

2Q26 Kansas City Office Market: **Market Overview**

2Q26

Kansas City Market Observations



Labor Markets

- The region's labor market remained flat as macroeconomic conditions shifted. May's unemployment rate registered 3.8%, 50 basis points below the national average of 4.3%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Education and Health. Information and Other Services 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 all three office-occupying sectors compared to the prior year.
- Nonfarm payroll employment in the region climbed into positive territory at 0.2%. According to the Kansas City Fed Labor Market Conditions Indicators, activity in the quarter declined from 0.17 to 0.12, while momentum decreased from 0.02 to 0.01 in May 2026.



Leasing Market Fundamentals

- The market recorded 314,025 SF of net absorption during the quarter, bringing the past four-quarter total to 1.4 MSF. This marks the eighth consecutive quarter of positive absorption, driven by tenants capitalizing on favorable leasing conditions.
- The non-owner-occupied construction pipeline increased from 56,660 SF to 480,190 SF in 2Q26 as multiple projects in the 20,000 SF to 35,000 SF range began construction.
- Vacancy decreased 40 basis points to 14.2% in the quarter and 170 basis points year-over-year. The trend is expected to continue towards 14.2% in 2026 as the market stabilizes and Class A product continues to experience strong leasing momentum.
- Average asking rental rates increased to \$23.02/SF in the quarter. Annual rates are expected to grow 2.50% to 3.25% by year-end 2026.



Major Transactions

- Rosnet, LLC leased 22,230 SF of space on the fourth floor of the 454,000-SF, multi-tenant 11500 Ambassador building located in the Northland.
- MERS Missouri Goodwill Industries signed a 12-year lease for 21,450 SF of office space within the Residences at Park 39 property in Midtown. The non-profit organization is anticipated to move in by February 2027.
- Landmark National Bank subleased 13,510 SF located on the first floor of Two Hallbrook Place in Leawood, KS. The bank agreed to a sublease for a duration of more than eight and a half years with an expiration date of December 31, 2034.
- QISG leased 12,020 SF at Creekview Corporate Center III in Overland Park, KS. The firm will occupy space on the second floor of the 121,840-SF multi-tenant building.
- GRSM subleased 10,710 SF of the Aubrey Building in Leawood, KS. The law firm agreed to a sublease for a duration of more than seven years with an expiration date of August 31, 2033.



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 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

