



**KANSAS CITY
4Q17 CAPITAL MARKETS**

**OFFICE SECTOR LEADS
INVESTMENT SALE ACTIVITY
IN 4Q17**

The Kansas City market enjoyed solid investment activity in 2017 realizing a slight increase of 1.4% in total sales when compared to 2016. As a leading second-tier market, the Kansas City metropolitan area ranked fourth out of the largest nine Midwest markets in total sales volume during the past twelve months. Capitalization rates have fallen for the 13th consecutive quarter to pre-recession lows, dropping 10 basis points from the past 12 months. Total net absorption across the industrial, office and retail sectors combined has decreased the past five quarters while vacancy has remained relatively flat over the past year in both the industrial and retail sectors. Multihousing and office assets led the way in the third quarter and over the last 12 months accounting for over 62% of total sales volume.

Over the last 12 months, the sales volume for all property types registered \$3.0 billion. Several national institutional and longstanding local owners have taken advantage of this market opportunity to explore potential sales and reposition capital. This has resulted in several high profile properties trading in the fourth quarter of 2017.

Leading an active quarter for the office sector, the largest transaction was the \$45.0 million sale of 8900 Renner Boulevard in the North Johnson County submarket. The two-building portfolio completed between 2012 and 2014 was acquired by Kiewit Power Constructors from Lexmark International. Kiewit is expected to construct a third tower on the additional land acquired in the sale. Another benchmark transaction occurred in the Crown Center submarket as 2323 Grand traded for \$32.0 million, or \$100/SF. Stanton Road Capital, a Los Angeles-based investment management firm purchased the tower from Assurant Inc. The property was 83.0% leased at the time of sale with a long-term lease recently signed by Sun Life Financial Services Co. Inc. Additional office transactions during the quarter include the Mid America Surgery Institute at Menorah in South Johnson County for \$14.0 million; Two Brush Creek Building in the Country Club Plaza for \$10.3 million, which will be redeveloped into a high-end senior living community; 5200 West 110th Street in South Johnson County for \$6.3 million and 908 Broadway in Downtown for \$5.1 million.

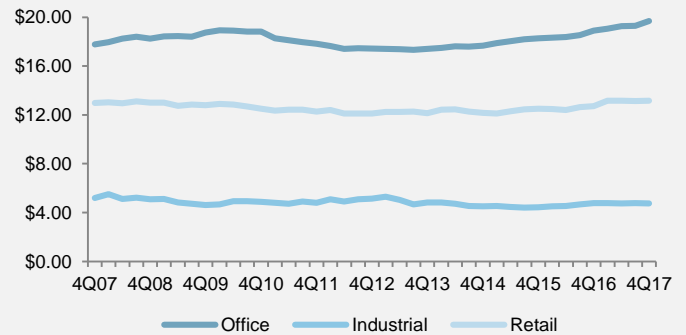
We remain optimistic about the outlook for the investment sales and capital markets sector in Kansas City. With multiple sources of available debt capital and a variety of potential deals that can satisfy varying levels of risk tolerance and return requirements, Kansas City will continue to realize steady activity over the next four quarters, thus maintaining current acquisition volumes.

Current Conditions

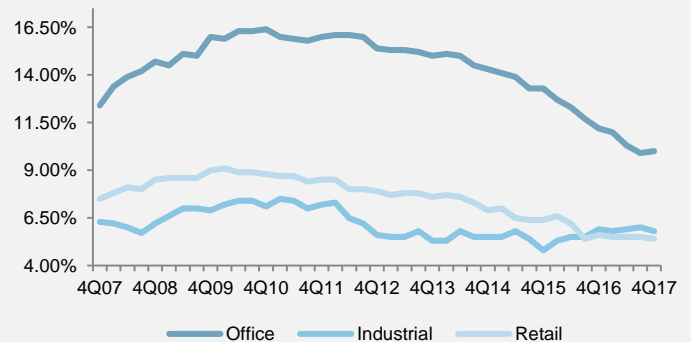
Transaction Volume – The past 12 months, ending fourth-quarter 2017, closed with \$3.0 billion in investment sales transactions located within the Kansas City metropolitan market, a 1.4% increase compared to the 12 months ending fourth-quarter 2016.

Investment Demand – For class A institutional quality product capitalization rates registered 6.0% in fourth-quarter 2017, a decrease of 10 basis points compared to fourth-quarter 2016.

