
4Q24

Kansas City Industrial Market Overview

Market Observations

Economy

- The region’s labor market remains historically strong despite evolving macroeconomic conditions. November’s unemployment rate of 3.6% was 30 basis points below the 10-year historical average of 3.9%.
- Year-over-year, job growth has been most notable in the services sector, which continues its recovery from the pandemic. Leisure and Hospitality led all industries in job gains over the past 12 months, followed by Education and Health, and Construction.
- Industrial firms are recalibrating their labor needs. Locally, two of the three industrial sectors experienced growth over the past year: Construction grew by 1.9%, Trade/Transportation/Utilities increased by 1.1%, and Manufacturing contracted by 0.3%.

Major Transactions

- Lennox leased 763,360 SF at Inland Port IX at Logistics Park KC, marking the largest industrial lease in the Kansas City market for 2024. The firm is expected to move in by April 2025 under a seven-year lease term.
- Staffing by Starboard secured 144,390 SF at Lenexa Logistics Centre East IV.
- E-commerce platform OpenStore announced its first fulfillment center in the Kansas City market, leasing 112,990 SF at Executive Park Logistics Center III. The firm is slated to move in by March 2025 upon the property’s delivery.
- Plastikon Industries, Inc. leased 90,000 SF of underground space within Meritex Lenexa Executive Park.

Leasing Market Fundamentals

- The market tightened with 739,865 SF of net absorption during the fourth quarter of 2024. Vacancy held steady at 5.4%, as net absorption offset 359,809 SF of new deliveries. Leasing activity and rent growth for midsized and small-bay industrial spaces are expected to remain strong in 2025.
- The construction pipeline contracted to 10.3 million SF, down from 10.7 million SF in the previous quarter. As the recently completed inventory is leased, the next construction cycle will present limited alternatives, likely driving vacancy rates lower.
- Of the total 10.3 million SF build-to-suit and speculative pipeline, over 7.9 million SF (76%) is allocated to build-to-suit projects, including Panasonic’s 4.7 MSF facility, 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 encompasses 338.6 million SF and continues to thrive, bolstered by its central location, skilled labor force, extensive transportation network, and competitive real estate and energy costs.
- Vacancy is anticipated to decline from 5.4% in 2025, driven by sustained demand and a slowing speculative supply pipeline. Industrial average asking rents have risen by a record 28.0% over the past five years.
- While the pace of rent growth is expected to moderate over the next four quarters, both asking and contract rates will remain elevated relative to pre-pandemic levels. Strong demand and rising construction costs will continue to shape the market.

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

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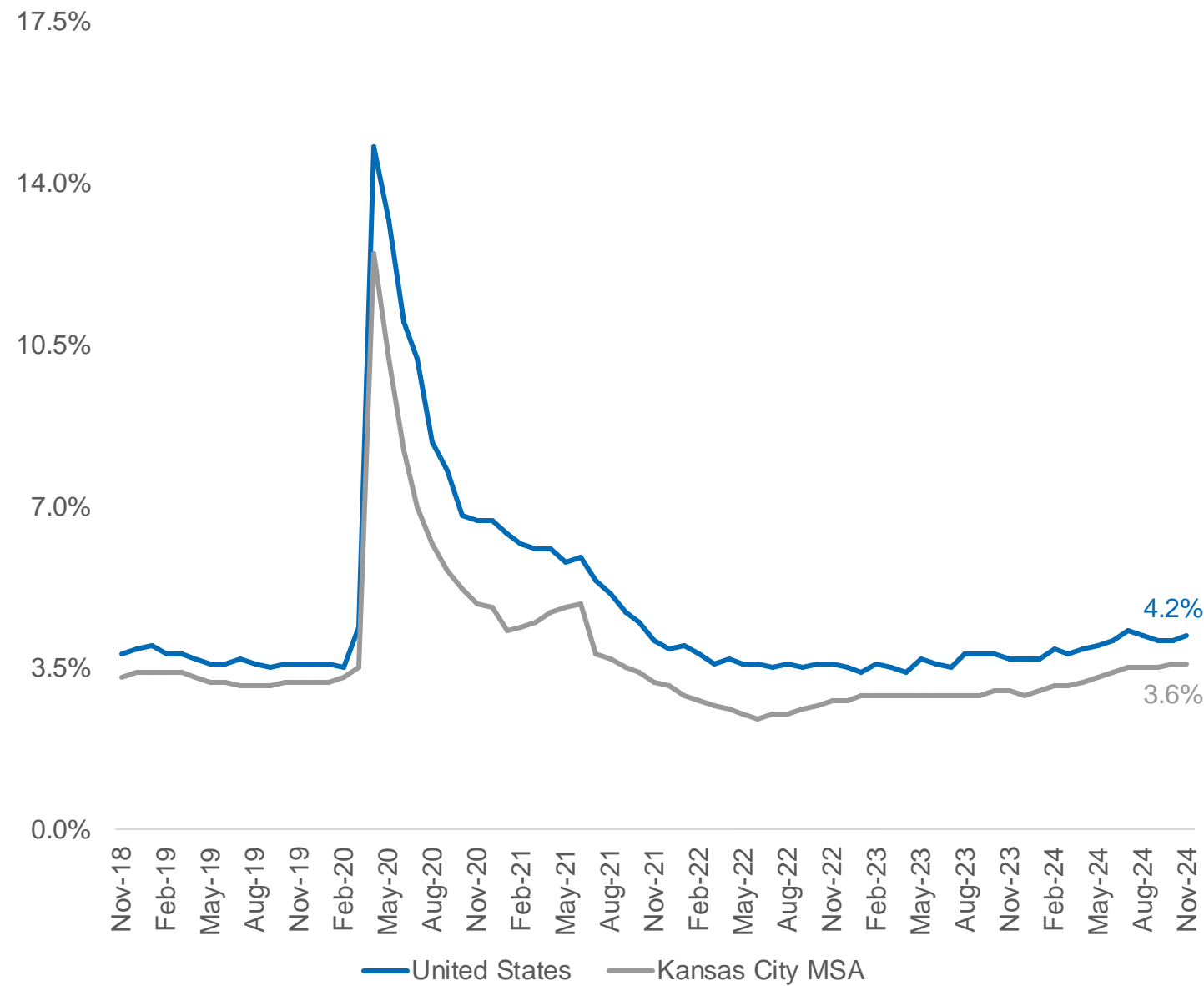
Economy



