

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

LET'S GO TO THE MALL

How changes in consumer trends have left malls to restructure their presence

"Let's go to the mall!" was a favorite pastime phrase heard regularly, especially in the sweltering summer months and during the holiday season. Patrons would visit for shopping, a bite to eat at the food court, maybe to see a movie, and hang out with friends. In today's retail climate, the once bustling enclosed malls continue to face many challenges; some will survive, many won't, and a large number are already long gone.

With Coresight Research estimating that 25% of malls will close within the next 3 to 5 years, we are left the ominous question, "What does the future look like for enclosed regional malls?"

The mall development craze dates back to the 1950s with the first U.S. regional mall development completed in 1956 in Edina, Minnesota. Developers all over followed suit with the realization that they could build a large flat building in the middle of a field and quickly see a return. For the next 30 years malls with similar layouts that housed the same national tenants were developed across the country.

Kansas City also played a heavy hand in the enclosed mall development craze; at one point, the Kansas City Metro was home to nine enclosed malls. The most notable being:

Ward Parkway Center: Built in 1959 and formerly known as Parkway Theater, it is believed to be the first movie theater in the country designed as a multiplex. Today, the mall continues to operate and evolve as a power center with a new exterior restaurant and entertainment pavilion added to the center in 2019.

Metcalfe South: The first regional mall built in the state of Kansas in 1967 was demolished 50 years later, leaving Sears as a freestanding big box. Led by LANE4, redevelopment of the former mall site continues, including Lowe's, a senior living community, and several outparcels with restaurant and retail users.

Independence Center: In operation since 1974, the mall remains one of the Metro's two remaining enclosed malls. Since both Sears and Macy's shut their doors and new ownership took over, a new themed entertainment area was installed; a trend large malls are seeing to attract more traffic and capture consumer's attention.

Oak Park Mall: In operation since 1975, the regional enclosed mall is the largest in the Metro and the state of Kansas. In 2023, Oak Park is expected to lose one of its five anchors with the relocation of Nordstrom to the Country Club Plaza.

Metro North Mall: Constructed in 1976, the center was demolished in 2017 leaving Macy's as a freestanding retailer. Local developers are well underway with a redevelopment, including T-Shotz Golf and a 247-unit apartment complex. Several outparcels, and retail pad sites are also available.

Bannister Mall: Beginning in 1980, Bannister Mall was the "place to go" in South Kansas City. Demolished in 2009, the 290-acre site is now occupied by Cerner's 1.5M sf Innovations Campus, supporting over 16,000 new jobs.

Malls were in trouble long before the advent of online shopping and boom of eCommerce. According to Innovating Commerce Serving Communities (formerly International Council of Shopping Centers), 750 malls were built from 1970 to 2000. By 2008, that number increased to 1,100. However, the startling reality was every mall looked nearly identical and consumers couldn't keep up with the retail inventory.

Continued on the next page.

KANSAS CITY SALES & LEASING DATA

KC MSA RETAIL STATISTICS¹



| Total GLA (SF) ▲ 0.24% | | Avg. Lease Rate ▲ 1.21% | | Avg. Occupancy ▲ 0.40% | |
|------------------------|-------------|-------------------------|---------|------------------------|-------|
| Q2 2021 | 162,515,124 | Q2 2021 | \$13.35 | Q2 2021 | 94.7% |
| Q2 2020 | 162,131,363 | Q2 2020 | \$13.19 | Q2 2020 | 94.3% |

LARGEST RETAIL LEASE SIGNINGS - Q2 2021¹



| Submarket/ Location | Tenant | Size (SF) |
|--------------------------------------|---------------|-----------|
| 9910-9918 Holmes Rd, Kansas City, MO | GoPuff | 9,000 |
| 7676 State Ave, Kansas City, KS | Aaron's | 7,570 |
| 3000 Troost Ave, Kansas City, MO | Hakeem Valles | 6,000 |

AVG. VACANCY AND LEASE RATE BY TYPE¹



RETAIL



OFFICE

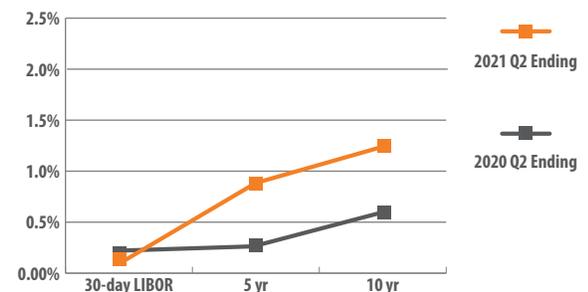


INDUSTRIAL

| Avg. Lease Rate ▲ 1.21% | | Avg. Lease Rate ▲ 6.59% | | Avg. Lease Rate ▲ 5.44% | |
|-------------------------|---------|-------------------------|---------|-------------------------|--------|
| Q2 2021 | \$13.35 | Q2 2021 | \$21.68 | Q2 2021 | \$4.65 |
| Q2 2020 | \$13.19 | Q2 2020 | \$20.34 | Q2 2020 | \$4.41 |
| Avg. Vacancy ▼ 0.40% | | Avg. Vacancy ▲ 1.0% | | Avg. Vacancy ▲ 0.30% | |
| Q2 2021 | 5.3% | Q2 2021 | 8.4% | Q2 2021 | 4.8% |
| Q2 2020 | 5.7% | Q2 2020 | 7.4% | Q2 2020 | 4.5% |

NATIONAL & REGIONAL TRENDS

TREASURY YIELD CURVE²



US FOOD AND RETAIL SALES (IN MILLIONS)³

| \$1,868,029 2021 Q2 | | | |
|------------------------|------------------------|------------------------|------------------------|
| \$1,420,773 2020 Q2 | \$1,542,107 2019 Q2 | \$1,495,375 2018 Q2 | \$1,420,141 2017 Q2 |

UNEMPLOYMENT RATE⁴

| June | 2021 | 2020 |
|---------|------|-------|
| Midwest | 4.9% | 10.6% |
| U.S. | 5.9% | 13.0% |

CONSUMER PRICE INDEX⁴

| 2021 | April | May | June |
|----------------|---------|---------|---------|
| Midwest | 248.169 | 250.582 | 253.042 |
| U.S. City Avg. | 267.054 | 269.195 | 271.696 |

THE ORANGE REPORT

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

SECOND QUARTER 2021

CONTINUED....

