

1Q25

Kansas City Industrial Market Overview

Market Observations

Economy

- The region’s labor market remains resilient in the face of broader macroeconomic uncertainty. February’s unemployment rate stood at 4.3%, 40 basis points above the 10-year historical average of 3.9%.
- Year-over-year, job growth has been strongest in the services sector, which continues to recover. Education and Health led all industries in job gains over the past 12 months, followed by Financial Activities and Government.
- Industrial firms are recalibrating workforce needs. Locally, employment increased in one of three key industrial sectors: Manufacturing, up 0.2%.

Major Transactions

- The United States Postal Service subleased 1.1 million SF at the former Coleman distribution center in Gardner and is expected to take occupancy immediately. The sublease runs through December 31, 2029.
- Origin Point Brands expanded at 5300 Kansas Ave., signing a new lease for 325,650 SF while vacating its existing 191,740 SF within the same building.
- QTS Realty Trust grew its footprint by 314,470 SF and now fully occupies the 756,570-SF Building B1 at New Century Commerce Center.
- Garmin signed a five-year lease for 184,400 SF at the 567,840-SF I-35 Logistics Park Building II in Olathe, with occupancy anticipated by May 2025.

Leasing Market Fundamentals

- The market recorded 7.5 MSF of positive net absorption in first-quarter 2025, the second-highest quarterly absorption total in the market’s recorded history. The absorption was a result of three primary factors: multiple build-to-suit deliveries (Ace Hardware in 1.5 MSF, Blue Buffalo in 727,350 SF and Heartland Coca-Cola Bottling in 677,000 SF); bulk building leasing (USPS subleased the 1.1-MSF Coleman building); and above-average first quarter demand resulting from a softer-than-expected 4Q24.
- While steady demand and a slowing speculative construction pipeline drove vacancy down 90 basis points year over year to 4.6%, the elevated net absorption recorded in 1Q25 is not expected to become a continuing trend.

Outlook

- As the 15th-largest industrial market in the U.S., Kansas City spans 344.3 million SF and continues to thrive, supported by its central location, skilled labor pool, robust transportation infrastructure and competitive real estate and energy costs.
- Vacancy is projected to decline toward 4.2% by year-end 2025, fueled by steady demand and a slowing speculative pipeline. Industrial average asking rents have climbed a record 25.0% since 2Q21.
- Although rent growth is expected to moderate over the next four quarters, both asking and contract rates are likely to remain well above pre-pandemic levels. Elevated construction costs and resilient demand will continue to influence market dynamics.

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

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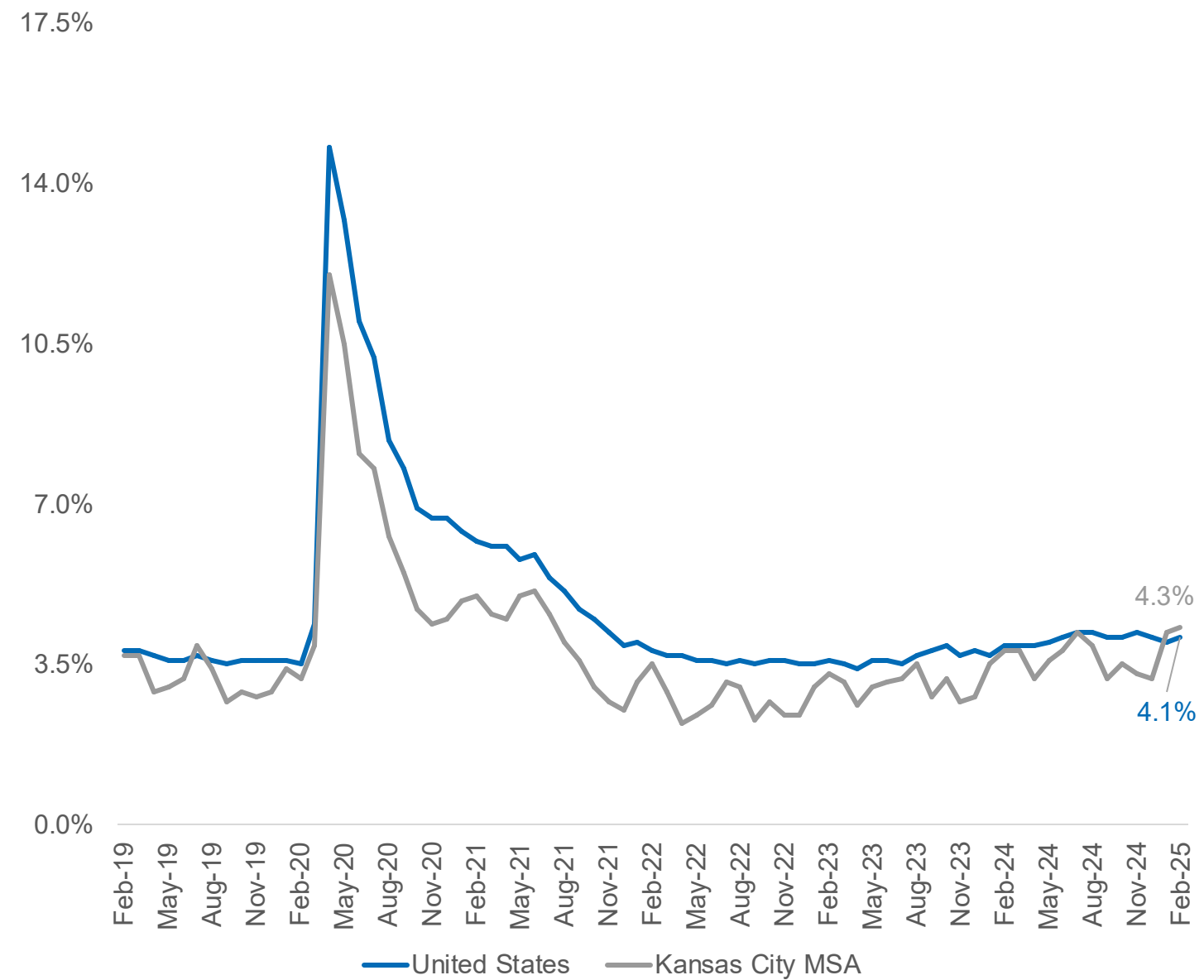
Economy



