MARKETVIEW
KANSAS CITY INDUSTRIAL,
Q4 2020

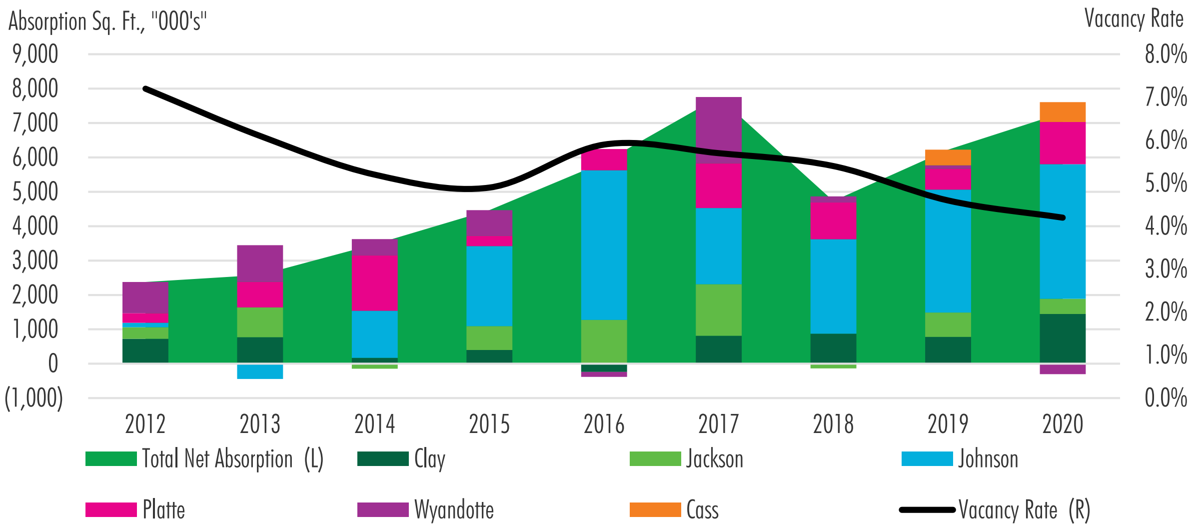
CBRE

Near record 7.3 million sq. ft. of positive net absorption in 2020

Vacancy Rate	NNN Asking Lease Rate	Net Absorption	Completions	Under Construction
4.2%	$4.73	3,666,588 SF	274,730 SF	7,371,925 SF

*Arrows indicate change from previous quarter.

Figure 1: Net Absorption and Vacancy Rates



Source: CBRE Research, Q4 2020.

- PepsiCo signed a lease for 952,956 sq. ft. at Logistics Park Kansas City in Inland Port VII. The building broke ground in Q4 2019 as the largest speculative building in the Kansas City metro industrial markets history.
- VanTrust announced plans to develop up to 6.5 million sq. ft. of new industrial space on 845 acres at New Century Business Park in southern Johnson County. The park features laydown yards with access to BNSF Railway, by way of short-line rail services and access to domestic air transport through New Century AirCenter.
- Melaleuca Inc., which manufactures and distributes nutritional, pharmaceutical and personal care wares, purchased the 507,729 sq. ft. former Harley Davidson plant in Kansas City, MO.
- Plans were announced to begin development of the 3.6 million sq. ft. 175th Commerce Centre in Olathe, KS. The updated plan for the development includes two 1.12 million sq. ft. warehouses, a 994,631 sq. ft. warehouse, and 357,705 sq. ft. in three smaller flex-space buildings.

After a slow start to 2020, the Kansas City industrial market posted 6.2 million sq. ft. of positive net absorption in the second half of the year. The total net absorption of 7.3 million sq. ft. for the year was second only to the 2017 total of 7.7 million sq. ft.

Overall vacancy rates decreased 110 basis points (bps) quarter-over-quarter. Only 231,426 sq. ft. of the positive net absorption for the quarter came from completed construction with the remaining 3.4 million sq. ft. taking existing speculative space in the market or second-generation space.

At the end of Q4 2020, 7.3 million sq. ft. remained under construction. An additional 3.8 million sq. ft. has been announced, setting 2021 up for a record year of development in the market.

COMPLETED CONSTRUCTION

One building was completed in Q4 2020 with 274,730 sq. ft. of space, bringing the year-to-date total to 5.3 million sq. ft. As shown in Figure 2, build-to-suit completions totaled 2.0 million sq. ft. year-to-date and speculative completions totaled 3.3 million sq. ft. year-to-date. Completions for the year surpassed the total for 2019 (4.5 million sq. ft.).

Overall vacancy rates fell 40 bps year-over-year finishing the year at 4.2%. The decrease in modern warehouse vacancy was even more dramatic, declining 290 bps year-over-year finishing the year at 4.8%.

