

	YoY Chg	12-Mo. Forecast
<b>4.6%</b> Vacancy Rate	▼	■
<b>9.0 MSF</b> YTD Net Absorption	▲	■
<b>\$4.43</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
<b>1,097.9K</b> Kansas City Employment	▲	▲
<b>3.7%</b> Kansas City Unemployment Rate	▼	▲
<b>4.2%</b> U.S. Unemployment Rate	▼	▼

*Source: BLS, Moody's Analytics  
2021Q4 data are based on latest available data*

### ECONOMY

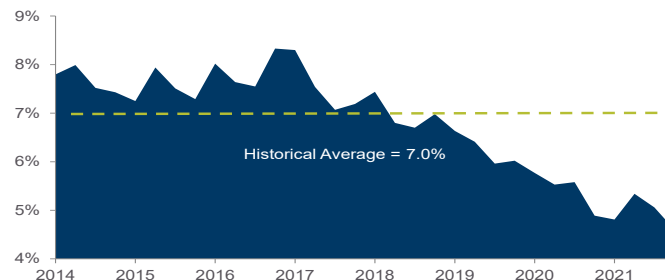
The Kansas City commercial real estate market followed a steady trend through the end of 2021, as the local industrial market remained one of the strongest in the country while the office market continued to deal with the challenges faced across the country although there were some encouraging trends in the second half of the year. For the industrial sector, absorption topped 7.0 million square feet (msf) for the fifth straight year and at the end of the fourth quarter the amount of space under construction was just below the record set earlier in the year. In the office sector, negative absorption continued as occupiers dealt with a drawn-out pandemic situation that was exacerbated by continuing postponements and delays for companies looking to implement return-to-office plans. On the positive side for office, the latter half of the year saw signs of a flight-to-quality and increased demand for Class A product.

Throughout the recovery that started when the US began to emerge from the COVID-19 pandemic, much of the focus has been on labor figures. After an unprecedented number of jobs were lost from March through May in 2019, a huge question for the country as a whole and for each individual market was how quickly those jobs would return. According to the most recent figures available from the Bureau of Labor Statistics, Kansas City has reached 99.4% of its pre-pandemic level of jobs. Nationally, the figure is 97.4%. There is much to be learned regarding the lasting impact of the previous 24 months on commercial real estate and all aspects of the US economy, but a healthy labor market is one of the strongest indicators of the economic health of a community.

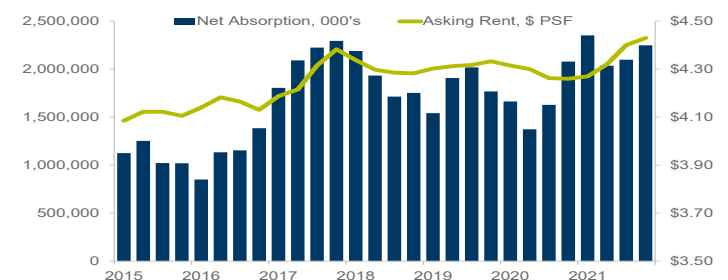
### MARKET OVERVIEW

Kansas City's industrial market has firmly established itself as one of the strongest and most important in the country. Prior to start of the current industrial boom that has been taking place both locally and around the US, 4.0 million square feet (msf) of absorption was considered a very strong year. Average annual absorption from 2017-2021 totaled just over 8.1 msf. Centrally located with an unparalleled network of railways and interstates, Kansas City has emerged as one of the most important logistics hubs in North America and all signs point to continued expansion.

### OVERALL VACANCY



### NET ABSORPTION/ASKING RENT



At various points during this expansion there have been some who questioned if Kansas City had peaked or if enthusiasm for speculative industrial development was being overblown. The strong leasing and absorption numbers have repeatedly exhibited that there is still ample demand for top-tier industrial space in the market and a detailed review of year-end statistics show signs that if anything, supply is struggling to keep up with demand. The most obvious point is that despite adding just over 43.0 msf of inventory since the start of 2016 the vacancy rate for the market has dropped 312 basis points (bps) since then and ended 2021 at an all-time low of 4.6%.

The amount of space under construction at year-end was 5.3% of the total market inventory. This is higher than the national rate, where the amount of space under construction is 3.5% of inventory, but it falls well short of some other rapidly expanding markets. In Indianapolis, the number was over 9.0%. Additionally, 42.7% of the space under construction in Kansas City is build-to-suit or has been pre-leased. Even the low vacancy rate may be a bit misleading, with 22.6% of all Bulk Distribution vacancy located in a single speculative building that just delivered at the end of the year.

