

# THE ORANGE REPORT

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

FOURTH QUARTER

2014

## Emerging Restaurant Trends

Eat. Drink. Celebrate. Restaurants have always played a vital role in the identity and vibrancy of communities. Retail centers are often known for the restaurants that occupy their spaces; in many instances, the restaurant itself is referred to in order to landmark the center in the consumer's mind-set. As the bricks vs. clicks battle continues, internet proof retail users, and especially restaurants, are becoming more and more important. They provide the social and entertainment aspect crucial to a successful retail or mixed use project. Understanding the evolving trends and direction of the restaurant industry has never been more important as developers plan new retail properties and the redevelopment of existing properties.

The fast-casual restaurant category thrives as more concepts are born. Customers increasingly want to watch their food be prepared in front of them, understand from where the ingredients are sourced, and know the whole process has an environmentally-conscious business model behind it. Transparency, quality, and convenience are keys in this trend from a consumer standpoint, and customers are willing to pay more for these traits. Millennials, in particular, have proven to place a high value on quality products and convenience in their spending preferences. For business owners, the relatively low operational cost (as compared to full-service restaurants) is another catalyst, adding to the strong growth of this industry. The growth of these fast-casual restaurants has proven to be solid competition for traditional quick-service restaurants.

In the full-service restaurant segment, customers desire a unique dining experience. This insight has propelled the great success of many local and regional concepts. Operators that look to open multiple locations often start new or develop a variation of an existing concept instead of duplicating a current restaurant. Perhaps most important in this full service category is the special and unique dining experience the restaurant provides, unique even from the same restaurateur's other restaurants in neighboring areas. By having multiple concepts, restaurateurs can capitalize on the variety and distinctiveness their customers crave. Starting with its retail location, the restaurant needs to differentiate itself in its space, atmosphere, and service in order to win consumers' attention.

Similar to the fast-casual category, farm-to-table, locally-sourced, sustainable, organic, and high-quality ingredients are all attributes consumers are progressively drawn toward. As consumers today increasingly incorporate restaurants into their daily lives, they want to be able to follow their personal preferences and philosophies no matter where or how they choose to dine. These healthy, sustainable, organic concepts are part of a growing, overall lifestyle choice for many Americans, and it is a natural progression that they

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Sources: <sup>1</sup>CoStar: Total existing space, for all retail and office types, including direct and sub-lease. Change for Average Vacancy Rate represents the difference between 2013 & 2014 percentages. <sup>2</sup>National Restaurant Association, 2015 Restaurant Industry Forecast. <sup>3</sup>Forbes Magazine. How Millennials will Dictate the Future of Fast Food. April 18, 2014. <sup>4</sup>U.S. Census Bureau: Estimated monthly. <sup>5</sup>Creighton 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. <sup>6</sup>U.S. Bureau of Labor Statistics. Unemployment rates seasonally adjusted. <sup>7</sup>Kansas City Regional Association of Realtors. Average sales price of new & existing homes.

## Kansas City Sales & Leasing Data

KC MSA Shopping Center Retail <sup>1</sup>			
	Q4 2013	Q4 2014	% Chg
Total GLA (s.f.)	108,914,062	109,697,613	1%
Avg Lease Rate	\$12.23	\$12.28	0%
Avg Occupancy Rate	91.8%	91.9%	0.1%

KC's Largest Lease Signings 2014 <sup>1</sup>		
Location	Tenant	Size
1240 E Meyer Blvd.	Transformed Barber and Cosmetology Academy	35,000 s.f.
Platte Purchase Plaza	Savers	31,748 s.f.
3151 S. Noland Rd.	Drive Time	31,041 s.f.

Avg. Total Retail Vacancy <sup>1</sup>		Avg. Lease Rate <sup>1</sup>
Period	Vacancy Rate	Lease Rate
Q4 2014	11.4%	\$12.28
Q4 2013	11.5%	\$12.23
Q4 2012	12.1%	\$12.45
Q4 2011	13.3%	\$12.46

## Industry Snapshot

Annual Restaurant Sales <sup>2</sup>	
Year	In Billions
2015 Projection	\$ 709.2
2014	\$ 683.1
2010	\$ 586.7
2000	\$ 379.0
1990	\$ 239.3