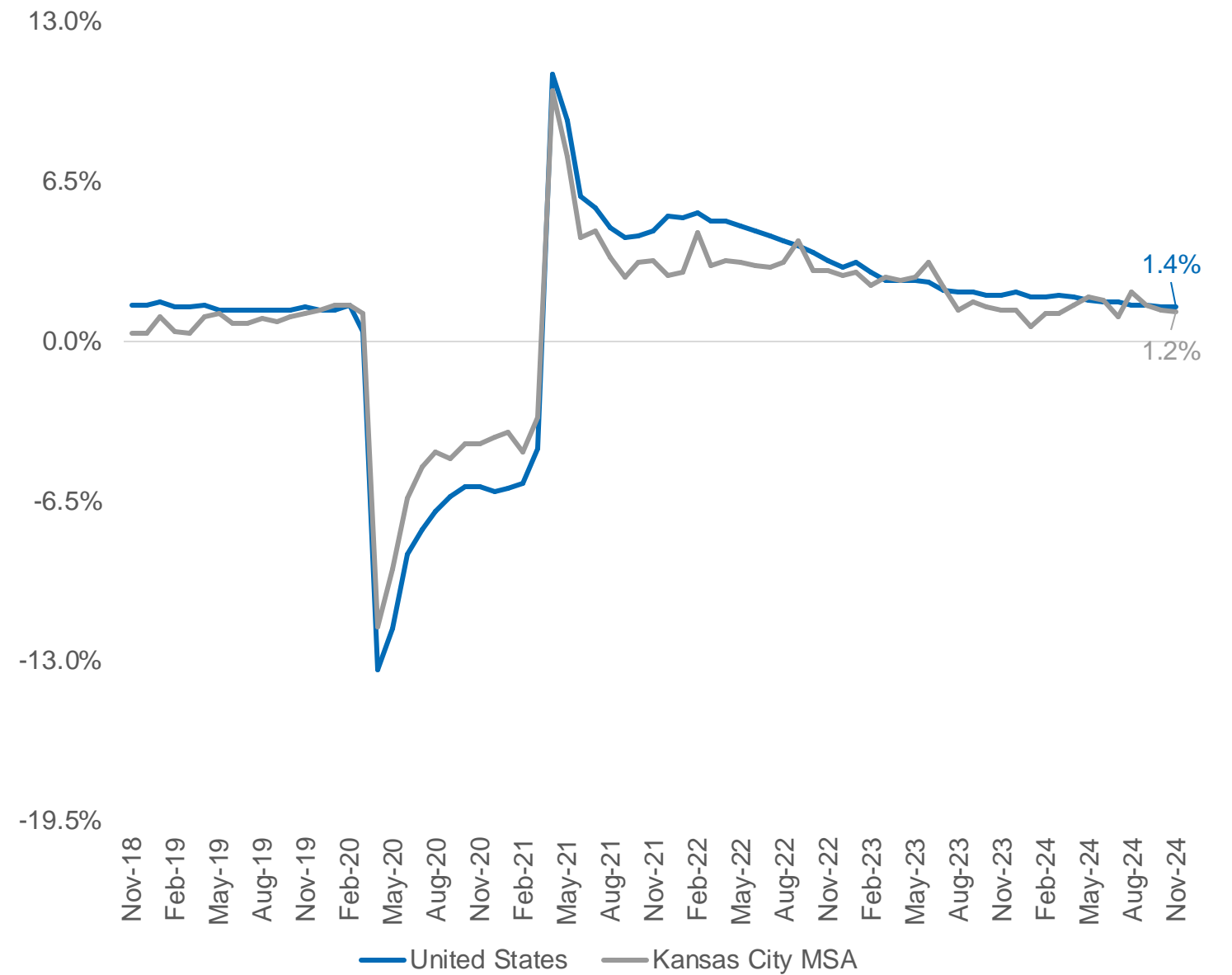
Metro Employment Signal Stable Economy

The region's labor market remains stable following a 25-basis-point cut to the Fed's benchmark interest rate. Unemployment has recovered from the pandemic and remains 60 basis points below the national average. The Kansas City Fed Labor Market Conditions Indicators showed little change in activity at 0.42, while momentum increased to 0.25 in November 2024.

