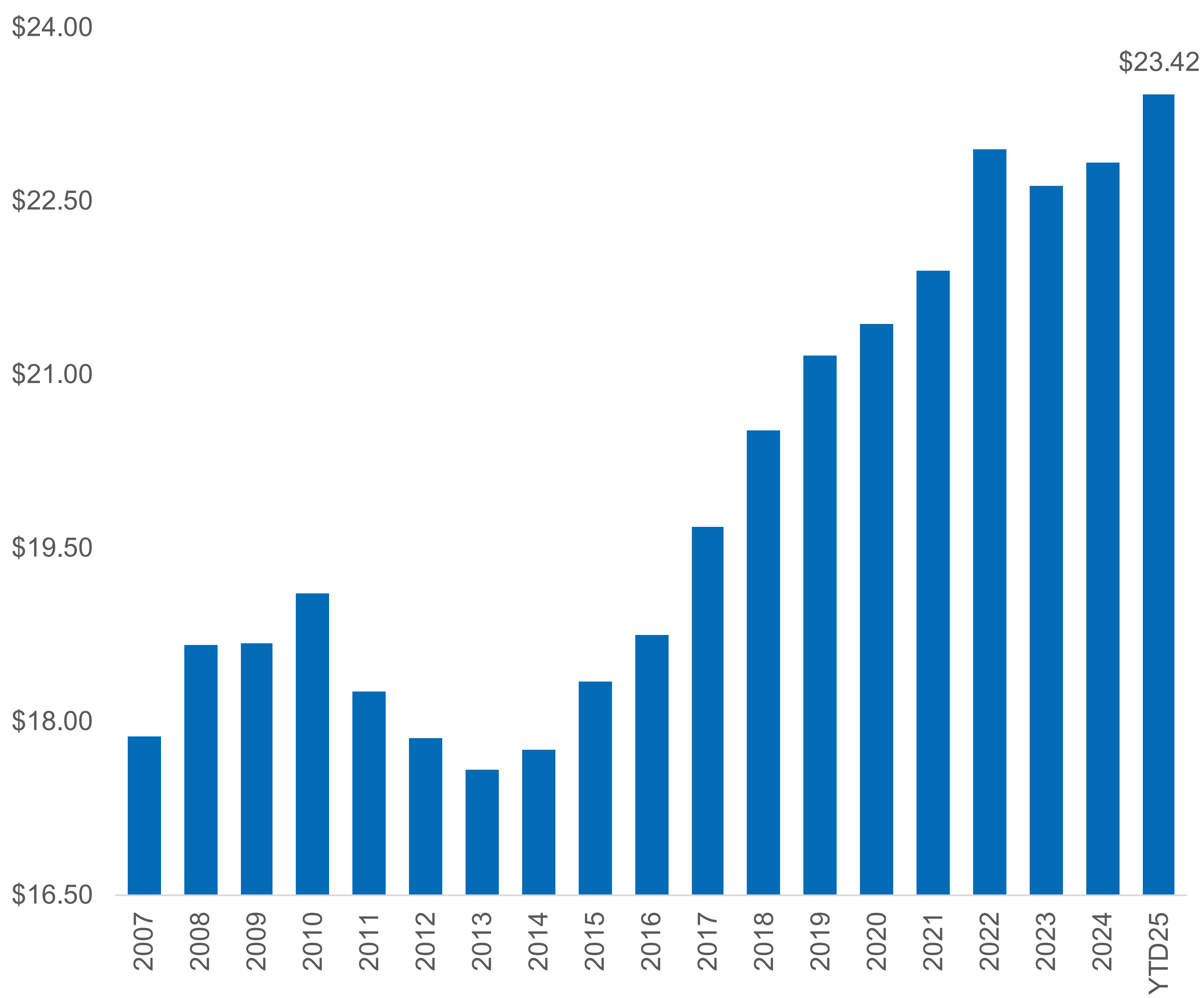


Source: Newmark Research, CoStar, Kansas City Market

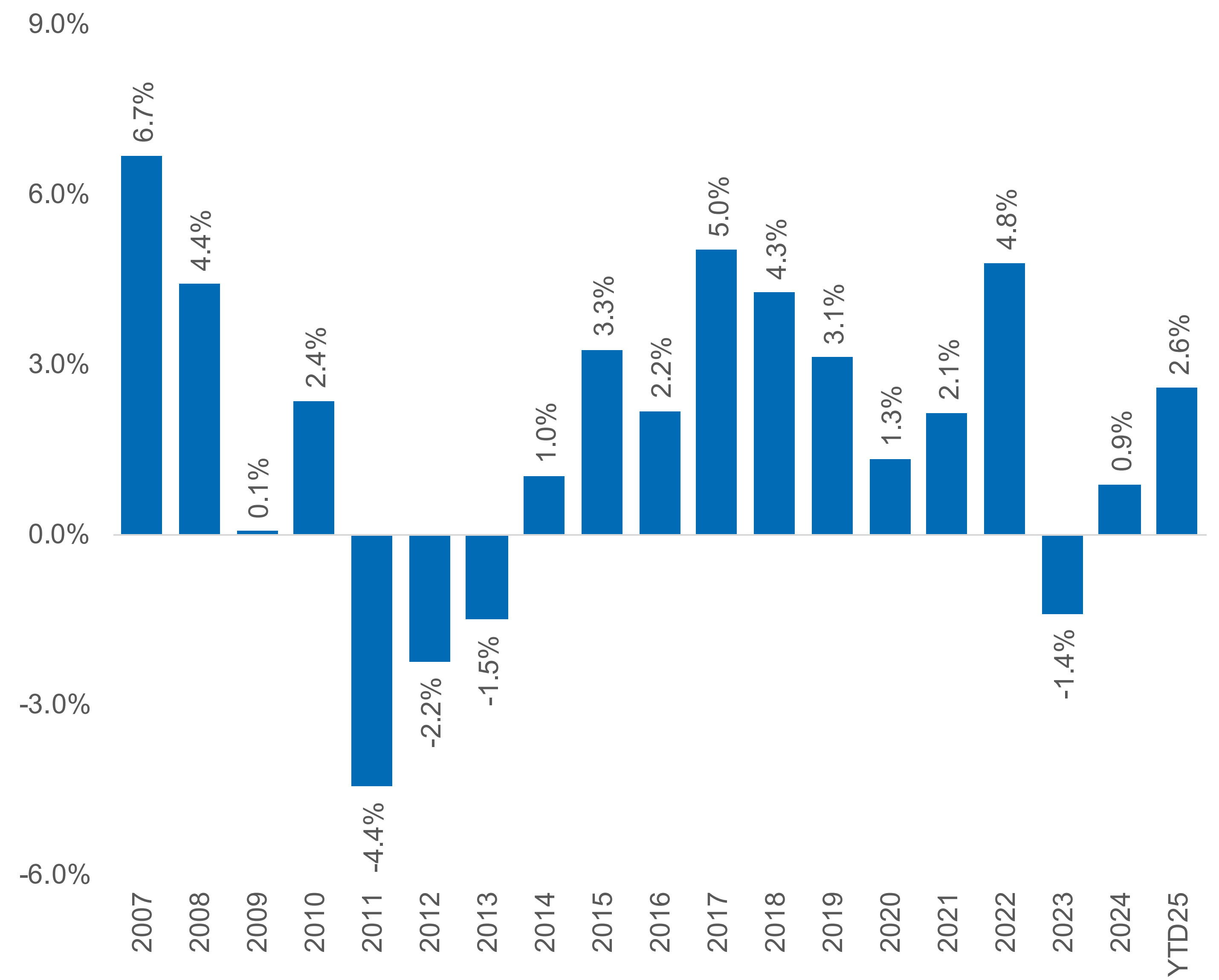
Rents Climb To New Record High

Overall asking rates rose year over year, increasing 2.6% from $22.83/SF to $23.42/SF. The upward trend is counterbalanced, in part, as liquidity constraints prompt landlords to reduce rents rather than expand concession packages. New space listings and Class A offerings are estimated to push asking rental rates upwards at an annual average of 3.0% in the next four to six quarters.

