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1Q26 Kansas City Office Market:
Market Overview

1Q26

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Kansas City Market Observations

Labor Markets

- The region's labor market remained flat as macroeconomic conditions shifted. December's unemployment rate registered 3.9%, 50 basis points below the national average of 4.4%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Education and Health. Business and Professional and Information posted the largest job losses over the past 12 months.
- Professional business and technology firms are reassessing their workforce needs, with local employment declining in two out of the three office-occupying sectors compared to the prior year.

Leasing Market Fundamentals

- The market recorded 463,336 SF of net absorption during the quarter, bringing the past four-quarter total to 1.1 MSF. This marks the seventh consecutive quarter of positive absorption, driven by tenants capitalizing on favorable leasing conditions.
- The non-owner-occupied construction pipeline has remained inactive since the fourth quarter of 2018, with just 56,660 SF currently under construction.
- Vacancy decreased 60 basis points to 15.2% in the quarter and 130 basis points year-over-year. The trend is expected to continue towards 14.6% in 2026 as the market stabilizes and Class A product continues to experience strong leasing momentum.
- Average asking rental rates declined to $22.87/SF in the quarter, but rates are expected to grow 2.50% to 3.25% by year-end 2026.

Major Transactions

- Savion leased 34,100 SF of space on the fifth floor of the 156,530-SF 801 Penn building located in the CBD. This deal reflects a growing trend of increased leasing activity for spaces between 20,000 and 40,000 square feet, particularly in high-profile submarkets such as the CBD and South Johnson County.
- Rubin Brown leased 30,350 SF of space on the ninth floor of the 533,510-SF Thirteen + Main building located in the CBD. The firm is anticipated to move in by August 2026.
- Hollis + Miller Architects renewed its lease for 30,120 SF of space at Corrigan Station in the Freight House District.
- Alliance Shippers Inc. leased 23,300 SF at Antioch Plaza located at 6700 Antioch Rd. in Merriam, KS. The firm is anticipated to move in by August 2026.
- Hudson Insurance Group signed a new lease for 20,630 SF of space on the third floor of the 112,450-SF building located at 5901 College Blvd. in Overland Park, KS.

Outlook

- Uncertainty in the macroeconomic outlook persists, prompting occupiers and investors to approach transactions with greater caution. However, most local tenants have finalized post-pandemic work strategies. Tenants will retain considerable leverage in lease negotiations given the elevated volume of available space.
- The conversion of office properties to alternative uses will help reduce obsolete inventory, tempering further vacancy increases.
- With the amount of debt coming due in the next 12-24 months, prime-located buildings are expected to trade as opportunistic investors can capitalize on the continued 'flight to quality' trend by adding amenities and modernizing the properties.

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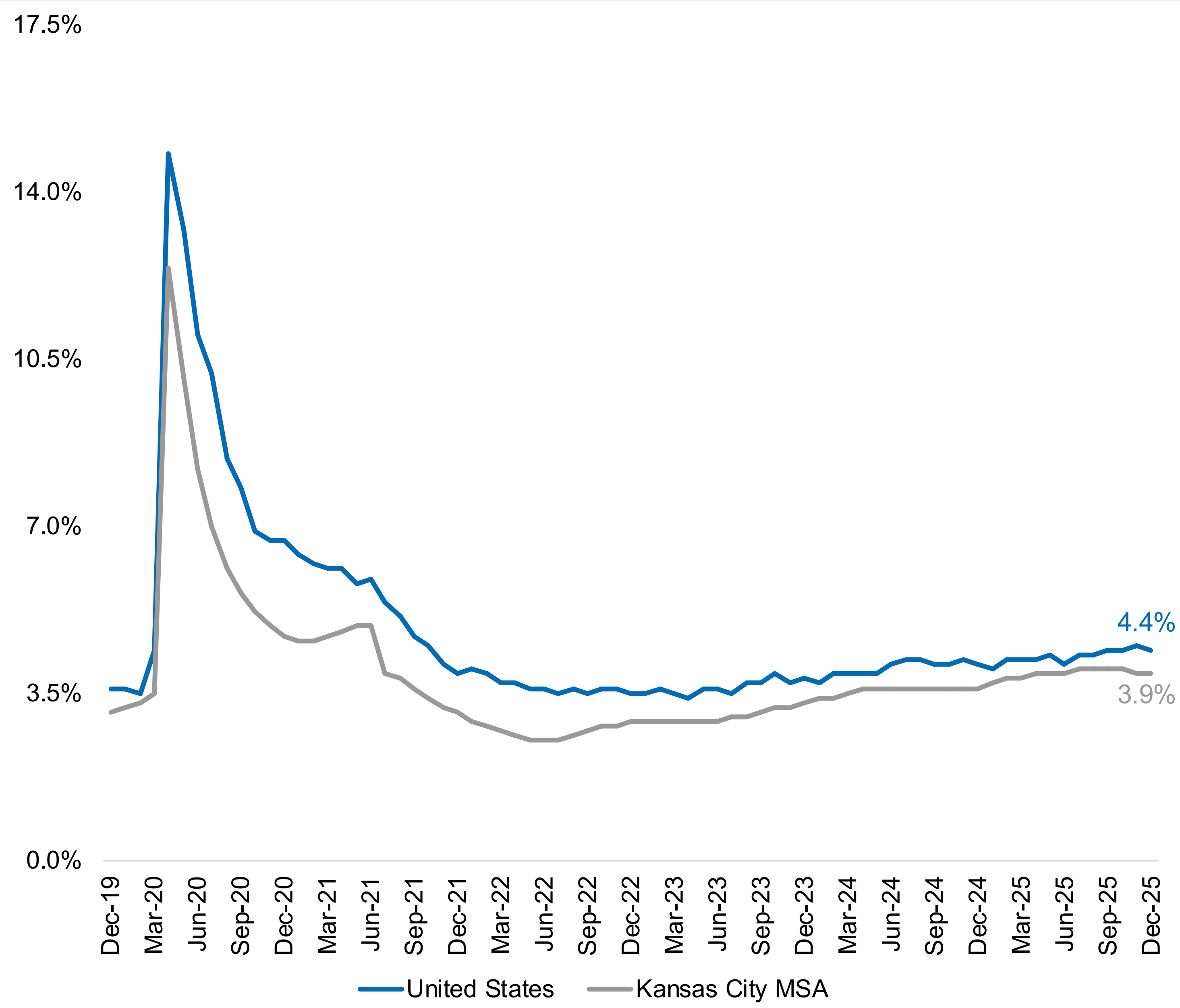
Economy

1Q26 KANSAS CITY OFFICE MARKET OVERVIEW

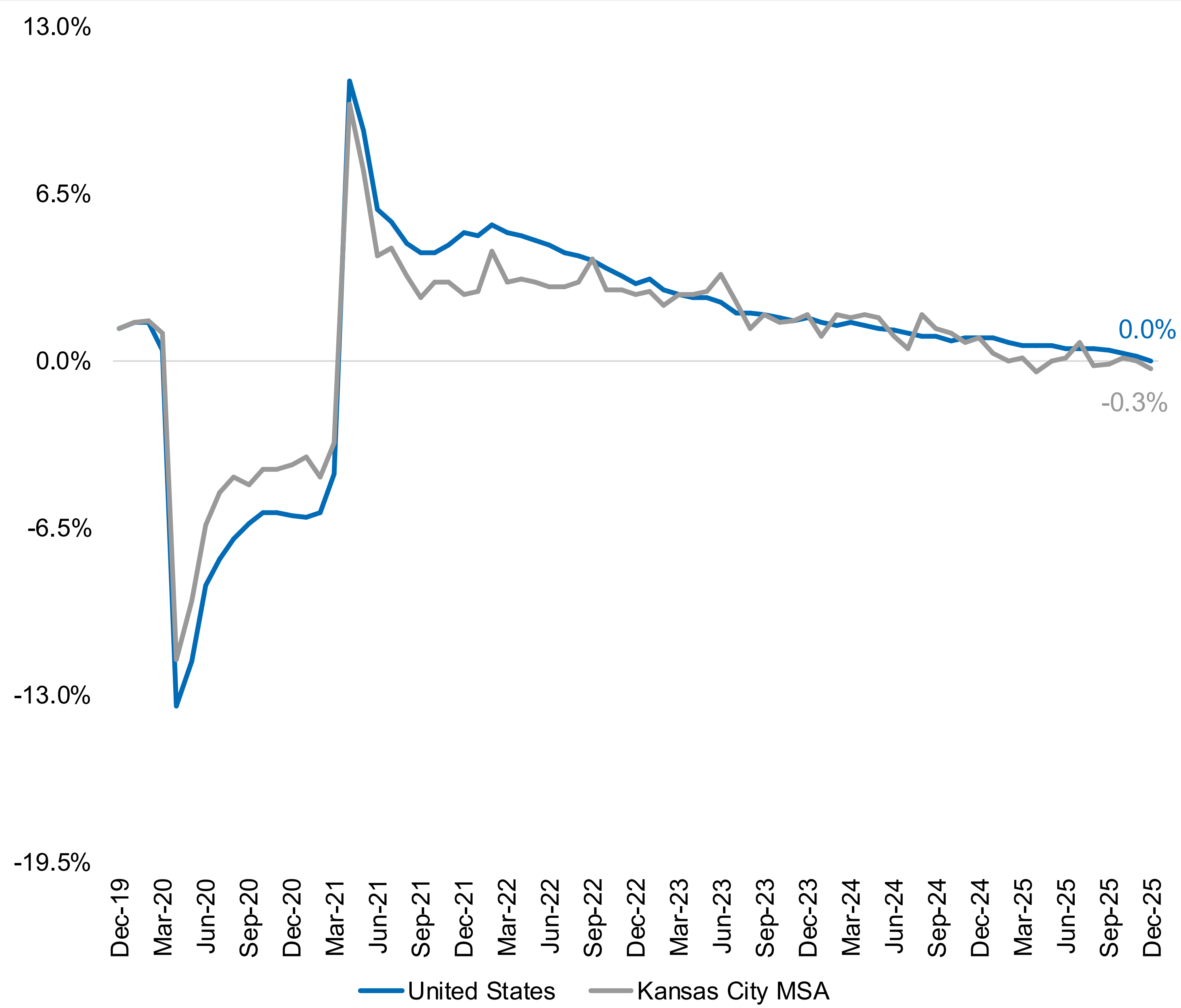
Metro Employment Unemployment Rate Below National Average

