



**KANSAS CITY  
4Q17 INDUSTRIAL MARKET**

**5.7 MILLION SQUARE FEET  
OF NET ABSORPTION IN 2017**

The Kansas City industrial market continued its strong growth into the fourth quarter of 2017, as 1.4 million square feet of net absorption was posted. Average quoted rents decreased from \$4.77/SF to \$4.75/SF. A total of 1.0 million square feet of space was delivered to the market during the quarter, while projects under construction remained significant, with 4.7 million square feet of product planned for delivery. Overall vacancy decreased 20 basis points, from 6.0% to 5.8% from the prior quarter.

**Gardner, Kansas Receives 646,400-Square-Foot Commitment from Excelligence Learning Corporation**

Gardner, Kansas, will be the future home of a new, 646,400-square-foot bulk industrial facility. Excelligence Learning Corporation, a California-based developer, manufacturer, distributor and retailer of educational products, announced its intention to occupy the entire \$38.0 million property, bringing an estimated 250 jobs within the first three years of operation. The “Project School” facility will serve as a manufacturing and distribution hub as well as a call center for Excelligence. Its centralized location will allow the firm to consolidate its facilities in Monroe, Connecticut, Jacksonville, Florida, Harrisburg, Pennsylvania and Kansas City into the new complex. Located at 17001 Mercury Street, across from the 1.1 million-square-foot Coleman facility, the structure will be the second building within the 155-acre, \$160.0 million Midwest Commerce Center industrial development. Project School officially broke ground in December and is expected to deliver to the market by the end of 2018.

**Lanter Distributing Expands to 126,000 Square Feet in SubTropolis**

The 29.0 million-square-foot underground market in Kansas City continues to appeal to third-party logistics firms (3PLs), as Illinois-based Lanter Distributing LLC, a leader in temperature-sensitive LTL and TL deliveries, will lease additional space in SubTropolis. Originally occupying 21,000 square feet in 2012, Lanter Distributing will expand to 126,000 square feet by consolidating its regional operations within the world’s largest underground business complex. Over the past 50 years, SubTropolis has evolved from a primarily storage and warehouse depository capacity into a multi-dimensional solution for data centers, 3PLs, automotive suppliers and industry segments, benefitting from a year-round controlled temperature environment. With 42 Arrowhead Stadiums able to fit in the developed portion of the complex, SubTropolis and other subterranean developments within the metro will continue to offer supply-chain solutions and warehouse space at affordable prices.

**10-Year, Multi-Tenant Light Industrial Project will Target 50,000- to 300,000-Square-Foot Users in Edgerton**

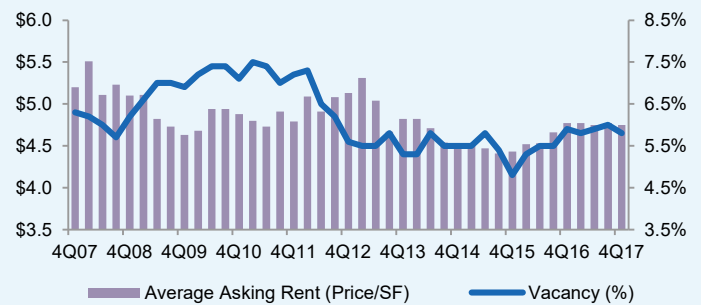
In the local market, the construction activity of multi-tenant light industrial space has remained sluggish when compared with big-box distribution centers. However, pent-up demand for multi-tenant light industrial space is

**Current Conditions**

- 5.7 million SF of net absorption in 2017.
- Excelligence Learning Corp. commits to 640,400 SF.
- Lanter Distributing expands to 126,000 SF in SubTropolis.
- 487,700 SF Midwest Gateway KC delivers to market.
- \$7.5 Million LogisticsCentre III breaks ground in the Northland.
- Expect less spec. large bulk industrial projects in 2018.

