



Bank
Midwest

KANSAS CITY PORTFOLIO

END OF YEAR 2021



SQUARE DEAL
INVESTMENTS

EXECUTIVE SUMMARY



Newly installed staircase


2021 IN REVIEW


2021 was a big year for the Kansas City assets in multiple ways. The Town Pavilion lobby renovation project is complete and has transformed the building. No longer a relic of the 1980's, the lobby is now the crown jewel of downtown Kansas City. Headway on improvements to mechanical systems, plumbing and common area improvements were achieved. A plan to modernize the fitness center and other tenant amenities has been finalized and will be underway in 2022.


Kansas City's major hurdle is that of leasing activity. When the assets were originally purchased, a conservative rate of new leasing was underwritten that was unexpectedly thwarted by the pandemic. Multiple tenants have made the decision to downsize, including Academy Bank, Bank Midwest, Deloitte & Touche and Grant Thornton, among others. Additionally, several tenants have either vacated or have indicated their intention to vacate, including DSI, AXIS Reinsurance, Rouse Frets, Korn Ferry and GSA-VA. These major reductions in occupancy have put a significant strain on our revenue performance and given the lack of activity in the leasing market, we see no other option but to suspend partner distributions until we stabilize the occupancy of the portfolio. Furthermore, the asset management was simultaneously lowered by 25 basis points.

As previously mentioned, we have engaged an additional leasing broker (CBRE) to assist Copaken Brooks in the leasing efforts. Several larger tenants are considering our assets at this time, however, it's too early in the process to determine the likelihood of those leases.

12-MONTH OUTLOOK

 **Occupancy**
Downsizing and vacating tenancy

 **Operating Expenses**
Slight uptick due to return to office

 **In-Place Rents**
YOY rental increases

 **NOI**
Decreasing revenue from large tenant vacates

PROPERTY FACTS

Collective unless specified

Main Addresses	1100 Walnut St 1201 Walnut St
Year Built	1986 1991
Square Feet	1,346,937
Floors	33 29
Occupancy	81.5%
Parking	1.92/1,000 SF

OPPORTUNITIES AND CHALLENGES

Opportunities

- New building amenities underway for prospective tenants
- Top floor of Town Pavilion availability creates unique opportunity for tenant in the market
- Vacancies in sizes attractive to all types of users

Challenges

- Unexpected vacancies in 2020 and 2021
- Cost of improvements of first generation space
- Reductions of event/contract parking revenue
- Continued delay of returning back to the office from work-from-home trend.

\$4.3M

Elevator Modernization
Completion 2Q22
1201 Walnut

\$1.2M

Fitness Center
Remodel
Town Pavilion

\$19.15

In-Place
Rents

71.2%

LTV

PURCHASE | VALUATION

Acquisition Date		3/18/2019
Acquisition Price	\$149.93 PSF	\$201,950,000
Estimated Market Value ¹	6.00% cap	\$168,650,000
Market Rents		\$25.00 FSG
In-Place Rents		\$19.15 FSG
In-Place vs Market Rents		30.6% Δ

¹Market value estimated using cap rate and 2022 budgeted NOI

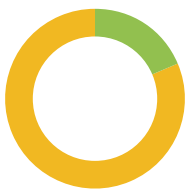
CAPITAL | RETURN

Committed Capital		
Invested Capital (to date)		\$80,587,000
Distributions		
Annual 2021	7.0%	\$5,647,045
Cumulative thru 2021	18.1%	\$14,588,201

BUILDING IMPROVEMENTS



SINCE ACQUISITION	\$14,459,903
Tenant Improvements	\$2,094,819
Commission	\$1,937,747
Building Improvements	\$10,427,337



