

KANSAS CITY CAPITAL MARKETS

DECENT ACTIVITY IN OFFICE AND RETAIL SECTORS DURING Q2 LEADS TO \$2.5 BILLION IN SALES ACTIVITY DURING PAST YEAR

The Kansas City market enjoyed decent investment activity, realizing a slight decrease of 0.4% in total sales when compared to a year prior. As a leading second-tier market, the Kansas City metropolitan area ranked seventh out of the largest nine Midwest markets in total sales volume during the past twelve months. Capitalization rates increased for the first time in 14 quarters, rising 30 basis points from the past 12 months. Total net absorption across the industrial, office and retail sectors combined has decreased the past seven quarters while vacancy has remained relatively flat over the past year in both the industrial and retail sectors. Multi-housing and office assets led the way over the last 12 months accounting for 63% of total sales volume.

Over the last 12 months, the sales volume for all property types registered \$2.5 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 second quarter of 2018.

Investment sales in the office sector were active during the quarter, with the largest transaction occurring in the Northland submarket as 11155 North Airworld Drive sold for \$32.2 million. The 235,090-square-foot office building, completed in 1994, was acquired by Lincoln Property Co. from Bank of America. The second largest transaction occurred on the Country Club Plaza as the Jack Henry building traded for \$21.1 million, or \$234/SF. Located at 612 West 47th Street, JH Investors purchased the building from 612 Plaza Building, Inc. The third largest transaction, located at 4000 West 114th Street in Leawood, Timberlands at Tomahawk Creek traded for \$12.5 million, or \$138/SF. Tower Properties purchased the three-story property from Citi 2006-CS – LNR Partners. The fourth largest transaction during the quarter was the sale of the Hilton Garden Inn. The 86,170-square-foot hospitality property traded for \$12.1 million as Peachtree Hotel Group acquired the hotel from Fairwood Capital. The fifth largest transaction, located at 9400 East State Route 350 in Raytown, Raytown Square Shopping Center Hy-Vee traded for \$11.4 million, or \$171/SF. Apollo Global Real Estate purchased the 66,900-square-foot property from H&R REIT.

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.

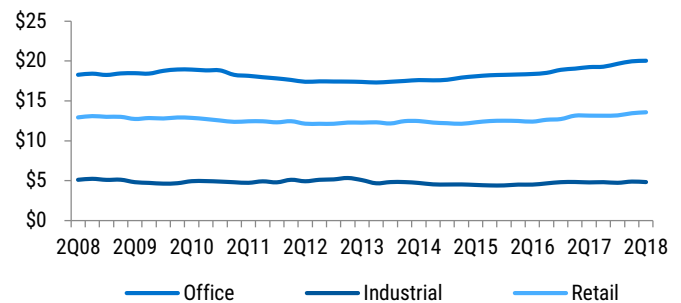
CURRENT CONDITIONS

Transaction Volume – The past 12 months, ending second-quarter 2018, closed with \$2.5 billion in investment sales transactions located within the Kansas City metropolitan market, a 0.4% decrease compared to the 12 months ending second-quarter 2017.

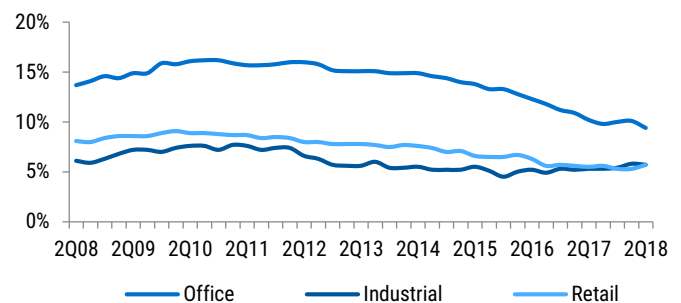
Investment Demand – For class A institutional quality product capitalization rates registered 6.2% in second-quarter 2018, an increase of 30 basis points compared to second-quarter 2017.

