

FIGURES | KANSAS CITY INDUSTRIAL | Q1 2024

Net absorption remains positive in the first quarter of 2024

▲ 3.9%

Vacancy Rate

▲ 574,805

SF Net Absorption

▼ 4,928,796

SF Construction

▲ \$5.60

NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

SUMMARY

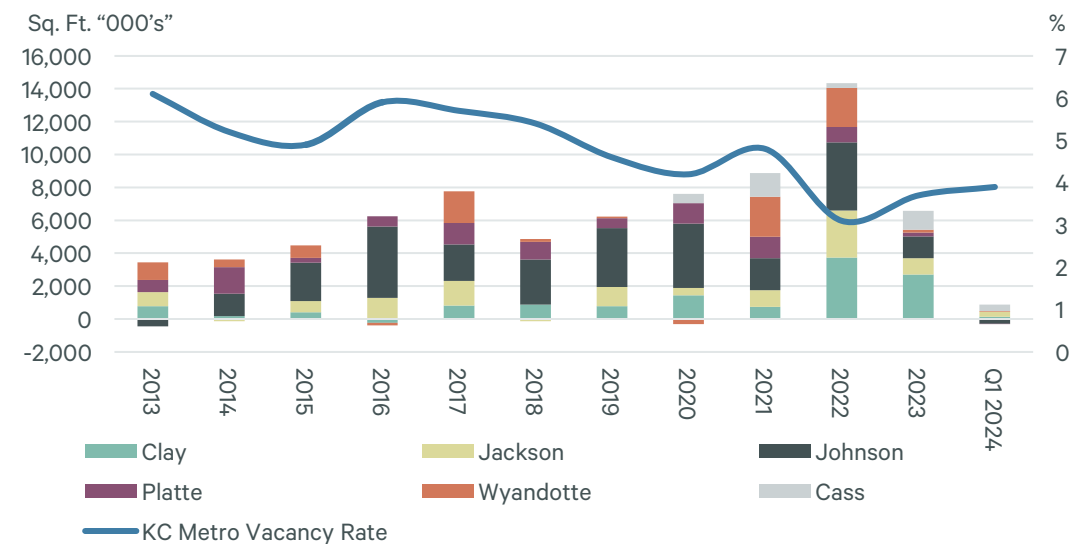
- McKesson Medical-Surgical Inc. signed a new lease for 306,556 sq. ft. at a new build-to-suit distribution center in the Hunt Midwest Business Center. The company offers medical supplies, health care solutions, distribution services and clinical resources to regional hospitals and doctor offices.
- Harmar Mobility LLC, consolidated both of its Missouri manufacturing facilities into a new facility in Raymore Commerce Center. The new facility contains 146,661 sq. ft., more than tripling Harmar’s previous space according to a release from the company.

Overall vacancy rates increased 20 basis points (bps) quarter-over-quarter, a result of 1.2 million sq. ft. of speculative deliveries with 0.9 million sq. ft. of vacant space as of the end of Q1 2024. The overall market vacancy rate at the end of the quarter was 3.9%.

The overall market average asking lease rate was \$5.60 NNN at the end of Q1 2024. Average asking lease rates increased 12.0% year-over-year (\$5.00 NNN to \$5.60 NNN).

1.2 million sq. ft. of new space was completed in Q1 2024, while no new projects broke ground in the quarter. As a result, 4.9 million sq. ft. of space remained under construction at the end of Q1 2024 with 44.8% (2.2 million sq. ft.) of this space pre-leased.

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



Source: CBRE Research, Q1 2024.

Completed Construction

Six buildings were completed in Q1 2024 with a total of 1.2 million sq. ft. of industrial space. While construction starts have slowed significantly since the start of 2023, a record total of 11.0 million sq. ft. was delivered in 2023 due to space already under development. As shown in Figure 3, construction completions have increased each of the last four years.

Over the past 10 years the Kansas City market delivered 67.4 million sq. ft. of new industrial space. A total of 48.9 million sq. ft. (73%) was delivered on a speculative basis and 18.5 million sq. ft. (27%) was developed as a build-to-suit project.

