

1Q26 Kansas City Industrial Market: **Market Overview**

1Q26

Kansas City Market Observations



Labor Markets

- The region's labor market remained flat as macroeconomic conditions shifted. December's unemployment rate registered 3.9%, 50 basis points below the national average of 4.4%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Education and Health. 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 year over year: Construction, up 9.2%; Manufacturing, down 1.9% and Trade/Transportation/Utilities, down 3.8%.



Leasing Market Fundamentals

- The market recorded 1.9 MSF of net absorption in 1Q26, bringing the past four-quarter total to 3.2 MSF. While many markets across the U.S. experienced a tepid 2025, KC posted positive absorption, demonstrating its importance as a centralized intermodal hub. Robust leasing activity was ongoing in 2025 with tailwinds projected for the remainder of 2026.
- Consistent demand and a limited spec pipeline drove vacancy down 50 bps in the quarter to 4.5%. Kansas City ranked third in lowest aggregate vacancy rate in 1Q26 among the top 30 U.S. industrial markets.
- Of the 6.9 MSF construction pipeline, 3.9 MSF (56%) is currently dedicated to build-to-suit projects. A significant shift away from BTS-dominated development is underway, as multiple developers initiated new speculative projects during the quarter, while others announced substantial construction activity planned for 2Q26.



Major Transactions

- Turn5, Inc. renewed its lease for 363,060 SF and will expand into an additional 124,750 SF for a total of 487,810 SF of space at Lenexa Logistics Centre North I in Lenexa, KS.
- JE Dunn Construction Company leased 400,830 SF of the 603,070-SF building located at 7501 NW 106th Ter. in the Northland. The Class A property was recently renovated in 2023.
- Pro & Well Warehouse Inc. agreed to lease 242,700 SF of the 1,006,020-SF Inland Port IX at Logistics Park Kansas City in Edgerton, KS. The firm is expected to move in by April 2026.
- ARCO National Construction leased 227,250 SF in Building A3 of Eastgate Commerce Center in Independence, MO. The firm is expected to move in by September 2026.
- Nesco Products agreed to lease 200,850 SF of space at Building III of Compass 70 Business Park in Kansas City, KS. The firm is expected to move in by the end of July 2026.



Outlook

- As the 15th-largest industrial market in the U.S., Kansas City spans 345.2 million SF and continues to thrive, supported by its central location, skilled labor pool, robust transportation infrastructure and competitive real estate and energy costs. Kansas City is benefiting from a broad base of industry types occupying space with data center suppliers forecasted to take an increasing share of space in 2026.
- Vacancy is projected to decline toward 4.2% in 2026, fueled by steady demand and vigilant development growth in the past two years.
- Industrial average asking rents have climbed a record 36.3% in the past seven years. Rent growth is expected to increase in 2026, both asking and contract rates are likely to remain well above pre-pandemic levels at \$6.20/SF and above.
- Resilient demand will continue to influence market dynamics. Speculative construction is expected to trend upward in 2026, with 2.99 million SF currently underway, including VanTrust's 577,500-SF Building IV at Raymore Commerce Center and Panattoni's 469,130-SF Building I at Crossroads Commerce Center in Gardner, KS.

