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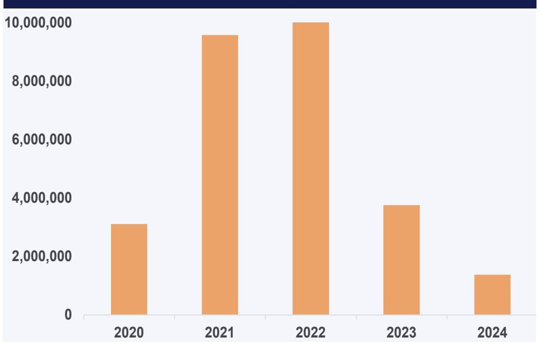
# KESSINGER HUNTER
commercial real estate

## These Industrial Markets Could See Turbulence

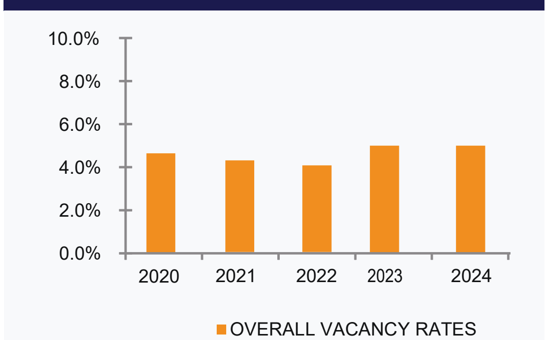
### STATS ON THE GO

| | 2024 | 12 MONTH FORECAST |
|---|---|---|
| Overall Vacancy | 5.4% | |
| Overall Absorption | 1,378,010 | |

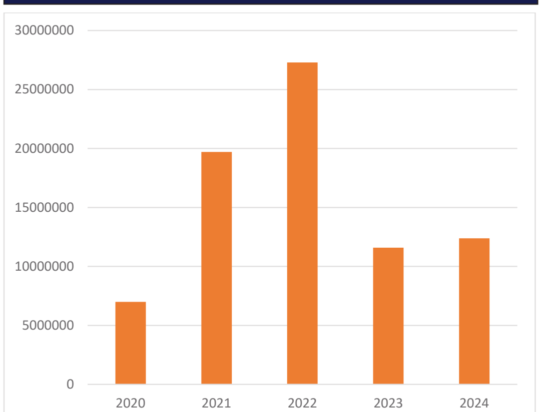
### OVERALL ABSORPTION




### OVERALL VACANCY RATES




### OVERALL CONSTRUCTION ACTIVITY




*Source: 2024 CoStar Group*

Multifamily in multiple geographic markets has faced pressure from rapidly increasing inventory. The units were needed but are concentrated in markets like the South and parts of the West, increasing total vacancies and pushing down the rent growth.

According to a CBRE report, there is “turbulence ahead for some industrial markets.” “Some important industrial markets will see a deluge of new construction completed this year, including Dallas-Fort Worth (where the availability rate is already in double-digits), Riverside, Atlanta and Houston,” they wrote.

Phoenix has 33 million square feet under construction, the most in the U.S. and a third of it won’t be finished until 2025. “Considering this, we forecast that the availability rate will surpass 12% next year,” they wrote. “In some emerging markets, such as Savannah and Austin, the supply pipeline amounts to nearly 12% of inventory-the only markets in this analysis with double-digit supply growth.”

The top 15 markets, ranked by millions of square feet under construction, are Phoenix, Riverside, Atlanta, Dallas, Houston, Savannah, Austin, Las Vegas, Chicago, Boston, Kansas City, Philadelphia, Fort Worth, Indianapolis, and Greenville. The range of construction is from Phoenix’s 33 million square feet to maybe 8 million square feet in Greenville.

“Landlords will need to be aggressive in leasing this new space-whether in Phoenix or Savannah,” said CBRE. “Nationally, the pre-leasing rate on completed buildings has plummeted to 32% from a peak of over 70% in 2021 and 2022.”

As often happens in CRE, though, there are other conflicting reports. In early May, industrial CRE giant Prologis saw a level of activity in April “consistent with demand generation, supported by macro data that

### FEATURED PROPERTY

**13901 W. 101st St., Lenexa, KS**

**54,000± SF Available**

reflects restocking inventories amid resilient consumption activity, although realized net absorption has lagged.”

Facilities utilization was about 85% in both March and April. That’s up from a low of 83% in the last quarter of 2023.

