



RED Brokerage®

# 2010 MID-YEAR MARKET REPORT





RED Brokerage®

# RED Brokerage, LLC

www.REDBROKERAGE.com

*RED Brokerage is a full service commercial real estate company specializing in retail and office tenant representation and project leasing. Our firm's sphere of activity includes sales, leasing, development, consulting, investment, property management and construction management. Our office in Kansas City is located on the Country Club Plaza.*

*The properties RED Brokerage represents vary in complexity from single tenant net lease buildings, large mixed-use developments, office buildings and office parks. The range of our work indicates our company's ability to lease, sell, manage, develop, and redevelop a wide variety of property types in diverse locations. Our team approach ensures the best input and coverage to get the job done.*

*RED Brokerage has over twenty licensed real estate agents. Our company has traditionally worked toward a high level of quality in our projects, our clients and our tenants. The emphasis on detail and building good, long term relationships has created the level of accomplishment we now enjoy.*

*Although independent companies, both RED Development, LLC and RED Brokerage utilize each other's skill sets, talents and resources to provide unparalleled expertise and service to the benefit of our clients.*

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# MARKET SUMMARY

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## First Quarter 2010

### OFFICE

Kansas City's Vacancy Remains at 13.9%  
 Net Absorption Negative (23,760) SF in the Quarter

The Kansas City Office market ended the first quarter 2010 with a vacancy rate of 13.9%. The vacancy rate was unchanged over the previous quarter, with net absorption totaling negative (23,760) square feet in the first quarter.

Vacant sublease space decreased in the quarter, ending the quarter at 513,304 square feet. Rental rates ended the first quarter at \$18.34, an increase over the previous quarter. A total of one building delivered to the market in the quarter totaling 4,480 square feet, with 291,126 square feet still under construction at the end of the quarter.

### RETAIL

Kansas City's Vacancy Increases to 10.4%  
 Net Absorption Negative (41,468) SF in the Quarter

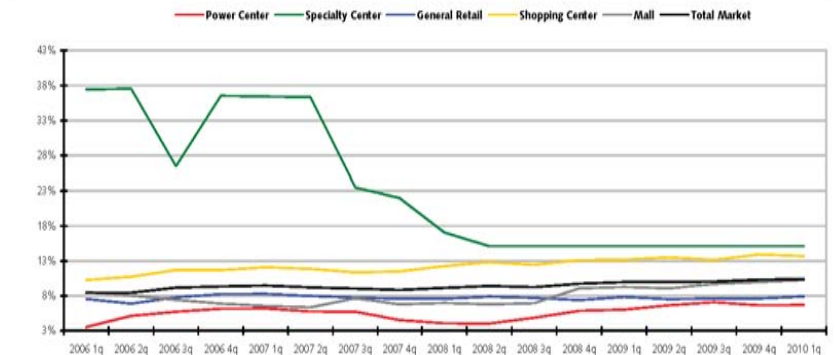
The Kansas City retail market did not experience much change in market conditions in the first quarter 2010. The vacancy rate went from 10.3% in the previous quarter to 10.4% in the current quarter. Net absorption was negative (41,468) square feet, and vacant sublease space decreased by (4,327) square feet. Quoted rental rates decreased from fourth quarter 2009 levels, ending at \$13.14 per square foot per year. A total of three retail buildings with 23,313 square feet of retail space were delivered to the market in the quarter, with 295,688 square feet still under construction at the end of the quarter.

### VACANCY RATES BY CLASS 2000-2010



Source: CoStar Property®

### VACANCY RATES BY BUILDING TYPE 2006-2010



Source: CoStar Property®



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## ABSORPTION

Net absorption for the overall Kansas City office market was negative (23,760) square feet in the first quarter 2010. That compares to negative (737,597) square feet in the fourth quarter 2009, positive 268,899 square feet in the third quarter 2009, and negative (29,508) square feet in the second quarter 2009.

### Notable move-outs in 2010 include:

- QBE Holdings, Inc moving out of 15,156 square feet at Rosehill Office Park
- Uni-Guard Security moving out of 5,000 square feet at 1519 Oak St.

