2013

KANSAS CITY RETAIL REPORT

LANE4
PROPERTY GROUP

Ward Parkway Center
Kansas City, MO

Summit Fair
Lee's Summit, MO

Zona Rosa
Kansas City, MO

RECENT SUBMARKET ACTIVITY

The logjam is finally breaking on several development projects and retailer expansions throughout the Kansas City metro. Long-planned projects that were shelved awaiting retail commitments are now on track for 2013 construction starts. Retailers new to the Kansas City metro are opening their first wave of stores after several years of planning, while others are adding to their store counts for the first time since the recession.

Even with these new projects, however, five years of nearly non-existent new construction – combined with moderately healthy retail demand – has left a very tight market for quality space. This leads to the following conundrum: will retail demand and lack of quality space lead to higher rents that finally justify new development, or will the lack of available product stymie future retail expansion?

No matter how the above issue is resolved, one trend that continues unabated is the growing disparity between "A" quality retail projects and all others. Retailers are still not bullish enough to move forward with "B" locations for the sake of meeting targets for new store growth. Most retailers are more likely to sit on the sidelines waiting for a great opportunity than they are to stretch for a location that offers less than their ideal. Thus, there is now more demand from retailers for space in top centers than there is product available – with the result that owners of top quality centers are able to increase rents and choose among tenants that offer superior credit and enhance the center's merchandising mix.

Most retailers' definition of what constitutes an "A" quality retail project remains narrow: location, design, visibility, access, demographics and tenant mix must all be superior. As a result, a large majority of retail centers are now considered "B" quality or lower. Landlords of these "B" centers have more limited options than in times past. They can refocus the center's merchandising mix toward non-retail tenants such as medical services, education or non-profit organizations. Landlords can also attempt to upgrade the center to bring it into the "A" category -- often through city-sponsored incentives such as Tax Increment Financing and/or Community Improvement Districts. A more difficult option, however, is selling "B" or lower quality centers, as many loan balances exceed the center's current market value. Even refinancing to take advantage of historically low interest rates may be difficult because if the center's value has declined (although loan payments have been timely made) lenders may declare a maturity default if the owner cannot inject more equity into the project to maintain the desired loan/value ratio.

Overall, Kansas City's 2013 retail landscape is more promising than it has been in many years. Although challenges remain, the bright spots are becoming more entrenched and new opportunities are becoming more frequent.

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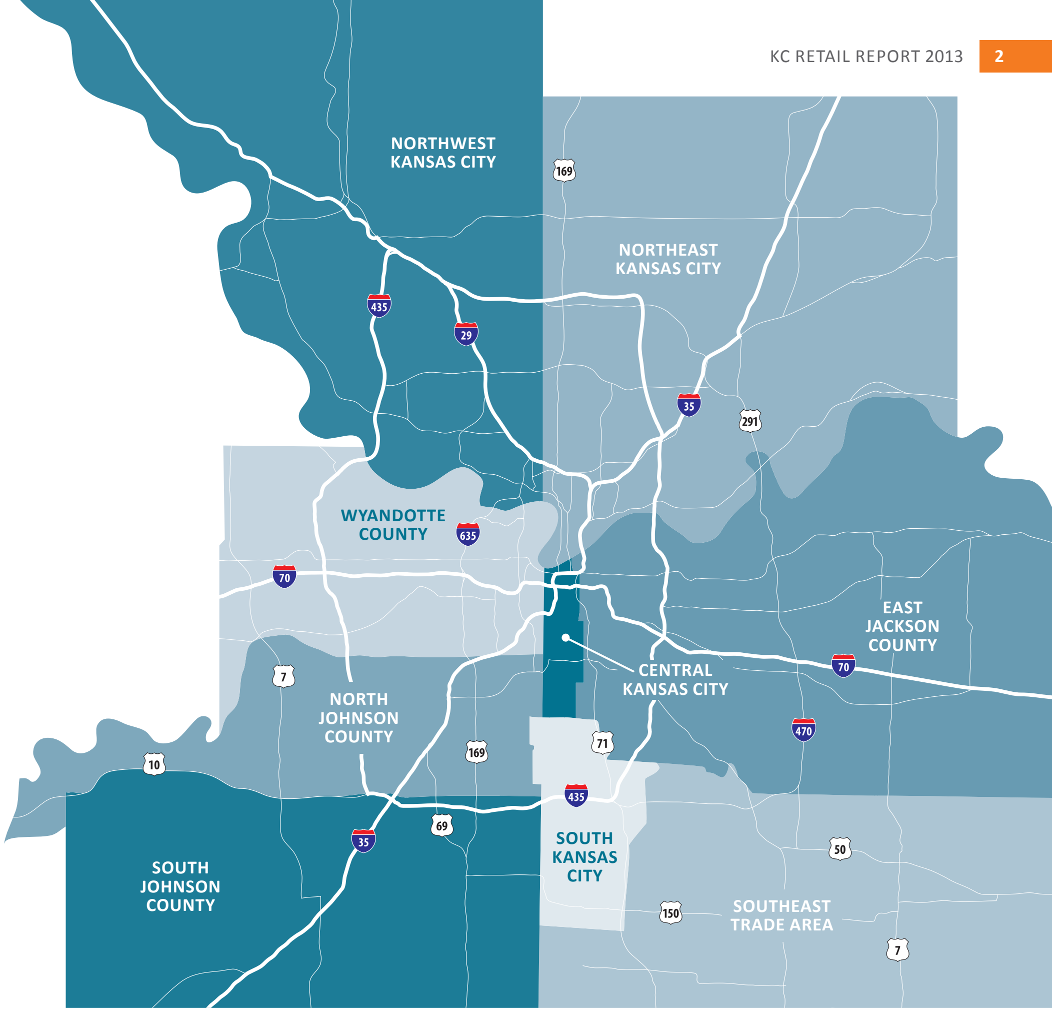


