
RESEARCH 3Q24

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

Retail/Office | Country Club Plaza Portfolio
1,328,260 SF GLA – Sold for \$175,600,000 (\$132/SF)
Country Club Plaza | 41 properties total

Multifamily | Summit Ridge
432 Units – Sold for \$81,500,000 (\$188,657/Unit)
Southeast Jackson County | 701 NE Tudor Road

Multifamily | The Donovan
327 Units – Sold for \$76,250,000 (\$233,180/Unit)
Southeast Jackson County | 837 Donovan Road

Retail | Olathe Pointe Portfolio
142,450 SF GLA – Sold for \$20,250,000 (\$142/SF)
South Johnson County | 14677 W 119th Street

Retail | Hy-Vee
77,490 SF GLA – Sold for \$19,330,000 (\$250/SF)
Northland (Platte County) | 8301 N St. Clair Avenue

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 \$1.7 billion, a decrease of 51.9% compared to the prior five-year average. As a leading second-tier market, the Kansas City Metropolitan area ranked seventh out of the largest 13 Midwest markets in total sales volume during the past 12 months, with multifamily and retail assets combining for 75.6% of the Metro’s activity.

Capitalization rates increased by 30 basis points compared with the past 12 months, registering 6.7% in the third quarter of 2024. Net absorption across the industrial, office, and retail sectors totaled 4.6 million SF over the past four quarters, a decrease of 58.2% compared with the preceding year. Multifamily realized 5,322 units of net absorption during the past four quarters, an increase of 205.9% during a similar period a year ago.

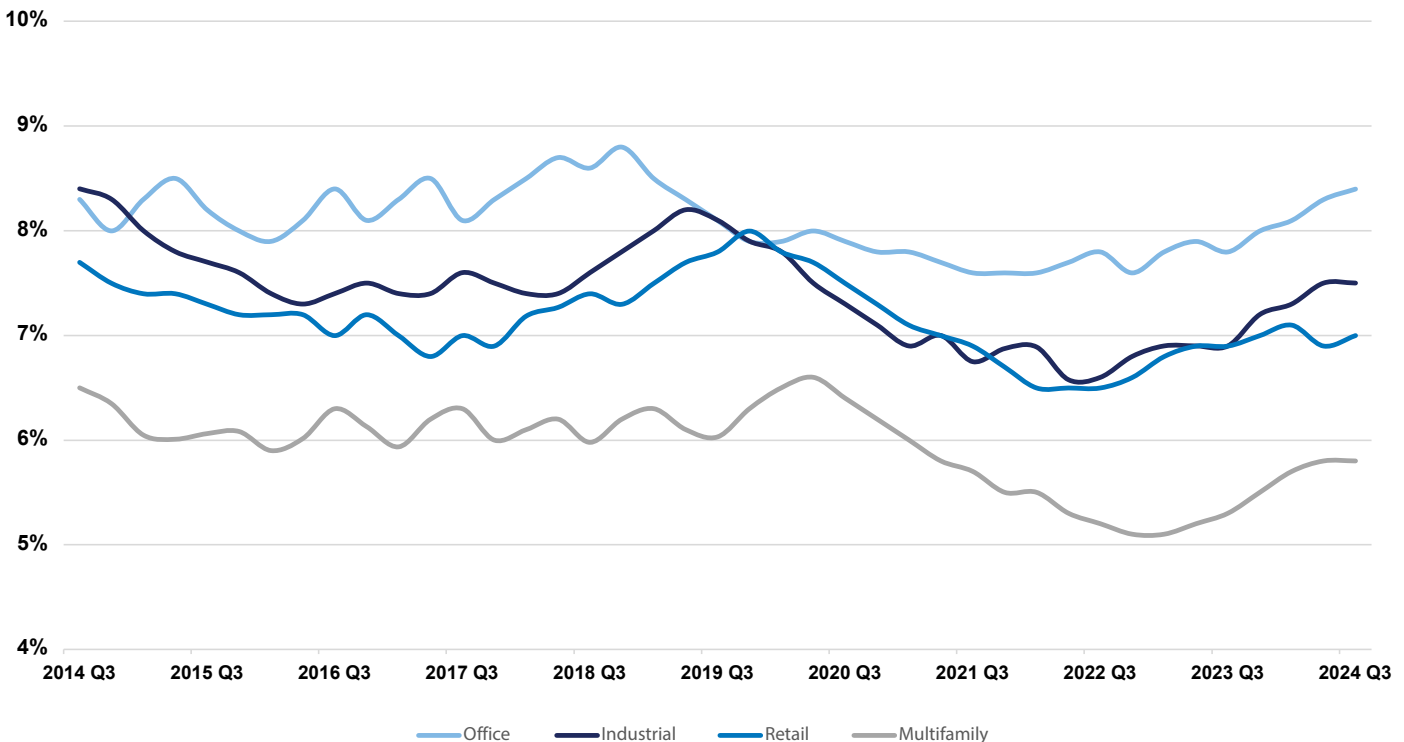
With speculative development kept in check and incentives offered to lock tenants in for longer lease terms, the office, industrial and multifamily sectors experienced new record

