

# TOP REAL ESTATE DEALS

DECEMBER 21-27, 2012

2012

11

# DEALS DEALS DEALS!

EVERYTHING  
MUST GO!!!



1. IKEA's Merriam store



2. Freightquote headquarters



3. Perceptive Software HQ



4. Teva Neuroscience HQ



5. Shamrock Towers

SELL-OUT  
EVENT

STEVE VOCKRODT | svockrodt@bizjournals.com

**A**s the economy goes, so goes the Kansas City real estate scene. Otherwise put, KC saw some signs of improvement in a market decimated in 2008 and 2009, but 2013 will closely resemble 2012: a long, tough slog.

"The deal velocity is just OK," said Mike Mayer, managing partner of Cassidy Turley's Kansas City office. "It's nothing too robust."

That's because corporate executives remain skeptical of the national economy, given the fragile pace of recovery from the Great Recession and the prospect of a shaky taxation scorecard coming from Washington's fiscal cliff talks.

"What drives the brokerage side of the business is certainty, being able to make plans," Mayer said. "If the C-suite guys are optimistic and positive, then they'll hire people, and that's what drives our business. There hasn't been a whole lot of that this year."



Mayer

Still, Kansas City saw some big deals get announced in 2012.

Johnson County had a good year on the retail and office side, landing a first-in-market IKEA store in Merriam to solve a long-stagnant retail site near Interstate 35 and Johnson Drive; and AMC Entertainment Inc. broke ground on a new office building in Leawood's Park Place, which would relocate the company from downtown Kansas City.

AMC's departure from Downtown will be tempered somewhat by the General Services Administration's announcement in February that it will move 1,000 federal employees to somewhere in Downtown.

They're expected to lease 160,000 square feet, but Downtown still faces difficult prospects, with older building stock not striking much corporate fancy.

Industrial had a decent year in 2012 and may be the market sector worth betting on in 2013.

New buildings kept springing out of the ground in Riverside Horizons, and an 800,000-square-foot spec warehouse in Olathe will open in the first quarter.

Kansas City's extensive rail and highway networks and the development of the BNSF Intermodal Facility in Edgerton, coupled with slim vacancy in existing buildings are harbingers for increased industrial development next year.



6. Bannister Federal Complex



7. One Nineteen



8. Downtown housing



9. Mission Gateway



10. City Center Square

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IKEA announced in September that it would build its first Kansas City-area store, bringing one of the nation's most popular furniture retailers and filling the stalled project that once was expected to be Merriam's retail success story.

The 349,000-square-foot store is slated to open in 2014. It will be built in the vacant Merriam Village shopping center at Interstate 35 and Johnson Drive.

"I'm encouraged about the speed and the amount of cooperation we're getting from all parties involved," City Administrator Phil Lammers said in October. "We are just looking forward to taking the next step."

Merriam Village was supposed to open in 2008 with anchor tenant Circuit City. But the electronics retailer went into bankruptcy, and the center stalled, leaving owner DDR Corp. without tenants.

The site almost caused the IKEA deal not to happen because of its unusual topography and giant retaining wall, called The Great Wall of Merriam.

IKEA previously had considered Bannister Mall in Kansas City and The Great Mall of the Great Plains

in Olathe.

IKEA spokesman Joseph Roth said Merriam Village was one of the most challenging sites he has seen in his 11 years and 30 store openings with IKEA.

"The size of the site, the configuration of the site and, for the lack of a better term, the elevation of that site, the fact it was on the hill, The Great Wall of Merriam — it was challenging to figure out how to put an IKEA on there," Roth said in November.

IKEA is expected to raze the site to make room for its store and parking, with work starting in the summer. The store will be built toward the northern end of Merriam Village, above a level of parking, and a two-level parking garage will be on the site's southern end. That leaves room for expansion of both the store and the garage.

The project has a \$19.9 million tax-increment financing plan in the works, which would redirect 100 percent of the project's increase in property taxes and half of the city's 1 percent local-option sales tax for development costs.

Brenna Hawley

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## 2. Freightquote headquarters

Kansas City officials didn't spend much time licking their wounds after suffering an economic incentive Border War loss when Teva Neuroscience Inc. chose to leave for Overland Park.

In short order, Kansas City and Missouri moved unprecedented economic development incentives to lure Freightquote.com and its 980 employees across the state line.

