

4Q25 Kansas City Office Market: **Market Overview**

4Q25

Kansas City Market Observations



Labor Markets

- The region's labor market remained flat as macroeconomic conditions shifted. September's unemployment rate registered 4.0%, 40 basis points below the national average of 4.4%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Education and Health. 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 114,978 SF of net absorption during the quarter, bringing the 2025 total to 924,086 SF. This marks the sixth 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 116,660 SF currently under construction.
- Vacancy decreased 10 basis points to 15.9% in the quarter and 90 basis points year-over-year. The trend is expected to continue in 2026 towards 15.0% as the market stabilizes and Class A product continues to experience strong leasing momentum.
- Average asking rental rates declined to \$23.10/SF in the quarter but are expected to grow 2.5% to 3.25% by year-end 2026.



Major Transactions

- BarkleyOKRP will relocate its headquarters from 1740 Main St. in the Crossroads Arts District and backfill the former Populous space at 4800 Main St. The firm leased 75,840 SF of space on the second and third floors of the 165,710-SF multi-tenant building. The firm is downsizing from 119,000 SF and is expected to move in by November 2026.
- Children's Hospital Association will relocate its headquarters from 16011 College Blvd. to 9401 Renner Blvd. in Lenexa. The association signed a 10-year, 62,340-SF lease to occupy the entire fourth and fifth floors of the 150,960-SF building and is expected to move in by May 2026.
- Quanta Infrastructure Solutions Group (QISG) leased 31,240 SF on the third floor of Creekview Corporate Center III located at 12900 Foster St. in Overland Park. The firm is anticipated to move in by June 2026.
- Wagstaff & Cartmell, LLP renewed its lease for 25,230 SF at Brush Creek Place II.
- Laufer Group International, LTD leased 16,500 SF at 11500 NW Ambassador Dr.



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

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Economy

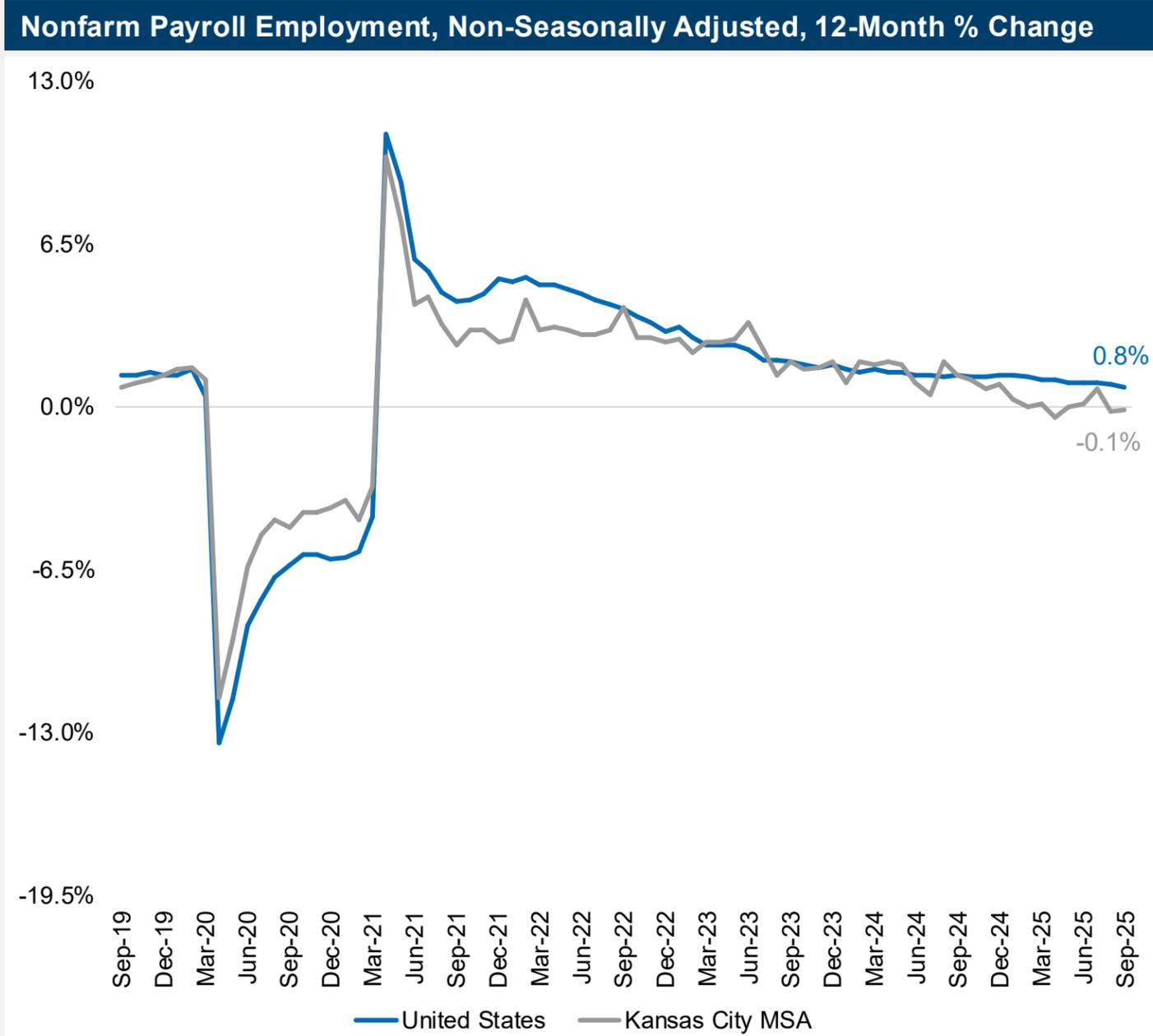
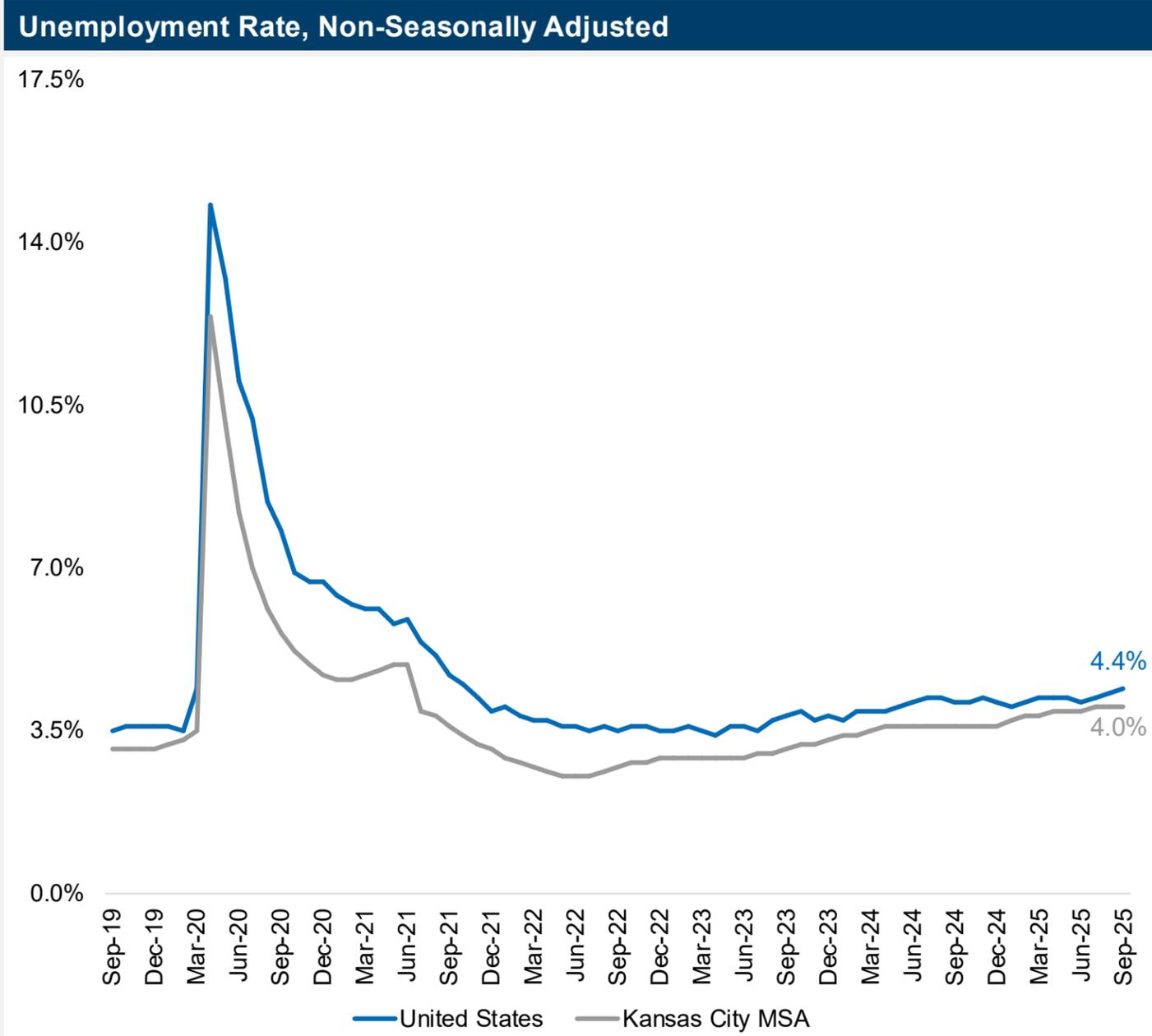
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Metro Employment Unemployment Rate Below National Average

