

	YoY Chg	12-Mo. Forecast
4.6% Vacancy Rate	▲	▲
1.9 MSF YTD Net Absorption	▲	▲
\$4.34 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
1,081.7K Kansas City Employment	▲	▲
3.5% Kansas City Unemployment Rate	▼	—
3.6% U.S. Unemployment Rate	▼	▼

*Source: BLS, Moody's Analytics
2022Q1 data are based on latest available data*

ECONOMY

For two straight years, the primary concern for all aspects of commercial real estate was a global pandemic but in the first quarter of 2022 that began to fade into the past and a new challenge emerged. Inflation—which had more or less been dormant for two decades—became the primary economic focus along with questions regarding how the Federal Reserve would respond. However, these are long-term issues and they had no obvious impact on the Kansas City commercial real estate market during the first quarter.

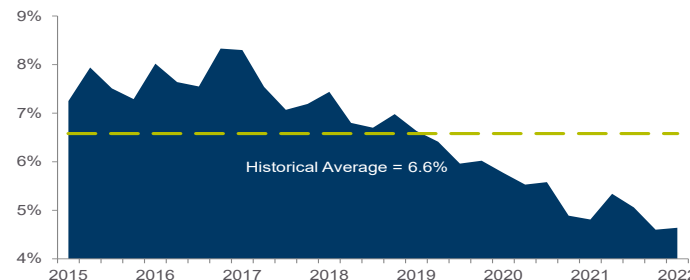
The local industrial market remained one of the strongest in the country with solid first quarter numbers in both absorption and leasing while the office market saw another large total of negative absorption, with one tenant in particular accounting for a substantial portion of it. Yet despite the negative statistics related to office space there are a number of encouraging signs that the Kansas City office market is beginning to push through into the new, post-pandemic world and there is no indication that demand for industrial space in and around Kansas City will slow anytime soon. The local unemployment rate for the first quarter was just 3.5% and while low unemployment has historically been viewed as a positive, one of the primary challenges facing businesses right now is securing workers.

MARKET OVERVIEW

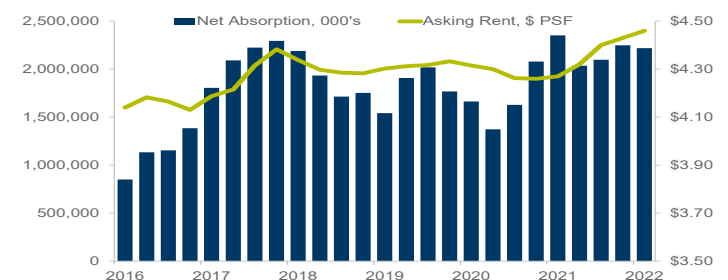
Kansas City's industrial market has re-positioned itself over the past five years to a whole new tier, and the 1.9 million square feet (msf) of absorption in the first quarter of 2022 can accurately be described as “about average.” It was the sixth straight quarter where the rolling four-quarter average topped 2.0 msf and the new reality is 8.0 msf of annual absorption is in line with expectations. Not long ago, half that total would have been a banner year.

The velocity of the Kansas City market is now measured as much by space under construction as it is by actual absorption. A graph showing the recent history of the market's vacancy rate demonstrates that despite an annual average of 7.2 msf of new space being delivered over the past six years, new supply is not keeping up with demand. Over that same period the vacancy rate has dropped 265 basis points (bps) and remains near a historic low. Last year

OVERALL VACANCY



NET ABSORPTION/ASKING RENT



saw a new record for deliveries, surpassing the previous total by 500,000 square feet (sf), and even then, the vacancy rate fell 29 bps. At the end of the first quarter, 43.1% of all vacant space in the Kansas City market was in Underground or in buildings that were delivered in the last two quarters.

At any single moment, the amount of space under construction can be misleading as buildings are started and completed at different times and not all projects take the same amount of time to complete. However, from 2017 through 2020, the average amount of space under construction at the end of each quarter was 5.7 msf, with the last quarter of 2020 (9.7 msf) the only time the reported total reached even 8.0 msf. In 2021, the average amount of space under construction at the end of each quarter was 12.2 msf, with the first quarter total of 10.1 msf the lowest of the year. At the end of the first quarter of 2022, the total was 10.7 msf. The pace of new development has greatly accelerated over the past 18 to 24 months to finally match the demand that has existed for at least five years.

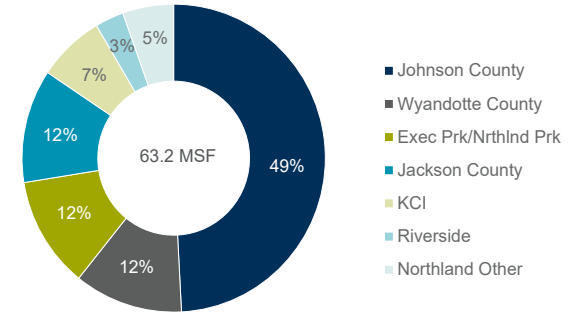
Over the short-term, absorption in the Kansas City market will remain strong. Of the roughly 10.0 msf of space scheduled to deliver over the last three quarters of 2022, 48.1% of that space is either build-to-suit (BTS) or preleased. The first quarter saw solid leasing activity of 2.9 msf (excluding renewals), essentially right in line with both the third and fourth quarter of 2021. It might be possible that the Kansas City market has reached a status of “mature” where the amount of space under construction is roughly in line with the demand, but space remains tight. There are no data points to indicate the local market is slowing or beginning to see excess supply.

