

# Kansas City Industrial Market

## Kansas City 12th in U.S. for Percentage of Net Absorption to Market Size

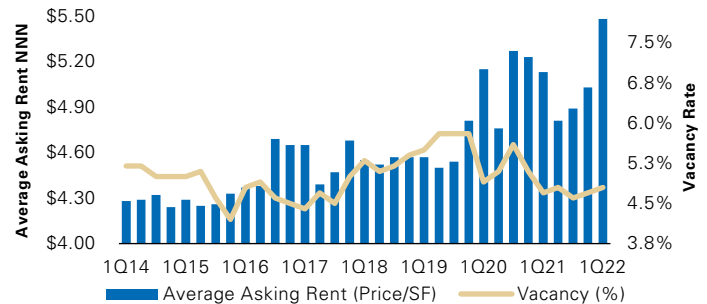
The Kansas City industrial sector started the year with robust leasing and sales activity, achieving new records for current development and future projects in the pipeline. The market continued to display strong fundamentals for demand in the first quarter of 2022, with 2.6 million square feet of total net absorption. Net absorption during the past four quarters totaled 9.7 million square feet, while projections indicate an impressive 14.3 million square feet of total net absorption could occur during the next six quarters. Increases in land pricing, construction pricing and general demand have pressed rental rates upward in the Metro. However, rent increases have been, to some extent during the past nine quarters, countered as larger structures continued to deliver to the market, pressing the average per-square-foot rate down. Rental rates increased substantially during the past quarter, up \$0.45/SF, equating to an 8.9% increase. Projects under construction increased significantly during the past two years, increasing a total of 7.2 million square feet to 12.8 million square feet, with expectations that the figure will continue to increase as multiple projects in the proposal phase will officially change to “under construction” over the next six to nine months. The market realized 3.1 million square feet of deliveries during the first quarter of 2022, the third-highest quarterly amount during the past two decades. Deliveries totaled a record-high 10.4 million square feet during the past four quarters. Overall, vacancy has remained relatively flat during the past five quarters, only fluctuating 10 to 20 basis points per quarter and ranging between 4.6% and 4.8% as high levels of total net absorption push vacancy down but are counterbalanced by significant levels of new product delivering to the market. Kansas City is the 31st largest MSA by population in the U.S. but ranked an impressive 17th in overall industrial market size in the first quarter of 2022. Further, the market ranked 12th in percentage of net absorption to market size, demonstrating above-average and continued leasing activity. Development and future projects in the pipeline also were solid with Kansas City ranked fourth overall in percentage of total deliveries to market size and ninth in percentage of under-construction square footage to market size during the past four quarters.

### Current Conditions

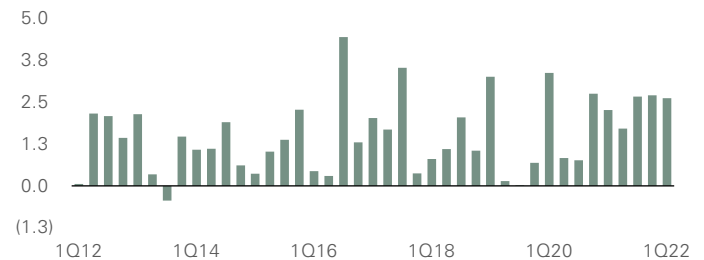
- Kansas City is one of the most active markets in the U.S., ranking 12th in % of net absorption to market size, 4th in % of total deliveries to market size and 9th in % of under construction square footage to market size.
- Asking rent (NNN) rises \$0.45/SF, increasing 8.9% from 4Q21 to 1Q22.
- STAG Industrial purchased the 702,000-SF Musician’s Friend DC; 275,000-SF FedEx mega truck terminal trades in Edwardsville, KS; NorthPoint Development announces plans for \$856 M Eastgate Commerce Center in Independence, MO; RLE International to invest \$7.5 M in SubTropolis.

