

Kansas City

Record absorption, peaking new construction and steady rent growth are defining traits in 2022

- Absorption exceeded 12 million s.f. on the year, setting a new market record. Move-ins this quarter were concentrated in Johnson County and the Northland submarket.
- The construction pipeline decreased for the first time this year as completions outpaced new starts.
- Rents continue to grow steadily and modestly. Demand for spaces between 50,000 and 200,000 s.f. continue to drive rent growth.

The final quarter of 2022 saw a tremendous amount of occupancy in buildings completed this year, contributing to a new record in single year absorption. Johnson County and the Northland submarket were the clear leaders; 11 spaces over 100,000 s.f. each were occupied this quarter in these submarkets. Modern bulk product in both submarkets is in high demand and spaces typically are leased during construction or quickly after completion. Companies in a variety of industries are responsible for this activity; this quarter saw automotive manufacturers and suppliers, food manufacturers and apparel firms as some of the biggest occupiers.

Industrial product under construction decreased for the first time in 2022, from over 13 million s.f. to just under 10.5 million s.f. as completions outpaced groundbreakings. Some of the decrease in new construction starts can be attributed to planned projects delaying groundbreakings or pushing back construction timelines in the face of a higher interest rate environment. Not to mention, nearly 40% of the construction pipeline delivered in Q4.

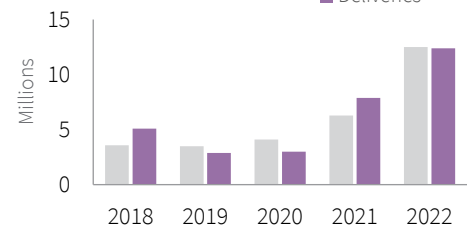
Rent growth continued this quarter, and throughout 2022 that growth path was unprecedented. Lease agreements saw increases in final agreed upon terms not seen in decades, especially in new construction. Average asking rents exceed \$5.00 per s.f. and the source of that growth continues to be spaces over 100,000 s.f.

Outlook

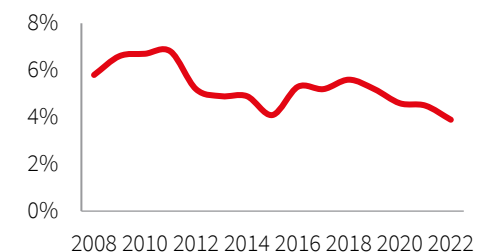
Macroeconomic headwinds are anticipated in 2023 as the Federal Reserve continues to raise interest rates to tame inflation. There is some evidence that the current lending environment is causing pauses in planned new construction projects. Yet demand in many segments of the market shows few signs of a similar pullback. Vacancy and rents still have room to fall and grow respectively before they reach levels the market's projected peak. The pace of new construction going into 2023 remains strong, outpacing the levels seen at any point before 2022 and is anticipated to meet market demand.

Fundamentals	Forecast
YTD net absorption	12,516,614 s.f. ▼
Under construction	10,457,302 s.f. ►
Total vacancy	3.9% ▼
Sublease vacancy	20,938 s.f. ►
Direct asking rent	\$5.03 p.s.f. ▲
Sublease asking rent	\$6.00 p.s.f. ►
Concessions	Stable ►

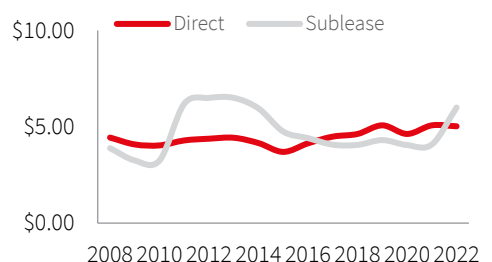
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent (\$ p.s.f.)



Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Kansas City total										
Warehouse & Distribution	202,017,887	6,273,751	12,351,384	6.1%	4.5%	7.8%	\$5.05	5,190,112	12,243,864	10,457,302
Manufacturing	53,533,833	-11,622	165,230	0.3%	1.9%	2.3%	\$4.84	142,500	142,500	0
Overall Total	255,551,720	6,262,129	12,516,614	4.9%	3.9%	6.7%	\$5.03	5,332,612	12,386,364	10,457,302
Clay/Platte total										
Warehouse & Distribution	49,833,803	2,605,488	5,064,333	10.2%	3.5%	5.6%	\$5.06	2,094,975	5,386,810	1,987,795
Manufacturing	9,734,570	43,991	-55,809	-0.6%	0.6%	0.7%	\$4.60	0	0	0
Overall Total	59,568,373	2,649,479	5,008,524	8.4%	3.0%	4.8%	\$5.05	2,094,975	5,386,810	1,987,795
North Kansas City										
Warehouse & Distribution	12,729,886	73,920	160,765	1.3%	2.4%	3.8%	\$4.11	0	0	0
Manufacturing	1,732,459	43,991	-55,809	-3.2%	3.2%	3.2%	\$4.13	0	0	0
Overall Total	14,462,345	117,911	104,956	0.7%	2.5%	3.7%	\$4.11	0	0	0
Northland										
Warehouse & Distribution	37,103,917	2,531,568	4,903,568	13.2%	3.9%	6.2%	\$5.24	2,094,975	5,386,810	1,987,795
Manufacturing	8,002,111	0	0	0.0%	0.0%	0.1%	\$6.95	0	0	0
Overall Total	45,106,028	2,531,568	4,903,568	10.9%	3.2%	5.2%	\$5.24	2,094,975	5,386,810	1,987,795
Jackson total										
Warehouse & Distribution	70,115,434	491,749	2,115,345	3.0%	4.6%	8.0%	\$4.89	1,235,360	2,038,081	3,961,906
Manufacturing	17,985,065	-8,100	71,795	0.4%	2.8%	2.3%	\$4.50	0	0	0
Overall Total	88,100,499	483,649	2,187,140	2.5%	4.2%	6.9%	\$4.86	1,235,360	2,038,081	3,961,906
Central City										
Warehouse & Distribution	42,924,401	180,838	795,627	1.9%	3.7%	3.5%	\$5.17	0	0	0
Manufacturing	9,508,515	0	59,223	0.6%	4.9%	3.9%	\$4.69	0	0	0
Overall Total	52,432,916	180,838	854,850	1.6%	3.9%	3.6%	\$5.07	0	0	0
East Jackson County										
Warehouse & Distribution	15,482,445	83,675	177,509	1.1%	0.6%	9.7%	\$5.05	10,000	10,000	1,567,603
Manufacturing	2,876,470	0	20,672	0.7%	1.3%	1.3%	\$2.50	0	0	0
Overall Total	18,358,915	83,675	198,181	1.1%	0.7%	8.4%	\$4.99	10,000	10,000	1,567,603
South Jackson County										
Warehouse & Distribution	11,708,588	227,236	1,142,209	9.8%	13.1%	19.9%	\$4.65	1,225,360	2,028,081	2,394,303
Manufacturing	5,600,080	-8,100	-8,100	-0.1%	0.1%	0.1%	\$0.00	0	0	0
Overall Total	17,308,668	219,136	1,134,109	6.6%	8.9%	14.3%	\$4.65	1,225,360	2,028,081	2,394,303
Johnson County										
Warehouse & Distribution	55,860,577	2,155,648	3,664,442	6.6%	5.5%	12.1%	\$5.22	979,523	3,342,908	4,507,601
Manufacturing	11,764,441	-46,858	-62,901	-0.5%	2.8%	3.2%	\$6.02	142,500	142,500	0
Overall Total	67,625,018	2,108,790	3,601,541	5.3%	5.0%	10.6%	\$5.26	1,122,023	3,485,408	4,507,601
Outlying Kansas City										
Warehouse & Distribution	564,970	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	564,970	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Wyandotte total										
Warehouse & Distribution	25,643,103	1,020,866	1,507,264	5.9%	3.8%	2.0%	\$4.53	880,254	1,476,065	0
Manufacturing	14,049,757	-655	212,145	1.5%	0.9%	2.5%	\$4.07	0	0	0
Overall Total	39,692,860	1,020,211	1,719,409	4.3%	2.8%	2.2%	\$4.34	880,254	1,476,065	0
Fairfax										
Warehouse & Distribution	6,351,415	30,000	265,127	4.2%	1.4%	1.4%	\$3.46	0	0	0
Manufacturing	8,156,465	0	200,000	2.5%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	14,507,880	30,000	465,127	3.2%	0.6%	0.6%	\$3.46	0	0	0
Wyandotte County										
Warehouse & Distribution	19,291,688	990,866	1,242,137	6.4%	4.6%	2.1%	\$4.75	880,254	1,476,065	0
Manufacturing	5,893,292	-655	12,145	0.2%	2.1%	6.1%	\$4.07	0	0	0
Overall Total	25,184,980	990,211	1,254,282	5.0%	4.1%	3.1%	\$4.44	880,254	1,476,065	0