

Kansas City Office Continues Momentum

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Kansas City Office Overview

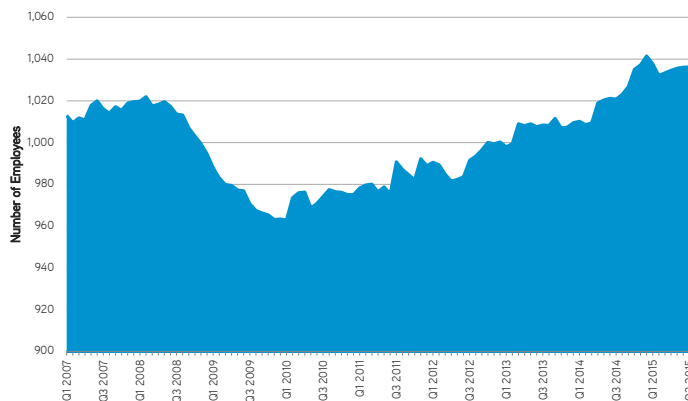
The Kansas City office market continued to strengthen, as business climate conditions remain favorable for office sector growth around the metro. The overall market vacancy declined to 10.8%, down 60 basis points from this time a year ago. Average asking rates continued to slightly increase across many submarkets, with the majority of rent increases stemming from Class A product. Absorption within the Kansas City metro is likely to remain positive for the foreseeable future, as job growth demonstrates no signs of faltering, especially in office-using segments such as business services, finance and technology.

Moves Around the Metro

Barkley recently signed a lease renewal to remain in their space at the Crossroads. The advertising agency elected to remain in 96,000 SF at 1740 Main Street, making them a staple of the creative Crossroads area for the next decade. After a nationwide search, TriWest Healthcare Alliance, a healthcare provider for veterans and military, leased 64,000 SF at the JWWilliams Technology Centre near the KCI airport. The service center operation has created 500 new jobs for the metro. South Johnson County business parks landed a handful of large office users during the third quarter. Home Credit will occupy nearly 35,000 SF at the Sprint Campus. The Mutual Fund Store will occupy 33,000 SF at Corporate Woods, while SouthLaw P.C. will occupy 30,000 at Southcreek Corporate Center.

Kansas City MSA Employment

Seasonally Adjusted - Nonfarm Employment in Thousands



Source: Bureau of Labor Statistics

Market Indicators

Relative to prior period

Market Q3 2015

Market Q4 2015*

VACANCY



NET ABSORPTION



CONSTRUCTION



RENTAL RATE



*Projected

Summary Statistics

Kansas City Office Market

Q3 2015

Q3 2014

Vacancy Rate

10.8%

11.4%

Absorption YTD

683,584

1,663,842

Deliveries YTD

127,500

570,000

Under Construction

1,139,500

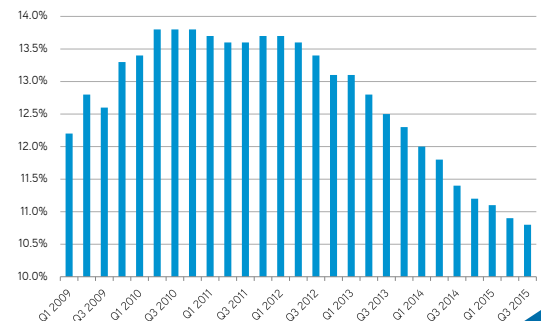
957,000

Asking Rents PSF

\$17.39

\$17.26

Kansas City Office Vacancy



Source: CoStar and Colliers Research

Investment in Kansas City

Arguably the most noteworthy theme for the office market in Q3 was related to investment activity around the Kansas City metro. The announced sale of Corporate Woods garnered the most attention. The 2.2 million square foot office park in South Johnson County holds some of the highest occupancy rates within the metro and commands some of the highest rents in the area. The portfolio is expected to fetch over \$300 Million as investors look to place capital outside of gateway markets. Highwood's Properties is currently offering the Country Club Plaza for sale as well. The 15-block shopping and entertainment district contains more than 800,000 SF of retail and 617,000 SF of office space. Historically, the Plaza area has low vacancy rates and some of the highest asking rents in the metro. Hines recently sold 2555 Grand, a 24-story office building located in Crown Center for \$153.5 Million. The 595,000 SF building was purchased by Select Income REIT. In South Johnson County, Renaissance III, a 234,000 SF building sold for \$42 Million. Additional office transactions including Executive Centre I-III and Five Pine Ridge confirm that the office investment market in Kansas City is healthy.

