
3Q24

Kansas City Industrial Market Overview

Market Observations

Economy

- The regional labor market remains historically strong despite evolving macroeconomic conditions. In August, the unemployment rate was 3.5%, 40 basis points below the 10-year average of 3.9%.
- Year-over-year, the Manufacturing and Leisure & Hospitality sectors saw the strongest job growth, while the Business & Professional and Information sectors faced the most significant job reductions.
- Industrial firms continue to adjust their labor needs. Locally, all three industrial sectors experienced growth over the past year: Manufacturing grew by 7.6%, Construction by 2.1%, and Trade/Transportation/Utilities by 1.4%.

Major Transactions

- Several key development and leasing announcements marked the third quarter of 2024. A confidential manufacturing user leased the entire 748,830-SF Platte Int'l Commerce Center, while Animal Health Int'l secured 254,840 SF at Liberty Heartland Logistics Center. Marshalltown Co. plans to invest \$27.0 million in a new 200,000-SF manufacturing facility at Scannell Properties' 435 Logistics. Additionally, Menco Royal, Inc. renewed its 250,000-SF underground lease at Carefree Industrial Park, and Goodwill of Western Missouri and Eastern Kansas subleased 135,520 SF at 5000 East Bannister Rd. Federal Ag Supply, LLC leased 131,780 SF at 11011 Lackman Rd. ARCO National Construction will also build a 78,660-SF cold storage facility for Mies Family Foods, expanding its footprint in Kansas City, KS.

Leasing Market Fundamentals

- The market tightened with 1.5 million SF of net absorption during the third quarter of 2024. Vacancy decreased by 10 basis points to 5.4%, as net absorption offset 695,000 SF of new deliveries. Leasing activity and rent growth for midsized and small bay industrial spaces will continue to be robust over the next year.
- The construction pipeline expanded to 10.6 million SF, up from 9.9 million SF last quarter. As the recently completed inventory is leased, the next construction cycle will offer limited alternatives, likely reducing vacancy rates.
- Of the combined 10.6 million SF build-to-suit and speculative pipeline, over 9.0 million SF (84%) is dedicated to build-to-suit projects, including Panasonic's 5.5 MSF, Ace Hardware's 1.5 MSF, Heartland Coca Cola's 600,000 SF, and Walmart's 330,000-SF beef plant.

Outlook

- As the 15th largest industrial market in the U.S., Kansas City boasts 337.3 million SF and continues to thrive due to its central location, skilled labor force, extensive transportation network, and competitive real estate and energy costs. Despite the challenges of the pandemic, the market has avoided rampant oversupply.
- Vacancy is expected to decrease from 5.4% over the next year, driven by steady demand and a slowing speculative supply pipeline. Industrial average asking rents surged by a record 33.5% over the past five years.
- While the pace of rent growth will moderate over the next four quarters, both asking and contract rates will remain elevated compared to pre-pandemic levels, as demand holds strong and developers adjust for rising construction costs.

