

THE ORANGE

REPORT

November 2009

LANE4 Property Group, Your source for Kansas City commercial property information

KANSAS CITY RETAIL UPDATE

As many had predicted, 2009 has seen the patterns of 2008 exacerbated by the woes of fledgling consumer confidence and capital markets on life support. With many of the catalyst retailers and big box anchors sitting on the sidelines, the retail commercial real estate landscape appears to be a case study for Darwinian fundamentals. As these trends play out on a national scale, the Kansas City Metro has taken its fair share of decline while still maintaining a sense of stability. In this climate, the focus has turned to daily necessities, value, and well-established trade areas.

Developments in all quadrants of the Kansas City Metro have experienced delays as tenant demand has slowed. Summit Fair lifestyle center in Lee's Summit, Missouri is one example of a project that is battling this trend despite an impressive tenant line up that includes Macy's and a recently opened JCPenney. Cousins' Tiffany Springs Market Center has also been an exception, as LANE4 continues to fill small shop space in the Target, Home Depot, and the JCPenney anchored center in Kansas City's northern trade area. The long-awaited Plaza at the Speedway in Kansas City, Kansas will begin welcoming tenants in 2009, including a Walmart Supercenter, Best Buy, Office Max, and Michael's.

As the high end segments of the retail market retract under the strain of limited consumer spending, the value and quick service segments seem to be taking advantage of opportunities that were previously unavailable to them. Culvers and Chick-fil-A have both increased their presence by two locations in 2009. Other active concepts include Firehouse Subs, Snap Fitness, Burger King, and Firestone Complete Auto Care. In addition, Dunkin Donuts will enter the Kansas City market in 2009.

With the amount of retail transactions dropping significantly, one local transaction that has garnered national attention is the recent sale of three grocery-anchored centers. In May of 2009, principals at LANE4 Property Group and several local investors acquired Prairie Village and Corinth Square Shopping Centers in Prairie Village, Kansas, and the Fairway Shopping Center in Fairway, Kansas. The portfolio of centers was over 570,000 square feet and 94% occupied, compared to the Metro average of 86% for neighborhood centers.

In this unstable climate where only the strong have an opportunity to survive, a return to the basic retail fundamentals of proven trade areas and value-oriented merchants will be integral to battling the bell curve of this cycle. While the Kansas City Metro has experienced its fair share of this slump, many developers and tenants have had success by relying on creativity, persistence, and patience. With 2009 almost behind us, the outlook for 2010 seems brighter as the market continues to adjust and a resilient development community continues to push forward. ■

By Trip Ross, LANE4 Property Group

KANSAS CITY HOUSING

Average Home Price¹

County	Q3-08	Q3-09	Change
Cass (MO)	\$157,715	\$148,414	-5.9%
Clay (MO)	\$160,151	\$155,483	-2.9%
Jackson (MO)	\$129,401	\$129,929	0.4%
Platte (MO)	\$188,539	\$181,364	-3.8%
Johnson (KS)	\$252,816	\$240,103	-5.0%
Leavenworth (KS)	\$173,784	\$171,765	-1.2%
Miami (KS)	\$182,163	\$151,629	-16.8%
Wyandotte (KS)	\$91,177	\$87,860	-3.6%
Kansas City Region	\$169,596	\$166,902	-1.6%

Residential Building Permits²

County	Q3-08	Q3-09	Change
Cass (MO)	156	43	-72.4%
Clay (MO)	76	33	-56.6%
Jackson (MO)	662	193	-70.8%
Platte (MO)	34	38	11.8%
Johnson (KS)	389	509	30.8%
Leavenworth (KS)	73	62	-15.1%
Miami (KS)	14	15	7.1%
Wyandotte (KS)	54	33	-38.9%
Kansas City MSA	1458	926	-36.5%

KC-MSA Home Sales³

	New	Existing		# Homes	Supply
Q3-08	1,179	8,618	Q3-08	57,736	7.4 mo
Q3-09	645	6,872	Q3-09	48,428	7.9 mo
Change	-45.3%	-20.3%	Change	-16.1%	6.3%

KC-MSA Housing Inventory⁴

	New	Existing		# Homes	Supply
Q3-08	1,179	8,618	Q3-08	57,736	7.4 mo
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Change	-45.3%	-20.3%	Change	-16.1%	6.3%

KC MSA Employment by Industry (job counts in 1000s)⁵

	Q2-08	Q2-09	Change
Food Service	215	219	1.7%
Healthcare	318	323	1.5%
Government	467	475	1.5%
Education & Health	371	377	1.5%
Financial	221	222	0.3%
Leisure & Hospitality	299	297	-0.4%
Prof., Tech & Scientific	211	207	-2.1%
Retail Trade	321	310	-3.3%
Trade, Transport & Util.	619	597	-3.5%
Manufacturing	243	226	-6.9%
Mining, Logging, Constr.	155	138	-11.0%

Sources: ¹Kansas City Regional Association of Realtors. Average sales price of new & existing homes. ²U.S. Census Bureau: Estimated monthly, new privately-owned units. ³Kansas City Regional Association of Realtors. ⁴Kansas City Regional Association of Realtors. Total new & existing inventory per quarter. Supply is a monthly average for the quarter. 5-6 months supply represents a balanced market. ⁵ U.S. Bureau of Labor Statistics, State and Metro Area Employment. Data not seasonally adjusted..



