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Kansas City Chapter

KANSAS CITY'S COMMERCIAL REAL ESTATE DEALMAKERS 2025

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CCIM Kansas City President's Message for 2025

As of March 2025, Kansas City's economy continues to demonstrate resilience and growth, with the commercial real estate (CRE) sector playing a significant role in this positive trajectory. Recent data and developments provide insight into the current state of the market and its future prospects.

Economic Overview

The Federal Reserve Bank of Kansas City reports that overall economic growth, consumption activity, and job gains had considerable momentum entering the new year, with inflation continuing to stabilize. The region has seen modest hiring activity, particularly in service sectors, and a modest overall price increase, with consumer-oriented businesses experiencing faster price growth. However, uncertainty about the economic outlook remains elevated, prompting questions about how this uncertainty might affect near-term prospects.

Commercial Real Estate Trends

The Kansas City CRE sector has shown notable activity across various property types:

- **Office Market:** As of the fourth quarter of 2024, the Kansas City office market exhibited signs of stabilization. Vacancy rates remained steady, and leasing activity showed signs of improvement as we come out of a period of post-pandemic record low absorption. The market is expected to continue this trend, with modest growth anticipated in the coming quarters.
- **Industrial Sector:** The industrial market has experienced continuous growth, in both delivery and absorption of space. There is still strong demand for these properties, despite an increase in vacancy rates and a reduction in rent growth in 2025. E-commerce and logistics sectors are expected to expand,



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KC CCIM President

with new properties dominating over older vintages.

- **Retail Market:** The retail sector has shown resilience, with steady demand and stable vacancy rates. While there have been a large number of store closures, there is a demand for re-use of much of this space (with vacancy rates at the lowest level on record.) Recent reports indicate a balanced market, with both landlords and tenants adapting to changing consumer behaviors and preferences.
- **Multifamily Housing:** The multifamily sector has seen strong absorption rates, particularly in the latter half of 2024. This positive trend is expected to continue into 2025, with steady demand for apartment units and stable vacancy rates. Transaction volume has slowed with many buyers in the last few years struggling to hit projections, and trying to hold onto properties as lower interest rate loans mature into the current lending environment.

Development and Investment

Development activity in Kansas City has been modest but is showing signs of picking up. Large projects have taken the place of multiple smaller projects, with companies like Panasonic, Alphabet, and a few others dominating the scene and helping to bolster the local economy. These developments are expected to drive further growth in the CRE sector.

Challenges and Considerations

Despite the positive trends, certain challenges persist:

- **State-Line Competition:** The Kansas City metropolitan area spans both Kansas and Missouri, leading to competition between the two states for economic development. This dynamic can complicate efforts to create a cohesive regional economic

strategy, something that has been ongoing for over a decade.

- **Affordability:** While home prices are projected to appreciate by ~5% in 2025, affordability remains a concern. Higher mortgage rates and inflation are making it increasingly difficult for buyers, especially first-time homeowners, to enter the market.
- **Construction Costs:** Construction costs continue to increase, and looming tariffs has created uncertainty for many. Few among us are predicting reduced costs for labor or materials in the foreseeable future.
- **Government Layoffs:** With 30,000 federal employees in Kansas City, some are worried about the impact of possible layoffs and the ripple throughout the local economy. However, for those not directly affected by layoffs, the prospects of lower government spending and reduction in waste offer a welcome attempt to stabilize our national economy, reduce inflation, and possibly reduce federal debt.

Outlook

Looking ahead, Kansas City's economy and CRE sector are poised for continued growth. The region's diverse industry base, strategic location, and ongoing investments in infrastructure and development projects provide a solid foundation for sustained economic health. Stakeholders in the commercial real estate market should remain attentive to evolving economic indicators and regional dynamics to capitalize on emerging opportunities and mitigate potential risks. In conclusion, Kansas City's commercial real estate market reflects the broader economic resilience of the region. With positive trends across various property types and a proactive approach to development and investment, the city is well-positioned to navigate the challenges and opportunities that lie ahead in 2025 and beyond.

Ferd Niemann is President of Kansas City's CCIM Chapter, and also the owner of Niemann Law Group and Niemann Investment Group.



