



Kansas City Industrial Market

Market Enjoys Record-Breaking 2022 with Promising Outlook for 2023

The Kansas City industrial sector ended the fourth quarter of 2022 with record-level leasing activity. Although the market displayed the first signs of a reduction in the pace of total net absorption during the second quarter of 2022, the market readjusted upwards to 3.3 million square feet of net absorption in the third quarter of 2022 and an additional 7.3 million square feet in the fourth quarter of 2022. Net absorption during 2022 totaled a record high of 16.7 million square feet, with projections indicating 15.3 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 effective rental rates upward in the Metro. Asking rental rates for modern industrial buildings have increased by 10.6% in 2022 and are forecasted to rise at a similar pace in 2023. Rental rates increased \$0.19/SF during the past quarter, up \$0.54/SF during the past year. Projects under construction have slightly decreased by 6.2%, compared with 12 months ago; however, during the past two years, under-construction activity increased 41.0% to a total of 9.0 million square feet. The market realized 14.3 million square feet of deliveries during the past four quarters, an increase of 108.4% when compared to the average prior three-year time period. Vacancy has trended downward since the third quarter of 2020 as record levels of net absorption, totaling 26.7 million square feet during the past two years, counterbalanced historical levels of deliveries. Expect developer’s difficulty in obtaining appropriately priced construction financing to slow the pace of speculative development even though the pace of demand is projected to be robust in 2023.

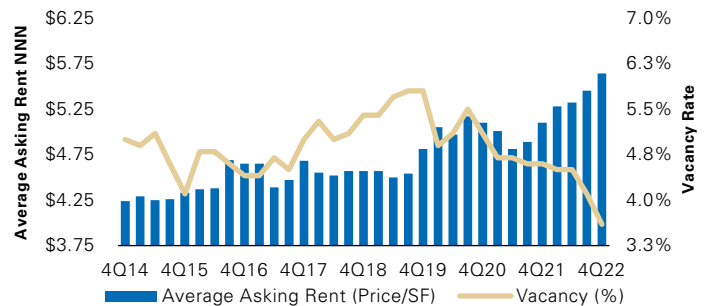
Kansas City is the 31st largest metropolitan statistical area by population in the U.S. but ranked an impressive 15th in overall industrial market size, surpassing the Seattle Metro during the fourth quarter of 2022. Further, the market ranked second in percentage of net absorption to market size only trailing the Phoenix Metro, demonstrating extremely robust leasing activity. Development and future projects in the pipeline were also solid, with Kansas City ranked third overall in percentage of total deliveries to market size and 11th in percentage of under-construction square footage to market size during the past four quarters.

Current Conditions

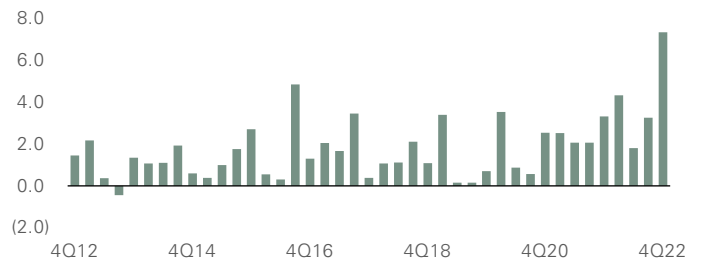
- Kansas City is one of the most active markets in the U.S., ranking 2nd in % of net absorption to market size, 3rd in % of total deliveries to market size and 11th in % of under-construction square footage to market size.
- Vacancy decreased to a historical low of 3.6% as a 7.3 million square feet of net absorption occurred during 4Q22.
- Sealy & Co. acquires 569,590-SF facility. Beyond Warehousing, a national parts distributor, UPS and Skymark Refuelers drive leasing activity.

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	321 MSF	315 MSF	307 MSF	↑
Vacancy Rate	3.60%	4.10%	4.60%	↓
Qtr. Net Absorp.	7,349,818	3,257,680	3,322,807	↔
Asking Rent NNN	\$5.64	\$5.45	\$5.10	↑
Under Construct.	8,997,458	12,953,390	9,592,056	↓
Deliveries	6,205,266	1,826,081	3,473,084	↔

Sealy & Company Expands Local Portfolio

Robust investment activity continued in the fourth quarter of 2022 as Dallas-based Sealy & Company purchased Building I of I-35 Logistics Park in Olathe. Located at 15081 S. Green Rd., the 569,590-square-foot Class A bulk distribution building recently delivered to the market. Developer Scannell Properties, LLC., which has been active in the Kansas City Metro over the past years, completed the first of five planned warehouse and distribution centers at I-35 Logistics Park, which is expected to total 3.5 million square feet. With a lease for the entire facility already in place by blue-chip-grade tenant Clorox, Sealy & Company continues to demonstrate its confidence in the local market by acquiring a prime industrial facility in a key logistics corridor.