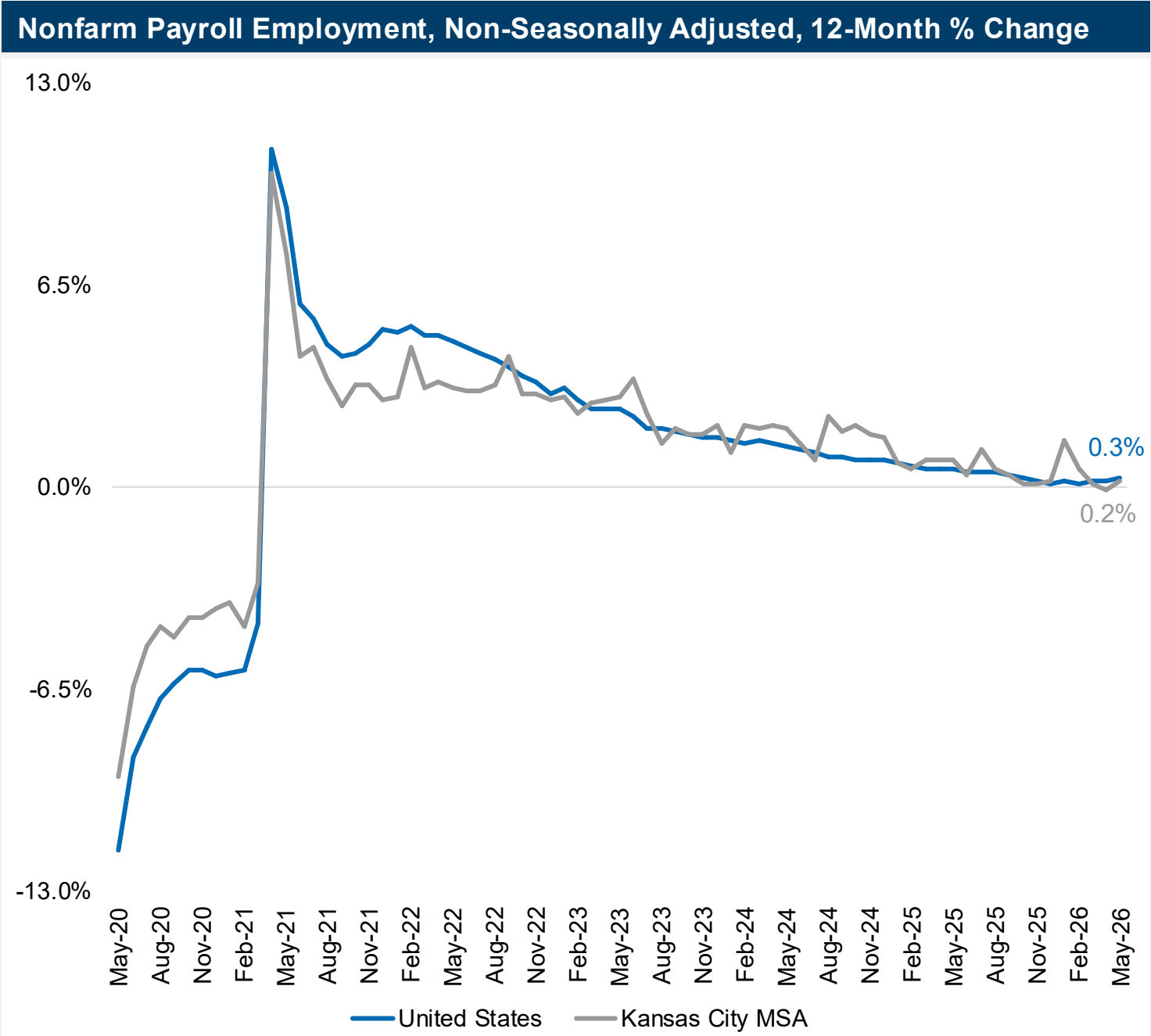
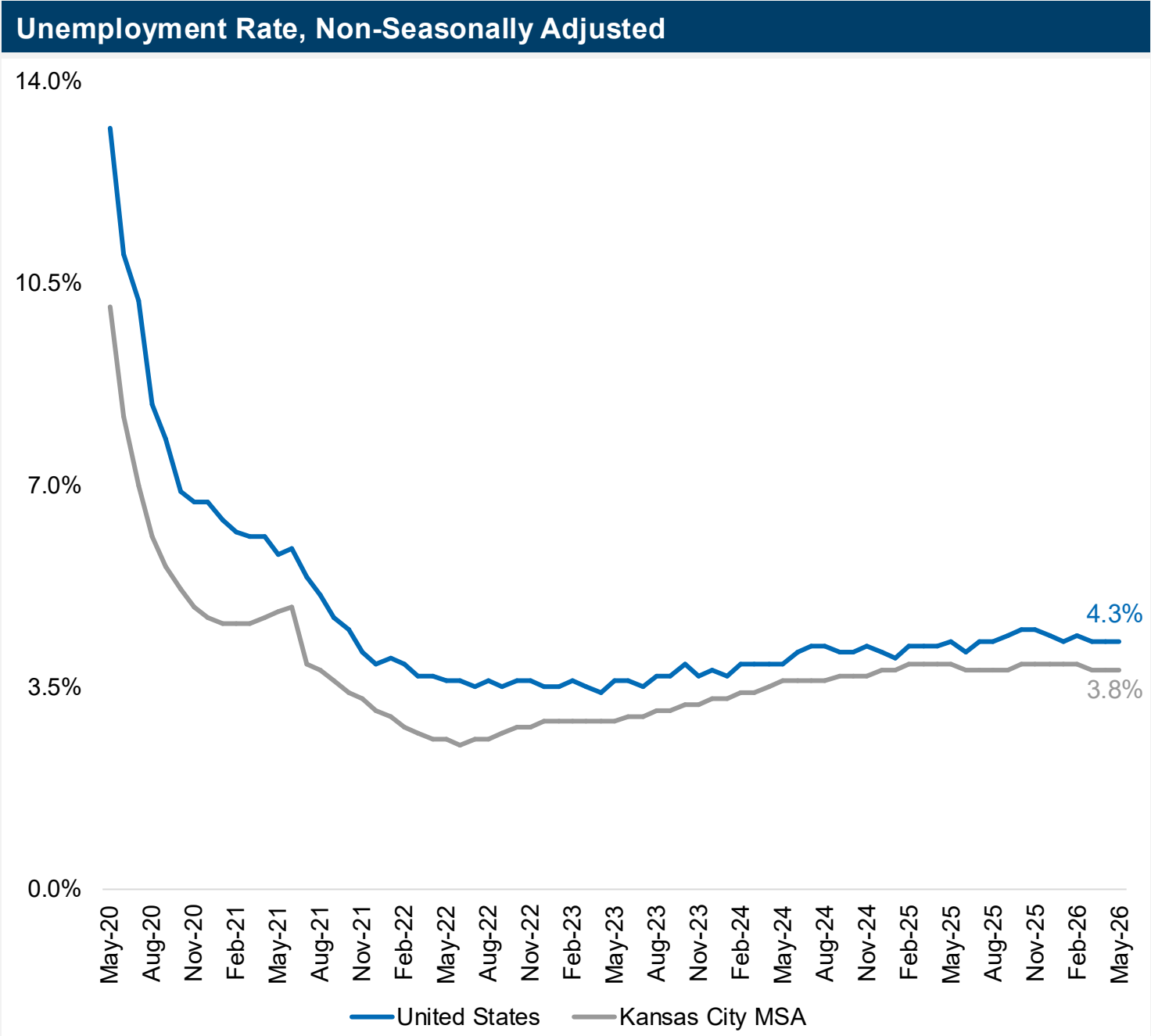
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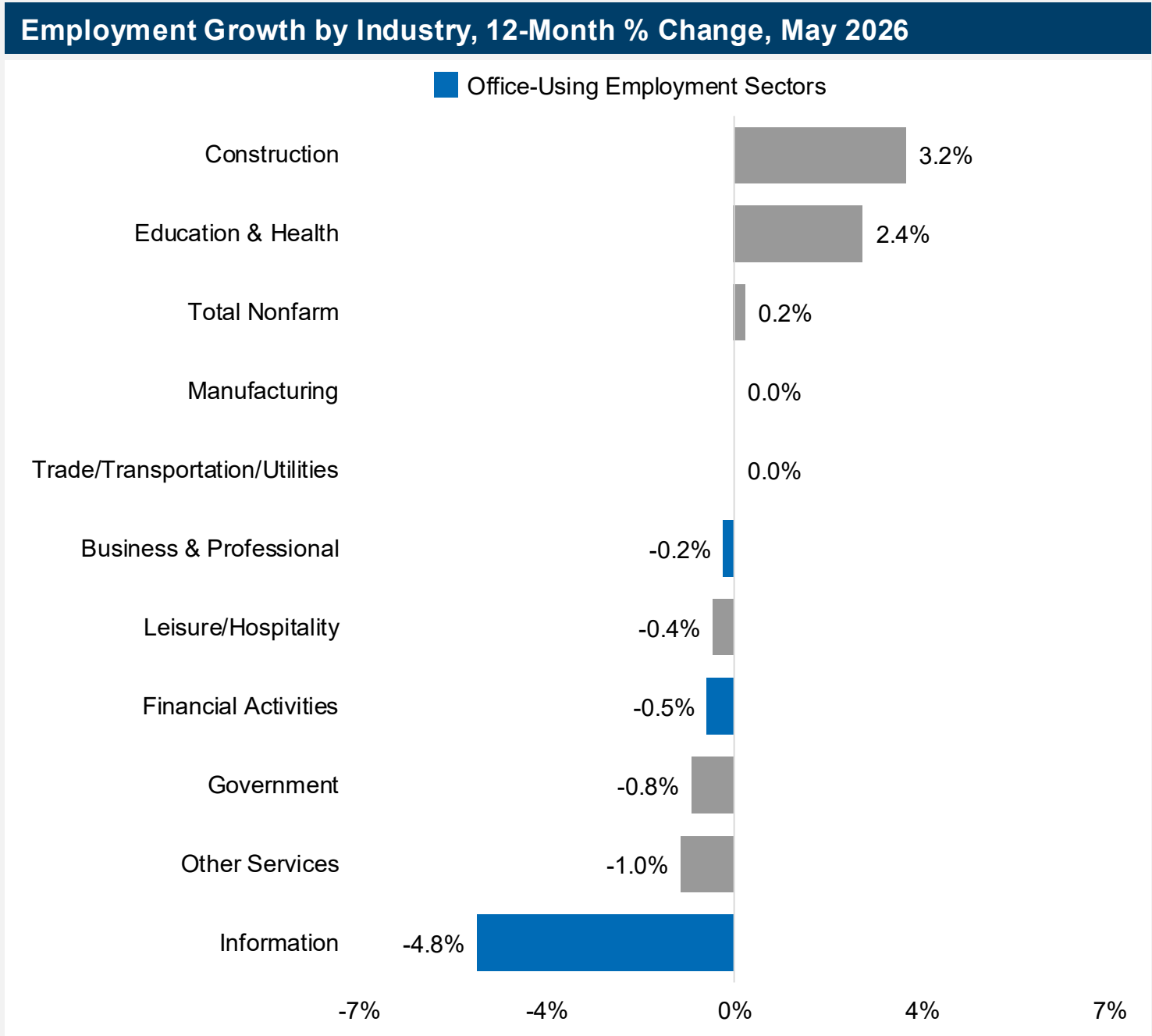
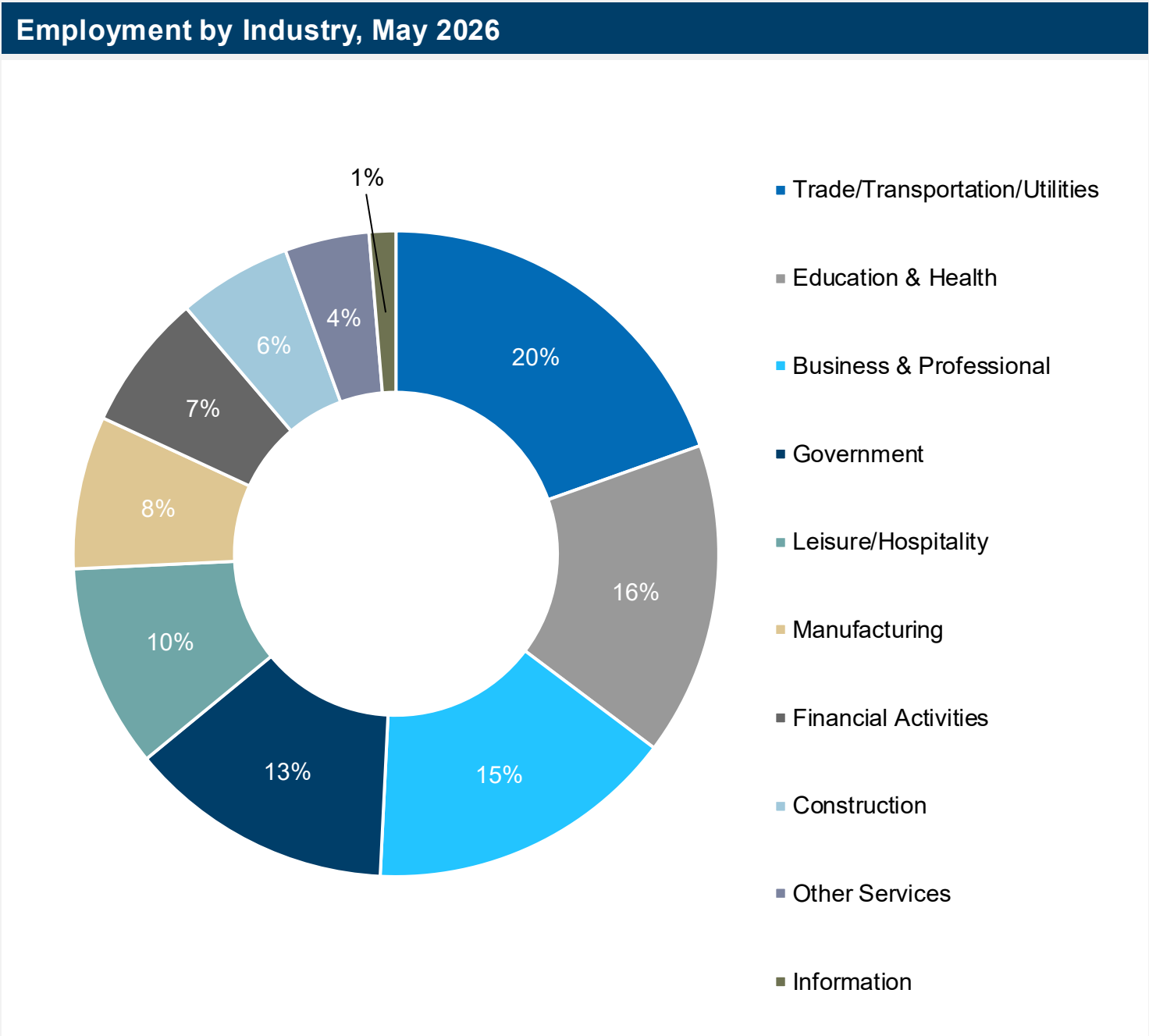
Metro Employment Unemployment Rate Below National Average

