

THE ORANGE REPORT

YOUR SOURCE FOR KANSAS CITY COMMERCIAL PROPERTY INFORMATION

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2013

Where are the next CRE leaders?

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"The retail real estate industry is finally operating on all cylinders, with strong leasing prospects, low supply of space, improving rent and cyclically high net operating income," said Michal P. Niemira, ICSC's chief economist and vice president of research, in a recent press release¹. This translates to increased hiring and career growth opportunities at levels that have not existed since 2008. But where are the qualified candidates to fill these positions?

A clear path into Commercial Real Estate is often missing. Many industry professionals can tell you their "How I fell into commercial real estate" story, rather than their "I always dreamed of working in CRE" story. While this accidental entry into the industry has worked thus far, it may not be the best approach to keeping CRE booming with talent.

Over the past five years, the number of people entering commercial real estate has decreased. Though the climb out of the recession is beginning to help the situation, multiple CRE organizations have reported negative growth in their "Young Leaders" sectors, and CRE graduate programs across the country have shown declining or just steady enrollment.³

Demand outpaces supply in positions ranging from development to assistant property managers; positions that are commission-only or salaried. In the past, many finance and real estate students were drawn to the more glamorous leasing and development side of real estate. Leasing has a huge upside, but it's very cyclical and it doesn't work out for a lot of people. Development came to a near standstill in 2009/2010 and although it is improving, it will be many years before we see a full return to pre-recession times. As a result of this most recent recession, the glamorous vision of real estate gave way to a slow and struggling view of the industry. It's hard to interest young people in a commission only career when deals are few and far between. An alternative is to enter the industry on the property management side of the business. Predominantly, property management has struggled to entice recent graduates simply because they are unaware of the career options. According to a recent CEL & Associates Survey, property management salaries are several times higher than the national average and continue to increase. In addition property management job postings have outpaced most other commercial real estate job postings.

"There is a lack of awareness," says Dr. David. L. Funk, director of the Baker Program in Real Estate at Cornell University. "Students are more attracted to investment and private equity. We try to point out that there's no better way to learn commercial real estate than to have a foundation in property management."⁹

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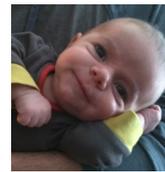
Sources: ¹CoStar: Total existing space, for all retail types, including direct and sub-lease. Change for Average Vacancy Rate represents the difference between 2012 & 2013 percentages. ²Shopping Centers Today: Feb. 2014. U.S. Salaries Grew 3 Percent in 2013 ³THE REGISTRY: Bay Area Real Estate "Commercial Real Estate Eats Its Young" By Marie-Anne Hogarth 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 KS, MO, AR, IA, MN, NE, ND, OK and SD. ⁶U.S. Bureau of Labor Statistics. Unemployment rates seasonally adjusted. ⁷Kansas City Regional Association of Realtors. Average sales price of new & existing homes. ⁸Homebuilders Association of Greater Kansas City. Residential Building Permit Statistics Report ⁹The BOMA Magazine: November/December 2012. Talent Search By Laura Horsley

A very special

For. Your. Information.

LANE4 Welcomes Three New Additions

This quarter has been a busy one, as we welcomed three new babies to the LANE4 family. Congratulations to the happy new parents!



Adam. David. Berenbom

December 12, 2013

Son of Michael Berenbom, Investment Director



Hayes. Andrew. Harris

January 6, 2014

Son of Hunter Harris, Director of Development and Acquisitions



Carter. James. Buckley

January 10, 2014

Son of Brandon Buckley, Associate Broker

Kansas City Sales & Leasing Data

KC's Largest Lease Signings of 2013 ¹		
Location	Tenant	Size
Overland Park Shopping Center	Burlington Coat Factory	50,000 s.f.
Metro North Square	Power Play Inc.	45,632 s.f.
Corbin Park	Stein Mart	34,000 s.f.

KC MSA Total Retail ¹			
	Q4 2012	Q4 2013	% Chg
Total GLA (s.f.)	105,573,548	105,826,378	0.2%
Avg Lease Rate	\$12.47	\$12.24	-1.8%
Avg Occupancy Rate	90.8%	91.6%	0.9%

Avg. Shopping Center Vacancy ¹	
Period	Rate
Q4 2013	11.9%
Q4 2012	12.3%
Q4 2011	13.6%
Q4 2010	14.1%

Where are the next CRE leaders?