Unemployment Rate, Non-Seasonally Adjusted



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

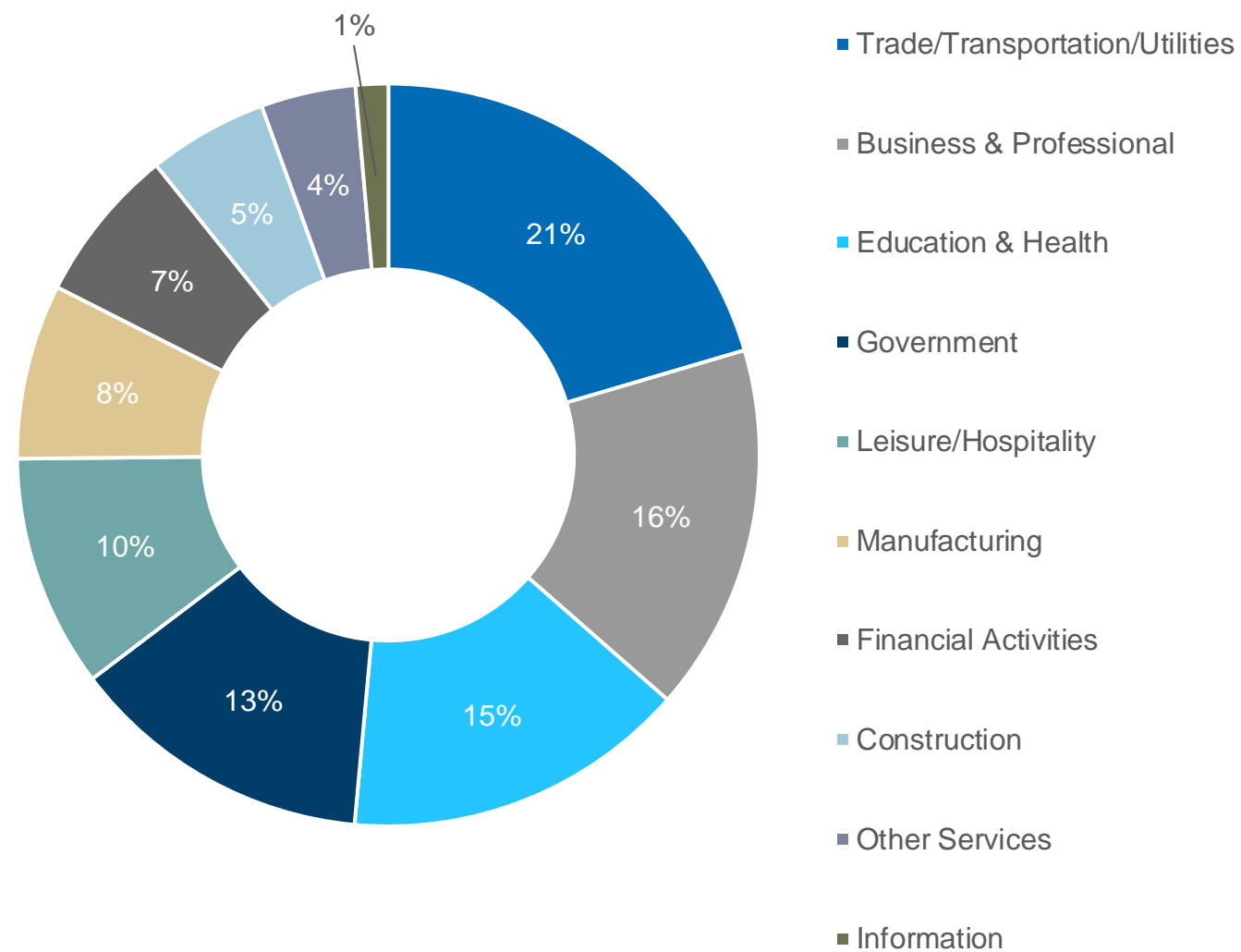


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

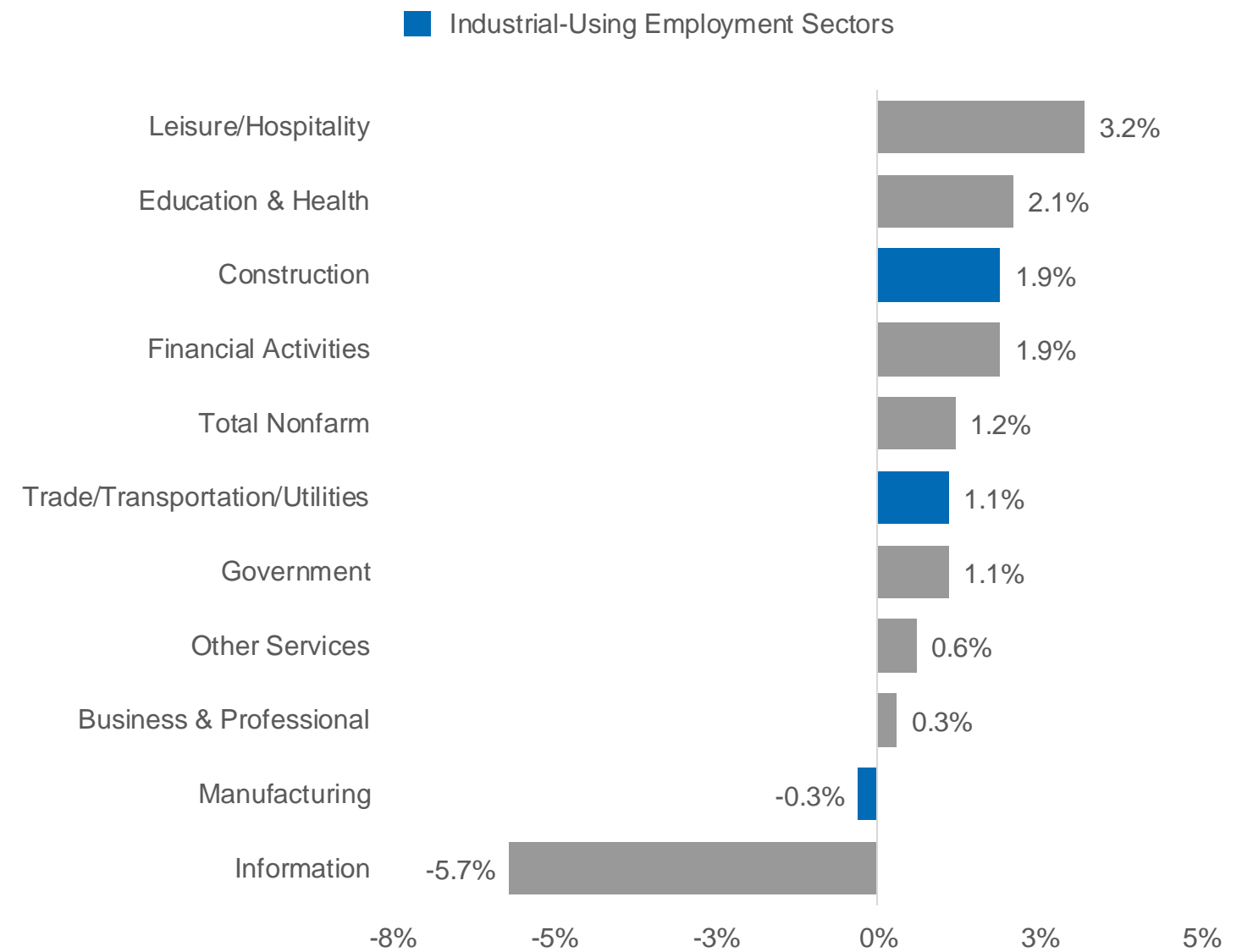
Industrial Activity & Shifting Spending Fuel Job Growth

The Leisure/Hospitality and Education & Health sectors led regional annual job growth at 3.2% and 2.1%, respectively, driven by a post-pandemic shift in spending toward services, travel, and healthcare. Kansas City's strategic location, competitive real estate costs, and skilled labor force continue to support industrial activity, contributing to positive employment growth in two of three industrial sectors.

