Subject Property

7506 N Oak Trfy

Gladstone, MO 64118 - I-35 Corridor Submarket

PROPERTY

Type:	**Class C Office**
Property Size:	**727 SF**
Stories:	**1**
Typical Floor:	**11,060 SF**
Parking Spaces:	**54: 4.88/1,000 SF**

LOCATION

Walk Score®:	**Somewhat Walkable (61)**
Transit Score®:	**Minimal Transit (0)**

EXPENSES PER SF

Taxes:	**$5.27/SF (2021)**

VACANCY

Current:	**0.0%**
Last Quarter:	**0.0%**
Year Ago:	**0.0%**
Peers:	**17.9%**
Submarket 2-4 Star:	**5.2%**

GROSS ASKING RENT PER SF

Current:	**-**
Last Quarter:	**-**
Year Ago:	**-**
Peers:	**$18.56**
Submarket 2-4 Star:	**$20.32**

12 MO. LEASING SF ACTIVITY

Subject Property:	**0**
Peers Total:	**10,091**
Peers Avg:	**593**
Submarket Total:	**239,973**
Submarket Avg:	**499**

AVAILABLE SPACES

Currently No Available Spaces

KEY TENANTS

Tenant	Industry	Floor	SF	# Emps	Move Date	Exp Date
Farmers Insurance	Finance and Insurance	1st	727 SF	2	Jul 2014	-
Farmers Insurance - Clay McCullick	Finance and Insurance	1st	-	2	Sep 2016	-

—CoStar Research —Moving Out —Moving In —My Data —Shared Data

Subject Property

TRUE OWNER

Clayton McCullick
3108 NE 66TH St
Kansas City, MO 64119

(816) 452-0659

Clayton McCullick

(816) 436-4424

RECORDED OWNER

Mccullick Clayton E

Market Summary

7506 N Oak Trfy

727 SF Office Building

PREPARED BY

ARISTOCRAT REALTY

Michael Meier

Principal

I-35 Corridor Submarket Summary

Vacancy in the I-35 Corridor office submarket is 5.2% and has decreased 0.6% over the past 12 months. Meanwhile, the rate of increase in the broader Kansas City market was 1.7%.

During this period, 66,000 SF has been absorbed, and 16,000 SF has delivered. Total availability, which includes sublease space, is 8.0% of all inventory.

Space rated 3 Star is the most dominant subtype, with 4.4 million SF in this category. There is 3.0 million SF of 1 & 2 Star space and 1.0 million SF of 4 & 5 Star space.

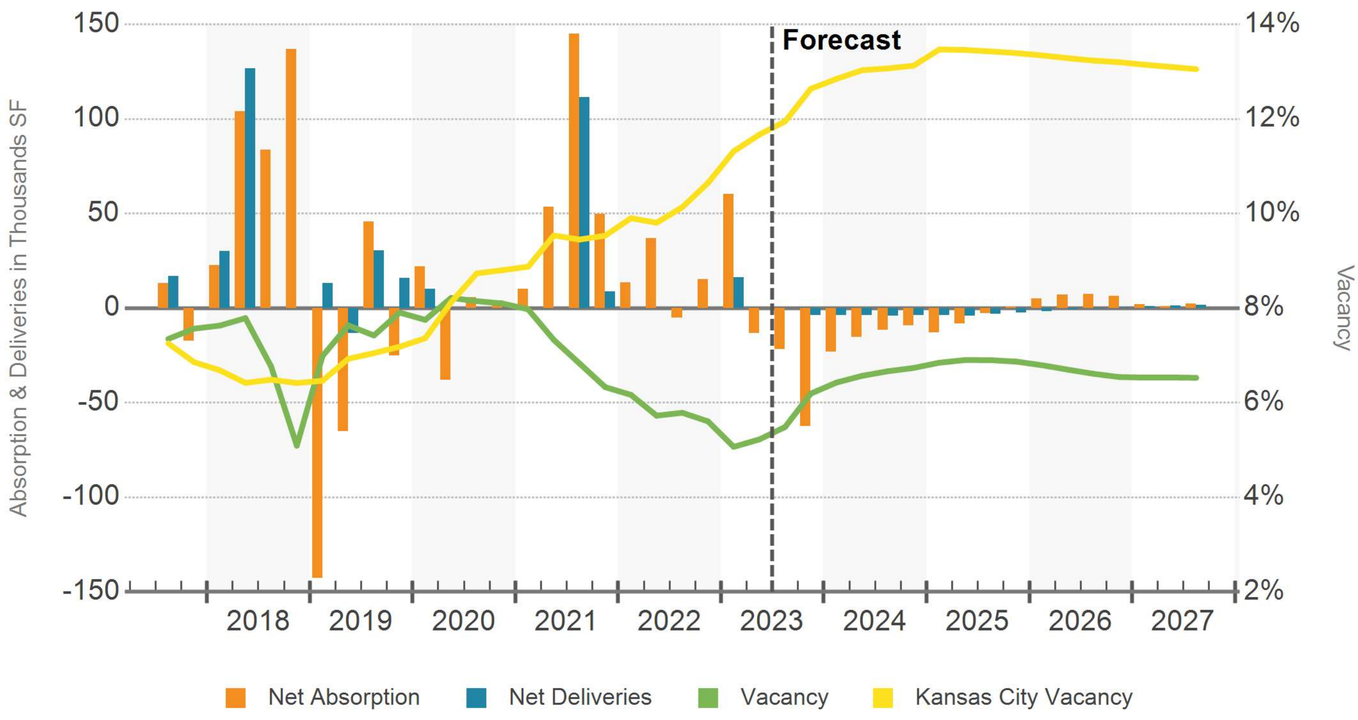
Rents are around $19.50/SF, which is a 0.8% increase from where they were a year ago. In the past three years, rents have increased a cumulative 3.6%. This is also an affordable submarket, relative to Kansas City as a whole, where average rents are $22.00/SF.

