

Signs of stabilization continue to emerge throughout the national and local office markets as employees continue to return to the office. **Rising occupancy levels and flattening vacancy rates are positive indicators pointing toward an office market recovery.** Sublease space remains a cost-competitive, short-term option for firms awaiting clarity on the economy.



# Kansas City Office 22Q2

## Key Takeaways

- Tenants are showing a strong preference for Class A space with well-placed amenities
- Occupiers will continue to embrace some hybrid models based on company, culture, and business sector needs
- Asking rents remain relatively steady at \$20.63/SF



**Vacancy Rate**  
10.5%

YOY  
▲  
FORECAST  
▲



**Net Absorption**  
-313K SF

YOY  
▼  
FORECAST  
▼



**Under Construction**  
708K SF

YOY  
▲  
FORECAST  
▲



**Asking Rates \$/SF**  
\$20.63

YOY  
▲  
FORECAST  
▲

## Kansas City Highlights

At the national level, quarterly absorption totals are beginning to turn positive for several markets, employees continue to return to the office, with rising occupancy levels and vacancy rates are beginning to flatten. Currently, the vacancy rate in the Kansas City metro stands at 10.5%, a 10-basis-point increase relative to last quarter and a 70-basis-point increase from this time one year ago. Throughout Q2 2022 the Kansas City metro experienced 109,352 SF of negative absorption bringing the year-to-date total to a negative 312,739 SF. Sublease space remains a key contributor to the increase in vacancy.

Overall asking rents within the Kansas City metro remain relatively steady at \$20.63/SF across all product classes. As firms continue to evaluate their post-COVID-19 real estate needs, sublease space will remain a cost-competitive, short-term option until there is greater clarity on business and economic direction. Additionally, as more active requirements emerge, pressure on rents could increase in the coming months as landlords compete to capture tenants in the market.

## Market Indicators



**3.12%**  
Unemployment Rate



**3.04%**  
GDP - Quarterly % Change Yr/Yr

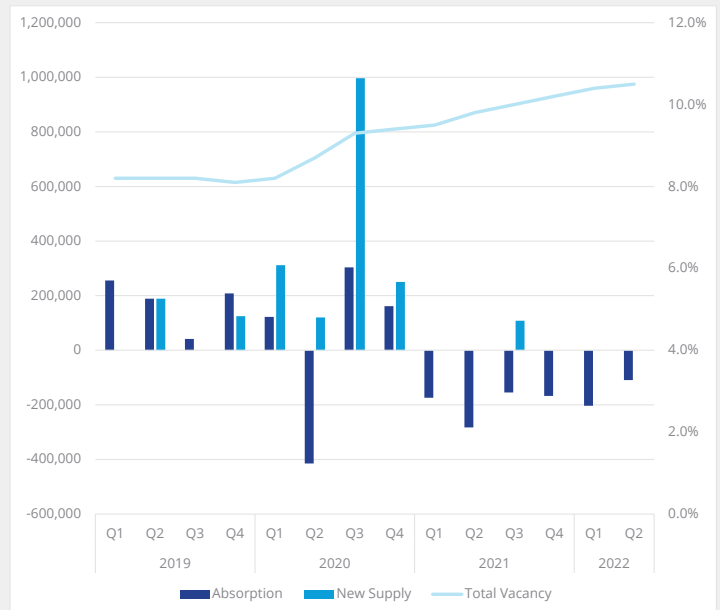


**3.013%**  
U.S. 10-Year Treasury Note

## Historic Comparison

	21Q2	22Q1	22Q2
<b>Total Inventory</b> <i>(in thousands of SF)</i>	106,188	106,296	106,296
<b>New Supply</b> <i>(in thousands of SF)</i>	0	0	0
<b>Net Absorption</b> <i>(in thousands of SF)</i>	(282.66)	(203.39)	(109.35)
<b>Overall Vacancy</b>	9.80%	10.40%	10.50%
<b>Under Construction</b> <i>(in thousands of SF)</i>	368.0	380.5	707.8
<b>Overall Asking Lease Rates</b> (NNN)	\$20.18	\$20.49	\$20.63

