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KESSINGER HUNTER
commercial real estate

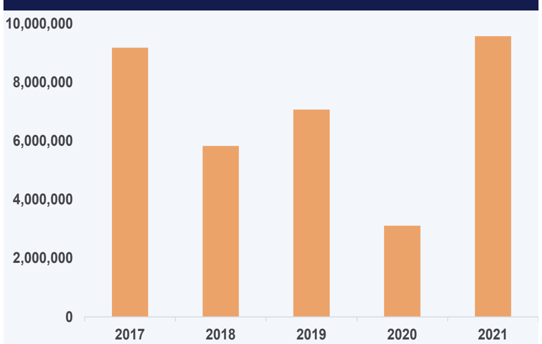
KANSAS CITY
YEAR-END 2021

Supply Chain Crisis Ignites a Boom for Industrial Space

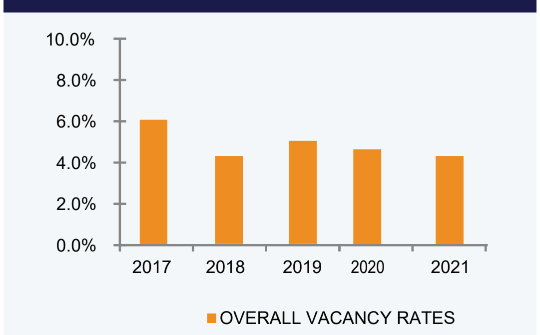
STATS ON THE GO

	2021	12 MONTH FORECAST
Overall Vacancy	4.5%	▲
Overall Absorption	9,569,816	▲

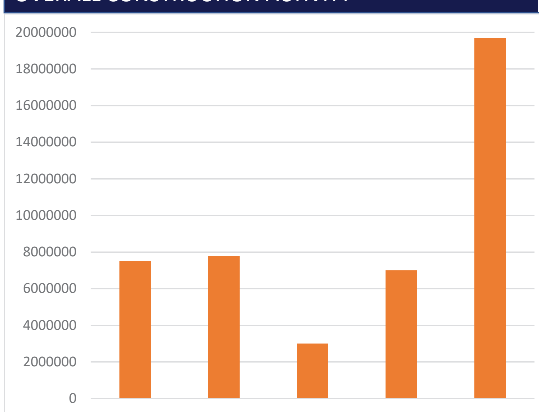
OVERALL ABSORPTION



OVERALL VACANCY RATES



OVERALL CONSTRUCTION ACTIVITY



Demand for industrial buildings is booming. Industrial net absorption jumped to 161.7 million square feet in the third quarter, which is by far the largest reported figure since records started in 2002. Initial estimates for the fourth quarter indicate that demand has cooled off slightly, but only modestly so. The recent surge in demand has pushed the national vacancy rate down to 4.6% from 5.1% the previous quarter, the sharpest sequential decline on record. Industrial rents advanced 2.3% sequentially during Q3 and are up 7.2% over the year. Industrial property prices have mirrored the sharp rise in rents, with property valuations up 18.9% on a yearly basis, more than any other major commercial property type. This exceptional price appreciation and promising prospects for continued growth are drawing in a wide array of institutional investors, developers, and industrial operators. During Q3, there were more than $33 billion in industrial property sales, an all-time high according to CoStar.

The surge in industrial demand brought on by crowded ports and other pandemic-related supply chain disruptions is clearly a short-term boon for industrial fundamentals. It appears increasingly likely, however, that the upshift in spending that has overwhelmed distribution channels is beginning to gradually moderate as household savings diminish and consumers shift back toward spending on services. One benefit of a slower pace of consumer spending is that a thinning flow of goods through the nation's supply networks will help alleviate port congestion and jammed distribution channels. The rush to restock shelves ahead of what we believe will be a record season of holiday sales has also likely placed supply chains under further strain recently. As the holiday season winds down and the calendar moves into 2022, logistics networks presumably will be under far less stress.

Furthermore, the growing armament of COVID treatments and vaccines should help reduce unplanned factory closures and port disruptions within the major trading partners of the United States.

