



# KANSAS CITY PORTFOLIO

End of Year 2019



SQUARE DEAL  
INVESTMENTS



## END OF YEAR SUMMARY

The market fundamentals in Kansas City are in a solid position and have improved through this cycle, due in part from KC's strong job market and the economic incentives that Missouri offers employers. Vacancies have steadily declined since the recession, however rent gains have been relatively minimal in 2019. A trend of corporations moving to the suburbs has begun to reverse, as evidenced by the recent announcement of the USDA to relocate two sub-agencies to the downtown core.

Both Town Pavilion and 1201 Walnut are courting several small and mid-size prospects, and expect to ink a few leases in 2020. During the acquisition process, we were made aware of the possibility that NAIA may not renew their lease in the Bonfils Building. This was recently confirmed, leaving the entire 16,000 square foot building vacant. Factors such as costly reconfiguration and NAIA's budgetary constraints prevented us from striking a renewal deal. We view this as a temporary setback, but expect the building to be very attractive to many prospects. Unexpectedly, Jack Cooper Transport filed for bankruptcy and will be vacating its two floors in Town Pavilion. This will create a temporary near-term hurdle in overall revenue.

1201 Walnut's elevator modernization project is well underway and on-time. We are in the planning and bidding phase of the Town Pavilion first floor improvements and anticipate a drastic change to the building; setting the bar for Class A office in the Kansas City market.

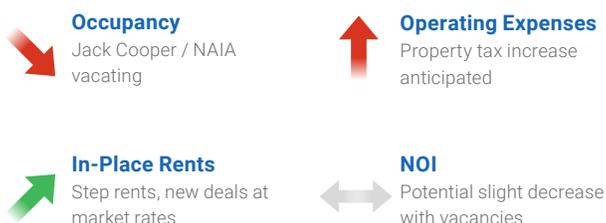
The recent acquisition of the School Board building will ensure a superior parking ratio in the short term, and will protect our existing investments in the core from future development that might adversely affect our portion of control of the Class A market. We continue to compete for lease deals and, as previously mentioned, remain optimistic of our ability to successfully be awarded lease deals in 2020.

## PROPERTY FACTS

Collective unless specified

Main Addresses	1100 Walnut St   1201 Walnut St
Year Built	1986   1991
Square Feet	1,346,937
Floors (Combined)	75
Occupancy	90%
Parking	1.92/1,000 SF

## 12 MONTH OUTLOOK



## OPPORTUNITIES AND CHALLENGES

### Opportunities

- New lease deals at market rates
- Outpace competition with planned common area improvements
- Vacancies in sizes attractive to all types of users

### Challenges

- Vacancies in 2020
- Cost of improvements of first generation space
- Possibility of higher than anticipated leasing costs

**\$4.3M**

Elevator Modernization  
Underway  
1201 Walnut

**\$4.0M**

Pending/Planned  
Lobby Renovation  
Town Pavilion

**57.65%**

LTV

## PURCHASE | VALUATION

Acquisition Date		3/18/2019
Acquisition Price	\$149.93 PSF	\$201,950,000
Estimated Market Value	6.75% cap	\$208,144,386
Market Rents		\$23.00
In-Place Rents		\$18.65
In-Place vs Market Rents		20.7% Δ

## CAPITAL | RETURN

Committed Capital	
Invested Capital (to date)	\$81,950,000
Uncalled Capital	\$0
Distributions	
Annual '20	\$5,744,566
Cumulative to Date	\$5,744,566

## BUILDING IMPROVEMENTS



SINCE ACQUISITION	\$2,020,369
Tenant Improvements	\$632,163
Commission	\$155,070
Building Improvements	\$1,233,136



THIS YEAR	\$2,020,369
Tenant Improvements	\$632,163
Commission	\$155,070
Building Improvements	\$1,233,136

## DEBT

Lender	Barings (MassMutual)
Beginning Loan Balance	\$120,000,000
End-Year Loan Balance	\$120,000,000
Debt Reduction (IO Period)	\$0
Maturity Date	3/17/2047
Interest Rate (Fixed)	4.22%   4.28%
Debt Yield	11.71%
Loan Term   Amortization   IO	28   25   3
Operating Cash Balance	\$3,957,374
Escrow Balance	\$14,420,833
Cap-Ex Reserve	\$696,304

