Overall vacancy rate holds steady quarter-over-quarter

17.7%
Vacancy Rate

(89,686)
SF Net Absorption

206,200
SF M.T. Construction

$21.71
FSG / Lease Rate

Note: Arrows indicate change from previous quarter.

SUMMARY

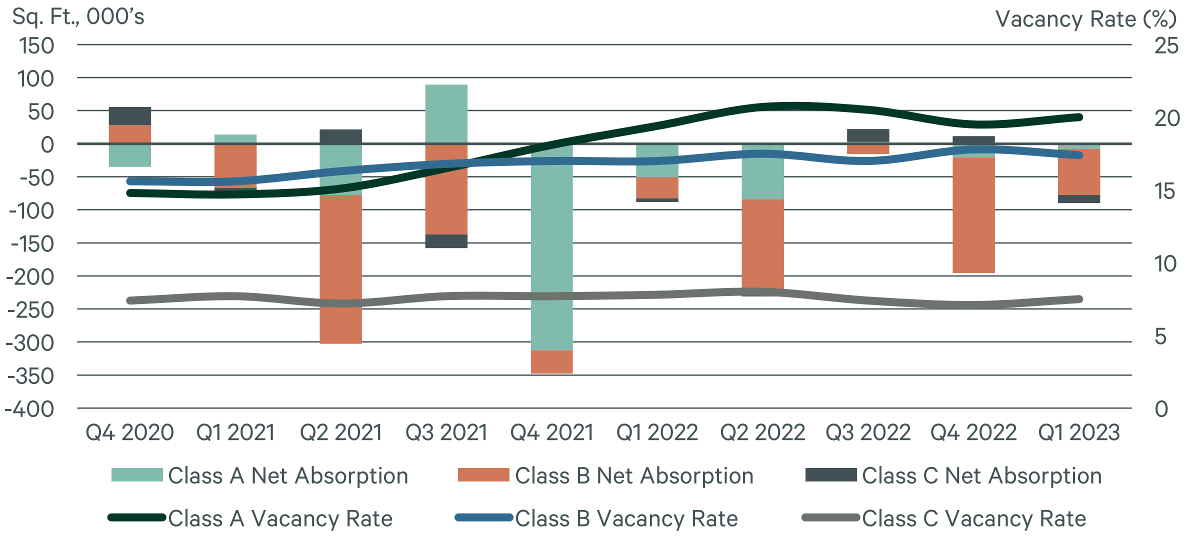
– Hill's Pet Nutrition announced plans to move its global and corporate headquarters from Topeka to Overland Park. The company will take approximately 100,000 sq. ft. at 6180 Sprint Pkwy (Aspiria Campus), with plans to accommodate as many as 400 employees.

– Hoefer Welker, one of Kansas City's top architecture firms announced plans to move from Leawood to 46 Penn Centre in the Plaza submarket. The new office will take the entire 14th floor of the PRIME Class A office building completed in 2020. Hoefer Welker will relocate approximately 120 employees with the ability to expand to 160 employees at the new office space.

Overall vacancy rates remained flat quarter-over-quarter and increased 40 bps (17.3% to 17.7%) year-over-year. Class A vacancy rates increased 50 bps (19.5% to 20.0%) quarter-over-quarter and increased 60 bps (19.4% to 20.0%) year-over-year.

A total of 89,686 sq. ft. of negative net absorption was posted in Q1 2023, an improvement over 184,359 sq. ft. of negative net absorption posted in Q4 2022. Three Hallbrook Place, a new 120,527 sq. ft. office building was delivered anchored by KBP Investments headquarters. The new building had 40,812 sq. ft. of vacant space as of Q1 2023 which contributed to the increase in overall Class A vacancy rates.

FIGURE 1: Net Absorption and Vacancy Rates



Source: CBRE Research, Q1 2023.

