2Q26 Kansas City Industrial Market:
Market Overview

2Q26

Kansas City Market Observations

Labor Markets

- The region's labor market remained flat as macroeconomic conditions shifted. May's unemployment rate registered 3.8%, 50 basis points below the national average of 4.3%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Education and Health. Information and Other Services 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, while two sectors remained flat: Construction, up 3.2%; Manufacturing, flat at 0.0% and Trade/Transportation/Utilities, flat at 0.0%.
- Nonfarm payroll employment in the region climbed into positive territory at 0.2%. According to the Kansas City Fed Labor Market Conditions Indicators, activity in the quarter declined from 0.17 to 0.12, while momentum decreased from 0.02 to 0.01 in May 2026.

Leasing Market Fundamentals

- The market recorded 242,003 SF of net absorption in 2Q26, bringing the past four-quarter total to 3.1 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 is projected for the remainder of 2026.
- Consistent demand and a limited spec pipeline drove vacancy down 40 basis points year over year to 4.7%. Kansas City ranked fourth in lowest aggregate vacancy rate in 2Q26 among the top 30 U.S. industrial markets.
- Of the 7.5-MSF construction pipeline, 4.28 MSF (57%) 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 in the past two quarters, while others announced substantial construction activity planned for the second half of 2026.

Major Transactions

- Wagner Logistics leased the entire 516,550-SF Liberty Commerce Center Building II in Liberty, MO from NorthPoint Development.
- Altec Industries, Inc. expanded its lease by 129,120 SF and extended the lease term, now occupying the entire 382,880-SF building located at 5703 Mitchell Avenue of the Mitchell Woods Business Park in St. Joseph, MO.
- Wagner Logistics leased 317,150 SF of the 572,000-SF multi-tenant Liberty Heartland Logistics Center Building B in Liberty, MO from the Opus Group.
- Layton Construction Company agreed to lease 234,000 SF of the 1,019,520-SF multi-tenant Flint Commerce Center Building C in De Soto, KS from Flint Development.
- Graham Packaging signed a 10-year and 9-months lease for 215,730 SF of the 431,460-SF multi-tenant Lee's Summit Commerce Center Building A in Lee's Summit, MO from Scannell Properties. The firm is expected to move in by December 2026.

Outlook

- As the 15th-largest industrial market in the U.S., Kansas City spans 345.9 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 across the metro.
- Vacancy is projected to decline toward 4.2% by 2Q27, fueled by steady demand and vigilant development growth in the past two years.
- Industrial average asking rents have climbed a record 39.6% in the past seven years. Rent growth is expected for the second half of 2026 as both asking and contract rates are likely to remain well above pre-pandemic levels at $6.25/SF and above.
- Resilient demand will continue to influence market dynamics. Speculative construction is expected to trend upward in the next four quarters, with 3.25 million SF currently underway, including: Scannell Properties' 648,150-SF I-35 Logistics Park V; VanTrust's 577,500-SF Building IV at Raymore Commerce Center and Hunt Midwest's 505,440-SF HMBC Logistics VII.

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Economy

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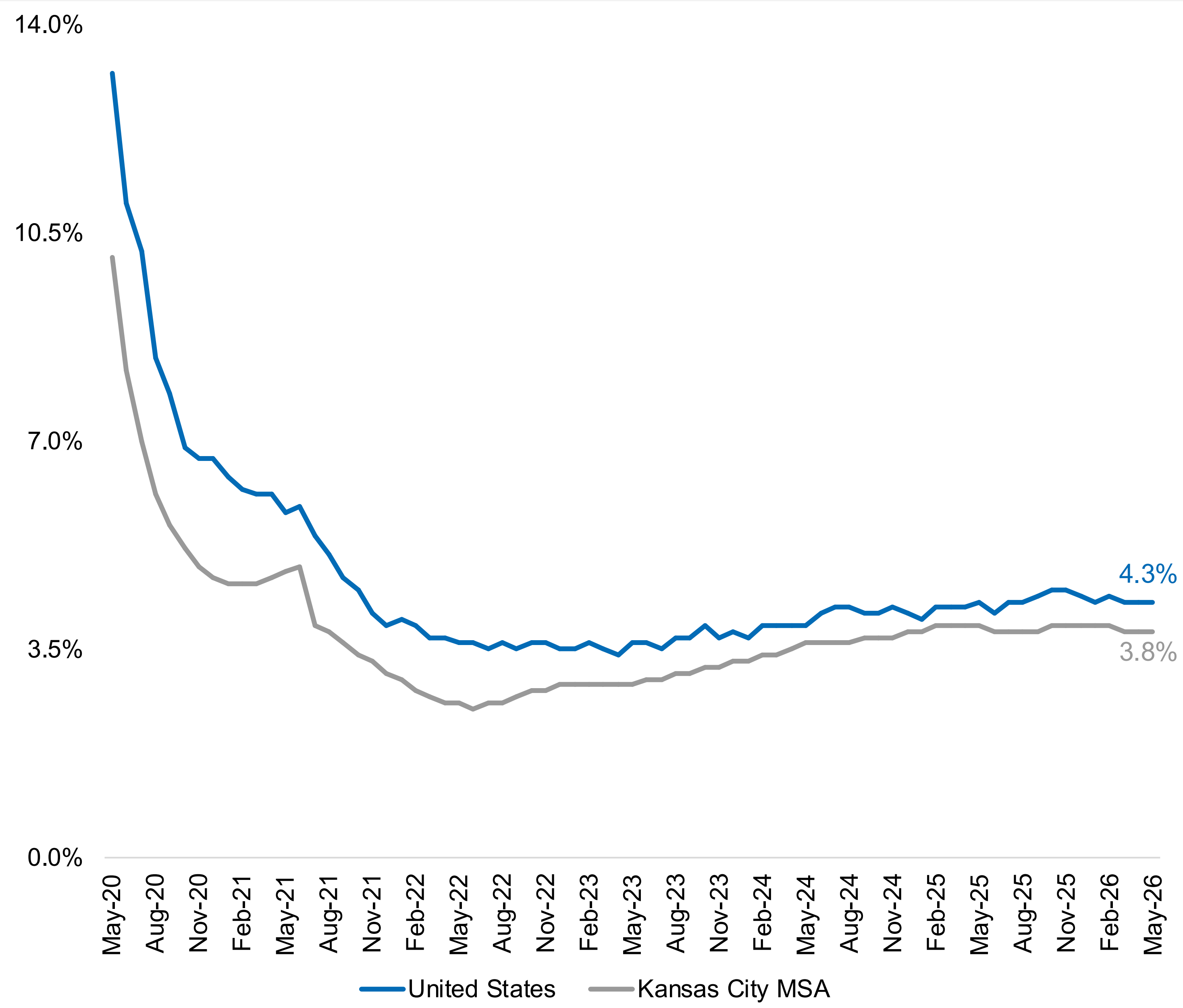
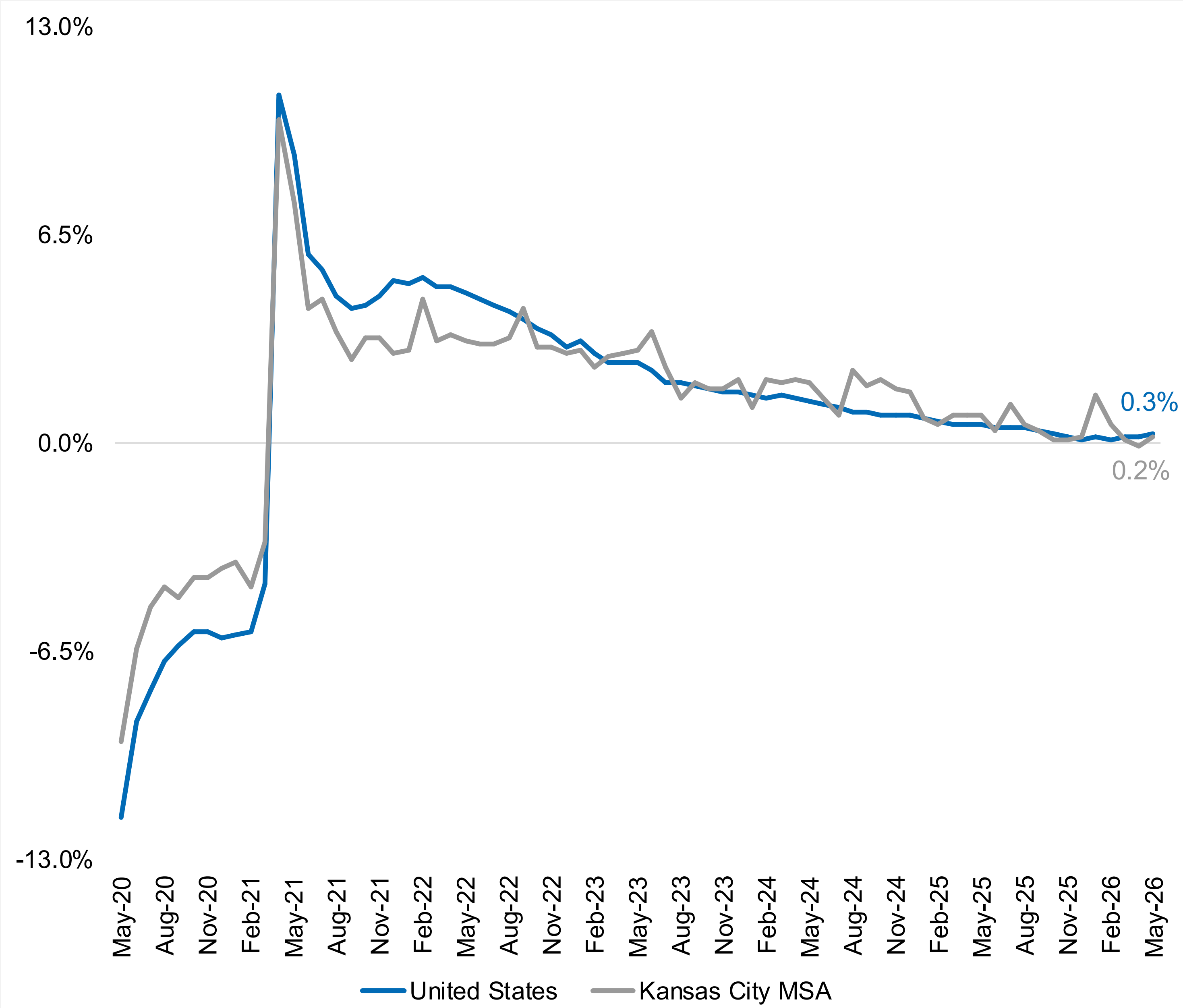
Metro Employment Unemployment Rate Below National Average