## Market Graph



## Recent Transactions \*Lease Renewal \*\* Lease Expansion



**Sale**

Lighton Portfolio  
S JoCo | 475,804 SF



**Lease**

Town Pavilion\*  
Downtown | 57,000 SF



**Lease**

2345 Grand\*  
Downtown | 30,000 SF



**Lease**

Summit52\*\*  
N JoCo | 25,500 SF



**Lease**

Aspiria\*  
S JoCo | 22,500 SF



**Lease**

Lightwell  
Downtown | 20,000 SF

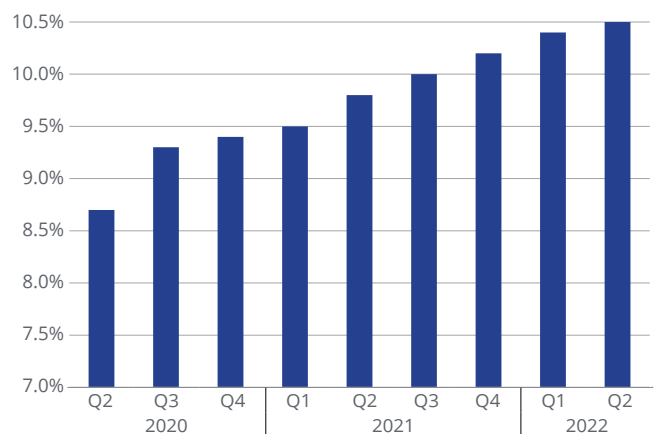


### Workplace and the Return to the Office

Some degree of remote working is here to stay, but many office users are still awaiting clarity on the adoption of hybrid models and how many days per week people will be required to be in the office. Many office occupiers will continue to embrace hybrid working to some extent but policies will vary greatly based on company, culture, and business sector needs. It will take time for firms to recast their property strategies, decide how much space they need, and where new offices should be located. Many businesses continue to reassess their space requirements, exploring new work models and space use configurations.

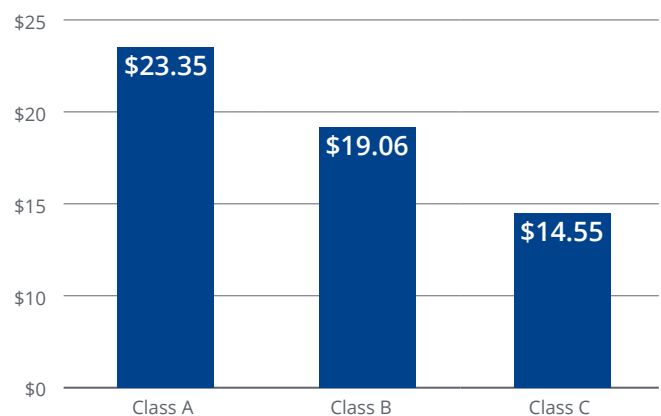
A trend has emerged as tenants continue to show a clear preference for the best quality space available. This is evident by several recently executed leases and touring activity focusing on quality space options. Firms are seeking quality space to help bring employees back to the office as well as attract talent with Class A offices and enhanced amenities. A flight to quality space will continue for office occupiers as more Class A space options become available at competitive rental rates.

### Vacancy



Source: CoStar and Colliers Research

### Rental Rates



Source: CoStar and Colliers Research

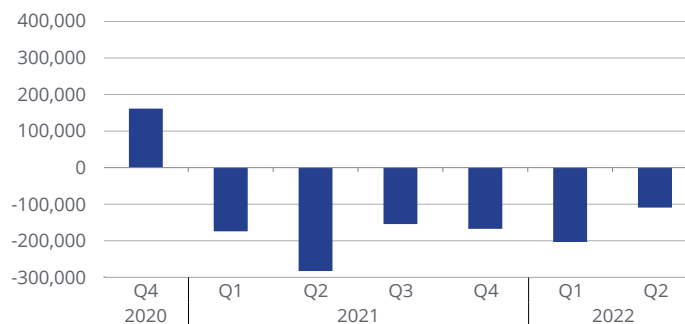
### Moves and Growth Around the Metro

Several sizeable deals were executed in the second quarter, including many lease renewals. In the downtown submarket, Bank Midwest renewed 57,000 SF at Town Pavilion while Armstrong Teasdale renewed 30,000 SF at 2345 Grand. State Street will relocate its existing operation from 801 Penn into 20,000 SF at Lightwell. Stueve Siegel Hanson renewed 15,000 SF within the Cordoba Building on the Country Club Plaza. In the suburban submarkets Apria Healthcare renewed 22,500 SF at Aspiria, IAC will expand at Summit52, and Hantover leased 17,500 SF at College Oaks A.

