The Real Estate Report

For Metropolitan Kansas City

2019

Block Real Estate Services, LLC (BRES) Highlights of 2018

Transactions

BRES completed the year with total sales and leasing transactions in excess of $946 million.

Property Management

BRES commercial management portfolio reached over 42.33 million square feet of commercial space.

Construction

Block Construction Services (BCS) managed renovation and development projects exceeding $691 million. Projects included work in all sectors, including: office, industrial/warehouse/distribution, multifamily, retail and medical.

Investment Syndication

BRES completed over $328 million in investment sales and raised over $82 million in equity funds for syndication of new acquisitions and development projects.

Affiliates

Block Hawley Commercial Real Estate, LLC ranks as one of the most active industrial brokerage firms in St. Louis, with approximately four million square feet of listed property and nearly 7.65 million square feet under management.

Block Multifamily Group, (BMG) now manages nearly 7,350 units. Projections point toward 7,650 units by year-end 2019.

Block Technology Solutions, (BTS) completed 325 installations in over 32 million square feet totaling over $1.5 million.

Table of Contents

BLOCK REAL ESTATE SERVICES, LLC

ABOUT THE COVER

The National World War I Memorial and Museum marked the centennial of the Armistice on November 11, 2018 by projecting more than 5,000 giant poppies onto the exterior of the memorial. Red poppies have been associated with WWI since the poem "In Flanders fields the poppies blow..." was published in 1918. Created by effects company DWP Live, the display is titled "Peace and Remembrance" and recognizes the approximately 9 million soldiers who died in the war. June 28, 2019 will mark the centennial of the Treaty of Versailles which ended the state of war between Germany and the Allied Powers.

Photo courtesy of Jeff Roberts jlrphoto.com

Success Abounds In Kansas City

BRES and its affiliates treated their employees to a company picnic at Kauffman Stadium on May 16. Employees enjoyed food, drinks, and games before entering the stadium to watch the Kansas City Royals take on the Tampa Bay Rays.

In 2018, the Kansas City economy continued to grow adding to the gains seen in 2016 and 2017. Through the development of multiple industrial facilities, including Lenexa Logistics Centre, Kansas City is now considered one of the top Ecommerce cities in the country. Block Real Estate Services, LLC (BRES) has seen great success in multiple markets and will continue seeking out opportunities for our investors and clients in 2019.

BRES' success in 2018 would not have been possible without the outstanding staff we have assembled. Through a concentrated effort, BRES recruits the most knowledgeable and professional real estate strategists, brokers, managers, accountants, maintenance, and support staff in the industry. Of the 69 agents and 109 full-time employees, more than half hold some type of professional designation or degree while being active in industry trade associations, including the Society of Industrial and Office Realtors (SIOR), Certified Commercial Investment Member (CCIM), Institute of Real Estate Management (IREM), Building Owners and Managers Association (BOMA), and many others.

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

Kansas City Business Journal (2018 rankings based on yearend 2017 data)

- #1 Commercial real estate property management firm—managing over 42.33 million gross leasable square feet—managing industrial, office, and retail. Affiliate Block Multifamily Group (BMG) manages 7,350 multifamily units with over 1,100 units under construction or in development
- #1 Most active commercial real estate firm with 853 transactions
- #2 Largest commercial real estate firm with volume of $1.11 billion
- #2 Commercial real estate company with 69 real estate agents
- Nine buildings in the Top 25 Multitenant Industrial Facility 2018 List under leasing and management

St. Louis Business Journal

- #23 Largest commercial real estate firm, based on

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

Commercial Property Executive - National Ranking

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

Midwest Real Estate News

- Ranked 3rd in top owners in the Midwest
- Ranked 10th in top property management in the Midwest
- Ranked 15th in top brokerage firms in the Midwest

Ingram's (2018 rankings based on yearend 2017 data)

- #1 Top area commercial real estate firm with $1.11 billion gross sales
- #1 Top area commercial real estate firm for square footage managed/sold/leased

CoStar Group, Inc.

- Power Broker Top Leasing Firm Award Winner

Recent Award Winning Developments

- 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

Many of the major highlights for BRES and its affiliates in 2018 will be discussed within the pages of this report. Of those, below are some that stand out from the rest:

PROPERTY AND ASSET MANAGEMENT SERVICES TEAM

BRES has evolved and expanded its commercial footprint in the Kansas City area along with Arizona, Ohio and Las Vegas, Nevada. Management of 2018 new ground up construction includes the following industrial properties: Lenexa Logistics Centre Building 7 and Lenexa Logistics Centre North Building 1. Class A office and medical office management added Roe Medical Centre I along with additional medical buildings in various states. The management team has been working closely with our investors which has resulted in the addition of management for several retail and industrial properties throughout the metro. These new properties, along with management opportunities realized this year, have increased management fees by approximately $500,000.

In 2018, the management team focused on completing several parking lot overlays, extensive roof repairs and replacements, and added additional security and CCTV systems. These tasks served to improve and enhance the properties while enhancing the owners return and satisfying tenant's needs. To further support the property management team's growth, and ensure utilization of innovative industry resources and knowledge, they are involved in CCIM, IREM, and BOMA with one of the team's general managers currently sitting on the BOMA Executive Board. Additionally, the department had three individuals complete CCIM coursework and the Vice President of Property Management earned their CCIM designation.

In 2019, the property management team will continue to grow the management portfolio across all types of commercial properties. Leadership will focus on developing managers' tenant relations, accounting, and finance and business skills to further enhance the team. They will continue to process improvement initiatives designed to enhance management efficiency and maintain BRES' leadership position in commercial property management.

BLOCK MAINTENANCE SOLUTIONS

In 2018, Block Maintenance Solutions (BMS) had another successful year providing maintenance services to the BRES property management team. BMS purchased new tools to expand their capabilities and services within the portfolio. With the purchase of a new pro press machine, generators, water pumps, and a portable air compressor, they will be able to better serve customers and reduce dependency on outside contractors, which will result in an improvement of work efficiency.

Throughout the year, BMS has completed many in-house projects with their group of specialty service technicians. By coupling their buying power and using their own certified employees, they can provide these services at a substantial discount to customers. The specialty services provided include electrical, plumbing, and locksmith. They have performed projects such as backflow preventer repair and replacement, installation of sub-meters and sac meters, electrical repair and installation, lighting retrofits, panel replacement, complete keying of new spaces, and door card access repairs.

BLOCK CONSTRUCTION SERVICES

In 2018 Block Construction Services (BCS) completed a 58,106 square foot build-to-suit project in the Pine Ridge West Business Park for Corbion, the global leader in green bio-based ingredients, pioneering the fields of food and biochemical industries including agriculture, home and personal care, pharma, medical and electronics.

Construction activities are underway on 46 Penn Centre, a Class A office building that will feature 200,465 square feet in eight stories, a 246,666 square foot parking structure, and a 6,728 square foot restaurant.

Construction was completed on the first of four multifamily projects located at CityPlace, a 90-acre, mixed-use

*BRES partnered with Seigfreid Bingham (SB) and the Kansas City Chiefs to again host a tent at the 39th annual American Royal World Series of Barbecue. Over 600 teams competed in the competition and nearly 1,500 clients and guests visited the BRES tent on Friday night. On Sunday, the barbecue competition team, consisting of employees from BRES and SB, was awarded **FIRST PLACE** in the ribs category!*

development in Overland Park, Kansas that will feature four office buildings totaling 600,250 square feet on 26 acres, 1,382 multifamily units on 39 acres, and 66,890 square feet of retail space on 10 acres.

Construction activities are underway on CityPlace Corporate Centre III, a 4-story 120,268 square foot building in Overland Park, Kansas that will feature efficient 30,067 square foot floor plates designed to offer maximum flexibility for tenants.

In October, construction began on The Apex at CityPlace, the second multifamily phase of the CityPlace development in Overland Park, Kansas. The Apex is a Class A multifamily project that includes 18,500 square feet of retail space and 370 multifamily units.

Following completion of an approximately 130,825 square foot tilt-up concrete manufacturing/warehouse facility in Earth City, Missouri in December 2017, tenant finish work commenced in 2018.

The second phase at WaterSide Residences on Quivira located at 81st Street and Quivira Road in Lenexa, Kansas was completed in September 2018.

BCS also completed construction of 531 Grand, located in the historic River Market area of Kansas City, Missouri, consisting of 185 luxury units and 10,000 square feet of retail space for a total of 221,425 square feet.

Construction was completed at The Grand, a historic redevelopment project located at 1125 Grand Boulevard in Kansas City, Missouri consisting of 268,700 square feet.

Construction has begun on 4400 Washington, a Class A multifamily community on the southwest corner of 44th Street and Washington Street in Kansas City, Missouri. When completed, it will encompass 299,584 square feet and consist of 196 units in one building on an infill site in the North Plaza neighborhood which is within walking distance of St. Luke's Hospital.

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

BLOCK MULTIFAMILY GROUP

In 2018, Block Multifamily Group (BMG) added management of third-party communities and new developments which added 660 units within the Kansas City Metropolitan area and throughout the United States. With those additions, BMG increased their total number of managed units to approximately 7,350 across the United States with more on the way.

2018 additions included:

- The Wonder Shops + Flats in Kansas City, Missouri
- PineCrest Townhomes in Olathe, Kansas
- Briar Hill Apartments in Kansas City, Missouri
- The Grand in Kansas City, Missouri

BLOCK TECHNOLOGY SOLUTIONS

Block Technology Solutions (BTS) completed 325 installations in over 32 million square feet of office, industrial, and multifamily space in 2018, totaling approximately $1.5 million in sales volume. BTS has installed over 390,000 feet of network cabling in over 425 apartment units, clubhouses, and common areas. Additionally, BTS has installed 168 NVR, or network video recorder, cameras, and multiple audio-visual setups at Class A office and multifamily complexes.

BTS' continued relationship with Google, AT&T, and Wansecurity has brought gigabit fiber and wireless to over 19 million square feet of space in addition to over 500 apartment units.

With the internet of things (IOT) technology being placed in current and future developments, BTS found a need to secure these devices in bulk. BTS completed the migration of 43 million square feet of space to a private, WISP network, which is controllable through our corporate networks. This will stop the inevitable hacking of the IOT devices allowing for a cleaner running portfolio.

2019 will see some incredible external full motion LED lighting in the new 46 Penn Centre building along with CityPlace Corporate Centre III and I. BTS will work closely with the development groups, ownership groups, and manufactures to ensure the lighting will be an iconic solution for BRES developments.

In addition to providing card access, local desktop, and server contract support, BTS will continue to work with new technology companies to bring the latest and greatest to the drawing boards for their clients.

BLOCK HAWLEY

In 2018, Block Hawley leased and sold over 3.2 million square feet of industrial product and over 45 acres of land. They added over 900,000 square feet of new management business and the company has expanded to five agents.

In 2019, Block Hawley will begin construction on a 92,500 square foot office warehouse with more projects slated for later in the year. They will also be bringing 1 million square feet of investment property to the market in the first quarter.

Block Hawley anticipates many exciting projects in the coming year and looks forward to serving their clients in the St. Louis and surrounding markets.

BLOCK HEALTHCARE

The healthcare sector, a $3 trillion per year industry, is seeing thousands of baby boomers turn 65 years of age daily; the Healthcare Commercial Real Estate ("H-CRE") sector in 2018 once again continued to be a favorable, and stable marketplace for CRE investors. Key drivers, such as the movement of patients off of the acute hospital campus where the cost of care is greater to the consumer and provider, and in an effort to bring services closer to the customer, remained the same in the H-CRE sector again this year. While the leading debt indicator, the 10 Year Treasury, saw a 2018 peak more than 65 bps above the 2017 peak, 3.27% versus 2.40%, the average cap rates on healthcare real estate assets remained in the sub-6.5% range according to the Marcus & Millichap Healthcare Research Report. This is a clear indicator of the investor view on the stability of medical assets.

However, as is the case every year, political, legislative, technological, and streamlined effort still have significant impacts on the industry. These impacts don't necessarily project a negative outlook on the H-CRE sector but identify areas of change in the service model that impact the various H-CRE subsector markets. One example from a legislative perspective is the potential effects that the Tax Cut and Jobs Act in 2019 could have, which will effectively repeal the individual mandate of the Affordable Care Act (ACA) by eliminating the penalty for no coverage. With the repeal, the Congressional Budget Office and Joint Committee on Taxation project that by 2026, 43 million people under 65 will be uninsured, which is an increase from the 28 million people projected prior to the ACA implementation, according to Becker's Hospital Review.

A few notable deals in 2018 were:

Development of a 22,000 square foot gastroenterology clinic and ambulatory surgery center in Las Vegas, Nevada.

Acquisition of a 50,500 square foot multi-tenant medical office building located in Pell City, Alabama.

Acquisition of a 56,000 square foot two-building portfolio located in Anderson Township, Ohio and Las Vegas, Nevada.

BHD is currently under contract to begin 2019 with the acquisition of 60,000 square feet of space. These acquisitions will be long-term, NNN sale/leaseback structures with growing health systems in Iowa and again in the state of Ohio. BHD anticipates the opportunity to acquire 200,000 square feet of total NNN medical office space in 2019.

BLOCK FUNDS

Below are the major highlights for each specific fund during 2018.

Block Income Fund I - was closed out during 2018 and liquidating distributions were sent out.

Block Income Fund II - The Corporate Express Building, 1300 E. 104th Street, and Valle Vista Shopping Center were all sold during 2018. The Martinrea building in Riverside, Missouri will be the only asset remaining in the portfolio after 2018 and the Fund will liquidate in 2019.

Block Income Fund III - The FedEx Building in St. Louis was sold during 2018. The Compass Pointe building, located in St. Charles, Missouri, was sold in 2018. Plaza West Shopping Center located in Topeka, Kansas was refinanced, and the annual debt service was lowered. The Fund will continue to take advantage of the real estate cycle and dispose of assets when the time is right.

Block Income Fund IV - The majority of the fund's portfolio is invested in long-term net-leased deals with annual rent increases, which will result in strong cash flow for the fund.

PHILANTHROPY

BRES has always been deeply involved in giving back to the Kansas City community. This year was no exception as BRES was proud to contribute and sponsor many organizations and events, including: The Salvation Army, Hot Stiletto Foundation, Special Olympics Missouri, The University of Kansas Cancer Center, Friends of the Zoo, Children's Place Kansas City, Boys & Girls Clubs of Greater Kansas City, Signature Healthcare Foundation, Big Brothers Big Sisters of Kansas City, Rose Brooks Center, Jewish Community Center, the Breast Cancer Research Foundation, Juvenile Diabetes Research Foundation, and many more. As always, we

BRES is proud to support many local charitable organizations including the Ronald McDonald House of Kansas City through the Kansas City Chiefs and Boys and Girls Club of Kansas City. In 2018 BRES' Property Managers dressed up as a team to compete in the Great Amazing Race to help raise funds for the Max Cure Foundation which focuses on childhood cancer research and provides financial support to families in need. BRES also donated to the American Red Cross so they could purchase a new Emergency Response Vehicle. The vehicle has already been sent to assist in disasters across the country.

continue to encourage our associates' participation in local charitable organizations of their choice and support their efforts through a matching-gift program. In 2018, BRES sponsored Treads and Threads for the 15th year with their contribution going to support precision medicine for idealized treatment options at The University of Kansas Cancer Center.

BRES will remain focused on our goal of being the top single-source provider of commercial real estate investment, development, and support services to our clients and investors in the Kansas City Metro area. Combined with a focus on enhancing financial outcomes for our clients, BRES is able to deliver results which have earned our clients' trust and continued commitment to the services and opportunities presented by our team of industry-leading professionals.

We believe this report provides valuable information and is an excellent place to obtain a basic understanding of the local real estate market. However, we encourage you to reach out to our seasoned professionals, many of whom have provided the insights and analyses you will find in this report. They understand that local, national, and global events will influence your real estate needs and decisions, and they stand ready to help you interpret the market dynamics and assist you in achieving your goals while maximizing your financial outcomes in 2019.

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

Kenneth G. Block, SIOR, CCIM, Managing Principal

Harry P. Drake, CPM, CCIM, Executive Vice President & COO

Global, U.S., Kansas City Overview

As of yearend 2018, talks continued between the U.S. and China to end the trade war. While progress was made at a post-G20 meeting in December to halt additional tariffs, the existing ones will remain in effect as both countries held firm on their positions.

While both the global and United States economies were quite strong in 2018, darkening clouds began to appear on the horizon as we looked toward 2019. As in past years, there continues to be several threats and challenges adding risk to the health of the global and U.S. economies. Some of these are noted below:

CHINA RELATIONSHIP:

China, officially People's Republic of China, is the most populous country in the world and has the second largest economy after the U.S. with a nominal Gross Domestic Product (GDP) of $12 trillion. However, the country ranked No. 20 for GDP per capita at only $15,308. This means China has more progress to make and we can expect them to take any action they feel will help increase their per capita ranking and to control more of the world economic growth.

China is also the third largest export partner of the U.S. with export goods and services valued at approximately $145 billion in 2018, making up a little over 9% of U.S. total exports. More importantly, China is the U.S.'s largest import partner with imports valued at over $550 billion in 2018, or nearly 23% of U.S. total imports. This has caused a major trade imbalance and one that President Donald Trump feels is devastating to the U.S. economy. However, China is also the largest creditor of the U.S. and holds the largest part of U.S. Treasury Securities with approximately $1.18 trillion, or just over 21%, of U.S. overseas debt. Therefore, China can very quickly impact the economy of the U.S. in a variety of ways: by either decreasing their level of consumer spending, which will affect U.S. exports negatively, or by selling off treasury securities and utilizing those proceeds internally for their own economic stimulus. If China sells their U.S. Treasury Securities, they would quickly see reduced prices and yields driven way up in the short term. With that in mind, a different game plan with China must be followed.

In 2018, President Trump instituted a trade war between China and the U.S. with each country placing tariffs on goods traded between them. One of his campaign promises was to fix China's "long term abuse of the broken international system and unfair practices." He had already opened a formal investigation in late 2017 concerning attacks by China on the intellectual property of the U.S., which caused a loss to the U.S. of between $250 and $600 billion a year. The U.S. also believes that certain Chinese laws counteract intellectual property rights by forcing foreign companies to engage in joint ventures with Chinese companies, thereby allowing Chinese partners to use, improve, or replicate their technologies. President Trump's administration stated the original tariffs, totaling $250 billion on solar panels and washing machines, were necessary to penalize China for their previous actions. The tariffs started at 10% on $250 billion worth of Chinese goods and would increase to 25% at the end of 2018. President Trump further threatened an additional $267 billion worth of tariffs if China retaliated, which China did, imposing tariffs on approximately $110 billion of U.S. goods.

It is important to note that Chinese firms are paying 75% of the tariff burden and the tariffs decrease China's export of affected goods to the U.S. by approximately 37%. This, in effect, causes the bilateral trade deficit between China and the U.S. to drop by 17%. Also, because the U.S. only sells about $130 billion in goods to China, the deficit only represents about 1% of our $21 trillion economy. This means that even with these tariffs the U.S. economy can still experience healthy growth.

Dealing with China became even more nuanced after China's parliament changed the country's constitution to allow President XI Jinping to rule for life, making him "the strongest Chinese President since Mao Zedong." Their constitution had previously limited the President to two, five-year terms. The change allows China to wait out any U.S. President for one that is more receptive to their goal of becoming the world's global trade leader.

In the big picture, these tariffs will have little effect on either country's economy. The value added in China's exports to the U.S. only amounts to about 2% of the country's GDP while the U.S.' exports to China amount to only 1% of U.S. GDP. Following a post-G20 summit meeting in December, President Trump agreed not to boost tariffs to 25% on $250 billion of Chinese goods at the beginning of 2019 and China agreed to buy a "substantial" number of products from the U.S. While some U.S. exports will benefit from import tariff reductions announced by China at the end of December, most will still be subject to the tariffs placed in retaliation until the ongoing talks reach a breakthrough.

UNITED STATES-MEXICO-CANADA TRADE AGREEMENT (USMCA):

President Trump made good on his campaign promise to renegotiate the nearly 25-year-old NAFTA Agreement between the U.S., Canada, and Mexico. The new agreement was named the United States-Mexico-Canada Agreement, or USMCA. Discussions took approximately one year, but this new agreement will be substantially improved for the U.S., with major policy changes on cars and new policies for labor and environmental standards, intellectual property protections, and digital trade provisions. Some of the biggest changes include the following:

- Country of Origin Rules: Automobiles must have 75% of their components manufactured in Mexico, U.S., or Canada to qualify for zero tariffs, up from 62.5% under NAFTA.
- Labor Provisions: 40-45% of automobile parts must be made by workers who earn at least $16.00 an hour by 2023. Mexico has also agreed to pass laws giving workers the right to union representation, extend labor protections to migrant workers, and protect women from discrimination. The countries can also sanction one another for labor violations.
- U.S. Farmers: The U.S. will get more access to the Canadian dairy market as Canada agrees to open its dairy market to U.S. farmers.
- Intellectual Property and Digital Trade: The deal extends the terms of copyright to 70 years beyond the life of the author, up from 50 years. It also extends the period that a pharmaceutical drug can be protected by generic competition.
- Digital Economy: The deal includes provisions concerning the digital economy, including prohibiting duties on things like music and e-books, and protections for internet companies so they're not liable for content their users produce.
- Sunset Clause: The agreement puts in a 16 year "Sunset" clause, which means the terms of the agreement expire, or "sunset", after a set amount of time. The deal is also subject to review every six years, at which point the U.S., Mexico, or Canada can decide to extend the USMCA.

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At this point the deal still needs to be ratified by all three governments. Canada and Mexico are likely to do so quickly. The U.S. Congress is currently reviewing the agreement, but it may not be approved until early 2019.

TRADE AGREEMENTS/TARIFFS:

President Trump has determined that the U.S. has not been negotiating from a position of strength in many trade agreements around the world. Some of the trade related activities in 2018 that may affect the U.S. GDP in 2019 include:

- June 2018, President Trump made good on several months of threats and imposed tariffs of 25% on steel imports from the European Union (EU), along with 10% on aluminum imports. The EU responded by issuing their own retaliatory tariffs on items such as blue jeans, motor bikes, and whiskey.
- Tariffs were also imposed on Japan by President Trump, at which point Japan informed the World Trade Organization (WTO) that it planned to impose retaliatory measures on U.S. goods to the tune of $616 million after failing to persuade Washington to exempt it from tariffs.
- Earlier in the year, Washington and South Korea announced an agreement on a renegotiated free trade accord, giving U.S. carmakers greater access to the South Korean market. President Trump had argued that the original deal from 2012 was unbalanced in South Korea's favor.
- Russia was also hit by U.S. steel tariffs; this action further strained trade relations that were already strained by U.S. sanctions targeting oligarchs and businesses accused of supporting President Vladimir Putin's alleged efforts to undermine Western democracies.

In 2018 President Trump renegotiated the 25-year-old NAFTA Agreement between the U.S., Canada, and Mexico creating the United States-Mexico-Canada Agreement or USMCA. The biggest changes will impact the country of origin rules, labor provisions, U.S. farmers, intellectual property, and digital trade. New to the agreement is a "sunset" clause that would end the agreement after 16 years.

RUSSIA:

In 2018, President Trump expanded a U.S. sanctions list of Russians that interfered in the 2016 Presidential election, one of the toughest moves yet against a country he says didn't meddle in our elections. In this move, the State Department announced that the administration identified 33 individuals and entities, including oligarchs, a troll farm, and a mercenary group, for their connections to Russia's defense and intelligence sectors. Putting them on this list was meant to "impose costs on Russia in response to its interference in the U.S. election process, its unacceptable behavior in Eastern Ukraine, and other malign activities", according to a State Department fact sheet. This action was also meant to deter other people from doing business or interacting with individuals and entities on the list. These new additions, together with those identified by special counsel Robert Mueller in July, bring the total number of individuals being punished for interfering in U.S. elections to 72. President Trump authorized the additions under what is known as the Countering America's Adversaries through Sanctions Act (CAATSA). This law instructs the Administration, among other things, to punish foreign perpetrators of election meddling.

IRAN:

President Trump announced in May that he was abandoning the 2015 Nuclear deal with Iran, which means that sanctions with Iran, and punitive measures on those parties who trade with it, were put back in place. Several companies, including Peugeot Total of France, Russia's Lukoil, and others, have begun to exit Iran before the U.S. deadlines.

NORTH KOREA:

In 2017, actions by North Korea, including the testing of long range missiles, appeared to place the U.S. and North Korea on the verge of war. However, things changed dramatically in 2018 with the historic first summit between President Trump and Chairman Kim Jong-un of the Democratic People's Republic of Korea (DPRK) in Singapore. During the historic summit, President Trump and Chairman Jong-un conducted a comprehensive, in-depth, and sincere exchange of opinions on the issues related to the establishment of new US-DPRK relations, and the building of a lasting and robust peace regime on the Korean peninsula. President Trump committed to provide security guarantees to DPRK and Chairman Jong-un reaffirmed his firm and unwavering commitment to completing the denuclearization of the Korean peninsula. President Trump and Chairman Jong-un stated the following:

1. The U.S. and the DPRK commit to establish new US-DPRK relations in accordance with the desire of the people of the two countries for peace and prosperity.
2. The U.S. and DPRK will join their efforts to build a lasting and stable peace regime on the Korean peninsula.
3. Reaffirming the April 27, 2018 Panmunjom Declaration, the DPRK committed to work toward complete denuclearization of the Korean peninsula.

4. The U.S. and the DPRK commit to recovering POW/MIA remains, including the immediate reparation of those already identified.
5. Both the U.S. and North Korea agreed to hold a future summit to start working through the details of this agreement.

In addition to these negotiations, there were several negotiations and separate meetings between South Korean President Moon Jae-in and Chairman Kim Jong-un concerning ways to improve relations between the two nations.

North Korea took actions to create a more favorable environment for the detailed negotiations that were planned during the summit. On May 10, 2018, North Korea released three Americans held captive. In June, shortly before the summit, they showed a willingness to follow through on some of their promises by blowing up their main nuclear testing site at Punggye-ri, and starting the process of destroying another site, Tonchang-ri. Part of the agreement will allow inspectors to verify the process of denuclearization at these sites. However, it should be noted that not all things are simple in a major negotiation like this. In late September 2018, North Korea's foreign minister warned that there is no way his country will disarm while the U.S. continues to enforce sanctions. The Trump Administration has been very clear that sanctions will stay in place until North Korea denuclearizes.

BREXIT:

British Prime Minister Teresa May has been battling to persuade British lawmakers to back the agreement that was recently negotiated between the EU and the United Kingdom (UK) for its exit from the EU. Many lawmakers on both sides of the Brexit debate oppose the deal; Brexiteers because it would keep Britain closely bound to the EU and pro-EU politicians because it would erect barriers between the UK and its biggest trading partner. Prime Minister May has acknowledged that the Brexit deal is not perfect, but says it delivers on the voter's decision to leave the EU while retaining close ties with the block, a key trading partner and ally. Many ministers recently quit because they believe that the Prime Minister's compromise agreement would leave Britain outnumbered and outmaneuvered in future negotiations with the EU.

The agreement, approved by the EU, was set to be voted on by the British Parliament on December 11th, but was delayed amid concerns that the "backstop", which was aimed at a "hard border" with Northern Ireland, would keep the UK tied to EU rules and limit its ability to strike deals. At this time polling suggests that more people support what is known as "no deal" than support Prime Minister May's deal with the EU. Equally interesting is that support for leaving the "EU, deal or no deal" is now greater than on the day of the referendum in 2016.

SUPREME COURT JUSTICE BRETT KAVANAUGH:

On Saturday, October 6, 2018, Judge Brett Kavanaugh was confirmed to the Supreme Court by a slim 50-48 vote, replacing retiring Justice Anthony M. Kennedy. His confirmation locked in a conservative majority and capped a rancorous battle that began as a debate over judicial ideology and concluded with horrific allegations of sexual misconduct. Then, Judge Kavanaugh was accused by Christine Blasey Ford and others of alleged actions from decades ago which did not stick, even with the backdrop of the #MeToo movement. They did show how divisive our government can be when emotions run high on these truly difficult topics.

JAMAL KHASHOGGI:

On October 2, 2018, Jamal Khashoggi, a well-known journalist and critic of the Saudi Arabian government, walked into the country's consulate in Istanbul. He was never seen again. Recent evidence shows that he was murdered; many suspected that the Crown Prince, Mohammad Bin Salman, either knew about, or gave the order for, his execution. Initially, Saudi Arabia consistently denied any knowledge of Khashoggi's fate, but after a short period of time, Saudi Arabia admitted that he was murdered in a "rogue operation" and vowed to punish "those responsible." Authorities announced the arrest of 18 Saudi nationals, dismissed two senior officials, and vowed swift action would be taken against these parties. As of yearend 2018, Saudi Arabia had not admitted to any involvement by the Crown Prince in Khashoggi's murder and the U.S. Congress was involved in substantial discussion concerning our future relationship with Saudi Arabia.

In 2018, President Trump and Chairman Kim Jong-un held the historic first summit between the two countries to discuss the establishment of new US-DPRK relations.

GLOBAL RISK

The global economy is affected by global risks and the U.S. economy can be impacted because of changes in the global economy. A global risk is defined as an event that causes significant negative impact for several countries and industries over a timeframe of up to 10 years. These global risks will change from year to year, although some remain consistently at the top. The World Economic Forum (WEF) has reported on global risk for many years and the 10 most likely risks in terms of impact for 2019 include the following:

1. Weapons of mass destruction.
2. Extreme weather events.
3. Natural disasters.
4. Failure of climate-change mitigation and adaptation.
5. Water crises.
6. Cyber-attacks.
7. Food crises.
8. Biodiversity loss and ecosystem collapse.
9. Large scale and voluntary migration.
10. Spread of infectious diseases.

Weather can have an economic affect on both the global and U.S. economies. Take for instance in 2018, the economic effect of hurricanes Florence and Michael that hit the U.S. and caused more than $50 billion in damage along with 83 fatalities. More importantly, the 2018 hurricane season, which was one of the worst ever, continued the conversation concerning climate change and the rise in ocean levels near U.S. coasts.

Cyber breaches are another serious risk and has almost doubled in the last five years. Nearly $500 million of new malware variants have been recently released and Banking Trojans, designed to steal account log in details, could be purchased for as little as $500. As the Internet of Things (IOT) expands from an estimated 8.4 billion devices in 2017 to a projected 20.4 billion in 2020, the use of cloud services continues to accelerate, exponentially increasing the number of potential targets for cyber criminals. Cyber-attacks not only create an enormous financial cost to companies where attacks were successful, but also disrupt critical and strategic infrastructure across the world, including: government, ministries, railways, banks, telecommunication providers, energy companies, car manufacturers, and hospitals. The growing trend of using cyber-attacks to target critical infrastructure and strategic industrial sectors raises fears that attackers could trigger a breakdown in the systems that keep society functioning. With the world's increasing interconnectedness, our vulnerability to attacks that cause not only isolated and temporary disruptions, but radical and irreversible systematic shock, is increased. Another leading publication, Business Insider, noted its 10 largest risks for the global economy in 2019. While they were comparable those noted by the WEF, however, more concern was expressed about climate change.

As stated earlier, cyber security will be a key risk to the global economy in 2019 as it has been for several years. The list of the top 9 network security threats that we expect in 2019 are:

1. **Viruses and worms:** These are destructive malicious programs designed to infect core systems, destroying essential system data and making networks inoperable.
2. **Drive-by download attacks:** A buy/download is a form of attack that allows malicious code to be downloaded from an internet site through a browser, at, or to, an integrated operating system without any action on the user's part. These URL's are designed to look and act like real websites, but in fact they are breeding grounds for several different types of malicious code in hopes that one of them will get through your system security.
3. **Botnets**: These are powerful networks of compromised machines that can be remotely controlled and used to launch attacks of massive scale, sometimes including millions of zombie computers.
4. **Phishing attacks:** These are a form of social engineering attacks designed to steal user log ins, credit card credentials, and other types of personal financial information.
5. **Exploit kits:** These kits are self-contained and highly automated making them one of the most popular methods of mass malware. They operate in several stages, starting with a website that has been compromised diverting traffic to another landing page which contains code that will profile the device for any vulnerabilities. If an exploit is successful, a payload is sent to infect the device. The most common example of this is ransomware, but others include botnet malware, information stealers, and banking Trojans.
6. **Ransomware:** By infecting secure database systems, encrypting data, and threatening deletion or corruption of files unless a hefty ransom is paid, ransomware is a very dangerous form of malware.
7. **Distributed Denial of Service (DDOS):** This is a damaging form of cyber-attack that is regularly being used against businesses with the purpose of overwhelming the hosted servers of their targets with requests for data, making them completely inoperable.
8. **Crypto jacking:** This is where hackers utilize an unsuspecting victim's hardware resources for their own financial gain. Hackers trick their victims into loading mining code onto their computers that targets CPU processing resources for the mining of cryptocurrency, significantly impacting the performance of their victim's system.
9. **APT, or advanced persistent threats:** This is a form of cyberattack where an authorized attacker enters an unsuspecting system and remains there for an extended period undetected with the purpose of stealing financial information and other critical security information.

Worldwide spending on information security products and services are expected to reach over $124 billion in 2019, up 8.7% from 2018. It is expected that privacy concerns will drive at least 10% of market demand for security services through 2019 and will account for nearly 51.75% of the total global security spending in 2019.

One of the other big concerns is that cyber criminals will increasingly focus their ransomware efforts on smart devices connected to the IOT. Hackers may hold specific devices for ransom, but the Information Security Forum (ISF) believes that they will also use the devices as gateways to install ransomware on additional devices and systems throughout organizations. Such attacks have the potential to disrupt business operations and automated product lines.

GLOBAL ECONOMY

The International Monetary Fund (IMF) expects global growth, which registered at 3.7% for 2018, to decline in 2019 to 3.5% and further decline in 2020 to 3.4%. The reasons for this drag on growth include rising protectionism, escalating political and trade tensions, and waning popular support for global economic integration. A bigger issue is that major economies, like China and the EU, have begun to cool, thereby bringing down overall global growth. While the U.S. economy remains strong, rising interest rates will act to slow economic growth in 2019 and will certainly increase the drag on the overall global economy as well. Most economists believe the high-water mark on growth is probably behind us with the most dominant economies in the world slowing in 2019, for example: U.S. growth is expected to drop to 2.5% in 2019 from 3.1% in 2018; Japan will drop to 1.0% from 1.1%; the Euro Area to 1.7% from 2.1%; China to 6.3% from 6.5%; and India to 7.3% from 7.4%.

The global GDP will reach nearly $85 trillion in 2018. The U.S., with the largest economy in the world, will have GDP of $20.3 trillion while China comes in a strong second at a GDP of $13.1 trillion. Rounding out the top 5 are Japan with $5.1 trillion, Germany with $3.85 trillion, and the UK at $2.75 trillion. China's GDP rose to 15% of the global GDP in 2018 from just 5% in 2005, justifying concerns about China's economy as they increasingly affect the global GDP.

The IMF recently cut its projections for the global economy, singling out President Trump's trade actions as

The Tax Cuts and Jobs Act (TCJA) was passed by the Republican controlled House and Senate in 2018. The Act included reductions in tax brackets for individuals and a reduction in the corporate tax rate from 35% to 21%, among others. The GOP bill to make individual tax cuts permanent is not expected to be passed by the new Democrat-controlled House in 2019.

disruptive to global growth and prosperity, especially the imposition of tariffs on roughly half of the goods that the U.S. imports from China. The IMF went on to write "higher trade barriers will disrupt global supply chains and slow the spread of technologies, ultimately lowering global productivity and welfare. More import restrictions would also make tradeable consumer goods less affordable, harming low-income households disproportionally".

The global economy is clearly on a wild rollercoaster that's going mostly downhill. The causes are listed previously in the Global Risks section, but also include: trade wars and tariffs, Brexit, Italy's fight with the EU, renewed U.S. sanctions on Iran, the Chinese debt bomb, jittery stock markets, intermittent capital flight from developing nations, and a host of other economic and political reasons which will detrimentally affect the global economy.

While Brexit gives the global economy pause, the EU has more to worry about in 2019. Mario Draghi, President of the European Central Bank since 2011 and saved the euro in 2012 by vowing to do "whatever it takes," will complete his term in October 2019, and the job to succeed him is fierce. In Italy, a populous coalition government is defying EU demands to shrink the country's projected 2019 budget deficit. Other EU members, including Germany, have violated deficit caps without serious consequences. While this standoff over deficits could lead to Italy's following the UK out of the EU, it is considered unlikely in 2019. However, both Italy, with a GDP expected at 1% in 2019, and Germany, with a 1.7% GDP, need to find ways to increase their economic growth with the EU not providing opportunities.