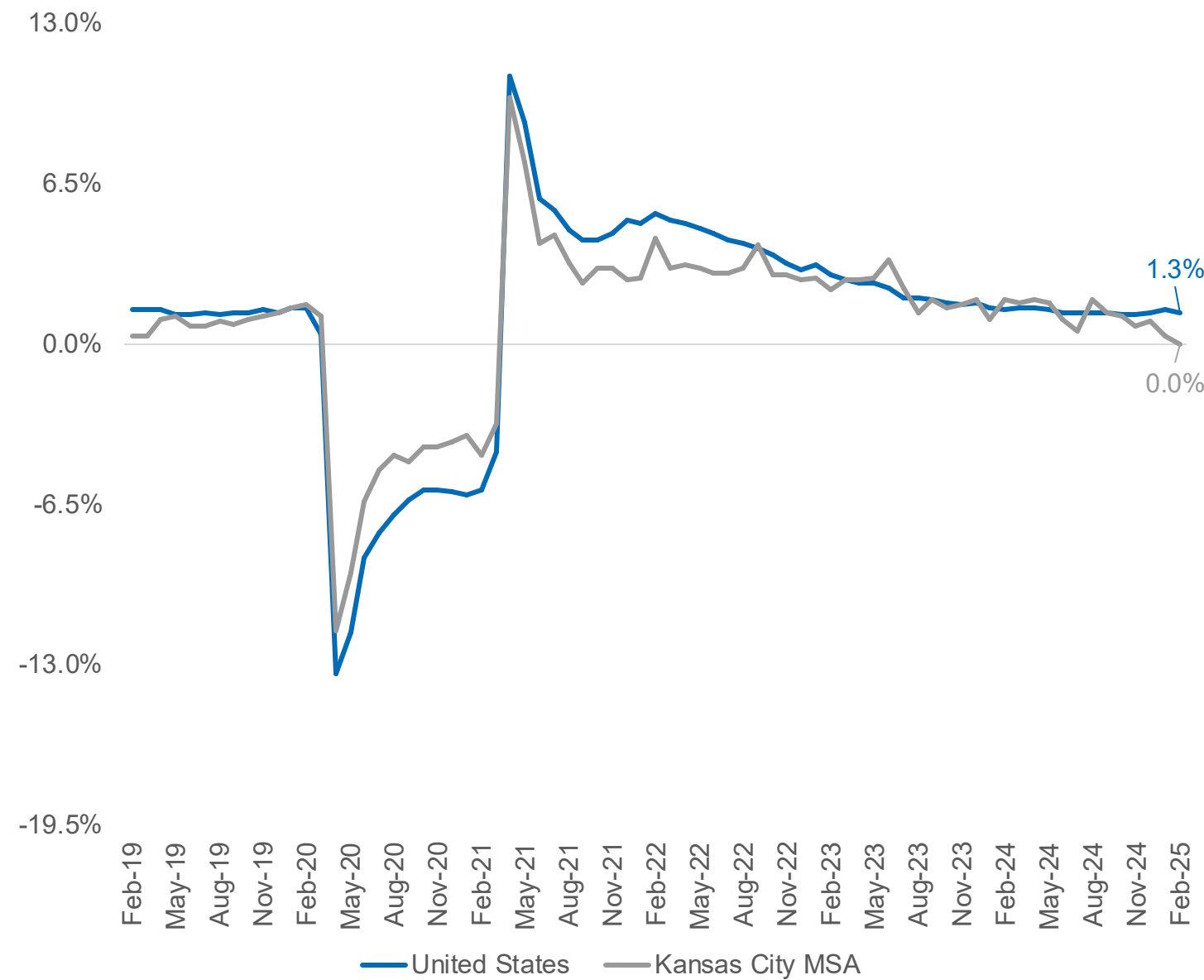
Metro Employment Trends Signal Weakening Economy

The Kansas City region's labor market softened as unemployment rose 100 basis points from the previous quarter. The region's unemployment rate is now 20 basis points above the national average, signaling reduced economic resilience.

