



**KANSAS CITY  
2Q17 OFFICE MARKET**

**RENTAL RATES RISE FOR THE  
15TH CONSECUTIVE  
QUARTER AS VACANCY  
SETS NEW LOW**

The Kansas City office market realized its 15th consecutive quarter of increased asking rental rates in the second quarter of 2017, while vacancy decreased 190 basis points over the past year, from 12.4% to 10.5%. Total net absorption in the first quarter measured 633,834 square feet, as projects under construction decreased to 210,000 square feet.

**Valencia Place Trades for Approximately \$75.2 Million to Price Brothers**

One of the Country Club Plaza's iconic buildings, the 251,340-square-foot Valencia Place, sold for approximately \$75.2 million, equating to \$299/SF. Overland Park-based Price Brothers purchased the 10-story, Class A lifestyle center property from the joint venture of the Taubman Centers, Inc. and The Macerich Company, which had purchased the Country Club Plaza in 2016 for \$660.0 million cash, excluding transaction costs. Located at 444 West 47th Street, Valencia Place was built in 2000 and currently houses the corporate headquarters of Lockton Cos. Inc., which is leased through 2030. Valencia Place is the largest project developed in the Country Club Plaza and also includes Banana Republic, McCormick & Schmick's restaurant, Robert W. Baird & Co., Inc. and Valencia Endodontics, LLC, as well as a six-level, 1,500-vehicle underground parking garage.

**Co-Working Space Coming to Corrigan Station as WeWork Leases 44,000 Square Feet; Techstars Leases Space**

Corrigan Station received another significant tenant commitment, as WeWork announced it would open its first office in the Kansas City metro at the redeveloped property. The global co-working firm will officially open more than 44,000 square feet in August 2017 in the Crossroads Arts District. With an estimated 750 jobs at maximum capacity in the WeWork space, a portion of the four-story collaborative space will be occupied by Boulder-based Techstars Kansas City for its new accelerator facility. The global accelerator and investment firm will occupy space on the fifth floor and currently possesses a network of 28 programs with more than 3,000 mentors. The \$42.0 million Corrigan Station project was developed on a speculative basis but was 90.0% occupied within a month of opening. Corrigan Station is now home to Hollis + Miller, Holmes Murphy and WeWork, offering 110,000 square feet of Class A office space in the 10-story tower.

**Terracon will Construct \$21.0 Million Corporate Headquarters in Olathe**

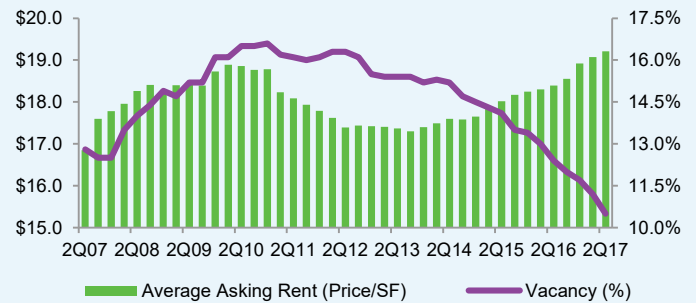
Terracon announced plans to construct a new corporate headquarters in Olathe, Kansas, just south of its current leased location at Corporate Ridge Office Park. The engineering consulting firm, currently located in

**Current Conditions**

- Rental rates rise for 15th consecutive quarter as vacancy drops to new low.
- Valencia Place trades for approx. \$75.2M to Price Brothers.
- WeWork and Techstars lease space at Corrigan Station.
- Terracon will construct \$21.0 M HQ in Olathe.
- Prospective 400,000 SF tenant at Brookridge development.
- Speculative 34,560 SF building planned in Shawnee.

