

	YoY Chg	12-Mo. Forecast
5.3% Vacancy Rate	▼	▬
1.7 MSF YTD Net Absorption	▼	▲
\$4.46 Asking Rent, PSF	▲	▬

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
1,075.8K Kansas City Employment	▲	▲
4.5% Kansas City Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics
2021Q2 data are based on latest available data

ECONOMY

At the midway point of 2021, the Kansas City commercial real estate market was in many ways a microcosm of the larger, national economy. Some sectors, such as the Industrial market, were moving forward at such a rapid pace that demand created an unprecedented level of new construction. Other areas, such as the Office market, were emerging from the global pandemic and beginning to navigate a path forward, with most tenants still in the process of returning workers to offices but also multiple new leases signed indicating the traditional office will be a key component of the American economy going forward. While the pain and shock from 2020 is evident, there are encouraging signs that the foundation of the local economy has survived and will support future growth.

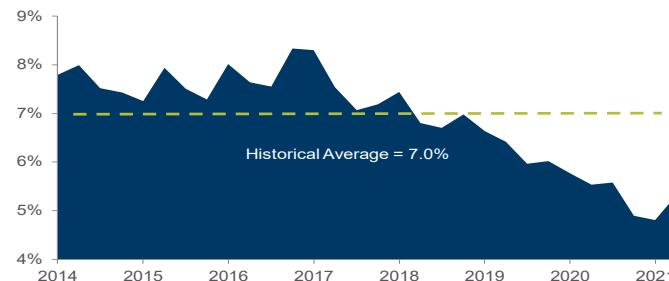
The single most important metric for commercial real estate is total employment, and in that area Kansas City has shown strength. From February to April of 2020, every region of the country saw a substantial drop in jobs, but Kansas City has recovered jobs at a much faster rate than the nation as a whole. By May 2021 (the most recent month for which data from the Bureau Labor Statistics is available), Kansas City had reached 97.4% of the February 2020 employment number, while the national average was 95.0%. This resilience bodes well for the both the Kansas City commercial real estate market and the entire community.

MARKET OVERVIEW

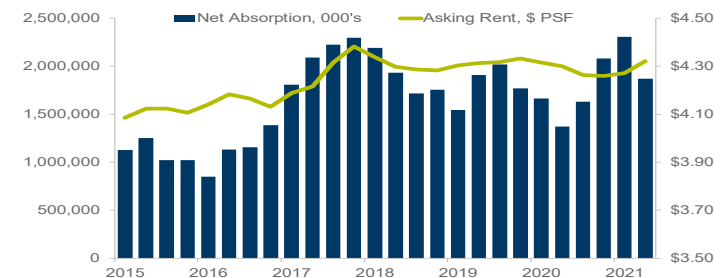
Since 2017, the Kansas City Industrial market has been one of the strongest and fastest growing markets in the county. New space has been added at a record pace, with total inventory increasing by 14.1% during that time while the vacancy rate fell 299 basis points. As the market has delivered new speculative construction, the space has been rapidly absorbed by both local and national tenants while build-to-suit projects have continued to grow in importance.

Even with space being added to the market on a continuous basis, the vacancy rate for Kansas City dropped to 4.8% in the first quarter of 2021, the lowest on record according to Cushman & Wakefield research. The vacancy rate for Modern

OVERALL VACANCY



NET ABSORPTION/ASKING RENT



Distribution, the product type that has driven the expansion, fell to just 4.5%. Even with all the construction, the supply of new product was not keeping up with demand. In part because of how tight the market was, absorption for the first six months of the year was “just” 2.3 million square feet (msf), with only 456,000 square feet (sf) coming in the second quarter.

That is not to say it was an uneventful six months or even a quiet second quarter—quite the opposite. At the midway point of 2020, the Northland submarket surrounding Liberty had a total warehouse inventory (all classes) of just 4.4 msf. In the second quarter of 2021, the same submarket saw 2.0 msf of warehouse leasing activity, with work getting started on three separate build-to-suit projects totaling 1.5 msf. Following the success of Northland Park, which as been built out over the past few years and at the end of the second quarter had 4.0 msf of Modern Distribution space with a vacancy rate of just 2.6% and no availabilities of more than 60,000 sf, the Northland area around Liberty appears to be the next part of the metro to see a surge of high-demand industrial space.

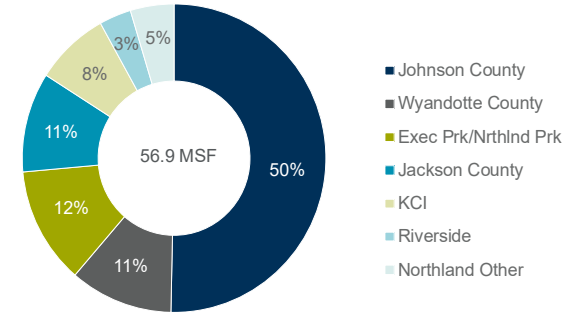
Wyandotte County will challenge the Northland for that title, as it ended the first half of 2021 with 3.6 msf of space under construction, the highest total of any submarket in Kansas City. Additionally, 45.6% of that space is either build-to-suit or preleased, illustrating the existing demand already in place. New development set a record high at mid-year 2021, with 13.4 msf of space under construction around Kansas City, and the distribution of that development shows how healthy the overall market it is and how optimistic investors are about Kansas City’s prospects. Both Wyandotte County and Johnson County reported over 3.5 msf of space under construction, while the Northland had 2.6 msf and Jackson County had 2.0 msf.