1. Economy
2. Leasing Market Fundamentals
3. Submarket Statistics

3Q24

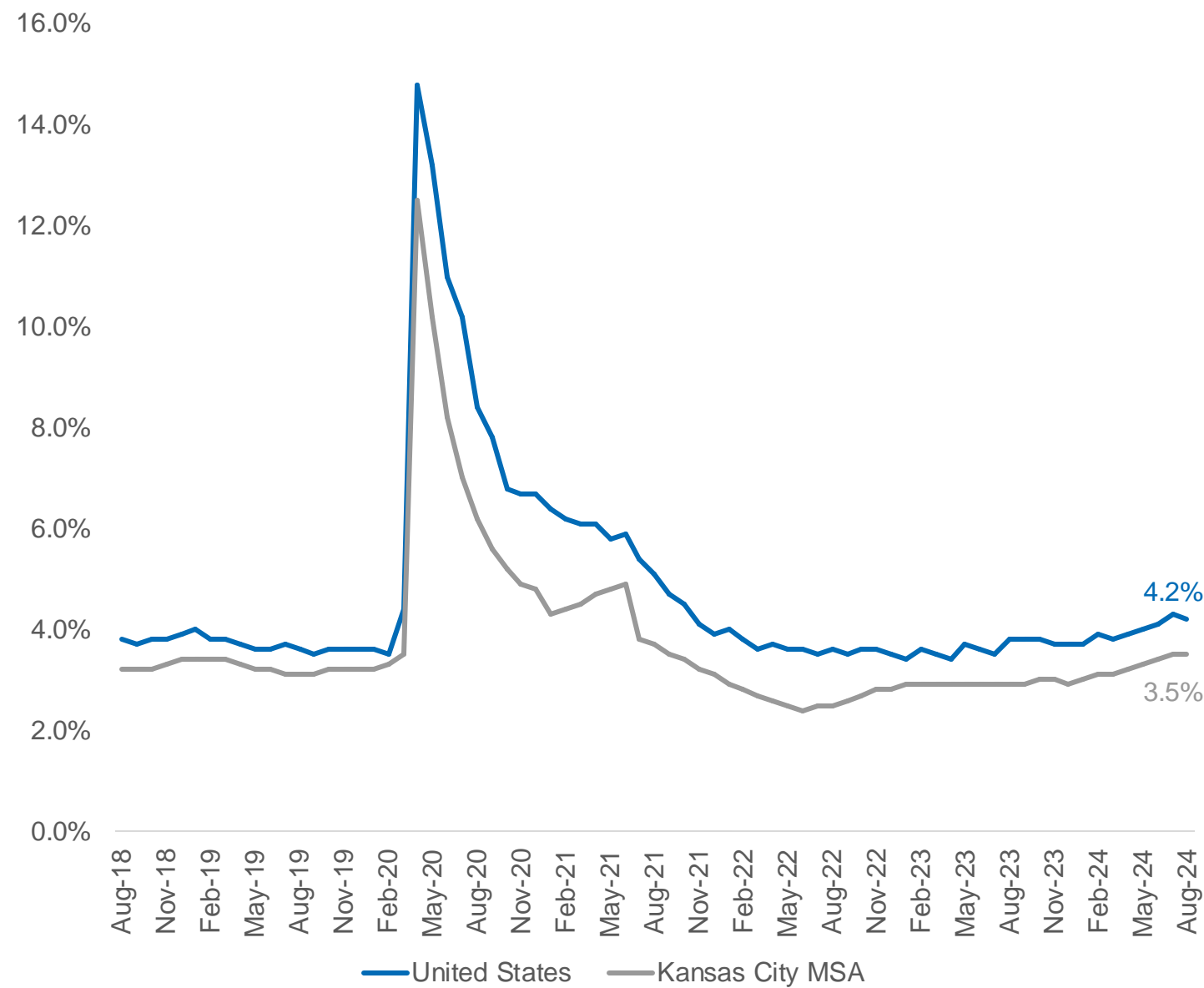
Economy



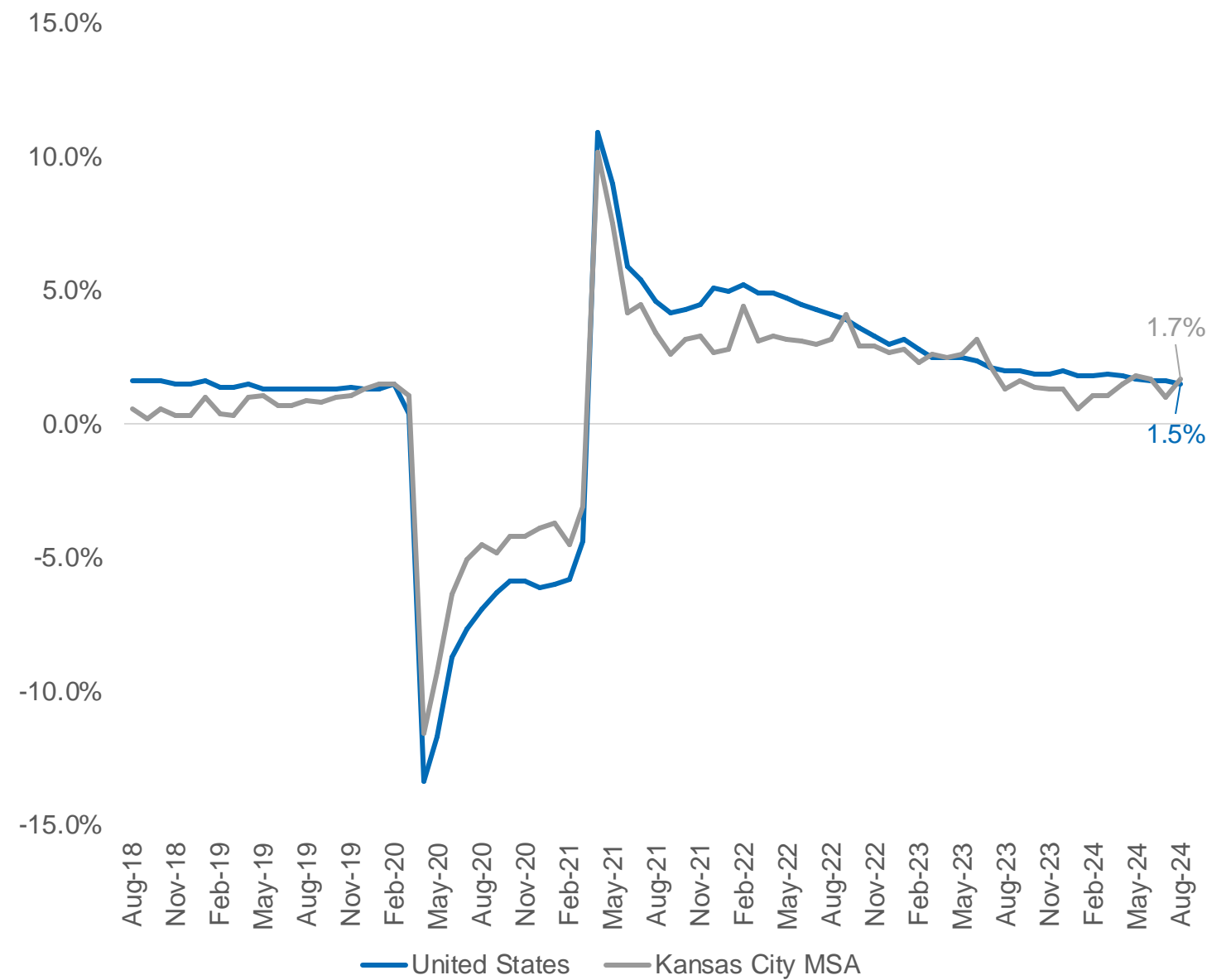
Metro Employment Trends Signal a Stable Economy

The region's labor market remains on relatively solid footing, amid elevated interest rates. Unemployment in the region recovered from the pandemic and remains 70 bps below the national average. The Kansas City Fed Labor Market Conditions Indicators suggest the level of activity was little changed at 0.53 and momentum decelerated moderately to negative 0.15 in August 2024.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

