

FIGURES | KANSAS CITY INDUSTRIAL | Q2 2023

The Kansas City industrial market posts another strong quarter with 2.6 million sq. ft. of positive net absorption



Note: Arrows indicate change from previous quarter.

SUMMARY

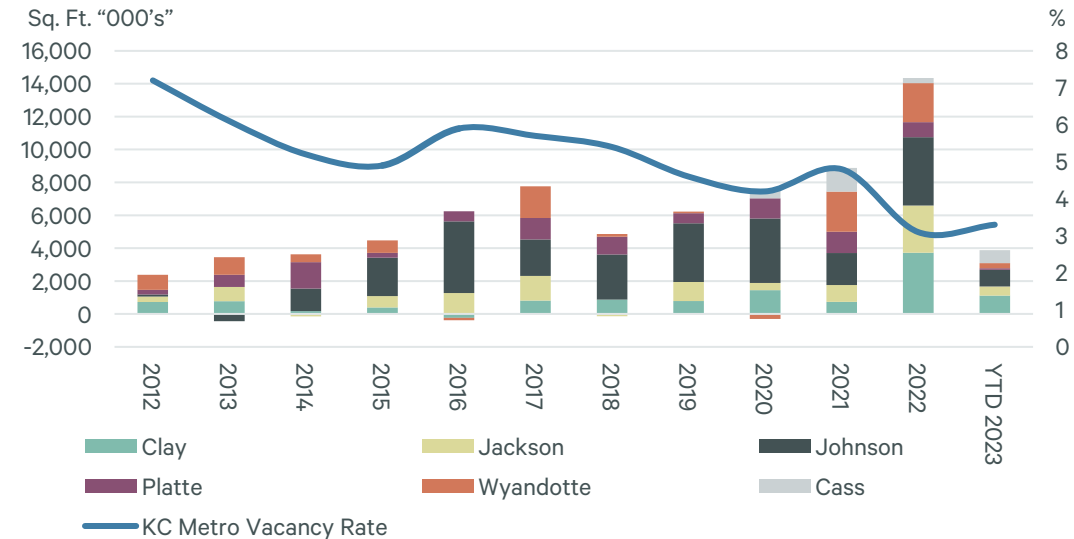
- Ace Hardware Corporation will occupy a 1.5 million sq. ft. build-to-suit distribution center in KCI 29 Logistics Park. The company will open a new retail support center which will create 350 jobs. Ace is the first tenant at the new \$2.5 billion development which broke ground in June 2023, located north of the I-29 interchange with Mexico City Avenue just north of the Kansas City International Airport.
- Walmart announced plans to open a \$275 million, 330,000 sq. ft. case-ready beef facility in Olathe. The new facility is slated to open in 2025 and is expected to create 600 new jobs.

Overall vacancy rates increased 10 basis points (bps) quarter-over-quarter, a result of 2.7 million sq. ft. of vacant speculate space delivered to the market in Q2 2023. The overall market vacancy rate of 3.3% remains near an all time low and represents a 160 basis points (bps) decrease year-over-year (4.9% to 3.3%).

The overall market average asking lease rate was \$5.13 NNN at the end of Q2 2023. Average asking lease rates increased 4.9% year-over-year (\$4.89 NNN to \$5.13 NNN).

Nearly 3.5 million sq. ft. of new space was completed in Q2 2023, while approximately 748,833 sq. ft. of space broke ground in the quarter. As a result, 7.6 million sq. ft. of space remained under construction at the end of Q2 2023 with 18% (1.4 million sq. ft.) of this space pre-leased.

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



Source: CBRE Research, Q2 2023.

Completed Construction

Ten buildings were completed in Q2 2023 with a total of nearly 3.5 million sq. ft. of space. As shown in Figure 3, construction completions have increased each of the last three years. While construction starts have decreased in 2023, completion totals for the year are expected to exceed 2022 due to the amount of space already under construction.

Over the past 10 years the Kansas City market delivered 69.2 million sq. ft. of new industrial space. A total of 48.2 million sq. ft. (70%) was delivered on a speculative basis and 21.0 million sq. ft. (30%) was developed as a build-to-suit project.