The Kansas City region's labor market remained flat with unemployment registering 3.8% in May 2026. The regional unemployment rate now stands 50 basis points below the national average, signaling comparative economic strength. Nonfarm payroll employment in the region climbed into positive territory at 0.2%. According to the Kansas City Fed Labor Market Conditions Indicators, activity in the quarter declined from 0.17 to 0.12, while momentum decreased from 0.02 to 0.01 in May 2026.

Unemployment Rate, Non-Seasonally Adjusted



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

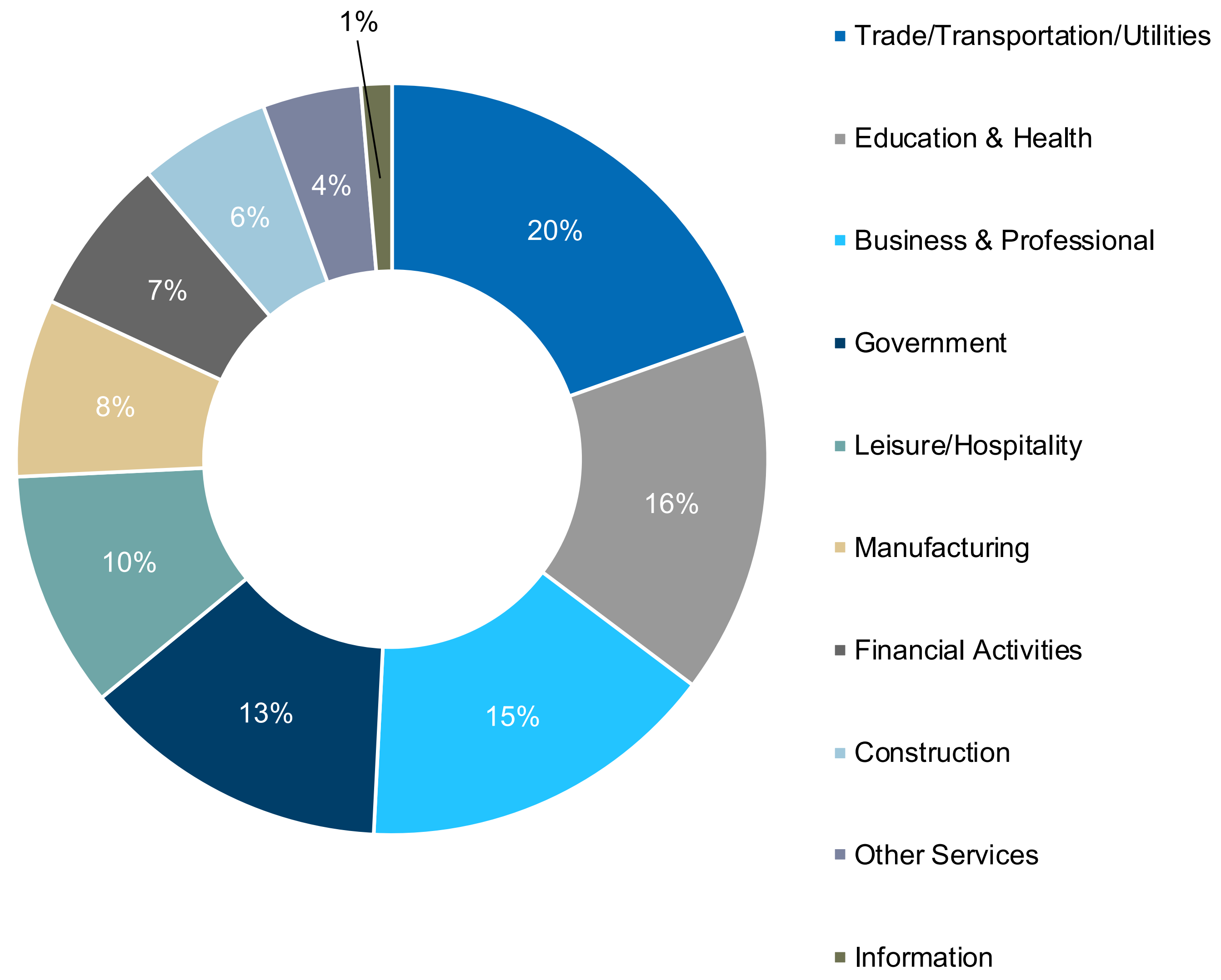


Source: U.S. Bureau of Labor Statistics, Newmark Research, Kansas City FED

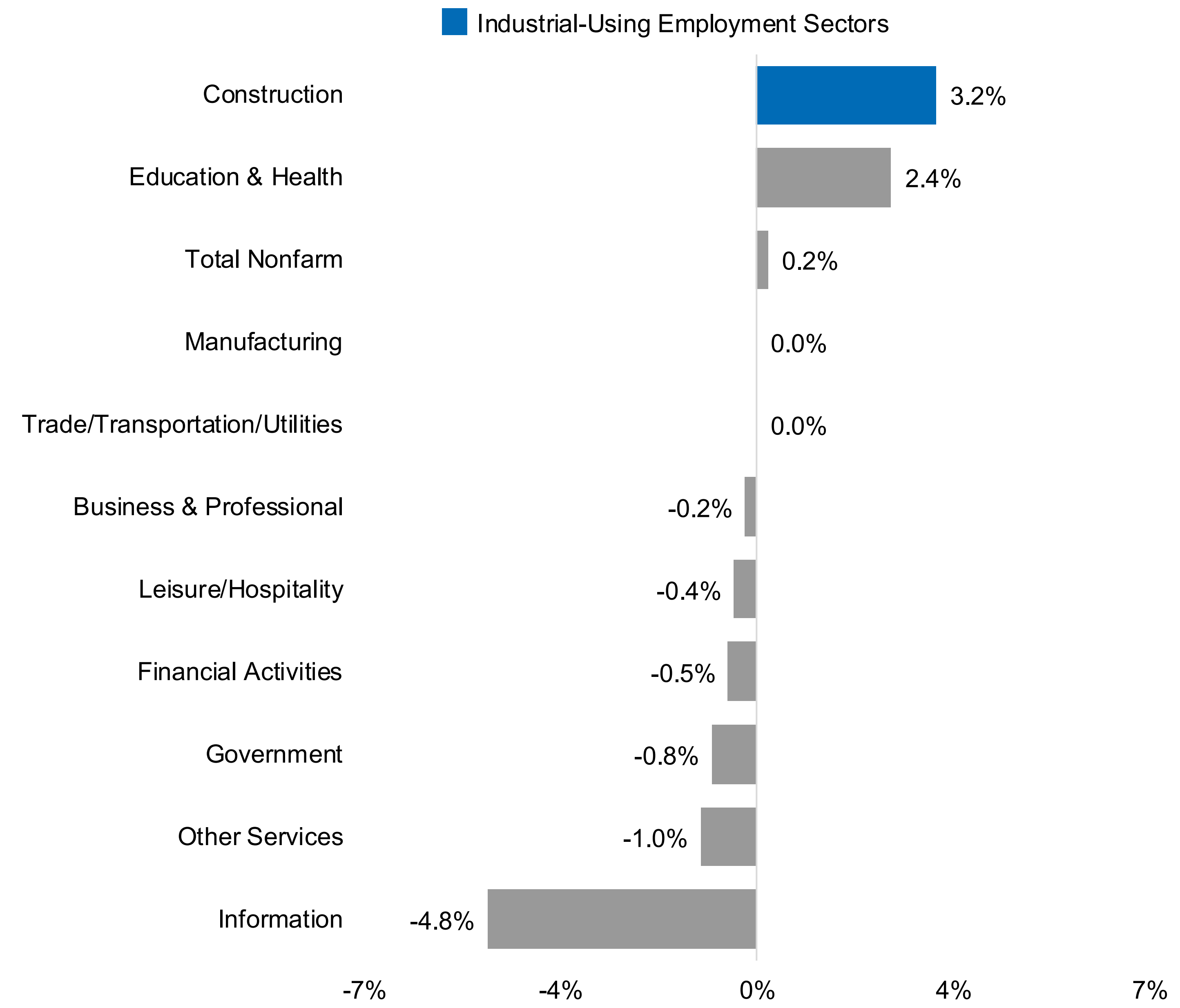
Information Sectors And Other Services Lead Regional Job Losses

The Construction sector led regional annual job growth, followed by Education and Health. The Information and Other Services sectors posted the largest annual job losses, with declines of 4.8% and 1.0%, respectively. Kansas City's strategic location, competitive real estate costs and skilled labor force continue to support industrial activity. Employment increased in one of three key industrial sectors year over year, while two sectors remained flat: Construction, up 3.2%; Manufacturing, flat at 0.0% and Trade/Transportation/Utilities, flat at 0.0%.

