

16.8%
Vacancy Rate



-470K
YTD Net Absorption



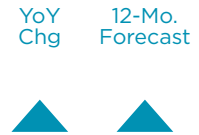
\$22.10
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2021

1,078.8K
Kansas City
Employment



4.5%
Kansas City
Unemployment
Rate



5.9%
U.S.
Unemployment
Rate



*Source: BLS, Moody's Analytics
2021Q2 data are based on
latest available data*

ECONOMY

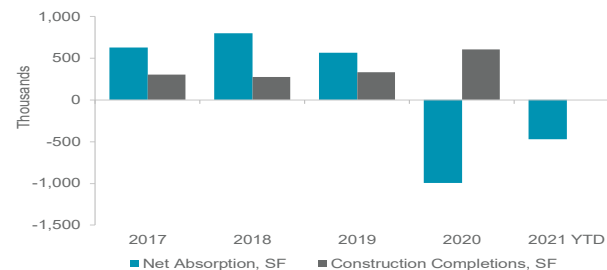
At the midway point of 2021, the Kansas City commercial real estate market was in many ways a microcosm of the larger, national economy. Some sectors, such as the Industrial market, were moving forward at such a rapid pace that demand created an unprecedented level of new construction. Other areas, such as the Office market, were emerging from the global pandemic and beginning to navigate a path forward, with most tenants still in the process of returning workers to offices as an increased volume of new leases signed indicated the traditional office will be a key component of the American economy going forward. While the pain and shock from 2020 is evident, there are encouraging signs that the foundation of the local economy has survived and will support future growth.

The single most important metric for commercial real estate is total employment, and in that area Kansas City has shown strength. From February to April of 2020, every region of the country saw a substantial drop in jobs, but Kansas City has recovered those jobs at a much faster rate than the nation as a whole. By May 2021 (the most recent month for which data from the Bureau Labor Statistics is available), Kansas City had reached 97.4% of the February 2020 employment number, while the national average was 95.0%. This resilience bodes well for the both the Kansas City commercial real estate market and the entire community.

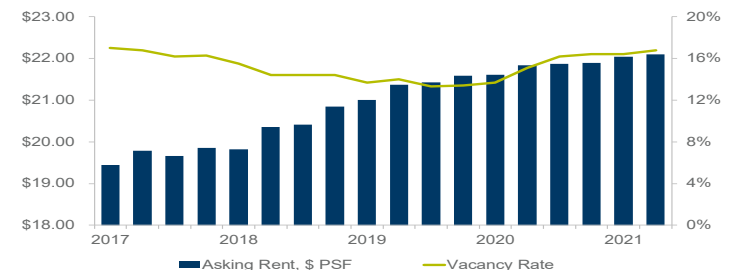
MARKET OVERVIEW

Kansas City's Office market has been impacted by the recession and shutdown measures of 2020, with the vacancy rate rising from 13.7% at the end of first quarter of 2020 to 16.8% by midyear 2021. Negative absorption over the past five quarters was 1.5 million square feet (msf) with leasing activity dropping as well, particularly in the third quarter of 2020. Based on the dramatic slowdown in the market during the summer and fall of last year, it is unlikely absorption will begin to rebound until the later part of 2022 at the earliest.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



There are encouraging signs around the market, and most important is the vast majority of employers have either started the process of returning workers to the office or are preparing to do so aggressively in the third quarter. Companies have targeted post-Fourth of July as the latest start date for employees to begin operating out of offices again and major office-using tenants both locally and nationally have pointed to September 1 (roughly the start of the school year) as the target date for “new normal.” While there are questions that will need to be answered and employers are still forming a vision for what offices will look like in the future, having employees back onsite is a vital step in helping shape those plans.

From a leasing activity standpoint, there are encouraging signs. Over the last nine months of 2020, new leasing activity averaged just 383,00 square feet (sf) per-quarter and never surpassed 455,000 sf in any single quarter. Yet through the first half of 2021, new leasing activity averaged 522,000 sf per-quarter. This activity should help stabilize the vacancy rate in the market.

