

THE ORANGE REPORT

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

MAY 2011

Striking the Balance

Henry Ford changed the retail landscape when he mass-produced cars for just about everybody. Suddenly, people could actually move away from Main Street. Suburbia exploded with new homes, schools, churches and cul-de-sacs. Convenience and value led the way as developers and retailers responded with vehicle-dependent strip centers, malls and power centers which changed the way we shop. Our cities and metropolitan areas grew outward at an amazing rate, seemingly unstoppable.

Although the suburbs have seen stagnant growth over the past several years, certainly as the economy improves, one has to guess that they will again see impressive growth rates. But, will it ever be at the blistering pace of 1950 to 2005? And, what will happen to the huge homes built over the past 30 years? Many speculate that the suburbs are alive and well. Research studies indicate that immigrants are projected to have bigger families and are finding the suburbs, with their 5 bedroom homes, perfect places to settle. Moreover, demographic experts believe that new schools and larger homes will continue to be irresistible for many as they search for the "American Dream". Assuming these factors are correct – and they seem very logical – the suburbs are poised to continue their positive growth as we move forward.

Conversely, attitudes and common sense suggest the suburbs will have a formidable competitor moving forward. Urban and infill areas are back. Our older neighborhoods and communities are becoming popular again, with their existing functional utilities, beautiful architecture and tree-lined streets. With challenging budgets abound, people seem to be discovering the attributes of "re-using" our precious assets of yesterday. Society is also recognizing that it's "green" and responsible to tap existing infrastructure that was paid for years ago by past generations. As these areas reload and rebuild they will undoubtedly become stronger and attract more people. Retailers are beginning to seek locations in these areas and, just like their customers, are finding this arrangement to be as convenient as the suburbs – just in different ways.

As we watch the pendulum swing between urban and suburban, in retail real estate it comes back to the fundamentals of the location. Is it on a corner? Does it have good visibility and access? Are there strong anchor tenants and traffic generators like schools, hospitals, or offices next door to help create critical mass, something crucial for the small shop merchant?

Whether you are in the urban core and highly dependent upon pedestrian-friendly venues, or you are in suburbia and highly dependent upon your car – convenience, visibility and access rule the day.

Although they are different, hopefully we can strike the balance between urban and suburban and provide something for everybody in an efficient and sustainable manner. After all, diversity is what makes America great.

Owen Buckley, LANE4 President

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. ⁵U.S. Bureau of Labor Statistics, State and Metro Area Employment. Data not seasonally adjusted.

Kansas City Housing

Average Home Price ¹			
County	Q1-10	Q1-11	% Chg
Cass County, MO	\$155,750	\$131,909	-15.3%
Clay County, MO	\$156,416	\$128,199	-18.0%
Jackson County, MO	\$104,962	\$106,015	1.0%
Platte County, MO	\$179,465	\$164,875	-8.1%
Johnson County, KS	\$242,949	\$232,621	-4.3%
Leavenworth County, KS	\$153,792	\$132,674	-13.7%
Miami County, KS	\$131,789	\$133,292	1.1%
Wyandotte County, KS	\$83,218	\$65,882	-20.8%
Kansas City Region	\$152,196	\$145,274	-4.5%

Residential Building Permits ²			
County	Q1-10	Q1-11	% Chg
Cass County, MO	29	25	-13.8%
Clay County, MO	34	16	-52.9%
Jackson County, MO	241	150	-37.8%
Platte County, MO	40	14	-65.0%
Johnson County, KS	187	228	21.9%
Leavenworth County, KS	7	23	228.6%
Miami County, KS	7	7	0.0%
Wyandotte County, KS	69	20	-71.0%
Kansas City Region	652	501	-23.2%

KC MSA Home Sales ³		KC MSA Housing Inventory ⁴			
	New	Existing	# Homes	Supply	
Q1-11	320	4,075	Q1-11	47,454	8.3
Q1-10	392	4,356	Q1-10	46,608	7.2
% Chg	-18.4%	-6.5%	% Chg	1.8%	15.2%

KC MSA Employment by Industry (Job counts in 1,000s) ⁵			
	Q4-09	Q4-10	% Chg
Food Service	204.1	206.6	1.2%
Healthcare & Social Assistance	333.0	335.0	0.6%
Government	464.3	461.7	-0.6%
Education & Health Services	389.0	392.3	0.8%
Financial Activities	213.0	212.6	-0.2%
Leisure & Hospitality	274.8	274.2	-0.2%
Professional, Tech, Scientific	201.9	197.7	-2.1%
Retail Trade	315.2	314.2	-0.3%
Trade, Transportation, Utilities	591.8	587.4	-0.7%
Manufacturing	218.1	219.8	0.8%
Mining, Logging, Construction	122.5	115.7	-5.6%