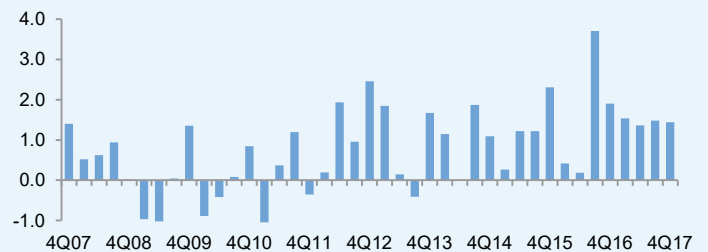
**Market Analysis**

**Asking Rent and Vacancy**



**Net Absorption**

Square Feet, Millions



**Market Summary**

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	280MSF	279MSF	274MSF	↑
Vacancy Rate	5.8%	6.0%	5.9%	↔
Quarterly Net Absorption	1,444,834	1,483,285	1,904,649	↑
Average Asking Rent	\$4.75	\$4.77	\$4.77	↑
Under Construction	4,712,815	5,388,738	7,951,612	↓
Deliveries	1,024,923	1,614,766	3,289,287	↔



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coming to a head, as the small- and medium-sized business sector continues to expand, retailers are locating near population centers to guarantee faster delivery times, and rental rates in light industrial properties have grown significantly. To capture this market segment, a two-building project next to BNSF Railway's intermodal facility in Edgerton is nearing completion. After breaking ground in May, Midwest Gateway Kansas City will offer a total of 487,700 square feet of warehouse and distribution space.

Catering to multiple users requiring between 50,000 and 300,000 square feet, Midwest Gateway 1 is a 301,600-square-foot, Class A, cross-dock facility with a 130-foot truck court and a total of 31 docks. Midwest Gateway 2 can accommodate users between 46,500 and 186,100 square feet in its Class A structure. Both facilities delivered to the market during the quarter and are currently available for sale or lease. Quoted rental rates currently range from \$4.75/SF to \$4.95/SF.

### \$7.5 Million LogisticsCentre III Breaks Ground in the Northland

The KCI Intermodal BusinessCentre will be home to a new multi-tenant light industrial facility. Located on approximately 35.0 acres, LogisticsCentre III officially broke ground during the fourth quarter. The \$7.5 million speculative development will offer a total of 202,800 square feet of warehouse and distribution space. Catering to multiple users requiring between 40,000 and 202,800 feet, LogisticsCentre III is a Class A, cross-dock, front-load facility with a 32-foot ceiling and a total of 31 docks. LogisticsCentre III will be the fourth building within the KCI Intermodal BusinessCentre industrial park. Plans are also in the works to break ground on LogisticsCentre V, a 442,280-square-foot building, in the second quarter of 2018. LogisticsCentre V will either be developed as

a build-to-suit project or a speculative development, depending upon current negotiations.

## THE OVERALL MARKETPLACE HAS TURNED IN THE TENANTS' FAVOR

The Kansas City industrial sector finished the year with high volumes of leasing activity and steady long-term growth, as positive net absorption has occurred in 25 out of the past 27 quarters. Over the past five years, out-of-town investors have entered the market and are continuing to expand local portfolios, as the area continues to display logistical and economic advantages. Local entities are also aggressively pursuing development opportunities suited for e-commerce and 3PL firms. The overall marketplace has turned in the tenants' favor, with properties offering a variety of concessions including free rent, higher tenant improvement allowances and favorable property tax abatement. Expect landlords to keep vying for local and national credit tenants to fill both bulk and light industrial product types. In 2018, expect to see less speculative development projects for large bulk distribution buildings and instead more developments aimed at multi-tenant design capable of accommodating mid-size tenants occupying 20,000 to 50,000 square feet. Vacancy should hold steady near 5.5% in 2018, as a portion of the 4.7 million square feet of product currently under construction delivers to the market. Expect rental rates to continue to rise, inching toward \$4.85/SF by the end of 2018.

### Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Excellence Learning Corporation	17001 Mercury St	South Johnson County	New Construction	646,400
Moshay, Inc. (A4)	14901 Andrews Rd	South Jackson County	New	175,000
Victory Packaging	12501 NE 40 <sup>th</sup> St	Northland	New	140,000
Murphy Warehouse	6600 Executive Dr	East Jackson County	New	136,000
Lanter Distributing LLC	SubTropolis	Northland	Expansion	126,000
Exide Technologies	501 Kindleberger Rd	Wyandotte County	Renewal	84,000
Nitto Automotive, Inc.	901 NW Platte Valley Dr	Northland	Renewal	74,880

### Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
1500-1524 Vernon St	Northland	\$3,250,000	\$30	106,660
417 Grand Blvd <sup>1</sup>	Downtown	\$1,500,000	\$29	51,120
2012 Television Pl	East Jackson County	\$1,000,000	\$46	22,000
10321-10333 W 84 <sup>th</sup> Ter	North Johnson County	\$1,362,000	\$93	14,670
209 W 19 <sup>th</sup> Ter	Downtown	\$1,475,000	\$149	9,930

<sup>1</sup>Vacant at time of sale. Redevelopment project.