Over the last 30 years, national retailers have made their way into big box developments giving consumers an abundance of shopping options, and ones that are often closer to home. Combine the development of power and lifestyle centers with the slow demise of traditional department stores, and these consequences seem inevitable. The days of malls being fully retail-driven are long gone.

In the past decade (and last year alone), the malls that didn't evolve fast enough are continuing to stumble into a downward cycle of depleting sales and empty storefronts. It's estimated that the pandemic sped up this process by at least 5 years.

So, now what?

It's like the quote from The Shawshank Redemption as one inmate tells the other it's time to, "Get busy living, or get busy dying." Mall owners are at a fork in the road with the decision to either invest heavily into their malls to keep them alive, or let them sink into obsolescence.

Mixed-use concepts are at the core of mall reinvention with endless opportunities to incorporate a variety of uses. For example, owners of Hawthorne Mall in Vernon Hills, Illinois are underway with a massive redevelopment including the demolition of Sears and an addition of 60,000 sf of new retail, restaurant, and health and wellness concepts. Additional outparcels are planned along with 311 multifamily units.

What once used to be the bustling Crossroads Mall in Omaha is now a freestanding Target. Redevelopment plans call for 350,000 sf of retail and restaurant uses, 250 apartment units, 50,000 sf of office, a senior living community, 150-room hotel, and 2.5 acres of public amenities.

Another mall in Antioch, Tennessee has tapped into Nashville's professional hockey team and higher education. The mall now houses the Nashville Predator's practice ice skating rink and satellite campus and library for Nashville Community College.

There's no denying malls will continue to face uphill battles, but just like we've seen over the past year, with any change comes opportunity. And with strategic planning and creativity, there's opportunity to redefine the future of enclosed malls.

Tom O'Leary
Senior Vice President

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.

In-Text Sources: ¹Prosper Insight and Analytics ²The Harris Poll: Covid19 Tracker ³Restaurant Business Online ⁴Ernst and Young ⁵AMC Global Research ⁶Edelman Trust Barometer

Real Estate and Economic Trend Data 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.

RESIDENTIAL AND MULTIFAMILY

KC MSA MULTIFAMILY STATISTICS⁵



1 BED



2 BEDS



3 BEDS

| Total Units | | Total Units | | Total Units | |
|----------------------------|--------|----------------------------|--------|----------------------------|--------|
| Q2 2021 | 92,201 | Q2 2021 | 94,785 | Q2 2021 | 22,667 |
| Q2 2020 | 89,813 | Q2 2020 | 92,825 | Q2 2020 | 22,403 |
| Avg. Lease Rate/SF ▲ 4.92% | | Avg. Lease Rate/SF ▲ 4.90% | | Avg. Lease Rate/SF ▲ 4.49% | |
| Q2 2021 | \$1.28 | Q2 2021 | \$1.07 | Q2 2021 | \$0.93 |
| Q2 2020 | \$1.22 | Q2 2020 | \$1.02 | Q2 2020 | \$0.89 |
| Avg. Vacancy ▼ 0.80% | | Avg. Vacancy ▲ 0.80% | | Avg. Vacancy ▼ 0.80% | |
| Q2 2021 | 6.9% | Q2 2021 | 7.9% | Q2 2021 | 5.5% |
| Q2 2020 | 7.7% | Q2 2020 | 7.1% | Q2 2020 | 6.3% |

RESIDENTIAL BUILDING PERMITS YEAR TO DATE⁶

| County | Single Family | Multifamily | 2021 Total Year to Date | 2020 Total Year to Date | % Chg |
|----------------------------|---------------|-------------|-------------------------|-------------------------|-------------|
| Cass County | 240 | 49 | 289 | 319 | ▼-9% |
| Clay County | 418 | 0 | 418 | 684 | ▼-39% |
| Jackson County | 759 | 0 | 759 | 936 | ▼-19% |
| Platte County | 224 | 0 | 224 | 212 | ▲6% |
| Johnson County | 1,253 | 142 | 1,395 | 1,327 | ▲5% |
| Leavenworth County | 192 | 10 | 202 | 95 | ▲113% |
| Miami County | 81 | 0 | 81 | 46 | ▲76% |
| Wyandotte County | 71 | 0 | 71 | 124 | ▼-43% |
| Kansas City Region* | 3,238 | 201 | 3,439 | 3,743 | ▼-8% |

For. Your. Information.

LANE4 Property Group announced Michael Berenbom as its Managing Partner earlier this year. Michael joined LANE4 in 2013 as Director of Investments and has since proven himself a leader in the firm.

Michael's new role as Managing Partner will put a focus on LANE4's newly penned mission: "To provide a platform for creating wealth for our clients, team, and community by identifying opportunities and delivering creative solutions."

A Kansas City native, Michael has spent his career in real estate focusing on asset management, investment brokerage, and equity procurement.

As Managing Partner, Michael will focus on high-level management of the firm's portfolio and continue to grow LANE4's relationships with investors, community leaders, and professional partners. Michael will also continue to serve as a producer for the firm, facilitating his own deals and projects in addition to larger corporate projects.

View the full announcement [here](#).

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