

RESEARCH 3Q23

Kansas City Retail Report

NEWMARK
ZIMMER



Executive Summary

Newmark Zimmer is constantly monitoring market indicators, tracking and analyzing supply and demand drivers, cyclical patterns and industry trends. The following quarterly research report examines the multifaceted Kansas City retail market.

Newmark Zimmer research and analytics has established a system of data flow unique in our industry. Rather than rely on third party data sources, our data acquisition efforts involve inputs from advisors in the field, analysts and brokers executing transactions. Newmark Zimmer research converts market data and analysis into knowledge that creates value for our clients.

Our clients include market-leading landlords and distinguished institutions in and around the Kansas City area and the Midwest. Our market knowledge continues to expand as the market progresses and evolves.



Select Market Transactions

Academy Sports + Outdoors | Olathe, KS

71,930 SF GLA – SOLD FOR \$10,000,000 (\$139/SF)

South Johnson County | 14405 W 135th Street

Caliber Collision | Overland Park, KS

16,100 SF GLA – SOLD FOR \$4,237,500 (\$263/SF)

South Johnson County | 14939 Metcalf Avenue

Walgreens | Overland Park, KS

13,910 SF GLA – SOLD FOR \$2,954,000 (\$212/SF)

South Johnson County | 8450 W 151st Street

Popeyes Louisiana Kitchen | Raytown, MO

2,880 SF GLA – SOLD FOR \$1,610,000 (\$559/SF)

East Jackson County | 7601 Raytown Road

AutoZone | Gardner, KS

6,840 SF GLA – SOLD FOR \$1,463,000 (\$214/SF)

South Johnson County | 625 E Main Street

Retail

KANSAS CITY MARKET OVERVIEW

In Kansas City and beyond, the outlook for retail real estate is optimistic. Increasing rental rates, decreasing availability and new development projects lacking in the pipeline have created a landlords' market in the world of retail. We are continuing to see tenants and landlords get creative in filling space, including conversions of office to multifamily, hotel and mixed-use development projects. Entertainment concepts are actively seeking big-box space, and drive-thru concepts are continuing to seek out prime pad sites.

Market News:

- Small to mid-sized tenants continue to drive demand at marquee retail developments in the Metro. At the Bluhawk mixed-use development in Overland Park, a total of eight tenants have officially opened since the end of the second quarter of 2023, including Five Guys, Whataburger, Jinya Ramen Bar, Cookie Co., Nekter Juice Bar, European Wax Center, Of Course Kitchen & Company and Chase Bank. Future tenants announced at Bluhawk also include Ulta Beauty, Sierra, Rack Room Shoes and Bath & Body Works.
- Restaurant Row in Lenexa City Center officially broke ground during the quarter. The first phase will include two retail properties totaling 17,980 square feet. Tupelo Honey Southern Kitchen & Bar will occupy a 5,700-SF space, Cactus Grill has committed to a 5,000-SF space and the remaining 7,280 SF is available for lease.
- Jack Stack Barbeque received approval from the Kansas City Plan Commission for a proposed development in the Northland at 8001 NW Roanridge Rd. If developed, the restaurant is expected to total 11,040 SF and be located within Edgewood Farms.

With the third quarter of 2023 coming to an end, businesses are readying for the most important retail shopping season of the year. According to Shopkick's survey of 6,000 U.S. consumers, a total of 38% of shoppers will begin purchases for the holiday season before Halloween, and 44% of respondents will start before Thanksgiving. Surprisingly, a reduction in shopping on Black Friday and Cyber Monday is predicted for 2023, with a decrease of 24% and 47%, respectively, compared with 2021. The impact of price increases due to inflation is clear as 62% of respondents feel it has impacted the way they plan to shop, and a significant 77% plan to tighten their shopping budget this year. Per the National Retail Federation, holiday retail sales in 2022 registered \$936.3 billion, a 5.3% increase over 2021. With mixed economic indicators going into the fourth quarter of 2023, multiple analysts are predicting a lackluster holiday spending season in 2023. Although last year there was year-over-year growth in terms of total revenue, it was primarily attributed to increases in prices instead of consumers purchasing more goods overall.

