3Q25

Kansas City Industrial Market Overview

NEWMARK ZIMMER

Market Observations

Economy

- The region's labor market loosened as macroeconomic conditions shifted. August's unemployment rate increased to 4.5%, 20 basis points above the national average of 4.3%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Other Services. Business and Professional and Information posted the largest job losses over the past 12 months.
- Industrial firms are recalibrating workforce needs. Locally, employment increased in one of three key industrial sectors: Construction, up 5.8%; Manufacturing, down 0.1 and Trade/Transportation/Utilities, down 1.9%.

Leasing Market Fundamentals

- The market recorded 1.2 MSF of positive net absorption in third-quarter 2025, following up the second-highest quarterly absorption total in the market's recorded history (7.5 MSF) in first-quarter 2025. Robust leasing activity was ongoing in late second-quarter and continued in third-quarter 2025.
- Steady demand and a slowing speculative construction pipeline drove vacancy down 50 basis points year over year to 4.9%.
- Of the 6.1 MSF construction pipeline, more than 4.8 MSF (80%) is currently dedicated to build-to-suit projects including Panasonic's 2.35 MSF, Amazon's 630,000 SF and Church & Dwight's 553,000-SF distribution center. Upon fully leasing Building 5, VanTrust has commenced construction on Raymore Commerce Center 4, a 577,500-SF facility which will be built on a speculative basis.

Major Transactions

- Panasonic officially opened half of its 4.7-MSF EV battery plant in De Soto, KS.
- Amazon will occupy the entire 1.07-MSF Building 1 at 175 Commerce Centre in Olathe, KS and is expected to move in by March 2026.
- Faith Technologies Inc. leased 463,440 SF at Building 32 at LPKC.
- Maersk renewed its lease for 210,480 SF of the 777,220-SF Inland Port VIII at LPKC in Edgerton.
- Victaulic Company agreed to lease 150,760 SF of space at the 207,750-SF Building X at Riverside Horizons in Riverside, MO.

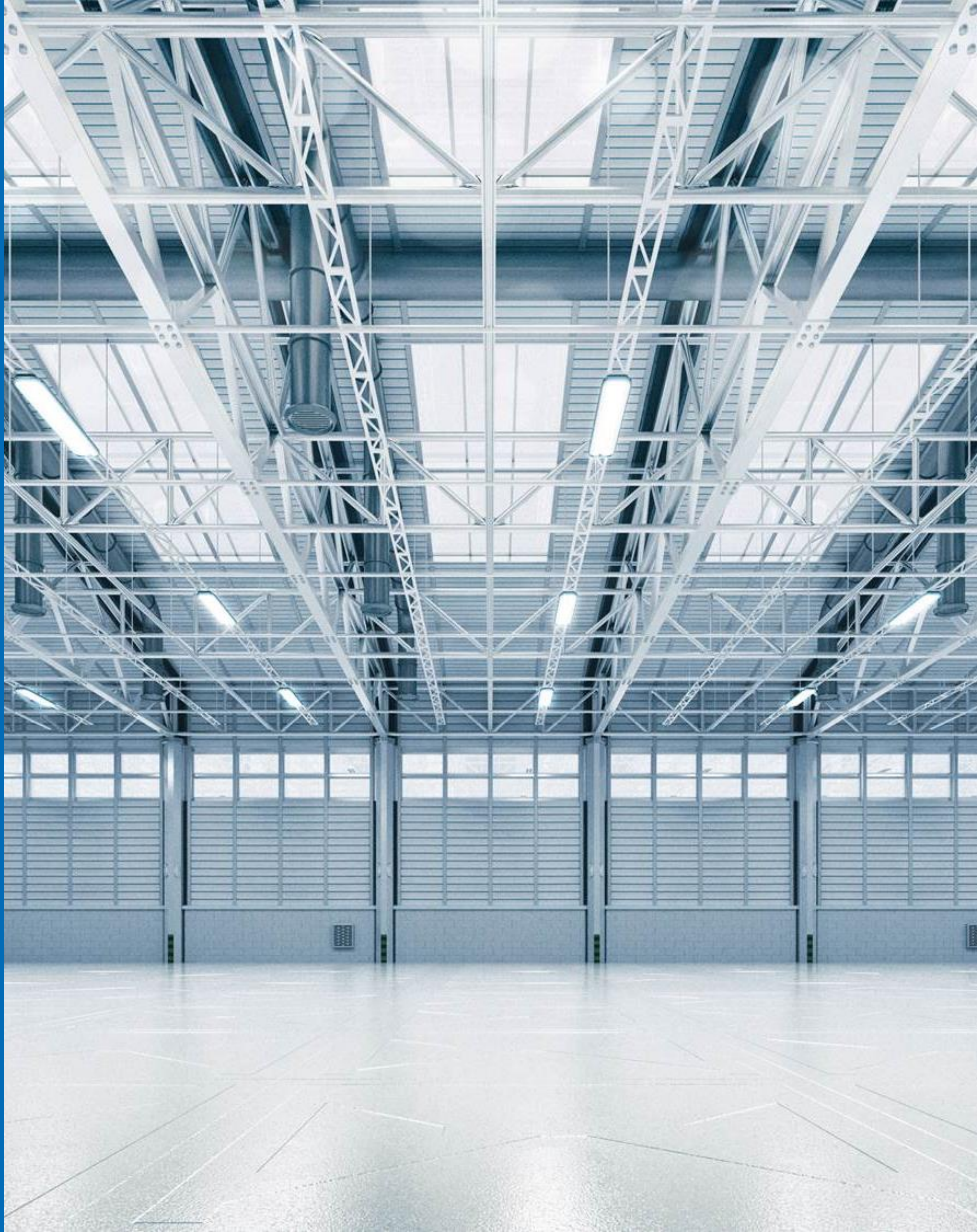
Outlook

- As the 15th-largest industrial market in the U.S., Kansas City spans 347.5 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 4.6% over the next four quarters, fueled by steady demand and a slowing speculative pipeline. Industrial average asking rents have climbed a record 31.5% since 3Q19.
- Rent growth is expected to gradually increase 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.