Office construction activity continues to increase around the KC Metro. Supply-side risks are minimal as a result of limited speculative construction within the metro. Groundwork began on CityPlace Centre IV, a \$51 million, six-story 190,000 SF office building in South Johnson County that will be primarily occupied by Wellsky. Construction on Hallbrook III, a 120,000 SF office building, continues to make progress. KBP Investments will anchor the new building located at the southwest corner of College Boulevard and State Line Road. The building is attracting additional tenants during pre-leasing. In May, construction began on the new FBI field office building in the Northland. The 136,910 SF office is located near KCI airport.

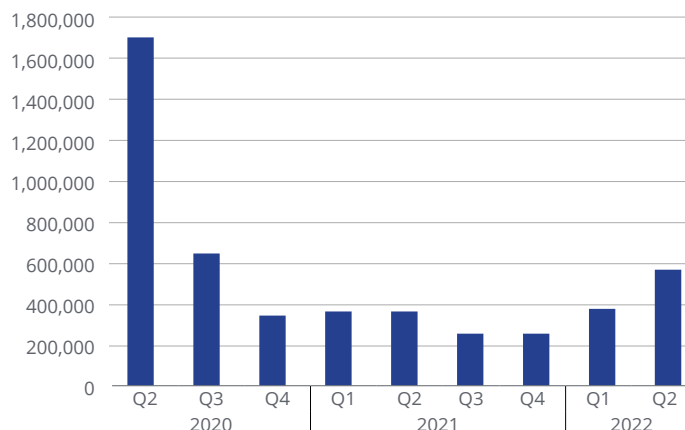
From an investment standpoint, Price Brothers acquired the Lighton Plaza portfolio from BentallGreenOak for nearly \$61,800,000. The three-building portfolio located near I-435 and Metcalf totals nearly 476,000 SF and includes Lighton Plaza I, Lighton Plaza II, and Lighton Tower.

### Absorption in SF



Source: CoStar and Colliers Research

### Construction in SF



Source: CoStar and Colliers Research

Lease Activity				
Property	Submarket	Leased SF	Building Class	Company
Town Pavilion*	Downtown	57,000	A	Bank Midwest
2345 Grand*	Downtown	30,000	A	Armstrong Teasdale
Summit52**	North Johnson County	25,500	A	Industrial Accessories Company
Aspiria*	South Johnson County	22,500	A	Apria Healthcare
Lightwell	Downtown	20,000	A	State Street
College Oaks A	South Johnson County	17,500	B	Hantover
Cordoba Building*	Plaza/Midtown	15,000	B	Stueve Siegel Hanson

\*Lease Renewal

\*\* Lease Expansion

### Sales Activity

Property	Submarket	Sale Price	Size SF	Price/SF	Buyer	Seller
Lighton Portfolio	South Johnson County	\$61,800,000	475,804	\$129.89	Price Brothers	BentallGreenOak
11200 Corporate Ave	South Johnson County	\$2,800,000	17,910	\$156.34	Three Lakes Crossing	National Cable TV Cooperative

