



**KANSAS CITY
1Q 2017 CAPITAL MARKETS**

SLUGGISH START FOR INVESTMENT SALES VOLUME IN 1Q 2017

The year 2017 is off to a slow start as investment sales volume in the first quarter lags behind 2016 with a 42.1% decrease compared to this time last year. Several factors may be in play including uncertainty from the result of the 2016 Presidential election and anticipated interest rates hikes. The Federal Reserve announced a 25 basis point increase in the federal funds rate amid rising confidence that the economy is poised for more robust growth. The Fed also announced that this would be the first of several increases in the coming 12 months.

As a result of increases in interest rates from lenders, investors have looked to achieve higher returns to offset the compressed spread between the cost of funds and their required rate of return. Cap rates for Class A institutional product are a key indicator tracked by Newmark Grubb Zimmer professionals that indicates how institutional investors evaluating product around the nation are evaluating product here in Kansas City. Cap rates for Class A institutional product in the first quarter of 2017 saw an uptick of 20 basis points in comparison to the first quarter of 2016. With the Fed increased rates once during the quarter and signaling the possibility of additional increases, we anticipate steady investment activity in the near term.

Multihousing and office assets led the way in the first quarter of 2017 and over the last 12 months accounting for over 70% of total sales volume. This large volume can be attributed to several large transactions including the sale of the State Farm Data Center, Residences at Prairie Flats, and the Reserve at Barry. Retail and industrial lagged behind due to several large industrial portfolio assets and a healthy volume of retail product trading in 2016.

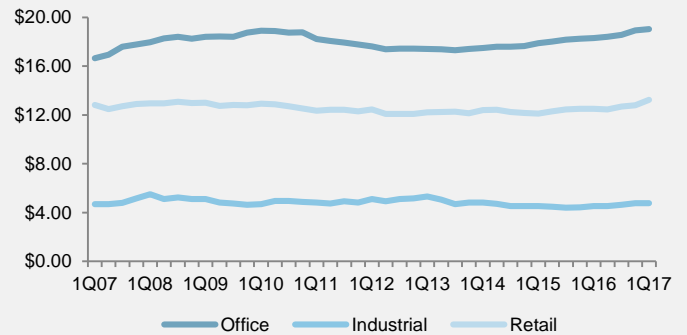
Overall market dynamics are still strong and healthy with average asking rents for all property types continuing to grow and vacancy rates steadily decreasing. Net absorption in the first quarter remained strong with just under three million square feet of office, industrial, and retail product absorbed outpacing the quarterly average over the last 12 months.

Current Conditions

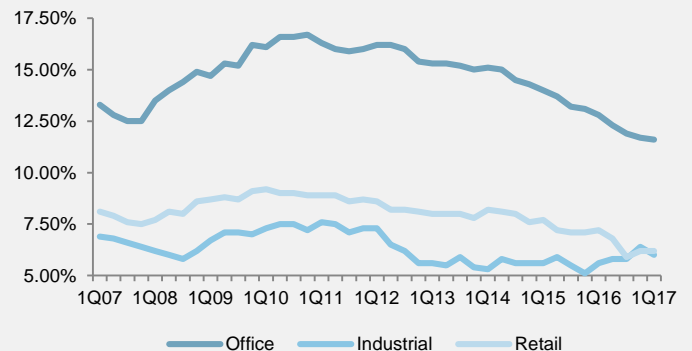
Transaction Volume – First-quarter 2017 closed with \$770.0 million in investment sales transactions located within the Kansas City metropolitan market, a 42.1% decrease compared to first-quarter 2016.

Investment Demand – For class A institutional quality product capitalization rates registered 7.0% in first-quarter 2017, an increase of 20 basis points compared to first-quarter 2016.