Growth Around the Metro

Pinnacle Corporate Centre V, the first speculative office development in several years was delivered to the market in Q3, as a result of continued compression of Class A office available space along the College Boulevard corridor. Based on current demand levels in South Johnson County, Nall Corporate Center II, a 150,000 SF multi-tenant office building will soon break ground at the southwest corner of College and Nall. Mariner Holdings, the anchor tenant which helped to set the development in motion, will occupy 60,000 SF, with an option to expand into an additional 30,000 SF. The remainder of the building will be available for additional office users. Outside of speculative development, Cerner continues construction on phase one of their Three Trails Campus project, while Burns and McDonnell is nearing completion on their headquarter expansion in South Kansas City.

Recent Transactions & Major Developments

Sales Activity

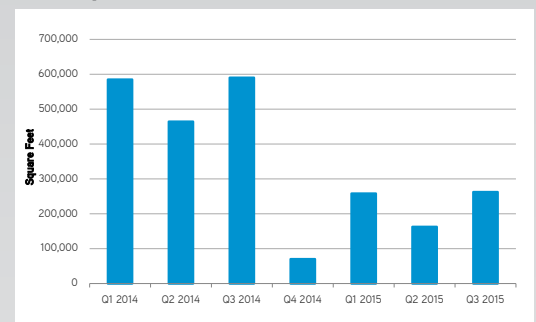
PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	PRICE / SF	BUYER	SELLER
2555 Grand Boulevard	Downtown	\$153,500,000	595,607	\$257.72	Grand Boulevard Acquisition LLC	Hines REIT
Renaissance III	South Johnson County	\$42,000,000	233,820	\$179.63	St Paul Fire & Marine Insurance Co.	Zurich North America
PRA Building	North Johnson County	\$31,100,000	142,679	\$217.97	Angelo Gordon	Quadrangle LLC
Five Pine Ridge	North Johnson County	\$16,710,000	123,778	\$135.00	Henderson Engineers, Inc.	Block Real Estate Services

Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	BUILDING CLASS	COMPANY
11500 NW Ambassador*	Kansas City North	112,000	B	Smithfield Farmland
1740 Main*	Downtown	96,000	B	Barkley
JWilliams Technology Centre	Kansas City North	64,000	A	TriWest Healthcare Alliance
6240 Sprint Parkway	South Johnson County	34,600	A	Home Credit
Corporate Woods 34	South Johnson County	33,000	B	The Mutual Fund Store
Southcreek Corporate Center II	South Johnson County	30,000	B	SouthLaw P.C.