2021 IN REVIEW	\$5,893,807
Tenant Improvements	\$12,697
Commission	\$1,093,009
Building Improvements	\$4,788,101

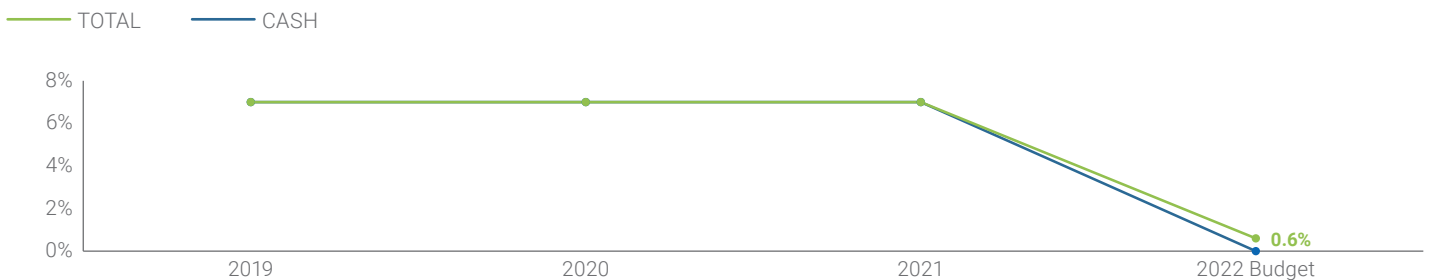
DEBT | RESERVES

Lender	NewPoint (Barings)
Beginning Loan Balance	\$120,000,000
Loan Balance	\$120,000,000
Debt Reduction (IO Period) ²	\$0
Maturity Date	3/17/2047
Interest Rate (Fixed)	4.22% 4.28%
Debt Yield	9.74%
Loan Term Amortization IO	28 25 3
Operating Cash Balance	\$3,280,138
Reserve Accounts	\$7,892,652
Tax Escrow	\$637,847

²Principal payments will begin November 2022 after 6 month IO extension request was granted, to be further outlined in the 2022 Mid-Year report

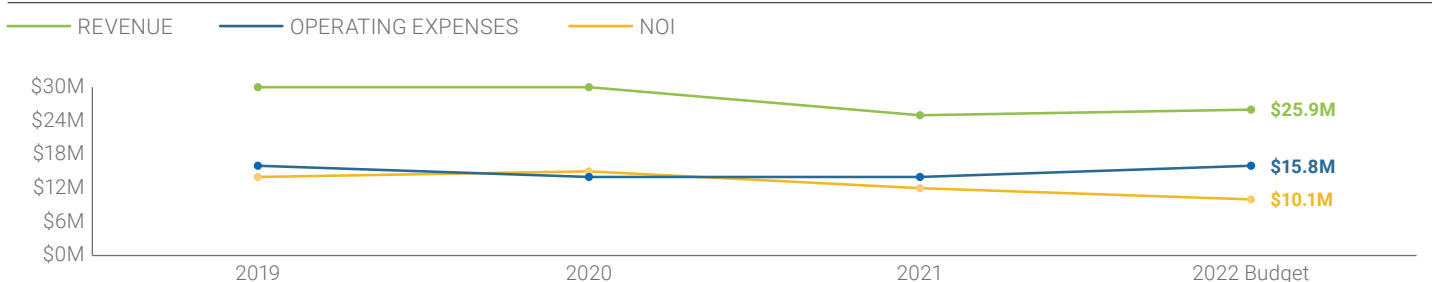
YIELD

Total yield includes cash yield and debt reduction



Yields are projected for the full year

OPERATING PERFORMANCE

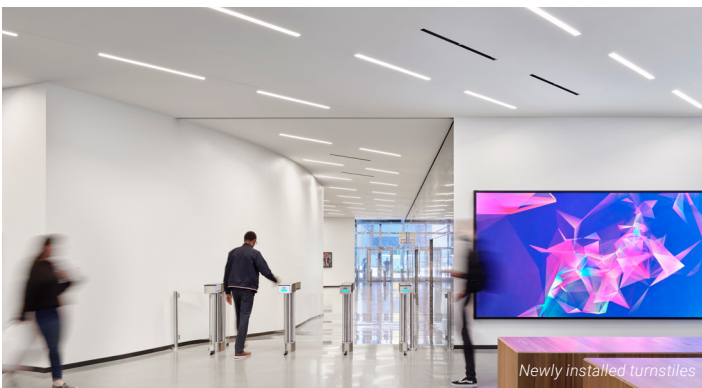


PROPERTY SUMMARY

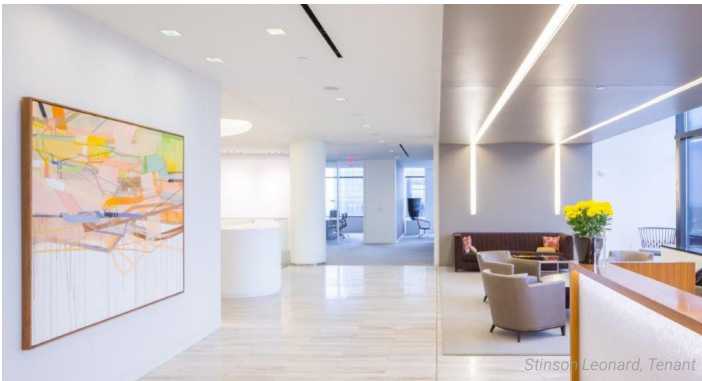
PROPERTY HIGHLIGHT



Repairs to the Main Street Garage entry and stairwell were completed in 2021 for a well-received experience by tenancy.