# Kansas City | 22Q2 Office Market Statistics

Class	Buildings	Total SF	Vacancy			Absorption			Construction			Avg Rent Rate \$
			Direct	Sublet	Vacancy SF	Vacancy %	Current SF	YTD SF	Deliveries Current SF	Deliveries YTD SF	Construction Current SF	
<b>Downtown</b>												
A	27	8,672,488	1,378,892	267,117	1,646,009	19.0%	-26,947	18,071	0	0	260,000	\$21.97
B	163	13,411,679	956,853	0	956,853	7.1%	32,314	50,924	0	0	0	\$19.26
C	102	4,416,178	173,233	0	173,233	3.9%	5,000	7,546	0	0	0	\$17.19
<b>TOTAL</b>	<b>292</b>	<b>26,500,345</b>	<b>2,508,978</b>	<b>267,117</b>	<b>2,776,095</b>	<b>10.5%</b>	<b>10,367</b>	<b>76,541</b>	<b>0</b>	<b>0</b>	<b>260,000</b>	<b>\$20.74</b>
<b>Plaza/Midtown</b>												
A	16	3,085,214	395,144	36,057	431,201	14.0%	21,888	-26,378	0	0	0	\$25.57
B	84	4,132,573	161,978	0	161,978	3.9%	25,809	97,078	0	0	0	\$22.14
C	58	1,549,711	12,021	0	12,021	0.8%	-9,826	-9,276	0	0	0	\$18.43
<b>TOTAL</b>	<b>158</b>	<b>8,767,498</b>	<b>569,143</b>	<b>36,057</b>	<b>605,200</b>	<b>6.9%</b>	<b>37,871</b>	<b>61,424</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$24.51</b>
<b>Urban Total</b>												
A	43	11,757,702	1,774,036	303,174	2,077,210	17.7%	-5,059	-8,307	0	0	260,000	\$22.72
B	247	17,544,252	1,118,831	0	1,118,831	6.4%	58,123	148,002	0	0	0	\$19.68
C	160	5,965,889	185,254	0	185,254	3.1%	-4,826	-1,730	0	0	0	\$17.27
<b>TOTAL</b>	<b>450</b>	<b>35,267,843</b>	<b>3,078,121</b>	<b>303,174</b>	<b>3,381,295</b>	<b>9.6%</b>	<b>48,238</b>	<b>137,965</b>	<b>0</b>	<b>0</b>	<b>260,000</b>	<b>\$21.41</b>
<b>East Kansas City</b>												
A	7	506,476	18,702	0	18,702	3.7%	6,989	9,827	0	0	0	\$20.97
B	169	6,544,506	697,836	44,220	742,056	11.3%	-8,741	-35,289	0	0	0	\$16.72
C	132	2,786,426	86,285	0	86,285	3.1%	17,812	4,023	0	0	0	\$14.21
<b>TOTAL</b>	<b>308</b>	<b>9,837,408</b>	<b>802,823</b>	<b>44,220</b>	<b>847,043</b>	<b>8.6%</b>	<b>16,060</b>	<b>-21,439</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$16.56</b>
<b>Kansas City North</b>												
A	8	1,269,892	262,949	0	262,949	20.7%	18,986	27,228	0	0	136,910	\$20.84
B	153	6,245,030	701,214	148,146	849,360	13.6%	19,887	47,644	0	0	0	\$16.47
C	68	1,331,928	80,203	0	80,203	6.0%	-1,434	-10,267	0	0	0	\$13.93
<b>TOTAL</b>	<b>229</b>	<b>8,846,850</b>	<b>1,044,366</b>	<b>148,146</b>	<b>1,192,512</b>	<b>13.5%</b>	<b>37,439</b>	<b>64,605</b>	<b>0</b>	<b>0</b>	<b>136,910</b>	<b>\$17.26</b>
<b>North Johnson County</b>												
A	26	2,957,886	505,623	39,344	544,967	18.4%	21,925	-42,967	0	0	0	\$23.14
B	176	7,077,732	696,655	76,055	772,710	10.9%	-8,446	-2,468	0	0	0	\$20.88
C	79	1,506,178	62,542	20,000	82,542	5.5%	-18,574	-122	0	0	0	\$16.07
<b>TOTAL</b>	<b>281</b>	<b>11,541,796</b>	<b>1,264,820</b>	<b>135,399</b>	<b>1,400,219</b>	<b>12.1%</b>	<b>-5,095</b>	<b>-45,557</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$21.48</b>
<b>South Johnson County</b>												