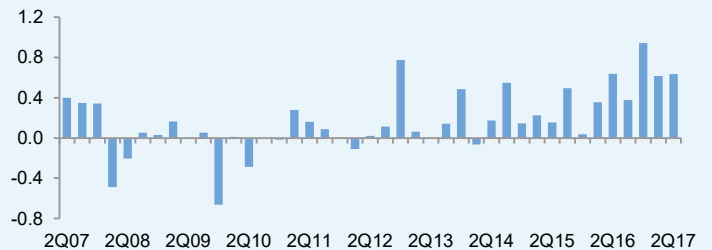
**Market Analysis**

**Asking Rent and Vacancy**



**Net Absorption**

Square Feet, Millions



**Market Summary**

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	73MSF	73MSF	72MSF	↔
Vacancy Rate	10.5%	11.2%	12.4%	↓
Quarterly Net Absorption	633,834	616,069	635,959	↑
Average Asking Rent	\$19.21	\$19.07	\$18.39	↑
Under Construction	210,000	376,650	1,284,113	↔
Deliveries	166,650	243,416	310,000	↑



## KANSAS CITY 2Q17 OFFICE MARKET

Corporate Ridge II at 18001 West 106th Street, will invest \$21.0 million and expand its footprint out to 65,000 square feet to accommodate its estimated 10% to 15% annual growth rate. By keeping nearly 200 jobs in Olathe, employee-owned Terracon will receive both state and local level incentives, including a 10-year, 65.0% property tax abatement. Construction of the two-story building is estimated to complete by the first quarter of 2018.

### Prospective 400,000-Square-Foot Tenant Could Reshape Brookridge Mixed-Use Development

The Brookridge mixed-use development in Overland Park may have the unique opportunity to land a 400,000-square-foot tenant, providing an immediate boost to the \$1.8 billion planned project. Plans were recently altered and approved by the Overland Park City Council to include a 12-story, Class A, 400,000-square-foot office tower to accommodate the tenant, speculated to be Lenexa-based Kiewit Engineering Group, Inc. Developers for the project estimated the tower could be completed by second-quarter 2019 if incentives are approved on schedule.

### Speculative 34,560-Square-Foot Building Planned in North Johnson County

A 34,560-square-foot office building will be built on a speculative basis, anchoring the \$15.5 million Stag's Creek mixed-use project in Shawnee, Kansas. The three-story, \$7.5 million structure will be built on the northwest corner of Goddard and Shawnee Mission Parkway at 10900 Shawnee Mission Parkway, becoming one of a few marquee properties along Interstate 35 between Lenexa and Downtown. The office structure is offering space for rent at \$24.00/SF to \$28.00/SF and is expected to deliver in fourth-quarter 2017.

## RENTAL RATES WILL CONTINUE TO CLIMB SLOWLY AS VACANCY WILL DROP AT A HEALTHY PACE DUE TO THE LACK OF NEW PRODUCT AND DIMINISHING SPACE ALTERNATIVES

The Kansas City office market has enjoyed a strong first half of the year, attracting sales interest from corporations and out-of-town investors, as well as decent leasing activity, especially in the Downtown/Crown Center submarket. Rental rates will continue to climb slowly as vacancy will drop at a healthy pace due to the lack of new product and diminishing space alternatives currently in the market. Construction levels and non-owner-occupied deliveries will remain sparse, but expect solid sales and leasing activity to continue for the remainder of 2017. Leasing opportunities for Class B space in the Downtown/Crown Center, Midtown/Plaza, Southeast Jackson County and Wyandotte County submarkets remain tight, as vacancy ranges from 5.0% to 7.9%.

### Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Sprint	6330 Sprint Pkwy	South Johnson County	Renewal	178,670
Spring Venture Group	120 W 12 <sup>th</sup> St	Downtown/Crown Center	New	130,000
Crestwood	2400 E Pershing Rd	Downtown/Crown Center	New	51,400
WeWork	1828 Walnut St	Downtown/Crown Center	New	44,000
Pioneer Financial Services	4770 Belleview Ave	Midtown/Plaza	Renewal	33,030
Mariner Holdings, Inc.	5700 W 112 <sup>th</sup> St	South Johnson County	Expansion	31,250
Lathrop & Gage LLP	10851 Mastin Blvd	South Johnson County	Renewal	26,490

### Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
444-450 W 47 <sup>th</sup> St <sup>1</sup>	Midtown/Plaza	\$75,200,000	\$299	251,340
600 SW Jefferson St	Southeast Jackson County	\$2,095,000	\$71	29,500
2741 NE McBaine Dr <sup>2</sup>	East Jackson County	\$3,050,000	\$194	15,700
6710 W 121 <sup>st</sup> St	South Johnson County	\$1,950,000	\$162	12,060

<sup>1</sup>Mixed-use Lifestyle Center  
<sup>2</sup>Medical Office Space



# KANSAS CITY 2Q17 OFFICE MARKET

www.ngzimmer.com

## 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>		169	19,688,503	10.10%	254,235	589,616	0	\$18.52
	Class A	22	7,097,368	17.10%	88,368	119,123	0	\$20.11
	Class B	107	10,119,907	5.80%	164,797	484,243	0	\$17.29
	Class C	40	2,471,228	7.60%	1,070	-14,820	0	\$16.14
<b>East Jackson County</b>		81	4,179,900	9.50%	128,962	231,756	0	\$17.07
	Class A	3	250,292	5.70%	-10,485	-10,485	0	\$25.07
	Class B	50	2,713,810	12.70%	121,249	218,341	0	\$15.59
	Class C	28	1,215,798	3.20%	18,198	23,900	0	\$11.87
<b>Midtown/Plaza</b>		85	6,501,502	6.50%	168,758	155,569	0	\$19.37
	Class A	14	2,542,906	5.20%	22,607	13,349	0	\$23.55
	Class B	48	3,061,698	5.00%	151,951	151,020	0	\$20.82
	Class C	23	896,898	15.80%	-5,800	-8,800	0	\$14.29
<b>North Johnson County</b>		136	7,253,957	10.80%	-66,496	-23,920	0	\$20.82
	Class A	15	1,636,991	14.30%	-29,738	-24,130	0	\$26.34
	Class B	100	4,922,859	10.10%	-36,758	4,404	0	\$19.07
	Class C	21	694,107	7.60%	0	-4,194	0	\$15.78
<b>Northland</b>		88	6,312,029	18.20%	10,024	27,243	0	\$16.38
	Class A	7	880,662	26.10%	1,354	744	0	\$19.84
	Class B	67	4,939,293	17.70%	8,793	25,048	0	\$15.62
	Class C	14	492,074	9.60%	-123	1,451	0	\$14.41
<b>South Johnson County</b>		271	19,087,573	10.20%	-102,997	80,933	210,000	\$21.51
	Class A	61	7,560,923	11.40%	-57,399	57,993	210,000	\$23.45
	Class B	194	10,411,523	9.50%	-122,375	-51,575	0	\$20.08
	Class C	16	1,115,127	7.70%	76,777	74,515	0	\$17.28
<b>South Kansas City</b>		54	6,137,665	8.50%	269,484	227,078	0	\$18.75
	Class A	14	3,306,781	2.70%	260,041	257,940	0	\$20.30
	Class B	37	2,735,982	16.00%	9,443	-30,862	0	\$18.37
	Class C	3	94,902	0.00%	0	0	0	\$15.00
<b>Southeast Jackson County</b>		17	1,582,826	7.70%	-39,490	-39,246	0	\$18.56
	Class A	2	103,442	6.40%	-2,251	-2,251	0	\$24.50
	Class B	13	1,406,755	7.90%	-37,239	-36,995	0	\$19.32
	Class C	2	72,629	4.90%	0	0	0	\$11.12
<b>Wyandotte County</b>		38	2,493,263	14.10%	11,354	874	0	\$18.25
	Class A	2	301,979	69.40%	0	-17,005	0	\$20.00
	Class B	24	1,550,053	6.40%	5,680	7,750	0	\$16.67
	Class C	12	641,231	6.80%	5,674	10,129	0	\$14.77
<b>Kansas City Market</b>		939	73,237,218	10.50%	633,834	1,249,903	210,000	\$19.21
	Class A	140	23,681,344	12.60%	272,497	395,278	210,000	\$21.78
	Class B	640	41,861,880	9.80%	265,541	771,374	0	\$18.14
	Class C	159	7,693,994	7.80%	95,796	83,251	0	\$14.42



