



**KANSAS CITY  
1Q18 OFFICE MARKET**

**VACANCY DROPS TO SINGLE DIGITS;  
LOWEST LEVEL IN 16 YEARS**

The Kansas City office market realized its 18th consecutive quarter of increased asking rental rates in the first quarter of 2018, while vacancy decreased 110 basis points over the past year, from 11.0% to 9.9%. Total net absorption in the first quarter measured 94,366 square feet, bringing the past four quarters' total to 925,241 square feet. Current projects under construction remained flat at 137,985 square feet during the quarter, as no projects delivered to the market.

**Quintiles Building Trades for \$44.6 Million to Senior Housing Properties Trust**

One of College Boulevard's key properties, the 239,370-square-foot Quintiles Building, sold for \$44.6 million, equating to \$186/SF. Newton, Massachusetts-based real estate investment trust Senior Housing Properties Trust purchased the four-story, Class B office building from the Keith Corporation, headquartered in Charlotte, North Carolina. Located on a 14.13-acre site at 6700 West 115th Street in Overland Park, the development was delivered to the market in 2006 as a build-to-suit project for Quintiles IMS, a worldwide leader in integrated information and technology-enabled healthcare. The property is currently fully occupied by Quintiles, Inc. and Honeywell. Quintiles, which occupies 74.0% of the building, signed a seven-year lease extension that will expire on December 31, 2023. Quintiles leased the space for \$18.25/SF. Honeywell, which occupies 26.0% of the building, signed a five-year lease extension that will expire on May 31, 2022. Honeywell leased the space for \$24.65/SF.

**Hallmark Cards Selects NGZ to Market Premier High-Rise Office Site in Crown Center**

Newmark Grubb Zimmer has been selected by Hallmark Cards to market a high-profile headquarters office site at Crown Center. Located at the southern end of the Crown Center complex, immediately south of the existing 2600 Grand office building, the 2.7-acre site is ideally suited to become a premier headquarters location. Owned by Hallmark Cards, Inc., the site is master-planned to be developed for a high-rise, Class A office building with up to 400,000 square feet of luxury office space. In addition, a subterranean and adjacent parking structure will accommodate up to 1,500 vehicles. Located between Main Street, Grand Boulevard and 27th Street, the high-rise will be located along the proposed Kansas City streetcar extension route, offering iconic views of Downtown Kansas City, Liberty Memorial and Union Station. The site is being offered for sale to an owner/user or developer with build-to-suit options available.

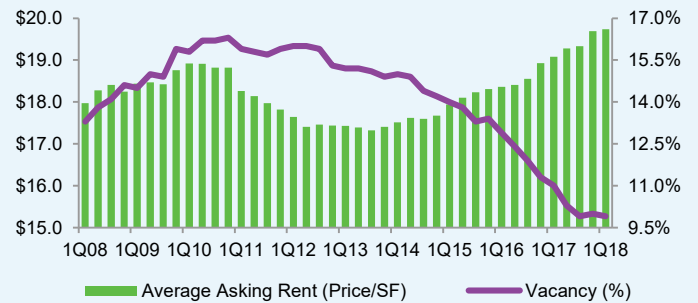
NGZ previously assisted Crown Center Redevelopment Corp. in the development of two nearby office projects, the 595,000-square-foot 2555

**Current Conditions**

- Overall market vacancy at 16-year low.
- Rental rates rise for the 18th consecutive quarter.
- Quintiles building trades for \$44.6 million to Senior Housing Properties Trust.
- Hallmark Cards selects NGZ to market 400,000 SF high rise in Crown Center.
- Mediware Information Systems, Inc. will relocate its headquarters from Lenexa to Overland Park.

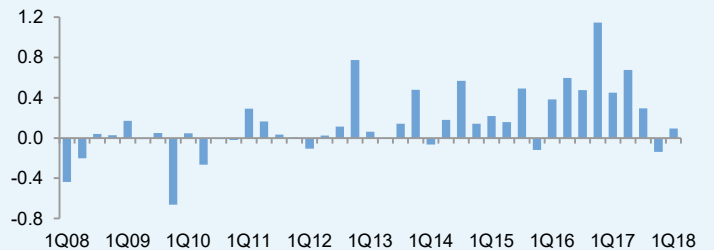
**Market Analysis**

**Asking Rent and Vacancy**



**Net Absorption**

Square Feet, Millions



**Market Summary**

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	74MSF	74MSF	73MSF	↔
Vacancy Rate	9.9%	10.0%	11.0%	↓
Quarterly Net Absorption	94,366	-136,602	448,243	↑
Average Asking Rent	\$19.74	\$19.69	\$19.08	↑
Under Construction	137,985	137,985	244,635	↔
Deliveries	0	0	243,416	↑



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Grand building and 240,000-square-foot 2301 McGee building. NGZ also assisted the Federal Reserve, providing site selection and development services for its 940,000-square-foot building located southwest of the site.

