

# *4Q25 Kansas City Industrial Market:* **Market Overview**

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4Q25

# Kansas City Market Observations



## Labor Markets

- The region's labor market remained flat as macroeconomic conditions shifted. September's unemployment rate registered 4.0%, 40 basis points below the national average of 4.4%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Education and Health. Business and Professional and Information posted the largest job losses over the past 12 months.
- Industrial firms are recalibrating workforce needs. Locally, employment increased in one of three key industrial sectors year over year: Construction, up 3.9%; Manufacturing, down 0.8% and Trade/Transportation/Utilities, down 1.6%.



## Leasing Market Fundamentals

- The market recorded 218,829 SF of net absorption in fourth-quarter 2025, bringing the annual total to 8.4 million SF. While many markets across the U.S. experienced negative absorption in 2Q and 3Q, KC posted positive absorption, demonstrating its importance as a centralized intermodal hub. Robust leasing activity was ongoing throughout 2025 with tailwinds also projected for 2026.
- Consistent demand and a limited spec pipeline drove vacancy down 40 bps year over year to 5.0%. Kansas City ranked fourth in lowest aggregate vacancy rate in 4Q25 among the top 30 U.S. industrial markets.
- Of the 6.4 million SF construction pipeline, more than 4.8 million SF (75%) is currently dedicated to build-to-suit projects including Panasonic's 2.35 million SF, Precision Vehicle Holdings' 850,510 SF and Amazon's 630,000-SF distribution center.



## Major Transactions

- Land O'Lakes / Purina Animal Nutrition leased 396,480 SF at Building D of the Platte International Commerce Center in Platte City, MO. The Class A property is currently under construction and is expected to deliver by 3Q26.
- FedEx leased the entire 369,790-SF building located at 9525 Woodend Rd. in Edwardsville, KS. The firm is expected to move in by February 2026.
- Medline renewed its lease for the entire 359,350-SF building located at 1401 Universal Ave. in Executive Park.
- Ranews Companies leased the entire 200,190-SF Building V at Lone Elm Commerce Center in Olathe. The firm is expected to move in by May 2026.
- Integrated Openings Solutions leased 72,590 SF of space at the 198,270-SF Building VI in Lenexa Logistics Centre - South. The firm is expected to move in by June 2026.



## Outlook

- As the 15th-largest industrial market in the U.S., Kansas City spans 346.1 million SF and continues to thrive, supported by its central location, skilled labor pool, robust transportation infrastructure and competitive real estate and energy costs. Kansas City is benefiting from a broad base of industry types occupying space with data center suppliers forecasted to take an increasing share of space in 2026.
- Vacancy is projected to decline toward 4.5% in 2026, fueled by steady demand and a slowing speculative pipeline.
- Industrial average asking rents have climbed a record 33.0% since 4Q18. Rent growth is expected to increase in 2026, both asking and contract rates are likely to remain well above pre-pandemic levels at \$6.00/SF and above.
- Elevated construction costs and resilient demand will continue to influence market dynamics. Speculative construction is expected to trend upward at a measured pace, with 1.56 million SF currently underway, including VanTrust's 577,500-SF Building IV at Raymore Commerce Center and Panattoni's 469,130-SF Building I at Crossroads Commerce Center in Gardner, KS.

