

4.9%
Vacancy Rate

8.3 MSF
YTD Net Absorption

\$4.31
Asking Rent, PSF

Overall, Net Asking Rent

**ECONOMIC INDICATORS
Q4 2020**

1,057.3K
Kansas City
Employment

4.9%
Kansas City
Unemployment
Rate

6.7%
U.S.
Unemployment
Rate

*Source: BLS, Moody's Analytics
2020Q4 data are based on
latest available data*

ECONOMY

The year 2020 has ended, and it is a year that will be remembered for generations. By the middle of March, it had become clear that the Kansas City community, the US economy, and the entire world was facing a challenge unlike anything that had been seen in a century. Fear and uncertainty set in, and by June no one had a firm sense of what lay ahead.

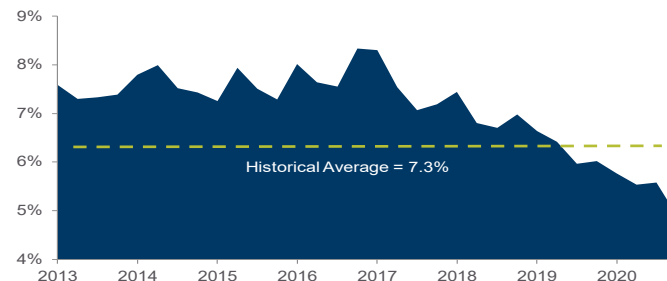
Kansas City's experience with the COVID pandemic was roughly in line with most other urban markets throughout the United States. A complete disruption of day-to-day life and an unprecedented rise in unemployment created a spring and summer where people were attempting to adjust to daily routines and challenges that a year ago could have never been imagined. In the office market, buildings sat empty, some tenants put space back on the market, and there were discussions about what the long-term future of offices would be. On the industrial side, a shift in consumer behaviors accelerated the already strong demand for ecommerce and high-speed logistics capabilities. Companies that had drawn up 2020 through 2023 ecommerce infrastructure buildout strategies quickly switched to "right now" timelines.

Through it all, Kansas City saw local businesses struggle with uncertainty on a day-to-day basis, office users adapt on the fly to remote working, and many industrial users race to bring new projects online as fast as possible while navigating new protocols. Of course, all of this happened as people struggled with illness, fear, uncertainty, and the loss of loved ones. The Kansas City commercial real estate market was forced to navigate these challenges as well, and it now looks ahead to the lasting changes brought about by 2020.

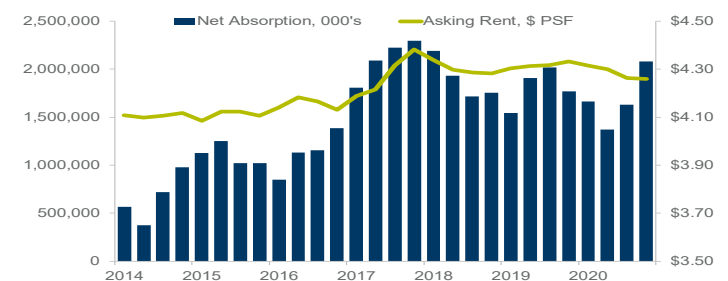
MARKET OVERVIEW

Since at least the middle of the last decade, Kansas City's industrial market has been expanding at a rapid rate. The absorption of 9.2 million square feet (msf) of space in 2017 firmly established the market as one of the strongest and fastest growing in the country. Over the three years that followed, the market averaged 7.5 msf of absorption. During that time period, the vacancy rate dropped every single year, falling from 8.3% at the start of 2017 to 4.9% at the end of 2020.

OVERALL VACANCY



NET ABSORPTION/ASKING RENT



Over the last four years, Kansas City has delivered an average of 6.5 msf of new space per-year. But as the steady fall in vacancy rate illustrates, the market has not been delivering space fast enough to keep up with demand. As 2020 came to a close, Cushman & Wakefield research reported 9.7 msf of space under construction throughout the market, the highest total on record by a significant margin (this total does not include an approximately 1.8 msf build-to-suit project in Topeka for Walmart). Almost exactly two-thirds of the space under construction in the Kansas City market at year-end was speculative (66.3%), with one-third build-to-suit (BTS). For warehouse space, all of the BTS projects are 800,000 sf or larger, while a specialized 500,000 sf food-handling facility is also being built.

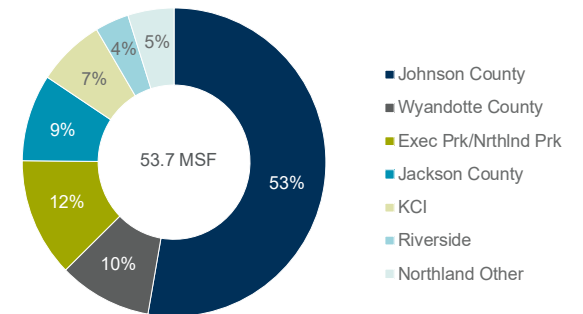
Current speculative projects are designed meet a variety of needs. Smaller buildings (75,000 sf to 135,000 sf) can be found near downtown and inside Interstate 435 in Johnson County, while at LPKC work has started on the largest speculative building ever in Kansas City, which will total more than 1.0 msf. At the end of 2020 there were 17 speculative warehouses under construction with an average size of 379,000 sf and a mean of 298,000 sf. The large number of options provides a range of solutions, with infill positioned sites such as Turner Logistics Center and Blue River Commerce Center focused on providing last-mile delivery capabilities to ecommerce tenants while larger buildings at I-35 Logistics Center in Johnson County and Congress Logistics Center in the KCI submarket offer companies move-in ready modern distribution space of half-a-million square feet or more.

