

16.4%
Vacancy Rate

-994K
YTD Net Absorption, SF

\$21.89
Asking Rent, PSF

(Overall, All Property Classes)

**ECONOMIC INDICATORS
Q4 2020**

1,057.3K
Kansas City
Employment

4.9%
Kansas City
Unemployment Rate

6.7%
U.S.
Unemployment Rate

*Source: BLS, Moody's Analytics
2020Q4 data are based on
latest available data*

ECONOMY

The year 2020 has ended, and it is a year that will be remembered for generations. By the middle of March, it had become clear that the Kansas City community, the US economy, and the entire world was facing a challenge unlike anything that had been seen in a century. Fear and uncertainty set in, and by June no one had a firm sense of what lay ahead.

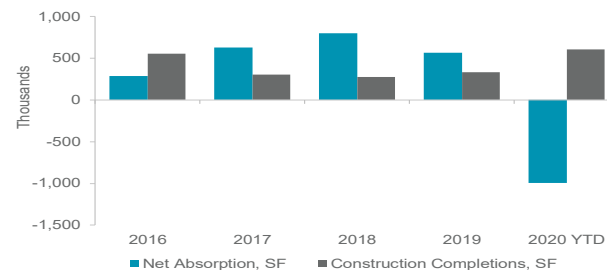
Kansas City's experience with the COVID pandemic was roughly in line with most other urban markets throughout the United States. A complete disruption of day-to-day life and an unprecedented rise in unemployment created a spring and summer where people were attempting to adjust to daily routines and challenges that a year ago could have never been imagined. In the office market, buildings sat empty, some tenants put space back on the market, and there were discussions about what the long-term future of offices would be. On the industrial side, a shift in consumer behaviors accelerated the already strong demand for ecommerce and high-speed logistics capabilities. Companies that had drawn up 2020 through 2023 ecommerce infrastructure buildout strategies quickly switched to "right now" timelines.

Through it all, Kansas City saw local businesses struggle with uncertainty on a day-to-day basis, office users adapt on the fly to remote working, and many industrial users race to bring new projects online as fast as possible while navigating new protocols. Of course, all of this happened as people struggled with illness, fear, uncertainty, and the loss of loved ones. The Kansas City commercial real estate market was forced to navigate these challenges as well, and it now looks ahead to the lasting changes brought about by 2020.

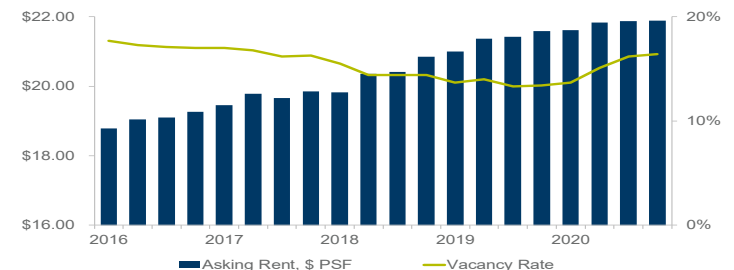
MARKET OVERVIEW

As was expected following the onset of the pandemic, the Kansas City office market ended the year with substantial negative absorption and a rise in vacancy rate. Negative absorption of 140,000 square feet (sf) in the fourth quarter brought the total year absorption to negative 994,000 sf and the year-end vacancy rate to 16.4%. A closer look at the numbers shows that long-term

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



trends that were emerging prior to this year continued and while the factor of sublease space becoming vacant did play a major part in the market's statistics, not all of that should be attributed to snap decisions by tenants looking to shrink their office footprint as a result of the sudden changes in 2020.

The initial concerns of a flood of subleases proved to be overstated, but there definitely was movement in the market. Kansas City finished the year with 912,000 sf of vacant sublease space, which was 10.4% of all vacant office space. For comparison, at the end of 2019 there were 372,000 sf of vacant sublease space, which accounted for just 5.1% of all vacancy. While that is a sizeable increase, three listings account for 51.1% of the new space. A few large spaces hit the market—one of which was in no way related to the pandemic—but there was not an avalanche of tenants leaving offices as some had feared.

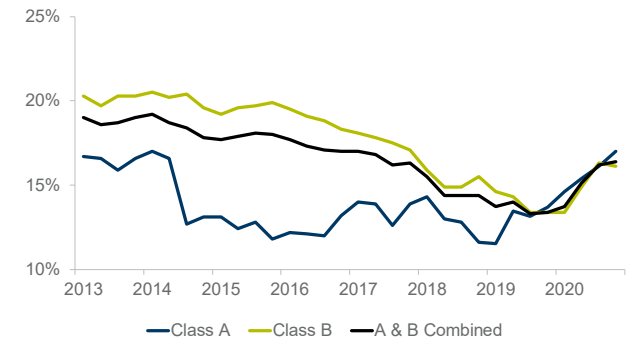
While negative absorption for the overall market did approach a million square feet, Class A absorption totaled 217,000 sf of positive absorption. This number was driven primarily by the delivery of new space in South Johnson County at City Center, in North Johnson County near 80th and Metcalf, and on the Plaza with the 194,000-sf 46 Penn over half-leased prior to its completion in the third quarter. This continues a trend of tenants looking for new, ground-up construction, Class A+ office product, which until recently there was extremely little of.

