

THE ORANGE REPORT

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

JULY 2012

Size Matters

In recent years, the retail landscape has changed drastically, causing some of the world's largest retailers to completely alter their business models. The explosive growth of e-commerce and the recent recession have introduced new shopping habits posing the question "Can you Grow By Shrinking?"

E-Commerce has dramatically changed the way consumers shop. It is estimated that 7 out of 10 Internet users are online buyers.¹ Big Boxes have taken the heaviest hit. Sales per square foot peaked in 2007 at \$454 per square foot, according to the real estate research firm Green Street Advisors. By the end of 2009, the average had fallen to \$401, eliminating five years of progress. During this same time period, the Gap, the country's largest apparel retailer, saw its sales per square foot drop 40% to \$329, while its store size jumped 62%.²

Consumer spending came to a screeching halt in 2008 with the recession causing retailers to dramatically rethink store formats and locations.

Big box retailers have embraced these changes in economic and behavioral habits by introducing new stores with smaller footprints in reaction to the current market trends. Retailers such as Walmart, Target, Best Buy, Staples and Old Navy are all reducing the amount of square feet they currently occupy and even rolling out smaller prototypes like Walmart Market or Best Buy Express.

As a result of smaller footprints and lack of inventory space, many retailers are turning to in-store kiosks that will allow consumers to shop and purchase from the entire company's inventory. So far these kiosks have proven to be successful allowing stores that are smaller and house less physical inventory but offer a much broader selection and a higher level of customer service.

As in everything that is economically driven, change provides opportunity. With the evolution of our national retail climate spurring more frequent downsizings, many leasing agents and landlords are left with the task of filling the oversized spaces. Some landlords have chosen to wait for a single user to fill large vacancies while others have improvised by subdividing large spaces.

Continued on the next page.

Sources: ¹www.emarketer.com. ²The Road Back: Sizing Up Property, Mall Stores Try to Shrink (The Wallstreet Journal 2012)

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 2011 & 2012 percentages.

Kansas City Leasing Data

KC MSA Shopping Center Retail ¹			
	Q1-11	Q1-12	% Chg
Total GLA	61,994,497	62,426,154	-0.69%
Avg Lease Rate	\$12.39	\$12.62	0.23%
Avg Occupancy Rate	90.2%	90.4	0.20%

KC MSA Office ¹			
	Q1-11	Q1-12	% Chg
Total RBA	110,148,346	110,484,478	0.31%
Avg Lease Rate	\$17.51	\$16.99	-2.97%
Avg Occupancy Rate	86.8%	86.7%	-2.12%

Retail Snapshot

Notable Retail Transactions		
Retailer	Location	Square Footage
Sam's Club	Speedway	140,000
Spin! Pizza	Lenexa	3,500
Michaels Arts & Crafts	Zona Rosa	23,210
HomeGoods	Ward Parkway	40,080
Dunkin' Donuts	152 & North Oak	2,400

New to Kansas City Retailers	
Retailer	Location/s
Ross Dress 4 Less	Adam's Dairy Landing
Corner Bakery Cafe	Overland Park
Menard's	TBA
Freebird World Burrito	Westport & Mission, KS
MooseJaw	Country Club Plaza
Cooper's Hawk Winery	Country Club Plaza
Microsoft	Oak Park Mall
Love Culture	One Nineteen

Closings	
2012	Location
Betsey Johnson	Country Club Plaza
Best Buy	Speedway & Metro North
Sears	Lawrence, Lee's Summit
Waid's	Prairie Village

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SIZE MATTERS (continued)

Large-format stores are typically placed in locations with high visibility, accessibility and population density, making these vacant spaces easier to adapt and leaving room for creativity. With the departure of Circuit City, Border's and Linens 'n Things, Nordstrom Rack and Ross are two retailers new to the Kansas City market who have capitalized on vacant space in desired trade corridors.

Recent events have changed consumer shopping habits but nothing can replace trying on something to see how it looks or walking in to the store and leaving with an item immediately. Retailers who can create new in-store shopping experiences and provide better customer service will be successful with smaller footprints. Meanwhile, Landlords who are willing to digress from what was once considered "the norm" can maximize space and improve the bottom line.

Roxanne Elliott, Associate

Giving Back

On Saturday April 21st, LANE4 joined nearly 200 people at the Indian Hills Country Club for an evening of dining, dancing, and fundraising in support of the Heartstrings Community Foundation. The annual "Heartstrings in Bloom" Gala Event raised over \$70,000 to benefit the foundation. HCF is a unique, non-profit organization that provides employment opportunities for adults with developmental disabilities. LANE4 Vice President, Gwen Locher, is a member of the Heartstrings board of directors and LANE4 is a partner with Heartstrings Community Foundations Goody Deliver business and Custom Gift Basket business.

LANE4 Property Group

LANE4 Property Group specializes in tenant representation, project leasing, property management, incentive services, receivership, development, project management and investment sales throughout the Midwest. Visit our website for up-to-date information on our current projects and services.

www.lane4group.com

²U.S. Bureau of Labor Statistics. Unemployment rates seasonally adjusted. CPI for all urban consumers, not seasonally adjusted. ³U.S. Census Bureau. Data not seasonally adjusted. 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. ⁵Kansas City Regional Association of Realtors. Average sales price of new & existing homes. ⁶U.S. Census Bureau: Estimated monthly.

National & Regional Trends

Unemployment Rate ²			Consumer Price Index ²			
March	'11	'12	2012	Jan	Feb	Mar
Midwest	8.4%	7.9%	Midwest	216.4	216.9	219.0
U.S.	8.9%	7.4%	U.S. City Avg	226.7	227.7	229.4

U.S. Food & Retail Sales ³		Business Conditions Index ⁴			
Period	In Billions	2012	Jan	Feb	Mar
Q1-09	\$1,006.7	Missouri	51.0	53.8	58.3
Q1-10	\$1,053.1	Kansas	50.1	53.7	55.3
Q1-11	\$1,136.8	Mid-America	55.9	58.4	58.6
Q1-12	\$1,213.4				

Kansas City Housing

Average Home Price ⁵			
County	Mar-11	Mar-12	% Chg
Cass County, MO	\$146,124	\$133,985	-8.31%
Clay County, MO	\$133,349	\$138,463	3.84%
Jackson County, MO	\$110,308	\$118,898	7.79%
Platte County, MO	\$187,963	\$156,598	-16.69%
Johnson County, KS	\$228,254	\$238,803	4.62%
Leavenworth County, KS	\$143,965	\$128,049	-11.06%
Miami County, KS	\$128,271	\$116,804	-8.94%
Wyandotte County, KS	\$79,978	\$76,993	-3.73%
Kansas City Region	\$149,984	\$150,898	0.61%

Residential Building Permits ⁶			
County	Q1-11	Q1-12	% Chg
Cass County, MO	25	32	21.88%
Clay County, MO	16	43	62.79%
Jackson County, MO	150	236	36.44%
Platte County, MO	14	57	75.44%
Johnson County, KS	228	211	-8.06%
Leavenworth County, KS	23	17	-35.29%
Miami County, KS	4	8	50.00%
Wyandotte County, KS	20	93	78.49%
Kansas City Region	480	697	31.13%

Looking Ahead:

MLB All-Star Game Events 2012	
Projections: July 6-10	
Attendance	150,000 visitors
Economic Benefit	\$65 million +

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