TABLE OF CONTENTS

3Q25

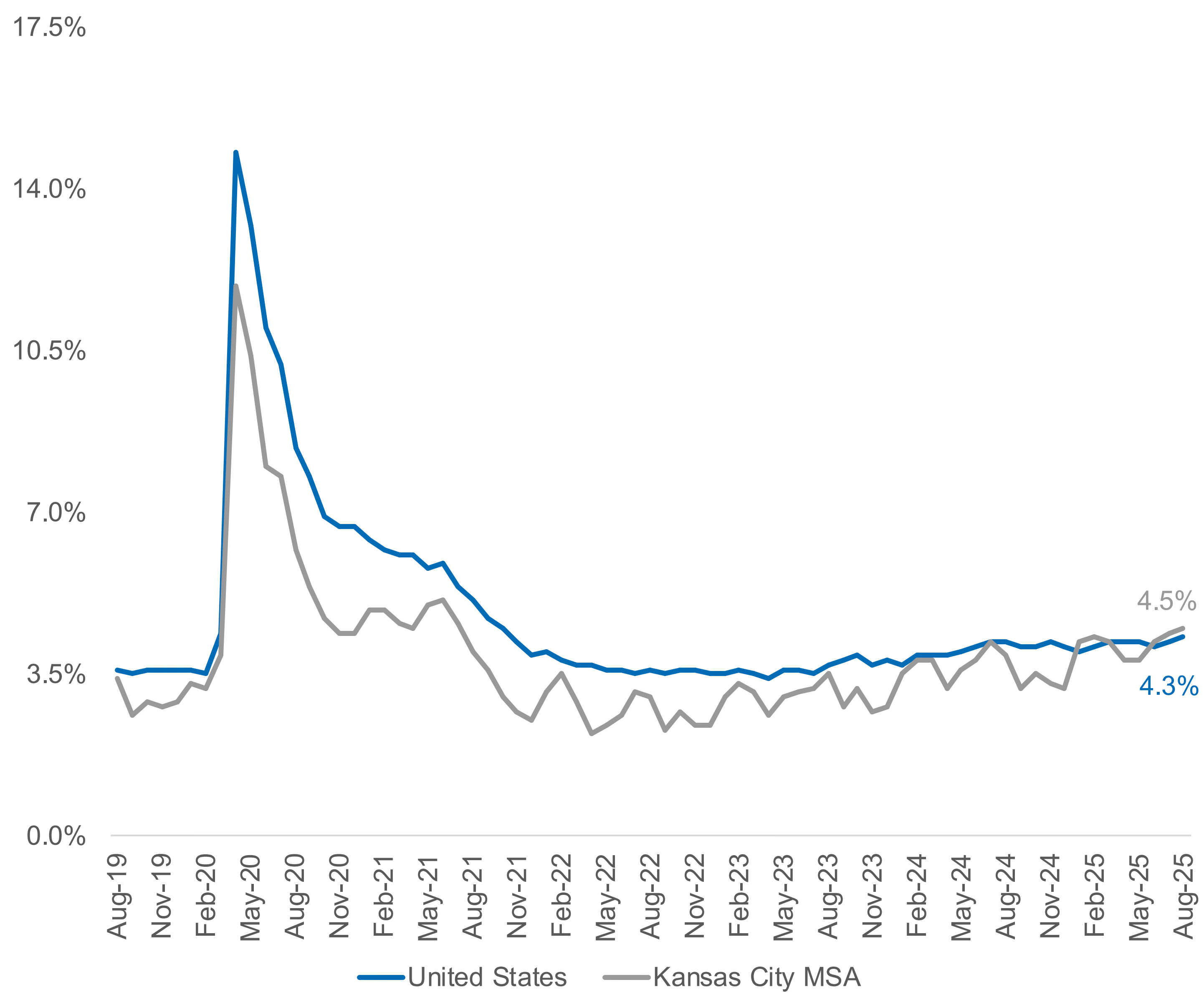
Economy



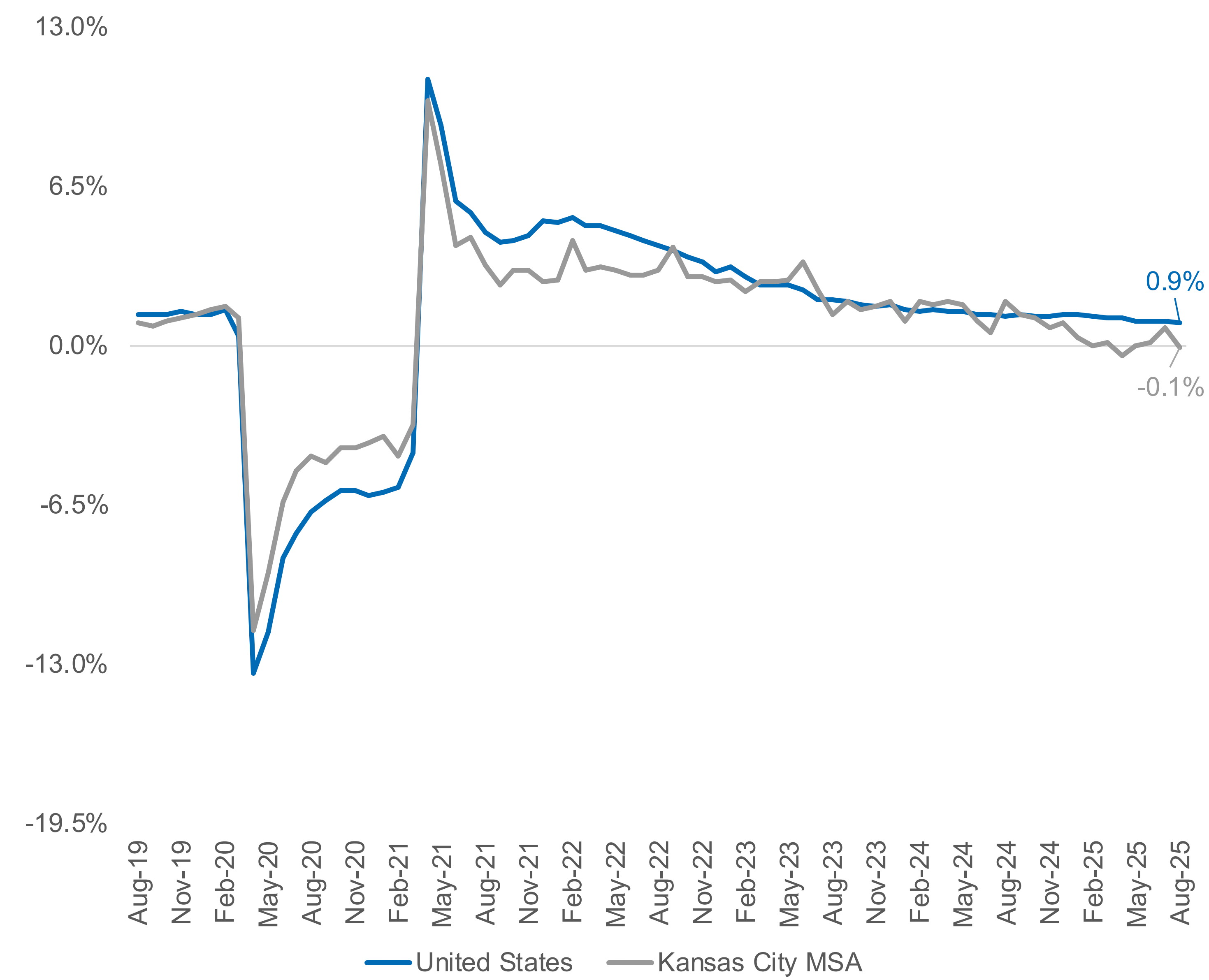
Metro Employment Trends Signal Increasing Unemployment

The Kansas City region's labor market loosened as unemployment increased 70 basis points from the previous quarter. The regional unemployment rate now stands 20 basis points above the national average, signaling economic rigidity. Nonfarm payroll employment in the region remains in negative territory at negative 0.1%. According to the Kansas City Fed Labor Market Conditions Indicators, activity declined modestly to 0.25, while momentum decelerated modestly to -0.32 in August 2025.

Unemployment Rate, Non-Seasonally Adjusted



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

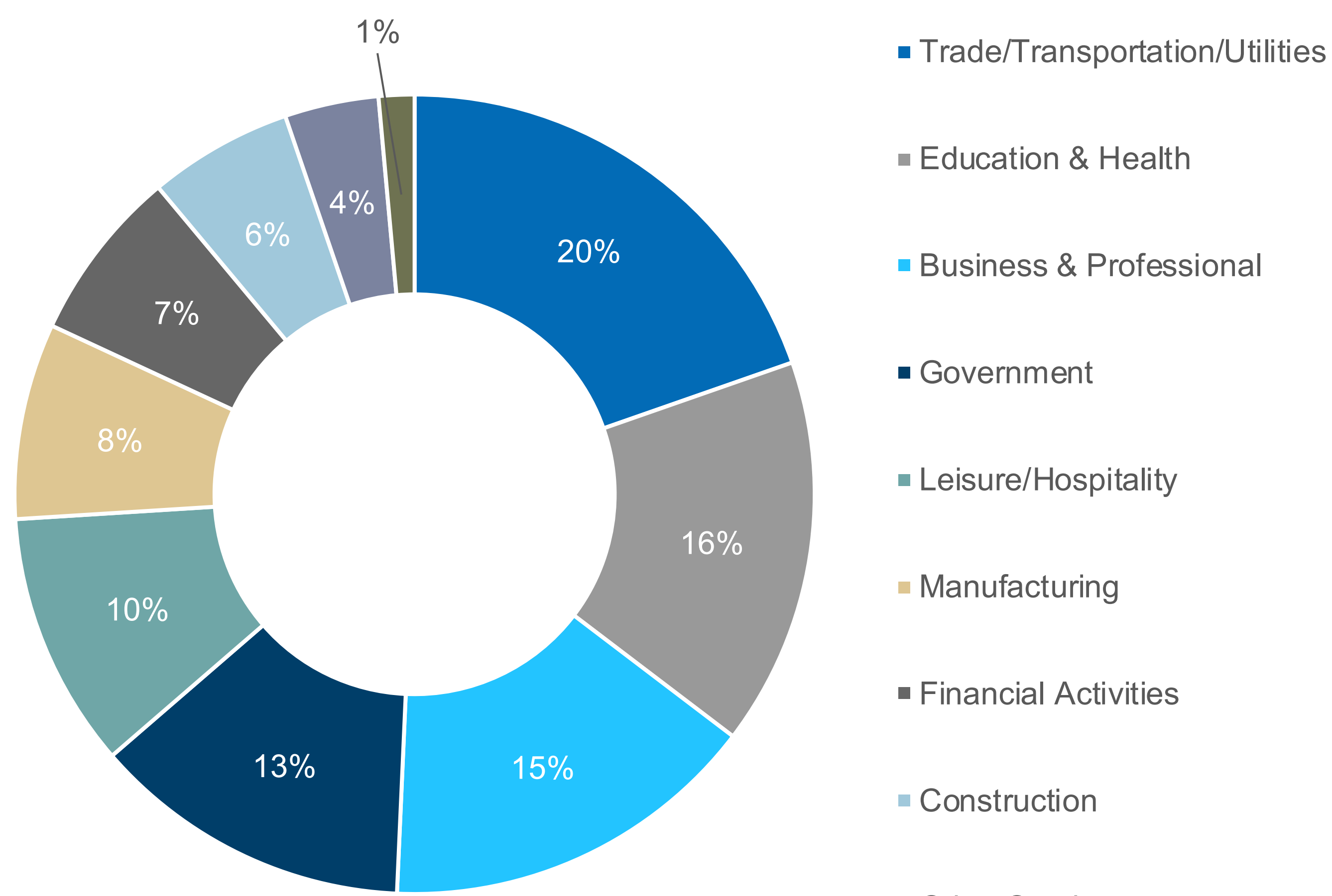


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

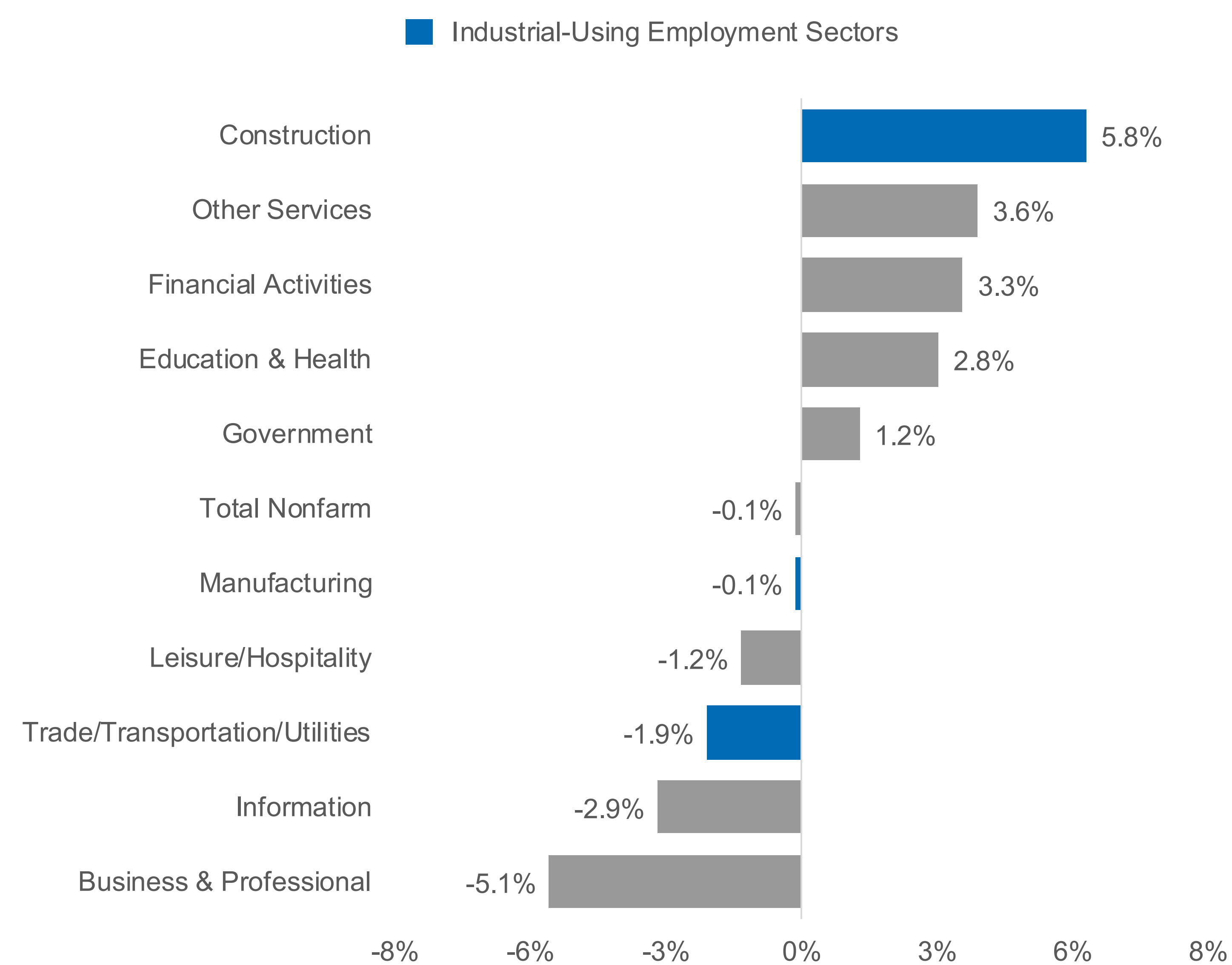
Business and Professional and Information Sectors Lead Regional Job Losses

The Construction sector led regional annual job growth, followed by Other Services, with annual gains of 5.8% and 3.6%, respectively. The Business and Professional and Information sectors posted the largest annual job losses, with declines of 5.1% and 2.9%, 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, Trade/Transportation/Utilities and Manufacturing reported annual job losses.