Robust Leasing Activity in Multiple Submarkets

Various announcements in the South Johnson County and Northland submarkets drove leasing and user activity during the quarter. Following up last quarter's 760,650-square-foot lease by Simmons Pet Food, South Johnson County continued to drive activity as Beyond Warehousing announced it will lease 436,690 square feet, backfilling the former Chewy space at LPKC in Edgerton. The facility is expected to be operational by March and is the fourth location in the Metro for Beyond Warehousing. UPS announced in November it will lease 210,600 square feet in the HMBC Logistics IV building in the Northland. Hunt Midwest recently delivered the 478,300-

square-foot facility and expects to break ground on a new 203,900-square-foot HMBC Logistics V, with occupancy ready by the third quarter of 2023.

Local Developers Offering Smaller Space Options

BlueScope Properties Group announced plans in November for a second building at Great Plains Commerce Center in Olathe. Building C, a 140,490-square-foot facility will be located on 9.4 acres. Adjacent to the newly announced facility, BlueScope is finalizing Building A, a \$23.4-million, 236,160-square-foot property scheduled to deliver to the market by the first quarter of 2023. BCB Development, Inc. returned to the Olathe City Council to request \$30.0 million in industrial revenue bonds and 10-year 50.0% property tax abatements for its three properties located at Southpark Commerce Center. Building A, B and C are expected to deliver a total of 359,740 square feet of Class A space to the market by the first quarter of 2023.

First Major Sublease Space on the Market Since the Pandemic

The Coleman Company, Inc. has officially put its 1.1-million-square-foot space onto the market for sublease. The outdoor goods giant exited its space at 17150 Mercury St. in Gardner early, with a total of seven years remaining on its lease term. Built in 2009, the property is located on 50.5 acres adjacent to New Century AirCenter and features 32- to 36-foot clear heights, 106 dock doors and three drive-ins.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Heartland Coca-Cola Bottling Company	TBD – SWC Hedge Ln & 167th St	South Johnson County	New	1,188,700
Beyond Warehousing	30901 W 191st St	South Johnson County	New	436,690
Undisclosed	6107 E 155th St	North Cass County	New	305,050
UPS	9555 NE 48th St	Northland	New	210,600
Skymark Refuelers, LLC	4001 E 149th St	South Jackson County	New	146,640

Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
520-580 N Rogers Rd	South Johnson County	\$11,550,000	\$55	208,610
10960 Lakeview Ave	South Johnson County	\$5,320,000	\$52	102,430
9740 Seymour / 9741 Conant Portfolio (2)	Northland	\$3,600,000	\$67	54,000
8450 Cole Pkwy	North Johnson County	\$5,250,000	\$109	48,250
KPS Equity Capital / DRK Capital Portfolio (4)	Multiple Submarkets	\$6,230,000	\$137	45,430
1001 NW Technology Dr	South Jackson County	\$4,323,000	\$135	32,000
616 N Rogers Rd	South Johnson County	\$3,724,000	\$171	21,800
805 N Meadowbrook Dr	South Johnson County	\$1,800,000	\$124	14,570

