THE REAL ESTATE REPORT
FOR METROPOLITAN KANSAS CITY

2022

PRESENTED BY BLOCK REAL ESTATE SERVICES, LLC

About The Cover

Kansas City, Kansas artist Kris Arakelov created a digital motion video specifically for use on the Block Real Estate Services, LLC office developments 46 Penn Centre and CityPlace Corporate Centre. Pictured on the front cover are CityPlace Corporate Centre III, in the foreground, and CityPlace Corporate Centre I, in the distance. Both buildings are showcasing Summer Dayz, a still of which is displayed across the interior cover.

From the Artist: The infinitely unfolding fractal landscapes within the Summer Dayz piece evoke a whimsical nostalgia that transports viewers into an immersive and kaleidoscopic environment. The immersive animation evokes a whimsical nostalgia of innocent summertime experiences from childhood. The playful and kaleidoscopic elements which infinitely unfold within the piece trasport viewers to a lively environment that feels both surreal and familiar.

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BLOCK REAL ESTATE SERVICES, LLC

BLOCK REAL ESTATE SERVICES, LLC (BRES) HIGHLIGHTS OF 2021

TRANSACTIONS

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

PROPERTY MANAGEMENT

BRES commercial management portfolio reached over 45 million square feet of commercial space.

CONSTRUCTION

Block Construction Services (BCS) managed over $246 million of development projects and coordinated over $25 million of development projects and tenant improvements under construction in 2021, with work in all sectors, including office, industrial/ warehouse/distrbution, multifamily, and retail.

INVESTMENT

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

AFFILIATES

Block Hawley Commercial Real Estate, LLC is one of the most active industrial brokerage firms in St.Louis, MO, with approximately 3.1 million square feet in sales and leases in 2021 and nearly 6.25 million square feet under management.

Block Multifamily Group (BMG) now manages over 9,500 units with approximately an additional 2,500 in either development or construction.

Block Technology Solutions (BTS) completed 146 installations in over 19 million square feet totaling over $1.4 million in sales volume.

Success Abounds in Kansas City

SUCCESS ABOUNDS IN KANSAS CITY

After many years, Block Real Estate Services, LLC (BRES) has revamped its annual Market Report. We've attempted to create a report that is more concise and market driven. While readers will notice some changes in this year's report, our objective has not changed. We will continue to provide the most comprehensive commercial real estate report in the Kansas City Metro. We hope you will find the condensed and improved format informative.

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

KANSAS CITY BUSINESS JOURNAL

- #1 Commercial real estate property manager—managing over 45 million gross leasable square feet—managing industrial, office, and retail
- #1 Most active commercial real estate firm with 895 transactions
- #2 Largest commercial real estate firm with volume of $1.22 billion
- #2 Commercial real estate company with 69 real estate agents
- #9 Top Area Multitenant Industrial Facility (Pine Ridge Business Park—2,649,076 square feet)
- #15 Top Area Multitenant Industrial Facility (Lenexa Logistics Centre—1,712,724 square feet)
- #17 Top Area Multitenant Office Building (Financial Plaza—292,000 total leasable square feet)
- #18 Top Area Multitenant Office Building (Commerce Plaza I & II—282,000 leasable square feet)
- #20 Top Area Multitenant Industrial Facility (Riverside Industrial & Distribution Center—1,337,561 square feet)
- #22 Top Area Multitenant Industrial Facility (Paseo Industrial Park—926,000 square feet)
- #23 Top Area Multitenant Industrial Facility (College Crossing Business Park—820,140 square feet)
- #24 Top Area Multitenant Office Building (Pinnacle Corporate Centre I—73,393 leasable square feet)
- #25 Top Area Multitenant Office Building (Four Pine Ridge Plaza—68,773 leasable square feet)

In October 2021, BRES was excited to have almost everyone back in the office to participate in holidays and other team building activities. One of which, Halloween, afforded the opportunity for individuals to dress up as favorite characters, sports team, or fruit. Pictured left is a collection of our team members gathering in our main lobby.

SUCCESS ABOUNDS IN KANSAS CITY

ST. LOUIS BUSINESS JOURNAL

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

NATIONAL REAL ESTATE INVESTOR

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

COMMERCIAL PROPERTY EXECUTIVE - NATIONAL RANKING

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

MIDWEST REAL ESTATE NEWS

- Ranked 5th in top owners in the Midwest
- Ranked 10th in top property management in the Midwest
- Ranked 7th in top developers in the Midwest
- Ranked 7th in top brokers in the Midwest

INGRAM'S

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

COSTAR GROUP, INC.

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

AWARD WINNING DEVELOPMENTS

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

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

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

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

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

- Accredited Management Organization (AMO)

BRES was proud to be a sponsor of the 2021 Women's Leadership Summit hosted by the Kansas City Business Journal in October. Past Kansas City, Missouri Mayor Sly James, KCBJ Publisher Stacie Prosser, and City Gym KC Founder and Owner Hailee Bland Walsh were kind enough to take a photo with our team members in attendance. From left to right: Sly James, Stacie Prosser, Michelle Mull, Jene Augustus, Ali Jorn, Kim Mann, Amelia Hoedl, LaNita Davis, Lisa Earleywine, and Hailee Bland Walsh.

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

Many of the major highlights for BRES and its affiliates in 2021 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

Here we "grow" again. In 2021, BRES continued to dominate the local and regional market when it comes to property and asset management services. Management of new ground up construction included Lenexa Logistics Centre East and CityPlace III and IV. BRES manages over 45 million square feet of commercial space in the local market and is almost three times larger than the nearest competitor. These economies of scale have allowed BRES to leverage its industry partners and service providers to maximize the tenant experience while minimizing the economic impact to individual buildings. We are committed to tenant satisfaction and continually look for new ways to enhance the level of tenant service. Our tenant's needs are at the core of everything we do. Our managers endeavor to build a relationship with each tenant to understand and anticipate their needs in order to give them a positive experience over the long-term.

Our management team continues to grow, adding four new associates in 2021, bringing our current staff to sixteen. Several of our team members play an active role in professional organizations on local, regional, and national levels, including the Building Owners and Managers Association (BOMA) and Institute of Real Estate Management (IREM). Lisa Earleywine, vice president of property management, continues to serve on the executive board of the local BOMA chapter.

BLOCK MAINTENANCE SOLUTIONS

In 2021, Block Maintenance Solutions (BMS) continued to focus on energy efficiency with the team performing more than two dozen LED retrofit projects. Our team addressed both interior and exterior lighting upgrades for various users. Working with our property management staff, we were able to identify a savings potential and implement a plan to upgrade the appearance of the Pine Ridge Business Park. Team members have also been involved in numerous utility projects. Working with Evergy, Southern Star and Kansas Gas Services, we have been able to address the burying of overhead power lines, additional power feeds and negotiation of new easements to allow for utility upgrades. Additionally, we have continued our relationship with the Missouri Clean Energy District (MCED) and have been directly involved in securing more MOCEF Pace funds to complete various capital improvement projects. Our team of engineers works diligently to save our properties money and identify issues before they are a problem.

We welcomed four new members to our team in

2021, and sadly laid an existing member to rest. As we welcomed Matt Bowden, Michael Fontaineece, Charles Younger and Kevin Schuckman to the team, the untimely passing of our co-worker and friend Josh Lambertson forced us to say goodbye to another too soon. Josh is a great loss to the entire BRES family. He left behind a loving family and many friends, both here and elsewhere in the community. He will be missed for years to come, but always remembered as a hardworking, honest employee and an even better friend and person.

In 2022, our team will be focusing on growing our staff to expand our services and provide more in-house solutions. We will continue to work closely with the property management arm of BRES to identify preventative maintenance and capital improvement projects that will strengthen our infrastructure and provide energy savings going forward.

BLOCK FUNDS

Throughout 2021, Block Funds continued to deliver a transparent and efficient way to make allocations and monitor interests in institutional-quality commercial properties from virtually anywhere. The partnership delivered by the online Investor Portal reduces required investment amounts for the individual, unlocking ownership opportunities that were once unattainable for many private investors.

Scott Cordes, BRES Chief Operating Officer, was selected as a member of the 2021 Class of "40 Under Forty" by Ingram's Magazine. The award recognizes the achievements and promise of the area's young executives, professionals and community leaders in the Kansas City region.

Block Funds introduced a new opportunity in 2021, Block Mezzanine Fund I (BMF), an opportunity created for Family Offices, Pensions, Endowments/Foundations, Registered Investment Advisors, and Accredited Investors. BMF will invest in the acquisition and development of commercial real estate across the Midwest and other dynamic markets.

In 2022, Block Funds will continue to raise equity to acquire multifamily, industrial, office, and retail deals in single purpose entities. The goal remains to provide accredited investors with long-term cash flow, to pay down debt principal, and to provide any upside on property appreciation during the hold period. Prospective investors can register at www.blockfunds.com to view current equity investment opportunities.

BLOCK CONSTRUCTION SERVICES

In 2021, Block Construction Services (BCS) managed a total volume of $246 million in development projects and a total of $25 million in tenant improvement projects.

SOME NOTABLE PROJECTS OF 2021 INCLUDE:

- 46 Penn Centre tenant finishes including Prime Social Rooftop, an upscale cocktail lounge at the building's enclosed rooftop and Ocean Prime, one of the finest restaurants in the U.S.
- Lenexa Logistics Centre East Buildings 2 and 4 in the 79-acre Lenexa Logistics Centre East development.
- Lenexa Logistics Centre North Phase II Buildings 5 and 11, the first two of eight industrial/warehouse buildings in the 148.5-acre second phase of Lenexa Logistics Centre North development.
- Millpark and Bastian industrial/warehouse/office buildings in Maryland Heights, Missouri.
- The Apex at CityPlace, the second multifamily community at the CityPlace development in Overland Park, Kansas.
- The Villas at 44 Washington in Kansas City, Missouri, and The Villas at Waterside in Lenexa, both luxury multifamily projects.
- The Residences at Galleria first multifamily phase of the mixed-use Galleria development in Overland Park, Kansas.
- The Clearing at Anderson Pointe multifamily development in Olathe, Kansas.
- Retail spaces at both The Apex at CityPlace and Galleria in Overland Park, Kansas.

SOME NOTABLE PROJECTS WE ARE STARTING OR PLANNING FOR 2022 INCLUDE:

- The second multifamily community at Galleria along with Phase II, including office, retail, restaurant, and

SIOR Development Day returned in 2021 to Union Station. BRES was once again a sponsor and hosted a booth for attendees. A networking event, SIOR Dev Day attracts individuals from across commercial real estate to meet each other and learn more about businesses in the market. BRES currently has two agents with the SIOR (Society of Industrial and Office Realtors) designation, Kenneth G. Block and Zach Hubbard.

entertainment.

- 47 Madison, multifamily development with 238 luxury units in Kansas City, Missouri.
- The Majestic at CityPlace, the third multifamily community at the CityPlace development.
- The View at Castle Rock, multifamily development in Castle Rock, Colorado.
- CityPlace Corporate Centre IV, 188,868 square foot, six-story office building in Overland Park, Kansas.
- 143rd & Metcalf, 368-unit multifamily development in Overland Park, Kansas.
- College & Ridgeview, 377-unit multifamily development in Olathe, Kansas.
- K-7 Logistics Centre, 406,793 and 551,793 square foot industrial buildings in Shawnee, Kansas.
- Riverside Logistics Centre II, 300,176 square foot industrial building in Riverside, Missouri.

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

BLOCK MULTIFAMILY GROUP

The team at Block Multifamily Group (BMG) was successful in managing nearly 9,600 units across the U.S. in 2021. The portfolio increased in size throughout the year by approximately 4,100 units, which is a 75% overall increase. With 50 assets currently under management, the firm's growth is already set to continue in 2022 with a portfolio takeover of nine properties, totaling 971 units.

BMG currently manages all classes of multifamily assets, including new construction, renovation projects, and stabilized assets, across seven states. BMG is continuing to expand its third-party portfolio with growth in the Kansas City area, Northwest Arkansas and Shreveport, Louisiana.

BLOCK TECHNOLOGY SOLUTIONS

Block Technology Solutions (BTS) completed 146 installations in 19 million square feet of office, industrial, and multifamily space in 2021, totaling $1.4 million in sales volume, 75% in low voltage data, Audio/Visual, and Fiber optic wiring. Throughout the year we have seen an uptick in fiber optics installation and installed 1.4 miles of fiber. 2021 has brought newer technology to our multifamily division through smart apartment installations and connectivity. Light switches, thermostats, door locks, and single source hubs/applications were the main focus to bring ease of use and remote capabilities to our tenants.

Audio/Visual saw an uptick on the need for remote workspaces with low latency fiber connectivity. BTS negotiated with local carriers to provide multiple fiber connections aggregated in order to increase the bandwidth to office and multifamily workspaces allowing seamless Audio/Visual throughput. BTS continues to provide card access, desktop and server support contracts, and consultation to our partners and tenants.

BLOCK HAWLEY COMMERCIAL REAL ESTATE SERVICES, LLC

In 2021, Block Hawley leased and sold over 3.1 million square feet of industrial product, which includes over 1 million square feet in eight investment transactions. We also added over 1.75 million square feet of new

As a Kansas City family owned-and-operated company, our leadership team and employees are supporters of our local sports teams. Throughout the playoff run in 2021 and on Red Friday, BRES employees show their support by wearing team colors and apparel. BRES also maintains a strong focus on philanthropy, sponsoring events that seek to raise funds or awareness for education, health, and human services. One event sponsored in 2021 was the first annual Boo-B-Que KCBS barbecue competition in Lee's Summit, Missouri, which BRES team member Ryan Cain competed in, winning the backyard grand championship.

management business.

Additionally, we began construction on a 92,500 square foot office warehouse and a 140,000 square foot build-to-suit office warehouse, with more projects slated for 2022. Block Hawley anticipates more exciting projects in the coming year and looks forward to serving our clients in St. Louis and the surrounding markets.

PHILANTHROPY

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

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

We hope you find this report to be informative and

beneficial. If you have questions or require additional information, you may contact any of the authors named herein.

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

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

Kenneth G. Block, SIOR, CCIM, Managing Principal

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

Economic Indicators

NATIONAL TRENDS

In 2021, Americans lived through another period of economic turbulence driven by COVID-19. Labor shortages, supply chain disruptions, new variants of the virus and unbridled inflation were heard throughout the year. Despite the many negative headlines, the economy fared quite well in the face of adversity. A continued federal stimulus and monetary policy focused on low interest rates kept the economy chugging along. COVID-19 vaccines and other safety measures helped stymie growing numbers of infections and hospitalizations, helping Americans return to a normal way of life. While the economy enjoyed a healthy rebound in 2021, many challenges remain to maintain a balance of sustainable growth and maximum employment in 2022 and beyond.

A notable achievement in 2021 was the regeneration of jobs and marked decreases in unemployment. Monthly job growth has averaged 555,000 in 2021 and nonfarm employment increased by 18.5 million since April 2020, though still down 3.9 million from its pre-pandemic level in February 2020. In November 2021, the unemployment rate fell to 4.2% with the number of unemployed estimated at 6.9 million. A stark decrease from the most recent peak in April 2020 of 14.8% and compares to 6.7% in November 2020. Prior to the pandemic, unemployment was measured at 3.5% in February 2020 with an estimated 5.7 million persons unemployed. It is predicted to stabilize at 3.5% again in 2022 and beyond. A growing disparity, however, is the labor force participation rate. The rate, which peaked at 67.3% in 2000, has steadily fallen, measuring 63.3% in February 2020 and 61.8% in November 2021. By 2030, the participation rate is predicted to decline to 60.4%, driven by the aging baby boomer population and other recent trends. Furthermore, traditional employment sectors continue to evolve. Retail trade is expected to lose almost 590,000 jobs between 2020 and 2030 which is the most of any sector. On the opposite end, employment in the healthcare sector is projected to add approximately 3.3 million jobs over the same timeframe, which is also the largest growth of any sector. While the longer-term employment outlook is favorable, we must also note the gains in gross domestic product (GDP) that have been amassed since the beginning of the pandemic. Overcoming a 2.3% decrease of real GDP in 2020, the Federal Reserve predicts an increase of 5.5% in 2021, a 4.0% increase in 2022, and a 2.2% increase in 2023. After remaining near the Fed's target inflation rate of 2% for the last 10+ years, and with an increase of only 1.2% in 2020, the Personal Consumption Expenditure (PCE) index is expected to increase 5.3% in 2021, well above the long-term average. Economists predict inflation will taper to a more reasonable 2.6% increase in 2022 and 2.3% in 2023 before normalizing at the Fed's target of 2.0% in the longer run. Nominal civilian wage growth tallied a 4.2% increase for the 12 months ending September 2021 compared to a 2.5% for the year prior. Comparatively, real average hourly earnings decreased 1.9% for the 12 months ending in November 2021 and a decrease of 1.6% for the year prior. To combat rising inflation, the Fed indicated in December 2021 they would begin tapering asset purchases and would stop adding to its balance sheet by March 2022. Further, they announced plans to raise the Federal Funds rate to a target of 0.9% by the end of 2022. This announcement was particularly significant since Fed officials had up to this point signaled rate increases wouldn't be warranted until 2023. Prior to the pandemic, the Fed Funds rate reached 2.42% in April 2019 before settling near zero again in April 2020.

KANSAS CITY ECONOMIC FORECAST

Kansas City historically follows national averages in GDP, employment, and inflation, and it is expected to largely do so again in 2021. Like the nation, the Kansas City region experienced significant job losses caused by COVID-19. Estimated at 63,000 jobs lost in 2020, the region is expected to have recouped nearly all of these in 2021, with 3.0% unemployment in the Kansas City Metro as of October 2021. Additionally, economists predict the region will gain another 33,000 jobs in 2022 before leveling out in later years. Looking forward, jobs in healthcare, hospitality, professional services, and transportation and warehousing will experience the most growth.

SUMMARY

By most accounts, the economies have moved back into the expansion phase of the economic cycle. Employment in the nation is nearing what many economists consider "natural" or "full" employment. Pent up demand for goods and services has been a major driver of the economy's expansion. The DJIA, Nasdaq and S&P 500 each reached all-time highs throughout the year. The average home prices in the U.S. and Kansas City are at all-time highs of $364,000 and $283,000 respectively, both measures experiencing 15% growth. Federal stimulus, quantitative easing, and historically low interest rates that bolstered markets will likely begin phasing out over the next 12 months to stave off excessive inflation. The drawn-out fight against COVID-19 will also have a significant impact on the path to normalcy.

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

Contributor: Adam Barnard, Vice President, Acquisitions

The Personal Consumption Expenditure (PCE) index is expected to have increased 5.3% in 2021 following a 10+ year timeframe of 2% inflation rate. Well above the long-term average, economists are predicting inflation will taper to a more reasonable 2.6% in 2022, and 2.3% in 2023 before normalizing at the Fed's target of 2.0% again. The Fed's efforts to combat inflation will impact markets in ways we can only forecast and not guarantee at this time.

Global, u.s., Kansas city Overview

GLOBAL, U.S., KANSAS CITY OVERVIEW

As 2020 phased to 2021, vaccines finally emerged as an invaluable tool in the fight against COVID-19. Extremely effective, especially against the initial variants of the disease, Pfizer and Moderna received vaccine approvals in the United States by the end of 2020 via Emergency Use Authorizations. Johnson & Johnson received theirs after the new year. As hundreds of millions received the shots, a swift and consistent decrease in cases was seen, from over 300,000 new COVID-19 cases per day in January 2021 to around 10,000 per day in June of 2021. Today, over 70% of U.S. citizens have received at least one dose of a COVID-19 vaccine.

Following the emergence of COVID-19 in 2020, masks emerged as not only effective, but the best available tool in combating the spread of the disease in the absence of a vaccine. As a result, while the country began to open back up, most state and city officials, along with the U.S. Federal Government, enacted mask mandates. These required people to wear face masks in nearly all public places. In 2021, as individuals outside of front-line healthcare facilities began to receive vaccinations, these mandates and other requirements were relaxed. Doctors' offices, airports, some schools, and other government facilities in which social distancing is not possible still maintain mask-requirements and will continue to do so as new variants of COVID-19 emerge.

DELTA VARIANT

As 2021 commenced, COVID-19 spread in parts of the world with inadequate access to vaccinations. Newly formed variants began to emerge as more contagious and virulent versions of the disease. In December 2020, the Delta variant, initially detected in India, quickly became the dominant strain around the world. By summer, the new strain accounted for over 99% of cases in the U.S. As time passed from the initial wave of vaccines and Delta spread, reports of "breakthrough infections" occurred with increasing frequency. Researchers and scientists, through tests and studies of the new variant, indicated that existing vaccines were effective against Delta, but their efficacy wanes over time. As a result of these discoveries, an FDA advisory panel unanimously approved a third booster shot six or more months after initial doses to provide the strongest available protection against current and future variants of COVID-19. To date, over 50 million doses of the booster have been administered in the U.S. One study of the third dose found a nearly 90% decrease in mortality from the Delta variant, while another suggested a 20-fold decrease in the likelihood of severe disease in all age groups.

OMICRON VARIANT

In November of 2021, cases of a new variant, Omicron, were first detected in South Africa. Initial expectations are that Omicron will spread more easily than the original virus strain and possibly even more so than the Delta variant. Data suggests that Omicron could be more likely to lead to breakthrough infections in vaccinated individuals; however, most cases in vaccinated groups so far have resulted in mild symptoms. According to the CDC, available data suggests the third COVID-19 shot provides greater protection against the new variant and helps to protect against severe disease.

With increasing numbers of people receiving the COVID-19 vaccine and the number of cases plummeting from 300,000 in January to around 10,000, events were allowed to take place again based on local regulations. NFL Commissioner Roger Goodell announced in March 2021 that they expected to have full stadiums throughout the 2021 season. In Kansas City, the Chiefs opened the season against the Cleveland Browns on September 12, 2021 in front of a full Arrowhead Stadium, beating them 33-29.

EFFECTS

With a death count that will likely pass 1 million in early 2022, COVID-19's effects are staggering. According to researchers at Penn State, over half of individuals infected with the disease report lingering symptoms more than six months post-recovery. More commonly known as Long-Covid, some of the lasting effects can be debilitating. As a result, scientists are encouraging governments, healthcare facilities, and public health agencies to prepare to effectively and efficiently manage patients who require ongoing treatments well into the future.

With over 70% of Americans receiving at least one vaccine dose, and vaccination rates rising in rural areas of the U.S., scientists are hopeful the death rate will continue to decline. Data supporting new and effective treatment options has continued to emerge, providing hope for the future of disease management through a possible new generation of COVID-19 therapies. Around the world, researchers suggest that providing access to vaccines in low-income countries should decrease the amount of active COVID-19 cases globally and largely decrease the probability of the development of future variants which may evade aspects of existing vaccine immunity. Messenger RNA technology, used in the Pfizer and Moderna COVID-19 vaccines, is the source of more than 520 ongoing clinical trials investigating its use in the formation of vaccines and treatments for other diseases, including HIV and auto-immune disorders, as well as specific cancer cell-targeting therapies.

INFLATION

The consumer price index rose at a 6.2% annual rate in October, well above expectations, as inflation continued its grip on the U.S. economy. The year-over-year rise was the most since the early 1990s. Rising prices are causing consumers to turn sour on the economy as they continue to feel it in their pocketbooks at the gas pump and grocery store. Earlier in the year, the rise in prices was driven by used car prices, which surged when automakers were unable to get key computer chips to complete new cars. Now, other items such as food and energy are driving overall prices higher, and the latest reports suggest that the effects of inflation are broadening throughout the economy. Experts believe the surge in demand for goods during the pandemic, as well as the impact of supply chain constraints, are the root cause. As those two issues resolve themselves, inflation should normalize.

SUPPLY CHAIN

Over the past year and a half, the supply chain has been upended. Most of the issues stem from the beginning of the pandemic when many manufacturers believed order volume would go down. This proved to be a very poor assumption. Numerous industries saw orders decline drastically, but household items, gym equipment, video game consoles, at-home office furniture, construction materials and many other items increased. With factory shutdowns, population lockdowns, and quarantines, the supply chain broke. Orders kept coming, but there was no one to make the products. As factories reopened, the steep surge in demand clogged the system for transporting goods to the factories that needed them. At the same time, finished products piled up in warehouses and at ports because of a shortage of shipping containers in Asia. Meanwhile, at ports in North America and Europe, where containers were arriving, the heavy influx of ships overwhelmed the availability of docks. Some ships had to wait weeks to offload or unload their products. This situation was worsened by the shutdown of the Suez Canal after a giant container ship, the Evergreen, got stuck there, and then again worsened by the closing of major ports in China in response to new COVID-19 cases. No one knows when this will end but there are good reasons to suspect that it will be with us well into 2022 and maybe longer.

NUMEROUS INDUSTRIES SAW ORDERS DECLINE DRASTICALLY, BUT HOUSEHOLD ITEMS, GYM EQUIPMENT, VIDEO GAME CONSOLES, AT-HOME OFFICE FURNITURE, CONSTRUCTION MATERIALS AND MANY OTHER ITEMS INCREASED. WITH FACTORY SHUTDOWNS, POPULATION LOCKDOWNS, AND QUARANTINES, THE SUPPLY CHAIN BROKE.

IMMIGRATION

In September, the Texas border became overwhelmed as 8,600 migrants, many of whom were Haitian, set up makeshift tents and campsites under the Del Rio International Bridge. Officials used "unprecedented" methods to deter migrants crossing into the state, including parking Texas National Guard and Texas Department of Public Safety vehicles for miles along the border to create a steel barrier. Chaotic scenes at the bridge sparked anger in both local and federal officials.

Across the world we have seen masses of desperate people trying to seek refuge in neighboring countries, like Syrians escaping civil war, the Rohingya brutally driven from Myanmar, and Afghans fleeing the Taliban. In 2021, a border crisis between Belarus and Poland was reported. The number of people, mostly Afghans, flowing through Belarus grew sharply in August. The number surged in November with people from Iraq and Syria, many of them ethnic Kurds. It was reported that many of the migrants flew into Minsk, the capital of Belarus, traveled west to the Poland border to gain access into the EU, were then

In September 2021, the Del Rio International Bridge, where more than $2.8 billion in goods passed January to September 2021, was shutdown so U.S. Customs and Border Protection agents could process over 8,000 migrants, mostly Haitians seeking asylum. The area under the bridge was home to makeshift tents and campsites as they waited to be processed. The closure of the bridge had a negative economic impact on businesses in Del Rio, Texas, as many employees and tourists cross the border each day from Ciudad Acuña, Mexico. The bridge was reopened after being closed for over a week.

turned away by Polish police, and then Belarus wouldn't allow them to return to Minsk. These migrants found themselves trapped at a border where neither country wanted to allow them access. It has yet to be seen how the situation will play out as Belarus continues to limit reporters and Poland has barred journalists and human rights groups from the border.

STORMING THE CAPITOL

No matter what side you are on, Republican or Democrat, January 6th was a dark day in American History and the world watched in shock and disbelief.

On January 5th and 6th, thousands gathered in Washington, D.C., to support the claim that the 2020 election had been "stolen by emboldened radical-left Democrats" and to demand that Vice President Mike Pence and Congress reject Biden's victory. Many of the attendees walked to the Capitol and hundreds breached police perimeters as Congress was beginning the electoral vote count. Hundreds in the crowd broke into the building, occupying, vandalizing, and looting it, and assaulting Capitol Police officers and reporters. Some vandalized and looted the offices of House Speaker Nancy Pelosi and other members of Congress. With building security breached, Capitol Police evacuated and locked down both chambers of Congress and several buildings in the Capitol Complex. Rioters occupied the empty Senate chamber while federal law enforcement officers defended the evacuated House floor.

The Capitol was clear of rioters by mid-evening, and the counting of the electoral votes resumed and completed in the early morning hours of January 7th. Vice-President Mike Pence declared President-elect Joe Biden and Vice-President-elect Kamala Harris victorious.

Over 30 members of anti-government groups, including the Oath Keepers, Proud Boys, and Three Percenters, were charged with conspiracy for allegedly staging planned missions at the Capitol, but the vast majority of the 702 people charged with crimes relating to the riot had no known affiliation with far-right groups, and did not plan the riot in advance.

BUILD BACK BETTER

The U.S. Democrats tried to pass the Build Back Better Bill in early November which aims to curb climate change, fight poverty and invest in children, workers, and families. Lawmakers, along with budget experts, haven't settled on a total cost for the bill, but some are using $1.7 trillion. The bill stalled in late November after Senator Joe Manchin (D., W.Va) declined to vote in favor of it. We are still waiting to see if the President will continue the effort to revamp and restructure the bill.

The Tokyo 2020 Olympics took place in the summer with opening ceremonies commencing on July 23, 2021. Due to the Greater Tokyo Area declaring a state of emergency in response to the pandemic, the games were held behind closed doors and with no public spectators. Team USA topped the medal count through both total golds and total medals. The women's basketball team extended their win streak to 55 games as they have won all their games at the Olympics for the past 25 years.

