

Kansas City Industrial Market

Market on Track for Record Year with 9.4 Million Square Feet Under Construction

The Kansas City industrial sector started the year displaying very strong market fundamentals with 1.8 million square feet of total net absorption during the first quarter. Net absorption during the past four quarters totaled 5.4 million square feet, ranking Kansas City ninth out of all industrial markets in the U.S. Increases in land pricing, construction pricing and general demand have pressed rental rates upward. However, asking rent increases have been, to some extent, countered as larger structures continue to deliver to the market pressing downward the average per-square-foot rate. As such, average asking rental rates have been kept relatively in check during the past year. Rates decreased \$0.10/SF during the past quarter to \$5.13/SF. Projects under construction slightly decreased from 9.9 million square feet to 9.4 million square feet, but that figure will rise as multiple projects in the proposal phase will officially change to “under construction” over the next six months. The market realized 1.4 million square feet of deliveries during the first quarter, up 18.5% from the average deliveries per quarter during the past two years. Although Kansas City only ranks 17th in overall market size in the U.S., the market ranked 12th in both total deliveries and under-construction square footage during the past four quarters. As a result of the large amount of leasing activity during the quarter, overall vacancy decreased 20 basis points, from 5.3% to 5.1%.

NorthPoint Development to Add Nearly 1.0 Million Square Feet at Turner Logistics Center

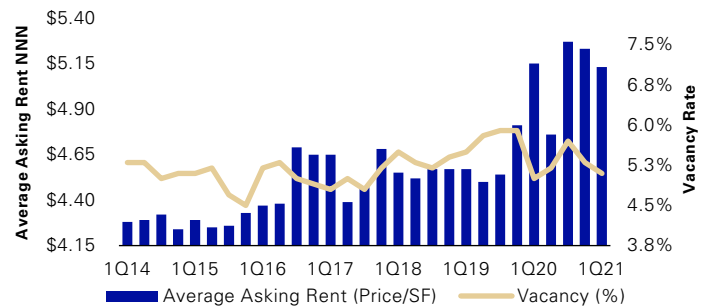
Turner Logistics Center in Kansas City, Kansas is set to increase its capacity by 919,080 square feet by fall of 2021. NorthPoint Development announced in March it will begin construction on a speculative basis on two new buildings at the 250-acre development, which is located adjacent to the recently finished Turner Diagonal interchange at Interstate 70. Upon completion, Turner Logistics Center will total more than 1.3 million square feet across three properties, with the ability to accommodate an additional 1.7 million square feet of Class A distribution space within the development. Plans call for Building II to total 543,540

Current Conditions

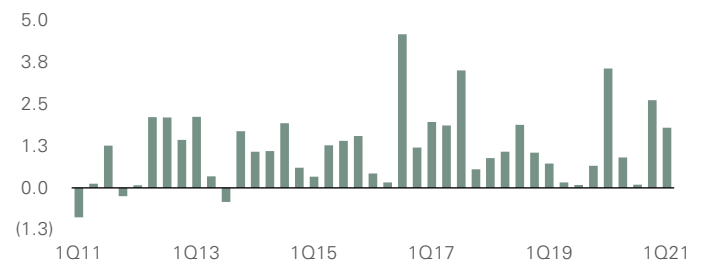
- Kansas City is one the most active industrial markets in the U.S., ranking ninth in total net absorption and 12th in both total deliveries and SF under construction, while ranking 17th in overall market size.
- NorthPoint announces 919,080 SF of speculative construction at Turner Logistics Center. Hunt Midwest to break ground on 679,180 SF of speculative construction at Hunt Midwest Business Center. Scannell Properties to start on 456,840 SF of speculative construction at Scannell 435 Logistics Center.

