
RESEARCH 1Q24

Kansas City Capital Markets

NEWMARK
ZIMMER



Executive Summary

Newmark Zimmer is continuously monitoring market indicators, tracking and analyzing supply and demand drivers, cyclical patterns and industry trends. The following quarterly research report examines the multifaceted Kansas City investment market.

Newmark Zimmer research and analytics has established a system of data flow unique in our industry. Rather than rely on third-party data sources, our data acquisition efforts involve inputs from advisors in the field, analysts and brokers executing transactions. Newmark Zimmer research converts market data and analysis into knowledge that creates value for our clients.

Our clients include market-leading investors and distinguished institutions in and around the Kansas City area and the Midwest. Our market knowledge continues to expand as the market progresses and evolves.

Select Market Transactions

Multifamily | Village Woods Estates

109 Units – Sold for \$15,100,000 (\$138,532/Unit)

Wyandotte County | 1500 N 74th Street

Retail | Hawthorne 40 Shopping Center – Portfolio

204,230 SF GLA – Sold for \$8,600,000 (\$42/SF)

East Jackson County | 14127-14221 E US Highway 40

Industrial/Flex | 14409 W 106th Street

52,160 SF GLA – Sold for \$4,200,000 (\$81/SF)

South Johnson County | 14409 W 106th Street

Office | 11200 Corporate Avenue

17,910 SF GLA – Sold for \$3,224,000 (\$180/SF)

South Johnson County | 11200 Corporate Avenue

Industrial | 6800 W 61st Street

35,960 SF GLA – Sold for \$2,600,000 (\$72/SF)

North Johnson County | 6800 W 61st Street

Capital Markets

KANSAS CITY MARKET OVERVIEW

The pace of investment activity in the Kansas City market slowed during the past four quarters, with sales volume totaling \$1.6 billion, a decrease of 56.3% compared to the prior five-year average. As a leading second-tier market, the Kansas City Metropolitan area ranked eighth out of the largest 13 Midwest markets in total sales volume during the past 12 months, with multifamily and office assets combining for 54.4% of the Metro's activity.

Capitalization rates decreased by 37 basis points compared with the past 12 months, registering 6.3% in the first quarter of 2024. Total net absorption across the industrial, office, and retail sectors totaled 3.0 million SF during the past four quarters, a decrease of 76.5% compared with the preceding year. Multifamily realized 1,624 units of net absorption during the past four quarters, a decrease of 10.3% during a similar period a year ago.

