
RESEARCH 4Q23

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

Oak Park Commons Portfolio (12) Lenexa & Overland Park, KS

342,160 SF GLA – SOLD FOR \$40,000,000 (\$117/SF)
North Johnson County | NW & NE Corners of 95th Street & Quivira Road

Former 'Genesis Health Clubs' | Shawnee, KS

36,700 SF GLA – SOLD FOR \$2,950,000 (\$80/SF)
North Johnson County | 11311 Shawnee Mission Parkway

Ulta Beauty – Liberty Commons | Liberty, MO

9,930 SF GLA – SOLD FOR \$2,850,000 (\$287/SF)
Clay County | 249 S Stewart Street

IHOP | North Kansas City, MO

4,660 SF GLA – SOLD FOR \$2,570,000 (\$552/SF)
Clay County | 2909 Burlington Street

Andy's Frozen Custard | Kansas City, MO

2,180 SF GLA – SOLD FOR \$2,545,000 (\$1,167/SF)
South Kansas City | 10641 State Line Road

Retail

KANSAS CITY MARKET OVERVIEW

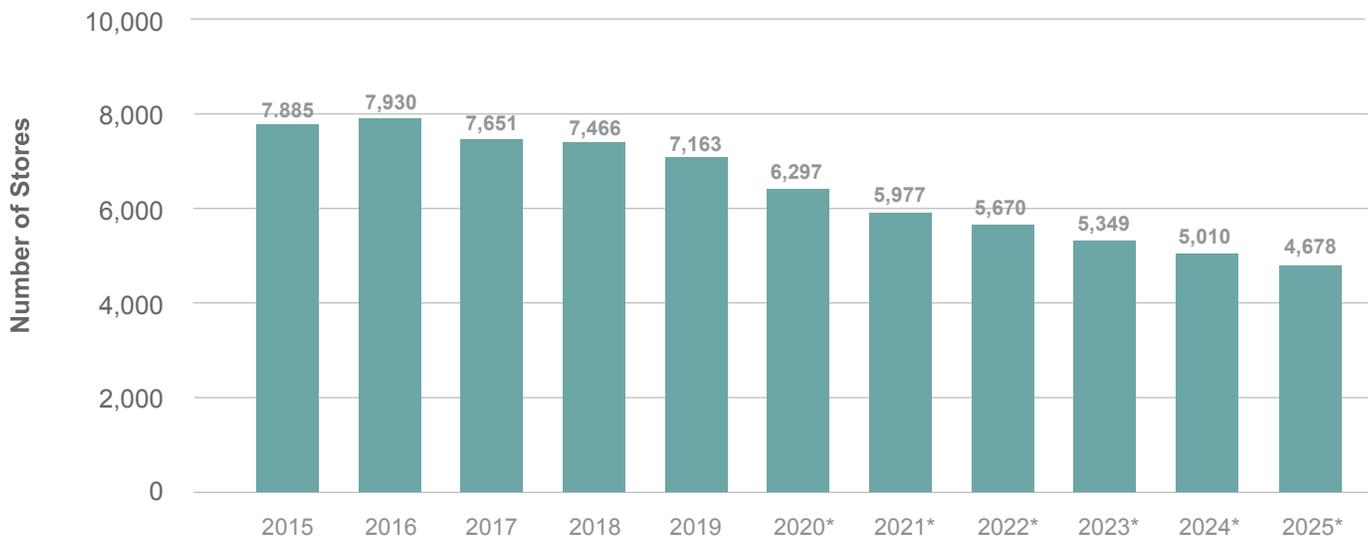
In the fourth quarter of 2023, Kansas City continued to see average asking rents climb as total vacancy rate remained low with small shop space averaging 2.5% and big box averaging 4.4% vacancy. Small shop space continues to see a wide variety of interest from service-based retailers (salon, nail, massage, etc.), boutique fitness, and fast casual food type users. Fitness, entertainment, and grocery have been the most active players in backfilling big box space. Drive-thru space, whether freestanding or end-cap, continues to be highly sought after by brands. In addition, QSR concepts are continuing to look for opportunities to convert or relocate spaces to a drive-thru concept.

Market News:

- Intrinsic Development commenced construction on the \$900 million Discovery Park Lee's Summit. The destination mixed-use development, located between NE Colbern Rd. and NE Douglas St. to the north and I-470 on the south, will be situated on 268 acres and is expected to include 3.9 million SF of retail, restaurants, entertainment, office, medical office, hospitality, and luxury multifamily components. The initial phase of the project will include two hotels, a Marriott Townplace Suites a Home2 Suites by Hilton, along with other retail and office uses including Yoga6, CoffeeHAUS, Woodfire Pizza and Brews, BodyFit Training (BFT), Village Market and the corporate headquarters for Intrinsic Development.
- Whole Foods Market officially opened its new location in November at 11900 Metcalf Ave. in Overland Park, KS. The 45,790-SF store features over 750 local products, a coffee bar and indoor and outdoor seating.
- Enjoy Pure Food + Drink announced it will occupy a 4,000-SF space next to Cactus Grill at Restaurant Row within Lenexa City Center. This will be the restaurant's second location in the Metro.

