

# 3

## THE MARKET

This market study examines the potential demand for retail, office, and various residential products in the 135th Street corridor. While this analysis can help to predict densities and potential land use options in the study area over the next two decades, readers should keep in mind that the content provided represents merely a snapshot in time. Market conditions will change with real estate cycles and changes in the marketplace.



*Commercial activity along 135th Street*

## Demographic and Economic Context

The project team used data from Environmental Systems Research Institute (ESRI) Business Solutions in order to complete an analysis of the 135th Street study area and the surrounding areas in Leawood and south Johnson County. ESRI is a national database of economic and demographic data that draws from data from the United States Census as well as information from state and local sources. ESRI allows cities and project teams to analyze different geographic areas within communities for planning purposes and for market studies. ESRI combines demographic and economic data together and allows practitioners to analyze this data using Geographical Information Systems (GIS) capabilities.

Leawood is highly affluent and has grown considerably over the last two decades. As the Table 1 illustrates, the area within a five minute drive time of the center of the corridor (defined for the purposes of this analysis as the intersection of 135th and Mission Road) has grown considerably over the last twenty years.

## Long-Term Population Growth and Projections

The population of this area has grown by around 10,000 residents per decade since 1990, and the median household income has continued to grow considerably, from around \$79,000 in 1990 to nearly \$118,000 in 2012. The predominate age group is the 35 to 54 year old segment, and the corridor had a median age of 41 in 2012. The age 65 and older segment accounts for 14 percent of the population in 2012 and this age cohort will increase as a share of the overall population in the next five years. The demographics of the area are weighted toward higher income households. The median household income in the district exceeds the median incomes for the metropolitan area and the nation.

Looking more broadly, the Mid America Regional Council (MARC) has completed projections of population and employment for individual cities and various counties in the metropolitan area for the 2008 to 2040 time period. These projections cover the forecast period for the 135th

Street planning effort. According to MARC projections, Johnson County will continue to serve as the economic engine for the metropolitan area over the next 30 years. Overland Park is predicted to continue its impressive rate of growth, given that it now controls most of the areas anticipated to grow in southern Johnson County. MARC anticipates that the population of the entire city of Leawood will grow by 13,000 residents during the 2008 to 2040 time period. The City of Leawood is anticipated to add another 15,000 jobs during this same time frame.

The actual study area around 135th Street contains a significant percentage of vacant and undeveloped land (much of which is still in agricultural production). However, in the broader context, the study area represents an “infill” area of growth compared to newer areas of growth in Johnson County to the south and west. Therefore, retail and office land uses in the study area will benefit less from new population growth that will occur in the newer growth areas to the south and west. Retail and office uses benefit from having more people live in close proximity to a particular development. In order to substantially increase the population in the immediate trade areas around 135th Street, the City would need to promote the development of additional residential projects within the 135th Street corridor. Adding more residents to the study area will help to build larger customer bases for shops, restaurants, and various businesses serving this part of Leawood.

The following outlines the general market prospects for residential, office, and retail development in the 135th Street corridor, based upon research with local brokers and an examination of local and regional growth patterns in the Leawood area.

**Table 1:** *Demographic Data, 5 Minute Drive Time Around 135th and Mission Road*

	Population	Households	Median Age	Percentage Age 65+	Median Household Income
1990	9,532	3,057	36.0	8.1%	\$79,168
2000	18,745	6,635	37.8	9.7%	\$100,738
2012	27,427	10,913	41.0	14.2%	\$117,806
2017 (Projected)	29,140	11,675	41.1	15.8%	\$125,859

**Table 2:** *Demographic Data, City of Leawood*

	Population	Households	Median Age	Percentage Age 65+	Median Household Income
1990	9,532	3,057	36.0	8.1%	\$79,168
2000	18,745	6,635	37.8	9.7%	\$100,738
2012	27,427	10,913	41.0	14.2%	\$117,806
2017 (Projected)	29,140	11,675	41.1	15.8%	\$125,859

## Retail

Within the local retail market, developers have already created shopping centers that include most types of stores. Shopping centers just to the east of 135th and State Line in Kansas City, Missouri include a variety of big box stores such as Walmart and Target, junior or mid size stores such as Bed Bath Beyond, and a variety of restaurants typically found in suburban shopping centers around the country. To the west, the area around 135th and 69 Highway includes several shopping centers with various restaurants and stores. Between 69 Highway and the Leawood city limits (at Nall Avenue), the 135th Street corridor includes two new and significant shopping centers, Corbin Park and Prairiefire. Corbin Park, at the southeast corner of 135th and Metcalf, includes the Van Maur and JC Penney department stores. As of summer 2013, Corbin Park included a significant proportion of vacant retail space within the development. A number of smaller retail sites within Corbin Park, along 135th Street and along Metcalf, remain open for restaurant, bank, and other retail uses. Corbin Park will include a new Scheel's sporting goods store and already includes a new Lifetime Fitness facility that draws considerable traffic to the shopping center area. The Corbin Park project will include a total of 1.1 million square feet of space at completion. To the east of Corbin Park, the Prairiefire development at 135th and Nall continued construction as of October 2013. This mixed-use project will include over 350,000 square feet of retail at build-out, including REI, a national sporting goods retailer, and a Fresh Market grocery.