### Notable move-in's of 2010 include:

- Apac moving into 18,578 square feet at Southcreek VIII;
- BATS Trading, Inc. moving into 14,000 square feet at Westbrook III;
- Essence of Australia moving into 13,728 square feet at Ceridian

The Class-A office market recorded net absorption of positive 18,006 square feet in the first quarter 2010, compared to negative (297,816) square feet in the fourth quarter 2009, positive 289,525 in the third quarter 2009, and negative (146,922) in the second quarter 2009.

The Class-B office market recorded net absorption of positive 5,503 square feet in the first quarter 2010, compared to negative (439,431) square feet in the fourth quarter 2009, negative (122,412) in the third quarter 2009, and positive 84,915 in the second quarter 2009.

The Class-C office market recorded net absorption of negative (47,269) square feet in the first quarter 2010 compared to negative (350) square feet in the fourth quarter 2009, positive 101,786 in the third quarter 2009, and positive 32,499 in the second quarter 2009.

Net absorption for Kansas City's central business district was positive 4,400 square feet in the first quarter 2010. That compares to negative (311,548) square feet in the fourth quarter 2009, positive 200,133 in the third quarter 2009, and negative (202,415) in the second quarter 2009.

Net absorption for the suburban markets was negative (28,160) square feet in the first quarter 2010. That compares to negative (426,049) square feet in fourth quarter 2009, positive 68,766 in the third quarter 2009, and positive 172,907 in the second quarter 2009.

## VACANCY

The office vacancy rate in the Kansas City market area stayed at 13.9% at the end of the first quarter 2010. The vacancy rate was 13.9% at the end of the fourth quarter 2009, 13.2% at the end of the third quarter 2009, and 13.3% at the end of the second quarter 2009. Class-A projects reported a vacancy rate of 20.9% at the end of the first quarter 2010, 20.9% at the end of the fourth quarter 2009, 19.6% at the end of the third quarter 2009, and 20.2% at the end of the second quarter 2009.

Class-B projects reported a vacancy rate of 12.4% at the end of the first quarter 2010, 12.4% at the end of the fourth quarter 2009, 11.7% at the end of the third quarter 2009, and 11.5% at the end of the second quarter 2009.

Class-C projects reported a vacancy rate of 10.8% at the end of the first quarter 2010, 10.6% at the end of fourth quarter 2009, 10.5% at the end of the third quarter 2009, and 11.1% at the end of the second quarter 2009.

The overall vacancy rate in Kansas City's central business district at the end of the first quarter 2010 changed to 15.5%. The vacancy rate was 15.5% at the end of the fourth quarter 2009, 14.3% at the end of the third quarter 2009, and 14.4% at the end of the second quarter 2009. The vacancy rate in the suburban markets increased to 13.4% in the first quarter 2010. The vacancy rate was 13.3% at the end of the fourth quarter 2009, 12.8% at the end of the third quarter 2009, and 12.9% at the end of the second quarter 2009.

## NOTABLE LEASE SIGNINGS

Notable lease signings occurring in 2010 included:

- The 204,605-square-foot renewal signed by Federal Aviation Administration at US Dept of Transportation Regional Headquarters in the Downtown market
- The 35,500-square-foot deal signed by High-Tech Institute Inc. at 9001 State Line Road in the South KC market
- The 31,104-square-foot lease signed by General Services Administration at Travelers St. Paul in the South Johnson County market.



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## SUBLEASE VACANCY

The amount of vacant sublease space in the Kansas City market decreased to 513,304 square feet by the end of the first quarter 2010, from 544,778 square feet at the end of the fourth quarter 2009. There was 561,581 square feet vacant at the end of the third quarter 2009 and 473,350 square feet at the end of the second quarter 2009.

Kansas City's Class-A projects reported vacant sublease space of 321,589 square feet at the end of first quarter 2010, down from the 333,529 square feet reported at the end of the fourth quarter 2009. There were 333,921 square feet of sublease space vacant at the end of the third quarter 2009, and 346,339 square feet at the end of the second quarter 2009.