Employment by Industry, May 2026



Employment Growth by Industry, 12-Month % Change, May 2026

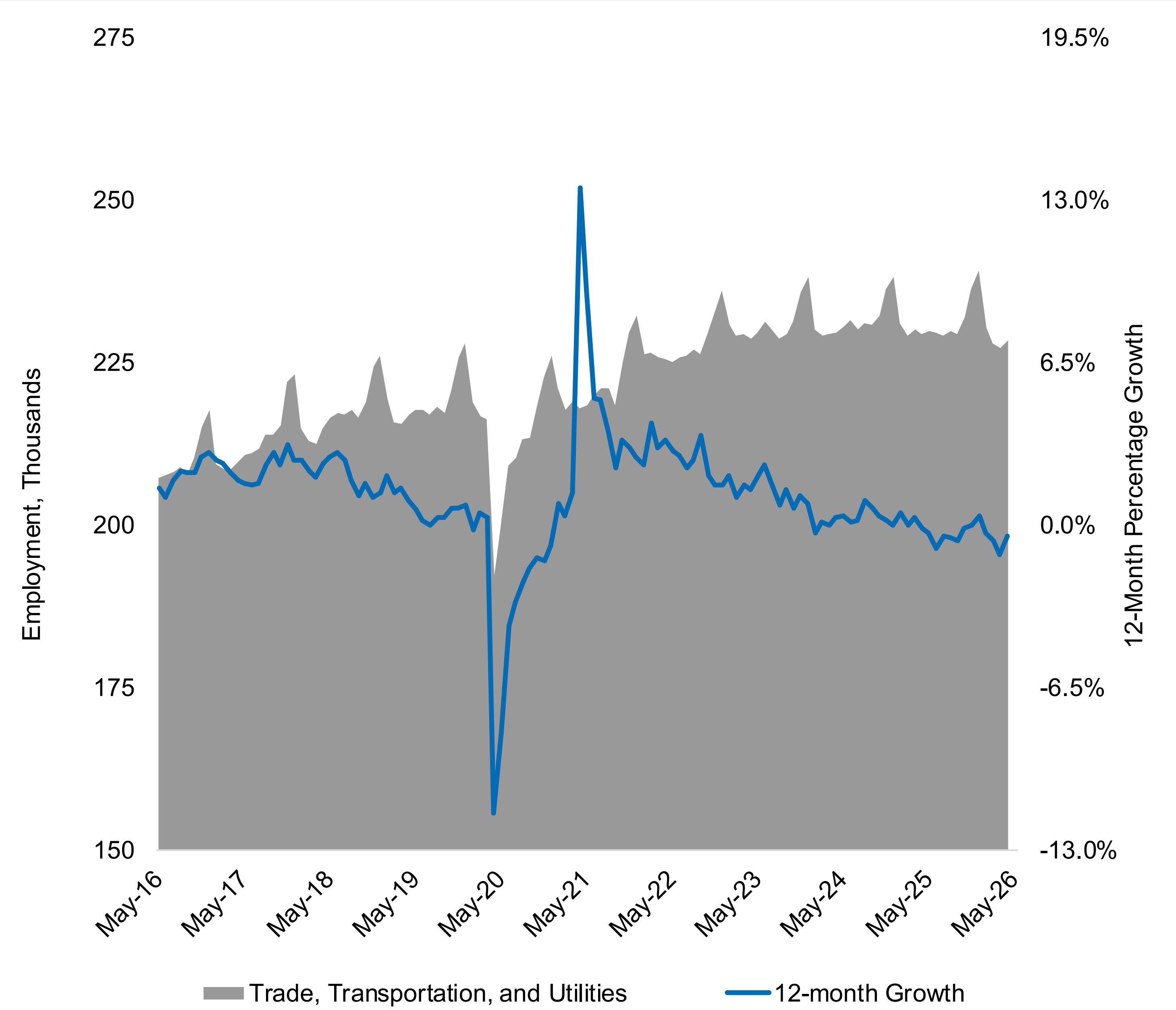


Source: U.S. Bureau of Labor Statistics, Newmark Research – Kansas City MSA

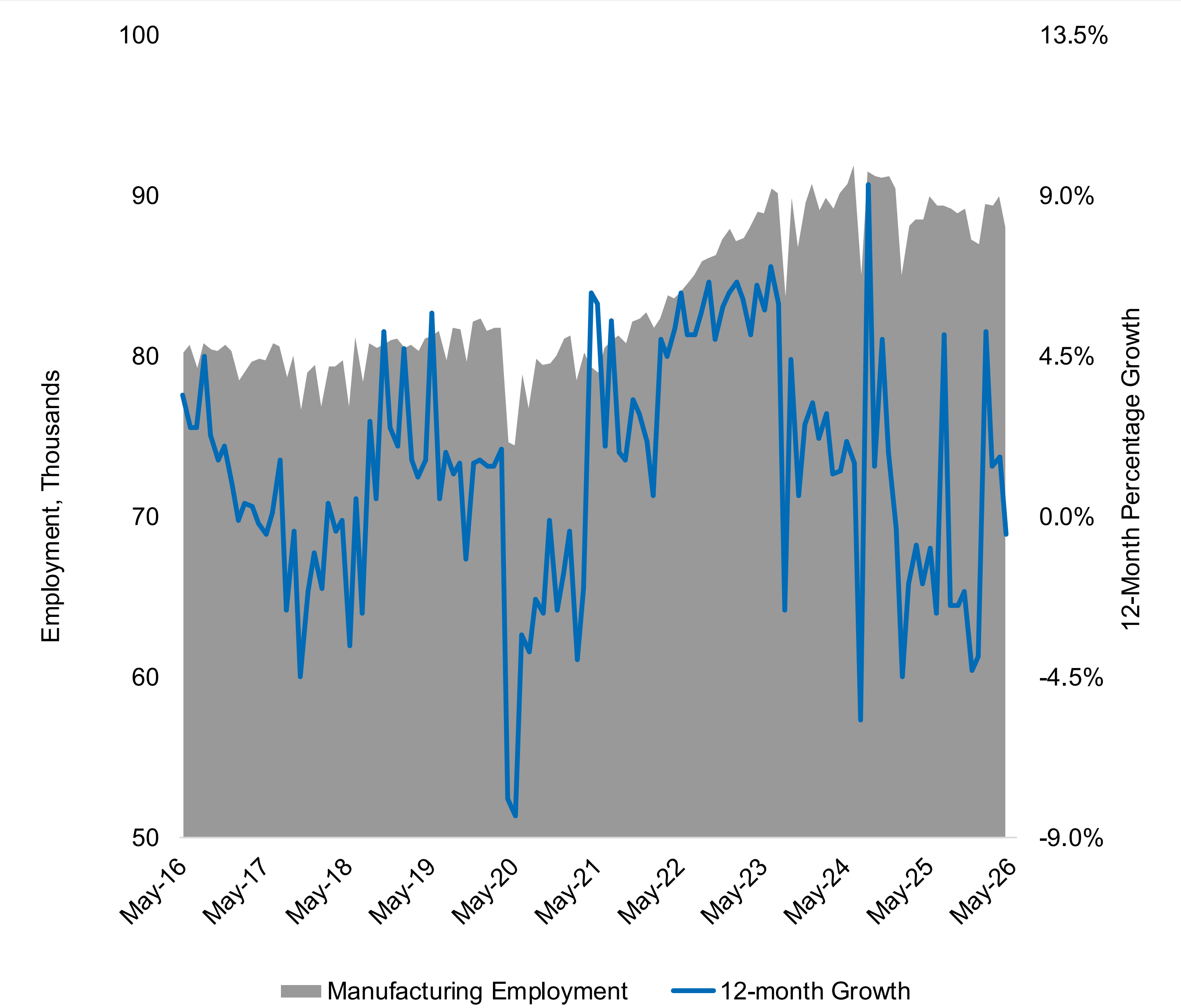
Industrial Employment Rebounds

Industrial employment has rebounded and now surpasses pre-pandemic levels. While a slight seasonal dip in employment is typical early in the year, expect controlled employment growth for 2026.

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

2Q26 KANSAS CITY INDUSTRIAL MARKET OVERVIEW