Market Analysis

ASKING RENT (NNN) AND VACANCY RATE



NET ABSORPTION (SF, Millions)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory	296 MSF	295 MSF	290 MSF	↑
Vacancy Rate	5.10%	5.30%	5.00%	↓
Qtr. Net Absorp.	1,794,989	2,616,170	3,571,410	↑
Asking Rent NNN	\$5.13	\$5.23	\$5.15	↑
Under Construct.	9,399,200	9,897,939	6,421,851	↑
Deliveries	1,360,634	1,394,270	1,064,000	↑

RESEARCH Q1 2021

square feet with 54 dock doors and four drive-ins and Building III to total 375,540 square feet with 37 dock doors and two drive-ins.

679,180 Square Feet of Speculative Construction to Break Ground at Hunt Midwest Business Center

The Northland received another significant commitment as Hunt Midwest announced that it will break ground in May on the first of two facilities totaling 679,170 square feet. Located on 44 acres at Hunt Midwest Business Center, HMBC Logistics IV, a 475,300-square-foot distribution center, along with HMBC Logistics V, a 203,880-square-foot facility, represents nearly \$40 million in investments and could provide roughly 400 new jobs upon occupancy of the properties. HMBC Logistics IV will begin construction on a speculative basis with HMBC Logistics V beginning with at least 50% leased or after completion of the first building.

Scannell 435 Logistics Center to Increase Capacity to 3.4 Million Square Feet

Scannell Properties announced during the first quarter that it will expand one of the Metro's newest industrial logistics parks from 3.1 to 3.4 million square feet of developed space. Located in Wyandotte County, at the northeast corner of Leavenworth Road and North 99th Street, the 400-acre Scannell 435 Logistics Center revamped its development plan after it successfully leased 1.08 million square feet of distribution space to Amazon.com, Inc. in

the \$110.0-million Building A. The development will now feature a 456,840-square-foot Building B, which will be constructed on a speculative basis to satisfy the increase in demand for modern logistics and distribution space in the Metro. The park will accommodate users of 100,000 square feet and greater with various build-to-suit to buy or lease options and land sales.

New Construction Activity and Major Development News Starts Off 2021

The Kansas City industrial market ended the first quarter of 2021 at a robust pace after a banner year in 2020. Significant market-changing projects, including NorthPoint Development's Turner Logistics Park and Project Polaris at Logistics Park Kansas City, Hunt Midwest's Business Center and Scannell Properties' expansion at Scannell 435 Logistics Center, among others, were announced during the quarter. Macro-level growth from industries such as ecommerce, logistics and food/beverage distribution continues to lead the market as firms take advantage of Kansas City's bulk industrial space rates, which are competitive to virtually all Midwestern peer markets. Land pricing for industrial-zoned ground has nearly doubled in the past six months, with several BTS sites trading in the \$5.00/SF to \$6.00/SF range. Steel prices have also increased significantly, up \$3.00/SF in the past three quarters. With increases in land pricing, construction pricing and general demand, expect asking rents to rise throughout the market.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
eShipping	5101-5207 Speaker Rd	Wyandotte County	New	206,000
Biomune Company	Lone Elm 716	South Johnson County	New	132,000
XPO Logistics	234 E Donovan Rd	Wyandotte County	New	90,680
Chemical Universe	1831-1841 Vernon St	Northland	New	85,480
Johnson County, KS	15500 W 108th St	South Johnson County	Sublease	63,000

Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
7501 E Front St	East Jackson County	\$1,800,000	\$44	40,500
1919 Industrial Dr / 1908 Plumbers Way - Portfolio (2)	Northland	\$3,810,000	\$98	39,000
1255 N Winchester St	South Johnson County	\$1,335,000	\$96	13,920
6930 W 152nd Ter	South Johnson County	\$1,230,000	\$110	11,230
8302 W 125th St	South Johnson County	\$1,590,000	\$176	9,020