U.S. ECONOMY

The federal deficit for fiscal year 2018 rose to $779 billion, up 17% from last year, according to final figures released on September 30, 2018 by the Treasury Department. That is the largest number since 2012 when the country was still spending massively to stimulate an economy struggling to recover. The Congressional Budget Office (CBO) expects the deficit to reach $995 billion for fiscal year 2019. The total U.S. debt at year end 2018 was $21.3 trillion. This equates to a national debt per citizen of $65,751 for the current U.S. population of 324,352,551 and exceeds the GDP of the U.S. which stands at just over $10 trillion. While U.S. long-term debt is now 107.96% of annual GDP, there are at least 15 other countries who have a substantially higher debt to GDP ratio. The highest, Japan, has a debt to GDP ratio of 236%. It is important to note that there are countries facing serious debt crises, such as Greece at second with 191.4% and Italy at sixth with 129.8%. Of even bigger concern is the total unfunded liabilities of the U.S. which are now more than $115,754,327.

The CBO forecasted that the growth in GDP will slow remarkably after 2019 because of higher interest rates along with a slower growth of federal outlays projected under current law. U.S. GDP growth was 3.1% in 2018 but will slow to 2.5% in 2019 and further in 2020 to 1.7%. It is important to note that three pieces of legislation enacted in the past year significantly affected fiscal policy and the CBO's economic outlook.

First, the Tax Cuts and Jobs Act (TCJA), which was passed by the Republican controlled House and Senate, contained several significant changes, including: specific reductions in tax brackets for individuals, reduction in the corporate tax rate from 35% to 21%, changes to the deductibility of taxes creating a universal savings account for families, increased the deduction to $24,000 per couple, created a new 20% deduction aimed at pass through business owners, and included other changes with the estate tax exemption, tuition bills, alimony, and a host of others. The intention of the act was to provide relief to middle class and low-income families working their way up, but all taxpayers received some relief. While the House passed the GOP bill to make individual tax cuts permanent in late September 2018, it was not expected to be passed by the new Democrat-controlled House in 2019.

However, one of the largest benefits of changes in the tax law was that Congress implemented a one-time repatriation tax to encourage companies to bring back funds on profits that were made overseas. This has already spurred a remarkable benefit as companies agree to bring back sizeable amounts of money, such as Apple repatriating over $245 billion, and a host of other companies like Merck, Hewlett Packard, Ford, and Pepsi.

The CBO projects the pace of growth in real business investment accelerated significantly in 2018 reaching approximately 8.9% as compared to 5.3% in 2017.

Second, the Bipartisan Budget Act of 2018 increased the caps on discretionary funding for 2018 and 2019 and provided substantial funding for emergency assistance. Third, the Consolidated Appropriations Act of 2018 provided appropriations for all discretionary accounts for 2018.

The CBO projects the pace of growth in real business investment accelerated significantly in 2018 reaching approximately 8.9% as compared to 5.3% in 2017. On the residential side, the CBO projects the growth in real residential investment will remain subdued in 2018 at 2.5% but will rise to 5% in 2019 and by an average of 4.1% each year from 2020 to 2022. The Federal Reserve started the year with the Fed Funds rate at 1.5%, but in 2018 they raised the rate four times to finish the year at 2.5%. Expectations for 2019 include three more rate hikes although there are mixed opinions on whether this many rate hikes will be needed as the economy is already beginning to slow. According to the Fed, the long run interest rate for the economy is still projected to stabilize at around 3%, which they expect to reach in 2020.

It is important to note that the Federal Open Market Committee (FOMC) is reducing the $4.5 trillion balance sheet as quantitative easing is now long over. The goal over the next three to four years is to wind the balance down to around $2.5 trillion. This will have a slightly negative effect on economic growth, causing a rise in interest rates and a slowing of the equities market. However, the economy is strong so now is the time to reduce the balance sheet.

President Trump has made it clear that he is not happy with the recent rise in the Federal Funds Rate and has called out Chairman Jerome Powell accordingly. President Trump has said that Chairman Powell has miscalculated the economy and that these continued rate hikes will stall out the economy, which would negatively impact the strong growth seen in 2017 and 2018. However, the Fed is tasked with maximizing employment and stabilizing prices, or controlling interest rates. It aims to prevent the economy from growing too quickly and creating distorted prices in the stock market, which would eventually lead to a recession.

JOB MARKET

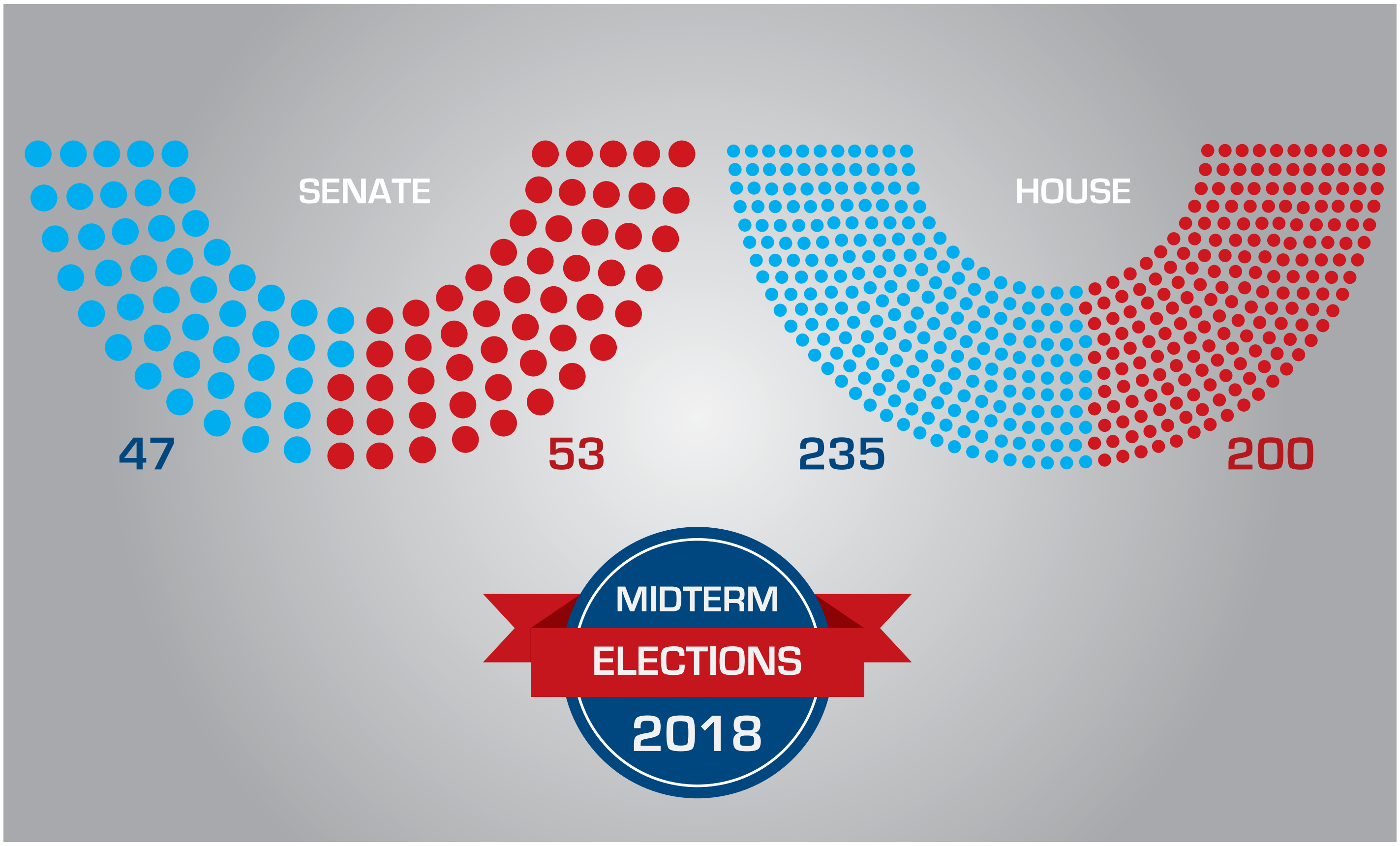
In 2018, the U.S. job market continued to tighten with unemployment dropping to a 49 year low of 3.7% by year end. The underemployment rate, or the U6 rate, provides a broader picture of the underutilization of labor in the country. This rate captures discouraged workers, underemployed workers, and other folks who exist on the margins of the labor market. The current U6 rate is 7.4% which is tremendously lower than just two years ago when it was over 14%. Employment growth averaged 210,000 jobs per month for the first 11 months of 2018 and a total of approximately 2.5 million new jobs were filled during 2018. With a very low unemployment rate, the labor participation rate in 2018 sat at 62.7%. This means that 62.7% of U.S. working age citizens, 16 years and older, are now in the workforce. The labor force participation rate in the U.S. has averaged 62.99% from 1950 to 2018, reaching an all-time high of 67.3% in January 2000 and a record low of 58.1% in December of 1954.

2019 looks like a rare opportunity for U.S. workers to move, land a good paying job, grow their skills, experience, enjoyment, or buy a home, travel, and invest. The ratio of unemployed Americans to open jobs stands at 1.4:1, down sharply from 6.6:1 during the last recession in July 2009. The shrinking pool of job seekers translates into fewer available candidates, leading to a growing reliance on recruiting from currently employed candidates. A bigger concern is that many of the new jobs that are available are not being filled due to lack of appropriate skills by the current work force. Over one million jobs are currently open due to a lack of skilled workers. We need to train a new generation of workers and keep the pipeline open and full to have skilled professionals for the jobs of tomorrow.

Manufacturing alone has lost 20 million jobs since the 1990s, but contrary to popular myth, these were not lost to outsourcing as much as they were lost to robots and technology. A new manufacturing employee needs to be part computer programmer, part engineer, and part mechanic. Again, this will create changes in our education system to adapt to this new workforce.

MIDTEM ELECTIONS

On November 6, 2018 the midterm elections occurred. On that day, a divided government was created that will be in place through at least 2020. There are several implications, which include the following:



Following the midterm elections on November 6, 2018, the Republicans maintained control of the Senate at 53 to 47 and the Democrats gained control of the House at 235 to 200. Republicans flipped North Dakota, Missouri, and Florida in the Senate while Democrats flipped seats in the House in Virginia, Florida, New Jersey, New York, Pennsylvania, Minnesota, Kansas, Colorado, Texas, Oklahoma, Arizona, Iowa, Illinois, Georgia, Main, Michigan, New Mexico, California, Washington, and Utah.

- Do not expect any new major fiscal stimulus in the new Congress, thereby leading to a slowing economy in 2019.
- While the Democrats in the House of Representatives want to roll back most, or all, of the taxpayer friendly changes included in the Tax Reform and Jobs Act (TCJA), this will not occur since the Republicans continue to control the Senate.
- The Obamacare Repeal is officially dead, and the Democrats will now engage in a battle over "Medicare For All." Medicare For All has gained substantial support among Democrats because the proposal would expand benefits in Medicare, which cover more than 50 million elderly or disabled Americans, to anyone of working age. This, however, would be a radical change to the U.S. healthcare system, so don't expect to see Senate Republicans agree to such a shift.
- Democrats won 40 seats in the House giving them a 235 to 200 edge in the House of Representatives while Republicans now hold a 53 to 47 edge in the Senate. Exit polls found that voters cared most strongly about healthcare, followed by immigration and the economy. It is interesting that as strong as the economy has been it was not a bigger factor in these elections; but, as in most cases, if the economy is bad it becomes the top issue while in good times people focus on their other concerns.
- The Democrat controlled House of Representatives will undoubtedly continue and increase investigations of President Trump and his Administration, and will work hard to make sure Special Counsel Robert Mueller's investigation continues to completion. Interestingly, 77% of self-identified Democrats support impeachment so that may also be an issue brought forth in 2019.
- President Trump will encounter more challenges to his legislative powers in the final stretch of his first term in the oval office. He will face headwinds to enacting or expanding economic policies, including increased spending and further tax cuts that his Administration has deemed important to boost the market and the economy.
- There is, however, a big likelihood that the two parties can get together on some issues including: expansion of infrastructure improvements, some modification of healthcare, and a reduction in drug prices, but don't expect too much else.

IMMIGRATION

Immigration has truly come to the forefront with the caravans of Central American migrants moving toward, and now reaching, the U.S.-Mexico border. President Trump signed a proclamation in early November that would deny asylum to immigrants that entered the U.S. illegally, but it was overturned by a Federal District Court and upheld by the 9th Circuit Court. It is expected to reach the Supreme Court for a final determination. In the interim, President Trump has sent thousands of U.S. troops to assist border patrol agents in stopping the flow of illegal immigrants into the country. The big issue with the caravan immigrants is they are being instructed to request asylum when they present themselves at ports of entry or sidestep those ports and illegally enter the country. Because the asylum rules in our country require us to give all immigrants requesting asylum a hearing, and a lack of judges, many have been let into the country's population, but then do not show up for their hearings. President Trump and others have marked this as "rampant abuse" of the nation's asylum system which has seen an increase in claims from 5,000 in 2008 to 97,000 in 2018.

President Trump is also requesting other changes to the immigration system, including: getting rid of the lottery, catch and release, and finally going to a system of immigration based on merit. The Reform American Immigration for Strong Employment Act (RAISE), has a goal of switching away from the current system of lower skilled immigration and adopting a merit-based system. The issue of immigration will not be going away. Eventually, Congress will have to deal with changes in the asylum rules in order to protect U.S. sovereignty and deter these future caravans from forming with hopes of reaching our border and gaining admission.

U.S. PROPERTY SECTORS AND MARKETS

For the ninth consecutive year, the Urban Land Institute (ULI) and Price Waterhouse Coopers (PWC) in their joint publication, Emerging Trends in Real Estate 2019, have indicated that "U.S. Property Sectors and Markets will continue again to be the top choice for investment dollars both nationally and internationally." Our current strong real estate cycle continues and has lasted 109 months, now the second longest cycle only trailing the period from 1991 to 2001. Investors continue to describe the cycle as mature, and perhaps in the first stages of moderate decline, but a long glide path for the economy and the real estate industry is expected, extending the current cycle through 2019 and potentially late 2020. Financing is readily available for those significant developers and owners who have adequate capital for the equity down stroke on projects. For those who are not as financially capable, financing has become difficult and, in some cases, unobtainable.

The recent TCJA does have several provisions that will affect real estate. The bill frees small lenders from the toughest requirements of the Dodd-Frank Act, such as the Volker rule. It effectively provides banks with less than $250 billion in assets a pathway to shed the "too big to fail" stigma, as well as certain enhanced prudential standards.

Additionally, the High Volatility Commercial Real Estate (HVCRE) provision would exempt income producing property, allow banks to continue to use a 15% borrower contributed capital, allow borrower distributions at the minimum required capital, and other changes. The Home Mortgage Disclosure Act (HMDA) provision would reduce the number of data fields collected by insured depository institutions. These changes are certainly advantageous to the real estate industry going forward.

There remains a substantial volume of available capital that seeks core properties not only in 24-hour cities, but expanding

U.S. asylum claims have increased from 5,000 in 2008 to 97,000 in 2018. President Trump is seeking changes to the immigration system taking it to a system based on merit. The goal is to increase the number of skilled immigrants entering the country over lower skilled individuals.

to 18-hour cities and certain secondary markets. Investors are requiring higher investment returns and therefore have shifted their thought process to reducing debt leverage and to seek out markets where they can find higher cap rates and investment returns. Investors have seen urban revitalization in smaller U.S. cities as a great bet. However, as these downtowns boom and the millennial population continues to grow, millennials have started to move into the more urban suburbs. Investors are now following this trend and moving investment capital to suburban locations in many secondary cities, provided they are walkable or transit-oriented developments.

Currently there is still upwards of $400 billion of available capital seeking high quality properties. Cap rates on the coast have dropped into the high 3% and low 4% ranges and, as suggested above, investors are expanding their markets for consideration to obtain acceptable investment returns. In 2019, we expect more investment capital to be placed in the Southeast and Midwest as a substantially larger percentage of international capital is currently being focused on these markets due to higher cap rates.

As it relates to the specific real estate sectors, industrial has again ranked as the top property sector in 2018 and is expected to keep that rank in 2019. As next day delivery increasingly becomes "just in time," a sea change in logistics and shopper expectations has created new challenges for the real estate industry. Amazon and other ecommerce companies have supercharged the industrial real estate sector as they continue to absorb more industrial space. In 2019, the demand for space will continue, and it is expected that over the next five-year period, net absorption will reach nearly 1.65 billion square feet, extending and expanding a streak that the market has not seen in over 20 years.

Healthcare investments, as well as multifamily investments, are again tied as the next best sectors for investment. The healthcare sector continues to benefit from the aging baby boomer population that requires more viable medical facilities and more independent, assisted, and primary care facilities. Surprisingly, the multifamily sector continues to remain very strong, but while demand continues at a high pace, supply is beginning to slow as it becomes more difficult to finance new construction.

The office sector strengthened quite dramatically in 2018, and mixed use projects containing Class A office are now in demand. Specifically, "live, work, play" locations where millennials can find high quality office close to living and shopping are in the highest demand.

Retail has strengthened in 2018 and is expected to be slightly stronger in 2019, but in very specific niche categories. Grocery anchored retail, along with restaurants and entertainment venues, will also be strong leaders in the retail sector. Soft goods will continue to lag as there is more consolidation in that part of the industry. However, we do expect a stronger retail sector in 2019 as retail developers begin to revive the retail sector and redevelop older centers into mixed use properties.

For several years, the real estate sector has commanded an attractive spread over fixed income investments. In 2018 equities performed quite well and real estate investments, while strong, were merely competitive with the strong equity markets. Now with interest rates rising, we do see investors beginning to be a bit more interested in fixed income investments such as bonds and other equities. The real estate sector will continue to be the most attractive in terms of total investment activity and will continue to attract the largest piece of the investment capital.

Investment activity by foreign investors has increased substantially over the last three years and we expect that to continue in 2019. As noted above, we will also see this international capital be willing to look at Class A core properties in secondary cities as they strive for higher investment returns. We don't expect any change in the deployment of this capital with the coastal cities and the south 18- and 24-hour markets still being likely targets, but we do see an increased amount of activity in the Midwest where returns are substantially higher than these other markets.

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The top trends in real estate for 2019, according to Emerging Trends in Real Estate, include:

- Intensifying transformation: 2019 will be a turning point year. The key word for real estate's future performance is transformation – in technology, in generational choices, in a reconfiguration of preferences by geography and by property type, and in the potential for new investors in this asset class. "Coming off of Peak" seems to be a theme and "we are adjusting a little bit right now" is another. Real estate investors expectations are now referring to the market as at a "plateau." So, this transformation will encompass a change in threshold investment criteria in asset allocation and in the deployment of technologies that can help identify investment opportunities or enhance the risk/return profile.
- Easing into the future: Concerns about labor force availability have continued to be top-of-mind for business leaders. The top challenge, in the future, will be securing and retaining the qualified workers for each specific industry.
- 18-hour cities 3.0 - Suburbs and Stability: The success of 18-hour cities and developing urban amenities have led to economic growth. Millennials were intrigued by these urban centers but as they age they are now beginning to look at the suburbs since there are nearly 80+ million millennials. The first phase of millennials moving to the suburbs for larger, more affordable homes and access to schools as they raise their children has already started. These new more suburban/urban centers will attract more institutional investments as millennials age.
- Amenities Gone Wild: In an era where concierge services are being offered in apartment buildings, offices, and even retail establishments, real estate, in general, needs to embrace this new lifestyle demand. Tenants will continue to push for more robust amenity packages in new office

buildings and in multifamily assets. We have gone from the package room to accommodate all day deliveries, to lockers, to refrigerated locker spaces for food from both grocery and prepared foods that need to be kept fresh. The mantra of live, work, play is giving rise to a reinvention of lobby space and common areas. Office tenants are now expecting what multifamily tenants have received in the past so big changes in office amenities are on the horizon.

- Pivoting Toward a New Horizon: Real estate developers are not only adopting new technology but are also investing in technology companies to improve business models and open new opportunities. Technology is being used to improve the experience of users of real estate as well as helping to better manage the portfolios of owners.
- Get Smart - PI+AI: Forrester Research estimates that by 2027, artificial intelligence (AI) could affect up to 25% of the daily tasks performed by every job category, ultimately enhancing the personalized intelligence (PI) of future workers.

The region's gross regional product (GRP) grew at an annual rate of 2.9% in 2018 compared to 2.2% in 2017, and 2.0% in 2016.

- The Myth of "Free Delivery": The concept of "free delivery" is widely marketed to consumers, but there is nothing free about it. Neither are "free return" practices. Costs are built into the price of products and the consumer pays. But speed of delivery is the enhancement the consumer is wanting so the cost is warranted.
- Retail Transformed to a New Equilibrium: The on-going transformation of the retail sector is multifaceted, with the most notable part being the reduction of retail space per capita in the U.S. This new equilibrium will cause unneeded retail space to be repurposed or replaced. There will be a shift from simply merchandising goods to providing space for services and experiences.
- Unlock Capacity: The affordability crisis is not just about those without a home, as half of all renters are paying more than 30% of their income on housing. Expect the real estate industry to find ways to unlock housing capacity with new forms of housing and an increase in inexpensive pricing level choices, as there will be a need for 4.6 million additional rental housing units by 2030, or as much as 325,000 per year.
- We're All in This Together: In the future, expect to see a dovetailing of interest among state and local governments, large real estate owners, asset managers, and tenants to try and reach similar objectives, which is a high quality real estate product for the user and owners, but at affordable prices.

In 2019, the expected best bets for deployment of investment capital are as follows:

1. Industrial Development: Infill opportunities give "last mile," bulk sites, and even multi-story properties, a chance to join the party. Industrial real estate offers great risk adjusted returns.
2. Garden Apartments: The garden apartment component was near a double digit total return at 9.33%. Pricing for garden complexes reflect a higher yield of 5.7% cap rate, compared to 4.9% for mid-to-high-rise properties.
3. Quick Flip Value-Add Deals: The window of opportunity is very narrow now and the ability to execute by 2020 is the key. Focus on markets where assets have not yet been priced to perfection; second tier cities in the South, Midwest, and intermountain states are the most likely.
4. Redevelopment of Obsolete Retail Assets: Some shopping center properties will never come back as successful retail assets. If a site is sufficiently large, mixed-use is a great option for close in suburban sites looking to exploit maturing millennials and their desire to enter their next life cycle. Many of these locations can be transformed into other sector property types such as multifamily, medical, assisted living, or office.

KANSAS CITY REGION

The region's gross regional product (GRP) grew at an annual rate of 2.9% in 2018 compared to 2.2% in 2017 and 2.0% in 2016. This was at a stronger pace than the 2.3% that was projected in last year's report. The region's GRP is expected to fall to 2.1% in 2019 and only 1.6% in 2020, as both the national and regional GDP slows with a slowing economy.

The unemployment rate in Kansas City at yearend 2018 dropped to 3.3% as compared to 3.6% for the national employment rate. This is close to the region's low, which was at 3.2% in November 2017.

In terms of jobs, Harley Davidson's announcement that they were closing their Platte County facility in 2019 will cost the region 800 jobs while Proctor and Gamble announced it was closing its plant in 2020, a cost to the region of an additional 380 jobs. Additionally, DST, which was acquired by SS&C Technologies, has laid off several hundred employees and with the Sprint and T-Mobile merger potentially occurring in 2019, the fate of the Overland Park campus and the number of employees that will remain has been cast in doubt. On the positive side, notable gains include Turn 5, Geico, Trial Card, EXL, and CVS. In addition to these gains, Cerner continues to add employees at their south Kansas City Innovations campus while Garmin's Olathe campus is expanding to house an additional 2,600 workers. Honeywell is also adding employees as part of the modernization of the nation's nuclear weapons arsenal and Burns & McDonnell's growth in their south Kansas City location will add another 700 employees by 2020.

Overall, the region's job growth forecast shows an increase of 16,000 new employees in 2019 and then a drop to 11,500 new workers in 2020.

One part of the Kansas City economy that remains strong is construction activity. The value of construction contracts increased by almost 50% in 2018 and with the new Kansas City International Airport (KCI) terminal proposed to start in 2019, at a cost of upwards of $1.6 billion spread evenly over four years, you can expect this to cause severe labor shortages in Kansas City. By 2020, the new airport terminal will have a somewhat counter cyclical public works affect because its

Sprint Corporation is set to sell their entire headquarters campus in Overland Park, Kansas with terms including a sale/leaseback. The transaction is expected to close in early 2019 and follows a proposed T-Mobile and Sprint merger which is expected to be finalized in the second quarter of 2019 after the U.S. Department of Justice and FCC complete their reviews.

boost in area employment will be offset by other expected reductions in construction activity in the marketplace.

In 2018, employment growth again was concentrated in three prime sectors; healthcare which led the way adding 6,000 jobs, transportation and warehousing which added 3,500 jobs, and professional and technical services adding 3,200 jobs. Educational services may show the largest decline, with professional and technical services also seeing employment declines.

Kansas City's real median household income increased again in 2018 to 6.5% which is a slight increase over 6.4% in 2017. The Kansas City Metro continued to show moderate economic strength compared to other large metropolitan areas. These economic strength ratings, which are created by Policom Corp., study the characteristics of strong and weak economies, and determine which ones have rapid consistent growth in both size and quality for an extended period. In 2018, Kansas City's strength rating was 49, not as good as its rating of 24 in 2017 and 18 in 2016. Kansas City currently ranks No. 26 in annual GDP growth, No. 11 in quality jobs and No. 15 in real median household income.

KANSAS CITY ECONOMY

The Kansas City economy continued to grow at a strong pace in 2018, carrying on the growth spurt that it had in 2017 and 2016. The employment sectors that continued to lead the increase included the automobile industry, information technology (IT), technology, financial services, and health services, the strongest sector for the fourth year in a row. There was also steady employment growth in the leisure and hospitality industries, trade transportation, utilities and professional services, and in manufacturing. Ecommerce and intermodal activity in Kansas City remained very strong and, after three years of very strong growth, Kansas City is now known as one of the top ecommerce cities in the country.

In 2018, major hospital projects continued to move forward all over the metro. Some of those major projects included an expansion of the University of Kansas Health System (KU Hospital) as well as several area expansions by HCA Midwest Health, Shawnee Mission Health, and the St. Luke's Health System. KU's largest project was the continued expansion of their Cambridge Tower, located just west of their main campus at 39th Street and Rainbow Boulevard. Meanwhile, HCA Midwest Health recently continued to expand their strong I-435 corridor presence with their expansion into the new Roe Medical Centre I facility at I-435 and Roe Avenue. At this location HCA brought multiple disciplines together in the building, including their vascular department, cardiology, gastroenterology & endocrinology and bariatrics. HCA took the entire 77,985 square foot building and by yearend 2018, was in complete occupancy. The University of Kansas Hospital also moved their pharmacy operations offsite to the 172,000 square foot building at 11300 Corporate Avenue in the Southlake Technology Park to give the hospital greater efficiency of pharmacy operations as well as provide the hospital with the space and accessibility needed for them to achieve more optimal outcomes for patients. A large expansion of 22,000 square feet together with renovations on another 32,000 square feet by the Kansas City Orthopedic Institute will allow it to further improve its medical care to the community.

There also were several other significant real estate developments or transactions that occurred in 2018 throughout the market. For example, Sprint Corporation, as of yearend 2018, was under a Letter of Intent to sell their entire headquarters campus at 115th Street and Lamar Avenue in Overland Park, Kansas. While the buyer has not been identified, expect this transaction to close in early 2019. The details of the transaction are not readily known, but we do know that a portion of the campus will be under a sale/leaseback transaction between Sprint and the buyer, while a portion of the campus will be vacated by Sprint and made available for lease. This comes while T-Mobile and Sprint are proposing a merger of the nation's third and fourth largest wireless carriers, which would create a $27 billion merger that could dramatically reshape the U.S. telecom industry while testing the appetites of consumers and regulars alike for further corporate consolidation. The telecom industry is racing to deploy the next generation of ultra-fast wireless technology, called 5G. Should the merger be successful, the combined company would continue under the name T-Mobile. The combination of Sprint and T-Mobile would create a strong competitor with network scale to deliver more for customers and businesses in the form of lower prices, more innovation, and a second to none network experience according to John Legere, the Chief Executive Officer of T-Mobile. The new firm would have roughly 100 million customers and would put it in striking distance of industry leader Verizon with a customer base of 116 million. AT&T would fall from the second to the third largest carrier at 93 million customers.

Kansas City Mayor Sly James called the airport the most important economic development project the city has undertaken in 50 years and at this point the entire city is looking forward to the new terminal developed by Edgemoor.

The Kansas City Streetcar Main Street extension reached a major milestone in June 2018 when voters approved local funding for the 3.5-mile route from Union Station to the University of Missouri-Kansas City's Volker Campus. Voters approved the formation of the Main Street Rail Transportation Development District which can levy sales and property taxes within the district to fund streetcar operations. Taxes will not raise until plans are approved for construction of the streetcar extension and after the original downtown loop and the Main Street extension are merged into one. Additionally, and more importantly, the Kansas City Streetcar Authority has filed for federal funding for a total of $227 million and until that money is allocated, the streetcar extension will be planned but not constructed.

Another major story is that the University of Missouri-Kansas City, which had planned to build a $96 million conservatory downtown, has now changed plans and is looking at its options for a public-private partnership as well as traditional development of a new facility for its conservatory of music and dance and the department of theatre. This new plan would call for the development of this facility either on campus or off campus. At this time funding remains in jeopardy as former Governor Eric Greitens vetoed the proposed funding by the state and after that, the Muriel Kauffman Foundation pulled its $20 million pledge. Obviously, this project will require additional funding for it to move forward but hopefully that can occur in 2019.

The Kansas City University of Medical and Biosciences broke ground on a new center for medical education and innovation in 2018. The $33 million facility will provide virtual reality and haptic technology, simulated clinical experiences for educating the next generation of physicians and health sciences professionals.

The new single terminal at KCI Airport project continues forward, even though there were delays due to the increased price tag and how it will be paid for. The project is now expected to cost $1.6 billion and there are several concerns by executives at the various airlines that will be paying for the terminal as to the increased cost, use of the airport, the baggage claim system, and other items. The key to the design of this financing package is that taxpayers are not on the hook for the project, which instead is being paid for by the airlines that use the airport. However, that is where the problem lies; some airlines including Southwest, Alaska, American, Delta, and United remain supportive of the proposal, but are discussing elements of the pricing and having disputes between the airlines themselves. Mayor Sly James called the airport the most important economic development project the city has undertaken in 50 years and at this point the entire city is looking forward to the new terminal to be developed by Edgemoor. The new terminal will now also be slightly expanded with 39 gates as compared to the original plan for only 35 gates. This is due to continued growth in passenger traffic. The key at this point is whether the airport will be open by November 2021 as originally announced.

Other big announcements included the expansion by Netsmart with its sublease of the building formerly home to Teva Pharmaceuticals at 11100 Nall Avenue. The expansion by Netsmart was driven primarily by the health IT company's growth with plans to add more than 400 employees over the next five years. Netsmart's local employment since 2011 has grown from 10 to 660. Teva Pharmaceutical, due to economic troubles at the parent company, will be moving from their Overland Park facility and consolidating in New Jersey in existing space in 2019.

Another large development is the continued expansion of CityPlace, the "live, work, play" development at Highway 69 and College Boulevard. The healthcare giant, WellSky, originally committed for 65,951 square feet in the first office building in the park. However, as they contine to buy additional businesses and bulk their opterations regionally, and nationally, they have now expanded further in the complex and will occupy 93,609 square feet.Plans are also underway for the next 120,000 square foot office building as negotiations take place with a lead tenant that would bring additional office activity to the park. With The Apex apartment and retail complex consisting of 370 apartment units and 18,500 square feet of retail space now under construction, it's likely that 2019 and early 2020 will see the CityPlace development truly reach the "live, work, play" lifestyle. Block Real Estate Services, LLC (BRES), as project developer, expects to build out CityPlace over the next five to seven years which, when completed, will house over 600,000 square feet of office, 60,000 square feet of retail, 1,382 units of multifamily, and 140 units of assisted living.

The $1.8 billion Brookridge mixed-use project at I-435 and Antioch Road had another setback when the Overland Park City Council voted 8-4 against an incentives request from the developer. The reques,t led by Curtain Property Company, was for $20 million in tax increment financing and $60 million in Kansas sales tax revenue (STAR) bonds for the first phase of the project. The 140-acre project could eventually include, if approved, 5 million square feet of mixed-use projects, with 1.8 million square feet of office space, 2,000 apartments, 242,800 square feet of retail, 550 hotel rooms, and a 3,500-seat indoor performance venue.

Another project that appears poised for development is the former Great Mall of the Great Plains which received unanimous approval from the City of Olathe on the project's preliminary plans. Developer Woodury Corp. can now apply for STAR bonds. Woodbury is seeking more than $69 million in incentives and hopes to secure a significant amount of that through STAR bonds. The $271 million proposed project, which has been dubbed Mentum, would include a mix of retail, residential, and commercial uses, as well as a community ice center and a 4,000-seat arena that would be anchored by a semi-professional hockey team owned by Loretto Sports Ventures, LLC, led by Lamar Hunt, Jr. Loretto operates the Kansas City Mavericks ECHL hockey team and the Topeka Pilots of the North American Hockey League. The arena would also be home to the Kansas City Youth Hockey Association and would work with the Kansas City Ice Center to attract youth hockey tournaments.

Indianapolis based Milhaus, LLC plans a $65 million mixed-use project that would include five buildings on about 4.3 acres and would be the largest redevelopment proposal in the East Crossroads District. The site is bounded by 19th Street to the north, 20th Street to the south, Cherry Street to the west, and Oak Street to the east. The project would house 338 market rate apartments, 336 space parking garage spanning across four stories, and a restaurant building with outdoor seating. There would also be 15,000 square feet of retail space.

Perhaps one of the biggest projects to gain approval in 2018 was Galleria 115, another "live, work, play" mixed-use project at the corner of 115th Street and Nall Avenue in Overland Park, Kansas. The project, to be developed by BRES, will consist of 548 multifamily units, more than 200,000 square feet of retail, and a four-story office building along with entertainment attractions. The site will also include several sit-down and fast casual restaurants to bring additional food opportunities to this very dense area with over 20,000 office workers within one mile of the site. Development of the first multifamily phase will start in 2019 and plans are in place for other phases to start in the latter part of 2019 or early 2020 as uses are finalized.

Finally, Lansing Trade Group, LLC, led by CEO Bill Krueger, has agreed to merge with The Andersons, Inc. which would create a combined commodity company generating $8.5 billion in sales. The combination of Lansing and The Andersons will give the combined company far larger scale and will lead to their development of a more robust North American supply chain for agricultural commodities.

KANSAS CITY'S LOCATION

Kansas City continues to benefit from a very long list of attributes, with its location in the middle of the country and in the Central Time Zone being the most significant. This location allows it to attract a constant influx of visitors from a multitude of small communities in the surrounding seven states. Kansas City's location is within a four-hour drive of over 8.82 million in Kansas, Missouri, Iowa, Illinois, Nebraska, Arkansas, and Oklahoma. Because of this and the multitude of activities available throughout the community, Kansas City ranks as one of the top tourist destinations in the country.

Located within a four-hour drive of 8.82 million people in seven different states, and home to over 2.61 million people, Kansas City serves as the corporate headquarters for multiple national and international companies. Of those Seaboard Corporation ranked 481 on the Fortune 500 List in 2018. Cerner Corporation (519) and YRC Worldwide (532) were just outside of the 2018 list.

Kansas City is home to over 2.61 million people and to a number of significant corporate headquarters including: Hallmark Cards, DeBruce Grain, DST Systems, H&R Block, Garmin International, Burns & McDonnell, Cerner Corporation, American Century, AMC Entertainment, BATS Global Markets, Black & Veatch, Commerce Bank, UMB Financial, Westar Energy, YRC Worldwide, Seaboard Corporation, Great Plains Energy, JE Dunn Construction Company, Lansing Trade Group, LLC (now merged with the Andersons), Mariner Wealth Advisors, Creative Planning, Inc., and a host of others.

The area population is very well educated with over 42% having a college degree and nearly 93% having a high school education. Fifteen institutions within the metro area offer graduate degrees in numerous disciplines. Additionally, the University of Kansas (KU) and the University of Missouri (MU) offer professional degrees in law, medicine, dentistry, and pharmacy. Kansas State University offers bioscience and biotechnology programs, and the Kansas City University of Medicine of Biosciences offers degrees in Osteopathic Medicine. The Lewis White Real Estate Center at the University of Missouri-Kansas City, Henry W. Bloch School of Management continues to rank as a top five master's program for real estate in the country. Other colleges and universities in and around the Kansas City Metro include DeVry University-Missouri, Ottawa University, MidAmerican Nazarene University, the Kansas City Art Institute, Cleveland Chiropractic College, Rockhurst University, William Jewell College, Webster University, University of Phoenix, Avila University, Missouri Western State University, and a host of others.