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# 01

## Economy

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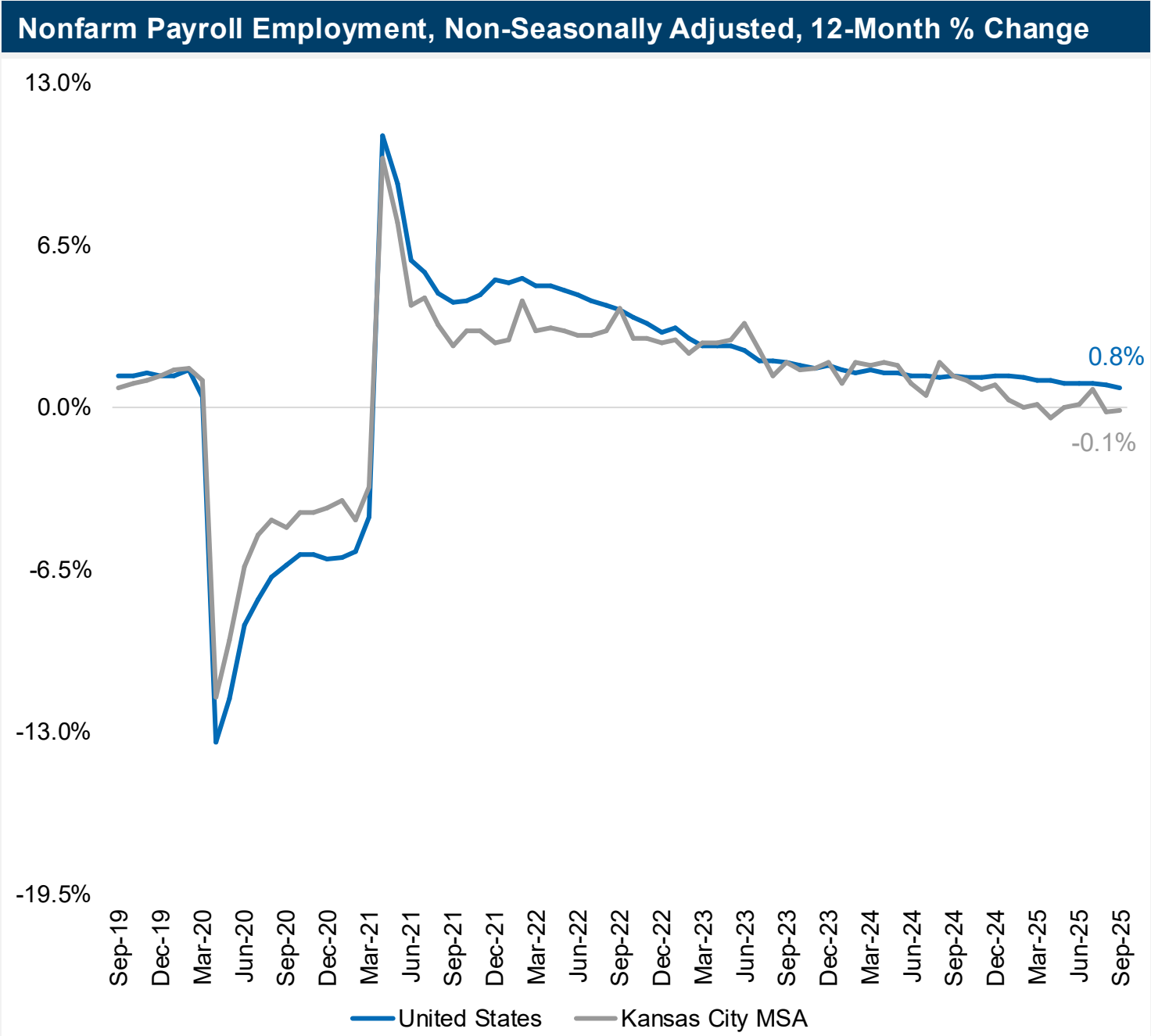
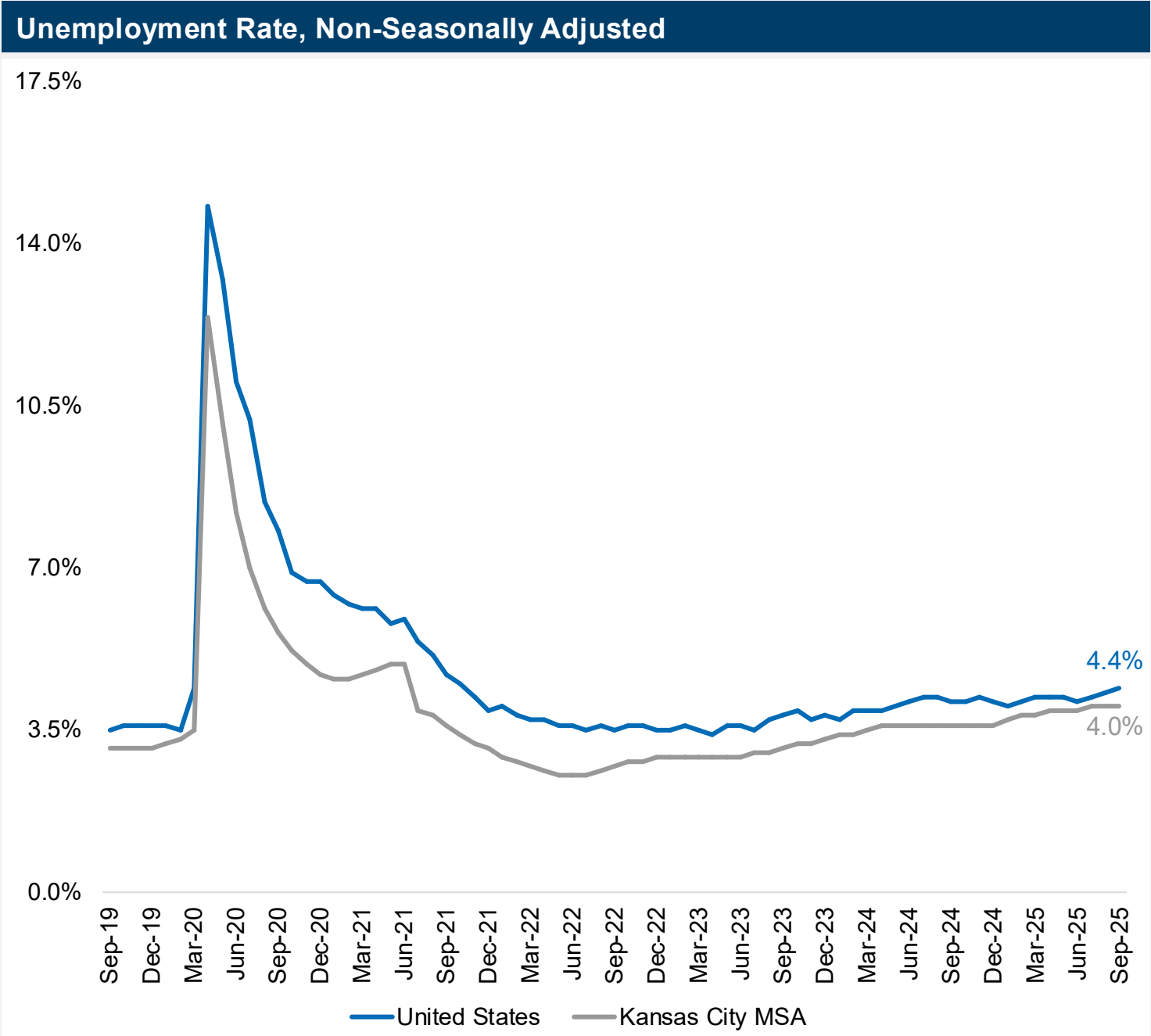