MARKET ANALYSIS

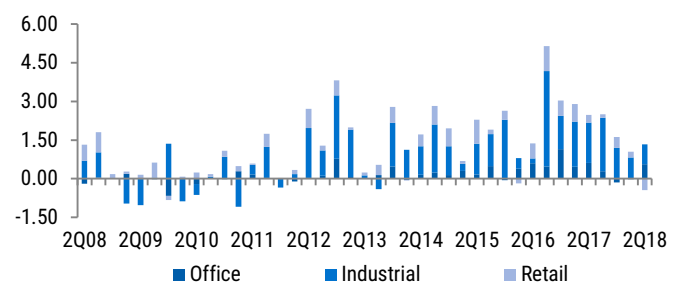
Average Asking Rent (Price/SF)



Vacancy (%)



Net Absorption (SF, in millions)



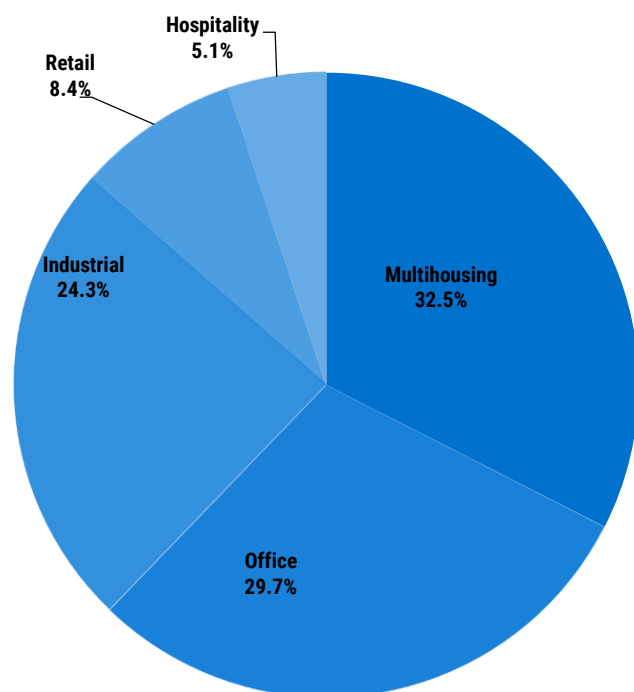
SIGNIFICANT SALES TRANSACTIONS | SECOND QUARTER OF 2018

Sector	Building	Submarket	Sale Price	Price/SF ¹	Square Feet ²
Office	11155 N. Airworld Drive	Northland	\$32,200,000	\$137	235,090
Retail	The Jack Henry Building	Midtown/Plaza	\$21,099,000	\$234	90,170
Office	Timberlands at Tomahawk Creek	South Johnson County	\$12,450,000	\$138	90,390
Hospitality	Hilton Garden Inn – Kansas City, KS	Wyandotte County	\$12,050,000	\$140	86,170
Retail	Hy-Vee Raytown Square SC	East Jackson County	\$11,428,000	\$171	66,900
Office	901 N. 5 th Street	Wyandotte County	\$10,400,000	\$54	192,600
Office	Penn National Building	South Johnson County	\$10,300,000	\$120	86,080
Retail	Shawnee Parkway Plaza	North Johnson County	\$8,630,000	\$94	92,210
Industrial	9801 Alden Road	North Johnson County	\$7,500,000	\$48	156,290
Industrial	1508 N. Chouteau Trafficway	East Jackson County	\$7,200,000	\$32	226,580
Hospitality	Comfort Inn – Overland Park	South Johnson County	\$6,400,000	\$163	39,180
Retail	Legends MarketPlace	Wyandotte County	\$4,700,000	\$494	9,500

¹The price per unit is displayed for the Multihousing sector. ²The number of total units is displayed for the Multihousing sector.

SALE VOLUME BY PROPERTY TYPE

Kansas City, 12-Month Totals



PROPERTY TYPE	VOLUME	# OF PROPERTIES
Multihousing	\$882.5 M	53
Office	\$714.6 M	51
Industrial	\$474.4 M	50
Retail	\$317.0 M	43
Hospitality	\$146.8 M	18
TOTAL	\$2.5 B	215

Multihousing and office properties have had the largest investment volume over the past year, totaling 63% of activity in Kansas City.

* Percentages based on total volume
Source: Newmark Grubb Zimmer Research, Real Capital Analytics