Along with attracting tenants to sign leases, the market has been successful in attracting investors looking to own properties as well. Late in the year, Melaleuca, an ecommerce retailer, manufacturer, and distributor of nutritional, pharmaceutical, and personal wares products, completed the purchase of the former Harley-Davidson assembly plant in the KCI submarket. The building, which was vacant for just over a year after Harley-Davidson ceased operations in 2019, was kept in excellent condition and was a unique asset that offered the opportunity to bring a major manufacturing operation online quickly and without undertaking major upgrades.

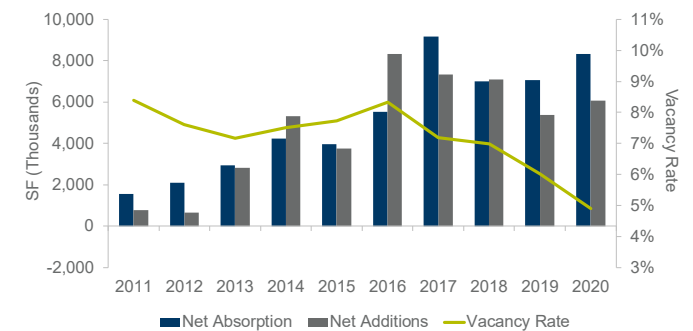
Outlook

- Absorption will continue to be high, with scheduled BTS completions and pre-leased space already totaling 2.4 msf for Kansas City in 2021.
- While Johnson County has been the primary driver of the ongoing expansion and will see continued development, speculative projects are also underway in the Jackson County, Northland Park, Wyandotte County, KCI, and Northland submarkets as well.
- Demand for modern distribution space at infill sites will be a major driver of industrial absorption.

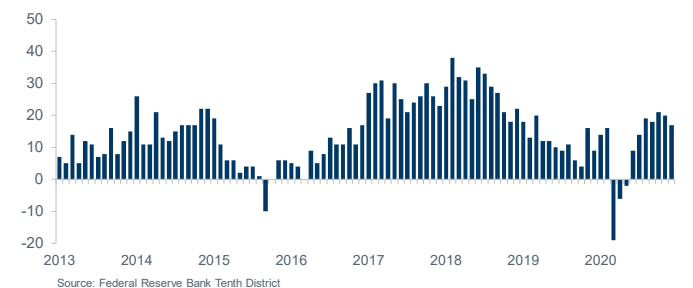
BULK DISTRIBUTION BY SUBMARKET



NET ADDITIONS, ABSORPTION & VACANCY



FEDERAL RESERVE 10TH DISTRICT MFG SURVEY



Industrial Q4 2020

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	188,116	3,137,090	4.4%	1,939,846	3,711,173	3,306,345	-	1,588,756	\$6.51
Wyandotte County	391	32,596,125	34,608	1,214,657	3.8%	288,205	495,438	2,953,642	406,000	406,000	\$4.03
Executive Park / Northland Park	186	18,927,944	39,900	594,483	3.4%	360,962	1,010,051	815,074	274,730	1,162,968	\$4.61
Jackson County	831	59,065,140	50,537	2,943,661	5.1%	121,439	1,403,123	1,608,323	-	1,068,225	\$3.35
North Kansas City	251	15,016,397	-	447,269	3.0%	268,994	285,379	-	-	-	\$3.83
KCI	67	7,608,943	-	714,246	9.4%	70,400	956,307	850,344	349,490	892,130	\$4.39
Riverside	58	6,027,433	-	598,694	9.9%	14,662	130,281	-	207,752	207,752	\$4.88
Other Northland	88	18,010,996	-	1,458,241	8.1%	6,854	324,196	181,321	741,000	741,000	\$5.18
Cass County	12	752,515	-	-	0	0	-	-	-	-	n/a
Kansas City Totals	2,870	233,690,129	313,161	11,108,341	4.9%	3,071,362	8,315,948	9,715,049	1,978,972	6,066,831	\$4.31

	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	765	112,474,142	211,222	5,624,958	5.2%	2,825,019	6,971,239	9,196,049	1,978,972	5,516,956	\$4.37
Office/Warehouse	750	19,797,807	83,412	1,367,938	7.3%	13,303	4,899	0	-	56,650	\$7.16
Flex/R&D	155	5,300,353	18,527	568,368	11.1%	-248,129	-263,064	19,000	-	68,225	\$9.97
Manufacturing	1,188	68,354,396	0	1,204,885	1.8%	511,002	1,194,771	500,000	-	425,000	\$3.95
Underground	12	27,763,431	0	2,342,192	8.4%	-29,833	408,103	0	-	0	\$3.23