The Kansas City region’s labor market remained flat with unemployment registering 3.8% in May 2026. The regional unemployment rate now stands 50 basis points below the national average, signaling comparative economic strength. Nonfarm payroll employment in the region climbed into positive territory at 0.2%. According to the Kansas City Fed Labor Market Conditions Indicators, activity in the quarter declined from 0.17 to 0.12, while momentum decreased from 0.02 to 0.01 in May 2026.



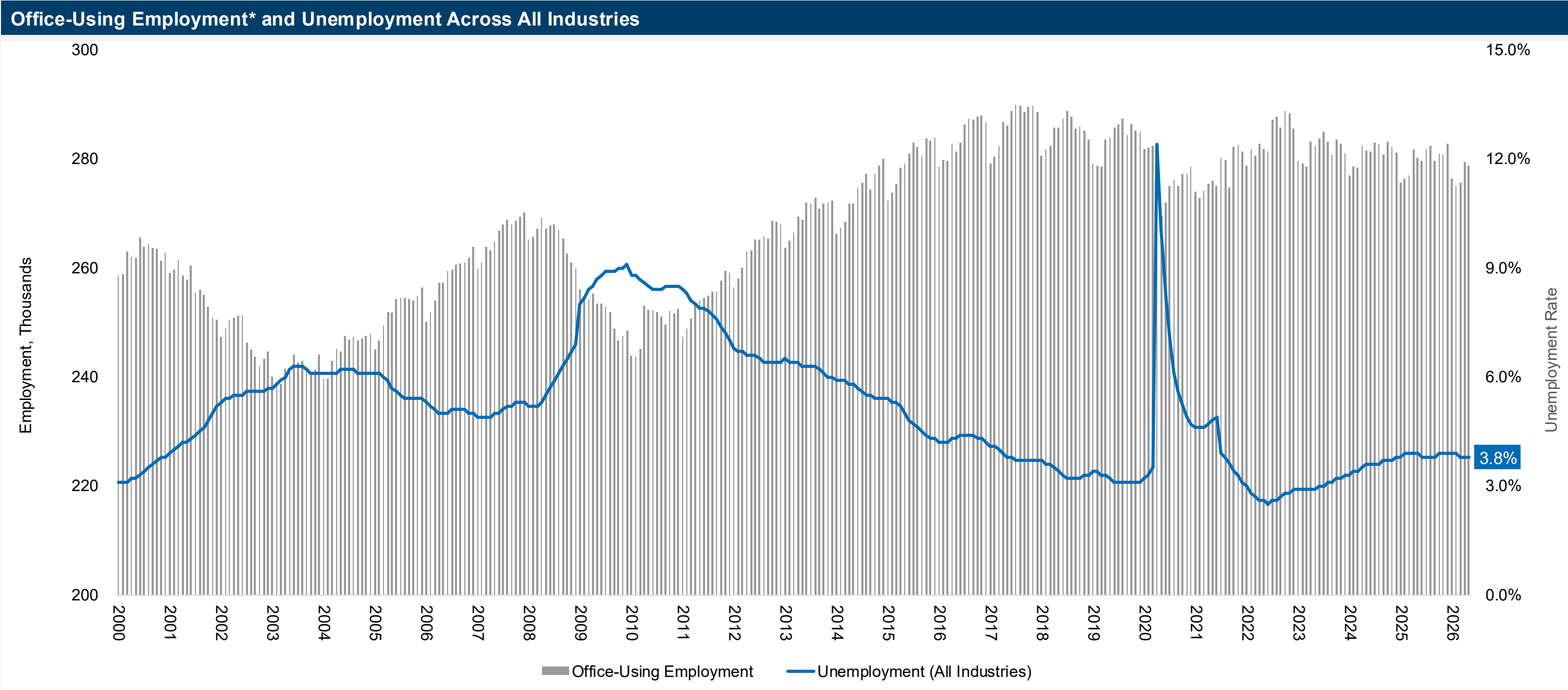
Information Sectors And Other Services Lead Regional Job Losses

The Construction sector led regional annual job growth, followed by Education and Health. The Information and Other Services sectors posted the largest annual job losses, with declines of 4.8% and 1.0%, respectively. All three office-occupying sectors reported year-over-year job declines.



Office Employment Trending Downward

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 remain flat in the second half of 2026.



Source: U.S. Bureau of Labor Statistics, Kansas City MSA
Note: May 2026 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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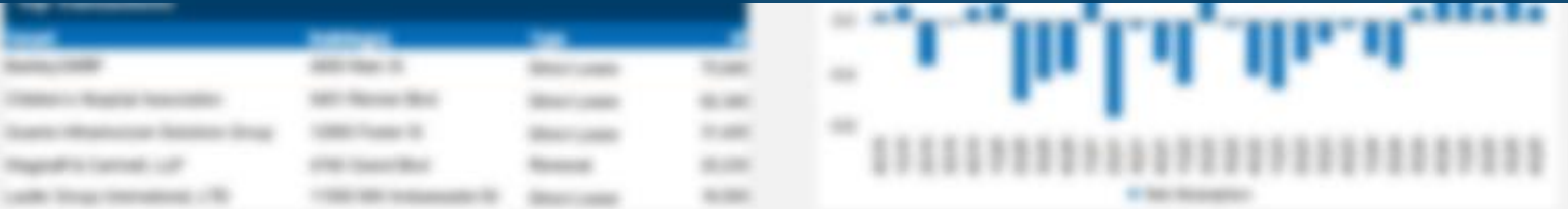
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Market Overview