### Mediware Will Relocate its Headquarters from Lenexa to Overland Park by Mid-2019

The Lenexa-based software and human services provider firm Mediware Information Systems, Inc. announced it will relocate its headquarters from its current location at 11711 West 79th Street to CityPlace Corporate Centre III, located at 11300 Switzer Road in Overland Park. With an aggressive expansion plan for the next decade, the move is expected to keep over 100 full-time employees on the Kansas side of the state line. Occupying the top two floors of the four-story building, equating to 66,000 square feet, Mediware could receive up to \$12.4 million in abated taxes and other incentives over the next 10 years from the city of Overland Park. With projected local total employment of at least 368 workers within 10 years, the City Council approved a 10-year, 50.0% tax abatement for the occupied space. Mediware's move to the new headquarters building is expected to be completed by mid-2019.

The \$31.6 million, 125,000-square-foot CityPlace Corporate Centre III will be the first Class A office building completed within the CityPlace mixed-use development. Plans at CityPlace call for four structures offering 600,000 square feet of office space, 1,400 residential units, 140 senior living units and 40,000 square feet retail of space.

## ASKING RENTAL RATES HAVE INCREASED FOR THE PAST 18 QUARTERS, WITH AN IMPRESSIVE 110-BASIS-POINT DECREASE IN VACANCY OVER THE PAST YEAR

The Kansas City office sector started the year strong, as out-of-town institutional investors and local development entities continued to invest in the market. Sales transaction volume in the first quarter was significant, as benchmark sales, including the \$44.6 million Quintiles building, as well as midsize transactions led the way. Build-to-suit and speculative construction projects are slowly starting to occur after being nonexistent for years. Sales interest is expected to continue from major out-of-town investors. Outside the double-digit vacancies in the Downtown, Northland, South Johnson County and Wyandotte County submarkets, leasing opportunities for Class A space in Midtown/Plaza, North Johnson County, South Kansas City and Southeast Jackson County submarkets will remain tight, as vacancy currently ranges from 2.2% to 5.8%. Asking rental rates have increased for the past 18 quarters, with an impressive 110-basis-point decrease in vacancy over the past year.

### Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
University of Kansas Health System	11300 Corporate Ave	South Johnson County	New Expansion	105,000
Mediware Information Systems, Inc.	CityPlace Corp. Centre III (UConst.)	South Johnson County	New	66,000
Blue Cross & Blue Shield	2300 Main St	Downtown/Crown Center	Renewal	46,070
Edison Spaces	7900 College Blvd	South Johnson County	New	27,530

### Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
6700 W 115 <sup>th</sup> St	South Johnson County	\$44,600,000	\$186	239,370
College Oaks – Multi Prop (3)	South Johnson County	\$25,500,000	\$112	227,000
400 E Red Bridge Rd	South Kansas City	\$2,000,000	\$43	46,320
5525 W 119 <sup>th</sup> St <sup>1</sup>	South Johnson County	\$14,000,000	\$364	38,500
415 Oak St <sup>2</sup>	Downtown/Crown Center	\$2,530,000	\$153	16,500
1901 Baltimore Ave	Downtown/Crown Center	\$2,375,000	\$136	17,400
1810-1814 Cherry St	Downtown/Crown Center	\$2,100,000	\$161	13,070
3200 NE Ralph Powell Rd <sup>1</sup>	East Jackson County	\$3,800,000	\$304	12,500

<sup>1</sup>Medical office building.  
<sup>2</sup>1031 Exchange.



