

THE ORANGE REPORT

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

FIRST QUARTER
2014

ICSC: Level the Playing Field for Local Retail

Technology and the internet continue to change the way we live. Shopping online versus the traditional "brick-and-mortar" is just one example. This has led to a national discussion about how sales between the two venues are taxed. The following is the International Council of Shopping Centers (ICSC) Public Policy View on this subject:

Congress is closer than ever to leveling the playing field for brick-and-mortar tenants by closing the online sales tax loophole. May 6 marks the one year anniversary of the U.S. Senate passing the Marketplace Fairness Act. It is now up to the House of Representatives to act on e-fairness legislation.

There is no question that internet retail has become an important option for making purchases. But traditional retail remains the backbone of local economies in our communities, while providing immediate access to goods. Community-based stores invest in their neighborhoods and play a major role in the overall quality of life in the places we call home. They keep our workers employed and are an integral part of many civic and charitable organizations. Without a competitive retail environment in our communities and efficient delivery of goods and services, the economic health and local flavor of our communities will be jeopardized. Unfortunately, internet-only sellers are currently enjoying a competitive advantage over their local counterparts since they are not required to collect sales taxes like brick-and-mortar retailers. Increasingly, local stores find themselves serving as "showrooms" for unrelated Internet and catalog sellers, as prospective customers check out merchandise in person but ultimately buy online, erroneously thinking that they can avoid the sales tax.

There is no legal way to avoid paying the tax if you live in a state with a sales tax. According to current state tax codes, the consumer is responsible for paying taxes on all purchases whether the retailer collects it or not. For purchases made online where sales tax is not collected, the consumer is left with the burden of tracking the purchases where the tax was not collected, calculating the appropriate amount of tax due and remitting it directly to the state department of revenue. Many consumers are unaware of this obligation and enforcement by the states is difficult, which has fueled the misperception that online purchases are tax-free. Unfortunately, if a state were to audit the consumer and find that the tax on these purchases was not paid, the consumer would be subject to fines and penalties by the state.

Continued on the next page.

Sources: ¹CoStar: Total existing space, for all retail and office types, including direct and sub-lease. Change for Average Vacancy Rate represents the difference between 2012 & 2013 percentages. ²U.S. Census Bureau: Retail E-Commerce Sales. ³U.S. Census Bureau: Estimated monthly. ⁴Creighton Economic Forecasting Group. Survey ranges from 0-100 with a score of 50 considered growth neutral. Under 50 indicates a contracting economy for the next three to six months. Mid-America survey states are Kansas, Missouri, Arkansas, Iowa, Minnesota, Nebraska, North Dakota, Oklahoma and South Dakota. ⁵U.S. Bureau of Labor Statistics. Unemployment rates seasonally adjusted. ⁶Kansas City Regional Association of Realtors. Average sales price of new & existing homes. ⁷Home Builders Association of Greater Kansas City.

Kansas City Sales & Leasing Data

KC MSA Total Retail Market Statistics ¹			
	Q1 2013	Q1 2014	% Chg
Total GLA (s.f.)	107,931,410	108,277,196	0.3%
Avg Lease Rate	\$12.43	\$12.58	-1.2%
Avg Occupancy Rate	91.2%	91.4%	0.2%

KC's Largest Lease Signings - Q3 ¹		
Location	Tenant	Size
Pointe Hope Center	Restore	15,000 s.f.
Deer Creek Marketplace	Thomasville	11,386 s.f.
Regency Park Shopping Center	Hancock Fabrics	10,894 s.f.

Avg. Shopping Center Vacancy ¹	
Period	Rate
Q1 2014	11.5%
Q1 2013	11.9%
Q1 2012	13.6%
Q1 2011	13.8%

Traditional Retail v. E-commerce

Retail Sales ²				
Period	Total In Millions	Traditional	E-commerce	E-commerce % of Total
2013	\$4,533,571	\$4,271,060	\$262,511	5.8%
2012	\$4,344,140	\$4,117,262	\$226,878	5.2%
2011	\$4,132,996	\$3,935,113	\$197,883	4.8%
2010	\$3,841,454	\$3,672,559	\$168,895	4.4%
2009	\$3,630,408	\$3,485,500	\$144,908	4.0%