## 2019 YIELD

Total yield includes debt reduction

**7.0%**

Total Yield

**7.0%**

Cash Yield

## 2019 OPERATING PERFORMANCE

**\$29,994,154**

Revenue

**\$15,944,408**

Operating  
Expenses

**\$14,049,746**

NOI

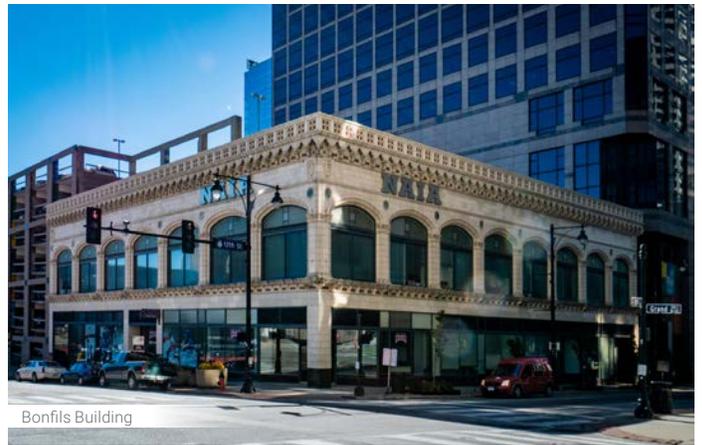
# PROPERTY SUMMARY



Town Pavilion Atrium



1201 Walnut Lobby



Bonfils Building

## AMENITIES



Underground executive parking



On-site management



Mama Tio's



On-site conference center



On-site banking



Planet Sub



Indoor lounge areas



On-site fitness center



FedEx



24-hour on-site security



On-site sundry shop



Scooters Coffee



KC streetcar stop



Plow Boys Barbeque



Johnny-C's

## CAPITAL IMPROVEMENTS

### Planned

#### Project

Town Pavilion Lobby and Common Area Renovation

**Cost**

\$4,000,000

1201 Walnut Elevator Modernization

\$4,250,000

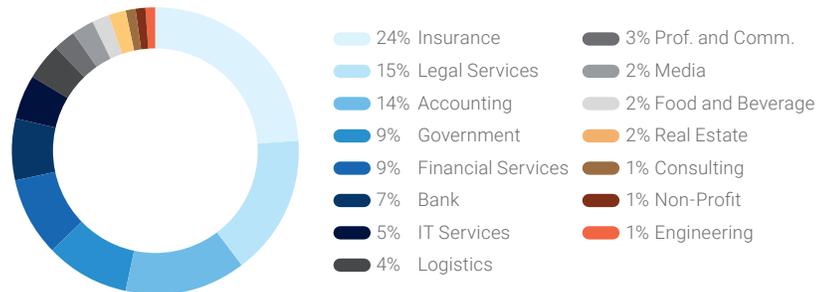
## TENANT SUMMARY

Largest 5

Name	SF	% BLDG	RENT/SF	EXP
NAIC	146,283	10.9%	\$18.15	Feb-24
Stinson Leonard Street	131,828	9.8%	\$18.15	Oct-29
Dickinson Financial (Academy Bank)	85,578	6.4%	\$20.43	Aug-22
Bank Midwest	71,550	5.3%	\$12.95	Jan-23
Data Systems International	59,237	4.4%	\$19.23	Mar-22

excludes storage

## TENANT DIVERSITY

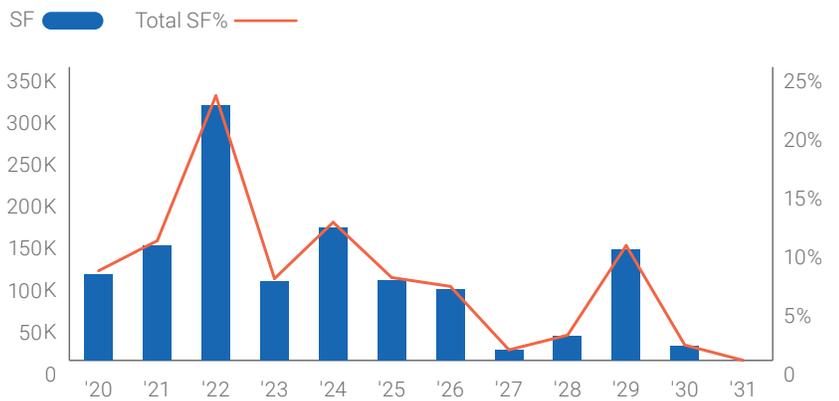


## LEASING SUMMARY

12mo Rolling Exp.