CUOMO RESIGNS

Governor Andrew Cuomo of New York resigned from office in August 2021 after a barrage of sexual harassment allegations led most of his allies to abandon him. Cuomo's dramatic fall was shocking in its velocity and vertical drop. Only a year prior, the governor was being hailed as a national hero for his steady leadership amid the coronavirus pandemic. The resignation of Cuomo, a three-term Democrat, came a week after a report from the New York State Attorney General concluded that the Governor sexually harassed nearly a dozen women, including current and former government workers.

BLACK LIVES MATTER

Derek Chauvin, the Minneapolis Police Officer who was arrested for the death of George Floyd, was convicted and found guilty of second-degree unintentional murder, third-degree murder, and second-degree manslaughter before a jury in the Minnesota Fourth Judicial District Court. He was sentenced to 22.5 years in prison for the crime.

The case of Ahmaud Arbery went to trial in November 2021. Arbery, a 25-year-old black man who was running in Satilla Shores, Georgia, was pursued, trapped, and gunned down by three white men. Travis McMichael and his father, Gregory, were armed and in one vehicle, while William "Roddie" Bryan was in another vehicle and recorded the events on his cell phone. After Travis exited his vehicle and wielded a shotgun, Travis and Arbery engaged in a physical confrontation, during which Travis shot Arbery. The three men were convicted of murder and other crimes.

U.S. PULLS OUT OF AFGHANISTAN

The U.S. mission in Afghanistan came to a tragic end as the U.S. military departed the country on August 30, a day ahead of schedule, ending a 20-year occupation, leaving the country in the Taliban's hands. As the last evacuation flight departed, at least 100,000 people who might have been eligible for expedited U.S. visas were left behind.

In mid-April, President Biden, declaring that the U.S. had long ago accomplished its mission of denying terrorists a safe haven in Afghanistan, announced that all U.S. troops would leave the country by September 11. He later moved the date up to August 31.

Later, President Biden said that after nearly 20 years of war, it was clear the U.S. military could not transform Afghanistan into a modern, stable democracy. With Taliban gunmen controlling the streets of Kabul and other cities, dread set in across the capital and elsewhere in Afghanistan. In some neighborhoods within Kabul, Taliban gunmen went door-to-door searching for anyone who had supported the government or the U.S. effort. Despite public promises by Taliban leaders of a more moderate approach to governing, restrictions have been imposed on women, and they have cracked down on some independent journalists.

OLYMPICS

After being postponed for a year, the Tokyo 2020 Olympics began on July 23, 2021. The event was largely held behind closed doors with no public spectators permitted due to the state of emergency declaration in the Greater Tokyo Area in response to the pandemic. The event was the most expensive ever, with total spending of over $20 billion. The U.S. topped the medal count by both total golds and total medals while China finished second and Japan finished third. A few of the many U.S. Highlights are listed below:

- Team USA Men's Basketball lost to France in the opener but bounced back to win gold.
- Simone Biles withdrew from the Olympics, but team USA Women's Gymnastics still finished with a silver medal in the all-around performance.
- Caeleb Dressel was unstoppable in the pool finishing with a total of five gold medals.
- Team USA Women's Basketball extended their Olympic winning streak to 55 games and took home the gold medal. The women's basketball team has won all their games at the Olympics for the past 25 years.

JUNETEENTH

Juneteenth became a federal holiday on June 17, 2021. It was the first new federal holiday since Martin Luther King Jr. Day was adopted in 1983. Juneteenth commemorates the emancipation of African American slaves and is often observed to celebrate African American culture. Originating in Galveston, Texas, it has been celebrated annually in various parts of the U.S. on June 19 since 1865.

GLOBAL ECONOMIC RISKS

Today, more than ever, the global economic, political, and technological environment is constantly changing. Through the COVID-19 pandemic and ensuing recovery, world leaders and governments were forced to adapt to lockdowns, cyber security breaches, worker shortages, supply chain issues, and many other challenges. Each year, the World Economic Forum (WEF) publishes a report on the top 10 expected threats to long term economic progress on a global scale. This year, these threats in order of likelihood are:

1. EXTREME WEATHER

2021 was one of the most active and costliest years for disasters in the U.S., with 18 separate weather and climate events occurring at a cost of at least $1 billion. The number of events are second only to 2020, which saw 22. 2020's disasters have been more costly than 2020's, resulting in $104.8 billion in damages, versus $100.4 billion. An analysis by independent climate research group Climate Central shows the average time between billion-dollar disasters has dropped from 82 days in the 1980s to just 18 days on average in the past five years (2016-2020), leaving the nation with less time between events to recover. Hurricane Ida, which ravaged Southeast Louisiana and parts of the Northeast earlier this year, proved to be 2021's most expensive overall extreme weather event by far, with damages initially estimated at $64.5 billion, making Ida the fifth-costliest hurricane in U.S. history.

The disasters in 2021 have included an array of events, including ongoing drought and wildfires across the West, the severe cold snap in Texas and parts of the South in February, four tropical storms or hurricanes, and tornado outbreaks throughout the year. In December, a rare late season tornado outbreak ravaged the central U.S. Early reports indicated nearly 100 people had lost their lives. According to a Karen Clark and Company (KCC) report, the outbreak may be one of the costliest ever at over $3 billion. The most destructive tornado of the system set numerous records, traveling an astonishing 250 miles through Arkansas, Missouri, Tennessee, and Kentucky; it could be the longest track tornado in U.S. history.

2. CLIMATE ACTION FAILURE

The WEF reported the world has not been actively doing enough to combat the root causes of climate change. As a result, global temperatures are forecast to increase by more than three degrees by the end of this century. This increase is more than double the threshold scientists and researchers have warned against to avoid the most severe environmental, economic, and social consequences. The WEF identifies climate change as a "catastrophic risk" and stresses the adoption of green energy and economy standards cannot be delayed. Climate inaction will have lasting effects that, according to scientists at the Intergovernmental Panel on Climate Change (IPCC), will be difficult, if not impossible, to reverse by future generations.

In the first half of 2020, when COVID-19 forced most economies to largely shut down for weeks, global CO_2 emissions fell by 9%. Such a decrease, the WEF reports, would be required every year for the next decade to sustain progress toward limiting global warming and avoiding the most severe effects of climate change. Collaborative efforts among world leaders will be essential to ensure emissions of CO_2 are gotten under control.

3. HUMAN ENVIRONMENTAL DAMAGE

Continued population growth and resource consumption around the world has led us to fail at coexisting with our surrounding ecosystems and environments. Private and public deregulation of protected areas, pollution, industrial accidents, oil spills, radioactive contamination, wildlife trade, over-farming, and other damaging practices have stressed global resources and will continue to damage surrounding ecosystems in the near term.

A shift towards greener production and consumption, the WEF asserts, cannot be delayed until economies have fully recovered from the pandemic. If the damage done to our ecosystem continues unchecked, the resulting ecological destruction will intersect with societal fragmentation, bringing about dramatic disruptions that will undoubtedly hamper the ability of policymakers and leaders to address other areas of risk.

4. INFECTIOUS DISEASES

The WEF sounded the alarm on pandemic and other risks related to health originally in their 2006 Global Risk Report. They warned of a "lethal flu" that would impact the service industry and pose long term harm to investment risk appetites, global trade, and consumption around the world. COVID-19 resulted in severe loss of life and threatened to scale back progress made in combatting poverty and inequality. As new variants of COVID-19 arise around the world, especially in countries with less prominent access to vaccines, immunization effectiveness will continue to be threatened. COVID-19 has proven the full extent and reach a global pandemic has in all aspects of political, economic, and societal growth. Governments and world health organizations will need to be better prepared for future pandemics.

5. BIODIVERSITY LOSS

Biodiversity loss, one of the most difficult risks to substantiate economically, poses a risk to human activity over the next 10 years. Over the time humans have populated the earth, our species has seen the loss of 83% of the world's wild mammals along with half of earth's plants. More alarming, it appears that despite the massive amount of biodiversity loss to date, these losses are now occurring faster than ever. Biodiversity is mentioned in less than half of company reports in the Fortune 500. The continued destruction of the environmental ecosystem will, sooner or later, increasingly affect bottom lines, be it in the form of reduced fish stocks and their effects on commodity supply chains, disruptions to the development of new medicines, and more.

6. DIGITAL POWER CONCENTRATION

Power is becoming increasingly concentrated online in markets such as retail, payments, and communication services. The digital power concentration increases the likelihood of societal and political interactions being restricted. As digital dependency and influence increases, stronger governmental intervention in digital markets can be utilized to empower consumers by fostering competition and regulating anti-competitive systems and practices. A lack of restrictions on data privacy could prevent users from maintaining substantial control over how their data is collected, used, and monetized, leading to increased risk of privacy invasions, cybercrime, financial loss, and political manipulation.

THE POWER SHIFT BETWEEN INTERNATIONAL NATIONS, SUCH AS THE U.S. AND CHINA, WILL CONTINUE TO IMPACT NON SUPERPOWER STATUS NATIONS AS THEY SEEK TO PLAY AN IMPORTANT ROLE IN AREAS OF TRADE, DIPLOMACY, SECURITY AND GLOBAL HEALTH.

7. DIGITAL INEQUALITY

Digital inequality has risen along with economic development gaps between countries, causing a threat to global progress. The expanding digital gap and the differential ability to access data and technologies can undermine an inclusive recovery from COVID-19 and further weaken social cohesion. Progress toward digital inclusivity is challenged by the growing digital power concentration. In certain countries, accessibility issues persist as digital gaps widen. Higher income countries have internet usage rates of 87% compared to 17% in low-income areas around the world. In some countries, data and public discourse is limited to control the flow of information within and outside their country's borders. The United Nations has called for all governments to end internet and telecommunication shutdowns, yet still 23% of countries ban or censor news.

The large-scale shift to automation is changing labor markets at a consistently rapid pace, but the pandemic spurred an economic and digital leap that shrank budget and time frames needed to reskill and upskill workers. The WEF's Future of Jobs report estimates that automation may displace 85 million jobs in just five years. Communication, cyber safety, and information process will become essential skills to develop in the workplace.

8. INTERSTATE RELATIONS FAILURE

The COVID-19 pandemic revealed the weak areas and tenuous ties that lie between states within the international system. Growing nationalism, U.S. and China competition, and a shift from rules-based to power-based global order are each dynamically contributing to the relations failure across borders. The power shift will increasingly impact middle powers, states that lack superpower status but still contribute to international relations and play important roles between other powers. These powers, which have a GDP value far greater than the U.S. and China combined, have the potential to forge a sustainable and corporative path forward. They are often champions of multilateral cooperation in areas of trade, diplomacy, security and, most recently, global health. If current trends persist, however, these powers will struggle to lead cross-national cooperation. The current U.S. administration, according to the WEF report, has identified areas to cooperate with China such as fighting the pandemic and combating climate change. In the long term, both countries will seek digital superiority by restricting technology flows, restructuring supply chains, and favoring domestic investment.

9. CYBERSECURITY FAILURE

Cybersecurity remained a priority throughout 2021 as additional ransomware and cyber attacks impacted corporations and firms across the country. One of the most publicized attacks was the breach of Colonial Pipeline in April. The notorious group DarkSide was identified as having carried out the attack, targeting the billing system and internal business networks. The attack led to fuel shortages in multiple states, leading to a panic among residents on the east coast. U.S. law enforcement was able to recover much of the $4.4 million ransom payment, but have not been able to locate the actual hackers.

The global pandemic forced an unprecedented digitalization shift for companies, governments, and individuals alike leading to a surge in cyberattacks worldwide. Through 2021, private and public attention shifted to prioritizing the strengthening of digital security measures and advancing technological infrastructure to combat these attacks. Going forward, cybercriminals will continue to generate more sophisticated and complex strikes to target vulnerabilities in systems wherever possible. These attacks, if significant, can result in economic disruption, financial loss, geopolitical tensions, and social instability.

10. LIVELIHOOD CRISIS

A complex combination of existing inequalities and impacts of the pandemic have led to healthcare gaps, educational disparities, and unemployment. These societal fragmentations will result in some of the highest livelihood risks in the coming years. It is expected that as many as 150 million more people will be forced into extreme poverty due to the recession, moving the total to 9.4% of the total world's population. The setback will heighten vulnerability to future crises and threaten the stability of some governments. Structural deterioration of work standards and/or prospects for working-age individuals, unemployment, underemployment, fragile states, gaps in economic and digital development, erosion of worker's rights, lower wages, and increased digitalization all threaten livelihoods across the globe as poverty increases in the wake of the global pandemic.

GLOBAL ECONOMIC OUTLOOK

In the November edition of the WEF's 2021 Chief Economists Outlook, they summarized some of the latest economic impacts to the global economy. In the wake of COVID-19, disparate economic outcomes to one-size-fits-all fiscal and monetary policy have emerged. The ensuing disruption to global markets has created situational faults that national level policy tools can no longer remedy, with one exception: accelerating access to vaccines. The deepest fault lines that have emerged in economic recovery, according to the WEF, are between economies that have vaccines access and fiscal support, and those without. Limited access to vaccines is forcing prolonged lockdowns and a deepening of healthcare system stresses that have taken a serious toll on resources in some parts of the world. Financial consequences arising from bankruptcies and elevated unemployment levels have created difficult economic and social conditions for particularly hard-hit economies to absorb. With more contagious, and possibly infectious, variants of COVID-19 continuing to emerge and developed economies improving their vaccine rates, the risk for economic faults increase as developing countries struggle to recover from the pandemic's economic and societal impacts.

HOT

COLD

Following 2020, the U.S. experienced many areas moving the right direction for the economy in 2021. Three areas seen as running "hot" in the market were Residential Housing, Multifamily and Industrial. All of these areas experienced growth and increased demand across the nation. Three areas running "cold" were Indoor Shopping Centers, Hotels, and Suburban Office. These individual markets have yet to return to their pre-pandemic levels and so far it appears they are having to continue to adapt as the market changes to the new environment.

The WEF reports there is a strong consensus that fiscal and monetary policy adjustments were very successful in softening the economic ramifications of the pandemic. Using experience gained in the 2008 to 2009 Global Financial Crisis, governments acted quickly to provide liquidity to markets and emergency funding as needed for businesses. Monetary policy, in turn, played an accommodating role as interest rates approached nearly zero in advanced economies and worries about debt sustainability faded. As the world recovered from widespread lockdowns and employee layoffs, however, supply chains struggled to adapt to the quickly rising demand for products and materials. The top risks for a global recovery shifted from a delayed wave of bankruptcies to policy missteps in the management of evolving inflation dynamics – especially in emerging economies as surging prices continued to take hold. Longer term factors, such as fragmentation of global markets, even further stressed these inflationary price developments. A globalized coordination of normalized fiscal and monetary policy, rapid vaccine distributions to end remaining and future lockdowns, and efficient trade policies in the global environment are possible solutions to inflationary pressures.

The global economy is expected to grow nearly 6% in 2021 and upwards of 5% in 2022. Supply disruptions and worsening pandemic dynamics have led to a lower projected growth in these time periods than previously expected. They are offset by stronger near-term prospects among some emerging and developing markets in commodity-exports. The threat of new variants with impacts similar or even greater than that of Delta have created increased uncertainty about how quickly the pandemic can be overcome. Policy choices, as a result, have become increasingly difficult as countries continue to navigate the new economic landscape.

U.S. ECONOMY

In 2021 the U.S. economy had many things moving in the right direction. The housing market was "hot" for sellers, the commercial real estate market traded at extremely high levels, the stock market continued to perform well and businesses continued to hire which in turn pushed unemployment down. There were plenty of positives but also some very concerning trends, the most concerning being the Federal Deficit. In October of 2021, lawmakers raised the debt limit by $480 billion to a total of $28.9 trillion and the Treasury has already reached it, so there is currently no room to borrow under their standard operating procedures, other than to replace maturing debt.

The Conference Board forecasts that U.S. Real Gross Domestic Product (GDP) growth at year-end 2021 will have an annual growth around 5.5%, year-over-year, and that the U.S. economy will grow by 3.5% in 2022. Their top concern for 2022 is how the wave of new COVID-19 infections may slow consumer spending. Their second is the persistence of high inflation rates and recent rebound in hiring which will likely result in the Fed raising policy rates earlier and more frequently than anticipated. While these two factors will moderate growth, it is important to note that the projections still show robust economic expansion over the next few years.

JOB MARKET

Gradual momentum in the U.S. job market continued in 2021 as the unemployment rate continued to decline, reaching roughly 4.2% by the end of the year. U.S. employment has now clawed back 83% of the jobs lost during the recession in 2020 although employment is still 3.9 million below its pre-pandemic peak. However, a few things are of growing concern. The first being the growing gap between job openings and hires which has induced a record number of workers quitting their jobs. Quit rates are sitting much higher than at the peak of recent recoveries. The second is the labor force participation rate which remains at levels not seen since the mid 1970s. The rate translates to roughly 3.6 million fewer workers being in the labor force if participation rates had remained at the pre-pandemic levels.

WITH HOME PRICES INCREASING, MANY EXPERTS PREDICT THE HOUSING MARKET WILL SIMMER AS SOME HOMEBUYER'S WILL BE PRICED OUT OF THE MARKET. MANY PREDICT THE SUPPLY SHOULD INCREASE IN 2022, MEANING IF YOU ARE A SELLER YOUR HOME COULD POTENTIALLY SIT ON THE MARKET LONGER.

HOUSING MARKET

2021 was the strongest housing market in years. With low interest rates and demand outweighing supply, it continued as a seller's market. The U.S. home price index increased approximately 15% year-over-year and foreclosure rates fell to a generational low. The U.S. housing market also had the largest number of home sales in 15 years. If you sold a house in 2021, it likely wasn't on the market very long, had multiple offers, and a sales price above the asking price.

With home prices increasing, many experts predict the housing market will simmer as some homebuyers will be priced out of the market. Many predict the supply should increase in 2022, meaning if you are a seller your home could potentially sit on the market longer. This should not be a concern as interest rates are only predicted to increase by half a percentage point to roughly 3.4%. Given the continuation of low interest rates and strong demand, we are optimistic that the housing market is set to have another extraordinary year albeit not as strong as 2021.

U.S PROPERTY SECTORS AND MARKET

PricewaterhouseCoopers (PwC) and the Urban Land Institute (ULI), in their joint publication "Emerging Trends in Real Estate 2022," have indicated that, "U.S. real estate is popular, both at home and abroad. Investment volumes are returning as cranes are back hoisting steel for new buildings. Market conditions also staged a dramatic reversal from a year ago across nearly all sectors and should continue to improve in the coming years."

After a significant pause in mid-2020, transaction volumes continued to rebound to near pre-pandemic levels in 2021. With investors sitting on an enormous pool of idle capital itching to be placed, deal volumes will likely increase further. Developers and investors have become selective, and there is a growing divergence between the top sectors and the rest. Industrial and distribution continues to lead the pack, ranking first for both investment and development prospects, as it has for nine straight years dating back to 2014. Single-family and multifamily housing rank close behind. These sectors all have powerful demand drivers coming out of the pandemic and supply that struggles to keep pace, pushing rents and pricing back to record levels.

On the other hand, hotels, offices, and especially retail all lag well behind, though their prospects have improved over the past year. All suffer from demand challenges at least partly related to the economic downturn but also due to structural shifts accelerated by the pandemic.

With limited opportunities and record pricing in the favored sectors, more investors pushed into alternative property types like life sciences, data centers, self-storage, and student housing, in addition to various forms of debt.

KANSAS CITY REGION

The last measured Gross Regional Product (GRP) per capita for the Kansas City Metro was $53,745 in 2017. The Kansas City Metro has experienced an average growth rate of 0.44% from the first statistic recorded in 2001. Based on past trends, the GRP for 2022 is estimated to be $54,842 by 2022, up from a forecasted $54,623 in 2021.

The Kansas City Metro economy is expected to continue to recover in 2022 with a projected growth of 1.5%, the fastest of any Kansas metropolitan area. However, substantial downside risks such as broken supply chains, difficulty attracting workers back into the workforce and potential recurrences of coronavirus variants, remain present that could certainly slow the recovery.

Frank Leck, Director of Mid-America Regional Council, was the guest speaker at the Greater Kansas City Chamber's Economic Forecast event held on December 9, 2021. Key points from that presentation related to Kansas City employment included:

- Since January 2020, the spurt of job growth had a large impact on the region's seasonally adjusted unemployment rate, lowering it to 3.6% where it has remained ever since. This is very near the pre-pandemic low of 3.2% in late 2019, and more than 1.2% below the nation.

- Since January 2020, Kansas City's employment recovered quicker than the nation at first but was flat in recent months until July's burst of 17,000 jobs. Since then, growth has been modest. Overall, the region has regained 127,900 of the 142,000 jobs lost during the first few months of the pandemic, or 90%.
- When compared against 10 benchmark Metros with which it generally competes, Kansas City's unemployment rate is ranked fourth, about 0.4% points above the leader, Nashville.
- Regional unemployment is expected to recover to pre-pandemic levels by the 1st Quarter, 2022. By the end of 2025, Kansas City employment is expected to grow 1% faster than the rest of the U.S.

The Annual Wichita State 2022 Kansas Housing Markets Forecast report has been published by the Wichita State University Center for Real Estate. This year's "Out of This World" report analyzes employment, inflation, mortgage rates and more to make predictions for the Kansas housing market in the coming year.

The report, created by Dr. Stanley D. Longhofer, breaks down 2022 market forecasts for major Metro areas across the state of Kansas, including Kansas City.

"The story of the market is the historically low inventories," Longhofer said. "At the end of September, there was just a 1.2 months' supply of homes available for sale across the Kansas City Metro. As a result, home prices are rising at a remarkable pace. Increased new home construction activity should eventually help ease the supply pressures, but it may take several years before we return to a balanced market."

His forecast predicts sales in Kansas City will increase 5.9% in 2022 to 46,990 units. In the new construction market, the report expects new single-family permitting activity to rise another 16.9% next year to 9,905 units, the highest level since 2005.

Longhofer also observes that Kansas City home values have been rising at their fastest pace since at least the late 1970s. The report expects strong appreciation to continue, rising 12.2% this year followed by an additional 9.2% increase in 2022.

The average sale price increased by 10.2% to $310,479 while the number of sales was down 8.7% from last year. Homes sold in an average of 22 days and for 99.6% of their initial asking prices. The Kansas City real estate market was already competitive before the coronavirus, with home prices rising faster than most U.S. cities. A lack of inventory across the area has been the biggest driver.

Kansas City's office market saw an increase to total inventory throughout 2021, reaching 127.8 million square feet. Following the national trend, the vacancy rate in the Metro area also increased, reaching 10.19% over the previous year. Most of the submarkets posted increases to their vacancy rates and decreases in rental rates. One good area across the board, sales prices increased over the prior year. Additional new development is planned across the Metro area; however, most companies seem to still be feeling out their future needs.

Kansas City's industrial market saw near-record net absorption in 2021 as the industrial market posted total net absorption of 8.4 million square feet. More than 15 million square feet were anticipated to be completed by year-end 2021, a record total for the market and evidence of the surge in demand for warehouse/distribution space. Companies from outside of the Metro area continue to evaluate Kansas City as a desirable place to establish operations. Many companies already in the market continue to grow and expand, thus providing fuel for continued industrial development.

Tenant demand for industrial space is strong, especially for well-located properties, abating fears of the market being over-built. Even with space being continually added to the market, the overall vacancy rate dropped to 4.89% in the fourth quarter of 2021, one of the lowest levels ever noted. Modern distribution product that has driven the expansion had its vacancy rate fall even further to 4.57%.

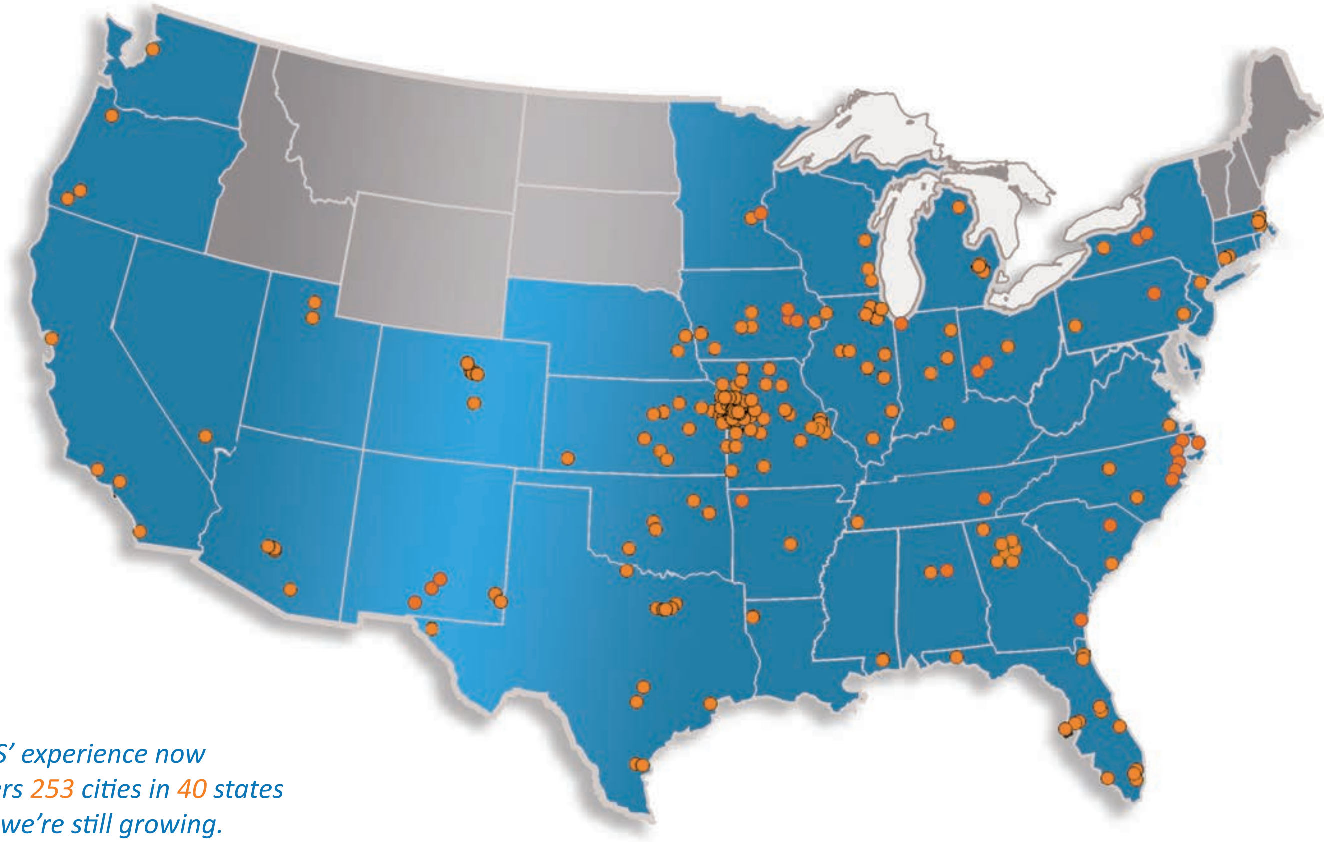
The Kansas City Metro industrial space square footage is projected to continue its rapid growth with a total gain of 40% through 2030 due to accelerated expansion in e-Commerce. Additional information on Kansas City's Industrial market can be found in the Industrial section of this report.

There are roughly 185,500 total multifamily units in the Kansas City Metro area with the average vacancy rate currently standing at 5.60%. Market asking rents are averaging $1,120 per unit per month. Average sale prices per unit are $131,000. Vacancy decreasing, along with asking rents and sales prices per unit both rising in Kansas City, further proves our demand for good rental housing and national investment remains strong. Additional information on Kansas City's multifamily market can be found in the Multifamily section of this report.

At the end of the third quarter 2021 the retail sector realized a 40-basis-point increase in vacancy to 6.0%. Net absorption totaled -137,327 square feet for the past four quarters and -60,444 square feet for the past two years. The average quoted rental rate is $13.96 per square foot, up $0.40 per square foot from one year ago. The average asking rent is $13.96 per square foot with a vacancy rate of 6.0% and a net absorption of 22,546 square feet. Additional information on Kansas City's retail market can be found in the Retail section of this report.

KANSAS CITY'S LOCATION

Kansas City continues to benefit from a very long list of attributes, with its location in the heart 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



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seven states. Kansas City's location is within a four-hour drive of over 8.92 million people 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 2.66 million people and to a number of significant corporate headquarters, including: JE Dunn Construction Company, UMB Financial, Mariner Wealth Advisors, DeBruce Grain, DST Systems, H & R Block, Garmin International, Creative Planning, Inc., Burns & McDonnell, YRC Worldwide, Black & Veatch, American Century Investments, AMC Entertainment, BATS Global Markets, Westar Energy, Seaboard Corporation, Great Plains Energy, Hallmark Cards, The Andersons, Cerner Corporation, Commerce Bank, and a host of others.

