

2Q25

Kansas City Industrial Market Overview

Market Observations

Economy

- The region’s labor market remains resilient despite uncertain macroeconomic conditions. May’s unemployment rate of 3.8% was 10 basis points below the 10-year historical average of 3.9%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Education and Health. Information and Leisure and Hospitality posted the largest job losses over the past 12 months.
- Industrial firms are recalibrating workforce needs. Locally, employment increased in two of three key industrial sectors: Construction, up 5.1% and Manufacturing, up 0.3%.

Major Transactions

- Church & Dwight leased the entire 555,870-SF Building V at Raymore Commerce Center. The firm is expected to move in upon completion of the build-to-suit by VanTrust Real Estate which is scheduled for December 2025.
- Smart Warehousing renewed its lease for the entire 548,470-SF Building 15 at Logistics Park Kansas City.
- Holganix leased 300,000 SF at Blue River Commerce Center III. The firm is anticipated to move in by December 2025.
- eShipping leased the 202,240-SF expansion premises at the 603,070-SF building at 7501 Northwest 106th Terrace in the Northland.

Leasing Market Fundamentals

- The market recorded 315,126 SF of positive net absorption in second-quarter 2025, following the second-highest quarterly absorption total in the market’s recorded history (7.5 MSF) in 1Q25. Robust leasing activity was ongoing in late second-quarter to early third-quarter with the expectation that this will translate into strong net absorption for 3Q25.
- Steady demand and a slowing speculative construction pipeline drove vacancy down 40 basis points year over year to 5.1%.
- Of the 6.9 MSF construction pipeline, more than 6.3 MSF (92%) is currently dedicated to build-to-suit projects including Panasonic’s 4.7 MSF, Amazon’s 630,000 SF and Church & Dwight’s 553,000-SF distribution center.

Outlook

- As the 15th-largest industrial market in the U.S., Kansas City spans 345.9 million SF and continues to thrive, supported by its central location, skilled labor pool, robust transportation infrastructure and competitive real estate and energy costs.
- Vacancy is projected to decline toward 4.5% over the next four quarters, fueled by steady demand and a slowing speculative pipeline. Industrial average asking rents have climbed a record 31.0% since 2Q19.
- Although rent growth is expected to moderate over the next four quarters, both asking and contract rates are likely to remain well above pre-pandemic levels. Elevated construction costs and resilient demand will continue to influence market dynamics.

1. Economy
2. Leasing Market Fundamentals
3. Submarket Statistics

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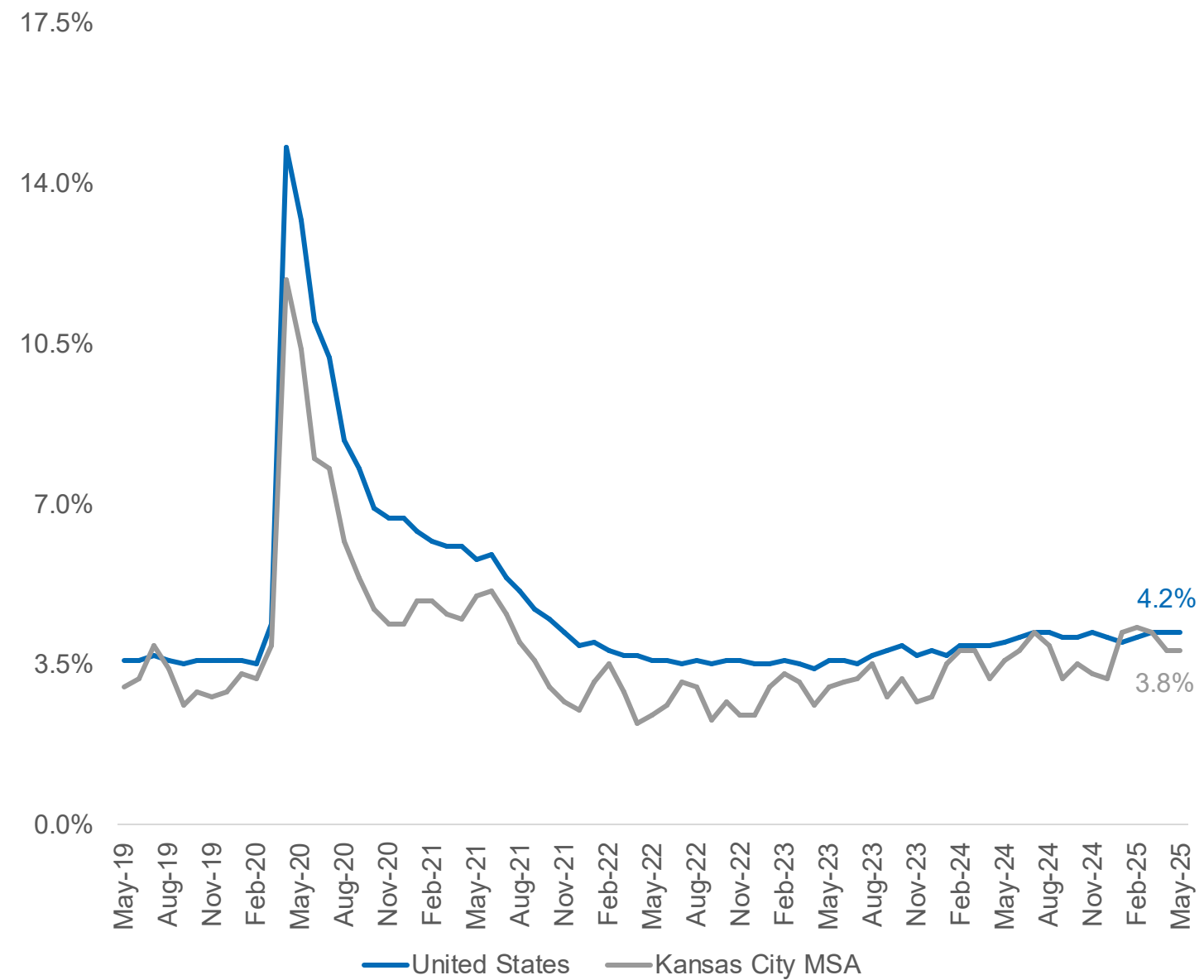
Economy



