

FIGURES | KANSAS CITY INDUSTRIAL | Q4 2023

# Net absorption slows in Q4, posting 6.5 million sq. ft. for the year

▲ 3.7%  
 Vacancy Rate

▼ 66,423  
 SF Net Absorption

▼ 6,032,695  
 SF Construction

▲ \$5.48  
 NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

## SUMMARY

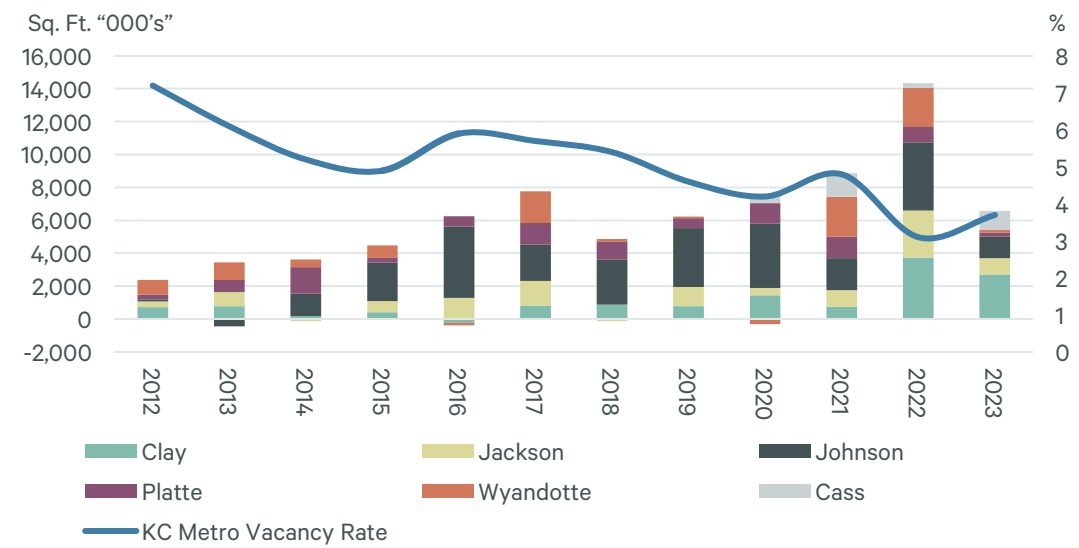
- A new 312,023 sq. ft. facility operated by Vertical Cold Storage broke ground in the I-49 Industrial Center. The facility is being developed on a speculative basis, offering state-of-the-art multi-temperature storage. In January 2023, Port KC gave its expression of intent to provide a 20-year stair stepping real and property tax exemptions for the project.
- Winland Foods signed a new lease for 339,678 sq. ft. at Northland Park V in Clay County. The company is a global manufacturer of private label and branded foods for retail and co-pack customers.

Overall vacancy rates increased 70 basis points (bps) quarter-over-quarter, a result of 2.3 million sq. ft. of speculative deliveries with 1.9 million sq. ft. of vacant space as of the end of Q4 2023. The overall market vacancy rate at the end of the quarter was 3.7%.

The overall market average asking lease rate was \$5.48 NNN at the end of Q4 2023. Average asking lease rates increased 9.2% year-over-year (\$5.02 NNN to \$5.48 NNN).

2.3 million sq. ft. of new space was completed in Q4 2023, while 1.9 million sq. ft. of space broke ground in the quarter. As a result, 6.0 million sq. ft. of space remained under construction at the end of Q4 2023 with 41.1% (2.5 million sq. ft.) of this space pre-leased.

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



Source: CBRE Research, Q4 2023.

## Completed Construction

Nine buildings were completed in Q4 2023 with a total of 2.3 million sq. ft. of industrial space. While construction starts have slowed significantly in 2023, a record total of 11.0 million sq. ft. was delivered for the year 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 73.6 million sq. ft. of new industrial space. A total of 52.1 million sq. ft. (71%) was delivered on a speculative basis and 21.5 million sq. ft. (29%) was developed as a build-to-suit project.

