

THE ORANGE REPORT

SECOND QUARTER 2023

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

'LET'S JUST RUN THROUGH THE DRIVE-THRU'

How the drive-in and drive-thru transformed the fast food industry we know today

Growing up, we eagerly anticipated going to the drive-in: the immense open-air screen, lounging around with friends, and indulging in our favorite treats... all without leaving our car. Decades later, the drive-ins we once enjoyed are few and far between, and if your town still has one it's a nostalgic time capsule.

Since the 1920s, Americans have loved their cars and the convenience of fast food. Over the years, "Let's go to the Drive-in" translated to, "Let's just run through the Drive-thru." But before the drive-thru came the drive-in. The drive-in concept was first popularized in 1921 by a Texas chain called the Pig Stand, whose first drive-in concept opened on a highway connecting Dallas and Fort Worth. Customers would pull into the parking lot with immediate service from carhops who served burgers and fries that clipped onto the car's window.

Other drive-ins emerged during the late 1920s and early 1930's with infamous establishments like White Castle and A&W Root Beer. For the Kansas Citians, the first Winstead's drive-in opened in Springfield, Illinois in 1936. Shortly after, Nellie Winstead and her husband ventured to Kansas City in 1940 to open the first Winstead's in the metropolitan area, located just east of the Plaza on 47th Street (and is still open to this day).

By indulging in patrons' desire to not leave their cars, fast food chains realized they could operate with fewer employees, letting prices fall while profits rose. Thus the nation's first official drive-thru, Red's Giant Hamburg, was introduced in 1947 in Springfield, Missouri. Several years later, In-N-Out Burger joined the trend in California.

With In-N-Out's success, founders, Harry and Esther Snyder, are widely recognized as the first to capitalize on the two-way speaker system, which accelerated a competitive drive-thru race through the 1950s-1960s. At the time, the concept of contactless ordering was so novel customers were warned a disembodied voice would be speaking to them.

Despite In-N-Out's vast success with their drive-thru-centric business plan, larger national chains like McDonald's and Wendy's were slow to adopt the model. Although the first McDonald's burger stand opened in 1948, they didn't open their first drive-thru until 1975; other small chains like Jack-in-the-Box (1951) and Wendy's (1969) had adopted the drive-thru early on. By the mid-1960s the Wiener-schnitzel hot dog chain was opening A-frame restaurants with a car-sized hole that ran straight through the building.

The drive-thru changed car design as well. Cup holders were once a rarity in auto interior design, but by the late 1980s it was common for cars to feature more cup-holders than passengers.

Just as the explosive drive-thru model transformed the fast-food industry 50 years ago, dual, triple and quadruple drive-thru lanes, self-order kiosks, app-based loy-

Continued on the next page.

KANSAS CITY SALES & LEASING DATA

KC MSA RETAIL STATISTICS¹

GLA		\$		%	
Total GLA (SF) ▲ 0.20%		Avg. Lease Rate ▲ 4.21%		Avg. Occupancy ▲ 0.20%	
Q2 2023	165,355,361	Q2 2023	\$14.86	Q3 2022	95.9%
Q2 2022	165,025,895	Q2 2022	\$14.26	Q3 2021	95.7%

LARGEST RETAIL LEASE SIGNINGS - Q2 2023¹

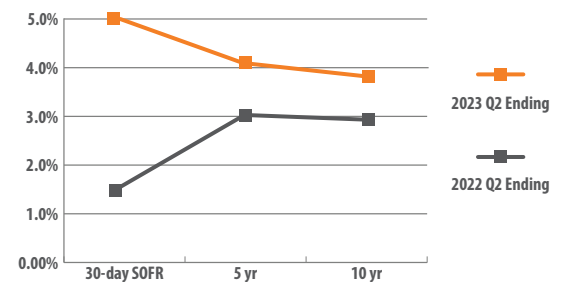
Submarket/ Location	Tenant	Size (SF)
14955 W 151st St, Olathe, KS	Hy-Vee	165,794
3232 S Noland Rd, Independence, MO	Cargo Largo	60,000
6301-6319 Troost Ave, Kansas City, MO	Kansas City Costume Company	34,555

AVG. VACANCY AND LEASE RATE BY TYPE¹

RETAIL		OFFICE		INDUSTRIAL	
Avg. Lease Rate ▲ 4.21%		Avg. Lease Rate ▲ 3.93%		Avg. Lease Rate ▲ 8.46%	
Q2 2023	\$14.86	Q2 2023	\$22.73	Q2 2023	\$5.51
Q2 2022	\$14.26	Q2 2022	\$21.87	Q2 2022	\$5.08
Avg. Vacancy ▼ 0.20%		Avg. Vacancy ▲ 1.50%		Avg. Vacancy ▼ 0.20%	
Q2 2023	4.1%	Q2 2023	10.90%	Q2 2023	3.60%
Q2 2022	4.3%	Q2 2022	9.40%	Q2 2022	3.80%