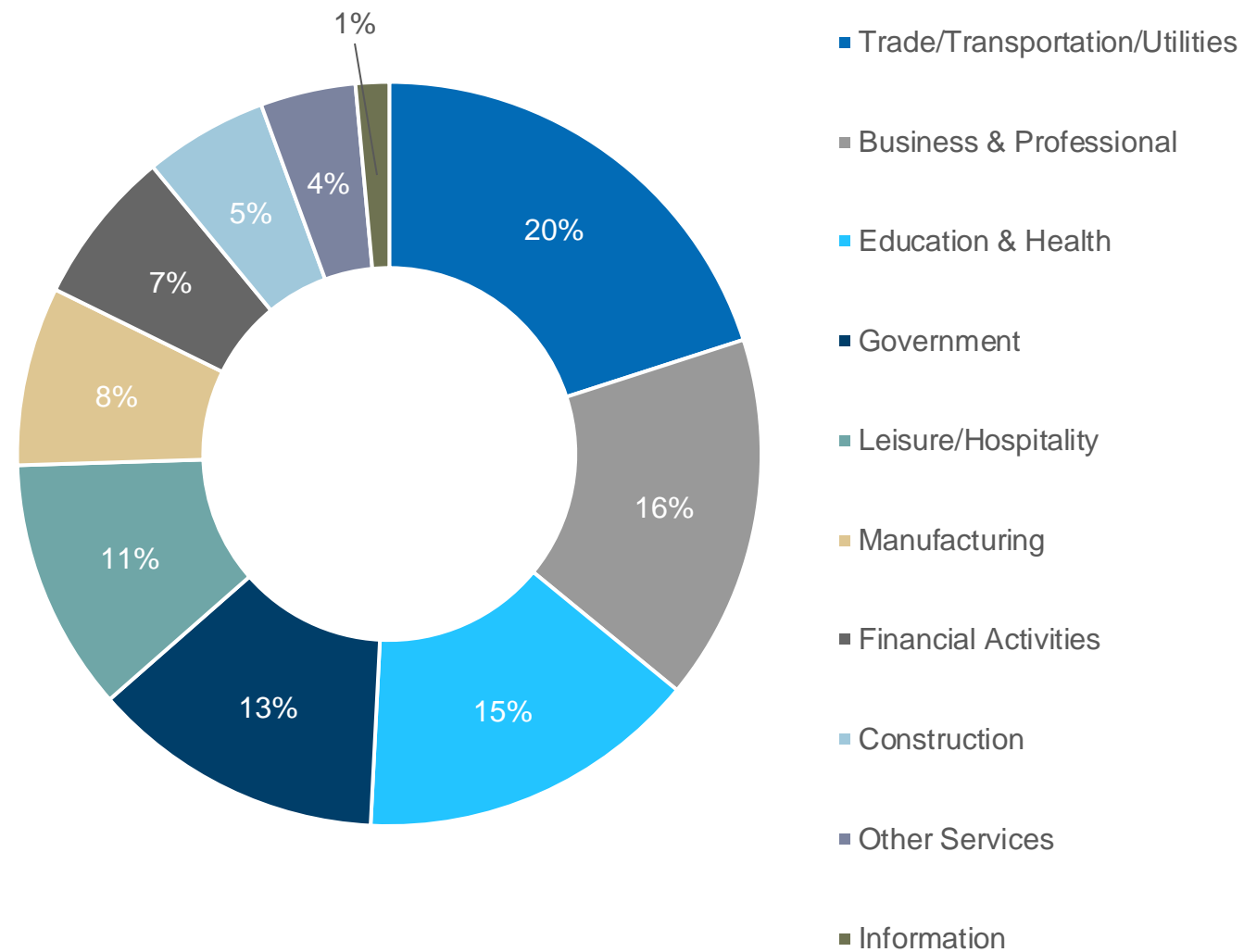


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

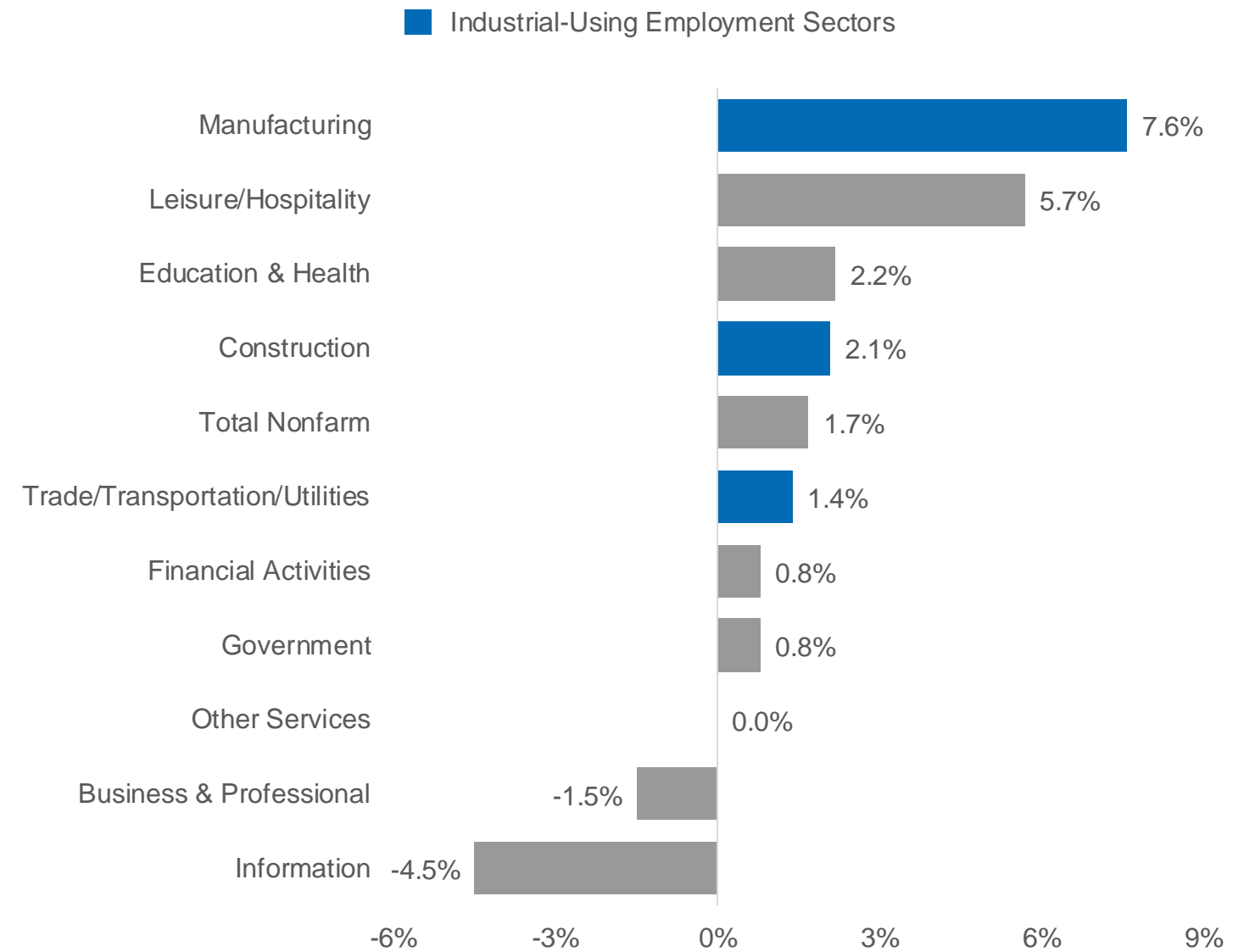
Job Growth Driven Primarily by Industrial Activity and a Shift in Spending

The Manufacturing and Leisure/Hospitality sectors led all industries in regional annual job growth at 7.6% and 5.7%, respectively. Both Leisure/Hospitality and Education & Health sectors are benefitting from a post-pandemic shift in spending from goods to services, travel and healthcare expenses. Kansas City's geographic location, competitive real costs and skilled labor force continue to spur industrial activity, resulting in positive employment growth in all three sectors.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024

