

3Q26 Kansas City Office Market: **Market Overview**

3Q26

Kansas City Market Observations



Labor Markets

- The region's labor market tightened by 10 basis points as August's unemployment rate registered 3.6%, 50 basis points below the national average of 4.1%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Education and Health. Information and Financial Activities 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.
- Nonfarm payroll employment in the region climbed into positive territory at 0.7%. According to the Kansas City Fed Labor Market Conditions Indicators, activity in the quarter increased from 0.20 to 0.31, while momentum decreased from 0.39 to 0.25 in August 2026.



Leasing Market Fundamentals

- The market recorded negative 1.2 MSF of net absorption, primarily reflecting the implementation of previously announced Oracle/Cerner space contractions across multiple buildings in 3Q26. Market fundamentals remain resilient, supported by eight consecutive quarters of positive net absorption through 2Q26, totaling 2.9 MSF.
- The non-owner-occupied construction pipeline increased from 84,500 SF to 487,940 SF year-over-year as multiple projects in the 20,000 SF to 60,000 SF range began construction.
- Vacancy increased 160 basis points to 15.1% in the quarter but decreased 20 basis points year-over-year. The downward trend is expected to continue towards 14.1% in 2027 as the market stabilizes and Class A product continues to experience strong leasing momentum.
- Average asking rental rates increased to \$23.76/SF in the quarter, registering a 1.9% year-over-year increase. Annual rates are expected to grow 2.50% to 3.25% in the next four quarters.



Major Transactions

- Seigfreid Bingham renewed its 29,350-SF lease for an additional 10 years on the 10th floor of the 330,000-SF 2323 Grand Boulevard in Crown Center.
- Vivo Missouri leased the entire 22,400-SF building located at 8383 E Blue Pkwy. in Kansas City, MO.
- Dollar, Burns, Becker & Hershewe, LC renewed its lease for a total of 20,560 SF of space on the 26th floor of the Lightwell Building in Downtown.
- Ascendo Resources leased 10,190 SF of space located on the second floor of the Phoenix Building in Overland Park, KS. The firm is anticipated to move in by November 2026.
- State Farm leased 10,000 SF at the TWA Administration Center in the Northland. The insurance provider will occupy space on the fourth floor of the 465,000-SF multi-tenant building. The firm is anticipated to move in by November 2026.



