

KANSAS CITY INDUSTRIAL MARKET

MARKET KEPT PACE IN 2019 WITH 1.2 MILLION SQUARE FEET OF TOTAL NET ABSORPTION

The Kansas City industrial market tightened further in the fourth quarter of 2019, as 633,460 square feet of net absorption was posted. Average quoted rents decreased from \$4.66/SF to \$4.64/SF. A total of 159,000 square feet of space was delivered to the market during the quarter, while projects under construction increased significantly, from 3.0 million square feet to 4.8 million square feet. Overall vacancy decreased 20 basis points, from 6.1% in the prior quarter to 5.9%.

5300 KANSAS AVENUE FACILITY IN KANSAS CITY, KANSAS SELLS TO SEALY & COMPANY

Kansas City continues to attract solid sales activity as a result of the metro's strong supply chain, logistics and transportation infrastructure and its skilled workforce. Continuing the trend of significant sales in Wyandotte County, Newmark Grubb Zimmer arranged the sale of a 517,390-square-foot industrial building located at 5300 Kansas Avenue in Kansas City, Kansas. Sealy & Company, a real estate investment and operating firm with corporate offices in Dallas, Texas, and Shreveport, Louisiana, purchased the property from BH Properties, a Los Angeles-based commercial real estate investment company focused on "value-added" opportunities.

The Class B facility is situated on 21.1 acres, with an additional 2.75 acres for trailer storage, located west of Interstate 635 in the Turner Industrial District. The facility was delivered to the market in 1970 and includes 44 dock doors, one drive-in and ceiling height minimums between 24 and 32 feet. The last-touch fulfillment center is currently fully occupied by Overstock.com, Inc., an online furniture and home good retailer, and Riverside Transport.

SIGNIFICANT LEASE COMMITMENTS FROM OUT-OF-TOWN FIRMS HIGHLIGHT STRONG QUARTER

The Kansas City industrial market ended 2019 with strong leasing activity, as three firms new to the metro announced major lease commitments. Tool Source Warehouse, Inc., a Georgia-based national wholesale distributor of industrial machinery and equipment, announced in October it will open a new facility by leasing a 153,230-square-foot space in Building VII of Lenexa Logistics Centre in Lenexa, Kansas. Located at 11200-11278 Britton Street, the Class A building was delivered to the market in 2017 and totals 401,100 square feet. Tool Source Warehouse plans to hire up to 25 new employees over the next few years.

CURRENT CONDITIONS

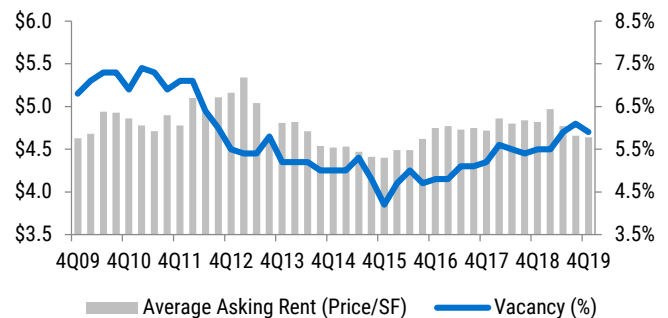
Positive net absorption has occurred in 29 out of the past 32 quarters with quarterly absorption averaging 1.2 million square feet.

BH Properties sells 517,390-square-foot, 5300 Kansas Avenue in Wyandotte County to Sealy & Company.

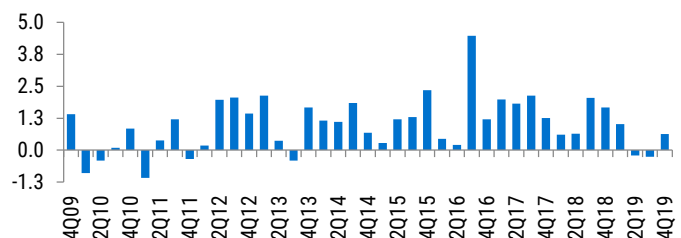
Major lease commitments from Tool Source Warehouse, AreYouGame.com and Invenergy highlight an active quarter.