Class-B projects reported vacant sublease space of 170,881 square feet at the end of the first quarter 2010, down from the 190,415 square feet reported at the end of the fourth quarter 2009. At the end of the third quarter 2009 there were 209,938 square feet, and at the end of the second quarter 2009 there were 103,039 square feet vacant.

Class-C projects reported no vacant sublease space from the fourth quarter 2009 to the first quarter 2010. Sublease vacancy went from 20,834 square feet to 20,834 square feet during that time. There was 17,722 square feet at the end of the third quarter 2009, and 23,972 square feet at the end of the second quarter 2009.

Sublease vacancy in Kansas City's central business district stood at 133,201 square feet at the end of the first quarter 2010. It was 136,562 square feet at the end of the fourth quarter 2009, 136,562 square feet at the end of the third quarter 2009, and 128,723 square feet at the end of the second quarter 2009. Sublease vacancy in the suburban markets ended the first quarter 2010 at 380,103 square feet. At the end of the fourth quarter 2009 sublease vacancy was 408,216 square feet, was 425,019 square feet at the end of the third quarter 2009, and was 344,627 square feet at the end of the second quarter 2009.

## RENTAL RATES

The average quoted asking rental rate for available office space, all classes, was \$18.34 per square foot per year at the end of the first quarter 2010 in the Kansas City market area. This represented a 0.7% increase in quoted rental rates from the end of the fourth quarter 2009, when rents were reported at \$18.22 per square foot.

The average quoted rate within the Class-A sector was \$21.76 at the end of the first quarter 2010, while Class-B rates stood at \$17.55, and Class-C rates at \$13.08. At the end of the fourth quarter 2009, Class-A rates were \$21.22 per square foot, Class-B rates were \$17.70 and Class-C rates were \$13.19.

The average quoted asking rental rate in Kansas City's CBD was \$18.19 at the end of the first quarter 2010, and \$18.39 in the suburban markets. In the fourth quarter 2009, quoted rates were \$18.07 in the CBD and \$18.27 in the suburbs.

## DELIVERIES & CONSTRUCTION

During the first quarter 2010, one building totaling 4,480 square feet was completed in the Kansas City market area. This compares to two buildings totaling 15,000 square feet that were completed in the fourth quarter 2009, two buildings totaling 212,928 square feet completed in the third quarter 2009 and 436,125 square feet in seven buildings completed in the second quarter 2009.

There were 291,126 square feet of office space under construction at the end of the first quarter 2010. The only delivery in 2010 has been 15070 Antioch Rd, a 4,480-square-foot facility that delivered in first quarter 2010 and is now unoccupied. The largest project underway at the end of first quarter 2010, was Park Place, a 65,726-square-foot facility that is 66% pre-leased.

## CONSTRUCTION ACTIVITY

Markets Ranked by Under Construction Square Footage

MARKET	UNDER CONSTRUCTION INVENTORY				AVERAGE BUILDING SIZE	
	# Buildings	Total RBA	Preleased SF	Preleased %	All Existing	U/C
Midtown	1	220,000	99,000	45.00%	26,398	220,000
South Johnson County	2	71,126	43,379	61.00%	38,571	35,563
Southeast Jackson County	0	0	0	0	14,287	0
South Kansas City	0	0	0	0	36,272	0
Kansas City, KS	0	0	0	0	17,342	0
Bates County	0	0	0	0	4,825	0
Caldwell County	0	0	0	0	5,521	0
North of the River	0	0	0	0	20,719	0
Downtown Kansas City	0	0	0	0	67,197	0
East Jackson County	0	0	0	0	12,775	0
All Other	0	0	0	0	20,513	0
<b>TOTALS</b>	<b>3</b>	<b>291,126</b>	<b>142,379</b>	<b>48.90%</b>	<b>28,791</b>	<b>97,042</b>

Source: CoStar Property ©



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## INVENTORY

Total office inventory in the Kansas City market area amounted to 103,244,569 square feet in 3,586 buildings as of the end of the first quarter 2010. The Class-A office sector consisted of 22,235,803 square feet in 132 projects. There were 1,720 Class-B buildings totaling 61,868,417 square feet, and the Class-C sector consisted of 19,140,349 square feet in 1,734 buildings. Within the Office market there were 274 owner-occupied buildings accounting for 12,136,479 square feet of office space.