In terms of future development, projects around the metro area that have either been proposed or are in planning stages should support expansion through 2023, but there have been concerns about land for industrial development beyond then. While there will continue to be demand for infill spaces, a large purchase of land near the KCI airport and existing land tracts in Johnson County at Logistics Park Kansas City will provide some options. Additionally, NorthPoint Development is working on a project in eastern Jackson County that could eventually total 26 buildings and as much as 10.0 msf.

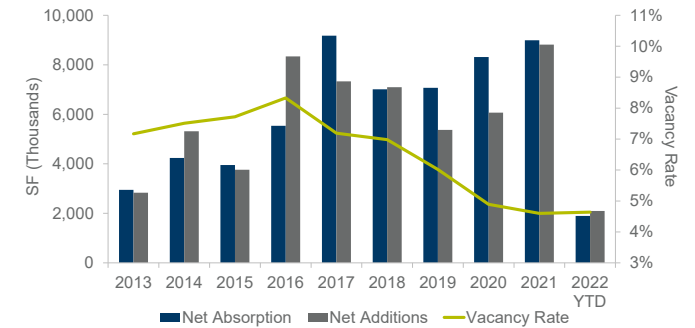
Outlook

- Many landlords have stopped publishing asking rates, and as a result effective rates for completed deals may grow at a faster pace than what average market asking rates show throughout 2022.
- Absorption in 2022 will be led by the Northland, where 3.4 msf of space set to deliver this year is either BTS or already pre-leased.
- Western Johnson County has been identified as one of two finalists for a massive high-tech manufacturing facility, with a decision expected this year.

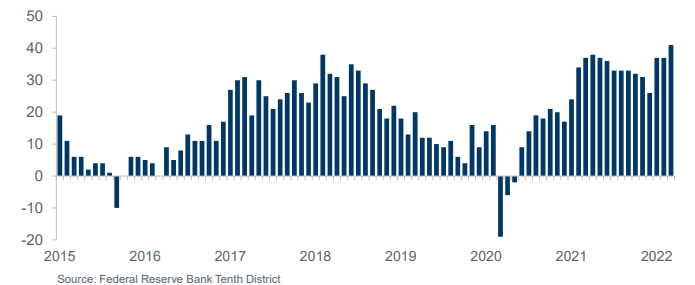
BULK DISTRIBUTION BY SUBMARKET



NET ADDITIONS, ABSORPTION & VACANCY



FEDERAL RESERVE 10TH DISTRICT MFG SURVEY



Industrial Q1 2022

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	1,002	79,411,284	75,534	4,928,485	6.3%	825,614	825,614	1,459,454	1,145,595	1,145,595	\$6.23
Wyandotte County	395	34,669,513	-	1,065,921	3.1%	228,196	228,196	1,476,065	-	-	\$4.84
Executive Park / Northland Park	189	19,779,390	-	711,127	3.6%	29,455	29,455	478,295	-	-	\$4.51
Jackson County	836	61,694,404	-	2,316,622	3.8%	294,082	294,082	3,013,661	436,121	436,121	\$3.28
North Kansas City	251	15,016,397	35,608	277,219	2.1%	125,709	125,709	-	-	-	\$3.95
KCI	69	8,263,287	-	422,912	5.1%	23,726	23,726	676,000	-	-	\$5.70
Riverside	59	6,177,433	10,900	231,648	3.9%	-18,270	(18,270)	-	-	-	\$5.35
Other Northland	91	18,981,317	-	1,288,598	6.8%	389,253	389,253	3,557,781	517,000	517,000	\$3.95
Cass County	12	752,515	-	-	0.0%	-	-	-	-	-	n/a
Kansas City Totals	2,904	244,745,540	122,042	11,242,532	4.6%	1,897,765	1,897,765	10,661,256	2,098,716	2,098,716	\$4.34

	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	790	122,800,848	98,142	7,138,361	5.9%	954,159	954,159	10,539,133	1,518,291	1,518,291	\$4.59
Office/Warehouse	756	19,949,232	13,000	861,197	4.4%	252,330	252,330	122,123	58,425	58,425	\$7.18
Flex/R&D	157	5,341,353	-	474,471	8.9%	-11,089	-11,089	0	22,000	22,000	\$9.95
Manufacturing	1,189	68,890,676	10,900	980,393	1.4%	517,868	517,868	0	500,000	500,000	\$2.95
Underground	12	27,763,431	0	1,788,110	6.4%	184,497	184,497	0	0	0	\$3.14

