

2Q25

Kansas City Office Market Overview



Market Observations

Economy

- The region’s labor market remains resilient despite uncertain macroeconomic conditions. May’s unemployment rate of 3.8% was 10 basis points below the 10-year historical average of 3.9%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Education and Health. Information and Leisure and Hospitality posted the largest job losses over the past 12 months.
- Professional business and technology firms are recalibrating their labor needs, with two of the three office-occupying sectors reporting year-over-year employment retraction.

Major Transactions

- Fiserv, Inc. will open a Strategic Fintech Hub at the Aspiria Campus in Overland Park. The firm will lease 427,000 SF of space across two buildings at 6500 and 6550 Sprint Pkwy which is expected to house nearly 2,000 associates by March 2030. The move is estimated to bring \$6.5 billion in economic impact during the next 10 years. Fiserv expects to open the hub in two phases beginning in 2026.
- Burns & McDonnell will sublease 100,000 SF at 901 Carondelet Dr. The firm will join Freightquote which renewed in May its 100,000-SF lease.
- Engenious Design will increase its footprint from 18,000 SF to 55,440 SF at 2400 West 75th St. in Prairie Village. The firm will expand into the former WireCo space by April 2026.

Leasing Market Fundamentals

- The market recorded 116,174 SF of net absorption during the quarter, bringing the four-quarter total to 1.1 million SF. This marks the fourth 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 108,600 SF currently under construction.
- Vacancy decreased by 10 basis points to 16.1% and is expected to edge down toward 16.0% as the market continues to stabilize. Asking rental rates are anticipated to soften in the coming quarters, following a modest year-over-year increase of 1.1% to \$22.96/SF.

Outlook

- Uncertainty in the macroeconomic outlook persists, prompting occupiers and investors to approach transactions with greater caution, impacting both leasing and investment activity. Tenants are expected to 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.
- While landlords typically offer concessions, such as free rent or tenant improvement allowances in lieu of lowering quoted rates, those facing liquidity pressures may opt to provide more substantial concessions in exchange for lower effective rents.

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1. Economy
 2. Leasing Market Fundamentals
 3. Submarket Statistics

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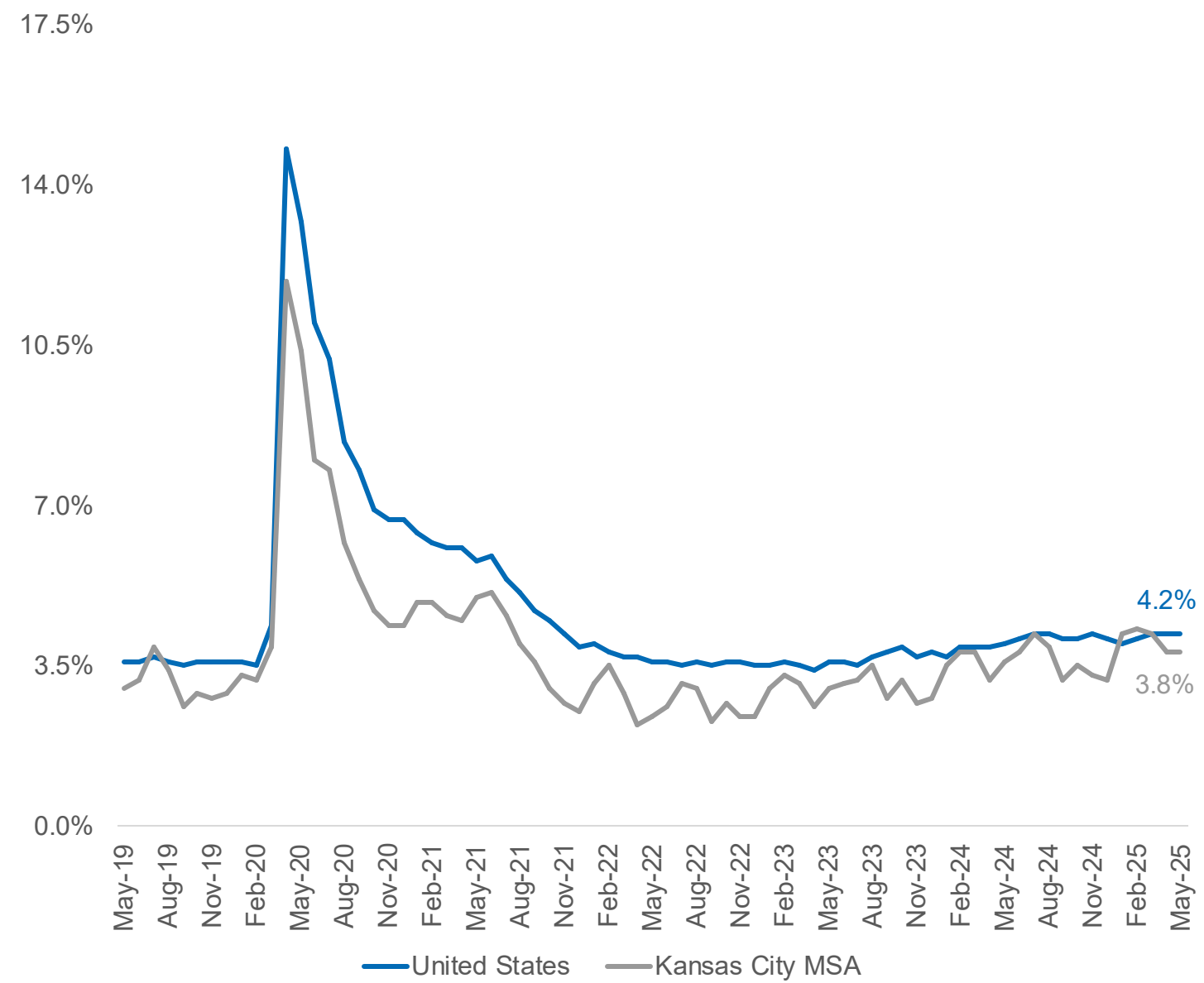
Economy