Within Leawood, the 119th Street corridor has emerged as a significant retail and entertainment corridor in recent years. The Park Place development, including 1.2 million square feet of space in total, features a Gordon Biersch restaurant, RA Sushi, several other restaurants, and several smaller retailers. The restaurants within Park Place have attracted significant visitation to Park Place over the last several years. Developers continue to weigh options to modernize the 20 year old Town Center Plaza development, to the north and west of 119th and Roe, by adding new stores and restaurants. The One Nineteen project at the southeast corner of 119th and Roe has been renamed to Town Center Crossing, to tie in with the larger Town Center develop-

ment to the northwest. Town Center Plaza includes a number of well known national retailers, such as Orvis, Crate and Barrel, North, and Trader Joe's.

Data from the ESRI database as of August 2013 indicates that the local trade area (within a five mile radius of 135th and Mission) is missing only a few categories of retailers, including casual dining restaurants and convenience stores. Data from ESRI indicate that the larger shopping centers to the east in Kansas City, Missouri, within the 119th Street corridor, and to the west along 135th Street within Overland Park are satisfying demand for clothing, gifts, and other retail categories.

**Figure 11:** *Corbin Park development at 135th and Metcalf in Overland Park*





## Takeaways for Retail, 135th Street Area

- The corridor has an opportunity to develop stores and restaurants that will serve the surrounding neighborhoods in Leawood and Overland Park. Developing additional residential units within the study area would create a larger pool of residents that would provide additional demand for local stores and restaurants along 135th Street in the future.
- Park Place has demonstrated that combining retail and restaurants together with offices and residences in a mixed use development can draw business from a larger area. Park Place draws visitors and patrons from throughout Johnson County. Similarly, well designed mixed use developments along 135th Street have the potential to draw business from throughout Johnson County and the overall metropolitan area. New developments in this part of Leawood have the potential to succeed by drawing from the affluence of this part of Johnson County.

**Figure 12:** Seasonal Ice Rink brings year-round activity to Park Place



**Table 3:** MARC Adopted Growth Forecasts, 2008-2040

County	Total Population Increase, 2008-2040	Total Household Increase 2008-2040	Total Employment Increase, 2008-2040
Cass	58,354	73,865	19,142
Clay	166,648	73,914	80,369
Jackson	144,282	70,652	119,386
Johnson	300,432	136,825	300,203
Leavenworth	24,499	10,937	8,562
Platte	72,771	33,769	38,480
Wyandotte	27,752	13,691	20,269

  

City	Total Population Increase 2008-2040	Total Household Increase 2008-2040	Total Employment Increase, 2008-2040
Leawood	13,191	6,633	15,373
Olathe	74,881	34,675	76,117
Overland Park	69,318	31,847	66,202
Prairie Village	3,734	2,026	2,717

## Office

The Kansas City office market, as well as the national office market, continues to recover slowly from the Great Recession. Developers are avoiding moving forward with any speculative projects and instead are waiting to have tenants lined up before beginning construction. The slow pace of hiring following the recession has also limited demand for new office space across the country. In addition, the trends toward working at home, and toward having a greater proportion of work completed by contractors or temporary employees, means that companies will likely have less need for office space in the future.

The College Boulevard corridor in Overland Park and Leawood serves as the key employment center in Johnson County and office development has continued to focus on this area over the last twenty years. The Sprint campus, along with other key office towers on College Boulevard, have made Johnson County an employment magnet that rivals Downtown Kansas City. However, to the south of College Boulevard, office development has tended to center around somewhat smaller buildings, often including local-oriented tenants (such as law firms, doctors' offices, small businesses, and the like). While the area to the north of 135th and Metcalf has developed with a mixture of somewhat larger office buildings (including office buildings for Chevron and a few other national tenants), the 135th Street corridor in south Johnson County has not developed as a key employment corridor. Office development has continued to cluster along College Boulevard and, to a lesser extent, along 69 Highway.

