

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

IS WORK FROM HOME REALLY WORKING?

An office broker's perspective on the battle many company executives face daily

When I sat down to write this column about where office space is headed, a couple of colleagues came into my office to talk about a tricky tenant issue they were working to resolve. After the back-and-forth, the analysis, the brainstorming, and the problem solving, we formulated a solution. It is this type of impromptu collaboration that drives dynamic businesses across many industries... and it's harder to accomplish from our homes.

For those like me that enjoy being in the office, it's because we like the creativity, the collaboration, the culture, the ability to train, and the energy you derive when you work with the right team. Numerous CEO's, presidents, and business owners that I work with daily have told me they want their people back in the office as soon as possible. They have worked hard to create a culture and maintaining it has presented difficult challenges when employees are working from their beds, kitchen tables, or patios. To no surprise, this culture factor also directly correlates with employee retention.

For those that believe in working from home or a hybrid format, they will say they don't have to fight the commute, worry about rising gas prices, or struggle finding childcare. Overall, they feel like they are enjoying a more balanced life with less stress.

The BBC⁷ recently shared an article with a survey that cited 80% of those UK workers expressed working from home has negatively impacted their mental health. The same survey showed 81% of those under-35s feared loneliness and reported heightened levels of stress and anxiety. There is a feeling of never being "offline" and always being available. While these negative impacts certainly don't impact everyone, psychologists warn that we shouldn't ignore those that haven't adapted to this new lifestyle.

Different demographics are going to experience remote work in different ways. If you think about your current staff, millennial mothers will most likely benefit from working from home, and an employee living with their partner with a strong social circle will likely experience fewer negative impacts compared to an employee who lives alone and is new to the area.

During a meeting with a client and their executive team about 4 months ago, I sat and observed as they debated the fate of their office space. This group of experienced, intelligent, reasonable business leaders were at a loss when trying to determine the future of their physical space.

Time will certainly tell how this debate plays out, but it's important to keep in mind there is no playbook that tells people how to react in the aftermath of a pandemic. It will be up to each employer to figure out what works best for their teams. As I have advised clients, it's better to do things incrementally than to just jump into the deep end.

In response to the same BBC survey⁷, Kevin Rockman, a management professor at George Mason University's School of Business commented, "Implementing remote work is really about re-imagining what it means for each and every person to be at work."

Continued on the next page.

KANSAS CITY SALES & LEASING DATA

KC MSA RETAIL STATISTICS¹



Total GLA (SF) ▲ 0.09%		Avg. Lease Rate ▲ 6.83%		Avg. Occupancy ▲ 0.90%	
Q2 2022	164,284,148	Q2 2022	\$14.24	Q2 2022	95.3%
Q2 2021	163,273,480	Q2 2021	\$13.33	Q2 2021	94.4%

LARGEST RETAIL LEASE SIGNINGS - Q2 2022¹



Submarket/ Location	Tenant	Size (SF)
9108-9298 Metcalf Ave, Overland Park, KS	Metcalf Antique Mall	27,000
4420-4486 Nolan Rd, Independence, MO	Great American Archery	14,587
9012-9078 Metcalf Ave, Overland Park, KS	Cabaret Arts & Social Theatre	13,000

AVG. VACANCY AND LEASE RATE BY TYPE¹



RETAIL

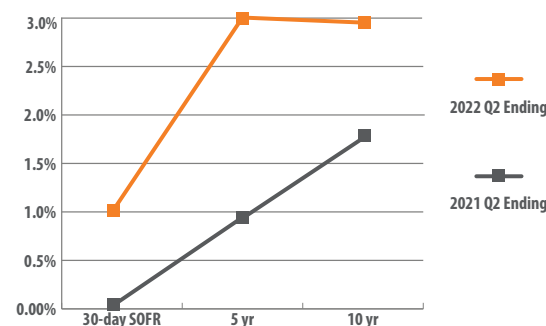
OFFICE

INDUSTRIAL

Avg. Lease Rate ▲ 6.83%		Avg. Lease Rate ▼ 0.46%		Avg. Lease Rate ▲ 8.55%	
Q2 2022	\$14.24	Q2 2022	\$21.74	Q2 2022	\$5.08
Q2 2021	\$13.33	Q2 2021	\$21.84	Q2 2021	\$4.68
Avg. Vacancy ▼ 0.90%		Avg. Vacancy ▲ 1.40%		Avg. Vacancy ▼ 0.90%	
Q2 2022	4.7%	Q2 2022	9.20%	Q2 2022	4.00%
Q2 2021	5.6%	Q2 2021	7.80%	Q2 2021	4.90%

NATIONAL & REGIONAL TRENDS

TREASURY YIELD CURVE²



US FOOD AND RETAIL SALES (IN MILLIONS)³

\$2,028,892			
2022 Q2			
\$1,876,441	\$1,415,184	\$1,536,944	\$1,494,473
2021 Q2	2020 Q2	2019 Q2	2018 Q2

UNEMPLOYMENT RATE⁴

Month	2021	2022
June	4.9%	3.5%
Midwest	4.9%	3.5%
U.S.	5.9%	3.6%

CONSUMER PRICE INDEX⁴

Month	2022	April	May	June
Midwest	268.639	272.673	277.072	
U.S. City Avg.	289.109	292.926	296.311	

THE ORANGE REPORT

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

SECOND QUARTER 2022

CONTINUED....