The last two years have seen a substantial increase in the velocity of speculative office development, which is vital for Kansas City after almost two decades of sluggishness. New office construction takes 18 months to two years, if not longer, and from 2002 through 2019, only five speculative office buildings larger than 125,000 sf were delivered in the Kansas City market. Demand already exists and is likely to increase for modern office product, which requires long-term vision from developers. With that in mind, work is scheduled to begin in 2021 on the next phase of development at Aspria in Overland Park, which will eventually bring 1.4 million square feet of new construction, Class A office product to the market.

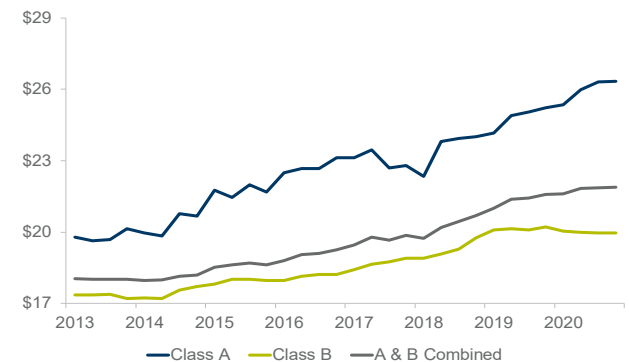
Outlook

- Expectations for leasing activity and absorption in the first half of 2021 remain modest as businesses emerge from the pandemic.
- Tenants looking to adjust traditional in-office hours for employees may look to slightly shrink their footprint, but will demand higher quality, more flexible spaces.
- As speculative space delivers, the overall Class A asking rate will rise although legacy Class A buildings will be unlikely to demand an increase.

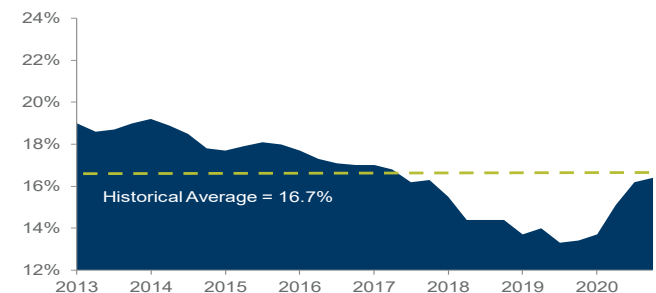
VACANCY TREND



CLASS A & B ASKING RENT



OVERALL VACANCY



MARKET STATISTICS

Submarket	Inventory (SF)	Sublet Vacant (SF)	Direct Vacant (SF)	Overall Vacancy Rate	Current QTR Overall Net Absorption (SF)	YTD Overall Net Absorption (SF)	YTD Leasing Activity (SF)	Under CNSTR (SF)	Overall Average Asking Rent (All Classes)*	Overall Average Asking Rent (Class A)*
Downtown	7,018,653	71,643	884,126	13.6%	-39,790	-65,150	426,496	360,000	\$21.93	\$23.41
Crown Center/Crossroads	4,609,414	19,471	903,785	24.0%	8,755	-168,473	173,263	0	\$22.58	\$24.94
CBD	11,628,067	274,669	1,787,911	17.7%	-31,035	-233,623	599,759	360,000	\$22.27	\$24.09
Plaza	3,256,169	53,054	492,667	16.8%	-23,662	-2,685	83,583	0	\$28.63	\$30.12
South Kansas City	3,466,180	8,282	322,775	9.6%	-25,658	131,843	71,982	0	\$19.72	N/A
Northland	3,739,838	118,130	1,148,228	33.9%	-24,490	-214,911	61,355	0	\$18.11	\$24.25
East / SE Jackson County	2,995,794	0	452,443	15.1%	35,501	5,385	65,635	0	\$19.42	N/A
North Johnson County	7,230,485	213,979	1,175,175	19.2%	27,756	-121,850	432,053	96,885	\$21.79	\$30.29
South Johnson County	19,865,954	243,571	2,250,758	12.6%	-102,723	-530,000	819,798	108,000	\$23.37	\$27.52
Other Suburban Markets	1,443,601	0	231,491	16.0%	4,885	-27,992	47,989	0	\$17.97	N/A
Suburbs	41,998,021	637,016	6,073,537	16.0%	-108,391	-760,210	1,582,395	204,885	\$21.77	\$28.34
Class A	15,721,008	349,403	2,322,444	17.0%	-152,888	216,804	828,904	564,885	\$26.34	
Class B	37,905,080	562,282	5,539,004	16.1%	13,462	-1,210,637	1,353,250	0	\$19.91	
TOTAL	53,626,088	911,685	7,861,448	16.4%	-139,426	-993,833	2,182,154	564,885	\$21.89	\$26.34

