

est. 1879



Kansas City Mid-Year 2011 Industrial Real Estate Index

Provided by Kessinger/Hunter & Company, an independently owned and operated member of the Cushman & Wakefield Alliance

Kansas City Continues to Absorb Space: Rents Holding Steady

THE economic recovery in the United States is evidenced by a tightening industrial market in significant distribution centers like Kansas City. Early pioneers found Kansas City to be an ideal stepping off point for their explorations due to its proximity to waterways, major trails, and eventually railways. These same factors still make Kansas City relevant today in the global supply chain. The metro area is located nearly dead center in the geographic center of the United States and 85% of the U.S. population is accessible within a two-day travel time. The geographic center, coupled with its adjacency to I-70 and I-35, make Kansas City an ideal business-to-consumer bulk warehouse locale.

KANSAS CITY distribution is on the map and the attributes described above are validated by the bolstering of market fundamentals. While rents remain relatively flat, vacancy is declining to a market-wide 7.5% down from 9.5% in early 2009. As the Class A markets along the coasts experience renewed activity due to a flight to quality, a similar phenomena in leasing is occurring in Kansas City.

LARGE chunks of space (75,000 SF and above) in newer 24 foot or higher clear height warehouses show only a 2%-3% vacancy rate simply for the fact that there is not much of that type of product available to the industrial space user. As speculative development is coming to market on the coasts, so too will more speculative development in the Midwest follow suit. Sales, however, are still off pace from 2005-2007 and prices are off 20% from their highs. Sellers don't want to take a loss and buyers either don't want to come up with higher equity amounts or have no confidence that the bottom has already occurred.

EVIDENT across the whole country, Class B and C warehouses and small flex buildings are becoming outdated and less desirable, especially as fear grips the economy and businesses continue to see stalled growth prospects. It's a buyer's market out there and lessees have their pick of substandard buildings.

Overall Commercial Real Estate Recovery Wanes due to Hesitancy

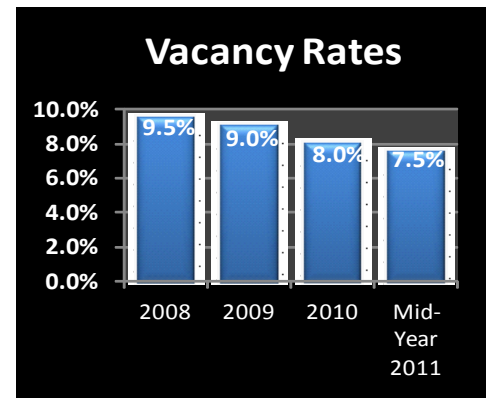
ACCORDING to a recent article on CoStar, "if anything has been predictable about the 2011 commercial real estate market recovery, it's that it has been unpredictable." For a year that began with some promise following the increased leasing activity, thawing capital flow, and widening investor interest that characterized the second half of 2010, the momentum in the market seems, in many cases, to have flattened out.

THIS has been baffling more than discouraging to real estate professionals across the country. Key indicators across a wide number of local markets still hold promise for more vigorous activity. However, according to a survey of readers conducted by CoStar News, landlords, lenders, investors, and tenants just aren't making the connections in the marketplace needed to jump start a sustained recovery.

A VARIETY of causes were cited by the brokers surveyed, including the fact that commercial bankers, still shell-shocked from the precipitous decline in property values of the recession, are anxious to lend but still very cautious. It was also noted that landlords are seeing lots of activity as tenants fish for deals. The brokers spend a lot of time working through them, only to have the prospective tenant pull the plug once it comes time to make a commitment.

SEVERAL brokers indicated that they are seeing continued demand for commercial real estate by investors at the right combination of cap rate and price. But the majority are looking for "deals" and are for the most part unwilling to look at the reality of local market values because of the news they hear and read on the economy.

THE European debt crisis, stock market correction, and continued high unemployment levels have pushed people into a frozen state of indecisiveness, and that the up-again, down-again volatility that occurred in the first half of the year will likely continue in the second half.

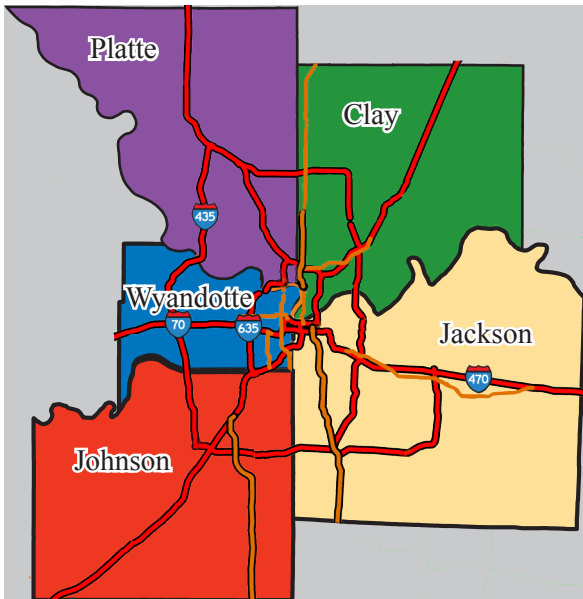


FEATURED PROPERTY

167TH & LONE ELM, OLATHE, KS
158,229 ± SF
\$4.50 PSF

Kansas City Metro - Industrial Submarkets

Top Transactions - Mid-Year 2011



Blount International is under construction on its 350,000 SF new distribution center at KCI Intermodal Park in Kansas City, Missouri.

Bosch Tool leased 260,000 SF in Carefree Industrial Park in Independence, Missouri.

Green Bay Packaging has leased 40,000 SF in Riverside, Missouri at 4332 Belgium Blvd.

LKQ leased 120,000 SF at 1st and Kansas Ave. in Kansas City, Kansas.

Flex-N-Gate leased 150,000 SF at 1601 Southern in Executive Park, Kansas City, Missouri.

Colony Realty purchased 175,000 SF (plus an additional nine acres) at 6100 Stilwell in Kansas City, Missouri.

Wagner Industries leased 280,000 SF at 825 Armourdale in Kansas City, Kansas.

Hockenberg expanded to 65,000 SF at College & Strang Line in Lenexa, Kansas.

MWI leased an additional 35,000 SF for an expansion total of 125,000 SF at Midpoint in Edwardsville, Kansas.

Net absorption of <200,000> SF through the first half of 2011, with <530,000> in first quarter, and 330,000 SF in second quarter.

Market	Total Market Size	Market Vacancy	2011 Construction
Platte	7,500,000 SF	10%	175,000 SF
Clay	32,000,000 SF	6%	20,000 SF
Wyandotte	42,000,000 SF	8%	160,000 SF
Jackson	105,364,000 SF	8%	12,000 SF
Johnson	53,700,000 SF	7%	-0-

Kessinger/Hunter & Company is a full-service real estate organization, recently ranked by the *Kansas City Business Journal* as "Kansas City's Most Active Commercial Real Estate Company," based on number of transactions.

Kessinger/Hunter & Company's affiliation with Cushman & Wakefield has continued to be a success. Cushman & Wakefield is the premier real estate services firm in the world, with over 234 offices worldwide in 61 countries and 113 offices nationwide. Our firm represents multinational corporations, pension funds, REITs, developers, entrepreneurs, government entities, small and midsize companies and financial institutions worldwide. We are market leaders in all of our core businesses.



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