Employment by Industry, August 2025



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

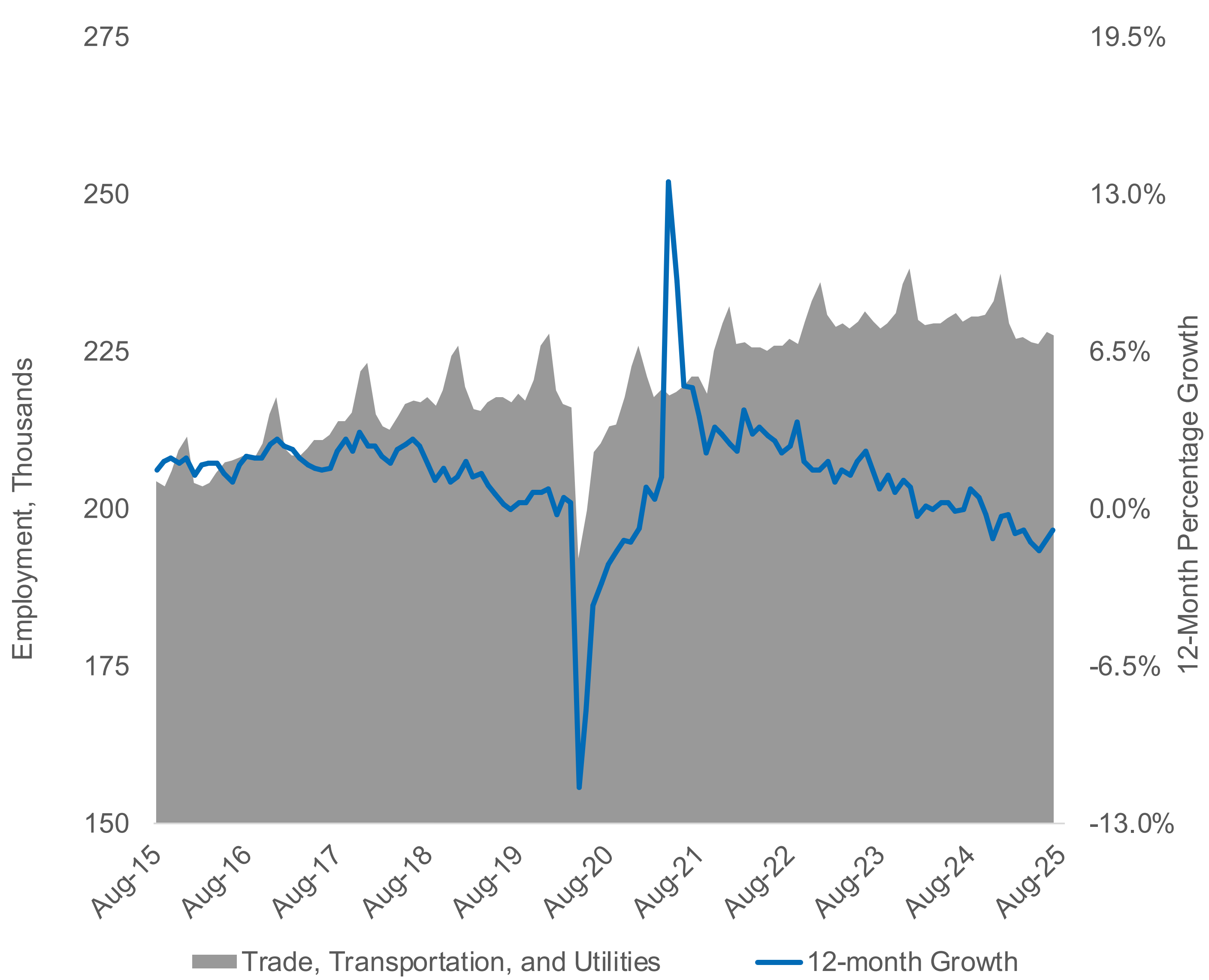


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

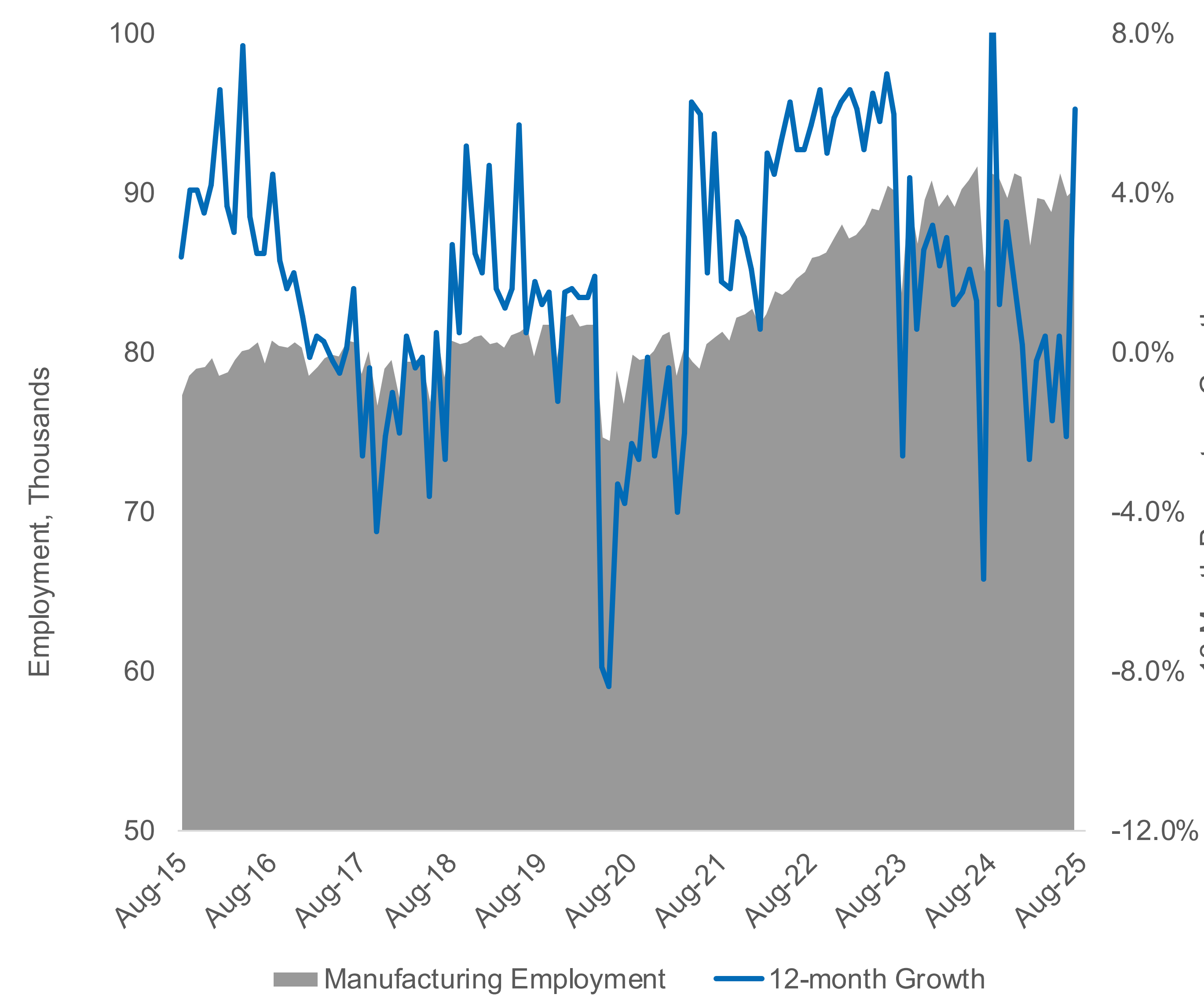
Overall Industrial Employment Rebounds

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 for the remainder of 2025.

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



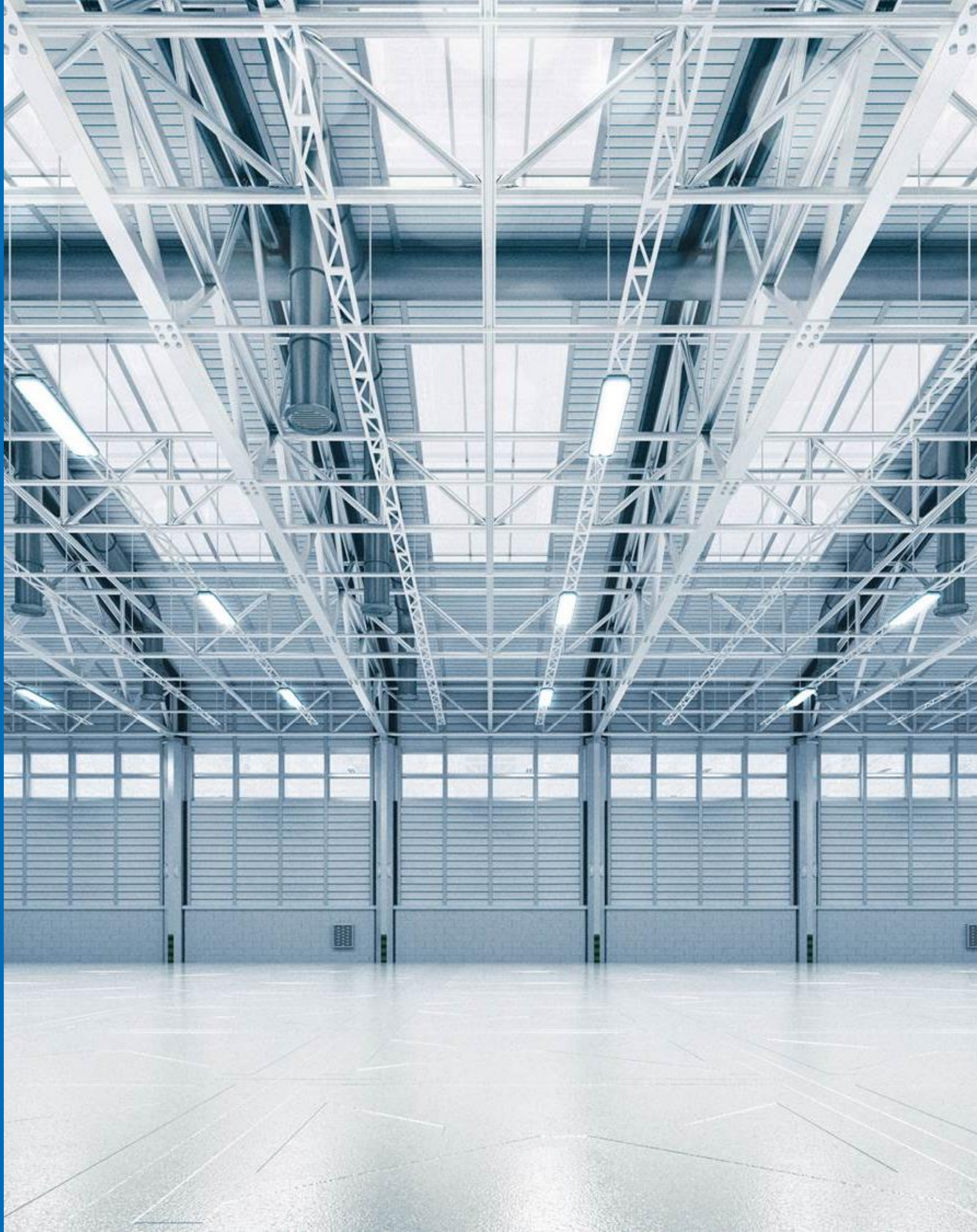
Total Employment and 12-Month Growth Rate, Manufacturing