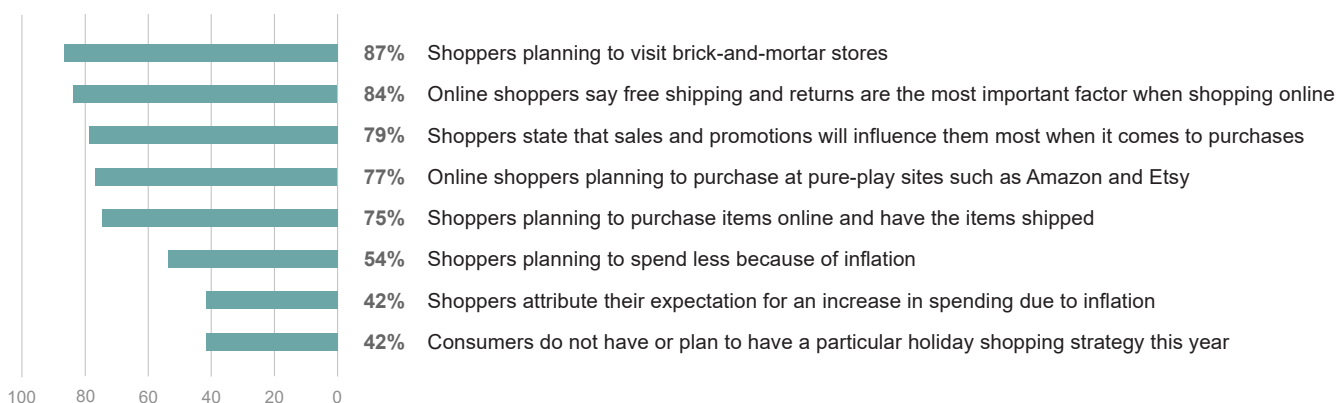
Forecast for the Holiday Shopping Season 2023



Eight-in-10 shoppers expect to spend about the same as or more than they did in 2022

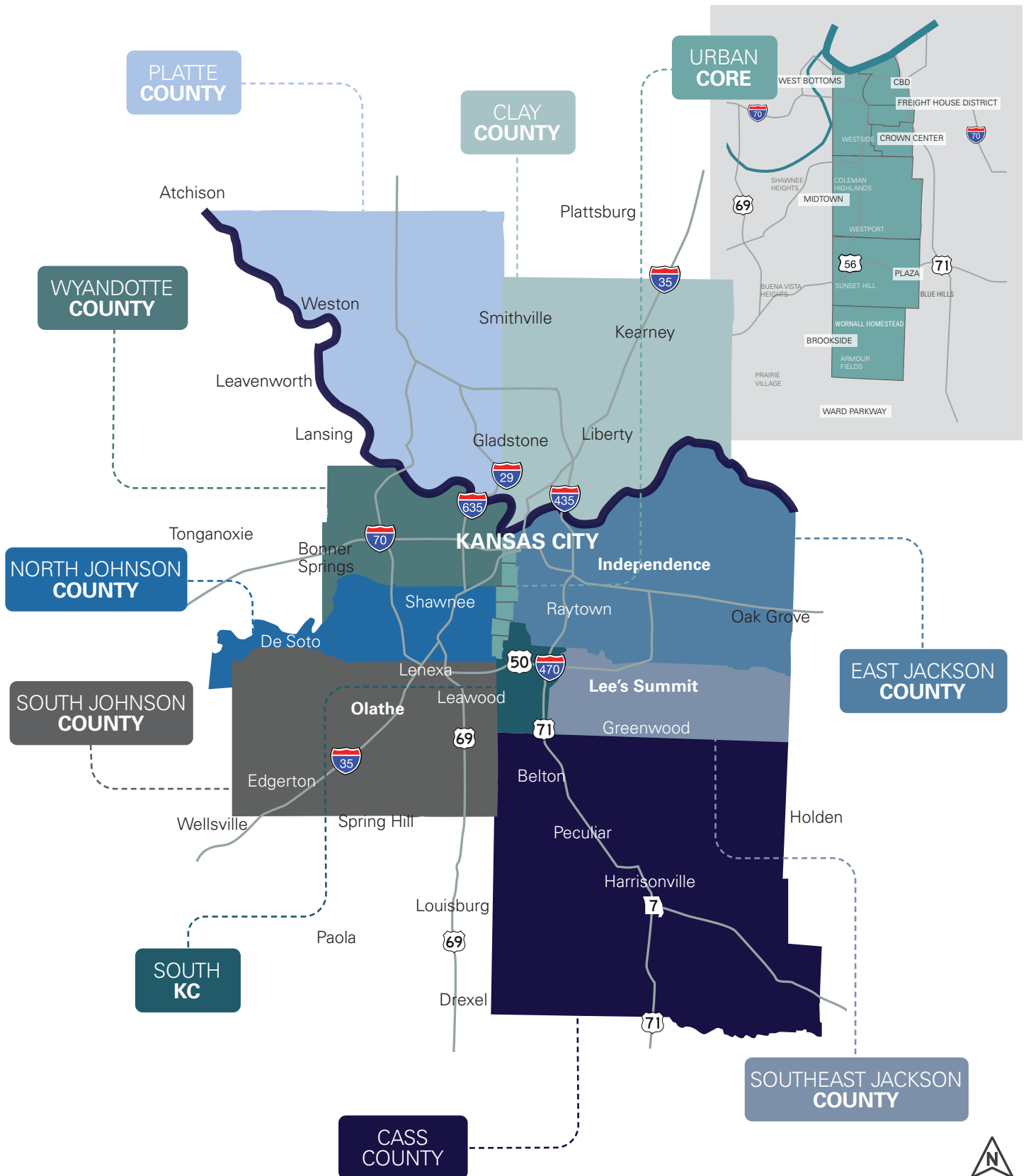
42% of overall spending is expected online while **41%** is predicted to happen at a physical store, **17%** on click-and-collect