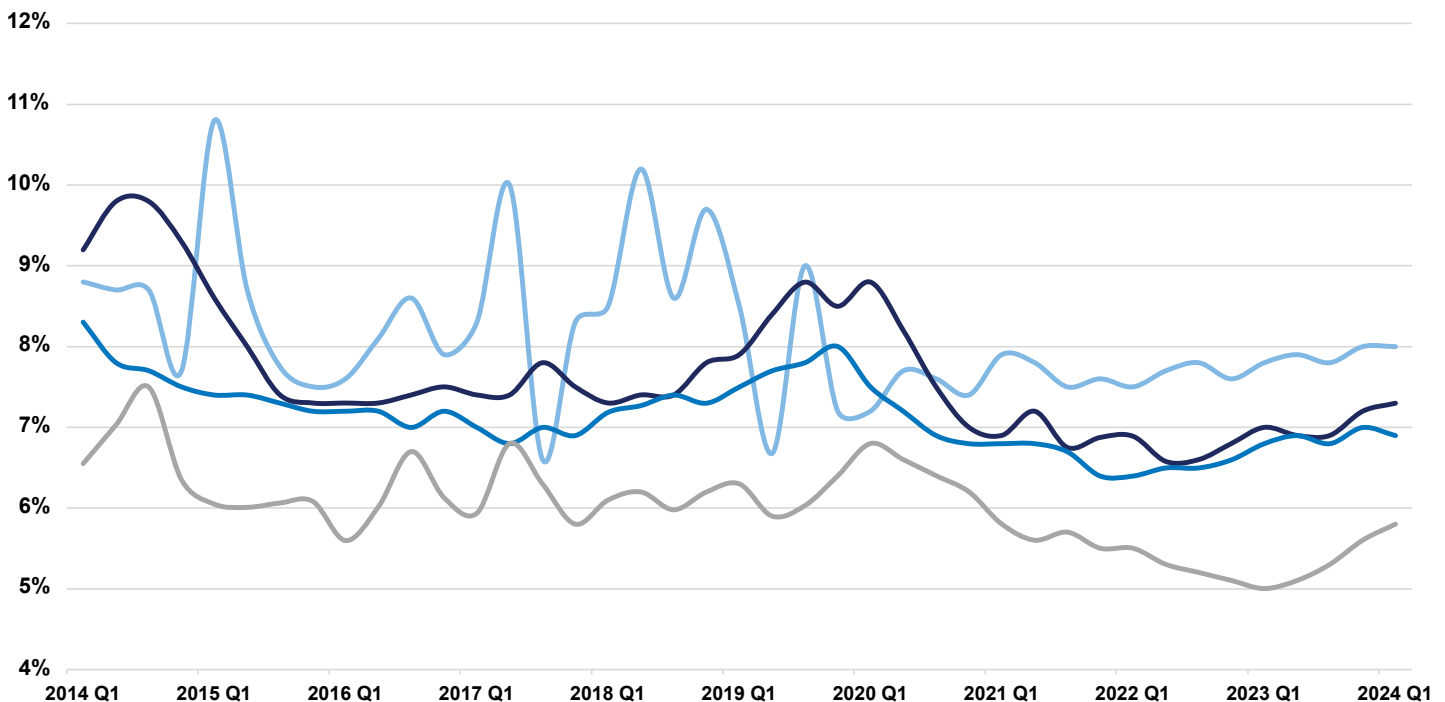
With speculative development kept in check and incentives offered to lock tenants in for longer lease terms, the industrial, office, and multifamily sectors experienced new

record highs for asking rental rates during the first quarter of 2024. Rental rates for retail space are near record highs after pulling back slightly from a high in the third quarter of 2023. Vacancy rates in all sectors increased compared with the prior year except for retail properties, which decreased 20 bps to 4.0% in the first quarter of 2024. The industrial sector increased by 180 bps to 5.5%, the office sector increased by 170 bps to 17.9%, and the multifamily sector increased by 130 bps to 8.9%.

The Newmark Zimmer Midwest Capital Markets team anticipates an increase in sales volume throughout 2024, as buyers and sellers begin to adjust to the current market conditions and the interest rate environment stabilizes. Allocations for commercial real estate investment continue to remain steady for industrial, neighborhood retail, multifamily and medical office with strong operating fundamentals. We continue to monitor the impact of lending conditions on leveraged buyers return expectations and valuations.