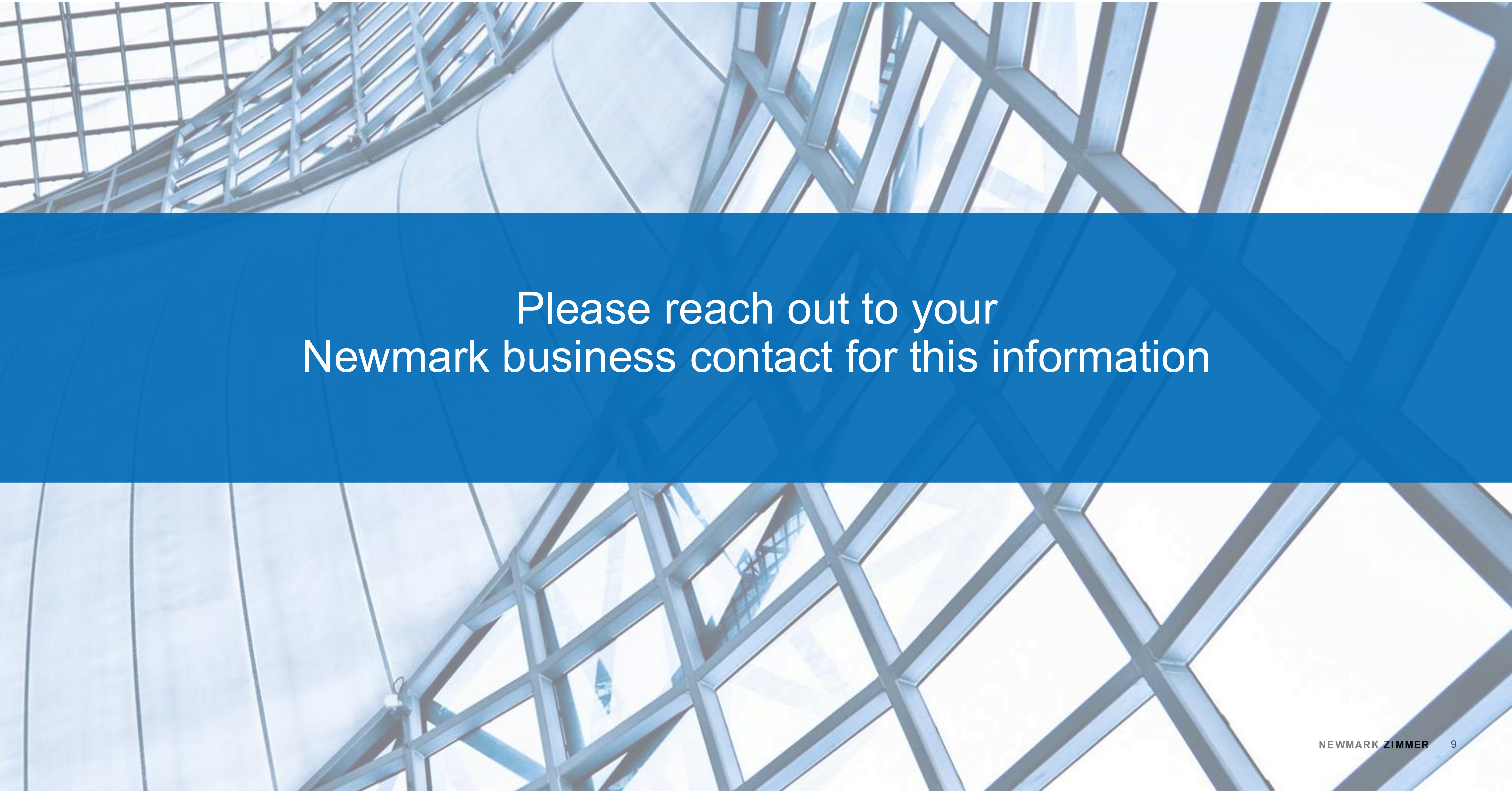
Source: U.S. Bureau of Labor Statistics, Kansas City MSA

3Q25

Leasing Market Fundamentals



Market Overview



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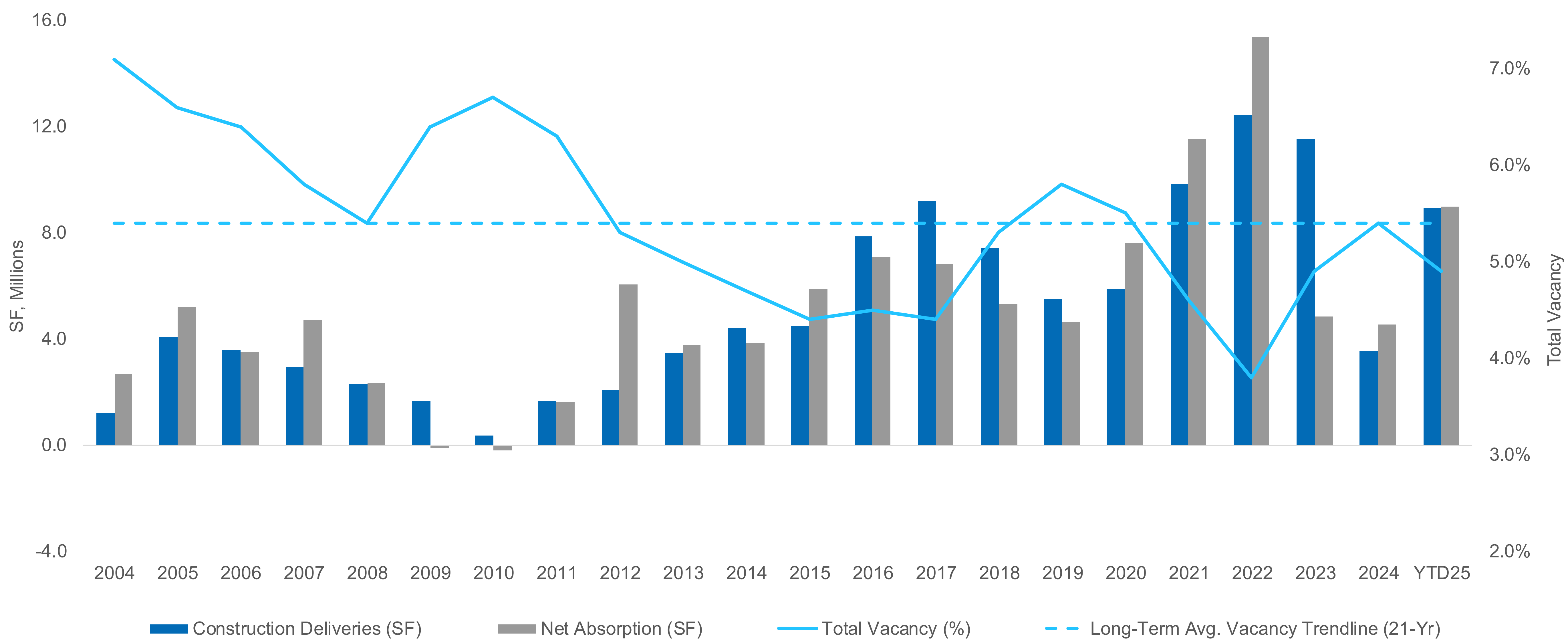
Vacancy Drops Below 21-Year Average; Net Absorption Outpacing Deliveries

Vacancy declined by 50 basis points year over year to 4.9%. Net absorption reached 9.6 million SF, outpacing the 9.3 million SF of deliveries over the past four quarters. Leasing activity is gaining momentum, 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 relative to other U.S. markets. Steady demand, paired with a manageable speculative construction pipeline, is projected to push vacancy closer to 4.6% over the next four quarters.

