

# KANSAS CITY METRO AREA MARKET REPORT



## MARKET OVERVIEW

After going through a rough stretch encompassing much of 2008, 2009 and 2010, the first quarter of 2011 provided those involved with retail real estate something that they had not experienced in a while, optimism. One didn't have to search very hard to see the positive signs within the Kansas City retail real estate market. There were multiple investment sales and several notable lease transactions that occurred over the past few months.

The Pavilions at Hartman Heritage in Independence is an example of a center that was decimated with vacancy as a result of the economic conditions in 2008 and 2009. Stein Mart, Linens 'N Things, Basset Furniture, and Pier 1 Imports were all example of tenants that originally occupied space and had closed. While World Market and K&G Fashion Superstore filled some of the vacancy, there have been multiple large blocks of space sitting empty. This past quarter, leases were signed by Bed Bath & Beyond and Buy Buy Baby for 33,166 square feet and 28,470 square feet, respectively. Both tenants are expected to take occupancy in the third quarter and are welcomed additions to a center that had been limping along for much of its existence.

## MARKET INDICATORS

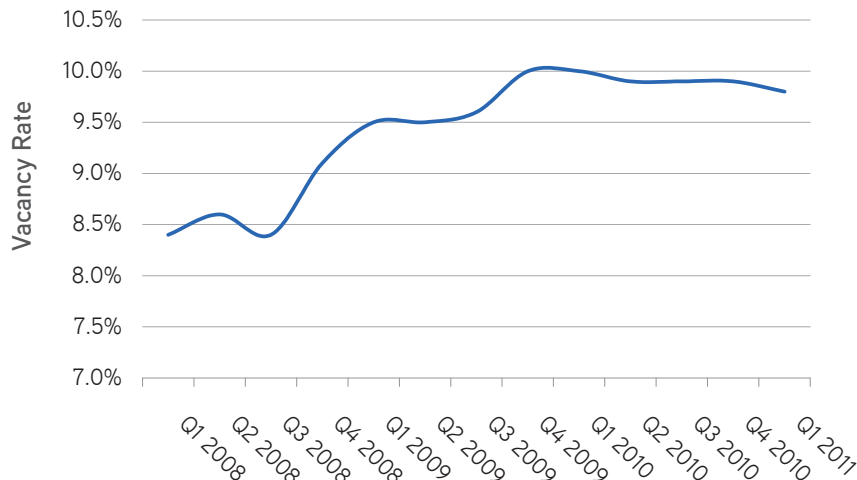
|                | Q1 2011 | Q2 2011 (p) |
|----------------|---------|-------------|
| VACANCY        | ↓       | ↓           |
| NET ABSORPTION | ↑       | ↔           |
| CONSTRUCTION   | ↑       | ↔           |
| RENTAL RATE    | ↔       | ↔           |

\*Relative to prior period

## CONSTRUCTION

Another welcomed sign is a pick-up in construction activity, specifically of supermarkets. The Price Chopper that is anchoring The Crossroads at Belton shopping center is under construction with an anticipated delivery date of April 2012. There is a Hy-Vee store being built at the site of the former Park Plaza Shopping Center near the northwest corner of Interstate 29 and 64th Street in Kansas City, Missouri. This location is scheduled for completion around the first of next year. Another Hy-Vee store opened for business this quarter at The Shoppes at Liberty Triangle in Liberty, Missouri. Not long after the construction crews wrapped up this project, another group started to work on the Dick's Sporting Goods being built next door. Dick's is expected to be open in the fall of 2011.