Unemployment Rate, Non-Seasonally Adjusted



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



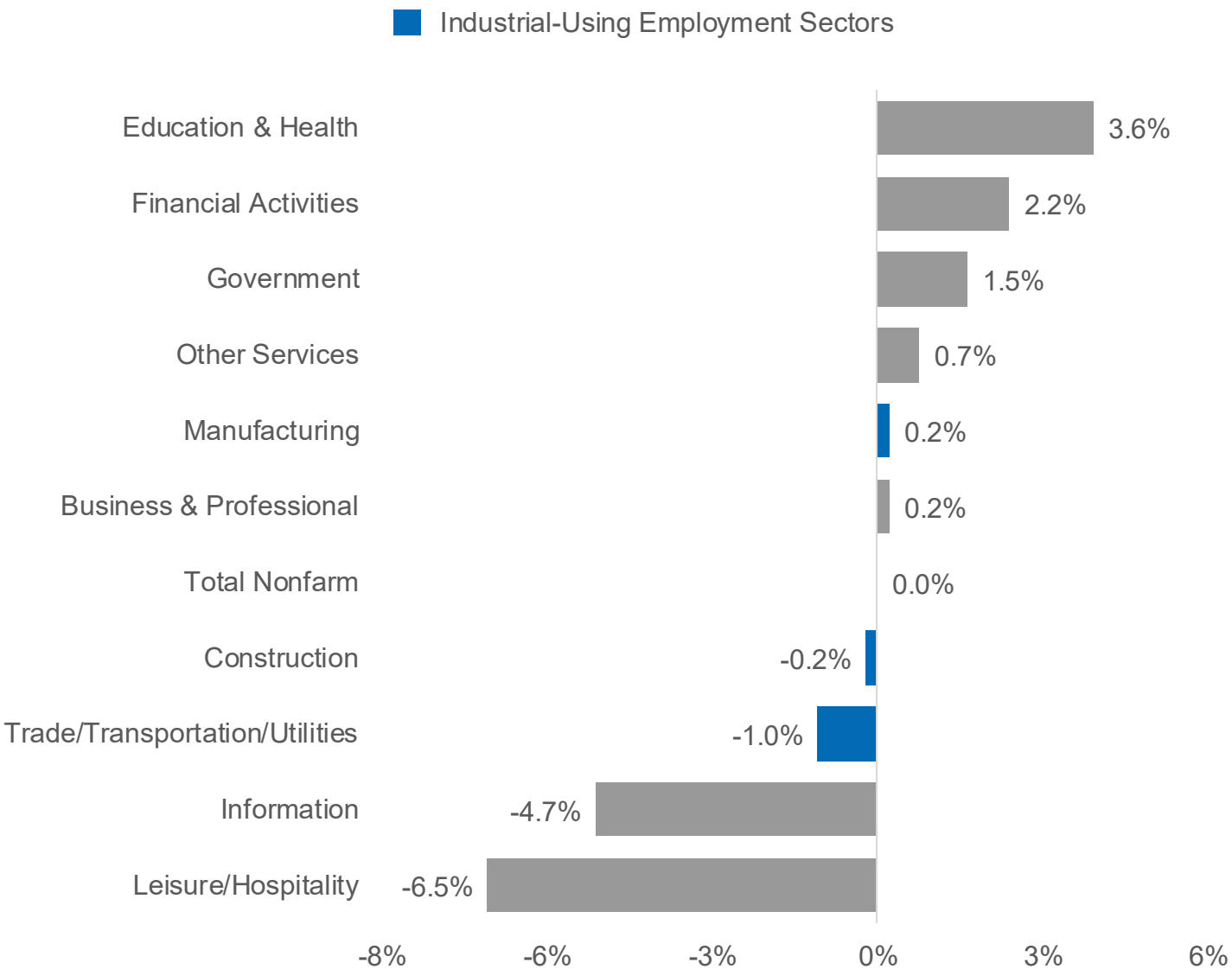
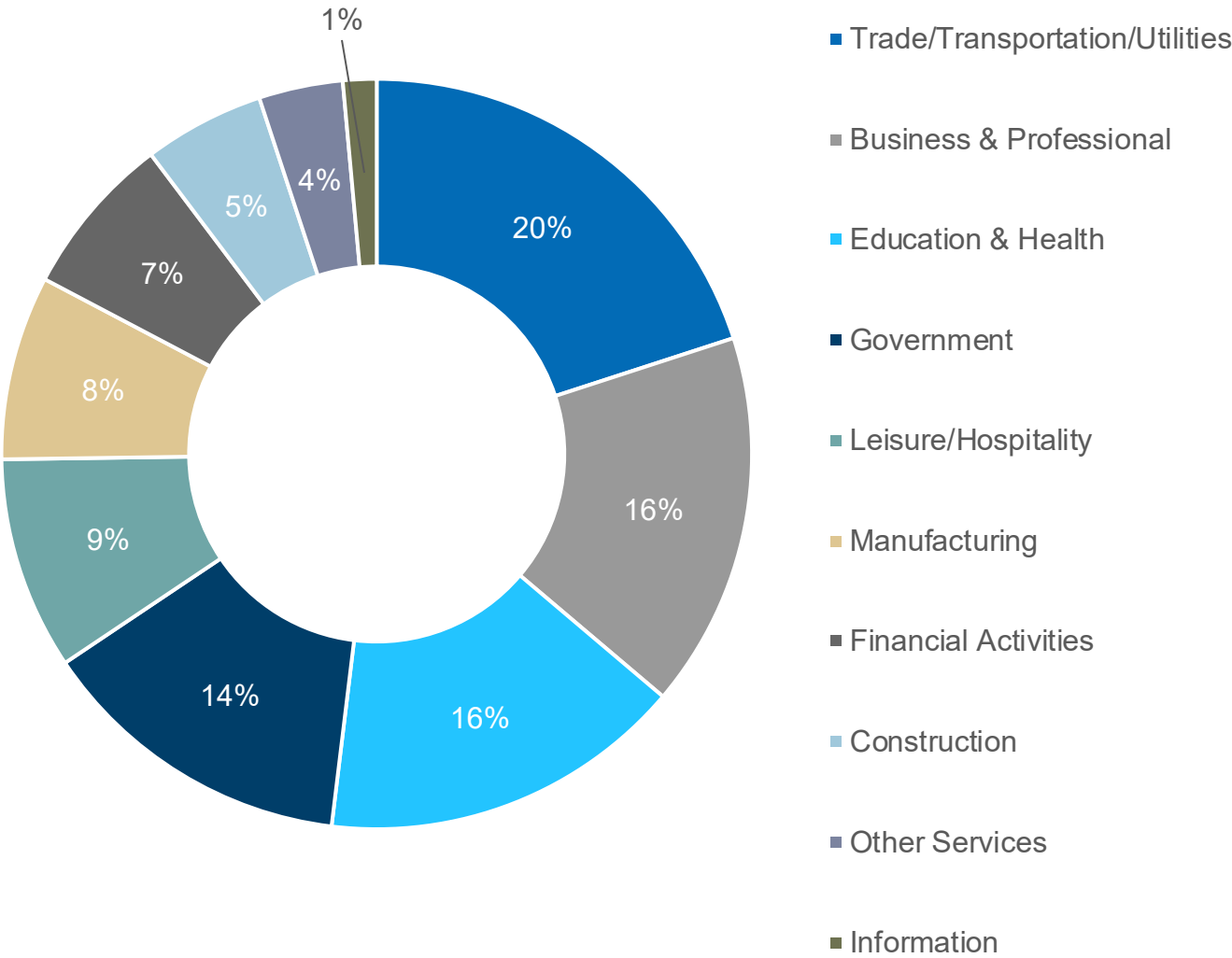
Source: U.S. Bureau of Labor Statistics, Kansas City MSA

