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Kansas City Industrial Market

By Michael Block

Until recently, Kansas City has not been considered by big box industrial users as a regional distribution hub, in spite of it being home to four rail lines, having become the largest rail server in tonnage moved; three major interstates; the third largest trucking center in the nation; an international airport; and access to barge traffic on the Missouri River. Rail has a significant advantage in energy efficiency, capacity and cost effectiveness, and Kansas City is starting to see the big box users that for years were locating in other major metropolitan markets.

Story after story in the national press and trade magazines are now discussing Kansas City because the metro area now has approximately 2,000 appropriately zoned acres and four major industrial parks ready to hit the market in the next 6 to 24 months. With a population of more than 2 million and one of the faster growing metro areas in the Midwest, Kansas City is on the move. It has stable growth and approximately 255 million square feet of manufacturing, warehousing, distribution and flex industrial product, including its rather unique underground offerings. Currently, the industrial vacancy rate for the greater Kansas City market measures 7 percent.

The development community has been very conservative during the last few years and speculative development has occurred at a very measured pace. However, at mid-year, distribution centers that were targeting the Kansas City region included 19 large prospects, with six users seeking

sites of more than 400,000 square feet and two whose space requirements exceed 1 million square feet.

Several new parks are coming online, with the first being the new Burlington Northern Santa Fe (BNSF) Intermodal Freight Hub in Gardner, Kansas. The Southwest Johnson County hub is to be located on 400 acres and accommodate 7 million square feet of warehouse space. In addition, The Allen Group will develop an additional 1,000 acres, which can accommodate between 8 million and 10 million square feet of distribution space. In addition, other related developments include the Sun Life Insurance Company, which with its fee developer, Kessinger/Hunter, is developing a new 600,000-square-foot, state-of-the-art warehouse and distribution center in Olathe, Kansas, just 7 miles from the Gardner intermodal project. Scheduled for occupancy this month, it is the largest speculative building of its kind to be developed in Kansas. Also planned for development in Gardner is the Midwest Commerce Center, which LS Commercial Real Estate is developing in conjunction with USAA Real Estate. The industrial park's first building, a 517,000-square-foot spec distribution center, is scheduled to break ground soon. When fully developed, Midwest Commerce Center will contain approximately 2.3 million square feet of bulk warehouse product.

The second major project is the Kansas City Southern (KCS) Intermodal Center, punctuated by

KCS's quest to develop a NAFTA-driven rail corridor from Kansas City to Mexico's Pacific Coast. Being developed in conjunction with Chicago-based CenterPoint Properties, the rail-served intermodal facility will be situated on 340 acres, with 11,340 feet of rail track. In addition, CenterPoint, which acquired the former Richards Gebaur Air Force Base from the Kansas City Port Authority adjacent to KCS's property, plans to build 5 million square feet of freight storage space on an additional 970 acres. The developer's site is currently being upgraded and having infrastructure completed.

The third major project is the KCI Intermodal Business Centre, which is being developed by Trammell Crow Company on land owned by the Kansas City Aviation Department that is located adjacent to the Kansas City International Airport. In a related development, the SkyPort Business Park is underway near the Business Centre; its owners began grading 160 acres and have already sold 47 acres to Pure Fishing, which will construct a new 400,000-square-foot distribution center. With its prime location on airport property, including some parcels with on-ramp access, and Foreign Trade Zone status, the business center will appeal strongly to logistic users that may benefit from a close proximity to an international airport, as well as nearby Interstate 29.

In Riverside, Missouri, in the center of the metro area, Block & Company is developing the Horizons Business Park. Situated on 400 acres at Interstate 635 and Highway 9, the park will feature more than 5.3 million square feet of industrial space when complete. Unlike the other developments, it will be a mixed-use, master-planned business park community, offering an array of services. The park's central location will help draw labor amid the area's growing proliferation of industrial development. Some land will be available for sale; however, the majority will be for speculative development for lease.

Other active developments in the Kansas City metro area include the city of Olathe joining forces with Kansas State University to catalyze the development of 92 acres at K-7 and College Boulevard. The project, recently named the Kansas Bioscience Park recently secured its first tenant; Fort Dodge has plans to build a 150,000-square-foot research and development facility within the park. This region is supported by some of the top animal health education programs in the nation, with a collection of universities in Missouri, Nebraska, Kansas and Iowa playing key roles and having some of the top animal health programs in the country. Growth in this industry will be another catalyst for future growth for the warehouse and flex market in the area.

OPUS Northwest, Watkins & Company and Prime Investments are all developing, or have recently completed, new buildings in the Kansas City market. Prime's building at Interstate 70 and 7th Street in Kansas City, Kansas, has been leased by Line, a supplier to the nearby and highly successful GM Fairfax plant, where the Chevy Malibu is built.

Block & Company is also active at the College Crossing Business Park, where it just completed the development of four buildings, totaling 160,000 square feet. In addition, three more buildings will break ground in the near future and offer an additional 280,000 square feet of distribution space.

During the next several years, analysts expect that the rail line traffic will continue climbing, with the increase in offshore manufacturing and rails efficiency edge over trucking, along with the public frustration toward highway congestion. Industrial developers will select locations close to intermodal hubs to take advantage of the cost of transporting goods. With these factors in place, it appears that trends to larger, centralized warehousing and distribution centers will continue for the foreseeable future and Kansas City is well positioned to capitalize on these trends.