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Agency Lending in the Multifamily Space

As we enter 2025, the commercial real estate (CRE) industry is confronted with a number of challenges and opportunities that will significantly influence the market in 2025. For one, the 10-Year U.S. Treasury – which has been increasing the last couple months – seems ripe for a reduction which could spur sales and refinance activity. We are seeing banks be more selective, focusing primarily on repeat clients with quoted rates about 100 basis points over agency rates. The good news is that rates for CMBS are now only about 50 basis points over Freddie Mac and Fannie Mae rates, providing a nice alternative for deals that just don't fit in the Agency box. National bridge lenders remain active, but it's important to note that rates are typically over eight percent, and there is a requirement to purchase an interest rate cap. As for life companies, they are still active but focus on lower leverage deals.

That being said, multifamily lending continues to be dominated by Fannie Mae, Freddie Mac (GSEs) and FHA/ HUD, with combined 2024 loan volume exceeding \$126 billion (up from \$110 billion in 2023). The Federal Housing Finance Agency (FHFA) announced 2025 multifamily loan purchase caps for Fannie Mae and Freddie Mac will be at \$73 billion each, for a total of \$146 billion; a modest increase reduction from the \$140 billion last year.

The Agencies offer a myriad of programs for borrowers that include loan terms from 5 to 30 years, tiered leverage with rate reduction as leverage goes down and Debt Service Coverage Ratio (DSCR) goes up, flexible pre-payment programs, generous interest-only, and in some cases, the ability to provide 35-year amortizations. Another competitive aspect of Fannie Mae and Freddie Mac is their ability to early rate lock. Both have programs that may allow rate lock within days of a signed application to eliminate interest rate risk in today's volatile rate environment. In most cases, the minimum DSCR is 1.25x and maximum LTV is 75%.

One of the primary objectives for the agencies is to provide financing for Affordable, Mission Driven Business ("mission"), and Workforce Housing ("workforce") across the country. In essence, with mission business, they compare the asset's rents to the Average Median Income (AMI) in the area. The Agencies will look at the percentage of units that are affordable to residents

at 80% AMI in standard markets and higher AMI levels in higher cost markets. Additionally, they will track the percentage of units at 50%AMI. Generally, the higher the percentage of mission units at those levels, the more advantageous the pricing and structuring. For mission deals, there are no title or lender restrictions on rents. The Agencies will simply look at the rent role at origination and run their internal calculation on percentage of mission.

Overall, we can expect Fannie Mae and Freddie Mac to become very competitive in pricing for stabilized or nearly stabilized, affordable, or highly mission-driven housing projects.

In addition, the GSEs have been very active for multifamily loans in the \$1-9 million range. We continue to see a steady pipeline in terms of both new loan requests and signed applications. In today's environment, Fannie Mae's Small Loan program and Freddie Mac's Small Balance Loan program offer a distinct advantage, such as rate lock at application in Freddie's SBL program. Both programs offer competitive interest-only, 5- to 20-year loan terms with 30-year amortizations.

Following an uptick in 2021 and 2022, FHA/ HUD financing has seen a bit of a slowdown, primarily in the 221(d)(4) construction/perm program as a direct result of fewer construction starts. That being said, the 223(f) program is still very active due to the U.S. Department of Housing and Urban Development revising its policy that previously required three years of post-construction occupancy for multifamily properties when applying for a refinance under the National Housing Act Section 223(f). Now, HUD is accepting applications for refinancing newly built or substantially rehabilitated properties as soon as properties achieve the applicable programmatic DSCR of 1.17x for a minimum of one full month. Lifting the three-year requirement, the new policy will make FHA-insured mortgage financing available to borrowers sooner after construction completion and lease-up. The 35-year term with a 35-year amortization makes the 223(f) a very attractive option for cash-out refinances. Additionally, HUD recently announced a revised policy that allows borrowers to have distributions monthly, which were previously capped at twice per year. In 2024, Berkadia was recognized as the #1 Freddie Mac Lender by Volume, making



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Berkadia - Agency Lending

it Freddie Mac's top partner for the 4th consecutive year, and the #2 Fannie Mae DUS Lender by Volume in 2024. On a combined basis, with both Freddie Mac and Fannie Mae ("the multifamily GSEs"), Berkadia delivered over \$13.45 billion in loans, making it the largest GSE lender in the country.