The area population is very well educated with over 44% having a college degree and nearly 93.4% having a high school education. Fifteen institutions within the Metro area offer graduate degrees in numerous disciplines. Additionally, the University of Kansas (KU) and the University of Missouri (MU) offer professional degrees in medicine, dentistry, pharmacy, and law. Kansas State University offers biotechnology and bioscience programs, and Kansas City University of Medicine and 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 Avila University, Cleveland Chiropractic College, DeVry University-Missouri, MidAmerican Nazarene University, Missouri Western State University, Kansas City Art Institute, Ottawa University, Rockhurst University, Webster University, William Jewell College, University of Phoenix, and a host of others.

SPORTS AND ENTERTAINMENT

Kansas City continues to rank 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, Kansas City Renegades, and new to the area for 2021 the KC Current. Major college and university teams from the University of Kansas and University of Missouri-Kansas City, as well as 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.

Due to its location in the center of the country, Kansas City is also home to a variety of entertainment venues, including the American Royal Barbeque and Rodeo, Top Golf, Worlds of Fun, Oceans of Fun, the Kansas City

The Kansas City Current didn't just announce their new team name in 2021, they also made major announcements regarding their facilities. In September, they announced a new $15 million, 17,000 square foot, training facility with two grass pitches to be built in Riverside, Missouri, just off I-635 and Horizons Parkway. Additionally, they announced in October the development of an estimated $70 million stadium to be built in the Berkley Riverfront. The stadium is the first soccer stadium purpose-built for a National Women's Soccer League team. The 11,000 seat stadium is slated to open in 2024 with the KC Current playing at Children's Mercy Park in the interim. Photo Credit: Generator Studios

Zoo, Legoland Discovery Center, Cable Dahmer Arena, Union Station, Community America Ballpark, the Hy-Vee Arena, the Kansas Speedway, Sea Life Aquarium, City Market, and six area casinos. In addition to these amazing venues, the Kansas City Renaissance Festival, Snow Creek Ski Resort, the Westport, Brookside, and Plaza Art Fairs, the Wyandotte County Fair, the 18th & Vine Jazz District, Powell Gardens, Overland Park Arboretum and Botanical Gardens, as well as many other venues, provide a variety of entertainment options in Kansas City.

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 American Royal Museum and Visitor Center, American Jazz Museum, the Nelson-Atkins Museum of Art, the Kansas City Symphony, Lyric Opera of Kansas City, Folly Theatre, Starlight Theatre, Kansas City Ballet, Kansas City Chamber Orchestra, Kansas City Repertory Theatre, Airline History Museum, Nerman Museum of Contemporary Art, Negro Leagues Baseball Museum, and the National World War I Museum and Memorial. Because of the large number of acclaimed artistic venues, Kansas City ranks as a top four cultural art destination in the country.

TRANSPORTATION PRESENCE

The Kansas City area is served by 11 major commercial airlines and their connection partners. These carriers offer over 174 daily departures with nonstop service to nearly 46 destinations. Kansas City's new air modal center, adjacent to the Kansas City International Airport (KCI), continues to strengthen cargo shipment capabilities and distribution opportunities together with several intermodal locations. Kansas City is now recognized as one of the top three cities in the nation for cargo distribution. With the new single terminal airport now planned to open by 2023, Kansas City will be known as a regional center for commercial airline activity. KCI is currently the 39th busiest airport in the country and is expected to increase passenger ridership with the expanded terminal capacity.

Kansas City is also ranked as one of the top five 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 (BNSF) 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 1 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.

KANSAS CITY ANIMAL HEALTH CORRIDOR

Kansas City Animal Health Corridor, which stretches from Manhattan, Kansas, to Columbia, Missouri, is host to the single largest concentration of Animal Health assets in the world. The corridor now represents 56% of all sales in the global animal health market. More than 300 animal-related companies operate in the region, including FitBark, Inc.; Ceva Animal Health; Nestle Purina PetCare Co.; MRI Global; AgriLabs, Inc.; Pfizer Animal Health, LLC; Bayer HealthCare Animal Health; Hills' Pet Nutrition, Inc.; ZuPreem; KC Canine; MWI Veterinary Supply, Inc.; TVAX Animal Health; U.S. Animal Health Association; Boehringer Ingelheim Vetmedic, Inc.; Cereal Food Processors, Inc.; Argenta 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 17 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 Metro consistently ranks high in a number of areas surveyed by various sources. According to Niche.com, Kansas City received an "A" as their overall grade, earning an average of 4 out of 5 stars from 614 written reviews. Some of the notable rankings are:

1.	Public Schools	**B+**	6. Jobs	**A-**
2.	Housing	**B**	7. Weather	**B**
3.	Nightlife	**A**	8. Health & Fitness	**B**
4.	Good for families	**A-**	9. Outdoor activities	**A-**
5.	Diversity	**A**	10. Commute	**A-**

The Kansas City Area Development Cncil (KCADC) is a private, non-profit organization. They are charged with representing the economic interests of the entire two-state, 18-county Greater Kansas City region of over 2.66 million people. KCADC's clients consistently rank their team the No. 1 Regional Economic Development Group in the nation. Following is a list of Kansas City's 2021 Ratings & Rankings, published by the KCADC:

BEST PLACES TO REMOTE WORK IN AMERICA WITH A POPULATION UNDER A MILLION
- HigherVisibility, August 2021

#1 METRO FOR FIRST-TIME HOMEBUYERS
- Lending Tree study as reported in Kansas City Business Journal, July 2021

CHILDREN'S MERCY RECOGNIZED AS A TOP PEDIATRIC HOSPITAL
- 2021-2022 "Best Children's Hospitals" report as reported by Children's Mercy Kansas City, June 2021

OVERLAND PARK NAMED BEST PLACE TO RAISE A FAMILY
- Wallet Hub, June 2021

KC RANKS TOP THREE CITIES FOR TECH INDUSTRY JOB GROWTH
- KC Tech Council, May 2021

KC COMMUNITIES RANK HIGH IN U.S. CITIES WHERE WOMEN ARE MOST SUCCESSFUL
- SmartAsset, April 2021

KANSAS CITY AMONG NATION'S BEST-PAYING METROS FOR RECENT COLLEGE GRADS
- Self Financial, March 2021

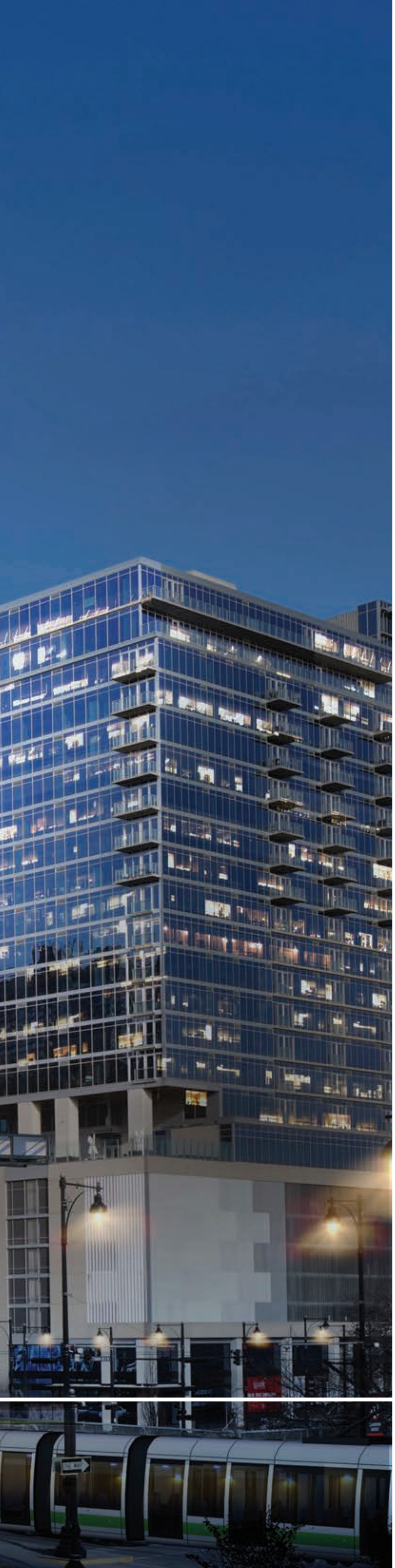
FOUR KC COMMUNITIES NAMED BEST CITIES TO LIVE IN AMERICA
Kansas City, Missouri; Leawood, Kansas; Overland Park, Kansas; and Prairie Village, Kansas
- Niche, March 2021

KC REGION RANKS AS A BEST-PAYING CITY FOR MILLENNIALS
- MSN, January 2021

KC JOINS TRAVEL + LEISURE'S LIST OF "50 BEST PLACES TO TRAVEL IN 2021"
- Travel + Leisure, December 2020

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

Kansas City Downtown Market



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

The ongoing COVID-19 pandemic continued to play a major role in commercial real estate through 2021, impacting the market and projects in various ways. However, the pandemic has not been able to slow down the Kansas City Streetcar's (KC Streetcar) expansion plans. Since the KC Streetcar's approval in December 2012, Kansas City has experienced approximately $4 billion of investment from developers along or near the streetcar's line. The $4 billion of total investment includes $1.79 billion in multifamily, $804 million in hotel, and $796 million in office. 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 3.5 miles south through the heart of Midtown to the University of Missouri, Kansas City campus and the Country Club Plaza. As a part of the Capital Investment Grants (CIG) Program, the Federal Transit Authority (FTA) locked in a $174 million grant to the Kansas City Streetcar Main Street Expansion project in early December 2020. The grant allows designs to be finalized and for the expansion to enter the construction phase. Construction is expected to begin in spring 2022, with an opening projected in 2025. A shorter, 0.55 mile extension to the Berkley Riverfront is also underway with an opening projected in early 2024. Boasting exceptional satisfaction rates and over eight million rides to date, the fully integrated transit system will undoubtedly fuel continued development for years to come.

MULTIFAMILY

In 2021, new and redevelopment projects for multifamily continued to dominate the landscape of Downtown. 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. Downtown enjoys the highest percentage of millennial residents in the area at 43%. Additionally, 52% of the Downtown population is considered ethnically diverse, nearly twice as diverse as the Metropolitan Statistical Area (MSA) in general. The greater diversity drives the vivacity and excitement of Downtown and continues to be a major factor in the growing residential demand. According to population estimates from the Downtown Council of Kansas City, the Downtown population is estimated to increase, reaching nearly 38,685 residents in 2025, a growth rate of 22% from 2021-2025.

Cordish Companies started construction on Three Light at Main Street and Truman Road in Kansas City, Missouri just west of Two Light. Construction on the 26-story, 288-unit, $140 million luxury multifamily tower is expected to be completed in September 2023 and bring their total number of completed units to 900.

Photo Credit: Three Light Luxury Apartments

CENTRAL BUSINESS DISTRICT

Much of the growth within the CBD can be attributed to the success of The Cordish Companies in transforming nine city blocks into a top destination to live, work, and play. Kicking off in 2004 with the development of Kansas City Live!, the entertainment and retail district has served as the catalyst in the $5 billion urban renaissance for Downtown, which includes the likes of the T-Mobile Center (formerly Sprint Center), Kauffman Center for the Performing Arts, and the Loews Kansas City Hotel next to the Kansas City Convention Center. 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 Cordish to break ground on the first new market-rate, high-rise apartment tower in Downtown in nearly 40 years. One Light, 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 four developments. Two Light, a 296-unit luxury apartment tower located on Grand Boulevard adjacent to the T-Mobile Center and acclaimed Power & Light District, is the first of these three and began leasing in May 2018. Both One Light and Two light were at 95% occupancy through the pandemic in 2020 and are now 100% occupied, an incredible feat disproving the recent belief that demand for Downtown luxury living has taken a hit. Three Light, a 288-unit luxury apartment tower which had originally anticipated breaking ground in 2019 on Truman Road adjacent to Two Light, pushed back its start date and began construction earlier this year. Cordish expects to open Three Light no later than June or July 2023. Talks have started to pick up steam for a Four Light, as Cordish's VP of Development, Nick Benjamin, has already pointed to a few potential locations. Possible development sites are northwest of 14th and Main Streets in place of an existing retail building, and a surface lot northeast of Truman Road and Baltimore Avenue. Cordish is also in the process of redeveloping the former Midland office connected to the Midland Theater. The Midland Lofts will include 12 stories of 139 affordably priced units with a rooftop deck and 2,500 square feet of amenity and coworking space. The building has remained vacant for more than 20 years and current demand provides an opportune time for a historic conversion of the office originally constructed in 1927. The project is expected to be completed in the fourth quarter of 2022.

THE SHIFT TO REMOTE WORKING FOR MANY BUSINESSES HAS CREATED A GREAT DEAL OF UNCERTAINTY AROUND OFFICE AS AN ASSET CLASS IN THE FUTURE.

The shift to remote working for many businesses has created a great deal of uncertainty around the office asset class. Various groups like Cordish have looked to repurpose office properties to their best use, with the conversion to multifamily becoming a common theme. Another group is Garrison and Midwest Companies, who purchased the Fashionbilt building in mid-2021, located within the Garment District, with plans to convert the existing 77,551 square foot building into 98 units. To the east of the building will be constructed a 10-story, 124-unit complex with a raised 250 space garage for occupants' use. Between the two buildings, soon to be known as Fashionbilt Lofts, there will be an outdoor area with a pool, festoon lighting, and a covered outdoor kitchen. The $57 million, 222-unit project is expected to begin construction in February 2022 and complete July 2023.

Less than a mile east of the Fashionbilt building, the trend of multifamily conversions continues as The Bernstein Companies continued redevelopment of the Mark Twain Tower at 11th Street and Baltimore Avenue. Work began prior to the pandemic but experienced delays until April 2021. The 22-story tower is planned to have 22 units and 18,000 square feet of retail on the ground floor. Construction is expected to be completed in late summer 2022. The D.C. based group has completed over $1.5 billion in tax credit transactions and is proposing to redevelop AT&T's former downtown headquarters. Located at 500 E Eighth Street, the 377,800 square foot property once accommodated 1,100 employees but now sits completely vacant after the company relocated south to 2121 E. 63rd Street. After going under contract with Maxus Properties in November 2021, the $91.2 million historic project would include 100 studios, 60 one-bedrooms, and 105 two-bedrooms, for a total of 265 units.

North of the AT&T project is a surface parking lot Maxus Properties is proposing to develop as the Admiral Lofts. At 500 Admiral Boulevard, the $63.4 million development will have 250 units and 199 parking spaces.

CROSSROADS ART DISTRICT

Indianapolis-based developer Milhaus recently completed Artistry KC, a $72 million 341-unit development including 11,700 square feet of commercial space at 1918 Locust Street. Artistry KC is targeted towards the creative residents of the Crossroads Art District, as the project budgeted $250,000 to showcase work from at least 15 Kansas City area artists, including large outdoor murals, a decorative screening on the parking garage, and rotating art inside. The community is conveniently located at the south end of the KC Streetcar's route and near several restaurants. Milhaus looks to continue their momentum in the Crossroads Art District by breaking ground on the Tracks Apartments at the Old Milwaukee Yard in early December of 2021. The $52 million project will include 193 units concentrated in five floors above a two-level

Following the $1.7 billion acquisition of Waddell & Reed Financial Inc. by Macquarie Asset Management, the company canceled their plans to move into a new 260,000 square foot, $140 million office tower located at 1400 Baltimore Avenue. Rebranded as 1400KC, the 18-story office building is now being marketed for sublease to either a single larger tenant or multiple by CBRE.

podium parking garage with 260 spaces. Expected to be completed in fall 2023, the Tracks Apartments is Milhaus' fifth Kansas City apartment development under construction or completed, following up on the successes of Artistry KC, Gallerie, Icon at Gallerie, and Marcato projects.

CROWN CENTER

Exact Partners LLC unveiled plans to develop more units along Troost Avenue after completing Wonder Lofts. Located at 30th Street and Troost Avenue, it has a waitlist of renters allowing them to amplify their investment along the corridor to satisfy demand. Nearby the group will construct a five-story building with 132 units wrapped around Ruby Jean's Juicery. The $22.3 million complex will have 1,076 square feet of ground-floor commercial space when it opens in late 2022. A few blocks north at 27th Street, both sides of Troost Avenue will house twin three-story apartment buildings. The $6.8 million project, 26 units per building, by Exact is expected to be completed mid-2022. Outside of the downtown boundary but notably affecting these projects, Troost Village will be developed by Midtown Redevelopment Partners. The development will be a $162 million project and include four construction phases, including six redevelopments in addition to new construction. We expect to see more exciting apartment projects proposed eastward of Troost in the coming years.

OFFICE

As Downtown Kansas City's renaissance continues to move along at an impressive rate, one thing is clear, people want to be Downtown. Each passing year provides ever increasing levels of vibrancy and demand for new and varied residential and entertainment experiences as years of investment in the Downtown submarket have started to pay off. Fortunately, 2021 brought a few landmark office projects to the table as well to meet the increasing demand for the live, work, play lifestyle:

1400KC, the striking 260,000 square foot 18-story office tower located at 1400 Baltimore Avenue in Downtown Kansas City, has received plenty of buzz as the project nears completion but received a setback after some disappointing news. Waddell & Reed was expected to occupy the tower as their headquarters on a 15-year lease, but after its $1.7 billion sale to Macquarie Asset Management the company no longer plans to relocate. However, Macquarie Asset Management is still contractually obligated to lease or sublease the space. Despite losing Waddell & Reed, 1400KC is still well positioned to quickly lease the premium office space due to its quality and size. The $140 million tower will offer eight floors of office and is being developed as a joint venture between two groups in Kansas City, Americo Life and Burns & McDonnell. Ample parking will be provided within the building as the 10 floors below the office floors contain a 913-space garage. Outstanding views are offered to future tenants as floors 11 to 17 have access to two outdoor balconies and the top floor includes a penthouse with an outdoor area. The project received a sales tax exemption on the building materials and was approved by the City Council for an incentive package that included a six-year property tax abatement at 75 percent and nine years at 37.5 percent in 2019. An eligible business must occupy the building upon completion for the developers to receive the incentive.

The original Kansas City Star headquarters at 1729 Grand Boulevard in the Crossroads Arts District is undergoing a redevelopment to bring the historic buildings' roots back to life. 3D Development is leading the charge for the $95 million project renamed Grand Place, originally designed by the world-renowned architect Jarvis Hunt whose works include Kansas City's Union Station and Commerce Bank Tower. The property will feature 225,000 square feet of office space, added amenities including a European style market on the ground floor with 20 kiosk kitchens, a rooftop patio with skyline views, on-site Clubroom serving breakfast and lunch, and private underground parking. 3D Development is putting a strong emphasis on enhancing tenants' health and wellness as it will be the first WELL Core certified project in Kansas City and is pursuing LEED Gold certification. Grand Place was expected to welcome its first tenant, Overland Park based Tria Health, in September 2021 but has seen delays in the project due to COVID-19. They are currently showing office space available to rent in October 2022.

PROPOSALS FOR NEW HOTELS HALTED IN 2020 ALONG WITH TRAVEL. DURING THIS TIME, SOME EXISTING HOTELS TOOK THE OPPORTUNITY TO PERFORM RENOVATIONS AND IMPROVEMENTS TO DEBUT WHEN ALLOWED BY LOCAL GOVERNMENTS.

Lightwell, previously known as City Center Square Building, is a 30-story office building composed of 657,707 square feet located at 11th and Main Streets. New York based SomeraRoad purchased the building in 2019 and completed a substantial $20 million renovation in early 2021 just as many tenants returned to the workplace. The inspiration for the building's name comes from a central stairwell which connects the first two floors and features new skylights, flooding the main floor common area with natural sunlight. The 2021 Capstone award winning asset includes other improvements, such as a pool table and a record player in the tenant lounge, a Made in KC Café and a Haw Contemporary art gallery. Lightwell has quickly become a destination for companies as new tenants include WeWork, BacklotCars, PayIt, and KC Tech Council.

Town Pavilion, the 34-story skyscraper with 829,000 rentable square feet, began major renovations in December 2020 and completed the project this past summer. Focused on the common areas within the building, the multi-million-dollar improvements included the addition of a staffed concierge center, upgraded security and retail storefronts, and aesthetic museum-like artwork. These additions will help provide a warm welcome to the occupants for the largest multi-tenant office building in Kansas City.

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 changed with the additions of the Loews Kansas City Hotel and Hotel Kansas City which both opened in 2020 and added a combined 944 rooms. However, as travel halted in 2020 so did proposals for new hotel developments throughout the country. Even as travel has picked up in 2021, several Downtown hotel developments are at a stand-still due to a lack of available financing. Other hotels viewed the substantial amount of vacancy in 2020 and 2021 as an opportune time to make improvements for when guests returned. Some of the projects either completed or underway include:

Sheraton Kansas City Hotel at Crown Center – Completed an $8 million renovation, reopening in July. All 720 guest rooms received updated carpet, bedding, paint, lighting, and chairs. Improvements included transforming 70 rooms from single beds to double queens and revitalizing the 17,000+ square foot ballroom and foyer.

Hyatt House Hotel – 13-story, 154-room hotel at 900 Broadway Boulevard. The $38 million project led by Colorado-based developer Scott Pedersen Construction started in 2019, but it stalled out following financing trouble with AltosGroup, the original financier on the project. Due to issues in funding, several subcontractors and contractors have filed over $5 million dollars in mechanics liens. The developer hopes to get the project back on track as they seek new financing to pay off the liens in 2022.

SPECIALTY

While apartments, hotels, and office developments comprise the bulk of new and proposed development Downtown, there are a few equally exciting projects nearby. Children's Mercy Research Institute opened its new $200 million headquarters, a nine-story, 375,000 square foot tower located on Hospital Hill, in early 2021. The striking building, which features an all-glass curtain wall system, has an open stairway resembling a DNA helix, 400-seat auditorium and creative arts and performance space. Children's Mercy has projected the new headquarters will be able to support 1,000 employees over the next ten years and will make a statement to Kansas City's status as a nexus of information flow, dedicated to improving the health and well-being of children, according to Dr. Tom Curran, the research institute's executive director and chief scientific officer.

The historic Lyric Theatre, which had been vacant since 2012, completed a $35 million renovation to become the YMCA of Greater Kansas City. The community center at 222 W. 11th Street is named The Kirk Family YMCA after the former DST Realty chairman Phil Kirk who had been working on the project before passing in 2014. Kirk was well known for his work on the revitalization of vacant buildings in Downtown's Quality Hill in the 1980s and historic rehabilitation of buildings in the West Side, which included new construction on 38 buildings and 2.3 million square feet of office space. Construction on the new YMCA began in 2018 and was funded by the 11th Street Corridor Tax Increment Financing District for $16.9 million combined with $4 million from various donors and state tax credits. Notable additions to the YMCA include an indoor track, lap pools, 42,0000 square foot outdoor space for events behind the building, and three studios. Many of the original features from the Lyric's historic building remain, including the marble floors and ceiling finishes within the lobby.

THE ROYALS LEASE AT KAUFFMAN STADIUM RUNS THROUGH 2031, BUT TALK OF A NEW DOWNTOWN STADIUM HAS STARTED TO PICK UP STEAM FOLLOWING THE TEAM'S PURCHASE IN 2019.

The Kansas City Current announced plans in October to build the first stadium created specifically for a National Women's Soccer League team. The $70 million stadium will be constructed on a seven-acre plot of land at the Berkley Riverfront currently owned by Port KC as a part of a 50-year ground lease agreement. The privately funded stadium is expected to seat 11,000 and comes following the team's announcement in September of a $15 million training facility to be built in Riverside, Missouri. With plans to open the stadium in 2024, construction could begin as early as summer 2022. The club will play its home matches for the next two seasons at Sporting KC's stadium, Children's Mercy Park, after spending this past season playing at Legends Field. The Kansas City Current, previously known as Utah Royals FC, led by current owners Angie Long, Chris Long, and Brittany Matthews, who took over the franchise in late 2020, have made quick strides and show a promising future for the club in Kansas City.

The South Loop Link has been an idea discussed for over a decade and may be gaining momentum. Recently, Kansas City Mayor Quinton Lucas was "bullish" on receiving federal funding for the project after a visit to Washington D.C. The $160 million concept has been envisioned as a park covering four blocks over I-670 between Wyandotte Street and Grand Boulevard, stretching beside a number of major developments in Downtown Kansas City, including: One Light, Two Light, Three Light, Loews Hotel, and the 1400KC office tower. Due to loud traffic, these developments would benefit from the park. Cordish, along with the owners of the Loews Hotel, have expressed have expressed interest in investing in the project. Klyde Warren Park in Dallas has been referenced as a successful example by the Downtown Council for a similar freeway decking project. Completed in 2012, the $110 million project connected three blocks over the freeway. With interest in both the public and private sector to fund the concept, this will be an exciting development to follow in 2022.

Speculation continues to run rampant as to the future of the East Village, as the area has been primed for redevelopment opportunities. There have been multiple proposals over the years for the area including a $340 million urban village in 2005, a $211 million federal building from the General Services Administration, and 600 apartments after VanTrust was brought in as a co-developer in 2013, none of which have materialized. As plans continue to fall through in East Village, many believe that a massive move will have to be made for other developers to follow suit, such as a future home for the Kansas City Royals.

Talk of a Downtown stadium has started to pick up steam again following the sale of the Kansas City Royals in 2019. While currently locked into a lease at Kauffman Stadium through 2031, Chairman and CEO John Sherman has confirmed the team is evaluating their options on where to play in the future. Kansas City Sports architecture firm Populous, who has a track record of being involved in 20 ballpark projects, has recently been enlisted by the Royals to assist in their efforts. The East Village has been pitched to include the stadium for many years and offers cheap land to the franchise when compared to other downtown sites. As Sherman has expressed the team needs to have "a positive impact on the quality of life for our citizens in Kansas City, with a particular focus on those underrepresented parts of our community," which could provide the spark to encourage development on the east side of the CBD. Other potential areas are east of the T-Mobile Center, the 18th and Vine Jazz District, and North Loop. In any case, an eventual move downtown by the Royals would undoubtedly catalyze future growth and development and further accelerate the vibrancy that downtown Kansas City has become known for.

As Kansas City continues to look to the future and shake off the unprecedented effects created by the COVID-19 pandemic, one thing is certain: the future of Downtown continues to be bright.

Contributors: Ethan Ravencamp, Zach Gant, and Ryan Klepper, Financial Analysts

Kansas City Office Market

The United States office market saw increases in total inventory and vacancy rates in 2021. In November 2021, the unemployment rate fell to 4.2% with the number of unemployed estimated at 6.9 million. A stark decrease from the most recent peak in April 2020 of 14.7% and compares to 6.7% in November 2020. Almost 24 months after the pandemic gripped the world companies are still adapting to the changing market. The pandemic precipitated a shift from larger high density office footprints, to a leaner and more functional size that allows them to be more agile in the future. Based on the current market conditions, it seems that most large national/regional credit tenants in the Kansas City Metro have decided either to remain in place with short term renewals or analyze workflow and begin the extensive task of hybridizing certain workforce positions.

COVID-19 has created chaos throughout the office market since it began, although a new sense of company analytics and self-awareness was born. Organizations with a large office footprint have been proactive in understanding their options with a leaner, more efficient workforce. As they evaluate their needs they often are shifting to a smaller footprint, but within a higher quality office product. For some companies, the "flight to quality" facilitates an opportunity for a rebranding initiative, for others it has changed the way they operate all together.

8.2B	12.31%	$34.37	$325
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

In 2021, the office market, nationally, saw a very slight increase in the average rental rate to $34.37 per square foot, up from $34.36 per square foot in 2020, across all classes. Year-to-date (YTD) delivery of office space was approximately 71 million square feet with another 144 million square feet under construction, slightly down from the previous year.

127.8M	10.19%	$20.73	$134
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

The Kansas City market saw improvement in YTD absorption, negative 459,377 square feet, versus a year ago, negative 906,624 square feet. Following the national trend, transactions were trending back up from 197 in 2020 to 322 for 2021. The vacant square footage in the Kansas City office market has increased to just over 12.2 million square feet.

CityPlace Corporate Centre I, a 120,000 square foot office building at 11101 Switzer Road in Overland Park, Kansas, saw increased leasing activity throughout 2021 following its completion in 2020. A total of 72,477 square feet was leased to new tenants Nextaff, OneDigital, Brinkmann Constructors, DSI, Principal and Actuarial Resources Group. CityPlace is a master planned, 90-acre mixed-use development at the southwest corner of College Boulevard and U.S. 69 Highway. Once completed it will include 600,250 square feet of office space, 1,382 multifamily units, 39,860 square feet of retail space and 140 senior living units.