NATIONAL & REGIONAL TRENDS

TREASURY YIELD CURVE²



US FOOD AND RETAIL SALES (IN MILLIONS)³

\$2,062,296			
2023 Q2			
\$2,030,786	\$1,857,546	\$1,421,437	\$1,534,183
2022 Q2	2021 Q2	2020 Q2	2019 Q2

UNEMPLOYMENT RATE⁴

June	2022	2023
Midwest	3.3%	3.2%
U.S.	3.6%	3.6%

CONSUMER PRICE INDEX⁴

2023	April	May	June
Midwest	281.927	282.656	283.741
U.S. City Avg.	303.363	304.127	305.109

THE ORANGE REPORT

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

SECOND QUARTER 2023

CONTINUED....

alty programs, drive-thru greeters, AI powered voice recognition, and dedicated mobile pick-up locations are setting new industry standards.

Here are some powerful statistics that illustrate where the industry is headed:

- Drive-thru sales represent 70% of fast food sales, generating billions of dollars for the industry on a monthly basis (*Quantum Real Estate Advisors*).
- Since 2014, online food ordering has grown 300% faster than dine-in with an annual growth rate of 15% -20%. For comparison, the broader restaurant industry has seen less than 4% growth rate (*QSR*).
- Curbside pickup is projected to account for over \$140 billion in sales in 2024, compared to \$35 billion in 2019 (*eMarketer*).
- Restaurants with online ordering systems can raise takeout profits by 30% more than those who do not (*MadMobile*).
- Chick-fil-A is launching new restaurant concepts in 2024. One will provide multiple options: order ahead in the Chick-fil-A app and pick up in a dedicated 'mobile thru' lane or place orders the traditional way. The new concept boasts twice as much kitchen capacity and four lanes that can hold up to 75 cars (*QSR*).
- Over the last 3 years, Chipotle has invested significant resources into their mobile loyalty program. By the end of 2022 it exceeded 30 million members with a digital business surpassing \$3 billion, accounting for 39% of their sales (*QSR*).

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 brokerage, development, investment sales, property management, tenant representation, receivership, and project management. 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 LANE4 team 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.

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. ⁷The Federal Reserve Bank of New York ⁸CoStar: Kansas City Retail Capitalization Rates

RESIDENTIAL AND MULTIFAMILY

KC MSA MULTIFAMILY STATISTICS⁵



1 BED



2 BEDS



3 BEDS

Total Units		Total Units		Total Units	
Q2 2023	99,006	Q2 2023	99,981	Q2 2023	24,439
Q2 2022	96,820	Q2 2022	98,344	Q2 2022	23,225
Avg. Lease Rate/SF ▲ 3.55%		Avg. Lease Rate/SF ▲ 3.36%		Avg. Lease Rate/SF ▲ 3.88%	
Q2 2023	\$1.46	Q2 2023	\$1.23	Q2 2023	\$1.07
Q2 2022	\$1.41	Q2 2022	\$1.19	Q2 2022	\$1.03
Avg. Vacancy ▲ 13.3%		Avg. Vacancy ▲ 23.7%		Avg. Vacancy ▲ 0.47%	
Q2 2023	6.8%	Q2 2023	7.3%	Q2 2023	8.1%
Q2 2022	6.0%	Q2 2022	5.9%	Q2 2022	5.5%

RESIDENTIAL BUILDING PERMITS YEAR TO DATE⁶

County	Single Family	Multifamily	2023 Total Year to Date	2022 Total Year to Date	% Chg
Cass County	122	0	122	244	▼ 50%
Clay County	214	0	214	673	▼ 68%
Jackson County	284	14	298	839	▼ 64%
Platte County	270	0	270	156	▲ 73%
Johnson County	508	558	1066	1402	▼ 24%
Leavenworth County	48	0	48	85	▼ 44%
Miami County	32	0	32	14	▲ 129%
Wyandotte County	36	0	36	74	▼ 51%
Kansas City Region*	1,514	572	2,086	3,487	▼ 40%

June data not available at the time of release.

For. Your. Information.

Over the summer, LANE4 teamed up to raise over \$6,300 for Kansas City's Big Brothers Big Sister's (BBBS) signature fundraising event, Bowl for Kids Sake! In July, our company bowled to celebrate the impactful work BBBS does throughout our local community. The funds generously donated by LANE4 employees and vendors will directly support 1,200+ active matches and help match 200+ waiting children with a Big.



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.



©2023 LANE4 Property Group, Inc.