



Colliers

Kansas City

Industrial

22Q2

Demand levels remain high and market fundamentals are strong for Kansas City's industrial market. **Asking rents continue to push upwards and construction is at record-breaking levels for the Kansas City metro.** Despite concerns surrounding inflation and interest rates, the need for industrial product is not expected to wane.

Accelerating success.



# Kansas City Industrial 22Q2

## Key Takeaways

- Absorption totals continue to keep pace with new supply
- The biggest manufacturing industries continue to report strong growth
- Tightening availability should keep asking rental rates on the rise going forward



**Vacancy Rate**  
4.8%

YOY  
FORECAST  
▼



**Net Absorption**  
5.2M SF

YOY  
FORECAST  
▲



**Under Construction**  
14.4M SF

YOY  
FORECAST  
▲



**Rental Rates \$/SF**  
\$5.06

YOY  
FORECAST  
▲

## Kansas City Highlights

The Kansas City industrial market remains the most active commercial real estate sector as demand for modern industrial space continues to reach new levels. Driven by rapid e-commerce growth, the industrial sector continues to perform exceptionally well.

## Market Indicators



**3.12%**  
Unemployment Rate



**3.04%**  
GDP - Quarterly % Change Yr/Yr

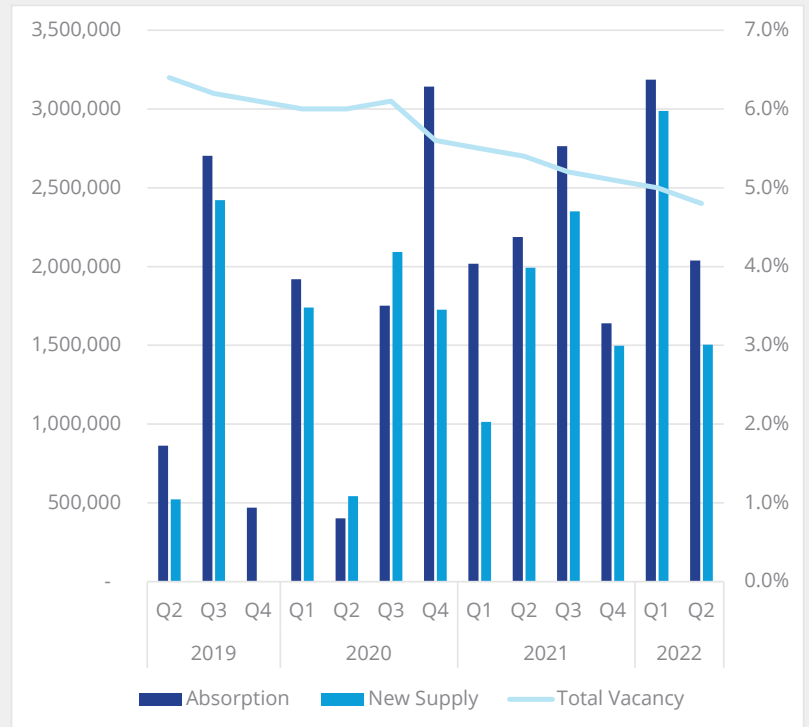


**3.013%**  
U.S. 10-Year Treasury Note

## Historic Comparison

	21Q2	22Q1	22Q2
<b>Total Inventory</b> <i>(in thousands of SF)</i>	277,318	284,155	285,657
<b>New Supply</b> <i>(in thousands of SF)</i>	1,992.3	2,988.2	1,503.2
<b>Net Absorption</b> <i>(in thousands of SF)</i>	2,188.1	3,186.7	2,038.1
<b>Overall Vacancy</b>	5.40%	5.00%	4.80%
<b>Under Construction</b> <i>(in thousands of SF)</i>	11,579.9	13,113.8	14,391.0
<b>Overall Asking Rates</b>	\$4.86	\$4.98	\$5.06