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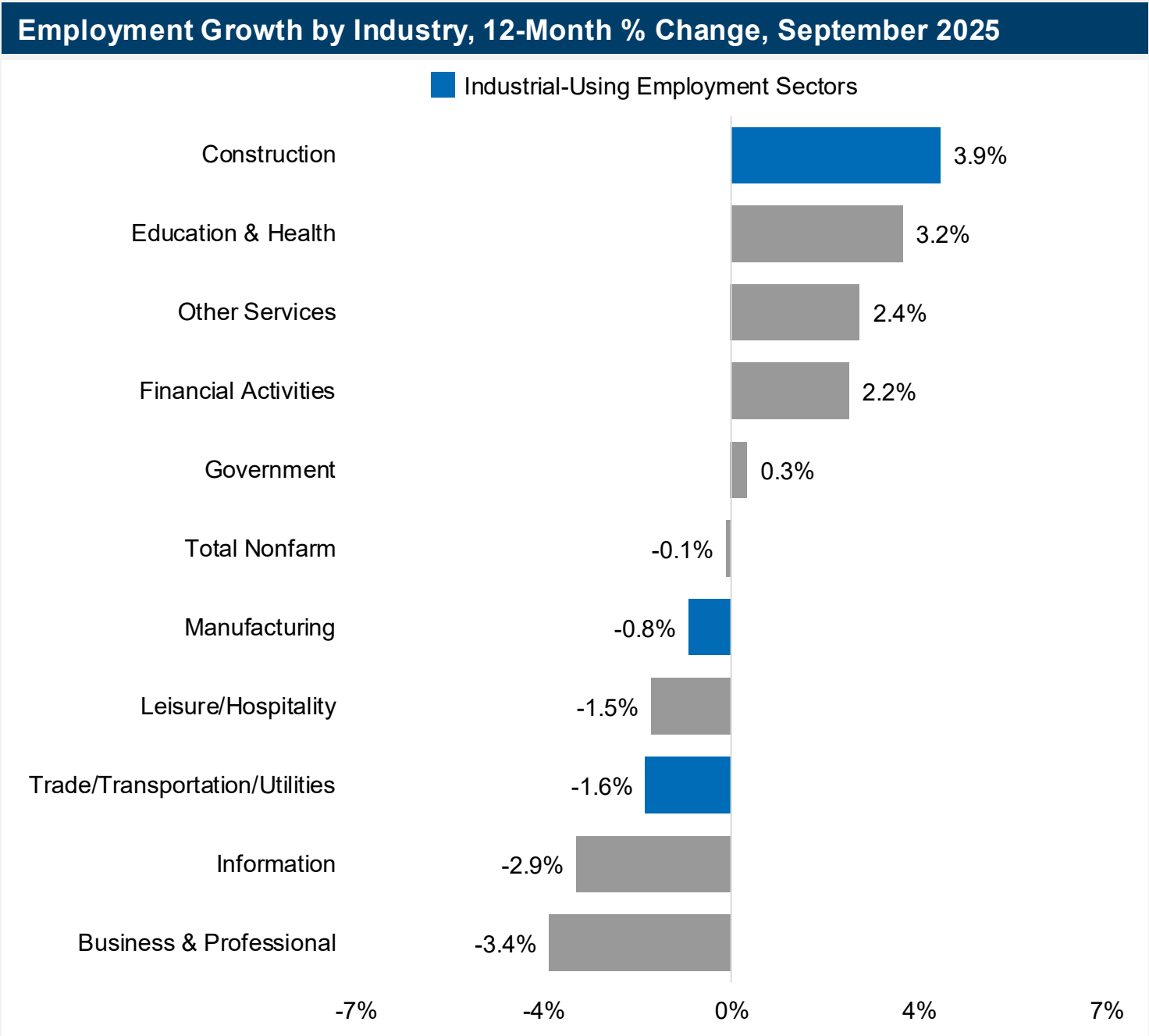
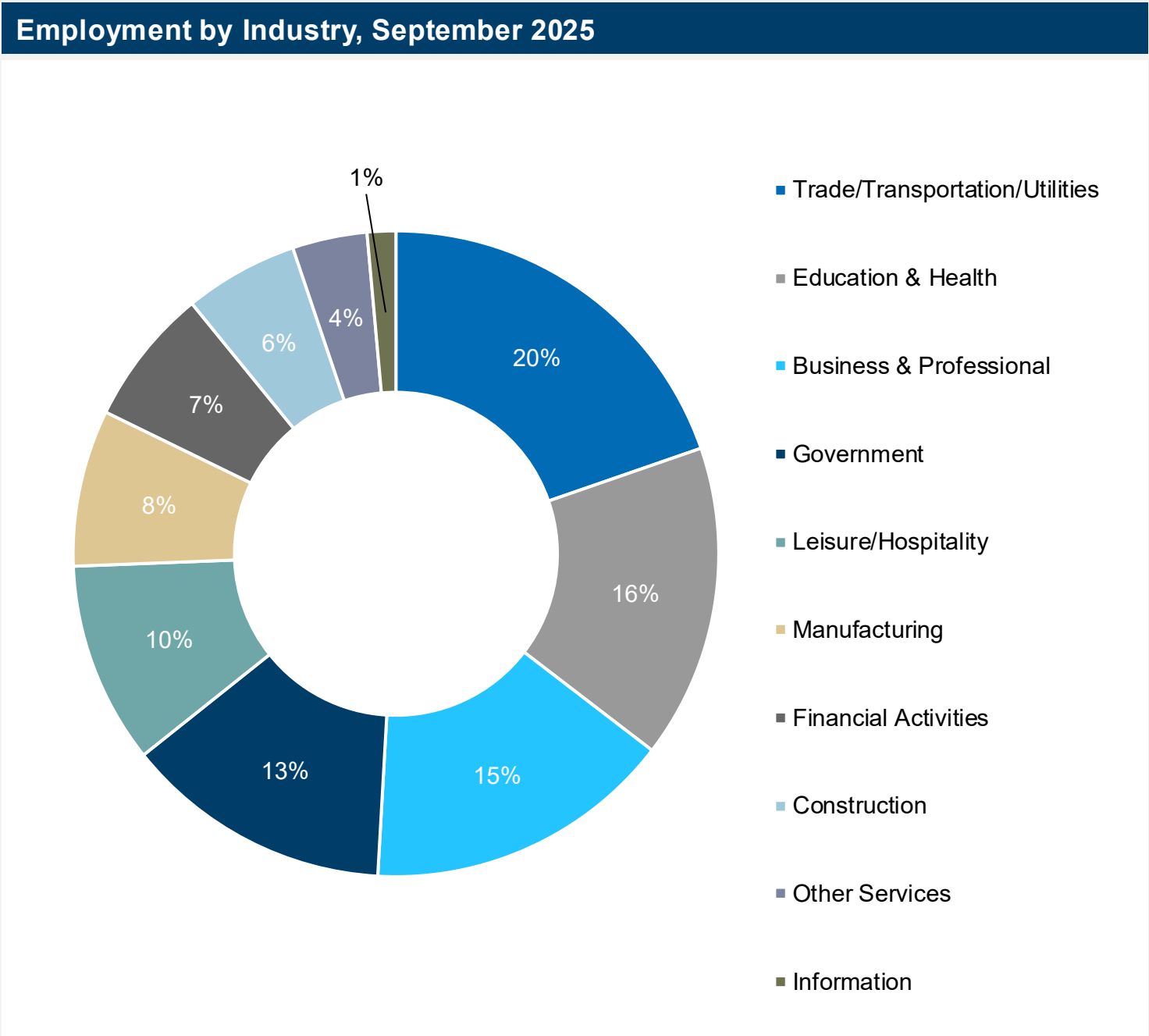
# Metro Employment Unemployment Rate Below National Average