RELATIVE CHANGE FROM PRIOR YEAR

OR OR OCCUPANCY RATE	LR LR LEASE RATE

NORTHWEST KANSAS CITY

OR 1.9% LR -4.6%

This trade area very closely mirrors that of the overall metro area. Vacant space at the top centers in the most desirable areas (especially near the I-29 and Barry Rd./Hwy. 152 corridor) was quickly absorbed in 2012 and retailers are once again finding it difficult to secure good locations. New tenants such as Michaels (former Ethan Allen) and Aspen Fitness (former Border's) leased some of the last remaining large format space, while Steinmart's location at BarryWoods will transition to a Ross Store this year. Shop leasing at MPI's Zona Rosa and Cousins' Tiffany Springs MarketCenter has accelerated – leaving less vacancy than at any time since these centers' openings.

NORTHEAST KANSAS CITY

OR .1% LR -1.0%

Many retailers consider the Northeast trade area to be highly desirable and one of their "must serve" markets. Because of a lack of new construction opportunities, however, retail transactions were relatively flat in 2012 and that trend may carry forward in 2013. The last remaining large format space (former Circuit City) was absorbed by Aspen Fitness. Local developer Ferguson Properties continues to plug away at Whitehall Station – a planned power center on the I-35 corridor that was shelved several years ago but has been revived by interest from several large format discount fashion tenants and other retailers wanting to serve this market.

CENTRAL KANSAS CITY

OR -.1% LR -20.8%

The Country Club Plaza continues to enhance its tenant mix – adding unique-to-Kansas City tenants when space becomes available. Lululemon, Moosejaw, Free People, Soft Surroundings and Cooper's Hawk Winery and Restaurant are among the new tenants that joined the shopping district last year. Owner Highwoods Properties' plan to update one of the nation's oldest shopping centers paid off with double-digit sales increases and the highest sales per square foot for major Kansas City metro centers.

SOUTH KANSAS CITY

OR -2.9% LR 4.6%

For a change, the South Kansas City trade area is home to one of the larger new retail projects in the Kansas City metro. RED Legacy is leading the charge to redevelop the downtrodden Truman Corners shopping center and transform it to the Truman Marketplace – the expected home for several major national and regional retailers that will occupy more than 500,000 square feet of space. In related news, Sam's Club is expected to vacate its Truman Corners location and relocate to Raymore, Missouri; however the potential re-use of the Grandview Sam's Club facility has not been announced. Ward Parkway Center, South Kansas City's retail stalwart, has enhanced its position as the regional retail destination in this densely populated but underserved trade area. HomeGoods opened and AMC Theatres remodeled its facility at the center during 2012. Speculation mounts regarding potential occupants for the former Dillard's tract, a highly desirable infill opportunity that has been cleared, graded and will be ready to develop in 2013.

