



KANSAS CITY
1Q18 INDUSTRIAL MARKET

2.2 MILLION SQUARE FEET OF
DELIVERIES IN FIRST-QUARTER 2018

The Kansas City industrial market continued to expand in the first quarter of 2018, as 928,300 square feet of net absorption was posted. Average quoted rents increased from \$4.75/SF to \$4.89/SF. A total of 2.2 million square feet of space was delivered to the market during the quarter, while projects under construction fell to 2.4 million square feet, the lowest level in nearly four years. With 1.7 million square feet of space coming to the market unoccupied, overall vacancy increased 40 basis points, from 5.6% in the prior quarter to 6.0%.

Blue Springs Receives \$60.0 Million Commitment from Faurecia Interior Systems

Blue Springs, Missouri, will be the future home of a 250,000-square-foot, state-of-the-art automotive interiors production facility. Faurecia Interior Systems, the world's top supplier of vehicle interiors, announced its intention to construct a new, \$60.0 million center on 25.0 acres of land situated north of Interstate 70 and adjacent to Northeast 20th Street.

The French firm will hire an estimated 300 positions at the facility, which is scheduled to begin operations by the end of the year with full production by the end of 2020. The facility will manufacture and assemble door panels and instrument panels. The news is especially welcome for the automotive sector, as both Harley Davidson and Proctor & Gamble announced closings for their Kansas City area facilities, impacting nearly 1,200 workers.

Locally Based Joint Venture Purchases 17-Building Lenexa Industrial Portfolio

A joint venture between Prism Real Estate Services, LLC and Ameritas Life Insurance Corp. has acquired the Lenexa Industrial Park portfolio in Lenexa, Kansas. Located at the Interstate 35 and Interstate 435 interchange, the 17-building, 589,390-square-foot portfolio includes both industrial and flex properties. The purchasing entity was represented by the Newmark Grubb Zimmer capital markets team. Newmark Grubb Zimmer will retain leasing and management responsibilities, continuing its longstanding history with the properties, which were originally developed by Hugh J. Zimmer starting in 1965.

KGPCo Pre-Leases 251,870 Square Feet at I-35 Logistics Park in Olathe

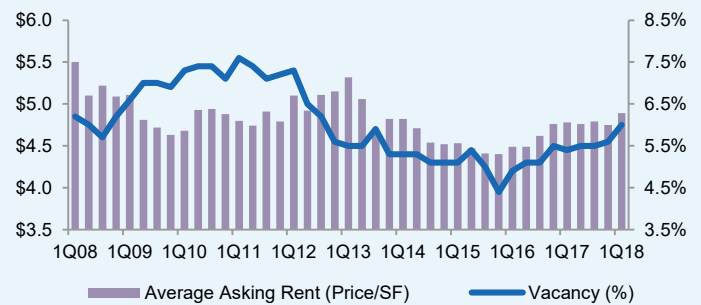
The steady stream of major bulk distribution, logistics and manufacturing projects in Johnson County continues into 2018, as a 567,120-square-foot big-box warehouse development was announced during the quarter. Located in Olathe, Kansas, Building C has already begun construction and will be the second property within the I-35 Logistics Park. Building C will be constructed on a partially speculative basis, as KBP Co a supply-chain

Current Conditions

- 2.2 million SF of deliveries in 1Q18.
- Faurecia Interior Systems commits to 250,000 SF.
- Joint venture purchases Lenexa Industrial Portfolio.
- KGPCo pre-leases 251,870 SF at I-35 Logistics Park in Olathe.
- Arrowhead Material Handling Products building trades in sale/leaseback transaction for \$8.2 million.

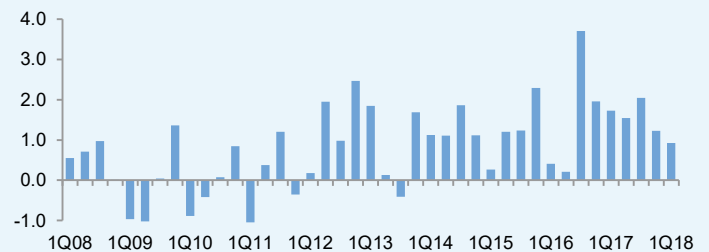
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	283MSF	281MSF	275MSF	↑
Vacancy Rate	6.0%	5.6%	5.4%	↔
Quarterly Net Absorption	928,300	1,223,450	1,723,752	↑
Average Asking Rent	\$4.89	\$4.75	\$4.78	↑
Under Construction	2,416,841	4,203,193	7,630,222	↓
Deliveries	2,194,776	1,592,633	1,638,566	↔