Sports and Entertainment

Kansas City ranks as one of the top sports and entertainment cities in the country. Several professional teams call Kansas City home including: the Kansas City Chiefs, the Kansas City Royals, Sporting Kansas City, Kansas City Storm, Kansas City Mavericks, Kansas City Comets, Kansas City T-Bones, Kansas City Tornadoes, and Kansas City Renegades. Also, major college and university teams from the University of Kansas and University of Missouri-Kansas City, the Kansas City Chiefs, the Kansas City Royals, and Sporting Kansas City have each reached the pinnacle in their sports in the past and have brought national visibility to Kansas City.

Due to its location in the center of the country, Kansas City is also home to a variety of entertainment venues including the Kansas City Zoo, Oceans of Fun, Union Station, Worlds of Fun, Schlitterbahn Vacation Village, Community America Ballpark, the Hy-Vee Arena, the Kansas Speedway, Legoland Discovery Center, Sea life Aquarium, Silverstein Eye Centers Arena, the American Royal Barbeque and Rodeo, City Market, Top Golf, and six area casinos. In addition to these amazing venues, the 18th & Vine Jazz District, Snow Creek Ski Resort, the Plaza Art Fair, Westport Art Fair, Brookside Art Fair, the Wyandotte County Fair, Overland Park Arboretum and Botanical Gardens, Powell Gardens, the Kansas City Renaissance Festival, as well as many other venues provide a variety of entertainment options in Kansas City.

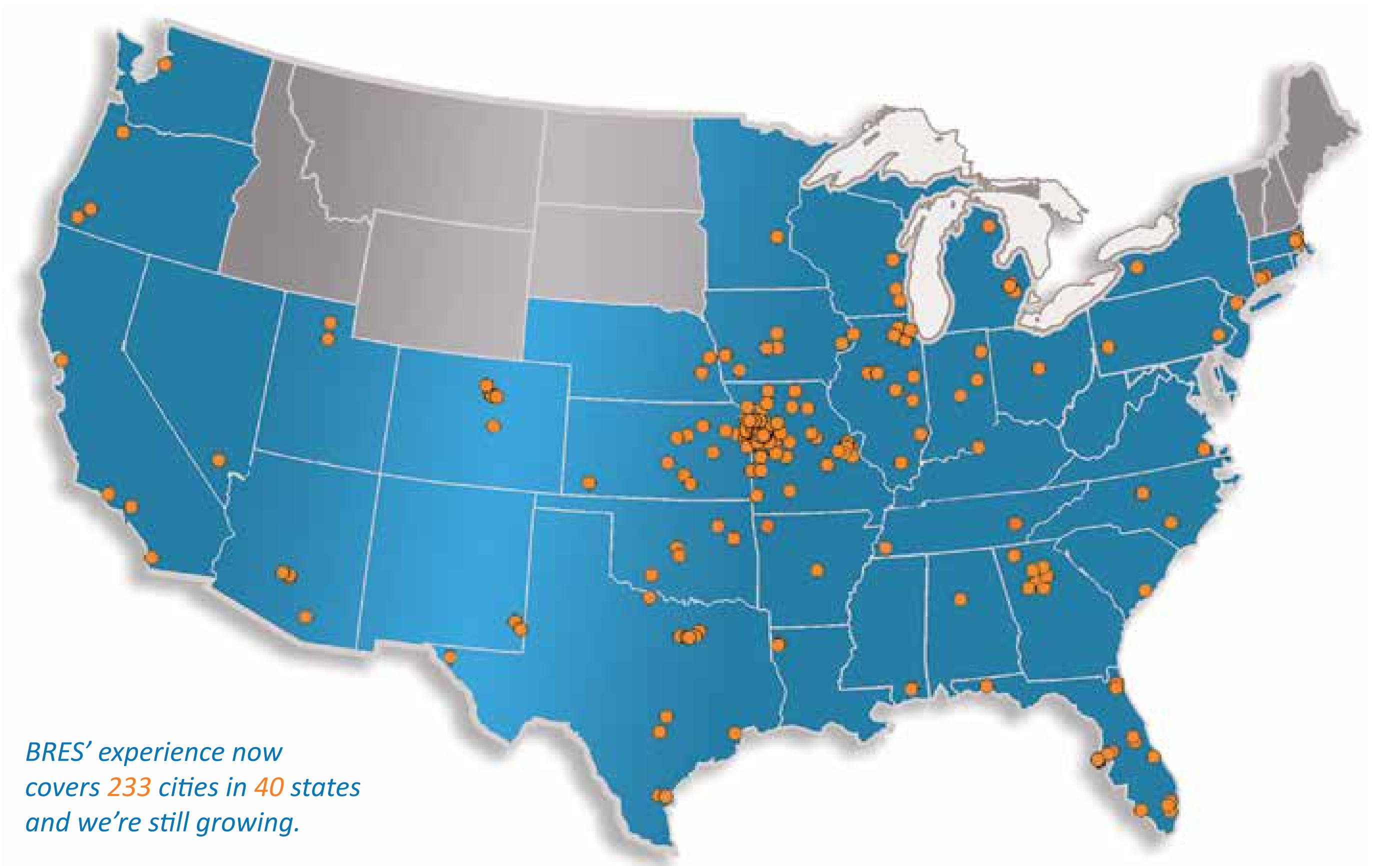
Appreciation for Cultural Arts

Kansas City continues to be known nationally and internationally for its art and culture and has a multitude of amazing venues to enjoy these events. Perhaps the most well-known of all is the renowned Kauffman Center for the Performing Arts, which is ranked among the top three performance halls in the world. Other outstanding venues include the Nelson-Atkins Museum of Art, the American Royal Museum and Visitor Center, the Kansas City Symphony, Folly Theatre, Starlight Theatre, Kansas City Ballet, Kansas City Chamber Orchestra, Lyric Opera of Kansas City, Kansas City Repertory Theatre, National World War I Museum and Memorial, American Jazz Museum, Airline History Museum, Negro Leagues Baseball Museum, and the Nerman Museum of Contemporary Art. Because of the large number of acclaimed artistic venues, Kansas City ranks as a top five cultural art destination in the country.

Unparalled Transportation Presence

The Kansas City area is served by nine major commercial airlines and their connection partners. These carriers offer over 200 daily departures with non-stop service to nearly 70 destinations. Kansas City's new air modal center, adjacent to KCI, continues to strengthen cargo shipment capabilities and distribution opportunities together with several intermodal locations located in our community. Kansas City is now recognized as one of the top three cities in the nation for cargo distribution. With the new airport now planned to be open by 2021, Kansas City will be known as a regional center for commercial airline activity and it is expected to increase passenger ridership with the expanded terminal capacity.

Kansas City is also ranked as one of the top four distribution centers in the country. It has the number one ranking by rail freight volume and the number two ranking of largest rail carriers in the U.S., behind Chicago. Kansas City's new rail intermodal hubs, one by Burlington Northern Santa Fe railroad, and one by Kansas City Southern railroad, joined existing hubs run by Union Pacific and Norfolk-Southern, further strengthening



BRES' experience now covers 233 cities in 40 states and we're still growing.

Kansas City's reputation as a top four distribution town. Kansas City also has eight, Class I rail carriers, three regional lines, and a local switching carrier (KC Terminal) serving the area. Amtrak passenger trains also serve the city multiple times per day. The city is served by four interstates including I-70, I-35, I-29, and I-49. The city has four additional linkages including I-635, I-470, I-670, and I-435 which provide local transportation around the community. Kansas City is further served by 10 federal highways, thereby providing a superior traffic system throughout the region and I-35, formerly known as the NAFTA Highway but to be now known as the USMCA Highway, stretches from Mexico to Canada, and continues to enhance and expedite the flow of distribution, not only in the metro area but also throughout the U.S.

Kansas City Animal Health Corridor

Kansas City Animal Health Corridor, which stretches from Manhattan, Kansas to Columbia, Missouri continues its long-term growth as it has for many previous years. The corridor now represents 36% of all sales in the global animal health market, which now totals $23.05 billion. More than 300 animal related companies operate in the region including Boehringer Ingelheim Vetmedic, Inc., Nestle Purina PetCare Co., Hills' Pet Nutrition, Inc., MRI Global, AgriLabs, Inc, Pfizer Animal Health, Ceva Animal Health, LLC, Bayer HealthCare Animal Health, Argenta, ZuPreem, KC Canine, MWI Veterinary Supply, Inc., TVAX Animal Health, FitBark, Inc., U.S. Animal Health Association, Cereal Food Processors, Inc. and several others. One piece of bad news is that Bayer AG said it plans to sell its animal health line as part of a larger plan to focus on its core businesses. Bayer AG ranks second in Kansas City Business Journal's list of the area's largest animal health companies with 550 full-time employees in the area. While Bayer AG continues to be a key player in the Kansas City Animal Health Corridor, there are high expectations that any buyer will continue to locate in this part of the country due to the large level of collaboration among the heavy concentration of animal health companies between Manhattan, Kansas and Columbia, Missouri.

Kansas City Area Life Sciences Institute, Inc., together with major 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, have continued to propel Kansas City forward as one of the top five national life science cities in the country. In Kansas City alone, the life science industry has spent more than $1.8 billion in research during the last 15 years, which puts it among the top three areas in the country for life sciences research. The Midwest Research Institute, together with the Stowers Institute and other local organizations, continues to search for the top leaders in the life sciences sector, thereby protecting Kansas City's position as one of the top life sciences leaders in the country.

City Rankings

The Kansas City Area Development Council, which was ranked as the number one regional economic development team in the U.S. in the 2014 Winning Strategies Report, continues to rank in the top three in 2018. The KCADC is the major promoter for the Kansas City region. The organization helps sell companies on Kansas City when they are evaluating relocation options. Kansas City ranks very high in a number of areas, including number three in the 10 best U.S. Cities for real estate investors, No. 13 in Travel+Leisure magazine America's Best Cities for Hipsters, No. 6 Best Place to Retire, No. 7 Top City for Tech Start Ups by Entrapeneur.com, No. 7 for America's Best Downtowns, No. 4 for Young Entrepreneurs, a top 10 travel destination, No. 21 in the country for young brain power, No. 8 for best park systems in the nation, No. 11 best city in America, No. 4 for female entrepreneurs, a top 10 coolest city in the Midwest, a top three most philanthropic community in the country, No. six on the list of America's smartest cities by U.S. Today, a top six romantic city by Livability.com, and No. 5 overall best city in America to raise a family by Parenting magazine. Kansas City also ranks twelfth best city in America for sports, but ranks as the No. 1 city for soccer in the country. Kansas City ranks as a "smart city" as it continues to be one of the most connected cities in the country, thanks to cutting edge technologies through a $15 million public-private partnership that was set up several years ago.

> Kansas City ranks as a "smart city" adding to the impact it has on the Animal Health Corridor which represented 36% of all sales in the $23.05 billion global animal health market in 2018.

Kansas City ranks No. 21 of the best places for business and careers out of 1,200 U.S. cities with populations between 25,000 and 100,000 and based on 33 key indicators of livability. Leawood, Kansas, a community within the Kansas City Metro area, and Overland Park, Kansas, ranked in the 99th percentile for desirability and No. 1 and No. 3 on the affordability index, respectively.

The Sprint Center continues its ranking as the second busiest venue in the U.S. and the eighth busiest venue in the world. Kansas City continues its ranking as the No. 1 city in the country for barbeque and hosts the largest barbeque event in the country, the American Royal Barbeque Tournament. Kansas City also ranks No. 13 as the overall strongest metropolitan area in the country. It ranks No. 2 as the best city for women in tech, No. 3 for the best job market according to the American Community Survey, a top five affordable city for millennials according to Zillow, No. 2 best city for jobs according to Glassdoor, No. 4 Greenest City according to Travel+Leisure, No. 3 most cultured city in America according to Travel+Leisure, No. 7 on Travel+Leisure's list of 20 coolest cities in America, and No. 2 on the top 10 budget destinations for travelers according to Sherman's Travel blog. Our very own Starlight Theatre was voted the third best outdoor music venue in the nation by U.S. Today. Other Kansas City rankings include fourth best friendly city in America according to Travel+Leisure, sixth best city in the country for new startups, and first in the country for affordability by Travel+Leisure.

KANSAS CITY METRO RECAP

In 2018, the Kansas City Metro economy remained quite strong and most real estate sectors performed well. Kansas City continues to be one of the best places in the country for real estate investments in terms of overall investment capital returns and long-term yields. It has been ranked as one of the top cities for investments for many years because it has a consistent and predictable investment cycle. This ranking has continued to attract more institutional and foreign investment activity to the Kansas City market in the last few years.

The multifamily sector, in 2018, continued its impressive growth rate as it has for the last several years. Over 2,000 units were constructed in 2018 with another 8,400 currently under construction and slated to deliver in 2019 and 2020. The multifamily sector will continue to thrive in 2019 because the pace of demand is comparable to the supply that is being produced by developers in the marketplace. While demand will slow in 2019, the pace of development is also slowing based on rent growth, less desirable construction financing, and lack of equity.

The industrial sector continues to be the strongest sector of real estate in Kansas City. Speculative development continued at a strong pace with over 6 million square feet completed in 2018, but this was substantially lower than the 7 million square feet in 2017, and the record 9.85 million square feet delivered in 2016. Most of this space continues to be speculative mid-bulk and bulk industrial property. Absorption has remained strong with over 6.1 million square feet of development absorbed in 2018, after over 7.68 million square feet were absorbed in 2017. Predictions for the Kansas City industrial market continue strong through 2019, as intermodal activity and the automotive sector lead the way. What has changed is an increase in development competition from out of town developers, which is reducing investment returns and requiring developers to be far more strategic in their development strategies.

The office sector grew moderately in 2018, but, as usual, specific sectors of the marketplace led the way. The combined Johnson County submarkets had the most under construction with 446,008 square feet followed closely by the downtown submarket at 445,060 square feet. New office developments will be in high quality "live, work, play" locations in the community and will probably be developed with lead tenants in place. Strong activity will continue to occur in Johnson County with the 112th Street and Nall Avenue corridor and the College Boulevard and Highway 69 corridor leading the way.

While the retail sector improved slightly in 2018, specific niche projects have been the most successful. Grocery and entertainment anchored retail projects continue to have the clear majority of activity, and we can expect that to continue in 2019 as the soft goods sector continues to slow and be eliminated by ecommerce activity.

The healthcare sector in Kansas City again was strong in 2018 with nearly $975 million in new healthcare development by area hospitals, medical developers, and health service providers. This growth will continue strong in 2019 as additional hospitals gear up to provide new healthcare services throughout the metro as the population continues to age.

In 2018, more than $3.85 billion of residential, commercial, and industrial construction was either planned or underway in the metro area. This was a large increase from the activity in 2017, but still far short of the $5.9 billion in 2016. In 2019, we expect this development activity to slow further as interest rates rise and financing becomes more difficult to obtain. As we noted previously in our annual report, continued warning signs on the horizon include the following:

- The FOMC, which raised the federal funds index in 2017 to 1.50%, raised it four times throughout 2018 to 2.5%. While expectations were in place for at least three more raises in 2019 in late December, the FOMC began to shift its stance, now saying any future increases in the Federal Funds rate would be daily driven. We think this was due to many signs that the economy was slowing and fears that too many increases would lead to a recession in late 2019. However, their goal may not have fully changed from a 3% level for the Fed funds index by 2020. As any more increases continue, development activity will slow because of the increasing cost of money and the decreasing availability of construction financing.
- After the midterm elections, we now have a divided Congress with the Democrats in charge of the House of Representative and the Republicans in charge of the Senate. President Trump continues his desire to want to push economic activity, but with interest rates rising due to the FOMC wanting to make sure the economy doesn't overheat, expect far less activity to occur in terms of new policies in 2019. We also may see a continuation of investigations of the Trump Administration instead of Congress working together to provide solutions for healthcare, immigration, drug prices, and other important topics. Hopefully enough members of Congress will be able to forge relationships and create positive activity to move our country forward.
- Business and government leadership needs to work together consistently to promote the Kansas City Metro as a united community that desires new business from both inside and outside the community. As always, there needs to be a strong public-private partnership in all 50 separate communities that make up the Kansas City metropolitan area to encourage increased investment and development activity. There also needs to be consistent legislation by city leaders throughout the community, so that developers know the "rules" before they look for development opportunities in the various communities around our metro. Also, by strengthening area sentiment toward developers and development activity, and understanding that the development community takes substantial risk and provides its own capital to create new places to live, work, and play, perhaps our area residents and leaders can more warmly embrace the development community.

Kansas City remains a truly exciting community with so many amazing places to live, work, shop, and play. However, the leaders of all of Kansas City's communities must work together to promote our metropolitan community as we all benefit from the city's reputation and national visibility. With truly engaged and focused leadership, our community can remain a great city economically, culturally, and socially.

Contributor: Kenneth G. Block, SIOR, CCIM, Managing Principal, and William A. Block, Assistant Development Manager

Kansas City
Downtown Development

Berkley Riverfront Park saw the opening of its first two developments in 2018. Union | Berkley Riverfront, a $75 million apartment development offering 407 units, opened as the first development of the master planned area in the summer. Bar K, a two acre off-leash dog park with full bar, restaurant, and coffeehouse, opened in August on the western edge of Berkley Riverfront Park. The development plan calls for the creation of a 55-acre world-class urban village of offices, residential, retail, and cultural amenities.

Downtown Kansas City is an amalgam of the Central Business District and ancillary neighboring submarkets. The area is defined geographically from the Missouri River (north) to 31st Street (south) and from the Kansas/Missouri state line (west) to Troost Avenue (east). Within the Downtown submarket are the Central Business District (CBD), River Market, Crown Center, Freight House/Crossroads, West Bottoms and portions of midtown. Data for each of these divisions for office space are more specifically detailed within The Kansas City Office Market section of this report. The overall Downtown submarket includes data for office, industrial, retail, residential and specialty real estate.

2018 proved to be yet another phenomenal year for construction in Downtown Kansas City. Sparked by the city's $100 million investment in the KC Streetcar, there has been approximately $2 billion invested in private and public projects in the Downtown submarket since 2016. At its current length of 2.2 miles, the free-to-ride KC Streetcar conveniently connects the River Market to Union Station along Main Street. Plans were approved in 2018 to expand the route an additional 3.6 miles south through the heart of Midtown to the University of Missouri – Kansas City and the Country Club Plaza. Approximately 52% of the estimated $316 million expansion efforts are to be funded locally through the newly-created Main Street Rail Transportation Development District (TDD), with the remaining gap to be funded by federal grant programs. With an expected completion in 2023, the ripple effect in Downtown development and investment will undoubtedly continue for years to come.

RESIDENTIAL

In 2018, the trend of residential projects continued to dominate the development landscape of the Downtown submarket. As the residential paradigm continues to shift for Kansas City, more and more residents have eschewed the notion of living Downtown as less-than-desirable, particularly in the millennial subset where greater value is placed on the ability to live in a walkable urban center. According to population estimates from the Downtown Council of Kansas City, the

BRES completed the historic renovation of the Traders on Grand office building into The Grand, a 201-unit luxury apartment building with 11,090 square feet of commercial space, in December 2018. Located at 1125 Grand Boulevard in Kansas City, Missouri the $65.5 million redevelopment is the second multifamily project for BRES in the Downtown core following the completion of 531 Grand in 2017.

population increased by 38% from 2000-2015. This is projected to accelerate to a growth rate of 42% from 2015-2020. As Downtown Kansas City's population continues to grow, so too does the adaptive redevelopment of existing office buildings to residential use. Many of these projects focused on revitalization and preservation utilizing various tax incentives which have long been a driving force in the Downtown submarket due to increasing costs of land acquisition, the need to negotiate with multiple ownership groups, aging infrastructure, and the need for structured parking.

One such example of an exciting preservation project is the recently-completed redevelopment of the historic Traders on Grand office building by Block Real Estate Services, LLC (BRES). Now known as The Grand, the 21-story building is a historic icon in the heart of Downtown Kansas City that long served the city with banking and other business services. The building has been redeveloped to include 201 residential apartment units, approximately 11,090 square feet of retail and office space, and a modern amenities package that includes a rooftop pool area, fitness center, golf simulator, movie rooms, and various other amenities. By utilizing public development incentives, including Historic Tax Credits and a multi-year property tax abatement, The Grand represents an excellent example of how the revitalization and reuse of historic Downtown buildings can prevent further deterioration and the subsequent reduction of tax revenue for years to come, while providing exceptional living options for the growing Downtown population.

Developers have not shied away from taking advantage of these necessary incentives, which are reflective of the city's commitment to cultivate the urban environment Downtown and attract new business interest and future investment. This is evidenced by the nearly 4,000 units completed since 2014, and the 1,777 units under construction in 2018. Some prime examples of these projects are:

The Cordish Companies' One Light Apartments, which boasted an 80% occupancy at its grand opening in 2016, took full advantage of the low supply and pent up demand for Class A luxury residences, setting a standard for the future of high-rise live, work, play development in the Kansas City Metro. Following up on its success, Cordish announced plans for an additional three developments. Two Light, a 296-unit luxury apartment tower located on Grand Boulevard adjacent to the Sprint Center and the acclaimed Power & Light District, is the first of these three and began leasing in May 2018. Three Light, a 300-unit luxury apartment tower is anticipated to break ground in 2019 with completion in 2021 and will be situated adjacent to Two Light on Truman Road between Walnut and Main Streets. The development has received approval for a 25-year tax abatement as part of its proposal and is anticipated to achieve similar leasing success and rental rates as its predecessors.

The Berkley Riverfront Park, which was once a landfill for construction debris, was dedicated in 1998 and opened to the public the following year. The 17-acre park now contains more than 300 trees, several recreational areas, a nearly mile-long esplanade, and is host to numerous events throughout the year. A partnership between Port KC and Kansas City has resulted in an exciting master development plan encompassing 55 total acres dedicated to the creation of a world-class urban village. The plan promises to offer over 5 million square feet of office, residential, and retail space, along with entertainment and cultural amenities. The Union | Berkley Riverfront is the first apartment development within the master plan, it serves as the anchor for future development and opened in the summer of 2018. The $75 million project offers 407 luxury market-rate units, 12,400 square feet of retail space, an exceptional amenities package and gorgeous panoramic views of Downtown with direct access to the Berkley Riverfront Park area.

Other notable Downtown premier residential developments completed in 2018 include: Apex on Quality Hill (138 units by CityScape Residential), Crossroads Westside (221 units by CityScape Residential), and 531 Grand (185 units by Cornerstone Associates and BRES).

Though 2018 saw over $420 million in construction of new residential development and redevelopment, according to DowntownKC there is over $620 million worth of construction in planning stages, which would bring an additional 4,000 units to the submarket. Several noteworthy projects that are planned or have broken ground include:

ARTerra 21, a joint venture between St. Louis-based Altus Properties and Copaken Brooks, is proclaimed to be the first apartment high-rise to be constructed in the Crossroads Arts District. Consisting of 126 luxury apartment units, as well as first-floor retail space, ARTerra 21 will offer best-in-class amenities and easy access to the unique and vibrant atmosphere of the Crossroads District.

The innovative planned development at Second and Delaware Streets in Kansas City's historic River Market, which was stalled in mid-2017 due to litigation with the original contractor, has resumed construction after lining up a new contractor and financing plan. The $96 million project, which is being developed by Arnold Development Group, will offer 276 luxury apartment units and is touted to be the world's largest structure to achieve Passive House energy-efficiency standards. In other words, the design of the development utilizes thicker walls and windows to achieve energy-efficiency standards which exceed current LEED platinum requirements. Second and Delaware is expected to be completed mid-2020 and will offer unique amenities including a pool overlooking the Missouri River, rooftop gardens, and close proximity to the KC Streetcar.

Other notable developments currently planned or under construction include: Gallerie (361 units by Milhaus Development), The Continental (154 units by Hudson Holdings, LLC), 31 Levy (122 units by Epoch Development), 17 Madison (32 units by EPC Development), Flashcube (184 units by Worcester Investments), and River Market West II (116 units by Northpoint Development).

The Downtown submarket has undergone an eye-catching transformation. Nearly 4,000 units have been delivered across the Downtown submarket since 2014, 1,200 of which were delivered in 2018 alone. With another 2,100 units currently under construction with completion anticipated over the next two years, the submarket is well-poised to meet the increased demand for Downtown living. The overall occupancy rate for the submarket was 94.9%, and average asking rental rates were $1,312, or $1.46 per square foot at year-end. The recent trends of high-quality assets being added to Kansas City's apartment market remains in full force, and with the multitude of ground-up developments, historic rehabs, and building conversions that have taken place over the course of the year, demand for the Downtown submarket shows relatively no signs of slowing down.

OFFICE

Although original plans announced in 2015 called for the historic Thomas Corrigan Building, a 10-story structure built in 1921 located at 1828 Walnut Street. to be converted into luxury apartments, the strength and competition of the residential market at the time merited a change in plans for co-developers Copaken Brooks and 3D Development. The end result was a $50 million, 110,000 square foot redevelopment for continued office use, which is the largest office project Downtown in nearly a quarter century. The completed project achieved 100% occupancy within one year and hit a record high for rent within the Central Business District. The developers hope to build on this momentum with a second phase containing an additional 22,910 square feet in the former parking lot west of the original Corrigan building. Slated to open in early 2019, Corrigan Station Phase 2 will be the first new office construction in the Crossroads area and will be anchored by Academy Bank.

With approximately 2.3 million square feet of office space removed from the Downtown inventory since 2014, Corrigan Station's historic preservation to remain as office space represents an outlier among conversion projects in the Downtown submarket. A majority of this obsolete space has been redeveloped into other uses, including apartments and hotels catering to the progression of the live, work, play mentality. This, in conjunction with the reduction in office inventory, has resulted in an overall positive net absorption, and a healthier office leasing environment overall. Downtown is becoming the ideal corporate location. With roughly 555,000 square feet of positive net absorption over this time frame, 83,000 square feet of which occurred during third quarter of 2018, the market saw vacancy rates drop to just 7% across all classes of office in the Downtown submarket.

With the conversion of obsolete office space in the Downtown market to other uses, including multifamily and hotels, the total office vacancy rate in the submarket dropped to 7.0% in 2018. The reduction in availability has caused asking rents to increase from $18.55 a year ago to $19.41 in 2018 and approximately 445,060 square feet under construction.

With the reduction in overall office inventory Downtown has seen an increase in gross market asking rents per square foot over the last three years due to the increased demand and reduction in availability. Overall asking rents in the Downtown submarket averaged $19.41 across all classes of office as of third quarter of 2018.

HOTEL

As Downtown Kansas City continues to attract increasing numbers of residents, businesses, and visitors, the need for modern and sophisticated hotel accommodations has risen accordingly. Kansas City has long trailed other major cities in the ability to host major conventions due to a lack of hotel rooms in the Downtown area. That will all change with the addition of the Loew's Kansas City Convention Center Hotel, which is scheduled to be complete in early 2020. After seven years of planning and discussion, this ambitious $325 million project finally broke ground at the beginning of the year and will be Downtown's largest new hotel project since the Vista International, now the Marriott, opened over three decades ago. Offering 800 rooms, multiple restaurants, and ample amenities and meeting space, the hotel marks a new chapter for Downtown Kansas City. The project will occupy a three-acre city block across from the Bartle Hall Grand Ballroom and bound by Truman Road (north) to 17th Street (south), and Wyandotte Street (west) to Baltimore Avenue (east). An enclosed walkway over Wyandotte Street will connect it to the ballroom.

With the rapidly shrinking number of conversion possibilities and a strong trend supporting urban community living, the West Bottoms, which boasts some of Kansas City's oldest properties, is another area ripe for development in the Downtown submarket.

While the hotel boom currently underway in Downtown Kansas City is highlighted by the Loew's Kansas City Convention Center Hotel, there are over 10 notable developments underway, further addressing the conviction that Kansas City lacks adequate accommodations for major future events. One such example is the Hotel Bravo, a 13-story ground-up development to be located on Wyandotte Street facing west towards the Kauffman Center for the Performing Arts. The $63 million project, expected to break ground in 2019, will be home to 145 ultra-luxurious rooms with an average size of 400 square feet, significantly larger than the national average of 325 square feet. Developer Whitney Kerr Sr. with Cushman & Wakefield hopes the unbeatable location and upscale nature will distinguish itself from the host of other hotel offerings. Another example is the luxurious 13-story Hyatt House Extended Stay that will be located at Ninth Street and Broadway Boulevard. Led by the Colorado-based Pedersen Development Company, the 153-room extended stay hotel will be a $36 million ground-up development featuring a rooftop deck with restaurant and bar and is expected to open summer of 2020.

WEST BOTTOMS

With the rapidly shrinking number of conversion possibilities and a strong trend supporting urban community living, the West Bottoms, which boasts some of Kansas City's oldest properties, is another area ripe for development in the Downtown submarket. Conversion of these properties into residential use would bring strong community and economic viability to the area. However, the high expense associated with the compliance of modern life safety standards, coupled with the vulnerability of the aged and crumbling infrastructure and environmental issues created by former use and historic flooding, has kept developers from attempting these ambitious residential conversions.

Despite these challenges, redevelopment is underway. The first major renovation project in the area, the West Bottoms Flats, began mid-2018 and is anticipated to provide upwards of 265 market-rate apartment units as well as a 201-space parking garage through the renovation of four historic buildings: the Abernathy, at 1501 W. 9th Street, the Liberty, at 912 Liberty Street, the Wyoming, at 925 Wyoming Street, and the Bemis, at 937 Wyoming Street. The overall project is anticipated to cost approximately $68 million, with completion scheduled for late-2019. Given the extensive renovation work required, as well as the age and condition of the massive brick buildings which formerly housed The Abernathy Furniture Company and Bemis Bag Company, various incentives, including state historic tax credits and a 13-year property tax abatement, will be utilized. These buildings, plus many others in the area, form the heart of Kansas City's original Downtown which fueled the economic development of the city in the late 19th and early 20th centuries. Their renovation will undoubtedly be a catalyst for the ongoing revitalization of this historic district.

Finally, 2018 awarded The West Bottoms the ability to celebrate the completion of the long-awaited redevelopment of the iconic Kemper Arena. Now formally known as the Hy-Vee Arena, the $39 million renovation by Foutch Brothers LLC will be a bustling amateur sports hub. The 84,000 square foot two-floor facility consists of 12 mixed-use hardwood courts, a 350-meter indoor running track and 100,000 square feet of commercial space. After opening its doors in 1973, Kemper Arena hosted countless events including professional and amateur sporting events, concerts and livestock shows but became nearly obsolete after Sprint Center opened in 2007. With 9,000 of the original seats intact, Hy-Vee Arena will preserve much of the original nostalgia as it hosts regional youth and amateur sporting events.

Contributors: Chip Chalender and Connor Childress, Financial Analysts.

Kansas City Office Market

CityPlace Corporate Centre III is the first of four office buildings slated for the CityPlace development in Overland Park, Kansas at Highway 69 and College Boulevard. WellSky, formerly Mediware Information Systems, originally committed to 65,951 square feet of the 120,268 square foot building but has since expanded to occupy 93,609 square feet. Construction on the $33.8 million Class A office building is scheduled to be completed in June 2019 and plans are underway for the next 120,000 square foot Class A office building.

The United States office market vacancy rate fell to 9.1% in 2018, down slightly from 10.5% at the end of third quarter 2017. Through third quarter 2018, the market absorbed approximately 65 million square feet of office space. The 3.7% U.S. unemployment rate, as of November 2018, is essentially full employments. While this has resulted in stronger demand for office product, the labor shortage has likewise resulted in much higher costs in the construction and service sectors.

The trend, nationally, for more collaborative and open workspace has continued, however, there have been several recent studies questioning the productivity of this environment. Regardless, employers continue to seek ways to attract skilled employees in an ever more competitive labor market, which has resulted in more and more work place amenities being sought. Also driving decisions is the strong desire by corporate users to utilize green policies to shape decisions. This involves not only energy efficiency, but also location and transportation considerations.

Demand nationally for office space within mixed-use developments offering a work, live, play environment remains vibrant. Urban core revitalization continues to attract office users and mass transit options are continuing to expand meeting that demand.

The hottest story line of 2018 was “Where would Amazon locate their second headquarters?” The long-awaited decision has now be announced, and will be split between Northern Virginia and Long Island, NY. While this was huge news for these communities, there are major questions being asked about the enormous cost of incentives that it took to land this deal. This debate regarding incentives has continued to heat up in communities across the U.S. as local and state governments, hungry for tax revenue, have begun to question and limit development incentives.

In 2018, the office market, nationally, saw an increase in the average rental rate to $25.49 per square foot, up from $24.75 per square foot, across all classes. Year-to-date (YTD) delivery of office space was at 63 million square feet with another 161 million square feet under construction.

Growth in the Kansas City market saw increases in rental rate and YTD absorption. With increased leasing activity, the market saw rental rates increase to $19.62, up from $18.77 per square foot for the same time period in 2017. Additionally, the market saw positive absorption of nearly 77,069 square feet across all classes for the second year in a row.

Class A and B absorption was strong at 261,274 square feet. This positive absorption was led by strong demand in the healthcare sector, particularly several large office leases signed by the University of Kansas Medical Center. The office suites concept has continued to impact absorption with the entry into the market of Spring Venture Group taking 163,104 square feet at 120 W. 12th Street; Essence of Australia taking 59,642 square feet at 15500 W. 113th Street; and Blue Cross and Blue Shield of Kansas City taking 46,070 square feet at 2300 Main Street. Demand for high-end office space has helped increase rental rates to $20.21 per square foot for Class A and B buildings.

SOUTH JOHNSON COUNTY

At the end of the third quarter of 2018, the South Johnson County submarket consisted of about 29.8 million square feet in all building classes. Of that, 2.3 million square feet were available, including sublease space. This equated to an overall vacancy rate of 7.7%, approximately the same as a year ago at 7.1%, with over 371,276 square feet in deliveries with the market showing strong positive absorption.

Significant office leases in the South Johnson County submarket completed in 2018:

- Quintiles Transnational Corp., 176,838 square feet at 6700 W. 115th Street
- The University of Kansas Health System, 104,923 square feet at 11300 Corporate Avenue
- Mediware Information Systems, Inc., 60,000 square feet in Corporate Centre III
- Essence of Australia, 59,642 square feet at 15500 W. 113th Street
- Cargill, 51,265 square feet at 18001 W. 106th Street
- CoreSource, 34,739 square feet at the Sprint Campus
- Edison Spaces, 27,530 square feet at 7900 College Boulevard
- SelectQuote, 25,255 square feet at 6800 W. 115th Street
- Prime Capital Investment Advisors, 24,021 square feet at 6201 College Boulevard
- UMB Bank, 19,832 square feet at 4200 W. 115th Street
- Aetna, Inc., 18,048 square feet in Corporate Woods
- Building Classes A, B, and C reported a total of approximately 77,069 square feet of net absorption through the third quarter of 2018, which includes about 228,291 square feet of new construction delivery.