SOUTHEAST TRADE AREA

(LEE'S SUMMIT, RAYMORE, BELTON)

OR -1.5% LR -2.0%

Summit Place -- The third leg of the powerhouse Lee's Summit, Missouri retail destination that includes the Summit Woods power center and the Summit Fair lifestyle center – may finally break ground in 2013. Leasing interest for the planned 350,000 s.f. power center is brisk, led by discount fashion retailers along with several large format tenants. Meanwhile at the existing Lee's Summit centers, the Border's vacancy at Summit Woods was quickly filled by Ulta cosmetics, leaving a closed Sears store as the only large space available in the market. White House/Black Market, Chico's and Freebirds are among several high profile tenants that joined Summit Fair in 2012. As previously discussed the expected relocation of Sam's Club is expected to nearly complete the long dormant Raymore Galleria project.

RECENT SUBMARKET ACTIVITY *(continued)*

Corbin Park Overland Park, KS

Town Center Crossing Leawood, KS

EASTERN JACKSON COUNTY

OR 1.9% LR .96%

After some shuffling during 2012, the major East Jackson County markets of Independence and Blue Springs, Missouri should be relatively stable for 2013. Bed, Bath & Beyond's former store at Independence Commons was quickly absorbed by Ross, leaving that premier power center nearly fully occupied, as has been typical. Bed, Bath's move to the Pavilions at Hartman Heritage (joined by sister concept Buy Buy Baby) stabilizes the formerly struggling venue and raises expectations for leasing several remaining spaces that sat vacant during most of the recession. With the major tenants now open at the Adams Dairy Landing power center in Blue Springs, MO, attention turns to filling the constructed and planned small shop space.

NORTH JOHNSON COUNTY

OR .5% LR -3.6%

Although older and well established, this trade area is home to some of the most significant new development projects in the Kansas City metro. During 2013 IKEA will start construction of a 349,000 s.f. store on the site of the entirely vacant Merriam Village shopping center at I-35 and Johnson Drive. IKEA will open in 2014. In addition, after many years sitting vacant following demolition of the former Mission Mall, Cameron Group will break ground on its Mission Gateway mixed-use project. Announced tenants include a Walmart Supercenter, Sprouts and Toby Keith's I Love this Bar & Grill. The Oak Park Mall area, buttressed by the highest sales/s.f. enclosed mall in the metro, continues to gain strength through redevelopment. Staples, Ulta Cosmetics and Ross Stores will replace a former Steinmart – leaving a former Hy-Vee supermarket as one of the last remaining large format tenant opportunities in the market.

SOUTH JOHNSON COUNTY

OR .2% LR .13%

Corbin Park continues to make news in this affluent trade area. The 1.1 million s.f. center, which stalled following the original developer's bankruptcy, has now been brought back to life and is being actively leased. Scheel's All Sports has announced a June, 2015 opening of a two-story 222,000 s.f. store at the center, joining a planned Sprouts Farmers Market along with existing anchors Von Maur and JCP. The adjacent PrairieFire mixed-use project has also announced a 2013 construction start anchored by tenants including a 20 screen Cinetopia Theater and Pinstripes – an upscale entertainment and dining venue featuring bocce and bowling. After acquiring the Town Center Plaza lifestyle center in late 2011, Glimcher Realty Trust consolidated its position along the fashionable 119th Street corridor in Leawood, Kansas by purchasing