KEY LEASE TRANSACTIONS Q1 2022

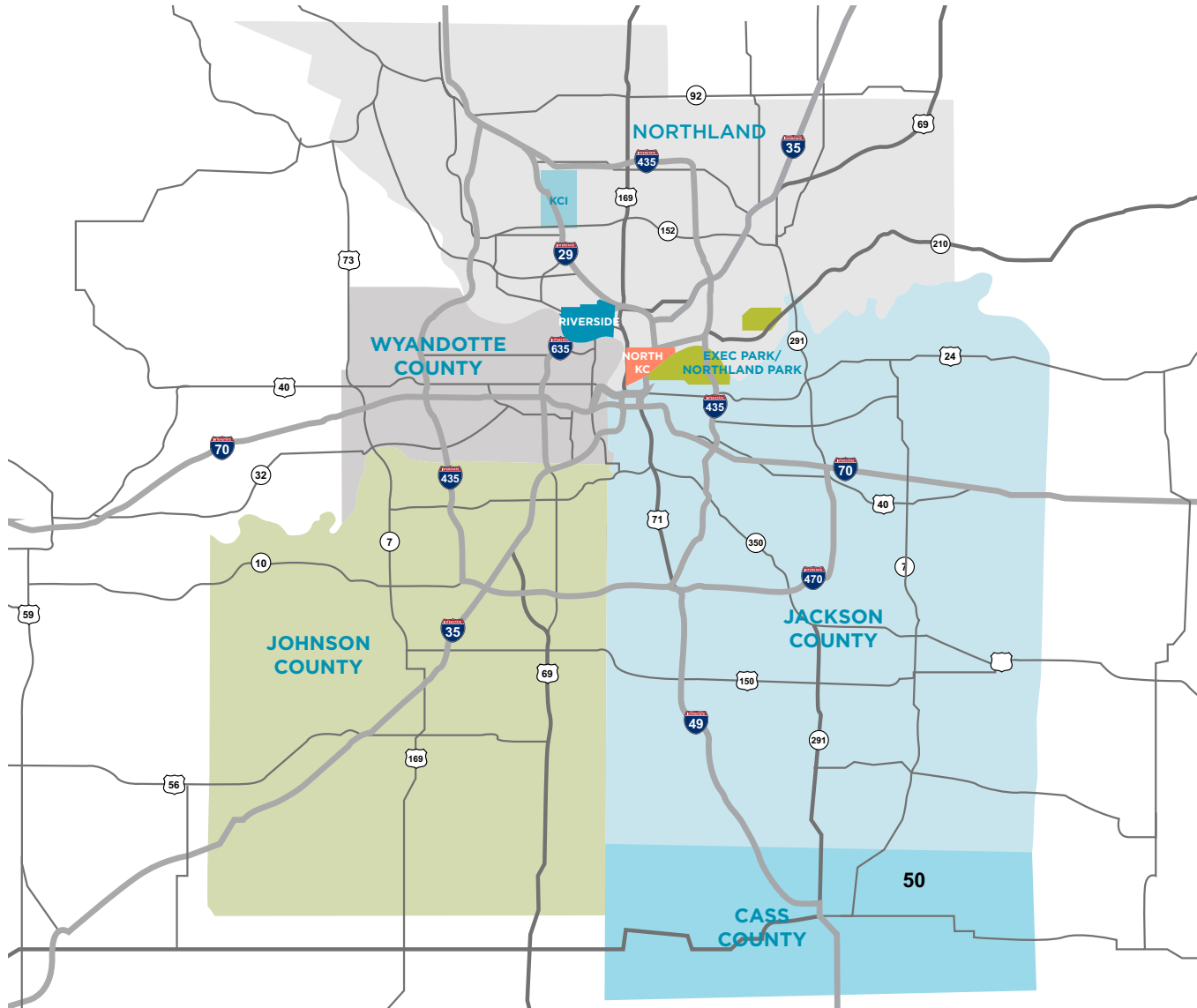
PROPERTY	SUBMARKET	TENANT	SF	TYPE
Blue River Commerce Center III	Jackson County	Nautical Fulfillment and Logistics	463,161	New Lease
Blue River Commerce Center II	Jackson County	Beyond Warehousing	299,397	New Lease
2551 S Liberty Parkway	Northland	Scarborough Logistics	188,840	New Lease
1900 N Corrington	Executive Park	TricorBraun	122,594	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	TYPE
Monmouth Portfolio	Multiple	Monmouth Real Estate Investments / ILPT	1,021,756	Investor
4001 Norfleet	Northland	LaSalle Investment Management / Stag Industrial	702,000	Investor
Stadium Industrial Park	Jackson County	Moulder Trust / Sealy	277,692	Investor
1727 Warren	North Kansas City	Brennan / Farallon Capital Management	150,000	Investor

INDUSTRIAL SUBMARKETS



MATTHEW NEVINGER

Research Director, Kansas City

Tel: +1 816 221 2200

matt.nevinger@cushwake.com

**A CUSHMAN & WAKEFIELD
RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and approximately 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. To learn more, visit www.cushmanwakefield.com or follow [@CushWake](https://twitter.com/CushWake) on Twitter.

©2022 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com