



201

KANSAS CITY
RETAIL REPORT



Country Club Plaza
Kansas City, MO



Ward Parkway Center
Kansas City, MO



Tiffany Springs MarketCenter
Kansas City, MO

RECENT SUBMARKET ACTIVITY

One year ago, we reported that the standstill on development and projects, along with retailer expansions throughout the Kansas City Metro, was finally beginning to break after five very slow years. 2013 proved to be the year in which the light at the end of the tunnel finally appeared bright. Grading started on several new projects, retailers increasingly opened or announced future store openings, and lenders scrambled for financing opportunities. This environment suggests our industry is in an upturn, and 2014 is poised to be a solid year.

Urban and infill areas are becoming increasingly popular as both developers and retailers take advantage of the dense populations and outdated shopping centers ready for renovation. More and more people are choosing to live closer to core Kansas City attractions; not necessarily next to them, but closer. For example, while the Country Club Plaza has been a residential magnet for 75 years and continues to be known as Kansas City's high-end shopping district, we are now seeing resurgence in other areas of central KC as well. The Crossroads Arts District, Crown Center, and Westport have all seen marked growth. Downtown KC is strong as well thanks to the Power and Light District, the new Kauffman Performing Arts Center, and ever-popular Sprint Center. Retailers and developers alike are taking note that home-buyers are finding these central Kansas City attractions important to their quality of life. Retailers are also discovering that many of these older areas have been starved of not only unique, but even basic restaurant, fashion, and other retail formats commonly found in the suburbs.

Conversely, development in the outlying suburbs of the Kansas City Metro area is by no means dead. Though not quite at the pre-2008 levels, new retail activity is prevalent in many greenfield areas and continues to get stronger. Most of today's activity revolves around centers that were either coming out of the ground – or about to – as the recession hit. Many of these new shopping centers are finally materializing, albeit in some cases slowly, into the vibrant projects they were meant to be.

Throughout the Metro, demand for Class "A" locations continues to outpace the available vacancies. This is especially true for smaller tenants who, recently, have been much more active than junior and big box retailers. Traditionally, big box retail anchors have served as the catalyst for new shopping center development, thus creating opportunities for smaller format retailers to locate adjacent to them. Without big box anchors igniting new projects, where will the expanding small retailers who demand quality locations go? Rather than locating next to a Walmart or Home Depot, will new retail be built next to a hospital, office park or sports venue instead? Will high demand and lack of quality space lead to higher rents? The answers to these questions will surely unfold over the next several years.

Opportunities for growth remain fundamentally strong as creative retailers and developers embrace the changes brought on by the constantly evolving retail market. Demand for new construction in quality locations is apparent and we will begin to see this occur over the next several years.

