

# Kansas City Industrial Market

## Projects Under Construction Reach Record High of 12.0 Million Square Feet

The Kansas City industrial sector continued the year displaying extremely strong market fundamentals with 1.0 million square feet of total net absorption during the second quarter of 2021. Net absorption during the past four quarters totaled 6.4 million square feet, ranking Kansas City 16th out of all industrial markets in the U.S., while projections indicate an additional 12.2 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. 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. Projects under construction increased significantly during the past year, increasing from 5.8 million square feet to 12.0 million square feet, with expectations that the figure will continue to rise as multiple projects in the proposal phase will officially change to “under construction” over the next six to nine months. The market realized 1.5 million square feet of deliveries during the second quarter, with projections for deliveries in 2021 to reach a record high of 14.8 million square feet. Although Kansas City only ranks 17th in overall market size in the U.S., the market ranked 11th in total deliveries during the past four quarters and 13th in under-construction square footage. Overall vacancy increased 10 basis points, from 4.8% to 4.9%.

### Niagara Bottling, LLC to Invest up to \$216 Million in Its Second Production Facility in the Metro

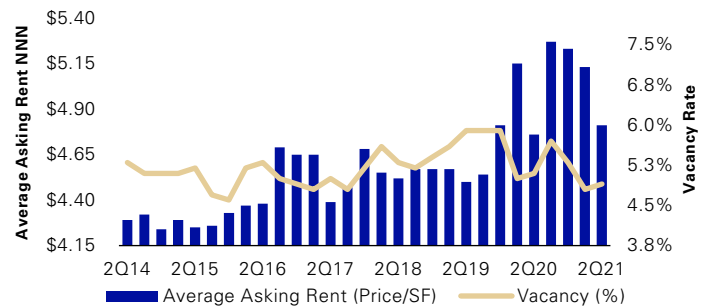
The Northland received a major commitment during the quarter, as California-based beverage manufacturer Niagara Bottling, LLC announced in June that it will expand its presence in the metro and occupy the entire 634,340-square-foot Congress Logistics Center 634 near the Kansas City International Airport. Located at 11440 North Airworld Drive on a 65-acre site, the building was developed on a speculative basis and delivered in second-quarter 2021. The Class A production facility provides amenities, including a 36-foot ceiling height, 63 dock doors and four drive-ins. Niagara Bottling will invest between \$156.0 to \$216.0 million

### Current Conditions

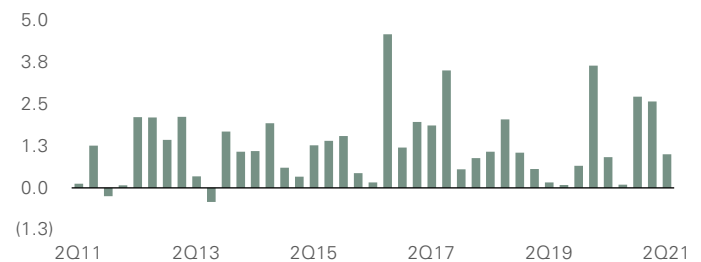
- Kansas City is one the most active markets in the U.S., ranking 11th in total deliveries, 13th in SF under construction and 14th in net absorption to market percent, while ranking 17th in overall market size.
- Niagara Bottling will purchase the 634,340 SF, Congress Logistics Center 634 in the Northland and Sealy & Company purchased the 210,500 SF Building I within Lone Elm Commerce Center. 1.1-million-SF Coleman Distribution Center trades.

### 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	4.90%	4.80%	5.10%	↓
Qtr. Net Absorp.	1,005,915	2,584,992	919,243	↑
Asking Rent NNN	\$4.81	\$5.13	\$4.76	↑
Under Construct.	12,005,571	11,190,477	5,766,081	↑
Deliveries	1,488,867	1,099,890	1,526,516	↑

to open two to three bottling production lines. Newmark Zimmer represented Niagara Bottling in the purchase of the facility, finalizing the transaction with one of the most active industrial developers in the metro, VanTrust Real Estate, LLC.

### Sealy & Company Purchases 210,500-Square-Foot, Building I at Lone Elm Commerce Center

Robust investment activity continued in South Johnson County as Dallas-based Sealy & Company purchased Building I within Lone Elm Commerce Center. The transaction increases the firm's holdings within the metro to a total of six properties. Located at 22610-22614 West 167th Street in Olathe, the Class A, 210,500-square-foot industrial facility can accommodate users with smaller industrial space requirements, down to 50,000 square feet. Located on 12 acres of the 122-acre park, Building I includes 32-foot ceiling heights, 22 dock doors and four drive-ins and delivered to the market in 2019. Newmark Zimmer represented Sealy & Company in the purchase of the facility and will continue to act as the landlord's representative to lease the remainder of space available in the property.

