

# KANSAS CITY | INDUSTRIAL

Q3 2015

Accelerating success.

## Kansas City Industrial Remains Strong

Martin Maguire **CPRC** Senior Research Director | Kansas City

### Kansas City Market Overview

The Kansas City industrial market continues to produce impressive results as a result of strong market fundamentals and positive economic indicators. The overall metro vacancy rate currently stands at 6.6%, which is down 10 basis points from the previous quarter. Year to date, the Kansas City industrial market has recorded over 2.2 million SF of positive net absorption, with 1.1 million square feet of that coming in the third quarter alone. Manufacturing expanded in October, as the PMI® registered 50.1 percent, a decrease of 0.1 percentage point from the September reading of 50.2 percent, indicating growth in manufacturing for the 34th consecutive month. Industrial construction continues at historical record levels. Currently, 6.3 million square feet of industrial inventory is under active construction, with additional developments in the pipeline.

### Vacancy and Asking Rents

The Kansas City overall vacancy rate remains below the national average at 6.6%. The current vacancy rate is actually a 50 basis point increase from a year ago. This is due to the unprecedented amount of speculative inventory that has come online within a very short timeframe. In the near term, delivery totals outpaced absorption figures, however, the market demand is expected to correct the new inventory levels quickly. So far, developer's confidence has been justified, as supply and demand have been in balance with enough tenant demand to fill the development pipeline. Dating back to Q1 2013, 6.5 million square feet of speculative inventory has been added to the market, and to date, 5.4 million square feet within those delivered buildings has already been absorbed. Rental rates in the Kansas City metro continue to remain relatively steady but are seeing an upward tick in submarkets.

#### Market Indicators

Relative to prior period

	Market Q3 2015	Market Q4 2015*
VACANCY	↔	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↑	↔
RENTAL RATE	↔	↔

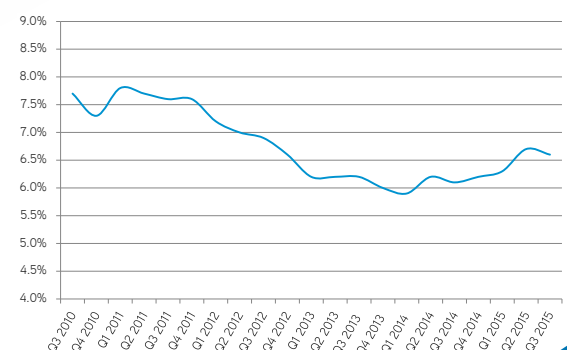
\*Projected

#### Summary Statistics

Kansas City Industrial Market

	Q3 2015	Q3 2014
Vacancy Rate	6.6%	6.1%
Absorption YTD	2,278,516	2,558,373
Deliveries YTD	3,389,901	2,676,584
Under Construction	6,351,138	2,998,149

#### Kansas City Industrial Vacancy



Source: CoStar and Colliers Research

## Recent Activity in the Metro

Tenants continue to hold true the mantra of “build it and they will come”, by occupying large block spaces within newly delivered speculative product. Excel Industries leased 345,000 SF in Inland Port XII located at the Logistics Park KC. Regal Distributing leased 94,000 at Lenexa Logistics Centre V in South Johnson County. Kaw Point Industrial Park announced two leases at their building. Plastic Packaging Technologies, along with Vitex, will occupy 56,000 each within the new building.

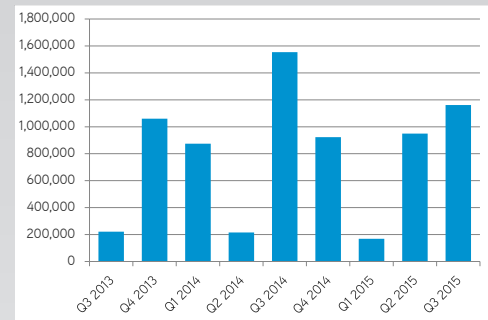
From an investment perspective, the industrial market remains strong when product hits the market. Investors are drawn to the industrial sector’s relatively low volatility, compared to office or retail investments. Institutions looking in this sector are willing to pay a premium for portfolios in order to allocate large chunks of capital. Investors remain hungry for yield worldwide, and the safety that U.S. denominated industrial assets provide is leading to a continued surge in industrial deal activity nationwide. Locally, HSA Commercial Real Estate recently purchased Renner Commerce Center from Quadrangle Development Company.