KANSAS CITY METRO SHOPPING CENTER SURVEY

SUBMARKET	% OF TOTAL SURVEYED	TOTAL SQUARE FEET*		OCCUPANCY RATE		AVG LEASE RATE	
		2011	2012	2011	2012	2011	2012
Northwest Kansas City	6%	3,988,047	3,988,047	90.4%	92.5%	$15.40	$14.72
Northeast Kansas City	12%	7,993,231	7,993,231	89.7%	89.8%	$11.66	$11.54
Central Kansas City	4%	6,140,613	6,140,613	90.2%	90.1%	$21.69	$17.17
South Kansas City	7%	5,273,006	5,273,006	80.9%	78.0%	$11.46	$12.01
Southeast Trade Area	8%	5,264,240	5,394,240	88.8%	87.3%	$12.88	$12.63
East Jackson County	17%	10,933,095	11,060,015	89.3%	91.2%	$11.06	$11.16
North Johnson County	19%	11,893,273	11,970,837	88.6%	89.1%	$12.47	$12.04
South Johnson County	20%	13,180,216	13,264,032	88.6%	88.8%	$15.35	$15.37
Wyandotte County	7%	4,381,445	4,388,195	79.5%	79.2%	$10.25	$9.26
TOTAL SURVEY AREA	**100%**	**69,047,166**	**69,472,216**	**87.93%**	**88.13%**	**$13.58**	**$12.88**

**Trade area definitions may have changed from previous year.*
Source: Data provided by LANE4 Research and third-party sources, current as of December 2012. Survey includes all retail space located within a shopping center and covers all shopping center types. Lease rates represent average quoted pricing per designated trade area in the Kansas City Metropolitan Market.

The Pavillions at Hartman Heritage Center Independence, MO

the Crate & Barrel and Trader Joe's anchored project at the same intersection and changing its name from One Nineteen to Town Center Crossing.

WYANDOTTE COUNTY

OR -.3% LR -10.7%

The Legends Outlets at Village West continues a successful transition to a luxury outlet format, but not in time to hold off the center's transfer to a court-appointed receiver and an expected sale to new owners. For a change, however, the biggest Wyandotte county retail news is being generated a few miles away from the Village West retail behemoth. RED Legacy's redevelopment of Wyandotte Plaza at 78th St. and State Ave. is transforming the dowdy neighborhood center anchored by an undersized grocer into an attractive community center featuring several national junior anchors and an expanded state of the art supermarket.

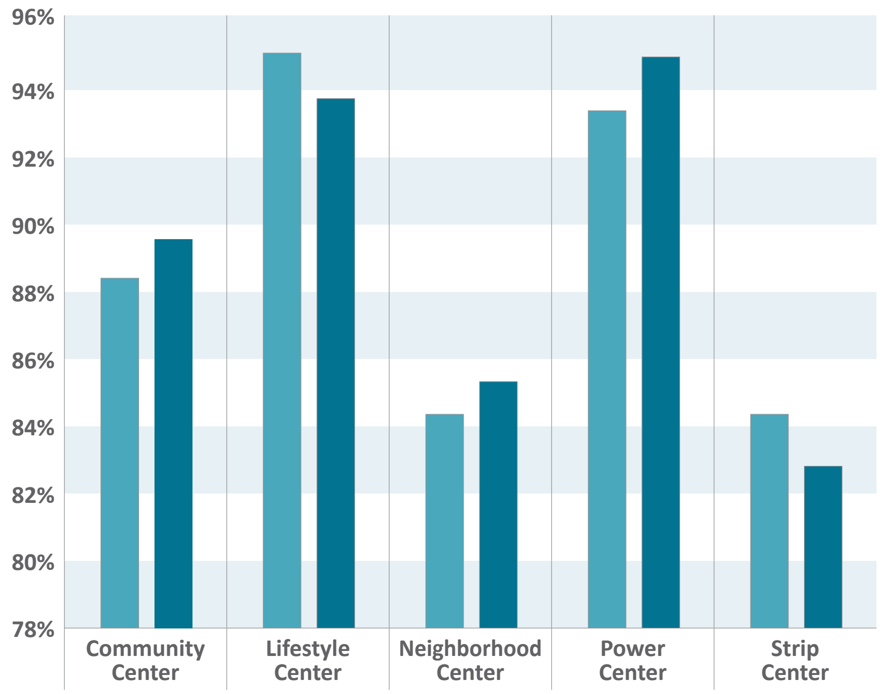
LOOKING FORWARD TO 2013

This year's retail report conveys more positive news and reveals more momentum than at any time in the past several years. Some may argue that this news and momentum is confined to a narrow range of projects in a handful of cities. Time will tell – and we expect that it will soon reveal – that the market has reached a tipping point where continued retail demand will lead to a noticeably increased pace of redevelopment and investment throughout most markets in the Kansas City metro. Although large scale ground-up development currently remains difficult to economically justify, we expect that this too will change over the next several years as the pressure of pent up demand overtakes the lack of new construction during the recession. 4!

