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Q3 2011

Kansas City Office Real Estate Market Report

ZIMMER BY THE NUMBERS

Real Estate Transactions per Year — 400 +

SF Sold/Leased in 2010 — 3,354,609 SF

Commercial Property Under Management — 4.9 Million SF

Commercial Space Developed — 2,900 acres, 28.5 million SF

National, International Real Estate Activity — 48 states, 5 countries

National Real Estate Activity (last 12 months) — 34 states

Zimmer Offices — 3

Top Real Estate Firm Honors — 8 consecutive years

CoStar PowerBroker Award — 2002, 2003, 2004,

2005, 2006, 2008, 2009, 2010, 2011

Billion Dollar Projects — 3

International SIOR Presidents — 2

Counselors of Real Estate (CREs) — 3

Designations Held — SIOR, CCIM, CRE, FRICS, LEED AP, RPA, CPM, CFM,

CEcD, AICP, NCARB, EDFP, HDFP, CPA, BOC



2010 CAPSTONE AWARD WINNERS

- ◆ **Special Judge's Recognition Collaboration Union Station**
- ◆ **Sale of Parklane Hospital to River of Refuge**
- ◆ **Development of new facility for Midwest Public Risk**

2009 CAPSTONE AWARD WINNERS

- ◆ **Sale of Lenexa Industrial Park Portfolio**
- ◆ **Representation of Restaurant Depot for new facility in Kansas City**

2008 CAPSTONE AWARD WINNER

- ◆ **Development of the College Basketball Experience**

2007 CHAMPIONS OF BUSINESS INAUGURAL AWARD WINNER.

2007 CAPSTONE AWARD WINNER

- ◆ **Lease expansion for Grantham University**

2006 CAPSTONE AWARD WINNERS

- ◆ **Regional Impact Special Recognition Village West Tourism District**
- ◆ **Sale of former Sprint World Headquarters**



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Big moves highlight third quarter

The Kansas City Office market displayed lower rental rates in the third quarter as landlords balanced lease term profitability with space inactivity.

Rental rates, based on a quoted full-service basis, dropped an average of 4.25 percent in all seven submarkets from Q3 2010 to Q3 2011. As landlords continued to prioritize filling vacant spaces at the expense of short-term profitability, the third quarter realized several sizeable transactions and announcements.

Continuing its significant commitment to the Kansas City metro, Burns & McDonnell announced an eight-year renewal for 156,000 square feet at 9201 State Line in Kansas City, MO. In addition, Burns & McDonnell will add an estimated 500 jobs to the metro by 2013 and invest \$25 million in renovations to its headquarters campus located at

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Artist's rendering of the new Polsinelli Shugart headquarters located at the former Plaza West Edge site.

Positive announcements better than meager stats

Lower vacancy statistics alone aren't impressive, so certain headlines and announcements are needed to generate a more positive outlook for the Kansas City office market. One major announcement doesn't affect the numbers yet, but does spark a positive outlook.

The law firm, Polsinelli Shugart PC, announced last quarter they were taking over the much-maligned West Edge project, which translates into more vacancy for two Class A towers — one downtown and one on the Plaza. At the same time, its move-out replaces the anticipated vacancy that was to be created by the original West



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Edge developer, Bernstein Rein.

Polsinelli's announcement creates an almost statistical wash in vacancy but the highly visible project now has a key tenant which is not only a

positive for the Plaza submarket, but also settles a project conundrum. Developers Caymus and Van Tuyl will make West Edge ready for a 2013 occupancy, giving owners of the current Polsinelli space time to backfill its vacancies.

Other major Plaza submarket projects on the drawing boards can now

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KANSAS CITY OFFICE MARKET REPORT

Q3 2011

KANSAS CITY OFFICE MARKET

submarket	total SF	# of buildings	submarket	total SF	# of buildings
Downtown / Crown Center	11,627,795	66	N of the River	3,280,337	63
E Jackson County	1,806,981	65	S Kansas City / Ward Pkwy	2,779,396	34
Midtown / Plaza	3,660,267	41	S Johnson County	13,905,620	181
N Johnson County	6,001,064	106			

In order to create a clear picture of Kansas City's office market, Zimmer's office team has created a composite market set by tracking select properties to provide an accurate indication of market status and trends. The above graph depicts the number of buildings selected in each submarket and the respective total square footage of rentable square feet. For more information about Zimmer's methodology, see page 10 of this packet, or send inquiries to research@zimmercos.com.