Office Average Asking Rent, $/SF, FS



Year-Over-Year Asking Rent Growth Rate

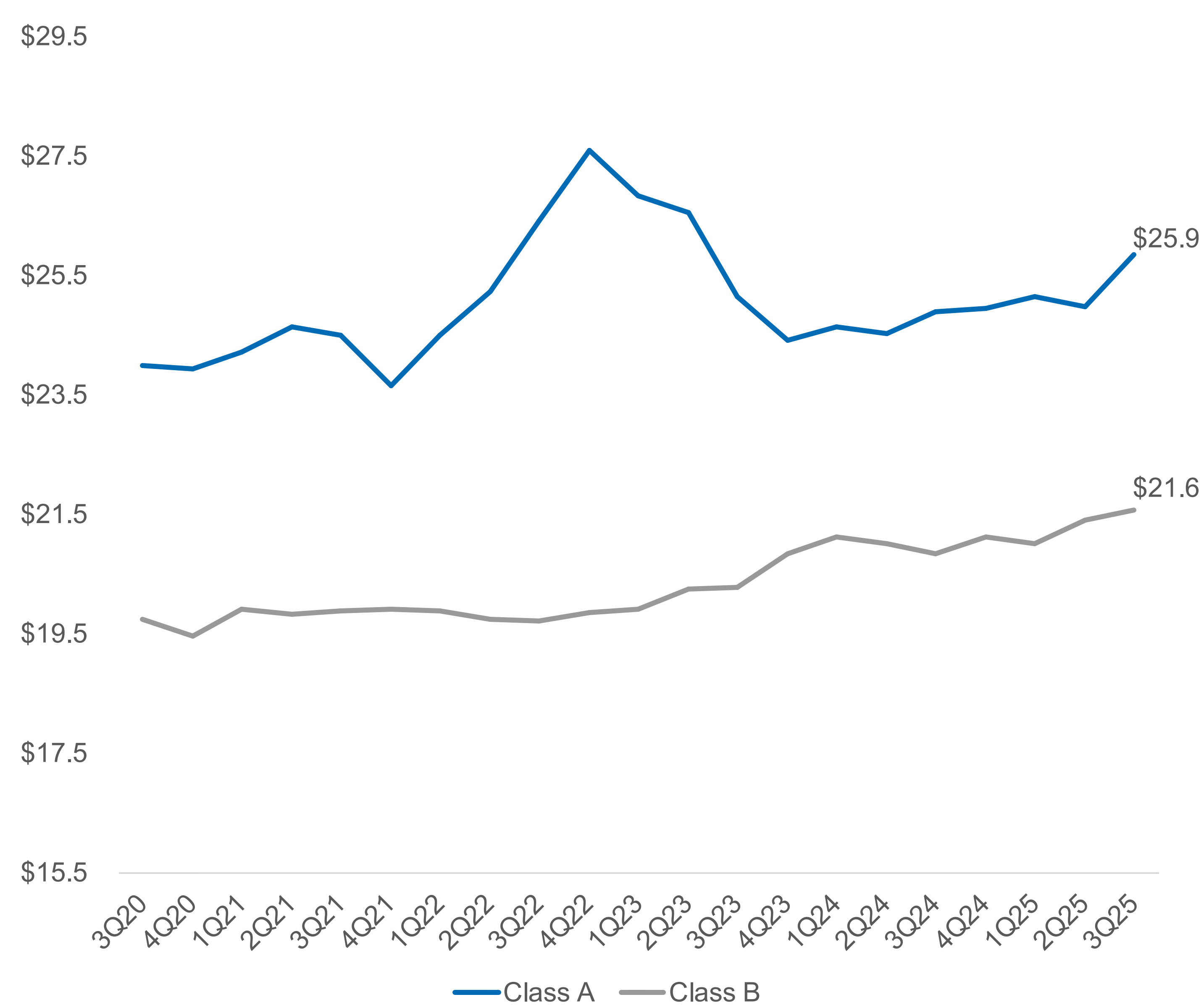


Source: Newmark Research, CoStar

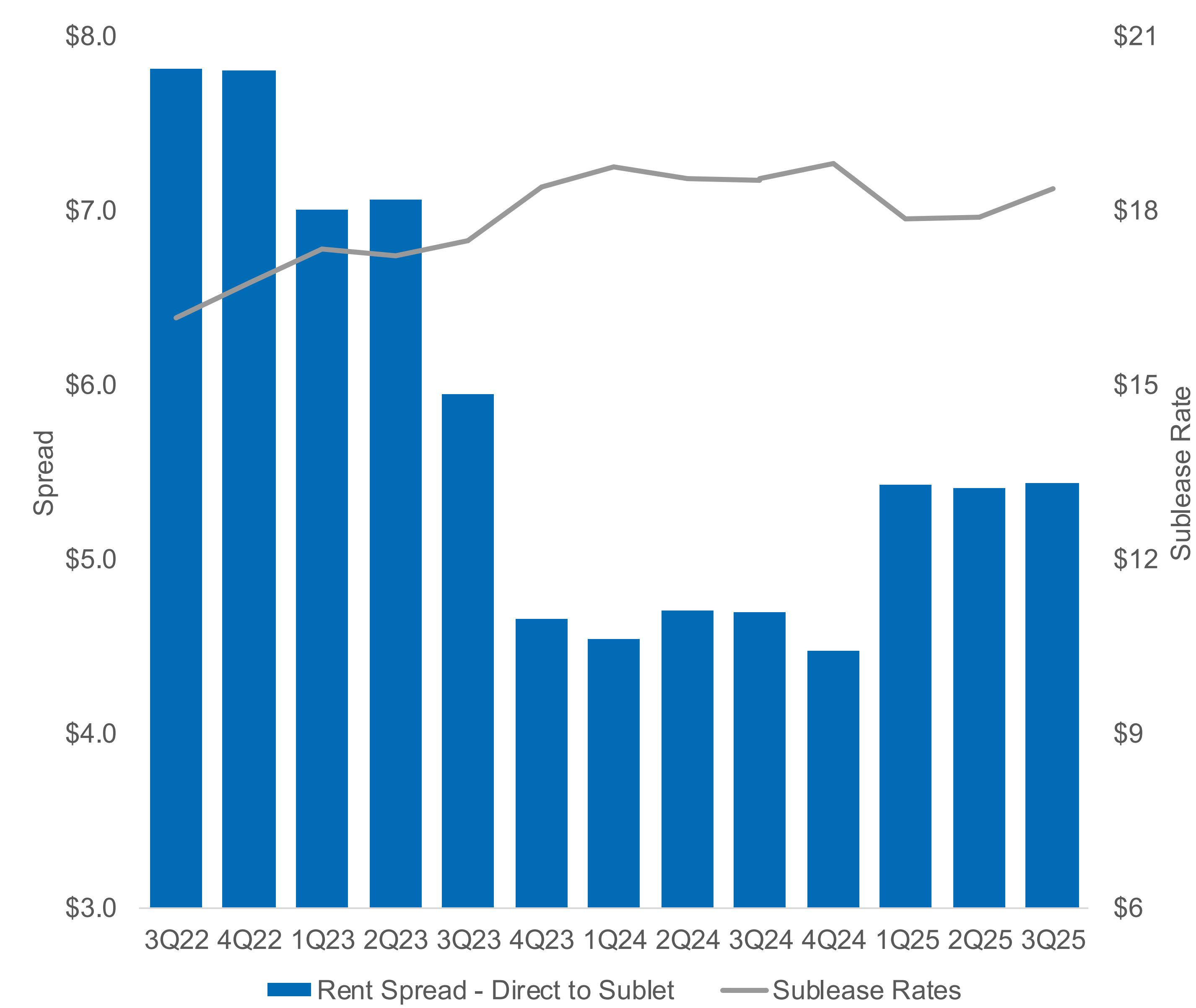
Class B Rents Up 6.3% Since 3Q23

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

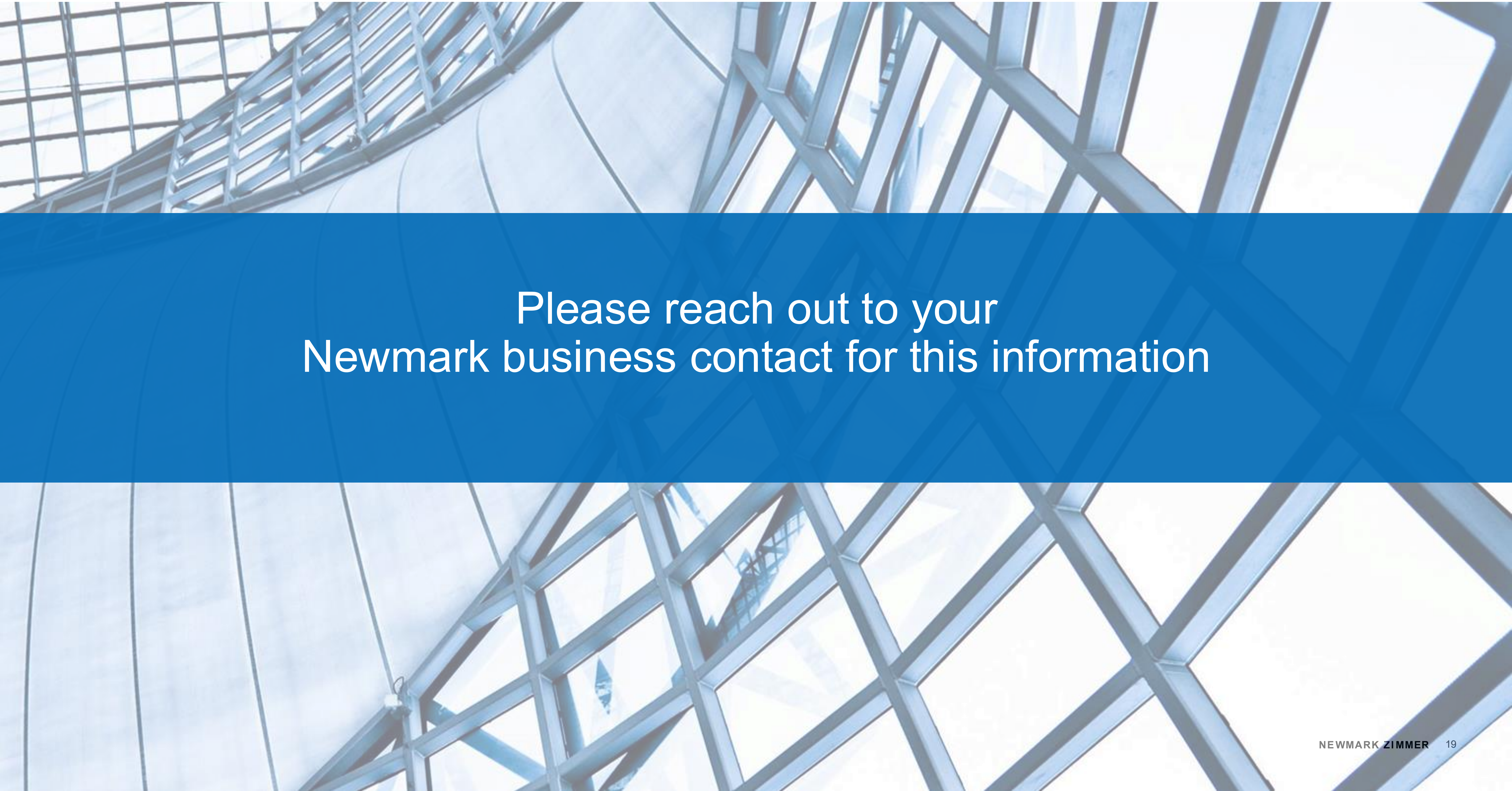


Sublease Rates



Source: Newmark Research, CoStar

Key Submarkets Drive Overall Rental Rate Growth



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3Q25 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 midsized tenants downsize in favor of higher-quality options. Leasing activity is projected to increase 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