While there is nothing under construction, there has been some recent activity. Around 140,000 SF of net deliveries have been brought online in the past three years. In the past 12 months, 24 sales have taken place. Sales have averaged $119/SF, and the estimated value for the submarket as a whole is $114/SF.

The most frequent of these transactions have been those of 1 & 2 Star space, which is not the largest subtype in the I-35 Corridor submarket, with 21 sales of this space type.

Over the past three years, there have been 94 sales, which have traded for approximately $34.0 million. The market cap rate for I-35 Corridor is 9.0%, moderately above its trailing three-year average of 8.4%.

NET ABSORPTION, NET DELIVERIES & VACANCY



Kansas City Market Summary

Office tenants continue exploring options to right-size their footprints, significantly decreasing per-worker square footage requirements. As a result of this shift, the market has seen an increase in vacancy rates, with -2.2 million SF of absorption in the past year, near an all-time low. Consequently, the availability rate has reached its highest level since 13Q4, at 13.8%. Kansas City has endured a 3.6 million SF occupancy loss since this trend began in 2020, mainly due to sublet space and corporate givebacks. However, sublet space appears to have peaked for the time being.

Currently, 2.0 million SF of available sublet space is on the market. Although this amount is more than double the long-term average for the market, the availability of sublet space has remained relatively stable in recent quarters.

Oracle Cerner's decision to consolidate its offices to one campus continues to hang over the market as several million SF of space in properties across several submarkets sit vacant. Some of these properties may be targets for conversion by developers, as office demand does not appear strong enough to fill these vacancies quickly. One example is the company's Continuous Campus in Wyandotte County. Developers are attempting to convert one of the two properties from office to multifamily, requiring a zoning change.

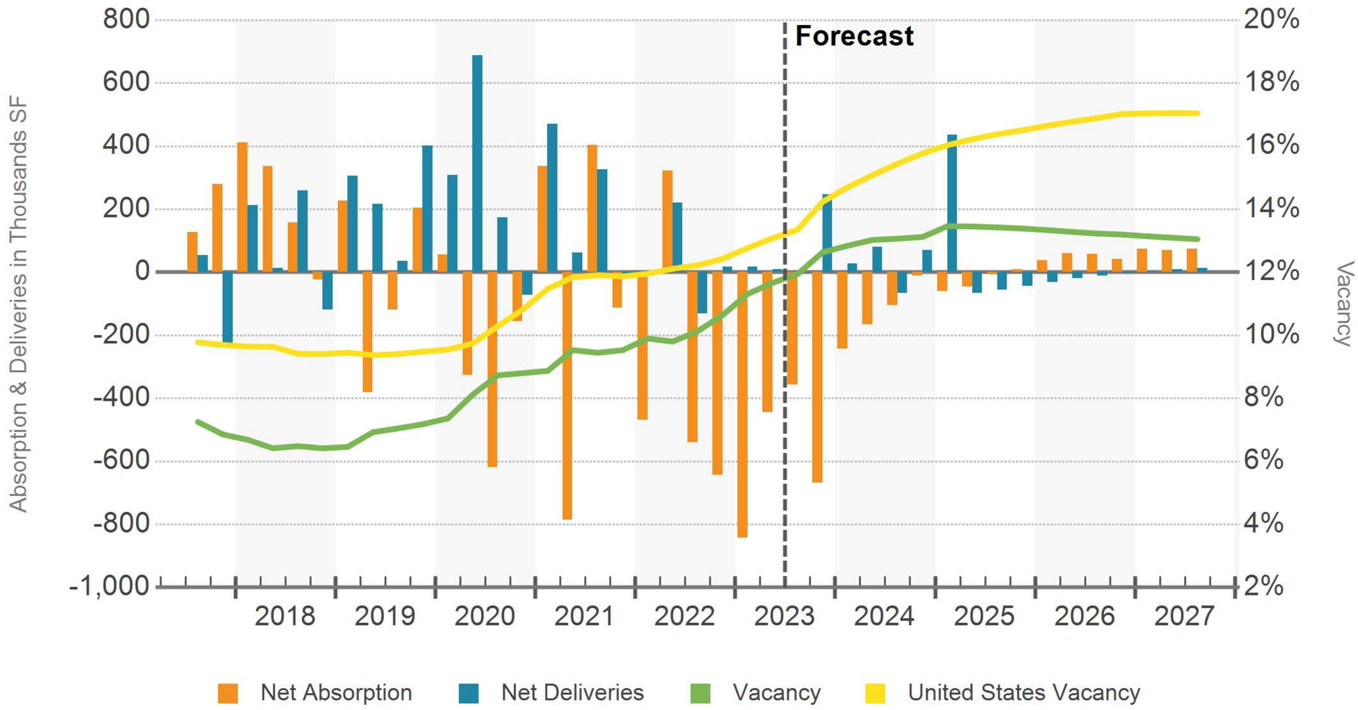
Rents have risen 1.0% in the past year, below the 10-year average of 2.5%. Several properties near the top of the market have increased asking rates over the past 12 months as operating expenses and tenant build-out costs continue to put a floor on rental rates. Most of this has occurred in the College Blvd Submarket, despite having the second-highest availability rate among Kansas City's submarkets.