Due to a lapse in appropriations in the BLS, the collection of select data points has been delayed at the local or national level. The Kansas City region's labor market remained flat with unemployment registering 3.9% in December 2025. The regional unemployment rate now stands 50 basis points below the national average, signaling comparative economic strength. Nonfarm payroll employment in the region remains in negative territory at -0.3%. According to the Kansas City Fed Labor Market Conditions Indicators, activity declined from 0.30 to 0.17, while momentum increased from -0.07 to 0.02 in February 2026.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

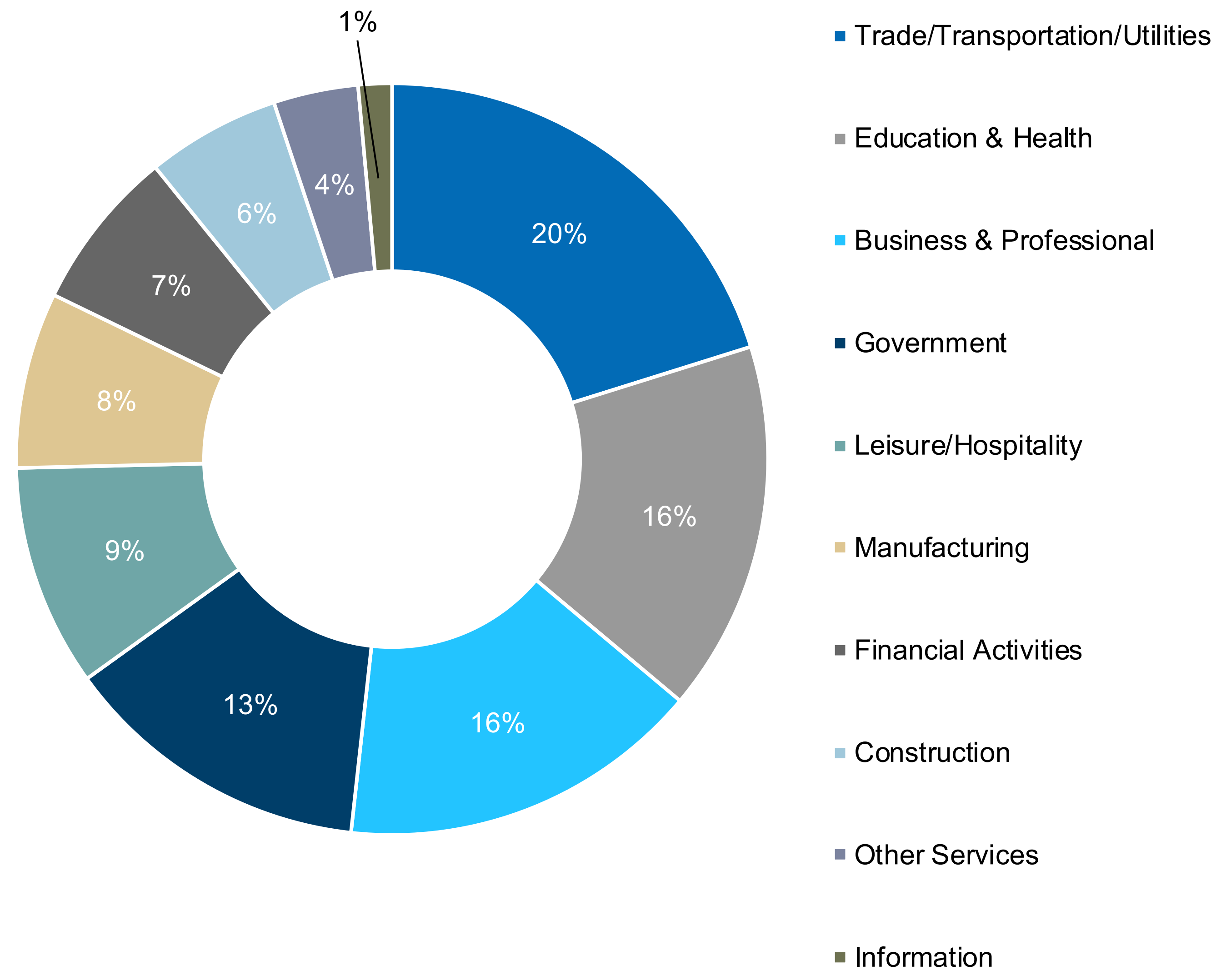


Source: U.S. Bureau of Labor Statistics, Newmark Research, Kansas City FED

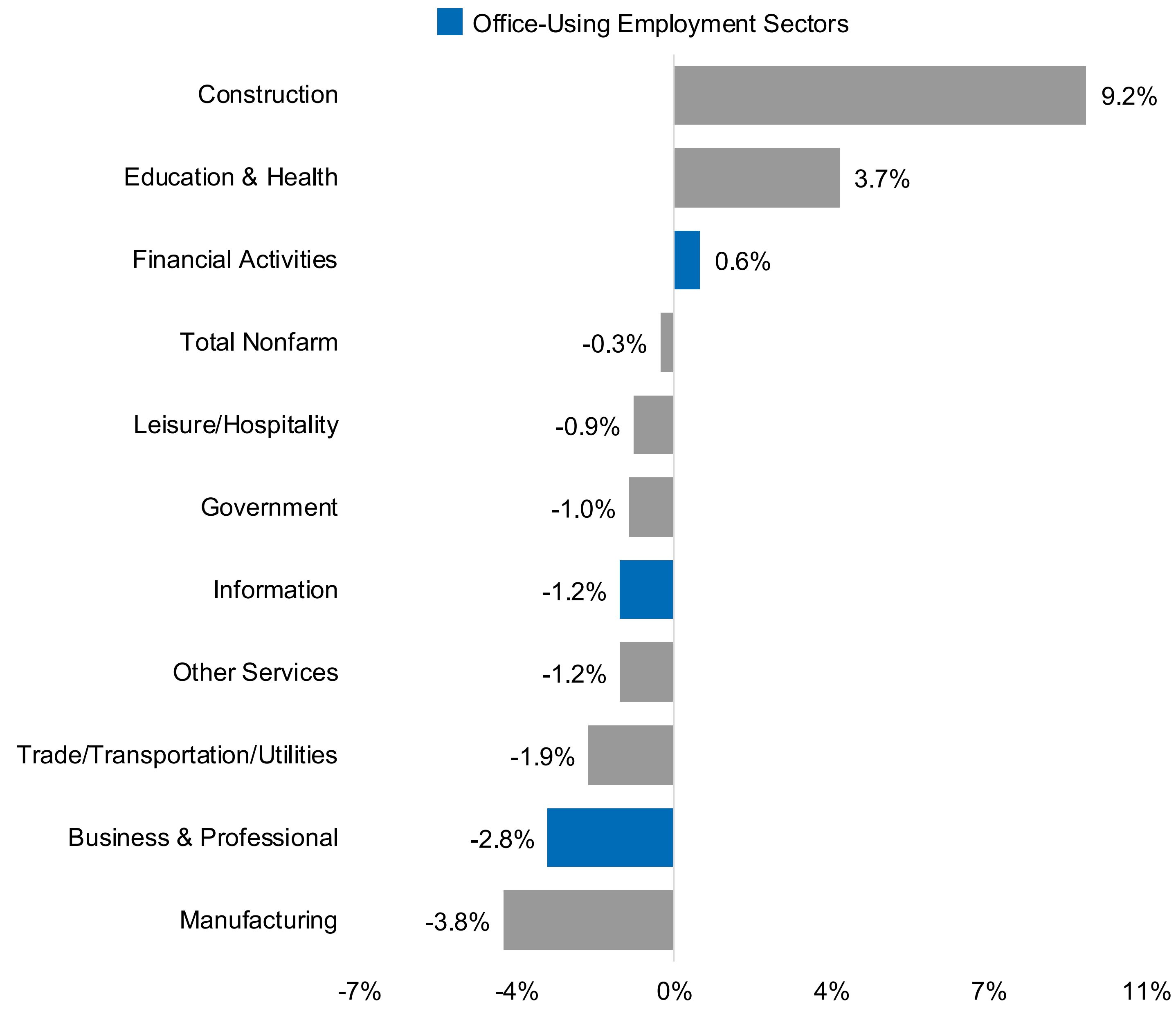
Business and Professional and Information Sectors Lead Regional Job Losses

Due to a lapse in appropriations in the BLS, the collection of select data points has been delayed at the local or national level. The Construction sector led regional annual job growth, followed by Education and Health. The Business and Professional and Information sectors posted the largest annual job losses, with declines of 2.8% and 1.2%, respectively. Only one of the three office-occupying industries, Financial Activities, reported year-over-year job growth.

