

RESEARCH 4Q 2020

NEWMARK

ZIMMER

# Kansas City Retail Report



# 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 | BELTON**

57,840 SF GLA – SOLD FOR \$6,600,000 (\$114/SF)

*Cass County | 510 E. Markey Parkway*

### **CVS PHARMACY | KANSAS CITY**

15,520 SF GLA – SOLD FOR \$4,236,200 (\$273/SF)

*Platte County | 4400 NW. Barry Road*

### **WALGREENS | KANSAS CITY**

13,910 SF GLA – SOLD FOR \$3,830,000 (\$275/SF)

*South KC | 9430 Blue Ridge Boulevard*

### **36TH & MAIN PORTFOLIO (2) | KANSAS CITY**

7,920 SF GLA – SOLD FOR \$2,400,000 (\$303/SF)

*KC Urban Core | 6-14 W. 36th Street, 3540 Main Street*

### **FORMER TOYS R US | OLATHE**

49,500 SF GLA – SOLD FOR \$2,300,000 (\$47/SF)

*South Johnson County | 14680 S. Flaming Road*



# Retail KANSAS CITY MARKET OVERVIEW

The overall Kansas City retail market loosened year over year in the fourth quarter of 2020, realizing a 60-basis-point increase in vacancy to 5.7%. Net absorption totaled negative 192,731 square feet for the past four quarters and 385,601 square feet for the past two years, indicating a slowing market. The average quoted rental rate is \$13.93/SF, up \$0.84/SF from one year ago.

## In the local retail market:

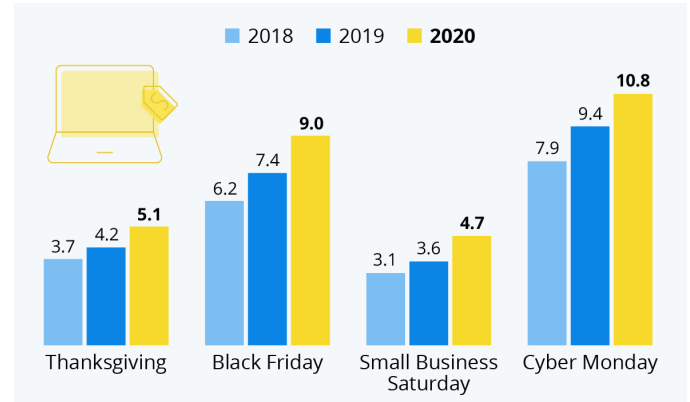
- **Prairiefire** mixed-use project announced plans for a 43,000-square-foot building to be occupied by a national grocer, as well as a site for a drive-thru banking facility.
- **Corinth Quarter** in Prairie Village announced new leases by Scissors & Scotch, Club Pilates and Nekter Juice Bar. The project is scheduled to deliver by summer 2021.
- **Nordstrom's** will delay the opening of its 122,000-square-foot Country Club Plaza store by one year, now projected to open by fall 2023.
- **Torchy's Tacos** announced it will open its second and third locations in the metro at 11919 South Strang Line Road in Olathe and in Corbin Park at 6815 West 135th Street in Overland Park.

As the year comes to a close, the retail market's most crucial quarter for sales has already exhibited multiple positive indicators for the industry. According to Adobe Analytics, a new ecommerce sales record of \$34.4 billion was spent by consumers during the five-day Cyber Week from Thanksgiving to Cyber Monday, an increase of 20.7% year over year. Cyber Monday alone totaled \$10.8 billion, making it the largest online shopping day recorded in U.S. history. With shoppers starting gift buying earlier this year in October due to the pandemic, the high transaction volume during Cyber Week bodes well for ecommerce retailers.

In 2021, the shift towards online retail purchasing is expected to accelerate further as small to mid-sized retailers with little or no online presence are allocating resources to capture ecommerce sales. The Federal Reserve Bank of St. Louis's most recent quarterly "ecommerce sales as a percent of total retail sales" report displays a 26.5% increase in ecommerce sales compared to last year; expect this upward trend to continue in 2021, in part due to the increase in confidence in online purchasing through mobile devices from non-millennials.

