

THE ORANGE REPORT

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Building Green to Save \$

Despite the recession, sustainability in commercial real estate is gaining ground as more developers are becoming increasingly aware of how to save money and position their real estate for the future by "going green." According to *Environmental Leader Insights* magazine, commercial green building is expected to grow by 18.1% annually from \$35.6 billion to \$81.8 billion by 2015, with green building market values expanding from \$71.1 billion to \$173 billion during the same time period.

In the past, developers were slow to adopt sustainable building practices as the incremental costs seemed to far exceed the payoff. Today, a multitude of studies are reversing that attitude, proving that building green can make financial sense.

According to an extensive cost-benefit study performed for 40 California state government agencies, the higher costs of going green are more than offset by savings over time. "...an upfront investment of green building construction costs yields life cycle savings of over 10 times the initial investment."¹ Savings over time are captured through lower energy, waste disposal and water costs, lower environmental and emission costs, lower operations and maintenance costs, and savings from increased productivity and health.

This point is further supported by studies on the financial costs and benefits of 12 sustainably designed GSA buildings that were compared to the national average for buildings of their type. Results showed that these green buildings substantially outperformed non-sustainable buildings by a wide margin:²

- Green buildings consume 26% less energy
- Green buildings have 13% lower maintenance costs
- Green buildings have 27% higher occupant satisfaction

Not only are savings realized through the efficiency of green buildings and overall occupant satisfaction, but they also command higher selling prices. In comparing data on all U.S. based LEED certified office buildings with that of non-green office buildings, noted real estate economist Dr. Norm Miller found that sale prices for energy efficient buildings averaged as much as 10% higher per square foot than conventional buildings.³

As more studies become available on overall costs and savings, sustainability and green building are starting to be embraced by the commercial real estate industry. Hard data on the financial benefits of building green shows that it is not only a wise use of natural resources, but also an efficient use of monetary resources.

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Sources: ¹Kats, G. (2003). *The Costs and Financial Benefits of Green Buildings: A Report to California's Sustainable Building Task Force*. ²GSA Public Buildings Service (2008). *Assessing Green Building Performance: A Post Occupancy Evaluation of 12 GSA Buildings*. ³Miller, N., Spivey, J. & Florance, A. (2007). *Does Green Pay Off?*

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. *Total new & existing inventory per quarter*. *Supply is a monthly average for the quarter*. ⁴5-6 months supply represents a balanced market. ⁵U.S. Bureau of Labor Statistics, *State and Metro Area Employment*. *Data not seasonally adjusted*.

Kansas City Housing

Average Home Price ¹			
	Q3-09	Q3-10	% Change
Cass County, MO	\$148,414	\$148,115	-0.2%
Clay County, MO	\$155,483	\$156,451	0.6%
Jackson County, MO	\$129,919	\$117,963	-9.2%
Platte County, MO	\$181,364	\$194,523	7.3%
Johnson County, KS	\$240,103	\$258,788	7.8%
Leavenworth County, KS	\$171,761	\$171,181	-0.3%
Miami County, KS	\$151,962	\$149,798	-1.4%
Wyandotte County, KS	\$87,860	\$75,761	-13.8%
Kansas City Region	\$166,891	\$165,131	-1.1%

Residential Building Permits ²			
County	Q3-09	Q3-10	Change
Cass (MO)	43	72	67.4%
Clay (MO)	33	31	-6.1%
Jackson (MO)	193	103	-46.6%
Platte (MO)	38	27	-28.9%
Johnson (KS)	509	271	-46.8%
Leavenworth (KS)	62	38	-38.7%
Miami (KS)	15	10	33.3%
Wyandotte (KS)	33	23	-97.7%
Kansas City Region	980	614	-37.3%

KC-MSA Home Sales ³		
	New	Existing
Q3-09	645	6,872
Q3-10	382	4,757
Change	-40.8%	-30.8%

KC-MSA Housing Inventory ⁴		
	# Homes	Supply
Q3-09	48,428	7.9
Q3-10	53,848	8.5
Change	11.2%	7.6%

