

THE ORANGE REPORT

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

FIRST QUARTER
2018

Entertainment Retail: The New Big Box

We live in a world of instant gratification. Never ending advancements in technology have allowed people instant access to more services, products, and experiences than ever before. Whether you're searching for a movie, a conversation, or food, you can now access it or order it within seconds with the help of your smart devices. Sure, ordering rapid pick-up from Panera online, buying new shoes through Nordstrom's mobile app, or messaging your friend via Facebook can satisfy you in just a few minutes or less. Genuinely connecting to your community and social interactions in real time, however, fulfills your social needs in a different way.

Over 250 million years of our evolutionary history, humans have become increasingly social and interactive in group settings. *Social: Why our Brains are Wired to Connect*, written by Social Cognitive Neuroscience Lab Director Matthew D. Lieberman, explores groundbreaking research that suggests the need to be social is more basic than our need for food and shelter. Lieberman informs, "Just as there are multiple social networks on the Internet such as Facebook and Twitter, each with its own strengths, there are also multiple social networks in our brains, sets of brain regions that work together to promote our social well-being." Our brain's social networks have emerged at different points within our evolutionary history to adapt to the progress of the world around us. Social media, specifically, has taken the world by storm and has increased our need for instant gratification and harmonization to the values and beliefs of the groups and communities around us. Still, interaction via apps like Instagram and Snapchat only satisfies a small portion of the multiple social networks within our brain.

Along with craving instant gratification and harmonization, humans also crave social connectedness. Successful modern-day entertainment retail concepts are tapping into this desire by creating comfortable and unique atmospheres in which audiences of all ages can come together and enjoy memorable experiences. More well-known concepts around KC, like escape rooms, Top Golf, and pickle ball-focused restaurant, Chicken N' Pickle, have become increasingly popular and have capitalized on this fundamental need for interaction and socialization. Because experience-based tenants require customers to visit their spaces in person, other retailers and restaurants nearby also benefit from higher levels of foot traffic. Thus, these experiential retailers are taking the place of traditional anchor tenants in many cases.

As developers and leasing agents, we are constantly observing new and noteworthy entertainment concepts to identify potential tenants that would offer the best experiences and benefits for our communities. Beyond the concepts already mentioned, there are several other concepts we've been watching that have been designed to pull individuals away from the lure of their phones and encourage real-time social interaction. The first are some of our favorite recent concepts to enter KC. We've also thrown in a few that we hope will make the jump to our market soon!

Blade & Timber Kansas City, MO and rapidly expanding

A new concept seen taking space across the nation, Kansas City's first urban axe throwing facility opened in the West Bottoms district in November of last year. Their unique axe throwing experience is "fun, casual, and expanding quickly to new cities!" Two new locations in Leawood and Wichita, KS are set to open this month, and

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 2017 & 2018- percentages. ²U.S. Census Bureau: Estimated monthly. ³Creighton 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. ⁴U.S. Bureau of Labor Statistics. Unemployment rates seasonally adjusted. ⁵Kansas City Regional Association of Realtors. Average sales price of new & existing homes. ⁶Home Builders Association of Greater Kansas City. Total units YTD as of March 2018.

Kansas City Sales & Leasing Data

KC MSA Shopping Center Retail ¹			
	Q1 2017	Q1 2018	% Chg
Total GLA (s.f.)	158,304,126	157,756,689	-0.35%
Avg. Lease Rate	\$12.27	\$12.77	4.07%
Avg. Occupancy Rate	94.4	94.6	0.20%

KC's Largest Retail Lease Signings - 2018 YTD ¹		
Submarket	Tenant	Size (sf)
Kansas City, MO	Sunfresh	38,000
College Blvd. Corridor	Genesis Health Club	24,826
South Kansas City	Serenity Funeral Home	23,000

Avg. Total MSA Vacancy ¹		
Period	Vacancy Rate	Lease Rate
2018 YTD	5.4%	\$12.77
2017	5.4%	\$12.39
2016	5.6%	\$11.84
2015	6.8%	\$11.64

Retail Entertainment Concepts

Concept	Website	Locations
Blade and Timber	bladeandtimber.com	MO, KS, MN, OR, HI, WA
Parlor	parlorkcmo.com	MO
Meow Wolf	meowwolf.com	NM, CO, NV
Punch Bowl Social	punchbowlsocial.com	CO, MI, TX, OR, OH, FL, UT, DC, MO, MN, IN, CA, GA

National & Regional Trends

U.S. Food & Retail Sales ³		Business Conditions Index ⁴			
Period	In Millions	2018	Jan.	Feb.	Mar.
Q1 2018	\$1,478,519	Missouri	53.6	58	63.2
Q1 2017	\$1,419,918	Kansas	59.6	62.4	63.8
Q1 2016	\$1,350,654	Mid-America			
Q1 2015	\$1,312,307		57.3	59.7	62.1

Unemployment Rate ⁵			Consumer Price Index ⁵			
March	'17	'18	2018	Jan.	Feb.	Mar.
Midwest	4.2	43.8	Midwest	232.0	232.5	232.9
U.S.	4.5	4.1	U.S. City Avg	247.9	249.0	250.0

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Continued....

several out-of-state locations opening soon after: Bloomington (home to the Mall of America), MN; St. Louis, MO; Springfield, MO; Portland, OR; Honolulu, HI; Miami, FL; and Seattle, WA.

