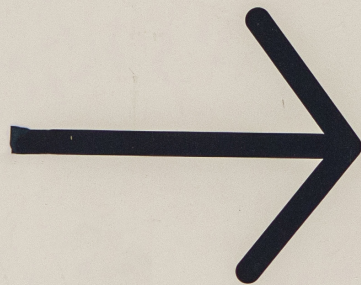


**Contactless
curbside
pickup.**



2021

KANSAS CITY RETAIL REPORT



Light, airy architectural elements will be incorporated throughout the new terminal. Credit: SOM



Tesla relocated their sole Kansas City showroom and service center to State Line Shopping Center.



Cerner's Innovation Campus project delivered two new buildings totaling in 755,000 sf of new office space.

A PREVAILING KANSAS CITY MARKET

Despite the COVID-19 crisis and its disproportionate impact on the retail market nationwide, the Kansas City retail market in 2020 was defined by resilience.

This does not suggest that the market was entirely insulated from the impacts of macro events; however, while some types of shopping centers struggled, others showed adaptability, perseverance, and grit, proving to buoy the overall market.

Some of the most difficult challenges surfaced at power centers and lifestyle centers. These properties, occupied primarily by soft good retailers and sit-down restaurants saw declining contract rents and were also subject to more delinquent rents, rent abatement, or deferral agreements.

On the other side of the coin, neighborhood centers, which often have grocery anchors and more convenience-oriented restaurants, weathered the 2020 storm in better shape.

While data from CoStar does not reflect an increase in vacancy, we believe this does not reflect space that will become available or has

not yet been reflected in the data. The Kansas City Restaurant Association estimates that 10-15% of restaurants in the Metro closed in 2020.

Jackson County, MO, saw a decrease in taxable sales of approximately 8% from the first half of 2019 to the first half of 2020. Not only did this decline in sales impact the overall health of retailers, but moving forward will have significant impact on municipal, county, and state budgets.

Long-term market demand and trajectory of the Kansas City market as a whole is projected to prevail. According to demographic data provided by ESRI, current population, household, and median income growth rates in the Kansas City metro are expected to exceed national averages. Housing data—including transaction volume and average sale prices—trended positively in 2020 and are expected to remain steady.

These underlying fundamentals should continue to underpin stability in the Kansas City retail market.

“... while some types of shopping centers struggled, others showed adaptability, perseverance, and grit, proving to buoy the overall market data.”

RECENT SUBMARKET ACTIVITY

RELATIVE CHANGE FROM PRIOR YEAR			
OR	OR	LR	LR
OCCUPANCY RATE		LEASE RATE	

NORTHWEST KANSAS CITY

OR 0.2%
LR 2.5%

The new KCI has an official “landing date.” Scheduled for completion in Spring 2023, the one million sf single terminal airport is the largest infrastructure project in Kansas City history. The new facility is designed to complement the expanding Kansas City metro as the number of residents, visitors, and business travelers continues to grow. The \$1.5 billion project will have a lasting economic impact on the region with an influx of new jobs, opportunities, and growth for local, regional, and national businesses.

On the northeast corner of Highway 152 and Ambassador Drive, additional development at Tiffany Springs East wrapped up in 2020. Spira Care, StorTropolis Self-Storage and Capital Federal Bank joined the project along with Raising Cane's, BioLife Plasma, and The Better Wash.

Zona Rosa, the Northland's premier 1.1 million sf lifestyle center, began the first phase of redevelopment in Fall 2020. The plan is to demolish 15,000 sf of existing space south of Dillard's to accommodate an outdoor community plaza with a stage, outdoor seating, and splash park. In an effort to adjust to the ever-changing retail environment, ownership plans to create an amenity-rich atmosphere and experience that goes beyond the offerings of traditional shopping centers. Announcements for additional multifamily, hotel, and entertainment venues are expected in 2021.

NORTHEAST KANSAS CITY

OR 1.6%
LR 4.0%

The construction of a 135,000 sf project including Aloft and Element hotels was completed at One North, an emerging mixed-use district at Armour Road and I-35 in North Kansas City. Each hotel offers approximately 100 rooms with connection to a shared 15,000 sf convention center.

Momentum continues at Twin Creeks Center at the northwest corner of Highway 169 and Barry Road. The 425,000 sf power center welcomed Furniture Deals in early 2020 in a 48,000 sf big box on the north end of the center. Several smaller users joined the lineup as well: Reece Nichols, Chipotle, Five Below, Professional Eye Care, and Main Street Credit Union.

