THE REAL ESTATE REPORT
FOR METROPOLITAN KANSAS CITY

2024

PRESENTED BY BLOCK REAL ESTATE SERVICES, LLC


NSAS CITY
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2023
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CONTENTS

BLOCK REAL ESTATE SERVICES, LLC

BLOCK REAL ESTATE SERVICES, LLC (BRES) HIGHLIGHTS OF 2023

TRANSACTIONS

BRES completed the year with total sales and leasing transactions in excess of $1.3 Billion.

PROPERTY MANAGEMENT

BRES commercial management portfolio reached over 46 million square feet of commercial space and 10,500 apartment units.

CONSTRUCTION

Block Construction Services (BCS) managed over $264 million in development projects and coordinated over $26 million in tenant improvement work in 2023. Development projects and tenant improvements under construction in 2023 included work in all sectors, including industrial/warehouse/distribution, office, multifamily, and retail.

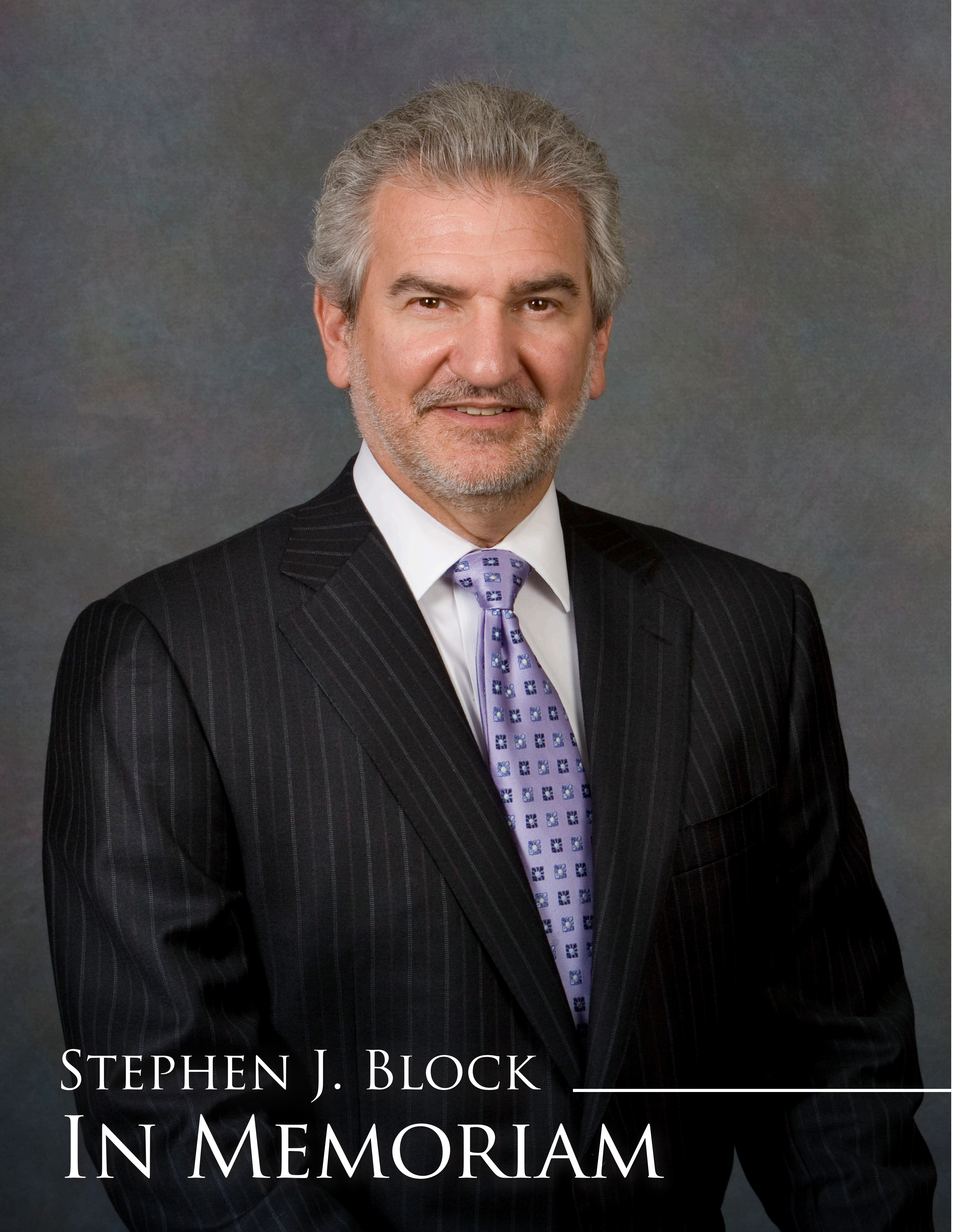
INVESTMENT

BRES completed over $341 million in investment sales and raised over $103 million in equity funds for new acquisitions and development projects.

AFFILIATES

Block Hawley Commercial Real Estate, LLC is one of the most active industrial brokerage firms in St. Louis, Missouri, with approximately 1.7 million square feet in sales and leases in 2023 and over 7 million square feet under management.

Block Multifamily Group (BMG) now manages nearly 11,000 multifamily units across 53 communities in 10 different states with an additional 2,500 in either development or construction.



Stephen J. Block

PRINCIPAL, BLOCK REAL ESTATE SERVICES | SEPTEMBER 21, 1951 – MARCH 18, 2023

Steve was a dedicated family man, an influential figure in commercial real estate and a pivotal player in our community's renaissance. He left his mark in so many places. He was a champion of Midtown Kansas City's redevelopment, especially Union Hill, Kansas City's historic Westport district, and our legacy office building project, 46 Penn Centre on the Country Club Plaza.

Steve was a visionary. He received national recognition for his innovative approach to urban revitalization. After he earned a chemical engineering degree from Carnegie Mellon University, he joined the family's commercial real estate business in late 1974 founded by our father, Allen. He got his start in office and retail leasing before finding his true passion for urban core redevelopment and syndicating real estate investments.

Over Steve's nearly 50-year career, he worked closely with the city's redevelopment agencies to deliver a number of high-impact projects along Kansas City's midtown corridor. His Midtown Marketplace development brought Costco and Home Depot to Midtown, transforming the southeast corner of Main Street and Linwood Boulevard into a bustling retail center. He delivered a full-service grocery-anchored center to Westport via Mill Street Station at 40th and Mill Street. Steve was a key member of the Union Hill redevelopment team, creating a now thriving 16-block mixed-use development at 31st and Main. Most recently Steve was partners with Ken on 46 Penn Centre, a $125 million high rise office building on the Country Club Plaza.

Steve was involved in numerous civic organizations, including the Greater Kansas City Chamber of Commerce, Olathe Chamber of Commerce, Broadway Westport Community Association, Main Street Special Review District, and Main Street Corridor Development Corporation.

He received numerous accolades throughout his career, including Urban Design awards and Economic Development Cornerstone awards, being named the first ever I.J. Mnookin Award winner by MainCor, and was inducted into the Commercial Real Estate Hall of Fame by Midwest Real Estate News. He was a Life Member of the Missouri million Dollar Club.

Twelve years ago, Steve brought his son Max Wasserstrom into the business, mentoring and guiding him through his early years as he learned the brokerage, investment, and development sides of the business. Max worked closely with Steve daily, developing an intimate knowledge of Steve's portfolio of properties and ensuring a seamless transition when the time came for Steve to hand over the reins. Although no one thought the day would come this soon, we are confident Max has the knowledge and skills to guide these investments forward. Steve placed the utmost importance on being a shepherd of clients' capital, working tirelessly with Max over the last several years to put Max in a position of success for when the time did come. Max is an incredible asset to our firm and will carry on Steve's legacy for many years to come.

Above all, Steve was devoted to his family. He adored his wife Suzy, children Leigh (Constantine) Farmakidis and Max (Katie) Wasserstrom, and his four grandchildren. He and Suzy loved to travel the world and had many adventures throughout their 33 years of marriage. Steve had a passion for cooking, loving nothing more than to share his amazing Thanksgiving dinner with those he loved. He was an accomplished deep-sea diver and underwater photographer. Steve enjoyed playing golf with his friends in the Saturday Group at Oakwood. Only Steve could develop the computer program needed to calculate the weekly bets with records going back 30+ years.

Steve's loss leaves us heartbroken, but his tremendous legacy — both in commercial redevelopment and in life — brings us immeasurable pride and joy. As we mourn his loss, we will also celebrate his extraordinary life, uphold the values he held dear, and continue his work to build a better future in our great city. May Steve's legacy live on in the hearts of all who knew him and were inspired by his life and work. Our gratitude to each of you for all you did to make his life a rich and meaningful one.

Success Abounds in Kansas City

Block Real Estate Services, LLC (BRES) takes pleasure in presenting our 2024 Real Estate Report for Metropolitan Kansas City — the most comprehensive report on the Kansas City Commercial Real Estate Market. Enclosed within the following pages is detailed information encompassing economic indicators, an overview of global, U.S., and Kansas City markets, along with articles highlighting local and U.S. commercial real estate activity.

The data and analysis provided in this report aim to equip you with the knowledge and confidence required to strategically leverage emerging opportunities in the coming months. Each year, our dedicated team of Principals, brokers, and managers invests significant effort to compile the most detailed real estate report available in the Kansas City market. The release of our 2024 report is timely, offering a crucial understanding of market dynamics.

This report is extended to assist you in formulating and justifying your long-range occupancy and investment strategies. The entire team at Block Real Estate Services stands ready to address your inquiries and aid in synthesizing this information into a clear vision, facilitating sound commercial real estate decision-making throughout 2024.

We trust that you will find this report informative and beneficial. Should you have any questions or require additional information, please feel free to contact any of the authors mentioned herein.

BRES and it's Kansas City affiliates once again celebrated the holidays with a social event at No Other Pub at Power & Light in downtown Kansas City, Missouri in December.

BRES continues to lead the Kansas City commercial real estate industry and has, again, been recognized by the following publications:

KANSAS CITY BUSINESS JOURNAL

- #1 Commercial real estate property manager — managing over 45 million gross leasable square feet in industrial, office, and retail
- #1 Most active commercial real estate firm with 938 transactions
- #2 Largest commercial real estate firm with a volume of $1.37 billion
- #2 Commercial real estate company with 69 real estate agents
- #5 Top Area Office Parks and Complexes (Pine Ridge Business Park — 1.78 million square feet)
- #6 Top Area Multitenant Industrial Facility (Lenexa Logistics Centre — 4.1 million square feet)
- #9 Top Area Office Parks and Complexes (Pinnacle Corporate Centre — 444,783 square feet)
- #10 Top Area Office Parks and Complexes (CityPlace Corporate Centre — 430,916 square feet)
- #16 Top Area Multitenant Industrial Facility (Riverside Industrial and Distribution Center — 2.04 million square feet)
- #22 Top Area Multitenant Industrial Facility (Pine Ridge Business Park — 1.78 million square feet)
- #25 Top Area Multitenant Office Building (46 Penn Centre — 229, 014 total leasable square feet)
- #31 Top Area Multitenant Office Building (Nall Corporate Centre II — 156,373 total leasable square feet)
- #32 Top Area Multitenant Office Building (Renner Corporate Centre II — 150,958 leasable square feet)
- #33 Top Area Multitenant Industrial Facility (College Crossing Business Park — 820,140 square feet)

ST. LOUIS BUSINESS JOURNAL

- #19 Largest commercial real estate firm, based on number of local active licensed agents (Block Hawley)
- #23 Largest commercial real estate firm, based on number of total local staff (Block Hawley)

NATIONAL REAL ESTATE INVESTOR

- Ranked 23rd for total office space developed or under construction of 600,000 square feet

COMMERCIAL PROPERTY EXECUTIVE - NATIONAL RANKING

- Ranked 13th top national property manager
- Ranked 28th top national commercial development firm
- Ranked 39th top national multifamily owners

MIDWEST REAL ESTATE NEWS

- Ranked 4th in top owners in the Midwest
- Ranked 9th in top property management in the Midwest
- Ranked 6th in top developers in the Midwest
- Ranked 17th in top brokers in the Midwest

(Left Photo) Once again, guests savored the evening at the Seigfreid Bingham, P.C., and Block Real Estate Services, LLC joint party during the 43rd annual American Royal World BBQ.

(Right Photo) BRES' Art Director, Ryan Cain and his barbecue team celebrated on stage Saturday night by winning Reserve Grand Champion during the American Royal Invitational BBQ Contest.

INGRAM'S

- #1 Top area commercial real estate company with $890 million gross sales
- #1 Top area commercial real estate company for square footage managed, sold, and leased
- Best Commercial Real-Estate Firm - Bronze Award

COSTAR GROUP, INC.

- #2 Top area leasing firms
- #3 Top area sales firms
- Power Broker Award Winner

AWARD WINNING DEVELOPMENTS

- 2023 — The Residences at Galleria Capstone Award Winner, *Kansas City Business Journal*
- 2022 — Villas at 44 Washington/44 Washington Capstone Award Winner, *Kansas City Business Journal*
- 2021 — 46 Penn Centre, Kansas City, Missouri - Capstone Award Winner, *Kansas City Business Journal*
- 2019 — 531 Grand, Kansas City, Missouri — Capstone Award Winner, *Kansas City Business Journal*
- 2019 — The Grand, Kansas City, Missouri — Best Adaptive Re-Use, Excellent Award, *Historic Kansas City*
- 2019 — The Grand, Kansas City, Missouri - Capstone Award Winner, *Kansas City Business Journal*
- 2018 — The Equitable, Des Moines, Iowa - William J. Wagner Award, *State Historic Preservation Office*
- 2018 — Lenexa Logistics Centre Building 7, Lenexa, Kansas - Capstone Award Winner, *Kansas City Business Journal*
- 2017 — The Royale at CityPlace, Overland Park, Kansas - Capstone Award Winner, *Kansas City Business Journal*
- 2017 — Lenexa Logistics Centre North Building 1, Lenexa, Kansas — Capstone Award Winner, *Kansas City Business Journal*
- 2015 — Lenexa Logistics Centre Building 4, Lenexa, Kansas — Capstone Award Winner, *Kansas City Business Journal*
- 2014 — Nall Corporate Centre I, Overland Park, Kansas — Capstone Award Winner, *Kansas City Business Journal*

In addition, BRES professionals have been playing an active role in professional organizations on a local, regional, and national level. In addition to professional and industry-related organizations, BRES staff and professionals are active in all parts of the community, both professionally and personally. BRES employees contribute time and resources to numerous chambers of commerce, economic development, local government, social services, community involvement, arts and culture, health, education and youth enrichment organizations.

The BRES team has been providing leadership in the real estate industry for more than 70 years. What follows is a selection of industry-related organizations and business affiliations in which BRES is active:

Hosted at Union Station in downtown Kansas City, Missouri, SIOR Development Day proved to be a successful annual networking event. Top commercial real estate professionals from the metro area gathered in the beautiful grand hall to engage in discussions, fostering connections and knowledge exchange. BRES exhibited at the event, with many agents and brokers in attendance.

- American Concrete Institute (ACI)
- Building Owners and Managers Association (BOMA)
- Certified Commercial Investment Member (CCIM)
- Design Build Institute of America (DBIA)
- Institute of Real Estate Management (IREM)
- International Council of Shopping Centers (ICSC)
- Kansas Association of REALTORS®
- Kansas City Area Development Council (KCADC)
- Kansas City Commercial Real Estate Women (KC Crew)
- Kansas City Regional Association of REALTORS® (KCRAR)
- KC SmartPort
- Missouri Association of REALTORS®
- Missouri Growth Association (MGA)
- NAIOP Commercial Real Estate Development Association (NAIOP)
- National Association of REALTORS® (NAR)
- Society of Industrial and Office REALTORS® (SIOR)
- Urban Land Institute (ULI)
- US Green Building Council (USGBC)

BRES emphasizes continuing development through professional organizations and continuing education. BRES and its professionals hold the following designations:

- Accredited Management Organization (AMO)
- American Institute of Architects (AIA)
- Certified Commercial Investment Member (CCIM)
- Certified Facility Manager (CFM)
- Certified Property Manager (CPM)
- Counselor of Real Estate (CRE)
- Real Property Administrator (RPA)
- Society of Industrial and Office REALTORS® (SIOR)

PROPERTY AND ASSET MANAGEMENT SERVICES TEAM

Our team continues to grow as we hired two new associates to bring our current staff to 16. Adding more formalized training and senior manager oversite for our young managers is proving to be particularly successful. Several of our senior team members play active roles in professional organizations on local, regional, and national levels, including the Building Owners and Managers Association (BOMA) and Institute of Real Estate Management (IREM).

The property management department added 1.3 million square feet to its management portfolio in 2023. This includes three ground-up projects: CityPlace IV, Lenexa Logistics South 8 and 175th Commerce. As a team, we continually strive to provide cost-effective solutions to the ever-increasing cost of services and supplies. Working closely with vendors, consultants and others allows us to leverage our resources and buying power to deliver the personalized service our tenants have enjoyed through the years. Through strategic planning and effective communication our property and asset managers have implemented initiatives to increase property stability, proactive maintenance schedules, responsive tenant communication and swift issue resolution, and has led to a more resilient and satisfied tenant base. The asset managers, in turn have leveraged the data-driven insights provided by the property managers to refine investment strategies, identify areas for improvement and capitalize on emerging market trends.

BLOCK MAINTENANCE SOLUTIONS

In 2023, Block Maintenance Solutions (BMS) expanded our services by adding a data installation technician to our staff. This has proven to be a great extension of our in-house services with the team already growing. We are also still focusing on energy savings with our staff and assisting with projects that help meet our sustainability goals. With our electrician leading the charge, we are rapidly removing inefficient lighting and upgrading to LED.

We have welcomed new members to the team this year, and again we are focused on growth and expansion of services. Our team takes pride in the services that we provide, and we have a knowledgeable group of technicians. More than half of our team has been with BMS for more than 10 years. We are still working closely with our property management team to identify capital projects while managing the completion of mechanical upgrades.

As we transition into a new year, we plan to evaluate the expansion of in-house services as we strive to better serve our customers and owners. With the help of our knowledgeable team, we are reaching new heights and evolving each day.

SYNDICATIONS

In 2023, Block Real Estate Services (BRES) through its investment arm, Block Funds, diligently pursued its goals of safeguarding investor capital, enhancing cash distributions, achieving debt reduction, and capturing property appreciation at sale. This year's efforts were marked by significant expansions and strategic investments across various sectors.

The industrial sector saw the groundbreaking of 167 Logistics West and the acquisition of Grimes Distribution Center I-IV, which collectively added a substantial Class A industrial space to the BRES portfolio. These strategic developments are not only pivotal for their long-term NNN pre-leases with high-quality users but also for their stable investment outlook, bolstered by features such as assumable debt and a diversified tenant base.

In the multifamily domain, the acquisition of a 7.96-acre parcel for the 341-unit development known as 120th & Metcalf represents a savvy investment in a sought-after suburban locale. This all-cash transaction shields investors from the prevailing high interest rates and promises a robust equity position with proportional returns, further enhancing its attractiveness.

The retail acquisitions of Haymarket Square and The Renaissance Shops have significantly bolstered BRES's retail portfolio. These properties blend well-known national tenants with local ones and offer potential for added value, contributing to the firm's stable investment offerings.

Block Funds continues to raise equity to acquire multifamily, industrial, office, and retail deals in single-purpose entities. The goal remains to provide accredited investors with long-term cash flow, to pay down debt principal and to provide any upside on property appreciation during the hold period. Prospective investors are encouraged to register at www.blockfunds.com to view current equity investment opportunities. For detailed inquiries, Brian Beggs remains a direct point of contact for personalized assistance and information, available at 816-932-5568 or via email at bbeggs@blockllc.com.

BLOCK CONSTRUCTION SERVICES

In 2023, Block Construction Services (BCS) managed a total volume of $264 million in development projects and a total of $26 million in tenant improvement projects.

Some notable projects of 2023 include the following:

- Riverside Logistics Centre II, a 328,320 square foot industrial building in Riverside, Missouri
- Lenexa Logistics Centre South Building 8, a 195,409 square foot industrial building in Lenexa, Kansas
- 175th Street Commerce Centre Building 1, a 1,071,139 square foot industrial building in Olathe, Kansas
- 167th Street Logistics Centre Building 2, a 438,314 square foot industrial building in Olathe, Kansas
- The Clearing at One28 multifamily development in Olathe, Kansas
- The View at Castle Rock mixed-use development in Castle Rock, Colorado
- 100 N. Main, 38-story adaptive re-use project in Memphis, Tennessee
- Retail spaces at both Apex at CityPlace and The Galleria in Overland Park, Kansas
- Confidential Bottling Facility as the owner's representative
- Oakwood Country Club, nine-hole par 3 course with rental cottages and improvements to the course and clubhouse

The BRES family came together to commemorate the 70th birthday of Ken Block, managing principal of Block Real Estate Services, LLC, with a festive luncheon.

Some notable projects planned for the future include the following:

- Phase II of The Galleria's office, retail, restaurant, entertainment, and second multifamily community at The Galleria
- Cincy Club, adaptive re-use project in Cincinnati, Ohio
- Ruan, adaptive re-use project in Des Moines, Iowa
- 47 Madison, multifamily development with 250 luxury units
- 4627 Madison, multifamily development with 213 luxury units
- The Majestic, the third multifamily community at the CityPlace development with 355 units
- The Southglen, 341-unit multifamily development in Overland Park, Kansas
- 56th & Foxridge, 307-unit multifamily development in Mission, Kansas
- Woodside Village, 162-unit multifamily development in Kansas City, Kansas.
- 143rd & Metcalf, 368-unit multifamily development in Overland Park, Kansas
- College & Ridgeview, 377-unit multifamily development in Olathe, Kansas
- Residences at Renner 95, 80-unit multifamily development with office and retail space in Overland Park, Kansas
- K-7 Logistics Centre, 693,793 and 176,240 square foot industrial buildings in Shawnee, Kansas
- K-7 & Nettleton, 638,793 and 634,153 square foot industrial buildings in Bonner Springs, Kansas
- 141 Logistics Centre, 71.93-acre industrial site in Maryland Heights, Missouri
- K10 and K7 – 552-unit two-phase multifamily development in Olathe, Kansas

More information on these exciting projects can be found inside this report.

BLOCK MULTIFAMILY GROUP

Block Multifamily Group (BMG) had a successful 2023, expanding its reach into a 10th state with a partnership with a new fee managed client out of Oklahoma City, OK. Additionally, the firm ushered in a record fast New Development Lease-Up at The Clearing at ONE28 in Olathe, Kansas. And despite the fiscal challenges that the industry saw throughout 2023, BMG successfully closed the year with NOI nearly 10% favorable to the prior year.

BMG's continued commitment to quality is highlighted by the many awards the firm has earned in 2023. The firm was recognized as a finalist among the National Apartment Association's Best Places to Workas well as being named the Best Property Management Company of the Year through the Apartment Association of Kansas City. Additionally, eight of our 18 Kansas City communities were recognized through the local Apartment Association's Annual Awards, and The Residences at Galleria received a Capstone Award for excellence in residential real estate. Nearly eight percent of the portfolio was recognized for being in the top one percent of all multifamily communities nationwide for their online reputation management, which placed Block Multifamily Group in the Top 100 Management Companies, according to SatisFacts.

To date, the firm manages nearly 11,000 multifamily units across 53 communities in 10 different states throughout the Midwest and South. The diversity of the portfolio is vast, including Class A New Development projects, Workforce Housing renovation projects, Mixed-Use developments, as well as a 55+ community. BMG's sustained success can clearly be attributed to the well-rounded skills and resources that the management team employs, and the firm is positioned for continued growth in the new year.

BLOCK HAWLEY COMMERCIAL REAL ESTATE SERVICES, LLC

Block Hawley Real Estate Services is a leader in the St. Louis market with more than 7 million square feet under management and 60 transactions completed in 2023. We leased over 1.7 million square feet of office warehouse space and acquired over 15 acres for new and future development. We also sold more than 1 million square feet of both user and investment properties. Block Hawley anticipates more exciting projects in the coming year and looks forward to serving our clients in St. Louis and the surrounding markets.

PHILANTHROPY

BRES takes pride in its strong presence in Kansas City, and we feel a sense of responsibility to give back to our community. We don't have only one signature charity; we give back to multiple throughout the community. BRES is proud to be a continued supporter of several worthwhile organizations such as the following:

- Light the Night - Leukemia & Lymphoma Society
- Heart of America Boy Scout Council
- EDC Cornerstone
- Nelson Atkins Museum of Art
- The Star in Education
- Kemper Museum
- MainCor
- KU Cancer Center
- Children's Mercy
- Jazzoo - Kansas City Zoo
- Village Shalom
- Operation Breakthrough
- Hope House
- Kansas City Ballet
- American Royal
- Kit's Muse (A Division of Project Sweet Peas)
- The Children's Place
- Wounded Warriors
- Treads & Threads — The University of Kansas Health System
- University of Kansas
- Reach Out and Read
- Children's TLC
- Harvesters
- Guadalupe Centers
- American Cancer Society
- Boys & Girls Club
- St. Joseph Medical Center Foundation
- Multiple Sclerosis Society
- Kansas City Art Institute
- New Reform Temple
- Bacchus Foundation
- Avidus Foundation

Within the following sections of this report, BRES will share information and data we believe to be true and accurate. Certain portions of the information provided herein were gathered from outside, unrelated third-party sources, and BRES is reporting and sharing information. The data contained herein does not necessarily reflect the official policy or position of BRES, its agents, employees, directors, officers or owners. The following content is not intended to support or malign any religious or ethnic group, club, organization, political party, company, individual or anyone or anything whatsoever.

On behalf of all of us at BRES, we wish you a healthy and prosperous year ahead.

Kenneth G. Block, SIOR, CCIM, Managing Principal

Scott M. Cordes, Senior Vice President, Chief Operating Officer

Economic Indicators

NATIONAL TRENDS

In the ever-evolving landscape of the U.S. economy, a notable narrative unfolds as the nation rebounds from the profound disruptions of the COVID-19 pandemic. Against the backdrop of targeted fiscal interventions, signs of recovery are evident, yet a tapestry of uncertainties looms. The economic stage is set with improving indicators, but questions surrounding inflation and the intricate dance of global economic forces add complexity to the unfolding story. This summary will provide insights into the economic performance of the nation over the past year and offer projections for 2024.

In 2023, the U.S. economy displayed resilience and adaptability, navigating through the challenges posed by the lingering impacts of the COVID-19 pandemic. Job reports painted a positive picture, with the country adding an average of 258,000 non-farm payroll jobs per month. Healthcare and government employment contributed the most, adding an average of 53,000 and 50,000 jobs per month, respectively. The unemployment rate witnessed a steady decline, reaching historically low levels by midyear. The unemployment rate sits at 3.9%, up from the year's low of 3.4%. This decline was indicative of a robust labor market, showcasing the economy's ability to rebound from the disruptions witnessed in the preceding years. Although still below the historical high of 67.3% seen in 2000, the participation rate has increased to 62.7%, up from 61.9% from last year. However, as Baby Boomers continue to age out of the workforce, the labor force participation rate is expected to fall to 60% in the next decade as the labor force continues to shrink. Although employment and participation rates appear favorable, we must also analyze the real Growth Domestic Product (GDP).

GDP growth in 2023 reflected the overall health of the U.S. economy. Although there were fluctuations in growth rates throughout the year, the economy generally exhibited a positive trajectory, increased by 0.9% year-to-date, but this growth slowed to 0.4% in the second half of 2023. Real GDP is forecasted to increase by 1.5% in 2024 as monetary and inflationary policy eases. A combination of consumer spending, business investments and government initiatives contributed to this expansion. Sectors such as technology, healthcare, and renewable energy played pivotal roles in driving economic growth, underscoring the importance of diversification in sustaining a resilient economy.

One critical aspect influencing the economic landscape is the Federal Reserve's stance on interest rates. In 2023 the Fed implemented measured interest rate hikes to curb inflationary pressures. Projections for 2024 indicate a cautious approach, with the Federal Reserve closely monitoring economic indicators to determine the optimal balance between promoting growth and addressing inflationary concerns. To further contextualize the Federal Reserve's actions in 2023, it's important to compare the impact of these policies on inflation rates with the previous year. In 2022, the Fed's unexpected rate hikes were a response to escalating inflation, primarily driven by supply chain disruptions and global economic uncertainties. In 2023, although inflation remained a concern, the Fed's more measured approach reflected an economy transitioning from recovery to growth. This shift had significant implications for the real estate market because it affected mortgage rates, property prices and investment trends. A deeper analysis of these trends is essential for understanding the broader economic landscape and its influence on real estate dynamics. During 2023 the Federal Reserve began a series of federal funds rate hikes, resulting in today's federal funds rate of 5.25-5.5%. In early November, consumers and investors were spared an additional 12th hike that would have resulted in another 25-bps increase. The Congressional Budget Office (CBO) projects that the Federal Reserve will begin decreasing its target range in the first half of 2024, as inflation continues to trend downward. The CBO projects rates to decrease to 4.5% in Q4 2024 and 3.6% in Q4 2025. The timing and extent of interest rate adjustments will play pivotal roles in shaping borrowing costs, investment decisions and overall economic stability.

KANSAS CITY ECONOMIC FORECAST

Kansas City historically follows national averages in GDP, employment and inflation, which continues to hold true in 2023. Mirroring the rest of the nation, the Kansas City region experienced moderate job increases at 17,700 jobs added as of mid Q3. Again, in keeping with the national trend, Kansas City's main job contributors were healthcare and government employment. Kansas City's manufacturing industry saw the biggest decrease, losing 4,400 jobs. This, however, contrasts with the national trend, which saw a 0.7% gain compared to the -5.1% loss in the metropolitan area. Kansas City's unemployment rates continue to trend downward, currently sitting at 2.7% at the end of Q3, down from a year high of 3.4%. The metro's unemployment rate also stands 1.2% lower than the national unemployment rate of 3.9%. Looking forward, healthcare, financial activities, education, leisure and hospitality jobs are expected to experience the most growth.