highs for asking rental rates during 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 the office and industrial sectors increased year-over-year, while rates decreased in the retail and multifamily sectors. The industrial sector increased by 50 bps to 5.4%, the office sector increased by 40 bps to 17.0%, the retail sector decreased by 30 bps to 3.9%, and the multifamily sector decreased by 50 bps to 7.6%.

The Newmark Zimmer Midwest Capital Markets team anticipates an increase in sales volume throughout the remainder of 2024, as buyers and sellers adjust to the current market conditions and the interest rate environment improves. 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 8.4% **Industrial 7.5%** **Retail 7.0%** **Multifamily 5.8%**



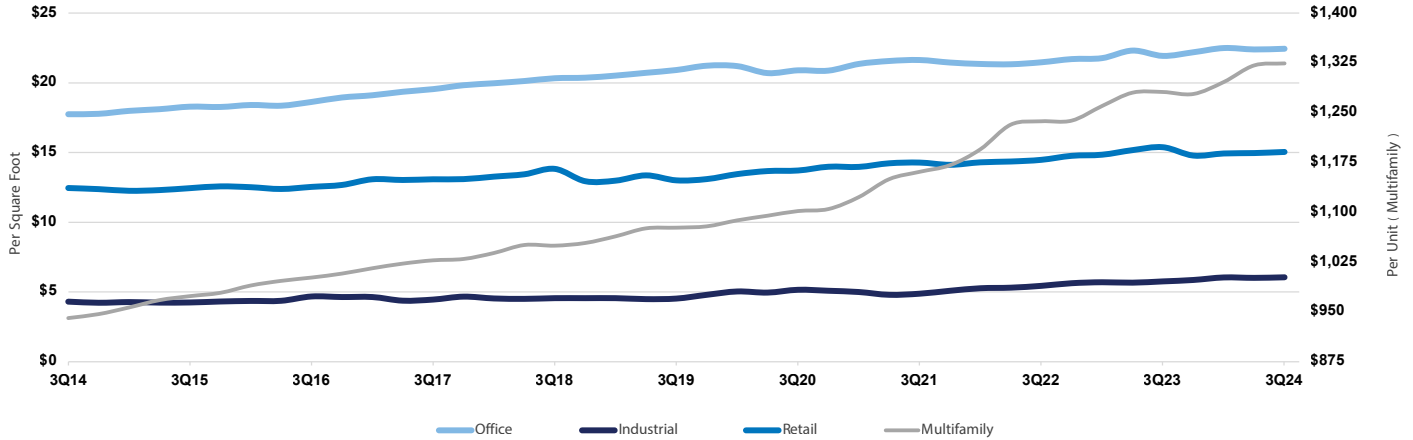
Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