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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		12,978,155	0	3.50%	97,821	-18,063	\$2.25	\$11.29	\$10.92
	Warehouse	12,461,408	0	3.60%	104,621	-12,513	\$2.25	\$11.29	\$10.92
	Flex	516,747	0	1.30%	-6,800	-5,550	-	-	-
	Underground	0	0	-	0	0	-	-	-
East Jackson County		66,204,686	0	5.70%	135,256	391,602	\$2.78	\$4.73	\$4.57
	Warehouse	47,358,543	0	5.20%	152,499	324,030	\$2.94	\$4.00	\$3.88
	Flex	1,678,342	0	7.10%	-17,243	-38,428	\$3.92	\$8.00	\$8.00
	Underground	17,167,801	0	7.00%	0	106,000	\$2.14	-	-
Midtown		8,969,065	0	5.60%	-4,840	47,999	\$4.57	\$7.20	\$7.88
	Warehouse	6,068,582	0	5.10%	-27,412	63,961	\$4.52	\$7.20	\$7.88
	Flex	1,564,136	0	1.50%	10,000	-22,834	-	-	-
	Underground	1,336,347	0	12.80%	12,572	6,872	\$4.64	-	-
North Johnson County		25,037,944	0	5.90%	-154	-101,751	\$5.46	\$5.48	\$6.04
	Warehouse	20,360,466	0	5.70%	8,129	-208,170	\$5.30	\$5.39	\$5.97
	Flex	2,177,478	0	6.80%	-8,283	127,919	\$8.45	\$9.26	\$7.82
	Underground	2,500,000	0	6.30%	0	-21,500	\$3.95	-	-
Northland		55,674,847	1,128,664	5.30%	772,685	1,408,772	\$3.88	\$4.41	\$4.44
	Warehouse	46,170,124	1,128,664	4.60%	769,701	1,989,637	\$4.35	\$4.29	\$4.36
	Flex	1,454,076	0	33.10%	2,284	-432,420	\$6.81	\$11.96	\$11.96
	Underground	8,050,647	0	6.40%	700	-148,445	\$2.45	\$5.25	\$5.25
South Jackson County		25,380,008	41,215	3.80%	227,079	1,116,704	\$4.83	\$4.35	\$3.84
	Warehouse	24,135,718	0	3.80%	230,794	1,123,084	\$4.73	\$4.08	\$3.58
	Flex	1,244,290	41,215	4.50%	-3,715	-6,380	\$9.39	\$7.24	\$8.00
	Underground	0	0	-	0	0	-	-	-
South Johnson County		44,096,284	3,542,936	10.00%	510,194	2,202,952	\$4.45	\$4.44	\$4.64
	Warehouse	40,912,288	3,542,936	10.30%	475,897	2,209,273	\$4.36	\$4.30	\$4.39
	Flex	3,183,996	0	6.10%	34,297	-6,321	\$10.23	\$10.08	\$10.02
	Underground	0	0	-	0	0	-	-	-
Wyandotte County		41,475,046	0	4.00%	-293,207	630,475	\$3.97	\$4.89	\$5.29
	Warehouse	40,680,230	0	3.90%	-316,801	604,455	\$3.65	\$4.89	\$5.29
	Flex	794,816	0	8.10%	23,594	26,020	\$8.01	-	-
	Underground	0	0	-	0	0	-	-	-
<b>Kansas City Market</b>		<b>279,816,035</b>	<b>4,712,815</b>	<b>5.80%</b>	<b>1,444,834</b>	<b>5,678,690</b>	<b>\$3.76</b>	<b>\$4.56</b>	<b>\$4.75</b>
	<b>Warehouse</b>	<b>238,147,359</b>	<b>4,671,600</b>	<b>5.50%</b>	<b>1,397,428</b>	<b>6,093,757</b>	<b>\$3.82</b>	<b>\$4.39</b>	<b>\$4.55</b>
	<b>Flex</b>	<b>12,613,881</b>	<b>41,215</b>	<b>8.70%</b>	<b>34,134</b>	<b>-357,994</b>	<b>\$7.44</b>	<b>\$8.84</b>	<b>\$8.95</b>
	<b>Underground</b>	<b>29,054,795</b>	<b>0</b>	<b>7.00%</b>	<b>13,272</b>	<b>-57,073</b>	<b>\$2.57</b>	<b>\$5.25</b>	<b>\$5.25</b>