Employment by Industry, November 2024



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

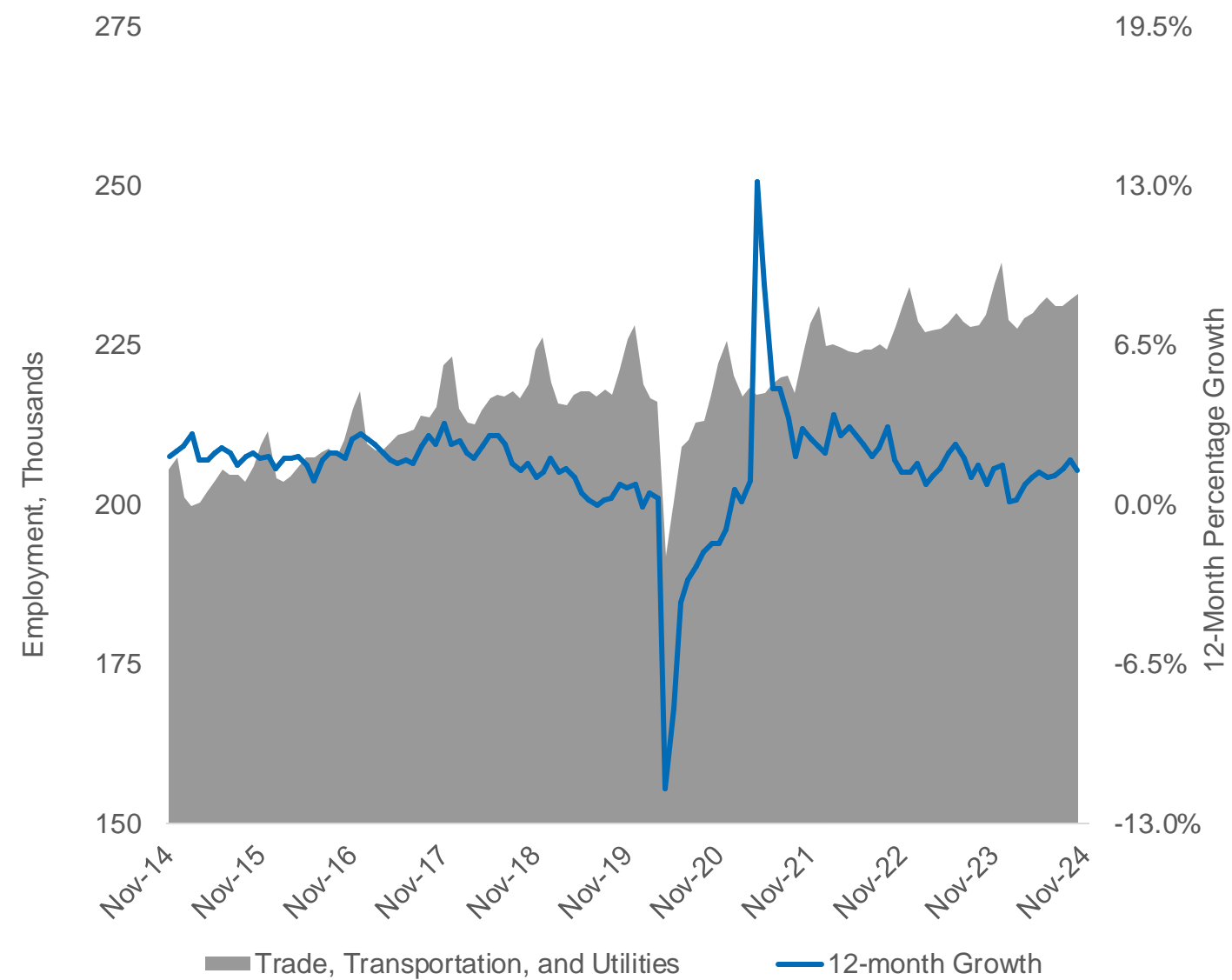


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

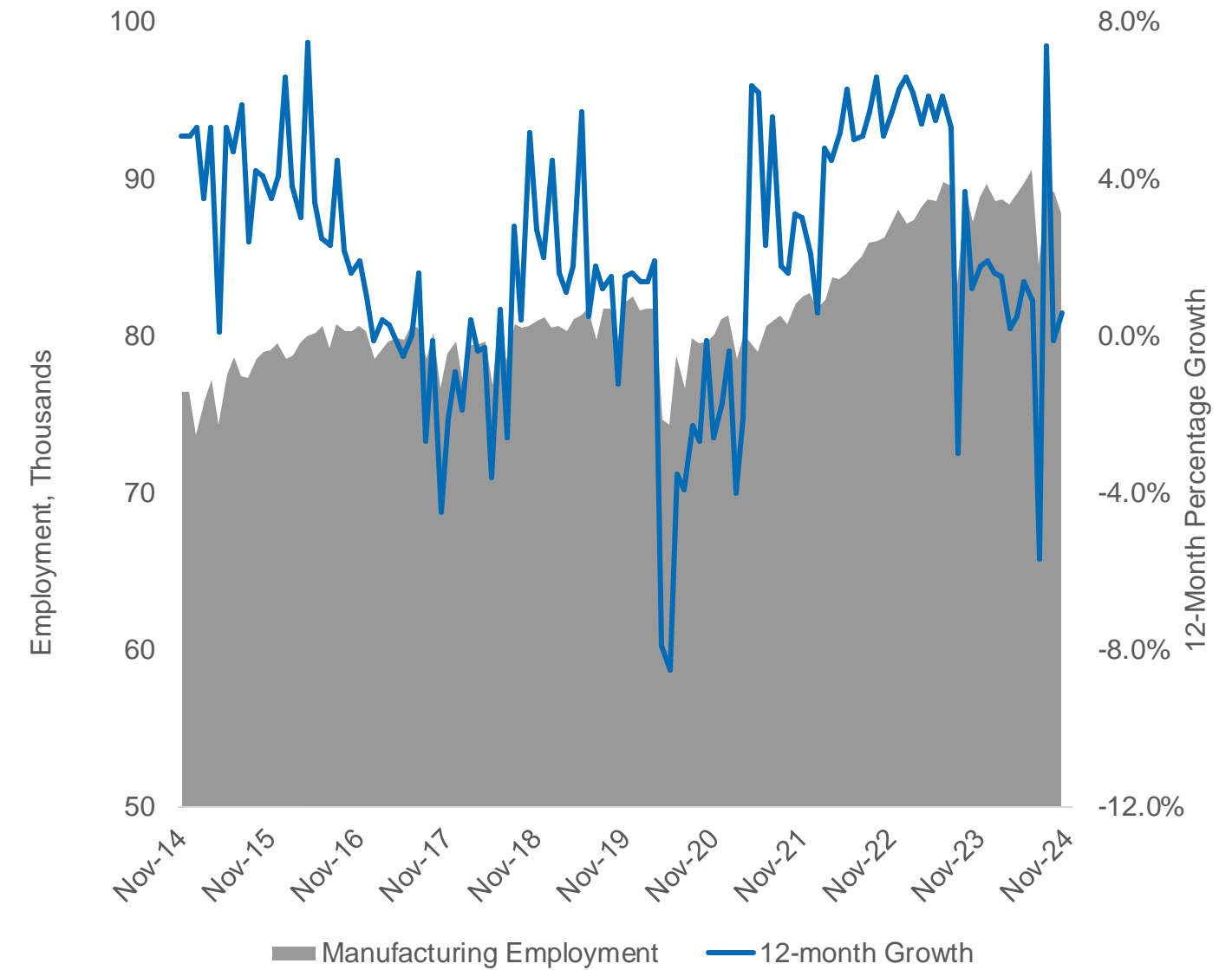
Overall Industrial Employment Increases In 2024

Industrial employment has rebounded beyond pre-pandemic levels. Although a minor seasonal dip typically occurs at the start of each year, the region has already stabilized, and employment rates are projected to rise in 2025.