# KANSAS CITY 2Q17 OFFICE MARKET

## 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	7,097,368	0	17.10%	88,368	119,123	\$20.30	\$17.79	\$20.11
East Jackson County	250,292	0	5.70%	-10,485	-10,485	\$22.05	\$26.09	\$25.07
Midtown/Plaza	2,542,906	0	5.20%	22,607	13,349	\$23.56	\$22.00	\$23.55
North Johnson County	1,636,991	0	14.30%	-29,738	-24,130	\$26.34	-	\$26.34
Northland	880,662	0	26.10%	1,354	744	\$19.78	\$28.00	\$19.84
South Johnson County	7,560,923	210,000	11.40%	-57,399	57,993	\$23.87	\$20.26	\$23.45
South Kansas City	3,306,781	0	2.70%	260,041	257,940	\$20.30	-	\$20.30
Southeast Jackson County	103,442	0	6.40%	-2,251	-2,251	\$24.50	-	\$24.50
Wyandotte County	301,979	0	69.40%	0	-17,005	\$20.00	-	\$20.00
<b>Kansas City Market</b>	<b>23,681,344</b>	<b>210,000</b>	<b>12.60%</b>	<b>272,497</b>	<b>395,278</b>	<b>\$21.88</b>	<b>\$20.86</b>	<b>\$21.78</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	10,119,907	0	5.80%	164,797	484,243	\$17.28	\$19.50	\$17.29
East Jackson County	2,713,810	0	12.70%	121,249	218,341	\$15.59	-	\$15.59
Midtown/Plaza	3,061,698	0	5.00%	151,951	151,020	\$20.84	\$17.91	\$20.82
North Johnson County	4,922,859	0	10.10%	-36,758	4,404	\$19.14	\$16.96	\$19.07
Northland	4,939,293	0	17.70%	8,793	25,048	\$15.58	\$23.54	\$15.62
South Johnson County	10,411,523	0	9.50%	-122,375	-51,575	\$19.99	\$20.11	\$20.08
South Kansas City	2,735,982	0	16.00%	9,443	-30,862	\$18.56	\$17.41	\$18.37
Southeast Jackson County	1,406,755	0	7.90%	-37,239	-36,995	\$19.32	-	\$19.32
Wyandotte County	1,550,053	0	6.40%	5,680	7,750	\$16.67	-	\$16.67
<b>Kansas City Market</b>	<b>41,861,880</b>	<b>0</b>	<b>9.80%</b>	<b>265,541</b>	<b>771,374</b>	<b>\$18.09</b>	<b>\$18.88</b>	<b>\$18.14</b>



**KANSAS CITY  
2Q17 OFFICE MARKET**

**ECONOMIC CONDITIONS**

The local economy continued to improve through May, with total employment growth of 1.9% and positive growth occurring in eight out of ten industries, calculated on a 12-month percent change basis.

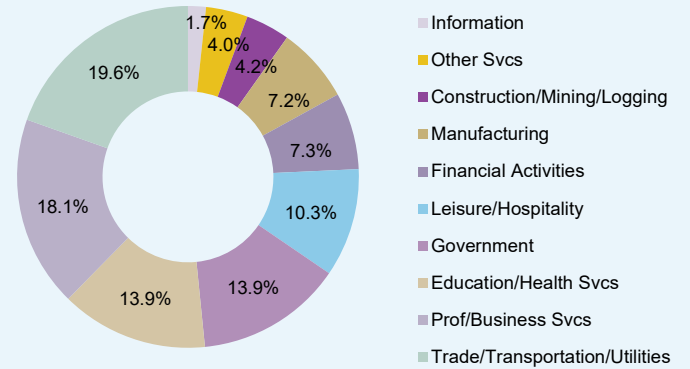
Payroll employment in Kansas City increased 10 basis points compared to the prior year registering 1.9% in May 2017. The national average decreased 10 basis points to 1.5%. Both indices have realized positive 12-month percent changes since August 2010.