Freightquote had been close to staying in Lenexa toward the end of 2011 and early in 2012, but a focused effort by Kansas City leaders brought the third-party logistics provider over into Missouri with the promise of few taxes and a brand-new building along the Interstate 435 corridor.

Developer VanTrust Real Estate LLC will build Freightquote's new headquarters on vacant ground near St. Joseph Medical Center at I-435 and State Line Road.

The building will be 200,000 square feet. The site had been owned by Carondelet Health.

The project represents a \$52.8 million investment. RED Brokerage LLC's Tim Schaffer and Mike Levitan represented Freightquote, and Opus Design Build is the general contractor.

Kansas City also had proposed moving Freightquote into the former Hypermart site at the former Bannister Mall site and the Executive Hills East office complex at 104th Street and Holmes Road.

But the I-435 corridor move was expected to pose as little disruption as possible for a company moving 11 miles from Lenexa and one whose employees live primarily in Southern Johnson County and south Kansas City.

Freightquote's move is perhaps Kansas City's biggest economic development score in terms of job numbers.

The Platte County Harley-Davidson assembly plant brought 600 jobs with it; TransAmerica's move was good for about 500 jobs.

Freightquote expects to land about 200 more jobs within a few years, positioning the company for about \$26 million in benefits through the Missouri Quality Jobs Program.

Steve Vockrodt





### 3. Perceptive Software HQ

Perceptive Software's new headquarters is set to trigger one of the most high-profile relocations within Johnson County.

Perceptive's 700 local employees are slated to move from Shawnee, the company's home since 2005, to a spot southwest of 89th Street Parkway and Renner Boulevard in the Lenexa City Center development in the spring of 2014.

In June, Perceptive announced plans for two new buildings totaling 240,000 square feet at the 13.4-acre site. Its current headquarters offers 96,000 square feet. It broke ground in September.

Perceptive will have company along Renner Boulevard. The stretch through and near Lenexa City Center has seen a recent uptick in activity and interest among large commercial tenants.

In November, Lenexa Planning Commission documents showed that Perceptive could add a four-story building and a five-story building if growth warrants additional space. The four buildings would total 472,000 square feet.

Perceptive's head count has tripled during its

time in the Shawnee building. Perceptive also has experienced significant revenue growth since Lexmark International Inc. bought it for \$280 million in 2010.

Perceptive declined to provide its investment amount for the new headquarters. In July, Lenexa approved a tax increment financing plan for the project that is expected to generate almost \$11 million.

Copaken Brooks was the site developer. Klover Architects is handling the new headquarters design, which will include a glass atrium bridge that will connect the two buildings.

The Lenexa site features a cafe, a new dodgeball court, access to future walking and biking trails, and a nearby fitness center for employees.

Kansas City-based JE Dunn Construction is the general contractor.

The new headquarters also is prompting another relocation: Perceptive will move its multistory slide for employees and visitors to Lenexa.

Alyson Raletz



### 4. Teva Neuroscience HQ



Teva Neuroscience Inc. pays its employees well and enjoys strong stature in the local business community, and thus it became one of the most highly sought-after spoils in the Kansas-Missouri economic development Border War in 2012.

In April, Kansas won the skirmish when it persuaded the medical science company to move 350 employees from Kansas City's Executive Hills East at Interstate 435 and Holmes Road to a new, 154,000-square-foot building on Sprint Nextel Corp.-owned land at Nall Avenue and College Boulevard.

The move, which is expected to take place in the early fall, will move jobs that average \$130,000 to Overland Park.

Teva's real estate outlay may not end with the completion of the new office space developed by Block Real Estate Services LLC; Overland Park has approved plans for a second 112,000-square-foot building should Teva's expansion plans command additional office space.

Teva was in the middle of a hotly pursued effort by Kansas City and Overland Park to attract the company.

The company was contemplated for several sites in Kansas City, including the former Bannister Mall site and empty ground near St. Joseph Medical Center at I-435 and State Line Road.

But Kansas City was outgunned by Kansas' incentive offer.

Kansas contributed \$30 million in economic development incentives. Overland Park chipped in with \$65 million in economic development revenue bonds.

Kansas City's final offer was \$8.8 million in Missouri Quality Jobs incentives, \$1 million in development tax credits and \$500,000 in sales tax exemptions.

In other words, not close.

