

FIGURES | KANSAS CITY INDUSTRIAL | Q4 2022

# 2022 was a record year in Kansas City recording over 14.3 million sq. ft. of positive net absorption



Note: Arrows indicate change from previous quarter.

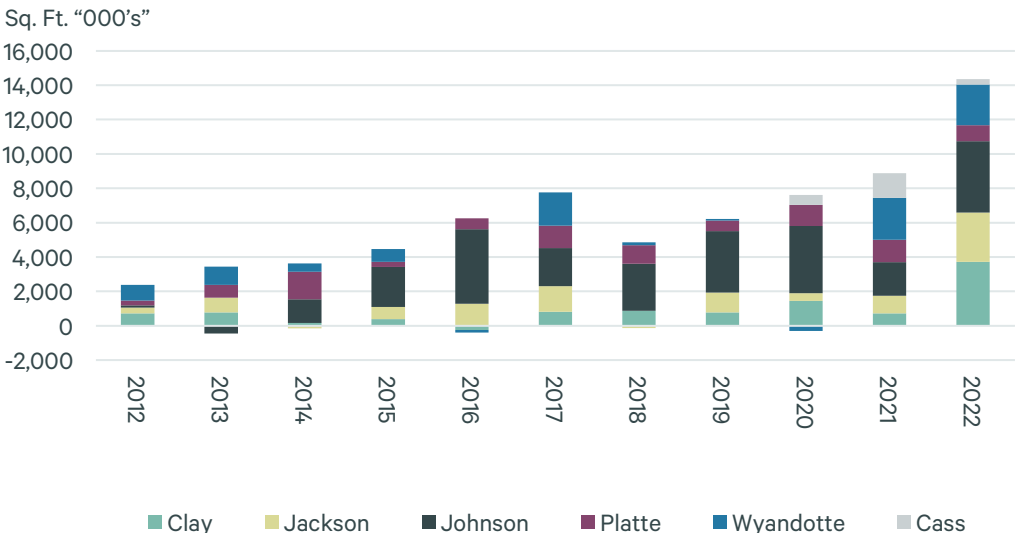
## SUMMARY

- Heartland Coca-Cola announced plans to build a \$300 million, 600,000 sq. ft. production facility in Olathe, KS. The company plans to complete transfer of operations from an outdated facility in Lenexa, KS by 2025.
- Orange EV announced plans to move its headquarters and production facility into more than 400,000 sq. ft. at Turner Logistics Center in Kansas City, KS. The company is expanding its operations from its current 52,000 sq. ft. facility at Horizons Industrial Park in Riverside, MO. Orange EV currently produces approximately 200 electric terminal trucks a year and plans to boost production to approximately 1,800 electric trucks annually to meet growing demand.

Overall vacancy rates fell 90 basis points (bps) quarter-over-quarter, a result of over 6.1 million sq. ft. of positive net absorption in the quarter.

Over 3.4 million sq. ft. of new space was completed in Q4 2022, while 2.1 million sq. ft. of space broke ground in the quarter. As a result, over 11.7 million sq. ft. of space remained under construction at the end of Q4 2022 with 20% (2.3 million sq. ft.) of this space pre-leased. Record levels of development continue with over 10.8 million sq. ft. completed in 2022 with 70.6% (7.6 million sq. ft.) of the space leased by the end of the year.

FIGURE 1: Net Absorption by Submarket



Source: CBRE Research, Q4 2022.

## Completed Construction

Seven buildings were completed in Q4 2022 with a total of 3.4 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 63.7 million sq. ft. of new industrial space. A total of 43.8 million sq. ft. (69%) was delivered on a speculative basis and 19.9 million sq. ft. (31%) was developed as a build-to-suit project.

Vacancy rates in the modern bulk distribution market averaged 4.3% as of Q4 2022, decreasing 370 bps (8.0% to 4.3%) year-over-year. Over the last 5 years the modern bulk distribution vacancy rate declined 9,100 bps (13.4% to 4.3%), evidence of how demand has substantially outpaced supply.