Market Fundamentals & Leasing Activity

Five out of the metro's nine submarkets posted negative net absorption for the quarter. South Johnson County led the overall market for positive net absorption with 67,049 sq. ft., followed by South Kansas City with 16,079 sq. ft. of positive net absorption for the quarter. Negative net absorption was led by Downtown with negative 65,953 sq. ft. and North Johnson County with negative 50,298 sq. ft. Overall the market posted a negative net absorption total of 89,686 sq. ft.

Major tenants taking space for the quarter included Spectrum with 66,180 sq. ft. at 6100 Sprint Pkwy (Apiria Campus) in the South Johnson County submarket; KBP Investments with approximately 60,000 sq. ft. at Three Hallbrook Place in the South Johnson County submarket; UPN took 40,776 sq. ft. at 12 Wyandotte Plaza in the Downtown submarket; IMA Financial Corporation took approximately 30,000 sq. ft. at CityPlace Corporate Centre I in the South Johnson County submarket; ValueHealth, LLC took 28,900 sq. ft. at 5000 College Blvd. in the South Johnson County submarket; Executive Airshare took approximately 21,000 sq. ft. at 6240 Sprint Pkwy (Aspiria Campus) in the South Johnson County submarket; Advisors Excel subleased 19,707 sq. ft. at Lenexa City Centre in the North Johnson County submarket; Baker, Sterchi, Cowden and Rice LLC took 19,616 sq. ft. at 2420 Pershing Road in the Downtown submarket; United Way took 15,265 sq. ft. at Plaza Colonnade in the Plaza submarket; and Tria Health took 14,431 sq. ft. at BOK Tower in the South Johnson County submarket.

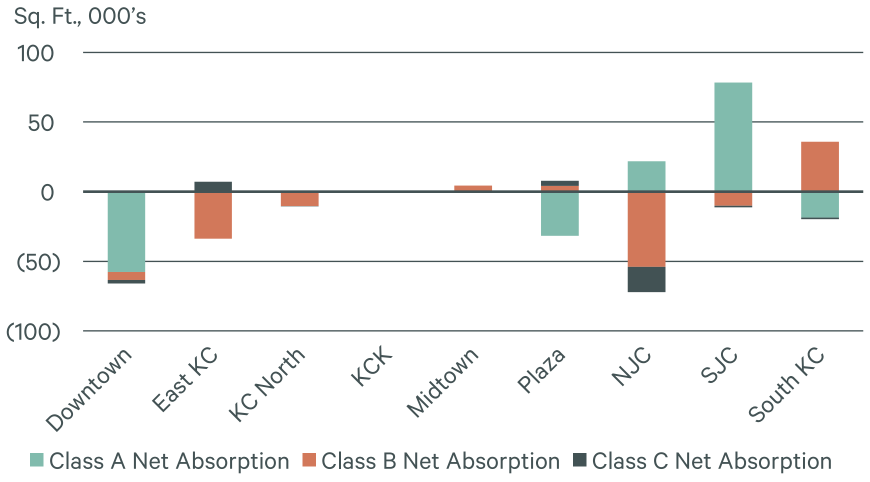
Overall asking lease rates increased 2.8% year-over-year ($21.11 to $21.71 per sq. ft.). The highest asking lease rates in the market were in the Plaza submarket with an average asking rate of $27.81 per sq. ft. Class A asking lease rates in the Plaza submarket averaged $29.96 per sq. ft., 21.6% higher than the overall markets average Class A asking lease rate of $24.64 per sq. ft.