Vacancy rates in the modern bulk distribution market averaged 8.9% as of Q1 2024, increasing 420 bps (4.7% to 8.9%) year-over-year. Over the last 5 years demand has outpaced supply in the modern bulk distribution market as the vacancy rate declined 4,000 bps (12.9% to 8.9%).

Under Construction

No new space broke ground in Q1 2024, resulting in the total amount under construction decreasing to approximately 4.9 million sq. ft. Most of the projects broke ground on a speculative basis with a total of 3.4 million sq. ft., the remaining 1.5 million sq. ft. represent build-to-suit development.

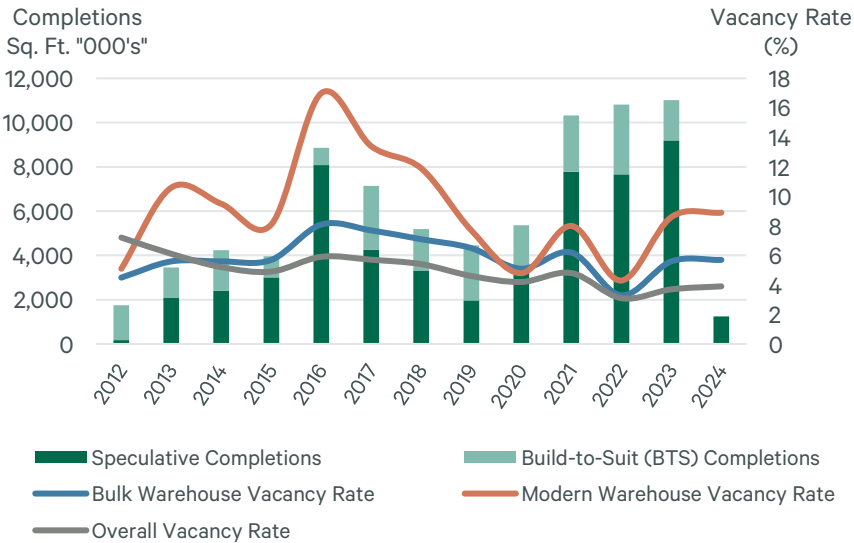
As shown in Figure 4, current development is taking place in three out of six metro submarkets (Johnson, Platte, Jackson).

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

User	Size (SF)	Type	Property	City	Submarket
Nuuly	421,357	Expansion	Raymore Commerce Center Bldg 3	Raymore, MO	Cass
McKesson Medical-Surgical Inc.	306,556	New Lease	HMBC VI	Kansas City, MO	Clay
Three Dog Bakery	111,000	New Lease	Great Plains Commerce Center A	Olathe, KS	Johnson
RB Group Inc.	96,578	New Lease	1000-1010 N Century Ave	Kansas City, MO	Jackson
Bradco Supply	83,000	New Lease	1701 Southern Rd	Kansas City, MO	Jackson
Bunzl	82,190	New Lease	Riverside Logistics Centre Bldg 2	Riverside, MO	Platte
Performance Contracting	75,496	New Lease	Lenexa Interstate Center Bldg B	Lenexa, KS	Johnson

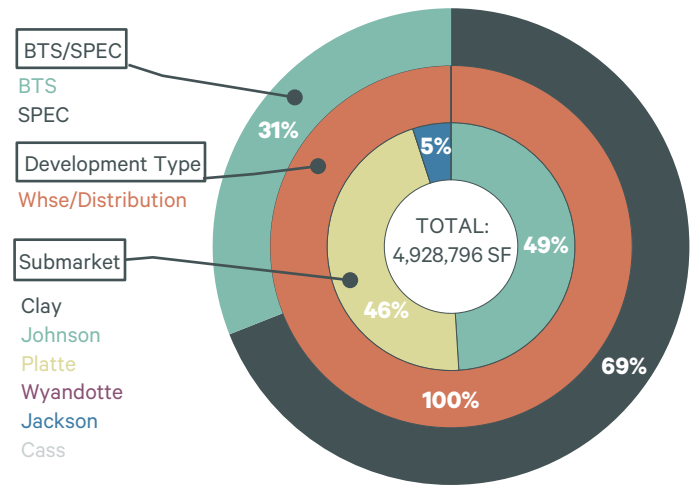
Source: CBRE Research, Q1 2024.