Just to the east, Metro North Crossing welcomed the opening of the 52,000 sf T-Shotz in the fall. The interactive golf driving range includes two restaurants



in addition to a variety of entertainment options. In the same development, construction of the 249-unit Metro North Crossing Apartments has commenced; the development will also include 30,000 sf retail shops with an expected delivery of Fall 2021.

New soccer fields planned for the Northland Sports Complex will play a big role in Sporting Kansas City's efforts to attract large soccer tournaments to the Metro area. Located at the northwest corner of Highway 152 and Platte Purchase Drive, the project will boast 12 full-sized multi-sport fields along with a 15,000 sf fieldhouse and community park.

CENTRAL KANSAS CITY

OR 0.1%
LR 19.2%

In the last 5-10 years, the Central Kansas City submarket has seen significant retail activity after several decades of being overlooked for suburban opportunities. Spurred by high density multifamily growth, new hotels, office, and other entertainment options, this submarket is likely to continue to thrive as an option for retailers.

The Country Club Plaza, the retail centerpiece of Kansas City, has seen a handful of tenants close their doors in 2020 including MAC Cosmetics, Pinstripes, Parkway Social, Sur La Table, and Standard Style Boutique. In light of the pandemic, Nordstrom and Punch Bowl Social have put their expansion plans on hold. As the ‘crown jewel’ of Kansas City, the Plaza is likely to see strong activity in 2021 as things begin to shift back to normalcy.

Outside of the Country Club Plaza, retail opportunities remain strong in the Crossroads, Midtown, and Westport areas as they are all to

be connected by the KC Streetcar line. By 2025, the existing 1.5-mile track is planned to extend another 3.5 miles south, along Main Street from its current end point at Union Station to the University of Missouri-Kansas City.

SOUTH KANSAS CITY

OR 2.3%
LR 13%

In 2020, uncertain conditions did not slow down progress on Cerner's \$4.5 billion Innovations Campus at I-435 and Bannister Road. The project broke ground in 2014 and is currently in the midst of Phases 3 and 4 of the 16-phase project. Two new buildings were completed in 2020, adding 755,000 sf of office space to the project. Overall plans call for ten office buildings along with a boutique hotel, two data centers, a grocery store, and retail space. Completion of the campus is expected in 2025, at which time the campus is anticipated to support 16,000 employees in 3.7 million sf of office space.

In early 2020, Tesla opened its first showroom and service center at State Line Shopping Center near 103rd Street and State Line Road. The electric automaker relocated its original showroom from a much smaller space on the Country Club Plaza, which had opened in 2015. Tesla now occupies the former OfficeMax which saw significant renovations to separate the 26,000 sf building from the remainder of the center. The new facility provides for ample parking and an open floor plan including a showroom, service, and delivery departments.

At the southwest corner of Holmes Road and Red Bridge Road, new activity continues at Red Bridge Shopping Center after the completion of its major renovation in 2017. In the Fall 2020, The Regnier

Family Wonderscope Children’s Museum opened adjacent to the center in a state-of-the-art, 30,000 sf, \$15 million facility. The museum relocated from its former location in an old school building in Shawnee.