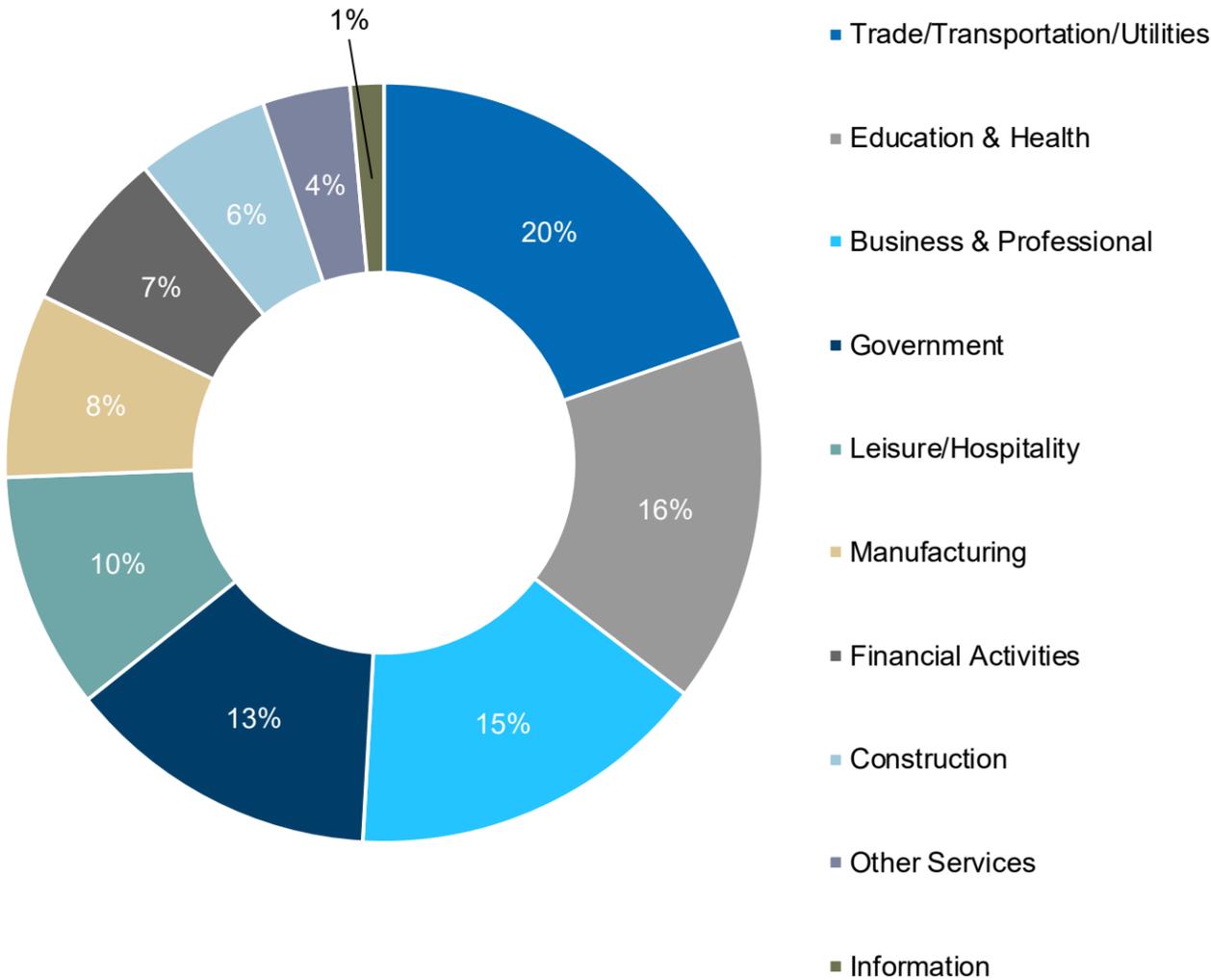
Due to a lapse in appropriations in the BLS, the collection of select data points were cancelled for the months of October and November. The Kansas City region's labor market remained flat with unemployment registering 4.0% in September. The regional unemployment rate now stands 40 basis points below the national average, signaling economic strength. Nonfarm payroll employment in the region remains in negative territory at -0.1%. According to the Kansas City Fed Labor Market Conditions Indicators, activity declined to 0.20, while momentum decelerated modestly to -0.25 in November 2025.