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

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Leasing Market Fundamentals



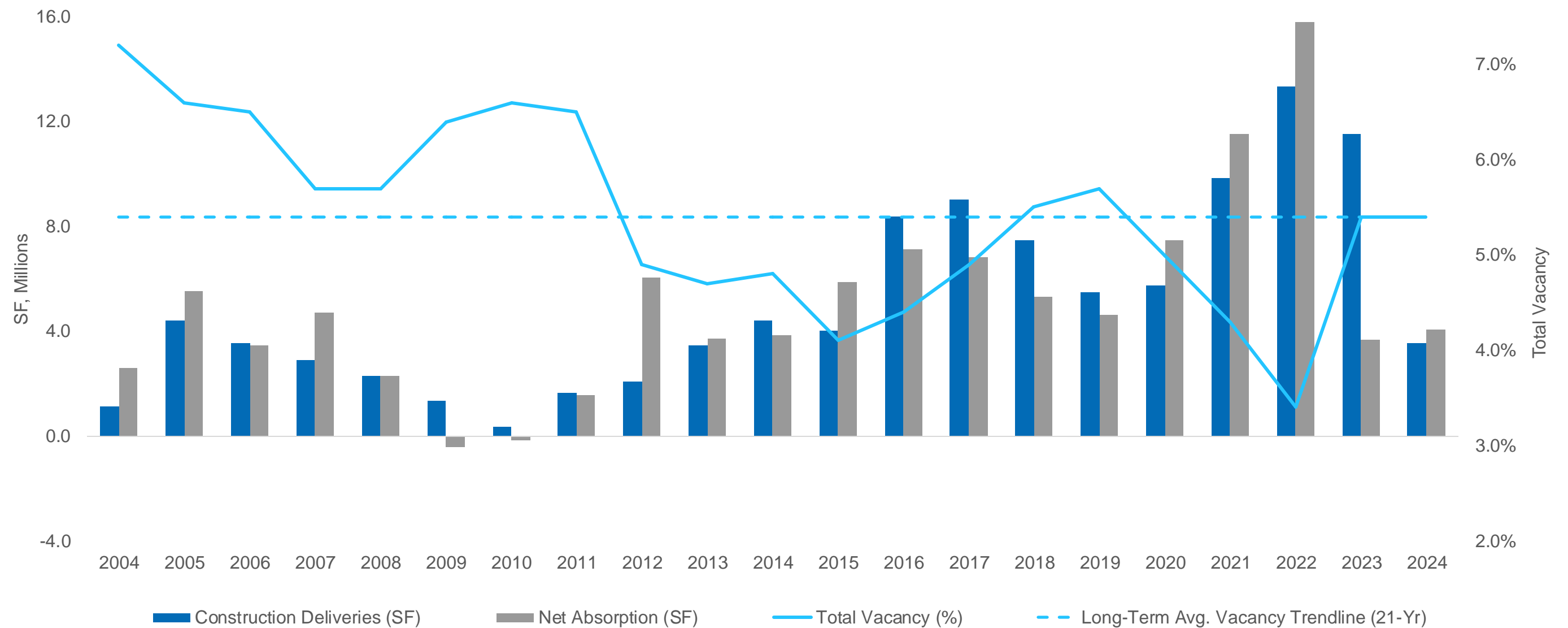
Market Overview

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Vacancy At 21-Year Average; Net Absorption Outpacing Deliveries

Vacancy remained steady at 5.4% year-over-year as 3.5 million SF of new space entered the market over the past four quarters. Net absorption matched this pace, totaling 4.1 million SF during the same period. Leasing velocity and rent growth are expected to remain strong, particularly for 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, combined with a decreasing speculative construction pipeline, is anticipated to push the vacancy rate lower over the next four quarters.

Historical Construction Deliveries, Net Absorption, and Vacancy

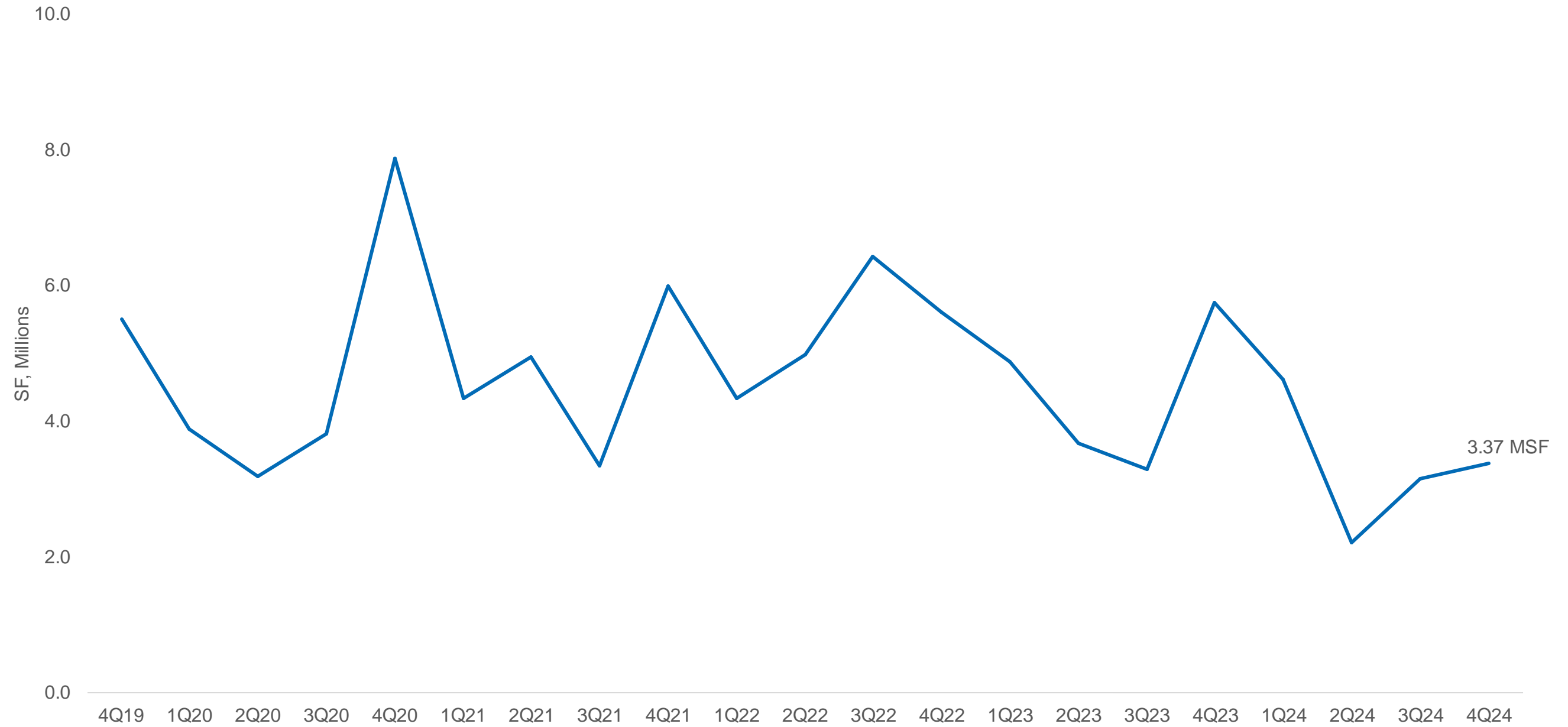


Source: Newmark Research

Industrial Leasing Activity Accelerates In 4Q

Demand for industrial space reached 3.4 million SF in the fourth quarter of 2024, reflecting a 23.3% decrease compared to the 2023 quarterly average of 4.4 million SF. This slowdown is attributed to ongoing economic uncertainty and the resolution of short-term space requirements that emerged during the pandemic.

Total Leasing Activity (MSF)