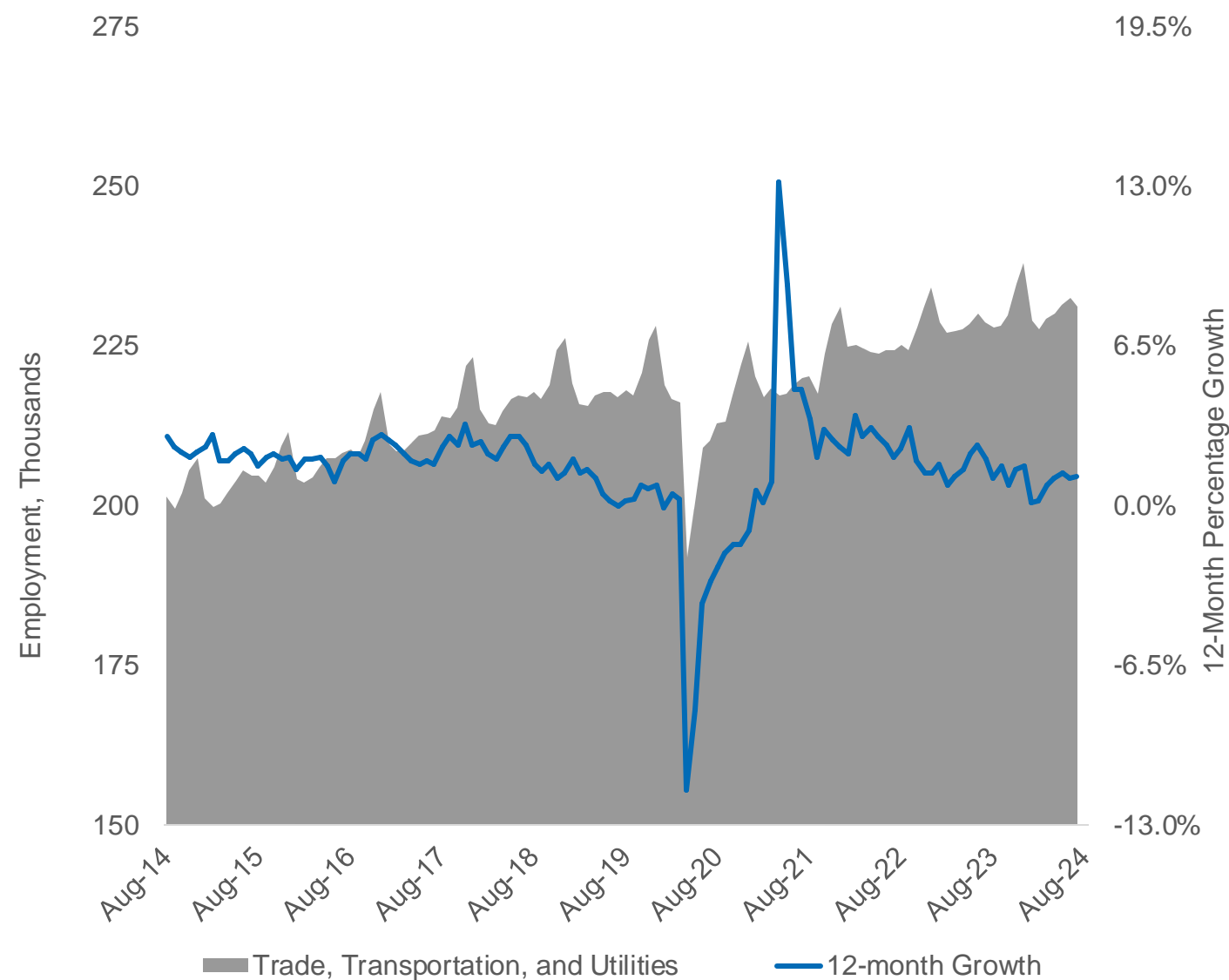


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

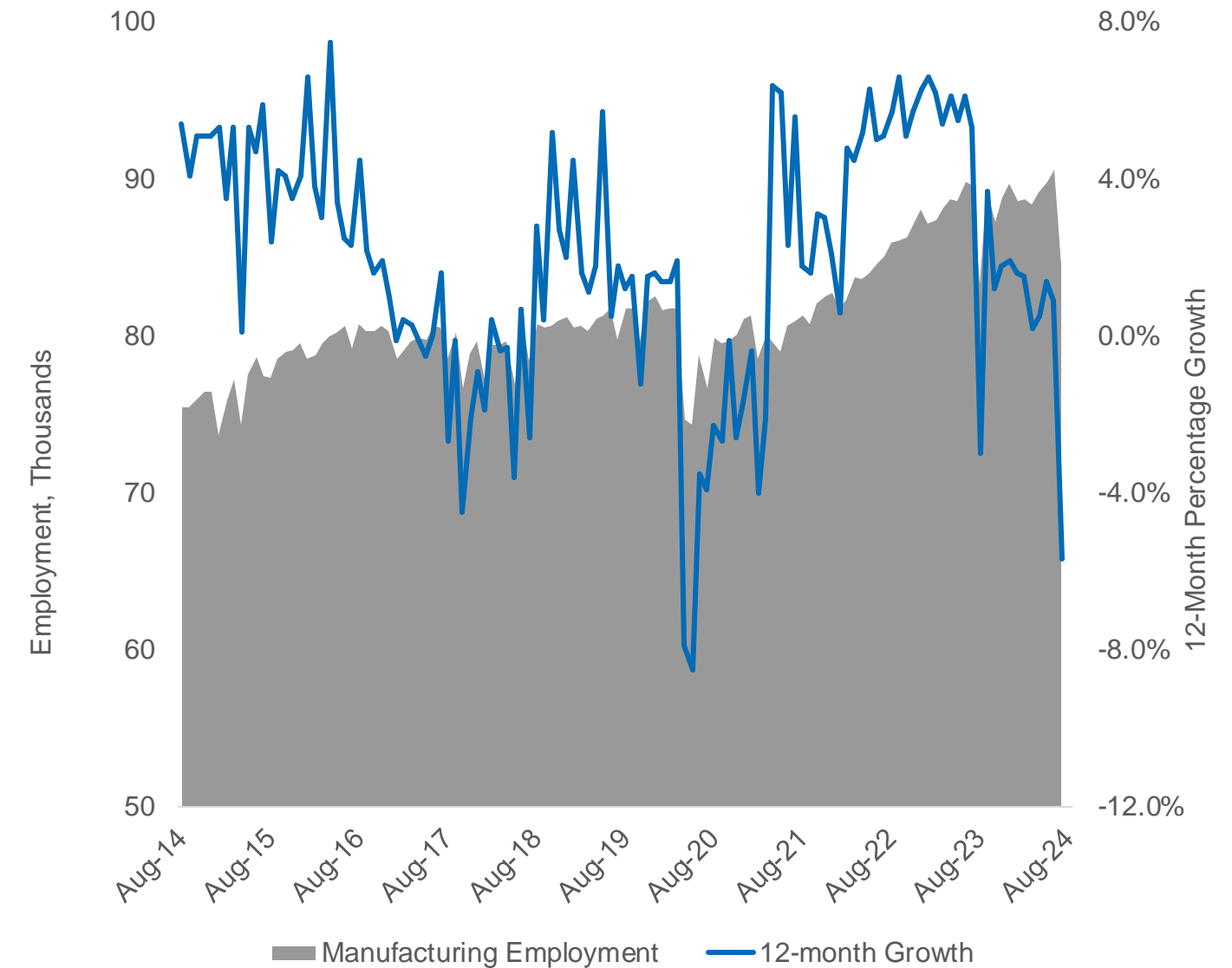
Overall Industrial-Using Employment Has Rebounded

The number of industrial jobs has rebounded to pre-pandemic levels. While there is a small seasonal dip in employment rates at the beginning of each year, the region has already stabilized, and rates are expected to increase. Firms are reacting to the economic climate and a shift in consumer demand by adjusting labor needs.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Kansas City MSA