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Local Commercial Developments

39RAINBOW, KANSAS CITY, KS

Work has started on 39Rainbow, a multi-phased, mixed-use development that will be located directly across from the University of Kansas Medical Center and Hospital campus in Kansas City, KS. The project will deliver upscale retail, office, and hotel components with covered and surface parking. Phase I began the week of March 30th with the demolition of the former Sun Inn Hotel at the southwest corner of Rainbow Boulevard and Marty Avenue. Building completion is scheduled for spring 2012 and will include approximately 10,000 square feet of retail space on the first floor and an 83 room Holiday Inn Express & Suites on floors 2-4.

Phase II, currently in preliminary design stages, will be positioned directly north of the first phase and will double the amount of street-level commercial as well as provide office space throughout the building's four floors. A spring 2012 ground breaking is anticipated.

PRAIRIEFIRE AT LIONSGATE, OVERLAND PARK, KS

Cinetopia, a 20-screen, dine-in movie theater is slated to open spring 2013 in the planned Prairiefire at LionsGate center at 135th Street and Nall Avenue, Overland Park, KS. The luxury theater will be located next to the Museum of the Prairiefire and feature luxury, big-screen auditoriums for hosting community and performing arts events as well as showing first-run movies. Prairiefire is a mixed-used retail, office and residential center with construction start planned for 2012.

OAK PARK MALL, OVERLAND PARK, KS

A multi-million dollar renovation began in April on one of the area's largest and most successful indoor shopping centers. Oak Park Mall, located at 95th and Quivira in Overland Park, KS, will get a contemporary makeover including updated entrances, signage, and an overall lightening and brightening of both interior and exterior spaces.

Giving Back

Making way for the new 39Rainbow project, LANE4 donated 5 semi-trailers full of furniture from the former Sun Inn Hotel in Kansas City, KS, to several local non-profit agencies. Beds, dressers, night stands, desks, and chairs were given to Operation Breakthrough, which provides children in poverty with a safe, loving, educational environment; ReStart which provides housing and programs for over 2,000 homeless people each year; and Habitat for Humanity.

LANE4 Property Group

LANE4 Property Group specializes in tenant representation, project leasing, property management, incentive services, 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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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.

Kansas City Leasing Data

KC MSA Shopping Center Retail ⁶			
	Q1-10	Q2-11	% Chg
Total GLA	65,216,878	65,301,301	0.1%
Avg Lease Rate	\$13.03	\$12.48	-4.2%
Avg Vacancy Rate	11.9%	11.7%	-0.2

KC MSA Office ⁶			
	Q1-10	Q2-11	% Chg
Total GLA	106,878,104	106,969,625	0.09%
Avg Lease Rate	\$18.12	\$17.48	-3.53%
Avg Vacancy Rate	13.3%	13.2%	-0.1

National & Regional Trends

Housing Starts & Completions (1,000s) ⁷			
	Q1-10	Q2-11	% Chg
Housing Starts			
U.S.	134.3	121.0	-9.9%
Midwest	16.7	14.9	-10.8%
Completions			
U.S.	140.3	113.3	-19.2%
Midwest	16.9	19.7	16.6%

U.S. Food & Retail Sales ⁸		Business Conditions Index ⁹			
Period	In Billions	2011	Jan	Feb	Mar
Q1-08	1124.2	Missouri	57.5	61.2	59.8
Q1-09	1019.2	Kansas	53.2	60.1	55.1
Q1-10	1077.3	Mid-America	58.9	63.2	61.4
Q1-11	1159.8				

Unemployment Rate ¹⁰			Consumer Price Index ¹⁰			
March	'10	'11	2011	Jan	Feb	Mar
Midwest	9.9%	8.3%	Midwest	210.4	211.1	213.0
U.S.	9.7%	8.8%	U.S. City Avg	220.2	221.3	223.5

Job Openings & Turnover ¹¹			
Midwest (1,000s)	Q4-09	Q4-10	% Chg
New Hires	2,177	2,253	3.5%
Job Openings	1,286	1,620	26.0%
Total Separations	2,499	2,685	7.4%
U.S. (1,000s)	Q4-09	Q4-10	% Chg
New Hires	9,842	10,310	4.8%
Job Openings	6,500	8,228	26.6%
Total Separations	11,302	11,057	-2.2%