SUMMARY

The 2023 economic summary highlights the U.S. economy's resilience in the post-COVID-19 era. It features a robust job market with an average monthly addition of 258,000 jobs, mainly in healthcare and government sectors. The unemployment rate decreased to 3.9%, whereas the labor force participation rate rose to 62.7%. Although real GDP growth was modest at 0.9%, it signals a slow transition to economic stability. The Federal Reserve's measured interest rate hikes aimed to balance growth and inflation, with projections of rate decreases in 2024. Regionally, Kansas City reflected similar national trends but experienced a significant loss in manufacturing jobs, marking a distinct local economic pattern.

Sources: Bureau of Labor Statistics, Bureau of Economic Analysis, U.S. Census Bureau, Federal Reserve Economic Data, Mid-America Regional Council, National Association of Realtors, Costar

Contributor: John Mullen, Development Associate, Zachery Gant, Vice President - Investments

Global, U.S., Kansas City Overview

The global and United States (U.S.) economy entered 2023 with concerns over inflation, interest rates and a possible recession. Luckily, the latter never transpired. However, inflation continued to affect many countries, and interest rates continued to increase, causing lower transactions in the property sector. In the paragraphs that follow, we outline the important details of what was experienced in 2023, along with major events that took place, and what experts believe will transpire in 2024.

WAR IN UKRAINE

On the morning of February 24, 2022, following months of amassing forces along its border, Russia initiated a ground and air assault across Ukraine. Initially termed a "Special Military Operation" by Russian President Vladimir Putin, this campaign marked the countries' most extensive combined arms attack since 1945, specifically the Battle of Berlin. In the immediate aftermath, Ukrainian President Volodymyr Zelensky declared martial law and a mobilization of forces. Over the nearly two years that followed, Russia and Ukraine exchanged assaults, with a leaked U.S. intelligence report estimating a substantial loss of Russian troops — approximately 315,000, nearly 90% of their personnel at the conflict's onset. The toll included both troops and civilians, with 100,000 civilians killed in the crossfire as of September 2023. Ukraine, treating its losses as a state secret, is thought to have suffered around 30,000 casualties, with a potential death toll nearing 70,000.

Numerous nations imposed and escalated sanctions against Russia. By Spring 2023, Russia fortified its positions in anticipation of another Ukrainian counteroffensive. The ongoing conflict has led to a severe refugee crisis and tens of thousands of casualties.

Historically, the U.S. annually provides billions of dollars in aid worldwide, pursuing security, economic and humanitarian interests. Since the invasion in February 2022, Ukraine became the foremost recipient of this aid, receiving nearly $75 billion in humanitarian, financial and military support. Notably, this marked the first time since World War II that a European country held the top spot. However, the flow of Western aid to Ukraine became more complex as support got entangled in contentious political debates in the U.S. and the United Nations. Domestically, around $60 billion in aid stalled in conversations involving border security and the Israel conflict. EU leaders, in contrast, raised almost $50 billion for Ukraine, including discussions about the country's potential accession to the political and economic alliance. Hungary, maintaining a close relationship with Russia, opposed Ukraine's membership and declined to approve aid following the EU's symbolic decision to open membership talks with Ukraine. Due to a decrease in foreign aid, Ukraine had to downsize some military operations and continues to depend on Western support to remove Russian troops from its borders and rebuild amid the conflict. Presently, Russia still maintains approximately 617,000 soldiers in Ukraine, prompting a warning from NATO Secretary-General Jens Stoltenberg that "if Putin wins in Ukraine, there is a real risk that his aggression will not end there," emphasizing the investment in security.

THE RUSSIA-UKRAINE WAR HAS CAUSED SIGNIFICANT TRADE DIVERSION AND SUPPLY CHAIN DISRUPTIONS IN THE REGION, LEAVING LASTING EFFECTS ON THE EUROPEAN AND GLOBAL ECONOMY.

The Russia-Ukraine war has caused significant trade diversion and supply chain disruptions in the region, leaving lasting effects on the European and global economies. The primary economic impact stems from direct price increases in commodities such as agriculture, energy and metals. Furthermore, global supply chains have been negatively affected by the conflict, with sanctions against Russia causing worldwide spillover effects and trade disruptions. Prices of critical resources, especially oil and gas, have surged due to the conflict because Russia and Ukraine are major producers of basic metals such as nickel, aluminum and palladium. Procurement delays in these resources may have ripple effects, particularly in industries such as auto manufacturing. The region is also a significant producer of global fertilizers, and the conflict has worsened the global food crisis by affecting grains and other food exports and disrupting global trade routes. Amid security concerns, many countries and regions advocate for an accelerated transition to cleaner energy sources as the conflict persists. The stability of global trade, commodity prices and supply chains hinges on the adaptive economic measures in the marketplace and, ultimately, a reduction in geopolitical instability in the region.

ISRAELI-PALESTINE CONFLICT

The Israeli-Palestinian military and political conflict is a complex and long-standing issue that traces its origins to the mid-20th century. The conflict has been characterized by attempts at resolution through initiatives like the Israeli-Palestinian peace process and broader efforts to address the Arab-Israeli conflict in the region.

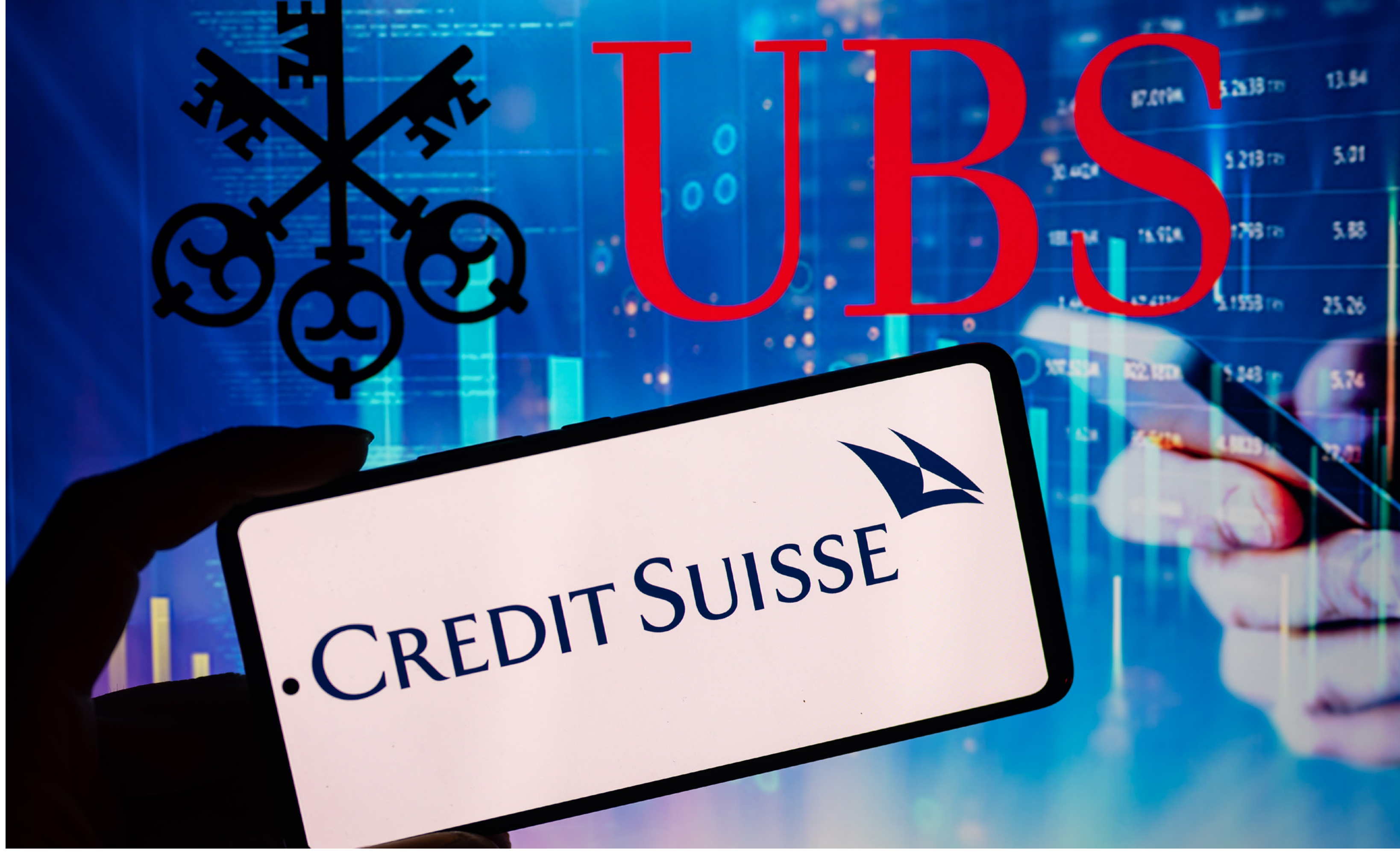
In October 2023, after nearly a year of ongoing violence, Hamas militants and other Palestinian armed groups launched a coordinated land, sea and air terror attack on multiple border regions of Israel, resulting in more than 1,200 deaths and more than 200 hostages being taken into Gaza. In response, Israel initiated a siege on the Gaza Strip through air strikes and mobilized over 350,000 reservists, declaring itself in a state of war for the first time since 1973. Prime Minister Benjamin Netanyahu urged Palestinians to evacuate, leading to uncertainty about their destinations.

In the months following the attack, Israel imposed a siege on the Gaza Strip, facing international backlash regarding the rising death toll, supervision of aid to Palestinians, and restrictions on essentials in the predominantly poor region. In late November, Israel and Hamas agreed to a prisoner swap, mediated by Qatar and Egypt. The conflict has since grown more complex, resulting in significant humanitarian impacts and loss of innocent lives. The international community hopes for a reduction in conflict and anticipates further peace talks in the region.

BANKING CRISIS IN AMERICA

In March 2023, the financial sector witnessed a series of setbacks as three U.S. banks faced failure, causing a ripple effect that led to a global decline in bank stock prices. The catalyst for this upheaval was Silicon Valley Bank (SVB), which decided to allocate billions of dollars into traditionally secure U.S. treasury bonds. However, adverse market conditions, supply chain constraints, and mounting inflation prompted the Federal Reserve to raise interest rates, resulting in the devaluation of SVB's bonds compared to newer, higher-yielding alternatives.

As SVB shifted its portfolio to longer-maturity bonds, substantial losses ensued. Notably, SVB's clientele primarily comprised of technology companies and high-net-worth individuals with substantial deposits, and balances exceeding $250,000 were not insured by the FDIC. This heightened concerns among depositors about the bank's liquidity, sparking a bank run during which customers rapidly withdrew $42 billion in a single day. Adding to the turmoil, Silver Gate Bank, Signature Bank and First Republic Bank also succumbed to failure.



UBS Group AG has now acquired Credit Suisse Group AG creating a new consolidated banking group. UBS agreed to buy Credit Suisse for the price of $3.25 billion on March 19 in an orchestrated rescue by Swiss authorities.

In response to these failures, the three major regulators of the U.S. Federal Reserve announced extraordinary measures to ensure the honoring of deposits at Silicon Valley Bank and Signature Bank. Additionally, the Federal Reserve established the Bank Term Funding Program (BTFP), providing loans of up to one year to eligible depository institutions pledging qualifying assets as collateral. Federal investigations were initiated to scrutinize the collapses, focusing on anti-money laundering measures and the accuracy of financial disclosures.

The economic repercussions were felt in the form of a decline in regional bank stocks, exerting pressure on these banks and resulting in a reduction of available financial lending for commercial real estate development. In the aftermath, concerns about liquidity prompted consumers to transfer hundreds of billions of dollars from smaller banks to larger institutions. The events of March 2023 underscored the fragility of the financial system, prompting regulatory scrutiny and reshaping depositor behavior.

UBS ACQUIRES CREDIT SUISSE

In spring of 2023, UBS, the Swiss bank, successfully completed the emergency takeover of its local rival, Credit Suisse, at a presumed bargain price of approximately $3.25 billion USD. This marked the largest deal since the 2008 financial crisis and concluded Credit Suisse's 167-year independence, resulting in the formation of a banking and wealth management giant. Orchestrated by Swiss authorities, the acquisition holds significant implications for both banks. Swiss taxpayers may bear up to $10 billion in losses incurred by UBS from Credit Suisse assets, exceeding the original $5.5 billion in losses that UBS agreed to absorb.

This deal debunked two prevailing myths: firstly, the belief that Switzerland is a predictable and stable investment destination, and second, the assumption that the problems of banks would not affect taxpayers. Credit Suisse attributed its challenges to management and control failures, facing years of turbulence and criticism for risky investments. The integration process, involving the winding down of Credit Suisse's under-performing and unprofitable investment banking arm, is anticipated to pose challenges for UBS in the coming years, despite the bank's immediate increase in assets under management to $5 trillion. Notably, this acquisition grants UBS a significant position in markets that would have taken years to access fully. The combined workforce of the two banks now exceeds 120,000 globally, although UBS has already announced job cuts and cost reductions to capitalize on synergies.

Switzerland's financial regulator, FINMA, expressed support for UBS's strategic focus, emphasizing the need

Over the past 12 months, real wages in the United States, adjusted for inflation, have experienced a 0.8% increase. This growth in income has resulted in a boost in purchasing power. As of 2023, the median American worker can afford the same goods and services they could in 2019, with an additional $1,000 remaining.

for a swift reduction of risk in investment banking. Following the takeover, UBS reported a record $29 billion net profit in Q2 2023. Despite this financial success, challenges are expected on the horizon as the integration process unfolds and the banks navigate the complexities of their combined operations.

INTEREST RATES

Although it may feel like a bygone era, as recently as the first quarter of 2022, the Federal Reserve maintained the Fed funds rate at 0%. However, facing a surge in U.S. inflation to 40-year highs, the Fed took decisive action to counteract the rising prices that eroded the purchasing power of Americans. This demonstrated the Fed's steadfast commitment to ensuring price stability in the economy. According to Federal Reserve Chair Jerome Powell, maintaining price stability is crucial for fostering "a sustained period of strong labor market conditions that benefit all."

Following a series of historic rate hikes in 2022, the Federal Reserve continued its dedication to curbing inflation through successive increases in the Fed funds rate throughout 2023. In this year alone, the Fed raised rates by 25 basis points on four occasions—February, March, May, and July.

In the month of December, the Fed opted to keep its benchmark interest rates within the 5.25-5.50% range, a move eagerly anticipated by investors. Additionally, the Fed revised its forecasts in the Summary of Economic Projections (SEP). Looking ahead to 2024, policymakers anticipate interest rates peaking at 4.6% next year, a decrease from earlier fall estimates that hinted at a peak as high as 5.1%. This adjustment coincides with the central bank's projections, suggesting the possibility of three rate cuts in 2024.

Markets promptly responded to this news, witnessing a surge in U.S. stocks and pricing expectations hinting at a potential initial cut as early as the central bank's March meeting. As part of these anticipations, the Fed foresees a deceleration in economic growth, with forecasts indicating a rate of approximately 1.4% next year. Officials also project an increase in unemployment to 4.1%, a level they anticipate maintaining through the year 2026.

GLOBAL ECONOMIC RISKS

As the world stepped into 2023, it encountered a notably disruptive phase in geopolitical relations, marked by emerging global economic risk factors that bore striking resemblances to familiar challenges. Issues such as inflation, the cost of living, trade wars, capital outflows from expanding markets and social unrest swiftly gained prominence, setting the tone for the initial years of the decade. Furthermore, the global risk landscape witnessed new developments, including unsustainable levels of

debt, the trend towards de-globalization, the rise of unconstrained technologies, and the escalating pressures of climate change. Collectively, these elements have contributed to the shaping of a unique and uncertain decade ahead.

For more than two decades, the World Economic Forum (WEF) has harnessed the insights of experts from academia, business, government, the international community, and civil society, along with business leaders from 121 economies. Their collective efforts aim to explore some of the most severe risks that the world might confront over the next decade. In 2023 the WEF has diligently ranked the top 10 risks, considering both short-term and long-term perspectives.

RANKED AS THE MOST SEVERE RISK OVER THE NEXT TWO YEARS BY RESPONDENTS, THE COST-OF-LIVING CRISIS IS ALREADY EXERTING ITS IMPACT GLOBALLY.

SHORT-TERM GLOBAL RISKS — OVER A TWO YEAR PERIOD:

Cost-of-living crisis — Significant inability among broad sections of populations to maintain their current lifestyle due to increases in the cost of essential goods that are not matched with a rise in real household income.

Ranked as the most severe risk over the next two years by respondents, the cost-of-living crisis is already exerting its impact globally. The escalation in the prices of fundamental necessities and non-expendable items, including food and housing, is evident as inflationary pressures intensify. External disruptions, such as the war in Russia and Ukraine, continue to hamper the flow of energy and food from the region. Moreover, price shocks affecting essential commodities due to global supply chain issues have surpassed inflation rates significantly.

The ongoing disruptions and the persistence of the cost-of-living crisis may lead to a growing segment of low-income and vulnerable populations being priced out of essential needs and goods. This socioeconomic inequity has the potential to contribute to political and social instability. Additionally, these challenges could contribute to sticky core inflation, particularly in the realms of food and essentials, further propelling a prolonged economic downturn.

Natural disasters and extreme weather events — Loss of human life, damage to ecosystems, destruction of property and/or financial loss at a global scale due to extreme weather events inclusive of land-based (e.g. earthquakes, volcanoes, wildfires), water-based (e.g. floods), atmospheric (e.g. heat-waves), and extraterrestrial based (e.g. comet strikes and geomagnetic storms).

Escalating global temperatures will exacerbate the impact of climate change on humanitarian challenges. As temperatures rise, the frequency and severity of heat waves, droughts, sea level rises, storms, hurricanes, and other extreme weather events are expected to increase. This escalation will broaden the scope of populations affected by such phenomena. Similar to many of the highest risks to global economic and social security, natural disasters and extreme weather events tend to disproportionately affect low- and middle-income countries.

The effective management of these challenges will necessitate a consolidation of resources from both the public and private sectors, introducing emerging trade-offs between disaster recovery, loss, damage, mitigation, and, importantly, adaptation. The emphasis on adaptation may divert attention from global warming targets, potentially slowing progress in some of the economies most responsible for greenhouse gas emissions. This highlights the complex interplay between climate change impacts and the strategies employed to address them.

Geo-economic confrontation — Deployment of economic levers by global or regional powers to decouple economic interactions between nations, restricting goods, knowledge, services or technology with the intent of gaining geopolitical advantage and consolidate spheres of influence. Includes, but is not limited to: currency measures, investment controls, sanctions, state aid and subsidies, and trade controls on energy, minerals and technology

In the aftermath of vulnerabilities exposed by the pandemic and conflicts, economic policies have increasingly shifted towards geopolitical objectives, particularly in advanced countries. Geo-economic confrontation, encompassing elements like sanctions, trade wars, and investment screening, has been identified as a top-five threat over the short term, according to respondents to the Global Risks Perception Survey. The broader weaponization of economic policies among global powers has underscored vulnerabilities in trade, financial structures, and technological interdependence for both the public and private sectors.

This dynamic was evident in the context of the Ukraine conflict, where the situation prompted the imposition of sanctions, the nationalization of key players, and government appropriation of assets, such as energy resources. The utilization of economic tools to restrain the ascent of rivals has expanded, encompassing actions like delisting foreign companies, implementing export controls on critical technologies and intellectual property, and imposing restrictions on individuals and entities collaborating with designated foreign companies. Strategies aimed at bolstering security and shortening supply chains may exert pressure on economic advancement, heightening exposure to geographically concentrated risks.

Tensions between the U.S. and China have spurred extraterritorial policies that have been adopted by other markets across various industries. These trends in geo-economic warfare pose the risk of creating escalating cycles of mistrust and may lead to the weakening of existing alliances as nations turn inward. Governments and leaders will need to collaboratively navigate the challenges to preserve an era characterized by more affordable and globalized capital, labor, commodities and goods.

Failure to mitigate climate change — Failure of governments, businesses and individuals to enforce, enact or invest in effective climate-change mitigation measures, such as the decarbonization of economic activity.

One of the global risks for which we appear to be least prepared is the failure to mitigate climate change, representing one of the most severe short-term threats. A significant 70% of respondents view existing measures to prevent or prepare for climate change as "ineffective" or "highly ineffective." Recent data reveals record-high global atmospheric levels of carbon dioxide, methane, and nitrous oxide, signaling a departure from the trajectory needed to limit global warming to 1.5°C.

Despite global ambitions and policy actions, such as the U.S.'s Inflation Reduction Act and the EU's REPowerEU plan, it is clear that current emission trajectories make it highly unlikely to achieve the scientifically necessary targets for limiting climate change. The recent events underscore the gap between what is scientifically imperative to curb climate change effects and what is politically expedient for governments. The prevailing pressures should serve as a turning point for leaders, encouraging a shift in energy-importing countries to invest in secure, cleaner, and more affordable renewable energy sources.

However, the overall momentum for substantial changes in climate change mitigation is expected to remain limited in the short term. Climate change litigation has surged as concerns about under-reporting by corporations and "greenwashing" (companies falsely presenting themselves as environmentally friendly) become more pronounced. As the slow and disorderly transition to a greener society unfolds, business leaders will face growing pressures from the marketplace and activists for integrity in environmental commitments. Governments, in turn, will need to navigate geopolitical tensions and economic pressures to ensure meaningful progress in climate change mitigation.

Erosion of social cohesion and societal polarization — Loss of social capital and fracturing of communities leading to declining social stability, individual and collective well-being and economic productivity. Includes, but is not limited to: persistent and potentially violent civil unrest; and actual or perceived inequalities in opportunities across age, income bracket, ethnicity and race, educational background, demographic characteristics, and political affiliation.

The escalation of social division and polarization within societies has become an increasingly severe risk, fueled by various global events such as debt crises, geopolitical tensions, cost-of-living challenges, inflation, climate change migration, and economic downturns. This widening gap in values and equality poses an existential threat to governmental structures worldwide, translating economic and social disparities into political ones. The polarization on policies and social issues is a source of growing citizen frustration, impeding human development and overall progress.

The consequences of this polarization are extensive, ranging from civil unrest to deepening political schisms. The erosion of social and political cohesion becomes self-perpetuating, as divisions incentivize the adoption of more extreme policies and platforms, isolating populations and social groups. Furthermore, disinformation and misinformation act as severe accelerants that undermine trust in information and political processes. Extremists employ these tools to sway public opinions, evident in cases of hyper-realistic deepfake videos that have surfaced in recent years.

In essence, polarization undermines social trust, fosters governmental gridlocks, and diminishes the space for collective problem-solving to address global risks. The election of effective and non-extremist leaders, coupled with efforts to combat misinformation and radicalism, is crucial to sustaining social progress and advancing humanity in the future.

Large-scale environmental damage incidents — Loss of human life, financial loss and/or damage to ecosystems as a result of human activity and/or failure to co-exist with animal ecosystems. Inclusive of deregulation of industrial accidents, oil spills and radioactive contamination.

Climate and environmental risks take center stage in the perception of risks over the next decade, presenting both short-term and long-term challenges. The future is poised to witness environmental crises propelled by underlying geopolitical trends. Biodiversity plays a pivotal role, and damage to the environment, such as deforestation and permafrost thaw, coupled with declining carbon storage productivity in soils and oceans, may transform ecosystems into natural sources of methane and carbon emissions.

According to the World Economic Forum (WEF), biodiversity within and between ecosystems is diminishing at an unprecedented rate in human history. The global lack of substantial, coordinated progress on climate policy and environmental regulations continues to adversely impact ecosystems, hampering societal progress. The extensive economic and societal repercussions of ecosystem damage include a rise in zoonotic diseases, declines in crop yields and nutritional value, increasing water stress leading to potential conflicts, loss of livelihoods linked to food production, and a surge in floods, sea-level rises, and erosions as natural flood mitigation diminishes.

In early August 2023, a series of fires erupted primarily on Maui Island, Hawaii. Fueled by winds, these fires tragically claimed 100 lives and left four individuals missing. The Lahaina fire alone was responsible for the destruction of an estimated 2,200 buildings, including numerous historic landmarks, resulting in approximately $6 billion in damages.

These conditions will disproportionately affect lower-income countries, exerting additional pressure on food security and prompting large-scale migration. The under-appreciated value of natural ecosystems in the economy and their crucial role in the planet's overall health highlight the growing burden on these systems. Without substantial change, the collapse of ecosystems threatens food supplies and livelihoods in climate-vulnerable economies. Leaders must adopt climate-conscious policies and business practices to regulate environmental damage and mitigate the acute impacts of incidents on ecosystems critical to human reliance.

Failure of climate change adaptation — Failure of governments, businesses, and individuals to enforce, enact or invest in effective climate-change measures to adapt to climate change, such as a lack of climate-resilient infrastructure.

Nature loss and climate change are intimately connected, with profound societal implications. Failure in one domain exacerbates risks in the other. Biodiversity loss, food security, and the livelihoods of climate-vulnerable economies are intensified by the impact of natural disasters and rising sea levels. As the costs of these incidents rise, a shift in focus and resources toward adaptation, rather than prevention, may impede progress on climate change targets and escalate the effects of global warming.

This challenge is especially pronounced in economies that contribute the most to greenhouse gas emissions. Despite global aspirations for adaptation, insufficient progress has been made in providing essential support to populations already experiencing the fallout of climate change. Currently, only 34% of climate change finance worldwide is allocated to adaptation. Governments, grappling with the urgent need for funding in disaster-hit areas, risk neglecting or sidestepping climate-proofing against future events.

As global warming and environmental changes persist, a substantial increase in funding, particularly from high-functioning economies, is imperative to furnish the resources for climate change adaptation and mitigate the effects of future environmental damage and natural disasters. A collective alignment of geopolitical goals in this context can steer progress toward effective adaptation.

Widespread cyber crime and cyber insecurity — Increasingly sophisticated cyber espionage or cyber crimes. Includes, but is not limited to: loss of privacy, data fraud or theft, and cyber espionage.

In 2023, artificial intelligence witnessed significant growth across various domains. Industries increasingly integrated AI into their processes to enhance efficiency, decision-making, and overall performance. Cybercrime experienced a concerning increase as threat actors adapted to evolving technologies. Sophisticated ransomware attacks, data breaches, and phishing campaigns became more prevalent, targeting individuals, businesses, and even critical infrastructure.

Emerging technologies are crucial tools for addressing a myriad of contemporary challenges, encompassing advancements in AI, quantum computing, and other fields. However, these innovations may exacerbate societal inequalities, with some nations better equipped to fund and leverage these resources effectively. The swift development and deployment of such technologies lack comprehensive protocols, giving rise to concerns about misuse, misinformation, and the escalating threat of cyber crime.

Cyber security risks are on the rise, with orchestrated attempts to disrupt critical technology-dependent resources and services becoming increasingly commonplace. Anticipated attacks extend to essential sectors such as agriculture, water, finance, public security, transport, energy, and various types of infrastructure. These threats are not confined to rogue actors; the sophisticated analysis of large datasets raises the potential for the legal misuse of information, compromising individual data sovereignty and privacy rights, even in democratic societies.

Data has become a pivotal factor in production, driving economic productivity and growth. As governments grapple with the balance between privacy and progress, trade-offs will become more pronounced. Policies addressing the evolving technological landscape and potential regulations for private-sector companies with access to expansive data will be imperative as these technologies become more integrated. The establishment of globally consistent data standards, ethical guidelines, and definitions of personal and sensitive information will be crucial for advancing further into the digital environment.

Natural resource crises — Severe commodity and natural resource supply shortages at a global scale as a result of human overexploitation and/or mismanagement of critical natural resources. Includes, but is not limited to: chemicals, food, minerals and water.

Supply-chain constraints in recent years have redirected attention to the critical need for resilient and affordable access to fundamental necessities: water, food, and energy. The reliable access to these resources serves as the foundation of society. Last year, an additional 200 million individuals faced food insecurity compared to 2019, and the global number of people without electricity reached an estimated 774 million, matching pre-pandemic levels.

Crises in these essential resources are well-known catalysts for loss of life, widespread violence, political upheaval, and involuntary migration. With the growing demand for critical metals, food, water, and minerals due to population growth and socioeconomic advancements, ensuring the affordability and availability of resources becomes an increasing concern. Respondents to the World Economic Forum (WEF) have highlighted strong connections between

natural resource crises and other risks to global economic progress.

In an environment marked by humanitarian crises and state instability, the importance of access to essentials continues to rise. Insecurity in food, energy, resources, and water becomes a significant driver of social polarization, civil unrest, and political instability, affecting both developing and advanced economies. Ultimately, the future landscape of societies' sustainable access to resources will be defined by global cooperation that allows for the flow of resources between countries and the impact of climate change on the supply of natural resources.

Large-scale involuntary migration — Large-scale involuntary migration and displacement across or within borders, stemming from: persistent discrimination and persecution, lack of economic advancement opportunities, natural or human-made disasters, and internal or interstate conflict.

The displacement of communities, particularly those with lower socioeconomic status, emerges as a shared consequence of various global risks outlined in the World Economic Forum's 2023 report. Climate migration, for instance, is identified as a potential risk that could lead to the relocation of large groups of people due to gradual or sudden climate-exacerbated disasters, including extreme rains, prolonged droughts, environmental degradation, hurricanes, storm surges, and desertification.

Some instances of environmental migration, such as the displacement of over a million Somalis due to drought in 2022, are direct and easily identifiable. However, other causes, such as the loss of jobs and livelihoods resulting from rising global temperatures, are more challenging to pinpoint. Rising sea levels over the coming years are expected to continue displacing communities and prompting large-scale migration from areas increasingly at risk of flooding.

Supply crises and a lack of access to essentials, such as food, energy, and water, may contribute to increased global destabilization. Disrupted food security networks due to geopolitical conflicts or shocks in production and transportation could lead to famine, escalating violence globally. This general destabilization exposes the fragility of states and can directly result in widespread violence, loss of life, political upheaval, and involuntary migration of communities.

Water security, in particular, has regional impacts on hygiene, health, urban displacement, and general migration. Many of these migration-related factors disproportionately affect low- and middle-income countries. World leaders must be prepared to adapt to these migration patterns as economic conditions, natural and human disasters, and geopolitical conflicts continue to displace communities globally.

SUPPLY CRISES AND A LACK OF ACCESS TO ESSENTIALS, SUCH AS FOOD, ENERGY, AND WATER, MAY CONTRIBUTE TO INCREASED GLOBAL DESTABILIZATION.