Vacancy rates in the modern bulk distribution market averaged 6.1% as of Q2 2023, decreasing 180 bps (7.9% to 6.1%) year-over-year. Over the last 5 years the modern bulk distribution vacancy rate declined 7,100 bps (13.2% to 6.1%), evidence of how demand has substantially outpaced supply.

Under Construction

Only one building with 748,833 sq. ft. of space broke ground in Q2 2023, bringing the total amount under construction to approximately 7.6 million sq. ft. Most of the projects under development broke ground on a speculative basis with 6.8 million sq. ft. (89%), the remaining 0.8 million sq. ft. (11%) were build-to-suit projects.

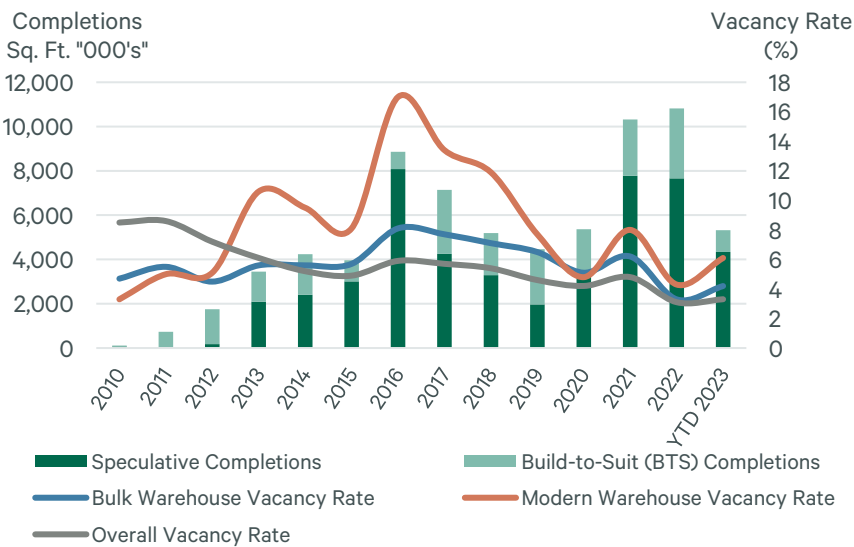
As shown in Figure 4, projects under construction are spread throughout the metro with current development taking place in five out of six submarkets.

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

User	Size (SF)	Type	Property	City	Submarket
Ace Hardware Corp.	1,536,045	New Lease	KCI 29 Logistics Park	Kansas City, MO	Platte
Standard Motor Products	574,732	New Lease	Heartland Logistics Park II	Shawnee, KS	Johnson
Kalmar Solutions	455,220	New Lease	Lone Elm 716	Olathe, KS	Johnson
Allen Distribution	367,000	New Lease	Space Center Executive Park	Independence, MO	Jackson
International Paper	296,400	New Lease	1501 Southern Rd	Kansas City, MO	Jackson
Community Wholesale Tires	203,899	New Lease	HMBC Logistics V	Kansas City, MO	Clay

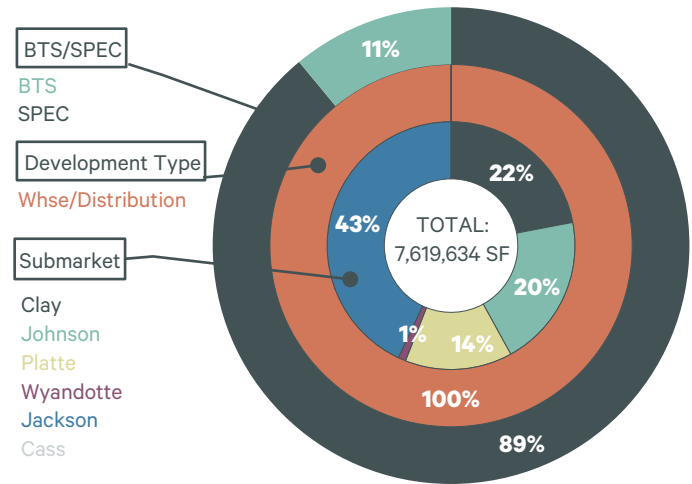
Source: CBRE Research, Q2 2023.