Historical Construction Deliveries, Net Absorption, and Vacancy

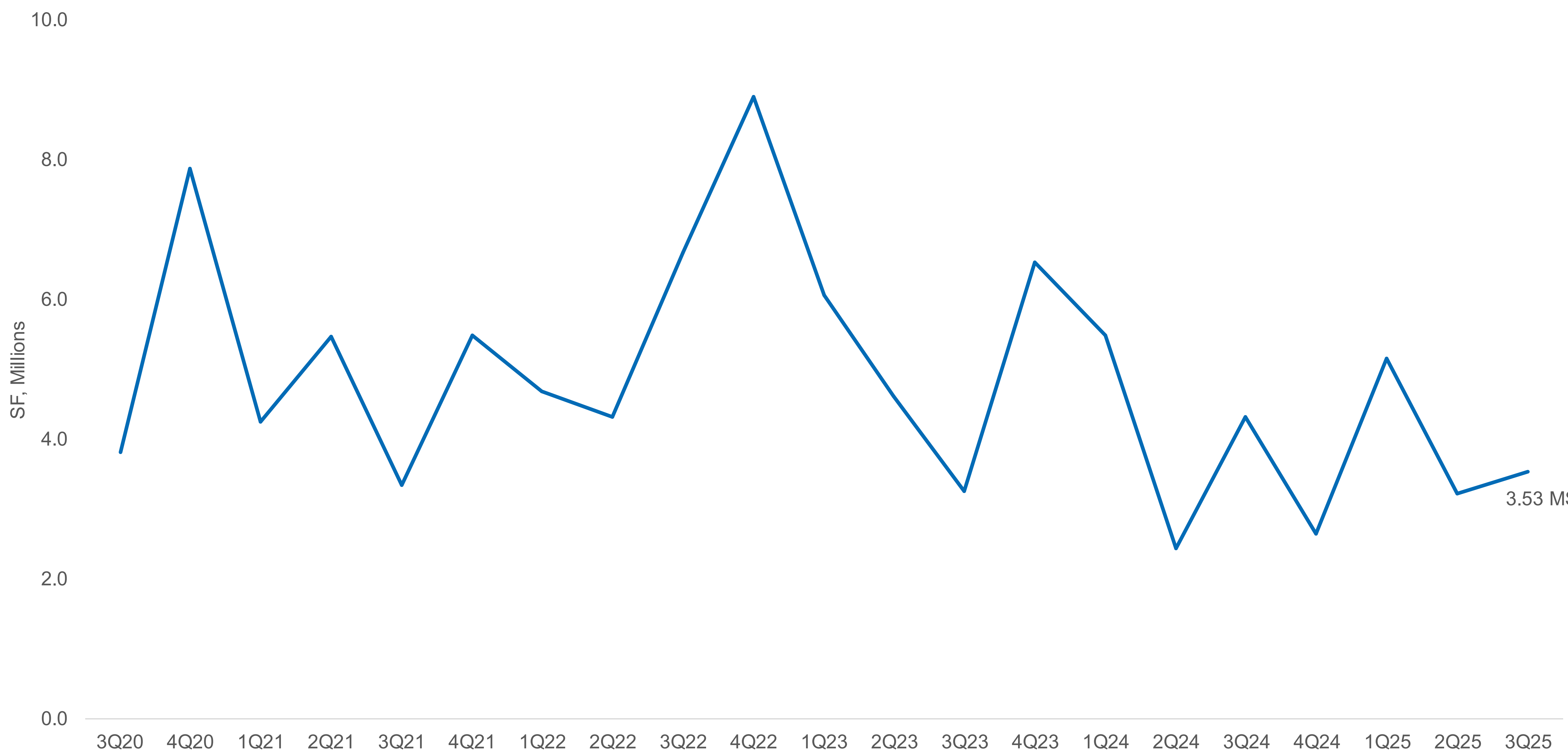


Source: Newmark Research

Industrial Leasing Activity Registers 3.5 Million SF In 3Q25

Demand for industrial space reached 3.5 million SF in third-quarter 2025, an 8.1% decrease 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 2025 and into 2026.

Total Leasing Activity (MSF)

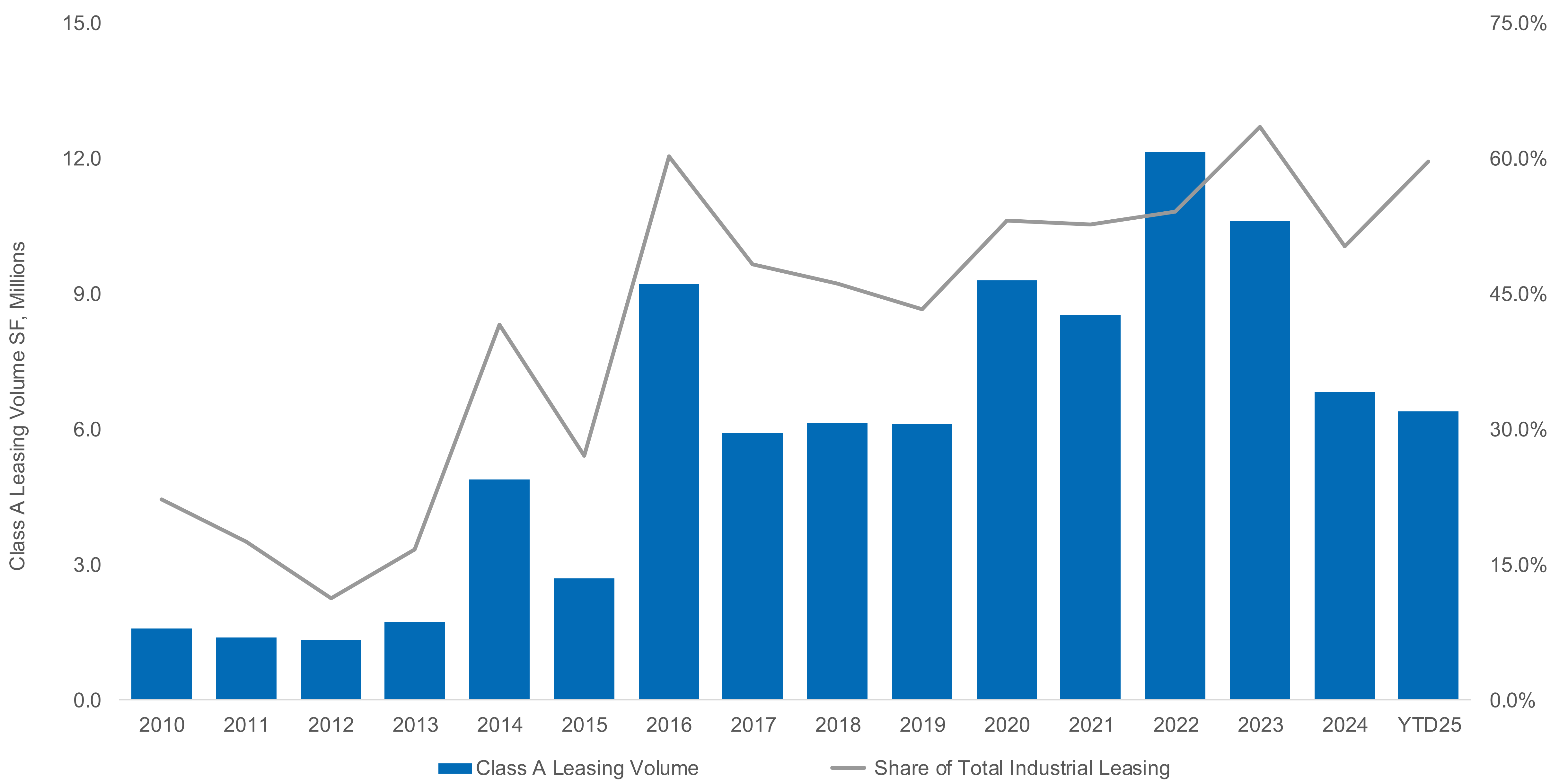


Source: Newmark Research, CoStar

Class A Warehouse Leasing Share Remains Above Pre-Pandemic Average

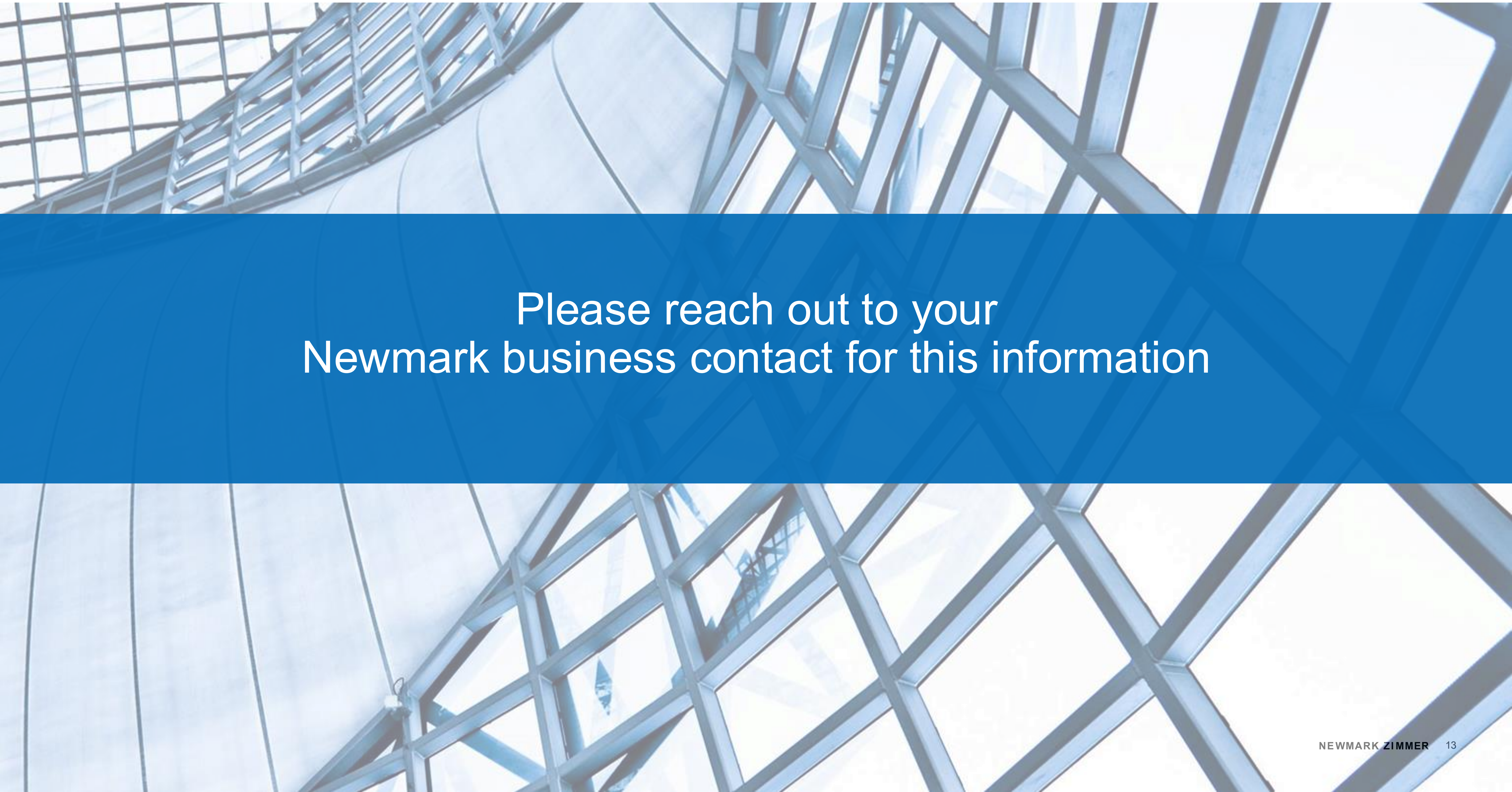
Non-gateway markets like Kansas City have seen a slower developer response to occupier demand for modern Class A warehouse space. However, development activity has accelerated over the past five years, driving notable growth in Class A leasing. As of third-quarter 2025, Class A warehouse leasing accounted for 59.7% of total activity, down from the record high of 63.6% in 2023 but still above the pre-pandemic five-year average of 45.0% from 2015 to 2019.