Due to a lapse in appropriations in the BLS, the collection of select data points were cancelled for the months of October and November. The Kansas City region’s labor market remained flat with unemployment registering 4.0% in September. The regional unemployment rate now stands 40 basis points below the national average, signaling economic strength. Nonfarm payroll employment in the region remains in negative territory at -0.1%. According to the Kansas City Fed Labor Market Conditions Indicators, activity declined to 0.20, while momentum decelerated modestly to -0.25 in November 2025.



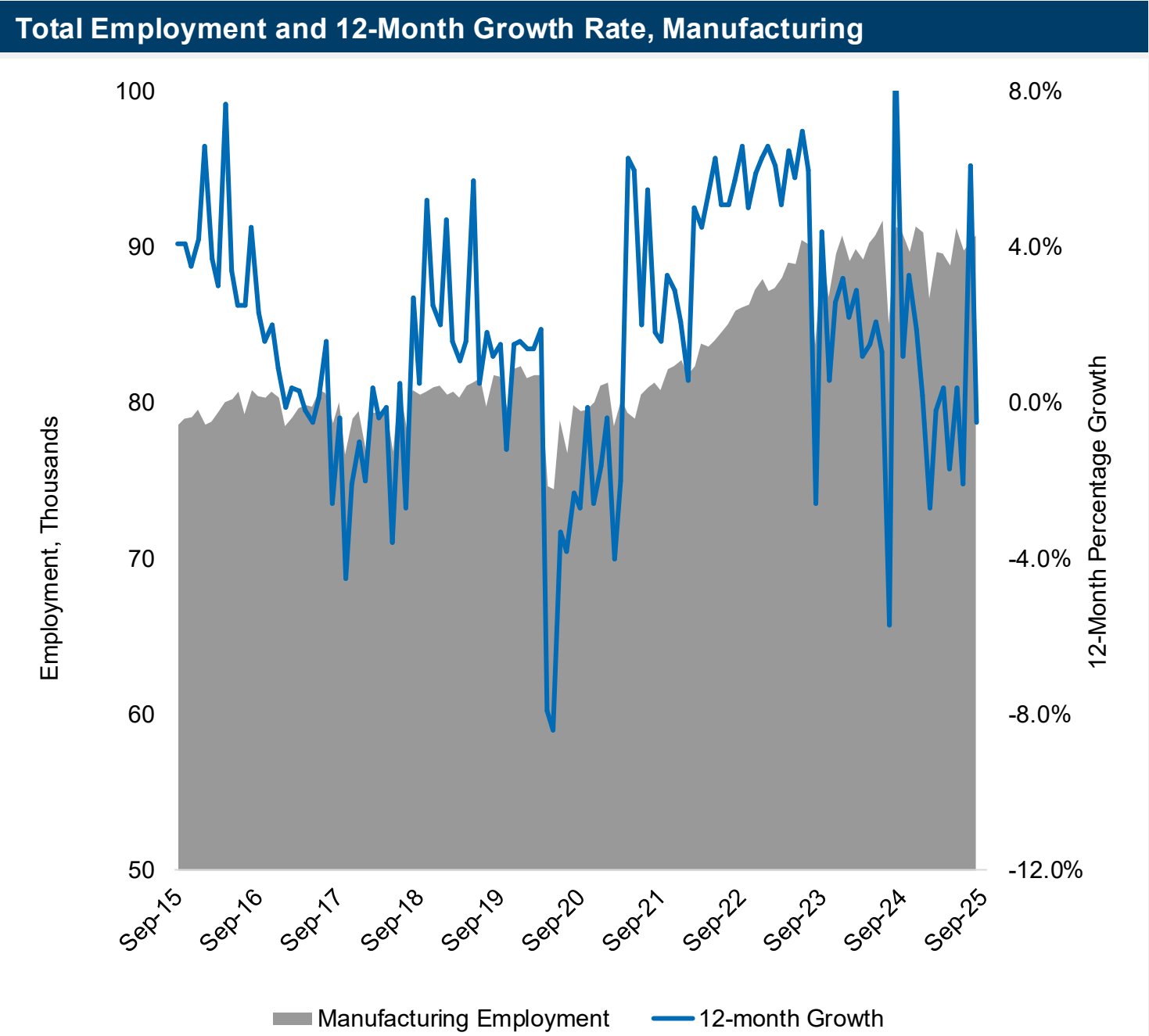
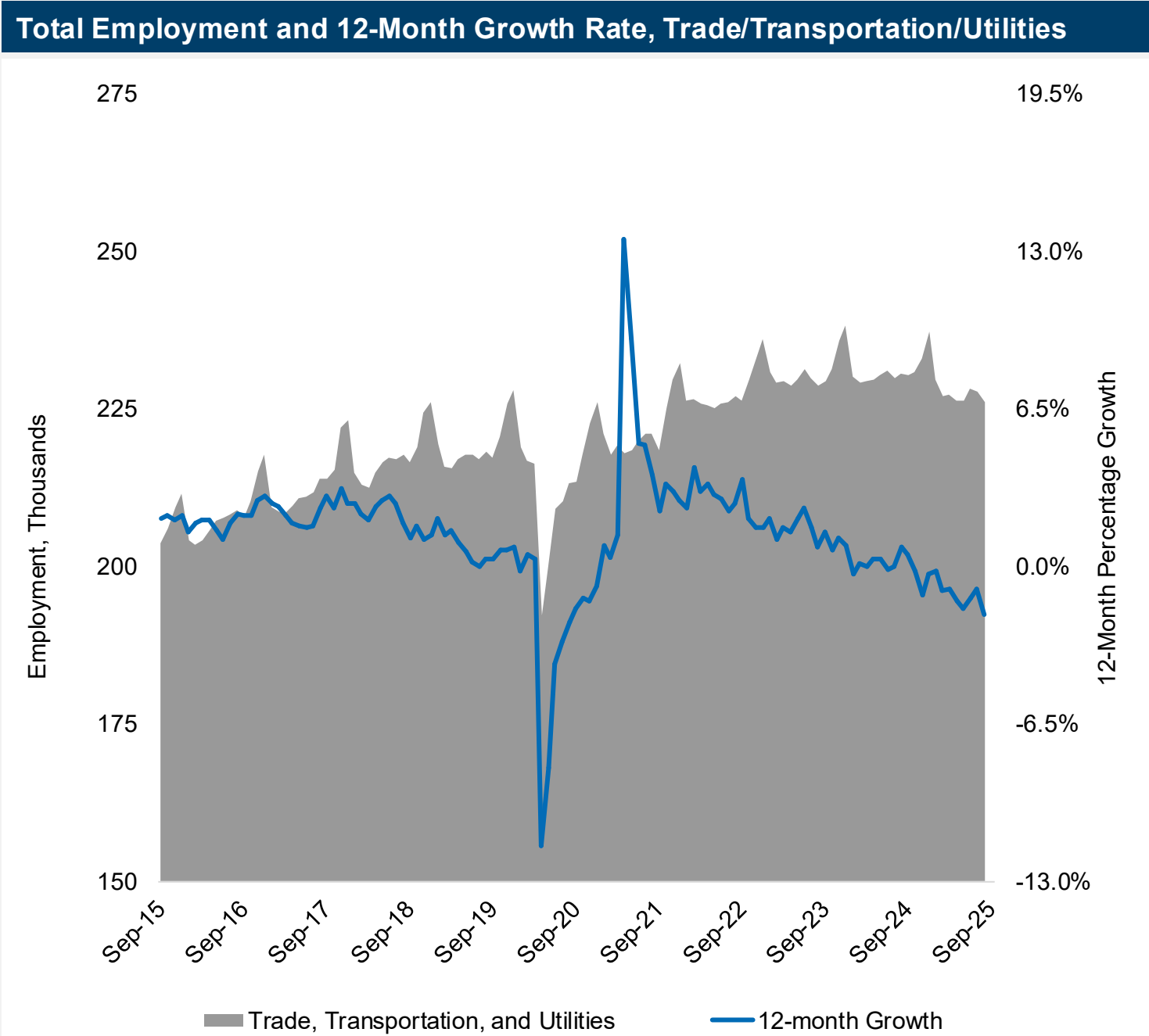
# Business and Professional and Information Sectors Lead Regional Job Losses

Due to a lapse in appropriations in the BLS, the collection of select data points were cancelled for the months of October and November. The Construction sector led regional annual job growth, followed by Education and Health. Kansas City’s strategic location, competitive real estate costs and skilled labor force continue to support industrial activity. Of the three industrial-occupying sectors, Trade/Transportation/Utilities and Manufacturing both reported annual job losses.



# Overall Industrial Employment Rebounds

Due to a lapse in appropriations in the BLS, the collection of select data points were cancelled for the months of October and November. Industrial employment has rebounded and now surpasses pre-pandemic levels. While a slight seasonal dip in employment is typical early in the year, expect controlled employment growth for 2026.



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## Leasing Market Fundamentals