KANSAS CITY CAP RATES

Office **8.0%** Industrial **7.3%** Retail **6.9%** Multifamily **5.8%**



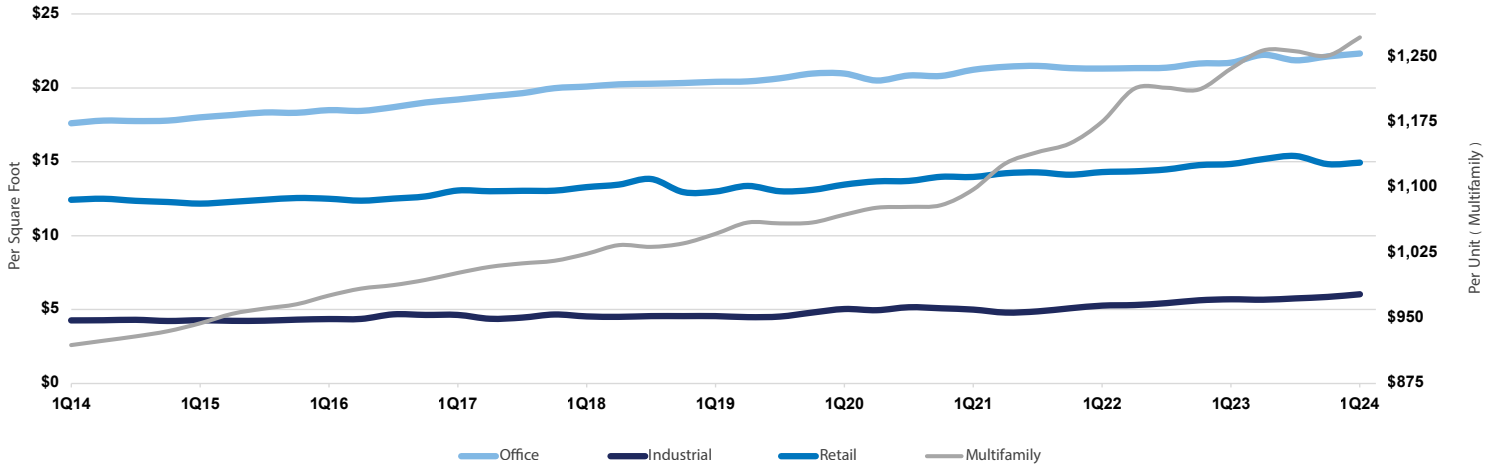
Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

1Q24 Kansas City

MARKET ANALYSIS

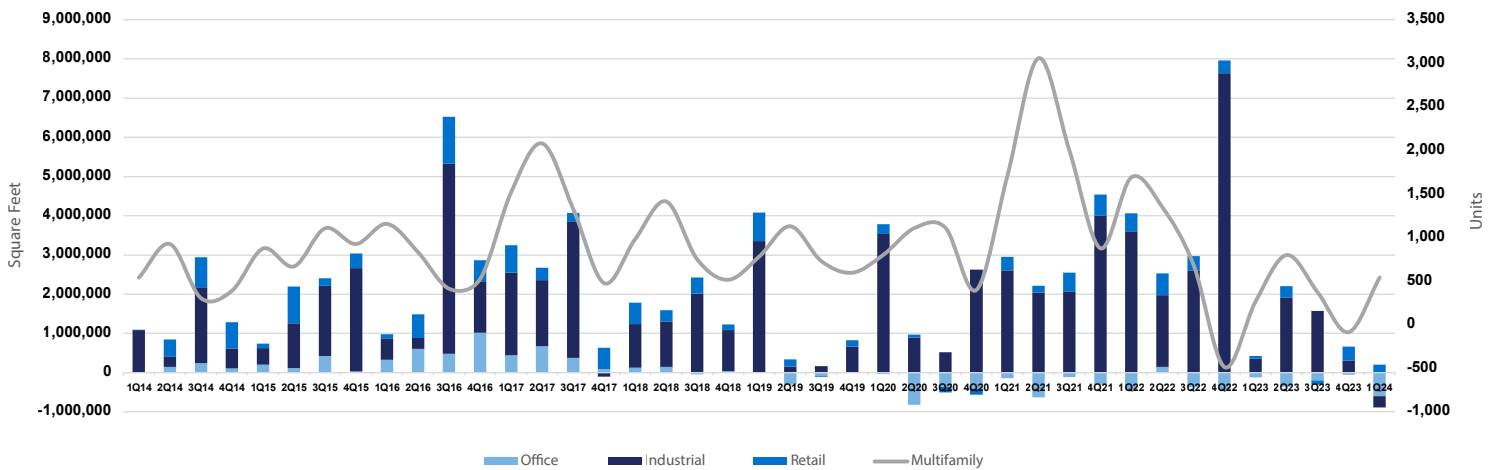
AVERAGE ASKING RENT

Office **\$22.33** Industrial **\$6.05** Retail **\$14.94** Multifamily **\$1,273**