MARKET ANALYSIS

Asking Rent and Vacancy



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	285 MSF	285 MSF	282 MSF	↑
Vacancy Rate	5.9%	6.1%	5.5%	↔
Quarterly Net Absorption	633,460	-253,403	1,668,651	↑
Average Asking Rent	\$4.64	\$4.66	\$4.82	↔
Under Construction	4,815,236	3,055,450	2,976,612	↔
Deliveries	159,000	251,533	2,242,834	↑

Reaffirming Kansas City's logistical advantages and skilled labor pool, AreYouGame.com, a California-based, toys, games and puzzles manufacturer, announced in November it will relocate its fulfillment center from Memphis to Kansas City, Missouri. The firm will invest approximately \$7.0 million and occupy the entire 109,630-square-foot space at 11201 NW Airworld Drive in the Northland. The Class B facility was formerly occupied by Rogers Sporting Goods and originally delivered to the market in 2004. AreYouGame.com will hire nine permanent employees and up to 100 seasonal workers and will use the property for its e-commerce fulfillment, light-assembly and distribution needs.

Invenergy, an Illinois-based global developer and operator of sustainable energy solutions, leased 639,390 square feet in the South Johnson County submarket during the fourth quarter of 2019. The firm will occupy a 328,290-square-foot space at Inland Port XI within Logistics Park Kansas City in Edgerton, Kansas. Located at 30901 West 191st Street, the Class A building was delivered to the market in 2015 and totals 765,180 square feet. Invenergy will also lease 311,100 square feet at 500 Sumner Way in New Century, Kansas. The firm will occupy the entire Class B building which was delivered to the market in 1983.

VACANCY SHOULD HOLD STEADY IN THE 5.6% TO 6.2% RANGE THROUGHOUT 2020

The Kansas City industrial market continued to tighten in the fourth quarter of 2019, with steady leasing and sales activity. Positive net absorption occurred in 29 out of the past 32 quarters, dating back to the first quarter of 2012, and quarterly absorption averaged 1.2 million square feet during the same time period. The market delivered 2.4 million square feet during the past four quarters.

The pace of development adjusted once again, with the market realizing an increase in under construction activity from 3.1 million square feet to 4.8 million square feet during the past quarter.

Vacancy should hold steady in the 5.6% to 6.2% range throughout 2020, as a portion of the 4.8 million square feet of product currently under construction delivers to the market. Expect quoted rental rates to increase slightly to a range of \$4.60/SF to \$4.72/SF.

LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Invenergy	30901 W 191st St	South Johnson County	New	328,290
Invenergy	500 Sumner Way	South Johnson County	New	311,100
Honeywell	14901 Andrews Rd	South Jackson County	New	275,000
Tool Source Warehouse, Inc.	11200-11270 Britton St	South Johnson County	New	153,230
Banner Logistics, Inc.	1600 Vernon St	Northland	Renewal	115,850
AreYouGame.com	11201 NW Airworld Dr	Northland	New	109,630

SALES TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
4101 Empire Rd	East Jackson County	\$9,300,000	\$31	303,630
1313 Vernon St	Northland	\$2,420,000	\$35	68,490
250 N Troost St	South Johnson County	\$2,450,000	\$39	63,490
10991 NW Airworld Dr	Northland	\$1,850,000	\$59	31,390
1030 Pawnee Ave	Wyandotte County	\$875,000	\$63	13,050
707 N Lindenwood Dr	South Johnson County	\$1,090,000	\$109	10,000