3Q24 Kansas City

MARKET ANALYSIS

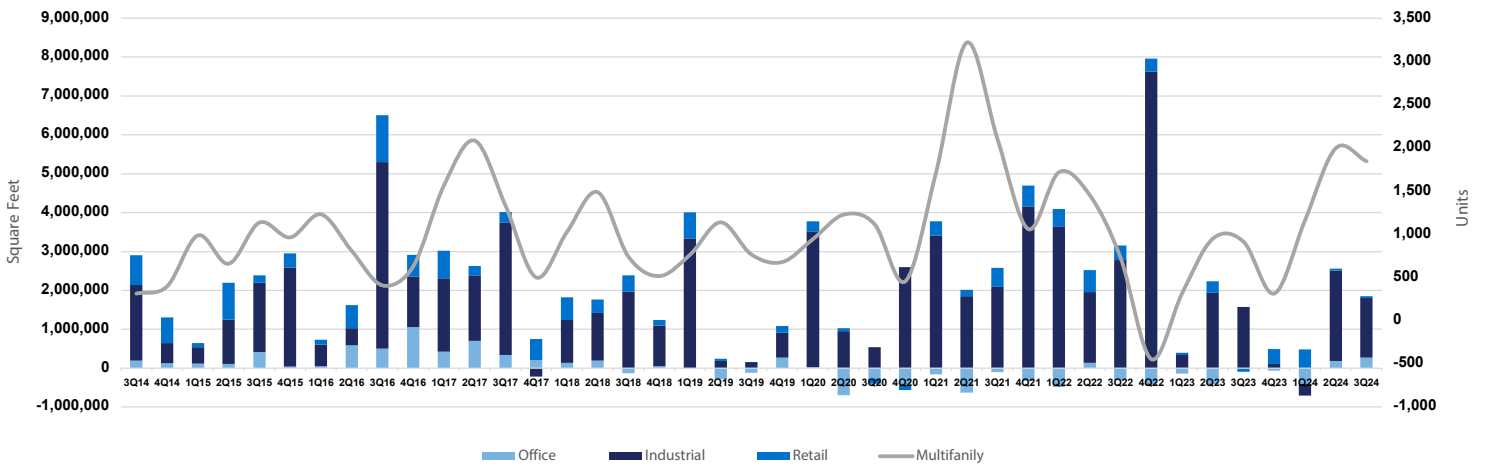
AVERAGE ASKING RENT

Office **\$22.44** Industrial **\$6.06** Retail **\$15.05** Multifamily **\$1,324**



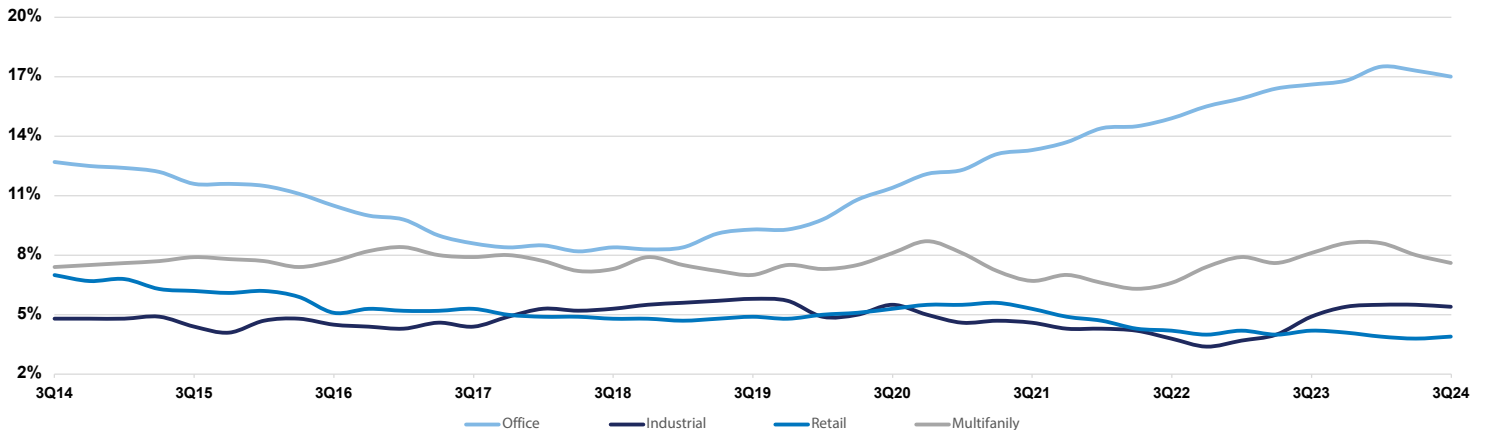
NET ABSORPTION

Office **267,827 SF** Industrial **1,532,099 SF** Retail **56,313 SF** Multifamily **1,846 Units**



