

Johnson County, KS Industrial Market

1st Quarter 2009

Vacancy, Absorption, and Rental Rates

Though the nation has seen high vacancy rates and lowering rental rates, the Kansas City market due to its economic diversity has fared well in relation. In 2008, vacancy rates increased and absorption negative due to several new construction projects that were already in the pipeline. The economy has directly caused several buildings in highly sought locations to become available, many of which may be great deals during this buyer's market (i.e. To mention a few - Hertz Equipment (2 buildings), Price Brothers, Atchison Plumbing, Stanley Steamer, DHL). The following table shows current vacancy and rental rates for the Johnson County industrial market as of March 2009.

Summary/City	# Bldgs	Total Bldg SF	Direct Avi SF	Sublease Avi SF	Total Avi SF	Total Avi %	Direct Vac SF	Direct Vac %	Sublease Vac SF	Total Vac SF	Total Vac %	Direct Asking Rate
Lenexa	547	29,428,278	3,924,726	317,104	4,241,830	14.4%	3,766,129	12.8%	317,104	4,083,233	13.9%	\$7.09
Merriam	89	1,407,288	82,518		82,518	5.9%	82,518	5.9%		82,518	5.9%	\$7.00
Mission	20	455,791	32,000		32,000	7.0%	32,000	7.0%		32,000	7.0%	\$0.00
Olathe	433	12,084,449	2,019,618	6,000	2,025,618	16.8%	1,938,280	16.0%	6,000	1,944,280	16.1%	\$9.01
Overland Park	149	3,212,289	321,157	3,224	324,381	10.1%	312,280	9.7%	3,224	315,504	9.8%	\$7.15
Shawnee	74	2,252,289	280,967	3,750	284,717	12.6%	254,687	11.3%	3,750	258,437	11.5%	\$4.34
Stilwell	17	245,567	39,240		39,240	16.0%	39,240	16.0%		39,240	16.0%	\$9.16
Ind TOTAL:	1329	49,085,951	6,700,226	330,078	7,030,304	14.3%	6,425,134	13.1%	330,078	6,755,212	13.8%	\$7.03

News, Notable Transactions, and New Construction

As of February 12, 2009 BNSF announces a delay to the construction of the intermodal project before the potential release of the necessary 404 permit for the site. BNSF stated in a letter to Gardner's Mayor that the slow down in the economy has made it necessary to delay the project. – City of Gardner Website

Construction on the new I-35 and Lone Elm interchange is underway and estimated to be complete in spring 2010. This new interchange will help traffic flow to the new Lone Elm industrial corridor, which will host 100,000+ sq. ft. distribution facilities moving to Kansas City for our new and exciting logistics commerce.

Sun Life Financial Inc., based in Wellesley Mass., has purchased a 200-acre tract of land in the rapidly-growing industrial area near Lone Elm/I-35. The company will build facilities in phases that total almost 3 million square feet of space on the southwest corner of 151st and Old 56 Highway. – Olathe Chamber

2009 Forecast

The new construction pipeline is starting to dry up in response to the slow economy. This decrease in new product should cause vacancy rates to level out, though finish slightly higher due to more company closures. Expect to see rental rates to continue their slight decline and negative absorption until residential new construction picks back up and/or the economy improves.