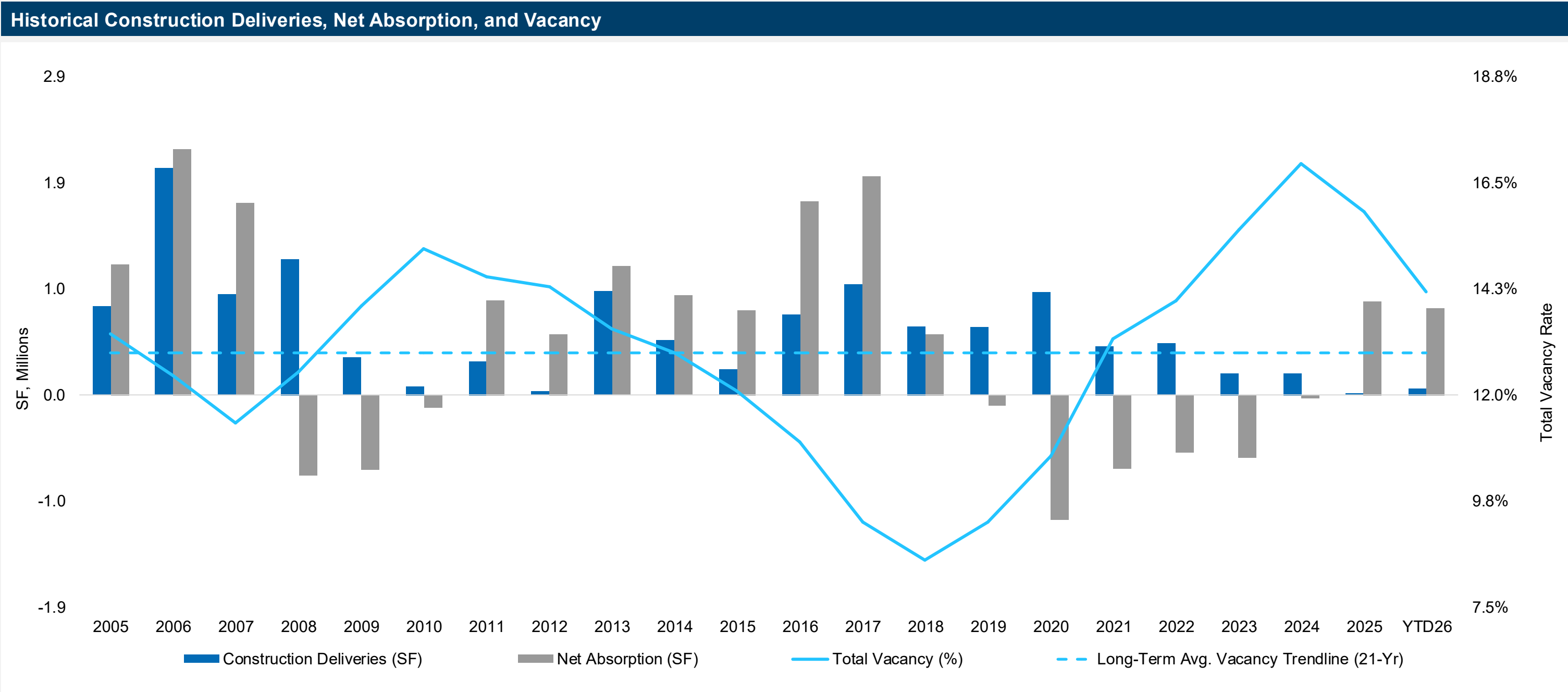


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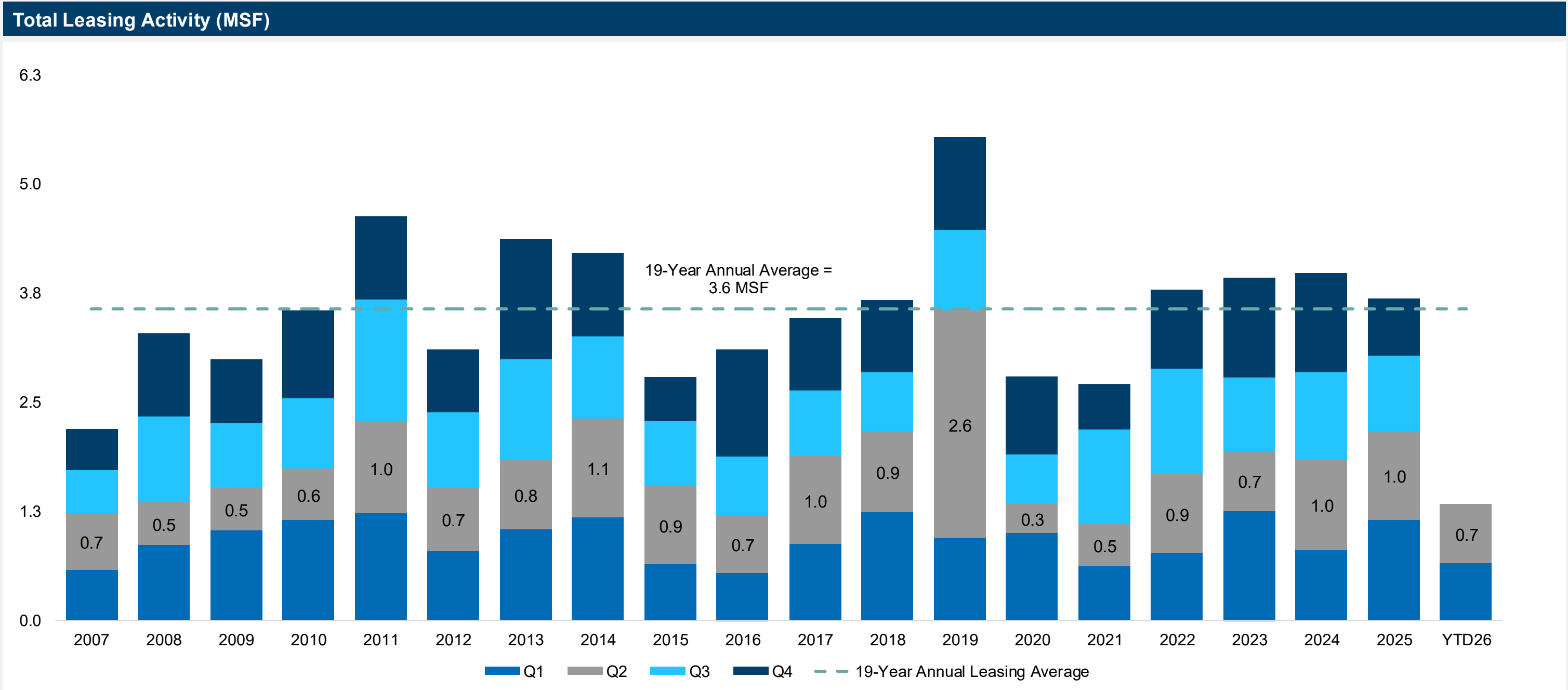
Vacancy Declines to 14.2% Amid Eighth Consecutive Quarter of Positive Net Absorption

The vacancy rate declined 1.7 percentage points year over year to 14.2%, as most tenants have now established long-term workplace strategies. Office-to-multifamily conversions continue to lower vacancy as a combined 492,690 SF will be converted from the Centennial and Poindexter buildings in Downtown. Tenants are likely to retain significant leverage across most metro submarkets, prompting landlords to adopt more competitive leasing structures. With a substantial volume of debt maturing in 2026 and 2027, well-located assets are expected to trade, presenting opportunistic investors with the ability to capitalize on the ongoing “flight to quality” by upgrading amenities and modernizing properties.



Leasing Activity Below Past Four-Year Average In First Half Of 2026

Leasing activity began the first half of 2026 slower than expected but is predicted to increase towards the 19-year historical average in the second half of the year as tenants pursue favorable long-term lease agreements. Momentum continues, especially in the Class A segment, as the market registered a total of 3.8 million SF of leasing activity during 2025. Kansas City’s leasing activity for the calendar year 2026 is projected to total between 3.5 million SF and 3.7 million SF.

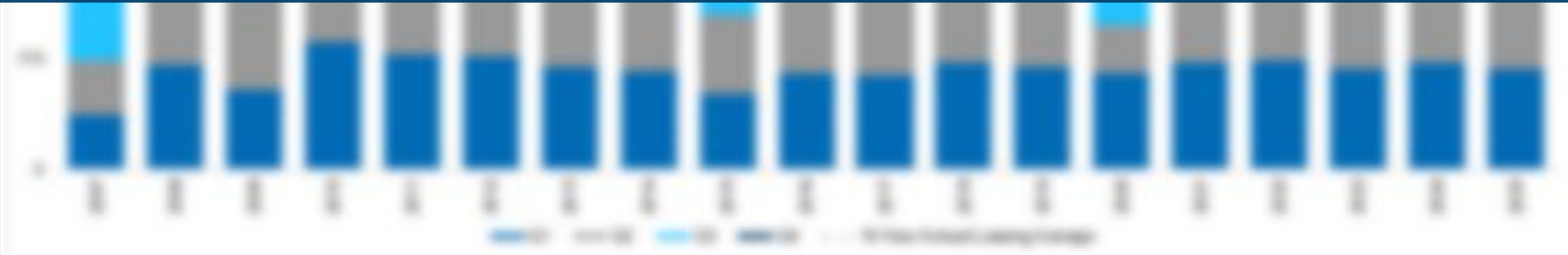


Tenants Locking-In Favorable Terms As Flight To Quality Continues

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Leasing Activity At Pre-Pandemic Levels In Downtown And Midtown Submarkets

As many companies have begun their long-term return to office as a result of a combination of factors, leasing activity in the office market has begun to pick up. In 2023, leasing activity in the office market is expected to be significantly higher than in 2022. This is due to a combination of factors, including the return of many companies to the office, the need for new office space, and the fact that many companies are now looking for more space than they had in 2022. This is a positive sign for the office market and indicates that the market is beginning to recover from the pandemic.