*Renewal

Absorption



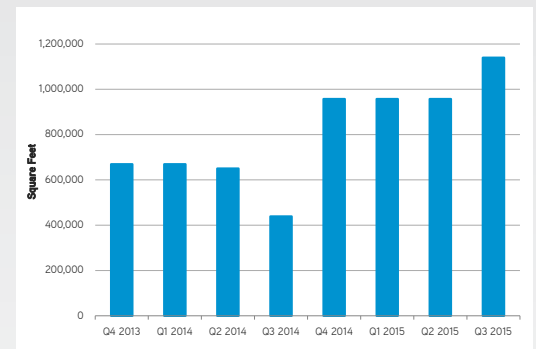
Source: CoStar and Colliers Research

Rental Rates



Source: CoStar and Colliers Research

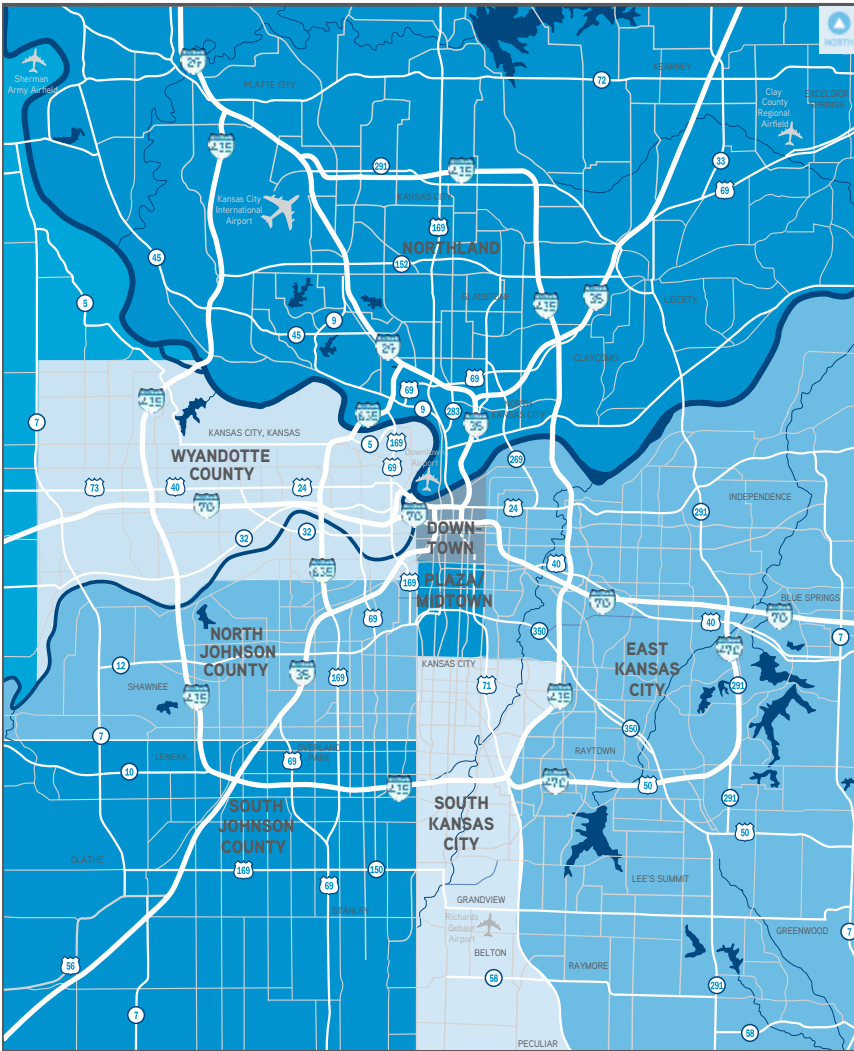
Construction



Source: CoStar and Colliers Research

Office Overview

Existing Properties			Vacancy		Absorption		Construction			Rents
		Total	Vacancy	Vacancy	Net Absorp			Deliveries	Under Const.	Ave Rent
Class	Bldgs	SF	SF	%	Curr SF	YTD SF	Curr SF	YTD SF	SF	Rate \$
URBAN										
DOWNTOWN										
A	25	8,089,171	1,553,834	19.2%	48,007	326,937	0	0	0	\$18.36
B	165	14,554,783	1,627,694	11.2%	21,460	115,519	0	0	0	\$16.11
C	101	4,156,980	292,816	7.0%	-3,682	26,038	0	0	0	\$14.06
Total	291	26,800,934	3,474,344	13.0%	65,785	468,494	0	0	0	\$16.94
PLAZA / MIDTOWN										
A	15	2,850,444	169,479	5.9%	17,453	140,959	0	0	0	\$22.94
B	83	3,975,590	346,766	8.7%	-26,190	-55,653	0	0	0	\$18.94
C	55	1,515,371	81,214	5.4%	5,482	3,657	0	0	0	\$14.76
Total	153	8,341,405	597,459	7.2%	-3,255	88,963	0	0	0	\$19.51
URBAN TOTAL										
A	40	10,939,615	1,723,313	15.8%	65,460	467,896	0	0	0	\$18.81
B	248	18,530,373	1,974,460	10.7%	-4,730	59,866	0	0	0	\$16.61
C	156	5,672,351	374,030	6.6%	1,800	29,695	0	0	0	\$14.21
Total	444	35,142,339	4,071,803	11.6%	62,530	557,457	0	0	0	\$17.32
SUBURBAN										
EAST KANSAS CITY										
A	6	445,546	19,925	4.5%	1,783	-232	0	0	0	\$19.84
B	167	6,294,197	766,223	12.2%	-17,880	22,575	0	0	0	\$15.89
C	133	2,894,111	233,514	8.1%	-4,967	-2,515	0	0	0	\$12.09
Total	306	9,633,854	1,019,662	10.6%	-21,064	19,828	0	0	0	\$15.10
KANSAS CITY NORTH										
A	9	1,123,054	250,714	22.3%	73,313	81,666	0	0	0	\$18.62
B	148	6,820,634	1,005,598	14.7%	9,055	41,334	0	0	0	\$15.77
C	66	1,421,801	132,185	9.3%	-1,425	-6,818	0	0	0	\$13.59
Total	223	9,365,489	1,388,497	14.8%	80,943	116,182	0	0	0	\$16.08
NORTH JOHNSON COUNTY										
A	19	2,181,372	207,140	9.5%	5,138	2,127	0	0	0	\$21.74
B	173	6,732,754	654,870	9.7%	-1,030	9,557	20,000	0	0	\$16.76
C	80	1,506,503	128,143	8.5%	-15,815	-14,280	0	0	0	\$15.96
Total	272	10,420,629	990,153	9.5%	-11,707	-2,596	20,000	0	0	\$17.70
SOUTH JOHNSON COUNTY										