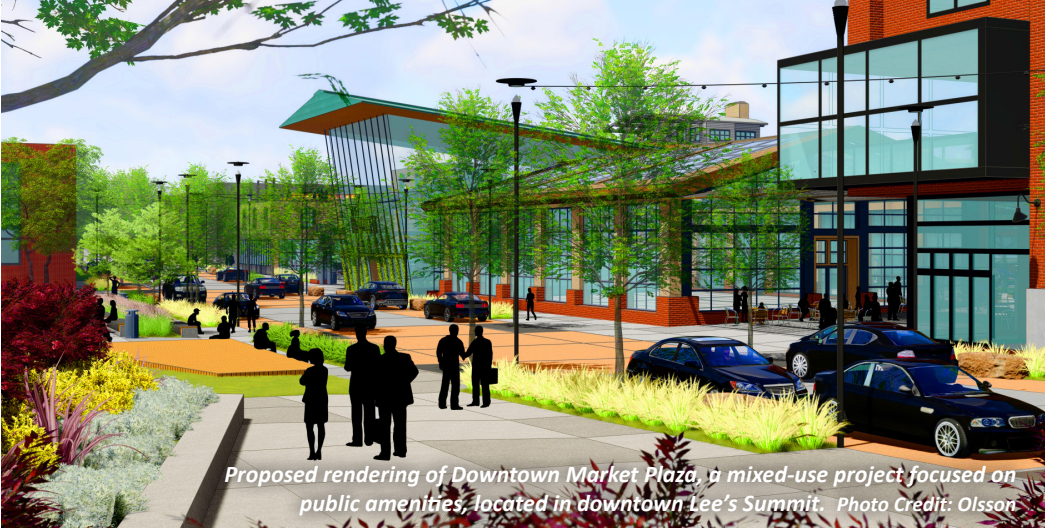
SOUTHEAST TRADE AREA

OR **LR**
-0.3% **6.7%**

Lee’s Summit continues to shine as a center of growth and progress in Jackson County. The Streets of West Pryor is the largest mixed-use project currently underway in Lee’s Summit and has made substantial progress over the past year. In September, the 63,000 sf McKeever’s Market grocery store opened as the project’s anchor. Plans were advanced with the City for a Shake Shack, making it one of Kansas City’s three locations, along with a local favorite, Red Door Woodfired Grill. Additionally, a 242-unit apartment complex is also under construction; the formerly planned senior living complex is being replaced with a 184-unit apartment complex and 88-room hotel.

Phase 1 of Summit Orchards, a newly constructed traditional format power center, saw its first openings this year including Aldi, Five Below, Lion’s Choice, and 635 luxury apartments. Still to come are Ross Dress for Less and HomeGoods, plus a soon-to-be announced retailer that will occupy the last in-line space. Phase 2 of the project is planned to include a mix of uses, with potential for office, hospitality, medical, and fitness, in addition to more retail.

Exciting developments are in store for the historic Downtown Lee’s Summit area. In Fall 2020, the City of Lee’s Summit issued a Request for Qualifications for a Developer and Manager to lead the redevelopment of approximately 2.67 acres of land that the City had acquired. The City’s preliminary plans for the project, dubbed the Downtown Market Plaza, include a mix of uses centering around public amenities such as a farmer’s market facility, a conservatory and event space, a movable stage, and several public gathering areas. The balance of the property is envisioned to be used for a boutique hotel, office



space, multifamily, and additional restaurants and retail.

At the intersection of I-470 and View High Drive, grading began in Summer 2019 on Paragon Star, a mixed-use sports complex project with ten regulation soccer fields. Retail, restaurants, hotel, and multifamily will also accompany the fields. The project is envisioned to resemble the Kansas City Power & Light District and has been incentivized by a TIF District worth \$20 million.

EASTERN JACKSON COUNTY

OR **LR**
-1.2% **5.4%**

Despite COVID-19 and the closing of anchor tenant Sears in Fall 2019, Independence Center continues to hang on as one of the Metro’s only two remaining enclosed malls. Los Angeles based IGP Business Group, which bought the property for \$57 million in 2019, has opened a new jungle themed entertainment area inside the mall, District Jungle Eat and Play. The new attraction features interactive rope courses, rock climbing walls, and a zipline roller coaster that joins a retro video arcade and sandpit near the food court. The District and its accompanying attractions are part of a larger trend of installing ‘experiential’ features at large malls and shopping centers to attract higher traffic and keep consumers on site for as

long as possible. It was announced in early 2021 that Macy’s would close their Independence Center location, leaving Dillard’s as the mall’s only remaining department store anchor.

Across the street, the open-air regional center, Independence Commons, continues to enjoy low vacancy. However, the 30,000 sf Barnes and Noble space is marketed as available.

NORTH JOHNSON COUNTY

OR **LR**
1.6% **4.0%**

North Johnson County saw its share of new activity and development this year. The Locale, a 200-unit luxury apartment complex opened their doors in Spring 2020. Located near Johnson Drive and Lamar Avenue, The Locale is the area’s first luxury multifamily project, including 6,000 sf of restaurant and retail space at street level.

The 2020 market and economy were challenging for the developers of the Mission Gateway project at Johnson Drive and Roe Avenue. Work was progressing on the 91,000 sf Cinergy Entertainment venue but was shut down in March due to safety concerns spurred by COVID-19.