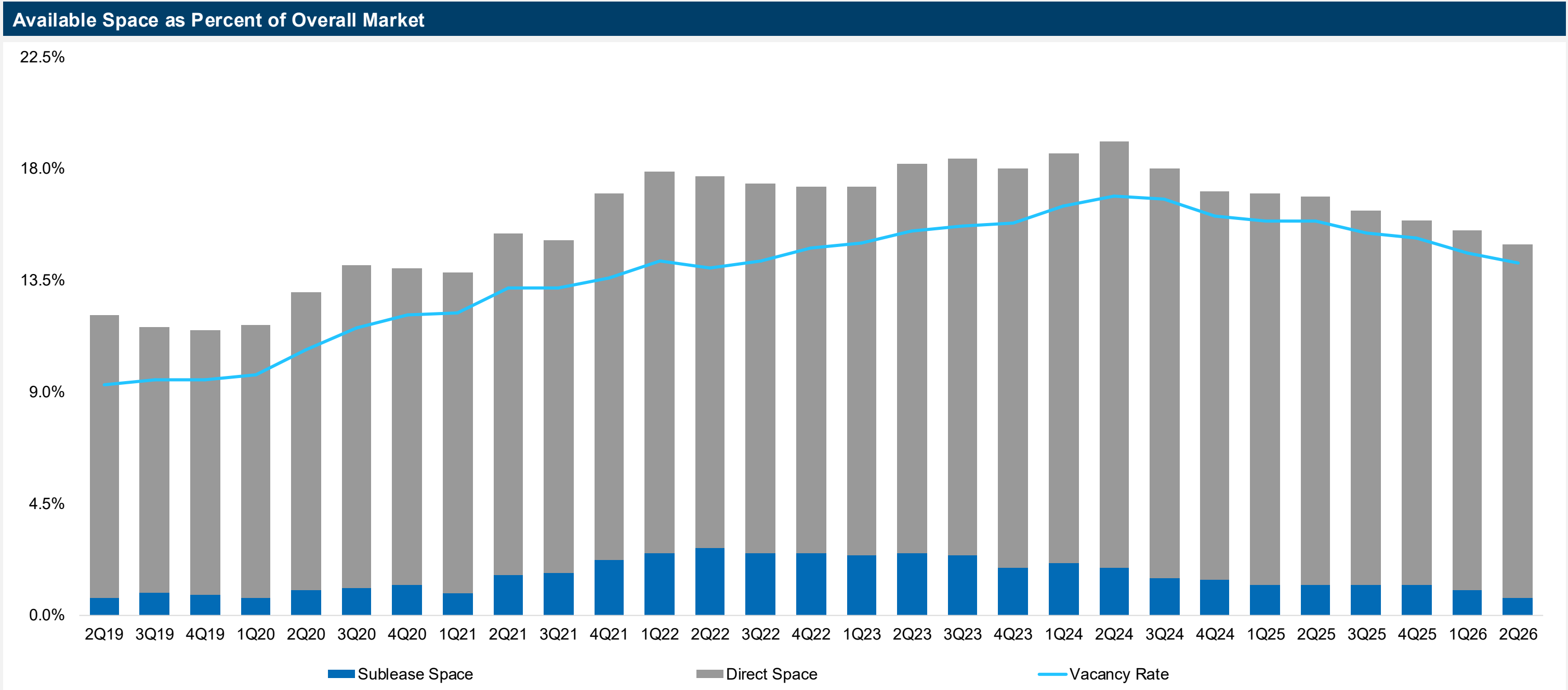


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Direct and Sublease Availability At Lowest Levels Since 3Q21

Prior to the pandemic, many technology firms leased space in anticipation of future headcount growth, aiming to hedge against tightening supply and rising rents. While a significant portion of sublease availability was previously tied to tech firms, sublease space has since returned to pre-pandemic levels with sublease inventory projected to decline gradually toward 0.7% 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

Availability rates have decreased in five of seven submarkets over the past five years. In all the Northland quarters of 2021, North Valley County posted the highest availability rate at 11.7%, followed by the Truckee area at 10.2%. North Valley County recorded the lowest rate at 6.2%. Overall, the North Valley County, Washoe Valley and Truckee County submarkets saw availability rates over the last five years decline by 40%, 40% and 10% respectively.