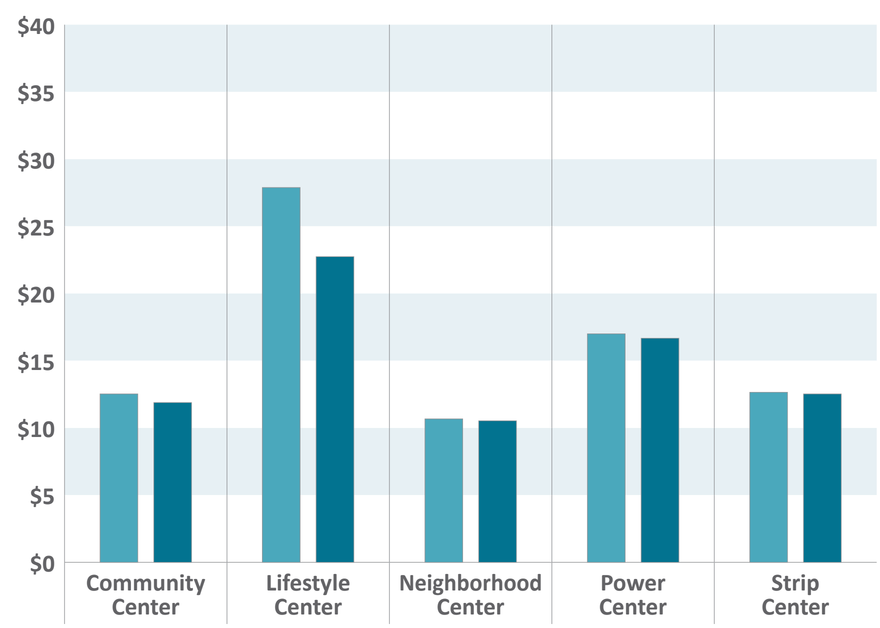
KANSAS CITY METRO SHOPPING CENTER PERFORMANCE

Q3-2011 Q3-2012

OCCUPANCY RATES BY SHOPPING CENTER TYPES



LEASE RATES BY SHOPPING CENTER TYPES



Data provided by LANE4 Research and third-party sources, current as of December 2012. Survey includes retail space located in specified shopping center type.

Town Center Crossing
Leawood, KS

RETAIL TRENDS

The continued and increasing tension between virtual shopping and brick-and-mortar retail lies at the heart of 2013's most notable retail trends.

1 COMBATTING "SHOWROOMING"

The practice of "*showrooming,*" occurs when shoppers hit the brick-and-mortar venues to determine whether they like an item, but then buy it cheaper online. Storefront operators know that Amazon.com is not going away, nor are eBay, Apple, Google or Facebook. In fact, these online retailers are rapidly increasing market share.

In reaction, retailers such as Target are asking suppliers to create special products that set them apart from competitors and make it more difficult for a shopper to perform price comparisons on their computers and smartphones. Where special products aren't possible, retailers are asking suppliers to help match online rivals' prices.

2 PERSONALIZED SERVICE

A number of retailers such as Macy's, Nordstrom, Saks, Urban Outfitters, Walmart and Starbucks have initiatives to reshape the customer experience. In a major shift, retailers will invest more in store associates, not less, in the coming year. Retailers hope that live-blooded experts — rather than mere order-takers — will be successful in offering a better shopping experience.

3 MORE CONVENIENCE

Retailers will be seeking closer physical proximity to their customers. We expect faster growth in urban environments, a reversal of suburban sprawl that drove retailers for several decades. Target and Walmart have set the stage and others are following. Brick-and-mortar retailers are also trying to leverage their existing footprint as an advantage over online retailers by experimenting with same-day delivery. Same day delivery programs appear to be an enticing feature for traditional retailers; however we caution that they are still in their infancy and require a tremendous investment in inventory control.