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Economy

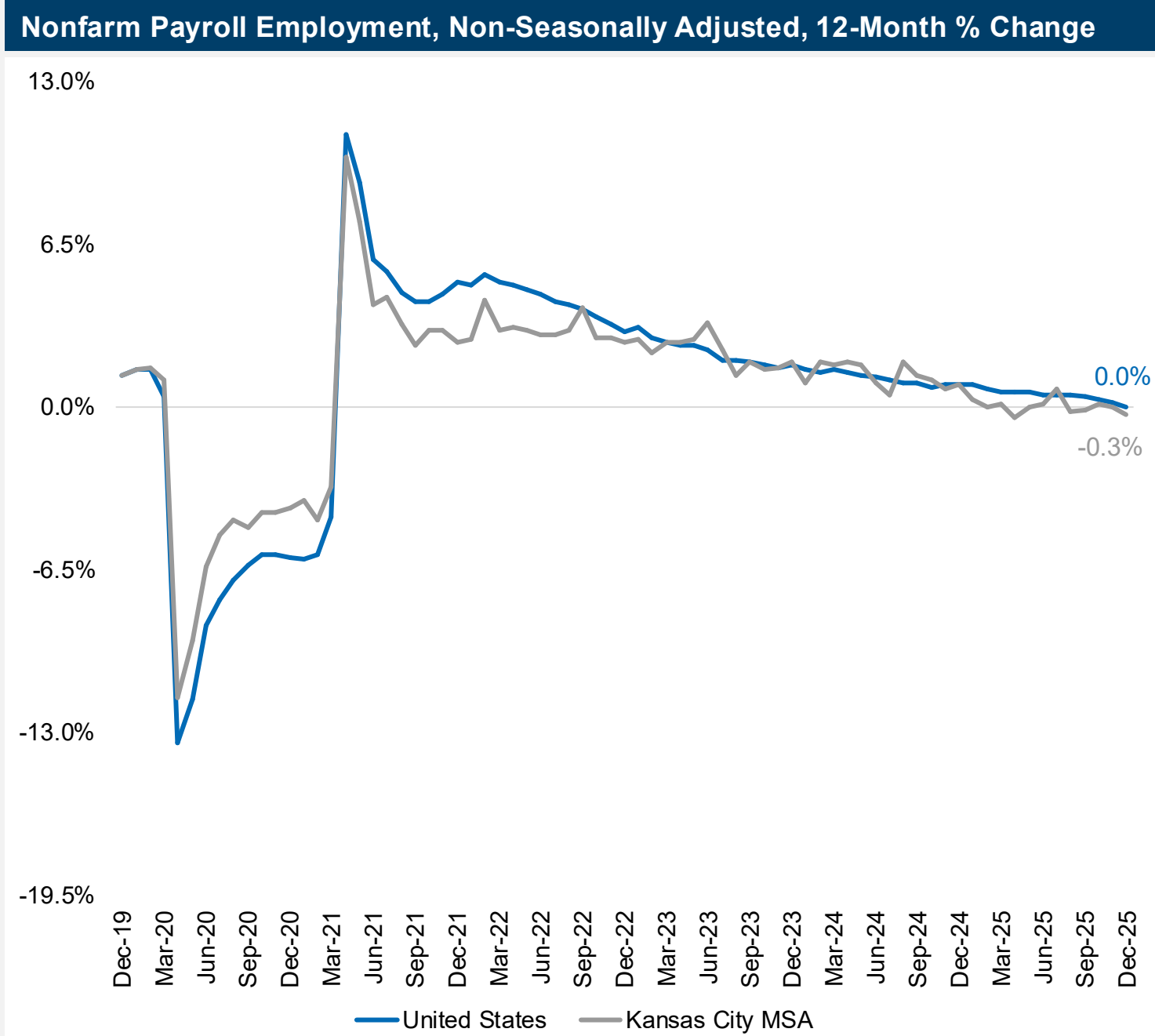
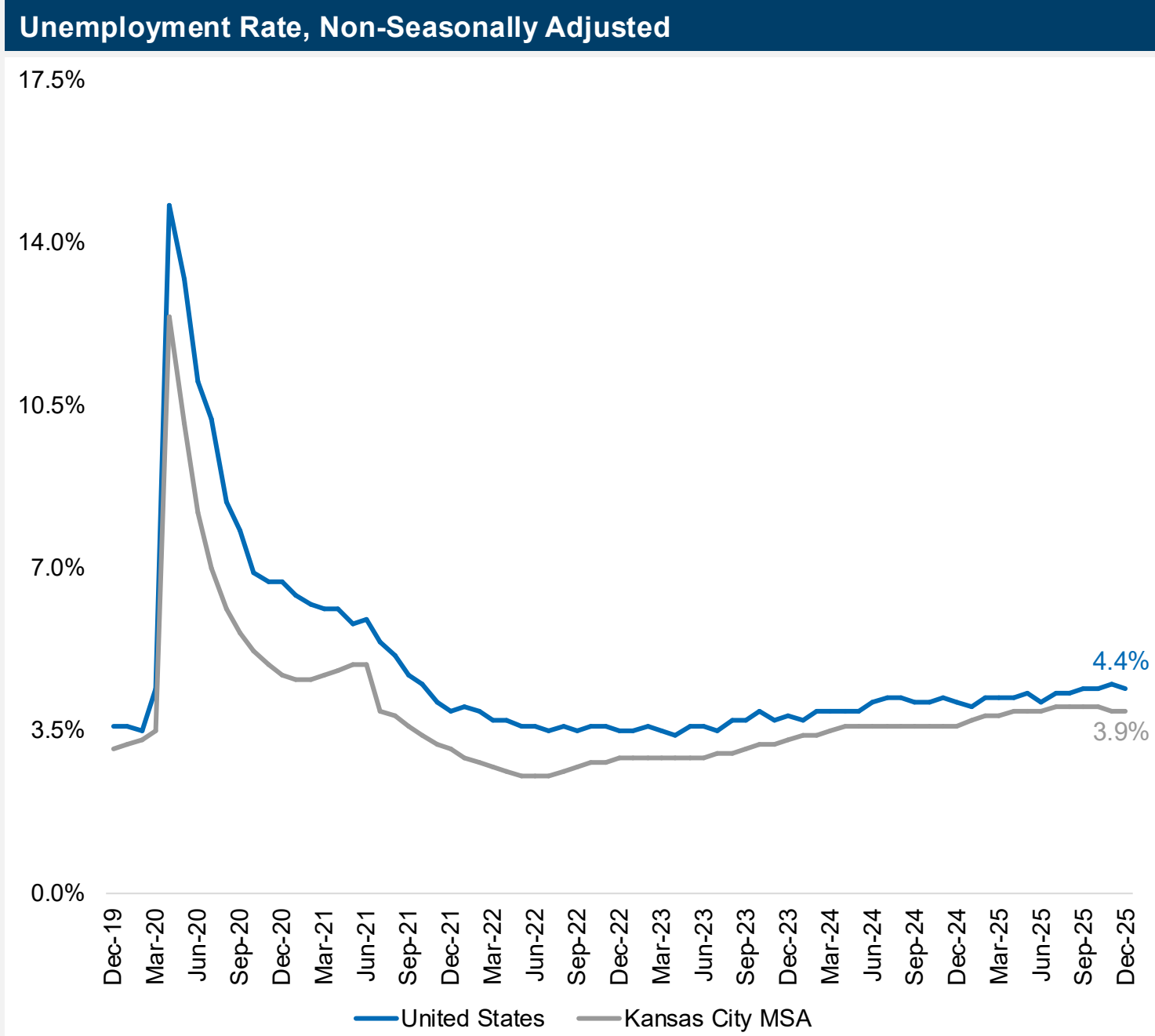