TOTAL COMPOSITE MARKET (SF)

Submarket	Q3 2010	Q2 2011	Q3 2011	(YR) Change	(QTR) Change
Downtown	11,627,795	11,627,795	11,627,795	—	—
E Jackson County	1,806,981	1,806,981	1,806,981	—	—
Midtown/Plaza	3,660,267	3,660,267	3,660,267	—	—
N Johnson County	6,001,064	6,001,064	6,001,064	—	—
N of the River	3,280,337	3,280,337	3,280,337	—	—
S Kansas City	2,779,396	2,779,396	2,779,396	—	—
S Johnson County	13,809,894	13,905,620	13,905,620	▲	—
ALL	42,965,734	43,061,460	43,061,460	▲	—
AVERAGE	6,137,962	6,151,637	6,151,637	▲	—
MEDIAN	3,660,267	3,660,267	3,660,267	—	—

AVERAGE QUOTED RENTAL RATES (TOTAL/FULL SERVICE)

Submarket	Q3 2010	Q2 2011	Q3 2011	(YR) Change	(QTR) Change
Downtown	\$18.82	\$16.87	\$16.75	▼	▼
E Jackson County	\$16.85	\$15.75	\$15.84	▼	▲
Midtown/Plaza	\$22.62	\$21.63	\$21.31	▼	▼
N Johnson County	\$17.38	\$16.75	\$16.79	▼	▲
N of the River	\$16.17	\$16.16	\$16.12	▼	▼
S Kansas City	\$17.28	\$16.92	\$16.88	▼	▼
S Johnson County	\$20.55	\$20.57	\$20.36	▼	▼
ALL	\$19.11	\$18.35	\$18.23	▼	▼
AVERAGE	\$18.52	\$17.81	\$17.72	▼	▼
MEDIAN	\$17.38	\$16.87	\$16.79	▼	▼

AVERAGE QUOTED RENTAL RATES (DIRECT/FULL SERVICE)

Submarket	Q3 2010	Q2 2011	Q3 2011	(YR) Change	(QTR) Change
Downtown	\$19.03	\$17.03	\$16.90	▼	▼
E Jackson County	\$16.85	\$15.75	\$15.84	▼	▲
Midtown/Plaza	\$22.60	\$21.91	\$21.31	▼	▼
N Johnson County	\$17.58	\$16.89	\$16.95	▼	▲
N of the River	\$16.21	\$16.19	\$16.15	▼	▼
S Kansas City	\$17.50	\$17.07	\$16.98	▼	▼
S Johnson County	\$20.99	\$20.78	\$20.68	▼	▼
ALL	\$19.36	\$18.52	\$18.41	▼	▼
AVERAGE	\$18.68	\$17.95	\$17.83	▼	▼
MEDIAN	\$17.58	\$17.03	\$16.95	▼	▼

AVERAGE QUOTED RENTAL RATES (SUBLET/FULL SERVICE)

Submarket	Q3 2010	Q2 2011	Q3 2011	(YR) Change	(QTR) Change
Downtown	\$13.37	\$13.59	\$13.53	▲	▼
E Jackson County	N/A	\$15.00	\$15.00	—	—
Midtown/Plaza	\$23.44	\$17.88	\$21.34	▼	▲
N Johnson County	\$14.17	\$13.98	\$13.94	▼	▼
N of the River	\$15.07	\$15.05	\$15.05	▼	—
S Kansas City	\$16.76	\$16.74	\$16.73	▼	▼
S Johnson County	\$16.93	\$17.95	\$17.35	▲	▼
ALL	\$15.94	\$15.79	\$15.87	▼	▲
AVERAGE	\$16.62	\$15.74	\$16.13	▼	▲
MEDIAN	\$15.92	\$15.05	\$15.05	▼	—



Recognized by CoStar, Inc.

Sales and Leasing Activity in 2002, 2003,
2004, 2005, 2006 , 2007, 2008, 2009, 2010

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