Submarket Statistics									
Submarket	Building Type	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Asking Rent Ind. Gross (Price/SF)	Asking Rent Triple Net (Price/SF)	Total Asking Rent (Price/SF)
Downtown	ALL	11,616,966	0	6.50%	-35,611	-35,611	\$4.50	\$7.21	\$7.06
	Warehouse	11,243,883	0	6.50%	-35,611	-35,611	\$4.45	\$7.18	\$6.86
	Flex	373,083	0	9.20%	0	0	\$6.00	\$8.00	\$8.00
	Underground	0	0	-	0	0	-	-	-
East Jackson Co.	ALL	67,356,413	981,458	3.40%	-24,408	-24,408	\$4.07	\$5.56	\$4.62
	Warehouse	48,574,624	981,458	4.20%	-160,543	-160,543	\$3.95	\$5.49	\$4.56
	Flex	1,762,070	0	9.20%	6,735	6,735	\$6.06	\$7.50	\$7.70
	Underground	17,019,719	0	0.60%	129,400	129,400	\$4.20	-	-
Midtown	ALL	8,344,844	0	6.10%	-72,330	-72,330	\$7.24	\$9.61	\$8.53
	Warehouse	5,472,373	0	6.00%	-38,876	-38,876	\$7.24	\$9.00	\$7.91
	Flex	1,536,124	0	3.50%	0	0	-	\$14.00	\$14.00
	Underground	1,336,347	0	9.60%	-33,454	-33,454	-	\$7.06	\$7.36
North Cass Co.	ALL	2,228,489	564,970	1.70%	500	500	\$8.00	\$4.42	\$4.33
	Warehouse	2,131,664	564,970	1.80%	500	500	\$8.00	\$4.42	\$4.33
	Flex	96,825	0	0.00%	0	0	-	-	-
	Underground	0	0	-	0	0	-	-	-
North Johnson Co.	ALL	26,615,721	538,000	7.90%	-97,862	-97,862	\$6.95	\$5.04	\$5.25
	Warehouse	21,844,443	538,000	8.20%	-120,280	-120,280	\$6.87	\$4.75	\$5.06
	Flex	2,271,278	0	10.40%	-9,582	-9,582	\$10.25	\$7.87	\$8.00
	Underground	2,500,000	0	2.40%	32,000	32,000	\$4.60	-	-
Northland	ALL	64,406,207	1,712,579	5.90%	420,491	420,491	\$4.32	\$4.70	\$4.27
	Warehouse	53,851,756	1,712,579	5.10%	457,433	457,433	\$4.12	\$4.49	\$4.23
	Flex	1,623,186	0	6.80%	58	58	\$10.00	\$11.57	\$9.91
	Underground	8,931,265	0	10.50%	-37,000	-37,000	\$4.48	-	\$3.00
South Jackson Co.	ALL	21,621,117	609,953	3.30%	392,842	392,842	\$4.32	\$4.48	\$4.70
	Warehouse	20,477,955	609,953	3.30%	388,642	388,642	\$4.32	\$4.28	\$4.63
	Flex	1,143,162	0	2.60%	4,200	4,200	-	\$8.00	\$8.00
	Underground	0	0	-	0	0	-	-	-
South Johnson Co.	ALL	51,399,742	944,054	6.10%	1,360,008	1,360,008	\$6.81	\$4.68	\$4.59
	Warehouse	47,548,437	919,054	6.00%	1,363,223	1,363,223	\$6.51	\$4.32	\$4.24
	Flex	3,851,305	25,000	6.90%	-3,215	-3,215	\$10.50	\$9.16	\$9.33
	Underground	0	0	-	0	0	-	-	-
Wyandotte Co.	ALL	42,589,457	4,048,186	4.30%	-148,641	-148,641	\$3.57	\$4.53	\$4.41
	Warehouse	41,793,927	4,048,186	4.20%	-141,566	-141,566	\$3.51	\$4.45	\$4.29
	Flex	795,530	0	11.60%	-7,075	-7,075	\$6.50	\$8.85	\$8.87
	Underground	0	0	-	0	0	-	-	-
Kansas City Market	ALL	296,178,956	9,399,200	5.10%	1,794,989	1,794,989	\$4.59	\$5.13	\$4.61
	Warehouse	252,939,062	9,374,200	5.10%	1,712,922	1,712,922	\$4.38	\$4.70	\$4.43
	Flex	13,452,563	25,000	7.30%	-8,879	-8,879	\$8.65	\$8.96	\$9.00
	Underground	29,787,331	0	4.40%	90,946	90,946	\$4.49	\$7.06	\$3.74