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

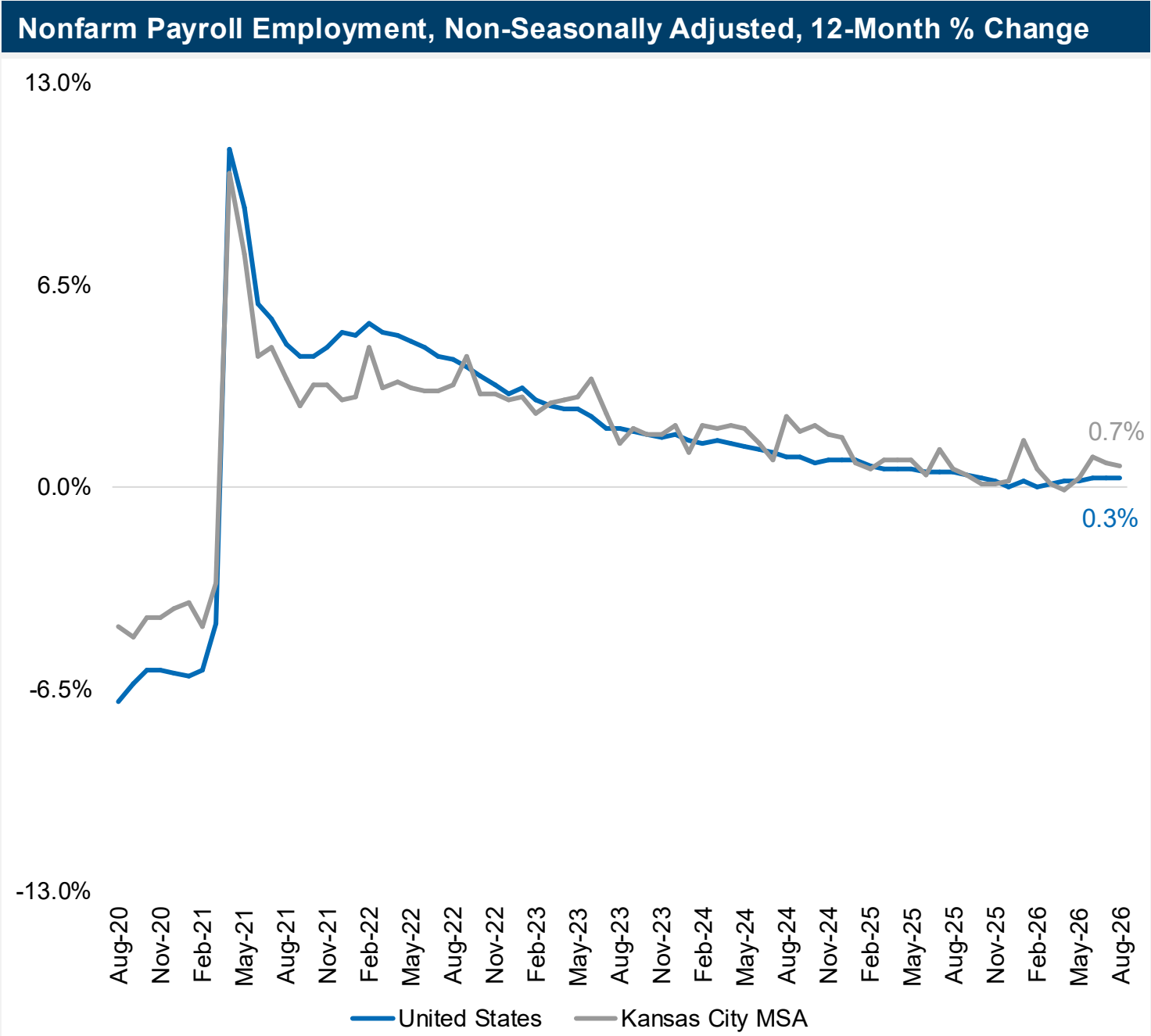
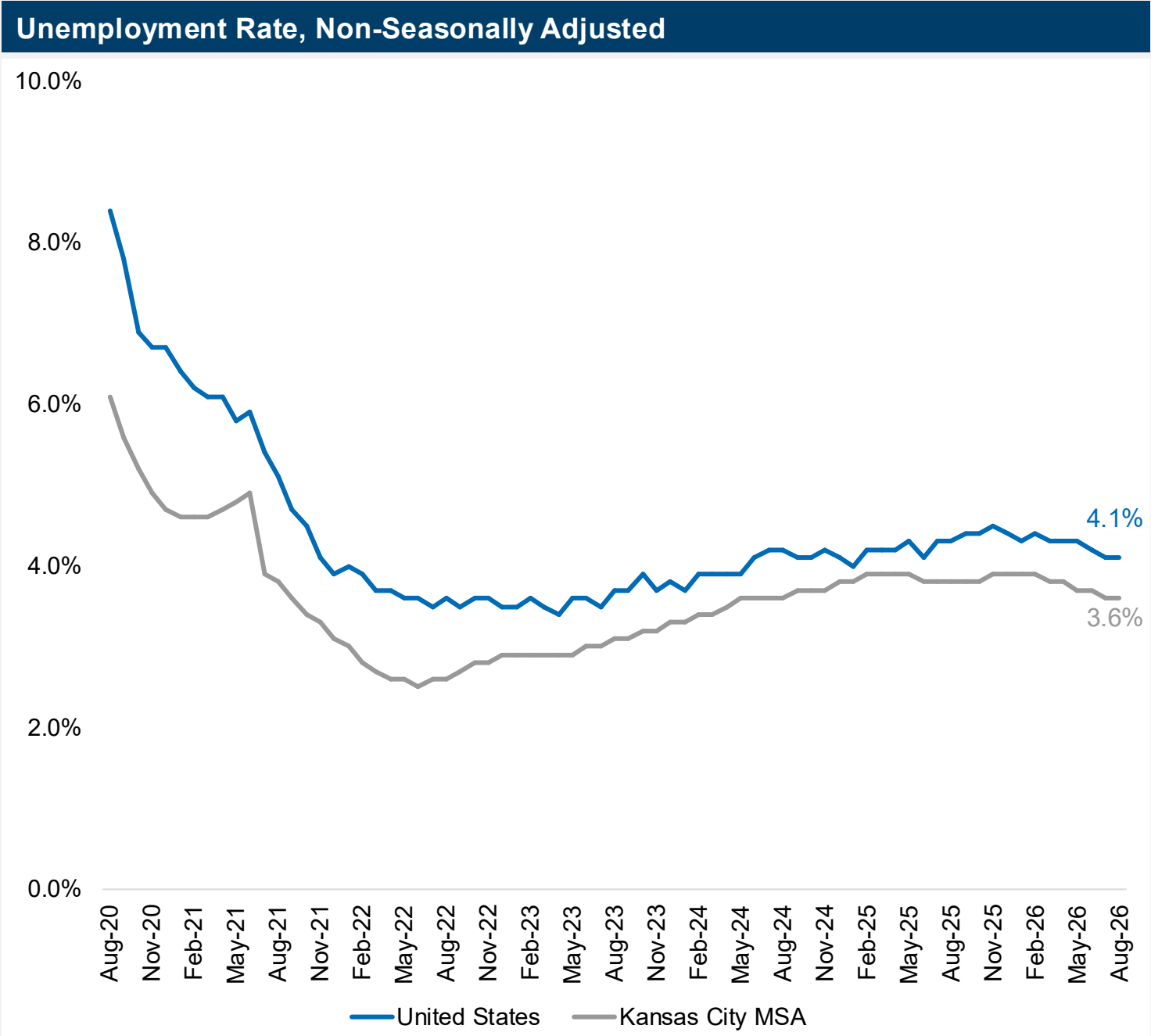
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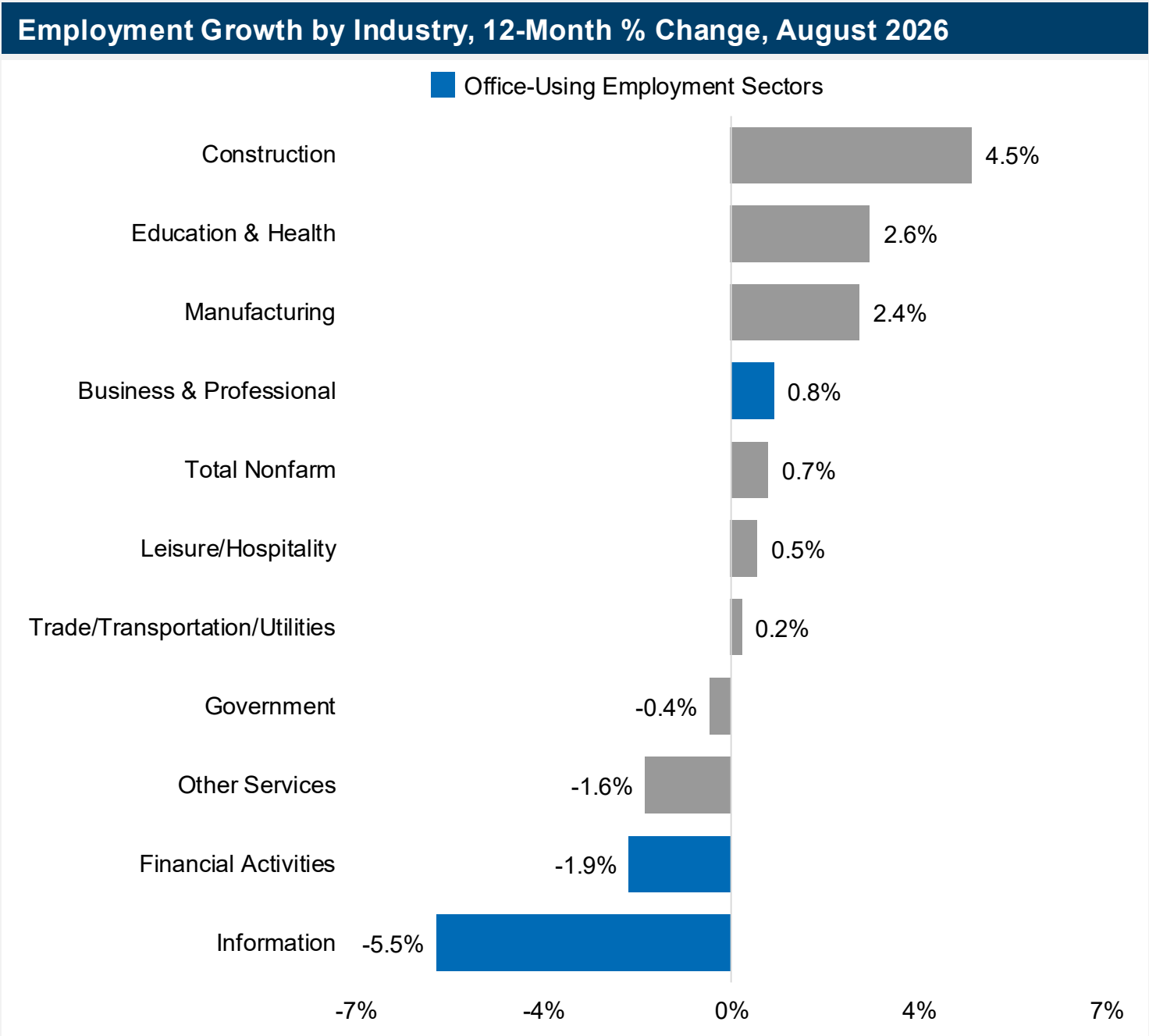
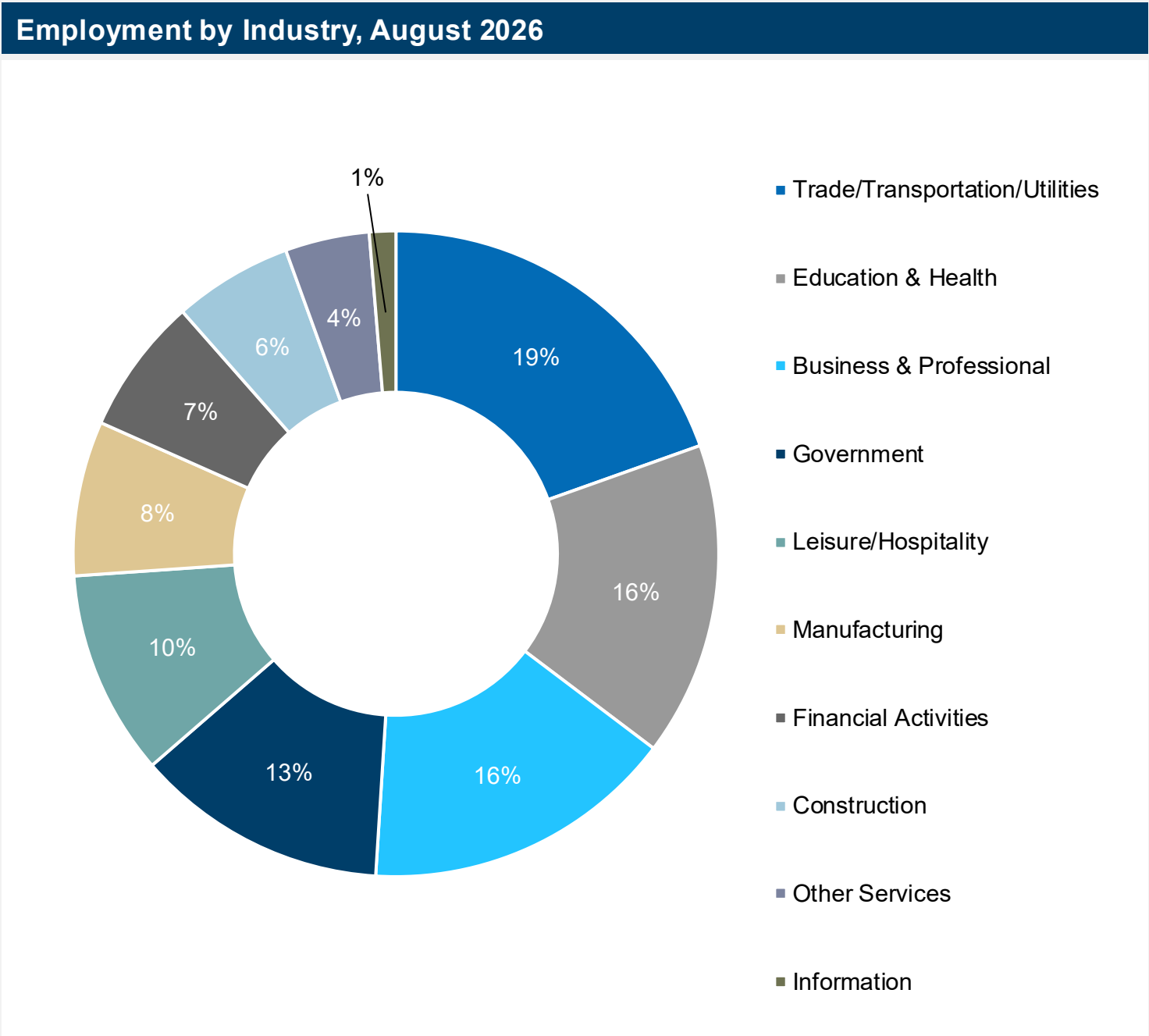
Metro Unemployment Rate Remains Below National Average