VACANCY RATE

Office **17.0%** Industrial **5.4%** Retail **3.9%** Multifamily **7.6%**





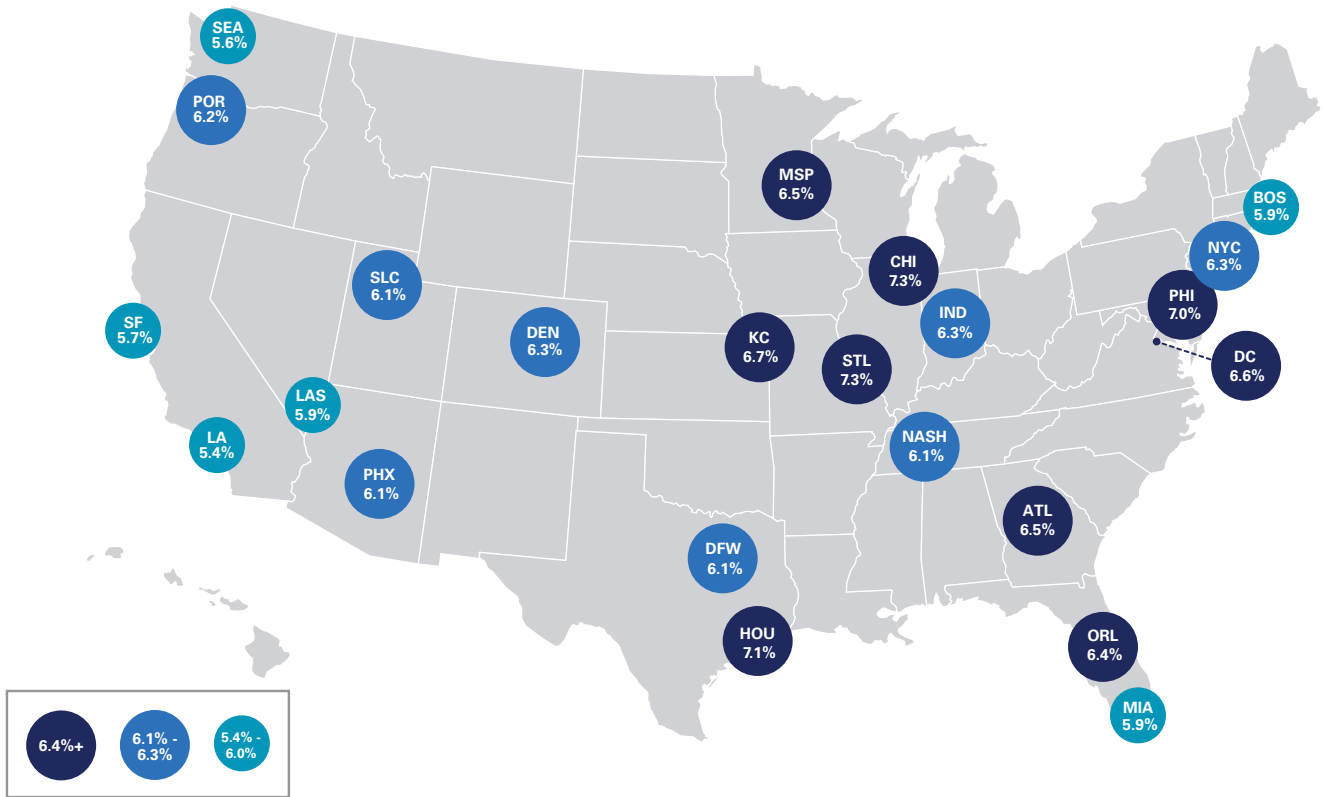
SELECT SALES TRANSACTIONS | THIRD QUARTER OF 2024