RELATIVE CHANGE FROM PRIOR YEAR	
↑	↓
LR	LR
LEASE RATE	

NORTHWEST KANSAS CITY

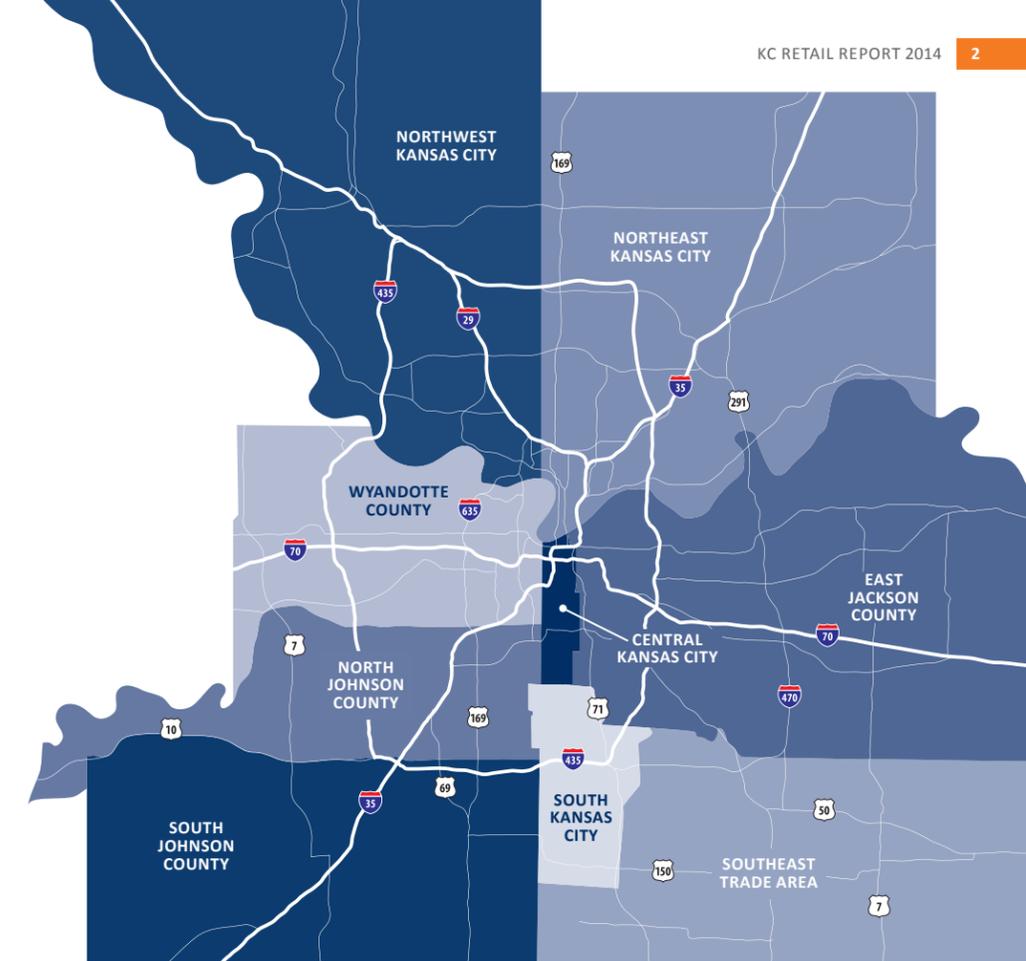
↓ -8.2% This trade area has consistently been a strong performer for retailers over the years. Its access to a large population due to I-29 and 152 Hwy make it a top destination. Zona Rosa, Boardwalk, BarryWoods, and Tiffany Springs MarketCenter continue to dominate this regional intersection and are boasting their strongest sales and occupancy levels to-date. One major transaction that took place this year was Cousins Properties' sale of Tiffany Springs MarketCenter to Lincoln Properties. In the next several years look for the vacant land north of Tiffany Springs MarketCenter to be developed with a major anchor and opportunities for new small shop tenants to enter this market.

NORTHEAST KANSAS CITY

↓ -4.3% The Northeast submarket, specifically the city of Liberty, has continued to be a favorite among retailers expanding in the Metro. The Village at Shoal Creek saw the opening of Mosaic Life Care (an example of the new breed of "anchors" we are beginning to see) and Cheddar's Restaurant, with additional tenants expected to be announced over the next couple of years. Sam's Club also has plans to enter the Liberty market, with an opening date still unknown. Local developer, Ferguson Properties, continues plans for Whitehall Station, a proposed power center at the intersection of US-69 and I-35.

CENTRAL KANSAS CITY

↑ 12.8% The central Kansas City submarket is one of the most robust markets in the Metro. Development opportunities have been driven by an influx of population density due to multi-family projects operating at historically low vacancy rates. The Country Club Plaza area continues to thrive as a hub for high-end retail in Kansas City,



while the Westport, Crossroads, and Downtown markets are all seeing substantial growth in their respective niches. Retailers are showing increased interest in these areas and this has led to increased competition for desirable retail space. Halls Department Store's announcement that they will be leaving the Country Club Plaza in the summer of 2014 disappointed many Plaza fans. This move, however, will open up a large vacancy for a single tenant in the heart of the Plaza, or possibly for the space to be subdivided, allowing for a variety of new and different smaller tenants. 2013 also saw the Plaza's West Edge project get back on track, now called Plaza Vista, after being stalled for several years as Hotel Sorella and the Polsinelli Law Firm headquarters officially opened for business. New projects like this clearly demonstrate the strength of this submarket and the Country Club Plaza.