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## Submarket Statistics

Submarket Cluster	Class	# of Buildings	Total Inventory (SF)	Total Vacancy Rate	Qtr. Absorption (SF)	YTD Absorption (SF)	Under Construction (SF)	Total Asking Rent (FSG)
<b>Downtown/Crown Center</b>		170	19,894,810	9.90%	-48,777	-48,777	0	\$19.26
	Class A	23	7,471,940	16.60%	-127,595	-127,595	0	\$20.51
	Class B	109	10,025,513	6.40%	-11,641	-11,641	0	\$18.03
	Class C	38	2,397,357	4.00%	90,459	90,459	0	\$17.52
<b>East Jackson County</b>		78	4,091,380	4.60%	45,618	45,618	0	\$17.66
	Class A	3	250,292	8.60%	-6,037	-6,037	0	\$25.10
	Class B	48	2,649,290	5.60%	13,740	13,740	0	\$15.68
	Class C	27	1,191,798	1.50%	37,915	37,915	0	\$13.68
<b>Midtown/Plaza</b>		84	6,451,694	5.00%	-13,575	-13,575	0	\$20.76
	Class A	14	2,543,098	5.80%	-14,124	-14,124	0	\$23.15
	Class B	48	3,061,698	3.40%	7,209	7,209	0	\$21.86
	Class C	22	846,898	8.60%	-6,660	-6,660	0	\$14.58
<b>North Johnson County</b>		135	7,198,181	7.40%	190,942	190,942	60,000	\$21.16
	Class A	15	1,636,991	2.90%	185,118	185,118	60,000	\$24.64
	Class B	99	4,867,083	8.60%	3,914	3,914	0	\$19.81
	Class C	21	694,107	9.90%	1,910	1,910	0	\$18.48
<b>Northland</b>		89	6,335,822	18.10%	-9,926	-9,926	0	\$16.83
	Class A	7	880,662	25.80%	1,550	1,550	0	\$20.89
	Class B	68	4,973,289	17.50%	-4,612	-4,612	0	\$15.92
	Class C	14	481,871	10.50%	-6,864	-6,864	0	\$13.73
<b>South Johnson County</b>		271	19,315,568	10.70%	-34,132	-34,132	77,985	\$21.90
	Class A	63	7,826,396	11.40%	-92,917	-92,917	77,985	\$23.38
	Class B	193	10,395,786	10.50%	60,594	60,594	0	\$20.74
	Class C	15	1,093,386	7.90%	-1,809	-1,809	0	\$17.84
<b>South Kansas City</b>		54	6,138,599	9.40%	-36,936	-36,936	0	\$18.27
	Class A	14	3,306,781	2.70%	0	0	0	\$19.50
	Class B	37	2,736,916	17.10%	-36,936	-36,936	0	\$18.18
	Class C	3	94,902	24.20%	0	0	0	\$15.00
<b>Southeast Jackson County</b>		16	1,542,739	8.40%	-1,632	-1,632	0	\$18.72
	Class A	2	103,442	2.20%	0	0	0	\$24.50
	Class B	12	1,366,668	9.10%	-1,632	-1,632	0	\$18.77
	Class C	2	72,629	4.90%	0	0	0	\$17.50
<b>Wyandotte County</b>		40	2,545,263	13.50%	2,784	2,784	0	\$16.48
	Class A	2	301,979	69.40%	0	0	0	\$20.00
	Class B	24	1,550,053	3.70%	2,784	2,784	0	\$17.81
	Class C	14	693,231	10.90%	0	0	0	\$14.87
<b>Kansas City Market</b>		937	73,514,056	9.90%	94,366	94,366	137,985	\$19.74
	Class A	143	24,321,581	11.80%	-54,005	-54,005	137,985	\$22.20
	Class B	638	41,626,296	9.40%	33,420	33,420	0	\$18.59
	Class C	156	7,566,179	6.50%	114,951	114,951	0	\$15.42



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## Submarket Statistics – Class A

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (FSG)	Sublet Asking Rent (FSG)	Total Asking Rent (FSG)
Downtown/Crown Center	7,471,940	0	16.60%	-127,595	-127,595	\$20.87	\$17.48	\$20.51
East Jackson County	250,292	0	8.60%	-6,037	-6,037	\$22.03	\$26.09	\$25.10
Midtown/Plaza	2,543,098	0	5.80%	-14,124	-14,124	\$23.31	\$22.20	\$23.15
North Johnson County	1,636,991	60,000	2.90%	185,118	185,118	\$24.64	-	\$24.64
Northland	880,662	0	25.80%	1,550	1,550	\$20.84	\$28.00	\$20.89
South Johnson County	7,826,396	77,985	11.40%	-92,917	-92,917	\$23.72	\$20.72	\$23.38
South Kansas City	3,306,781	0	2.70%	0	0	\$19.50	-	\$19.50
Southeast Jackson County	103,442	0	2.20%	0	0	\$24.50	-	\$24.50
Wyandotte County	301,979	0	69.40%	0	0	\$20.00	-	\$20.00
<b>Kansas City Market</b>	<b>24,321,581</b>	<b>137,985</b>	<b>11.80%</b>	<b>-54,005</b>	<b>-54,005</b>	<b>\$22.38</b>	<b>\$20.59</b>	<b>\$22.20</b>