Sector	Building	Submarket	Sale Price	Price Per SF/Unit ¹	SF/Units ²
Multifamily	Altitude 970 6301 N Klamm Road	Northland	\$63,000,000	\$216,495	291
Multifamily	Crossroads Westside 601 Avenida Cesar E Chavez	Downtown (Crossroads)	\$54,000,000	\$243,243	222
Multifamily	Aspen Ridge 11691 S Ridgeview Road	South Johnson County	\$34,500,000	\$236,301	146
Retail	Hy-Vee 8501 W 95th Street	North Johnson County	\$16,400,000	\$211	77,910
Industrial	Lindenwood Business Park Portfolio 623-695 N Lindenwood Drive	South Johnson County	\$10,183,000	\$144	70,650
Industrial	5450 Deramus Avenue	Executive Park	\$9,200,000	\$42	220,880
Industrial	1671 East Kansas City Road	South Johnson County	\$7,050,000	\$108	65,100
Office	4400 Dr. Martin Luther King Jr. Boulevard	East Jackson County	\$5,491,000	\$65	84,280
Office/Medical	Leawood Corporate Manor III 5001 College Boulevard	South Johnson County	\$3,500,000	\$159	22,030
Retail	Dollar Tree 358 NE 69 Highway	Northland (Claycomo)	\$3,500,000	\$236	14,820

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.