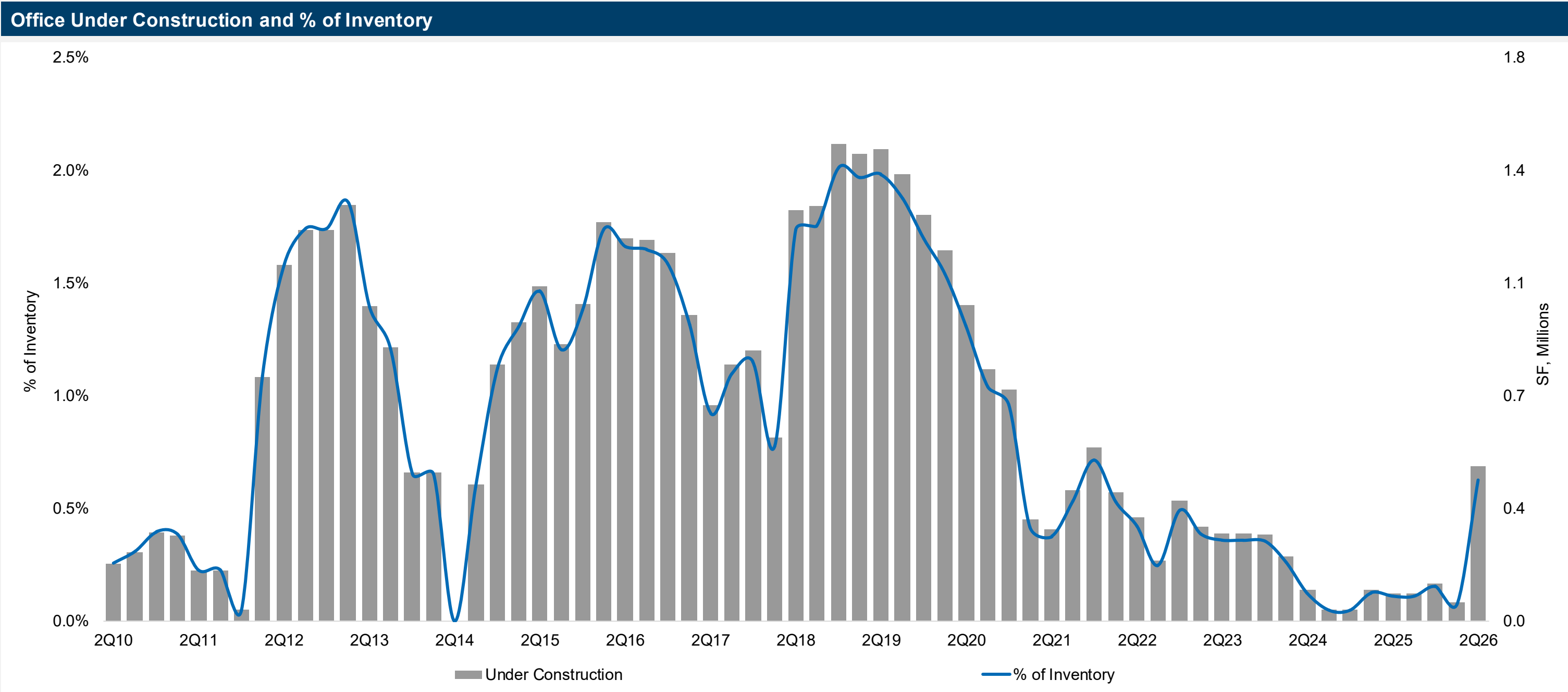


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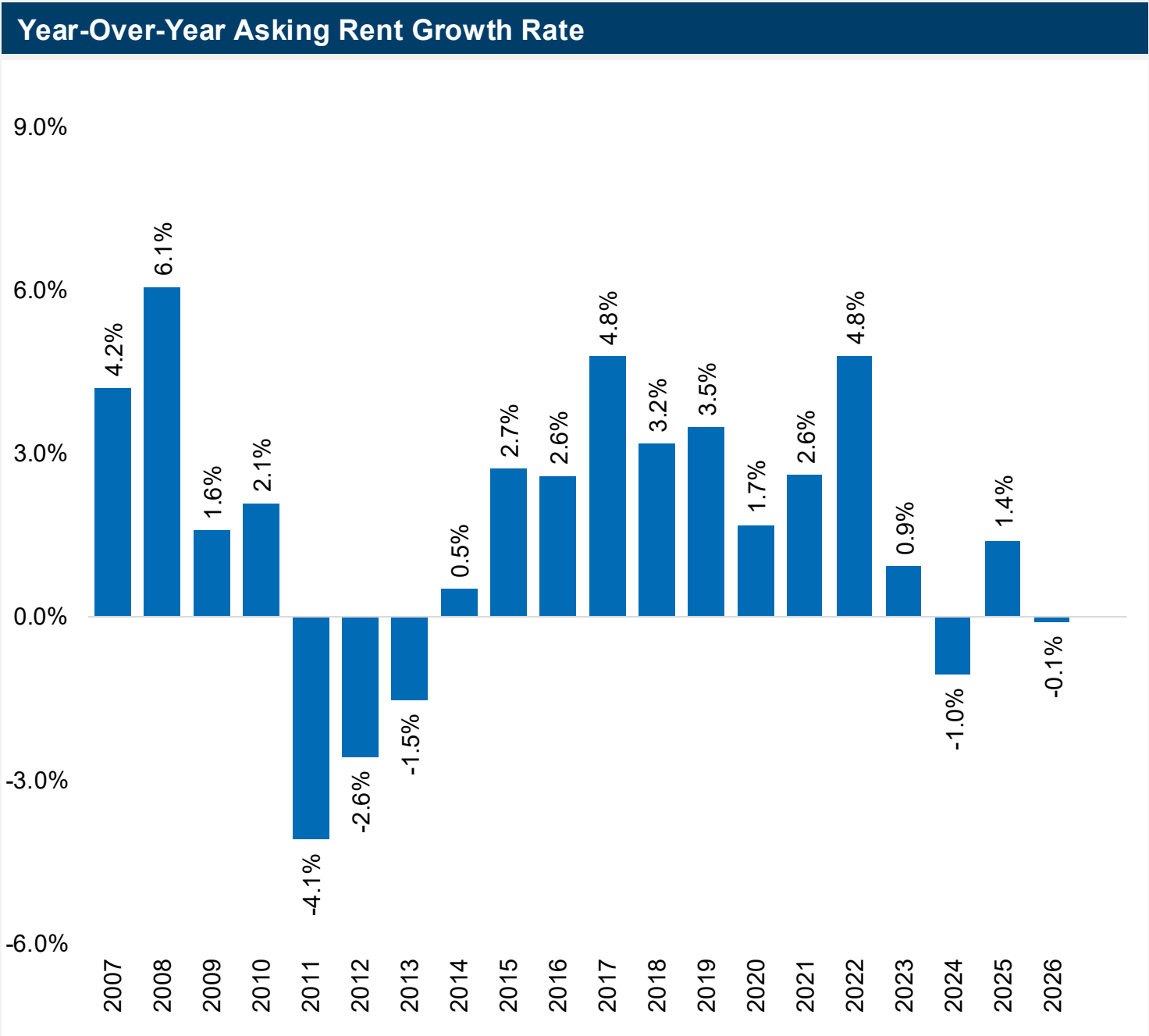
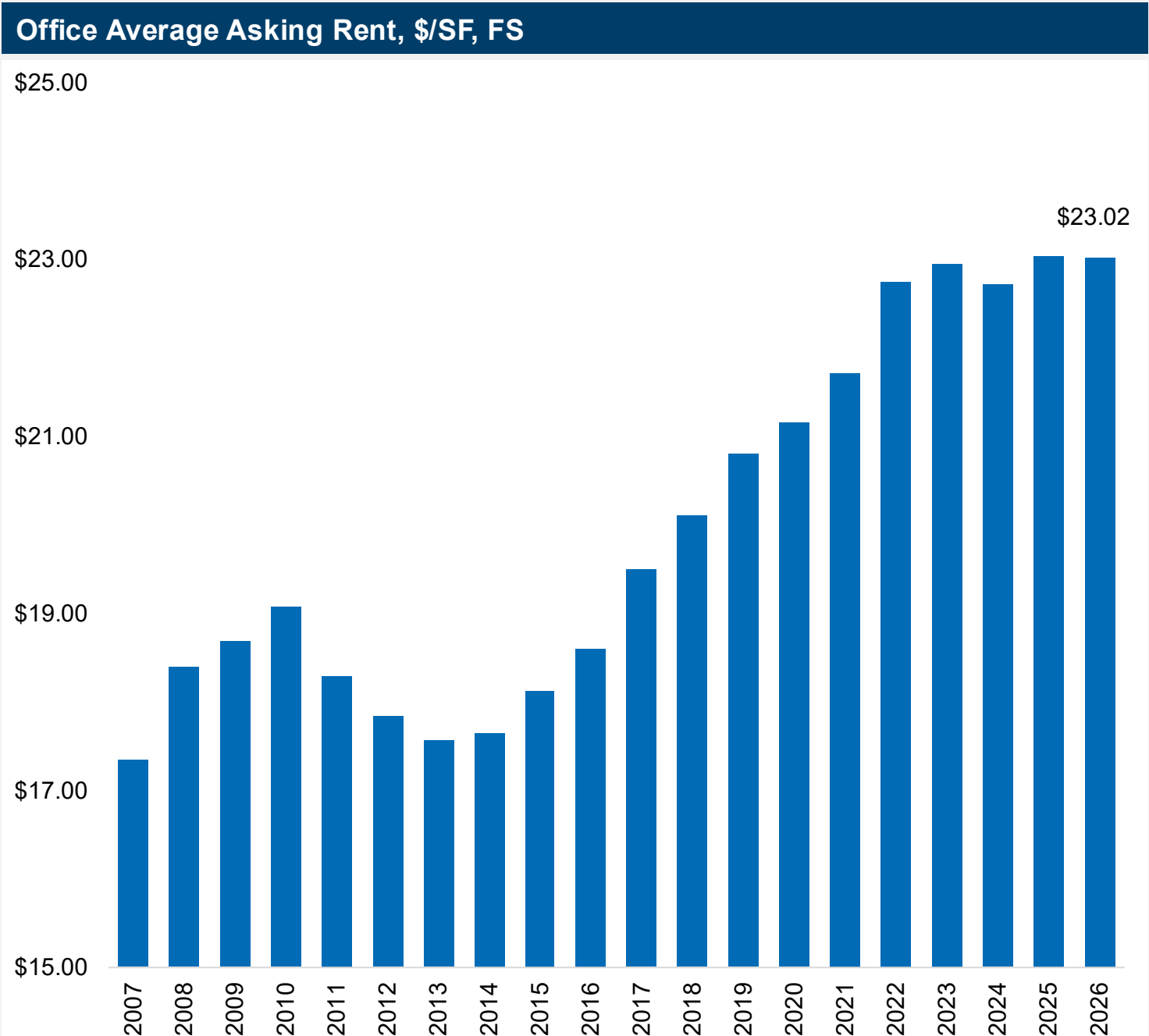
Speculative Construction Activity Trending Upwards

Following the delivery of 1400KC at 1400 Baltimore Avenue in the second quarter of 2022 and the 190,380-square-foot CityPlace Corporate Center IV in the fourth quarter of 2023, non-owner-occupied construction activity has remained largely absent. Speculative development activity is trending upwards as of 2Q26 with most projects concentrated in the 20,000 RBA to 35,000 RBA size range. Owner-occupied construction activity has also increased with projects such as Lockton’s new 458,210-SF headquarters now underway. In the current environment, developers typically require preleasing commitments of approximately 30% to 50% before initiating construction on projects sized 100,000 RBA or larger.