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solutions company, recently announced it will relocate from the nearby New Century AirCenter and occupy 251,870 square feet, or 44.0%, of Building C. The structure will be located east of Building B, an 821,660-square-foot facility that is fully leased by S&S Activewear and 1A Auto. I-35 Logistics Park totals approximately 330 acres, with the ability to offer up to 4.7 million square feet of distribution space. Building C is expected to be delivered in the fourth quarter of 2018.

Former National Envelope Building Trades for \$8.2 Million in South Johnson County

Sales activity remained strong for the South Johnson County submarket, as locally based Price Brothers Development purchased the former National Envelope building, located on 8.3 acres at 16000 West 108th Street in Lenexa, Kansas. The 178,200-square-foot, Class B, single-tenant manufacturing center was sold by Arrowhead Material Handling Products in a sale/leaseback transaction for \$8.2 million, or \$46/SF, and is currently appraised by the county at \$4.4 million.

Located adjacent to the 2.0 million-square-foot JC Penney distribution center, the building was delivered to the market in 1985 and includes 12 dock doors, two drive-ins and ceiling heights from 21 to 35 feet. Arrowhead Material Handling Products, a leading manufacturer of forklifts and accessories, has additional distribution centers in Compton, California; Norfolk, Virginia; and Mississauga, Ontario.

THE MARKET REALIZED A DECREASE OF 5.2 MILLION SQUARE FEET IN PROPERTIES UNDER CONSTRUCTION WHEN COMPARED TO 1Q17

The Kansas City industrial market started the year with high volumes of leasing and sales activity, as positive net absorption has occurred in 26 out of the past 28 quarters. As one of the nation's strongest industrial markets in 2017, the market continues to attract out-of-town investors looking to enter the market or expand their local portfolios. Local entities are also aggressively pursuing development opportunities in mid-sized portfolios and big-box centers. The marketplace is currently in the tenants' favor, with properties offering a variety of concessions. The pace of speculative development has already started to adjust, as the market realized a decrease of 5.2 million square feet in properties under construction when compared with the prior year. Vacancy should hold steady in the 5.5% to 6.5% range throughout 2018, as a portion of the 2.4 million square feet of product currently under construction delivers to the market. Expect rental rates to range between \$4.80/SF and \$5.00/SF by the end of 2018.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
KGPCo	I-35 Logistics Park (Bldg C)	South Johnson County	New Construction	251,870
Faurecia Interior Systems	TBD (Blue Springs, MO)	East Jackson County	New Construction	250,000
Professional Packaging	16231 S Lone Elm Rd	South Johnson County	New	248,190
Ply Gym	12501 NE 40 th St	Northland	New	206,900
Carlisle	2701 S 98 th St	Wyandotte County	Renewal	179,280

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
16575 S Theden St	South Johnson County	\$31,200,000	\$43	718,070
16000 W 108th St ¹	South Johnson County	\$8,200,000	\$46	178,200
11100 W 82nd St	North Johnson County	\$2,440,000	\$28	86,190
9500 Woodend Rd	Wyandotte County	\$2,400,000	\$52	46,330
135 S Fir St	South Johnson County	\$1,695,000	\$89	19,060
10700 Pflumm Rd	South Johnson County	\$1,300,000	\$73	17,820

¹Sale – Leaseback.