### 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	308 MSF	305 MSF	298 MSF	↑
Vacancy Rate	4.80%	4.70%	4.70%	↓
Qtr. Net Absorp.	2,624,045	2,704,620	2,261,961	↑
Asking Rent NNN	\$5.48	\$5.03	\$5.13	↑
Under Construct.	12,823,835	14,574,801	11,118,959	↑
Deliveries	3,118,436	2,889,305	1,099,890	↑

### STAG Industrial Purchases 702,000-Square-Foot Musician’s Friend Distribution Center

Robust investment activity continued as Boston-based STAG Industrial, Inc. purchased the Musician’s Friend distribution center in the Northland. Newmark Zimmer’s Heartland Region and Newmark’s West Coast Region industrial capital markets teams announced the disposition of the 702,000-square-foot property located at 4001 N. Norfleet Road. The facility is one of the largest Class A distribution facilities in the Metro. Originally developed by Panattoni Development Company, Inc. on a build-to-suit basis in 2007 for Musician’s Friend, a California-based musical instrument retailer, the property is located on a 68-acre site, with access to Interstate 435, Highway 210 and 291 Highway. LaSalle Investment Management divested the fully occupied property.

### FedEx Mega Truck Terminal Trades in Edwardsville

The Wyandotte County submarket started the year with robust investment activity, as the FedEx Corp. mega truck terminal traded in the first quarter of 2022. Newmark Zimmer’s Heartland Institutional Capital Markets, in a collaborative effort with Newmark’s Net Lease team, announced the disposition of the 275,000-square-foot terminal facility located at 9140 Woodend Road in Edwardsville, Kansas. The facility sits on 126 acres, with prime access to both Interstate 70 and Interstate 435. As one of the largest cross-dock terminal properties in the U.S., the freight center was originally constructed as a build-to-suit for FedEx in 1999 and expanded in 2013 and 2019.

### Hunt Midwest Announces \$1.3-Billion Industrial Park near KCI

Hunt Midwest announced plans for KCI 29 Logistics Park, a \$1.3-billion industrial park near the Kansas City International Airport. The developer acquired an additional 1,300 acres of land in March to add to its 2,000 acres already under ownership. The new logistics and manufacturing park is projected to offer up to 18 million square feet of space and support approximately 8,000 jobs. KCI 29 Logistics Park would be the largest industrial park in the Metro, even outsizing the 3,000-acre, 14.4 million-square-foot Logistics Park KC in Edgerton, Kansas. Pending approvals, the park could start construction on its first building in 2023.

### NorthPoint Development Announces \$856.0-Million Industrial Park in Independence

NorthPoint Development, LLC announced plans in March for Eastgate Commerce Center, a \$856.0-million industrial park in Independence, Missouri. The new industrial and business park is projected to offer up to 10 million square feet of space and support approximately 5,000 jobs. Ranging in size from 200,000 square feet to 1.0 million square feet, NorthPoint projects that 26 Class A facilities could be constructed near Little Blue Parkway and Missouri Route 78. Eastgate Commerce Center would be the second-largest industrial park on the Missouri side of the Metro. Pending approvals, the park could break ground as soon as July 2022 on two speculative buildings totaling 700,000 square feet.

#### Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Lineage Logistics	New Century Commerce Center	South Johnson County	New	750,000
Beyond Warehousing	18451 Montrose St	South Johnson County	New	270,220
Scarbrough International	2551 S Liberty Pkwy	Northland	New	188,840
Allegion	16231 S Lone Elm Rd	South Johnson County	New	117,040
eShipping, LLC	88-92 Sunshine Rd	Wyandotte County	New	100,050

#### Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Blue Springs Logistics Center	East Jackson County	\$38,210,000	\$65	585,700
1727 Warren St	Northland	\$16,865,000	\$72	235,920
1251 Taney St	Northland	\$11,500,000	\$75	154,000
4101 N Kentucky Ave	Northland	\$10,250,000	\$67	154,000
14600 W 106th St	South Johnson County	\$8,000,000	\$64	125,260
751 Wyoming St	Downtown	\$6,500,000	\$65	100,000

