



Kansas City Industrial Market

Kansas City Enjoyed a Banner Year for New Development and Leasing and Sales Activity

The Kansas City industrial sector closed out the year with robust leasing and sales activity, achieving new records for current development and future projects in the pipeline. Upon examination of modern industrial facilities built since January 2015 and possessing at least 100,000 square feet of rentable building area, the Kansas City market averages less than three quarters to achieve a leasing stabilization threshold of at least 75% of occupied space upon delivery to the market. Half of the properties, including both fully or partially build-to-suit or speculative developments, achieve the stabilization threshold before or during the quarter of delivery to the market, even more impressive considering a total of 40.3 million square feet of product delivered to the market during the past seven years.

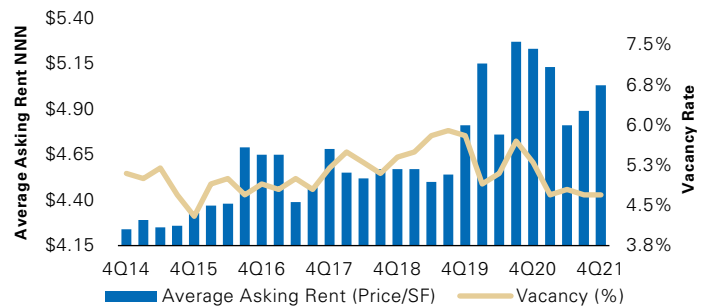
The market continued to display strong fundamentals for demand in the fourth quarter of 2021 with 2.8 million square feet of total net absorption. Net absorption during the past four quarters totaled 9.8 million square feet, while projections indicate an additional 11.8 million square feet of total net 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. Asking rent increases have been, to some extent, countered as larger structures continue to deliver to the market, pressing the average per-square-foot rate down. Projects under construction increased significantly during the past year, increasing from 8.3 million square feet to 11.3 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 2.9 million square feet of deliveries during the fourth quarter of 2021, and overall vacancy remained flat at 4.7% compared with the third quarter of 2021. Although Kansas City only ranks 17th in overall market size in the U.S., the market ranked sixth in percentage of total deliveries to market size, seventh in percentage of under-construction square footage to market size and ninth in percentage of net absorption to market size during the past four quarters.

Current Conditions

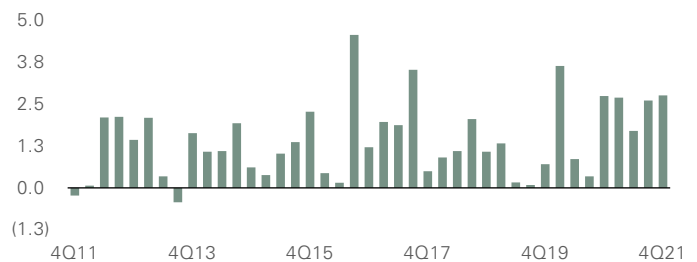
- Kansas City is one the most active markets in the U.S., ranking 6th in % of total deliveries to market size, 7th in % of under construction square footage to market size and 9th in % of net absorption to market size.
- Ascendas REIT purchased a 13-building, 2.2 million-SF last mile industrial portfolio, one of the largest in the region’s history; ALPLA, Inc. North America to open a 246,000-SF manufacturing plant at Blue River Commerce Center; and Scannell Properties attracts Medline to Compass 70 Business Park in Bonner Springs.

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	306 MSF	303 MSF	297 MSF	↑
Vacancy Rate	4.70%	4.70%	5.30%	↓
Qtr. Net Absorp.	2,759,997	2,613,730	2,749,413	↑
Asking Rent NNN	\$5.03	\$4.89	\$5.23	↑
Under Construct.	11,301,253	12,043,919	8,342,731	↑
Deliveries	2,889,305	2,292,483	1,505,245	↑

Ascendas REIT Purchases a 13-Building, 2.2-Million-Square-Foot Portfolio

Robust investment activity continued as Singapore-based Ascendas Real Estate Investment Trust purchased a 13-building portfolio of industrial facilities located in the North Johnson County, South Johnson County, Northland and East Jackson County submarkets. Newmark Zimmer, in a collaborative effort between Newmark's Heartland and West Coast Region industrial capital markets teams, announced the disposition of the Kansas City Last Mile Portfolio, which totaled over 2.16 million square feet of light industrial properties and was approximately 93% leased at the time of sale. With nearly 30 tenants included in the portfolio, the tenant mix was well diversified in respect to both size and industry classification, with representation in the manufacturing, wholesale distribution, third-party logistics and healthcare sectors. The age of structures in the portfolio averaged 38 years, resulting in the majority of buildings qualifying as Class B, with four properties classifying as Class C. The sale was one of the largest transactions in the region's history.