SOUTH KANSAS CITY

↓ -1.0% The South Kansas City trade area is finally boasting some good news regarding the former Bannister Mall site that was demolished in 2009. Cerner Corporation has purchased the 200+ acres, and has plans to build a new office campus projected to create

15,000 new jobs over the next ten years. Plans also call for a hotel and retail component to be included in the development. Ward Parkway Center's recent renovation has led to improved sales and popularity for the once static mall. The former Dillard's tract on the south end of the center remains available as a prime location for larger format retailers in a well-established, core Kansas City market. The future of Truman Corners also appears bright as redevelopment efforts continue to move forward.

SOUTHEAST TRADE AREA (LEE'S SUMMIT, RAYMORE, BELTON)

↓ -5.9% Summit Woods and Summit Fair Shopping centers remain as cornerstones to the retail marketplace in Lee's Summit. Summit Place, the third leg of the project located at I-470 and Hwy 50, is still working on garnering retailer interest, though optimism for the future development remains high. The Belton/Raymore market is seeing substantial growth as demand in these suburbs is driving residential development and retailers are increasingly considering it a viable location for expansion. Sam's Club recently relocated here, moving its Grandview, MO (Truman Corners) location to the Raymore Galleria site along Hwy 58 in the heart of this

"Opportunities for growth remain fundamentally strong as creative retailers and developers embrace the constantly evolving retail market."



39Rainbow
Kansas City, KS



PrairieFire Development
Overland Park, KS



The Legends at Village West
Kansas City, KS

RECENT SUBMARKET ACTIVITY (continued)

trade area. In addition, Menards looks to move forward with a new store, reported to open in 2015, along I-49 at Hwy Y.

EASTERN JACKSON COUNTY

-2.1% The Eastern Jackson County submarket remains a strong infill area due to

its high population density, but the retail market remained relatively stagnant in 2013. Independence Center is holding steady as the Metro's second strongest enclosed mall. Also in Independence, Burlington Coat Factory opened a new store, adding to the healthy tenant line-up at Blue Ridge Crossing, at the intersection of I-70 and Hwy 40. Adams Dairy Landing in Blue Springs continues to work towards selling outparcels and fulfilling small shop opportunities.

NORTH JOHNSON COUNTY

1.6%

Construction has commenced on the new 349,000 s.f. IKEA store at the former Merriam Village Shopping Center site at I-35 and Johnson Drive. Opening is scheduled for Fall 2014. Redevelopment efforts are also underway at the former Mission Mall site, in preparation for the much anticipated Mission Gateway mixed-use project. Announced tenants include Walmart Supercenter, Sprouts, and Toby Keith's I Love this Bar & Grill. The 95th and Quivira Corridor, home to Oak Park Mall, Kansas City's strongest enclosed mall, remains a robust retail node that gets the attention of almost any retailer looking to expand in Kansas City. One of two new Academy Sports in the Metro recently opened on the south side of the mall. On the northwest corner of the intersection, a new 10,000 s.f. small shop building is under

construction and commanding some of the highest rental rates in the Metro.

SOUTH JOHNSON COUNTY

-2.9%

PrairieFire, a mixed-use project on 135th Street between Nall and Lamar, finally opened its doors in 2013 with the new-to-market REI and The Fresh Market. PrairieFire received a boost from an unusual anchor, The American Museum of Natural History. The museum will serve as a solid traffic generator and helped unlock necessary Star Bond Financing for the project. Meanwhile, the adjacent 1.1 million s.f. Corbin Park at 135th & Metcalf continues to move forward in this affluent trade area with plans for a two-story, 220,000 s.f. Scheel's All Sports, set to open in June of 2015. The project also includes a new Sprouts Farmers Market, Steinmart, Ulta, and Kirkland's to join existing anchors Von

Maur and JCP. In the northernmost portion of the submarket, at 107th & Nall, the high-tech entertainment and nationally popular concept, Top Golf, has announced plans to open a new location in 2015.