Market Overview

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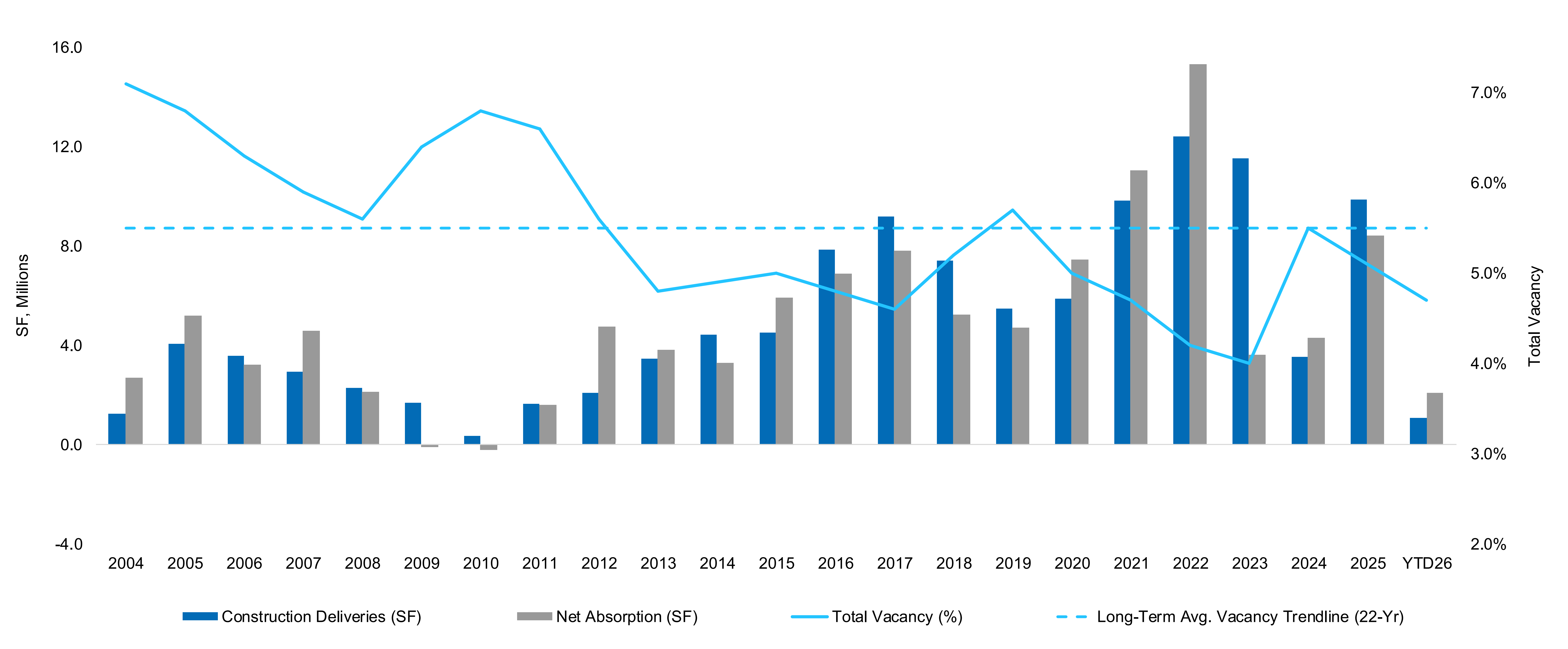
Source: Newmark Research, CoStar

Net Absorption Continues To Outpace Deliveries

Vacancy increased by 20 basis points during the quarter but decreased 40 basis points year over year, registering 4.7%. Net absorption reached a total of 3.1 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 the next four quarters. Steady demand, paired with a manageable speculative construction pipeline, is projected to push vacancy closer to 4.2% by 2Q27.

