

# Kansas City Industrial, Q4 2019

## Over 6.2 million sq. ft. of positive net absorption in 2019

Vacancy Rate  
4.6%

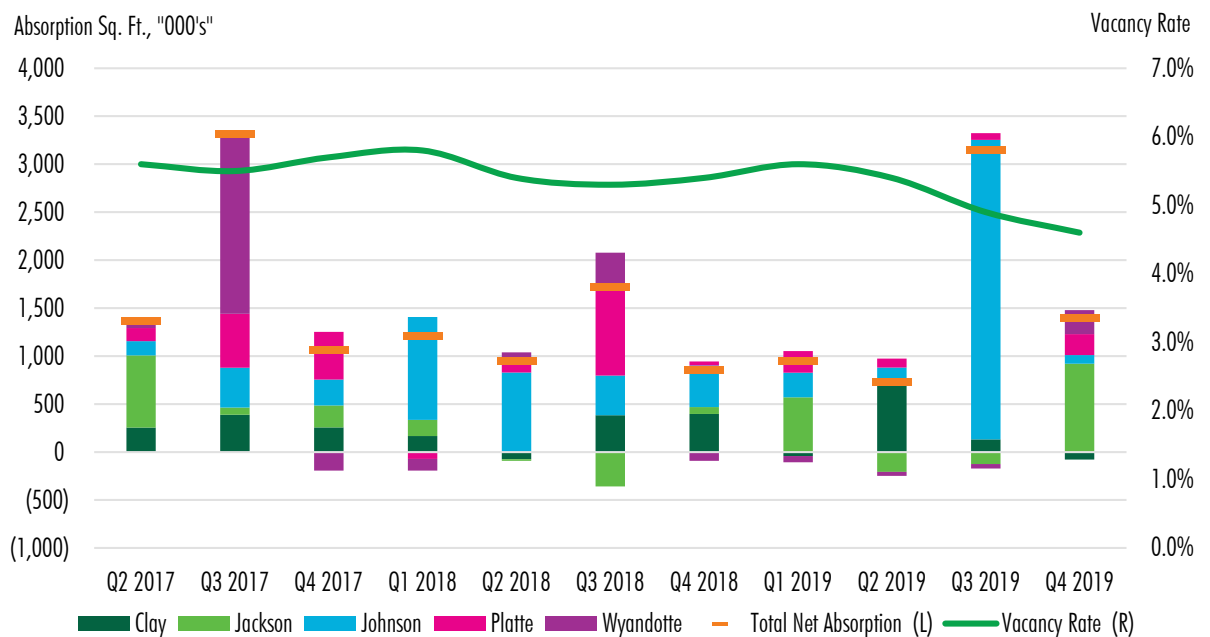
Lease Rate  
\$4.86 PSF

Net Absorption  
1,400,465 SF

Completions  
828,489 SF

\*Arrows indicate change from previous quarter.

Figure 1: Net Absorption and Vacancy Rate



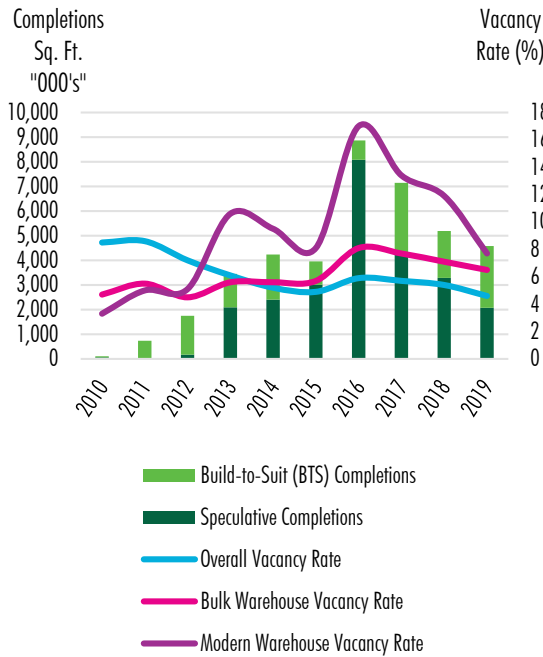
Source: CBRE Research, Q4 2019.

