RESEARCH 4Q21

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

Orchard Corners S/C Portfolio | Lenexa, KS
200,710 SF GLA – SOLD FOR $30,412,000 ($152/SF)
North Johnson County | 9510, 9564, 9600, 9510-9596, 9660-9676, 9650-9656 Quivira Road

CVS Pharmacy | Olathe, KS
13,230 SF GLA – SOLD FOR $7,775,000 ($588/SF)
South Johnson County | 1075 West Santa Fe Street

Shops of Sunnybrook | Olathe, KS
38,270 SF GLA – SOLD FOR $7,700,000 ($201/SF)
South Johnson County | 11120-11176 South Lone Elm Road

Natural Grocers - Liberty Commons | Liberty, MO
15,100 SF GLA – SOLD FOR $6,871,000 ($455/SF)
Clay County | 114 South Stewart Road

Southgate Retail Center | Olathe, KS
25,640 SF GLA – SOLD FOR $5,800,000 ($226/SF)
South Johnson County | 20120-20186 West 153rd Street

Retail

KANSAS CITY MARKET OVERVIEW

The overall Kansas City retail market tightened year-over-year in the fourth quarter of 2021, realizing a 30-basis-point increase in vacancy to 5.6%. Net absorption totaled 677,479 square feet for the past four quarters and 304,175 square feet for the past two years. The average quoted rental rate is $14.03/SF, up $0.20/SF from one year ago.

In the local retail market:

- **Genesis Health Clubs** purchased various Onelife Fitness locations during the quarter, including: the Kansas City Power & Light District at 1261 Main Street; the former Macy's site in The Shops of Prairie Village at 4000 W. 71st Street; and a location in St. Louis' Ballpark Village.

- **Hawaiian Bros Island Grill** has opened its ninth location in the Metro, backfilling the former Burger King space at 13680 Metcalf Avenue in Overland Park. The restaurant chain also expects to open a future location at 800 NE Coronado Drive in Blue Springs, occupying the former Kneaders Bakery & Café space.

- **Hy-Vee** will close its grocery store at 207 NE Englewood Road and reopen as a Wall to Wall Wine and Spirits, a division and new concept of the grocery chain.

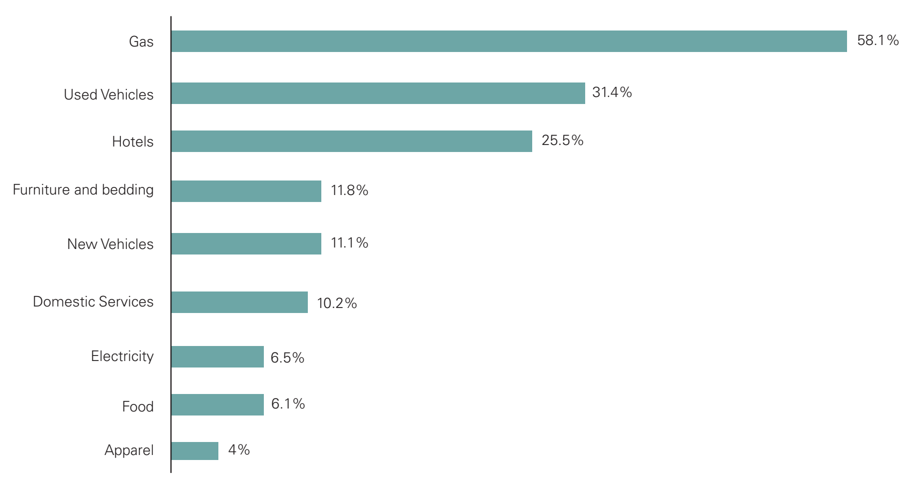
- **Shake Shack** is preparing to open its third location in the Kansas City Metro at 12051 NW Lowenstein Drive in Lee's Summit. The building will feature the restaurant's second drive-thru option in the nation. **Cosmo Burger** announced it had signed a letter of intent at Lenexa Public Market and anchor the 11,000-square-foot food hall. **Pirate's Bone Burger,** a plant-based restaurant, will open its second location in Midtown at 3731 Main Street along the future streetcar route.

As 2021 comes to an end, the focus is on being cautiously optimistic in 2022. Technology will continue to drive innovation and advance the hybrid retail model. Retailers will move away from the offline versus online debate and focus on providing a unique customer experience and collaborative journey. Sense-stimulating environments provided by retailers will generate meaningful experiences and empower a positive outcome, as 89.0% of customers indicated they would be interested in using more technology in-store, according to shopping center management firm Unibail-Rodamco-Westfield. Artificial intelligence and machine learning will continue to expand in the industry as powerful and adaptable insights for retailers. AI has already been adopted by 40.0% of retail and consumer products companies according to an IBM study and is projected to grow to 80.0% in three years. AI and ML solution-oriented tools will be employed in 2022 through chatbots, shopper insights, in-store experience, price points, product search, recommender systems, brand monitoring and payment options. Statista expects a 29.5% increase in global AI spending within the retail industry from 2021 to 2022.