SOUTH JOHNSON COUNTY

Reported vacancies stand at 14.44%, an increase from year end 2020 (11.2%) and 2019 (8.0%). Demand continues to pick up and expects to continue strongly into 2022. Tour activity for November and December is almost back to pre-Covid levels.

The only significant delivery in 2021 was the Creative Campus III at 5400 W. 110th in Overland Park, consisting of 108,000 square feet, which will be substantially leased by Creative Planning.

30.4M	14.4%	$22.81	$164
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- 62,795 square feet at 10550 Quivira Rd in Overland Park for $16,760,000
- 29,220 square feet at 3500 College Boulevard in Overland Park for $5,700,000
- 30,731 square feet at 13180 Metcalf in Overland Park for $4,550,000

TOP LEASES

- TreviPay, 73,000 square feet at Aspiria Campus
- Creative Planning, 65,000 square feet at Creative Campus III
- Optiv, subleased 47,567 square feet at 5100 W. 115th Place
- Intrepid Direct, 27,051 square feet at Creative Campus III
- OnSpring Technologies, 25,682 square feet at 84 Corporate Woods
- Aerotek, 20,450 square feet at Renaissance Park
- Chubb Insurance, 16,550 square feet at 34 Corporate Woods

NORTH JOHNSON COUNTY

No new office supply is under construction in Northeast Johnson County so rents and expansion should trend up as demand returns. Sales activity in Northwest Johnson County has been quite strong over the past few years and remained unchanged in 2021 as buyers continue to show interest in suburban office assets.

13.8M	10.9%	$20.86	$141
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- 137,486 square feet (three building portfolio) at 6330 Lamar Avenue in Overland Park for an undisclosed amount
- 68,917 square feet at 8325 Lenexa Drive in Lenexa for $9,500,000
- 30,000 square feet at 15301 W. 87th Street in Lenexa for an undisclosed amount
- 28,464 square feet (five building portfolio) at 9361-9369 W 75th Street in Overland Park for $2,630,000

TOP LEASES

- IAC, 35,000 square feet at Summit52 in Mission
- 12,100 square feet at 7070 Renner Road in Shawnee
- Autism from the Start, 10,000 square feet at 6824 Lackman Road in Shawnee

CBD, CROWN CENTER, FREIGHT HOUSE, WEST BOTTOMS

Vacancy stands at 10.5% with just over 3,000,000 square feet available. Crown Center has the highest vacancy rate in this submarket at 18.5% while the CBD experienced the highest absorption in this submarket at 100,252 square feet.

28.9M	10.5%	$20.37	$133
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- 20,765 square feet at 108 W. 19th Street in Kansas City for $3,900,000
- 25,500 square feet at 210 W. 19th Street in Kansas City for $3,700,000
- 108 W. 19th Street sold to an owner/user while an investor bought 210 W. 19th Street

TOP LEASES

- Social Security GSA, 20,407 square feet at 2300 Main Street in Kansas City
- TRIA, 17,586 square feet at 1729 Grand Boulevard in Kansas City
- Hughes, Hubbard, and Reed, 12,720 square feet at 1100 Walnut Street in Kansas City

PLAZA/MIDTOWN/BROOKSIDE

Vacancy stands at 7.6%, which is flat to the prior year. Positive absorption of 19,000 sf on the Country Club Plaza offset slight retreats in Midtown and Brookside. On the sale side, there has been a flurry of activity centered on multifamily and retail properties in anticipation of the Streetcar expansion. Several office buildings traded hands with the largest being the Housing Authority's acquisition of 3822 Summit Street.

10.7M	7.6%	$23.29	$128
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

Cerner listed their Continuous Campus, originally completed in 2013, in Wyandotte County for sale in September 2021. Colliers International is representing the two, nine-story conjoined Class A office buildings at 10200 Abilities Way in Kansas City, Kansas. With excellent visibility to I-435 and I-70 the 660,000 square foot facility has 63.5 acres and 2,599 surface parking spaces.

TOP SALES

- 60,000 square feet at 3822 Summit Street in Kansas City for $4,300,000
- 48,000 square feet at 1-3 E. Armour Boulevard in Kansas City for $3,500,000

TOP LEASES

- 1248 Holdings, 10,762 square feet at 4622 Pennsylvania Avenue in Kansas City
- Fisher Phillips Law, 6,770 square feet at 4622 Pennsylvania Avenue in Kansas City
- Parris Communications, 5,206 square feet at 4622 Pennsylvania Avenue in Kansas City

SOUTH KANSAS CITY (WARD PARKWAY)

The South KC market ended 2021 with a 5.2% vacancy rate which is slightly higher than the 4.2% vacancy rate we had in 2020. South KC did see a positive increase in the Market Sale Price/SF to an average $113/PSF in 2021. As 2021 comes to a close, South KC's inventory sits just under 9M SF with 466,945 SF being vacant and available to the market.

9.0M	5.2%	$20.56	$113
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- 43,103 square feet at 9700 Grandview Road in Kansas City
- 42,092 square feet at 9140 Ward Parkway in Kansas City for $3,400,000
- 32,250 square feet at 9225 Ward Parkway in Kansas City for $3,250,000

TOP LEASES

- Concorde Career College, 50,474 square feet at 930 Carondelet Drive in Kansas City
- KC Hospice, 14,016 square feet at 9001 State Line Road in Kansas City

NORTH OF THE RIVER

Vacancy stands at 12.6%, a slight uptick from 2020 when vacancies stood at 11.2%. Limited sizable new lease transactions. On the positive side, two of the sales listed below to owner/users, has removed from inventory some of the largest contiguous blocks of office space in the submarket.

12.2M	12.6%	$18.48	$119
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- 7920-7930 N.W. 110th St. 263,000 square feet Quality Group – Acellus

- 3315 N. Oak Trafficway – 260,457 square feet – Cerner to North Point Development
- Briarcliff 4 Building Portfolio – 209,256 square feet – Briarcliff Development to Woodbury

TOP LEASES

- FBI build to suit, 145,333 square feet at 112th Street and I-29
- Urgent Care Assoc 7,000 square feet at 4420 N.E. Chouteau Trafficway

EAST JACKSON COUNTY

Vacancy stands at 6.3%, an improvement from 2020 when vacancies stood at 8.8%. New office leasing activity was minimal and primarily small size leases throughout this market in 2021.

7.1M	6.3%	$17.93	$106
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- 27,750 square feet at the Cliffs II – Hopkins Appraisal Services to By Cliffview, LLC
- 14,188 square feet at 3751 N.E. Ralph Powell Road in Lees Summit
- 9,000 square feet at 1201-1209 N.W. North Ridge Drive in Blue Springs

TOP LEASES

- MO/KAN Labors District Office, 2,250 square feet at 4731 Cochise Drive in Independence
- Communication Workers of America, 3,000 square feet at 3675 S. Noland Road in Independence
- HCA Midwest Health, 5,000 square feet at 19550 E. 39th Street in Independence

SOUTHEAST JACKSON COUNTY

Vacancy increased year-over-year in the Southeast Jackson County submarket reaching 6.8% up from 5.1% at year-end 2020. Additionally, it showed an increase in sale price per square foot to $108.

3.4M	6.8%	$19.13	$108
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- 586,046 square feet at 800-850 N.W. Chipman Road in Lee's Summit
- 19,338 square feet at 1650 N.E. Grand Avenue in Lee's Summit for $3,729,000
- 16,770 square feet at 401 S.W. Oldham Parkway in Lee's Summit

TOP LEASES

- 10,706 square feet at 806-862 S.W. Blue Parkway in Lee's Summit
- 7,000 square feet at 1201 N.E. Windsor Drive in Lee's Summit
- 5,771 square feet at 806-862 S.W. Blue Parkway in Lee's Summit

KANSAS CITY, KANSAS

Kansas City, Kansas contains around 3.4 million square feet of office space. Vacancy stands at 4.2% or about 143,343 square feet. This is essentially the same as last year and likely because there has been little or no new construction in the submarket. The net negative lease absorption was -12,000 square feet. Rents have not increased in 2021 which is the same as 2020.

Sources believe COVID-19 has caused employers to rethink uses of office space.

3.4M	4.2%	$20.36	$136
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

TOP SALES

- 33,500 square feet at 2220 Central Avenue in Kansas City
- 29,770 square feet at 229 S. 8th Street in Kansas City for $465,000
- 13,592 square feet at 9201 Parallel Parkway in Kansas City

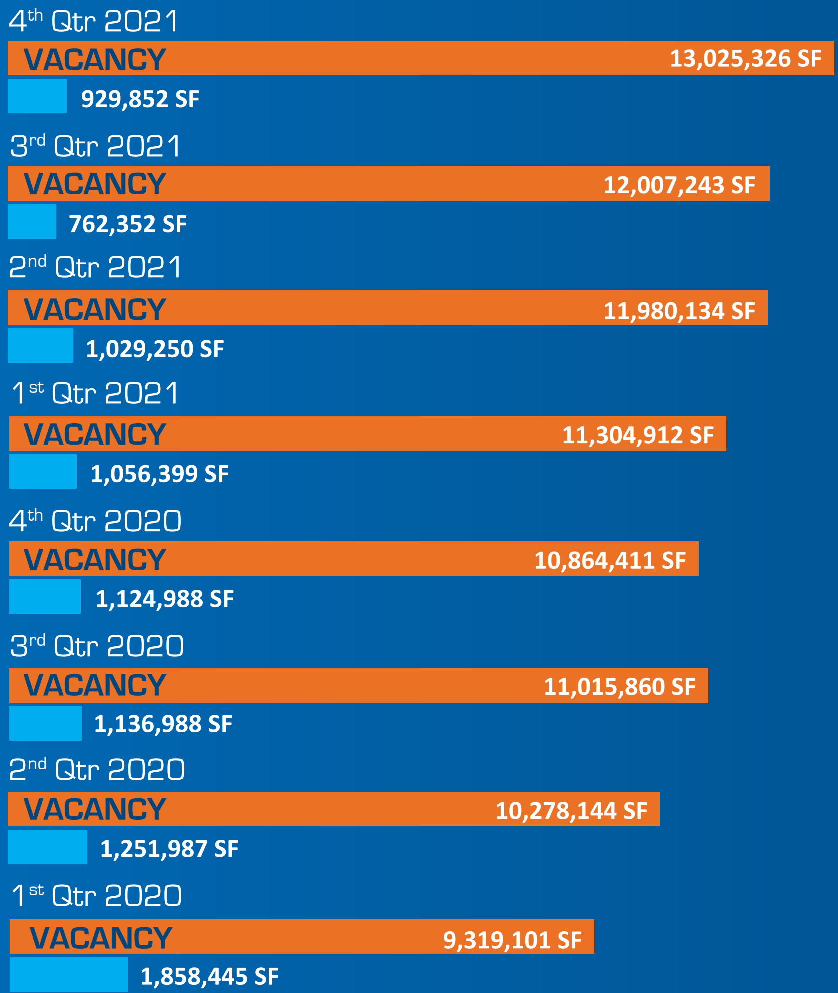
TOP LEASE

- 12,500 square feet at 626 Minnesota Avenue in Kansas City
- 5,445 square feet at 1109-1127 N. 5th Street in Kansas City
- 4,784 square feet at 1220 Troup Avenue in Kansas City

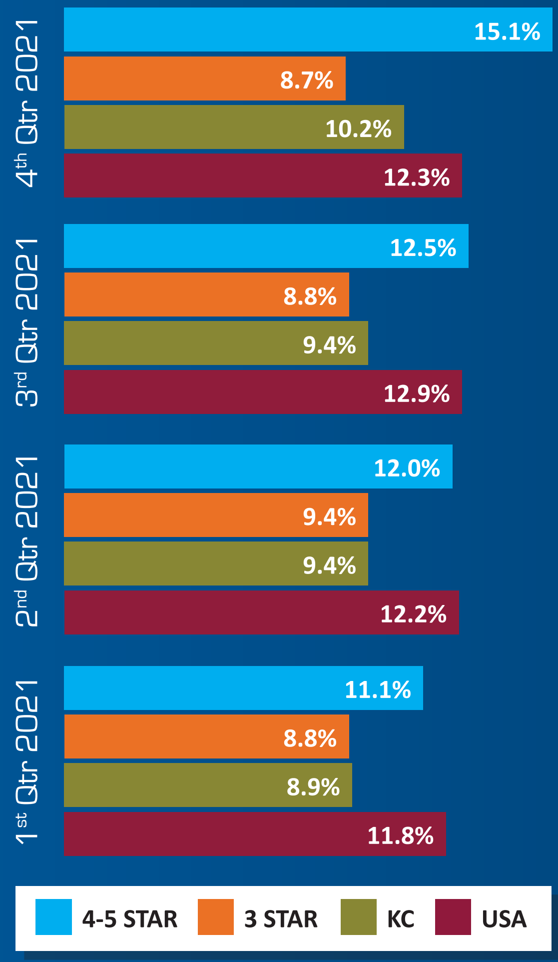
Contributors: Don Maddux, Senior Vice President; Brent Roberts, Senior Vice President, Office Specialist; Bruce Johnson, Vice President; Max Wasserstrom, Senior Vice President; Cassidy Mears, Vice President; Andrew Block, Vice President; and Hagen Vogel, Commercial Brokerage Associate

OFFICE MARKET AT A GLANCE

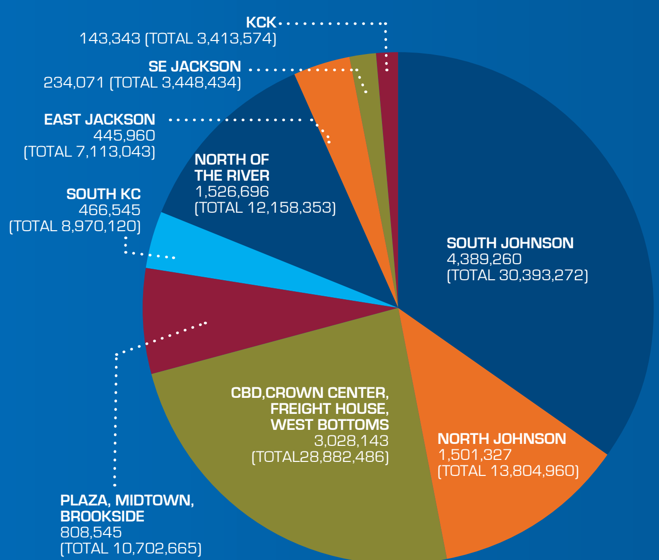
KANSAS CITY METRO 2021 ALL CLASSES
OFFICE VACANCY VS. OFFICE UNDER CONSTRUCTION



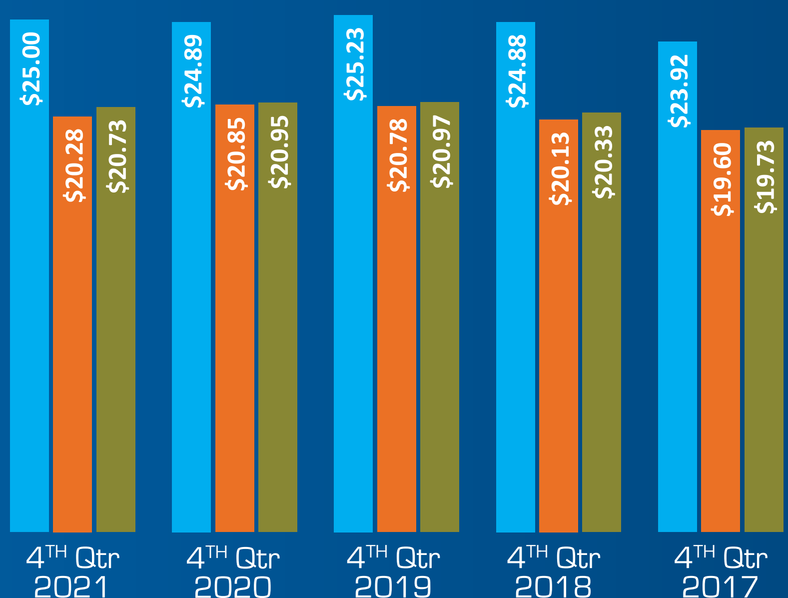
2021 OFFICE VACANCY
4-5 STAR VS. 3 STAR VS. KANSAS CITY VS. U.S.



VACANT OFFICE SPACE BY SUBMARKET



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



Kansas City Industrial Market

Supply chain disruption has continued to have the biggest impact on industrial real estate since the beginning of the COVID-19 pandemic. Labor shortages have led to constant delays in the manufacturing sector, in addition to the distribution and entire logistics chain. The disruption continues to affect the continued growth of industrial real estate as companies increase their North American manufacturing output through additional and/or bigger facilities and their distribution network with facilities to provide Just-In-Case (JIC) inventory versus Just-In-Time (JIT) inventory. JIC is where companies keep larger inventories on hand incurring higher inventory hold costs in return for a reduction in the number of sales lost due to sold-out inventory. Manufacturers and distributors are trying to eliminate, or greatly reduce, the supply chain interruptions by maintaining more capacity and inventory on hand.

17.5B	4.3%	$9.68	487M
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	NET ABSORPTION

STRONG INFRASTRUCTURE

Kansas City has long benefited from its central location to serve as a logistics hub in the United States. From the earliest days of western expansion, the city has been a base for trade moving throughout the country and increasingly throughout the world. Kansas City is home to Ford Motor Company's first plant located outside of Detroit, which opened in 1913, and was followed by General Motors in 1926. Both maintain a major presence in the community. Kansas City's manufacturing activity continues to drive the market's ongoing boom in industrial real estate with more than 40 major suppliers to the automotive industry being present in the market. The automotive industry is a prominent user of the JIT production strategy. As more and more companies turn to this new method of production, they will seek modern distribution centers for their processes and Kansas City is ready.

The recent emergence of speculative development in Kansas City was a turning point in the Kansas City Metro market and a great illustration of confidence from both users and investors. Warehouse users are requiring modern bulk distribution space with clear heights up to 40 feet, as well as ample trailer parking and loading docks. JIT manufacturing is also gaining ground as

Construction on Lenexa Logistics Centre East Building 4, 16000-16200 W. 116th Street, Lenexa, Kansas, was completed in 2021. Advantage Sales & Marketing signed a lease for 303,064 square feet of the total 606,580 square foot facility. LLC East Building 4 joins the 249,150 square foot LLC East Building 3 completed in 2020 and 274,021 square foot LLC East Building 2 also completed in 2021. LLC East Building 1, a 41,765 square foot flex industrial/warehouse, is the last site available for development within Lenexa Logistics Centre East.

the preferred method for firms to increase efficiency and decrease waste. In removing unnecessary stored goods for production, companies can reduce inventory costs while allowing them to allocate more warehouse space to a quicker turnover – thus meeting the growing need for faster shipping.

377M	4.4%	$5.88	9.6M
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	NET ABSORPTION

LOGISTICS DOMINANCE

Kansas City boasts an expansive interstate system that gives it the most highway miles per-capita of any major city in the U.S., allowing easy access and shipping in any direction. Along with the highway system, Kansas City is an increasingly important intermodal hub. Railroads play a major role in the Kansas City economy and five Class I railroads have a local presence, providing direct connectivity to a network of gateway seaports across North America. Major investments in infrastructure by the railroads have led to Kansas City becoming one of the most-important rail hubs in the country, along with Chicago and Dallas. With 30% more interstate miles per capita than any other city in the nation, the freeway layout helps provide efficient commute times for the growing labor force throughout the metro. Interstate 35, known as the NAFTA Corridor, provides north-south connectivity across the country from the Mexican to the Canadian borders. The area also is home to four intermodal centers, including BNSF's Logistics Park Kansas City (LPKC), the only full-service facility in the western two thirds of the U.S. offering a combination of domestic and international intermodal service via direct-rail and carload. Additionally, Kansas City International Airport (KCI) moves more air cargo each year than any other air center in the contiguous six state region. It is anticipated to continue its growth with the new state-of-the-art single-terminal airport debuting in 2023 which will increase airline carriers, nonstop routes, and spur overall economic development to the region.

KANSAS CITY PRIMED FOR GROWTH AND TRADE

Of the top 10 inland markets in the Nation, Kansas City is one of only four to experience an increase in rail container volume in 2020. That was due in part to the significant expansion of industrial distribution and warehousing within the Metro area. Early indications point to continued increases in imports through 2022 and over the next couple of years.

The Metro area has a business-friendly environment that provides many incentives to relocate here. Kansas and Missouri attract numerous companies from a range of industries that relocate from surrounding states due to their pro-business environments. Kansas is a Right-to-Work state with union membership well below the national average. There is no inventory tax, personal property tax on machinery or equipment, alternative minimum tax, local income tax on earnings and no gross receipt tax. Missouri has the third lowest corporate income tax, eighth lowest property tax, and is among the lowest sales and gasoline tax rates in the Midwest. Each state offers numerous incentives to relocating businesses. In addition, the Metro area offers a highly skilled and low-cost labor force.

BIGGER IS BETTER AND OPTIONS ABOUND

At the halfway point of 2021, Kansas City was the fifth fastest growing industrial market in the country, as measured by space under construction. It is considered the seventeenth largest industrial market in the country with 377 million square feet of inventory.

The industrial market in Kansas City surged during 2020 and continued in 2021. Fueled in part by the rush of consumers to online shopping during the pandemic, Kansas City's industrial market enjoyed a record year in 2020 with just over 6.3 million square feet delivered. For 2021, it was anticipated to exceed 2020 with just over 9.2 million square feet delivered. The Metro continues to attract freight-based projects as well as food and beverage operations and continues to grow as a big-box development market. In the early 2000s only five

Liberty Logistics Center Building 1 at 2551 S Liberty Parkway in Liberty, Missouri was completed in 2021. The $70 million, 741,000 square foot industrial warehouse building currently has 188,840 square feet available for a tenant to join existing tenants Kenco Logistics Services, LLC and Scarbrough International. Plans are in place to add two additional smaller industrial buildings to the park totaling 80,000 and 132,500 square feet each.

warehouses of 450,000 square feet or larger were delivered. However, from 2014 to 2020, there were more than 35 of at least that size with many more coming in 2021 and additional deliveries continuing in 2022 and beyond.

NorthPoint Development, which has become the nation's biggest developer of industrial space, has also influenced the market with multiple developments, including Logistics Park Kansas City (LPKC) where they have constructed more than two dozen buildings with more than 18 million square feet. Both regional and national developers have noted that Kansas City's central location, coupled with a skilled workforce and its extensive transportation infrastructure, are the primary reasons why the metro has attracted companies to establish major distribution operations over the past decade. One of the biggest advantages the market offers is an aggressive local development community with sites and buildings available for companies to enter quickly.

FOOD AND BEVERAGE

The region supports a $125 billion dollar food and beverage industry with more than 670 companies across food and beverage manufacturing, warehousing, and distribution. In the last two years, the region has attracted additional food and beverage companies to occupy nearly 4.2 million square feet. Food and beverage companies facing supply chain constraints, raw material shortages, and rapid behavior changes among consumers are requiring them to evaluate options for increased efficiency and speed of transport, including their network and facility locations. There has been a need to move perishable products or ingredients quickly and many companies are looking to rail for this. Every major rail line passes through the Kansas City region, creating a lot of opportunities for food and beverage companies to solve their supply chain issue. As more customers make purchases online, they will expect a quicker turn-around for their orders. The location of distribution and warehouse facilities is more important than ever and the region's proximity to key agricultural markets and advanced logistics will continue to enable the delivery of goods to customers in faster and more efficient ways, which help avoid plant shutdowns, stockouts, and delayed operations.

Kansas City's industrial market saw near-record net absorption in 2021 as the industrial market posted total net absorption of 9.6 million square feet. More than 9.2 million square feet was completed by year-end 2021, a record total for the market and evidence of the surge in

Blue River Commerce Center 1 was completed in 2021 and sold by NorthPoint Development to Zancanelli Management Corp. in September 2021. The 243,353 square foot distribution facility is the first of a potential seven buildings totaling 2.59 million square feet to be built on the site of the former Bannister Federal Complex northeast of Bannister Road and Troost Avenue. The second and third are currently under construction with ALPLA announcing in October 2021 they would occupy half of the 391,000 square foot third building within the park.

demand for warehouse/distribution space. Companies from outside of the Metro area continue to evaluate Kansas City as a desirable place to establish operations. Many companies already in the market continue to grow and expand, thus providing fuel for continued industrial development.

OUTLOOK AND TAKEAWAYS

Companies will continue to consolidate multiple warehouses into larger state-of-the-art facilities located near population centers with prominent access to the entire country, such as Kansas City. Consolidation has been proven to promote a more effective supply chain to keep up with e-Commerce demands. Consolidation promotes the use of facilities in which businesses can manage and operate greater quantities within their supply chain. Even with these new, larger facilities, JIT logistics is expanding as well. These smaller, strategically positioned facilities, ranging in size from 150,000 to 500,000 square feet, necessitate a more centrally-located market near other major industrial facilities.

Local companies can organically grow, while regional and national companies seeking a facility in Kansas City are pleasantly surprised by the continued growth of available modern cross-dock facilities in multiple locations. Kansas City is becoming a move-in ready market with existing building inventory and a selection of vertical-ready sites.

One negative that may slow smaller development activity in the Kansas City area is the rapid rise of industrial land prices. Nearly all industrial sites with current development are in projects where the developer controls much, if not all, of the available sites. Recognizing the continuing high cost of improving raw land, developers are raising prices on land sites for sale. If land prices continue to escalate, new development will consolidate to those who control major assemblages of land in the industrial corridors. Another big challenge continues to be the rising price of steel and other commodities as well as their scarcity.

Tenant demand for industrial space is strong, especially for well-located properties, abating fears of the market being over-built. Even with space being continually added to the market, the overall vacancy rate dropped to 4.89% in the fourth quarter of 2021, one of the lowest levels

ever noted. Modern distribution product that has driven expansion had its vacancy rate fall even further to 4.57%.

Delivery of build-to-suit and pre-leased buildings will continue to drive absorption of 7 to 9 million square feet in 2022 to 2023. New leasing activity remains the prime driver of demand, but some users will look for opportunities to purchase speculative buildings when they must make major infrastructure investments.

The region boasts a strong workforce and the ability to reach 85% of the U.S. population, due to the strong transportation network and being at the center of the U.S. population in a drive of two days or less. Kansas City's labor force appears to be growing rapidly which will alleviate concerns over hiring and staffing.

The development of the BNSF, CenterPoint, and KCI Intermodal facilities has helped transform the warehouse and distribution logistics market in Kansas City forever. Kansas City is in the heart of the country and at the center of many of the rail and trucking routes and will continue to be an ideal location for companies seeking to warehouse or distribute goods and services regionally or nationally.

The Kansas City Metro industrial space square footage is projected to continue its rapid growth with a total gain of 40% through 2030 due to accelerated expansion in e-Commerce.

JACKSON COUNTY

98M	3.4%	$5.68	1M
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	NET ABSORPTION

Jackson County is the largest submarket in Kansas City accounting for 23% of the overall market. In the past decade, it has become one of the fastest growing submarkets for new industrial space while maintaining extremely low vacancy rates and ever-increasing demand for its well established in-fill parks. The submarket includes a variety of product-types which are perfect for last-mile delivery, automotive supply, 3PL, light manufacturing and regional distribution. Tenants are attracted to this submarket due to its centralized location near a high-density population for workforce, exceptional highway infrastructure with Interstates I-49, I-70, I-470 and I-435, and reasonable cost of occupancy.

The I-49 corridor had nearly 3.8 million square feet of industrial development planned or in the works as of the beginning of 2021. NorthPoint Development is developing the former Bannister Federal Complex site of 226 acres in south Kansas City into the Blue River Commerce Center. The proposed seven building site is developing quickly with several buildings completed or under construction. The 424,353 square foot Building I was delivered in early 2021 and is leased while Buildings II and IV, 436,121 and 390,837 square feet respectively, are under construction with anticipated delivery in the first quarter of 2022. Building III of 463,121 and Building V of 201,033 square feet are now being worked on with anticipated delivery in late 2022. ALPLA, Inc. North America has leased a new built-to-suit 246,000 square foot, rail-served injection molding facility at the development. Fully built-out, the site will provide five buildings totaling 2.59 million square feet.

Platform's 366,600 square foot I-49 Industrial Center Building VI delivered in 2021 and is divisible to 97,760 square feet. The building, in addition to modern features, has on-site trailer parking and a 20-year real estate tax abatement. Platform is also planning construction of a 920,400 square foot building at the park.

The Port Authority of Kansas City owns 302 acres adjacent to the CenterPoint Development at I-49 and M-150 in Kansas City, Missouri. NorthPoint Development has entered a long-term land lease on 109 acres and proposes development of two buildings totaling 1.5 million square feet of logistics space.

Raymore Commerce Center, being developed by VanTrust Real Estate, will hold up to 2 million square feet of industrial buildings. Building I is 564,970 square feet and was completed in 2021, while Building III of 1,024,000 square feet broke ground as one of the largest available industrial buildings in the region. Building III is scheduled for completion in the fall of 2022 and will have a 40-foot clear height and can divide to 300,000 square feet. It will be the third project lined up at the Center along I-49 about

25 miles south of downtown Kansas City. The remaining lot can accommodate a 450,000 square foot building which is currently being marketed as a build-to-suit.