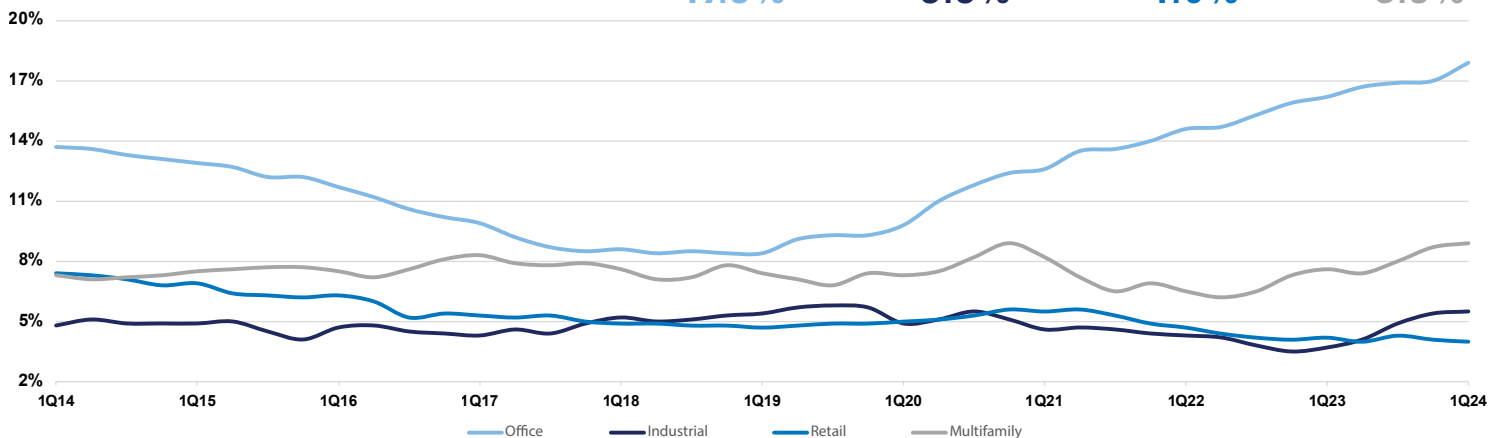
NET ABSORPTION

Office **-594,182 SF** Industrial **-295,788 SF** Retail **203,093 SF** Multifamily **540 Units**