Historical Construction Deliveries, Net Absorption, and Vacancy

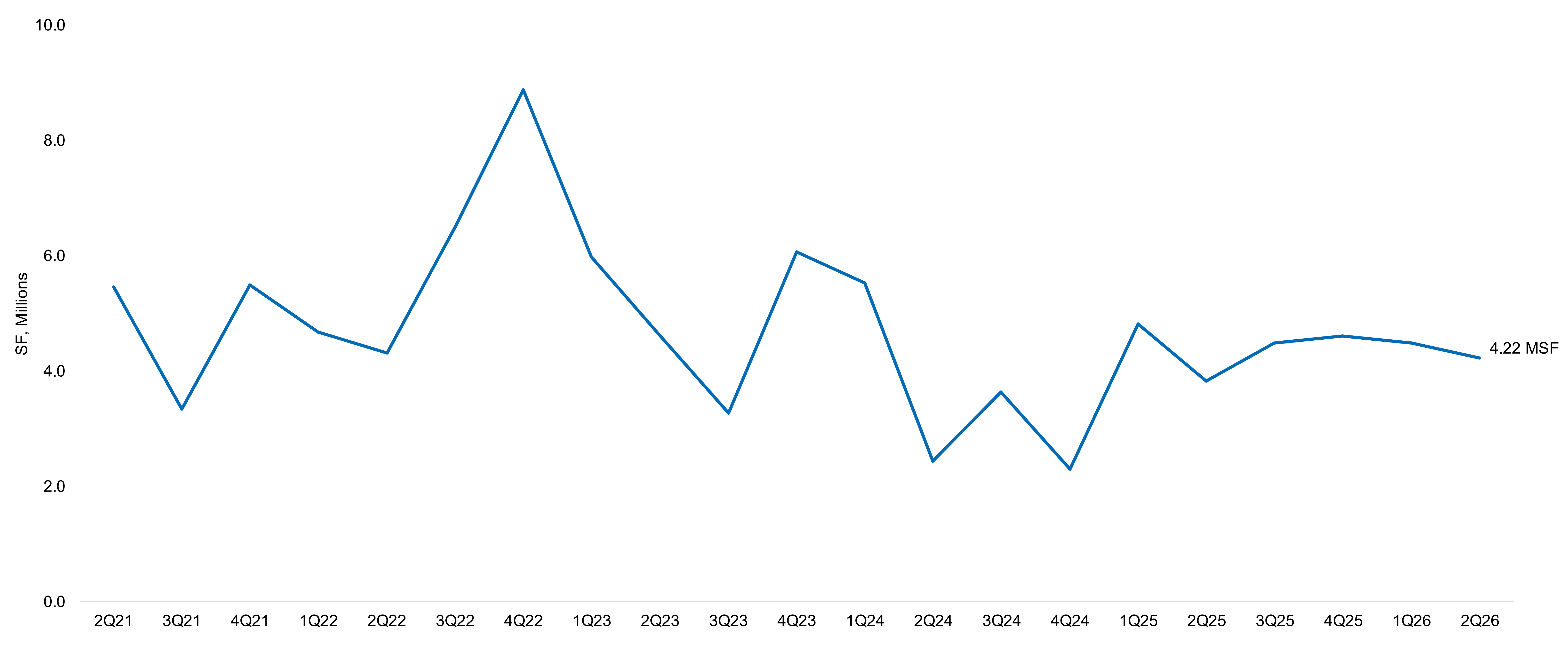


Source: Newmark Research, CoStar

Industrial Leasing Activity Registers 4.2 Million SF

Demand for industrial space reached 4.2 million SF in second-quarter 2026, a 3.1% 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 across the metro. Tenant leasing velocity and rent growth in the Class A bulk segment are also expected to strengthen throughout the next four quarters.

Total Leasing Activity (MSF)

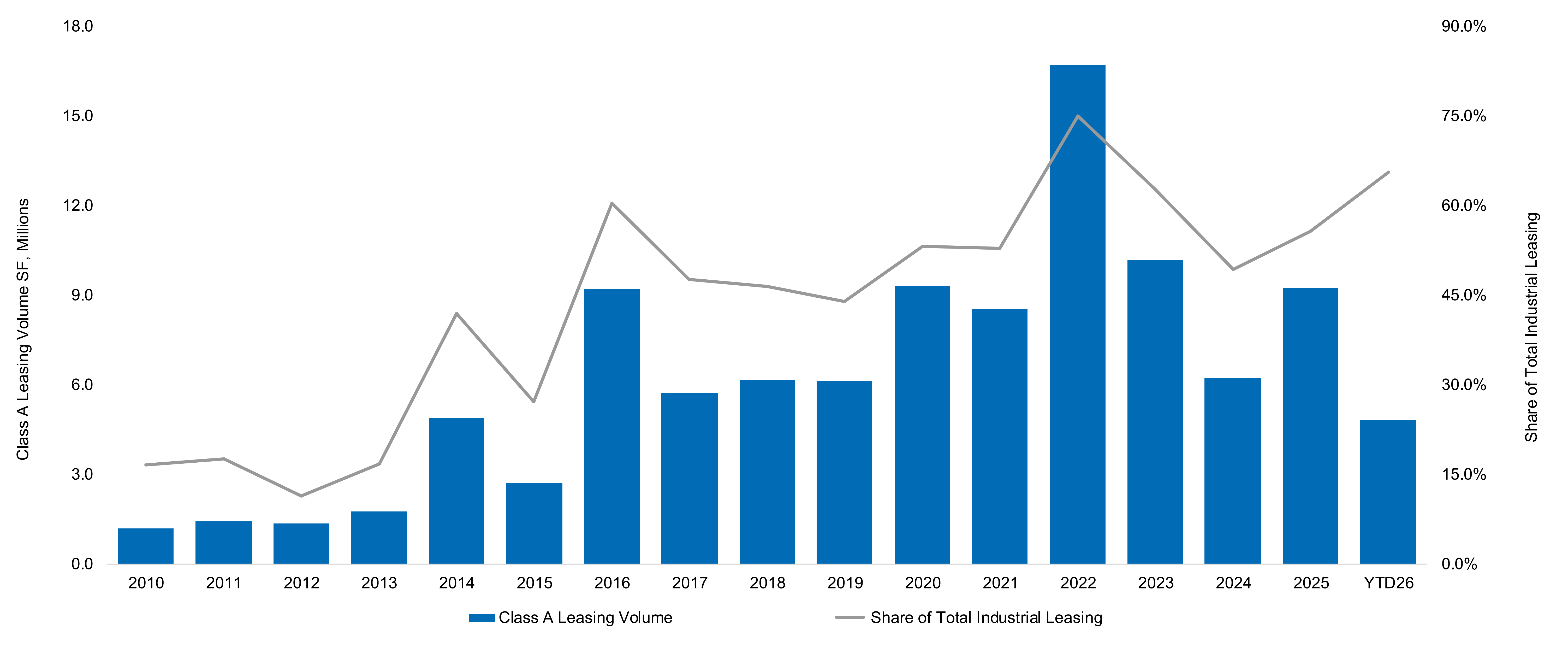


Source: Newmark Research, CoStar

Class A Warehouse Leasing Share Remains Above Pre-Pandemic Average

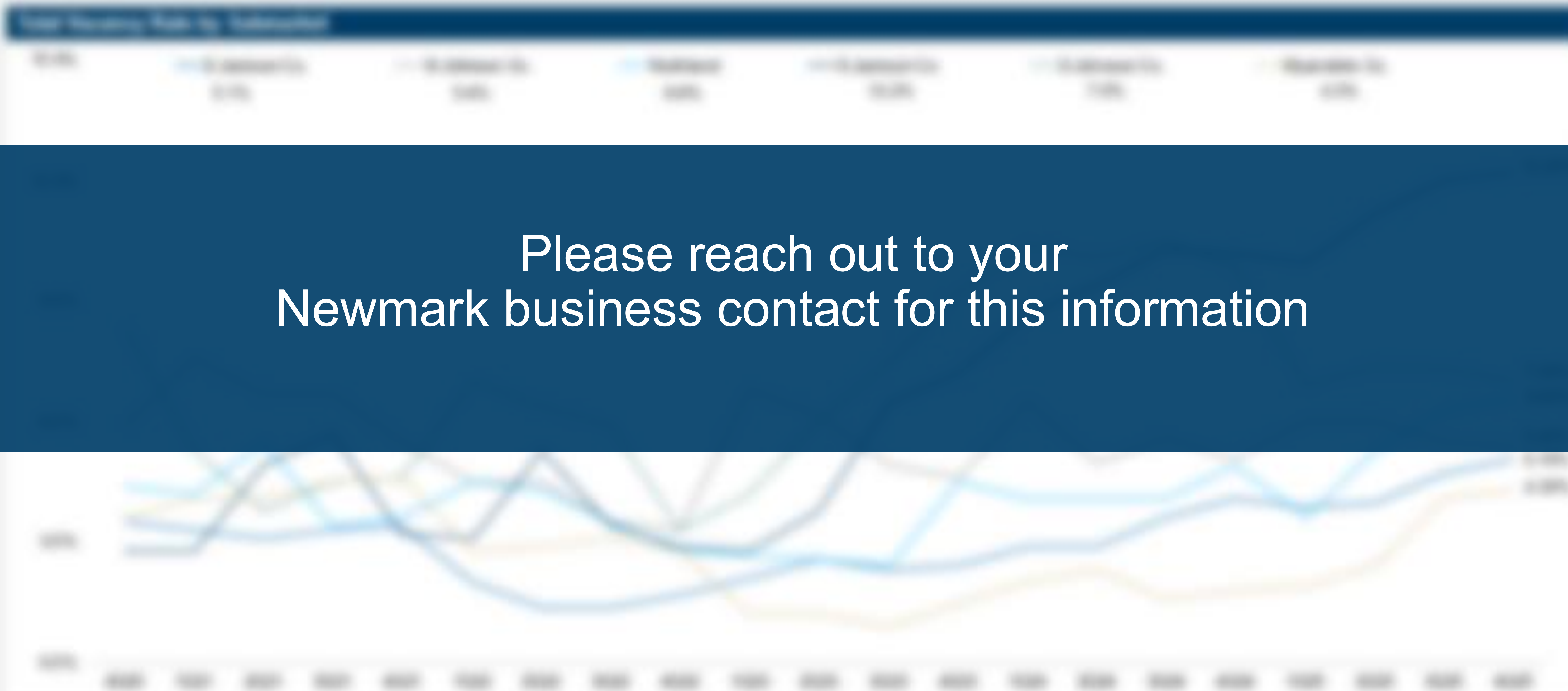
Non-gateway markets like Kansas City have seen a slower developer response to occupier demand for modern Class A warehouse space. However, development activity has accelerated over the past six years, driving notable growth in Class A leasing. As of second-quarter 2026, Class A warehouse leasing accounted for 65.6% 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.