ALPLA, Inc. North America to Open a 246,000-Square-Foot Manufacturing Plant at Blue River Commerce Center

NorthPoint Development received a major commitment during the quarter, as global leader and manufacturer of plastic packaging solutions, ALPLA, Inc. North America, a division of

Austria-based ALPLA, announced in October that it will open a new 246,000-square-foot injection molding manufacturing plant at Blue River Commerce Center. Located near Interstate 49 and Bannister Road at the former Bannister Federal Complex site, construction on the industrial park's third facility officially started in the fourth quarter of 2021, with a delivery date scheduled for the fourth quarter of 2022. The new rail-served manufacturing plant will be ALPLA's fourth facility in Missouri. The firm is expected to spend \$18.5 million in capital investments and generate 75 new jobs by its third year of occupancy.

Scannell Properties Attracts Medline Industries, LP to Compass 70 Business Park

Scannell Properties announced during the fourth quarter that Medline Industries, LP will construct a \$77.5-million distribution center at Scannell Properties' third industrial park in the Kansas City Metro. Medline, the Northfield, Illinois-based, largest privately held manufacturer and distributor of medical supplies, has outgrown its current 360,000-square-foot space at 1401 North Universal Avenue in Executive Park and will bring its 141 current employees over in the relocation, along with plans to hire an additional 100 employees when the facility opens. Located south of the Kansas Speedway, Compass 70 Business Park sits on 157 acres in Bonner Springs, Kansas. The developer's plans call for a total of three Class A industrial facilities, totaling 2.0 million square feet.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
ALPLA, Inc. North America	Blue River Commerce Center (TBD)	South Jackson County	New	246,000
Owens & Minor, Inc.	1880 N Corrington Ave	East Jackson County	New	132,560
XPO Logistics, Inc.	16575 S Theden St	South Johnson County	New	131,000
Balls Foods	1601-1731 Saint Louis Ave	Downtown	New	120,000
WESCO Distribution, Inc.	22610-22614 W 167th St	South Johnson County	Expansion	112,000
Walgreens	Liberty Commerce Center	Northland	New	65,000

Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Logistics Park KC Portfolio (3)	South Johnson County	\$130,090,000	\$58	2,229,760
16575 S Theden St	South Johnson County	\$42,365,000	\$59	718,070
14101 Norby Rd	South Jackson County	\$3,900,000	\$64	61,050
10400 Hickman Mills Dr	South Jackson County	\$4,500,000	\$103	43,720
11200 W 93rd St	North Johnson County	\$3,675,000	\$88	41,580
1205-1225 E 18th St	Downtown	\$2,050,000	\$67	30,790

