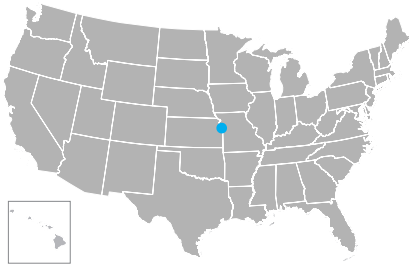




KANSAS CITY METRO AREA MARKET REPORT



OFFICE MARKET OVERVIEW

The Kansas City office market continued its positive momentum throughout the third quarter, as companies continue to seek additional space as a result of employment gains and improving business climate conditions. According to the latest ADP national employment data, private sector employment has seen gains above the 200,000 threshold for six consecutive months, the longest stretch since 1997. During that same six month span, the average growth was reported at 225,000 jobs per month. The increasingly broad base of reported gains is encouraging, as both small and large firms continue to add to their payroll across all business sectors. Locally, Sprint recently announced thousands of layoffs, which will affect the region. Growth in office-using employment continues to track ahead of overall employment growth, an encouraging sign for the office market. As a result of continued demand and lack of speculative inventory, the Kansas City office market totaled 590,470 SF of positive net absorption while the metro-wide vacancy rate dropped to 11.4% in Q3 2014.

MARKET INDICATORS

	Q2 2014	Q3 2014 (p)
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↔	↑
RENTAL RATE	↑	↔

ACTIVITY AROUND TOWN

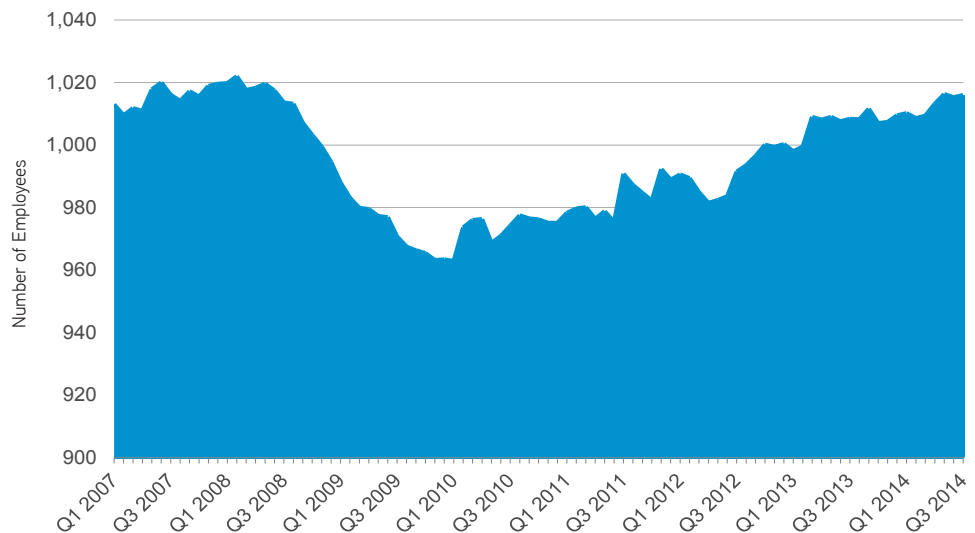
Several office submarkets within the Kansas City metro remain red hot as demand continues to outpace new supply. South Johnson County opportunities continue to tighten as a result of very limited inventory, especially in regard to large blocks of space. A recent office survey showed that only six existing buildings can handle 30,000 SF of contiguous space within the submarket. With only one speculative office building under construction, expect to see new office developments come out of the ground in the near future. In similar fashion, the Country Club Plaza continues to remain very tight with limited blocks of space available as well. One area that continues to be an epicenter for creative growth is the Crossroads District near Downtown Kansas City. As several creative agencies continue to grow rapidly, and new firms enter the Kansas City market, to take advantage of the deep talent pool within the metro, demand for space within the Crossroads is at a premium. Barkley recently marketed nearly

SUMMARY STATISTICS

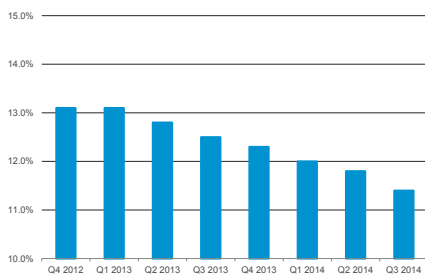
	Q3 2014	Q3 2013
Vacancy Rate:	11.4%	12.5%
Absorption YTD:	1,663,842	1,171,113
Deliveries YTD:	570,000	835,448
Under Construction:	438,500	884,000
Asking Rents/SF:	\$17.26	\$17.03