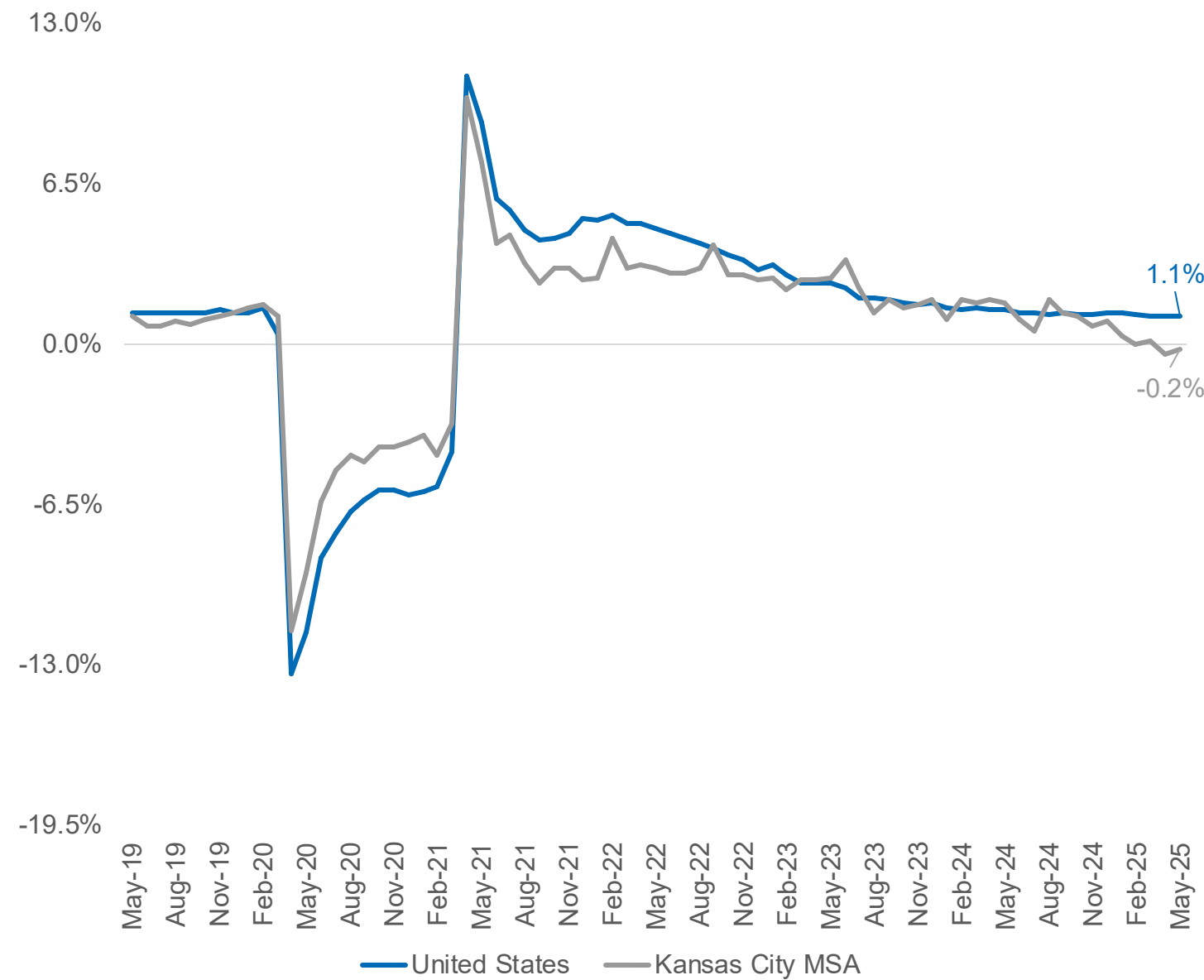
Metro Employment Trends Signal Stable Economy

The Kansas City region’s labor market remains stable, with unemployment dropping 50 basis points from the previous quarter. The regional unemployment rate now stands 40 basis points below the national average, signaling economic resilience. Nonfarm payroll employment in the region decreased into negative territory for the first time since March 2021. According to the Kansas City Fed Labor Market Conditions Indicators, activity held steady at 0.26, while momentum remained flat at -0.24 in May 2024.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