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Submarket Statistics

Submarket Cluster	Building Type	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr. Absorption (SF)	YTD Absorption (SF)	Asking Rent Industrial Gross (Price/SF)	Asking Rent Triple Net (Price/SF)	Total Asking Rent (Price/SF)
Downtown		12,996,426	0	3.30%	22,778	22,778	\$2.62	\$7.40	\$8.74
	Warehouse	12,477,849	0	3.20%	47,778	47,778	\$2.62	\$8.72	\$8.74
	Flex	518,577	0	6.10%	-25,000	-25,000	-	\$6.00	-
	Underground	0	0	-	0	0	-	-	-
East Jackson County		66,189,422	0	4.10%	163,131	163,131	\$2.91	\$5.26	\$5.18
	Warehouse	47,343,279	0	5.20%	168,355	168,355	\$2.89	\$4.01	\$3.99
	Flex	1,678,342	0	9.10%	7,276	7,276	\$3.08	\$8.33	\$8.32
	Underground	17,167,801	0	0.60%	-12,500	-12,500	\$3.15	-	-
Midtown		8,661,005	0	4.90%	64,021	64,021	\$4.47	-	\$7.88
	Warehouse	5,760,522	0	4.40%	41,198	41,198	\$4.36	-	\$7.88
	Flex	1,564,136	0	0.00%	22,834	22,834	-	-	-
	Underground	1,336,347	0	12.80%	-11	-11	\$4.58	-	-
North Johnson County		25,087,430	228,106	5.60%	-82,774	-82,774	\$5.76	\$6.51	\$6.39
	Warehouse	20,467,352	170,000	5.60%	-102,579	-102,579	\$5.29	\$6.27	\$6.15
	Flex	2,120,078	58,106	8.30%	-48,195	-48,195	\$9.47	\$8.40	\$8.32
	Underground	2,500,000	0	3.60%	68,000	68,000	\$3.95	-	-
Northland		56,304,127	994,556	5.20%	424,181	424,181	\$3.80	\$4.37	\$4.30
	Warehouse	46,799,404	994,556	4.40%	410,905	410,905	\$4.10	\$4.39	\$4.30
	Flex	1,454,076	0	32.10%	13,276	13,276	\$6.85	\$10.69	\$10.69
	Underground	8,050,647	0	6.40%	0	0	\$2.45	\$3.00	\$3.00
South Jackson County		25,147,649	41,215	2.80%	279,038	279,038	\$4.84	\$4.33	\$3.83
	Warehouse	24,177,988	0	2.70%	272,625	272,625	\$4.80	\$3.99	\$3.54
	Flex	969,661	41,215	4.90%	6,413	6,413	\$10.20	\$7.24	\$8.00
	Underground	0	0	-	0	0	-	-	-
South Johnson County		47,350,727	1,152,964	14.20%	22,946	22,946	\$4.36	\$4.68	\$5.01
	Warehouse	44,155,931	1,152,964	14.70%	42,733	42,733	\$4.36	\$4.30	\$4.38
	Flex	3,194,796	0	7.30%	-19,787	-19,787	-	\$12.49	\$12.14
	Underground	0	0	-	0	0	-	-	-
Wyandotte County		41,524,330	0	3.90%	34,979	34,979	\$4.02	\$4.10	\$3.94
	Warehouse	40,729,390	0	3.90%	15,847	15,847	\$3.67	\$4.10	\$3.94
	Flex	794,940	0	5.70%	19,132	19,132	\$8.21	-	-
	Underground	0	0	-	0	0	-	-	-
Kansas City Market		283,261,116	2,416,841	6.00%	928,300	928,300	\$3.85	\$4.82	\$4.89
	Warehouse	241,911,715	2,317,520	6.20%	896,862	896,862	\$3.77	\$4.47	\$4.48
	Flex	12,294,606	99,321	9.40%	-24,051	-24,051	\$8.07	\$9.76	\$9.98
	Underground	29,054,795	0	3.00%	55,489	55,489	\$2.93	\$3.00	\$3.00



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WAREHOUSE - Statistics by Submarket

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Asking Rent Industrial Gross (Price/SF)	Asking Rent Triple Net (Price/SF)	Total Asking Rent (Price/SF)
Downtown	12,477,849	0	3.20%	47,778	47,778	\$2.62	\$8.72	\$8.74
East Jackson County	47,343,279	0	5.20%	168,355	168,355	\$2.89	\$4.01	\$3.99
Midtown	5,760,522	0	4.40%	41,198	41,198	\$4.36	-	\$7.88
North Johnson County	20,467,352	170,000	5.60%	-102,579	-102,579	\$5.29	\$6.27	\$6.15
Northland	46,799,404	994,556	4.40%	410,905	410,905	\$4.10	\$4.39	\$4.30
South Jackson County	24,177,988	0	2.70%	272,625	272,625	\$4.80	\$3.99	\$3.54
South Johnson County	44,155,931	1,152,964	14.70%	42,733	42,733	\$4.36	\$4.30	\$4.38
Wyandotte County	40,729,390	0	3.90%	15,847	15,847	\$3.67	\$4.10	\$3.94
Kansas City Market	241,911,715	2,317,520	6.20%	896,862	896,862	\$3.77	\$4.47	\$4.48