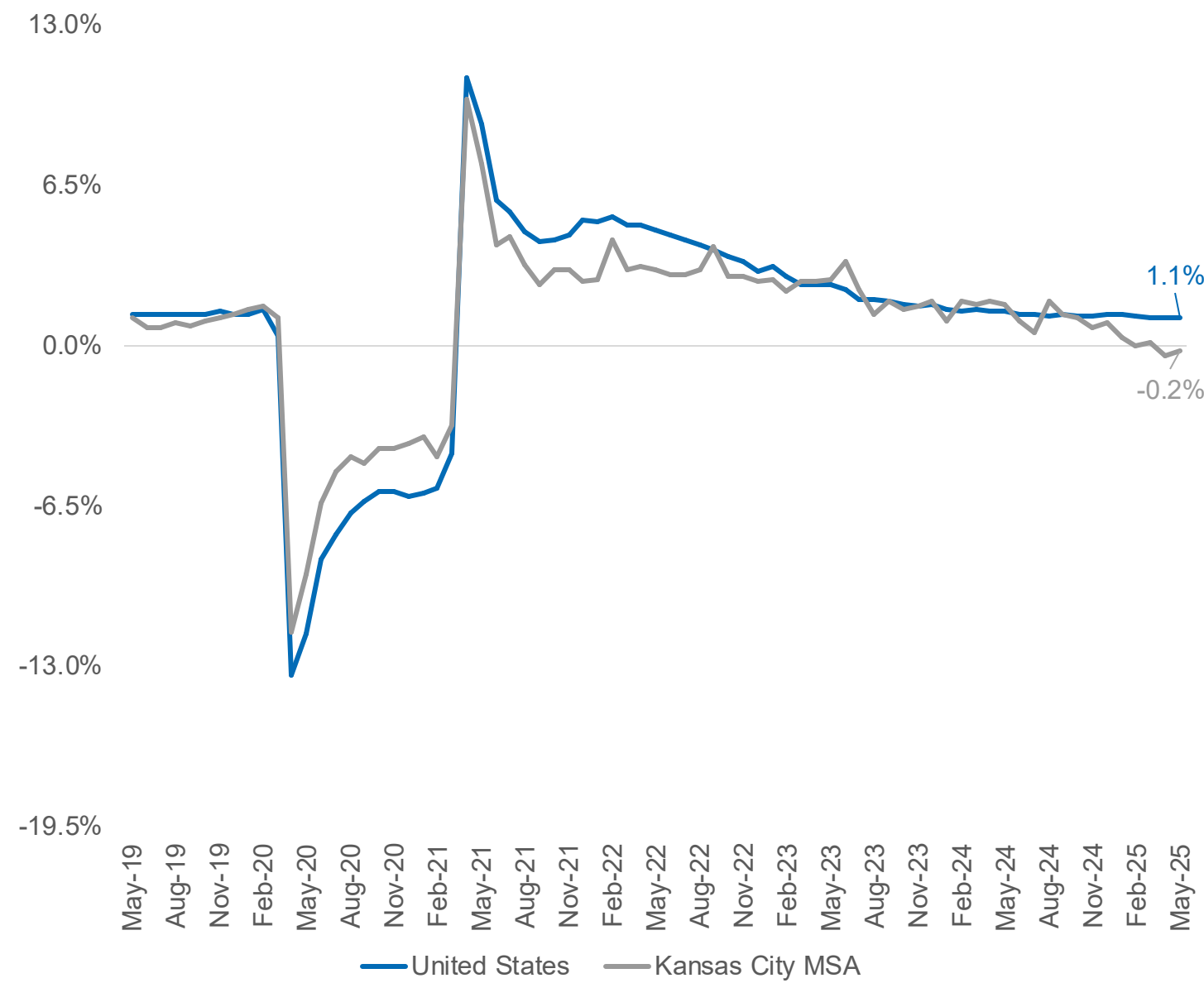
Metro Employment Trends Signal Stable Economy

The Kansas City region’s labor market remains stable as unemployment dropped 50 basis points from the previous quarter. The regional unemployment rate now stands 40 basis points below the national average, signaling economic resilience. Nonfarm payroll employment in the region decreased into negative territory for the first time since March 2021. According to the Kansas City Fed Labor Market Conditions Indicators, activity held steady at 0.26, while momentum remained flat at -0.24 in May 2024.