The Belton City Council approved agreements allowing NorthPoint Development to move forward with its $30 million expansion of Southview Commerce Center. Currently Southview has three fully leased buildings which are located along I-49 between 155th and 162nd Streets. Building IV will be constructed on the site of a former concrete plant and an adjoining 20-acre parcel located north of the existing park. The expansion will continue Belton's public-private partnership with NorthPoint Development. Southview Building 3 of 796,013 square feet was delivered in the third quarter of 2021. Southview Building 4, a 501,280 square foot building, is under construction and will be available in February of 2022. The building will feature a 40-foot clear height and includes 100% real property tax abatement. It will join the first three buildings that include tenants Chewy, in 796,000 square feet, who expanded in their move from Edgerton, and Progress Rail. In total, the park will provide 2.6 million square feet of space in five buildings.

Blue Springs Logistics Center is a new building developed by Flint Development, totaling 587,840 square feet. The building has a 36-foot clear height and enjoys 90% ten-year real estate tax abatement. It fronts I-70 near R D Mize Road and was completed in late 2021. PepsiCo signed a lease for the entire building.

OTHER NOTABLE TRANSACTIONS

Amazon opened a new 70,593 square foot, last-mile delivery center in Blue Springs, their ninth facility in the Kansas City Metro.

Winco Fireworks signed a long-term lease renewal, and expanded, in South Kansas City to 249,572 square feet.

Stonemont Financial acquired the 85-acre former GM Leeds assembly property near I-70 and I-435 with a plan to tear down the 1.5 million square foot building and redevelop the site for multiple users.

Automatic Systems leased 96,000 square feet in Independence.

EXECUTIVE PARK/NORTHLAND PARK

45M	5.0%	$5.79	352K
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	NET ABSORPTION

Situated in the northeast quadrant of the Kansas City Metro, the Executive Park/Northland Park submarket includes a mix of last-mile delivery, regional warehousing, advanced manufacturing, and modern bulk offerings. Tenants are attracted to the submarket due to its immediate access to I-35 and I-29 with the ability to serve the local economy and region. Additionally, tenants view the proximity to the area's workforce, growing housing

stock, advantageous e-tax, and earnings tax treatments for Northland Park as attractive reasons to locate here.

The Northland portion of the submarket, especially surrounding Liberty, had 2 million square feet of leasing activity with work starting on three separate build-to-suit projects totaling 1.5 million square feet. These followed the success of Northland Park, which has been built out over the past few years. At mid-2021, the development had 4 million square feet of modern distribution space with virtually no vacancy, just 2.6%, and no availability greater than 60,000 square feet. The Northland area around Liberty appears to be the next part of the Kansas City Metro to see a surge of high-demand industrial space.

Liberty Commerce Center is an eight-building development of 3.57 million square feet on 337 acres, developed by NorthPoint Development and located at Liberty Parkway and Hughes Road in Liberty, Missouri. Building VII of 517,000 square feet is a build-to-suit currently under construction as are Building V, 462,472 square feet, and Building VI, 513,432 square feet, both of which are leased by Ford Motor Company. Buildings I and II, 272,000 square feet and 517,000 square feet respectively, are speculative and under construction for early 2022 deliveries. Walgreens has kicked off leasing with a 65,000 square foot micro-fulfillment center.

Opus Development has proposed three buildings totaling 1.66 million square feet of warehouse space in its 152-acre Liberty Heartland Logistics Center. The largest of the three will be a distribution center for

Amazon opened one of two new last-mile delivery stations at Lenexa Logistics Centre North Building 2, 10800 Mill Creek Road, in 2021. The 142,000 square foot facility, a build-to-suit project, was the second building completed within the Block Real Estate Services, LLC development. The other last-mile delivery station was a 70,000 square foot redevelopment located in Blue Springs. These combined with two other developments increased Amazon's Metro footprint by 65%.

Hallmark Cards where they will occupy 847,475 square feet, to supplement its existing 1.7 million square foot distribution center nearby. The balance of the park will encompass two speculative industrial buildings, 573,000 square foot cross-dock and 239,000 square foot rear-loaded, with the potential for more development on 66 acres to the west. The site will have real estate tax abatements staggered up to 15 years for its proposed buildings. The development joins their Heartland Meadows Commerce Center, a nearby 182,000 square foot speculative building near U.S. Highway 69.

Liberty Logistics Center, which sits adjacent to the Ford Claycomo Assembly plant, and developed by Lane4, landed Scarborough Warehousing to occupy 226,000 square feet along with Kenco Logistic Services for 295,000 square feet.

Kansas City Cold Storage Logistics Center, a new 67,575 square foot cold storage speculative building, was announced. The building will be located in Heartland Meadows Industrial Park and is being developed by Olathe-based BCB Development with delivery in second quarter 2022.

FedEx Ground will begin operations in 548,500 square feet at Northland Park VI in early 2021. Buildings VII and VIII of 416,000 and 274,370 square feet respectively were delivered in June of 2021.

Hunt Midwest developed three, fully leased, logistic buildings during the past four years accounting for 623,000 square feet. Hunt Midwest has two tracts totaling 135 acres for future development that can support an additional 2.6 million square feet in five to eight buildings. The buildings have 15-year real estate tax abatement starting at 95% and gradually decreasing to 50% by year 15. Development of two speculative industrial buildings, HMBC Logistics IV and V, near I-435 and Parvin Road, are underway. The 203,875 square foot HMBC Logistics V is following the 478,295 square foot, 36-foot clear height, HMBC Logistics IV which will be available in second quarter 2022.

To the east, Google could build a $600 million datacenter campus on 316 acres. They have 80 acres under ownership with options to buy as much as 236 acres north of the first site.

The world's largest subterranean industrial park is not being left out of the industrial growth as Hunt Midwest plans to open an additional 700,000 square feet in SubTropolis. The new addition will bring the total there to 7.7 million square feet, which includes a recent lease to Paris Brothers of 288,990 square feet.

OTHER NOTABLE TRANSACTIONS

In Executive Park Logistics Center, Buildings I and II, 132,556 square feet and 264,082 square feet respectively, developed by MDC were delivered in 2021.

National Fulfillment Services signed a lease for a 101,000 square foot building in Executive Park. The Canadian-based logistics company is new to the Kansas City market.

Spartan Logistics leased 226,576 square feet in the facility that was previously home to Deodis Logistics.

WYANDOTTE COUNTY

46.8M	5.4%	$5.40	613K
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	NET ABSORPTION

Wyandotte County has most of its inventory developed in industrial districts that are close to the CBD. Most of the districts are well-served by railway infrastructure along with I-70, I-35, I-635, I-270, and I-435. The submarket has always been an attractive location for JIT suppliers to the automotive assembly plants as well as the 3PL distribution and manufacturing. Major new developments in the western portion of the County have made it one of the busiest submarkets in the Kansas City Metro.

Wyandotte County will challenge for one of the busiest submarkets in the Kansas City Metro as it had over 3.6 million square feet under construction in 2021. Nearly half of that space was build-to-suit or pre-leased, showing that demand exists.

Indianapolis-based Scannell Properties is developing the Scannell 435 Logistics Center at the former Woodlands Racetrack in Kansas City, Kansas. They also have plans to construct Building B, a 456,840 square foot speculative facility, adjacent to the 1.1 million square foot build-to-suit facility being completed for Amazon. The new building will have 36-foot clear height with a cross-dock configuration and ample trailer and automobile parking. The park can support 3.4 million square feet in six buildings, including the Amazon facility, and sits on a 400+ acre site at 9700 Leavenworth Road near the interchange of I-70 and I-435. Scannell has shown interest in build-to-suit, for sale, and user land sales at the site.

Scannell also announced plans for a $100 million logistics site in Bonner Springs, near the Kansas Speedway. The Compass 70 Logistics development would include three industrial buildings with a combined 2 million square feet on the 157-acre site along I-70. Plans call for a 627,000 square foot building being delivered in the second quarter of 2022 along with a 815,000 square foot build-to-suit which will be owned by Medline Industries.

NorthPoint Development is active in the nine-building park, which encompasses about 250 acres and will support 3 million square feet of buildings, at I-70 and the Turner Diagonal. Known as Turner Logistics Center, it is one of the most active speculative projects in the market with the first building, 407,964 square feet, being delivered in 2020 and leased to Harte-Hanks. They have since expanded in 2021 to take the full building. NorthPoint broke ground on Building 5 of 346,826 square feet with 36-foot clear height and is slated to deliver in June 2022. Building 2 of 543,554 square feet was completed in 2021 and had 325,927 square feet available. Building 3 of 375,536 square feet was completed in 2021 and had only 57,696 square feet available. Building 4 of 248,985 square feet is under construction with delivery pegged for April 2022. EiKO moved from Shawnee, Kansas, into a larger leased space of 101,369 square feet at Turner Logistics 3. Pratt Industries relocated from Armourdale to Turner Logistics and expanded to 217,627 square feet. The future buildings, 7, 8, and 9 totaling 910,000 square feet, are planned for the northwest quadrant of the park.

Hillwood Development, a Chicago-based developer, has teamed up with the Kansas Speedway to develop Speedway Commerce Center from excess land surrounding the speedway. The Park will have up to 2.3 million square feet on 200 acres with easy access to both Union Pacific and BNSF Intermodals via I-70. Urban Outfitters will be opening their build-to-suit facility here. Sites are available for build-to-suit industrial and logistics facilities.

OTHER NOTABLE TRANSACTIONS

Ceramic Industrial Coatings signed a lease to take over a 1940 vintage warehouse in the Fairfax Industrial District of 52,976 square feet.

Geodis Logistics leased 126,136 square feet at Kaw Point Industrial in Fairfax.

ValuMax Executive, a west-coast company, purchased 9500 Woodend Road in Edwardsville, 46,325 square feet.

Hill's Pet Nutrition will build a $250 million dollar factory in Tonganoxie. The Topeka-based dog and cat food manufacturer is a subsidiary of Colgate-Palmolive.

In Armourdale, Prime Investments completed construction of a new 76,828 square foot building on 11.1 acres with rail service.

eShipping leased 206,000 square feet in the Turner Industrial District.

JOHNSON COUNTY

85.2M	6.1%	$7.04	3.2M
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	NET ABSORPTION

Johnson County continues to have significant growth due to I-35 bisecting the submarket and the BNSF Railway following the interstate route. Existing developments throughout the county are nearly full and new bulk development continues at a torrid pace in Shawnee, Lenexa, Olathe, and Edgerton.

Scannell Properties has acquired the I-35 Logistics Park site that had previously been a joint-venture development of Kessinger-Hunter and Sun Life. The Park, located at 159th Street and U.S. 56 Highway in Olathe, Kansas, has quick access to I-35 at 167th Street. Scannell is developing a speculative industrial building of 567,840 square feet with 36-foot clear height and cross-dock configuration. The new developer utilized a different building design and layout with delivery scheduled for the third quarter of 2022. The building sports 50% real estate tax abatement for ten years.

BCB of Olathe has taken over the SouthPark Olathe Industrial Park at Frontier Lane and Fountain Drive in Olathe. They are opening Phase II, consisting of 34 acres, with the site designed for three rear-load buildings ranging from 113,500 square feet up to 136,000 square feet for a total of 385,500 square feet. The site will provide 10-year 50% real estate tax abatement. The park is also in an Opportunity Zone with M-2 General Industrial Zoning and is master planned to provide for potential outside storage. Multiple sites are available from 6.13 up to 17.69 acres.

Also in Olathe, Block Real Estate Services, LLC (BRES) and Atlanta-based TPA Group plan two 1 million square foot buildings, among the 3.6 million square feet planned in the 223-acre 175th Commerce Centre just east of the 175th Street and I-35 interchange.

The Great Plains Commerce Center, a BlueScope Properties Group of Kansas City project in Olathe at 159th Street and I-35, has Building A consisting of 236,160 square feet, which will be divisible to 33,000 square feet and up.

At the K-7 Logistics Centre in Shawnee, nearly 1 million square feet of warehousing is planned by BRES. The Park will encompass 73 acres northeast of Kansas Highway 7 and 83rd Street and consist of two buildings, 551,793 square feet and 406,793 square feet respectively.

New Century AirCenter located in Gardner has obtained BNSF Railways Site Certification designation that supports the railroad's larger initiative of developing business parks and/or rail-serve sites along its network. This should increase marketing opportunities and speed up the development process at the park.

NorthPoint Development is moving full throttle to prepare additional tracts of land for development in the second phase of Logistics Park Kansas City (LPKC) in Edgerton. The Park is served by the BNSF railway and its intermodal facility. With the proposed expansion, it would be the Kansas City Metro's largest industrial park at 3,000 acres. The additional acreage could support as much as 9.68 million square feet across 11 buildings to add to the more than 14.4 million square feet of distribution space built to date to support twenty tenants.

NorthPoint delivered Inland Port VII at LPKC in October 2021. The building is 1,007,515 square feet with 40-foot clear height. It has a ten-year fixed real estate tax payment along with trailer parking provided for up to 240 in addition to the 400-car parking. There are several other pad-ready sites for 1 million+ square foot buildings at LPKC. They also delivered the 436,866 square foot Inland Port XII in September 2021.

BRES has been busy in Lenexa with its Lenexa Logistics Centre (LLC) parks. LLC East Building 4 of 606,580 square feet was delivered in the third quarter with Advantage Sales & Marketing signing a lease for 303,064 square feet. LLC North Building 5 of 565,027 square feet was completed at year-end and the 274,021 square foot LLC East Building 2 was delivered in the fourth quarter. LLC East Building 3, delivered in 2020, was fully leased in the third quarter with Essense of Australia taking the remaining 116,355 square feet of the 249,150 square foot building.

OTHER NOTABLE TRANSACTIONS

Digital Ally purchased a 71,000 square foot building in Olathe.

Lone Elm Commerce Center, Buildings 3 and 4, are in for plan approval.

Builder's Stone & Masonry purchased a 62,499 square foot building in Lenexa and will relocate from Olathe after selling their building to Caliber Collision.

Biomune Company leased 132,000 square feet in Olathe and Remel leased 82,749 square feet in Lenexa.

Netrality, one of the most connected data centers at the network core in locations throughout the U.S., including Downtown Kansas City, Missouri, has acquired a 178,000 square foot building in Shawnee for its continued expansion.

XPO leased 130,849 square feet in Olathe from Exeter.

Shawnee-based Kraft Tool plans to expand its manufacturing and distribution by 70,000 square feet.

Garmin has acquired over 400 acres of land, including 193 acres at the NWC of 151st Street and I-35, 173 acres at the SWC of 151st Street and Lone Elm Road, and 35 acres at 135th Street and Quivira to provide for a future expansion of its current 96-acre campus near the NEC of 151st Street and I-35.

KCI/AIRWORLD

10.3M	2.5%	$5.81	1.4M
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	NET ABSORPTION

Though the KCI/Airworld submarket is the smallest, it is the most distinct with its adjacency to the Kansas City International Airport along I-29. The new single terminal, currently under construction, is anticipated to continue to increase the growth of air cargo distribution through increased demand from distributors.

Developer Trammell Crow Co. and capital partner Clarion Partners, LLC broke ground on two distribution facilities in KCI Intermodal BusinessCentre. The 216,320 square foot LogisticsCentre VII and the 459,680 square foot LogisticsCentre VIII groundbreakings came as the development partnership was nearing completion of KCI Intermodal BusinessCentre's sixth building, the 350,000 square foot LogisticsCentre VI. Building VIII will be expandable to 1 million plus square feet and will be 36-feet clear with delivery in January 2022.

The park is in an established Foreign Trade Zone and provides significant economic incentive programs. Located adjacent to I-29, it has proximity to KCI International Airport Terminals and direct air-side access to the aircraft apron. It also provides build-to-suit opportunities with all infrastructure in place for the 180-acre Phase I, which can support 1.8 million square feet, with the entire development of 687 acres capable of hosting 5.4 million square feet.

Mechanix Wear, a California-based manufacturer of high-performance work gloves, leased 160,160 square feet at LogisticsCentre VI, marking a relocation of its national distribution center to Kansas City. The building's other leases include Unified Network Information Services in 145,600 square feet and DHL in 43,680 square feet.

Melaleuca, a privately held health and wellness product manufacturer, acquired the former home of Harley-Davidson, a 508,000 square foot distribution center and warehouse to open a new facility in Kansas City.

Niagara Bottling acquired Congress Logistics Center 634, a 634,000 square foot speculative industrial building constructed by VanTrust Real Estate. It is currently in the process of being converted to a manufacturing facility for the California-based bottled water manufacturer to become their second facility in Kansas City.

Incentives for Golden Plains Technology Park was approved by the City Council on a 16-building, 5.5 million square foot data center development near U.S. Highway 169 and I-435. The first of a planned three-phase development would include three data center buildings and supported uses totaling 1.88 million square feet of space sitting on 375 acres of the 882-acre site. Straddling Clay and Platte counties, the tech park would become one of the world's biggest, thrusting the region into the front ranks of the U.S. data center market. Developers Diode Ventures, LLC, a Black & Veatch subsidiary, and Velvet Tech Services, LLC, want to make data center investments to support remote storage, data processing, and distribution on the site. Operations are slated to begin in 2022, with the campus reaching full operational capacity in 2032. The developers received 100%, 25-year real estate tax abatement for each phase of the campus. Other incentives would include a 100%, five-year abatement of personal property taxes as well as a sales tax exemption on construction materials. Data center experts have said the site and its central location would appeal to multibillion-dollar companies like Facebook, Amazon, Apple, Microsoft, and Google as they pursue "hyperscale" facilities and secondary markets.

Urban Outfitters signed a 30-month lease in 400,828 square feet at the former Pure Fishing building. The short lease is to provide space until their new build-to-suit facility in Wyandotte County of 880,000 square feet is completed. Pure Fishing, a global fishing equipment retailer, leased the 542,640 square foot LogisticsCentre V cross-dock building.

OTHER NOTABLE TRANSACTIONS

Cubework Kansas City has leased 145,000 square feet in LogisticsCentre VI.

RIVERSIDE/NORTH KANSAS CITY

26.2M	3.6%	$5.45	816K
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	NET ABSORPTION

North Kansas City and Riverside are the most centrally located industrial submarkets in the Kansas City Metro. Both are situated north of the CBD, adjacent to the Missouri River, and have fantastic highway access and transportation infrastructure. Riverside is bisected by I-635 and North Kansas City by I-35. Their locations provide great access to the skilled labor necessary to operate industrial warehousing and manufacturing including the JIT suppliers to General Motors Fairfax and Ford Claycomo automobile assembly plants. Most of North Kansas City's inventory is older but is functional and with such a central location along the I-35 corridor, and a lack of earnings tax, it's a highly sought-after location. Riverside, on the other hand, has much newer inventory, including the smaller flex space as well as the big box bulk industrial product.

NorthPoint Development continues to develop Riverside Horizons Industrial Park, having completed Building X of 207,752 square feet in the first quarter of 2021. The Park is designed for 2.537 million square feet of distribution space and features no earnings tax and low real estate taxes due to Riverside's lack of a city real estate tax. Located in an Enhanced Enterprise Zone, it also has Evergy Economic Development Rider programs available. The USPS leased 150,760 square feet of the new building which is now fully leased.

OTHER NOTABLE TRANSACTIONS

Chemical Universe leased a free-standing building of 85,477 square feet in the Paseo Industrial District in North Kansas City.

Murphy Logistics, a Minneapolis-based third-party logistics and warehousing firm, has expanded into 249,465 square feet in the Paseo Industrial District which replaced an existing 66,000 square foot site in the same park.

As a part of its acquisition of Watkins Litho, Modern Litho will relocate from 1340 Taney Street to a 76,000 square foot Watkins Litho facility at 133 W. 10th Avenue in North Kansas City.

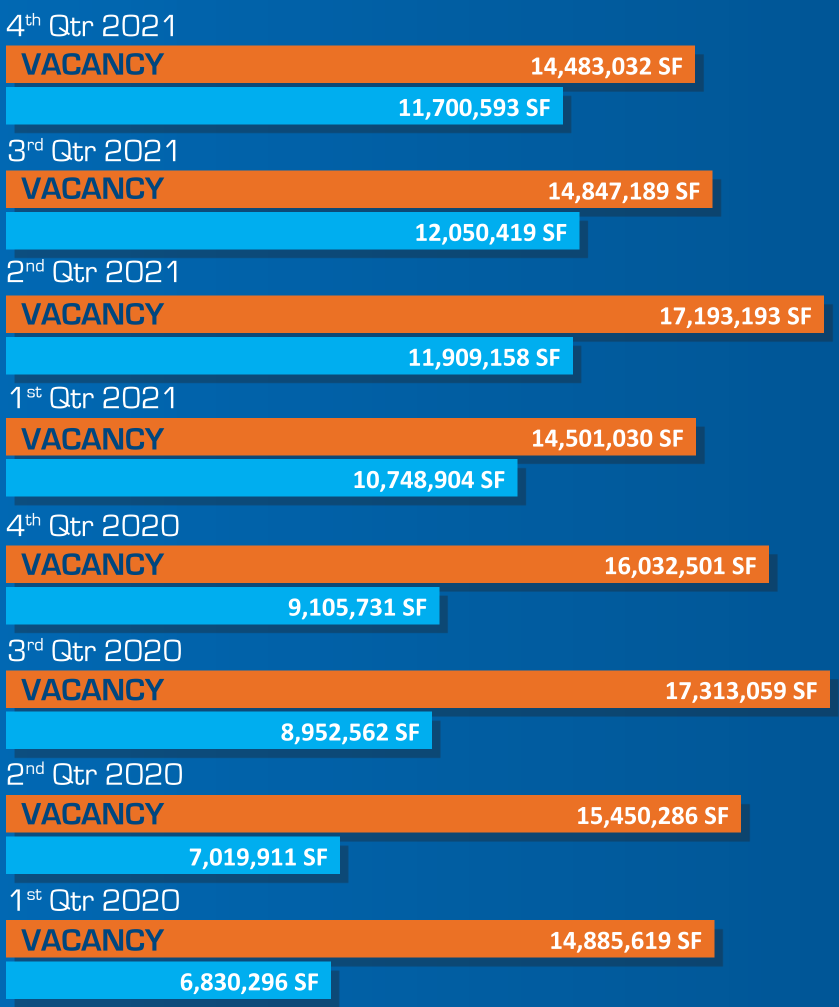
A 112,000 square foot last-mile delivery facility was constructed for Amazon in Horizons Business Park and provides parking for 700 vehicles on site.

The Kansas City National Women's Soccer League team is building their headquarters, training facility, and a youth academy on 50 acres on the east side of Horizons Business Park.

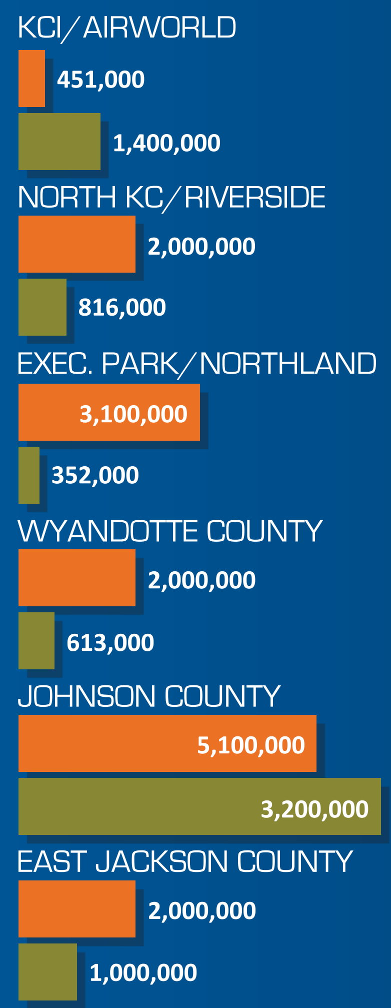
Contributors: Michael R. Block, Principal, Designated Broker; Christian D. Wead, Industrial Sales & Leasing

INDUSTRIAL AT A GLANCE

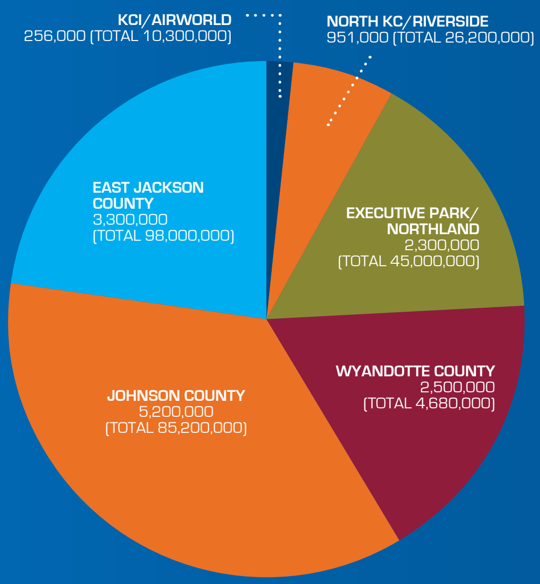
KANSAS CITY METRO ALL CLASSES
INDUSTRIAL VACANCY VS. UNDER CONSTRUCTION



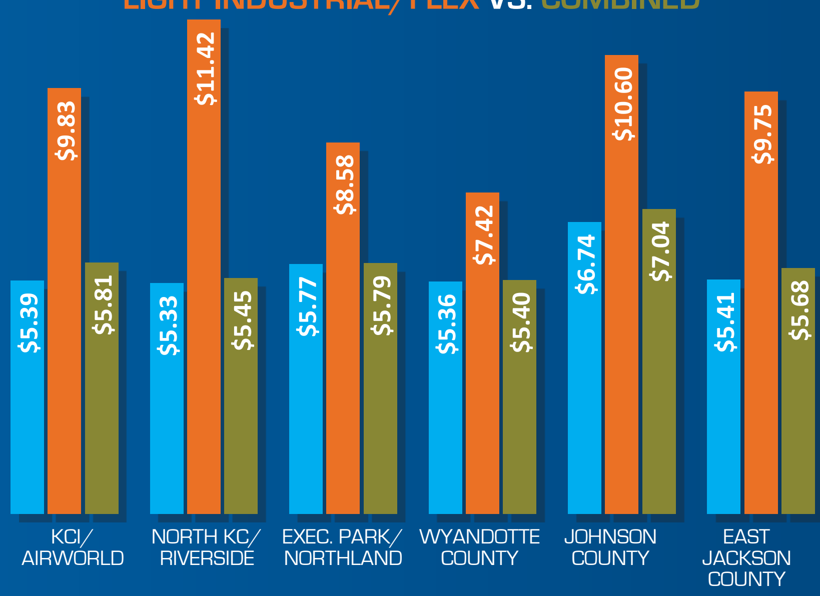
2021 TOTAL INDUSTRIAL
LEASING V. NET ABSORPTION



VACANT INDUSTRIAL SPACE BY SUBMARKET (SF)



2021 AVERAGE RENTAL RATES/SF
WAREHOUSE/BULK VS. LIGHT INDUSTRIAL/FLEX VS. COMBINED



Kansas City Retail Market

The pandemic created economic uncertainty which drove a lack of spending by consumers and, when combined with the influx of government cash, Americans have saved trillions of dollars. These individuals are now returning with a pent-up demand for activities that had been restricted. Consumers are seeing higher prices as costs for manufacturing and employee wages have had to increase. Supply chain issues have left empty shelves, frustrating retail sales. Recovering from COVID-19 has created a perfect storm of "supply shock" induced inflation, accelerating the e-Commerce trend. These past two years have been a wild ride.

11.7B	4.72%	\$22.44	\$224
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

Having lost many businesses, retail doors opened for new concepts and chains to pick up good locations. With previous restrictions, it is no surprise that fast food drive thru and grab and go concepts have expanded. Some of those include:

Whataburger with 14 sites slated for Kansas City. The Lee's Summit location opened to a crowd with a line of cars stretched more than a half mile waiting for the drive thru. The Independence location also opened in 2021. Locations in Blue Springs, Kansas City, Kansas, Kansas City, Missouri, Olathe, Raymore, Parkville, two in the northland and four sites in Overland Park will all open over the next two years. Hawaiian Bros Island Grill opened an additional seven stores, including locations in North Kansas City, Independence, Ward Parkway Center, Lenexa, Overland Park, Blue Springs and Shawnee. Its competitor, Mo' Bettahs Hawaiian Style Food, plans four new stores with its first location set to open in a former KFC at 75th Street and Metcalf Avenue in Overland Park. Future locations include Blue Springs, Liberty and Olathe. WingStand by Jefferson's opened in Mission and Waldo. WingStop also opened in Mission and Waldo, with a location in Raymore coming soon. HomeGrown opened in Brookside with plans for another location in Overland Park. Gus's World-Famous Fried Chicken opened on 151st Street in Overland Park with plans for locations in Lee's Summit and the Northland in 2022.