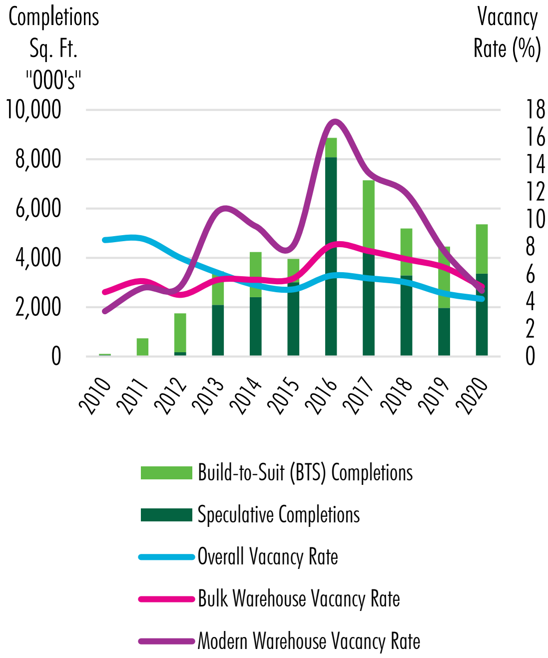
UNDER CONSTRUCTION AND FUTURE DEVELOPMENT

An additional 1.6 million sq. ft. of space broke ground in Q4 2020, bringing the total amount under construction to 7.3 million sq. ft. The majority of the projects under development broke ground on a speculative basis with 6.1 million sq. ft. (84%), the remaining 1.2 million sq. ft. (16%) were build-to-suit projects.

As shown in Figure 3, projects under construction are spread throughout the metro with development taking place in every submarket.

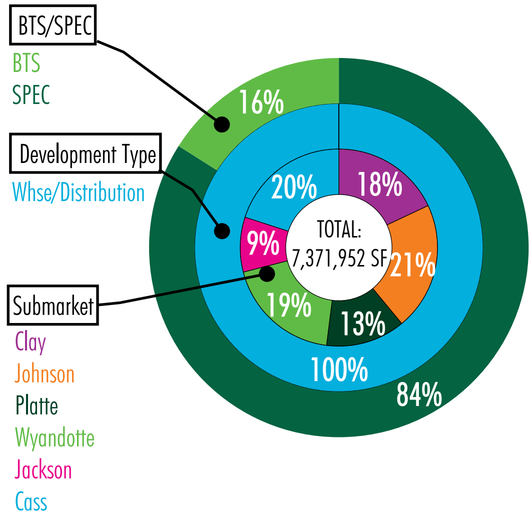
An additional 3.8 million sq. ft. has been announced expected to break ground in 2021. In total over 10 million sq. ft. is set to be completed in 2021, a record total for the market and evidence of the surge in demand for warehouse/distribution space.

Figure 2: Construction Completions and Vacancy Rates



Source: CBRE Research, Q4 2020.

Figure 3: Current Construction Snapshot



Source: CBRE Research, Q4 2020.

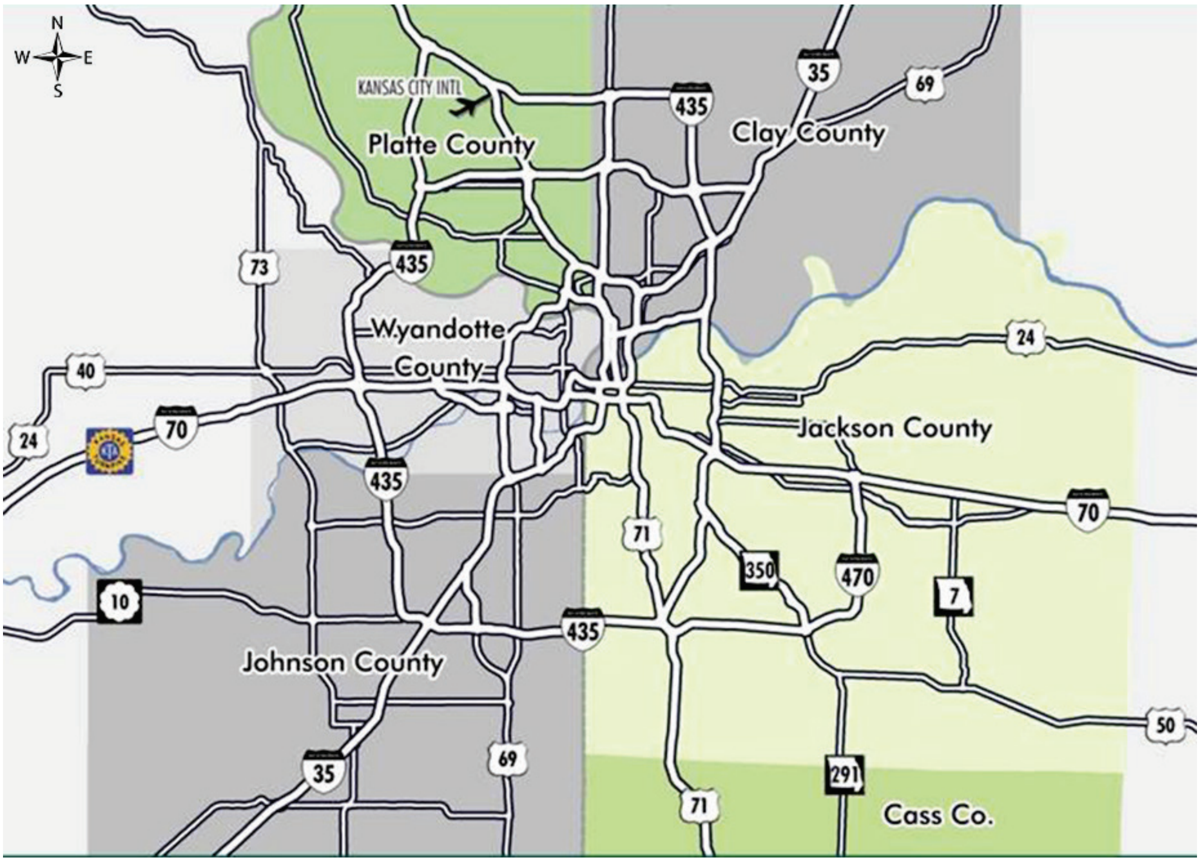
Figure 4: Top New Lease/User Sale Transactions