Current deliveries include:

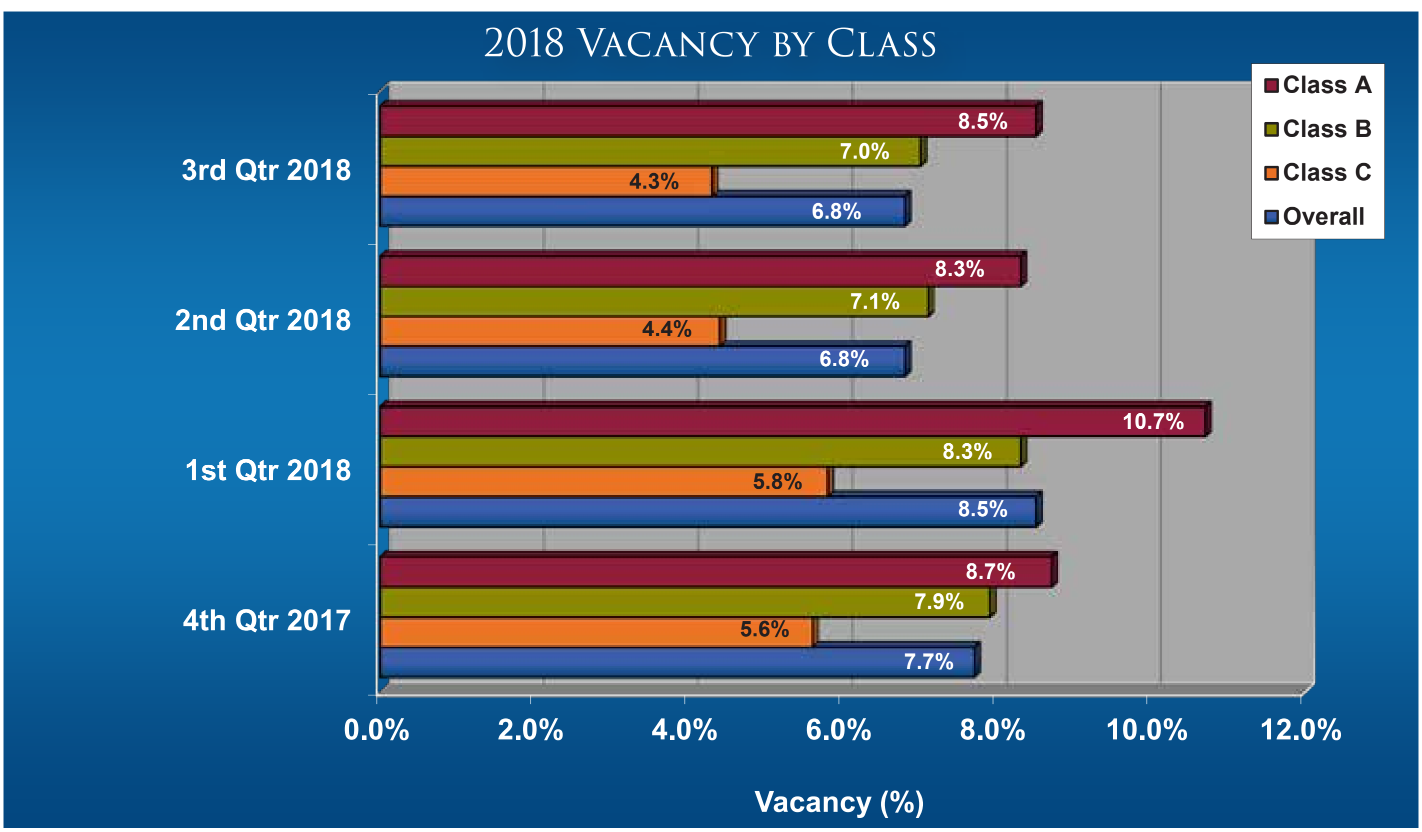
- 5454 W. 110th Street, 121,615 square feet
- 5440 W. 110th Street, 106,676 square feet

The overall average asking rate increased from $21.63 per square foot at the end of the third quarter of 2017 to $22.12 per square foot at the end of the third quarter of 2018. This reflects strong demand as well as rising construction costs. This submarket continues to be one of the strongest markets in the metropolitan area.

For Class A properties:

Vacancy stood at 7.9% inclusive of sublease opportunities, remains 7.9% from a year ago which is level with 2017.

The average asking rate for direct deals and subleases was $23.61 per square foot at the end of the third quarter,which was also an increase.



In March 2018, PBI-Gordon Corporation purchased the Shawnee Crossings building at 22701 W. 68th Terrace, Shawnee, Kansas. In December, PBI-Gordon official moved into the 95,510 square foot building, which will act as their new corporate headquarters and accommodate approximately 100 of the company's employees.

YTD deliveries totaled 306,276 square feet for the South Johnson County submarket with a positive net absorption of about 150,492 square feet YTD 2018.

For Class B properties:

Vacancy stood at 7.8% inclusive of sublease opportunities, up from 7.2% a year ago.

The average asking rate for direct deals and subleases was $21.22 per square foot at the end of the third quarter, up nearly $0.95 per square foot from a year ago.

YTD deliveries totaled 65,000 square feet for the submarket with a negative net absorption of about 346,001 square feet in 2018.

For Class C properties:

Vacancy stood at 5.4% inclusive of sublease opportunities.

The average asking rate for direct deals and subleases was $16.70 per square foot at the end of the third quarter.

YTD, the submarket has a negative net absorption of about 20,247 square feet in 2018.

NORTH JOHNSON COUNTY

At the end of 2018, the North Johnson County submarket consisted of about 12.725 million square feet of office space across 673 properties in all building classes. About 923,223 square feet remained available, including sublease space. This equated to an overall vacancy rate of 7.3%.

Building classes A, B and C reported a positive absorption of 108,607 square feet during 2018 with which included year to date deliveries of approximately 34,557 square feet. The overall vacancy rate decreased from 8.2% at the end of 2017 to 7.3% at the end of 2018.

The overall effective asking rate including subleases increased from $19.85 per square foot to $21.52 per square foot for the same period, which is somewhat influenced by the decrease in vacancy and booming economy. North Johnson County saw 2018's third largest lease, by square footage, in the entire Kansas City area land in the market when PBI-Gordon leased approximately 95,510 square feet at 22701 W. 68th Street. This is potentially a sign of more good things to come to the North Johnson County market.

For Class A properties:

Vacancy stood at 7.8% inclusive of sublease opportunities.

The effective asking rate for direct deals and subleases was $26.33 per square foot at the end of 2018, which was up from $24.71 per square foot at the end of 2017.

Net absorption for 2017 was approximately 105,341 square feet.

For Class B properties:

Vacancy stood at 7.1% inclusive of sublease opportunities.

The effective asking rate for direct deals and subleases was $20.51 per square foot at the end of 2018, which was up from $19.10 per square foot at the end of 2017.

Net absorption for 2017 was 10,232 square feet.

For Class C properties:

Vacancy stood at 7.1% inclusive of sublease opportunities.

In the first quarter of 2018, a BRES sponsored entity sold a five building office portfolio in south Kansas City, Missouri. The five buildings totaled 397,627 square feet and included: 9200 Ward Parkway, 9221 Ward Parkway, 9233 Ward Parkway, 1200 E. 104th Street, 1300 E. 104th Street, Kansas City, Missouri.

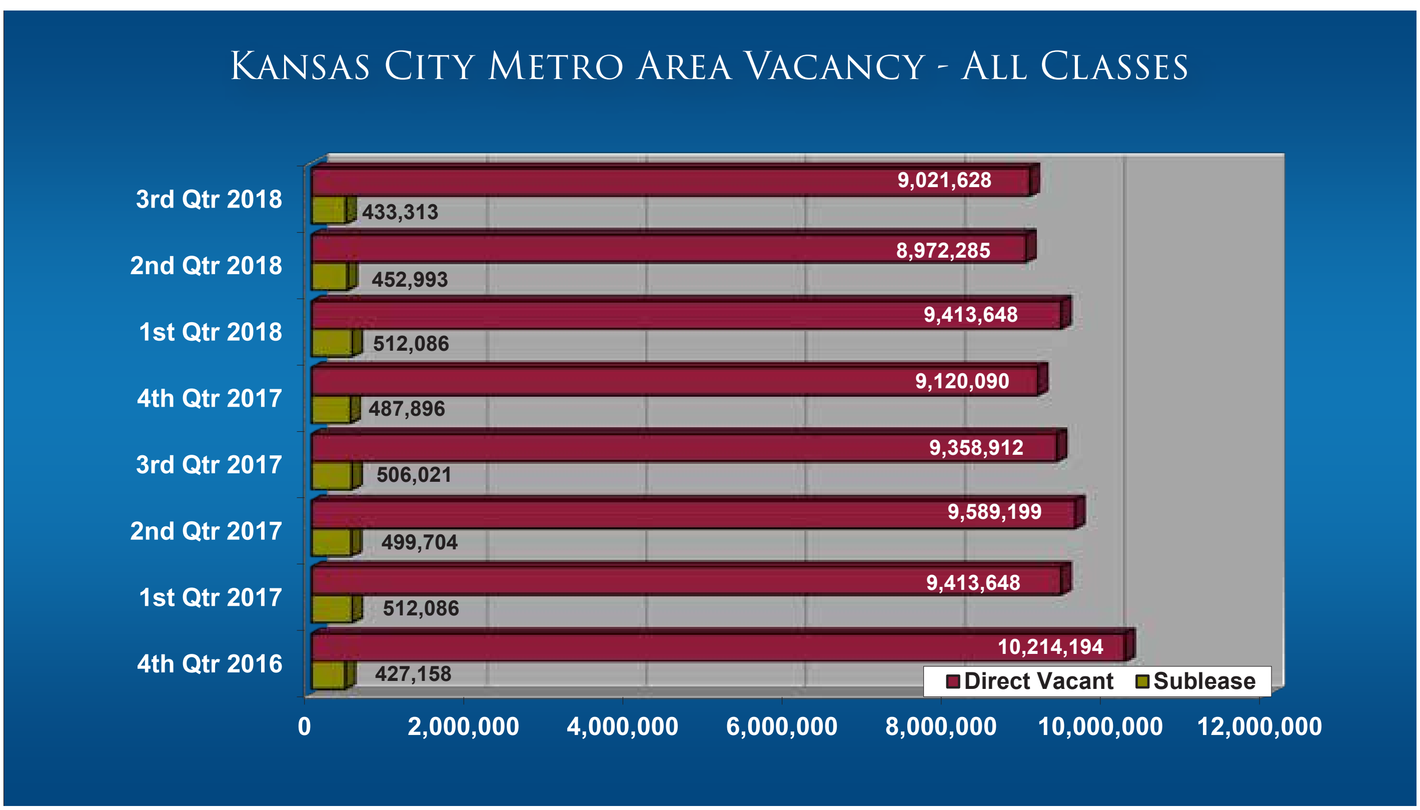
The effective asking rate for direct deals and subleases was $14.98 per square foot at the end of 2018, which decreased from $15.26 per square foot at the end of 2017.

Net absorption for 2017 was negative 6,966 square feet.

CENTRAL BUSINESS DISTRICT AND SURROUNDING SUBMARKETS

The Central Business District (CBD), River Market, Crown Center, Freight House/Crossroads and West Bottoms areas make up the overall Downtown submarket. These areas combine for a total of 27.8 million square feet and an overall vacancy which dropped significantly from 8.4% in 2017 to 7.0% for the end of 2018. The total available space for the Downtown submarket was 1.94 million square feet which includes 173,980 square feet of sublease space.

Overall, Class A properties saw the highest vacancy rate of 13.2% or 1.19 million square feet but also reported the highest absorption of just under 100,000 square feet. Class



CrossFirst Bank closed on the purchase of their new headquarters, Pinnacle Corporate Centre II, 11440 Tomahawk Creek Parkway, Leawood, Kansas, in 2018. The five story, 131,000 square foot Class A office building, will house their executive offices and more than 120 employees with a capacity for 500 to accommodate their future growth.

B properties' vacancy rate decreased to 4.6% from 4.9% a year earlier, with apartment conversion projects lowering total inventory by about 60,000 square feet after lowering inventory a year earlier by 100,000 square feet. Class C properties had absorption of 23,000 square feet, lowering the vacancy rate from 4.7% to 2.2%.

Consisting of 17.4 million square feet, down nearly 100,000 square feet from a year earlier, the CBD reported an overall vacancy rate of 6.7%, which was down from 7.8% at the end of 2017, and enjoyed positive absorption of 202,627 square feet primarily from the relocation of Spring Ventures Group from Crown Center. Class A buildings saw the highest vacancy rate for the end of 2018 at 11.4%, lower than the 15.2% vacancy rate reported at the end of 2017.

Class B properties in the CBD consist of 108 buildings and 8.9 million square feet and experienced a slightly higher vacancy rate of 5.1% and negative absorption of nearly 50,000 square feet. The Class C submarket consists of 66 buildings and 2.7 million square feet. Class C properties reported a vacancy rate of 1.8%. Overall rental rates in the CBD ended the year up $0.60 at $18.68 per rentable square foot.

The Crown Center submarket consists of 66 buildings totaling 6.18 million square feet. The vacancy rate at the end of 2018 was 10.0% which is up from 2017 at 8.7%. The 9 Class A buildings in this submarket experienced a vacancy rate of 18.4% or 302,888 square feet, up significantly from a year prior at 10.7%, with negative absorption of 167,419 square feet due primarily from the loss of Spring Ventures Group to the CBD. Within the 26 Class B buildings, vacancy rates decreased from 5.7% in 2017 to 2.7% at the end of 2018.

PLAZA/MIDTOWN

The Country Club Plaza continues to demand the highest and fastest growing rental rates in the city at an average quoted rate of $27.78 per square foot, up $2.97 per square foot over 2017. When combined with the Midtown and Brookside submarkets, the area includes nearly 11 million square feet and boasts a vacancy rate of 3.4%, which is 3.4% lower than the city average. Options for large users wanting a Plaza address will continue to be limited. Vacancies of at least 20,000 square feet can be found in only four buildings, one of which is targeted for redevelopment.

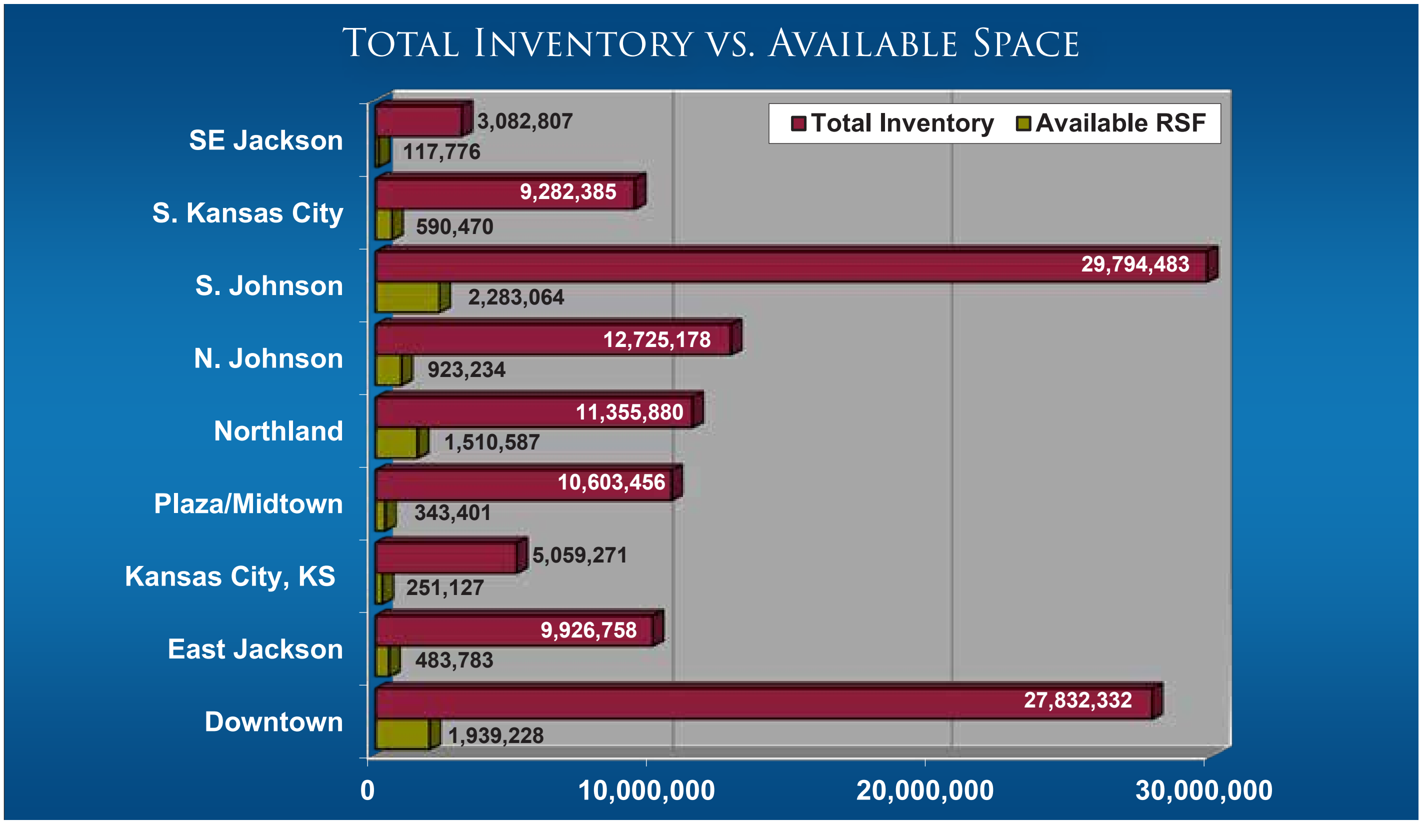
The Country Club Plaza market consists of 121 Class A, B, and C buildings. These buildings had a 3.4% overall vacancy, down from 4.3% a year ago, continuing to make it one of the tightest markets in the entire metro.

Notable deals include AssuredPartners's new Plaza office at One Main Plaza and Lindt & Sprüngli's lease at 4717 Grand.

The Brookside and Midtown portions of the submarket offer 307 buildings with a combined total of 5.4 million square feet. Midtown accounts for 4.8 million square feet of that total. Midtown's 3.8% vacancy rate, down from 4.3% a year earlier, attests to the desirability of its central location and proximity to the Plaza.

SOUTH KANSAS CITY

The South Kansas City submarket stretches from 75th



Street to I-435 and from Ward Parkway to the Cerner Innovations campus at I-49 and I-435 interchange. The submarket is made up of 9.28 million square feet across 260 buildings and is desirable to companies given its proximity to retail amenities and its accessibility to I-435 and State Line Road. The overall vacancy rate for the South Kansas City submarket at the end of 2018 was 6.4%, or 590,470 square feet including sublease space, compared to a vacancy rate of 6.5% at the end of 2017.

Consisting of 3.87 million square feet and 18 buildings, the Class A properties saw the lowest vacancy rate in the South Kansas City submarket at the end of 2018 at 1.7%. As with 2017, Class A properties saw positive absorption at the end of 2018 of 42,355 square feet.

> Consisting of 3.87 million square feet and 18 buildings, the Class A property sector saw the lowest vacancy rate in the South Kansas City submarket at the end of 2018 at 1.7%. As with 2017, Class A properties saw positive absorption at the end of 2018 of 42,355 square feet.

Class B properties, totaling 4.4 million square feet and 103 buildings, ended 2018 with the highest vacancy rate in the South Kansas City submarket of 11%. The 11% vacancy rate was slightly higher than the 10.2% vacancy rate at the end of 2017. Class B properties ended 2018 with a negative absorption of 20,833 square feet.

Class C properties posted a vacancy rate of 5.8% throughout 965,488 square feet over 139 buildings at the close of 2018. As with the Class B properties, negative absorption was seen in the Class C buildings of 10,117 square feet at the end of 2018. Overall, the South Kansas City submarket saw positive absorption of 11,405 square feet.

The overall rental rate of $18.62 per rentable square foot for the South Kansas City submarket at the end of 2018 was an increase from $17.69 per rentable square foot at the end of 2017.

Notable move-ins during 2018 included Truss relocating to 9200 Ward Parkway and occupying 45,000 square feet, and Fish Tech moving into 20,000 square feet at 13333 Holmes Road. Construction is ongoing at the Cerner Corporation Innovations campus with an additional two buildings underway.

NORTH OF THE RIVER

Defined as the portion of the Metropolitan Statistical Area (MSA) north of the Missouri River, this submarket includes both Platte and Clay counties in Missouri. Geographically, it is one of the largest submarkets in the metropolitan area and the fourth largest submarket in terms of total square footage, exceeding 11 million square feet across all classes.

The submarket has historically under performed compared to other submarkets in the MSA, despite its size, proximity to the Kansas City International Airport, well-developed interstate system, and price value. After experiencing a modest positive absorption in the fourth quarter of 2017, the submarket reversed course with three straight negative absorption number totaling 105,000 square feet in 2018. In 2018, the inventory in this submarket included more than 11 million square feet in 584 buildings of all classes. It had a 13.3% vacancy rate as of the third quarter of 2018, essentially unchanged from the same period in 2017. The average quoted rate was $17.03 per square foot, up from $16.25 for 2017.

The average per square foot quoted rents for Class A buildings is $20.99, and Class B rates average $16.20. Actual effective rents in Class B buildings are significantly less than quoted rates as landlords continue to discount aggressively to compete for tenants.

The relative age of the product in this submarket is a factor in the high vacancy and low rents, with essentially all buildings in the submarket being Class B and C buildings. The limited number of Class A properties in this submarket had a vacancy rate of 27.4%. This is due almost exclusively to the JWilliams Technology Centre with a vacancy of 263,000 square feet of primarily call center space. As of the end of the third quarter, there are six blocks of space available that are larger than 50,000 square feet, two of which, include the JWilliams Technology Centre, are offering more than 200,000 square feet. This affords an outstanding opportunity for users seeking high quality options at attractive prices compared with other markets in the MSA.

The market experienced minimal significant activity in 2018 with most transactions being small and limited to relocations within the submarket thus having no impact on vacancy rates. TrialCard leased 23,000 square feet at 2001 NE 46th Street and American Hereford leased 15,000 square feet at 11500 NW Ambassador Drive. Both were new and welcome additions to the submarket. Northpoint Tower, a 98,000 square foot office building formally occupied by Dairy Farmers of America, sold at auction in the fourth quarter. It is believed to have been purchased by a user. Price expectations going into the auction were very low although this is a high-quality Class B building with outstanding visibility and access.

As 2018 concludes, Edgemoor Infrastructure and Real Estate continues to work toward starting construction of the new single terminal for the Kansas City International Airport approved by voters in 2017. Optimism continues to remain high for the Northland because of this long-awaited project. Looking forward into 2019, we expect the market to continue to be an attractive alternative for value-driven tenants and buyers. Recently, several large users have toured existing office options in the submarket for 2019 occupancy.

North of the river, the market experienced minimal activity in 2018 with most transactions being small and limited to relocations within the submarket thus having no impact on vacancy rates.

The availability of large blocks of space should continue to attract the attention of users in an otherwise tight market in the Kansas City MSA.

EAST JACKSON COUNTY

The Eastern Jackson County submarket consists of 9.9 million square feet throughout 787 buildings. The Class A

The Hall Family Foundation and Sunderland Foundation each donated $75 million in January 2018 to kickstart the construction of a nine story, 375,000 square foot building that will be the future home of the Children's Research Institute. The building is currently under construction at the southeast corner of 23rd Street and Locust Street in Kansas City, Missouri. Once completed the building will house six times the existing research space for Children's Mercy.

vacancy rate increased to 5.3% in 2018 from 4.4% in 2017. The Class A market is made up of six buildings and 378,372 square feet. At the end of the third quarter of 2018, 20,063 square feet was available in the Class A market.

The Class B market, comprised of 286 buildings over 4.4 million square feet, posted a vacancy rate of 6.4% at the end of 2018. The Class B market saw negative absorption of 44,211 square feet in 2018.

The Class C market posted the lowest vacancy rate in Eastern Jackson County of 2.9% in 2018, down from 8.2% at the end of 2017. The Class C market is made up of 495 buildings spread over 4.1 million square feet and saw a positive absorption of 135,528 square feet.

> Nationally, 2018 continued the positive trend with respect to job creation and lower unemployment rates. Our country is, according to most economists, at "full employment."

Overall, the Eastern Jackson County submarket saw a total vacancy rate of 4.9%, down 2.9% from 2017. The overall rate for 2018 was $16.81 per square foot compared to $15.63 per square foot at the end of 2017.

SOUTHEAST JACKSON COUNTY

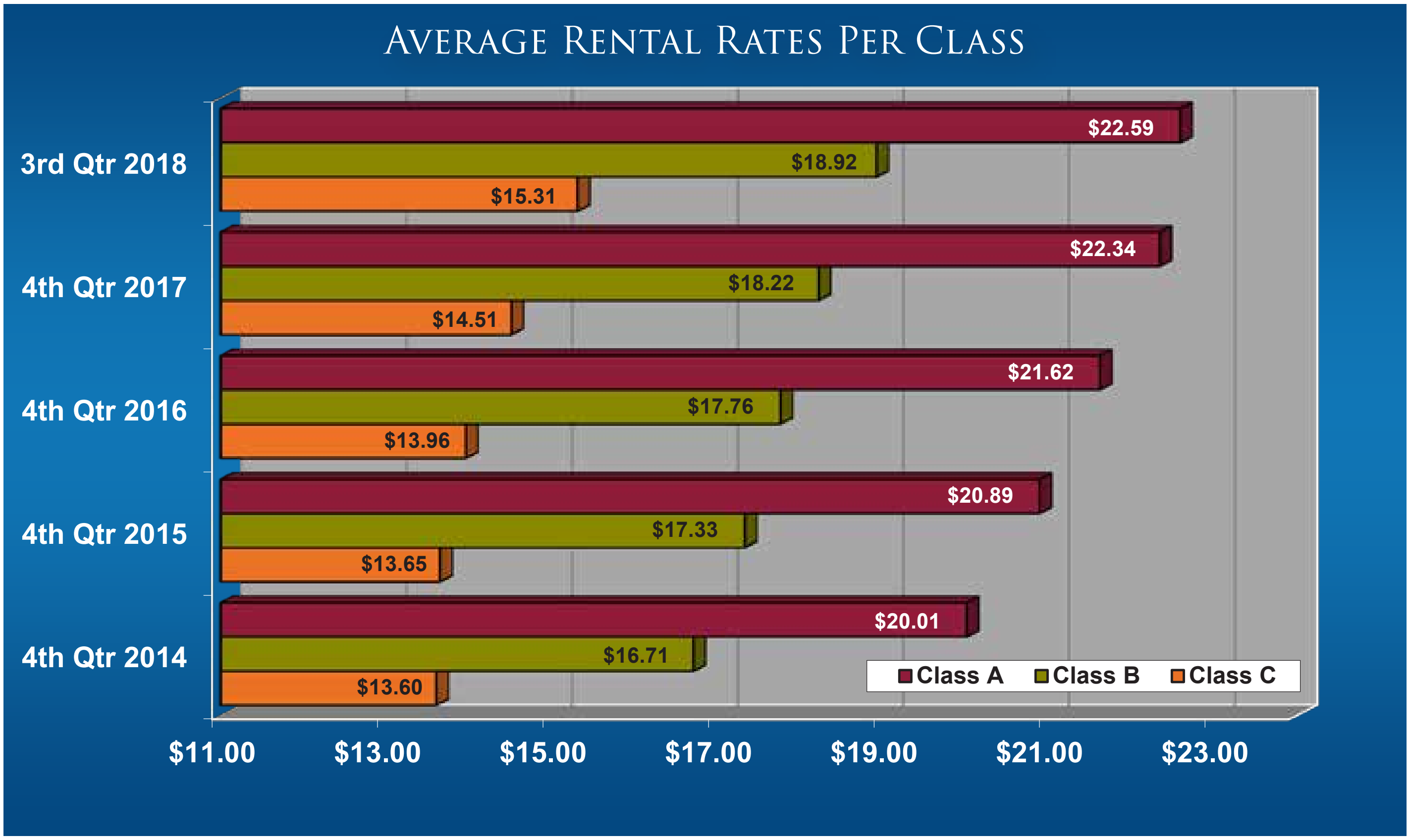
The Southeast Jackson County submarket is comprised of parts of Lee's Summit and Grandview. Consisting of 257 buildings and 3.08 million square feet, it is one of the smallest submarkets in the Kansas City Metropolitan area. Overall, Southeast Jackson County ended 2018 with a vacancy rate of 3.8% which represents a decrease from 4.9% at the end of 2017. The average rental rate for the submarket increased from $16.41 per square foot at the end to 2017 to $18.39 per square foot at the end of 2018.

The Class A market ended 2018 with the second lowest vacancy rate at 4.1% with only 5,285 square feet available out of a total of 128,104 square feet of Class A space. At the end of 2018, the Class B market, comprised of 107 buildings and over 2.22 million square feet, saw a vacancy rate of 3.8%, the best for the submarket. The average asking rate for Class B space was $18.76 per square foot compared to $17.40 per square foot at the end of 2017. The Class C market is made up of 147 buildings and 732,721 square feet and posted vacancy rate of 3.9% or 28,304 square feet available. The vacancy rate represents a slight decrease from the end of 2017's vacancy rate of 4.1%. In addition, the average asking rate increased from $13.47 per square at the end of 2017 to $14.87 per square foot at the end of 2018.

KANSAS CITY, KANSAS

Kansas City, Kansas (KCK), the third largest city in the state of Kansas, is a member of the Unified Government of Wyandotte County along with Bonner Springs and Edwardsville.

The KCK office market has continued to tighten. With 5.07 million rentable square feet in 300 Class A, B, and C properties, only 6.5%, or 332,000 square feet, was



Tower Properties purchased the 91,270 square foot Timberland at Tomahawk Creek office building in June 2018. Investors Real Estate Trust sold the multi-tenant property at 4000 W. 114th Street, Leawood, Kansas for $12.45 million.

available for lease in Class B and C at the end of 2018. Three buildings, totaling 760,000 square feet, make up the Class A portion of the market. All three properties are located in western Wyandotte County near the Legends, and all three are 100% leased. Two of the buildings are part of the Cerner Corporation Continuous Campus. The 100,000 square foot Dairy Farmers of America headquarters building, which opened in the second quarter 2017, is the third-Class A building in the market. The major development in downtown Kansas City, Kansas is the University of Kansas purchase of the former 100,000 square foot EPA building. Which is currently being redeveloped for a mental health facility.

There are 53 Class B buildings in KCK, with a total of 1.22 million square feet. At the end of 2018, only 10.7%, or 131,000 square feet, were vacant. The average asking rent increased 2.85% from $16.85 per square foot at the end of 2017 to $17.32 per square foot at the end of 2018.

With 156 buildings totaling 2.4 million square feet, 9.1% or 218,000 square feet was available. At the same time, asking rents increased 2.8% from $12.89 per square foot to $13.25 per square foot. There are approximately 91 buildings either leased or with spaces not input into data bases.

CLIMATE FOR COMMERCIAL REAL ESTATE

Nationally, 2018 continued the positive trend with respect to job creation and lower unemployment rates. Our country is, according to most economists, at "full employment." This has continued to put pressure on labor cost which has been felt throughout the construction, service, and real estate sectors.

President Donald Trump has had mixed success in his first two years of office. Political gridlock in Washington D.C. will mostly likely become worse as the midterm elections resulted in a divided congress with new leadership, determined to curb the President, taking over in 2018. While it appears that the overall effect of the 2017 tax reform has been positive with respect to real estate, the jury is still out on the long-term effects of rising deficits.

The Federal Reserve has continued to push interest rates which now stand at 2.25%. While expectations are that they will continue to push these up, recent downturns in the stock market may cause them to reevaluate this policy in the near-term.

The Gross Domestic Product of 3.5% in the third quarter continues to reflect a strong economy.

As baby boomers continue to retire and millennials move up the ladder, a new and even larger Generation Z, is on the horizon. This will present to employers with an unknown set of challenges as these new workers begin entering the picture.

We expect to see continuing strong demand for quality office space in 2019 in spite of the challenges of cost and labor.

Contributors include: Don Maddux, Senior Vice President; Hunter Johnson, Vice President; Bruce Johnson, Vice President; Josh Gabriel, Vice President; Max Wasserstrom, Vice President; and Brent Roberts, Senior Vice President, Office Specialist.

Kansas City
Industrial Market

Turn5 Inc., an e-commerce retailer in the aftermarket automotive parts industry, leased 363,063 square feet of the 635,834 square foot Lenexa Logistics Centre North Building 1 in August of 2018. Located just west of Renner Boulevard and north of College Boulevard in Lenexa, Kansas it is the first of a four building development totaling more than 1.42 million square feet.

In Kansas City and throughout the rest of the U.S., ecommerce continues to change the industrial real estate market. The trend of online shopping and immediate shipping from a distribution center has continued to increase annually, and therefore has the demand for large industrial distribution spaces. While the increase in online purchasing is a global phenomenon, Kansas City's central location makes it a high-demand market for ecommerce facilities. Growth in ecommerce is expected to continue rising steadily, causing the development and leasing of speculative, as well as build-to-suit, industrial space to continue rising as well. Kansas City is the ideal location in this evolving industrial climate. Being in the central time zone and located in the center of the country, it makes for one of the best industrial distribution centers. With the continued changes in trucking and shipping, our location will ultimately allow distribution to most of the country within a 24-hour period versus the current 48 hours for 85% of the country. We have a transportation network that features 30% more interstate miles per capita than any other city in the nation, helping to make us the No. 2 trucking center, and with service from five Class I railroads, we are No. 1 in rail freight tonnage in the country and No. 2 in overall rail traffic. Overall U.S. rail demand is up, trucking volumes are up, ocean container imports are strong, and overall demand is exceeding capacity in most modes of transportation. Job openings continue to be unfilled across the country and thus Kansas City, with its central location, quality labor pool, and relatively low cost of living continues to be a great place for ecommerce distribution.

Brick and mortar retailers rushed to open more fulfillment centers in the last few years as they strive to keep pace in a changing landscape of purchasing habits. They are seeking to cut delivery times and transportation costs, raise their ecommerce capabilities, and compete with a changing landscape driven by Amazon, which operates more than 300 distribution and delivery centers that process shipments to get individual packages to the homes of shoppers as fast as possible. Amazon is in both the grocery and retail businesses and continues to build fulfillment centers across the country, including Kansas City.

Other brands, like Sam's Club, Walmart, Macy's, and Best Buy, plan on spending to convert stores into distribution centers to fill online shopping orders. Many retailers are scrambling to grab up warehouse, industrial, or even former big box store properties in response to the boom in ecommerce for their distribution. Home Depot trails only Amazon and Walmart in annual ecommerce revenue and will invest $1.2 billion to pump up its supply chain. Even grocers are getting into the act with a partnership between Ocado, an online supermarket, and Kroger, which is looking for space for about two dozen warehouses to fulfill online orders. According to research by Unata, one-third of consumers ordered groceries online last year!

This change in market dynamics are astounding. Driven by the need to quickly deliver ecommerce products to consumers, big-box activity continues to increase in Kansas City. The average size of a new industrial building in the area has grown from about 60,000 square feet ten years ago to about 275,000 square feet today. The market and building sizes have exploded because of factors including the growth of ecommerce, the addition of local intermodal freight facilities, the market's geographic centrality, and speculative construction of buildings before tenants are secured. Since the beginning of 2015, almost 25 million square feet of industrial space have been completed in the market. 2017 ended with over 7 million square feet of new industrial space, 70% of which was speculative construction surpassing the previous record of 5.8 million square feet in 2016. 26.7 million square feet of net absorption in the Kansas City industrial market has occurred over the last five years. In 2018, net absorption in the first 10 months was 6,089,025 square feet, which showed a decline; however, some year-end transactions were not yet recorded and this amount still remains above the post-recession average. More than 35 million square feet of industrial space has been delivered in the Kansas City area in the last 10 years and that trend is expected to continue as we are a top 10 market nationally for industrial absorption and completions. This region was among the leaders in the U.S. industrial real estate market in year-over-year transaction growth in 2017 to 2018. However, in the office-warehouse and flex market, there is some limited activity, but not any real momentum as it is still very much a tenant's market, and for the sweet spot of 70,000 to 100,000 square feet, there is still plenty of product and competition.

Kansas City is now recognized as one of the top three cities in the nation for cargo distribution and one of the top four distribution centers in the country. With the rise in industrial development in demand across the nation over the eight years, Kansas City has grown from a secondary market into a strategic market. Nearly two-thirds of the speculative construction has been filled with users that have been new to the Kansas City market. With four Interstates, four additional Interstate linkages and 10 federal highways, Kansas City provides a superior traffic system throughout the region, and I-35, known as the NAFTA Highway which stretches from Mexico to Canada, continues to enhance and expedite the flow of distribution not only in the metro area but also throughout the U.S.

MARKET DRIVERS

Ecommerce and logistics, which represent about 40% of the industrial square footage absorbed since 2016, have resulted in more demand overall as well as help to push the size of new buildings as previously noted.

Third-Party Logistics (3PL) are involved at throughout the retail cycle from delivery to returns. With many retailers having outsourced both ends of their logistics operations to cut their cost and gain efficiencies, this has help to increase the demand for space in the market.

As the second largest hub for automobile manufacturing in the nation with both Ford and General Motors plants that have invested hundreds of millions of dollars in upgrades, retooling and line changes, there has been tremendous growth. Just-in-time suppliers to these manufactures have made large investments in locating their warehouse and logistics operations nearby buildings within the market.

The Kansas City Animal Health Corridor, stretching from Manhattan, Kansas to Columbia, Missouri along I-70, continues its long-term growth and now represents 35% of all sales in the global animal health market, which now totals nearly $23 billion. More than 300 animal-related companies operate in the region. This continued growth has added to the need for distribution space.

The Ecommerce sector continues to expand. According to research by Unata, one-third of consumers ordered groceries online last year with expectations that this will grow exponentially over the next few years.