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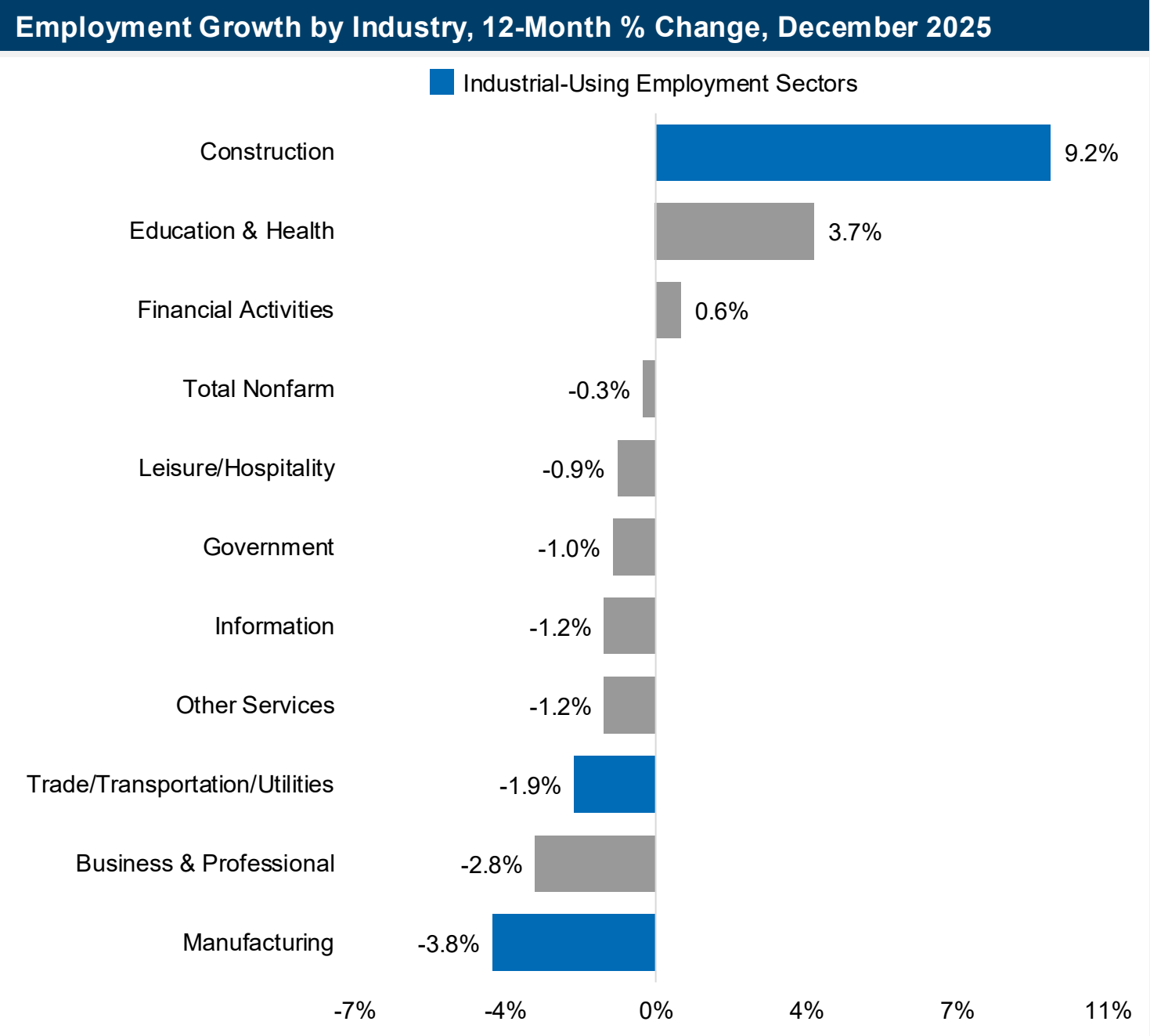
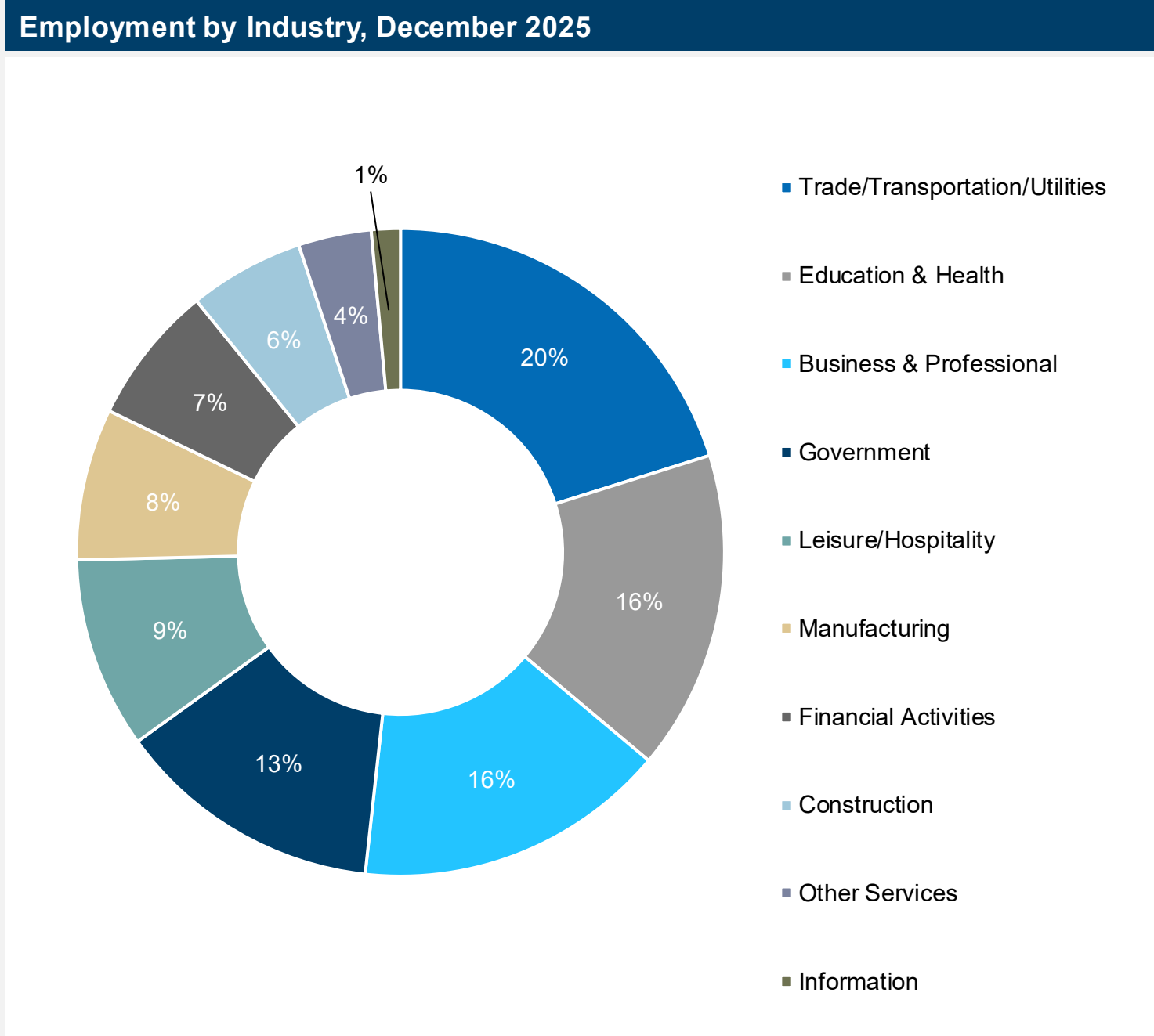
Metro Employment Unemployment Rate Below National Average