GLOBAL ECONOMIC OUTLOOK

The World Economic Forum unveiled its Chief Economic Outlook in September 2023 amid a backdrop of slowing global momentum and escalating economic uncertainty. Organized by the WEF's Centre for the New Economy and Society, this quarterly briefing utilizes information from the latest policy research, consultations, and surveys with leading economists in the public and private sectors. The WEF employs this data to succinctly outline the current economic landscape and its emerging contours, aiding businesses and policymakers in identifying priorities for further action.

In this quarter's outlook, the WEF acknowledged a reduction in recession concerns but maintained a cautious outlook. More than half of economists anticipate a weakening global economy over the next year. Geopolitics and domestic politics are considered significant sources of volatility in this position. Experts anticipate the growth observed in Asia, excluding China, to persist into 2024. In China, the prospects of an economic rebound are clouded by deflationary pressures.

For the United States, the WEF noted a considerably strengthened outlook since the May 2023 Chief Economic Outlook, with eight out of ten WEF survey respondents expecting strong or moderate growth for the remainder of 2023 and into 2024. In Europe, just over 75% of experts still anticipate weak or very weak growth for the conclusion of 2023. However, looking ahead to 2024, respondents were notably more positive, indicating a significant brightening of the outlook for the first time in years.

These increasingly positive positions suggest optimism for the alleviation of future inflationary pressures. Regionally, though, chief economists still anticipate short-term inflation persistence, with 86% of respondents expecting the worst inflationary surge to have passed after one year. The underpinning of this positivity stems from factors such as weaker wage growth, more relaxed labor market conditions, and diminishing supply chain pressures. Respondents were nearly unanimous in their belief that the pace of monetary policy tightening will decelerate in inflation-prone economies, and most predict that global monetary policy will become less synchronized over the next year.

Chief economists maintain that the persistent tightening of financial markets could lead to damaging knock-on effects, including restrictions on lending conditions, rising corporate debt defaults, and the potential for corrections in equity and property markets.

Home prices have increased to near-record highs, but the speed of increase has slowed. In September 2023, the national median home price for active listings exceeded $400,000, and mortgage rates peaked at 7.79%

The majority of headwinds facing the global economy have a substantial impact on developing countries. Consequently, most surveyed economists hold a pessimistic view of the current trajectory for global development. Respondents expect progress toward development goals to be challenged by geopolitical pressures and tighter financial conditions. On the other hand, a smaller group of experts anticipate stronger cooperation and an increase in capital flows between advanced and developing countries in the future. Chief economists are optimistic that unlocking this flow of private capital can effectively drive progress for development-centered milestones, particularly in the cases of digital transformation, energy access and affordability, food systems and nutrition, as well as climate change and biodiversity loss.

US ECONOMY

In 2023, the U.S. economy exceeded expectations in terms of economic output, labor market resilience, and a deceleration in inflation. The third quarter saw a notable increase in U.S. GDP by 4.9%, the fastest rate since the fourth quarter of 2021. This defied concerns of an impending recession, as a tight labor market led to increased wages, inventory investment, and heightened consumer spending. Moreover, U.S. inflation declined more rapidly compared to the global and other advanced economies, demonstrating robust economic strength despite aggressive interest rate hikes by the Federal Reserve.

In the current higher interest rate environment, the U.S. housing market experienced a virtual standstill, with 75% of mortgages locked at 4% or below. Nevertheless, home values continued to rise by 6% in 2023, reaching near all-time highs due to low vacancies and tight supply. However, there are concerns about potential economic challenges in the fourth quarter, including the resumption of student loan repayments, United Auto Worker strikes, potential government shutdowns, a fragile global backdrop, and the delayed effects of rate hikes. Despite these challenges, some believe there is hope that the Federal Reserve may engineer a "soft landing" for the economy.

Looking ahead to 2024, experts anticipate a deceleration in economic growth as the impacts of monetary policy tightening are felt and post-pandemic tailwinds weaken. This slowing economy is expected to contribute to a further reduction in CPI inflation, even as the U.S. experiences a recessionary environment. J.P. Morgan Chase's 2024 Economic Outlook suggests that while consumer spending growth may remain positive, it is likely to be lower than in 2023.

As the U.S. enters 2024, labor markets may normalize, leading to a slight increase in unemployment, though it will remain historically low. While inflation is slowing, it is expected to stay below the Federal Reserve's target of 2% over the next year. Contrary to other sectors, the housing market is anticipated to perform better in 2024 than in 2023, even if activity remains soft in the near term. However, the commercial real estate sector may face continued tightening of lending standards due to higher-for-longer interest rates, challenging regional and small banks. With over $500 billion of real estate debt maturing in the next year, lenders and investors may encounter increased losses, posing potential industry and economic headwinds.

Finally, geopolitical risks, such as the conflict in the Middle East and the ongoing Russia-Ukraine war, will remain prominent uncertainties heading into 2024. While the U.S. economic impact has been limited thus far, concerns persist about potential market disruptions triggered by a supply shock of critical commodities, energy, or goods like semiconductors. The upcoming election cycle is expected to be more impactful than recent years, given the prevailing environment of uncertainty and heightened tensions.

JOB MARKET

The U.S. job market exhibited robust growth in 2023, buoyed by labor market resilience and low unemployment rates. In November, there was unexpected growth, with the unemployment rate dropping from 3.9% to 3.7%, non-farm payrolls increasing by 199,000 jobs, and labor force participation rising from 62.7% to 62.8%. Notably, this marks nearly two years of unemployment rates remaining below 4%. According to the Bureau of Labor Statistics, wages rose by 4% over the past year, and November's inflation report indicated an overall pricing increase of 3.1% over 12 months. Average hourly earnings gained another 0.4%, up 4% year on year.

Despite this progress, the labor market is cooling, and uncertainties surround the sustainability of this trend. Overall, Americans perceive the economy negatively, and confidence among U.S. workers is declining, according to the Workforce Confidence Index (WCI). An increase in job seekers and a decrease in job openings indicate potentially decreasing demand in the market for workers. Although there have been slowdowns in the hiring rate, there haven't been a high number of layoffs in the market.

A healthy job market, especially in the face of high interest rates, may not necessarily alleviate economic concerns. However, as long as the Federal Reserve does not 'overshoot' its efforts to slow the economy, these dynamics create a more positive outlook for 2024 than previously expected. While the job market is anticipated to be less robust in 2024 than in 2023, experts predict the U.S. may avoid a recession despite these anticipated slowdowns.

A HEALTHY JOB MARKET, ESPECIALLY IN THE FACE OF HIGH INTEREST RATES, MAY NOT NECESSARILY ALLEVIATE ECONOMIC CONCERNS. HOWEVER, AS LONG AS THE FEDERAL RESERVE DOES NOT 'OVERSHOOT' ITS EFFORTS TO SLOW THE ECONOMY, THESE DYNAMICS CREATE A MORE POSITIVE OUTLOOK FOR 2024 THAN PREVIOUSLY EXPECTED.

Due to tight labor markets and a lower unemployment rate, workers will likely continue to organize and demand better working conditions and higher wages in the next year, although this leverage may be lessening. Ultimately, economists suggest that as the economy shifts from periods of explosive growth into a more sustainable environment, the job market continues to prove resilient in the face of economic headwinds and remains healthy overall in historical terms.

Economists align on the importance of avoiding undesirable events such as contested elections or government shutdowns, as these could negatively impact business and consumer confidence and create recessionary trends. Overall, cautious optimism exists as experts look to 2024.

HOUSING MARKET

2023 brought challenges and demoralization for many prospective home buyers, as mortgage rates surged to a peak of 7.79%, and median home prices exceeded $400,000 in the third quarter. July witnessed a record high average monthly payment of $2,306, as reported by Intercontinental Exchange, a financial technology and data services provider.

However, there is a glimmer of hope on the horizon for those considering a home purchase in 2024. While home prices are expected to remain high and could even rise in some regions, industry experts anticipate a softening of prices in specific areas across the country.

Economists express optimism that the Federal Reserve has concluded its 20-month-long rate-hiking campaign. After policymakers maintained the federal funds rate during the November 1 meeting and with signs of inflation slowing in October, there is a belief that the benchmark interest rate, which indirectly influences mortgage rates, may stabilize.

Despite these positive indicators, challenges in affordability are likely to persist in 2024. The combination of pent-up demand and low inventory is expected to exert upward pressure on prices. Additionally, elevated mortgage rates are anticipated to remain until the Federal Reserve implements cuts to the federal funds rate. As a result, prospective home buyers may face continued hurdles in navigating the real estate market in the coming year.

REAL ESTATE INVESTMENT

The expectation among industry professionals suggests a shift away from pre-pandemic norms, signaling a substantial impact on managers, brokers, office owners, downtowns, and various real estate sectors dependent on a vibrant office environment.

US PROPERTY SECTORS AND MARKET

The Urban Land Institute (ULI) and PricewaterhouseCoopers (PWC) unveiled their collaborative report, "Emerging Trends in Real Estate 2024," in October 2023. While the extensive report covers various aspects, a notable finding is the heightened eagerness of investors to acquire new assets, marking the highest "buy" rating since 2010. This enthusiasm is likely a response to recent and anticipated price declines, presenting a more attractive entry point for acquisitions following a decade of continuous appreciation.

However, despite this eagerness, sales transaction levels have declined, creating a negative loop where buyers and sellers struggle to reach agreement on pricing. In the first half of 2023, transaction levels fell by about a quarter from the first-half average in 2015-2019, though still exceeding levels observed in 2020 during the economic lockdown. The presence of wide bid-ask spreads between buy offers and seller expectations is identified as a limiting factor for transactions.

Recent disruptions in commercial real estate capital markets due to increased interest rates have led property owners and investors to redirect their focus to property market fundamentals for generating returns. Decision-makers are now placing emphasis on detailed evaluations of competitive supply in new properties and tenant demands for space.

Investor demand for industrial properties has significantly decreased, influenced by an anticipation of much-needed deliveries that are muting rent gains. Conversely, tenant demands for office space continue to decline due to the work-from-home movement in a post-COVID workplace, resulting in a substantial decrease in investor and capital demand for office products.

In contrast, the retail sector has experienced substantial gains, attributed to a collective reassessment of the sector rather than dramatic shifts in supply and demand dynamics. The industry recognizes that the nation will continue shopping for most goods and services in shopping centers, even with the growing prevalence of e-commerce.

Despite these positive developments in the retail sector, it remains a long way from becoming the industry favorite. The top spot is no longer held by industrial properties, which fell to the third position after 16 straight years at either the first or second position. Housing has become the preferred property type, with multifamily housing just edging out single-family housing in the top two positions. Multifamily housing earned a slightly higher rating this year, while single-family housing saw significant gains, presenting better opportunities for homebuilders despite rising vacancies and increased mortgage interest rates.

The office sector continues to receive minimal favor from survey respondents, with the lowest rating since 2011. Central city offices were particularly poorly rated, displacing regional malls from their longstanding position at the bottom. Suburban offices, while slightly better, still received a low rating, contributing to the sector's overall decline.

Hotels experienced minimal change, with economy hotels regaining favor while luxury, upscale, and midscale hotels all declined moderately.

In summary, the average investment prospects across all sectors saw a slight increase from 3.26 to 3.37 – the second-highest since 2016, though still below the 3.43 recorded in 2022. The ratings for three major property types, namely single-family housing, multifamily housing, and retail, showed improvement, while two (office and industrial) declined, and one (hotels) remained relatively stable. Despite the modest overall gain in investment prospects, development prospects experienced a marginal decline, reaching their lowest rating since before the pandemic.

As the office sector faces declining fortunes, the gap between the top and bottom sectors widened this year, reaching its highest level in the past two decades.

KANSAS CITY REGION

On December 7, 2023, The Greater Kansas City Chamber of Commerce unveiled its 2024 Economic Forecast with Frank Leck, the Director of Research Services, serving as the guest speaker. The presentation highlighted a decline in residential and commercial construction in 2023 compared to the previous year. However, the industrial construction sector exhibited resilience, particularly with the commencement of the new Panasonic building project.

Despite Kansas City's commendably low unemployment rate of approximately 2.8 percent—significantly below the national average of 3.9 percent and the second lowest among comparable metro areas—the tight labor market did not translate into above-average wage increases for local workers. The post-pandemic rise in average hourly earnings for private sector employees in Kansas City ranked second lowest among similar metro areas in 2023.

The year 2023 witnessed a resurgence in state and local government activities, and consumers continued to embrace a more active lifestyle. Construction, Professional Services, and Health Care sustained their robust performance. However, the forecast for 2024 indicates an anticipated slowdown across all industries. An optimistic note for Kansas City is the anticipated boost in manufacturing employment due to the operational commencement of the Panasonic plant.

Health Care emerges as the fastest-growing industry, and this sluggish growth is expected to persist into 2025. Manufacturing follows closely behind in growth trajectory, while Construction is projected to rebound as interest rates decline once again. Frank Leck concluded the presentation with these key points of significance:

- Workforce is the constraint on economic growth moving forward.
- Without foreign-born workers, US labor force would not have grown beyond pre-pandemic levels.
- Labor shortages will continue to put upward pressure on wages, which will make the Fed cautious about lowering interest rates.
- To pay for higher wages and increase economic growth, investment to raise the productivity of the current workforce will be paramount going forward.
- This is also key to improving the value of Kansas City's production and its ability to expand into new markets in the larger economy with innovative products and services that command a premium.
- Low cost in no longer enough. We must become a high-value place to produce as well.
- That requires innovation, which in turn depends on capital – human, physical (space, buildings), financial – and how we invest it.

The Wichita State University Center for Real Estate has released its annual 2023 Kansas City Housing Markets Forecast report. Prepared by Dr. Stanley D. Longhofer, the report analyzes key factors such as employment, inflation, and mortgage rates to provide predictions for the Kansas City housing market in 2024. The comprehensive report extends its insights to major metropolitan areas across the state of Kansas, offering a detailed outlook for the upcoming year.

Dr. Longhofer's report states that Kansas City's home sales have declined due to higher mortgage rates and a shortage of available homes. Projected year-end figures foresee a 16.2 percent drop in sales to 33,810 units for 2023. Supply constraints are expected to persist in 2024, with sales slightly down at 33,740 units. In addition, rising interest rates significantly impact new home construction, with a projected 24.9 percent decrease to 4,050 units by year-end. An expected decline in mortgage rates in 2024 may boost construction activity by 4.4 percent, reaching 4,230 units.

The report elaborated on home prices. Longhofer stated that, "Although inventories of homes for sale have risen over the past year, they still remain far less than they were in 2019 – levels that were already well below the 4 to 6 months' supply needed for a balanced market. As a result, quality homes continue to sell incredibly quickly, often with multiple offers." He continued, "Home prices continue to rise at a steady clip due to this shortage of inventory. While the spectacular increases we saw in 2021 and 2022 are unlikely to happen again, we expect Kansas City home prices to rise by a solid 6.6 percent this year, followed by another 3.7 percent increase in 2024."

In April 2023, Kansas City's Union Station played host to the NFL Draft. Visit KC determined that the 2023 NFL Draft had a substantial economic impact of $164.3 million on Kansas City. The event drew a total attendance of 312,000, marking the second-highest turnout after the 2019 Nashville Draft, which had an attendance of 600,000.

KANSAS CITY'S LOCATION

Kansas City is distinguished by a multitude of attributes that contribute to its appeal and vitality. Its strategic location in the heart of the country, positioned within the Central Time Zone, stands out as a key advantage. This geographical advantage enables Kansas City to draw a steady stream of visitors from numerous small communities in the surrounding states, including Kansas, Missouri, Iowa, Illinois, Nebraska, Arkansas, and Oklahoma. The city's accessibility within a four-hour drive of over 8.92 million people further enhances its status as a prominent tourist destination, supported by a diverse range of activities throughout the community.

Home to a population exceeding 2.66 million people, Kansas City serves as the headquarters for a notable roster of significant corporations. Among them are JE Dunn Construction Group, UMB Financial Corporation, Mariner Wealth Advisors, DeBruce Grain, DST Systems, H & R Block, Garmin International, Creative Planning, Burns & McDonnell, Black & Veatch, American Century Investments, AMC Entertainment, BATS Global Markets, Seaboard Corporation, Hallmark Cards, Inc., Evergy, Oracle Cerner, Commerce Bank, and many others.

The area's population is characterized by a high level of education, with over 44 percent holding a college degree and nearly 93.4 percent having completed high school. The educational landscape is further enriched by 15 institutions within the Kansas City Metro area that offer graduate degrees across numerous disciplines. Additionally, the University of Kansas (KU) and the University of Missouri (MU) contribute to professional education with degrees in medicine, dentistry, pharmacy, and law. Kansas State University offers programs in biotechnology and bioscience, while the Kansas City University of Medicine and Biosciences provides degrees in Osteopathic Medicine. The Lewis White Real Estate Center at the University of Missouri-Kansas City Henry W. Bloch School of Management is recognized as one of the top five master's programs for real estate in the country.

The educational landscape extends further with institutions such as Avila University, Park University, MidAmerica Nazarene University, Kansas City Art Institute, Ottawa University, Rockhurst University, Webster University, William Jewell College, and numerous others, collectively contributing to the city's intellectual vibrancy and fostering a well-educated populace.

SPORTS AND ENTERTAINMENT

Kansas City stands tall as one of the premier sports and entertainment hubs in the United States, boasting a vibrant array of attractions and professional teams. Among the notable franchises calling Kansas City home are the Kansas City Chiefs, the Kansas City Royals, Sporting Kansas City, and the Kansas City Current. These teams not only add to the city's sports prowess but also contribute to its entertainment scene, with the stadiums hosting numerous concerts during the off-season. Additionally, the Kansas Speedway annually hosts two NASCAR race weekends, adding to the excitement for motorsports enthusiasts.

Positioned in the heart of the country, Kansas City offers a diverse range of entertainment venues. From the renowned American Royal Barbeque and Rodeo to attractions like Top Golf, Worlds of Fun, Oceans of Fun, the Kansas City Zoo, Legoland Discovery Center, Cable Dahmer Arena, Union Station, Community America Ballpark, Hy-Vee Arena, Kansas Speedway, Sea Life Aquarium, City Market, and six area casinos, the city provides a wealth of entertainment options.

Beyond these renowned venues, Kansas City hosts the captivating Kansas City Renaissance Festival, the snowy adventures of Snow Creek Ski Resort, the vibrant art scenes of Westport, Brookside, and Plaza Art Fairs, the Wyandotte County Fair, the rhythmic 18th and Vine Jazz District, the serene Powell Gardens, and the picturesque Overland Park Arboretum and Botanical Gardens. With numerous other venues contributing to the city's diverse entertainment landscape, Kansas City offers a plethora of options for residents and visitors alike.

CULTURAL ARTS

Kansas City remains a distinguished national and international hub for art and culture, boasting a myriad of exceptional venues that offer an enriching experience for enthusiasts. Foremost among these is the renowned Kauffman Center for the Performing Arts, recognized as one of the top three performance halls globally. In addition to this iconic venue, there is a wealth of outstanding cultural institutions, including the American Royal Museum and Visitor Center, American Jazz Museum, the Nelson-Atkins Museum of Art, the Kansas City Symphony, Lyric Opera of Kansas City, Folly Theatre, Starlight Theatre, Kansas City Ballet, Kansas City Chamber Orchestra, Kansas City Repertory Theatre, Airline History Museum, Nerman Museum of Contemporary Art, Negro Leagues Baseball Museum, and the National World War I Museum and Memorial.

Kansas City's cultural landscape is so rich and diverse that it consistently ranks among the top four cultural art destination cities in the United States. The city's commitment to fostering artistic expression is evident in the variety and excellence of its cultural venues, making it a destination that resonates with both national and international acclaim.

TRANSPORTATION PRESENCE

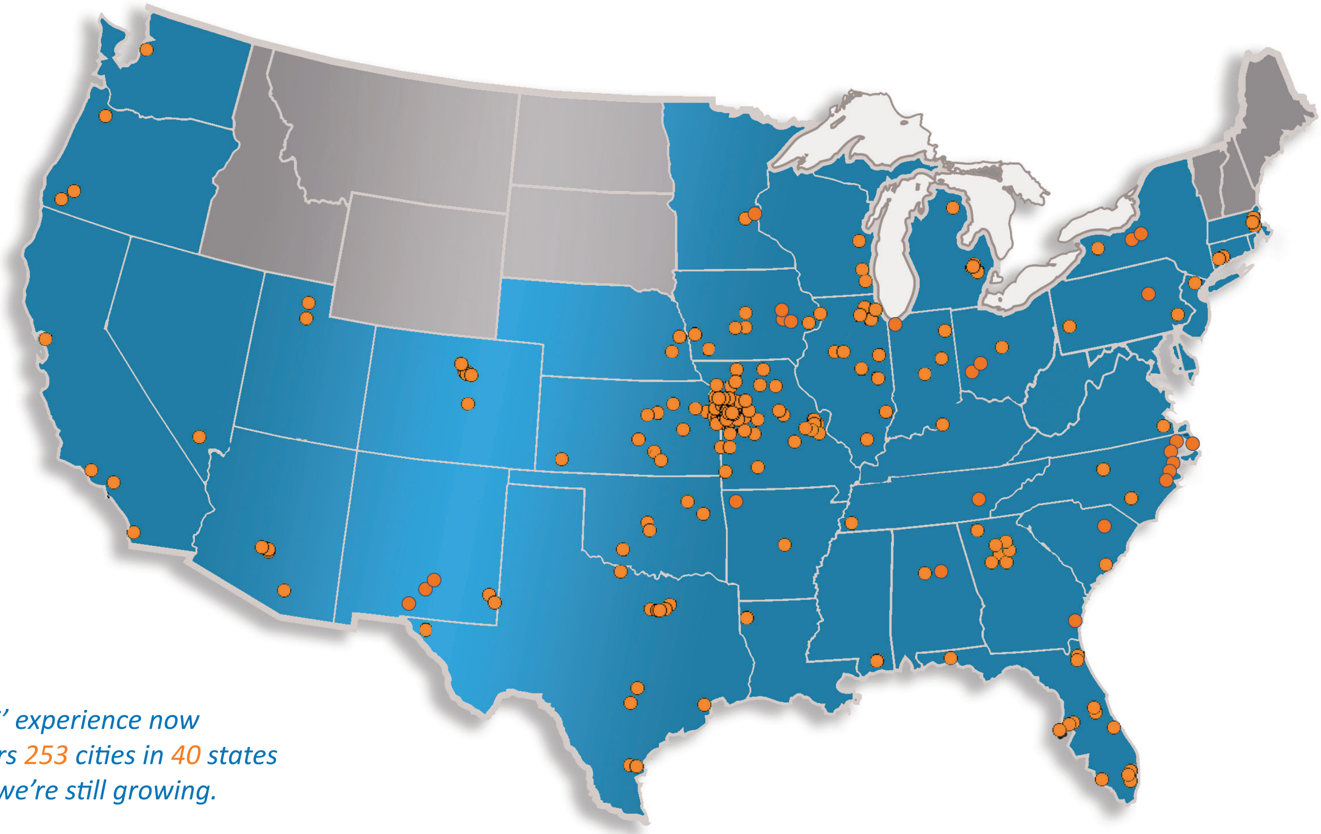
The Kansas City region is served by 14 major commercial airlines and their partner networks. Together, these carriers offer a robust schedule of over 174 daily departures with nonstop flights to 47 destinations. In a significant development, the new airport terminal commenced operations on February 28, 2023. This modern facility boasts expansive gate areas and an impressive array of almost 50 local and national food and beverage choices. Initially featuring 40 gates, the terminal has the capacity to expand up to 50 gates in the future. Two convenient moving walkways facilitate seamless transfers between the two concourses, enhancing overall airport navigation.

Designed with flexibility in mind, consolidated security checkpoints adapt to fluctuations in passenger volume. Adjacent to the terminal, a new 6,200-space garage provides covered parking for travelers. The introduction of Amazon One technology adds a futuristic touch, allowing individuals to make payments using their palm. Moreover, Kansas City's new air modal center, situated near KCI, strengthens cargo shipment capabilities and distribution prospects in conjunction with various intermodal locations across the community. This strategic positioning has earned Kansas City recognition as one of the top three cities in the nation for cargo distribution.

With the inauguration of the new airport in early 2023, Kansas City emerges as a regional hub for commercial airline activities, poised to attract increased passenger ridership due to expanded terminal capacity. Currently holding the 44th position among the busiest airports in the country, Kansas City's profile in the aviation sector is on the rise.

Beyond aviation, Kansas City stands out as one of the top five distribution centers in the nation. Boasting the highest ranking in rail freight volume and the second position among the largest rail carriers in the U.S., the city rivals only Chicago in this regard. The addition of new rail intermodal hubs, operated by Burlington Northern Santa Fe Railroad and Kansas City Southern Railroad, complements existing hubs managed by Union Pacific and Norfolk-Southern, solidifying Kansas City's reputation as a premier distribution hub. The city is well-served by eight Class 1 rail carriers, three regional lines, and a local switching carrier (KC Terminal). Amtrak passenger trains contribute to the city's accessibility, running multiple times per day.

GLOBAL, U.S., KANSAS CITY OVERVIEW



BRES' experience now covers 253 cities in 40 states and we're still growing.

Kansas City's transportation network is further bolstered by four interstates, including I-70, I-35, I-29, and I-49, along with four additional linkages (I-635, I-470, I-670, and I-435) providing local transportation within the community. The city benefits from connectivity via 10 federal highways, including the noteworthy I-35, now recognized as the USMCA Highway, facilitating efficient distribution from Mexico to Canada and reinforcing the region's role in nationwide logistics.

KANSAS CITY ANIMAL HEALTH CORRIDOR

The Kansas City Animal Health Corridor, extending from Manhattan, Kansas, to Columbia, Missouri, stands as the epicenter of the world's largest concentration of Animal Health enterprises. Remarkably, the corridor now commands an impressive 56 percent share of global animal health market sales. Over 300 companies engaged in animal-related industries thrive in this region, representing the largest concentration in the world.

The Kansas City Area Life Sciences Institute, Inc., in collaboration with key life science partners such as the Kansas City Animal Health Corridor, Midwest Research Institute, Kansas City University of Medicine and Biosciences, the National Bio and Agro-Defense Facility, and the Stowers Institute for Medical Research, has played a pivotal role in propelling Kansas City to the forefront as one of the top five national life science cities in the United States. In the local sphere alone, the life science industry has invested over $2.0 billion in research over the past 18 years, placing Kansas City among the top three regions in the country for life sciences research. The collaborative efforts of the Midwest Research Institute, the Stowers Institute, and other local organizations persistently seek out and nurture top leaders in the life sciences sector, thereby safeguarding Kansas City's standing as one of the premier hubs for life sciences innovation in the nation.

CITY RANKINGS

The Kansas City Area Development Council (KCADC) is a private, non-profit organization. They are charged with representing the economic interests of the entire two-state, 18-county Greater Kansas City region of 2.5 million. KCADC's clients consistently rank their team the No. 1 Regional Economic Development Group in the nation. Following is a list of Kansas City's 2023 Ratings and Rankings, published by the KCADC:

KC RECOGNIZED AS A TOP PLACE FOR FOREIGN BUSINESSES

Kansas City ranked in the 15 best U.S. cities for foreign investment, scoring a perfect score in "aftercare," which recognizes the level of city support companies receive after making their investment decision. Financial Times & Nikkei, November 2023

TWO KC REGION CITIES MAKE TOP MID-SIZE CITIES LIST

Overland Park, Kansas, and Kansas City, Missouri, were recognized among the Top 20 places where "the living is easy and the fun is almost guaranteed." CNN, October 2023

KC IS NO. 6 IN THE U.S. FOR MOMENTUM OF TECH JOB GROWTH

The KC region's tech jobs continue to rise as the growth of the broader tech industry, coupled with expanded apprenticeships and skills development programs, keep workers engaged. The Wall Street Journal, October 2023

OVERLAND PARK RANKS A TOP 10 CITY FOR WOMEN

The KC suburb ranked No. 8 in a national list of best cities for women, based on economic and social well-being, health care, and safety. WalletHub, September 2023

KC IS A TOP CITY FOR FOOD MANUFACTURING

The Kansas City region ranked No. 3 among large MSAs best suited for food and beverage manufacturing operations. Site Selection Magazine, September 2023

OVERLAND PARK IS NAMED THE BEST PLACE TO RENT

This KC suburb was ranked the No. 1 best place to rent in the U.S. based on affordability, market availability and quality of life. WalletHub, July 2023

KANSAS CITY AIRPORT IS RANKED NO. 1 IN THE US

For its ease of travel, beautiful art, local restaurants and unique design, Kansas City International Airport was named the best airport in the country. Travel Awaits, June 2023

KC IS A TOP 10 CITY FOR HOMEOWNERSHIP

Homeownership is not only feasible but a sound investment in Kansas City, with affordable prices and good value appreciation. Business Insider, May 2023

KC REGION IS A TOP 10 GROWTH MARKET FOR WAREHOUSES AND DISTRIBUTION CENTERS

The Kansas City metro has seen a huge increase in demand for big-box warehouses and distribution centers, making KC one of the top growth markets in this industry. Kansas City Business Journal, April 2023

KC AREA COUNTY IS TOP PLACE TO LIVE

Johnson County slotted the top spot in Kansas and No. 3 in the country on Niche's list of best U.S. counties to live in, noted for its high grades in categories including public schools, housing and family life. Niche, February 2023

KC LANDS IN TOP 3 LARGE METROS FOR FAMILIES WITH CHILDREN

Kansas City was recognized as a top spot for families with children looking for affordable housing choices, reduced commute times and good school systems. LendingTree, January 2023

KC IS A TOP 10 CITY FOR AFFORDABLE HOUSING

Kansas City made the Top 10 for major cities with affordable monthly housing costs — including spending on mortgages, rent, real estate taxes, property insurance, utilities and other recurring housing expenses. Nasdaq, January 2023

KC REGION'S GOOD EATS EARN EIGHT JAMES BEARD AWARD NOMINATIONS

Eight food and drink spots throughout the region earned semifinalist nominations in the annual James Beard Awards, for categories including Outstanding Hospitality, Outstanding Bar, Outstanding Chef and Best Chef in the Midwest. James Beard Foundation, January 2023

KANSAS CITY RANKS IN TOP 10 HOTTEST REAL ESTATE MARKETS OF 2023

KC ranked No. 7 in Zillow's predicted list of hottest markets, based on analysis of forecast home value growth, recent housing market velocity, projected changes in the labor market, home construction activity and number of homeowner households. Zillow, January 2023

KC LANDS ON LIST OF MOST LIVABLE U.S. CITIES

Kansas City was among the top cities for quality of life in Far & Wide's recent ranking, recognizing it as the "Barbecue Capital of the country" and noting its rich jazz heritage. Far & Wide, January 2023

LOCAL DISTILLERY MAKES LIST OF "BUCKET-LIST" DRINK SPOTS AROUND THE WORLD

J. Rieger & Co., a historic brand revived in 2014, was listed as the "Most Young-at-Heart" drink location in the world, in part thanks to its 40-foot-long spiral slide for guests of all ages to ride. Wine Enthusiast, January 2023

KC RANKS IN TOP 10 OF CITIES WITH MOST GREEN SPACE

Kansas City was recognized for its total public and private green area per capita, total park acreage and number of parks and green spaces. Lawn Love, January 2023

Contributors: Scott M. Cordes, Chief Operating Officer; William A. Block, CCIM, Vice President - Development

Kansas City Downtown Market

The geographic boundaries of the Downtown submarket tend to vary, but in this report, Downtown Kansas City is defined as the area from the Missouri River to 31st Street, and from State Line Road to Troost Avenue. Downtown can be further divided into various distinct areas, including the Central Business District (CBD), River Market, Crown Center, Crossroads/West Side and the West Bottoms. The following Downtown section includes data for multifamily, office, hotel, and specialty real estate.