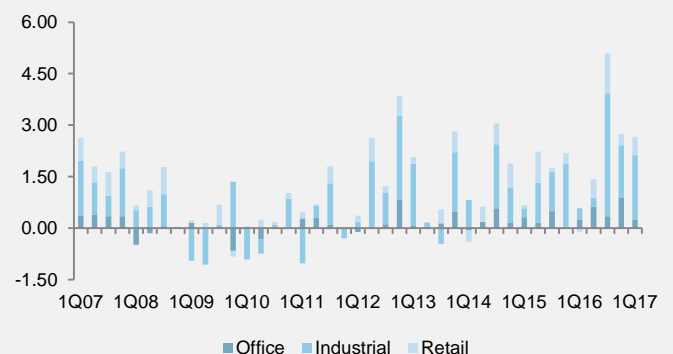
Average Asking Rent (Price/SF)



Vacancy (%)



Net Absorption (SF), in millions





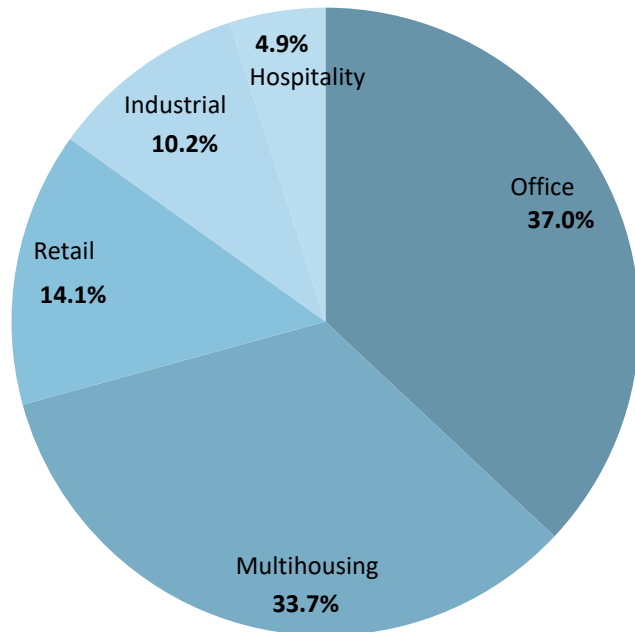
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Significant Sales Transactions | First Quarter of 2017

Sector	Building	Submarket	Sale Price	Price/SF	Square Feet
Office/Data	State Farm Data Center	South Johnson County	\$125,323,480	\$651	192,550
Multihousing	Residences at Prairie Flats	South Johnson County	\$70,083,240	\$159	442,170
Multihousing	The Reserve at Barry	Northland	\$58,250,000	\$93	625,690
Multihousing	Sandstone Creek	South Johnson County	\$48,100,000	\$121	398,260
Multihousing	Bridges at Foxridge	North Johnson County	\$28,000,000	\$52	537,300
Industrial	Lone Elm 515	South Johnson County	\$24,500,000	\$48	515,130
Hospitality	Hilton Garden Inn	South Johnson County	\$18,200,000	\$245	74,300
Office	Broadmoor Place	North Johnson County	\$15,500,000	\$133	116,920
Industrial	Amazon Pantry @ 27200 W 157 th St	South Johnson County	\$14,400,000	\$32	446,500
Industrial	11011 Lackman Road	South Johnson County	\$8,661,000	\$29	300,840
Retail	Blue Ridge Plz/Raytown Plz/Cnt 63 N & S	East Jackson County	\$4,900,000	\$29	169,140

Sales Volume by Property Type
Kansas City; 12-Month Totals

Office and multihousing properties have had the largest investment volume over the past year, totaling over 70% of activity in Kansas City.



Property Type	Volume	# of Properties
Office	\$853.3 M	51
Multihousing	\$778.6 M	38
Retail	\$326.4 M	51
Industrial	\$235.0 M	26
Hospitality	\$113.7 M	14
TOTAL	\$2.3 B	185