## Market Graph



## Recent Transactions



**Sale**

Blue Springs Logistics Center  
Jackson Co | 587,840 SF



**Sale**

6600 Stadium Drive  
Jackson Co | \$9.35M



**Sale**

615 McCall Road  
Outside Metro | \$7.15M



**Lease**

Inland Port LII  
Johnson Co | 760k SF



**Lease**

I-35 Logistics Park  
Johnson Co | 568k SF



**Lease**

Liberty Commerce Center  
Exec Park/NE | 517k SF



The overall vacancy rate in Kansas City decreased slightly to 4.8% at the end of Q2 2022. This represents a 20-basis-point decline relative to last quarter and a 60-basis-point drop from this time one year ago. Absorption totals continue to keep pace with new supply with 2,038,127 SF of positive net absorption recorded in Q2 and a total of 5,224,818 SF for the first half of 2022. In Q2, 1.5± million SF of new industrial product was delivered within the Kansas City metro for a total of 4.5± million SF delivered so far in 2022. Asking rents continue to push upwards as demand levels remain high and market fundamentals are strong. Tightening availability and an abundance of new supply should keep asking rental rates on the rise going forward. Rental rate growth continues to be fluid and in some instances, spec developers are beginning to withhold asking rates until closer to project completion as rates continue to increase.

Construction related to both speculative development and build-to-suit projects continues to operate at all-time highs for the Kansas City metro. Currently, active industrial construction totals 14.39+ million SF throughout the Kansas City metro with additional developments poised to break ground in the near future.

### Recent Activity Within the Industrial Market

The outlook throughout 2022 remains positive as bulk warehouse/distribution space remains in high demand by e-commerce retailers and manufacturers alike. Despite lingering economic concerns surrounding inflation and rising interest rates, the need for industrial product is not expected to wane. E-commerce and overall retail growth will continue to fuel the need for industrial space for the foreseeable future.

Economic activity in the manufacturing sector grew in June, with the overall economy achieving a 25th consecutive month of growth, according to the Institute for Supply Chain Management's (ISM) Production Manufacturing Index (PMI). ISM registered a PMI reading of 53.01% for June, a slight decline relative to the past quarter, which continues to be hampered by supply chain constraints. ISM also reported that 15 of the 18 manufacturing sectors it tracks saw growth in June. The six biggest manufacturing industries all continue to report moderate to strong growth.

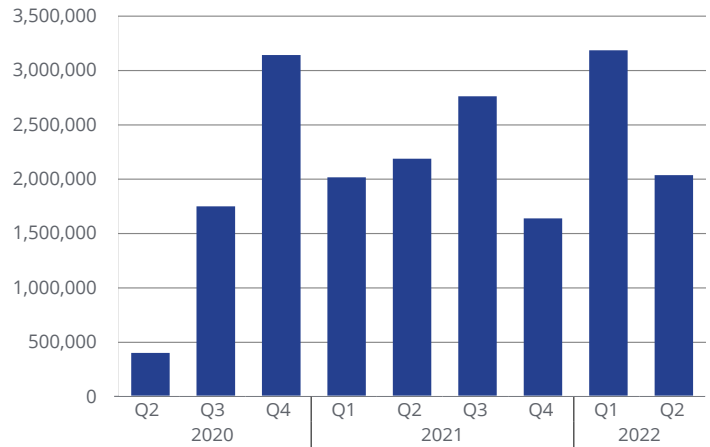
### Recent Growth Around the Metro

Industrial development activity continues to operate at record levels for the market with more than 14.39 million SF under active construction in Q2 2022. The amount of new supply making its way to the Kansas City market is unprecedented, yet absorption totals and demand levels continue to keep pace with the elevated supply. Several additional buildings and planned industrial parks are poised to break ground soon that will further elevate construction levels within the Kansas City metro.

Several large industrial leases were completed throughout the second quarter for the Kansas City Metro. In Johnson County, Simmons Pet Foods leased nearly 760,000 SF at Inland Port LII within LPKC. Clorox leased nearly 568,000 SF within I-35 Logistics Park while Archer-Daniels-Midland leased the first full building at Heartland Logistics in Shawnee. In Executive Park/Northeast, RevLogical leased 517,000 SF at Liberty Commerce Center while Pure Fishing leased 141,000 SF at 1900 N. Corrington. Boot Barn elected to lease nearly 460,000 SF at KCI LogisticsCentre VIII near KCI airport.