The Kansas City region’s labor market tightened by 10 basis points as unemployment registered 3.6% in August 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 0.7%. According to the Kansas City Fed Labor Market Conditions Indicators (LMCI), activity increased from 0.20 to 0.31, while momentum decreased from 0.39 to 0.25 in August 2026.



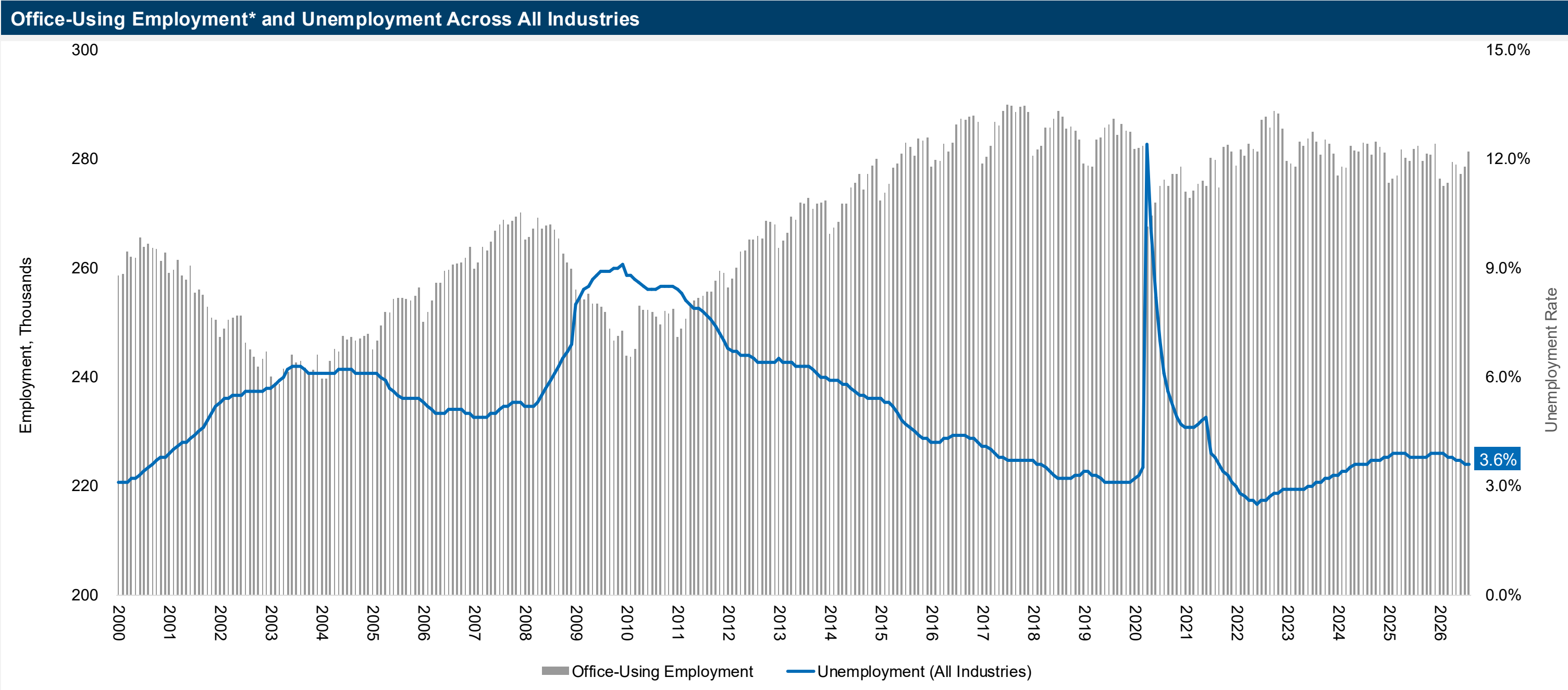
Office-Using Employment Declined Across Two Of Three Sectors

The Construction sector led regional annual job growth, followed by Education and Health. The Information and Financial Activities sectors posted the largest annual job losses, with declines of 5.5% and 1.9%, respectively. Two of three office-occupying sectors recorded year-over-year job declines, while Business and Professional Services posted 0.8% growth.



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 last quarter of 2026.