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



Source: Newmark Research, CoStar

Vacancy Rate Falls To 6.3% In South Johnson County



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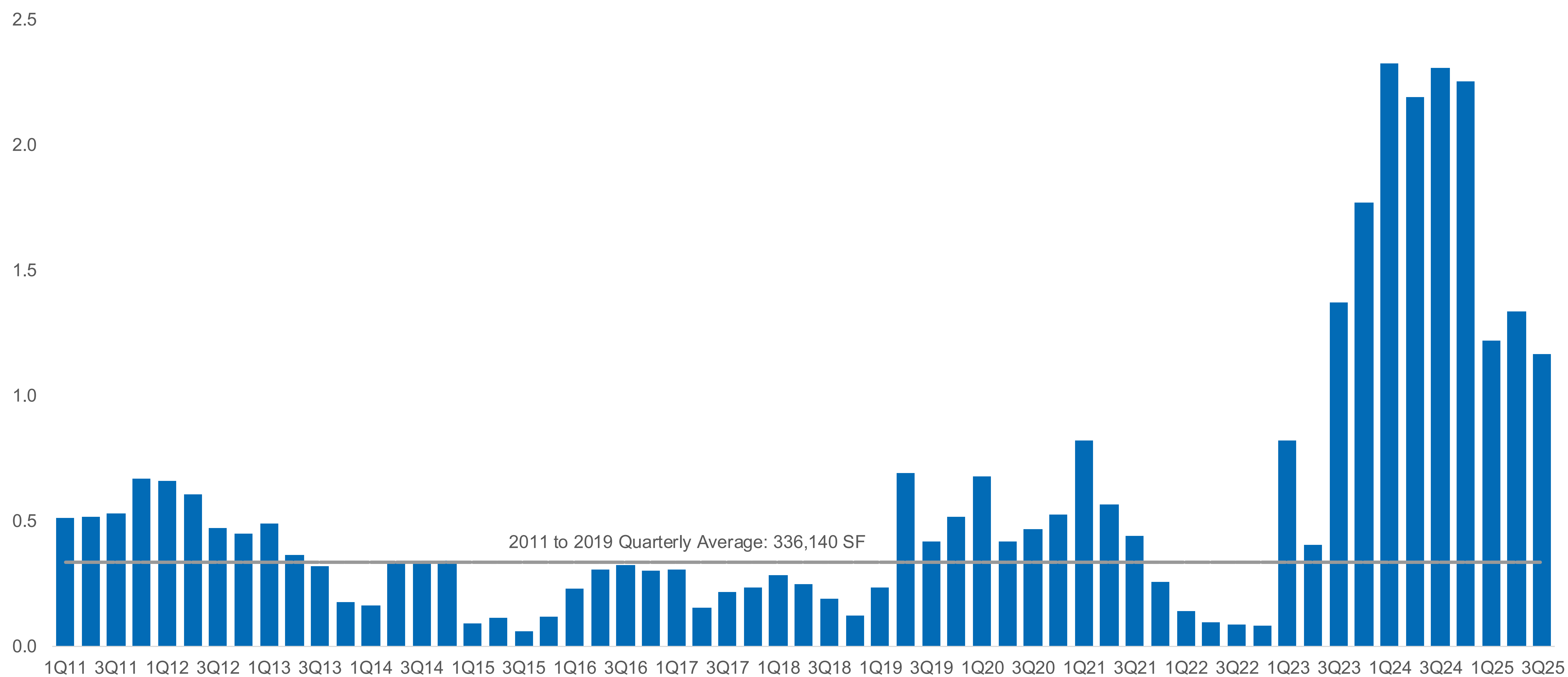
Sublease Availability Continues Downward Trend

Vacant sublease availability declined significantly in the first quarter of 2025 following the sublease of the 1.1-MSF former Coleman distribution center. Available vacant sublease space remains limited, representing just 0.34% 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)

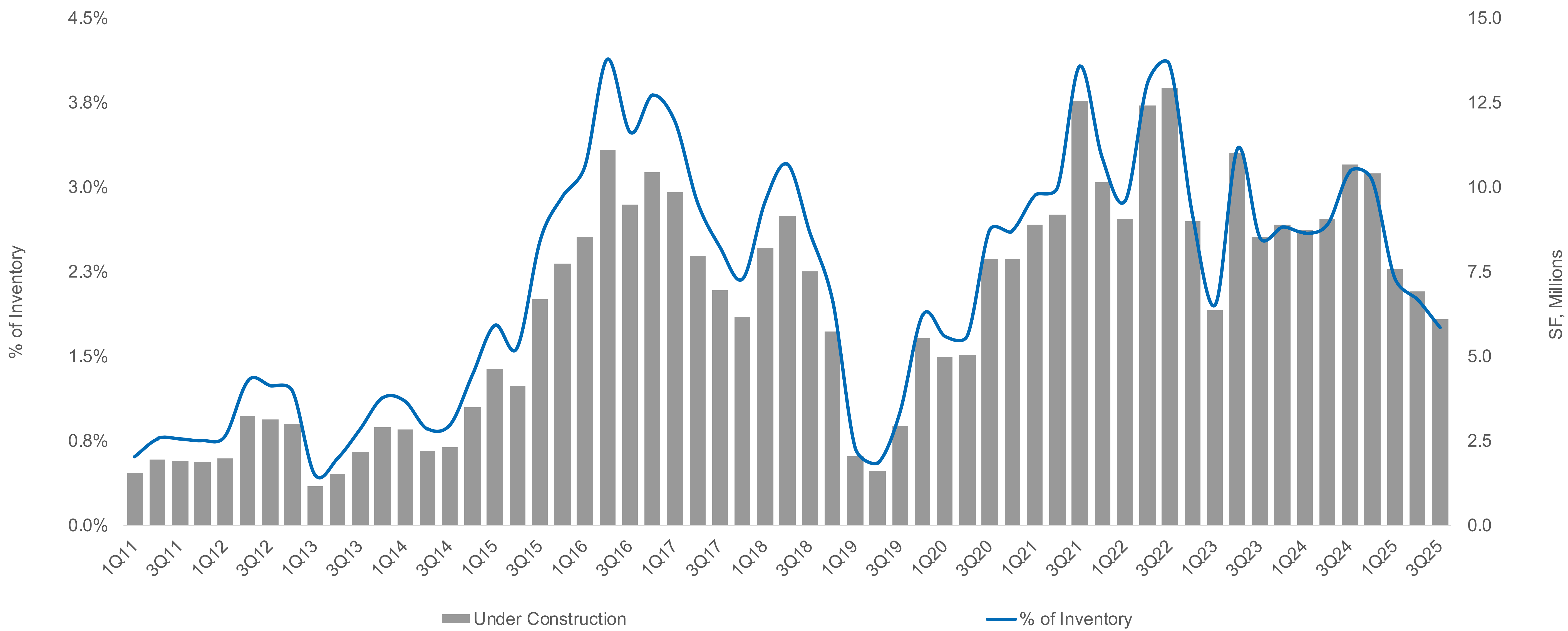


Source: Newmark Research, CoStar

Speculative Projects Account For 20.4% Of Construction Activity

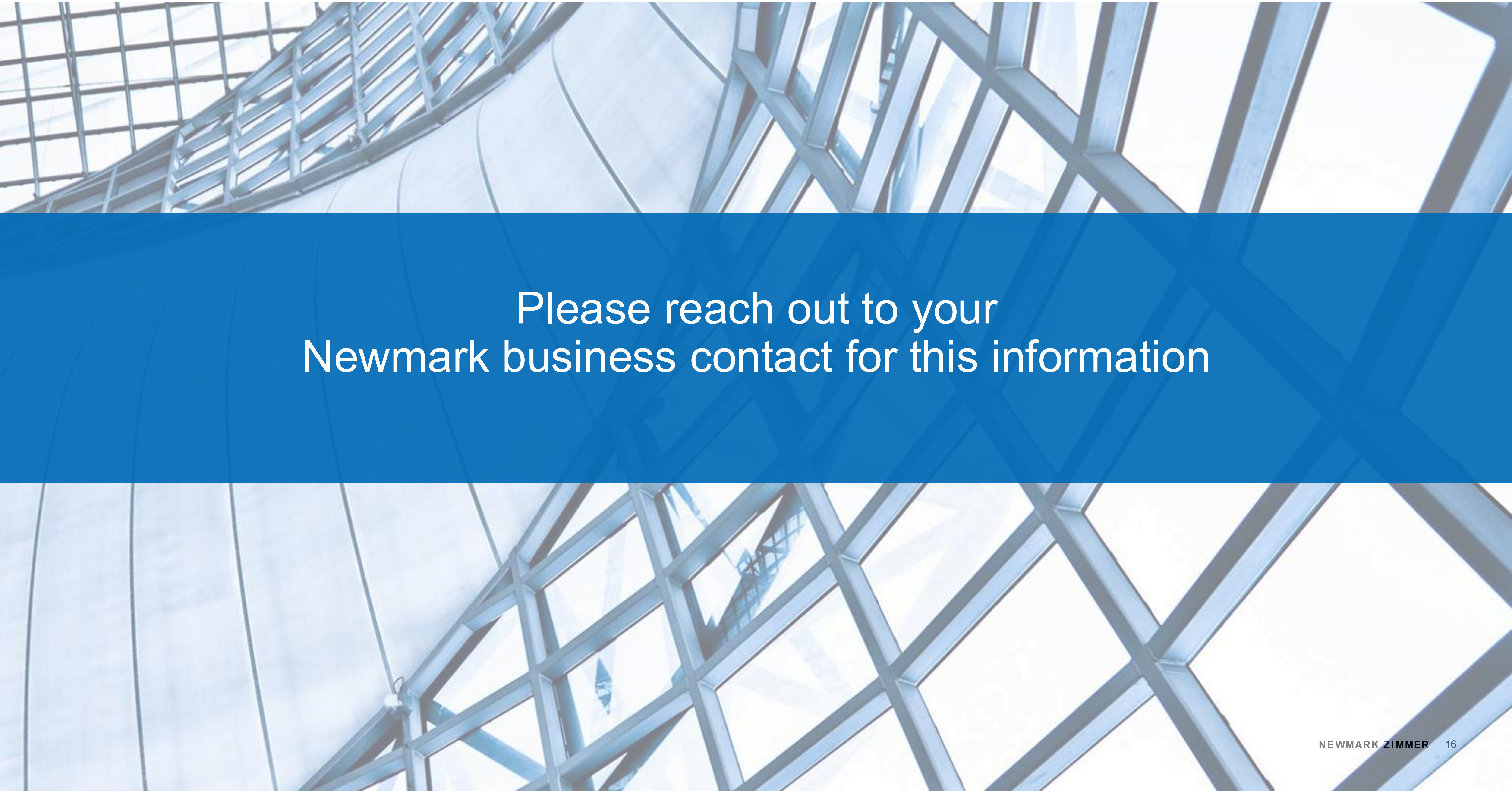
The combined build-to-suit (BTS) and speculative construction pipeline totals 6.1 million SF, with 80%, equating to 4.85 million SF, allocated to BTS projects. Notable developments include Panasonic's 2.35-million-SF EV battery plant in DeSoto, Amazon's 630,000-SF distribution center at KCI Logistics Park and Church & Dwight's 553,000-SF facility at Raymore Commerce Center. BTS announcements are expected to continue fueling under-construction activity over the next four quarters. Speculative construction is anticipated to trend upward at a measured pace, with 1.24 million SF currently underway, including VanTrust's 577,500-SF Building IV at Raymore Commerce Center.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