Newly installed turnstiles



Stinson Leonard, Tenant

CAPITAL IMPROVEMENTS

Ongoing/Upcoming

Project	Cost	Year
Town Pavilion Fitness Center Upgrades	\$1,500,000	2022
1201 HVAC Improvements	\$100,000	2022
Town Pavilion Tenant Lounge	TBD	2022

Completed

Project	Cost	Year
Town Pavilion Lobby Renovation	\$5,000,000	2021
1201 Walnut Elevator Modernization	\$4,250,000	2021
Main St. Garage Stairwell Renovation	\$378,000	2021
Town Pavilion Conference Area Upgrades	\$100,000	2021
Conference Room Upgrades	\$290,000	2020
Mechanical Room Valve Replacement	\$125,000	2020
Town Pavilion Garage Repairs	\$75,000	2020
Cooling Tower Improvements	\$60,000	2020

SELECT AMENITIES



Indoor lounges



On-site banking



24/7 on-site security



Conference room



Fitness center



Retail
Sundry, Fed-Ex,
Plowboys BBQ,
Planet Sub,
Scooter's Coffee



Underground executive parking

TENANT SUMMARY

Largest 5

NAME	SF	%BLDG	RENT/SF	EXP
NAIC	146,283	10.9%	\$18.58	Feb-24
Stinson Leonard	131,828	9.8%	\$18.15	Oct-29
Dickinson Financial	85,578	6.4%	\$20.43	Aug-22
Bank Midwest	71,550	5.3%	\$12.95	Jan-23
FDIC	70,084	5.2%	\$22.00	Mar-26

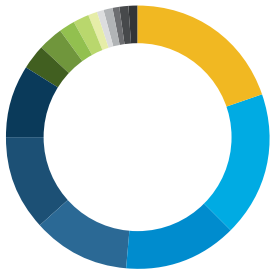
Excludes storage

LEASING SUMMARY

12mo Rolling Exp.

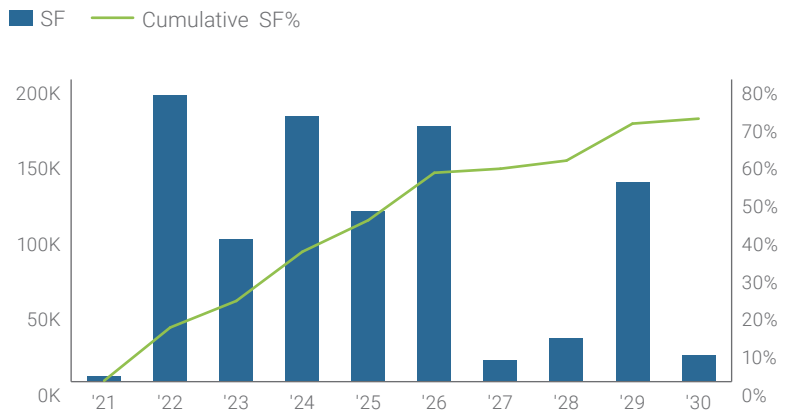
TENANT	SF	EXP	STATUS
Mutual of Omaha	2,321	Mar-22	Renewing
DSI	59,598	Mar-22	Vacating
Cecil Williams	842	Mar-22	Renewing
Resource Connection	2,803	Apr-22	Reducing/Renewing
BKD	59,552	Jun-22	Renewed
Axis	35,072	Jun-22	Vacating
Dickinson Financial	85,578	Aug-22	Reducing/Renewing
Plowboys	5,358	Sep-22	In discussion
First American Title	7,603	Oct-22	In discussion
Federal Insurance Exchange	7,256	Oct-22	In discussion
Richard T Bryant	1,630	Nov-22	In discussion
BMO Harris	7,759	Nov-22	Reducing/Renewing
Howe & Company	5,481	Dec-22	In discussion