Due to a lapse in appropriations in the BLS, the collection of select data points has been delayed at the local or national level. The Kansas City region's labor market remained flat with unemployment registering 3.9% in December 2025. The regional unemployment rate now stands 50 basis points below the national average, signaling comparative economic strength. Nonfarm payroll employment in the region remains in negative territory at -0.3%. According to the Kansas City Fed Labor Market Conditions Indicators, activity declined from 0.30 to 0.17, while momentum increased from -0.07 to 0.02 in February 2026.



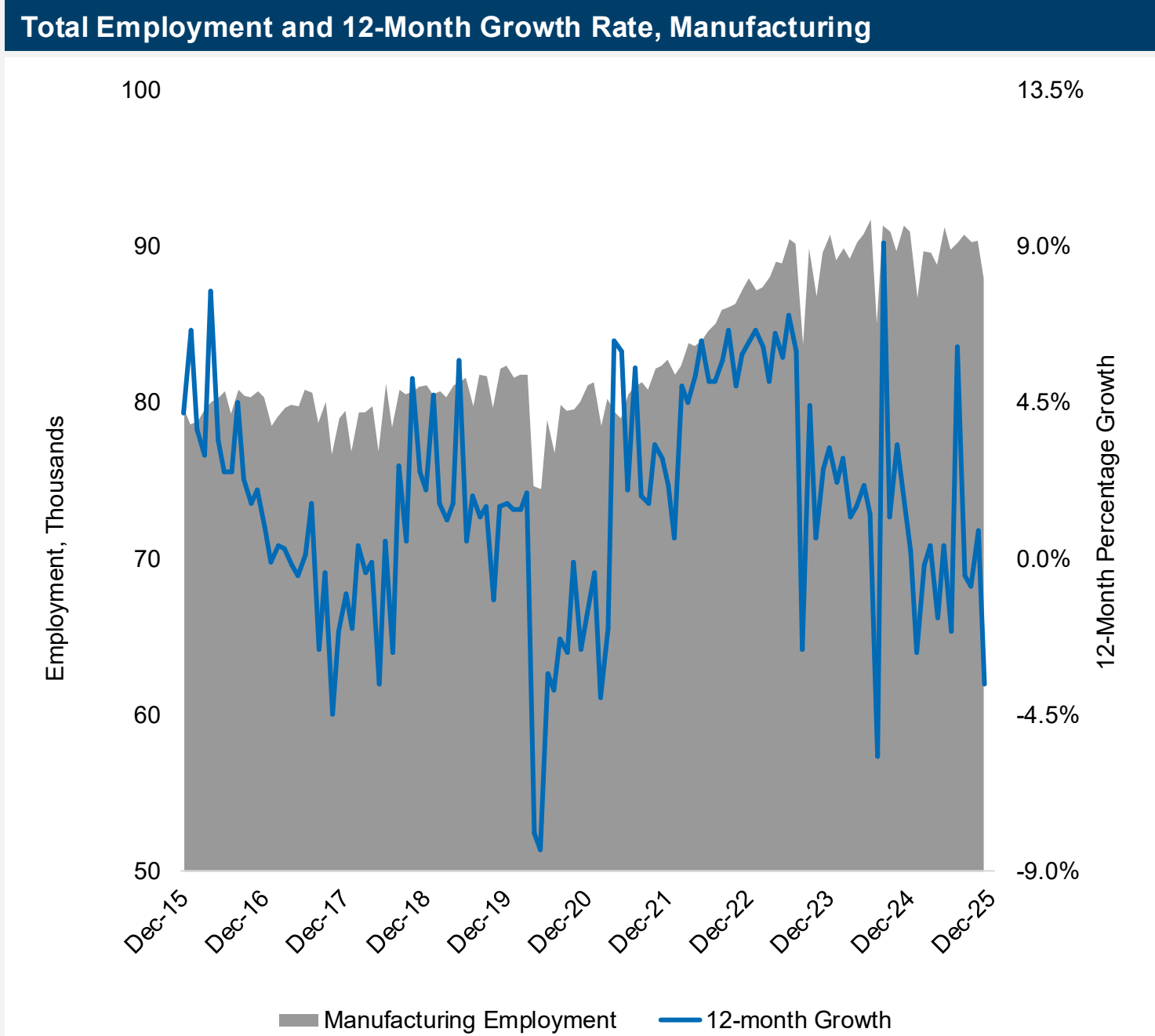
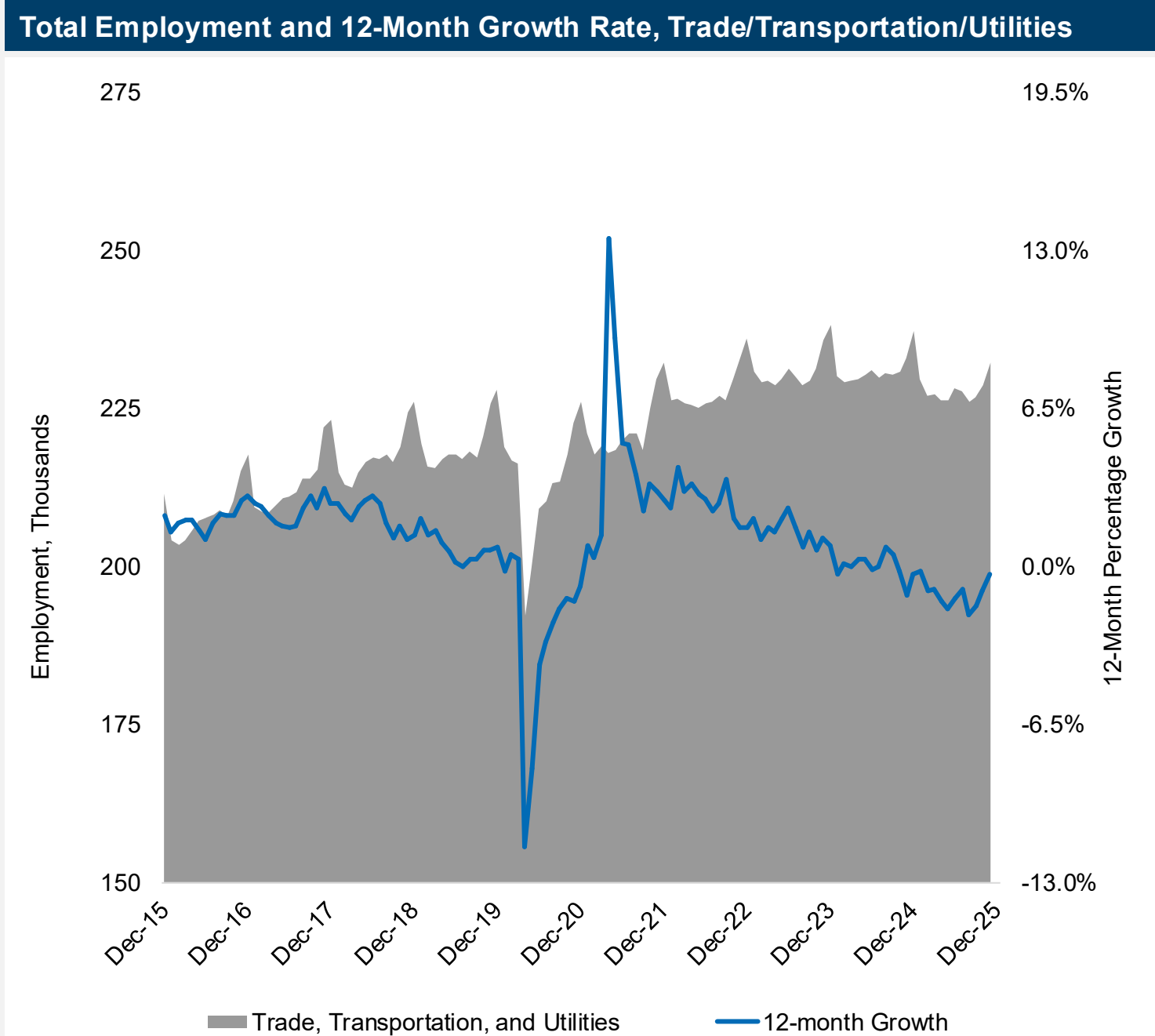
Business and Professional and Information Sectors Lead Regional Job Losses

Due to a lapse in appropriations in the BLS, the collection of select data points has been delayed at the local or national level. The Construction sector led regional annual job growth, followed by Education and Health. 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 both reported annual job losses.



Industrial Employment Rebounds

Due to a lapse in appropriations in the BLS, the collection of select data points has been delayed at the local or national level. Industrial employment has rebounded and now surpasses pre-pandemic levels. While a slight seasonal dip in employment is typical early in the year, expect controlled employment growth for 2026.