VACANCY RATE

Office **17.9%** Industrial **5.5%** Retail **4.0%** Multifamily **8.9%**





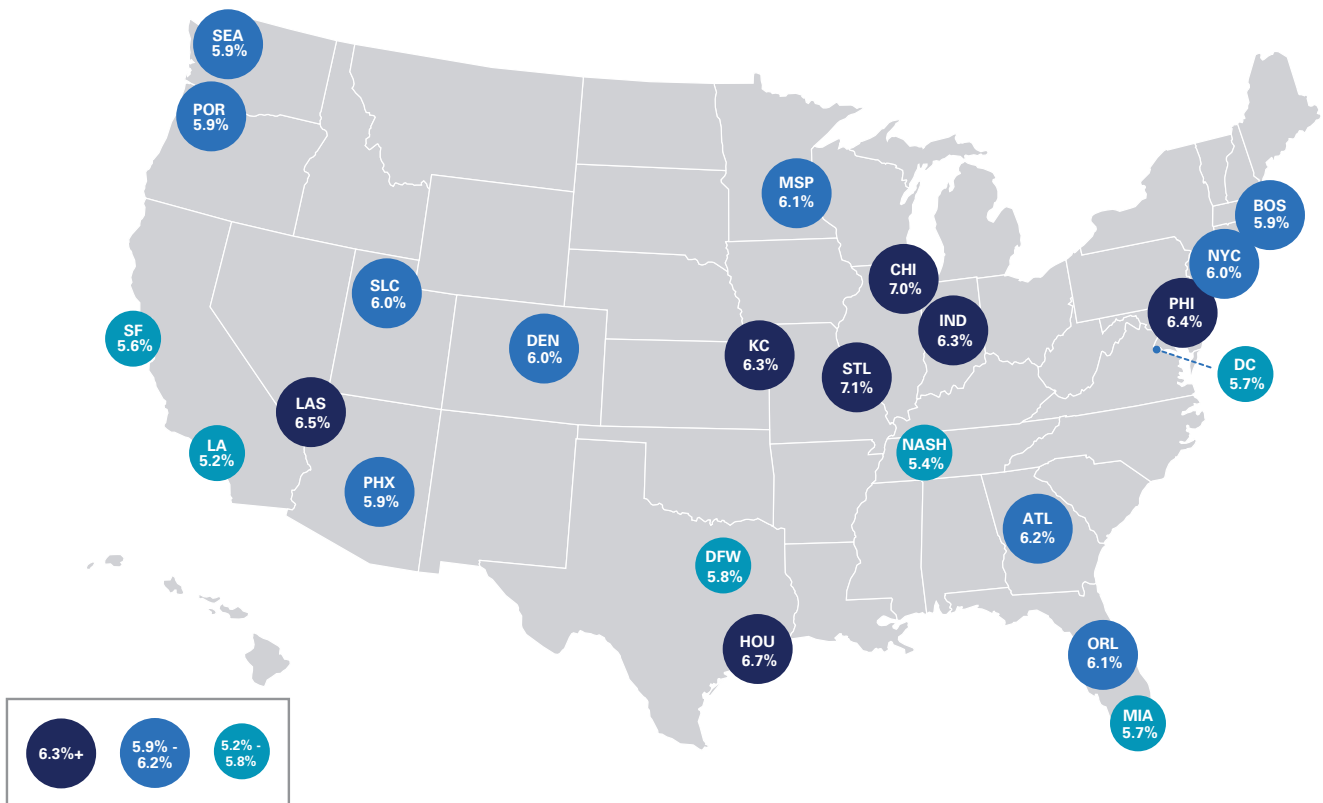
SELECT SALES TRANSACTIONS | FIRST QUARTER OF 2024

Sector	Building	Submarket	Sale Price	Price Per SF/Unit ¹	SF/Units ²
Retail	Oakbrook Plaza 7620 Metcalf Avenue	North Johnson County	\$4,415,000	\$201	22,020
Hospitality	Quality Inn & Suites KC Independence I-70 East 4200 S Noland Road	East Jackson County	\$4,177,750	\$48,020	87
Industrial	2949 Chrysler Road	Wyandotte County	\$4,126,000	\$44	92,900
Industrial	Starbucks 1631 W Foxwood Drive	North Cass County	\$2,593,000	\$1,281	2,025
Retail	14310 Metcalf Avenue	South Johnson County	\$2,400,000	\$239	10,060
Office	CVS Pharmacy 2435 E Independence Avenue	East Jackson County	\$2,190,000	\$94	23,210
Retail	SiteOne Landscape Supply 12905 W 143rd Street	South Johnson County	\$2,063,000	\$356	5,790
Office/Retail	9103 E State Route 350	East Jackson County	\$2,048,000	\$322	6,360
Retail	Colonnade Shops 120-128 E Park Street	South Johnson County	\$1,948,000	\$156	12,480
Retail	1536 NE 96th Street	Northland	\$1,500,000	\$167	9,000

¹ The price per unit/room is displayed for the Multifamily and Hospitality sectors. ² The number of total units/rooms is displayed for the Multifamily and Hospitality sectors.