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



Source: Newmark Research, CoStar

Submarket Vacancy In South Johnson County Stable At 5.2%



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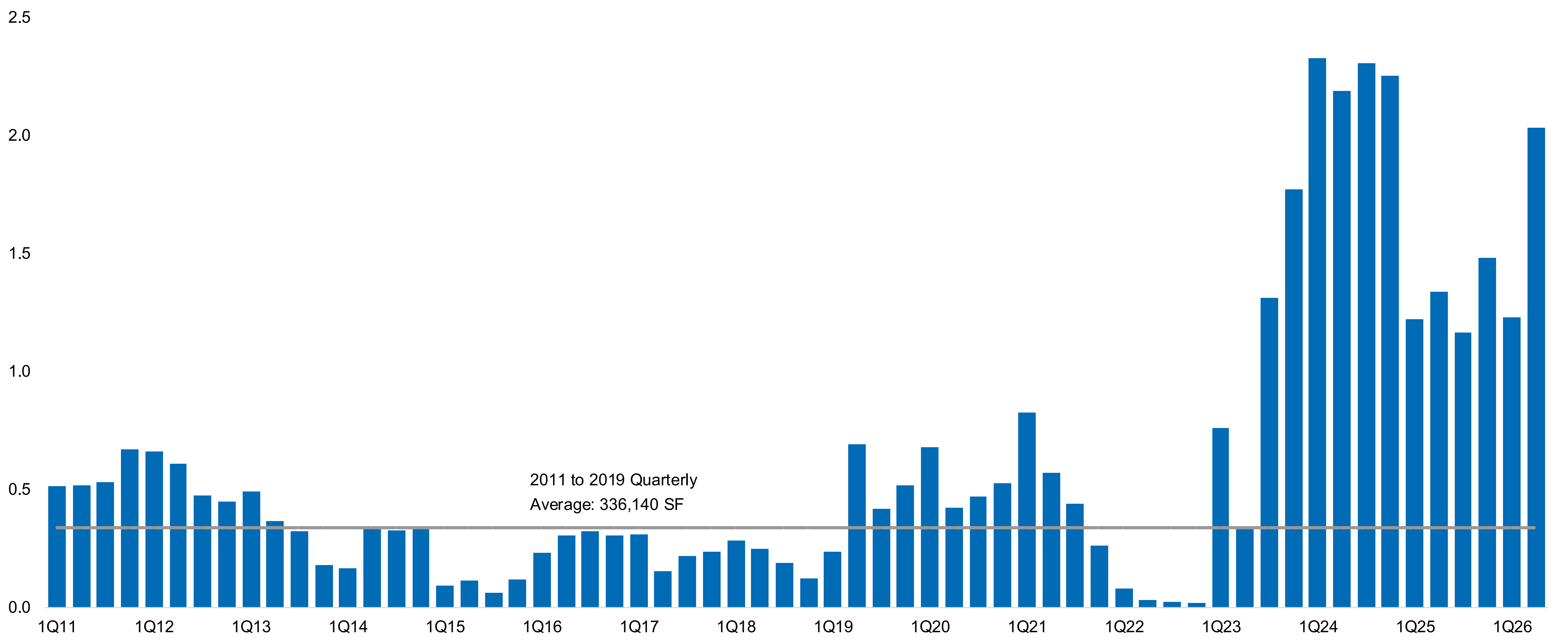
Source: Newmark Research, CoStar

Available Vacant Sublease Offerings Remain Limited

Vacant sublease availability increased in the second quarter of 2026 as multiple 50,000-SF to 200,000-SF spaces became available. However, sublease space remains limited, representing only 0.59% 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.

Vacant Available Industrial Sublease Volume (MSF)