## National & Regional Trends

U.S. Food & Retail Sales <sup>4</sup>		Business Conditions Index <sup>5</sup>			
Year End Total	In Billions	2014	Oct	Nov	Dec
2014	\$5,268.0	Missouri	57.1	54.9	55.7
2013	\$5,066.6	Kansas	62.4	62.2	62.6
2012	\$4,863.3	Mid-America			
2011	\$4,627.5		51.8	51.3	54.4

Unemployment Rate <sup>6</sup>			Consumer Price Index <sup>6</sup>			
December	'13	'14	2014	Oct	Nov	Dec
Midwest	6.8	5.2	Midwest	225.8	224.4	222.8
U.S.	6.7	5.6	U.S. City Avg	237.4	236.2	234.8

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## Continued...

translate into the available restaurant choices<sup>3</sup>. This trend will continue to grow as consumers become increasingly more educated on the food industry and on ingredient transparency.

A combination of location, publicity and branding will get people initially in the door, but quality food and a unique dining experience will elicit loyal customers.

Kansas City has increasingly been referred to as an up and coming culinary destination, and new restaurant growth in the central districts of the city continues at a strong pace. The Plaza and Westport areas top the list of culinary go-tos. The Crossroads area, quickly becoming the restaurant mecca of KC, continues to rapidly expand, especially toward the east. As activity increases in the West Bottoms, this area could provide the next renaissance of restaurant-centric activity with its unique buildings, and proximity to downtown and the Crossroads.

That is not to say that these growing restaurant trends and overall restaurant growth is not seen in the outlying areas of the metro as well. Currently, there are many exciting development projects that will provide new product for restaurants to reach areas of town that currently lack an adequate number of dining options for the surrounding community. New developments such as Prairiefire and Mission Farms have drawn strong new restaurant concepts to South Overland Park, as well as older areas including Corinth Square and The Village in Prairie Village. Lee's Summit continues to draw new restaurant concepts as well, especially in the vibrant downtown area and the continually expanding I-470 and Hwy 50 corridor.

*Devin Schuster, Vice President*

## Giving Back

This quarter, LANE4 participated in the third annual "A Toast to Pink," a commercial real estate networking event supporting The Susan G. Komen Foundation of Greater Kansas City. This year's event raised over \$15,000 for the cause.

Since its inception, Komen Kansas City has invested more than \$10 Million in local community breast health programs and education as well as more than \$3 Million to the most promising breast cancer research programs. For more information, visit [www.komenkansascity.com](http://www.komenkansascity.com).

## About LANE4 Property Group

LANE4 provides its clients the best position from which to succeed. The firm offers a competitive 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 <sup>7</sup>			
County	Dec. 2013	Dec. 2014	% Chg
Cass County, MO	\$179,790	\$194,614	8%
Clay County, MO	\$162,074	\$171,417	6%
Jackson County, MO	\$155,521	\$153,990	-1%
Platte County, MO	\$242,848	\$230,588	-5%
Johnson County, KS	\$261,968	\$281,184	7%
Leavenworth County, KS	\$159,966	\$200,739	25%
Miami County, KS	\$201,463	\$178,691	-11%
Wyandotte County, KS	\$94,056	\$99,219	5%
<b>Kansas City Region</b>	<b>\$189,702</b>	<b>\$196,376</b>	<b>4%</b>

Residential Building Permits- Year End <sup>8</sup>			
Month	2013	2014	% Chg
Cass County, MO	233	305	31%
Clay County, MO	1,212	1,510	25%
Jackson County, MO	1,166	1,799	54%
Platte County, MO	444	701	58%
Johnson County, KS	3,178	3,046	-4%
Leavenworth County, KS	193	224	16%
Miami County, KS	50	52	4%
Wyandotte County, KS	490	493	1%
<b>Kansas City Region</b>	<b>6,966</b>	<b>8,130</b>	<b>17%</b>

## For. Your. Information.

### CONGRATULATIONS OWEN BUCKLEY

Midwest Real Estate Hall of Fame Inductee

LANE4 Property Group is pleased to announce Owen Buckley's induction to the 2014 Midwest Real Estate Hall of Fame.

With almost 30 years of experience in commercial real estate, Owen is truly an inspiration to us all. Throughout his career, Owen has thrived in serving retailers and helping them secure successful locations along with the leasing, development and acquisition of shopping centers and mixed-use developments.

Owen continues to tackle deals with drive, creativity, and a competitive spirit that consistently leads him to success.

*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.*

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