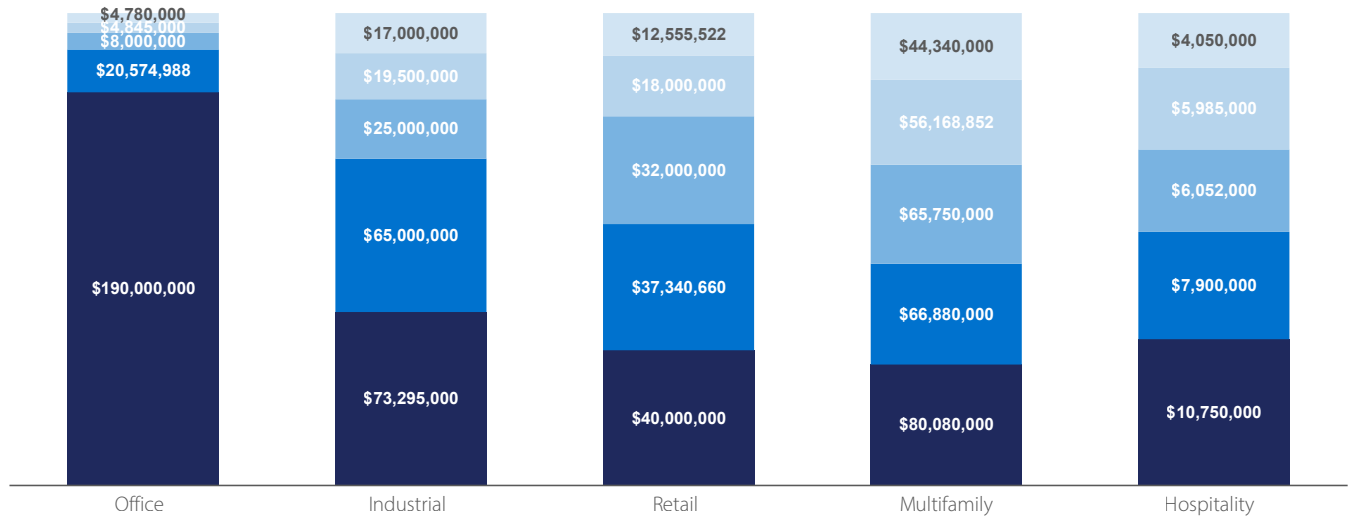
CAP RATES | ALL PROPERTY TYPES

12-MONTH AVERAGE, INCLUDES PROPERTY OR PORTFOLIO SALES \$2.5 MILLION OR GREATER



MOST ACTIVE BUYERS IN THE KANSAS CITY MARKET BY ASSET TYPE

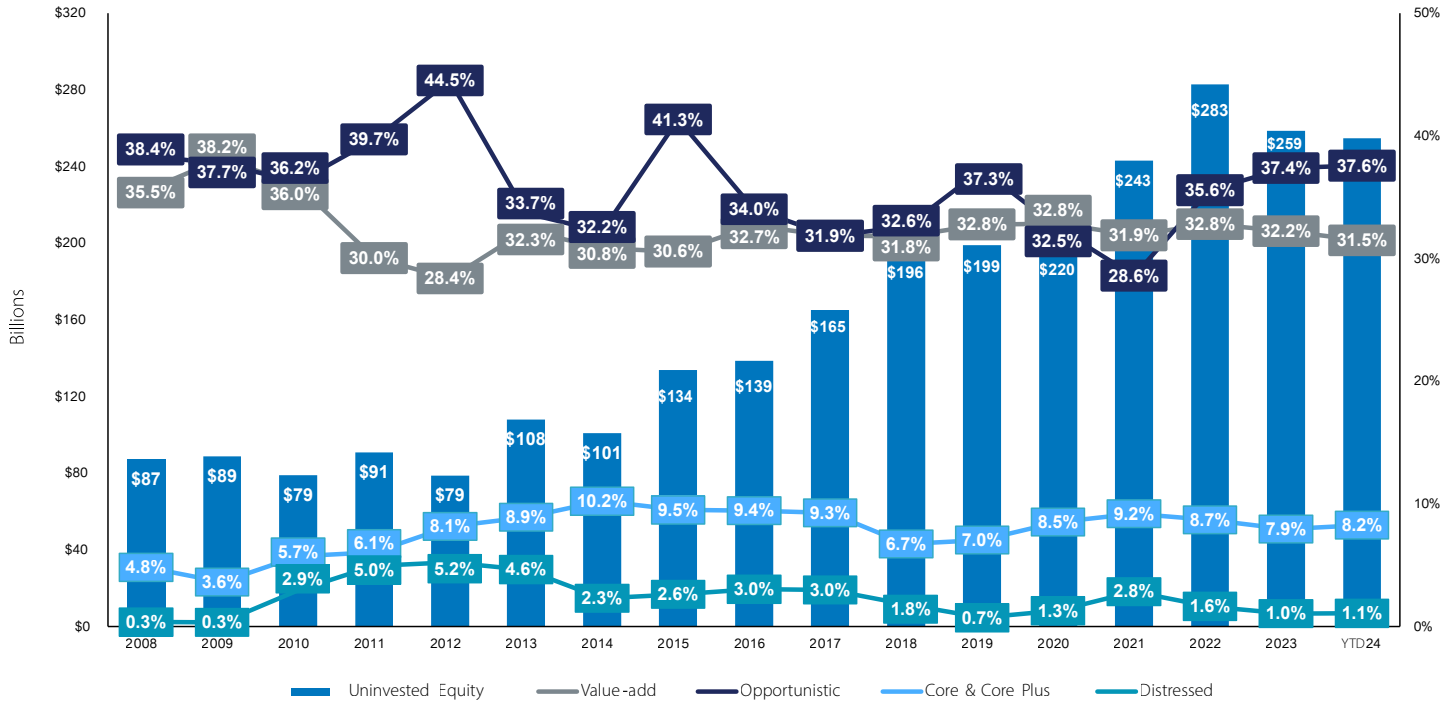
12-MONTH TOTALS



- CGA Capital / Benderson Development
- BGO IREIT
- Time Equities / Lormax Stern
- Avanti Residential
- KC Galaxy Management
- Equity, LLC
- ARIS
- Realty Income Corp
- Whitney Capital Company, LLC
- Lotus Hospitality
- National Cold Storage, Inc
- The Proctor & Gamble Co
- Global Net Lease
- Artisan Capital Group / DRA Advisors
- Jay Patel
- DaVita, Inc
- Trident Capital Group
- Star Development Corp
- Peak Management
- KMG Hotels, LLC
- Meikle Bar Properties, LP
- U.S. Motor Works
- Rubenstein Partners
- Aspen Funds/Archstone Cap Prtnrs/Elevate Com Inv Grp
- Aria Hotel Corp

