

# Office sector continues to have a healthy business climate.

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## Kansas City Office Overview

The Kansas City office market remains at historical lows in terms of vacancy, as a result of sustained demand for office space, driven by business growth and lack of new construction deliveries. The overall vacancy rate remains at 8.2%, down from 8.7% this time one year ago. In Q2 2019, the office market totaled 188,619 SF of positive absorption, which remains on pace with recent quarterly absorption figures. With a healthy business climate and continued growth, there are limited quality options in several submarkets throughout the Kansas City metro, especially the Johnson County submarkets and the Country Club Plaza. Construction within the Kansas City metro remains elevated compared to historical standards, however is still driven by mostly build-to-suit requirements, which will continue to keep vacancy rates low and demand levels elevated for the near future.

Overall asking rents within the Kansas City metro have increased to \$18.87/SF across all product classes. Rates have continued an upward trajectory as a result of current demand levels within the metro. Both occupancy and rents have held firm at cycle highs throughout the metro. Class A rates have risen to an average of \$22.09/SF, while Class B rates have increased to \$18.05/SF. Overall, the average asking rents rose by nearly \$0.18/ SF across the metro from the previous quarter.

## MOVES AND GROWTH AROUND THE METRO

A strong business climate continues to facilitate growth and expansion within the Kansas City market. Office tenants both large and small continue to drive current demand levels throughout the metro. Several office users recently announced new deals to accommodate for their growth. In the Northland, Maximus has doubled the footprint of their existing service center needs with the expansion of an additional 131,650 SF at the JWilliams Technology Centre. In South Johnson County, Intouch Solutions renewed their existing lease and expanded to a total of 132,000 SF at Renaissance III. CityPlace, located just west of Corporate Woods, continues to make progress. The first office building within the CityPlace Development was delivered in late June. WellSky, which initially leased half of the 120,000 SF building, elected to expand their footprint to the entire CityPlace III building. Worldwide Express preleased 45,000 SF within CityPlace I, allowing for the 120,000 SF office project to start construction.

### Market Indicators

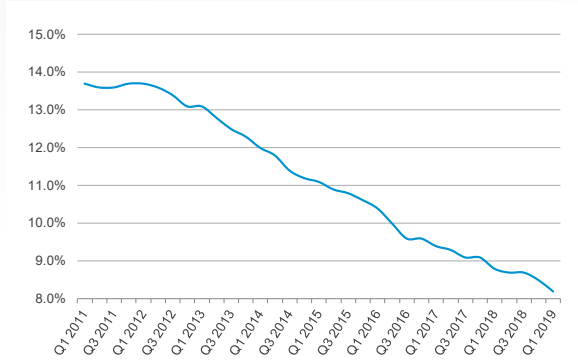
	Market Q2 2019*	Market Q3 2019 (p)
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↓	↔
RENTAL RATE	↑	↑

\*Relative to prior period

### Summary Statistics

Kansas City Office Market	Q2 2019	Q2 2018
VACANCY RATE	8.2%	8.7%
ABSORPTION YTD	444,233	395,451
DELIVERIES YTD	188,596	228,522
UNDER CONSTRUCTION	1,777,833	1,480,668
ASKING RENTS PSF	\$18.87	\$18.47

### Kansas City Office Vacancies



Source: CoStar and Colliers Research

Two additional large-scale office occupier announcements were made throughout the second quarter as well. The Kansas City metro area was able to attract two key USDA agencies after a nationwide search. Kansas City will become the new home offices for Economic Research Services (ERS) and National Institute of Food and Agriculture (NIFA). The relocation will result in over 560 new jobs to the Kansas City metro. The USDA team is looking at several 120,000 SF options across the Kansas City metro to house the two agencies. One of the largest local employers, Waddell & Reed, announced their intention to relocate from their existing Overland Park campus to a new single corporate office on the Missouri side of the stateline in the coming years.