A	77	10,925,089	802,040	7.3%	125,521	-177,988	67,500	127,500	150,000	\$22.07
B	332	14,215,768	1,272,840	9.0%	-23,779	162,317	0	0	0	\$18.85
C	59	1,415,721	37,919	2.7%	3,818	18,110	0	0	0	\$16.19
Total	468	26,556,578	2,112,799	8.0%	105,560	2,439	67,500	127,500	150,000	\$20.02
SOUTH KANSAS CITY										
A	15	2,734,682	273,852	10.0%	0	0	0	0	889,500	\$18.87
B	64	3,290,888	468,512	14.2%	38,921	-13,984	0	0	0	\$17.64
C	38	1,010,146	241,458	23.9%	2,150	-10,679	0	0	0	\$11.05
Total	117	7,035,716	983,822	14.0%	41,071	-24,663	0	0	889,500	\$16.37
WYANDOTTE COUNTY										
A	4	934,574	203,574	21.8%	0	0	0	0	100,000	\$20.00
B	39	1,838,535	188,068	10.2%	1,360	8,119	0	0	0	\$15.18
C	45	1,136,650	96,928	8.5%	3,914	6,818	0	0	0	\$12.36
Total	88	3,909,759	488,570	12.5%	5,274	14,937	0	0	100,000	\$16.63
SUBURBAN TOTAL										
A	130	18,344,317	1,757,245	9.6%	205,755	-94,427	67,500	127,500	1,139,500	\$20.78
B	923	39,192,776	4,356,111	11.1%	6,647	229,918	20,000	0	0	\$17.02
C	421	9,384,932	870,147	9.3%	-12,325	-9,364	0	0	0	\$12.81
Total	1,474	66,922,025	6,983,503	10.4%	200,077	126,127	87,500	127,500	1,139,500	\$17.44
ALL KANSAS CITY TOTAL										
A	170	29,283,932	3,480,558	11.9%	271,215	373,469	67,500	127,500	1,139,500	\$19.80
B	1,171	57,723,149	6,330,571	11.0%	1,917	289,784	20,000	0	0	\$16.89
C	577	15,057,283	1,244,177	8.3%	-10,525	20,331	0	0	0	\$13.23
TOTAL	1,918	102,064,364	11,055,306	10.8%	262,607	683,584	87,500	127,500	1,139,500	\$17.39
QUARTERLY COMPARISON AND TOTALS										
Q2 2015	1,916	101,976,864	11,113,117	10.9%	162,805	420,977	0	60,000	957,000	\$17.48
Q1 2015	1,916	101,976,864	11,275,922	11.1%	258,172	258,172	60,000	60,000	957,000	\$17.41
Q4 2014	1,915	101,916,864	11,373,802	11.2%	70,318	1,791,555	0	570,000	957,000	\$17.36
Q3 2014	1,915	102,093,406	11,588,026	11.4%	590,470	1,663,842	240,000	570,000	438,500	\$17.26



502 offices in
67 countries on
6 continents

United States: **140**
 Canada: **31**
 Latin America: **24**
 Asia Pacific: **199**
 EMEA: **108**

\$2.3 billion in annual revenue
1.7 billion square feet under management
16,300 professionals and staff

FOR MORE INFORMATION

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