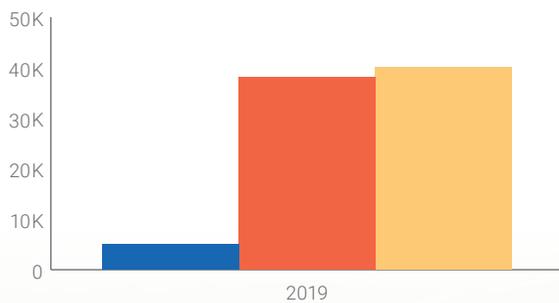
Tenant	SF	EXP	Status
Rouse Fretz	6,680	4/30/20	In Negotiation
Howe & Company	5,481	12/31/20	Expected to Renew
Jack Cooper	46,754	3/31/20	Bankruptcy
Copaken Brooks	13,371	4/30/20	Expected to Renew
Korn Ferry International	4,481	2/29/20	Plan to Vacate

## LEASE EXPIRATION



## LEASED SF BREAKDOWN

● New Leases ● Renewed ● Vacancies



\*New\* includes expansions  
\*Vacancies\* include reductions

## RENTS

\$18.63

IN-PLACE

\$22.82

COMPLETED LEASES

# ECONOMIC SUMMARY

## ECONOMIC DRIVERS

### FINANCE

38% more finance jobs in comparison to similar-sized MSA's.

### LOGISTICS

Geographic centrality creates a trade corridor network.

### GOVERNMENT

Largest source of high-wage jobs, adding two research agencies from DC.

Source: Moody's; US Census

## METROPOLITAN AREA

Arrow to show change over 12 months

2.1M↑

### POPULATION

0.8% YOY increase since 2011

2.4%↓

### UNEMPLOYMENT

Ranked 6th lowest unemployment rate for large metropolitan areas

\$63,404↑

### MEDIAN HH INCOME

3.29% annual growth since year prior

96%

### COST OF LIVING INDEX

4% below the nat'l standard

1.1M

### TOTAL EMPLOYMENT

2.47% avg annual growth since 2011

2

### SPORTS FRANCHISES

NFL Chiefs, MLB Royals

Sources: US Census; BLS.gov Sept 2019; C2ER 3Q19

## CITY DEVELOPMENTS



### Cerner HQ Campus

\$4.5B | 2020



### Convention Center Hotel

\$367M | 2020



### Platform Ventures Tower

\$70M | 152K SF | 2021  
Spec Office



### KC Airport Renovation

\$1.5B | 2023



### Waddell & Reed Tower

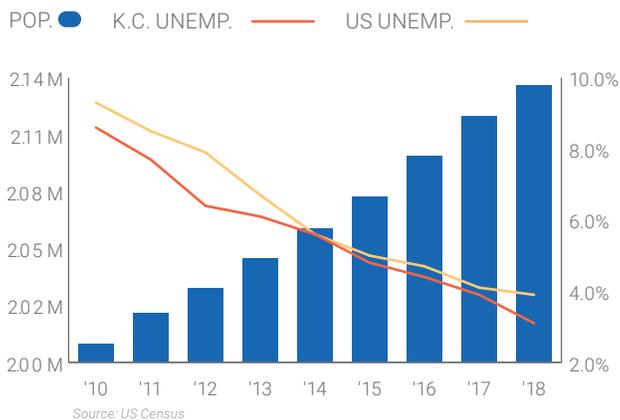
\$140M | 250K SF | TBD  
Office | Build to Suit | 4 Blocks from Assets