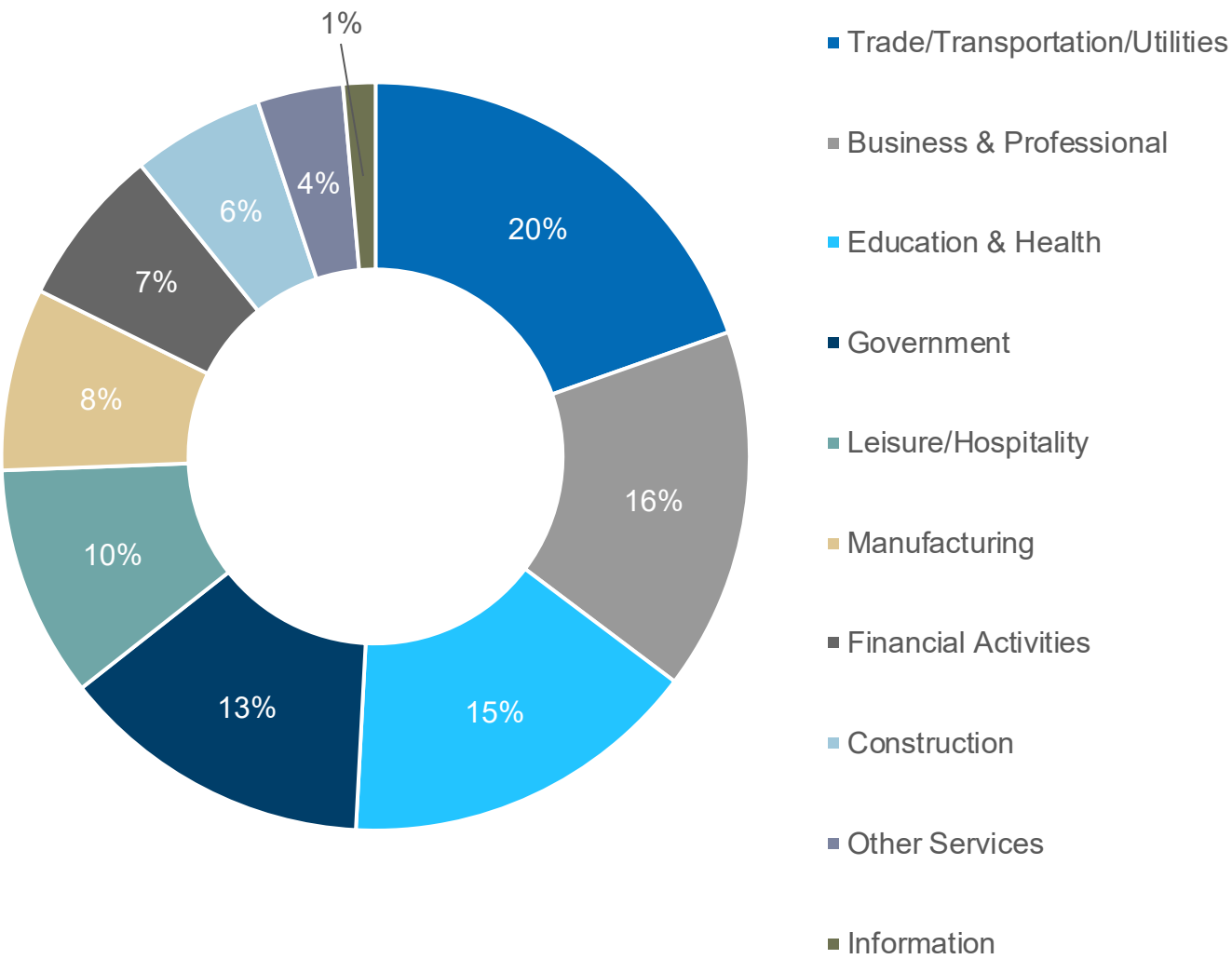


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

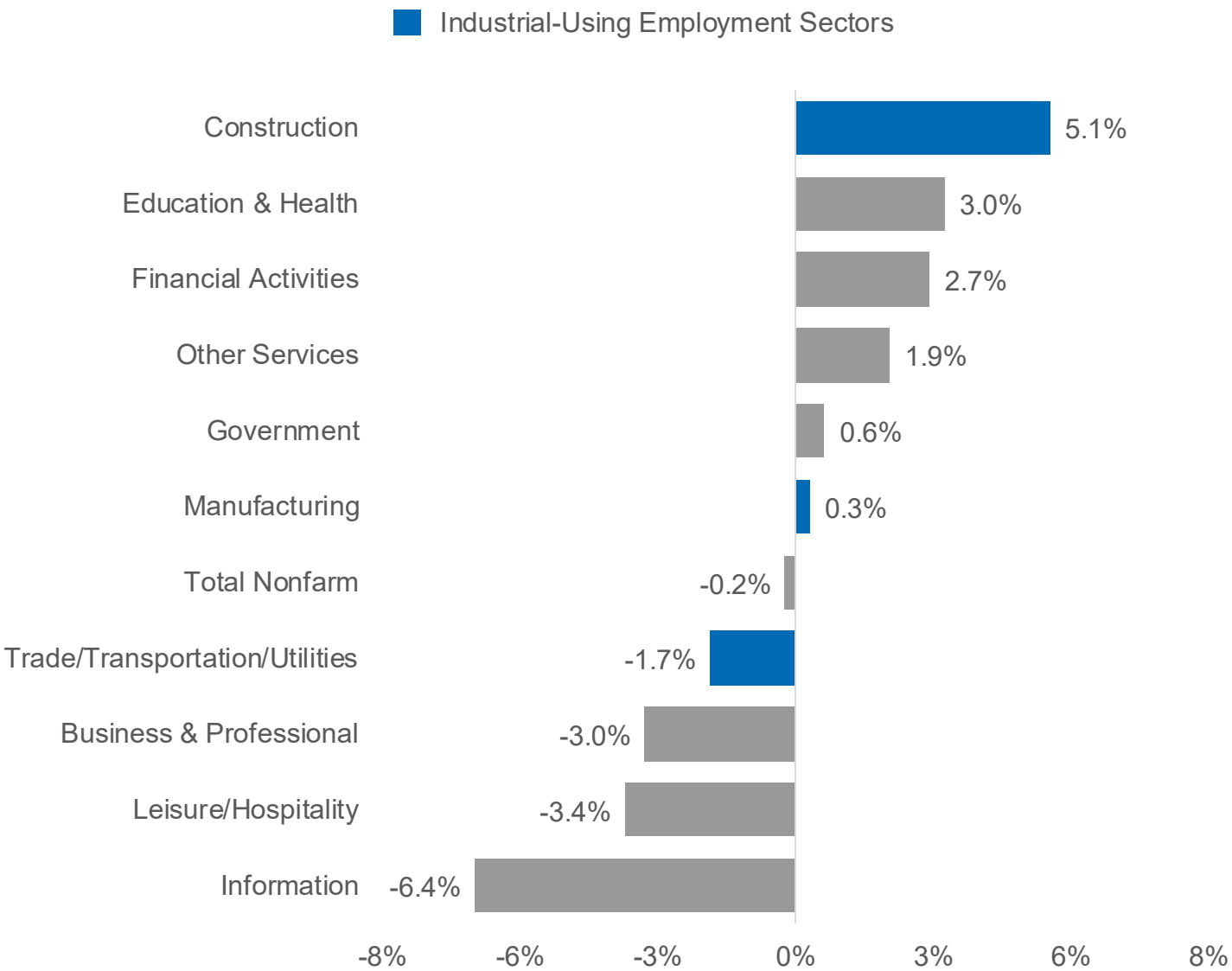
Information and Leisure/Hospitality Sectors Lead Regional Job Losses

The Construction sector led regional job growth, followed by Education and Health, with annual gains of 5.1% and 3.0%, respectively. The Information and Leisure/Hospitality sectors posted the largest annual job losses, with declines of 6.4% and 3.4%, respectively. Kansas City’s strategic location, competitive real estate costs and skilled labor force continue to support industrial activity. Of the three industrial-occupying sectors, only Trade/Transportation/Utilities reported annual job losses.