LOCAL COMMERCIAL DEVELOPMENTS

Village West

The Unified Government of Wyandotte County and Kansas City, Kansas voted unanimously to support development of a proposed world-class soccer stadium for the Kansas City Wizards, a 600,000 square foot office complex, retail space and hospitality components within the Village West shopping district. The office development would be the largest single job-creation program in the history of the County, projected to support up to 4,000 healthcare jobs for Cerner Corporation. The applicant, Kansas Unified Development, consists of OnGoal LLC, owner of the Wizards, and LANE4 Property Group.

Summit Fair

Macy's, the 120,000 square foot anchor for the new Summit Fair lifestyle center in Lee's Summit, celebrated their grand opening in August. Store features include spacious fitting rooms, luxurious lounges with plasma screen televisions, computerized bridal registry station, free Wi-Fi access for customers with their own computers, and a brow bar staffed by a licensed esthetician. In addition, the store will offer a variety of amenities and products not available in other Kansas City area Macy's.

Falls at Crackerneck

Work has begun on a new Hobby Lobby and Mardel stores at the Bass Pro anchored center in Independence, Missouri. The stores will occupy 80,000 square feet and feature upscale architecture. Construction completion is anticipated before the end of the year.

LANE4 GIVING BACK

LANE4 Associate Tim Weaver traveled to Berlin in August as part of the USA coaching staff for the World Track & Field Championships. Tim has been a coach or manager for a number of Olympic Games and World Championships, traveling to far away places like Moscow, Beijing, Athens, Osaka, and Valencia. Tim reports that it was fun to watch Usain Bolt race—just a blur at the finish line. Naturally, Bolt was in lane four. ■

LANE4 PROPERTY GROUP

LANE4 Property Group specializes in tenant representation, project leasing, property management, receivership, project management, and investment sales throughout the Midwest. Visit our Web site for up-to-date information on our current projects and services. www.lane4group.com ■

KANSAS CITY LEASING DATA

KC-MSA Shopping Center Retail⁶

	3Q-08	3Q-09	Change
Total GLA	62,213,725	63,070,302	1.38%
Avg Lease Rate	\$13.68	\$13.62	-0.44%
Avg Vacancy Rate	10.6%	11.6%	1.0%

KC-MSA Office⁶

	3Q-08	3Q-09	Change
Total GLA	101,747,747	102,743,460	0.98%
Avg Lease Rate	\$17.88	\$17.87	-0.06%
Avg Vacancy Rate	12.5%	13.2%	0.70%

NATIONAL & REGIONAL TRENDS

Housing Starts (1000s)⁷

Q3	'08	'09	Change
U.S.	237.0	163.0	-31.2%
Midwest	40.4	31.5	-22.8%

Housing Completions (1000s)⁷

Q3	'08	'09	Change
U.S.	290.2	49.7	-82.9%
Midwest	200.5	31.9	-84.1%

U.S. Food & Retail Sales⁸

Period	\$Billions
Q3-06	1074.4
Q3-07	1108.0
Q3-08	1112.6
Q3-09	1037.1

Business Conditions Index⁹

2009	July	Aug	Sep
Missouri	52.6	52.0	53.7
Kansas	37.3	41.0	50.0
Mid-	51.7	48.4	56.2

Unemployment Rate (%)¹⁰

	Sep-08	Sep-09
Midwest	6.5	9.8
U.S.	6.2	9.8

CPI¹⁰

2009	July	Aug	Sep
Midwest	204.8	205.6	205.6
U.S. City	215.4	215.8	216.0

Job Openings & Turnover¹¹

Midwest (1000s)	Q2-08	Q2-09	Change
New Hires	3,778	2,952	-21.86%
Job Openings	2,483	1,526	-38.54%
Total Separations	3,058	2,761	-9.71%
U.S. (1000s)	Q2-08	Q2-09	Change
New Hires	16,297	13,453	-17.45%
Job Openings	12,139	7,811	-35.65%
Total Separations	14,646	12,790	-12.67%

Sources: ⁶CoStar: Total existing space, including direct and sub-lease. Change for Average Vacancy Rate represents the difference between 2008 & 2009 percentages. ⁷ U.S. Census Bureau. Data not seasonally adjusted. ⁸U.S. Census Bureau. Data seasonally adjusted. ⁹Creighton Economic Forecasting Group. Survey ranges from 0-100 with a score of 50 considered growth neutral. Under 50 indicates a contracting economy for the next three to six months. Mid-America survey states are Kansas, Missouri, Arkansas, Iowa, Minnesota, Nebraska, North Dakota, Oklahoma and South Dakota. ¹⁰U.S. Bureau of Labor Statistics. Unemployment rates seasonally adjusted. CPI for all urban consumers, not seasonally adjusted. ¹¹U.S. Bureau of Labor Statistics. Total nonfarm employment. Data not seasonally adjusted.