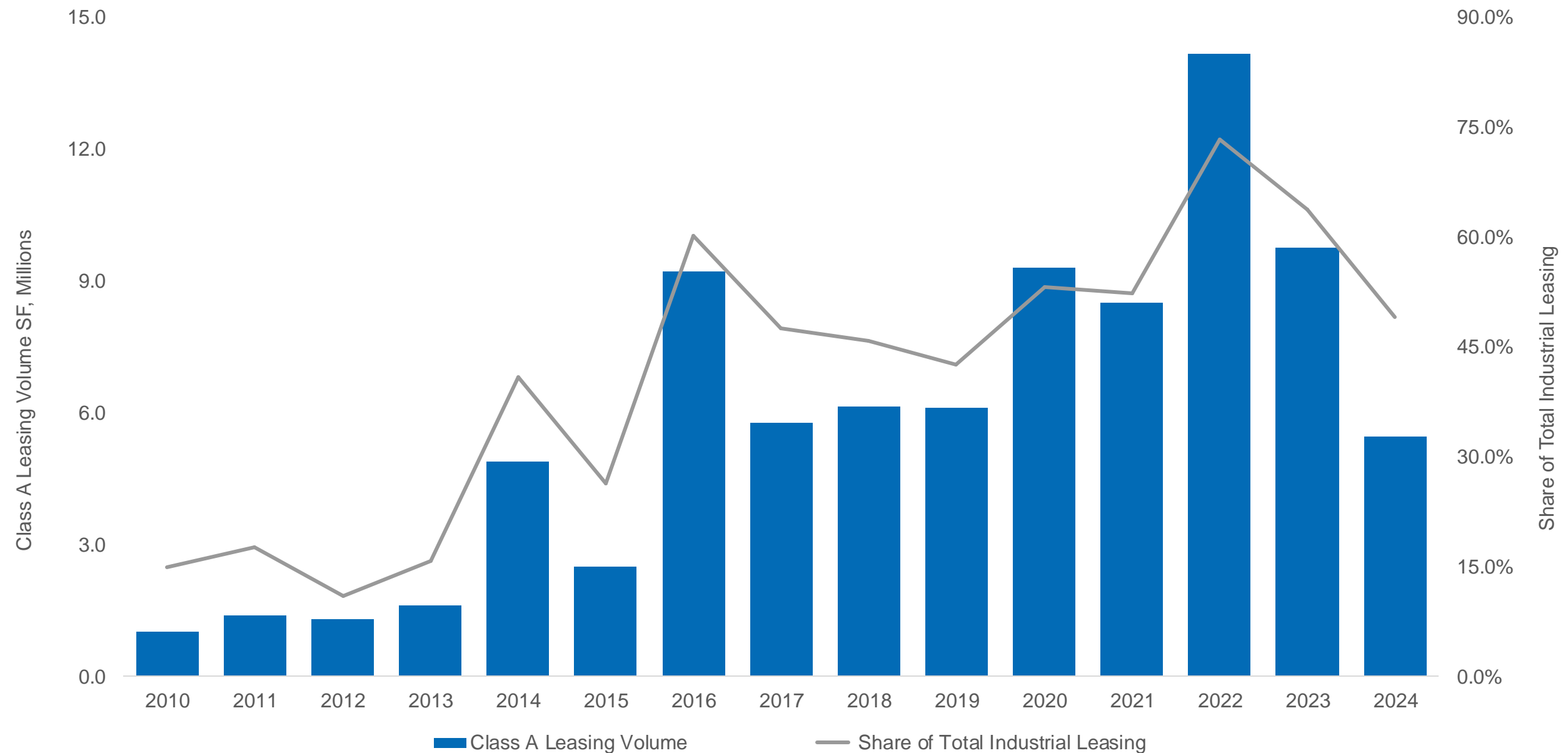


Source: Newmark Research, CoStar

Class A Warehouse Leasing Share Remains Above Pre-Pandemic Average

Non-gateway markets like Kansas City have experienced a slower developer response to occupier demand for modern Class A warehouse space. However, development activity has accelerated over the past five years, driving significant growth in Class A leasing. In 2024, Class A warehouse leasing represented 49.1% of total activity. While this reflects a decline from the record high of 73.4% in 2022, it remains above the pre-pandemic five-year average of 44.6% from 2015 to 2019.

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



Source: Newmark Research, CoStar

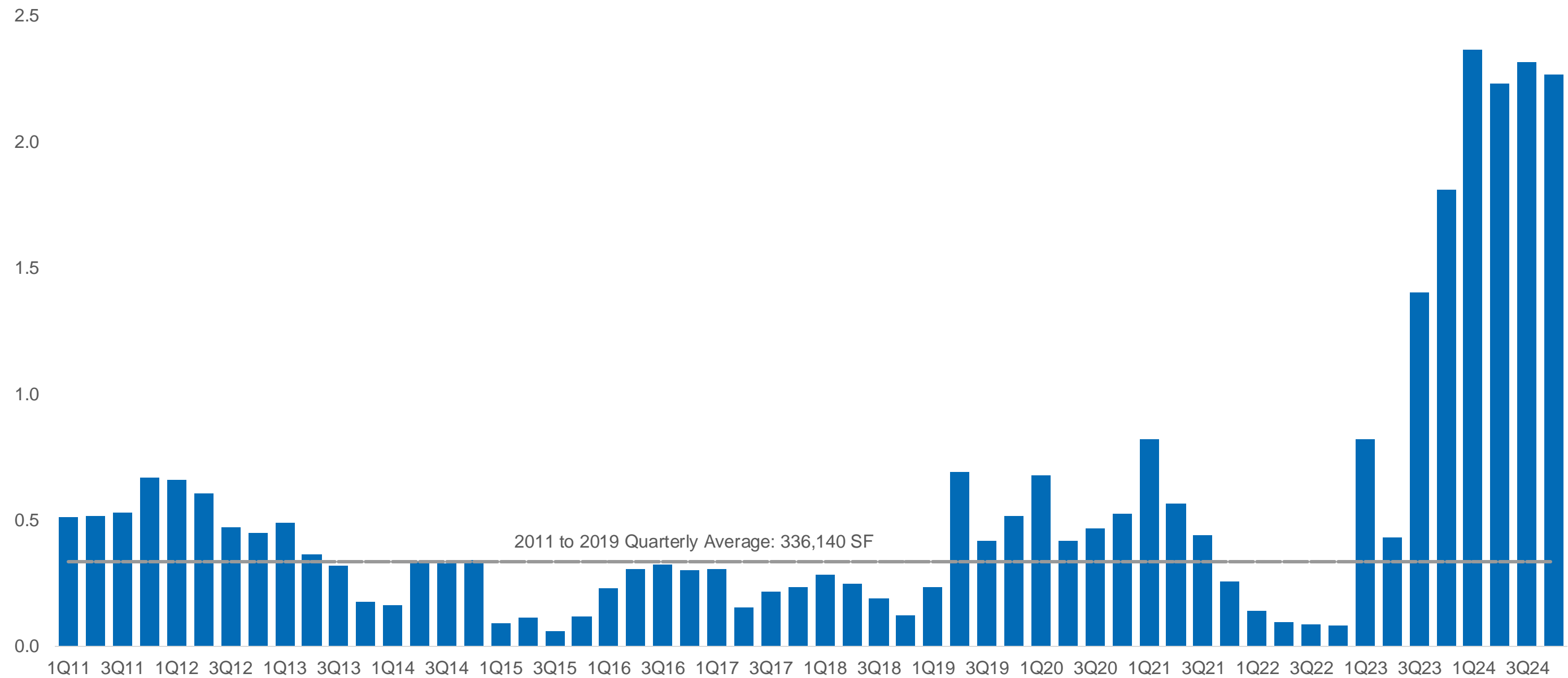
Vacancy Rates In South Johnson & South Jackson Counties Nearly 10.0%

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Elevated Sublease Availability, Though Only 0.7% Of Market

Vacant sublease availability experienced a slight increase this quarter, though absorption of active sublease offerings is anticipated over the next four quarters, likely reducing overall availability. Nearly half of the 2.3 MSF total is attributed to the former Coleman distribution center. Despite this uptick, available vacant sublease space remains limited, accounting for just 0.7% of the Kansas City market—well below levels seen in other U.S. markets.

