

FIGURES | KANSAS CITY INDUSTRIAL | Q3 2024

# Positive net absorption trend continues

▲ 4.3%

Vacancy Rate

▼ 871,392

SF Net Absorption

▼ 3,760,831

SF Construction

▲ \$5.78

NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

## SUMMARY

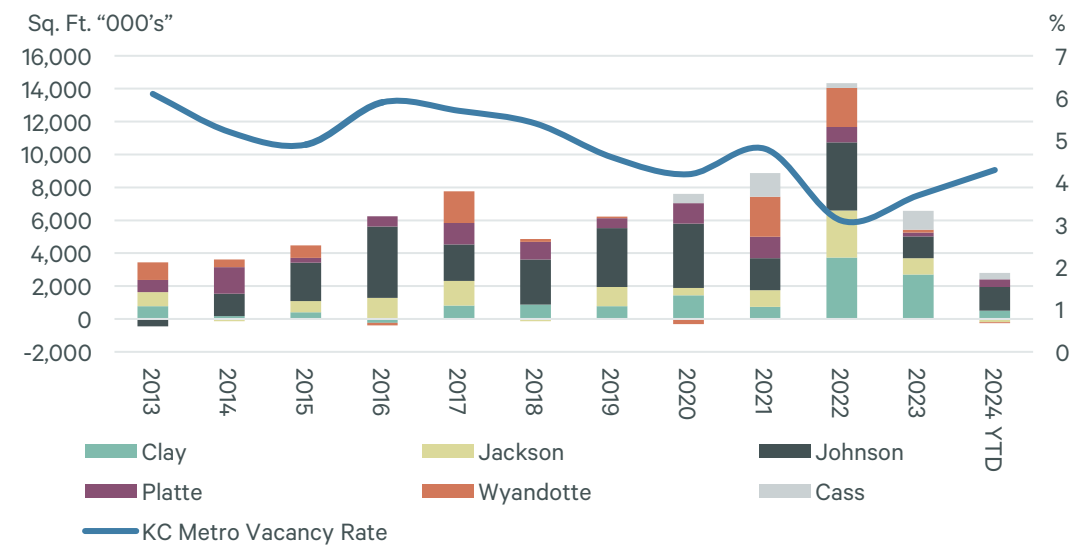
- Master’s Transportation Inc. began development on a new \$72 million, 320,000 sq. ft. headquarters campus that will include corporate offices, second-stage vehicle manufacturing, maintenance, sales and leasing. The campus is located at Missouri Highway 150 and Prospect Avenue, just west of the National Nuclear Security Administration’s Kansas City National Security Campus.
- Marshalltown an Iowa-based tool manufacturer announced plans to develop a 207,792 sq. ft. building at 99<sup>th</sup> Street and Leavenworth Road in 435 Logistics Center.

Overall vacancy rates increased 10 basis points (bps) (4.2% to 4.3%) quarter-over-quarter, a result of 1.0 million sq. ft. of speculative deliveries with approximately 500,000 sq. ft. of vacant space as of the end of Q3 2024.

The overall market average asking lease rate was \$5.78 NNN at the end of Q3 2024. Average asking lease rates increased 9.3% year-over-year (\$5.29 NNN to \$5.78 NNN).

1.0 million sq. ft. of new space was completed in Q3 2024, with 320,000 sq. ft. of new space breaking ground in the quarter. As a result, 3.7 million sq. ft. of space remained under construction at the end of Q3 2024 with 73.4% (2.7 million sq. ft.) of this space pre-committed.

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



Source: CBRE Research, Q3 2024.

## Completed Construction

One building was completed in Q3 2024 with 1.0 million sq. ft. of industrial space. While construction starts have slowed significantly since the start of 2023, over 15.4 million sq. ft. of space was delivered since the start of 2023 due to space already under development. As shown in Figure 3, construction completions have increased each of the last four years.