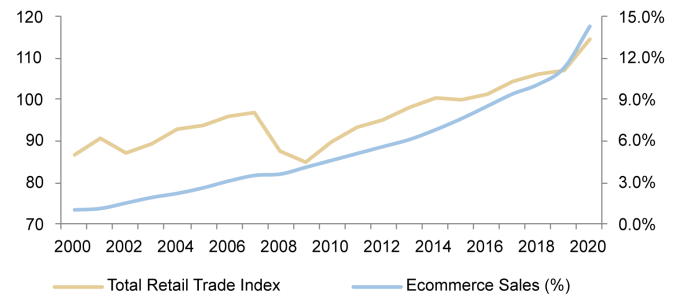
## CYBER WEEK ONLINE SALES

E-COMMERCE REVENUE IN THE UNITED STATES (IN BILLION U.S. DOLLARS)



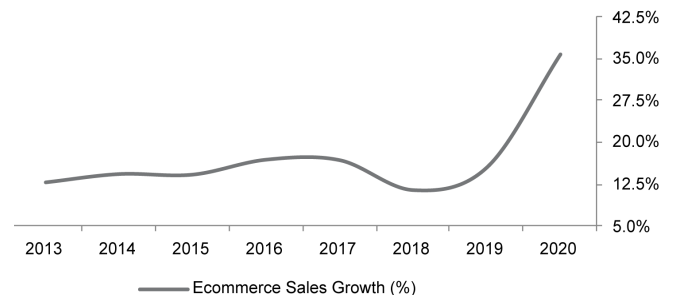
Source: Statista

## US HOLIDAY SEASON ECOMMERCE SALES GROWTH



Source: Federal Reserve Economic Data  
- Federal Reserve Bank of St. Louis

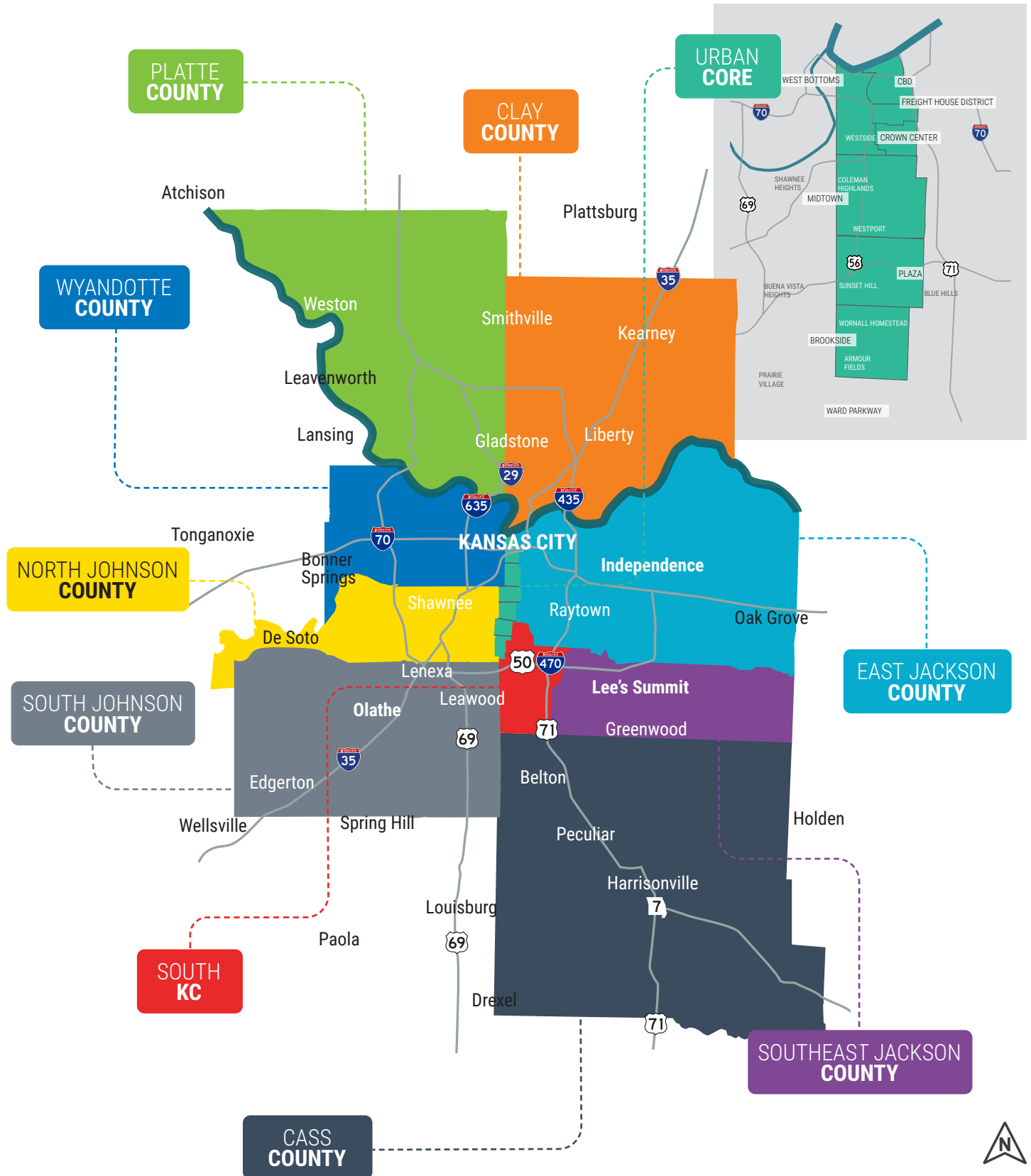
## US Total Retail Trade Index vs Ecommerce Retail Sales as a Percent of Total Sales