Vacant Available Industrial Sublease Volume (MSF)

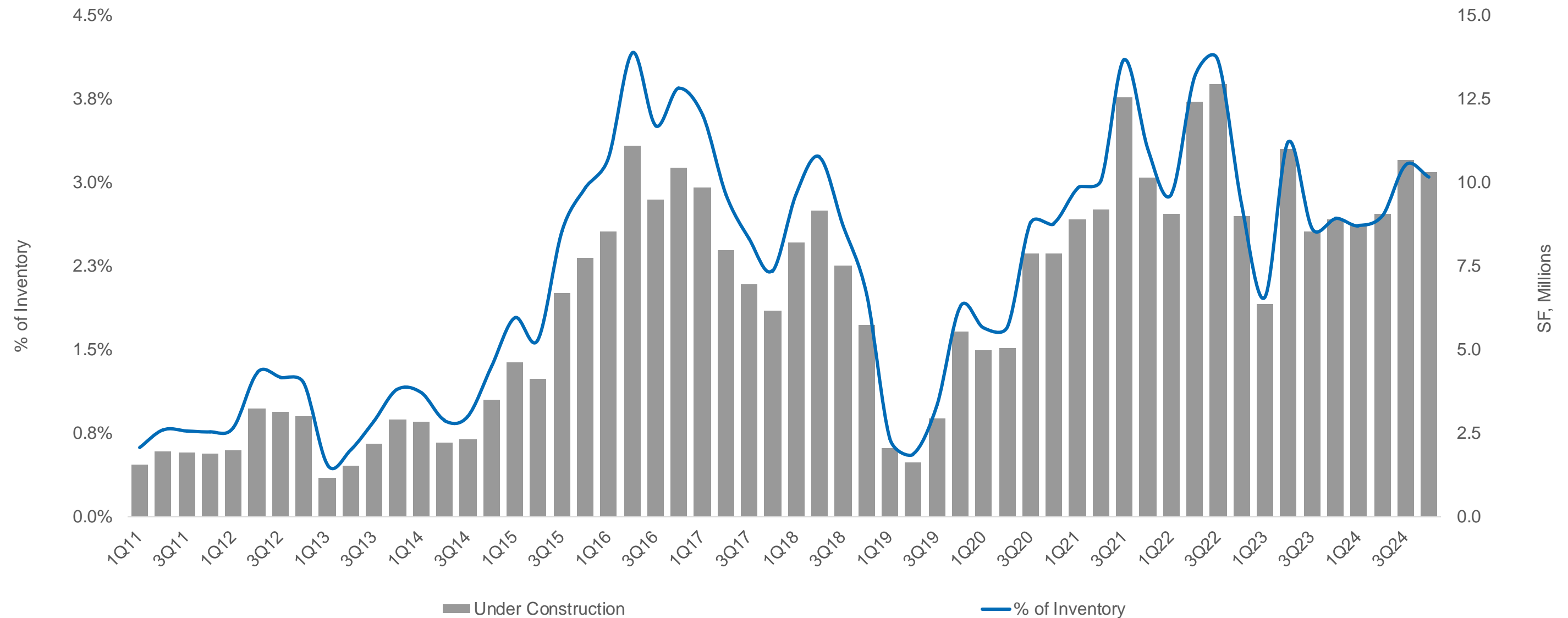


Source: Newmark Research, CoStar

Speculative Projects Account For Only 24% of Construction Activity

The combined build-to-suit (BTS) and speculative construction pipeline totals 10.3 million SF, with over 76%—or 7.9 million SF—dedicated to BTS projects. Notable developments include Panasonic’s 4.7-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 in the coming year, while speculative construction trends downward, with only 2.5 million SF currently underway. Speculative activity is likely to remain modest as existing projects are absorbed, with limited new supply anticipated in this cycle.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

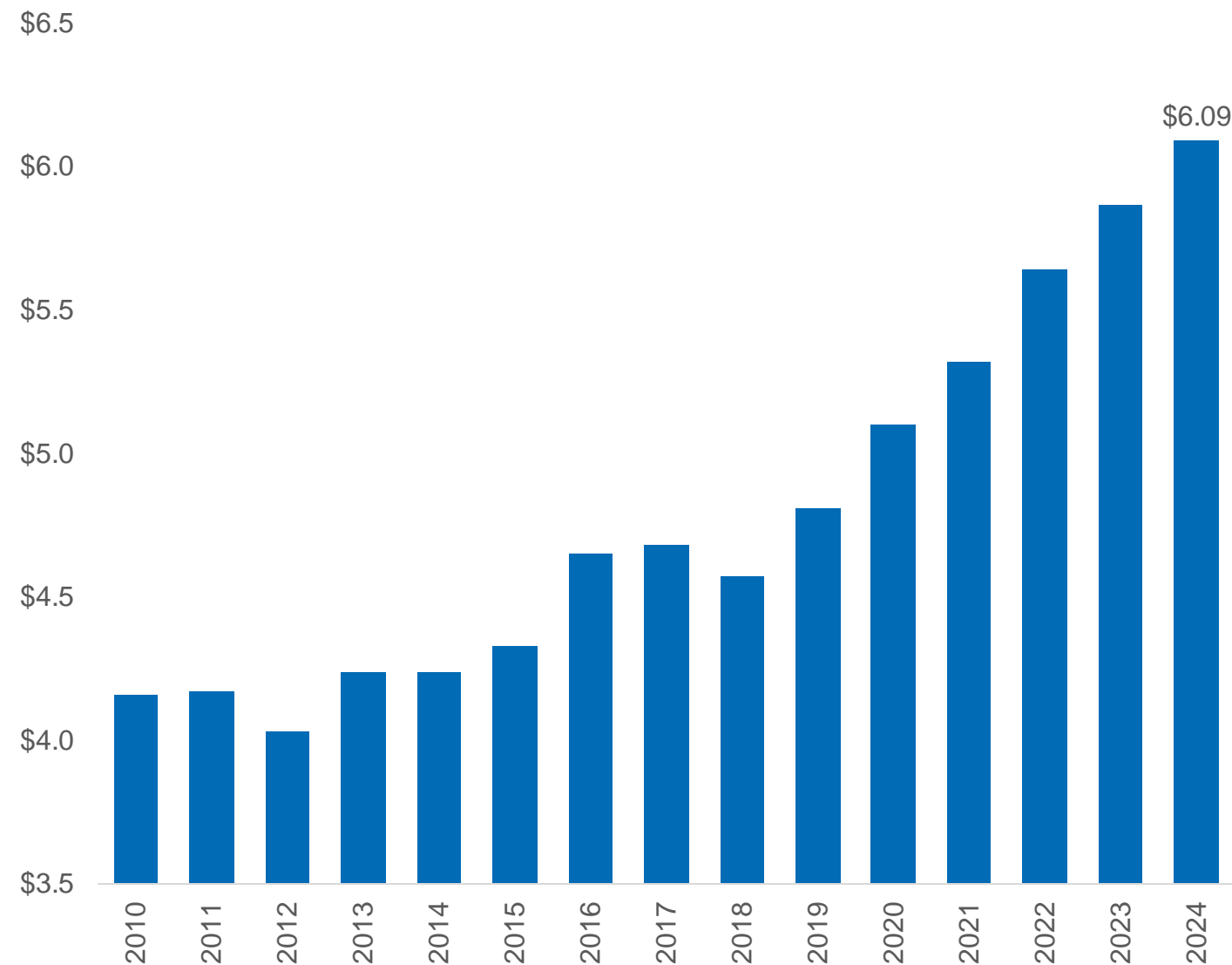
Speculative Construction Supply Limited As Build-to-Suits Grows