Parlor Food Hall

Kansas City, MO

Opening Fall 2018, the KC Crossroads District will welcome a new food hall to the trendy, urban neighborhood. Food halls are the upscale, 21st century version of the 1980s food court. They generally incorporate large open floor plans with multiple vendors serving fresh, quality food that is prepared in front of the customer. There are no reservations and no assigned seats or tables; in fact large community tables are common. People from all walks of life come in to relax and socialize while enjoying great food and drinks in a shared environment. While food halls have been widely accepted in places like Nashville, New York, Amsterdam, and London, The Crossroads now has a chance to embrace this food attraction as Parlor aims to "curate a diverse group of culinary concepts and celebrate them under one roof."

Meow Wolf

Santa Fe, NM; Denver, CO; Las Vegas, NV

This Santa Fe, New Mexico based arts and entertainment group was established as an art collective in 2008. Composed of nearly 200 artists, the company includes architecture, sculpture, painting, video production, virtual reality, and more. The first permanent Meow Wolf installation launched in March 2016 with the support of Game of Thrones creator Georg R.R. Martin. Upon entering the exhibit, visitors discover a multidimensional mystery house embellished with secret passages, portals, enchanting art exhibits, and a children's learning center. With locations in Santa Fe, Denver, and soon Las Vegas, Meow Wolf "creates immersive, interactive experiences to transport audiences of all ages into fantastic realms of story and exploration."

Punch Bowl Social

Several locations

Described as an "adult playground," Punch Bowl Social is a restaurant and bar concept offering a made-from-scratch menu, craft beverages, bowling, arcade games, shuffleboard, ping pong, and virtual reality experiences. This all-encompassing bar allows customers to come as they are, relax, and enjoy a collection of various social experiences. They are currently operating 13 locations across the west coast and Midwest region, and have plans to open another ten in the next two years.

While these entertainment concepts offer notably different experiences, there is a common trend among the core goals of their business models: appeal to the social needs of the customer in ways they are unable to experience via social media. As the world of retail real estate continues to evolve, we will continue to track the latest trends and concepts. These latest entertainment concepts have had a dramatic impact on neighborhoods and shopping centers across the country, and bring a great amount of activity to our projects. We look forward to seeing the next concepts emerge and evolve to fit the needs of our ever-changing population.

Devin Schuster, Vice President

About LANE4 Property Group

LANE4 provides its clients the best position from which to succeed. The firm offers an advantage in 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 the 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	March '17	March '18	% Chg
Cass County, MO	\$204,149	\$225,171	10%
Clay County, MO	\$192,433	\$214,297	11%
Jackson County, MO	\$180,652	\$197,910	10%
Platte County, MO	\$287,297	\$297,762	4%
Johnson County, KS	\$307,510	\$326,647	6%
Leavenworth County, KS	\$197,249	\$204,609	4%
Miami County, KS	\$182,411	\$203,242	11%
Wyandotte County, KS	\$129,866	\$139,381	7%
Kansas City Region	\$217,000	\$234,293	8%

Residential Building Permits - March YTD ⁷			
County	2017	2018	% Chg
Cass County	122	106	-13%
Clay County	323	231	-28%
Jackson County	378	400	6%
Platte County	132	147	11%
Johnson County	717	431	-40%
Leavenworth County	67	58	-13%
Miami County	18	22	22%
Wyandotte County	137	45	-67%
Kansas City Region*	1,894	1,440	-24%

For. Your. Information.

ICSC ReCON 2018

Las Vegas, NV || May 20 - 23, 2018

Visit LANE4 at the Xteam Booth at ICSC ReCon!
South Upper Hall #276
Corner of R Street and 27th Ave.

Giving Back

In addition to the multiple charitable causes LANE4 supports, we strive to give our time and skills to worthwhile organizations.

Senior Property Manager Skip Rosenstock serves on the board for the Institute of Real Estate Management (IREM) Kansas City Chapter. Additionally, he serves as the Programs Chair and dedicates a portion of his time to planning and executing regular chapter events including speaking engagements, networking luncheons, and educational programs.

The Institute of Real Estate Management (IREM) is an international community of real estate managers dedicated to ethical business practices, maximizing the value of investment real estate, and promoting superior management through education and information sharing.

All information furnished is from sources deemed to be reliable, but no warranty or representation is made as to the accuracy thereof and the same is subject to errors, omissions, changes, or other conditions.

XTEAM
RETAIL ADVISORS

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