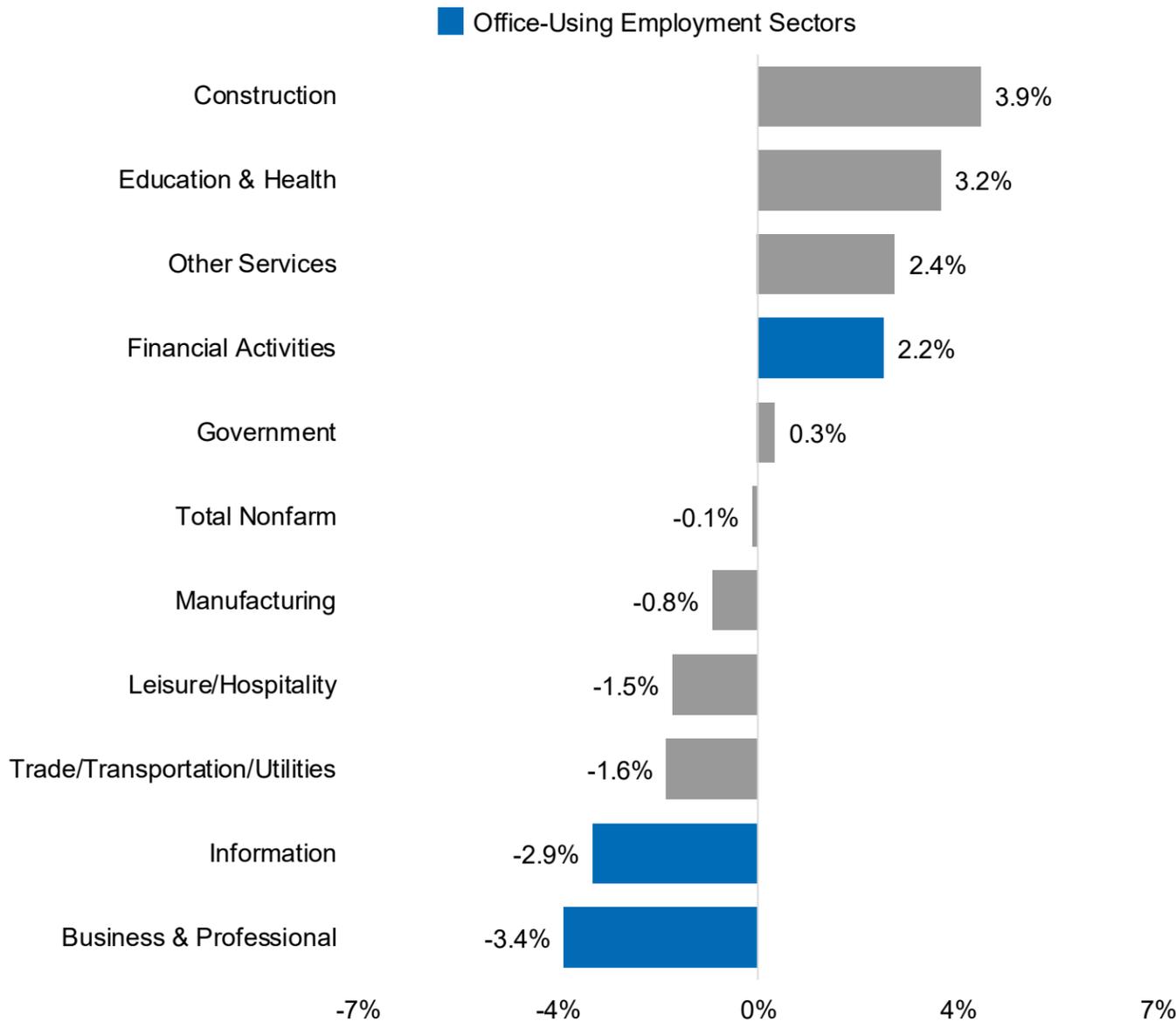
Business and Professional and Information Sectors Lead Regional Job Losses

Due to a lapse in appropriations in the BLS, the collection of select data points were cancelled for the months of October and November. The Construction sector led regional annual job growth, followed by Education and Health. The Business and Professional and Information sectors posted the largest annual job losses, with declines of 3.4% and 2.9%, respectively. Only one of the three office-occupying industries, Financial Activities, reported year-over-year job growth.

