

Kansas City industrial market awaits a spec spark

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Brokers need space to attract prospects

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Industrial real estate development is at a crossroads in Kansas City.

The metropolitan area has made huge investments in three intermodal facilities, but brokers say it's hard to attract new prospects when there is no premium warehouse and distribution space in the pipeline.

"There is gridlock," said **Ed Elder**, president of [Colliers International](#)'s local office. "I can look out, and nobody's announced anything in 2011."

Dan Jensen of Kessinger/Hunter & Co. LC wants to change that.

He has approval from Olathe for an 821,000-square-foot Class A distribution warehouse at the I-35

Logistics Park. Now, Jensen is trying to persuade his equity partner, Sun Life Financial Inc., to move forward on a spring groundbreaking.

"We need speculative space, and I am a firm believer that the Kansas City marketplace is about to get very active for these large users," Jensen said.

He has placed a winning bet before on speculative warehouse space, or space built without a firm tenant commitment.

In 2007, Jensen led a team that built a 600,000-square-foot bulk warehouse along Interstate 35, the first of its kind in the metro area. Within a year, the building was 75 percent leased.

"People sat back and watched and said, 'If you get that leased, we're going to start ours,'" he said.

Within a year, [Pure Fishing Inc.](#) announced a deal for a 400,000-square-foot-plus warehouse near [Kansas City International Airport](#), and [Coleman Co. Inc.](#) signed on for a 1.1 million-square-foot distribution center in Gardner.

Jensen said a similar domino effect will take place if a new spec building rises.

"With speculative product, you get (the big users) here to look. You get their attention," Jensen said. "In a difficult market, we think we've proven our case that spec product will pay off."

Mark Fountain, senior vice president for [Jones Lang LaSalle](#)'s Kansas City office, said it can be frustrating marketing the area to large users when there is no inventory to accommodate them.

"We've had a number of tenants that would have been strong candidates for a building had it been sitting there," Fountain said. "You've got to believe if a building was built, someone would take it."

The industrial team at [CB Richard Ellis](#) also is working to get spec Class A industrial space out of the ground. Senior Vice President **David Hinchman** said Jensen's project would bode well for the area.

"It's good for the market because we then have product," Hinchman said. "What we have always said is the rising tide will affect all of us."

Hinchman said development at the area's three main intermodal sites — [BNSF Railway Co.](#)'s intermodal freight hub in Edgerton, CenterPoint-KCS Intermodal Center in south Kansas City and [Trammell Crow Co.](#)'s Kansas City Intermodal BusinessCentre at KCI airport — is connected.

"It gives more confidence to investors to spend money in the marketplace as long as it doesn't get overbuilt," he said.

And confidence is what investors lack, said **Mark Long**, senior vice president at Zimmer Real Estate Services LC. The brokerage is handling leasing at the CenterPoint-KCS Intermodal Center near Missouri Highway 150 and U.S. Highway 71.

"It is hard to build a case to any spec committee to build a spec building based on the amount of activity we've had in recent months," Long said.

As the economy recovers, brokers speculate, new industrial warehouse and distribution projects will return to the drawing board.



Dan Jensen

Until then, they'll continue to build the case to investors that the first players to take the field will reap the greatest benefit.

"Now is the time," Elder said. "Land prices are down, construction costs are down, and money is cheap. There's not a better time to go out and build that type of building."



Krista Klaus reports about real estate and development for the [Kansas City Business Journal](#). Contact her at kklaus@bizjournals.com or 816-777-2242. Read her blog postings at [KCBizBeat](#) or follow her on [Twitter](#).