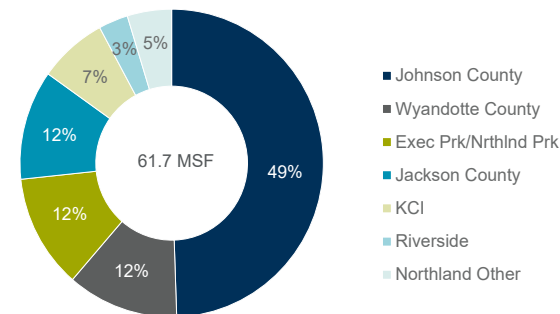
Statistics from older, Class B Warehouse space further demonstrate how tight space has become. Absorption for Class B Warehouse space over the past two years was 2.0 msf while the vacancy rate dropped 483 bps to just 2.8%. Some tenants are relocating to newer space, but speculative construction has not simply cannibalized existing tenants. Demand for industrial space of all types remains strong and the question now is how much space is needed to satisfy that demand.

One metric in the Kansas City market that has not seen a great deal of movement over the past few years has been asking rates. At the end of 2018, the weighted-average asking rate was \$4.26 per-square-foot (psf), and at year-end 2021 it had risen to just \$4.43. However, that figure is skewed as the newest—and therefore most expensive—space is rapidly leased up. A more accurate reflection of rate growth in the market can be found by comparing just the rates of Bulk Distribution and Warehouse space, where asking rates have gone from \$3.95 psf to \$4.59 psf.

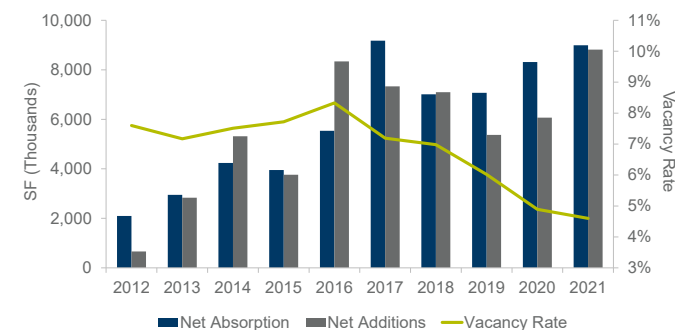
### Outlook

- Asking rates will see an increase over the next several quarters as the costs of supplies and labor are reflected in newly delivered buildings.
- The success of the market will remain geographically spread across the metro area, although the Johnson County submarket will reassert itself as new speculative space is delivered.
- New investors will continue to be attracted to Kansas City as the market strengthens its position as one of the premier logistics hubs in the country.

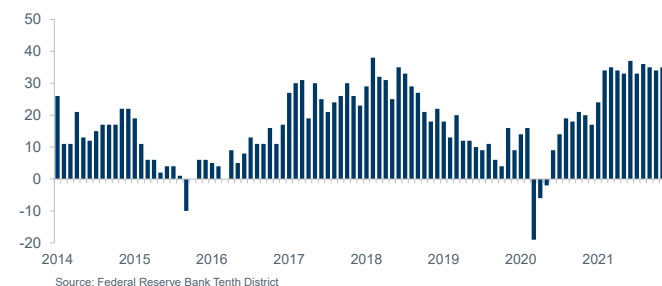
### BULK DISTRIBUTION BY SUBMARKET



### 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	997	78,265,689	114,155	4,569,883	6.0%	726,890	1,063,819	2,471,464	1,281,546	2,496,051	\$5.23
Wyandotte County	395	34,669,513	-	1,294,117	3.7%	53,027	2,027,236	1,476,065	-	2,073,388	\$4.75
Executive Park / Northland Park	189	19,779,390	-	740,582	3.7%	740,148	708,967	478,295	418,619	815,166	\$4.61
Jackson County	835	61,258,283	-	2,174,583	3.5%	1,370,471	3,012,758	3,602,582	584,820	2,193,143	\$3.94
North Kansas City	251	15,016,397	35,608	408,928	3.0%	229,506	2,733	-	-	-	\$4.10
KCI	69	8,263,287	-	446,638	5.4%	-4,480	901,952	676,000	-	634,344	\$5.24
Riverside	59	6,177,433	10,900	213,378	3.6%	51,685	524,416	-	-	150,000	\$4.94
Other Northland	90	18,464,317	50,313	1,110,538	6.3%	149,194	750,711	4,074,781	272,000	453,321	\$4.65
Cass County	12	752,515	-	-	0.0%	0	-	-	-	-	n/a
<b>Kansas City Totals</b>	<b>2,897</b>	<b>242,646,824</b>	<b>210,976</b>	<b>10,958,647</b>	<b>4.6%</b>	<b>3,316,441</b>	<b>8,992,592</b>	<b>12,779,187</b>	<b>2,556,985</b>	<b>8,815,413</b>	<b>\$4.43</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	787	121,282,557	186,062	6,492,309	5.5%	2,703,685	7,878,222	12,198,064	2,556,985	8,720,413	\$4.59
Office/Warehouse	754	19,890,807	14,014	1,054,088	5.4%	369,556	389,667	59,123	-	76,000	\$7.01
Flex/R&D	156	5,319,353	-	441,382	8.3%	69,398	159,394	22,000	-	19,000	\$9.94
Manufacturing	1,188	68,390,676	10,900	998,261	1.5%	54,700	195,724	500,000	-	0	\$3.68
Underground	12	27,763,431	0	1,972,607	7.1%	119,102	369,585	0	-	0	\$3.14