SUBMARKET STATISTICS

Submarket	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	ALL	11,977,029	0	4.40%	79,102	-394,320	\$5.62	\$9.68	\$8.43
	Warehouse	11,478,492	0	4.00%	79,102	-324,778	\$3.71	\$9.68	\$8.43
	Flex	498,537	0	13.90%	0	-69,542	\$7.33	-	-
	Underground	0	0	-	0	0	-	-	-
East Jackson Co.	ALL	66,518,589	396,455	3.60%	136,137	110,690	\$3.53	\$6.29	\$5.08
	Warehouse	47,782,245	396,455	3.60%	103,848	316,214	\$3.39	\$4.67	\$4.00
	Flex	1,716,625	0	15.50%	15,389	2,700	\$5.75	\$9.95	\$9.98
	Underground	17,019,719	0	2.40%	16,900	-208,224	-	-	-
Midtown	ALL	8,567,382	0	6.40%	-77,310	-163,421	\$3.42	\$4.37	\$4.62
	Warehouse	5,630,699	0	7.90%	-125,156	-268,771	\$3.42	\$4.25	\$4.27
	Flex	1,600,336	0	0.20%	0	28,821	-	-	\$10.00
	Underground	1,336,347	0	7.60%	47,846	76,529	-	\$6.00	\$7.47
North Johnson Co.	ALL	25,831,309	240,000	7.80%	-264,514	-224,872	\$6.50	\$6.41	\$5.89
	Warehouse	21,021,829	240,000	7.20%	-80,650	-31,634	\$6.17	\$5.47	\$5.46
	Flex	2,309,480	0	11.70%	6,136	-33,238	\$10.55	\$8.15	\$8.83
	Underground	2,500,000	0	9.70%	-190,000	-160,000	\$3.78	-	-
Northland	ALL	60,159,640	2,474,450	6.00%	146,310	952,601	\$4.07	\$4.94	\$4.42
	Warehouse	49,817,831	2,462,450	4.70%	16,163	773,848	\$4.51	\$4.44	\$4.44
	Flex	1,607,993	12,000	10.00%	13,447	-101,867	\$8.72	\$12.57	\$9.87
	Underground	8,733,816	0	12.70%	116,700	280,620	\$2.72	-	\$3.00
South Jackson Co.	ALL	20,439,849	502,225	5.90%	-250,026	-463,557	\$5.81	\$5.13	\$4.12
	Warehouse	19,410,445	502,225	5.90%	-259,082	-493,829	\$5.81	\$4.65	\$3.94
	Flex	1,029,404	0	5.60%	9,056	30,272	-	\$8.00	\$8.75
	Underground	0	0	-	0	0	-	-	-
South Johnson Co.	ALL	49,949,429	1,202,106	9.80%	980,623	1,319,668	\$7.16	\$6.15	\$4.51
	Warehouse	46,097,713	1,202,106	10.20%	335,476	677,540	\$6.73	\$4.36	\$4.19
	Flex	3,851,716	0	4.20%	645,147	642,128	\$9.07	\$8.82	\$10.78
	Underground	0	0	-	0	0	-	-	-
Wyandotte Co.	ALL	41,251,177	0	4.10%	-116,862	53,172	\$5.31	\$6.10	\$3.72
	Warehouse	40,455,647	0	4.00%	-123,966	57,767	\$4.23	\$3.39	\$3.48
	Flex	795,530	0	6.10%	7,104	-4,595	\$7.67	\$9.35	\$9.33
	Underground	0	0	-	0	0	-	-	-
Kansas City Market	ALL	284,694,404	4,815,236	5.90%	633,460	1,189,961	\$4.87	\$5.64	\$4.64
	Warehouse	241,694,901	4,803,236	5.80%	-54,265	706,357	\$4.47	\$4.45	\$4.36
	Flex	13,409,621	12,000	10.50%	696,279	494,679	\$8.37	\$8.65	\$9.83
	Underground	29,589,882	0	6.50%	-8,554	-11,075	\$3.01	\$6.00	\$3.28

SUBMARKET STATISTICS – WAREHOUSE

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	11,478,492	0	4.00%	79,102	-324,778	\$3.71	\$9.68	\$8.43
East Jackson Co.	47,782,245	396,455	3.60%	103,848	316,214	\$3.39	\$4.67	\$4.00
Midtown	5,630,699	0	7.90%	-125,156	-268,771	\$3.42	\$4.25	\$4.27
North Johnson Co.	21,021,829	240,000	7.20%	-80,650	-31,634	\$6.17	\$5.47	\$5.46
Northland	49,817,831	2,462,450	4.70%	16,163	773,848	\$4.51	\$4.44	\$4.44
South Jackson Co.	19,410,445	502,225	5.90%	-259,082	-493,829	\$5.81	\$4.65	\$3.94
South Johnson Co.	46,097,713	1,202,106	10.20%	335,476	677,540	\$6.73	\$4.36	\$4.19
Wyandotte Co.	40,455,647	0	4.00%	-123,966	57,767	\$4.23	\$3.39	\$3.48
Kansas City Market	241,694,901	4,803,236	5.80%	-54,265	706,357	\$4.47	\$4.45	\$4.36

SUBMARKET STATISTICS – FLEX

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	498,537	0	13.90%	0	-69,542	\$7.33	-	-
East Jackson Co.	1,716,625	0	15.50%	15,389	2,700	\$5.75	\$9.95	\$9.98
Midtown	1,600,336	0	0.20%	0	28,821	-	-	\$10.00
North Johnson Co.	2,309,480	0	11.70%	6,136	-33,238	\$10.55	\$8.15	\$8.83
Northland	1,607,993	12,000	10.00%	13,447	-101,867	\$8.72	\$12.57	\$9.87
South Jackson Co.	1,029,404	0	5.60%	9,056	30,272	-	\$8.00	\$8.75
South Johnson Co.	3,851,716	0	4.20%	645,147	642,128	\$9.07	\$8.82	\$10.78
Wyandotte Co.	795,530	0	6.10%	7,104	-4,595	\$7.67	\$9.35	\$9.33
Kansas City Market	13,409,621	12,000	10.50%	696,279	494,679	\$8.37	\$8.65	\$9.83

ECONOMIC CONDITIONS

The local economy continued to improve through November, with total employment growth of 1.4% and positive growth occurring in six out of ten industries, calculated on a 12-month percent change basis.