DOWNTOWN FERRIS WHEEL

If you've headed north bound on I-35 into downtown, you've most likely noticed a new structure that dominates the skyline. It's not a 30-story, glass facade office building, nor is it a modern, luxury apartment tower, but a 150-foot-tall Ferris wheel. The Maryland-based firm ICON Experiences has just finished construction on the impressive, closed-pod amusement ride. Situated on a six-acre plot on West Pennway and 25th Street, the sky-high Ferris wheel will offer fantastic views of Kansas City's skyline as well as mark the initial opening of the entertainment district that will be known as Pennway Point. Also in the works is a 16-hole mini golf course, eateries, confectionaries and bars. Among these tenants will be Boulevard Brewing Co, Bull Creak Distillery, Talegate Park and Chef J BBQ to name a few. ICON Experiences projects a full opening of the Ferris wheel by the end of this year. Pennway Park will be a welcome addition to the downtown entertainment district as Kansas City's nightlife culture continues to expand.

MIXED-USE BALLPARK DISTRICT

Talks of relocating the Kansas City Royal's ballpark to downtown Kansas City have been a topic of discussion for the past decade. However, those hypothetical talks are becoming more of a reality and less of a fantasy. Kansas City Royals CEO John Sherman and the team's President of Business Operations Brooks Sherman met with Mayor Quinton Lucas and Principal and Vice President of The Cordish Cos. Blake Cordish at the team's stadium architect Populous in early November. One of the more interesting proposals for the new stadium site was the former *Kansas City Star* building. The iconic, all-glass, 344,130 square foot building located at 1601 McGee Street has sat vacant since *The Kansas City Star* left the building in early 2021.

Located in the heart of downtown Kansas City, Missouri, Three Light brings a new look to the Kansas City skyline. Delivered in September 2023, the 5-star hi-rise apartments have a gross building area of 300,000 square feet with 288 units.

The building's owner, President of Mark One Electric Company Rosana Privitera Biondo, told the Kansas City Business Journal that the building will in all likelihood remain standing. The redevelopment of the former Kansas City Star site faces major challenges such as lofty land acquisition and building demolition costs. In July of 2021, Burns & McDonnell was tasked with the effort for a reuse study for the site. The study produced a series of renderings and drawings that range from full reuse of the building to complete demolition. A full demotion of the site would free up almost 5 acres for redevelopment. If chosen as the site of a new ballpark, the Priviteras wish to pursue a full or partial reuse of the building, with connections leading from the ballpark to the Kansas City Star building. John Sherman had this to say on the Priviteras' vision:

"The owners of that property definitely had some creative ideas. I wouldn't say it's been eliminated, but it's a site that has some challenges."

With that being said, the Royals' stadium architect Populous has pressed on with further site locations, now focusing on the East Village, located west to east by Cherry Street and Charlotte Street and north to south by 8th Street and 12th Street. Soil boring in the East Village began in early August. The East Village site would create a 27-acre, mixed-use, ballpark district. Preliminary plans include a team office, residential apartment towers, hotels and other office buildings as well as a pedestrian bridge extending across I-70 that would connect Paseo West to the new district. The state-of-the-art ballpark would seat up to 35,000 attendees as well as feature a 3,500-person standing-room-only section, bringing the total capacity to over 38,000, the same as the current stadium. In addition to entry-level seating, the stadium would house two roof pavilions, 32 suites, 10 large party suites and 2,750 club suites.

The East Village is one of the two serious contenders for the ballpark's relocation, the other being in North Kansas City. Team officials claim that both sites are being considered equally and that neither site holds more weight than the other. Regardless of which site is chosen, the naming rights of the stadium would be sold off, meaning that the stadium would no longer be named after Royals founder Ewing Kauffman.

MULTIFAMILY

Continuing the trend seen in 2022, multifamily projects are dominating the downtown area and becoming a key part of the growth of downtown Kansas City. Downtown has continued to experience large population increases with the population increasing by almost 30% in the last decade. Considering that approximately 85% of the population in the city center are renters and the average income continues to increase, luxury lifestyle apartments are in high demand.

Referred to as 14th and Wyandotte, the St. Louis based developers Lux Living has proposed a pair of high- rise towers earlier this year. In an excerpt from an email statement, a representative from Lux Living had this to say about the project:

"Lux Living is evaluating a potential high-rise development at 14th & Wyandotte in Kansas City, Missouri. We hope to partner with the local community to activate this corner of the convention district. In the meantime, our team has submitted a preliminary design package to the city."

Despite Lux Living's promising outlook, the Tax Increment Financing Commission chose to shelve the reviewing process until January 9, 2024. The TIFCKC commissioners claimed that they had not received complete information in order to fully verify the development's need for the TIF. This comes after Lux Living increased their incentive pursuit to over $34 million, a notable increase in what third-party consultants deemed financially necessary. Chair of the Tax Increment Financing Commission Alissia Canady, a local attorney and realtor, said."

"We believe that it puts the TIF Commission in a position that's not consistent with our policy of how we take action on these matters and does not put us in the best position if this is challenged."

The commission believes that the manner in which the increase in incentives was asked is not in line with the process that is usually taken.

The project would include a 14-story, 199-foot-tall, 200-room hotel sitting adjacent from their proposed 30-story, 382-foot-tall, 300-unit apartment high rise. If built, it would become the largest multifamily development in downtown Kansas City since One Light, The Cordish Cos. 307-unit luxury apartment tower. Lux Living projects that its incentives and abatements should be completed in the first quarter of 2024, when they will then transition to working through design and finance work. They forecast construction to begin in 2025 with the project being completed in 2027.

OFFICE/MEDICAL

Kansas City is currently looking for developers to develop three vacant lots located in the Hospital Hill area. The city is asking for proposals from development firms to build out almost nine acres of city-owned land in the Health and Sciences District. In 2017, almost a dozen Kansas City organizations came together to help form the new district. The University of Missouri-Kansas City and its nursing, medicine, dentistry, and pharmacy schools; Children's Mercy Hospital; University Health as well as Kansas City's Health department were among the major names to help establish the district. The city officials are looking for dense office and commercial buildings as well as those that would help expand the already established medical and health facilities. Developments that do not require incentives and make use of the city's public transportation are those that are most likely to be considered. The request for proposals says,

"The City envisions the district as a hub for healthcare services, medical research and education within a cohesive and attractive environment that will support the needs of patients, employees, medical staff, faculty, research scientists, students and the broader community. The continued growth of this district can catalyze the acquisition and recruitment of talent in the healthcare industry in Kansas City."

The most sought-after site is a 5.9-acre city-owned property located on 24th and Campbell, adjacent to the Kansas City Health Department. All proposals for this site must include 185,000 square feet of office and medical office space as well as commercial and transit dependent components like EV charging stations and other alternative fuel transportation. Due to decades old contamination from a former automobile business, a soil management plan has been established by the Missouri Department of Natural Resources to help guide development firms in their analyses. All proposals and ideas must be submitted for these sites by early January for review by the city selection committee.

BERKELY RIVERFRONT

More than a decade ago, greater than 100-acres of land was transferred from the city to the Port Authority of Kansas City. Up until that point, the area had primarily been used for a dumping ground. Through a series of cleanup efforts, over 120 million pounds of contaminated soil was removed in an effort to transform the space into a usable area. The plan has been to develop the riverfront into an extension of downtown. Port KC CEO Jon Stephens has described his vision for the area as a walkable, dense, urban neighborhood that would be a destination point, including bars, restaurants, multifamily residences and hotels. Currently, almost the entirety of the riverfront has been confirmed for planned development.

Many developments are already up and running, including Flaherty & Collins' multifamily apartment complex Union Berkley Riverfront, bar and dog park Bar-K, and the redevelopment of former Isle of Capri Casino. The most dominant development that seems to be the talk of the town is the Kansas City Current's women's soccer team stadium. The team revised their plan in 2022 to expand the project to a $120 million, 11,500 seat stadium. The project broke ground the same year. The Current is on schedule to present a full opening of the stadium in March of 2024, in time for the start of the National Women's Soccer League's regular season.

The stadium made headlines as being the first of its kind: a sports venue built for the sole purpose of professional women's soccer. Earlier this year, the Kansas City Current announced that the naming rights for the stadium would be sold to Canadian Pacific Kansas City, a railroad company that connects Mexico, the United States and Canada with the only single, continuous railway. The

Berkley Riverfront Park is now home to the only purpose-built professional women's soccer stadium in the U.S. Season tickets are already sold out before the KC Current's first ever home game at the stadium in 2024.

team and the industry titan came to a deal on October 19th that the stadium would be named CPKC Stadium. The gathering space at the entrance of the stadium will also be named after the rail company.

Following this announcement, the Kansas City Current confirmed a slew of local, award-winning vendors that will be serving patrons. Local restaurants include Joe's Kansas City Bar-B-Que, Waldo Thai, Billie's Grocery, Room 39, Yoli Tortilleria and Martin City Brewing Company. In addition to these locally loved eateries, the Kansas City Current is partnering with Samsung to equip the stadium with a 75-foot wide, high-resolution scoreboard display. The partnership also gives Samsung the sole rights to provide the stadium with audio systems, televisions, and other LED panels, mainly used for advertising and directional messages.

The reenvisioned future for Berkley Riverfront does not stop at a new stadium for the Kansas City Current. Team co-owner Chris Long wants to invest in the area, turning it into what he describes as the 'crown jewel of Kansas City'.

"The goal is to really have a district that is active irrespective of whether the stadium is lit for that night or not. We're going to have a lot of events at the stadium. We're off to a phenomenal start. People are very interested in the stadium because of its location, size and layout. The idea is to have an area of sports and entertainment that is a destination and another crown jewel for Kansas City." – Kansas City Current co-owner, Chris Long

Chris and Angie Long's shared vision of the area includes a retail plaza, apartment complexes, office buildings and a unique gameday street. Although developers Lux Living have dropped their multifamily project that was to be situated adjacent to the previously discussed Union Berkley Riverfront complex, Port KC has begun the search for a new developer. Lux Living was unable to acquire their sought-after 25-year property tax abatement in mid-2022. Regardless of this setback, the St. Louis firm still pressed onward with their plan for a seven-story, 254-unit apartment complex. However, the sales agreement between Lux Living and Port KC expired in July. Port KC's Vice President of Real Estate Joe Perry commented,

"We are actively replacing that contract right now. We have two or three developers waiting in the wings, and we've had multiple offers."

While Berkley Riverfront's momentum remains strong, Perry revealed that competing developers expressed interest in Lux's site even during its contractual phase. The expectation for an alternative apartment complex is comparable to Lux's original plans. However, Perry has not disclosed information about the potential builder at this time.

Contributors: John Mullen, Development Associate, Zachery Gant, Vice President - Investments, and Ryan Klepper, Financial Analyst

Kansas City Office Market

2023 marked the year when we finally started to see what the future of office building utilization is going to look like. In-person office attendance hardly moved from 2022, holding steady between 50–65% depending on the market. Transit ridership and foot traffic in major metros improved only modestly to around 70% of pre-pandemic levels. Employers are settling into a hybrid work model with employees typically coming into the office 2–3 days midweek with Mondays and Fridays being the most popular work-from-home days. The trend of companies shrinking their footprints and migrating to higher-quality space continued to be the theme in 2023. The typical size of a new lease in 2023 is 20% below the pre-pandemic average. Demand has dropped well below historical levels in all building classes except building stock less than three years old. Nationally, 65 million square feet of office space was put back on the market in 2023, bringing the total give-back inventory to 180 million square feet since 2020. According to Costar, this compares to 50 million square feet of give-back space after the Great Recession and 65 million square feet after the Dot-com Crash. The national vacancy rate sits at 13.5%, an increase of 4.2% over that same period. Sublease inventory levels are double the stabilized level seen in 2017–2019.

128M	11.8%	$22.05	$125
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

The Kansas City office market mirrors the national market. Kansas City experienced negative absorption of 1.4 million square feet in 2023, bringing the post-pandemic occupancy lost total to 3.9 million square feet. Vacancy sits at 11.8%, up from 10.2% in 2022. Sublease inventory sits at 1.7 million square feet, down 27% from the Q3 2022 peak but double the long-term average. Rent growth was 2% in 2023, compared to 2.4% nationally. New construction continues to perform well with a vacancy rate of 8.5%. Those buildings delivered since the pandemic should maintain a strong position as new deliveries slow due to higher interest rates, higher construction prices, and more conservative underwriting from lenders.

Completed in September 2023, CityPlace Corporate Center IV is the third and largest building located in the CityPlace office complex. The 190,380 square foot office building is located in Overland Park, Kansas.

OFFICE MARKET

SOUTH JOHNSON COUNTY

Southern Johnson County's vacancy rate stands at 14.2%, a slight decrease from year-end 2022 (14.9%). Meanwhile the broader Kansas City market has shown an increased vacancy growth rate of 1.3% in the past 12 months.

Market rent per square foot has slightly increased from year end 2022 ($21.14) to year-end 2023 ($22.00). Similar trends are expected heading into 2024 with decreasing vacancy rates.

9.2M	14.2%	$22.00	$140
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- Pacific Dental Services, 4,702 square feet at 2180 W Dartmouth St in Olathe sold for $2,952,000
- 10,655 square feet at 5401 W 151st Street in Leawood sold for $2,100,000
- 10,273 square feet at 2045 W 141st Street in Leawood sold for $1,734,320
- 5,045 square feet at 12730 S Pflumm Road in Olathe sold for $745,000

TOP LEASES

- West Star Development, 60,000 square feet at Ridgeview Road
- 51,018 square feet at 10551 S Ridgeview Road (2nd floor sublease)
- 51,017 square feet at 10551 S Ridgeview Road (1st floor sublease)

NORTH JOHNSON COUNTY

There were 21,800 square feet of deliveries in Northeast and Northwest Johnson County. In the last year, 270,000 square feet of inventory were removed from this submarket. Negative absorption stands at 107,600 square feet, and 14.1% of the inventory in North Johnson County is sublease space.

21.8M	12.7%	$23.04	$133
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- 240,000 square feet at 8950 Renner Boulevard in Lenexa for $189,814,100
- 3,231 square feet at 7299 W 98th Terrace in Overland Park for $921,000
- 4,515 square feet at 5801 Outlook Street in Mission sold for $550,000

TOP LEASES

- 30,389 square feet at 6301 Glenwood Street in Overland Park (sublease)
- Blue Chair LLC, 21,000 square feet at 5200 Metcalf Ave in Overland Park
- 19,707 square feet at 8815 Renner Avenue (sublease)
- NSPJ, 17,221 square feet at 9415 Nall Avenue in Prairie Village
- Enterprise Bank, 14,654 square feet at 6329 Glenwood Street in Mission

CBD, CROWN CENTER, FREIGHT HOUSE, WEST BOTTOMS

Average vacancy rate stands at 14% with Crown Center having the highest vacancy rate in this submarket at 19.3%. CBD experienced the most drastic negative absorption of 248,800 square feet. The Freight House District was the only one in the group to see positive absorption in 2023.

28.8M	14.0%	$21.36	$111
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- Light Works Studio, 16,440 square feet at 217 W 19th Terrace in Kansas City sold for $1,800,000
- 18,000 square feet at 400 Admiral Boulevard in Kansas City for $1,750,000
- 28,000 square feet at 1400 W 13th Street in Kansas City for $1,230,000

TOP LEASES

- NAIC, 147,162 square feet at 1111 Main Street in Kansas City
- FAA, 82,269 square feet at 1100 Main Street in Kansas City
- Undisclosed tenant, 68,707 square feet at 114 W 11th Street in Kansas City (sublease)

PLAZA/MIDTOWN/BROOKSIDE

Average vacancy rate stands at 5.4%, which is a slight decrease from the previous year (5.5%). Both The Plaza and Midtown saw a rent increase whereas Brookside saw a 1.5% rent decrease. The Plaza had 58,000 square feet of positive net absorption driven primarily by 46 Penn Centre being the most active building in the submarket.

10.5M	5.4%	$25.15	$119
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

Husch Blackwell has extended its lease to remain in Plaza Colonnade, an 11-story mixed-use office building, until 2037. The law firm currently occupies three floors, comprising of approximately 95,000 square feet. Originally constructed in 2004, Plaza Colonnade is under the management of Copaken Brooks.

TOP SALES

- 32,563 square feet at 101 W Linwood Boulevard in Kansas City sold for $2,000,000
- 8,000 square feet at 4143 Pennsylvania Avenue in Kansas City sold for an undisclosed amount

TOP LEASES

- Nutter Home Loan Administration, 23,676 square feet at 4026 Central Street in Kansas City (renewal)
- Kansas City CARE Clinic, 15,935 square feet at 4435 Main Street in Kansas City
- Undisclosed tenant, 13,977 square feet at 4900 Main Street in Kansas City

SOUTH KANSAS CITY (WARD PARKWAY)

The South KC (Ward Parkway) submarket ended 2023 with a 7.6% vacancy rate which is slightly lower than the 7.8% vacancy rate we had in 2022. Having said that, this submarket saw stagnate activity with no new construction being delivered in 2023. Although activity in this submarket has remained flat, Rent Rates actually grew 2.5% from last year to $22.00 per square foot. This submarket saw four office sales in the past 12 months, bringing the past 3-year total to $36.5 million. At $126 per square foot, this submarket has seen an average 9.1% cap rate, which is now the highest we have seen for this area in the past six years. As 2023 ends, the Ward Parkway office market inventory sits under 3.6 million square feet with 273,600 square feet being vacant and available to the market.

8.9M	7.6%	$22.00	$126
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- 53,412 square feet at 9237 Ward Parkway, Kansas City with a 5.5% vacancy rate
- 3,972 square feet at 21 W Gregory Boulevard, Kansas City in November 2023
- 1,544 square feet at 8900 Wornall Road, Kansas City in March 2023

TOP LEASES

- 102,680 square feet at 9221 Ward Parkway in Kansas City
- 2,780 square feet at 9229 Ward Parkway in Kansas City
- 1,869 square feet at 8010 State Line Road in Kansas City

NORTH OF THE RIVER

Vacancy in the 1-35 Corridor saw no change and stayed at 5.6% over the past 12 months while the I-29 Corridor saw a decrease of 3% in overall vacancy. In the past year 13,000 square feet was absorbed in Outlying KC MO while nothing was delivered leaving no vacancies. Rent growth in these three submarkets saw an increase of 1.53% across the board.

12.3M	9.3%	$19.17	$116
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

OFFICE MARKET

TOP SALES

- Antioch Plaza Professional Bldg, 18,864 square feet at 5601 NE Antioch Road in Kansas City, Missouri sold for $2,000,000
- 7,776 square feet at 105 W Kansas Avenue in Liberty, Missouri for $1,500,000
- 10,300 square feet at 1201 East Street in Parkville, Missouri for $1,275,000

TOP LEASES

- Undisclosed tenant, 102,930 square feet at 11500 NW Ambassador Drive in Kansas City (sublease)
- Western Governors University, 19,746 square feet at 12200 N Ambassador Drive in Kansas City
- Engaged Financial, 16,800 square feet at 10812 NW Highway 45 in Parkville

EAST JACKSON COUNTY

East Jackson County saw an increase in vacancy of 1.6% from last year. During this time, there have been 120,000 square feet of negative absorption including sublease space which accounts for 11.2% of all inventory; 87,000 square feet of office space has been delivered in the past three years with 30,000 square feet currently under construction.

7.3M	9.1%	$18.47	$97
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- The Cliffs II, 27,750 square feet at 4721 S Cliff Avenue in Independence, Missouri sold for $1,968,750
- The Villas at North Ridge, 4,500 square feet at 1209 NW North Ridge drive in Blue Springs, Missouri sold for $530,000

TOP LEASES

- The Remnant Church of Jesus Christ, 12,000 square feet at 5555 NW Valley View Road in Blue Springs, Missouri
- Kidz First Therapy, 10,519 square feet at 2700 Independence Avenue in Lee Summit, Missouri
- Truman Medical Center, Inc, 9,096 square feet at 19000 E Eastland Center Ct in Independence, Missouri

KANSAS CITY, KANSAS

This submarket saw a drastic increase in vacancy of nearly 19% over the past year. This is a substantial number considering the rate of increase in the broader Kansas City market was just 1.2%. In the past 12 months there has been 640,000 square feet of space put back onto the market in Kansas City, Kansas. Although there was a lot of negative absorption, rents in Kansas City, Kansas increased by 2.3%.

3.4M	21.9%	$22.07	$128
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- 18,349 square feet at 7540 Leavenworth Rd in Kansas City, Kansas sold for $745,000
- 33,500 square feet at 2220 Central Avenue in Kansas City, Kansas sold for an undisclosed amount
- 24,533 square feet at 340 Southwest Boulevard in Kansas City, Kansas sold for an undisclosed amount

TOP LEASES

- Shannahan Crane & Hoist, 8,400 square feet at 10901 Kaw Drive in Edwardsville, Kansas
- Limitless ABA, 5,750 square feet at 913 Sheidley Avenue in Bonner Springs, Kansas
- Undisclosed tenant, 4,053 square feet at 1155 Adams Street in Kansas City, Kansas

SOUTHEAST JACKSON COUNTY

Vacancy increased year over year in Southeast Jackson County, reaching 13.6% up from 9.3% at year-end 2022. This submarket has seen a slight increase of about 2% in market rent. This is a relatively inexpensive market in comparison to Kansas City as a whole. Most of the space on the market is 1 and 2 star rated office space.

3.6M	13.6%	$20.20	$100
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- 10,017 square feet at 451 N Murray Road in Lee Summit, Missouri sold for $4,865,000
- 7,200 square feet at 3501 SW Market Street in Lee Summit, Missouri sold for $4,780,000

TOP LEASES

- Undisclosed tenant, 8,100 square feet at 1013 SE Browning Avenue in Lee Summit, Missouri
- Contagious Life Church, 8,086 square feet at 5907 Highgrove Road in Grandview, Missouri
- Kansas City Physician Partners, Inc, 5,293 square feet at 777 NW Blue Parkway in Lee Summit, Missouri

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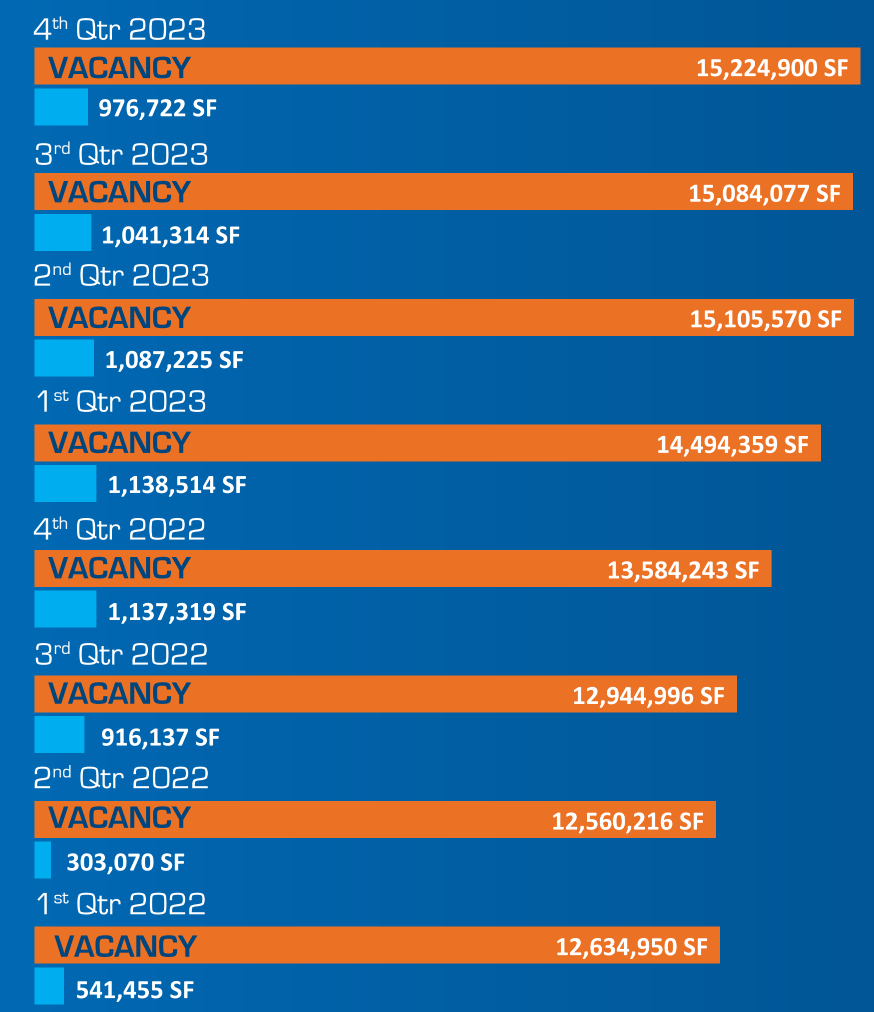
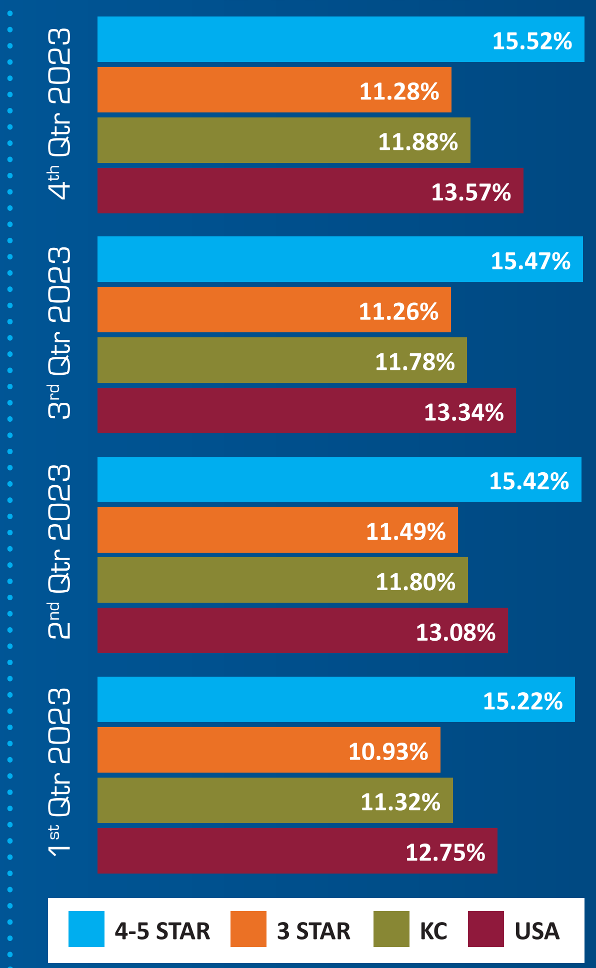
OFFICE MARKET AT A GLANCE

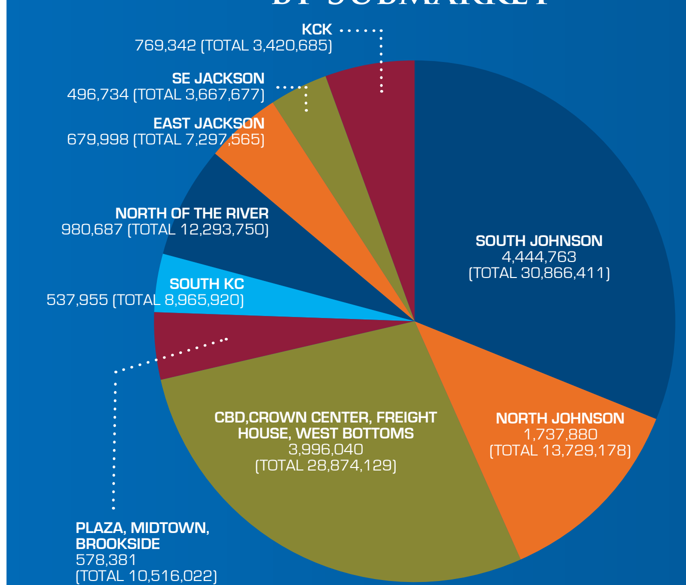
KANSAS CITY METRO 2023 ALL CLASSES
OFFICE VACANCY VS. OFFICE UNDER CONSTRUCTION



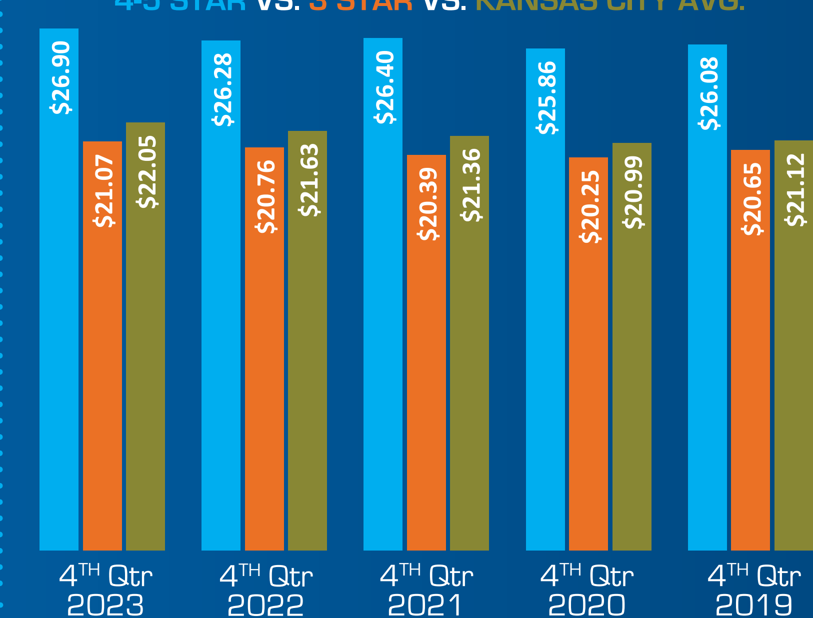
2023 OFFICE VACANCY
4-5 STAR VS. 3 STAR VS. KANSAS CITY VS. U.S.