Vacancy rates in the modern bulk distribution market averaged 8.6% as of Q4 2023, increasing 430 bps (4.3% to 8.6%) year-over-year. Over the last 5 years demand has outpaced supply in the modern bulk distribution market as the vacancy rate declined 3,300 bps (11.9% to 8.6%).

## Under Construction

A total of 1.9 million sq. ft. of space broke ground in Q4 2023, bringing the total amount under construction to approximately 6.0 million sq. ft. Most of the projects broke ground on a speculative basis with a total of 4.5 million sq. ft., the remaining 1.5 million sq. ft. represent build-to-suit development.

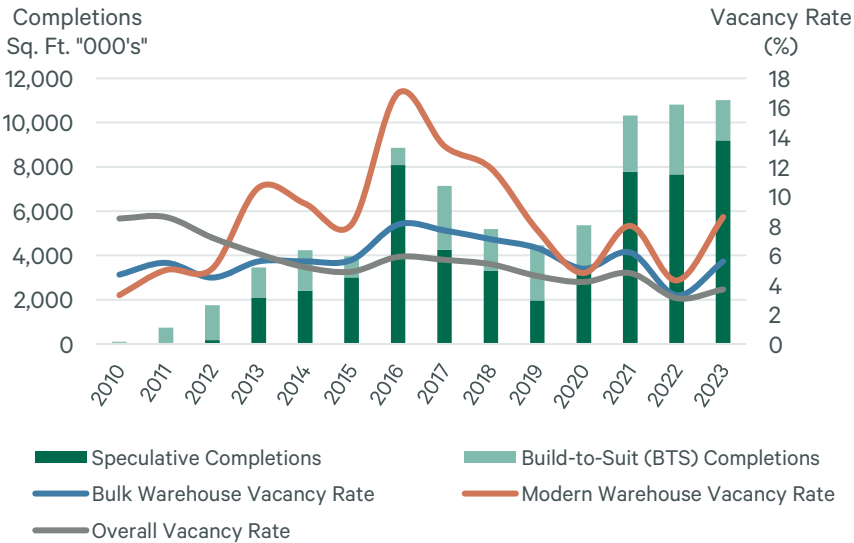
As shown in Figure 4, projects under construction are spread throughout the metro with current development taking place in four out of six submarkets.

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

User	Size (SF)	Type	Property	City	Submarket
Confidential	442,099	New Lease	New Century Commerce Center B1	New Century, KS	Johnson
Winland Foods	339,678	New Lease	Northland Park V	Kansas City, MO	Clay
A4 Apparel	205,738	New Lease	Raymore Commerce Center 2	Raymore, MO	Cass
GXO Logistics	200,559	New Lease	I-35 Logistics Center 2	Olathe, KS	Johnson
Motion Industries, Inc.	189,000	New Lease	Meritex Lenexa Executive Park 3	Lenexa, KS	Johnson
Amerhart	144,480	New Lease	Blue River Commerce Center 4	Kansas City, MO	Jackson
BC Recycling	134,567	New Lease	HMBC Logistics IV	Kansas City, MO	Clay

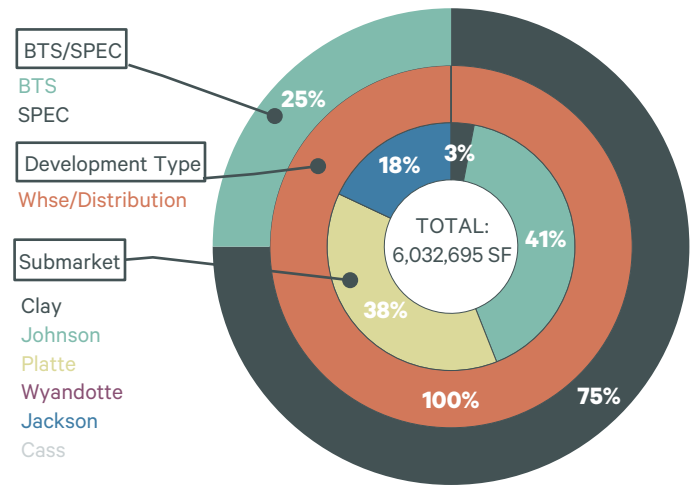
Source: CBRE Research, Q4 2023.