FLEX - Statistics by Submarket

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Asking Rent Industrial Gross (Price/SF)	Asking Rent Triple Net (Price/SF)	Total Asking Rent (Price/SF)
Downtown	518,577	0	6.10%	-25,000	-25,000	-	\$6.00	-
East Jackson County	1,678,342	0	9.10%	7,276	7,276	\$3.08	\$8.33	\$8.32
Midtown	1,564,136	0	0.00%	22,834	22,834	-	-	-
North Johnson County	2,120,078	58,106	8.30%	-48,195	-48,195	\$9.47	\$8.40	\$8.32
Northland	1,454,076	0	32.10%	13,276	13,276	\$6.85	\$10.69	\$10.69
South Jackson County	969,661	41,215	4.90%	6,413	6,413	\$10.20	\$7.24	\$8.00
South Johnson County	3,194,796	0	7.30%	-19,787	-19,787	-	\$12.49	\$12.14
Wyandotte County	794,940	0	5.70%	19,132	19,132	\$8.21	-	-
Kansas City Market	12,294,606	99,321	9.40%	-24,051	-24,051	\$8.07	\$9.76	\$9.98



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1Q18 INDUSTRIAL MARKET**

ECONOMIC CONDITIONS

The local economy continued to improve through February, with total employment growth of 1.6% and positive growth occurring in seven out of ten industries, calculated on a 12-month percent change basis.

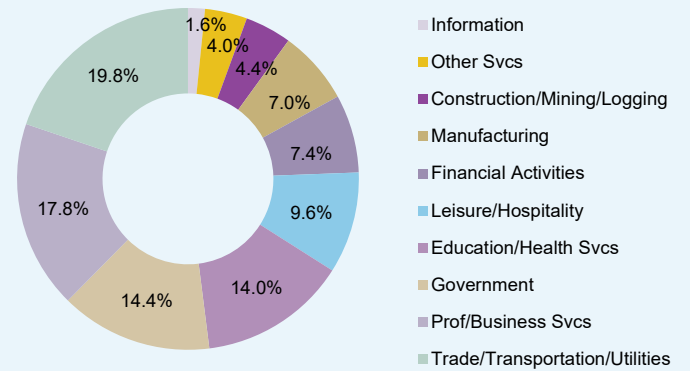
Payroll employment in Kansas City decreased 20 basis points compared to the prior year registering 1.6% in February 2018. The national average also decreased 20 basis points to 1.6%. Both indices have realized positive 12-month percent changes since August 2010.

The Consumer Price Index (CPI) for the United States decreased 50 basis points to 2.2% over the past year. The Midwest Urban CPI decreased 70 basis points to 1.7% in February 2018.

Unemployment in the United States remained flat at 4.1% in February, while unemployment in Kansas City decreased 20 basis points to 3.5% over the past quarter. Unemployment in Kansas City decreased 60 basis points from a year prior.

Employment By Industry

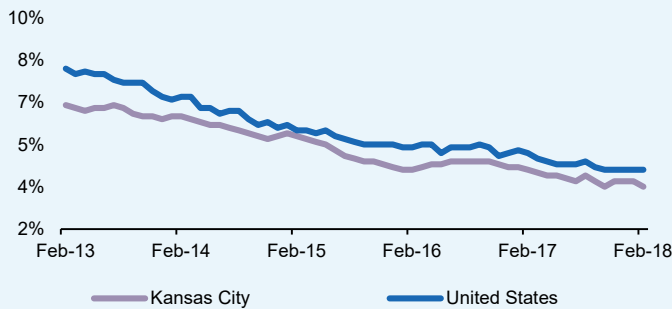
Kansas City, February 2018



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

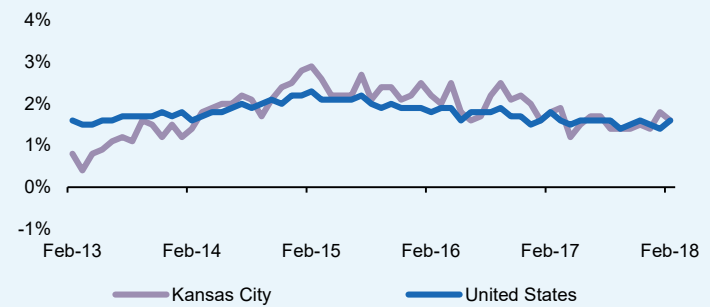
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