Employment by Industry, May 2025



Employment Growth by Industry, 12-Month % Change, May 2025

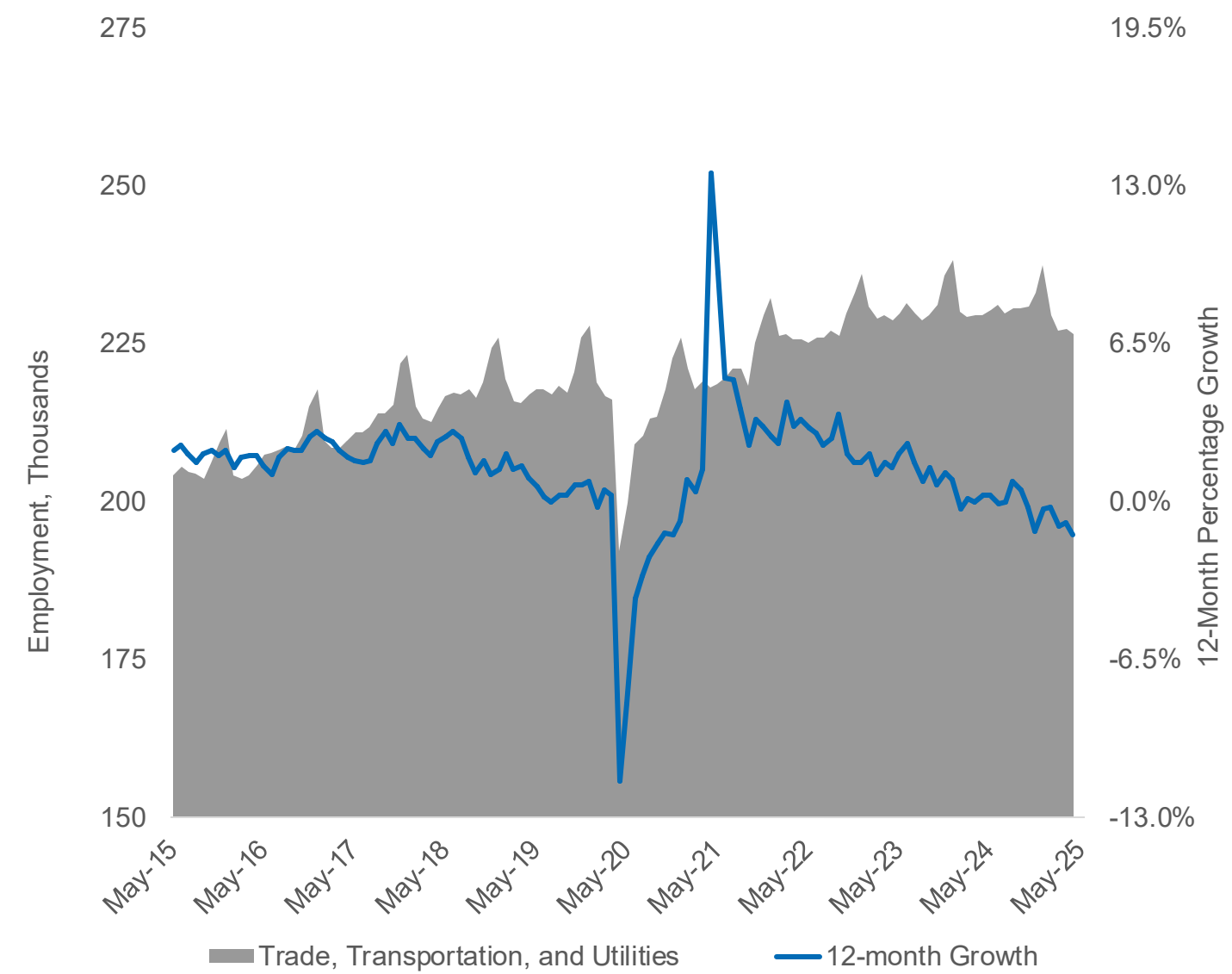


Source: U.S. Bureau of Labor Statistics, Kansas City MSA

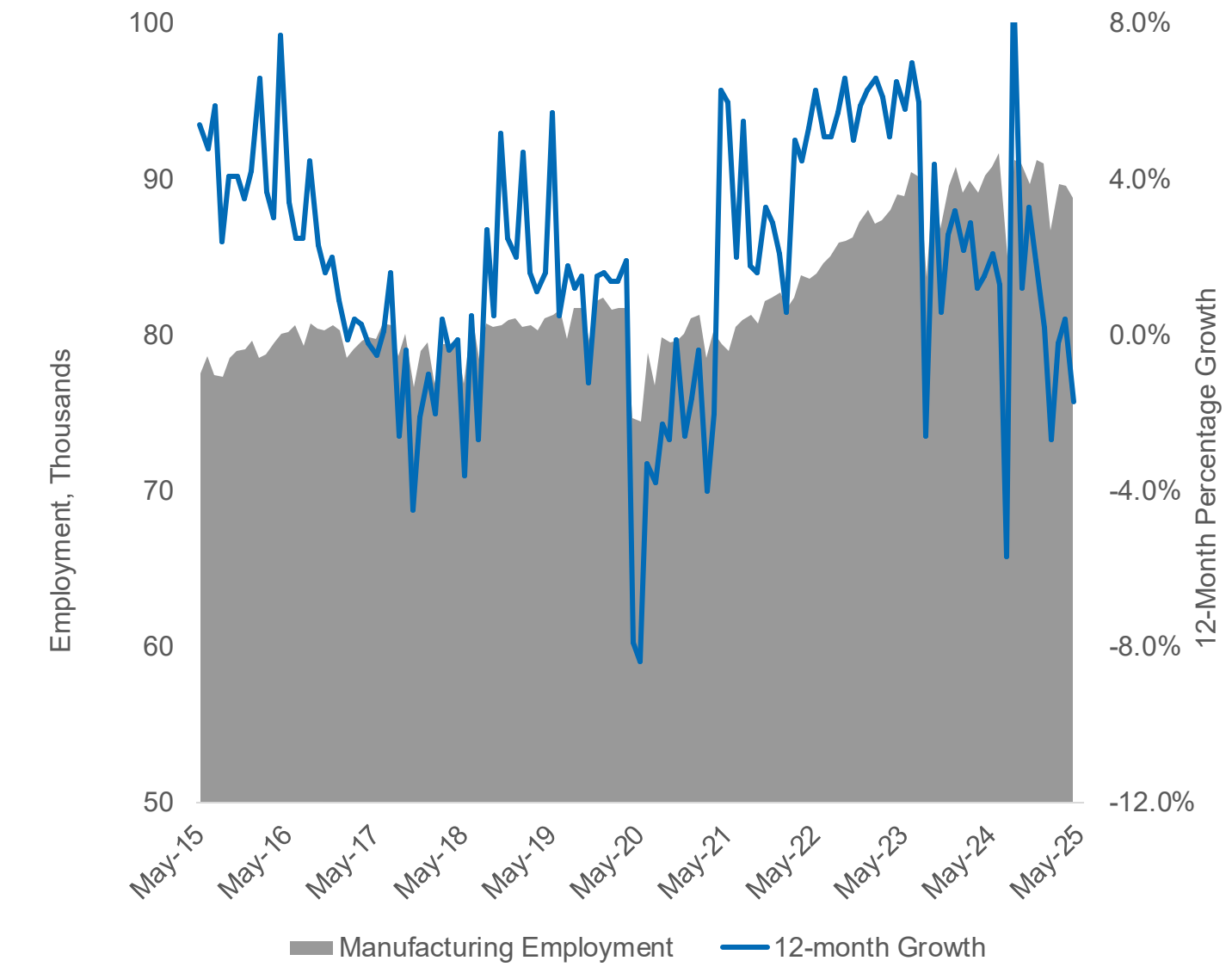
Overall Industrial Employment Rebounds

Industrial employment has rebounded and now surpasses pre-pandemic levels. While a slight seasonal dip in employment is typical early in the year, the region has stabilized, with employment growth expected for the remainder of 2025.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Kansas City MSA