3Q24

Leasing Market Fundamentals



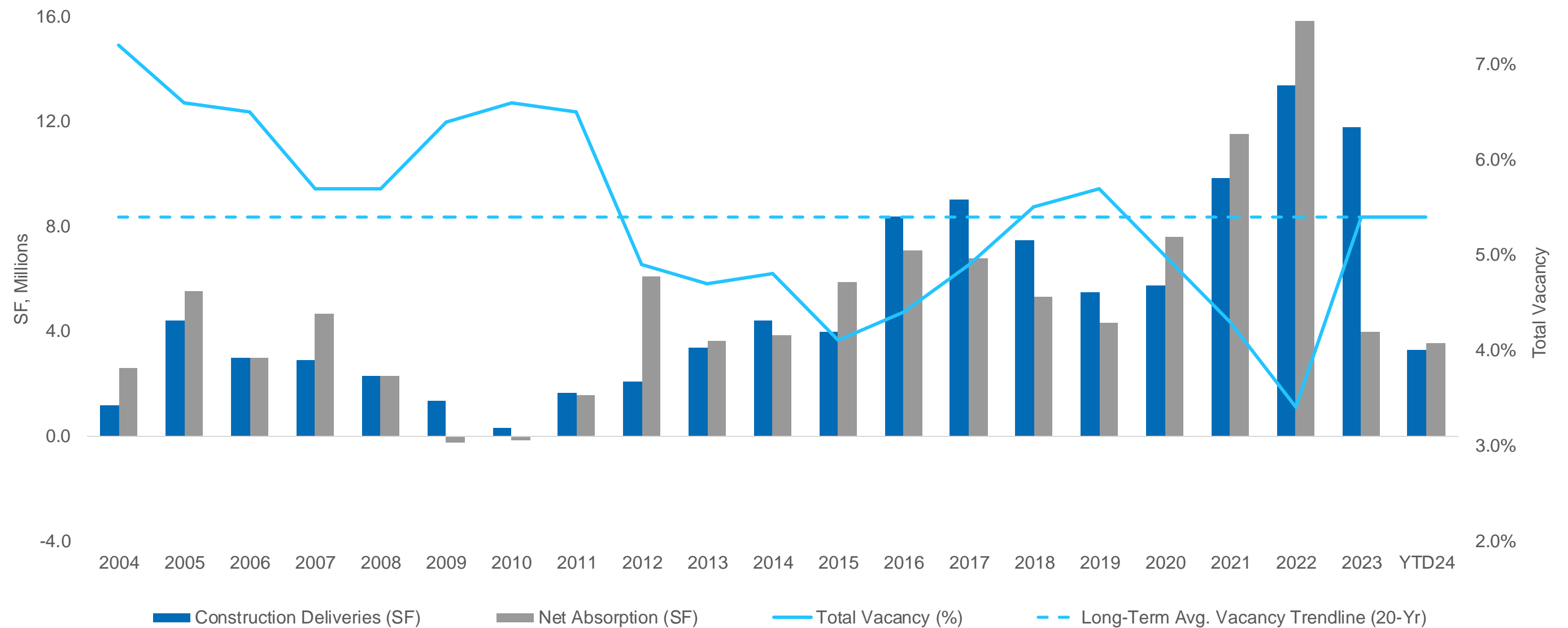
Market Overview

Please reach out to your
Newmark business contact for this information

Vacancy At 20-Year Peak; Net Absorption Counterbalancing Deliveries

Vacancy increased by 0.5% to 5.4% year-over-year as 5.1 million SF of new space was delivered to the market over the past four quarters. Net absorption matched this activity, totaling 3.7 million SF during the same period. Year-to-date, net absorption has reached 3.7 MSF, effectively offsetting 3.3 MSF of deliveries. Leasing velocity and rent growth are expected to remain strong, particularly in mid-sized and small bay industrial spaces. The Kansas City industrial market is projected to attract above-average interest and leasing activity compared with other U.S. markets. Steady demand, along with decreasing speculative construction supply, is anticipated to drive the vacancy rate lower over the next four quarters.

Historical Construction Deliveries, Net Absorption, and Vacancy

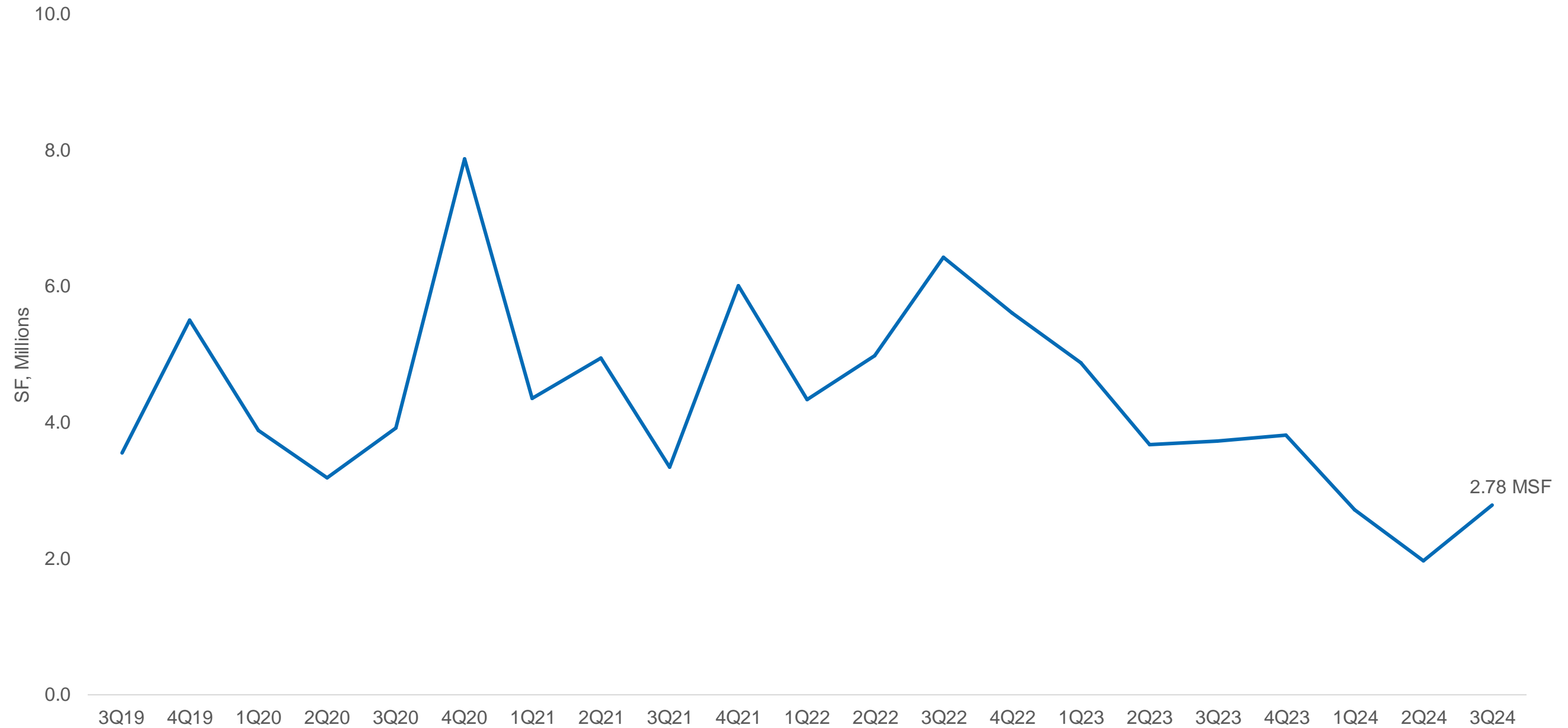


Source: Newmark Research

Industrial Leasing Activity Accelerates In 3Q24

Demand for industrial space totaled 2.8 million SF in the third quarter of 2024, marking a 30.8% decline compared to the 2023 quarterly average of 4.0 million SF. Contributing factors to this slowdown include ongoing economic uncertainty, the upcoming election, and the resolution of short-term space needs following the pandemic.

Total Leasing Activity (MSF)