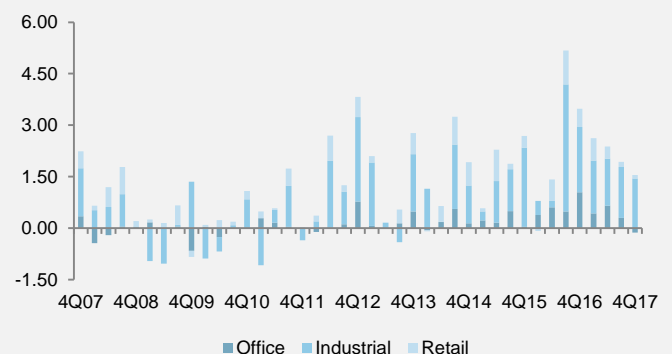
Average Asking Rent (Price/SF)



Vacancy (%)



Net Absorption (SF), in millions





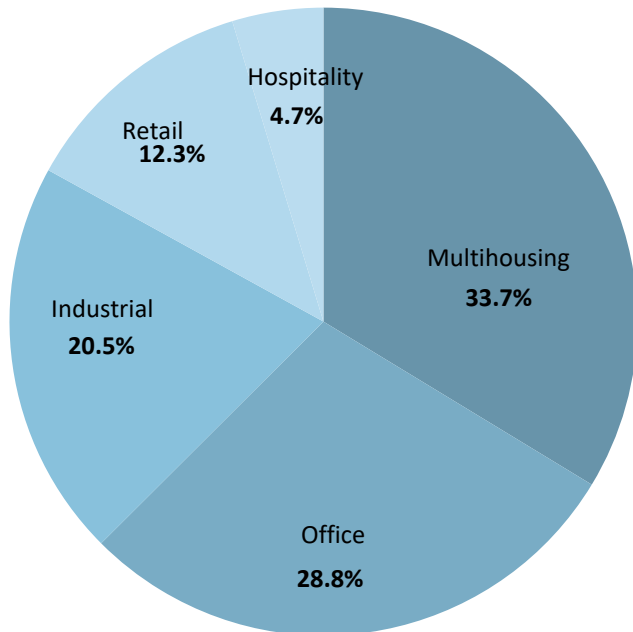
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Significant Sales Transactions | Fourth Quarter of 2017

Sector	Building	Submarket	Sale Price	Price/SF	Square Feet
Office	8900 Renner Boulevard	North Johnson County	\$45,000,000	\$207	217,910
Multihousing	Greenwood Reserve Apartments	South Johnson County	\$38,250,000	\$124	308,770
Multihousing	Haven Apartments	South Jackson County	\$36,200,000	\$104	347,850
Office	Assurant Bldg 2323 Grand Boulevard	Crown Center	\$32,000,000	\$100	320,980
Self-Storage	6410 Vista Drive	North Johnson County	\$23,480,000	\$88	268,090
Multihousing	Prairie Lakes Apartments	North Johnson County	\$20,800,000	\$81	256,460
Multihousing	Walnut Tower	Downtown	\$18,000,000	\$131	137,280
Office	Mid America Surgery Institute at Menorah	South Johnson County	\$14,000,000	\$364	38,500
Office	Two Brush Creek Building	Country Club Plaza	\$10,300,000	\$153	67,420
Retail	Parkway Shopping Center	North Johnson County	\$9,025,000	\$102	88,480
Office	5200 W 110 th Street	South Johnson County	\$6,300,000	\$123	51,180
Office	908 Broadway	Downtown	\$5,108,000	\$160	32,000
Hospitality	7333 NE Parvin Road Ramada	Clay County	\$4,200,000	\$29	142,740

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

Multihousing and office properties have had the largest investment volume over the past year, totaling over 62% of activity in Kansas City.



