

MarketView

Kansas City Office

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Second Quarter 2011

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Vacancy	16.5%	↓	↓
Lease Rates	\$17.04	↓	↓
Net Absorption	111,815 SF	↓	↓
Completions	None	↓	↓

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Google announced it will bring an ultra-high speed broadband network to Kansas City, Kansas and Kansas City, Missouri. The broadband network will offer Internet speeds 100 times faster than current speeds.
- The Environmental Protection Agency signed a lease for the former Applebee's building located at 11201 Renner Rd, in Lenexa, Kansas. The deal incorporates a green initiative and is valued at \$121.4 million over 20 years.
- Applebee's International, Inc. announced they will move their headquarters in South Johnson County to the Ward Parkway corridor in Kansas City, Missouri.

Expectations of a strong market rebound are high, but until businesses begin rooting investments back into the market the economy will not surge forward. With the second quarter in the rearview mirror job growth continues to be the key to a more productive real estate market. While Kansas City has fared better than coastal counterparts and the market has stabilized activity remains flat.

The stabilization of the market can be attributed to little or no new office development, coupled with corporate downsizing and several recent lease transactions. Second quarter office vacancy held steady and reported at 16.5 percent compared to 16.6 percent last quarter. Currently, lease rates are averaging at \$17.04 per sq. ft and are slightly down from last year.

Kansas City continues to build on its foundation of diverse business users. This is evident in Google's commitment to build an ultra-fast broadband network in both Kansas City, Kansas and Kansas City, Missouri. Google reported that that the broadband network will offer Internet speeds that are 100 times faster than what is currently in the market. New streams of commerce in the life sciences and animal health sector also hold bright possibilities. Recently, Cerner Corp. completed the purchase of 58 acres for its office campus in western Wyandotte County. Cerner has pledged to create 4,000 jobs by 2016, the entire development has been valued at \$414 million.

Commercial construction weighs heavily on consumer spending and new housing construction. With these two sectors down very little office construction is taking place in Kansas City. Generali USA continues work on their new headquarters located at Park Place, a mixed-use development in Leawood, Kansas. Generali USA plans on leasing 40,000 sq. ft. of the \$15 million mixed-use building, the remaining square feet will be positioned for retail use. Burns & McDonnell recently

announced a \$20 million campus expansion at its Ward Parkway headquarters including building a 450-seat employee auditorium. The other two major developments in Kansas City have been troubled by a variety of conflicts. Despite a new ownership and developer the West Edge development still stands incomplete and has encountered more problems further delaying the mixed-use development. The Polsinelli Shughart law firm remains active in the market and has shown renewed interest in the Country Club Plaza, however, political and public opposition has risen around the proposed development site.

The top office transactions of the second quarter included Applebee's International, Inc. lease of 200,000 sq. ft. at 8140 Ward Pkwy in Kansas City, Missouri, the Environmental Protection Agency lease of 187,000 sq. ft. at 11201 Renner Blvd in Lenexa, Kansas and the sale of the 84,273 sq. ft. building located at 7501 NW Tiffany Springs Pkwy in Kansas City, Missouri. Other deals in the market included, Accredo Health Group, Inc. lease of 43,000 sq. ft., 39,000 sq. ft. sale of Greenview Place and Lansing Trade Group's lease of 30,000 sq. ft. in Corporate Woods.

The Kansas City market remains stable due to the mix of national and regional office users. However, the recovery will need a surge of business development and job creation in order to achieve high levels of success. The continued achievement of regional players such as Sprint, Hallmark, H&R Block, American Century Investments and AMC Entertainment will continue to add to the stability of the market. In the coming years new avenues into technology brought forth by Google, and future tenants in the life sciences and animal health sector will be a vital link into future capital and job creation for the Kansas City office market.