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Kansas City's potential as distribution center moves full speed ahead

Kansas City Business Journal - by [Jim Davis](#) Staff Writer

When industrial real estate brokers explain Kansas City's rising prominence as a distribution center, they're apt to cite global supply chain logistics, economies of scale and other abstract concepts.

Dan Jensen of **Kessinger/Hunter & Co. LC** puts things in more accessible terms.

How much more often, Jensen asks, do you go online and buy something from an Internet retailer than you did five years ago?

This change in buying habits goes a long way to reveal why Kansas City is ready for prime time with distributors.

"Kansas City is more on the radar screen than ever before," Jensen said, "because you can hit 80 percent of the population in two days."

So convinced is Jensen of Kansas City's potential that he's developing the largest warehouse built in the metropolitan area on a speculative basis -- more than 600,000 square feet in Olathe. Fueling demand for this kind of space are direct-to-consumer distributors.

Jensen, who hasn't signed any tenants, said he's talking with users that would take two-thirds of the building or more. At most, he said, space will be split among two users.

"Users are thinking larger," he said, adding that building larger to accommodate those needs doesn't cost much more because most development costs are fixed.

Jensen's building will open in October at 167th Street and Lone Elm Road, near **Pacific Sunwear of California Inc.**'s large new warehouse.

Other Internet-reliant retailers that have or soon will distribute from the Kansas City area include Musician's Friend Inc., which calls itself the largest American direct-response retailer of musical instruments, and **Pure Fishing Inc.**, a fishing gear vendor that's dropping anchor near Kansas City International Airport for an October opening.

David Hinchman of **CB Richard Ellis Group Inc.**, who represented Musician's Friend in its



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Dan Jensen, a principal of Kessinger/Hunter & Co. LC, walks along the site of the more than 600,000-square-foot warehouse being built in Olathe, the largest in the area being developed on a speculative basis, without signed tenants.

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search for what turned out to be a 702,000-square-foot, \$45 million distribution center in Kansas City's Northland Park, said Kansas City's central location in the United States has become an asset in landing these kind of projects.

Although the western plains states remain lightly populated, Hinchman said, companies recognize they can ground ship virtually anywhere in the contiguous 48 states within three days.

"Kansas City is a perfectly positioned central city," he said. "We're geographically central with enough raw land opportunities that it makes sense and with a good labor force."

Investment capital also is flowing into Kansas City as yields shrink on industrial real estate in first-tier locations such as Southern California, Chicago and New Jersey, Hinchman said.

Two longtime Kansas City impediments -- lack of available buildings and ready-to-go property -- are disappearing, he said.

"We've got upwards of 2,000 acres in four major industrial parks ready to hit the market in the next six to 24 months," he said, referring to logistics hubs around intermodal centers under development at the former Richards-Gebaur Memorial Airport in south Kansas City and in Gardner, KCI Intermodal BusinessCentre southeast of Kansas City International Airport, and Horizons Business Park in Riverside.

Mark Long of **Zimmer Real Estate Services LC**, who's marketing **CenterPoint-KCS Intermodal Center** at Richards-Gebaur, said the park's first building could open as soon as mid-2009. Kansas City Southern's rail line from the park into Mexico will draw different shippers from those using **BNSF Railway Co.**'s service from the West Coast through Gardner, Long said.

Lou Serrone of **Block & Co. Inc. Realtors**, Horizons' development director, said the park will serve a wide range of users. Along with giant bulk distribution warehouses as large as 1 million square feet with high cube space and plentiful truck parking, the park will contain smaller flex buildings and larger office-warehouses.

Jerry Fogel of Kessinger/Hunter, who counseled Pure Fishing to lease a 400,000-square-foot warehouse under construction at SkyPort Business Park just east of KCI, said Kansas City is "on everyone's hot list" at national real estate meetings and could use this emergence to vie for million-square-foot deals that now gravitate toward larger markets such as Dallas.

But parity might take a few years, Fogel said.

"The economy isn't particularly good right now, and for the first time in recent history, the **Inland Empire** (east of Los Angeles) has had an increase in vacancy," he said.

Intermodal traffic could become Kansas City's competitive advantage.

Chris Gutierrez, president of **Kansas City SmartPort Inc.**, said Kansas City is uniquely situated to transfer freight between railroads and trucks. With rail shipments soaring,

Gutierrez said, the area's longtime prominence as a railhead becomes a greater asset.

"We're seeing more deals look at Kansas City," he said about SmartPort, a **Kansas City Area Development Council** affiliate tasked with touting what it calls America's inland port solution. "We're making that next round where we're getting contacts. They're calling us."

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