FIGURE 2: Top Lease Transactions for the Quarter

Tenant	Size (SF)	Property	City	Type	Submarket
Hill's Pet Nutrition	100,000	Aspiria Bldg 8	Overland Park, KS	New Lease	South Johnson County
NAIC	100,000	Town Pavilion	Kansas City, MO	Renewal	Downtown
Spectrum	66,180	Aspiria (6100 Sprint)	Overland Park, KS	New Lease	South Johnson County
UPN	40,776	12 Wyandotte Plaza	Kansas City, MO	New Lease	Downtown
IMA Financial Corp.	30,000	CityPlace Corporate Centre I	Overland Park, KS	New Lease	South Johnson County
ValueHealth, LLC	28,900	5000 College Blvd	Overland Park, KS	New Lease	South Johnson County

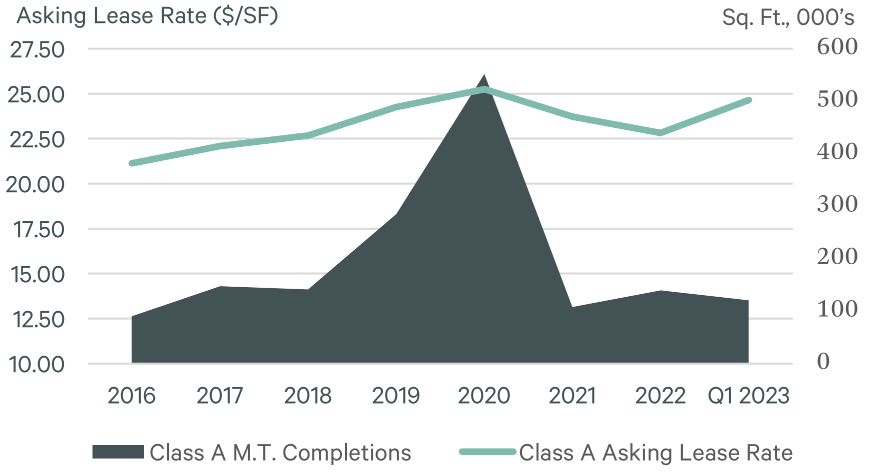
Source: CBRE Research, Q1 2023.

FIGURE 3: Q1 2023 Net Absorption by Submarket



Source: CBRE Research, Q1 2023.

FIGURE 4: Asking Lease Rates and Class A Multi-Tenant Completions



Source: CBRE Research, Q1 2023.

Kansas City Economy

According to Oxford Economics, Kansas City is forecast to have a GDP decline of 0.4% in 2023, followed by average annual GDP growth of 1.6% in 2024 through 2027. One of the top industries driving future job growth in Kansas City is expected to be the tech market with a projected average annual growth of 2.5% and positive GDP growth in 2023 through 2027.

The Kansas City office sector had job growth of 0.8% in 2022 and is forecast to grow 0.5% on average from 2023 to 2027. Like much of the Midwest, Kansas City incurred only a mild house price correction of 1.9% in Q4 2022, but prices still climbed 12.2% in 2022. Oxford Economics forecasts that the house price index will fall 2.1% in 2023 and stay flat in 2024. Kansas City's average wage increased 4.8%, on average, from 2019 through 2022. Oxford Economics forecasts that average wages will increase 3.1% in 2023 through 2027, close to the forecasted U.S. rate of 3.2%.

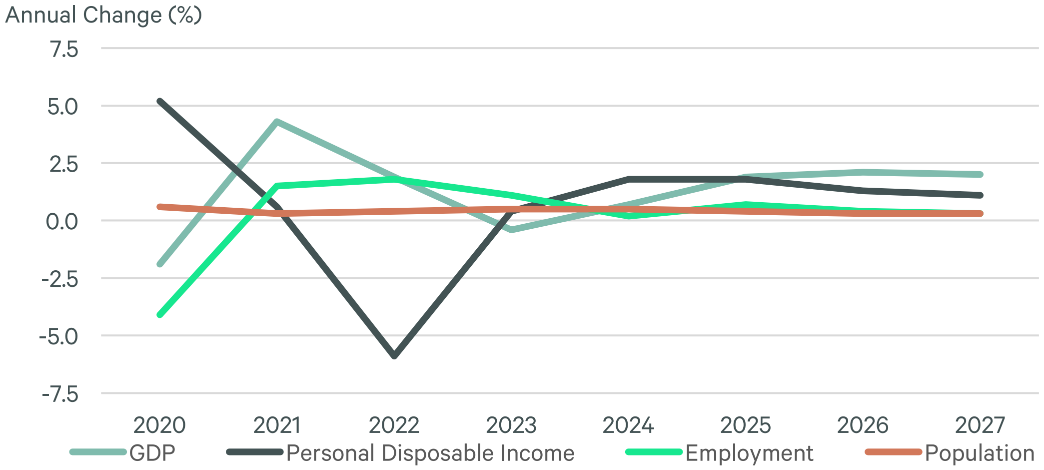
New Single-Terminal at Kansas City International Airport