Unemployment Rate, Non-Seasonally Adjusted



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

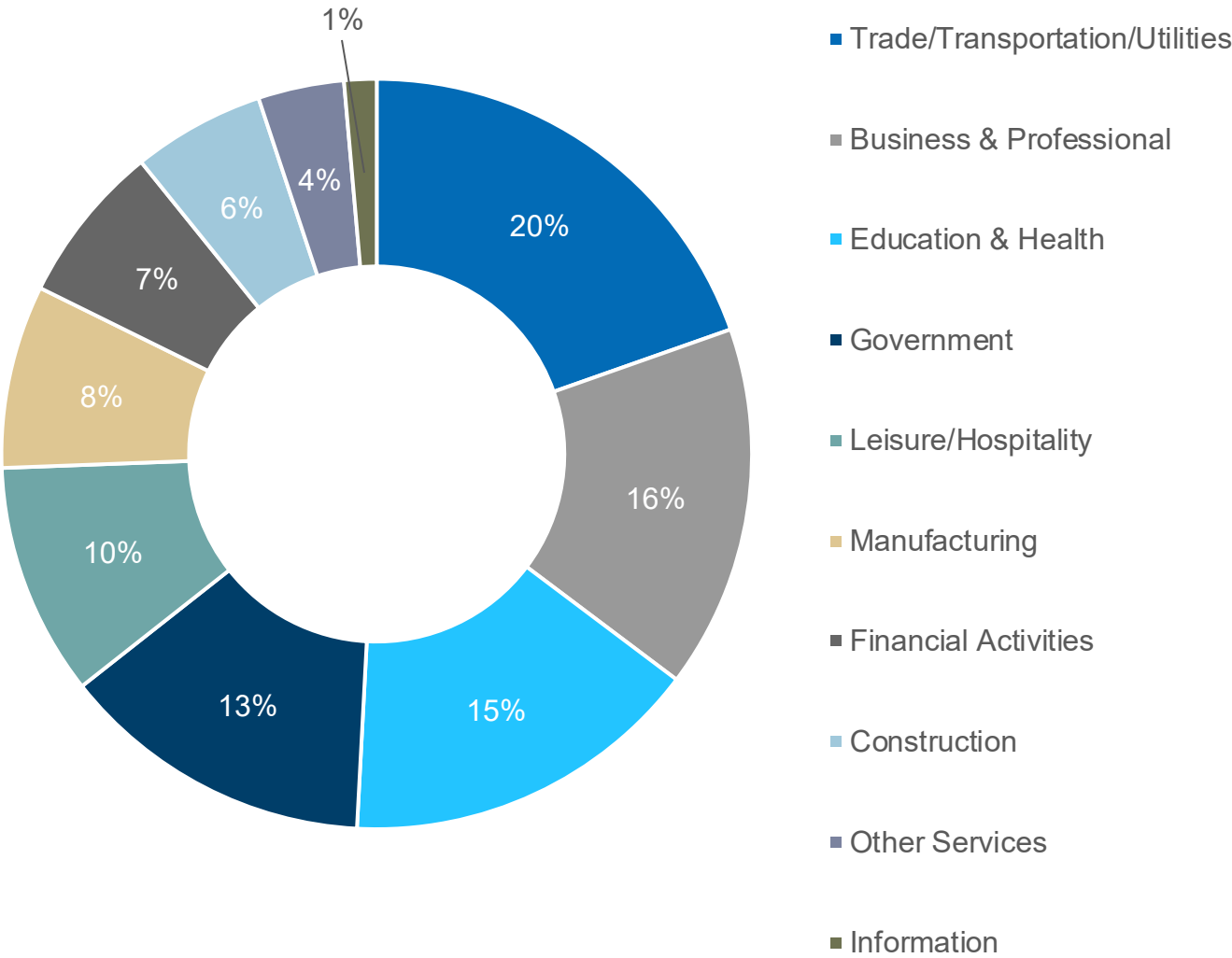


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

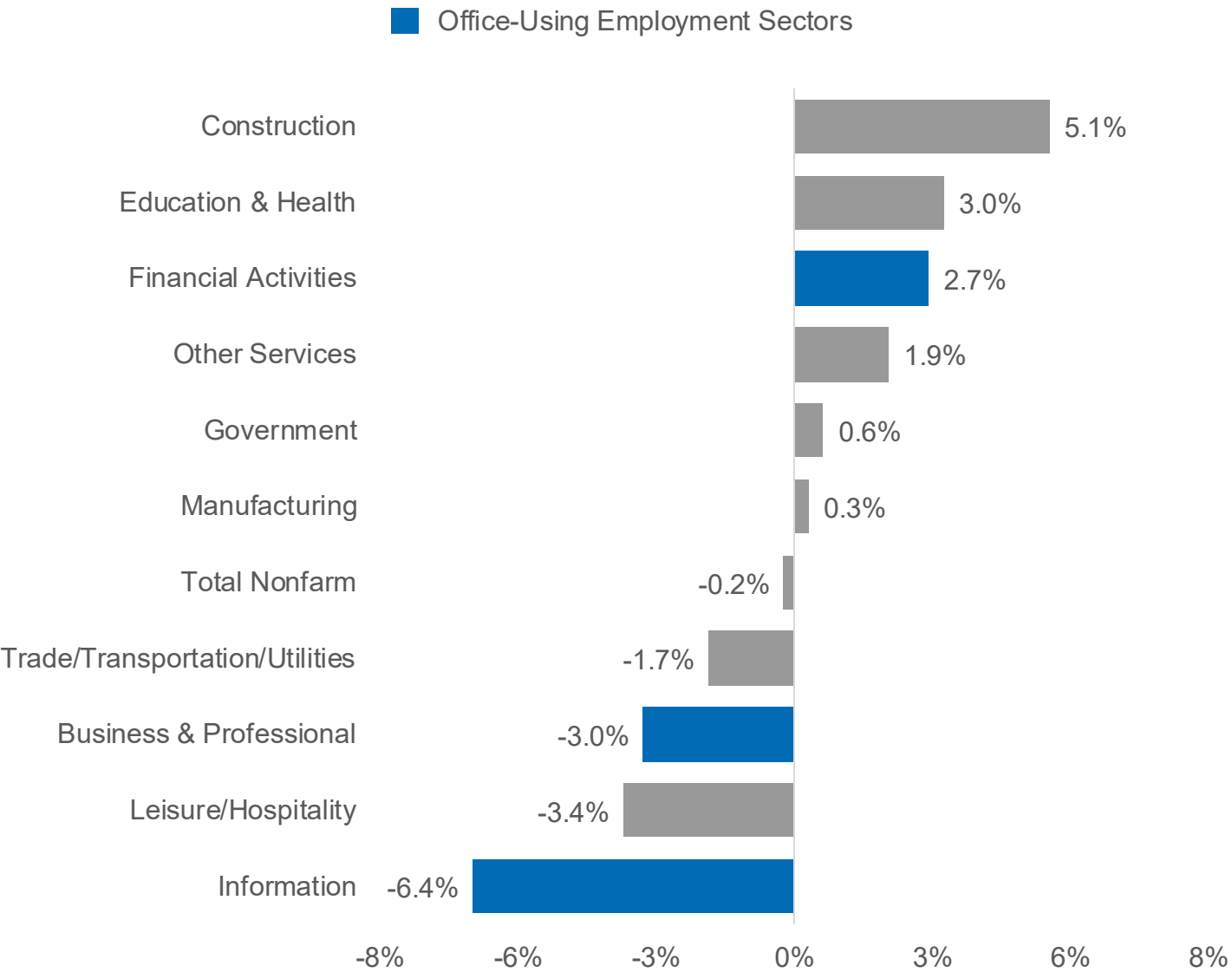
Information and Leisure/Hospitality Sectors Lead Regional Job Losses

The Construction sector led regional annual job growth, followed by Education and Health. The Information and Leisure/Hospitality sectors posted the largest annual job losses, with declines of 6.4% and 3.4%, respectively. Two of the three office-occupying industries, Information and Business & Professional, reported year-over-year job declines.

Employment by Industry, May 2025



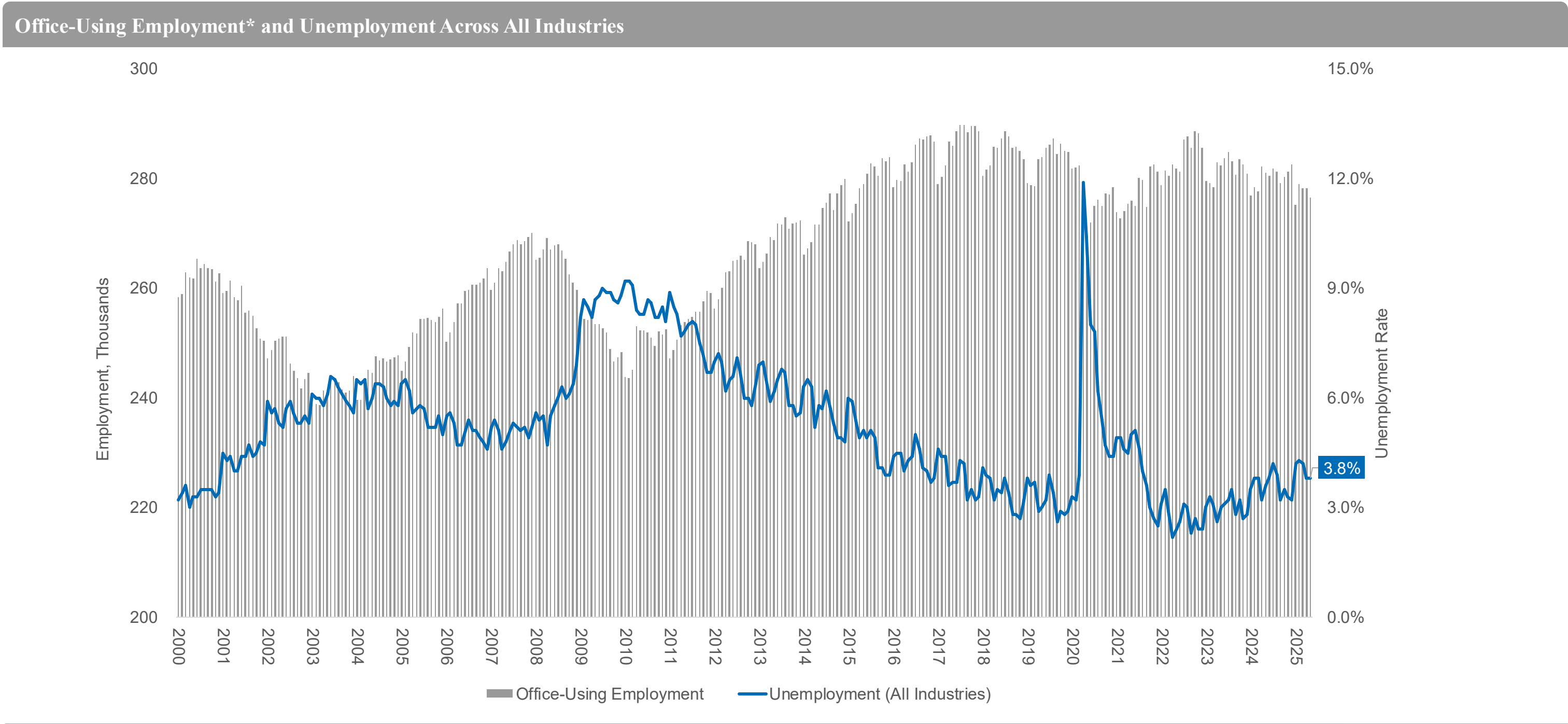
Employment Growth by Industry, 12-Month % Change, May 2025



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

Overall Office Employment Trending Downward

Office employment has rebounded from its pandemic low but has trended downward since October 2022, now aligning with levels last seen in January 2019. While a slight seasonal dip is typical early in the year, the region is expected to experience a modest decline through 2025.