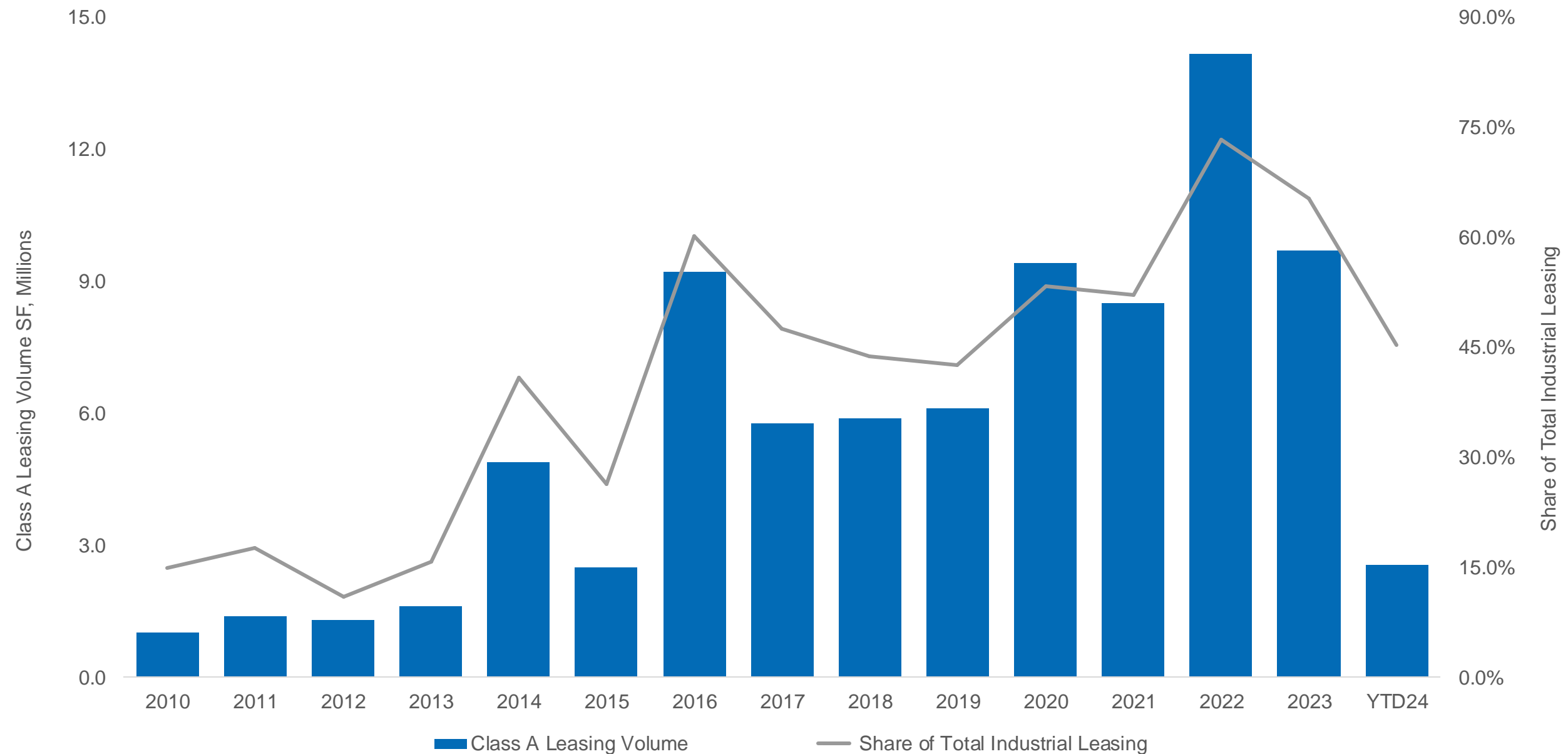


Source: Newmark Research, CoStar

Class A Warehouse Leasing Percentage Above Pre-Pandemic Average

Non-gateway markets like Kansas City have seen a slower developer response to occupier demand for modern Class A warehouse space. However, as development has accelerated over the past five years, Class A leasing activity has risen significantly. In 2024, Class A warehouse leasing accounted for 45.4% of total activity year-to-date. While this marks a decrease from the record high of 73.4% in 2022, it remains above the five-year pre-pandemic average of 44.2% from 2015 to 2019.

Industrial Class A Leasing Volume and Percentage of Total Warehouse Leasing Volume



Source: Newmark Research, CoStar

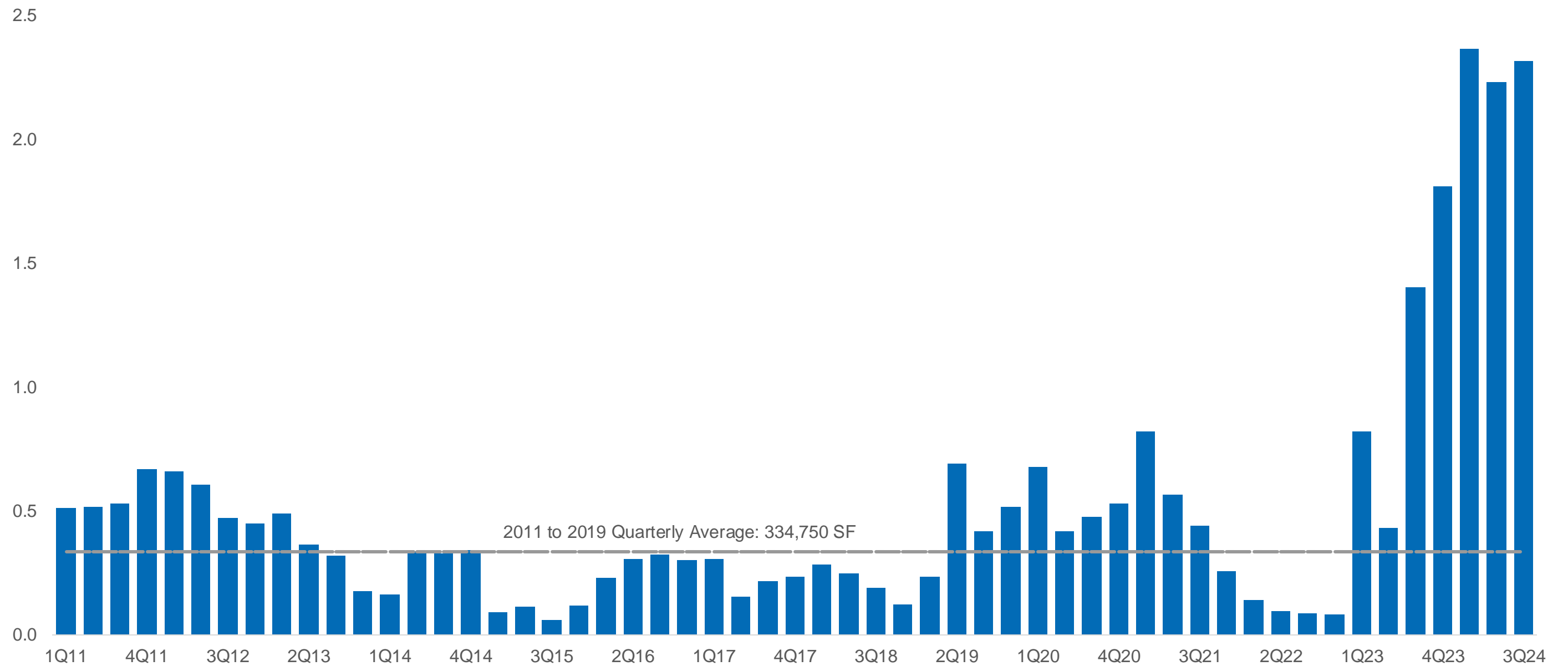
Vacancies Up In South Johnson & South Jackson Counties Since 4Q22

Please reach out to your
Newmark business contact for this information

Record High Sublease Availability, Though Only 0.7% Of Market

Vacant sublease availability saw a slight uptick this quarter, with absorption of active sublease offerings expected over the next four quarters, likely decreasing overall availability. Nearly half of the 2.3 MSF total is attributed to the former Coleman distribution center. Despite the increase, available vacant sublease space remains minimal, representing just 0.7% of the Kansas City market—significantly lower than other U.S. markets.