INSIDE THE NUMBERS

Kansas City has been in the top five industrial markets in construction and absorption over the past few years. We are on every logistics company's radar, but until the last few years we experienced demand issues and did not have the available supply. The marketplace is affected by the highest construction prices in history, and while demand remains strong, supply has continued ahead and has affected the financial returns for developers. The market could see over 4 million square feet of industrial space announced or completed in the next six to eight months, but if ecommerce trends continue, like they have over the last four years, contributing to leases for over 6.5 million square feet of industrial space, then the market should remain relatively healthy.

The Kansas City market vacancy is 4.4% and is anticipated to have a slight uptick to about 5% over the next three to four years. The low vacancy industrial rents have held steady in the range of $4.50-4.55 per square foot over the last several years; this is due mostly to newer products coming online at lower overall rates.

MARKET OUTLOOK

New construction totals have declined from the record 8.8 million square feet in 2016 to about 6 million square feet in 2018. The anticipation for 2019 is that we will see slightly lower overall new construction, both speculative and build-to-suit, as 2016 and 2017 was likely more of an aberration when the Kansas City industrial market gained national notoriety as a distribution hub.

The current industrial market growth cycle is one the longest in Kansas City history and based on current market expectations should continue for the next two to three years, barring any global or national geopolitical or financial crises.

Vacancy rates since 2017 continue to decline and in 2018 ended at 4.4%. In the third quarter of 2018 alone nearly 2.5 million square feet of industrial space was completed with nearly 1 million square feet of that being speculative. Absorption was 1.7 million in the third quarter and nearly 4 million square feet in the first three quarters of 2018. Incredibly, the Kansas City industrial market has posted positive net absorption for over six years straight.

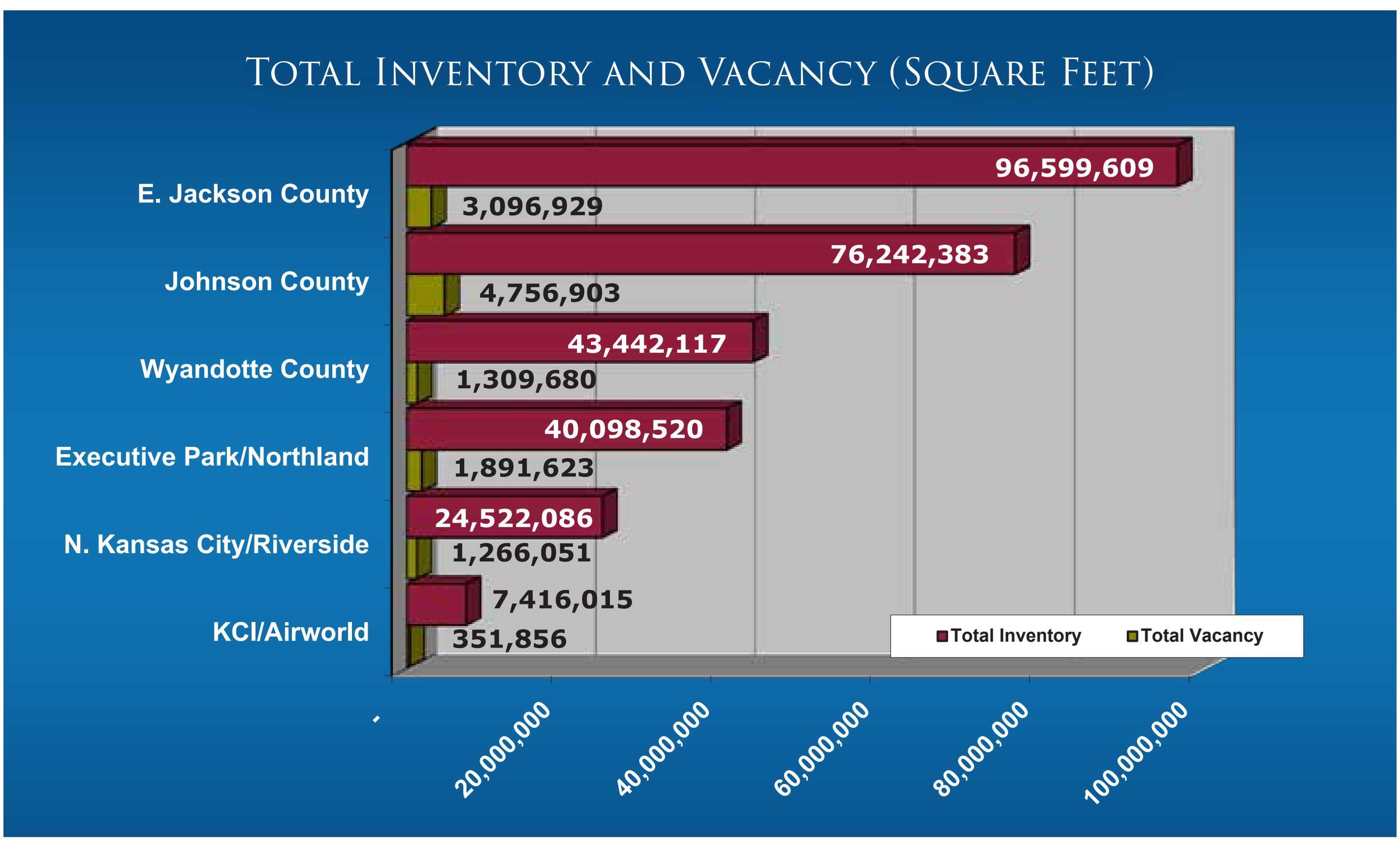
JOHNSON COUNTY, KANSAS

The idiom "large and in charge" best describes new construction in Johnson County. The trend that started in 2013 with bulk industrial development has continued with strong demand through 2018. It looks like the narrative will continue; Johnson County is still leading the charge in new deliveries and absorption heading into 2019. Although deliveries have slowed slightly, there was over 4 million square feet of industrial buildings under construction at the end of the third quarter of 2018, the Johnson County industrial market is continuing to show its robust appetite for expansion. In the last 12 months, the vacancy rate for bulk industrial dropped approximately 3% and the submarket absorbed an additional 3.3 million square feet of space. Rental rates for light industrial have increased approximately $1.23 per square foot over the past 12 months, while bulk industrial rates have fallen approximately $0.25 per square foot, due to the large influx of product of this type. Johnson County's industrial market is continuing to grow rapidly, but has also stabilized with a more realistic momentum that should keep us competing nationally.

WHERE THE ACTION IS

Despite new developments occurring throughout the metro, nearly half of all completed distribution constructed, and 75% of active construction, has been in Johnson County. Johnson County also leads total space under construction at 44% of the aggregate market. BRES delivered the 635,834 square foot Lenexa Logistics Centre (LLC) North I and has since leased 363,063 square feet to Turn5, an online automotive parts retailer. The site, located on College Boulevard west of Renner, has room for an identical bulk building along with two smaller flex buildings. BRES delivered the 401,098 square foot LLC 7 and has since leased 153,154 square feet to Husqvarna and Sprint in 94,814 square feet. Both new buildings feature 36-foot clearance with cross-dock configurations. Between these LLC sites, nearly 3 million square feet of industrial buildings can be developed. LLC is near high-end office and new multifamily developments, adding momentum to the fast-growing Lenexa City Center. The area has great access to I-35 and I-435 and is near one of the largest UPS distribution facilities in the country-one that has expanded immensely in the last few years.

In Edgerton, NorthPoint has developed the 822,104 square foot Inland Port XIV, which was leased by Amazon. They also began construction of the 378,022 square foot Port XXXI, 156,401 square feet of which is leased to Triumph Group. At the end of 2016, NorthPoint completed the 765,927 square



Construction was completed on Inland Port VIII, 30900 W. 183rd Street, Edgerton, Kansas, in the first quarter of 2018. The 777,222 square foot industrial building is a multi-tenant facility in Logistics Park Kansas City near the BNSF Intermodal Facility.

foot Inland Port XXXII and early in 2017 completed the largest speculative building ever built in Kansas City, the 927,112 square foot Inland Port XXXIII, which is now fully occupied by Spectrum Brands Hardware & Home Improvement. When a company makes this kind of decision to locate, it begins to interest other large distributors. Decision makers take a closer look at Kansas City, which entices developers to increase development throughout the metro. These buildings are in the 1,700-acre Logistics Park Kansas City (LPKC) adjacent to the intermodal hub for Burlington Northern. They will have completed 16 buildings totaling nearly 9 million square feet since 2013 with total capacity for 17 million square feet.

Lone Elm Commerce Center is a master planned industrial development located on 122 acres at the NWC of 167th & Monticello Road in Olathe, Kansas. The first building to be developed there is a 210,504 square foot with 32' clearance and ample trailer parking and amenities. The building has received 50% tax abatement for 10 years resulting in a fixed tax rate. It is under construction and slated for delivery by the end of 2018.

Opus, after developing 56 Commerce Center, their first building of 205,000 square feet, sold it to Orizon Aero, a firm that builds components for the aerospace industry. They then broke ground on their second speculative project in the Olathe location at Old 56 Highway and Lone Elm Road. The new speculative building of 230,122 square feet, was delivered in May of 2018 and features 32' clearance with a rear-loaded truck court. Lanter Companies and Gateway Classic Cars leased 80,000 square feet of the building. The development is slated for full build-out at 505,000 square feet.

VanTrust Real Estate has a plan for a 140,000 square foot building at 96th Terrace and Widmer Road in Lenexa. The Widmer Industrial Building, planned as a speculative project, could serve a single tenant but is designed to work for three to four tenants and will have 50% tax abatement for 10 years.

Midwest Gateway, a Copaken-Brooks project, is being marketed to users between 50,000 and 300,000 square feet, providing an alternative to the so-called "Big Bomber" industrial projects that are the hallmark of LPKC. Each building can be fenced to accommodate Foreign Trade Zone requirements and additional trailer parking is available on-site. Midwest Gateway 1 is a 301,603 square foot, 32' clearance, cross-dock facility for lease or sale. Midwest Gateway 2 is a 186,107 square foot rear-loaded facility, that is also divisible and for lease or sale. Both buildings are Class A concrete construction with office finish can be built-to-suit. Midwest Gateway is located on the Heavy Haul corridor which allows users to bring in heavier railcar loads for dramatic cost savings.

The Numbers

The submarket has a total inventory of 76,848,383 square feet, of which over 10 million square feet, or nearly 14%, was delivered in the last three years. Occupancy is 93.8% compared to 93.5% in 2017, or virtually unchanged. Representing approximately 26% of the overall Kansas City industrial market, Johnson County continues to be the most dynamic, with more new construction, net absorption, occupancy levels and second highest overall rents per square foot.

Other Notable Submarket Activity

Amazon moved in to 446,500 square feet at the New Century AirCenter in Gardner, Kansas, which will facilitate its upcoming Amazon Prime Pantry and Amazon Fresh endeavors, their online grocery and consumer goods operations.

UPS is investing more than $220 million in its Kansas City area operations including the acquisition of both a 301,000 square foot and a 266,660 square foot building adjacent to its current facility in Lenexa. They are also adding a new sort center at LPKC in a 197,000 square foot build-to-suit as they continue their expansion in the market.

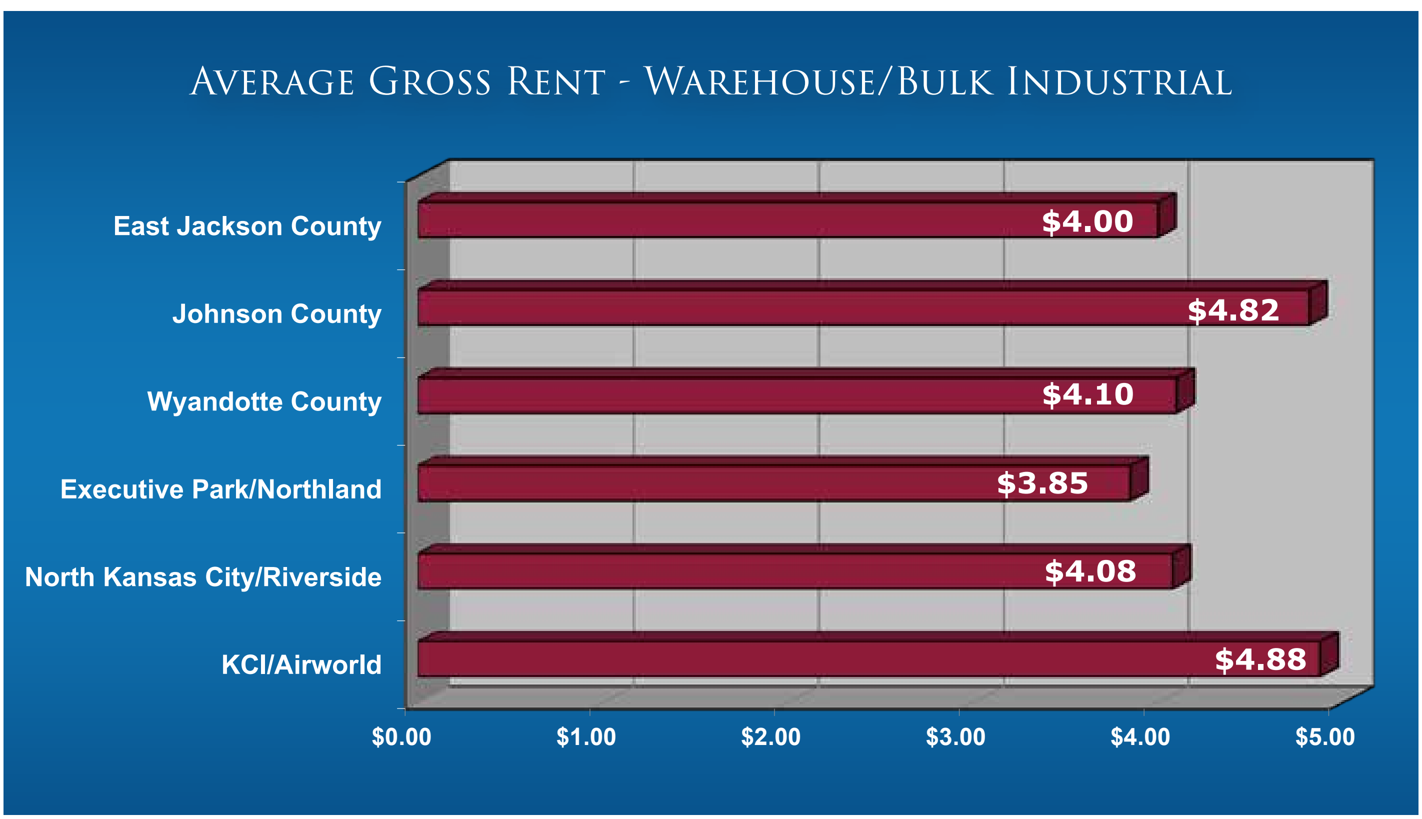
- J.A. Peterson sold its 53,000 square foot flex building, Brookhollow 1, to Silverstone Auto.
- Colony Realty Partners wrapped up a sale of the 253,000 square foot Benchmark Express Distribution Center. The building was sold to Sealy & Co., a real estate investment company based out of Shreveport, Louisiana.
- Kubota Tractor completed a 200-acre land purchase in Phase II of LPKC. Kubota will construct two 1 million square foot, state-of-the-art logistics facilities for its new North American Distribution Center. The move will help streamline logistics processes for the timely delivery of its branded service parts and equipment to the U.S. market. Kubota first leased space in LPKC in 2015 in a 765,000 square foot facility to increase access to its 1,100-strong dealer network.
- Excelligence Learning Corporation will move from Kansas City, Kansas in 2018 to a brand-new build-to-suit 646,600 square foot distribution and call center located at Midwest Commerce Center, a park that is master-planned for five buildings totaling 2.3 million square feet. It is currently home to Coleman Products' 1.1 million square foot facility.
- Crown Packaging leased 79,000 square feet in the HiPower building at 167th Street & Lone Elm Road in Olathe.
- PRA International leased 47,459 square feet in College Crossing J and quadrupled in size.

EXECUTIVE PARK/NORTHLAND PARK

Executive Park and Northland Park are two major industrial parks in Kansas City, Missouri and play a big role in the Kansas City industrial market. Lying adjacent to the Missouri River, on the south and north side respectively, they offer a good mix of office/flex, warehouse, and distribution, as well as modern bulk distribution product. Together they form a submarket that consists of 40.1 million square feet in 419 buildings. Of the total, nearly 1 million square feet is flex space, with the balance in warehouse and distribution.

Executive Park is still a mainstay for companies looking to stay centrally located on the Missouri side of the metro area and enjoy relatively modern buildings at lower occupancy costs. It is the most developed industrial park within Kansas City, Missouri, and is almost fully developed with a few parcels left for future development. Located along Front Street between I-35 and I-435, it offers access to the entire Metro area.

Located just to the northeast of Executive Park, Northland Park has newer construction with versatile buildings that offer reasonable lease rates. New bulk distribution buildings have real estate tax abatement that is hard to beat. With these abatements, the once second tier submarket has attracted many companies to relocate because in many cases, the "all-in" rental rates in new Class A buildings can compete with Class B product that is without tax abatement. Companies coming to Kansas City that do not have to be in Johnson County near the BNSF intermodal tend to land here based on economics. Most of the new construction has occurred in Northland Park. Real estate tax abatements can be as much as 100% for the first ten years with partial abatement up to 25 years. These benefits aid in attracting tenants from older buildings with functional obsolescence to the new buildings with modern efficiencies and lower overall rental costs.



Professional Packaging Systems signed a lease in May 2018 to occupy 247,589 square feet at 16231 S. Lone Elm Road, Olathe, Kansas. Completed in 2016, the 496,150 square foot facility sold without any tenants upon completion of construction to Stag Industrial Holdings.

In this submarket, there is 6 million square feet of distribution space in Hunt Midwest's underground development, known as Subtropolis, which is unique to Kansas City. The underground has room for expansion by 8 million square feet. With consistent temperature and humidity, but low stacking heights, underground developments are well-suited for assembly, light manufacturing, record storage, data centers, and food distributors. The existence of the underground development does create a "governor" effect on the rental rates for above-ground buildings without the modern clear height that would not occur if this competition did not exist. This effect is felt not only in the submarket but throughout the Kansas City market.

Lease rates for industrial space averaged $3.89 per square foot with a vacancy rate of just 3.1%, by year-end 2018. Flex space averaged $5.92 per square foot with a 6.6% vacancy rate. The combined average is only $4.03 per square foot, the lowest rate of all submarkets in Kansas City.

New Development and Construction

There was a major increase in development in this submarket by two of the area's largest developers. NorthPoint's new construction in Northland Park has already had tremendous success. The 400-acre master planned park is located along M-210 Highway. In 2017 and 2018, Northpoint completed Buildings 1 through 4, now each 100% leased, which prompted the start of Building 5, a 575,000 square foot cross-dock facility, and Building 6, a 548,000 square foot facility.

Hunt Midwest Enterprises (Hunt) was also very active not only in Subtropolis, but also above ground. Hunt's development at I-435 and M-210 Highway, has been coined "Automotive Alley" due to its proximity to the Ford Automotive plant in Claycomo, Missouri. Above ground, Hunt has 700-acres of development, which has also been extremely successful, and the market demonstrated just that in 2018 again. Hunt Midwest Business Center (HMBC) Buildings 1 & 2, both 200,000 square foot facilities, which received the 10-year, 100% real estate tax abatement are 100% leased. Building 3, a 217,000 square foot facility, which received 100% real estate tax abatement through an Enhanced Enterprise Zone, will deliver in the first quarter of 2019 and is already 25% leased. Building 4, a 425,000 square foot cross-dock facility, will break ground in 2019 as well.

Other Notable Activity

- American Tire Distributors opened a 108,860 square foot regional distribution center in HMBC Logistics II
- UniFirst purchased a 65,067 square foot building at 1801 Corrington from Monmouth Real Estate Investment Corp., which had owned the building under a lease with Kellogg's, the previous tenant.
- Great Plains Roofing and Vanguard Packaging between them leased over 100,000 square feet in HMBC Logistics I
- Orbis Corp. opened a 40,777 square foot service center for its Reusable Packaging Management division in HMBC Logistics II.
- Des Moines Bolt (Wurth) leased 27,164 square feet in HMBC Logistics II
- Voss Lighting leased 27,257 square feet in HMBC Logistics II

- Ply Gem, a manufacturer of housing products including vinyl siding, doors and windows, roofing materials and gutters, signed a lease for 206,900 square feet at Northland Park Building 3
- Suburban Industrial Packaging leased 50,000 square feet at Front Business Center

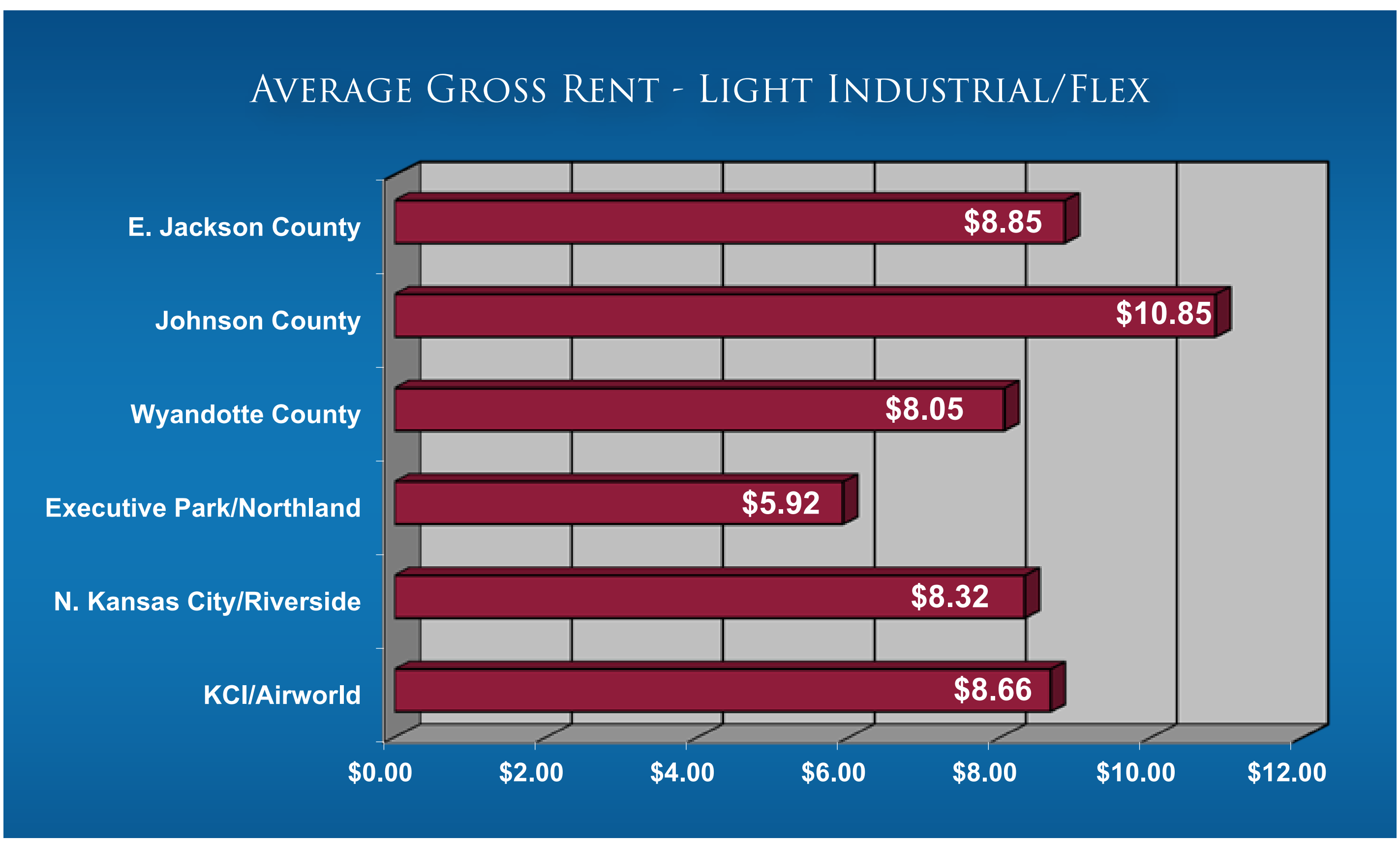
WYANDOTTE COUNTY

The Wyandotte County industrial submarket consists of approximately 45.5 million square feet of building inventory primarily concentrated in six industrial districts, including Fairfax, Armourdale, Turner, Muncie, Edwardsville, and Bonner Springs. These districts are all well served by highway and railway infrastructure. They are all relatively centrally located within the Kansas City Metro market and have good access to affordable industrial labor. In addition to distribution warehouse inventory, the submarket features many manufacturers, such as Kellogg's, CertainTeed, Exide, Harcros Chemicals, and General Motors (GM). Many of the occupants are owners, especially among the manufacturers, and this combined with the submarket's overall healthy climate, contributed to a low 3% vacancy rate in 2018, roughly equal to 1.5 million square feet of submarket vacancy.

Despite low vacancy and the overall strong submarket conditions, the industrial submarket received both good and bad news this year. In February, Proctor & Gamble announced it would close a major soap manufacturing plant in Armourdale by 2020. The facility that manufactures products for brands such as Dawn, Gain, Ivory, and Joy employs about 280 full-time and 100 part-time or contract workers. Early in the year, General Motors announced that it would begin to manufacture the new Cadillac XT4 crossover sport utility vehicle in Fairfax. The new Cadillac will replace the Buick LaCrosse that ended its production era at the end of 2017. In the fourth quarter of this year, GM announced that they would discontinue many of their sedan brands and focus on the better selling trucks and SUV brands. The Chevrolet Malibu car is produced in Fairfax but will be one of the few sedan lines that General Motors will continue to produce. However, the threat of a future shut-down of the car line remains a concern.

The announcement by Proctor & Gamble that they would be closing a major soap manufacturing plant in Armourdale was offset some by the expansion of GM Cadillac and new manufacturing facilities by Premier Custom Foods and Magni Americas.

In the meantime, the GM Cadillac expansion and another expansion by insulation manufacturer CertainTeed complemented new manufacturing facilities announced by Premier Custom Foods and Magni Americas. The transportation segment was improved by new and expansion announcements from International Transit & Storage and FedEx Freight. Additionally, the warehousing and distribution segment received a big boost from e-commerce retailer Overstock.com, which chose a 517,000 square foot facility in Turner for their national distribution hub. This new facility will allow the home goods retailer to reach over 99% of its customers with two-day shipping. All the activity created a net absorption of just over 175,000 square feet by the end of the year.



Sealy & Company, a Dallas-based real estate investment firm, purchased the 601,829 square foot industrial building at 22101 W. 167th Street, Olathe, Kansas in September 2018. The fully leased building, FedEx and Bushnell Corp., was sold by Sun Life Assurance Company of Canada for $37.25 million.

Other Notable Transactions

In addition to GM's announcement of the new production of the Cadillac XT4 crossover SUV at the Fairfax Assembly Plant, it leased over 800,000 square feet of new space in Fairfax last year and subleased that space to Tier 1 supplier Comprehensive Logistics. Although GM has not directly leased any additional space in this calendar year, other suppliers have added new or expanded capacity throughout the market. General Motors will invest $265 million for production and retain 500 jobs at the assembly plant.

International Transit & Storage (ITS), a third-party logistics provider which has facilities in the Fairfax Industrial District, leased an additional 67,500 square feet at 119 Osage Avenue in Armourdale

FedEx Freight expanded their terminal facility in Edwardsville by 70,000 square feet and added a fueling station and additional trailer parking.

Magni Americas leased 60,000 square feet at 9154 Woodend Road in Edwardsville for their distribution of products for their telescoping material handling vehicles.

Premier Custom Foods leased 39,414 square feet of expansion space in Armourdale and will hire 70 new employees.

NORTH KANSAS CITY/RIVERSIDE

North Kansas City and Riverside are centrally located cities independent of the City of Kansas City, Missouri, and situated directly North of the Central Business District and adjacent to the Missouri River. Both communities offer great proximity to labor and major transportation infrastructure due to their central location. They also provide nearby access to major manufacturers, including the GM and Ford Motor Company automobile assembly plants.

The North Kansas City building inventory is older, but functional. The warehouse and manufacturing spaces were developed between the 1940s and the 1970s. Recently, new and functionally modern buildings have been developed on some of the last remaining infill lots and on the redeveloped sites of demolished, functionally inefficient spaces. Riverside experienced most of its industrial growth from the mid-1970s through the late 1990s, with the development of mid-sized office and warehouse product. Growth nearly halted after a significant flood in 1993, but completion of a new 500-year flood protection levee in 2005 not only protected existing buildings, but opened significant additional acreage for industrial development. Riverside has seen extensive development of new, speculative mid-bulk industrial warehouse inventory since 2011 and additional land remains available to meet the steady demand. With functional warehouse inventory available in all sizes and at multiple price points, available labor, excellent highway access, and nearby proximity to basic industry, the submarket supports a diversified mix of warehousing and distribution, including third party logistics, tier 1 suppliers for manufacturers, such as GM and Ford, sequencers, secondary support manufacturers, quality assurance providers, and service companies, as well as local, regional, and national distributors.

The 24.5 million square foot North Kansas City and Riverside submarket saw steady activity through 2018, including 376,374 square feet of net absorption. However, that figure will likely become negative, at least for the short term, when four Riverside speculative buildings deliver in early 2019. Currently,

INDUSTRIAL MARKET

Horizons VII, a 198,424 square foot building, is completing final punch list. Horizons IX building, a 213,016 square foot project, is being enclosed for winter. The Horizons VIII building is completing site and slab work for 134,000 square feet and Belgian Business Park's Building 3, a 217,800 square foot building, is completing interior improvements.

The Numbers:

Submarket vacancy continued to shrink, decreasing from 7.4% in 2017 to 5.2% at the end of 2018. Absorption was driven by a high volume of 10,000 to 50,000 square foot office/warehouse leases as opposed to larger mid-bulk industrial warehouse deals that had impacted the submarket over the last two years. The notable exceptions were Marcon's lease of 85,360 square feet in the Platte Valley Industrial Center, back-filling the space vacated by Faurecia's seat manufacturing operations earlier in the year and Palmentere Brothers lease of 80,600 square feet on 26th Avenue in North Kansas City, after selling and relocating from their long-time home in a multi-story building on 14th Avenue, also in North Kansas City.

Other Notable Activity:

DoorLink acquired 15 acres in Riverside and will begin construction of a new 240,000 square foot building in 2019. DoorLink will relocate from an existing facility in North Kansas City.

Belgian Business Park's new construction will include the new lease of 40,000 square feet for Necco Coffee which is relocating from Kansas City, Missouri.

Liberty Exposition Service leased 37,858 square feet in the Paseo Industrial District of North Kansas City.

Wes Edwin Design leased 20,000 square feet at 200 W 9th Avenue in North Kansas City, Missouri.

Central Power Systems leased 18,750 square feet at 3401 NW Tullison Road in Riverside, Missouri.

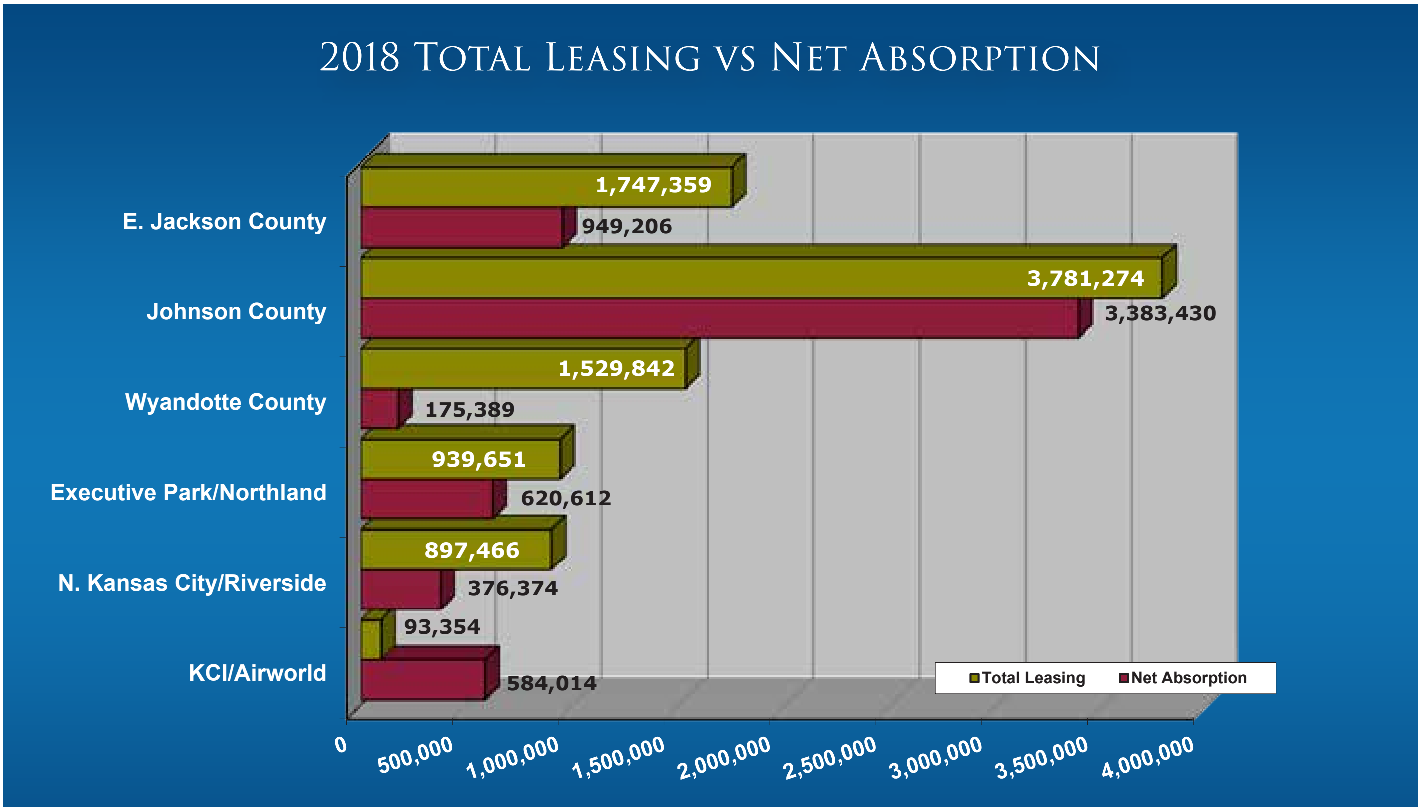
As previously noted, with their relocation, Palmentere Brothers sold their 165,000 square foot multi-story building on 14th Avenue in North Kansas City to the Rabbit Hole which is creating Explorastorium, a national interactive museum celebrating children's literature.

Outlook:

Despite heavy development of new inventory throughout the metro area, the demand for first generation, functionally modern space is expected to continue to drive additional development in Riverside and North Kansas City. Most of the new development will likely occur in Riverside on "green-field" sites. Lease rates will be kept in check by heavy real property tax abatement at nearby sites in Kansas City, Missouri. Riverside and North Kansas City have been unwilling to sponsor similar abatements, although, legislation has recently been proposed in Kansas City, Missouri to cap those abatement amounts. We will follow that issue closely throughout 2019. If construction costs continue to rise and abatements continue unchecked in adjacent submarkets, new development in the North Kansas City and Riverside submarkets will certainly slow-down, though in the coming year, demand appears to remain steady.

KCI/AIRWORLD CENTER

The KCI/Airworld submarket is the smallest and most distinct in the Kansas City metro with just 7.42 million square feet in 87 buildings; however, the single terminal at Kansas City International airport (KCI) has been a major topic



Northland Park II and III, 12501 NE 40th Street, Kansas City, Missouri, were completed in the first and third quarters of 2018 respectively. Both buildings feature 413,332 square feet and are 100% leased. Construction also started on two more buildings totaling over 1.1 million square feet.

of discussion in Kansas City and nationally. With the project hopefully getting off the ground in 2019, the new terminal could be operational by early 2022. Many believe this new airport will make KCI a major domestic and international thoroughfare not only for travelers, but also for air logistics and distribution. As such, this should impact the submarket positively in the next several years. Of the total square feet, over 6.5 million is bulk industrial with the balance in flex space. The submarket's biggest asset is its proximity to KCI along the I-29 corridor, making it a preferred location for regional air cargo transporters. Air transit and logistics-minded tenants, who lease space in this submarket, typically locate there for prime access to KCI. These include suppliers for the GM Fairfax and Ford Claycomo auto assembly plants. The submarket will likely see growth in new industrial product due to the availability of large tracts of land that are already zoned or that are appropriate for industrial and distribution development. The location also provides excellent highway access, with I-29 bisecting and I-435 looping through the submarket. However, its lack of rail availability and its distance from the center of the city will limit its overall growth. The new KCI will likely play a major role in growth over the next few years

The Numbers:

The combined industrial and flex occupancy rate at year-end 2018 was just over 95%, with average rental rates at $5.38 per square foot. This compares favorably to 2017's combined occupancy rate of just over 90% and rental rates of $4.77 per square foot. Improvements in the occupancy of flex space pulled the market occupancy levels up and helped push the overall rental rates from 2017 levels. In the warehouse space, occupancy slipped a bit, due to the availability of Logistics Centre III coming online in 2018. The submarket's industrial space continues to be tight with an overall vacancy rate of just 4.7% even with the additional 202,800 square feet coming online.