Employment by Industry, December 2025



Employment Growth by Industry, 12-Month % Change, December 2025

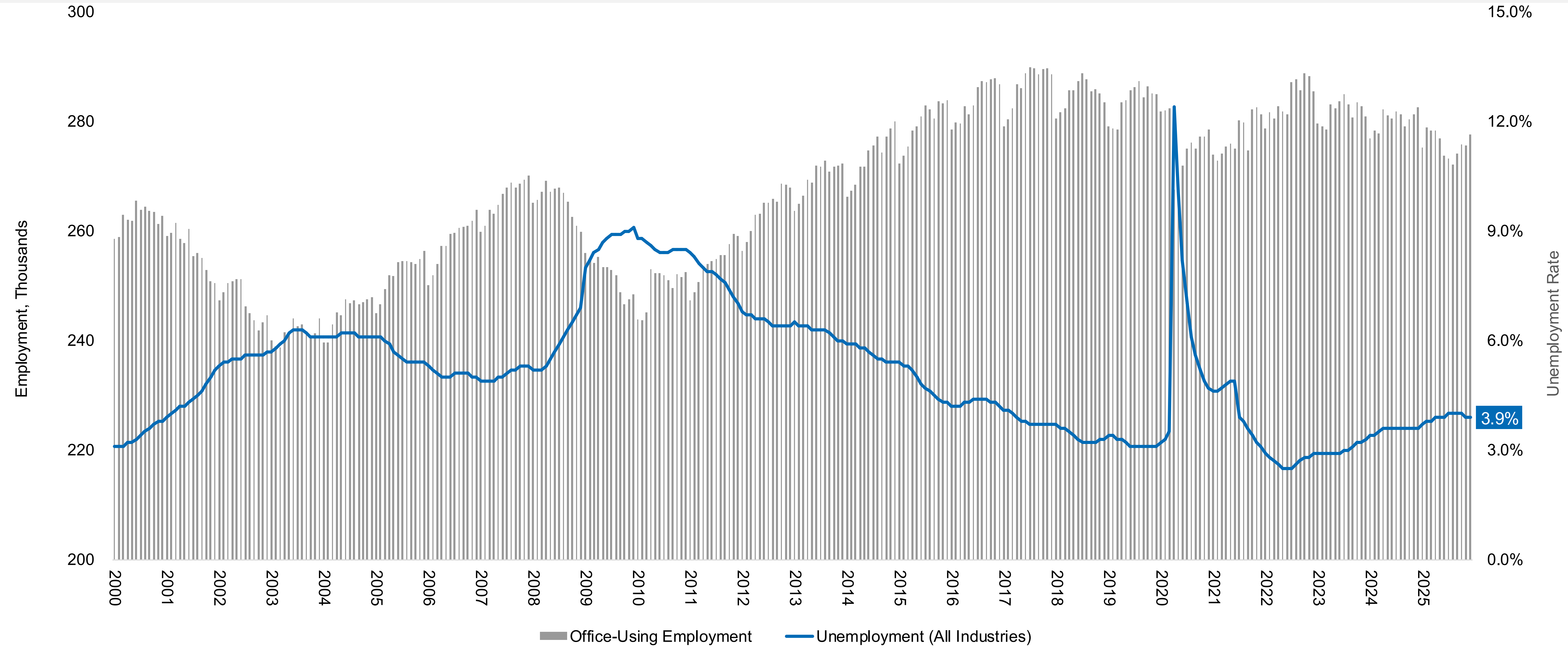


Source: U.S. Bureau of Labor Statistics, Newmark Research – Kansas City MSA

Office Employment Trending Downward

Due to a lapse in appropriations in the BLS, the collection of select data points has been delayed at the local or national level. Office employment rebounded from its pandemic low but has trended downward since October 2022, now aligning with levels last seen in 2021. While a slight seasonal dip is typical early in the year, the region is expected to experience an increase in office employment in 2026.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Kansas City MSA
Note: December 2025 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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Leasing Market Fundamentals

Market Overview

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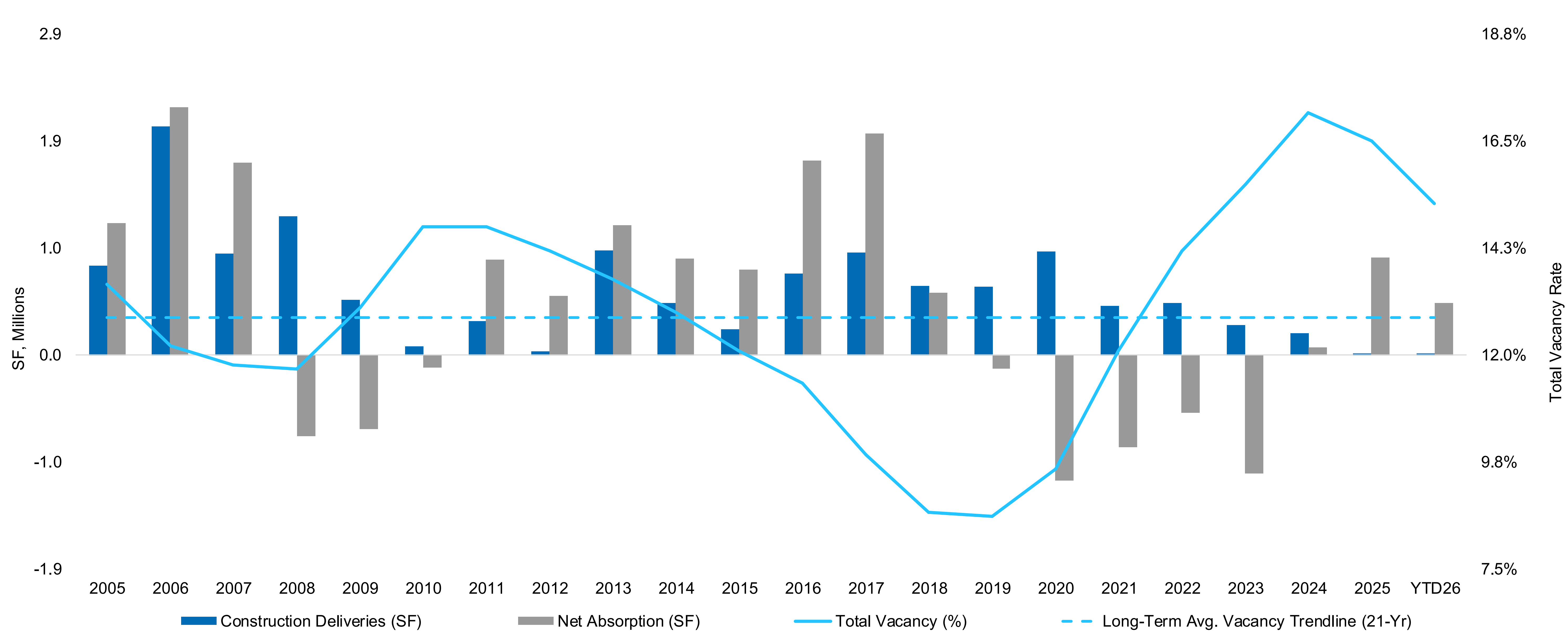
Source: Newmark Research, CoStar

Vacancy Declines to 15.2% Amid Seventh Consecutive Quarter of Positive Net Absorption

The vacancy rate declined 1.3 percentage points year over year to 15.2%, as most tenants have now established long-term workplace strategies. Office-to-multifamily conversions continue to lower vacancy as a combined 492,690 SF will be converted from the Centennial and Poindexter buildings in Downtown. Tenants are likely to retain significant leverage across most metro submarkets, prompting landlords to adopt more competitive leasing structures. With a substantial volume of debt maturing in 2026 and 2027, well-located assets are expected to trade, presenting opportunistic investors with the ability to capitalize on the ongoing "flight to quality" by upgrading amenities and modernizing properties.

