

# THE ORANGE

# REPORT

May 2010

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

## KANSAS CITY RETAIL UPDATE

### Receivership:

Someone once said that it's better to give than to receive. The same holds true when discussing loan defaults. In cases when the borrower quits "giving" or making payments on a mortgage, the asset may well go down the path to a "receiver". Receivership is a process by which a court-appointed, third-party takes control of the property in order to manage its assets and maintain values. This option is especially useful in the permanent loan market where many lenders don't want to own an asset, but they don't want the borrower or its managers running it either.

The receiver's primary assignment is to protect the property value on behalf of the court while preparing for the possible sale, foreclosure or redemption of the property in the near future. Receivership also shields the lender from becoming the owner and keeps the borrower on the hook for the mortgage, taxes and insurance premiums.

Among the receiver team's first responsibilities is to conduct a physical audit of the property. It is important to inspect every square foot of the asset to pinpoint areas of safety concerns and other major issues that may affect the short term operation of the project. Often the owner has not been able to fund repairs or major physical problems that the receiver then inherits. Insuring the property will not suffer during the period of receivership requires a strong management and maintenance program.

Court orders will typically require a level of reporting and it is the responsibility of the receiver to include all parties in the correspondence to avoid future claims. During the initial stages of receivership, many systems are immediately put in place including accounting, bookkeeping and other systems necessary to manage the property on a day to day basis. Every effort must be made to ensure that the transition from the previous management company to the receiver is as orderly as possible. It is vitally important to alleviate any concerns that the tenants may have and to assure them that day to day needs will be met.

For income producing property, financial preservation is a key element to value. Enhancing value through leasing and strategic improvements has to continue during the receivership phase. The leasing and marketing team should evaluate information on the property's target market and develop strategies that conform to the objectives of the management assignment. During this process, the goal is to stabilize the property, find tenants for the vacancies and to keep the current tenants in place.

While each property is unique and the complexities of the deal may dictate a certain course of action, receivers are the key to preserving asset value and to protecting the various parties' interests. The receivership process reduces the exposure to a lender, but just as important is that the receiver maintains and potentially increases the value of the property through the continued leasing, management and the fulfillment of many other compliance issues that may be required. The receiver's job is not done until they are dismissed by the court. Ensuring a smooth transition to the new ownership group is the ultimate goal.

LANE4 Property Group provides a full complement of receivership services, including property management, leasing, accounting and investment sales. Please call us for assistance with any of these services.

By Tom O'Leary, LANE4 Property Group

## KANSAS CITY HOUSING

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

County	Q1-09	Q1-10	Change
Cass (MO)	\$137,108	\$153,656	12.1%
Clay (MO)	\$138,117	\$156,416	13.2%
Jackson (MO)	\$110,365	\$104,962	-4.9%
Platte (MO)	\$211,019	\$179,465	-15.0%
Johnson (KS)	\$234,041	\$242,949	3.8%
Leavenworth (KS)	\$156,007	\$153,792	-1.4%
Miami (KS)	\$146,973	\$132,029	-10.2%
Wyandotte (KS)	\$68,656	\$83,217	21.2%
<b>Kansas City Region</b>	<b>\$145,327</b>	<b>\$152,196</b>	<b>4.7%</b>

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

County	Q1-09	Q1-10	Change
Cass (MO)	26	29	11.5%
Clay (MO)	16	34	112.5%
Jackson (MO)	88	241	173.9%
Platte (MO)	13	40	207.7%
Johnson (KS)	121	227	87.6%
Leavenworth (KS)	22	7	-68.2%
Miami (KS)	7	7	0.0%
Wyandotte (KS)	28	69	146.4%
<b>Kansas City MSA</b>	<b>355</b>	<b>652</b>	<b>83.7%</b>

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

	New	Existing
Q1-09	487	4,104
Q1-10	392	4,356
Change	-19.5%	6.1%

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

	# Homes	Supply
Q1-09	49,237	9.1
Q1-10	46,608	7.2
Change	-5.3%	-20.5%

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

	Q4-08	Q4-09	Change
Food Service	210.8	208.8	1.7%
Healthcare	210.2	330.3	1.5%
Government	464.2	467.3	1.5%
Education & Health	378.0	388.7	1.5%
Financial	214.0	211.2	0.3%
Leisure & Hospitality	285.0	279.8	-0.4%
Professional, Tech, & Scientific	210.2	197.3	-2.1%
Retail Trade	322.7	313.5	-3.3%
Trade, Transport & Utilities	623.0	593.2	-3.5%
Manufacturing	239.3	216.8	-6.9%
Mining, Logging, Construction	148.1	128.6	-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.