Regency Park Shopping Center at 93rd Street and Metcalf Avenue saw significant recent renovations



including extensive façade updates and the construction of a new 5,000 sf building. The center will welcome a new health and wellness concept, Chiefs Fit, a 37,000 sf state-of-the-art fitness center expected to open Spring 2021. In partnership with the Kansas City Chiefs and founder of 24 Hr Fitness, the signature facility will feature a strength and conditioning area, a variety of machines and cardio equipment, an indoor turf field, and recovery facility.

The 95Metcalf South development added multifamily to its lineup in 2020 as Novel Place Senior Living officially opened its doors in November. The 134-unit independent senior living community is located on the east side of the project. New pad site users include Arvest Bank and Longhorn Steakhouse with two additional outparcel restaurants poised to join the development soon.

Ranch Mart Shopping Center at 95th Street and Nall Avenue is making progress on their long-awaited redevelopment. Anchored by Price Chopper, the 217,000 sf center will see extensive façade renovations on the entire property, new pedestrian areas, an interior remodel of Price Chopper, a plaza and event space, and updated parking and lighting. A new two-story mixed-use building with second floor office space is under construction with expected delivery Summer 2021.

Moving west, Lenexa City Center, a 69-acre mixed-use development, continued to grow in 2020. Shawnee Mission School District Aquatic Center, a \$28 million, 55,000 sf facility opened in January, followed by The Lofts in August, a 67-unit luxury apartment building. Other additions included, Academy Bank, One Bridal, and Savoy Tea. New openings set for 2021 include Jack Stack BBQ and First Heritage Bank.

SOUTH JOHNSON COUNTY

OR **LR**
-1.8% **1.4%**

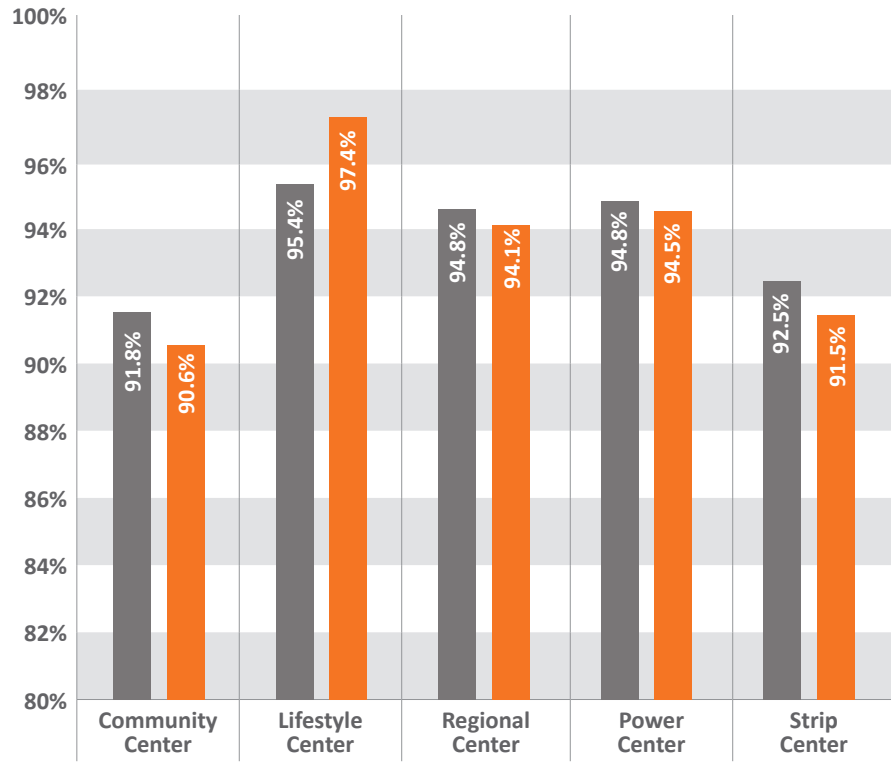
The former Sprint Campus remains a prominent centerpiece in the South Johnson County trade area. Shortly after the purchase by Wichita based Occidental Management in Summer 2019, the 17-building, 200-acre development was rebranded to Aspiria with plans to be transformed into a mixed-use project. Occidental proposes to expand the campus by as much as 2.7 million sf including 375,000 sf of retail, 600 new multifamily units, and 1.4 million sf of additional office space.