Vacant Available Industrial Sublease Volume (MSF)

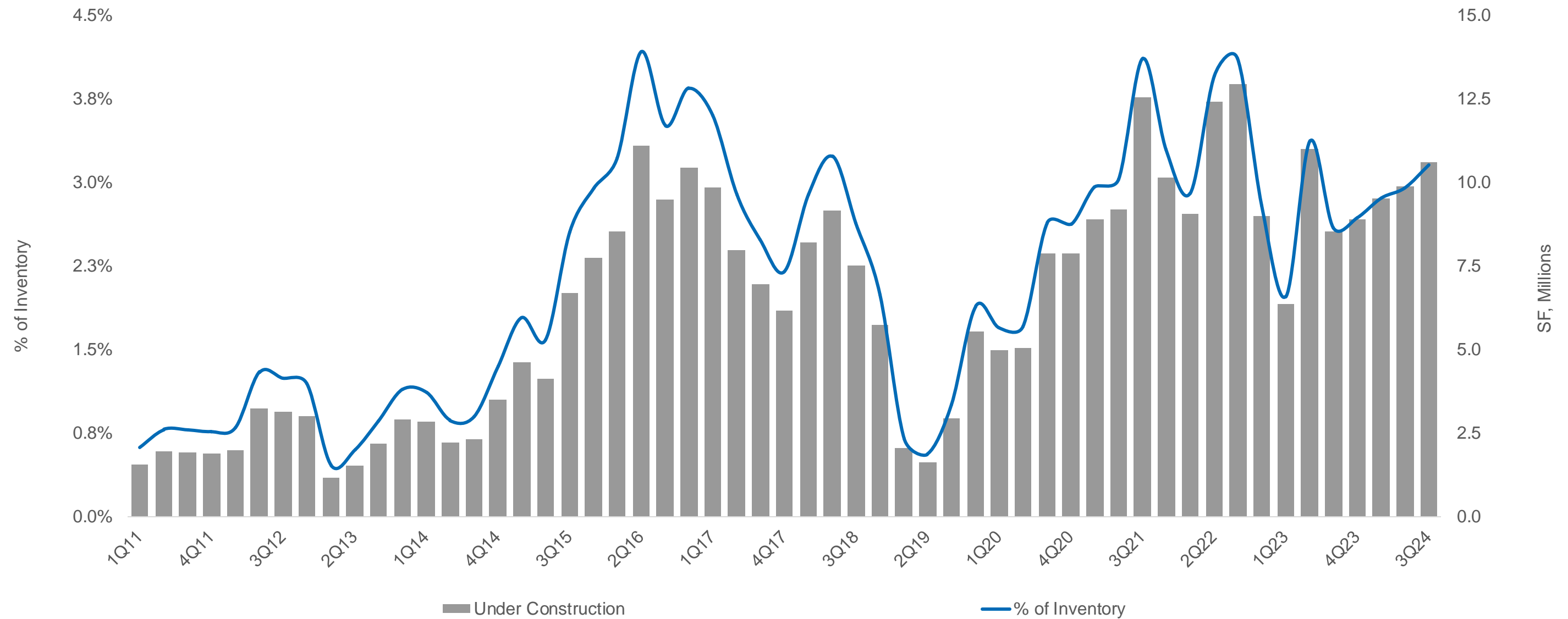


Source: Newmark Research, CoStar

Speculative Projects Only 16% of Construction Activity

The combined build-to-suit (BTS) and speculative construction pipeline totals 10.6 million SF, with over 84%—or 9.0 million SF—attributed to BTS projects. These include Panasonic's 5.5-million-SF EV battery center in DeSoto, Ace Hardware's 1.5-million-SF retail support center at Hunt Midwest's KCI 29 Logistics Park, Heartland Coca Cola's 600,000-SF bottling distribution center in Olathe, and Walmart's 330,000-SF meatpacking plant in Olathe. BTS announcements are expected to continue driving under-construction activity over the next year, while speculative construction trends downward, with only 1.6 million SF underway. Speculative activity is likely to remain subdued as existing projects are absorbed, with limited new supply anticipated in this cycle.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

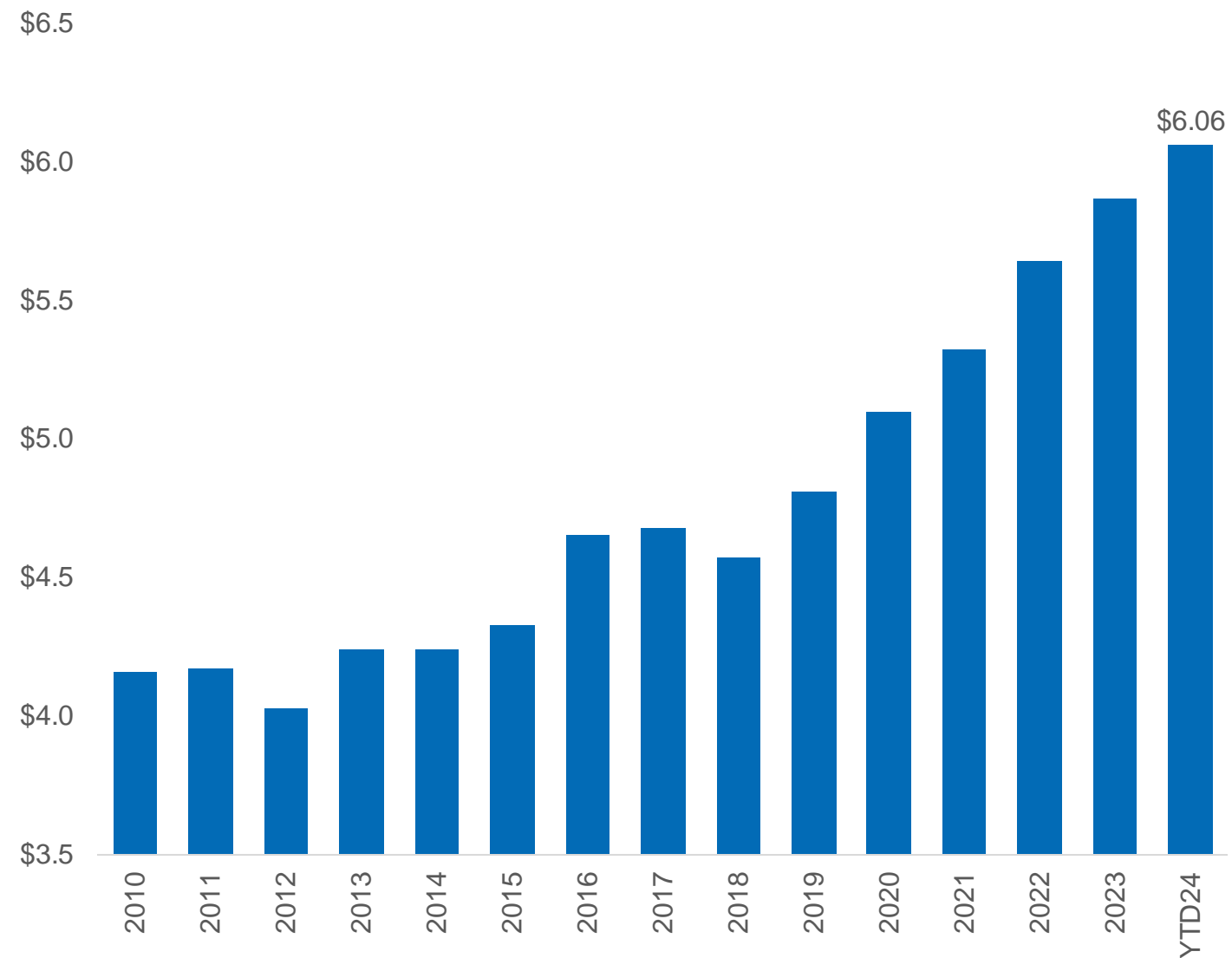
Speculative Construction Supply Limited As Build-to-Suits Gains

