



# KANSAS CITY METRO AREA MARKET REPORT



## MARKET OVERVIEW

For only the third time in the past four years, there was nearly one million square feet of positive absorption this past quarter. The only two other occurrences over this time period were in the third quarter of 2011 and fourth quarter of 2009.

Unlike the previous quarters where a single large transaction was the catalyst for the high absorption number, this quarter showed a well-balanced transaction list with multiple new lease deals. The largest tenant to move into existing space in the second quarter was Quidsi Logistics, LLC, leasing over 300,000 square feet of space in Lenexa, Kansas.

The second lease that helped push the absorption needle was the move-in of Grainger, an industrial supplier, which moved into a 155,000-square-foot space located in Independence, Missouri. The third large tenant to move during the second quarter was Zumiez, which occupied 153,000 square feet of space in Edwardsville, Kansas.

The overall effect of 969,830 square feet of positive absorption related to the vacancy rate is a swing of about 30 basis points, pushing the vacancy rate down to 7.2%. In terms of vacant space, this was nearly a 50-basis-point decrease in vacancy from the same quarter of last year.

## MARKET INDICATORS

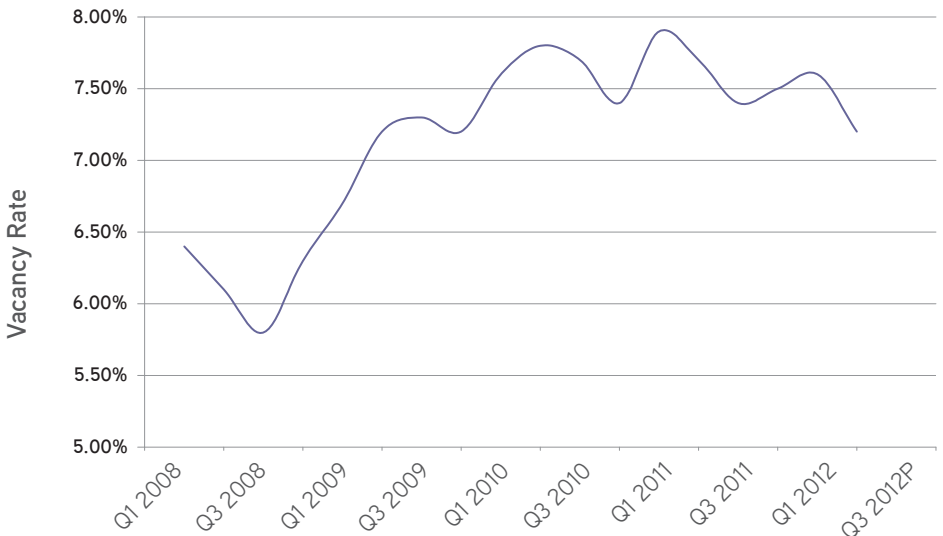
	Q2 2012	Q3 2012 (P)
VACANCY	↓	↓
NET ABSORPTION	↑	↔
CONSTRUCTION	↔	↔
RENTAL RATE	↔	↔

\*Relative to prior period

## SUMMARY STATISTICS

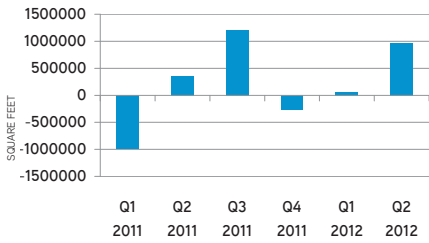
	Q2 2012	Q2 2011
Vacancy Rate:	7.2%	7.7%
Absorption YTD:	1,036,244 SF	(621,679) SF
Deliveries YTD:	350,000 SF	53,698 SF
Under Construction:	2,720,241 SF	1,974,752 SF