TOP REGIONAL BUYERS

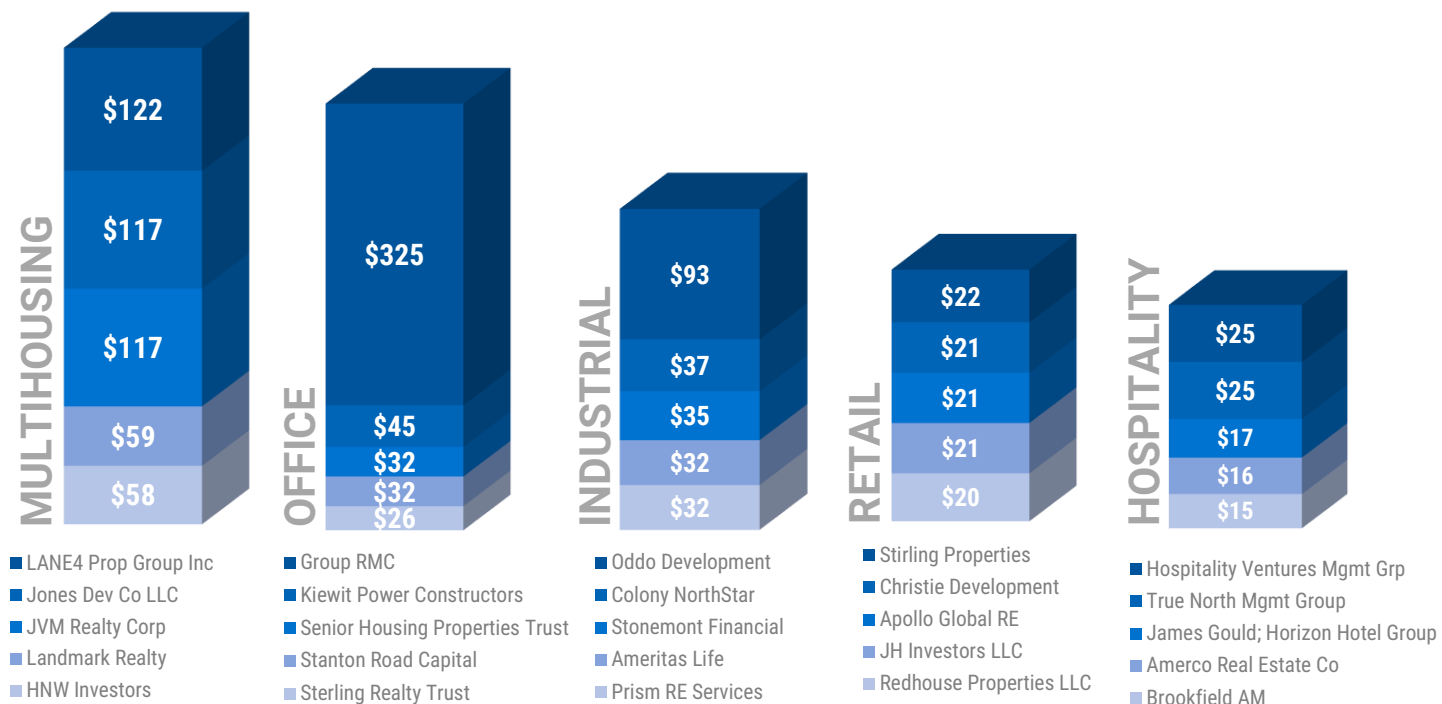
All Property Types; 12-Month Totals

West		Southwest		Midwest		Southeast		Mid-Atlantic		Northeast	
Company	Volume	Company	Volume	Company	Volume	Company	Volume	Company	Volume	Company	Volume
Blackstone	\$7.5B	Blackstone	\$1.6B	Sterling Bay Cos	\$1.4B	Blackstone	\$1.5B	Digital Realty	\$2.6B	Google	\$2.4B
Unibail-Rodamco-Westfield	\$3.9B	CPP Investment Board	\$1.3B	Digital Realty	\$859M	PGIM Real Estate	\$1.3B	Harbor Group International	\$1.8B	Unibail-Rodamco-Westfield	\$1.8B
Greystar	\$2.0B	Cortland Partners	\$1.1B	JP Morgan	\$823M	Ivanhoe Cambridge	\$1.2B	Government Properties Income Trust	\$1.4B	Rockpoint Group	\$1.5B
GIC	\$1.3B	Brookfield AM	\$1.1B	Harrison Street RE Cap	\$815M	Carroll Organization	\$1.2B	Morgan Properties	\$955M	Fortress	\$1.3B
Ivanhoe Cambridge	\$1.3B	Transwestern Investment Group	\$1.0B	Blackstone	\$741M	Unibail-Rodamco-Westfield	\$809M	Unibail-Rodamco-Westfield	\$778M	Maefield Development	\$1.3B