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)
<b>Downtown</b>	<b>ALL</b>	<b>11,052,039</b>	<b>0</b>	<b>5.90%</b>	<b>151,857</b>	<b>151,857</b>	<b>\$7.92</b>	<b>\$5.56</b>	<b>\$5.66</b>
	Warehouse	10,627,109	0	5.90%	152,202	152,202	\$8.00	\$5.46	\$5.53
	Flex	424,930	0	6.40%	-345	-345	\$6.00	\$8.00	\$8.00
	Underground	0	0	-	0	0	-	-	-
<b>East Jackson Co.</b>	<b>ALL</b>	<b>64,199,961</b>	<b>62,700</b>	<b>2.60%</b>	<b>601,932</b>	<b>601,932</b>	<b>\$4.83</b>	<b>\$5.75</b>	<b>\$5.24</b>
	Warehouse	45,409,074	62,700	3.10%	644,223	644,223	\$4.53	\$5.64	\$5.13
	Flex	1,771,168	0	8.70%	-15,791	-15,791	\$12.50	\$8.47	\$8.31
	Underground	17,019,719	0	0.70%	-26,500	-26,500	-	-	\$4.20
<b>Midtown</b>	<b>ALL</b>	<b>8,442,257</b>	<b>0</b>	<b>4.90%</b>	<b>118,436</b>	<b>118,436</b>	<b>\$4.12</b>	<b>\$9.12</b>	<b>\$7.53</b>
	Warehouse	5,509,786	0	3.50%	133,683	133,683	\$4.12	\$7.71	\$6.15
	Flex	1,596,124	0	3.40%	0	0	-	\$14.00	\$14.00
	Underground	1,336,347	0	12.30%	-15,247	-15,247	-	-	\$8.12
<b>North Cass Co.</b>	<b>ALL</b>	<b>3,588,559</b>	<b>1,525,637</b>	<b>0.40%</b>	<b>2,000</b>	<b>2,000</b>	<b>\$8.50</b>	<b>\$4.33</b>	<b>\$4.40</b>
	Warehouse	3,492,634	1,525,637	0.30%	0	0	\$8.50	\$4.33	\$4.38
	Flex	95,925	0	6.40%	2,000	2,000	-	-	\$7.50
	Underground	0	0	-	0	0	-	-	-
<b>North Johnson Co.</b>	<b>ALL</b>	<b>26,824,799</b>	<b>619,732</b>	<b>4.30%</b>	<b>296,717</b>	<b>296,717</b>	<b>\$8.91</b>	<b>\$5.20</b>	<b>\$5.52</b>
	Warehouse	22,036,448	609,732	3.70%	307,491	307,491	\$8.71	\$4.95	\$5.28
	Flex	2,288,351	10,000	9.80%	-10,774	-10,774	\$10.80	\$7.66	\$7.77
	Underground	2,500,000	0	4.30%	0	0	-	-	\$7.00
<b>Northland</b>	<b>ALL</b>	<b>67,084,371</b>	<b>4,035,770</b>	<b>5.20%</b>	<b>245,912</b>	<b>245,912</b>	<b>\$5.89</b>	<b>\$6.10</b>	<b>\$4.83</b>
	Warehouse	56,454,985	4,035,770	4.90%	74,172	74,172	\$5.85	\$6.04	\$4.81
	Flex	1,672,171	0	7.30%	-28,260	-28,260	\$7.18	\$7.96	\$7.80
	Underground	8,957,215	0	7.00%	200,000	200,000	-	-	\$2.64
<b>South Jackson Co.</b>	<b>ALL</b>	<b>22,125,302</b>	<b>1,065,144</b>	<b>4.10%</b>	<b>-59,332</b>	<b>-59,332</b>	<b>\$11.43</b>	<b>\$5.08</b>	<b>\$5.09</b>
	Warehouse	21,029,120	1,065,144	4.10%	-44,271	-44,271	\$11.43	\$4.95	\$4.99
	Flex	1,096,182	0	3.80%	-15,061	-15,061	-	\$7.50	\$8.83
	Underground	0	0	-	0	0	-	-	-
<b>South Johnson Co.</b>	<b>ALL</b>	<b>58,857,375</b>	<b>3,441,887</b>	<b>8.40%</b>	<b>478,147</b>	<b>478,147</b>	<b>\$13.03</b>	<b>\$5.20</b>	<b>\$5.03</b>
	Warehouse	54,650,040	3,371,887	8.20%	532,610	532,610	\$13.16	\$4.88	\$4.80
	Flex	4,207,335	70,000	10.30%	-54,463	-54,463	\$11.30	\$9.38	\$9.78
	Underground	0	0	-	0	0	-	-	-
<b>Wyandotte Co.</b>	<b>ALL</b>	<b>45,730,556</b>	<b>2,072,965</b>	<b>3.20%</b>	<b>788,376</b>	<b>788,376</b>	<b>\$4.80</b>	<b>\$5.09</b>	<b>\$4.98</b>
	Warehouse	44,988,967	2,072,965	3.10%	780,092	780,092	\$4.80	\$5.09	\$4.87
	Flex	741,589	0	8.00%	8,284	8,284	-	-	\$8.73
	Underground	0	0	-	0	0	-	-	-
<b>Kansas City Market</b>	<b>ALL</b>	<b>307,905,219</b>	<b>12,823,835</b>	<b>4.80%</b>	<b>2,624,045</b>	<b>2,624,045</b>	<b>\$6.43</b>	<b>\$5.48</b>	<b>\$5.02</b>
	<b>Warehouse</b>	<b>264,198,163</b>	<b>12,743,835</b>	<b>4.80%</b>	<b>2,580,202</b>	<b>2,580,202</b>	<b>\$6.23</b>	<b>\$5.30</b>	<b>\$4.87</b>
	<b>Flex</b>	<b>13,893,775</b>	<b>80,000</b>	<b>8.10%</b>	<b>-114,410</b>	<b>-114,410</b>	<b>\$10.30</b>	<b>\$8.95</b>	<b>\$8.87</b>
	<b>Underground</b>	<b>29,813,281</b>	<b>0</b>	<b>3.60%</b>	<b>158,253</b>	<b>158,253</b>	<b>-</b>	<b>-</b>	<b>\$4.90</b>