Employment by Industry, September 2025

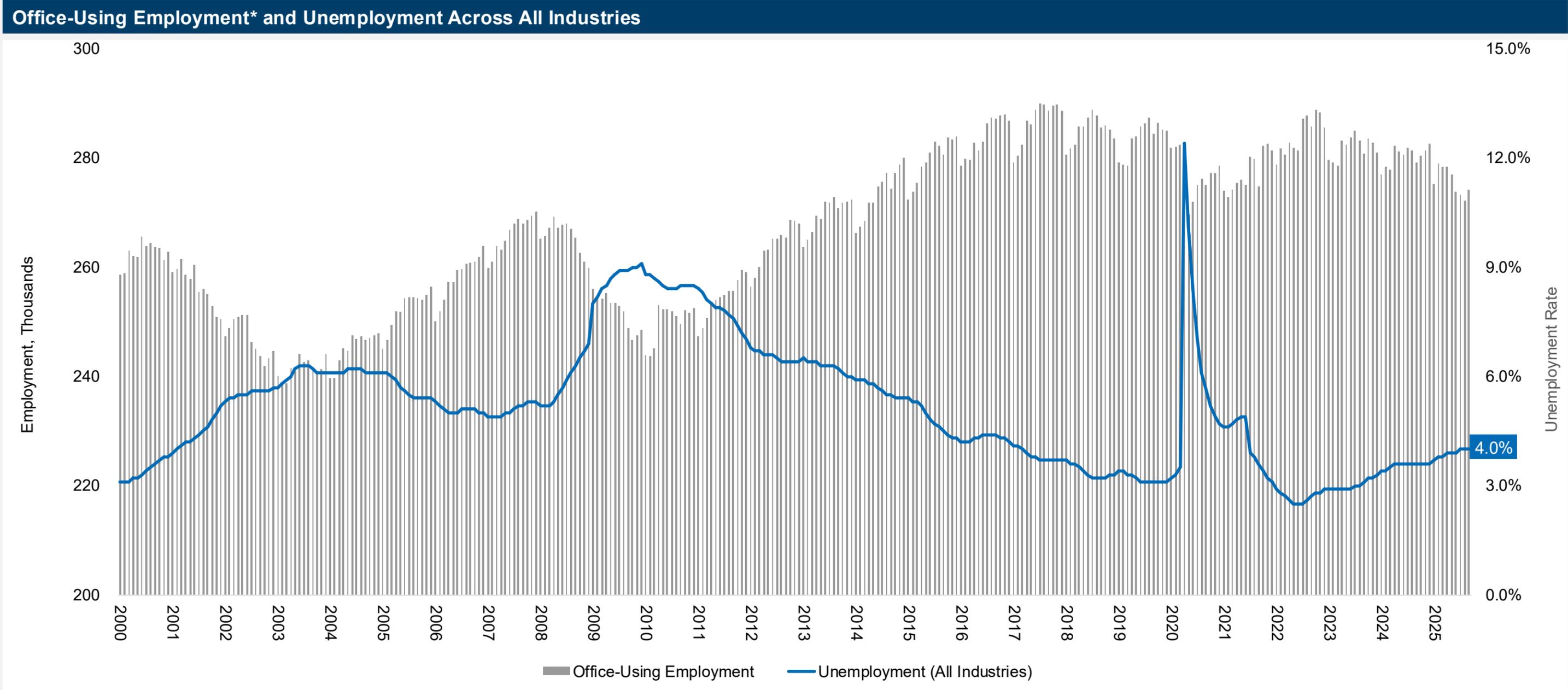


Employment Growth by Industry, 12-Month % Change, September 2025



Overall Office Employment Trending Downward

Due to a lapse in appropriations in the BLS, the collection of select data points were cancelled for the months of October and November. 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 an increase in office employment in 2026.



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

Note: September 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

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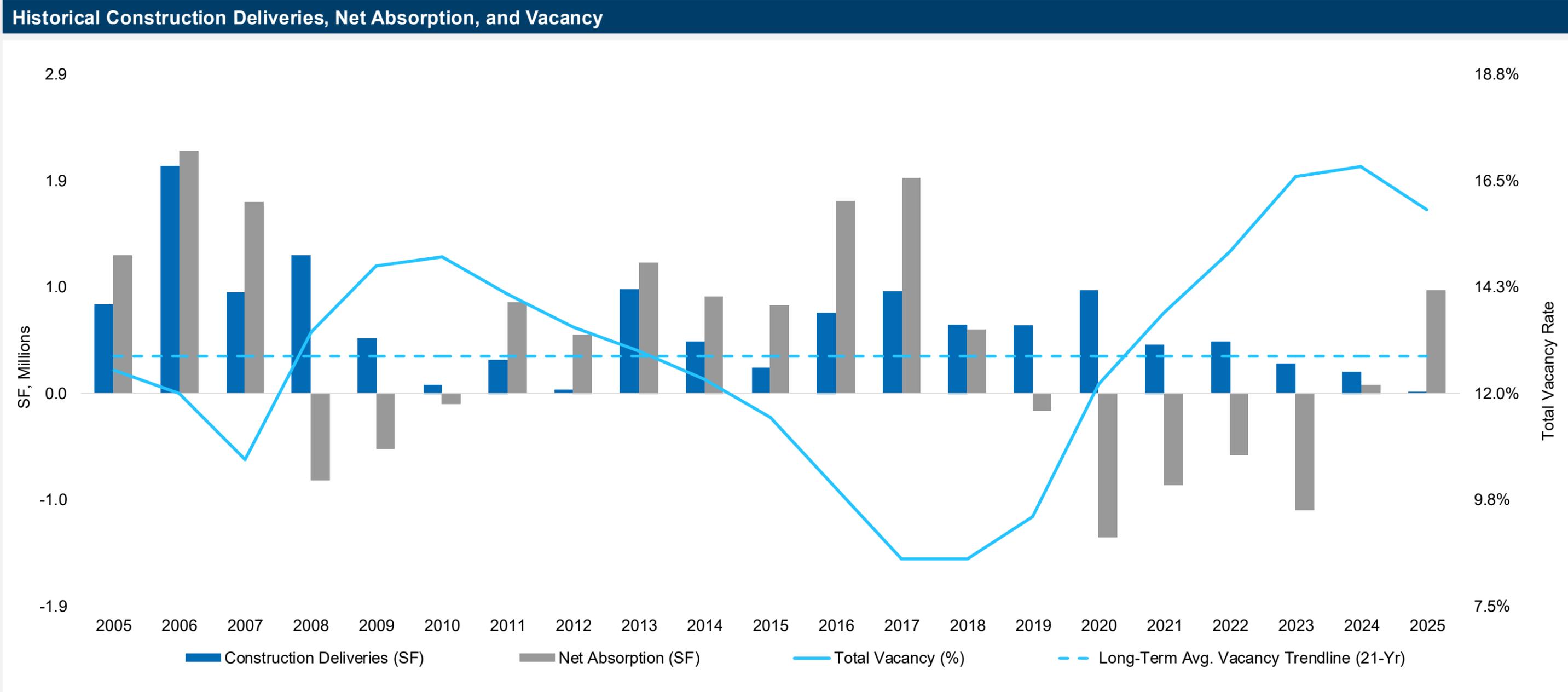


Market Overview

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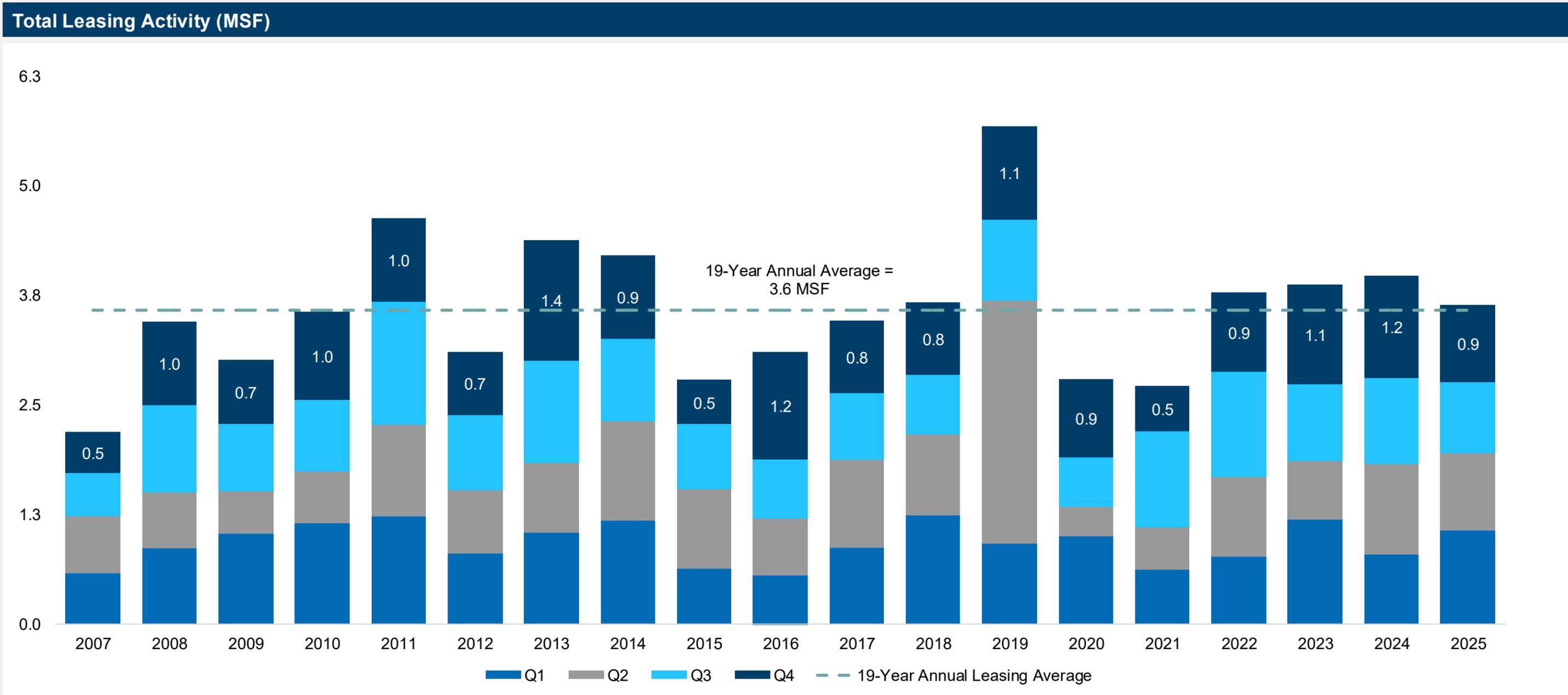
Vacancy Dropping As Market Recalibrates