Please reach out to your
Newmark business contact for this information

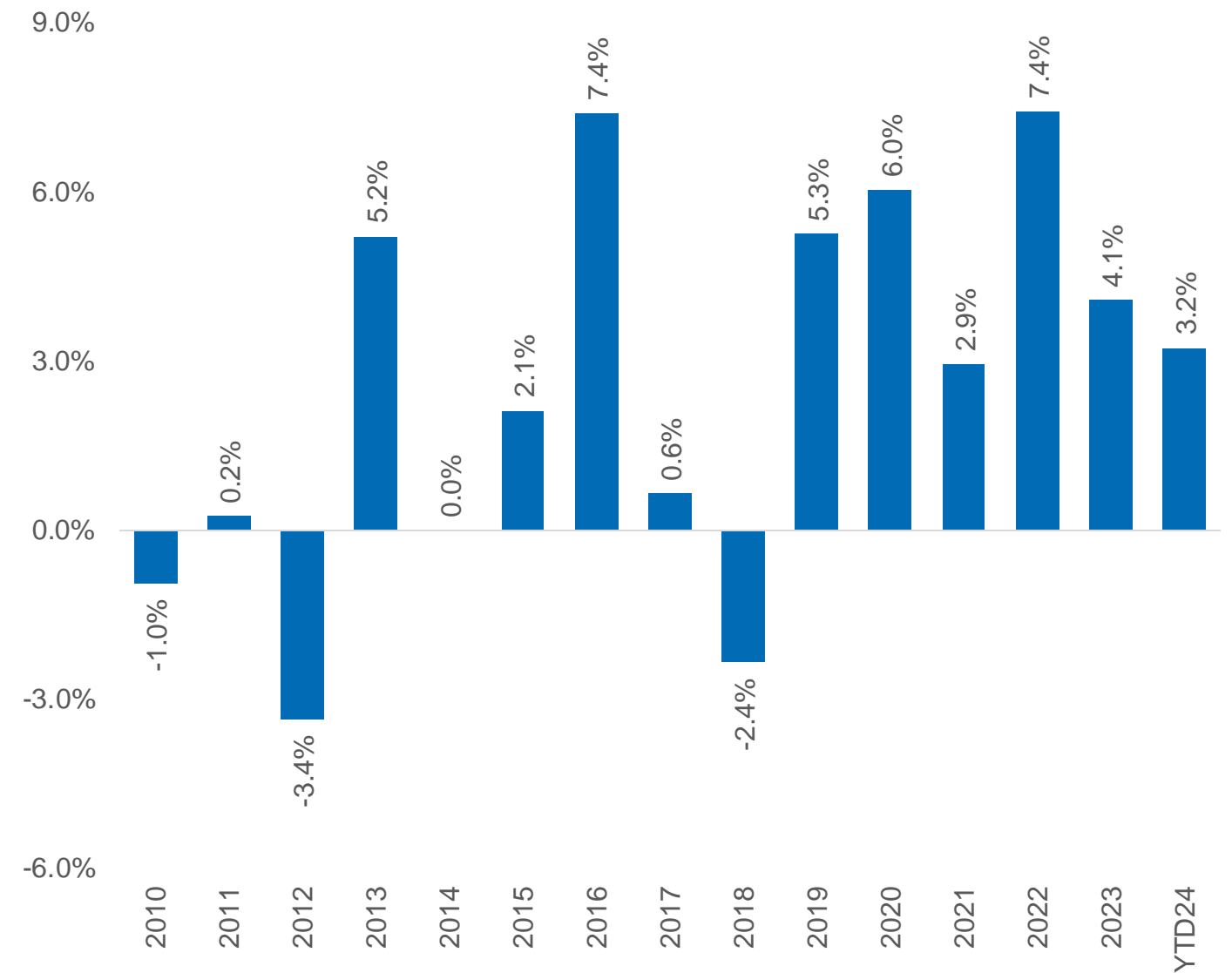
Industrial Rent Growth To Moderate After Record Increase

Industrial asking rents have grown at a record pace, with a 33.5% increase over the past five years. However, limited new product deliveries and liquidity constraints for landlords to fund higher concession packages are expected to moderate this growth over the next four quarters. Asking rental rates are projected to range between \$6.10/SF and \$6.30/SF in the coming year.

Industrial Average Asking Rent, \$/SF, NNN



Year-Over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Class A Small & Mid-sized Warehouse Space Most In Demand

Please reach out to your
Newmark business contact for this information

Notable 3Q24 Announcements & Lease Transactions

Significant announcements in 3Q24 include Marshalltown Co.'s \$27.0 million investment in a 200,000-SF manufacturing facility at Scannell Properties' 435 Logistics Park, located at the northeast corner of 99th St. and Leavenworth Rd. Additionally, Menco Royal, Inc. renewed its 250,000-SF underground lease for five more years at Carefree Industrial Park in Independence, MO. ARCO National Construction will build a 78,660-SF cold storage facility for Mies Family Foods, expanding its presence at 6036 Speaker Rd. in Kansas City, KS.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
'Confidential Manufacturing User'	4400 State Route 92 – Bldg B	Northland	Direct New	748,830
<i>An undisclosed tenant will occupy the entire 748,830-SF Platte International Commerce Center Building B in Platte City, MO. The property was developed by VanTrust and delivered in 2Q24. Newmark Zimmer provided tenant representation services in the transaction.</i>				
Animal Health International, Inc.	1401 Shepard Road – Bldg B	Northland	Direct New	254,840
<i>Animal Health International, Inc. signed a 254,840-SF lease within the 572,000-SF, multitenant Liberty Heartland Logistics Center Building B. The property delivered to the market in October 2023 and was developed by The Opus Group. Newmark Zimmer provided landlord representation services in the transaction.</i>				
Goodwill of Western MO and Eastern KS	5000 E Bannister Road	South Jackson County	Sublease	135,520
<i>Goodwill of Western Missouri and Eastern Kansas agreed to sublease the entire 135,520-SF property at 5000 East Bannister Rd. in the South Jackson County submarket. Newmark Zimmer provided landlord representation services in the transaction.</i>				
Federal Ag Supply, LLC	11011 Lackman Road	South Johnson County	Direct New	131,780
<i>Federal Ag Supply, LLC signed a 131,780-SF lease within the 307,504-SF multitenant building at 11011 Lackman Rd. in Lenexa, KS. Newmark Zimmer provided tenant representation services in the transaction.</i>				
Smurfit Westrock	100 SW South Avenue	East Jackson County	Direct New	120,000
<i>Smurfit Westrock signed a lease for the entire 120,000-SF property located at 100 SW South Avenue in Blue Springs, MO. Newmark Zimmer provided landlord representation services in the transaction.</i>				

3Q24

Submarket Statistics



Submarket Statistics: All Classes, Warehouse, Flex, Underground

Please reach out to your
Newmark business contact for this information

For more information:

Mark Long, CRE, SIOR, CCIM, LEED AP

President & CEO

Newmark Zimmer

mlong@nzimmer.com

Andrew Garten

Senior Director, Research

agarten@nzimmer.com

Kansas City

1220 Washington Street, Suite 300

Kansas City, MO 64105

t 816-474-2000

Lee's Summit

1485 SW Market Street

Lee's Summit, MO 64081

t 816-474-2000

nmrkzimmer.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK
ZIMMER