### Investment Demand Remains Strong as 1.1-Million-Square-Foot Coleman Distribution Center Trades

Newmark Zimmer, in a collaborative effort between Newmark's Heartland and West Coast Region industrial capital markets teams, announced the disposition of one of the metro's largest industrial properties, the 1.1-million-square-foot distribution center, which is fully leased to Coleman Company, Inc. Located

at 17150 Mercury Street in Gardner, Kansas, the Class A facility, built in 2009, sits on a 72-acre site, offering 32 to 36-foot ceiling heights. The sale continues to reiterate Kansas City's strong investment demand and future outlook in the industrial sector.

### Macro-Level Growth from Ecommerce and Food/Beverage Distribution Industries Lead the Market

The Kansas City industrial market ended the first half of 2021 at a record pace. 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. Significant projects and transactions, including: NorthPoint Development's fourth building at Southview Commerce Center; Scannell Properties' Compass 70 Logistics development in Bonner Springs; Trammell & Crow Company and Clarion Partners' additional 676,000 square feet breaking ground at KCI Intermodal BusinessCentre; Hunt Midwest's buildout of 700,000 square feet of underground space at SubTropolis; BCB Development's speculative cold-storage facility at Heartland Meadows Industrial Park; 1A Auto's 347,690-square-foot renewal in Olathe represented by Newmark Zimmer; Metro Supply Chain's 100,700-square-foot fulfillment center in Executive Park; and Amazon's ninth facility in the metro, which adds 70,600 square feet at its newest location in Blue Springs, among others, were announced during the quarter.

#### Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Niagara Bottling, LLC	11440 N Airworld Dr	Northland	New	634,340
Geodis Logistics, LLC	2999 & 3011 E Geospace Dr	East Jackson County	Renewal	367,000
1A Auto, Inc.	15250-15400 S Green Rd	South Johnson County	Renewal	347,690
ASM	Lenexa Logistics Centre East – Bldg. IV	South Johnson County	New	303,000
Spartan Logistics	1508 N Chouteau Tfwy	East Jackson County	New	226,580

#### Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
IMCO - Portfolio (13) – (Recapitalization – 45% interest)	Wyandotte County, North Johnson County	\$167,100,000 – Port. (13) \$23,435,000 – KC (3)	\$78 – Port. (13) \$84 – KC (3)	4,753,230 – Port. (13) 621,000 – KC (3)
101 E 9th Ave	Northland	\$7,984,000	\$36	221,180
14001 Marshall Dr	North Johnson County	\$5,295,000	\$74	71,360
9801 Legler Rd	North Johnson County	\$4,700,000	\$75	62,500
1432 & 1490 W Ironwood St – Portfolio (2)	South Johnson County	\$5,300,000	\$96	55,090