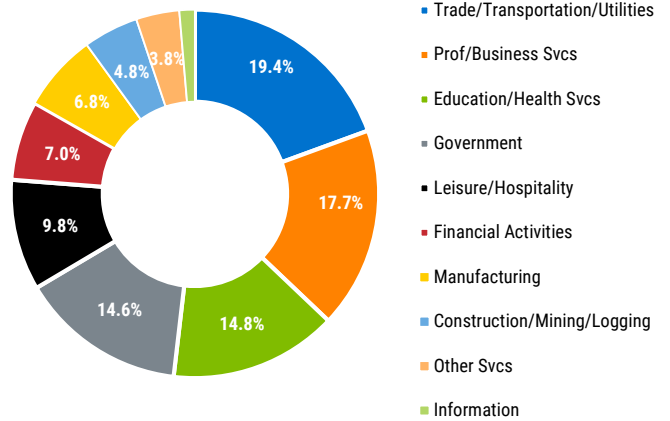
Payroll employment in Kansas City increased 60 basis points compared to the prior year registering 1.4% in November 2019. The national average decreased 20 basis points to 1.5%. Both indices have realized positive 12-month percent changes since August 2010.

The Consumer Price Index (CPI) for the United States decreased 10 basis points compared to the prior year, registering 2.1% in November 2019. The Midwest Urban CPI increased 50 basis points to 1.9% in November 2019.

Unemployment in the United States decreased 20 basis points to 3.5% in November, while unemployment in Kansas City decreased 10 basis points to 3.1% compared to the past quarter. Unemployment in Kansas City decreased 10 basis points from a year prior.

EMPLOYMENT BY INDUSTRY

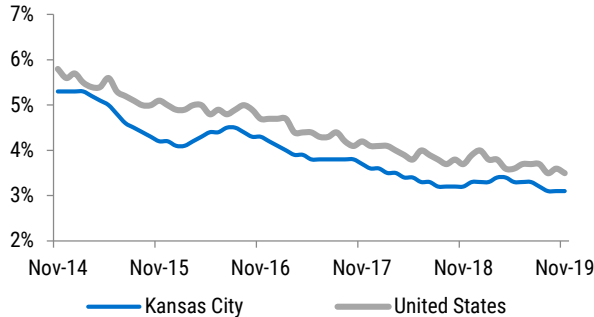
Kansas City, November 2019



Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT RATE

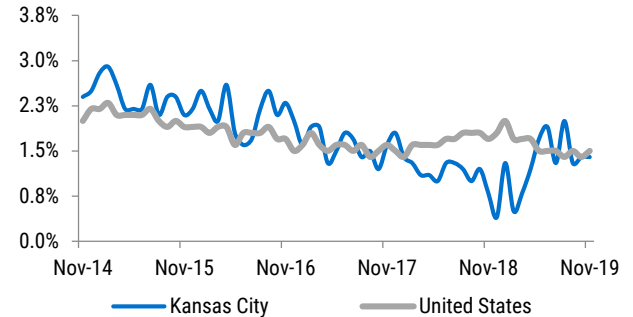
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

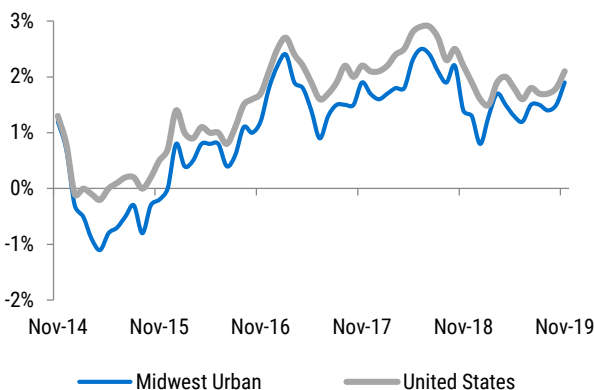
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