Rental rates average $22.00/SF across Kansas City, similar to St. Louis and Indianapolis. Due to these lower rates and high construction costs, speculative development is more challenging to justify. As a result, office construction is mainly limited to build-to-suit projects. However, buildings that have moved forward since the beginning of 2021 have seen steady demand as tenants look for first-generation space to accommodate new office layouts. The 4 & 5 Star multi-tenant office buildings built since 2020 have an availability rate of 8.8% through mid-August, well below the market average.

Over the past year, sales activity has slowed down due to the rise in interest rates and high availability rates. As a result, the total sales volume reached $322 million, which is significantly lower compared to the previous year's sales activity of $440 million in the previous 12 months, which was in line with the market's long-term average.

As tenants continue re-evaluating office space needs and adding new availabilities to the market, vacancies are expected to rise in the near term. Similar softness is expected on the investment front as transaction volume continues its slowdown with higher borrowing costs and soft fundamentals. The office market may be slower to recover than other property types due to uncertainty surrounding demand.

NET ABSORPTION, NET DELIVERIES & VACANCY



Kansas City Economic Summary

Despite growing economic headwinds, the Kansas City labor market continued expanding in 2023, adding 41,000 jobs in June from the previous year, according to the latest Bureau of Labor Statistics data.

Nonfarm payrolls remain above pre-pandemic highs at 1.1 million workers and job growth has started to accelerate in recent months. In June 2023, nonfarm payrolls increased by 3.7% from the previous year, the highest rate of change since September 2022. As a result, Kansas City's unemployment rate was 2.8% in May 2023, the ninth month in a row below 3%.

Certain sectors continue to show more hiring strength than others. The leisure and hospitality sector has led employment gains, as spending on food and beverage outside the home has reached record highs nationwide, and availability in Kansas City's retail sector is near its all-time low. Employment in the sector increased 8.5% in the past year through June 2023 and has recovered from the job losses incurred during the pandemic.

The region is also seeing expansion in the education and health services sector. The sector's employment growth has accelerated recently, increasing by 4.7% from the previous year. The healthcare industry remains a crucial driver of economic activity, representing three of the four largest private employers in the metro. Employment is led by The University of Kansas Health System, HCA Midwest Health, and Saint Luke's Health System. Together, the three companies employ nearly 40,000 people. The city is also home to the UMKC Health Sciences District, a collaboration of 10 organizations in the city's Hospital Hill neighborhood. The district's most recent development is the $200 million Children's Mercy Research Institute, which opened in 2021. UMKC plans a $100 million building in the district to serve as its Data Science and Analytics Innovation Center and Biomedical Engineering program.

Manufacturing continues to increase, adding 2,600 jobs from the previous year through June. Employment in the sector is at its highest level since 2002, while the vacancy rate for manufacturing buildings has been below 3% since the end of 2021. Kansas City is benefiting from car manufacturers' push toward electric vehicles. Ford recently invested $100 million at its Claycomo plant, adding 1,100 jobs. The investment is part of Ford's larger plan to increase electric vehicle production. In the summer of 2022, Panasonic announced a $4 billion battery production plant in DeSoto on a portion of the former Sunflower Army ammunition plant. The plant will serve as a battery provider for Tesla Motors. Panasonic expects to create 4,000 jobs. The project is currently under construction and receiving state and local incentives for the development.

