

THE ORANGE REPORT

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

MAY 2013

CRE Market Thoughts from LANE4's Investment Director, Mike Berenbom

Commercial real estate values have recovered from the recession. Not only are prices approaching –and in some instances surpassing—pre-crash values, the market is liquid and transaction volumes are high. As is always the case, certain properties are commanding premium pricing while others continue to struggle, but, overall, the message is clear: the capital market for commercial real estate is healthy.

Figures from Real Capital Analytics show that transaction activity in 2012 returned to the average pace set in 2004 and 2005. Commercial property sales totaled \$261.7 billion for the year, a 35% increase from year-end 2011. Additionally, values have generally returned to pre-recession levels on both a dollars per square foot and a cap rate basis, as illustrated in the chart on the right.

In its 2013 State of the Market Survey, DLA Piper reported that 85% of the nearly 200 top commercial real estate executives surveyed in April feel bullish about the real estate market. The report cites low-cost financing afforded by historically low interest rates and easier access to capital as the primary drivers behind the recent increases in pricing.¹

Private investors are also pouring capital in to commercial real estate. In a recent survey of 500 high-net-worth individuals, 80% believe that commercial real estate will perform the same or better than the equity market over the next five years.² IPA estimates that high-net-worth individuals put \$13 billion in to CRE in 2012, and that 2013 should see additional increases from private investors.

What is driving prices higher?

Debt. Today's low interest rate environment is a major factor in the resurgence of commercial real estate pricing. For stabilized, cash flowing properties, lenders are offering historically low interest rates. Higher property values and more aggressive loan-to-value underwriting are pushing total loan proceeds to levels that allow transactions to be completed with lower equity requirements.

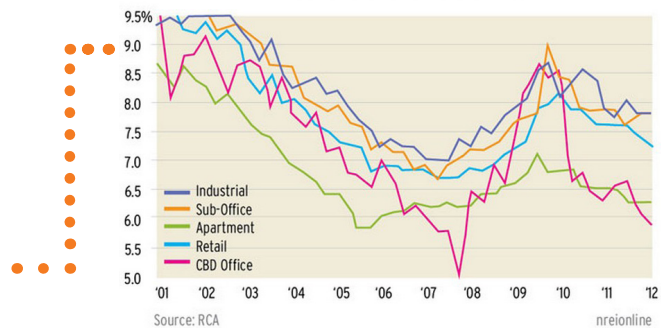
Equity. Despite the overall strength of the market, its treatment of individual properties is varying greatly. On one end of the spectrum, properties that are well leased, well-constructed, and well located in desirable markets are being pursued aggressively by multiple buyers. At the other end of the spectrum, properties with vacancy, lower quality buildings, and properties with less than ideal locations, continue to face challenges from a value standpoint.

As the capital markets continue to strengthen, investors are loosening their parameters and higher pricing has begun trickling down to more challenging properties, but the greatest appetite remains committed to the cleanest deals. As the economic recovery continues, we expect more and more buyers to venture away from "core" deals and continue to increase their demand for "value-add" and, ultimately, new construction opportunities.

Continued on the next page.

Retail Snapshot

Average Cap Rates by Sector



Kansas City Sales & Leasing Data

KC MSA Total Retail ³			
	Q1-12	Q1-13	% Chg
Total GLA	109,466,233	110,189,345	0.66%
Avg Lease Rate	\$12.57	\$12.45	(.95%)
Avg Occupancy Rate	90.7%	91.2%	0.5%

KC's Largest Retail Lease Signings Q1- 13 ³		
Location	Tenant	Size
Shawnee Station	Pier 1 Imports	13,000 SF
9050 Quivira Road	The Cabinet Center	9,750 SF
10400 Shawnee Mission Parkway	Millennium Marketing, Inc	9,444 SF

National & Regional Trends

U.S. Food & Retail Sales ⁴		Business Conditions Index ⁵			
Period	In Billions	2013	Jan	Feb	Mar
Q1 - 10	\$1,053.1	Missouri	51.2	52.1	54.9
Q1 - 11	\$1,136.8	Kansas	48.3	54.1	52
Q1 - 12	\$1,209.3	Mid - America	53.2	53.1	58.2
Q1 - 13	\$1,255.0				

Unemployment Rate ⁶			Consumer Price Index ⁶			
Mar	'12	'13	2013	Jan	Feb	Mar
Midwest	7.4%	7.4%	Midwest	219.2	221.5	222.1
U.S	8.2%	7.6	U.S City Avg	230.3	232.1	232.7

