

FIGURES | KANSAS CITY INDUSTRIAL | Q1 2023

Overall vacancy rate remains near record low



Note: Arrows indicate change from previous quarter.

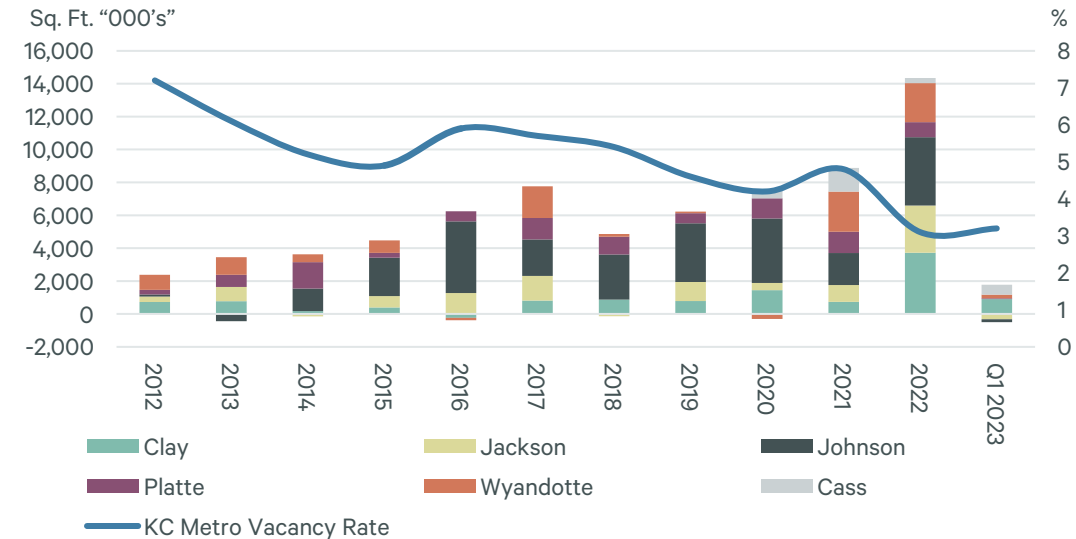
SUMMARY

- Urban Outfitters announced a new 604,000 sq. ft., \$60 million facility at Raymore Commerce Center. The space will be occupied by the fulfillment and laundry facility for the company's Nuuly clothing brand. This will be the brands second U.S. facility and is expected to create 750 jobs within 5 years.
- Chick-fil-A Supply will occupy Lone Elm Commerce Center Building 4, a 147,955 sq. ft. distribution center in Olathe. The company plans to create more than 60 new jobs with operations beginning in early 2024. This will be Chick-fil-A's fifth distribution center in the U.S. and first in Kansas.

Overall vacancy rates increased 10 basis points (bps) quarter-over-quarter, a result of 1.2 million sq. ft. of vacant speculate space delivered to the market in Q1 2023. The overall market vacancy rate of 3.2% remains near an all time low and represents a 180 basis points (bps) decrease year-over-year (5.0% to 3.2%).

Over 1.8 million sq. ft. of new space was completed in Q1 2023, while approximately 300,000 sq. ft. of space broke ground in the quarter. As a result, 10.3 million sq. ft. of space remained under construction at the end of Q1 2023 with 20% (2.0 million sq. ft.) of this space pre-leased.

FIGURE 1: Net Absorption by Submarket and Overall Market Vacancy Rate



Source: CBRE Research, Q1 2023.

Completed Construction

Seven buildings were completed in Q1 2023 with a total of 1.8 million sq. ft. of space. As shown in Figure 3, construction completions have increased each of the last three years.

Over the past 10 years the Kansas City market delivered over 65.5 million sq. ft. of new industrial space. A total of 45.1 million sq. ft. (69%) was delivered on a speculative basis and 20.4 million sq. ft. (31%) was developed as a build-to-suit project.

Vacancy rates in the modern bulk distribution market averaged 4.7% as of Q1 2023, decreasing 370 bps (8.4% to 4.7%) year-over-year. Over the last 5 years the modern bulk distribution vacancy rate declined 9,900 bps (14.6% to 4.7%), evidence of how demand has substantially outpaced supply.