Historical Construction Deliveries, Net Absorption, and Vacancy

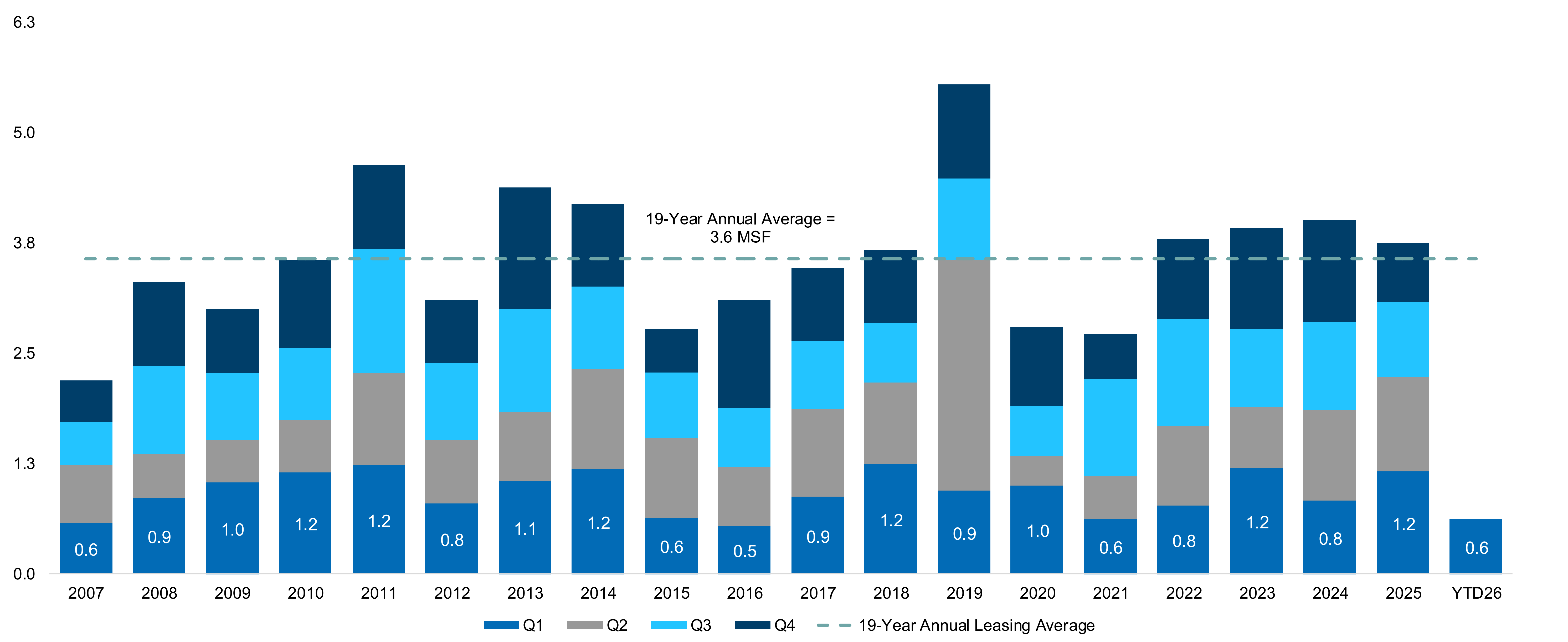


Source: Newmark Research, CoStar

Leasing Activity Remains Above 19-Year Historical Average

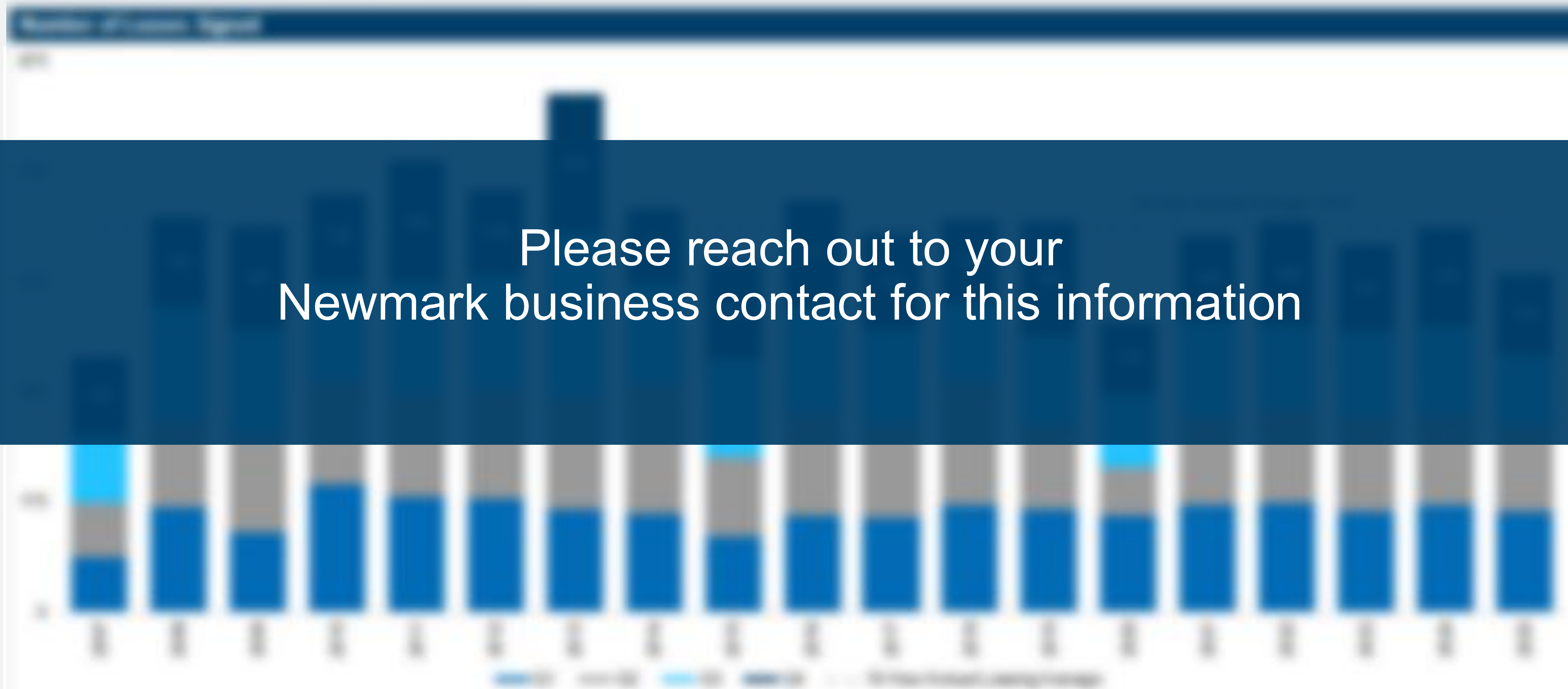
Leasing activity is expected to remain above the 19-year historical average in 2026 as tenants pursue favorable long-term lease agreements. Momentum continues, especially in the Class A segment, as the market registered a total of 3.8 million SF of leasing activity during 2025. Kansas City's leasing activity for the calendar year 2026 is projected to total between 3.9 million and 4.1 million SF.

Total Leasing Activity (MSF)



Source: Newmark Research, CoStar

Tenants Locking-In Favorable Terms As Flight To Quality Continues



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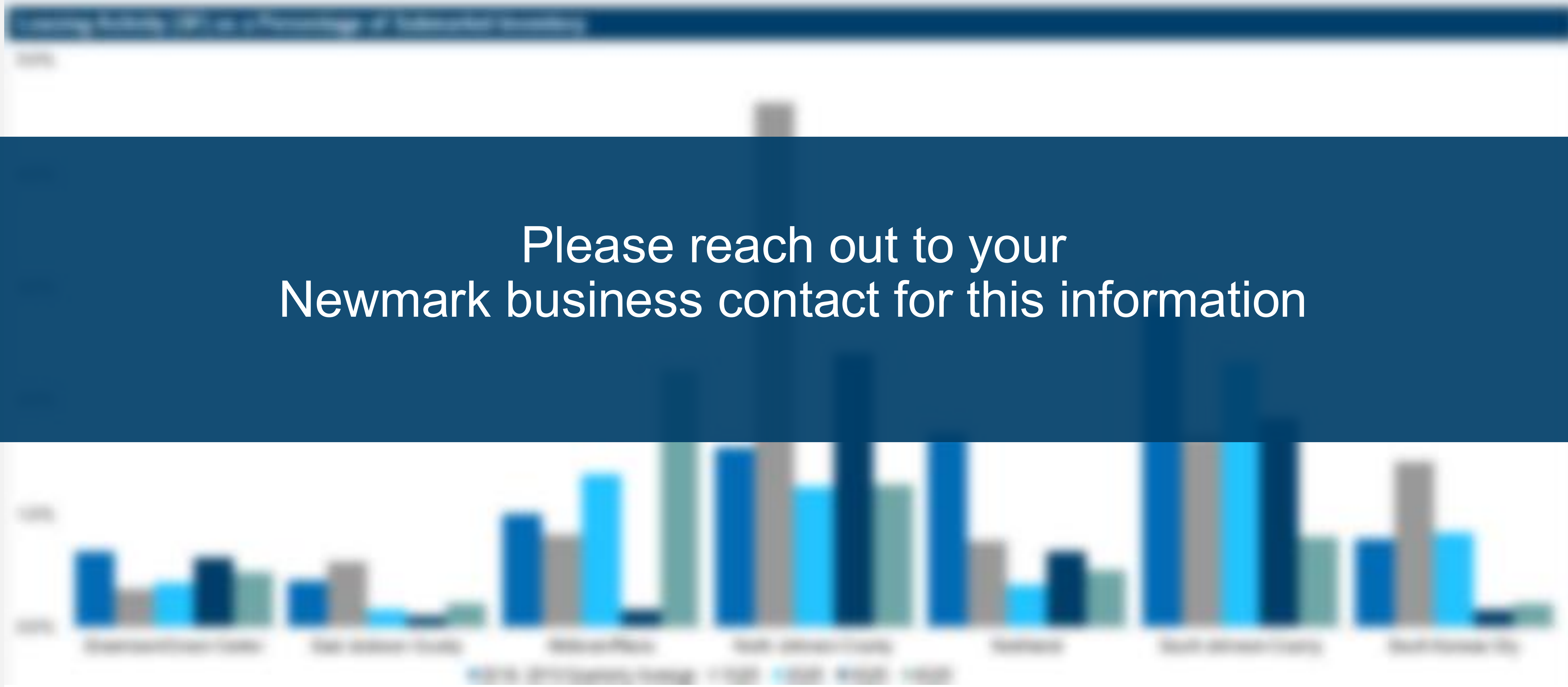
Source: Newmark Research, CoStar