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Leasing Market Fundamentals

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Market Overview

Market Segment	Q1 2023	Q2 2023	Q3 2023
Total Construction Value	\$100.0B	\$100.0B	\$100.0B
Non-Residential Construction	\$60.0B	\$60.0B	\$60.0B
Residential Construction	\$40.0B	\$40.0B	\$40.0B
Construction Starts	100,000	100,000	100,000
Average Building Size (sq ft)	1,000	1,000	1,000
Construction Costs	\$100.0B	\$100.0B	\$100.0B
Construction Jobs	100,000	100,000	100,000



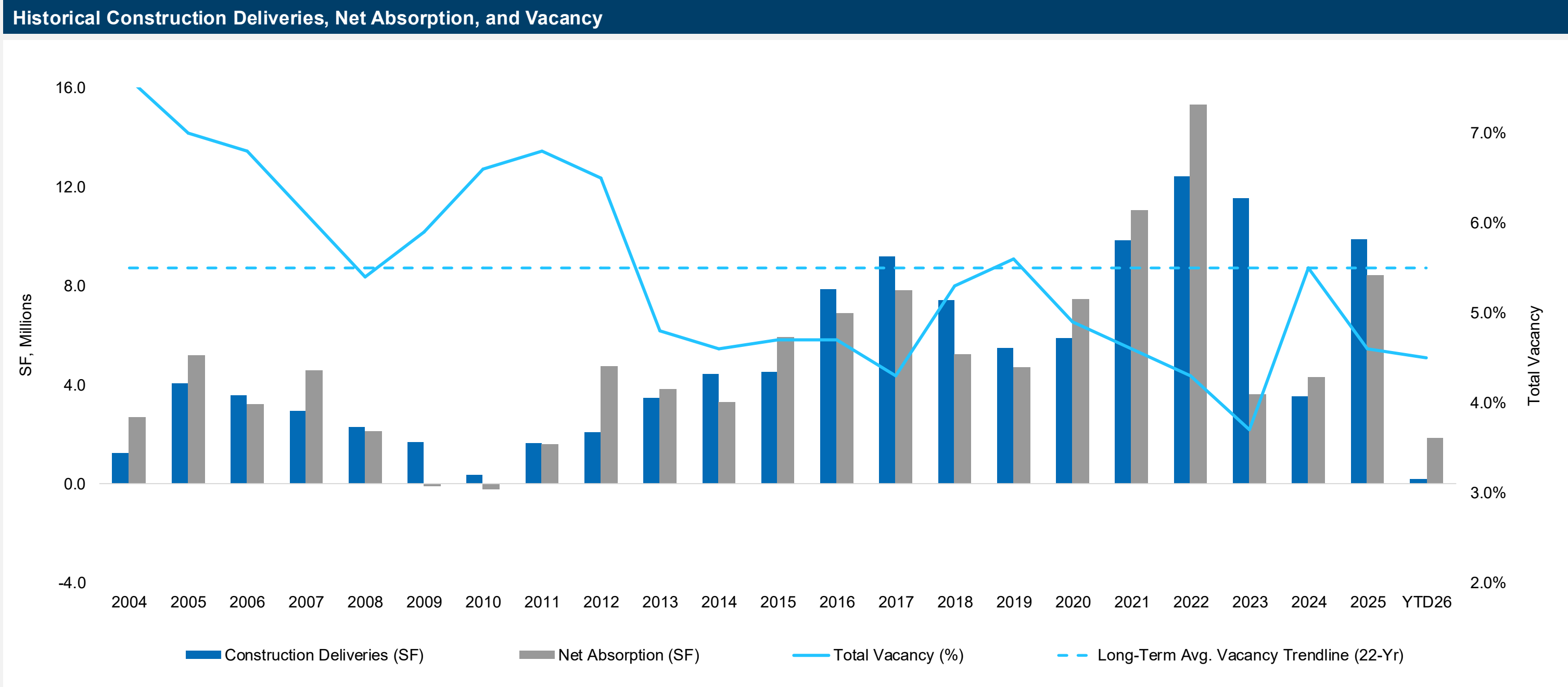
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Market Segment	Q1 2023	Q2 2023	Q3 2023
Construction Starts	100,000	100,000	100,000
Construction Value	\$100.0B	\$100.0B	\$100.0B
Construction Jobs	100,000	100,000	100,000
Construction Costs	\$100.0B	\$100.0B	\$100.0B
Construction Revenue	\$100.0B	\$100.0B	\$100.0B
Construction Profit	\$100.0B	\$100.0B	\$100.0B
Construction Loss	\$100.0B	\$100.0B	\$100.0B
Construction Margin	100%	100%	100%



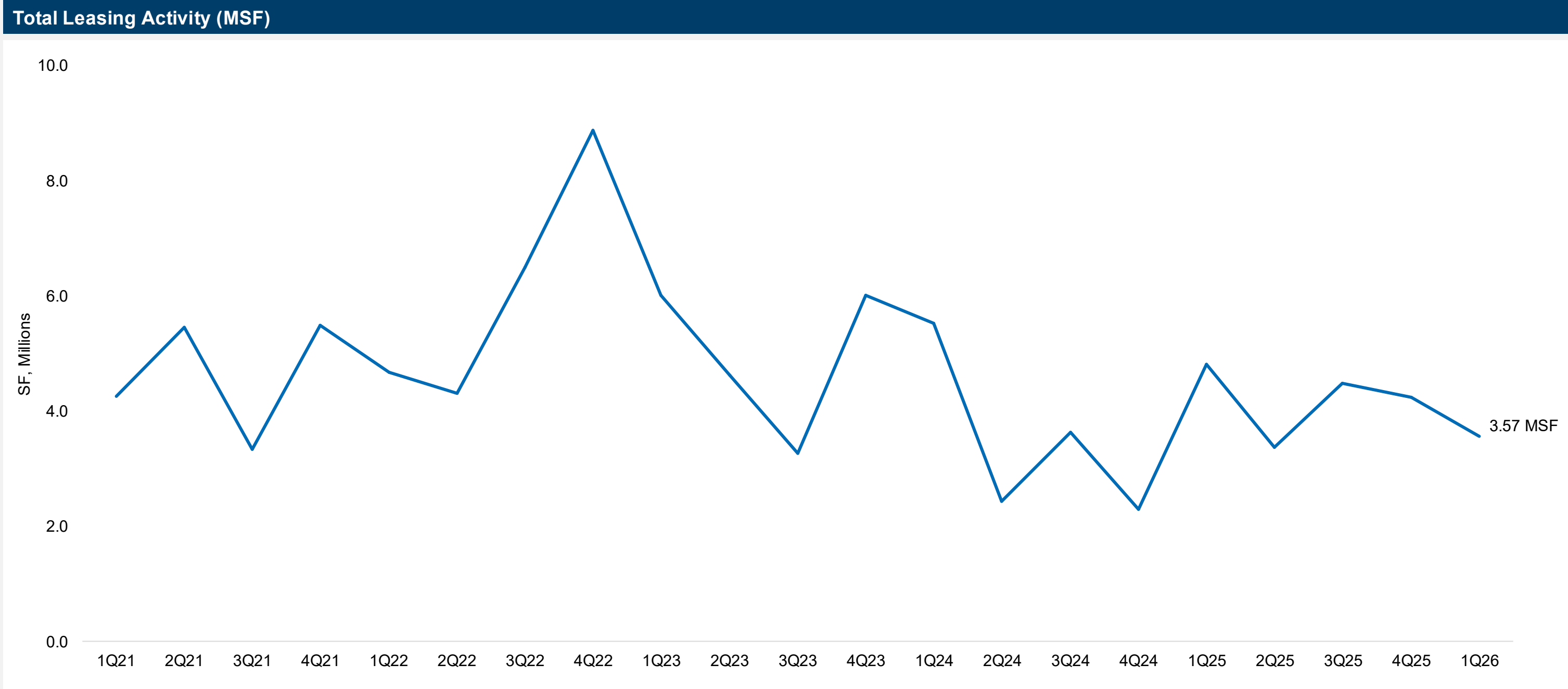
Vacancy Drops 50 Basis Points In 1Q26

Vacancy decreased by 50 basis points during the quarter and 10 basis points year over year, reaching 4.5%, as most new deliveries consisted of fully occupied BTS projects. Net absorption reached a total of 3.2 million SF in 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; this is evident as multiple developers began speculative projects in the quarter. The market is expected to draw elevated interest relative to other U.S. markets in 2026. Steady demand, paired with a manageable speculative construction pipeline, is projected to push vacancy closer to 4.2% over the next four quarters.