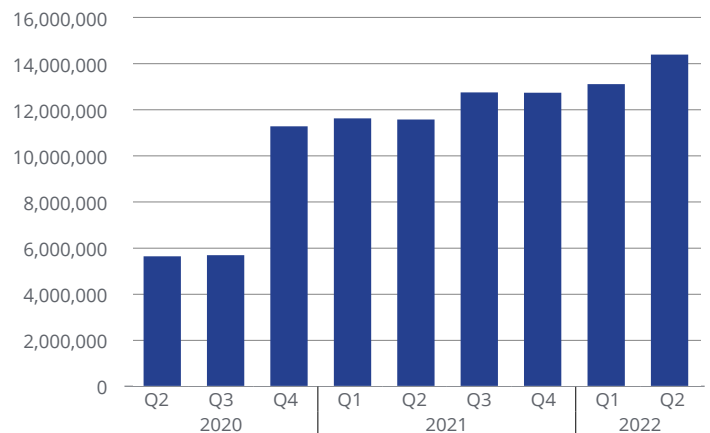
From a transactional standpoint, investor demand for industrial properties remains the preferred commercial asset type for several investors. With rising rents, particularly in industrial assets, the outlook for income growth remains strong, which should continue to drive more capital to real estate. Despite challenges related to rising interest rates and fears of a looming recession, strong fundamentals continue to pull in a record pace of investment capital at the national level. Given the current market conditions at the metro level, opportunities continue to arise as recent spec construction development is often sold after stabilization. One example is Blue Springs Commerce Center, a 584,000 SF spec building that was recently fully leased to PepsiCo. HSA, a Chicago-based real estate company, acquired the asset from Flint Development.