HIGHLIGHTS IN 2018

KCI Intermodal Business Centre, being co-developed by Trammel Crow and Clarion Partners, completed a 202,800 square foot structure which had no new leases signed by December 2018. Known as Logistics Centre III, it is designed to accommodate tenants as small as 40,000 to 50,000 square feet. Hopes are that the smaller tenant distribution demand proves strong and, if so, then the developers could build two more smaller space speculative buildings like Logistics Centre III. They also plan to break ground in the Spring of 2019 on Logistics Centre V, a 442,280 square foot cross-dock distribution building. To date, 1.2 million square feet have been completed in the park including the speculative-built Logistics Centre IV at 432,640 square foot building that was totally leased to third-party logistics provider BMS Logistics in 2017. At 679 acres, the park can support more than 5.4 million square feet.

CVS Health opened its 762,000 square foot distribution facility at 10811 N Congress Avenue in the Skyport Industrial Park, developed by NorthPoint Development. The distribution center will service and support more than 500 CVS Pharmacy locations throughout the Midwest and has created nearly 400 new jobs in the area.

Lincoln Property Co., a Dallas-based investment firm, acquired a data center at 11155 NW Airworld Drive which consists of two buildings, a 126,000 and a 132,000 square foot facility, which both are very high-end and capable of delivering enormous power.

Harley-Davidson's motorcycle assembly plant is closing down the operations there and the 450,000± square foot assembly plant has hit the market for sale.

Contributors include: Michael R. Block, Principal; Zach Hubbard, Vice President; Chris Cargill, Vice President; Andrew T. Block, Sales Associate.

Kansas City Retail Market

Following the demolition of the Metcalf South indoor mall in 2017, the area on the southeast corner of 95th Street and Metcalf Avenue, now called 95 Metcalf, saw the opening of a new Lowe's Home Improvement store in August 2018. The 165,000 square foot building will anchor the development that will feature 14 smaller buildings totaling 140,000 square feet.

In the retail industry, focus has relied heavily on customer service; however, it is evident that the consumer's experience continues to drive sales for retailers. In order to stay relevant in today's growing and expanding digital age, retailers continue to embrace omni-channel strategies that reach the consumer on every digital device they touch. Whether through social media strategies, ecommerce, or innovations which enhance the in-store experience, retailers continue each year to evolve in an ever growing and changing digital age. While shopping for daily commodities has, and will continue to, become more streamlined with self-pay stations in stores and one-click ecommerce purchases with same-day delivery, the aspect of finding great products while socializing with others at brick and mortar stores won't be going away anytime soon. Retail real estate is anything but stagnant!

Amidst talk of a retail apocalypse, there seems to always be good news. For every store that closes, two more open. Tax reform has resulted in more jobs, higher wages, and overall better consumer confidence generating more spending power. Overall, according to Kiplinger, retail sales have grown by 4.9% in 2018, greater than the 4.2% in 2017 and the best increase since 2011. Consumer sentiment appears as strong as ever indicating a strong holiday spending season that could mirror or surpass past record-breaking years. The National Retail Federation concurs reporting that 2018 annual retail sales were stronger than originally expected. The dark cloud is never far behind though; several forces such as tariffs, geopolitical issues and consumer debt continue to threaten the future of retail as we step into 2019. Tariffs on China of up to 25% on $200 billion in goods will definitely impact the consumer. Meanwhile, the public has tipped the scales on debt breaking the $1 trillion barrier and auto loan delinquencies are higher than they were during the great recession while mortgage debt has climbed right along with those rising home prices. Add to that costs for creation of products are rising as are the costs of the transportation to move the product. Yes, things are ever changing in the retail environment.

It is a standard measure that retail opportunities tend to follow rooftops. There were 4,932 single family permits issued throughout the metropolitan area through October 2018, however, this is slightly less than 2017 witnessed. Multifamily permits well exceeded last year at 3,229 units compared to

1,903 in 2017 for the same time frame. Mixed-use projects incorporating multifamily housing have dominated the marketplace for many years. Multifamily projects that include a retail component provide a built-in customer base.

Investors in retail properties continue to find opportunities in the greater Kansas City Metro, but the sales pace has slowed. Pinnacle Village failed to perform on its loan, turning over the 126,900 square foot center near 119th Street and Metcalf Avenue in Overland Park. Other notable deals that traded hands this year are: Lenexa Center, a 90,000 square foot retail center in Lenexa; Valle Vista, a 44,000 shopping center at 291 Highway and Chipman Road in Lee's Summit; Walmart Neighborhood Market, 40,000 square feet at Vivion Road and North Antioch Road in Kansas City; Tomahawk Shopping Center, a 28,300 square foot center at 75th Street and Nieman Road in Shawnee; Trailwest Shopping Center, a 24,000 square foot center on 75th Street near Metcalf in Overland Park; and, Two Ten Center a 15,000 square foot center at I-29 and Armour Road in North Kansas City.

Struggling retail brands remain. Dillards, J.C. Penney, Signet, the parent company for Zales, Kay, and Jared the Galleria of Jewelry, Bed Bath & Beyond, Ascena Retail Group which is the parent company for Lane Bryant, Ann Taylor and Dressbarn, and Pier 1 Imports have all announced store closings, while Kohl's continues their downsizing strategy. Retailers declaring bankruptcy in 2018 included: Mattress Firm, Toys 'R' Us, Sears, Nine West, Rockport, the Walking Company, Claire's, Bon Ton, Eat Fit Go, Brookstone, Sears, and David's Bridal. However, where there are closings, there are openings; these traditional retailers continue to grow: TJX Companies, including T.J. Maxx, Marshall's, Home Goods, and Sierra Trading Post, Lululemon Athletica, Ross Dress for Less, Dave & Buster's, Ulta, Warby Parker, Dollar General, Target, Dick's Sporting Goods, Old Navy, Chipotle, Shake Shack, Starbucks, Costco, Lowe's, AutoZone, and Aldi.

Notable openings and closings in the area included: Little Caesars closed 21 area locations, Mattress Firm closed six stores, Doughnut Lounge closed its three area stores, Ted's Escondido Café closed its Corbin Park and Liberty locations, Kmart closed its last two stores, and Pizzeria Locale closed its three area stores. Chains having opened locations this year include: Big O Tires took over Discount Tires locations throughout the metro, Lion's Choice, Kneader's Bakery & Café, Shake Shack, The Shack, Parisi Café, Wahlburgers, The Roasterie, and American Shaman.

Trends in retail continue with medical related and service industries securing retail oriented locations. Sports arenas are also being incorporated into retail development projects, with several having been suggested at a variety of locations in Kansas City. Entertainment retail continues a growing trend as well with food halls, pickle ball courts, and axe throwing venues being the latest concepts added to the growing list. Pop-up retail concepts and food trucks are another growing trend in the retail market.

Overall, vacancy rates barely changed across the metro, moving from 5.9% at the end of 2017 to 6.0% at the end of 2018. Citywide, average rental rates increased slightly from $12.99 per square foot at the end of 2017 to $13.16 per square foot at the end of 2018.

JOHNSON COUNTY, KANSAS

The Bellmont Promenade, located at the southwest corner of Shawnee Mission Parkway and Maurer in Shawnee has been in the process of identifying a multifamily partner on the development before further pursuing city support of the plan that includes 200,000 square feet of retail space on 26 acres. Intentions for retailers to occupy 70% of the center had previously included Hobby Lobby, TJ Maxx, Off Broadway Shoes, Ulta, Five Below, Ross, Forever 21, Kirkland's, and Petco. Before that, the plan included a Dick's Field & Stream. The city had previously approved $19.5 million in tax breaks to assist the developer with the, then, $59 million price tag. Presently, the development faces $92.6 million dollars in improvements.

The Sonoma is a mixed-use development under construction at 87th Street and I- 435. The first 36 apartment units finished construction this fall. Retailers identified for the project include Culver's, Chick-fil-A, and a 60,000 square foot McKeever's Market grocery store. Another 960 apartments are planned within the development.

Investors in retail properties continue to find opportunities in the greater Kansas City Metro, but the sales pace has slowed.

Bluhawk Marketplace and Galleria is a 277-acre multi-phase, mixed-use project at U.S. Highway 69 and 159th Street in Overland Park. After opening the Marketplace in 2017, phase two will focus on the Galleria portion of the development which includes pad sites, a sports arena and multi-sport complex, hotel, restaurants, and outlet shopping components. A future phase is slated to include the Cosmosphere Innovation Science and Space Museum.

Brookridge, home of the former 18-hole golf course located east of Antioch Road between 103rd Street and I-435, has faced significant opposition from its inception four years ago. The lofty plans for the 140-acre project currently includes a three phase development of less than 5 million square feet of mixed uses including 240,000 square feet of retail, 550 hotel rooms, and a 3,500-seat indoor performance venue. The developer seeks incentives that the city has been unwilling to provide to date.

Crystal Springs, a proposed Overland Park shopping center buried by the recession, is being revived more than a decade later with a plan to blend 248 apartments and 108,000 square feet of restaurant and retail buildings including 11 pad sites at 135th Street and Pflumm.

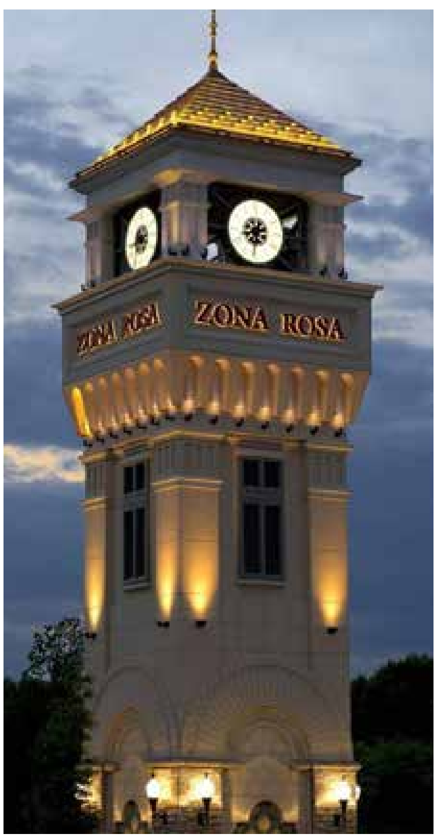
Galleria 115, a 37-acre site at 115th Street and Nall Avenue has plans for 548 apartments and 240,000 square feet of retail space. The most recent plan presented to the City Council is back to the drawing board while the city and the developer work to agree on the aspects of the development which won support initially in being aimed at providing some additional nightlife to Johnson County, which in turn would support convention center attendees.

The site of the former Sears's department store and automotive center will be razed to make room for a 209,000 square foot mixed-use development on nearly 19 acres at 97th Street and Metcalf Avenue. The plan includes a four-story apartment complex, four freestanding restaurant buildings, a multi-tenant retail building, a fitness center, and a movie theater. Slated for two phases of development, the project intends to be underway early in 2019.

After twelve years in the making, Mission Gateway has begun to move dirt on its 16-acre project. The plan, having gone through many revisions, now allots for 170 apartments atop ground-level retail to be complete by summer of 2020 with a second phase including two hotels and a parking garage, and a third phase including a food hall and a 75,000 square foot office building.

The Great Mall of the Great Plains, which was demolished in 2016, has a new plan and a new name, "Mentum". The project will include retail, residential, and commercial uses together with a 4,000-seat arena and community ice center. The developer seeks star bonds which the city of Olathe was discussing. The Mentum will be home to 250,000 square feet of entertainment retail and restaurants, 200,000 square feet of office space, two hotels, 300 apartments with future potential for a golf facility, cinema and fitness center. The arena and ice center would be operated by Laredo Sports Ventures and will be home to the Kansas City Youth Hockey Association in hopes of attracting youth hockey tournaments.

Elsewhere in the county, Whole Foods closed its location at 91st Street and Metcalf Avenue, as did KC Wine & Spirits. Whole Foods relocated to Brookside and KC Wine & Spirits relocated a few blocks away to The Promontory. Thomasville closed at Deer Creek Marketplace and Dean and Deluca closed at Town Center. Sears Home & Life will open at The Fountains despite its Chapter 11 bankruptcy proceedings. Planet Fitness took a portion of Best Buy at 95th Street and Quivira Road, and nearby TJ Maxx, HomeGoods, and Michaels took over the former Gordmans. Body Shop and Banana Republic closed at Oak Park Mall while Nordstrom announced it, too, would leave the mall in 2020 for a site on the Country Club Plaza. The Grille at Park Place closed, Blue Moose closed its 135th Street location, and The Ritz Charles event space closed nearby. Shake Shack's second location is planned to take over the pad site housing the former On The Border at Town Center; the restaurant will join a 5,700 square-foot multi-tenant building. St. Luke's opened its first micro hospital at 133rd Street and State Line Road and Office Depot opened. Planet Fitness announced plans to open at 135th Street and Mur-Len Road in 2020. An office developer purchased the site of the French Market at 95th Street and Metcalf Avenue. Ranchmart at 95th Street and Mission Road is undergoing a facelift, as is Mill Creek West Shops at Shawnee Mission Parkway and Pflumm Road. Two food halls have been announced; one located at City Center Lenexa, the other located at The Edison District in downtown Overland Park. City Center Lenexa also announced plans for a Restaurant Row at the southwest corner of Renner Boulevard and 87th Street Parkway which would ultimately house up to eight full-service and fast casual concepts, and The Yard with event space, restaurant with rooftop bar and patio, pickleball courts, and shuffleboards. Lion's Choice will open on 135th Street between Pflumm and Black Bob Roads; Shack Breakfast & Lunch opened in the former Logan's Roadhouse location on 135th Street and 69 Highway. Nick and Jake's



In September of 2018, Zona Rosa in Kansas City, Missouri switched management to Trademark Property Company out of Fort Worth, Texas. The 1.1 million square foot shopping, dining, and entertainment center near Kansas City International Airport has been facing financial trouble after failing to cover bond payments for a tenth straight year and with an occupancy rate of only 50%.

took over the former Ruby Tuesday near Kansas Highway 7 and Shawnee Mission Parkway, creating their fourth area location. Blaze Fast Fire'd Pizza opened at 119th Street and Black Bob Road. Prairiefire at 135th Street and Nall Avenue has fallen short on its ability to repay its bond obligation as it failed to procure its attendance projections, but is looking to start its second phase to include 125,000 square feet of office, 136,000 square feet of retail, and a hotel.

Johnson County's vacancy rate rose from 6.4% at the end of 2017 to 7.2% at the end of 2018. However, the average rental rate increased from $14.38 in 2017 to $14.51 per square foot in 2018.

EAST JACKSON COUNTY, MISSOURI

This smaller portion of the market covers Independence and Blue Springs.

White Oak Marketplace, located at Missouri Highway 7 and U.S. 40 Highway in Blue Springs, is home of the relocated 86,000 square foot Price Chopper and added Johnny's Tavern, Verizon, and First Watch to the tenant line up. The neighboring Sunset Plaza, located at Missouri Highway 7 and Sunset Street and owned by the same group, has approval to undergo redevelopment, demolishing a portion of the building to allow traffic to pass between the properties.

Independence Center traded hands in a foreclosure sale early in the year. Located at I-70 and Missouri Highway 291 in Independence, it is one of the last two remaining malls in the area and faces ongoing challenges. However, it will remain home to the last full line Sears's department store in the metro, at least for now.

Arrowhead Shopping Center, home to Cosentino's Sun Fresh in Independence, finished its upgrades and renovations.

Elsewhere in this area of the metro, Orscheln Farm and Home took over the old Price Chopper site in Blue Springs, Wendy's closed its location near Little Blue and Valley View Parkways, and Lion's Choice opened near I-70 and Little Blue Parkway on an outparcel of Menard's.

Rental rates in East Jackson County decreased from an average of $11.16 per square foot at the end of 2017 to a current average of $10.93 per square foot. The vacancy rate however, decreased from 8.7% to 7.8%.

DOWNTOWN/MIDTOWN/PLAZA AREA/SOUTH KANSAS CITY, MISSOURI

Activity in the greater Downtown Kansas City area remained vibrant in 2018. Bar K Dog Bar opened a dog park with bar and restaurant in Berkley's Riverfront Park. Carvana announced plans to open at I-35, just east of the state line. Academy Bank joined Corrigan Station in the crossroads. The HyVee Arena, formerly known as Kemper Arena, opened as a two-level youth and amateur sports hub. The old Federal Reserve headquarters is being transformed into a 320-room hotel. A 153-room Hyatt House is planned for the southwest corner of 9th Street and Broadway Boulevard. Crossroads Hotel opened with 131-rooms, two restaurants, a rooftop bar, an art gallery, ballroom, and event space. Parlor, a unique 3-story venue featuring seven restaurants and two bars with unique atmospheres on each level opened in the Crossroads. The former Kansas City Star building in Downtown has plans for renovation and redevelopment as a mixed-use project that would include a boutique grocery store and market, in addition to a sports bar and rooftop patio. Kansas City Power & Light will add Hotel Karaoke in 2019 featuring eight private karaoke rooms available for private parties and special events.

Sun Fresh opened at Linwood and Prospect in the Linwood Shopping Center. Having been identified as a food desert with a lack of healthy food choices in proximity to homes, this neighborhood celebrated the addition of this retailer to their neighborhood.

The Country Club Plaza announced several comings and goings. Array, UNTUCKit, Monica + Andy, Altar'd State, Nike, Old Navy, Made in KC, and Shake Shack opened, while True Food Kitchen is still under construction. Eddie Bauer, American Apparel, Burberry, Cole Haan, Plaza III, Noodles, and Tomfooleries all closed. Tesla, Bank of America, and Standard Style, which rebranded to Baldwin Market, all relocated, and Capital Grille is in the process of relocating to make room for Nordstrom. Cinemark is expected to close at the end of 2019. Nearby, having not been open a full year, Elly's Brunch & Café as well as Eat Fit Go also closed up shop. Black Dirt and Mission Taco Joint opened at 51st and Main Streets.

Brookside became home to Whole Foods Market, but lost a few longtime tenants as Shop Beautiful and Domo recently closed their doors. A little further south, Primrose Schools is under construction at the site of the old Sweet Tomatoes restaurant on Meadowlark between Ward Parkway and State Line Road.

Ward Parkway Center added Hurts Donuts and Five Below. Farther south, the shopping center at 103rd Street and State Line Road is undergoing renovations. OfficeMax closed, as did Mr. Goodcents; however, Tesla is rumored to be taking its place. Meanwhile, Panera and Chipotle opened in a new building at the location of former Einstein Brothers Bagels and a neighboring car wash.

The Red Bridge Shopping Center added Blue Moose, Caleb's Breakfast and Lunch, Crows Coffee, Silks and Poles Aerial Fitness, Sofi Cucina Italiana Restaurant, and Venue 508, an event space, with Wonderscope Children's Museum of Kansas City planning a relocation from Shawnee.

Marshall's closed at Stateline Station and relocated to Belton Gateway where Ross Dress for Less, Party City, Petco, and Five Below also opened. Cracker Barrel opened nearby and Furniture Deals relocated and expanded at I-49 and Missouri Highway 58.

Gateway Sports Village, in Grandview near I-49 and Highway 150, hopes to start construction on their entertainment complex centered on youth soccer. Fourteen artificial turf fields, a field house with hotel, dining options, office space, and residential components are also slated to be part of the project.

Rental rates in this area of the metro increased from $12.92 per square foot at the end of 2017 to an average of $14.22 per square foot at the end of 2018. The area's vacancy rate increased from 5.0% at the end of 2017 to 5.2% at the end of 2018.

KANSAS CITY/WYANDOTTE COUNTY, KANSAS

This area of the metro was relatively quiet throughout the year.

While Village South broke ground on a 33.5-acre tract at the southeast corner of I-70 and 110th Street in Edwardsville across from Village West last year, the hotels originally planned

RETAIL MARKET

September 2018 saw the opening of the area's first Shake Shack, a fast-casual restaurant chain out of New York City, on the Country Club Plaza in a 3,562 square foot space at 239 W. 47th Street, Kansas City, Missouri. Just two weeks after the opening, plans were announced to open a second location in Leawood, Kansas at 119th Street and Nall Avenue on the site of On The Border in Town Center Plaza.

were not constructed. This year, a plan to add a 10-story 231-room Hard Rock Hotel with a conference center was formed. Current plans call for a 2020 completion.

Legends Outlet added HomeGoods, Rack Room Shoes, Dapper Doughnut, Journey's, True Religion, Sportibles, and Michael Kors to their tenant list.

Retail rental rates for Wyandotte County were $10.72 per square foot at the end of last year. They decreased to $8.69 per square foot at end of 2018. The area had a 3.3% vacancy rate at the end of 2018, compared to a 3.7% vacancy rate at the end of 2017.

THE NORTHLAND KANSAS CITY, MISSOURI

Zona Rosa defaulted on its mortgage in March having faced a significant drop in occupancy over the past two years. Whereas bonds issued by Platte County helped support the expansion of the district, the development never achieved its sales goal and has consistently fallen short. The former owner had previously paid the difference but with the property changing hands the current owner is rejecting the idea. Courts will have to decide the outcome.

A Cedar Falls, Iowa based developer purchased the site of the former Kmart located at NE Antioch Road and NE Vivion Road last year, but was unable to secure equity to start the redevelopment which was to include a 55,000 square foot Hobby Lobby planned to relocate from Gladstone and a 30,000 square foot Urban Air along with Jimmy John's. The property ultimately reverted back to the previous owner and, while the incentives are in place, a developer is needed to see the project come to completion.

Metro North Crossing, the site of the former enclosed mall located at U.S. 69 Highway and Northwest Barry Road, completed its demolition and was due to be under construction with its 52,000 square foot golf entertainment complex. While no one is saying that it will not proceed, development has definitely stalled at the site.

Twin Creeks, formerly Barry Town Center, completed its renovations and opened Ross Dress for Less and Ulta. Petco will open in early 2019.

Elsewhere in this area, Liberty Commons at I-35 and Missouri Highway 152 added Jose Peppers and Blaze Fast Fire'd Pizza. Shoppes at Shoal Creek gained an 18,000 square foot Lukas Liquors & Wine Superstore and Poke Sushi Bowl, First Watch opened at the Village of Shoal Creek, Summit Grill opened in Gladstone, and Jos. A Bank and Houlihan's closed at Shops at Boardwalk.

FlowRider and Flow House Kansas City is behind schedule, but is reportedly still moving forward at One North located at at I-35 and Armour Road. Driv Golf Lounge + Brewhouse, had also been reported to be part of the upcoming development.

Rental rates in the Northland averaged $13.84 at year-end down from $14.16 per square foot at the end of 2017. The vacancy rate dipped slightly to 4.7% down from 4.8% at the end of 2018.

RETAIL OUTLOOK

Retail will remain ever changing, chasing the latest trends to keep up with the incessant desire for instant gratification of the consumer. Redevelopment, mixed-use development, and infill development is expected to continue but will do so at a dramatically slower pace over the next two years.

Vacancy rates are expected to increase while rental rates decrease metro wide. Chopt Salad Creation Co., DMK Burger Bar, MAD Greens, Black Bear Diner, and Sweet Charlie's have all expressed interest in Kansas City; let's see if they make it to the market in 2019.

Contributor: Kim Bartalos, CLS, Vice President of Retail Leasing

Kansas City & National Investment Market

A BRES sponsored entity purchased The Royale at CityPlace from CRP Cityplace Member, LLC in 2018. The 344 unit luxury apartment complex, located at 10501 W 113th Street, Overland Park, Kansas, sold for an estimated $77.5 million.

Consistent with expectations, 2018 ended with another Federal Reserve rate hike and increasingly volatile public markets, raising concerns about the sustainability of the current expansion. According to Real Capital Analytics (RCA), transaction volumes were up 11% year-over-year in third quarter 2018 reversing the 5% decline in 2017. RCA has also reported a deceleration of price growth over the same time period which has market participants in a cautious mode. The compelling returns generated by CRE over the course of this lengthy cycle have led both HNW and institutional investors to increase allocations to the space and we believe that this will help sustain the market's momentum well into the new year.

In 2018, Kansas City sustained its momentum, absorbing the new construction and continuing to attract national investment capital. The market remains in general supply-demand equilibrium as investors and developers adjust their expectations and proceed with "cautious optimism." Secondary and tertiary markets, like Kansas City, are expected to attract more interest from investment funds seeking higher yields than they can find in the highly competitive Gateway markets. In October 2018, RCA reported that price growth in secondary and tertiary markets climbed 7.8% year-over-year compared to 3.4% in the major metro markets. RCA reported that apartment price growth outpaced all other sectors at 9.6% while suburban office increasing by 9.2% year over year.

OUTLOOK FOR 2019

The October 2018 ULI Real Estate Economic Forecast is optimistic that strong Gross Domestic Product and job growth in 2018 has set the stage for solid real estate demand and absorption for 2019. Economic growth continues to drive demand in all real estate sectors. The outlook for 2019 remains positive despite the rising interest rate environment that could push cap rates up. Following the rate hike announcement December 19, 2018, the Fed estimates the economy will grow 3% in 2018, down from its prior estimate of 3.1%, and 2.3% is projected in 2019, below its previous 2.5% forecast. This late in the cycle, expectations for the real estate market are more tempered than for the overall economy.

A mid-November, CBRE webcast indicated that cap rates would likely remain stable in 2019 despite continued rate tightening by the Federal Reserve. So far, the cost of debt hasn't gone up as much as the base rates would suggest, due to a combination of spread compression and the entrance of many new lenders into the marketplace. In addition, off-shore investors are expected to pursue higher-yielding investments in secondary markets like Kansas City.

The 2019 Dodge Construction Outlook predicts that total U.S. construction starts for 2019 will be $808 billion, staying essentially even with 2018. Looking at commercial property sales through third quarter 2018, RCA anticipates that transaction volume for 2018 will finish 10% above 2017 volumes and certainly higher than predicted. With a higher interest rate environment in 2019, expect buyers and sellers to move further apart on pricing based on prior comparable sales.

In summary, respondents to the ULI Real Estate Economic Forecast have become increasingly optimistic. Strong GDP and job growth in 2018 have set the stage for solid real estate demand and absorption through 2019. Other forecasters have signaled that late cycle sentiment about slowing growth in 2020 will begin driving investment decisions. In other words, the very long current expansion cannot last forever. That said, if forecasters are correct about growth continuing through 2020, the 11-year real estate expansion that started in 2010 will be one of the longest on record.

MIDWEST MARKETS SEE MORE INVESTORS SEEKING "HIDDEN GEMS"

The ULI Emerging Trends report concludes the outlook for investment and development is positive. In Kansas City, current and projected economic growth is equal to or greater than the U.S. average. Demographic growth is also greater than the U.S. average. Kansas City is benefitting from positive net migration as new residents are moving in and likely absorbing new multifamily supply.

In ULI's survey of the 13 largest Midwest cities, Kansas City ranked fourth overall based on:

- Strength of the local economy
- Investor demand
- Capital availability
- Local development and redevelopment opportunities
- Public/private investment participation
- Strong local development community

In the 2019 Emerging Trends survey, Kansas City trailed only Minneapolis, Columbus, and Indianapolis. Kansas City has emerged as an important market for national distribution and the impact of new supply-chain dynamics. The report shows that Kansas City also ranks above the national average in retaining and attracting younger workers and is particularly strong in small business creation.

MARKET FUNDAMENTALS

Kansas City will grow faster than the national average according to the Greater Kansas City Chamber of Commerce Forecast prepared by Mid-America Regional Council. In 2019, the Kansas City area is expected to grow at a 2.7% pace compared with the expected U.S. rate of 2.1%. In 2018, the surging national and regional economies likely will have grown at a 2.9% pace - far faster than forecasted a year ago.

The Chamber forecast refers to a "normal churn of economic activity" with gains and losses. In 2018, Harley Davidson announced it would close the Kansas City plant and off-shore jobs. Proctor and Gamble also announced a plant closing, and Sprint will downsize as the merger with T-Mobile is finalized by regulators. Those setbacks, as the Forecast report noted, will be offset by continued expansion at the

The Keith Corporation sold 6700 W 115th Street, Overland Park, Kansas to Senior Housing Properties Trust in 2018. The 235,485 square foot office building, home to Quintiles Transnational, sold for $44.6 million.

STABILIZED PROPERTY ACQUISITION PRICING - AVERAGE CAP RATES				
Source: CBRE 2018 H1 North American Cap Rate Survey (1) (2)	Kansas City - Class A	*U.S. (Teir III) Class A*	Kansas City - Class B	*U.S. (Teir III) Class B*
Property Sector	**Q2 2018**	**Q2 2018**	**Q2 2018**	**Q2 2018**
OFFICE - CBD (Tier-III)	7.25 - 7.75	7.32	8.75 - 9.75	8.17
OFFICE - SUBURBAN (Tier-III)	7.25 - 8.25	7.63	8.50 - 9.00	8.54
INDUSTRIAL (Tier III)	6.00 - 6.50	6.13	7.00 - 7.50	7.19
RETAIL - NBHD/Community (Tier III)	6.50 - 7.00	6.47	7.50 - 8.00	7.75
RETAIL - Power Center (Tier III)	7.75 - 8.50	7.79	9.75 - 12.00	8.68
MULTIFAMILY - Infill (Tier III)	4.75 - 5.25	5.48	5.00 - 5.50	6.04
MULTIFAMLY - Suburban (Tier III)	5.00- 5.50	5.59	5.25 - 5.75	6.06
(1) Kansas City classified as a Tier III Metro Area (2) Class AA, Class C, not shown)				

Cerner Innovation Campus and Garmin's Olathe operations. There will be job growth at Honeywell Federal Manufacturing & Technologies and another new building on the Burns & McDonnell campus. We can expect more new call centers and distribution centers opening in 2019 & 2020.

Once again, the commercial real estate (CRE) market was led by record setting absorption of new industrial and continued strong demand for multifamily units in both urban and suburban markets. Vacancy has fallen and absorption increased in the office and retail sectors with new construction driving up rental rates.

INDUSTRIAL MARKET 2019

The Kansas City industrial market continued to tighten in third quarter of 2018 as 1.25 million square feet of net absorption was recorded, according to CoStar. Last year, the market posted record absorption of 6.8 million square feet. There were 4 million square feet of industrial projects under construction at the end of third quarter of 2018 compared to 5.4 million over the same period in 2017. Overall vacancy decreased slightly from 5% in second quarter in 2018 to 4.8% in third quarter in 2018. Rental rates are expected to stay around $4.33 per square foot. The industrial market has remained strong with net positive absorption in 26 of the last 27 quarters, with quarterly absorption averaging 1.3 million square feet.

OFFICE MARKET 2019

Year-to-date, the office market has seen 819,000 square feet of absorption and a 190bp drop in vacancy from 16.2% to 14.4%, according to Cushman & Wakefield's MarketBeat. The 12-month forecast expects continued positive net absorption, falling vacancy and higher rents that will break through the $20 per square foot mark. Construction is expected to increase 75% from 296,000 square feet to 516,000 square feet from third quarter of 2018 to third quarter of 2019. As previously mentioned, Burns & McDonnell is adding a building to their campus and Block Real Estate Services (BRES) has broken ground on 46Penn, a 194,000 square foot building on the Country Club Plaza and CityPlace in Overland Park, Kansas. The 120,268 square foot CityPlace office building is the first of four Class A office buildings planned for the mixed-use project located at the southwest corner of College Boulevard and Highway 69.

Shamrock Trading Corporation is looking to consolidate its presence in the Midwest by building three new office towers in Overland Park. At the same time, Sprint will be reducing its footprint in suburban Kansas City. It has already leased 900,000 square feet of its 4 million square foot campus. At year end, Sprint is considering its options and may elect to put some of the 17 campus buildings on the market or execute a sale-leaseback.

RETAIL MARKET 2019

In 2018, the Kansas City retail market reached a new milestone, of sorts, with the opening of Shake Shack on Country Club Plaza. It has been two years since Taubman-Macerich entered the market by acquiring the landmark Country Club Plaza, but they continue to break the news of new tenants joining the shopping center. Most recently, they announced the relocation of Nordstom from the suburban Oak Park Mall to a new location on The Plaza. New retail and dining will ensure The Plaza remains the crown jewel of the market.

PineCrest Townhomes was sold to a BRES sponsored investment group for approximately $24.2 million in 2018. The 144 unit apartment complex at 15303 W. 128th Street, Olathe, Kansas was sold by Pinecrest Townhomes, LLC.

Redevelopment of the Metcalf Mall, The Great Mall (Olathe), Mission Mall, and Metro North Mall sites are progressing. A new Lowes is open at the former Metcalf Mall location and plans are under review for additional mixed-use development there. Developer Lane4 has recently been joined by Seritage Growth Properties, a New York based company, which recently acquired development rights, and the master lease, for Sears properties nationwide, including the vacant Metcalf Mall location.

During 2018, two major shopping centers changed owners and operating partners following foreclosure proceedings. Pacific Retail Capital Partners, based in California, is Independence Center's new operator after The Simon Group failed to pay off a $200 million loan.

In the Northland, the 120,000 square foot Zona Rosa mixed-use center also changed ownership and is now operated by Trademark, a Dallas based operator. Trademark takes over from the Olsham Group out of New York who developed the center in 2007. No price was available at the time of publication.

New retail deliveries in 2018 caused lease rates to rise and occupancy to fall. Year-over-year quoted rents went up 3.6% from the previous quarter and 8.6% from last year. Rents in the third quarter 2018 were $13.55 per square foot, up significantly from $12.38 at the close of 2017. Subleasing also increased in 2018. Net absorption through third quarter 2018 was 487,000 square feet on the heels of 496,000 square feet in the fourth quarter of 2017. Over the past four quarters, developers have added over 450,000 square feet of new construction in the Kansas City Metro. The total retail inventory is approaching 160 million square feet.

MULTIFAMILY MARKET

Strong demand has countered the steady wave of new supply in Kansas City. Completions in 2017 numbered 3,857 with 1,500 of those units in the Downtown submarket. CoStar Analytics reports 7,777 units are in the construction pipeline with 2,552 slated for completion in 2018. That brings the market inventory to just over 144,000 units. With all the new units, Fannie Mae's 2018 Fall Outlook report observed that "in a rental market of 140,000,nearly 14,000 have been completed since 2013."

Kansas City's new rental housing stock has led to a slowdown in rent growth. With roughly 2,500 units anticipated for completion, rent growth in the metro is expected to come in at about 2.2 percent for the year according to Yardi research. Significant job gains—27,400 in the 12 months ending in June 2018—draw a consistent number of young professionals looking for well-positioned rental units. Long-term demand for apartments in Kansas City is likely to continue for both demographic and economic reasons.

CAPITAL MARKETS 2019

At mid-year, National Real Estate Investor predicted steady but cautious "late cycle" growth in 2019. Global institutional investor's allocation to real estate is expected to pick up in 2019. And even though interest rates are rising, yields on the 10-year treasury are still low, relative to the long-term average. "We're still in a very low interest-rate environment and investors are still hungry for yield," according to Real Capital Analytics. Real estate is viewed as a portfolio diversifier among institutional investors and a good inflation hedge as rents tend to trend up in an inflationary environment.

Real estate is also seeing strong returns for institutional investors. In 2017, the average total return for institutional real estate portfolios was 9.2%, up from 8.7% in 2016. The target for the end of 2018 is expected to be 8.2% according to a survey by Cornell University & Hodes-Weill. Real estate is outperforming expectations, Weill says, but investors will take a measured approach to underwriting and valuation in 2019.

Construction lending remains available but increases in material costs and a labor shortage increase risk. Institutional investors remain in acquisition mode but will find that CRE development has shifted away from the gateway markets into secondary and tertiary markets – good news for Kansas City.

Value-add and rehab projects that minimize construction risk are favored. The Cornell & Hodes Weill survey indicated 95% of institutions are actively targeting value-add investments compared to 50% that target only core strategies. This is likely based on concerns about valuations peaking, driven in part by an influx of foreign capital in recent years

TRANSACTION VOLUMES AND DEBT

The third quarter of 2018 posted the strongest transaction activity since the fourth quarter of 2015. Year-to-date transactions in Kansas City have totaled approximately $356.6 billion, up 13% from the same period in 2017. That puts 2018 on pace to exceed the record level of $569 million recorded in 2015 according to Real Capital Analytics.