Teva has to keep at least 240 jobs in Overland Park — it now employs 350, not counting 50 contractors — to keep its local incentives, as well as book most of its out-of-town guests at city hotels.

The new building will be a plum for a College Boulevard office corridor that many local real estate experts consider the area's strongest commercial corridor.

RED Brokerage LLC's Tim Schaffer represented Teva in its office search.

Steve Vockrodt

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<b>LEASE</b> <b>TEK Systems</b> 11,369 SF Office Space Overland Park, KS	<b>DEVELOPMENT</b> <b>Saint Luke's Hospice</b> Site Acquisition Kansas City, MO	<b>SALE</b> <b>NorthPoint</b> 240,000 SF Industrial Space N. Kansas City, MO	<b>LEASE</b> <b>Quadrangle Development Co.</b> 43,000 SF Office Space Lenexa, KS	<b>LEASE</b> <b>RSM McGladery</b> 271,292 SF Office Space Various US Locations
<b>LEASE</b> <b>Hanna Rubber</b> 32,000 SF Industrial Space Kansas City, MO	<b>LEASE</b> <b>Centene</b> 25,902 SF Office Space Lenexa, KS	<b>SALE</b> <b>A&amp;H, LLC</b> 19,183 SF Office Space Overland Park, KS	<b>LEASE</b> <b>The Nicholson Group</b> 16,548 SF Office Space Kansas City, MO	<b>SALE</b> <b>Regions Bank</b> 51 Acres + 125,000 SF Land + Office Space Overland Park, KS
<b>LEASE</b> <b>Crown Center Redevelopment</b> 10,401 SF Office Space Kansas City, MO	<b>SALE</b> <b>LNR Partners</b> 100,000 SF Office Space Kansas City, MO	<b>LEASE</b> <b>Advance Mortgage</b> 9,285 SF Office Space Overland Park, KS	<b>LEASE</b> <b>Centerpoint Medical Center</b> 8,268 SF Medical Office Blue Springs, MO	<b>LEASE</b> <b>Door to Door Organics</b> 9,900 SF Industrial Space Kansas City, MO
<b>LEASE</b> <b>Edward Jones</b> 15,000 SF Office Space Metrowide	<b>LEASE</b> <b>O'Connor Company</b> 40,000 SF Industrial Space Independence, MO	<b>SALE</b> <b>NorthPoint</b> 133,400 SF Industrial Space N. Kansas City, MO	<b>SALE</b> <b>Citizens Bank</b> 320 Acres Land Sale Liberty, MO	<b>LEASE</b> <b>Comprehensive Logistics</b> 220,000 SF Industrial Space Kansas City, KS

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## 5. Shamrock Towers



Shamrock Trading Corp.'s purchase of the Glenwood Place office buildings in Overland Park in November is expected to give the company room to grow and fill a largely vacant building in the heart of Overland Park.

Glenwood Place is at 9300 Metcalf Ave., minutes away from Interstate 435, Interstate 35 and U.S. Highway 69. It consists of two office buildings with more than 271,000 square feet.

The purchase price was undisclosed. Local real estate experts familiar with the property ballparked it at \$16 a square foot. That would push the price past \$4 million.

Embarq Corp. previously leased 200,000 square feet at Glenwood Place, but in 2009, CenturyLink Inc. bought Embarq and terminated its lease. The office complex has been largely vacant ever since.

The buildings will be renamed Shamrock Towers. Privately held Shamrock Trading Corp. has subsidiaries focusing on real estate, transportation and financial services. It owns Ryan Transportation, which is expected to fill much of the space at Glenwood Place in 2013.

Shamrock told officials from Overland Park and the Kansas Commerce Department that Ryan Transportation intends to create 400 new jobs in the next five years.

"We began our search out of a need for additional space that would accommodate our growing workforce," Shamrock Vice President Tom Sullivan said in a written statement. "Not only were we looking for space that would be centrally located, we also wanted a location that would represent an investment in our community."

Real estate agents said the purchase and future plans for Shamrock Towers provide a signal that the real estate market is starting to rebound.

"This property sat fairly idle for some time, and then suddenly there were multiple offers to purchase," Bob Fagan, a CBRE senior vice president who marketed the property for the seller, said in a written statement. "When buyers realize the prices will not go any lower, properties will trade hands."

