

# THE ORANGE

# REPORT

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

## KANSAS CITY RETAIL UPDATE

In today's current environment, creative solutions to moving development projects forward are more important than ever. The lack of credit available to construct new projects has continued to remain tight, with underwriting standards difficult to achieve. A catch-22 currently exists on many fronts while trying to advance "solid" new development:

- Lenders are currently seeking 30-50% equity to take on new projects, however a good portion of project equity remains on the sidelines until lending begins to thaw
- Significant preleasing and preselling are required by lenders, conversely many retailers are unwilling to commit to new projects without "visible activity" that the proposed project will become a reality

Hunter Harris, Director of Development at LANE4, offers the following advice regarding development incentives as useful tools to our clients considering new construction:

### New Market Tax Credits

The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. The credit provided to the investor totals 39% of the cost of the investment and is claimed over a seven-year credit allowance period. When used correctly, this program can yield up to 20% equity in projects.

### Tax Increment Financing

Tax Increment Financing (TIF) is a tool to use future tax gains to finance current improvements. New private development often increases the value of surrounding real estate, which leads to an increase in tax revenues (or "tax increment"). TIF dedicates tax increments within a certain defined district to finance debt issued to pay for the project. The major change in our current economy is that nearly no market exists for the sale of bonds, which have traditionally provided the upfront money needed to pay for certain development costs. Developers should now consider "pay-as-you-go" methods and speak to their lenders about underwriting these streams of cash flow to move projects forward.

### Community Improvement District

A Community Improvement District (CID) is a very powerful public-private partnership and has been used successfully around the country to revitalize cities. It is an effective tool for financing improvements that directly enhance property values by allowing property owners to determine how funds are spent in their area. In a simple explanation, CIDs, much like Transportation Development Districts (TDDs), are a self-imposed tax on sales within the CID area. Currently, along with TIF proceeds, a small market exists to purchase these bonds that once provided upfront equity for projects. However, owners can still find this to be a valuable tool on a "pay-as-you-go" basis, whereby additional cash flow may be able to be underwritten by the lender on day one.

Public incentives, when applied appropriately, can be a very useful and positive tool for both municipalities and developers. It is key to rely on advice from professionals such as LANE4, expert attorneys in-the-know and tax professionals when considering the use of these or other incentives. ■

By Hunter Harris, LANE4 Property

## KANSAS CITY HOUSING

### Average Home Price<sup>1</sup>

County	Q4-08	Q4-09	Change
Cass (MO)	\$151,126	\$154,008	1.9%
Clay (MO)	\$151,448	\$151,335	-0.1%
Jackson (MO)	\$113,276	\$125,278	10.6%
Platte (MO)	\$196,877	\$173,319	-12.0%
Johnson (KS)	\$251,892	\$236,836	-6.0%
Leavenworth (KS)	\$151,239	\$156,824	3.7%
Miami (KS)	\$191,165	\$144,270	-24.5%
Wyandotte (KS)	\$76,463	\$88,035	15.1%
<b>Kansas City Region</b>	<b>\$158,917</b>	<b>\$157,184</b>	<b>-1.1%</b>

### Residential Building Permits<sup>2</sup>

County	Q4-08	Q4-09	Change
Cass (MO)	38	53	39.5%
Clay (MO)	34	30	-11.8%
Jackson (MO)	472	559	18.4%
Platte (MO)	32	23	-28.1%
Johnson (KS)	215	696	223.7%
Leavenworth (KS)	53	44	-17.0%
Miami (KS)	5	11	120.0%
Wyandotte (KS)	24	41	70.8%
<b>Kansas City MSA</b>	<b>915</b>	<b>1504</b>	<b>64.4%</b>

### KC-MSA Home Sales<sup>3</sup>

	New	Existing		# Homes	Supply
Q4-08	622	4,723	Q4-08	50,680	9.6
Q4-09	651	6,067	Q4-09	43,964	6.9
Change	4.7%	28.5%	Change	-13.3%	-28.1%

### KC-MSA Housing Inventory<sup>4</sup>

	# Homes	Supply
Q4-08	50,680	9.6
Q4-09	43,964	6.9
Change	-13.3%	-28.1%

### KC MSA Employment by Industry (job counts in 1000s)<sup>5</sup>

	Q3-08	Q3-09	Change
Food Service	214.8	218.2	1.7%
Healthcare	320.0	325.8	1.5%
Government	442.0	444.0	1.5%
Education & Health	371.8	376.6	1.5%
Financial	222.9	222.7	0.3%
Leisure & Hospitality	299.8	298.4	-0.4%
Prof., Tech & Scientific	210.8	203.9	-2.1%
Retail Trade	319.0	307.0	-3.3%
Trade, Transport & Util.	616.7	592.4	-3.5%
Manufacturing	244.7	229.5	-6.9%
Mining, Logging, Constr.	156.1	140.0	-11.0%

Sources: <sup>1</sup>Kansas City Regional Association of Realtors. Average sales price of new & existing homes. <sup>2</sup>U.S. Census Bureau: Estimated monthly, new privately-owned units. <sup>3</sup>Kansas City Regional Association of Realtors. <sup>4</sup>Kansas 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. <sup>5</sup>U.S. Bureau of Labor Statistics, State and Metro Area Employment. Data not seasonally adjusted.



