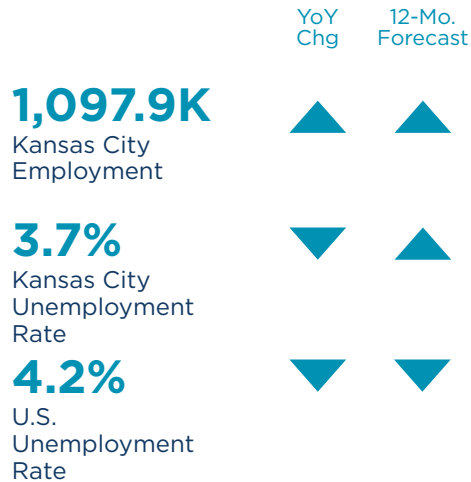


Overall, All Property Classes

ECONOMIC INDICATORS Q4 2021



Source: BLS, Moody's Analytics
2021Q4 data are based on latest available data

ECONOMY

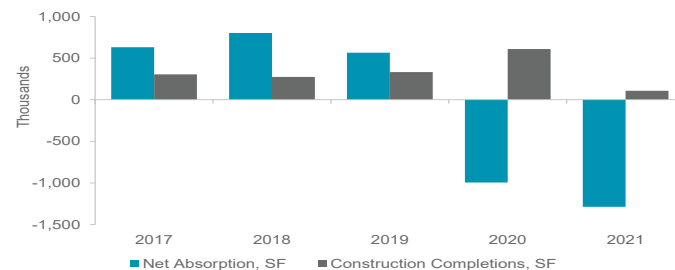
The Kansas City commercial real estate market followed a steady trend through the end of 2021, as the local industrial market remained one of the strongest in the country while the office market continued to deal with the challenges faced across the country although there were some encouraging trends in the second half of the year. For the industrial sector, absorption topped 7.0 million square feet (msf) for the fifth straight year and at the end of the fourth quarter the amount of space under construction was just below the record set earlier in the year. In the office sector, negative absorption continued as occupiers dealt with a drawn-out pandemic situation that was exacerbated by continuing postponements and delays for companies looking to implement return-to-office plans. On the positive side for office, the latter half of the year saw signs of a flight-to-quality and increased demand for Class A product.

Throughout the recovery that started when the US began to emerge from the COVID-19 pandemic, much of the focus has been on labor figures. After an unprecedented number of jobs were lost from March through May in 2019, a huge question for the country as a whole and for each individual market was how quickly those jobs would return. According to the most recent figures available from the Bureau of Labor Statistics, Kansas City has reached 99.4% of its pre-pandemic level of jobs. Nationally, the figure is 97.4%. There is much to be learned regarding the lasting impact of the previous 24 months on commercial real estate and all aspects of the US economy, but a healthy labor market is one of the strongest indicators of the economic health of a community.

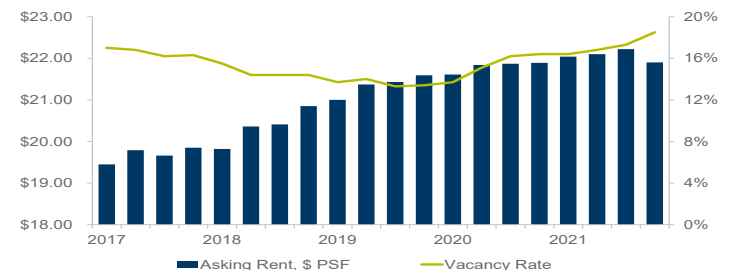
MARKET OVERVIEW

Over the past two years, every office market in the country has dealt with an increase in sublease vacancy. Kansas City ended 2021 with 285,000 more square feet (sf) of vacant sublease space than at the end of 2020, but other dynamics are involved in that situation. Some space that was initially listed for sublease has been taken back by landlords or the original leases are simply expiring, in which case the vacant space simply switches from sublease to direct. These trends will continue, and the focus must shift to overall occupancy.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



From an absorption standpoint, it was a rough year for the Kansas City office market, with negative 1.3 million square feet (msf). Of that negative absorption, 681,000 sf (53.0%) came in the fourth quarter from a collection of four buildings at Aspiria along with a building across the street that has the same ownership. Aspiria was an owner-user property prior to being purchased by investors in the second half of 2019. The complicated transaction included the previous owner holding short-term leases and options and the “new” vacant space is not so much tenants vacating space as it is an accurate depiction of availabilities now that the project is ready to move forward.

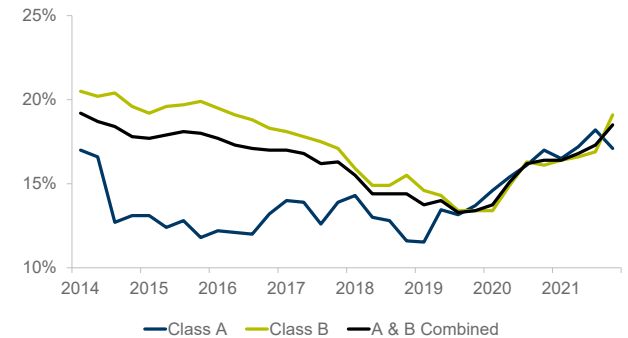
One bright spot for the office market was Class A absorption ended the year in positive territory, driven by the delivery of a third building on the Creative Campus near College Boulevard along with leasing activity at 46 Penn, a Class A tower on the Plaza that delivered in 2020. The strong demand at 46 Penn is particularly encouraging. During the construction process there was a healthy amount of pre-leasing, but the onset of the pandemic brought that to a halt as the building neared completion. But in 2021, additional tenants committed to the building and began moving in. The building is now almost two-thirds occupied and the general belief is it will add more tenants in 2022.