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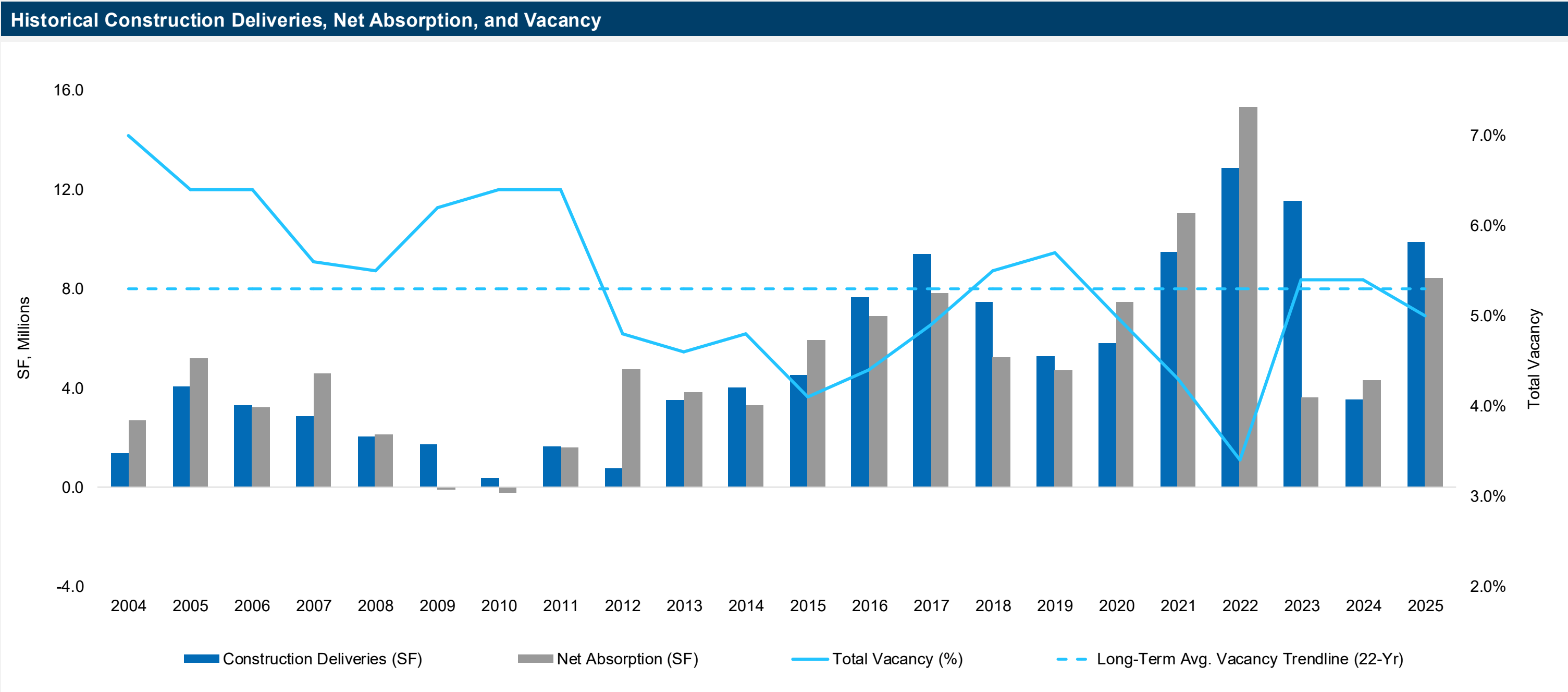
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## Market Overview

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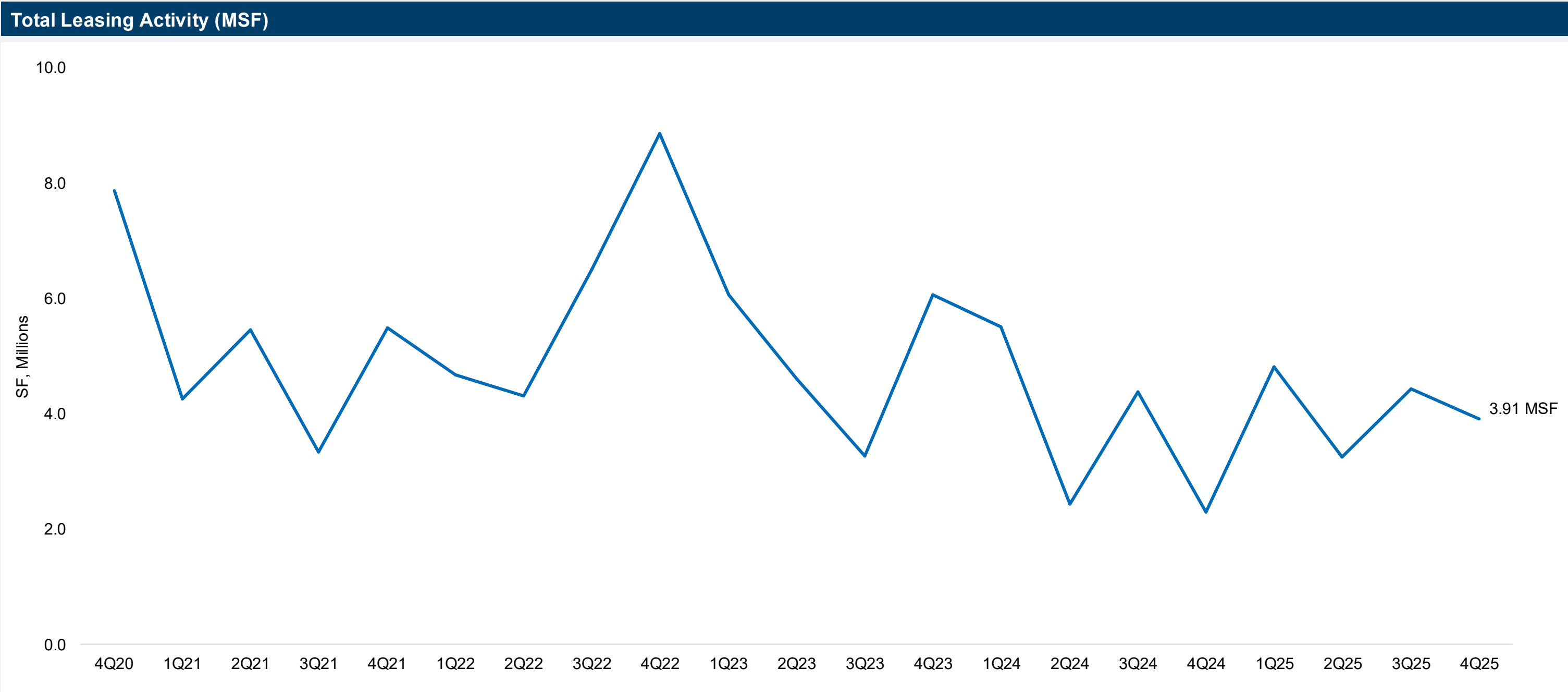
# Vacancy Remains Below 22-Year Average

Vacancy declined by 40 basis points year over year to 5.0% as the majority of deliveries were fully-occupied BTS projects. Net absorption reached a total of 8.4 million SF in 2025. 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 relative to other U.S. markets in 2026. Steady demand, paired with a manageable speculative construction pipeline, is projected to push vacancy closer to 4.5% over the next four quarters.