FIGURE 3: Construction Completions and Vacancy Rates



Source: CBRE Research, Q2 2023.

FIGURE 4: Current Construction Snapshot



Source: CBRE Research, Q2 2023.

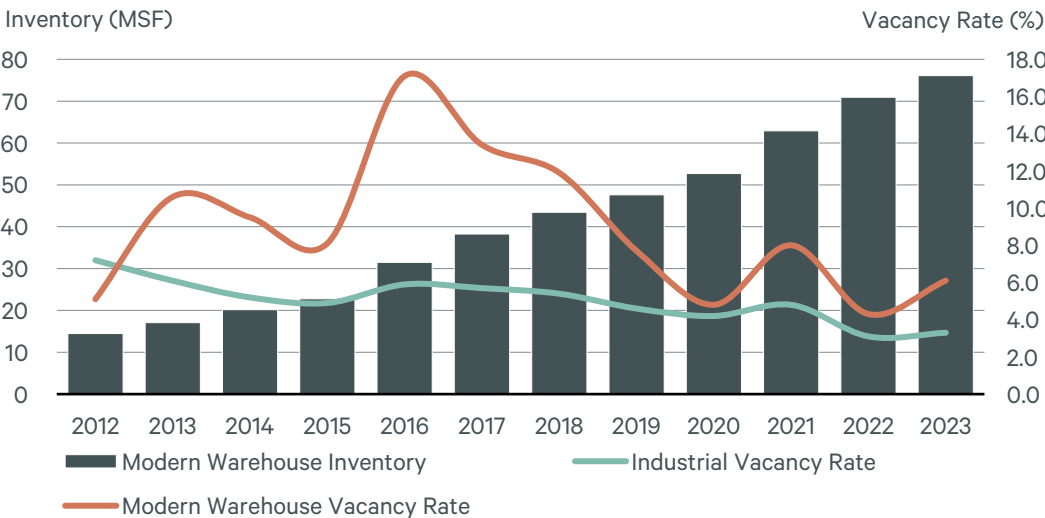
Key Trends

The Kansas City industrial market continued its positive trend finishing the quarter with a healthy overall average vacancy rate of 3.3%. Asking lease rates in the market increased 4.9% year-over-year (\$0.24 per sq. ft.), finishing with an average asking lease rate of \$5.13 per sq. ft.

As shown in Figure 5, the modern bulk distribution market has increased in size from 14.4 million sq. ft. to 76.1 million sq. ft. since 2012 (428% 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 a record level; however, absorption has kept pace since the start of 2022, resulting in a relatively low modern bulk vacancy rate of 6.1% as of Q2 2023 which is 11,000 bps (17.1% versus 6.1%) below the 2016 rate.