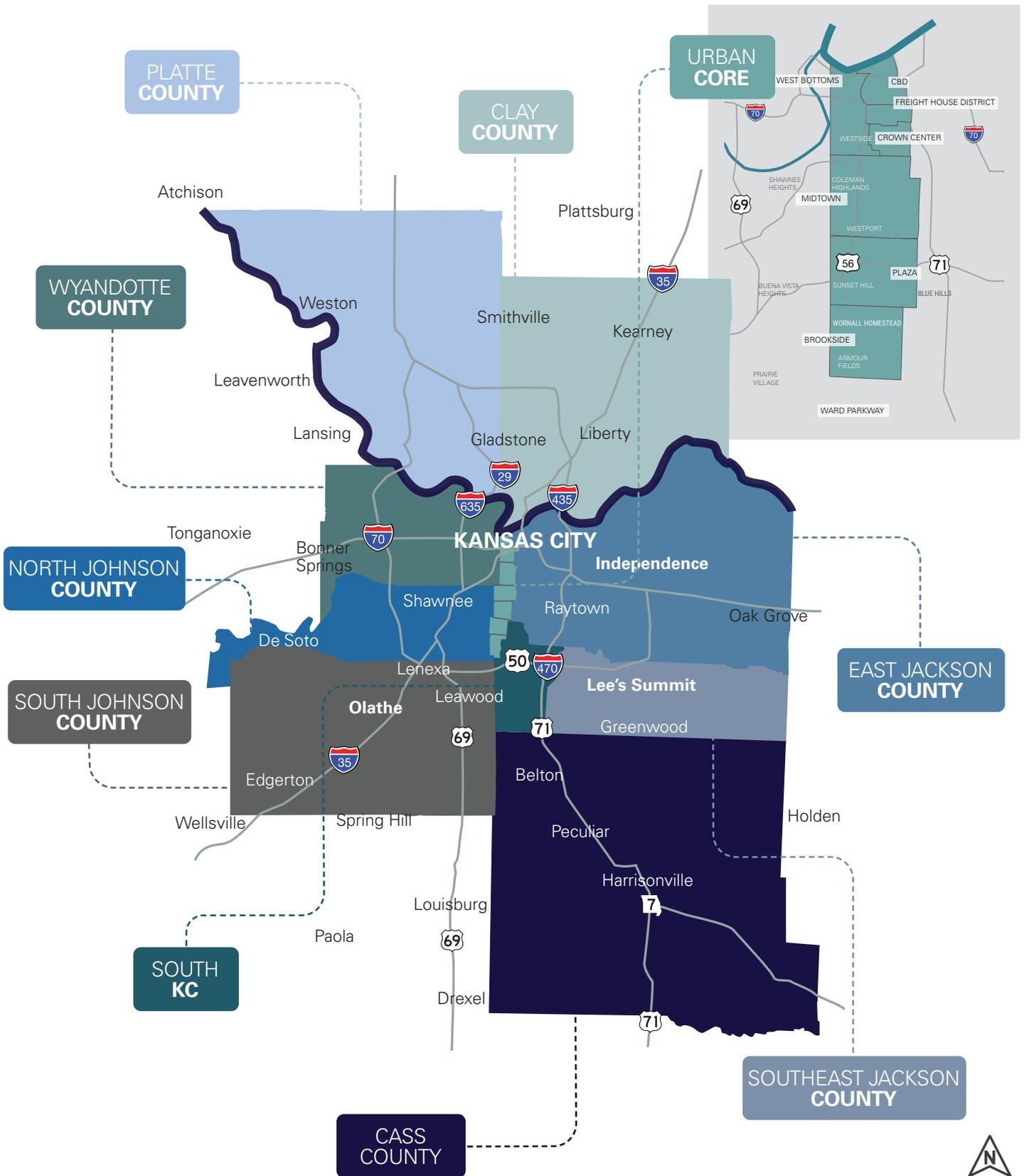
The average size of retail leases in the U.S. has significantly decreased over the past two decades with retail spaces averaging only 3,200 SF in the fourth quarter of 2023, according to CoStar. The long-term shift can be attributed to changing consumer habits which resulted in the exodus of department store offerings, an overall reduction of stand-alone 'big-box' spaces, along with closures of multiple discount retailers due to competition from e-commerce offerings. Conversely, demand for smaller, flexible, and efficient spaces is at an all-time high. In 2024, retailers will need to offer adjustable spaces that can be transformed for different uses and customized experiences. Creating events, establishing consumer connections, and engaging with the community at a brick-and-mortar store, inaccessible via e-commerce, will be paramount to the fast-paced retail environment.