## CLASS A MARKET STATISTICS

First Quarter 2010

MARKET	EXISTING INVENTORY		VACANCY			YTD NET Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Buildings	Total RBA	Direct SF	Total SF	Vac %				
Bates County	0	0	0	0	0.0%	0	0	0	\$0.00
Caldwell County	0	0	0	0	0.0%	0	0	0	\$0.00
Downtown Kansas City	23	8,084,856	1,790,158	1,876,771	23.2%	11,547	0	0	\$ 20.61
East Jackson County	5	335,941	78,903	78,903	23.5%	(7,000)	0	0	\$ 20.61
Kansas City, KS	2	275,454	0	0	0.0%	0	0	0	\$0.00
Midtown	9	1,921,374	270,112	275,704	14.3%	1,420	0	220,000	\$ 25.00
North Johnson County	10	1,025,168	95,644	95,644	9.3%	54,828	0	0	\$ 22.75
North of the River	8	1,045,284	126,311	138,311	13.2%	(1,000)	0	0	\$ 18.68
South Johnson County	57	7,217,552	1,306,012	1,523,396	21.1%	(42,169)	0	65,726	\$ 22.41
South Kansas City	15	2,178,371	627,870	627,870	28.8%	0	0	0	\$ 17.16
Southeast Jackson County	3	151,803	23,255	23,255	15.3%	380	0	0	\$ 24.77
<b>TOTALS</b>	<b>132</b>	<b>22,235,803</b>	<b>4,318,265</b>	<b>4,639,854</b>	<b>20.9%</b>	<b>18,006</b>	<b>0</b>	<b>285,726</b>	<b>\$ 21.76</b>

Source: CoStar Property ©

## SALES ACTIVITY

Tallying office building sales of 15,000 square feet or larger, Kansas City office sales figures fell during the fourth quarter 2009 in terms of dollar volume compared to the third quarter of 2009.

In the fourth quarter, no office transactions closed. That compares to four transactions totaling \$69,340,531 in the third quarter 2009. The total square footage in the third quarter was 778,472 square feet for an average price per square foot of \$89.07.

Total office building sales activity in 2009 was down compared to 2008. In the twelve months of 2009, the market saw 12 office sales transactions with a total volume of \$113,860,890. The price per square foot averaged \$84.54. In the same twelve months of 2008, the market posted 23 transactions with a total volume of \$300,101,000. The price per square foot averaged \$156.99.

Cap rates have been higher in 2009, averaging 14.93% compared to the same period in 2008 when they averaged 8.58%.

One of the largest transactions that has occurred within the last four quarters in the Kansas City market is the sale of Black & Veatch in Overland Park. This 600,000-square-foot office building sold for \$60,000,000, or \$100.00 per square foot. The property sold on 7/2/2009.



Former Black & Veatch Building  
Overland Park



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## TOTAL OFFICE MARKET STATISTICS