VACANT OFFICE SPACE BY SUBMARKET



AVERAGE OFFICE RENTAL RATES
4-5 STAR VS. 3 STAR VS. KANSAS CITY AVG.



Kansas City Industrial Market

18.1B	4.0%	$11.02	397M
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	NET ABSORPTION

The COVID-19 pandemic found more companies, especially in third-party logistics (3PL) and e-commerce pursuing mega warehouses up to or exceeding 1 million square feet. But that trend appears to be fading because companies have reassessed their space requirements and tightened their purse strings as interest rates have risen, creating fears of a recession. During the pandemic, companies wanted to protect their inventory levels as global supply chain disruptions made it difficult to obtain products and get them to their customers. Developers, noting that users were looking for larger and taller warehouses, responded, with a significant level of new speculative construction for tenants seeking space in excess of 500,000 square feet. However, as companies got comfortable with their inventory levels, the need for massive warehouses has been reduced. Although there are fewer of these mega facilities coming to the market, many users will likely continue the preference for larger facilities with higher clear heights to utilize automation.

While mega user demand has cooled, so has construction. However, there will likely be pockets of softness within the market in the coming quarters as projects that had broken ground during a more robust market are completed. With fewer construction starts, there will be a reduction in space coming to market by mid-2024 which will give the industrial market time to catch up and equalize supply and demand. Between overall demand and continued stubbornly high construction costs, rental rates for new bulk products remain competitive among developments, although there have been increases.

LEGISLATION AND MANUFACTURING STRENGTH

Although a potential pullback in consumer spending continues to pose downside risks for 2024, on-shoring of high-tech manufacturing will likely be a key driver of U.S. absorption from 2024 to 2026. There are certainly bright spots, including an anticipated re-shoring of manufacturing in the U.S., propped up by federal legislation, including the CHIPS Act, the Inflation Reduction Act and infrastructure work. This legislation has helped create a 20-year high for U.S. manufacturing construction. In addition, mega facilities for operations like semiconductors and electric-vehicle plants, as a result of federal incentives for growth, have increased construction of high-tech manufacturing facilities.

175th Commerce Centre is a 1,071,139 square-foot bulk cross-dock facility on 56.9 acres. The building was completed in September 2023 by TPA Group and Block Real Estate Services, LLC. This is the first of several projected buildings with total developed space projected at 6.2 million square feet on 339 acres."

INDUSTRIAL MARKET

After a record-setting 2022 in both absorption and new industrial space under construction, the demand continued in 2023. The need for just-in-case inventory grew with ongoing global supply chain challenges. The most prominent growth sectors were 3PL warehousing operations, retail distribution and fulfillment and manufacturing operations. With its central location and competitive economics, it is anticipated that 3PL expansion will continue in the Kansas City market. Trends around near-shoring or ally-shoring increased, and the challenges with the global supply chain and optimization of locations across the country pushed companies to make decisions to locate facilities closer to their customer bases. However, as this change continues, smaller distribution centers may replace the large-scale distribution model of the last several years.

Data centers, automotive parts suppliers, home improvement, food and beverage and pet supply operations have been big drivers in the market for several years. It is anticipated that demand from these users will continue to grow as they continue expansion and modernization of their distribution and manufacturing. In addition, tenants needing to expand or looking to relocate have been pushing demand. Kansas City's development structure and location will continue to help supply chain operations become more efficient for these companies.

A softening U.S. economy, due to rising interest rates and construction costs, will have an impact on rental rates and overall industrial demand. It is anticipated that the development pipeline will slow, relative to the last few years, as developers pull back. Along with these impacts, developers are having difficulty obtaining debt financing. These factors have also affected cap rates and values, which affect many merchant developers' exit strategies.

New manufacturing projects are popping up as a result of massive spending bills passed under the Biden administration that have created the potential for a manufacturing "super cycle" and resurgence. Kansas City's manufacturing environment is greatly affected by the Ford and GM assembly plants, along with their suppliers, as well as many other sectors. Both plants continue to upgrade and make additional investments to boost their production. With more than 112,000 manufacturing jobs, Kansas City continues to enhance its regional and global manufacturing competitiveness. Its central location, diverse industry base and the support of a robust supply chain network, along with excellent transportation and logistics services, continue to make the metro competitive.

The manufacturing sector is anticipated to grow significantly over the next several years. De Soto's Economic Development Council has unveiled an outreach campaign to take advantage of Panasonic's coming electric vehicle battery manufacturing facility.

Flint Commerce Center is a 370-acre industrial park located at 103rd Street and Edgerton Road. It is expected to house 5 to 6 million square feet of building space with light assembly, manufacturing, warehousing, and distribution uses targeted.

WHY KANSAS CITY?

One of Kansas City's biggest draws is its easy reach to 85% of the U.S. population within two days by ground. Numerous ground, air, water and rail transportation options make it one of North America's most logistics-friendly industrial markets. With five Class I rail lines intersecting, four of which having local intermodal facilities, rail traffic is the second highest in the nation. Kansas City has four Interstate highways that intersect in the region, more Interstate miles per capita than any other U.S. city, low traffic congestion, and excellent access in and out of the local market and across the country. KCI is one of the U.S.'s best air cargo and distribution airports moving more air cargo than any other airport in a six-state region. The Missouri River provides the largest navigable inland waterway in the U.S. and is located near both the U.S. geographic and the population center of the country, making Kansas City a perfect centralized inland logistics port.

In addition, the Midwestern work ethic and access to education help many consider the workforce in Kansas City one of the best in the country. With several local training programs throughout the area focused on preparing the labor force for both current and upcoming jobs in the transportation and logistics industry, there are constant adjustments keeping the workforce relevant. These unique factors have helped make the Kansas City region one of the most active industrial markets in the U.S., ranking high in percentage of net absorption, total deliveries and square footage, and percentage of under-construction square footage, especially compared to similarly sized markets. The metro area provides a unique mix of both urban and suburban and rural sites that provide companies with multiple real estate options, increasing the region's ability to compete by offering clients diversity of products in size, location and access to labor.

STRONG MARKET DEMAND

Since 2012, the Kansas City market delivered more than 65 million square feet of new industrial space of which nearly 70% was delivered on a speculative basis. The Kansas City industrial market has continued to show strength in 2023. With nearly 12.25 million square feet under construction at year-end and 12.2 million square feet delivered in 2023, there will be continued opportunities for tenants seeking space in the market. Class A building inventory and a strong variety of vertical-ready sites provide for immediate and short-term occupancy and availability.

In 2022, Kansas City ranked sixth highest in the country in net absorption versus existing inventory. Through Q3 2023, the vacancy rate increased to 5.0% with over 12 million square feet of new construction completions. Diverse tenant mixes expanded activity in Kansas City with 3PL providers representing 30% of the activity. Coming into 2023 there were over 10 million square feet of industrial under construction, but nearly 25% was pre-leased and nearly 7.5 million square feet under construction at mid-year.

In the first half of 2023, demand in Kansas City was above average with an annual absorption of greater than 13 million square feet for the previous 12 months. Two areas of the market stood out: South Johnson County and Claycomo, near the Ford Assembly Plant.

MARKET METRICS

Kansas City continues to show positive trends with asking lease rates growing by 5.9% year over year, with the average lease rate for industrial space now at $7.00 per square foot. At its peak in 2022, rent growth was 7.6%, and experts project that will continue to decline as tenant demand slows. Through the 3rd quarter of 2023, the vacancy rate for industrial space was 5.0%, which is up from 3.3% in 2022 but less than the national average of 5.6%.

De Soto's Economic Development Council has unveiled its new outreach campaign to take advantage of the soon-to-be home to Panasonic's upcoming 2.7 million SF/$4 billion electric vehicle battery manufacturing facility. The new facility is scheduled to open in the Spring of 2025 and will be the first development within the 9,000-acre Astra Enterprise Park. Panasonic will be the first tenant, leasing 509,760 SF of the 1,019,520 SF speculative Building C now under construction.

By midyear 2023, construction of industrial space had significantly declined in comparison to mid- 2022. Through Q3, 12.25 million square feet of industrial space is currently under construction accounting for 3.4% of inventory. This is down from 18.1 million square feet in the third quarter of 2022. During the first half of 2023, the majority of tenant activity was in the sub-300,000 square foot range. Properties over 300,000 square feet have an availability rate of 22.4% through Q3 2023.

Net absorption through Q3 2023 totaled 5.8 million square feet, down from 15.8 million square feet in 2022. Net absorption is expected to outpace deliveries during the last quarter of 2023 and the first quarter of 2024. The greatest impact on absorption and overall market growth has been the lack of massive square foot leases in 2023. From 2018 through 2022 there were seven users, each leasing more than 600,000 square feet, but through Q3 of 2023 there was only one. However, activity in smaller-size space has been strong. Year to date, roughly 10.5 million square feet of industrial space have been leased, down 21% from a record breaking 2022.

The combined build-to-suit and speculative construction trended downward after reaching a record 13.0 million square feet in Q2 of 2022. Although under-construction projects currently total 8.6 million square feet, Panasonic in De Soto accounts for 3.5 million square feet (plant and adjacent projects). Overall built-to-suit projects are increasing while speculative activity is decreasing. Net absorption in the first quarter of 2020 was 789,000 square feet and since then it has ranged from 1.5 million square feet to 3.4 million square feet per quarter, except in Q2 of 2021, when it was 934,000 square feet. It is anticipated that speculative construction starts will decline significantly from last year's record high of 13 million square feet, while existing projects are absorbed and limited new supply is being introduced to the market.

OUTLOOK

Low vacancy rates, healthy net absorption in previous years, and a strong development pipeline will be a test of the Kansas City market's resiliency. It is anticipated that overall lease activity will slow relative to the past couple of years due to persistent inflation, rising interest rates, high construction costs, and consumer confidence. The U.S. economy has its own uncertainties, but all of the data currently indicates Kansas City's industrial market is not overbuilt, and activity and interest have not had a dramatic slowdown. However, the slowdown we have seen will provide time for the market to absorb construction that will be delivered in 2023 and slated to be delivered in early 2024. Rental rates have continued to increase, albeit at a slower pace than in previous quarters. Rental rates are likely to remain strong, even in the face of potentially higher vacancies, although we may see the rate of growth flatten out. New construction will continue to push rental rates with demand for modern up-fitted facilities.

Even with federal legislation, including the CHIPS and Science Act, to encourage advanced manufacturing projects, it remains to be seen if continued levels of projects coming back to the U.S. after decades of offshoring, will continue. Bringing the supply chain back and building those projects are a time consuming and intensive process, but one to keep an eye on. Advanced-manufacturing facilities like semiconductor fabricators or battery plants require a significant amount of labor and natural resources, making the decision of where to locate vital.

Growth in the submarket is mostly east in the north end in the Independence area and south and east in suburbs. In Independence, the city approved incentives and zoning for NorthPoint Development's $865 million Eastgate Commerce Center. The development will ultimately have more than 10 million square feet on 1,110 acres running along several miles of Little Blue Parkway and Missouri Route 78, north of I-70. Along with industrial and commercial buildings, the project is to include 250 acres of parks, trails and a dog park along with a Learning and Career Center. The first two buildings are under construction with delivery of A2, a 36' clear, cross-dock building of 268,436 square feet scheduled for December 2023 and A3, a 36' clear rear-loaded building of 284,000 square feet scheduled for delivery in February 2024. Buildings in the park will have a 20-year real estate tax abatement.

At Carefree Industrial Park, an underground industrial development just east of Independence, the developer, LS Commercial Real Estate Services, has proposed a 60-acre above ground development called Logistics Park Surface. A speculative 180,050 square feet building at 32' clear height is designed to front M-291 Highway at Kentucky Road, and this would be the first of up to 15 buildings/sites for industrial development.

At MetroEast Commerce Center located in Independence, a 34,000 square foot built-to-suit for a medical transport company is scheduled to be delivered in the Fall of 2024. Located on 60 acres north of RD Mize Road and Jackson Drive, the park offers vertical-ready sites to accommodate mid-sized light industrial/flex building users. The developer, Hullmark Construction, provides park infrastructure and building construction services.

Cargo Largo, based in Independence, built a 524,000 square foot mixed-use warehouse facility that consolidated operations from six metro locations into a new corporate headquarters, retail store and warehouse. The state-of-the-art facility, with expanded car and trailer parking, will be the first of a four-phase redevelopment plan that includes redevelopment of the current 76,439 square foot facility at 35th and Noland Road to warehouse and distribution space with Phase III including the construction of an 80,000 square foot mixed-use facility and Phase IV to include a 10,000 square foot facility.

In Raymore, Belton, Harrisonville and Lee's Summit, there are a multitude of new developments. At Raymore Commerce Center, developed by VanTrust, the 564,970 square foot Building #1 sold to the tenant, the 498,599 square feet Building #2 is partially leased to Harmar Mobility with 146,896 square feet, Building #3 with 1,020,290 square feet has 604,000 square feet leased to URBN for a new distribution center for its Nuuly division, and the balance of 420,910 square feet is available. Building 4 with 498,600 square feet delivered in Q2 of 2023. There are sites for four more buildings, from 283,000 to 1,066,000 square feet to complete the 2 million square foot industrial park.

In Belton, Southview Commerce Center, a NorthPoint Development, The Hellman Group leased 308,4630 square feet in Building 3, while Factory Motor Parts leased 192,817 square feet in Building 4, the final building in the park.

In Lee's Summit Commerce Center, a Scannell Properties development, there are three Class A speculative buildings that can accommodate tenants from 30,000 to 200,000 square feet. The 80-acre park delivered Building A with 431,460 square feet, cross-dock, with 215,730 square feet leased to Zoetis 3PL and Building B with 113,400 square feet, rear-loaded, with 45,360 square feet leased to Midwest Distribution, and Building C with 253,000 square feet, rear-loaded, for Q4 2023 delivery. The park is in close proximity to I-470 and US 50 Highway and provides aggressive real estate tax abatement of 75% in years 1 through 10 and 50% in years 11 through 20.

At Lakewood Business Park, in Lee's Summit, George Ward Development is constructing a 250,000 square foot speculative industrial building that will be ready for delivery in Q2 of 2024. Space will be available from 25,000 square feet and up in the new 34' clear building, a fixed PILOT for tax abatement will run for 20 years. The City of Lee's Summit purchased a 100,557 square foot industrial building.

Express Carwash developed a 100,000 square foot rear-loaded flex building at 143rd and Botts Road in South Kansas City. The property has 57.5% real estate tax abatement for 15 years. The developer's hope is to bring in small to mid-size users that want to be near the large users locating at adjacent developments, including the National Nuclear Security Administration Campus (NNSA) at M-150 Highway and Botts Road.

The NNSA is advancing plans that would more than double the size of its operation in South Kansas City at Botts Road and M-150 Highway. The proposed expansion, on a 245-acre site, east of the existing facility's 192-acre campus, would include 2.5 million square feet of new office and manufacturing in 18 buildings.

Master's Transportation, a national commercial vehicle provider headquartered in Belton, is planning a new headquarters and servicing center in South Kansas City. The 310,000 square feet facility would include corporate offices, sales, manufacturing and maintenance. The 39.6-acre site is northeast of M-150 Highway and Prospect, west of the NNSA campus and near the 49 Crossing industrial area. Nearby, Vertical Cold Storage plans to establish a 312,023 square feet food processing and cold storage facility at Platform Venture's I-49 Industrial Center.

Northpoint has completed five buildings in Blue River Commerce Center at Bannister Road and Troost. The park is full, and the most recent tenant is Amerhart Ltd., leasing 144,840 square feet in Building IV. From late 2020, 1.73 million square feet has been built in the 225-acre park. Three project sites remain for one building with 194,671 square feet and two more with 324,000 square feet.

Allen Distribution leased 367,000 square feet in Space Center Kansas City, an underground industrial complex in Independence, Missouri.

Anchored by Ford's Kansas City Assembly Plant and Norfolk Southern's Intermodal Yard, this submarket has seen tremendous growth with much of it occurring in Liberty. NorthPoint's Liberty Commerce Center can support seven industrial buildings totaling 3.6 million square feet over its 337 acres. To date, development includes five buildings for tenants including a Walgreen's micro-fulfillment center, Ford Motor Company in two buildings, REV Logistics, Sleep Outfitters and Amazon's fulfillment, sortation and distribution center of 1.049 million square feet, featuring full air-conditioning, 40-foot clear height, 108 dock doors, two drive-thru doors, and 20,000 square feet of office space.

NorthPoint received approval for North Liberty Logistics Park, which will initially support two speculative industrial buildings with 386,619 square feet and 480,050 square feet, respectively. The park is designed for up to nine manufacturing, warehouse and distribution buildings totaling 4.3 million square feet across 360 acres between I-35 and U.S. Highway 69. Just southwest of the industrial park, NorthPoint is also planning for nine new and used car dealerships across 51 acres northeast of I-35 and U.S. Hwy 69. The buildings, each two stories tall and ranging between 20,000 and 25,000 square feet, will provide parking for 2,296 vehicles.

There are two other similarly named Liberty projects – the 62-acre Liberty Logistics Center, developed by Lane4 Property Group, and the 152-acre Liberty Heartland Meadows Commerce Center, developed by The Opus Group. In Heartland Meadows, AT&T Wireless leased 108,000 square feet, and in Heartland Meadows, U.S. Motor Works leased 167,575 square feet for a new fulfillment center.

Hunt Midwest is gearing up for the last phase of industrial construction in its original mega-site at Hunt Midwest Business Center in Kansas City's Northland. It has mass graded land at I-435 and Parvin Road, near Ford Motor Co.'s Kansas City assembly plant. The park, often dubbed "Automotive Alley" has seven industrial buildings planned, totaling 2.8 million square feet across two tracts – one 200-acre site is off Parvin Road, northeast of Oceans of Fun, and the other, 61-acre site is east of Kentucky Avenue. The 2,500-acre park includes the 478,000 square foot HMBC Logistics IV completed in late 2022 and now leased to UPS and JE Dunn Construction, whereas the 203,899 square foot HMBC Logistics V was built-to-suit for Community Wholesale Tire, another supplier to Ford. Those projects bring the 4 million square foot park to near 100% occupancy. New buildings within the upcoming phase of the park are planned between 400,000 and 450,000 square feet with a potential for one building as large as 800,000 square feet. The site will provide a 15-year real estate tax abatement and sales tax exemption on construction materials for buildings in the last phase. Vertical construction could be started in early 2024 and will include a new northern entrance to the SubTropolis underground business park off 48th Street.

Americold Realty Trust will locate a new warehouse on the Canadian Pacific Kansas City network (CPKC), offering cold storage and other services for intermodal transportation. CPKC operates its International Freight Gateway in South Kansas City, where it has 356 acres of terminal surface area and 8,000 square feet of intermodal working track and two auto tracks.

For years, Google has considered a large data center in Kansas City's Northland, and recently it has taken more concrete steps towards that project. Plans include grading and a public storm sewer pipe extension. Google did not provide specifics but appears to want to prepare the site for further growth based on business demands.

Other notable activities include International Paper Company's 283,385 square foot lease in Executive Park and 48Forty Solutions 86,481 square foot lease at Northland Park VII and Cargo Largo's lease of 100,800 square feet in Northland Park.

New development continued in industrial parks in the western portion of the submarket. Indianapolis-based Scannell Properties is developing Scannell 435 Logistics Center near I-435 and I-70. In 2021 they were approved to build six industrial buildings totaling 3.4 million square feet in the 419-acre park. The first, and largest, building opened as a 1.08 million square foot Amazon.com, Inc. fulfillment center. Infinity Windows, an affiliate of Marvin Companies, is building a 406,960 square foot manufacturing facility at Leavenworth Road and I-435 in the park. The new facility will receive a 10-year 65% real estate tax abatement and sales tax exemption on construction materials.

Other notable activity includes SAIA, which opened a new 140-door truck terminal in Edwardsville. Hill's Pet Nutrition completed construction of its 300,000 square foot, $250 million manufacturing facility, located in Tonganoxie on 84 acres. DSM will build a 68,000 square foot state-of-the-art pet food manufacturing facility in Tonganoxie Business Park. Wallace Group purchased a 56,950 square foot building in Fairfax. Veritiv leased 280,000 square feet from Industrial Logistics Property Trust in Edwardsville, and Origin Point Brands leased 191,740 square feet, while Orange EV took occupancy of its 419,111 leased square feet in Turner, Stryten Energy leased 123,735 square feet and Pepsico leased 76,882 square feet in Armourdale and The Okonite Company purchased a 79,748 square foot building in Edwardsville.

Block Development delivered the 328,320 square foot Riverside Logistics Centre Building 2 in August. Anixter leased 82,190 square feet, relocating from Wyandotte County, and Bunzl leased 82,190 square feet, to augment their 245,507 square foot full building facility nearby in the Riverside Logistics Centre Building 1.

Currently there are no other industrial projects under construction in this submarket, however, there are several smaller companies that are interested in owner-occupied new construction in the 40 West at Horizons, a small lot subdivision. Those buildings will range from 15,000 to 50,000 square feet. No announcements have been made yet, but construction could start in late Spring of 2024.

In North Kansas City, Charles D. Jones Company moved to Riverside, and their former building of 53,735 square feet was sold to an investor seeking a new tenant.

South Johnson County, with I-35 and I-435 running through it, has the metro area's largest concentration of industrial buildings. Tenant occupancy expanded by more than 3.5 million square feet in the past year. Most of this growth occurred around the southern cities of Olathe, Edgerton and Gardner or west in De Soto.

In Olathe, sitting north of the I-35 Logistics Park, Mather Properties plans to build a 24-building park totaling 231,420 square feet, called Mather West Olathe Business Park. The site at 151st and Old 56 Highway sits on 27– acres. Lot 1 will include nine warehouse buildings totaling 92,880 square feet. Lot 2 will have 8 self-storage warehouse buildings, totaling 73,100 square feet, and Lot 3 will be developed for contractors' garages in 7 buildings totaling 64,440 square feet.

At I-35 Logistics Park in Olathe, a Scannell Properties development, which has ongoing construction for some of the five planned warehouse buildings totaling 3.5 million square feet, Building I of 569,594 square feet was leased to Clorox and Building II of 569,594 was delivered in Summer 2023. IN a Scannell build-to- suit, Blue Buffalo leased 730,000 square feet.

At Great Plains Commerce Center, a four-building complex in Olathe at 159th and I-35, had Building A of 236,160 square feet delivered in Spring 2023. The rear-loaded building has a 10-year real estate tax abatement. Buildings B and D have their preliminary design completed while Building C has received permits. BlueScope Properties Group is the developer of the 637,821 square feet park. Nearby, at 167th and Lone Elm, Frontier Real Estate Investment, is developing the 122-acre Lone Elm Commerce Center and built Building 3, a 136,643 square foot speculative facility. Chick-fil-A Supply is to open a 147,955 square foot market distribution center in Building 4. The park's master plan lists seven additional buildings, all of which will range from 150,000 to 300,000 square feet, with a total build-out of 1.8 million square feet.

Jones Development's newest project in Olathe is Free State Exchange at 167th and US 169 Highway. The site infrastructure improvements are taking place and should be completed in early 2024.

Walmart will build a 330,671 square foot case-ready beef packaging and distribution center on 45 acres in the park. Jones obtained a 10-year, 50% property tax abatement for the park. Another 1.65 million square feet of speculative industrial development is designed, including both a 653,640 square foot and a 1,004,380 square foot building, both of which are designed to be cross-dock and can be single or multitenant/build-to-suit.

In De Soto, the 9,035-acre Sunflower Army Ammunition Plant site has been renamed Astra Enterprise Park. The new Panasonic Energy Electric – Vehicle Plant will include a 2.74 million square foot building on 304 acres. A second construction phase will develop 296 more acres. Sunflower Redevelopment Group, the developer, has future land uses for the balance of the park including a 2 – 3,000-acre portion earmarked for a utility-scale solar farm. Another 1,500 acres will be available for vertical construction with 300 acres slated for light-industrial warehouses ranging from 625,000 square feet and up.

At the adjacent 370-acre Flint Development's Flint Commerce Center, additional development sites will be available, and the 1,019,520 square foot Building C is under construction, with a Summer 2024 occupancy. Panasonic has pre-leased 509,760 square feet.

Minnesota-based Oppidan Holdings proposes building a data center in Olathe at the southwest corner of the Kansas Highways 10 and 7. Plans are to put an 89,842 square foot facility right next door to Honeywell's Olathe location. It will be their first metro-area project and will be speculatively built with no designated user.

Cnano, an international manufacturer, purchased the 333,365 square foot New Century Commerce Center Building A, that was being developed speculatively for lease by VanTrust in its 850-acre development. This will be the company's North American headquarters and will be used to create liquid conductive paste, a component used for a variety of electronic applications including batteries for electric vehicles, cell phones and power tools. MoreFlavor leased 132,816 square feet in Building B. United Rotary Brush leased 135,000 square feet at Southpark Commerce Center Building B, built by BCB Development, while Groundworks leased 112,500 square feet at Building A, to nearly fill the park. Kalmar Solutions subleased 455,220 square feet at Lone Elm 716 in Olathe

At Meritex Lenexa Executive Park, the developer delivered three new rear-loaded flex buildings. Building #3 of 189,000 square feet, which is fully leased to Motion

Industries, Building #4 of 84,816 square feet and Building #5 of 72,048 square feet, which are leased to several smaller tenants.

Block Real Estate Services delivered an industrial flex building, fronting College Boulevard, just west of Renner Road. The Lenexa Logistics Centre Building S8 is 195,409 square feet and was in the lease-up phase at year-end. Block's other developments in Lenexa Logistics Centre North, South and East are all 100% occupied, with LLC North 5 recording several new tenants including KGP Telecommunications in 217,284 square feet, Elliott Electric Supply in 70,107 and Pertronix in 100.604 square feet. Block also sold a site to Standard Beverage to construct its own 72,000 square foot building and will relocate from a smaller Lenexa facility. In Spring 2023, MSI International opened its 201,680 square foot build-to-suit facility in Lenexa Logistics Centre North, also developed by Block.

Agilix purchased a 100,791 square foot building in Lenexa as did French Gerleman Electric a 102,428 square foot building for expansion/relocation. Fill-Rite Company relocated within Lenexa, from a 53,000 square foot building to a speculatively built 142,500 square foot building in Kansas Commerce Center, developed by Karbank Real Estate.

In Shawnee, in Heartland Logistics Park, developed by Hunt Midwest, Standard Motor Products leased the entire 574,732 square foot speculative Building II, LKQ leased 530,445 square feet in the same park, while ElevenTen Systems purchased a 46,429 square foot building.

Though the smallest submarket, there are some of the largest projects proposed or under construction. New developments are capitalizing on momentum driven by Kansas City International Airport's (KCI) new $1.5 billion terminal. Northeast of KCI, Hunt Midwest started infrastructure work for KCI 29 Logistics Park, a 3,300-acre site, making it Missouri's largest logistics park under single ownership. The master-planned park can support up to 20 million square feet of Class A industrial space and allows direct access to both I-29 and I-435 via a full interchange at I-29 and Mexico City Avenue. It will also have immediate access to FedEx, UPS, USPS, and Amazon Prime Air Services at KCI. The park is fully entitled for manufacturing, distribution, eCommerce, office technology and similar industries. On-site utilities will include transmission level power, transmission water and a wastewater treatment plant. Sites are available for lease, build-to-suit, and land sale options. The amenities provided in the new park helped to entice Ace Hardware, the world's largest retailer-owned hardware cooperative, to build a new distribution center that is nearly twice the size of the company's previous centers, at 1,536,045 square feet.

In early 2023, VanTrust Real Estate broke ground on Platte International Commerce Center, a $185 million park designed for three bulk industrial buildings totaling 2.36 million square feet. The 157-acre park is located north of Missouri Route 92, and east of I-29 in Platte City, just 2 miles north of KCI. The site will offer immediate access to both I-29 and I-435. Incentives include a 16-year stair-stepping real estate tax abatement. The first building of 748,883 square feet is expected to be completed in May 2024.

QTS Realty Trust had been eying a new development within Rocky Branch Creek Technology Park, a 360-acre site being developed by Diode Ventures, northeast of I-35 and U.S. Hwy 169. However, QTS' contract expired awaiting Evergy's ability to supply sufficient power to the property to meet the company's long-term needs. The Port Authority of Kansas City intended to provide 75% and 100% real estate tax abatements over 25 years, and a sales tax exemption on construction materials for projects at the data center campus. The site could support as many as 12 buildings totaling 4.3 million square feet.

Nearby, Meta, the parent of Facebook, has confirmed plans to build an $800 million, nearly 1 million square foot data center in Kansas City's Golden Plains Technology Park, also being developed by Diode Ventures. Meta would utilize 350 acres for the initial two-building data center project. In late 2022 Meta bought another 238 acres giving it full ownership of the 880-acre Golden Plains Technology Park. Evergy's power supply appears sufficient for the development of the project to open in 2024.

The tech giant has shared plans to invest as much as $40 billion in a broader data center campus over time.

