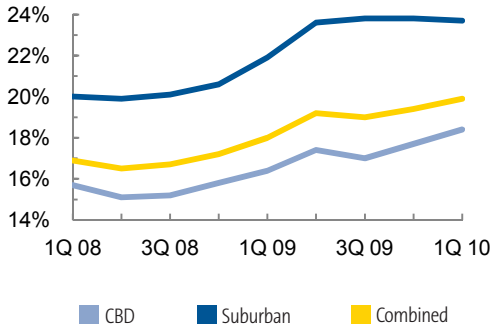


### Vacancy Rate



## Mixed Signals

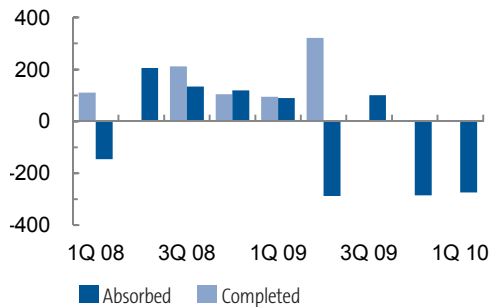
Based upon the preliminary February numbers from the Bureau of Labor Statistics (BLS), the number of nonfarm employees in the Kansas City Metropolitan Statistical area has decreased for sixteen straight months, stretching back to October 2008. Over that time period, employment dropped by about 5.5 percent, from 1,017,900 to 962,500.

As one would expect, the trend in the vacancy rate is directly related to employment, and the vacancy rate has continued to increase as the employment numbers decrease. Since employers cannot immediately adjust the amount of space they need to operate, vacancy rates generally lag the employment figures. Vacancy jumped 50 basis points in the first quarter of the year, pushing the figure to 19.9 percent. Unless there is a remarkable turn in the economic environment in the second quarter, it is reasonable to assume that the amount of vacant space will continue to grow, and the vacancy rate will surpass the 20 percent barrier for the first time since the second quarter of 2004.

Despite the upward trend in vacancy and depressing employment data, there is a sense that the ship may start to turn. Across the board, whether it is office, industrial or retail real estate, there appears to be increased interest and the number of tenants approaching the market is steadily growing. This has not yet resulted in a tsunami of transactional activity, but anything positive is a welcomed sign.

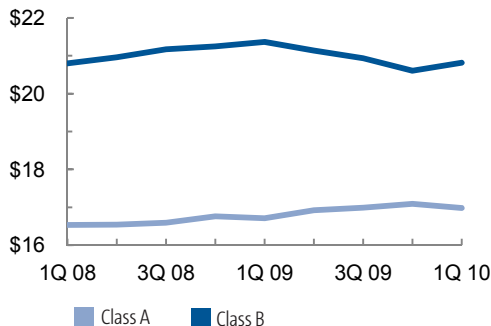
### Completions vs. Absorption

(in Thousands of SF)



### Asking Rental Rates

(\$/SF/Yr. Full Service)



### FORECAST

- Activity will increase as tenants pursue new space after sitting on their hands in 2009
- Elevated vacancy rates will cause property owners to remain aggressive in their pursuit of tenants in terms of concessions and lease rates

### KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
General Services Administration	Ted Greene Company	7600 College Boulevard	31,104
Kansas City Metro Bar Association	TA Associates Realty	2300 Main Street	12,764
Frontier Wealth Management, LLC	American Century Investments	4435 Main Street*	11,200

■ Leasing ■ Sales (R) = Renewal (S) = Sublease \* Indicates Transaction Represented by Grubb & Ellis

# Office Trends Report—First Quarter 2010

## Kansas City, MO



By Submarket	Total SF	Vacant SF	Vacant %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current	Year To Date		Class A	Class B
Downtown	14,452,262	3,429,676	23.7%	19,616	19,616	-	\$17.68	\$16.18
<b>CBD Total</b>	<b>14,452,262</b>	<b>3,429,676</b>	<b>23.7%</b>	<b>19,616</b>	<b>19,616</b>	-	<b>\$17.68</b>	<b>\$16.18</b>
East Kansas City	2,522,744	559,975	22.2%	(52,539)	(52,539)	-	\$17.51	\$14.39
Kansas City North	4,044,492	1,003,106	24.8%	12,887	12,887	-	\$20.24	\$16.06
North Johnson County	5,580,092	821,809	14.7%	27,628	27,628	-	\$19.25	\$17.77
Plaza/Midtown	4,337,417	669,644	15.4%	28,565	28,565	220,000	\$23.93	\$18.81
South Johnson County	15,567,100	2,850,191	18.3%	(282,874)	(282,874)	65,726	\$22.77	\$18.64
South/Southeast Kansas City	3,422,325	680,582	19.9%	(27,895)	(27,895)	-	\$20.60	\$17.14
Wyandotte County	873,784	94,932	10.9%	-	-	-	\$19.23	\$14.11
<b>Suburban Total</b>	<b>36,347,954</b>	<b>6,680,239</b>	<b>18.4%</b>	<b>(294,228)</b>	<b>(294,228)</b>	<b>285,726</b>	<b>\$22.11</b>	<b>\$17.26</b>
<b>Totals</b>	<b>50,800,216</b>	<b>10,109,915</b>	<b>19.9%</b>	<b>(274,612)</b>	<b>(274,612)</b>	<b>285,726</b>	<b>\$20.82</b>	<b>\$16.98</b>

By Class	Total SF	Vacant SF	Vacant %	Current	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
							CBD	Suburban
Class A	19,089,983	3,747,399	19.6%	398	398	285,726	87,581	367,473
Class B	29,341,273	5,638,344	19.2%	(298,205)	(298,205)	-	19,907	301,603
Class C	2,368,960	724,172	30.6%	23,195	23,195	-	-	-
<b>Totals</b>	<b>50,800,216</b>	<b>10,109,915</b>	<b>19.9%</b>	<b>(274,612)</b>	<b>(274,612)</b>	<b>285,726</b>	<b>107,488</b>	<b>669,076</b>

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## OFFICE TERMS AND DEFINITIONS

**Total SF:** Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

**Office Building Classifications:** Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

**Vacancy and Availability:** The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

**Direct Vacant:** This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

**Net Absorption:** The net change in physically occupied space over a period of time.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

*\*Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*