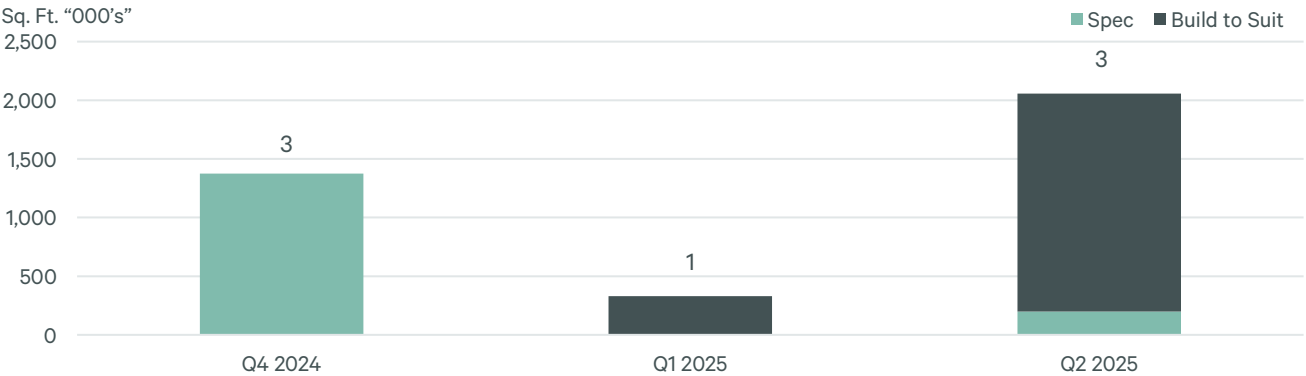
Over the past 10 years the Kansas City market delivered 70.5 million sq. ft. of new industrial space. A total of 52.0 million sq. ft. (74%) was delivered on a speculative basis and 18.5 million sq. ft. (26%) was developed as a build-to-suit project.

Vacancy rates in the modern bulk distribution market averaged 9.7% as of Q3 2024, increasing 360 bps (6.1% to 9.7%) year-over-year.

## Under Construction

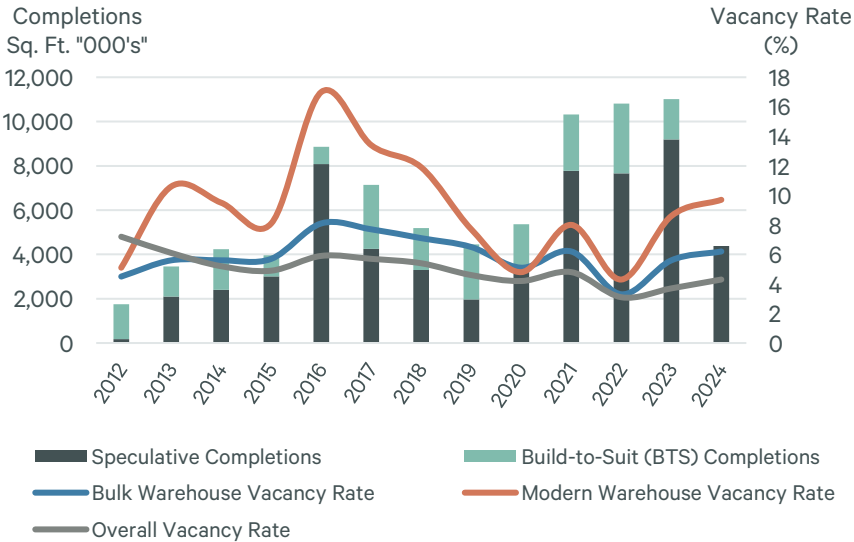
One new building broke ground in Q3 2024 with approximately 320,000 sq. ft. of space, not keeping pace with deliveries and resulting in the total amount under construction decreasing to approximately 3.7 million sq. ft. The majority of projects under construction broke ground on a build-to-suit basis with a total of 2.2 million sq. ft., the remaining 1.5 million sq. ft. represent speculative development.

FIGURE 2: 2024-2025 Scheduled Industrial Deliveries



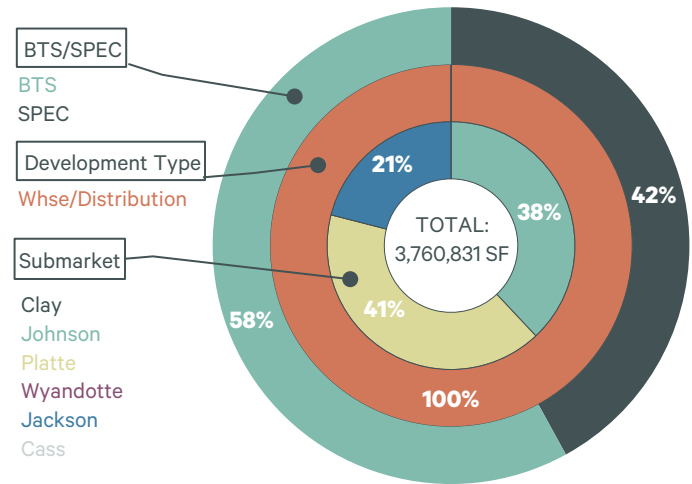
Source: CBRE Research, Q3 2024.