FIGURE 3: Construction Completions and Vacancy Rates



Source: CBRE Research, Q4 2023.

FIGURE 4: Current Construction Snapshot



Source: CBRE Research, Q4 2023.

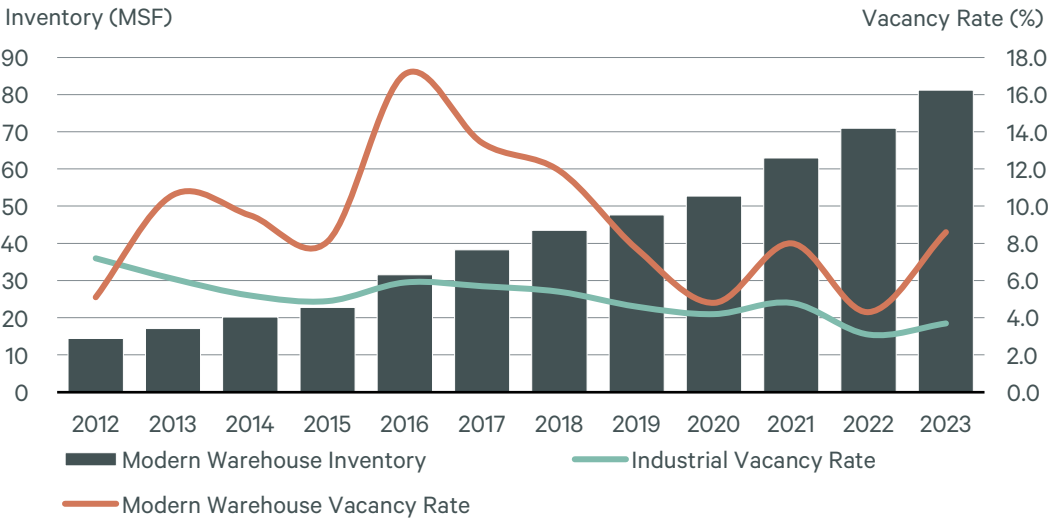
Key Trends

While overall vacancy rates increased in Q4 2023, the overall average rate remained relatively low at 3.7%. Asking lease rates in the market increased 9.2% year-over-year (\$0.46 per sq. ft.), finishing with an average asking lease rate of \$5.48 per sq. ft.

As shown in Figure 5, the modern bulk distribution market has increased in size from 14.4 million sq. ft. to 81.1 million sq. ft. since 2012 (463% 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 3.7% is well below the 10-year average of 4.9%.

FIGURE 5: Modern Bulk Distribution Inventory and Vacancy Rates



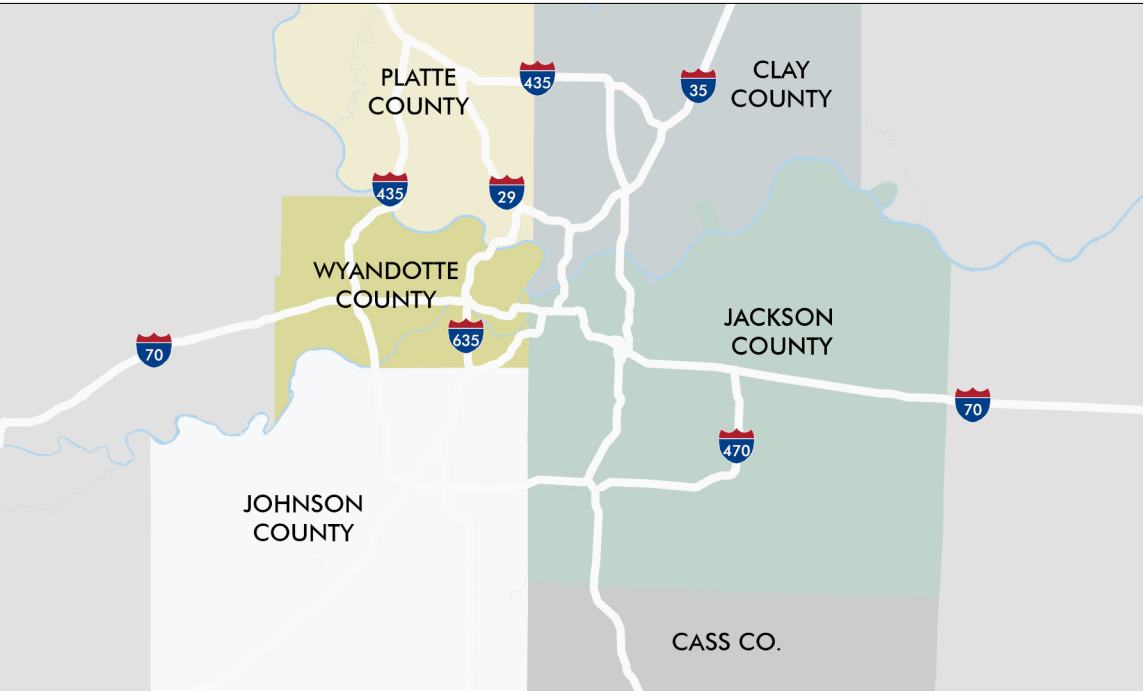
Source: CBRE Research, Q4 2023.