To neighbor Aspiria is Galleria 115, a mixed-use development located at the southwest corner of 115th Street and Nall Avenue, slated for 2022 opening. The \$350 million project entails a total of 548 multifamily units, 270,000 sf of upscale retail, office, and entertainment space.

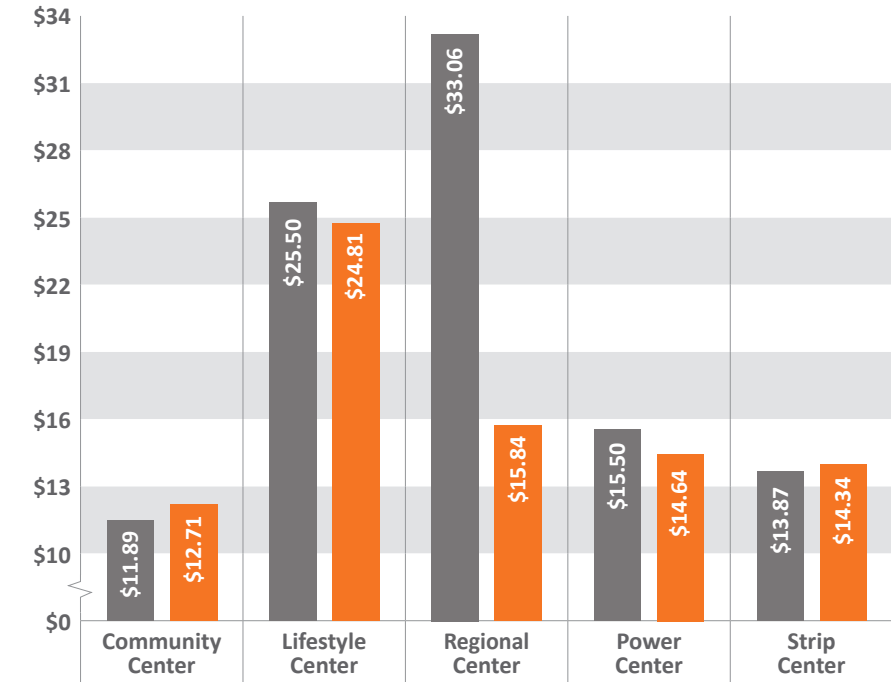
KANSAS CITY METRO SHOPPING CENTER PERFORMANCE

Q4-2019 **Q4-2020**

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 November 2020. 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	
		2019	2020	2019	2020	2019	2020
Northwest Kansas City	5.4%	6,135,484	6,171,565	93.7%	93.9% ⬆️	\$13.44	\$13.78 ⬆️
Northeast Kansas City	11.5%	13,123,854	13,240,367	94.9%	96.5% ⬆️	\$15.13	\$15.73 ⬆️
Central Kansas City	8.0%	9,253,605	9,257,422	96.4%	96.3% ⬇️	\$15.19	\$18.10 ⬆️
South Kansas City	7.7%	8,953,895	8,822,625	89.4%	91.7% ⬆️	\$12.00	\$13.56 ⬆️
Southeast Trade Area	10.5%	12,088,680	12,159,748	96.1%	95.8% ⬇️	\$14.08	\$15.02 ⬆️
Eastern Jackson County	19.3%	22,244,260	22,256,997	95.5%	94.3% ⬇️	\$10.01	\$10.55 ⬆️
North Johnson County	11.5%	13,123,854	13,240,367	94.9%	96.5% ⬆️	\$15.13	\$15.73 ⬆️
South Johnson County	17.7%	20,284,279	20,441,127	94.8%	93.0% ⬇️	\$15.43	\$15.65 ⬆️
Wyandotte County	8.4%	9,625,190	9,718,765	97.2%	95.5% ⬇️	\$10.83	\$9.82 ⬇️
TOTAL SURVEY AREA	100%	114,625,190	115,308,983	94.9%	94.8% ⬇️	\$13.47	\$14.21 ⬆️

*Trade area definitions may have changed from previous year.
Source: Data provided by LANE4 Research and third-party sources, current as of December 2019. Survey includes all retail space located within a submarket and covers all shopping center types. Lease rates represent average quoted pricing per designated trade area in the Kansas City Metropolitan Market.