Information and Leisure & Hospitality Sectors Lead Regional Job Losses

The Education & Health sector led regional job growth, followed by Financial Activities, with annual gains of 3.6% and 2.2%, respectively. Kansas City’s strategic location, competitive real estate costs and skilled labor force continue to support industrial activity. Of the three industrial-occupying sectors, only Manufacturing reported annual job gains.

Employment by Industry, February 2025

Employment Growth by Industry, 12-Month % Change, February 2025

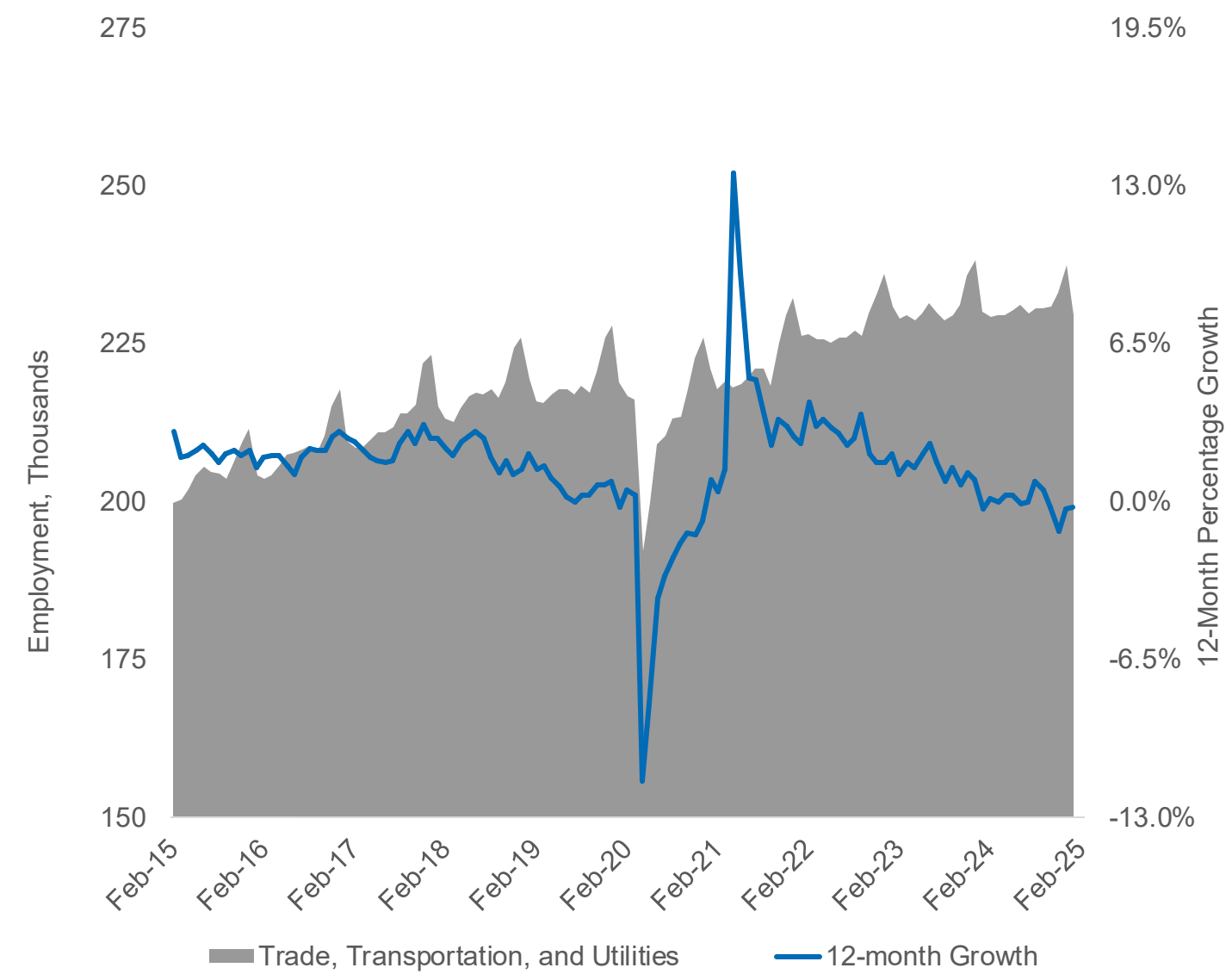


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

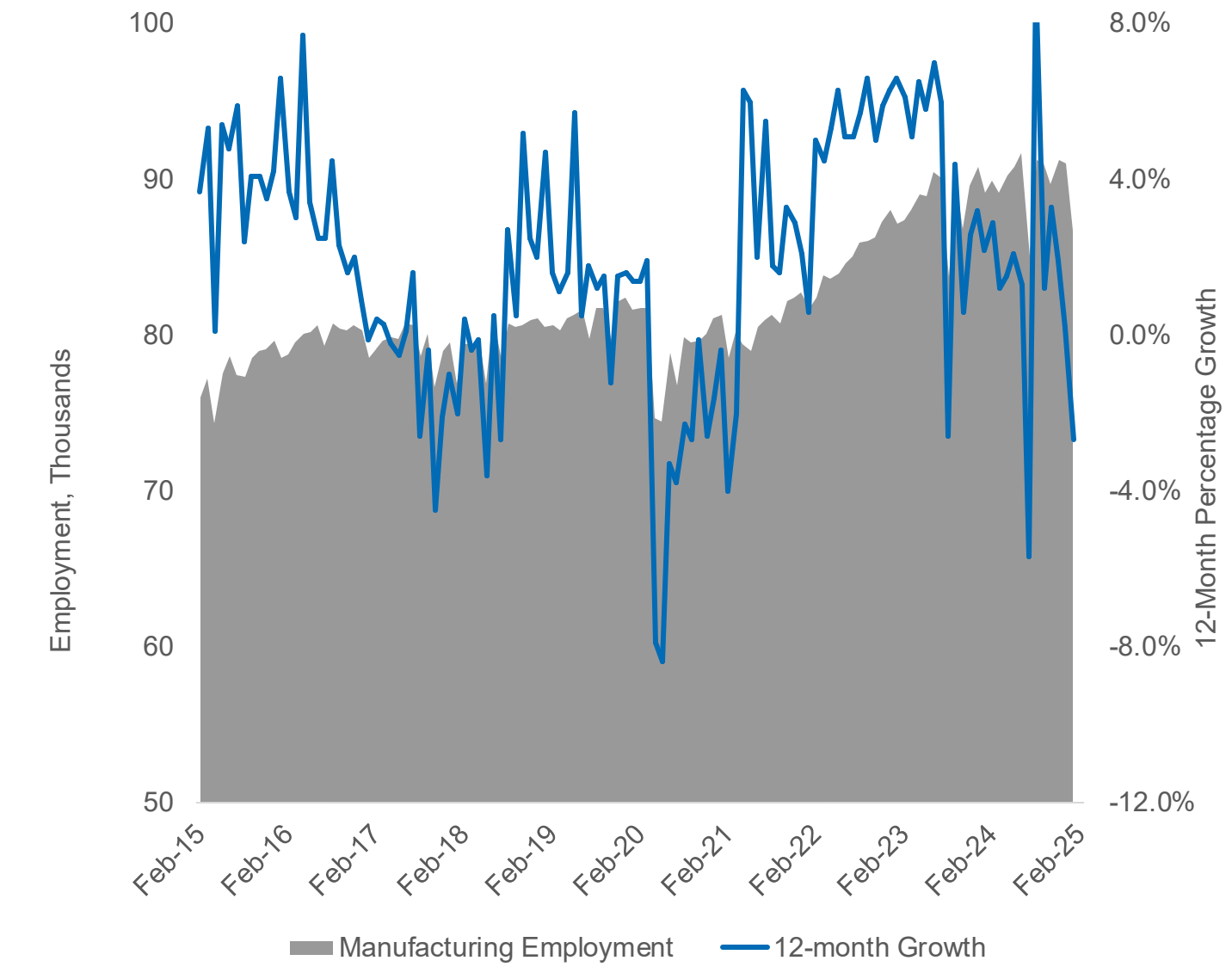
Overall Industrial Employment Rebounds

Industrial employment has rebounded and now surpasses pre-pandemic levels. While a slight seasonal dip in employment is typical early in the year, the region has stabilized, with employment growth expected 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