## Submarket Statistics – Class B

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (FSG)	Sublet Asking Rent (FSG)	Total Asking Rent (FSG)
Downtown/Crown Center	10,025,513	0	6.40%	-11,641	-11,641	\$17.96	\$19.39	\$18.03
East Jackson County	2,649,290	0	5.60%	13,740	13,740	\$15.68	-	\$15.68
Midtown/Plaza	3,061,698	0	3.40%	7,209	7,209	\$21.86	-	\$21.86
North Johnson County	4,867,083	0	8.60%	3,914	3,914	\$19.80	\$18.71	\$19.81
Northland	4,973,289	0	17.50%	-4,612	-4,612	\$16.01	\$13.02	\$15.92
South Johnson County	10,395,786	0	10.50%	60,594	60,594	\$20.77	\$19.88	\$20.74
South Kansas City	2,736,916	0	17.10%	-36,936	-36,936	\$18.63	\$15.43	\$18.18
Southeast Jackson County	1,366,668	0	9.10%	-1,632	-1,632	\$18.77	-	\$18.77
Wyandotte County	1,550,053	0	3.70%	2,784	2,784	\$17.81	-	\$17.81
<b>Kansas City Market</b>	<b>41,626,296</b>	<b>0</b>	<b>9.40%</b>	<b>33,420</b>	<b>33,420</b>	<b>\$18.65</b>	<b>\$17.27</b>	<b>\$18.59</b>



**KANSAS CITY  
1Q18 OFFICE MARKET**

**ECONOMIC CONDITIONS**

The local economy continued to improve through February, with total employment growth of 1.6% and positive growth occurring in seven out of ten industries, calculated on a 12-month percent change basis.

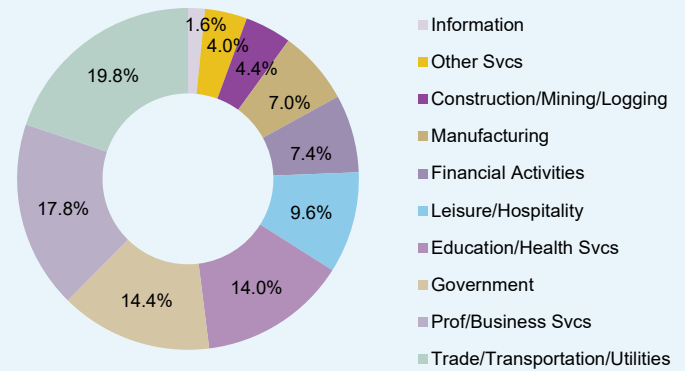
Payroll employment in Kansas City decreased 20 basis points compared to the prior year registering 1.6% in February 2018. The national average also decreased 20 basis points to 1.6%. Both indices have realized positive 12-month percent changes since August 2010.

The Consumer Price Index (CPI) for the United States decreased 50 basis points to 2.2% over the past year. The Midwest Urban CPI decreased 70 basis points to 1.7% in February 2018.

Unemployment in the United States remained flat at 4.1% in February, while unemployment in Kansas City decreased 20 basis points to 3.5% over the past quarter. Unemployment in Kansas City decreased 60 basis points from a year prior.

**Employment By Industry**

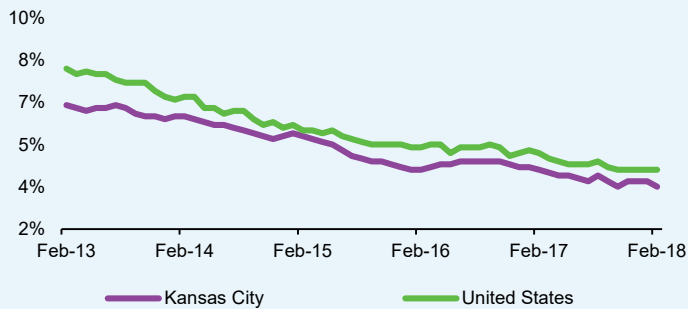
Kansas City, February 2018



Source: U.S. Bureau of Labor Statistics

**Unemployment Rate**

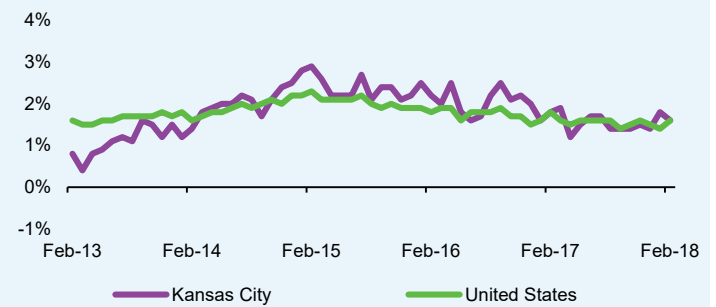
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