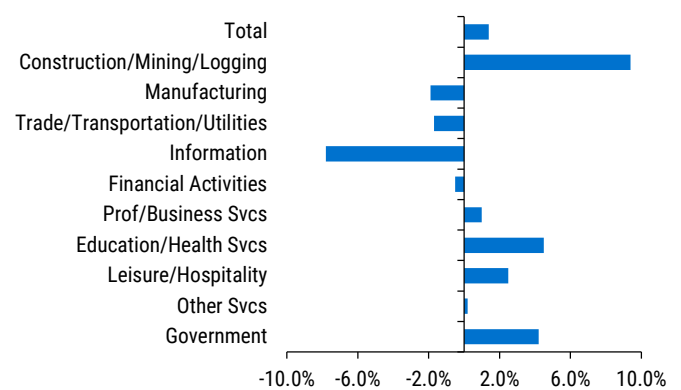
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

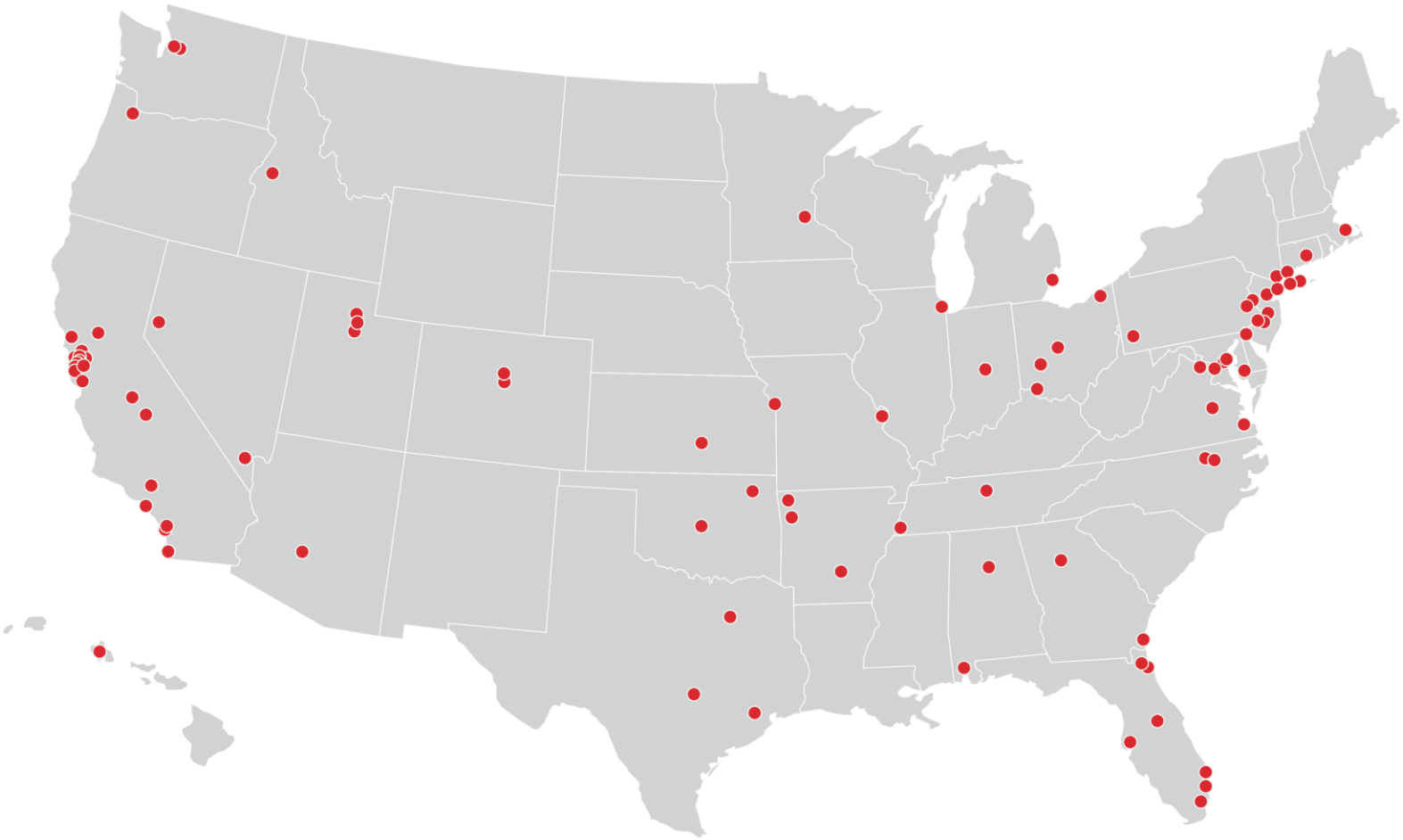
EMPLOYMENT GROWTH BY INDUSTRY

KC, Nov. 2019, 12-Month % Change, Not Seasonally Adj.



Source: U.S. Bureau of Labor Statistics

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Newmark Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Knight Frank Research Reports are available at www.ngkf.com/research

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