Sources: ¹Globest.com - DLA Piper Executives Feeling Bullish ²IPA - IPA Investor Survey Finds 80 Bullish on Real Estate ³CoStar: Total existing space, for all retail and office types, including direct and sub-lease. Change for Average Vacancy Rate represents the difference between 2011 & 2012 percentages. ⁴U.S. Census Bureau: Estimated monthly. ⁵Creighton 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. ⁶U.S. Bureau of Labor Statistics. Unemployment rates seasonally adjusted. ⁷Kansas City Regional Association of Realtors: Average sales price of new & existing homes. ⁸Kansas City Association of Home Builders-Monthly Reports, includes single and multi-family homes.

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CRE Market Thoughts (Cont.)

What does it mean?

For property owners that have held assets through the downturn and been able to re-stabilize their properties in the last year or two, it may be time to consider selling. With very little new construction taking place and an influx of capital, long-term owners may be surprised by the value that prospective buyers will attribute to their assets.

For private investors looking for alternative investments outside of the equity and bond markets, commercial real estate may offer the same attributes that have both institutional and private money pouring in to the sector: reliable annual returns that have frequently outperformed the stock market along with the opportunity for capital appreciation.

With large amounts of capital pursuing commercial real estate for these same reasons, investments must be chosen carefully and debt must be utilized responsibly, but attractive acquisitions can be found. Once identified, investment properties can provide higher yields than otherwise available in today's markets, and, like other "hard assets," real estate investments provide a strong hedge against inflation.

Mike Berenbom, Investment Director

Giving Back

This spring season, LANE4 Property Group is proud to sponsor The Boys and Girls Club of Greater Kansas City's Bulldog track and field team for the fifth year in a row.

About the Boys & Girls Clubs of Greater Kansas City

For over one hundred years, the Boys & Girls Clubs of Greater Kansas City has provided a fun and safe environment for youth, ages 5-18, to learn, play, meet new friends and grow. From sports, digital arts and media to group activities and tutoring, the Boys & Girls Clubs of Greater Kansas City provides top-quality programs to over 1,000 area youth each day. Whether it is learning how an individual can make a difference in his/her community or learning how to play basketball – the Clubs strive to help youth feel important and put their dreams of a great future within reach. For more information, visit www.helpKCKids.org or facebook.com/helpKCKids

About LANE4 Property Group

LANE4 provides its clients the best position from which to succeed. The firm offers an advantage in marketing, tenant representation, project leasing, property management, investment sales, receivership, project management, and development. These comprehensive services allow our clients to streamline their time and optimize their investments. From the initial market analysis through the grand opening and operation, the team at LANE4 executes each step of process with skill and professionalism. Our team has forged strong relationships with our constituents: tenants, investors, municipalities, architects, engineers, attorneys, contractors, and developers. This experience, dedication, and focus – combined with creativity and passion – is the LANE4 formula that maximizes our partners' results.

Kansas City Housing

Average Home Price ⁷			
County	Mar-'12	Mar-'13	% Chg
Cass County, MO	\$133,985	\$142,600	6.43%
Clay County, MO	\$138,463	\$145,910	5.38%
Jackson County, MO	\$118,898	\$124,311	4.55%
Platte County, MO	\$156,598	\$197,130	25.88%
Johnson County, KS	\$238,803	\$248,998	4.26%
Leavenworth County, KS	\$128,049	\$145,400	13.55%
Miami County, KS	\$116,804	\$166,435	42.49%
Wyandotte County, KS	\$76,993	\$73,148	-4.99%
Kansas City Region	\$156,945	\$165,885	5.7%

Residential Building Permits ⁸			
County	Q1-'12	Q1-'13	% Chg
Cass County, MO	29	28	-3.4%
Clay County, MO	142	121	-14.8%
Jackson County, MO	109	107	-1.8%
Platte County, MO	79	86	8.9%
Johnson County, KS	243	523	115.2%
Leavenworth County, KS	12	21	75.0%
Miami County, KS	6	18	200.0%
Wyandotte County, KS	92	57	-38.0%
Kansas City Region	712	961	34.9%

For. Your. Information.

ICSC - LAS VEGAS

LANE4 Property Group's development and leasing team will be at ICSC RECON May 19th - 22nd. Our booth is located at S 276 R Street. We look forward to seeing you in Vegas!

All information furnished is from sources deemed to be reliable, but no warranty or representation is made as to the accuracy thereof and the same is subject to errors, omissions, changes, or other conditions.



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