* Percentages based on total volume

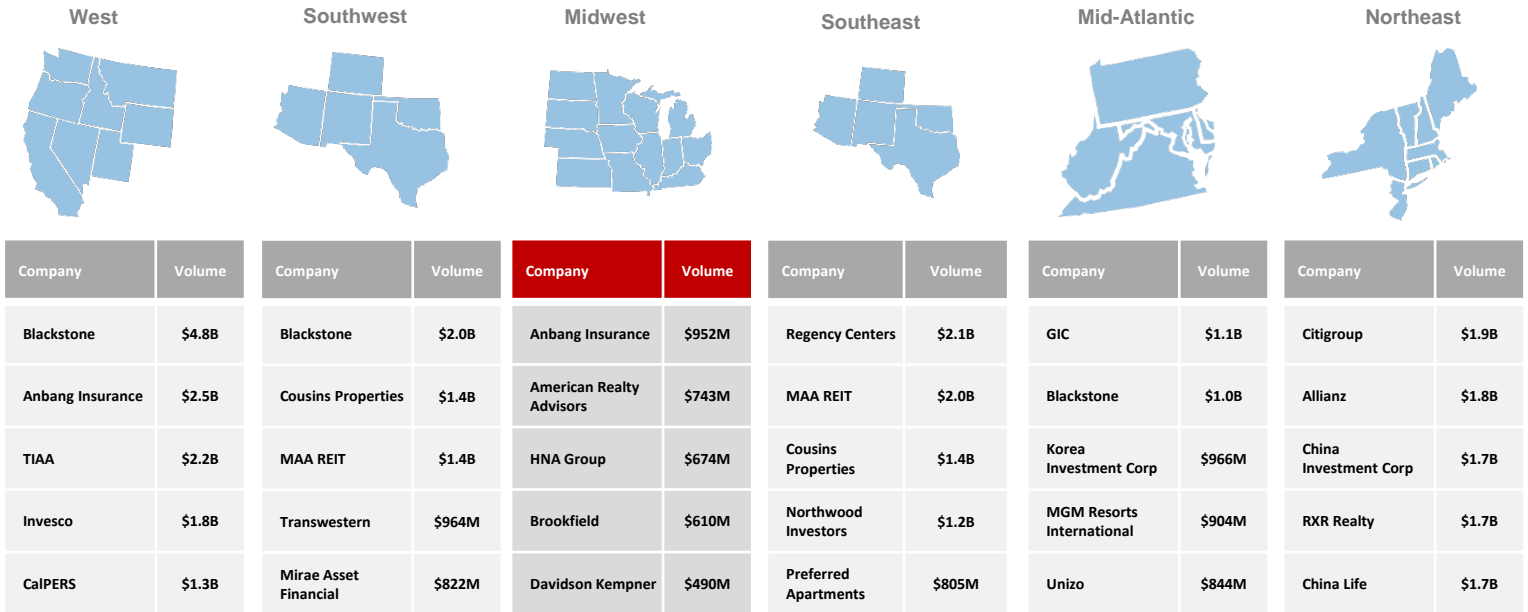
Source: Newmark Grubb Zimmer Research, Real Capital Analytics