## Under Construction

An additional 2.1 million sq. ft. of space broke ground in Q4 2022, bringing the total amount under construction to approximately 11.7 million sq. ft. The majority of the projects under development broke ground on a speculative basis with 9.5 million sq. ft. (81%), the remaining 2.2 million sq. ft. (19%) were build-to-suit projects.

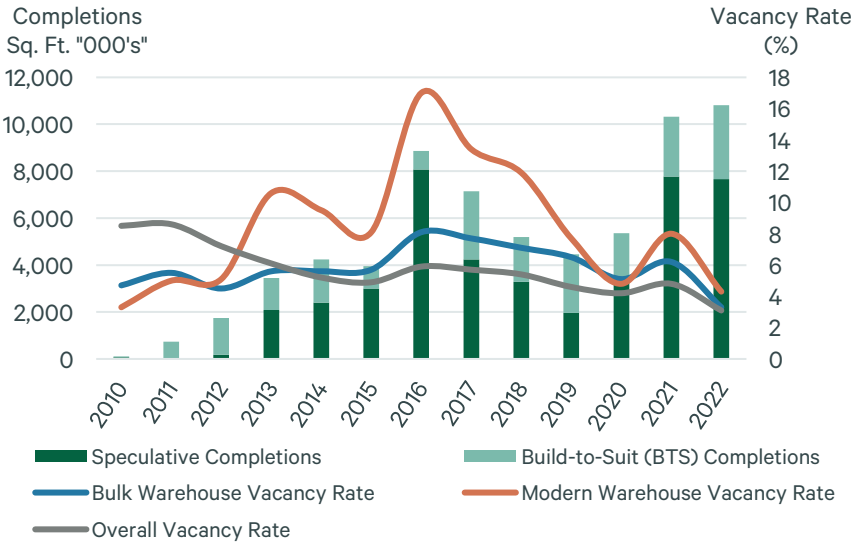
As shown in Figure 4, projects under construction are spread throughout the metro with current development taking place in all six submarkets.

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

User	Size (SF)	Type	Property	City	Submarket
Beyond Warehousing	436,866	New Lease	LPKC XI	Edgerton, KS	Johnson
The Hillman Group	305,045	New Lease	Southview Commerce Center 4	Belton, MO	Cass
KGP Telecommunications	217,284	New Lease	Lenexa Logistics Centre North 5	Lenexa, KS	Johnson
UPS Supply Chain	210,000	New Lease	HMBC Logistics IV	Kansas City, MO	Clay
Imperial Bag & Paper Co	201,003	New Lease	Blue River Commerce Center V	Kansas City, MO	Jackson
Midland Industries	128,000	New Lease	Blue River Commerce Center	Kansas City, MO	Jackson

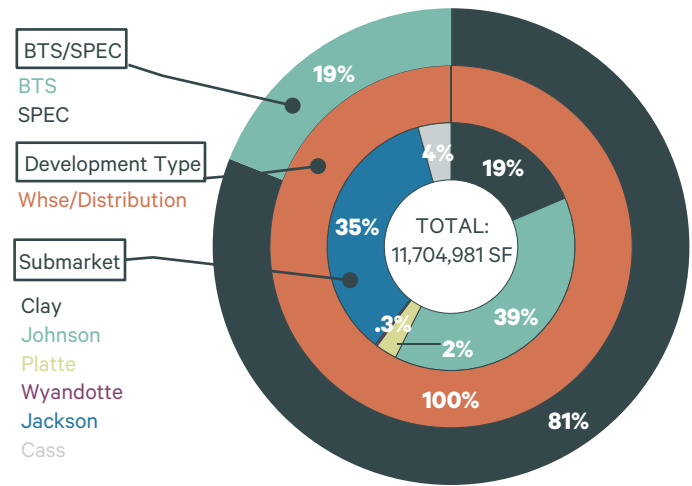
Source: CBRE Research, Q4 2022.

FIGURE 3: Construction Completions and Vacancy Rates



Source: CBRE Research, Q4 2022.