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>	ALL	11,530,696	0	6.80%	-251,108	-138,159	\$4.44	\$7.72	\$7.64
	Warehouse	11,131,323	0	6.70%	-253,708	-138,159	\$4.44	\$7.72	\$7.54
	Flex	399,373	0	8.60%	2,600	0	-	-	\$8.00
	Underground	0	0	-	0	0	-	-	-
<b>East Jackson Co.</b>	ALL	65,462,863	984,478	3.10%	94,581	240,231	\$3.99	\$4.89	\$4.65
	Warehouse	46,731,134	984,478	3.80%	87,146	100,697	\$3.83	\$4.79	\$4.60
	Flex	1,712,010	0	9.20%	7,435	10,134	\$6.18	\$7.50	\$7.70
	Underground	17,019,719	0	0.60%	0	129,400	\$4.20	-	-
<b>Midtown</b>	ALL	8,389,723	0	6.30%	-30,213	-90,159	\$6.59	\$6.32	\$6.69
	Warehouse	5,517,252	0	5.80%	-4,030	-30,522	\$6.75	\$4.28	\$4.28
	Flex	1,536,124	0	3.50%	0	0	-	\$14.00	\$14.00
	Underground	1,336,347	0	11.60%	-26,183	-59,637	\$5.91	\$5.91	\$7.34
<b>North Cass Co.</b>	ALL	2,227,589	1,066,250	1.40%	-22,000	7,379	\$8.00	\$4.43	\$4.38
	Warehouse	2,131,664	1,066,250	0.50%	0	29,379	\$8.00	\$4.43	\$4.38
	Flex	95,925	0	22.90%	-22,000	-22,000	-	-	\$6.00
	Underground	0	0	-	0	0	-	-	-
<b>North Johnson Co.</b>	ALL	26,640,690	504,000	6.30%	369,902	332,082	\$7.18	\$4.92	\$5.25
	Warehouse	21,845,619	504,000	6.50%	320,562	262,719	\$6.85	\$4.63	\$5.06
	Flex	2,295,071	0	8.80%	49,340	37,363	\$10.29	\$7.65	\$7.68
	Underground	2,500,000	0	2.40%	0	32,000	-	-	\$6.50
<b>Northland</b>	ALL	64,777,724	2,709,810	6.30%	-262,322	46,356	\$6.09	\$4.84	\$4.39
	Warehouse	54,197,048	2,709,810	5.60%	-204,995	96,505	\$6.11	\$4.59	\$4.38
	Flex	1,649,411	0	6.50%	7,973	2,151	-	\$13.18	\$7.97
	Underground	8,931,265	0	10.70%	-65,300	-52,300	\$6.00	-	\$3.00
<b>South Jackson Co.</b>	ALL	21,864,434	802,721	4.80%	-113,938	294,161	\$7.31	\$4.45	\$4.59
	Warehouse	20,733,604	802,721	4.90%	-121,198	282,701	\$7.31	\$4.23	\$4.54
	Flex	1,130,830	0	2.00%	7,260	11,460	-	\$8.45	\$8.45
	Underground	0	0	-	0	0	-	-	-
<b>South Johnson Co.</b>	ALL	52,053,372	2,606,080	4.50%	1,179,438	2,713,089	\$7.35	\$4.68	\$4.63
	Warehouse	48,228,717	2,581,080	4.40%	1,173,150	2,667,856	\$7.10	\$4.38	\$4.34
	Flex	3,824,655	25,000	5.70%	6,288	45,233	\$10.50	\$8.48	\$9.30
	Underground	0	0	-	0	0	-	-	-
<b>Wyandotte Co.</b>	ALL	43,228,855	3,332,232	4.60%	41,575	185,927	\$3.67	\$4.52	\$4.54
	Warehouse	42,433,325	3,332,232	4.50%	33,427	187,222	\$3.67	\$4.44	\$4.41
	Flex	795,530	0	10.90%	8,148	-1,295	-	\$8.66	\$8.77
	Underground	0	0	-	0	0	-	-	-
<b>Kansas City Market</b>	<b>ALL</b>	<b>296,175,946</b>	<b>12,005,571</b>	<b>4.90%</b>	<b>1,005,915</b>	<b>3,590,907</b>	<b>\$4.84</b>	<b>\$4.81</b>	<b>\$4.64</b>
	<b>Warehouse</b>	<b>252,949,686</b>	<b>11,980,571</b>	<b>4.90%</b>	<b>1,030,354</b>	<b>3,458,398</b>	<b>\$4.52</b>	<b>\$4.48</b>	<b>\$4.48</b>
	<b>Flex</b>	<b>13,438,929</b>	<b>25,000</b>	<b>6.70%</b>	<b>67,044</b>	<b>83,046</b>	<b>\$8.79</b>	<b>\$8.57</b>	<b>\$8.84</b>
	<b>Underground</b>	<b>29,787,331</b>	<b>0</b>	<b>4.50%</b>	<b>-91,483</b>	<b>49,463</b>	<b>\$5.78</b>	<b>\$5.91</b>	<b>\$3.74</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)
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Northland	54,197,048	2,709,810	5.60%	-204,995	96,505	\$6.11	\$4.59	\$4.38
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## 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)
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<b>Kansas City Market</b>	<b>13,438,929</b>	<b>25,000</b>	<b>6.70%</b>	<b>67,044</b>	<b>83,046</b>	<b>\$8.79</b>	<b>\$8.57</b>	<b>\$8.84</b>

### Economic Conditions

The local economy continued to improve in May, with total employment growth of 8.1% and positive growth in eight out of 10 industries, calculated on a 12-month percent change basis.

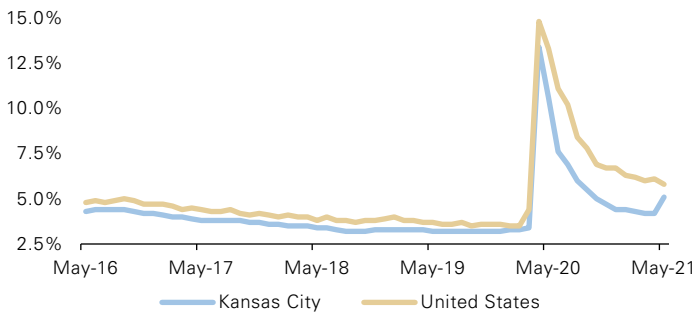
Payroll employment in Kansas City increased significantly in April and May 2021 compared to the prior year, increasing to a record high of 10.4%. The national average also increased substantially, rising from negative 5.9% in February 2021 to 9.0% in May 2021.