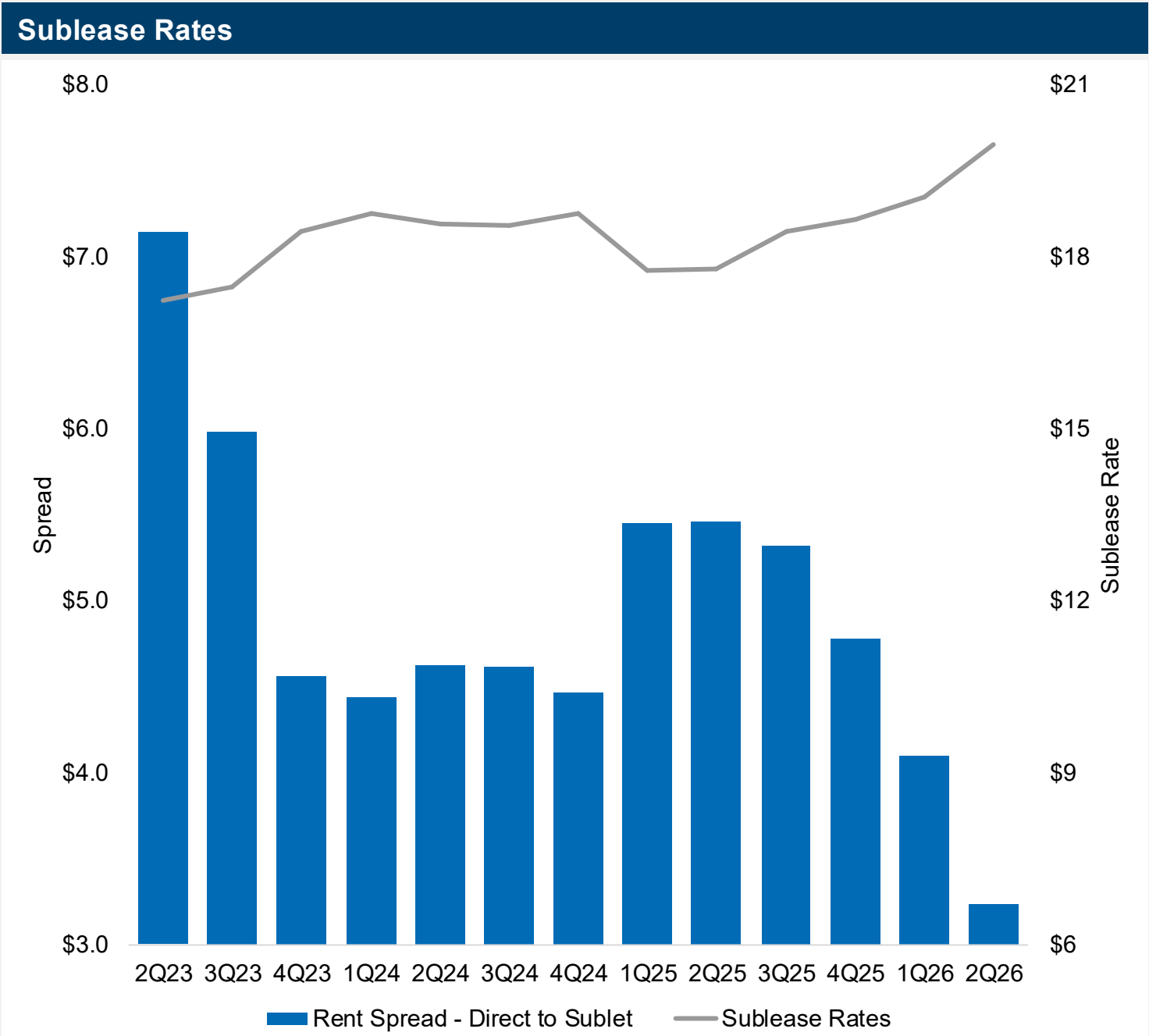
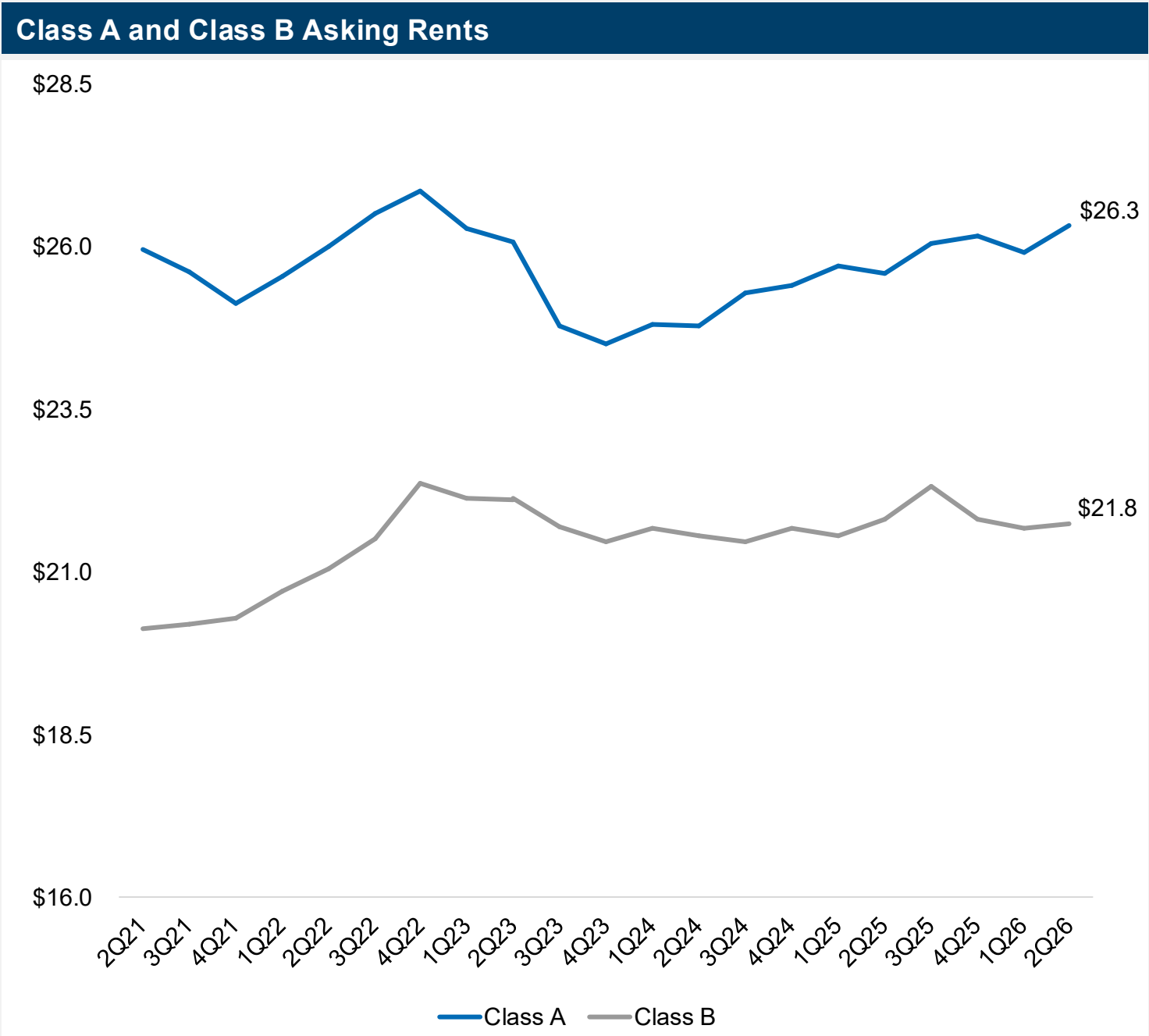
Rents Climb To \$23.02/SF

Overall asking rates in the second quarter of 2026 remained flat at \$23.02/SF compared to the 2025 average of \$23.04/SF. The upward trend is counterbalanced, 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 3.5% in the next four to six quarters.