KANSAS CITY MSA EMPLOYMENT

Seasonally Adjusted - Nonfarm Employment in Thousands



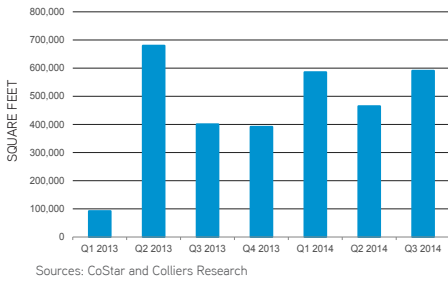
KANSAS CITY OFFICE VACANCY



Sources: CoStar and Colliers Research

Source: Bureau of Labor Statistics

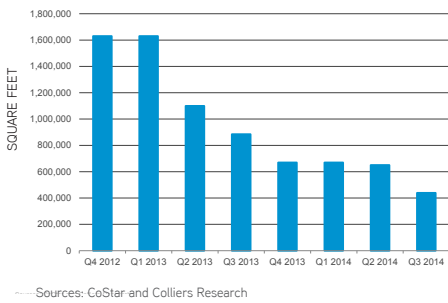
ABSORPTION



RENTAL RATES



CONSTRUCTION



40,000 SF of sublet space at 1735 Main, and as a result, two firms, BNIM and MindMixer, occupied the entire sublease space shortly after the space was made available.

Recently, several area employers announced that they would be expanding their operations within the Kansas City metro. AIG announced they would add over 300 new jobs to their Olathe operations. Alliance Data Systems plans to hire 200 people by the end of 2014 and project that they will hire a total of 500 new jobs within the next three years. As a result of their expansion, the firm will expand their current footprint by an additional 33,000 SF. AxelaCare Health Solutions, a leading provider of home infusion therapies, will occupy nearly 45,000 SF of space by early 2015. The Nerderly, a technology agency based out of Minneapolis, has entered the Kansas City market and has leased nearly 25,000 SF of space downtown. The company, which was founded in 2003, has grown from three programmers to over 500 employees over the past decade. Perceptive Software recently completed and moved into their new 240,000 SF office building at the up and coming Lenexa City Center.

Office activity has not been limited to leasing however. Recently, several office buildings were sold to investors. VanTrust recently sold the Plaza Vista building to EverWest Real Estate Partners at a rumored high water mark for the submarket. Also located around the Country Club Plaza, DST recently sold a

portfolio of buildings around the South Plaza area to VanTrust. Included within the portfolio were Board of Trade II, a 183,000 SF office building and an additional 64,000 SF office building at 4901 Main. In South Johnson County, the College Boulevard corridor has experienced a recent rash of office investment activity. Several mid-sized office buildings have traded hands over the past 90 days, which is consistent with the national trend that investor interest has broadened to more geographies as well as suburban assets.

OFFICE OUTLOOK

Based on current demand levels, coupled with lack of speculative inventory, expect metro office vacancy rates to continue to decline in the near term. Speculative construction will remain very limited, but based on the amount of current large block availabilities, additional spec construction appears to be on the horizon. As the market continues to tighten, asking rents continue to increase, with several submarkets beginning to experience noticeable increases compared to previous asking rents. As growth and demand for office space continues, landlords in the stronger submarkets are having success completing deals while charging asking rates with minimal concessions. Expect to see continued momentum as projected job growth and rising business confidence levels bode well for office demand through the remainder of 2014.

RECENT TRANSACTIONS & MAJOR DEVELOPMENTS

SALES ACTIVITY

PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	PRICE / SF	BUYER	SELLER
South Plaza Portfolio	Plaza/Midtown	N/A	285,000	N/A	VanTrust Real Estate	DST Realty
4400 College Blvd	South Johnson County	\$11,000,000	105,980	\$103.79	Dixon Lumber Company	Block Real Estate
Power & Light Building	Downtown	\$10,250,000	231,000	\$44.37	NorthPoint Development	Gailoyd Enterprises
Lakeside Plaza I & II	East Kansas City	N/A	79,151	N/A	Frontier Schools Inc	Enterprise Properties LLC
850 Main	Downtown	\$3,100,000	41,541	\$74.63	Catholic Charities of Kansas City	Catholic Diocese of Kansas City
4860 College	South Johnson County	\$1,900,000	25,000	\$76.00	4860 Properties LLC	Vista Del Mar Irrigation

LEASING ACTIVITY

PROPERTY	SUBMARKET	LEASED SF	BUILDING CLASS	COMPANY
Southlake Technology Park	South Johnson County	45,000	B	AxelaCare Health Solutions
College Hills- Building 3*	South Johnson County	37,000	B	MultiService Corp.
8035 Quivira***	North Johnson County	33,000	B	Alliance Data Systems
10 Main	Downtown	27,500	B	Missouri Housing Development
Barkley Building**	Downtown	26,000	B	BNIM
2000 Central*	Downtown	26,000	B	Sullivan, Higdon & Sink
Western Union	Downtown	25,000	B	The Nerderly
Barkley Building**	Downtown	24,000	B	MindMixer
Plaza Colonnade**	Plaza/Midtown	18,000	A	Sosland Companies

*Lease Renewal

**Sublease

***Lease Renewal / Expansion

OFFICE OVERVIEW										
EXISTING PROPERTIES			VACANCY		ABSORPTION		CONSTRUCTION			RENTS
Class	Bldgs	Total SF	Vacancy SF	Vacancy %	Net Absorp Curr SF	YTD SF	Deliveries Curr SF	YTD SF	Under Const. SF	Ave Rent Rate \$
URBAN										
DOWNTOWN										
A	24	7,946,447	1,757,794	22.1%	16,085	40,027	0	0	0	\$18.32
B	167	14,821,944	1,990,716	13.4%	94,716	81,825	0	0	0	\$15.81
C	105	4,315,460	363,125	8.4%	32,400	61,142	0	0	0	\$14.69
TOTAL	296	27,083,851	4,111,635	15.2%	143,201	182,994	0	0	0	\$16.78
PLAZA / MIDTOWN										
A	15	2,811,724	332,835	11.8%	37,268	80,555	0	0	0	\$22.66
B	82	3,936,897	274,814	7.0%	28,638	40,590	0	0	0	\$18.36
C	56	1,598,302	92,639	5.8%	0	61,174	0	0	0	\$11.35
TOTAL	153	8,346,923	700,288	8.4%	65,906	182,319	0	0	0	\$19.48
URBAN TOTAL										
A	39	10,758,171	2,090,629	19.4%	53,353	120,582	0	0	0	\$19.01
B	249	18,758,841	2,265,530	12.1%	123,354	122,415	0	0	0	\$16.12
C	161	5,913,762	455,764	7.7%	32,400	122,316	0	0	0	\$14.01
TOTAL	449	35,430,774	4,811,923	13.6%	209,107	365,313	0	0	0	\$17.18
SUBURBAN										
EAST KANSAS CITY										
A	7	463,510	22,944	5.0%	0	0	0	0	0	\$21.06
B	165	6,197,202	848,746	13.7%	-8,136	57,229	0	0	0	\$15.86
C	131	2,808,935	212,873	7.6%	1,493	17,323	0	0	0	\$12.27
TOTAL	303	9,469,647	1,084,563	11.5%	-6,643	74,552	0	0	0	\$15.27
KANSAS CITY NORTH										
A	7	1,006,054	294,678	29.3%	0	-20,417	0	0	0	\$18.71
B	146	6,743,296	867,218	12.9%	20,907	122,831	0	0	0	\$15.77
C	67	1,511,801	143,439	9.5%	-2,262	32,017	0	0	0	\$13.58
TOTAL	220	9,261,151	1,305,335	14.1%	18,645	134,431	0	0	0	\$16.19
NORTH JOHNSON COUNTY										
A	20	2,223,013	291,451	13.1%	144,490	287,727	240,000	240,000	0	\$21.58
B	170	6,758,276	668,977	9.9%	70,644	60,850	0	0	0	\$16.65
C	85	1,583,865	115,784	7.3%	-8,541	20,196	0	0	0	\$13.29
TOTAL	275	10,565,154	1,076,212	10.2%	206,593	368,773	240,000	240,000	0	\$17.62
SOUTH JOHNSON COUNTY										
A	73	10,622,202	593,721	5.6%	52,532	34,053	0	0	127,500	\$21.79
B	333	14,426,124	1,324,652	9.2%	101,560	194,449	0	0	0	\$18.72
C	58	1,070,622	52,272	4.9%	0	20,517	0	0	0	\$17.10
TOTAL	464	26,118,948	1,970,645	7.5%	154,092	249,019	0	0	127,500	\$19.60
SOUTH KANSAS CITY										
A	15	2,734,682	219,726	8.0%	2,232	16,104	0	0	311,000	\$19.67
B	65	3,406,515	454,149	13.3%	-1,524	30,537	0	0	0	\$17.20
C	36	863,765	172,287	19.9%	-4,466	-12,466	0	0	0	\$10.21
TOTAL	116	7,004,962	846,162	12.1%	-3,758	34,175	0	0	311,000	\$16.42
WYANDOTTE COUNTY										
A	4	934,574	203,574	21.8%	0	330,000	0	330,000	0	\$20.00
B	41	2,183,175	210,310	9.6%	9,738	85,246	0	0	0	\$15.34
C	42	1,125,021	79,302	7.0%	2,696	22,333	0	0	0	\$11.28
TOTAL	87	4,242,770	493,186	11.6%	12,434	437,579	0	330,000	0	\$16.61
SUBURBAN TOTAL										
A	126	17,984,035	1,626,094	9.0%	199,254	647,467	240,000	570,000	438,500	\$20.67
B	920	39,714,588	4,374,052	11.0%	193,189	551,142	0	0	0	\$16.94
C	419	8,964,009	775,957	8.7%	-11,080	99,920	0	0	0	\$12.43
TOTAL	1,465	66,662,632	6,776,103	10.2%	381,363	1,298,529	240,000	570,000	438,500	\$17.32
ALL KANSAS CITY TOTAL										
A	165	28,742,206	3,716,723	12.9%	252,607	768,049	240,000	570,000	438,500	\$19.74
B	1,169	58,473,429	6,639,582	11.4%	316,543	673,557	0	0	0	\$16.66
C	580	14,877,771	1,231,721	8.3%	21,320	222,236	0	0	0	\$13.02
TOTAL	1,914	102,093,406	11,588,026	11.4%	590,470	1,663,842	240,000	570,000	438,500	\$17.26
QUARTERLY COMPARISON AND TOTALS										
Q2 2014	1,915	102,084,406	12,009,899	11.8%	488,277	1,073,372	0	330,000	650,000	\$17.17
Q1 2014	1,915	101,754,406	12,160,292	12.0%	585,095	585,095	330,000	330,000	669,000	\$17.08
Q4 2013	1,914	101,539,406	12,537,972	12.3%	391,024	1,562,137	215,000	1,050,448	669,000	\$17.05
Q3 2014	1,911	101,244,238	12,681,779	12.5%	400,099	1,171,113	295,168	835,448	884,000	\$17.03
Q2 2014	1,909	100,714,238	12,825,602	12.7%	679,301	771,014	530,000	540,280	1,099,496	\$17.08

Note: Inventory includes office properties 10,000 SF and up. It excludes office properties that were built with the intent to house only medical users and those properties where the government is both 100% owner and occupier.

DEFINITIONS

Deliveries:

Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certificate of occupancy must have been issued for the property.

Existing Inventory:

The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, currently under construction or under renovation.

Net Absorption:

The net change in occupied space over a given period of time. Unless otherwise noted, Net Absorption includes direct and sublease space.

Weighted Average Asking Rental Rates:

Weighted by the total square feet available for direct lease. Data is based on Full Service Gross

rents, and includes all costs associated with occupying the space, including taxes, insurance, maintenance, janitorial service and utilities. Reported on an annual PSF basis.

Vacant Space:

Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space.

Inventory:

Includes all existing multi- or single-tenant leased and owner-occupied office properties greater than or equal to 10,000 SF (net rentable area). Does not include medical or government buildings.

Note:

- SF = Square Feet
- PSF = Per Square Foot
- CBD = Central Business District
- P = Projected

485 offices in
63 countries on
6 continents

- United States: 146
- Canada: 44
- Asia: 38
- ANZ: 148
- LATAM: 25
- EMEA: 84

- \$2.0507 billion in annual revenue
- 1.4508 billion square feet under management
- Over 18,564 professionals and staff

**COLLIERS INTERNATIONAL
KANSAS CITY OFFICE**

4520 Main Street, Suite 1000
Kansas City, MO 64111

TEL +1 816 531 5303

FAX +1 816 531 5409

www.colliers.com/KansasCity



RESEARCHER:

Martin Maguire
Research Services Manager
4520 Main Street, Suite 1000
Kansas City, MO 64111
TEL +1 816 556 1102
FAX +1 816 531 5409

Colliers International is continuously refining its database. The data shown in the historical tables and graphics in this report have been adjusted to take into account these changes in the database.

This report has been prepared by Colliers International for general information only. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. Colliers International does not guarantee, warrant or represent that the information contained in this document is correct. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from.

This report and other research materials may be found on our website at www.colliers.com.

Accelerating success.