A	86	12,082,434	1,196,017	436,229	1,632,246	13.5%	-10,256	-223,350	0	0	310,907	\$24.80
B	337	14,362,682	1,635,408	168,760	1,804,168	12.6%	-78,495	-118,225	0	0	0	\$20.15
C	55	1,099,005	19,507	3,573	23,080	2.1%	5,359	23,181	0	0	0	\$16.97
<b>TOTAL</b>	<b>478</b>	<b>27,544,121</b>	<b>2,850,932</b>	<b>608,562</b>	<b>3,459,494</b>	<b>12.6%</b>	<b>-83,392</b>	<b>-318,394</b>	<b>0</b>	<b>0</b>	<b>310,907</b>	<b>\$22.32</b>
<b>South Kansas City</b>												
A	20	4,509,127	64,848	22,208	87,056	1.9%	0	-22,208	0	0	0	\$20.71
B	65	3,589,034	479,421	33,446	512,867	14.3%	-39,122	-66,493	0	0	0	\$19.48
C	37	892,592	22,836	0	22,836	2.6%	-2,588	3,304	0	0	0	\$16.53
<b>TOTAL</b>	<b>122</b>	<b>8,990,753</b>	<b>567,105</b>	<b>55,654</b>	<b>622,759</b>	<b>6.9%</b>	<b>-41,710</b>	<b>-85,397</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$19.54</b>
<b>Wyandotte County</b>												
A	6	1,064,574	20,000	0	20,000	1.9%	0	0	0	0	0	\$23.00
B	37	1,950,537	148,305	12,000	160,305	8.2%	-80,892	-50,837	0	0	0	\$17.01
C	44	1,252,238	67,545	0	67,545	5.4%	0	6,315	0	0	0	\$14.67
<b>TOTAL</b>	<b>87</b>	<b>4,267,349</b>	<b>235,850</b>	<b>12,000</b>	<b>247,850</b>	<b>5.8%</b>	<b>-80,892</b>	<b>-44,522</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$16.86</b>
<b>Suburban Total</b>												
A	153	22,390,389	2,068,139	497,781	2,565,920	11.5%	37,644	-251,470	0	0	447,817	\$23.86
B	937	39,769,521	4,358,839	482,627	4,841,466	12.2%	-195,809	-225,668	0	0	0	\$18.92
C	415	8,868,367	338,918	23,573	362,491	4.1%	575	26,434	0	0	0	\$13.16
<b>TOTAL</b>	<b>1,505</b>	<b>71,028,277</b>	<b>6,765,896</b>	<b>1,003,981</b>	<b>7,769,877</b>	<b>10.9%</b>	<b>-157,590</b>	<b>-450,704</b>	<b>0</b>	<b>0</b>	<b>447,817</b>	<b>\$20.28</b>
<b>All Kansas City Total</b>												
A	196	34,148,091	3,842,175	800,955	4,643,130	13.6%	32,585	-259,777	0	0	707,817	\$23.35
B	1,184	57,313,773	5,477,670	482,627	5,960,297	10.4%	-137,686	-77,666	0	0	0	\$19.06
C	575	14,834,256	524,172	23,573	547,745	3.7%	-4,251	24,704	0	0	0	\$14.55
<b>TOTAL</b>	<b>1,955</b>	<b>106,296,120</b>	<b>9,844,017</b>	<b>1,307,155</b>	<b>11,151,172</b>	<b>10.5%</b>	<b>-109,352</b>	<b>-312,739</b>	<b>0</b>	<b>0</b>	<b>707,817</b>	<b>\$20.63</b>
<b>Quarterly Comparison and Totals</b>												
Q1 2022	1,955	106,296,120			11,041,820	10.4%	-203,387	-203,387	0	0	380,527	\$20.49
Q4 2021	1,955	106,296,120			10,838,533	10.2%	-167,168	-778,398	0	108,000	260,000	\$20.34
Q3 2021	1,955	106,296,120			10,671,365	10.0%	-154,378	-611,231	108,000	108,000	260,000	\$20.33
Q2 2021	1,954	106,188,120			10,408,986	9.8%	-282,656	-456,852	0	0	368,000	\$20.18
Q1 2021	1,954	106,188,120			10,126,330	9.5%	-174,196	-174,196	0	0	368,000	\$20.03

Note: Inventory includes office properties 10,000 SF and up. It excludes office properties that were built with the intent to house only medical users and those properties where the government is both 100% owner and occupier.



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