The vacancy rate declined by 0.9 percentage points year over year to 15.9% as most tenants have broad 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 2026 and 2027, 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.



Leasing Activity Remains Above 19-Year Historical Average

Leasing activity is expected to remain above average in 2026 as tenants pursue favorable long-term lease agreements. Momentum continues, especially in the Class A segment, as the market registered a total of 3.6 million SF of leasing activity during 2025. Kansas City’s leasing activity for the calendar year 2026 is projected to total between 3.9 million and 4.1 million SF.



Tenants Locking-In Favorable Terms As Flight To Quality Continues

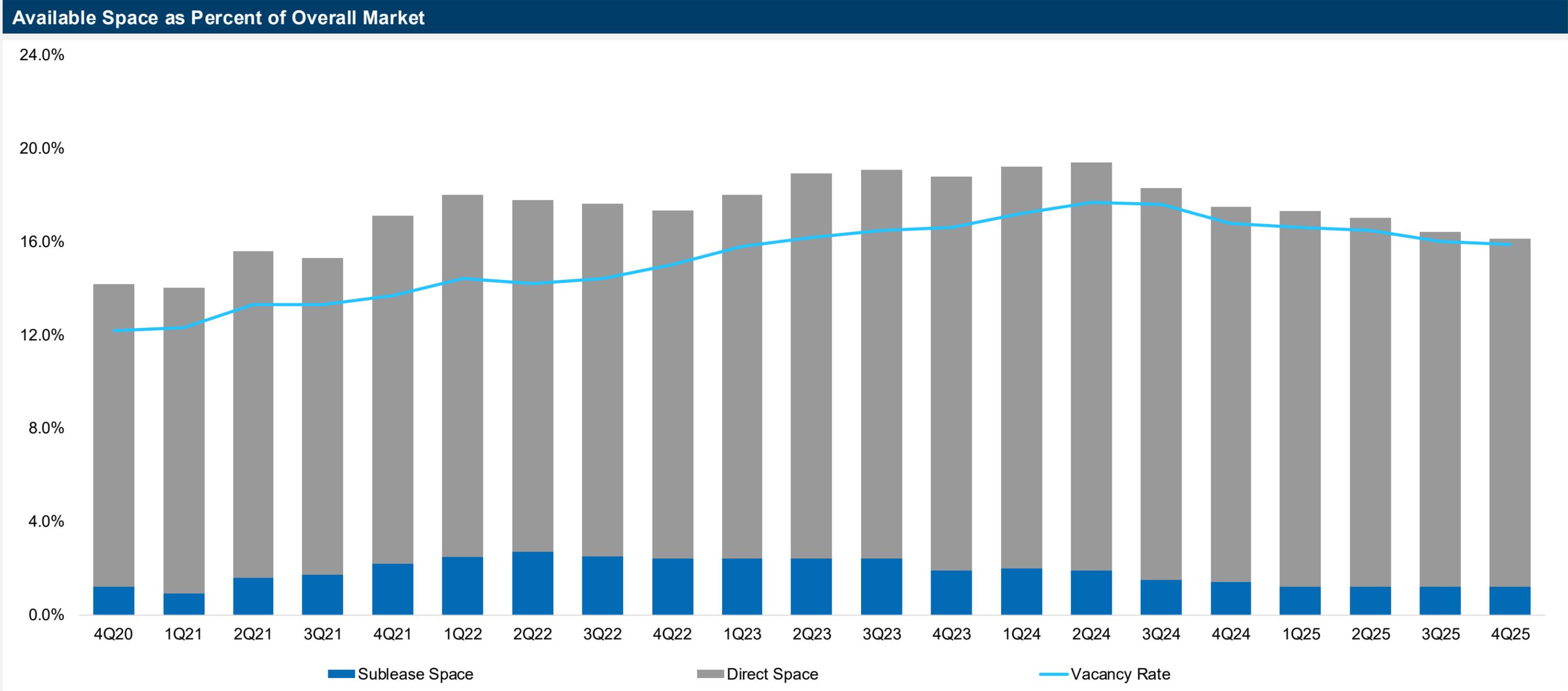
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Several Large Leases Expected In Marquee Submarkets

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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% in 2026. The gap between vacancy and availability continues to narrow indicating an increased competition environment for available space in 2026.

