

2020 RETAIL TRENDS

A look at the factors affecting the retail industry in the coming year

Perhaps the most indicative trait of the Information Age is the ever-accelerating pace of change. Like so many industries, the retail world has been hit with a shockwave of Amazonian proportions, disrupting consumer behavior, economic policy, technology, and social norms. However, when a pendulum swings dramatically in one direction, it eventually swings back in the direction from which it came, drawing itself slowly toward an equilibrium. The retail pendulum may never reach a perfect balance between where we were decades ago and the height of emerging technology, but there are noticeable signs of movement toward a new middle ground, a balance between traditional retail habits and modern conveniences.

The Country Club Plaza has long been the crown jewel of Kansas City Shopping Centers. A review of its newest tenants is a telling study in retail trends as a whole.

Online retailers opening traditional retail locations

Warby Parker, Casper Mattress, UNTUCKit

These emerging brands, all born and raised online, are joining many legacy retailers in recognizing that a strategic brick-and-mortar presence is a key component to maintaining customer satisfaction and profitable last mile logistics.

Smaller format stores

Nordstrom - Opening 2021

The high-end department store is moving from its current 200,000 sf space inside Oak Park Mall to a newly constructed 122,000 sf store on the Plaza's west side. This follows a national trend of Nordstrom and other similar retailers opening smaller stores that leverage "an omnichannel shopping experience, more aligned with today's shopping patterns."

Entertainment and Experiential Retail

Punchbowl Social

This restaurant and entertainment venue, featuring everything from bowling to craft beers to karaoke, announced plans to open on 47th Street in 2020. Shopping centers across the country are evolving into destinations offering experiences in addition to shopping. These entertainment-focused concepts can be the driving force in attracting consumers the way department and specialty stores were in the past.

Anchor Restaurants

True Foods, Capital Grille Relocation, Shake Shack

In addition to experiential retailers, strong, unique restaurants have adopted an anchor role in shopping centers. The right dining options can drive both customer traffic and co-tenancy.

KANSAS CITY SALES & LEASING DATA

KC MSA RETAIL STATISTICS¹



Total GLA (s.f.) ▲ 0.07%		Avg. Lease Rate ▲ .71%		Avg. Occupancy = 0.0%	
Q4 2019	160,359,972	Q4 2019	\$12.82	Q4 2019	94.6%
Q4 2018	160,243,685	Q4 2018	\$12.73	Q4 2018	94.6%

AVG. VACANCY AND LEASE RATE BY TYPE¹



RETAIL

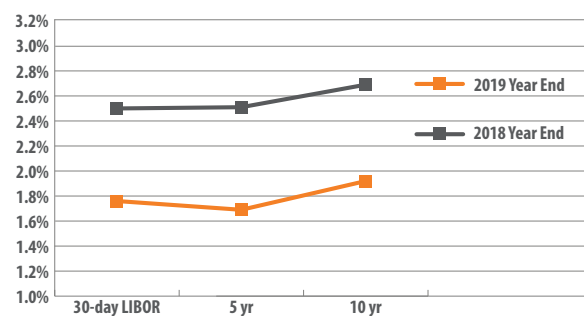
OFFICE

INDUSTRIAL

Avg. Lease Rate ▲ .71%		Avg. Lease Rate ▲ 4.42%		Avg. Lease Rate ▲ 0.23%	
Q4 2019	\$12.82	Q4 2019	\$20.54	Q4 2019	\$5.43
Q4 2018	\$12.73	Q4 2018	\$19.67	Q4 2018	\$5.38
Avg. Vacancy = 0.0%		Avg. Vacancy ▲ 0.5%		Avg. Vacancy ▲ 0.7%	
Q4 2019	5.4%	Q4 2019	6.8%	Q4 2019	5.5%
Q4 2018	5.4%	Q4 2018	6.3%	Q4 2018	4.6%

NATIONAL & REGIONAL TRENDS

TREASURY YIELD CURVE²



US FOOD AND RETAIL SALES (IN MILLIONS)³

\$1,582,305			
2019 Year End			
\$1,521,966	\$1,470,832	\$1,393,875	\$1,347,695
2018 Year End	2017 Year End	2016 Year End	2015 Year End

UNEMPLOYMENT RATE⁴

December	2018	2019
Midwest	3.8%	3.6%
U.S.	4.0%	3.5%

CONSUMER PRICE INDEX⁴

2019	October	November	December
Midwest	239.24	238.85	238.73
U.S. City Avg	257.34	257.20	256.97

Sources: ¹CoStar Property: Analytic History. Retail and industrial lease rates based on quoted all service types. Office lease rate based on quoted full-service lease type. ²30-day LIBOR: Intercontinental Exchange. Based on USD. US Interest rates: US Dept. of Treasury Daily Yield Curve. Based on last business day of quarter. ³U.S. Census Bureau: Estimated monthly. ⁴U.S. Bureau of Labor Statistics. Unemployment rates seasonally adjusted. ⁵CoStar Property: Analytic History. Lease rate/SF based on quoted rates. ⁶Home Builders Association of Greater Kansas City.