Source: U.S. Bureau of Labor Statistics, Kansas City MSA
Note: May 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

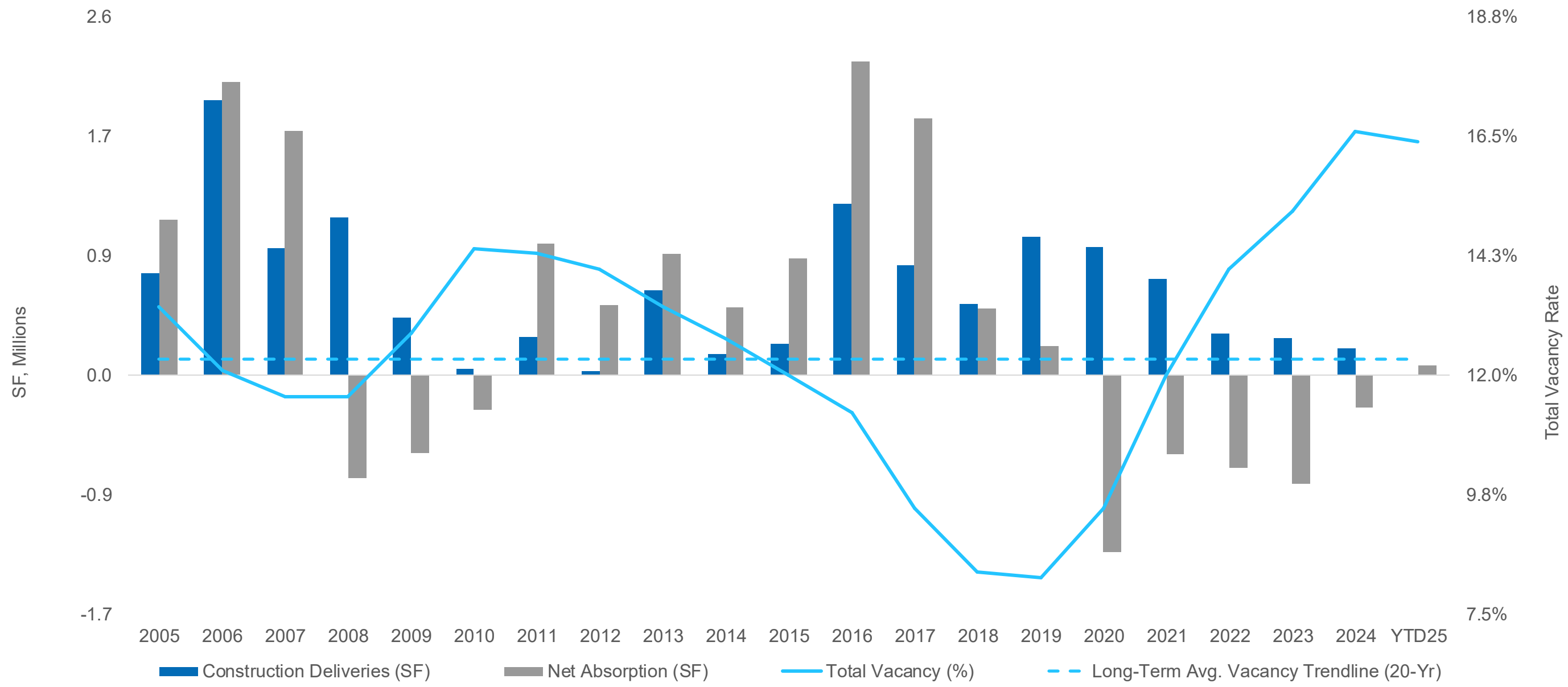


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Vacancy Dropping As Market Recalibrates

The vacancy rate declined by 1.2 percentage points year over year to 16.1% as tenants adapt to hybrid work strategies and reassess evolving space needs. Office-to-multifamily conversions, including the 372,450-SF former AT&T Building and the 220,000-SF former Mark Twain Tower in Downtown Kansas City, are expected to support further vacancy reductions. Tenants are expected to maintain significant leverage across most Metro submarkets, prompting landlords to adopt more competitive deal structures.

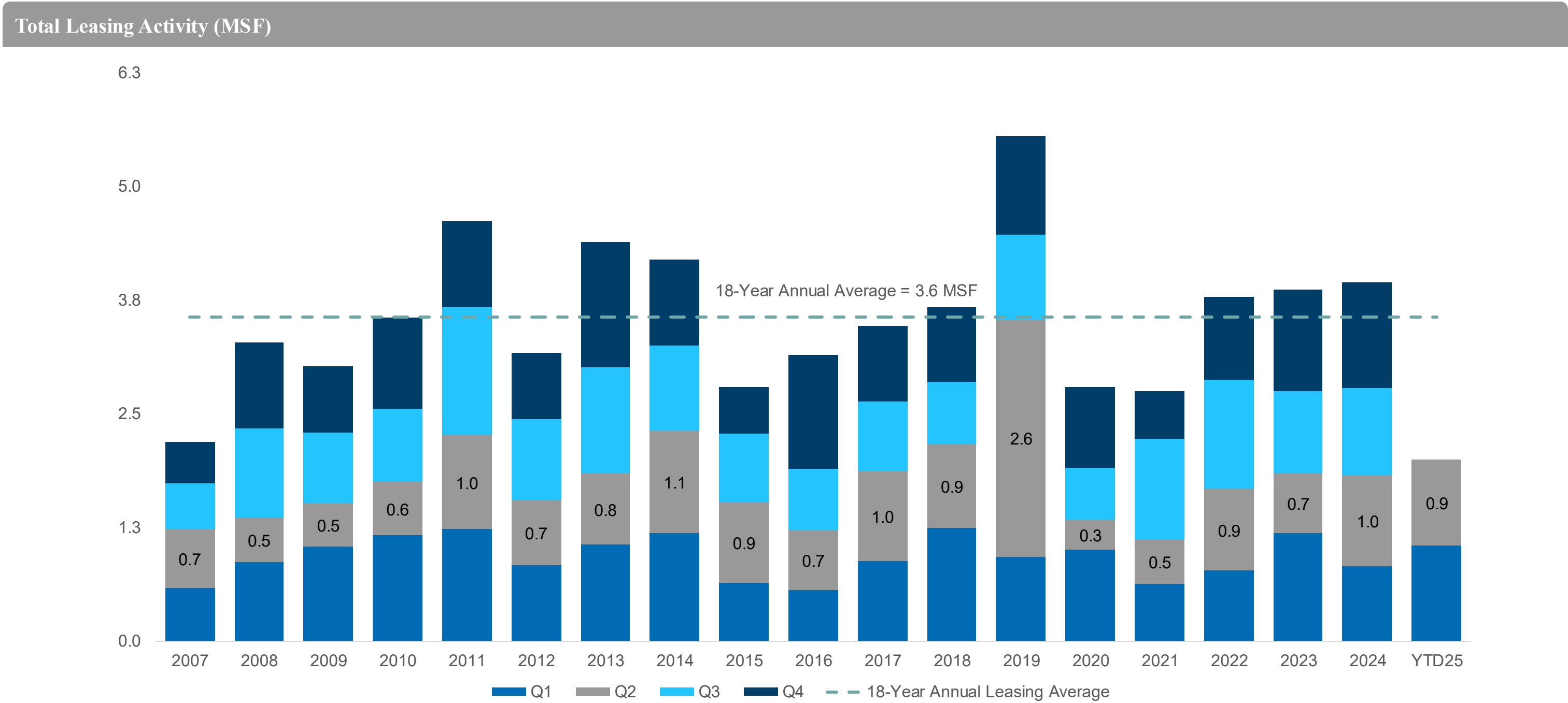
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Leasing Activity Climbs Above 18-Year Historical Average