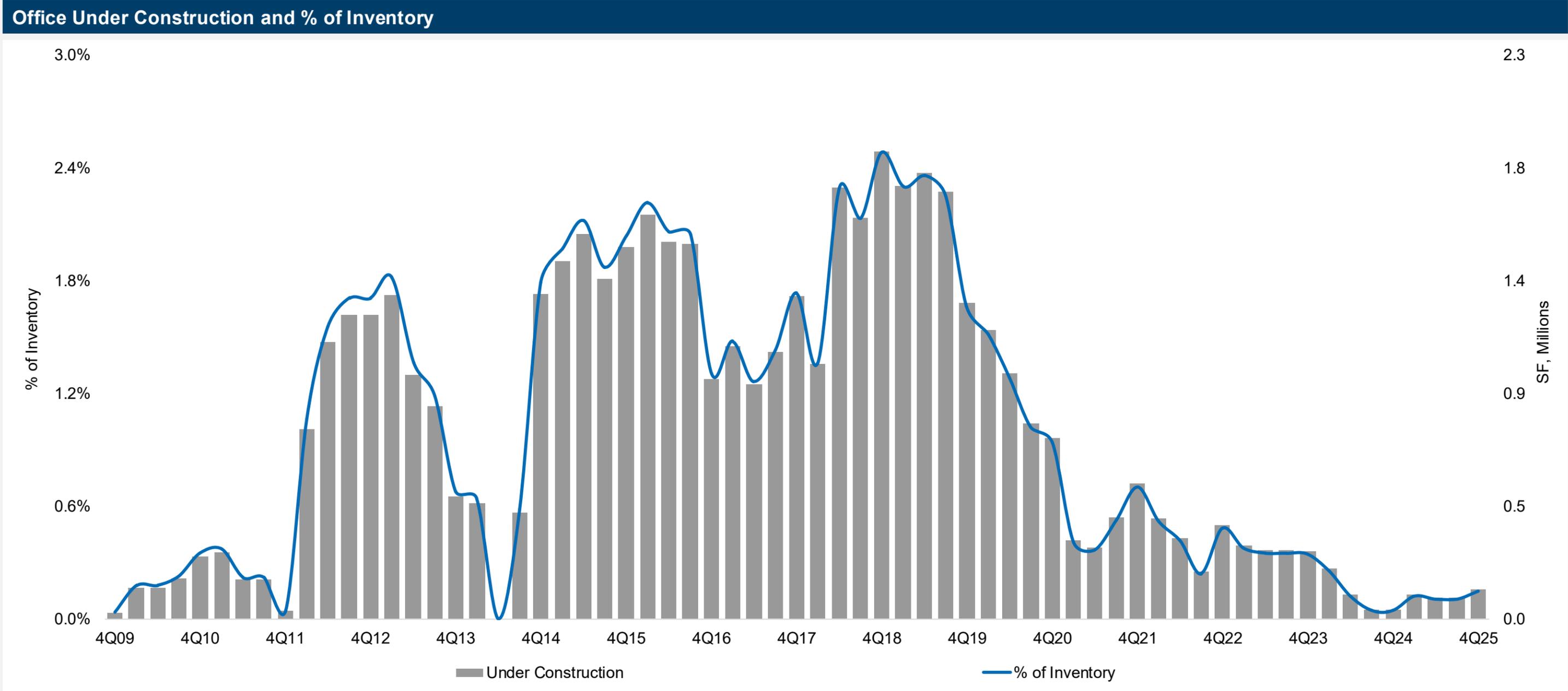


Northland Sees Largest Availability Rate Drop In Past Five Years

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