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

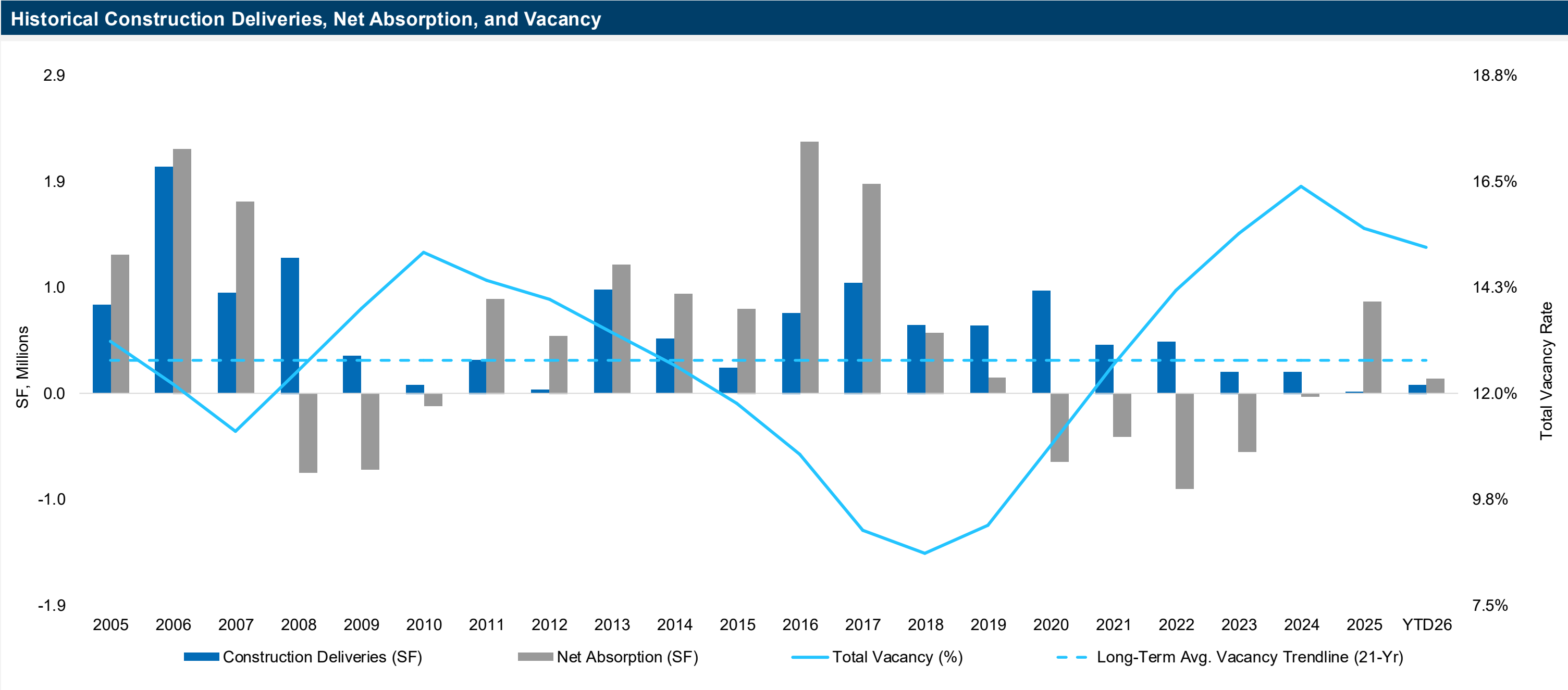


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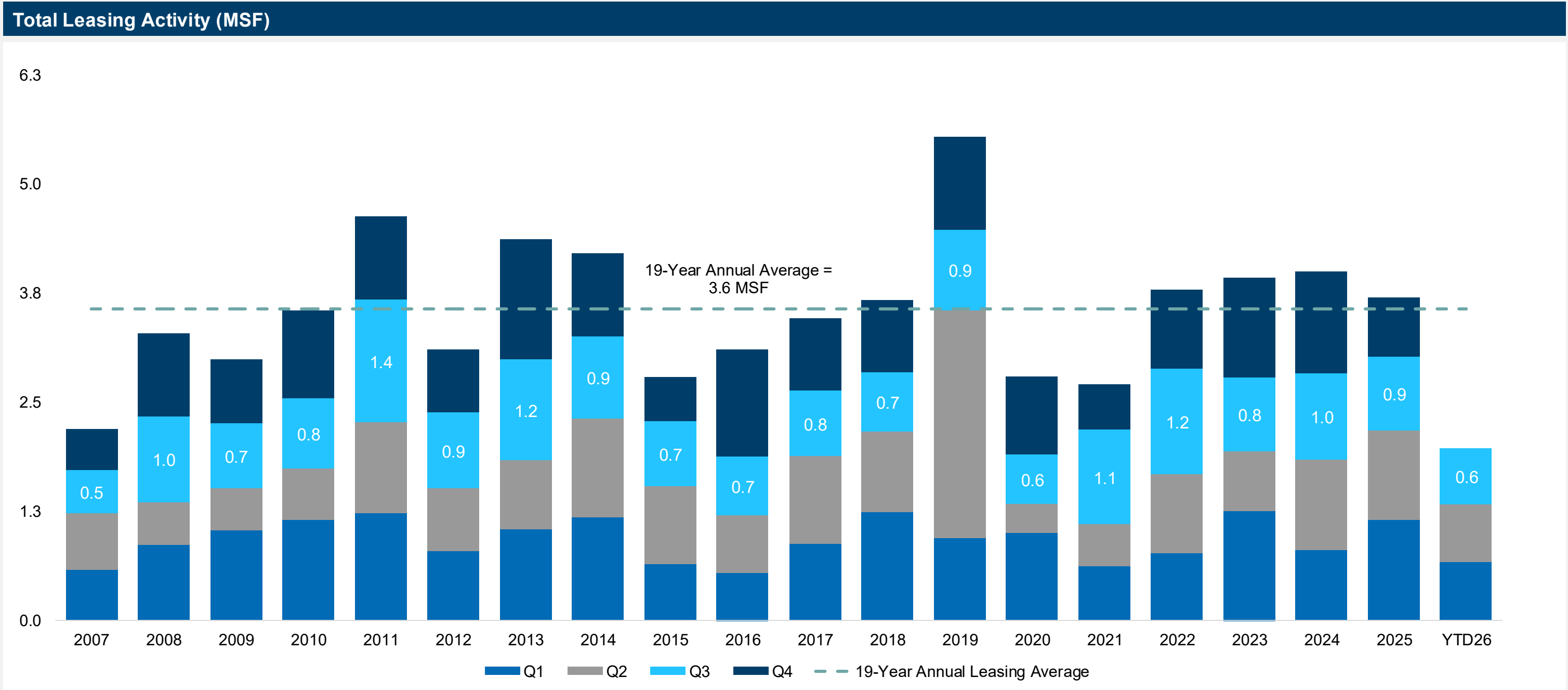
Oracle/Cerner Contractions Weigh On 3Q26 Absorption

The market recorded negative 1.2 MSF of net absorption in 3Q26, primarily reflecting the implementation of previously announced Oracle/Cerner space contractions across multiple buildings. Market fundamentals remain resilient, supported by eight consecutive quarters of positive net absorption through 2Q26, totaling 2.9 MSF. The vacancy rate declined 0.2 percentage points year over year to 15.1%. 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 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.



2026 Leasing Activity Lags The Prior Four-Year Average

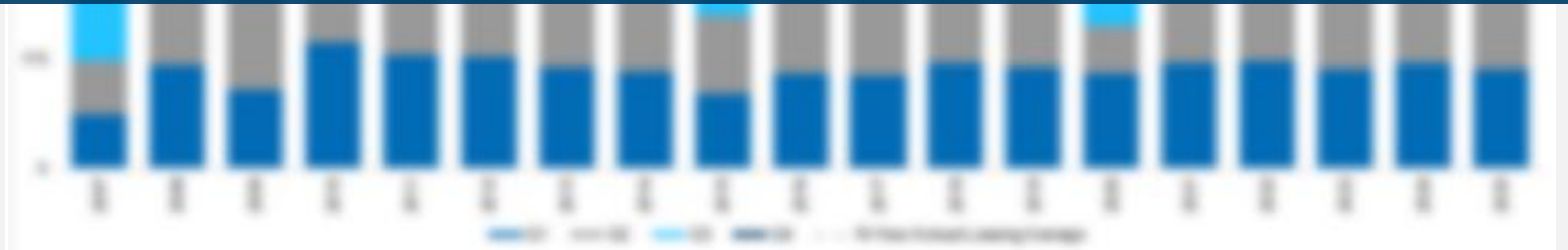
Leasing activity from 1Q26 through 3Q26 remained below expectations as companies continued to right-size their office footprints. Activity is predicted to increase towards the 19-year historical average in the next four quarters as tenants pursue favorable long-term lease agreements. Momentum continues, especially in the Class A segment, as the overall market registered a total of 3.7 million SF of leasing activity during 2025. Kansas City’s leasing activity for the calendar year 2026 is projected to total between 2.8 million SF and 3.0 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 in a hybrid or full-time capacity, 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 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 it suggests that the market is beginning to recover from the pandemic.

