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# Kansas City Year-End 2009 Industrial Real Estate Index

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## Top of the Bottom

### *Bargain hunters, existing properties, engineers, industrial thrive in 2009*

According to a December 21st story in the *Kansas City Business Journal*, the local commercial real estate market has yet to hit bottom, but "you can see it from here." Industrial real estate activity limped into the end of 2009, with tenant activity slow throughout the year. Vacancy in the large blocks of space above 100,000 sq.ft. continues to be low.

Kansas City had very few large box speculative buildings constructed in the last few years, so this segment is very healthy, contrary to nationwide economic trends. Smaller service center units continue to see higher vacancy and small businesses continue to cut both space and employees. Rents are down from one year ago (approximately 20%), but holding steady in the larger bulk spaces.

The Urban Land Institute released a report in November 2009, predicting that commercial property values will hit bottom in 2010, so many bargain hunters are waiting to make a move. But a few large local deals were still made in 2009. In January, a partnership led by David Block of Block & Co., Inc. Realtors acquired the 1 million-square-foot Great Mall of the Great Plains in Olathe for \$20.5 million — 15 percent of its 1997 construction cost — from Glimcher Realty Trust.

An investment group led by Lane4 Property Group struck another big deal in May, when it bought four Johnson County shopping centers from Highwoods Properties Inc. for \$62.1 million. Building the same 570,000 square feet of retail space would have cost significantly more.

The higher cost of development wasn't the only reason investors shifted focus to existing, income-producing properties. Two more reasons: tenants and financing for new projects remain scarce. "Many of the deals that continued to be done were those that provided companies with a way to chop something, save

money," said Patrick McGannon, president of Kessinger/Hunter & Company, LC.

A group of investors led by Ken and Steve Block, principals of Block Real Estate Services LLC, accounted for one such deal in March, when they acquired YRC Worldwide Inc.'s headquarters building in Overland Park and leased it back to the less-than-truckload freight giant. That transaction helped YRC shed debt and stave off bankruptcy.

Engineering was a rare local growth industry this year, thanks in part to economic stimulus spending, with Burns & McDonnell announcing early in the year that it planned to occupy an additional 217,000 square feet of space at its KC headquarters campus. Black & Veatch also made news when announcing that it would buy its headquarters building in Overland Park for \$60 million and expand it.

Another bright spot was the industrial real estate market, where developers Ken Block and Dan Jensen of Kessinger/Hunter made moves to cash in on trends making this area more attractive as a warehouse and distribution hub.

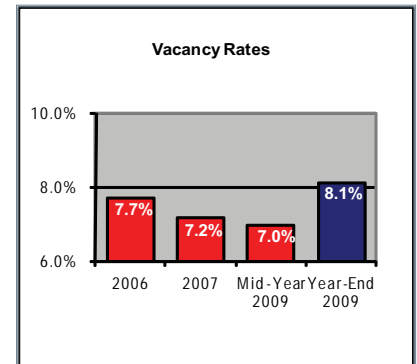
### *BNSF Railway Gets Environmental Permit for Edgerton Intermodal*

A plan to develop a \$750 million intermodal park in Edgerton has cleared a big hurdle. In late December, U.S. Army Corps of Engineers' Kansas City District announced that the Corps had issued a permit allowing BNSF Railway Co. to construct its proposed rail-truck intermodal hub in Edgerton. The permit was required to move a creek on the site.

At stake is a 1,000-acre project called Logistics Park Kansas City, which would include the 440-acre BNSF intermodal hub and a 560-acre industrial park to be developed by The Allen Group, based in San Diego. Construction of the park's intermodal hub was postponed earlier in 2009 because of a decline in rail-freight volumes. However, BNSF has since said that it would begin construction

in 2010 if the project got a permit and a \$50 million federal stimulus grant.

