



Valbridge
PROPERTY ADVISORS



QUARTERLY MARKET UPDATE

KANSAS CITY Q1 2018

This newsletter is designed to be an easily digestible tool for you to get a quick picture of the Kansas City commercial real estate market in the last quarter. Some figures are interpolated and estimated due to variances between the information sources.

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Commercial Markets

RETAIL

- Approximately 76,000 square feet of new retail space was delivered in the Belton Gateway. Four large tenants – Marshalls, Party City, Petco, and Five Below.
- A new 60,000 square foot Price Chopper grocery store was completed in Grain Valley, Missouri.

Retail Snapshot	Vacancy		Quoted Rates		Net Absorption
	Market	Single Tenant	Shopping Center	Single Tenant	
Downtown	3.10%	0.0%	\$25.83	\$0.00	(10,342)
Midtown	4.13%	11.2%	\$13.93	\$36.35	(43,186)
East Jackson County	3.35%	12.2%	\$10.15	\$11.34	5,510
South KC/South Jackson County	3.62%	11.65%	\$15.87	\$13.13	(25,988)
North Johnson County	3.23%	8.1%	\$17.04	\$13.98	(28,769)
South Johnson County	3.07%	9.9%	\$13.80	\$15.82	(94,695)
North of the River	4.25%	6.9%	\$13.43	\$11.95	63,395
Kansas City, KS	2.10%	6.6%	\$15.68	\$6.59	(104,793)
Total	3.44%	8.6%	\$15.29	\$13.62	(238,868)

Source: CoStar

OFFICE

- Kansas City, Kansas has 40,000 square feet of new medical office space available with the completion of the East Legends Medical Office Building that is expected to lease for \$22.50 to \$27.41 per square foot.

Office Snapshot	Class A		Class B		Net Absorption	YTD Net Absorption
	Market	Vacancy	Quoted Rates	Vacancy		
Downtown	14.7%	\$20.56	6.3%	\$18.37	(177,694)	(174,488)
East Jackson	5.7%	\$25.10	5.2%	\$16.11	44,615	83,246
Kansas City, KS	1.8%	\$27.41	4.9%	\$16.15	229,893	251,321
Midtown	4.2%	\$23.15	3.7%	\$21.01	(11,696)	7,443
North Johnson	3.9%	\$28.92	8.2%	\$19.97	9,111	17,879
North of the River	18.8%	\$20.92	13.2%	\$15.95	(130,158)	(10,482)
South Johnson	8.2%	\$23.20	8.9%	\$20.85	(32,778)	(24,010)
South KC	2.3%	\$19.50	11.3%	\$18.14	(438,763)	(21,011)
Total	7.1%	\$23.25	7.7%	\$18.36	(627,262)	125,064

Source: CoStar



INDUSTRIAL

- NorthPoint Development completed three industrial warehouse buildings – two in Gardner, Kansas and one Kansas City, Missouri. They combine for over 2 million square feet.

Industrial Snapshot Market	Vacancy		Quoted Rates		Net
	Warehouse	Flex	Warehouse	Flex	Absorption
Downtown	3.6%	1.7%	\$4.76	\$13.63	9,349
East Jackson County	3.9%	8.4%	\$3.49	\$7.81	152,033
Midtown	6.5%	0.0%	\$5.03	\$9.66	50,690
North Johnson County	5.4%	7.7%	\$5.92	\$9.03	(119,943)
North of the River	4.3%	29.1%	\$4.12	\$7.09	440,353
South Jackson County	3.0%	8.0%	\$4.39	\$8.65	175,487
South Johnson County	14.1%	6.9%	\$4.54	\$11.93	60,617
Wyandotte County	3.8%	7.3%	\$4.09	\$7.87	15,603
Total	4.6%	6.3%	\$4.71	\$8.24	806,313

Source: CoStar

MULTIFAMILY

- From 2015 to end-of-year 2017 multifamily asking rents have increased by 4.6%.
- In 2017, Kansas City added almost 3,900 new multi-family units to the market.
- The average vacancy rate for the Kansas City MSA was 5.5% in the first quarter of 2018.
- The average effective rent for the Kansas City MSA is up 2.2% from the first quarter of 2017 at \$939 per month.

SINGLE FAMILY HOME SALES & CONSTRUCTION

- Kansas City home values continued to increase in 2018.
- Clay, Jackson, and Johnson County are the counties with the highest closed sales in the KC MSA
- Johnson and Jackson County are both seeing heavy residential home building.

Housing Snapshot County	Market Share	Building		2018		2017	
		Permits YTD	Closed Sales	Avg Sales Price	Closed Sales	Avg Sales Price	
Cass	7.2%	140	393	\$213,775	364	\$204,626	
Clay	17.8%	345	1,106	\$214,986	963	\$194,108	
Jackson	25.0%	483	2,181	\$190,049	2,144	\$171,992	
Johnson	30.8%	595	1,958	\$324,285	1,973	\$311,353	
Leavenworth	4.0%	77	228	\$204,803	198	\$183,227	
Miami	1.8%	35	94	\$196,128	93	\$171,479	
Platte	9.9%	191	389	\$276,205	333	\$277,159	
Wyandotte	3.5%	67	345	\$138,972	353	\$124,761	

Source: MLS and HBA



UNEMPLOYMENT & LENDING RATES

Unemployment	Mar '18	Feb '18	Jan'18
Kansas City MSA	3.60%	3.80%	4.00%
National	4.10%	4.10%	4.10%
Rates	Dec '17	Nov '17	Oct '17
15-Year Fixed	3.45%	3.38%	3.32%
30-Year Fixed	3.98%	3.96%	3.98%
1-Year ARM	4.35%	4.22%	4.08%
10-Year Treasury	4.45%	2.35%	2.40%

CAP RATES – NATIONAL

According to the Real Estate Research Corporation (RERC) “Real Estate Report” and the PwC “Real Estate Investor Survey,” these are the estimated Cap Rates nationally.

National Rates Property	Low	High	Average	Change
Apartment	3.90%	7.30%	5.50%	Increase
Warehouse	3.80%	6.50%	5.30%	Decrease
Flex	6.00%	9.30%	7.30%	Increase
CBD Office	3.80%	7.00%	5.50%	Decrease
Suburban Office	4.90%	9.30%	6.80%	Increase
Regional Mall	4.50%	9.00%	6.30%	Increase
Power Center	5.60%	8.00%	6.60%	None
Strip Center*	4.80%	8.50%	6.30%	Increase

*Includes Neighborhood Center data



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Valbridge Property Advisors | Kansas City provides independent property valuation and consulting services, including advising clients on real estate business and investment decisions such as buy-sell-hold and lease-own alternatives.

In today's highly scrutinized regulatory environment, our independence—including from real estate brokerage firms—makes your life simpler and provides a better result. And our clients benefit from the collective strength of Valbridge Property Advisors, one of the largest commercial real estate appraisal firms in the U.S.

Valbridge Property Advisors | Kansas City is led by six MAI designated members of the Appraisal Institute representing more than 180 years of combined real estate experience. We provide appraisals, consulting, market studies and feasibility analyses within the Kansas City MSA and the four surrounding states.

The firm has expertise in multifamily, land, retail, commercial, medical, religious buildings, land development, single and multitenant buildings, office, hotel/motel, special use, and industrial properties.

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