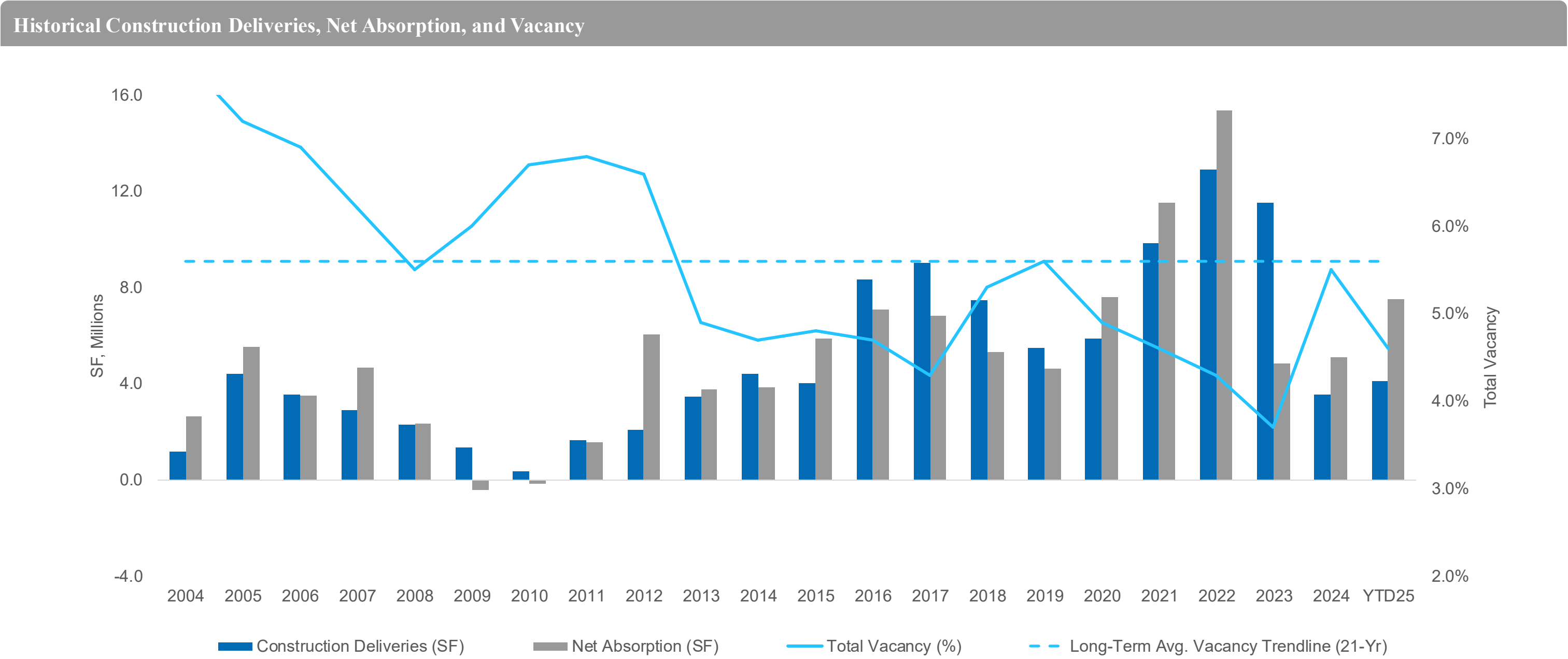


Market Overview

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Vacancy Drops Below 21-Year Average; Net Absorption Outpacing Deliveries

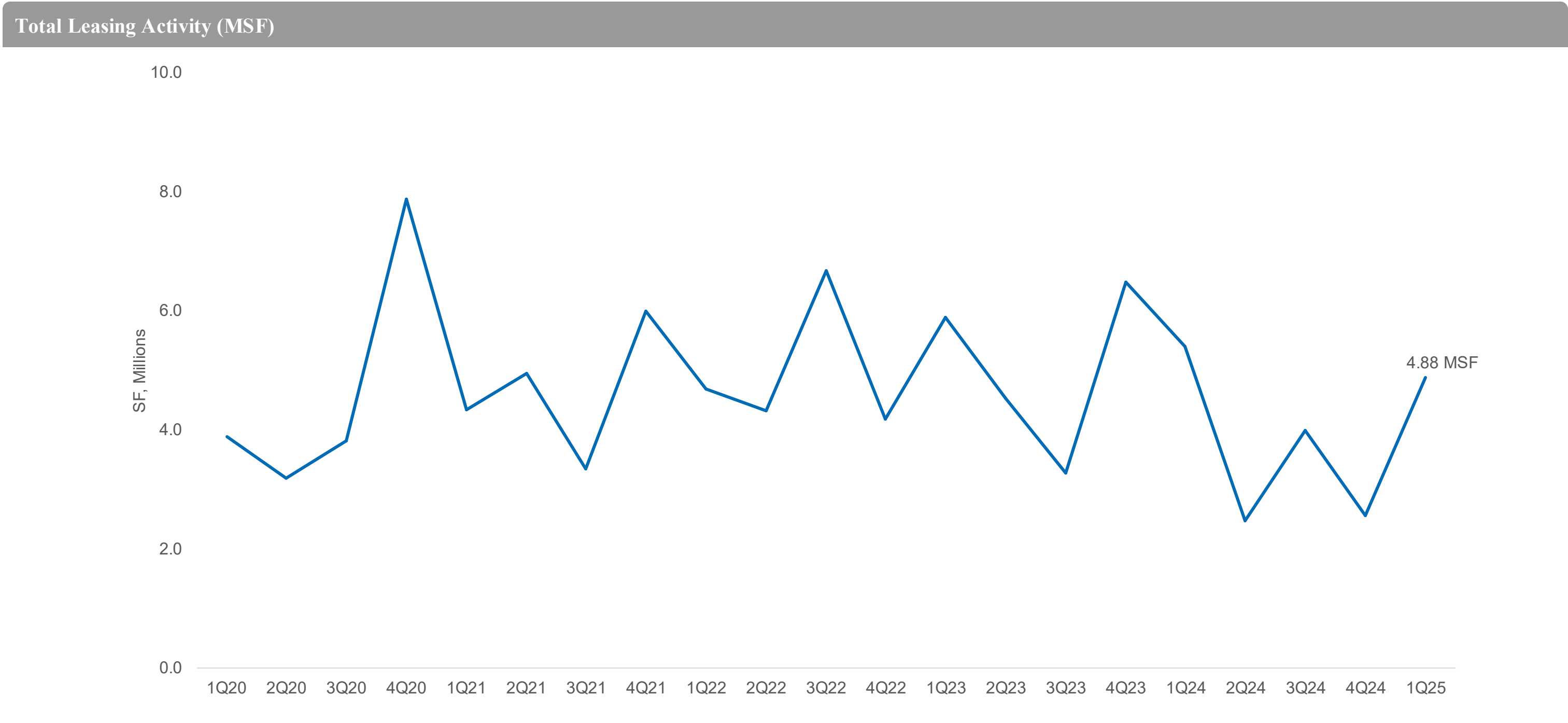
Vacancy declined by 90 basis points year over year to 4.6%. Net absorption reached 12.9 million SF, outpacing the 7.4 million SF of deliveries over the past four quarters. Leasing activity is gaining momentum in 2025, signaling a shift from earlier tenant caution to above-average engagement in mid- and large-scale industrial segments. The Kansas City industrial market is expected to draw elevated interest and leasing activity relative to other U.S. markets. Steady demand, paired with a shrinking speculative construction pipeline, is projected to push vacancy closer to 4.2% over the next four quarters.



Source: Newmark Research

Industrial Leasing Activity Accelerates to 4.9 Million SF in 1Q25

Demand for industrial space reached 4.9 million SF in first-quarter 2025, a 35.5% increase over the quarterly average from the previous four quarters. Tenant leasing velocity and rent growth in the Class A bulk segment are expected to strengthen through the remainder of the year.