FIGURE 6: Market Statistics

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vac. Rate (%)	Avail. Rate (%)	Q4 2023 Net Absorp. (SF)	YTD Net Absorp. (SF)	Under Const. (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr)
Clay	54,162,117	1,007,442	1.9	3.1	426,837	2,695,750	203,899	5.07
Jackson	107,256,429	4,079,583	3.8	4.8	(49,516)	991,295	1,071,000	5.15
Johnson	87,235,385	4,886,403	5.6	7.4	(310,945)	1,322,164	2,472,918	5.95
Platte	17,324,903	544,978	3.1	7.3	84,404	247,570	2,284,878	5.52
Wyandotte	45,917,042	636,264	1.4	2.0	(290,095)	163,086	0	5.00
Cass	4,493,695	567,557	12.6	12.6	205,738	1,148,216	0	4.53
Metro	316,389,571	11,722,227	3.7	5.1	66,423	6,568,081	6,032,695	5.48
Bulk Distribution (Warehouse or Distribution facilities that are at least 100,000 sq. ft.)								
Clay	34,934,883	832,576	2.4	4.3	363,921	2,454,770	203,899	4.69
Jackson	47,492,356	3,280,291	6.9	7.8	42,689	1,096,427	1,071,000	4.65
Johnson	52,573,421	4,087,644	7.8	10.2	(338,533)	1,207,490	2,358,918	5.29
Platte	12,030,446	425,967	3.5	9.2	104,593	189,793	2,284,878	5.06
Wyandotte	17,852,030	325,651	1.8	2.8	(325,651)	(123,164)	0	3.75
Cass	4,493,695	567,557	12.6	12.6	205,738	1,148,216	0	4.53
Metro	169,376,831	9,519,686	5.6	7.5	52,757	5,973,532	5,918,695	4.94
Modern Bulk Distribution (Bulk Warehouses constructed in 1990 or later, and 28' clear and taller)								
Clay	11,802,734	745,300	6.3	9.7	198,921	2,101,477	203,899	4.38
Jackson	11,949,898	1,414,170	11.8	14.9	(25,520)	1,005,088	1,071,000	4.61
Johnson	35,500,555	3,815,142	10.7	14.8	(306,702)	1,397,846	2,358,918	5.28
Platte	9,486,807	425,967	4.5	9.9	104,593	104,593	2,284,878	5.12
Wyandotte	7,913,191	0	0.0	0.0	0	123,735	0	-
Cass	4,493,695	567,557	12.6	12.6	205,738	1,148,216	0	4.53
Metro	81,146,880	6,968,136	8.6	11.9	177,030	5,880,955	5,918,695	5.02

Source: CBRE Research, Q4 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.

Contact

David Ronsick

Senior Research Analyst  
+1 816 968 5879  
[david.ronsick@cbre.com](mailto:david.ronsick@cbre.com)