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	11,269,241	0	7.40%	158,008	-190,390	\$8.34	\$9.54	\$7.93
	Warehouse	10,869,868	0	7.50%	150,636	-197,762	\$8.43	\$9.60	\$7.91
	Flex	399,373	0	6.80%	7,372	7,372	\$6.00	\$8.00	\$8.00
	Underground	0	0	-	0	0	-	-	-
East Jackson Co.	ALL	66,576,624	0	3.40%	549,476	979,807	\$4.10	\$4.93	\$4.89
	Warehouse	47,785,737	0	4.30%	531,322	819,341	\$3.99	\$4.83	\$4.75
	Flex	1,771,168	0	8.10%	18,154	25,066	\$7.02	\$7.62	\$8.13
	Underground	17,019,719	0	0.60%	0	135,400	-	-	\$4.20
Midtown	ALL	8,436,257	0	4.80%	35,973	35,088	\$4.49	\$8.65	\$7.50
	Warehouse	5,503,786	0	3.70%	26,562	89,543	\$4.49	\$7.55	\$6.13
	Flex	1,596,124	0	3.40%	599	0	-	\$14.00	\$14.00
	Underground	1,336,347	0	11.20%	8,812	-54,455	-	\$6.80	\$8.15
North Cass Co.	ALL	3,588,559	1,525,637	0.50%	11,600	1,382,179	\$8.50	\$4.41	\$4.40
	Warehouse	3,492,634	1,525,637	0.30%	0	1,390,349	\$8.50	\$4.33	\$4.38
	Flex	95,925	0	8.50%	11,600	-8,170	-	\$7.50	\$7.50
	Underground	0	0	-	0	0	-	-	-
North Johnson Co.	ALL	26,935,975	0	5.30%	350,025	617,121	\$7.63	\$5.04	\$5.76
	Warehouse	22,121,304	0	5.10%	324,345	583,827	\$7.33	\$4.77	\$5.43
	Flex	2,314,671	0	9.10%	25,680	48,294	\$10.50	\$7.59	\$7.72
	Underground	2,500,000	0	4.30%	0	-15,000	-	-	\$7.00
Northland	ALL	66,115,544	3,104,964	4.10%	135,423	1,871,824	\$5.75	\$5.04	\$4.59
	Warehouse	55,486,158	3,104,964	3.20%	95,388	1,782,708	\$5.74	\$4.88	\$4.57
	Flex	1,672,171	0	5.60%	-1,565	16,516	\$6.03	\$10.38	\$7.97
	Underground	8,957,215	0	9.30%	41,600	72,600	-	-	\$3.00
South Jackson Co.	ALL	22,411,859	1,725,308	4.10%	320,875	415,421	\$11.45	\$4.48	\$4.75
	Warehouse	21,303,534	1,725,308	4.20%	334,088	407,884	\$11.45	\$4.25	\$4.67
	Flex	1,108,325	0	2.40%	-13,213	7,537	-	\$8.83	\$8.83
	Underground	0	0	-	0	0	-	-	-
South Johnson Co.	ALL	54,925,962	3,469,279	6.20%	198,957	2,730,289	\$11.03	\$4.83	\$4.85
	Warehouse	50,788,348	3,469,279	6.00%	223,114	2,725,845	\$11.01	\$4.52	\$4.49
	Flex	4,137,614	0	8.70%	-24,157	4,444	\$11.29	\$8.69	\$9.87
	Underground	0	0	-	0	0	-	-	-
Wyandotte Co.	ALL	45,539,185	1,476,065	4.90%	999,660	1,926,060	\$5.35	\$4.67	\$4.84
	Warehouse	44,792,827	1,476,065	4.90%	999,660	1,911,281	\$5.35	\$4.67	\$4.66
	Flex	746,358	0	9.00%	0	14,779	-	-	\$8.73
	Underground	0	0	-	0	0	-	-	-
Kansas City Market	ALL	305,799,206	11,301,253	4.70%	2,759,997	9,767,399	\$5.98	\$5.03	\$4.83
	Warehouse	262,144,196	11,301,253	4.70%	2,685,115	9,513,016	\$5.99	\$4.65	\$4.65
	Flex	13,841,729	0	7.20%	24,470	115,838	\$8.93	\$8.46	\$8.93
	Underground	29,813,281	0	4.20%	50,412	138,545	\$4.55	\$6.80	\$4.90

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	10,869,868	0	7.50%	150,636	-197,762	\$8.43	\$9.60	\$7.91
East Jackson Co.	47,785,737	0	4.30%	531,322	819,341	\$3.99	\$4.83	\$4.75
Midtown	5,503,786	0	3.70%	26,562	89,543	\$4.49	\$7.55	\$6.13
North Cass Co.	3,492,634	1,525,637	0.30%	0	1,390,349	\$8.50	\$4.33	\$4.38
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Northland	55,486,158	3,104,964	3.20%	95,388	1,782,708	\$5.74	\$4.88	\$4.57
South Jackson Co.	21,303,534	1,725,308	4.20%	334,088	407,884	\$11.45	\$4.25	\$4.67
South Johnson Co.	50,788,348	3,469,279	6.00%	223,114	2,725,845	\$11.01	\$4.52	\$4.49
Wyandotte Co.	44,792,827	1,476,065	4.90%	999,660	1,911,281	\$5.35	\$4.67	\$4.66
Kansas City Market	262,144,196	11,301,253	4.70%	2,685,115	9,513,016	\$5.99	\$4.65	\$4.65

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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Wyandotte Co.	746,358	0	9.00%	0	14,779	-	-	\$8.73
Kansas City Market	13,841,729	0	7.20%	24,470	115,838	\$8.93	\$8.46	\$8.93

Economic Conditions

The local economy continued to improve in November, with total employment growth of 4.0% and growth occurring in eight out of 10 industries, calculated on a 12-month percent change basis.