FIGURE 3: Construction Completions and Vacancy Rates



Source: CBRE Research, Q1 2024.

FIGURE 4: Current Construction Snapshot



Source: CBRE Research, Q1 2024.

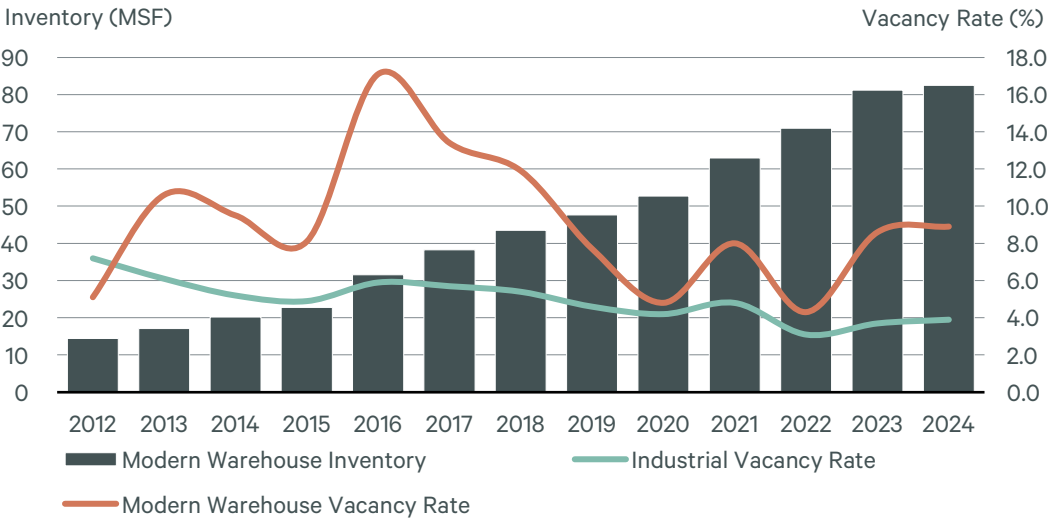
Key Trends

While overall vacancy rates increased in Q1 2024, the overall average rate remained relatively low at 3.9%. Asking lease rates in the market increased 12.0% year-over-year (\$0.60 per sq. ft.), finishing with an average asking lease rate of \$5.60 per sq. ft.

As shown in Figure 5, the modern bulk distribution market has increased in size from 14.4 million sq. ft. to 82.5 million sq. ft. since 2012 (473% 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 surged to a record level in the past few years; however, absorption has mostly kept pace with development as the overall vacancy rate average of 3.9% is well below the 10-year average of 4.9%.