However, 2022 will come with a price. Rising costs are across the board, and the Consumer Price Index is at its highest level in almost four decades. Consumers will evaluate the price increases for products, services, and experiences. They will continue with reasonable increases but reduce excessive increases for nonessential items. In addition, labor shortages are affecting various brands. Priorities have shifted for employees, and now many retailers are investing heavily in employee recruitment and retention.

Rising Costs for the Consumer

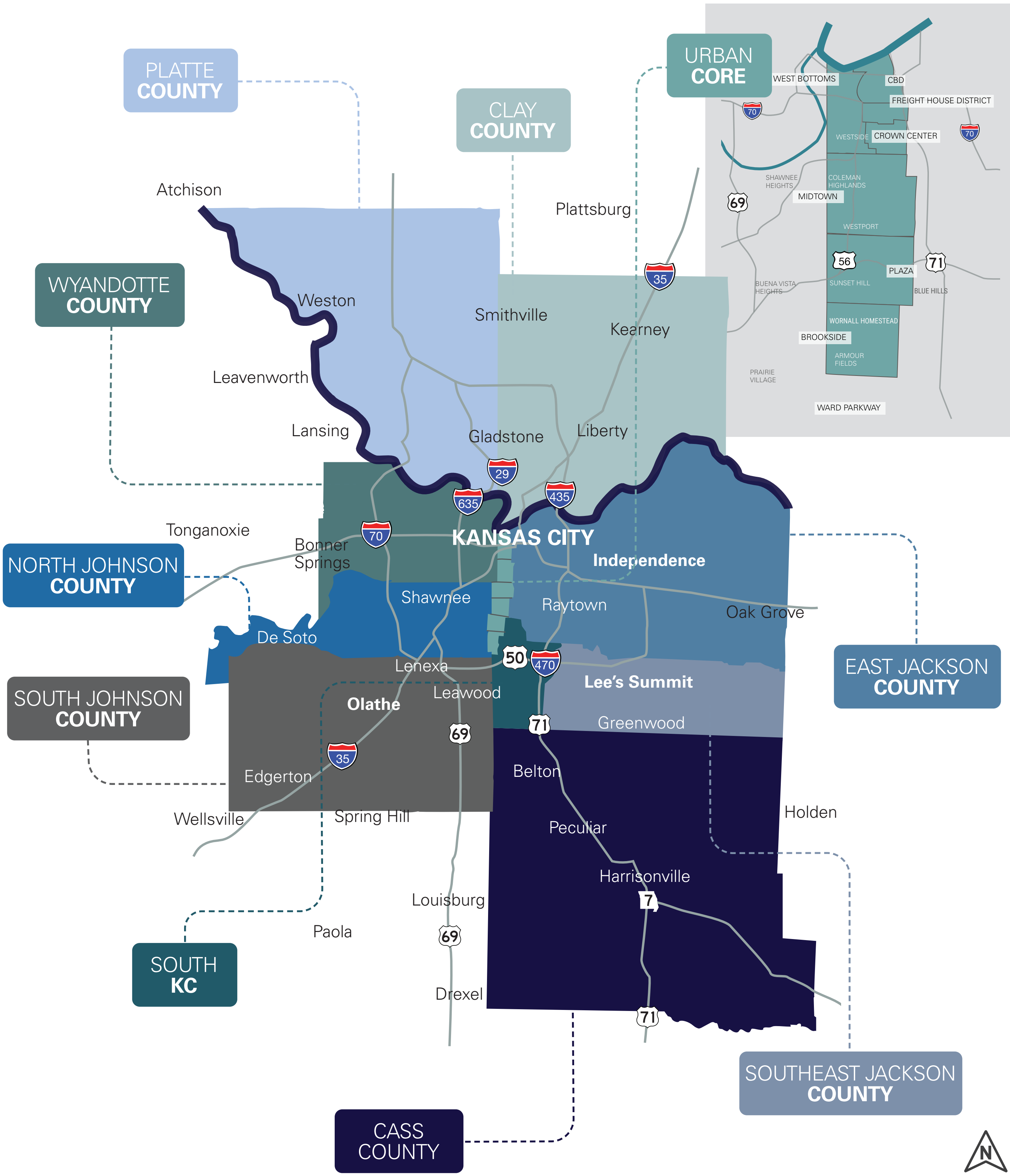
One Year Change Ending November 2021



Source: U.S. Labor Department, CNBC

Submarket Maps

DOWNTOWN & SUBURBS



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4Q21 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**	532	5,668,243	4.20%	-7,250	66,166	$12.96
	Small Shop	382	1,327,904	2.30%	3,950	20,176	$16.73
	Big Box	150	4,340,339	4.80%	-11,200	45,990	$12.31
CLAY COUNTY	**All**	1,028	13,405,105	3.50%	22,167	79,786	$14.41
	Small Shop	664	2,379,834	2.40%	12,441	52,100	$20.37
	Big Box	364	11,025,271	3.70%	9,726	27,686	$13.44
EAST JACKSON COUNTY	**All**	2,361	23,405,637	7.30%	55,406	-324,311	$10.71
	Small Shop	1,736	5,580,957	2.50%	21,953	46,649	$14.51
	Big Box	625	17,824,680	8.80%	33,453	-370,960	$9.99
KC URBAN CORE	**All**	1,004	9,268,356	3.40%	20,689	24,227	$19.40