The Consumer Price Index for the U.S. increased 490 basis points compared to the prior year, registering 5.0% in May 2021, while the Midwest Urban CPI increased 600 basis points to 5.6%, both 13-year record highs.

Unemployment in the U.S. decreased 40 basis points to 5.8%, while unemployment in Kansas City increased 80 basis points to 5.1% compared with the past quarter. Unemployment in Kansas City decreased 550 basis points from a year prior.

### Unemployment Rate

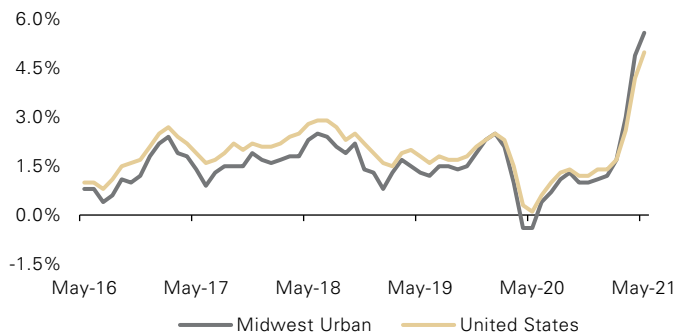
Seasonally Adjusted



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

### Consumer Price Index (CPI)

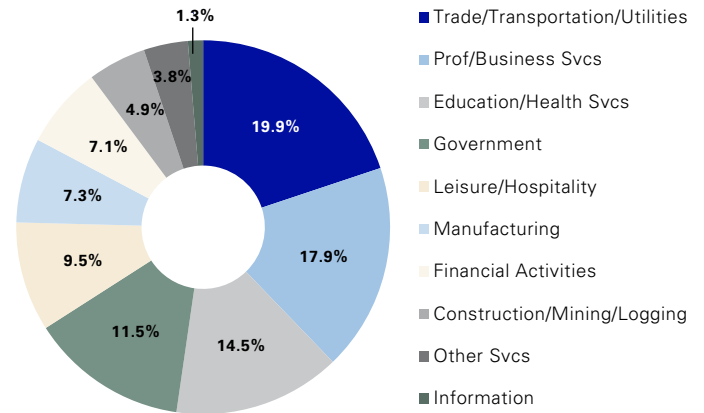
All Items, 12-Month % Change, Not Seasonally Adjusted



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

### Employment By Industry

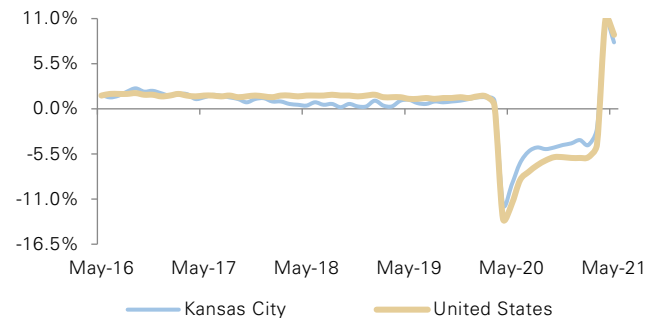
Kansas City, May 2021



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

### Payroll Employment

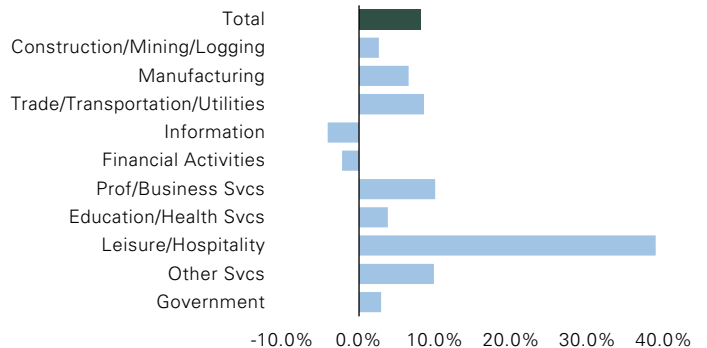
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



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

### Employment Growth By Industry

KC, May 2021, 12-Month % Change, Not Seasonally Adjusted



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

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