Both Fannie Mae and Freddie Mac did not utilize their entire \$70 billion caps in 2024, lending \$50 billion and \$66 billion, respectively. In 2025, they are focused on meeting their new mission-driven goals, each with \$73 billion caps. New business activity in the early weeks of 2025 shows that the GSEs are competing very aggressively. Mission-driven business or naturally occurring affordable housing

remains the most desirable product for the GSEs, and we have seen broad pricing spread reductions targeting this business, which helps mitigate a rising UST. The GSEs continue to price opportunistically for all quality business and will continue to make pricing adjustments assessing the competition and deal flow.

The liquidity that the GSEs and HUD provide to the multifamily housing market is most critical and when market demand spiked for GSE capital in 2024, Berkadia was the market's number one choice. As we head into 2025, we look forward to continuing to provide competitive financing solutions to our clients.

John J. Schorgl is a Managing Director at Berkadia based in the Kansas City office and can be reached at 913-209-9815 or john.schorgl@berkadia.com. He has over 25 years' experience in commercial real estate mortgage banking and has closed well over \$1 billion in loans since joining Berkadia in 2016.

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The Kansas City Office Market: A Tale of Two Realities

The Kansas City office market is a tale of two markets when looking at leasing velocity, vacancy, and rental rates. On the surface, the numbers might suggest stagnation, with vacancies remaining high and rental rates seemingly flat. But a deeper dive into the data reveals a more nuanced story. A significant portion of these vacancies and stagnant rental rates can be attributed to office suites that have been sitting vacant for over a decade. Many of these spaces are outdated by today's standards or are in poor condition, making them less attractive to prospective tenants. When these spaces are excluded from the equation, the true vacancy rate and rental growth paint a much more optimistic picture—one that highlights a vibrant and evolving office market in Kansas City. As demand for modern, well-located, and upgraded spaces continues to grow, the city's office market is poised for a brighter future.

A Robust Leasing Environment with

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Despite concerns about vacancies, leasing activity remains strong. Local brokers are reporting an uptick in property tours, signaling continued tenant interest. Kansas City's leasing market is anything but stagnant—businesses are actively searching for high-quality, move-in-ready spaces. This surge in tour activity is a clear indicator of optimism and momentum in the market.

'If You Build It, They Will Come': The Spec Suite Advantage

The saying "If you build it, they will come" holds especially true in Kansas City's office sector. Speculative (spec) suites—fully built-out, move-in-ready office spaces—are in high demand. Landlords who invest in spec suites are leasing their spaces faster and securing higher rental rates compared to those waiting for traditional tenant build-outs. This trend highlights a key takeaway:



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Senior Vice President
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tenants are looking for modern, functional office spaces that are ready to go.

The Demand for Class A Office Space

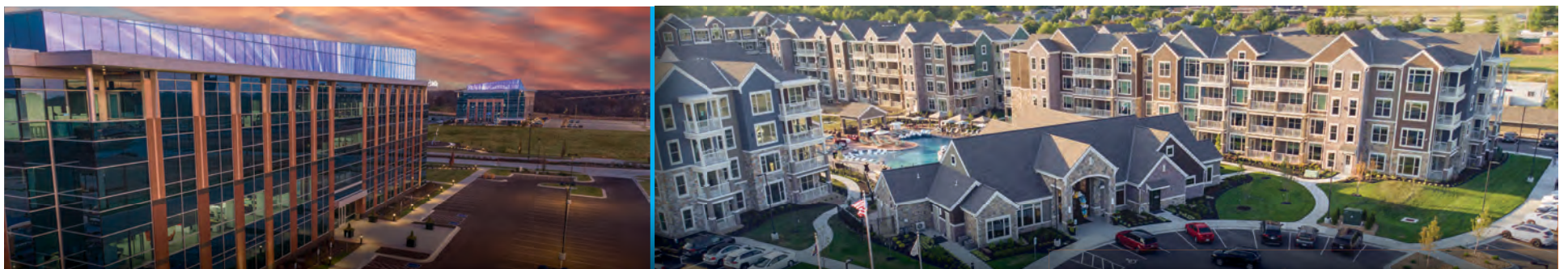
Class A office space continues to be the preferred choice for most tenants, maintaining a remarkably low vacancy rate compared to the rest of the market. With the lack of availability in quality office buildings, conversations have emerged about whether Kansas City can support new Class A office. The market has already proven its strength—look no further than the former Waddell & Reed headquarters, which was backfilled by Blue Cross Blue Shield before construction was even complete.

