

	YoY Chg	12-Mo. Forecast
6.0% Vacancy Rate	▼	▬
7.1 MSF YTD Net Absorption	▬	▬
\$4.32 Asking Rent, PSF	▬	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
1,118K Kansas City Employment	▲	▲
3.0% Kansas City Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY

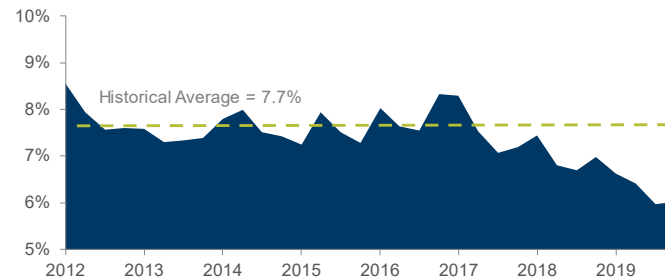
2019 was a robust year for the Kansas City commercial real estate market, with a wide variety of positive signs coming from all different directions. The absorption numbers for both office and industrial remained strong, and vacancy rates for both product types are at low levels that should support continued investment. One of the most encouraging trends in Kansas City has been new players looking to establish a presence and inject capital into the market while becoming increasingly creative about how they develop their projects.

Aside from investment, which remains strong, the other major factor on the commercial real estate market in Kansas City is the labor situation. The Federal Reserve Bank has often pointed to 5.0% unemployment as “full employment,” and Kansas City has been below the 5.0% level for some time. In fact, since January 2015 the monthly unemployment level has averaged 3.9%, and the last time the unemployment level was above 4.5% was August 2016. Those numbers could present challenges for companies looking to expand and grow, but Kansas City’s labor pool is also expanding, with the number of people working or actively seeking work increasing by a solid 2.4% over the past twelve months.

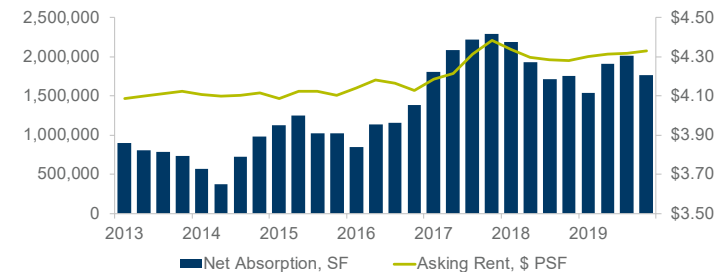
MARKET OVERVIEW

For three consecutive years now, the Kansas City industrial market has absorbed over 7.0 million square feet (msf) of space. Prior to the start of the ongoing development boom in 2014, and even during the first couple of years of the boom, 4.0 msf to 5.0 msf was considered a strong total. Yet since the start of 2017, Kansas City has seen 23.3 msf of absorption, for an average annual total of 7.8 msf. To put the kind of growth in perspective, the total inventory at the end of 2016 was 208.8 msf. Over the past three years, Kansas City has absorbed 11.2% of the space that existed three years ago. Not only has the market been growing at such a rapid pace, but the growth has been supported by tenants of all types. Despite such an aggressive addition of space, the overall vacancy rate at the end of 2019 was 231 basis points lower than that at the end of 2016.

OVERALL VACANCY



NET ABSORPTION/ASKING RENT



Such explosive growth is the result of multiple types of demand. In 2019, build-to-suit (BTS) projects were a particularly strong part of the market's success, accounting for 50.8% of the overall net absorption. BTS projects have totaled at least 2.4 msf of absorption in each of the last three years, but this was the first time the percentage of total absorption was so high.

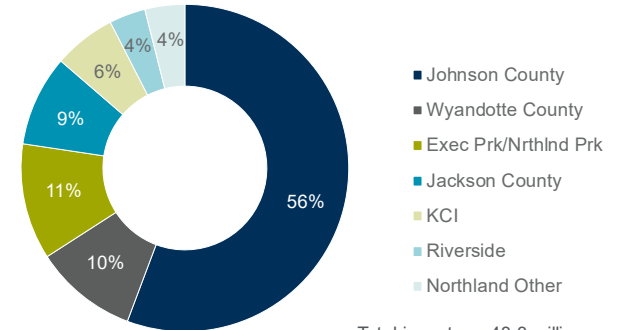
Even with a higher percentage of BTS space, 3.5 msf of space was absorbed in either new speculative projects or existing buildings, and as mentioned above it was not long ago that 3.5 msf of annual absorption would have been a strong number for the market. The fourth quarter alone saw three separate leases of more than 400,000 square feet (sf) in new speculative buildings, and all three were in separate submarkets. Pure Fishing leased 543,000 sf at the KCI Intermodal Business Center, Matheson took 463,000 sf at the massively successful Logistics Park Kansas City (LPKC) development in Johnson County, and the first building at Southview Commerce Center in Jackson County was taken by Progress Rail, who will occupy all 454,000 sf.