Speculative Construction Supply Remains Limited



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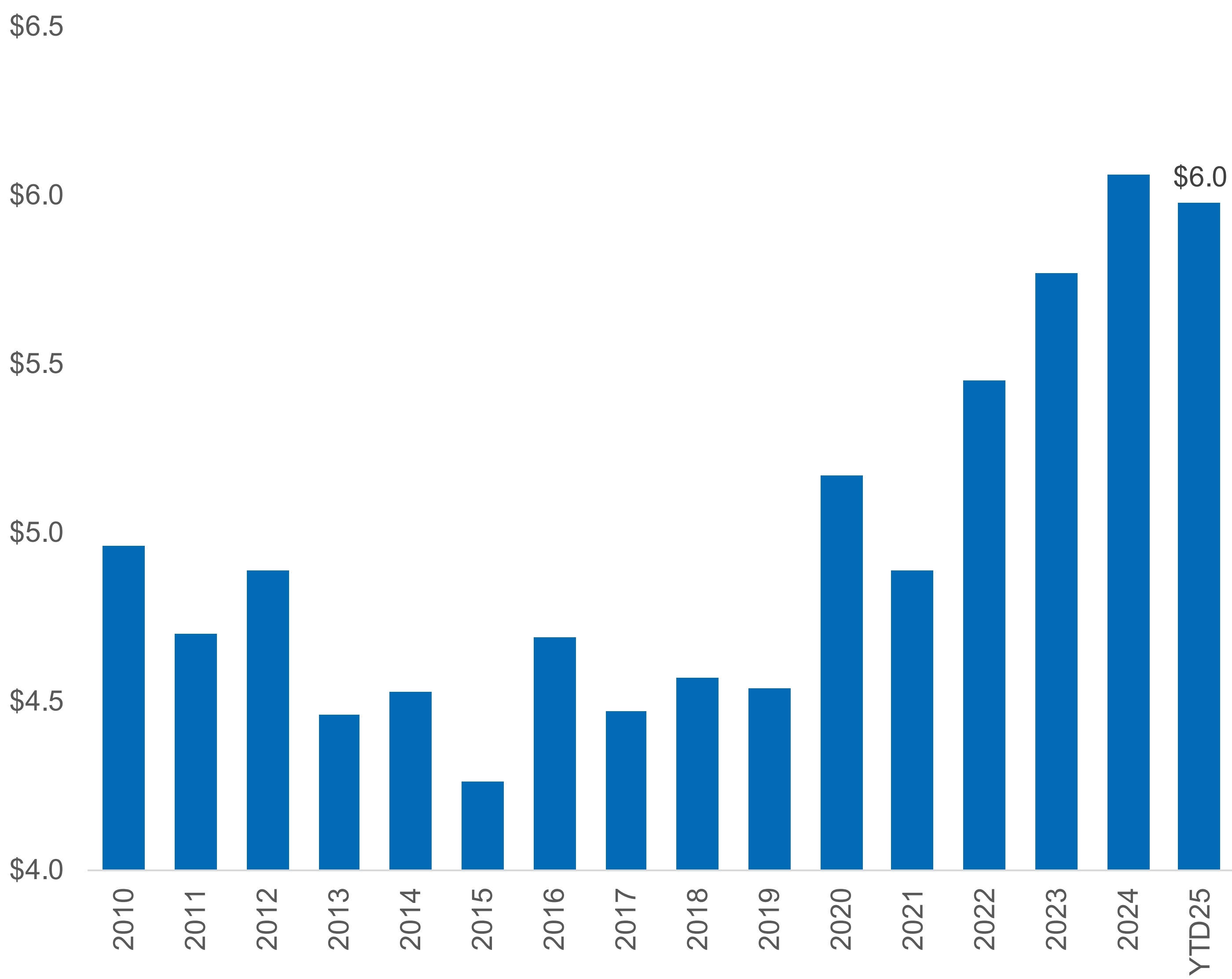
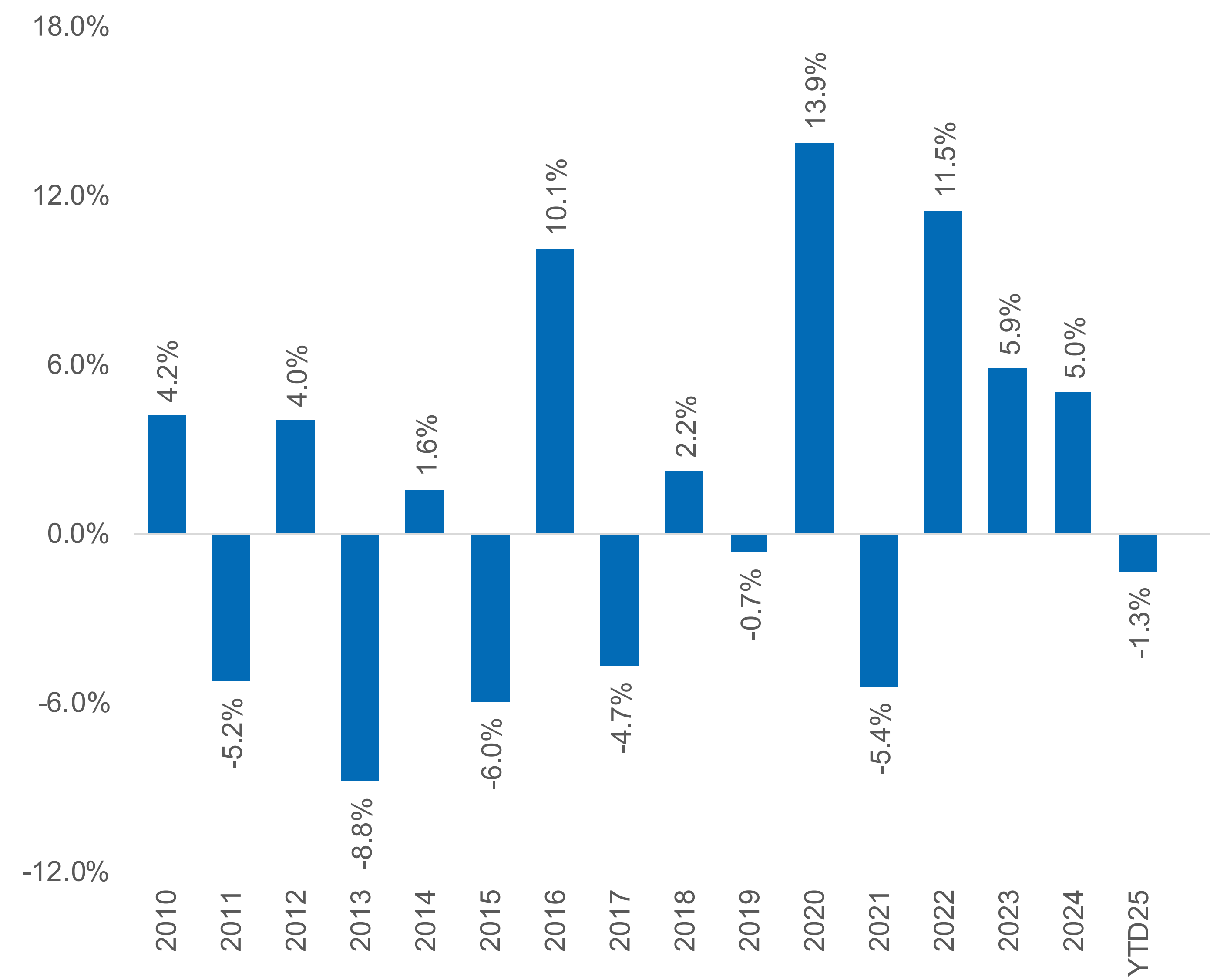
Industrial Rent Growth Expected to Moderate Following Record Surge

Industrial asking rents have grown at a record pace, increasing 31.5% over the past six years. The tightening market and continued limited supply is expected to drive rents upward going forward. Although asking rents have declined year over year, Class A properties are increasingly withholding rents, resulting in a decrease when lease comps reflect an increase in rates. Asking rental rates are projected to close 2025 between $6.00/SF and $6.10/SF.

Industrial Average Asking Rent, $/SF, NNN

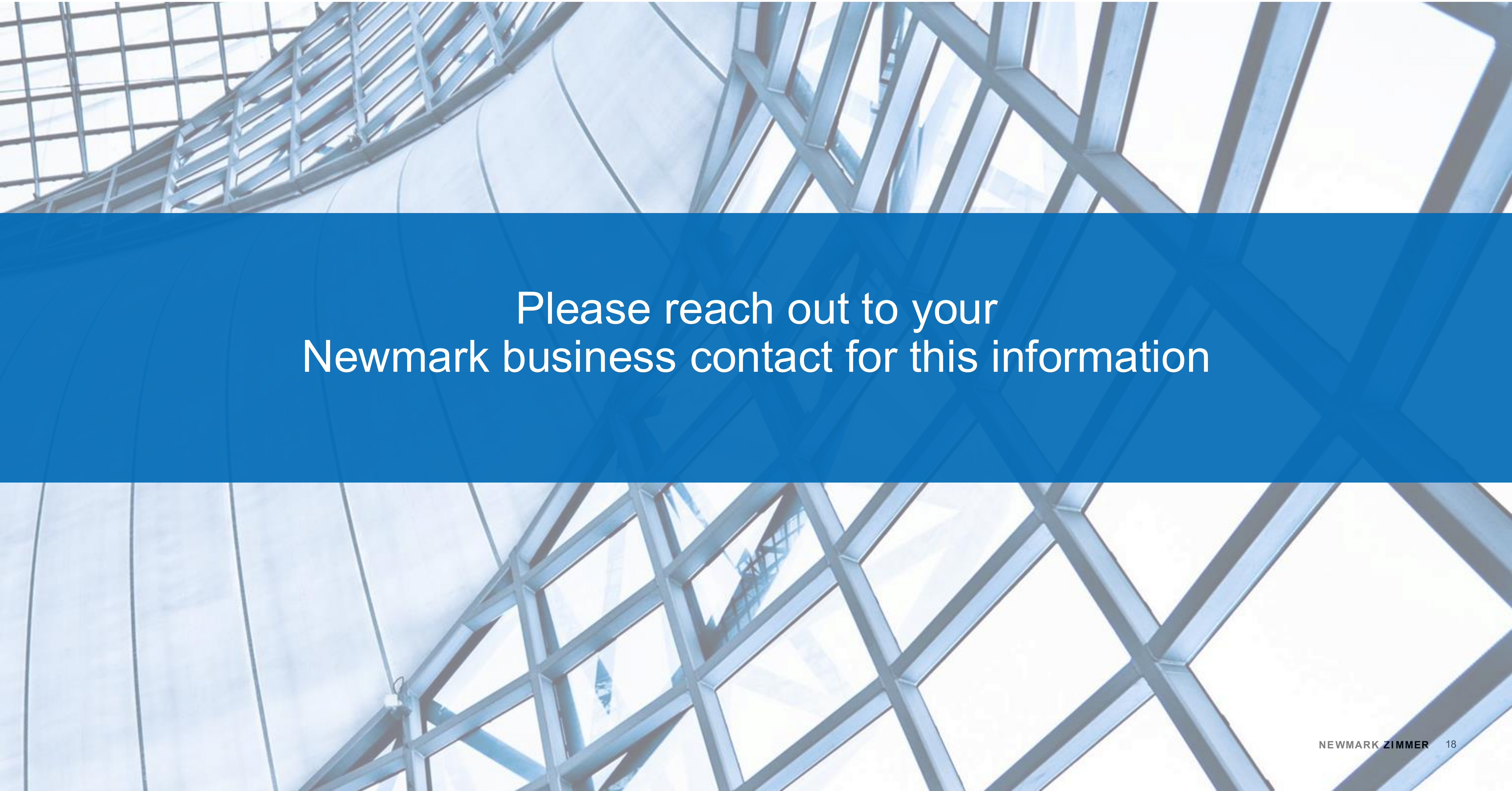


Year-Over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Class A Mid- And Large-Sized Warehouse Space In Demand



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Notable 3Q25 Announcements & Lease Transactions

Key announcements in 3Q25: Panasonic Energy opened half of its 4.7-MSF EV battery plant in De Soto, KS; VanTrust began construction on the 577,500-SF Building IV speculative development at Raymore Commerce Center; Americold Realty Trust opened its $127 million cold storage import-export hub with a direct link to the CPKC railway line; Marvin Cos. opened its $76 million, 400,000-SF window manufacturing plant in KCK; and Owens Corning will add a new $200 million fiberglass insulation production line to its KCK plant.