The bigger question is whether the market can sustain new construction lease rates. My answer? Yes. Kansas City lacks modern office product, and when high-quality, state-of-the-art buildings are delivered, specifically in mixed-use walkable environments tenants are willing to pay premium rates.

Looking Ahead: Opportunity for Landlords

Kansas City's office market offers real opportunities for landlords who are ready to evolve with the times and are financially secure. Landlords who can invest in spec suites and modern upgrades, whether through architectural enhancements or improved amenities, are seeing a winning strategy that helps attract tenants more quickly and command higher rents. As more property owners adopt this approach, the gap between overall vacancy rates and available, functional office spaces will

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continue to narrow. The real challenge lies with those landlords who lack the financial resources or favorable loan terms to make these investments. While overall vacancy numbers might suggest a sluggish market, the reality for many landlords is quite different. Kansas City's office sector remains active and competitive, and those who prioritize upgrading their properties and offering quality spaces are reaping the rewards.



No Place Like Home? The Challenge of Affordable Housing in Kansas City

Housing should be simple—you work hard, save up, and find a place to call home. But in Kansas City, and across the country, it's not that easy. Whether you're looking to buy or rent, affordability is slipping further out of reach. For lower-income families, housing has been unaffordable for a long time. But now, even those in the "missing middle"—teachers, healthcare workers, and first responders—are feeling the squeeze. According to the Mid America Regional Council (MARC), the Kansas City region is short nearly 64,000 affordable rental units, and the region has underbuilt by 12,000 to 24,000 housing units over the past 15 years. Simply put, we don't have enough housing, and the housing we do have is getting more expensive.

Why Affordable Housing Isn't Affordable to Build

There's a frustrating irony at the heart of the housing crisis: building "affordable" housing isn't actually affordable. It costs nearly as much to construct a unit of affordable housing as it does to build a market rate unit. The price of materials, labor, land, and financing doesn't change just because the rent is lower. Developers rely on subsidies, tax credits, and public-private partnerships to make these projects work. Without them, the math just doesn't add up.

Over the past two years, construction costs have risen significantly, largely due to broad inflation in the global economy, especially in building material prices. These escalating costs limit the ability to deliver affordable housing, as developers must navigate higher

expenses for materials and labor.

And then, even after the building goes up, costs keep rising. Insurance, property taxes, maintenance, and utilities don't stay stagnant. Property owners, whether large developers or individual landlords, have to cover these expenses—and the primary source to cover these expenses is rent. Homeowners feel it too. Property taxes go up (Jackson County owners saw an average increase of 30% in 2023), and insurance rates spike (up 34% from 2018-2023). Suddenly, the home that seemed affordable at purchase starts stretching the budget.

Kansas City has experienced notable increases in home prices and rents in

“The path forward requires bold ideas, collaboration, and a commitment to ensuring that Kansas City remains a place where people can truly put down roots.”

CHRISTINA FENWICK
VanTrust Real Estate



CHRISTINA FENWICK, CCIM
Director of Affordable Housing
VanTrust Real Estate

recent years. The median home price in Kansas City, Missouri, is now \$255,000, while in Johnson County, Kansas the median list price is \$475,000. Meanwhile, rents have averaged annual increases of nearly 5% for the past five years. Unfortunately, wage growth has not kept pace with these rising housing costs, exacerbating the affordability crisis.

Why We Need More Than One Solution

There is no single fix for affordable housing. We need a variety of approaches, and more importantly, we need all stakeholders—developers, investors, financial institutions, policymakers, nonprofits, and community members—to get aligned on what it takes to build and maintain housing that people can actually afford.

Zoning laws need to adapt to allow for more housing types, and municipalities must work to remove unnecessary barriers and red tape that slow down the development process—because time is money, and delays drive up costs. Cities across the country are rethinking restrictions that make it difficult to build duplexes, triplexes, and small-scale multifamily developments. Public-private partnerships are essential to filling financing gaps. Banks, mortgage providers, and developers must work together to create sustainable solutions.

And we need long-term strategies like community land trusts, expanded and expedited access to land bank properties, and policies that make it easier to acquire and rehabilitate abandoned housing. These tools not only add to the housing supply but also help preserve existing housing stock.

So, What's Next?