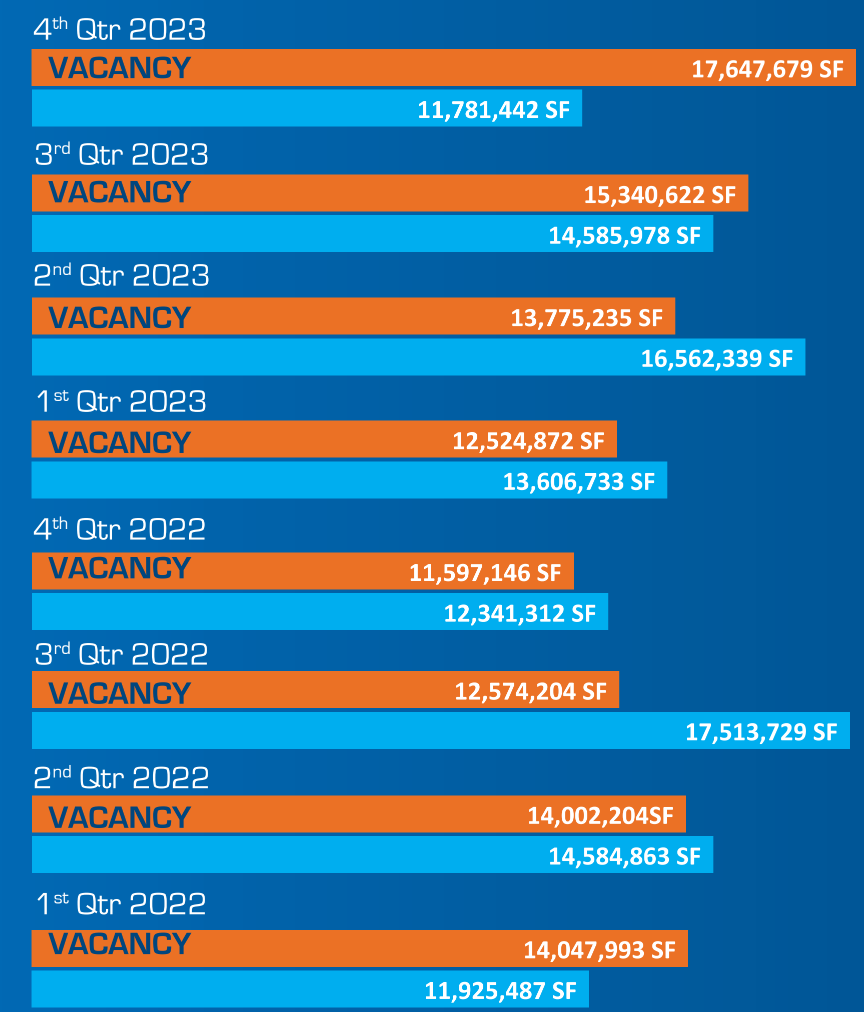
Block Real Estate Services received plan, rezoning and incentive approvals for its proposed Tiffany Springs Logistics Park, a $365 million project that calls for up 3.72 million square feet of industrial space across 281 acres west of I-29 and northeast of Tiffany Springs Road. The park would contain seven industrial buildings between 423,033 and 754,792 square feet, built over 3 phases. Development of the park includes an extension of Tiffany Springs Parkway through the park. The Port Authority of Kansas City approved 20 years of real property tax abatement for speculative buildings within the park, with a payment in lieu of taxes set at $0.05 per square foot of industrial space in years 1 – 5, increasing to $0.75 per square foot in years 19 – 20. Construction on the 1.89 million square foot first phase is scheduled to start in 2024 and run through 2029 with all phases completed by 2036, pending market demand.

In other notable activity, DHL eCommerce Solutions has opened a 124,700 square foot distribution center near KCI, which doubles the size of their previous location in St. Louis.

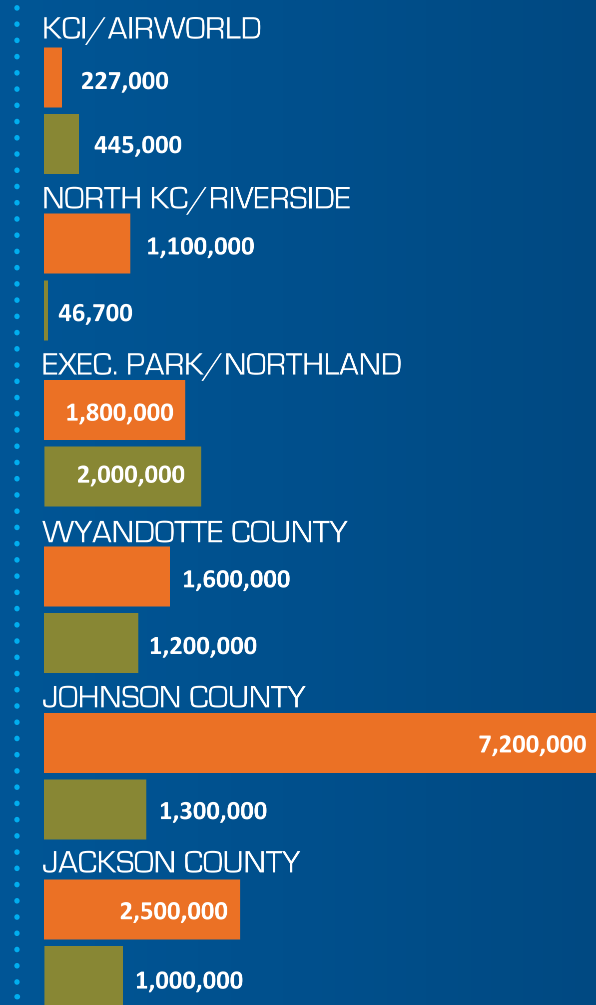
Contributors: Michael R. Block, Executive Vice President, Designated Broker; Christian D. Wead, Vice President, Industrial Sales and Leasing

INDUSTRIAL AT A GLANCE

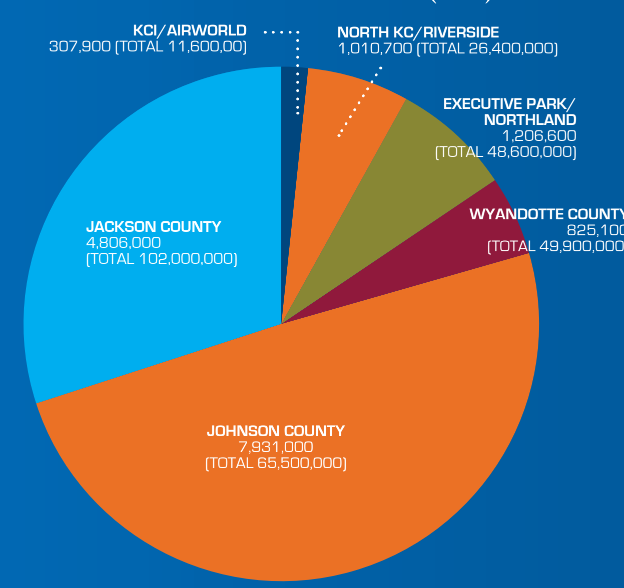
KANSAS CITY METRO ALL CLASSES
INDUSTRIAL VACANCY VS. UNDER CONSTRUCTION



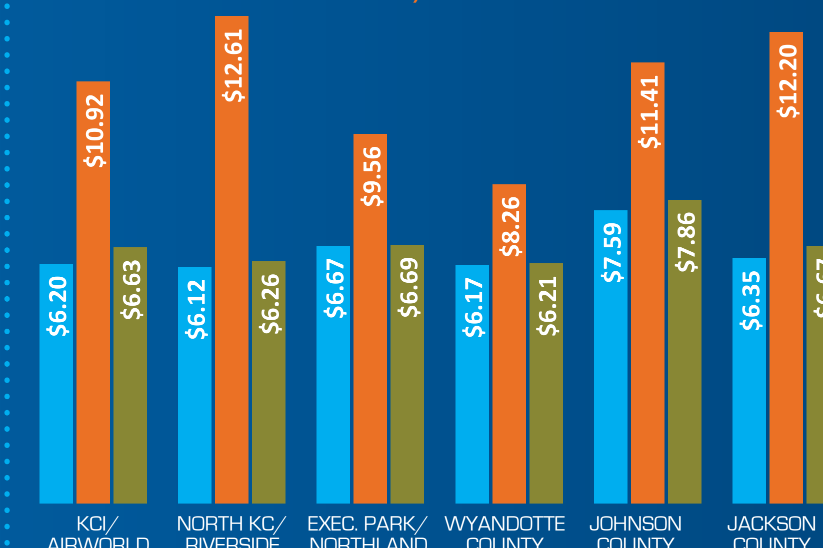
2023 TOTAL INDUSTRIAL
LEASING VS. NET ABSORPTION



VACANT INDUSTRIAL SPACE BY SUBMARKET (SF)



2023 AVERAGE RENTAL RATES/SF
WAREHOUSE/BULK VS. LIGHT INDUSTRIAL/FLEX VS. COMBINED



KANSAS CITY RETAIL MARKET

While the threat of recession loomed all year long, consumer confidence was on the rise in the second half of the year signaling the expectation of a recession has declined significantly. Inflation cooled to 3.1% for the 12 months ending November having peaked at a pandemic-era high of 9.1% in June of 2022, the highest rate since 1981. To slow inflation, the Federal Reserve raised interest rates to their highest level since the early 2000s with the hope of returning to a more sustainable 2% inflation target in the coming years. Despite higher interest rates, these changes in the economy combined with a low unemployment rate, strong wage growth and a robust stock market, have helped to boost retail spending.

Consumers have a healthy demand for experiential spending, indulging in travel both domestically and abroad, attending concerts, sporting events, and dining out all while being more prudent on getting the best value on goods, constantly keeping retailers on their toes to remain relevant in ever changing trends and expectations. The omnichannel retail strategy continues to grow and expand as 79% of consumers now make purchases directly from their mobile devices. Social commerce is gaining traction as retailers are selling more goods on social platforms through marketing strategies which are often backed by influencers who support specific brands. AI is watching and collecting our browsing and purchasing history allowing next-level hyper-personalization access to customers for the retailers that embrace it, catering specifically to anyone's individual needs and preferences.

Despite the increase in interest rates, the circumstances are right for development to heat up as absorption climbed through the year; and, while muted with cap rates rising, sales of local shopping centers are still in demand. The following sales transactions have occurred, or are in process: Merriam Town Center, 363,000 square foot regional power center; Lionsgate Marketplace (Building H), 23,500 square foot neighborhood center; Tomahawk Shopping Center, 27,300 square foot neighborhood center; the regional shopping centers, Oak Park Commons and Quivira 95, containing 342,000 square feet are expected to close at the end of the year; and, the Country Club Plaza, 965,000 square foot mixed-use district is under contract, expected to close in 2024.

Every year we say goodbye to some favorite tenants while we welcome new ones. Local, regional, and national brands continue to announce expansion plans, bankruptcies are lower than many years past, all proving retail remains resilient. With the market tightening, there is renewed demand for prime locations causing upward pressure on rental rates and the need for those stalled developments to dust off their plans.

Galleria 115, a comprehensive mixed-use development plan, is composed of an expansive 455,000+ square feet of commercial space. This development uniquely blends entertainment venues, premium office spaces, and diverse retail options. The project features two key structures: Galleria Corporate Center I, a 7-story office building, and Galleria Corporate Center II, which comprises 4 stories. Together, they offer 283,930 square feet of office space and an additional 24,111 square feet for retail purposes. Galleria also includes 678 luxury apartment units. The successful opening of The Residences at Galleria added 322-units with another 356-units set to be added in the near future. Spanning 25.65 acres, this development is situated at the prime location of Nall and 115th in Overland Park, Kansas.

MULTI-STORE CLOSINGS INCLUDE THE FOLLOWING:

- Bankruptcy took out seven Tuesday Morning area locations, six Bed Bath & Beyond stores and two buybuy Baby locations in the metro.
- CVS closed three of its area stores in 2023 and Walgreens closed one.
- Party City closed in Belton and St. Joseph.
- Save A Lot closed its stores in Gladstone and Independence.

MULTI-STORE OPENINGS AND EXPANDING CONCEPTS INCLUDE THE FOLLOWING:

- Casey's purchased 26 area Minit Mart locations in KC as part of its expansion strategy.
- Swig Soda, announced six locations in the metro.
- Whataburger opened four new locations with more planned.
- Dutch Bros Coffee opened three new locations with more planned.
- Total Wine & More purchased the three area Lukas Liquor stores.
- Ace Hardware closed its store at College and Antioch but opened in Liberty and in Lee's Summit with plans to open at The Fountains in Overland Park in 2024.
- K-POT Korean BBQ & Hot Pot opened in Corbin Park with plans to open at Metro North Crossing and The Legends Outlets in 2024.
- Peter Piper Pizzeria, an eatertainment concept of sister brand Chuck E. Cheese opened two locations with a plan to build between eight to twelve locations area wide.
- Meddy's opened a second area location in Brookside with plans to open up to eight more.
- Pizza Tascio opened two additional locations this year bringing its store count to six.
- McLain's Bakery opened in South Overland Park and announced a North Kansas City location.
- Shatto Milk purchased Betty Rae's Ice Cream and plans to open additional locations to expand the company's reach.

JOHNSON COUNTY, KANSAS

Vacancy stands at 4.5% in Johnson County, down from 2022, when vacancies stood at 4.6%. Average rental rates jumped to $19.59 per square foot in 2023 compared to $18.95 in 2022.

35.4M	4.5%	$19.59	$191
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

NOTEWORTHY

The saga of the Mission Gateway development isn't over yet, but the stage is being set for something new. After 17 years in development, the project is in foreclosure and the city officially terminated its redevelopment agreement after non-payment of more than $450,000 in property taxes.

Life Time Fitness continues with its plans to open a 93,000 square foot athletic club with an outdoor deck and pool area along with four pickleball courts at 97 Metcalf. Plans also include a Texas Roadhouse, Panera Bread, QuikTrip, coffee shop, and another restaurant.

The Brookridge development at Interstate 435 and Antioch started moving dirt this year for its infrastructure and utility work which will continue through next year. Phase 1 includes two mixed use residential/retail buildings, a grocery store, a boutique hotel and office space.

The Vista development along Ridgeview between Prairie Star Parkway and K-10 is underway with two of four components. Vista Ridge, at Prairie Star Parkway, a 15-acre nine retail/commercial building development and Vista Village at K-10, a 47-acre project with five retail buildings and two restaurants in phase one with a second phase including 122 townhomes, 260 apartments and an amphitheater are both moving dirt. Dutch Bros. Coffee is the first tenant announced at Vista Ridge.

Andretti Indoor Karting & Games is moving dirt at the Aspiria campus for its 103,000 square foot entertainment facility at 117th Street. Park Place added Mission Taco Joint, Bruu' Café, Owen & Graham Girl, Bumblebee Macarons, Sandlot Goods, Lalli's Boutique, and The Smile Line Studio with announcements for Aqua Penny's and Aixois opening after the first of the year.

Along 119th Street, J. Crew Factory opened at Hawthorne Plaza. Leawood Town Center Plaza added Pandora Jewelry, Sandbox VR, Tabu Knits Boutique, The North Face, Whole Harvest Kitchen, and Blade & Timber. Overland Crossing added Whole Foods and Nordstrom Rack. Sears Home & Life closed at The Fountains; Westlake Hardware will replace it.

Along 135th Street, Petco and K-Pot opened at Corbin Park with Luxuria Exquisite Home Furnishings and Décor announced to open in 2024. Amazon Fresh had plans to open in Prairiefire but that plan was put on hold when Amazon put a freeze on its grocery store expansion plans; at the same time, Messenger Coffee also pulled its plans to open there. Two new mixed-use developments have been announced: East Village at 135th and State Line including single and multi-family residential, senior living, and 115,000 square feet of retail space; and, Oxford Promenade with 294 high-end residential units, 90,000 square feet of high-end retail and 39,000 square feet of office space at 135th and Mission Road were announced.

SERV is a freestanding retail community center in Overland Park, Kansas. The gross leasable area is 51,500 square feet and hosts a multitude of pickleball courts, drinks, food, and a lounge area. Completed in February 2023, the space supports multiple retail tenants and luxury apartments.

AdventHealth Sports Park at BluHawk is set to open by winter 2024. In the meantime, Of Course Restaurant opened in the development this year together with Cookie Co., and Chase Bank, with Sierra, Ulta Beauty, Rack Room Shoes and Bath & Body Works slated to open in 2024.

Swig Soda, a "dirty soda" trend made with added creamers, fruit, juice, favored syrups, and more is announced at BluHawk, near 91st & Metcalf, and in Mission.

Whataburger opened three Johnson County locations; BluHawk, 95th and Metcalf and 135th and Greenwood.

EAST JACKSON COUNTY, MISSOURI

Vacancy stands at 7.1%, up from 6.8% in 2022. Rental rates in this area increased from an average of $14.88 at the end of 2022 to an average of $15.19 per square foot.

19.3M	7.4%	$15.19	$142
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

NOTEWORTHY

El Mercado Fresco grocery opened in the former Save A Lot space.

Wally's, the 'Home of the great American roadtrip' announced plans to open in Independence breaking ground on its 50,000 square foot travel center at the site of the former Kmart in summer of 2024.

Ulta opened at Independence Commons.

Swig Soda is announced at Adams Dairy.

DOWNTOWN/ MIDTOWN/ PLAZA AREA/ SOUTH KANSAS CITY

Rental rates in this metro area increased from $18.00 per square foot at the end of 2022 to an average of $19.05 per square foot at the end of 2023. The area's vacancy rate decreased from 3.1% at the end of 2022 to 2.9% at the end of 2023.

24.8M	2.9%	$19.05	$162
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

NOTEWORTHY

In downtown Kansas City, KC Current's CPKC Stadium will open spring 2024 with an impressive list of local restaurant vendor partners offering food options from Joe's Kansas City Bar-B-Que, Billie's Grocery, Yoli Tortilleria, Local Pig, Waldo Thai, Martin City Brewing Company, and Room 39. Bally's Kansas City Casino opened its 35,000 square foot expansion and newly renovated casino floor which included Chickie's & Pete's Crab House and Sports Bar. In the Power & Light District, KC Hooley House and Blue Sushi Sake Grill opened with an announcement for Modern Market Eatery and HomeGrown to open in 2024. Pennway Point, dubbed a family friendly urban playground opened its 150-foot-tall Ferris wheel with a miniature golf course in the six-acre development this year with expectations of adding volleyball courts, an ice skating rink, a neon sign display alley and several restaurants including Beef and

Bottle, Wurstl, Bull Creek Whisky Bar, Boulevard Brewery's Barrel-Aged Tasting Bar, and Chef J BBQ next year.

The Country Club Plaza defaulted on its loan in May and is courting a suitor for its sale in 2024. A few tenants closed during the year, Pink Lipps Cosmetics and Milan Optique, with Soft Surroundings and Moosejaw closing early in 2024; the iconic shopping district added several new ones: Hokibar, Johnny Was, Nike by Kansas City, Rowan Piercing Studio, Claire's, Himiway, Divina Events Center, The Escape Game, State and Liberty and Puttery, an upscale mini-golf concept with announcements for Kura Revolving Sushi Bar and Face Foundrie' in 2024. Two hotel projects also opened on the Country Club Plaza; Aloft, a seven-story with 121-rooms and sister brand Cascade Hotel, a 10-story, 177 room hotel with a Strang Chef Collectives food hall.

Pizza Tascio opened at the location of the former Classic Cookie in Waldo and the long-vacant former Brandsmart building that had been under reconstruction for over a decade has announced plans for a coffee shop and brewery to open fall of 2024. The Well closed to make room for a new 296-unit apartment project with 11,000 square feet of ground level retail where it will reopen once completed.

Ward Parkway Shopping Center added Crumbl Cookies, Nick the Greek, Peter Piper Pizzeria, Supplement Superstore and Hibbett Sports.

In Lee's Summit, Summit Fair added Pura Vida Acai' Café, Lolita Collective, and Lululemon. Swig Soda is expected to open at Summit Orchard in 2024. Pizza Tascio opened at Summit Woods Crossing. Paragon Star, a 190-acre mixed-use project in Lee's Summit has been moving dirt at the northeast quadrant of Interstate 470 and View High Drive as it prepares for the grand opening of its sports complex with 10 multisport artificial turf fields and the grand opening of a 70,000 square foot two story building offering offices on the second floor with retail space on the ground level. Discovery Park Lee's Summit broke ground on its 268-acre, four phase, 3.9 million square feet mixed use development to include hospitality, retail, office and residential space. And, Downtown Market Plaza also broke ground on its 4-acre mixed use development which will include a 17,300 square foot year round farmer's market, event space, outdoor performance area in its first phase expected to open 2025.

KANSAS CITY, KANSAS/ WYANDOTTE COUNTY

Retail rental rates for Wyandotte County were $12.98 per square foot at the end of last year. They decreased to $16.92 per square foot at the end of 2023. The area had a 3.4% vacancy rate at the end of 2023, compared to an 2.5% vacancy rate at the end of 2022.

24.8M	3.4%	$16.92	$151
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

NOTEWORTHY

The American Royal Association is underway on its new 127-acre campus which will include nearly 400,000 square feet of space to include three arenas, a state-of-the-art learning and engagement center and 100 acres of space for livestock shows, its World Series of Barbecue and agricultural education.

The Legends Outlets added Lee | Wrangler, Deposit the Work Fitness, and BOSS, the Hugo Boss brand outlet with Todd's Clothiers announced for 2024.

NORTH OF THE RIVER

Rental rates in the Northland averaged $18.45 at year-end, up from $17.84 per square foot at the end of 2022. The vacancy rate decreased to 3.2% from 4.0% at the end of 2022.

20.3M	3.2%	$18.45	$174
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

NOTEWORTHY

Zona Rosa added Anejo Modern Mexican Cuisine, Annie Austen, F45 Fitness, Lids, M. Vince' Nail Spa, RE:, Roots KC Plant Shop, Shop Len, The Babe Standard, QZ Poke & Ramen and Tulle & Dye Shoppe with SafeSplash Swim School and Wild Deer Barbershop & Bar expected to open in 2024.

Whataburger opened in Tiffany Springs and Made in KC and Rally House opened in Barrywoods Crossing.

Metro North Crossing added Hawaiian Bros. Island Grill, Whataburger, four pickleball courts, Dutch Bros. Coffee, HOTWORX, Bloom Nails & Spa, and HullHouse Coffee while Third Street Social and Andy's Frozen Custard plan to open in 2024.

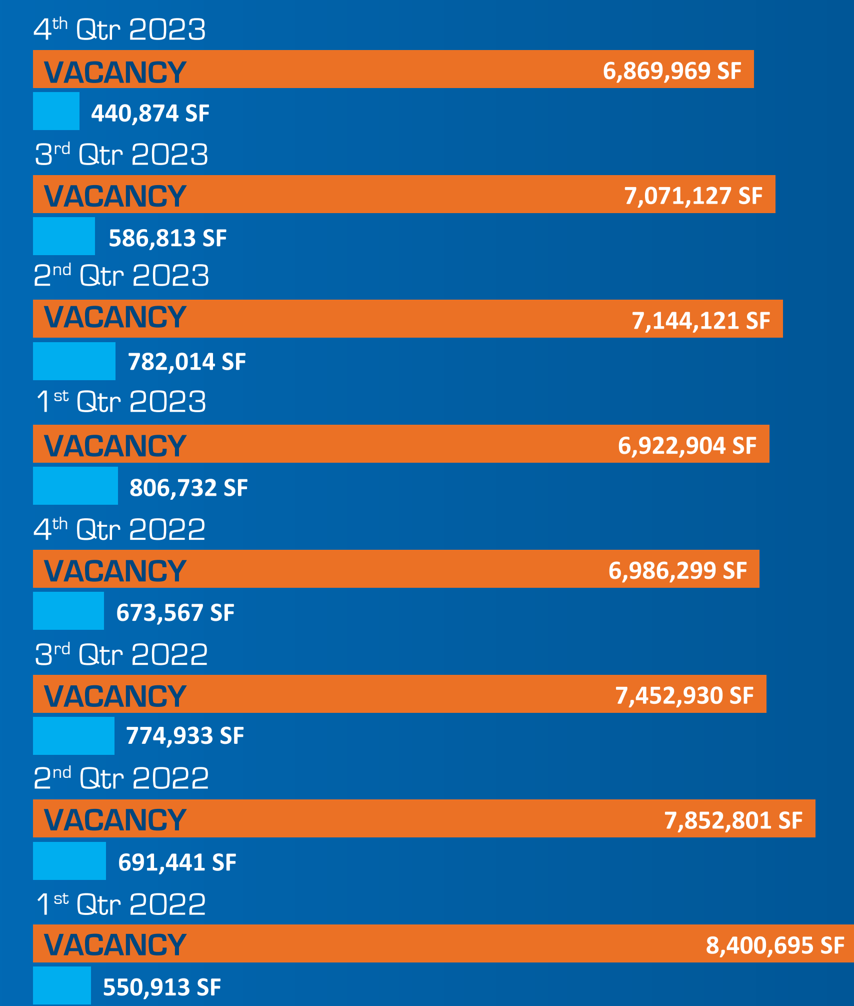
Aldi opened at North Oak Village and Price Chopper opened at Creekwood Commons. Riverside's Red X completed its new 60,000 square foot building and relocated the eclectic liquor and grocery to its new home. Char Bar Smoked Meats & Amusements with four indoor and two outdoor pickleball courts opened in the Creekside development in Parkville along with BOHO Brewing.

One North is advancing its plans for a 70,000 square foot Genesis Health Club with surfing simulator, 12 sand volleyball courts, large outdoor pool areas and a bar and grill; a 33,000 square foot grocery store; and, a vertical rope climbing and zipline course overlooking a destination restaurant yet to be announced.

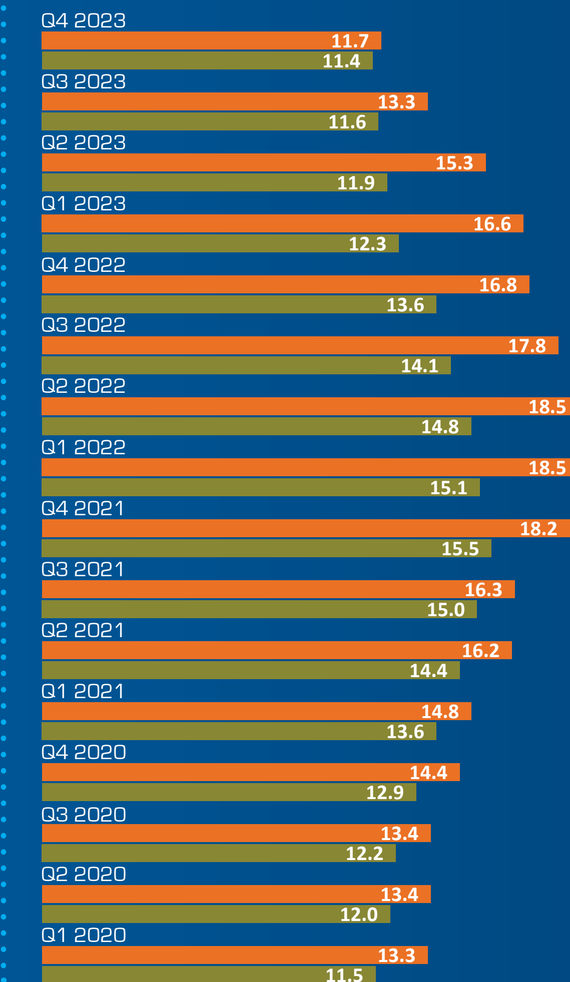
Contributor: Kim Bartalos, CLS, Vice President—Sales and Leasing

RETAIL MARKET AT A GLANCE

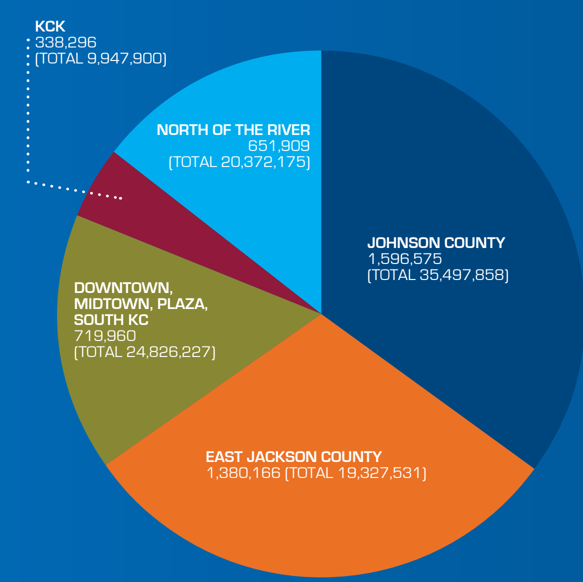
KANSAS CITY METRO ALL CLASSES
RETAIL VACANCY VS. UNDER CONSTRUCTION



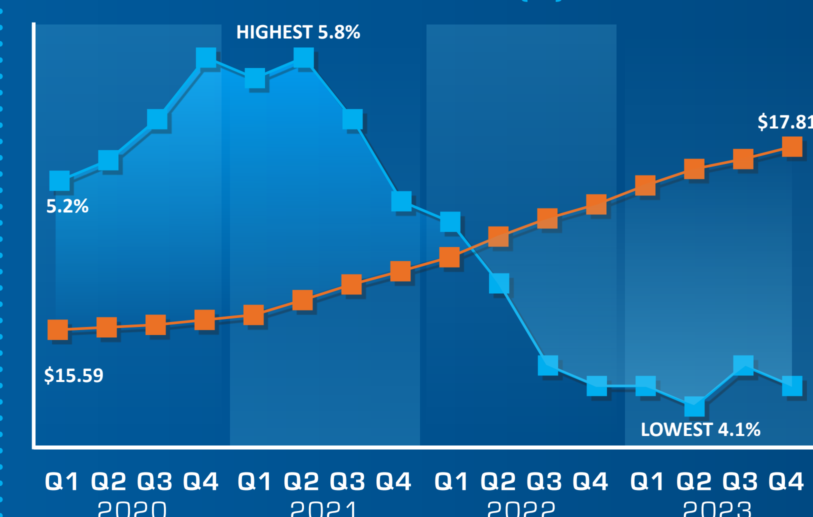
RETAIL MONTHS TO LEASE
KANSAS CITY VS. U.S.