FIGURE 4: Current Construction Snapshot



Source: CBRE Research, Q4 2022.

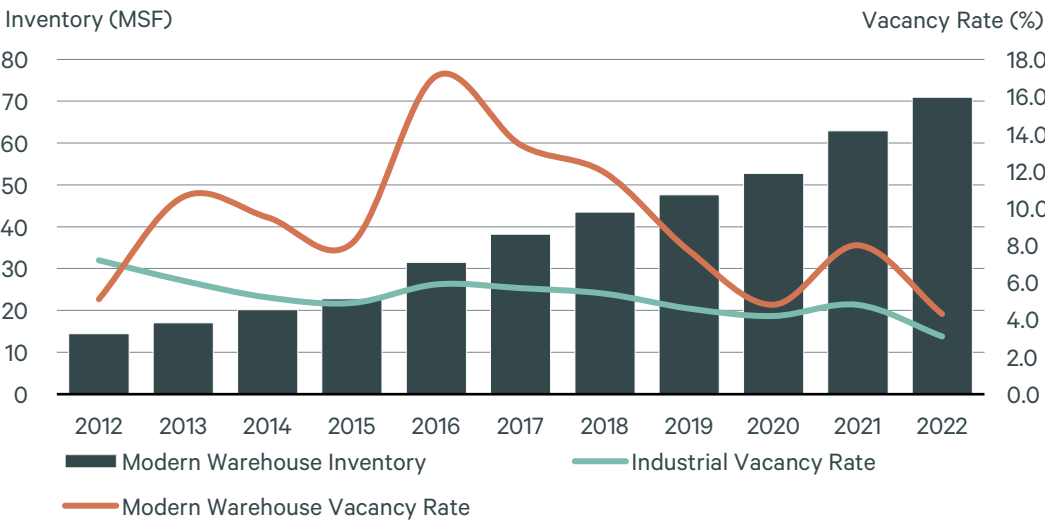
Key Trends

The Kansas City industrial market continued its positive trend finishing the quarter with a healthy overall average vacancy rate of 3.1%. Asking lease rates in the market increased 4.4% year-over-year (\$0.21 per sq. ft.), finishing with an average asking lease rate of \$5.02 per sq. ft.

As shown in Figure 5, the modern bulk distribution market has increased in size from 14.4 million sq. ft. to 70.9 million sq. ft. since 2012 (392% 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 in 2022, resulting in a low modern bulk vacancy rate of 4.3% as of Q4 2022 which is 12,800 bps (17.1% versus 4.3%) below the 2016 rate.

FIGURE 5: Modern Bulk Distribution Inventory and Vacancy Rates



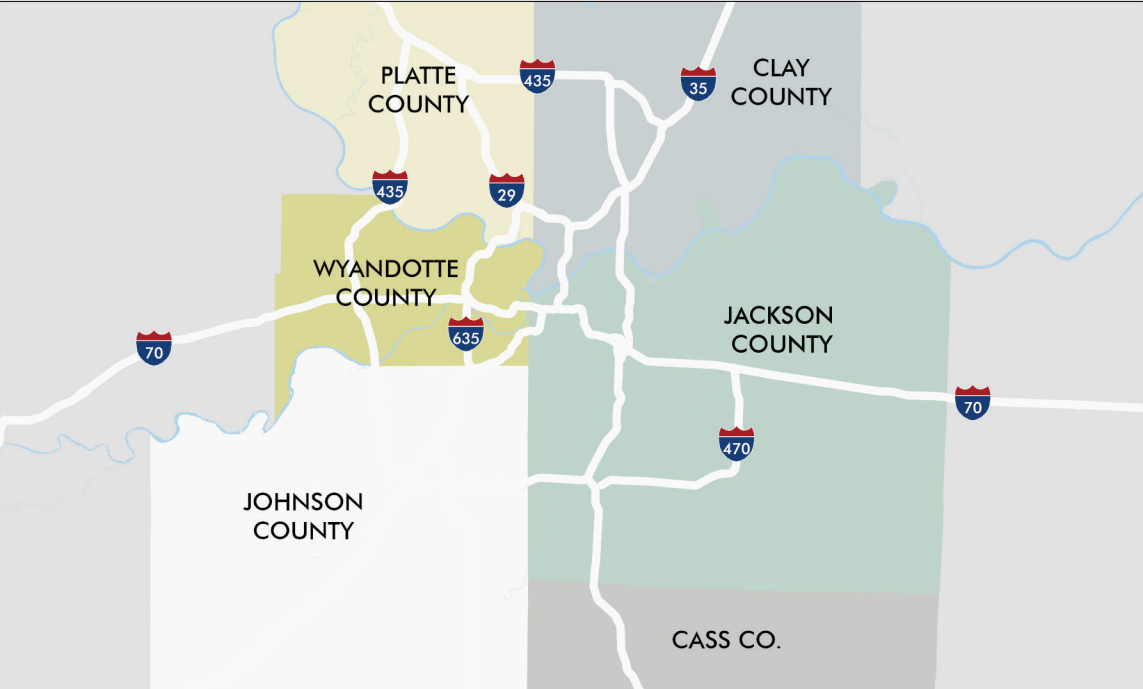
Source: CBRE Research, Q4 2022.

FIGURE 6: Market Statistics

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vac. Rate (%)	Avail. Rate (%)	Q4 2022 Net Absorp. (SF)	YTD Net Absorp. (SF)	Under Const. (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr)
Clay	53,403,553	2,920,060	5.5	5.7	1,984,840	3,726,013	2,172,907	5.03
Jackson	104,518,304	2,159,415	2.1	3.0	719,189	2,870,023	4,122,258	4.78
Johnson	82,303,202	2,005,461	2.4	2.7	1,889,949	4,147,791	4,542,897	5.95
Platte	16,794,343	261,988	1.6	1.9	192,670	921,411	328,320	5.36
Wyandotte	45,934,492	808,187	1.8	2.8	1,053,223	2,371,683	40,000	4.62
Cass	3,995,096	1,217,174	30.5	30.5	308,463	308,463	498,599	4.29
Metro	306,948,990	9,372,285	3.1	3.7	6,148,334	14,345,384	11,704,981	5.02
Bulk Distribution (Warehouse or Distribution facilities that are at least 100,000 sq. ft.)								
Clay	32,747,090	1,099,553	3.4	3.6	1,928,500	3,773,648	2,172,907	4.59
Jackson	44,516,911	1,487,598	3.3	4.5	787,984	1,897,433	4,122,258	3.95
Johnson	48,018,101	1,209,236	2.5	2.7	1,899,583	3,477,871	4,386,033	4.60
Platte	11,499,886	85,800	0.7	1.2	134,068	799,188	328,320	4.05
Wyandotte	17,852,030	202,487	1.1	2.3	1,216,091	2,361,275	0	4.28
Cass	3,995,096	1,217,174	30.5	30.5	308,463	308,463	498,599	4.29
Metro	158,629,114	5,301,848	3.3	3.9	6,274,689	12,617,878	11,508,117	4.29
Modern Bulk Distribution (Bulk Warehouses constructed in 1990 or later, and 28' clear and taller)								
Clay	9,614,941	658,984	6.9	6.9	1,870,481	3,554,763	2,172,907	4.84
Jackson	9,530,640	0	0.0	0.6	347,643	1,311,806	4,122,258	-
Johnson	30,946,872	1,053,185	3.4	3.0	1,839,583	3,301,151	4,386,033	4.47
Platte	8,956,247	0	0.0	0.6	134,068	799,188	328,320	-
Wyandotte	7,913,191	123,735	1.6	1.6	1,216,091	1,735,972	0	5.25
Cass	3,995,096	1,217,174	30.5	30.5	308,463	308,463	498,599	4.29
Metro	70,956,987	3,053,078	4.3	4.3	5,716,329	11,011,343	11,508,117	4.46

Source: CBRE Research, Q4 2022.

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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