FIGURE 3: Construction Completions and Vacancy Rates



Source: CBRE Research, Q3 2024.

FIGURE 4: Current Construction Snapshot



Source: CBRE Research, Q3 2024.

## Leasing Activity

The Kansas City industrial market had 2.2 million sq. ft. of industrial lease transactions in Q3 2024, and 8.1 million sq. ft. for the first three quarters of 2024. Transactions greater than 300,000 sq. ft. made up 39% of the total space leased in the first three quarters of 2024.

The top new deals signed in Q3 2024 included a confidential tenant with 748,833 sq. ft. in Platte International Commerce Center, Patterson Companies with 254,849 sq. ft. in Liberty Heartland Logistics Center, Owens Corning with 199,560 sq. ft. at 800 Sunshine Rd, and TVH Parts with 100,000 sq. ft. in Logistics Park Kansas City.

Leasing of modern bulk warehouse space represented 34% of space leased year-to-date. The two largest transactions so far in 2024 have come from modern bulk space including a confidential lease of newly built space at Platte International Commerce Center B in Platte County, and Excel Industries renewal/expansion with 655,485 sq. ft. at LPKC V in Johnson County.

## Sales Activity

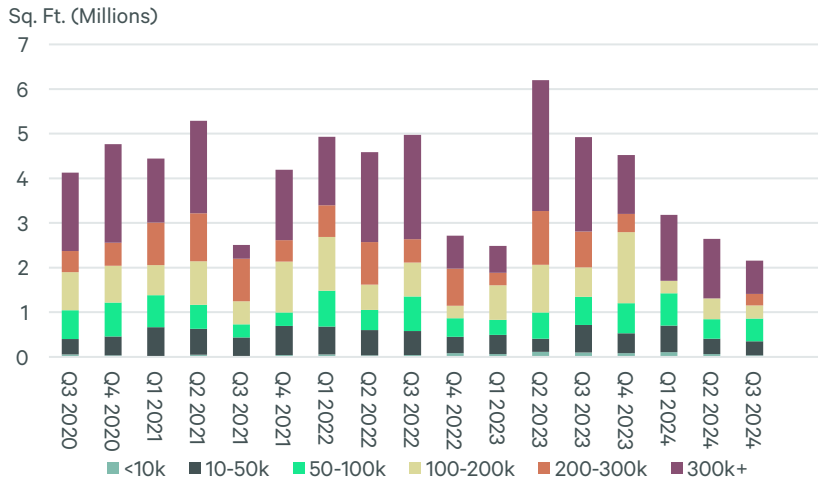
Investment sales activity remained limited with \$304 million in the most recent trailing 4-quarters, this is primarily a result of the high cost of capital. With the first rate cut in September 2024, and the prospect of future rate cuts will at least begin to help return the investment market to a positive trajectory.

FIGURE 5: Top New Lease/User Sale Transactions for the Quarter

User	Size (SF)	Type	Property	City	Submarket
Confidential	748,833	New Lease	Platte International Commerce Ctr B	Platte City, MO	Platte
Patterson Companies	254,849	New Lease	Liberty Heartland Logistics Center B	Liberty, MO	Clay
Owens Corning	199,560	Renewal	800 Sunshine Rd	Kansas City, KS	Wyandotte
TVH Parts	100,000	New Lease	LPKC XI	Edgerton, KS	Johnson
Vayan Group	81,500	New Lease	4601-4701 Stilwell	Kansas City, MO	Jackson
New Perfect Star	79,383	New Lease	105-115 W 26th Ave,	North Kansas City, MO	Clay

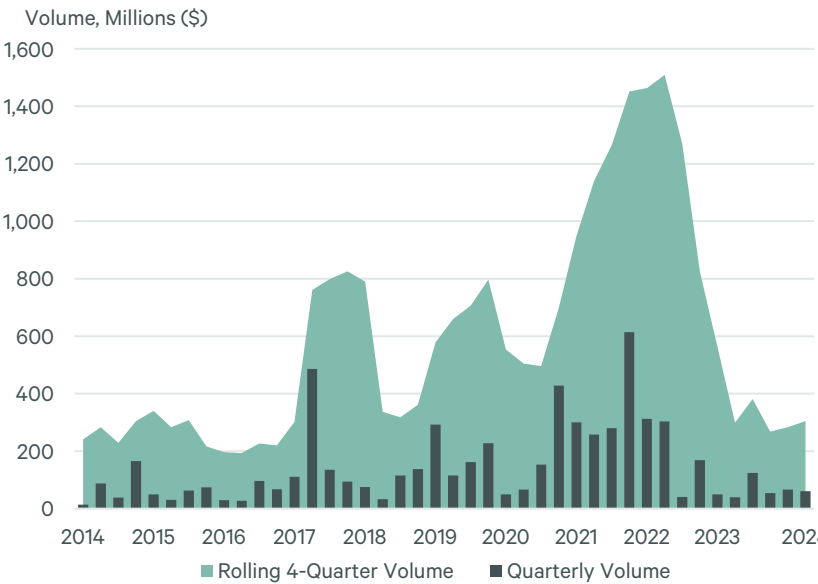
Source: CBRE Research, Q3 2024.