## TOTAL VACANCY RATE

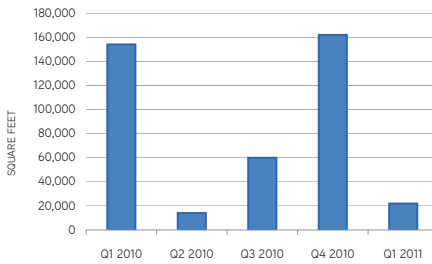


: CoStar and Colliers Research

## SUMMARY STATISTICS

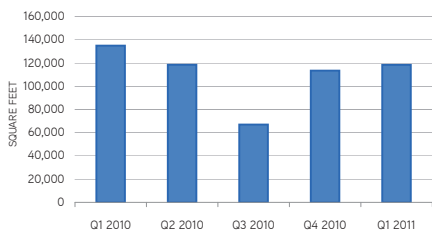
|                     | Q4 2009    | Q4 2010    |
|---------------------|------------|------------|
| Vacancy Rate:       | 9.7%       | 9.8%       |
| Absorption YTD:     | 135,038 SF | 118,472 SF |
| Deliveries YTD:     | 154,063 SF | 22,000 SF  |
| Under Construction: | 172,248 SF | 267,875 SF |
| Asking Rents/SF:    | \$12.57    | \$12.04    |

**DELIVERIES**



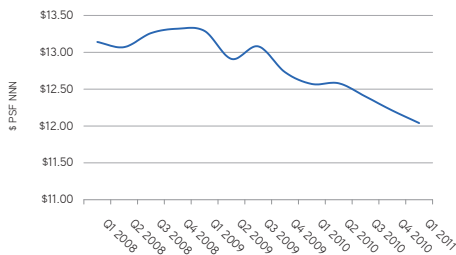
Sources: CoStar and Colliers Research

**ABSORPTION**



Sources: CoStar and Colliers Research

**AVERAGE ASKING RENTS**



Sources: CoStar and Colliers Research

There are two construction projects at The Legends of Village West that are not technically retail real estate, but they will have a positive impact on the retail market. LIVESTRONG Sporting Park and the Hollywood Casino at Kansas Speedway are two entertainment venues that will increase the traffic to the retailers in that area. LIVESTRONG Sporting Park is the soccer stadium for Sporting Kansas City, the Major League Soccer team formerly known as the Kansas City Wizards. The stadium will debut this summer and the casino is expected to open in early 2012. The casino is a joint venture of Penn National Gaming and International Speedway Corporation and will be located on Turn 2 of the Kansas Speedway.

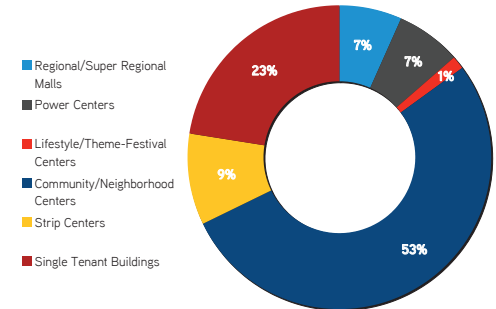
**VACANCY RATES**

The retail vacancy rate in Kansas City peaked at 10% in the fourth quarter of 2009 and has gradually declined since then. The 10 basis point reduction in vacancy that occurred was the first dip in the rate since another 10 basis point decrease that occurred three quarters prior. Activity is noticeably improved as many retailers have a renewed interest in expanding their presence. This expansion is expected to occur at more modest pace than what occurred prior to the economic downturn. Since speculative construction will be more difficult to finance in the near term, vacancy rates are expected to continue their downward trend, albeit at a conservative rate.

**ASKING RATES**

Despite the leveling off and subsequent decrease in vacancy rates, there is no proof that the slide in average asking rates is over. In the fourth quarter of 2008, the average asking rental rate for retail property in Kansas City was \$13.32 psf. With the exception of the third quarter of 2009, average asking rents have been on the decline ever since. The improvements in the market have been too subtle to push rents up. There will need to be significant improvement in the market before property owners will have the confidence to press their tenants for rental increases. This is not anticipated over the next couple of quarters.

**VACANCY BY SUBTYPE**  
By Square Feet



**RECENT TRANSACTIONS & MAJOR DEVELOPMENTS**

**SALES ACTIVITY**

| PROPERTY                    | SUBMARKET                 | SALE PRICE   | SIZE SF | PRICE / SF | BUYER                        | SELLER                       |
|-----------------------------|---------------------------|--------------|---------|------------|------------------------------|------------------------------|
| Falcon Valley Retail Center | NW Johnson County         | \$12,500,000 | 76,784  | \$162.79   | Cole Real Estate Investments | Associated Wholesale Grocers |
| State Line Point            | South Kansas City         | \$10,750,000 | 162,275 | \$66.25    | Jasper Stone Partners        | M&I Bank                     |
| *Hen House                  | Lee's Summit/Blue Springs | \$4,750,000  | 90,000  | \$52.78    | Hobby Lobby                  | Tudor Road Associates        |
| *JoAnn Fabric               | Independence              | \$3,570,000  | 46,350  | \$77.02    | Cole Real Estate Investments | Walter Morris Companies      |