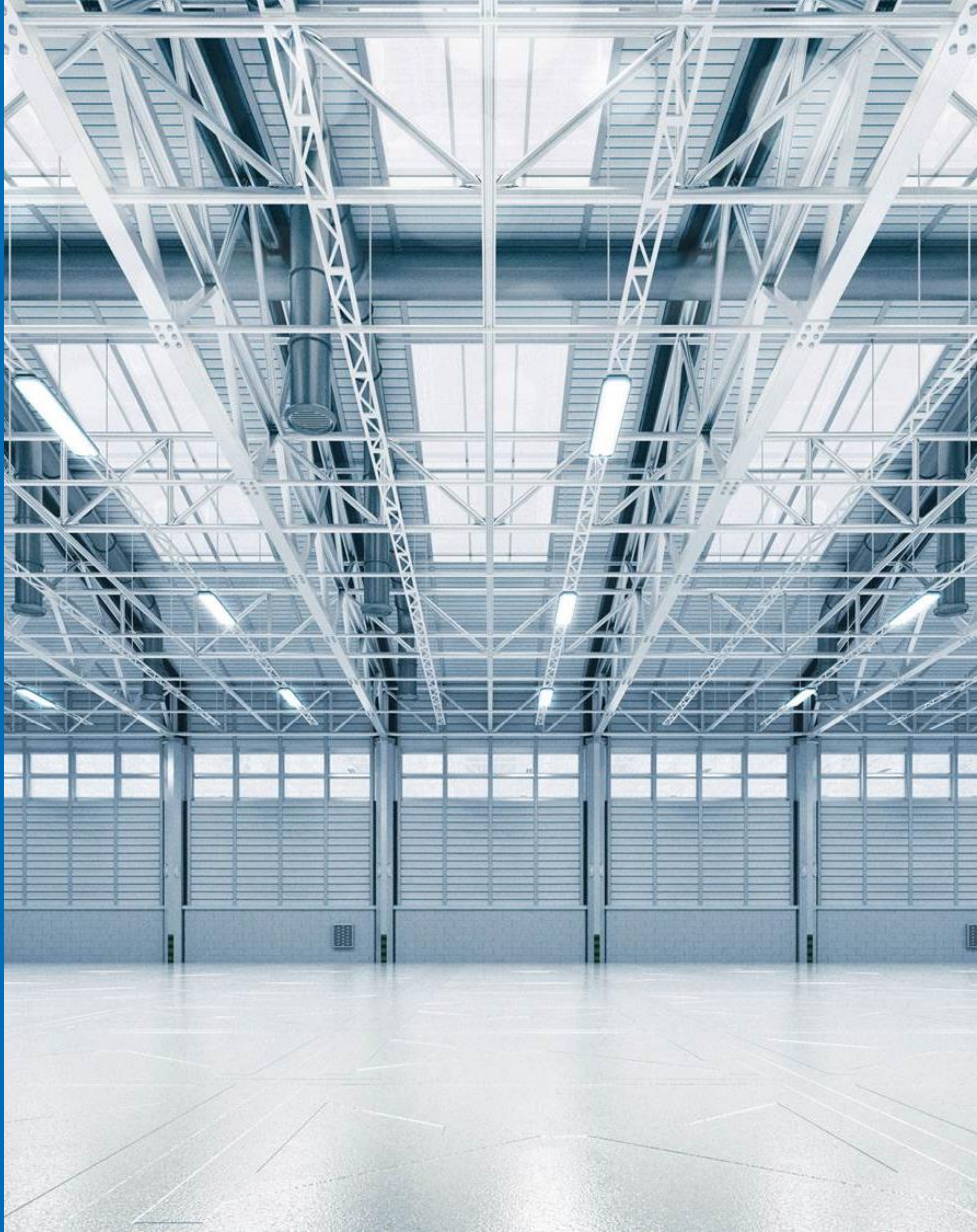
Select Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Amazon	175 Commerce Centre – Building 1	South Johnson County	Direct New	1,071,140
Amazon agreed to purchase the entire 1.07-MSF Building 1 at 175 Commerce Centre located at the northwest corner of 175th Street and Hedge Lane in Olathe, KS. The property delivered to the market in 3Q23. Amazon is expected to move in by March 2026.				
Faith Technologies Inc.	31450 W 196th Street	South Johnson County	Direct New	463,440
National construction engineering firm Faith Technologies Inc. signed a lease for 463,440 SF of the 764,740-SF Building 32 at Logistics Park Kansas City. The facility is now fully leased with Smart Warehousing occupying the remaining 301,300 SF. Newmark Zimmer provided landlord representation services in the transaction.				
Maersk	30900 W 185th Street	South Johnson County	Renewal	210,480
Maersk renewed its lease for 210,480 SF of the 777,220-SF Inland Port VIII at Logistics Park Kansas City in Edgerton. Newmark Zimmer provided landlord representation services in the transaction.				
Midwest International Logistics	10707 NW Airworld Drive	Northland	Direct New	200,000
Midwest International Logistics agreed to lease 200,000 SF of space at the 350,270-SF Airworld Business Park building in the Northland.				
Victaulic Company	4151 NW 41st Street	Northland	Direct New	150,760
Victaulic Company agreed to lease 150,760 SF of space at the 207,750-SF Building X at Riverside Horizons in Riverside, MO. The firm is expected to move in by January 2026.				

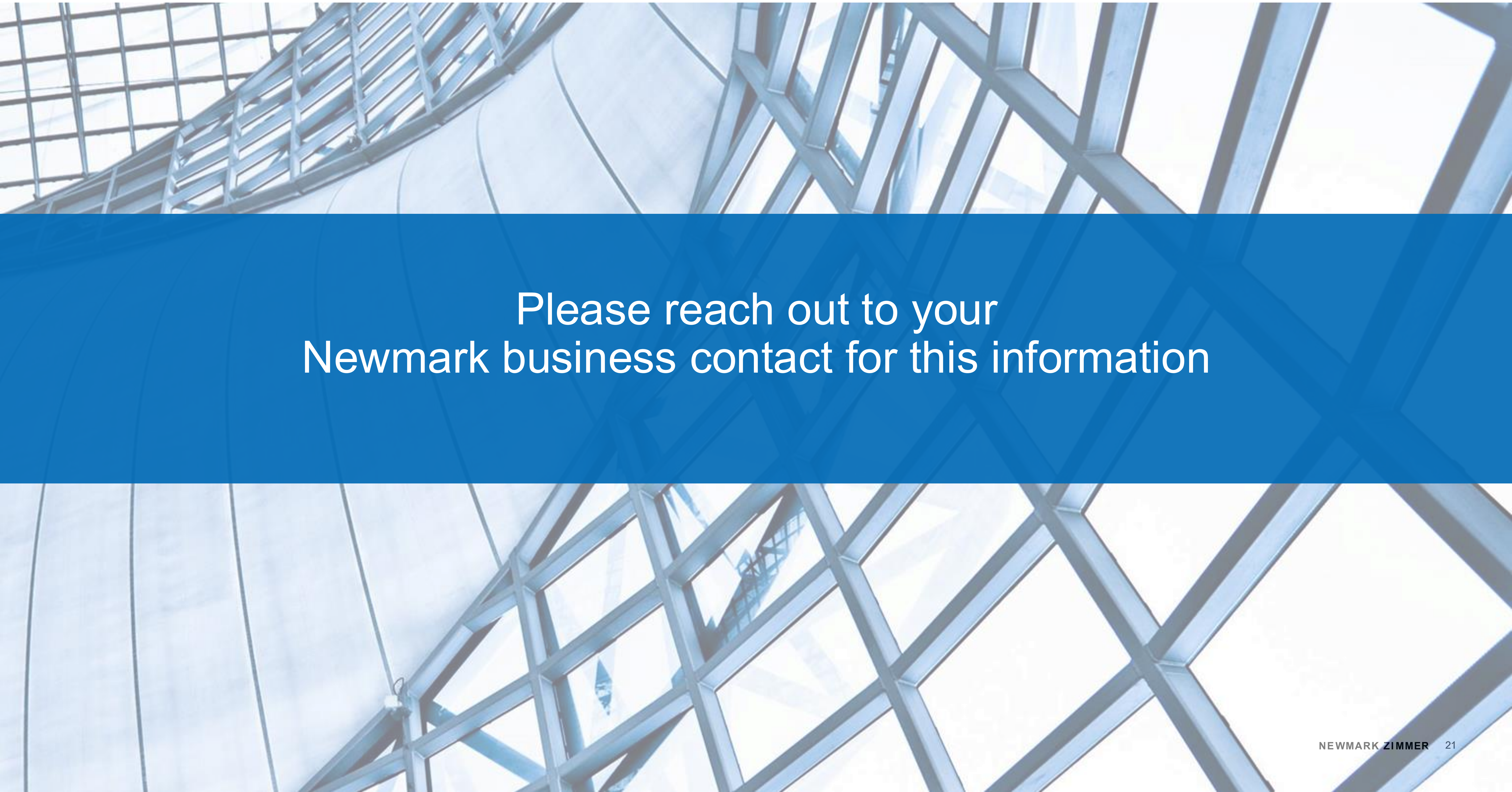
Source: Newmark Research

3Q25

Submarket Statistics



Submarket Statistics: All Classes, Warehouse, Flex, Underground



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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.

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