Opened in late February 2023, the state-of-the-art, 40-gate terminal features a modern environment with dedicated arrival and departure levels, dozens of restaurants and shops, covered parking in an adjacent garage, moving walkways and consolidated security checkpoints designed for easy navigation.

Quick Stats:

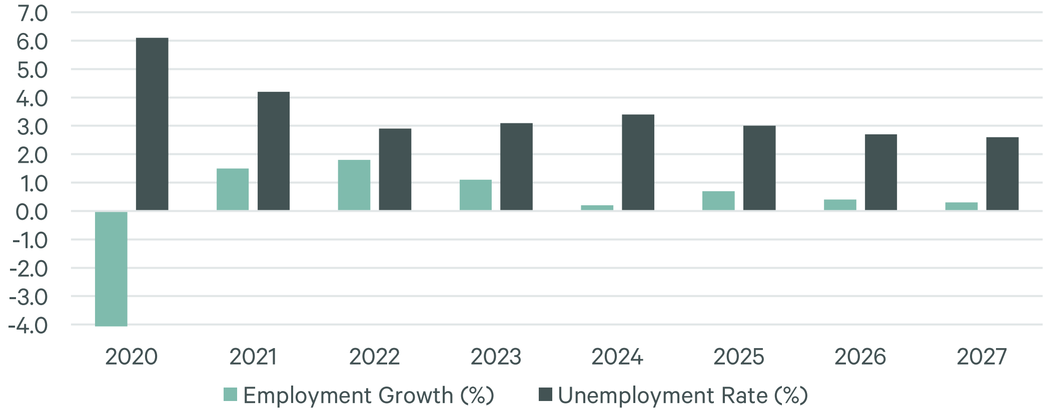
- The new single-terminal airport was the largest single infrastructure project in Kansas City history.
- 40-gates (increased from the previous airports 31 gates spread between two terminals with no direct connection).
- 6,200 space adjacent parking garage.
- $5.6 million of the airports budget was set aside for artwork, with sculptures and paintings from both local and international artists.

FIGURE 5: Kansas City Economic Forecast



Source: BLS, US Census Bureau, Oxford Economics, January 2023.

FIGURE 6: Kansas City Employment Forecast



Source: BLS, US Census Bureau, Oxford Economics, January 2023.

