

Emerging Industrial Markets: Kansas City

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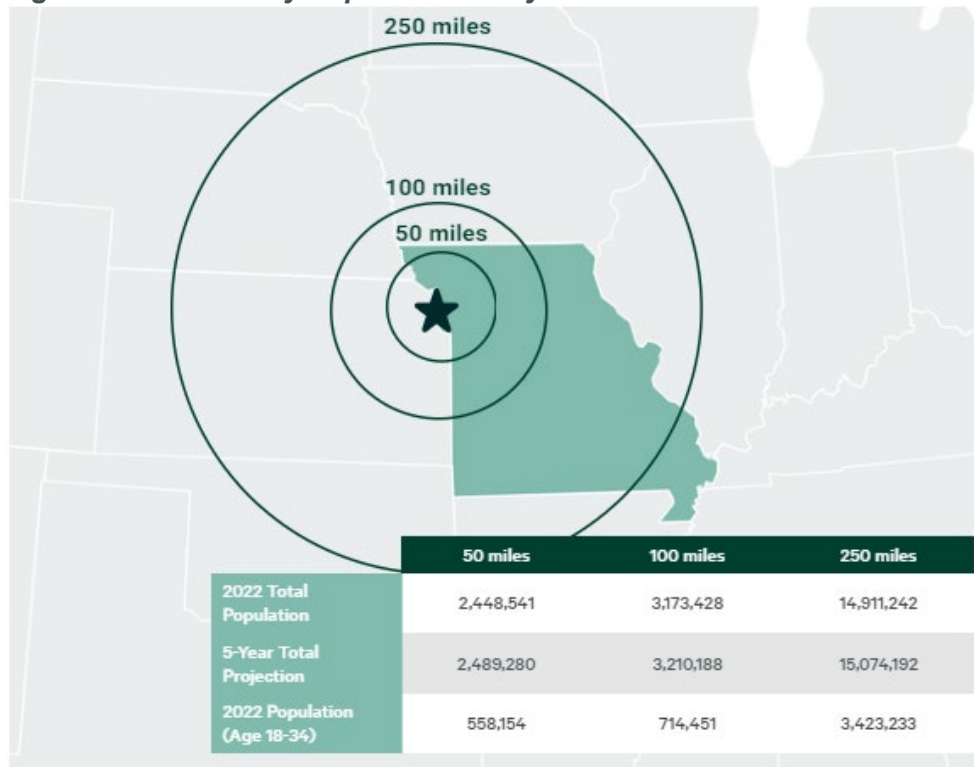
“Kansas City has become a key logistics hub for many automotive suppliers, distributors and 3PLs due to its strong infrastructure and location. Four major interstates bisect the city and multiple rail intermodal facilities connect to major ports in the U.S., Canada and Mexico. Ninety percent of the U.S. is reachable within a two-day drive, making distributor coverage from coast to coast possible. There is also a strong labor pool.”

Austin Baier
CBRE Senior Vice President

Demographics

Approximately 2.4 million people—22.8% aged 18 to 34—live within 50 miles of Kansas City, and 14.9 million live within 250 miles.

Figure 1: Kansas City Population Analysis



Source: CBRE Location Intelligence.

Kansas City's warehouse labor force of 42,801 is expected to grow 6.3% by 2033, according to [CBRE Labor Analytics](#). The average salary for a non-supervisory warehouse worker is \$16.54 to \$19.43 per hour, with an overall average of \$17.78. Kansas City's unemployment rate is 2.7% as of September 2023 versus 2.3% a year earlier, according to the U.S. Bureau of Labor Statistics. Over the same time period, the state's unemployment rate rose from 2.6% to 2.9%.

Figure 2: Kansas City Warehouse & Storage Labor Fundamentals



Source: CBRE Labor Analytics.

Location Incentives

Over the past five years, there have been over 250 economic incentive deals with employers, valued at more than \$485 million for an average of \$15,500 per new job in the Kansas City metro, fDi Intelligence reports.

According to [CBRE's Location Incentives Group](#), among the top incentive programs offered in Missouri is the Missouri Works Program, providing payroll rebates and discretionary income tax credits to business that create new jobs. At least two full-time jobs must be created with wages exceeding 80% of the average county wage for a rural county to qualify. For non-rural counties to qualify, at least 10 full-time jobs must be created with wages exceeding 90% of the average county wage.

The Business Use Incentives for Large Scale Development (BUILD) Program, another incentive program available in Missouri, provides refundable tax credits to companies executing large economic development projects in the state. To qualify, manufacturing and R&D projects must create a minimum of 100 new jobs and invest at least \$15 million.

Among the top incentive programs offered in Kansas is the High Performance Incentive Program (HPIP), offering a 10% tax credit for capital investments over \$1 million. To qualify, for-profit manufacturing companies must pay above-average wages and make a significant investment in employee training.