James Dornbrook

## Real Estate Trends & Investment Criteria 2013 Forecast



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## 6. Bannister Federal Complex



CenterPoint Properties won a significant, even daunting, assignment in August: Redevelop the 300-acre Bannister Federal Complex after its two federal tenants completely vacate the property.

In February, the General Services Administration said it would move its 1,000-person staff to downtown Kansas City. Fellow tenant the National Nuclear Security Administration next month will start moving its 2,500 employees to a new 1.5 million-square-foot plant at 14520 Botts Road.

That will leave the 70-year-old site off Bannister Road empty by 2014, and Chicago-based CenterPoint then can get to work redeveloping the complex.

Any redevelopment of the Bannister Complex will be hindered by the large amount of pollution at the site, which housed several arms manufacturers.

CenterPoint is analyzing the transition of the property in accordance with the National Environmental Policy Act. The results of the analysis, along with further details about the redevelopment and how it plans to address environmental issues, are expected in March.

The NNSA, which owns two-thirds of the site, chose CenterPoint to help with the redevelopment. In a written statement at the time, Mark Holecek, site manager for the NNSA's office in Kansas City, cited CenterPoint's reputation as a brownfield developer.

"CenterPoint Properties presented an initial proposal that had the best potential to achieve transfer of the property in a manner that is timely, cost-effective, environmentally responsible and economically beneficial to the community," Holecek said in the statement.

CenterPoint, which lists an office in North Kansas City, has been active recently in south Kansas City, pairing with real estate broker Zimmer Real Estate Services LC on the NNSA's new \$687 million Botts Road campus project.

The pair also has worked together to redevelop and lease space at the former Richards-Gebaur Air Force Base and future CenterPoint Intermodal Center. The site, directly south of the new NNSA campus, will offer more than 4 million square feet of space when complete.

Austin Alonzo



## 7. One Nineteen

Ohio-based Glimcher Realty Trust's purchase of One Nineteen shopping center gave it dominance over shopping in one of the busiest and most popular intersections in town.

Glimcher paid \$67.5 million in May for One Nineteen. The Leawood center is diagonal across the intersection of 119th Street and Roe Avenue from Town Center Plaza, which Glimcher bought in late 2011 for \$139 million.

The two are near popular Park Place, where AMC Entertainment Inc. is building its corporate headquarters.

With the purchase of One Nineteen, Glimcher added stores such as Apple, Crate & Barrel, lululemon and Trader Joe's to its portfolio of stores in Town Center Plaza.

In November, Glimcher changed the name of the shopping center to Town Center Crossing. The moniker was meant to link it to Town Center Plaza, and Glimcher planned to rebrand the centers with new logos, signs and a shared property directory.

"Our hope by rebranding the properties is to cre-

ate the Town Center district, marking one of the best retail areas outside of Kansas City," Glimcher COO Marshall Loeb said in a written statement. "We love the Leawood community and believe the combined shopping district will further entice first-to-market, upscale retailers, which have been synonymous with both centers."

Glimcher added 165,000 square feet of retail to its 430,000 in Town Center Plaza.

In May, Glimcher said Town Center Crossing was 93 percent leased, with tenants averaging sales of more than \$900 a square foot.

"We are pleased with the strategic acquisition of One Nineteen to complement Town Center Plaza," Chairman and CEO Michael Glimcher said in a written statement at the time of the purchase. "They offer tremendous growth potential and will generate efficiencies in leasing and property management."

Kansas City-based RED Development LLC originally developed One Nineteen with Mission-based MD Management Inc. The center opened in 2008.

Brenna Hawley



## 8. Downtown housing

The Cordish Co. plans two residential projects to feed the Kansas City Power & Light District's shops and restaurants.

The construction of a high-rise and renovation of an office building would bring more than 300 market-rate rental units to Downtown. Officials say Downtown needs to double its population to 35,000 to sustain its retail, as well as ridership on the planned streetcar.

Cordish signed a development agreement with the city in July to build a 250-unit tower at the northwest corner of Walnut and 13th streets, just east of Cosentino's Market Downtown. A 68-unit renovation of the Midland office building at the northeast corner of 13th Street and Baltimore Avenue should be done by early 2014.

The City Council is supporting the \$70 million effort with \$8 million in cash from a recent bond issuance. The city's agreement with Cordish includes a 25-year, 50 percent property tax abatement.