Leasing Activity At Pre-Pandemic Levels In Marquee Submarkets



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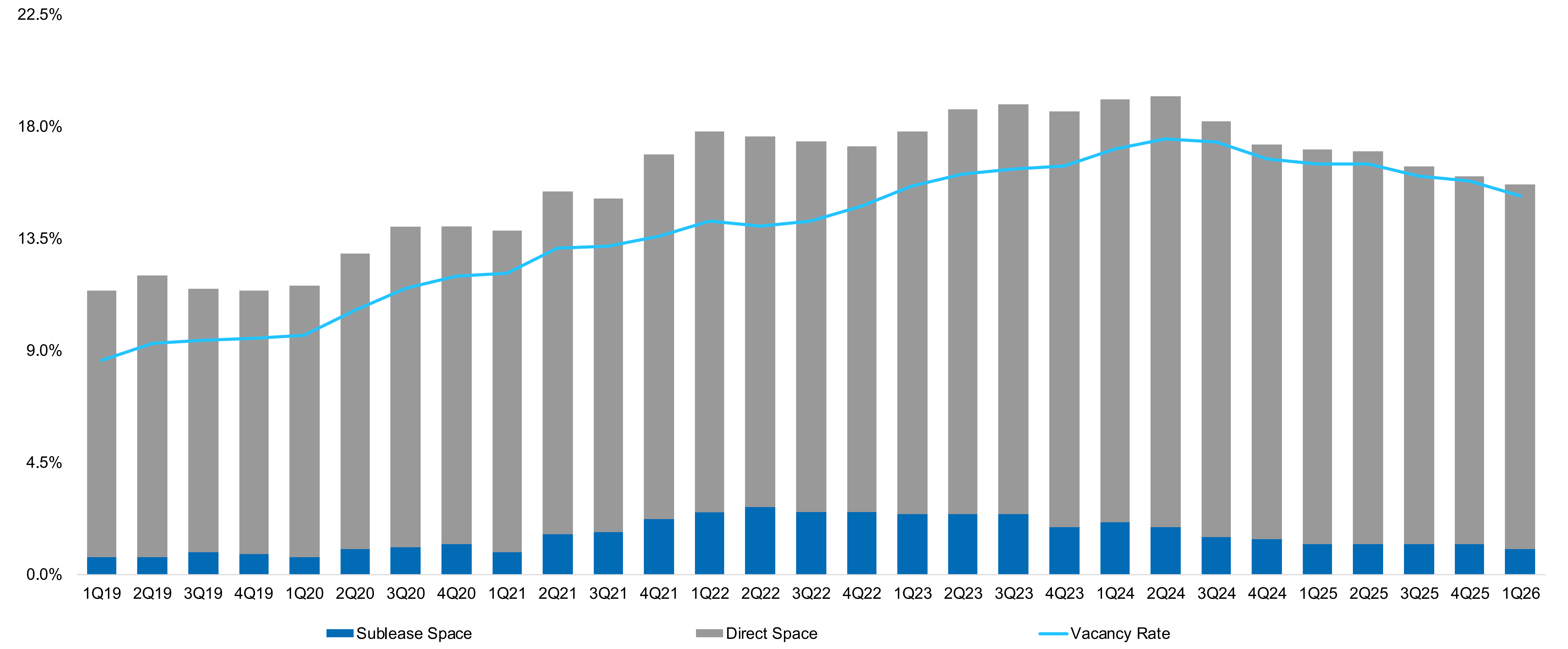
Source: Newmark Research, CoStar

Direct and Sublease Availability Trending Downward

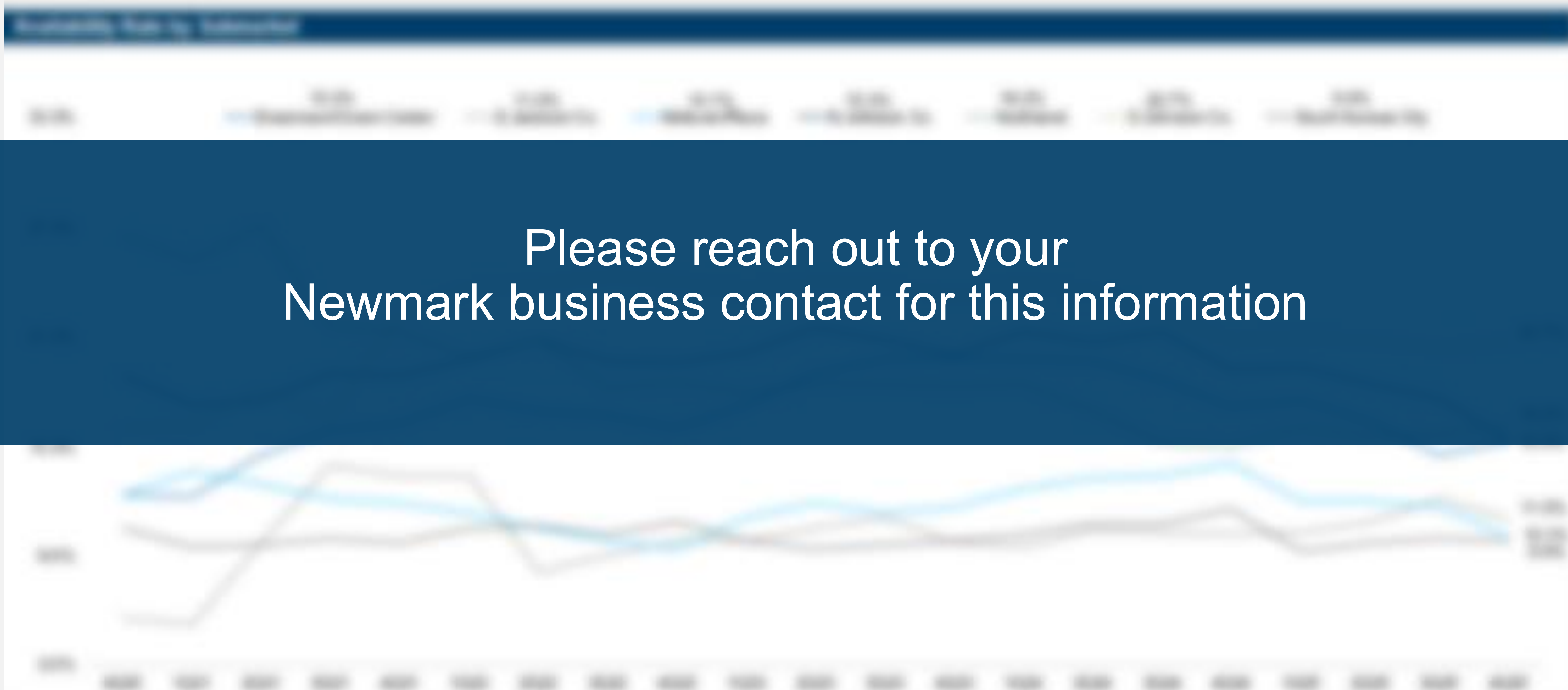
Prior to the pandemic, many technology firms leased space in anticipation of future headcount growth, aiming to hedge against tightening supply and rising rents. While a significant portion of sublease availability was previously tied to tech firms, sublease space has since returned to pre-pandemic levels with sublease inventory projected to decline gradually toward 0.8% in 2026. The gap between vacancy and availability continues to narrow indicating an increased competition environment for available space in 2026.

Available Space as Percent of Overall Market



Source: Newmark Research, CoStar

Northland Sees Largest Availability Rate Drop In Past Five Years



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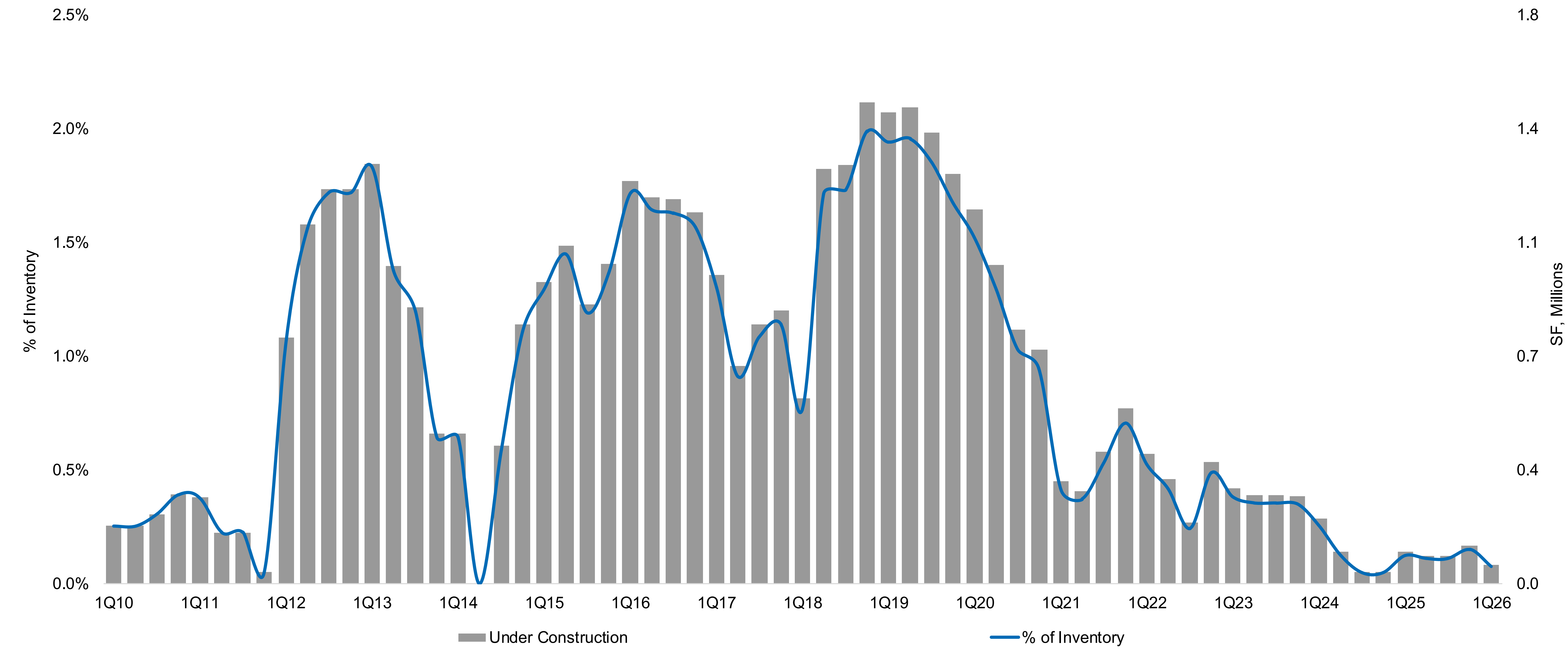
Source: Newmark Research, CoStar