What works best isn't necessarily a one-size-fits all solution; and what works best now, might not work best in 3 months, 6 months, or even a year from now. Easier said than done, but employers have to find the balance of flexibility to give their employees the tools, resources, and socialization to remain productive.

As we continue to move forward and make our way out of the pandemic, trends have started to emerge. It's becoming clear that hybrid will have a permanent seat at the table and time will tell whether a 4-in-1-out or a 3-in-2-out work week proves to be effective.

In terms of real estate, employers are now looking to relocate to higher quality, amenity-centric buildings that tenants can leverage in their recruitment efforts. A similar "flight to quality," occurred in the aftermath of the 2008 recession. Having that extra edge may be the difference in attracting top talent.

Locally, Farmers Insurance put 340,000 SF out for sublease while Cerner vacated 660,000 SF in Kansas City, Kansas. It's easy to get pessimistic and to say traditional office space is dead when you hear of that kind of space hitting the market.

I, however, remain optimistic because I am watching the small to mid-sized local and regional companies who are not only retaining their office space, but in some cases, expanding their footprint because they believe in the power of bringing people together. Trust the local and regional entrepreneurs to show us the way and in no time, the national tenants will follow suit.

It will be fascinating to look back in 5 years to see what worked, what didn't, and how we might approach the work environment in a rapidly changing world.

MIKE LEVITAN
Senior Vice President

About LANE4 Property Group

LANE4 provides our clients the best position from which to succeed. We offer an advantage in tenant representation, project leasing, property management, investment sales, receivership, project management, and development. These comprehensive services allow our clients to streamline their time and optimize their investments. From the initial market analysis through grand opening and operation, the team at LANE4 executes each step of the process with skill and professionalism.

Our team has forged strong relationships with our constituents: tenants, investors, municipalities, architects, engineers, attorneys, contractors, and developers. This experience, dedication, and focus – combined with creativity and passion – is the LANE4 formula that maximizes our partners' results.

Real Estate and Economic Trend Data Sources: ¹CoStar Property: Analytic History. Retail and industrial lease rates based on quoted all service types. Office lease rate based on quoted full-service lease type. ²30-day LIBOR: Intercontinental Exchange. Based on USD. US Interest rates: US Dept. of Treasury Daily Yield Curve. Based on last business day of quarter. ³U.S. Census Bureau: Estimated monthly. ⁴U.S. Bureau of Labor Statistics. Unemployment rates seasonally adjusted. ⁵CoStar Property: Analytic History. Lease rate/Sf based on quoted rates. ⁶Home Builders Association of Greater Kansas City. ⁷BBC: The Companies Doubling Down on Remote Work

RESIDENTIAL AND MULTIFAMILY

KC MSA MULTIFAMILY STATISTICS⁵



1 BED



2 BEDS



3 BEDS

Total Units		Total Units		Total Units	
Q2 2022	96,576	Q2 2022	97,769	Q2 2022	22,935
Q2 2021	93,890	Q2 2021	95,978	Q2 2021	22,791
Avg. Lease Rate/SF ▲ 7.63%		Avg. Lease Rate/SF ▲ 8.26%		Avg. Lease Rate/SF ▲ 7.45%	
Q2 2022	\$1.41	Q2 2022	\$1.18	Q2 2022	\$1.01
Q2 2021	\$1.31	Q2 2021	\$1.09	Q2 2021	\$0.94
Avg. Vacancy ▼ 0.70%		Avg. Vacancy ▼ 0.90%		Avg. Vacancy ▼ 0.90%	
Q2 2022	6.3%	Q2 2022	5.8%	Q2 2022	5.1%
Q2 2021	7.0%	Q2 2021	6.7%	Q2 2021	6.0%

RESIDENTIAL BUILDING PERMITS YEAR TO DATE⁶

County	Single Family	Multifamily	2022 Total Year to Date	2021 Total Year to Date	% Chg
Cass County	413	0	413	289	▲ 43%
Clay County	440	294	734	418	▲ 76%
Jackson County	534	399	933	759	▲ 23%
Platte County	199	0	199	224	▼ -11%
Johnson County	918	632	1550	1395	▲ 11%
Leavenworth County	106	0	106	202	▼ -48%
Miami County	15	0	15	81	▼ -81%
Wyandotte County	87	0	87	71	▲ -23%
Kansas City Region*	2,712	1,325	4,037	3,439	▲ 17%

For. Your. Information.

Over the course of the summer, LANE4 teamed up to raise over \$7,000 for Kansas City's Big Brother Big Sister's (BBBS) signature fundraiser, Bowl for Kids Sake! In July we bowled as a company to celebrate the impactful work BBBS does throughout the metro, and had some fun doing it.

These funds generously contributed from LANE4's employees and vendors will directly support 1,200+ active matches and help match 200+ waiting children with a Big.



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