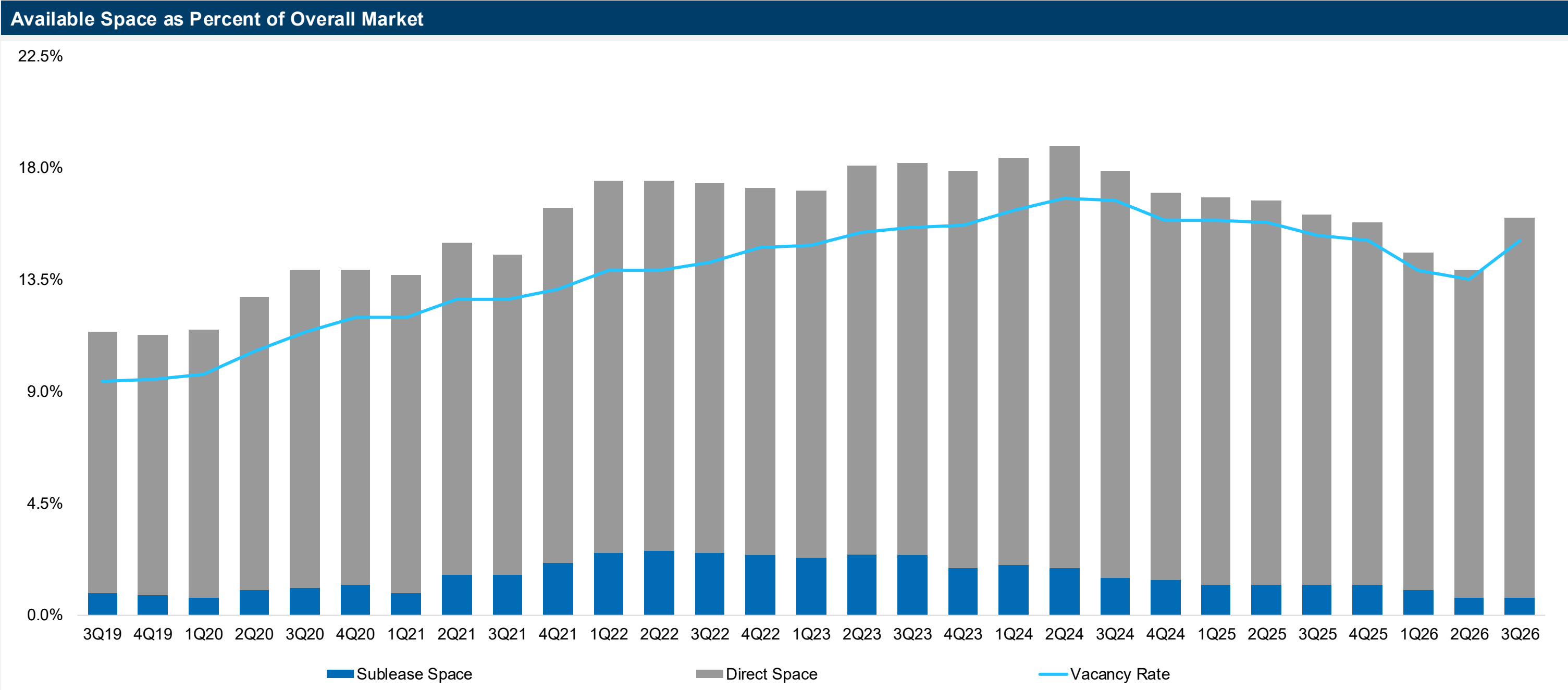


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Oracle/Cerner Space Drives Increase In Direct And Sublease Availability In 3Q26

Many local technology and healthcare 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% by year-end 2026. The gap between vacancy and availability continues to narrow indicating an increased competition environment for available space.



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 2020, 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 4.2%. 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.