Department Store Decline in the U.S.



Submarket Maps

DOWNTOWN & SUBURBS



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4Q23 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)
	All	548	5,751,370	2.00%	6,514	-2,879	\$13.45
CASS COUNTY	Small Shop	393	1,364,749	2.10%	-4,667	1,395	\$17.65
	Big Box	155	4,386,621	1.90%	11,181	-4,274	\$13.76
	All	1,085	13,909,499	2.50%	21,812	23,361	\$13.37
CLAY COUNTY	Small Shop	695	2,477,346	2.00%	-9,821	-4,325	\$20.07
	Big Box	390	11,432,153	2.60%	31,633	27,686	\$13.28
	All	2,409	24,214,170	5.80%	125,461	46,228	\$11.53
EAST JACKSON COUNTY	Small Shop	1,773	5,752,949	2.80%	-17,517	4,439	\$17.62
	Big Box	636	18,461,221	6.70%	142,978	41,789	\$10.59
	All	985	9,212,777	3.30%	-9,320	-66,770	\$20.47
KC URBAN CORE	Small Shop	657	2,260,918	2.90%	989	23,715	\$23.53
	Big Box	328	6,951,859	3.40%	-10,309	-90,485	\$18.90
	All	1,182	18,936,363	4.00%	-14,503	153,492	\$17.52
NORTH JOHNSON COUNTY	Small Shop	727	2,642,683	2.90%	-775	12,573	\$22.57
	Big Box	455	16,293,680	4.20%	-13,728	140,919	\$16.35
	All	414	6,460,964	4.00%	22,630	117,445	\$15.92
PLATTE COUNTY	Small Shop	249	1,002,144	1.20%	9,000	11,968	\$21.28
	Big Box	165	5,458,820	4.50%	13,630	105,477	\$15.61
	All	1,266	21,144,903	4.80%	88,081	288,672	\$17.05
SOUTH JOHNSON COUNTY	Small Shop	699	2,578,116	2.30%	-4,920	65,387	\$20.17
	Big Box	567	18,566,787	5.20%	93,001	223,285	\$16.64
	All	570	6,178,850	6.60%	55,456	-55,963	\$16.29
SOUTH KC	Small Shop	398	1,180,217	4.10%	4,491	2,751	\$16.21
	Big Box	172	4,998,633	7.20%	50,965	-58,714	\$16.30
	All	532	7,002,281	1.40%	1,336	83,483	\$20.86
SOUTHEAST JACKSON COUNTY	Small Shop	357	1,332,435	0.50%	5,780	22,034	\$21.29
	Big Box	175	5,669,846	1.60%	-4,444	61,449	\$18.75
	All	1,027	9,947,754	3.50%	-11,567	-5,161	\$9.86
WYANDOTTE COUNTY	Small Shop	796	2,513,155	2.30%	-11,410	-11,519	\$16.66
	Big Box	231	7,434,599	3.80%	-157	6,358	\$7.80
TOTALS	All	10,018	122,758,931	4.10%	285,900	581,908	\$15.09
	Small Shop	6,744	23,104,712	2.50%	-28,850	128,418	\$19.51
	Big Box	3,274	99,654,219	4.40%	314,750	453,490	\$14.26

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.

Market Indicators

VACANCY RATE, ASKING RENT & NET ABSORPTION

KC URBAN CORE

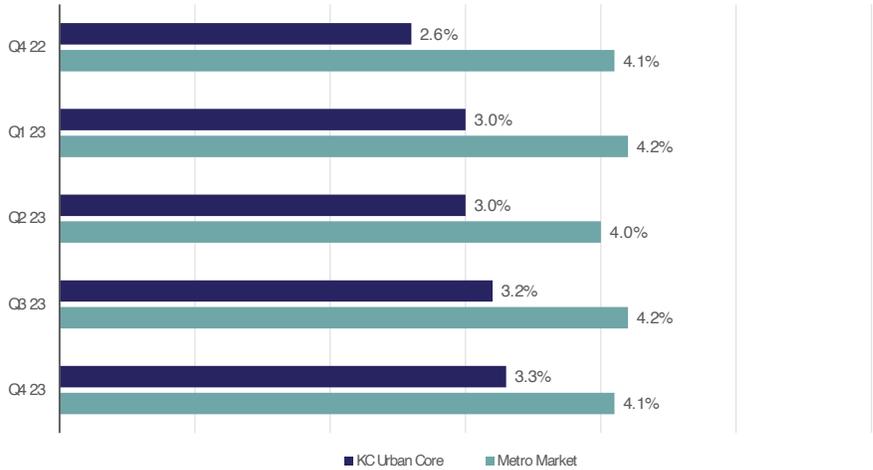
VACANCY RATE

The KC Urban Core vacancy rate displayed an upward trend, increasing **70 basis points** over the past year.