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2020

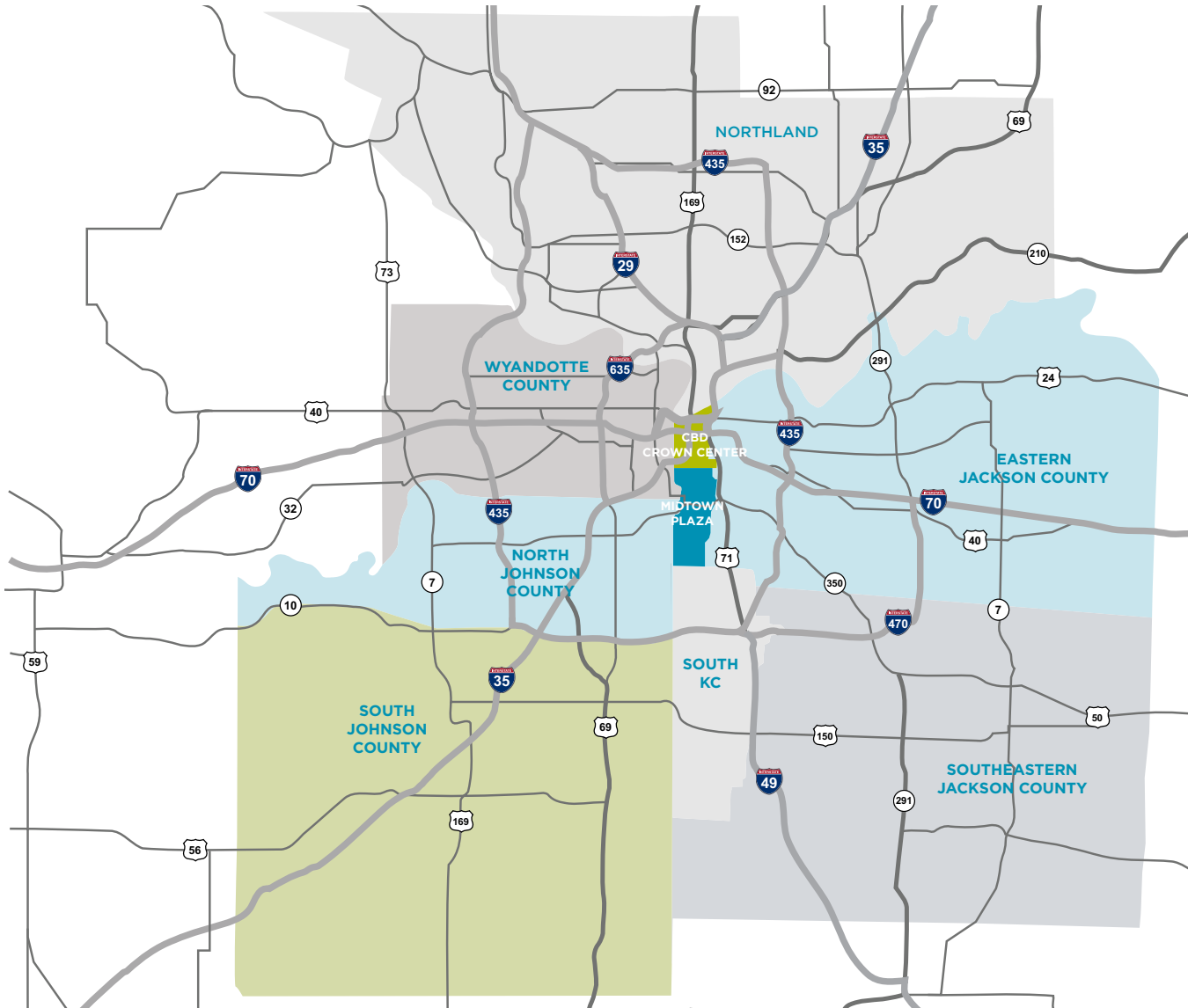
PROPERTY	SUBMARKET	TENANT	SF	TYPE
800 NW Chipman Road	East & SE Jackson County	GSA	313,209	Renewal
Mission Towers	North Johnson County	VinSolutions	80,025	Renewal
1712 Main Street	Crossroads	PlexPod	30,716	New Lease
11400 Tomahawk Creek Parkway	South Johnson County	New York Life Insurance Co.	22,831	Renewal

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/ \$ PSF
9001 W 67th Street	North Johnson County	VF Jeanswear Limited/Nations Holding	146,604	n/a
5201 Johnson Drive	North Johnson County	MD Management/Brain Group	70,000	n/a
4131 N Corrington Avenue	Northland	Shawnick 119th Properties/MCF I	65,000	n/a
3400 College Boulevard	South Johnson County	Tomahawk Pointe/FCS Real Estate	30,000	n/a

OFFICE SUBMARKETS



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