## 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	10,627,109	0	5.90%	152,202	152,202	\$8.00	\$5.46	\$5.53
East Jackson Co.	45,409,074	62,700	3.10%	644,223	644,223	\$4.53	\$5.64	\$5.13
Midtown	5,509,786	0	3.50%	133,683	133,683	\$4.12	\$7.71	\$6.15
North Cass Co.	3,492,634	1,525,637	0.30%	0	0	\$8.50	\$4.33	\$4.38
North Johnson Co.	22,036,448	609,732	3.70%	307,491	307,491	\$8.71	\$4.95	\$5.28
Northland	56,454,985	4,035,770	4.90%	74,172	74,172	\$5.85	\$6.04	\$4.81
South Jackson Co.	21,029,120	1,065,144	4.10%	-44,271	-44,271	\$11.43	\$4.95	\$4.99
South Johnson Co.	54,650,040	3,371,887	8.20%	532,610	532,610	\$13.16	\$4.88	\$4.80
Wyandotte Co.	44,988,967	2,072,965	3.10%	780,092	780,092	\$4.80	\$5.09	\$4.87
<b>Kansas City Market</b>	<b>264,198,163</b>	<b>12,743,835</b>	<b>4.80%</b>	<b>2,580,202</b>	<b>2,580,202</b>	<b>\$6.23</b>	<b>\$5.30</b>	<b>\$4.87</b>

## 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	424,930	0	6.40%	-345	-345	\$6.00	\$8.00	\$8.00
East Jackson Co.	1,771,168	0	8.70%	-15,791	-15,791	\$12.50	\$8.47	\$8.31
Midtown	1,596,124	0	3.40%	0	0	-	\$14.00	\$14.00
North Cass Co.	95,925	0	6.40%	2,000	2,000	-	-	\$7.50
North Johnson Co.	2,288,351	10,000	9.80%	-10,774	-10,774	\$10.80	\$7.66	\$7.77
Northland	1,672,171	0	7.30%	-28,260	-28,260	\$7.18	\$7.96	\$7.80
South Jackson Co.	1,096,182	0	3.80%	-15,061	-15,061	-	\$7.50	\$8.83
South Johnson Co.	4,207,335	70,000	10.30%	-54,463	-54,463	\$11.30	\$9.38	\$9.78
Wyandotte Co.	741,589	0	8.00%	8,284	8,284	-	-	\$8.73
<b>Kansas City Market</b>	<b>13,893,775</b>	<b>80,000</b>	<b>8.10%</b>	<b>-114,410</b>	<b>-114,410</b>	<b>\$10.30</b>	<b>\$8.95</b>	<b>\$8.87</b>

### Economic Conditions

The local economy continued to improve in February, with total employment growth of 2.8% and growth occurring in six out of 10 industries, calculated on a 12-month percent change basis.

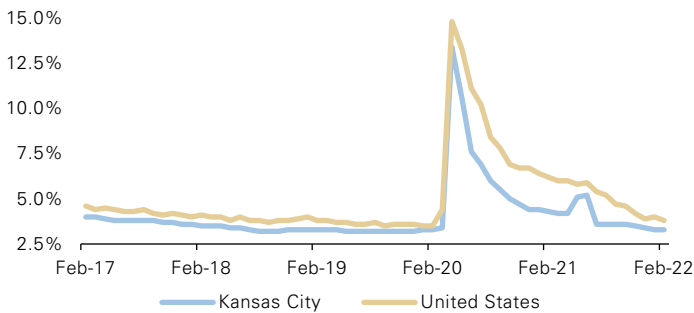
Payroll employment in Kansas City increased significantly in February 2022 compared to the prior year, increasing to 2.8%. The national average also increased substantially, up from -5.9% in February 2021 to 4.8% in February 2022.