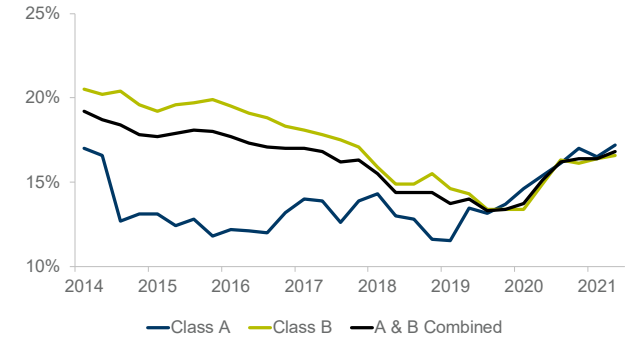
In terms of new construction, Kansas City now has a 260,000-sf Class A speculative tower underway in Downtown. Originally planned as a build-to-suit for a company that was acquired not long after construction began, the building at 1400 Baltimore is now set to deliver without an anchor tenant. Work has continued uninterrupted on the project, and during the second quarter it was marketed as a sublease. For the first time in well over a generation Downtown Kansas City will see major, ground-up, new, Class A+ construction available to tenants looking for trophy space in the Central Business District (CBD).

Like all markets around the country, the road to recovery for the Kansas City Office market will not be linear. While the rise in vacancy over the past 12-15 months may appear dramatic, in the second half of 2019 the market was at a historic low in terms of vacancy rate. If the second half of the year sees continued strengthening in terms of new leasing, the market could return to a strong position in a short period of time.

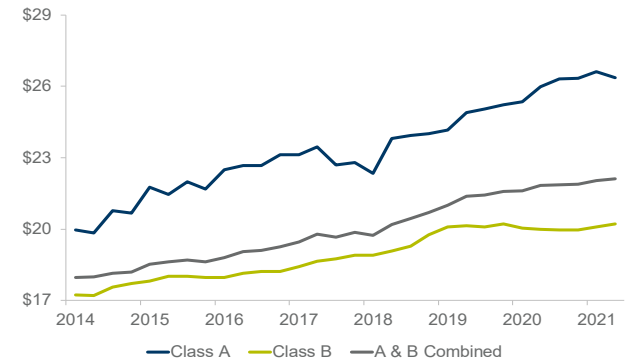
Outlook

- The rate of negative absorption may slow, but it is unlikely to turn positive until 2022.
- As larger tenants make decisions and commitments on office space post-pandemic, there is still the potential for increased sublease vacancy.
- Tenants negotiating renewals remain in a strong position, as landlords will focus on securing future revenue.

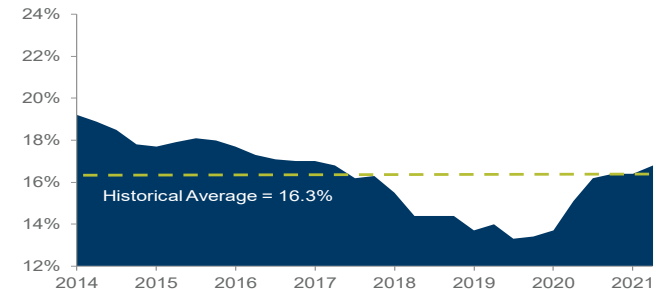
VACANCY TREND



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	99,500	932,568	14.7%	-96,178	-81,093	95,399	260,000	\$21.89	\$22.98
Crown Center/Crossroads	4,609,414	19,471	881,712	23.5%	23,418	22,073	40,206	0	\$23.41	\$25.16
CBD	11,628,067	302,526	1,814,280	18.2%	-72,760	-59,020	135,605	260,000	\$22.64	\$23.89
Plaza	3,256,169	27,164	513,905	16.6%	-30,418	-11,259	49,266	0	\$29.44	\$31.89
South Kansas City	3,466,180	34,581	314,572	10.1%	-45,248	-23,240	38,832	0	\$19.75	N/A
Northland	3,604,549	119,492	1,050,075	32.4%	-16,191	-13,172	50,137	0	\$18.02	\$23.53
East / SE Jackson County	2,995,794	0	482,878	16.1%	-18,531	-30,583	22,418	0	\$20.46	N/A
North Johnson County	7,206,959	219,500	1,226,131	20.1%	-12,345	-118,630	89,451	0	\$21.22	\$29.92
South Johnson County	19,865,954	182,593	2,498,493	13.5%	-106,564	-210,524	653,905	108,000	\$23.48	\$27.55
Other Suburban Markets	1,443,601	0	195,759	13.6%	2,681	-3,317	3,930	0	\$17.97	N/A
Suburbs	41,839,206	583,330	6,281,813	16.4%	-226,616	-410,725	907,939	108,000	\$21.93	\$28.77
Class A	15,684,832	325,402	2,374,790	17.2%	-124,116	-86,229	295,406	368,000	\$26.35	
Class B	37,782,441	560,454	5,721,303	16.6%	-175,260	-383,516	748,138	0	\$20.22	
TOTAL	53,467,273	885,856	8,096,093	16.8%	-299,376	-469,745	1,043,544	368,000	\$22.10	\$26.35