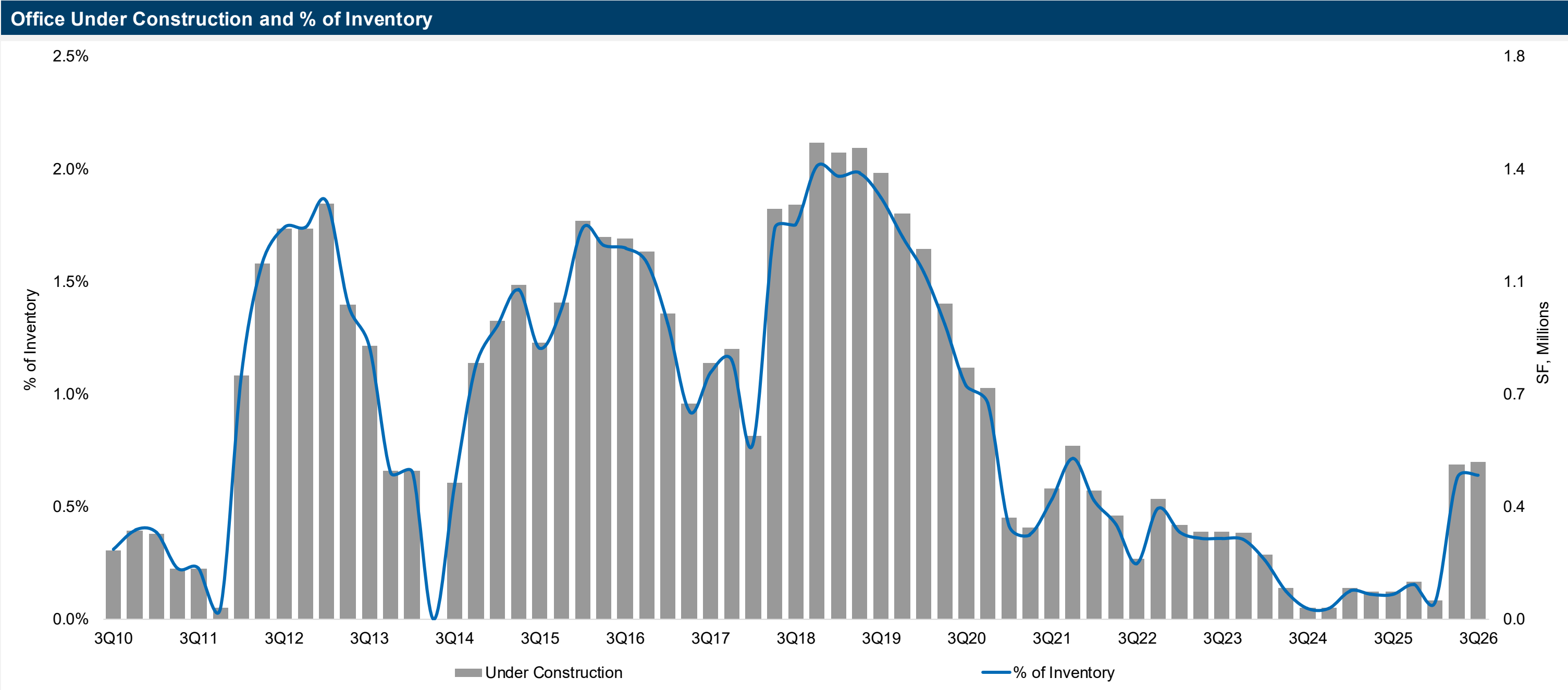


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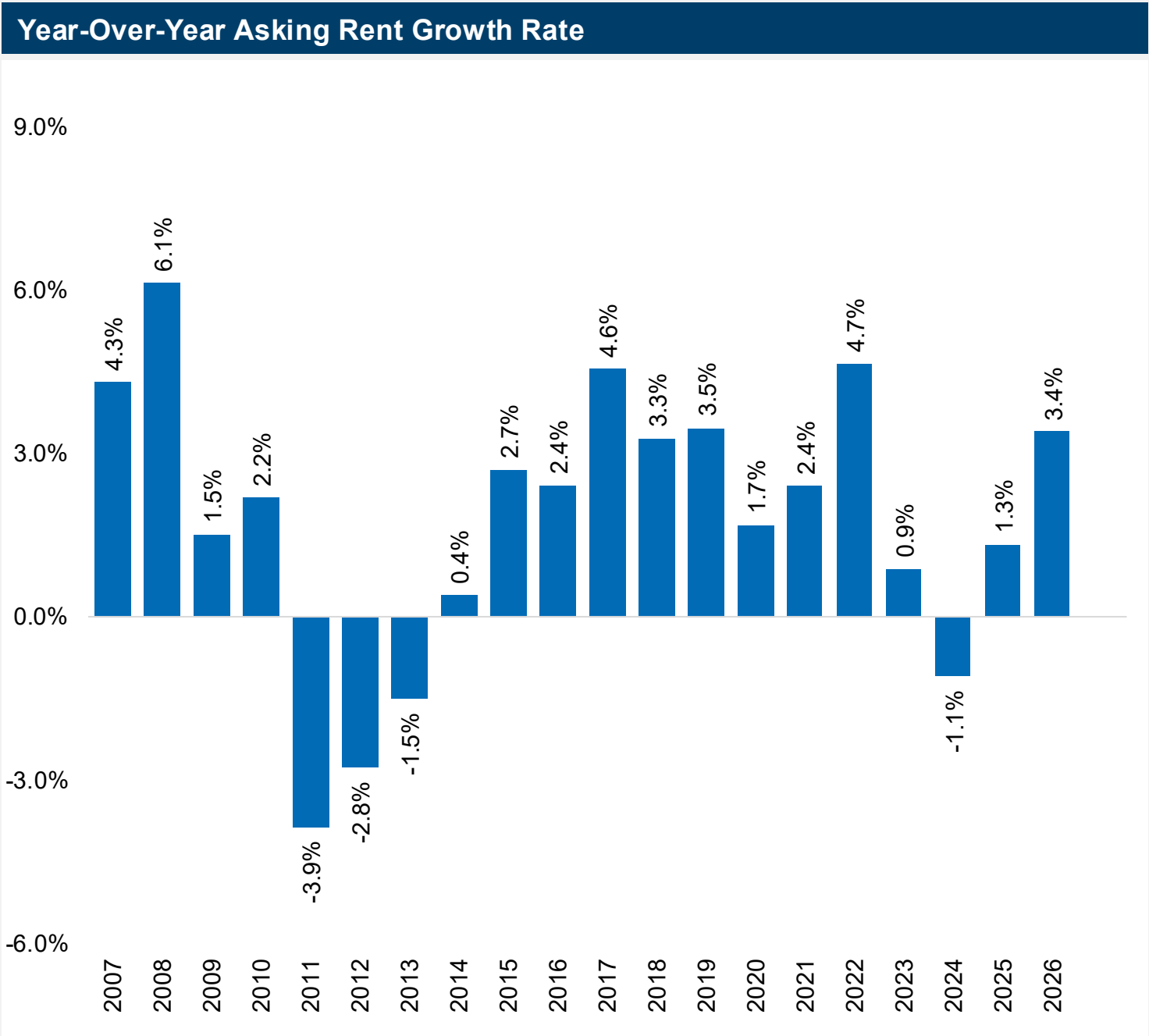
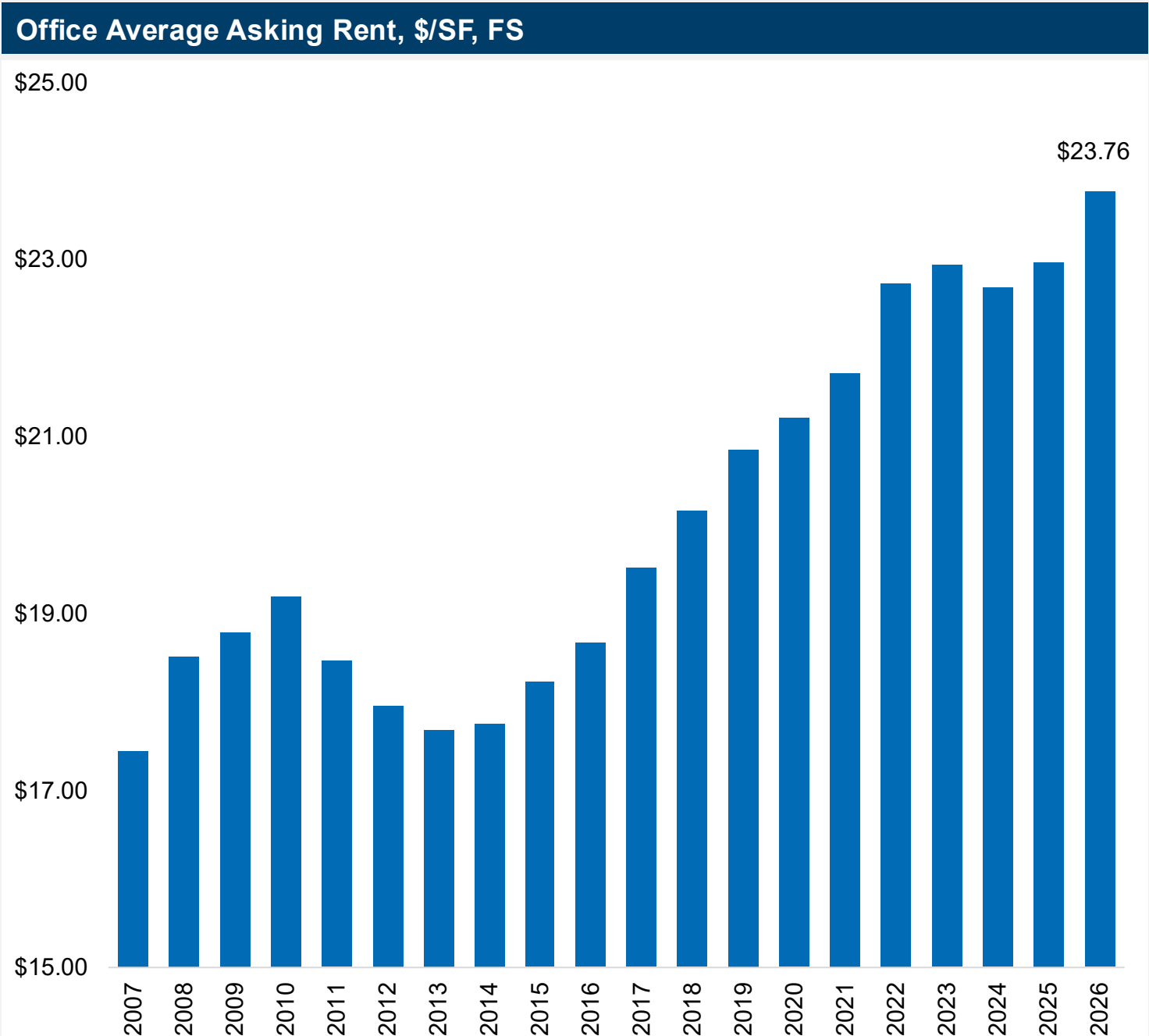
Speculative Construction Activity Trending Upwards

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 3Q26 with most projects concentrated in the 20,000 RBA to 60,000 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.