	Small Shop	664	2,267,257	3.20%	-12,062	21,859	$21.67
	Big Box	340	7,001,099	3.50%	32,751	2,368	$18.94
NORTH JOHNSON COUNTY	**All**	1,162	19,012,956	7.60%	-34,813	271,874	$15.10
	Small Shop	718	2,563,999	3.20%	9,043	63,762	$23.96
	Big Box	444	16,448,957	8.20%	-43,856	208,112	$14.01
PLATTE COUNTY	**All**	384	6,228,468	5.70%	11,964	66,967	$13.37
	Small Shop	227	889,174	2.30%	5,000	6,900	$17.39
	Big Box	157	5,329,294	6.30%	6,964	60,067	$13.22
SOUTH JOHNSON COUNTY	**All**	1,204	21,218,920	6.90%	-19,247	-20,049	$15.58
	Small Shop	665	2,465,819	5.20%	-4,594	36,757	$21.34
	Big Box	539	18,753,101	7.10%	-14,653	-56,806	$14.96
SOUTH KC	**All**	573	6,560,219	6.00%	41,560	269,877	$12.02
	Small Shop	396	1,177,072	3.70%	3,546	6,388	$15.49
	Big Box	177	5,383,147	6.50%	38,014	263,489	$11.98
SOUTHEAST JACKSON COUNTY	**All**	509	6,704,996	2.50%	5,622	69,757	$17.70
	Small Shop	344	1,292,585	1.50%	6,776	29,276	$23.04
	Big Box	165	5,412,411	2.80%	-1,154	40,481	$17.04
WYANDOTTE COUNTY	**All**	1,018	9,762,912	2.90%	4,536	173,185	$10.84
	Small Shop	792	2,513,814	2.10%	5,316	9,958	$17.03
	Big Box	226	7,249,098	3.20%	-780	163,227	$9.66
TOTALS	**All**	9,775	121,235,812	5.60%	100,634	677,479	$14.03
	Small Shop	6,588	22,468,415	2.90%	51,369	293,825	$19.24
	Big Box	3,187	98,767,397	6.20%	49,265	383,654	$13.35

Market Indicators

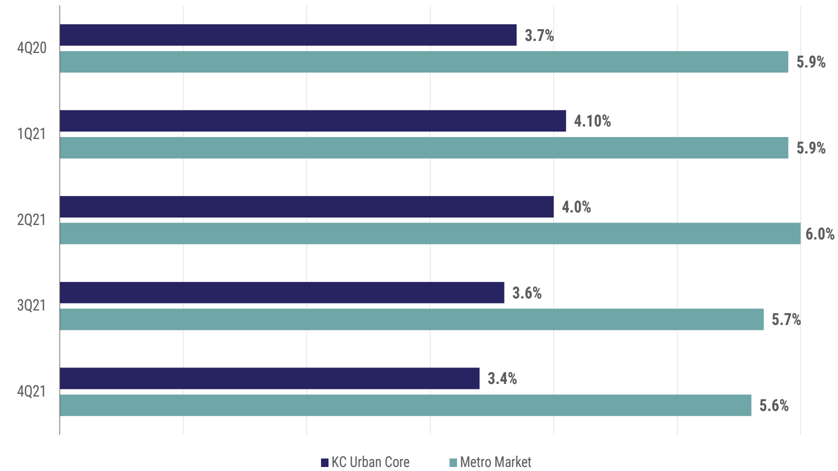
VACANCY RATE, ASKING RENT & NET ABSORPTION