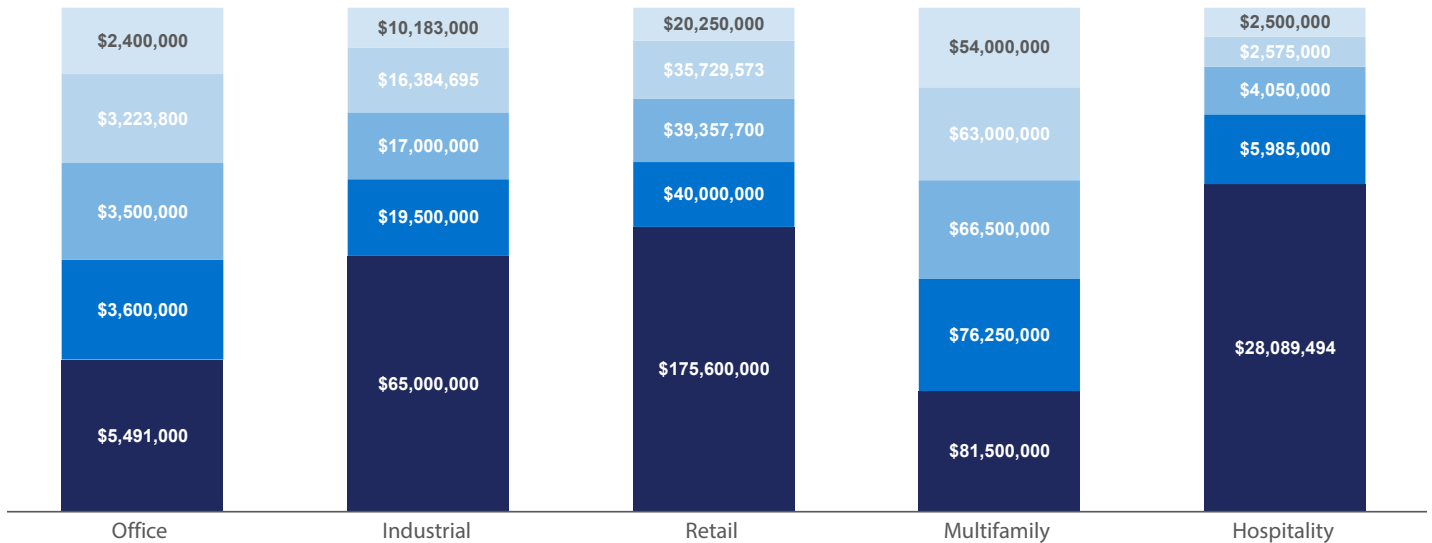
CAP RATES | ALL PROPERTY TYPES

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



SELECT ACTIVE BUYERS IN THE KANSAS CITY MARKET BY ASSET TYPE

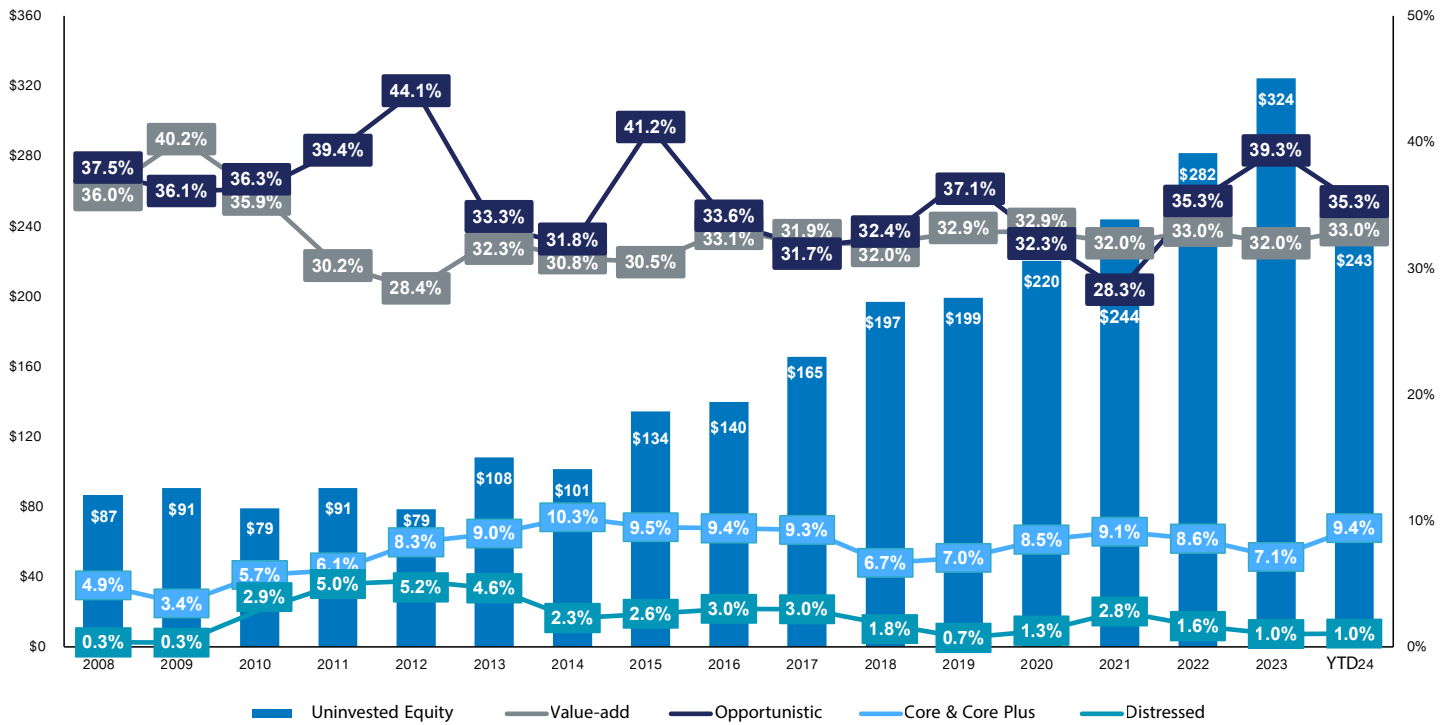
12-MONTH TOTALS



- Behavioral Health Allies
- KCOA Holdings
- Mehr LLC
- Building Controls and Services, Inc.
- TOLD Development Company
- ARIS
- Trident Capital Group
- U.S. MotorWorks
- Realty Income Corp
- Lindenwood Olathe Holdings LLC
- Charter Holdings
- Time Equities / Lormax Stern
- Realty Income Corp
- Hurd Real Estate
- DRA Advisors
- Cantor Fitzgerald/BH Management
- Sherman Residential
- Brown Brothers Harriman
- BAM Companies
- Hamilton Zanze & Company
- Bentley Legacy Holdings
- KMG Hotels, LLC
- Aria Hotel Corp
- Free Heel Capital
- Reco Real Estate Advisors