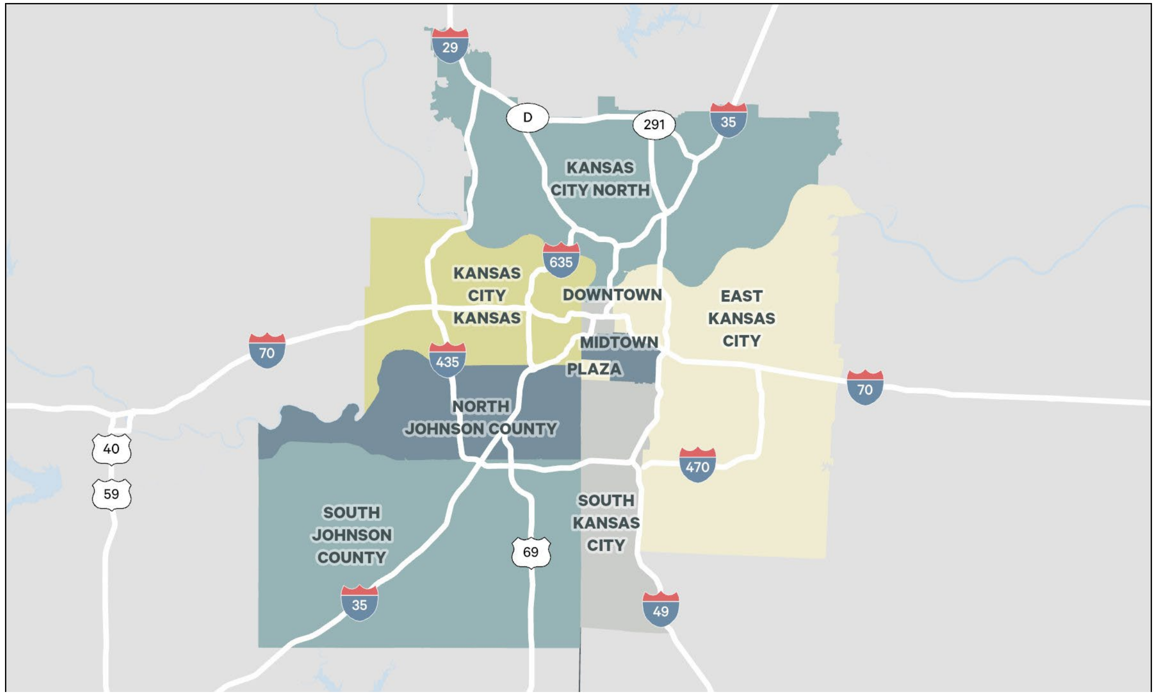
FIGURE 7: Market Statistics

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vac. Rate (%)	Direct Vac. Rate (%)	Avail. Rate (%)	Q1 2023 Net Absorp. (SF)	YTD Net Absorp. (SF)	M.T. Bldgs Under Const. (SF)	Gross Avg. Asking Lease Rate ($/SF/Yr)
Metro Overall	**54,284,227**	**9,602,020**	**17.7**	**14.9**	**20.1**	**(89,686)**	**(89,686)**	**206,200**	**21.71**
Class A	22,201,071	4,433,423	20.0	15.9	21.0	(7,890)	(7,890)	190,000	24.64
Class B	28,052,535	4,867,984	17.4	15.2	21.1	(69,557)	(69,557)	16,200	19.78
Class C	4,030,621	300,613	7.5	7.3	7.8	(12,239)	(12,239)	-	14.95
Suburban	**41,441,754**	**6,955,848**	**16.8**	**14.1**	**19.5**	**(23,733)**	**(23,733)**	**-**	**21.71**
Class A	14,965,442	2,791,278	18.7	14.8	19.9	49,757	49,757	-	25.23
Class B	23,160,180	3,979,043	17.2	14.9	21.1	(63,751)	(63,751)	-	19.72
Class C	3,316,132	185,527	5.6	5.4	6.0	(9,739)	(9,739)	-	15.97
Downtown	**12,842,473**	**2,646,172**	**20.6**	**17.4**	**22.2**	**(65,953)**	**(65,953)**	**-**	**21.71**
Class A	7,235,629	1,642,145	22.7	18.1	23.3	(57,647)	(57,647)	-	23.53
Class B	4,892,355	888,941	18.2	16.5	21.4	(5,806)	(5,806)	-	20.09
Class C	714,489	115,086	16.1	16.1	16.1	(2,500)	(2,500)	-	13.46
East Kansas City	**2,897,686**	**462,457**	**16.0**	**14.4**	**16.7**	**(26,749)**	**(26,749)**	**-**	**17.65**
Class A	126,307	20,696	16.4	16.4	16.4	0	0	-	-
Class B	2,235,411	392,487	17.6	15.6	18.5	(33,850)	(33,850)	-	18.07
Class C	535,968	49,274	9.2	9.2	9.5	7,101	7,101	-	14.60
Kansas City North	**4,357,963**	**870,605**	**20.0**	**17.6**	**23.6**	**(10,394)**	**(10,394)**	**-**	**16.89**
Class A	837,184	87,295	10.4	10.4	10.4	0	0	-	26.85
Class B	2,926,716	743,781	25.4	21.9	30.6	(10,206)	(10,206)	-	15.68
Class C	594,063	39,529	6.7	6.7	7.3	(188)	(188)	-	16.98
Kansas City, KS	**942,433**	**28,390**	**3.0**	**3.0**	**4.6**	**0**	**0**	**-**	**15.97**
Class A	-	-	-	-	-	-	-	-	-
Class B	423,911	8,505	2.0	2.0	5.5	0	0	-	-
Class C	518,522	19,885	3.8	3.8	3.8	0	0	-	15.97