The Bluhawk Sports Park in South Overland Park will boast a 309,000 sf indoor sports complex and 120,000 arena featuring basketball, volleyball, and pickleball courts, a turf football field , curling rink, and ice rink arena. Expected to open Fall 2022. Photo Credit: Price Brothers

Located at the southeast corner of 159th Street & Antioch Road, Bluhawk, a mixed-use project focused on leisure, wellness, and community continues to see activity. The much-anticipated Bluhawk Sports Park will house a 309,000 sf indoor sports complex and 120,000 sf arena featuring basketball, volleyball, and pickleball courts, a turf football field, a curling rink, and 3,500-seat arena with an ice rink. Groundbreaking for the complex is expected in 2021, with completion in Fall 2022. Recent openings at the development include the expansion of AdventHealth South Overland Park; T.J.Maxx is expected to open in Spring 2021.

Currently in the works in downtown Olathe, LANE4 Property Group is partnering with the City of Olathe to design and build a 45,000 sf state-of-the-art, community-focused public library and chamber office. The Olathe Library is expected to break ground in 2021 with completion in late 2022.

WYANDOTTE COUNTY

OR

-1.7%

LR

-9.3%

The Village West development remains Wyandotte County’s

premier retail market. This area has seen an influx of growth over the last decade with a host of experiential attractions, multifamily developments, sports venues, restaurants, and retailers, and will see continued growth with several proposed developments. Among the most notable planned projects are the \$250 million American Royal project, a state-of-the-art agriculture showcase, and a \$400 million youth sports-centric mixed-use project on the former Schlitterbahn Waterpark site. To complement the sports park, the development would include a man-made body of water for additional recreational activities and entertainment options. The planned Hard Rock Hotel was expected to move forward in 2020 but has been halted until further notice.

In the e-commerce realm, Urban Outfitters has become the Metro’s newest big-name tenant. The lifestyle and fashion retailer will build its largest distribution facility in the nation at 880,000 sf on land owned by the Kansas Speedway around 118th Street and State Avenue. The multi-channel distribution center is expected to be operational in

early 2022, supporting nearly 2,000 jobs.

The Merc Co+Op joined Downtown Kansas City, Kansas in 2020, offering quality, sustainable, locally sourced food. This location provides a valuable food service to an area that was lacking in grocery options. Unlike corporate chains, the Merc is independently owned as a co-op comprised of community members who in turn, receive financial benefits and a vote to choose the board of directors.

LOOKING FORWARD TO 2021

Looking ahead to 2021, we anticipate continued steady growth in underlying fundamentals: population growth and residential real estate trends. We are already seeing increased leasing activity in certain spaces, such as built out restaurants; however, we anticipate persistent vacancy in certain property types where demand remains limited.

TAXABLE SALES BY COUNTY (\$M) (Ranked by 1st Half 2020)

COUNTY	2018		2019		% CHANGE TOTAL YEAR '18 - '19	2020	% CHANGE 1ST HALF '19 - '20
	1ST HALF	2ND HALF	1ST HALF	2ND HALF		1ST HALF	
1. Johnson, KS	\$5,475	\$5,792	\$5,442	\$5,964	▲ 1.2%	\$5,136	▼ -5.6%
2. Jackson, MO	\$4,893	\$5,108	\$4,917	\$5,212	▲ 1.3%	\$4,524	▼ -8.0%
3. Clay, MO	\$1,673	\$1,756	\$1,656	\$1,810	▲ 1.1%	\$1,625	▼ -1.8%
4. Wyandotte, KS	\$1,152	\$1,196	\$1,141	\$1,277	▲ 3.0%	\$1,091	▼ -4.4%
5. Douglas, KS	\$802	\$861	\$798	\$884	▲ 1.2%	\$762	▼ -4.5%
6. Platte, MO	\$865	\$916	\$850	\$908	▼ -1.3 %	\$717	▼ -15.7%
7. Cass, MO	\$568	\$599	\$570	\$620	▲ 2.0%	\$603	▲ 5.8%
8. Leavenworth, KS	\$327	\$333	\$331	\$356	▲ 4.2%	\$347	▲ 4.9%
9. Miami, KS	\$162	\$168	\$158	\$173	▲ 0.4%	\$169	▲ 6.9%
TOTAL	\$15,919	\$16,733	\$15,867	\$17,208	▲ 1.3%	\$14,979	▼ -5.6%

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 2019-2020)