83% of in-store shoppers plan to purchase gifts at big box stores, **44%** at off-price retailers, **37%** at department stores and **33%** at club stores



Submarket Maps

DOWNTOWN & SUBURBS



This map was produced using reliable private and government sources.
This information is provided without representation or warranty.

3Q23 Kansas City

RETAIL MARKET STATISTICS TABLE

	Type	# of Buildings	Total Inventory (SF)	Total Vacancy Rate	Qtr Absorption (SF)	Past 4 Qtrs. Absorption (SF)	Total Asking Rent (NNN)
CASS COUNTY	All	547	5,707,110	2.00%	-7,751	15,531	\$13.65
	Small Shop	395	1,372,793	2.10%	-2,781	10,196	\$17.74
	Big Box	152	4,334,317	2.00%	-4,970	5,335	\$13.65
CLAY COUNTY	All	1,081	13,860,550	2.90%	-133,488	-65,408	\$14.01
	Small Shop	696	2,481,549	1.90%	-11,183	12,400	\$15.95
	Big Box	385	11,379,001	3.10%	-122,305	-77,808	\$13.65
EAST JACKSON COUNTY	All	2,401	24,079,300	6.30%	17,762	-7,523	\$11.66
	Small Shop	1,769	5,744,496	2.40%	12,503	44,435	\$18.80
	Big Box	632	18,334,804	7.50%	5,259	-51,958	\$10.57
KC URBAN CORE	All	988	9,261,827	3.20%	-13,776	-70,967	\$20.42
	Small Shop	656	2,250,123	2.90%	13,134	-3,710	\$23.49
	Big Box	332	7,011,704	3.30%	-26,910	-67,257	\$18.78
NORTH JOHNSON COUNTY	All	1,177	18,660,214	3.90%	-24,420	280,484	\$18.32
	Small Shop	728	2,638,173	3.00%	-12,400	45,905	\$22.11
	Big Box	449	16,022,041	4.10%	-12,020	234,579	\$17.16
PLATTE COUNTY	All	411	6,403,280	4.30%	61,644	162,451	\$14.87
	Small Shop	248	994,005	1.60%	5,388	288	\$19.30
	Big Box	163	5,409,275	4.80%	56,256	162,163	\$14.65
SOUTH JOHNSON COUNTY	All	1,256	21,151,973	5.40%	-63,424	166,461	\$17.18
	Small Shop	694	2,577,415	2.30%	9,737	94,688	\$20.69
	Big Box	562	18,574,558	5.80%	-73,161	71,773	\$16.71
SOUTH KC	All	570	6,178,793	7.50%	-28,802	-129,858	\$16.16
	Small Shop	398	1,180,225	3.60%	1,711	-1,593	\$15.44
	Big Box	172	4,998,568	8.40%	-30,513	-128,265	\$16.29
SOUTHEAST JACKSON COUNTY	All	526	6,917,065	1.40%	32,754	111,432	\$19.12
	Small Shop	354	1,318,764	0.50%	4,312	16,647	\$22.12
	Big Box	172	5,598,301	1.60%	28,442	94,785	\$18.40
WYANDOTTE COUNTY	All	1,024	9,889,971	3.50%	-24,119	-21,928	\$9.64
	Small Shop	795	2,507,327	1.90%	1,706	-3,690	\$16.86
	Big Box	229	7,382,644	4.00%	-25,825	-18,238	\$8.20
TOTALS	All	9,981	122,110,083	4.40%	-183,620	440,675	\$15.19
	Small Shop	6,733	23,064,870	2.30%	22,127	215,566	\$19.95
	Big Box	3,248	99,045,213	4.80%	-205,747	225,109	\$14.30