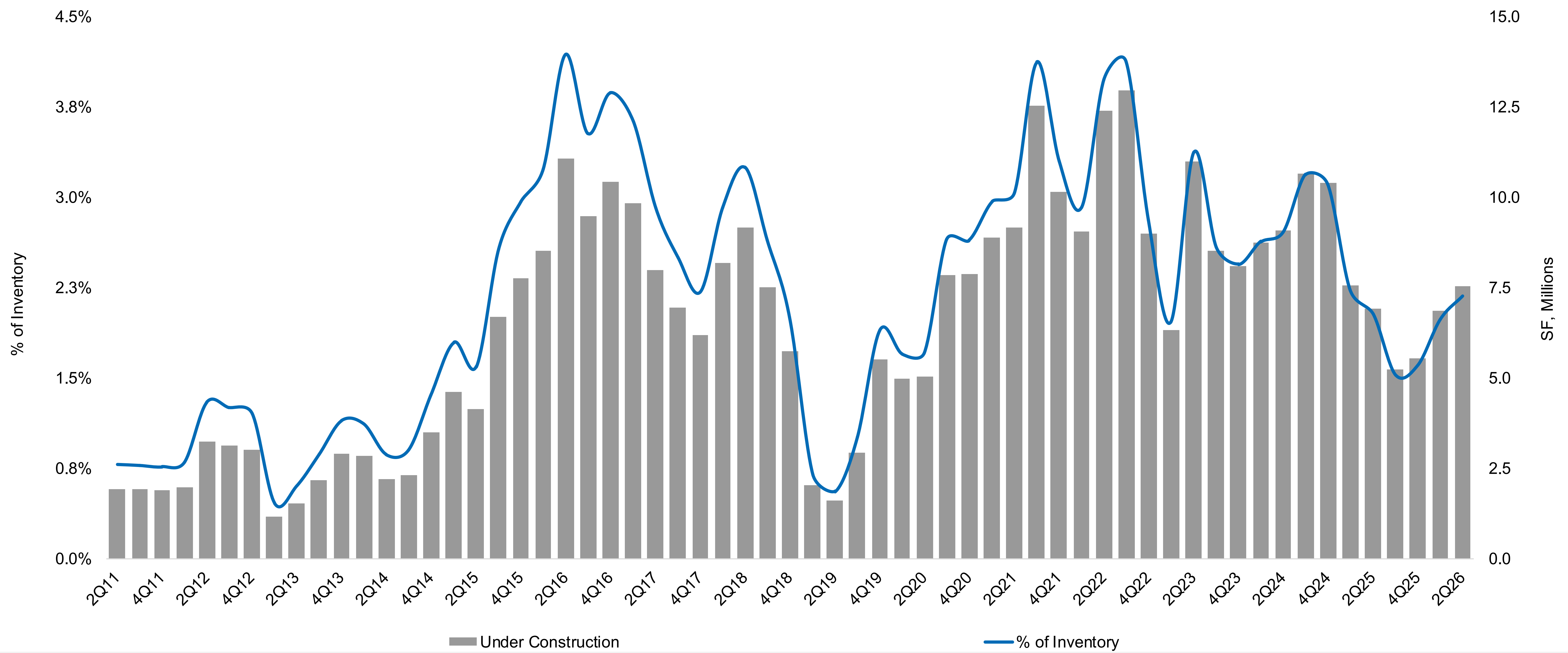


Source: Newmark Research, CoStar

Speculative Projects Poised To Surpass BTS Construction Activity Next Quarter

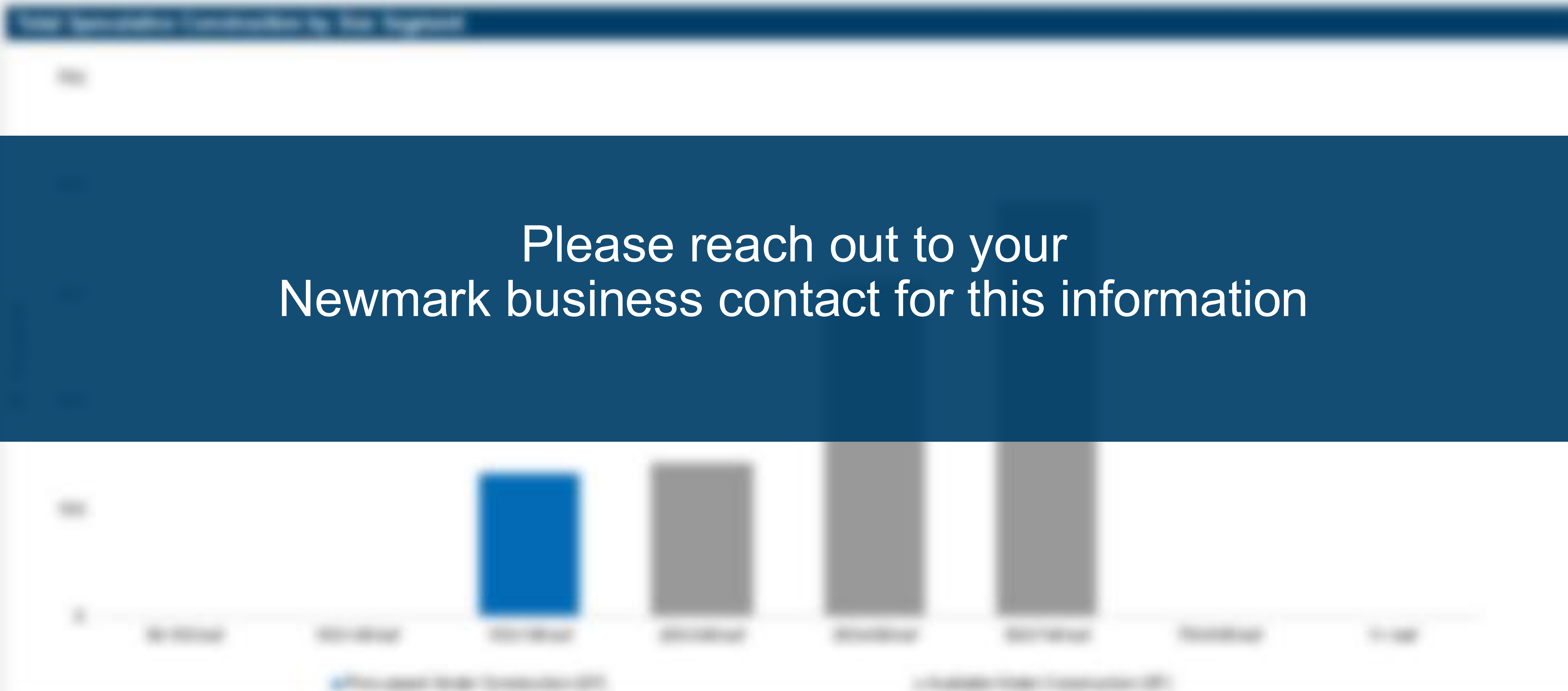
The combined build-to-suit (BTS) and speculative construction pipeline totals 7.5 MSF, with 57%, equating to 4.28 MSF, allocated to BTS projects. Notable developments include Panasonic's 2.35-MSF EV battery plant in DeSoto which will finalize in July 2026 and Amazon's 630,000-SF DC at KCI Logistics Park. A significant shift away from BTS-dominated development is underway, as multiple developers initiated new speculative projects during the past two quarters, while others announced substantial construction activity planned for the second half of 2026. Spec construction is expected to trend upward, with 3.25 MSF currently underway including Scannell Properties' 648,150-SF I-35 Logistics Park V, VanTrust's 577,500-SF Building IV at Raymore Commerce Center and Hunt Midwest's 505,440-SF HMBC Logistics VII.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

Speculative Construction Surges In The First Half Of 2026



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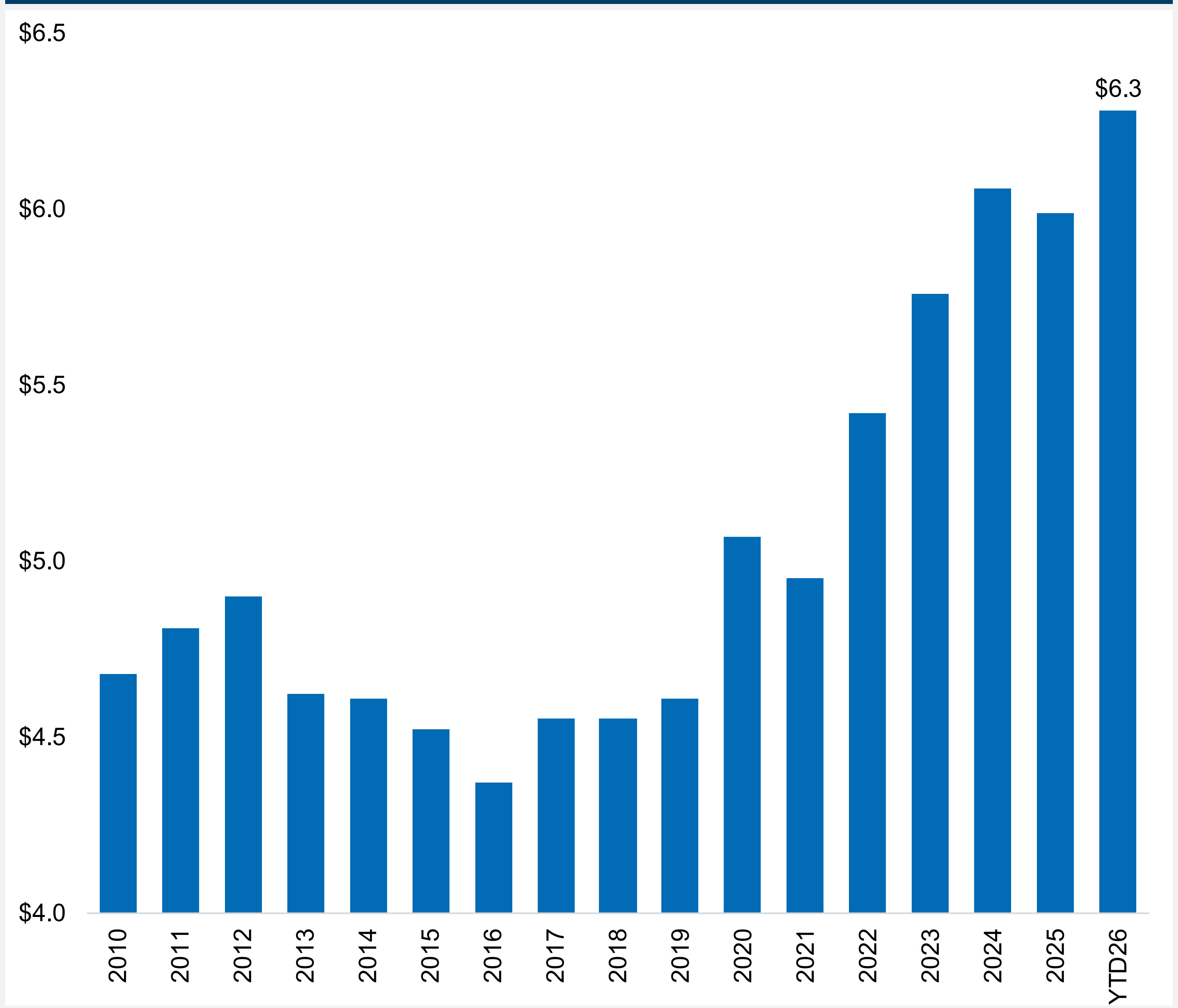
Source: Newmark Research, CoStar