The Consumer Price Index for the U.S. increased 620 basis points compared to the prior year, registering 7.9% in February 2022, while the Midwest Urban CPI increased 630 basis points to 8.0%, both at record highs during the past decade.

Unemployment in the U.S. decreased 40 basis points to 3.8%, while unemployment in Kansas City decreased 20 basis points to 3.3% compared to the past quarter. Unemployment in Kansas City decreased 100 basis points from a year prior.

### Unemployment Rate

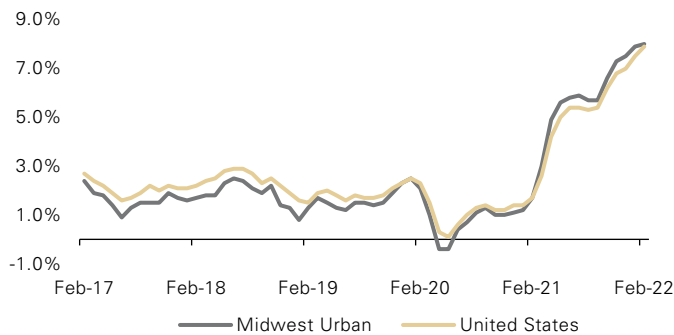
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2022

### Consumer Price Index (CPI)

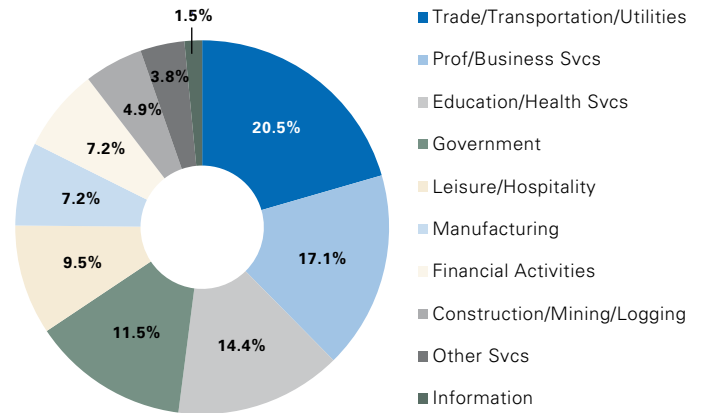
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2022

### Employment By Industry

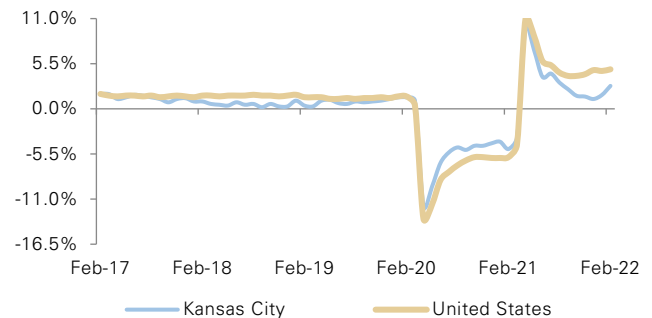
Kansas City, February 2022



Source: U.S. Bureau of Labor Statistics, March 2022

### Payroll Employment

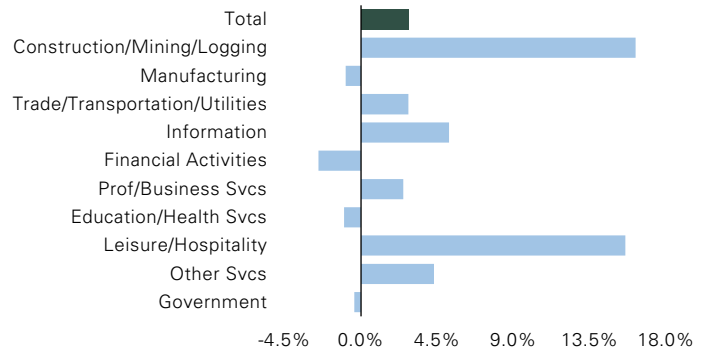
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, March 2022

### Employment Growth By Industry

KC, Feb. 2022, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2022

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [nmrk.com/insights](http://nmrk.com/insights).

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