Many retailers have continued to revamp their strategies over the past year or took time to renovate their properties. With theaters, gyms and hotels hardest hit by the pandemic, they prepared for the recovery strategically. AMC got into the popcorn business with Perfectly Popcorn going on sale in 2022 at mall kiosks, counters and stores, along with being delivered from local theaters. Chiefs Fit opened in Regency Park with another location planned for the Country Club Plaza. Isle of Capri, now Casino KC, started its \$40 million renovation. Marriott Kansas City Overland Park underwent a \$16 million renovation, and the Sheraton Kansas City Hotel underwent \$8 million in renovations during the pandemic shut down. Hotel Kansas City opened 144-rooms in the refurbished former home of the Kansas City Club as part of Hyatt's Unbound Collection. In preparation for the future, US Bank rightsized its footprint in Kansas City by

Prime Social, a Cameron Mitchell Restaurants concept, opened in November 2021 on the rooftop of 46 Penn Centre, a Block Real Estate Services, LLC development on the Country Club Plaza. The upscale cocktail bar occupies 5,500 square feet on the 16th floor with unparalleled views of the Plaza and downtown Kansas City. The first of two concepts CMR will open within the building, the second is Ocean Prime, a nationally acclaimed, modern American restaurant and lounge with an impressive menu of seafood and steaks, located on the third floor.

130.9M	5.3%	$15.88	$160
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

closing six area branches while opening a new branch off the Country Club Plaza focused on a new design with no teller lines. An interactive teller machine is available for the most common transactions, while more space was given for private interactions and a coffee café. JPMorgan Chase Bank opened locations in Waldo, Blue Springs and Zona Rosa with a goal to open a total of 20 branches within the next few years.

A new trend? For those who have a persona on the metaverse, Nike will soon be marketing virtual shoes for purchase. One day you may be able to purchase an entire virtual wardrobe.

JOHNSON COUNTY, KANSAS

Vacancy stands at 6.9% in Johnson County, down from 2020 when vacancies stood at 7.4%. Average rental rates changed to $18.32 per square foot in 2021 compared to $18.43 in 2020.

40.3M	6.9%	$18.32	$172
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

NOTEWORTHY

Mission Gateway continues to struggle despite announcements for a Cinergy Entertainment complex and Tom Colicchio's Food Hall. The development was plagued by mechanic's liens of more than $14 million this year and it defaulted on its development agreement with the city, losing $36.6 million in public financing. Construction halted on the project in summer 2020.

CBL, owner of Oak Park Mall, and Washington Prime Group, 51% owner of Town Center Plaza and Town Center Crossing, both sought protection and re-emerged from Chapter 11 bankruptcy this year. Washington Prime received $1 billion in debt relief and CBL $1.7 billion.

Oak Park Mall can be thankful for Nordstrom's delay in relocating to the Country Club Plaza buying CBL some additional time to replace the anchor. In the meantime, Oak Park added new tenants, including Tabu Knits Boutique, Danae & Dakota, The Conut Factory, and SugahRush Berries (which also opened a location at the Country Club Plaza). Staying relevant to young people and supporting the community, Real World Learning opened on Cyber Monday showcasing products from apparel to artwork, all created by high school students in the Shawnee Mission School District as part of a business-to-education program. IHOP and Paris Baguette will open in 2022, sharing a freestanding building on an outlot at 95th Street and Nieman Road.

Fabletics opened at Town Center Plaza and Warby Parker opened at Town Center Crossing.

Park Place added seven new tenants this year, including MassageLuXe and locals Outta the Blue coffee shop and bar (a Made in KC concept), Moda Domani (relocated from Hawthorne Plaza), Bamboo Penny, Ice Cream Bae, and Plate.

The new owner of Overland Crossing at Blue Valley Parkway and Metcalf Avenue has plans to renovate and add retail space, demolishing the old Porto del Sol to make way for an expanded Whole Foods Grocery which announced it will relocate its Overland Park store to the site.

Overland Pointe Marketplace at 135th Street and Antioch Road also has a new owner. The former Salty Iguana pad site there will be the home of one of the new Whataburger locations.

Chicken N Pickle and Andy's Frozen Custard opened at Prairiefire on 135th Street. A new grocery store, rumored to be Amazon Fresh, is planned for the project in 2022. Messenger Coffee has also announced plans to open in the development.

Part of a growing trend, LevelUp Esports Arena opened in the former Kanza Hall at Rosanna Square, 119th Street and Metcalf Avenue. It is the third largest in the United States with 15,000 square feet of space and 100 gaming computers and consoles. The venue helps connect gamers with the more than 180 college scholarships on offer every year.

Ranchmart's renovations at 95th Street and Mission Road were completed with new tenants, Meat Mitch Barbeque and Summer Salt Ice Cream. The new 26,000 square foot, two-story building adds space for new offices above retail and restaurant space.

The Promontory at 91st Street and Metcalf Avenue is moving forward with its next phase of development to include eight pickle ball courts (six indoors) dining and retail operations served up in a unique environment constructed of seven shipping containers.

At Corinth Square on Mission Road, Taco Republic took the former Arby's building, Stretch Zone took the former Eat Fit Go space and Urban Table transformed into Va Bene Italian Eatery. Nearby Nektar Juice Bar, Sopra Salon and Spa, Club Pilates, Scissors & Scotch, Hunter Family Vision, and Kitch, a meal prep company, all opened in Corinth Quarter.

The existing Hen House in Prairie Village will relocate to the site of the former Macy's at 71st Street and Mission Road. After being redeveloped, they will occupy the main floor. OneLife Fitness will take the bottom level and office tenants will occupy the upper level. Other new tenants include Shinju Sushi & Hibachi and Scratch Gourmet Express & Catering (a to-go only concept).

Sonoma Plaza, a $300 million mixed-use development at the southwest corner of 87th Street Parkway and Maurer Road, continued to deliver retail tenants through 2021. Hawaiian Bros, Big Biscuit and Jersey Mike's joined existing tenants Starbucks, Red Door Grill, Culver's, Chick-fil-A, Chipotle, and anchor tenant McKeever's Market in 2021. The development, including three multifamily communities on the southern part of the development, is projected to be completed in 2023.

EAST JACKSON COUNTY, MISSOURI

Vacancy stands at 8.3%, an uptick from 2020 when vacancies stood at just over 6.6%. Rental rates in this area decreased from an average of $13.60 at the end of 2020 to a current average of $13.51 per square foot.

18.5M	8.3%	$13.51	$134
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

NOTEWORTHY

Bob's Discount Furniture made its debut in Kansas City opening in the former Barnes & Noble space at Independence Commons. Its second metro store took the former Hen House location at Merriam Town Center.

Adams Dairy Landing in Blue Springs has a new owner as does the Marketplace Shopping Center in Independence.

Macy's closed at Independence Center.

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

Rental rates in this area of the metro increased from $16.17 per square foot at the end of 2020 to an average of $16.56 per square foot at the end of 2021. The area's vacancy rate decreased from 6.6% at the end of 2020 to 4.0% at the end of 2021.

30.4M	4.0%	$16.56	$146
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

NOTEWORTHY

Berkley Riverfront will get an 11,000-seat stadium built for KC's National Women's Soccer League that should be open in the fall of 2023. The Origin Kansas City Hotel has plans for 118 rooms, restaurant, outdoor courtyard and beer garden.

Sinkers Lounge opened in the Power & Light District while Whopper Bar closed, and B&B Mainstreet Theater took over the former Alamo Drafthouse. Nearby, at Lightwell at 11th and Main Streets, Menlo Food Lab will open Strang Chef Collective in the former Jason's Deli space. Jason's Deli relocated to Town Pavilion across the street.

The 18th & Vine District is in the process of redeveloping 2 historic buildings, the City Water and Public Works, both at 10,000 square feet. Plans include the city's first black-owned brewery as well as restaurant and retail uses. The Boone Theater building will be renovated for co-working space and an outdoor event space on vacant land next door.

RETAIL MARKET

Westport has seen many changes this year. Johnny Kaw's Outback is a three-level country bar that took over the former Californos and includes a dance floor, pool tables and dart boards. The Peacock, Providence Pizza and Chewology also opened. Fountain Haus took over a 13,000 square foot space on Westport Road. Its concept is geared toward the LGBTQ community and will open early in 2022. It will include a rooftop bar, dance club, speakeasy, main lounge, and dining area. Also planning to open are Guy's Deli, Crab Tales and Taco Bell Cantina, a sports-oriented concept with full liquor license and VIP rooms.

On the Country Club Plaza, Prime Social Rooftop opened at 46 Penn Centre with Ocean Prime Restaurant slated to open early in 2022. With Punch Bowl Social out of the picture, Chiefs Fit committed to take the top two floors of the Jack Henry building. Sweet Kiss Brigadeiro and EB & Co. opened stores while Nike and Southern Charm Gelato closed. Café Europa opened at 4928 Main Street and will close its Crestwood Shops location early in 2022 with plans to open in a portion of the former Zoe's Kitchen at Town Center Crossing. Third Street Social and Blu Hwy opened just south of the Plaza.

In Waldo, Ball's Price Chopper reopened in its newly remodeled space at 84th Street and Wornall Road while Andy's Frozen Custard opened at 79th Street.

The former Hy-Vee at 122nd Street and State Line Road was purchased by The Barstow School. A conversion of the structure is underway to make way for a science, technology, engineering, art, and math center open to all students in the Kansas City Metro regardless of school affiliation. A little further south, Peters Clothiers reopened in a remodeled and expanded retail strip center at 123rd Street and State Line Road.

In Lee's Summit, The Streets of West Pryor opened retail space under its apartments with PowerLife Yoga, Club Pilates, Stretch Zone, MassageLuXe, Twisted Fresh, Nekter Juice Bar and PetPeople while Bibibop Asian Grill and Shake Shack opened on pad sites with Red Door Woodfired Grill planning a 2022 opening. Nearby, Paragon Star advanced its 190-acre sports anchored development at Interstate 470 and View High Drive. The development intends to open its 10 multisport artificial turf fields in 2022 with construction of the entertainment village, multifamily, office and retail phases starting later in the year for a 2024 completion.

KANSAS CITY/WYANDOTTE COUNTY, KANSAS

Retail rental rates for Wyandotte County were $15.01 per square foot at the end of last year. They decreased to $14.52 per square foot at the end of 2021. The area had a 2.9% vacancy rate at the end of 2021, compared to a 4.8% vacancy rate at the end of 2020.

9.8M	2.9%	$14.52	$164
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

NOTEWORTHY

Unforked and Luna by Ulah opened at Woodside Village.

The Legends Outlets gained a few new tenants. Dutch Bros Coffee opened with two other locations announced for Shawnee and Belton. Jousting Pigs BBQ took over the former Arthur Bryant's spot.

Aldi opened a larger than typical store at 20,000 square feet. Rally House also opened in the center.

Homefield's plans for the former Schlitterbahn site have advanced. Camping World is expected to open in the development in 2022 while the 150,000 square foot multisport indoor training facility, youth baseball complex, and outdoor area with water features for beaches, paddleboarding, kayaking, and more is slated to open by Spring 2023. Hotels, including an 88-room Fairfield by Marriott and a 270-unit luxury apartment complex are also planned in the development.

NORTH OF THE RIVER

Rental rates in the Northland averaged $15.83 at year-end, slightly up from $15.82 per square foot at the end of 2020. The vacancy rate decreased to 4.2% from 4.3% at the end of 2020.

19.6M	4.2%	$15.83	$199
INVENTORY SQUARE FEET	VACANCY RATE	MARKET RENT/ SQUARE FOOT	MARKET SALE PRICE/SF

NOTEWORTHY

The new Kansas City International Airport's concessions will be operated by Vantage Airport Group and is planned to open Spring of 2023. Vendors are expected to be 80% local retailers and restaurants include Bo Lings, Martin City Brewery, Made in KC Marketplace, and Parisi Coffee, among others.

Zona Rosa has a new owner. Its courtyard space has been leased to 54th Street Grill, now rebranded as 54th Street Restaurant and Drafthouse. The courtyard space has been converted into an entertainment area with pickleball, bocce ball, PGA golf simulators, outdoor fire pits and includes the ability to house live music.

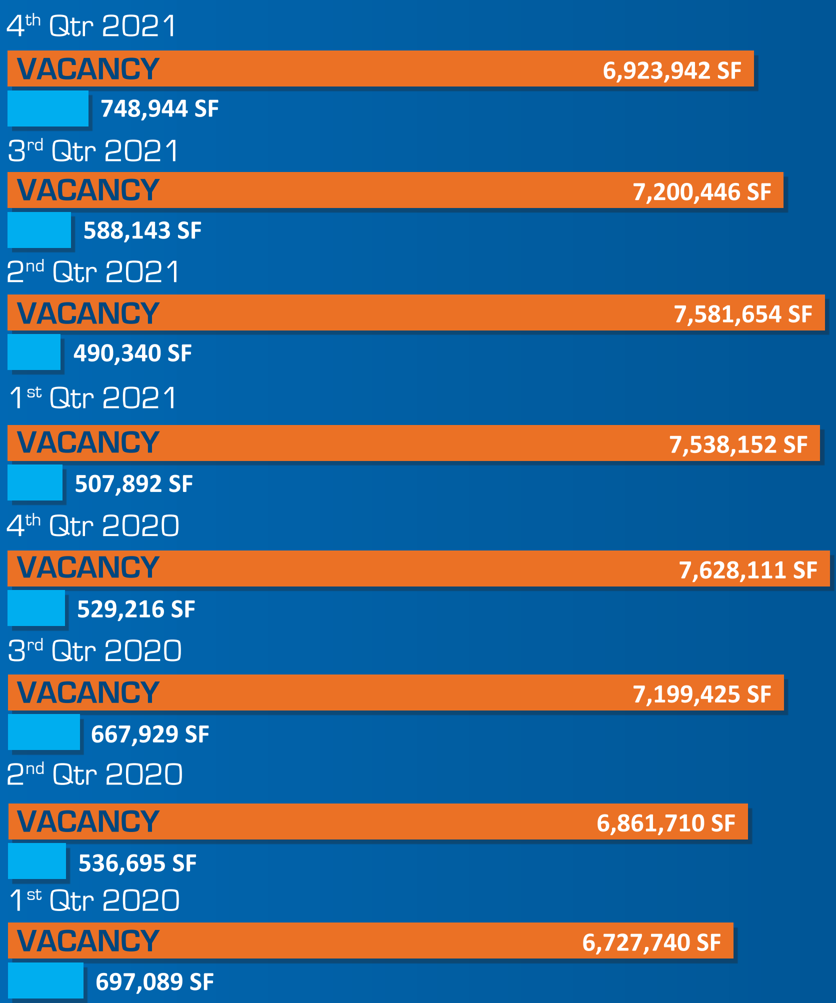
Creekside, a mixed-use project at Interstate 435 and Missouri Highway 45 in Parkville, opened six tournament quality baseball fields in 2020. Creekside Hotel, with 93-rooms, is slated to open in February. A barbeque restaurant with pickleball courts, Bubbles Wine and Spirits, and Taco Bell will open in 2022, while Anytime Fitness, Johnny's Tavern, and Ten & Two Coffee opened this year.

One North located at Interstates 29 and 35 announced that the grocery store, Fresh Market is scheduled to open in the fall of 2022.

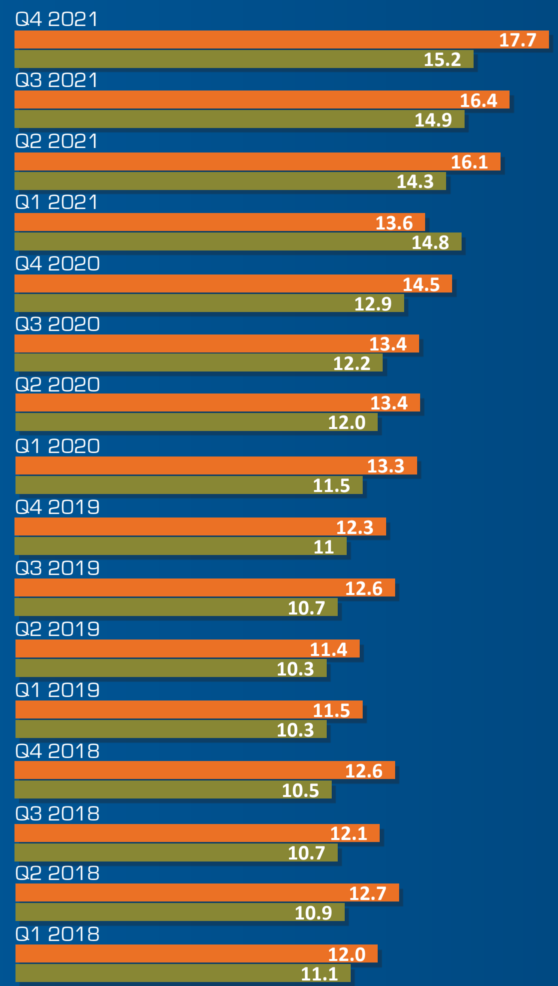
Contributor: Kim Bartalos, CLS, Vice President of Retail Leasing

RETAIL MARKET AT A GLANCE

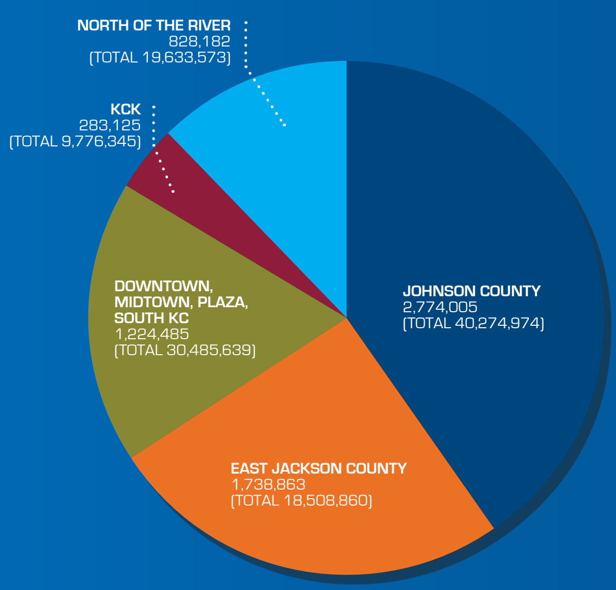
KANSAS CITY METRO ALL CLASSES
RETAIL VACANCY VS. UNDER CONSTRUCTION



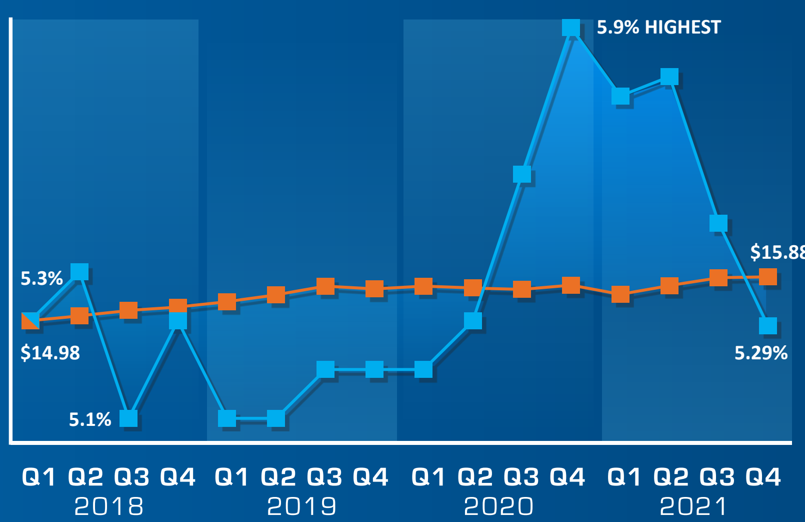
RETAIL MONTHS TO LEASE
KANSAS CITY V. U.S.



VACANT RETAIL SPACE BY SUBMARKET (SF)



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



Kansas City Multifamily Market

The Kansas City Metro apartment market has continued to battle its way through the pandemic. 2021 has shown a decrease in average vacancy rate to 5.74%, despite over 6,500 new units being delivered into the market. Strong growth continues to be seen with an 8.4% increase in asking rents. In early 2021, the most significant change in the market centered on sales volume with the number of transactions decreasing significantly from the same period a year prior. Sales velocity accelerated throughout the course of the year. As activity has picked up, prices have pushed higher, with an 11% increase from the 2020 average price. As of now, more than 4,000 units are expected to be completed before the end of 2022. Coupling new deliveries over the coming year, with the already strong rent growth, expectations are for sales to continue the current trend with asking rents to flatline or even decline in certain submarkets. The Kansas City multifamily market should have another active year as inventory continues to grow as new units are delivered.

18M	4.52%	$1,534	$232K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/UNIT

NATIONAL

There are roughly 18 million units nationally. The average vacancy rate currently stands at 4.52% which is a record low. Market asking rents are averaging $1,534 per unit per month, a 12.2% year-over-year increase after being flat the previous year. Average sale prices per unit are $232,000. Year-over-year, these statistics have risen but given the issues caused by the pandemic a year prior, it was assumed that some fundamental statistics would begin to bounce back. This unprecedented growth has been caused by increased demand. The question now is when will the market begin to decelerate to normal growth levels.

51 Main, a 176-unit multifamily community located at 5050 Main Street, Kansas City, Missouri, sold in November 2021. The 289,522 square foot podium style community was sold by VanTrust Real Estate, LLC to The Justus Companies, an Indianapolis, Indiana-based real estate company. Built in 2015, it is located a short distance from the future southern most stop on the KC Streetcar.

MULTIFAMILY MARKET

KANSAS CITY METRO

There are roughly 161,300 total units in the Kansas City Metro area. The average vacancy rate currently stands at 5.74%. Market asking rents are averaging $1,093 per unit per month. Average sale prices per unit are $131,000. Vacancy decreasing, along with asking rents and sales prices per unit both rising, further proves the demand exists for good rental housing in the market and we continue to see strong national investment.

161.3K	5.74%	$1,093	$131K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/UNIT

JOHNSON COUNTY

There are 65,976 total units in Johnson County. The average vacancy rate currently stands at 4.7%. Market asking rents are averaging $1,221 per unit per month. Average sale prices per unit are $147,000. Given the high concentration of top employers and office space in Johnson County, we have seen a strong bounce back in the submarket fundamentals as the recovery from COVID-19 continues.

NORTH JOHNSON COUNTY

30.5K	4.9%	$1,162	$138K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/UNIT

SOUTH JOHNSON COUNTY

35.5K	4.4%	$1,270	$156K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/UNIT

TOP DEALS

1. Cyan Creek Apartments – 380-unit Class A community built in 2020 – $75.38 million sale price or $198,387 per unit.
2. Satori Olathe Apartments – 240-unit Class A community built in 2020 – $47.61 million sale price or $198,000 per unit.
3. Kenilworth Apartments – 246-unit Class B community built in 1964 – $45.02 million sale price or $183,434 per unit.
4. 79 Metcalf – 280-unit Class B community built in 1984 - $46.4 million sale price or $165,750 per unit

CBD, CROSSROADS, CROWN CENTER, WEST BOTTOMS

There are 11,220 total units in the Downtown area. The average vacancy rate currently stands at 8.6%. Market asking rents are averaging $1,378 per unit per month. Average sale prices per unit are $184,000. The Downtown submarket suffered the worst during COVID-19 but has shown a strong recovery thus far. Downtown rents have grown an impressive 5.7% over the past year, which is the strongest annual performance in the last decade. Downtown continues to see a substantial number of deliveries with over 1,200 units under construction. As inventory grows there will be continuing pressure on this submarket's vacancies.

11.2K	8.6%	$1,378	$184K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/UNIT

TOP DEALS

1. Pickwick Plaza – 260-unit Class A community built in 2017 - $23.75 million sale price or $91,340 per unit.
2. Core – 355-unit Class A community currently under construction – scheduled to open April 2022.
3. Three Light Luxury Apartments – 288-unit Class A community currently under construction.
4. Second + Delaware – 276-unit Class A community opened late 2020 and completed early 2021.

Avanti Residential, a Denver, Colorado-based multifamily investment and management company, purchased The Locale from EPC Real Estate Group in July of 2021. The 201-unit community, built in 2020, is located at 6201 Johnson Drive, Mission, Kansas, and sold for $60 million with a cap rate of 4.2%.

PLAZA, MIDTOWN, BROOKSIDE

There are 17,278 total units in the Plaza-Midtown-Brookside areas. The average vacancy rate currently stands at 7.9%. Market asking rents are averaging $1,106 per unit per month. Average sale prices per unit are $125,000. Amidst everything going on, rents have increased by just over 4.8% over the past 12 months, which reiterates the strong demand behind these submarkets.

17.2K	7.9%	$1,106	$125K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/UNIT

TOP DEALS

1. 4700 Luxury Apartments – 26-unit Class A community on the plaza - $6 million sale price or $230,769 per unit.
2. West Plaza Apartments – 9-unit Class A community on the plaza - $3 million sale price or $333,333 per unit.
3. West Plaza Flats – 103-units Class A community currently under construction – scheduled to open September 2022.
4. The Villas at 44 Washington – 8-unit Class A+ community just north of the Plaza - opened in 2021 and is fully leased

SOUTH KANSAS CITY/WARD PARKWAY

There are 11,983 total units in the South Kansas City-Ward Parkway areas. The average vacancy rate currently stands at 7%. Market asking rents are averaging $870 per unit per month. Average sale prices per unit are $88,700. Although 2021 sales volume in this submarket was down year over year, the continual increased price per unit on sales goes to show how interested local, regional, and national investment firms are in value-add opportunities.

11.9K	7.0%	$870	$88.7K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/ UNIT	MARKET SALE PRICE/UNIT

TOP DEALS

1. Santa Fe Village – 215-unit Class C community built in 1975 - $19.53 million sale price or $90,852 per unit
2. Legacy Apartments – 164-unit Class C community built in 1960 - $12 million sale price or $73,170 per unit

MULTIFAMILY MARKET

NORTH OF THE RIVER

There are 34,229 total units in the Northland area. The average vacancy rate currently stands at 4.5%. Market asking rents are averaging $1,061 per unit per month. Average sale prices per unit are $135,000. An increase over the last couple years in new apartment product has grown all fundamental statistics in this submarket and is bringing Institutional level capital to the area north of the river.

34.2K	4.5%	$1,061	$135K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/UNIT	MARKET SALE PRICE/UNIT

TOP DEALS

- Cityview – 245-unit Class A community built in 2005 - $46 million sale price or $188,110 per unit.
- Royal Park Apartment Homes – 56-unit Class B community built in 1965 - $6.66 million sale price or $119,000 per unit.
- 8320 N. Nodaway Ave – 22-unit Class A community built in 2014 - $5 million sale price or $227,272 per unit.

SOUTHEAST JACKSON COUNTY

There are 8,517 total units in Southeast Jackson County. The average vacancy rate currently stands at 5.1%. Market asking rents are averaging $1,089 per unit per month. Average sale prices per unit are $110,000. Lee's Summit, Missouri has become a hub in this submarket for new development in recent years. The city's continued success and growth are going to be pivotal as many of these new developments, including some mixed-use projects, are completed.

8.5K	5.1%	$1,089	$110K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/UNIT	MARKET SALE PRICE/UNIT

TOP DEALS

1. The Arbors of Grandview – 298-unit Class B community built in 1974 - $21.8 million sale price or $73,154 per unit.
2. Ashbroke – 75-unit Class community built in 1980 - $10.53 million sale price or $140,444 per unit.
3. Paragon Star Apartments – 390-unit Class B community currently under construction – scheduled to open July 2022.

KANSAS CITY, KANSAS

There are 13,375 total multifamily units in Kansas City, Kansas. The average vacancy rate currently stands at 4.6% at the end of 2021. Market asking rents are averaging $885 per unit per month which is an increase over last year's reported asking rent of $816. Average sale prices per unit are $85,400. Currently there are 521 units under construction

13.3K	4.6%	$885	$85.4K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/UNIT	MARKET SALE PRICE/UNIT

TOP DEALS

1. Village West Luxury Apartments – 306-unit Class A community built in 2014 - $65.1 million sale price or $212,745 per unit.
2. 9400 State Ave – 274-unit Class B community currently under construction – scheduled to open in 2023.

EAST JACKSON COUNTY

There are 19,183 total units in East Jackson County. The average vacancy rate currently stands at 6.9%, the only submarket to see an increase year-over-year likely due to many deliveries. Market asking rents are averaging $947 per unit per month. The average sale prices per unit continues to rise and now stands around $97,200. Despite large numbers of deliveries over the past year, market rents have grown an impressive 11.1% over that period. With roughly 1,200 units underway, this submarket continues to grow at a rapid rate.