TENANT DIVERSITY



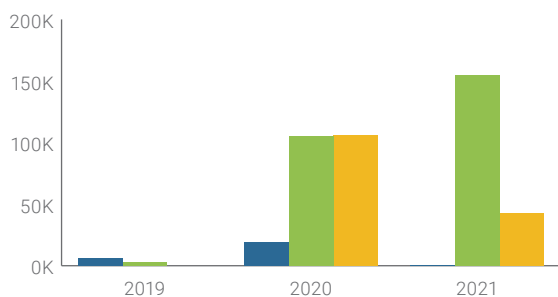
- 20% Insurance
- 18% Legal Services
- 14% Financial Services
- 12% Bank
- 12% Accounting
- 9% Government
- 3% Prof. and Comm.
- 3% Media
- 2% Building Services
- 2% Real Estate
- 1% Food and Beverage
- 1% Engineering
- 1% Non-Profit
- 1% Consulting
- 1% IT Services
- 1% Retail

LEASE EXPIRATION



LEASED SF BREAKDOWN

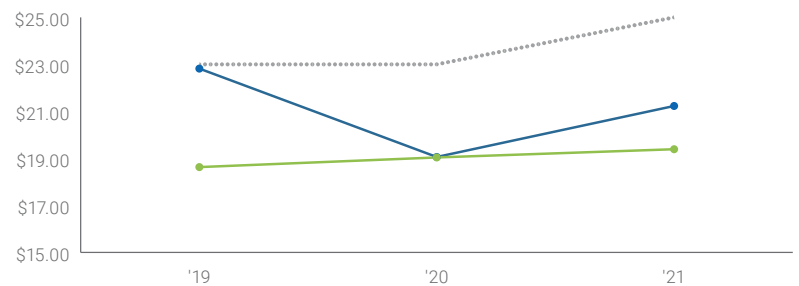
■ New Leases ■ Renewed ■ Vacancies



"New" includes the increase of SF by tenant expansions
 "Vacancies" includes the decrease of SF by tenant reductions

RENTS

— In-Place — Completed Leases Asking Rent



ECONOMIC SUMMARY

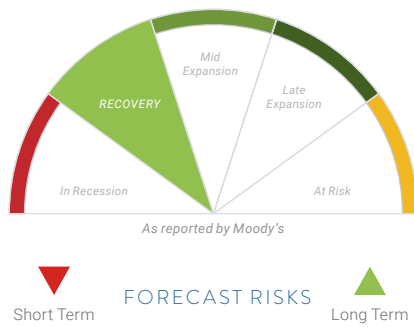
KANSAS CITY, MO

Kansas City is the top-performing large metro area in the Midwest and continues to improve at an impressive rate. Payrolls have reached prerecession levels and growing far faster than average with manufacturing and logistics jobs making the largest difference—both ahead of their regional comparables. The tech industries continue to expand as Kansas City's share of employment is one of the highest in the Midwest thanks to a well-educated labor pool and low cost of business. This has offset the performance of the financial services and transportation industries which continue to

lag. The office market remains competitive as the tech industry has moved towards working-from-home leaving quality second generation and sublease space available. Office landlords continue to compete for tenancy in a market with increasing vacancy in the downtown Class A subset. Although asking rents saw a slight uptick, tenants are often seeing more concessions in the form of free rent and tenant improvement allowances to offset the increase.

Source: Moody's 10.2021, KCNewmark Zimmer 4Q21

ECONOMIC CYCLE



METROPOLITAN AREA

Arrow to show change over 12 months

2.2M↑
POPULATION
0.8% YOY increase since 2011

2.5%↓
UNEMPLOYMENT
Compared to 3.7% nat'l rate

\$70,900↓
MEDIAN HH INCOME

94.6%↑
COST OF LIVING INDEX
5.4% below nat'l standard

2
FORTUNE 500 COMPANIES
Seaboard, Cerner

2
SPORTS FRANCHISES
NFL Chiefs, MLB Royals

Sources: Moody's 6.2021, BLS.gov, C2ER 1Q21, Fortune.com

ECONOMIC DRIVERS



FINANCE

Low cost of living and above average number of educated adults attract white-collar jobs, particularly in the finance industry



LOGISTICS

Helping to withstand the pandemic, logistics accounts for one-fifth of payroll gains since 2015