- Liberty Logistics Park broke ground on its first building, a 741,000 sq. ft. speculative building. The new park is located near the Ford Motor Company's Kansas City assembly plant, making the site ideal for third-party automotive part suppliers. Two additional buildings are planned for the park, a 80,000 sq. ft. and 132,000 sq. ft. building.
- LPKC broke ground on the largest speculative building in Kansas City history. The new building is a 952,956 sq. ft. warehouse with completion expected in Q2 2020.
- Over 3.5 million sq. ft. of new industrial buildings broke ground in Q4 2019, all being built on a speculative basis.

Q4 2019 ended with 1.4 million sq. ft. of positive net absorption, bringing the 2019 total net absorption to 6.2 million sq. ft. Jackson County carried the majority of the positive net absorption for the quarter with 919,931 sq. ft.

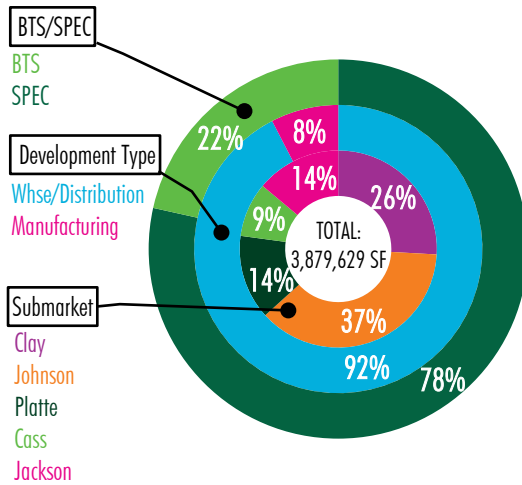
Vacancy rates have been on a downward trend since the beginning of 2019. Q4 2019 finished with an overall vacancy rate of 4.6%, decreasing by 30 basis points (bps) quarter-over-quarter and 90 bps year-over-year. Several large transactions filling existing space led to the decrease in vacancy rate including Invenergy lease of 311,100 sq. ft. at 500 Sumner Way, Honeywell's lease of 275,000 sq. ft. at I-49 Logistics Park, Tool Source Warehouse lease of 153,229 sq. ft. at Lenexa Logistics Centre 7, and Keystone Tech's lease of 88,981 sq. ft. at Three Trails.

Figure 2: Construction Completions and Vacancy Rates



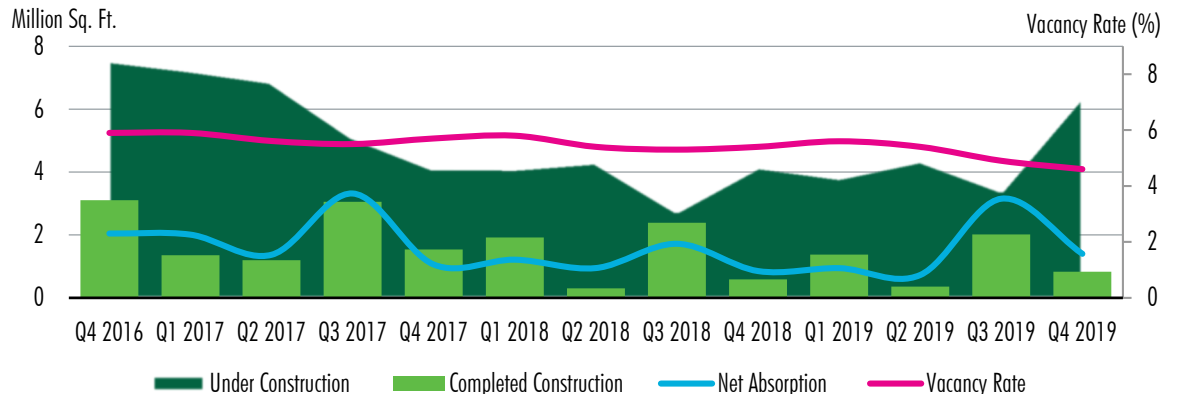
Source: CBRE Research, Q4 2019.