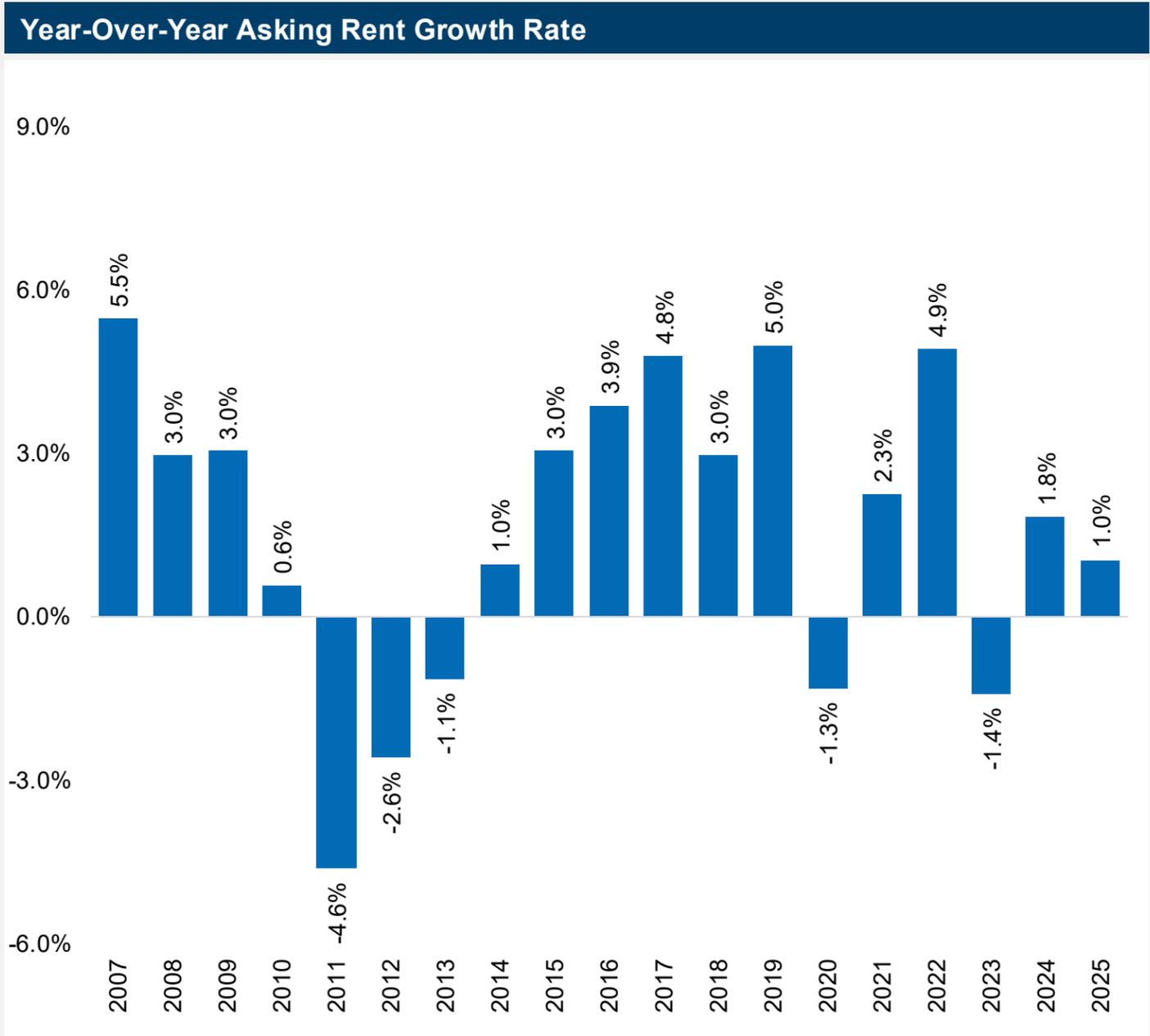
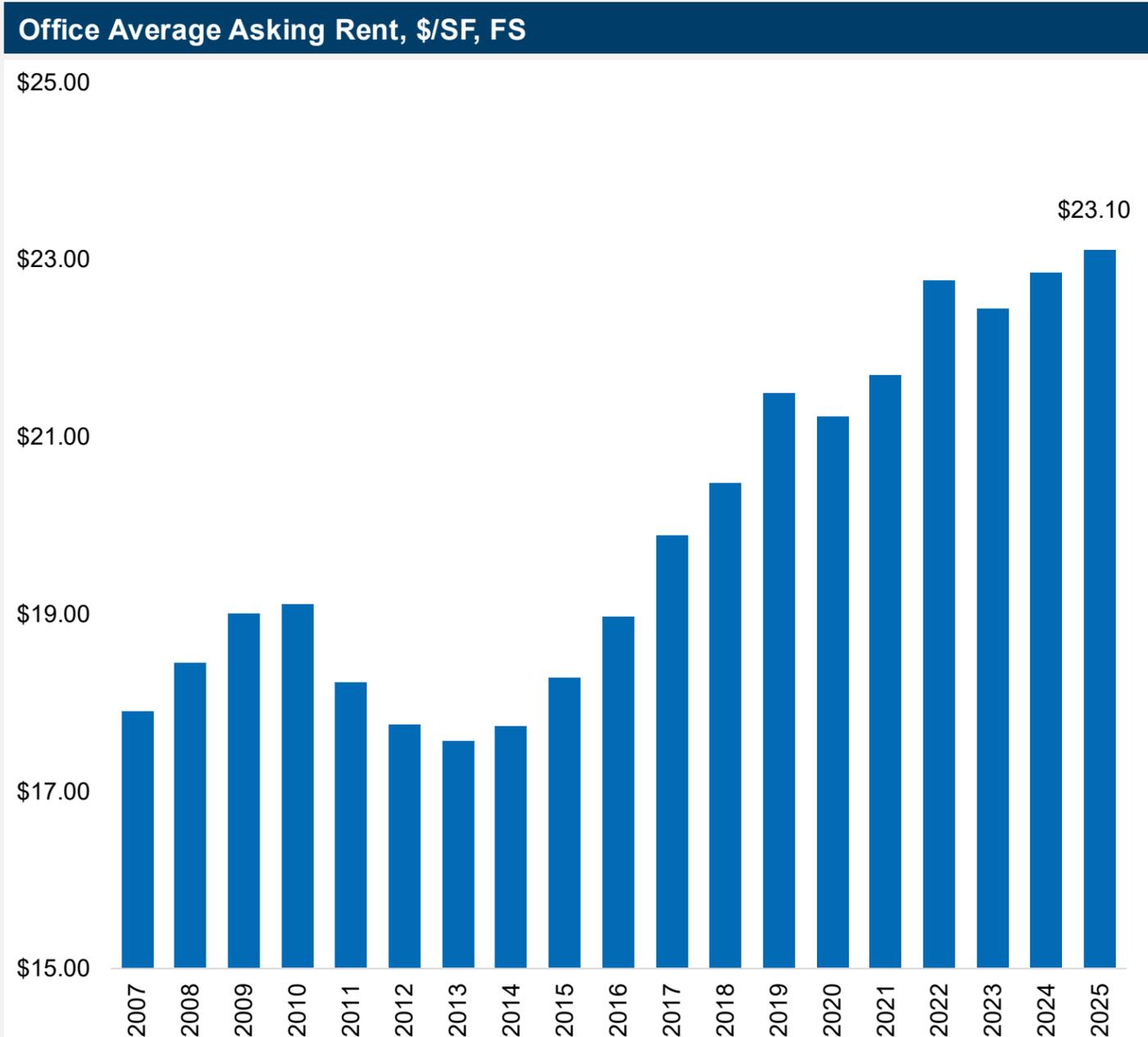
Speculative Construction Remains On Hold