FIGURE 6: Quarterly Leasing Volume by Size, Q3 2020-Q3 2024



Source: CBRE Research, Q3 2024.

FIGURE 7: Kansas City Industrial Sales Volume, 2014-YTD 2024



Source: Real Capital Analytics, CBRE Research Q3 2024.

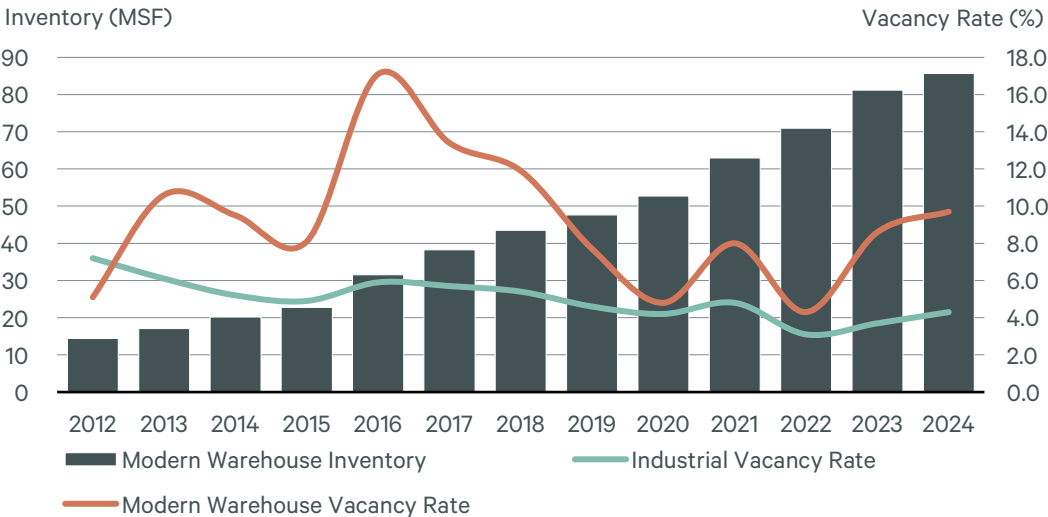
## Key Trends

While overall vacancy rates increased in Q3 2024, the overall average rate remained relatively low at 4.3%. Asking lease rates in the market increased 9.3% year-over-year (\$0.49 per sq. ft.), finishing with an average asking lease rate of \$5.78 per sq. ft.

As shown in Figure 5, the modern bulk distribution market has increased in size from 14.4 million sq. ft. to 85.6 million sq. ft. since 2012 (494% 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 in the following years. Speculative development activity again 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 4.3% remains below the 10-year average of 4.7%.

FIGURE 8: Modern Bulk Distribution Inventory and Vacancy Rates



Source: CBRE Research, Q3 2024.