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## LOCAL COMMERCIAL DEVELOPMENTS

### Kansas City, Kansas

The Unified Government of Wyandotte County approved a new mixed-used development that will service the University of Kansas Medical Center and community. The 39Rainbow project will be located at 39<sup>th</sup> Street and Rainbow Avenue in Kansas City, Kansas and feature 69 apartments, an 89-room hotel, and approximately 30,000 square feet of retail space. Construction is scheduled to start this fall and is expected to take about a year to complete.

### Kansas City, Kansas

Groundbreaking took place in March for the construction of a 36,380 square-foot auto dealership. Performance Toyota's new facility will be located on the corner of I-435 and Parallel Parkway in Kansas City, KS and will be the first LEED certified dealership in the Kansas City area and the state of Kansas. Rainwater harvesting, water-efficient landscaping and substantial use of recycled materials are just some of the environmentally-friendly design elements planned for the development.

### Olathe, Kansas

Johnson County Community College (JCCC) has broken ground for its new Health Services Education Center. Located at 152nd and OMC Parkway on the Olathe Medical Center campus, JCCC intends to use the building for classrooms, laboratory space, conference rooms and a 300-seat auditorium. Construction is expected to start this year on the \$15 million center, which is planned to open for classes in fall 2011. ■

## LANE4 GIVING BACK

Tim Weaver, LANE4 Vice-President, traveled to Doha, Qatar in March to manage the USA World Indoor Championship Track and Field team. The U.S. squad had big successes, including winning the medal count, setting the record for total medals, and getting the U.S. team ready for the London 2012 Olympics. ■

Jeff Berg, LANE4 Senior Vice-President, and his wife, Jamie, hosted a very successful "Hands & Hearts Red Hot Night", benefitting the Children's Mercy Cancer Center. The Center is a national leader in providing cutting-edge treatment for young patients battling cancer and the proceeds went to help support the advancement of that treatment. ■

## 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>

	1Q-09	1Q-10	Change
Total GLA	63,770,989	64,498,374	1.1%
Avg Lease Rate	\$13.66	\$13.23	-3.1%
Avg Vacancy Rate	11.6%	12.2%	0.6%

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

	1Q-09	1Q-10	Change
Total GLA	103,667,775	104,336,308	0.6%
Avg Lease Rate	\$17.68	\$18.28	3.4%
Avg Vacancy Rate	12.8%	13.8%	1.0%

## NATIONAL & REGIONAL TRENDS

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

Q1	'09	'10	Change
U.S.	114.4	134.3	17.4%
Midwest	15.5	16.4	5.8%

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

Q1	'09	'10	Change
U.S.	173.3	142.2	-17.9%
Midwest	24.1	17.0	-29.5%

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

Period	\$Billions
Q1-07	1095.9
Q1-08	1124.2
Q1-09	1020.4
Q1-10	1076.3

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

2010	Jan	Fed	Mar
Missouri	52.2	55.5	58.8
Kansas	47.4	50.8	54.1
Mid-America	54.7	61.0	64.3

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

	Mar-09	Mar-10
Midwest	9.0	10.1
U.S.	8.5	9.7

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

2010	Jan	Fed	Mar
Midwest	206.6	206.6	207.4
U.S. City	216.7	216.7	217.6

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

Midwest (1000s)	Q4-08	Q4-09	Change
New Hires	2,636	2,413	-8.46%
Job Openings	1,796	1,476	-17.82%
Total Separations	3,366	2,728	-18.95%
U.S. (1000s)	Q4-08	Q4-09	Change
New Hires	11,481	10,856	-5.44%
Job Openings	9,225	7,167	-37.58%
Total Separations	14,201	11,967	-15.73%

Sources: <sup>6</sup>CoStar: Total existing space, including direct and sub-lease. Change for Average Vacancy Rate represents the difference between 2009 & 2010 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.