Source: Statista

# Submarket Maps

DOWNTOWN & SUBURBS



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

# 4Q20 Kansas City

## RETAIL MARKET STATISTICS TABLE

	Type	# of Buildings	Total Inventory (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (NNN)
CASS COUNTY	All	523	5,624,043	5.30%	-5,464	-7,134	\$12.01
	Small Shop	376	1,319,222	3.50%	3,770	11,013	\$18.73
	Big Box	147	4,304,821	5.90%	-9,234	-18,147	\$11.08
CLAY COUNTY	All	997	13,200,565	3.30%	78,139	340,821	\$15.56
	Small Shop	645	2,290,244	2.90%	11,530	23,779	\$20.99
	Big Box	352	10,910,321	3.40%	66,609	317,042	\$14.66
EAST JACKSON COUNTY	All	2,335	23,417,355	5.50%	31,585	-135,059	\$10.62
	Small Shop	1,715	5,527,858	3.20%	-1,651	-40,099	\$15.19
	Big Box	620	17,889,497	6.20%	33,236	-94,960	\$9.93
KC URBAN CORE	All	995	9,163,697	3.60%	35,671	17,387	\$17.97
	Small Shop	664	2,270,827	3.90%	281	-11,309	\$21.34
	Big Box	331	6,892,870	3.50%	35,390	28,696	\$17.00
NORTH JOHNSON COUNTY	All	1,150	18,865,893	7.60%	-25,393	-276,078	\$15.07
	Small Shop	713	2,537,574	5.10%	-6,082	-12,198	\$22.87
	Big Box	437	16,328,319	8.00%	-19,311	-263,880	\$13.90
PLATTE COUNTY	All	380	6,188,937	6.10%	7,771	54,541	\$13.73
	Small Shop	224	883,764	1.40%	-2,200	2,158	\$17.09
	Big Box	156	5,305,173	6.80%	9,971	52,383	\$13.51
SOUTH JOHNSON COUNTY	All	1,191	20,320,092	6.30%	-74,438	-122,620	\$15.61
	Small Shop	660	2,446,030	6.50%	4,419	-42,069	\$21.65
	Big Box	531	17,874,062	6.30%	-78,857	-80,551	\$14.95
SOUTH KC	All	562	6,497,389	10.80%	6,861	9,952	\$13.04
	Small Shop	388	1,155,927	3.30%	9,516	4,397	\$22.27
	Big Box	174	5,341,462	12.40%	-2,655	5,555	\$12.80
SOUTHEAST JACKSON COUNTY	All	504	6,524,806	3.10%	-10,214	41,332	\$16.25
	Small Shop	345	1,279,574	3.00%	-2,384	2,483	\$21.63
	Big Box	159	5,245,232	3.10%	-7,830	38,849	\$15.28
WYANDOTTE COUNTY	All	1,011	9,714,534	4.70%	-27,716	-115,873	\$9.63
	Small Shop	786	2,500,793	2.30%	4,838	-13,703	\$18.17
	Big Box	225	7,213,741	5.50%	-32,554	-102,170	\$8.17
TOTALS	All	9,648	119,517,311	5.70%	16,802	-192,731	\$13.93
	Small Shop	6,516	22,211,813	3.60%	22,037	-75,548	\$19.87
	Big Box	3,132	97,305,498	6.10%	-5,235	-117,183	\$13.13