Growth in trade, transportation and utilities, the largest employment sector in the region has moderated this year. In 2023, annual employment growth in the sector averaged 1,400 jobs per month. This compares to 5,400 jobs per month in 2022. The sector was the fastest to regain all jobs lost during the pandemic as consumer spending shifted online.

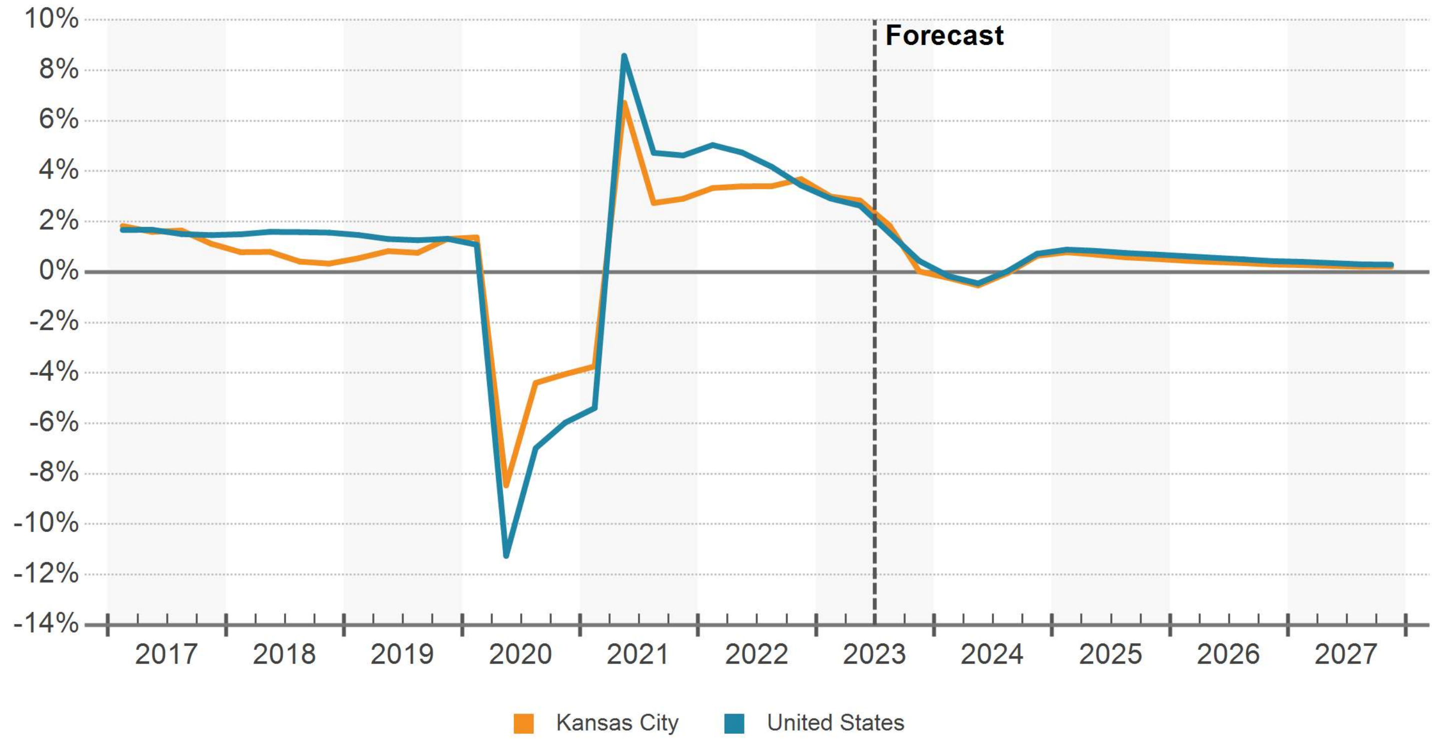
Kansas City's International Airport (KCI) recently opened its $1.5 billion new terminal and parking structure. The project modernized the airport. KCI moved from its dated circular terminals to one bringing it more in line with modern design and experience. The new terminal has 39 gates with the ability to expand to 50.

KANSAS CITY EMPLOYMENT BY INDUSTRY IN THOUSANDS

	CURRENT JOBS		CURRENT GROWTH		10 YR HISTORICAL		5 YR FORECAST	
Industry	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	86	0.9	1.47%	0.76%	1.96%	0.76%	0.00%	0.04%
Trade, Transportation and Utilities	227	1.1	0.46%	0.54%	1.49%	1.16%	-0.09%	0.09%
Retail Trade	108	1.0	0.33%	0.30%	0.33%	0.32%	-0.14%	0.09%
Financial Activities	81	1.2	3.23%	0.67%	0.52%	1.45%	-0.04%	0.11%
Government	144	0.9	-0.14%	1.74%	0.07%	0.33%	0.46%	0.38%
Natural Resources, Mining and Construction	59	1.0	3.53%	2.14%	3.68%	2.43%	0.45%	0.21%
Education and Health Services	166	0.9	3.24%	3.34%	1.82%	1.79%	0.50%	0.66%
Professional and Business Services	197	1.2	3.61%	1.64%	1.54%	2.12%	0.42%	0.34%
Information	17	0.8	-0.12%	-0.75%	-3.57%	1.27%	-1.44%	0.24%
Leisure and Hospitality	116	1.0	4.82%	4.76%	1.59%	1.54%	0.70%	0.90%
Other Services	44	1.0	0.64%	2.26%	0.44%	0.64%	-0.21%	0.27%
Total Employment	**1,138**	**1.0**	**2.18%**	**1.91%**	**1.28%**	**1.34%**	**0.25%**	**0.36%**

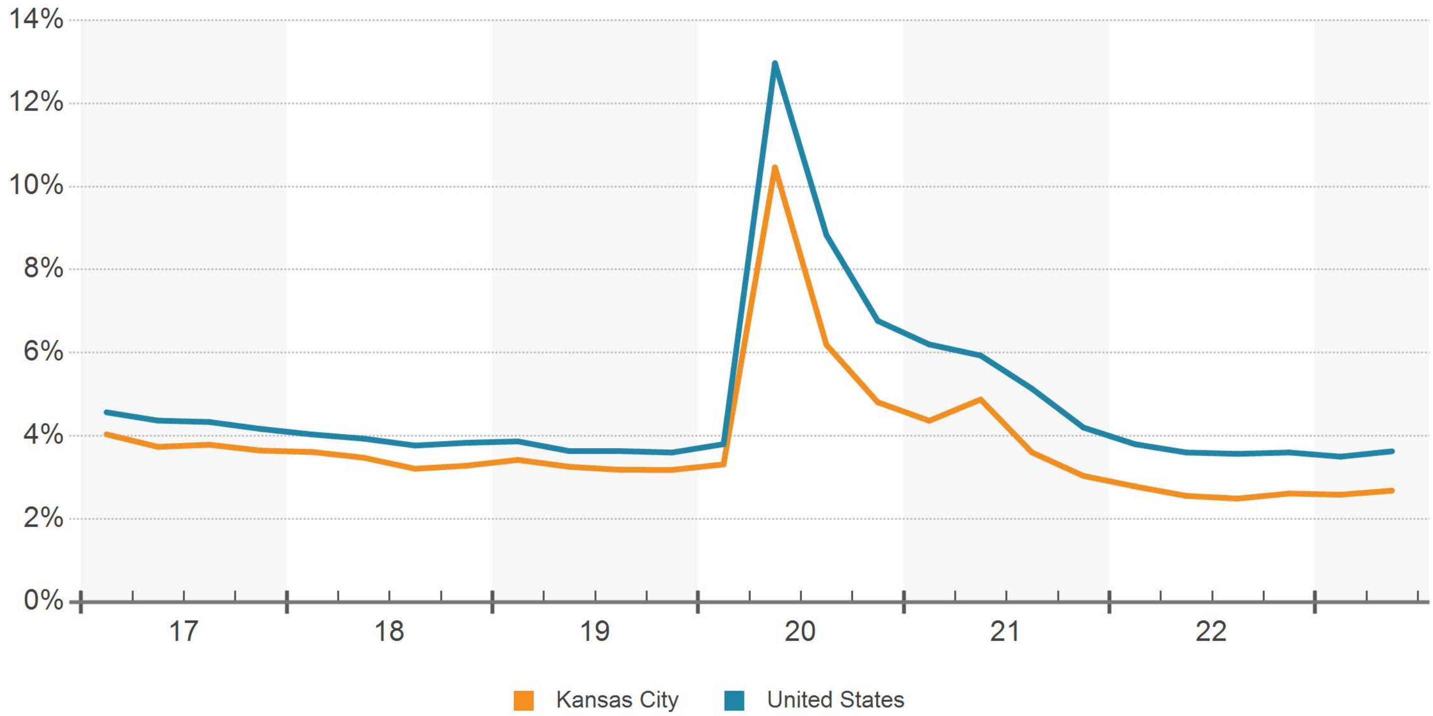
Source: Oxford Economics
LQ = Location Quotient

JOB GROWTH (YOY)

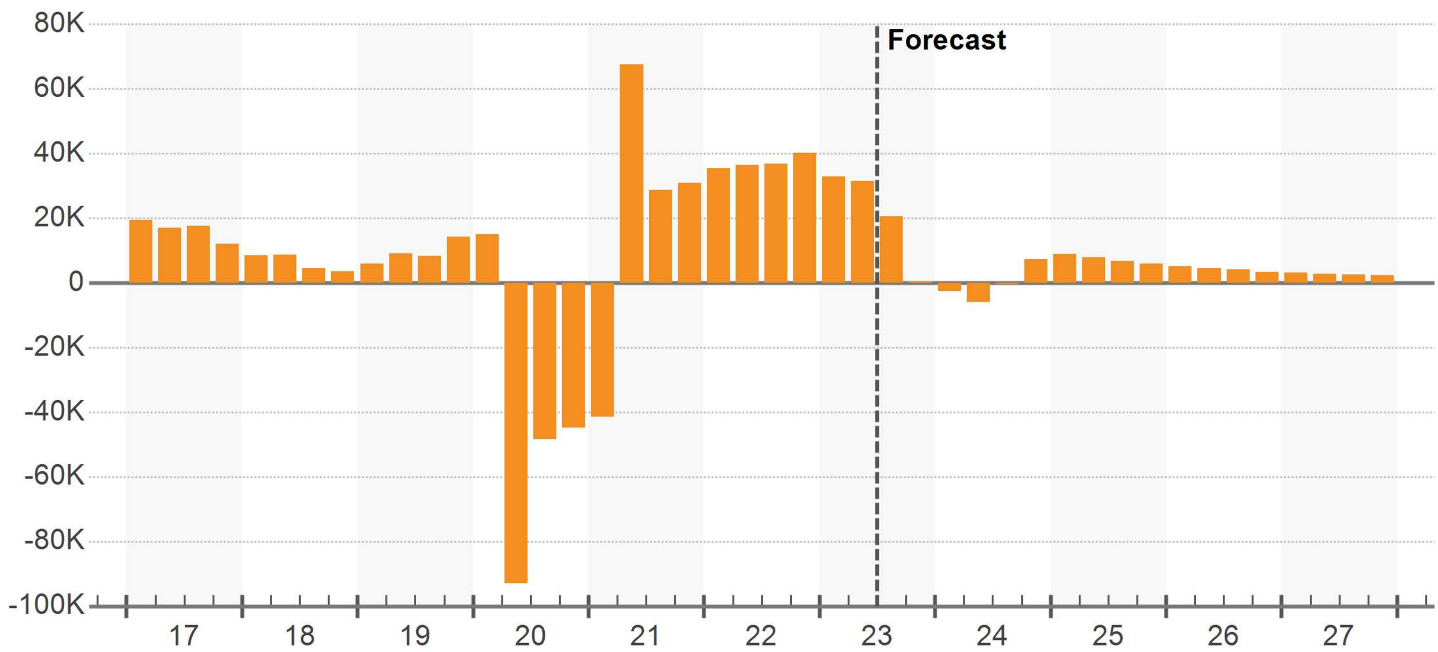


Source: Oxford Economics

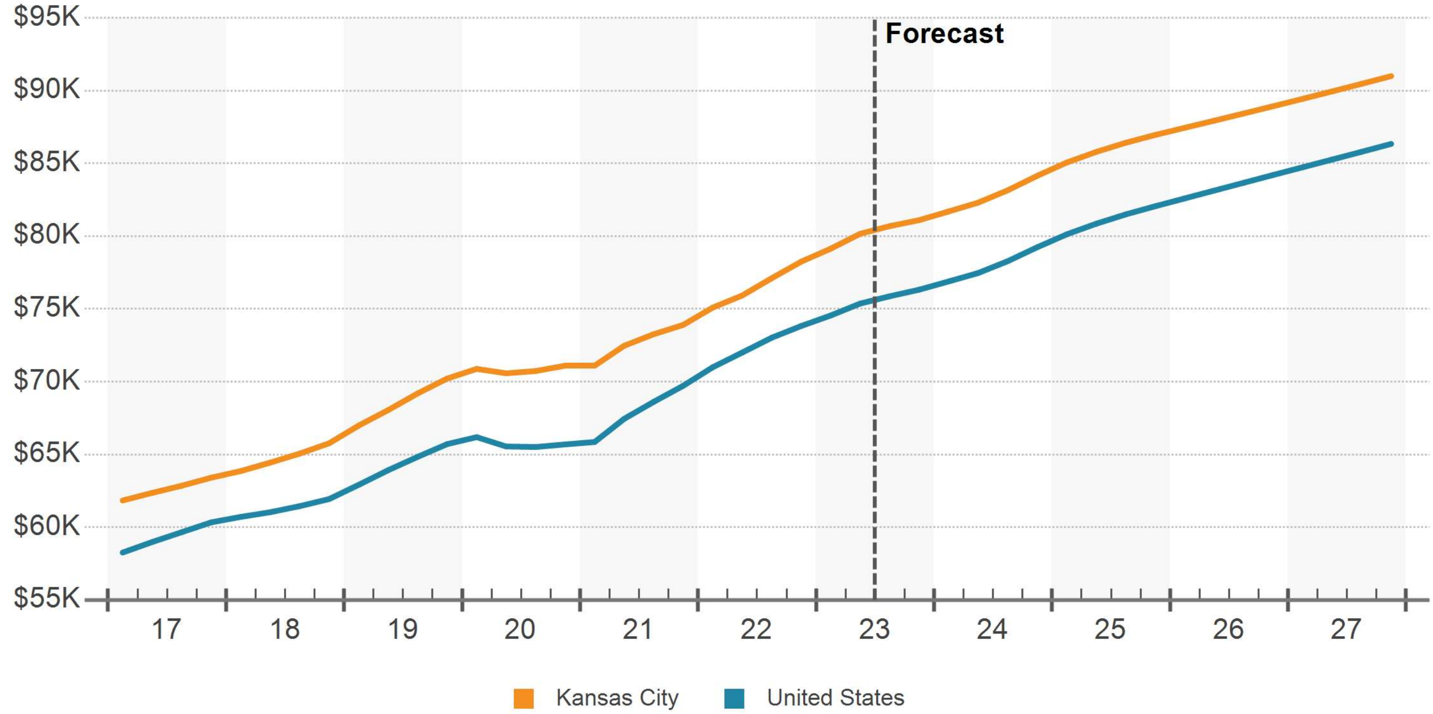
UNEMPLOYMENT RATE (%)



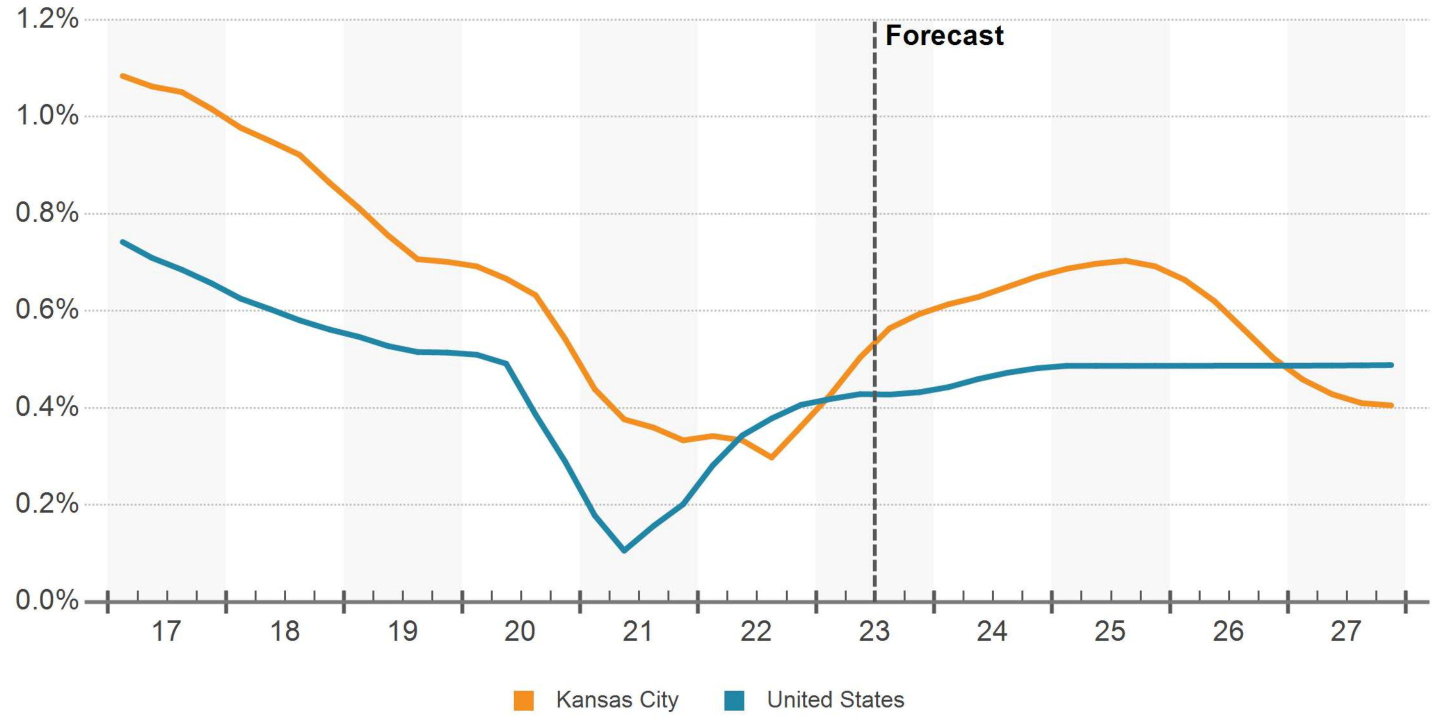
NET EMPLOYMENT CHANGE (YOY)



MEDIAN HOUSEHOLD INCOME



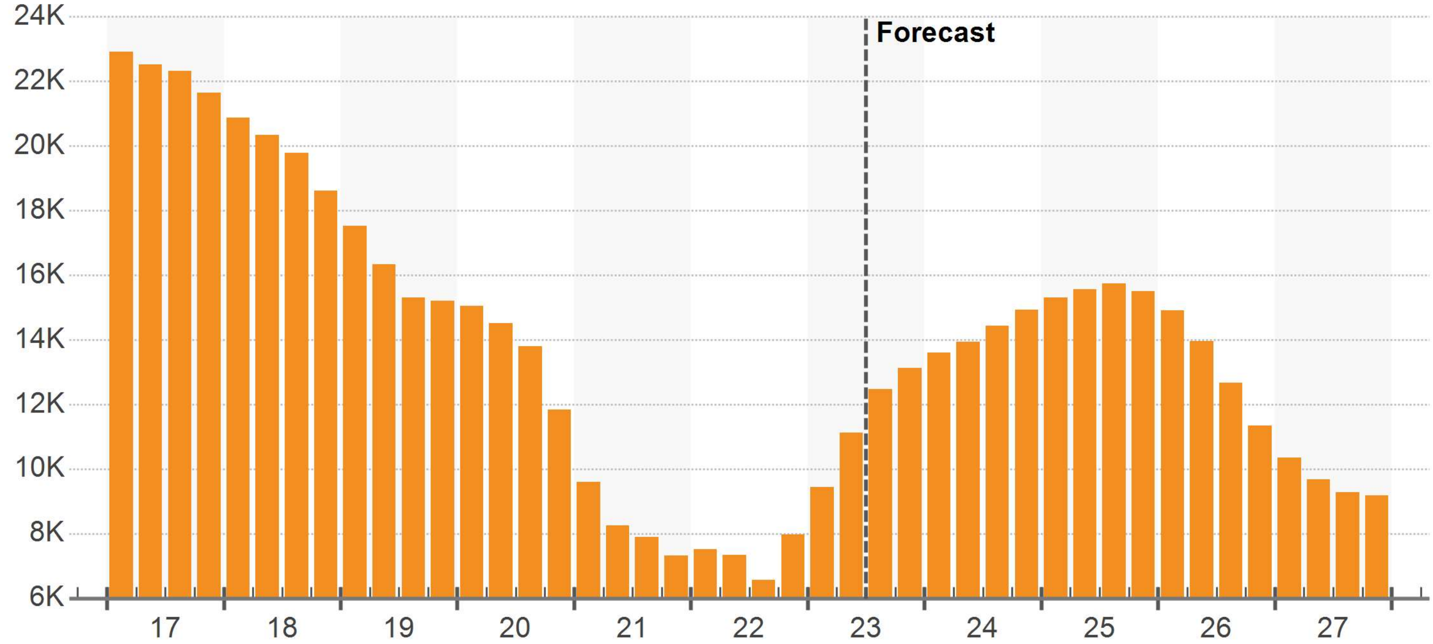
POPULATION GROWTH (YOY %)



Kansas City Economic Summary

Kansas City Office

NET POPULATION CHANGE (YOY)



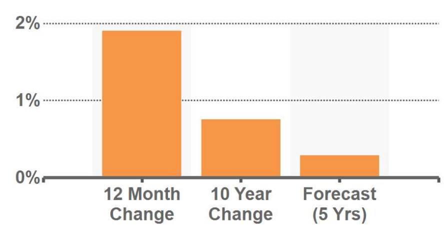
DEMOGRAPHIC TRENDS

	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
Demographic Category	**Metro**	**US**	**Metro**	**US**	**Metro**	**US**	**Metro**	**US**
Population	2,220,921	334,603,125	0.5%	0.4%	0.7%	0.6%	0.5%	0.5%
Households	901,671	129,926,688	0.8%	0.7%	1.1%	0.9%	0.7%	0.6%
Median Household Income	$80,505	$75,695	5.0%	4.2%	3.7%	3.8%	2.8%	3.0%
Labor Force	1,168,728	165,925,859	1.9%	1.0%	0.8%	0.6%	0.3%	0.4%
Unemployment	2.7%	3.6%	0.2%	0%	-0.3%	-0.4%	-	-

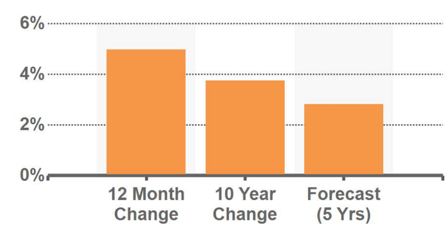
Source: Oxford Economics

POPULATION GROWTH

LABOR FORCE GROWTH



INCOME GROWTH



Source: Oxford Economics

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