### Absorption



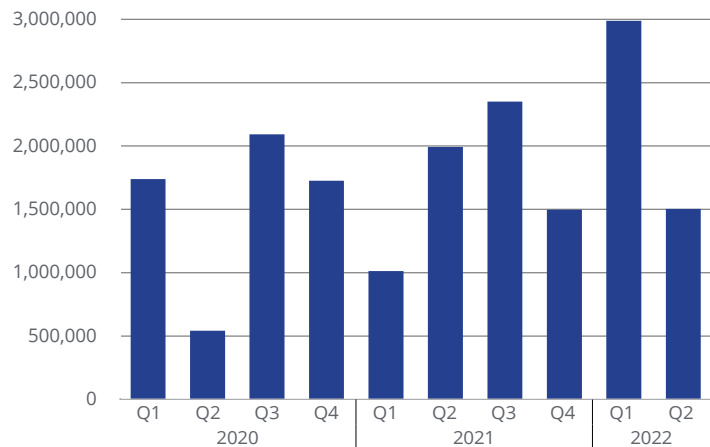
Source: CoStar and Colliers Research

### Construction in SF



Source: CoStar and Colliers Research

### Deliveries



Source: CoStar and Colliers Research

Type	Buildings	Total SF	Vacancy			Absorption			Construction			Avg Rent Rate \$
			Direct	Sublet	Vacancy SF	Vacancy %	Current SF	YTD SF	Deliveries Current SF	Deliveries YTD SF	Construction Current SF	
<b>Executive Park / Northeast</b>												
Flex	18	639,812	15,513	-	15,513	2.4%	(368)	(3,158)	-	-	-	\$8.79
Ind	370	39,778,303	2,376,471	-	2,376,471	6.0%	77,345	741,132	-	684,575	3,530,094	\$4.94
<b>TOTAL</b>	<b>388</b>	<b>40,418,115</b>	<b>2,391,984</b>	<b>-</b>	<b>2,391,984</b>	<b>5.9%</b>	<b>76,977</b>	<b>737,974</b>	<b>-</b>	<b>684,575</b>	<b>3,530,094</b>	<b>\$5.00</b>
<b>Jackson County</b>												
Flex	94	4,523,549	387,347	-	387,347	8.6%	71,480	27,826	-	-	-	\$9.03
Ind	1416	84,938,259	3,079,636	-	3,079,636	3.6%	842,765	1,837,407	802,721	802,721	2,143,001	\$4.93
<b>TOTAL</b>	<b>1,510</b>	<b>89,461,808</b>	<b>3,466,983</b>	<b>-</b>	<b>3,466,983</b>	<b>3.9%</b>	<b>914,245</b>	<b>1,865,233</b>	<b>802,721</b>	<b>802,721</b>	<b>2,143,001</b>	<b>\$5.14</b>
<b>Johnson County</b>												
Flex	174	5,405,015	493,225	74,000	567,225	10.5%	69,911	38,487	-	-	-	\$10.23
Ind	917	77,036,207	3,852,105	163,331	4,015,436	5.2%	323,893	872,852	353,693	1,361,014	2,398,716	\$4.85
<b>TOTAL</b>	<b>1,091</b>	<b>82,441,222</b>	<b>4,345,330</b>	<b>237,331</b>	<b>4,582,661</b>	<b>5.6%</b>	<b>393,804</b>	<b>911,339</b>	<b>353,693</b>	<b>1,361,014</b>	<b>2,398,716</b>	<b>\$5.20</b>
<b>Platte County</b>												
Flex	18	741,205	112,762	-	112,762	15.2%	(16,575)	(22,046)	-	-	-	\$9.68
Ind	447	32,290,750	1,250,326	35,608	1,285,934	4.0%	353,162	255,037	-	216,320	1,762,810	\$4.73
<b>TOTAL</b>	<b>465</b>	<b>33,031,955</b>	<b>1,363,088</b>	<b>35,608</b>	<b>1,398,696</b>	<b>4.2%</b>	<b>336,587</b>	<b>232,991</b>	<b>-</b>	<b>216,320</b>	<b>1,762,810</b>	<b>\$4.84</b>
<b>Wyandotte County</b>												
Flex	21	794,940	61,881	-	61,881	7.8%	(2,914)	5,370	-	-	-	\$8.73
Ind	556	36,710,122	1,818,959	-	1,818,959	5.0%	319,428	1,471,911	346,826	1,426,826	2,532,135	\$4.78
<b>TOTAL</b>	<b>577</b>	<b>37,505,062</b>	<b>1,880,840</b>	<b>-</b>	<b>1,880,840</b>	<b>5.0%</b>	<b>316,514</b>	<b>1,477,281</b>	<b>346,826</b>	<b>1,426,826</b>	<b>2,532,135</b>	<b>\$4.86</b>
<b>Cass County*</b>												
Flex	0	-	-	-	-	0.0%	-	-	-	-	-	\$-
Ind	8	2,799,640	-	-	-	0.0%	-	-	-	-	2,024,240	\$4.25
<b>TOTAL</b>	<b>8</b>	<b>2,799,640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,024,240</b>	<b>\$4.25</b>
<b>All Kansas City Total</b>												
Flex	325	12,104,521	1,070,728	74,000	1,144,728	9.5%	121,534	46,479	-	-	-	\$9.57
Ind	3,714	273,553,281	12,377,497	198,939	12,576,436	4.6%	1,916,593	5,178,339	1,503,240	4,491,456	14,390,996	\$4.86
<b>TOTAL</b>	<b>4,039</b>	<b>285,657,802</b>	<b>13,448,225</b>	<b>272,939</b>	<b>13,721,164</b>	<b>4.8%</b>	<b>2,038,127</b>	<b>5,224,818</b>	<b>1,503,240</b>	<b>4,491,456</b>	<b>14,390,996</b>	<b>\$5.06</b>
<b>Quarterly Comparison and Totals</b>												
Q1 2022	4,039	285,657,802	13,448,225	272,939	13,721,164	4.8%	2,038,127	5,224,818	1,503,240	4,491,456	14,390,996	\$5.06
Q1 2021	4,034	284,154,562	13,775,935	480,116	14,256,051	5.0%	3,186,691	3,186,691	2,988,216	2,988,216	13,113,797	\$4.98
Q4 2021	4,028	281,166,346	13,946,118	508,408	14,454,526	5.1%	1,639,347	8,608,614	1,497,705	6,853,835	12,738,305	\$4.95
Q3 2021	4,025	279,668,641	14,091,298	504,870	14,596,168	5.2%	2,763,553	6,969,267	2,349,927	5,356,130	12,750,951	\$4.88
Q2 2021	4,020	277,318,714	14,436,854	572,940	15,009,794	5.4%	2,188,050	4,205,714	1,992,321	3,006,203	11,579,921	\$4.86