## LOCAL COMMERCIAL DEVELOPMENTS

### Village West, Kansas City, Kansas

In a unanimous vote, the Unified Government of Wyandotte County approved a \$400 million plan to develop a new soccer complex and office campus in the Village West district of Kansas City, Kansas. Work has started on an 18,000-seat soccer stadium for the Kansas City Wizards and other events, which will be located between the Kansas Speedway and Nebraska Furniture Mart. A 600,000 square foot Cerner office campus will be located on 58 acres between the Great Wolf Lodge and Chateau Avalon. The anticipated increase in daytime, weeknight and weekend traffic resulting from the new projects will not only support existing retail and lodging, but will also contribute to the need for future commercial and residential growth in the area.

### Kansas State University Innovation Campus, Olathe, Kansas

Ground breaking took place in November for the first office building for K-State's Innovation Campus. The National Institute for Animal Health and Food Safety building will be located at the northwest corner of College Boulevard and Valley Road in Olathe, Kansas and will accommodate educational, administrative and research space for focusing on food safety and animal health issues. The Innovation Campus occupies 38 acres of the Bioscience Park and is adjacent to a 54 acre tract of land deeded to the Kansas Bioscience Authority. ■

## CONGRATULATIONS

LANE4's Gwendolyn Locher, Director of Property Management, was named as one of 2009's Most Influential Women in Real Estate by *Real Estate Forum*. Since joining LANE4 in 2008, Gwen has grown the property management department to a staff of 19, managing more than \$2.5M square feet of commercial space. ■

## LANE4 GIVING BACK

In the spirit of the season, the entire LANE4 crew donned hair nets and spent the morning of November 18th volunteering at the local **Harvesters Community Food Network**. Harvesters is Kansas City's only food bank, serving over 60,000 people within a 26 county area each week via emergency food pantries, homeless shelters, children's homes, homes for the mentally disabled, and shelters for battered persons. The LANE4 team was overjoyed to help Harvesters with such a meaningful endeavor. ■

## 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 website for up-to-date information on our current projects and services. [www.lane4group.com](http://www.lane4group.com) ■

## KANSAS CITY LEASING DATA

### KC-MSA Shopping Center Retail<sup>6</sup>

	4Q-08	4Q-09	Change
Total GLA	63,153,460	63,844,811	1.1%
Avg Lease Rate	\$13.50	\$13.77	0.3%
Avg Vacancy Rate	11.4%	11.9%	0.5%

### KC-MSA Office<sup>6</sup>

	4Q-08	4Q-09	Change
Total GLA	102,183,406	102,924,448	0.7%
Avg Lease Rate	\$17.70	\$18.24	0.5%
Avg Vacancy Rate	13.1%	13.7%	0.6%

## NATIONAL & REGIONAL TRENDS

### Housing Starts (1000s)<sup>7</sup>

Q4	'08	'09	Change
U.S.	153.4	123.1	-19.8%
Midwest	23.4	22.8	-2.6%

### Housing Completions (1000s)<sup>7</sup>

Q4	'08	'09	Change
U.S.	283.4	208.9	-26.3%
Midwest	44.1	32.5	-26.3%

### U.S. Food & Retail Sales<sup>8</sup>

Period	\$Billions
Q4-06	1082.1
Q4-07	1130.1
Q4-08	1039.2
Q4-09	1054.6

### Business Conditions Index<sup>9</sup>

2009	Oct	Nov	Dec
Missouri	53.4	50.6	50.1
Kansas	50.0	42.1	44.8
Mid-America	51.8	47.5	50.3

### Unemployment Rate (%)<sup>10</sup>

	Dec-08	Dec-09
Midwest	6.9	10.0
U.S.	7.2	10.0

### CPI<sup>10</sup>

2009	Oct	Nov	Dec
Midwest	205.7	206.2	205.6
U.S. City	216.2	216.3	215.9

### Job Openings & Turnover<sup>11</sup>

Midwest (1000s)	Q3-08	Q3-09	Change
New Hires	3,341	2,927	-12.39%
Job Openings	2,385	1,647	-30.94%
Total Separations	3,432	3,130	-8.80%
U.S. (1000s)	Q3-08	Q3-09	Change
New Hires	15,112	13,389	-11.40%
Job Openings	11,555	7,781	-32.66%
Total Separations	15,985	14,209	-11.11%

Sources: <sup>6</sup>CoStar: Total existing space, including direct and sub-lease. Change for Average Vacancy Rate represents the difference between 2008 & 2009 percentages. <sup>7</sup>U.S. Census Bureau. Data not seasonally adjusted. <sup>8</sup>U.S. Census Bureau. Data seasonally adjusted. <sup>9</sup>Creighton 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. <sup>10</sup>U.S. Bureau of Labor Statistics. Unemployment rates seasonally adjusted. CPI for all urban consumers, not seasonally adjusted. <sup>11</sup>U.S. Bureau Of Labor Statistics. Total nonfarm employment. Data not seasonally adjusted.