The Kansas City industrial market will continue to expand, with preleasing activity at Northland Park and scheduled expansions in other buildings providing a strong base for 2020. LPKC continues to expand and that project should offer an ample base for tenants in search of 600,000 sf or more, but for the Kansas City market to continue its impressive growth it will take more than just jumbo-sized tenants. All signs point to even more demand for last-mile logistics and modern spaces that can be demised to between 50,000 sf and 200,000 sf for tenants that want to be located closer in to the city. The Riverside submarket, Three Trails Industrial Park, and Northland Park have all shown how well-located, new construction remains in extremely high demand. The challenge for developers and the market will be to continue to find sites close to the major residential areas that are suitable for modern distribution development.

Outlook

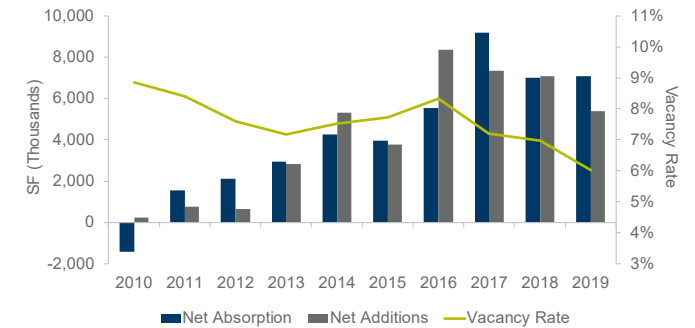
- Kansas City's industrial market will continue its strong performance with 5.0 msf of absorption the new benchmark for a solid year.
- Logistics Park Kansas City in Edgerton appears to be the primary destination for new buildings over 600,000 sf, but demand will remain strong for smaller buildings throughout the market.
- All indications point to the industrial market remaining strong even with the uncertainty surrounding trade and tariffs.

BULK DISTRIBUTION BY SUBMARKET

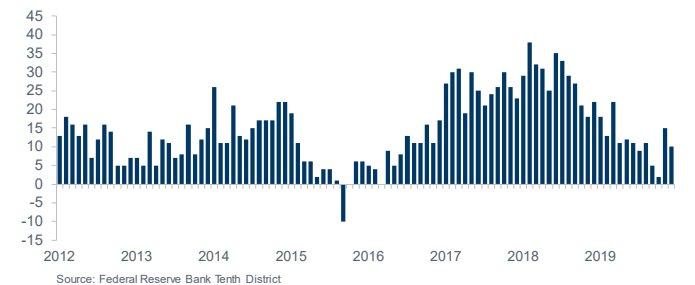


Total inventory: 48.3 million square feet

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	979	74,095,880	191,970	5,255,653	7.4%	1,641,862	4,938,394	1,672,106	765,000	4,027,290	\$5.41
Wyandotte County	390	32,190,125	95,667	1,243,036	4.2%	-148,616	469,750	-	-	-	\$3.73
Executive Park / Northland Park	183	17,764,976	6,312	475,154	2.7%	-40,326	532,162	888,238	-	217,783	\$4.42
Jackson County	827	57,971,915	56,860	3,272,236	5.7%	437,235	531,822	1,464,680	486,489	736,489	\$3.41
North Kansas City	251	15,016,397	77,360	689,048	5.1%	-306,459	486,579	12,000	-	-	\$3.48
KCI	65	6,716,813	20,466	757,957	11.6%	-562,314	(354,965)	542,640	-	-	\$6.53
Riverside	57	5,819,681	122,834	398,389	9.0%	242,790	571,051	-	240,000	374,000	\$4.79
Other Northland	87	17,269,996	38,720	1,002,717	6.0%	4,000	(105,176)	741,000	-	15,000	\$6.00
Cass County	12	752,515	-	-	0	0	-	-	-	-	n/a
TOTAL	2,851	227,598,298	610,189	13,094,190	6.0%	1,268,172	7,069,617	5,320,664	1,491,489	5,370,562	\$4.32

	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	751	106,957,186	444,397	6,879,826	6.8%	2,005,906	7,611,447	5,240,439	1,473,489	5,036,942	\$4.13
Office/Warehouse	746	19,716,157	80,632	1,318,967	7.1%	-66,066	16,371	12,000	18,000	83,620	\$6.55
Flex/R&D	154	5,232,128	0	255,606	4.9%	-29,929	-77,362	68,225	-	0	\$9.28
Manufacturing	1,188	67,929,396	85,160	1,889,496	2.9%	-565,250	-185,094	0	-	250,000	\$3.89
Underground	12	27,763,431	0	2,750,295	9.9%	-76,489	-295,745	0	-	0	\$3.19