MAJOR CITIES	2016	2017	2018	2019	2020*	% CHANGE 2019-2020	5-YEAR ANNUAL AVERAGE
Raymore, MO	217	281	198	139	572	312%	282
Lenexa, KS	317	836	360	328	633	93%	495
Kansas City, MO	3,340	2,366	2,154	1,498	2,604	74%	2,392
Olathe, KS	790	954	643	631	1,045	66%	237
Blue Springs, MO	223	228	399	417	563	35%	288
Kansas City, KS	245	297	178	183	200	9%	221
Lee’s Summit, MO	527	775	548	1,095	1,025	-6%	794
Independence, MO	83	255	151	384	348	-9%	244
Shawnee, KS	175	215	215	307	274	-10%	237
Overland Park, KS	1,227	827	2,111	1,189	366	-69%	1,144
KANSAS CITY METRO	10,063	10,027	9,740	9,301	11,821	27%	10,121

*2020 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.

COVID-19:
THE GREAT ACCELERATOR

MICHAEL BERENBOM, VICE PRESIDENT

The COVID-19 crisis accelerated many trends in the commercial real estate industry that were impacting the ways in which we use physical space even before the world turned upside down in March 2020.

Throughout this last economic cycle (2010-2019), businesses were discussing remote work and how a hyper-connected world may change the way we use office space. Distributors were grappling with last mile logistics and warehouse space was proliferating at a breakneck pace to keep up with shifting consumer demands. In the retail sector, where the impacts of the internet age were already being felt disproportionately relative to other property types, the acceleration of these trends hit abruptly and with more force than anywhere else.

The mandatory shutdowns beginning in March sent a shockwave through the retail world. As we all hunkered down in our homes, businesses suffered. However, the Paycheck Protection Program provided a lifeline to many, and as restrictions on businesses lifted later in the spring, we witnessed a remarkable wave of adaptation and resilience in the face of 2020’s challenges. Retailers were not blindsided by customer demands for convenience and seamless synergies between their online and physical platforms; retailers have been adapting to these demands for the past decade. Many of the ones that saw success this year are the ones who were proactive in building the infrastructure needed to be responsive to these previous trends.

Similarly, over the past year, the retail properties that were one step ahead of these inevitable changes performed well relative to other property types, such as enclosed malls and power centers, that were increasingly struggling to find their footing even before COVID-19. Throughout the year, headlines warned, “Retail rent collection plunges to 58% in April.” However, many of these news stories did not distinguish between neighborhood and convenience-based retail properties where tenants have mostly held strong, and regional, soft goods focused properties have been disproportionately impacted.

As we emerge from this crisis, we expect to continue to see neighborhood centers adapt to the changing environment



and perform well. We expect the aforementioned property types that were struggling before COVID-19 to continue to face the pressures of obsolescence. The challenges that these properties face accelerated in 2020 and will compel the acceleration of their re-birth once the crisis subsides.

We expect to see both experiential opportunities and a mix-of-uses introduced to these properties, which are typically very well located at highly desirable intersections that draw from a regional radius. This means apartments and offices where big boxes and malls sit today. It means entertainment and community uses where soft goods have traditionally been sold. After a year of being told to distance ourselves, we expect the trends towards experiences and community to accelerate once it is safe to be back together.

Even before COVID-19 introduced itself, we knew that the world around us was changing at a breakneck pace. “Exponential growth” was something associated with COVID-19 transmission and spread, but it is a concept that can be applied to the pace of change all around us.

The most successful businesses will be the ones that embrace this dynamic and adapt to changing circumstances. The plexiglass, the curb side pick-up, and other changes that we quickly rolled out in 2020 are symbolic of how nimble we all must continue to be. The three primary real estate principals continue to hold true: Location, location, location. When those can be combined with the creativity and adaptability required in a post-COVID-19 world, there exists an incredible opportunity to re-create, re-imagine, and re-develop our physical spaces to meet the demands of a changing world.



2021

KANSAS CITY RETAIL REPORT

LANE4 Property Group specializes in project leasing, development, investment sales, property management, and tenant representation. Our success is based on an unwavering commitment to streamlining processes and optimizing our clients' objectives by providing in-depth knowledge and experience, attention to detail, creativity, and passion in every project we tackle. Today, we have a multitude of mixed-use, retail, office, multifamily and hospitality projects and continue to rapidly expand throughout the Midwest.



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