VACANT RETAIL SPACE BY SUBMARKET (SF)



AVERAGE RETAIL RATES
RENTAL RATES ($/SF) VS. VACANCY RATE (%)



Kansas City Multifamily Market

The Kansas City Metro apartment market began to feel the economic pressure of rising interest rates in 2023. 2023 has shown a large decrease in sales volume as well as a decrease in the average sale price per unit. The continued delivery of units, with over 7,765 units under construction, will likely cause sale prices to continue to lag early in 2024. Despite the decrease in sale prices and activity, the underlying market fundamentals remain strong in Kansas City. The current vacancy rate of 7.7% is in line with the national average of 7.4%. This increase in the average vacancy is likely due to the large number of units delivered in 2023 and will likely continue early into 2024. The Kansas City market saw rent growth of 2.7%, well above the national average of 0.6% for the same twelve-month period. As economic uncertainty subsides and interest rates begin to stabilize, expectations are for sales to increase or continue their current trend as the gap between sellers and buyers continues to narrow. The Kansas City multifamily market should have another active year as inventory continues to grow, and investors look to deploy capital following a hiatus in 2023.

19M	7.4%	$1,660	$229K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/UNIT

NATIONAL

Nationwide, there are currently more than 19,330,000 units. The average vacancy rate has risen to 7.40%, marking a 1.5% increase compared to the previous year. The average market rent per unit per month has reached $1,660, reflecting a 2.34% year-over-year growth. The average sale price per unit stands at $229,000. Despite the increase in interest rates throughout 2023, the demand for multifamily properties surged as residential home prices reached unprecedented highs, prompting individuals to seek more affordable housing options.

Originally built in 2004, Pine Meadows has been purchased under the new ownership of Freshwater Investments. Pine Meadow Townhome apartments sold for $24.5 million in May 2023, and offers 102 units with a gross building area of 171,340 square feet.

MULTIFAMILY MARKET

The escalating interest rates exerted downward pressure on transaction volume, resulting in a substantial 69% decrease from 2022. Moreover, the average sale price per unit in these transactions witnessed a notable decline of over 12% compared to the preceding year. With signals from the Federal Open Market Committee (FOMC) suggesting a potential halt in interest rate hikes, the question now is whether market activity will rebound to the levels observed in the post-pandemic years of 2021 and 2022.

173K	7.7%	$1,238	$143K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/ UNIT

KANSAS CITY METRO

The Kansas City Metro area comprises approximately 172,996 total units. The current average vacancy rate is 7.70%, reflecting a 3.4% rise from the previous year. Market asking rents average $1,238 per unit per month, and the average sale price per unit is $143,000. Following national trends, the Kansas City market experienced ongoing rent growth despite the uptick in vacancy rates. However, there was a year-over-year decline in transaction volume and the average sale price per unit, indicating a slowing market trajectory as it approaches 2024.

60.5K	5.2%	$1,352	$167K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/ UNIT

JOHNSON COUNTY

The Johnson County submarket comprises around 60,529 total units. The current average vacancy rate is 5.20%, showing a marginal increase from its 2022 level. Market asking rents average $1,352 per unit per month. However, the average sale price per unit has decreased year over year, settling at $167,000. Despite the decline in average sale price, Johnson County witnessed the highest transaction volume among all submarkets in Kansas City. Benefiting from a concentration of top employers, Johnson County continues to experience growth, with 2,320 units currently under construction.

TOP DEALS

1. Hunters Pointe – 333-unit Class B community built in 1985 - $58.6 million sale price or $175,976 per unit.
2. Residences at Park Place – 258-unit Class A community built in 2014/2019 - $66.5 million sale price or $257,752 per unit.
3. Lennox of Olathe – 384-unit Class B community built in 1995 - $61.5 million sale price or $160,156 per unit.
4. Rosehill Pointe – 500-unit Class B community built in 1985 - $85.5 million sale price or $171,000 per unit.
5. The Madison at Overland Park – 200-unit Class B community - $44.3 million sale price or $221,700 per unit.
6. Pine Meadow Townhomes – 102-unit Class B community - $24.5 million sale price or $240,000 per unit.

Summit Square is a 549,493 square-foot gross building area located in Lee's Summit, Missouri. This 308 unit multifamily property was sold for $80 million in May 2023 to Avanti Residential.

7.5K	14%	$978	$90.5K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/ UNIT

INNER JACKSON COUNTY, WARD PARKWAY

There are 7,544 total units in the Inner Jackson County-Ward Parkway area. The average vacancy rate currently stands at 14.0%. Market asking rents are averaging $978 per unit per month. Average sale prices per unit are $90,500. After a strong year of deliveries in 2022 the submarket saw increased vacancy and slowing rent growth. Year-over-Year, rents saw a modest increase of only 1.24% compared to the previous twelve months.

14K	9.2%	$1,526	$218K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/ UNIT

CBD, CROSSROADS, CROWN CENTER, WEST BOTTOMS

The Downtown area boasts a total of 13,999 units, with the current average vacancy rate standing at 9.2%. Market asking rents are averaging $1,526 per unit per month, and the average sale price per unit is $218,000. Notably, the downtown area stands out as the sole submarket in Kansas City to witness a rise in the average sale price per unit. This upward trend in pricing, coupled with decreasing vacancy rates and increasing rents, serves as compelling evidence of the downtown areas appeal to both residents and investors. Thes strong submarket fundamentals have spurred growth, highlighted by the delivery of Three Light, the Cordish Companies' third high-rise multifamily building in the Central business District (CBD), and the concurrent construction of over 750 units.

14K	8.8%	$1,185	$126K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/ UNIT

PLAZA, MIDTOWN, BROOKSIDE

There are 14,074 total units in the Plaza-Midtown-Brookside areas. The average vacancy rate is 8.8%, representing a 1.9% increase from the previous year. Market asking rents are averaging $1,185 per unit per month, while average sale prices per unit are $126,500. Despite the increased vacancy, this area continues to attract attention from developers and investors. With the construction of the streetcar, the Midtown area has witnessed several notable transactions and new constructions, including the sale of the Westley on Broadway and the redevelopment of the Katz drugstore into a Class A multifamily community.

TOP DEALS

Longfellow Heights I, II, and III – 306-unit Class B community built in 1989/2000 - $19.4 million sale price or $63,399 per unit.

Westley on Broadway – 256-unit class A community built in 2020 - $41.2 million sale price or $160,938 per unit.

29K	8.0%	$1,205	$143K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/ UNIT

NORTH OF THE RIVER

There are an impressive 29,049 total units in the Northland submarket. The average vacancy rate currently stands at 8.0%, marking a 2.5% increase from the previous year. Market asking rents are averaging $1,205 per unit per month, while average sale prices per unit are $143,000. Despite the significant increase in vacancy rates, the submarket experienced an impressive 6.6% year-over-year rent growth. With a steady number of units delivered in 2023 and ongoing construction supplying over 800 units, this area will continue to attract interest from institutional-level capital.

MULTIFAMILY MARKET

TOP DEALS

1. Province of Briarcliff – 120-unit class B community built in 2002 - $23.8 million sale price or $198,333 per unit.
2. Pinehurst – 146-unit class B community built in 1987 - $18.5 million sale price or $126,712 per unit.
3. Flats at Creekside – 100-unit class A community built in 2022 - $29.3 million sale price or $293,000 per unit.

36.4K	8.8%	$1,116	$111K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/UNIT

OUTLYING JACKSON COUNTY

There are 36,418 total units in the Outlying Jackson County area. The average vacancy rate stands at 8.8%. Market asking rents are averaging $1,116 per unit per month, while average sale prices per unit are $111,000. Similar to many other submarkets in Kansas City, the Outlying Jackson County area saw an increase in asking rents despite a rise in vacancy rates. This area continues to attract attention from developers, with over 1,000 units currently under construction.

TOP DEALS

1. Timberlane Village – 456-unit class B community built in 1987 - $46.4 million sale price or $ 101,856 per unit.
2. Lakewood Terrace – 152-unit class B community built in 2002 - $15.2 million sale price or $100,000 per unit.
3. Summit square – 308-unit class A community built in 2018 - $80 million sale price or $260,000 per unit.

4.9K	9.4%	$765	$76K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/UNIT

EAST KANSAS CITY

In the East Kansas City Submarket, there are a total of 4,898 units. The average vacancy rate stands at 9.4%, and market asking rents average $765 per unit per month, with average sale prices per unit at $76,000. Unfortunately, the East Kansas City area continues to fall behind when compared to the overall Kansas City market, exhibiting negative rent growth, reduced average sale prices, and increased vacancy compared to the previous year.

TOP DEALS

1. The Mansion – 550-Unit class B community built in 1989 - $65.6 million sale price or $119,273 per unit.

10.5K	8.7%	$1,081	$96K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/UNIT

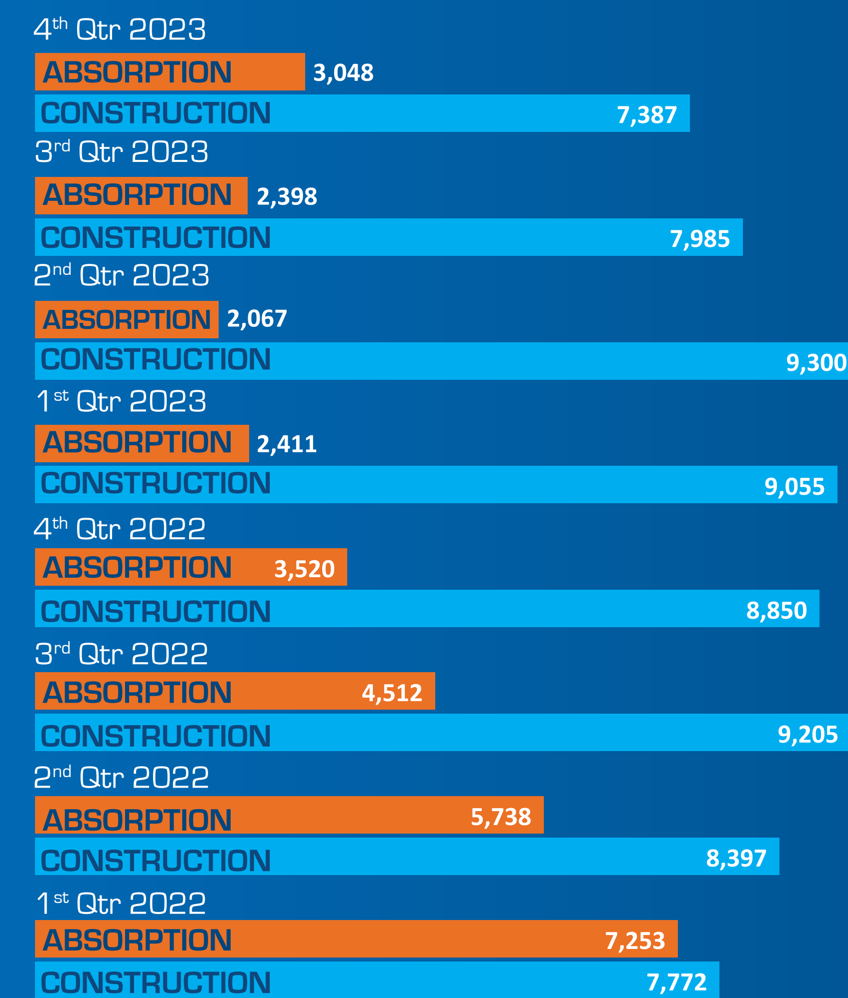
KANSAS CITY, KANSAS

In the Kansas City, Kansas submarket, there are a total of 10,501 units. The current average vacancy rate is 8.7%, reflecting a 1.7% increase from the previous year. The average sale prices per unit are $96,700. Despite asking rents and average sale prices falling below the Kansas City market averages, this region is experiencing robust growth, with over 1,330 units currently under construction.

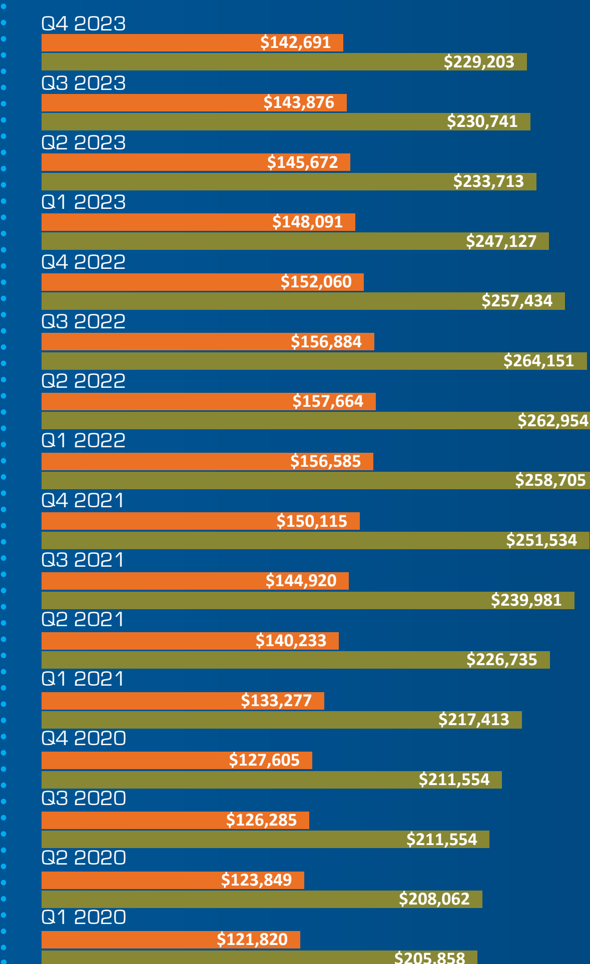
Contributors include Ryan M. Klepper, Assistant Vice President of Acquisitions, Grant O. Reves, Director of Acquisitions

MULTIFAMILY AT A GLANCE

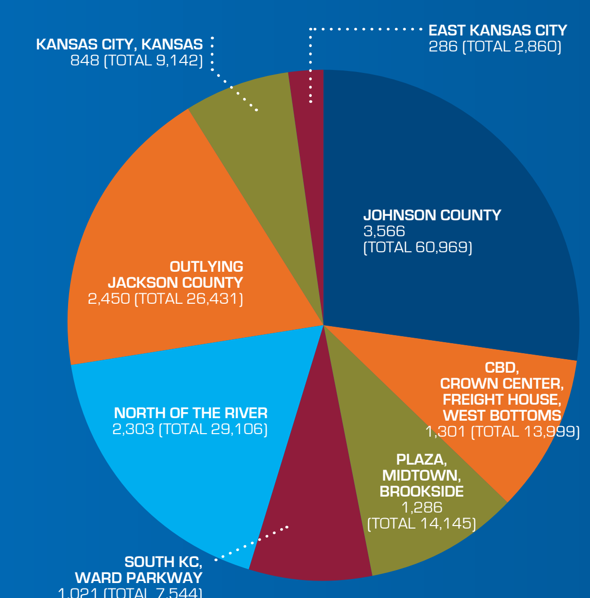
KANSAS CITY METRO ALL CLASSES
ABSORPTION VS. UNDER CONSTRUCTION



MULTIFAMILY SALE PRICE/ UNIT BY LOCATION
KC VS. U.S.



VACANT MULTIFAMILY UNITS BY SUBMARKET



AVERAGE MULTIFAMILY RATES
RENTAL RATE ($) VS. VACANCY RATE (%)

Kansas City Investment Market

Commercial Real Estate has continually been a strong hedge against high inflation and recessions. As such, it will remain a durable and sturdy industry throughout 2024. Although the commercial real estate investment market has felt the squeeze of a turbulent economy, investors continue to have optimism as markets adjust and monetary policy begins to settle.

MARKET

The preceding year posed a multitude of challenges, with high inflation and whispers of an impending recession shaping the economic landscape. Commercial real estate, known for its resilience, has consistently served as a strong hedge against such adversities, and this trend is anticipated to continue throughout 2024. While the commercial real estate investment market felt the repercussions of the economic slowdown in 2023, the industry maintains a cautious yet optimistic outlook.

In the current landscape, capital remains actively engaged in pursuing investment opportunities. However, there is a noticeable change occurring in the increasing difference between the prices at which buyers are willing to buy and sellers are willing to sell, leading to a decrease in the amount of trading activity in the market. This indicates a measured and strategic approach within the industry as participants navigate the evolving economic conditions.

Despite the challenges, the inherent strength of commercial real estate as a durable sector is expected to remain a cornerstone of stability in 2024. As market dynamics adjust to ongoing economic shifts, the industry is poised to adapt and showcase its resilience in the face of uncertainties, reinforcing its reputation as a reliable investment choice.

INFLATION

Throughout 2023, discussions about inflation have remained at the forefront of global discourse. Inflation experienced a significant surge from 2022 to 2023, driven by various factors such as pandemic stimulus measures, supply chain disruptions, and geopolitical events. In June, inflation reached a four-decade high of 9.1%. Since then, due to a series of monetary policies, inflation began to trickle down in early 2023, now standing at 3.2%.

Investors are increasingly scrutinizing rental income and property value growth to hedge against the erosion of purchasing power. The industrial

Ace Hardware has their sights on moving into 1,500,000 SF industrial property projected to be built by 2025. The developer is Hunt Midwest, and construction is set to start February 2024 in northern Kansas City, Missouri.

The Country Club Plaza has been seeing the same rate of tenant departures as they have new signings. Prospective owners, HP Village Partners, and Ray Washburne are in the process of finalizing the purchase of the Country Club Plaza. With previous ownership of similar properties in Dallas and North Carolina, the new owners, along with Kansas City officials, are collaborating on revitalization efforts, aiming to pedestrianize the area and breathe new life into the community.

sector remains resilient amid supply chain disruptions, as e-commerce and logistics drive demand for warehouse spaces. In contrast, the office sector has experienced shifts in tenant preferences, with a focus on flexible workspaces and hybrid models, influenced by both inflation concerns and the ongoing impact of remote work trends.

Amidst these dynamics, adaptive strategies that account for inflationary effects are crucial for stakeholders in the investment landscape. It is expected that the Federal Reserve will decrease its target range in the first half of 2024, with the Congressional Budget Office projecting rates to settle in the 4.5% range in Q4 of 2024. As a result, the Personal Consumption Expenditures Price Index (PCE), projects PCE inflation to fall from 3% as of October 2023, to 2.6% in 2024 and 2.4% in 2025.

RECESSION

The possibility of a pending recession was a highly debated topic throughout the latter half of 2022. Some firmly believed the contracting economy was proof that we were, in fact, already in a recession while others repeated the current presidential administration's belief that a recession was not in our country's future and that a soft landing was just around the corner. Economic indicators suggest a mixed outlook, with factors such as global supply chain disruptions, inflationary pressures, and geopolitical tensions contributing to uncertainty. Investors have adopted strategies emphasizing stable, income-generating assets and prioritizing markets with diverse economic drivers. With inflation seemingly under control and gross domestic product slowly increasing, it seems that the worst may be behind us as the economic landscape continues to improve.

KANSAS CITY HIGHLIGHTS

Kansas City continues to grow despite the economic uncertainty seen nationwide. According to Livability's city analysts, Kansas City ranks among the top places to live, praised for our job markets, sports culture, entertainment districts, and food. The Kansas City Metropolitan area experienced a 0.82% population increase since 2022, bringing the total population to 1,725,000. As we look forward to 2024, we highly anticipate the completion and full opening of CPKC Stadium, the privately funded, women's soccer stadium located on the Berkley Riverfront. The Residences at Parkway Plaza, a luxury condominium complex with units starting at $1,200,000, is set to open in April of 2024.

KEY SECTOR HIGHLIGHTS

INDUSTRIAL AND LOGISTICS

The industrial sector, which has consistently demonstrated strength and growth, is anticipated to experience a gradual slowing in 2024. The steadfast contributions of eCommerce and logistics continue to underpin the sector's expansion. Industrial vacancies, which averaged between 4.4% and 4.6%, are expected to remain stable or potentially decrease further. The ongoing high costs associated with land and construction are likely to sustain upward pressure on rental rates for existing industrial buildings, ensuring that vacancy rates remain low.

MULTIFAMILY

The multifamily sector, having witnessed substantial rent increases in many markets in the past, faces a nuanced landscape in 2024. The impact of high housing prices on rental decisions, coupled with evolving market dynamics, shapes the outlook for this sector.

RESIDENTIAL

The residential housing market, which experienced price fluctuations in 2023, faces continued challenges in 2024. Housing prices that initially rose in the early part of the year have given way to a slower market due to persistently increased interest rates. This ongoing trend of rising housing prices and construction costs continues to limit the supply of single-family homes.

OFFICE

With the normalization of office-based work, there remains a sustained demand for high-quality office spaces. The preference for Class A offices continues to drive demand, particularly in newly developed office spaces post-pandemic. Class B and C office buildings continue to grapple with challenges, prompting strategic considerations for repositioning.

Owners are actively exploring the conversion of Class B and C offices into residential and medical office spaces. The trend of residential conversions of office buildings gains momentum in 2024, as property owners seek to leverage rising rental rates. However, it's essential to recognize that not all facilities are suitable candidates for conversion, requiring appropriate floor plates for a viable transformation.

RETAIL

The retail sector, which exhibited signs of recovery in 2023, continues to adapt to changing consumer behaviors in 2024. Densely populated areas have witnessed a resurgence in activity, especially grocery stores and restaurants. Owners and developers remain focused on inventive strategies to repurpose underperforming retail assets in response to evolving market demands.

COSTS OF BORROWING

As noted previously, the cost of borrowing has continued to become more expensive. These changes have occurred primarily due to shifts in central bank policies hoping to curb inflation. At the time of writing, the Federal Funds Effective Rate stands at 5.33% and has remained at this level since June of 2023. This is a substantial increase since October 2022 where it stood at 3.08%. This shift underscores the delicate balance between fostering economic growth and managing inflationary pressures, affecting the financing landscape for commercial real estate investments.

INDUSTRIAL

Kansas City has continued to establish itself as one of the country's most important emerging industrial markets. The industrial real estate investment market in Kansas City is enduring as the region continues to benefit from its strategic location and robust transportation infrastructure. The demand for warehouse and distribution spaces remains strong, fueled by the growing prominence of eCommerce and the need for efficient supply chain solutions. Investors are drawn to Kansas City's logistical advantages, positioning the market as a key player in the industrial sector. With a focus on technological integration and sustainability, the industrial real estate landscape in Kansas City reflects the broader trends shaping the industry nationwide.

MULTIFAMILY

The multifamily investment market in Kansas City is experiencing steady growth and resilience. The average Kansas City home value stands at just under $228,000, an increase of 5.1% annually. Sales data shows a 15.6% decline in home sales as compared to September 2022. This continued increase in housing prices, as well as high interest rates, has driven more residents to choose renting over owning. The city's diverse economy and affordable living contribute to a sustained demand for rental properties, attracting investors seeking stable income streams. With a focus on modern amenities and community features, the multifamily sector in Kansas City reflects the national trend of the evolving preferences of residents and investors alike.

CONSTRUCTION COSTS

Disruptions in the supply chain, stemming from global challenges such as transportation bottlenecks and shortages of key materials, continue to contribute to delays and higher procurement costs for construction materials. The ENR Construction Cost Index projects a continued increase for the price of cement. However, steel products are anticipated to trend downward. Lumber supplies are projected to stabilize as the demand for single-family home construction continues to fall. Additionally, inflation has further elevated labor and material expenses, amplifying the overall construction costs for commercial projects.

CAP RATES

Capitalization rates (CAP rates) have increased in 2023 due to higher borrowing cost, uncertainty around monetary policy and the widening bid ask spread between buyers and sellers. Cap rates measure the expected rate-of-return on investment properties and are calculated by dividing the net operating income of the property by the current asset value. Cap rate expansion is the increase in capitalization rates which equates to lower asset values and higher returns for investors. Cap rates widen as investors see more risk associated in the marketplace. As of August 2023, Real Capital Analytics reported a drop in all property year-over-year price change of -9.9% thus putting upward pressure on cap rates.

In the current debt environment, all major product types are reporting increased cap rates as investors grapple with the challenge of achieving high yields. Despite this trend, certain sectors exhibit more resilience, displaying a slower rate of cap rate expansion compared to others.

RETAIL

Single tenant net lease (STNL) retail has seen cap rate expansion, although at a slower pace than some other sectors. The desirability of STNL assets persists among buyers, benefiting from increased consumer spending spurred by COVID-19-related stimulus. Strong retail tenant sales over the past two years have supported expansion and provided opportunities for landlords to raise rents. STNL assets with robust real estate fundamentals continue to attract trades and are less influenced by the prevailing interest rate environment. Cap rates in the private capital retail sector have increased by 25-50 basis points in the last 12 months, while the broader retail sector outside of private capital has reported a 50-75 basis points increase. However, this increase is only half the rate observed in other product types, with pricing declining by 11% as of September 2023.

INDUSTRIAL

After experiencing historical cap rate compression in 2021, the industrial sector is now undergoing cap rate expansion of 100-150 basis points in 2023. The average cap rate for U.S. industrial properties, reported by RCA in August, stood at 5.7%, with older assets in the 6%+ range and new builds averaging the 5%+ range. This represents a 50 basis points increase from the low point a year earlier in the cap rate cycle. Although sales volume has decreased by over 50% year-over-year, all-cash buyers remain active in attractive markets.

MULTIFAMILY

Despite a 210 basis points rise in mortgage rates, multifamily cap rates expanded by 40 basis points, reaching an average of 5.1% in August 2023. Annual sales volume is down by a significant 76%, with year-over-year pricing down -12.2%. However, cap rates stabilized with only a 1% increase in Q2, indicating a potential peak toward the end of the year and modest cap rate compression anticipated in 2024. Luxury apartments show the least expansion, trading in the 4%-5% range, while older assets are in the 5%-6% range. Until the relationship between cap rates and mortgage rates normalizes, deal volume is expected to remain subdued.

HOW TO COMBAT RISING CAP RATES

There are several ways investors can combat rising cap rates:

1. Increase Property Income: This can be done by increasing rent, reducing vacancies, or adding amenities that can generate additional income.
2. Reduce Expenses: Investors can negotiate better contracts with vendors, reducing energy usage or cutting back on unnecessary costs.
3. Improve Property Condition: Improving the property's condition can increase its value and reduce the cap rate. This can be done by renovating the property, upgrading its systems, or enhancing its curb appeal.
4. Repositioning the Property: Repositioning the property can involve changing its use or focusing on a different tenant base. However, repositioning can involve significant capital expenditures and may require a long-term strategy.

SOURCE: Matthews Real Estate

2024 OUTLOOK

The rapid increase in interest rates necessitates lower pricing for acquisitions to achieve healthy returns. However, the full realization of the pricing gap has yet to occur, creating uncertainty that keeps buyers on the sidelines. Cap rates are expected to peak in Q4 2023 but expand at a slower rate until interest rates either fall or stabilize in 2024. A price discovery phase is anticipated in the next quarter to the first half of 2024, narrowing the gap between buyers and sellers and leading to higher transaction volume. The Fed's expected lowering of interest rates in 2024 is anticipated to help decrease cap rates, allowing investors to secure debt at a more affordable price. The Def's expected lowering of interest rates in 2024 will allow investors to secure debt at a more affordable price, thus helping to decrease cap rates. Despite cap rate expansion, opportunities on the market still offer high yields and stable cash flow, prompting investors to carefully assess risk and reward during this period.

Commercial Real Estate continues to offer attractive risk-adjusted returns over the long term. Current market conditions should create attractive buying opportunities over the next year for investors that have tightened underwriting criteria and are selective.