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Leasing Market Fundamentals



Market Overview

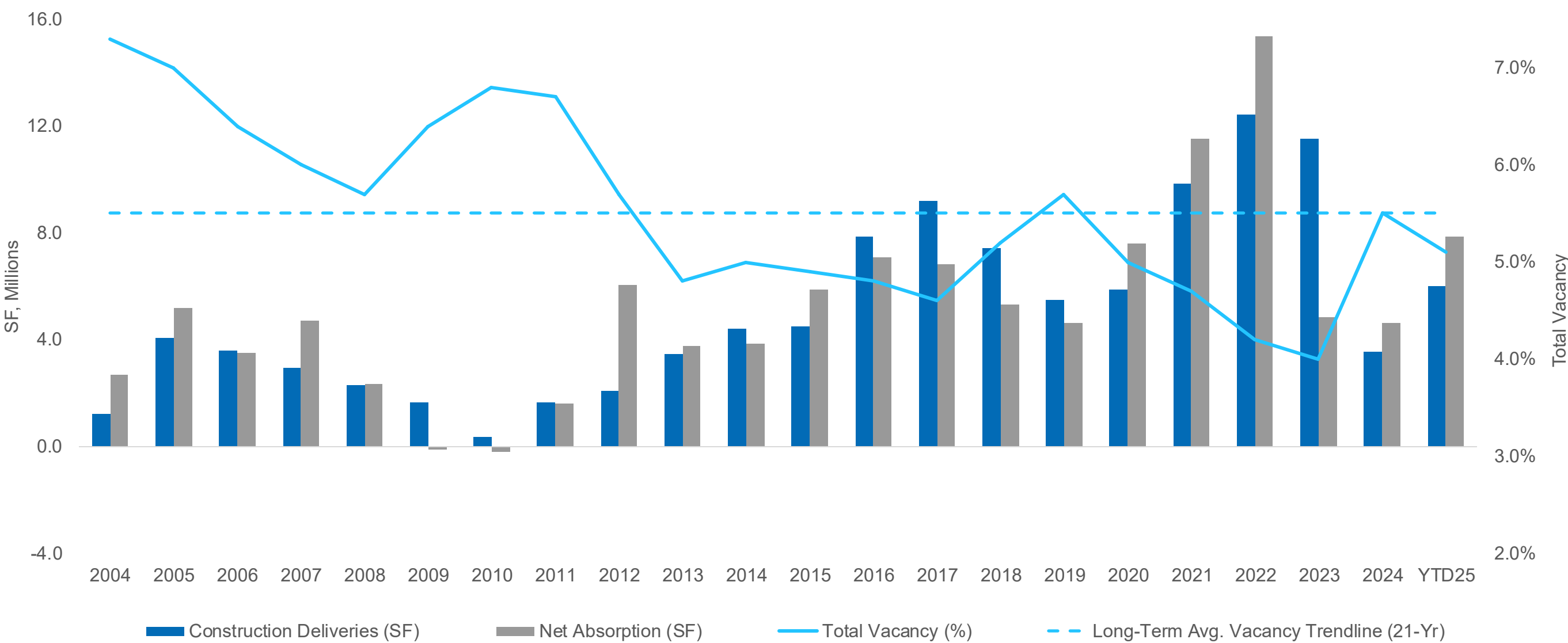


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Vacancy Drops Below 21-Year Average; Net Absorption Outpacing Deliveries

Vacancy declined by 40 basis points year over year to 5.1%. Net absorption reached 10.5 million SF, outpacing the 7.0 million SF of deliveries over the past four quarters. Leasing activity is gaining momentum, signaling a shift from earlier tenant caution to above-average engagement in mid- and large-scale industrial segments. The Kansas City industrial market is expected to draw elevated interest and engagement relative to other U.S. markets. Steady demand, paired with a shrinking speculative construction pipeline, is projected to push vacancy closer to 4.5% over the next four quarters.

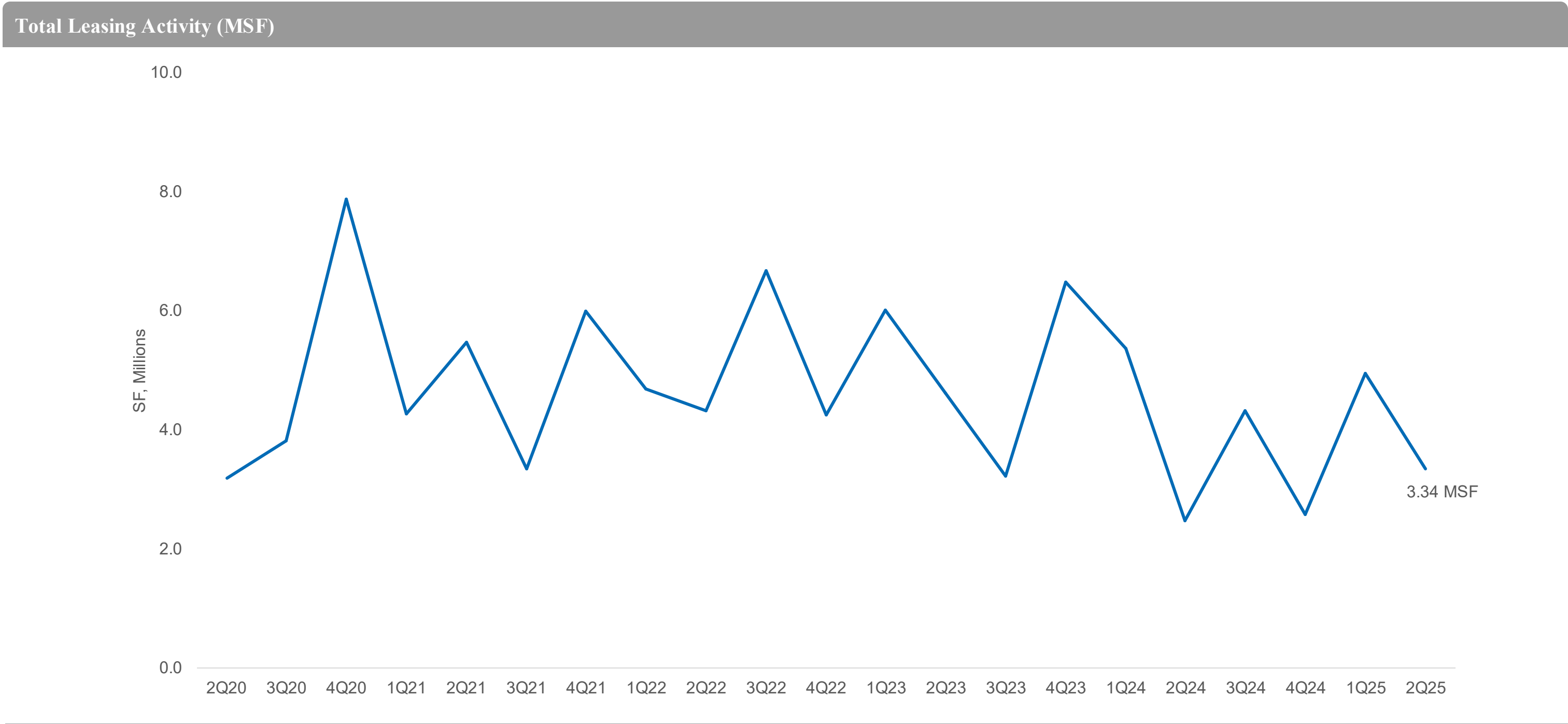
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Industrial Leasing Activity Registers 3.3 Million SF In 2Q25

Demand for industrial space reached 3.3 million SF in second-quarter 2025, a 6.7% decrease over the quarterly average from the previous four quarters. Tenant leasing velocity and rent growth in the Class A bulk segment are expected to strengthen through the remainder of 2025.