Due to lack of suitable replacement properties, many owners are electing to hold and refinance rather than sell their property. The Federal Reserve reports that loan origination volume in 2017 outpaced transaction volume for the first time since 2009.

At the end of 2017, the Federal Reserve reported outstanding commercial real estate debt was approximately $7.2 trillion with $300-400 billion maturing annually. Commercial and multifamily originations have increased in two of the past three years. Commercial and multifamily originations in 2017 hit a record $530 million which topped the previous high of $510 million in 2007, but with a significant decrease in average loan to values. In 2007, average loan-to-values were 70%. Today, loan-to-values has been reduced to almost 60%. The decrease in average loan-to-values signifies lender underwriting standards are stricter now than 10 years ago.

The chart below is derived from the compilation of data by CBRE Research in the first half of 2018. As you can see, Investors are attracted to Non Major Metros due to the significant 150bsp risk premium vs. Major Metro Markets.

Cap rates in Kansas City compared favorably with all Tier III cities across the country. In particular, CBD Office and Class B multifamily clearly outperformed peer cities. U.S. Cap Rates remained stable from second half of 2017 through first half of 2018. The Industrial market was "blistering hot" with cap rates falling 10 basis points (bps) on average and 17 bps for class B product. Multifamily and office cap rates were stable while retail saw an average increase of 26 bps.

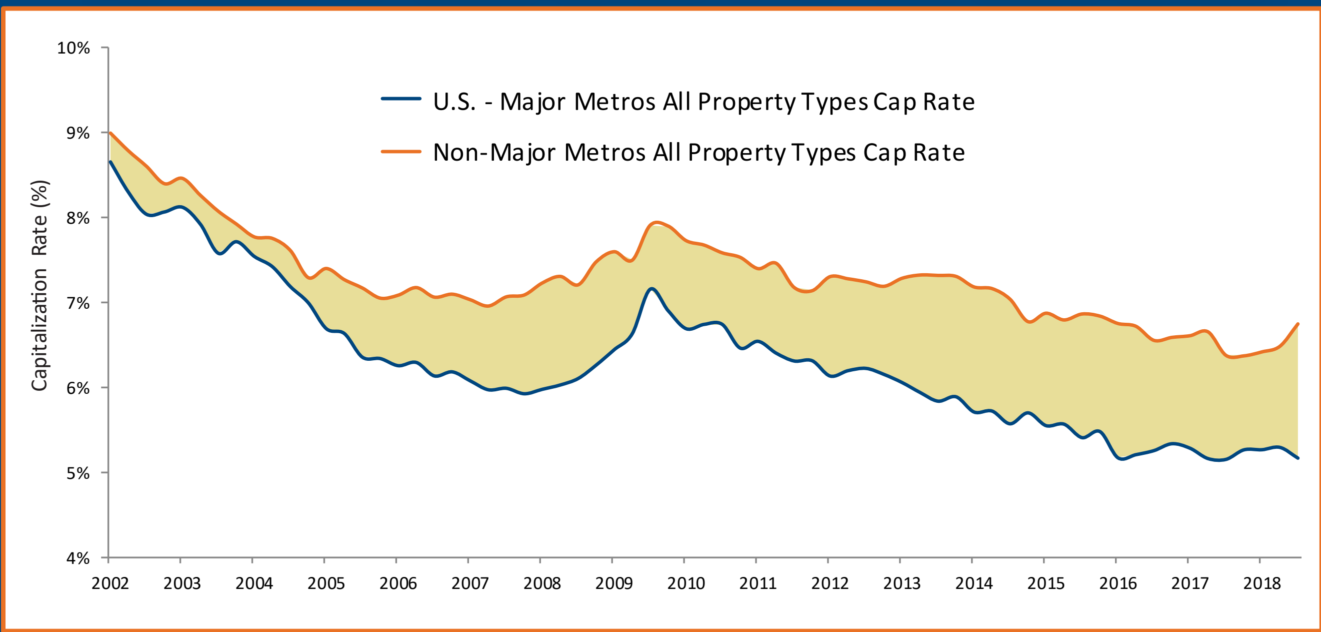
CAP RATES & INTEREST RATES: ALL EYES ARE ON U.S. CAP RATES AS INTEREST RATES RISE

Preliminary data shows U.S. cap rates were actually "flat-to-down" in the third quarter of 2018 despite eight Federal Reserve interest rate increases since the end of 2015. Investors have been anticipating cap rate increases, but that just hasn't happened yet.

U.S. office cap rates hit 6.7% in the third quarter of 2018, up 10 bps from third quarter 2017, though the trend is largely flat. Cap rates for the apartment and industrial properties were actually down 10-20 bps from a year earlier.

For the industrial sector, the trend through 2018 has been flat as most of the drop was in late 2017. The only property sector that has exhibited a measurable increase in cap rates is the retail sector. Cap rates for retail properties averaged 6.5% in third quarter 2018, though were closer to the 6.4% range in 2016.

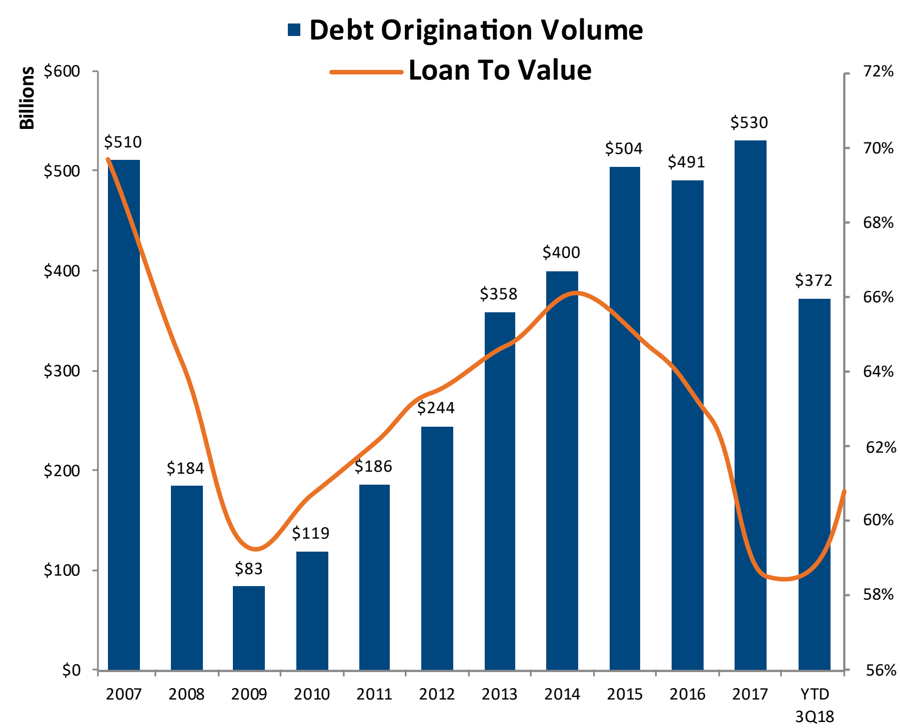
Cap Rates - U.S. Major Metros vs. U.S. Non Major Metros



Source: RCA

INVESTMENT MARKET

Commercial Debt Volume and Average Loan to Value by Year



Note: as is shown here, debt origination in 2017 tops the previous record high of $510 million in 2007. There is, however, a significant difference with the loan to values in 2017 being almost 10% lower than the 70% in 2007. This signifies lenders are making more conservative loans in the current cycle.

COMMERCIAL REAL ESTATE PRICES

Kansas City's Commercial Real Estate Market remains in general supply-demand equilibrium. However, there may be a modest slow down in multifamily production that is being supplanted by increased space deliveries in the office and retail sectors. Industrial build-to-suit deliveries in the fourth quarter will increase absorption over 6 million square feet in 2018, according to the Cushman Wakefield third quarter 2018 MarketBeat report.

Cap rates will remain stable at 2017 levels due to continued strong demand, however, the rate of price growth has been losing steam compared to earlier in the cycle. Investors will challenge pricing comparable this late in the cycle. Sellers will have to compare their "hold or sell" options and evaluate suitable exchange property pricing. Additionally, since the economy continues to do well, the Federal Reserve can be expected to continue to raise interest rates. In July 2018, Real Capital Analytics (RCA) reported that commercial real estate (CRE) prices rose 7% year-over-year, or about half the pace of growth early in 2015. It is apparent that CRE price increases have paused as of third quarter 2018, a trend likely to continue into 2019 according to research firm Green Street Advisors.

OTHER LOCAL INVESTMENT DRIVERS

Offshore Capital - Some investors have begun selecting America's secondary markets over coastal cities. High prices in gateway markets are forcing investors to look beyond cities like New York and San Francisco to cities like Houston, Phoenix, and Charlotte. These so-called secondary markets accounted for 50% of all U.S. office transactions in 2017, according to JLL Research. For example, the investment group that purchased the Polsinelli Building in 2014 on the Country Club Plaza included Independencia Asset Management of Chile.

Family Offices - Family offices continue to pursue direct investments in companies and/or real estate. Forbes observed that the greatest opportunities in real estate are often deals that are off-market or require investors to move quickly and, in some cases, purchase with all cash. Sundance and Woodbury Corporation, are two Utah-based family offices that have been actively building multifamily portfolios in the Kansas City market.

Healthcare - The recent increase in the 10-year treasury rate was expected by many to push up cap rates in the nation's single tenant net lease market, but so far, things are relatively quiet according to Chicago-based Boulder Group. Cap rates for the net lease retail sector only increased by 5 bps in the third quarter of 2018. Rates in the office, industrial, and healthcare sectors were largely steady. Calkain, another net lease investment firm, reported healthcare cap rates in third quarter of 2018 were at 6.32%, up only slightly. In all, the investor reaction to the dynamics of the current marketplace from the rise in cap rates, interest rates, and the Treasury Bill to the interplay of web-based sales and brick-and-mortar, is cautious optimism.

Retail - Notwithstanding the challenge from eCommerce, "brick & mortar" retail is the key to "urbanization of the suburbs" as evidenced by the popularity of Leawood's Park Place and Lenexa's CityCenter. Downtown Overland Park and the new mixed-use CityPlace are further proof that the pedestrian friendly, live-work-play concept has been embraced by all demographic cohorts, from millennial to baby boomers and retirees.

Senior Housing - With the oldest baby boomers will turn 75 in 2021. Investors are bullish on the potential for growth in continuing care retirement communities over the next few decades. Developers see this as a market that they need to be in, and many of them are trying to establish a foothold in the sector now according to JLL research. The investor appetite is driven mainly by the demographic shift that will result in significant growth in demand for senior housing over the next 3 to 20 years." A JLL survey found that 86% of respondents ranked continuum-of-care facilities with both independent and assisted living on one campus as desirable.

Life Sciences - Kansas City's Life Sciences and Animal Health sector is truly unrivaled and is the one sector of the regional economy that continued to grow through the last two recessions. KCAEDC reports that companies with a location in the KC Animal Health Corridor now represent 56% of total worldwide animal health, diagnostics, and pet food sales. Ingram's reported that animal-health product company TechAccel will join forces with Reliance Animal Health Partners to form Covenant Animal Health Partners, a company that will focus exclusively on bringing animal health innovations to market.

Coworking and Technology - The new "gig economy" emphasizes temporary positions for independent workers for short-term engagements. Kansas City's coworking sector now has seventeen businesses and has formed its own trade association, KC Coworking Alliance (KCCA). The June 22, 2018, Kansas City Business Journal complied the first list of coworking spaces ranging in size from Plexpod Wesport Commons at 116,200 square feet to 10 facilities ranging from 1,500 to 9,600 square feet located across the metro area.

Opportunity Zones - The Tax Cuts and Jobs Act of December 2017 opened the door to potentially tremendous tax savings, along with up to $2.2 trillion in capital that could be poised for reinvestment in under served markets. Opportunity Zones exist in every state. Taxpayers eligible include individuals, partnerships, REITs, and S Corporations. Ground-up commercial developers are most likely to benefit from more capital in Opportunity Zones, as well as new tax savings. Investors who buy property in Opportunity Zones will benefit by having deferral of capital gain, reduction of the capital gains tax realized and no tax on any capital gains from an investment in the Opportunity Zones. This has the potential to be a major win for cities and the commercial real estate industry.

Kansas City Home Building Industry - Through October 2018, Kansas City Homebuilders Association (KCHBA) reports new home deliveries are slightly behind last year's pace. The modest drop from last year suggests some extra caution in 2019 due to higher material costs, labor shortages and rising interest rates. In 2018, Overland Park, Kansas City, Olathe, Lee's Summit, and Blue Springs accounted for 43% of area permits issued. The annual housing market forecast, by the Center for Real Estate at Wichita State University, predicts that Kansas City area home prices will finish 2018 up 7.8% from 2017 and jump an additional 8% in 2019. Nationally, Case-Shiller sees home prices continuing to rise, 6% year-over-year in 2018, and the pace of growth easing in 2019.

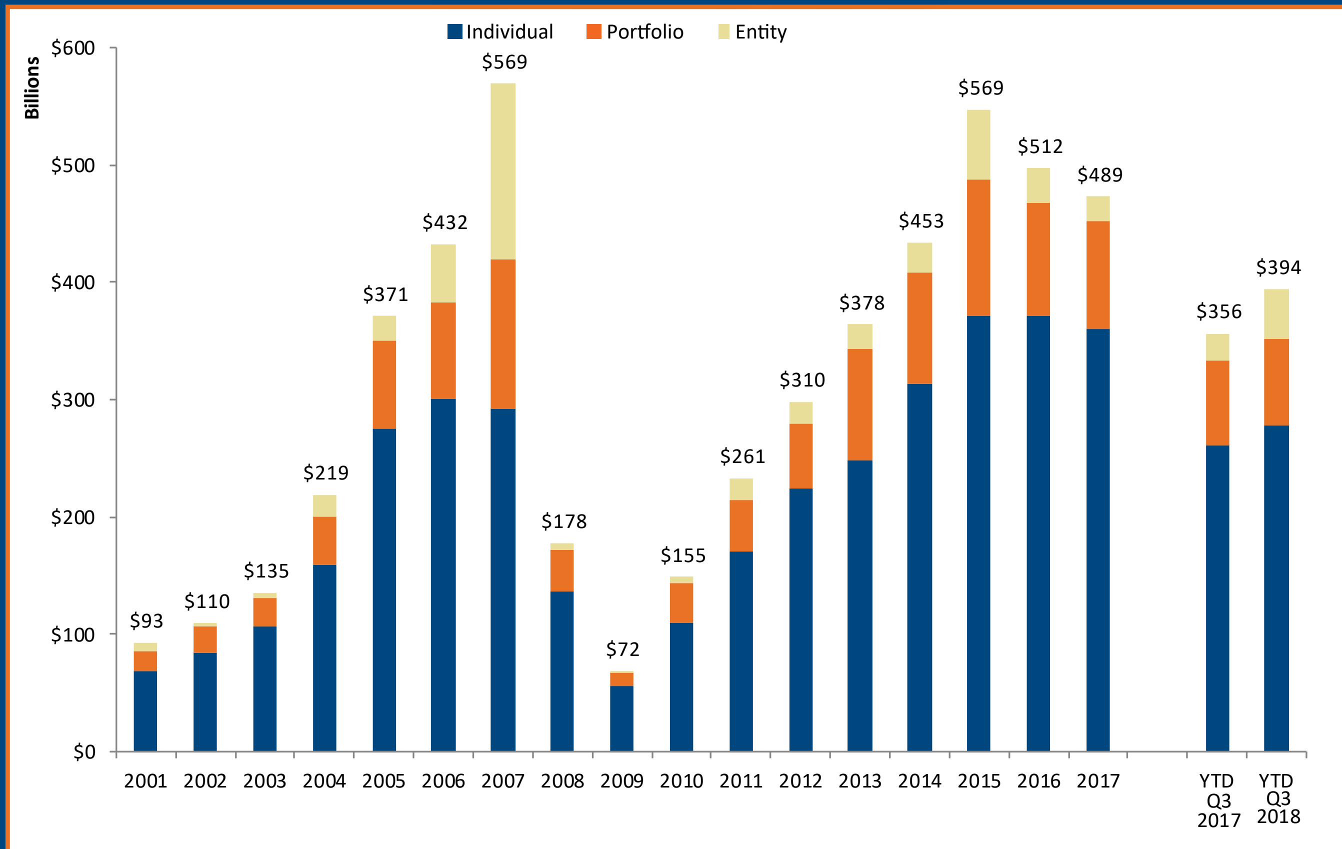
Lingerfelt Commonwealth and CrossHarbor Capital Partners purchased 2345 Grand Boulevard in Kansas City, Missouri from Franklin Street Properties Corp. in July 2018. At 28-stories and 630,000 square feet, it is one of the area's largest multitenant office buildings in the area and sold for $75.6 million.

THE 2019 KANSAS CITY INVESTMENT MARKET

In 2018, the Kansas City investment market was driven by record-setting construction, absorption, and all-time high rent levels in the industrial sector. Kansas City remains a target of national multifamily investors seeking both new and valued-add properties in the urban core and suburbs. The last several months have brought announcements of new jobs as firms relocate to Kansas City or expand their existing facilities. A perfect example is GEICO, the nation's second-largest private passenger auto insurer, announced it will invest $10 million to open a new client service center in Lenexa on Renner Road and will eventually employ 500 service professionals.

In 2019, Kansas City could see another 4 million square feet of industrial space on top of the 6.6 million square feet of

Transactional Volumes



Source: RCA

industrial space built for the ecommerce industry. In October 2018, Kubota Tractor Corporation announced plans to build two 1 million square foot facilities, expanding their capacity for timely delivery of Kubota branded service parts and equipment to the U.S market.

INDUSTRIAL SALES 2019

In September, Sealy & Company purchased a 601,829 square foot distribution facility in Olathe that was developed by Kessenger Hunter and Sun Life Assurance. It is fully leased to Fed-Ex and Bushnell and sold for $37,250,000 million, or $62 per square foot, at a cap rate of 6.75%. Last year, Sealy & Company bought a core plus portfolio of Kansas City and St. Louis properties.

In the Northland, a joint venture between Lincoln Rackhouse and Principal Real Estate Investors acquired a two-property data center operation consisting of 259,111 square feet on a 17-acre campus in Air World Center near the Kansas City International Airport (KCI). The acquisition is part on a 1 million square foot national data center portfolio. The portfolio allows Lincoln to expand its cloud colocation services.

Loan Elm 716, a 718,068 square foot property, is located in Olathe. It was completed in 2016 by local developer, Van Trust Real Estate. Exeter Property Group out of Pennsylvania purchased the vacant property for $31,200,000 or $43 per square foot,

Local Kansas City firm Prism, in partnership with Ameritas Life, acquired Lenexa Industrial Park from a joint-venture partnership of Odyssey, based out of Nevada, and Aremis, based out of Maryland, for $31.6 million, or $54 per square foot, at a cap rate of 6.3%. The 17 building, 589,390 square foot portfolio is located near the I-435 and I-35 interchange, and it was the first planned industrial park in the city of Lenexa. The buildings were built between 1972 and 1999.

CRIC Capital, based out of Boston, bought the 225,617 square foot National Oceanographic and Atmospheric Administration building in Grandview, Missouri from the Elm Tree Fund out of St. Louis. It was developed in 2015 by US Capital, KP Development. The price was $30.6 million, or $135 per square foot.

A local Kansas City user, Mid-States Distributors bought the 735,769 square foot Toys "R" Us Distribution Building located in Lee's Summit, Missouri. It sold for $26.0M, or $36 per square foot, in a bankruptcy sale. The buyer commented that the capacity of the warehouse is closer to 1 million square feet because of the height of its racks.

MULTIFAMILY SALES 2019

Multifamily sales in Kansas City remained strong in 2018. There are six properties presented in the Investor Chart and Sales Records built between 1998 and 2017. The average cap rate for the properties in this report was 5.09%, within a range of 4.75% to 5.7%. Pricing for the three urban infill properties averaged $210,000 per unit with a cap rate of 4.9%. Last year, all Class A properties trended under 6%.

JVM out of Chicago made four acquisitions in 2018 including two sister-properties in downtown developed by Cityscape and another infill complex property in Briarcliff, a mixed-use community near downtown. They also acquired a suburban Class A complex in suburban Lee's Summit that was built by AMLI Residential in 1998. Last year, cap rates for Class A properties "trended under 6%". In 2018, competition drove multifamily cap rates down by 50 bps.

Apex on Quality Hill, a 138 unit property, and Summit on Quality Hill, are sister properties just one block apart in downtown Kansas City. Built at the same time, they have comparable Class-A, luxury community finishes and amenities. JVM paid a combined price of $88 million, or $215,000 per unit at a cap rate of 5.1%. The seller was the developer of Cityscape.

The Landing at Briarcliff, acquired by JVM, is a 340-unit luxury complex in the Village at Briarcliff, an exclusive mixed-use area with shopping and fine dining. Located just across the Missouri River Bridge, it offers downtown skyline views. The price was $61.35 million, or $180,441 per unit, at a 4.75% cap rate. The seller was Kansas City based Briarcliff Development.

4500 Madison is an urban infill community in the Westport entertainment district near the Country Club Plaza. The 132-unit property was purchased by PRG Real Estate out of Pennsylvania for $30.05 million, or $227,652 per unit, at a 4.75% cap rate. The seller was Trammel Crow Holdings.

Summit Ridge, also acquired by JVM, is a 432-unit luxury community with attached garages located in suburban Lee's Summit, Missouri. It was built by AMLI Residential in 1998 and sold for $62.2 million, or $143,981 per unit, at a cap rate of 5.32%.

Manor Homes of Eagle Glen is a 269-unit community with attached garages available. The community, built in 2008, is located in suburban Raymore, Missouri. It was developed by Kansas City-based Launch Development who was the seller. The buyer is Continental Realty Associates, out of Colorado, who paid $35.5 million, or $131,970 per unit, and the cap rate was 5.4%.

Pinecrest Townhomes is 144-unit townhome community built in 2002. The four-unit buildings offer direct access garages and are located in suburban Olathe, Kansas. The purchase price was $24.13 million, or $167,535 per unit, at a 5.47% cap rate. The property was purchased by a Joint Venture between a BRES sponsored ownership group and a regional family office. The Seller was a tenant-in-common group with over 20 different owners.

RETAIL SALES 2019

On the Country Club Plaza, the prominent 90,170 square foot Jack Henry building at 612 W. 47th Street was owned by the Arvanitakis family that had bought the Jack Henry Clothing business. It was purchased by JH Investors LLC. The price was $21,098,500, or $233 per square foot, and is considered a "value-add" opportunity at that key location.

Apollo Global Management, out of New York, purchased the Raytown Square Shopping Center at 9350 East 350 Highway for $15.95 million, or $162 per square foot, at a 7.3% cap rate. H&R REIT out of Toronto was the seller.

The Verdes Family acquired the The Walmart Neighborhood Market at 5261 NE Antioch in the Antioch Crossing shopping center at Vivion Road from local developers, IAS Partners. The 41,179 square foot Walmart Neighborhood Market opened in 2014 as part of the redevelopment of the former Antioch Mall that commenced in 2012. The price was $12,617,500, or $306 per square foot, at a cap rate of 5.6%.

The 90,122 square foot Home Furnishing Center at 92220 Marshall Drive in Lenexa was sold by local developer Goehausen & Co. to JSA Enterprises of Ontario. The sale price was $7.3 million, or $81 per square foot which equated to a 9.61% cap rate.

OFFICE SALES 2019

The 2345 Grand building is a 28-story, 538,7000 square foot landmark building located in the Crown Center and Crossroads district of downtown Kansas City. It is anchored by the law firm Lathrop & Gage. The buyer is a joint-venture partnership consisting of Lingerfelt CommonWealth Partners & CrossHarbor Capital Partners. They acquired the iconic building as part of a portfolio including 2380 McGee Street in July 2018 for a total of $75,600,000. It was designed by legendary architect Mies van der Rohe and developed by the Shorenstein Company in 1977. The seller, Franklin Street Properties, had owned the building since 2007.

The Quintiles Transnational Building is a medical office building located in south Overland Park, near Sprint Headquarters. It was sold by the developer, The Keith Corporation, to Senior Housing Properties Trust (SNH) for $44.6 million, or $186 per square foot, at a cap rate of 8.79%. The "mission-critical" building, was a build-to-suit project built in 2016. It is leased through 2023.

Overland Park based developer, Price Brothers, purchased the three story, 86,079 square foot Penn National Building for $10.3 million, or $120 per square foot. Built in 1979, it is located in the Fox Hill Office Park in southern Overland Park, at I-435 and Roe Boulevard.

The University of Kansas Health System purchased the 203,475 square foot former EPA Building in downtown Kansas City, Kansas for $10.4 million, or $51.11 per square foot. The University will repurpose the vacant, five-story, Leeds Certified, Class A building as a mental health facility and administrative offices.

The 90,000 square foot Belltower building was built in 1986 and is located at 4700 Belleview, immediately west of the Country Club Plaza. It sold for $7.65 million, or $95 per square foot. The offices are built over a 180-space garage on a 0.88 acres site. The sale also included a 41-space surface parking lot across from the building.

WHAT'S AHEAD FOR 2019?

Economic indicators confirm we are in the later stages of expansion. Given the momentum built up in 2018, the U.S. Commercial Real Estate market should remain positive well into 2019. ULI and others anticipate cap rates to remain stable through 2019 fueled by strong investor demand.

The Kansas City real estate market continues to thrive as new space has been readily absorbed in all sectors. The multifamily sector is finding its equilibrium as new supply becomes more selective.

Developers may find new development and value-add deals will get harder to pencil in. The industrial sector, still driven by

The Jack Henry building, 612 West 47th Street, Kansas City, Missouri, on the Country Club Plaza sold in November 2018. The 53,948 square foot multi-tenant building sold for $21.1 million by brothers Spiro, Jerry, and George Arvanitakis who also own and operate Byron on the Plaza which is closing. They will reopen in 2019 at Santa Fe Hollow, 123rd Street and State Line Road, as Peters Clothiers, a brand their father started with them.

ecommerce, will be looking for "last mile" opportunities. After converting surplus downtown office space to residential use, the Economic Development community longs for new urban and suburban Class A space to compete in the burgeoning tech market seeking lower cost space and coveted talent in the Midwest.

The healthcare industry continues to transform as it responds to growing demand and economic pressures from the evolution of outpatient care and new technology.

All forecasters can agree that strong demand continues for investment real estate. In 2019, they anticipate increased attention focused on second- and third-tier cities since many investors have run out of, or been "priced out" of, suitable properties in the gateway markets. In Kansas City, this aggressive capital has demonstrated it will take additional risk for the right opportunity. Recall the late 2016 acquisition of 2323 Grand in Crown Center, by Los Angeles based Stanton Road Capital. This year, Cross Harbor Capital Partners bought 2345 Grand reminiscent of the era of dollars chasing deals.

Construction should begin on the new KCI Regional Airport. The new single-terminal KCI airport, estimated to cost $1.5 to $2 billion, continues to evolve since voters approved the construction project in November 2017. The design-build project will be constructed separately, meaning certain parts of the airport will start while other pieces are still being designed. Project completion is scheduled for November 2022. Because the funds to build the airport are coming from the airlines and not local taxpayers, this expenditure brings net new dollars and economic boost to the regional economy that would not otherwise be the case. Specifically, KCI's new terminal means construction jobs. Spending by those workers means more jobs in other fields beginning in 2019.

Last year, Forbes Magazine recognized Kansas City as the No. 4 city for manufacturing job growth. Kansas City remains positioned to take advantage of its central location. While we didn't score a Google or Amazon-size office headquarters, we had lots of technology firms looking at Kansas City for expansion, according to Kansas City Area Economic Director Tim Cowden. Among those established firms that short-listed Kansas City were Co-Star and others who are attracted by an available skilled labor, reasonable cost of living, and affordable occupancy costs.

As Kansas City rings in the New Year, we are well into a rising interest rate environment but the U.S. economy still has great momentum that many think will carry CRE safely through 2019 and perhaps into 2020. Cautious optimism is clearly the right the business model to cope with inevitable changes in the cost of debt and equity capital.

Contributors include: Grant O. Reves; Kenneth G. Block, SIOR, CCIM, Managing Principal; and Bill Powell.

Investors Chart and Sales Records

OFFICE PROPERTIES	SIZE (SF)	SALES PRICE / PER SF	CAP RATE	BUYER/SELLER
2345 Grand Boulevard & 2380 McGee Street Kansas City, Missouri	630,000	$75,600,000 $120	Value-Add	Buyer: Lingerfelt CommonWealth/CrossHarbor Capital Partners Seller: Franklin Street Properties Corp.
Quintiles Transnational Building 6700 W 115th Street., Overland Park, Kansas	235,485	$44,600,000 $189	8.79%	Buyer: Senior Housing Properties Trust Seller: The Keith Corporation
2323 Grand Boulevard Kansas City, Missouri	320,976	$32,000,000 $100	4.34% (Value-Add)	Buyer: Stanton Road Capital, LLC Seller: Assurant, Inc.
Timberland at Tomahawk Creek 4000 W. 114th Street, Leawood, Kansas	91,270	$12,450,000 $136	8.28%	Buyer: Tower Properties Seller: Investors Real Estate Trust
Penn National 4370 West 109th Street, Overland Park, KS	86,079	$10,300,000 $120	9.10%	Buyer: Price Brothers Management Seller: CP Holmes Corporate Centre
Belletower 4700 Belleview Avenue, Kansas City, Missouri	80,615	$7,650,000 $95	5.23% (Value-Add)	Buyer: Brain Group Seller: Farallon Capital Management, LLC

INDUSTRIAL PROPERTIES	SIZE (SF)	SALES PRICE / PER SF	CAP RATE	BUYER/SELLER
KC Intermodal Logistics - Building 33 31100 W 196th Street Edgerton, Kansas	927,112	$55,000,000 $59	6.20%	Buyer: ARES Seller: NorthPoint Development
Fedex & Bushnell Building 22101 W 167th Street, Olathe, Kansas	601,829	$37,250,000 $62	6.75%	Buyer: Sealy & Company Seller: Sun Life Assurance Company of Canada
Lenexa Industrial Park 17 buildings, Lenexa, Kansas	589,390	$31,600,000 $54	6.30%	Buyer: Prism Real Estate LLC & Ameritas Life Insurance Corp. Seller: Odyssey Real Estate/Artemis Real Estate Partners
Lone Elm 716 16575 S. Theden Street., Olathe, Kansas	718,068	$31,200,000 $43	Vacant	Buyer: Exeter Property Group Seller: VanTrust Real Estate
Toys R Us Distribution Building 420 SE Thompson Drive, Lee's Summit, Missouri	725,769	$26,000,000 $36	User	Buyer: Mid-States Distributing LLC Seller: Toys R Us
Executive Interstate Center 1800-1870 N. Corrington Avenue, Kansas City, Missouri	173,090	$11,250,000 $65	7.30%	Buyer: Schafer Richardson Inc. Seller: Welsh Property Trust

RETAIL PROPERTIES	SIZE (SF)	SALES PRICE / PER SF	CAP RATE	BUYER/SELLER
The Jack Henry Building 612 W 47th Street, Kansas City, Missouri	53,948	$21,098,500 $391	Value-Add	Buyer: JH Investors LLC Seller: 612 Plaza Building Inc.
Raytown Square Center 9350 E State Route 350, Raytown, Missouri	104,360	$15,952,400 $153	7.30%	Buyer: Apollo Global RE Seller: H&R REIT
Walmart Neighborhood Market 5261 NE Antioch Road, Kansas City, Missouri	41,179	$12,618,500 $306	5.60%	Buyer: Vedres Family Seller: IAS Partners, LTD.
Pinnacle Village Shopping Center Conser Street, Overland Park, Kansas	126,910	$11,300,000 $89	Value-Add	Buyer: PEBB Enterprises, LLC Seller: PASSCO Companies, LLC
Shawnee Parkway Plaza 13131 Shawnee Mission Parkway, Shawnee, Kansas	77,446	$8,629,808 $111	8.27%	Buyer: JSA Enterprises Inc Seller: Emmes, LACERA
Home Furnishing Center 9150-9220 Marshall Drive, Lenexa, Kansas	90,122	$7,300,000 $81	9.61%	Buyer: JSA Enterprises Inc Seller: Goehausen & Company

MULTIFAMILY PROPERTIES	UNITS	SALE PRICE/PER UNIT	CAP RATE	BUYER/SELLER
Apex & Summit on Quality Hill 1200 Washington Street, Kansas City, Missouri	388	$88,000,000 $226,804	5.10%	Buyer: JVM Realty Corporation Seller: Cityscape Residential
The Royale at CityPlace 10501 113th Street, Overland Park, Kansas	344	$77,500,000 $225,291	5.69% (Stabilized)	Buyer: A BRES Sponsored Entity Seller: CRP Cityplace Member, LLC
Summit Ridge Apartments 701 NE Tudor Road, Lee's Summit, Missouri	432	$62,200,000 $143,981	5.32%	Buyer: JVM Realty Corporation Seller: The Milestone Group
Landing at Briarcliff 1601 N. 38th Street, Kansas City, Missouri	340	$61,350,000 $180,441	4.94%	Buyer: JVM Realty Corporation Seller: Briarcliff Development Company
45 Madison 4445 Madison Avenue, Kansas City, Missouri	132	$30,050,000 $227,652	4.75%	Buyer: PRG Real Estate Management, LLC Seller: Crow Holdings
PineCrest Townhomes 15303 W. 128th Street, Olathe, Kansas	144	$24,125,000 $167,535	5.47%	Buyer: A BRES Sponsored Entity Seller: PineCrest Townhomes, LLC

Kansas City Multifamily Market

In August 2018, The Kessler Residences opened in Prairie Village's Meadowbrook Park. The 282 unit luxury apartment community was developed by VanTrust Real Estate on the former Meadowbrook country club and golf course site at the northeast corner of 95th Street and Nall Avenue.

The Kansas City apartment market remains in a positive place. Our city's strong recovery in the current cycle peaked in late 2017 and early 2018 with heavy absorption of nearly 4,780 units in a twelve-month span. Currently, CoStar data shows 8,357 units under construction, with projects all over the metropolitan area.

The economy is doing historically well, but with so many units coming available and needing to be absorbed, we're starting to see some statistics change directions. Rent growth has decelerated and concessions have become more common across the metropolitan area. With this being said, institutional investment into Kansas City has become a norm in recent years. This has caused an increase in sale prices and price per unit averages. Construction permits are down, signaling a slowdown in development moving forward and the winding down of this cycle. As a whole, the local apartment market has handled this cycle's changes well and should continue to do so, assuming standard local job and population growth continue.

FUNDAMENTALS AND STATISTICS

Kansas City's apartment market consisted of 144,035 units as of 2018. Inventory growth grew by 1,935 units this year, down from growth of 4,712 in 2017, a 2% drop year over year. Absorption decreased from 4,767 units in 2017 to 3,578 this year, a 1% drop year over year. Vacancy rates are currently sitting at a 6.7% average across the market, which is an improvement from the 7.9% vacancy rate in 2017. A total of 9,655 units are currently vacant, which is significantly lower than the 11,273 shown as vacant in 2017. Market rents grew 1.6% this year, which continued the recent trend downward since 2015 when market rents grew at a peak rate of 3.9%. Currently, the average market rent per unit per month is $950, up from $934 in 2017.

DOWNTOWN – CENTRAL BUSINESS DISTRICT & CROSSROADS

In recent years, Downtown Kansas City has transformed into the premier destination for residents looking for a live-work-play scenario. The Power & Light District, with the addition of the Kansas City Streetcar, has had an increase of new development throughout Downtown and the Crossroads and has brought light to historic buildings in need of repurposing.

Developers caught on to this quickly and have been flooding the area with more apartments for years, which has turned out to be a blessing and a curse for apartment owners in the area. Absorption takes time and in today's market it is requiring concessions. This causes competition for gaining and retaining tenants and has become a difficult task for both new developments and previously stabilized assets. That said, this is a minor speed bump that will fizzle over the next couple years as we begin to see less units becoming available from development, and therefore less of a need for absorption.

Recent deliveries to Downtown include:

- Union – Berkley Riverfront Park
  407 units developed by Flaherty & Collins Properties
- Two Light Luxury Apartments
  296 units developed by The Cordish Companies
- Crossroads Westside
  221 units developed by Cityscape Residential
- 531 Grand
  185 units developed by Block Real Estate Services, LLC (BRES)

Developments under construction in Downtown include:

- Gallerie
  361 units being developed by Milhaus
- Second and Delaware
  281 units being developed by Arnold Development
- The Grand
  201 units being developed by BRES
- Arterra Luxury Apartments
  116 units being developed by Copaken Brooks

Absorption takes time and in today's market it is requiring concessions. This causes competition for gaining and retaining tenants and has become a difficult task for both new developments and previously stabilized assets.

JOHNSON COUNTY

Thanks to Johnson County's high concentration of top employers and office space, it has the reputation as one of the most desirable places to live in the Kansas City Metro. Companies are consistently crossing state lines and moving jobs from Missouri to Kansas to be in Johnson County. As a result of this, the apartment market is very strong and will continue to be in the coming years. Johnson County's asking rents exceed averages of that around the metropolitan area. There are more than 3,000 units under construction, and sales volume is traditionally higher in this submarket than others.

Recent deliveries and developments under construction in Johnson County include:

- The Kessler Residences
  282 units developed by VanTrust Real Estate
- Carson Street Towers
  270 units being developed by Carson Development

PRG Real Estate purchased 45 Madison, a 132 unit apartment complex built in 2007 near the Country Club Plaza, from Crow Holdings in January 2018. The $30.05 million purchase was one of three by PRG Real Estate in the Kansas City area during the first quarter of 2018.

Thanks to Johnson County's high concentration of top employers and office space, it has the reputation as one of the most desirable places to live in the Kansas City Metro.

- Promontory
  291 units being developed by Launch Development
- The Vue
  220 units being developed by Hunt Midwest
- Mission Trails
  200 units being developed by EPC Real Estate
- The Royale at CityPlace
  344 units being developed by BRES
- WaterSide Residences on Quivira - Phase II
  104 units being developed by BRES

KANSAS CITY SALES

For the first time since 2010, Kansas City deal volume is projected at fewer than 100 sales for the year. The total volume is projected to be in the $425 million range. In 2015, there were 142 sales of record with a deal volume of $837 million. There were 149 sales in 2016 with a deal volume of $640 million and 144 sales in 2017 with a deal volume of $626 million. With that said, per unit sales averages were higher than they've ever been in 2018. According to CoStar data, 2018 is the first year where average price per unit on sales was above $100,000. For reference, the average per unit sale price in the metropolitan area has increased steadily every year since 2009.

NOTABLE CLASS A SALES

- Apex & Summit on Quality Hill
  388 units in Kansas City, Missouri for $88 million, or $226,804 per unit, by JVM Realty
- The Landing at Briarcliff
  341 units in Kansas City, Missouri for $61.35 million, or $180,441 per unit, by JVM Realty
- Riverstone Apartments
  324 units in Kansas City, Missouri for $50.3 million, or $155,246 per unit
- 45 Madison
  132 units in Kansas City, Missouri for $30.05 million, or $227,651 per unit, by PRG Real Estate

NOTABLE CLASS B AND C SALES

- Holly Ridge Townhomes
  54 units in Kansas City, Missouri for $6.7 million, or $124,074 per unit, by Prism Real Estate

The Landing at Briafcliff was sold to JVM Realty in June 2018 by Briarcliff Development. The 340 unit apartment complex was built in 2015 at 1601 N. 38th Street, Kansas City, Missouri and sold for $61.35 million.

Completed in 2017, Apex on Quality Hill was sold by Cityscape Residential in February 2018 to JVM Realty. The 138 unit apartment community in downtown Kansas City, Missouri and its 250 unit sister property, Summit on Quality Hill, were sold for $88 million.

- Pinnacle Pointe
  160 units in Lenexa, Kansas for $18.1 million, or $113,125 per unit, by Maxus Realty Trust
- Saddlewood Apartments
  92 units in Olathe, Kansas for $9.5 million, or $103,261 per unit, by Ellis Enterprises
- Pinegate
  222 units in Merriam, Kansas for $22.73 million, or $102,387 per unit, by Apartment Management Consultants
- The Jefferson on the Lake
  352 units in Olathe, Kansas for $29.8 million, or $84,659 per unit, by Cohen-Esrey
- Grays Park
  210 units in Kansas City, Kansas for $15.55 million, or $74,047 per unit, by Strat Properties
- The Retreat of Shawnee
  342 units in Shawnee, Kansas for $25 million, or $73,099 per unit, by Timberland Partners
- Township II
  234 units in Kansas City, Missouri for $16 million, or $68,376 per unit

2019 FORECAST

As we look forward into 2019 and beyond, it has become apparent that the current apartment development boom is slowing down, and it will continue to do so over the next couple years. Our proven submarkets are more impressive than they've ever been in terms of new apartment stock and investment. The surrounding areas have benefited from the heavy apartment investment across the metropolitan area. With that being said, we are looking at a potentially difficult couple years for apartment owners as a large chunk of developments are finishing up and will need to be absorbed into the market. This will mean higher vacancy rates city-wide and additional concessions that will potentially lower returns for investors. This is not seen as a downturn in the market. It will simply be a small speed bump that will need to be addressed as absorption is taking place. Kansas City will still be in a good position. We may just see a decline in sales and future development for awhile. Considering the last handful of years and the heavy apartment boom, it may be a good thing for the city to see a couple slower years in order for everyone to settle in.

Contributor: Matt Ledom, CCIM, Vice President; Keiten Nuspl, Sales Associate

Block Income funds

Funds I-IV

14601 W 99th Street, Lenexa, Kansas was sold in 2018 by a BRES sponsored partnership. The last section was built in 1999 and the 117,212 square foot, former Corporate Express, building was sold to KEI Real Estate, LLC for over $4.5 million.

During 2018, the Block Income Funds I and II were liquated. Block Income Fund III once again took advantage of the strong seller's market and sold assets at a profit. Block Income Fund IV's portfolio continues to be very strong as annual rental rates increase across the majority of the Fund's holdings.

Below are the major highlights for each specific fund during 2018.

BLOCK INCOME FUND I

Block Income Fund I was closed out during 2018, and liquidating distributions were sent out.

BLOCK INCOME FUND II

The Corporate Express Building, the Executive Hills Building at 1300 E. 104th Street, and Valle Vista Shopping Center were all sold during 2018.

The Martinrea building in Riverside, Missouri will be the only asset remaining in the portfolio after 2018 and the Fund will liquidate in 2019.

BLOCK INCOME FUND III

The FedEx Building in St. Louis was sold during 2018.

Compass Pointe building, located in St. Charles, Missouri, was sold in 2018.

Plaza West Shopping Center, located in Topeka, Kansas, was refinanced and the annual debt service was lowered.

The Fund will continue to take advantage of the real estate cycle and dispose of assets when the time is right.

BLOCK INCOME FUND IV

As previously stated, a majority of the fund's portfolio is invested in long-term net leased deals with annual rent increases, which will result in strong cash flow for the fund.

Block Funds continues to raise equity to acquire multifamily deals, industrial deals, and medical deals in single purpose entities. The goal remains to provide our investors with long-term cash flow, to pay down debt principal, and to provide any upside on property appreciation during the hold period. Investors can register to see all offerings at **www.blockfunds.com**.

The new Block Funds investor portal, **www.blockfunds.com**, was recently launched to our investor community and prospective investors. The portal allows existing investors and approved prospects to have secure access to current investment offerings, an easy to use transaction center for making investments online, and the ability to view detailed information about any existing investments. The success of this project, led by Stephen Block, has been a collaborative effort between IT, accounting, investor relations and our portal provider.

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

Contributor: Brian R. Beggs, CFA, Director of Acquisitions

Block Construction Services Projects

Construction was completed on the 58,106 square foot Pine Ridge Business Park Building 31 in June 2018. Located at 8250-8286 Flint Street, Lenexa, Kansas, the office and lab building was a build-to-suit for Corbion, a global market leader in lactic acid, lactic acid derivatives, and a leading company in emulsifiers, functional enzyme blends, minerals, vitamins and algae ingredients.

Block Construction Services (BCS) managed over $125 million of development projects, and coordinated $14 million in tenant improvement work in 2018. Development projects and tenant improvements under construction in 2018 included work in all sectors, including office, industrial/warehouse/distribution, multifamily and retail.

OFFICE/MEDICAL

In 2018, BCS completed a 58,106 square foot build-to-suit project in the Pine Ridge West Business Park for Corbion, the global leader in green bio-based ingredients, pioneering the fields of food and biochemical industries including agriculture, home and personal care, pharma, medical and electronics. Since Corbion's headquarters is located in the Netherlands, much of the Lenexa interiors were designed around European models. They have incorporated the four corners of the world into the state-of-the-art open office concept, which includes multiple conference rooms named after their locations around the globe.

Construction activities are underway on 46 Penn Centre, a Class A office building which will feature 200,465 square feet in eight stories, a 246,666 square foot parking structure, and a 6,728 square foot restaurant. The building will be constructed with only four columns per floor for maximum space-plan efficiency and will also feature balconies. The Country Club Plaza's popularity and reputation has been recognized around the country, making the home of 46 Penn Centre an ideal location. The entire 15-block district, with more than 150 shops and dozens of fine restaurants, makes The Plaza one of Kansas City's premier destinations. Completion of 46 Penn is expected June 2020.

CityPlace, a 90-acre, mixed-use development in Overland Park, will feature four office buildings totaling 600,250 square feet on 26 acres, 1,382 multifamily units on 39 acres, and 66,890 square feet of retail space on 10 acres. Construction activities are underway on CityPlace Corporate Centre III, a 4-story 120,268 square foot building featuring efficient 30,067 square foot floor plates designed to offer maximum flexibility for tenants. The building is being constructed using steel structural systems combined with masonry, precast concrete, glass, and natural stone to present a uniquely contemporary design. This is the first of four Class A office buildings to be developed at CityPlace. The offices at CityPlace are designed in a campus-like setting incorporating walking, jogging and bike paths surrounding a reflective pond. WellSky, formerly Mediware, will occupy the first, third, and fourth floors, totaling 78% of CityPlace Corporate Centre III.

INDUSTRIAL/WAREHOUSE/DISTRIBUTION

Construction was completed in December 2017 in Earth City, Missouri for a 130,825 square foot tilt-up concrete manufacturing/warehouse facility. Tenant finish work began in 2018 to fill up the building.

MULTIFAMILY/MIXED USE

BCS has completed the second phase at WaterSide Residences on Quivira, located at 81st Street and Quivira Road in Lenexa, Kansas. The first phase of this multifamily development was completed in October 2017 and consists of 377 luxury units in 10 buildings and a 7,393 square foot clubhouse. The second phase of WaterSide added an additional 104 luxury units in two additional buildings.

In 2018, construction was completed on the first of four multifamily projects located The Royale at CityPlace, an urban, high-density, four-story podium building with an enclosed parking garage, an 8,456 square foot clubhouse, and four freestanding apartment buildings consisting of 344 units.

BCS also completed construction of 531 Grand, located in the historic River Market area of Kansas City, Missouri. The property consists of 185 luxury units and 10,000 square feet of retail space for a total of 221,425 square feet. 531 Grand features first-class amenities, open concept floor plans, and a lushly landscaped amenity deck that includes the clubhouse and fitness center, a resort-style pool and community recreation areas.

In late 2018, construction was completed at The Grand, a historic redevelopment project located at 1125 Grand Boulevard in Kansas City, Missouri consisting of 268,700 square feet. Floors three through 20 of the 21-story property were converted into 201 market-rate residential apartment units, while the basement was converted to common area/ tenant amenity space. The first and second floors were rehabilitated for commercial use and common area space. The 21st floor, which previously housed the building HVAC system, was converted to a pool and amenity area.

Construction has begun on 4400 Washington, a Class A multifamily community encompassing 299,584 square feet and 196 units in one building on an infill site in the North Plaza neighborhood of Kansas City, located within walking distance of St. Luke's Hospital. 4400 Washington will feature a state-of-the-art fitness center, courtyard pool, and a rooftop amenity deck. Construction is planned to be completed early 2020.

In October, BCS started construction on The Apex at CityPlace, the next multifamily phase of the CityPlace development in Overland Park, Kansas. The Apex is a Class A multifamily project that includes 18,500 square feet of retail space and 370 multifamily units. Construction is expected to be completed in 2021.

MASTER PLANNING

Avenue One – BCS continues to lead the planning efforts of Avenue One, an approximately 200-acre, mixed-use development located at the intersection of 192nd Street and Dodge Road in Omaha, Nebraska. The project is anticipated to generate an economic impact of over $1.28 billion for the Omaha region and Nebraska. BCS, along with the design team, are working to provide a comprehensive master site plan to create a dense and truly mixed-use community. Mass grading efforts were completed in 2018. Design of 192nd Street, the major arterial roadway bisecting the site, is 90% complete. BCS is in the process of coordinating multiple Final Plats and under design for several other infrastructure components of the project. In 2019 we will be constructing a significant amount of infrastructure as well as starting some vertical development.

Galleria 115 – Galleria 115 is a mixed-use development encompassing grocery, retail, restaurant, entertainment, and multifamily. The site is adjacent to the Sprint World Headquarters in Overland Park, Kansas. The development will include two multifamily buildings with 548 units and a 269,533 square foot Class A retail center.

The Shoppes at CityPlace – The Shoppes at CityPlace is part of the CityPlace mixed-use development and will include four retail buildings that total approximately 30,267 square feet. This site will begin construction in 2019.

CityPlace Corporate Centre I – A proposed four-story, 125,912 square foot office building with approximately 568 parking spaces is planned in the CityPlace mixed use development.

The Villas at WaterSide – This multifamily project is planned to have 288 units and will be adjacent to WaterSide Residences on Quivira in Lenexa, Kansas.

Roe Medical Centre II – After the completion of Roe Medical Centre I in Overland Park in late 2017, a second medical office building was planned in the same Overland Park area. Roe Medical Centre II will be an identical 78,368 square foot, three-story medical office building comprised of precast, brick inlays, and reflective glass. The building will have a private, covered physician garage as well as back-up generator for building systems.

Lenexa Logistics East – This future project will consist of the construction of a warehouse/industrial development on an approximately 76-acre tract in Lenexa, Kansas. Four buildings that range in size from approximately 58,000 to 604,000 square feet are planned. Each structure will be single-story with loading docks or drive-in doors. Construction of the internal roadways and infrastructure is scheduled to start in Spring 2019.

Pac Sun - The City has granted approval for the construction of two buildings in this warehouse and distribution center development in Olathe, Kansas. One of the buildings will be 438,314 square feet with 52 dock doors. The other will be 139,019 square feet with 18 dock doors and nine blockouts for future dock doors. Both buildings will consist of tilt-up concrete and steel construction.

TENANT IMPROVEMENTS

Some of the projects coordinated by our tenant improvement division during 2018 include:

- Overland Park Regional Physical Therapy at Roe Medical Centre I
- HCA Vascular Division at Roe Medical Centre I
- HCA Cardiology Division at Roe Medical Centre I
- HCA GI and Bariatric Clinics at Roe Medical Centre I
- Keller Williams at Financial Plaza II
- NPC International, Inc. at Pinnacle Corporate Centre IV
- Corbion at Pine Ridge West Business Park
- WellSky at CityPlace Corporate Centre III
- Acertus at Pine Ridge West Business Park\

Contributor: Brad S. Simma, CCIM, Vice President

Block Healthcare Development

Block Healthcare Development (BHD) completed the acquisition of 74 Plaza Drive, Pell City, Alabama in May 2018. The 50,500 square foot multi-tenant medical office building was constructed in 2016 and first development rights on the adjacent 20-acres of land were part of the acquisition.

The healthcare sector, a $3 trillion per year industry, is seeing thousands of baby boomers turn 65 years of age daily; the Healthcare Commercial Real Estate ("H-CRE") sector in 2018 once again continued to be a favorable, and stable marketplace for CRE investors. Key drivers, such as the movement of patients off of the acute hospital campus where the cost of care is greater to the consumer and provider, and in an effort to bring services closer to the customer, remained the same in the H-CRE sector again this year. While the leading debt indicator, the 10 Year Treasury, saw a 2018 peak more than 65 bps above the 2017 peak, 3.27% versus 2.40%, the average cap rates on healthcare real estate assets remained in the sub-6.5% range according to the Marcus & Millichap Healthcare Research Report. This is a clear indicator of the investor view on the stability of medical assets.

However, as is the case every year, political, legislative, technological, and streamlined efforts still have significant impact on the industry. These impacts don't necessarily project a negative outlook on the H-CRE sector but identify areas of change in the service model that impact the various H-CRE subsector markets. One example from a legislative perspective is the potential effects that the Tax Cut and Jobs Act in 2019 could have, which will effectively repeal the individual mandate of the Affordable Care Act (ACA) by eliminating the penalty for no coverage. With the repeal, the Congressional Budget Office and Joint Committee on Taxation project that by 2026, 43 million people under 65 will be uninsured, which is an increase from 28 million projected people prior to the ACA implementation, according to Becker's Hospital Review.

The financial impact of rising uninsured could impact health systems long-term growth plans as they are forced to look at more immediate, cost cutting strategies to carry the increased burden. How does this impact facility growth plans? Do system dollars allocated to on-campus capital needs get shifted to outpatient expansion to drive in more insured patients to the hub? Time will provide the answers to questions like these as the legislation is implemented.

From a streamlined perspective, two areas that should be monitored are the advancement in the telemedicine space, as well as the continued emergence of smaller care settings such as urgent care centers, or a current trend whereby insurance providers are creating primary care centers for their covered lives such as the SpiraCare facilities in Kansas City. In these scenarios, we are starting to see the growth of small 7,000 to 10,000 square foot facilities that range in offerings from

A two medical office building portfolio was acquired by Block Healthcare Development in November 2018. The portfolio totals approximately 56,000 square feet with 42,000 square feet at 7661 Beechmont Avenue, Cincinnati, Ohio and 14,000 square feet at 7500 Smoke Ranch Road, Las Vegas, Nevada.

simple urgent cares, to even overnight beds. The approach continues to support the notion of health systems driving off campus those patients or cases, that are not deemed high risk and lower reimbursement.

NOTABLE DEALS FOR BLOCK HEALTHCARE

In June of 2018, Block Healthcare (BHD) completed the development of a 22,000 square foot gastroenterology clinic and ambulatory surgery center in Las Vegas, NV. The project, which began with the acquisition of the shell building in late 2016, totaled $8.2 million. The physicians in the gastroenterology practice partnered with BHD and represent about 25% of the ownership in the facility. The project, which came in on budget and supported by 15-year leases, is projected to give a five year annual average of 8.85% cash on cash.

In May 2018, BHD completed the acquisition of a 50,500 square foot, $15.7 million multi-tenant medical office building located in Pell City, Alabama. The property, which was constructed in 2016 is connected to the Northside Primary Care property that BHD acquired in 2016. As part of the acquisition, BHD has the first development rights on the adjacent 20-acres of land that was owned by the building owner and is in early discussions on an additional MOB for 2019. The 100% leased property is projected to give a five year annual average of 7.01% cash on cash.

In November, BHD completed the acquisition of a two-building portfolio that included a property in Anderson Township, Ohio and another MOB in Las Vegas, NV. The portfolio totaled over 56,000 square feet of leased office space at a total acquisition of $14,500,000. The property located in Ohio, which is 1-year old, has a 10% vacancy, but included a 1-year Seller master-lease on the space providing excellent upside potential to the investor. Offered at $60,700 per unit of ownership, the portfolio projects a 5-year annual average cash on cash return of 7.36%.

Overall for BHD in 2018, the firm completed the acquisition and development of 150,000 square feet totaling over $60 million of long-term, NNN leased, medical properties.

2019 PROJECTIONS

Transwestern's National Healthcare Advisory team issued a report called "Medical Office Spaces Gets Tight". In the report, which links the healthcare space shortage to the 65 and older crowd growing a 14 times faster rate than those under 65, they estimate that just over 150,000 healthcare practitioners will be added to the economy over the next two years, and total demand for medical office space across the U.S. could range from 150.5 million to 225.8 million square feet by the end of 2019. It is forecasted that in leading markets such as New York, Dallas, Atlanta, Chicago, and Houston, the combined medical office shortfall over the next two years, may top 19.6 million square feet.

The projected shortfall, coupled with the continued push to move non-critical services off campus, will continue to create the need for additional medical office development, as well as keep the attention of investors in purchasing fully-leased existing medical office buildings. BHD will continue to push forward on both of these fronts.

BHD is currently in the early stages of discussion on three healthcare developments that will range in size and scope, but will support the narrative set by the healthcare market and adhering to the requirement of the need for outpatient services to be readily accessible to patients.

BHD is also currently under contract to begin 2019 with the acquisition of 60,000 square feet of space. These acquisitions will be long-term, NNN sale and leaseback structures with growing health systems in Iowa and again the State of Ohio. BHD anticipates the opportunity to acquire 200,000 square feet of total NNN medical office space in 2019.

BHD looks forward to the opportunities that lie ahead in the medical office sector. It will be critical to continue to maintain a current working knowledge of the multi-billion dollar healthcare industry in an effort to make sure that we are targeting the right acquisitions and developments for our partners to invest into with us.

Contributor: Stephen Bessenbacher, Vice President - Block Healthcare Development

Block Multifamily Group

In 2018, Block Multifamily Group (BMG) added additional management of acquired stabilized properties in addition to completing new developments that added a total of 660 units within the Kansas City Metro and the U.S.. With strong leasing and marketing programs, which have been a foundation of our management system, BMG has been able to increase the total number of managed units to about 7,000 across the nation, with plans of continued growth throughout 2019.

Stabilized additions for the 2018 year included: The Wonder Shops and Flats in Kansas City, Missouri, in May 2018, PineCrest Townhomes in Olathe, Kansas, in June, 2018, and Briar Hill Apartments in Kansas City, Missouri, in December, 2018. All three of these new acquisitions were the result of a successful effort in increasing our third-party managed portfolio.

The Wonder Shops and Flats was the most successful third-party lease-up to date. The $16 million development, positioned in a former Wonder Bread bakery, was nearing the end of construction during the late summer 2018. The project sits catty-corner across the 30th Street and Troost Avenue intersection from Ruby Jean's Kitchen and Juicery. The Wonder Shops and Flats , which features 10,000 square feet of commercial space, 86 loft apartments, and rooftop event space, leased up in a record six months with move ins starting in September 2018 and reaching 84% occupancy and 90% leased by mid-December.

In addition to the stabilized properties that were acquired in the previous twelve months, BMG focused on the lease-up of three large multifamily assets in the metro area: The Royale at CityPlace, located in the south Overland Park submarket, Waterside Residences on Quivira, located in the Lenexa submarket, and The Grand, located in the Kansas City downtown submarket.

The Royale at CityPlace delivered its final two buildings during 2018, completing the development process for the first phase of the community. The developer was able to market and sell the property, achieving significant returns for the investor due to the strong market and excellent leasing performance. BMG and its management team have been retained by new ownership to continue the strong leasing and management program already in place. BMG will continue the much anticipated resident event programs and amplify the interaction of the community with resident interests. The Royale at CityPlace has something for every resident's interest, from cooking programs with executive chefs to personal training within the state-of-the-art fitness center. This property is now 93% leased, a large triumph for this community.

In Lenexa, BMG was incredibly successful with Waterside Residences on Quivira. The original plans called for 377 units in this multifamily development; however, the public's reception for this asset was unbelievably successful and the leasing results have followed, enabling the developer to make the decision to add 104 additional units and supplementary resort-style amenities. The existing amenities for the original development were found to be utilized in such high-demand that the additional amenities would be an excellent addition to the property. It was determined that an additional pool, outdoor kitchen area, and an expanded deck would provide the residents with the added space needed for the growing property. This was accomplished during 2018 and, as a result, this now 481 unit property is 96% leased - a true success story.

The former Traders on Grand historic office building, located at 12th and Grand in the heart of downtown Kansas City, Missouri, was transformed into a luxury, high-rise apartment community now called, The Grand. The $67 million, 268,700 square foot transformation project is a partnership between Block Real Estate Services, LLC (BRES) and Sunflower Development Group. Construction on this project was fully completed in November 2018. The project includes 201 luxury apartments and 11,090 square feet of retail and commercial space. The community design embodies a contemporary, sleek, mid-century design, giving it a "Mad Men" feel throughout. The Grand features modern elements, clean living spaces, and high-end finishes. Apartment homes have views of downtown Kansas City with the southern exposure overlooking the Sprint Center, Crossroads Arts District, and Union Station. The property is comprised of executive suites, one bedroom, two bedroom, and penthouse floor plans. Amenities embrace the highest rooftop pool in Kansas City, a dog park and pet spa, a fitness and studio room where group fitness classes will be held, a movie theater located in the former bank vault, and a sport simulator with multiple sports to choose from.

New development for BMG will not be slowing down soon. 2018 was comprised of strategic planning for upcoming developments, including 4400 Washington with 196 units, The Apex at CityPlace with 370 units, and Galleria 115, with 319 units. Construction on these projects are scheduled for 2019 with expected turnovers in 2020.

Contributors: Bill Larson, President; Chandler Thompson, Vice President; and Melonie Harris, Senior Regional Manager

The Wonder Shops and Flats is a $16 million development at 30th Street and Troost Avenue in Kansas City, Missouri that opened summer 2018. BMG handled the successful third-party lease up of the 86 loft apartments reaching 90% occupancy by mid-December.

Kansas City
Economic Indicators

NATIONAL TRENDS

2018 has proven to be quite the banner year when we look back at the numbers, and it has many wondering what's instore for 2019. The national unemployment rate reached 3.7% in 2018, not only nearing a 50 year low but also testing the limits of the labor market. Federal Open Market Committee participants anticipate the rate to normalize over the long term somewhere between 4.0% and 4.6%. While the unemployment rate does not account for what are considered underemployed or marginally attached participants in the labor force, the U6 rate does. The U6 rate is another unemployment metric that measures all unemployed workers including all persons marginally attached to the labor force. The U6 rate, as of October 2018, reached a seasonally adjusted rate of 7.4%, a significant decrease from the 8.0% recorded 12 months earlier and half a point lower than pre-recession lows. In line with the Trump administration's initiatives and after several years of declining job growth, the 12-month average increase in job growth as of October 2018 saw 210,000 jobs added to the market, comparative to 207,500 in 2017 and 179,000 in 2016.

Low unemployment rates promulgate higher demand in the labor market, and as such, nominal wage growth has enjoyed marked increases year over year. Nominal wages have averaged increases of approximately 2.8% annually since 2017, but nominal wage growth does not account for inflation. Real wages do account for rising costs of consumables and taking the Consumer Price Index (CPI) into account, render a meager 0.5% annual increase in real earnings over the same period. While the CPI is a good measure of the movement of the cost of goods, it does include the mercurial rise and fall of food and energy prices. The core Personal Consumption Expenditures (PCE) is the Fed's preferred inflation measure, excluding food and energy, and is now up to 2% as of the third quarter 2018 from 1.6% in 2017.

It would be remiss not to mention the health of the U.S. housing market as the correlation to the broader economy is noteworthy. Housing starts totaled 1.23 million square feet in October 2018 marking a slight decrease from 1.27 million square feet one year ago. Similarly, completions totaled 1.11 million square feet in October down from 1.188 million square feet last October. While starts and completions are somewhat below previous levels, existing home sale prices are at all-time highs, up 5.3% over the second quarter of 2017 and mirroring the same price appreciation 2017 experienced over 2016 valuations.

With the strong performance of the major economic indicators, it's not surprising that the national Gross Domestic Product (GDP) is expected to increase from a healthy 2.3% in 2017 to a stout 3.1% for year-end 2018. GDP is expected to temper in 2019 to 2.5% and again in 2020 to 1.7%.

KC ECONOMIC FORECAST

Riding the coattails of the broader U.S. economy is the Kansas City metro. GDP forecasts for the region project a near mirror to the U.S. economy of 2.9% for 2018, exceeding the 2017 Kansas City GDP growth rate of 2.2%. Analysts predict a downward trend to 2.1% in 2019 and another decline in 2020 to 1.6%. Unemployment in the region, as of September 2018 reflects a remarkably low 3.3%, which compares to 3.6% for the national employment rate. Job growth in the metro experienced an increase of only a tepid 13,700 new hires in 2017 while rebounding some in 2018 with an anticipated 17,300 new jobs added fourth quarter to fourth quarter. Job growth is expected to decline somewhat to 16,000 into 2019. Additionally, real median income growth in 2018 is projected to settle between 1.0% and 1.5%.

Major economic tailwinds for the region include a continued and focused investment in infrastructure, housing, entertainment, and employment. Missouri raised the minimum wage to $8.60 per hour with $0.85 per hour annual increases through 2023. Approximately 8,400 apartment units are anticipated to be delivered over the next two years and roughly 6 million square feet of additional commercial space is currently under construction. Cerner continues to hire employees to fill their Innovations Campus and Children's Mercy Hospital has broken ground on a 375,000 square foot expansion. The KCI Airport expansion will soon be a boon for jobs and local investment, and the Kansas City Streetcar expansion is in the process of obtaining funding. However, with good news also comes bad news. Harley Davidson is closing their local operations in 2019 and the Sprint/T-Mobile merger still lends uncertainty for the metro. Additionally, local and national retailers are still contending with the impact of ecommerce.

SUMMARY

Over the last 10 years there has been much discussion about the Great Recession. Since the bottom, the nation has seen unemployment, interest rates, commercial real estate capitalization rates, and many other metrics reach record lows, and conversely, economic output reach major milestones. The Dow Jones Industrial Average has nearly hit 27,000 points, the national median single-family home averages a record $269,000, and the current economic expansion is now the second longest of record. There is still much debate as to the sustainability of this impressive recovery, especially with the current rumblings of a global trade war, the impact of the Trump Administration tax cuts with the federal budget deficit nearing $1 trillion, and the Federal Reserve's initiative to normalize interest rates. Many economists have a moderated outlook as to the continued growth of the economy. However, it should be noted the fundamentals remain strong and a downturn in the near term does not appear likely.

Sources: Bureau of Labor Statistics, U.S. Census Bureau, FRED, Bureau of Economic Analysis, Greater Kansas City Chamber of Commerce 2019 Economic Forecast, MARC, Costar, National Association of Realtors

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MARKET STATISTICS

Fourth Quarter 2018 Data

OFFICE - CLASS A

Market	Inventory	# of Buildings	Overall Vacancy	YTD Deliveries	Net Absorption	Avg. Full Service Rent
Atchison	0	0	0.0%	0	0	0
Downtown	8,847,749	30	11.7%	23,000	223,907	$20.79
East Jackson County	378,372	6	5.3%	0	(4,574)	$25.41
Johnson County, MO	0	0	0.0%	0	0	0
Kansas City, Kansas	1,064,574	6	1.9%	40,000	20,000	$27.41
Lawrence	114,257	3	9.5%	0	(5,896)	$21.64
Leavenworth County	0	0	0.0%	0	0	0
Midtown	3,487,718	17	3.9%	0	3,625	$22.91
North Johnson County	2,367,612	23	7.9%	0	106,220	$28.97
North of the River	1,213,052	9	26.7%	0	(95,450)	$20.68
Ottawa	0	0	0.0%	0	0	0
South Johnson County	11,751,260	86	8.1%	306,276	124,810	$23.79
South Kansas City	3,873,933	18	1.2%	0	41,006	$19.97
Southeast Jackson County	128,104	3	1.7%	0	3106	$20.50
St. Joseph	363,961	1	0.0%	0	0	0
TOTAL RETAIL	**33,590,592**	**202**	**8.1%**	**369,276**	**416,754**	**$22.58**

OFFICE - CLASS B

Market	Inventory	# of Buildings	Overall Vacancy	YTD Deliveries	Net Absorption	Avg. Full Service Rent
Atchison	169,266	7	0.0%	0	0	0
Downtown	13,912,145	212	4.7%	0	(106,552)	$18.02
East Jackson County	5,414,532	284	5.7%	0	(8,042)	$16.81
Johnson County, MO	136,623	20	3.3%	0	(3,449)	$5.54
Kansas City, Kansas	2,152,767	84	4.9%	0	21,764	$15.22
Lawrence	1,114,381	81	13.5%	0	(52,661)	$17.84
Leavenworth County	644,259	31	16.2%	0	(14,773)	$19.58
Midtown	4,417,505	146	3.2%	0	12,900	$26.45
North Johnson County	7,598,940	283	7.3%	34,557	(2,221)	$20.68
North of the River	8,072,742	307	11.2%	107,906	93,492	$16.42
Ottawa	55,591	9	0.0%	0	0	0
South Johnson County	16,023,108	486	8.5%	92,708	170,089	$21.12
South Kansas City	4,469,620	105	10.6%	0	(1,824)	$18.29
Southeast Jackson County	2,272,464	110	7.4%	0	(26,094)	$18.96
St. Joseph	1,289,756	86	8.2%	0	(79,897)	$13.34
TOTAL OFFICE - CLASS B	**67,743,699**	**2,251**	**7.4%**	**235,171**	**2,732**	**$19.11**
TOTAL OFFICE - CLASS A + B	**101,334,291**	**2,453**	**7.8%**	**604,447**	**419,786**	**$20.85**

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MARKET STATISTICS Continued

RETAIL

Market	Estimated Inventory	Percent Vacant	Vacancy SF	Net Absorption	Avg. Rental Rate	Planned Development
South Johnson County	19,833,229	5.0%	988,052	206,084	$16.01	7,900
North Johnson County	19,169,098	7.2%	1,374,186	(380,991)	$14.35	47,771
Kansas City, Kansas	9,372,488	2.8%	260,251	28,028	$9.27	62,000
North of the River	18,958,894	4.8%	911,718	341,036	$13.32	6,950
Midtown/Downtown/Plaza	9,223,947	2.7%	248,538	112,499	$18.09	0
East Jackson County	23,550,341	5.4%	1,262,577	235,789	$11.02	37,480
Southeast Jackson County	6,015,131	5.0%	988,052	(70,820)	$15.51	0
South Kansas City	8,861,060	8.7%	787,126	25,951	$12.13	6,000
TOTAL RETAIL	**114,984,188**	**5.9%**	**6,820,500**	**497,576**	**$13.56**	**168,101**

WAREHOUSE/BULK INDUSTRIAL

Market	Inventory	# of Buildings	Overall Vacancy	Leasing Activity	Net Absorption	Avg. Gross Rent
KCI/Airworld	6,590,253	74	4.7%	87,876	561,831	$4.88
North Kansas City/Riverside	24,342,732	511	5.1%	883,578	395,491	$4.08
Executive Park/Northland	39,156,307	400	3.7%	904,338	601,937	$3.85
Wyandotte County	42,525,438	938	3.0%	1,431,105	108,766	$4.10
Johnson County	70,267,263	1,519	6.2%	3,396,612	3,337,411	$4.82
East Jackson County	91,482,530	2,657	3.1%	1,684,431	990,655	$4.00
TOTAL WH/BULK SPACE	**274,364,523**	**6,099**	**4.2%**	**8,387,940**	**5,996,091**	**$4.23**

LIGHT INDUSTRIAL/FLEX

Market	Inventory	# of Buildings	Overall Vacancy	Leasing Activity	Net Absorption	Avg. Gross Rent
KCI/Airworld	825,762	13	5.1%	5,478	22,183	$8.66
North Kansas City/Riverside	179,354	14	13.7%	13,888	(19,117)	$8.32
Executive Park/Northland	942,213	19	47.0%	35,313	18,675	$5.92
Wyandotte County	916,679	41	3.7%	98,737	66,623	$8.05
Johnson County	5,975,120	259	6.7%	384,662	46,019	$10.85
East Jackson County	5,117,079	207	5.1%	62,928	(41,449)	$8.85
TOTAL LIGHT INDUSTRIAL/FLEX	**13,956,207**	**553**	**8.6%**	**601,006**	**92,934**	**$9.44**
TOTAL FLEX + BULK	**288,320,730**	**6,652**	**4.4%**	**8,988,946**	**6,089,025**	**$4.48**

Compiled by Block Real Estate Services, LLC with the assistance of CoStar Group, Inc.

MULTIFAMILY

Market	Unit Inventory	Overall Vacancy	Average Asking Rent	Asking Rent YOY Change	Units Under Const.
Johnson County	52,197	6.1%	$1,027	2.1%	3,661
CBD/Country Club Plaza	22,666	8.9%	$1,161	0.9%	3,115
Inner Jackson County	9,983	9.2%	$731	2.9%	85
Outlying Jackson County	21,991	6.2%	$799	1.6%	615
Wyandotte County	8,170	7.1%	$779	1.7%	0
Northland	24,868	6.9%	$895	1.0%	929
Platte County	1,019	7.7%	$777	1.7%	0
Cass County	1,613	4.4%	$844	3.1%	0
TOTAL MULTIFAMILY	**142,507**	**7.1%**	**$853**	**1.9%**	**8,405**

Compiled by Block Multifamily Group

Our Services

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