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

KEY LEASE TRANSACTIONS Q4 2020

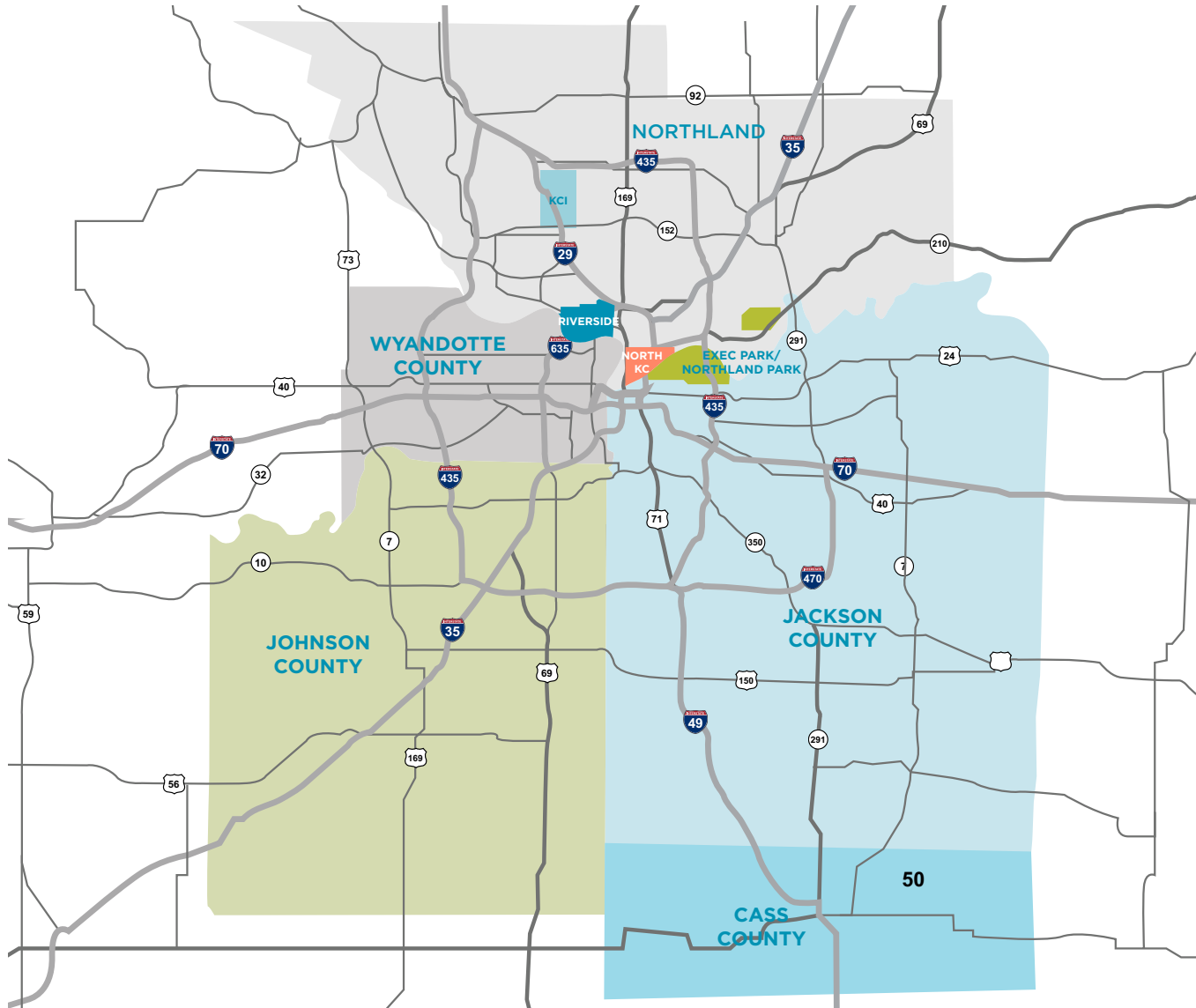
PROPERTY	SUBMARKET	TENANT	SF	TYPE
9700 Leavenworth	Wyandotte County	Specialized Ecommerce Center	1,077,416	BTS Lease
Inland Port VII	Johnson County	Gatorade	952,956	New Lease
Lone Elm 716	Johnson County	Accelerate 360	455,220	New Lease
Turner Logistics Center III	Wyandotte County	Plastic Packaging Technologies	130,326	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	TYPE
I-35 Logistics Park Buildings B & C	Johnson County	Sun Life Insurance/MDH	1,388,778	Investor
11401 N Congress	KCI	Harley-Davidson/Melaleuca	507,729	Owner-User
19968 W 157th Street	Johnson County	BR Capital/Foley Industries	33,402	Owner-User
3150 Dodge Road	Wyandotte County	Bean Properties/Double Down Holdings	32,800	Investor

INDUSTRIAL SUBMARKETS



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