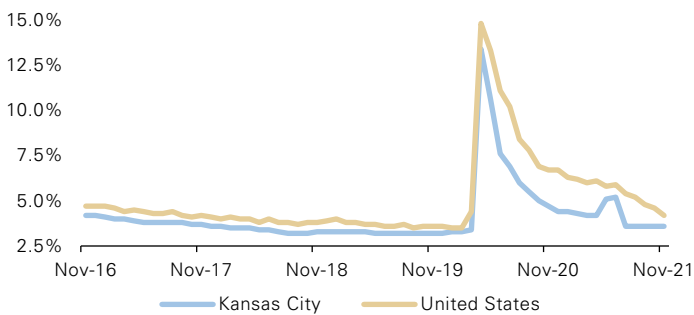
Payroll employment in Kansas City increased significantly in November 2021 compared to the prior year, increasing to 4.0%. The national average also increased substantially, up from negative 5.9% in November 2020 to 4.1% in November 2021.

The Consumer Price Index for the U.S. increased 560 basis points compared to the prior year, registering 6.8% in November 2021, while the Midwest Urban CPI increased 630 basis points to 7.3%, both at record highs during the past decade.

Unemployment in the U.S. decreased 100 basis points to 4.2%, while unemployment in Kansas City remained flat at 3.6% compared with the past quarter. Unemployment in Kansas City decreased 110 basis points from a year prior.

Unemployment Rate

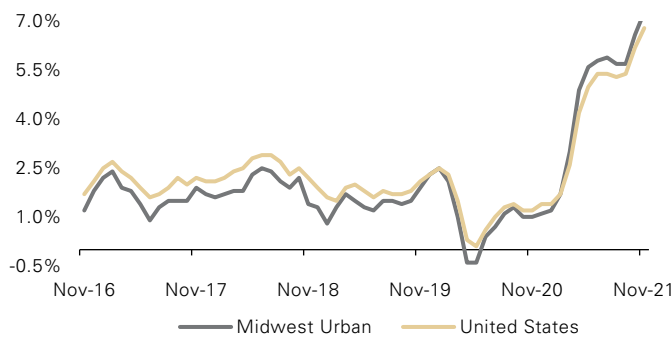
Seasonally Adjusted



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

Consumer Price Index (CPI)

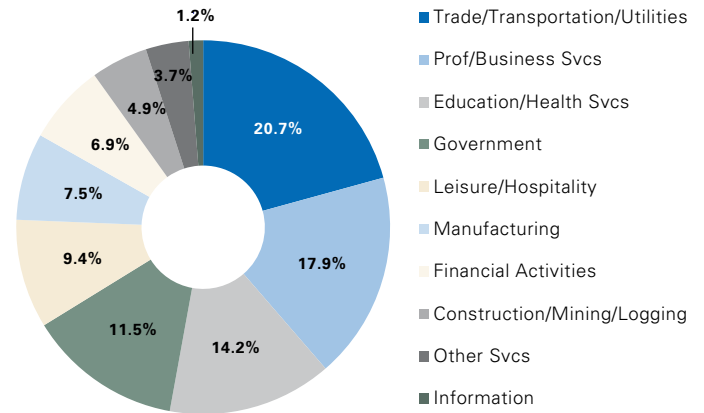
All Items, 12-Month % Change, Not Seasonally Adjusted



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

Employment By Industry

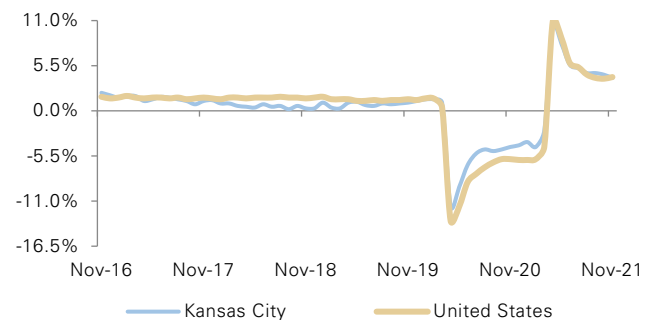
Kansas City, November 2021



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

Payroll Employment

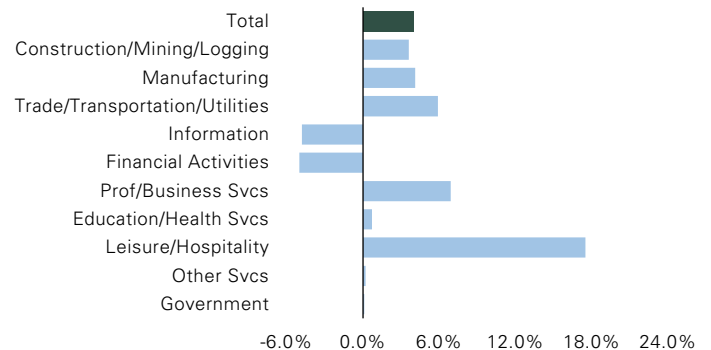
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



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

Employment Growth By Industry

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



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

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