DRY POWDER

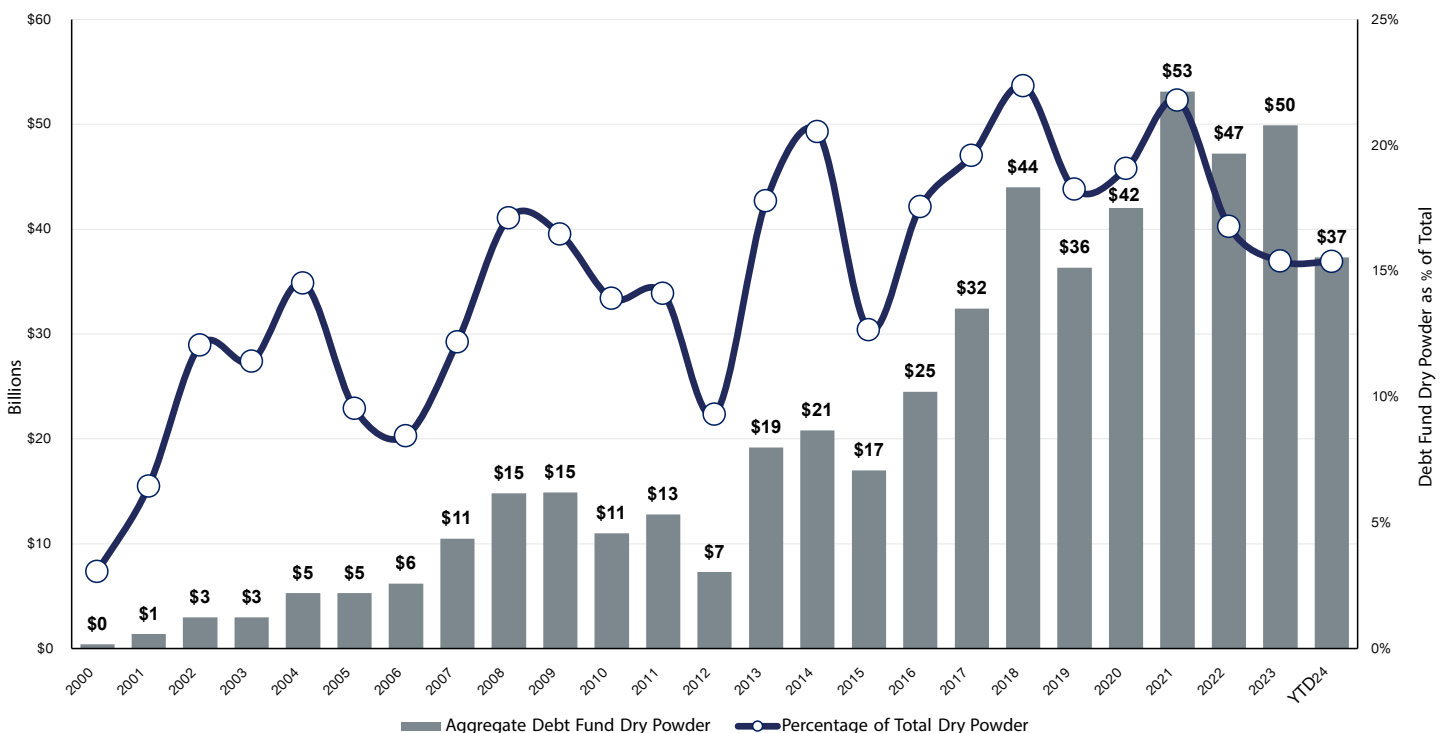
With high levels of dry powder, expect creative approaches to deploy capital. Dry powder allocated to opportunistic deals increased significantly 700 bps from 28.3% in 2021 to 35.3% in 2Q24. Value-add strategies have remained stable during the past 10 years, ranging from 30.5% in 2015 to 33.1% in 2016.



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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RESEARCH

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