## Construction

The metro currently has 6.3 million square feet of active construction, with the majority of the development coming on a speculative basis. More than 3.3 million square feet of industrial inventory has already been delivered to the metro this year alone. Virtually all of the new supply is catered towards modern distribution needs, which require a larger footprint and higher ceilings. Two new projects that recently broke ground are located in the vicinity of 167th and Lone Elm in Olathe. VanTrust recently broke ground on a 716,000 SF speculative building, while Odyssey Real Estate broke ground on their 496,000 SF Lone Elm Logistics Center. Both buildings are expected to be complete by third quarter 2016.

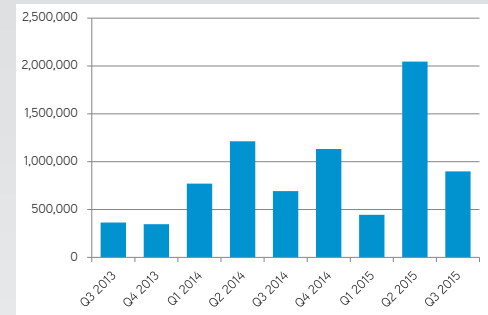
## Recent Transactions & Major Developments

## Absorption



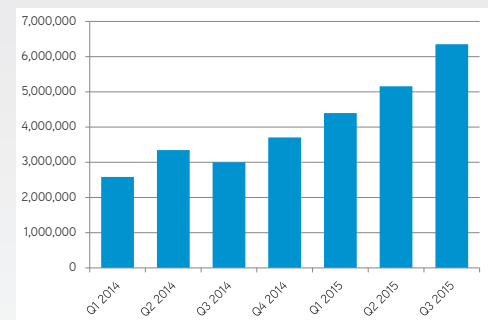
Source: CoStar and Colliers Research

## Deliveries



Source: CoStar and Colliers Research

## RBA Under Construction



Source: CoStar and Colliers Research

### Sales Activity

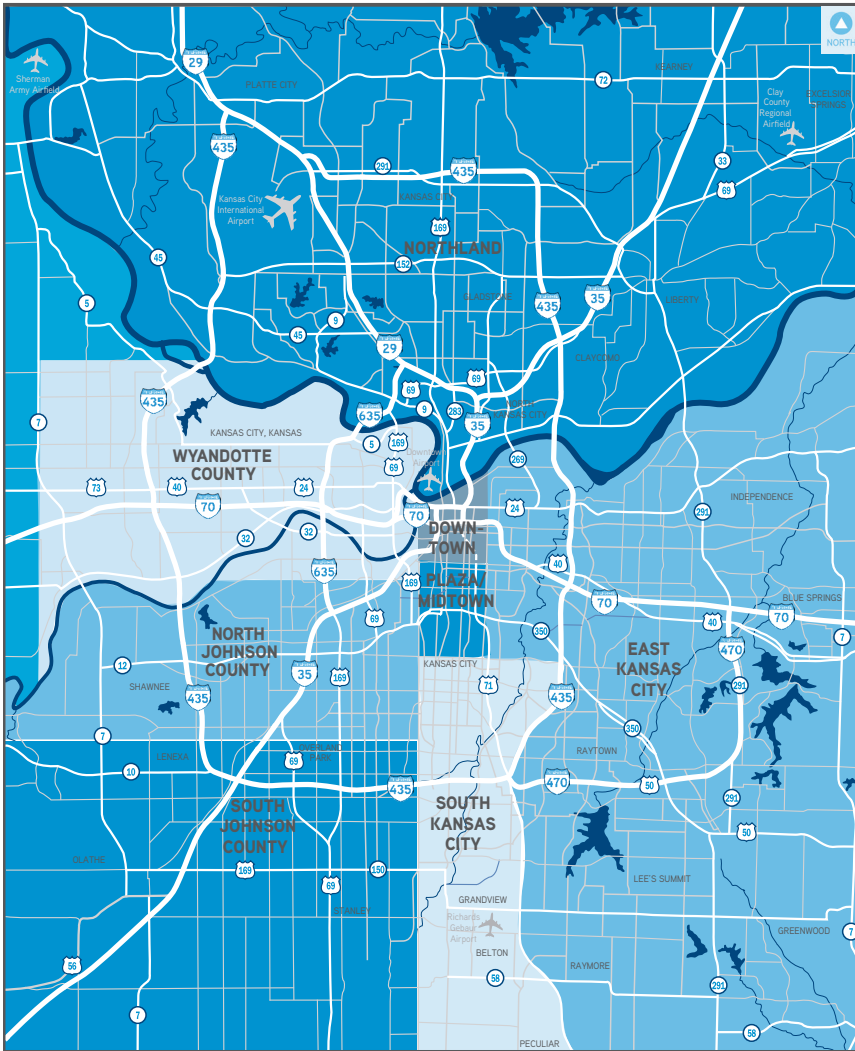
PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	PRICE / SF	BUYER	SELLER
Renner Commerce Center	Johnson County	\$13,150,000	157,144	\$83.68	HSA Commercial Real Estate	Quadrangle Development Co
Kansas City Road Business Park- Bldg 2	Johnson County	\$4,900,000	66,000	\$74.24	KC Road LLC	Equus Computer Systems, Inc.
3411 Brinkerhoff Road	Wyandotte County	\$3,115,000	53,026	\$58.74	TKP Investors LLC	CDM Investment Group
15785 S Keeler Terrace	Johnson County	\$2,525,000	65,615	\$38.48	ZBCR-KHC, LLC	BAVA, LLC
North Kansas City Portfolio Sale	Platte County / NKC	\$2,510,000	114,704	\$21.88	Clayco Holdings	AM & A Realty, LLP

### Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	TENANT	LANDLORD
Inland Port XII	Johnson County	345,705	Excel Industries	NorthPoint Development
845-901 Armourdale Rd	Wyandotte County	180,000	Wagner Industries	Premier Investments LLC
4800 Noland Rd	Jackson County	131,000	Bennett Packaging	C & C Development
100 South Avenue	Jackson County	120,000	RockTenn CP LLC	Newmark Grubb Zimmer
101 Kindleberger	Wyandotte County	113,000	Industrial Hardware Distributors	Privitera Realty Holdings
Lenexa Logistics Building V	Johnson County	94,000	Regal Distributing	Block Real Estate Services
Kaw Point Industrial Park	Wyandotte County	56,000	Plastic Packaging Technologies	NorthPoint Development

## Industrial Overview

Existing Properties							Absorption		Construction			Rents
		Total	Direct	Sublease	Total	Total	Net Absorp		Completions		Under Const.	Ave Rent
Submarket	Bldgs	Inventory SF	Vacant SF	Vacant SF	Vacant SF	Vacancy Rate	Curr Qtr SF	YTD SF	Curr Qtr SF	YTD Qtr SF	SF	Rate \$
<b>EXECUTIVE PARK / NORTHEAST</b>												
Flex	14	459,665	51,787	-	51,787	11.3%	(3,748)	(12,484)			-	\$7.62
Industrial	352	33,251,609	1,397,404	-	1,397,404	4.2%	163,350	216,166	240,920	240,920	-	\$3.64
<b>Total</b>	<b>366</b>	<b>33,711,274</b>	<b>1,449,191</b>	<b>-</b>	<b>1,449,191</b>	<b>4.3%</b>	<b>159,602</b>	<b>203,682</b>	<b>240,920</b>	<b>240,920</b>	<b>-</b>	<b>\$3.69</b>
<b>JACKSON COUNTY</b>												
Flex	93	4,236,869	326,146	-	326,146	7.7%	(2,301)	(50,362)				\$7.84
Industrial	1405	81,240,377	5,985,897	10,000	5,995,897	7.4%	197,582	484,795			1,133,960	\$3.96
<b>Total</b>	<b>1,498</b>	<b>85,477,246</b>	<b>6,312,043</b>	<b>10,000</b>	<b>6,322,043</b>	<b>7.4%</b>	<b>195,281</b>	<b>434,433</b>	<b>-</b>	<b>-</b>	<b>1,133,960</b>	<b>\$4.15</b>
<b>JOHNSON COUNTY</b>												
Flex	173	5,454,075	389,006	10,742	399,748	7.3%	44,950	58,278			217,891	\$8.43
Industrial	880	53,116,561	3,339,593	140,568	3,480,161	6.6%	355,522	720,147	657,354	2,433,923	2,812,977	\$4.72
<b>Total</b>	<b>1,053</b>	<b>58,570,636</b>	<b>3,728,599</b>	<b>151,310</b>	<b>3,879,909</b>	<b>6.6%</b>	<b>400,472</b>	<b>778,425</b>	<b>657,354</b>	<b>2,433,923</b>	<b>3,030,868</b>	<b>\$5.07</b>
<b>PLATTE COUNTY</b>												
Flex	22	938,627	272,487	-	272,487	29.0%	1,200	(5,753)			-	\$7.51
Industrial	429	27,347,193	1,406,922	14,467	1,421,389	5.2%	52,308	430,784	-	275,560	1,169,431	\$4.10