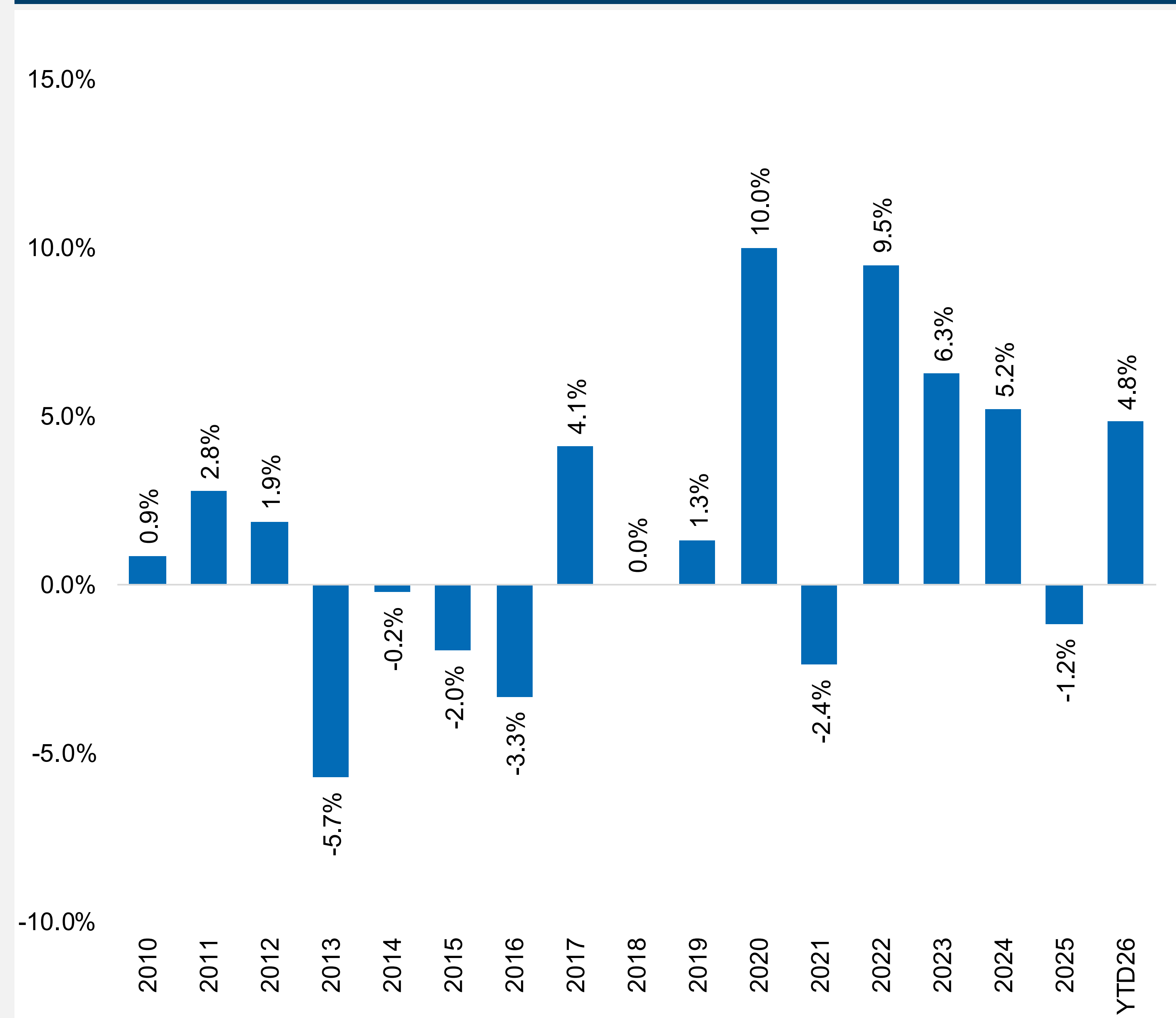
Industrial Rent Growth Expected In 2026

Industrial asking rents have grown at a record pace, increasing 39.6% 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.

Industrial Average Asking Rent, $/SF, NNN

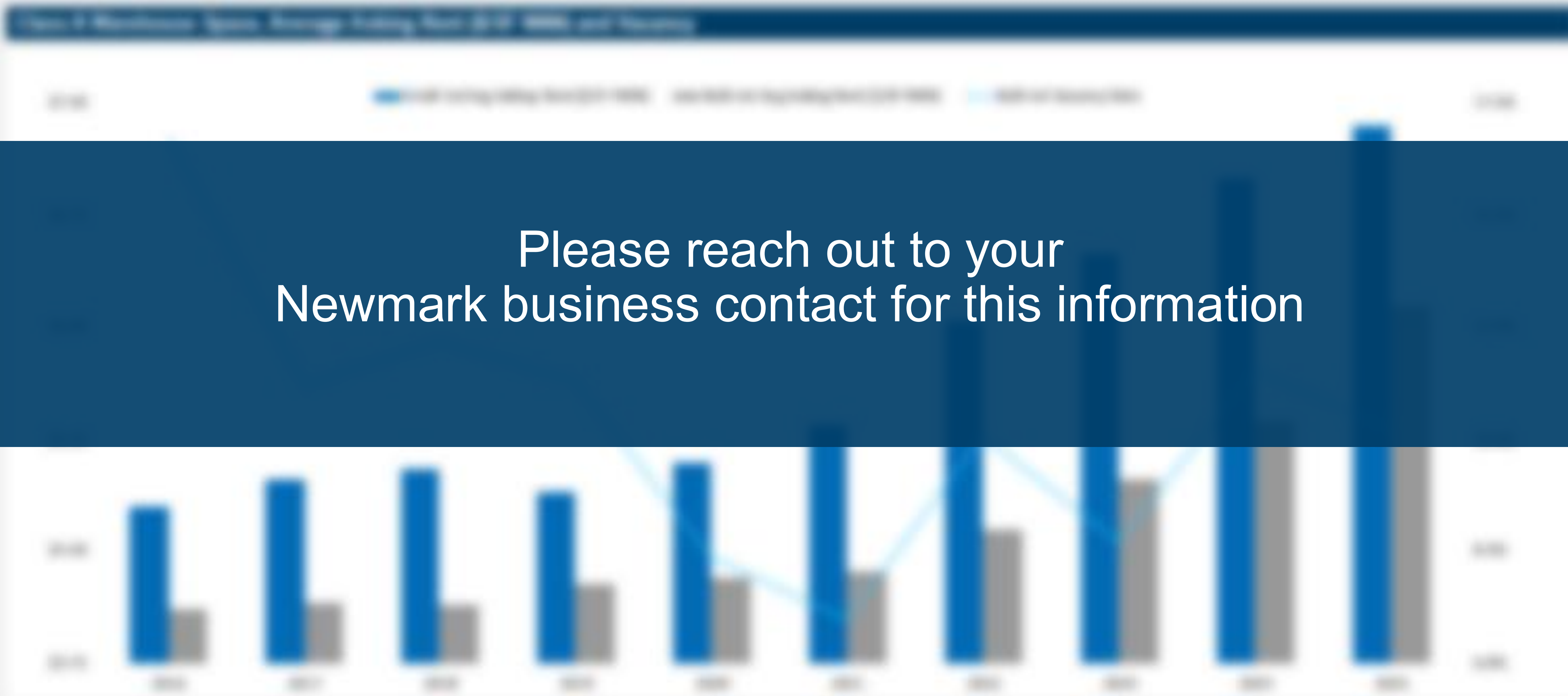


Year-Over-Year Asking Rent Growth Rate



Source: Newmark Research, CoStar

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



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Source: Newmark Research, CoStar

2Q26 Notable News & Leasing Activity

Key announcements in 2Q26: A significant shift away from BTS-dominated development is underway, as multiple developers announced new speculative projects - Scannell Properties began construction on Building 5, a 648,150-SF facility at I-35 Logistics Park and NorthPoint Development broke ground on Building 6, a 408,000-SF facility at Turner Logistics Center in Kansas City, KS. The BTS-Spec ratio will tilt to a ‘spec heavy’ market in 3Q26 as the remaining 2.35 MSF at the Panasonic EV battery plant will officially become operational.

Select News & Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Wagner Logistics	2320 S Withers Road	Northland	Direct New	516,550
Wagner Logistics leased the entire 516,550-SF Liberty Commerce Center Building II in Liberty, MO from NorthPoint Development. The Class A facility delivered to the market in 2022.				
Altec Industries, Inc.	5703 Mitchell Avenue	Outlying - St. Joseph	Renewal / Expansion	382,880
Altec Industries, Inc. expanded its lease by 129,120 SF and extended the lease term, now occupying the entire 382,880-SF building located at 5703 Mitchell Avenue of the Mitchell Woods Business Park in St. Joseph, MO. Newmark Zimmer provided Landlord representation in the transaction.				
Wagner Logistics	1401 Shepherd Road	Northland	Direct New	317,150
Wagner Logistics leased 317,150 SF of the 572,000-SF multi-tenant Liberty Heartland Logistics Center Building B in Liberty, MO from the Opus Group. The Class A facility delivered to the market in 2023. Newmark Zimmer provided Landlord representation in the transaction.				
Layton Construction Company	10200 Edgerton Road	South Johnson County	Direct New	234,000
Layton Construction Company agreed to lease 234,000 SF of the 1,019,520-SF multi-tenant Flint Commerce Center Building C in De Soto, KS from Flint Development. Newmark Zimmer provided Landlord representation in the transaction.				
Graham Packaging	1100 NW Main Street	South Jackson County	Direct New	215,730
Graham Packaging signed a 10-year and 9-months lease for 215,730 SF of the 431,460-SF multi-tenant Lee’s Summit Commerce Center Building A in Lee’s Summit, MO from Scannell Properties. The firm is expected to move in by December 2026.				

Source: Newmark Research

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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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Source: Newmark Research

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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Source: Newmark Research

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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Source: Newmark Research

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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Source: Newmark Research

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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Source: Newmark Research

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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.