Speculative Construction Remains On Hold

Following the delivery of 1400KC at 1400 Baltimore Avenue in the second quarter of 2022 and the 190,380-square-foot CityPlace Corporate Center IV in the fourth quarter of 2023, non-owner-occupied construction activity has remained largely absent. Speculative development is expected to stay on hold through 2026, pending further declines in interest rates. In the current environment, developers typically require preleasing commitments of approximately 30% to 50% before initiating construction. Any speculative office announcements in 2026 are likely to be tied to mixed-use developments or medical office projects.

Office Under Construction and % of Inventory

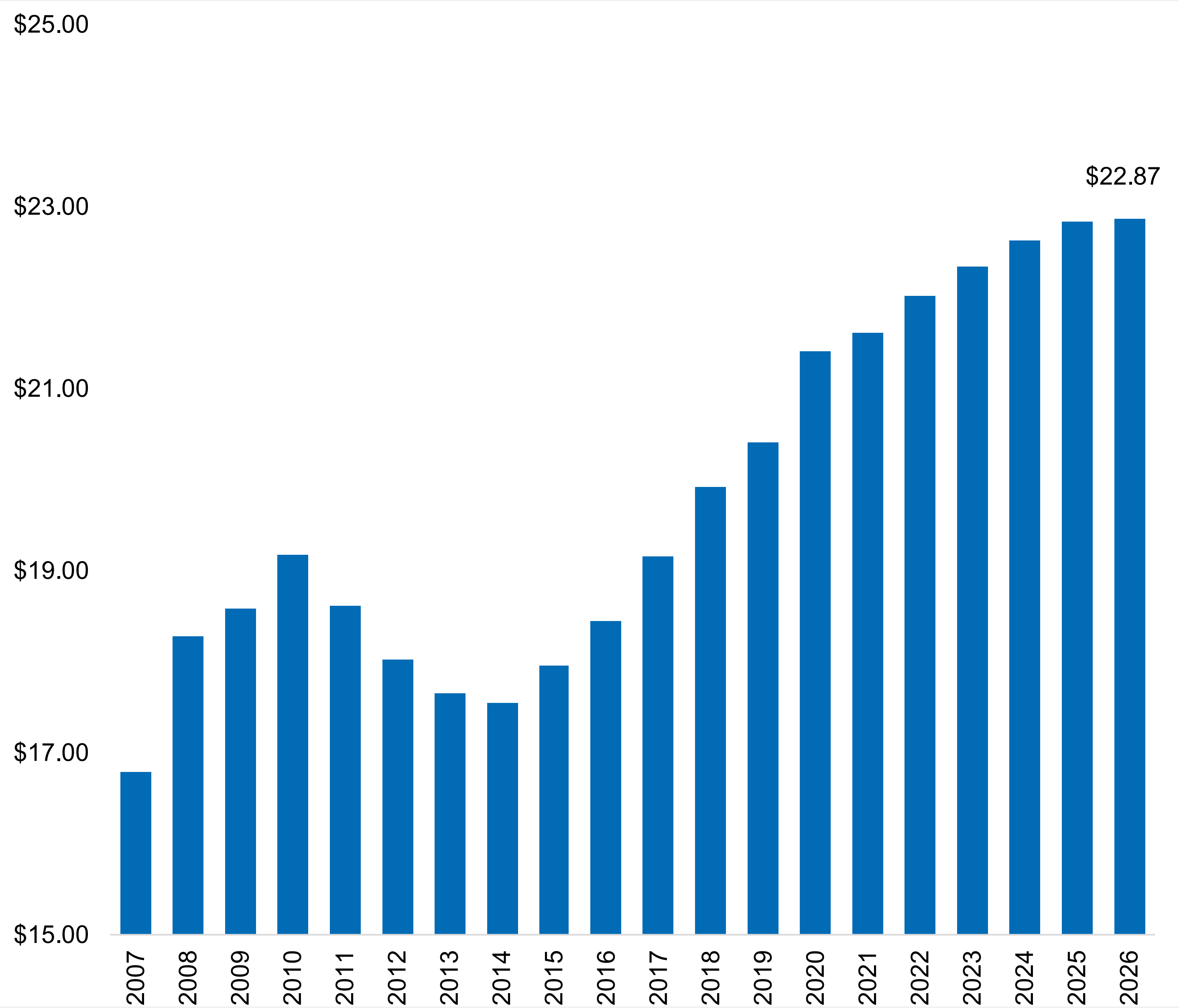


Source: Newmark Research, CoStar

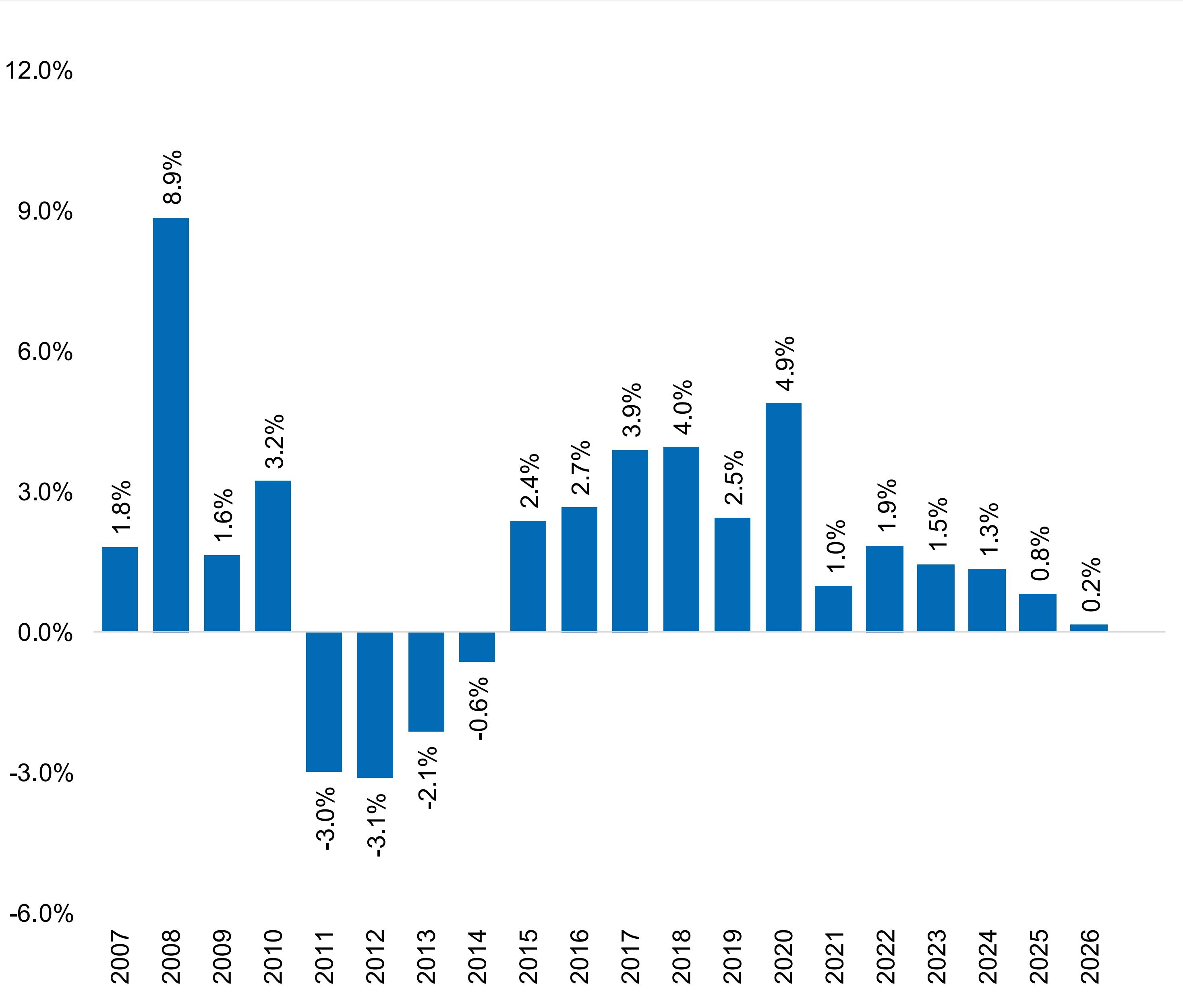
Rents Climb To New Record High

Overall asking rates rose year over year, increasing 0.2% from $22.83/SF to $22.87/SF. The upward trend is counterbalanced, in part, as liquidity constraints prompt landlords to reduce rents rather than expand concession packages. New space listings and Class A offerings are estimated to push asking rental rates upwards at an annual average of 3.0% to 4.0% in the next four to six quarters.

