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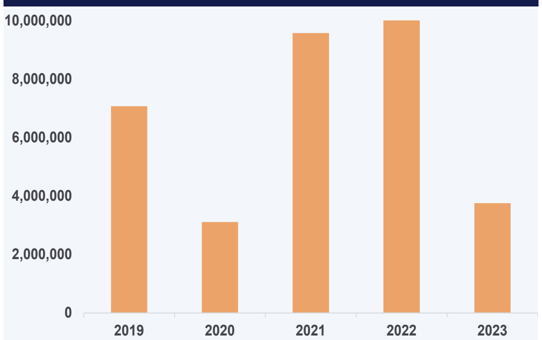
commercial real estate

Industrial Real Estate Investor Reminded Long Term Focus is Key

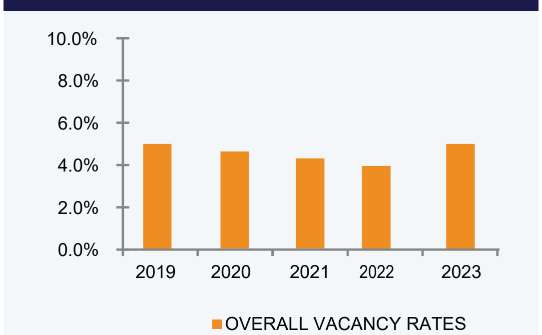
STATS ON THE GO

	2023	12 MONTH FORECAST
Overall Vacancy	5.1%	
Overall Absorption	3,755,683	

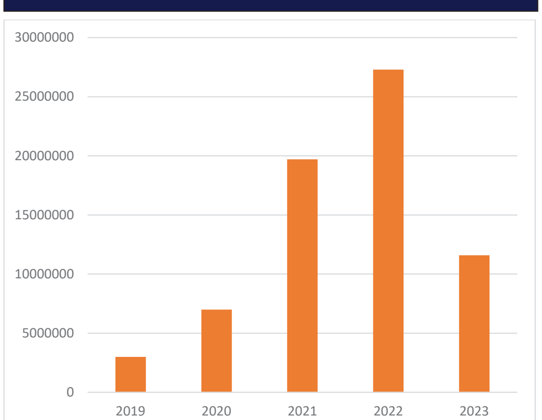
OVERALL ABSORPTION



OVERALL VACANCY RATES



OVERALL CONSTRUCTION ACTIVITY



Source: 2023 CoStar Group

As 2024 unfolds the U.S. industrial real estate sector is navigating through a complex, yet evolving landscape, marked by both emerging challenges and significant opportunities, particularly for investors with a long-term perspective. This period is seeing a softening in the industrial market, primarily due to the normalization of consumer behavior and a recalibration of supply chain strategies following the pandemic. Despite these trends indicating a slowdown from the rapid growth spurred by the e-commerce surge, they also suggest a move towards a more sustainable growth path rather than a steep downturn.

The financial backdrop for the industrial sector in 2024 is undergoing a shift. While investors are contending with tightening loan standards and reduced lending options, there are emerging signs of a potentially more favorable borrowing environment. Indications from the Federal Reserve about the possibility of cutting rates in 2024 could lead to decreased borrowing costs, contrary to the earlier expectations of escalating costs. This change could ease capital deployment for new acquisitions and bolster market activity, offering a conducive climate for long-term investment strategies.

In parallel, the dynamics in the office and retail sectors are indirectly impacting the industrial market. The office sector is experiencing increased vacancy rates and a transformation in space requirements due to the adoption of remote and hybrid work models. This shift is opening up new possibilities for the innovative use of industrial spaces, thereby creating fresh investment and development opportunities within the sector.

Survey data reflects mixed sentiments about the cost of capital and capital availability for 2024. However, the potential for lower interest rates and improved borrowing conditions could alleviate some of these concerns, providing a more optimistic outlook for investors who are poised to navigate these evolving conditions with a long-term focus. The ability to endure short-term market shifts and concentrate on future potential is likely to position these investors advantageously as the market moves towards stabilization and growth.

FEATURED PROPERTY

14900 W. 99th Street, Lenexa, KS

OXFORD SQUARE

57,000± SF For Lease

Conclusion

The industrial real estate market in 2024 is presenting a multifaceted scenario. While some trends point towards market corrections and financial uncertainties, the evolving economic policies and a shift towards more favorable borrowing conditions are carving out opportunities for strategic, long-term investors.

Success in this market will largely depend on the ability to recognize and adapt to these emerging trends, particularly focusing on sustainability and exploring innovative industrial applications. As the market heads towards a phase of gradual stabilization, investors who maintain a steadfast focus on long-term objectives are poised to successfully navigate the industrial real estate landscape of 2024.

Kansas City Metro Industrial Submarkets

> Panasonic Energy leased 509,760± SF in Flint Commerce Center, DeSoto, KS

> Community Wholesale Tire leased 203,900± SF at Hunt Midwest Business Center, Kansas City, MO

> Origin Point Brands leased 191,740± SF at 5300 Kansas Avenue, Kansas CIty, KS

> Ace Hardware Corporation leased 1,536,045± SF at KCI 29 Logistics Park, Kansas City, MO

> West Liberty Foods leased 327,000± SF at I-49 Industrial Center, Kansas City, MO

> Urban Outfitters leased 604,000± SF at Raymore Commerce Center, Raymore, MO

> Kalmar Solutions leased 574,732± SF in Olathe, KS

> Chick-fil-A Supply leased 147,960± SF in Lone Elm Commerce Center, Olathe, KS

> Standard Motor Products leased 574,732± SF in Heartland Logistics Park, Shawnee, KS

Market	Total Market Size	Market Vacancy	Under Construction	Deliveries	Absorption
Platte & Clay/Northland	75,493,878± SF	4.5%	1,748,833± SF	2,127,329± SF	1,178,690± SF
Wyandotte	49,942,948± SF	1.6%	150,000± SF	42,500± SF	672,857± SF
Jackson/Cass	128,823,198± SF	4.9%	1,123,800± SF	3,518,684± SF	1,746,865± SF
Johnson	96,476,035± SF	7.7%	8,562,110± SF	4,622,445± SF	157,221± SF
Overall Market	350,736,059± SF	5.1%	11,584,743± SF	10,310,958± SF	3,755,633± 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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