Industrial Leasing Activity Registers 3.6 Million SF

Demand for industrial space reached 3.6 million SF in first-quarter 2026, a 15.6% decrease over the quarterly average from the previous four quarters but likely to be adjusted upwards in the next month as additional deal details are registered. Kansas City is benefiting from a broad base of industry types occupying space with data center suppliers forecasted to take an increasing share of space in 2026. Tenant leasing velocity and rent growth in the Class A bulk segment are also expected to strengthen throughout the next four quarters.



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 six years, driving notable growth in Class A leasing. As of first-quarter 2026, Class A warehouse leasing accounted for 66.3% of total activity, down from the record high of 74.9% in 2022 but above the pre-pandemic five-year average of 45.1% from 2015 to 2019.



Submarket Vacancy In South Johnson County Drops To 5.0%

The vacancy rate in the South Johnson County submarket has dropped to 5.0% as of 10/31/2023. This is a significant decrease from the 10.0% vacancy rate reported in 9/30/2023. The decrease is primarily due to the completion of several new projects and the absorption of existing inventory. The vacancy rate in the overall market is 6.5% as of 10/31/2023.

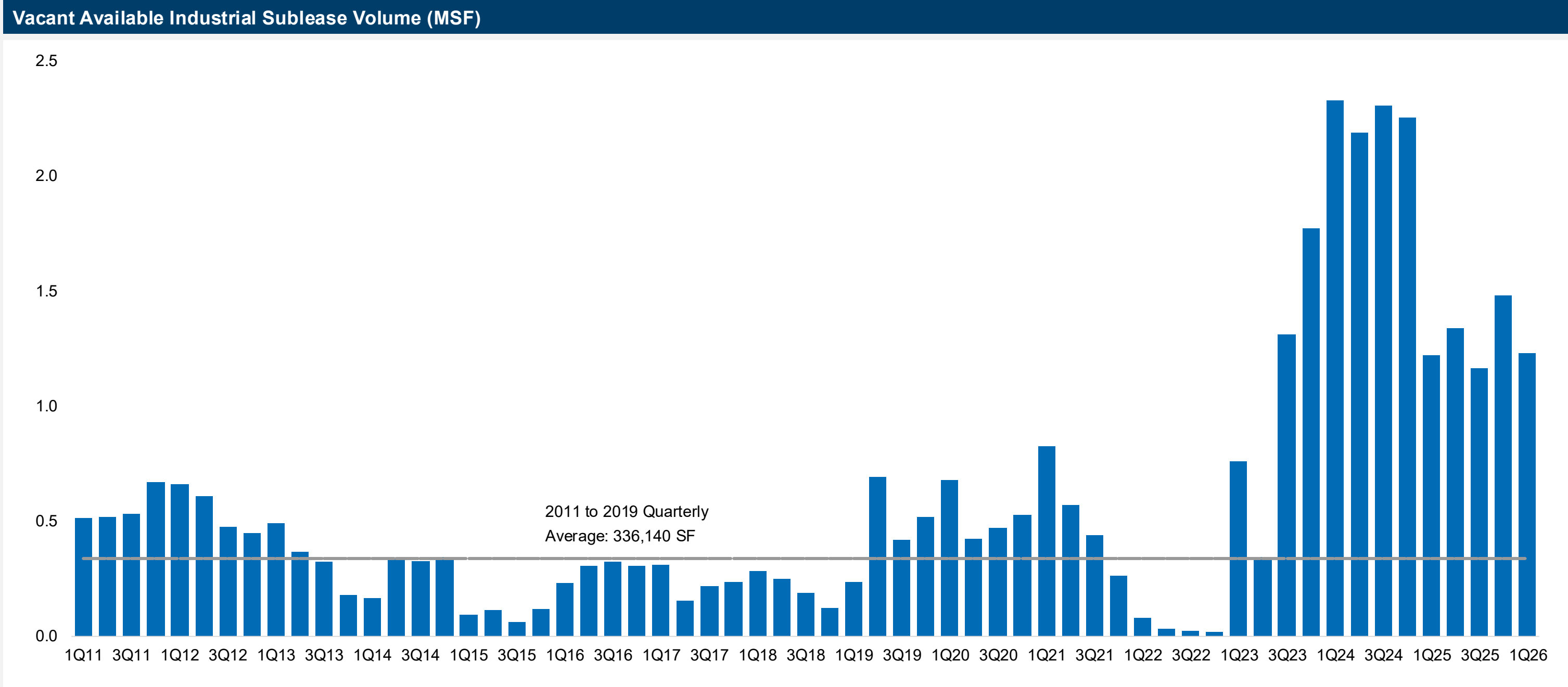


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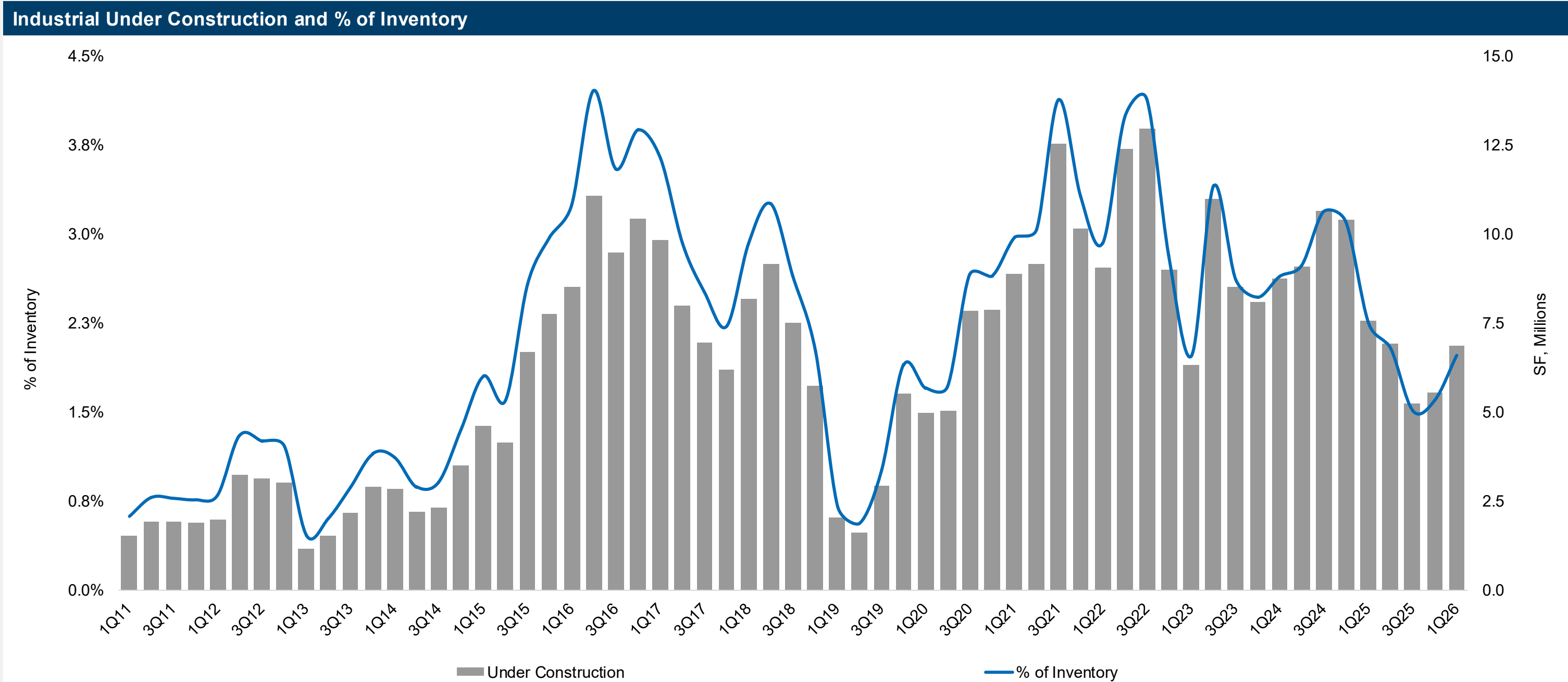
Leasing Of Sublease Offerings Expected To Continue In 2026