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

KEY LEASE TRANSACTIONS Q4 2019

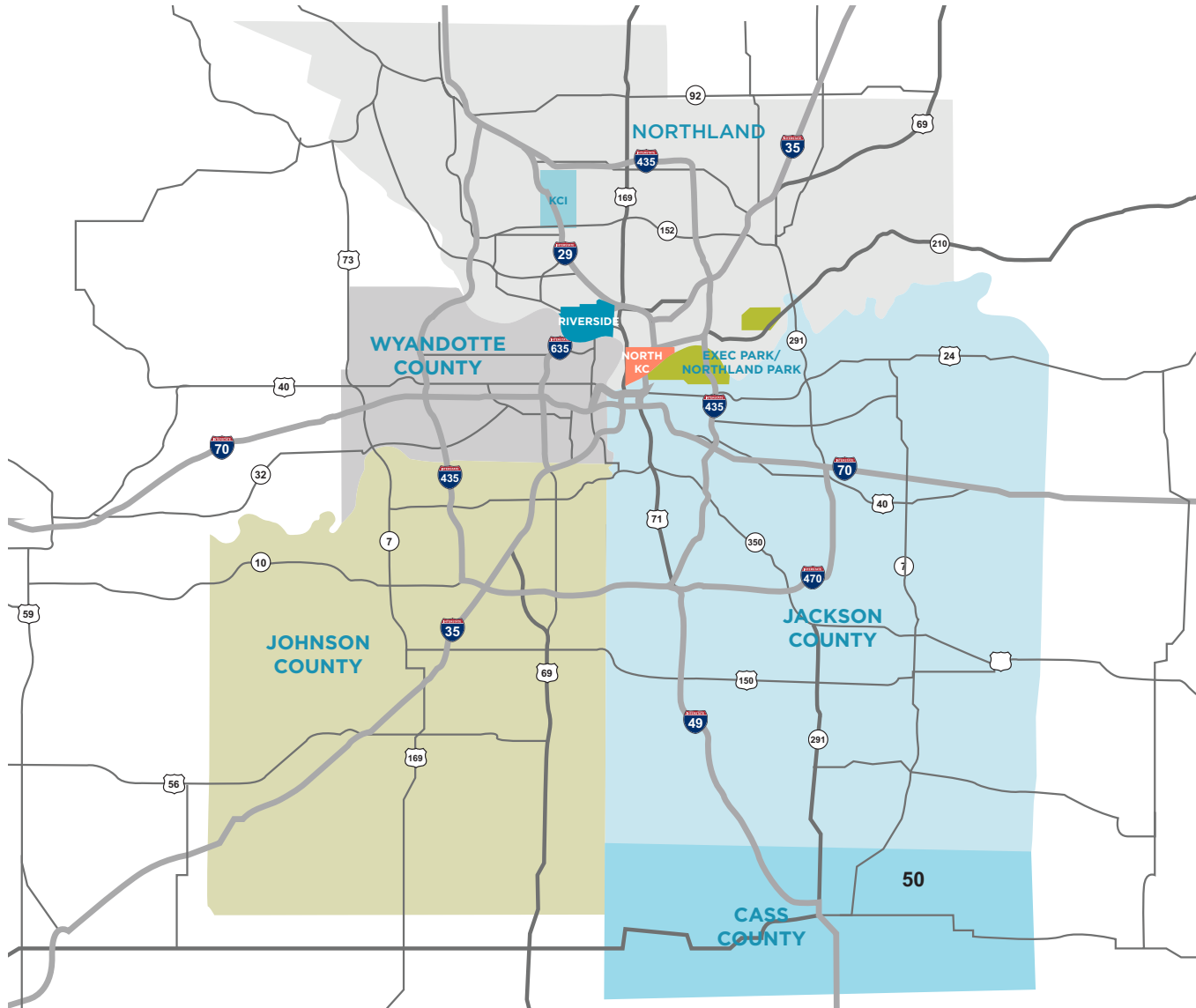
PROPERTY	SUBMARKET	TENANT	SF	TYPE
KCI Intermodal BuinessCentre V	KCI	Pure Fishing	542,640	New Lease
Inland Port XXXII	Johnson County	Matheson	463,435	New Lease
Inland Port XI	Johnson County	Invenergy	328,294	New Lease
Centrepoint Intermodal	Jackson County	Honeywell	275,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/ \$ PSF
5300 Kansas Avenue	Wyandotte County	BH Properties/Sealy	513,751	n/a
4101 Empire Road	Executive Park	Lanter Company/SRRT Properties	381,000	n/a
9525 Woodend Road	Wyandotte County	EverWest RE Investors/Exeter	369,786	n/a
56 Commerce Center Building A	Johnson County	Opus/Sealy	230,122	n/a

INDUSTRIAL SUBMARKETS



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