Leasing activity is expected to remain slightly above average over the next four quarters as tenants pursue favorable long-term lease agreements. Momentum continues, with second-quarter 2025 marking the second-highest leasing volume for the period since 2020. Kansas City’s 2025 leasing activity is projected to total between 3.8 million and 4.2 million SF.



Source: Newmark Research, CoStar

Tenants Begin Locking-In Favorable Terms With Caution



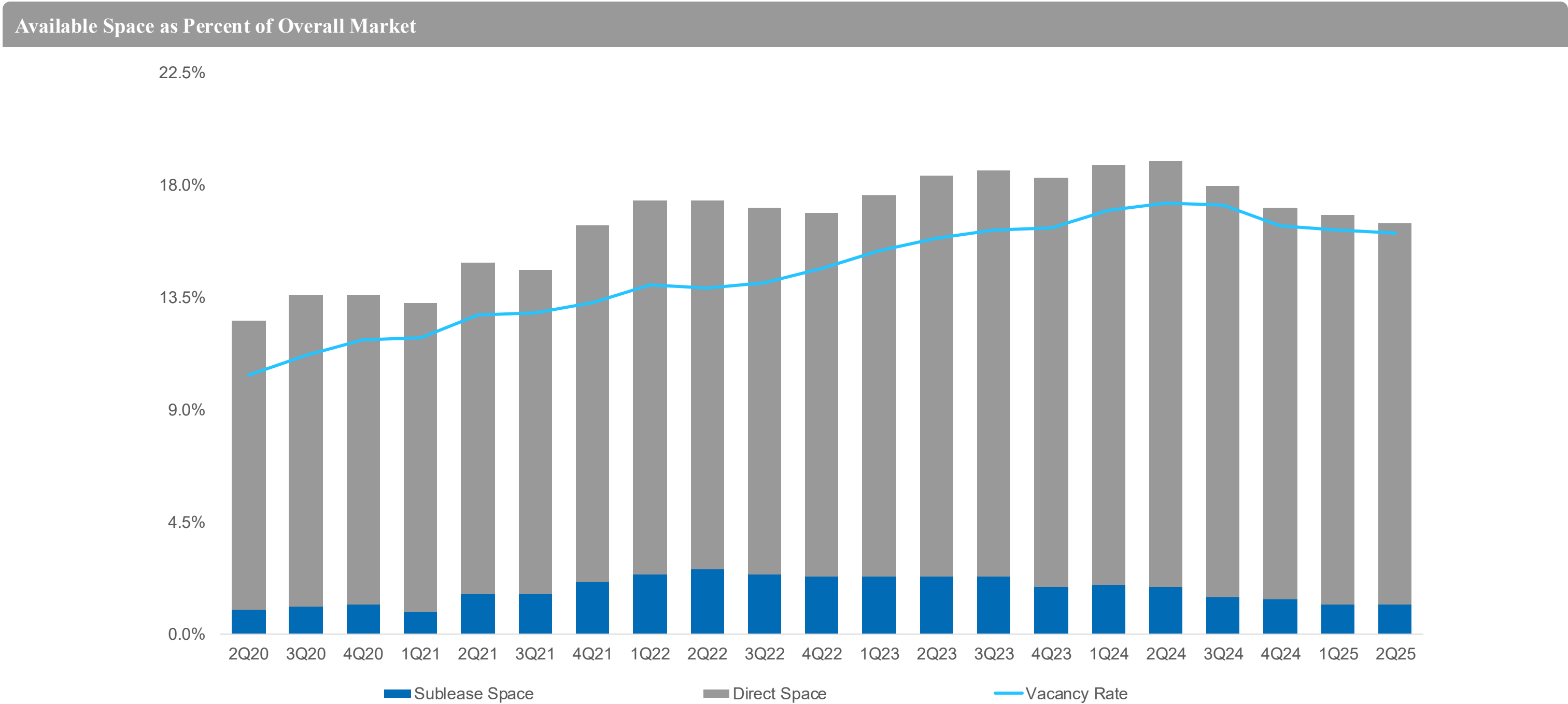
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Several Large Leases Expected In Marquee Submarkets For 2H25

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Direct and Sublease Availability Trending Downward

In the years leading up to the pandemic, many tech firms—including Oracle Cerner and T-Mobile—leased space in anticipation of future growth, aiming to hedge against tightening supply and rising rents. Recent job cuts in the sector have since added to sublease availability. However, sublease inventory is projected to decline gradually toward 1.0% over the next four quarters.