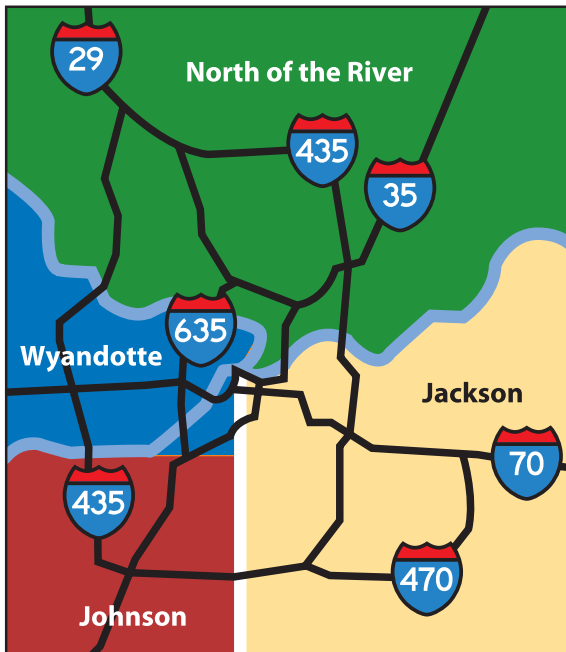
According to a release from the Corps' Kansas City District, the Corps has determined that the project is "in the public interest, is the least environmentally damaging practicable alternative and will not significantly impact the human environment." It further went on to confirm that all applicable federal and state regulations and guidelines were followed in determining that the project and its associated mitigation will not have a significant effect on any resource of concern, including local and regional air quality.



**Featured Property**

167th & Lone Elm, Olathe, Kansas  
253,804 ± sq.ft. available  
\$4.25 per sq.ft. net

## Kansas City Metro - Industrial Submarkets



## Top Transactions - 2009

**Earp Meats** is moving forward with construction on a 150,000 sq.ft. build-to-suit in Edwardsville, Kansas.

**FedEx** leased 126,000 sq.ft. and **Bushnell** leased 220,000 sq.ft. in Olathe, Kansas at the new 167th & Lone Elm speculative project developed by Kessinger/Hunter & Company.

**Wainwright Industries** leased 180,000 sq.ft. at Airworld Business Park in Kansas City, Missouri.

**Watts Water** leased 130,000 sq.ft. in Executive Park, located at 4700 Deramus Ave., Kansas City, Missouri.

**Sealy** leased a 125,000 sq.ft. warehouse building in Kansas City, Kansas at 1st Street and Kansas Ave.

**Penske** leased 100,000 sq.ft. in Executive Park on Deramus in Kansas City, Missouri.

**Church & Dwight, d/b/a Arm & Hammer**, leased 250,000 sq.ft. on Botts Road in Grandview, Missouri.

**Glazer's** leased 210,000 sq.ft. at 6100 Stilwell in Executive Park in Kansas City, Missouri.

**\*Net absorption of 52,000 sq.ft. through the end of 2009\***

Market	Total Market Size	Market Vacancy	2009 Construction
Johnson County	53,400,000 sf	7.2%	1,137,000 sf
Wyandotte County	42,000,000 sf	5.0%	24,500 sf
Jackson County	105,364,000 sf	7.2%	70,000 sf
North of the River	27,000,000 sf	7.3%	0 sf

Kessinger/Hunter & Company is a full-service real estate organization, recently ranked by the *Kansas City Business Journal* as "Kansas City's Most Active Commercial Real Estate Company," based on number of transactions.

Kessinger/Hunter & Company's affiliation with Cushman & Wakefield has continued to be a success. Cushman & Wakefield is the premier real estate services firm in the world, with over 15,000 employees in 58 countries. Our firm represents multinational corporations, pension funds, REITS, developers, entrepreneurs, government entities, small and midsize companies and financial institutions worldwide. We are market leaders in all of our core businesses.



*Left to right:*

Patrick McGannon, SIOR, Director  
 Joseph Accurso, SIOR  
 Jerry Fogel, SIOR  
 Rob Holland  
 Dan Jensen, SIOR  
 Wally Rist  
 Matthew Severns, CCIM  
 Michael Watson