Propio Language Services	4900 College Boulevard	South Johnson County	Direct Lease	78,600
Propio Language Services will relocate its office from Corporate Woods to 4900 College Blvd. in Leawood. The firm leased 78,600 SF of space of the 81,480-SF building.				
Conexon	2323 Grand Boulevard	Downtown/Crown Center	Direct Lease	48,830
Conexon announced it will relocate its headquarters from the Crossroads Arts District to 2323 Grand in March 2026. The fiber broadband solutions company will increase its footprint to 48,830 SF and will occupy the entire fourth floor and a portion of the third floor.				
Security Benefit	Aspiria Campus	South Johnson County	Direct Lease	26,000
Security Benefit announced it will relocate its offices from Corporate Woods to the Aspiria Campus in early 2026. The firm will increase its footprint to 26,000 SF and is expected to create an additional 30 jobs at the location over the next five years.				
The Chamber of Commerce of Greater Kansas City	30 W Pershing Road	Downtown/Crown Center	Renewal	22,020
The Chamber of Commerce of Greater Kansas City announced it renewed its lease at 30 West Pershing Rd. in Union Station for 22,020 SF.				
Gilmore & Bell, P.C.	2405 Grand Boulevard	Downtown/Crown Center	Renewal	17,540
Gilmore & Bell, P.C. renewed its lease for 17,540 SF on the 11th floor of the 233,000-SF 2405 Grand building in Crown Center.				