Office Average Asking Rent, $/SF, FS



Year-Over-Year Asking Rent Growth Rate

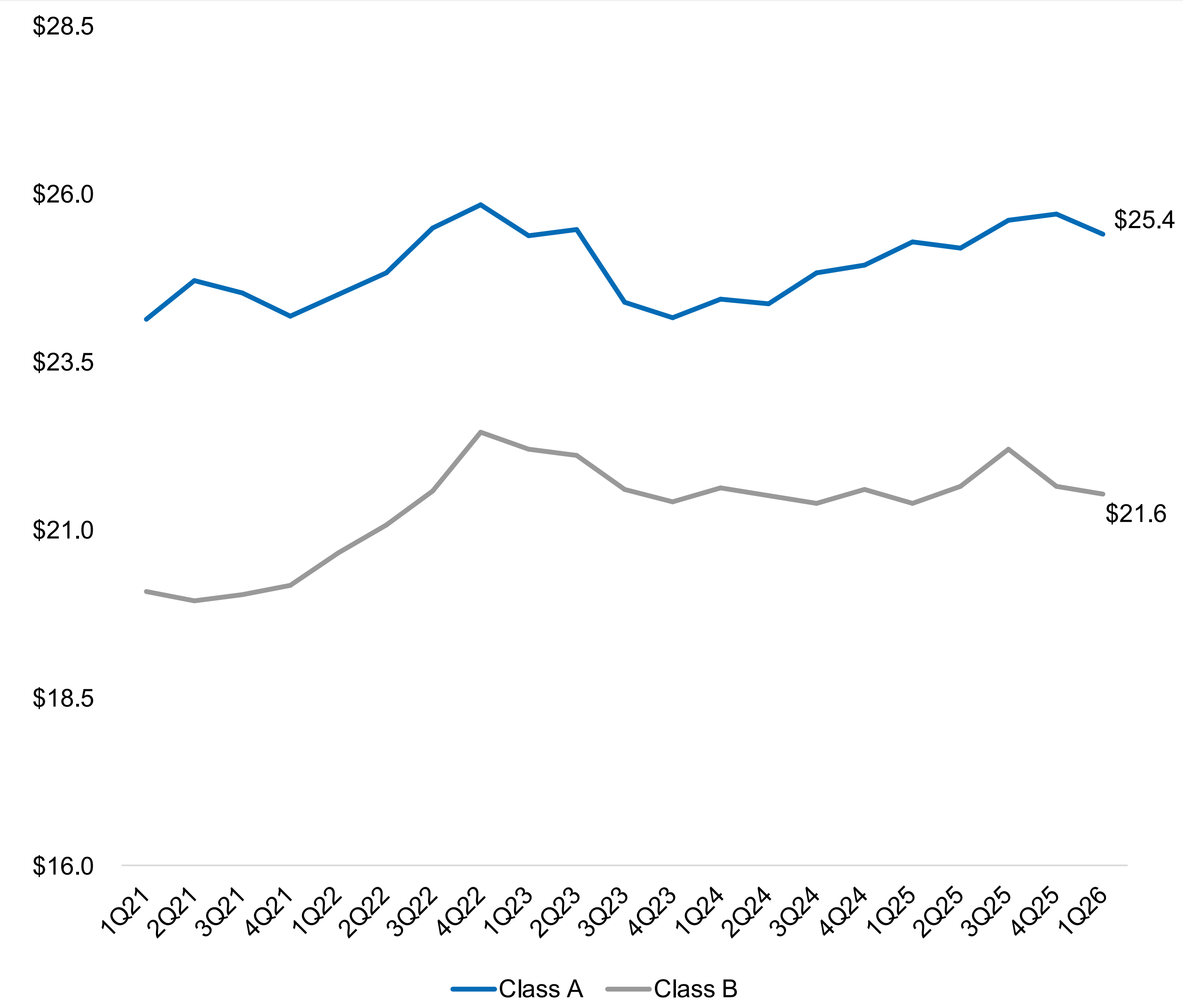


Source: Newmark Research, CoStar

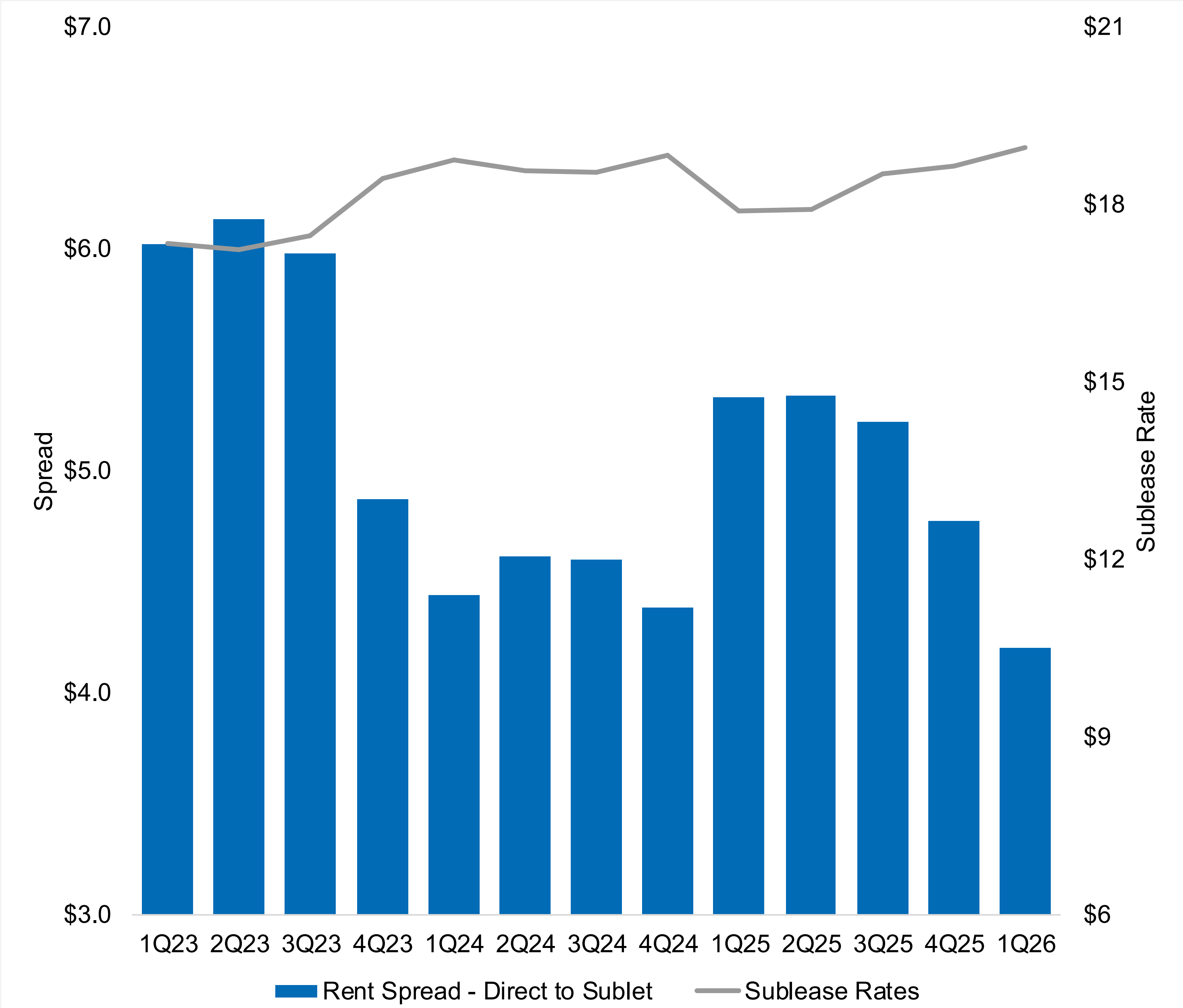
Class A Rents Up 5.2% Since 4Q23

In past market cycles, asking rents typically declined alongside weakened demand. Since the onset of the pandemic, however, rents have largely held firm, with secondary and tertiary markets like Kansas City continuing to see rent appreciation. Sublease rents have also increased over the past three years, driven by tenants capitalizing on favorable market conditions.