**LEASING ACTIVITY**

| PROPERTY                          | SUBMARKET    | TENANT                | LANDLORD                          | SIZE SF |
|-----------------------------------|--------------|-----------------------|-----------------------------------|---------|
| *Crown Center                     | Crown Center | Sea Life Aquarium     | Crown Center Redevelopment Corp   | 30,000  |
| *Belton Marketplace               | Cass County  | Price Chopper         | Caymus Real Estate, LLC           | 68,000  |
| The Shoppes at Liberty Triangle   | Clay County  | Dick's Sporting Goods | Triangle East LLC                 | 45,000  |
| The Pavilions at Hartman Heritage | Independence | Bed Bath & Beyond     | Inland American Real Estate Trust | 33,166  |
| The Pavilions at Hartman Heritage | Independence | Buy Buy Baby          | Inland American Real Estate Trust | 28,470  |

\*Indicates Transaction Represented by Colliers International | Kansas City

## RETAIL OVERVIEW

| EXISTING PROPERTIES                   |                   | VACANCY          |              | ABSORPTION     |                | DELIVERIES    |               | U/C            | RENTS          |
|---------------------------------------|-------------------|------------------|--------------|----------------|----------------|---------------|---------------|----------------|----------------|
| Market /                              | Total             | Vacancy          | Vacancy      | Net Absorp     |                | Deliveries    |               | Const          | Avg Rent       |
| Property Type                         | SF                | SF               | %            | Curr SF        | YTD SF         | Curr SF       | YTD SF        | SF             | (NNN)          |
| <b>URBAN</b>                          |                   |                  |              |                |                |               |               |                |                |
| CBD/Rivermarket                       | 4,800,560         | 274,054          | 5.7%         | 11,750         | 11,750         | 0             | 0             | 0              | \$14.50        |
| Freighthouse                          | 481,019           | 33,899           | 7.0%         | 1,838          | 1,838          | 0             | 0             | 0              | \$12.00        |
| West Bottoms                          | 293,714           | 10,000           | 3.4%         | (5,000)        | (5,000)        | 0             | 0             | 0              | -              |
| Crown Center                          | 1,257,350         | 15,375           | 1.2%         | 8,949          | 8,949          | 0             | 0             | 0              | \$6.47         |
| Midtown                               | 2,317,950         | 277,531          | 12.0%        | (22,399)       | (22,399)       | 0             | 0             | 0              | \$14.03        |
| Country Club Plaza                    | 1,302,284         | 26,968           | 2.1%         | (1,084)        | (1,084)        | 0             | 0             | 0              | \$26.55        |
| Brookside                             | 123,139           | 2,524            | 2.0%         | 409            | 409            | 0             | 0             | 0              | \$20.00        |
| Ward Parkway                          | 1,626,732         | 173,529          | 10.7%        | (516)          | (516)          | 0             | 0             | 0              | \$17.77        |
| Kansas City, MO                       | 1,872,664         | 232,225          | 12.4%        | 5,700          | 5,700          | 0             | 0             | 0              | \$8.41         |
| South Kansas City                     | 5,492,723         | 1,005,761        | 18.3%        | (8,660)        | (8,660)        | 0             | 0             | 0              | \$9.73         |
| <b>TOTAL</b>                          | <b>19,568,135</b> | <b>2,051,866</b> | <b>10.5%</b> | <b>(9,013)</b> | <b>(9,013)</b> | <b>0</b>      | <b>0</b>      | <b>0</b>       | <b>\$12.07</b> |
| <b>SUBURBAN</b>                       |                   |                  |              |                |                |               |               |                |                |
| Clay County                           | 9,359,316         | 847,987          | 9.1%         | 3,937          | 3,937          | 0             | 0             | 45,000         | \$11.08        |
| Platte County                         | 4,533,135         | 334,098          | 7.4%         | 12,056         | 12,056         | 0             | 0             | 70,357         | \$16.14        |