Property Type	Volume	# of Properties
Multihousing	\$1.0 B	58
Office	\$860.5 M	55
Industrial	\$611.4 M	45
Retail	\$367.1 M	55
Hospitality	\$140.0 M	15
TOTAL	\$3.0 B	228

* Percentages based on total volume

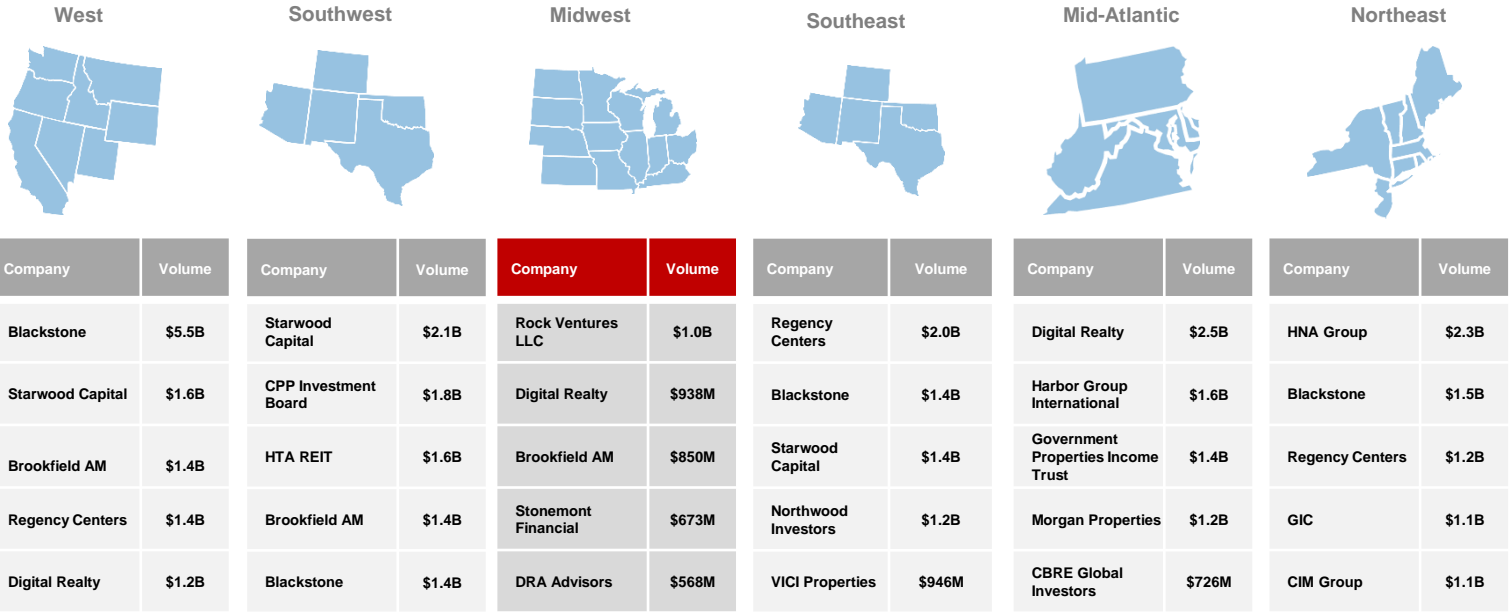
Source: Newmark Grubb Zimmer Research, Real Capital Analytics