FIGURE 9: Market Statistics

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vac. Rate (%)	Avail. Rate (%)	Q3 2024 Net Absorp. (SF)	YTD Net Absorp. (SF)	Under Const. (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr)
Clay	54,368,516	736,145	1.4	2.6	283,567	508,084	0	5.63
Jackson	107,483,616	5,101,331	4.7	5.4	(336,726)	(203,398)	798,592	5.58
Johnson	89,844,145	6,069,506	6.8	8.7	458,347	1,434,820	1,426,194	6.07
Platte	18,076,666	845,163	4.7	9.0	535,948	451,578	1,536,045	5.74
Wyandotte	45,917,042	693,194	1.5	2.0	(69,744)	(56,930)	0	5.14
Cass	4,493,695	175,320	3.9	3.9	0	392,237	0	5.75
Metro	320,183,680	13,620,659	4.3	5.5	871,392	2,526,391	3,760,831	5.78
Bulk Distribution (Warehouse or Distribution facilities that are at least 100,000 sq. ft.)								
Clay	34,782,312	554,140	1.6	3.3	262,049	518,575	0	5.56
Jackson	48,060,356	3,862,914	8.0	9.0	(274,650)	226,877	798,592	5.14
Johnson	55,072,603	5,120,747	9.3	11.7	338,271	1,466,079	1,426,194	5.88
Platte	12,779,279	617,512	4.8	10.6	557,288	557,288	1,536,045	5.43
Wyandotte	17,852,030	325,651	1.8	2.8	0	0	0	4.20
Cass	4,493,695	175,320	3.9	3.9	0	392,237	0	5.75
Metro	173,040,275	10,656,284	6.2	8.1	882,958	3,161,056	3,760,831	5.49
Modern Bulk Distribution (Bulk Warehouses constructed in 1990 or later, and 28' clear and taller)								
Clay	12,006,633	493,540	4.1	5.0	254,849	455,659	0	5.98
Jackson	12,767,898	2,188,150	17.1	18.2	(108,480)	44,020	798,592	6.00
Johnson	38,199,737	4,810,350	12.6	15.6	274,976	1,503,974	1,426,194	5.95
Platte	10,235,640	617,512	6.0	11.1	557,288	557,288	1,536,045	5.67
Wyandotte	7,913,191	0	0.0	0.0	0	0	0	-
Cass	4,493,695	175,320	3.9	3.9	0	392,237	0	5.75
Metro	85,616,794	8,284,872	9.7	11.9	978,633	2,953,178	3,760,831	5.93

Source: CBRE Research, Q3 2024.

## U.S. Economy

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is steady and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a downturn in the labor market, although the recent bump in unemployment appears mainly driven by an increase in participation.

One reason for concern is the decline in the share of private industries that are creating jobs. The labor market has slowed but it is not slumping, and companies are not letting workers go at a particularly high rate.

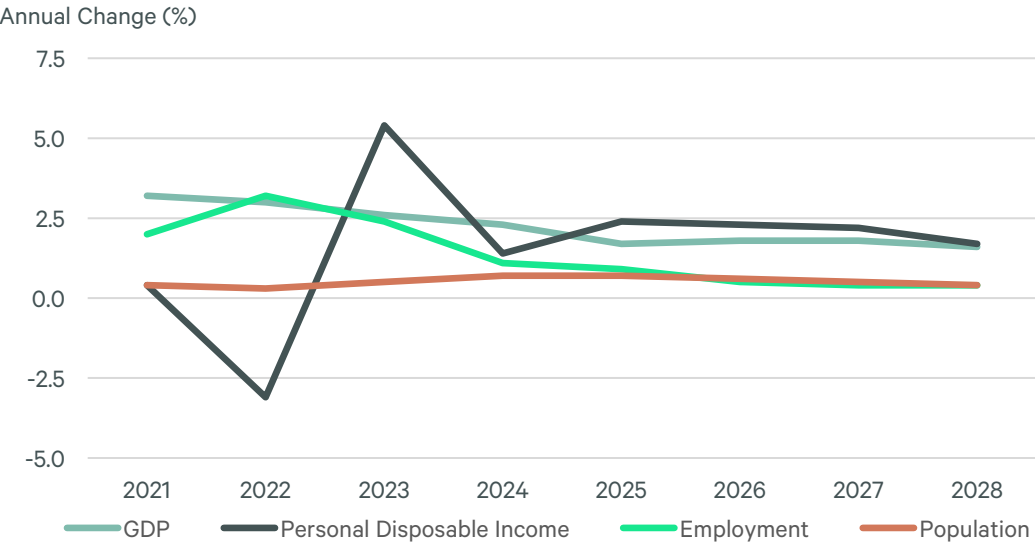
While many are focused on November’s election, the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

## Kansas City Economy

According to Oxford Economics, Kansas City is forecast to finish 2024 with a GDP growth of 2.3%, followed by average annual GDP growth of 1.7% in 2025 through 2028. Growth in GDP is expected to be led by manufacturing, computer systems design, and real estate.

Kansas City’s home prices are forecast to increase 3.3% annually in 2025 through 2028. Kansas City’s median disposable income per capita was approximately \$50,300 as of July 2024, with a forecasted average annual growth rate of 2.2% from 2025 to 2028.

FIGURE 10: Kansas City Economic Forecast



Source: BLS, US Census Bureau, Oxford Economics, July 2024.

FIGURE 11: Kansas City Employment Forecast



Source: BLS, US Census Bureau, Oxford Economics, July 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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