

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

THE 2020 CENSUS: A TELLTALE OF SUBURBAN MIGRATION

How midsize city population growth may predict future commercial real estate trends

The trend continues. Locally, regionally, nationally, internationally. Since the 1950s, we've seen a surge of young adults and families migrate from their rural upbringings to more urban and suburban landscapes. As analysis of the 2020 census data begins, this trend has, and will continue to make, major national impacts economically and societally.

Megacities in the past have driven a great deal of this urbanization trend, but the tertiary markets (think Kansas City and comparable cities) appear to have taken over the pole position for this growth. So much so that for the first time since the 1970s, Kansas City's population has surpassed the half-million mark to 508,000 residents.

With a 10.5% population growth rate over the last decade, Kansas City is in prime position to benefit from the continuing trend of urbanism, while positioning itself as an attractive tertiary market providing the benefits of urban living without the downsides primary markets battle.

Top tier megacities including New York City (7.7%), Los Angeles (2.8%), and Chicago (1.9%) all experienced population growth below the 50 largest cities average of 8.5%. Employment and entertainment opportunities can now be found in many cities, while cost of living, lack of resources, and crime have contributed to slower growth in the largest markets.

While much of the population has been and will continue to flock to urban areas, it seems the most attractive places to live are not necessarily the cities themselves, but their surrounding suburbs. Although Kansas City remains Missouri's second largest metro area, the entire region saw significant growth over the last decade – Platte County experienced nearly 20% population growth, while Clay County saw a 14% increase. When it comes to cities within the metro, Overland Park showed the largest growth with nearly 14% population increase in the last decade, bringing their population to over 197,000 people.

This relationship of growth is symbiotic; while the suburbs and city may be fighting for more slices of the same growing pie, both benefit greatly from each other's success. For Kansas City to prosper, it must have prospective employees and taxpayers who frequent it; the larger that base is, the more development the city can support. The more development the city can support, the more attractive its surrounding suburbs are to prospective rural and megacity residents looking to benefit from midsize city life.

In an interview with FOX4, Cory Mihalik, Research Consultant at the Missouri State Library, stated, "Rural counties largely had population drops, unless they were near some sort of city center, be that Springfield, Columbia, St. Louis, or Kansas City."

This isn't just a trend in the Midwest, globally the world's urban population surpassed its rural population in 2009 and will never look back. The once picturesque small-town USA with a vibrant local city square continues to become more and more so a memory to those who grew up there, and more and more so a fairytale to younger generations.

With fewer consumers in these rural towns, we're finding fewer strong real estate sites within and outside the city limits. These trends beget each other, exacerbating

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KANSAS CITY SALES & LEASING DATA

KC MSA RETAIL STATISTICS¹



Total GLA (SF) ▲ 0.23%		Avg. Lease Rate ▲ 1.99%		Avg. Occupancy ▲ 0.30%	
Q3 2021	163,356,298	Q3 2021	\$13.33	Q3 2021	94.6%
Q3 2020	162,982,437	Q3 2020	\$13.07	Q3 2020	94.3%

LARGEST RETAIL LEASE SIGNINGS - Q3 2021¹



Submarket/ Location	Tenant	Size (SF)
13229 Shawnee Mission Pkwy, Shawnee, KS	Zara Furniture	18,505
401-411 Westport Rd, Kansas City, MO	Fountain Haus	13,000
8540 Maurer Rd, Lenexa, KS	Goldfish Swim School	9,000

AVG. VACANCY AND LEASE RATE BY TYPE¹



RETAIL

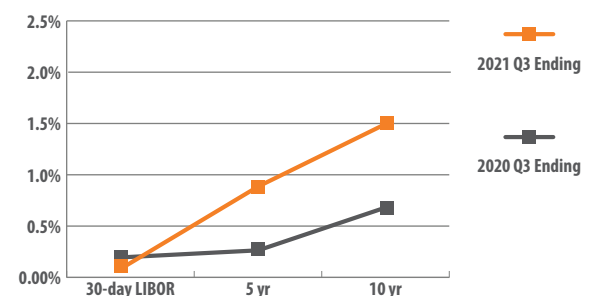
OFFICE

INDUSTRIAL

Avg. Lease Rate ▲ 1.99%		Avg. Lease Rate ▲ 3.76%		Avg. Lease Rate ▲ 4.91%	
Q3 2021	\$13.33	Q3 2021	\$21.79	Q3 2021	\$4.70
Q3 2020	\$13.07	Q3 2020	\$21.00	Q3 2020	\$4.48
Avg. Vacancy ▼ 0.30%		Avg. Vacancy ▲ 0.50%		Avg. Vacancy ▼ 0.90%	
Q3 2021	5.40%	Q3 2021	8.30%	Q3 2021	4.10%
Q3 2020	5.70%	Q3 2020	7.80%	Q3 2020	5.00%