# Market Indicators

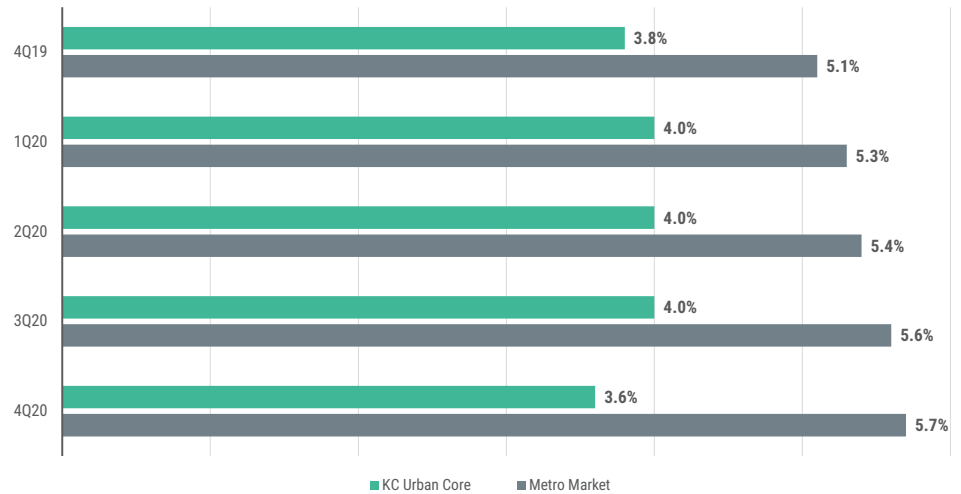
## VACANCY RATE, ASKING RENT & NET ABSORPTION

### METRO MARKET VACANCY RATE

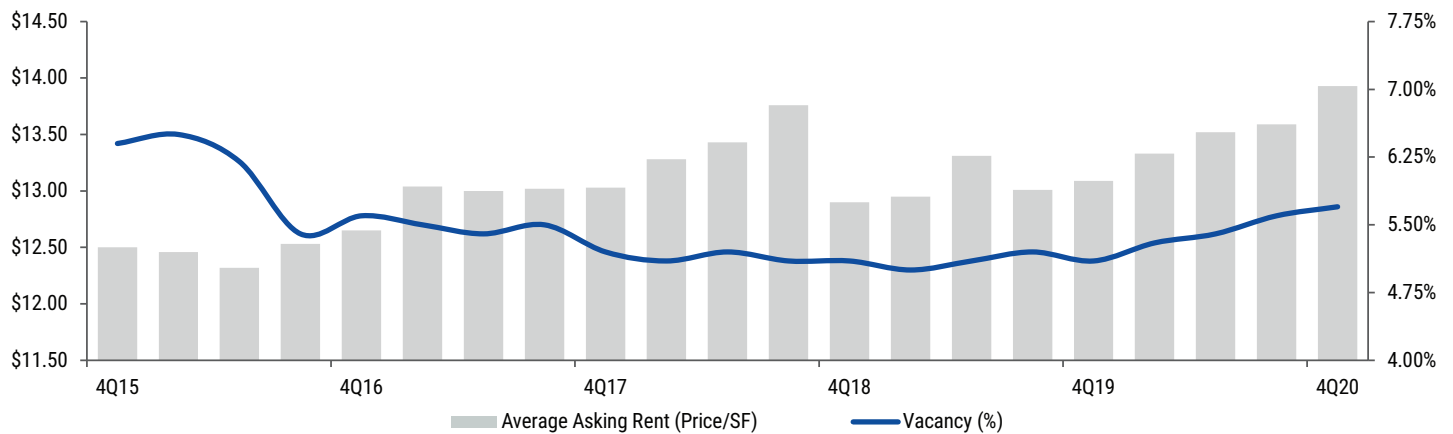
The metro market vacancy rate has displayed an upward trend increasing 60 basis points over the past year.

### KC URBAN CORE VACANCY RATE

The KC Urban Core vacancy rate has displayed a downward trend decreasing 20 basis points over the past year. At 3.6%, the KC Urban Core posts the third lowest vacancy rate in the metro.

