

RETAIL RECOVERY GAINS TRACTION IN KANSAS CITY

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The Kansas City metro retail market continues its recovery that started in 2011. Gains are hard fought — one deal, one lease and one sale at a time, but the upward trend is clear. This building momentum is evidenced in several ways. Major new retailers are coming to the market for the first time, while several existing retailers are expanding more rapidly than at any time in the past several years. Several long-stalled projects are now — or soon will be — under construction, while some of the best-positioned existing centers are achieving notable leasing success.



Shopping Center Development

Healthier tenant demand is breathing new life into several stalled projects. The planned 1 million square foot Corbin Park in Overland Park, Kansas was purchased out of bankruptcy in late 2011 and renamed Aspen Square. The new owner, local developer Mike Schlup, is completing several partially constructed buildings and is commencing development of the power center portion of the project.

With that said, retail developers and owners still face major headwinds. Although tenant requests for rent reductions peaked in 2010 and continue to decrease from 2011 levels, lease renewals continue to be challenging and rent increases are rare. Secondary centers — those without strong anchors or located away from key corners or trade areas — face challenges in attracting and retaining tenants and obtaining financing for needed repositioning.

Retailer Expansion

Kansas City is following the national trend toward diverging retail demand — with increasing strength at each end of the price spectrum but weakness in the middle. Retailers who cater to value-driven customers are commanding a larger share of leasing activity, often at the expense of “mid-tier” concepts. Ross Dress for Less and Menards are making their first entries into the market with a strong push to secure locations.

Walmart and Sam’s Club are taking a very active role in both developing new locations and repositioning existing stores. T.J. Maxx, Marshall’s, Steinmart, Gordmans, Burlington Coat Factory, Dollar General and Family Dollar are among the discount retailers who are backfilling vacant space, or in some instances driving new construction.

Automotive-based tenants — ranging from replacement parts to tire stores — are quite active as consumers keep their cars longer and choose to repair rather than buy new. Several fast food and quick casual restaurants are jockeying for position, including Freebirds World Burrito which is entering Kansas City for the first time, while traditional casual dining restaurant activity is nearly non-existent.

On the other end of the spectrum, unique and luxury retailers and restaurants are expanding in the Kansas City market at the most rapid pace in several years — again at the expense of traditional concepts and eateries.

For example, Highwoods’ Country Club Plaza has added Kate Spade, Michael Kors, Moosejaw, Sur la Table and Free People. Madewell and Brooks Brothers have joined Glimcher’s Town Center Plaza; Love Culture and Orvis opened at RED’s One Ninteen. Meanwhile, Leawood’s Park Place mixed-use project has added several upscale restaurants, including 801 Fish and celebrity chef Aaron Sanchez’s Mestizo, while REI has announced a 2013 opening at Prairiefire in Overland Park.

The former Mission Mall in Mission, Kansas, was demolished in 2006, but its replacement never materialized. The developer, Cameron Group, has announced plans to start construction this year, spurred by a Walmart Supercenter joining the previously planned aquarium, office and residential components.

DDR Corp.’s partially built but never occupied power center in Merriam, Kansas appears to have found a tenant to redevelop the entire property, but the identity of the tenant has not been disclosed.

Retailer expansion has breathed new life into well-positioned existing centers. Trader Joe’s and HomeGoods filled large vacancies in the centrally located Ward Parkway Center. Leases with Ross Dress for Less, T.J. Maxx, HomeGoods, Charming Charlie and Ulta have completed the major shop space at Red Development’s Adams Dairy Landing in Blue Springs, Missouri. Sam’s Club helps complete the lineup in Block & Co.’s Plaza at the Speedway development in Kansas City, Kansas.

Although retail lease rates are not yet high enough to justify significant new development across the metro area, there are new projects planned or under construction. R.H. Johnson Co. is building shop space at several locations in the metro area, while LANE4 is completing mixed-use projects in Mission, Kansas and Kansas City, Kansas.

RED is working on a large-format addition to its Lee’s Summit, Missouri projects in addition to a new power center to replace the dilapidated Truman Corners in Grandview, Missouri and a redevelopment of Wyandotte Plaza in Kansas City, Kansas.

The Internet’s effect on Kansas City’s brick-and-mortar retail reflects national trends. Big-box retailers are scaling back the size of their retail formats. Prototypes of junior anchors that used to average 20,000 to 25,000 square feet now typically range from 12,000 to 18,000 square feet.

In addition, as Internet shopping grows in popularity, retail spaces are increasingly being backfilled by tenants that offer products that are not obtainable online, such as dining, medical services, training and exercise and education.

Kansas City’s retail landscape is climbing toward a healthier norm. The recovery may still be tenuous, but it is a welcome change from prior years.

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