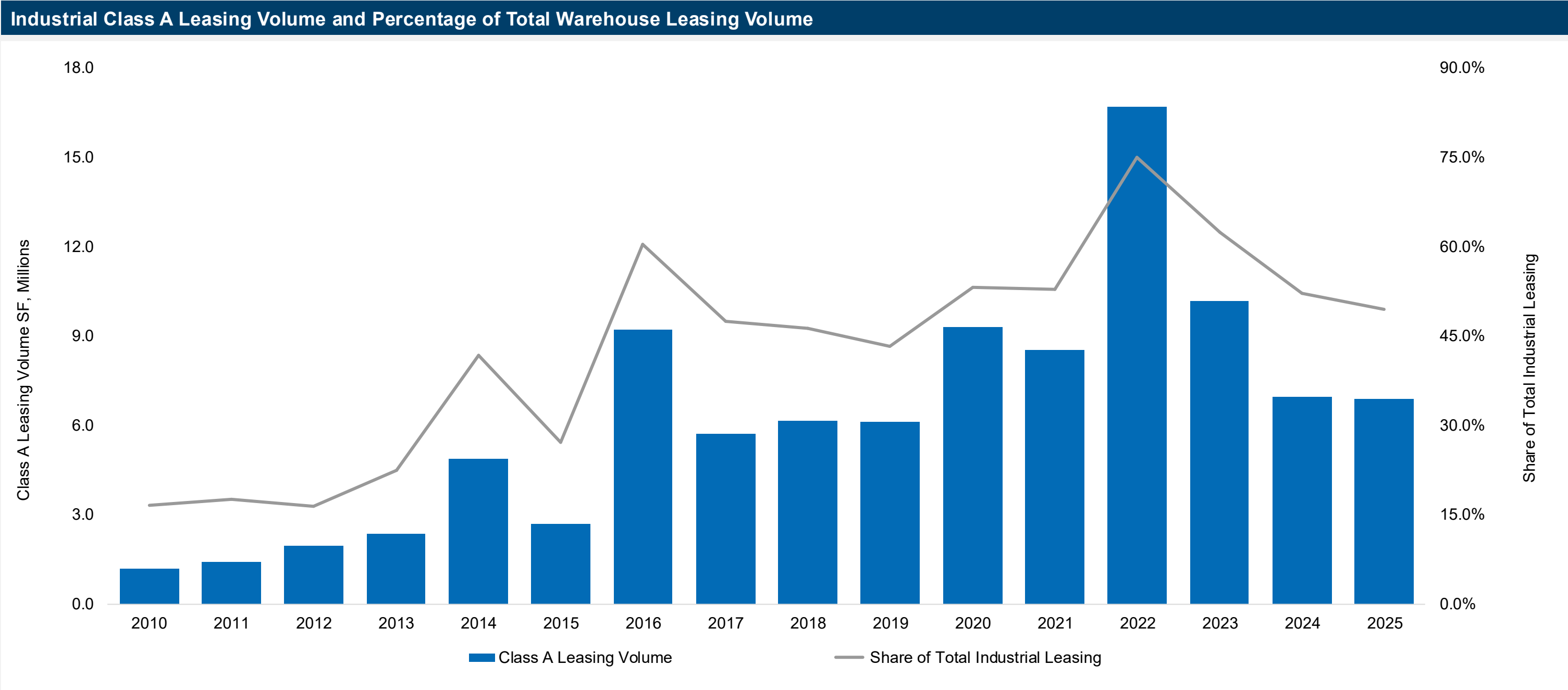
# Industrial Leasing Activity Registers 3.9 Million SF In 4Q25

Demand for industrial space reached 3.9 million SF in fourth-quarter 2025, a 5.8% increase 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 in 2026.



# 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 fourth-quarter 2025, Class A warehouse leasing accounted for 49.5% of total activity, down from the record high of 75.0% in 2022 but still above the pre-pandemic five-year average of 44.9% from 2015 to 2019.



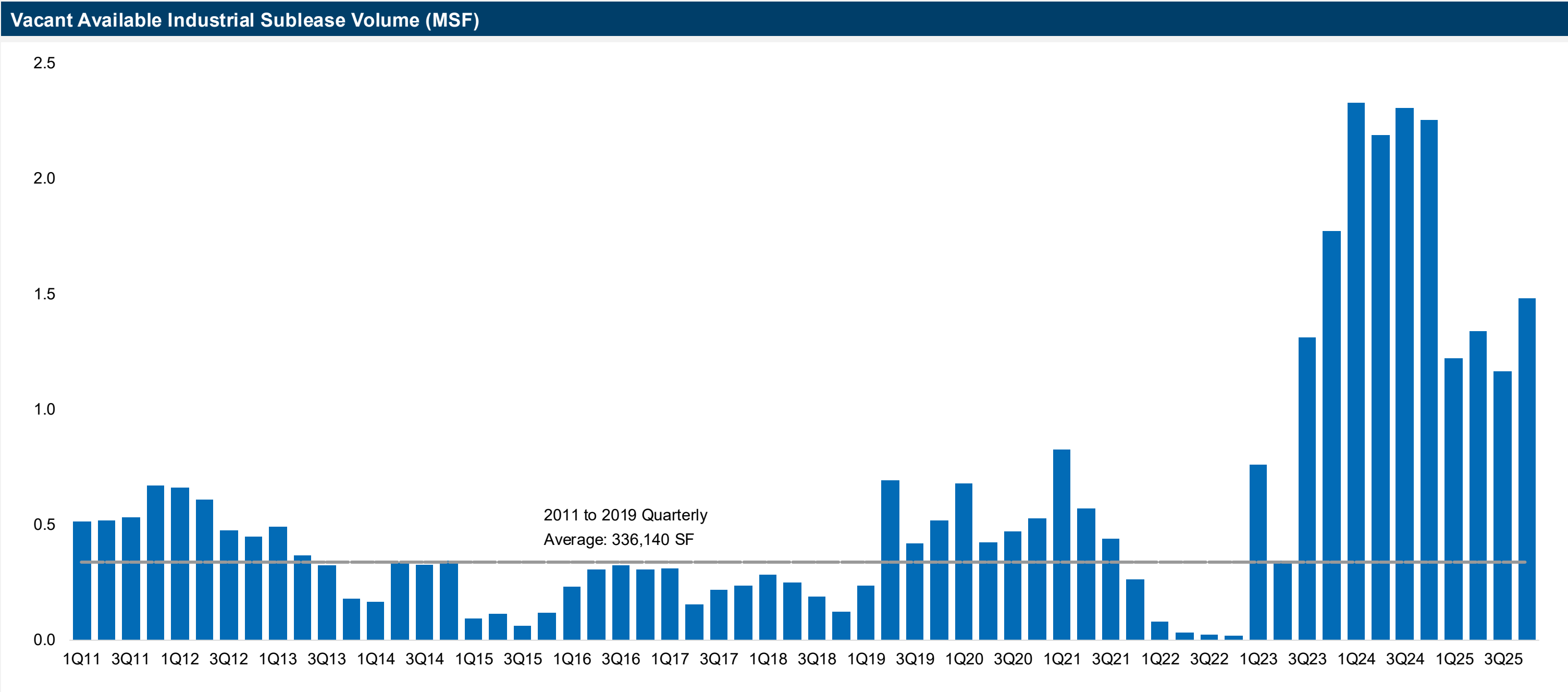
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## Submarket Vacancy Rate Divergence Linked To Product Concentrations