Figure 3: Top Incentive Programs

MISSOURI

Missouri Works Program

Retention of state withholding tax of new jobs and/or state tax credits, which are refundable

Chapter 100 Program Tax Abatements

- Real and personal property tax abatement
- Sales tax exemption (partial) on equipment or construction materials

Missouri One Start

Discretionary job training grant

Business Use Incentives for Large Scale Development (BUILD)

Discretionary refundable income tax credit program

KANSAS

Peak Program

Payroll rebate equal to 95% of withholding taxes for new jobs, annual for 5 to 10 years

Job Creation Program Fund

Discretionary cash grant

Property Tax Abatements

Discretionary abatement of real estate taxes; Personal property is exempt

HPIP Program

Tax credit equal to 10% of total capital expenditures above \$1 million

Sales Tax Exemptions

Sales tax exemption available for HPIP qualified projects

Kansas Industrial Training Program

Job training program

Source: CBRE Location Incentives Group.

Note: The extent of state and local incentive offerings depends on location and scope of the operation.

Logistics Drivers

Kansas City is one of the fastest-growing hubs for industrial and logistics activity in the nation. Its centralized location is its key strength, allowing reach to 90% of the U.S. within a two-day drive. It is one of the U.S.'s most logistics-friendly metros due to abundant water, land, air and rail infrastructure. By water, the [Port of KC](#), one of 15 Missouri ports, includes over 900 feet of shoreline, as well as three load cells and docking structures for 14 barges. The port terminal has an annual capacity of 800,000 tons and provides rail and truck transfer, covered storage and product distribution. This year, the State of Kansas allocated \$37 million to expand and improve two Missouri River ports in Kansas City.

By road, Kansas City's highly efficient transportation infrastructure contains 30% more interstate miles per capita than any other U.S. city. Four major interstate highways (I-29, I-35, I-49 and I-70) run through and intersect in Kansas City. I-35 connects the U.S. with both Canada and Mexico.

By air, the [Kansas City International Airport](#) services the Kansas City region and is one of the best locations for air cargo and distribution development. It has handled more than 175 million pounds of air cargo this year, as of September 2023. Kansas City's largest infrastructure project was the airport's \$1.5 billion construction. A new terminal was completed in February 2023.

By rail, Kansas City contains five Class I rail lines (Kansas City Southern, Burlington Northern Santa Fe, Canadian Pacific, Norfolk Southern and Union Pacific), and four have intermodal facilities. CP and KCS merged into [CPKC this year](#), creating the first single-line railway connecting Canada, Mexico and the U.S.

Supply & Demand

Kansas City has approximately 314 million sq. ft. of industrial space, the majority of which (100 million sq. ft.) is in buildings over 500,000 sq. ft. Secondarily, 66 million sq. ft. is in facilities between 100,000 to 250,000 sq. ft. The area has recorded a 451% increase in new bulk inventory over the last ten years. At \$5.29 NNN per sq. ft., Kansas City offers one of the lowest overall asking rents of the thirteen industrial markets tracked in CBRE's [Midwest U.S. Industrial Figures Q3 2023](#) report. Vacancy has fallen slightly from 3.1% at the end of 2022 to 3.0% by the end of Q3—nearly an all-time low for the market. Kansas City ranked as the third highest growth market in CBRE's [Midwest U.S. Big Box H1 2023](#) report.

Kansas City is a top North American automotive logistics hub. Ford and GM manufacturing plants are well-established in the region, and Panasonic is building a \$4 billion electric vehicle (EV) battery plant in DeSoto, Kansas—just southwest of Kansas City. This project broke ground in Q4 2022 and is scheduled to complete in 2025, providing up to 4,000 jobs. The company also recently leased approximately 500,000 sq. ft. at nearby Flint Commerce Center (a new industrial park in development that will

contain over 4 million sq. ft.). International EV components manufacturer Cnano Technology USA is investing more than \$94 million into a 333,000 sq. ft. facility in southwest Kansas City too.

Figure 4: Kansas City, Historical Data

	Q3 2023	2022	2021	2020	2019
Inventory (SF)	313,909,357	306,948,990	298,094,515	286,790,482	282,371,357
Overall Vacancy Rate	3.0%	3.1%	4.8%	4.2%	4.6%
YTD Net Absorption (SF)	6,501,658	14,345,384	8,878,166	7,303,079	6,224,144
Average Asking Rental Rates (Direct/SF/Yr)	\$5.29	\$5.02	\$4.81	\$4.73	\$4.86
YTD Construction Completions (SF)	8,727,018	11,641,115	10,315,976	5,643,319	4,628,151

Source: CBRE Research, 2023.

Figure 5: Kansas City, Size Range Comparison

Size Range (SF)	Q3 2023 Existing Inventory	Q3 2023 Overall Vacancy Rate	Q3 2022 Existing Inventory	Q3 2022 Overall Vacancy Rate
10-50K	58,513,356	1.6%	58,704,446	2.1%
50-100K	37,833,843	2.5%	37,653,916	1.7%
100-250K	66,047,354	2.1%	64,481,154	2.0%
250-500K	51,604,424	2.3%	49,515,173	8.4%
500K+	99,910,380	5.0%	92,637,614	6.6%

Source: CBRE Research, 2023.