## KANSAS CITY VACANCY



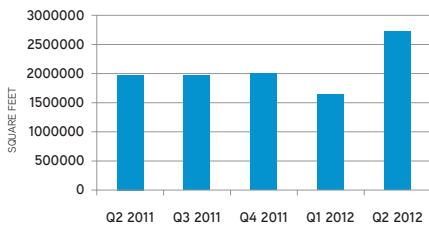
Sources: CoStar and Colliers Research

**ABSORPTION**



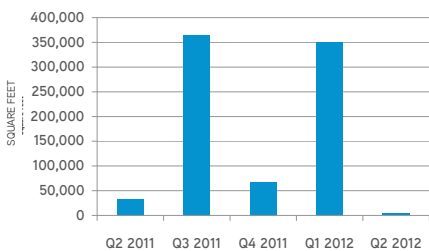
Sources: CoStar and Colliers Research

**RBA UNDER CONSTRUCTION**



Sources: CoStar and Colliers Research

**DELIVERIES**



Sources: CoStar and Colliers Research

**NEW CONSTRUCTION**

Currently, there are multiple projects that are under construction on both the Missouri and Kansas sides of the metro. While there is 2,720,241 square feet of industrial space currently under construction, there were no new deliveries during the second quarter of 2012. The most notable construction project underway is an 821,000-square-foot industrial, speculative, cross-dock, distribution building that is currently being developed at the I-35 Logistics Park in Olathe, Kansas. The project is expected to be delivered in the first half of 2013.

Webco Manufacturing, Inc is also currently constructing a 200,000-square-foot facility in Olathe, Kansas, which will be owner-occupied and expected to be delivered in the spring of 2013. On the Missouri side, the largest construction project is a 155,000-square-foot speculative building located in the Riverside Horizons Industrial Park. The building is expected to be delivered in the third quarter of this year.

**TRENDS IN THE MARKETPLACE**

Recent large lease deals and renewals signed in the second quarter, along with the lack of new construction to be delivered in the next two quarters, will keep the vacancy rates low in Kansas City for the coming

quarters. The most promising sign of market stabilization is the construction of speculative buildings in the marketplace. Speculative construction suggests owner, corporate, and lender confidence in the market as a result of the positive traction from the intermodal business centers and logistics parks in the market.

Several sizeable lease deals and renewals were negotiated during the second quarter, which should result in positive absorption numbers for the upcoming quarters. Rental rates across all types of industrial spaces remained fairly stagnant compared to previous quarters.

While there is positive momentum for larger tenant space in the market, the movement of smaller owner/user industrial buildings is still sluggish. Industrial buildings under the 30,000-square-foot threshold have not had a lot of activity in the market. Reasonable rental rates on newer industrial space and national economic uncertainty for local business owners can be attributed to the lack of movement on smaller deals.

**RECENT TRANSACTIONS & MAJOR DEVELOPMENTS**

**SALES ACTIVITY**

PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	PRICE / SF	BUYER	SELLER
9500 Widmer Street	Johnson County	\$3,300,000	70,000	\$47.14	Skates LLC	General Electric Credit Equities, Inc
11333 Strang Line Road	Johnson County	\$2,030,000	35,423	\$57.31	Lundy Holdings LLC	Ralph Family Properties, LLC
16210 W 110th Street	Johnson County	\$1,400,000	27,750	\$50.45	Wise El Santo Company	Himoinsa USA, Inc
6860-6868 W 153rd Street	Johnson County	\$1,250,000	17,576	\$71.12	Stallard & Stallard LLC	Elliott Simon
616 N. Rogers Road	Johnson County	\$1,100,000	11,507	\$95.59	Builders Stone and Masonry, Inc.	616 Rogers Road, LLC

**LEASING ACTIVITY**

PROPERTY	SUBMARKET	TENANT	LANDLORD	SIZE SF
11011 Lackman Road	Johnson County	Quidsi Logistics, LLC	11011 Lackman, LLC	300,838
8600 NE Underground Drive - Pilar 300G	Executive Park/Northeast	National Archives	Hunt Midwest Real Estate Development, Inc	102,000
825 Armourdale Parkway	Wyandotte County	Simpson Strong Tie	Prime Investments, Inc	53,000
825 Armourdale Parkway	Wyandotte County	Schmuhl International	Prime Investments, Inc	50,000
1902 Warren Street	Executive Park/Northeast	Viking Supply	Cobalt Industrial REIT II	43,290