FIGURE 5: Modern Bulk Distribution Inventory and Vacancy Rates



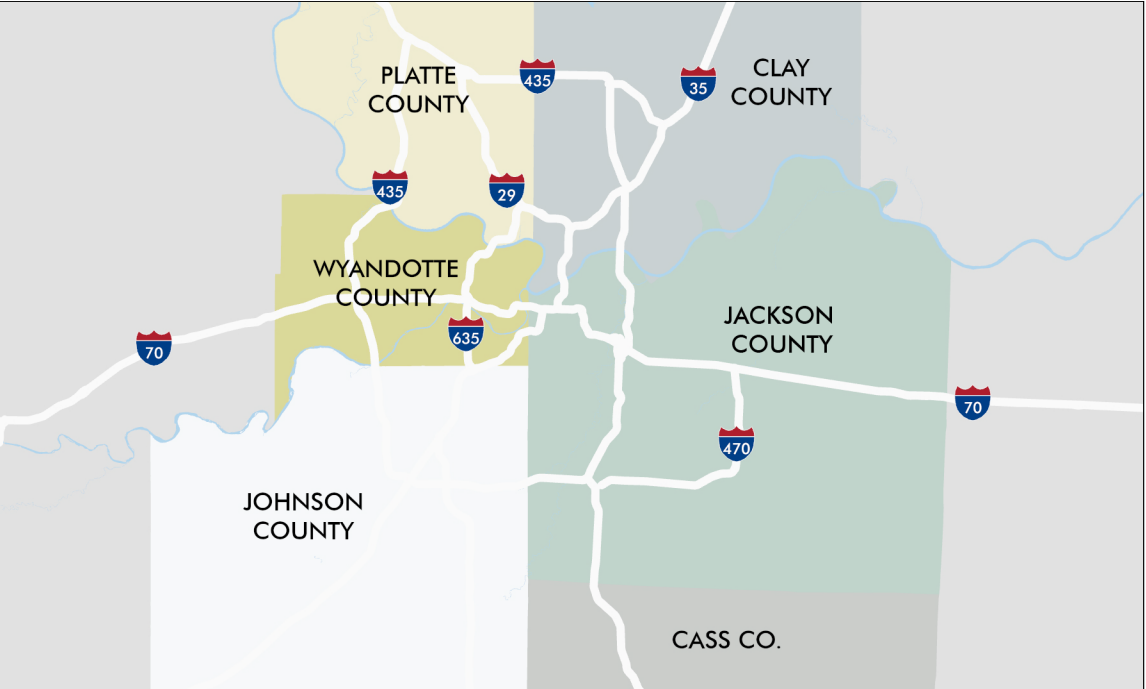
Source: CBRE Research, Q2 2023.

FIGURE 6: Market Statistics

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vac. Rate (%)	Avail. Rate (%)	Q2 2023 Net Absorp. (SF)	YTD Net Absorp. (SF)	Under Const. (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr)
Clay	53,492,964	1,922,379	3.6	4.3	211,487	1,111,660	1,659,475	4.94
Jackson	105,293,343	2,327,646	2.2	3.3	882,306	561,986	3,293,860	4.49
Johnson	85,605,954	4,323,862	5.1	7.0	1,183,814	1,009,831	1,549,146	6.08
Platte	16,794,343	168,036	1.0	2.9	46,646	93,952	1,077,153	4.91
Wyandotte	45,934,492	498,778	1.1	3.6	86,663	309,409	40,000	4.17
Cass	4,493,695	919,956	20.5	20.5	192,817	795,817	0	4.84
Metro	311,614,791	10,160,657	3.3	4.7	2,603,733	3,882,655	7,619,634	5.13
Bulk Distribution (Warehouse or Distribution facilities that are at least 100,000 sq. ft.)								
Clay	33,265,730	560,247	1.7	2.7	210,338	1,057,946	1,659,475	4.58
Jackson	45,484,782	1,761,861	3.9	5.0	683,792	447,611	3,254,860	3.98
Johnson	51,199,989	3,524,961	6.9	9.6	1,050,472	866,163	1,549,146	5.67
Platte	11,499,886	57,000	0.5	3.3	0	28,200	1,077,153	4.35
Wyandotte	17,852,030	60,000	0.3	4.4	18,752	142,487	0	3.28
Cass	4,493,695	919,956	20.5	20.5	192,817	795,817	0	4.84
Metro	163,796,112	6,884,025	4.2	6.2	2,156,171	3,338,824	7,540,634	4.76
Modern Bulk Distribution (Bulk Warehouses constructed in 1990 or later, and 28' clear and taller)								
Clay	10,133,581	233,021	2.3	2.6	108,595	944,603	1,659,475	5.48
Jackson	10,498,038	326,770	3.1	3.5	463,161	394,631	3,254,860	5.34
Johnson	34,127,123	3,182,049	9.3	13.2	1,049,679	1,051,387	1,549,146	5.80
Platte	8,956,247	0	0.0	3.5	0	0	1,077,153	4.59
Wyandotte	7,913,191	0	0.0	0.0	0	123,735	0	-
Cass	4,493,695	919,956	20.5	20.5	192,817	795,817	0	4.84
Metro	76,121,875	4,661,796	6.1	8.4	1,814,252	3,310,173	7,540,634	5.50

Source: CBRE Research, Q2 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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