One trend illustrated by the success of Class A space and especially new Class A construction in 2021 is that as tenants return to offices there will be a flight to higher quality spaces. This is one area where Kansas City has historically been lacking. The success of projects like the Creative Campus and 46 Penn will hopefully inspire developers to move forward on additional speculative projects. Work is now underway on a third building at Hallbrook and the owners of Aspiria have put forth plans for additional office development at the site. Tenants will be returning to traditional offices, but when they do so many will demand top-of-the-line, Class A, new construction.

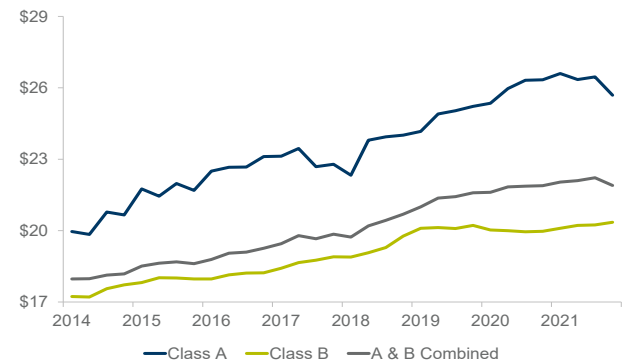
Outlook

- Additional spaces may continue to become available as national corporations shift positions away from traditional large offices.
- Negotiation of tenant improvement terms will take on increased importance due to volatility in construction costs.
- Cushman & Wakefield research has identified the midway point of 2022 as a reasonable target for the office market to begin showing positive absorption.

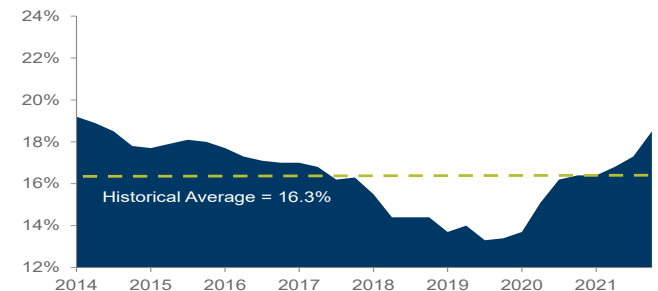
VACANCY TREND



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	161,087	1,020,464	16.8%	-30,336	-230,576	120,515	260,000	\$21.18	\$23.09
Crown Center/Crossroads	4,609,414	74,435	961,062	26.4%	13,271	-112,241	116,759	0	\$22.72	\$24.47
CBD	11,628,067	419,077	1,981,526	20.6%	-17,065	-342,817	237,274	260,000	\$21.97	\$23.63
Plaza	3,256,169	27,146	506,548	16.4%	-8,053	-3,884	145,428	0	\$29.07	\$31.31
South Kansas City	3,466,180	37,598	284,143	9.3%	22,010	4,172	68,652	0	\$19.94	N/A
Northland	3,604,549	141,292	1,016,949	32.1%	5,983	-1,846	74,495	0	\$18.03	\$23.48
East / SE Jackson County	2,995,794	0	427,117	14.3%	-4,773	25,178	56,298	0	\$20.30	N/A
North Johnson County	7,077,651	196,931	1,197,966	19.7%	-21,754	-67,896	359,446	0	\$21.09	\$27.07
South Johnson County	19,973,954	374,280	3,114,188	17.5%	-807,688	-909,906	1,209,707	120,527	\$23.12	\$27.59
Other Suburban Markets	1,443,601	0	181,433	12.6%	2,048	11,009	27,804	0	\$16.95	N/A
Suburbs	41,817,898	777,247	6,728,344	17.9%	-812,227	-943,173	1,941,830	120,527	\$21.88	\$27.92
Class A	15,792,832	318,485	2,382,683	17.1%	142,037	20,795	683,332	380,527	\$25.69	
Class B	37,653,133	877,839	6,327,187	19.1%	-971,329	-1,306,785	1,495,772	0	\$20.35	
TOTAL	53,445,965	1,196,324	8,709,870	18.5%	-829,292	-1,285,990	2,179,104	380,527	\$21.90	\$25.69

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5400 W 110th Street	College Boulevard	Creative Planning	65,000	New Lease
5400 W 110th Street	College Boulevard	Intrepid Direct Insurance	20,000	New Lease
2345 Grand	Crown Center	Chapter 13 Trustee	14,689	Renewal
Pinnacle Corporate Center IV	College Boulevard	Ameriprise	12,269	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/ \$ PSF
Summit Technology Center	Southeastern Jackson County	Sovereign Group / Easterly Government Properties	484,000	n/a
1540 Genessee*	Downtown	Zurich Insurance Group / BlueScope Steel	140,000	n/a
9225 Ward Parkway**	South Kansas City	Soonerr Exchanges / 9225 WPP	31,535	n/a
15512 W 113th Street	College Boulevard	US FPT / Easterly Government Properties	31,062	n/a

*Buyer occupied 100% of building on a lease prior to purchase

**Buyer will occupy a portion of the building and lease out the rest