Figure 3: Current Construction Snapshot



Source: CBRE Research, Q4 2019.

Figure 4: Under Construction, Completed Construction, Net Absorption, and Vacancy Rates



Source: CBRE Research, Q4 2019.

BTS CONSTRUCTION, SPEC COMPLETIONS AND VACANCY RATES

Overall vacancy rates have been steadily declining, decreasing 130 bps since the start of 2016. Modern warehouse vacancy rates have declined more dramatically, with a decrease of 930 bps since 2016. Modern warehouse vacancy rates finished Q4 2019 at 7.7% which is the markets lowest total since 2012. As development totals have declined from the historic totals in 2016 and 2017, the market has been able to absorb the existing speculative space in the market. Strong demand continues for modern bulk space as Kansas City has grown into a strategic market.

INDUSTRIAL CONSTRUCTION

While construction numbers have declined from a peak in 2016, developers remained active in 2019. In total 4.5 million sq. ft. reached completion, with many developers pushing projects to later in the year. A total of over 3.5 million sq. ft. of speculative space broke ground in Q4 2019 coming from 11 separate buildings. After the surge of construction late in the year, 2019 finished with over 6.4 million sq. ft. under construction. Speculative construction accounts for 5.0 million sq. ft. (78%) of the space under construction.

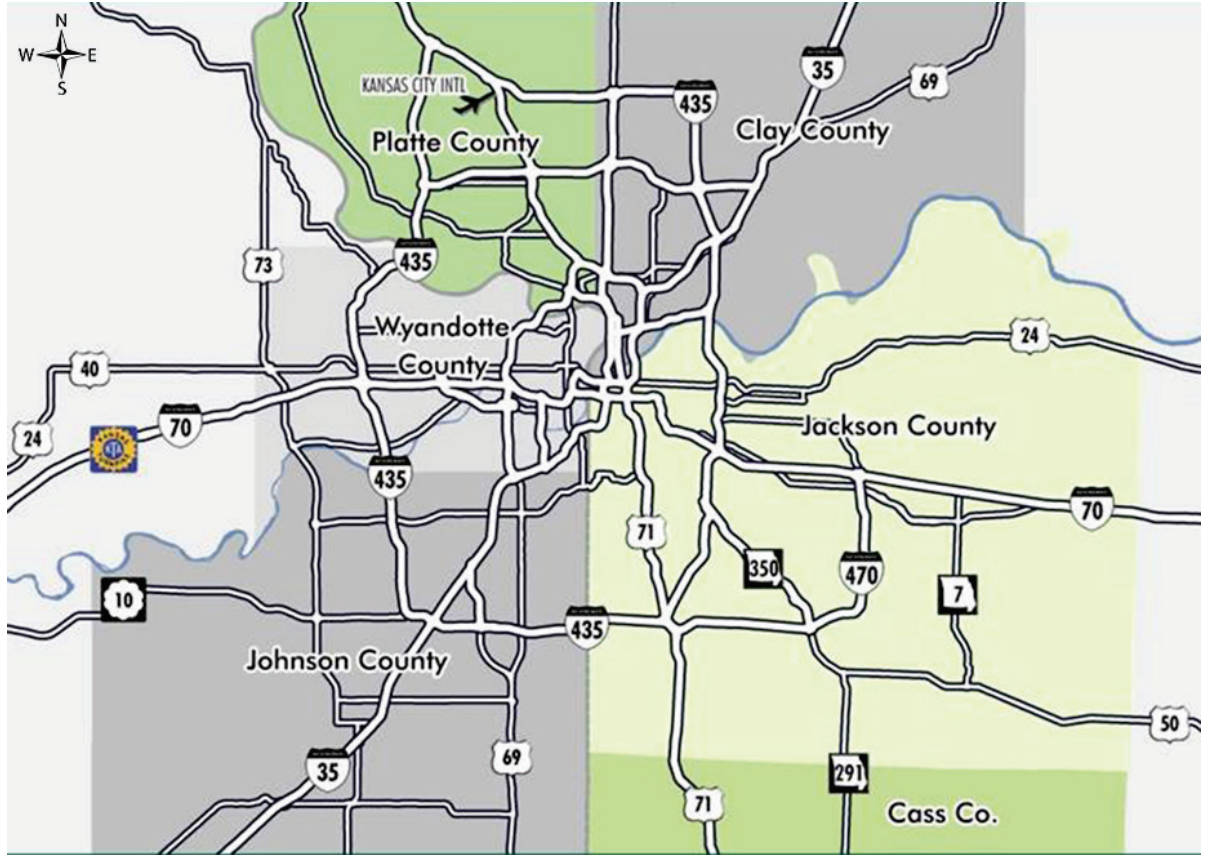
Three projects reached completion in Q4 2019, totaling 828,489 sq. ft. The space was 100% occupied at completion with occupants including Progress Rail (454,489 sq. ft.), DoorLink (240,000 sq. ft.), and Premium Waters (134,000 sq. ft.).