Source: Newmark Research

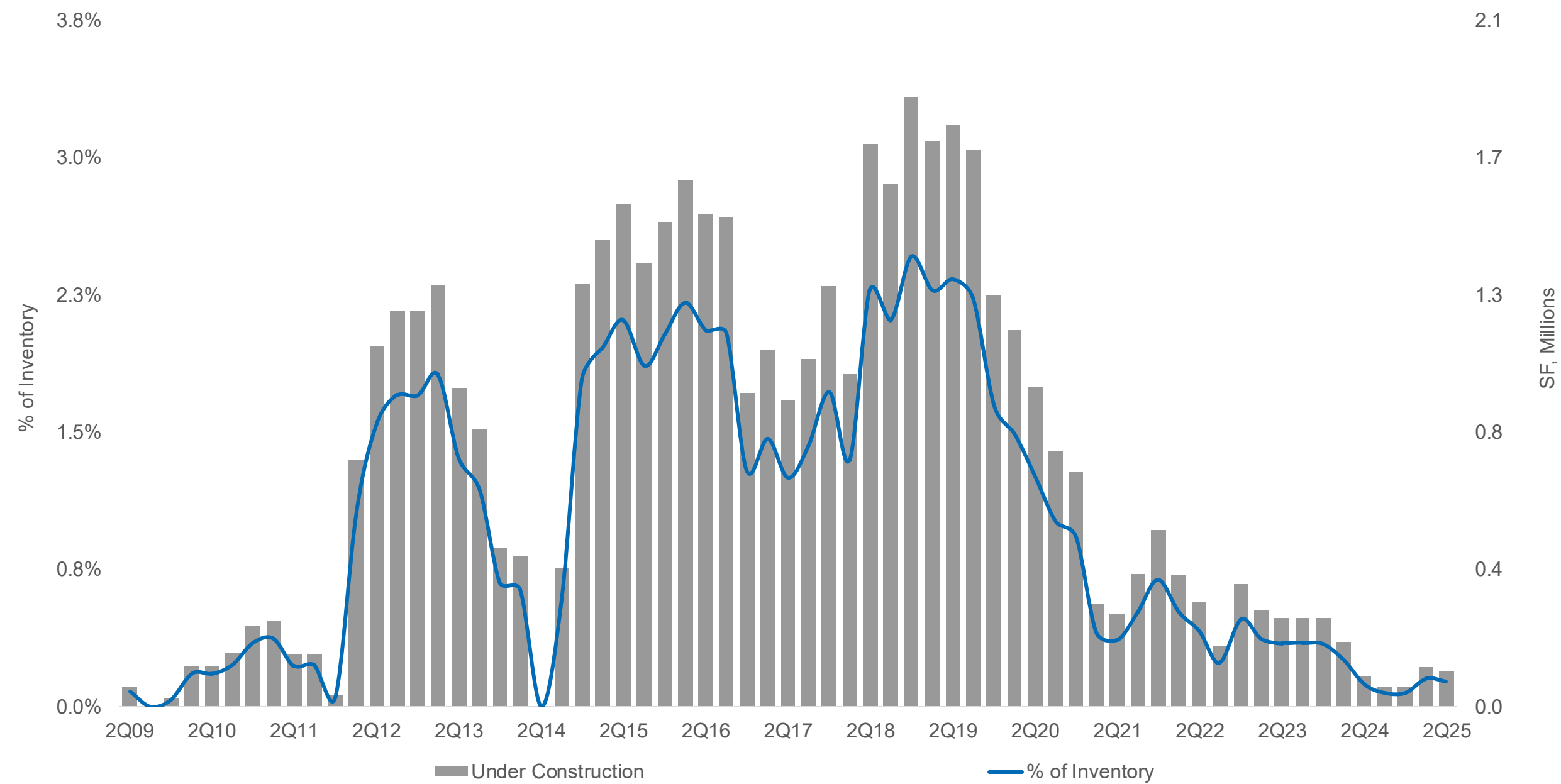
Northland Sees Largest Drop In Availability Rate

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New Construction Limited as Vacancy Falls to 16.1%

Following the delivery of 1400KC at 1400 Baltimore Avenue in the second quarter of 2022 and the 190,380-SF CityPlace Corporate Center IV in the fourth quarter of 2023, non-owner-occupied construction has been nearly absent.