Under Construction

Approximately 300,000 sq. ft. of space broke ground in Q1 2023, bringing the total amount under construction to approximately 10.3 million sq. ft. The majority of the projects under development broke ground on a speculative basis with 9.0 million sq. ft. (87%), the remaining 1.3 million sq. ft. (13%) were build-to-suit projects.

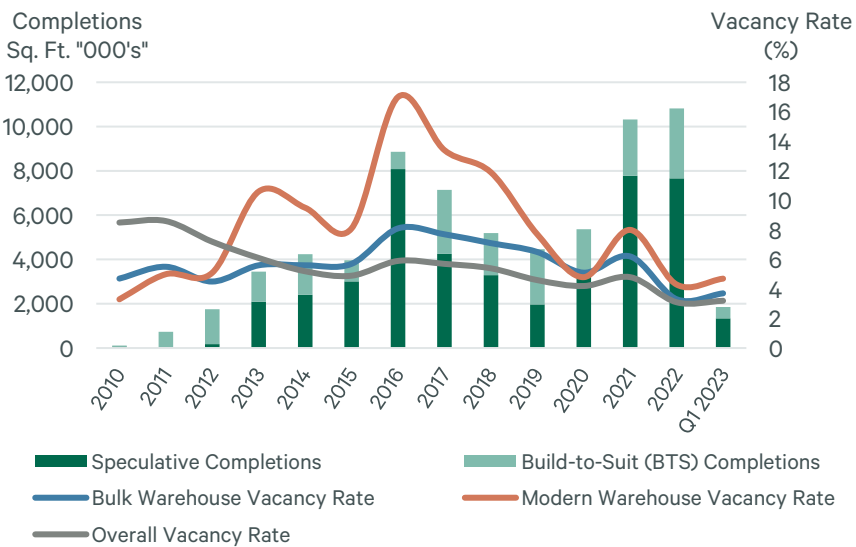
As shown in Figure 4, projects under construction are spread throughout the metro with current development taking place in all six submarkets.

FIGURE 2: Top New Lease/User Sale Transactions for the Quarter

User	Size (SF)	Type	Property	City	Submarket
Nuuly	604,000	New Lease	Raymore Commerce Center Bldg 3	Raymore, MO	Cass
Chick-Fil-A Supply	147,955	New Lease	Lone Elm Commerce Center Bldg 4	Olathe, KS	Johnson
Fill-Rite Company	142,500	New Lease	Kansas Commerce Center	Lenexa, KS	Johnson
Stryten Energy	123,735	New Lease	1 Kansas Avenue	Kansas City, KS	Wyandotte
AT&T Wireless	108,000	New Lease	3141 W Heartland Dr	Liberty, MO	Clay
48forty Solutions	86,481	New Lease	Northland Park VII	Kansas City, MO	Clay

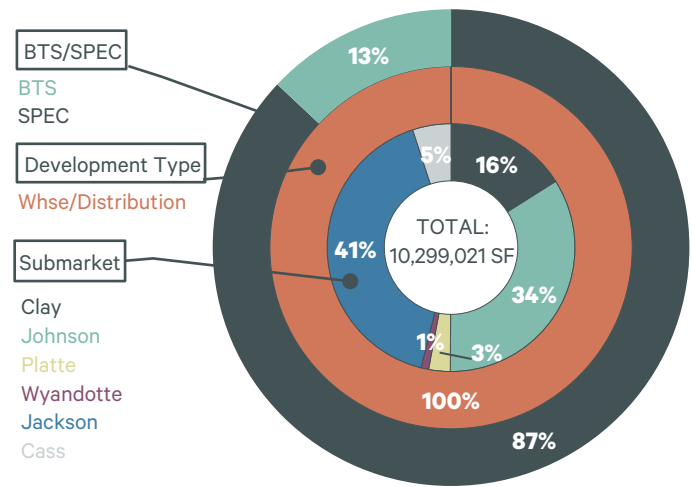
Source: CBRE Research, Q1 2023.

FIGURE 3: Construction Completions and Vacancy Rates



Source: CBRE Research, Q1 2023.

FIGURE 4: Current Construction Snapshot



Source: CBRE Research, Q1 2023.