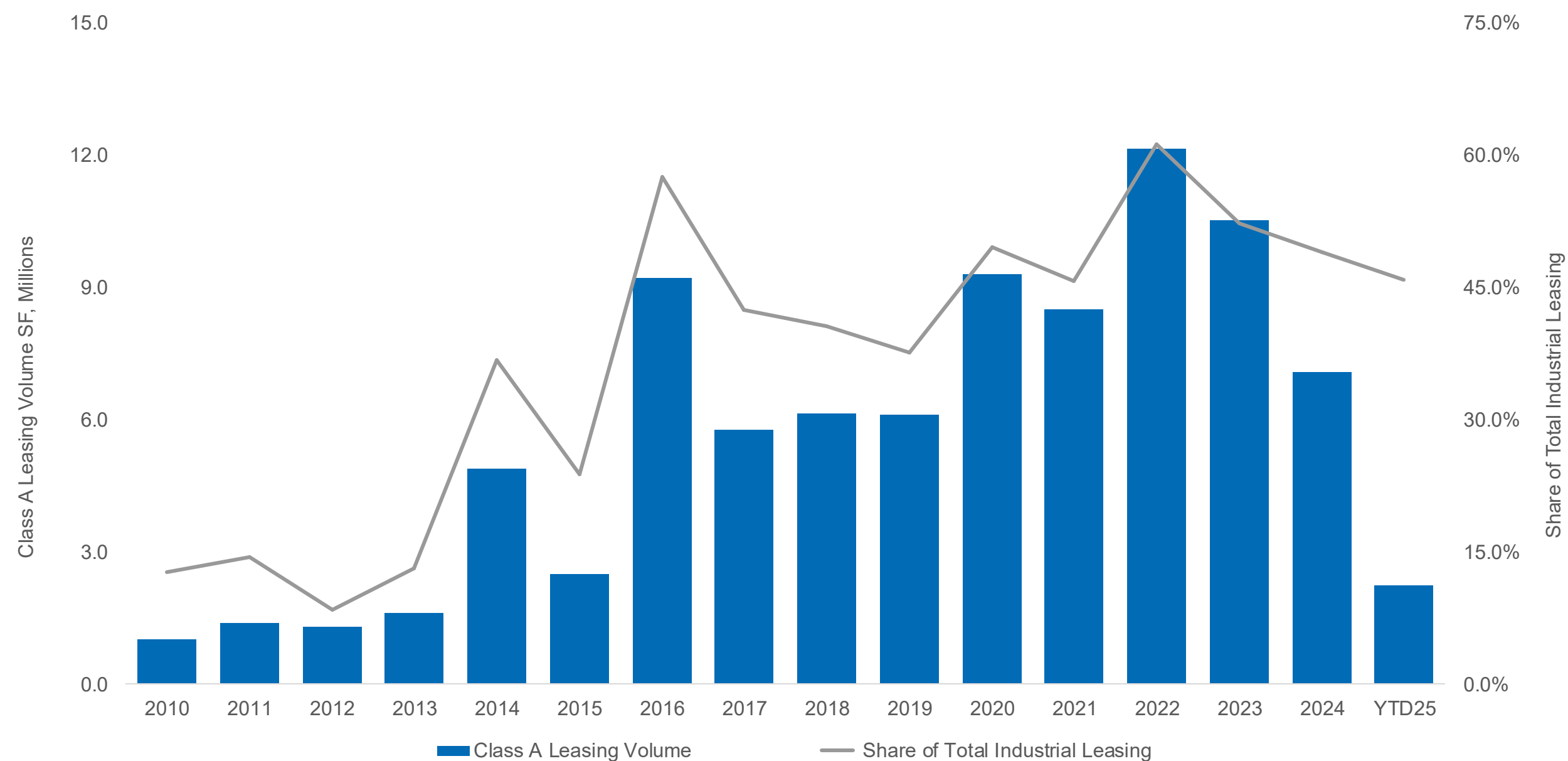


Source: Newmark Research, CoStar

Class A Warehouse Leasing Share Remains 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, development activity has accelerated over the past five years, driving notable growth in Class A leasing. As of first-quarter 2025, Class A warehouse leasing accounted for 46.0% of total activity—down from the record high of 61.3% in 2022 but still above the pre-pandemic five-year average of 40.4% from 2015 to 2019.

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



Source: Newmark Research, CoStar

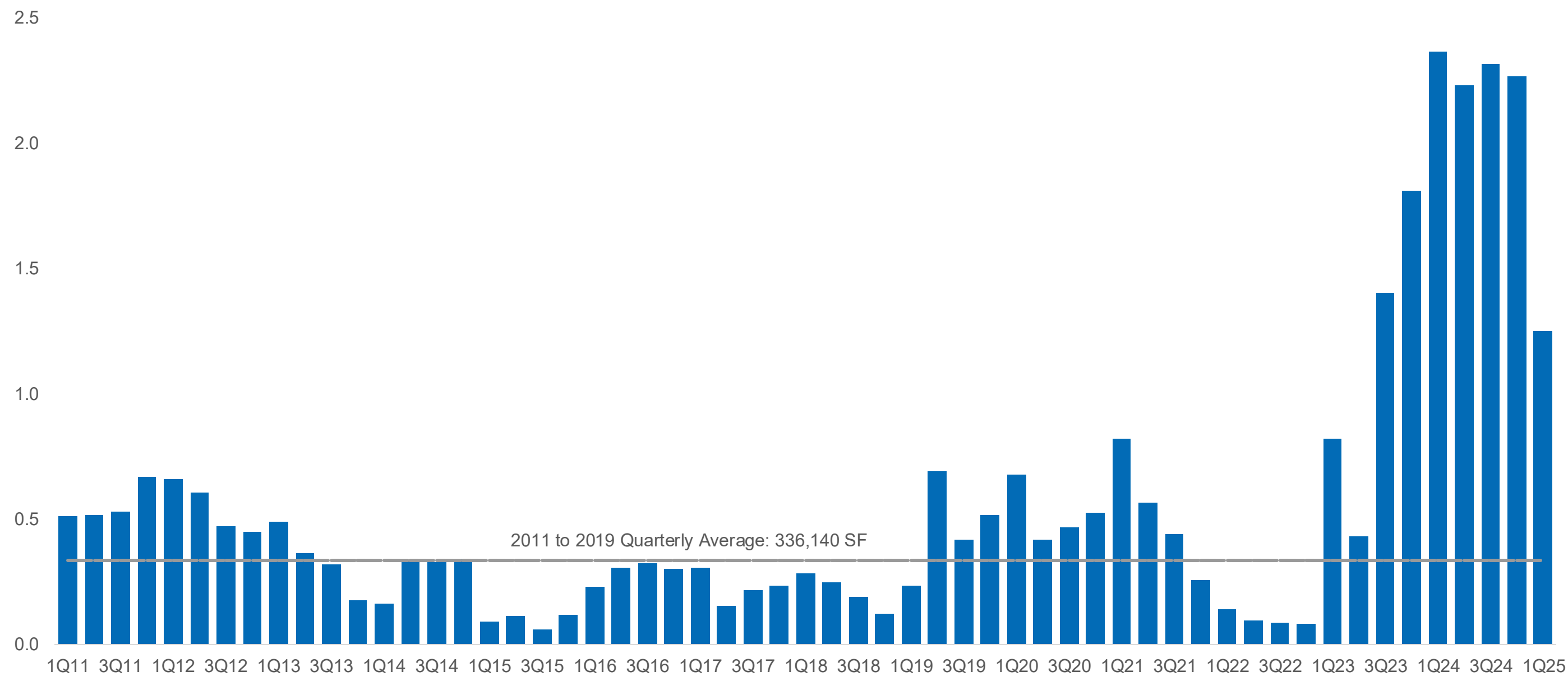
Vacancy Rate Falls To 6.6% In South Johnson County

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Sublease Availability Drops As Former Coleman DC Is Occupied

Vacant sublease availability declined significantly in first-quarter 2025 following the sublease of the 1.1-MSF former Coleman distribution center. Available vacant sublease space remains limited, representing just 0.36% of the Kansas City market—well below levels seen in other U.S. markets. Leasing of active sublease offerings is expected to continue through the remainder of 2025, likely reducing overall availability further.