## TRANSACTION ACTIVITY IN KANSAS CITY

One of the largest office transactions within the Kansas City metro closed in July 2019. Wichita-based Occidental Management acquired the 3.9 million SF Sprint Campus in Overland Park, KS for \$250.9 million. Sprint will lease-back a portion of the campus for their existing office needs, while Occidental plans to transform the office environment of the campus in the coming months. Occidental has had recent success changing other office environments, most notably the OP Xchange, located just east of the Sprint Campus, after they acquired the asset in 2014.

On the Country Club Plaza, Platform Ventures acquired Plaza Vista from EverWest Real Estate for \$118.25 million. The 10-story, 253,702 SF building is fully occupied by Polsinelli PC headquarters and street level retail. The building traded at \$466/SF, which is a new high watermark for the Kansas City metro. Two additional high-profile office towers located within the CBD traded ownership interest recently, however are not considered market rate transactions. Town Pavilion a 33-story, 802,000 SF building, was believed to trade for around \$149/SF. 1201 Walnut, a 29-story, 480,000 SF building, was believed to trade for around \$112/SF.

## Recent Transactions & Major Developments

Sales Activity						
PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	PRICE / SF	BUYER	SELLER
Sprint Campus	South Johnson County	\$250,900,000	3,959,845	\$63.36	Occidental Management	Sprint Corporation
Plaza Vista	Midtown/Plaza	\$118,250,000	253,720	\$466.06	Platform Ventures	EverWest Real Estate
Mid-America Surgery Center (MOB)	South Johnson County	\$15,400,000	38,496	\$400.04	HCP, Inc.	CNL Healthcare Properties II
7905 Quivira Road	North Johnson County	\$6,450,000	50,200	\$128.48	Hostess Brands, LLC	7905 Quivira, LLC

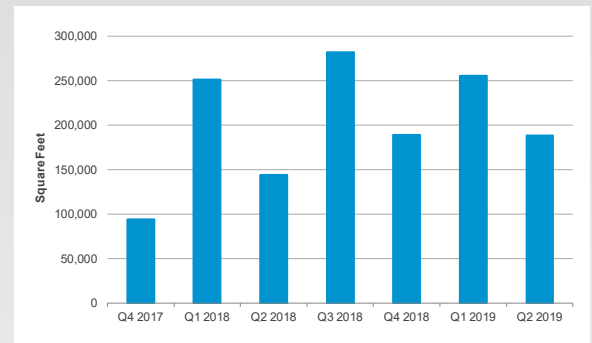
Leasing Activity				
PROPERTY	SUBMARKET	LEASED SF	BUILDING CLASS	COMPANY
JWilliams Technology Centre	Kansas City North	131,650 (expansion)	B	Maximus
Renaissance Park III	South Johnson County	132,000 (renewal/expansion)	A	Intouch Solutions
CityPlace Building I	South Johnson County	45,000	A	Worldwide Express
CityPlace Building III	South Johnson County	30,000 (expansion)	A	Wellsky
420 Nichols	Midtown/Plaza	30,000	B	Industrious
Corporate Woods 6	South Johnson County	20,000	B	Cumulus
Stags Creek	North Johnson County	17,000	A	Data File
6th & Mo-9	Kansas City North	15,000	A	UGA Finance