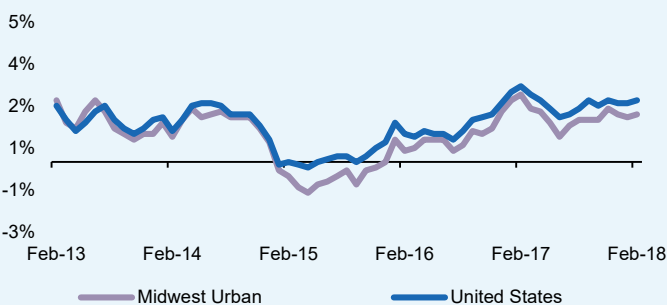
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

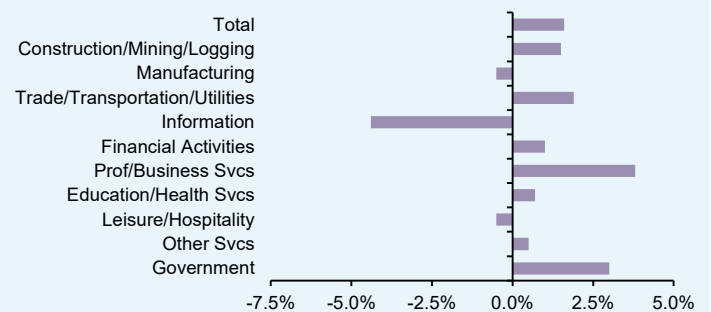
All Items, 12-Month % Change, Not Seasonally Adjusted, 1982-84=100



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

Kansas City, February 2018, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics



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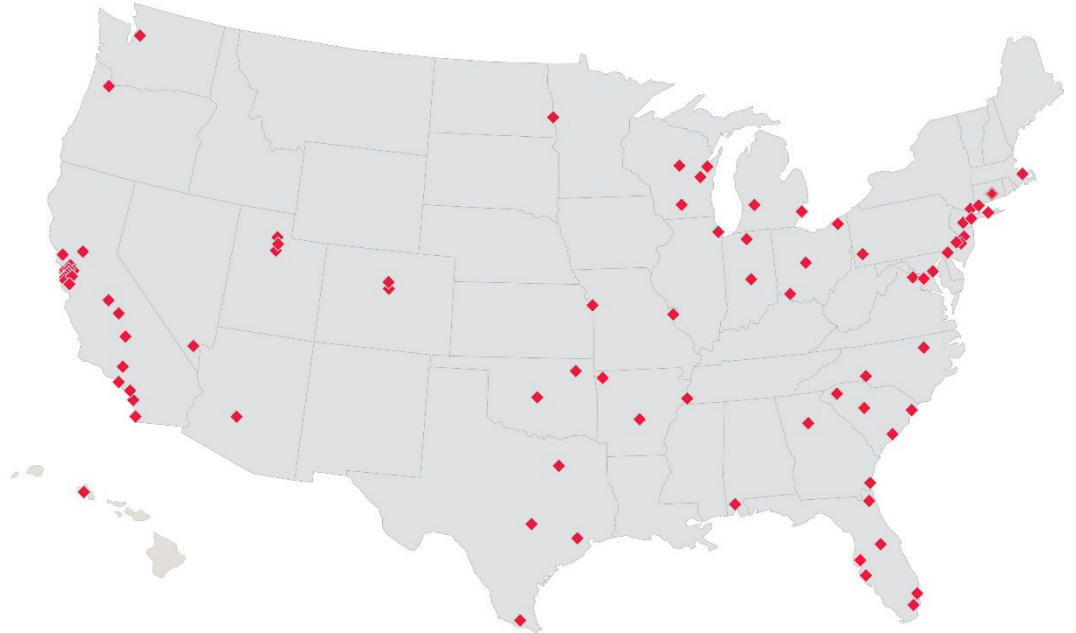
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