

# Johnson County, KS Industrial Market

## 1<sup>st</sup> Quarter 2010

### **Vacancy, Absorption, and Rental Rates**

It's no doubt that 2009 has been a slow year for most businesses. As a result many businesses have closed, downsized, or simply renewed their lease. The good news is that 4<sup>th</sup> quarter 2009 has shown more activity due to lower prices/rental rates, more concessions (one or two month free rent is common), and possibly higher national consumer confidence. Unlike 2008, fewer high profile properties became available, though vacancy rates did increase from 9.26% in 2008 to 9.81%\* in 2009. 2009 Absorption was -1,022,000 sq. ft. compared to a modest +18,000 sq. ft. in 2008. Rental rates, which are difficult to calculate due to differences in lease rates definitions, have dropped on average of \$1-2/sf over the last year. Terms have generally been short (three years or less) so landlords have the flexibility to raise rates when the economy improves.

### **2010 Forecast**

If Kansas City is truly in the recovery phase, as published by the CCIM Institute, expect vacancy rates to drop slightly, prices/rental rates to stabilize or slightly increase, absorption to balance-out, and concessions to be less generous. Expect little speculative construction because the price to build can not compete with existing product, mostly due to the high price of raw materials and the city's increasing appetite for Class A industrial construction and standards/regulations that seem to become stricter every day. The result will be fewer single tenant developments and more massive projects from large ownerships like Block, who will take advantage of economies-of-scale. This limited supply in the pipeline will eventually drive up prices over the next several years, which must happen before industrial/commercial construction picks back up.

### **Insight Commercial Realty**

This report was produced for the convenience of Johnson County industrial real estate owners. It was written by Kevin Combs, CCIM, principal owner of Insight Commercial Realty. 2010 will be Kevin's 7<sup>th</sup> year in real estate brokerage and has operated his own firm since early 2009. In August 2009, Kevin obtained his CCIM designation, which is only awarded to those professionals who pass the graduate level real estate coursework and meet the extensive experience requirements.

I founded my company on the 3 principles our customers use to hire a competent real estate broker. I utilize advanced web technology by listing property on not just one, but all online resources. I specialize in Johnson County industrial real estate, therefore, by calling on all the industrial users I become an expert on industrial product, and match clients as a result. Lastly and most importantly, being an independent brand ensures I have no conflicting interests by pushing one particular ownership. As a result, I am able to provide the best service possible to my tenant/buyer clients and independent ownerships, like you.

\* Vacancy rate and Absorption was calculated using raw data produced by Xceligent.