Kansas City will see absorption accelerate as new space is delivered during the second half of the year. The first six months of 2021 saw 7.2 msf of new leasing activity, compared to 5.4 msf over the same time in 2020. Of space under construction at mid-year, 9.4 msf was speculative, but such development is warranted following vacancy rates dropping as low as they did. Additionally, the rapid pace of development means some potential tenants may consider purchasing new buildings as opposed to signing leases.

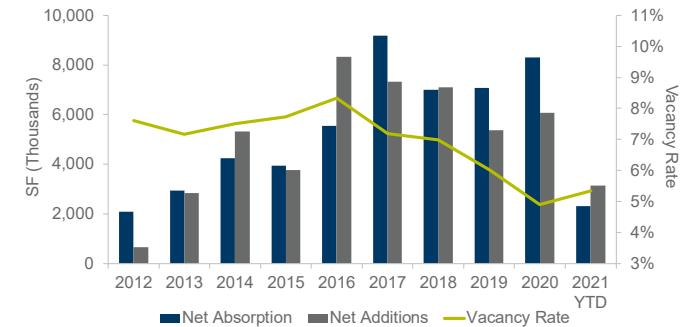
Outlook

- The delivery of build-to-suit and pre-leased buildings in the second half the year will drive absorption to the 7.0 msf to 9.0 msf level of the past few years.
- While new leasing activity remains the primary driver of demand, users will look for opportunities to purchase recently completed speculative buildings.
- Recent employment numbers from the Bureau of Labor Statistics indicate the Kansas City labor force is rapidly growing, which will alleviate concerns over staffing and hiring.

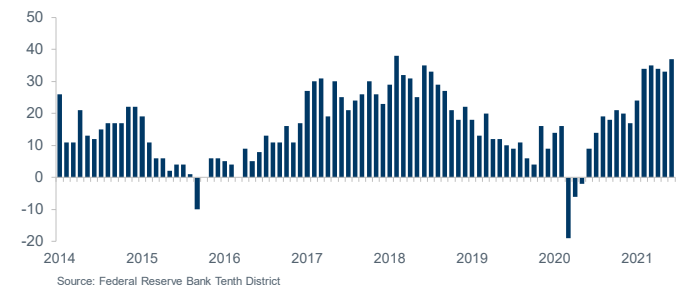
BULK DISTRIBUTION BY SUBMARKET



NET ADDITIONS, ABSORPTION & VACANCY



FEDERAL RESERVE 10TH DISTRICT MFG SURVEY



Industrial Q2 2021

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	992	76,275,518	8,076	3,636,307	4.8%	-313,551	198,305	3,585,703	59,000	590,882	\$6.37
Wyandotte County	394	33,592,097	-	1,786,773	5.3%	389,159	457,164	3,617,638	919,090	995,972	\$4.19
Executive Park / Northland Park	188	19,360,679	-	953,268	4.9%	419,530	77,570	896,914	396,455	396,455	\$4.68
Jackson County	833	60,108,493	131,100	3,275,449	5.7%	-338,993	631,002	1,952,511	-	1,043,353	\$3.42
North Kansas City	251	15,016,397	101,743	607,902	4.7%	-124,204	(262,376)	-	-	-	\$3.19
KCI	69	8,263,287	-	1,148,889	13.9%	-113,030	199,701	676,000	634,344	634,344	\$5.86
Riverside	58	6,027,433	5,000	410,824	6.9%	98,827	182,870	-	-	-	\$4.96
Other Northland	88	18,010,996	-	618,381	3.4%	438,730	839,860	2,629,800	-	-	\$5.18
Cass County	12	752,515	-	-	0	0	-	-	-	-	n/a
Kansas City Totals	2,885	237,407,415	245,919	12,437,793	5.3%	456,468	2,324,096	13,358,566	2,008,889	3,661,006	\$4.46

	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	777	116,077,148	231,743	7,224,273	6.4%	277,468	1,963,170	12,788,866	1,949,889	3,583,006	\$4.44
Office/Warehouse	752	19,856,807	10,014	1,431,937	7.3%	-88,397	-1,182	69,700	59,000	59,000	\$6.93
Flex/R&D	156	5,319,353	3,062	498,438	9.4%	22,306	99,276	0	-	19,000	\$9.04
Manufacturing	1,188	68,390,676	1,100	1,179,413	1.7%	59,961	24,372	500,000	-	0	\$4.13
Underground	12	27,763,431	0	2,103,732	7.6%	185,130	238,460	0	-	0	\$3.23