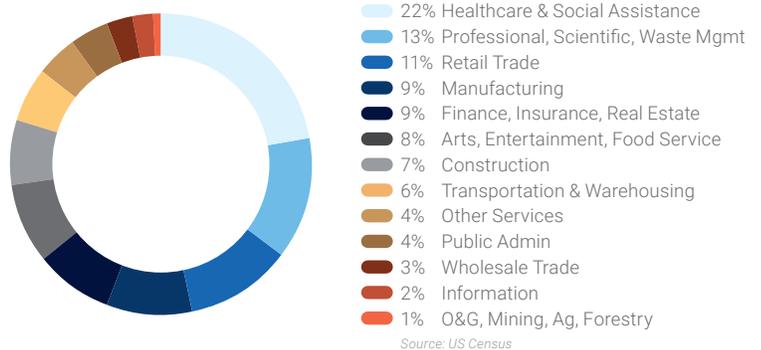
### Three Light Apartment Tower

\$150M | 322 Units | 2022

## POPULATION AND UNEMPLOYMENT YOY



## INDUSTRY DIVERSITY



## MAJOR EMPLOYER BREAKDOWN\*

Employer	Employees	Sector	Ticker	Market Cap	Credit Rating	Years in KC
Cerner Corp	12,890	Technology	CERN	21.2 B	A	40
Ford Motor Co	7,220	Automobile	F	35.5 B	BBB-	68
Sprint Corp	6,000	Telecommunications	S	24.11 B	BBB-	30
DST Systems	3,631	Technology	SSNC	14.78 B	BB	50
General Motors	3,400	Automobile	GM	52.28 B	BBB	74
Garmin International	3,329	Technology	GRMN	18.25 B	IG2	30
Black & Veatch	3,249	Engineering	-	-	-	104
Home Depot	3,153	Retail	HD	261.05 B	A	-
Honeywell, Inc	2,800	Conglomerate	HON	128.31 B	A	34

