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KANSAS CITY
MID-YEAR 2022

More Supply Chain Disruptions are Coming

STATS ON THE GO

	2022	12 MONTH FORECAST
Overall Vacancy	4.21%	
Overall Absorption	5,255,216	

OVERALL ABSORPTION

OVERALL VACANCY RATES

Sources: CoStar
Peter Tirschwell
June 29, 2022 6:20 PM ET
Wall Street Journal

Things look as if they're almost back to normal at the West Coast ports at the heart of the great supply-chain disruption that began rolling across the U.S. last year. But a new wave of disruption might soon come crashing down. While the ill effects of Covid have dissipated, the ports' increasing need for automation to stay competitive has sharpened the labor strife that has long afflicted them.

The collective-bargaining agreement covering longshore labor along the West Coast expired, and with it the contract's "no strike" clause. This will allow 22,400 dockworkers to walk off the job at any time until a new contract is ratified. Negotiations began in May and could take months. A strike would shut down 29 ports, including the adjacent Los Angeles and Long Beach complex, which handles 47% of containerized imports from China and other Asian manufacturing centers.

The threat of disruption is serious enough that earlier this month President Biden did what no previous president has done. He met personally with the heads of the International Longshore and Warehouse Union and of their management counterpart, Pacific Maritime Association, in the middle of their negotiations. The reason was clear. What's at stake for the economy, and for Mr. Biden, is new supply disruptions that would further fuel inflation and boost Republicans in November.

An actual strike isn't probable. More than half a century has passed since the last dockworker strike on the West Coast. Much more likely are local labor disruptions. There was no strike at West Coast ports in 2014 and 2015, when the contract was last up for negotiation (it was extended in 2019). But there were nearly six months of labor disruption, leading to billions of dollars in losses for agricultural exporters. Local units of the ILWU disrupted individual ports over local grievances they felt weren't being addressed in the negotiations. Port employees' main tactic - which they've employed since the 1990s - was to work "to the letter of the contract," loading and moving containers very slowly. It's not possible to stop a dockworker from driving equipment at a snail's pace, and it can severely disrupt cargo flow.

It's the possibility of this sort of protest that most worries officials. The ILWU and PMA said in a June 14 update on negotiations that "neither party is preparing for a strike or lockout." But they made no mention of slow-rolling tasks.

Because such disruptions originate at a local level, it's hard for the union's leadership to maintain control. ILWU President Willie Adams pledged his support for a disruption-free negotiation when he and PMA President Jim McKenna met with Mr. Biden, but Mr. Adams may prove powerless to stop unrest from smaller units within his own union. Small organizations

of workers don't necessarily care that the White House and businesses across the world will be watching these negotiations carefully, fearing heightened inflation and shipment disruptions.

These local issues could exacerbate tensions over the big coastwide problem on the table: port operators' desire to automate cargo handling. Since it is nearly impossible to get approval to expand the footprint of the Los Angeles-Long Beach ports, the only way they can grow is by "densifying" - moving more containers through the existing facilities. That requires robotic shuffling of the container stacks - which the union agreed to allow automation in an earlier contract - sees as an existential threat. But the West Coast ports risk becoming uncompetitive if they don't automate. Other ports have done so and it's one of the reasons some of the notable West Coast facilities are at the bottom of global port-productivity rankings.

Importers and retailers, fearing disruptions, are already pre-emptively diverting significant volumes of Asian-produced goods to ports on the East and Gulf coasts. That tactic helped unclog the backups that all but crippled the Southern California ports for much of last year and into this year. As of June 24 there were only 16 ships waiting for aberth, down from a record 109 in early January. But the diversions simultaneously led to worsening backups at East and Gulf coast ports, which were already struggling amid adeluge of arriving inventory. And worried retailers are stockpiling goods, including for the holiday season, increasing container flows and creating backups extending into the interior U.S. Management and union leaders may offer reassurances.

Mr. Tirschwell is vice president of maritime, trade and supply chain at S&P Global MarketIntelligence and chairman of the TPM conference.

Kansas City Metro Industrial Submarkets

- > Clorox leased 569,594± SF at 159th Street & 56 Highway, Olathe, Kansas
- > Rev Logical leased 517,000± SF at S. Liberty & Hughes Road, Claycomo, Missouri
- > Nautical Fulfillment leased 463,161± SF at I-49 & Bannister Road, South Kansas City, Missouri
- > Owens Corning leased 200,000± SF at 800 Sunshine Road, Kansas City, Kansas
- > E-Shipping, LLC leased 100,045± SF at 88-92 Sunshine Road, Kansas City, Kansas
- > Mark-It Express leased 378,972± SF at 6500-6771 Inland Drive, Kansas City, Kansas
- > Beyond Warehousing leased 270,222± SF at 18451 Montrose Street, Olathe, Kansas
- > Allegion leased 117,042± SF at 16231 S. Lone Elm Road, Olathe, Kansas

Market	Total Market Size	Market Vacancy	Under Construction	Deliveries
Platte & Clay/Northland	68,986,978± SF	4.9%	4,474,450± SF	1,501,745± SF
Wyandotte	48,205,558± SF	3.1%	2,072,965± SF	0± SF
Jackson/Cass	122,446,367± SF	2.8%	4,480,402± SF	1,351,755± SF
Johnson	90,438,757± SF	6.2%	5,809,542± SF	2,465,911± SF
Overall Market	330,077,660± SF	4.25%	16,837,359± SF	5,319,411± SF

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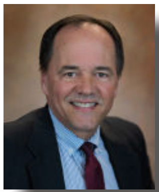
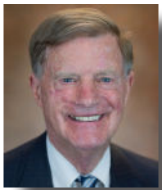
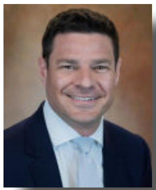
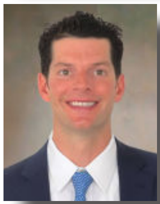
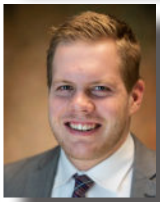
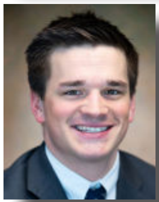
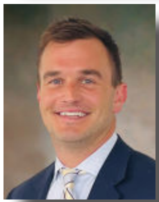

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