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 projected to remain on hold in 2026 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. Any speculative office space announcements in 2026 will be tied to a mixed-use building and development or a medical space use.



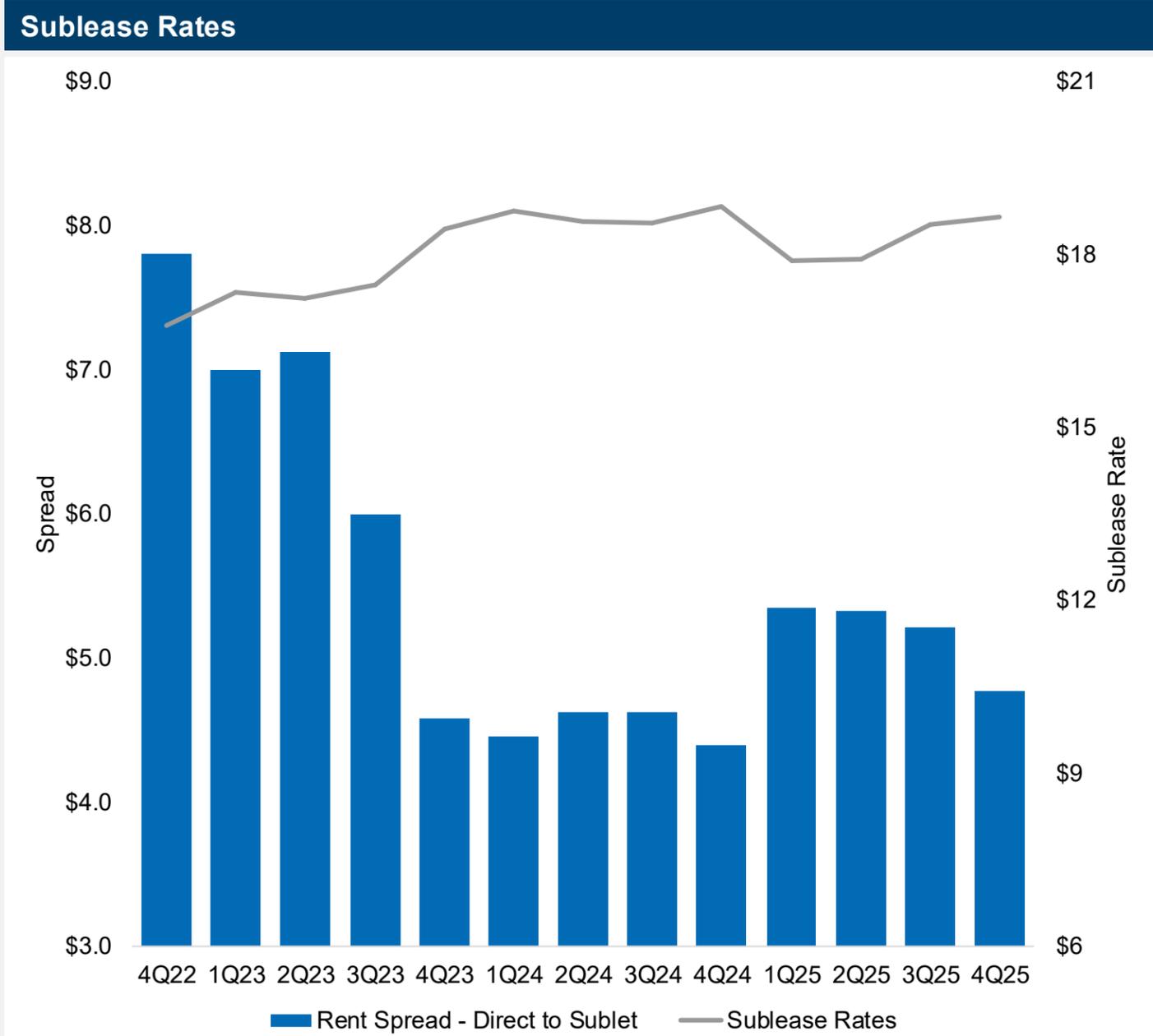
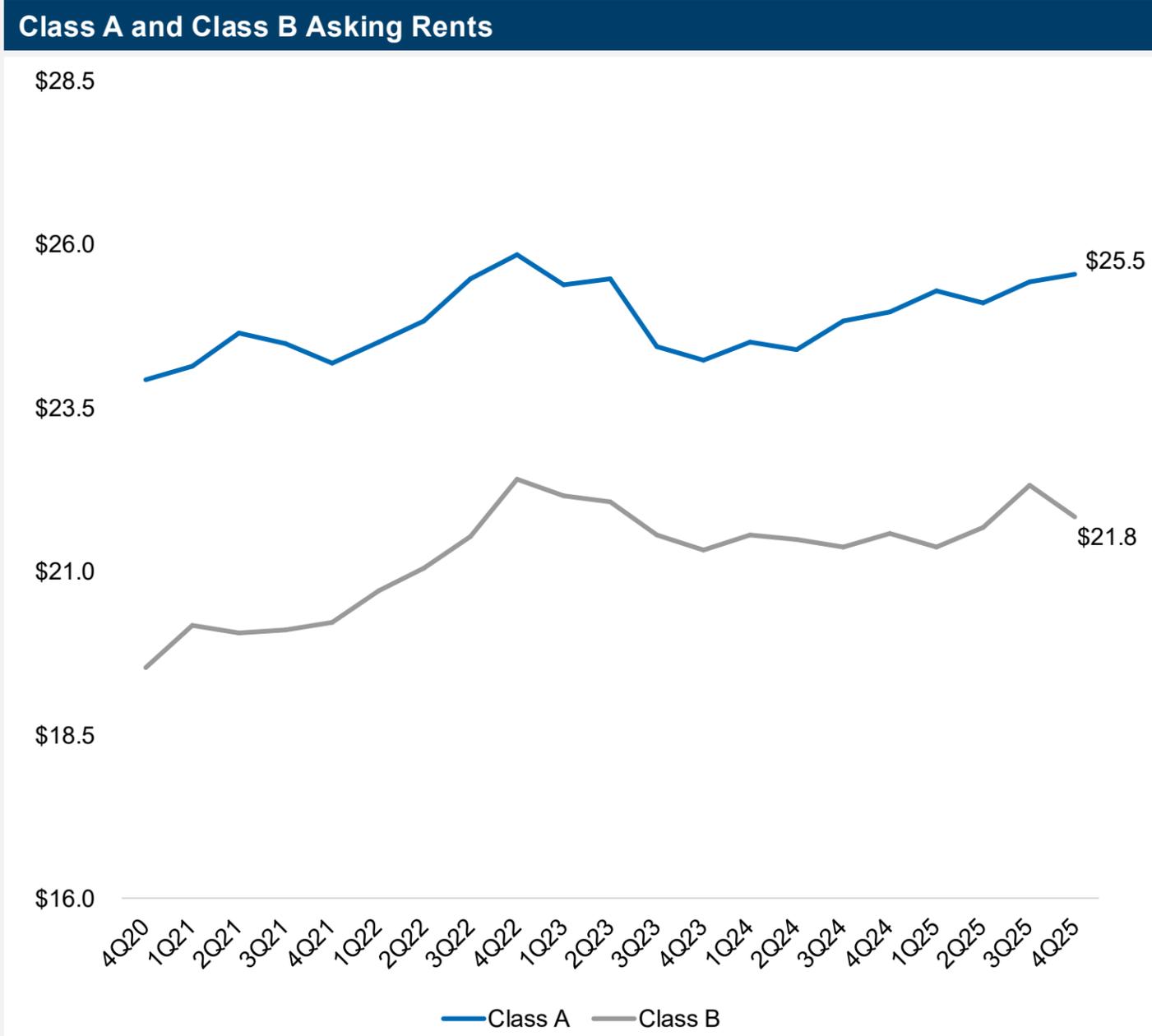
Rents Climb To New Record High

Overall asking rates rose year over year, increasing 1.0% from \$22.86/SF to \$23.10/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% to 4.0% in the next four to six quarters.



Class A Rents Up 5.4% Since 4Q23

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.



Key Submarkets Drive Overall Rental Rate Growth

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4Q25 Notable News & 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 mid-sized 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 News & Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
BarkleyOKRP	4800 Main Street	Midtown/Plaza	Direct Lease	75,840
<i>BarkleyOKRP will relocate its headquarters from 1740 Main St. in the Crossroads Arts District and backfill the former Populous space at 4800 Main St., located south of the County Club Plaza. The firm leased 75,840 SF of space on the second and third floors of the 165,710-SF multi-tenant building. The firm is downsizing from 119,000 SF and is expected to move in by November 2026.</i>				
Children's Hospital Association	9401 Renner Boulevard	North Johnson County	Direct Lease	62,340
<i>Children's Hospital Association will relocate its headquarters from 16011 College Blvd. to 9401 Renner Blvd. in Lenexa. The association signed a 10-year, 62,340-SF lease to occupy the entire fourth and fifth floors of the 150,960-SF multi-tenant building and is expected to move in by May 2026.</i>				
Quanta Infrastructure Solutions Group	12900 Foster Street	South Johnson County	Direct Lease	31,420
<i>Quanta Infrastructure Solutions Group (QISG) leased 31,240 SF on the third floor of Creekside Corporate Center III located at 12900 Foster St. in Overland Park. The firm is anticipated to move in by June 2026.</i>				
Wagstaff & Cartmell, LLP	4740 Grand Avenue	Midtown/Plaza	Renewal	25,230
<i>Wagstaff & Cartmell, LLP announced it renewed its lease for 25,230 SF at Brush Creek Place II located at 4740 Grand Ave. on the Country Club Plaza.</i>				
Laufer Group International, LTD	11500 NW Ambassador Drive	Northland	Direct Lease	16,500
<i>Laufer Group International, LTD signed a new lease for 16,500 SF at the 11500 Building located at 11500 NW Ambassador Dr. in the Northland. Newmark Zimmer provided Tenant representation in the transaction.</i>				

03

Submarket Statistics

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Submarket Statistics: All Classes, Class A, Class B

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