Sources: Moody's; US Bureau

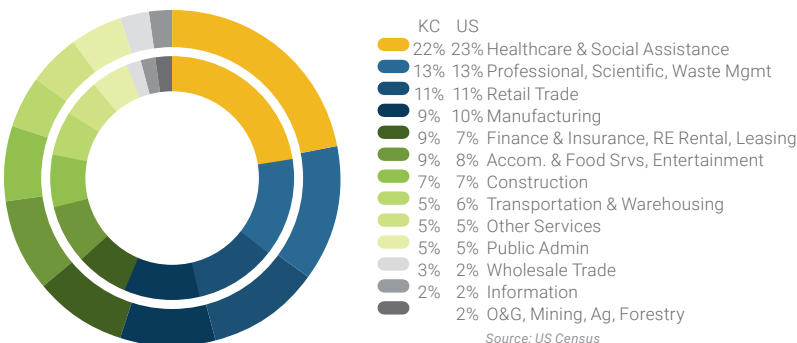
MAJOR EMPLOYER BREAKDOWN*

Employer	Employees	Sector	Ticker	Market Cap	S&P Rating	Years in KC
Ford Motor Co	7,250	Automobile	F	95.07 B	BB+	71
Cerner Corp	6,879	Technology	CERN	26.97 B	-	42
Honeywell, Inc	5,000	Conglomerate	HON	147.77 B	A	37
Garmin International	4,277	Technology	GRMN	25.14 B	-	33
Hallmark	3,222	Retail	-	-	-	112
Home Depot	3,153	Retail	HD	407.78 B	A	-
SS&C	3,125	Technology	SSNC	21.01 B	BB	53
Burns & McDonnell	2,907	Engineering	-	-	-	123
Commerce Bank	2,409	Banking	CBSH	8.86 B	-	119
General Motors	2,229	Automobile	GM	87.84 B	BBB	77
Federal Reserve Bank of KC	2,218	Banking	-	-	-	108
JE Dunn	1,800	Construction	-	-	-	98

*Excludes healthcare, education, city and government entity employers

Sources: Moody's, NYSE, NASDAQ, S&P 1.2022

INDUSTRY DIVERSITY



CITY DEVELOPMENTS



VanTrust Industrial | Air Center
\$278M | 2031 | Private Funding



Streetcar Expansion
\$351M | 2025 | Public Funding



KC Airport Renovation
\$1.5B | 2023 | Public Funding



Three Light Apartment Tower
\$150M | 322 Units | 2023 | Private Funding



KC Zoo Reno
\$75M | 2023 | Private Funding

MARKET STATS

Market	Total Inventory	YTD Absorption	Vacancy	Asking Rent	Under Construction	Deliveries Last 12 mo.
DT/Crown Center	19.5 M	-218 K	13.9%	\$22.93	523 K	0 K
Urban	19.5 M	-218 K	13.9%	\$22.93	523 K	0 K
E Jackson Co	4.0 M	-66 K	8.1%	\$17.79	21 K	0 K
Midtown/Plaza	6.2 M	-22 K	11.5%	\$25.71	0 K	0 K
N Johnson Co	7.1 M	-273 K	17.3%	\$19.99	0 K	0 K
Northland	5.7 M	-291 K	23.1%	\$18.17	0 K	0 K
S Johnson Co	22.5 M	-433 K	14.2%	\$21.27	0 K	108 K
S Kansas City	5.3 M	-36 K	8.1%	\$19.46	0 K	0 K
SE Jackson Co	1.7 M	-87 K	11.6%	\$21.05	88 K	0 K
Wyandotte Co	2.3 M	-9 K	5.3%	\$18.84	0 K	0 K
Suburban	54.9 M	-1.2 M	13.7%	\$20.75	109 K	108 K
TOTAL	74.4M ▲	-1.4M ▼	13.8% ▼	\$21.32 ▼	632K ▲	108K ▲