<b>Total</b>	<b>451</b>	<b>28,285,820</b>	<b>1,679,409</b>	<b>14,467</b>	<b>1,693,876</b>	<b>6.0%</b>	<b>53,508</b>	<b>425,031</b>	<b>-</b>	<b>275,560</b>	<b>1,169,431</b>	<b>\$4.21</b>
<b>WYANDOTTE COUNTY</b>												
Flex	21	776,060	38,650	-	38,650	5.0%	(18,259)	6,315			-	\$7.21
Industrial	544	33,231,618	2,263,558	83,000	2,346,558	7.1%	370,723	430,630		439,498	1,016,879	\$4.26
<b>Total</b>	<b>565</b>	<b>34,007,678</b>	<b>2,302,208</b>	<b>83,000</b>	<b>2,385,208</b>	<b>7.0%</b>	<b>352,464</b>	<b>436,945</b>	<b>-</b>	<b>439,498</b>	<b>1,016,879</b>	<b>\$4.33</b>
<b>KANSAS CITY MARKET GRAND TOTAL</b>												
Flex	323	11,865,296	1,078,076	10,742	1,088,818	9.2%	21,842	(4,006)			217,891	\$7.87
Industrial	3,610	228,187,358	14,393,374	248,035	14,641,409	6.4%	1,139,485	2,282,522		3,389,901	6,133,247	\$4.19
<b>Total</b>	<b>3,933</b>	<b>240,052,654</b>	<b>15,471,450</b>	<b>258,777</b>	<b>15,730,227</b>	<b>6.6%</b>	<b>1,161,327</b>	<b>2,278,516</b>	<b>898,274</b>	<b>3,389,901</b>	<b>6,351,138</b>	<b>\$4.34</b>
<b>QUARTERLY COMPARISON AND TOTALS</b>												
Current	3,933	240,052,654	15,471,450	258,777	15,730,227	6.6%	1,161,327	2,278,516	898,274	3,389,901	5,635,098	\$4.34
Q2-2015	3,931	239,154,380	15,646,472	314,075	15,960,547	6.7%	949,252	1,117,189	2,046,569	2,491,627	5,157,685	\$4.38
Q1-2015	3,927	237,107,811	14,691,234	171,996	14,863,230	6.3%	167,937	167,937	445,058	445,058	4,398,453	\$4.39
Q4-2014	3,925	236,662,753	14,397,453	353,091	14,750,544	6.2%	923,392	3,481,765	1,132,791	3,809,375	3,704,401	\$4.38
Q3-2014	3,921	235,529,962	14,206,088	237,995	14,444,083	6.1%	1,514,854	2,558,373	692,520	2,676,584	2,998,149	\$4.41



**502** offices in  
**67** countries on  
**6** continents

United States: **140**  
 Canada: **31**  
 Latin America: **24**  
 Asia Pacific: **199**  
 EMEA: **108**

**\$2.3** billion in annual revenue  
**1.7** billion square feet under management  
**16,300** professionals and staff

**FOR MORE INFORMATION**

**Martin Maguire**  
 Senior Research Director | Kansas City  
 +1 816 556 1102  
 martin.maguire@colliers.com

**CONTRIBUTORS**

**Cameron Duff sior, ccim**  
 Senior Vice President | Kansas City

**Ed Elder sior**  
 President | Kansas City

**Tom Haverty**  
 Executive Vice President | Kansas City

**Doug Hedrick sior, ccim**  
 Senior Vice President | Kansas City

**John Stafford sior, ccim**  
 Senior Vice President | Kansas City