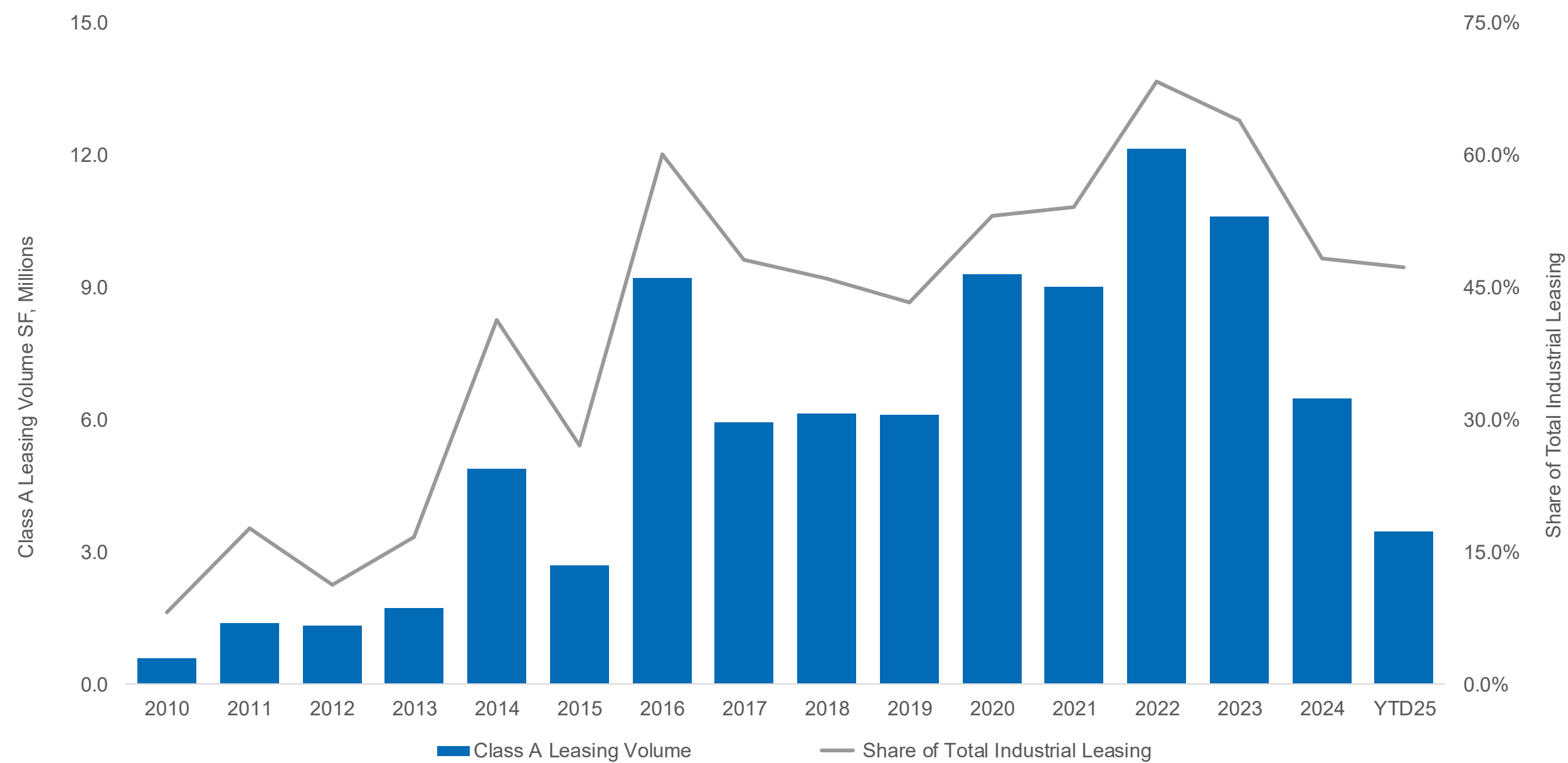


Source: Newmark Research, CoStar

Class A Warehouse Leasing Share Remains Above Pre-Pandemic Average

Non-gateway markets like Kansas City have seen a slower developer response to occupier demand for modern Class A warehouse space. However, development activity has accelerated over the past five years, driving notable growth in Class A leasing. As of second-quarter 2025, Class A warehouse leasing accounted for 47.4% of total activity, down from the record high of 68.4% in 2022 but still above the pre-pandemic five-year average of 45.0% from 2015 to 2019.

Industrial Class A Leasing Volume and Percentage of Total Warehouse Leasing Volume



Source: Newmark Research, CoStar

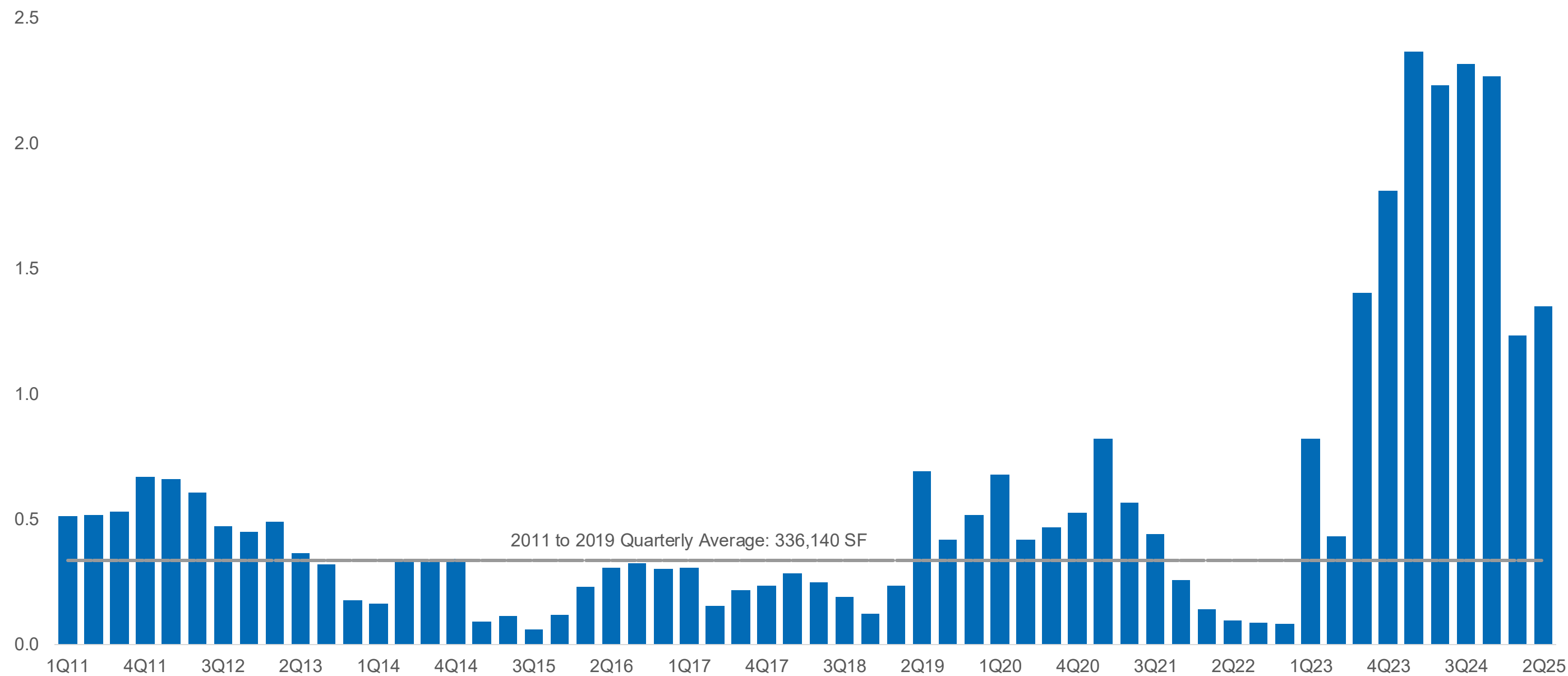
Vacancy Rate Falls To 7.3% In South Johnson County Year Over Year

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Sublease Availability Drops As Former Coleman DC Occupied In 1Q25

Vacant sublease availability declined significantly last quarter following the sublease of the 1.1-MSF former Coleman distribution center. Available vacant sublease space remains limited, representing just 0.39% of the Kansas City market; well below levels seen in other U.S. markets. Leasing of active sublease offerings is expected to continue through the remainder of 2025, likely reducing overall availability further.