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	11,117,935	0	5.00%	-28,106	276,474	\$7.42	\$8.44	\$8.72
	Warehouse	10,653,530	0	4.50%	-23,306	291,899	\$7.42	\$8.44	\$8.85
	Flex	464,405	0	15.40%	-4,800	-15,425	-	-	\$8.00
	Underground	0	0	-	0	0	-	-	-
East Jackson Co.	ALL	64,567,825	721,473	2.10%	-443,495	1,008,507	\$4.01	\$8.20	\$5.84
	Warehouse	45,372,151	721,473	1.80%	5,501	1,339,556	\$3.68	\$8.22	\$5.77
	Flex	1,740,680	0	5.70%	-13,721	39,892	\$12.50	\$8.01	\$8.09
	Underground	17,454,994	0	2.70%	-435,275	-370,941	-	-	\$4.20
Midtown	ALL	8,487,272	0	3.30%	163,730	252,165	\$6.25	\$14.00	\$9.44
	Warehouse	5,554,801	0	1.10%	116,811	266,239	\$6.25	-	\$7.67
	Flex	1,596,124	0	1.20%	0	35,400	-	\$14.00	\$14.00
	Underground	1,336,347	0	14.90%	46,919	-49,474	-	-	\$8.12
North Cass Co.	ALL	5,319,669	0	28.80%	3,418	11,588	\$8.50	\$4.50	\$4.33
	Warehouse	5,223,744	0	29.30%	3,418	3,418	\$8.50	-	\$4.33
	Flex	95,925	0	0.00%	0	8,170	-	-	\$7.50
	Underground	0	0	-	0	0	-	-	-
North Johnson Co.	ALL	27,108,340	1,063,096	3.00%	65,343	708,808	\$6.74	\$5.90	\$6.69
	Warehouse	21,754,179	1,063,096	2.30%	76,585	675,042	\$6.46	\$5.63	\$6.57
	Flex	2,354,161	0	8.10%	-11,242	33,766	\$9.35	\$8.52	\$8.41
	Underground	3,000,000	0	3.60%	0	0	-	-	\$8.00
Northland	ALL	70,423,965	2,507,795	3.40%	2,500,892	4,370,875	\$7.05	\$5.96	\$5.16
	Warehouse	59,720,464	2,507,795	2.80%	2,494,269	4,193,439	\$7.00	\$5.95	\$5.15
	Flex	1,743,435	0	5.30%	6,623	-22,564	\$8.92	\$6.75	\$7.80
	Underground	8,960,066	0	7.00%	0	200,000	-	-	\$3.00
South Jackson Co.	ALL	24,337,405	918,349	4.00%	1,304,584	2,046,778	\$7.28	\$5.62	\$5.35
	Warehouse	23,238,570	918,349	4.00%	1,305,751	2,068,685	\$7.25	\$5.53	\$5.28
	Flex	1,098,835	0	4.40%	-1,167	-21,907	\$7.95	\$7.50	\$8.39
	Underground	0	0	-	0	0	-	-	-
South Johnson Co.	ALL	61,837,741	3,786,745	3.50%	2,899,375	5,856,141	\$13.22	\$5.62	\$5.13
	Warehouse	57,645,749	3,786,745	3.40%	2,767,100	5,680,114	\$13.34	\$5.38	\$4.81
	Flex	4,191,992	0	5.30%	132,275	176,027	\$11.55	\$9.96	\$11.71
	Underground	0	0	-	0	0	-	-	-
Wyandotte Co.	ALL	47,512,573	0	3.20%	884,077	2,205,541	\$5.31	\$5.05	\$4.73
	Warehouse	46,769,598	0	3.10%	888,877	2,203,336	\$5.31	\$4.98	\$4.71
	Flex	742,975	0	8.80%	-4,800	2,205	-	\$8.84	\$8.84
	Underground	0	0	-	0	0	-	-	-
Kansas City Market	ALL	320,712,725	8,997,458	3.60%	7,349,818	16,736,877	\$6.31	\$5.64	\$5.25
	Warehouse	275,932,786	8,997,458	3.40%	7,635,006	16,721,728	\$6.13	\$5.43	\$5.10
	Flex	14,028,532	0	5.80%	103,168	235,564	\$9.82	\$9.43	\$10.35
	Underground	30,751,407	0	4.80%	-388,356	-220,415	-	-	\$4.85

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	10,653,530	0	4.50%	-23,306	291,899	\$7.42	\$8.44	\$8.85
East Jackson Co.	45,372,151	721,473	1.80%	5,501	1,339,556	\$3.68	\$8.22	\$5.77
Midtown	5,554,801	0	1.10%	116,811	266,239	\$6.25	-	\$7.67
North Cass Co.	5,223,744	0	29.30%	3,418	3,418	\$8.50	-	\$4.33
North Johnson Co.	21,754,179	1,063,096	2.30%	76,585	675,042	\$6.46	\$5.63	\$6.57
Northland	59,720,464	2,507,795	2.80%	2,494,269	4,193,439	\$7.00	\$5.95	\$5.15
South Jackson Co.	23,238,570	918,349	4.00%	1,305,751	2,068,685	\$7.25	\$5.53	\$5.28
South Johnson Co.	57,645,749	3,786,745	3.40%	2,767,100	5,680,114	\$13.34	\$5.38	\$4.81
Wyandotte Co.	46,769,598	0	3.10%	888,877	2,203,336	\$5.31	\$4.98	\$4.71
Kansas City Market	275,932,786	8,997,458	3.40%	7,635,006	16,721,728	\$6.13	\$5.43	\$5.10

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	464,405	0	15.40%	-4,800	-15,425	-	-	\$8.00
East Jackson Co.	1,740,680	0	5.70%	-13,721	39,892	\$12.50	\$8.01	\$8.09
Midtown	1,596,124	0	1.20%	0	35,400	-	\$14.00	\$14.00
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Wyandotte Co.	742,975	0	8.80%	-4,800	2,205	-	\$8.84	\$8.84
Kansas City Market	14,028,532	0	5.80%	103,168	235,564	\$9.82	\$9.43	\$10.35

Economic Conditions

The local economy continued to improve in November, with total employment growth of 2.9% and growth occurring in eight out of ten industries, calculated on a 12-month percent change basis.