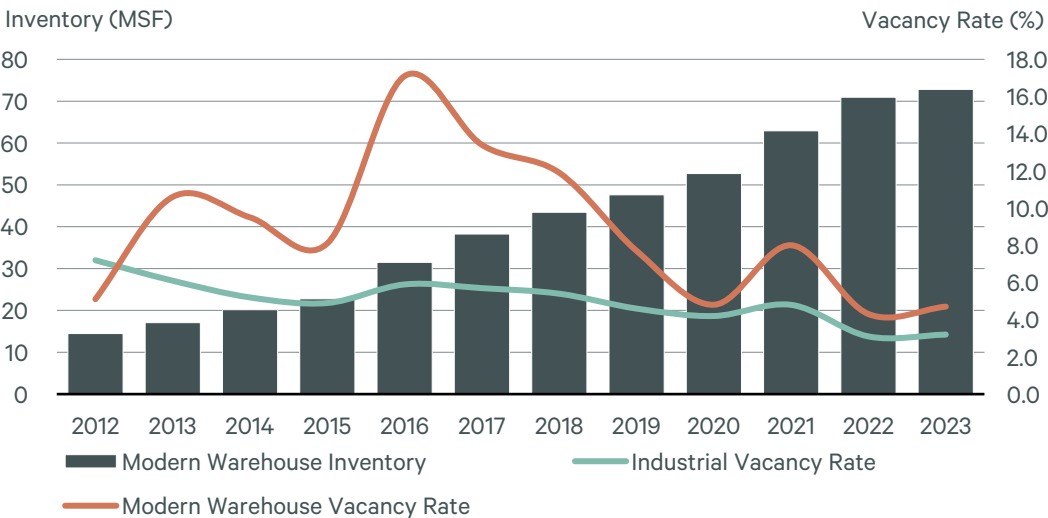
Key Trends

The Kansas City industrial market continued its positive trend finishing the quarter with a healthy overall average vacancy rate of 3.2%. Asking lease rates in the market increased 4.0% year-over-year (\$0.19 per sq. ft.), finishing with an average asking lease rate of \$5.00 per sq. ft.

As shown in Figure 5, the modern bulk distribution market has increased in size from 14.4 million sq. ft. to 72.8 million sq. ft. since 2012 (406% increase). The continued dramatic increase in the modern state-of-the-art warehouse market is necessary to meet the demand as Kansas City has transitioned into a national strategic industrial market.

Vacancy rates in the modern bulk distribution market escalated as development surged in 2016/2017, however as shown in Figure 5, modern bulk distribution vacancy generally declined since the end of 2016. Speculative development activity has surged to record levels, however absorption has kept pace since the start of 2022, resulting in a low modern bulk vacancy rate of 4.7% as of Q1 2023 which is 12,400 bps (17.1% versus 4.7%) below the 2016 rate.

FIGURE 5: Modern Bulk Distribution Inventory and Vacancy Rates



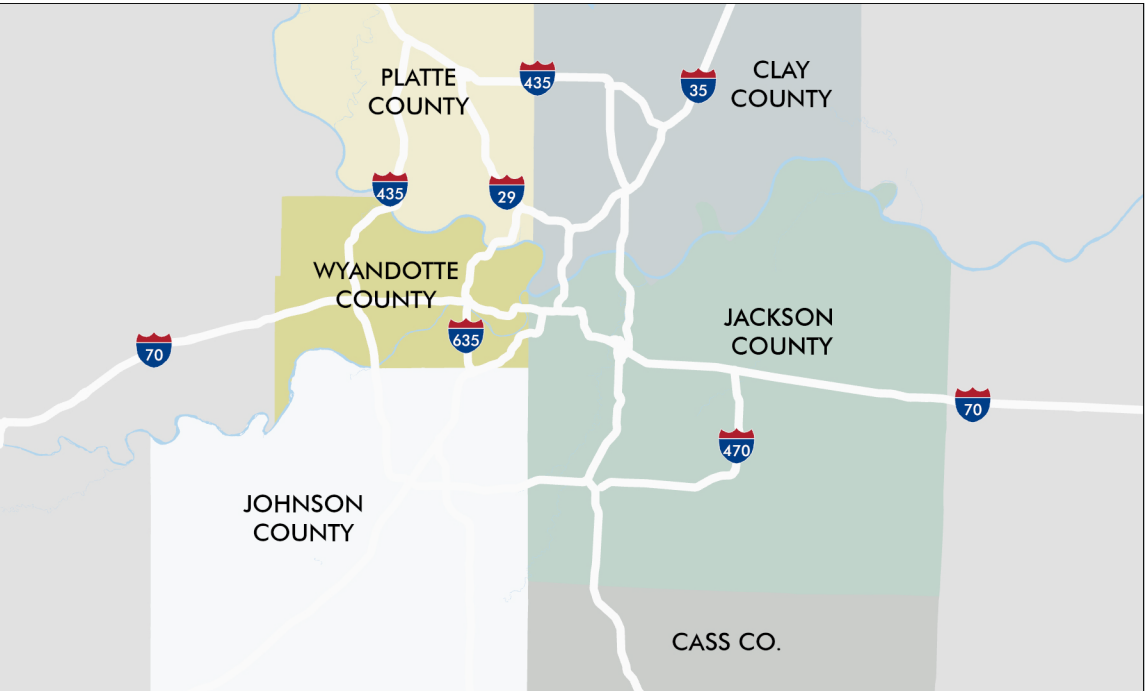
Source: CBRE Research, Q1 2023.