Kansas City can't afford to wait. We need to dismantle "Not In My Backyard" (NIMBY) mentality that often stems from myths and misunderstandings—because the people who need affordable housing are your neighbors, your child's teacher, the nurse caring for your aging parents, the firefighter responding to emergencies in your neighborhood, the barista making your morning coffee, the janitor keeping your office clean, and the security guard ensuring your workplace is safe. The longer we delay action, the worse the affordability crisis will become. We need more mission-driven approaches from municipalities, financial institutions, developers and investors willing to accept below-market returns to make truly affordable housing possible. And we need more funds directed toward housing solutions—not just studies and reports, but real, tangible developments that create lasting affordability.

Whether you're a homeowner, renter, developer, policymaker, or advocate, this issue affects all of us. The path forward requires bold ideas, collaboration, and a commitment to ensuring that Kansas City remains a place where people can truly put down roots. Because at the end of the day, having a safe, stable place to live isn't a privilege—it's a necessity.

Far from dead, the future of retail in Kansas City is bright!



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A few years ago, before COVID-19 reshuffled our shopping habits, I came across a magazine cover boldly asking, “Is Retail Dead?” As a retail broker, it certainly caught my attention. The article lamented the demise of household names like Toys R Us, Sears, Payless Shoes, and others. It predicted that with the rise of e-commerce, only service-oriented concepts would survive in some retail centers, while the overall retail footprint would shrink dramatically. Then COVID hit, forcing retailers to shutter and propelling even Grandma to click “buy now!” Yet despite these challenges, the fundamentals of the retail market have remained remarkably resilient.

In fact, if you’re a retail tenant looking for a new location in Kansas City today, you’re likely facing a tough market with limited prime space availability. It’s a bit counterintuitive, isn’t it?

Let’s look at the numbers. Over the past year, Kansas City’s retail market absorbed a net 890,000 square feet, outpacing the 5-year average by 30% and placing us among the top 15 large markets nationwide. Rents have climbed 4.6% annually and currently average \$18.65 per square foot, with premium locations commanding rates in the \$40s. Even with these strong metrics, 2024 saw retail tenants sign leases for the lowest amount of square footage since 2020. So, what’s going on here?

It’s a classic case of supply not keeping up with demand. While the appetite for retail space is strong, the available inventory is tight. Some retailers, particularly banks and quick-service

restaurants, are opting to build their own spaces when suitable lease options are scarce. However, many others are forced to play the waiting game until the right opportunity comes along. With construction costs and interest rates remaining high, speculative development is a risky proposition, often requiring a mixed-use component to make the numbers work.

Take Bluhawk in south Overland Park, for example. The surrounding demographics offer strong growth, population, and income markers that retailers always look for, but this mixed-use development doesn’t rely on that alone. It leverages the draw of a hospital and newly opened Advent Health Sports Park to drive regional visitors, foot traffic, and retail demand. The Boundary at Bluhawk is set to add 160,000 square feet to the retail pipeline, helping to address some of the pent-up demand we’re seeing in the market.

On the investment front, private investors are dominating the buyer pool, accounting for nearly 90% of last year’s transactions and owning approximately 60% of Kansas City’s retail assets. Owner-Users represented about 10% of activity, while REITs and institutional investors contributed less than 5%. We’ve seen some notable transactions, including the highly publicized sale of the Country Club Plaza to HP Village Management at a 75% discount from its 2016 price, and the second trade of Adam’s Dairy Landing in just five years.

While single-tenant net-leased properties continue to trade, traditional retail property sales have seen



JAYME MILLER, CCIM
Vice President
JLL

decreased deal flow. The shift in cap rates to 8-9%, driven by debt-reliant buyers, has created a valuation gap between seller expectations and market realities. This misalignment has stalled deals, with many sellers choosing to hold their assets until market conditions improve.

Contrary to those early doomsday predictions, the retail market is far from dead. It’s evolving, certainly, but it’s also showing remarkable strength. Even in our increasingly digital world, over 80% of retail sales still occur in physical stores. While the retail landscape will undoubtedly continue to change – with brands coming and going, and store designs adapting to stay relevant – the fundamental human need for connection

remains constant.

Looking ahead, for the first time in several years retail closures are expected to outpace new openings so we may see some relief on the supply side. Service-based tenants are continuing to grow and are projected to lease more space than goods-based tenants in the upcoming years. The challenge for retailers and real estate professionals alike is to anticipate and adapt to changing consumer preferences. Those who can successfully blend the convenience of digital with the irreplaceable aspects of physical retail will thrive in this new landscape.