Vacant Available Industrial Sublease Volume (MSF)

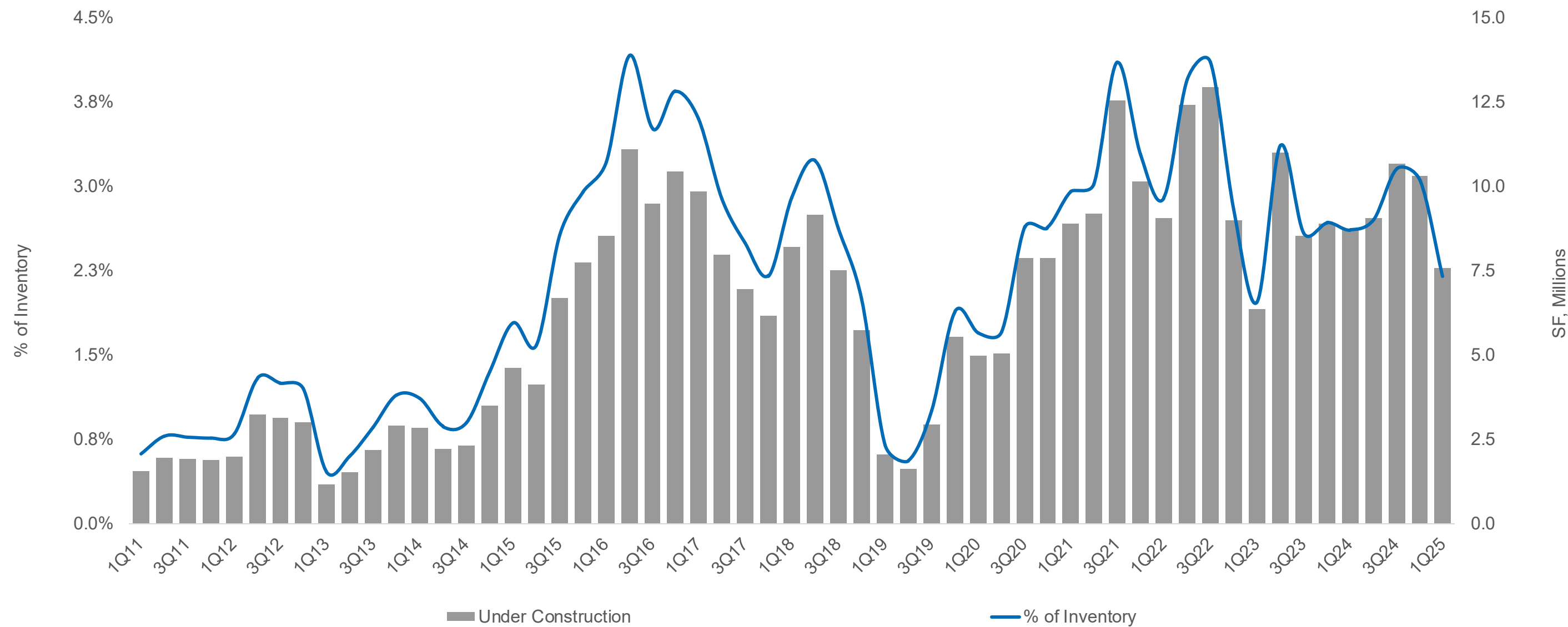


Source: Newmark Research, CoStar

Speculative Projects Account For Only 20% Of Construction Activity

The combined build-to-suit (BTS) and speculative construction pipeline totals 7.5 million SF, with nearly 80%—or 6.1 million SF—allocated to BTS projects. Notable developments include Panasonic’s 4.7-million-SF EV battery center in DeSoto and Walmart’s 330,000-SF meatpacking plant in Olathe. BTS announcements are expected to continue fueling under-construction activity in 2025, while speculative construction is anticipated to trend upward at a measured pace, with just 1.5 million SF currently underway.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