WYANDOTTE COUNTY

8.2%

The Wyandotte County Submarket remains active going into 2014. Following their successful bid at a receiver-mandated court auction in 2013, KKR, along with RED Legacy, took ownership of The Legends Outlets at Village West and will continue to transition it into a luxury outlet format with almost 100 tenants. Opportunities at Village West remain ripe as Cerner Corporation recently finished construction of two new office buildings, adding much-needed daytime population to the trade area. Meanwhile, on the east side of the submarket at 39th and Rainbow, across from The University of Kansas Hospital and Medical Center, the 39Rainbow project is in the final stages of completion. The two-building, four-story, 160,000 s.f. mixed-use project consists of retail at the street level, including Kansas City's first 7-Eleven urban walkup concept, along with medical uses and a hotel on the upper floors.

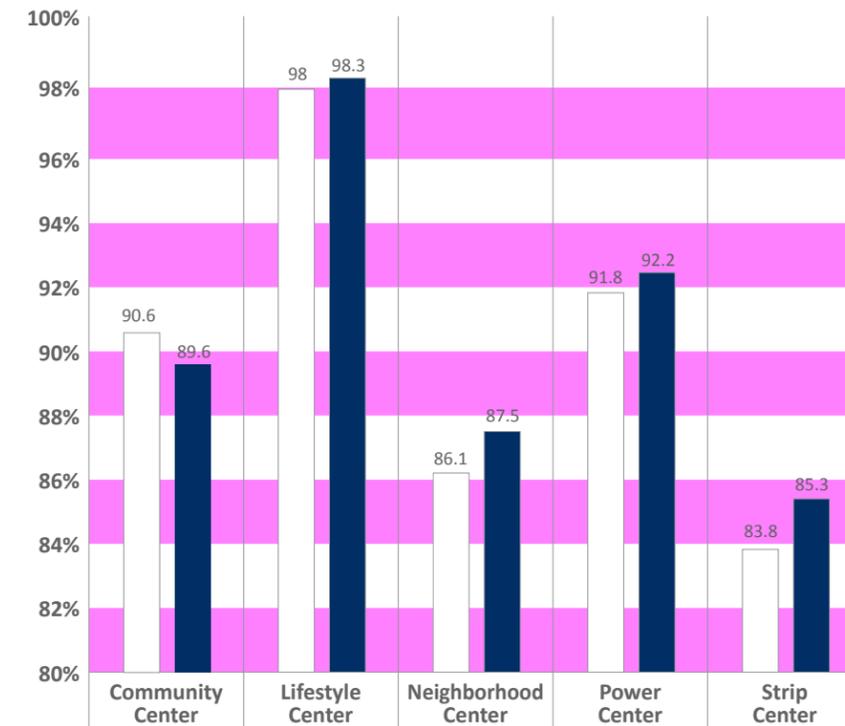
LOOKING FORWARD TO 2014

As we begin 2014, the air is full of optimism and promise for many retailers, developers, and landlords. Digging out of the recession over the last couple of years hasn't been easy and the road ahead is still uncertain as consumer trends prompt changes to our playbook. "Brick and mortar" retail continues to adjust to the changes brought on by the increasing number of transactions occurring via the internet. However, with change comes new opportunities for retailers and developers alike, as they adapt to new consumer trends affecting the way we shop. It's an exciting time for Kansas City and our industry. 🚀