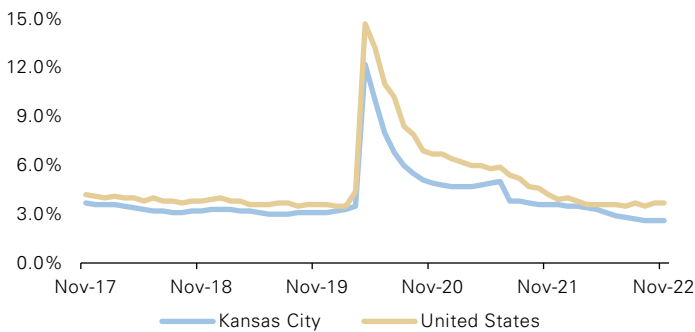
Payroll employment in Kansas City increased to 2.9% in November 2022, compared with 1.5% in November 2021. The national average decreased, down from 4.2% in November 2021 to 3.2% in November 2022.

The Consumer Price Index for the U.S. increased 30 basis points compared to the prior year, registering 7.1% in November 2022, while the Midwest Urban CPI decreased 50 basis points to 6.8%.

Unemployment in the U.S. increased 20 basis points to 3.7%, while unemployment in Kansas City decreased 10 basis points to 2.6% compared with the past quarter. Unemployment in Kansas City decreased 100 basis points from a year prior.

Unemployment Rate

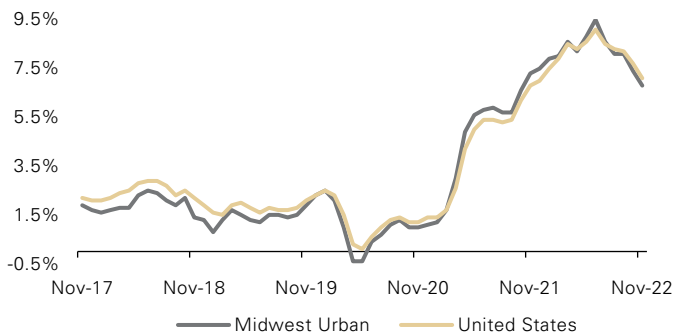
Seasonally Adjusted



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

Consumer Price Index (CPI)

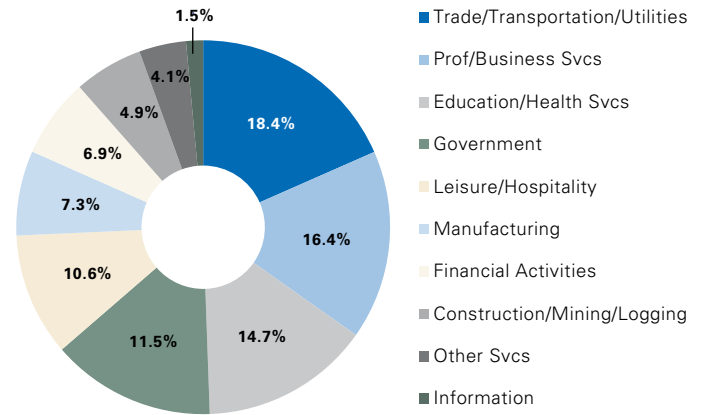
All Items, 12-Month % Change, Not Seasonally Adjusted



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

Employment By Industry

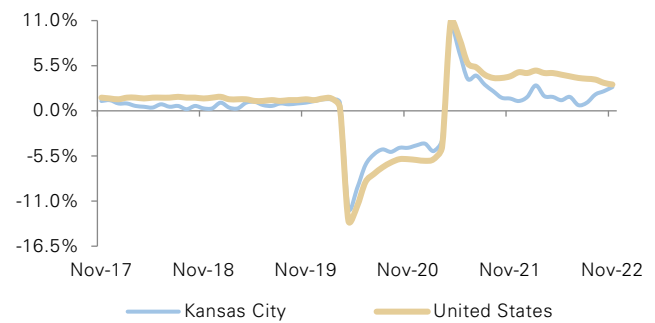
Kansas City, November 2022



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

Payroll Employment

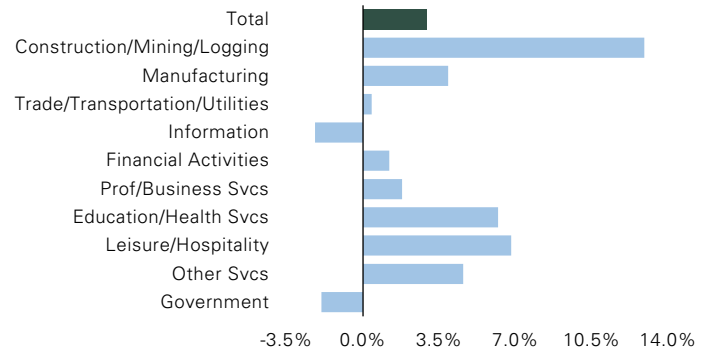
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



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

Employment Growth By Industry

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



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

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