FIGURE 5: Modern Bulk Distribution Inventory and Vacancy Rates



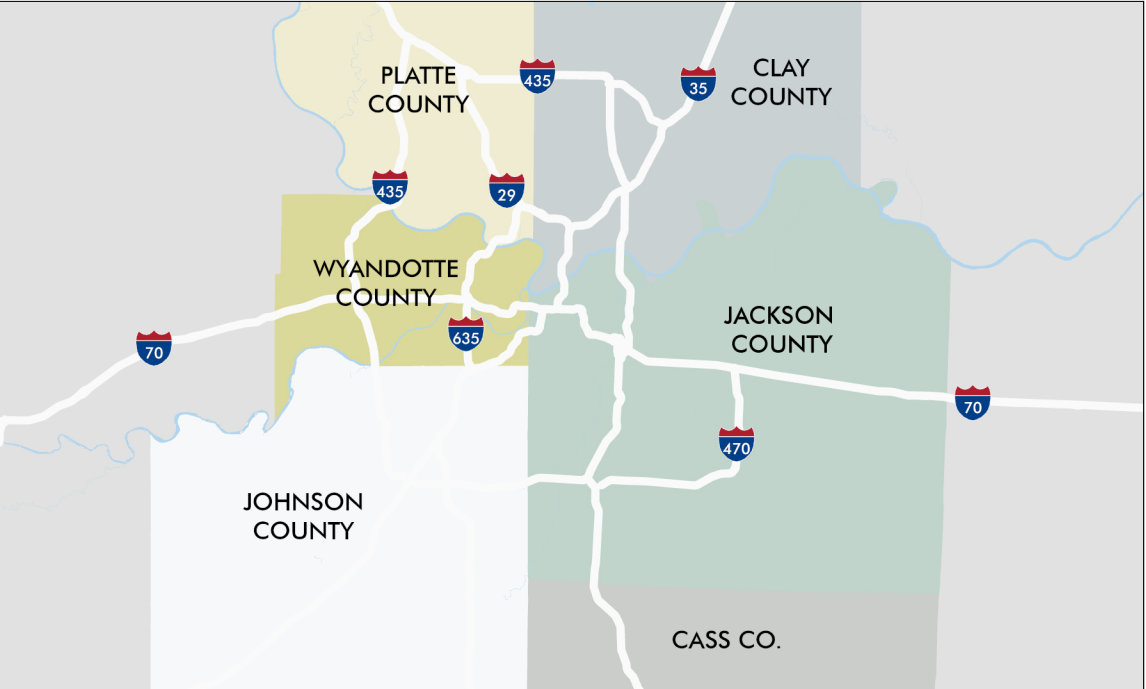
Source: CBRE Research, Q1 2024.

FIGURE 6: Market Statistics

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vac. Rate (%)	Avail. Rate (%)	Q1 2024 Net Absorp. (SF)	Trailing 4-Qtr Net Absorp. (SF)	Under Const. (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr)
Clay	54,368,516	1,116,927	2.1	2.9	127,302	1,922,879	0	5.88
Jackson	107,708,029	4,582,471	4.3	4.9	319,312	1,630,927	253,000	5.23
Johnson	87,453,227	5,410,806	6.2	7.6	(288,873)	1,207,274	2,390,918	6.01
Platte	17,327,833	557,500	3.2	7.7	(9,592)	190,672	2,284,878	5.44
Wyandotte	45,917,042	601,845	1.3	2.1	34,419	(25,241)	0	5.10
Cass	4,493,695	175,320	3.9	3.9	392,237	937,453	0	5.38
Metro	317,268,342	12,444,869	3.9	5.0	574,805	5,863,964	4,928,796	5.60
Bulk Distribution (Warehouse or Distribution facilities that are at least 100,000 sq. ft.)								
Clay	34,782,312	871,865	2.5	3.7	200,810	1,807,972	0	5.55
Jackson	48,310,356	3,654,438	7.6	8.6	443,853	1,776,461	253,000	4.78
Johnson	52,713,685	4,282,308	8.1	10.1	(54,400)	1,337,399	2,358,918	5.42
Platte	12,030,446	425,967	3.5	9.6	0	161,593	2,284,878	4.95
Wyandotte	17,852,030	325,651	1.8	2.8	0	(246,899)	0	4.36
Cass	4,493,695	175,320	3.9	3.9	392,237	937,453	0	5.38
Metro	170,182,524	9,735,549	5.7	7.4	982,500	5,773,979	4,896,796	5.09
Modern Bulk Distribution (Bulk Warehouses constructed in 1990 or later, and 28' clear and taller)								
Clay	12,006,633	748,389	6.2	6.2	200,810	1,466,279	0	-
Jackson	12,767,898	2,079,670	16.3	19.4	152,500	1,226,118	253,000	4.83
Johnson	35,840,819	3,921,116	10.9	14.1	34,290	1,430,428	2,358,918	5.42
Platte	9,486,807	425,967	4.5	12.0	0	104,593	2,284,878	4.95
Wyandotte	7,913,191	0	0.0	0.0	0	0	0	-
Cass	4,493,695	175,320	3.9	3.9	392,237	937,453	0	5.38
Metro	82,509,043	7,350,462	8.9	11.6	779,837	5,164,871	4,896,796	5.17

Source: CBRE Research, Q1 2024.

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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