KC URBAN CORE
VACANCY RATE

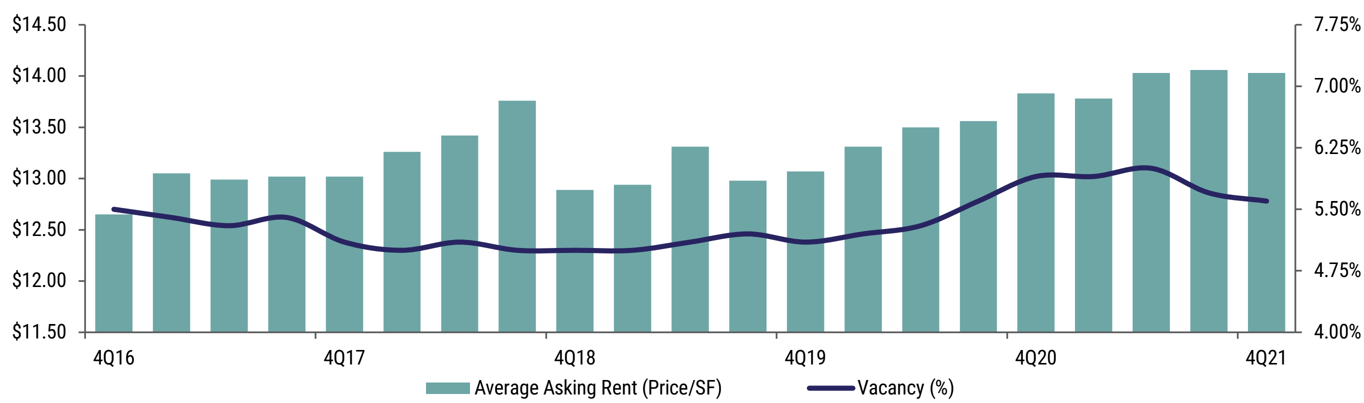
The KC Urban Core vacancy rate has displayed a downward trend decreasing 30 basis points over the past year.

METRO MARKET
VACANCY RATE

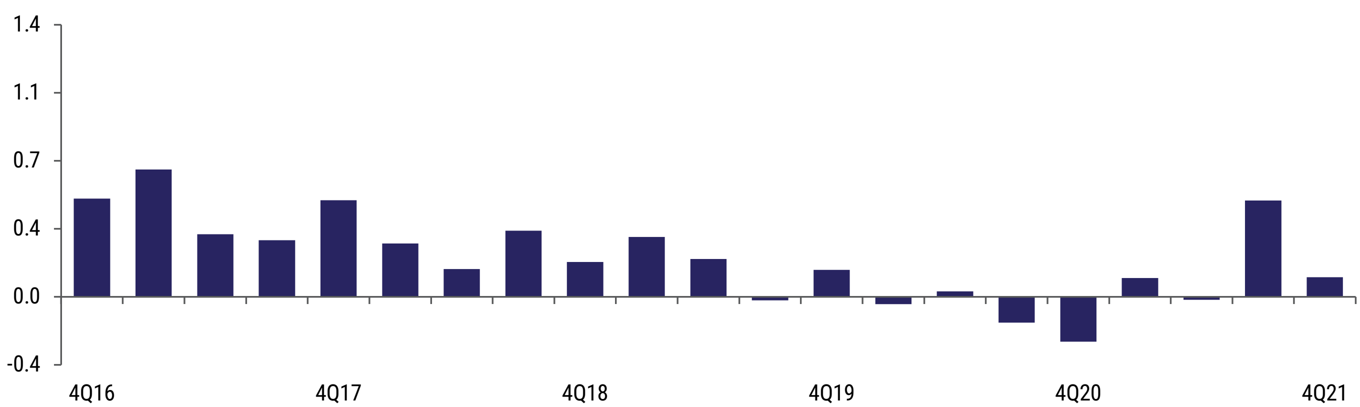
The metro market vacancy rate has displayed a downward trend decreasing 30 basis points over the past year.



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.

4Q21 Kansas City

SUBMARKET VACANCY RATE

NORTH JOHNSON COUNTY
VACANCY RATE

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

7.6%	4Q21
8.7%	4Q20

North Johnson County ranked second in total net absorption for big box spaces in 2021.

PLATTE COUNTY
VACANCY RATE

Improved by **50 basis points** over the past year.

5.7%	4Q21
6.2%	4Q20

Platte County displays the third lowest vacancy rate for small shop space in the metro registering 2.3%.

SOUTH JOHNSON COUNTY
VACANCY RATE

Worsened by **20 basis points** over the past year.

6.9%	4Q21
6.7%	4Q20

The South Johnson County posts the third highest overall vacancy in the metro.

SOUTHEAST JACKSON COUNTY
VACANCY RATE

Improved by **60 basis points** over the past year.

2.5%	4Q21
3.1%	4Q20

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

For more information:

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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
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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.

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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