The Consumer Price Index (CPI) for the United States increased 90 basis points to 1.9% over the past year. The Midwest Urban CPI increased 60 basis points to 1.4% in May 2017.

Unemployment in the United States decreased 40 basis points to 4.3% in May, while unemployment in Kansas City decreased 20 basis points to 3.9% over the past quarter. Unemployment in Kansas City decreased 40 basis points from a year prior.

**Employment By Industry**

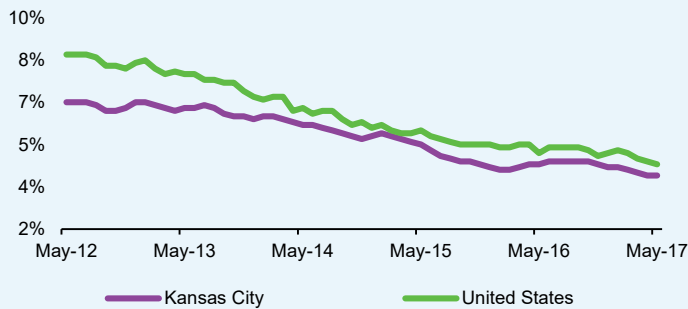
Kansas City, May 2017



Source: U.S. Bureau of Labor Statistics

**Unemployment Rate**

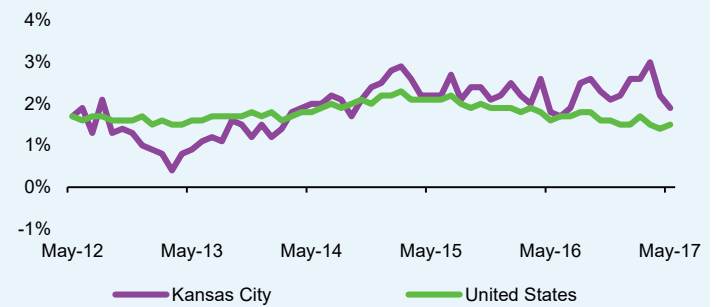
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

**Payroll Employment**

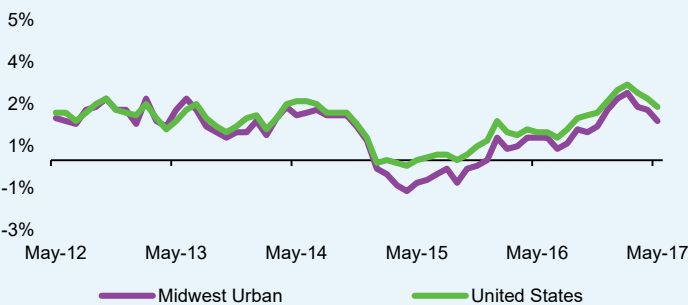
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics,

**Consumer Price Index (CPI)**

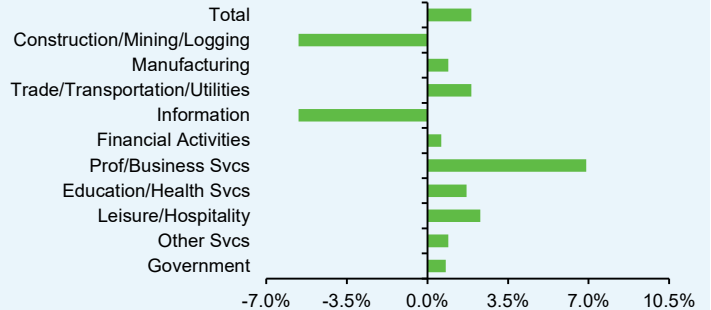
All Items, 12-Month % Change, Not Seasonally Adjusted, 1982-84=100