In Kansas City, the scarcity of prime retail space, coupled with strong absorption rates and rising rents, paints a picture of a sector not just surviving, but thriving. As we navigate this dynamic market, opportunities abound for innovative retailers and savvy investors alike. Far from dead, the future of retail in Kansas City is bright!

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- DRAW Studio/1400 W. 13th
- Midland Lofts
- Y Lofts

ARCHITECTURAL DESIGN

- Merriam Plaza Library
- Zhou B Art Center

COMMUNITY IMPACT

- AdventHealth Sports Park at BlueHawk
- Children's Mercy + Camber Mental Wellness Campus
- Reconciliation Services renovation
- The Riley Center
- Welcome House

INDUSTRIAL

- Ace Hardware retail support center at KCI 29 Logistics Park

INFRASTRUCTURE

- John J. "Buck" O'Neil Memorial Bridge

JUDGES SPECIAL RECOGNITION

- City of Grandview projects

MIXED-USE

- The Crosswalks
- The Dairy Apartments

MULTIFAMILY

- Columbus Park Townhomes
- Legends 267 Apartments

OFFICE

- ARCO National Construction's Kansas City office
- BOK Financial at 17th and Grand
- Hill's Pet Nutrition headquarters relocation
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Downtown Update: Not Your Grandfather's Downtown Anymore!

Downtown is proving its resilience. After being hit hard by the pandemic—and the resulting corporate downsizing and reduced daytime population—downtown has made a remarkable recovery. Workers and downtown visitors have returned at levels now exceeding pre-Covid stats. The number of downtown retailers actually increased by forty new businesses over the past three years.

Construction is under way on several catalytic projects. Berkley Riverfront is emerging as a top regional destination, with the KC Current's CPKC Stadium and adjacent \$800 million mixed-use development, the new Origin Hotel, the Two Birds One Stone beer garden, and the streetcar extension.

In the West Bottoms, SomeraRoad is under way with Phase I of their \$500+ million redevelopment project, featuring 411 residential units, a 40-room boutique hotel, and over 150,000 SF of office and retail space.

And the South Loop Park—a \$217 million “lid” covering four blocks of I-670—will start construction this spring, creating a highly-programmed urban green space reconnecting the CBD to the Crossroads. Plans call for the park to be at least partially open in time for next summer's FIFA World Cup.

The biggest project of all—downtown baseball—remains in play. Public officials and civic leaders are working hard to attract a new Royals stadium and adjacent ballpark village representing over \$2 billion in total investment. A new downtown stadium would have a monumental impact on the trajectory of Kansas City. The site at Washington Square Park appears to be the frontrunner.

Downtown Office Market

Seven of the top ten office leases in Kansas City last year were signed in downtown buildings. Some of the more notable deals were:

- HNTB leased 160,000 SF in Town Pavilion
- Populous subleased 108,000 SF



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Managing Director
Cushman & Wakefield

from Blue Cross Blue Shield in 1400 Baltimore

- Fidelity Security Life leased 75,000 SF in 2600 Grand (Crown Center)

The downtown office market is beginning to tighten as larger blocks of space are leased and many other buildings, such as former DST buildings, are under contract for conversion to residential or hotel use.

Hospitality Market

Speaking of hotels, the downtown hotel market has never been stronger in recent history. Occupancy rates have recovered to pre-Covid levels. More importantly, the inventory of downtown hotel rooms, which remained flat around 3,500 rooms for over twenty years prior to 2016, increased to 5,738 by 2024. That's a 64% increase! At the same time, the Average Daily Rate (ADR) increased from \$145 in 2019 to \$180 today (a 24% increase).

Downtown has become the destination of choice for hotel visitors. With the convenience of the streetcar and a concentration of some of Kansas City's best restaurants, along with a host of other cultural and entertainment venues (i.e., “demand-generators”), downtown is a great place to stay. Throw in a new baseball stadium, and demand for downtown hotel rooms will be off the charts!

Multifamily Market

Downtown's residential population is approaching 34,000 people. Downtown residents, by the way, are younger, more affluent, and more educated than their average suburban peers. This makes the downtown trade area an increasingly attractive location for retailers.