19.1K	6.9%	$947	$97.2K
INVENTORY UNITS	VACANCY RATE	MARKET RENT/UNIT	MARKET SALE PRICE/UNIT

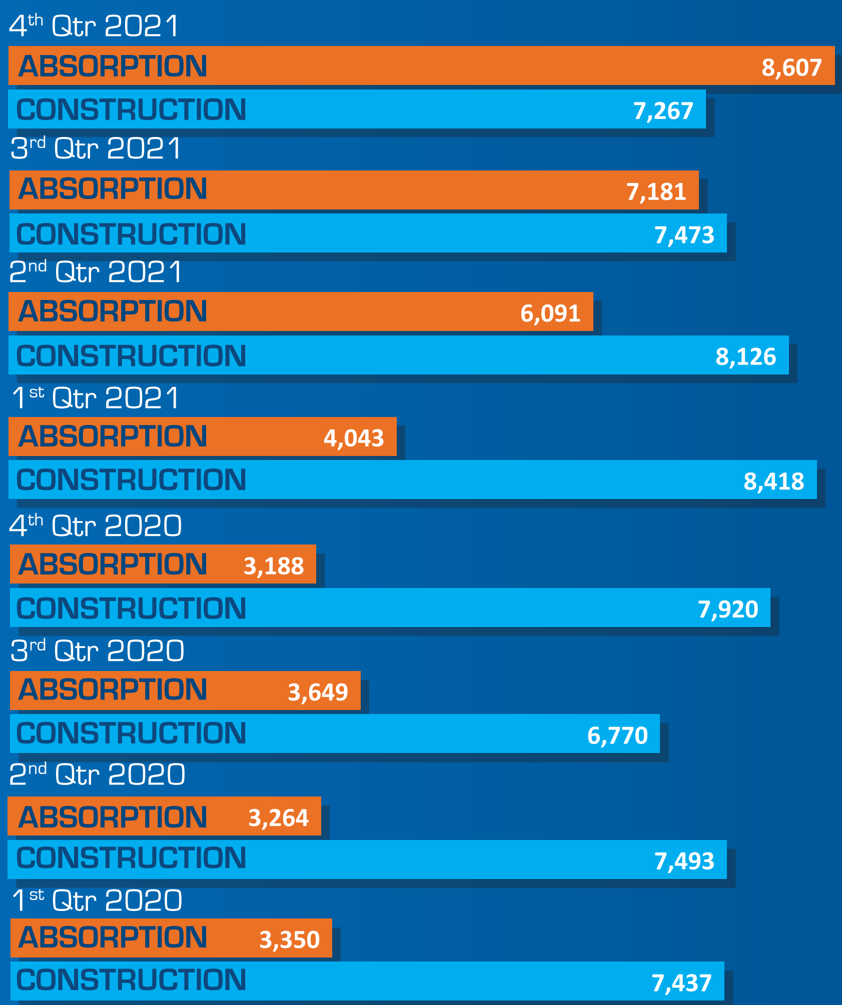
TOP DEALS

1. The Reserves at South Pointe – 301-unit Class C community built in 1975 - $23 million sale price or $76,411 per unit.
2. Robin Hills Apartments – 60-unit Class B community built in 1970 - $5.98 million sale price or $99,583 per unit.
3. Azure – 280-unit Class A community – delivered in August 2021.

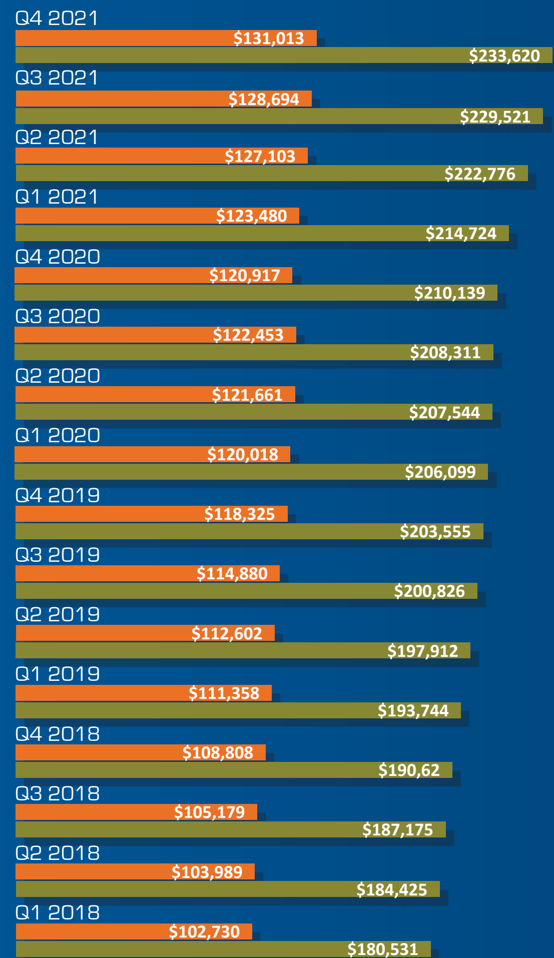
Contributors: Grant O. Reves, Director of Acquisitions; Ryan Klepper, Financial Analyst

MULTIFAMILY AT A GLANCE

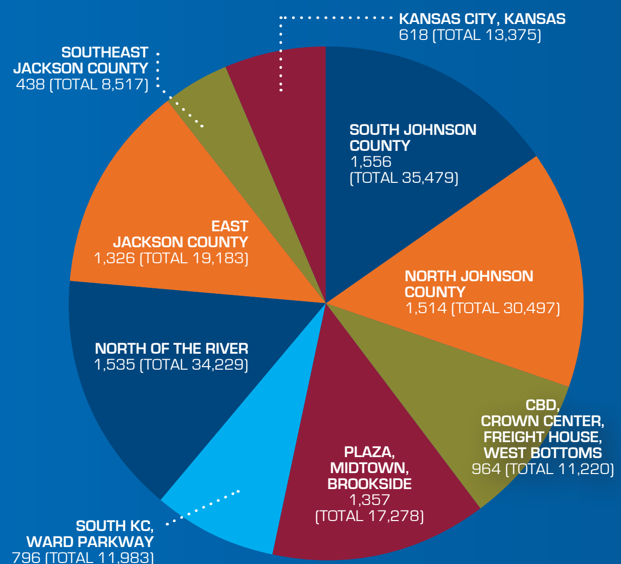
KANSAS CITY METRO ALL CLASSES
ABSORPTION VS. UNDER CONSTRUCTION



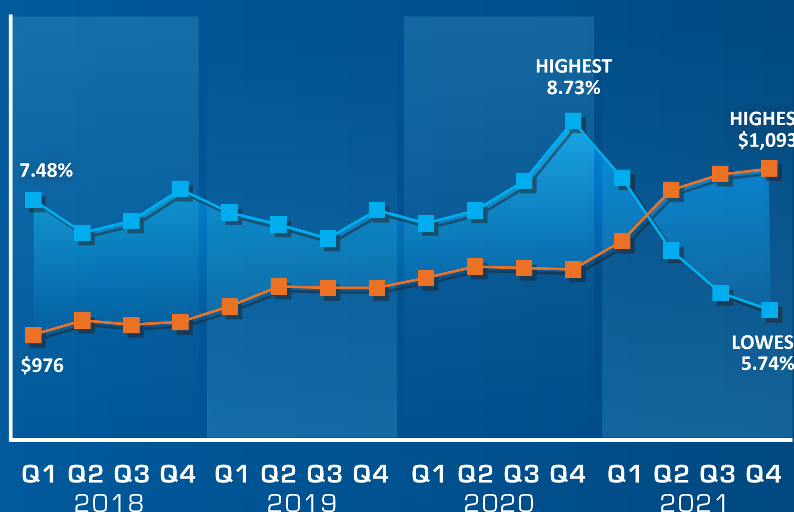
MULTIFAMILY SALE PRICE/ UNIT BY LOCATION
KC V. U.S.



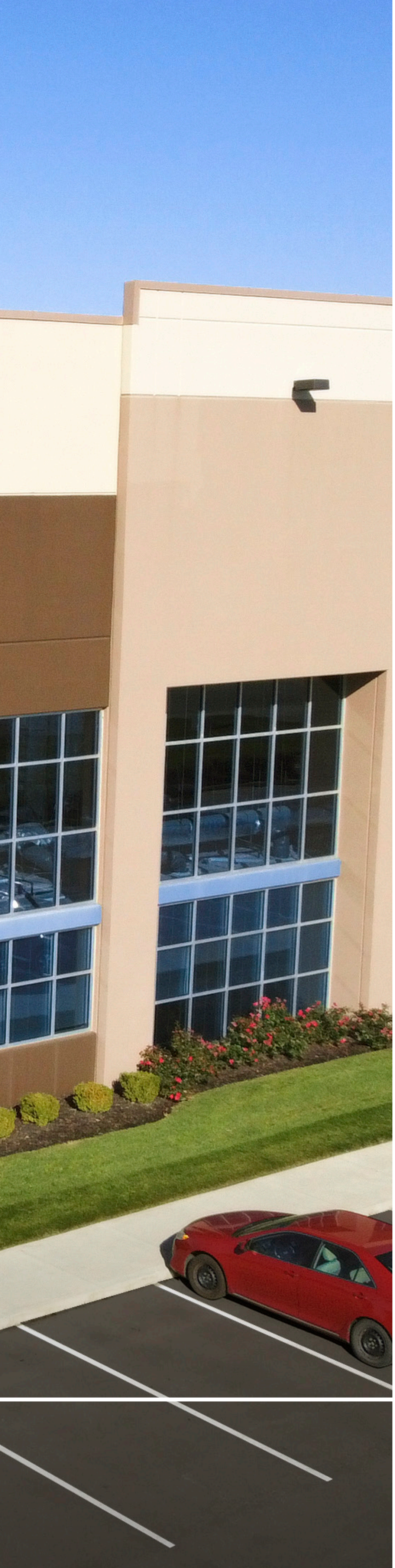
VACANT MULTIFAMILY UNITS BY SUBMARKET



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



Kansas City Investment Market



As the United States' economy rebounds, we expect "dollars chasing deals" and continued cap rate compression. Commercial real estate has always been a reliable hedge in an inflationary economy.

A mid-year economic analysis by CoStar Advisory Services explained it this way, "monthly rents and other real estate income tend to help real estate keep up with rising inflation. And since 2000, such cash flows have helped real estate outperform stock and bonds and are not tied to rising or falling interest rates." Despite uncertainty from the COVID-19 omicron variant, and other risks, a growing economy will fuel demand for space and increase real estate investment across all property types.

If the Federal Reserve's (Fed) year-end 2021 forecasts are correct, the U.S. economic recovery will continue running hot for a little while longer. The December 15, 2021 release was the first to incorporate the end of the COVID-19 delta wave following the emergence of the COVID-19 omicron variant. It showed inflation surging to its fastest year-over-year pace in nearly 40 years. In the release, the Fed announced it would double the pace at which it rolls back its emergency asset purchases, setting the program up to completely end in March 2022. The move opens the door for the Fed to aggressively raise interest rates in 2022 as it looks to cool inflation and price growth.

The U.S. economy boomed in 2021 as consumers resumed previous spending patterns. However, the expansion also resulted in a surge of inflation, fueling commodity price increases that especially impacted the development and construction industries. Producers and suppliers are expected to catch up in 2022 as the supply chain recovers.

The pandemic amplified the "Amazon effect," sustaining the demand for industrial and distribution space along with new housing development. These trends show no signs of slowing down in 2022.

As in past economic downturns, Kansas City has fared better than many of its peer group cities due in part to its broadly diversified economy. All major employers survived the pandemic turmoil. The government sector, comprised of the 10th District, Federal Reserve, adds stability to the diverse Kansas City economy. According to the Fed, unemployment in December 2020 stood at 6.7%, 3.2 percentage points above its pre-pandemic level of 3.5%. By October 2021, unemployment had fallen to a near-normal 3.8%.

Lenexa Logistics Centre South Building 7 was purchased by a BRES sponsored entity from Thackery Partners in May 2021. Located at 11200-11270 Britton Street in Lenexa, Kansas, the building is 100% leased to tenants Sprint, Tool Source Warehouse, and Husqvarna. Built in 2017, LLC South Building 7 is a 401,098 square foot industrial distribution facility located within the master planned Lenexa Logistics Centre industrial park. When completed, the park will consist of over 5.3 million square feet of industrial and warehouse space.

INVESTMENT MARKET

THE PANDEMIC AMPLIFIED THE "AMAZON EFFECT," SUSTAINING THE DEMAND FOR INDUSTRIAL AND DISTRIBUTION SPACE ALONG WITH NEW HOUSING DEVELOPMENT. THESE TRENDS SHOW NO SIGNS OF SLOWING DOWN IN 2022.

As 2022 begins to unfold, the new Kansas City International airport is nearing completion. Kansas City is eying additional game-changing projects like a downtown baseball stadium and a river-front soccer stadium. The Cordish Company began construction of Three Light, a 288-unit, 26-story multifamily high-rise in the heart of downtown. Urban core redevelopment continues as the streetcar line extends south to the Country Club Plaza and the University of Missouri-Kansas City campus. In south Kansas City, developers are launching a 120,000 square foot Center for Genomic Research as the initial phase of a 325-acre, life sciences campus located near the Cerner Innovation Campus.

In the southwest Johnson County, Kansas suburbs, major developments include: an expansion of Garmin's headquarters; Occidental's continued redevelopment of Aspiria (formerly the Sprint Campus) through the addition of a residential and mixed-use component; construction of the 256,000 square foot BluHawk sports park, dedicated to youth and amateur sports that includes a 4,000-seat community center, expected to draw more than 3.8 million visitors each year.

As the financial landscape shifted during the pandemic, there has been a continued change in the way we live, work and play. This has resulted in pressures on certain sectors.

KEY SECTOR HIGHLIGHTS:

Real Estate Capital Markets: Liquidity is abundant, fueled by inflation and low interest rates. Pricing has never been stronger than it was in the second half of 2021.

Industrial and Logistics: Robust activity as e-Commerce drives demand for space. Continued demand and growing rents will offset increased construction cost.

Multifamily: Rent growth and tenant demand has never been stronger. Sales in 2021 established record low cap rates as demand exceeded supply. We anticipate cap rates to remain low in 2022.

Residential: The existing housing market has record low inventory that is driving up prices and demand for new construction. Expect that dynamic to change if interest rates rise as expected in mid-year.

Offices: The office market has rebounded substantially in 2021 as workers are returning to the office and employers are thinking of new ways to utilize office space.

Retail: As e-Commerce continues to grow, finding and retaining employees remains a challenge. Expect owners and developers to explore new uses or redevelop some assets.

Redevelopment: With successful conversions from office to residential and mixed-use developments downtown, the trend could extend beyond the urban core. Midtown redevelopment is moving steadily east. Opportunity zones remain available for development or redevelopment throughout the community.

U.S. real estate investors are benefitting from economic growth coupled with "made-for-commercial real estate" monetary policy. While investors are paying low cap rates in the industrial and multifamily space, the real values might be found in the out-of-favor sectors of retail and office. The current commercial real estate sector is suited to benefit from the current monetary policy where increased interest rates tend to lower (inflation-adjusted) real estate prices. Real estate offers attractive relative value, and investors may benefit from higher-risk and moderately higher-yielding investments.

In the past, large institutions have focused on Gateway Markets, such as Los Angeles, New York, San Francisco, Chicago, Boston and Washington D.C. These cities are also highly liquid markets, where real estate investments can be readily bought and sold. With the growth in the general population and increasing market demand for commercial real estate, institutional investors are looking more and more towards secondary and tertiary

SSR Capital purchased Four Pine Ridge Plaza, 8325 Lenexa Drive in Lenexa, Kansas, from a BRES sponsored entity in October 2021. The 68,917 square foot building, built in 1988, was purchased for over $11.7 million and a 7% cap rate. Located within Pine Ridge Business Park, the building is 100% leased to Sunflower Health Plan and Supplemental Health Care.

markets. This is evidenced by the drop in second and third tier market cap rates to levels previously seen only in Gateway Markets.

INTEREST RATES

In September 2021, the Fed kept benchmark interest rates anchored near zero and predicated they would remain there for the foreseeable future. As a result, some of the lowest interest rates in decades have been seen. Low interest rates make it more palatable to pay higher prices for commercial real estate. The current market is overflowing with debt for commercial real estate, and it is expected to continue well into 2022.

The economy is in a sweet spot where inflation is increasing while interest rates and yields across investment sectors remain low. Real estate prices have historically benefited from low interest rates and rising inflation which are generally mutually exclusive.

INFLATION

Inflation is providing a tailwind driving investment dollars towards commercial real estate. According to estimates from the Bureau of Labor Statistics, the consumer price index rose 5.4% in September 2021, the fifth straight month in which the inflation rate was 5% or greater. Commercial real estate is a good inflation hedge as it generates cash flow, especially in multifamily where owners can raise rents along with rising inflation. The higher revenues equate to higher property values. We believe there will be a run-up in asset values and feel we have already begun to see that happening in the second half of 2021. The economy is in a sweet spot with inflation increasing while interest rates and yields across investment sectors remain low.

CAP RATE COMPRESSION

Commercial real estate properties are evaluated by a Capitalization Rate, also known as a Cap Rate. The Cap Rate is the relationship between net operating income and value. Cap Rates are constantly moving up and down in response to changing market conditions. Cap Rate Compression is used to express that Cap Rates are moving down, thus increasing the value of the property, and mostly evident in value-add multifamily and industrial properties.

The market is currently experiencing Cap Rate Compression in response to high demand for a limited supply of suitable investment property. Commercial real estate values continue to increase further due to rental rate growth that has a direct effect on net operating income. The combination of Cap Rates compressing while net operating income increases has put an exponential growth on commercial real estate prices. There is increased competition from investors moving equity

In March 2021, the nine building, 734,007 square foot Kansas Commerce Center portfolio was sold by MEPT Fund, based in Bethesda, Maryland, to ATCAP Partners, based in Dallas, Texas, for an undisclosed amount. Pictured above (from left to right and top to bottom) is: 9600 Loriet Boulevard, 9511 Legler Road, 9705 Loriet Boulevard and 9601 Legler Road.

away from Gateway Markets and into cities like Dallas, Atlanta, Phoenix, Nashville, and Kansas City, leading to strong overall returns for investors holding property in non-gateway markets.

There are several factors that can cause Cap Rate Compression. However today, the two main factors are lower risk and increased demand. The lower risk associated with the certainty of the return a property has, the higher the price an investor is willing to pay for that property, resulting in a lower Cap Rate. The other factor is increased investor demand. The more equity in the market available for investment in commercial real estate ("dollars chasing deals"), the lower the Cap Rates will go, reflected the amount of competition that is vying for a certain piece of real estate. Lower risk and increased demand can be driven by several reasons, including:

- General market conditions
- Demand for a specific location
- Supply and demand
- Increased leasing activity
- Falling or low interest rates

In the current real estate cycle, Kansas City will likely experience all of the above nationwide factors. The competition to buy income producing property has never been greater than in the second half of 2021. Real estate professionals expect this to continue into 2022. On the next page is a chart that displays Cap Rates in Kansas City and how they have experienced compression from mid-year 2019 to mid-year 2021.

Another factor that is driving Cap Rate compression in multifamily and industrial properties is a sector shift due to COVID-19. The Coronavirus is still impacting retail, office and hospitality properties but multifamily and industrial properties are booming. Tenant demand for apartments has never been higher and the thriving e-Commerce trend is driving the industrial market.

INDUSTRIAL

As more businesses opt in to direct-to-consumer delivery from warehouse locations, the need for industrial space continues to grow. The trend was accelerated due to global supply-chain issues and online retailers building a network of distribution centers to reduce the time from customer order to home delivery. Increased e-Commerce demand has resulted in record-breaking industrial leasing activity here and nationwide, including average asking rents jumping a staggering 10.4% year-over-year (Source: CBRE Q3 2021 Industrial Figures). The boom in e-Commerce has led to strong demand for warehouses and last-mile fulfillment centers, resulting in a historically low vacancy of 4.3% in Kansas City (Source: JLL Industrial Insight Q3 2021 Kansas City). The increased demand has led to an ever-increasing investor appetite, further compressing Cap Rates in the industrial space.

KANSAS CITY CAP RATES (H1 2021)

ASSET TYPE	H2 2019	H1 2021	CHANGE
Class A CBD Office - Stabilized	7.25 - 7.75	7.00 - 7.50	-0.50
Class A Suburban Office - Stabilized	7.25 - 7.50	6.75 - 7.25	-0.75
Class A Multifamily Infill - Stabilized	4.75 - 5.25	4.25 - 4.50	-1.25
Class A Multifamily Suburban - Stabilized	5.00 - 5.50	4.25 - 4.75	-1.50
Class A Industrial - Stabilized	5.75 - 6.00	5.00 - 5.25	-1.50
Class A Retail Neighborhood - Stabilized	6.50 - 7.00	6.50 - 7.00	0.00
Class A Retail Power Center - Stabilized	7.50 - 8.25	7.50 - 8.25	0.00

Source: CBRE

MULTIFAMILY

Rental demand is the sum of all the competing needs for rental housing. Contributing to the current over-supply of renters is the phenomenon known as “renters-by-choice.” The demand drivers for renter-by-choice include job growth, increasing home prices, a limited supply of existing houses and lifestyle preferences. A tight housing market has further increased the demand for apartments. The 2021 third quarter CoStar report stated 385 of 390 U.S. metropolitan areas reported positive rent growth.

The added amenities at new, Class A apartment projects have led many tenants to choose rental living over buying a home at current elevated prices. Investors are tracking these trends and are electing to invest in multifamily properties driving up prices and compressing cap rates further. Multifamily property prices are at an all-time high while the inventory of apartment buildings for sale is at an all-time low. To earn a suitable return in a “seller’s market,” investors must evaluate low cap rates and net-operating-income and determine how long it will take to grow the net-operating-income by raising rents.

CONSTRUCTION COST IMPACTING SUPPLY

Major factors affecting both the industrial and multifamily asset types are the rising commodity prices and the disruption to supply chains. Both are making it more challenging for developers to provide new developments at rental rates that industrial and apartment tenants can afford. A lower supply caused by fewer new developments being started, or delayed, has further increased the value of existing industrial and multifamily properties. Investors will see low vacancy rates which will translate into healthy net operating income growth in the near and medium term.

RETAIL

In the second quarter of 2021, e-Commerce accounted for 13.3% of all retail sales resulting in a diminished outlook for brick-and-mortar storefronts. The trend has been great for the industrial real estate sector, however with an inverse effect on retail properties. As the trend continues, there will be a declining importance for retail as an asset class. Small businesses are not the only segment that have suffered from declining “in-store” customers. Retail giants, such as Lord & Taylor, JC Penny and Brooks Brothers, have recently filed for bankruptcy.

We see the face of retail commercial real estate redefining itself into distribution centers, pick-up locations, and showrooms. However, brick-and-mortar locations will continue to deliver an experience for customers driving brand loyalty. According to CBRE, there may be 20% less dedicated retail real estate by 2025.

OFFICE

With the economy’s sudden shift to work from home measures, the office market has surprisingly rebounded. Although the utilization of office space has changed from the beginning of the pandemic, the resurgences have been fueled by rising confidence and a gradual return to the office largely in hybrid capacities. Further evidence supports this with a 29% increase during the second quarter of 2021 in gross leasing activity according to JLL, coinciding with the first quarter where leasing activity exceeded 30 million square feet since the beginning of the pandemic. One good measure of the office market is sublease vacancy which has recently shown signs of leveling around the 1.5% range compared to the peak of the 2001 dot com bust at nearly 3%, according to CoStar. The office market will continue to rebound as restrictions are gradually lifted and workers return to work in office spaces.

“BUILD-TO-RENT” HOUSING

Homebuilders and investors are moving into the build-to-rent (BTR) space. Also known as single-family rentals (SFR), these communities are attracting significant capital investments, while home ownership in the U.S. is now below 66% and expected to keep declining. As home ownership dwindles, people are moving to rentals causing vacancy rates to fall, providing the opportunity for SFR owners to increase rents. Demand for BTR by renters and investors are exceeding supply. According to Jeff Rohde’s article, “Why is the Demand for build-to-rent homes growing?” published October 7th, 2021, there are




A 12 building portfolio consisting of 2,161,710 squre feet was sold in November 2021. All 12 properties were located in the Kansas City Metro area and had 92.6% occupancy when sold. Ascendas REIT, based in Singapore, purchased the portfolio for $156 million from The Blackstone Group, Inc., located in New York. Pictured above from left to right and top to bottom are: 11350 Strang Line Road, 15555 W 100th Terrace, 15500 W 100th Terrace, and 15300 W 101st Terrace.

several factors driving the popularity of this new asset class. They are:

- **Demographic Shifts:** "High housing prices can sometimes put homeownership out of reach. So, instead of trying to buy a house, an alternative option is to rent a single-family home."
- **Availability of Financing:** "Smaller developers and real estate investors are also aggressively seeking loans for build-to-rent housing. As a result, more rental communities are being created to meet the growing demand for single-family homes for rent." Commercial real estate lenders have aggressively moved into the BTR space and view BTR communities as horizontal apartment projects.
- **Exit Strategies**: "A single-family rental home can be held long-term to collect the recurring cash flow. Or, it can be sold to another residential investor, to the existing tenant, or even to a mega-company that owns thousands of single-family rentals and is looking to buy more." When investing in commercial real estate evaluating your exit strategy before you invest is always a prudent decision.

According to Green Streets Commercial Property Price Index, commercial real estate properties were up 20% year-over-year as of September 2021. Industrial properties saw a 39% increase in values year-over-year as of September 2021. The "all-property index" increased 17% this year and is now 8% higher than before the COVID-19 pandemic began.

Commercial real estate has historically been a highly desirable sector for investors to invest in during times of inflation since it is a "hard asset." However, it will continue to be imperative for investors to remain cautious when underwriting new investment options.

The recovery from COVID-19 has continued to progress with few periodic setbacks. The overall outlook for the economy and commercial real estate remains optimistic. With the low cap rates in multifamily and industrial property sectors, it might be time for investors to look for higher risk opportunities in the retail and office sectors to increase the level of diversity in their portfolio. We continue to believe that real estate offers an attractive investment opportunity for any investor.