The Power & Light District has failed to meet sales projections, requiring the city to prop up its debt service each year. This year's payment topped \$12 million.

Cordish eventually plans three more residential towers along the north side of Truman Road. All told, it would add more than 1,000 units in the next decade.

In approving the plans in the summer, City Council members said other developers are holding off on residential plans until a project like this sets a new price point. Nick Benjamin, executive director of the Power & Light District, said Cordish expects the high-rise to command rents of \$1.50 a square foot, surpassing the rates of existing high-end rentals like Market Station in the River Market.

The city has \$2 million more available from its bond issuance to dole out for other projects in Downtown, where rental occupancy is near 100 percent.

"You usually do subsidize the pioneers who are willing to take risks," Mayor Sly James said at the time.



Benjamin said he expects the tenants, mostly 21- to 35-year-olds and empty-nesters, to spend an average of \$25,000 a year in Downtown, most of that in the Power & Light District.

Kyle Koepp

## 9. Mission Gateway



Tom Valenti may get to stop paying a landscape company to mow grass at Johnson Drive and Shawnee Mission Parkway in 2013 and instead put his money into some construction companies for the Mission Gateway site.

The principal of the Cameron Group LLC, based in Syracuse, N.Y., has had another in a series of up-and-down years since the company bought the former Mission Mall site in 2005 and sought to redevelop it into an ambitious mixed-use project.

The down in 2012 was having to abandon plans for a massive aquarium and hotel envisioned for a project that also would include a Wal-Mart store, accompanying retail and a residential component.

The bond markets to support sales tax revenue (STAR) bonds weren't favorable, Valenti said, and the absence of the powerful Kansas-issued financing tool made the arithmetic for the aquarium destination attraction impractical.

But the upside in 2012 was Valenti galvanized support from the Mission City Council late in the year to

proceed with a mixed-use project despite no more aquarium and probably no more hotel.

Instead of a hotel, Cameron Group plans to build 300 market-rate apartments, rather than the previously planned 150 units.

Valenti also got Wal-Mart to agree to participate in Mission Gateway's proposed community improvement district, an additional 1 percent sales tax at the site.

Wal-Mart typically has shunned public financing mechanisms that increase sales tax rates at the register for customers, citing a competitive disadvantage for the retailer.

With Wal-Mart's participation, Valenti can make a better case in his request for public financing when the project goes back before the City Council in January.

Valenti said that if he can get approvals for about \$40 million worth of public financing on the \$170 million project, he could begin work at the long-stagnant site in the spring.

Steve Vockrodt

## 10. City Center Square

Downtown office building City Center Square sold to out-of-town investors in October for an undisclosed price.

The buyers enter a market that is experiencing high vacancy rates and nearby buildings selling as a result of foreclosures.

The deal for City Center Square at 1100 Main St. closed on Oct. 31. The 30-story, 650,000-square-foot building was only 49 percent leased at the time.

The investment group all hail from outside the area: Alex Sassoon, a partner in McKnight Realty Partners in Seattle; Elie Schwartz, CEO of New York-based The Nightingale Group; and David Werner, a Brooklyn-based real estate investor.

"We like the property," Sassoon said at the time. "I've known about it for years. I like the location. I like the upside. I like the bones of the property."

The building was under contract for about a month, and Rod Jones and Bryan Johnson of Colliers International were its listing agents.

"City Center Square is one of Kansas City's landmark office towers with a tremendous value-add opportunity, at 49 percent leased, to improve occupancy and increase cash flow," Jones said at the time of the sale.

City Center Square's last owner was New York-based Time Equities Inc., which bought the building for \$32 million in 2003. The building's note had transferred to a special servicer.

The buyers enter a problematic downtown market. Downtown's vacancy rate is 29.1 percent; the metro average is 21.6 percent, according to Cassidy Turley.

Big players in downtown office space have left recently, including AMC Entertainment Inc.'s move to Leawood's Park Place and KeyBank Real Estate Capital Markets' move to Sprint Nextel Corp.'s Overland Park campus. But the General Services Administration plans to move 1,000 employees from the Bannister Federal Complex to Downtown.



Two other buildings in Downtown recently sold as well: Commerce Tower for \$12.6 million and The Clubhouse on Baltimore for \$5.5 million. Both were foreclosure sales.

Brenna Hawley