Class A and Class B Asking Rents

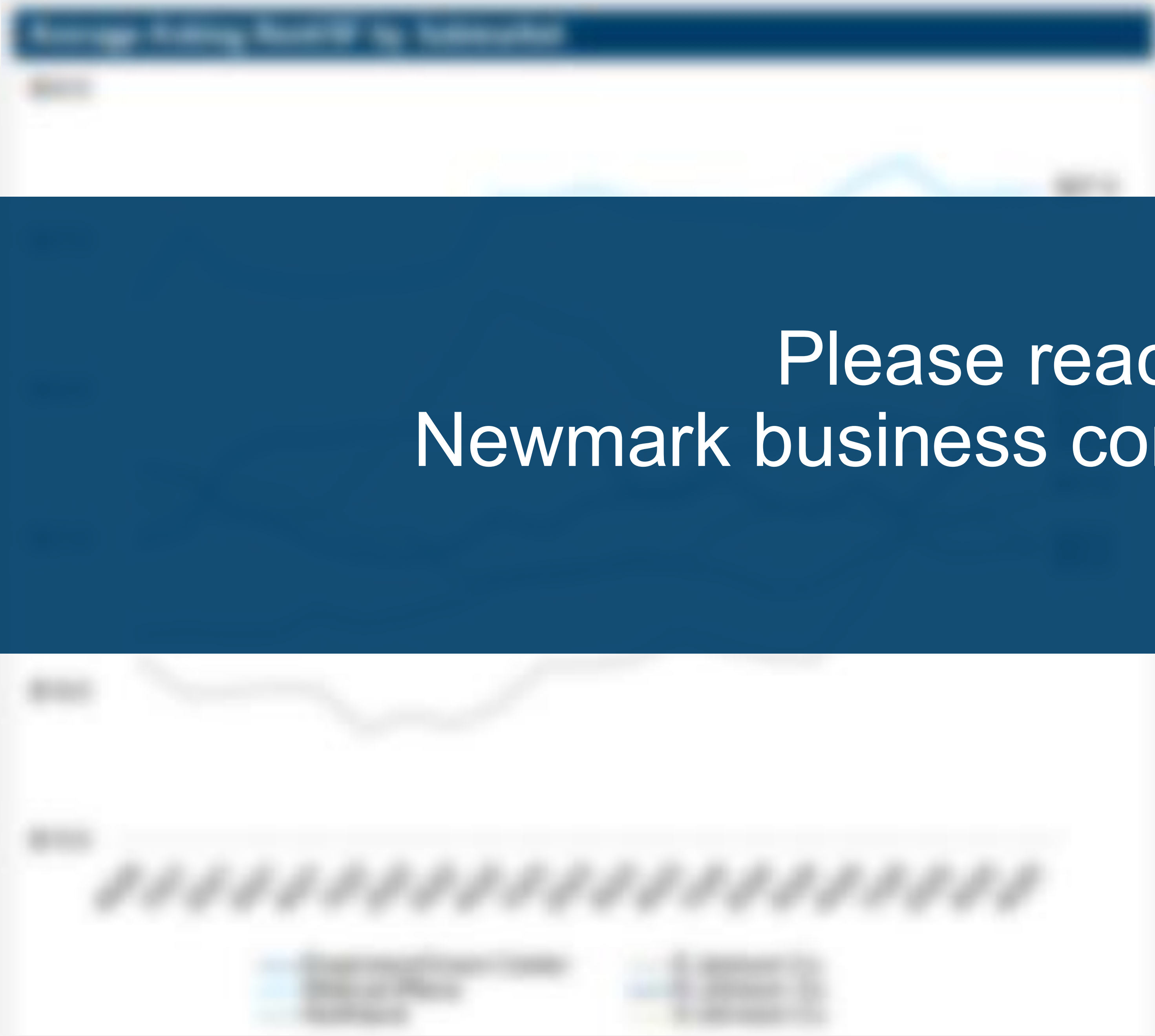


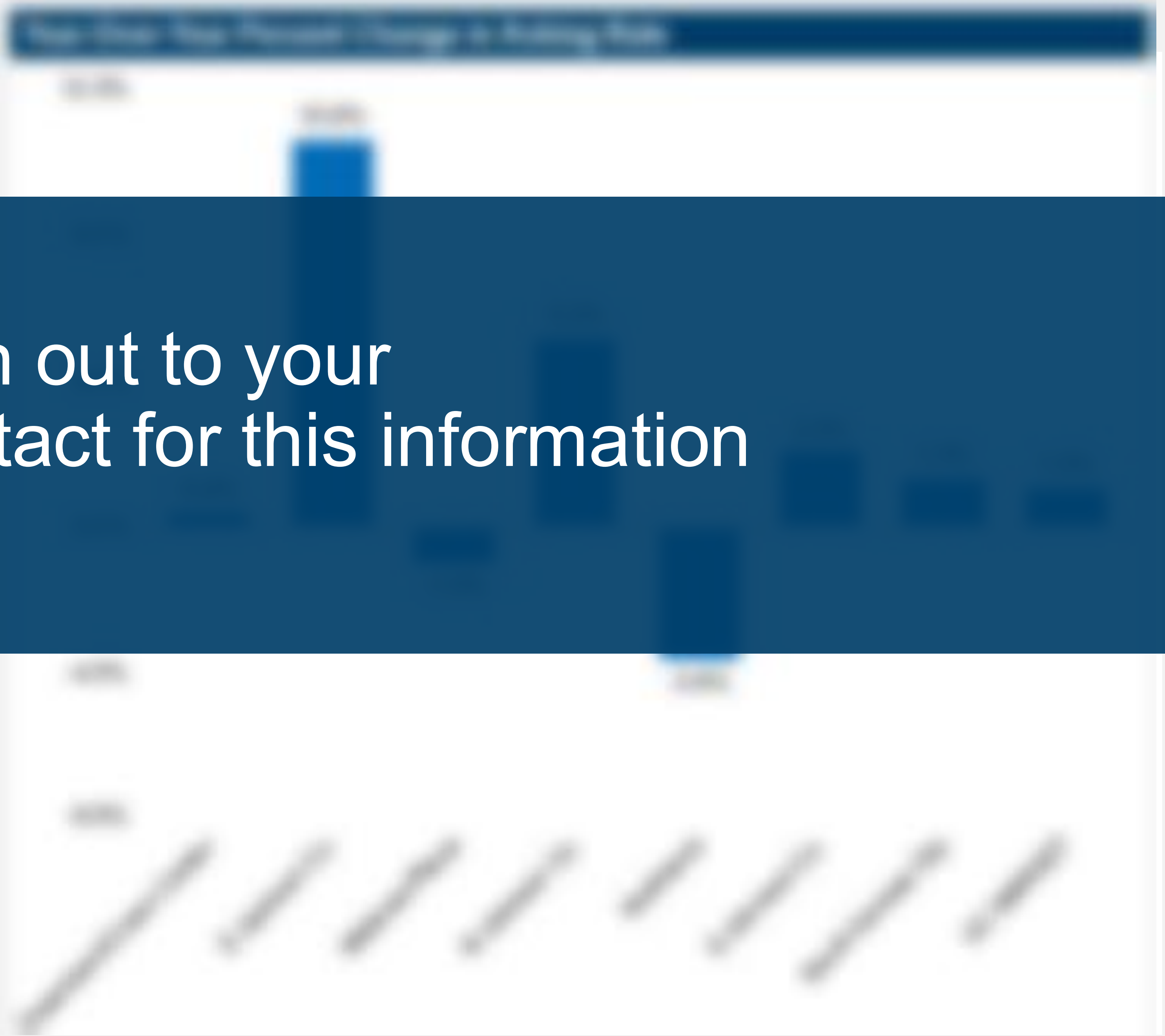
Sublease Rates



Source: Newmark Research, CoStar

Key Submarkets Drive Overall Rental Rate Growth





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Source: Newmark Research, CoStar

1Q26 Notable News & Leasing Activity

New or newly renovated Class A office space with premium amenities is expected to see sustained demand over the next four quarters. In contrast, large multitenant Class B buildings may face challenges as small and midsized tenants downsize in favor of higher-quality options. Leasing activity is projected to increase as tenants pursue favorable long-term strategies in Class A and upgraded Class B+ properties.

Select News & Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Savion	801 Pennsylvania Avenue	Downtown/Crown Center (CBD)	Direct Lease	34,100
Savion leased 34,100 SF of space on the fifth floor of the 156,530-SF 801 Penn building located in the CBD. This deal reflects a growing trend of increased leasing activity for spaces between 20,000 and 40,000 square feet, particularly in high-profile submarkets such as the CBD and South Johnson County.				
Rubin Brown	1301 Main Street	Downtown/Crown Center (CBD)	Direct Lease	30,350
Rubin Brown leased 30,350 SF of space on the ninth floor of the 533,510-SF Thirteen + Main building located in the CBD. The firm is anticipated to move in by August 2026.				
Hollis + Miller Architects	1828 Walnut Street	Downtown/Crown Center (Freight House District)	Renewal	30,120
Hollis + Miller Architects renewed its lease for 30,120 SF of space at Corrigan Station in the Freight House District.				
Alliance Shippers Inc.	6700 Antioch Road	North Johnson County	Direct Lease	23,300
Alliance Shippers Inc. leased 23,300 SF at Antioch Plaza located at 6700 Antioch Rd. in Merriam, KS. The firm is anticipated to move in by August 2026. Newmark Zimmer provided Landlord representation in the transaction.				
Hudson Insurance Group	5901 College Boulevard	South Johnson County	Direct Lease	20,630
Hudson Insurance Group signed a new lease for 20,630 SF of space on the third floor of the 112,450-SF building located at 5901 College Blvd. in Overland Park, KS.				

Source: Newmark Research

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Submarket Statistics

Submarket Statistics

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Submarket Statistics – All Classes

Submarket	Class	Total Number of Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Total Asking Rent (Price/SF)

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Source: Newmark Research

Submarket Statistics

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Submarket Statistics – All Classes

Submarket	Class	Total Number of Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Total Asking Rent (Price/SF)

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Source: Newmark Research

Submarket Statistics

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Submarket Statistics – All Classes

Submarket	Class	Total Number of Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Total Asking Rent (Price/SF)

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Source: Newmark Research

Submarket Statistics

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Submarket Statistics – Class A

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
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Source: Newmark Research

Submarket Statistics

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Submarket Statistics – Class B

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)

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Source: Newmark Research

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