Figure 5: Market Statistics

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vac. Rate (%)	Avail. Rate (%)	Q4 2019 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg. Asking Lease Rate (\$/SF/Yr)
Clay	46,136,765	1,592,423	3.5	4.3	(78,555)	782,780	1,665,440	3.69
Jackson	105,071,986	4,451,481	4.2	4.9	919,931	1,158,741	896,350	4.43
Johnson	75,727,582	5,217,209	6.9	8.3	89,851	3,576,925	2,407,106	5.64
Platte	13,574,932	639,443	4.7	5.7	219,003	607,829	892,080	5.14
Wyandotte	41,860,092	1,197,948	2.9	3.4	250,235	97,869	0	3.83
<b>Metro</b>	<b>282,371,357</b>	<b>13,098,504</b>	<b>4.6</b>	<b>5.5</b>	<b>1,400,465</b>	<b>6,224,144</b>	<b>5,860,976</b>	<b>4.86</b>
<b>Bulk Distribution (Warehouse or Distribution facilities that are at least 100,000 sq. ft.)</b>								
Clay	26,809,656	1,044,092	3.9	4.9	(118,598)	112,498	1,665,440	3.53
Jackson	44,635,134	2,860,988	6.4	6.6	775,047	183,714	394,125	3.78
Johnson	41,835,312	3,685,288	8.8	10.3	110,607	3,489,619	2,407,106	4.30
Platte	8,842,259	429,639	4.9	4.9	190,139	591,790	892,080	4.69
Wyandotte	14,093,740	812,804	5.8	5.8	175,000	(56,645)	0	3.56
<b>Metro</b>	<b>136,216,101</b>	<b>8,832,811</b>	<b>6.5</b>	<b>7.2</b>	<b>1,132,195</b>	<b>4,320,976</b>	<b>5,358,751</b>	<b>3.99</b>
<b>Modern Bulk Distribution (Bulk Warehouses constructed in 1990 or later, and 28' clear or taller)</b>								
Clay	3,804,507	233,101	6.1	6.1	(100,791)	164,638	1,665,440	4.23
Jackson	7,946,582	157,680	2.0	2.0	908,352	753,979	394,125	4.68
Johnson	25,115,078	2,924,978	11.7	14.2	114,515	3,604,578	2,407,106	4.24
Platte	6,298,877	232,372	3.7	3.7	255,006	697,151	892,080	3.68
Wyandotte	4,470,120	112,528	2.5	2.5	0	38,719	0	4.50
<b>Metro</b>	<b>47,635,164</b>	<b>3,660,659</b>	<b>7.7</b>	<b>9.0</b>	<b>1,177,082</b>	<b>5,259,071</b>	<b>5,358,751</b>	<b>4.25</b>

Source: CBRE Research, Q4 2019.

Cass County is not included in Figure 5, 575,000 sq. ft. under construction in Cass County was included in Figure 3 and Figure 4.



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