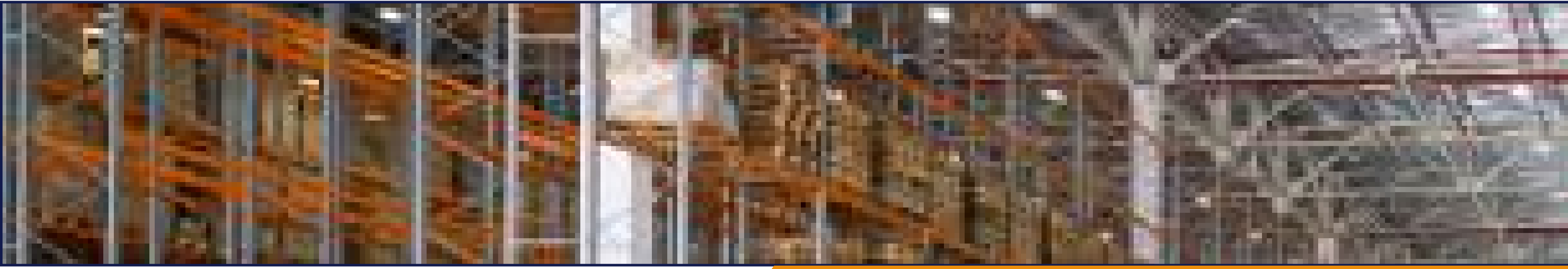
“Despite a strong rise in import volumes, sales outpaced inventory growth, pushing down the inventory-to-sales ratio of 1.24%, approximately -3% below the 2019 average. This points to further need to build inventories, particularly for wholesalers.”

The company also noted that net absorption of 26 million square feet under performed what might have been expected. “IBI readings and macro data suggest logistics real estate demand growth should be higher than what was realized in Q1,” they said.

By: Erik Sherman - June 07, 2024-GlobeSt

***Conclusion***

While a few key industrial markets across the United States are seeing turbulence, the overall industrial market remains healthy over the country. Despite the industrial market seeing far less demand and activity in the first half of 2024 relative to recent years, the Kansas City industrial market remains in balance.



# Kansas City Metro Industrial Submarkets

## KANSAS CITY MID-YEAR 2024


## Top Transactions

> Packer Fastener leased 57,000± SF at Oxford Square, Lenexa, KS

> Keystone Automotive leased 528,000± SF at Heartland Logistics, Shawnee, KS

> Olathe Millwork leased 132,500± SF at New Century Commerce Center, New Century, KS

> Nuuly leased 204,000± SF at Raymore Commerce Center, Raymore, MO

> Keystone Lighting leased 163,729± SF at Blue River Commerce Center, Kansas City, MO

> McKesson leased 306,557± SF at Hunt Midwest Business Center, Kansas City, MO

> Americold leased 335,000± SF at I-49 Logistics Center in Kansas City, MO

> Vertical Cold Storage leased 312,023± SF at I-49 Logistics Center, Kansas City, MO

| Market | Total Market Size | Market Vacancy | Under Construction | Deliveries | Absorption |
|---|---|---|---|---|---|
| Platte & Clay/Northland | 76,660,993± SF | 4.1% | 2,540,000± SF | 952,732± SF | 1,184,492± SF |
| Kansas City, KS | 50,807,232± SF | 2.3% | 200,000± SF | 0± SF | (352,602)± SF |
| Jackson/Cass | 129,318,390± SF | 5.3% | 1,355,799± SF | 160,200± SF | 66,667± SF |
| Johnson | 98,300,758± SF | 8.1% | 8,289,642± SF | 1,440,490± SF | 612,787± SF |
| Overall Market | 355,087,373± SF | 5.4% | 12,385,441± SF | 2,553,422± SF | 1,378,010± SF |

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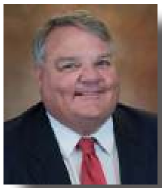

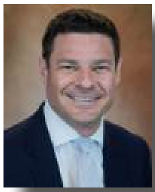
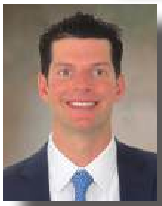
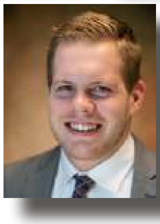
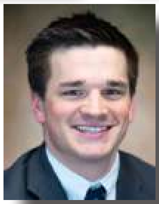
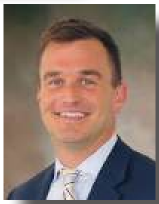

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