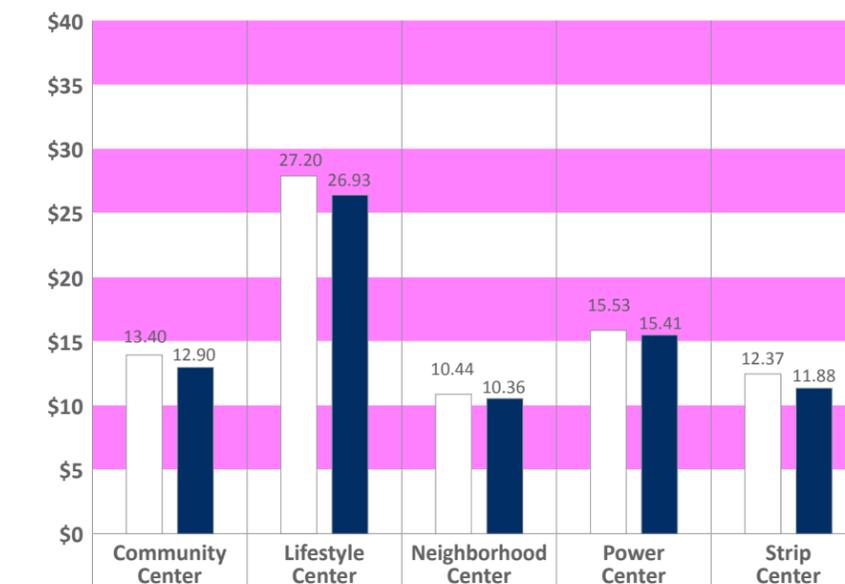
KANSAS CITY METRO SHOPPING CENTER PERFORMANCE

Q4-2012 Q4-2013

OCCUPANCY RATE BY SHOPPING CENTER TYPE



AVG. LEASE RATE BY SHOPPING CENTER TYPE



Data provided by LANE4 Research and third-party sources, current as of December 2013. Survey includes retail space located in specified shopping center type.

KANSAS CITY METRO SHOPPING CENTER SURVEY

SUBMARKET	% OF TOTAL SURVEYED	TOTAL SQUARE FEET*		OCCUPANCY RATE		AVG LEASE RATE	
		2012	2013	2012	2013	2012	2013
Northwest Kansas City	6%	4,119,346	4,119,346	93.0%	94.8%	\$14.59	\$13.39
Northeast Kansas City	13%	7,969,502	8,057,951	92.0%	91.5%	\$11.31	\$10.82
Central Kansas City	4%	2,283,462	2,283,462	95.3%	95.1%	\$16.51	\$18.63
South Kansas City	8%	5,144,929	5,144,929	81.9%	80.6%	\$11.47	\$11.40
Southeast Trade Area	8%	5,349,686	5,349,686	87.9%	89.4%	\$12.23	\$11.53
East Jackson County	17%	10,898,404	10,905,404	91.3%	91.2%	\$11.19	\$10.96
North Johnson County	18%	11,634,270	11,694,270	89.8%	90.5%	\$12.15	\$12.35
South Johnson County	20%	12,787,555	12,847,717	89.4%	89.7%	\$15.96	\$15.50
Wyandotte County	6%	4,028,092	4,028,092	78.5%	78.5%	\$10.29	\$11.13
TOTAL SURVEY AREA	100%	64,215,246	64,430,857	89.15%	89.39%	\$12.86	\$12.86

*Trade area definitions may have changed from previous year. Source: Data provided by LANE4 Research and third-party sources, current as of December 2013. 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.



Corinth Square Shopping Center Circa 1960
Prairie Village, KS

"CHANGE IS NOTHING NEW IN RETAIL"

A VIEW ON THE OPPORTUNITIES BROUGHT ON BY CHANGE - BY OWEN BUCKLEY

It is often said that the only thing that is constant is change. The shopping center business has especially experienced a lot of change over the past 5 years. But we all know change is nothing new – and history would suggest that when there is change, there is opportunity.

Look at how technology is changing the design of new office buildings. Technology is helping us design better workplaces that are more efficient, thus more economical. So, corporations are taking advantage of this and building spectacular company headquarters, oftentimes next to or in close proximity to shopping centers.