Market Indicators

VACANCY RATE, ASKING RENT & NET ABSORPTION

KC URBAN CORE

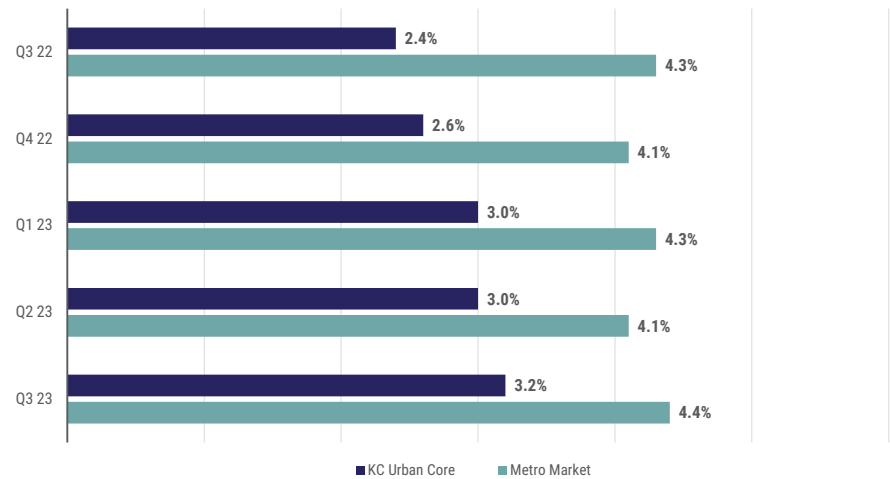
VACANCY RATE

The KC Urban Core vacancy rate displayed an upward trend, increasing **80 basis points** over the past year.

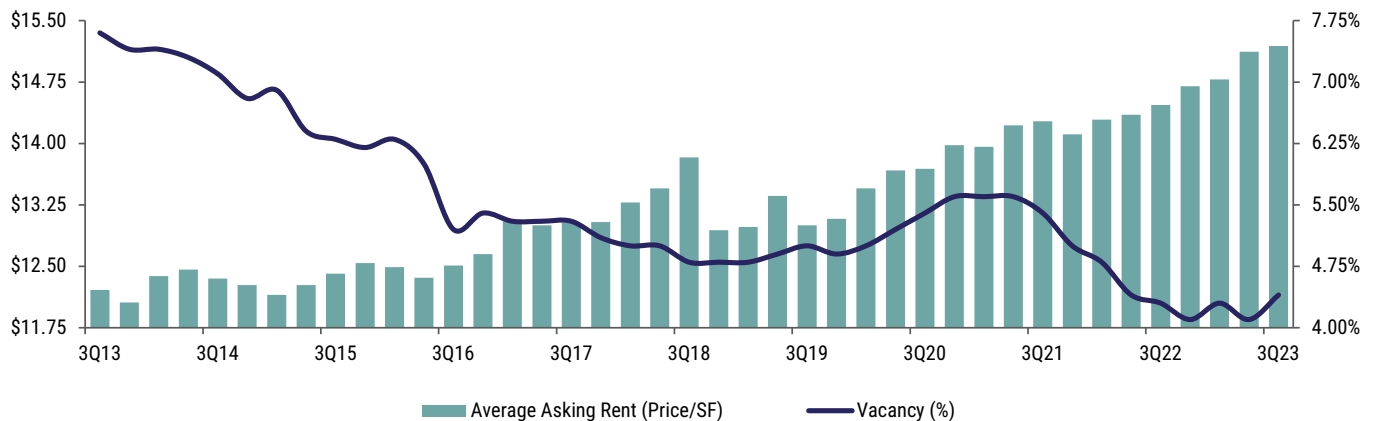
METRO MARKET

VACANCY RATE

The metro market vacancy rate displayed an upward trend, increasing **10 basis points** over the past year.