Office Under Construction and % of Inventory

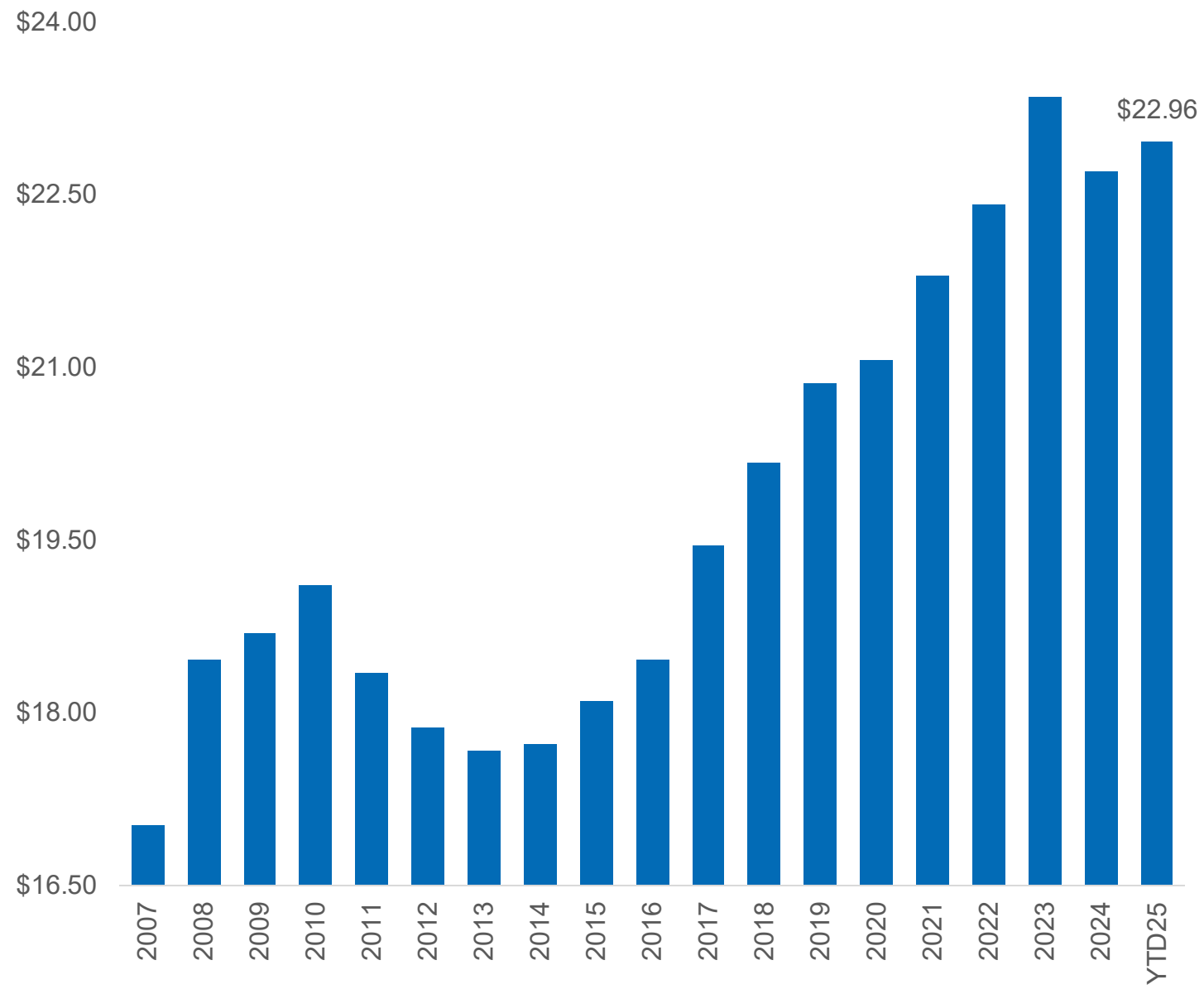


Source: Newmark Research, CoStar, Kansas City Market

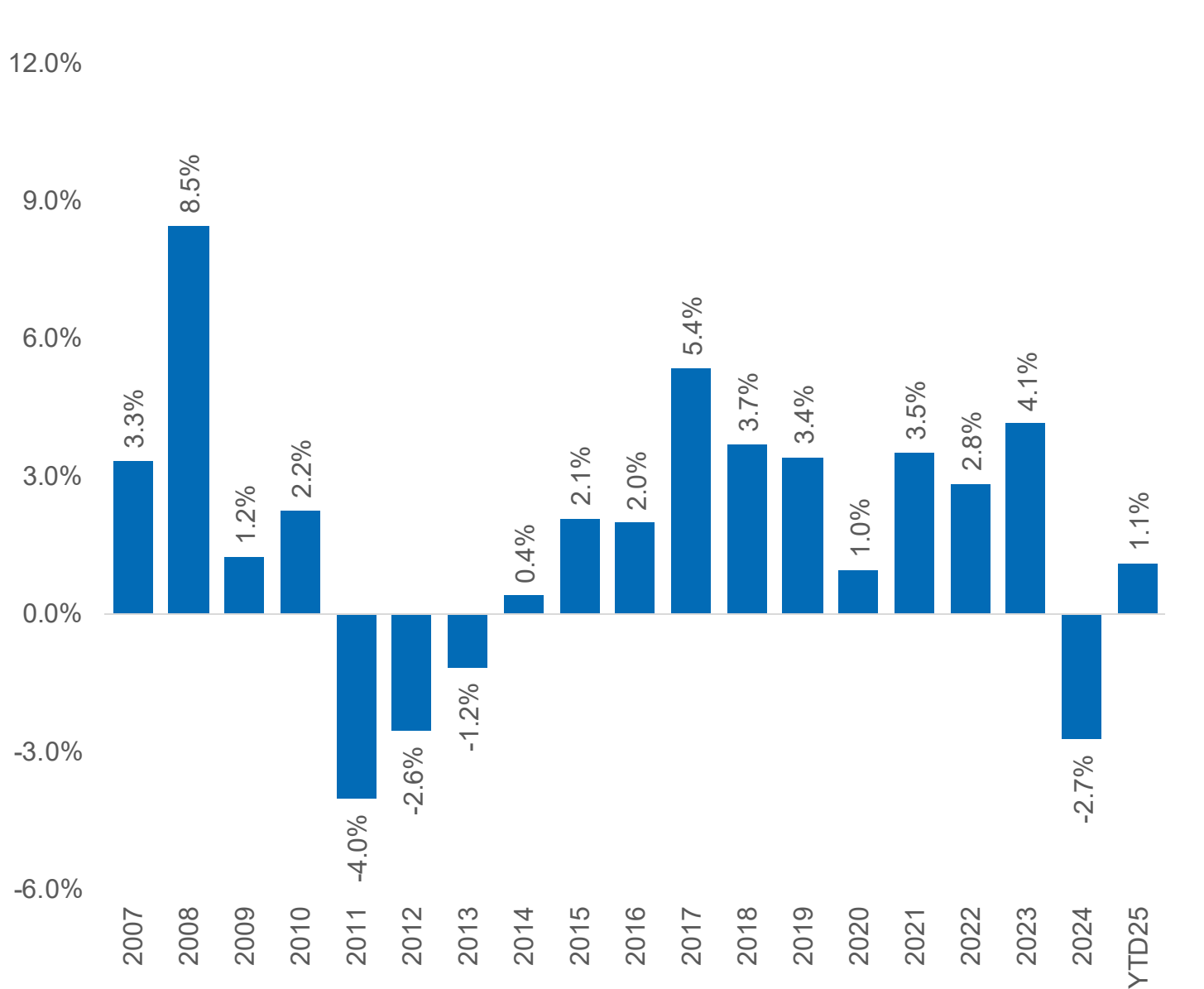
Rents Continue to Rise, Though Growth Expected to Slow

Overall asking rates rose year over year, increasing from \$22.71/SF to \$22.96/SF. However, this upward trend is expected to stabilize as liquidity constraints prompt landlords to reduce rents rather than expand concession packages. With 12-month inflation holding near 2.35%, real asking rent growth has remained flat.