## KEY LEASE TRANSACTIONS Q4 2021

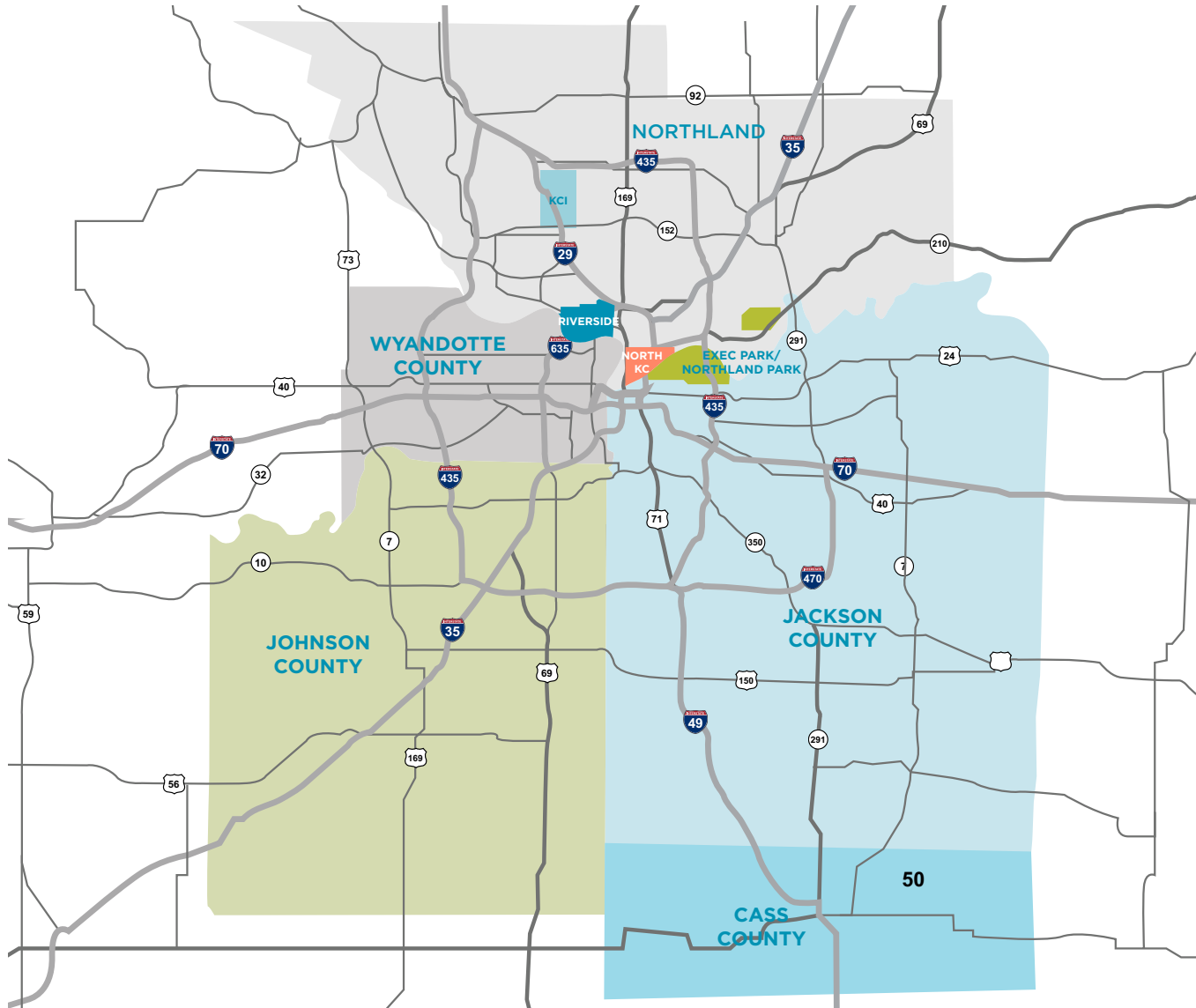
PROPERTY	SUBMARKET	TENANT	SF	TYPE
NE Tyler Road and I-70	Jackson County	Pepsi	584,820	New Lease
Blue River Commerce Center IV	Jackson County	ALPLA	246,349	New Lease
Blue River Commerce Center I	Jackson County	Nautical Fulfillment and Logistics	186,502	New Lease
1601 Saint Louis Avenue	Jackson County	Ball Foods	120,000	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	TYPE
Industrial Portfolio	Multiple	Blackstone / Ascendas REIT	2,100,000	Investor
JC Penney Distribution Center	Johnson County	JC Penney / NIPP	2,070,160	Investor
Lone Elm 716	Johnson County	Exeter Property Group / GIC	716,040	Investor
1450 S Lone Elm	Johnson County	Gerson Company / Spirit Realy Capital	503,700	Investor

INDUSTRIAL SUBMARKETS



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