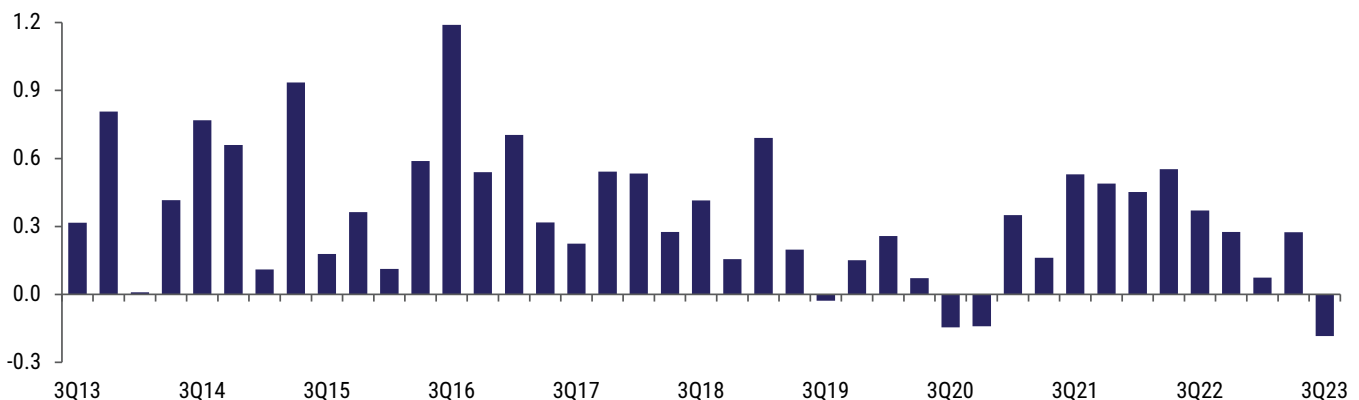


ASKING RENT AND VACANCY



NET ABSORPTION

SQUARE FEET, MILLIONS



Small Shop: Retail buildings in which GLA is 7,500 square feet or less. **Big Box:** Retail buildings in which GLA is 7,501 square feet or more.

Examination and calculation of supply and demand determinants by building size uncovered statistically significant inflection points consistently at the 7,500-square-foot building size. For this reason, the division between small-shop and big-box occurs at 7,500 square feet.



3Q23 Kansas City

SUBMARKET VACANCY RATE

NORTH JOHNSON COUNTY

VACANCY RATE

Improved by **70 basis points** over the past year.

3.9%

3Q23

4.6%

3Q22

North Johnson County displayed the highest amount of net absorption in the market during the past four quarters.

PLATTE COUNTY

VACANCY RATE

Improved by **150 basis points** over the past year.

4.3%

3Q23

5.8%

3Q22

Platte County displayed the largest basis point drop in vacancy compared to the prior year.

SOUTH JOHNSON COUNTY

VACANCY RATE

Worsened by **10 basis points** over the past year.

5.4%

3Q23

5.3%

3Q22

South Johnson County displayed the third highest big box vacancy in the market.

SOUTHEAST JACKSON COUNTY

VACANCY RATE

Improved by **70 basis points** over the past year.

1.4%

3Q23

2.1%

3Q22

Southeast Jackson County displays the lowest small shop vacancy rate in the market.

For more information:

Kansas City, MO

1220 Washington Street, Suite 300
Kansas City, MO 64105
816-474-2000

Eastern Jackson County

1485 SW Market Street
Lee's Summit, MO 64081
816-474-2000

nmrkzimmer.com



Justin Beal

Executive Managing Director, Principal

t 816-268-4241
jbeal@nzimmer.com

Victor Cascio

Managing Director

t 816-268-4234
vcascio@nzimmer.com

Philip J. Botana

Associate Director

t 816-512-1008
pbotana@nzimmer.com

Kassie Murphy

Associate

t 816-471-3571
kmurphy@nzimmer.com

Nicole Gutesha

Associate

t 816-268-4215
ngutesha@nzimmer.com

Matt McCauley

Associate

t 816-268-4202
mmccauley@nzimmer.com

Andrew Garten

Director, Research

t 816-474-2000
agarten@nzimmer.com

We transform untapped potential into limitless opportunity.

We don't just adapt to what our partners need—we adapt to what the future demands.

Since our start, we've faced forward, predicting change and pioneering ideas. Almost a century later, the same strategic sense and audacious thinking still guide our approach. Today our integrated platform delivers seamlessly connected services tailored to every type of client, from owners to occupiers, investors to founders, and growing startups to leading companies.

Tapping into smart tech and smarter people, we bring ingenuity to every exchange and transparency to every relationship.

We think outside of boxes, buildings and business lines, delivering a global perspective and a nimble approach. From reimagining spaces to engineering solutions, we have the vision to see what's next and the tenacity to get there first.

TERMS AND DEFINITIONS

Gross Leasable Area (GLA) – Expressed in square feet. It is the total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines. It is the standard measure for determining the size of retail spaces, specifically shopping centers, where rent is calculated based on GLA occupied. There is no real difference between RBA (Rentable Building Area) and GLA except that GLA is used when referring to retail properties while RBA is used for other commercial properties.

Vacancy Rate – The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant.

Net Absorption – The net change in physically occupied space over a period of time.

Average Asking Rent – The dollar amount asked by landlords for available space expressed in dollars per square foot per year. Retail rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a prorata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

DISCLAIMER

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

RESEARCH

Newmark Zimmer research reports are also available at nmrkzimmer.com