4 EMBRACING MOBILE

If you can't beat 'em – join 'em. Retailers are integrating the power of mobile and digital technologies into the store experience because data shows that customers who use their mobile devices for commerce spend eight times as much as store-only shoppers. Mobile applications will allow traditional stores to offer virtual fitting rooms, personalized fit options and smart shopping carts. The in-store experience becomes more pleasant and convenient as retail associates are unchained from former cash-wrap counters and are able to travel to the customer.

RESIDENTIAL REAL ESTATE PERFORMANCE

Number of **NEW** Privately-Owned, Housing Units *(Ranked by % Change from 2011-2012)*

MAJOR CITIES	2008	2009	2010	2011	2012*	% CHANGE 2011-2012	5 YEAR ANNUAL AVERAGE
1. Kansas City, KS	184	115	161	62	468	↑ 654.8%	198
2. Lenexa, KS	382	37	51	89	324	↑ 264.0%	176
3. Kansas City, MO	1,496	577	193	509	1183	↑ 132.4%	791
4. Shawnee, KS	108	62	68	77	134	↑ 74.0%	89
5. Lee's Summit, MO	151	164	156	165	271	↑ 64.3%	181
6. Olathe, KS	380	305	309	335	434	↑ 29.5%	352
7. Blue Springs, MO	102	52	49	80	96	↓ 20.0%	75
8. Raymore, MO	360	51	51	66	62	↓ -6.0%	118
9. Overland Park, KS	469	942	249	736	649	↓ -11.8%	609
10. Independence, MO	96	56	59	197	67	↓ -65.9%	95
KANSAS CITY METRO	**5,300**	**3,406**	**2,714**	**3,287**	**4,723**	↑ **43.66%**	**3,886**

**2012 based on annualized rate through October, data is not seasonally adjusted.*
Source: US Census Bureau. Kansas City Metro: New Privately Owned Housing Units Authorized, Unadjusted Units by Metropolitan Area.
City & County: Annual New Privately-Owned Residential Building Permits, Unit estimates with imputation.

TAXABLE SALES BY COUNTY ($M)

(Ranked by 1st Half 2012)

COUNTY	2010		2011		% CHANGE '10 - '11	2012	% CHANGE 1ST HALF '11 - '12
	1ST HALF	2ND HALF	1ST HALF	2ND HALF		1ST HALF	
1. Johnson, KS	$4,235.0	$4,590.7	$4,390.8	$4,840.4	↑ 4.59%	$4,591.3	↑ 4.56%
2. Jackson, MO	$3,886.8	$4,110.4	$3,935.7	$4,687.6	↑ 7.82%	$4,146.1	↑ 5.34%
3. Clay, MO	$1,229.5	$1,322.0	$1,241.6	$1,554.4	↑ 9.58%	$1,321.6	↑ 6.44%
4. Wyandotte, KS	$847.8	$931.5	$874.2	$995.3	↑ 5.06%	$954.7	↑ 9.20%
5. Platte, MO	$661.5	$709.7	$673.0	$908.2	↑ 15.3%	$738.8	↑ 9.77%
6. Douglas, KS	$610.7	$655.4	$621.8	$687.7	↑ 3.42%	$670.0	↑ 7.75%
7. Cass, MO	$431.3	$451.7	$426.0	$535.6	↑ 8.90%	$429.8	↑ 0.89%
8. Leavenworth, KS	$242.4	$259.3	$247.8	$260.5	↑ 1.31%	$257.0	↑ 3.71%
9. Miami, KS	$122.6	$131.7	$128.4	$137.8	↑ 4.67%	$136.0	↑ 5.91%

Source: Kansas Department of Revenue and Missouri Department of Revenue.

We expect faster growth in urban environments, a reversal of suburban sprawl that drove retailers for several decades.

Mission Gateway (Proposed)
Mission, KS

2013

KANSAS CITY RETAIL REPORT

LANE4 Property Group is one of the fastest growing commercial real estate companies in the Midwest, specializing in project leasing, tenant representation, development, incentive procurement services, investment sales, property management, and receivership. Our success is based on an unwavering commitment to streamlining processes and optimizing our clients' objectives by providing in-depth knowledge and experience, attention to detail, creativity, and passion in every project we tackle. Today we have a multitude of mixed-use, office, retail, and hospitality projects under development and continue to rapidly expand throughout the Midwest.

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