National & Regional Trends

U.S. Food & Retail Sales ³		Business Conditions Index ⁴			
Period	In Billions	2014	Jan	Feb	Mar
Q1 2014	\$1,288.8	Missouri	51.9	53.2	53.6
Q1 2013	\$1,257.7	Kansas	54.5	58.3	55.1
Q1 2012	\$1,204.7	Mid-America			
Q1 2011	\$1,139.6		57.7	57.4	58.2

Unemployment Rate ⁵			Consumer Price Index ⁵			
March	2013	2014	2014	Jan	Feb	Mar
Midwest	7.2	6.4	Midwest	222.2	223.5	225.5
U.S.	7.5	6.7	U.S. City Avg	233.9	234.8	236.3

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Not only is our current sales tax structure leaving consumers exposed to a tax liability, but it is also denying states critical funding. According to a University of Tennessee study, states were estimated to lose approximately \$23 billion in uncollected revenue in 2012 from purchases made through out-of-state sellers. In turn, local businesses are asked to pay more in local and state taxes (sales, income, property, etc.) to make up the shortfall.

At the end of the day, retailers should be able to compete on attributes such as price and customer service, not government-imposed sales taxes. The current system interferes with a truly free market. In fact, a recent Bizrate poll found that 26 percent of consumers would return to shopping locally if all retailers collected sales tax, clearly demonstrating that the existing lopsided tax policy is disrupting fair competition in the retail marketplace.

Congress can help bring the sales tax system into the 21st Century. While the Senate has already passed legislation to level the playing field for local retailers, the House is still considering a measure. It is critical that our Representatives take action this year, so our brick-and-mortar retailers do not have to suffer another holiday season with their one hand tied behind their backs. To learn more about this issue and to ask your House Representative to support e-fairness legislation, please visit www.efairness.org. It's time that our local retailers have a fair chance to compete in our 21st Century economy.

Excerpt from ICSC Office of Global Public Policy

Giving Back

LANE4 is a long-time supporter of Harvesters Community Food Network. In April, nearly 150 businesses, including LANE4, donated over 30,000 food items, which amounts to 45,003 meals for those in need.

Harvesters' mission is to feed hungry people today and work to end hunger tomorrow.

As this area's only food bank, Harvesters is a clearinghouse for the collection and distribution of food and related household products. They've been helping people in need since 1979. The Harvesters network provides food assistance to as many as 66,000 different people each week. Harvesters is a certified member of Feeding America, a nationwide network of more than 200 food banks, serving all 50 states.

About LANE4 Property Group

LANE4 provides its clients the best position from which to succeed. The firm offers an advantage in marketing, tenant representation, project leasing, property management, investment sales, receivership, project management, and development. These comprehensive services allow our clients to streamline their time and optimize their investments. From the initial market analysis through the grand opening and operation, the team at LANE4 executes each step of process with skill and professionalism. Our team has forged strong relationships with our constituents: tenants, investors, municipalities, architects, engineers, attorneys, contractors, and developers. This experience, dedication, and focus – combined with creativity and passion – is the LANE4 formula that maximizes our partners' results.

Kansas City Housing

Average Home Price ⁶			
County	Mar '13	Mar '14	% Chg
Cass County, MO	\$142,600	\$146,803	2.9%
Clay County, MO	\$145,910	\$166,325	14.0%
Jackson County, MO	\$124,311	\$138,069	11.1%
Platte County, MO	\$197,130	\$206,400	4.7%
Johnson County, KS	\$248,998	\$258,958	4%
Leavenworth County, KS	\$145,400	\$167,131	14.9%
Miami County, KS	\$166,435	\$143,490	-13.8%
Wyandotte County, KS	\$73,148	\$78,024	6.7%
Kansas City Region	\$165,885	\$175,375	5.7%

Residential Building Permits ⁷			
County	March '13	March '14	% Chg
Cass County, MO	28	51	82.1%
Clay County, MO	121	153	26.5%
Jackson County, MO	107	341	218.7%
Platte County, MO	86	85	-1.2%
Johnson County, KS	523	961	83.7%
Leavenworth County, KS	21	44	109.5%
Miami County, KS	18	13	-27.8%
Wyandotte County, KS	57	47	-17.5%
Kansas City Region	961	1,695	76.4%

For. Your. Information.

ICSC RECon in Las Vegas, NV

May 18 - May 20

Come visit our booth at:

Central Hall #1244
Corner of J Street and 12th Avenue.

RECon is a global convention for the shopping center industry and provides networking, deal making and educational opportunities for retail real estate professionals from around the world. With over 34,000 attendees and 1,000 exhibitors it is the largest industry convention!

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