NATIONAL & REGIONAL TRENDS

TREASURY YIELD CURVE²



US FOOD AND RETAIL SALES (IN MILLIONS)³

\$1,861,516			
2021 Q3			
\$1,620,353	\$1,559,885	\$1,505,237	\$1,433,047
2020 Q3	2019 Q3	2018 Q3	2017 Q3

UNEMPLOYMENT RATE⁴

September	2020	2021
Midwest	7.1%	4.7%
U.S.	7.8%	4.8%

CONSUMER PRICE INDEX⁴

2021	July	Aug.	Sept.
Midwest	254.671	255.142	255.709
U.S. City Avg.	273.003	273.567	274.310

THE ORANGE REPORT

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

THIRD QUARTER 2021

CONTINUED....

the migration into cities even faster. With few new places to live, work, eat, and play, there's little motivation or reward to stay. Over the last decade, cities smaller than 5,000 people had slow or negative growth.

Since 2010, the U.S. has only grown by 7.4%, which is the slowest growth rate since the 1940 census (7.3%). Growth is happening the fastest in the South (9.9%) and the West (9%), whereas the Northeast (4.0%) and the Midwest (3.0%) experienced growth lower than the national average of 7.4%.

While this slow Midwest growth may be perceived as detrimental to Kansas City's prospectus, this subpar growth rate is driven more so by the large rural displacement happening throughout the Midwest, not by the mid-sized cities within it.

Although the main advantage of megacities and their employment opportunities were incredibly strong at the beginning of this census (partly due to the recession), that advantage is dwindling. Remote work, innovative technology, and the effects of COVID have accelerated opportunities for employment outside of those cities. Kansas City has benefited from this by offering employment and typical "big city" upscale amenities, while being able to maintain affordability, safety, and convenience.

As population growth continues to slow, we're left to face challenging questions: Will it become even more important to win market share? Will the "winning" areas continue to lap the field with growth and development at an ever-accelerating pace? And more importantly, how does this impact Kansas City?

As Kansas City and other comparable markets continue to take market share from migrating rural and megacity populations, real estate development will continue to reflect that success.

Chase Glaeser
Associate

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	
Q3 2021	93,349	Q3 2021	95,285	Q3 2021	22,666
Q3 2020	91,377	Q3 2020	93,598	Q3 2020	22,502
Avg. Lease Rate/SF ▲ 4.80%		Avg. Lease Rate/SF ▲ 6.80%		Avg. Lease Rate/SF ▲ 5.56%	
Q3 2021	\$1.31	Q3 2021	\$1.10	Q3 2021	\$0.95
Q3 2020	\$1.25	Q3 2020	\$1.03	Q3 2020	\$0.90
Avg. Vacancy ▼ 2.20%		Avg. Vacancy ▼ 1.70%		Avg. Vacancy ▼ 1.10%	
Q3 2021	6.0%	Q3 2021	5.8%	Q3 2021	5.0%
Q3 2020	8.2%	Q3 2020	7.5%	Q3 2020	6.1%

RESIDENTIAL BUILDING PERMITS YEAR TO DATE⁶

County	Single Family	Multifamily	2021 Total Year to Date	2020 Total Year to Date	% Chg
Cass County	381	494	875	786	▲ 11%
Clay County	634	0	634	957	▼ -34%
Jackson County	1113	0	1,113	1,338	▼ -17%
Platte County	362	0	362	356	▲ 2%
Johnson County	1,747	154	1,901	2,183	▼ -13%
Leavenworth County	236	10	246	220	▲ 12%
Miami County	104	0	104	76	▲ 37%
Wyandotte County	101	0	101	199	▼ -49%
Kansas City Region*	4,678	658	5,336	6,115	▼ -13%

For. Your. Information.

LANE4 is growing! Come join our dynamic team of commercial real estate professionals who thrive off fresh, innovative ideas and projects.

Click the job title to view the full job description.

Sales Associate

- Jump start your commercial real estate career while working closely with our team of experts to grow your own client base and business. (Real estate experience is a plus, but not required.)

Assistant Project Manager

- Work with our Director of Design and Construction and the Development Team to ensure quality, on-time, and on-budget development projects.

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