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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	12,461,408	0	3.60%	104,621	-12,513	\$2.25	\$11.29	\$10.92
East Jackson County	47,358,543	0	5.20%	152,499	324,030	\$2.94	\$4.00	\$3.88
Midtown	6,068,582	0	5.10%	-27,412	63,961	\$4.52	\$7.20	\$7.88
North Johnson County	20,360,466	0	5.70%	8,129	-208,170	\$5.30	\$5.39	\$5.97
Northland	46,170,124	1,128,664	4.60%	769,701	1,989,637	\$4.35	\$4.29	\$4.36
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<b>Kansas City Market</b>	<b>238,147,359</b>	<b>4,671,600</b>	<b>5.50%</b>	<b>1,397,428</b>	<b>6,093,757</b>	<b>\$3.82</b>	<b>\$4.39</b>	<b>\$4.55</b>

## 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	516,747	0	1.30%	-6,800	-5,550	-	-	-
East Jackson County	1,678,342	0	7.10%	-17,243	-38,428	\$3.92	\$8.00	\$8.00
Midtown	1,564,136	0	1.50%	10,000	-22,834	-	-	-
North Johnson County	2,177,478	0	6.80%	-8,283	127,919	\$8.45	\$9.26	\$7.82
Northland	1,454,076	0	33.10%	2,284	-432,420	\$6.81	\$11.96	\$11.96
South Jackson County	1,244,290	41,215	4.50%	-3,715	-6,380	\$9.39	\$7.24	\$8.00
South Johnson County	3,183,996	0	6.10%	34,297	-6,321	\$10.23	\$10.08	\$10.02
Wyandotte County	794,816	0	8.10%	23,594	26,020	\$8.01	-	-
<b>Kansas City Market</b>	<b>12,613,881</b>	<b>41,215</b>	<b>8.70%</b>	<b>34,134</b>	<b>-357,994</b>	<b>\$7.44</b>	<b>\$8.84</b>	<b>\$8.95</b>



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4Q17 INDUSTRIAL MARKET**

**ECONOMIC CONDITIONS**

The local economy continued to improve through November, with total employment growth of 1.2% and positive growth occurring in six out of ten industries, calculated on a 12-month percent change basis.

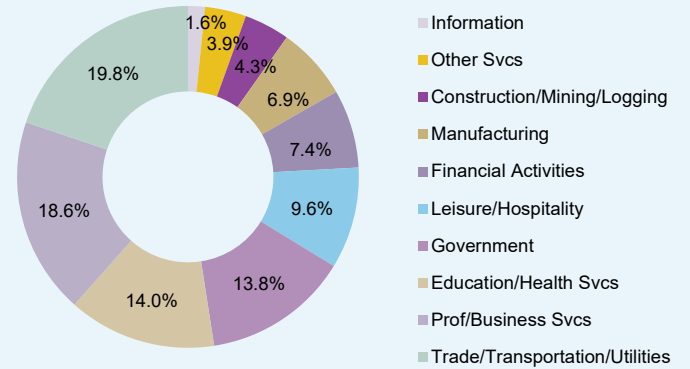
Payroll employment in Kansas City decreased 90 basis points compared to the prior year registering 1.2% in November 2017. The national average decreased 20 basis points to 1.4%. Both indices have realized positive 12-month percent changes since August 2010.

The Consumer Price Index (CPI) for the United States increased 50 basis points to 2.2% over the past year. The Midwest Urban CPI increased 70 basis points to 1.9% in November 2017.

Unemployment in the United States decreased 30 basis points to 4.1% in November, while unemployment in Kansas City decreased 20 basis points to 3.7% over the past quarter. Unemployment in Kansas City decreased 60 basis points from a year prior.

**Employment By Industry**

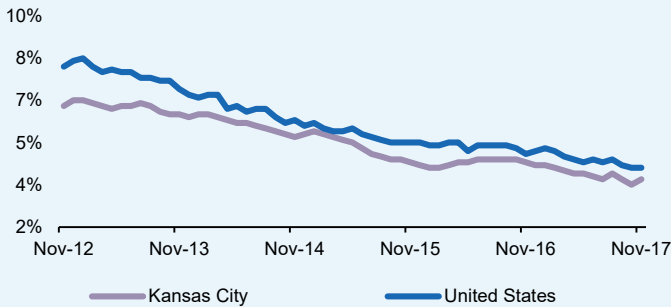
Kansas City, November 2017



Source: U.S. Bureau of Labor Statistics

**Unemployment Rate**

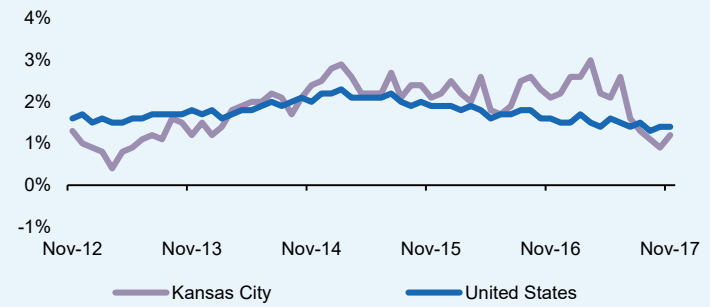
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