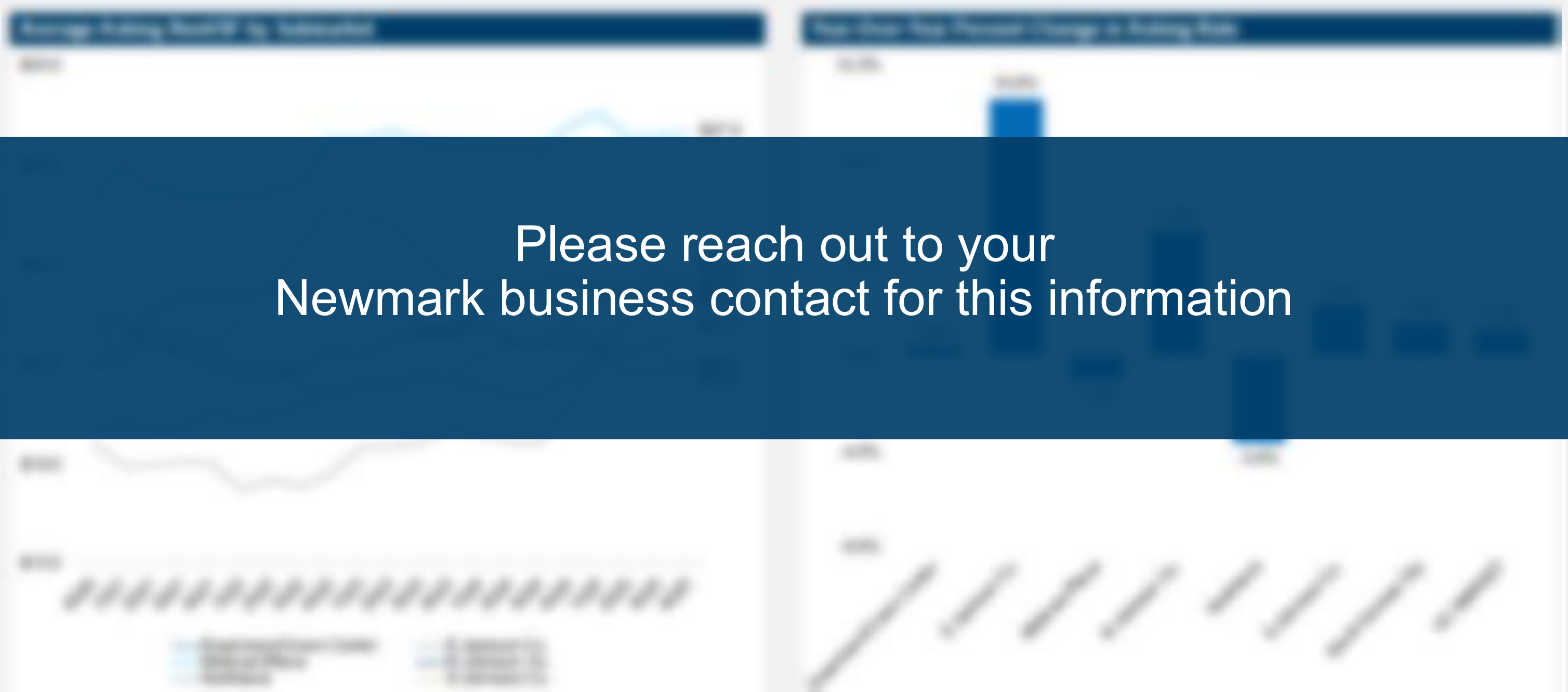
Class A Rents Up 7.4% Since 4Q23

Since the onset of the pandemic, rents have largely held firm, with secondary and tertiary markets like Kansas City continuing to see gradual 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

Over the past five years, average asking rental rates have increased across the market, with the strongest growth in submarkets like multifamily. These gains have helped to drive overall rental rate growth.



2Q26 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 midsize 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
Rosnet, LLC	11500 NW Ambassador Drive	Northland	Direct Lease	22,230
Rosnet, LLC leased 22,230 SF of space on the fourth floor of the 454,000-SF 11500 Ambassador building located in the Northland.				
MERS Missouri Goodwill Industries	315 E 39th Street	Midtown	Direct Lease	21,450
MERS Missouri Goodwill Industries signed a 12-year lease for 21,450 SF of office space within the Residences at Park 39 property in Midtown. The non-profit organization is anticipated to move in by February 2027.				
Landmark National Bank	11161 Overbrook Road	South Johnson County	Sublease	13,510
Landmark National Bank subleased 13,510 SF of space located on the first floor of Two Hallbrook Place in Leawood, KS. The bank agreed to a sublease for a duration of more than eight and a half years with an expiration date of December 31, 2034. The space was offered at an asking rate of \$27.50/SF on a gross basis prior to leasing.				
QISG	12900 Foster Street	South Johnson County	Direct Lease	12,020
QISG leased 12,020 SF at Creekview Corporate Center III in Overland Park, KS. The engineering, procurement, and construction management firm will occupy space on the second floor of the 121,840-SF multi-tenant building.				
GRSM	11550 Ash Street	South Johnson County	Sublease	10,710
GRSM subleased 10,710 SF of space located on the third floor of the Aubrey Building in Leawood, KS. The law firm (Gordon Rees Scully Mansukhani, LLP) agreed to a sublease for a duration of more than seven years with an expiration date of August 31, 2033.				

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Submarket Statistics

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Submarket Statistics

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Submarket Statistics – All Classes								
Submarket	Class	Total Number of Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Total Asking Rent (Price/SF)
Downtown - Core	Office	120	1,200,000	150,000	15%	100,000	400,000	\$20/SF
	Residential	50	500,000	50,000	10%	50,000	200,000	\$15/SF
	Retail	30	300,000	0	5%	20,000	80,000	\$10/SF

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Midtown - East	Office	80	800,000	100,000	12%	80,000	320,000	\$18/SF
	Residential	40	400,000	40,000	8%	40,000	160,000	\$14/SF
	Retail	20	200,000	0	3%	10,000	40,000	\$8/SF
North - Central	Office	100	1,000,000	120,000	14%	90,000	360,000	\$19/SF
	Residential	60	600,000	60,000	9%	60,000	240,000	\$16/SF
	Retail	40	400,000	0	4%	30,000	120,000	\$9/SF

Submarket Statistics

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Submarket Statistics – All Classes								
Submarket	Class	Total Number of Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Total Asking Rent (Price/SF)
Midtown	Class A	10	1,200,000	50,000	15.0%	100,000	400,000	\$100/SF
	Class B	5	500,000	20,000	10.0%	50,000	200,000	\$75/SF
	Class C	5	500,000	20,000	10.0%	50,000	200,000	\$75/SF

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Midtown - continued	Class A	10	1,200,000	50,000	15.0%	100,000	400,000	\$100/SF
	Class B	5	500,000	20,000	10.0%	50,000	200,000	\$75/SF
	Class C	5	500,000	20,000	10.0%	50,000	200,000	\$75/SF
	Class D	5	500,000	20,000	10.0%	50,000	200,000	\$75/SF
	Class E	5	500,000	20,000	10.0%	50,000	200,000	\$75/SF

Submarket Statistics

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Submarket Statistics – All Classes								
Submarket	Class	Total Number of Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Total Asking Rent (Price/SF)
Downtown	Office	10	1,000,000	50,000	5%	100,000	400,000	\$20/SF
	Residential	5	500,000	20,000	2%	50,000	200,000	\$15/SF
	Retail	3	300,000	10,000	1%	30,000	120,000	\$10/SF

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Submarket Statistics

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Submarket Statistics – Class A								
Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Submarket 1	1,000,000	100,000	10%	100,000	400,000	\$20/SF	\$15/SF	\$20/SF
Submarket 2	500,000	50,000	5%	50,000	200,000	\$15/SF	\$10/SF	\$15/SF

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Submarket 3	2,000,000	200,000	20%	200,000	800,000	\$25/SF	\$20/SF	\$25/SF
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Submarket Statistics

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Submarket Statistics – Class B								
Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Submarket 1	1,000,000	0	10.0%	100,000	400,000	\$20.00	\$15.00	\$20.00
Submarket 2	1,000,000	0	10.0%	100,000	400,000	\$20.00	\$15.00	\$20.00

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Submarket 3	1,000,000	0	10.0%	100,000	400,000	\$20.00	\$15.00	\$20.00
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Mark Long, CRE, SIOR, CCIM, LEED AP
President & CEO
Newmark Zimmer
mlong@nzimmer.com

Andrew Garten
Senior Director, Research
Kansas City Research
agarten@nzimmer.com

Kansas City
1220 Washington Street, Suite 300
Kansas City, MO 64104
t 816-474-2000

Lee's Summit
1485 SW Market Street
Lee's Summit, MO 64081
t 816-474-2000

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