And what about where we want to live? Look

at the suburbs, they are again gaining strength. We are referring to the suburbs that were built in the 1940s through the 1970s. Young people and families today are buying infill ranch and split-level homes and sometimes knocking out almost every wall, redesigning the home in a completely different way that fits their lifestyle. This helps bring new life to nearby shopping centers that have been neglected or under-utilized for years.

How is the internet changing the shopping experience? Is Amazon really going to deliver every single item we need in our life with a drone to our front door? Probably not, but they are significantly changing the shopping center

business and challenging us to think in different ways. There must be an opportunity here, right?

Our industry has always been built around change and the different ways to provide convenience and experiences for consumers depending on their current desires. When Henry Ford started mass producing affordable automobiles, people started living further away from Main Street, thus creating a demand and opportunity for shopping away from Main Street and the first shopping centers were built.

Change is nothing new, but maybe what is new is how fast things are changing! Either way, opportunity awaits! 🚀

TAXABLE SALES BY COUNTY (\$M)

(Ranked by 1st Half 2013)

COUNTY	2011		2012		% CHANGE '11 - '12	2013	% CHANGE 1ST HALF
	1ST HALF	2ND HALF	1ST HALF	2ND HALF		1ST HALF	
1. Johnson, KS	\$4,390.8	\$4,840.4	\$4,591.3	\$4,712.4	▲ 0.79%	\$4,995.6	▲ 8.81%
2. Jackson, MO	\$3,964.7	\$4,271.4	\$4,155.1	\$4,330.7	3.03%	\$4,158.3	0.08%
3. Clay, MO	\$1,251.9	\$1,364.9	\$1,324.9	\$1,396.8	▲ 4.01%	\$1,343.4	▲ 1.40%
4. Wyandotte, KS	\$874.2	\$995.3	\$951.7	\$964.8	2.52%	\$1,036.6	8.93%
5. Platte, MO	\$677.6	\$747.1	\$740.7	\$760.1	▲ 5.34%	\$742.2	▲ 0.24%
6. Douglas, KS	\$621.8	\$687.7	\$670.0	\$675.4	2.74%	\$721.2	7.64%
7. Cass, MO	\$428.7	\$464.1	\$431.4	\$453.8	▼ -0.86%	\$431.5	▲ 0.02%
8. Leavenworth, KS	\$247.8	\$260.5	\$257.0	\$261.6	2.02%	\$274.0	6.60%
9. Miami, KS	\$128.4	\$137.8	\$136.0	\$121.8	▼ -3.16%	\$142.3	▲ 4.64%

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

RESIDENTIAL REAL ESTATE PERFORMANCE

Number of **NEW** Privately-Owned, Housing Units (Ranked by % Change from 2012-2013)

MAJOR CITIES	2009	2010	2011	2012	2013*	% CHANGE 2012-2013	5 YEAR ANNUAL AVERAGE
1. Independence, MO	56	60	197	65	191	▲ 193.7%	114
2. Overland Park, KS	942	222	736	581	1,592	173.9%	815
3. Blue Springs, MO	52	45	80	87	144	▲ 65.5%	82
4. Kansas City, MO	577	280	509	1,061	1,616	52.3%	809
5. Raymore, MO	51	48	66	69	99	▲ 43.9%	67
6. Lee's Summit, MO	164	170	165	374	345	25.8%	224
7. Olathe, KS	305	364	335	424	528	▲ 24.5%	391
8. Lenexa, KS	37	67	89	288	348	20.8%	166
9. Shawnee, KS	62	66	77	140	168	▲ 20.0%	103
10. Kansas City, KS	101	201	62	414	485	17.3%	253
KANSAS CITY METRO	3,406	2,714	3,287	4,981	8,586	▲ 72.4%	4,595

*2013 based on annualized rate through November, 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.



"Suburban revival helps bring new life to nearby shopping centers that have been neglected or under-utilized for years."

Corinth Square Shopping Center Redevelopment 2013
Prairie Village, KS

2014

KANSAS CITY RETAIL REPORT

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