

**5.6%**  
Vacancy Rate

**4.9 MSF**  
YTD Net Absorption

**\$4.25**  
Asking Rent, PSF

*Overall, Net Asking Rent*

**ECONOMIC INDICATORS  
Q3 2020**

**1,050.8K**  
Kansas City  
Employment

**7.1%**  
Kansas City  
Unemployment  
Rate

**8.8%**  
U.S.  
Unemployment  
Rate

*Source: BLS, Moody's Analytics  
2020Q3 data are based on  
latest available data*

**ECONOMY**

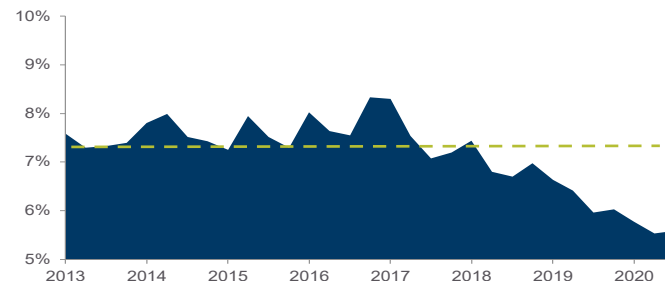
The first nine months of 2020 will stand out for generations. From an overall economic standpoint, the US economy endured perhaps the greatest shock any industrialized nation has seen. Gross Domestic Product contracted at a rate that most economists never would have thought possible, unemployment rose faster than any time on record, and day-to-day life was disrupted more than ever in peace-time America. Unprecedented challenges impacted people on an economic, educational, and personal level, and those impacts will be felt throughout Kansas City, the United States, and the entire world for years to come.

Much of the economic data describing 2020 ranges from disappointing to dreadful. Yet Kansas City's overall economy and the commercial real estate sector have remained resilient in the areas most stressed while the areas that could potentially benefit during the disruption have enjoyed great success. The office market has seen vacancy rise substantially due in part to the COVID-19 pandemic but also due at least in part to the arrival of new, Class A space that has attracted tenants. In the industrial sector, Kansas City has strengthened its position as one of the most important secondary markets in the nation. The most encouraging sign of all has been the continued commitment of investors to develop, improve, and expand commercial real estate assets throughout the area. Large numbers of people in the Kansas City community are dealing with terrible hardships and those will most likely continue into the immediate future—but Kansas City is recognized for its strength and even in the most challenging of times the foundation for future success is being built and reinforced.

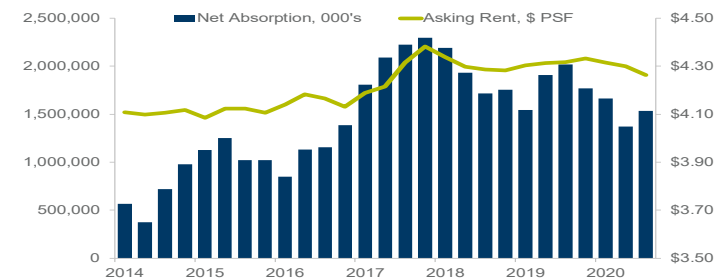
**MARKET OVERVIEW**

For the past several years, the industrial sector across the country has been going through a strong period of expansion, driven in large part by the rise in e-commerce and an increased focus on logistics efficiency. Kansas City has been one of the primary beneficiaries of this trend, and modern distribution centers around the metro area are home to tenants serving local, regional, and national territories. Yet even after years of record-setting new deliveries and absorption, the middle part of 2020 saw the pace of development jump forward again.

**OVERALL VACANCY**



**NET ABSORPTION/ASKING RENT**



At the end of the third quarter, 7.9 million square feet (msf) of construction was underway in the market, and that does not include a 1.8 msf facility being built by Walmart in Topeka, KS. This is an increase of 2.1 msf from the second quarter, and the third quarter saw 2.4 msf of deliveries. Approximately 4.5 msf of new projects got underway over the past 90 days. Another point of note is how evenly spread across the market the construction is. Throughout the expansion boom that has been going on for more than five years, there were several occasions where the new space was heavily concentrated in the Edgerton and south Olathe portions of Johnson County. At the end of the third quarter, just over 1.0 msf of space was under construction in Johnson County while Wyandotte County, Jackson County, and Executive Park/Northland Park all had a higher total. The KCI submarket had an under construction total only 50,000 square feet (sf) less than Johnson County, and the Liberty Logistics Center along I-35 in the Northland is 741,000 sf. This is the most evenly spread and diversified expansion Kansas City has seen.

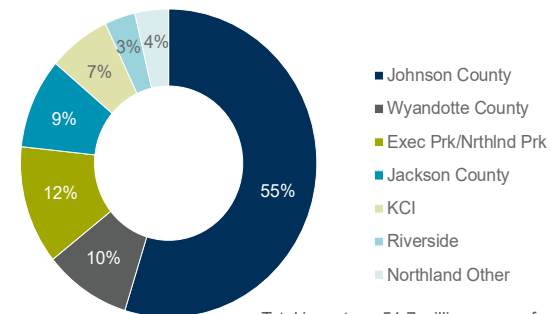
Equally encouraging, it is not just interest in new space driving the market. The Class B Warehouse category has seen 889,000 sf of absorption so far in 2020 and after three quarters had a vacancy rate of just 5.5%. Much of the attention has been focused on the performance of new, speculative construction over the past few years but the continued demand for older product is just as important in supporting the overall market. Over the past 36 months, Kansas City has seen its inventory increase by 19.0 msf (8.9%) and during that same time the vacancy rate has fallen 158 basis points.

*Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).*

### Outlook

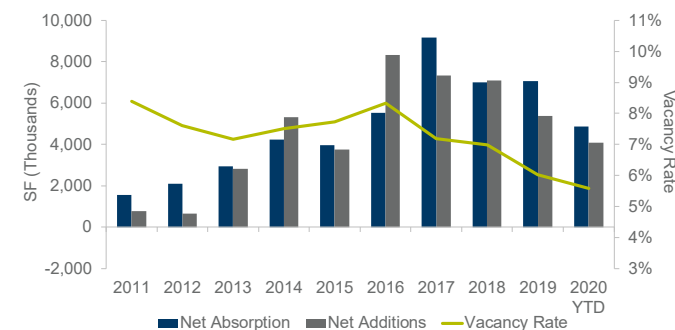
- It is expected that additional large projects will be announced and break ground before the end of 2020.
- 5.7 msf of the space under construction is speculative, but multiple buildings have already secured sizeable tenants and the demand for new space should remain strong.
- Modern distribution facilities located within the I-435 loop will benefit from increased demand in last-mile logistics, with new sites such as Turner Logistics Center especially well positioned.

### BULK DISTRIBUTION BY SUBMARKET

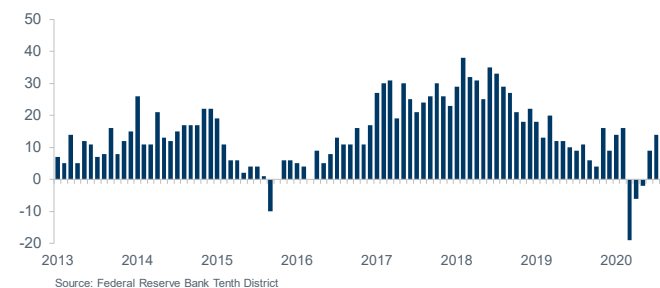


Total inventory: 51.7 million square feet

### NET ADDITIONS, ABSORPTION & VACANCY



### FEDERAL RESERVE 10TH DISTRICT MFG SURVEY



## MARKET STATISTICS

Submarket	Total Bldgs	Inventory	Sublet Vacant	Direct Vacant	Overall Vacancy Rate	Current Qtr Overall Absn	YTD Overall Absn	Under Construction	Current Qtr Completions	YTD Completions	Overall Weighted Average Net Rents
Johnson County	986	75,684,636	186,823	5,433,598	7.4%	322,167	1,415,958	1,031,882	1,282,956	1,588,756	\$5.53
Wyandotte County	390	32,190,125	34,608	1,116,862	3.6%	123,697	187,233	2,282,226	-	-	\$4.01
Executive Park / Northland Park	185	18,653,214	39,900	680,715	3.9%	-76,264	649,089	1,089,804	-	888,238	\$4.62
Jackson County	831	59,065,140	50,537	3,065,100	5.3%	560,158	1,281,684	1,608,323	575,000	1,068,225	\$3.33
North Kansas City	251	15,016,397	-	750,023	5.0%	314,599	16,385	-	-	-	\$3.73
KCI	66	7,259,453	-	435,156	6.0%	695,537	885,907	983,834	542,640	542,640	\$4.39
Riverside	57	5,819,681	-	405,604	7.0%	-3,216	115,619	207,752	-	-	\$4.79
Other Northland	87	17,269,996	50,314	673,781	4.2%	-40,530	317,342	741,000	-	-	\$5.18
Cass County	12	752,515	-	-	0	0	-	-	-	-	n/a
<b>Kansas City Totals</b>	<b>2,865</b>	<b>231,711,157</b>	<b>362,182</b>	<b>12,560,839</b>	<b>5.6%</b>	<b>1,896,148</b>	<b>4,869,217</b>	<b>7,944,821</b>	<b>2,400,596</b>	<b>4,087,859</b>	<b>\$4.25</b>

	Total Bldgs	Inventory	Sublet Vacant	Direct Vacant	Overall Vacancy Rate	Current Qtr Overall Absn	YTD Overall Absn	Under Construction	Current Qtr Construction	YTD Construction	Overall Weighted Average Net Rents
Bulk Distribution & Warehouse	760	110,495,170	261,536	6,678,232	6.3%	2,304,918	3,922,439	7,425,821	2,400,596	3,537,984	\$4.19
Office/Warehouse	750	19,797,807	87,238	1,398,779	7.5%	-240,096	-29,768	0	-	56,650	\$7.32
Flex/R&D	155	5,300,353	13,408	325,358	6.4%	-51,626	-14,935	19,000	-	68,225	\$9.62
Manufacturing	1,188	68,354,396	0	1,846,111	2.7%	-106,832	553,545	500,000	-	425,000	\$3.98
Underground	12	27,763,431	0	2,312,359	8.3%	-10,216	437,936	0	-	0	\$3.23

FX = Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

## KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Southview Commerce Center II	Jackson County	Boxy Charm	575,000	New Lease
Liberty Logistics Center	Northland	Kenco Logistics	325,800	New Lease
Midwest Gateway 1	Johnson County	Bayer	301,603	New Lease
Turner Logistics Center	Wyandotte County	Harte-Hanks	296,941	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	TYPE
301 E Donovan	Wyandotte County	Kansas Income Properties/Tritz Holding	148,580	Investor
7910 Hedge Lane Terrace	Johnson County	City of Shawnee/Serta Simmons Bedding	129,425	Owner-User
14320 W 101st Terrace	Johnson County	C3 Development/New Century Partners	99,167	Investor
1400 Kansas Avenue	Jackson County	Pack Louis/Prism Real Estate Services	66,706	Investor