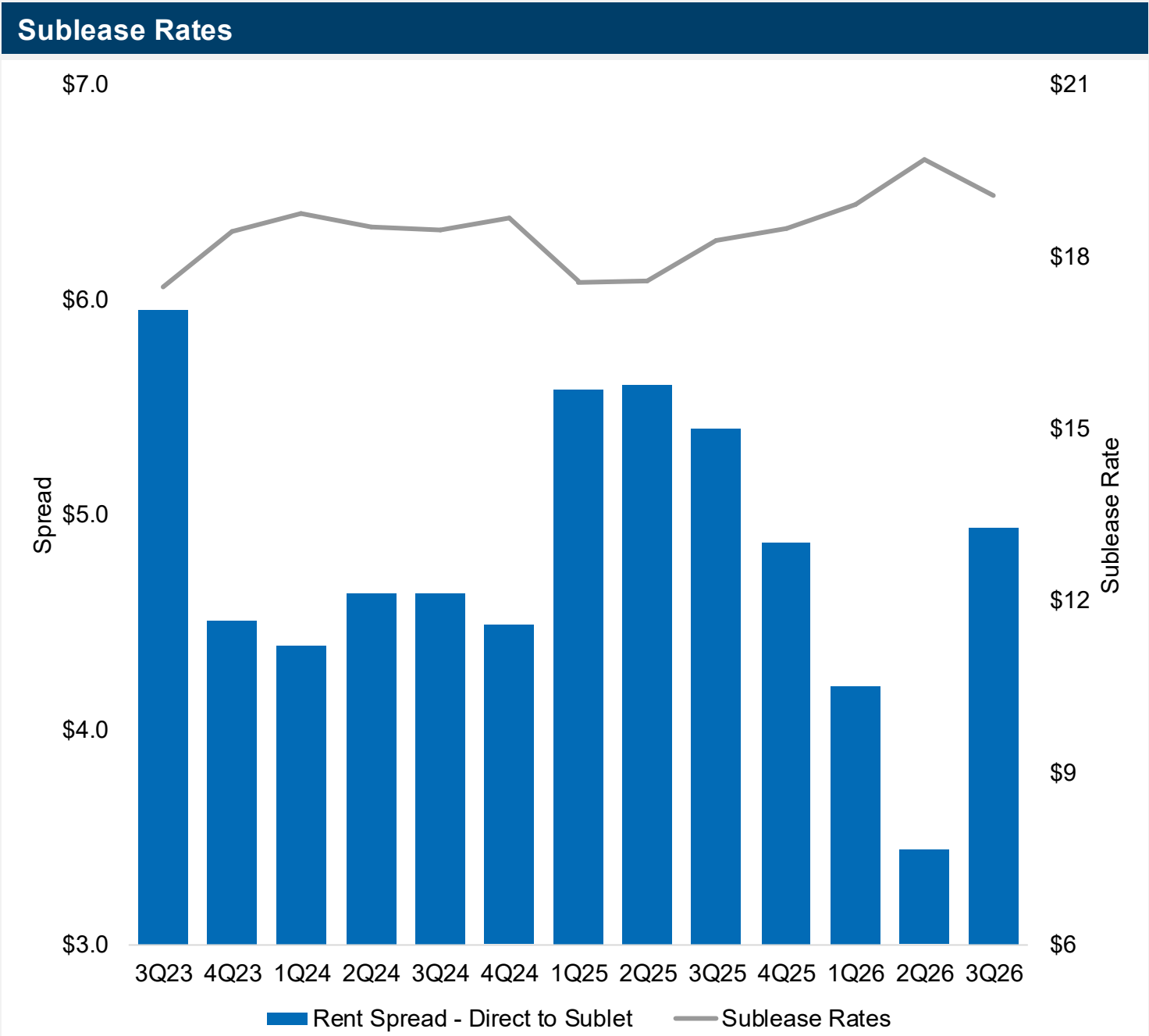
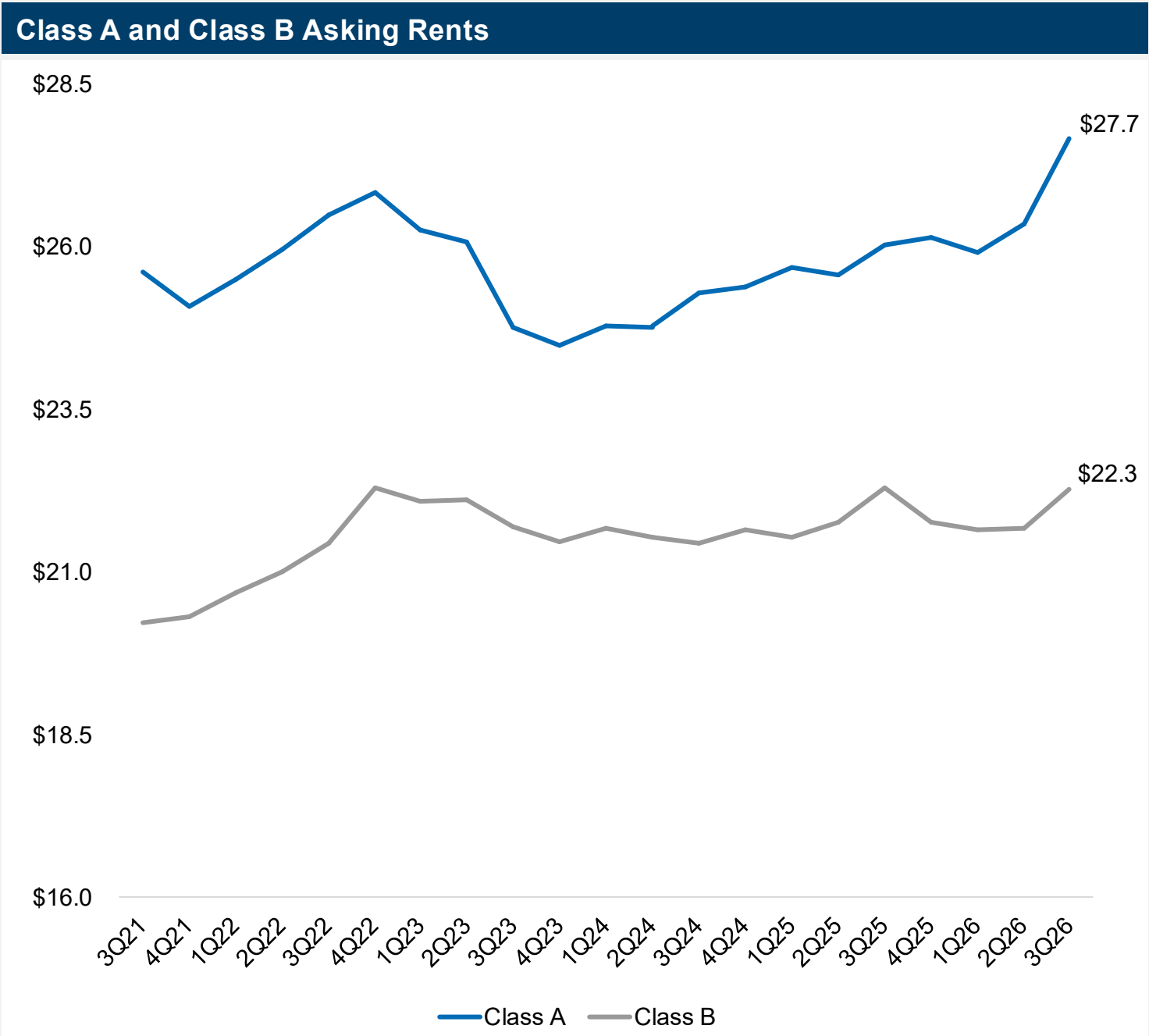
Rents Climb To \$23.76/SF

Overall asking rates in the third quarter of 2026 increased to \$23.76/SF compared to the 2025 average of \$22.98/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.