Despite these larger trends in office development in Johnson County, office tenants have begun to look beyond conventional corporate campuses and office parks and have begun to locate in mixed use developments. Employers have begun to locate offices in developments that feature nearby places to live, dine, and shop, as opposed to typical office developments that are separated from adjacent land uses. For example, the Park Place development in Leawood has attracted a number of notable key office tenants, including the AMC headquarters and Tortoise Capital Advisors. Park Place has relied upon office

development to drive much of the initial success of the project. Office space comprises all of the space above the ground level retail that is present along Ash Street.

Mixed-use developments around the country have succeeded in attracting office tenants in a similar fashion, by using the presence of restaurants, convenience retail, and entertainment as a tool to attract employers and, in turn, employees. National research has shown that younger generations of workers, including the Millennials (also referred to as Generation Y, and defined as Americans born from 1982 to 2004), tend to prefer employers located near amenities and places to recreate. Thus, the 135th Street area could attract a larger pool of office development by creating centers or "nodes" of mixed-use development along the study area. By creating developments that include a well-crafted mixture of residential, office, and retail components, property owners can use the mixed-use model to attract major office tenants to the 135th Street study area.

### Takeaways for Office:

- Given macroeconomic trends outlined above, the office market is likely to grow slower than retail or residential over the near term (next 5 to 10 years).
- The creation of well-planned mixed-use developments in nodes along 135th Street would allow this part of Leawood to attract key office tenants that could serve as anchors of development.
- The future planning for the study area should allow developers the flexibility to integrate larger office uses within plans for well-developed mixed-use projects.

**Figure 13:** *Tortoise Capital office building*



## Residential

The local housing market has continued to recover over the last year, with Overland Park and other Johnson County communities reporting strong building permit activity for single-family homes as well as multi-family projects (including apartment projects). Development activity has continued to proceed on the outer fringes of Overland Park, to the south, and in the Gardner area. Local brokers also report that interest in infill projects such as Mission Farms and in existing and potential projects closer to the heart of the metro area continues to increase. While growth continues in suburban Johnson County, more people are seeking access to local amenities such as the Country Club Plaza and the Crossroads district.

Two main demographic trends are likely to drive the overall residential market over the next two decades.

First, the aging Baby Boomer generation and a tendency among Empty Nesters to choose lower maintenance living options (such as townhomes, patio homes, or even apartments) means that there will likely be additional demand for these product types in Leawood over the next twenty years.

Second, the young professional set, including Generation Y as well as Generation X (defined as Americans born from 1965 to 1981), is seeking to live near or in places that have a full range of amenities, including places to work, play, shop, and have fun. Many people in Generation X and Generation Y are choosing to live near downtown districts such as the Crossroads district, in order to be near various urban amenities. Those that choose to live in the suburbs tend to live near centers of mixed-use activity (such as Park Place). This trend may translate into a greater demand in Leawood for mixed-use development as well as for apartments, townhomes, and other multi-family products serving younger professionals.



## Takeaways for Residential

- Given the aging and relatively affluent population present in Johnson County, the 135th Street area is a likely candidate for additional residential development, including townhomes and some apartments, to serve the Empty Nester demographic groups. The area, given its appeal, could attract Empty Nester buyers from throughout Johnson County and beyond the Kansas City metropolitan area.
- Currently, demand exists for multi-family homes geared to younger professionals who work on College Boulevard or in other Johnson County employment centers. These units will need to include a full range of amenities and be located near shopping, entertainment, open space, recreation, and other features.
- The Kansas City market has demonstrated an inability to support additional condominium development and sales. Therefore, the most likely product types to move forward in the study area include row homes, townhomes, patio homes, and apartments.

**Figure 14:** *Mission Farms residential and mixed-use development, Leawood*





## Conclusions from Market Analysis

The above information leads to the following conclusions that help to guide the overall planning effort for the 135th Street Community Plan.

- Experience from Leawood and elsewhere suggests that well planned mixed-use projects near 135th Street could attract a number of key office tenants. The Park Place development has attracted some higher profile office tenants such as AMC, and experience from around the country suggests that employers are increasingly seeking out mixed-use environments for their offices to entice highly desired employees.
- It may be possible to develop key mixed-use “nodes” along the corridor that could resemble Park Place in size and character. Park Place will contain around 1.2 million square feet of built out space (at full build out). These key nodal developments would more logically be developed near key intersections (such as near Mission Road, State Line Road, or Chadwick).
- While this market analysis discussion lays out the general framework for future development in the 135th Street area, the possibility remains that the study area could attract a large or unanticipated user. For example, Leawood could attract a mid-size or larger corporate headquarters to the area. Experience from around the country indicates that a project could successfully attract a significant office tenant by integrating office space into an adjacent mixed use development.

**Figure 15:** *Example of mixed-use development in Denver, Colorado*