**Payroll Employment**

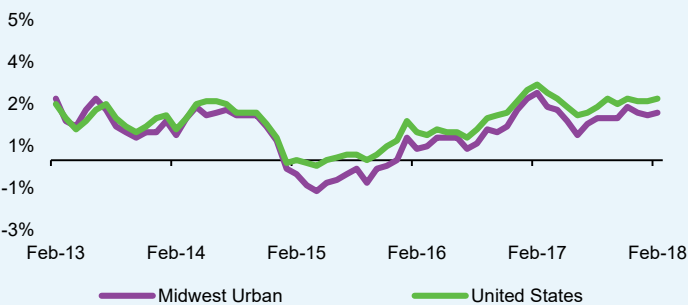
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics,

**Consumer Price Index (CPI)**

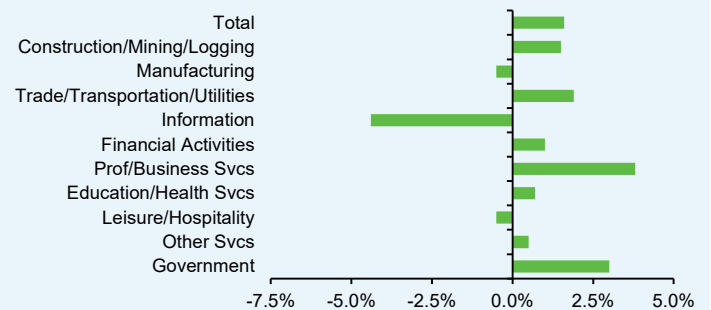
All Items, 12-Month % Change, Not Seasonally Adjusted, 1982-84=100



Source: U.S. Bureau of Labor Statistics

**Employment Growth by Industry**

Kansas City, February 2018, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics



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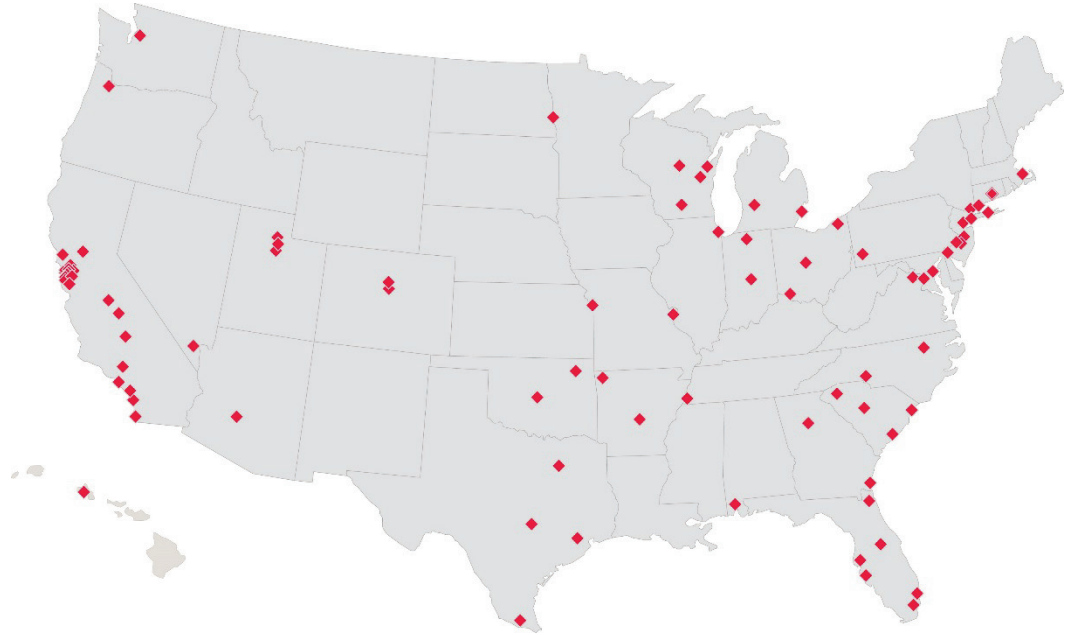
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