## Rates



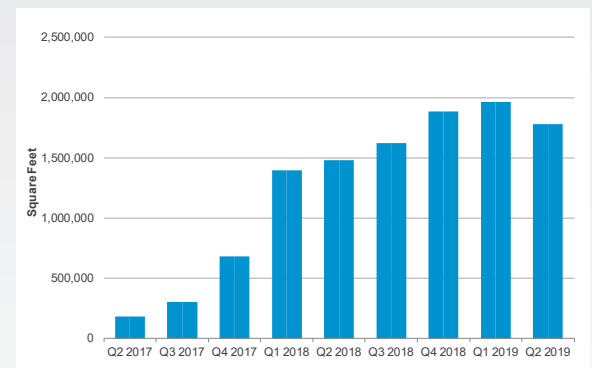
Source: CoStar and Colliers Research

## Absorption



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 \$
<b>URBAN</b>										
<b>DOWNTOWN</b>										
A	27	8,672,488	988,462	11.4%	31,075	43,205	0	0	0	\$20.85
B	163	13,411,679	954,150	7.1%	37,502	67,964	23,596	23,596	23,464	\$18.06
C	102	4,416,178	73,527	1.7%	8,821	24,451	0	0	0	\$16.23
<b>Total</b>	<b>292</b>	<b>26,500,345</b>	<b>2,016,139</b>	<b>7.6%</b>	<b>77,398</b>	<b>135,620</b>	<b>23,596</b>	<b>23,596</b>	<b>23,464</b>	<b>\$19.36</b>
<b>PLAZA / MIDTOWN</b>										
A	15	2,865,214	162,488	5.7%	-5,524	-33,929	0	0	225,000	\$23.79
B	84	4,132,573	153,848	3.7%	-11,223	-23,382	0	0	0	\$21.32
C	58	1,549,711	61,673	4.0%	10,450	1,228	0	0	0	\$17.38
<b>Total</b>	<b>157</b>	<b>8,547,498</b>	<b>378,009</b>	<b>4.4%</b>	<b>-6,297</b>	<b>-56,083</b>	<b>0</b>	<b>0</b>	<b>225,000</b>	<b>\$21.74</b>
<b>URBAN TOTAL</b>										
A	42	11,537,702	1,150,950	10.0%	25,551	9,276	0	0	225,000	\$21.27
B	247	17,544,252	1,107,998	6.3%	26,279	44,582	23,596	23,596	23,464	\$18.51
C	160	5,965,889	135,200	2.3%	19,271	25,679	0	0	0	\$16.75
<b>Total</b>	<b>449</b>	<b>35,047,843</b>	<b>2,394,148</b>	<b>6.8%</b>	<b>71,101</b>	<b>79,537</b>	<b>23,596</b>	<b>23,596</b>	<b>248,464</b>	<b>\$19.74</b>
<b>SUBURBAN</b>										
<b>EAST KANSAS CITY</b>										
A	7	506,476	19,936	3.9%	-471	2,396	0	0	0	\$20.12
B	169	6,544,506	757,461	11.6%	10,395	-33,483	0	0	0	\$16.13
C	132	2,786,426	239,702	8.6%	48,012	15,626	0	0	0	\$13.57
<b>Total</b>	<b>308</b>	<b>9,837,408</b>	<b>1,017,099</b>	<b>10.3%</b>	<b>57,936</b>	<b>-15,461</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$15.60</b>
<b>KANSAS CITY NORTH</b>										
A	8	1,213,052	87,647	7.2%	131,650	262,637	0	0	56,840	\$21.04
B	153	6,245,030	985,981	15.8%	-25,077	-9,221	0	0	0	\$16.26
C	68	1,331,928	91,517	6.9%	-16,336	-11,376	0	0	0	\$14.34
<b>Total</b>	<b>229</b>	<b>8,790,010</b>	<b>1,165,145</b>	<b>13.3%</b>	<b>90,237</b>	<b>242,040</b>	<b>0</b>	<b>0</b>	<b>56,840</b>	<b>\$16.47</b>
<b>NORTH JOHNSON COUNTY</b>										
A	23	2,328,357	103,680	4.5%	10,770	37,197	45,000	45,000	388,529	\$23.18
B	176	7,077,732	618,645	8.7%	-165,529	-132,461	0	0	65,000	\$19.02
C	79	1,506,178	67,212	4.5%	17,507	14,493	0	0	0	\$15.42
<b>Total</b>	<b>278</b>	<b>10,912,267</b>	<b>789,537</b>	<b>7.2%</b>	<b>-137,252</b>	<b>-80,771</b>	<b>45,000</b>	<b>45,000</b>	<b>453,529</b>	<b>\$19.26</b>