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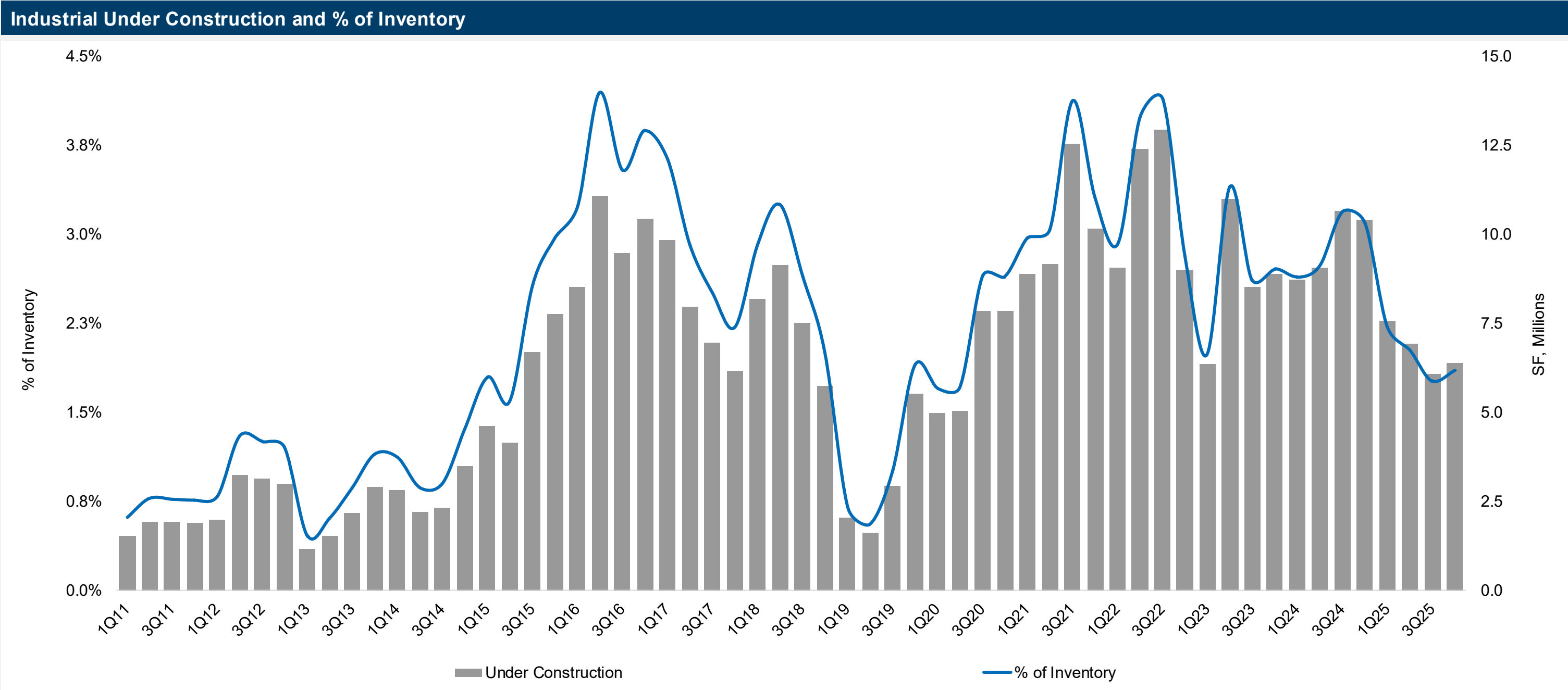
# Leasing Of Sublease Offerings Expected To Continue In 2026

Vacant sublease availability declined significantly in the first quarter of 2025 following the sublease of the 1.1-MSF former Coleman distribution center. Available vacant sublease space remains limited, representing just 0.43% of the Kansas City market; well below levels seen in other U.S. markets. Leasing of active sublease offerings is expected to continue through 2026, likely reducing overall availability further.



# Speculative Projects Account For 24.3% Of Construction Activity

The combined build-to-suit (BTS) and speculative construction pipeline totals 6.4 MSF, with 76%, equating to 4.85 MSF, allocated to BTS projects. Notable developments include Panasonic’s 2.35-MSF EV battery plant in DeSoto, Precision Vehicle Holdings’ 850,510-SF facility in the Northland and Amazon’s 630,000-SF DC at KCI Logistics Park. BTS announcements are expected to continue fueling under-construction activity in 2026. Spec construction is expected to trend upward at a measured pace, with 1.56 MSF currently underway, including VanTrust’s 577,500-SF Building IV at Raymore Commerce Center and Panattoni’s 469,130-SF Building I at Crossroads Commerce Center in Gardner, KS.