Source: U.S. Bureau of Labor Statistics

**Employment Growth by Industry**

Kansas City, May 2017, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics




---

**Kansas City, MO**

1220 Washington Street  
Suite 300  
Kansas City, MO 64105  
816.474.2000

**Lee's Summit, MO**

1485 SW Market Street  
Lee's Summit, MO 64081  
816.474.2000

**St. Louis, MO**

8235 Forsyth Boulevard  
Suite 310  
Clayton, MO 63105  
314.254.4600

**Salina, KS**

P.O. Box 3224  
Salina, KS 67402  
785.342.9106

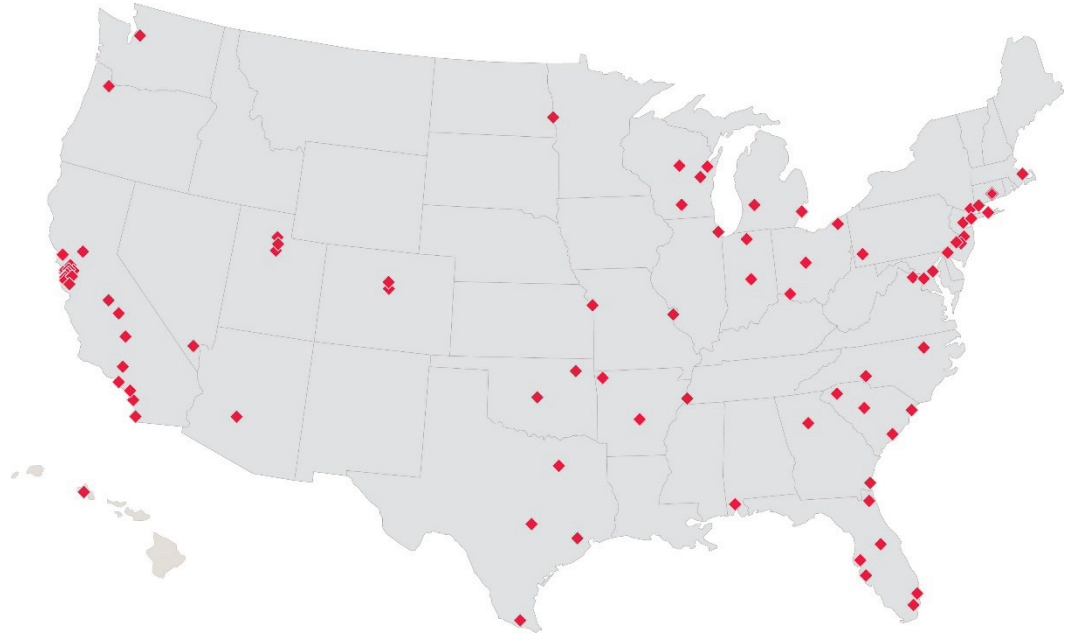
---

**Mark C. Long, SIOR, CCIM, LEED AP**

Executive Managing Director, Principal  
Kansas City  
816.512.1011  
mlong@ngzimmer.com

**Andrew J. Garten**

Director, Research  
816.474.2000  
agarten@ngzimmer.com

**Newmark Knight Frank United States Office Locations**


**Newmark Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents.**

Newmark Knight Frank Research Reports are also available at [www.ngkf.com/research](http://www.ngkf.com/research)

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark Knight Frank (NKF) has not verified any such information, and the same constitutes the statements and representations only of the source thereof, and not of NKF. Any recipient of this publication should independently verify such information and all other information that may be material to any decision that recipient may make in response to this publication, and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial, and tax aspects and implications.

Any recipient of this publication may not, without the prior written approval of NKF, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains.