The Real Estate Report

For Metropolitan Kansas City

2020

Block Real Estate Services, LLC (BRES) Highlights of 2019

Transactions

BRES completed the year with total sales and leasing transactions in excess of $1.1 billion.

Property Management

BRES commercial management portfolio reached over 43.12 million square feet of commercial space.

Construction

Block Construction Services (BCS) managed over $130 million of development projects and coordinated over $11 million in tenant improvement work in 2019. Development projects and tenant improvements under construction in 2019 included work in all sectors, including office, industrial/warehouse/distribution, multifamily, and retail.

Investment Syndication

BRES completed over $376 million in investment sales and raised over $107 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 2 million square feet of listed property and nearly 4 million square feet under management.

Block Multifamily Group, (BMG) now manages approximately 5,500 units with approximately an additional 2,000 in either development or construction.

Block Technology Solutions, (BTS) completed 287 installations in over 28 million square feet totaling over $1 million.

Table of Contents

BLOCK

REAL ESTATE SERVICES, LLC

Success Abounds In Kansas City

BRES and its' affiliates capped off another successful year with our annual end of year party. Employees enjoyed food, drinks, games, and entertainment at No Other Pub in the Power & Light District of Downtown Kansas City on December 10th.

In 2019, we saw global and national challenges with the United States entering trade wars with multiple countries, an unclear Brexit strategy, and political turmoil as the House of Representatives voted to impeach President Donald J. Trump. Stocks fluctuated throughout the year, but still posted gains, and interest rates, after increasing at the beginning of the year, fell below the mark reached at the end of 2018, but the strong real estate investment climate led to another successful year for Block Real Estate Services, LLC (BRES) through very stong investment outcomes for the company's investors in 2019.

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

KANSAS CITY BUSINESS JOURNAL (2019 RANKINGS BASED ON YEAREND 2018 DATA)

- #1 Commercial real estate property manager—managing over 42 million gross leasable square feet—managing industrial, office and retail. Affiliate Block Multifamily Group (BMG) manages 5,500 multifamily units with over 1,900 units under construction or in development.
- #1 Most active commercial real estate firm with 769 transactions
- #3 Largest commercial real estate firm with volume of $890.5 million
- #2 Commercial real estate company with 69 real estate agents
- Nine buildings in the Top 25 Multitenant Industrial Facility 2019 List under leasing and management
- Nine buildings in the top 25 Multitenant Office and Industrial 2019 lists under leasing and management

ST. LOUIS BUSINESS JOURNAL (2019 RANKINGS BASED ON YEAREND 2018 DATA)

- #10 Largest commercial real estate firm with volume of $69 million (Block Hawley)
- #18 Most active commercial real estate firm with 55 transactions (Block Hawley)
- #25 Largest commercial real estate firm, based on number of local active licensed agents (Block Hawley)

COMMERCIAL PROPERTY EXECUTIVE - NATIONAL RANKING

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

MIDWEST REAL ESTATE NEWS

- Ranked 5th in top owners in the Midwest
- Ranked 10th in top property management in the Midwest
- Ranked 14th in top brokers in the Midwest

INGRAM'S (2019 RANKINGS BASED ON YEAREND 2018 DATA)

- #1 Top area commercial real estate company with $890 million gross sales
- #1 Top area commercial real estate company for square footage managed/sold/leased
- Best Commercial Real Estate Firm - Silver Award
- 2019 Philanthropy Corporate Champion

COSTAR GROUP, INC.

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

AWARD WINNING DEVELOPMENTS IN 2019

- 2019 - 531 Grand, Kansas City, Missouri - Capstone Award Winner - Kansas City Business Journal
- 2019 - The Grand, Kansas City, Missouri - Best Adaptive Re-Use, Excellence Award - Historic Kansas City
- 2019 - The Grand, Kansas City, Missouri - Capstone Award Winner - Kansas City Business Journal

Many of the major highlights for BRES and its affiliates in 2019 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 continued to evolve and expand its commercial footprint in the Kansas City area as well as in Arizona, Ohio, and Nevada. Management of 2019 new ground up construction includes the following properties: Lenexa Logistics Centre East, CityPlace Corporate Centre III, and 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 multiple retail and industrial properties throughout the Metro.

In 2019, the management team focused on completing several parking lot overlays, extensive roof repairs and replacements, energy retrofits, and has 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, many team members are involved in Certified Commercial Investment Member (CCIM), the Institute of Real Estate Management (IREM), and the Building Owners and Managers Association (BOMA), with our Vice President currently sitting on the BOMA Executive Board.

In 2020, 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 2019, Block Maintenance Solutions (BMS) recorded another great year serving our tenants and customers. We said goodbye to some employees who have retired and moved away, but we backfilled those positions to keep our team strong and moving forward. A new development for our group was the opportunity to provide our maintenance services to customers and owners outside of BRES. We have continued to provide locksmith and electrical services to our customers, allowing for quick resolution and savings to those we serve. As we move towards 2020, we continue to focus on customer service, teamwork, growth and the efficient operation of our client's portfolios.

BLOCK CONSTRUCTION SERVICES

Block Construction Services (BCS) managed over $130 million of development projects and coordinated over $11 million in tenant improvement work in 2019. Development projects and tenant improvements under construction in 2019 included work in all sectors, including office, industrial/warehouse/distribution, multifamily, and retail.

In 2019, BCS completed CityPlace Corporate Centre III, a 120,268 square foot, four-story building in Overland Park, Kansas. Additionally, construction was completed on a customized space for our sole tenant, WellSky, leasing 100% of CityPlace Corporate Centre III and contributing to the development's success. Construction is also underway on CityPlace Corporate Centre I, an additional 120,268 square foot, four-story office building with over 45,000 square feet already leased by Worldwide Express. This building will be completed in June 2020.

BCS also broke ground on Lenexa Logistics Centre East Building 3. The 249,366 square foot industrial and logistics distribution building is the first of four buildings to deliver on the 79 acres in the Lenexa Logistics Centre East development. Site preparation is simultaneously being completed to open the remainder of the 79 acre logistics park for development of a total of 1,125,387 square feet of light industrial, mid-bulk, and bulk industrial space.

The Villas at Waterside, a luxury multifamily project adjacent to our successful Waterside Residences on Quivira development has begun. It will consist of 296 units in approximately 355,682 total square feet on seven and one-half acres in a top-growth area of Kansas City.

44 Washington North Plaza Residences, a Class A multifamily community located on the southwest corner of 44th and Washington Streets in Kansas City, Missouri in the highly sought-after North Plaza neighborhood, is nearing completion. 44 Washington encompasses 299,584 square feet and 196 units in one building on an infill site within walking distance of St. Luke's Hospital. Construction is expected to be completed in spring 2020.

Construction continues at 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. The Apex will be a truly resort-style community upon opening in 2021.







Throughout the year BRES hosted multiple events. Employees were treated to a day at the K along with an end of year party, while clients were invited to attend the American Royal World Series of Barbecue where BRES once again teamed up with Seigfreid Bingham and the Kansas City Chiefs to host a tent. Other events included participating in SIOR's Development Day in September at Union Station.

BLOCK MULTIFAMILY GROUP

In 2019, Block Multifamily Group (BMG) successfully managed approximately 5,500 units across the U.S., an increase of about 750 units to our portfolio, which included:

- Hidden Hills in Kansas City, Missouri
- Buckeye Crossing Townhomes in Bentonville, Arkansas
- Backwater Cove Apartments in Fayetteville, Arkansas
- Barrington Park Townhomes in Lenexa, Kansas
- Pine Meadow Townhomes in Shawnee, Kansas

Our 2019 lease-up focus was centered on The Grand which is in the heart of downtown Kansas City, Missouri. Block Real Estate Services, LLC (BRES) and Sunflower Development Group partnered to transform the historic, former Traders on Grand building into a 201-unit luxury high-rise apartment community with 11,090 square feet of retail and commercial space. We opened to the community in November 2018 and after only one year, achieved 97% leased in late November 2019.

New multifamily developments continue to be the focus for our expanding Kansas City portfolio. During 2019, we continued planning efforts for the newest construction projects to make their grand debut on the market in 2020:

44 Washington North Plaza Residences, with 186 units, is located just North of the Country Club Plaza with planned clubhouse completion in January 2020 and unit turnovers in April and June, 2020. The property is comprised of executive suites, one-, two- and three-bedrooms, and penthouse floor plans.

The Apex at CityPlace, with 370 units, will be a sister community of The Royale at CityPlace located within the South Overland Park submarket in the same CityPlace multi-use development. The Apex is scheduled for a clubhouse completion in the summer 2020, and unit turnovers in the fall. The property is comprised of executive suites, one-, two- and three-bedrooms, and penthouse floor plans. The amenity decks, combined, equate to two football-sized fields of space filled with countless resort-style amenities that the market has yet to see. The interior clubhouse will include a two-level fitness center, massage, tanning, salon, and multiple rentable rooms, and areas for our residents to enjoy.

Our 2020 new developments will include The Villas at WaterSide with 296 units in the Lenexa submarket, and The Residences at Galleria with 322 units in the Leawood/Overland Park submarket. Construction for these developments are both expected to occur throughout 2020 with anticipated turnovers in 2021.

BLOCK TECHNOLOGY SOLUTIONS

Block Technology Solutions (BTS) completed 287 installations in over 28 million square feet of office, industrial, and multifamily space in 2019, totaling approximately $1 million in sales volume. BTS has installed over 236,000 feet of network cabling in over 345 apartment units, clubhouses, and common areas. Additionally, BTS has installed 134 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 13 million square feet of space, in addition to over 300 apartment units.

With cloud-based solutions, BTS has found a cost-effective solution to handle building automation, card access, security cameras, phone, and data solutions to the multifamily market.

2020 will see some incredible external full-motion LED lighting in the new 46 Penn Centre building, a similar display is currently being used at CityPlace Corporate Centre III and will also be used on CityPlace Corporate Centre I. BTS is working 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 COMMERCIAL REAL ESTATE SERVICES, LLC

In 2019, Block Hawley leased and sold over 3.8 million square feet of industrial product, which includes over 1.6 million square feet of investment transactions. They also added over 400,000 square feet of new management business.

In 2020, Block Hawley will begin construction on a 92,500 square foot office warehouse and a 112,000 square foot office warehouse, with more projects slated for later in the year. They will also bring another 500,000 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 St. Louis and the surrounding markets.

BLOCK HEALTHCARE DEVELOPMENT

In 2019, Block Healthcare Development (BHD) will conclude one of its highest volume years to date with acquisitions and developments totaling almost $70 million spread across more than 175,000 square feet. The projects ranged from long-term sale-leaseback solutions for independent physician groups in Minnesota, South Carolina and Georgia, to a sale-leaseback portfolio purchase from Mercy Health system in Iowa. In each of the transactions, BRES was sought out by the seller. BHD has continued to forge a name for itself in the $10 billion per year medical office building (MOB) marketplace by building a reputation as a group that can creatively work with a seller to solve their needs and do so in about a 60-day timeframe.

The BHD transactions are traditionally one to three tenant, off-campus MOBs. On average, the BHD acquisitions came in at $325 per square foot, which is in line with the national average of off-campus MOBs of $321 per square foot. The national average cap rate for single-asset MOB sales in 2019 was trending to 6.8%. Being a preferred buyer for many national brokers that value the importance of BHD's certainty to transact. We have been able to leverage our track record to obtain a better return for our investors with average purchase prices for our acquisitions being a 7.2% cap rate for 2019 and with average lease terms of 11.5 years on the transactions.

In addition to the acquisition of MOBs, BHD has also sought out the opportunities to collaborate with clients on developing properties to meet their needs. One example is a recent development in Liberty, Missouri. In this example, a long-term tenant will be expanding their brand to the Liberty market and sought out the BHD experience to develop their new imaging facility, set to open in early 2020. Additionally, BHD is working on three large scale, MOB development opportunities in Lee's Summit, Missouri, Birmingham, Alabama and Blue Springs, Missouri.

The healthcare marketplace continues to be a strong focus for stable long-term, real estate investments. A key driver in this sector is the continued growth in the aging population, who are the biggest utilizers of the healthcare system. The U.S. population growth is projected to grow an average of 2.3 million per year through 2030, with a projected growth of 79 million people by 2060. During that timeframe, the population of 65 and over is projected to almost double to 95 million. These trends, coupled with the drive to create a more patient friendly, less expensive, off-campus delivery model, will continue to make healthcare real estate an in-demand sector for years to come. As the focus turns to 2020 and beyond, BHD will continue to focus its efforts on building its reputation as a key player in this market.

BLOCK FUNDS

2019 was, once again, a banner year for commercial real estate investments and the Block Funds took advantage of the strong demand by continuing to sell specific assets in its portfolio where sales pricing exceeded near term value. The Principals were also successful in leveraging their relationships across the country by buying off-market assets and buying out joint venture partners of assets before they went to a full auction marketing campaign. Both efforts provided our investors with better pricing thus resulting in higher overall investment returns. Below are some of the major highlights for 2019

BLOCK INCOME FUND III

The Pac Sun building located in Olathe, Kansas was sold in 2019.

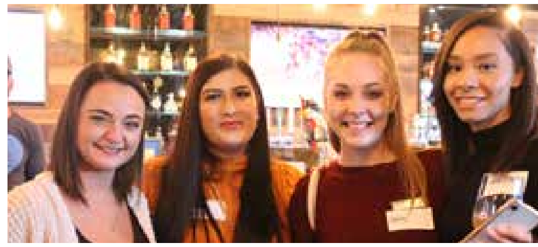
Pine Ridge Building 31, which was a long term leased build to suit for Corbion, was completed and rent commenced in 2019.

Lenexa Logistics Centre North Building I was acquired in an off-market transaction in 2019 from a joint venture group with Nationwide Insurance Company.

BLOCK INCOME FUND IV

All the assets in Block Fund IV continue to be leased and are providing the investors with cash flow on a monthly basis.

The vacant land at Renner Corporate Centre was sold



At BRES we like to have fun, but we also believe strongly in giving back to our community through philanthropy and an employee giving back program. In 2019, BRES was honored by Ingram's Magazine as one of six Philanthropy Corporate Champions for our work in the community.

in 2019 to Provision Healthcare, LLC for development of a proton therapy center and medical complex.

As stated last year, Block Funds continues to raise equity to acquire investment opportunities with long-term focus on multifamily, industrial, 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.

PHILANTHROPY

BRES has always been deeply involved in giving back to the Kansas City community. This year was no exception. BRES proudly contributed and sponsored many organizations and events, including: The Salvation Army, Hot Stiletto Foundation, Special Olympics Missouri, Operation Breakthrough, The University of Kansas Cancer Center, Friends of the Zoo, The Children's Place Kansas City, Boys & Girls Clubs of Greater Kansas City, Signature Healthcare Foundation, Big Brothers Big Sisters of Kansas City, Jewish Community Center, the Breast Cancer Research Foundation, Juvenile Diabetes Research Foundation, and many more. As always, we continue to encourage our associates to participate in local charitable organizations of their choice and support their efforts through a matching-gift program. In May 2019, at the grand opening of their new headquarters at CityPlace Corporate Centre III, WellSky announced the creation of The WellSky Foundation, a nonprofit dedicated to improving the quality of life for vulnerable populations by removing social barriers to better health outcomes. BRES was one of the early contributors and is proud to support one of our long-time tenants. In 2019, BRES was also honored as one of six Philanthropy Corporate Champions by Ingram's magazine for our work in the community.

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 can 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 2020.

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, Strategy & Planning

Scott M. Cordes, Senior Vice President and COO

Global, U.S., Kansas City Overview

On October 26, 2019 the U.S. military conducted a raid in northwest Syria during which Abu Bakr al-Baghdadi, the leader of ISIS, was killed. Pictured above is the war room during the raid and President Trump with Conan, a Belgian Malinois, who was injured chasing al-Baghdadi down a dead-in tunnel.

In 2019, both the global and United States economies continued to outperform expectations with higher than expected growth. However, as we have noted in our previous annual reports, there are always challenges and risks to the global and U.S. economies. In 2020, some of these include the following:

IRAN AND THE MIDDLE EAST INSTABILITY

The Middle East still matters for many reasons including and beyond its energy resources. While the U.S. over the last several years has achieved self-sufficiency in oil and gas production, it has not become completely independent in heavy crude oil. The U.S. economic health is still tied to the economic health of the world, and in particular to the economic health of much of the world's energy resources located in the Middle East given the types of oil the U.S. refineries require.

The world has learned that what happens in the Middle East cannot be considered of just local importance. With it being the least stable, and least successful, part of the world the consequences of things go badly there tend to spread to other parts of the world. With the Middle East continuing to be a potential theatre for nuclear proliferation it is important for the U.S. to be involved because of its historic and very close relationship with Israel.

Since the U.S. pulled out of the 2015 Joint Comprehensive Plan of Action, (JCPOA-the nuclear agreement with Iran), it has been practicing economic warfare against Iran through the continued use of sanctions. While U.S. sanctions imposed on Iran over the past 18 months have been putting tremendous pressure on the Iranian economy, and making life for its citizens nearly unbearable, it remains to be seen if Iran will come to the table with any new concessions to their nuclear policy.

The agenda that separates Iran from the rest of the region and the U.S. is broad, involving: nuclear issues, missile delivery systems, the country's support for and use of militias, proxys and terrorists around the region, as well as Iranian domestic developments. Iran, in order to try and get the U.S. and other nations to come to the table, has decided that limited retaliation strikes are worth the risk. On the other hand the U.S., by doing essentially nothing, has sent the Iranian's exactly the wrong message, that the Trump Administration is weak and has no intention of defending U.S. interests, invariably inviting more attacks. President Trump has made it clear that he is not interested in going to war with Iran, based upon his commitments to the American people that he would end the multiple military occupations our country is engaged in overseas, and that he does not desire another war in the Middle East.

If you have watched the Iranian's response to recent activities by the U.S. it has become clear they are becoming more aggressive. For example, when the U.S. withdrew from the JCPOA and imposed the first round of sanctions in August 2018, Iran threatened to violate the existing JCPOA agreement. In November 2018, when the U.S. further increased sanctions on Iran, designated their Islamic Revolutionary Guard a terrorist organization, ended waivers for countries importing Iranian oil, and imposed additional sanctions on Iranian steel, aluminum, and copper industries, they further indicated a will to violate portions of the JCPOA through the stock piling of low enriched uranium and heavy water. Just a few days later, they attacked four oil tankers in the Strait of Hormuz. When the Trump Administration decided to send 1,500 additional troops to the Middle East on May 24, 2019, Iran attacked two additional oil tankers in the Gulf of Oman. After Iranian forces shot down a U.S. military drone on June 20, 2019 President Trump decided not to make a retaliatory strike against Iran on June 21, 2019, but instead imposed additional sanctions on senior Iranian leaders. Thereafter, Iran continued its aggression by seizing a British oil tanker in the Strait of Hormuz on July 19, 2019 and attacked two Saudi Arabian oil facilities on September 14, 2019, causing the largest ever global oil disruption. Because of this, the world is likely to see further provocations by Iran and a continued movement away from their nuclear commitments. A very different course of action will need to be put in place by the Trump Administration if it's really motivated to bring the Iranian government to the table, as to date, economic sanctions are hurting the Iranian people but not the leadership of the country.

ABU BAKR AL-BAGHDADI

The elusive and highly secretive leader of ISIS, Abu Bakr al-Baghdadi, died during a raid conducted by the U.S. military in northwest Syria on October 26, 2019. The world's most wanted man, who oversaw the militant group's transformation from a ragtag insurgency to a global terror network that attracted tens of thousands of fighters to its so called "califate" in Iraq and Syria, was killed during the meticulously planned covert action. At the group's height Baghdadi reined over a territory, the size of Great Britain, from which ISIS orchestrated attacks carried out in countries across the world.

Born in Iraq in 1971, Baghdadi cut a path of fervent religious practice dedicating himself to Islamic studies from a young age. He was a cleric until the U.S. invasion of Iraq in 2003 and was held at Camp Bucca, a U.S. in a detention center where other key future Jihadists and ISIS leaders were incarcerated. After his release in 2010 he reemerged as the leader of the Islamic State in Iraq, formerly known as al Qaeda. He became the face of Jihad in 2014, when he stood at the pulpit of the Great Masque of al-Nuri in Mosul's Old City, announcing the caliphate's creation and himself its "caliph". Since that moment, ISIS followers regarded him as the supreme political and spiritual leader of all Muslims worldwide becoming the world's most wanted terrorist, the subject of an international manhunt, and the target of a $25 million reward. He was responsible for thousands of killings including tortures, beheadings, and other unconscionable acts. In the end, Baghdadi blew himself up after he was cornered by U.S. forces during a daring 2-hour nighttime raid on his compound in Northern Syria. He was wearing a suicide vest and took refuge in a dead-end tunnel with three children, all of which were killed when he detonated his vest.

U.S. forces obtained "highly sensitive material and information from the raid much having to do with ISIS including, it's origins, future plans, and other such material. The U.S. raid was carried out in close coordination with U.S. intelligence and the Kurdish lead Syrian Democratic Forces (SDF). While Baghdadi may be dead, ISIS is far from finished. The group continues to operate in West Africa, Libya, Egypt Sinai Peninsula, Afghanistan, and the Philippines, as well as having followers in Europe and elsewhere. It still has between 14,000 to 18,000 fighters between Syria and Iraq.

HONG KONG

Protests in Hong Kong started June 2019 against proposals to allow extradition to mainland China. Hong Kong was a British colony until 1997, but since returning to Chinese rule, while it has more autonomy than the mainland, it has been under the arrangement of "one country, two systems." The extradition bill, introduced in April 2019, would have allowed criminal suspects to be extradited to mainland China under certain circumstances. Opponents said this risked exposing Hong Kong citizens to unfair trials and violent treatment. They also argued the bill would give China greater influence over Hong Kong and could be used to target activists and journalists.

Carrie Lam, Chief Executive of Hong Kong, agreed to suspend the proposed extradition bill, formally withdrawing it in September 2019, but clashes between police and activists had already become increasingly violent with police firing live bullets and protesters throwing petrol bombs. Demonstrators included demands for full democracy and an inquiry into police actions saying the withdrawal of the bill was "too little too late."

Abu Bakr al-Baghdadi, the leader of ISIS, was killed during a raid conducted by the U.S. military on October 26, 2019. The worlds most wanted terrorist he had a $25 million reward for his capture.

Since the start of the protest, the movement has spread across the globe with rallies taking place in the United Kingdom (UK), France, U.S., Canada, and Australia. While Chinese President Xi Jinping has warned against separatism, saying an attempt to divide China would end in "bodies smashed and bones ground to powder," he does not have an answer to stop the protest. In late November 2019 President Trump, together with Congress, signed the Hong Kong Human Rights and Democracy Act (authored by Senator Marco Rubio) in support of the protest movement despite a potential backlash from Beijing that could derail delicate U.S.-China trade talks. The new Bill would permit Washington to impose sanctions, or even suspend Hong Kong's special trading status, over rights violations. The Bill requires the U.S. State Department to annually review if the city is "sufficiently autonomist," justifying its special trading status with the U.S. If it is found not be, Washington could withdraw that status, which would

The protests in Hong Kong started in June 2019 in response to a proposal introduced in April 2019 that would have allowed extradition to mainland China. Opponents worried it exposed Hong Kong citizens to unfair trials and violent treatment. The bill was formally withdrawn in September 2019, but demonstrators demanded full democracy and an inquiry into police actions.

be a massive blow to Hong Kong's economy. The Bill further lays out a process for the President to impose sanctions and travel restrictions on those who are found to be knowingly responsible for arbitrary detention, the torture enforced confession of any individual in Hong Kong, or other violations of internationally recognized human rights in the Asian financial hub. The key question remains: will the citizens of Hong Kong get more rights or will Beijing increasingly seek to guide social economic change in ways not previously envisioned?

SYRIA

On October 6, 2019, President Trump decided to pull back approximately 100 U.S. soldiers from their positions embedded with Kurdish forces in northern Syria. Days later, he ordered the withdrawal of the entire U.S. presence of 1,000 troops from the northern area of the country.

These decisions were based on President Trump's commitment to end military occupations overseas in those places where there was not perceived benefit to the U.S. This decision was met with scathing criticism across the political spectrum from House Speaker Nancy Pelosi to Representative Liz Cheney, from Senator Chuck Schumer to Senator Ted Cruz. Even some of Trump's senior officials seemed to disagree with the decision.

The complaint by many was that by withdrawing U.S. forces from northern Syria, the U.S. was abandoning the Kurds, who led the ground war against ISIS. Without the presence of U.S. troops the fear was that Turkey would do as they pleased. While many people were aware that the Turkish military had long wanted to undertake an offensive against the Syrian Kurdish force, citing their links to Kurdish separatists in Turkey, these same parties noted that Turkish authorities wanted to rid themselves of 3,000,000 Syrian refugees living inside their borders. The critics were potentially correct as after the withdrawal of troops Turkey invaded Syria, which left more than 120 civilians dead.

Faced with the invasion of Syria by Turkish forces, Vice-President Mike Pence met with Turkish President Recep Tayyip Erdogan. After the meeting, he announced a five day cease-fire in attacks as the U.S. facilitated the withdrawal of Kurdish fighters in the region. As part of the agreement, Turkey agreed to protect ethnic minorities throughout the region. Additionally, a 30-mile-wide demilitarization zone in Syria, abutting Turkey, was put in place to avoid conflict between the two nations.

Critics of this overall demilitarization by the U.S. noted Syrian Kurdish forces immediately turned to Russia and Damascus for protection. The Syrian government immediately deployed into an area held by Kurdish forces since 2012. The U.S. State Department left up to 300 troops in southern Syria to protect the southeastern oil fields as well as troops in northern Syria for the same job. As of yearend the area is still a powder key.

PEOPLE'S REPUBLIC OF CHINA

On October 1, 2019, the People's Republic of China turned 70 years old. But China, over those 70 years, has changed dramatically from the China the rest of the world had known. From

1978 to 2018, China's real GDP increased by 9.5% annually, or enough to double every 8 years. And while real GDP has been slowing, from 14.2% growth in 2007 to an IMF estimated 5.5% growth by 2024, their growth, by any standard, is still amazingly strong compared to the rest of the world. Recently, China has changed dramatically with its new President for life, Xi Jinping, who has determined that China should continue at above 6% GDP growth for the foreseeable future.

Because China has grown so fast, its able to leapfrog legacy technologies such as email being replaced by WeChat. Additionally, China's authoritarian system, and ownership of the country's three main telecom companies, allows it to greatly expand 5G wireless coverage, which is 20 times faster than 4G, enabling better connectivity among all sorts of devices from driverless cars to smart appliances. Try using credit cards and cash in China, it's extremely difficult because 83% of China's payments are mobile. The government sees betting heavily on technology as a way of getting ahead while demonstrating the superiority of the Chinese model.

China recently outspent the U.S. 200-to-1 in Artificial Intelligence (AI), keeping with China's plan to become the world leader in AI by 2030. They are now second in the world for research and development spending and imports six times more intellectual property than it exports. They still rely heavily on foreign technology for semi-conductors, healthcare, and technology transfer through theft (estimates of their annual IP theft from the U.S. run as high as $600 billion), policy (they traditionally force foreign firms into technology sharing partnerships as a condition of market access), or purchase. "Made in China 2025" is their attempt to climb the manufacturing ladder to self-sufficiency in key technologies. Their goal is to be the leader in information technology, aerospace, ocean engineering, high-tech ships, high-tech rail, electric cars, electric powered equipment, farming machines, medicine, medical devices, and just about everything else in the technology sector.

This leads us to the ongoing trade war between the U.S. and China, but in essence these trade war discussions are truly about the massive trade imbalances between the nations. Trade surpluses and deficits are mainly the result of domestic saving surpluses and deficits, which are themselves a result of domestic income inequality. Until such inequality is changed, high saving countries will continue to use trade as a way to pass the effects of their distortions onto other nations such as the U.S. This makes global trade conflict inevitable regardless of who sits in the oval office.

Because the U.S. economy is the world's largest, most diversified, and supports the most flexible and best governed markets in the world, it has been the natural home for individuals, businesses, and governments looking to store wealth abroad that they cannot or will not invest at home. Therefore, about half of the world's excess savings tends to end up in the U.S., with another quarter flowing to other economy's with similarly open and sophisticated financial markets, such as the UK. Because of this the U.S. has been a net importer of foreign capital for decades, not because it needs it, but because foreigners need somewhere to stash their savings. That inevitably means that the U.S. has run trade deficits that have persisted for decades.

As the U.S. consumer became key, the U.S. trade surplus, through which it shipped savings to a world desperately short of investment, was transformed to a seemingly permanent U.S. trade deficit. While the Trump Administration has been working hard to reverse trade deficits, it is an extremely complex problem. Unfortunately, the method for attempting to reverse the deficits is through the utilization of tariffs. Over the last several months the Trump Administration has been in a tariff war with many countries besides China but in particular with them because of the $600 billion deficit the U.S. has with them each year.

Recently the Trump Administration suspended a tariff hike on $250 billion of Chinese imports that was set to take effect in early October 2019 in return for China agreeing to buy $40 to $50 billion in U.S. farm products. The more than $160 billion in additional tariffs on Chinese products were also suspended once an agreement between China and the U.S. was reached on the final trade deal amendment for Phase I of the negotiations. Whether this occurs or not will be based upon the signing of the "phase one" trade deal which is expected to happen in early 2020. The "phase two" deal will take on a number of the thornier issues, including intellectual property rights, forced technology transfers, and an enforcement mechanism.

There are several other significant issues that remain at the forefront that were covered extensively in our annual report last year. However, a quick update on each is appropriate based on activities that have occurred in 2019.

China recently outspent the U.S. 200-to-1 in Artificial Intelligence (AI), keeping with China's plan to become the world leader in AI by 2030.

NORTH KOREA

The talks between North Korea and the U.S. began in June 2018 when President Trump became the first sitting President to meet with a North Korean leader. At the time, President Trump and Chairman Kim Jong-un of the Democratic People's Republic of Korea (DPRK) entered an agreement committing to the "complete de-nuclearization of the Korean peninsula" but had no detail on what that meant. In February 2019, the two met for a second summit in Hanoi and talks broke down over North Korean demands for sanctions relief. President Trump made it clear that no sanctions relief would be given until a complete and total de-nuclearization plan was in place. On June 30, 2019, the leaders met again at the border between North Korea and South Korea with President Trump briefly stepping into North Korea. Following U.S.-South Korean military drills in July and August, Pyongyang ramped up its missile tests as a warning, continuing these tests into early October, just days before the U.S. and North Korea were set to continue talks. At this date, no new talks have occurred and no agreement is in place between the U.S. and the DPRK.

BREXIT

On March 29, 2017, the UK invoked Article 50 of the Lisbon Treaty beginning the two-year process of leaving the European Union (EU), more commonly known as Brexit. Both the UK government and the EU reached a deal on the withdrawal agreement in November 2018, British Members of Parliament (MP's) were not able to rally a majority to support the specific withdrawal arrangement on multiple occasions.

The UK was originally set to exit the EU on March 29, 2019, but a "flexible extension" was given that would allow them to leave at any time up to October 31, 2019, if the MP's were able to ratify a withdrawal agreement. Under this extension, a "no-deal" Brexit on October 31, 2019 remained the default outcome if no agreement was ratified. In mid-year 2019, Borish Johnson, a leading figure in the Brexit campaign and former foreign secretary in Theresa May's cabinets, who had resigned after failing to unite Parliament, won the Conservative Party leadership ballot and was subsequentially appointed Prime Minister by the Queen. To date, Johnson has not yet been able to secure Parliamentary approval. On October 24, 2019, attempting to break the impasse, strengthen his party's position in Parliament, and provide justification for an extension, Johnson called for an early election on December 12, 2019. His hope was to garner the requisite Parliamentary support for an election, due largely to the opposition's concerns around the possibility of a "no deal" Brexit. The EU, on October 28, 2019, agreed to another "flexible" extension until January 31, 2020, essentially satisfying Labour's request that the potential for a "no deal" Brexit be eliminated. The following day, MP's supported Johnson's call for an early election on December 12, 2019. The election occurred and there was overwhelming support of Brexit and Johnson's conservative party. The House of Commons voted 358 to 234 in favor of the withdrawal agreement on December 20, 2019. The House of Lords will consider the plan and it should be ratified by both the UK Parliament and the European parliament so it should run smoothly for the 1/31/20 exit.

USMCA AGREEMENT (NAFTA REPLACEMENT)

The United States-Mexico-Canada Agreement or USMCA, the trade deal to replace NAFTA, was signed originally on October 1, 2018. In mid-year 2019, Mexico became the first country to ratify the trade agreement and since that time, the Trump Administration has been working with Congress to try and get U.S. support to approve the Bill. House Speaker Nancy Pelosi said President Trump's new NAFTA Agreement is the "easiest trade deal that we've ever done." "We're on a path to yes, and I think every day brings us closer to an agreement," said Pelosi in late October 2019. However, Pelosi and the Democrat leadership in the House have repeatedly said they need to be sure the new pact includes stronger enforcement mechanisms before a House vote could be held. The Trump Administration and the private sector strongly support the USMCA and have long wanted Congress to pass the deal before the end of 2019. As of yearend 2019, the House had passed the USMCA Bill, but the Senate does not intend to start discussion of it until after any impeachment hearing.

IMMIGRATION/BORDER WALL UPDATE

President Trump's immigration plan recognizes that full border security is the bedrock of any functioning immigration system. It proposes functional, operational, and structural reforms to strengthen the U.S. border infrastructure and laws. The plan also creates a new merit-based legal immigration system, eliminating immigrants brought through a random Visa lottery system, that will increase the number of legal immigrants based on skill or merit. The new system will protect U.S. wages, create safety net programs, prioritize immediate family members, and create a fair and transparent process for immigration to the U.S. The plan will also be designed to attract immigrants who want to integrate into the U.S.'s melting pot requiring them to pass a U.S. civics exam and demonstrate English proficiency. Additionally, loopholes in U.S. immigration laws, which are driving a flood of human smuggling and other fraudulent activities along the southern border, will be eliminated. Since the immigration system has not been seriously reformed in over 50 years, the immigration system in the U.S. is behind those in Canada, Australia, Israel, and other countries that have put in place modern systems that attract the best talent and offer the most opportunity.

As of yearend 2019, the House had passed the USMCA Bill, but the Senate does not intend to start discussion of it until after any impeachment hearing.

As part of the new plan, a permanent, self-sustaining border security fund would be put in place, paid for with fees and revenues generated at ports of entry. It will ensure that law enforcement officers never have to wait on Congress to get the resources to do their jobs.

As it relates to the border wall, President Trump has made his son-in-law, Jared Kushner, the defacto project manager for constructing the border wall. The goal is to erect 450 miles of barrier along the U.S.-Mexico border by the end of 2020. President Trump campaigned on a promise to construct a wall on the southern border and is now focusing additional attention on making sure that it gets built. To date, the Trump Administration has completed 83 miles of new barriers as well as having approximately 200 plus miles under construction and another 200 miles in pre-construction. Critics of the President's border wall strategy have relied on Federal courts to delay the implementation of construction activities. This will continue to be a hot topic in the 2020 election.

HOMELESSNESS

Nearly a half a million people are now homeless in the U.S. President Trump continued to dwell on the homelessness problem in U.S. big cities after saying the situation has become terrible, with people living on streets and in front of entrances to the best buildings where people work, pay taxes, and live. This is primarily an urban issue as more than half of the homeless population are scattered across the country's 50 biggest cities. The cities with the highest concentration of homeless are New York City, Los Angeles, Seattle, San Diego, San Jose, the District of Columbia, San Francisco, Phoenix, Boston, and Las Vegas. Yet nearly a quarter of all homeless

In March 2019, the details of Robert Mueller's report was released to the Department of Justice. Starting in May 2017, his investigation lasted 22 months and had a team of 59 people assisting on it. Ultimately the Special Counsel's investigation did not find that the Trump campaign or anyone associated with it conspired or coordinated with Russia. From his testimony in front of the Judiciary Committee, it was apparent that his associates had prepared most of the documentation as he was unable to answer many of the questions.

people live in just two cities, New York and Los Angeles. Nearly half of all homeless people are in one of five states, California, New York, Florida, Texas and Washington.

Homelessness is divided into four categories: someone who lacks a fixed adequate nighttime residence; someone who is at imminent risk of homelessness; unaccompanied youth under age 25 or families with children who haven't had permanent housing over the past 60 days; and an individual or family that is fleeing domestic violence and has no other residence. The three most commonly cited causes for homelessness include substance abuse, mental illness, and the lack of affordable housing. Homelessness has been exasperated by the nation's lack of affordable housing as a worker, earning a minimum wage, in the U.S. would have to work nearly 127 hours per week to afford a modest 2-bedroom rental home in most of the country.

One of the new statistics being followed is how illegal aliens add to the homelessness in the U.S. According to recent records, sanctuary cities are seeing the fastest increase in homelessness, as many illegal aliens find their way to sanctuary cities with no job or living accommodations. While many of these cities are trying to come up with plans to create temporary housing and/or other facilities to provide shelter to the homelessness, at this point in time conditions in some of these cities, such as San Francisco and Los Angeles, have become almost unlivable, with feces, syringes, and other garbage on main streets and in front of businesses. Additionally, a large number of tent cities have popped up in many of these cities, thereby exasperating the unsanitary and deplorable conditions.

OPIOIDS

The fastest growing problem in the U.S. is prescription drug misuse which includes opioids. In 2019, over 4.6% of adolescents, aged 12-17, were reported misusing opioids over the past year. More than 900 a week die from opioid related overdoses and the death toll may not peak for years. The opioid crisis is becoming a drag on the economy and a threat to national security.

Opioids, a class of drugs derived from the opium poppy plant, can be divided into two broad categories, legally manufactured medications and illicit narcotics. Opioid medications, including oxycodone, hydrocodone, and morphine are commonly prescribed to treat pain, while methadone is primarily used in addiction treatment centers to reduce patient's dependence on opioids. Opioids gained popularity among doctors in the 1990's for treating patients who had undergone surgery or cancer treatment, but in the last 15 years physicians increasingly prescribed them for chronic conditions, such as back or joint pain, even though there were concerns about their safety and effectiveness. However, over the last several years, people have increasingly turned to synthetic opioids, such as fentanyl, which is essentially lethal. Some law enforcement officers have labeled the drug "manufactured death" because it is cheaper and up to 50 times more potent than heroin.

The Centers for Disease Control and Prevention (CDC) notes that heroin and fentanyl are most often used in combination with other drugs, such as cocaine or with alcohol which increases the risk of overdose. In 2019, opioid overdoses killed more than 49,000 people, or more than six times the number of U.S. military service members killed in the post 9/11 wars in Iraq and Afghanistan. Recently it became clear that pharmaceutical companies began marketing the drugs more aggressively while claiming they posed little risk. Interestingly, the vast majority of those who overdose on opioids, up to 80%, are non-Hispanic white Americans.

While some quantities come from South American countries like Columbia and even Afghanistan, most of the heroin and fentanyl used in the U.S. come from farms in Mexico. Eight Mexican cartels are responsible for the delivery to the U.S., controlling production and the operation of distribution hubs in major U.S. cities. The U.S. has been working closely with Mexico through counter narcotics aid in a program known as the Merida Initiative. This initiative, which U.S. officials say led to the capture of some top cartel leaders including Joaquin "El Chappo" Guzman, has continued under the Trump Administration.

President Trump also signed into law the Support for Patients and Communities Act, which is bipartisan legislation aimed at further expanding access to addiction treatment and increasing research on alternative pain medications, among other things. However, 80% of the global opioid supply continues to be consumed in the U.S. through some 300 million pain prescriptions equaling $24 Billion a year. This use is continuing to be a major concern to our citizens and is a long way from being under control.

MUELLER REPORT

Special counsel Robert Mueller led the federal government's probe into alleged collusion between President Trump's campaign and Russian officials starting in May 2017. In March 2019, the details of his report were released to the Department of Justice. Attorney General William Barr then prepared a four page summary letter of the principal conclusions from the report. These stated that Mueller did not establish evidence that President Trump's team, or any associates of the Trump campaign, had conspired with Russia to sway the 2016 election.

> Attorney General William Barr, in a four page summary, did not establish evidence that President Trump or any of his associates, colluded with Russia to sway the 2016 election.

Robert Mueller's investigation spanned 22 months. He employed 19 lawyers who were assisted by a team of approximately 40 FBI agents, intelligence analysts, forensic accountants, and other professional staff. The Special Counsel issued more than 2,800 subpoenas, executed nearly 500 search warrants, obtained more than 230 orders for communication records, issued almost 50 orders authorizing use of pen registers, made 13 requests to foreign governments for evidence, and interviewed approximately 500 witnesses. In the end, the Special Counsel's investigation did not find that the Trump campaign or anyone associated with it conspired or coordinated with Russia in its efforts to influence the 2016 U.S. Presidential Election. The Special Counsel also did not draw a conclusion-one way or the other as to whether the examined conduct constituted obstruction. The Special Counsel stated that "while this report does not conclude that the President committed a crime, it also does not exonerate him." While Republicans argued that you're either innocent or guilty and in this case innocent, Democrats argued that Special Counselor Mueller simply provided evidence that they felt Congress should further investigate to determine whether or not there was guilt by the President and his team. While Deputy Attorney General Rod Rosenstein and Attorney General Barr concluded that the evidence developed during the special counsel's investigation was not sufficient to establish that the President committed an obstruction of justice, the Democrats in the House of Representatives still felt there was clear guilt on the part of the Administration.

The general public was allowed to get its own look at the Mueller report in mid-April 2019 when Attorney General Barr released the 448 page "limited redacted document." Mueller even testified about his findings in front of the Senate Judiciary Committee, but it was reasonably apparent from his testimony that many of his associates prepared most of the documentation as Special Counsel Mueller was not able to answer many of the questions asked of him in that session.

IMPEACHMENT

Whether you're a Democrat or a Republican, your view of the impeachment process to date will be completely different. What's important to understand is the process that has been undertaken to date and how it could affect both the U.S. and global economy.

Immediately after President Trump's inauguration, the Independent and the Washington Post each reported on efforts already underway to impeach him, based on what the organizers regarded as conflicts of interest arising from his ability to use his political position to promote the "Trump" branded businesses. Various groups also asserted that President Trump had engaged in impeachable activity both before and during his Presidency, bringing on the first formal efforts to impeach him, which were initiated by Representatives Al Green and Brad Sherman, both Democrats, in 2017, the first year of his Presidency. In December 2017, a resolution of impeachment failed in the house by a 58-364 margin. However, when the Democrats gained control of the House in 2019, they began to launch multiple investigations into Trump's actions and finances. While Speaker Nancy Pelosi initially resisted calls for impeachment, in May 2019 she indicated that Trump's continued actions, which she characterized as obstruction of justice, and refusal to honor congressional subpoenas might make an impeachment inquiry necessary. This was days after the Mueller report was submitted, exonerating the President of any collusion or obstruction in the 2016 election.

The activity on impeachment took a profound step forward when in July 2019, a "whistle-blower" made a complaint about a July 25, 2019 phone call between President Trump and Ukraine President Volodymyr Zelensky. There were also comments that the Trump Administration had blocked distribution of military aid to Ukraine, subject to Ukraine starting an investigation of former Vice President and current Presidential candidate Joe Biden along with his son Hunter Biden. This alleged controversary finally

On September 26, 2019, Speaker Nancy Pelosi announced the six House Committees would commence an impeachment "inquiry" against President Trump. This was in response to a whistleblower complaint about a July 25, 2019 phone call between President Trump and Ukraine President Volodymyr Zelensky. Ultimately, on December 18, 2019, the House of Representatives voted on two articles of impeachment, abuse of power and obstruction of justice. After holding the articles for three weeks, Speaker Pelosi announced plans to send them to the Senate around January 15, 2020!

led House Speaker Nancy Pelosi to announce on September 24, 2019 that six House Committees would commence an impeachment "inquiry" against President Trump.

Impeachment is when the House of Representatives votes by a simple majority to approve one or more Articles of Impeachment. No President has ever been removed from office through impeachment. Richard Nixon arguably came the closest, but he resigned midway through the impeachment process.

The constitution gives the House of Representatives the sole power to impeach an official and makes the Senate the sole court for impeachment trials. The power of impeachment is limited to removal from office but also provides for a removed officer to be disqualified from holding future office. If the House of Representatives approves Articles of Impeachment, then it would move to the Senate for an impeachment trial which would operate much like a criminal trial. During the Senate trial, the President's defense team can present its opening arguments followed by calling witnesses with both sides cross examining the opposing parties' witnesses. The Senators will then vote at the end of such hearings on whether to acquit or to impeach, which requires a 2/3rds vote of all 100 senators. If the President is acquitted, the impeachment trial is over. But if he is found guilty, the Senate trial moves to the sentencing or "punishment phase". That is where he would be removed from office. It should be noted that the Senate has the sole power to try impeachments and can vote by a simple majority to change almost any of its own rules. In fact, if it wanted to, the Senate could refuse to vote on Articles of Impeachment entirely and simply dismiss the case.

By the way, there was no formal vote to start impeachment hearings in the House. That is unprecedented as there has always been a formal vote to start the impeachment process in the past. Former Whitewater Independent Council Kenneth Starr said that impeachment evidence should be laid out before the American people in public hearings, dismissing the need for closed door witness interviews. However, in this particular case, the process went a different direction with closed door depositions and rules put in place by the Democrat Intelligence Committee Chairman Adam Schiff. While impeachment proceedings customarily have run through the House Judiciary Committee, Speaker Pelosi insisted that Schiff's leadership of impeachment inquiry stems from the fact that national security, the subject of Trump's dealings with Ukraine, was squarely within his jurisdiction. However, Republicans laid out that Adam Schiff has continuously shown to be bias against the President of the United States at almost every turn and was not an impartial leader for this process.

House Democrats finally released a resolution calling for "open and investigative proceedings, in the impeachment inquiry and had a vote that passed in late October 2019. This started the open hearings that occurred from November 19-21 but those open hearings, according to Republicans, were unfair as Republicans were not allowed witnesses proposed by the Republicans to be interviewed or even levels of cross examination to occur if Chairman Schiff did not approve. The hearings concluded and the House Investigative Committee prepared its report and sent it to the House Judiciary Committee led by Chairman Jeremy Nadler. The Judiciary Committee held their public impeachment hearings starting on December 4, 2019 and after the hearings, they released their full impeachment report that accused President Trump of bribery and wire fraud, along with other harmful actions toward the United States. After approval of their findings on a party line vote, the Committee prepared two Articles of Impeachment- Abuse of Power and Obstruction of Justice. These two counts were very unexpected as neither of them reflected the findings of the Judicial Committee as to alleged bribery and other allegations. The two Articles of Impeachment were then sent to the House of Representatives for a full house vote, and on December 18, 2019, the House of Representatives voted in favor of both Articles of Impeachment on a strictly party line vote, making this process appear very partisan. Now as of yearend 2019, the Impeachment process moves to the Senate where President Trump is expected to be acquitted.

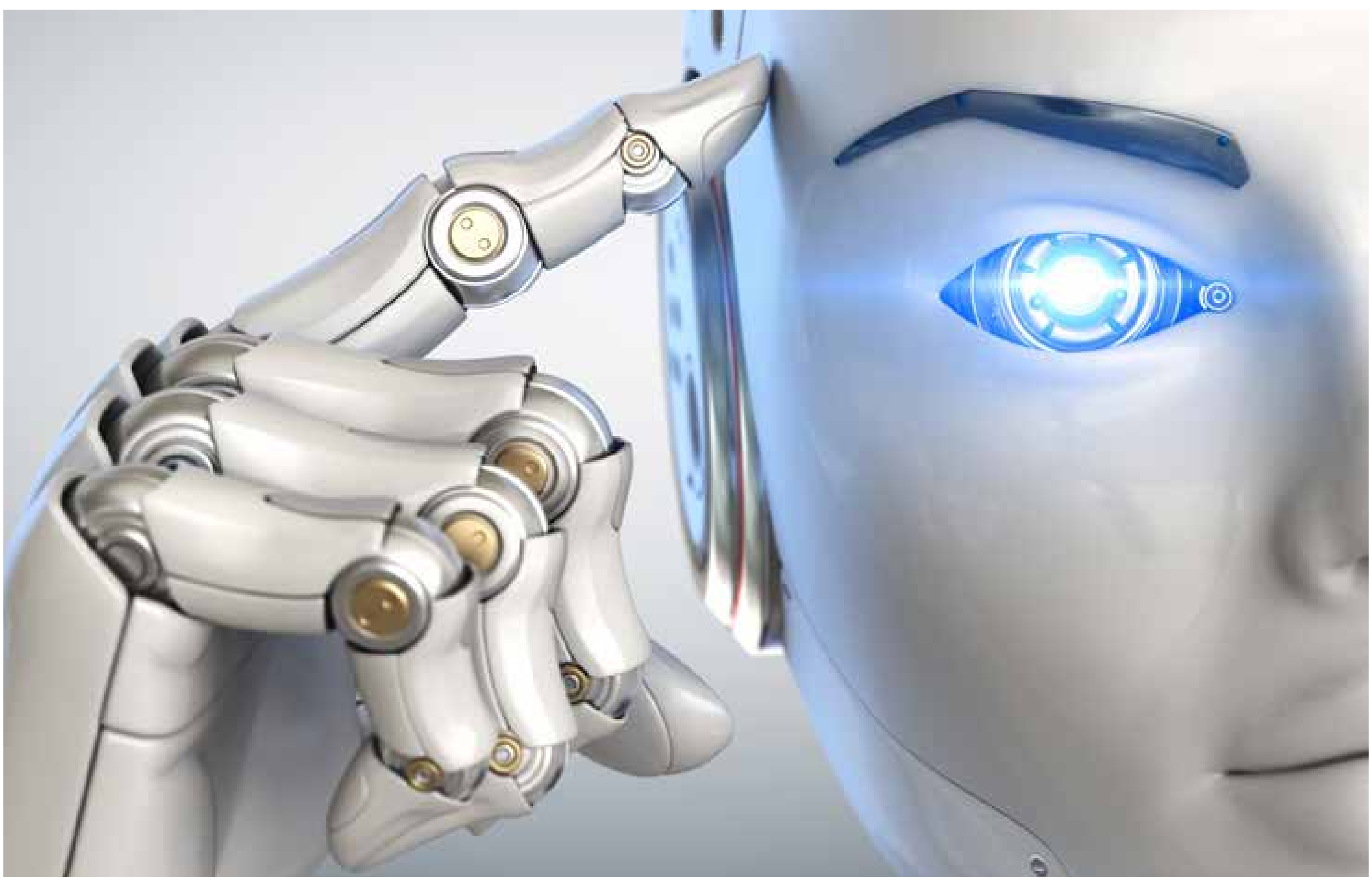
It should be noted that Representative Jim Jordan (R) believed the Democrats pushed for impeachment because "they think President Trump will get re-elected". With the passing of these Articles of Impeachment, the country could not be more horribly split. Many expect that this will change politics forever as while impeachment was meant to be used only under the most dire circumstances, in this case, most scholarly observers noted that it was hard to see any harm to the U.S. by the President's alleged actions.

GLOBAL RISK

Global risk is defined as an event that causes significant negative impact for several countries and industries over a time frame of up to 10 years. These global risks will change from year to year, although many of them remain a high risk over a span of several years. Risks facing the world can be looked at quite differently by different risk forecasting groups. In particular, one of the main groups, the Economist Intelligence Unit (EIU), has compiled a list of what it reports as the top 10 global risks in 2019:

- U.S.-China Trade Conflict morphs into a full-blown global trade war.
- U.S. Corporate debt burden turns downturn into a recession.
- Contagions spread to create a broad-based emerging markets crisis.
- China suffers a disorderly and prolonged economic downturn.
- Supply shortages lead to a globally damaging oil price spike.
- Territorial disputes in the South or East China Sea lead to an outbreak of hostilities.
- Cyber-attacks and data integrity concerns cripple large parts of the internet.
- There is a major military confrontation on the Korea peninsula.
- Political gridlock leads to a disorderly no-deal Brexit.
- Political and financial instability lead to an Italian banking crisis.

There is no question that geopolitical uncertainty is on the rise and remains a source of significant risk in the near future. The EIU also cautions that the risk of populous leaders is far from over. This rise includes figures such as U.S. President



Artificial Intelligence (AI) is continuing to be adopted into everyday technology. Most often individuals have no idea they are coming in contact with such systems. This is good when used correctly, but recently it has seen its role rise in the form of "media echo chambers and fake news." AI allows individuals to perform tasks at a much faster pace and make connections not normally seen to influence an end user.

Trump, Brazil's President JAIR Bolsonaro, India's Prime Minister Narendra Modi, and the Indonesian President Joko Widodo, who between them hold power in the four most populous democracies in the world today. There are also several others who could be added to the role including Turkey's Recep Tayyip Erdogan, Russia's Vladimir Putin, and Hungary's Viktor Orban to name three. In particular, populous leaders are followed by very strong supporters in their own country that believe in the new wave of nationalism, and this new political thought process is spreading around the globe which can have a substantial impact on trade, financial markets, and even the oil sector.

The world economic forum also rates global risk in terms of both likelihood and impact. They suggest that the top five global risks in terms of likelihood are extreme weather events, failure of climate change mitigation and adaptation, national disasters, data fraud or theft, and cyber-attacks. Their five global risks in terms of impact are weapons of mass destruction, failure of climate change mitigation in adaptation in extreme weather events, water crisis's and natural disasters.

The World Economic Forum also goes on to say that there are increasing risks in 2019 related to "economic confrontations between major powers" and "erosion of multi-lateral trading rules and agreements." The latest references will affect the global risk landscape in significant ways-from weakening security alliances to undermining efforts to protect the global commons. One positive geopolitical development since last year has been an easing of tensions and volatility related to North Korea's nuclear program, following increased diplomacy involving the U.S., South Korea and North Korea. Nevertheless, weapons of mass destruction continue to rank as the number one global risk in terms of potential impact.

Another major global risk relates to the "increasing polarization of societies." In many cases, partisan differences are deeper than they have been in a long time. A vicious cycle may develop in which diminishing social cohesion places ever greater strain on political institutions, undermining their ability to anticipate or respond to societal changes. It is now widely acknowledged that more should have been done to provide protection or remedies to the losers from globalization. In fact, the vast majority of respondents in the global risk report said they expect risk associated with "public anger against elites" to increase in 2019. Additionally, identity politics continue to drive global social and political trends, and immigration and asylum policies raise fundamental questions about control over the composition of political communities. Migration has also triggered political disruption in recent years.

Technology continues to play a profound role in shaping the global risk landscape for individuals, governments and businesses with massive data fraud and theft ranked as the number four global risk by likelihood over a 10-year horizon and with cyberattacks at number five. Malicious cyber-attacks and lax cybersecurity protocols again led to massive breaches of personal information in 2019 and will continue in 2020. In 2019, personal data breaches affected nearly 150,000 million users of the MyFitnessPAL application and around 50 million Facebook users.

Among the most widespread and disruptive impacts of Artificial Intelligence (AI) has been its role in the rise of "media echo chambers and fake news." Researchers in 2019 studied the trajectories of 126,000 tweets and found that those containing fake news consistently outperformed those containing true information, on average reaching 1,500 people six times quicker. Fake news tends to evoke potent emotions, listing words associated with surprise and disgust, while accurate tweets summoned words associated with sadness and trust.

Weapons of mass destruction remain one of the top global risks. However, following increased diplomacy involving the U.S., South Korea, and North Korea there has at least been an easing of tensions and volatility related to North Korea's nuclear program.

As the world becomes more complex and interconnected, incremental change giving way to the instability of feedback loops, threshold effects, and cascading disruptions. Sudden and dramatic breakdowns, future shocks, become more likely. Some potential future shocks are noted below, and while some are more speculative than others they are not predictions, they are food for thought and potential future action:

1. **Weather Wars:** As the impacts of climate related changes in weather patterns intensify, the incentives to turn to technological fixes will increase in affected areas. Think of governments trying to manage simultaneous declines in rainfall and increases in water demand. Even well-intentioned weather manipulation might be viewed as hostile.
2. **Open Secrets:** A collapse of cryptology would take with it much of the scaffolding of digital life. These technologies are at the root of online authentication, trust and even personal identify. They keep secrets-from sensitive personal information to confidential corporate and state data safe. As the prospect of quantum code-breaking looms closer, could your encrypted data be stolen easily in the future?
3. **City Limits:** The World's political geography is being transformed by surging migration from rural to urban areas. What if the tipping point is reached at which the urban-rural divide becomes so sharp that the unity of states begins to erode? Even cities might look to bypass national structures and play an international role directly both economically and socially.
4. **Against the Grain:** With climate change placing growing strain on the global food system, and with international tensions already heightened, the risk of geo politically motivated food supply disruptions increases. What if state or non-state actors could target the crops of an adversary state, for example with a clandestine biological attack?
5. **Digital Panopticon:** Facial recognition, gait analysis, digital assistants, affective computing, microchipping, digital lip reading, fingerprint sensors. As these and other technologies proliferate, we move into a world in which everything about us is captured, stored, and subjected to AI algorithms. If humans are increasingly replaced by machines and crucial decision loops, the result may lead not only to greater efficiency but also to societal rigidity.

6. **Tapped Out:** A range of compounding factors risk pushing more megacities towards a "water day zero" that sees the taps run dry. Conflict might erupt over access to whatever water was still available, or wealthier residents might start to import private supplies.
7. **Contested Space:** With satellites now central to the smooth functioning of civil and military technologies, the amount of commercial and government activity in space has been increasing, creating the potential for confusion, accident, and even willful disruption. An accidental debris collision or an attack by another government could cause significant disruption to internet connectivity and all that relies on it.
8. **Emotional Disruption:** The use of algorithms that can read human emotions, or predict our emotional responses, is likely to become increasing prevalent. In time, the advent of AI "woebots" and similar tools could transform the delivery of emotional and psychological care.
9. **No Rights-Left:** Amid a new phase of strong state politics, and deepening domestic polarization, it becomes easier for governments to sacrifice individual protections to the collective stability. What if human rights were dismissed as anachronisms that weaken the state at a time of growing threats?
10. **Monetary Populism:** What if the protectionist wave expanded to engulf the central banks at the heart of the global financial system? Prudent and coordinated central bank policies might be attacked by populous politicians as a globalist affront to national democracy. A direct political challenge to the independence of major central banks would unsettle financial markets. This could cause major swings in financial markets and currencies.

While all of these future shocks may not occur, it is important to understand that as technology becomes more mainstream, and takes over more and more of our everyday life, we have to be prepared for the consequences which they may bring.

GLOBAL ECONOMY

The International Monetary Fund (IMF) notes that the global economy is in a synchronized slowdown, with growth for 2019 ending at just 3.0%, its slowest pace since the global financial crisis. Last year's projection was that growth would still reach 3.5% in 2019 but we experienced slower growth, due to tariffs and other global interferences. This was a major drop from the 3.8% growth in 2017.

A notable feature of the sluggish growth in 2019 was the sharp and geographically broad-based slowdown in manufacturing and global trade. A few factors drove this including higher tariffs and prolonged certainty surrounding trade policy which dented investment and demand for capital goods, which are heavily traded. Additionally, the automobile industry contracted due to disruptions such as new emission standards in the Euro area and China that had durable affects. Consequently, trade volume for 2019 was just over 1%, the weakest level since 2012.

The positive news is global growth is projected to improve slightly to 3.4% in 2020. In the U.S., growth in 2019 only reached 2.4% and it is expected to moderate to 2.1% in 2020. Japan will drop from 1.2% in 2019 to 0.5% in 2020; the Euro area will drop from 1.1% in 2019 to 1.0% in 2020; and China will drop from 5.6% in 2019 to 5.4% in 2020. In India, GDP will actually accelerate from 5.8% to a projection of 6.5% in 2020.

Global GDP reached nearly $87 trillion in 2019. The U.S., with the largest economy in the world, had a GDP of $21.41 trillion while China increased to $15.54 trillion. Rounding out the top five are Japan with $5.36 trillion, Germany with $4.4 trillion and India with $3.16 trillion. The World bank estimates the nominal World GDP in 2019 to be $88.1 trillion. However, with the slowing of the Global Economy, central banks across the globe are becoming more accommodative. For example, the U.S. Federal Reserve cut the Federal Funds rate three times in 2019 and ended its policy of balance sheet reduction. In September, the European Central Bank reduced its deposit rate and announced a resumption of Quantitative Easing. These policy shifts, together with rising market concerns and slower growth momentum, contributed to sizeable declines in sovereign bond yields, in some cases deep into negative territory. Yields on 10-year U.S. Treasury notes, UK gilts, German bunds, and French securities, for example, dropped between 60 and 100 basis points in 2019, while yields on Italian 10-year Bonds declined by as much as 175 basis points on the formation of a new government. Consistent with the softening of energy prices and the moderation of growth, consumer price inflation is expected to average 1.6% in 2020, up slightly from 1.5% in 2019, and down from 2.0% in 2018. The U.S. economy operating above potential will cause core consumer price inflation to rise to about 2.6% in 2021, above its median term value of 2.2%.

The increased use of technology could have a greater impact on security, through facial recognition, gait analysis, and emotional-psychological care, through the development of AI "woebots."

As stated earlier, the biggest cloud hanging over the global economy is the potential of a full-blown trade war between the U.S. and China. Surveys of business confidence and investment all began to turn south after the trade scrimmages with China began in early 2018 and accelerated in 2019. The slump in confidence and investment has led to a "globally synchronized slowdown" according to Kristalina Georgieva, the IMF's new Managing Director, driven almost entirely by a slump in global manufacturing and trade. In fact, about 90% of the world's economies grew slower in 2019 than in 2018 and growth overall was the weakest this decade.

The IMF expects monetary policy to continue to be accommodative but as outgoing European Central Bank President Mario Draghi points out, monetary policy is reaching the limits of what it can do and with interest rates already negative on trillions of dollars of bonds in the EU, more rate cuts simply will not get the job done. With that in mind, policy makers believe that fiscal stimulus-government spending will be necessary to support economic growth in 2020 unless the trade war gets under control.

Since President Trump was elected, the stock market has hit over 133 new highs. The stock market recently hit a new high, even as the Federal Reserve cut the Federal Funds Rate three times in 2019 to a range of 1.5% to 1.75%. The Federal Reserve still has concerns however that a global slowdown could cause a slowdown in the U.S. economy in 2020 and therefore continues its slightly accomodative fiscal stance.

U.S. ECONOMY

The Federal Deficit increased again in fiscal year 2019 as it rose to $984 billion, or up 26.31% from the $779 billion in 2018. That is again the largest deficit since 2012, when the country was still spending heavily as part of its stimulus to the economy. The Congressional Budget Office (CBO) forecasted that the growth in GDP would slow more in 2020, due to trade deficits and the potential of a continuation of the trade war between the U.S. and China. The U.S. GDP growth was 2.4% in 2019 and is expected to slow to 2.0% in 2020 followed by an increase in 2021 to 2.1%. The CBO expects the deficit to rise again, reaching $1.08 trillion in 2020 and averaging nearly $1.2 trillion between 2020 and 2029. The total U.S. debt at year end 2019 was just over $23.2 trillion. This equates to a national debt per citizen of just over $70,000 based upon the current U.S. population of 330,075,735. Long term debt for the U.S. now stands at 106.64% of annual GDP, but there are still 15 other countries who have substantially higher debt to GDP ratios. The total unfunded liabilities of the U.S. are now over $127 trillion which is of concern since the U.S. total national assets are just over $148.5 trillion. That means the assets per citizen is approximately $450,000 while liabilities per citizen is about $385,000.

As noted earlier, the Federal Reserve, after noting a global slowdown which they expected would cause a slowdown in the U.S. economy, cut the Federal Funds Rate three times in 2019 from a high range of 2.25% to 2.50% to 1.5% to 1.75%. The Fed also announced that it would end its balance sheet reduction program and even projected that they would have one or two more Fed Funds Rate cuts in 2020, depending on the seriousness of the global slowdown. The Fed believes it has to take a more accommodative policy in 2020 to ensure that core inflation remains below the U.S. Central Bank's target of 2%.

President Trump, as he did in 2018, continues to believe that the Federal Funds rate should be reduced further to energize the economy. He feels that a strong economy will allow more jobs to be created and certainly would be beneficial in the 2020 Presidential Election year.

President Trump is also particularly proud of the success of the stock market since he took office in early 2017. The stock market has hit over 133 new highs since the start of his presidency and just recently again hit all-time highs for the Dow Jones, SSP500, and the NASDAQ in November 2019.

JOB MARKET

In 2019, the U.S. job market continued to strengthen, and unemployment dropped to an all-time low in November 2019 at 3.5%, before it rose slightly to 3.6% at yearend 2019. By the end of 2019, the U.S. economy had 22 consecutive months at or below 4% unemployment. The unemployment rate is now the lowest it has been since May 1969, or over 50 years ago. It's also important to note that the lowest unemployment rates on record were matched or set in

September 2019 for African Americans, Hispanics, and people with disabilities, while the lowest rate in nearly 30 years was set for women. Additionally, the unemployment rate for people without a high school diploma fell to 4.8%, the lowest rate since the statistics began in 1992 and much lower than the 7.8% rate in November 2016. In fact, the unemployment rate for those without a high school degree has fallen at a faster rate than the unemployment rate for those with a bachelor's or higher degree since President Trump's election.

The U-6 unemployment rate, which is a broader measure of underutilization in the labor market and includes those looking for work, marginally attached to the labor force, and working part-time but would like to work full time, fell to 6.9%. That is the lowest point since 2000 and a substantial drop from the 7.4% in 2018. Employment growth averaged an impressive 180,000 jobs per month over the last year, and job gains have surpassed 100,000 in 34 of the 37 months since President Trump was elected. The unprecedented length of the expansion, low unemployment rate, and the continued job growth, demonstrates that today's labor market is historically strong.

The labor participation rate at yearend 2019 stood right at 63%. This means that 63% of U.S. working age citizens, 16 years and older, are now in the workforce. However, the overall labor force participation rate from 2018 to 2028 is expected to decrease to 61.2%. This is due to the participation rate for men dropping from 69.1% to 66.1%, and for women dropping from 57.1% to 56.6%. and while older workers, aged 65 and older are increasingly staying in the workforce, the labor force participation rate for those ages 16-24 will continue to decline to 51.7%, due to increased time spent in school, as well as the lack of jobs, as older workers fill jobs historically held by younger workers. The price index for personal consumption expenditures, the measure that the Federal Reserve uses to define its 2% long run objective for inflation, slid below that objective in late 2018 and stayed below for all of 2019.

The number of long term unemployed (those jobless for 27 weeks or more) was essentially unchanged at 1.3 million at yearend 2019 and accounted for 21.5% of the unemployed. The number of persons employed part-time for economic reasons was 4.4 million. These individuals would have preferred full-time employment but were working part-time because their hours had been reduced or they were unable to find full-time jobs. Also, 1.2 million individuals were marginally attached at the labor force, down by approximately 262,000 from a year earlier. These individuals were not in the labor force, wanted and were available for work, and had looked for a job sometime in the prior 12 months. However, it is important to note that 7.1 million jobs are available and only 5.9 million are unemployed, so excess jobs are available.

U.S. PROPERTY SECTORS AND MARKET

For the 10th consecutive year, the Urban Land Institute (ULI) and Price Waterhouse Coopers (PWC) in their joint publication Emerging Trends in Real Estate 2020, have indicated that "U.S.




WellSky relocated their world headquarters to The Offices at CityPlace in 2019 because the mixed-use development will deliver the "live, work, play" experience millennials desire. While their space is infused with technology, the focus is on the people, creating a place they want to be. Their building amenities are supplemented by proximity to retail and living options.

Property Sectors and Markets will again be the top choice for investment dollars both nationally and internationally." Our current strong real estate cycle has now continued for over 121 months and remains the second longest cycle only trailing the period from 1991 to 2001. Investors continue to describe the cycle as mature, the same as they did in 2018, although some markets are in the early stage of decline. Overall, the economy and the real estate industry as a whole are still very strong due to low interest rates and significant capital flow. Financing is becoming slightly more difficult to obtain for those developers and investors who are less financially capable. However, if you are a well-capitalized investor and/or developer, financing is readily available, although loan to values have declined slightly over the last year.

The common themes over the last several years is the large availability of investment capital seeking high quality properties. Over the last several years, capital to invest in real estate has increased from $350 billion to nearly $500 billion. Cap rates on coastal properties have dropped into the middle 3% to low 4% ranges, causing investors to look at secondary and tertiary markets where they can obtain cap rates 175 to 250 basis points higher. While this trend previously was pursued by large institutional investors based in the U.S., we are now seeing international investment activity pursuing the same strategy.

For the past six years industrial property has continued to be the top ranked property sector, and it is expected to remain so in 2020. A compelling growth outlook for logistics real estate kept it the consensus overweight property type in 2019 which will continue in 2020. The logistics real estate story is built on structural transformations in each of the three vectors that drive values: demand, supply, and capital markets. Ecommerce, which continues its double-digit growth in North America, catalyzed a broad evolution at the consumption end of the supply chain. For logistics real estate occupiers, the ability to offer convenience, choice, and speed from the basis of revenue generation, combined with the ability to manage risk and optimize cost through leasing decisions amplifies the importance of a strategically designed distribution network. As a result, investment in logistics real estate has surged and vacancy rates have reached all-time lows. Occupiers have had to navigate a challenging environment for expansion while investors received opportunistic returns for core risk. It is now expected that net absorption will reach nearly 1.85 billion square feet, and the expectation is this will increase over the next several years.

Multifamily investments and healthcare investments remain tied as the next best sectors for investment. Strong demand for new apartment development is shaping a new geography of opportunity as demographics and rent by choice cohorts expands selectively. Rent growth is now shifting to rent compression as the market focus pivots to absorption and ingestion of new, and value add inventory. Among young adults most new households are rental, with new household formation approaching 1 million new renters per year. Millennials and Generation Z prefer the flexibility of rental living, changing the market structurally for years to come. Therefore, it is important for apartment developers to build not only chic, urban, walkable, and vertical high-end new communities, but also work force housing for those who have jobs at the lower end of the wage spectrum.

Healthcare investments continue to be very strong due to the aging population and the desire to get medical facilities closer to the consumer. More surgicenters and 24-hour care centers are being developed. Healthcare innovation is spurring medical office transformation while investment demand is bolstered by the demographic outlook. The aging population, increased number of people with medical insurance, and cost reduction strategies by insurance companies that favor outpatient care have converged to bolster medical office space demand.

While the office sector continued to strengthen in 2019 it is important to develop locations to attract millennials who want the "live, work and play" experience. Mixed-use projects that contained Class A office lead the charge in 2019. Workplaces are shifting from an efficient, tech driven place where people had to be located, to a more effective, people focused, place where employees want to be. It's all about creating a great life experience focused on what people want in the future.

Over the last several years, capital to invest in real estate has increased from $350 to $500 billion, while cap rates on the costs have dropped to the middle 3% range.

Retail has also continued to strengthen in 2019, but only in specific niche categories. New experimental and entertainment uses, centered on one-of-a-kind activities, such as art, entertainment, or food, are continuing to push the boundaries of what is supportable in shopping centers. Another growing component within them is the increased presence of fitness, health, and wellness uses along with medical uses which are now a desired component of the mixed-use center.

In 2019, real estate will, as it has for the last several years, command an attractive spread over fixed income investments. However, with low interest rates and cap rates declining in many areas of the country, and with a surging equities market, we can expect that an increased portion of money will be going into the equity sector than in previous years. However, we do expect the real estate sector will continue to be most attractive in terms of total investment activity and will attract the largest share of investment capital, including investment activity by foreign investors. We expect this trend to further increase in 2020, as investment capital will be more willing to look at secondary and tertiary markets throughout the United States as they strive for higher investment returns. Deployment of capital in coastal cities and in both 18- and 24-hour markets will still be the prime targets, but we can expect more investment capital to reach into the middle of the country as investors chase investment returns.

The top trends in real estate for 2020 according to Emerging Trends in Real Estate include:

- **Easing on Down the Road:** Property veterans see the internal conditions in the business as solid. Real estate will continue to perform well. Developers continue to see opportunities, and builders are going gangbusters even though the cycle is old. However, the more sophisticated developers, while being active, are keeping a close eye on both the global and U.S. economy to make sure that they have enough runway to complete their development projects during a solid economy.

- **The Siren Call of TINA (There is No Alternative):** The consensus forecast suggests that real estate can maintain a relative value edge over stocks and bonds, at least in the near term, but the majority view that the risk premium for property investments has been reduced, enhancing stability and capital liquidity while limiting the chances for investment losses. Cost concerns in construction labor and materials have been cited as eroding builders' margins, but while there is uncertainty, capital needs to be deployed. The acronym TINA-"There is No Alternative" is still the quote of the day.
- **A New Menu for Markets:** Specialization has become the hallmark of real estate. Attention should be paid to making sure that you have the right team in place as you review your investment activity as well as that you are investing in the right markets. It's important to also review other types of investments than what you have been used to in the past including senior housing, medical/office, and perhaps even cell tower and data center real estate.
- **Housing: the Great Unraveling:** Whether we want to look at it or not, housing is becoming a mess and getting worse over time. There is a slow but sure shift from ownership to renting by millennials and generation Z. Home ownership has declined from a high of 69% a decade ago to approximately 63%. More importantly, large dollar housing is becoming more difficult to build and sell. As housing affordability becomes difficult, jurisdictions are now looking at rent control because over 21 million households are spending more than 30% of their income on housing.
- **A Community State of Mind:** As there is a shift in thinking by the younger population, we hear more about community development, community living, and community work options. In the office sector we're seeing that with more short-term lease options through WeWork, Industrious, Serendipity, and other flexible lease option companies. This has become a more appealing option for millennials and generation Z.
- **Hipsturbia:** Cities and their suburbs have evolved tremendously since the mid 1990's and the "proof of concept" of live, work, play has long since been established in the sociological sense of lifestyle preferences. More and more suburbs, not all, but those with the right recipe, attract a critical mass of "hip residents," and their success will become increasingly visible. This will multiply the number of imitators and will keep the trend going. Expect more and more young millennials and generation Z residents to move to those suburbs who have the right recipe.
- **Boomers and Beyond:** Let's think this through. Life expectancy continues to lengthen, and older people are looking for good long-term lifestyles as they age. This will have a profound shift in the Senior Housing industry as newer and better designed projects become the focal point for this generation of aging residents.
- **ESG:** A Sustainable Trend. The three tenets of environmental, social, and governance (ESG) are becoming followed more by corporations in the real estate sector. Over 55% of these companies now factor ESG policies and performance into their investment decisions. This will continue to increase and influence capital deployment over time.
- **March of Technology - The What and When of Disruption:** Real estate is advancing along a steep technological curve, and therefore changes in technology will continue to have an increasing impact on real estate. Property Managers, asset managers, and investors are now leaning into technological solutions for productivity enhancements and operational efficiency.
- **Infrastructure - Washington Fumbles; States and Cities Pick Up the Ball:** While Washington continues to be slow in approving infrastructure investment, cities and states across the nation are investing heavily in infrastructure in order to increase and improve opportunities to attract businesses to their communities. Those cities that are committed to a better infrastructure system will continue to attract more and more of the business opportunities.

KANSAS CITY REGION

The region's gross regional product (GRP) grew an annual rate of 2.3% in 2019 as compared to 2.9% in 2018 and 2.2% in 2017. The Kansas City region continued to grow at a slightly faster pace than the U.S. GDP. This region's GRP is expected to fall to approximately 1.6% in 2020, but rise again to 1.9% in 2021, as both the national and regional GDP strengthen slightly.

With the recent approval by the Department of Justice, the Sprint/T-Mobile merger, which was a $26.5 billion deal, is expected to generate as many as 1,500 to 2,000 new jobs for Kansas City as T-Mobile looks to take advantage of a marketplace that is attracting a larger share of college graduates.

The unemployment rate in Kansas City at yearend 2019 was 3.3% compared to 3.6% for the national unemployment rate. It is slightly above the region's low of 3.2% in November 2017 and matches the 3.3% at yearend 2018.

Overall, the region's job growth forecast shows an increase of 16,200 new jobs in 2019 and then drops to 13,100 new jobs in 2020. Construction activity in the Kansas City economy remains very strong, although behind 2018. However, the new Kansas City International airport (KCI) is now underway at upwards of $1.7 billion and its development will cause an increase in labor opportunities and a shortage of labor in Kansas City.

In the 2-year period of 2018-2019, employment growth again was concentrated in three prime sectors; healthcare which led the way adding 6,000 jobs, transportation warehousing which added 4,000 jobs, and professional and technical services adding 3,000 jobs. Educational services showed a slight decline, with professional and technical services also seeing small employment declines.

Following the 2019 season the Kansas City Royals were sold by David Glass to an ownership group led by John Sherman, co-founder of Energy LP. The ownership group consists of 22 investors all of whom are from long-time companies or families in the Kansas City community. The list of everyone in the ownership group include: Brooks Sherman, Paul Edgerley, Terry Matlack, Bill Gautreaux, Carl Hughes, the Dunn Family, the Lockton Family, Michael Haverty, Peter and Veronica Mallouk, Rob Kaplan, Alan Atterbury, J.B. Hebenstreit, Don Wagner, Mariner Kemper, Kent McCarthy, Eric Stonestreet, Jay Pack, Dan Dees, and Mark Demetree.

Kansas City's real median household income increased again in 2019 to 6.9% which is a slight increase over the 6.5% in 2018 and the 6.4% in 2017. The Kansas City metro continued to show average 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 2019, Kansas City's strength rating was 58, which was not quite as good as its rating of 49 in 2018 and 24 in 2017. Kansas City currently ranks number 28 in annual GDP growth, number 35 in quality jobs growth, and 13 in real median household income.

One way of identifying a metropolitan area's specialty is to examine how much of its economy is devoted to producing a particular product compared to the national average. The ratio of industries local share to its national share is called it's "location quotient." When a location quotient reaches 1.1 or larger then it is considered likely that the industry is serving markets outside the region. Based on location quotient, the region's largest specialization appears to be as a back office location for national management operations. A location quotient of 1.67 means this industry's share of local jobs is 67% larger than its share of the nation's total jobs. Professional/technical services, finance and insurance, and transportation/warehousing also are significant with location quotients around 1.3. Local employment devoted to computer system design is 1.84%, thanks largely to Cerner. Architecture and engineering are 1.57, thanks to the headquarter firms of Black & Veatch, Burns and McDonnell, Kiewit and Populous.

Sprint has been a major factor in the Kansas City region job growth. While Sprint shows signs of stabilizing, nearly 14,400 information industry jobs have been lost during the last eight years, or an average of 1,800 jobs per year. Fortunately, this loss has been offset by growth in professional, scientific, and technical service industries which includes the 100,000 jobs of growth by firms like Cerner, Burns & Mac, Black & Veatch, Populous, BNIM, and others.

The real issue in Kansas City, and the key constraint on growth, is access to talent. Developing the policies and strategists to allow the Kansas City Metro to continually improve its ability to attract, retain and develop talent is a high priority of Kansas City Rising and the Kansas City Chamber of Commerce.

KANSAS CITY ECONOMY

The Kansas City economy continued modest growth in 2019 and carries forward a growth spurt that started in 2016 and has continued unabated. The employment sectors that lead over this period were healthcare, government employment, professional/technical services, transportation/warehousing and construction. Healthcare services has continued for the fifth year in a row as the strongest sector in metropolitan economy. We have also had steady employment growth in utilities and professional services, leisure and hospitality industries, and in ecommerce and intermodal activity, which have remained extremely strong for the last four years in Kansas City. Kansas City is now known as one of the top eCommerce cities in the country.

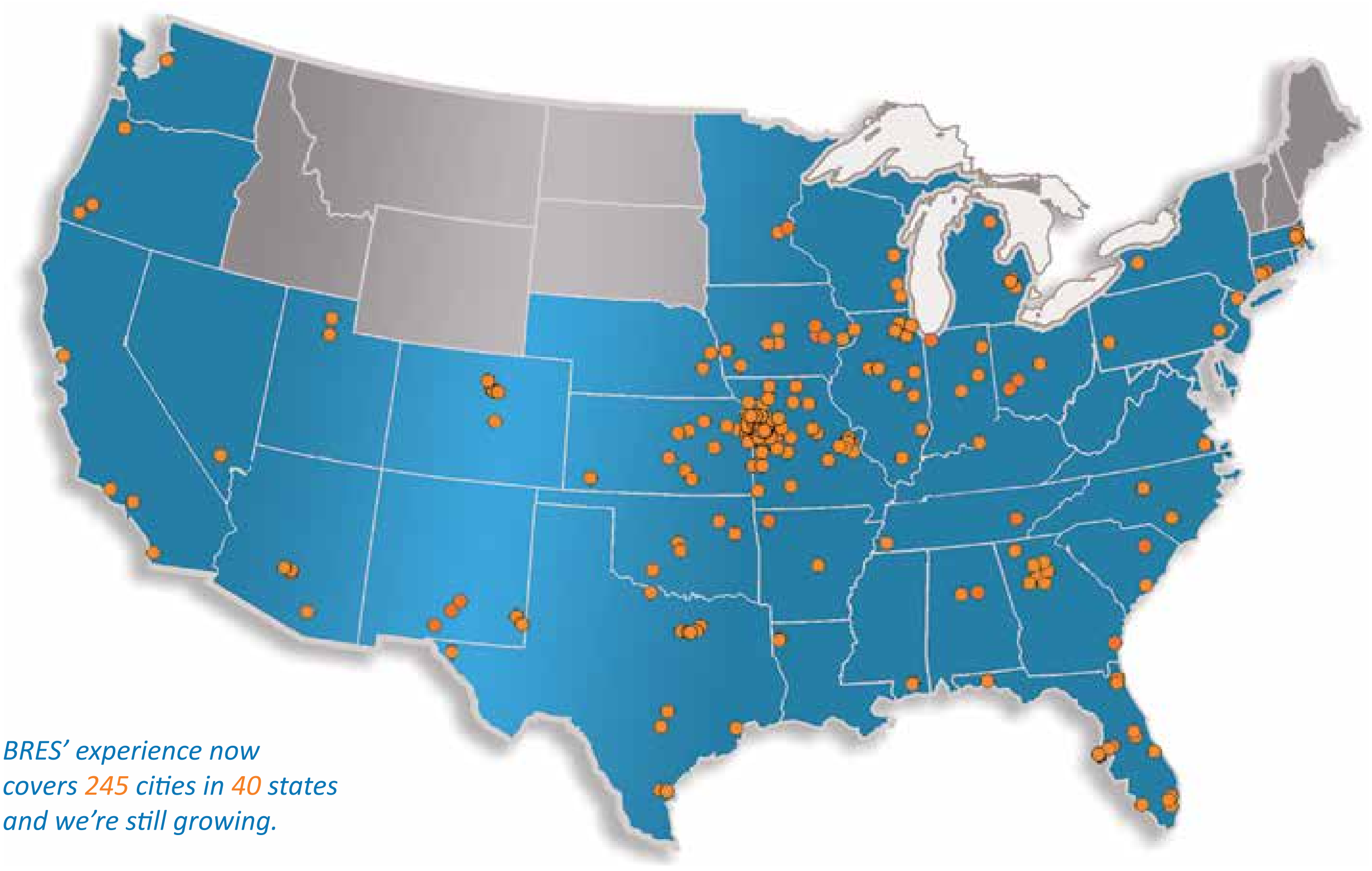
In 2019, major hospital projects, as seen in the last three years, are continuing all over the metro. Some of the hospitals just continue to expand and add additional services and buildings including the University of Kansas Health System (KU Hospital), HCA Midwest Health, Shawnee Mission Health, St. Luke's Health System, and Advent Health. KU's largest project again was the continued expansion of their Cambridge Tower, located just west of their main campus at 39th Street and Rainbow Boulevard. The University of Kansas is also expanding its Indian Creek Hospital at a cost of $50.3 million, which is just being completed at yearend 2019, and includes 122,507 square feet across four floors and connects to the adjacent hospital. HCA Midwest Health continues to look at opportunities for expansion and looks to potentially add to its recent new I-435 corridor presence in the Roe Medical Centre I facility at I-435 and Roe Avenue. At that facility, HCA brought multiple disciplines together in the building, including the vascular department, cardiology, gastroenterology and endocrinology and bariatrics but they potentially will look at additional expansion in this area to bring more disciplines to the I-435 corridor. HCA Midwest is also underway with a $65 million neuroscience and orthopedic center at Menorah Medical Center.

Advent Health Shawnee Mission plans to add a 200 patient hospital as part of a wellness campus at the northwest corner of 87th Street and Renner Boulevard in the Lenexa City Center. The 25-acre parcel was acquired in 2019 and would include a hospital, a lifestyle center, an urgent care facility, as well as commercial and retail buildings as part of a mixed-use medical development. Advent Health also is expanding their current hospital location with the 63,000 square foot B.E. Smith Family Center and a 100,000 square foot building for primary care and physician clinics that will come online in 2020. They also neared completion on the $36 million outpatient campus at College Boulevard and Metcalf Avenue, set to open in early 2020. Work continued on their $150 million project at their South Overland Park campus that will include an 85-bed hospital.

St. Luke's completed the rehab hospital at their St. Luke's South campus at 123rd Street and Metcalf Avenue at a total cost of $40 million which adds a 90,000 square foot, four story structure connected to the existing hospital. Children's Mercy Hospital is also constructing a new pediatric research institute at the Odell Hall Campus in Kansas City, Missouri at an estimated cost of $200 million thanks to the generous donation of $150 million from two of Kansas City's most iconic families, the Hall Family Foundation and the Sunderland Foundation.

There were also a number of other significant real estate developments and/or transactions that occurred in 2019. The Sprint headquarters campus at 115th Street and Lamar Avenue in Overland Park, Kansas was sold to Occidental Management, Inc. out of Wichita, Kansas at a price of approximately $250.9 million for the nearly 4,000,000 square foot campus. Sprint Corporation leased back a portion of the campus for its own operations and approximately one million square feet will be upgraded by Occidental Management to provide new product space for the Overland Park office market.

With the recent approval by the Department of Justice, the Sprint/T-Mobile merger, which was a $26.5 billion deal, is expected to generate as many as 1,500 to 2,000 new jobs for Kansas City as T-Mobile looks to take advantage of a marketplace that is attracting a larger share of college graduates. This merger could also bring about a seismic shift in the mobile world with the emergence of a new wireless player under its negotiated settlement with the Justice Department. Dish Network acquired Sprint's prepaid businesses and spectrum for $5 billion and also gets access to T-Mobile's network. This will provide consumers with another potential



BRES' experience now covers 245 cities in 40 states and we're still growing.

alternate for service. Dish vows to cover 70% of the U.S. with 5G by 2023. Additionally, T-Mobile and Sprint's combined assets are expected to jumpstart it's 5G ambitions, pushing the industry into the next generation technology. The merger was finally approved based upon T-Mobile and Sprint's promise that a combined network will deliver better service at lower prices to the consumer.

T-Mobile, Inc. and Sprint Corp. announced the combined company will add five new customer experience centers throughout the U.S. and each center promises an average of 1,000 new jobs. The Overland Park headquarters facility will be the first of the five new locations and it will be "a new addition" to the existing campus. At this point it's unclear whether the center would be new construction or filling an existing building. T-Mobile CEO John Leger said in a release, "This is an awesome community that is already going to be New T-Mobile's secondary home! I can't wait for the New T-Mobile to become an even bigger part of this community and to personally welcome an amazing group of employees to the Magenta squad-and bring even more to the team!"

In a surprising, but significant, announcement, the Governors of Kansas and Missouri met to officially sign the Border War Truce, pledging that neither state would use economic development incentives to lure existing jobs across the border.

Other interesting major projects include the recently announced Paragon Star, a $250 million sports complex anchored project announced in Lee's Summit. Located at the intersection of I-470 and View High Drive, the project has two parts. A sports complex that includes ten regulation soccer fields and a commercial development with retail, restaurants, hotels, and apartments. The soccer fields should be open for games in the spring of 2020. Additionally, City Ventures, an Omaha based real estate investment company, has moved into the Kansas City Metro area with two major purchases: the first, Lenexa Southlake Technology Park for $88 million and the second, the Park Central Plaza I and II buildings from Sun Life Insurance Company totaling 150,000 square feet.

Another interesting project is the 180-acre mixed-use development called Bonner Crossing which would occupy the northwest corner of Speedway Boulevard and State Avenue. The project, led by Shawnee based The Solutions Group KC, LLC, would include 212 townhomes, 757 apartments, and two 150-room hotels along with 80 assisted living units, 40 independent living units, and a 48,000 square foot medical office building. An Atlanta based company, called Felocity Arts, would operate the proposed performing arts campus portion of the project.

The Zona Rosa retail project located in Platte County along I-29 faced troubles in 2019 when the bonds tied to the infrastructure of the project were not being paid in full. Changes are planned at Zona Rosa to reposition this project for success again in 2020 and 2021.

Two big announcements were made for the Kansas City Metro. First, the U.S. Dept of Agriculture announced its move of two large research agencies from Washington D.C. to the Kansas City area promising 550 research jobs. The USDA selected a site at 805 Pennsylvania and plans to complete the move in 2020. Secondly, Walmart announced it would locate a 1.8 million square foot distribution center in the Kansas City region with its $635 million facility to be located in Topeka, Kansas.

Perhaps the biggest announcement of all is the sale of the Kansas City Royals to a new ownership group led by John Sherman, co-founder of Energy LP. There are 22 co-investors with the ownership made up of representatives from long time companies and/or families in the Kansas City community. With John Sherman's leadership, the Kansas City Royals will be looking for a championship again in the near future. Also, with the acquisition, rumors of a downtown baseball stadium have been reignited, and it remains to be seen whether this is of interest to the new leadership of the Royals. The purchase of the Royals from David Glass was approximately $1 billion and was approved unanimously by the owners of the other big-league clubs in November at the Owners meeting in Arlington, Texas. The new ownership group is just the third owner of the Royals since its inception in 1969 when Ewing Kauffman established the team. Mr. Sherman said that his ownership group brings an impressive collection of skills and strengths across multiple sectors, including business and sports acumen, entrepreneurial curiosity, a willingness to embrace risk, and a deep commitment to civic and community engagement in Kansas City.

Another major investment over the last several years has been made by Creative Planning, a $26 billion investment advisory firm headquartered in Overland Park, Kansas. They announced that they would break ground on construction of their final segment of the Class A campus at 5400 W. 110th Street with a new 108,000 square foot building that would increase the total development footprint to 335,750 square feet upon completion. Another big Kansas City company, Blue Cross and Blue Shield of Kansas City (Blue KC) just announced at yearend 2019 that it would begin exploring alternatives for its headquarters at 2301 Main Street in Kansas City, Missouri. Blue KC is now in the early stage of discussions to consider options that are cost effective and meet the needs of the company and their overall workforce priorities.

Another recent announcement of two 10-story towers on the Berkley Riverfront by a mystery developer shows that there is continued interest in development of the riverfront. Port KC officials declined to comment on the developer's identity but are negotiating both a sale and development agreement for same. The Riverfront has changed dramatically in the past several years, with the additions of Union Berkley, BarK (a dog park bar), and two other apartment complexes, one from NorthPoint Development and one from Prairie Fire Development.

The Wonderscope Children's Museum has begun construction of a new $15 million site located at 433 East Red Bridge Road at the Red Bridge Shopping Center in Kansas City, Missouri. The 30,000 square foot museum will more than triple their current 9,000 square foot location in Shawnee, Kansas and will feature 10 exhibit spaces focusing on STEAM (Science, Technology, Engineering, Arts, & Math). The $1 billion Bluehawk mixed-use development in Overland Park will receive $66 million in Kansas sales tax revenue bonds, in part to help construct a hockey arena and sports complex, which may be a potential blow to a competing facility in Olathe that also sought the same incentives. The Bluehawk Development encompasses 277 acres southwest of U.S. 69 Highway and 159th Street and envisions a new 3,500 seat arena and an adjacent multi-sport complex that includes a hockey arena. The arena anticipates hosting a U.S. hockey league team.

With the new airport now planned to be open by 2022, Kansas City will be known as a regional center for commercial airline activity and it is expected to increase passenger ridership and attract new business to the Metro.

In another big announcement Waddell & Reed Financial, Inc. has agreed to move from its Overland Park location to a new $140 million Headquarters to be built at the southwest corner of 14th and Wyandotte Streets. The news comes after the Missouri Department of Economic Development announced plans to award Waddell & Reed more than $62 million in state incentives for the Overland Park based company to jump the state line. This is in addition to just over $35 million in local incentives offered to the company. This commitment was made before the completion of the new border war treaty that would not have allowed incentives to be provided for such a move. The site is owned by an affiliate of SS&C Technologies Holdings, Inc. the company that bought DST Systems in 2018, and which has ties to the Merriman family, which owns Financial Holding Corp.

In another big announcement, WeWork has agreed to occupy more than 101,000 square foot of space in the new Lightwell building, formerly CityCenter Square, in downtown Kansas City. This is a major commitment to the new Lightwell building that will be renovated from top to bottom and is the first large new commitment in the Kansas City area by WeWork since its recently highly publicized troubles that caused it to postpone a planned IPO. Another company, Industrious, which is in the flexible workspace market, also entered Kansas City with a new Country Club Plaza location. It will take 30,000 square feet at 420 Nichols Road and will provide co-working and private offices at that location.

In a surprising, but significant, announcement, the Governors of Kansas and Missouri met to officially sign the Border War Truce. Each Governor signed an order pledging that neither state would use economic development incentives to lure existing jobs across the border. What's interesting is this is the first time in many years that the two states have been able to reach agreement on this significant issue. In essence, companies have in the past received large amounts of money in tax breaks and other perks by skipping over the Kansas-Missouri state line in the Kansas City Metro area and taking economic development subsidies. Critics have argued that these moves have added zero jobs to the Metro region by just moving a few miles. However, others argued that these companies do have the options to move out of state and therefore the Metro for many years felt it necessary to provide these incentives to keep them. With the new border war truce, incentives for crossing the state line will be much more difficult to receive by area companies.

In another big announcement, Block Real Estate Services, LLC (BRES) formed an investment group to acquire an additional 150 acres of land at the northwest corner of College and Renner Boulevards in Lenexa, Kansas. The land will allow a planned expansion of the Lenexa Logistics Centre North development that BRES commenced approximately two years ago. This is in addition to the 120-acre Lenexa Logistics Centre South, the 80-acre Lenexa Logistics Centre East, and the first phase 80-acre Lenexa Logistics Centre North development in that same corridor. The land will be used for light industrial, mid-bulk, and bulk industrial construction and will continue to serve as a superior alternative in the Metro, due to availability of employees.

Another exciting development planned in the Kansas City Metro is by Knoxville, Tennessee based Provision Healthcare, LLC, a vertically integrated company that manufactures proton therapy systems. The company will build a new 40,000 square foot proton therapy center and a 90,000 square foot medical office building on 11.5 acres adjacent to Renner Corporate Centre I, a BRES developed and owned 150,000 square foot, five-story office building at 95th Street and Renner Boulevard, Lenexa, Kansas. Proton therapy is an advanced form of targeted radiation treatment using protons, rather than x-rays, to attack cancers and tumors through a precisely targeted treatment. Provision Healthcare CEO, Terry Douglas noted that he had been eyeing the Kansas City market for several years and felt the location in Lenexa, close to the City Center Development, was a prime location and one that's accessible to the multitude of patients they will see from around the region.

Finally, after five and a half years of fighting with the neighbors and the City of Overland Park, the $1.8 billion Brookridge redevelopment project won more than $200 million of tax incentives. The project will include offices, multifamily, retail, hotel, and other uses on the site at I-435 and Antioch Road. The project is set to begin preliminary street and infrastructure work in the next 12 to 24 months.

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 8.86 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.

Kansas City is home to over 2.63 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, The Andersons, Mariner Wealth Advisors, Creative Planning, Inc., and a host of others.

The area population is very well educated with over 43% having a college degree and nearly 93% having a high

Kansas Governor Laura Kelly and Missouri Governor Mike Parson signed individual orders for the Boarder War Truce in August 2019. The orders end the use of economic development incentives, by both states, to lure existing jobs across the state line. Critics had argued that the incentives generated zero jobs to the Metro region for moving a short distance, while others have argued that these companies have options outside the Kansas City Metro.

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. The recent sale of the Kansas City Royals to a local ownership group, led by John Sherman, brings new hope to the community that we will see future baseball championships.

Kansas City continues to be one of the best places in the country for real estate investments in terms of long-term yields and overall investment capital returns.

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 four cultural art destination in the country.

Unparalleled Transportation Presence

The Kansas City area is served by eleven major commercial airlines and their connection partners. These carriers offer over 174 daily departures with non-stop service to nearly 46 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 2022, 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 International (KCI) is currently the 40th busiest airport in the Country.

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 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. I-35, 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.

Construction on KCI started in April 2019 with the demolition of Terminal A being substantially completed in July 2019. Edgemoor, the developer, announced, as part of their winter update, that the project was on budget at $1.5 billion and on schedule to open March 2023 prior to Kansas City hosting the NFL Draft in April 2023. (Renderings from the KCI-Edgemoor team)

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 36.5% of all sales in the global animal health market, which now totals $23.40 billion. More than 302 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.

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 $2.0 billion in research during the last 16 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 2019. 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. 6 for America's Best Downtowns, No. 4 for Young Entrepreneurs, a top 10 travel destination, No. 20 in the country for young brain power, No. 8 for best park systems in the nation, No. 11 best city in America, No. 3 for female entrepreneurs, a top 10 coolest city in the Midwest, a top three most philanthropic community in the country, No. 5 on the list of America's smartest cities by U.S. Today, a top five romantic city by Livability.com, and No. 5 overall best city in America to raise a family by Parenting magazine. Kansas City also ranks tenth best city in America for sports but continues and strengthens its ranking 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 No. 20 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.

Ranked one of the top four distribution centers in the country, Kansas City has the number one ranking by rail freight volume and number two ranking of largest rail carriers behind Chicago.

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, fifth best city in the country for new startups, and first in the country for affordability by Travel+Leisure.

KANSAS CITY METRO RECAP

In 2019, the Kansas City Metro economy remained very 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 long-term yields and overall investment capital returns. It continues to be ranked as one of the top cities for investments because of its consistent and predictable investment cycle. This ranking has continued to attract more institutional and foreign investment activity to the Kansas City market over the last several years.

The multifamily sector, in 2019, had another year with a very impressive growth rate, continuing a trend for the last several years. Over 1,500 units were constructed in 2019 with another 9,997 units currently under construction and slated to deliver in 2020 and in 2021. The multifamily sector continued to thrive in 2019 and is expected do well in 2020 because the number of units being built is very comparable to the demand prevalent in the market. Developers have been smart to build to the market and not overbuild the market and while demand will slow slightly in 2020, the pace of development is also slowing based on less desirable construction financing, lack of equity, and rent growth.

The industrial sector has continued as the strongest sector of real estate in Kansas City. This year, speculative development continued at a slower pace with just over 2.91 million square feet delivered in 2019, compared to the very high 6 million square feet completed in 2018. The vast majority of space being developed is speculative mid-bulk and Class A bulk-industrial property. According to CBRE Research, absorption saw an increase in 2019 with over 6.3 million square feet of speculative and build-to-suit development absorbed as compared to 6.1 million square feet absorbed in 2018, and 7.68 million square feet absorbed in 2017. Predictions for the Kansas City industrial market are expected to be gain strength again through 2020, as intermodal activity in the automotive sector lead the way. Major industrial developers include NorthPoint Development, Block Real Estate Services, LLC, Midwest, and Trammel Crow/ Clarion Partners at the KCI Intermodal.

The office sector was stronger in 2019 than 2018, but as usual specific market niches lead the way. Unlike the past, the South KC Submarket led all markets with 791,000 square feet under construction, largely due to Cerner's new Innovations campus and the healthcare giant's other office developments in the area. The Johnson County market followed with around 390,000 square feet of office product under construction. Most newer office developments are Class A "live, work, play" locations in the community and are seeing strong leasing. The strongest activity in Johnson County remains in the College Boulevard corridor running from State Line to Highway 69.

The retail sector improved again slightly in 2019 as specific niche projects again lead the way. Grocery and entertainment anchored retail projects are still the desired development product, although we are seeing more entertainment and restaurant led projects gaining steam. We are also seeing new mixed-use projects such as Mission Gateway get under construction and we expect this type of mixed-use project to be where most retail activity will occur in 2020.

The healthcare sector in Kansas City, as it has for the last several years, remained extremely strong with nearly $840 million of new healthcare development by area hospitals, medical developers, and health service providers. This growth will continue to be strong in 2020 and 2021, as hospitals expect to build new healthcare services both at their main campuses and in standalone locations so that they can provide quick healthcare services to the community.

In 2019, more than $3.37 billion of residential, commercial, and industrial construction was either planned or underway in the metro area. This level dropped somewhat from the $3.85 billion of activity in 2018 and is far short of the $5.9 billion in 2016 which was the highest annual amount of construction activity in Kansas City history.

As we noted previously in our annual report, continued warning signs on the horizon include the following:

- The FMOC, which had raised Federal funds rates through 2017 and 2018, for the first time in several years dropped rates three times back to 1.5%. Expectations are that there will be one to three additional reductions in the rate in 2020, as the global national economies slow. Additionally, the Federal Reserve has decided to halt any additional balance sheet reductions based upon perceived weakness in the economy. The Federal Reserve had increased its balance sheet up to $4.5 trillion, but recently lowered it to $3.8 trillion before deciding to halt additional reductions at this time. After accumulating the $4.5 trillion of debt in early 2015, policy makers began unwinding the portfolio at the end of 2017, and had expected to drop it to a range between $3 and $3.5 trillion, although it appears, the portfolio balance will remain at $3.8 trillion at yearend 2019.
- The country is as divided as we have ever seen it, with the House of Representatives undertaking impeachment proceedings against President Trump. As of yearend, we expect that the House of Representatives will vote to impeach President Trump which if they do, the Senate will have a trial in early 2020. While it is uncertain what the results will be, to date most believe that the impeachment hearings have been politically charged and that Republicans, with a strong majority in the Senate, are not expected to break ranks and therefore would acquit President Trump. It is unfortunate for everyone in the country that our elected Representatives are not taking up the big issues that face our nation such as healthcare, immigration, the opioid crisis, and a host of other serious issues.

2019 saw more than $3.37 billion of residential, commercial, and industrial construction.

- Business and government leadership have finally begun to work together across our two states with the border treaty finally being signed earlier this year. It is imperative now more than ever that our leadership work as a united community to promote the Kansas City Metro and to bring more business into our community from the outside. Kansas City needs to create more job opportunities in order to keep up with its peer cities and it is essential that there is a strong public private partnership in all 50 separate communities that make up the Kansas City metropolitan area in order to encourage this increased investment in development activity. There needs to be consistent legislation by city leaders throughout the community, so that developers know "the rules" before they look for development opportunities 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, we can create a stronger business and social community in the Kansas City Region.

Kansas City is an amazing community and has some many great places to live, work, and play. The community will continue to grow and remain a great city economically, culturally, and socially, as long as we have diligent and focused leadership. By everyone working together in a true public private partnership, Kansas City will continue to remain "a great place to live, work, and play."

Contributor: Kenneth G. Block, CCIM, SIOR, Managing Principal

Kansas City
Downtown Development

In January 2019, Somera Road, Inc. purchased 1100 Main Street, Kansas City, Missouri for $37.4 million. The 663,656 square foot, 30-story building, formerly known as City Center Square, is being renamed Lightwell and undergoing a full renovation. The New York-based commercial real estate investment company previously completed a similar exercise with 3Y, a four-story, 94,846 square foot building in the River Market.

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.

Still riding the momentum from the city's $100 million investment in the KC Streetcar, 2019 proved to be yet another phenomenal year for construction in Downtown Kansas City. Since the streetcar's opening in 2016, the city has experienced approximately $2 billion in new economic development in both private and public projects in the Downtown submarket. 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 50% of the estimated $352 million expansion efforts are to be funded locally through the Main Street Rail Transportation Development District (TDD), which will levy a property tax surcharge and additional one-cent sales tax. The remaining gap is to be funded by federal grant programs. Current construction is slated to begin in 2021, with an opening in late 2024 to early 2025. With 2019 seeing a record number of riders, the fully integrated transit system will undoubtedly fuel development for years to come.

RESIDENTIAL

In 2019, 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

Touted as the world's largest structure to achieve Passive House energy-efficiency standards, the Second and Delaware apartment community is slated to open fall 2020 after the project stalled in mid-2017. Developed by Arnold Development Group the $96 million project will offer 276 units in the Kansas City River Market.

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 population only increased roughly 6% from the years 2000 to 2016. However, since 2016, and alongside the delivery of the streetcar, Downtown has gained over 5,250 new residents, a staggering 23% population increase.

Much of this growth can be attributed to the success The Cordish Companies has had turning nine city blocks in the heart of Downtown into a top destination to live, work, and play kicking off with the development of Kansas City Live! In 2004. This entertainment and retail district has served as the catalyst in the $5 billion urban renaissance for Downtown Kansas City, which now includes the likes of the Sprint Center arena, Kauffman Center for the Performing Arts, and the Loews Kansas City Convention Center Hotel. Shortly after many of the venues opened in 2008, Cosentino's Market opened as the first downtown grocery store in over 50 years. This paved the way for The Cordish Companies to break ground on the first new market rate, high-rise apartment tower 2014. 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

> Much of the urban renaissance for Downtown Kansas City can be attributed to the success The Cordish Companies has had turning nine city blocks in the heart of the downtown loop into a top destination to live, work, and play. Their involvement started in 2004 with the development of Kansas City Live! and and has continued now for 16 years with their development of One Light, Two Light and Three Light in 2020.

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, which had originally anticipated breaking ground in 2019, has pushed back their start date to early 2020. As the lease-up of the previous buildings had triggered the groundbreaking of the next, this postponement came with a bit of concern to local owners and developers. However, executive director Nick Benjamin alleviated these concerns in a recent interview by addressing the delay as merely a design change to accommodate more residents to meet the demand of their penthouse and smaller studio units. This change, at a cost of $20 million, brings an additional 22 units for a total of 322. Benjamin attributes this to how well their first two phases were received, which currently sits at an impressive 96% and 97% occupancy respectfully. With completion estimated in 2022, Three Light will be situated adjacent to Two Light on Truman Road between Walnut and Main Streets.

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 historic Traders on Grand office building led 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 202 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.

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. The 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 in 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 mid-2020. 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.

In 2019, 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.

Commonly referred to as the Stockyards District, the West Bottoms will also have its first large-scale new project delivered in 2020. Paying homage to the area that once was the economic engine of Kansas City with sprawling livestock yards and meatpacking plants, the $41 million mixed-use project will be termed The Yards. This development will feature 232 luxury apartment units and 5,500 square feet of retail. Additionally, residents will all have access to an 8,000 square foot amenity center that will include a bike repair shop, a dog grooming area, and a state-of-the-art fitness center.

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 interests and future investment. This is evident by the nearly 4,000 units completed since 2014, and the 1,923 units under construction in 2019. A few additional examples of these projects include:

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 in August 2020 and will offer unique amenities including a pool overlooking the Missouri River, rooftop gardens, and proximity to the KC Streetcar.

REVERB, a 14-story luxury apartment designed by Burns & McDonnell and developed by Copaken Brooks, is expected to open in the summer of 2020. The $40 million development will feature 132 apartments above 2,000 square feet of commercial space. Affordable housing will be reserved for 10% of the units, which the Kansas City Council defines as 30% of the city's median income, which is equivalent to about $1,100 a month. This helped the project receive an 85% property tax abatement for the first ten years and 65% for the following ten years. Located at 18th and Walnut, REVERB will be the second luxury high-rise apartment development delivered to the Crossroads Arts District by Copaken in the last three years. ARTerra 21 was delivered in 2018 and consists of 126 luxury apartment units, as well as first-floor retail space.

Other notable developments currently planned or under construction include: City Club Apartments (226 units by City Club), Gallerie (361 units by Milhaus Development), 31 Levy (122 units by Epoch Development), Armour Crossing (294 units by MAC), The Flashcube (184 units by Worcester Investments), and River Market West II (116 units by Northpoint Development).

The Downtown submarket has undergone a striking transformation. Over 4,000 units have been delivered across the Downtown submarket since 2014. With another 1,923 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 93.7%, and average asking rental rates were $1,394, or $1.53 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

As Downtown Kansas City's renaissance continues to move along at an impressive rate, one thing remains clear: people want to be Downtown. With each passing year providing ever-increasing levels of vibrancy and demand for new and varied residential and entertainment experiences, years of investment in the Downtown submarket have started to pay off. These factors, bolstered by a flourishing economy and tightening labor market, have accordingly resulted in a resurgence in demand for Downtown office space as employers continue to recognize location as more of an employee benefit and attractant for high-quality talent. However, as nearly 3.5 million square feet of former Downtown office space has been reconfigured for residential and hotel use over the past several years, the Downtown office supply has lagged. Fortunately, 2019 brought several landmark office projects to the table to meet the increasing demand for the live, work, play lifestyle:

- Lightwell, located in the heart of Downtown, was purchased in January 2019 by New York-based real estate private equity firm Somera Road, Inc. They have enlisted AREA Real Estate Advisors and contractor JE Dunn to help with leasing and construction renovations. The 740,000 square foot tower, formerly known as City Center Square, is one of Kansas City's four tallest buildings and was purchased with the vision of a complete renovation and reinvention to offer Kansas City's fastest-growing tech companies a vibrant and amenity-rich experience. Lightwell is expected to provide a three-stage system for tech-growth in Kansas City – a school for tech talent, coworking space for startups and private office space for scaling companies, according to Somera Road vice president Basel Bataineh. Substantial investment in the physical and aesthetic signature of the building is anticipated to provide a trendy Class-A tech hub which has already inked leases with WeWork and BacklotCars for over 125,000 square feet in total.

Rental rates are showing the impact of demand in the Downtown office space. In the third quarter of 2019 the overall average asking rental rate was $20.19 per square foot or approximately 5.4% higher, or $1.05 year-over-year higher than in 2017. The vacancy rates have also decreased, hitting 15.5% which is down 1.2% from 2015.

- The U.S. Department of Agriculture announced in June 2019 that it would relocate two government agencies, the Economic Research Service and the National Institute of Food and Agriculture, from Washington D.C. to the Kansas City area, bringing over 500 jobs with them. The announcement set off a four-month battle between both sides of the state line, with the USDA ultimately settling on the Class-A complex formerly occupied by State Street Corporation and located Downtown at 805 Pennsylvania Avenue. Local government agencies, predominantly the Port Authority of Kansas City, offered $26 million in incentives to win the jobs, and the USDA is expected to save nearly $300 million in employment and rent costs over the 15-year lease in Kansas City.
- Waddell & Reed, one of the nation's oldest financial planning firms, announced over the summer that it was seeking a new headquarters location across the state line in Missouri, relocating from its long-time home in Overland Park, Kansas. Through a truce to end the long-standing economic "border war," the practice of Kansas and Missouri luring employers to move across state lines by offering ever-growing incentive packages, was established earlier this year, the Waddell & Reed deal is considered to be grandfathered in, as it was one of several deals in the works during the truce discussions. The firm's future headquarters, a to-be-developed 250,000

The USDA signed a lease for 134,912 square feet in the former State Street building at 805 Pennsylvania Avenue, Kansas City, Missouri, in October 2019. The lease comes after the USDA made an announcement in June 2019 that two agencies, the Economic Research Service and the National Institute of Food and Agriculture, along with hundreds of jobs were coming to the Kansas City area.

square foot office tower, is to be located at 1400 Baltimore Avenue in Downtown Kansas City. Waddell & Reed chose Burns & McDonnell and Financial Holding Corp. as the developer, and the financial services firm will not own the building, estimated to cost over $140 million, opting instead for a 15-year lease. Incentives are still being finalized, though just under $100 million in combined city and state tax abatements are expected.

- Strata, a 25-story speculative office building to be developed in partnership by Copaken Brooks, H&R Block Inc., and Ron Jury & Associates is anticipated to begin construction in 2020. The project, which is to be located at 1300 Main Street in the Power & Light District, has been in the works for three years, but only recently won approval due to months of delays pertaining to the proposed incentives package. Touted as the first Class-A office high-rise multi-tenant building in Downtown Kansas City over the last 91 years, the $133 million Strata project will be built on top of the two currently existing levels of retail located at the site, and will include parking for 770 cars. As the project is being developed on a speculative basis, with no specific tenant in mind, it is expected to highlight Kansas City as a top option for new national tenants looking to establish a presence in the area. By promising unparalleled aesthetic design and proximity to Downtown's exciting amenities, Strata is anticipated to redefine the Downtown office experience.

As demand for Downtown office space increases, so too have rental rates. As of the third quarter in 2019, overall asking rental rates for office space in Kansas City's CBD averaged $20.19 per square foot, with Class-A office space averaging $22.83 per square foot. This represents an increase of approximately 5.4%, or $1.05 PSF, year-over-year since 2017 for the CBD. Similarly, overall asking rates for the entire metro averaged $20.59 per square foot as of third quarter 2019, an increase of 5.3%, or $1.03 PSF, over the same period. Office vacancy rates in the CBD averaged approximately 15.5% during the third quarter, a decrease of 1.2% since 2015, and vacancy rates for the entire metro averaged 13.2% for the quarter. Finally, the Downtown submarket posted around 48,000 square feet of positive net absorption as of third quarter 2019.

Of the approximate 53.1 million total square feet of office space in the Kansas City Metro, the Downtown Submarket accounts for nearly 11.5 million, or almost 22%. Despite the reduction in inventory in recent years, due primarily to its conversion to other uses such as residential and hotel, availability in the Downtown office sector appears to be recovering quite well, with over one million square feet currently under construction in the submarket and another 1.7 million square feet planned. This equates to investment values of $163.5 million and $366.5 million, respectively. This is quite remarkable considering that during the five-year span of 2013 through 2018, just 518,000 square feet of office space was completed and delivered Downtown, constituting approximately $108 million in investment value.

The robust recovery that the Downtown office sector is experiencing will undoubtedly create a healthier and more stable market as employers continue to establish and increase their footprint in Kansas City, particularly those relocating from the suburbs.

While the hotel boom currently underway in Downtown Kansas City is highlighted by the Loew's Kansas City Convention Center Hotel, there are numerous notable developments also underway, further addressing the conviction that Kansas City lacks adequate accommodations for major future events.

HOTEL

As Downtown Kansas City continues to attract increasing numbers of residents, businesses, and visitors, the need for modern and sophisticated hotel accommodations has increased proportionally. Historically Kansas City has lagged other comparable 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, the project broke ground at the beginning of 2018 with a projected cost of $325 million. This cost has since increased $45 million as it nears completion. The ambitious project is Downtown's largest new hotel project since the Vista International, now included in Kansas City's iconic Marriott, opened over three decades ago. Offering 800 rooms, multiple restaurants, and ample amenities and meeting space, the convention center hotel marks a new chapter for Downtown Kansas City. The project occupies a three-acre city block across from the Bartle Hall Grand Ballroom and bound by Truman Road to the north and 17th Street to the south, Wyandotte Street to the west and Baltimore Avenue to the east. An enclosed walkway over Wyandotte Street will connect the hotel to the ballroom.

While the hotel boom currently underway in Downtown Kansas City is highlighted by the Loew's Kansas City Convention Center Hotel, there are numerous notable developments also underway, further addressing the conviction that Kansas City lacks adequate accommodations for major future events. Hotel Bravo, the $63 million project previously proposed to face towards the Kauffman Center for the Performing Arts has since been tabled. While Hotel Bravo has fallen to the wayside, various other developers have stepped in to seize the opportunity. One of these developers is Mashburn Development with the Allé project. Mashburn's $100 million proposal will include three towers located on Broadway Boulevard near the Kauffman Center. The towers will be comprised of two apartment buildings, containing 213 units, and the 220-room hotel. Located on an opportunity zone, the groundbreaking for Allé will not commence until late 2020 or early 2021 with a construction period of 18 to 24 months. Another example is the two-tower hotel project located on the Country Club Plaza and will include retail and restaurant space. The $150 million project, which was recently approved by the Kansas City Plan Commission, will provide 304 rooms to the district under the Marriott name. Marriott's Aloft Hotel and Tribute Hotel are expected to open in 2021. It is important to note that the Country Club Plaza is located in the South Kansas City submarket. While the Plaza is not included in the Downtown submarket, there is a strong correlation in the development trends between the two submarkets.

Contributors: Chip Chalender, Zach Gant and Connor Childress, Financial Analysts

Platform Ventures is set to break ground on the first new downtown office tower in decades sometime in 2020. The $70 million, 152,000 square foot, 14-story office project is located on the northeast corner of 13th and Wyandotte Streets across from the Barney Allis Plaza.

Kansas City
Office Market

Town Pavilion, 1201 Walnut Street, Kansas City, Missouri, and approximately 0.75 acres of land at 1211 Grand Boulevard were part of a $54 million sale in March 2019. Copaken Brooks sold the 480,886 square foot, 38-story, originally built in 1991, building to Square Deal Capital.

The United States office market vacancy rate grew to 13.2% in 2019, up from 9.1% at the end of 2018. Through 2019, the market absorbed approximately 48 million square feet of office space, down from the 65 million square feet absorbed in 2018. The 3.5% U.S. unemployment rate, as of November 2019, was the lowest recorded. 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.

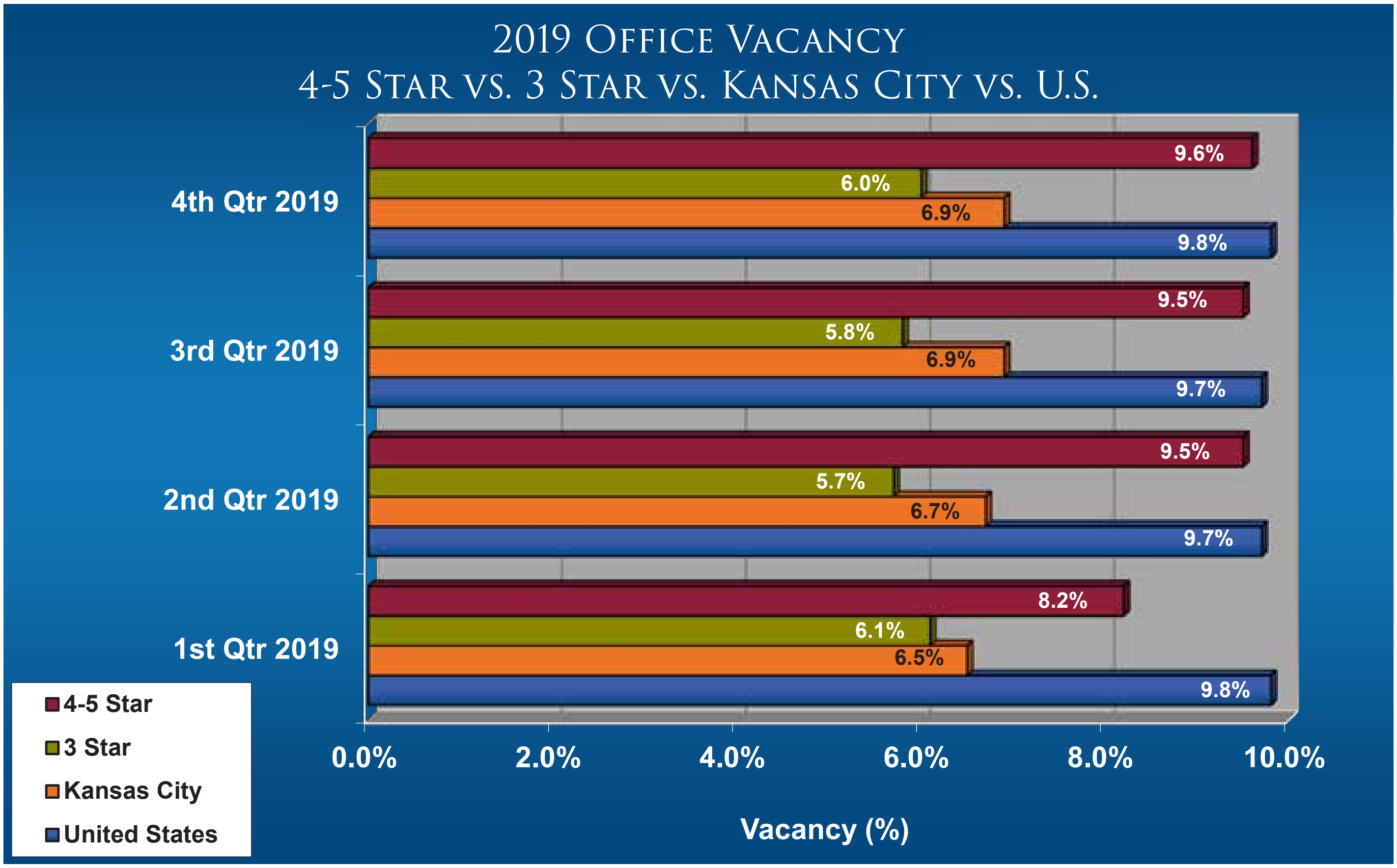
Demand nationally for office space within mixed-use developments offering a work, live, play environment remains vibrant. Urban core revitalization continues to attract office users and mass transit options are continuing to expand meeting that demand. The proposed move of Waddell and Reed to a new downtown tower and the construction of CityPlace Corporate Centre I and III demonstrate the attraction of the work, live, play concepts in both an urban and suburban environment in the Kansas City Metro.

In 2019, the office market, nationally, saw an increase in the average rental rate to $33.83 per square foot, up from $25.49 per square foot, across all classes. Year-to-date (YTD) delivery of office space was approximately 74 million square feet with another 153 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 $20.31, up from $19.62 per square foot for the same time period in 2018. Additionally, the market saw positive absorption of nearly 38,800 square feet, down from 77,069 square feet in 2018.

SOUTH JOHNSON COUNTY

At the end of the fourth quarter 2019, the South Johnson



County submarket consisted of about 30 million square feet across all building classes. Of that, 3.22 million square feet were available, including sublease space. This equated to an overall vacancy rate of 8.2%, slightly higher than the 7.7% from a year ago, with over 145,000 square feet in deliveries with the market showing positive absorption.

Significant office leases in the South Johnson County submarket completed in 2019 include:

Sprint sale-leaseback, 1.78 million square feet at The Sprint Campus

WellSky, 90,000 square feet at CityPlace in Overland Park

Compass Minerals, renewal and expansion, 78,000 square feet in Corporate Woods

HomeAdvisor, 58,827 square feet at 17100 West 118th Terrace in Olathe

BSA LifeStructures, 46,413 square feet at 6601 College Blvd in Overland Park

Worldwide Express, 45,000 square feet at CityPlace in Overland Park

FireMon, 26,955 square feet at Executive Hills 25 in Overland Park

The Scoular Company, 26,170 square feet at 84 Corporate Woods in Overland Park

Quest Analytics, 19,185 square feet at 32 Corporate Woods in Overland Park

Cumulus Radio, 18,522 square feet at 6 Corporate Woods in Overland Park

National Crop Insurance Services, 18,522 square feet at 6 Corporate Woods in Overland Park

Walsworth Publishing, 18,086 square feet at Commerce Plaza in Overland Park

Building Classes A, B, and C reported a total of approximately 87,950 square feet of net absorption through the third quarter of 2019, which includes about 144,656 square feet of new construction delivery.

Current deliveries include:

5454 W. 110th Street at 121,615 square feet

5440 W. 110th Street at 106,676 square feet

The overall average asking rate increased from $22.12 per square foot at the end of the third quarter of 2018 to $22.23 per square foot at the end of the third quarter of 2019. 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 8.0% inclusive of sublease opportunities, which is about the same as last year's 7.9%.

The average asking rate for direct deals and subleases was $24.14 per square foot at the end of the third quarter, which was also an increase from $23.61 a year ago.

Class A YTD deliveries totaled 120,000 square feet for the South Johnson County submarket with a positive net absorption of about 120,521 square feet YTD 2019.

FOR CLASS B PROPERTIES:

Vacancy stood at 8.9% inclusive of sublease opportunities, up from 7.8% a year ago.

The average asking rate for direct deals and subleases was $20.83 per square foot at the end of the third quarter, down

The 98,507 square foot Westbrook III office building, 8050 Marshall Drive, Lenexa, Kansas, was sold in October 2019 for $15.3 million to Excelsior Westbrook III, LLC. Built in 2001, its tenants include CBOE Global Markets, Paycore Inc., and the U.S. Food and Drug Administration.

$0.39 per square foot from a year ago.

Class B YTD deliveries totaled 24,656 square feet for the submarket with a negative net absorption of about 39,429 square feet YTD 2019.

FOR CLASS C PROPERTIES:

Class C properties are not a significant portion of the South Johnson County submarket, accounting for approximately 7% of the square footage. Vacancy stood at 4.4% inclusive of sublease opportunities.

The average asking rate for direct deals and subleases was $17.19 per square foot at the end of the third quarter.

YTD, the submarket has a positive net absorption of about 6,858 square feet in 2019.

In addition, BRES tracks a tenant density metric for South Johnson County. The metric measures the amount of physical spaces available in comparison to the number of tenants in the market looking for new space. The 2019 third quarter tenant density calculation for a tenant's size of 5,000 to 15,000 square feet is 1.36. In other words, this means that for every tenant of this size out in the market, there are only 1.36 spaces available. Currently, there are 102 spaces in this size range available, but there are 75 tenants in the market looking at these spaces. The higher this metric, the more tenant friendly the market will be. Currently, at 1.36, it's a Landlord's market. It's another version of musical chairs.

NORTH JOHNSON COUNTY

Major companies have looked to the North Johnson County market for years as a place to do business. These include: The University of Kansas Health System, Lee Jeans, Ryan Transportation Services, Waddell & Reed, and many others. With a major project under construction at the Edison District office, there are great things ahead for the North Johnson County market. Development of Downtown Overland Park (DTOP) has increased rapidly in recent years, with the Edison District office being one of those projects. The anticipated move of Waddell & Reed to Downtown Kansas City will open a major office park in the area. The largest lease in 2019 was signed by BRR Architecture for 39,000 square feet at 81st Street and Metcalf Avenue.

Over 13 million square feet of inventory exists in the market spread across 677 buildings; 1.8 million square feet are currently available. In the northeast Johnson County submarket, vacancies are steady at 9.5%. This is an uptick from 2018 when vacancies stood at just over 6%, but this can likely be explained by the delivery of four new properties. The Northwest Johnson County submarket shows vacancies at 4% which is a decrease from the end of 2018 when vacancies were at just over 7%.

Net absorption in northwest Johnson County was positive at 204,580 square feet, while absorption in northeast Johnson County was negative at 272,786 square feet.

Average asking rent per square foot stands at $21.79 in the northwest, while the northeast section is hovering at $19.72. These numbers are for all classes of buildings.

For Class A properties throughout north Johnson County, the average asking rent is $25.16 per square foot. This number is ever so slightly higher than this time last year.

Class B properties in this area are asking $19.95 for rent while Class C Properties are going for $17.15 per square foot.

CENTRAL BUSINESS DISTRICT AND SURROUNDING SUBMARKETS

The Central Business District (CBD), Crown Center, Crossroads, and West Bottoms areas make up the overall Downtown submarket. These areas combine for a total of 28.5 million square feet and an overall vacancy which dropped from 6.2% in 2018 to 5.7% at the end of 2019. The total available space for the Downtown submarket was 1.6 million square feet, with nearly 350,000 square feet of absorption during the year. The market continues its resurgence with announcements that Waddell & Reed will develop a $140 million tower at 16th Street and Baltimore Avenue, the USDA will relocate roughly 500 jobs from Washington D.C. to 805 Pennsylvania, and Somera Road will redevelop the 665,000 square foot City Center Square, rebranding it to Lightwell Building at an estimated cost of $60 million.

Consisting of 18.1 million square feet, the CBD reported an overall vacancy rate of 4.7%, which is down from 5.6% at the end of 2018, and enjoyed positive absorption of 167,000 square feet in 2019 on top of the 224,000 square feet in 2018. These figures are significantly better than a few short years ago due to numerous apartment conversion projects and new leases. Class A buildings saw the highest vacancy rate for the end of 2018 at 8.2%, slightly down from 2018. Notable leases include WeWork's 100,000 square foot and BacklotCars' 20,000 square foot leases at the Lightwell Building, and Ruby Receptionists' 32,000 square feet at 300 Wyandotte.

The vacancy rate in the Crossroads dropped to 4.8% from last year's 5.3%, with 35,000 square feet of absorption. This submarket continues to be very attractive to smaller firms.

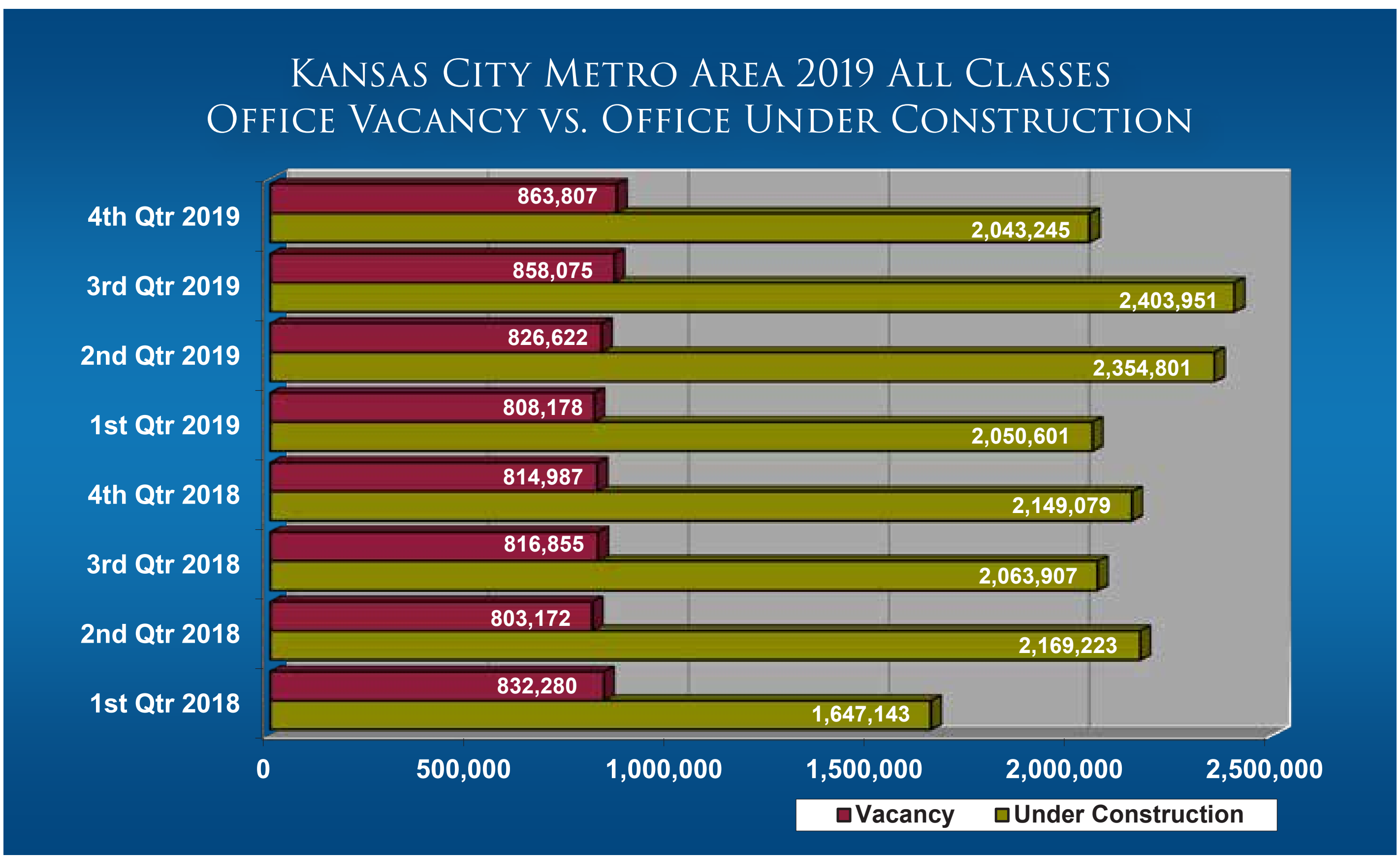
The Crown Center submarket consists of 65 buildings with a total of 6.2 million square feet. The vacancy rate at the end of 2019 was 7.0%, which is up from 2018 at 6.6%. Class A buildings in this submarket experienced a vacancy rate of 19.1%, up significantly from a year prior at 17.0%. The loss of Spring Ventures Group to the CBD contributed the most to submarket total negative absorption of 66,000 square feet.

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 $26.23 per square foot, up 1.8% over 2018. When combined with the Midtown and Brookside submarkets, the area includes 10.8 million square feet and boasts a vacancy rate of 5.5%, 1.55% lower than the city average. Options for large users that desire a Plaza address continue to be limited. Vacancies of at least 20,000 square feet can be found in only five buildings, with the MMGY Global building joining the list in 2019.

With the addition of 46 Penn Centre, BRES' newest Class A office tower, the Country Club Plaza's total inventory includes 122 Class A, B, and C buildings. These buildings had a 6.1% overall vacancy, up from 3.3% a year ago. This is a temporary spike caused by 46 Penn Centre while the building's preleasing efforts are still in process. The Plaza continues to be one of the tightest markets in the entire metro.

Notable deals include the CrossFirst Bank, Block Real Estate Services, RSM, UBS, and Pulse Design Group leases at 46 Penn Centre, totaling nearly 115,000 square feet. Platform Ventures purchased Plaza Vista building for $118 million.



BRES agents Brent Roberts and Bruce Johnson represented the owner of JWilliams Technology Centre, 7920-7930 NW 110th Street, Kansas City, Missouri, in the signing of a lease for 65,825 square feet with TriWest Healthcare Alliance in April 2019. The 263,300 square foot building, built in 1996, is now 100% leased.

The Brookside and Midtown portions of the submarket offer 305 buildings with a combined total of 5.4 million square feet. Midtown accounts for 4.8 million square feet of that total. Midtown's 4.3% vacancy rate 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 6.0 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 2019 was 4.3% compared to 4.9% at the end of 2018, or 352,226 square feet including sublease space, compared to a vacancy rate of 6.5% at the end of 2018.

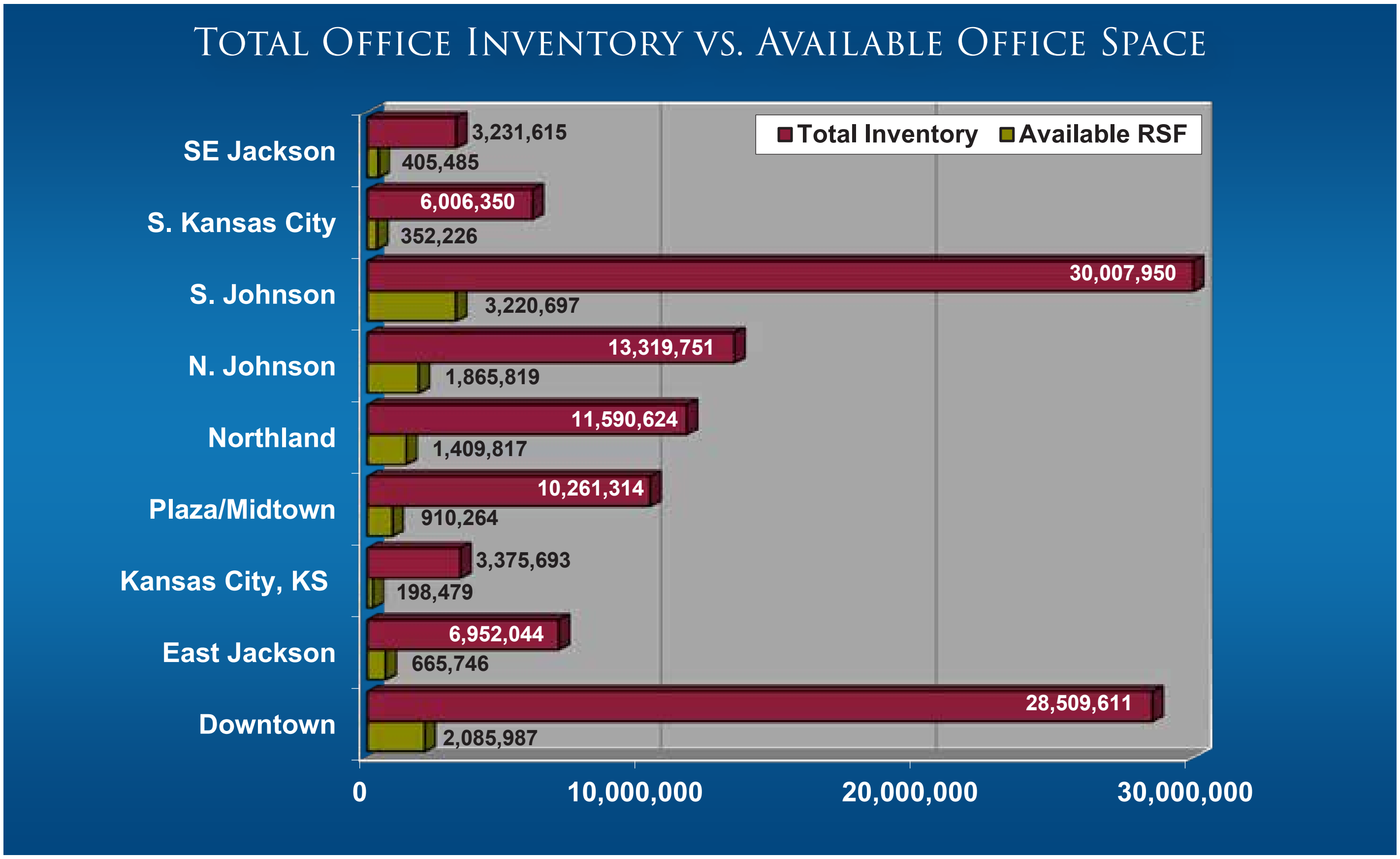
The Class A properties represent 1.74 million square feet of the South Kansas City submarket and saw a vacancy rate of 3.9% at the end of 2019. Rates for Class A properties held steady at the end 2019 at $23.02 per rentable square foot. Consisting of 3.87 million square feet and 18 buildings, the Class 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 2.33 million square feet, Class B properties, totaling 4.4 million square feet and 103 buildings, ended 2019 with the highest vacancy rate in the South Kansas City submarket of 5.6% and negative absorption of 13,945 square feet. The overall rate for Class B properties at the end of 2019 was $21.58 per rentable square feet which is jump from $21.17 at the end of 2018.11%. 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 closed out 2019 with a vacancy rate of 1.6% over 5.8% 1.15 million square feet throughout 965,488 square feet over 139 buildings at the close of 2018.

Class C properties saw rates at $17.82 per rentable square foot compared to $17.62 at the end of 2018. Positive absorption of 18,483 square feet was seen in Class C properties when the year ended. 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.

South Kansas City ended 2019 with an overall rental rate of $21.46 per rentable square foot which is an increase from $21.26 per rentable square foot at the end of 2018. The main deals of 2019 were Honeywell moving in to 80,000 square feet at 9221 Ward Parkway and Catalent moving in to 24,000 square feet at 10400 Hickman Mills Road. Cerner Corporation's Innovation campus continues to drive



new construction in the South Kansas City submarket with 772,126 square feet currently under construction across two buildings.

Notable move-ins during 2018 included Truss relocating to 9200 Ward Parkway and occupying 45,000 square feet, and Fishtech moving into 20,000 square feet at 13333 Holmes Road.

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 11.5 million square feet across all classes.

The submarket has historically underperformed compared to other submarkets in the MSA, despite its size, proximity to the Kansas City International Airport, well-developed interstate system and price value. A strong positive absorption in the fourth quarter of 2018 was followed by an even stronger positive absorption number in the first and second quarters of 2019. The submarket then reversed course in the third quarter resulting in a positive absorption of over 200,000 square feet for the previous 12 months. In 2018, the inventory in this submarket included more than 11.5 million square feet in 601 buildings across all classes. It had an 8.4% vacancy rate as of the third quarter of 2019, a substantial improvement over the same period in 2018. The average quoted rate was $17.37 per square foot, up slightly from $17.03 in 2018.

The average per square foot quoted rents for Class A buildings is $20.02, and Class B rates average $17.39.

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 9.8% a dramatic improvement from 2018 when the vacancy rate in this class was 27%. This is due almost exclusively to MAXIMUS Federal leasing 263,000 square feet of primarily call center space at the JWilliams Technology Centre in the first quarter of 2019, a lease negotiated by BRES. This large block of space has been on the market for an extend period and was welcome news for the submarket. As of the end of the third quarter, there are 10 blocks of space available that are larger than 50,000 square feet listed. This affords an outstanding opportunity for users seeking high quality options at attractive prices compared with other markets in the MSA.

The market experienced significant activity in 2019. While most transactions were small and limited to relocations within the submarket, there were several leases that moved the needle on vacancy rates. In addition to the previously mentioned lease at the JWilliams Technology Centre, there were several significant new transactions in excess of 10,000 square feet completed in the submarket. This, along with the ongoing construction of the new terminal at the airport, has resulted in an optimistic outlook for the submarket in the coming year.

There were several significant sale transactions in 2019 including the sale of 12200 NW Ambassador. This 271,000 square foot, class A office building was previously owned by the Kansas City Aviation Department. It sold to a private investor after a prolonged marketing campaign. In addition, there are several class B properties currently on the market including a four building, 185,000 square foot portfolio that is currently marketed by BRES.

EAST JACKSON COUNTY

With a negative net absorption of 78,000 square feet, many might think East Jackson County is on the decline. However, loyal businesses think quite differently of the area. As one of the more classic areas of the Kansas City Metro, East Jackson County stretches from Independence and Raytown all the way out to Oak Grove and Grain Valley. This submarket is known mainly for its strong retail corridor, but office buildings are still prevalent throughout.

Inventory for all classes sits at 7 million square feet, consisting of 601 buildings. Market rent per square foot is holding steady at $16.35, and the vacancy rate is 7.5%. Vacancies have continued to go up in recent years as 2018 saw a 5.3% rate.

For Class A Properties, landlords are asking $23.24 per square foot. With 258,000 square feet of inventory, the net absorption is sitting at negative 1,200 square feet.

Class B properties are leasing at $16.81 per square foot. Net absorption stands at negative 30,400 square feet with a vacancy rate of 8.9%. This class is also the largest in the East Jackson County submarket at 3.6 million square feet.

Vacancies in the East Jackson County submarket have continued to go up in recent years. It increased by 2.2% to 7.5% for 2019 from the 5.3% in 2018. The average rents in the area have remained steady at $16.35 even as vacancy increased.

For the second year in a row, Class C properties posted the lowest vacancy rate at 6.0%. The market rent for Class C sits at $15.26 per square foot. Net absorption is negative 47,300 square feet.

SOUTHEAST JACKSON COUNTY

The Southeast Jackson County submarket is dominated by the city of Lee's Summit, but it stretches all the way to Lone Jack. Net absorption has strengthened since the beginning of the year, but it stands at negative 18,400 square feet overall.

With 3.2 million square feet in inventory, the Southeast is about half the size of the East Jackson County submarket. Market rents stand at $18.09 per square foot for the area. The vacancy rate is at 6.3%. This number is higher than last year when we ended at 3.8%

In March 2019, Honeywell signed a lease at 9221 Ward Parkway, Kansas City, Missouri for 69,318 square feet. BRES represented the property owner, Group RMC, in the deal. 9221 Ward was built in 1979 and has a total of 102,680 square feet.

For Class A properties, rates stand at $24.05 per square foot. There is 128,000 square feet of inventory, and the vacancy rate is at 1.7%. There is a demand for high quality office space in Lee's Summit, but unfortunately, the supply just isn't there right now.

There is 2.4 million square feet of inventory for Class B properties in the submarket. Far away, the largest class in the Southeast Jackson County submarket, the vacancy rate remains steady at 7.7%. Market rents are at $18.24 per square foot. Net absorption is at negative 19,800 square feet

While Class C has only 707,000 square feet of inventory, it remains very popular in the submarket with a vacancy rate of 2.3%. Rents stand at $16.51 per square foot. Net absorption for 2019 is positive 914 square feet.

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 remained about level overall. There is 3,381,915 square feet of office space in all five Star Classes (1-5). 760,000 square feet make up the Class 4 & 5 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 5 Star building in the market.

Class 4 and 5 Star buildings total 933,713 square feet with vacancy of 2.1% and 12,909 square feet of absorption or 1.4% in 2019.

Class 3 Star buildings total 770,825 square feet with vacancy of 3% and a loss of 12,371 square feet of negative absorption of 1.6% in 2019.

Class 1 and 2 Star buildings total 1.68 million square feet with vacancy of 5.2% and 33,661 square feet of absorption or 2% in 2019.

There were seven notable sales in 2019 totaling 92,656 square feet, all were fully occupied and no published sales data.

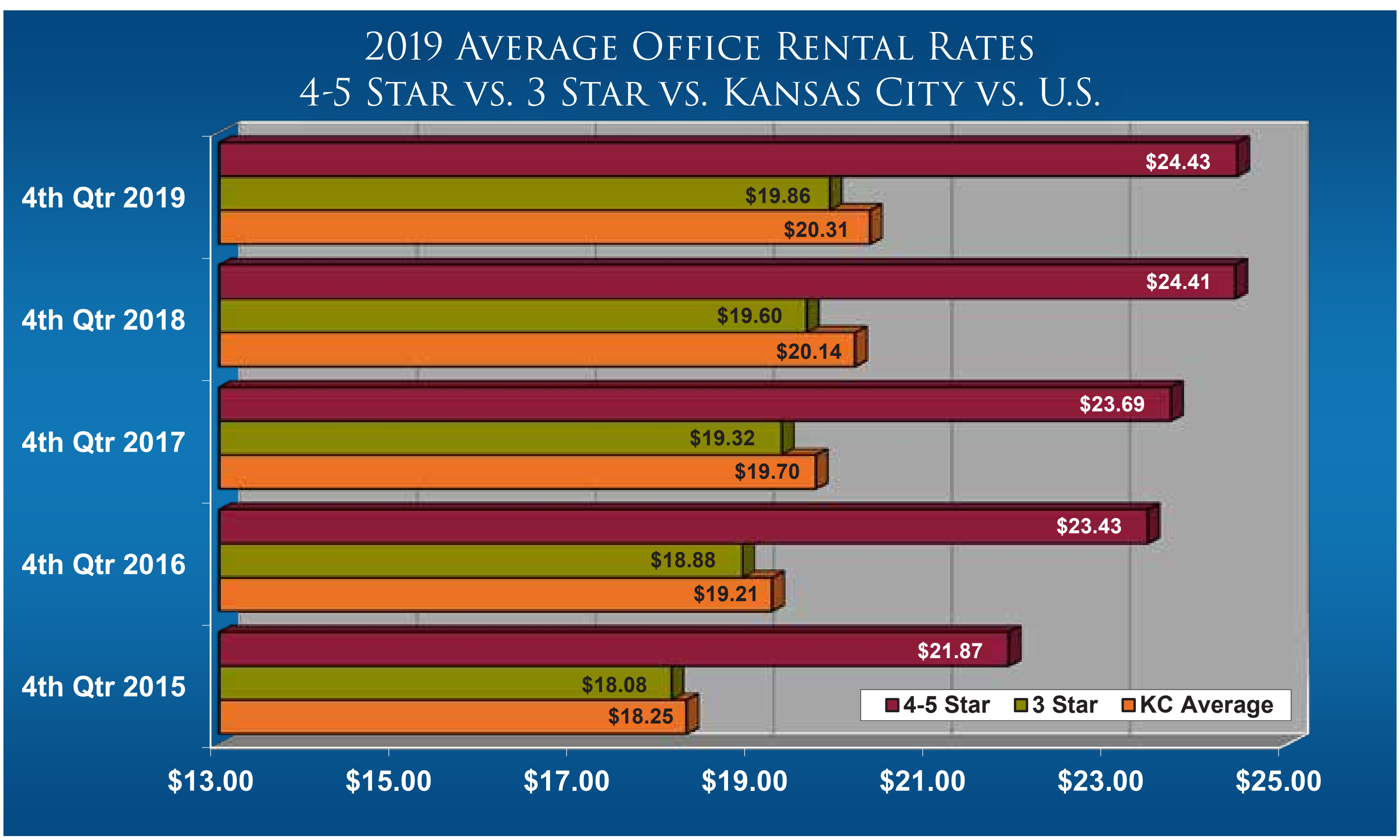
CLIMATE FOR COMMERCIAL REAL ESTATE

Nationally, 2019 continued to trend positively with respect to job creation and lower unemployment rates. November 2019 saw an all-time low for unemployment at 3.5%. The unprecedented length of the expansion, low unemployment rate, and continued job growth demonstrates that today's labor market is historically strong. The low rate has continued to put pressure on labor cost which has been felt throughout the construction, service, and real estate sectors.

Kansas City continues to have a lower unemployment rate than the national average at 3.3%. After an increase of 16,200 jobs in 2019 the region is expecting to see an additional 13,100 in 2020. Employment growth has been concentrated in healthcare, transportation, and professional and technical services. Sprint is showing signs of leveling off after nearly 14,400 information industry jobs were lost throughout the past eight years. These were offset in the region by growth in professional, scientific, and technical service industries.

We expect to see continuing strong demand for quality office space in 2020 despite the challenges of cost and labor.

Contributors include: Don Maddux, Senior Vice President; Hunter Johnson, Senior Vice President; Bruce Johnson, Vice President; Connor Knabe, Sales Associate; Max Wasserstrom, Senior Vice President; and Brent Roberts, Senior Vice President, Office Specialist



Kansas City Industrial Market

A BRES sponsored investment group purchased the 635,821 square foot Lenexa Logistics Centre Building 1 in 2019. BLNW Associates, LLC sold the property located at 17700-17790 College Boulevard, Lenexa, Kansas for $37.1 million.

Why Kansas City? The Supply Chain Network:

If it's here, it can get where it needs to go faster, cheaper, and more efficiently than from most any other location in the U.S.!

Kansas City has long been a hub for transportation. Its growing economy, geographic location, business-friendly environment, low tax rate, and developed, evolving infrastructure contribute to this well-deserved reputation. Whether by highway, water, rail, or air, it offers excellent transportation advantages. Kansas City is well-positioned as a result of its proximity to the nation's leading less-than truck load (LTL), parcel shippers' terminals, the five Class I railroads, and four intermodal rail centers that serve the industrial market. The Intercontinental rail lines, rail-car volume, and the highest rail tonnage moved in the nation positions it as a major force in international trade. It continues to attract regional and national corporations as they look to revamp and relocate their supply lines to the center of the country and capitalize on quick, cost-effective shipping. Markets with intermodal facilities boast the highest growth; a trend that is expected to continue. Kansas City is well-suited to national companies seeking to consolidate their logistics, in addition to ecommerce firms looking for a central location to process and ship orders.

Companies that strategize ways to drive costs down in their supply chain have found that a centralized distribution center here can run with fewer people and be more cost effective than having multiple facilities around the country. Millennials who are more inclined to research and buy online, while often returning those purchases, are massively increasing the logistical challenges facing retailers and ecommerce.

Biotech research is also a target driver here. Kansas City has built a niche in the biotech sector and is developing the infrastructure to support it. Located in the center of the nation's largest animal health cluster, the KC Animal Health Corridor stretches along I-70 from Columbia, Missouri to Manhattan, Kansas. According to the Kansas City Area Development Council it is comprised of companies representing 75% of the total worldwide animal health, diagnostics, and pet food sales.

BUILDING DECISIONS AND STANDARDS

The process of determining where to locate distribution facilities is increasingly being made with an emphasis on the availability of labor vs. transportation costs – which over this extended economic expansion has been a big driver of development in Kansas City. Municipal receptivity, proactive temperament for business expansion, zoning, building codes, and regulations affect the development cycle, which tenants are looking at, along with traffic patterns and availability of developable sites.

In Kansas City, new industrial buildings of over 250,000 square feet are moving towards a 36-foot clear height. With the increase in storage heights, 7-inch, or thicker, floors are necessary to accommodate heavy forklift loads and improve floor performance and maintenance costs. The need for additional power and the ability to easily add it is important as there is increased automation in the warehouse. LED lighting with motion detection is standard and column spacing is typically 50 to 56-foot bay widths. Staging, or "speed bays," are typically 60-foot deep, but in larger buildings we are seeing a move to 70-foot deep bays. Parking ratios remain high as well as parking for on-site trailer storage.

GROWTH IN THE MARKET

Kansas City, which was once referred to by local developers as a "well-kept secret," has developed a global reputation for having a skilled workforce, strong infrastructure, affordable housing, and competitive costs for transportation and utilities. Coupled with its central time zone and center of the country location, the ability for its transportation network to allow for 85% of the population to receive shipments within two days has also had a tremendous impact on growth as a distribution hub. Kansas City attracts and supports a diverse industry base and the region is on the rise. Site locators and corporate executives see it as an excellent option for ecommerce, but the food and beverage industry has accounted for more than one-third of the industrial space absorbed in the past few years while logistical support companies were the next busiest in terms of square feet.

BY THE NUMBERS

Kansas City's industrial market has had an unprecedented expansion for the past several years and that continued in 2019 with new developments. Speculative construction has been the catalyst for the current expansion, however the cycle is evolving. This growth was driven by speculative construction with 7.8 million of the 8.2 million square feet completed in 2016 being speculative. Though these levels remain high, there's been a noticeable transition, as the pace of speculative construction has slowed while more build-to-suit projects have progressed. Build-to-suit construction will continue to be a major driver in the Kansas City market with 1.7 million square feet of such projects under way in late 2019.

The metro industrial and flex market continues to grow with 352 million square feet in total, of which 294 million square feet is in the major submarkets, which is the focus of our report. Over 278 million square feet is warehouse/bulk industrial space and enjoys an overall occupancy of 94.7%.

Leasing in 2019 totaled 10.48 million square feet with 9.74 million square feet in warehouse/bulk industrial and net absorption of 6.3 million square feet. As the occupancy rates have increased, market rents, on average, have increased by about 12.5% since 2013. Speculative development continued at a slower pace with 2.91 million square feet delivered in 2019, compared to 6 million square feet completed in 2018. Absorption saw an increase in 2019 with over 6.3 million square feet as compared to 6.1 million square feet absorbed in 2018, but less than the 7.68 million square feet absorbed in 2017.

In the 3-year span of 2016 – 2018, nearly 17 million square feet of speculative distribution space was completed. Since the record high of 8.2 million square feet delivered in 2016, the modern warehouse/bulk distribution vacancy rate has dropped, coinciding with 18.7 million square feet of positive net absorption during the same period.

At the year-end of 2018, there was 2.9 million square feet of speculative space under construction compared to 3.9 million square feet at the end of the previous two years. Since 2015, deliveries were the highest total in the Midwest outside of Chicago, and the market continues to exhibit strong performance. Average net absorption since recovering from the recession has been 4.5 million square feet.

REAL ESTATE TAX ABATEMENT - EFFECTS

One factor driving development is real estate tax abatements. Every community in the metro area seems to be providing some form of abatement for new projects. In Johnson County, communities range from 50% abatement for 10 years, to 100% for 5 years, and an average of 80% over 10 years in some locales. On the Missouri side there are numerous locations with abatements of up to 100% for 10 years followed by 50% for an additional fifteen years.

If a tenant is making a macro decision to locate a distribution facility in Kansas City, once they are focused on the market, they typically will gravitate to the properties with the highest tax abatement. For those companies already located in Kansas City, they will often do the same, but sometimes geographical preferences will overcome some of the benefits of the tax abatement. The net effect and benefit to tenants is a lower cost of occupancy. For landlords and developers, it means more business, but in some cases when landlords are competing for a tenant, their effective base rents are being diluted by the need to offset higher tax abatement levels offered in competing properties in different municipalities and locations.

MARKET OUTLOOK

New speculative construction will continue to occur in pockets throughout the Kansas City Metro.

Northland Park and Riverside will likely continue to achieve high rents, but some buildings in Johnson County may begin to feel pressure on rents to secure tenants.

It is anticipated that vacancy rates will increase slowly over the next few years to around 6.5% while rents continue to increase. A decrease in speculative construction will help the strong case for continued rent growth.

Positive net absorption is a testament to strong market velocity, demand and long-term stability.

JOHNSON COUNTY, KANSAS

New construction in Johnson County followed a very consistent trend that started in 2013 and has continued due to strong demand through 2019. Johnson County is still the figurehead for new industrial deliveries and absorption heading into 2020. There was over 1.5 million square feet of industrial buildings under construction in Johnson County at the end of the third quarter of 2019. Industrial rental rates have settled down slightly, however the submarket historically commands the highest average rents. Due to the construction pipeline, an increase in vacancy is possible in the near future as the vacancy rate for bulk industrial has increased 1% and the submarket has absorbed only 1.5 million square feet through the third quarter of 2019, which is half of what was absorbed in 2018.

WHERE THE ACTION IS

Nearly 25% of all new industrial construction in the Kansas City market has been in Johnson County. In Lenexa, Block Real Estate Services, LLC (BRES) has opened two new sites for industrial development adding to existing developments in the city. The new sites are Lenexa Logistics Centre (LLC) - East at 116th Street and Renner Boulevard and an expansion of LLC - North, located northwest of College and Renner Boulevard. Between the LLC sites there is room for another 4.85 million square feet of industrial buildings to be developed. The LLC parks are near high-end office, flex, and recently built multifamily developments, adding momentum to the fast-growing developments. The LLC parks have tremendous access to I-35, I-435, K-10, and K-7, and they are near one of the largest UPS distribution facilities in the country, which has expanded immensely in the last few years.

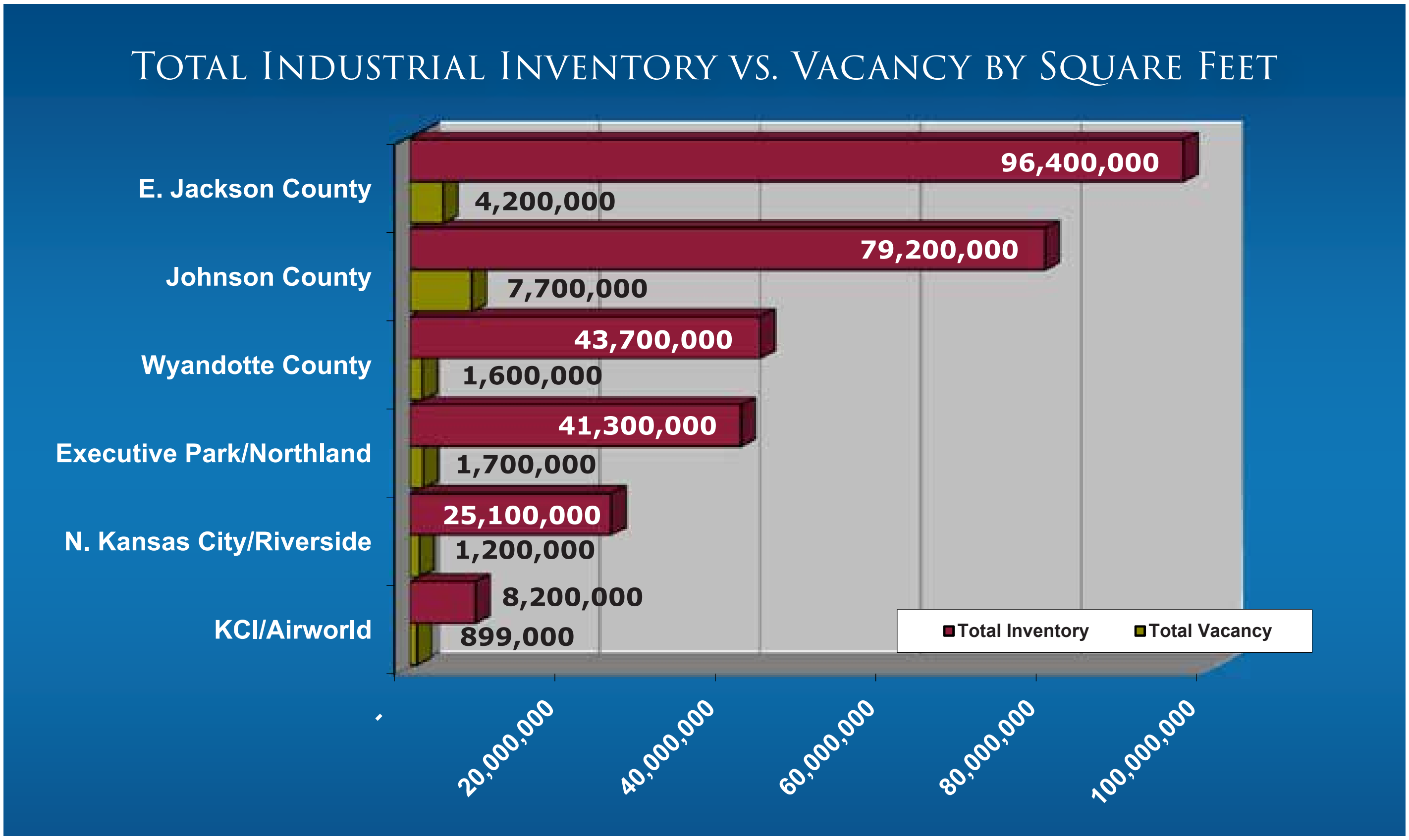
In Edgerton, NorthPoint Development continues to push the envelope with the construction of the 952,956 square foot Inland Port VII, now the largest speculative building ever built in Kansas, along with the completion of the 822,104 square foot Inland Port XIV, which was leased by Amazon. National distribution companies are taking a closer look at Kansas City and leasing space, which continues to persuade developers to build more speculative buildings, in the submarket and throughout the metro, in Logistics Park Kansas City (LPKC), which is over 1,700 acres and adjacent to the intermodal hub for the BNSF Railroad. NorthPoint Development has completed 20 buildings totaling nearly 12.5 million square feet since 2013 and has a total capacity for 17 million square feet.

Lone Elm Commerce Center is a master planned industrial development located on 122 acres at the northwest corner of 167th Street and Monticello Road in Olathe, Kansas. The first building developed received 50% tax abatement for 10 years resulting in a fixed tax rate. Construction of additional buildings is planned.

The Opus Group, developed their first building of 205,000 square feet at 56 Commerce Center at Old US 56 Highway and Lone Elm Road, selling it to Orizon Aero in 2017. They then broke ground on their second speculative project in the Olathe location of 230,122 square feet, which was delivered in 2018 and was leased to Lanter Companies and Gateway Classic Cars. The development is slated for a full build-out of 505,000 square feet.

New Century Air Center is a fast-growing industrial park after recently increasing developable acreage by nearly 700 acres to a total of 2,500 acres, which can add up to 7 million square feet of new buildings. The multi-modal park offers two aircraft runways, hangars, and six miles of short-line rail connected to BNSF's main line. Nearly 70 tenants occupy buildings on over 400 acres under long-term land leases to companies including Amazon Fulfillment Center and CenturyLink regional headquarters along with manufacturing facilities for Upfield Foods, Garmin, and DuPont.

Formerly known as the PacSun Distribution Center at 167th Street and Lone Elm Road in Olathe, the 70-acre property was sold in 2019 to Faith Technologies. The property included an existing 448,479 square foot office and distribution facility as well as up to 35 acres of land for



BRES agent Zach Hubbard represented Hostess Brands in the leasing of Inland Port LI, a 765,000 square foot build-to-suit distribution center at Logistics Park Kansas City in Edgerton, Kansas.

additional buildings/expansion. Faith Technologies purchased the property from an investment group led by BRES. Faith Technologies is a Wisconsin-based technology and electrical engineering systems company. The announcement of their expansion could eventually bring 800 jobs to their new Olathe location.

BY THE NUMBERS

Johnson County has a total industrial inventory of 79.2 million square feet, of which over 11.2 million square feet, or 14%, was delivered in the last two years. Occupancy was 90.2% as of the end of the third quarter of 2019, compared to 93.8% in 2018; this increase in vacancy can be attributed to the large amount of bulk industrial deliveries over the last 24 months that have not been fully absorbed. Representing 27% of the metro Kansas City industrial market, Johnson County continues to be the most dynamic, with more new construction and deliveries, the highest net absorption, and the highest overall rents per square foot.

NOTABLE LEASE/SALE TRANSACTIONS

PAE, a third-party logistics provider, leased 507,000 square feet of warehouse at LPKC. PAE provides records handling and management services supporting the U.S. Government in over 100 locations.

Amazon moved into 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 acquiring both a 301,000 square foot and a 266,660 square foot building adjacent to its current facility in Lenexa which they obtained to expand their truck and trailer parking. The company has also added a new sort center at LPKC in a 197,000 square foot build-to-suit facility.

Hostess Brands leased space to open a distribution center at LPKC. The Kansas City-based snack cake company will move its prime distribution operations from Illinois to the new building of 765,000 square feet in 2020.

Kubota Tractor completed a 200-acre land purchase in Phase II of LPKC. Kubota is constructing two facilities of one million square feet each for its new North American Distribution Center. Kubota first leased space in LPKC in 2015 in a 765,000 square foot facility.

Wesco Distribution leased 98,735 square feet, which includes 2.5 acres for outside storage in Lone Elm Commerce Center, a speculative 210,504 square foot building at 167th Street & Lone Elm Road in Olathe, Kansas.

Smart Warehousing leased 221,621 square feet at Inland Port IV at LPKC.

Tool Source Warehouse leased 153,000 square feet at LLC - South Building 7 filling that 401,098 square foot building.

Regal Art & Gift, a wholesale garden décor supplier, will open a new distribution operation in 123,000 square feet in Olathe and fill the Lone Elm Logistics Center.

T.J. Maxx, a discount retailer, signed a 144,000 square foot lease in 56 Commerce Center in Olathe, developed by The Opus Group.

EXECUTIVE PARK/NORTHLAND PARK

The Kansas City region is second in automotive manufacturing in the U.S., behind only Detroit, with the Ford Plant in Claycomo and General Motors Plant in Fairfax as the major driving forces. Ford announced major expansion plans in 2019 with a new 359,000 square foot Stamping Plant in

Liberty that will serve both the Transit Van and the F-150 lines manufactured at the plant.

NOTABLE DEVELOPMENT ACTIVITY

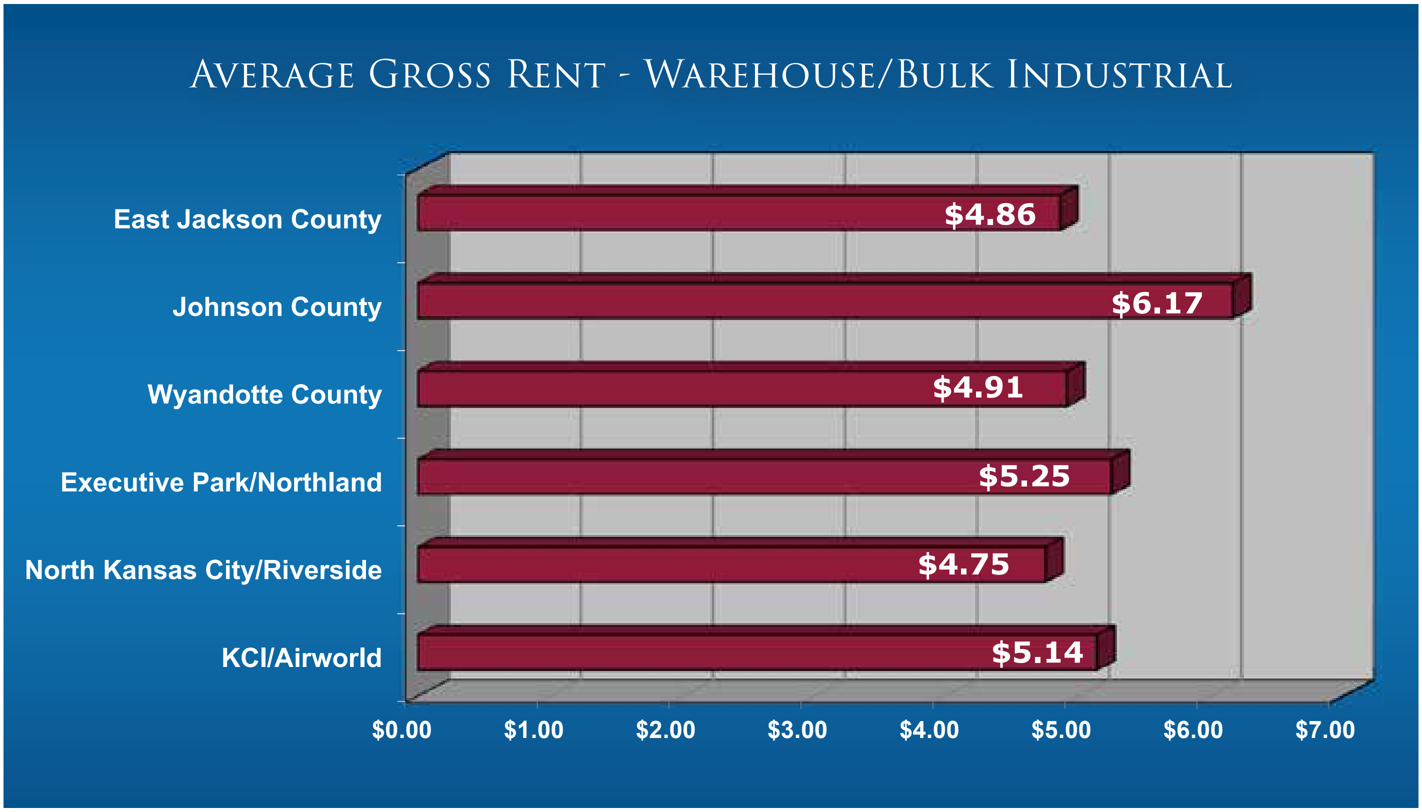
Northland Park, which strategically sits close to the Ford Claycomo Plant at Missouri Highway 210 and I-435, boasts one of the largest speculative industrial parks in the metro. The park, which covers 300 acres, is home to Musician's Friend, FedEx Freight and Ground, and the Norfolk-Southern Intermodal facility. NorthPoint Development is ramping up its speculative industrial offerings as construction is nearing completion on Building 5 of 575,000 square feet that is already 100% leased. Work is underway on Building 6 of 546,000 square feet which is slated for completion in late 2020. The first four buildings in the park represent 1.5 million square feet and are 100% leased. The park's success has been made possible, in part, due to a 20-year real estate tax abatement provided by the Port Authority of Kansas City. For the first ten years of the abatement, buildings in the park are taxed at a rate of $0.08 per leasable square foot and in the final ten years, there is a 50% tax abatement. The tax abatement has allowed for competitive occupancy costs for tenants and is directly linked to the overall success and fast development in the park.

Since delivering the first new speculative building in Northland Park in the second quarter of 2017 the park has been developing and leasing at a rapid pace. Spaces have been demised as small as 60,000 square feet, while Building 4 of 304,000 square feet is leased entirely to Ford Motor Company. In the second quarter of 2019, Distributor Wire & Cable Company leased the last available space in the park, 82,000 square feet at Building 2. Many specialists in the industrial market believe that Northland Park is a great example of how building "speculatively," or without a signed lease from a tenant, has been able to increase Kansas City's profile across the U.S. as a progressive market for those looking for warehouse, manufacturing or logistics space.

A Google affiliate appears to be moving forward to acquire 80 acres of land in the Hunt Midwest Business Park to build a proposed $600 million-dollar data center. If they do move forward, the Port Authority of Kansas City has approved a resolution to issue bonds for the project. The Port Authority can grant development incentives and create property tax breaks that are generally more substantial than the property tax abatements other local economic development agencies grant including abatements that can exceed the City of Kansas City's 75% abatement cap. Google would be expected to make payments in lieu of taxes (PILOTs) to the Port Authority. The land is part of the former AK Steel Corporations' mill site, which the Port Authority acquired in 2018, with plans to transform the 415-acre site into an inland intermodal port.

On the horizon, Lane4 Property Group has announced plans for the Liberty Logistics Park at I-35 and Highway 69 and S. Liberty Parkway, also strategically near the Ford Claycomo Plant. The park will include a 742,000 square foot bulk-industrial cross-dock facility, as well as two smaller distribution buildings of 132,500 square feet and 80,000 square feet, along with numerous retail and service pad sites.

MDC, Inc. has acquired multiple parcels totaling 124 acres including a 56-acre tract along I-435 in the northeast portion of Executive Park. They will be starting construction on two of a planned four industrial buildings within the new Executive Park Logistics Center. Building 1 will be 132,000 square feet and Building 2 will be 263,000 square feet. Both are being built on a speculative basis and can be subdivided.



In December 2019, Colony Capital, Inc. announced the sale of its affiliated industrial operating platform (Colony Industrial) to Blackstone Real Estate Partners, IX, an affiliate of Blackstone (NYSE: BX) for $5.9 billion. The portfolio consisted of approximately 465 industrial buildings, across 26 markets, and a total size of 60 million square feet. Lackman Business Center #1 (shown above) was one of 13 industrial buildings in Kansas City that were sold as part of the portfolio. These 13 buildings totaled approximately 2.3 million square feet.

Completion is scheduled for the third quarter of 2020. Plans to break ground on the other two buildings will be detailed after the first two are completed.

NOTABLE LEASE/SALE TRANSACTIONS

Symbia Logistics built a 69,320 square foot facility at 12505 NE 41st Street in Northland Park to replace a 50,000 square foot facility in Riverside, Missouri.

Preston Refrigeration purchased the 172,445 square foot building at 6100 Stilwell Street in Executive Park.

5800 Stilwell Street, a 171,683 square foot distribution warehouse, was sold to a user for a Cannabis related operation.

Ensight Solutions purchased a37,050 square foot building in Northland Park.

Paris Brothers leased 40,000 square feet in Executive Park.

Building 5, consisting of575,000 square feet, in Northland Park was leased to one tenant, not yet identified.

Comprehensive Logistics leased 127,000 square feet at 9751 NE Parvin Road in the Hunt Midwest Business Center, Building III along with Artic Glacier which took 67,977 square feet, resulting in all three speculative buildings, built since 2017 and totaling 521,000 square feet, being fully leased.

Dakota Bodies leased 98,200 square feet at 2901 E. Heartland Drive in Liberty, Missouri.

Würth Baer Supply Company signed a 66,448 square foot lease in Executive Park, relocating from its facility on East 12th Street.

Los Angeles-based Industrial Realty Group purchased the Front Business Center, a 275,162 square foot multi-tenant complex constructed in 1972.

Canfield & Joseph purchased a 26,000 square foot building in the Buckeye Industrial Park.

WYANDOTTE COUNTY

The Wyandotte County industrial submarket consists of 43.7 million square feet which is primarily concentrated in six industrial districts: Fairfax, Armourdale, Turner, Muncie, Edwardsville, and Bonner Springs. All of these districts are well served by highway and railway infrastructure. Most of these districts are centrally located within the Kansas City Metro market and all have great access to affordable industrial labor. In addition to the distribution warehouse inventory, the submarket features many manufacturers including Kellogg's, CertainTeed, Exide, Harcros Chemicals, and General Motors. Many of the buildings are owner occupied especially among the manufacturers, and this combined with the submarket's overall healthy climate, contributed to a strong occupancy rate of 96.4%, leaving only about 1.57 million square feet of submarket vacancy.

The Wyandotte County submarket has become an attractive location for just-in-time suppliers to the automotive assembly plants as well as for 3PL distribution with the proximity to I-35, I-70, I-435, I-635 and I-270, there is quick access to all the Kansas City intermodal centers and ease of transportation to and thru downtown Kansas City and Kansas City International Airport. The narrative that has been pitched about Kansas City's location in the center of the U.S. and the ability to provide two-day access to over 85% of the population by truck will continue, and Wyandotte County is often touted as the center of the City.

While construction pricing remains high, the market has shown a continuous upward trajectory towards development of bulk industrial space with its modern amenities. The submarket is continuing to gain attention for built-to-suit and larger tenant speculative construction; however, there is a supply shortage in warehouse space for tenants under 40,000 square feet. Even more so, tenants under 20,000 square feet are having difficulty finding space which is pushing rents higher.

NOTABLE DEVELOPMENT ACTIVITY

NorthPoint Development has been approved to build a $125 million logistics and distribution center that will consist of 2.7 million square feet in eight buildings and will be located on both sides of the Turner Diagonal Freeway. The developer has requested a 20-year 100% real estate property tax abatement. This would complement a PILOT payment that NorthPoint Development would pay based on the square footage completed at the time. Upon completion, the businesses in the park, named Turner Logistics, is projected to account for over 2,000 jobs. The first building is projected to be complete by the end of 2020.

MDC Development is working on a new park to be called 57/70 Industry Park located at 5701 Kaw Drive. Their plan includes an 850,000 square foot bulk warehouse. Incentives are not yet fully defined.

The Proctor & Gamble building sitting on 66 acres near 18th Street Expressway and I-70 may be redeveloped as the developer is currently determining feasibility of the site.

NOTABLE LEASE/SALE TRANSACTIONS

Van Meter Inc. leased 112,528 square feet in Fairfax

Wagner Logistics leased 100,000 square feet in Armourdale

Loomis leased 56,384 square feet in Fairfax

Midwest Roofing Supply leased 73,763 square feet in Armourdale

Pentagon Freight Services leased 117,692 square feet in Armourdale

Plastipak leased 80,000 square feet in Armourdale

EvapTech purchased a 54,000 square feet in Edwardsville

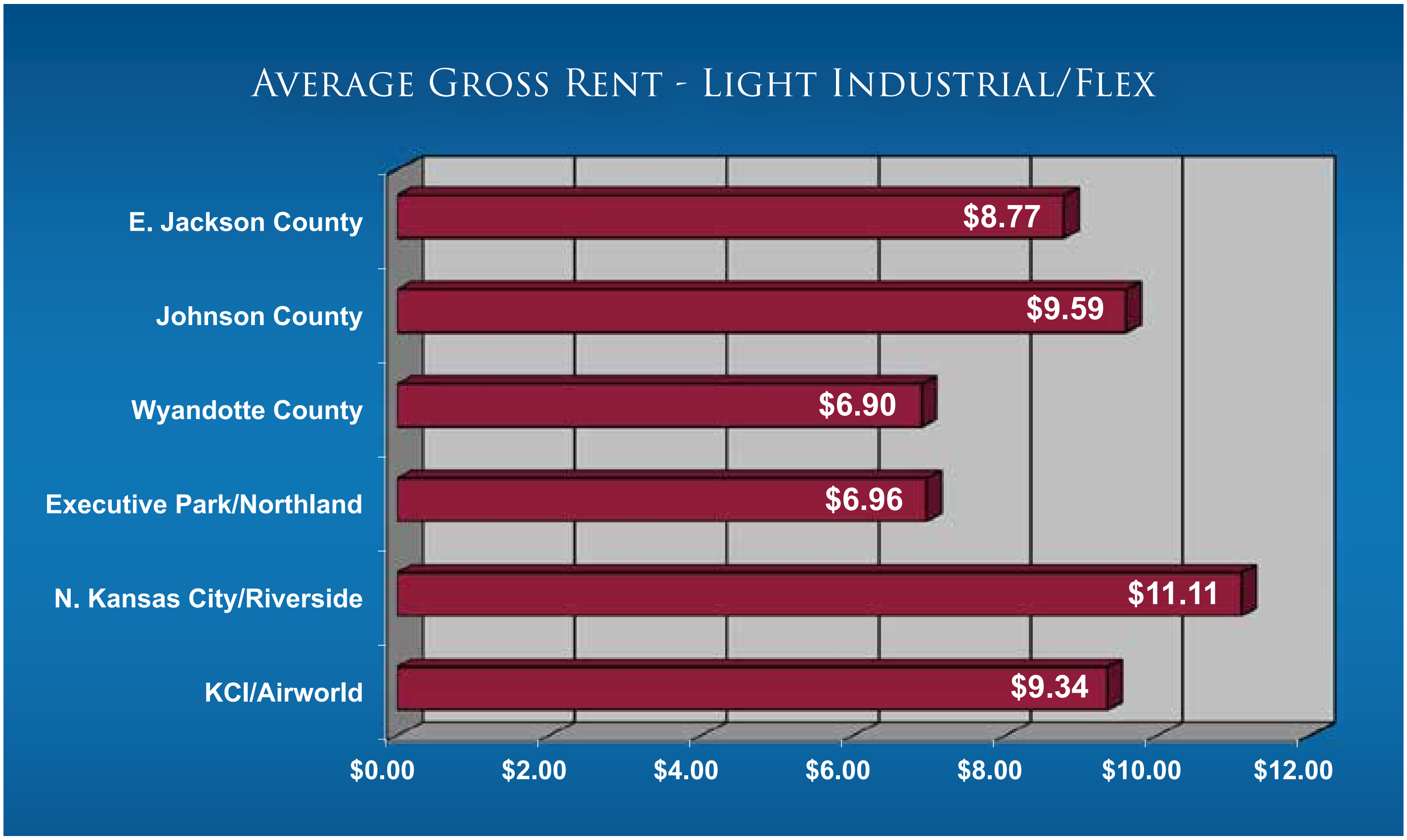
Hyspeco purchased a 36,500 square feet building in Fairfax

Boyle purchased a 43,274 square feet building

NORTH KANSAS CITY/RIVERSIDE

North Kansas City and Riverside are two of the most centrally located cities and submarkets for industrial space in the Kansas City market. Both are independent from the city of Kansas City, Missouri, and both are situated directly north of the Central Business District and adjacent to the Missouri River. Both communities offer great highway access and transportation infrastructure, which provides great access to the skilled labor necessary to operate industrial warehousing and manufacturing. These submarkets also provide nearby access to major manufacturers like the General Motors and Ford automobile assembly plants.

The North Kansas City building inventory is generally older, but functional, warehouse and manufacturing space developed between the 1940s and the 1970s as compared to Riverside that was predominantly developed in the 1980s and beyond. Recently, new and functionally modern buildings have been developed in the Paseo Industrial District, east of I-35 in North Kansas City as well as in the Riverside Horizons Industrial Park, surrounding I-635 as it bisects the city. Riverside is more predominant with mid-sized office/warehouse product versus North Kansas City's high level of manufacturing buildings. There are additional land sites available to meet the steady demand of development of bulk industrial that has been the mainstay of Riverside since 2011. Riverside has inventory available in all sizes and at multiple price points, access to the available labor, excellent highway access for



Faith Technologies, Inc. purchased the former PacSun Distribution Center for $20.8 million in July 2019. The 448,479 square foot industrial building located at 21800 W 167th Street, Olathe, Kansas was sold by a BRES sponsored investment group. Faith Technologies, Inc. will house two of their company divisions at the new location, Excellerate Manufacturing and Faith Technologies University.

distribution and sequencing, and 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 General Motors and Ford, sequencers, secondary support manufacturers, quality assurance providers, and service companies, as well as local, regional, and national distributors.

BY THE NUMBERS

The 25.1 million square foot North Kansas City and Riverside combined submarket saw steady activity through 2019, including 415,000 square feet of net absorption. Submarket vacancy continued to shrink, decreasing from 7.4% in 2017 to 5.2% at the end of 2018 and down to 4.8% in 2019. Absorption was driven by a high volume of 10,000 to 50,000 square foot office/warehouse leases as opposed to the large mid-bulk warehouse activity that had impacted the submarket over the last two years. This submarket has the highest percentage of warehouse space with 98% of the industrial supply listed as warehouse and only 2% as flex space. The average rental rate in this submarket is the lowest in the Kansas City Metro at $4.86 per square foot.

NOTABLE LEASE/SALE TRANSACTIONS:

Riverside:

doorLink Manufacturing will soon move to a 240,000 square foot build-to-suit-to-own facility in Riverside Horizons from its North Kansas City location.

Manna Pro leased 142,555 square feet and Premium Water, Inc. leased 134,000 square feet in Horizons.

Orange EV leased 52,470 square feet in Riverside Logistics Centre.

En Color purchased an 88,000 square foot building in Riverside.

History & Heraldry USA leased 58,676 square feet in North Kansas City.

North Kansas City:

Black & Veatch leased 86,876 square feet on Vernon in Paseo Industrial.

Murphy Logistics leased 80,000 square feet on Quebec in Paseo Industrial.

Mygrant Glass leased 56,056 square feet on Atlantic Street.

The Henry Wurst printing facility of 232,000 square feet was sold to Platform Ventures.

M. Lyons & Company purchased a 71,000 square foot building on Atlantic Street.

SUBMARKET 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 Horizons Industrial Park, as well as infill sites in North Kansas City. 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 that was adopted in Kansas City, Missouri, in 2019 to cap those abatement amounts will help developments in the submarket. Even with abatements being reduced, if construction costs continue to rise unchecked, new development in the North Kansas City and Riverside submarkets will certainly slow-down. For now, the demand in 2020 appears to remain steady.

KCI/AIRWORLD

The submarket, named after the airport, has had a major injection with the $1.5 billion new single-terminal project at Kansas City International Airport. It has been the buzz for all of 2019 and will continue. In the fourth quarter of 2019, the project's lead developer, Edgemoor Infrastructure & Real Estate bumped its scheduled completion date up to March 2023. The airport's completion will provide for the 2023 NFL Draft which will be held at Union Station, Kansas City, in April 2023. It is a major three-day event for the most popular and profitable professional sports league and will be a boon for the City. This redevelopment of the airport will also help increase capacity for the burgeoning air-cargo business, which pushes much of the growth in this submarket.

NOTABLE DEVELOPMENT ACTIVITY

KCI Intermodal Business Centre, a 690-acre master planned industrial park, adjacent to the airport is designed for up to 5.4 million square feet of buildings which includes warehouse and distribution centers, logistics centers, flex space/service centers, light manufacturing facilities, and air cargo handling facilities. With Kansas City's central location, and incredible access via interstates and rail, and the construction of the new airport, expectations are that this park will move faster in its development cycle. Having a foreign trade zone already established will continue to push international assembly and distribution companies to this location.

The newest development at KCI Intermodal Business Centre is Logistics Centre V. The building is 542,640 square feet and is being developed by Trammell Crow Company and Clarion Partners. This bulk-industrial building will be divisible to 160,000 square feet and features 36 foot-clear-height and 7-inch-thick reinforced floors with all the other accoutrements typical of such construction, including 132 trailer parking and a cross-dock configuration. Delivery is scheduled for Spring 2020.

The submarket is also home to CVS's brand new 762,000 square foot fulfillment center, Challenger Manufacturing, Blount International, BMS Logistics and many other large distributors.

NOTABLE LEASE/SALE TRANSACTIONS

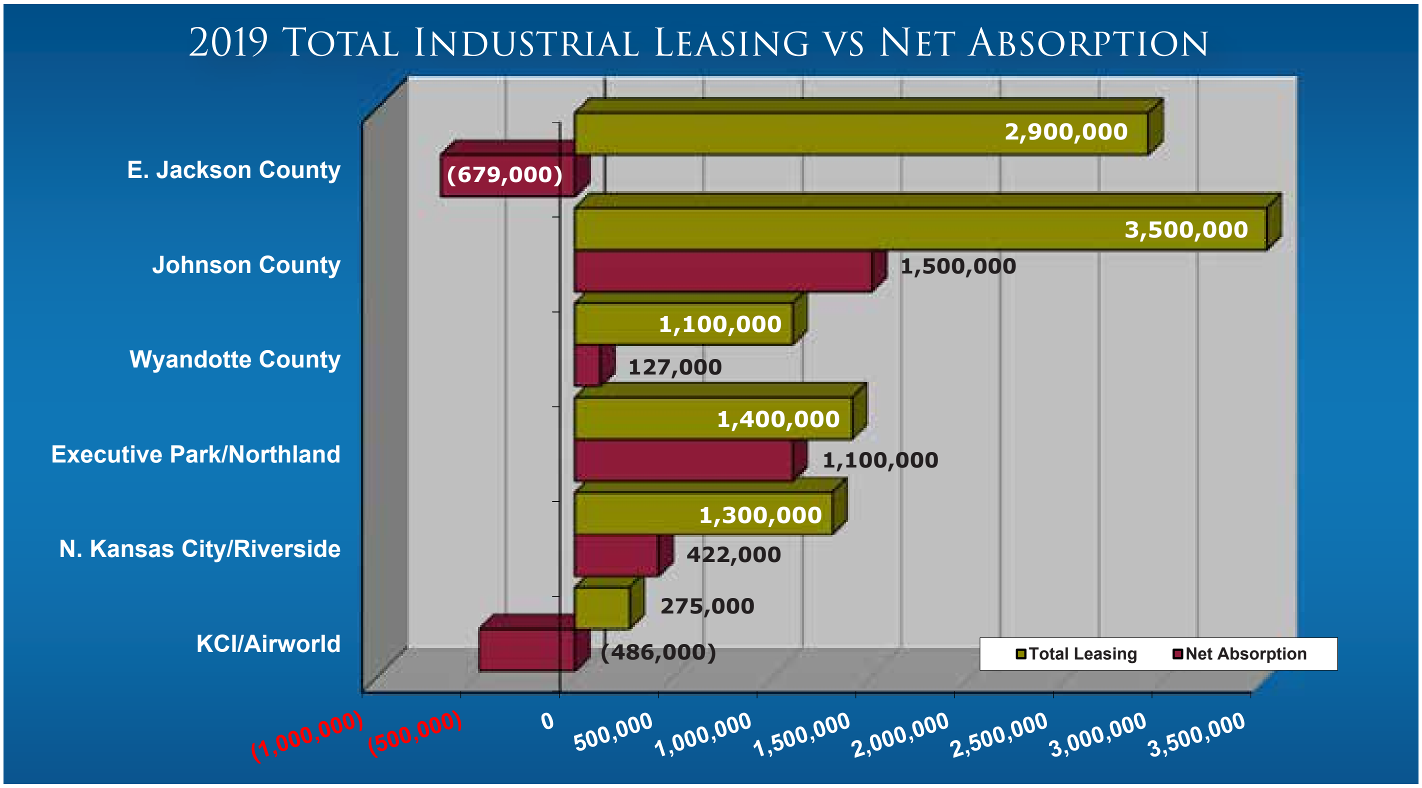
City of Kansas City leased 202,800 square feet while Rogers Sporting Goods leased 202,800 square feet at KCI Intermodal Business Centre.

AreYouGame.com, a San Francisco based online seller of toys, games and puzzles, relocated its fulfillment center from Memphis, Tennessee, to Kansas City in the 109,000 square foot facility which was previously occupied by Rogers Sporting Goods.

EAST JACKSON COUNTY

NOTABLE DEVELOPMENT ACTIVITY

Throughout 2016 – 2017, we saw many single tenants taking 400,000 square feet up to 927,000 square feet at a single swipe; however, developers now seem to be more hesitant to continue projects of that scale on a speculative basis, but leasing activity throughout the market shows that there is still



INDUSTRIAL MARKET

Widmer 140, a 140,604 square foot industrial building, was sold for $10.5 million in December 2019 by KCI Lenexa 128, LLC. BRES handled the sales transaction for the buyer, MCA, LLC. The newly built structure will be renovated to accomodate the growth of Adams Cable Equipment.

ample demand for high-quality new speculative space in the size range that can be divided down to 50,000 square feet. One such answer for those tenants is the new Southview Commerce Center, being developed by NorthPoint Development. Located in Belton, Missouri, along I-49 at 155th Street, it is master-planned for 2,063,100 square feet in four buildings. Building I which is under construction, is a 454,489 square foot cross-dock, 36-foot clear building with all of the modern amenities like multiple docks on each side, drive-ins at the corners, abundant auto and trailer parking, large bay size, ESFR sprinklers, LED motion detection lighting, and tilt-up concrete construction. Building I is fully leased to one tenant and Building II, consisting of 575,000 square feet, is under construction with delivery slated for the third quarter of 2020. The city of Belton has provided aggressive real estate tax abatement with the first five years at $0.05 per square foot and slowly increasing throughout a 20-year term, providing much lower property taxes to comparable existing properties without such abatement.

Bannister Transformation & Development, the private company which received a $200 million contract from the federal government to clean-up contamination at the former Bannister Federal Complex, has reported significant progress in the cleaning of the site over the last four years. Demolition of all the existing buildings is nearly complete and grading to prepare the west side of the 227-acre site for redevelopment has already started. In the years ahead, the site could be home to 2.6 million square feet of industrial and distribution warehouses. The first parcel of land, which is large enough to accommodate a 240,000 square foot building, should be available for development by year-end 2019. NorthPoint Development recently proposed a $135 million plan to redevelop the site. They presented a plan to build seven warehouse and distribution buildings on the South Kansas City site, which are planned on a speculative basis. If their idea comes to fruition, it would represent the first redevelopment activity since federal employees left Bannister for downtown Kansas City in 2015.

Platform Ventures acquired nearly 180 acres from CenterPoint Intermodal Center and is working on an aggressive expansion plan for the site. Platform Ventures now owns all the undeveloped land around the Intermodal Center except for the portion that's owned by the Port Authority of Kansas City which has nearly 700 acres and is currently marketing around 302 of those for sale/development to end-users and developers. Several local developers are pursuing smaller portions of the Port Authority's land for speculative and/or build-to-suit industrial buildings.

NOTABLE LEASE/SALE TRANSACTIONS

Niagara Bottling, a California-based bottled water manufacturer, will build a 426,349 square foot manufacturing and distribution center on 23 acres purchased in the CenterPoint Intermodal Center at the northwest corner of Botts Road and 149th Street.

Amazon opened a new 50,000 square foot fulfillment center in Kansas City, Missouri, at the Stadium Industrial Park for the Amazon Flex program which hires individuals to deliver packages to the end consumer and adds to other operations in Wyandotte County, Edgerton, Lenexa, and Shawnee, Kansas.

Honeywell FM&T completed a lease for 275,193 square feet at CenterPoint Intermodal Center.

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

Kansas City
Retail Market

In 2019, Town Center Plaza and Crossing Kansas opened multiple shops on its south side along 119th Street. Chase Bank went into a space vacated by Dean & Deluca, while Shake Shack, Helzberg Diamonds, and Verizon opened in two new buildings built after the On The Boarder building was removed.

Chasing the almighty consumer remains the name of the game in the world of retail. The chase to cover greenfields has slowed while refacing older, yet viable, centers at strong intersections has increased. Additionally, a rise in mixed-use development brings retail straight to the consumer beneath luxury apartments. The disrupting undercurrent we've seen in the retail sector continues; we continue to see new lists of retailers filing for bankruptcy protection while we watch other retailers attempt to evolve to meet the customer's demands by right-sizing their brick and mortar footprints and expanding their ecommerce offerings. The retail industry continues its evolution.

We are seeing greenfield development in South Johnson County, as BluHawk expands into its second phase, and in Lee's Summit with Summit Orchards and Streets of West Pryor. Where greenfield development takes place, we find new home construction creating the need to provide goods and services to the new consumers in the area. However, housing starts in 2019 fell short of the numbers achieved in the last three years with Johnson County leading the market in single family housing permits. This year we watched Jackson County lead the way with the greatest number of multifamily permits.

Watching the changing winds of retail, we take note of the brands that sought bankruptcy protection. Among this year's Chapter 11 bankruptcy filings were: Beauty Brands, Houlihan's, which includes J. Gilbert's Wood-Fired Steaks & Seafood and Bristol, Bread & Butter Concepts, Granite City Food & Brewery's parent company, Destination Maternity, Gymboree, Charlotte Russe, Things Remembered, Kona Grill, t.Loft, Forever 21, and with Charming Charlie, Payless ShoeSource, and Z Gallerie having declared second filings.

Aside from closings related to bankruptcy, several retailers closed area locations in 2019 including, but not limited to: PepperJax Grill, Roz and Ali, Rue21, Dressbarn, Burger King, Hardee's, Larkburger, Qdoba, Freestyle Poke, Chuy's Tex-Mex, Salty Iguana, Thomasville Furniture, and Stroud's.

Some notable openings included: Snooze AM Eatery, Black Bear Diner, Bibibop Asian Grill, Raising Cane's, Red Door Woodfired Grill, Andy's Frozen Custard, and Lion's Choice.

Also notable, and as a way to stay current with its customer, Hy-Vee is investing $90 million in remodeling 11 of its area locations.

In 2020, we can expect additional store closings from retailers like Sprint and T-Mobile as they merge their combined 68 metro locations, as well as other retailers with area stores that have announced additional future store closings such as H&M, Tuesday Morning, Chico's and its brands White House Black Market and Soma, CVS, Walgreens, Party City, JCPenney, GAP, Victoria's Secret, Family Dollar, GNC, and Bed Bath & Beyond.

Yet, despite the closings, we can expect new retailers to enter the market. At the top of that list will be the opening of 48 medical marijuana dispensaries in the Kansas City Metro. The competition was fierce with 350 applications for those licenses. As such, more than 300 locations committed to these tenant hopefuls will come back on the market when announcements for the winners are made in January. Other groups having committed to openings in the Metro include: Chicken Salad Chick, an Alabama-based fast casual restaurant chain has announced intentions for three locations in the metro with the first planned to open by late 2020, Capriotti's Sandwich Shop, a Las Vegas-based sub chain plans to open its first store in Johnson County, Saltgrass Steak House, and Austin-based Torchy's Tacos.

ICSC, the International Council of Shopping Centers, gives us good news reporting that for every single retailer announcing store closings, five chains are announcing openings. With consumer confidence continuing to rise and unemployment at an all-time low, the National Retail Federation reported an anticipated increase in overall retail sales between 3.8% and 4.4% over 2018 while Kiplinger reported that holiday sales are on target to grow 4.8%, this prediction slightly higher than the National Retail Federation's forecast of between 3.8% and 4.2%. Kiplinger goes on to report that with fewer shopping days between Thanksgiving and Christmas, ecommerce will see the greatest increase at 20% while in-store sales are anticipating only a 1.6% increase.

Overall, vacancy rates barely changed across the metro, moving from 6.0% at the end of 2018 to 6.3% at the end of 2019. Citywide, average rental rates decreased slightly from $13.16 per square foot at the end of 2018 to $12.97 per square foot at the end of 2019.

JOHNSON COUNTY, KANSAS

Development updates in Johnson County include:

Prairie Fire planned its second and final phase on the remaining 15 acres. Chicken N Pickle plans to open its second location in late 2020. The final phase of this mixed-use development will also include an ice-skating rink, an additional 136,000 square feet of retail space, 150,000 square feet of office space, and a hotel.

Bluhawk announced its second phase with new retailers and a 3,500-seat multi-sport arena complex. Retailers include T.J. Maxx, Saltgrass Steak House, Cactus Grill, Panera Bread, Gyu-Kaku Japanese BBQ, AT&T, and Freddy's Frozen Custard & Steakburgers.

Lenexa City Center opened The District this year with 30,000 square feet of retail space, 175 luxury apartments, and 45,000 square feet of office space. New tenants include Ignite Wood Fire Grill and a new branch for the Johnson County Public Library. Some tenants that will be opening soon include the Shawnee Mission School District swimming facility, Taco Hangover and Jo & Hash. The Lenexa Yard is planned for a 2021 opening and will include an event space, a rooftop bar and patio, two pickle ball courts, and more.

Mission Gateway may have finally found a plan that makes it a reality. The developer has signed a deal with Cinergy Entertainment Group to bring ziplines, bowling, escape rooms, axe throwing, as well as a movie theater, all under the same 90,000 square foot roof creating the entertainment environment needed to get this development started. Tom Colicchio's Food Hall is also planned for the development.

Sonoma Plaza in Lenexa added new tenants to its roster. The 285-acre site is located at 87th Street Parkway and I-435 and is home to 143,700 square feet of retail, restaurant, and office space. McKeever's Market and Culver's opened earlier this year with Chick-fil-A, Chipotle, Starbucks, and Red Door Grill slated to open in 2020.

Corinth Shopping Center, located at 83rd Street and Mission Road in Prairie Village, announced its plans for Corinth Quarter. The new development will include 25,000 square feet of retail space in two new buildings at the location of the former Mission Road Antique Mall.

A mixed-use development in Olathe near K-7 and West Santa Fe Street has broken ground. The 24-acre development will be anchored by Aldi and is scheduled to include 140,000 square feet of commercial space and a 100-unit senior living facility.

Retail centers that sold this year include: Metcalf 127 and Wycliff West Shopping Center in Overland Park; K-7 Marketplace, Greystone South, Library Shops Retail Center, and Lenexa Trails in Lenexa; and Twin Trails Shopping Center in Olathe.

Elsewhere in the county, B&B Theatres upgraded the Overland Park 16 theater to include a new four-story tall, seven-story wide, ScreenX Amphitheater, 4-D leather reclining seats in 60% of the theater, an auditorium designed for a family experience including a playground, and an upscale theater with waterfall curtains, seating with small tables and more leg room as well as a larger full-service bar and a new concession stand. Pickle Bar + Kitchen is slated for Switzer Road and 135th Street. In an effort to reinvent itself, Sears opened one of three new stores called Sears Home & Life in The Fountains Shopping Center at 119th Street and Lamar Avenue. U.S. Toy relocated to a space near 119th Street and Metcalf Avenue. Chase Bank took over the former Dean & DeLuca while Shake Shack, Verizon, and Helzberg Diamonds took over the pad site formerly occupied by On the Border at Town Center Plaza. Panache Chocolatier relocated from the Country Club Plaza to a larger space at Leawood's Park Place almost tripling its footprint. Galleria 115, a mixed-use project planned for 115th Street and Nall Avenue was granted a two-year extension to start work on the development. Mission Farms at I-435 and Mission Road is adding a five-story 128-room Springhill Suites Hotel and Paros Estiatorio, a new Greek Mediterranean concept, opened in the former Room 39 space. The Brookridge Project, a 140-acre development near 103rd Street and Antioch Road, obtained a $158 million tax increment and $46.5 million community improvement district financing plan from the City of Overland Park, keeping the project that has been in process for five years alive. Lion's Choice opened at 103rd Street and Metcalf Avenue. The former Sears site near 95th Street and Metcalf Avenue has cleared a rezoning hurdle allowing for a development that could include retail, restaurants, a gas station, and a 300-unit apartment complex.

In the three years since Taubman Centers & Macerich bought the Country Club Plaza, many changes have taken place. In 2019, The Capital Grille finished its relocation to 4760 Broadway Boulevard, allowing construction on the new Nordstrom site to commence. Other changes include the relocation of Old Navy, expansion of Lululemon Athletica Inc., and the opening of new brands such as Casper.

Kohl's closed its Lenexa location near 95th Street and Quivira Road. Meadowbrook Inn, a 54-room boutique hotel as well as Verbena, an American Restaurant are planned to open at the site of the Meadowbrook redevelopment near 95th Street and Nall Avenue. Regency Park located at 93rd Street and Metcalf Avenue completed its facelift. Hayward's BBQ relocated to the former Rhythm & Booze space near 75th Street and Nieman Road doubling its seating capacity and expanding its kitchen, back of house, and outdoor seating. Incredible Pizza Co. purchased Shawnee's Power Play and is undergoing a $4 million renovation. Overland Park's Food Hall opened at 80th and Marty Streets. Christopher Elbow bought the former Pizza 51 location in Fairway and opened his newest concept Fairway Creamery which serves donuts, glacé artisan ice cream and coffee. Slim Chickens is set to open in the former Taco Bell in Mission.

Johnson County's vacancy rate remained unchanged from last year at 7.2% at the end of 2019. As did the average rental rate changing from $14.51 in 2018 to $14.50 per square foot in 2019.

EAST JACKSON COUNTY, MISSOURI

Activity remained relatively quiet in this portion of the metro.

Independence Center had the most noteworthy activity in East Jackson County. The indoor mall traded hands again this year. Los Angeles's IGP Business Group bought the loan from Wells Fargo for $57 million after having been bank-owned for a year. The mall was previously owned by the Simon Property Group before it defaulted on its $200 million loan on the one million square foot mall. The new owner is hoping that by adding a new entertainment concept called the District Jungle: Eat & Play, which will include an arcade, 11 climbing walls, three levels of rope courses, and an aerial ride that combines the sensation of free falling with hang gliding, it will drive additional customer traffic to the property. Sears closed its last full-line store in the Metro at the mall in October.

Notable sales in this area include 23rd Street Station in Independence and Orscheln Farm & Home in Blue Springs.

Other news in the area includes: Black Bear Diner opening near I-70 and Little Blue Parkway; Dream Team Pizza near 24 Highway and Jackson Drive; Dollar General near 23rd Street and Crysler Avenue; Lady Jane's Haircuts for Men near 39th Street and Bolger Road; Fanboy Toys and Blossom Bridal Consignment near Highway 40 and Highway 7; and E. Edwards Work Wear, Paleterias Tropicana, Scooters, and CBD American Shaman near I-70 and Noland Road.

Rental rates in East Jackson County decreased from an average of $10.93 per square foot at the end of 2018 to a current average of $9.22 per square foot. The vacancy rate decreased slightly from 7.8% to 7.1%.

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

Streets of West Pryor is under development in Lee's Summit. The 270-acre mixed-use development is slated to have a 63,000 square foot McKeever's Market, a 165-room hotel, 220 units of luxury apartments and 160 senior living units. The project is expected to be completed in the summer of 2020 and is located at the northwest quadrant of Interstate 470 and Chipman Road.

Also in Lee's Summit, Summit Orchards is under construction making room for Aldi's, HomeGoods, Ross Dress for Less, Lion's Choice, and a Phillips 66 gas station.

In downtown Kansas City, several hotels are either under construction or have been announced. The Loews Kansas City Convention Center Hotel will open with 800 rooms in the spring of 2020. Choice Hotels International plans for a new hotel in downtown, the Cambria Hotel will be 6 stories with 149 rooms and anticipates a 2021 opening. Hyatt has plans to operate a 13-story, 5 star, 143-room hotel near the Kauffman Center for the Performing Arts.

The former Kemper Arena, now named the Hy-Vee Arena, was converted into a two-level sports facility including 12 hardwood mixed-use courts along with a 350-meter indoor running track, retail and office space is available on each level. Retail businesses include: Top of The Line Barbershop, Radical Athletic Wear, Yoga Pants Gallery, Auset's Vegetarian Cuisine, All American Diner, Bottoms Up Bar, Longboards Wraps and Bowls, Power Play Pizza and Arcade, Reis & Irvy's Frozen Yogurt, The Smootie Shop, and The Escape House Kansas City.

Elsewhere in this area of the metro, the strip center near 103rd Street and Wornall Road plagued by flooding has been demolished. KFC/Long John Silver's closed at 85th Street and Wornall Road. Hardee's closed at 135th Street and Washington Street. Captain D's closed in Grandview. Fred P. Ott's and The Oliver closed on the Country Club Plaza, and Black Dirt closed its location just south of the Plaza. Ted's Café Escondido closed its last Metro location in Lee's Summit. Broadway Deli closed in the Crossroads and Cascone's closed in the River Market. Jack Stack Barbecue will close its banquet facility in Martin City at the end of the year.

Local Pig and Pigwich opened in the River Market. Banksia bakery opened downtown with a second location planned for 48th & Main Street where Duck & Roll, their sister restaurant, also plans to open. Pickleman's Gourmet Café opened at 12th and Walnut Streets after years in the making while Plowboys Barbeque and District Tan opened nearby. Guy Fieri's Dive & Taco Joint opened in the Kansas City Power & Light District along with Blade & Timber Axe Throwing. The Crossroads watched as Arterra opened with Modern Society Appeal as its first retail tenant. Also opening nearby in the Crossroads were Streetcar Grille & Tavern, Farina, Fox and Pearl, and Pirates Bone. Carvana opened one of its vending machine car sales operations near I-35 and Southwest Boulevard. Starbucks and Burnt End BBQ opened in the space Milano closed this year at Crown Center. Brewer's Kitchen opened at 31st Street and Gillham Road with its new burger concept. Nearby, the old Luzier Cosmetics building located at 32nd Street and Gillham Plaza is being repurposed to incorporate retail, restaurant and office space and will include Billie's Grocery, a healthy American cuisine restaurant, Apothé a traditional apothecary, Unbakery and Juicery, a health-based restaurant, and, Hand & Land, a full service spa. McCoy's Public House in Westport closed to make way for Mickey's Hideaway. Westport also saw Café Corazon open, The Big Biscuit and Snooze AM Eatery start construction, and Jerusalem Café take over the space vacated by Qdoba, while KC Smoke Burger and Chick-in-Waffle plan to open in the space they relocate from. Early next year, Westport will also gain a new restaurant concept; Colorado-based Atomic Provisions plans to open in the old City Ice House building at 41st Street and Pennsylvania Avenue. The building will house four concepts: a cocktail bar, Atomic Cowboy; a breakfast restaurant, Denver Biscuit Company; a New York-style pizza restaurant, Flat Sully's; and, a handmade ice cream shop, Frozen Gold. The Capital Grille relocated on the Country Club Plaza to make way for Nordstrom's 2021 move from Oak Park Mall. Two hotels with Marriott flags and a retail/restaurant component, along with a Commerce Bank branch, are slated to begin development at 46th Street and Wornall Road on the north side of the Country Club Plaza. South of Summit Taqueria & Tequila took over the Summit Grill event space in Waldo. Church's Chicken was demolished at 85th Street and Wornall Road as part of a $6 million revitalization for Wornall Village Shopping Center where Price Chopper will invest in improvements within the grocery store. Torchy's Tacos will open at Ward Parkway Center in the space formerly occupied by MidiCi and the Comedy Club of Kansas City opened at Watts Mill Shopping Center. Wonderscope Children's Museum is in the process of building a 30,000 square foot facility in the Red Bridge Shopping Center located at Red Bridge and Holmes Roads as it plans its relocation from Shawnee.

Sales in this area include: Academy Sports and Twin Oaks Shopping Center in Belton, Valle Vista and Raintree Village shopping centers in Lee's Summit, Westlake Shopping Center in Raytown, and World Market in Westport.

Rental rates in this area of the metro increased from $14.22 per square foot at the end of 2018 to an average of $14.32 per square foot at the end of 2019. The area's vacancy rate increased from 5.2% at the end of 2018 to 5.5% at the end of 2019.

KANSAS CITY/WYANDOTTE COUNTY, KANSAS

The American Royal purchased 115 acres in Kansas City, Kansas, just northwest of the Kansas Speedway. Their new development will include 800,000 square feet of indoor event space which will include barn and exposition areas, performance arenas, a warm-up arena, an educational area, as well as 50,000 square feet of high-end exhibit space. The project is anticipated to open by winter of 2021.

Menards announced plans for its fifth area location on land that had been slated to include the Schlitterbahn Water Park expansion. It is scheduled to open in 2020 on the 17-acre site. Additional plans for the area include a retail development entitled at Waterside which would include retail and restaurant space.

Edwardsville will get a Hard Rock Hotel located at the southeast corner of I-70 and 110th Street near the Kansas Speedway. Construction has started on the 231-room hotel and is anticipated to open summer of 2021. The 11-story hotel will include a restaurant, Hard Rock retail store, and a 50,000 square foot event space.

Bonner Crossing, located at the southwest corner of Speedway Boulevard and State Avenue, is a planned 180-acre mixed-use project that would sit across from the Kansas

A free standing building at the Liberty Commons Shopping Center, 107-127 S Stewart Road, Liberty, Missouri was sold by Legacy Development to Block & Company, Inc. The 19,900 square foot retail building was purchased for $7.8 million in October 2019.

Speedway and is intended to include a concert pavilion, performing arts campus, a residential component, along with hotel, restaurants, retail, and a senior living facility.

Elsewhere in this area: Arthur Bryant's Barbeque closed, and The Merc Co+op grocery store is under construction at 5th Street and Minnesota Avenue and plans to open in the summer of 2020, while Bonner Plaza Shops was the only investment sale in this area of the market in 2019.

Retail rental rates for Wyandotte County were $8.69 per square foot at the end of last year. They increased to $9.84 per square foot at end of 2019. The area had a 3.6% vacancy rate at the end of 2019, compared to a 3.3% vacancy rate at the end of 2018.

THE NORTHLAND KANSAS CITY, MISSOURI

Another enclosed mall bit the dust. Metro North in North Kansas City opened its doors in 1976, but has since been turned to rubble. T-Shotz will open its 30,000 square foot state-of-the-art driving range in April 2020, adding the entertainment component to this development. At the end of the day, 650,000 square foot of retail space with 85,000 square feet of office space, 249 residential units, and a 100-room hotel will round out this mixed-use development.

Another mixed-use project, Creekside, is planned in Parkville. The project would include a baseball complex, three hotels, an office building, a gas station, two restaurants, 22,000 square feet of retail below apartments, along with town homes and single-family family homes. It is planned for three of the quadrants located at I-435 and Missouri Highway 45.

B&B Theatres announced plans to open in Gladstone with eight screens, an arcade, and a 12-lane bowling alley, and is collaborating with Spin Pizza to open in the complex. The development is slated for a 2020 opening and is located at Missouri Highway 152 and Platte Purchase Road and will be named Twin Creeks B&B Plaza.

Elsewhere, Stone Canyon Pizza opened in Gladstone, QuikTrip opened a truck stop on Front Street, Saltgrass Steak House opened in Liberty Commons, and Gordon Ramsay Steak opened in Harrah's North Kansas City Casino; Hawaiian Bros. Island Grill plans to open its fourth area location on Armour Road and Love's Travel Stop & Country Store will soon open at Missouri Route 210 and I-435.

Rental rates in the Northland averaged $14.58 at year-end, up from $13.84 per square foot at the end of 2018. The vacancy rate increased to 6.4% up from 4.7% at the end of 2019.

RETAIL OUTLOOK

What is in store for retail going forward is truly anyone's guess, but perhaps predictable we expect to see:

- The hunt for a bargain: be it resale or simply discount retailers, these stores are expected to remain strong.
- Right-sizing: stores will continue to play with their footprints to achieve the right balance of overhead costs and storerooms, tightening the supply chain.
- Retailtainment: engaging the customer through experience, be it entertainment or simply using ambience, emotion, and sound.
- Health and wellness: be it fitness, products like CBD, or integrating medical professionals into retail spaces.

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

Kansas City & National Investment Market

The sale of the 17 building Sprint Campus in Overland Park, Kansas, originally built in 1999, was finalized in July 2019. Sprint sold the 3,900,000 square foot campus to Occidental Management for $250.9 million. As part of the sale-leaseback agreement, Sprint will consolidate its operations into four of the buildings.

Kansas City is Not overbuilt, Not Over Leveraged… Kansas City is Just Right!

OUTLOOK FOR 2020

The current economic cycle has now entered the record books as the longest in U.S. history and investor confidence in commercial real estate has been solid. Cycles are a noteworthy feature of the real estate industry. The industry feels we are in the "late innings" of the current cycle, but many real estate executives are hesitant to commit that we are playing a nine-inning game.

The abundance of capital for debt and equity is prevalent today, but when the market shifts it typically does so without warning and moves very fast, reminiscent of August 2008. Our current cycle has some key differences compared to the Great Recession. Currently, we are not seeing over supply or over leverage. Another strong sign that we are in good standing is that most experienced developers are still active and are continuing to start new projects. There seems to be no end in sight for the current development pipeline in Kansas City.

On the other hand, the economy is facing some headwinds. U.S. Gross Domestic Product is closing out 2019 at a 2.0% gain and is projected to slow to 1.8% in 2020. The inversion of the yield-curve that happened and deepened during the first half of 2019 is another warning signal. Housing starts and auto sales have also slowed. The Fed's decision to ease interest rates in July is an indicator of the domestic signals and to hedge against international risk in both finance and trade.

It is a fair assumption that many have not made investment assumptions under condition of a softening economy and many project that the next economic slowdown will not be as drastic as the Great Recession, but it is highly unlikely the next expansion period will be as robust as the last nine years.

The bottom line is in all the research used for this report, analysts don't see the same oversupply or over-leverage issues that caused a panic and set off the Great Recession. Economists like to say, "expansions do not die of old age," but then again, they don't have a proven theory to sustain them. The majority, or 90%, of experts polled for Bankrate's Third-Quarter Economic Indicator survey concurred that the "chance of some type of U.S. recession in 2020 is likely around 25% due to the unpredictability of the on-going trade war."

While unsettling, they agreed that supportive financial conditions—in particular, low interest rates—should keep the expansion alive barring an escalation in tariffs. If a downturn does occur, it should be less severe than usual because of already low rates and less debt-constrained households. In Kansas City, our fundamentals are in better shape heading into 2020 than they were in 2007 and 2008.

KANSAS CITY MARKET FUNDAMENTALS

Investment volume in 2020 should total between $478 billion and $502 billion, making it one of the strongest years on record, according to CBRE's 2020 outlook.

The National Real Estate Investor magazine reported, in 2018, that private and institutional investors were branching out into smaller markets to meet investment measures and achieve higher returns. A follow-up story by National Real Estate Investor in January of 2019, said "more than half, 55%, of the apartment properties bought and sold for more than $1 million in 2017 were located in secondary and tertiary markets. In Kansas City, a Swiss-based company, Varia US Properties-Stoneweg LLC, recently purchased over 1,000 affordable and market rate apartment units. Their stated focus is on secondary and tertiary areas with strong population and employment growth.

INDUSTRIAL MARKET 2020

The industrial development pipeline remains strong in Kansas City and throughout the top 50 markets in the U.S. Vacancy rates remain at record lows; concerns about overbuilding have not been wide spread. Leasing remains steady and, if this continues, speculative development will continue. The other headwind that may slow industrial development is the rising cost of construction. Speculative construction increased over the first half of 2019 and is expected to rise again over the second half of 2019 and into 2020.

An average of more than $200 million annually has sold in Kansas City since 2013. As of the third quarter of 2019, nearly $165 million has traded hands which is on pace to hit the average of this cycle, but well off the pace of the largest investment year of 2017 where a record $635 million of industrial real estate sold. Average pricing as of late 2019 was $50 per square foot. We expect a continued high velocity of industrial real estate to trade into 2020.

OFFICE MARKET 2020

The office sector continues to move forward, even with concerns of functional obsolete space that litters the top 50 markets that was built in the 70's and 80's. When real estate professionals are polled, the general sense is that office is on the cusp of being oversupplied; however, over the next four quarters, we will see over 62 million square feet of office space hit the market nationwide.

As is a theme of this entire report, increased construction cost will continue to be a headwind in this space. One trend that has surfaced is projects shifting focus to large-scale anchor, tenant-driven projects. Vacancy rates have decreased in CBD Class A office space as a result of major new projects delivering with high rates of preleasing. The market has proven that Class A construction is being supported by healthy rental rates to support the economics of new development.

The four leading users of office space are technology, coworking, finance, and the insurance industry. Over 52% of leasing activity in 2019 has represented growth, which proves office tenants are still expanding.

Kansas City investment office sales set a record in 2019 with roughly $660 million of assets changing hands. The average cap rate was 7.8% at a price per square foot of $101.

Plaza Vista, the headquarters for Polsinelli, was purchased by 48th Place Associates, LLC from Everwest/Independencia in May 2019. Located at 900 W 48th Street, Kansas City, Missouri, on the Country Club Plaza, the 253,720 square foot, 10 story office building sold for $118.25 million.

RETAIL MARKET 2020

The retail market continues to go through a transition, but we are seeing some positive strides in this sector as well. Landlords continue to add more non-retail tenants to their shopping centers. The share of total shopping center space dedicated to non-retail rose form 19.2% in 2012 to 24.5% in 2018, according to JLL. The key players in this transition are fitness & wellness, food & beverage, leisure & entertainment, and medical. Mixed-use projects are still in vogue by developers, cities, and the U.S. population. Over 78% of U.S. adults would consider living in a mixed-use development. Nationally it is estimated that 25.3 million square feet of retail is expected to be delivered in 2019 and 40 million square feet is slated for 2020.

In Kansas City, roughly $150 million of retail deals were sold mid-way through 2019; this followed another year of increased activity from 2018. Investors have started to come back to retail. This is fueled by investors seeking yield which is tough to find in the industrial and multi-family sectors. All and all this is positive news for the Retail sector.

MULTIFAMILY MARKET 2020

One key factor fueling demand during this cycle is the changes of state in the housing market. It is projected that we may see home ownership in the 2020's drop to levels that we have not seen since the 1940's. The need right now in America is "Workforce Housing." It has been reported that 90% of new housing is being built for 10% of America. Housing is now a bigger issue than it has been in decades; it could be argued that it is a bigger issue now than it was after World War II.

Employment and rent growth have trended down in Kansas City through the beginning of 2019; however, the overall trends continue to be positive. Kansas City is outperforming comparable Midwestern markets like Oklahoma City and St. Louis. In both of those markets, rents and home prices significantly lag Kansas City.

Investment activity has been consistent in Kansas City throughout the last four years, averaging around $825 million per year according to Yardi Matirx's Summer 2019 report. Per unit prices have hit a new an all-time high of over $114,000 per unit. Value-add deals are still the most sought-after deals. This enables investors to push yields with increasing rents. As of the summer of 2019, developers had over 5,600 unit under construction. Downtown and Overland Park continue to see the most investment activity.

CAPITAL MARKETS 2020

There is a search for safe-haven for capital and real estate professionals are coming up short in many aspects finding suitable deals. The amount of capital flowing into commercial real estate remain palpable. Capital that is desperately seeking a home is the definition of a bubble that remains unrecognized until it is burst. The truth is commercial real estate managers are not paid to sit on cash.

When risk adjusted return expectations and projected returns collide, capital investment is made. The market is the market and it seems to be perfectly priced. At the current point in this cycle, liquidity is not an issue. There are plenty of buyers and debt sources to fill the gaps of capital needs.

The volume of estimated dry powered nationally has now reached over $2 trillion with 5% of that allocated to real estate. The flight to quality has been real and is one of the factors that the 10-year treasury has been pushed downward to the point of inverting the two-year and ten-year yield curve

STABILIZED PROPERTY ACQUISITION PRICING - AVERAGE CAP RATES

Source: CBRE North American Cap Rate Survey 1st Half 2019 (1) (2)	Kansas City - Class A	*U.S. (Tier III) Class A*	Kansas City - Class B	*U.S. (Tier III) Class B*
Property Sector	**1st Half 2019**	**1st Half 2019**	**1st Half 2019**	**1st Half 2019**
OFFICE - CBD (Tier-III)	7.25% - 7.75%	7.64%	8.75% - 9.75%	8.51%
OFFICE - SUBURBAN (Tier-III)	7.25% - 7.50%	7.79%	8.50% - 9.00%	8.68%
INDUSTRIAL (Tier III)	6.00% - 6.25%	5.97%	7.00% - 7.50%	6.80%
RETAIL - NBHD/Community (Tier III)	6.50% - 7.00%	6.73%	7.50% - 8.00%	8.03%
RETAIL - Power Center (Tier III)	7.75% - 8.50%	7.86%	8.75% - 9.50%	8.92%
MULTIFAMILY - Infill (Tier III)	4.75% - 5.25%	5.51%	5.25% - 5.75%	5.97%
MULTIFAMLY - Suburban (Tier III)	5.00% - 5.50%	5.44%	5.50% - 6.00%	5.99%
(1) Kansas City classified as a Tier III Metro Area (2) Class AA, Class C, not shown)				

Based on U.S. Census Bureau's Combined Statistical Area Tier-III markets are select "developing" markets including: St. Louis, Indianapolis, Oklahoma City, Tulsa, Memphis, Columbus, Cincinnati, Salt Lake, San Antonio, and Charlotte.




A 12 office building portfolio, Southlake Portfolio, was sold by Oaktree / Hines to City Ventures in January 2019. Built between 1990 and 2016 in the Southlake Technology Park, Lenexa, Kansas, the 786,427 square foot portfolio was purchased for $78 million.

in mid-2019. It is still noted that there are more investors chasing good deals than there are good deals available.

Is has been noted in the Emerging Trend in Real Estate 2020 that "the abundance of capital is a blessing and a curse." Liquidity is letting the market function and continues to price risk accordingly, but the continued assumption is capital will remain available. Underlying fundamentals remain the key to asset selection.

MARKET CYCLES

Integra Realty Resources issued its 2019 Viewpoint Market Cycle Charts for all four sectors of commercial real estate for the top fifty markets in the United States. They categorize the four areas of the market cycles as Expansion, Hypersupply, Recession, and Recovery. Kansas City is said to be in the late phase of Expansion for industrial and multifamily and in the late phase of Recovery for both office and retail. Based on this data, the best buys currently in Kansas City would be office and retail. As you can tell from the cap rates on our investment sales chart, the cap rates are reflective of the demand for both industrial and multifamily projects.

Commercial real estate prices continue to soar, a function of increasing rents and increasing cost of construction. The adage of "buying below replacement cost" continues to inch upward with the rising construction costs. Yields are tightening as well. Cap rates continue to compress. In late 2019, Block Funds was negotiating the sale of a property in a suburb south of Austin, Texas, for a 3.97% cap rate. This is a function of two factors: 1031 trade money and capital looking for a safe harbor. It is expected that prices will continue to rise along with the rising prices of construction. Construction pricing might be the limiting factor in this whole equation. As construction price continue to soar, there will be a limit on the upper-end of rents to be able to justify new development.

OTHER LOCAL INVESTMENT DRIVERS

OFFSHORE CAPITAL

In 2019, foreign investors were net sellers of U.S. commercial real estate for the first time since 2012, but they continued to increase their allocation for apartment properties. Apartments are appealing to cross-border investors for several reasons, including the shrinking vacancy rates and the apartment's income is derived from hundreds of tenants, unlike commercial properties that sometimes may only have one tenant. According to Real Capital Analytics (RCA), cross-border investors spent $16.1 billion on apartment acquisitions which was a 10% increase over the same period one year earlier. According to RCA, Canadian buyers were the most active in the apartment sector followed by buyers from Singapore, Israel, Bahrain, and Qatar.

FAMILY OFFICES

In a recent report compiled by UBS and Campden Wealth Research, a recent trend suggests that family offices are pulling back their investments in hedge funds and gaining more exposure to commercial real estate. During the study, it was found that three-fourths of family offices surveyed invest in real estate and family offices increased their allocations to an average of 17 percent of their portfolios. It is projected that one-fifth of family offices in North America will likely raise their real estate allocations on a net basis is 2020. The reason for this is real estate is viewed as a wealth protector during a downturn and family offices are preparing for the worst if we are in fact in the late innings of this cycle.

Family offices have become more hands-on and favor direct investments as opposed to investing in a fund or fund of funds. We are seeing a steady increase in family offices co-investment with real estate firms. Family offices seek to partner with real estate private equity firms, like Block Funds, to bypass traditional investment pathways and invest directly in commercial real estate. This enable family offices to be more hands-on and control their destiny as opposed to be passengers along for the ride.

INFRASTRUCTURE

Ground has been broken on a $1.5 billion project to replace the 1970's vintage terminal at Kansas City International Airport with a modern facility capable of handling more travellers. Kansas City leaders have high hopes that a newly designed, single-terminal airport will encourage more companies to relocate to the Kansas City regional market. Plans to extend the KC Streetcar to the Riverfront and UMKC and Country Club Plaza continue to move forward.

HEALTHCARE

The growth in health care has buoyed the Greater Kansas City economy. According to the Mid-America Regional Council, its growth has begun to tick slightly above the U.S. average. Kansas City health care, totaling 160,000 jobs, has grown by nearly 29,000 jobs since 2010, making it both the region's largest industry and biggest job producer. Children's Mercy is completing a 202,000 square foot medical office building on the Hospital Hill Campus, while Adventist Health Systems and St. Luke's Health System both opened new hospitals, medical offices, and additional neighborhood clinics. Cerner Corporation remains Kansas City's largest employer and is the largest provider of health IT to the federal government. Seventy of the top 100 health systems in the U.S. have a Cerner footprint.

In 2018, Kansas City based Mediware Information Systems completed key mergers and rebranded as Wellsky; in 2019, Wellsky occupied new offices in City Place. WellSky serves the nation's largest hospital systems, post-acute care franchises, state agencies, and human services organizations. Its customer base is global.

SENIOR HOUSING

Demographers report that 10,000 baby boomers are reaching retirement age every day. It's anticipated that the number of Americans over 80 will double over the next two decades and that the last baby boomer will not turn 80 until 2044. There may not be enough options for the flood of seniors coming online and a May 2019 New York Times article predicts that a decade from now, most middle-income seniors will not be able to pay the rising costs of independent or assisted living.

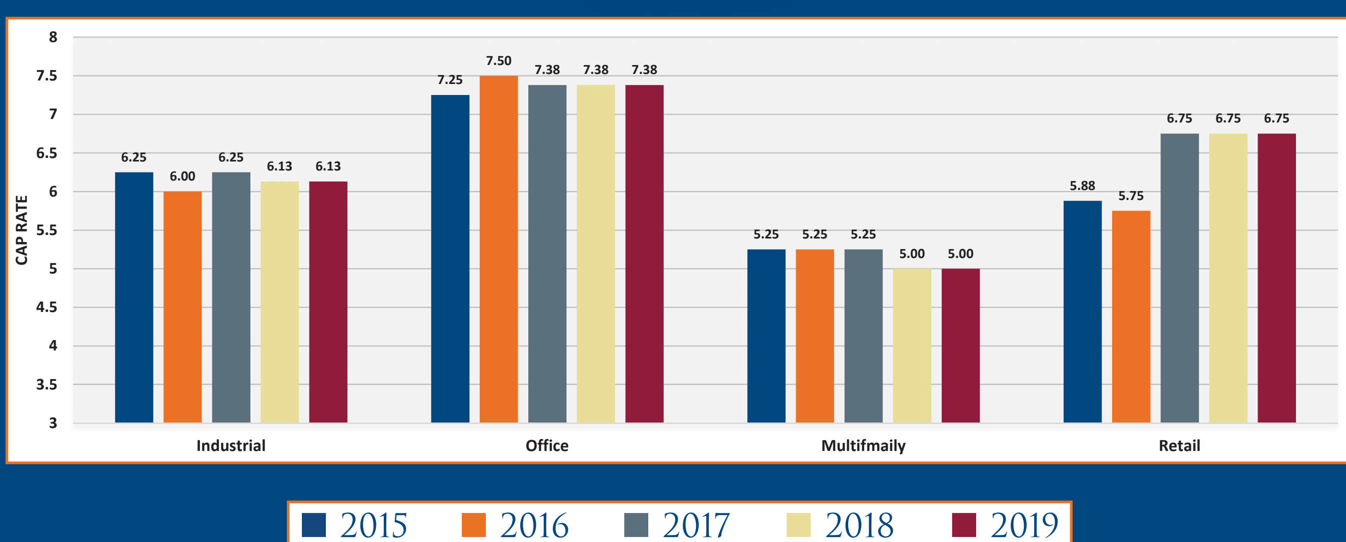
Kansas City is a target market for senior living developers. In 2017, Senior Living News reported that half of the top 100 U.S. metro areas had zero Continuing Care Retirement Communities under construction. More than a third of the new construction was concentrated in just five markets: Philadelphia, Kansas City, Los Angeles, Dallas, and New York. From 2015 to 2018, Kansas City saw inventory grow 15% in stock according to trade association NIC, or the National Investment Center for Seniors Housing & Care.

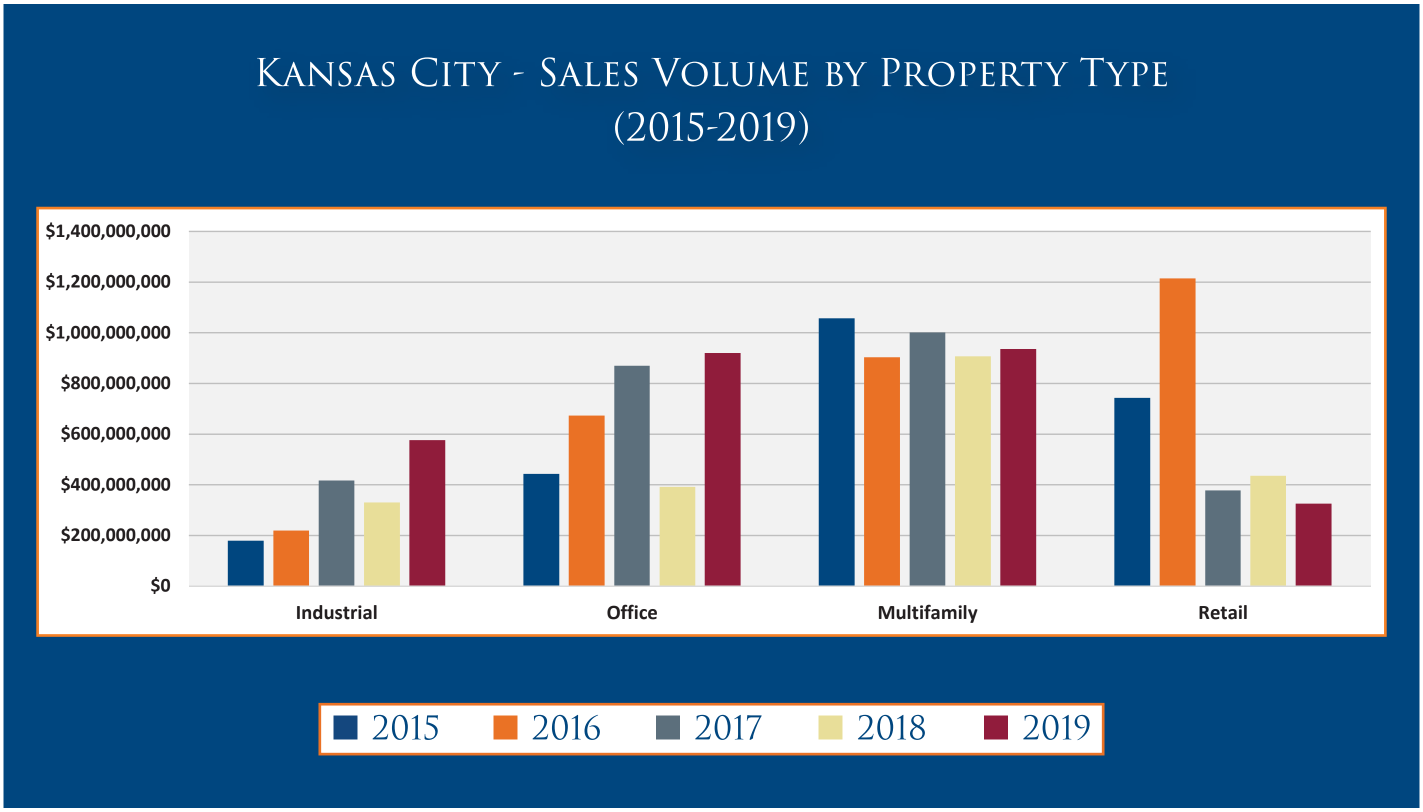
In 2019, Tutera Senior Living & Health Care opened its newest upscale, continuum-of-care community in Kansas City's Northland. That project followed closely the 2018 opening of Mission Chateau, comprised of 201 luxury apartments, memory care and assisted living. Tutera Senior Living operates 44 senior-living communities in nine states and is currently completing a $1.5M upgrade of the Atriums in Overland Park.

HIPSTURBIA

We have never seen the live, work, play lifestyle as prevalent as it is right now. As younger generations become

Kansas City - Average Class A Cap Rates by Asset Type (2015-2019)





parents, they are looking to leave urban areas for "Hipsturbia." They are leaving downtown and looking for the right mix of urban staples like dining, shopping, entertainment, and jobs, all within a walkable distance.

This is the same thing developers began trying to attain 25 years in downtowns throughout America; now they are taking the same formula to the suburbs. Lenexa City Center, for example, is all within a walkable distance residents can go to work, eat at quality restaurants, get their workout in, and socialize at the Public Market. This trend will continue to take shape and expand through the rest of this cycle.

LIFE SCIENCES

Kansas City's life science industry is booming, according to a January 2019 study by BioNexus KC, formerly known as the Kansas City Area Life Sciences Institute Inc. They found a net increase of 43 companies in the region since 2015, an impressive 17% growth, and a 22% percent increase in employment. The newest addition to the life sciences community includes two divisions of the U.S. Department of Agriculture that will bring some 500 jobs to downtown Kansas City.

The KC Animal Health Corridor stretches from Manhattan, Kansas, to Columbia, Missouri. In 2019, the long-awaited National Bio and Agro-Defense Facility (NBAF) located on the K-State Campus in Manhattan, Kansas, opened its doors and expects to be fully operational in 2020. It is a state-of-the-art, bio-containment laboratory for the study of diseases that threaten both America's animal agricultural industry and public health.

The top five animal health focused companies that are located in the Kansas City and St. Joseph trade area include: Bayer, Boehringer Ingelheim, Mars Petcare, MRIGlobal, and Ceva. Collectively they employ some 2,700 people, according to a 2018 list compiled by the Kansas City Business Journal.

COWORKING

New York based co-working giant, WeWork entered the Kansas City market two years ago when it opened its Corrigan Station location at 1828 Walnut Street and leases roughly 45,000 square feet. In July 2019, WeWork announced it will lease more than 100,000 square feet in the former City Center Square building in downtown Kansas City. They will occupy the third and fourth floors of the 30-story, 657,070-square-foot building at 11th and Main Streets and has been rebranded as Lightwell by the new owner, Somera Road of New York.

OPPORTUNITY ZONES

The U.S. Opportunity Zone program has been in place for almost two years. As such, it's still a new initiative. CBRE recently issued a report titled, "Multifamily Development: A Bright Spot in Opportunity Zone Initiative". The report offered two takeaways. First, total investment in opportunity zones accounted for 10.5% of overall U.S. volume, about the same as the 18-months prior to the program. And second, the type of demand has shifted to multifamily land sites rather than existing multi-family properties.

Locally, the city of Grandview reports that it has landed the first publicly announced project in one of the metro area's Opportunity Zones. Winco Fireworks International LLC will move from Prairie Village to Grandview, where the company plans to build a new 12,000 square foot headquarters for its 25 employees in the SouthPoint Business Park.

The Kansas City Star Printing and Distribution building, located at 1601 McGee Street, Kansas City, Missouri, was sold to Ambassador Hospitality by Cypress Media in May 2019. The $30.1 million sale was part of a sale and lease-back of the 424,000 square foot property to the McClatchy Company, owner of the Kansas City Star, on a long-term lease. Built in 2006, it is immediately south of the Sprint Center and I-670.

KANSAS CITY HOME BUILDING INDUSTRY

The number of single-family home construction permits issued during the first nine months of 2019 fell by 27% from the same period in 2018, according to Home Builders Association of Greater Kansas City. The executive director observed that while overall production numbers were down year-over-year, permitting increased in the fall of 2019 as builder have gained confidence in the economy and the local market. Average mortgage rates also fell from 4.07% in the second quarter to 3.73% in the third quarter of 2019, reaching a three-year low.

With the lower interest rates, housing affordability rose to its highest level in three years. The Kansas City builder members are cautiously optimistic that with the Metro's healthy job market, even if the U.S. economy slows, residential construction will be in position to take advantage of the lower interest rates. Just like commercial builders, rising material cost is the culprit.

THE 2019 KANSAS CITY INVESTMENT MARKET

INDUSTRIAL SALES 2019

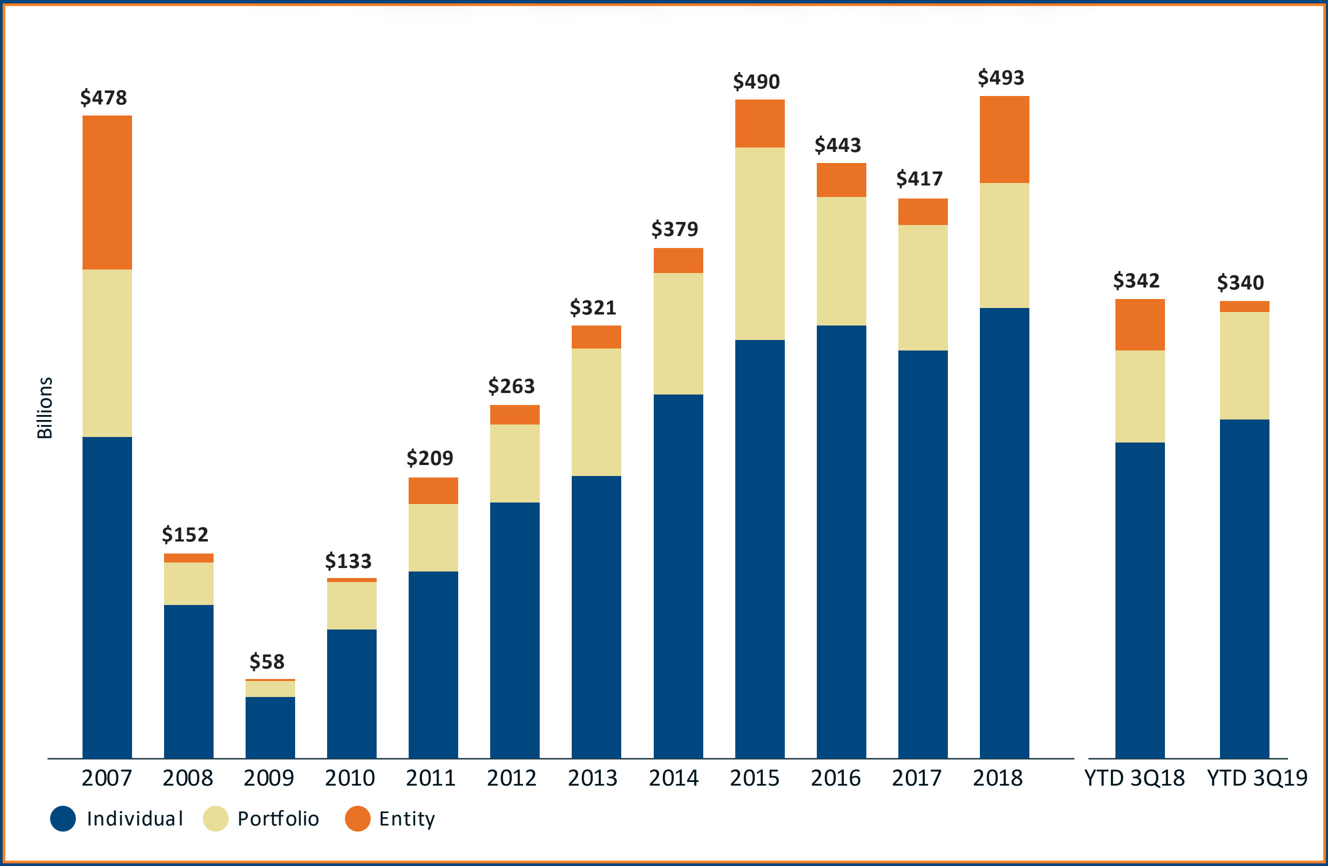
In May, the Kansas City Star finalized the sale of the iconic 424,000 square foot printing facility, located in the heart of downtown Kansas City. Ambassador Hospitality bought the building at a purchase price of $30.1 million and agreed to perform a lease back which will allow the media company to continue operations in the building for another 15 years. The property was granted tax abatement at its inception and received a 15-year extension in 2015.

The city of Olathe has been a large player in the industrial market that has allowed Kanas City to become a major Midwest distribution hub. The Pacific Sunwear of California Inc. distribution center was sold for $20.8 million, or $46 per square foot, at a cap rate of 6.76%. The 448,479 square foot building was strategically located on 167th street near I-435 and I-35. Faith Technologies acquired the building, from a partnership controlled by BRES principals, to increase manufacturing and training capacities.

An industrial building known as Widmer 140, originally developed by VanTrust and located in Lenexa Kansas, sold for $75.32 per square foot. The industrial building located near I-35 and serviced by rail roads was dispositioned for $10.55 million dollars from KCI Lenexa 128, LLC. to MCA, LLC. The building which spans 140,000 square feet was a user transaction.

Sealy and Company, a Dallas based commercial real estate firm, purchased the 517,391 square foot industrial building located at 5300 Kansas Avenue, Kansas City, Kansas. The seller BH Properties dispositioned the property at $34 per square foot, or $16.45 million. The industrial building traded at a 7.19% cap rate. Overstock.com, who currently occupies most

U.S. - Yearly Transactional Volumes 2019



Source: JLL Research, Real Capital Analytics

Investors targeted a wider range of markets to find opportunity, and more sellers came forward. Pricing is expected to edge ahead driven by stable yields and steady rental growth for the best assets rather than yield compression which has typified recent years.

of the space, will take over the remaining area in September of 2020.

The NYSE traded Stag Industrial, Inc. (STAG) purchased a Class C Industrial building locate at 9700 Lackman Road. Lenexa, KS. Stag Industrial focuses on single tenant industrial. The building occupied as a distribution center for Gear for Sports, was bought at a 6.95% cap rate at $13.46 million or $44.12 per square foot. The 305,065 square foot building is situated inside the southwest corner of the 435 loop and along side interstate 35, placing it in a strategic logistics location.

Located in Lenexa, Kansas, the Lenexa Logistics Center North Building I was initially developed by BRES and Nationwide Insurance. BRES bought out its developing partner and will hold the Capstone award-winning building as an asset to Block Funds. The building, located at the intersection of College and Renner Boulevards, spans 635,821 square feet and was sold for $37 million at a 6.52% cap rate. The surrounding properties consist of similar buildings and maintains a modern design.

MULTIFAMILY SALES 2019

The multifamily outlook for Kansas City in 2019 remained positive amongst second-tier markets. The cap rate for Class A stabilized infill properties ranged from 4.75% to 5.25%. The range for suburban Class A properties was 5.00 % to 5.50%. The average cap rate for the properties in the report was 5.07%, ranging from 4.75% to 5.50%. The year-over-year effective rent growth of 3.1% grew rents to an average of $977. Kansas City witnessed the addition of 2,299 units at the end of the third quarter and is expected to deliver 1,194 more by the end of the year. The multifamily market is on pace to break another record in 2019 and exceed $1.0 billion in deals driven by the high volume of unit inventory. In the downtown market, the city remains strong on the incentive to provide affordable living units as development remains solid in the downtown submarket.

The Crossing at Barry Road Apartments, previously owned by GoldOller Real Estate Investments, is a 624-unit apartment community with 95% occupancy. The property, which was built in 1997, is fueled by its proximity to Zona Rosa Shopping Center and the KCI expansion. The Crossing was acquired by a venture partnership which includes BH Equities, L5 Investments, and Odyssey Properties Group for $64.5 million, or $103,353 per door, at a 5% cap rate. The partnership looks to complete a $13.8 million value-add program.

Sillman Enterprises sold Barrington Park, a 408-unit complex to BRES and Thackeray Partners, who planned to complete a value-add program over the coming years, including the addition of a clubhouse, leasing center and pool. The property sold for $54 million at a cap rate of 5.5%. The Class B property offers two- and three-bedroom layouts. The property is located near a regional medical center and Johnson County Community College near I-435 and I-35.

Clear Creek Apartments, a 288-unit property, was acquired by the Nitya Capital for $41.5 million, or $144,097 per door, in January 2019. JVM Realty Corporation sold the modern apartments, which are located between I-35 and 69 Highway in Overland Park. The transaction occurred at a 4.78% cap rate.

Plaza at Overland Park has been acquired by Philadelphia-based Equus Capital Partners in a value-add proposition. The appealing location, surrounded by Class A retail, commanded a price of $33.2 million, or $166,000 per unit, at a cap rate of 4.75%. The 200-unit complex is comprised entirely of townhome units that range from two- to three-bedroom layouts, most including attached garages.

Sold in August 2019, Pine Meadows Townhomes contains 102 units near Pflumm Road and Shawnee Mission Parkway. The property was purchased by BRES and Thackeray Partners from the developer, Pine Meadow Townhomes LLC and Hickok-Dible for $18.25 million at a 5.12% cap rate.

Altitude 970 Apartments was sold by Tpatw LLC to BEST Altitude 970 Fund XII LLC in 2019. The apartment complex, located in Kansas City northeast of Parkville, is comprised of 291 units that sold for $202,500 per door for a total of $58,927,500. The property traded at a cap rate of 5.25%. The complex offers furnished and unfurnished units with floorplans from studios to three-bedrooms.

RETAIL SALES 2019

Greystone South Plaza, located in Lenexa, was sold for $6.64 million, or $112.39 per square foot, at an 8% cap rate. The seller was a group led by BRES and had received a Community Improvement District (CID) Agreement with the city. The CID agreement has been passed on the agreement to the new owners Greystone One LLC which is held by the Pener family.

Cherry Hill Properties, based in Lawrence, purchased 10 Market Place, a three-building retail center located at 23rd and Harper Streets in Lawrence. The buildings, built in 1999, span 56,488 square feet across 6.4 acres. MSCI 2007-IQ16 East 23rd Street, LLC dispositioned the property for $4,254,249 at an 8.06% cap rate.

Located in Lee Summit, the Valle Vista Shopping Center was sold by Valle Vista Investors, represented by BRES, at $7,165,000 or $156.15 per square foot. The shopping center, which was purchased by LS Valle Vista 2018 LLC, a Block & Co. Inc. entity, was purchased at an 8.55% cap rate. The 45,886 square foot property is located near 291 Highway and Chipman Road.

Sprouts Farmers Market – Lee's Summit, an organic and natural foods grocery store, traded at a 6.5% cap rate in 2019. The property, previously held by Compton Holdings, was purchased by SPMC Urban Properties for $6,909,000, or $297.16 per square foot at 23,250 square feet.

OFFICE SALES 2019

One of the largest and most anticipated listings came to an end this year with the Sprint campus in Overland Park closing on a deal early July. The 3.9 million square foot campus was sold for $250.9 million at a 6.46% cap rate. Sprint sold the

Altitude 970 Apartments, a 291 unit apartment community, was sold in September 2019 by Tpatw LLC to BES Altitude 970 Fund XII LLC for $58.9 million. Built in 2017, the community is located at 6301 N Klamm Road, Kansas City, Missouri just south of Missouri Highway 45 and west of I-29.

property to Occidental Management who agreed to execute a lease back deal to the seller, who will occupy a smaller portion of the campus than previously. The new ownership looks to create an innovative hub that attracts startups and the upper echelon employees.

Plaza Vista, the 10-story Class A office tower located on the Country Club Plaza, was completed in 2013 as the Polsinelli PC headquarters. The partnership lead by EverWest Real Estate Partners LLC initially purchased the building at $104 million and dispositioned the office tower for $118.25 million or $466 per square foot. The 253,754 square foot best in class asset traded at a cap rate of 6.80% to the fairway based investment firm, Platform Ventures.

City Ventures, a Nebraska-based investment firm, bought the South Lake Portfolio which consists of 11 buildings totaling 786,427 square feet across 300 acres, located in Lenexa, Kansas. City Ventures acquired the product at a 7.4% cap rate. The Houston-based seller, Oaktree Capital Management and Hines, sold the building for $88 million, or $112 per square foot.

The Corporate Ridge Building I located in Olathe, KS just southwest of the 435 loop was sold to a Tennessee based private real estate investment firm, Priam Capital. The 88,050 square foot building was previously owned by Founders Properties based in Minnesota. The building transacted at $147.64 per square foot, or $13 million, at a cap rate of 9.70%.

Executive Centre, located in Overland Park near I-435, was previously owned by Minneapolis-based Onward Investors who specialize in value-add propositions and was traded at a 9.45% cap rate. The property was bought by Brain Group for $22.8 million, or $103 square feet. The portfolio totals 222,426 square feet and consists of three multi-story office buildings.

Park Central Plaza I & II was also acquired by City Ventures in 2019. The property was sold by Sun Life Assurance Company of Canada for $32 million at a 7.1% cap rate. The 148,217 square foot building was initially acquired by Sunlife for $18 million.

VanTrust Real Estate sold a 76,332 square foot medical office building that they developed in 2017. The transaction occurred at $29,883,117, or $148 per square foot. The Class A property was purchased by Griffin-American Healthcare REIT in a transaction that included five other medical office buildings located in multiple other states.

WHAT'S AHEAD FOR 2020?

The National Association of Realtors lists the biggest challenges ahead for 2020 as:

- Cost of construction
- Continued effect of ecommerce on retail
- Lack of inventory
- Global economic conditions
- Tariff negotiations

In Kansas City, we share the first two concerns. The Kansas City Area Economic Development Council and Downtown Council would love to see spec Class A office space under construction. Reportedly, Starbucks representatives looked at Kansas City for a 100,000 square foot regional office. They were blown away by how "cool" downtown Kansas City was, but ultimately went to Atlanta where there's already four- to five cranes in the air.

With the economic expansion entering its tenth year, which is a record in the U.S. economy, everyone is looking for signs of the next recession. The data is not there to suggest a massive recession is likely any time soon. It is expected over the next year we will see more of what we see today, if anything we might be in for a soft landing but not a sudden crash.

> While out of state companies, such as Starbucks, believe downtown Kansas City to be cool, the lack of available new office space already under construction ultimately has kept companies from moving into Kansas City.

In 2020, we can expect debt and equity will remain readily available and we can continue to expect a continued shortage of deals with acceptable returns. This can also cause problems and push investors to stretch their underwriting to make deals work which could lead to underperforming deals. It is expected that we will continue to have more outside investors, both national and international, coming into Kansas City. Every year we have new institutions entering the Kansas City marketplace for their first investment.

The current housing market is at a breaking point regarding affordability. As reported earlier, the current deliveries in America are being built for 10% of Americans. Rents and home prices have outpaced what 90% of America can afford. There is a huge demand for work force housing and for developers that can unlock the right rent to construction cost formula will hit a homerun. Millennials and Gen Z are having trouble finding affordable housing near employment centers while Baby Boomers are having trouble selling their homes. We have not seen such a supply and demand issue in housing sense after World War II. Hipstrubia will continue to take shape in Kansas City, developers are continuing to try and create walkable self-contained environments to attract youthful residents.

Multifamily and industrial will continue to be sector leadings when looking at investment demand. As returns remain low, some investors will widen their scope to retail and office investment properties. We would expect that cap rates will remain relatively stable through 2020. Senior housing will continue be hot on the development front, with an aging population demand should will remain high over the next decade.

Commercial real estate is not over leverage or over supplied as was the case prior to the Great Recession; in fact, the current fundamentals are healthy. Interest rates remain historically low without a significant change in sight. It is anticipated these factors will continue in Kansas City and nationally through 2020 making commercial real estate a great place to invest. We would expect to see robust investment activity again in 2020.

Contributors include: Grant O. Reves, Director of Acquisitions; Kenneth G. Block, SIOR, CCIM, Managing Principal; Bill Powell, Vice President; and Zachery Gant, Financial Analyst.

Investors Chart and Sales Records

OFFICE PROPERTIES	SIZE (SF)	SALES PRICE / PER SF	CAP RATE	BUYER/SELLER
Sprint Campus Various - Sprint Parkway, Overland Park, Kansas	3,900,000	$250,900,000 $64.33	N/A	Buyer: Occidental Management Seller: Sprint
Plaza Vista 900 W. 48th Street, Kansas City, Missouri	253,754	$118,250,000 $466.00	6.80%	Buyer: 48th Place Associates, LLC Seller: Everwest / Independencia
Southlake Portfolio 11300 Corporate Avenue, Lenexa, Kansas	786,427	$78,000,000 $111.90	7.40%	Buyer: City Ventures Seller: Oaktree / Hines
Park Central Plaza I & II 4717-4740 Grand Avenue, Kansas City, Missouri	158,038	$32,000,000 $202	7.40%	Buyer: City Ventures Seller: Sunlife Assurance Company of Canada
Executive Centre 10881-10901 Lowell Avenue, Overland Park, Kansas	222,426	$22,800,000 $103	9.45%	Buyer: Brain Group Seller: Onward Investors
Corporate Ridge 1 18103 W 106th Street, Olathe, Kansas	88,020	$13,000,000 $147.64	9.70%	Buyer: Priam Capital Seller: Founders Properties

INDUSTRIAL PROPERTIES	SIZE (SF)	SALES PRICE / PER SF	CAP RATE	BUYER/SELLER
Lenexa Logistics Center Building 1 17700-17790 College Boulevard, Lenexa, Kansas	635,821	$37,062,000 $58.29	6.52%	Buyer: A BRES Sponsored Investment Group Seller: BLNW Associates, LLC
KC Star Printing Facility 1601 McGee Street, Kansas City, Missouri	424,000	$30,143,076 $71.09	9.24%	Buyer: Ambassador Hospitality Seller: Cypress Media
PacSun Distribution Center 21800 W 167th Street, Olathe, Kansas	448,479	$20,800,000 $46.38	6.76%	Buyer: Faith Technologies, Inc. Seller: A BRES Sponsored Investment Group
5300 Kansas Avenue 5300 Kansas Avenue, Kansas City, Kansas	517,391	$16,450,000 $31.79	7.19%	Buyer: Sealy & Company Seller: BH Properties
Gear for Sports Distribution Center 9700 Lackman Road, Lenexa, Kansas	305,065	$13,460,000 $44.12	6.95%	Buyer: STAG Industrial Holdings, LLC Seller: LIT Industrial LP
Widmer 140 9700 Widmer Road, Lenexa, Kansas	140,604	$10,545,300 $75.00	User	Buyer: MCA, LLC Seller: KCI Lenexa 128, LLC

RETAIL PROPERTIES	SIZE (SF)	SALES PRICE / PER SF	CAP RATE	BUYER/SELLER
Liberty Commons Building 107-127 S Stewart Road, Liberty, Missouri	19,900	$7,800,000 $391.96	7.55%	Buyer: Block & Company, Inc. Seller: Legacy Development
Valle Vista 598-624 NE M-291 Highway and Chipman Road Lee's Summit, Missouri	45,886	$7,165,000 $156.15	8.55%	Buyer: LS Valle Vista 2018 LLC Seller: Valle Vista Investors
Sprouts Farmers Market 800 NE State Rte. 291, Lee's Summit, Missouri	23,250	$6,909,000 $297.16	6.50%	Buyer: SPMC Urban Properties Seller: Compton Holdings
Greystone South Plaza 12800-12948 W 87th Street, Lenexa, Kansas	59,080	$6,640,000 $112.39	8.19%	Buyer: Greystone One LLC Seller: A BRES Sponsored Investment Group
Wycliff Plaza 10300 - 10442 Mastin Street, Overland Park, Kansas	78,001	$5,650,000 $72.43	8.00%	Buyer: Chief & Pony Holdings, LLC, et al Seller: Nall @ Johnson Drive, LLC
10 Market Place 1800 E. 23rd St/2220 Harper Street, Lawrence, Kansas	56,488	$4,254,249 $75.31	8.06%	Buyer: Chery Hill Properties, LLC Seller: MSCI 2007-IQ16 East 23rd Street, LLC

MULTIFAMILY PROPERTIES	UNITS	SALE PRICE/PER UNIT	CAP RATE	BUYER/SELLER
The Crossing at Barry Road 7831 NW Roanridge Road, Kansas City, Missouri	624	$64,500,000 $103,365	5.00%	Buyer: Odyssey Properties Group Seller: GoldOller Real Estate Investments
Altitude 970 Apartments 6301 N Klamm Road, Kansas City, Missouri	291	$58,927,500 $202,500	5.25	Buyer: BES Altitude 970 Fund XII LLC Seller: Tpatw LLC
Barrington Park Townhomes 10963 Richards Court, Lenexa, Kansas	408	$54,000,000 $132,353	5.50%	Buyer: A BRES Sponsored Investment Group Seller: Sillman Enterprises, Inc.
Clear Creek Apartments 13590 Earnshaw Street, Overland Park, Kansas	288	$41,500,000 $144,097	4.78%	Buyer: Nitya Capital Seller: JVM Realty Corporation
Plaza at Overland Park 13900 Newton Street, Overland Park, Kansas	200	$33,200,000 $166,000	4.75%	Buyer: Equus Capital Partners Seller: Bluerock Real Estate, LLC
Pine Meadow Townhomes 14202 W 63rd Terrace, Shawnee, Kansas	102	$18,250,000 $178,922	5.12%	Buyer: A BRES Sponsored Investment Group Seller: Pine Meadow Townhomes LLC/Hickok-Dible

Kansas City Multifamily Market

In May 2019, The Crossing at Barry Road sold to Odyssey Properties Group for $64.5 million from GoldOller Real Estate Investments. The 624 unit, 52 building, apartment complex was built in 1998 at 7831 NW Roanridge Road, Kansas City, Missouri.

The Kansas City apartment market remains in a positive position. 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. This year, we've had 2,533 units absorbed across the Kansas City Metro. Currently, CoStar data shows 9,997 units under construction, which is 1,640 units more than last year's unit count. If you thought the multifamily market was slowing down, you were wrong.

The economy is continuing onward in historic fashion and, statistically speaking, we are seeing some of the best numbers ever in the apartment market. Rent growth in certain areas may have decelerated a fraction and concessions may have become slightly more common, but at the end of the day we are seeing the lowest vacancy rates in recent memory and the highest asking rents across all apartment asset classes. Institutional investment into Kansas City has become a consistent normality. The result of this has been an increase in sale prices and price per unit averages ranging anywhere from 10% to 15%. 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

According to CoStar, Kansas City's apartment market currently consists of 147,365 units. Inventory over the last year grew by 1,643 units. Absorption decreased from 4,767 units in 2017 to 3,578 units in 2018 and 2,533 units in 2019. Vacancy rates are currently sitting at an average of 6.6% across the market, which improved from 2018's 6.7%. A total of 9,728 units are currently vacant, which shows the market holding steady from last year's vacant count of 9,655 units. Market rents grew 2.6% this year. Currently, the average market rent per unit per month is $977, which is up from $953 in 2018.

DOWNTOWN – CENTRAL BUSINESS DISTRICT – CROSSROADS - PLAZA

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 seen 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, 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 coming online from development, and therefore less required absorption.

Developments under construction in the Downtown Kansas City area include:

- Icon at Gallerie – 227 E. 27th Street, Kansas City, Missouri
  361 units being developed by Milhaus
- Artistry – 1900 Oak Street, Kansas City, Missouri
  340 units being developed by Milhaus
- City Club Apartments – 1989 Main Street, Kansas City, Missouri
  283 units being developed by City Club Apartments LLC
- Second and Delaware – 122 Delaware Street, Kansas City, Missouri
  281 units being developed by Arnold Development Group LLC
- West Bottom Flats – 925 Wyoming Street, Kansas City, Missouri
  265 units being developed by MCM Company
- Westport Residences – 331 Westport Road, Kansas City, Missouri
  256 units being developed by The Opus Group
- The Yards– 1660 Gennesse Street, Kansas City, Missouri
  224 units being developed by Flaherty & Collins
- 44 Washington – 551 44th Street, Kansas City, Missouri
  196 units being developed by Block Real Estate Services, LLC

Continued development over recent years has transformed the Downtown Kansas City region into the premier destination for residents looking for a live, work, play lifestyle. With additional development in the pipeline, expect the Downtown living trend to continue.

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 Metropolitan area. 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 3,957 units under construction, and sales volume is traditionally higher in this submarket than others.

A BRES sponsored investment group purchased Barrington Park Townhomes, a 408 unit townhome complex renovated in 2006, from Sillman Enterprises, Inc. in July 2019. Located at 10963 Richards Court, Lenexa, Kansas, the property was sold for $54 million.

According to CoStar data, 2019 is the first year where average price per unit on sales was above $105,000. For reference, the average per unit sale price in the metropolitan area has increased steadily every year since 2009 and looks to continue increasing in 2020.

Developments under construction in Johnson County include:

- The Apex at CityPlace – 10501 W. 113th Street, Overland Park, Kansas
  407 units being developed by Block Real Estate Services, LLC
- Cyan Southcreek Apartments - 13220 Foster St, Overland Park, Kansas
  380 units being developed by Davis Development
- Revolve at One Fifteen – 11450 Lamar Avenue, Overland Park, Kansas
  289 units being developed by A.G. Spanos Companies
- Villas at Ridgeview Falls – 11763 S. Ridgeview Road, Olathe, Kansas
  237 units being developed by J.A. Murphy Group
- BluHawk Apartments - 16511 Lowell Avenue, Overland Park, Kansas
  201 units being developed by Price Brothers

KANSAS CITY SALES

As crazy as it may sound, we've seen $5 billion in multifamily transaction volume during this current decade. That is more than five times the recorded amount of the previous decade. In recent years, we've been seeing high-end transactions that help push total transaction volume upwards. Per unit sales averages were higher than they've ever been in 2019. According to CoStar data, 2019 is the first year where average price per unit on sales was above $105,000. For reference, the average per unit sale price in the metropolitan area has increased steadily every year since 2009.

NOTABLE CLASS A SALES

- Union Berkley Riverfront – 1000 Berkley Parkway, Kansas City, Missouri
  407 units in Kansas City, Missouri for $105,100,000 or $258,230 per unit
- Stonepost Crossing Apartments – 12800 W. 134th Street, Overland Park, Kansas
  402 units in Overland Park, Kansas for $73,915,000 or $183,868 per unit
- Clear Creek Apartment Homes – 13590 Earnshaw Street, Overland Park, Kansas
  288 units in Overland Park, Kansas for $41,500,000 or $144,097 per unit
- Madison Overland Park – 13900 Newton Street, Overland Park, Kansas
  202 units in Overland Park, Kansas for $33,200,000 or $164,356 per unit

Clear Creek Apartments was sold to Nitya Capital in January 2019 by JVM Realty Corporation. The 288 unit apartment complex was built in 2006 at 13590 Earnshaw Street, Overland Park, Kansas and sold for $41.5 million.

Built in 1999, Plaza at Overland Park, a 200 unit multifamily community, was sold by Bluerock Real Estate, LLC to Equus Capital Partners, Ltd. in July 2019 for $33.2 million. Equus Capital Partners is a private real estate investment fund manager out of Newtown Square, Pennsylvania. After acquiring the community, they renamed it Madison Overland Park. This is their first asset in the Kansas City area since 2016.

- 909 Walnut – 909 Walnut Street, Kansas City, Missouri
  152 units in Kansas City, Missouri for $43,089,842 or $283,485 per unit

NOTABLE CLASS B AND C SALES

- The Crossing at Barry Road – 7831 NW Roanridge Road, Kansas City, Missouri
  624 units in Kansas City, Missouri for $64,500,000 million, or $103,365 per unit
- Barrington Park Townhomes – 10835 Hauser Street, Lenexa, Kansas
  408 units in Lenexa, Kansas for $54,000,000, or $132,352 per unit
- Century Towers – 612 Garfield Avenue, Kansas City, Missouri
  237 units in Kansas City, Missouri for $34,000,000 or $143,459 per unit
- Stuart Hall – 2121 Central Street, Kansas City, Missouri
  115 units in Kansas City, Missouri for $17,553,806, or $152,641 per unit
- EBT Lofts – 1601 Walnut Street, Kansas City, Missouri
  102 units in Kansas City, Missouri for $15,569,463, or $152,641 per unit

2020 FORECAST

As we look forward into 2020 and the years to follow, we're going to see the final bulk of apartment units under this cycle's development come online. Our proven submarkets are more impressive than they've ever been in terms of new apartment stock and high-end construction. The surrounding areas have benefited from the heavy apartment investment across the metropolitan area as well. With that being said, the more than 9,000 units under development right now will need to be absorbed into the market upon their completion. This will mean slightly higher vacancy rates city-wide and potentially some added concessions as we work through that absorption process. This is not seen as a downturn in the market, Kansas City will still be in a good position moving forward. That said, we might see a slight decline in sales and future development. Considering the last handful of years and the heavy apartment boom, it may be considered a positive for the market to slow down a bit.

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

Funds I-IV

Pine Meadow Townhomes, 14202 W 63rd Terrace, Shawnee, Kansas, was purchased by a BRES sponsored investment group in 2019. With 102 townhomes, the Class A property, built in 2006, spans 26 buildings and featured four floor plans with full or walk-out basements on 13.84 acres.

2019 was, once again, a banner year for commercial real estate investments and the Block Funds took advantage of the strong demand by continuing to sell assets from its portfolio. The Principals were also successful in leveraging their relationships across the country by acquiring off-market assets and buying out joint venture partners in assets before they go to a full auction marketing campaign. Both efforts provided our investors with better pricing, thus resulting in overall investment returns. Below are the major highlights for 2019.

Below are the major highlights for 2019.

BLOCK INCOME FUND III

The Pac Sun building located in Olathe, Kansas was sold in July 2019.

Pine Ridge Business Park Building 31, which was a long-term leased build-to-suit for Corbion, was completed and rent commenced in 2019.

Lenexa Logistics Centre North Building 1 was acquired in an off-market transaction from Nationwide Insurance Company in October 2019.

BLOCK INCOME FUND IV

All the assets in Block Fund IV continue to be leased and provide the investors with cash flow on a monthly basis.

The vacant land at Renner Corporate Centre was sold in September 2019.

As always, Block Funds continues to raise equity to acquire multifamily, industrial, and medical 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.

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, Chief Investment Officer


CityPlace Corporate Centre III - Jeff Hanson's Cruising the Caribbean


Looking southwest at CityPlace Corporate Centre III


Looking west from U.S. 69 Highway at the CityPlace development as of December 14, 2019.

Construction started on CityPlace Corporate Centre I, a 120,268 square foot office building, following the completion of CityPlace Corporate Centre III in June 2019. The Apex at CityPlace, a 370-unit Class A multifamily community with 18,500 square feet of retail, is well underway in the background with completion anticipated in late 2020.

Block Construction Services (BCS) managed over $130 million of development projects and coordinated over $11 million in tenant improvement work in 2019. Development projects and tenant improvements under construction in 2019 included work in all sectors, including office, industrial/warehouse/distribution, multifamily, and retail.

In 2019 BCS completed CityPlace Corporate Centre III, a 120,268 square foot, four-story building in Overland Park, Kansas. Build-out was also completed on a customized space for the sole tenant, WellSky, who leased 100% of CityPlace Corporate Centre III and contributed to the development's success.

OFFICE/MEDICAL

In 2019 BCS completed CityPlace Corporate Centre III, a 120,268 square foot, four-story building in Overland Park, Kansas. Build-out was also completed on a customized space for the sole tenant, WellSky, who leased 100% of CityPlace Corporate Centre III and contributed to the development's success. This rapidly growing corporation occupies the entire building and is a leader in health technology solutions providing health care data analytics, long term care, home health care, hospice care, acute care, and behavioral health care. The state-of-the-art office building offers what today's corporate users demand: large and flexible floor plans, secure entry and access, efficient operating systems, and abundant parking. The Offices at CityPlace are designed in a campus-like setting incorporating walking, jogging, and bike paths that surround a reflective pond.

Building on our success with CityPlace Corporate Centre III, construction has begun on CityPlace Corporate Centre I, the second office building to be built at the CityPlace development. This four-story, 120,268 square foot, building will feature efficient floor plates designed to offer maximum flexibility for tenants. When completed this mixed-use development in Overland Park, Kansas, will feature four office buildings totaling 600,250 square feet with unique architectural lighting.

Construction activities continue at 46 Penn Centre, a Class A office building that, when completed, will feature 200,465 square feet of office space 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 a balcony on each office floor overlooking the Country Club Plaza. The Plaza's popularity and reputation has been recognized around the country, making 46 Penn Centre an ideal location for companies to call home. 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 Centre is expected in July 2020.

INDUSTRIAL/WAREHOUSE/DISTRIBUTION

BCS broke ground on Lenexa Logistics Centre East - Building 3. The 249,366 square foot industrial and logistics distribution building is the first of four buildings to be delivered on 79 acres in the Lenexa Logistics Centre East development. This speculative project features easy access to I-35, K-10, and I-435, a 32-foot clear height, high-bay LED fixtures, and 24 dock doors. The Lenexa Logistics Center East development is a warehouse/industrial development on an approximately 79-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.

With the addition of Lenexa Logistics Centre North Phase II, the Lenexa Logistics Centre development as a whole will include over 5.3 million square feet of Class A industrial/flex buildings that range in size and clear height to best meet the needs of multiple business users.

MULTIFAMILY/MIXED-USE

The Villas at Waterside, a luxury multifamily project, adjacent to the successful Waterside Residences on Quivira development, has begun. The Villas at Waterside will provide resort-style living with Class A+ finishes and amenities in Lenexa, Kansas. It will consist of 296 units in approximately 355,682 total square feet on seven and one-half acres in a top-growth area of Kansas City.

44 Washington, a Class A multifamily community located on the southwest corner of 44th and Washington Streets in the highly sought-after North Plaza neighborhood of Kansas City, Missouri, is nearing completion. 44 Washington encompasses 299,584 square feet, and 196 units in one building on an infill site within walking distance of St. Luke's Hospital, the Plaza, and Westport. 44 Washington will feature a state-of-the-art fitness center, courtyard pool, and a rooftop amenity deck. Construction is expected to be completed early 2020.

Construction continues at The Apex at CityPlace, the second multifamily community at the CityPlace development in Overland Park, Kansas. The Apex is a Class A multifamily project that includes 18,500 square feet of retail space, 370 multifamily units and is the only vertically mixed-use building within the CityPlace Master Plan. A truly resort-style community upon delivery in 2021, The Apex will offer amenities unmatched in the Overland Park marketplace.

MASTER PLANNING

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

Lenexa Logistics Centre North Phase II is a 148.5 acre industrial logistics and distribution park located in the heart of the Kansas City industrial market with immediate access to central highway systems throughout the metro area. The planned development includes 1,291,496 square feet between four Class A industrial/flex buildings ranging in size and clear height to meet multiple user's business requirements.

TENANT IMPROVEMENTS

Some of the projects coordinated by our tenant improvement division during 2019 include:

- McClure Engineering at College Crossing Business Park Building E
- W&D Machinery at Pine Ridge West
- Sungevity at College Crossing Business Park Building C
- Centrinex at 9 Pine Ridge Plaza
- Orange EV at Riverside Logistics Centre
- Amazon at Lenexa Logistics Centre South Building 4
- Tool Source at Lenexa Logistics Centre South Building 7
- WellSky at CityPlace Corporate Centre III
- Baldwin Technology at College Crossing Business Park Building J
- Life Assist at College Crossing Business Park Building J
- Mitchell Capital at Pinnacle Corporate Centre III
- RPS Benefits at Financial Plaza II
- AXA at Commerce Plaza II

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

Block Healthcare Development

Block Healthcare Development completed the acquisition of NMBJ Medical, LLC, a collection of three properties in Alamogordo, Ruidoso, and Las Cruces, New Mexico in October 2019 for $12.8 million. The three properties, totaling 31,799 square feet, were 100% leased to tenant New Mexico Bone and Joint Institute following the sale-leaseback.

In 2019, Block Healthcare Development (BHD) will conclude one of its highest volume years to date with acquisitions and developments totaling almost $70 million spread across more than 175,000 square feet. The projects ranged from long-term sale-leaseback solutions for independent physician groups in Minnesota, South Carolina, and Georgia, to a sale-leaseback portfolio purchase from Mercy Health System in Iowa. In each of the transactions, Block Real Estate Services, LLC (BRES) was sought out by the seller. BHD has continued to forge a name for itself in the $10 billion per year medical office building (MOB) marketplace by building a reputation as a group that can creatively work with a seller to solve their needs and do so in about a 60-day timeframe.

BHD transactions are traditionally one to three tenant, off-campus MOBs. On average, the BHD acquisitions came in at $325 per square foot, which is in line with the national average of off-campus MOBs at $321 per square foot. The national average cap rate for single-asset MOB sales in 2019 was trending to 6.8%. As a preferred buyer for many national brokers that value the importance of our certainty to transact, BHD has been able to leverage our track record to obtain a better return for our investors. The average purchase price for our acquisitions have a 7.2% cap rate for 2019 and an average lease term of 11.5 years on the transactions.

BHD transactions are traditionally one to three tenant MOBs with an average purchase price having a 7.2% cap rate, compared to 6.8% nationally, and average lease term of 11.5 years on the transactions in 2019.

A couple of key, long-term acquisitions in 2019 that BHD led include a sale-leaseback project with Mercy Health – Iowa City (MHIC) and the Twenty20 acquisition The MHIC acquisition consisted of six properties that were owned by Mercy Iowa City. MHIC was seeking to focus their capital resources

A two medical office building portfolio was purchased by Block Healthcare Development at 2950 Curve Crest Boulevard, Stillwater, Minnesota and 400 North Cashua Drive, Florence, South Carolina in June 2019. The two buildings total 37,879 square feet or 18,905 and 18,974 square feet respectively.

on a system-wide EMR, or electronic medical records, rollout. By entering in to a 14-year sale-leaseback with BHD, MHIC was able to monetize six off-campus clinics at a purchase price of $10.5 million, aiding in their EMR rollout. Our investors benefited as we were able to purchase the portfolio at a 7.2% cap rate, allowing for strong, stable returns over the 14-year lease period.

The healthcare marketplace continues to be a strong focus for stable long-term, real estate investments. A key driver in this sector is the continued growth in the aging population, the biggest utilizers of the healthcare system.

Similar to working with a seller to help them meet their strategic needs, our acquisition of the Florence, South Carolina, ophthalmology clinic and ambulatory surgery center comprised of 50% of a two-building portfolio purchase in the summer of 2019. In the Florence portion of Twenty20, we had the opportunity to purchase a property as part of a larger transaction where a private-equity group was purchasing the ophthalmology practice and the physician group would no longer own the real estate. The result of this was a 15-year sale-leaseback with Eye Health America, a leading, national private equity group with market rents at a 7.6% cap rate.

In both acquisitions, BHD was approached by the seller's representative based on our strong reputation at a national level for being informed and fair buyers of real estate, who work with groups to solve their strategic needs.

In addition to the acquisition of MOBs, BHD has also sought out the opportunities to collaborate with clients to develop properties to meet their needs. One example being a recent development in Liberty, Missouri. In this example, a long-term tenant will be expanding their brand to the Liberty market and required BHD's experience to develop their new imaging facility, which is set to open in early 2020. BHD is currently working on three additional large scale, MOB development opportunities in Lee's Summit, Missouri, Birmingham, Alabama, and Blue Springs, Missouri.

The healthcare marketplace continues to be a strong focus for stable long-term, real estate investments. A key driver in this sector is the continued growth in the aging population, the biggest utilizers of the healthcare system. The U.S. population growth is projected to grow an average of 2.3 million per year through 2030, with a projected growth of 79 million people by 2060. During that timeframe, the population of 65+ year olds is projected to almost double to 95 million. These trends, coupled with the drive to create a more patient friendly, less expensive, off-campus delivery model, will continue to make healthcare real estate an in-demand sector for years to come. As the focus turns to 2020 and beyond, BHD will continue to focus its efforts on building its reputation as a key player in this market.

Contributor: Stephen Bessenbacher, Senior Vice President/Healthcare Acquisitions & Development

Block Multifamily Group

In 2019, Block Multifamily Group (BMG) successfully managed approximately 5,500 units across the U.S., and will continue to grow in 2020.

Stabilized additions for the 2019 year included: Hidden Hills in Kansas City, Missouri, in May 2019, Buckeye Crossing Townhomes in Bentonville, Arkansas, in May 2019, Backwater Cove Apartments in Fayetteville, Arkansas, in June 2019, Barrington Park Townhomes in Lenexa, Kansas, in June 2019, and Pine Meadow Townhomes in Shawnee, Kansas, in August 2019. These new acquisitions were the result of a successful effort in increasing our owned portfolio, as well as our third-party managed portfolio. As a result, our total unit count increased by about 750 units.

Our 2019 lease-up focus was centered on The Grand which is in the heart of downtown Kansas City, Missouri. Block Real Estate Services, LLC (BRES) and Sunflower Development Group partnered to transform the historic, former Traders on Grand building into a 201-unit luxury high-rise apartment community with 11,090 square feet of retail and commercial space. We received the community in November 2018 and after only one year, achieved 97% leased in late November 2019.

New multifamily development continues to be a concentration for expanding our Kansas City portfolio. Throughout 2019, we continued our planning efforts for the newest construction projects to make their grand debut on the market in 2020.

44 Washington North Plaza Residences, with 196 units, is located just North of the Country Club Plaza by St. Luke's Hospital of Kansas City. Clubhouse completion is planned for January 2020 with unit turnovers in April. The property is comprised of executive suites, as well as one-, two- and three-bedroom floor plans. The amenity deck features a resort-style pool with a swim-up bar, an outdoor game center, fire pits, and plenty of communal seating and entertainment options. The interior clubhouse includes a flex space for tenants to work, a micro-market with upscale vending machines, a Great Hall with a full chef's kitchen, a tanning room, a massage room, and an elite fitness center featuring both a yoga and cycle studio.

The Apex at CityPlace, with 370 units, will be a sister community of The Royale at CityPlace and is located within the South Overland Park submarket in the same CityPlace mixed-use development. The Apex is scheduled for a clubhouse completion in the summer of 2020 and unit turnovers in the fall. The property is comprised of executive suites, as well as one-, two- and three-bedrooms, and penthouse floor plans. The two amenity decks at this property, combined, equate to two football-sized fields of space filled with countless resort-style amenities the market has yet to see. These amenities include: an infinity pool featuring a swim-up bar, private cabanas, fire pits, an outdoor track and game center, and a Zen garden. The interior clubhouse will be unlike anything in the area and will feature a private dining room, wine lounge, screening room, a flex workspace, a health club with a massage room, a tanning room, yoga and cycle studios, a salon, a state-of-the-art two-story fitness center, and a digital sports lounge. The community will also house various retail storefronts for residents and office workers at CityPlace and the surrounding area. The CityPlace community is truly starting to come together to become the ultimate "live, work, play" environment for our tenants to enjoy.

Both new developments will include smart home technology, not yet utilized in most of the communities within the Kansas City multifamily market. Residents will be able to control their door lock, thermostat, and light switches through both a resident app and a provided Amazon Alexa. This will offer our residents the ability to control features of their apartment from anywhere in the world., Another newly added amenity to these developments is a secured package room. In addition to the standard mailboxes and Parcel Pending smart electronic locker system we currently utilize; the dedicated package room will primarily be used for overflow packages to cater to the ever-growing online consumer demand. We will also have the option of cold storage, should the need arise.

Our 2020 multifamily new development planning efforts include The Villas at WaterSide with 295 units in the Lenexa submarket, and The Residences at Galleria with 322 units in the Leawood and Overland Park submarket. Construction for these developments are both expected to occur throughout 2020 with anticipated turnovers in 2021.

Contributors: Bill Larson, President; Chandler Thompson, Vice President; and Alison McCranie, Director of Marketing.

44 Washington North Plaza Residences is a new five story multifamily community located at 551 W 44th Street, Kansas City, Missouri. When completed in mid-2020, it will feature 188 units and an approximately 24,000 square foot amenity deck.

Kansas City
Economic Indicators

Jerome Powell, Chairman of the Board of Governors of the Federal Reserve System, oversaw three interest rate cuts over the summer of 2019 and expects to keep the rate steady between 1.5% and 1.75% despite President Trump's calls to further cut the interest rate throughout 2019.

NATIONAL TRENDS

At the close of 2019, the nation continued to see favorably trending indicators that maintain the longest economic expansion in the history of the United States. Amidst inverted yield curves and heated trade talks, the Federal Reserve Board members and Bank presidents continue to project relatively positive forecasts. Over the next several years, the Federal Open Market Committee's (FOMC) minutes go on to predict increasing Gross Domestic Product (GDP), low unemployment, and inflation rising just to the monetary policy's 2% target. In 2019, the national unemployment rate (U3) continued to decrease, reaching a rate of 3.5%, the lowest it has been in over 50 years. The FOMC has forecast that the rate will remain in the 3.3% to 4.1% range over the next three years. Reinforcing this motif is one of the more common alternatives to the U3 rate of unemployment, the U6. The U6 rate of unemployment is a more inclusive rate that starts with the total unemployed, adds in the individuals who are marginally involved and those who are part-time for economic reasons. According to the Bureau of Labor Statistics, the U6 rate, seasonally adjusted, reached a low of 6.9% in November of 2019, down 50 basis points from 2018's rate of 7.4%. Congruent with unemployment rates, job growth continues to occur but at a diminishing rate. The U.S. market added 180,000 jobs per month on average in 2019, down from the previous year which averaged 223,000 jobs. With low unemployment and relatively average job growth, the current administration continues to fight off recessionary tendencies and extend the longest expansionary period that the country has seen.

Persistent nominal wage growth has returned increases year over year, specifically under strong labor market conditions. Currently, with the solid labor market conditions, we have seen nominal wages increase an average of 3.9% in 2019, consistent with previous pre-recessionary times and in line with the Economic Policy Institutes target of 3.5% to 4% annum. However, nominal wages do not paint the full picture with the measure not accounting for rising costs. The inflation inclusive metric, measured by Consumer Price Index (CPI), is the real wage. The seasonally adjusted real average hourly wage increased 1.2% from September 2018-19, adjusted to 0.9% when taking into consideration the shrinkage of average hours worked per week. Though the CPI is a popular measure of inflation, the Federal Reserve calls on the Personal

Consumption Expenditure (PCE). The PCE is a measure that excludes two large and volatile prices, food and energy. In October, the PCE Index increased 1.6% over the previous year trending below the FOMC's statutory target rate of 2%.

Notably, the residential housing market, which faces direct implications from the labor market, has maintained its strength over the course of 2019. The U.S. Census Bureau and Department of Housing announced that in October of 2019 the adjusted annual rate of authorized housing permits was 1.46 million, 14% above the 2018 rate. Concurrently, the current year housing starts totaled 1.31 million per annum, topping 2018 by 8.5%. Completions totaled 12.4% above the previous year at 1.26 million. The story continues with median existing home prices continuing its 92 consecutive months of year-over-year gains. The median price in October 2019 was $270,900 which grew 6.2% over the prior year.

In line with the vigorous growth, the U.S. economy has experienced in preceding years, real GDP appears to have peaked in 2018 with a mild decline anticipated in future years. Real GDP estimates for 2019 peg growth at 2.4%, and preliminary estimates for 2020 and 2021 are 2.00% and 2.1% respectively.

Persistent nominal wage growth has returned increases year over year, specifically under strong labor market conditions. Currently, with the solid labor market conditions, we have seen nominal wages increase an average of 3.9% in 2019, consistent with previous pre-recessionary times and in line with the Economic Policy Institutes target of 3.5% to 4% annum.

KC ECONOMIC FORECAST

On par with the nation, Kansas City's GDP in 2019 is expected to reach 2.3%, slightly skewed by the redevelopment of the Kansas City International Airport (MCI). Intuitively, the local forecasts for 2020 follows the declining national projections with a local GDP of 1.6%, 20 basis points below the national measure. Historically, Kansas City has lagged the U.S. economy and will normalize with the delivery of KCI coming in 2021, at which point local GDP is estimated to be 1.9%. Given the recent growth in GDP, it should not come as a surprise that the unemployment rate continues to remain below historic norms, with the region experiencing 3.3% seasonally adjusted unemployment at yearend 2019, consistent with a year prior, and well below the natural rate of unemployment. Job growth in the metro mirrored the overall economic expansion in 2019 adding 16,200 jobs, a marked increase over 2018 growth of 13,200 jobs. The overall job growth in 2020 and 2021 is projected to add a combined 29,300 jobs to the local economy. Additionally, real wage growth through 2021 is expected to average 1.8% after adjusting for inflation.

Kansas City continues its emergence as a regional power by continued investment in both the public and private sectors. Locally, headwinds to the region's growth include public opposition and legislation affecting incentives for beneficial new development and a recent city council approved Tenant Bill of Rights. On the flip side, tailwinds aiding the expansion include the grand opening of the Loew's Hotel in April 2020. Waddell & Reed announced plans to redevelop and move their headquarters to the heart of downtown and the USDA Economic Research Service and National Institute of Food and Agriculture will move into the district as well. The KCI airport expansion is well on its way and provides a much-appreciated economic stimulus. Cerner is expected to deliver additional phases of their Trails Campus in the first half of 2020, and the KC Street Car expansion is still on the right track. Economic experiments currently underway include KC's recently passed legislation eliminating public bus fares creating one of the first free public transit systems in the U.S as well as Amendment 2 which legalizes medical marijuana in the state of Missouri.

SUMMARY

Although the economic expansion persists, it is doing so at a declining rate. More importantly unemployment, interest rates, and many other metrics are reaching record lows. The stock market continues to break records with the S&P 500 and the Dow Jones Industrial Average hitting over 133 new highs since the start of President Trump's Administration. The Federal Funds rate is currently targeted to remain in the 1.50% to 1.75% range, and while the FOMC has indicated they do not intend to reduce rates further in 2020, they have left the door open to purchasing short-term securities as a measure of quantitative easing if necessary. Tariffs and other global trade issues are ever present, and Brexit is nearly upon the world. While there is no clear sign that recession is near, there are trends forming that will keep watchful eyes on the state of the economy for the near future.

Sources: Bureau of Labor Statistics, U.S. Census Bureau, FRED, Bureau of Economic Analysis, Greater Kansas City Chamber of Commerce 2020 Economic Forecast, MARC, Costar, National Association of Realtors, Wall Street Journal

Contributors: Adam Barnard, Director of Investor Relations and Zach Gant, Financial Analyst

MARKET STATISTICS

Fourth Quarter 2019 Data

OFFICE

Market	Inventory	# of Buildings	Overall Vacancy	YTD Deliveries	Net Absorption	Avg. Full Service Rent
College Boulevard	21,013,072	385	8.9%	182400	(9,678)	$23.07
Central Business District	18,087,333	191	4.7%	0	144,310	$19.43
Topeka	11,201,393	559	2.5%	0	102,967	$15.11
South Johnson County	8,994,878	499	7.5%	34,021	66,624	$21.22
Northeasty Johnson County	8,357,040	419	12.9%	192,529	192,529	$19.70
Country Club Plaza	5,477,204	121	6.1%	8,800	(134,408)	$26.12
I-35 Corridor	7,965,844	451	7.8%	26,185	(106,410)	$19.31
Crown Center	6,113,451	65	9.5%	0	(99,441)	$21.16
Northwest Johnson County	5,030,240	263	8.6%	408,936	300,949	$21.96
South Kansas City, Missouri	5,235,833	166	4.6%	0	12,212	$21.40
East Jackson County	6,943,364	600	6.9%	0	(29,083)	$16.32
Midtown	4,774,453	265	4.3%	3,880	(103,789)	$18.83
Kansas City, Kansas	3,375,693	221	3.9%	0	13,611	$19.57
I-29 Corridor	3,624,780	150	12.3%	0	250,768	$17.71
Ward Parkway	3,437,154	95	5.8%	0	75,932	$20.41
Southeast	3,231,306	264	6.7%	0	(19,948)	$18.57
Kansas City, Missouri	3,726,326	205	6.0%	0	4,965	$16.15
Lawrence	2,728,362	275	7.9%	0	21,148	$18.20
St.Joseph	3,100,883	230	8.5%	0	(81,834)	$13.14
Freight House District	2,441,185	115	5.5%	47,060	45,554	$20.21
Downtown KCK	1,722,070	69	5.4%	0	16,681	$17.51
West Bottoms	1,898,606	61	3.9%	0	1,200	$18.06
Leavenworth County	979,047	80	10.8%	0	(4,167)	$17.72
Cass County	770,517	130	5.6%	0	741	$17.86
Brookside	509,453	38	11.8%	0	(56,926)	$19.96
Outer South Kansas City	397,886	65	1.3%	9,231	15,307	$17.32
Outlying KC MO	247,169	54	0.0%	0	0	$18.01
Lafayette County	145,892	36	15.7%	0	(18,880)	$17.15
TOTAL OFFICE	**141,530,434**	**6072**	**6.98%**	**913,042**	**600,934**	**$18.97**

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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	20,185,565	5.5%	1,101,868	(71,341)	$16.01	857,498
North Johnson County	10,120,632	11.9%	1,202,870	241,380	$14.35	148,524
Kansas City, Kansas	8,430,357	3.5%	291,744	(46,983)	$9.27	40,000
North of the River	18,908,850	5.5%	1,031,239	46,227	$13.32	77,912
Midtown/Downtown/Plaza	7,923,230	4.0%	319,632	(141,115)	$18.09	122,000
East Jackson County	18,635,219	5.6%	1,039,428	107,482	$13.45	93,478
Southeast Jackson County	12,215,118	2.8%	181,312	135,729	$15.51	35,000
South Kansas City	8,861,060	8.2%	1,001,529	(10,112)	$12.13	0
TOTAL RETAIL	**102,792,202**	**5.87%**	**6,169,622**	**261,267**	**$14.02**	**1,374,412**

WAREHOUSE/BULK INDUSTRIAL

Market	Inventory	# of Buildings	Overall Vacancy	Leasing Activity	Net Absorption	Avg. Gross Rent
KCI/Airworld	7,400,000	75	10.4%	241,000	(402,000)	$5.14
North Kansas City/Riverside	24,700,000	511	4.8%	1,300,000	415,000	$4.75
Executive Park/Northland	40,400,000	402	3.1%	1,300,000	1,100,000	$5.25
Wyandotte County	42,800,000	944	3.6%	1,100,000	130,000	$4.91
Johnson County	72,600,000	1,535	9.1%	3,200,000	1,600,000	$6.17
East Jackson County	90,400,000	2,649	4.0%	2,600,000	(605,000)	$4.86
TOTAL WH/BULK SPACE	**278,300,000**	**6,116**	**5.4%**	**9,741,000**	**2,238,000**	**$5.26**

LIGHT INDUSTRIAL/FLEX

Market	Inventory	# of Buildings	Overall Vacancy	Leasing Activity	Net Absorption	Avg. Gross Rent
KCI/Airworld	872,000	15	15.0%	34,400	(84,300)	$9.34
North Kansas City/Riverside	441,000	15	3.5%	14,300	(7,300)	$11.11
Executive Park/Northland	942,000	19	46.2%	53, 200	6,700	$6.96
Wyandotte County	921,000	42	4.2%	37,100	(2,900)	$6.90
Johnson County	6,600,000	257	16.6%	330,000	(48,100)	$9.59
East Jackson County	6,000,000	219	9.8%	323,000	(74,000)	$8.77
TOTAL LIGHT INDUSTRIAL/FLEX	**15,776,000**	**567**	**14.6%**	**738,800**	**(209,900)**	**$8.99**
TOTAL FLEX + BULK	**294,076,000**	**6,683**	**10.5%**	**10,479,800**	**2,028,100**	**$7.13**

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	53,702	5.8%	$1,055	2.7%	3,323
CBD/Country Club Plaza	24,090	9.1%	$1,134	(2.3%)	4,306
Inner Jackson County	6,328	8.2%	$772	5.6%	0
Outlying Jackson County	21,521	5.9%	$846	5.9%	973
Wyandotte County	8,707	7.0%	$812	4.2%	0
Northland	25,519	5.7%	$925	3.4%	456
Platte County	1,019	2.1%	$806	3.7%	0
Cass County	1,773	7.1%	$873	3.4%	0
TOTAL MULTIFAMILY	**142,659**	**6.6%**	**$903**	**3.3%**	**9,058**

Compiled by Block Multifamily Group

Our Services