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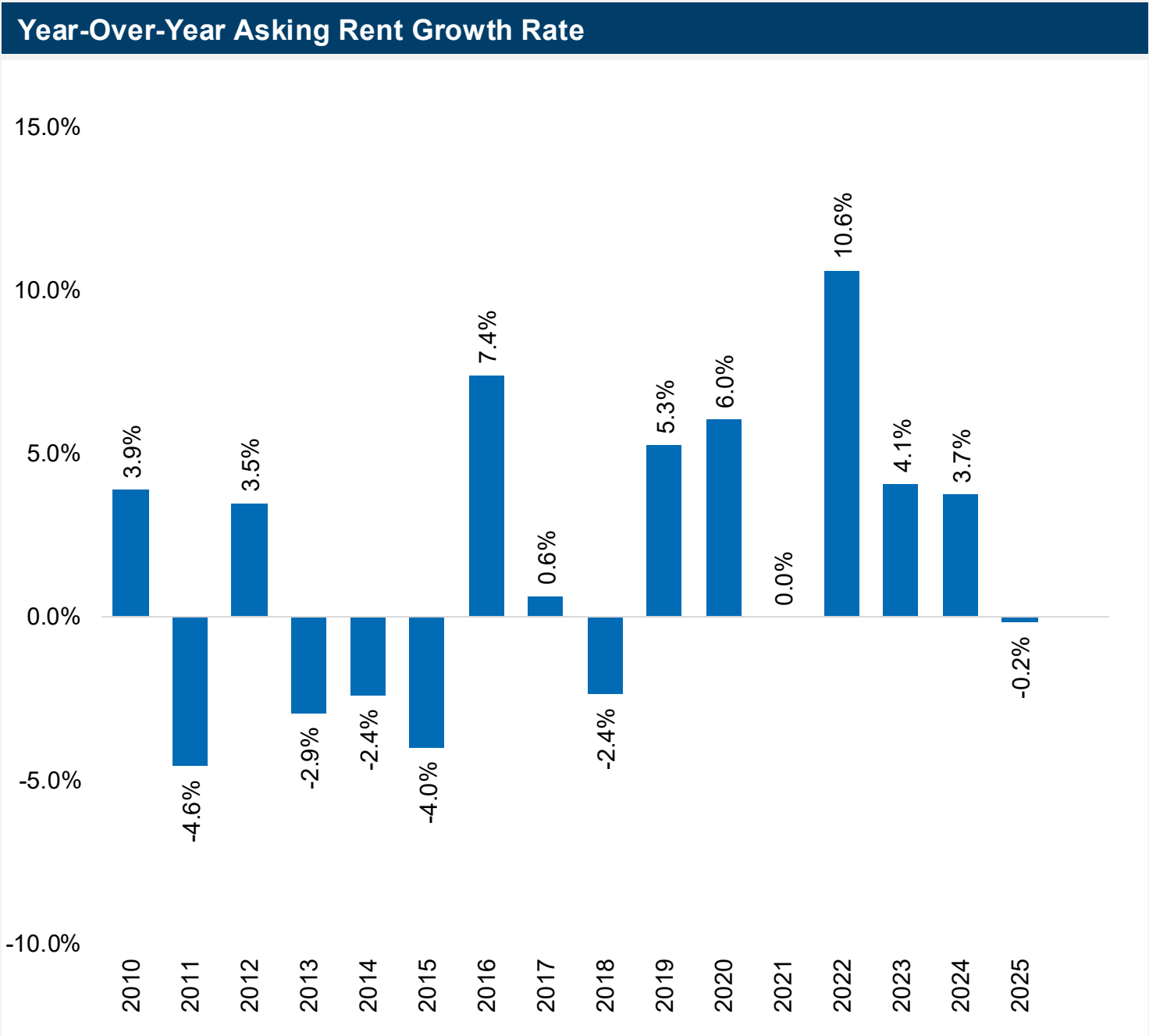
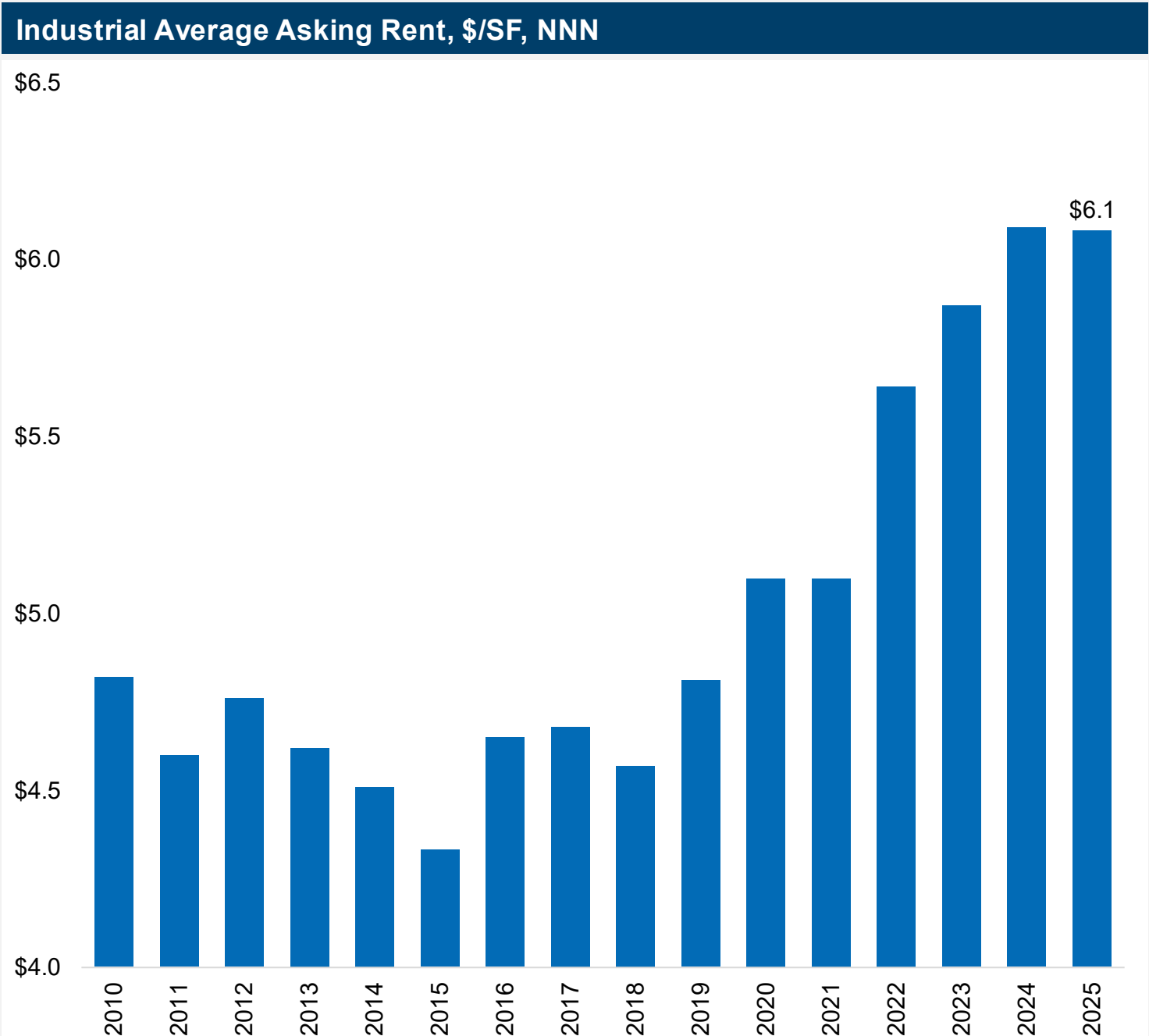
## Speculative Construction Supply Remains Limited



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# Industrial Rent Growth Expected In 2026

Industrial asking rents have grown at a record pace, increasing 33.0% over the past seven years. The tightening market and continued limited supply is expected to drive rents upward in 2026. Although asking rents remained flat 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 2026 between \$6.15/SF and \$6.25/SF.



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

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# 4Q25 Notable News & Leasing Activity

Key announcements in 4Q25: Aspen Funds plans to develop three new industrial parks (Hedge Industrial Park North, South and East) in Olathe totaling 4.0 MSF; SparrowHawk Real Estate and Almanac Realty Investors purchased the 764,735-SF Inland Port XXXII located in Logistics Park Kansas City; STAG Industrial, Inc. purchased a two-building portfolio totaling 552,240 SF consisting of Logistics Centre III and Logistics Centre VI of the KCI Intermodal BusinessCentre; VanTrust began construction on Building D, a 525,000-SF facility at Platte International Commerce Center and also delivered the 555,870-SF BTS for Church & Dwight at Raymore Commerce Center.

Select News & Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Land O'Lakes / Purina Animal Nutrition	4250 MO-92 Highway	Northland	Direct New	396,480
Land O'Lakes / Purina Animal Nutrition agreed to lease 396,480 SF at Building D of the Platte International Commerce Center in Platte City, MO. The Class A property is currently under construction and is expected to deliver by 3Q26.				
FedEx	9525 Woodend Road	Wyandotte County	Direct New	369,790
FedEx agreed to lease the entire 369,790-SF building located at 9525 Woodend Rd. in Edwardsville, KS. The Class A property delivered to the market in 2014 and offers 40 dock doors, two drive-ins and a 32-foot ceiling height. The firm is expected to move in by February 2026.				
Medline	1401 Universal Avenue	East Jackson County	Renewal	359,350
Medline renewed its lease for the entire 359,350-SF building located at 1401 Universal Ave. in Executive Park.				
Ranews Companies	NE S. Erickson Street (Lone Elm Commerce Center V)	South Johnson County	Direct New	200,190
Ranews Companies agreed to lease the entire 200,190-SF Building V at Lone Elm Commerce Center in Olathe. The firm is expected to move in by May 2026.				
Integrated Openings Solutions	11280-11350 Britton Street	South Johnson County	Direct New	72,590
Integrated Openings Solutions agreed to lease 72,590 SF of space at the 198,270-SF Building VI in Lenexa Logistics Centre - South. The firm is expected to move in by June 2026.				

# 03

## Submarket Statistics

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## Submarket Statistics: All Classes, Warehouse, Flex, Underground

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