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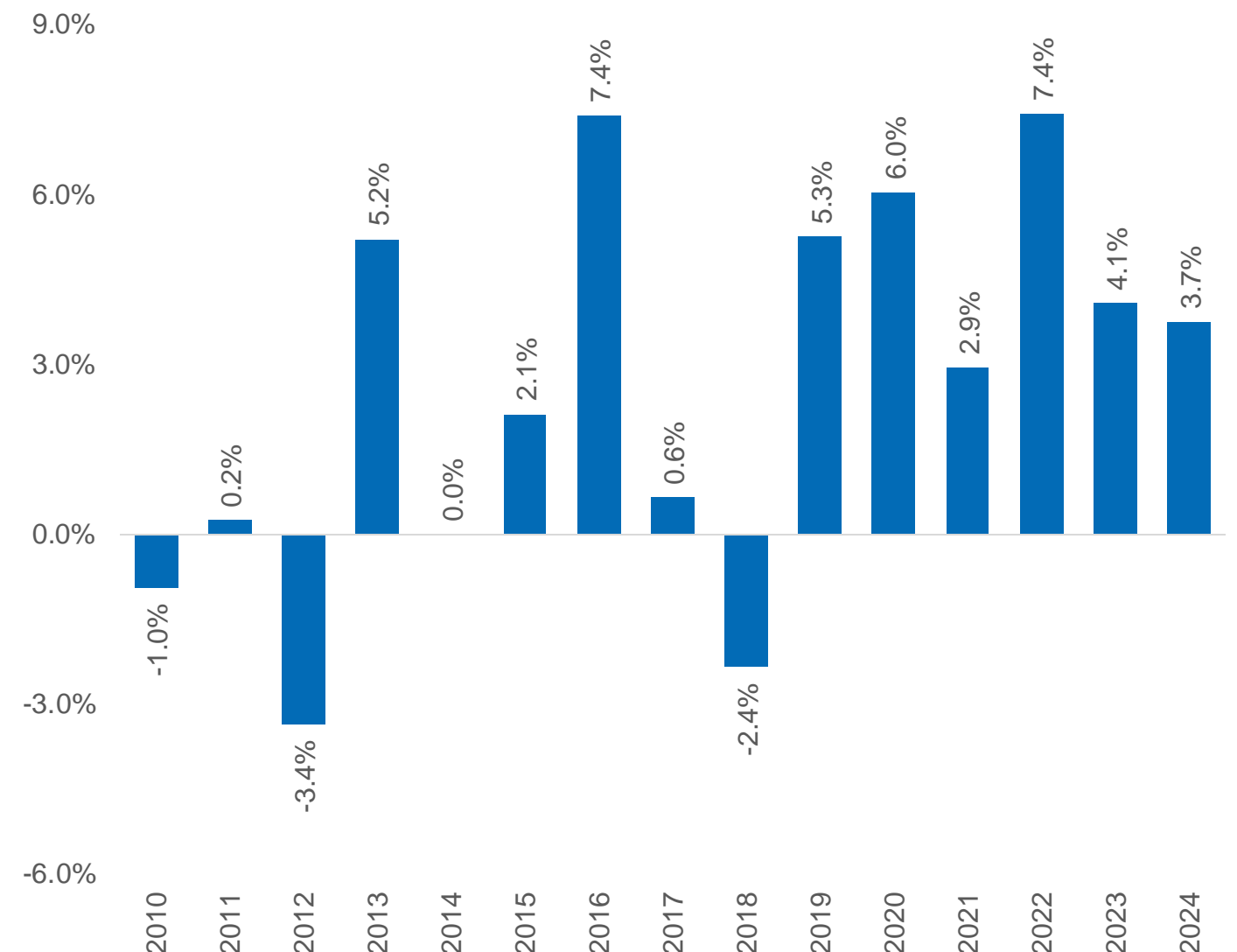
Industrial Rent Growth Will Moderate After Record Increase

Industrial asking rents have grown at a record pace, rising 28.0% over the past five years. However, limited new product deliveries and liquidity constraints for landlords to support higher concession packages are expected to temper this growth over the next four quarters. Asking rental rates are forecasted to range between \$6.15/SF and \$6.35/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 In Demand

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Notable 4Q24 Announcements & Lease Transactions

Key announcements this quarter include Kansas City's largest industrial lease of 2024, with Lennox securing 763,360 SF at Inland Port IX in Logistics Park KC; Staffing by Starboard's 144,390-SF lease at Lenexa Logistics Centre; OpenStore's first 112,990-SF fulfillment center at the under-construction Executive Park Logistics Center III; and Plastikon Industries' 90,000-SF lease in Meritex Lenexa Executive Park.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Lennox	30500 W 183rd Street – Inland Port IX	South Johnson County	Direct New	763,360
<i>Lennox leased 763,360 SF at the recently delivered 1.0 million-SF Inland Port IX at Logistics Park KC, marking the largest industrial lease in the Kansas City market for 2024. The firm is expected to move in by April 2025 under a seven-year lease term.</i>				
Staffing by Starboard	16000 W 116th Street – LLC East IV	South Johnson County	Direct New	144,390
<i>Staffing by Starboard secured a 144,390-SF lease within the 606,620-SF, multitenant Lenexa Logistics Centre East Building IV. The asking starting rent was listed at \$5.50/SF prior to leasing.</i>				
OpenStore	2000 N Corrington Avenue – EPLC III	East Jackson County	Direct New	112,990
<i>E-commerce platform OpenStore announced its first fulfillment center in the Kansas City market, leasing 112,990 SF at the 225,590-SF, multitenant Executive Park Logistics Center III. The firm is slated to move in by March 2025 upon the property's delivery.</i>				
Plastikon Industries, Inc.	17501 W 98th Street – Meritex Subsurface	North Johnson County	Direct New	90,000
<i>Plastikon Industries signed a 90,000-SF lease in October for underground space within the Meritex Lenexa Executive Park.</i>				
Temp-Con, LLC	10601 W 79th Street – Switzer II	North Johnson County	Direct New	79,500
<i>Temp-Con signed a five-year lease for the entire 79,500-SF Switzer II building located at 10601 West 79th Street in Lenexa, KS. The firm is expected to move-in by January 2025.</i>				

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Submarket Statistics



Submarket Statistics: All Classes, Warehouse, Flex, Underground

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