Office Average Asking Rent, \$/SF, FS



Year-Over-Year Asking Rent Growth Rate

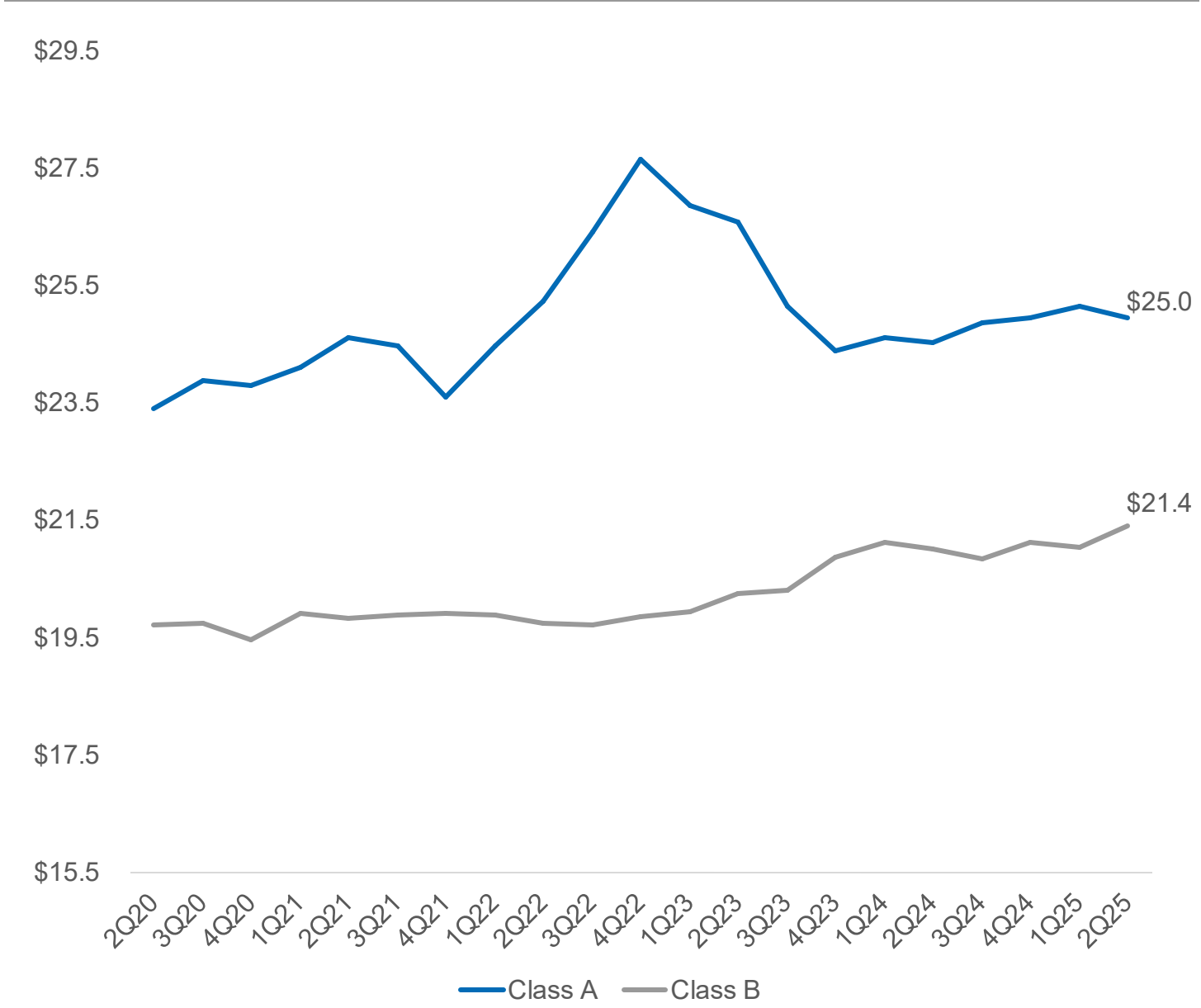


Source: Newmark Research, CoStar

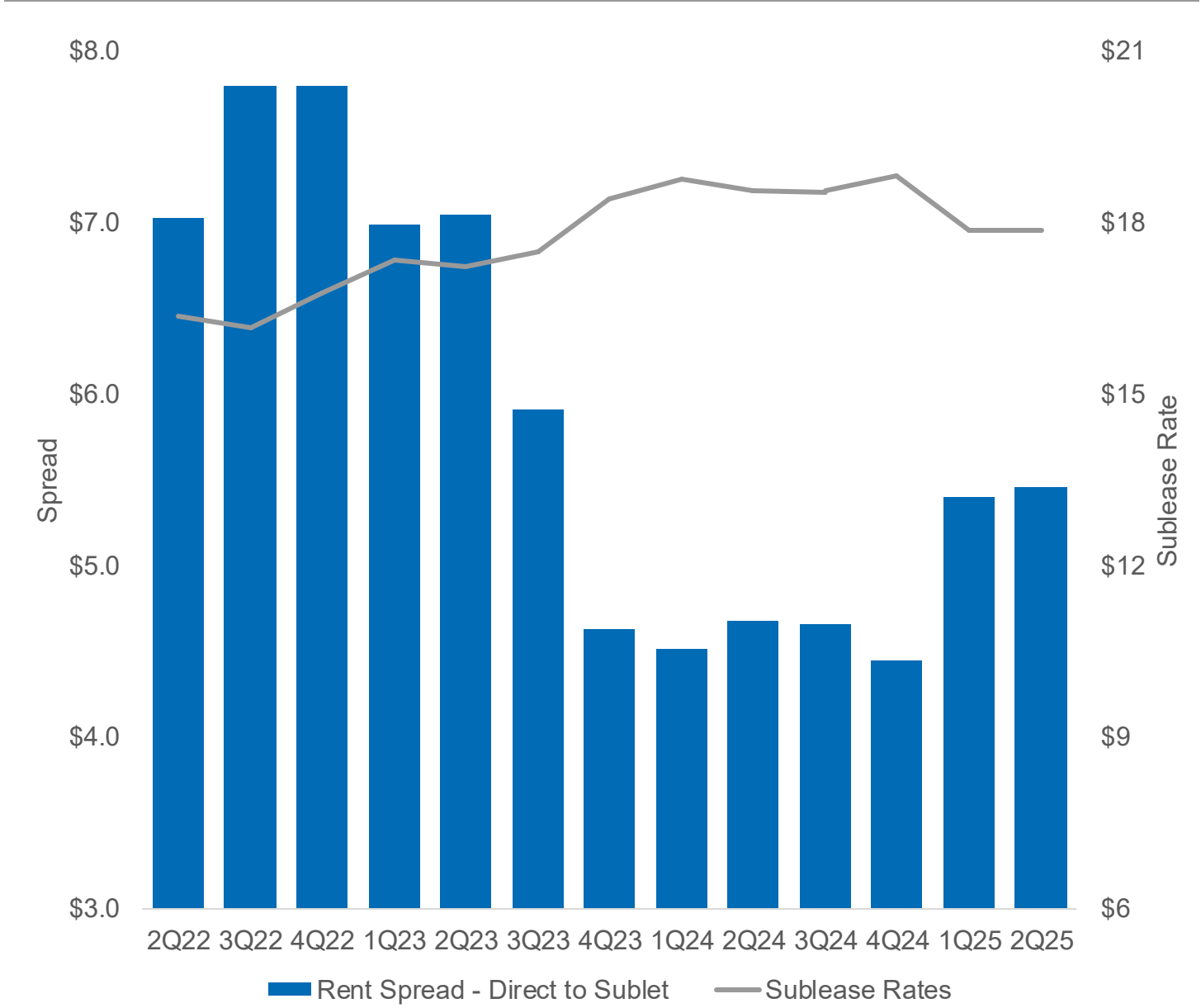
Class B Rents Up 5.7% Since 2Q23

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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2Q25 Notable 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 midsize tenants downsize in favor of higher-quality options. Leasing activity is projected to increase during this period as tenants pursue favorable long-term strategies in Class A and upgraded Class B+ properties.

Select Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Fiserv, Inc.	6500 & 6560 Sprint Parkway	South Johnson County	Direct Lease	427,000
Fiserv, Inc. will open a Strategic Fintech Hub at the Aspiria Campus in Overland Park. The firm will lease 427,000 SF of space across two buildings at 6500 and 6550 Sprint Pkwy which is expected to house nearly 2,000 associates by March 2030. The move is estimated to bring \$6.5 billion in economic impact during the next 10 years. Fiserv expects to open the hub in two phases beginning in 2026.				
Burns & McDonnell	901 Carondelet Drive	South Kansas City	Sublease	100,000
Burns & McDonnell will sublease 100,000 SF on the third and fourth floors of the 208,400-SF building at 901 Carondelet Dr. in Kansas City, Missouri. The firm will join Freightquote which recently renewed in May it's 100,000-SF lease on the first and second floors.				
Engenious Design	2400 W 75th Street	South Kansas City	Direct Lease (Expansion)	55,440
Engenious Design announced it will increase its footprint from 18,000 SF to 55,440 SF at 2400 West 75th St. in Prairie Village. The firm will expand into the former WireCo space and nearly occupy the 60,560-SF, three-floor building. Engenious Design is anticipated to move-in to the new 37,440-SF space by April 2026.				
Ace Retail Holdings	7500 W 110th Street	South Johnson County	Direct Lease	32,540
Ace Retail Holdings will relocate its Store Support Center (SSC) from 14000 Marshall Dr. in Lenexa to 32,540 SF of space at 7500 West 110th St. in Overland Park. The new SSC will house approximately 130 associates. The firm is anticipated to move-in by the fourth quarter of 2025.				
Rouse Frets White Goss Gentile Rhodes, P.C.	801 W 47th Street	Country Club Plaza	Direct Lease	16,720
Rouse Frets White Goss Gentile Rhodes, P.C. signed a lease for 16,720 SF on the fifth floor of the 83,610-SF Park Plaza building. The firm is anticipated to move-in by January 2026. The asking starting rent was published at a rate of \$25.00/SF prior to leasing.				

Source: Newmark Research

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Submarket Statistics



Submarket Statistics: All Classes, Class A, Class B



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For more information:

Mark Long, CRE, SIOR, CCIM, LEED AP
President & CEO
Newmark Zimmer
mlong@nzimmer.com

Andrew Garten
Senior Director, Research
agarten@nzimmer.com

Kansas City
1220 Washington Street, Suite 300
Kansas City, MO 64105
t 816-474-2000

Lee’s Summit
1485 SW Market Street
Lee’s Summit, MO 64081
t 816-474-2000

nmrkzimmer.com

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