CBD CLASS A BREAKDOWN

Arrow to show change over 12 months

8.1M ↔

TOTAL SF
CBD CLASS A

\$24.64 ↑

AVG. ASKING
RENT

-329K ↓

12-MONTH NET
ABSORPTION

523K ↑

UNDER
CONSTRUCTION SF

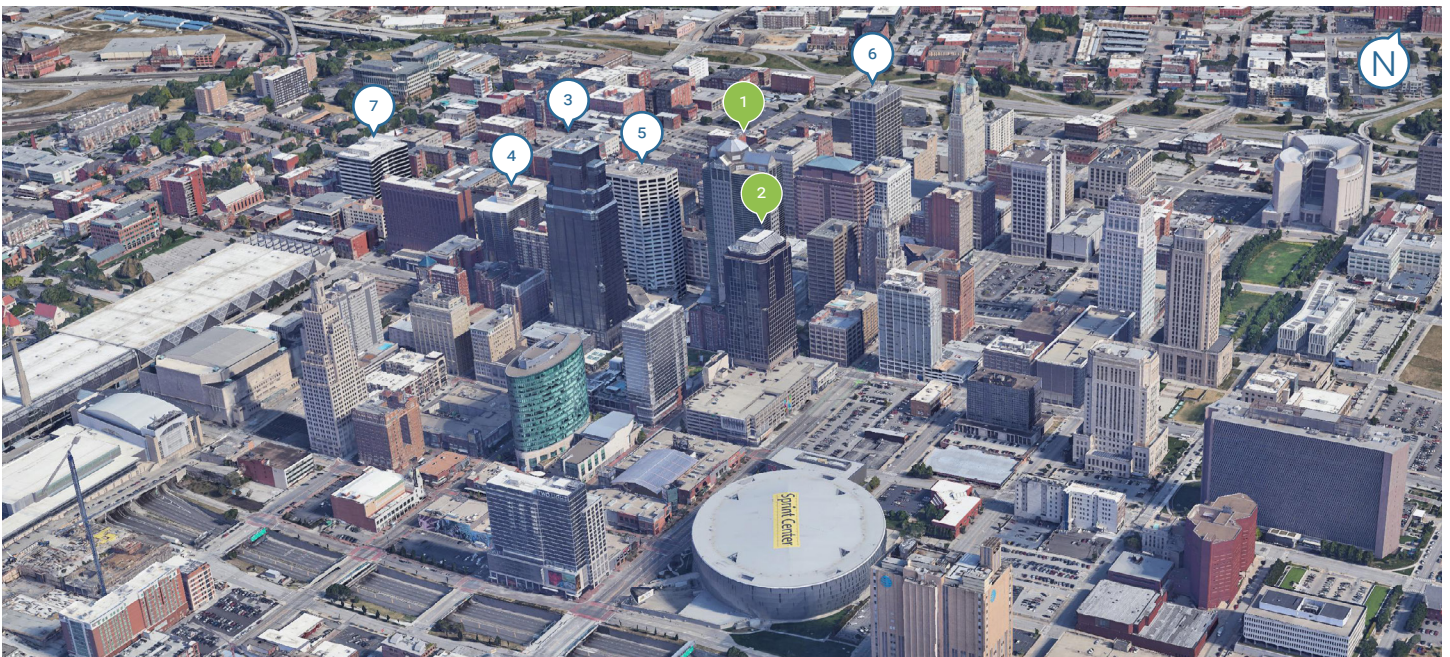
20.8% ↑

VACANCY
RATE

0 ↔

12-MONTH
DELIVERIES

COMPETITIVE SET



Map #	Building	Size (SF)	Class	Occ %	Asking Rate	Owner	Parking Ratio	Cost per Space	Fitness Center	Conference Room	Restaurant/Deli	Bank	On-Site Mgmt
1	Town Pavilion	792,158	A	82%	\$25.00FSG	Town Pavilion Holdings, LLC	1.92/1,000 SF	\$85	•	•	•	•	•
2	1201 Walnut	481,815	A	83%	\$25.00 FSG	TWP Holdings, LLC	1.92/1,000 SF	\$85	•	•	•	•	•
3	One Kansas City Place	818,408	A	85%	\$21.50 - \$23.50 FSG	Larry Bridges	2.00/1,000 SF	\$125	•	•	•	•	•
4	Wyandotte Plaza	309,000	A	90%	\$20.50 - \$22.50 FSG	Larry Bridges	1.50/1,000 SF	\$125	•	•	•	•	•
5	Lightwell	639,586	A	43%	\$25.00 FSG	Port KC	0.7/1,000 SF	\$110	•	•	•	•	•
6	Commerce Bank Building	421,000	A	100%	-	Commerce Bank	3.00/1,000 SF	\$100	•	•	•	•	•
7	805 Pennsylvania	251,475	A	88%	\$22.50 FSG	DST Systems	3.00/1,000 SF	\$70	•	•	•	•	•

TOWN PAVILION

1201 WALNUT

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