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TOP REGIONAL BUYERS

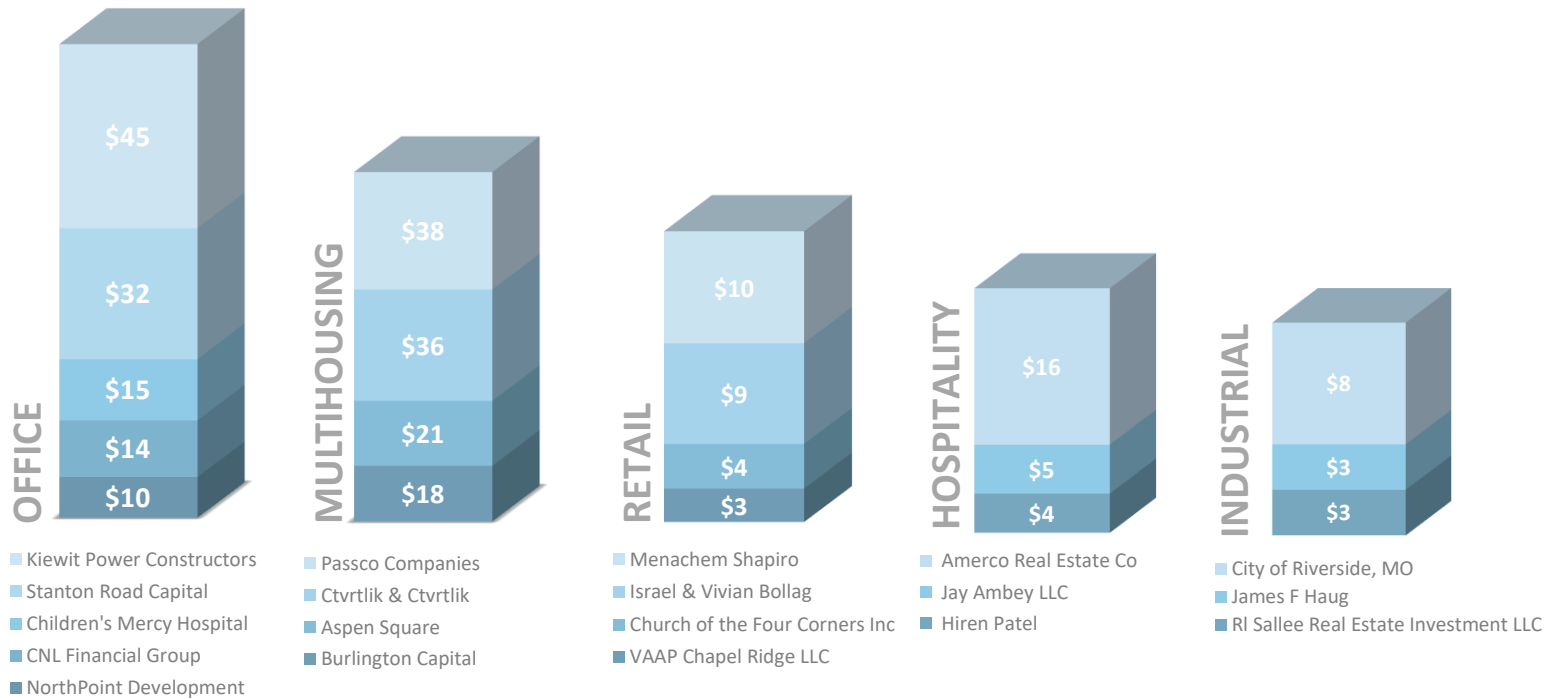
All Property Types; 12-Month Totals



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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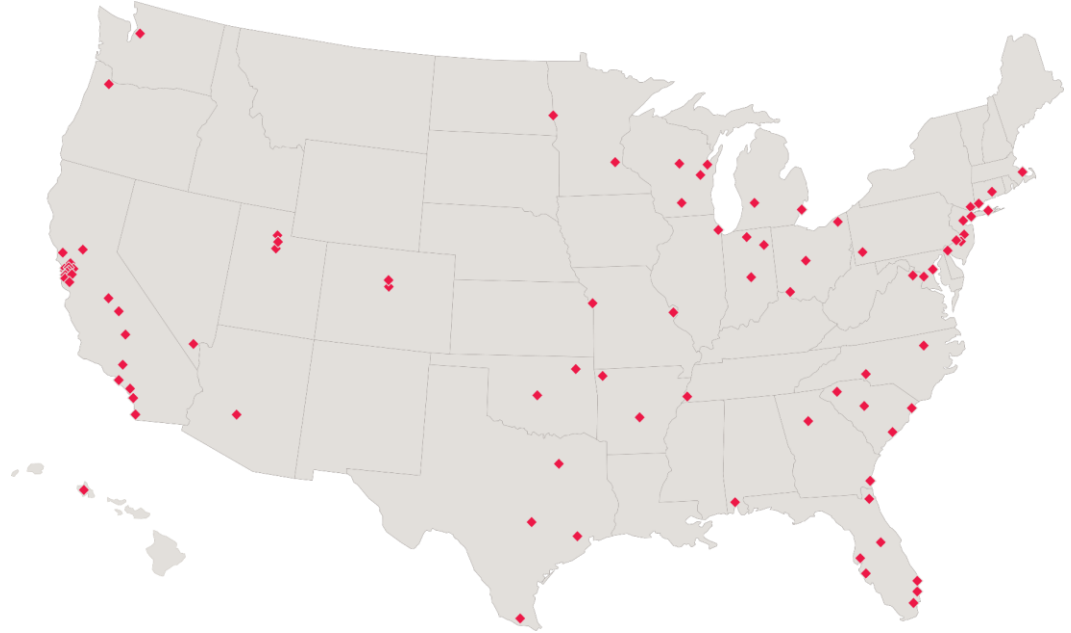
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