In addition to the new apartments



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at Berkley Riverfront and the West Bottoms, another 1,292 units are expected to be delivered in 2025 in these projects currently under construction:

- Tracks 215: Milhaus's 203-unit development in the Freight House District
- The Yards Phase II: 225-unit project by Flaherty & Collins in the West Bottoms/Stockyards District
- The Dial: Bernstein Company's conversion of former AT&T building at 500 E. 8th St. into 263 units
- 3rd and Grand: 246-unit River Market development by EPC, CBC, and Copaken-Brooks
- The Refinery: 147-unit 16-story project at 1818 Main Street being developed by Copaken-Brooks
- ArriveKC: 373-unit property at

31st and Baltimore developed by NorthPoint

Cordish is close to starting on Four Light, which would add another 293 luxury apartments to the Power & Light District. Delivery of new apartments downtown struggles to keep up with demand, resulting in some of the highest-growing rental rates in the country.

Fun fact: If downtown were its own separate municipality, it would be the 11th largest municipality and the fastest-growing municipality in the entire metro area.

In summary, this is not your grandfather's downtown. It's a vibrant, walkable place featuring several distinct, unique neighborhoods—from the West Side to the River Market, the Crossroads, and 18th & Vine—where there's something for everyone. Downtown is indisputably KC's favorite place to live, work, and play.

“Downtown residents, by the way, are younger, more affluent, and more educated than their average suburban peers. This makes the downtown trade area an increasingly attractive location for retailers.”

GIB KERR
Cushman & Wakefield

Kansas City Investment Sales and Development Activity

The commercial real estate investment sales landscape continues to evolve significantly. As we enter 2025, there are early signs of market stabilization, with investors re-entering the market seeking opportunities amid shifting economic conditions. The pace of investment activity in the Kansas City market was \$2.2 billion in 2024, with multifamily and retail assets combined for 71.2% of the Metro's activity. As summarized on the historic annual sales volume chart below, the Kansas City sales volume in 2024 was higher than 2023 volume, but remains 34.9% below the prior five-year average.

Kansas City remains a growth market



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for development, with over \$10 billion in projects under construction. Development activity remains strong in multifamily, industrial, medical office, and retail sectors, with developers emphasizing walkable, amenity rich mixed-use communities. The office sector continues to evolve, with new projects focused on modern, amenity-rich spaces.

Industrial

Demand for industrial remains high as investors recognize continued demand from e-commerce and onshoring of manufacturing. Net absorption in Kansas City was 4 million SF in 2024, a 10.8% increase compared to 2023. Speculative development activity for industrial

remained low throughout 2024, with 75% of the projects under construction for build-to-suit opportunities, such as the 4.7-million SF Panasonic EV battery center, 1-million SF Meta data center and the 1.5-million SF Ace Hardware building.