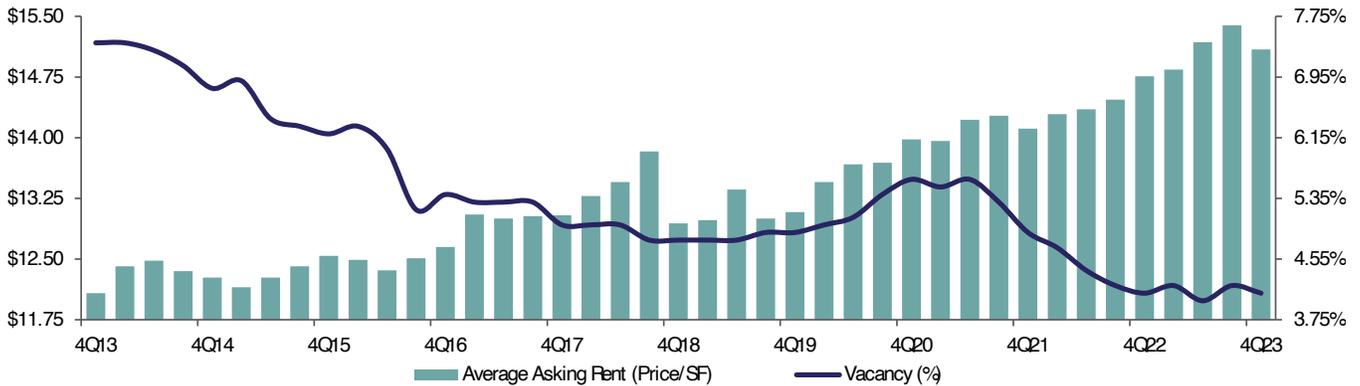
METRO MARKET

VACANCY RATE

The metro market vacancy rate remained flat compared to the past year.

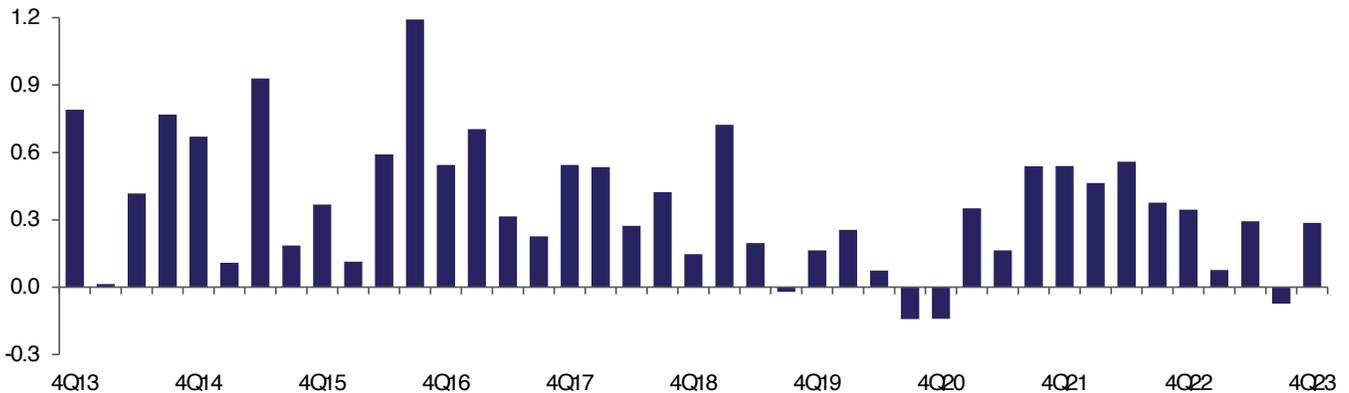


ASKING RENT AND VACANCY



NET ABSORPTION

SQUARE FEET, MILLIONS





4Q23 Kansas City

SUBMARKET VACANCY RATE

NORTH JOHNSON COUNTY

VACANCY RATE

Remained flat compared to the past year.

4.0%

4Q23

4.0%

4Q22

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

PLATTE COUNTY

VACANCY RATE

Improved by **80 basis points** over the past year.

4.0%

4Q23

4.8%

4Q22

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

SOUTH JOHNSON COUNTY

VACANCY RATE

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

4.8%

4Q23

5.3%

4Q22

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

SOUTHEAST JACKSON COUNTY

VACANCY RATE

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

1.4%

4Q23

1.9%

4Q22

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

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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.

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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