Submarket Statistics - Warehouse

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Asking Rent Ind. Gross (Price/SF)	Asking Rent Triple Net (Price/SF)	Total Asking Rent (Price/SF)
Downtown	11,243,883	0	6.50%	-35,611	-35,611	\$4.45	\$7.18	\$6.86
East Jackson Co.	48,574,624	981,458	4.20%	-160,543	-160,543	\$3.95	\$5.49	\$4.56
Midtown	5,472,373	0	6.00%	-38,876	-38,876	\$7.24	\$9.00	\$7.91
North Cass Co.	2,131,664	564,970	1.80%	500	500	\$8.00	\$4.42	\$4.33
North Johnson Co.	21,844,443	538,000	8.20%	-120,280	-120,280	\$6.87	\$4.75	\$5.06
Northland	53,851,756	1,712,579	5.10%	457,433	457,433	\$4.12	\$4.49	\$4.23
South Jackson Co.	20,477,955	609,953	3.30%	388,642	388,642	\$4.32	\$4.28	\$4.63
South Johnson Co.	47,548,437	919,054	6.00%	1,363,223	1,363,223	\$6.51	\$4.32	\$4.24
Wyandotte Co.	41,793,927	4,048,186	4.20%	-141,566	-141,566	\$3.51	\$4.45	\$4.29
Kansas City Market	252,939,062	9,374,200	5.10%	1,712,922	1,712,922	\$4.38	\$4.70	\$4.43

Submarket Statistics - Flex

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Asking Rent Ind. Gross (Price/SF)	Asking Rent Triple Net (Price/SF)	Total Asking Rent (Price/SF)
Downtown	373,083	0	9.20%	0	0	\$6.00	\$8.00	\$8.00
East Jackson Co.	1,762,070	0	9.20%	6,735	6,735	\$6.06	\$7.50	\$7.70
Midtown	1,536,124	0	3.50%	0	0	-	\$14.00	\$14.00
North Cass Co.	96,825	0	0.00%	0	0	-	-	-
North Johnson Co.	2,271,278	0	10.40%	-9,582	-9,582	\$10.25	\$7.87	\$8.00
Northland	1,623,186	0	6.80%	58	58	\$10.00	\$11.57	\$9.91
South Jackson Co.	1,143,162	0	2.60%	4,200	4,200	-	\$8.00	\$8.00
South Johnson Co.	3,851,305	25,000	6.90%	-3,215	-3,215	\$10.50	\$9.16	\$9.33
Wyandotte Co.	795,530	0	11.60%	-7,075	-7,075	\$6.50	\$8.85	\$8.87
Kansas City Market	13,452,563	25,000	7.30%	-8,879	-8,879	\$8.65	\$8.96	\$9.00

Economic Conditions

The local economy retracted in February due to COVID-19, with total employment growth of negative 4.3% and negative growth occurring in eight out of 10 industries, calculated on a 12-month percent change basis.

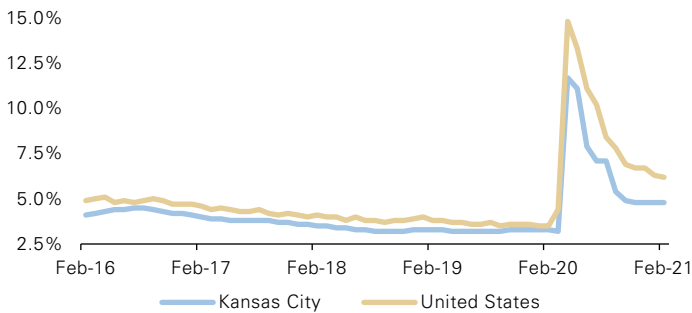
Payroll employment in Kansas City dropped significantly compared to the prior year; however, the local economy has fared favorably compared with the national average. The national average decreased 450 basis points to negative 6.1%.