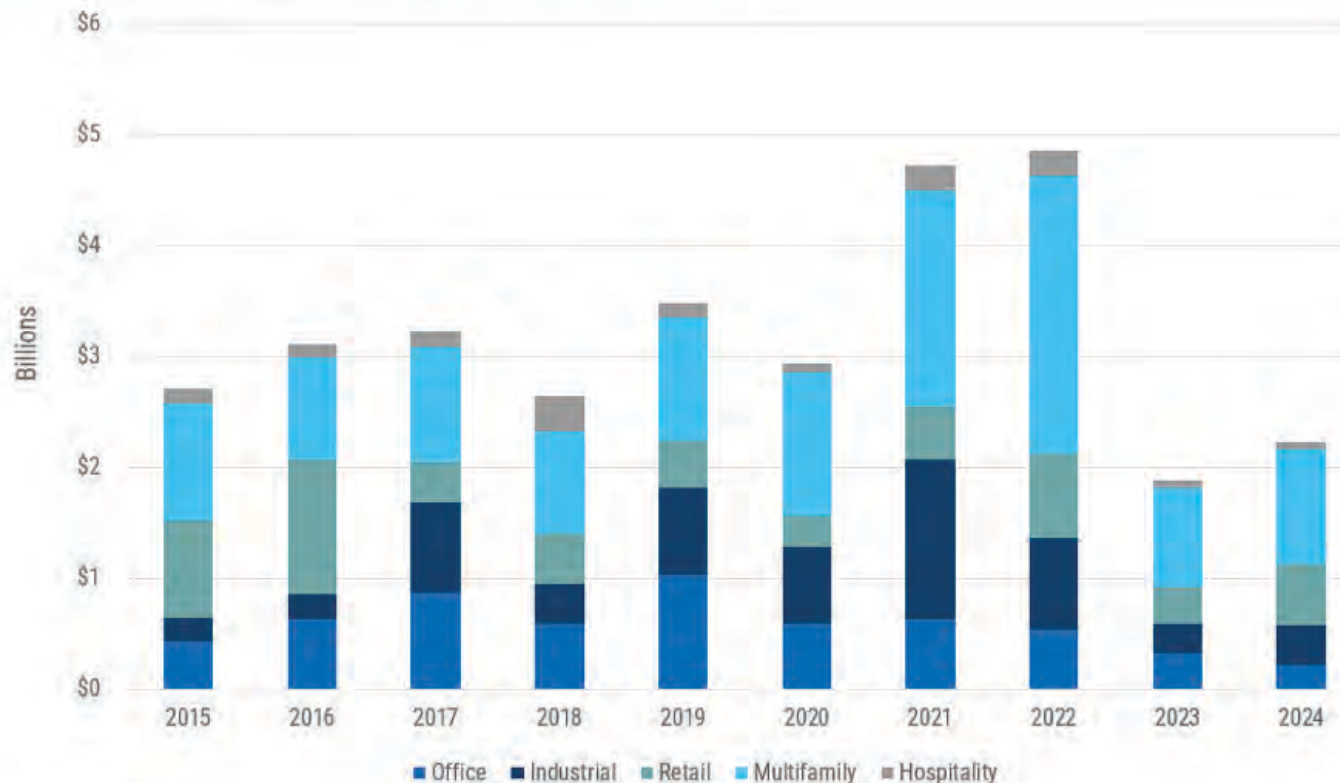
Retail

Retail vacancy remains near record lows at 3.7% and rental rates remain at record highs. These strong fundamentals have supported increased investment sales activity with new to market buyers among the lowest property cap rates. Developers have focused on mixed-use projects, with several large-scale

» Continued on next page

KANSAS CITY MARKET

Historical Annual Sales Volume By Property Type, (in millions)



projects underway including Discovery Park in Lee's Summit, BluHawk in south Overland Park, and the next phase of the Berkley Riverfront.

Multifamily

Multifamily realized 5,757 units of net absorption during 2024, an increase of 162.3% during a similar period a year ago. Year-over-year asking rental rate growth is 3.2%, significantly higher than the national average of 1.2%, and a standout among some peer markets experiencing negative rent growth due to oversupply. Due to these strong market fundamentals construction starts have increased, with 7,228 units underway. Investment sales activity saw an uptick in 2025, but sales remain lower than previous peak years of 2021 and 2022.

Office

The office sector saw positive net absorption in the third and fourth quarters of 2024, the first time the sector has seen positive absorption in two years. High vacancy rates and financing challenges have limited office developments to build-to-suit projects and a handful of smaller speculative developments, which are largely a component of larger mixed-use projects. Office tenants are focused on right sizing their space needs and there continues to be a strong "flight to quality" to entice employees back into the office.

Investment Sales in 2025

Although the market is predicting two interest rate cuts, the hope of a substantial interest rate decline happening in 2025 is looking unlikely and the era of extend and pretend



in commercial real estate appears to be over. While cap rate compression drove profitability previously, in the current stage of the real estate cycle value creation will be created by capital investment, increasing net operating income, proactive management, and creative debt/equity structures.

With billions of dollars of "dry powder" equity ready to invest, value-add opportunities, loan assumptions and other creative transactions will continue to be active this year. For stabilized properties the bid-ask gap is tightening as data points further support pricing expectations. Investors will flock to

stability and cash flowing assets in desirable infill locations with high barriers to entry.

Real estate as an asset class remains a safe investment that historically outperforms other investment alternatives over the long-term. Kansas City will continue to offer attractive returns and a stable environment for real estate investment compared to larger markets. Having access to current market information by utilizing a commercial real estate consultant such as a CCIM is crucial to the proper evaluation of your options in this stage of the real estate cycle.

Michael L. VanBuskirk, SIOR, CCIM, CRE is Vice Chairman, Principal at Newmark Zimmer where he co-leads the Midwest Capital Markets Team. Over his 31+ year career, he has completed over \$2.25 billion of transactions across all property types. Mike can be reached at 816-512-1010 or mvanbuskirk@nzimmer.com.

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