DRY POWDER

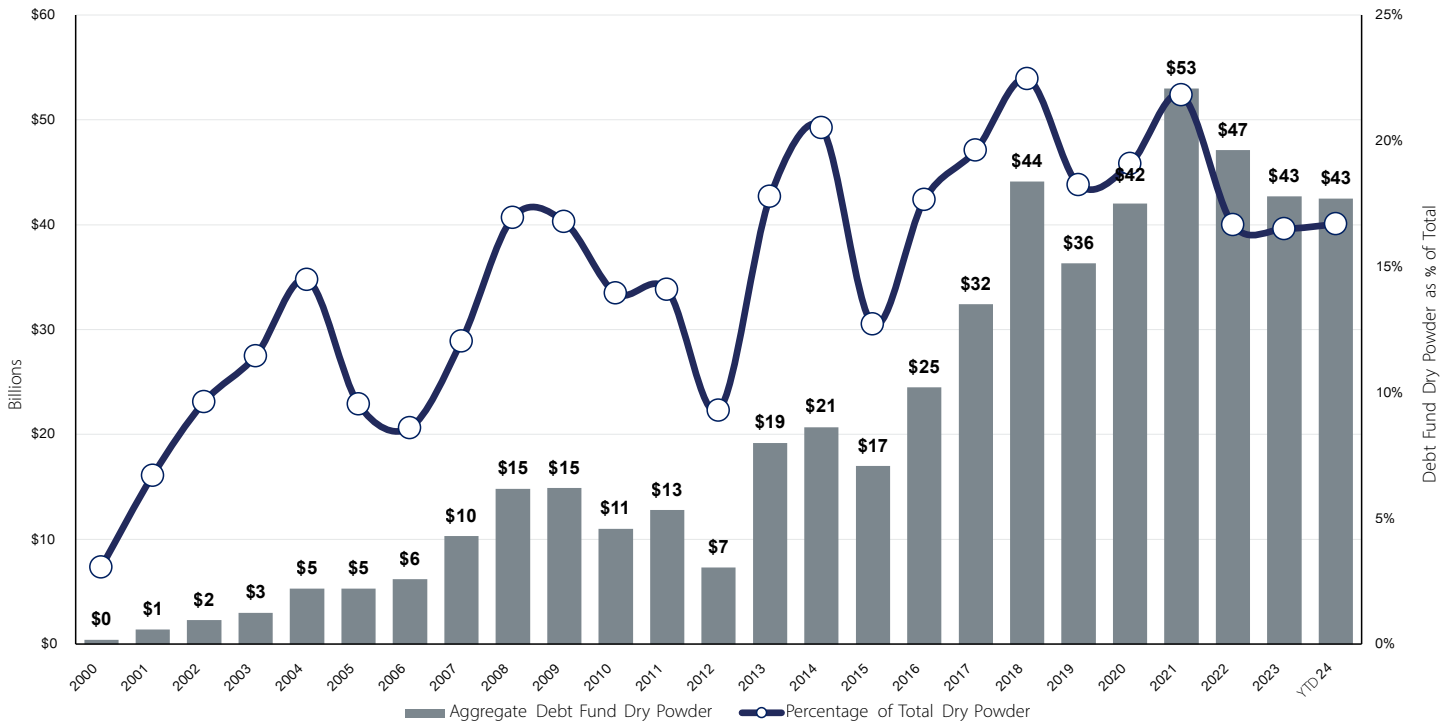
With high levels of dry powder, expect creative approaches to deploy capital. Dry powder allocated to opportunistic deals increased significantly 900 bps from 28.6% in 2021 to 37.6% in 1Q24. Value-add strategies have remained stable during the past 10 years, ranging from 30.2% in 2015 to 32.8% in 2022.



Note: Excludes Debt Funds, Secondaries, Fund of Funds, Co-Investment

Source: Newmark Research, Prequin

DEBT FUND DRY POWDER



Source: Newmark Research, Prequin

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We transform untapped potential into limitless opportunity.

We don't just adapt to what our partners need—we adapt to what the future demands.

Since our start, we've faced forward, predicting change and pioneering ideas. Almost a century later, the same strategic sense and audacious thinking still guide our approach. Today our integrated platform delivers seamlessly connected services tailored to every type of client, from owners to occupiers, investors to founders, and growing startups to leading companies.

Tapping into smart tech and smarter people, we bring ingenuity to every exchange and transparency to every relationship.

We think outside of boxes, buildings and business lines, delivering a global perspective and a nimble approach. From reimagining spaces to engineering solutions, we have the vision to see what's next and the tenacity to get there first.

TERMS AND DEFINITIONS

Gross Leasable Area (GLA) – Expressed in square feet. It is the total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines. It is the standard measure for determining the size of retail spaces, specifically shopping centers, where rent is calculated based on GLA occupied. There is no real difference between RBA (Rentable Building Area) and GLA except that GLA is used when referring to retail properties while RBA is used for other commercial properties.

Vacancy Rate – The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant.

Net Absorption – The net change in physically occupied space over a period of time.

Average Asking Rent – The dollar amount asked by landlords for available space expressed in dollars per square foot per year. Retail rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a prorata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

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