Source: CBRE Research, Q1 2023.

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vac. Rate (%)	Direct Vac. Rate (%)	Avail. Rate (%)	Q1 2023 Net Absorp. (SF)	YTD Net Absorp. (SF)	M.T. Bldgs Under Const. (SF)	Gross Avg. Asking Lease Rate ($/SF/Yr)
Midtown	**1,560,661**	**119,313**	**7.6**	**7.6**	**8.3**	**4,500**	**4,500**	**-**	**17.68**
Class A	84,282	0	0.0	0.0	0.0	0	0	-	-
Class B	1,182,628	117,330	9.9	9.9	10.7	4,500	4,500	-	17.68
Class C	293,751	1,983	0.7	0.7	0.7	0	0	-	-
Plaza	**3,421,059**	**484,156**	**14.2**	**14.0**	**16.4**	**(23,920)**	**(23,920)**	**-**	**27.81**
Class A	2,017,074	342,409	17.0	16.8	17.3	(31,768)	(31,768)	-	29.96
Class B	1,366,637	139,822	10.2	10.1	15.3	4,220	4,220	-	24.29
Class C	37,348	1,925	5.2	5.2	5.2	3,628	3,628	-	20.00
North Johnson Co.	**6,344,668**	**868,568**	**13.7**	**11.0**	**15.6**	**(50,298)**	**(50,298)**	**16,200**	**19.38**
Class A	1,549,228	216,258	14.0	14.0	15.1	21,837	21,837	-	21.08
Class B	4,147,664	601,694	14.5	10.5	17.0	(54,076)	(54,076)	16,200	18.80
Class C	647,776	50,616	7.8	7.8	8.2	(18,059)	(18,059)	-	15.46
South Johnson Co.	**18,196,770**	**3,745,881**	**20.6**	**16.9**	**24.3**	**67,049**	**67,049**	**190,000**	**23.25**
Class A	8,795,667	1,914,480	21.8	16.2	23.4	78,377	78,377	190,000	25.06
Class B	9,211,543	1,815,081	19.7	17.7	25.3	(10,178)	(10,178)	-	21.62
Class C	189,560	16,320	8.6	6.7	11.1	(1,150)	(1,150)	-	16.30
South Kansas City	**3,720,514**	**376,478**	**10.1**	**7.0**	**11.0**	**16,079**	**16,079**	**-**	**20.77**
Class A	1,555,700	210,140	13.5	8.1	14.8	(18,689)	(18,689)	-	20.56
Class B	1,665,670	160,343	9.6	7.9	10.5	35,839	35,839	-	20.96
Class C	499,144	5,995	1.2	0.9	1.2	(1,071)	(1,071)	-	18.00

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Office buildings 10,000 sq. ft. or greater. Excludes single-tenant, owner occupied buildings, government owned and occupied buildings, or medical buildings. Geographic area includes Johnson County (KS), Wyandotte County (KS), Platte County (MO), Clay County (MO), Jackson County (MO). Buildings under construction includes buildings which have begun development beyond initial site work.

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