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Aspiria	South Johnson County	Yellow	84,684	New Lease
Park Place Aubrey Building	South Johnson County	First Federal Bank of Kansas City	24,146	New Lease
2300 Main	Crown Center	GSA	20,407	New Lease
Aspiria	South Johnson County	TTEC	19,300	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2021

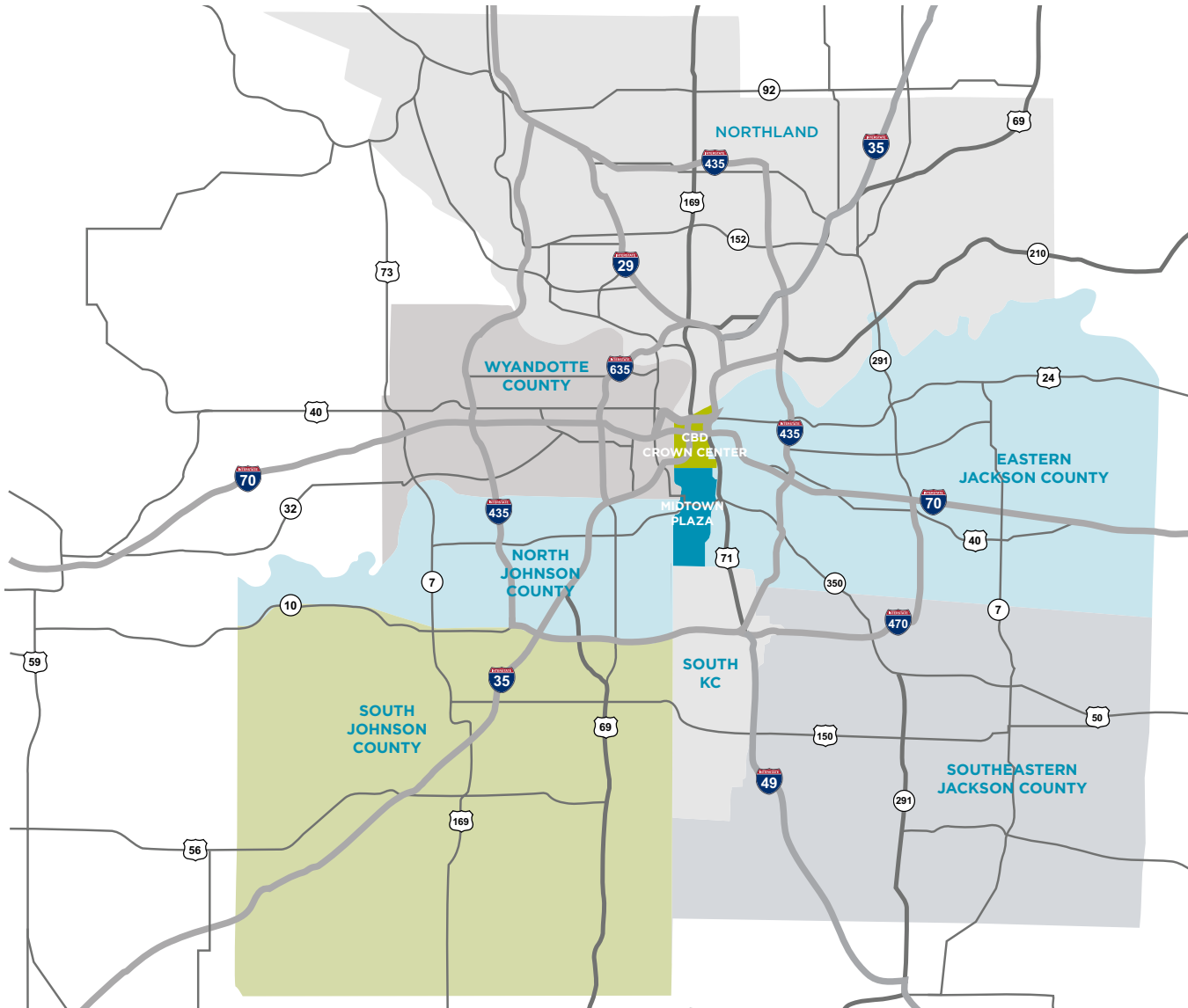
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/ \$ PSF
3500 College	South Johnson County	Paradise Valley Associates/MHC	28,785	n/a
8600 Quivira	North Johnson County	Shamrock Trading/RA Property Holdings	23,340	n/a
6651 N Oak	Northland	ReThink Workspaces/Oldtowne LLC	18,250	n/a
4801 College	South Johnson County	Peters & Associates/Doctors Specialty	16,596	n/a

KANSAS CITY

Office Q2 2021



OFFICE SUBMARKETS



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