

# INVESTMENT FORECAST

Office  
Kansas City Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2025

## Property Performance Metrics Trending in the Right Direction May Begin to Enliven Sales Landscape

**Largest submarkets continue to outperform.** After four years of retreat, the amount of occupied office space began to climb in 2024 and should continue to this year as a pair of headquarters expansions come to fruition. Both Kiewit and the Shamrock Trading Company will add to their footprints this year in Lenexa and Overland Park, respectively. Meanwhile, 2025 move-ins at existing floorplans are slated across the market, most frequently in Downtown, Midtown and along College Boulevard. This should add to the downward vacancy shift noted last year in both the core and South Johnson County, especially as Midtown already boasts one of the lowest vacancy rates in the metro at 9.4 percent. Outlying Kansas suburbs entered this year with a vacancy rate matching Midtown's. Tenant demand in both core and suburban office hubs, as well as some of the smaller nearby cities including Topeka, is further underpinned by net absorption across all classes, setting the stage for broad-based vacancy tightening this year.

**Circumspect climate may warm in year ahead.** Office investment has tempered in Kansas City since 2022, with fewer properties trading hands per annum since. The 24 months preceding 2025 also observed a combined 20 percent correction in the mean sale price. While the properties changing hands skewed slightly older on average, the pricing shift also likely reflects a realignment of investor expectations amid elevated borrowing costs. The corresponding increase to the mean cap rate, which rose to 8.4 percent for trades closed in 2024 – the highest in the market since 2012 – may enable more deals to pencil going forward. Buyers are likely to look toward Downtown and South Johnson County, which were the main focal points of transaction activity in 2024. Both submarkets noted triple-digit basis-point drops to Class B/C vacancy last year.

### 2025 MARKET FORECAST

+1.2%



**EMPLOYMENT:** Both total payrolls and those specific to traditionally office-using industries will see a slight slowdown in hiring this year. Still, the latter category will add 2,500 roles on net.

750,000  
sq. ft.



**CONSTRUCTION:** The delivery of two projects each over 150,000 square feet lifts the overall pipeline 490,000 square feet above the 2024 total to a four-year high, expanding stock by 0.6 percent.

-100 bps



**VACANCY:** Despite new supply, prevalent pre-leasing sustains last year's vacancy contraction through 2025. The metrowide rate will end the year at 12.0 percent – on par with the long-term mean.

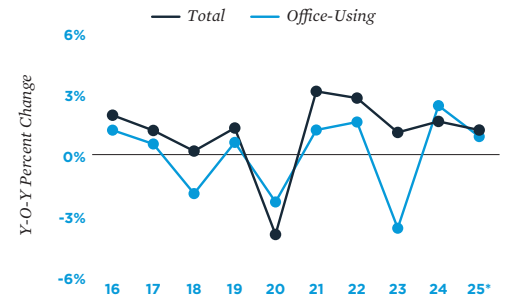
+2.1%



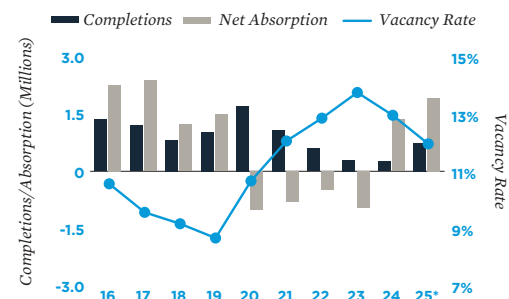
**RENT:** Tightening vacancy across all classes of office assets amid improved net absorption sets the stage for further rent gains. The average asking rate climbs to \$20.85 per square foot in 2025.

**INVESTMENT:** *The share of investment from outside Kansas or Missouri declined from about 30 percent in 2015-2022 to near zero in 2023-2024. Higher cap rates and falling vacancy could widen investment appeal again.*

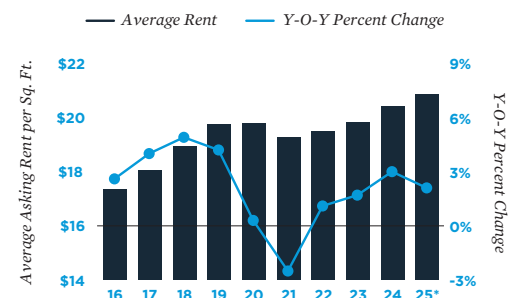
### Employment Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.