Contributors: Grant O. Reves, President of Acquisitions; Kenneth G. Block: SIOR, CCIM, Managing Principal; John M. Mullen, Development Associate; Ryan Klepper: Assistant Vice President of Acquisitions

INVESTORS Chart and Sales Records

Office	SF	Sales Price / Per SF	Cap Rate	Buyer/Seller
Kiewit Regional HQ 8950 Renner Blvd, Lenexa, Kansas	240,000	$189,814,100 $790.89	6.25%	**Buyer:** MFSO LH I LLC **Seller:** Kiewit Realty Holdings LLC
Compass Corporate Center 11225 College Boulevard, Overland Park, Kansas	81,763	$8,000,000 $97.84	9.95%	**Buyer:** NCS Properties, LLC **Seller:** SC Industrial V, LLC
Hickman Business Center 10301 Hickman Mills Dr, Kansas City, Missouri	32,328	$3,950,000 $122.19	User	**Buyer:** Hickman Mills C-1 School District **Seller:** Freeman Holdings Group
KCUC Urology & Oncology 451 NW Murray Rd, Lees Summit, Missouri	10,017	$4,865,000 $485.67	6.26%	**Buyer:** Ethan D Coleman Trust **Seller:** Murray Investors LLC
Fidelity Investments 11200 Nall Ave, Overland Park, Kansas	8,597	$7,100,000 $825.87	5.56%	**Buyer:** Weinfra 5, LLC **Seller:** Galleria 115 Investors, LLC
12101 W 110th St, Overland Park, Kansas	7,784	$2,875,000 $369.35	User	**Buyer:** Association Partners 12101 LLC **Seller:** Salt Rock LLC
Industrial	**SF**	**Sales Price / Per SF**	**Cap Rate**	**Buyer/Seller**
Hallmark Liberty Distribution 2101 N Lightburne St, Liberty, Missouri	847,309	$65,000,000 $76.71	6.50%	**Buyer:** Apollo Management Holdings, L.P. **Seller:** The Opus Group
I-35 Logistics Center 15801 S Green Rd, Olathe, Kansas	569,456	$44,000,364 $77.27	5.38%	**Buyer:** Sealy South Green Road LLC **Seller:** Scannell Properties #476 LLC
Weld Wheel Building 6600 Stadium Drive, Kansas City, Missouri	222,925	$9,200,000 $41.27	7.42%	**Buyer:** PI 6600SD, LLC **Seller:** Elbert Capital LCP LLC
Apex Engineering Manufactuing 1802 W 2nd Street, Wichita, Kansas	207,295	$8,750,000 $42.21	8.73%	**Buyer:** Wichita Mazal LLC **Seller:** BELAJO LLC
Unisource 10960 Lakeview Ave, Lenexa, Kansas	102,428	$7,950,000 $77.62	User	**Buyer:** French Wagner Lenexa LLC **Seller:** Lakeview Lenexa LLC
Kansas City Road Business Park Bldg 2 1671 E Kansas City Rd, Olathe, Kansas	65,100	$5,625,000 $86.41	6.50%	**Buyer:** Josiah Holiding I LLC **Seller:** Kansas Road LLC
Multifamily	**Units**	**Sales Price / Per Unit**	**Cap Rate**	**Buyer/Seller**
The Mansion Apartments 2905 S. Lee's Summit Road, Independence, Missouri	550	$65,600,000 $119,272.73	5.90%	**Buyer:** HEP KC Independence, LLC **Seller:** Mansion Gardens LP
Summit square Apartments 789 NW Donovan Rd., Lee's Summit, Missouri	308	$80,080,000 $260,000.00	4.34%	**Buyer:** Avanti Residential **Seller:** Summit Square Residences LLC
Residences at Park Place 5280 West 115th Place, Leawood,Kansas	258	$66,500,000 $257,751.94	5.30%	**Buyer:** Residences at Park Place apartment Owner LLC **Seller:** KCM 81 Park Place, LLC Park Place Residences 1, LLC
Westley on Broadway 4111 Broadway Blvd, Kansas City, Missouri	256	$50,500,000 $196,265.63	5.30%	**Buyer:** Seminole Tribe of FLorida **Seller:** WESTPORT RESIDENCES LLC
Province at Briarcliff 1282 Northwest Vivion Road, Kansas City, Missouri	120	$23,800,000 $198,333.33	4.76%	**Buyer:** PC AP Briarcliff, LLC **Seller:** Freg Briarcliff Associates, LLC
Pine Meadows Townhomes 14202 W 63rd Street, Shawnee, Kansas	102	$24,550,000 $240,686.27	4.50%	**Buyer:** Pine Meadow Associates LLC and Paul Allen Smith LLC **Seller:** TB Pine Meadows SPE, LLC TPRF V/Pine Meadow, LLC
Retail	**SF**	**Sales Price / Per SF**	**Cap Rate**	**Buyer/Seller**
Ward Parkway Center 8600 Ward Parkway, Kansas City, Missouri	436,562	$63,000,000 $144.31	8.00%	**Buyer:** FRP Acquisitions, LLC **Seller:** Ward Parkway Venter Associates, LLC
Shoppes at Shoal Creek 8500 NE Flintloc, Kansas City, Missouri	97,058	$19,300,000 $198.85	7.43%	**Buyer:** Three Trails Two, LLC **Seller:** SCC Investment Co, LLC
Quivera Crossings 11440 W 135th St, Overland Park, Kansas	39,829	$8,950,000 $224.71	6.75%	**Buyer:** Lavender Realty LLC **Seller:** CAM-7C LLC
Caliber Collision 1439 Metcalf Ave, Overland Park, Kansas	16,100	$5,680,407 $352.82	6.15%	**Buyer:** 14939 Metcalf Ave, LLC **Seller:** Cross Development CC Overland Park, LLC
College & Lone Elm Retail Strip 11106 South Lone Elm Road, Olathe, Kansas	10,007	$3,465,000 $346.26	7.86%	**Buyer:** Manoir South BS LLC **Seller:** CS Funding, LLC
Texas Roadhouse 9761 Metcalf Ave, Overland Park Kansas	8,209	$2,850,000 $347.18	5.44%	**Buyer:** Creekwood, LLC **Seller:** Box Development LLC

BLOCK SYNDICATIONS

Block Funds is a leading real estate private equity firm that specializes in the creation and preservation of generational wealth and passive income for our investors through commercial real estate partnership opportunities. At Block Funds, our investment philosophy is driven by adherence to market fundamentals. The Block Funds team is dedicated to sound market research, detail-oriented asset management, and relationship-driven real estate. Adherence to these and other fundamentals helps our professionals to find and acquire compelling commercial real estate investments in our target markets and to manage those investments in a manner that mitigates risk while maximizing returns for our investors.

OBJECTIVES

1. Preserve, protect, and return Investor capital contributions.
2. Maximize cash distributions to our Investors.
3. Achieve debt principal reduction over time.
4. Realize appreciation in the value of our properties upon their disposition.

The acquisition of Grimes Distribution Center I-IV was completed in August of 2023. Situated in Grimes, IA, this distribution complex will provide almost 440,000 square feet of industrial space to the rapidly growing suburb of Des Moines.

2023 SYNDICATIONS – BLOCK FUNDS

A list of some transactions throughout 2023 can be found on the chart on the following page. A few of the more notable transactions are detailed out by property type:

- **Industrial** – 167 Logistics West broke ground in August 2023. Grimes Distribution Center I-IV was also acquired in 2023, adding a combined 875,000 square feet of Class A industrial to Block Real Estate Services' Industrial portfolio.
- **Multifamily** – A 7.96-acre parcel of land was acquired in 2023 for a 341-unit multifamily development known as 120th & Metcalf.
- **Retail** – In 2023, Haymarket Square and The Renaissance Shops were acquired, adding over 495,000 square feet of retail space to Block Real Estate Services' retail portfolio.

167 Logistics West: The construction of a new Class A distribution and logistics center started construction in August of 2023. This project is planned for substantial completion by June of 2024 and is 100% pre-leased. This pre-leasing activity will provide investors with the stability of a long-term NNN pre-lease with a high-quality user.

Grimes Distribution Center I-IV: The acquisition of Grimes Distribution Center I-IV was completed in August of 2023. Situated in Grimes, IA, this distribution facility will provide almost 440,000 square feet of industrial space to the rapidly growing suburb of Des Moines. The combination of attractive assumable debt, diversified tenant base and an exceptional basis will provide investors with a stable and reliable investment.

120th and Metcalf: The purchase of the 7.96-acre plot of land in the affluent suburb of Overland Park, Kansas was completed in October of 2023. This marks the beginning of the fully entitled, Class A+, 341-unit multifamily project. In the current high-interest rate environment, this all-cash deal will provide investors with the benefit of no interest payments during the ownership of the land. The structure of this investment will also provide investors with a strong equity position with pro-rata returns. Situated in a walkable suburb and surrounded by over 200,000 square feet of retail, 120th and Metcalf's mixed-use environment will increase desirability, retention, and rental rates, proving this to be a stable investment for the future.

Haymarket Square: This 269,705 square foot shopping center was acquired by Block Real Estate Services in 2023. This retail dominant property is located in Des Moines, IA, the largest and most rapidly growing city in Iowa. The Block Funds team is pleased to expand its presence in the state, which continues to see strong growth.

The Renaissance Shops: This 48,844 square foot, 100% leased shopping center was acquired in 2023 in Bonner Springs, Kansas. This retail center will benefit from the proximity of well-known national tenants as well as being anchored by its own strong tenant lineup. With protected downside risk and value-add potential, The Renaissance Shops will remain a stable investment piece for our investors.

LOOKING FORWARD – 2024

We will continue to offer additional opportunities for our credited investors to join in on deals as they are identified and acquired.

Block Funds continues to raise equity to acquire multifamily, industrial, office and retail deals in single-purpose entities. The goal remains to provide accredited investors with long-term cash flow, to pay down debt principal and to provide any upside on property appreciation during the hold period. Prospective investors can register at www.blockfunds.com to view current equity investment opportunities.

If you have any questions about any of the above opportunities, please do not hesitate to call Brian Beggs at 816-932-5568, or email him at bbeggs@blockllc.com.

Contributors: Zachery Gant, Vice President - Investments; John Mullen, Development Associate

INVESTORS Transaction History Partial List

Property	Location	Property Type	Units	square feet	Deal Type	Investment Status
2023						
167 Logistics West	Olathe, Kansas	A-I	-	438,314	New Construction	Closed
Grimes Distribution Center I-IV	Grimes, Iowa	A-I	-	439,187-	Stabilized	Closed
120th & Metcalf	Overland Park, Kansas	A-MF	341	-	New Construction	Closed
Haymarket Square	Des Moines, Iowa	B-Retail	-	269,705	Value-Add	Closed
The Renaissance Shops	Bonner Springs, Kansas	B-Retail	-	48,844	Stabilized	Closed
TOTALS			**341**	**1,196,050**		
2022						
Rupple Townhomes	Fayetteville, Arkansas	A - MF	64	-	New Construction	Closed
Pinnacle Pointe Apartments	Lenexa, Kansas	A - MF	160	-	Value-Add	Closed
Pebblebrooke	Basehor, Kansas	A - MF	55	-	Stabilized	Closed
Centennial Park Apartments	Overland Park, Kansas	A - MF	170	-	Value-Add	Closed
Riverside Logistics Centre II	Riverside, Missouri	D - I	-	328,320	New Construction	Closed
CityPlace Corporate Centre IV	Overland Park, Kansas	D - O	-	190,380	New Construction	Closed
Lenexa Logistics Centre South 8	Lenexa, Kansas	D - I	-	195,409	New Construction	Closed
Faith Technologies	Olathe, Kansas	A - I	-	448,479	Stabilized	Closed
TOTALS			**449**	**1,162,588**		
2021						
Ocean Prime / Prime Social at 46 Penn Centre	Kansas City, Missouri	D-R	-	14,072	New Construction	Closed
Lenexa Logistics Centre North Building 5	Lenexa, Kansas	D-I	-	565,027	New Construction	Closed
Lenexa Logistics Centre Building 7	Lenexa, Kansas	D-I	-	401,198	New Construction	Closed
Towne Park	Springdale, Arkansas	A-MF	237	-	Stabilized	Closed
Residence at Stratmoor	Colorado Springs, Colorado	A-MF	78	-	Stabilized	Closed
Habberton Ridge	Springdale, Arkansas	A-MF	98	-	Stabilized	Closed
Residences at River View (Bici Flats)	Des Moines, Iowa	A-MF	154	-	Stabilized	Closed
Millpark Logistics Center	Maryland Heights, Missouri	D-I	-	92,450	New Construction	Closed
1010 SE 54th Street	Ankeny, Iowa	A-I	-	201,884	Stabilized	Closed
8040 Bond Street	Lenexa, Kansas	A-I	-	55,120	Stabilized	Closed
5701 Park Avenue	Des Moines, Iowa	A-I	-	518,564	Stabilized	Closed
TOTALS			**567**	**1,848,315**		
2020						
Buckeye Crossing Townhomes	Bentonville, Arkansas	A-MF	96	-	New Construction	Closed
Woodland Park	Rogers, Arkansas	A-MF	427	-	Stabilized	Closed
3901 Dixon Street	Des Moines, Iowa	A-I	-	200,000	Stabilized	Closed
Platte Valley Industrial Center 5	Riverside, Missouri	A-I	-	155,682	Stabilized	Closed
F&R Medical, LLC	Four Locations, North Carolina	A-MED	-	62,388	Stabilized	Closed
Linpage Industrial Center	St. Louis, Missouri	A - I	-	273,556	Stabilized	Closed
TOTALS			**523**	**691,626**		
2019						
Barrington Park Townhomes	Lenexa, Kansas	A-MF	408	-	Value-Add	Closed
Buckeye Crossing	Bentonville, Arkansas	A-MF	96	-	New Construction	Closed
Pine Meadow Townhomes	Shawnee, Kansas	A-MF	102	-	Stabilized	Closed
Westowne Center	West Des Moines, Iowa	A-R	-	181,974	Value-Add	Closed
Villas at Waterside	Lenexa, Kansas	D-MF	296	-	Development	Closed
CityPlace Corporate Centre I	Overland Park, Kansas	D-O	-	125,912	Development	Closed
TOTALS			**902**	**307,886**		
5-YEAR TOTALS			**2,259**	**5,206,465**		

O=Office, R=Retail, I=Industrial, Med=Medical, MF=Multifamily, D=New Development, A=Acquisition, RE=Redevelopment
**** Number of Parking Stalls Not Included in Totals***

Block Construction Services Projects

Block Construction Services (BCS) managed over $264 million in development projects and coordinated more than $26 million in tenant improvement work in 2023. Development projects and tenant improvements under construction in 2023 included work in all sectors, including industrial/warehouse/distribution, office, multifamily and retail.

OFFICE

In 2023, construction was completed on CityPlace Corporate Centre IV, a six-story, 188,960 square foot office building and parking garage in Overland Park, Kansas. CityPlace Corporate Centre IV is the third of four planned office buildings totaling 600,250 square feet at the CityPlace mixed-use development, with CityPlace Corporate Centre III completed in 2019 and CityPlace Corporate Centre I completed in 2021. Tenants in CityPlace Corporate Centre IV include WellSky Corporation, IMA Financial Group, Inc and Property Tax Advisory Group, Inc. The Offices at CityPlace are designed in a campus-like setting incorporating walking, jogging and bike paths that surround a reflective pond.

INDUSTRIAL/WAREHOUSE/DISTRIBUTION

In 2023 the following industrial projects were completed:

- Riverside Logistics Centre II — Construction was completed in October 2023 on this Class A+ 328,320 square foot industrial distribution and logistics building located in the heart of the Kansas City industrial market with immediate access to the I-635, I-70 and I-29 highway systems. Riverside Logistics Centre I was completed in 2016. Tenants in Riverside Logistics Centre II include Anixter, Inc.
- Lenexa Logistics Centre South Building 8 — This Class A+ speculative light industrial building totaling 195,409 square feet on 12.4 acres was completed in October 2023. Lenexa Logistics Centre North Phase II industrial logistics and distribution park consists of 148.5 acres. Eight buildings that range in size from approximately 51,000 square feet to 565,000 square feet are planned.

Riverside Logistics Centre Building 2 is a 328,320-square-foot cross-dock distribution building delivered summer of 2023. RLC 2 currently has 164,160 square feet available for a tenant lease. The remaining two corners are built-to-suit offices with large glass windows, with a fifth potential office area in the middle on the north face of the building. Existing tenants include Anixter and Bunzl.

BLOCK CONSTRUCTION SERVICES

- 175th Street Commerce Centre Building 1 — Construction was completed in August 2023 on a 1,071,139 square foot bulk cross-dock industrial facility on 56.9 acres in Olathe, Kansas consisting of 208 dock positions and 300 trailer parking spaces.

Construction is currently underway on the following project:

- 167th Street Logistics Centre Building 2 — Construction began in September 2023 on this Class A+ 438,314 square foot industrial distribution and logistics building located in Olathe, Kansas. Faith Technologies will occupy the building, which is expected to be completed in July 2024.

MULTIFAMILY

Multifamily projects currently under construction include:

- The Clearing at One28 will include five four-story apartment buildings totaling 270 apartment units and 12 four-plex two-story townhomes with 48 units. This multifamily development in Olathe, Kansas, will also include a freestanding clubhouse with outdoor pool amenities, walking trails, and a dog park. The clubhouse was delivered in June 2023 and the first units were delivered in August 2023. A grand opening was held in September 2023. Units will continue to be delivered through completion in June 2024.

MIXED-USE

Mixed use projects currently under construction include the following:

- The View at Castle Rock, is a 221-unit Class A+ multifamily property featuring 19,375 square feet of office, restaurant and commercial space. Upon completion, The View at Castle Rock will provide a unique, luxury, resort-like option as well as a highly visible Class A+ office, commercial, and restaurant space for young professionals seeking immediate proximity to Denver and Colorado Springs while being walkable to downtown Castle Rock, Colorado. The View at Castle Rock will consist of a six-level building showcasing a 3,275 square foot clubhouse and two amenity terraces, one featuring a resort-style pool and the other with private gathering spaces and a pet park. The anticipated completion date is August 2024.

ADAPTIVE RE-USE

- 100 N. Main in Memphis, Tennessee is a 38-story adaptive re-use project. Phase I, which includes demolition and abatement, began in November 2023. Phase II is scheduled to commence April 2024 to convert a 1963 office building to a mixed-use building comprising hotel, multifamily, office, and commercial space. The total project will run through the end of 2025.

Lenexa Logistics Centre South 8 was completed in August 2023 for $24 million. The 195,456 square-foot flex rear loading facility is located on 12.4 acres. LLC S8 building features modern tilt-wall construction and energy-efficient reflective glass. Available for tenant lease and finish.

RETAIL

- Apex at CityPlace has delivered three tenants — Beloved Nails, UnKCorked and Image Studios. Two additional tenants are currently under construction. Entity Lounge and Hotworx. An additional four pad sites are available
- The Galleria retail developments include Whataburger, Chick-Fil-A, Fidelity Brokerage Services, First Watch and Andy's Frozen Custard

OTHER

- Confidential Bottling Facility — Block Construction Services was retained as the owner's representative for this project
- Oakwood Country Club — Nine-hole par 3 course with two short-term rental cottages, and various improvements to the course and clubhouse

MASTER PLANNING

Master planning efforts include the following projects:

- Galleria Phase II — Office, retail, restaurant, entertainment and second multifamily community with 356 multifamily units and a 269,533 square foot Class A retail center in Overland Park, Kansas
- Cincy Club — Adaptive re-use project in Cincinnati, Ohio
- Ruan — Adaptive re-use project in Des Moines, Iowa
- 47 Madison — Multifamily development with a 16-story, 250-unit luxury tower in Kansas City, Missouri
- 4627 Madison — 10-story, 213-unit multifamily development in Kansas City, Missouri
- The Majestic at CityPlace — Third multifamily community at the CityPlace mixed-use development in Overland Park, Kansas, with 355 units
- The Southglen — 341 multifamily units in Overland Park, Kansas
- 56th & Foxridge — 307 multifamily units in Mission, Kansas
- Woodside Village — 162 multifamily units in Kansas City, Kansas
- 143rd & Metcalf — 368-unit multifamily development in Overland Park, Kansas
- College & Ridgeview — 377-unit multifamily development in Olathe, Kansas
- Residences at Renner 95 — 80-unit multifamily development with 10,221 square feet of office and retail space
- K-7 Logistics Centre — 693,793 and 176,240 square foot industrial buildings in Shawnee, Kansas
- K-7 & Nettleton —638,793 and 634,153 square foot industrial buildings in Bonner Springs, Kansas
- 141 Logistics Centre – 71.93-acre industrial site in Maryland Heights, Missouri
- K10 and K7 – 552-unit two-phase multifamily development with five buildings, clubhouse and site amenities per phase in Olathe, Kansas

TENANT IMPROVEMENTS

Some of the projects coordinated by our tenant improvement division during 2023 include the following:

- Wellsky Corporation at CityPlace Corporate Centre IV
- IMA Financial Group at CityPlace Corporate Centre IV
- Hoefer Welker Architects at 46 Penn Centre
- Stifel Bank & Trust at 46 Penn Centre
- Anixter at Riverside Logistics Centre II
- Pertronix at Lenexa Logistics Centre North Building 5
- Elliott Electric Supply, Inc. at Lenexa Logistics Centre North Building 5
- CapFinancial Group, LLC at Pinnacle Corporate Centre IV
- West Shore Home, LLC – Platte Valley Industrial Center Building #2
- AgForce Transport Services – Nall Corporate Centre II
- Clarivate Analytics, LLC – Nall Corporate Centre II

Contributor: Brad S. Simma, CCIM, Executive Vice President

Block Multifamily Group

As 2023 draws to a close, Block Multifamily Group (BMG) reflects on a successful year overseeing 53 communities across 10 states. The firm successfully managed 10,350 units, including a new development, 16 renovation projects, and three property re-brands. Our growth mindset positions us for expansion into the coming year.

Throughout the year, BMG was successful in managing a vastly diverse portfolio through a challenging fiscal year. Since 2020, the multifamily market has seen 13% growth in inventory, resulting in highly saturated markets throughout the country. As a result, many firms faced uncertainty in 2023, but BMG was able to stand above the rest with dedication to our core values of integrity, quality, collaboration, value, customer service and efficiency.

In previous years the firm has been heavily involved with new development projects; however, with construction down by nearly 60% across the country this year, executives have pivoted the strategy to focus on renovation projects within the communities we already manage as well as in new partnerships throughout the country. Our unique understanding of construction projects aided us in partnering with a new ownership group in Oklahoma City, OK, to secure the purchase and management of Highpoint Creek Apartments. Previously River Chase Apartments, this 252-unit community was in a state of disrepair, facing low occupancy and limited functioning amenities. The team at BMG, in collaboration with the new owners, created a multifaceted lease-up plan to fully renovate exteriors, interiors and amenities. From day one of purchase, the construction team was on site and mobilized to make a massive impact quickly. Interior units will receive new paint, flooring, appliances, fixtures and doors. Hallways will all receive new flooring, paint and modern light fixtures. The residents will once again have a swimming pool, which has been inoperable for nearly three years, as well as an upgraded sport court, two outdoor kitchens, and a large bark park. Between the physical construction and the digital marketing plan, Highpoint Creek Apartments looks like a brand-new apartment community, and we are excited to watch the lease-up progress throughout the coming year!

This dedication to collaboration within departments and with ownership partners is central to all renovation and new construction projects that BMG oversees. Throughout the development process, BMG works closely

The Clearing at One28 is a BRES developed and owned 4-star mid-rise apartment complex located in Olathe, Kansas. Completed in August 2023, the Clearing at One28 boasts many great amenities, with a clubhouse and resort-style swimming pool. Managed and maintained by Block Multifamily Group, and Block Maintenance Solutions, The Clearing at One28 provides luxury comfort, lifestyle, and unparalleled living.

Pictured from Block Real Estate Services, LLC; Ken Block and Aaron A. Mesmer, from Block Multifamily Group; Chandler Thompson, Jason Charcut, Alison McCranie, Ada Owen, and Melonie Harris. Also in attendance, from the City of Olathe; Mayor of Olathe - John Bacon, Wes McCoy, Robyn Essex, and Marge Vogt celebrating the grand opening of The Clearing at One28.

with ownership to deliver competitively priced assets with high-quality fit and finish, attracting prospective residents. By fostering teamwork with ownership and key vendor partners, BMG consistently delivers unparalleled results. In 2023 our teams managed 16 renovation projects of varying intensities. A notable example is the renovation at Briar Hill Apartments, a 226-unit property in the Kansas City area. By studying the market, BMG makes recommendations to ownership to establish a cost-effective and high-quality product. From the start of the year, the team has been successful in collecting 15% rental increases at this community amid massive exterior repairs and upgrades.

Across the entire portfolio, BMG was able to push rents by an average of 7%, leading to net operating income nearly 10% higher than the prior year. Despite operating expenses being higher than ever, the executive team at BMG was able to utilize our specialized knowledge of multifamily markets to deliver a level of service and a caliber of asset higher than the competition, thus maintaining stable occupancy and competitive rates throughout the year. In fact, our stabilized communities averaged 94.88% occupancy month over month.

Even our newest development, The Clearing at ONE28, saw unprecedented occupancy. Opening doors to residents in August of 2023, this first-of-its-kind community in Olathe, Kansas, is already pre-leased at 53% and 78% of available units are occupied. In other words, in less than five months of accepting applications, The Clearing at ONE28 has averaged 36 leases per month, exceeding budgeted occupancy by 13%. This success is attributed to supplying the area with a high-quality community, unlike anything else in the area. The Clearing at ONE28 offers residents a large swimming pool and year-round hot tub, a massive fitness center, a paw spa and private bark park, a clubhouse perfect for hosting resident events or renting out for personal events and so much more! Inside each home are quartz countertops, modern fixtures, cleverly designed storage, built-in trash cans and beverage coolers and gorgeous finishes throughout. It is no wonder that the community has leased up so quickly without any rental concessions!

Our teams deliver such excellent living experiences. Even when faced with lifestyle changes, our residents prefer to stay within the community. This can be seen in the growth in transfer fees collected throughout the year. Year over year, the firm collected 67.48% more in transfer fees in 2023 than in 2022. This spike both lends itself to ancillary income and provides data to support our notion that BMG provides the highest quality of living, exceeding competitors. Similarly, we saw spikes in income generated from guest suite and clubhouse rentals throughout the year.

This year, the firm's focus on streamlined policies and procedures positioned us for continued growth for years to come. The team is excited to take on additional units both through upcoming new development projects and new ownership partners.

Contributors: Alison McCranie, Vice President of Marketing; Jason Charcut, President.

MARKET STATISTICS

FOURTH QUARTER 2023 DATA

2023 OFFICE

MARKET	INVENTORY	# OF BUILDINGS	OVERALL VACANCY	YTD DELIVERIES	NET ABSORPTION	AVG. FULL SERVICE RENT
College Blvd	21,627,653	395	15.8%	350,747	(186,450)	$25.26
CBD	17,782,216	178	15.1%	0	(673,613)	$21.13
Topeka	11,651,143	595	7.8%	11,447	(280,581)	$18.02
South Johnson County	9,199,583	509	14.0%	103,128	199,496	$22.02
Northeast Johnson County	8,552,678	420	12.5%	15,531	(6,415)	$22.73
I-35 Corridor	8,365,309	475	5.8%	15,648	(1,089)	$19.67
Country Club Plaza	5,404,390	120	8.0%	0	50,251	$29.40
Crown Center	6,466,036	68	19.0%	0	(52,110)	$21.83
Northwest Johnson County	5,170,605	278	12.9%	4,200	(103,099)	$23.34
East Jackson County	7,295,665	637	9.1%	0	(100,347)	$18.47
South Kansas City MO	5,436,840	174	4.3%	0	11,243	$21.38
I-29 Corridor	3,934,441	163	12.7%	0	112,758	$18.67
Ward Parkway	3,526,839	96	7.7%	0	235	$21.81
Kansas City KS	3,420,685	229	21.9%	0	(626,075)	$22.07
Midtown	4,475,281	253	3.1%	0	(47,623)	$20.99
Lawrence	3,320,237	297	12.2%	0	16,400	$22.47
Southeast Jackson County	3,666,028	284	13.6%	7,042	(144,546)	$20.20
Kansas City MO	3,840,276	206	2.6%	0	34,530	$18.59
St Joseph	3,388,244	258	5.0%	0	63,687	$16.29
Freight House District	2,603,551	122	13.0%	0	29,706	$21.68
Downtown Kansas KC KS	1,970,499	74	8.8%	0	(16,336)	$20.44
West Bottoms	2,022,326	63	8.6%	0	(24,630)	$20.81
Leavenworth County	1,059,531	87	8.6%	0	24,949	$19.29
Cass County	844,370	138	5.6%	0	(13,436)	$19.19
Brookside	618,351	38	5.3%	0	(28,935)	$25.06
Outer South Kansas City	440,730	74	2.7%	0	8,531	$19.25
Outlying KC MO	309,126	66	0.0%	0	12,489	$20.58
Lafayette County	170,008	42	6.5%	0	0	$18.71
TOTAL OFFICE	**146,562,641**	**6,339**	**9.4%**	**507,743**	**(1,741,010)**	**$21.05**

Information accurate as of 12/30/22

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MARKET STATISTICS CONTINUED

2023 RETAIL

MARKET	ESTIMATED INVENTORY	PERCENT VACANT	VACANCY SF	NET ABSORPTION	AVG. RENTAL RATE	PLANNED DEVELOPMENT
Johnson County	35,497,620	4.6%	1,632,890	352,301	$19.58	166,346
East Jackson County	19,239,647	7.3%	1,404,494	(106,246)	$15.18	10,399
Midtown/Downtown/Plaza	24,826,227	2.9%	719,960	(10,864)	$19.05	31,990
Kansas City, Kansas	9,947,900	3.4%	338,296	(1,615)	$16.92	10,900
North of the River	20,372,175	3.2%	615,909	129,939	$18.45	157,725
TOTAL RETAIL	109,883,569	3.7%	4,702,549	363,515	$17.84	377,360

2023 WAREHOUSE/BULK INDUSTRIAL

MARKET	INVENTORY	# OF BUILDINGS	OVERALL VACANCY	LEASING ACTIVITY	NET ABSORPTION	AVG. GROSS RENT
KCI/Airworld	10,600,000	86	10.20%	158,000	444,000	$6.20
North Kansas City/Riverside	25,800,000	529	4.10%	1,100,000	42,700	$6.12
Executive Park/Northland	48,200,000	448	3.60%	1,800,000	2,000,000	$6.67
Wyandotte County	49,100,000	983	2.50%	1,500,000	1,300,000	$6.17
Johnson County	89,200,000	1,602	9.60%	6,800,000	1,200,000	$7.59
East Jackson County	96,400,000	2,706	5.80%	2,300,000	959,000	$6.35
TOTAL WH/BULK SPACE	319,300,000	6,354	5.70%	13,658,000	5,945,700	$6.67

2023 LIGHT INDUSTRIAL/FLEX

MARKET	INVENTORY	# OF BUILDINGS	OVERALL VACANCY	LEASING ACTIVITY	NET ABSORPTION	AVG. GROSS RENT
KCI/Airworld	1,100,000	21	6.10%	69,700	1,200	$10.92
North Kansas City/Riverside	541,000	16	2.90%	5,800	3,900	$12.61
Executive Park/Northland	386,000	19	1.70%	26,100	6,600	$9.56
Wyandotte County	870,000	44	7.80%	125,000	(18,100)	$8.26
Johnson County	7,300,000	287	14.00%	375,000	76,800	$11.41
East Jackson County	5,600,000	257	3.70%	141,000	50,400	$12.20
TOTAL LIGHT INDUSTRIAL/FLEX	15,797,000	644	8.80%	742,600	120,800	$11.48
TOTAL FLEX + BULK	335,097,000	6,998	7.25%	14,400,600	6,066,500	$9.08

2023 MULTIFAMILY

MARKET	UNIT INVENTORY	OVERALL VACANCY	AVG. ASKING RENT	MARKET SALE PRICE/UNIT	UNITS UNDER CONST.
Johnson County	61,314	6.4%	$1,359	$165,913	2,728
North of the River	29,106	7.8%	$1,201	$139,205	734
CBD/Crown Center	14,033	9.2%	$1,535	$214,162	739
Southeast Jackson County	26,471	9.6%	$1,124	$110,254	1,030
Kansas City, Kansas	9,082	9.5%	$1,014	$96,134	1,031
South Kansas City	7,544	14.0%	$995	$89,327	9
East Jackson County	2,860	10.3%	$889	$89,602	80
Country Club Plaza/Midtown	14,133	9.0%	$1,197	$125,680	1,090
TOTAL MULTIFAMILY	164,543	9.5%	$1,164	$128,785	7,441

Information accurate as of 12/31/23


KUPP
DONALD

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