This lack of awareness is a problem the industry as a whole needs to resolve before the baby boomers, the largest portion of the industry's current brain trust, begin retiring in earnest. The only thing holding many of these boomers back are depleted retirement funds that have recently begun to recover from the Great Recession. As a whole, the world of CRE needs to get together, under one umbrella, to make something happen. Professional organizations such as BOMA, IREM, CCIM and SIOR must create an effective and comprehensive awareness campaign in order to change those stories. It's going to take action and cooperation from every corner of the industry.

As individuals, we can make a difference by taking opportunities to get involved at our alma mater, hiring interns, and mentoring young people. Mentoring in particular is immediately rewarding to both Mentor and Mentee. Today's leaders regularly credit their success to the people that took them under their wing decades ago. While the obvious benefit of mentoring falls to the Mentee, it's been seen that there is also benefit to the Mentor. By taking new talent under our wings, we can help them grow and succeed. We can show them the passion and dedication we hold for our industry, and encourage them to find the same. Consequently, taking the time to look at our industry through the eyes of a new-comer often reminds us of why we fell in love with CRE in the first place, and reignites the passion and creativity that got us to where we are today.

From finding true satisfaction in passing along their years of experience, to reigniting their passion and creativity, the benefits may, in fact, be just as strong for Mentor as Mentee.

Giving Back

LANE4 is a long-time supporter of Harvesters Community Food Network. In November, the LANE4 team spent a day volunteering in the warehouse and was able to help provide meals for many local families in need.

Harvesters' mission is to feed hungry people today and work to end hunger tomorrow.

As this area's only food bank, Harvesters is a clearinghouse for the collection and distribution of food and related household products. They've been helping people in need since 1979. The Harvesters network provides food assistance to as many as 66,000 different people each week. Harvesters is a certified member of Feeding America, a nationwide network of more than 200 food banks, serving all 50 states.

About LANE4 Property Group

LANE4 Property Group's success is based on an unwavering commitment to optimizing our client's objectives by providing in-depth knowledge, attention to detail, creativity and passion in every project we tackle. Our focus is on tenant representation, project leasing, development, investment sales, and property management. Today we have a multitude of mixed-use, retail, office and hospitality projects and continue to rapidly expand throughout the Midwest.

National & Regional Trends

U.S. Food & Retail Sales ⁴		Business Conditions Index ⁵			
2013	In Billions	2013	Oct	Nov	Dec
Q4	\$1,291.8	Missouri	54.3	51.9	50.1
Q3	\$1,278.6	Kansas	56.3	51.5	54.5
Q2	\$1,263.8	Mid-America	50	51.2	53.2
Q1	\$1,252.9				

Unemployment Rate ⁶			Consumer Price Index ⁶			
December	'12	'13	2013	Oct	Nov	Dec
Midwest	7.1	6.7	Midwest	222.2	221.7	221.2
U.S.	7.9	6.7	U.S. City Avg	233.5	233.1	233.0

Kansas City Housing

Average Home Price ⁷			
County	Dec '12	Dec '13	% Chg
Cass County, MO	\$137,833	\$165,846	20.3%
Clay County, MO	\$150,792	\$156,742	3.9%
Jackson County, MO	\$122,876	\$157,796	28.4%
Platte County, MO	\$198,734	\$227,682	14.6%
Johnson County, KS	\$270,583	\$262,014	-5.2%
Leavenworth County, KS	\$153,586	\$161,544	5.2%
Miami County, KS	\$187,865	\$195,890	4.3%
Wyandotte County, KS	\$80,195	\$94,853	18.3%
Kansas City Region	\$177,429	\$190,179	7.2%

Residential Building Permits ⁸			
County	Q4-'12	Q4-'13	% Chg
Cass County, MO	173	233	35%
Clay County, MO	661	1212	83%
Jackson County, MO	957	1,166	22%
Platte County, MO	664	444	-33%
Johnson County, KS	1,821	3,178	75%
Leavenworth County, KS	101	193	91%
Miami County, KS	514	490	-5%
Wyandotte County, KS	57	50	-12%
Kansas City Region	4,948	6,966	41%

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