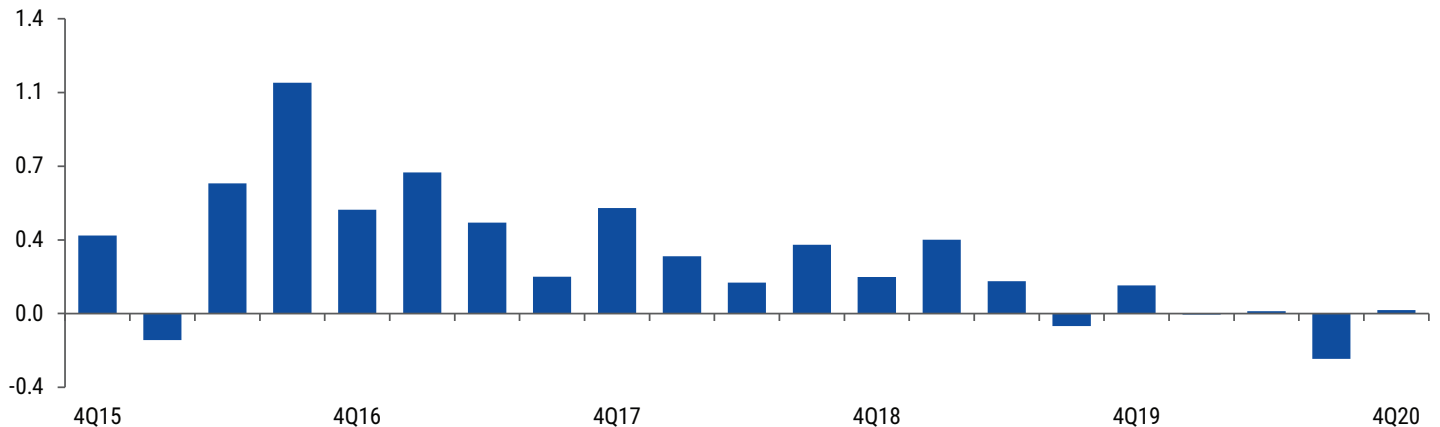


### ASKING RENT AND VACANCY



### 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.



## SUBMARKET VACANCY RATE

### NORTH JOHNSON COUNTY VACANCY RATE

Worsened by **180 basis points** over the past year.

7.6%

4Q20

5.8%

4Q19

Both big box and small shop space significantly loosened in North Johnson County. Vacancy for each segment ranks second highest in the metro.

### PLATTE COUNTY VACANCY RATE

Improved by **30 basis points** over the past year.

6.1%

4Q20

6.4%

4Q19

Platte County displays the lowest vacancy rate for small shop space in the metro registering 1.4%.

### SOUTH JOHNSON COUNTY VACANCY RATE

Worsened by **110 basis points** over the past year.

6.3%

4Q20

5.2%

4Q19

The South Johnson County submarket has struggled posting negative absorption in each of the past six quarters.

### SOUTHEAST JACKSON COUNTY VACANCY RATE

Worsened by **30 basis points** over the past year.

3.1%

4Q20

2.8%

4Q19

Southeast Jackson County displays the lowest vacancy rate in the metro.

### KANSAS CITY, MO

1220 Washington Street, Suite 300  
Kansas City, MO 64105  
816.474.2000

### ST. LOUIS, MO

8235 Forsyth Boulevard, Suite 200  
Clayton, MO 63105  
314.254.4600

### EASTERN JACKSON COUNTY

1485 SW Market Street  
Lee's Summit, MO 64081  
816.474.2000

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### North America

Canada  
United States

### Europe

Austria  
Belgium  
Czech Republic  
France  
Germany  
Ireland  
Italy  
Netherlands  
Poland  
Portugal  
Romania  
Russia  
Spain  
Switzerland  
United Kingdom

### Latin America

Argentina  
Brazil  
Chile  
Colombia  
Costa Rica  
Dominican Republic  
Mexico  
Peru  
Puerto Rico

### Asia-Pacific

Australia  
Cambodia  
China  
Hong Kong  
India  
Indonesia  
Japan  
Malaysia  
New Zealand  
Singapore

South Korea

Taiwan  
Thailand

### Africa

Botswana  
Kenya  
Malawi  
Nigeria  
South Africa  
Tanzania  
Uganda  
Zambia  
Zimbabwe  
Uganda  
Zambia  
Zimbabwe

### Middle East

Saudi Arabia  
United Arab Emirates

### Retail 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.

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