Source: Newmark Grubb Zimmer Research, Real Capital Analytics

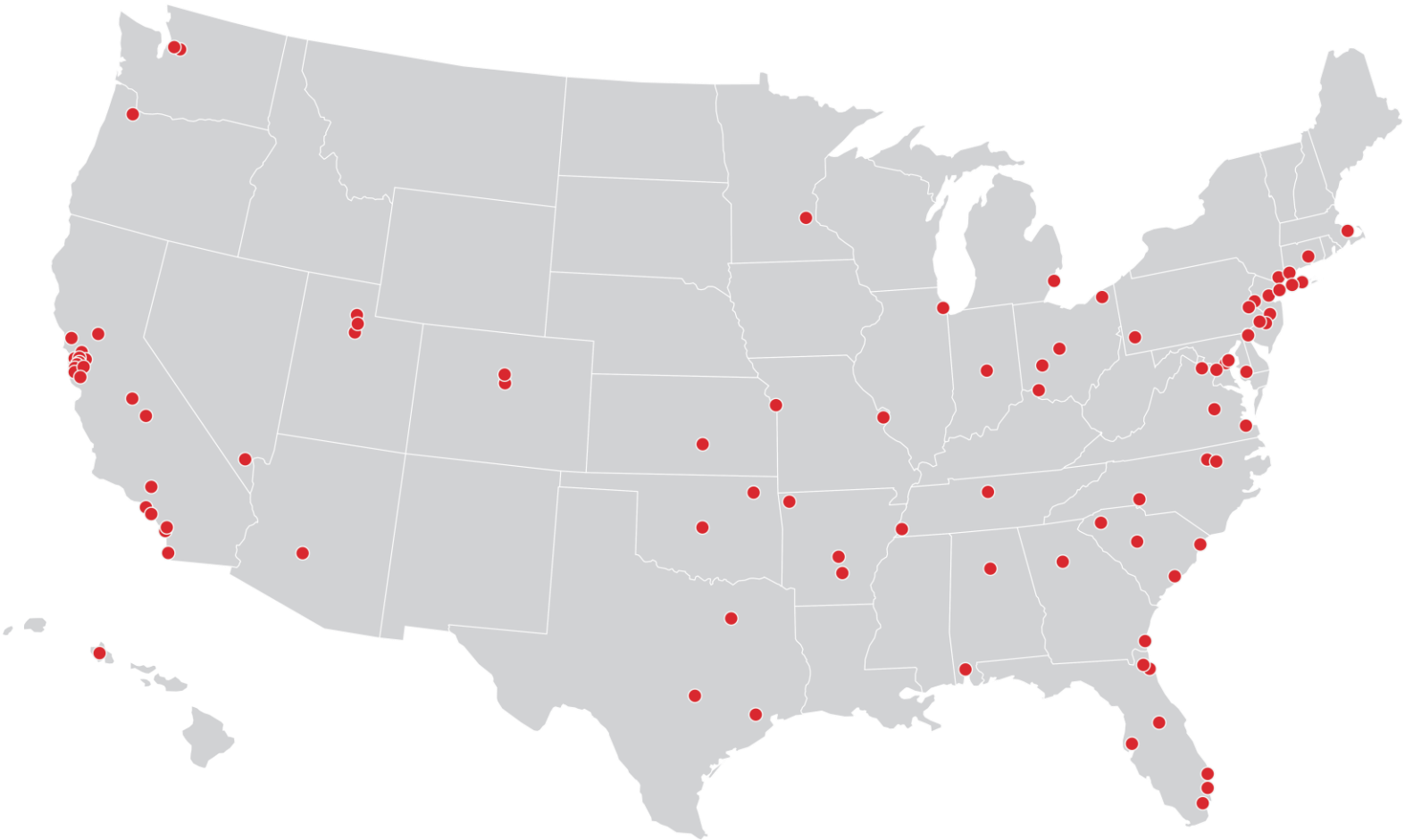
MOST ACTIVE BUYERS BY ASSET TYPE

12-Month Totals (in millions)



Source: Newmark Grubb Zimmer Research, Real Capital Analytics

NEWMARK KNIGHT FRANK UNITED STATES OFFICE LOCATIONS



KANSAS CITY

1220 Washington Street, Suite 300
Kansas City, MO 64105
T. 816.474.2000

ST. LOUIS

8235 Forsyth Boulevard, Suite 310
Clayton, MO 63105
T. 314.254.4600

LEE'S SUMMIT

1485 SW Market Street
Lee's Summit, MO 64081
T. 816.474.2000

SALINA

P.O. Box 3224
Salina, KS 67402
T. 785.342.9106

Michael VanBuskirk, SIOR, CCIM, CRE

*Executive Managing Director, Principal
Investment Sales and Capital Markets*
Kansas City
816.512.1010
mvanbuskirk@ngzimmer.com

CHRIS ROBERTSON, CCIM

Director
Investment Sales and Capital Markets
Kansas City
816.512.1014
crobertson@ngzimmer.com

ANDREW J. GARTEN

Director, Research
816.474.2000
agarten@ngzimmer.com

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 available at 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 NGKF, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains.