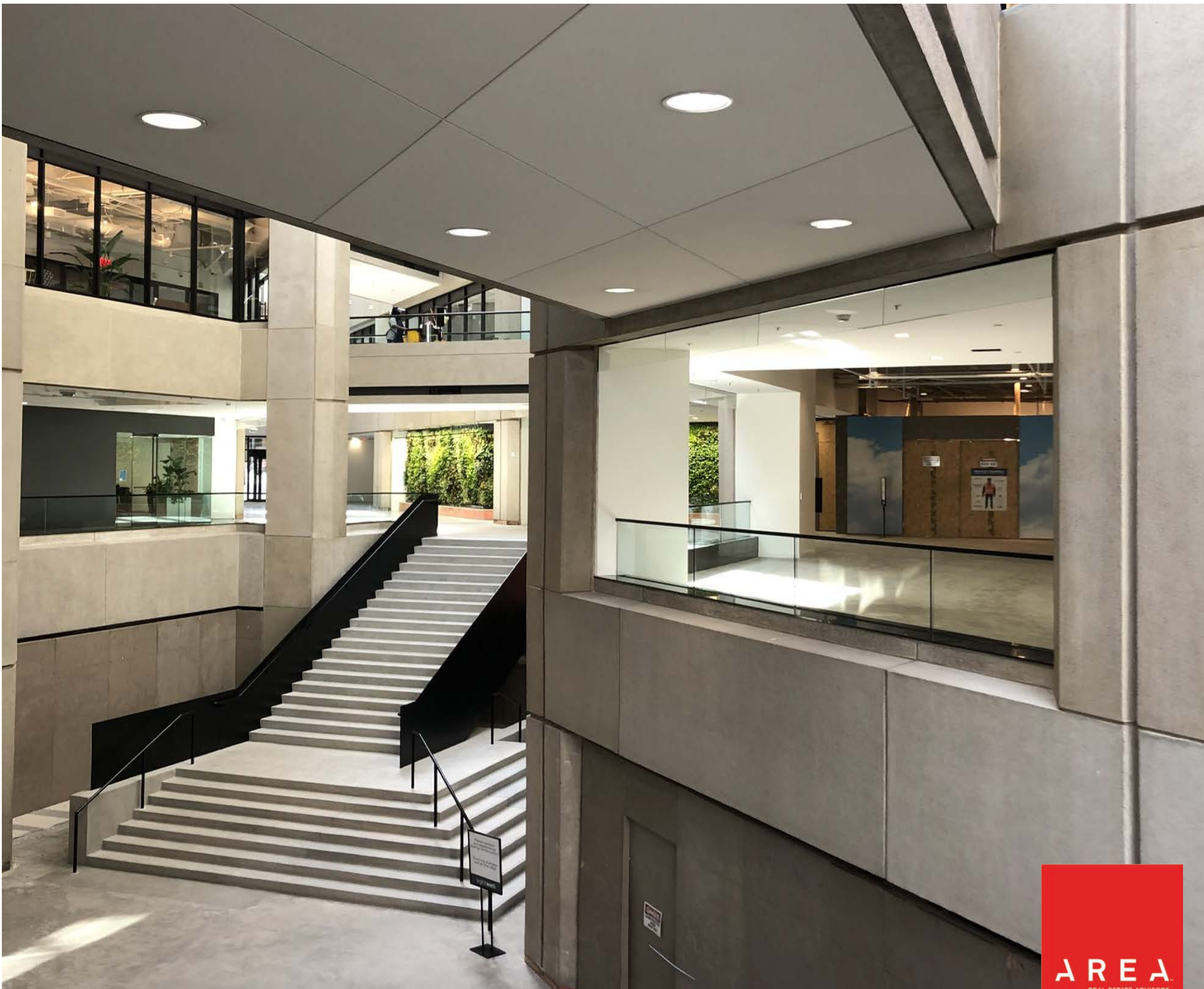
YOUR MARKET AREA REPORT

A LOOK BACK OVER 2020



INDUSTRIAL MARKET (PG 2): E-commerce growth and re-shoring of U.S. manufacturing is fueling strong industrial growth in KC and throughout the country. Strong demand and positive market dynamics have allowed the industrial market to thrive during the pandemic. AREA sees these positive trends continuing in 2021 as the pandemic is accelerating warehouse distribution needs.

MULTIFAMILY MARKET (PG 5): The pandemic slowed multifamily investment activity in 2020. The outlook remains bullish as investor demand for KC metro area multifamily assets remains strong. As the recovery continues, aided by ultra-low interest rates, expect an uptick in transactions in 2021. With a recovering economy and strong demand, market fundamentals will remain steady.

RETAIL MARKET (PG 8): All brick and mortar retailers and restaurants have been forced to adapt to the changing consumer environment that was forced on by the pandemic. Retailers will continue to balance and incorporate an omni-channel approach to support online shopping demands.

OFFICE MARKET (PG 11): New office leases hold asking rates despite increase in sublease space across the metro. Activity ticked up post-lockdown but not to pre-pandemic levels. Vaccine rollout will bring clarity to office users, allowing for increased activity in 2nd half of 2021. The future impact on office usage is yet to be seen, differing by region and industry.

ECONOMIC REVIEW (PG 14): The pandemic pushed the U.S. economy to the brink in the spring of 2020 with record job losses and total economic disruption. However, with trillions in fiscal aid from Congress and the Fed anchoring interest rates near zero, the economy held on and began to recover as lockdowns lifted. Vaccine breakthroughs and a sooner than expected rollout, bring hope that the economy will recover at a faster clip in the 2nd half of the year.

Continued Growth as Demand Holds Firm

NOTABLE LEASE DEALS

KC Bulk Distribution Warehouse Leasing Activity Continues

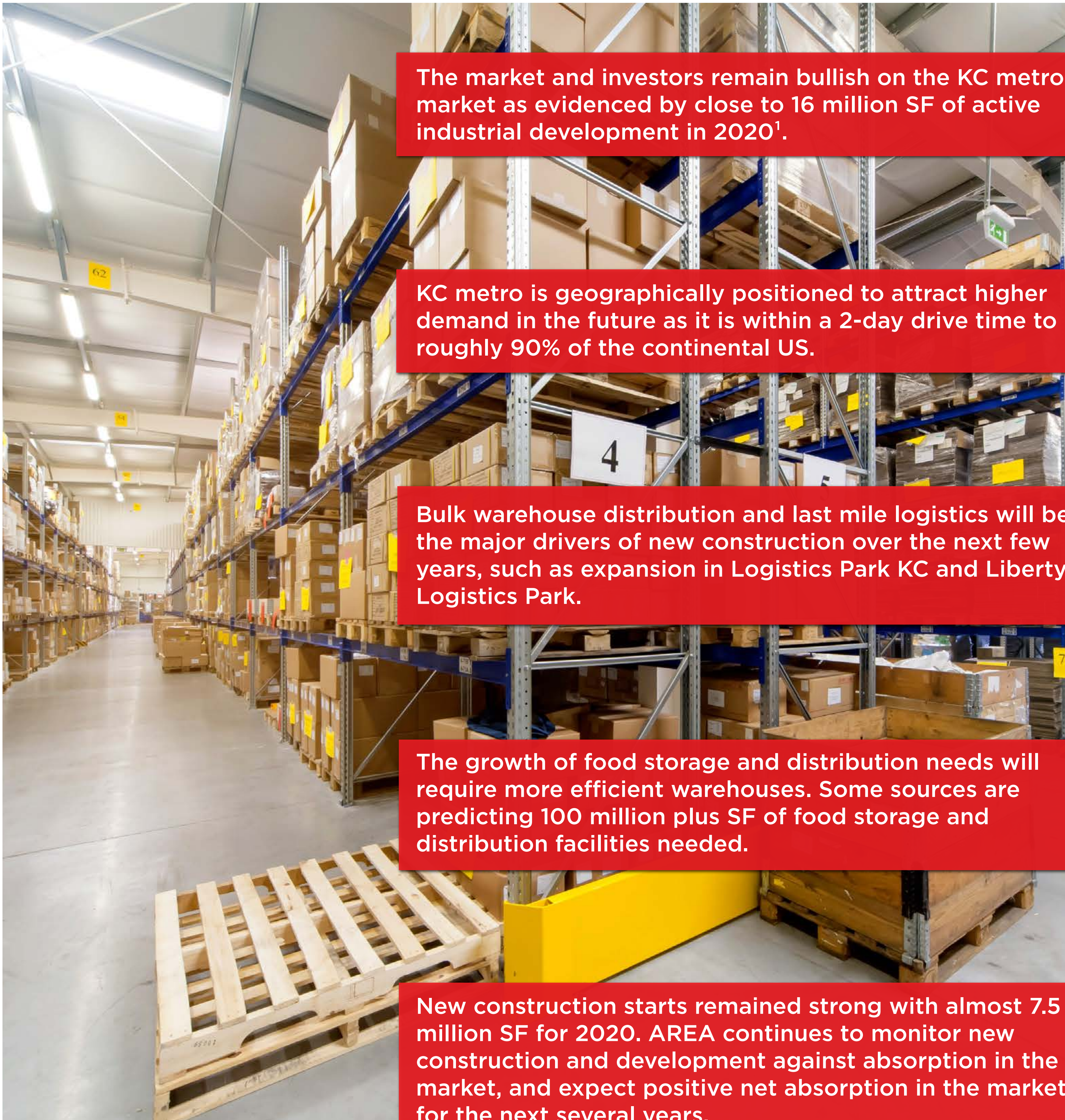
Name/ Location	Submarket	Company	SF Leased	Estimated Rate (NNN)	Class	Lease Date
Logistics Park KC - Inland Port VII 185th St. & Waverly Rd., Gardner, KS	Olathe Industrial	PepsiCo	952,956	$3.95	A	December 2020
Liberty Logistics Park - Building 1 I-35 Highway 69 & S. Liberty Pky, Liberty, MO	Liberty Industrial	Not Disclosed	325,800	$4.25	B	September 2020
Southview Commerce Center Bldg II 16001 S. Outer Rd., Belton, MO	Cass County Industrial	Boxy Charm	690,000	$4.25	B	July 2020

NOTABLE PURCHASE DEALS

Positive Market Dynamics and Strong Demand Fuel Low Cap Rate Industrial Acquisitions

Name/ Location	Submarket	Buyer	Seller	Size SF	Estimated Sale Price	Estimated Sale Price/SF	Class	Sale Date
Harley-Davidson 11401 N Congress Ave., Kansas City, MO	KCI Industrial	Melaleuca, Inc.	Harley-Davidson	507,729	$26,500,000	$52.19	B	December 2020
Amazon Fulfillment Center 6925 Riverview Ave., Kansas City, KS	Kansas City KS Industrial	JDM Partners, LLC	USAA Real Estate	856,605	$107,000,000	$124.91	A	July 2020
Pfizer 1 SE Pfizer Way, Lees Summit, MO	Lee's Summit Industrial	Daniel O'Dell	Pfizer, Inc.	282,308	$7,045,001	$24.96	B	June 2020

INDUSTRIAL MARKET OVERVIEW



The market and investors remain bullish on the KC metro market as evidenced by close to 16 million SF of active industrial development in 2020[1].

KC metro is geographically positioned to attract higher demand in the future as it is within a 2-day drive time to roughly 90% of the continental US.

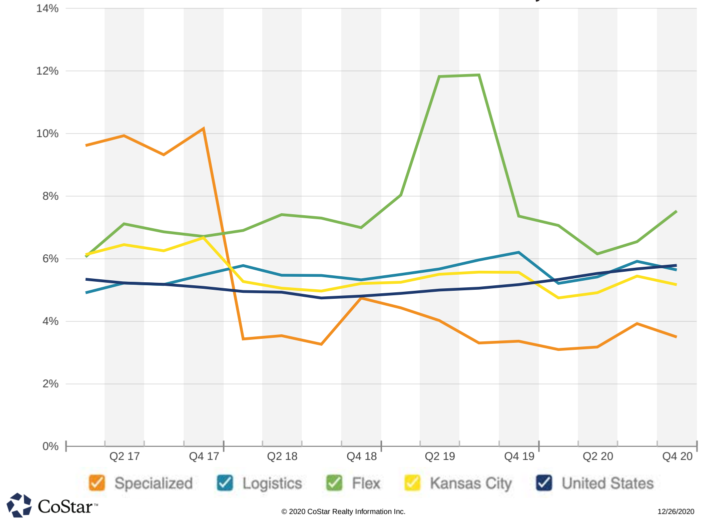
Bulk warehouse distribution and last mile logistics will be the major drivers of new construction over the next few years, such as expansion in Logistics Park KC and Liberty Logistics Park.

The growth of food storage and distribution needs will require more efficient warehouses. Some sources are predicting 100 million plus SF of food storage and distribution facilities needed.

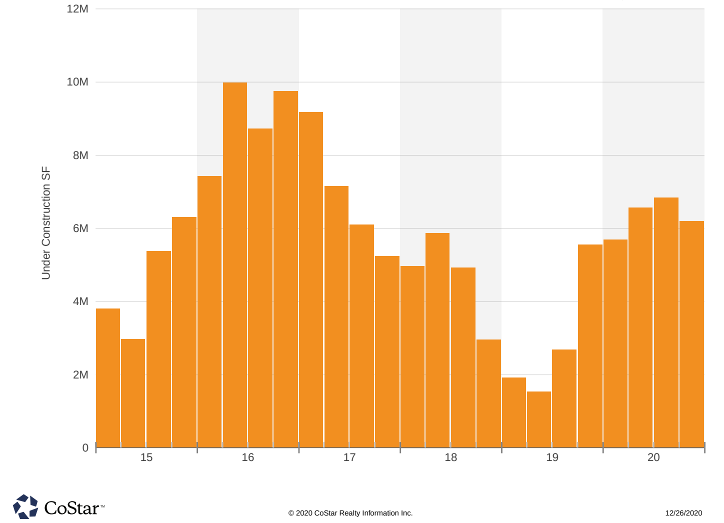
New construction starts remained strong with almost 7.5 million SF for 2020. AREA continues to monitor new construction and development against absorption in the market, and expect positive net absorption in the market for the next several years.

[1] Source: KC SmartPort

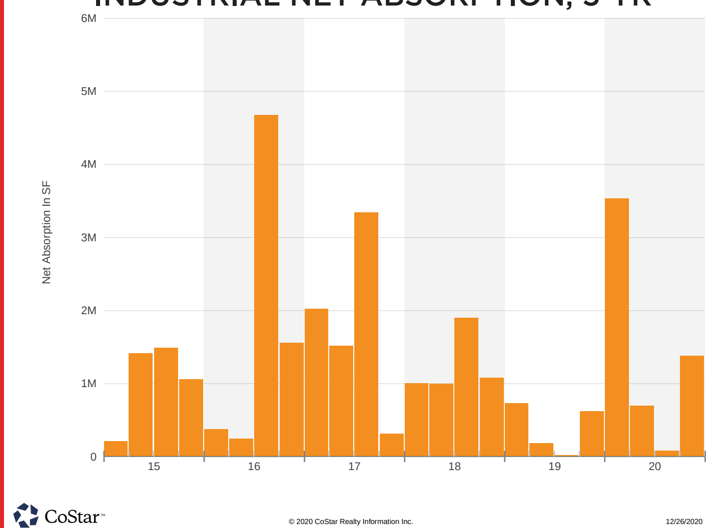
INDUSTRIAL VACANCY RATES, 3-YR



INDUSTRIAL SF UNDER CONSTRUCTION, 5-YR



INDUSTRIAL NET ABSORPTION, 5-YR



Even with Substantial Growth, Vacancy Remains Historically Low

- Vacancy rates show resilience even with large increase in inventory.
- There was a slight increase from a Q1 low of 4.7% to around 5.0% to end 2020.
- Distribution properties continue to show strength, a positive sign for the market for the foreseeable future.
- Vacancy rates are anticipated to remain stable in 2021 as demand for industrial product continues.

Strategic Location Driving Construction

- After a lull from peak building in 2016-2017, warehouse distribution construction has significantly picked up with 40 million SF under construction over the past year and a half. With 9.4 million SF already in 2021, expansion is expected to continue.
- KC has had historic levels of new construction over the last 5 years, and this trend is expected to continue.

Positive Net Absorption Rate Continues

- KC has averaged over 1 million SF of positive net absorption per quarter over the last 5 years.
- An increased demand for warehouse distribution needs has been fueled by consumers' turn to e-commerce sales and online shopping.
- Positive net absorption for the next 3 years is estimated to average around 1.8 million SF per quarter.

Pandemic Slows 2020 Investor Activity, Future Demand for Kansas City Assets Looks Promising

NOTABLE PURCHASE DEALS

Pandemic Interrupts KC Multifamily 2020 Deal Flow

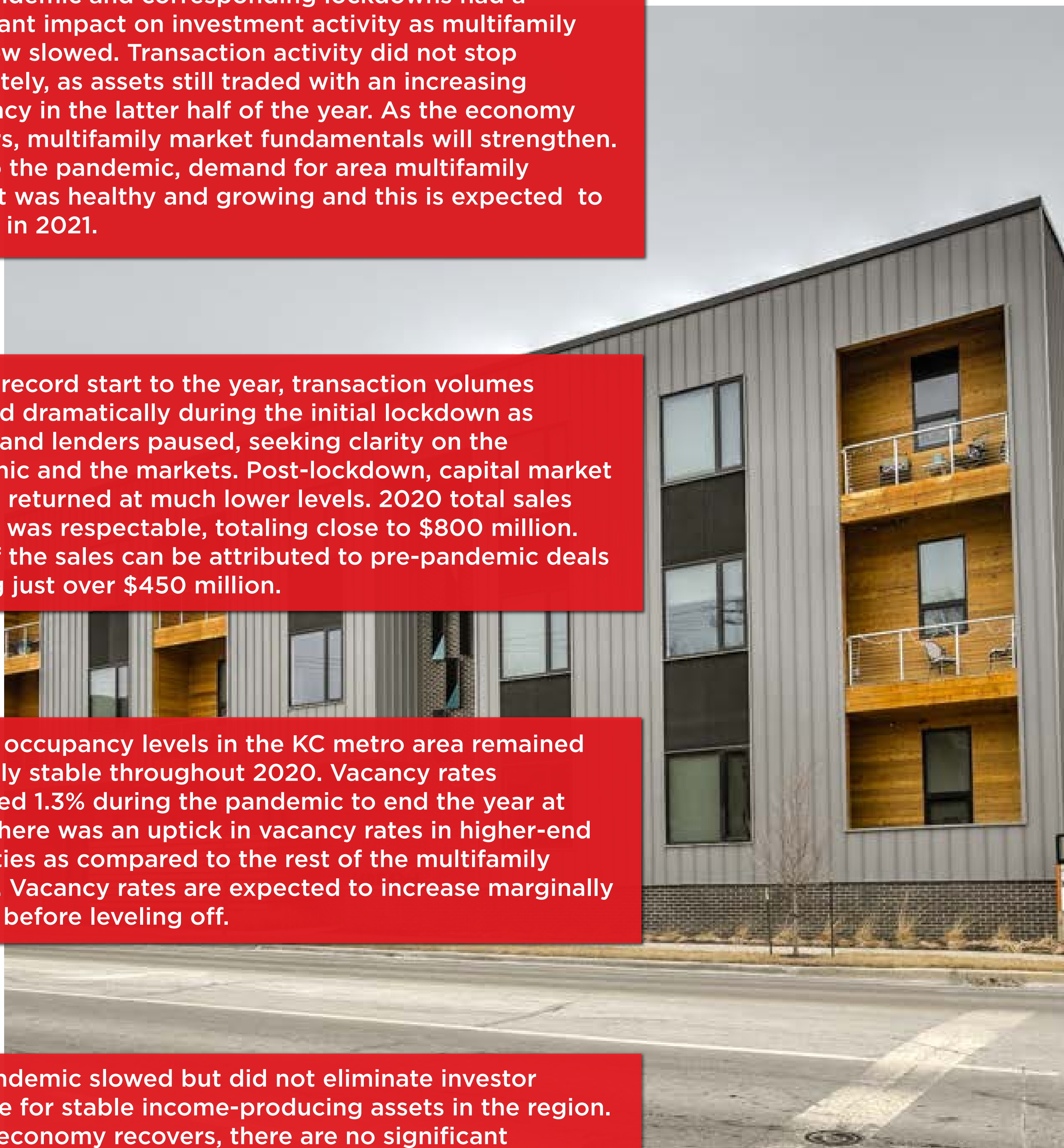
Name/ Location	Submarket	Buyer	Seller	Size (Units)	Estimated Sale Price	Estimated Sale Price/Unit	Class	Sale Date
The Reserves at South Pointe 8900 Old Santa Fe Rd. Kansas City, MO	Eastern Jackson County	The Hudson Equities Management Group	Read Properties	301	$23,000,000	$76,411	C	December 2020
Savoy Overland Park Apartments 7100-7200 W. 141st St. Overland Park, KS	Johnson County	Griffis/Blessing	DRA Advisors LLC	252	$48,000,000	$190,476	B	October 2020
The Landing at Tiffany Springs 9641 N. Ambassador Dr. Kansas City, MO	Outer Northland-Platte County	A & C Ventures, Inc.	Watermark Residential	276	$60,000,000	$217,391	A	October 2020
Fountain View on the Plaza 4800 Oak St. Kansas City, MO	Country Club Plaza	Abacus Capital Group LLC	DWS	398	$87,000,000	$218,592	A	September 2020
Villa Medici 9550 Ash St. Overland Park, KS	Johnson County	Lincoln Property Company	CF Real Estate Services	166	$25,000,000	$150,602	B	August 2020
The Sovereign 13310 Melrose Ln. Overland Park, KS	Johnson County	Benjamin E. Sherman & Sons, Inc.	JVM Realty Corporation	250	$49,250,000	$197,000	B	February 2020


FOUNTAIN VIEW ON THE PLAZA


THE SOVEREIGN

MULTIFAMILY MARKET OVERVIEW

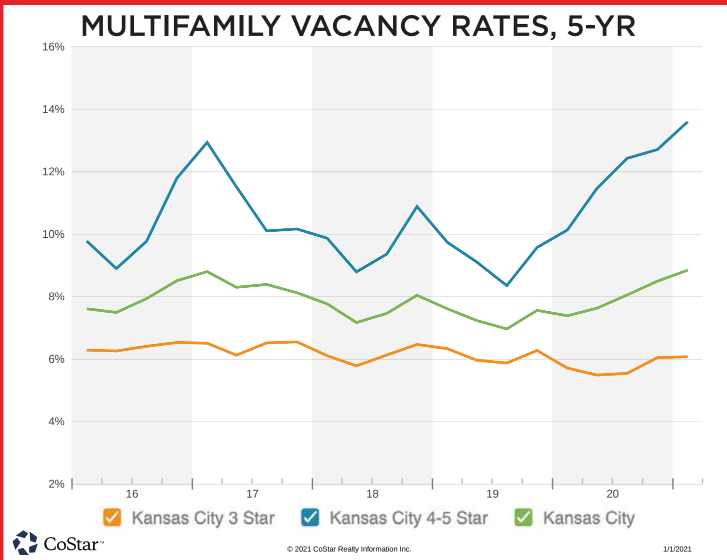
The pandemic and corresponding lockdowns had a significant impact on investment activity as multifamily deal flow slowed. Transaction activity did not stop completely, as assets still traded with an increasing frequency in the latter half of the year. As the economy recovers, multifamily market fundamentals will strengthen. Prior to the pandemic, demand for area multifamily product was healthy and growing and this is expected to resume in 2021.

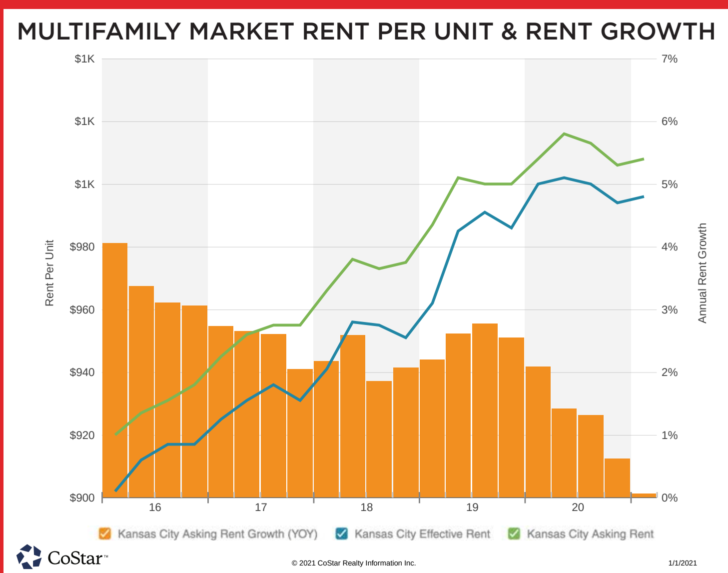


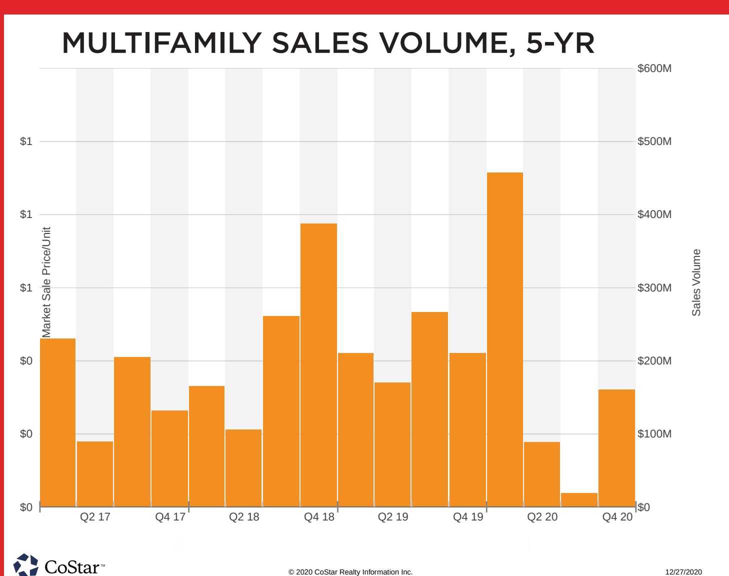
After a record start to the year, transaction volumes dropped dramatically during the initial lockdown as buyers and lenders paused, seeking clarity on the pandemic and the markets. Post-lockdown, capital market activity returned at much lower levels. 2020 total sales volume was respectable, totaling close to $800 million. Most of the sales can be attributed to pre-pandemic deals totaling just over $450 million.

Overall occupancy levels in the KC metro area remained relatively stable throughout 2020. Vacancy rates increased 1.3% during the pandemic to end the year at 8.8%. There was an uptick in vacancy rates in higher-end properties as compared to the rest of the multifamily market. Vacancy rates are expected to increase marginally in 2021 before leveling off.

The pandemic slowed but did not eliminate investor appetite for stable income-producing assets in the region. As the economy recovers, there are no significant downturns anticipated on the horizon.







Vacancy Rates Show Modest Decline

• Vacancy rates rose marginally in 2020 from 7.4%, to end the year at 8.8%. Long-term outlook for occupancy still remains positive.

• Class A vacancy rates increased substantially from 10.1%, to 13.5% at year end. The next 12-18 months will bring a further increase before leveling off.

• For lower-end product, vacancy rates remained steady and rangebound during 2020, with a slight decline through Q2. These properties are seeing stabilized occupancy levels, which should continue.

Rental Rates Remain Constant

• Annual rent growth was strong over the past 5 years with continued annual increases between 1-2%. This was slowed to 0.6% at year end. Rent growth is expected to remain subdued in 2021 before rebounding, dependent on the broader economic recovery.

• Rent per unit was also impacted by the pandemic, decreasing slightly for the first time in a decade. Rents should remain rangebound at slightly lower levels until the 2nd half of 2021, before continuing to steadily climb.

Investment Activity Slowed, Strong Demand Anticipated in 2021

• Following a record start to 2020, sales volume plummeted once the pandemic and lockdowns set in, as both investors and lenders paused.

• 2020 total sales volume was close to $800 million, with more than half ($450 million) coming in the first 10 weeks of 2020.

• With demand for multifamily assets in the KC metro remaining high, capital market activity is anticipated to rebound in 2021.

Consumers, Landlords, Investors and Retailers Pivot and Adapt

NOTABLE LEASE DEALS

High Profile Properties Strengthen with Strong Future Additions

Location	Submarket	Company	SF Leased	Estimated Rate	Class	Operating Date
46Penn Centre Kansas City, MO	Country Club Plaza	Ocean Prime	10,440	Not Disclosed	A	Fall/Winter 2021
Regency Park Shopping Center 9290 Metcalf Ave. Overland Park, KS	Central Johnson County	Chiefs Fit	37,000	Not Disclosed	B	Spring 2021
Sonoma Plaza 15918 W. 88th St. Lenexa, KS	Northwest Johnson County	Red Door Woodfired Grill	6,498	Not Disclosed	B	December 2020

NOTABLE PURCHASE DEALS

Single Tenant Investments Drive Majority of Retail Investment Demand

Location	Submarket	Buyer	Seller	Size SF	Estimated Sale Price	Estimated Sale Price/SF	Class	Sale Date
Academy Sports & Outdoors 510 E. Markey Pky. Belton, MO	Cass County	Liberty Enterprise Group	HJH Investments	58,472	$6,600,000	$112.87	B	December 2020
Natural Grocers 13335 Shawnee Mission Pky. Shawnee, KS	Northwest Johnson County	GPS Commercial Real Estate Services, Inc.	Equity Ventures Inc	14,902	$5,882,500	$394.75	A	December 2020
Corbin Park 6821 W. 135th St. Overland Park, KS	South Johnson County	Realty Trust Group Inc	Carson Development, Inc.	56,837	$12,150,000	$213.77	A	July 2020

RETAIL MARKET OVERVIEW

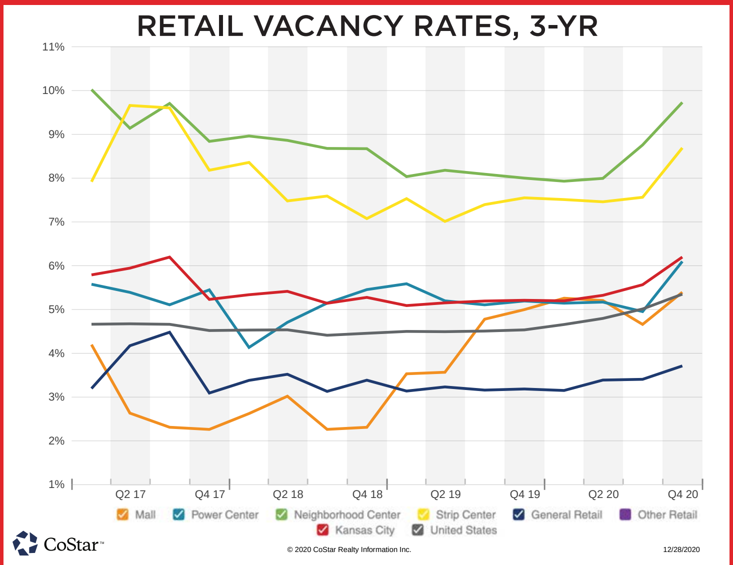
Landlords and tenants have spent much of 2020 focused on solutions to resolve outstanding rents resulting from pandemic-induced lockdowns, closures and public health limitations. These solutions included future payments, amortization over the remaining term, and lease extensions.

Most restaurants quickly pivoted to make every attempt to serve customers with safe solutions that included curb side pickup, drive-thru and delivery. Each restaurant category demonstrated some very creative solutions; however, for most, this fell well short of a break-even proposition.

A few retail sectors have thrived within this adaptation of consumers during this unprecedented time, including grocery, convenience, automotive, quick service restaurants, wine & liquor stores, home improvement and other service related concepts.

Many retailers are now determining ways to permanently provide for new distancing and contact-free standards. This includes self-check-out stations and distancing, wider aisles, traffic flow, and in-store pickup.

2021 is anticipated to continue the trend for all retailers to balance and incorporate an omni-channel focus to service and support the online shopping demands.

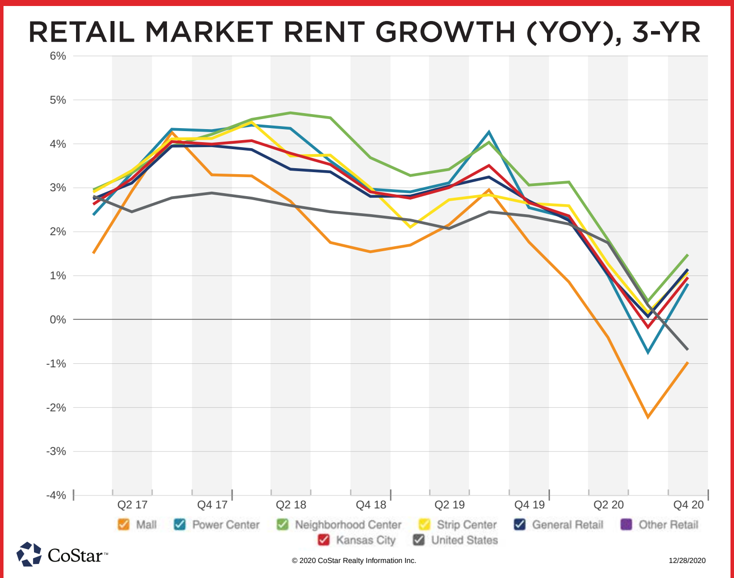


Vacancy Rates Expected to Continue to Increase

• After flattening in 2019, retail vacancy rates ticked upwards in 2020, after the economic disruption caused by lockdowns and restrictions.

• The red line on the chart, which represents the overall KC retail market, shows the increase in 2020. Rates moved from 5.2% in Q1 to end 2020 at 5.9%.

• Overall retail vacancy rates will increase further through 2021.

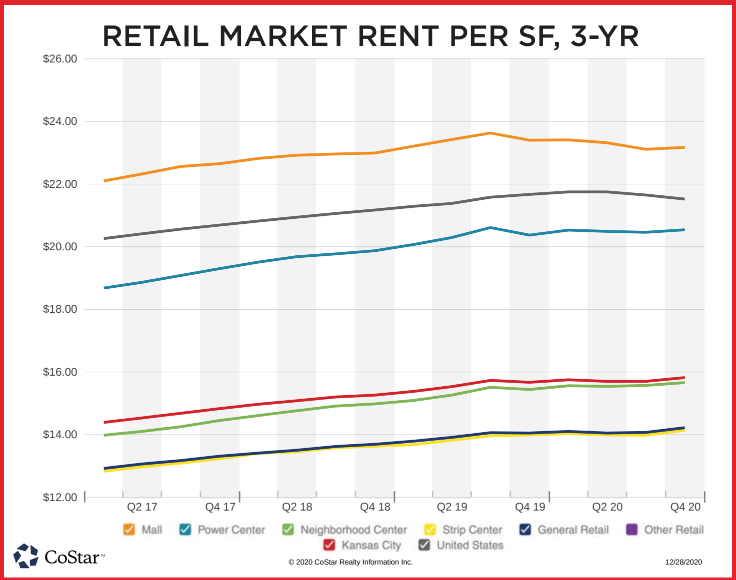


Market Rent Growth's Downward Trend To Continue

• Retail market rent growth was choppy in 2020 ending the year slightly positive.

• Rent growth had been slowing in KC towards the end of 2019, only to be slowed further in 2020.

• Rent growth is expected to turn slightly negative in 2021 before rebounding towards the end of the year.



Rental Rates Remain Under Pressure in Short-Term

• Retail market rent per SF experienced minimal immediate impact during the onset of the pandemic.

• Although, as noted in the prior chart, positive rent growth is not expected for some time.

• Rental rates are expected to remain static in the strong retail corridors, but continued pressure in 2021 is anticipated to impact unanchored centers throughout the metro.

Office Market Holds on in 2020. Vaccines Will Bring Clarity and Increased Activity in 2021

NOTABLE LEASE DEALS

Leasing Activity Picks up in 2nd Half of 2020

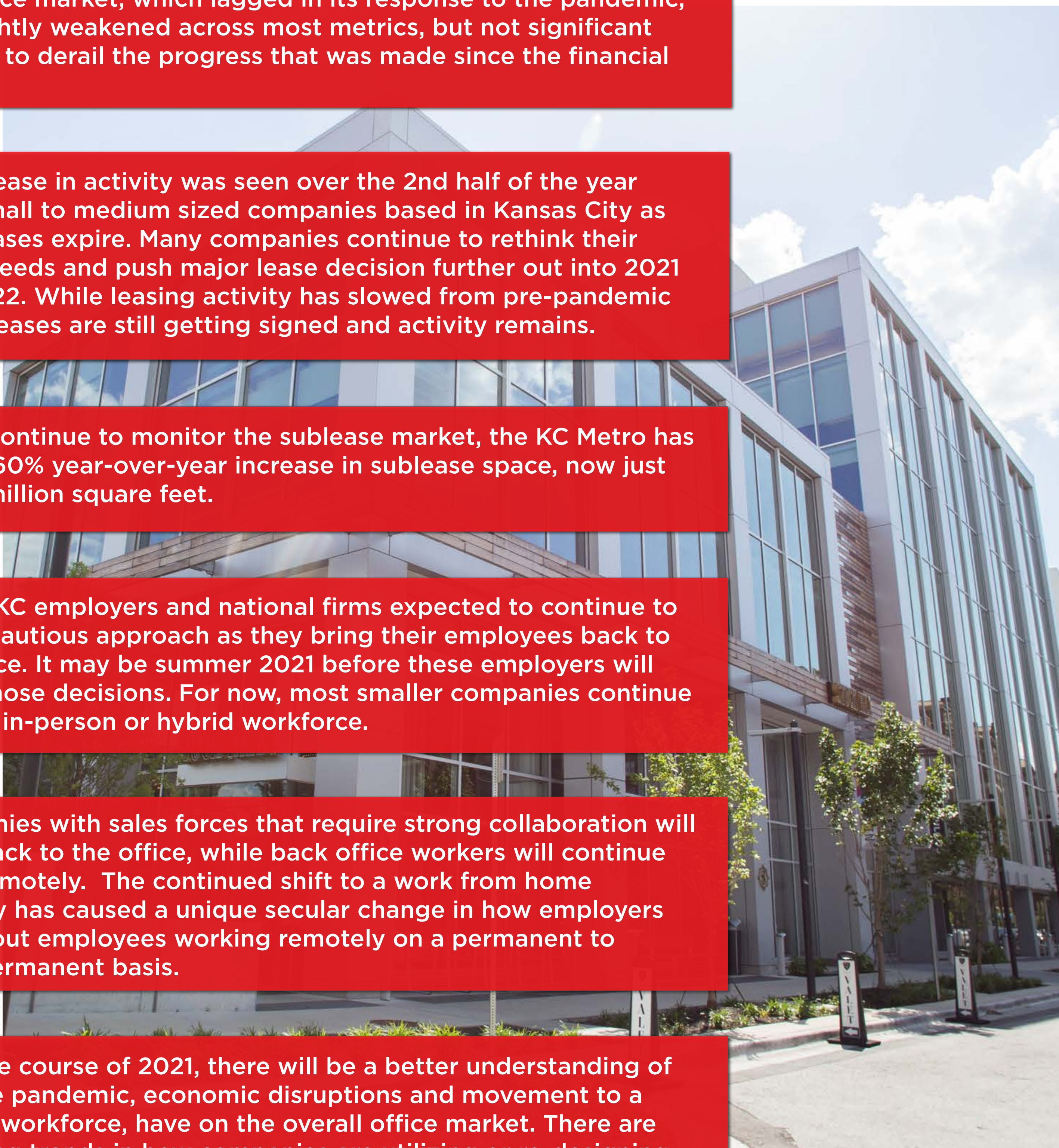
Name/ Location	Submarket	Company	SF Leased	Estimated Rate (Full Service)	Class	Lease Date
Summit Technology Center 800-850 NW Chipman Rd. Lees Summit, MO	Eastern Jackson County	Eurofins Viracor Inc	26,144	$19.00	B	December 2020
Northgate Center 2001 NE 46th St., Kansas City, MO	I-35 Corridor	Not Disclosed	39,351	$17.00	B	November 2020
Renner Ridge Square 16201 W. 95th St., Lenexa, KS	Northwest Johnson County	Intervet, Inc.	17,918	$22.00	B	November 2020
9221 Ward Parkway Kansas City, MO	Ward Parkway	Honeywell	22,490	$23.25	B	September 2020

NOTABLE PURCHASE DEALS

Investment Office Real Estate Saw Movement in 2020

Name/ Location	Submarket	Buyer	Seller	Size SF	Estimated Sale Price	Estimated Sale Price/SF	Class	Sale Date
Corporate Ridge II 18001 W. 106th St. Olathe, KS	South Johnson County	Excelsior Capital	The Opus Group	122,974	$19,429,892	$158.00	A	June 2020
Burns & McDonnell 9300-9400 Ward Parkway Kansas City, MO	Ward Parkway	U.S. Realty Advisors LLC	James Campbell Co. LLC	485,833	$121,000,000	$249.06	A	May 2020
Interstate Business Park (Bldg. 4) 8527-8551 Bluejacket Dr. Lenexa, KS	Northeast Johnson County	2025 Wilshire Werbo, LLC	Block Real Estate Services LLC	28,481	$3,759,492	$132.00	B	March 2020

OFFICE MARKET OVERVIEW



The office market, which lagged in its response to the pandemic, has slightly weakened across most metrics, but not significant enough to derail the progress that was made since the financial crisis.

An increase in activity was seen over the 2nd half of the year from small to medium sized companies based in Kansas City as their leases expire. Many companies continue to rethink their space needs and push major lease decision further out into 2021 and 2022. While leasing activity has slowed from pre-pandemic levels, leases are still getting signed and activity remains.

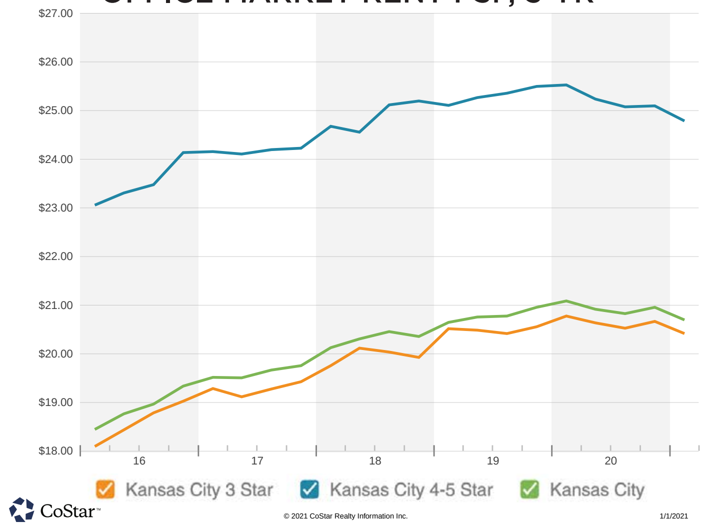
As we continue to monitor the sublease market, the KC Metro has seen a 60% year-over-year increase in sublease space, now just over 1 million square feet.

Larger KC employers and national firms expected to continue to take a cautious approach as they bring their employees back to the office. It may be summer 2021 before these employers will make those decisions. For now, most smaller companies continue with an in-person or hybrid workforce.

Companies with sales forces that require strong collaboration will head back to the office, while back office workers will continue work remotely. The continued shift to a work from home strategy has caused a unique secular change in how employers feel about employees working remotely on a permanent to semi-permanent basis.

Over the course of 2021, there will be a better understanding of how the pandemic, economic disruptions and movement to a remote workforce, have on the overall office market. There are emerging trends in how companies are utilizing or re-designing their office space in this new normal.

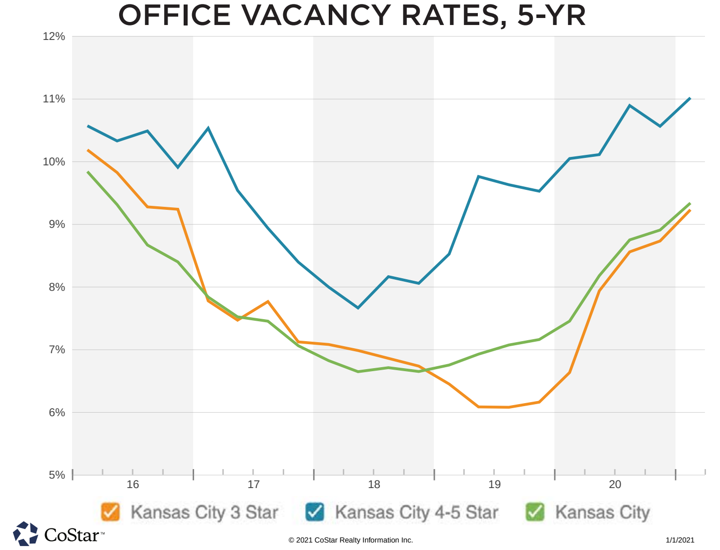
OFFICE MARKET RENT PSF, 5-YR



Rent Growth Turns Slightly Negative Across Market

- Office Market rents indicated a slight decline for the first time in 5 years.
- Unlike the first half of 2020, 3-Star and 4-5 Star office properties showed slight rent declines.
- This trend is anticipated to continue in the first half of 2021, with a rebound coming later in the year.

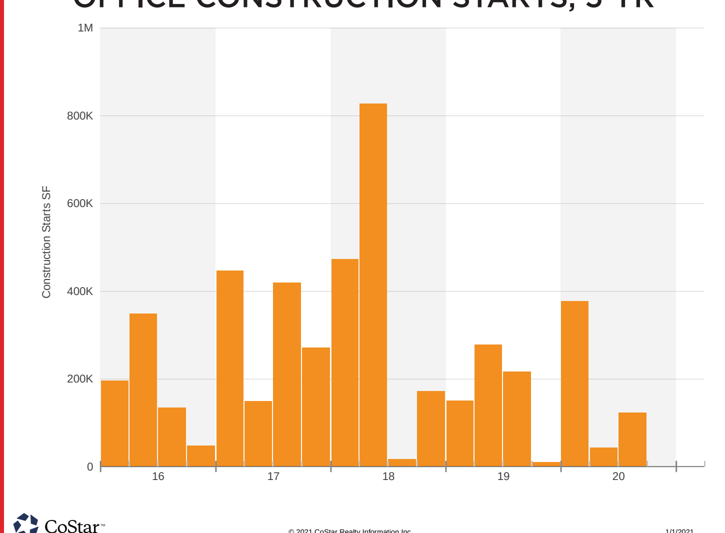
OFFICE VACANCY RATES, 5-YR



Vacancy Rates Increase as Sublease Space Comes to Market

- Vacancy rates continued to steadily increase in 2nd half of the year, peaking just under 9.0%, as more direct and sublease space came to market.
- A 60% increase in sublease space (1 million SF), has contributed to increased vacancy rates.
- Vacancy rates predicted to marginally increase through the 1st half of 2021 before stabilizing into 2022, as office users gain more clarity on their post pandemic needs.

OFFICE CONSTRUCTION STARTS, 5-YR



New Construction Slows with Uncertainty in Office Market

- Not since Q4 of 2016 have construction starts fallen to 2020 levels.
- Although construction starts are down, historically, this is often seen as a precursor to the lack of supply in the market.
- When markets return to normal and supply is lacking, constructions starts will increase due to pent up demand, most likely by year end 2022.

Pandemic Pushes Economy into A Short-Term Recession, Bumpy Recovery Continues

Looking back to the beginning of 2020, the economy was humming along nicely, when just a few months into the year, the pandemic and resulting shutdowns caused a violent economic downturn, with record-high job losses, low consumer spending, minimal business investment, and a crashing stock market. Just like that, a recession had taken hold, ending 128 months of economic expansion—the longest in U.S. history.

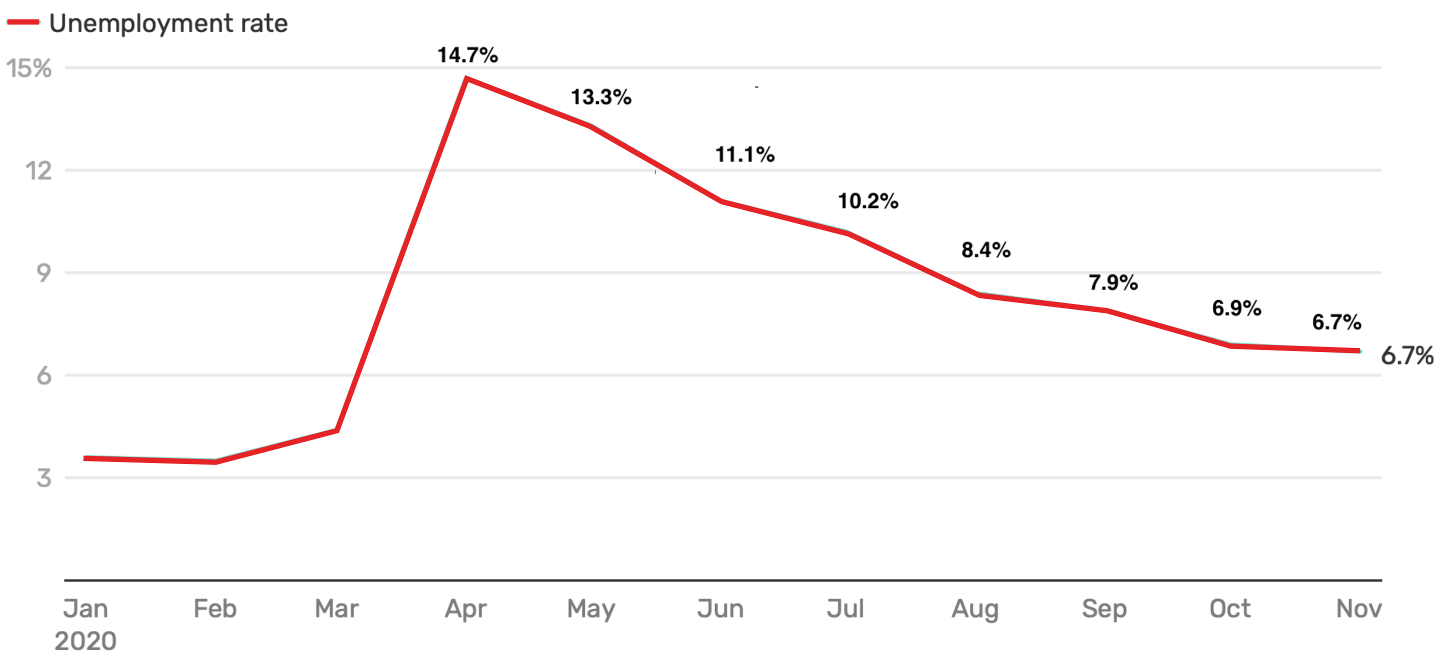
In response, the government took a series of extensive actions:

- The Federal Reserve lowered the benchmark interest rate to virtually zero and promised to keep it there until the economy fully recovers.

- The Fed also resumed its bond buying program to increase liquidity in the capital markets and steady risk assets.

- Congress issued more than $3 trillion in fiscal stimulus with more aid expected in the near future as an approximately $1.9 trillion legislative package is now moving through Congress.

U.S. UNEMPLOYMENT RATE- 2020

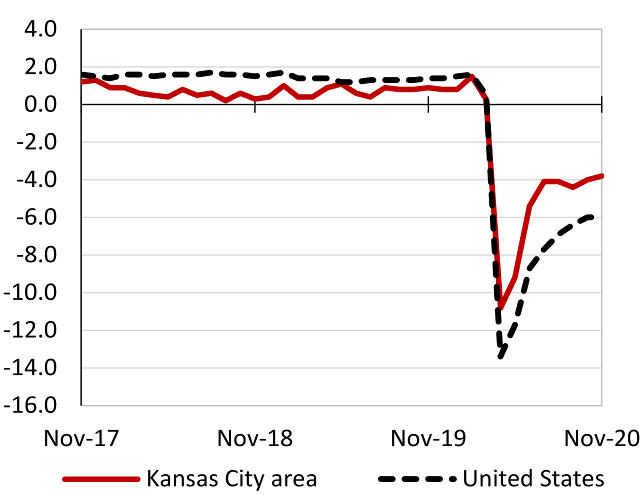


A Deeper Look- Jobs & Unemployment

U.S. Not So Good

- In April, the U.S. economy lost a staggering 20.8 million jobs.
- The shutdown forced millions of Americans to file unemployment claims as weekly initial jobless claims peaked in late March at 6.9 million.
- Weekly initial jobless claims continue to remain elevated between 700,000 to 1 million for the past few months.
- The percentage of workers considered "Long-term unemployed" has risen to almost 40%, just a few points below the record set in 2008.
- The overall unemployment rate soared to its highest level since the Great Depression at 14.7% in April, rebounding and ending the year at 6.7%.
- The Fed expects the labor markets to slowly improve and forecasts unemployment to gradually decline down to 5% in 2021.

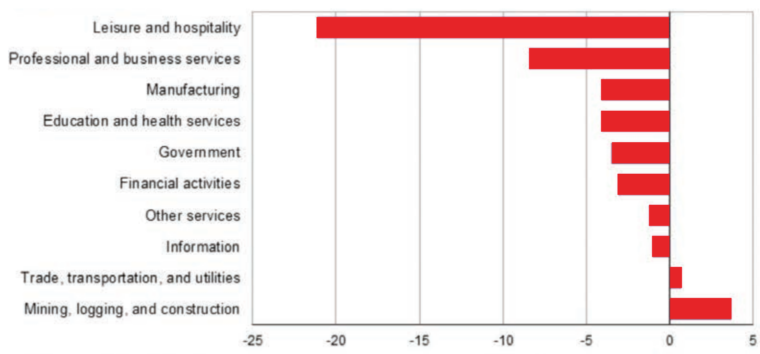
NATIONAL VS KC METRO EMPLOYMENT (3-YR)



Source: U.S. BLS, Current Employment Statistics.

KC Faring Better

KC METRO EMPLOYMENT BY INDUSTRY (YOY CHANGE, NOV '19-NOV '20)



Source: U.S. Bureau of Labor Statistics.

The KC metro labor market was not immune to the pandemic stress.

- The unemployment rate in February was 3.4%, but by the end of April, had increased to 11.3%.
- The unemployment rate steadily declined after this peak and ended the year at 4.9%, faring better than the national rate.
- As of November, approximately 42,000 jobs were lost year-over-year. The biggest losses came in leisure & hospitality.
- Despite the job losses, KC has fared better than many other regions of the country. According to the Bureau of Labor Statistics, as of December, the KC metro area ranked 9th out of the 51 largest metro areas in terms of unemployment, at 4.9%.

AREA anticipates the KC job market will continue to slowly improve in the latter part of 2021, but may not see significant job gains for a number of years. As the labor market improves, a resulting rebound in local economic activity including retail spending and business investment will ensue. This will create a tailwind for real estate investment activity, development and will provide clarity for leasing needs.

ECONOMIC REVIEW + OUTLOOK

GDP & Consumer Spending (Collapse & Recovery)

- The U.S. economy contracted during the first two quarters of 2020, with U.S. GDP down a record 31.4% in Q2.

- As the economy opened back up, Q3 saw the largest output gain on record at 33.4%.

- Q4 saw modest economic growth at 4.0%; however, U.S. GDP declined 3.5% for the full year, the worst print since the World War II era.

- The Fed forecasts GDP will rebound in 2021, with the economy growing above 4% for the full year before slowing.

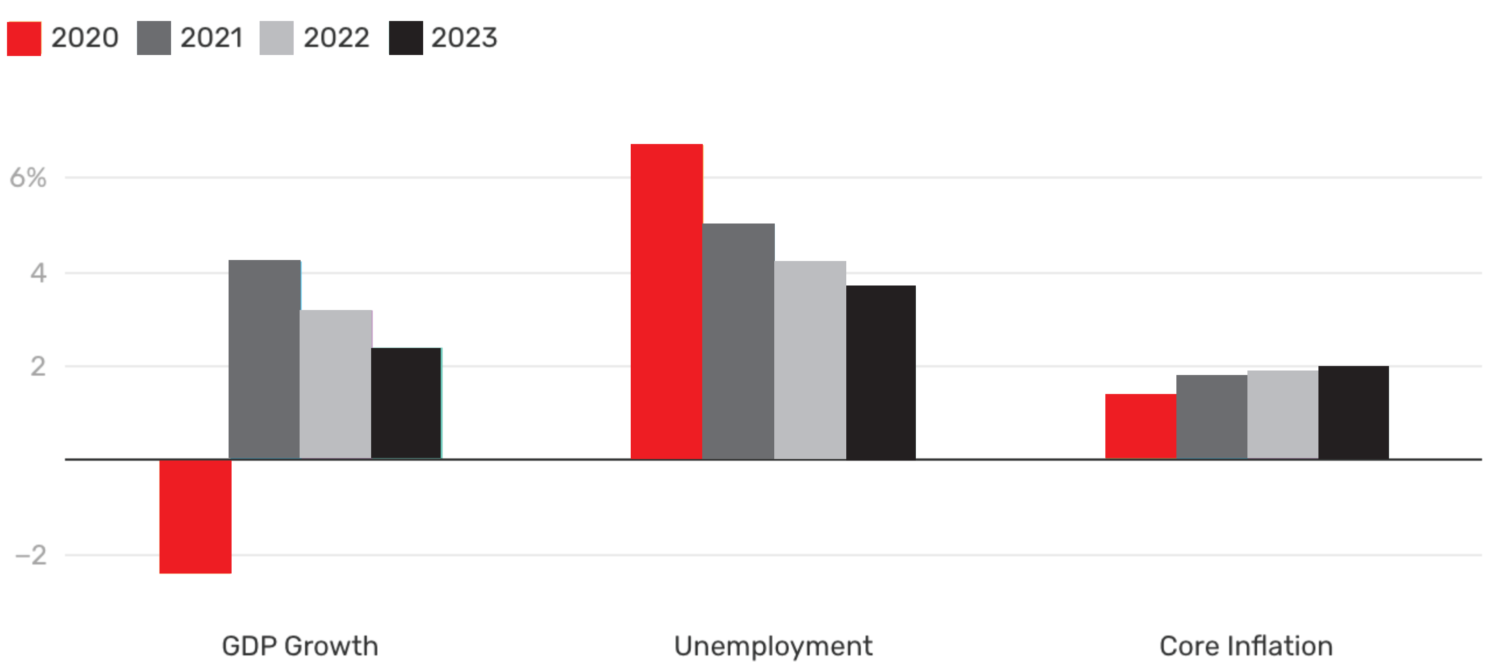
Consumer spending is one of the largest forces driving the economy, so last spring when consumers were on lockdown, economic activity fell off a cliff. Despite trillions in aid, consumer spending was severely impacted by the pandemic.

- Spending plummeted to 33.2% in Q2 with a $1.5 trillion (12%) decline in April alone. As businesses opened back up, a record 41% increase in spending in Q3 and a slight increase to end the year resulted.

- The labor markets will need to improve, aided by further fiscal stimulus, before spending can fully recover.

U.S. ECONOMIC OUTLOOK (2020-2023)

Compare the projected rates for growth, unemployment, and core inflation.



AREA REAL ESTATE ADVISORS

Outlook Looking Better as Vaccination Efforts Ramp Up

The U.S. economy continues to rebound from the shortest recession (ever), but in recent months that rebound has stalled. Nevertheless, the future is looking brighter. Global vaccine development efforts have led to a number of breakthroughs at a faster pace than imagined. As vaccinations increase, a way out of the pandemic is hopeful.

As more Americans receive the vaccine in the next phases of the rollout, the U.S. may be back on track for economic recovery. The economy will cautiously continue to progress and moderate improvements should be seen in many areas by the 2nd half of the year.

The U.S. unemployment rate will most likely continue to stay rangebound in the first half of 2021, near or slightly below current levels. Improvements may be seen in the 2nd half of the year, but it is too early to make a definitive forecast. Full employment is not expected for several years.

Due to the unprecedented nature of this crisis, consensus forecasts were mostly wrong in 2020. Most expect a modest rebound in 2021, but early vaccine rollouts could give way to a stronger than expected 2nd half. If anything, the recovery will continue to be bumpy and uneven. To aid in the recovery, it is likely that Congress will pass the $1.9 trillion American Rescue Plan proposed by the Biden administration, and the Fed will maintain ultra-low rates for several years.

Sources: (BLS) Bureau of Labor Statistics, National Bureau of Economic Research, The Federal Reserve, Federal Reserve Bank of St. Louis, WSJ & CNBC.

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