Source: Newmark Research

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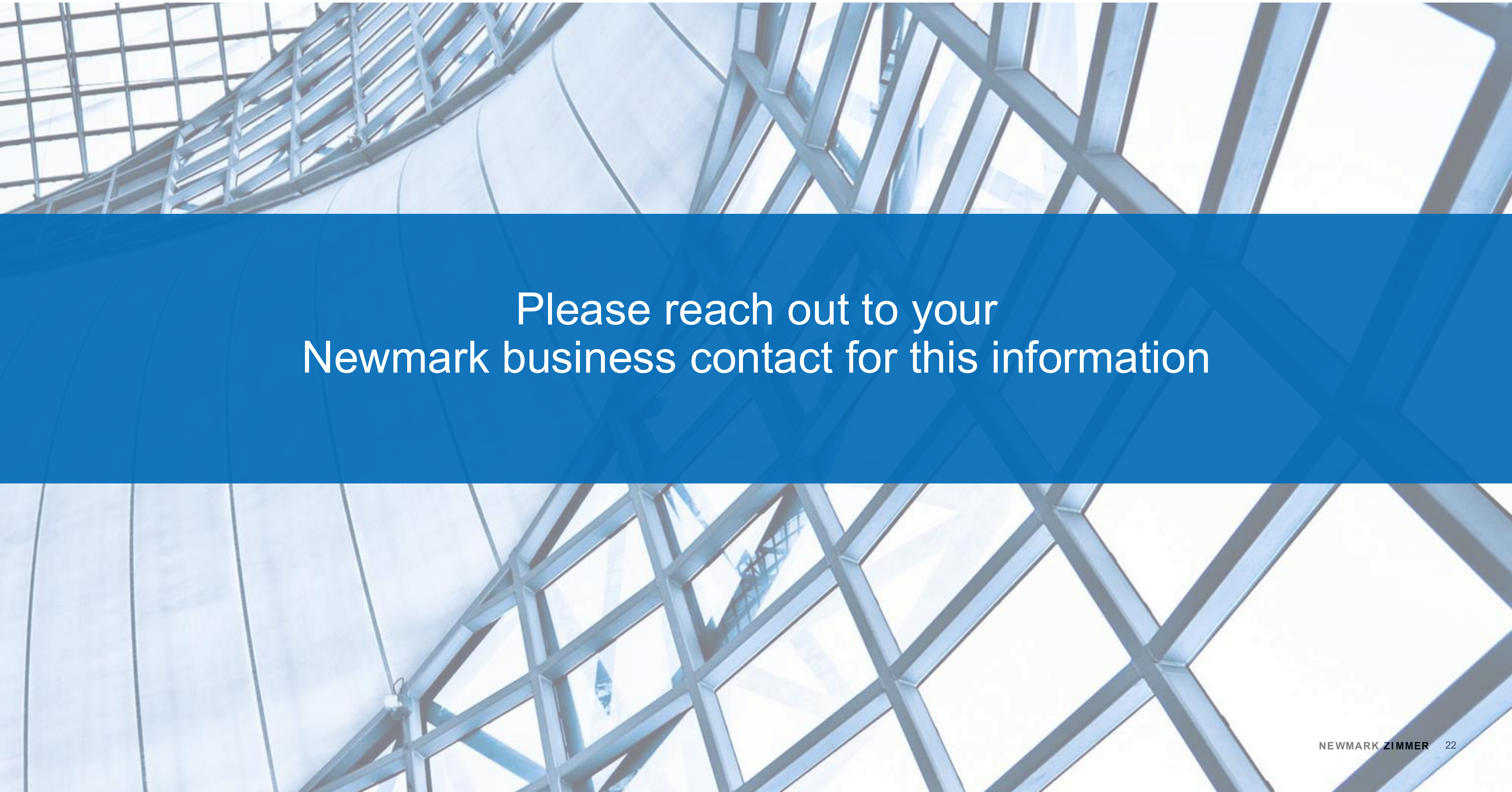
Submarket Statistics

Submarket Statistics: All Classes, Class A, Class B



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