Vacant Available Industrial Sublease Volume (MSF)

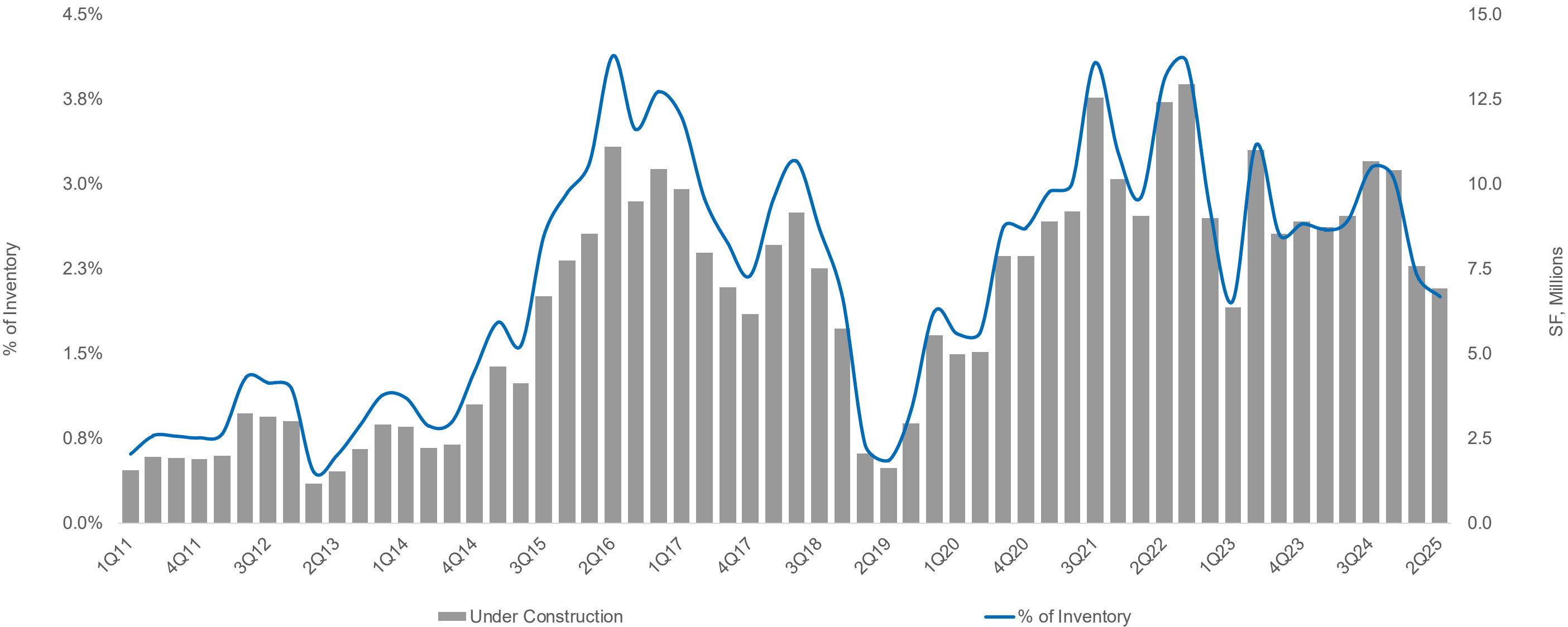


Source: Newmark Research, CoStar

Speculative Projects Account For Only 7.6% Of Construction Activity

The combined build-to-suit (BTS) and speculative construction pipeline totals 6.9 million SF, with 92% -equating to 6.38 million SF- allocated to BTS projects. Notable developments include Panasonic’s 4.7-million-SF EV battery center in DeSoto, Amazon’s 630,000-SF distribution center at KCI Logistics Park and Church & Dwight’s 553,000-SF facility at Raymore Commerce Center. BTS announcements are expected to continue fueling under-construction activity in the second half of 2025, while speculative construction is anticipated to trend upward at a measured pace, with just 0.6 million SF currently underway.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