## INDUSTRIAL OVERVIEW

EXISTING PROPERTIES													ABSORPTION		CONSTRUCTION		RENTS
SubMarket	Bldgs	Total Inventory SF	Direct Vacant SF	Sublease Vacant SF	Total Vacant SF	Total Vacancy Rate	Net Absorption Current Qtr SF	Net Absorption YTD SF	Completions Current Qtr SF	Completions YTD Qtr SF	Under Construction SF	Avg Asking Rate					
<b>EXECUTIVE PARK/NORTHEAST</b>																	
Flex	8	123,157	2,176	-	2,176	1.8%	2,142	20,742			-	\$7.78					
Industrial	490	35,127,854	2,832,765	-	2,832,765	8.1%	550,681	368,004			102,000	\$3.37					
<b>TOTAL</b>	<b>498</b>	<b>35,251,011</b>	<b>2,834,941</b>	<b>-</b>	<b>2,834,941</b>	<b>8.0%</b>	<b>552,823</b>	<b>388,746</b>	<b>-</b>	<b>-</b>	<b>102,000</b>	<b>\$3.39</b>					
<b>JACKSON COUNTY</b>																	
Flex	92	4,237,819	355,825	5,028	360,853	8.5%	29,621	(3,671)			-	\$7.85					
Industrial	1627	99,012,042	6,783,970	241,940	7,025,910	7.1%	(117,614)	(15,383)			1,442,241	\$3.59					
<b>TOTAL</b>	<b>1,719</b>	<b>103,249,861</b>	<b>7,139,795</b>	<b>246,968</b>	<b>7,386,763</b>	<b>7.2%</b>	<b>(87,993)</b>	<b>(19,054)</b>	<b>-</b>	<b>-</b>	<b>1,442,241</b>	<b>\$3.76</b>					
<b>JOHNSON COUNTY</b>																	
Flex	172	5,421,382	692,005	24,449	716,454	13.2%	2,469	(21,173)			-	\$8.98					
Industrial	843	47,123,709	2,708,529	52,520	2,761,049	5.9%	379,206	395,111			1,021,000	\$5.34					
<b>TOTAL</b>	<b>1,015</b>	<b>52,545,091</b>	<b>3,400,534</b>	<b>76,969</b>	<b>3,477,503</b>	<b>6.6%</b>	<b>381,675</b>	<b>373,938</b>	<b>-</b>	<b>-</b>	<b>1,021,000</b>	<b>\$5.72</b>					
<b>PLATTE COUNTY / NORTH KANSAS CITY</b>																	
Flex	18	948,307	165,058	25,250	190,308	20.1%	5,430	10,230			-	\$7.58					
Industrial	123	6,927,055	475,907	3,050	478,957	6.9%	359,154	311,043		350,000	155,000	\$3.62					
<b>TOTAL</b>	<b>141</b>	<b>7,875,362</b>	<b>640,965</b>	<b>28,300</b>	<b>669,265</b>	<b>8.5%</b>	<b>364,584</b>	<b>321,273</b>	<b>-</b>	<b>350,000</b>	<b>155,000</b>	<b>\$4.10</b>					
<b>WYANDOTTE COUNTY</b>																	
Flex	23	841,724	72,241	-	72,241	8.6%	4,101	48,192			-	\$7.21					
Industrial	552	32,328,716	2,116,376	134,600	2,250,976	7.0%	(245,360)	(76,851)				\$3.53					
<b>TOTAL</b>	<b>575</b>	<b>33,170,440</b>	<b>2,188,617</b>	<b>134,600</b>	<b>2,323,217</b>	<b>7.0%</b>	<b>(241,259)</b>	<b>(28,659)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$3.62</b>					
<b>KANSAS CITY MARKET GRAND TOTAL</b>																	
Flex	313	11,572,389	1,287,305	54,727	1,342,032	11.6%	43,763	54,320			-	\$8.31					
Industrial	3,635	220,519,376	14,917,547	432,110	15,349,657	7.0%	926,067	981,924		350,000	2,720,241	\$3.92					
<b>TOTAL</b>	<b>3,948</b>	<b>232,091,765</b>	<b>16,204,852</b>	<b>486,837</b>	<b>16,691,689</b>	<b>7.2%</b>	<b>969,830</b>	<b>1,036,244</b>	<b>-</b>	<b>350,000</b>	<b>2,720,241</b>	<b>\$4.14</b>					
<b>QUARTERLY COMPARISON AND TOTALS</b>																	
Q2-2012	3,948	232,091,765	16,204,852	486,837	16,691,689	7.2%	969,830	1,036,244	-	350,000	2,720,241						
Q1-2012	3,948	232,091,765	17,109,086	552,483	17,661,569	7.6%	59,114	59,114	350,000.00	350,000.00	1,645,637						
Q4-2011	3,947	231,741,765	16,781,140	589,543	17,370,683	7.5%	-270,609	312,750	67,215.00	480,813.00	1,995,637						
Q3-2011	3,945	231,674,550	16,580,487	452,372	17,032,859	7.4%	1,205,038	583,359	363,900.00	413,598.00	1,960,852						
Q2-2011	3,942	231,310,650	17,417,322	456,675	17,873,997	7.7%	358,969	-621,679	32,692.00	49,698.00	1,974,752						

Note: Inventory includes industrial properties 10,000 SF and up, excluding heaving manufacturing.