Contributors: 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	SF	Sales Price / Per SF	Cap Rate	Buyer/Seller
Allied National Building 4551 W 107th Street, Overland Park, Kansas	83,189	$11,971,000 $143.90	7.79%	**Buyer:** LANE4 Property Group **Seller:** Allied Realty Investments II, LLC
Fashionbilt Building 423 W 8th St, Kansas City, Missouri	77,500	$9,500,000 $122.58	Redevelopment	**Buyer**: Garrison Development & NW Cos. **Seller**: SS&C Technologies Holidings Inc.
Four Pine Ridge 8325 Lenexa Drive, Lenexa, Kansas	68,917	$11,731,420 $170.23	7.00%	**Buyer**: SSR Capital **Seller**: A BRES Sponsored Entity
Bethany Medical Building 45 N 12th Ave, Kansas City, Kansas	48,323	$6,996,000 $144.78	7.07%	**Buyer**: Excelsior Capital **Seller**: ACL Realty LLC
Tomahawk Pointe 3500 College Boulevard, Leawood, Kansas	29,220	$5,700,000 $195.07	Vacant	**Buyer**: Murphy-Hoffman Company **Seller**: Paradise Valley Associates LP
6720 W 121st Street 670 W 121st Street, Overland Park, Kansas	18,707	$2,450,000 $130.97	7.43%	**Buyer**: VanGuard Realty, LLC **Seller**: Lamson Corporate Lakes, LLC
Industrial	**SF**	**Sales Price / Per SF**	**Cap Rate**	**Buyer/Seller**
Logistics Park Kansas City Buildings VII, XXII, & LI Edgerton, Kansas	2,230,256	$147,000,000 $65.91	5.97%	**Buyer:** Ares **Seller:** NorthPoint Development
KC Last Mile Portfolio 13 Buildings in Kansas City, Missouri	2,162,572	$161,000,000 $74.45	5.15%	**Buyer**: Capitaland **Seller:** Blackstone/Link
Coleman Distribution Center 17150 Mercury Street, Gardner, Kansas	1,107,000	$64,500,000 $58.27	4.60%	**Buyer**: Apollo **Seller:** USAA
Kansas City Light Industrial Portfolio 20 Buildings in the Kansas City MSA	715,632	$55,250,000 $77.20	6.06%	**Buyer**: Taurus Investment Holdings **Seller:** Clarion Partners
Excelligence 17001 Mercury St, Gardner, Kansas	645,462	$44,000,000 $68.17	6.32%	**Buyer**: RMR Group **Seller:** USAA
Lenexa Logistics Centre South Building 7 11200-11270 Britton Street, Lenexa, Kansas	401,198	$26,479,068 $66.00	5.95%	**Buyer**: A BRES Sponsored Entity **Seller:** Thackeray Partners
Multifamily	**Units**	**Sales Price / Per Unit**	**Cap Rate**	**Buyer/Seller**
Village West Luxury Apartments 11024 Delware Parkway, Kansas City, Kansas	306	$65,100,000 $212,745	3.50%	**Buyer**: Avanti Residential **Seller**: JVN Realty Corp.
Carrington Park 8501 N Platte Purchase Dr, Kansas City, Missouri	298	$56,750,000 $190,436	3.84%	**Buyer**: Cohen-Esrey **Seller**: Van Trust
Sunnyside Garden 806 NE Sunnyside School Rd, Blue Springs, Missouri	293	$33,710,000 $115,051	3.57%	**Buyer**: Living Well Homes **Seller**: Sunnyside Garden Apartments-Blue Springs, LLC
Kenilworth Apartment Homes 4120 W 94th Terrace, Prairie Village, Kansas	246	$45,018,000 $183,000	4.00%	**Buyer**: Avanti Residential **Seller**: LANE4 Prop Group Inc, Jones Dev Co LLC
The Locale 6201 Johnson Dr, Mission, Kansas	201	$60,000,000 $298,507	4.20%	**Buyer**: Avanti Residential **Seller**: EPC Real Estate Group
Fairways at City Center 8891 Mill Creek Road, Lenexa, Kansas	80	$45,200,000 $565,000	4.00%	**Buyer**: Private Equity Group **Seller**: Hunt Midwest
Retail	**SF**	**Sales Price / Per SF**	**Cap Rate**	**Buyer/Seller**
Adam's Dairy SE Corner of I-70 & Adam's Dairy, Blue Springs, Missouri	279,843	$31,700,000 $113.28	8.50%	**Buyer**: AlbaneseCormier Holdings **Seller**: Lender-Owned
Marketplace Shopping Center 4201 S Noland Rd, Independence, Missouri	241,682	$20,284,588 $83.93	8.63%	**Buyer**: HJH Inc. **Seller**: NewQuest Epic & Walton Street Capital
Orchard Corners SWC 95th Street and Quivira Road, Lenexa, Kansas	203,280	$36,500,000 $180.00	8.00%	**Buyer**: Orchard Center III, LLC **Seller**: Orchard Center Co, LLC
Northridge Plaza 15380 W 119th St, Olathe, Kansas	164,105	$32,000,000 $195.00	6.84%	**Buyer**: Legacy Development **Seller**: GDA Real Estate
Summit Orchards 440 Northwest Chipman Road, Lee's Summit, Missouri	83,552	$19,100,000 $228.60	6.62%	**Buyer**: JRW Investments **Seller**: Townsend Summit, an affiliate of Townsend Capital
Hobby Lobby 5945 Ikea Way, Merriam, Kansas	55,037	$9,250,000 $168.07	6.25%	**Buyer**: Agree Central LLC **Seller**: DDR Merriam Village LLC

Block Income Funds

BLOCK INCOME FUNDS

Block Funds is a leading real estate private equity firm that specializes in the creation and preservation of generational wealth and passive income for our investors through commercial real estate partnership opportunities. Block Funds' online Investor Portal delivers a transparent and efficient way to make allocations and monitor interests in institutional-quality commercial properties from virtually anywhere. The partnership reduces required investment amounts for the individual, unlocking ownership opportunities that were once unattainable for many private investors.

OBJECTIVES

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

BLOCK INCOME FUNDS I-IV

The four private equity funds originally created by Block Funds were a way to provide the wealth building benefits of the team's experience to accredited investors, independent investment advisors and family office wealth managers. Block Income Fund I was officially closed out with the last K-1 being issued in 2018. Exiting partners were redeemed out of Block Income Fund II mid-year 2019. The Fund then transitioned to a single-asset investment owned by the remaining partners.

Habberton Ridge, a 98-unit multifamily community located in Springdale as part of the Northwest Arkansas MSA, was purchased by a BRES sponsored entity in 2021. The 49 duplexes were built by Riggins Construction, a well-known home builder in Northwest Arkansas in 2021 and initially purchased by Habberton Ridge Duplexes, LLC out of Fort Smith, whom a BRES sponsored entity ultimately purchased them from.

Lenexa Logsitcs Centre North - Building 5, a 565,027 square feet industrial development in Lenexa, Kansas officially began construction in 2021.

Block Income Fund III – Plaza West was sold in October of 2020. Looking ahead to 2022, both Riverside Business Center and Staples Building will be marketed for sale.

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

BLOCK MEZZANINE FUND I

A new opportunity in 2021, Block Mezzanine Fund I (BMF) is an opportunity created for family offices, pensions, endowments, foundations, registered investment advisors, and accredited investors. BMF will invest in the acquisition and development of commercial real estate across the Midwest and other dynamic markets. The goals of BMF are to deliver:

- Short-term investments (one to three years per investment) in preferred equity positions.
- Predictable, priority returns with a track record proven sponsor.
- Lower overall portfolio volatility through diversification in fixed-income investments via current pay distributions.
- An inflation hedge.

SYNDICATIONS

A list of some transactions throughout 2021 can be found on the chart on the following page. A few of the more notable transactions are detailed out by property type:

- **Industrial** – Lenexa Logistics Centre North saw the start of construction on Building 5.
- **Multifamily** – The acquisition of Habberton Ridge resulted in the addition of 98-units in the Springdale, Arkansas area.
- **Retail** – Prime Social Rooftop opened in 46 Penn Centre in November 2021 and Ocean Prime is slated to finish construction in the first quarter of 2022.

COMING SOON - 2022

As mentioned earlier, current assets Riverside Business Center and Staples Building will be marketed for sale in the coming year. Additional opportunities will continue to be offered to our accredited investors as they are identified.

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

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

Contributors: Brian R. Beggs, CFA, Chief Investment Officer; Zachery Gant, Financial Analyst

INVESTORS Transaction History Sample

Property	Location	Property Type	Units	Square Feet	Deal Type	Investment Status
2021						
Ocean Prime / Prime Social at 46 Penn Centre	Kansas City, Missouri	D-R	-	14,072	New Construction	Closed
Lenexa Logistics Centre North Building 5	Lenexa, Kansas	D-I	-	565,027	New Construction	Closed
Lenexa Logistics Centre Building 7	Lenexa, Kansas	D-I	-	401,198	New Construction	Closed
Towne Park	Springdale, Arkansas	A-MF	237	-	Stabilized	Closed
Residence at Stratmoor	Colorado Springs, Colorado	A-MF	78	-	Stabilized	Closed
Habberton Ridge	Springdale, Arkansas	A-MF	98	-	Stabilized	Closed
Residences at River View (Bici Flats)	Des Moines, Iowa	A-MF	154	-	Stabilized	Closed
Millpark Logistics Center	Maryland Heights, Missouri	D-I	-	92,450	New Construction	Closed
1010 SE 54th Street	Ankeny, Iowa	A-I	-	201,884	Stabilized	Closed
8040 Bond Street	Lenexa, Kansas	A-I	-	55,120	Stabilized	Closed
5701 Park Avenue	Des Moines, Iowa	A-I	-	518,564	Stabilized	Closed
TOTALS			**567**	**1,848,315**		
2020						
Buckeye Crossing Townhomes	Bentonville, Arkansas	A-MF	96	-	New Construction	Closed
Woodland Park	Rogers, Arkansas	A-MF	427	-	Stabilized	Closed
3901 Dixon Street	Des Moines, Iowa	A-I	-	200,000	Stabilized	Closed
Platte Valley Industrial Center 5	Riverside, Missouri	A-I	-	155,682	Stabilized	Closed
F&R Medical, LLC	Four Locations, North Carolina	A-MED	-	62,388	Stabilized	Closed
Linpage Industrial Center	St.Louis, Missouri	A - I	-	273,556	Stabilized	Closed
TOTALS			**523**	**691,626**		
2019						
Barrington Park Townhomes	Lenexa, Kansas	A-MF	408	-	Value-Add	Closed
Buckeye Crossing	Bentonville, Arkansas	A-MF	96	-	New Construction	Closed
Pine Meadow Townhomes	Shawnee, Kansas	A-MF	102	-	Stabilized	Closed
Westowne Center	West Des Moines, Iowa	A-R	-	181,974	Value-Add	Closed
Villas at Waterside	Lenexa, Kansas	D-MF	296	-	Development	Open
CityPlace Corporate Centre I	Overland Park, Kansas	D-O	-	125,912	Development	Closed
TOTALS			**902**	**307,886**		
2018						
Northgate Plaza Shopping Center	Pittsburg, Kansas	A-R	-	85,622	Re-Development	Closed
Pinecrest Townhomes	Olathe, Kansas	A-MF	144	-	Value-Add	Closed
CityPlace Corporate Center III	Overland Park, Kansas	D-O	-	120,268	Development	Closed
44 Washington	Kansas City, Missouri	D-MF	196	-	Development	Closed
The Royale at CityPlace	Overland Park, Kansas	D-MF	344	-	Development	Closed
The Apex at CityPlace	Overland Park, Kansas	D-MF/R	370	18,500	Development	Closed
TOTALS			**1,054**	**224,390**		
2017						
Traders on Grand	Kansas City, Missouri	RE-MF/R	202	11,090	Re-Development	Closed
Wall Street Tower Parking Garage	Kansas City, Missouri	A-R	207*	-	Re-Development	Closed
Frontier Justice	Kansas City, Kansas	D-R	-	29,923	Stabilized	Closed
46 Penn Centre	Kansas City, Missouri	D-O	-	220,831	Development	Closed
Earth City Logistics Center	Earth City, Missouri	D-I	-	130,825	Development	Closed
Waterchase Gardens	Fort Worth, Texas	A-MF	79	-	Stabilized	Closed
Corbion BTS (Pine Ridge 31)	Lenexa, Kansas	D-I	-	58,106	Development	Closed
WaterSide Residences (Phase II)	Lenexa, Kansas	D-MF	104	-	Development	Closed
TOTALS			**385**	**450,775**		
5-YEAR TOTALS			**3,431**	**3,522,992**		

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

Block Construction Services Projects

Block Construction Services (BCS) managed over $246 million in development projects and coordinated over $25 million in tenant improvement work in 2021. Development projects and tenant improvements under construction in 2021 included work in all sectors, including industrial/warehouse/distribution, office, multifamily, and retail.

OFFICE

After completing 46 Penn Centre in late 2020, tenant finishes have been ongoing in this Class A office building featuring 200,465 square feet of office space in eight stories.

Ohio-based Cameron Mitchell Restaurants has opened two restaurants in 46 Penn Centre:

- Prime Social Rooftop, a 5,500 square foot upscale cocktail lounge at the building's enclosed rooftop offering eastern and southern views of the Country Club Plaza along with outdoor seating and a fire pit.
- Ocean Prime is considered one of the finest restaurants in the U.S. and is Cameron Mitchell's first location in Missouri. Its 8,500 square feet of space includes three private dining rooms and a peninsula bar.

Additional tenants at 46 Penn Centre include:

- CrossFirst Bank
- RSM US, LLP
- Pulse Design Group
- UBS Financial Services, Inc.
- Triad Capital Advisors, Inc.
- Parris Communications, Inc.
- Fisher & Phillips, LLP
- 1248 Holdings, LLC
- Block Real Estate Services, LLC

Construction was completed on The Villas at 44 Washington, an eight unit sister development to The Residences at 44 Washington, in 2021. Located just south of The Residences and north of the Country Club Plaza, residents of The Villas are treated to a class A+ luxury living experience. Each unit includes three or more outdoor terraces, two-story living room spaces, sophisticated electric fireplaces, condo quality kitchen and bathroom packages, walk-in closets, and sizable bedrooms. The development was fully leased up by property manager Block Multifamily Group shortly after opening.

BLOCK CONSTRUCTION SERVICES

INDUSTRIAL/WAREHOUSE/DISTRIBUTION

Construction is ongoing in the 79-acre Lenexa Logistics Centre East development. 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.

In 2021, construction was completed on Lenexa Logistics Centre East Buildings 2 and 4. Building 2, with 274,031 square feet, was completed in October 2021. Building 4, with 606,623 square feet, was completed May 2021, and tenants include Advantage Sales & Marketing LLC. Building 3, with 249,150 square feet, was completed in 2020.

Construction has commenced on the 148.5-acre Lenexa Logistics Centre North Phase II industrial logistics and distribution park. Eight buildings that range in size from approximately 51,000 square feet to 565,000 square feet are planned.

Lenexa Logistics Centre North Building 5 with 565,027 square feet is scheduled to be completed March 2022. Lenexa Logistics Centre North Building 11 with 200,000 square feet is a build-to-suit for M S International, Inc. and is expected to be completed December 2022.

Construction has also commenced on Millpark, a 92,450 square foot industrial warehouse and office building in Maryland Heights, Missouri. Construction is expected to be completed in April 2022. Tenants include Tierpoint.

Bastian, a 140,000 square foot, tilt-up build-to-suit industrial building in Maryland Heights, Missouri, is also under construction with a November 2022 completion date.

MULTIFAMILY

In 2021, construction was completed on:

- Apex at CityPlace, the second multifamily community at the mixed-use CityPlace resort style community development in Overland Park, Kansas. The Apex is a Class A multifamily project that includes 18,500 square feet of retail space and 370-units.
- Villas at 44 Washington includes eight three-bedroom, penthouse quality units with an emphasis on luxury finishes featuring chef's kitchens, two-story vaulted living rooms and multiple terraces in each unit. The Villas at 44 Washington is adjacent to the original 196-unit 44 Washington community close to the Country Club Plaza in Kansas City.
- Villas at Waterside, a luxury multifamily project adjacent to the Waterside Residences on Quivira development, consists of 296 units providing report-style living with Class A+ finishes and amenities in Lenexa, Kansas.

Construction is ongoing at The Residences at Galleria consisting of 322 Class A+ units in this mixed-use

development comprised of office, retail, restaurant, entertainment, and multifamily uses located adjacent to Aspiria (formerly Sprint world headquarters campus) in Overland Park, Kansas.

Construction commenced in November for The Clearing at Anderson Pointe which will include five four-story apartment buildings totaling 270 apartment units and twelve four-plex two-story townhomes with 48 units. This multifamily development in Olathe, Kansas will also include a free-standing clubhouse with outdoor pool amenities, walking trails and a dog park. Construction is scheduled to be completed March 2024.

RETAIL

Both the Apex at CityPlace and The Galleria mixed-use developments include retail space in addition to multifamily units. Retail tenants at the Apex at CityPlace include Beloved Nails and UnCorked. Retail tenants at The Galleria include Whataburger, Chick-Fil-A and Fidelity Brokerage Services.

MASTER PLANNING

Master Planning efforts include the following projects:

- Galleria Phase II - Office, retail, restaurant, entertainment, and second multifamily community with 356 multifamily units and a 269,533 square foot Class A retail center in Overland Park, Kansas.
- 47 Madison - Multifamily development with 238 luxury units in Kansas City, Missouri.

Due to be completed in the early part of 2022, Lenexa Logistics Centre North Building 5 is currently under construction as a speculative build by Block Real Estate Services, LLC. Construction of the 565,027 square foot industrial building is being managed by Block Construction Services. Located in the Lenexa Logistics Centre master planned industrial park, which when fully built out will total over 5.3 million square feet of industrial and warehouse space, it is the third of a planned eight buildings in the North Phase II development.

- The Majestic at CityPlace - Third multifamily community at the CityPlace mixed-use development in Overland Park, Kansas with 355 units.
- The View at Castle Rock - 221-unit multifamily property with approximately 19,375 square feet of office and commercial space in Castle Rock, Colorado.
- CityPlace Corporate Centre IV – 188,868 square foot, six-story office building in Overland Park, Kansas.
- 143rd & Metcalf – 368-unit multifamily development in Overland Park, Kansas.
- College & Ridgeview – 377-unit multifamily development in Olathe, Kansas.
- K-7 Logistics Centre – 406,793 and 551,793 square foot industrial buildings in Shawnee, Kansas.
- Riverside Logistics Centre II – 300,176 square foot industrial building in Riverside, Missouri.

TENANT IMPROVEMENTS

Some of the projects coordinated by our tenant improvement division during 2021 include:

- One Digital at CityPlace Corporate Centre I
- Brinkmann Constructors at CityPlace Corporate Centre I
- Principal Life Insurance Company at CityPlace Corporate Centre I
- Actuarial Resources Corporation at CityPlace Corporate Centre I
- Essense of Australia at Lenexa Logistics Centre East Building #3
- MAVS at Lenexa Logistics Centre East Building #3
- Emerson Ecologies at Lenexa Logistics Centre East Building #3
- Advantage Sales & Marketing at Lenexa Logistics Centre East Building #4
- Aircraft Electrical at Riverside Industrial Center #2
- WANRack at Roe Corporate Centre

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

Block Multifamily Group

BLOCK MULTIFAMILY GROUP

In 2021, Block Multifamily Group (BMG) was successful in managing nearly 9,600 units across the United States. Throughout 2021, the portfolio increased in size by approximately 4,100 units, which is a 75% overall increase. With 50 assets currently under management, the firm's growth is already set to continue in 2022 with a portfolio takeover of nine properties, totaling 971 units.

BMG currently manages all classes of multifamily assets, including new construction, renovation projects, and stabilized assets, across seven states. BMG is continuing to expand its third-party portfolio with growth in the Kansas City area, Northwest Arkansas and Shreveport, Louisiana.

The BMG team completed six different due diligence assignments throughout the year for both BRES-owned and fee managed clients. Our due diligence team has finetuned the tools that we use to complete both site and file audits, custom to each property assignment.

An additional focus throughout 2021 has been renovation projects. The teams have continued interior renovations at Barrington Park Townhomes, a 408-unit townhome property built in 1985, which have led the asset to maintain 97.28% average occupancy throughout the year and 10.25% rent growth. Pine Meadow Townhomes and PineCrest Townhomes are also continuing interior renovations in the Kansas City market. These assets have seen 8.88% and 12.61% rent growth, respectively.

In February 2021, BMG took on five stabilized, fee managed assets in Little Rock, Arkansas, Bowman Heights, Chapel Ridge of Conway, Colony West, The Waterford, and Towne Oaks. Rupple Townhomes, a new development in Fayetteville, Arkansas was also added to the fee-managed portfolio in June 2021. Additionally, throughout the year, the firm added Towne Park Apartments and Habberton Ridge, both in Springdale, Arkansas, and The Residences at River View, located in Des Moines, Iowa, to the BRES-owned portfolio.

New development additions for the 2021 year included The Villas at WaterSide in Lenexa, Kansas, and The Villas at 44 Washington in Kansas City, Missouri.

The Villas at Waterside is a 298-unit asset that opened its Clubhouse in April 2021. The community welcomed their first residents in May, and by the end of the year, the asset reached 90% occupancy. The community is comprised of Executive Suites, One-Bedroom, Two-Bedrooms, and Two-Bedrooms with a Den. This community does a wonderful job of combining indoor and outdoor amenity spaces to create a level of refinement that is unparalleled in the

The Villas at WaterSide welcomed their first residents in May 2021 and reached 90% by the end of the year. A 298-unit luxury community located in Lenexa, Kansas, it offers resort-style living with class A+ finishes and amenities. The community combines indoor and outdoor amenity spaces to create a level of refinement that is unparalleled in Lenexa, Kansas.

Lenexa, Kansas suburb. Indoors, the amenities include a tanning room, massage room, conference room, summer kitchen, state-of-the-art chef's kitchen with seating for 20+ guests, theater lounge, co-working space, and fitness center with both yoga and cycle studios. Outside, the amenities include a hammock garden, putting green, ping pong table, horseshoe court, pickleball courts, outdoor theater, fire pits, year-round hot tub, zero-entry swimming pool, and grill area. Residents also have access to a set of branded bikes to use around the walking trail or to visit any of the nearby parks or bike trails. The Villas at Waterside truly supplies its residents with the absolute finest lifestyle.

The Villas at 44 Washington is a community unlike anything the market has seen before, and unlike anything that BMG has previously developed or managed. The Villas at 44 Washington, adjacent to 44 Washington Apartments, in Kansas City, Missouri, just North of the Country Club Plaza, is comprised of eight Penthouse-style units. Each unit varies slightly, creating a unique appeal for each floor plan. Two of the units have their own fenced-in yard, while some units have a catwalk over the living room, which creates an oversized outdoor balcony space. A few units have an additional storage closet in the upstairs hallway and every unit is two-story, three-bedrooms, three and a half bathrooms, with more than 2,100 square feet of livable space and include garage parking. Fueled by the success of 44 Washington, which hit stabilization less than one year after opening in May 2020, The Villas at 44 Washington hit 100% leased within 90 days and were able to maintain their budgeted price at $1.95 per square foot. With just eight units, residents at The Villas at 44 Washington maintain privacy within a multifamily housing space, while being able to enjoy the gorgeous amenities that 44 Washington Apartments offer. These amenities include a massive swimming pool with swim-up bar, year-round hot tub, great hall with chef's kitchen, elite fitness center, and flex workspace. The finishes in each unit were selected with an acute attention to detail, from the modern, deep blue kitchen accents, to the perfectly selected quartz countertops, to the floating shelves in the laundry rooms and gallery lighting in the dining nook. The Villas at 44 Washington truly make residents feel like every home is the penthouse.

Both new development projects include smart home technology and temperature-controlled package delivery rooms. With so many people moving to meal delivery options, this addition has been a great success in providing residents with one more amenity that makes life easier.

As BMG finalizes the lease up process for The Villas at Waterside and The Apex at CityPlace, our firm continues to look to the future and new development planning efforts. In 2021, these efforts included The Residences at Galleria, which will be a 322-unit asset in the Leawood/Overland Park submarket, and The Clearing at Anderson Pointe, which will be a 318-unit asset with a mix of apartments and townhomes in the Olathe submarket. Construction for The Residences at Galleria has progressed throughout 2021 with expected turnover in early spring of 2022. The ground clearing for The Clearing at Anderson Pointe began in late 2021 with a current anticipated turnover of summer of 2023. Construction was also started in Castle Rock, Colorado, on a 221-unit asset scheduled to be delivered in late 2023.

Additional development projects are on the horizon in the Kansas City region and are scheduled to break ground in 2022. These include The Madison in Kansas City, Missouri, along the Country Club Plaza corridor, The Majestic at CityPlace, which will be the third multifamily asset in the mixed-use CityPlace development in Overland Park, Kansas, and The Villas at Galleria, which will be the second multifamily development in the mixed-use Galleria development in Leawood, Kansas.

Contributors: Alison McCranie, Director of Marketing; Chandler Thompson, Executive Vice President; and Jason Charcut, President.

MARKET STATISTICS

FOURTH QUARTER 2021 DATA

2021 OFFICE

MARKET	INVENTORY	# OF BUILDINGS	OVERALL VACANCY	YTD DELIVERIES	NET ABSORPTION	AVG. FULL SERVICE RENT
College Boulevard	21,206,767	388	11.40%	132,000	(127,230)	$22.10
Central Business District	17,752,318	186	7.20%	522,656	48,057	$23.83
Topeka	11,922,838	580	6.20%	0	(114,991)	$16.64
South Johnson County	9,194,988	506	13.00%	131,623	8,500	$20.09
Northeast Johnson County	8,712,602	424	12.00%	0	11,565	$19.91
Country Club Plaza	5,519,567	121	9.10%	0	30,165	$28.79
I-35 Corridor	8,476,326	467	6.30%	0	41,425	$18.93
Crown Center	6,439,992	68	18.20%	0	(164,502)	$21.41
Northwest Johnson County	5,085,614	271	9.30%	0	(41,614)	$20.84
South Kansas City, Missouri	5,485,716	172	4.80%	0	2,026	$19.13
East Jackson County	7,138,462	630	6.30%	15,000	(59,612)	$16.67
Midtown	4,525,709	263	4.30%	220,000	28,601	$19.71
Kansas City, Kansas	3,413,574	231	4.70%	0	(3,812)	$20.07
I-29 Corridor	3,787,578	159	25.90%	7,500	17,293	$17.97
Ward Parkway	3,484,404	96	6.00%	0	24,496	$19.88
Southeast Jackson County	3,448,320	277	6.80%	122,800	(143,671)	$20.55
Kansas City, Missouri	3,791,588	205	7.00%	21,396	20,298	$18.15
Lawrence	3,236,519	286	9.60%	13,293	12,620	$19.68
St. Joseph	3,281,304	246	6.50%	0	31,110	$13.54
Freight House District	2,612,076	119	16.10%	0	27,151	$23.85
Downtown KC Kansas	1,723,554	71	4.00%	0	4,650	$14.39
West Bottoms	2,013,841	63	7.10%	0	3,600	$18.81
Leavenworth County	1,074,867	87	9.00%	0	7,888	$18.14
Cass County	823,678	133	5.10%	0	(10,607)	$22.63
Outer South Kansas City	404,795	68	0.90%	0	0	$19.91
Outlying KC Missouri	275,302	61	3.50%	0	0	$18.44
Lafayette County	157,100	39	7.00%	0	0	$16.91
TOTAL OFFICE	**144,989,399**	**6,217**	**9.27%**	**186,268**	**(346,594)**	**$20.40**

Information accurate as of 12/31/21

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MARKET STATISTICS CONTINUED

2021 RETAIL

MARKET	ESTIMATED INVENTORY	PERCENT VACANT	VACANCY SF	NET ABSORPTION	AVG. RENTAL RATE	PLANNED DEVELOPMENT
Johnson County	40,310,364	6.80%	2,744,595	113,900	$16.07	366,655
East Jackson County	18,507,843	7.70%	1,631,035	161,883	$10.47	0
Midtown/Downtown/Plaza	29,652,941	3.80%	1,564,007	131,867	$15.29	157,596
Kansas City, Kansas	8,595,229	2.70%	318,138	(7,605)	$10.70	0
North of the River	19,648,995	4.20%	1,230,370	25,075	$15.13	217,493
TOTAL RETAIL	**116,715,372**	**5.40%**	**8,045,336**	**461,567**	**$14.50**	**741,744**

2021 WAREHOUSE/BULK INDUSTRIAL

MARKET	INVENTORY	# OF BUILDINGS	OVERALL VACANCY	LEASING ACTIVITY	NET ABSORPTION	AVG. GROSS RENT
KCI/Airworld	9,300,000	80	1.90%	424,000	1,400,000	$5.39
North Kansas city/Riverside	25,700,000	520	3.60%	2,000,000	824,000	$5.33
Executive Park/Northland	44,600,000	429	5.00%	3,100,000	339,000	$5.77
Wyandotte County	45,900,000	967	5.40%	2,000,000	586,000	$5.36
Johnson County	78,200,000	1,574	5.90%	4,700,000	3,100,000	$6.74
East Jackson County	91,900,000	2,685	3.20%	1,900,000	1,100,000	$5.41
TOTAL WH/BULK SPACE	**296,000,000**	**6,255**	**4.50%**	**14,100,000**	**7,400,000**	**$4.94**

2021 LIGHT INDUSTRIAL/FLEX

MARKET	INVENTORY	# OF BUILDINGS	OVERALL VACANCY	LEASING ACTIVITY	NET ABSORPTION	AVG. GROSS RENT
KCI/Airworld	970,000	17	7.80%	26,800	1,800	$9.83
North Kansas city/Riverside	541,000	16	3.30%	0	(8,800)	$11.42
Executive Park/Northland	379,000	18	3.30%	29,700	13,200	$8.58
Wyandotte County	925,000	42	7.60%	66,000	26,700	$7.42
Johnson County	7,000,000	270	8.00%	472,000	46,100	$10.60
East Jackson County	6,100,000	231	7.10%	124,000	-63,900	$9.75
TOTAL LIGHT INDUSTRIAL/FLEX	**15,900,000**	**594**	**7.40%**	**718,000**	**15,000**	**$10.02**
TOTAL FLEX + BULK	**311,000,000**	**6,849**	**4.70%**	**14,800,000**	**7,400,000**	**$6.02**

2021 MULTIFAMILY

MARKET	UNIT INVENTORY	OVERALL VACANCY	AVG. ASKING RENT	ASKING RENT YOY CHANGE	UNITS UNDER CONST.
South Johnson County	35,479	5.00%	$1,276	$157,000	1,916
North Johnson County	30,497	5.90%	$1,163	$139,000	590
CBD/Crown Center	11,220	8.40%	$1,382	$186,000	717
Country Club Plaza/Midtown	17,176	7.70%	$1,102	$126,000	713
South Kansas City	11,685	7.00%	$866	$90,500	92
North of the River	34,241	5.50%	$1,063	$138,000	975
Kansas City, Kansas	13,375	4.90%	$874	$86,600	521
East Jackson County	19,546	6.50%	$958	$98,200	156
Southeast Jackson County	8,592	4.90%	$1,116	$113,000	663
TOTAL MULTIFAMILY	**182,963**	**6.10%**	**$1,117**	**$132,000**	**6,933**

Information accurate as of 12/31/21

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