Speculative Construction Supply Limited

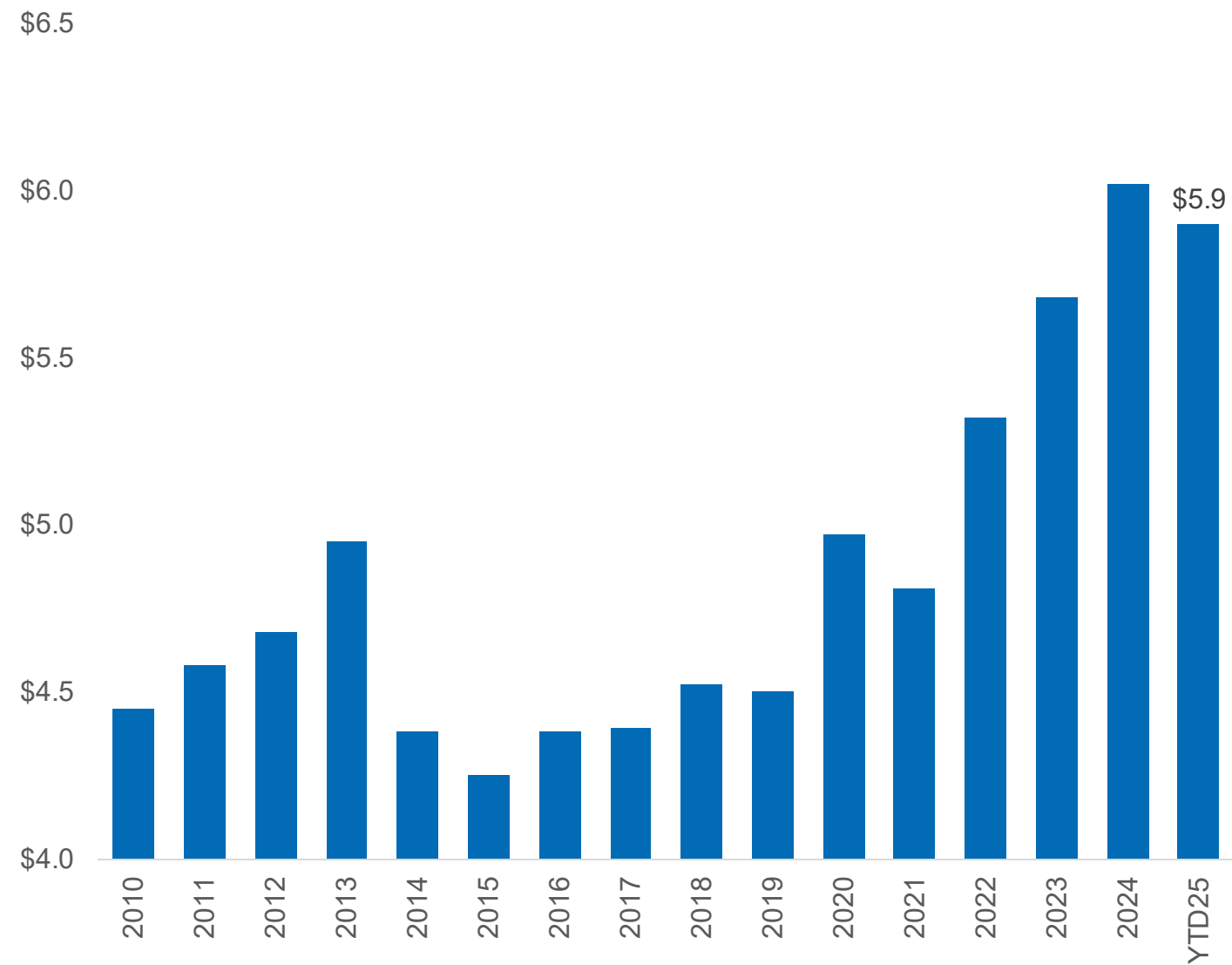


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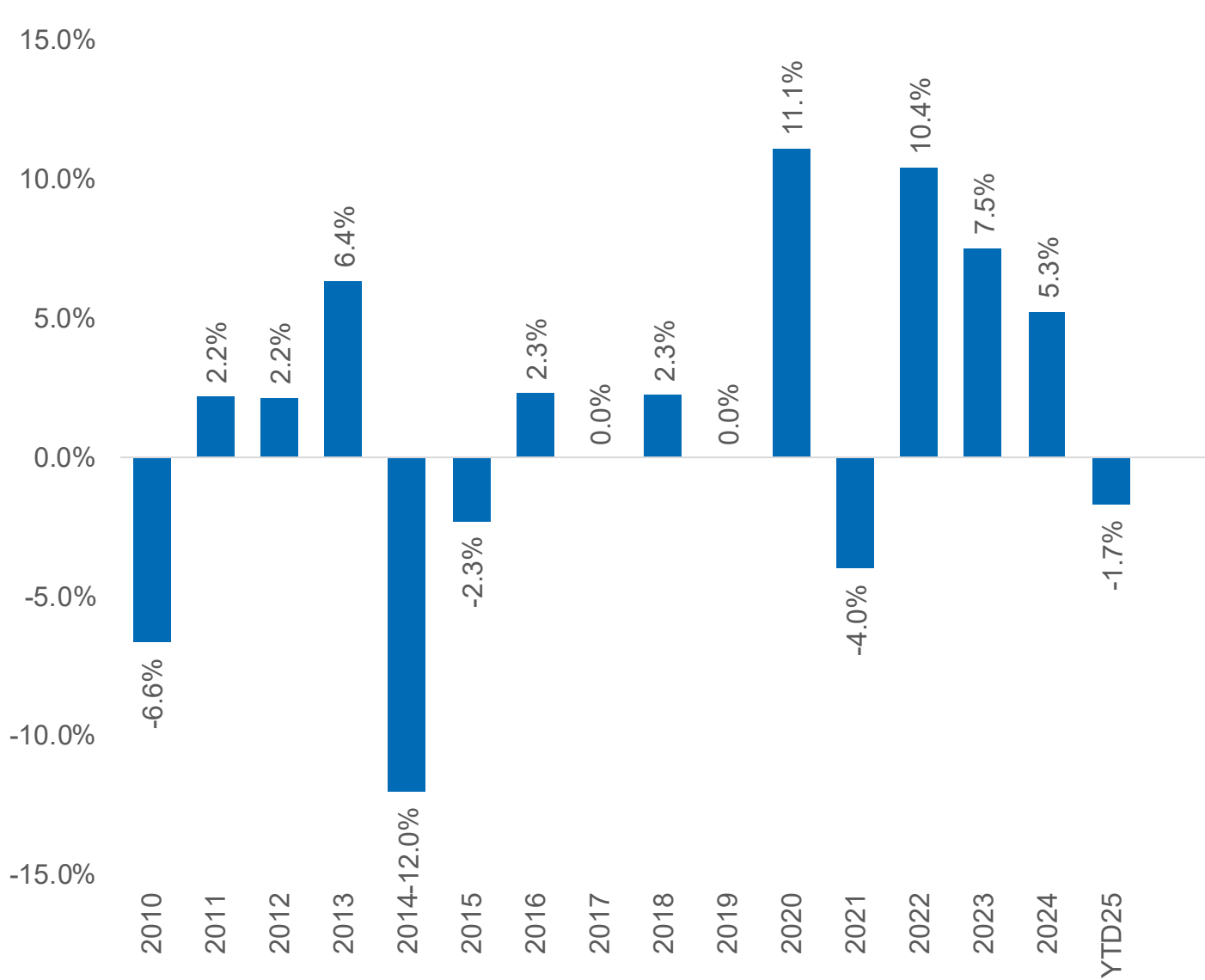
Industrial Rent Growth Expected to Moderate Following Record Surge

Industrial asking rents have grown at a record pace, increasing 31.0% over the past six years. The tightening market and continued limited supply is expected to drive rents upward going forward. Although asking rents have declined year over year, Class A properties are increasingly withholding rents, resulting in a decrease when lease comps reflect an increase in rates. Asking rental rates are projected to close 2025 between \$6.00/SF and \$6.10/SF.

Industrial Average Asking Rent, \$/SF, NNN



Year-Over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Class A Mid- And Large-Sized Warehouse Space In Demand

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Notable 2Q25 Announcements & Lease Transactions

Key announcements this quarter include Amazon’s 630,000-SF BTS distribution center is now underway at KCI 29 Logistics Park, Church & Dwight agreed to lease the entire 555,870-SF Building V at Raymore Commerce Center and Smart Warehousing renewed its lease for the entire 548,470-SF Logistics Park Kansas City Building 15. Notable BTS deliveries with full occupancy included Walmart’s Beef Plant (330,000 SF), Masters’ Transportation (284,000 SF) and Building II of Compass 70 Logistics Park (283,215 SF).

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Church & Dwight	Raymore Commerce Center Building V	North Cass County	Direct New (BTS)	555,870
Church & Dwight agreed to lease the entire 555,870-SF Building V at Raymore Commerce Center located near Interstate 49 and East 195th Street in North Cass County. The firm is expected to move in upon completion of the build-to-suit by VanTrust Real Estate which is scheduled for December 2025.				
Smart Warehousing	19351 Montrose Street	South Johnson County	Renewal	548,470
Smart Warehousing renewed its lease for the entire 548,470-SF Building 15 at Logistics Park Kansas City in Edgerton. Newmark Zimmer provided landlord representation services in the transaction.				
Holganix	1550 E 94th Street	South Jackson County	Direct New	300,000
Holganix signed a lease for 300,000 SF of the 463,160-SF Blue River Commerce Center III. The property is now fully leased with Keystone Technologies occupying the remaining 163,160 SF. Holganix is anticipated to move in by December 2025.				
eShipping	7501 NW 106th Terrace	Northland	Direct New	202,240
eShipping signed a lease for the 202,240-SF expansion premises at the 603,070-SF building at 7501 Northwest 106th Terrace in the Northland. The firm is expected to move in by October 2025. Newmark Zimmer provided landlord representation services in the transaction.				
America Box & Tape, LLC	14000 Marshall Drive	North Johnson County	Sublease	141,500
America Box & Tape, LLC agreed to sublease 141,500 SF of space at 14000 Marshall Dr. in Lenexa. The firm is expected to move in by August 2025. Newmark Zimmer provided tenant representation services in the transaction.				

Source: Newmark Research

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Submarket Statistics



Submarket Statistics: All Classes, Warehouse, Flex, Underground



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