| Independence                          | 7,084,187         | 592,216          | 8.4%         | (10,575)       | (10,575)       | 0             | 0             | 11,060         | \$10.85        |
| Lee's Summit/Blue Springs             | 6,200,034         | 559,487          | 9.0%         | (47,094)       | (47,094)       | 0             | 0             | 11,458         | \$13.05        |
| East Kansas City                      | 2,388,895         | 599,146          | 25.1%        | 26,211         | 26,211         | 0             | 0             | 0              | \$5.06         |
| Grandview                             | 508,871           | 67,391           | 13.2%        | 4,000          | 4,000          | 0             | 0             | 0              | \$7.51         |
| Cass County                           | 2,607,010         | 229,633          | 8.8%         | 15,179         | 15,179         | 0             | 0             | 130,000        | \$10.68        |
| Wyandotte County                      | 7,614,595         | 825,591          | 10.8%        | 65,977         | 65,977         | 22,000        | 22,000        | 0              | \$8.62         |
| Northwest Johnson County              | 8,013,858         | 749,811          | 9.4%         | 31,637         | 31,637         | 0             | 0             | 0              | \$11.38        |
| Northeast Johnson County              | 6,686,845         | 665,666          | 10.0%        | 1,445          | 1,445          | 0             | 0             | 0              | \$12.81        |
| South Johnson County                  | 15,580,441        | 1,333,395        | 8.6%         | 36,602         | 36,602         | 0             | 0             | 0              | \$15.32        |
| <b>TOTAL</b>                          | <b>70,577,187</b> | <b>6,804,421</b> | <b>9.6%</b>  | <b>139,375</b> | <b>139,375</b> | <b>22,000</b> | <b>22,000</b> | <b>267,875</b> | <b>\$12.03</b> |
| <b>KANSAS CITY MARKET GRAND TOTAL</b> |                   |                  |              |                |                |               |               |                |                |
| Regional/Super Regional Malls         | 8,055,429         | 582,949          | 7.2%         | 22,555         | 22,555         | 0             | 0             | 0              | \$23.25        |
| Power Centers                         | 11,630,571        | 615,640          | 5.3%         | 4,209          | 4,209          | 0             | 0             | 11,458         | \$16.97        |
| Lifestyle/Theme-Festival Centers      | 2,166,261         | 128,880          | 5.9%         | (2,755)        | (2,755)        | 0             | 0             | 0              | \$29.59        |
| Community/Neighborhood Centers        | 32,725,415        | 4,685,334        | 14.3%        | 3,060          | 3,060          | 0             | 0             | 186,060        | \$11.35        |
| Strip Centers                         | 4,563,326         | 839,294          | 18.4%        | 27,582         | 27,582         | 0             | 0             | 0              | \$12.62        |
| Single Tenant Buildings               | 31,004,320        | 2,004,190        | 6.5%         | 75,711         | 75,711         | 22,000        | 22,000        | 70,357         | \$9.72         |
| <b>TOTAL</b>                          | <b>90,145,322</b> | <b>8,856,287</b> | <b>9.8%</b>  | <b>130,362</b> | <b>130,362</b> | <b>22,000</b> | <b>22,000</b> | <b>267,875</b> | <b>\$12.04</b> |

Note: Inventory includes retail properties 10,000 SF and larger.  
Sources: CoStar and Colliers Research

**DEFINITIONS**

**Anchor Tenant**

A large national or regional retailer that serves as a primary draw for a shopping center.

**Inventory**

Includes all retail properties greater than or equal to 10,000 square feet.

**Vacancy Rate**

Percentage of total inventory physically vacant as at the survey date, including direct vacant and sublease space.

**Absorption**

Net change in physically occupied space over a given period of time.

**Deliveries**

Total square feet added during the quarter via construction completions, including renovated space returned to the market, less total square feet taken off-market due to demolitions or conversions.

**Regional / Super Regional Mall**

Provides shopping goods, general merchandise, apparel, and furniture. Often consists of multiple department stores. Regional Malls usually are between, 400,000 – 800,000 SF, and Super Regional Malls typically are greater than 800,000 SF.