FEATURED PROPERTY

3141 W Heartland Dr, Liberty, MO

New Speculative Industrial Space for Lease

24,000± SF - 181,321± SF

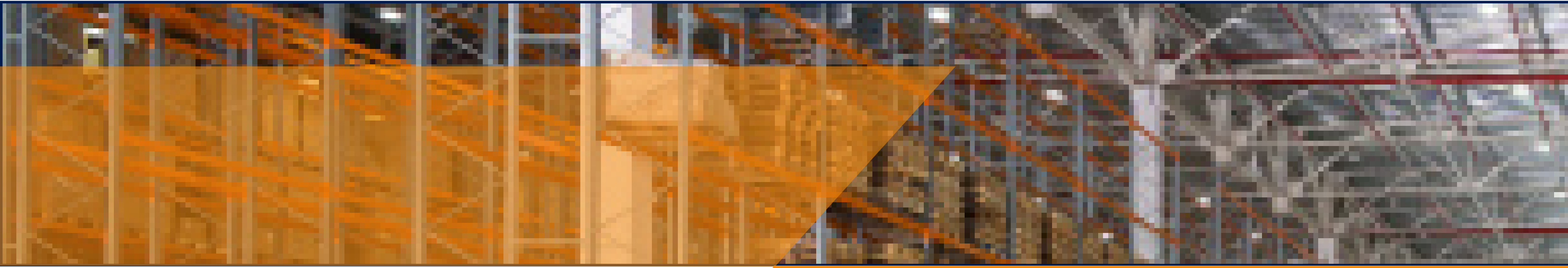
An Opus Development

Normalizing supply chains will likely remove some of the urgency for extra warehouse space and take some wind from the sails of industrial demand. Longer term, however, businesses fortifying their supply chains and keeping precautionary inventory on hand will continue to support demand. The shift to e-commerce, which is still in its early stages, will be a long-term boon for industrial demand. In terms of supply, new industrial construction is moving forward at a rapid clip. Yet, net absorption has easily outpaced net completions in each of the past four quarters, which suggests that the pace of new construction is still catching up with soaring demand.

--Wells Fargo Securities and CoStar

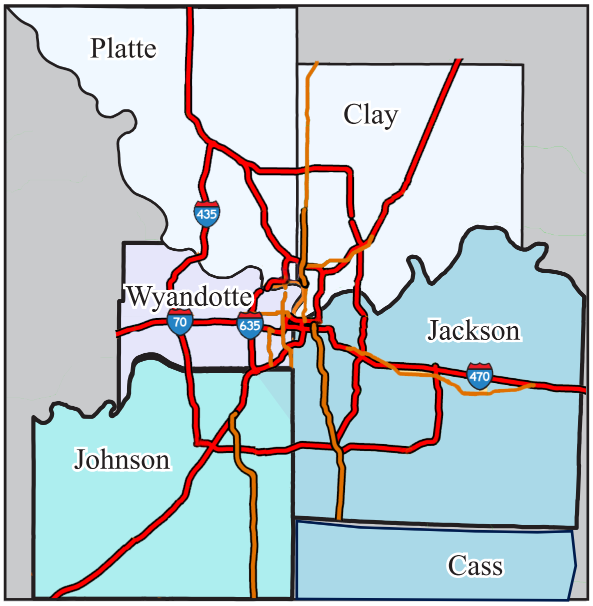
2022 OUTLOOK

The Kansas City industrial market continues to press forward and benefit from the boom in e-commerce and high demand for warehouse space. Despite rising construction material costs, class A speculative construction in Kansas City and other parts of the country show no signs of slowing down. Rental rates as well as sale prices are continuing to rise, but it is not stopping tenants and buyers from securing good buildings. If the labor market can somehow rebound and businesses have an easier time hiring the people they need, we will see the demand for industrial space grow even stronger.



KANSAS CITY YEAR-END 2021

Kansas City Metro Industrial Submarkets



Top Transactions

Amazon leased space at Liberty Commerce Center (1,030,000± SF) in Liberty, Missouri.

Collins Aerospace leased space at 15701 W. 95th St (274,000± SF) in Lenexa, Kansas.

ALPLA Inc. leased space on E. Bannister Rd (240,000± SF) in South Kansas City, Missouri.

Ford leased space at Liberty Commerce Center (517,000± SF) in Liberty, Missouri.

Pratt Industries leased space at I-70 & Turner (217,627± SF) in Kansas City, Kansas.

CEVA leased space at Liberty Commerce Center (514,000± SF) in Liberty, Missouri.

Manna Pro Products leased space at 10504-01630 W. 79th Street (155,000± SF) in Lenexa, Kansas.

Market	Total Market Size	Market Vacancy	Under Construction/Delivered
Platte & Clay/Northland	67,673,940± SF	4%	4,400,381± SF
Wyandotte	47,789,255± SF	4.8%	3,992,411± SF
Jackson/Cass	123,123,282± SF	3.8%	5,887,746± SF
Johnson	85,829,025± SF	5.7%	5,506,626± SF
Overall Market	324,415,502± SF	4.5%	19,787,164± SF

Kessinger Hunter & Company is the premier commercial real estate services firm in Kansas City. Our firm represents multinational corporations, pension funds, REITS, developers, entrepreneurs, government entities, small and mid-size companies, and financial institutions worldwide. We are market leaders in all of our core businesses.

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