\*Excludes healthcare, education, city and government entity employers

8/9  
major employers  
are publicly traded

\$69.4B  
average market  
cap share

53  
average years in  
Kansas City

Sources: Moody's; NYSE; NASDAQ; S&P 11.18.19

## KANSAS CITY OFFICE MARKET

Arrow to show change over 12 months

76.3M ↔

OFFICE MARKET  
TOTAL SF

37.6K ↓

12 MONTH NET  
ABSORPTION

8.3% ↗

VACANCY  
RATE

\$20.79 ↗

AVG. ASKING  
RENT

285K ↑

UNDER  
CONSTRUCTION SF

0 ↔

DELIVERIES

## 12 MONTH OUTLOOK

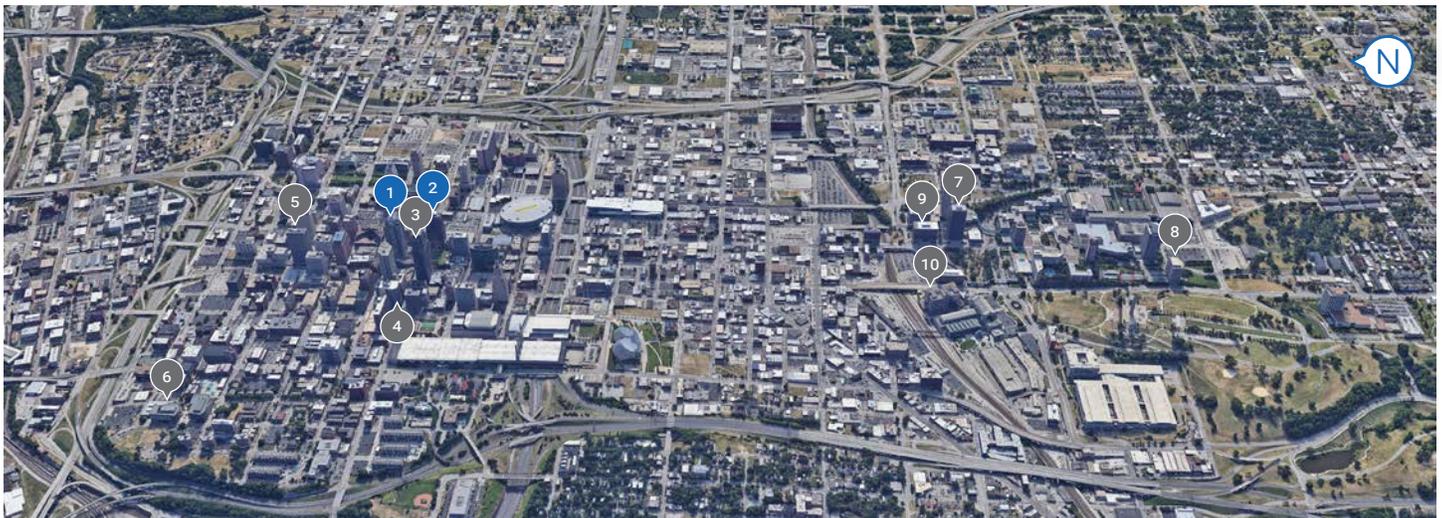
### Kansas City Office Market

Kansas City remains a diverse, stable economy. Packing the biggest punch, business services and healthcare hold the most promise to the office market, choosing Kansas City for the low cost of living and ample workforce talent. This is evidenced by the 7.4% Class A vacancy rate. The rate will soon be threatened with many Class A development projects in the pipeline. However, medium and low-wage jobs continue to rise balancing deliveries and bank branch closures. Kansas City saw a rise in asking rental rates for the 24th consecutive quarter, albeit slightly, they continue to trend upward.

## MARKET STATS

Area	Total Inventory	YTD Absorption	Vacancy	Avg. Asking Rent	Under Construction	Deliveries Last 12 mo
Downtown/Crown Center	19,435,884	92,422	7.6%	\$20.34		0
East Jackson Co	4,155,052	-34,595	5.5%	\$16.09		0
Midtown/Plaza	6,437,886	-186,922	7.0%	\$26.05	225,028	0
North Johnson Co	7,199,404	-14,803	7.7%	\$22.11	60,000	0
Northland	6,502,858	245,575	12.2%	\$17.54		0
South Johnson Co	22,588,775	-146,027	9.6%	\$22.15		0
South Kansas City	6,088,930	96,998	6.7%	\$18.96		0
Southeast Jackson Co	1,540,421	1,279	8.6%	\$19.08		0
Wyandotte Co	2,388,634	-16,303	5.5%	\$16.17		0

## COMPETITIVE SET



Map #	Building	Size (SF)	Class	Occ %	Asking Rate	Owner	Parking Ratio	Monthly Revenue per Space	Fitness Center	Conference Room	Restaurant/Deli	Bank	On-Site Mgmt
1	Town Pavilion	792,158	A	93.8%	\$23.00	Town Pavilion Holdings, LLC	1.92/1,000 SF	\$85	•	•	•	•	•
2	1201 Walnut	481,815	A	87.3%	\$23.00	TWP Holdings, LLC	1.92/1,000 SF	\$85	•	•	•	•	•
3	One Kansas City Place	818,408	A	100.0%	\$17.00	Larry Bridges	2.00/1,000 SF		•	•	•	•	•
4	Wyandotte Plaza	309,000	A	100.0%	\$22.50	Larry Bridges	1.50/1,000 SF		•	•	•	•	•
5	Commerce Bank Building	421,000	A	100.0%	\$23.00	UMB Bank	3.00/1,000 SF		•	•	•	•	•
6	805 Pennsylvania	251,475	A	93.2%	\$22.50	DST Systems	3.00/1,000 SF	\$70	•	•	•	•	•
7	2345 Grand Blvd	535,814	A	73.8%	\$23.00	CrossHarbor Capital	1.50/1,000 SF		•	•	•	•	•
8	2600 Grand Ave	250,000	A	70.4%	\$22.75	Crown Center Redevelopment	3.00/1,000 SF		•	•	•	•	•
9	2323 Grand Blvd	320,976	A	87.1%	\$21.25	Stanton Road Capital	3.00/1,000 SF		•	•	•	•	•
10	Two Pershing Square	514,270	A	87.5%	\$20.00	VanTrust Real Estate	3.50/1,000 SF	\$63-\$131	•	•	•	•	•



TOWN PAVILION

1201 WALNUT

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