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 0.36% of the Kansas City market; well below levels seen in other U.S. markets. Leasing of active sublease offerings is expected to continue through 2026, likely reducing overall availability further.



Speculative Projects Poised To Surpass BTS Construction Activity By 2Q26

The combined build-to-suit (BTS) and speculative construction pipeline totals 6.9 MSF, with 56%, equating to 3.88 MSF, allocated to BTS projects. Notable developments include Panasonic’s 2.35-MSF EV battery plant in DeSoto which will finalize in July 2026 and Amazon’s 630,000-SF DC at KCI Logistics Park. A significant shift away from BTS-dominated development is underway, as multiple developers initiated new speculative projects during the quarter, while others announced substantial construction activity planned for 2Q26. Spec construction is expected to trend upward, with 2.99 MSF currently underway, including VanTrust’s 577,500-SF Building IV at Raymore Commerce Center, Hunt Midwest’s 505,440-SF HMBC Logistics VII and Panattoni’s 469,130-SF Building I at Crossroads Commerce Center in Gardner, KS.



Speculative Construction Surges In 1Q26

The speculative construction market has significantly increased in the past three years. While the total construction spending rose, building starts, speculative projects are expected to drive an increase in the market. Despite the rise in total construction spending of 100,000 of a year, accounting for 10% of total spending. As of the end of the third quarter of 2023, 11.4% of all speculative projects were completed for the period.

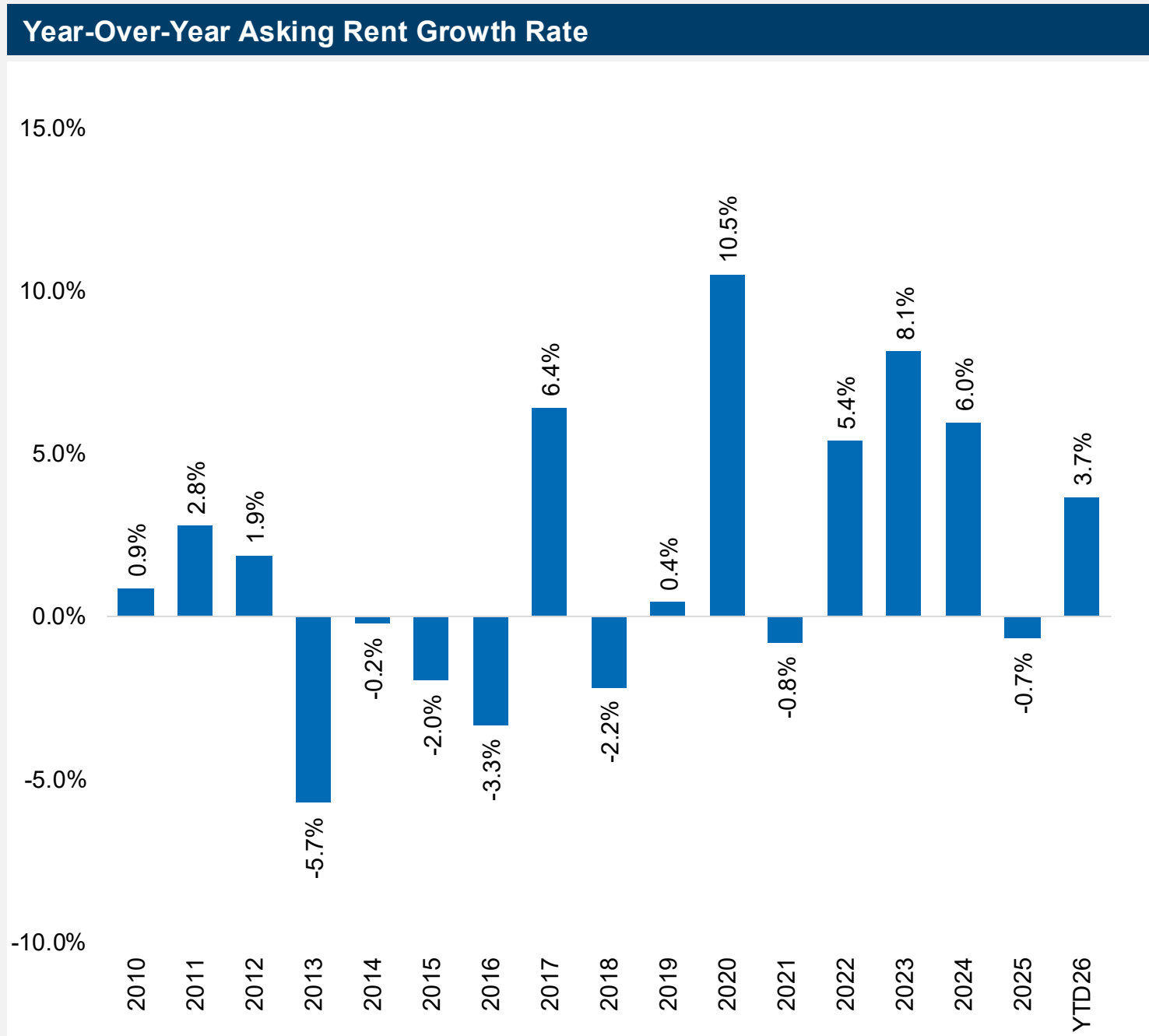
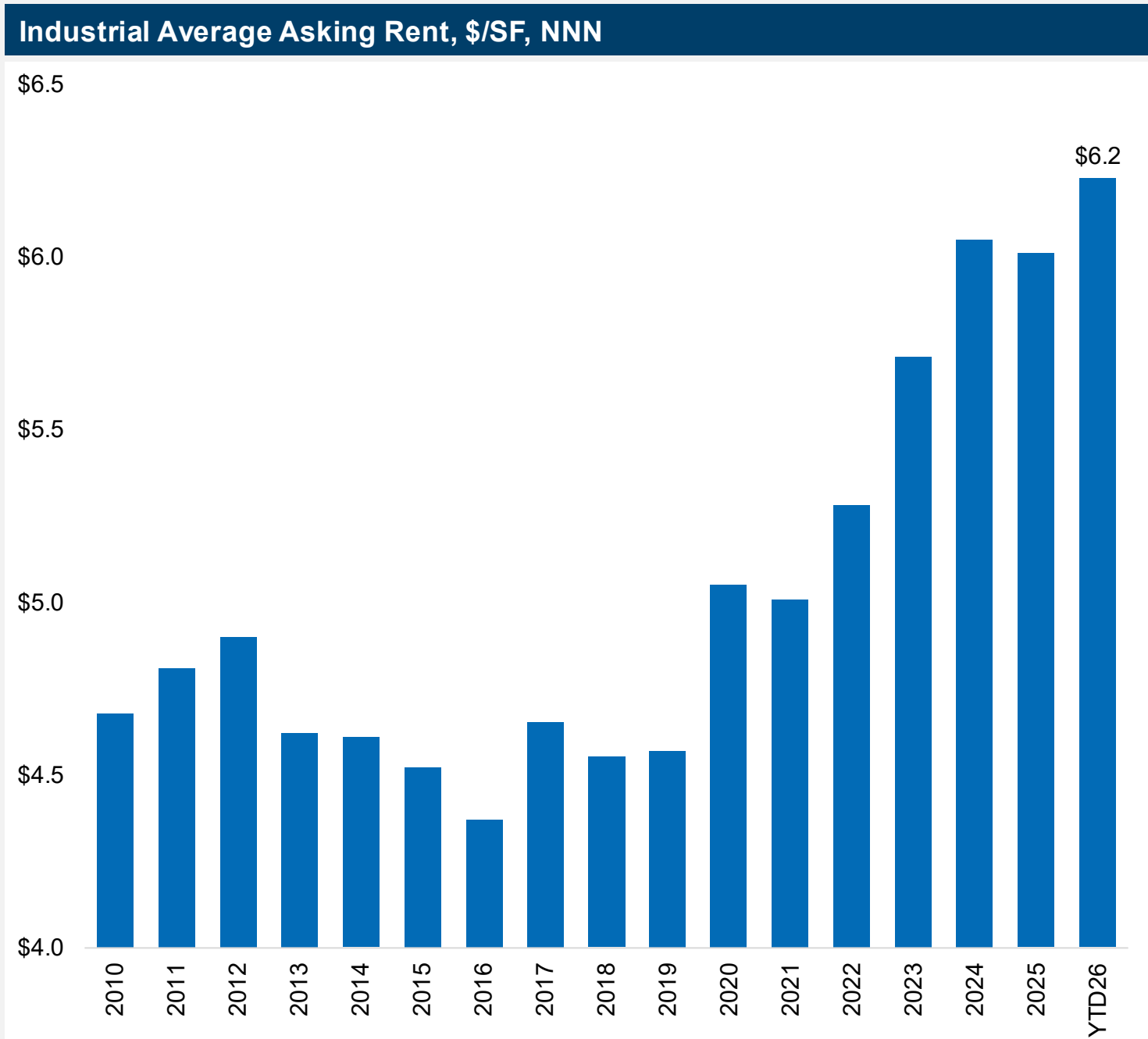