Speculative Construction Supply Limited

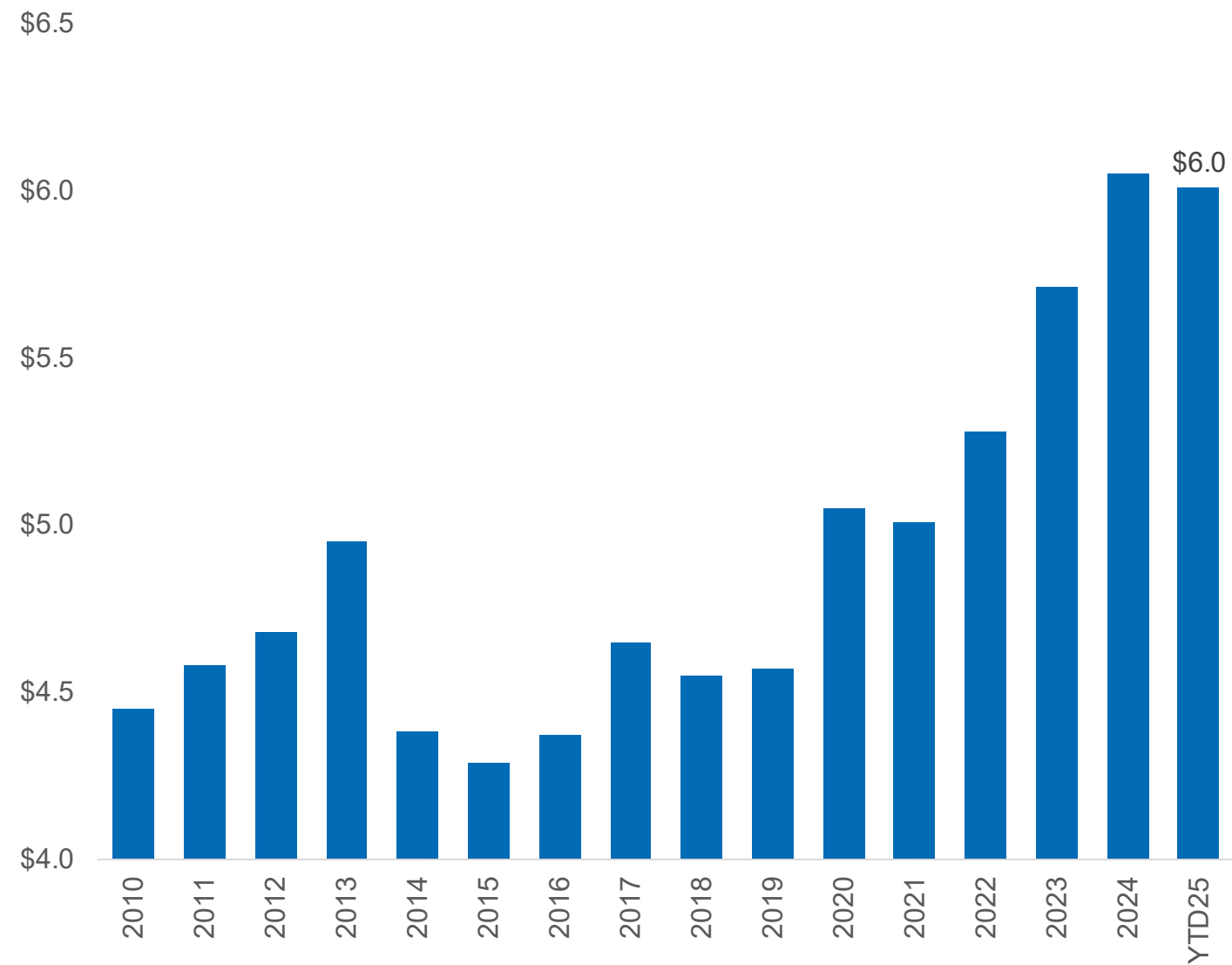


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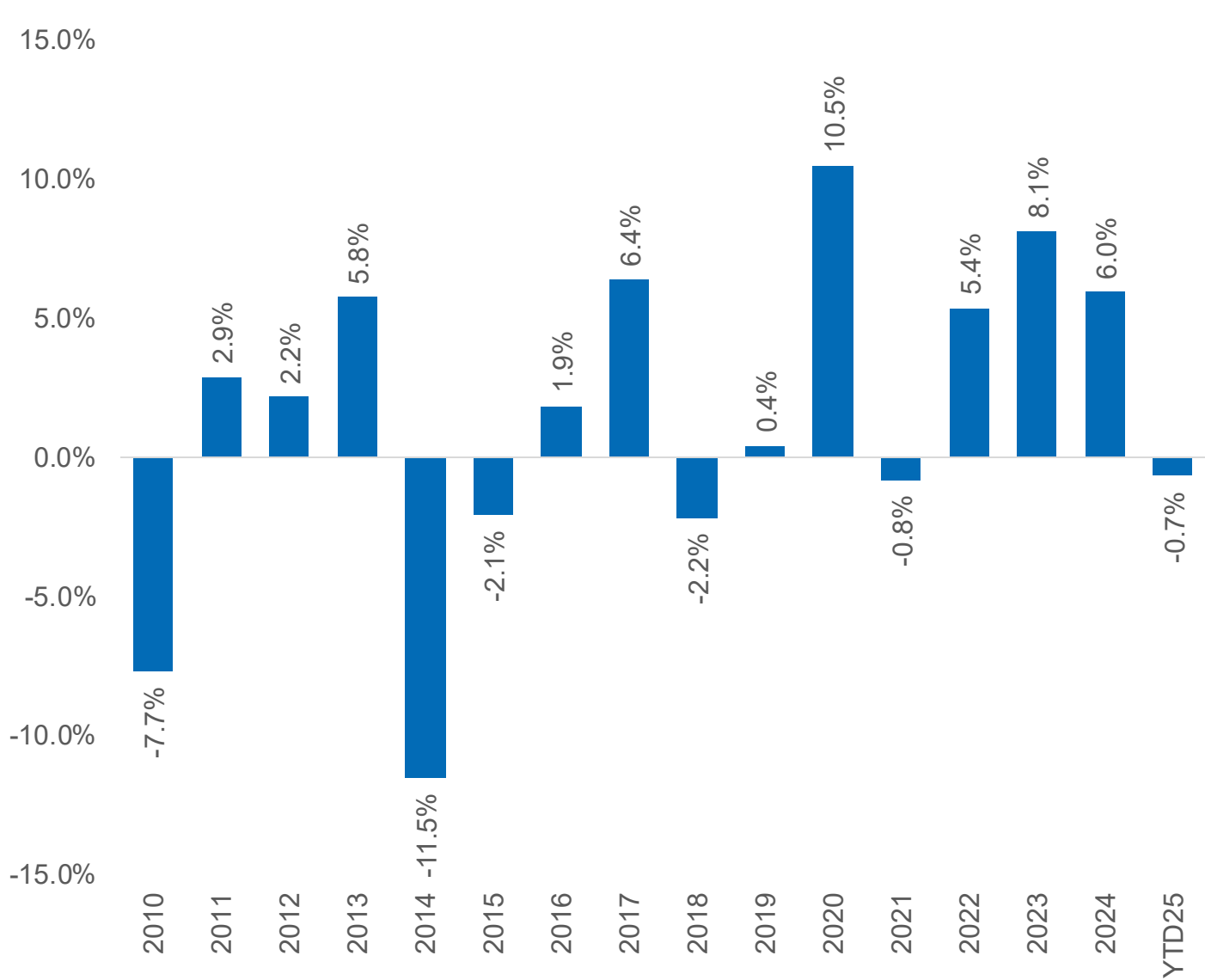
Industrial Rent Growth Expected to Moderate Following Record Surge

Industrial asking rents have grown at a record pace, increasing 31.5% over the past six years. However, limited new product deliveries and liquidity constraints for landlords to support higher concession packages are expected to moderate this growth over the next four quarters. Asking rental rates are projected to close 2025 between \$6.11/SF and \$6.20/SF.

Industrial Average Asking Rent, \$/SF, NNN



Year-Over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Class A Midsized Warehouse Space In Demand

A low-angle, upward-looking photograph of a modern building's exterior. The image shows a complex network of steel beams and girders forming a triangular truss system. Large glass panels are visible, reflecting the sky. The perspective creates a sense of height and architectural scale. A solid blue horizontal band is superimposed over the middle of the image, containing white text.

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Notable 1Q25 Announcements & Lease Transactions

Key announcements this quarter include Arch Street Capital Advisors and Artemis Real Estate Partners acquiring a 2.4-million-SF, four-property portfolio at Logistics Park Kansas City in March. The properties were delivered between 2014 and 2017 and were fully leased at sale, with tenants including Amazon, Walmart and Demdaco. Notable BTS deliveries with full occupancy in the first quarter included Ace Hardware (1.54 MSF), Blue Buffalo (727,350 SF) and Heartland Coca-Cola Bottling (677,000 SF).

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
United States Postal Service	17150 Mercury Street	South Johnson County	Sublease	1,107,600
The United States Postal Service agreed to sublease the entire 1.1-million-SF former Coleman distribution center located at 17150 Mercury Street in Gardner. USPS is expected to move in immediately with the sublease set to expire by December 31, 2029.				
Origin Point Brands	5300 Kansas Avenue	Wyandotte County	Direct New (Expansion)	325,650
Origin Point Brands expanded its footprint within 5300 Kansas Avenue by signing a new lease for 325,650 SF in March. The firm vacated 191,740 SF within the property for a total expansion equating to 133,910 SF. Newmark Zimmer provided landlord representation services in the transaction.				
QTS Realty Trust, Inc.	16175 John Glenn Parkway	South Johnson County	Direct New (Expansion)	314,470
Local data center developer QTS Realty Trust, Inc. expanded into an additional 314,470 SF and now occupies the entire 756,570-SF Building B1 at New Century Commerce Center. The building was built on a speculative basis by VanTrust and delivered to the market in June 2023.				
Geodis	4101 Empire Road	East Jackson County	Renewal	303,630
Geodis agreed to renew its 303,630-SF lease for the entire building at 4101 Empire Road within Executive Park. Newmark Zimmer provided tenant representation services in the transaction.				
Garmin	15800 S Green Road	South Johnson County	Direct New	180,060
Garmin signed a five-year lease for 184,400 SF at the 567,840-SF I-35 Logistics Park Building II in Olathe. The firm is expected to move-in by May 2025.				

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Submarket Statistics



Submarket Statistics: All Classes, Warehouse, Flex, Underground

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