**Payroll Employment**

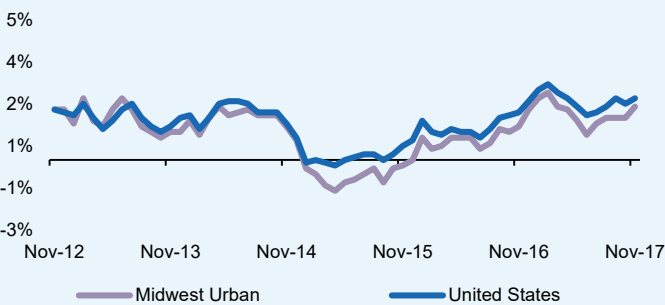
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

**Consumer Price Index (CPI)**

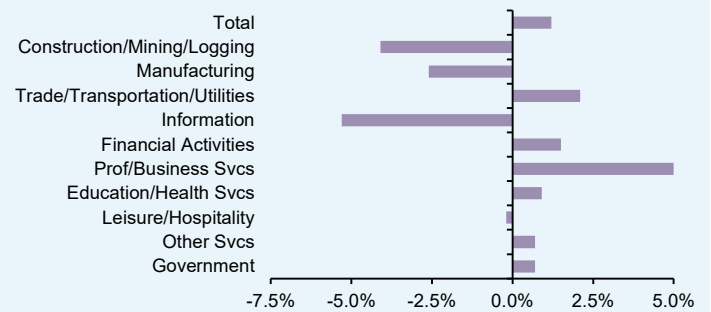
All Items, 12-Month % Change, Not Seasonally Adjusted, 1982-84=100



Source: U.S. Bureau of Labor Statistics

**Employment Growth by Industry**

Kansas City, November 2017, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

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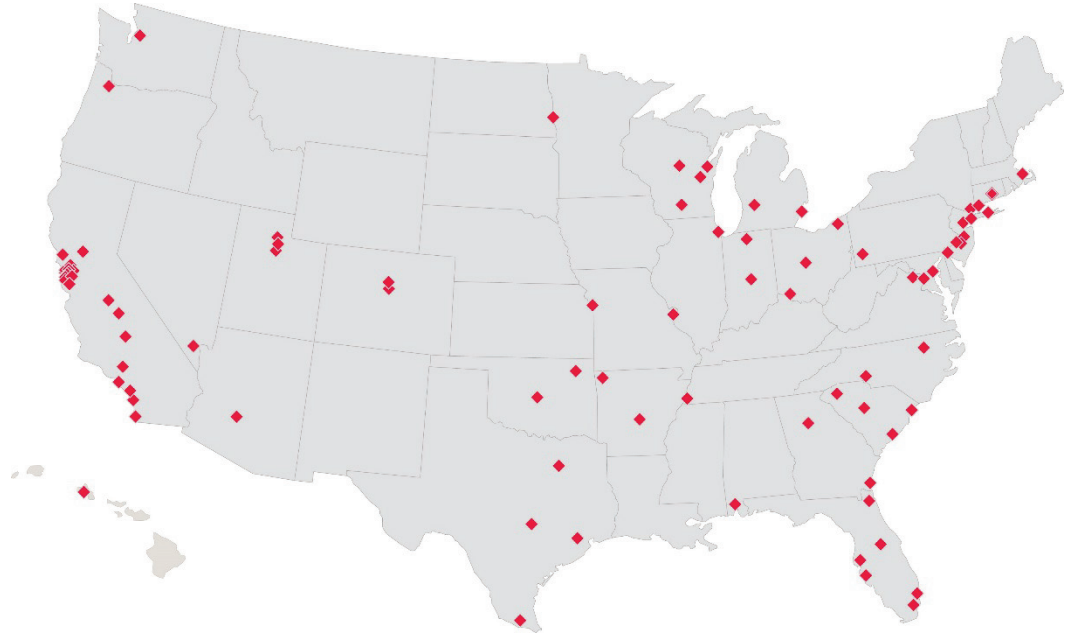
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