KEY LEASE TRANSACTIONS Q2 2021

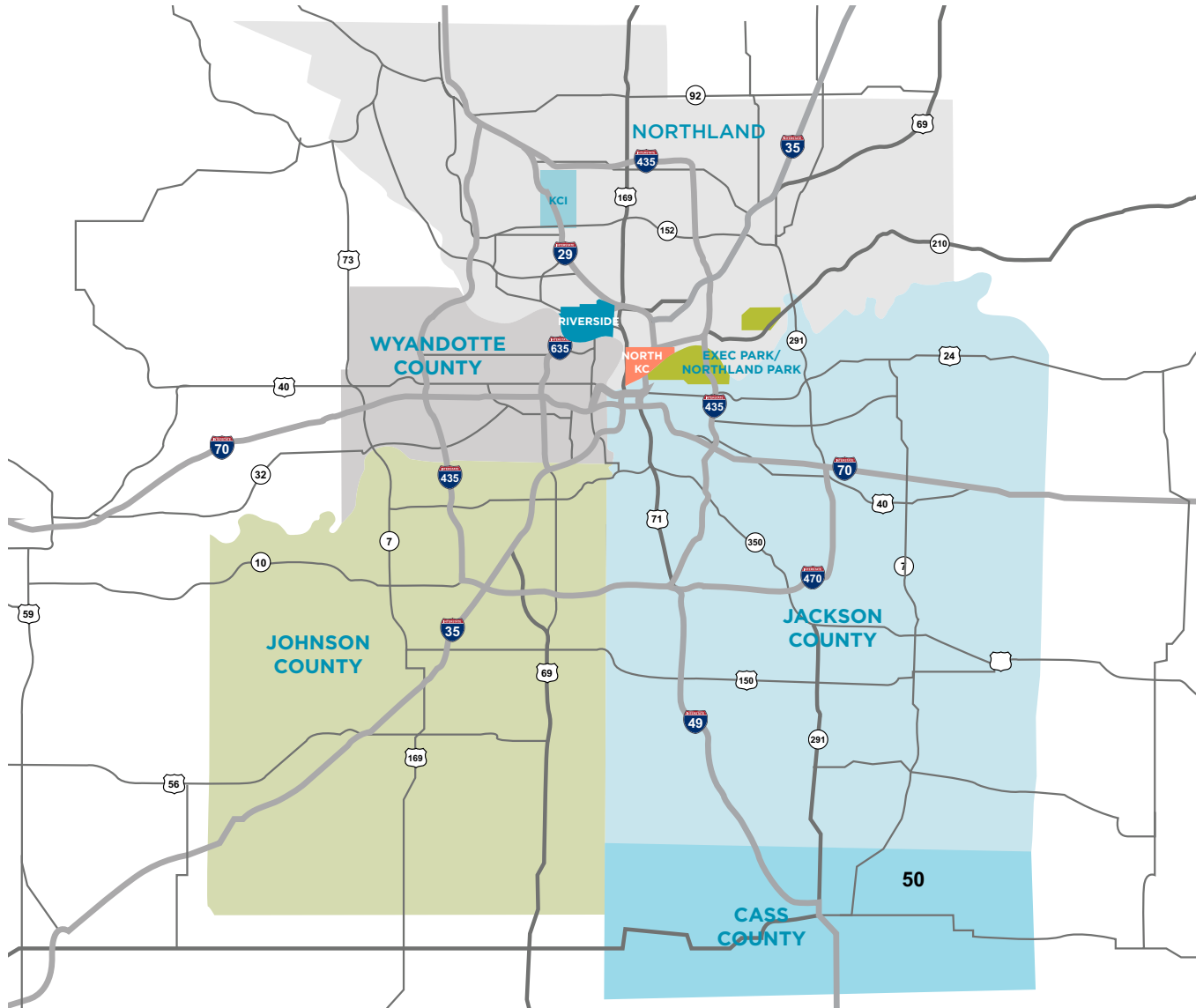
PROPERTY	SUBMARKET	TENANT	SF	TYPE
Liberty Commerce Center VII	Northland	E-commerce Tenant	517,000	BTS Lease
Liberty Commerce Center VI	Northland	Ford Motor Company	513,432	BTS Lease
Liberty Commerce Center V	Northland	Ford Motor Company	462,472	BTS Lease
Turner Logistics Center III	Wyandotte County	Eiko Global	101,369	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	TYPE
Liberty Logistics Center	Northland	Lane 4/New Street Properties	741,000	Investor
Renner Corporate Center Portfolio	Johnson County	MEPT/SparrowHawk	226,009	Investor
Lone Elm Commer Center 1	Johnson County	Heise Meyer/Sealy	210,000	Investor
9960 Lakeview	Johnson County	Becknell/Raith Capital Patners	77,064	Investor

INDUSTRIAL SUBMARKETS



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