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TOP REGIONAL Buyers

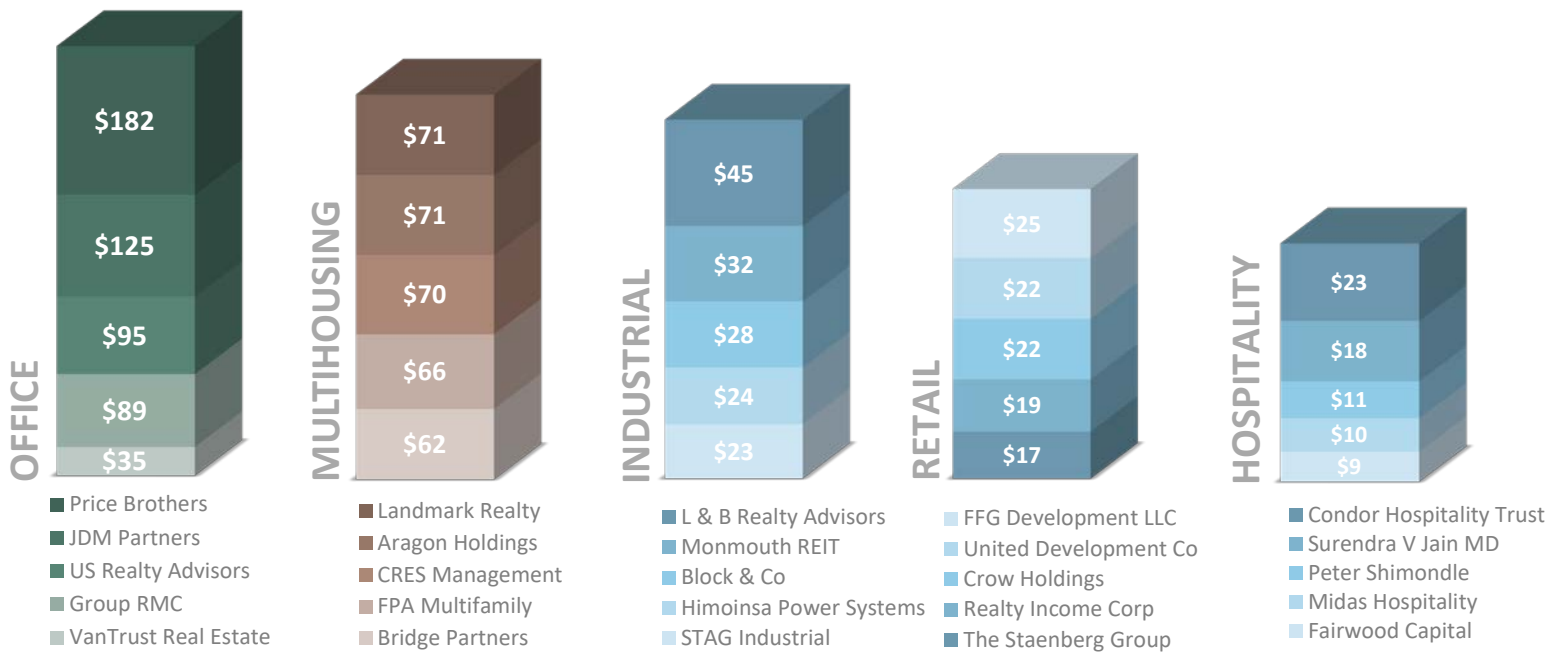
All Property Types; 12-Month Totals



Source: Newmark Grubb Zimmer Research, Real Capital Analytics

MOST ACTIVE BUYERS BY ASSET TYPE

12-Month Totals (in millions)



Source: Newmark Grubb Zimmer Research, Real Capital Analytics



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1Q 2017 CAPITAL MARKETS

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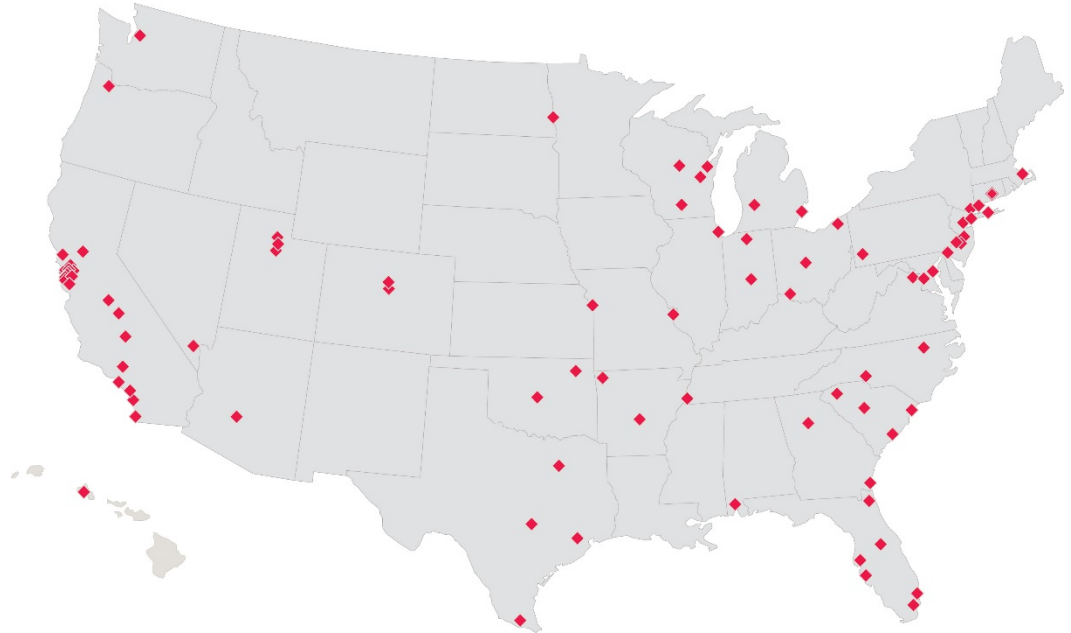
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