## DEFINITIONS

### Deliveries:

Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certificate of occupancy must have been issued for the property.

### Existing Inventory:

The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, currently under construction or under renovation.

### Net Absorption:

The net change in occupied space over a given period of time. Unless otherwise noted, Net Absorption includes direct and sublease space.

### Weighted Average Asking Rental Rates:

Weighted by the total square feet available for direct lease. Data is based on triple net. Reported on an annual PSF basis.

### Vacant Space:

Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space.

### Inventory:

Includes all existing multi- or single-tenant leased and owner-occupied industrial properties greater than or equal to 10,000 SF (net rentable area). Does not include heavy manufacturing buildings.

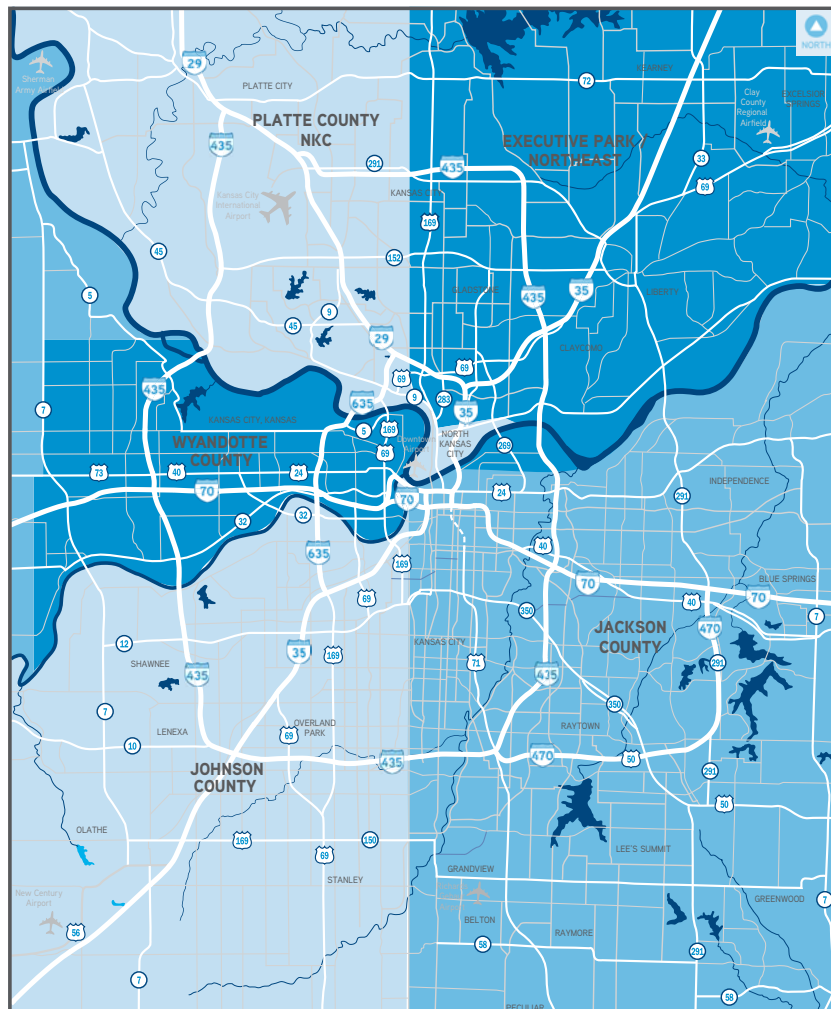
### Note:

SF = Square Feet

PSF = Per Square Foot

CBD = Central Business District

P = Projected



522 offices in  
62 countries on  
6 continents

United States: 147  
Canada: 37  
Asia: 36  
ANZ: 165  
LATAM: 19  
EMEA: 118

- \$1.8 billion in annual revenue
- 1.25 billion square feet under management
- Over 17,100 professionals and staff

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