\*Cass County submarket has been added due to recent growth in the area

## Sales Activity

Property	Submarket	Sale Price	Size SF	Price/SF	Buyer	Seller
Blue Springs Logistics Center	Jackson County	Not Disclosed	587,840	NA	HSA	Flint Development
6600 Stadium Drive	Jackson County	\$9,350,000	277,777	\$33.66	PI 6600SD LLC	Legacy Capital Partners
615 McCall Road	Outside Metro	\$7,155,000	282,000	\$25.37	Central One LLC	McCall Pattern Company
8300-8320 Nieman Road	Johnson County	\$4,050,000	42,460	\$95.38	Midwest QI Services	Great Plains Real Estate
10940 Eicher Drive	Johnson County	\$3,525,000	43,194	\$81.61	Blue Line Development	Echer Development

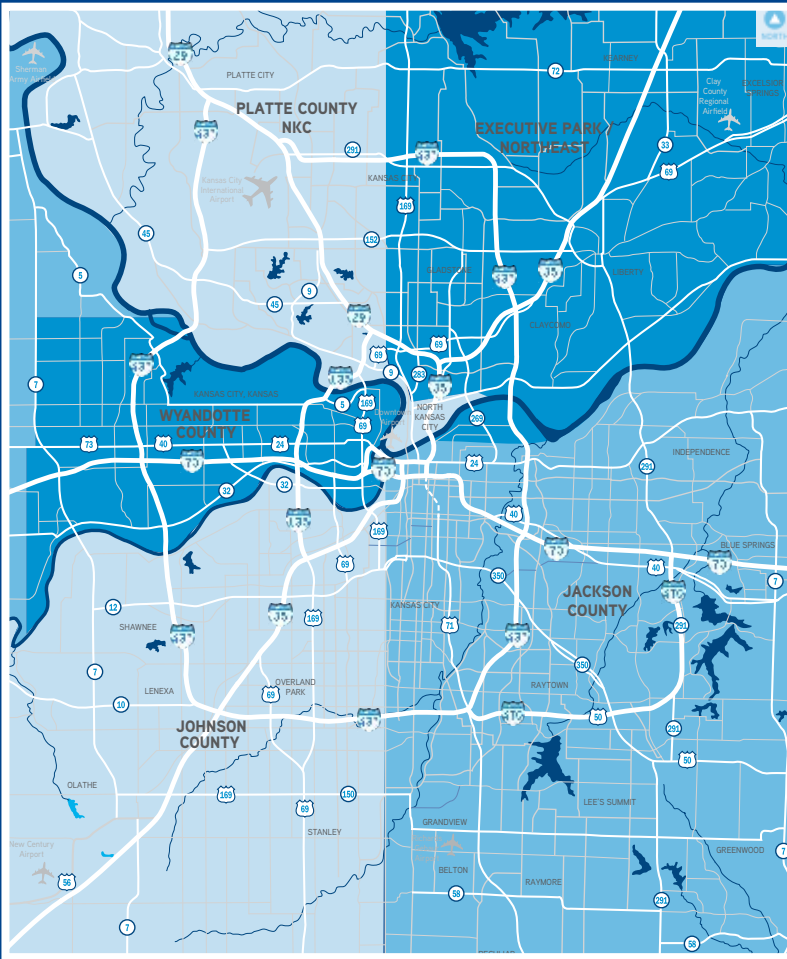
## Lease Activity

Property	Submarket	Tenant	Landlord	Size SF
Inland Port LII	Johnson County	Simmons Pet Foods	NorthPoint Development	760,000
I-35 Logistics Park	Johnson County	Clorox	Scannell	567,840
Liberty Commerce Center	Executive Park/Northeast	RevLogical	NorthPoint Development	517,000
KCI Logistics Centre VIII	Platte County/NKC	Boot Barn	Clarion Partners	459,680
Heartland Logistics	Johnson County	Archer-Daniels (ADM)	Sparrowhawk	272,882
1900 N. Corrington	Jackson County	Pure Fishing	MDC, Inc.	141,488

\*Expansion



615 McCall Road



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## About Colliers



63 Countries we operate in



\$4.5B Annualized revenue



81B Square feet managed



17,000 Professionals

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