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Industrial Rent Growth Expected In 2026

Industrial asking rents have grown at a record pace, increasing 36.3% over the past seven years. The tightening market and continued limited supply is expected to drive rents upward in 2026. Some newer Class A industrial properties are withholding published asking rents, resulting in an apparent pause or decrease in values when lease comps reflect an increase in rates. Asking rental rates are projected to close 2026 between \$6.20/SF and \$6.35/SF.



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

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



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1Q26 Notable News & Leasing Activity

Key announcements in 1Q26: A significant shift away from BTS-dominated development is underway, as multiple developers announced new speculative projects - Scannell Properties is set to begin construction in April on Building 5, a 650,000-SF facility at I-35 Logistics Park; Aspen Funds will break ground in April on its first building (Building A) at Hedge Industrial Park North; and a new spec building at K-7 Logistics Corridor will also begin construction in 2Q26, tilting the BTS-Spec ratio to a ‘spec heavy’ market.

Select News & Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Turn5, Inc.	17700-17790 College Boulevard	South Johnson County	Renewal / Expansion	487,810
<i>Turn5, Inc. renewed its lease for 363,060 SF and will expand into an additional 124,750 SF of space at the 635,830-SF Lenexa Logistics Centre North I in Lenexa, KS. The Class A multi-tenant property delivered to the market in 2017.</i>				
JE Dunn Construction Group	7501 NW 106th Terrace	Northland	Direct New	400,830
<i>JE Dunn leased 400,830 SF of the 603,070-SF building located at 7501 NW 106th Ter. in the Northland. The Class A property was renovated in 2023 and offers 44 dock doors, two drive-ins and a 32-foot ceiling height.</i>				
Pro & Well Warehouse Inc.	30450 W 183rd Street	South Johnson County	Direct New	242,700
<i>Pro & Well Warehouse Inc. agreed to lease 242,700 SF of the 1,006,020-SF Inland Port IX at Logistics Park Kansas City in Edgerton, KS. The firm is expected to move in by April 2026.</i>				
ARCO National Construction	2420 Little Blue Pkwy (Eastgate Commerce Center – A3)	East Jackson County	Direct New	227,250
<i>ARCO National Construction leased 227,250 SF in Building A3 of Eastgate Commerce Center in Independence, MO. The firm is expected to move in by September 2026.</i>				
Nesco Products	110 S 110th Street	Wyandotte County	Direct New	200,850
<i>Nesco Products agreed to lease 200,850 SF of space at Building III of Compass 70 Business Park in Kansas City, KS. The firm is expected to move in by the end of July 2026.</i>				

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Submarket Statistics

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Submarket Statistics

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Submarket Statistics – All Classes									
Submarket	Type	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Asking Rent Ind. Gross (Price/SF)	Asking Rent Triple Net (Price/SF)	Total Asking Rent (Price/SF)

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Submarket Statistics – All Classes									
Submarket	Type	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Asking Rent Ind. Gross (Price/SF)	Asking Rent Triple Net (Price/SF)	Total Asking Rent (Price/SF)

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Submarket Statistics

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Submarket Statistics – All Classes									
Submarket	Type	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Asking Rent Ind. Gross (Price/SF)	Asking Rent Triple Net (Price/SF)	Total Asking Rent (Price/SF)

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Submarket Statistics

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Submarket Statistics – Warehouse								
Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Asking Rent Ind. Gross (Price/SF)	Asking Rent Triple Net (Price/SF)	Total Asking Rent (Price/SF)
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Submarket Statistics

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Submarket Statistics – Flex								
Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Asking Rent Ind. Gross (Price/SF)	Asking Rent Triple Net (Price/SF)	Total Asking Rent (Price/SF)

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