The Consumer Price Index for the U.S. decreased 60 basis points compared to the prior year, registering 1.7% in February 2021, while the Midwest Urban CPI decreased 40 basis points to 1.7%.

Unemployment in the U.S. decreased 50 basis points to 6.2%, while unemployment in Kansas City remained flat at 4.8% compared with the past quarter. Unemployment in Kansas City increased 150 basis points from a year prior.

Unemployment Rate

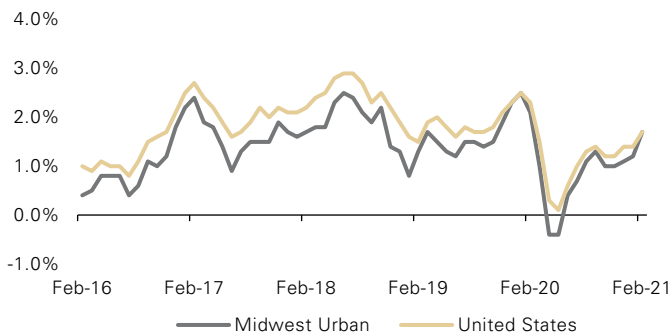
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2021

Consumer Price Index (CPI)

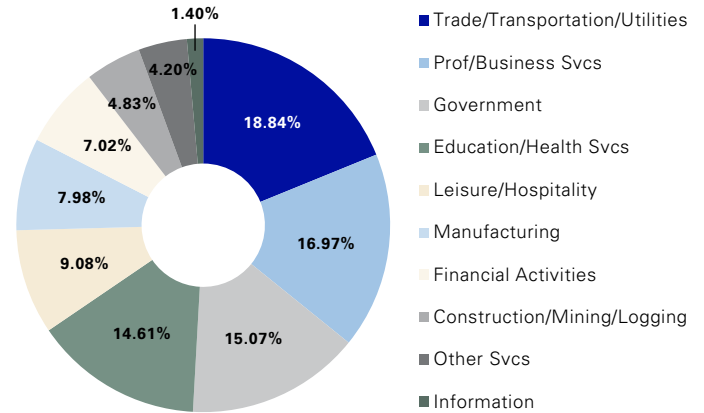
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2021

Employment By Industry

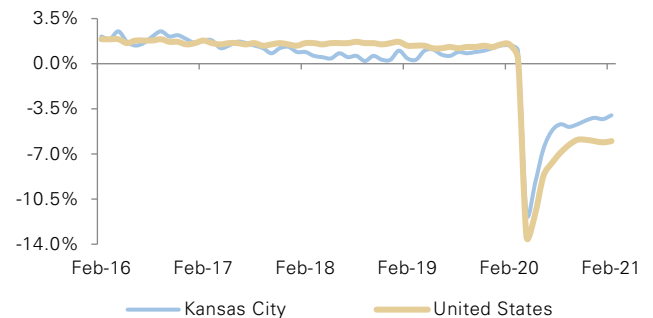
Kansas City, February 2021



Source: U.S. Bureau of Labor Statistics, March 2021

Payroll Employment

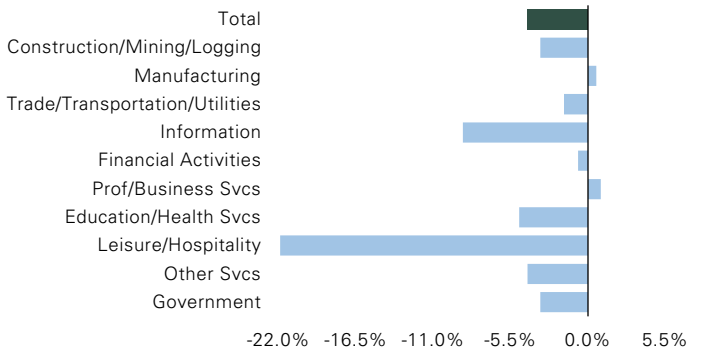
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, March 2021

Employment Growth By Industry

KC, Feb. 2021, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2021

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