**Power Center**

The center often consists of several freestanding anchors with a minimum number of small tenants. The size of the property is typically between 250,000 – 600,000 SF. The anchor tenants are usually discount department stores, off-price stores, and warehouse clubs.

**Lifestyle Center**

An upscale specialty store shopping center that has a total square footage between 150,000 – 500,000 SF. The center usually has an outdoor setting with dining and entertainment.

**Theme / Festival Center**

Predominantly has a unifying theme based on tenants and architectural design. Focuses on restaurants and entertainment while appealing to tourists. The size range is 80,000 – 250,000.

**Community Center**

Typically has a total square footage between 100,000 – 350,000 SF. Often will have 2-3 large anchored tenants, which include supermarkets and drugstores. Other tenants may include retailers that sell items such as apparel, home improvement/furnishings, toys, electronics, or sporting goods.

**Neighborhood Centers**

Focuses on retailers that sell convenience items and personal services. The center will often have a supermarket as an anchor tenant. The size range is 30,000 – 300,000 SF.

**Strip Center**

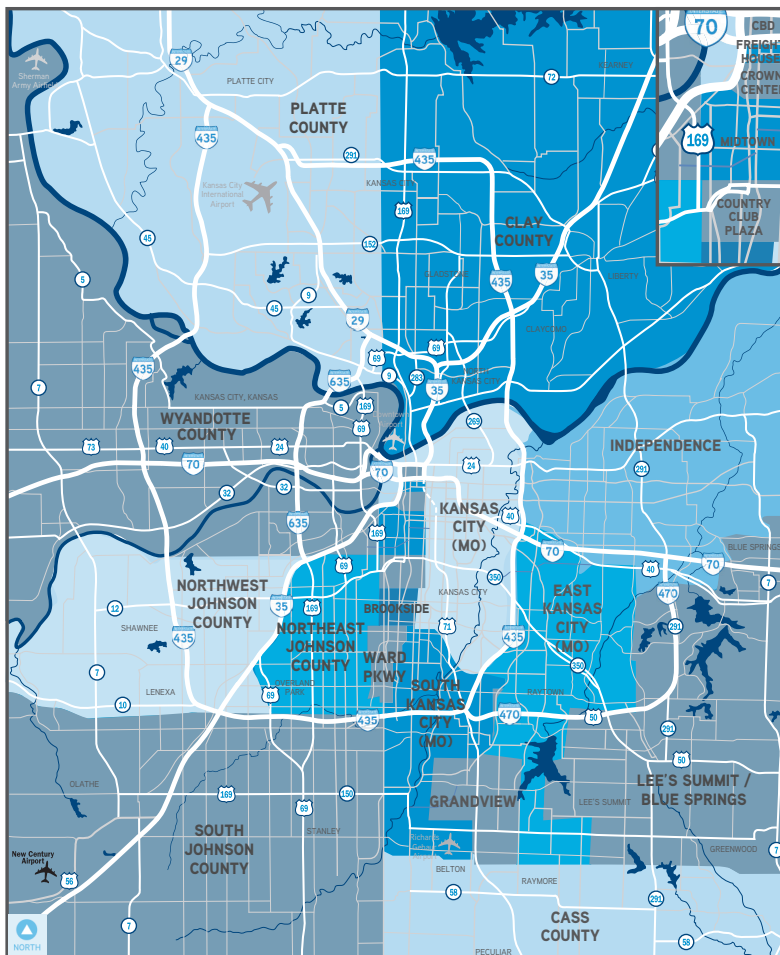
An attached row of stores or service outlets while usually being less than 30,000 SF.

**Single Tenant Free Standing Building**

Retail building occupied by only one tenant.

**Under Construction/Renovation**

Includes buildings that are in some phase of construction, beginning with foundation work and ending with the issuance of a Certificate of Occupancy. Also includes buildings that are undergoing substantial renovation.



480 offices in  
61 countries on  
6 continents

United States: 135  
Canada: 39  
Latin America: 17  
Asia Pacific: 194  
EMEA: 95

- \$1.9 billion in annual revenue
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- Over 15,000 professionals and staff

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