KC MSA Employment by Industry (job counts in 1,000s) ⁵			
	Q1-09	Q1-10	Change
Food Service	210.7	211.5	0.4%
Healthcare & Social Assistance	325.3	327.9	0.8%
Government	472.9	469.2	-0.8%
Education & Health Services	379.7	385.5	1.5%
Financial Activities	213.6	205.3	-3.9%
Leisure & Hospitality	287.5	287.9	0.1%
Professional, Tech, Scientific	204.1	192.9	-5.5%
Retail Trade	308.2	304.1	-1.3%
Trade, Transport, Utilities	589.1	579.8	-1.6%
Manufacturing	219.8	215.2	-2.1%
Mining, Logging, Construction	134.9	130.1	-3.6%

Local Commercial Developments

SOUTHEAST KANSAS CITY

Groundbreaking took place in September on the \$687M NNSA National Security Campus. The new 1.5M square foot complex is being built in south Kansas City at 14500 Botts Road. When opened, the five-building site will have manufacturing, lab, office and warehouse space to accommodate 2,500 National Nuclear Security Administration employees currently working at the Bannister Federal Complex.

EASTERN JACKSON COUNTY

Construction has started on the redevelopment of Brywood Center at 63rd Street and Blue Ridge Cutoff, in Kansas City, MO. The \$30.7M project will include a new facade, updated landscaping and lighting, and construction of six retail pads. Anchored by a recently renovated Price Chopper supermarket, the first phase is scheduled for completion in spring 2011.

WESTWOOD, KANSAS

Planning and preliminary public presentations have been made for Woodside Village, a new mixed-use center located at 47th Place and Rainbow Boulevard. The 10.3 acre project will feature 30,000 square feet of retail, 280 residential units, and a 25,000 square foot expansion of the existing health center. Construction is anticipated to start in 2011.

Giving Back

LANE4 employees provided time and talents once again to aid the National MS Society in their annual BIKE MS Kansas City event. The MS 150 bicycling event took place on September 25th & 26th, with nearly 1,900 cyclists participating in the race. In addition to employee volunteers, 14 riders, sponsored by LANE4, participated in the race; five finished the 102 mile course and the remaining nine completed 82 miles. The event raised over \$900,000 to aid the MS Society in its pursuit for a cure.

LANE4 Property Group

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

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Kansas City Leasing Data

KC-MSA Shopping Center Retail ⁶			
	3Q-09	3Q-10	Change
Total GLA	64,040,153	64,296,477	0.4%
Avg Lease Rate	\$13.06	\$12.83	-1.8%
Avg Vacancy Rate	11.9%	12.2%	0.3%

KC-MSA Office ⁶			
	3Q-09	3Q-10	Change
Total GLA	106,120,218	106,155,948	0.03%
Avg Lease Rate	\$17.62	\$17.93	1.8%
Avg Vacancy Rate	12.7%	13.6%	0.9%

National & Regional Trends

Housing Starts (1,000s) ⁷				Housing Completions (1,000s) ⁷			
Q3	'09	'10	Change	Q3	'09	'10	Change
U.S.	162.3	161.0	-0.8%	U.S.	204.7	161.0	-21.3%
Midwest	31.0	29.4	-5.2%	Midwest	31.2	27.0	-13.5%

U.S. Food & Retail Sales ⁸		Business Conditions Index ⁹			
Period	In Billions	2010	July	Aug	Sep
Q3-07	\$1,108.0	Missouri	53.8	51.6	52.9
Q3-08	\$1,112.6	Kansas	49.3	53.4	55.5
Q3-09	\$1,037.3	Mid-America	60.8	55.8	56.3
Q3-10	\$1,095.9				

Unemployment Rate (%) ¹⁰			Consumer Price Index ¹⁰			
	Sep '09	Sep '10	2010	July	Aug	Sep
Midwest	9.8	9.3	Midwest	208.2	208.6	208.8
U.S.	9.8	9.6	U.S. City Avg.	218.0	218.3	218.4

Job Openings & Turnover ¹¹			
Midwest (1,000s)	Q2-09	Q2-10	Change
New Hires	2,880	3,397	17.95%
Job Openings	1,588	1,855	16.81%
Total Separations	2,791	2,533	-9.24%
U.S. (1,000s)	Q2-09	Q2-10	Change
New Hires	12,565	13,748	9.42%
Job Openings	7,746	9,277	-26.17%
Total Separations	12,738	11,229	-11.85%

Sources: ⁶CoStar: Total existing space, including direct and sub-lease. Change for Average Vacancy Rate represents the difference between 2009 & 2010 percentages. ⁷U.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.