FIGURE 6: Market Statistics

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vac. Rate (%)	Avail. Rate (%)	Q1 2023 Net Absorp. (SF)	YTD Net Absorp. (SF)	Under Const. (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr)
Clay	53,922,193	2,538,527	4.7	5.7	900,173	900,173	1,659,475	4.80
Jackson	104,518,857	2,480,288	2.4	3.3	(320,320)	(320,320)	4,222,258	4.83
Johnson	83,519,064	3,497,377	4.2	5.9	(173,983)	(173,983)	3,550,369	5.88
Platte	16,794,343	214,682	1.3	3.2	47,306	47,306	328,320	4.87
Wyandotte	45,934,492	585,441	1.3	3.5	222,746	222,746	40,000	3.86
Cass	3,995,096	614,174	15.4	15.4	603,000	603,000	498,599	4.33
Metro	308,684,045	9,930,489	3.2	4.6	1,278,922	1,278,922	10,299,021	5.00
Bulk Distribution (Warehouse or Distribution facilities that are at least 100,000 sq. ft.)								
Clay	33,265,730	770,585	2.3	3.7	847,608	847,608	1,659,475	4.60
Jackson	44,517,384	1,724,252	3.9	5.1	(236,181)	(236,181)	4,222,258	4.00
Johnson	49,353,993	2,729,437	5.5	8.0	(184,309)	(184,309)	3,393,505	4.94
Platte	11,499,886	57,000	0.5	3.3	28,200	28,200	328,320	4.50
Wyandotte	17,852,030	78,752	0.4	4.5	123,735	123,735	0	3.30
Cass	3,995,096	614,174	15.4	15.4	603,000	603,000	498,599	4.33
Metro	160,484,119	5,974,200	3.7	5.7	1,182,653	1,182,653	10,102,157	4.33
Modern Bulk Distribution (Bulk Warehouses constructed in 1990 or later, and 28' clear and taller)								
Clay	10,133,581	341,616	3.4	4.6	836,008	836,008	1,659,475	5.94
Jackson	9,530,640	68,530	0.7	1.2	(68,530)	(68,530)	3,240,258	-
Johnson	32,282,764	2,387,369	7.4	11.2	1,708	1,708	3,393,505	4.90
Platte	8,956,247	0	0.0	3.5	0	0	328,320	4.59
Wyandotte	7,913,191	0	0.0	0.0	123,735	123,735	0	-
Cass	3,995,096	614,174	15.4	15.4	603,000	603,000	498,599	4.33
Metro	72,811,519	3,411,689	4.7	7.0	1,495,921	1,495,921	9,120,157	4.82

Source: CBRE Research, Q1 2023.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all competitive industrial buildings 10,000 sq. ft. and greater in size in Johnson County (KS), Wyandotte County (KS), Platte County (MO), Clay County (MO), Jackson County (MO), and Cass County (MO). Buildings under construction includes buildings which have begun development beyond initial site work.

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