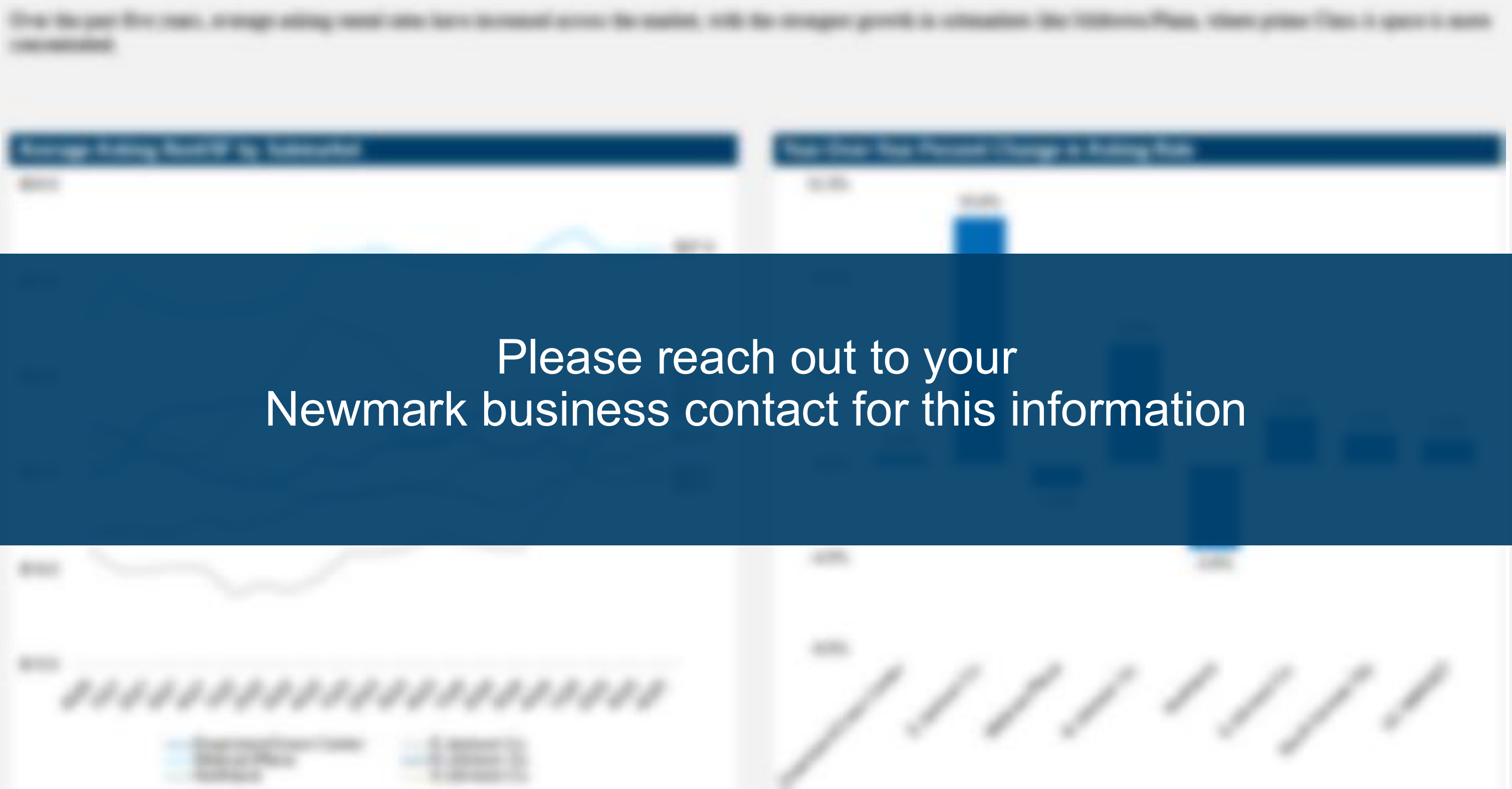


Tenants Continue to Prioritize Higher-Quality Space; Class A Rents Rise 11.7% Since 3Q23

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.



Amenity Upgrades and Expanding Demand Drive Rental Growth



3Q26 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
Seigfreid Bingham	2323 Grand Boulevard	Crown Center	Renewal	29,350
Seigfreid Bingham renewed its 29,350-SF lease for an additional 10 years on the 10th floor of the 330,000-SF 2323 Grand Boulevard in Crown Center.				
Vivo Missouri	8383 E Blue Parkway	East Jackson County	Direct Lease	22,400
Vivo Missouri leased the entire 22,400-SF building located at 8383 E Blue Pkwy. in Kansas City, MO.				
Dollar, Burns, Becker & Hershewe, LC	1100 Main Street	Downtown	Renewal - Expansion	20,560
Dollar, Burns, Becker & Hershewe, LC renewed its lease for a total of 20,560 SF of space on the 26th floor of the Lightwell Building in Downtown.				
Ascendo Resources	7924 Santa Fe Drive	North Johnson County	Direct Lease	10,190
Ascendo Resources leased 10,190 SF of space located on the second floor of the Phoenix Building in Overland Park, KS. The firm is anticipated to move in by November 2026.				
State Farm	11500 NW Ambassador Drive	Northland	Direct Lease	10,000
State Farm leased 10,000 SF at the TWA Administration Center in the Northland. The insurance provider will occupy space on the fourth floor of the 465,000-SF multi-tenant building. The firm is anticipated to move in by November 2026.				

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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	100,000	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	80,000	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	100,000	18%	100,000	400,000	\$22/SF
	Residential	60	600,000	60,000	12%	60,000	240,000	\$16/SF
	Retail	40	400,000	0	7%	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	Office	10	1,200,000	50,000	15.0%	100,000	400,000	\$25.00
	Residential	5	500,000	10,000	2.0%	50,000	200,000	\$15.00
	Retail	3	200,000	0	5.0%	20,000	80,000	\$10.00

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Midtown - continued	Office	10	1,200,000	50,000	15.0%	100,000	400,000	\$25.00
	Residential	5	500,000	10,000	2.0%	50,000	200,000	\$15.00
	Retail	3	200,000	0	5.0%	20,000	80,000	\$10.00
	Office	10	1,200,000	50,000	15.0%	100,000	400,000	\$25.00
	Residential	5	500,000	10,000	2.0%	50,000	200,000	\$15.00

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	12	1,200,000	50,000	5.0%	100,000	400,000	\$20.00
	Residential	5	500,000	10,000	2.0%	50,000	200,000	\$15.00
	Retail	3	300,000	0	1.0%	20,000	80,000	\$10.00

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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)
Midtown Manhattan	1,200,000	150,000	12.5%	150,000	600,000	\$100/SF	\$80/SF	\$90/SF
Lower Manhattan	800,000	100,000	10.0%	50,000	200,000	\$90/SF	\$70/SF	\$80/SF

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Manhattan	2,000,000	250,000	11.2%	200,000	800,000	\$95/SF	\$75/SF	\$85/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%	10,000	40,000	\$20.00	\$15.00	\$20.00
Submarket 2	1,000,000	0	10.0%	10,000	40,000	\$20.00	\$15.00	\$20.00

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Submarket 1	1,000,000	0	10.0%	10,000	40,000	\$20.00	\$15.00	\$20.00
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