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Alternative Retailers

Green Grove

This new CBD retailer is representative of the emergence of health and wellness as an important piece of the evolving tenant mix. From new retailers within the wellness field (think marijuana) and traditional health providers moving out of stuffy office buildings and into prime retail spaces, we're seeing a whole new crop of retail tenants that never would have existed in a shopping center twenty years ago.

As the retail world has worked to steady itself over the last few years, new supply has ground to a halt for all intents and purposes. Overall retail absorption in the US remained positive, though moderate in 2019. Research in most major US markets forecasts continued positive absorption in 2020 as well as moderate rent growth. More retail stores are opening than closing.

Generation Z, born between 1997 and 2010 and never without internet access, prefers to shop physical stores more than their predecessors, both Millennials and Generation X. Gen Z-ers value positive personal experiences, a chance to disconnect from technology, and a seamless shopping experience where purchases originating online can be fulfilled in-store. According to a recent study by A.T. Kearney, 81% of Gen Z prefer to shop in stores and 73% like to discover new products in-store. This shifting mindset of our youngest shoppers is clearly evidence of that pendulum beginning its retreat towards balance.

As the pendulum continues to ebb and flow, the retail world (as well as most other industries) is being re-arranged at breakneck speeds. As with any disruptive change, certain retailers and properties face obsolescence, but many well-located and well-managed projects are successfully adapting. The "Retail Apocalypse" headlines are fading, and the new equilibrium is revealing itself.

Michael Berenbom
Vice President - Investments

This article was originally included in the 2020 Kansas City Retail Report published by LANE4. To download the full report, click here.

About LANE4 Property Group

LANE4 provides our clients the best position from which to succeed. We offer 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 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.

RESIDENTIAL AND MULTIFAMILY

KC MSA MULTIFAMILY STATISTICS⁵



1 BED



2 BEDS



3 BEDS

Total Units		Total Units		Total Units	
Q4 2019	87,017	Q4 2019	90,821	Q4 2019	21,081
Q4 2018	85,719	Q4 2018	89,628	Q4 2018	20,699
Avg. Lease Rate/SF ▲ 2.59%		Avg. Lease Rate/SF ▲ 2.08%		Avg. Lease Rate/SF ▲ 2.33%	
Q4 2019	\$1.19	Q4 2019	\$0.98	Q4 2019	\$0.88
Q4 2018	\$1.16	Q4 2018	\$0.96	Q4 2018	\$0.86
Avg. Vacancy ▼ 0.8%		Avg. Vacancy ▼ 0.6%		Avg. Vacancy ▲ 0.5%	
Q4 2019	7.0%	Q4 2019	7.3%	Q4 2019	8.4%
Q4 2018	7.8%	Q4 2018	7.9%	Q4 2018	7.9%

RESIDENTIAL BUILDING PERMITS YEAR END⁶

County	Single Family	Multifamily	2019 Year End	2018 Year End	% Chg
Cass County	413	0	413	511	▼19%
Clay County	626	240	866	953	▼9%
Jackson County	1,061	1,336	2,397	2,574	▼7%
Platte County	450	316	766	520	▲47%
Johnson County	1,681	916	2,597	3,795	▼32%
Leavenworth County	186	0	186	283	▼34%
Miami County	105	108	213	97	▲120%
Wyandotte County	132	98	230	185	▲24%
Kansas City Region*	4,654	3,014	7,668	8,918	▼14%

For. Your. Information.

2020 is off to a strong start as we welcome a new team member to LANE4 and break in our new office renovation!

Welcome to the team:

Jeff Quillin - Controller

Jeff comes to LANE4 with over 13 years of extensive experience in accounting, specifically in auditing, financial reporting, and implementing accounting procedures. We're excited for Jeff's fresh perspective and notable experience as he leads our accounting department.

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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