<b>SOUTH JOHNSON COUNTY</b>										
A	84	11,854,434	869,429	7.3%	112,393	184,184	120,000	120,000	0	\$23.56
B	337	14,362,682	1,266,189	8.8%	-7,381	35,180	0	0	57,000	\$19.84
C	55	1,099,005	41,463	3.8%	-13,588	-6,079	0	0	0	\$16.78
<b>Total</b>	<b>476</b>	<b>27,316,121</b>	<b>2,177,081</b>	<b>8.0%</b>	<b>91,424</b>	<b>213,285</b>	<b>120,000</b>	<b>120,000</b>	<b>57,000</b>	<b>\$21.27</b>
<b>SOUTH KANSAS CITY</b>										
A	18	3,732,127	136,787	3.7%	1,308	173	0	0	962,000	\$19.87
B	65	3,589,034	391,428	10.9%	86,419	84,266	0	0	0	\$18.11
C	37	892,592	71,166	8.0%	-44,400	-54,150	0	0	0	\$14.98
<b>Total</b>	<b>120</b>	<b>8,213,753</b>	<b>599,381</b>	<b>7.3%</b>	<b>43,327</b>	<b>30,289</b>	<b>0</b>	<b>0</b>	<b>962,000</b>	<b>\$18.14</b>
<b>WYANDOTTE COUNTY</b>										
A	6	1,064,574	189,600	17.8%	0	0	0	0	0	\$22.00
B	37	1,950,537	114,748	5.9%	-27,454	-23,986	0	0	0	\$16.53
C	44	1,252,238	124,029	9.9%	-700	-700	0	0	0	\$12.97
<b>Total</b>	<b>87</b>	<b>4,267,349</b>	<b>428,377</b>	<b>10.0%</b>	<b>-28,154</b>	<b>-24,686</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$17.92</b>
<b>SUBURBAN TOTAL</b>										
A	146	20,699,020	1,407,079	6.8%	255,650	486,587	165,000	165,000	1,407,369	\$22.76
B	937	39,769,521	4,134,452	10.4%	-128,627	-79,705	0	0	122,000	\$17.93
C	415	8,868,367	635,089	7.2%	-9,505	-42,186	0	0	0	\$13.16
<b>Total</b>	<b>1,498</b>	<b>69,336,908</b>	<b>6,176,620</b>	<b>8.9%</b>	<b>117,518</b>	<b>364,696</b>	<b>165,000</b>	<b>165,000</b>	<b>1,529,369</b>	<b>\$18.54</b>
<b>ALL KANSAS CITY TOTAL</b>										
A	188	32,236,722	2,558,029	7.9%	281,201	495,863	165,000	165,000	1,632,369	\$22.09
B	1,184	57,313,773	5,242,450	9.1%	-102,348	-35,123	23,596	23,596	145,464	\$18.05
C	575	14,834,256	770,289	5.2%	9,766	-16,507	0	0	0	\$13.79
<b>TOTAL</b>	<b>1,947</b>	<b>104,384,751</b>	<b>8,570,768</b>	<b>8.2%</b>	<b>188,619</b>	<b>444,233</b>	<b>188,596</b>	<b>188,596</b>	<b>1,777,833</b>	<b>\$18.87</b>
<b>QUARTERLY COMPARISON AND TOTALS</b>										
Q1 2019	1,944	104,196,155	8,570,791	8.2%	255,614	255,614	0	0	1,966,429	\$18.69
Q4 2018	1,942	104,196,155	8,826,405	8.5%	189,068	866,749	0	456,813	1,887,489	\$18.56
Q3 2018	1,942	104,196,155	9,015,473	8.7%	282,230	677,681	228,291	456,813	1,624,413	\$18.56
Q2 2018	1,940	103,967,864	9,069,412	8.7%	143,979	395,451	123,522	228,522	1,480,668	\$18.47



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