Tenant	Occupied Size (SF)	Type	Property	City	Submarket
Pepsico	952,956	Lease	Inland Port VII	Edgerton, KS	Johnson
Melaleuca Inc.	507,729	User Sale	11401 N Congress Ave	Kansas City, MO	Platte
Accelerate 360	455,000	Lease	Lone Elm 716	Olathe, KS	Johnson
Confidential	160,160	Lease	KCI Logistics Centre VI	Kansas City, MO	Platte
LogoPlaste	157,680	Lease	6900 Stilwell Dr	Kansas City, MO	Jackson

Figure 5: Market Statistics

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vac. Rate (%)	Avail. (%)	Q4 2020 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate ($/SF/Yr)
Clay	47,761,066	1,681,603	3.5	4.3	460,359	1,444,915	1,340,940	3.45
Jackson	104,429,354	4,669,516	4.5	5.2	334,267	444,021	642,011	4.24
Johnson	76,909,493	3,504,262	4.6	5.1	2,039,519	3,914,229	1,554,936	6.60
Platte	14,643,083	826,029	5.6	10.1	614,872	1,229,307	992,096	4.28
Wyandotte	42,017,997	1,494,658	3.6	3.7	217,571	(304,393)	1,401,999	3.96
Cass	1,029,489	0	0.0	0.0	0	575,000	1,439,970	4.25
Metro	**286,790,482**	**12,176,068**	**4.2**	**5.0**	**3,666,588**	**7,303,079**	**7,371,952**	**4.73**
Bulk Distribution (Warehouse or Distribution facilities that are at least 100,000 sq. ft.)								
Clay	28,199,855	933,108	3.3	4.4	358,484	1,395,423	1,340,940	2.94
Jackson	44,235,240	2,784,918	6.3	7.6	131,674	233,661	642,011	3.79
Johnson	43,049,226	1,994,764	4.6	5.1	2,031,233	3,811,550	1,533,536	5.65
Platte	9,399,407	587,738	6.3	10.5	155,160	733,981	992,096	3.80
Wyandotte	14,352,519	812,804	5.7	5.7	0	0	1,325,117	3.45
Cass	1,029,489	0	0.0	0.0	0	575,000	1,439,970	4.25
Metro	**140,265,736**	**7,113,332**	**5.1**	**6.1**	**2,676,551**	**6,749,615**	**7,273,670**	**4.04**
Modern Bulk Distribution (Bulk Warehouses constructed in 1990 or later, and 28' clear or taller)								
Clay	5,067,706	109,924	2.2	2.2	281,560	1,175,616	1,340,940	4.41
Jackson	8,946,544	181,976	2.0	2.0	157,680	67,695	642,011	4.19
Johnson	26,481,204	1,676,591	6.3	6.3	1,969,233	3,355,572	1,533,536	5.94
Platte	7,021,703	435,338	6.2	6.2	160,160	689,114	992,096	3.86
Wyandotte	4,170,790	112,528	2.7	2.7	0	0	1,325,117	4.50
Cass	1,029,489	0	0.0	0.0	0	575,000	1,439,970	4.25
Metro	**52,717,436**	**2,516,357**	**4.8**	**4.8**	**2,568,633**	**5,862,997**	**7,273,670**	**4.99**

Source: CBRE Research, Q4 2020.



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