First Quarter 2010

MARKET	EXISTING INVENTORY		VACANCY			YTD NET Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Buildings	Total RBA	Direct SF	Total SF	Vac %				
Bates County	7	33,776	5,000	5,000	14.8%	0	0	0	\$13.91
Caldwell County	1	5,521	0	0	0.0%	0	0	0	\$0.00
Downtown Kansas City	408	27,416,296	3,998,891	4,132,092	15.1%	7,100	0	0	\$18.04
East Jackson County	603	7,703,432	937,541	953,575	12.4%	701	0	0	\$15.12
Kansas City, KS	198	3,433,797	276,404	276,404	8.0%	(26,484)	0	0	\$15.49
Midtown	345	9,107,408	1,145,909	1,154,057	12.7%	(19,454)	0	220,000	\$20.17
North Johnson County	541	11,097,771	1,157,327	1,158,267	10.4%	96,939	0	0	\$17.15
North of the River	431	8,929,777	1,401,130	1,417,319	15.9%	(20,964)	0	0	\$16.26
South Johnson County	687	26,498,577	3,519,852	3,854,126	14.5%	(27,552)	4,480	71,126	\$20.64
South Kansas City	173	6,725,023	1,111,201	1,113,208	17.7%	(22,888)	0	0	\$16.42
Southeast Jackson County	192	2,743,191	313,457	315,968	11.5%	(11,158)	0	0	\$15.51
<b>TOTALS</b>	<b>3,586</b>	<b>103,694,569</b>	<b>13,866,712</b>	<b>14,380,016</b>	<b>13.9%</b>	<b>(23,760)</b>	<b>4,480</b>	<b>291,126</b>	<b>\$18.34</b>

Source: CoStar Property ©



South Johnson County  
12980 Foster



Downtown Kansas City  
929 Walnut

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## CLASS B SUBMARKET STATISTICS

First Quarter 2010

MARKET	EXISTING INVENTORY		VACANCY			YTD NET Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Buildings	Total RBA	Direct SF	Total SF	Vac %				
Bates County	2	14,255	5,000	5,000	35.1%	0	0	0	\$13.91
Brookside	7	225,578	109,812	109,812	48.7%	(14,549)	0	0	\$15.00
Caldwell County	0	0	0	0	0.0%	0	0	0	\$0.00
Central Business District	119	10,231,191	1,366,871	1,405,636	13.7%	5,750	0	0	\$16.32
College Blvd	231	12,842,100	1,591,728	1,612,492	12.6%	(20,937)	0	5,400	\$19.08
Country Club Plaza	58	2,502,195	319,217	321,773	12.9%	(2,991)	0	0	\$23.79
Crown Center	22	2,746,808	123,260	123,260	4.5%	0	0	0	\$17.11
Downtown Kansas City KS	19	671,331	79,259	79,259	11.8%	(6,289)	0	0	\$13.97
East Jackson County	182	2,401,094	300,813	300,813	12.5%	4,541	0	0	\$17.14
Freight House District	37	975,927	190,213	193,636	19.8%	1,348	0	0	\$16.09
Kansas City, KS	43	792,812	59,518	59,518	7.5%	(4,297)	0	0	\$18.68
Kansas City, MO	44	1,725,132	190,675	190,675	11.1%	(11,410)	0	0	\$15.13
Midtown	82	2,018,336	171,158	171,158	8.5%	(1,586)	0	0	\$14.99
North of the River	231	5,836,083	1,061,372	1,065,161	18.2%	(17,621)	0	0	\$16.64
Northeast Johnson County	157	5,831,229	586,743	587,683	10.1%	52,093	0	0	\$16.88
Northwest Johnson County	99	2,093,288	205,261	205,261	9.8%	(3,103)	0	0	\$17.97
South Johnson County	202	4,745,550	496,508	592,634	12.5%	45,243	4,480	0	\$19.93
South Kansas City, MO	39	1,791,506	169,406	170,306	9.5%	(5,886)	0	0	\$17.03
Southeast Jackson County	85	1,947,853	222,699	225,210	11.6%	(5,386)	0	0	\$15.22
Ward Parkway	42	1,695,173	219,726	220,833	13.0%	(12,117)	0	0	\$17.19
West Bottoms	19	778,976	33,242	33,242	4.3%	2,700	0	0	\$14.94
<b>TOTALS</b>	<b>1,720</b>	<b>61,868,417</b>	<b>7,502,481</b>	<b>7,673,362</b>	<b>12.4%</b>	<b>5,503</b>	<b>4,480</b>	<b>5,400</b>	<b>\$17.55</b>

Source: CoStar Property ©

Freight House District  
Candle Building

## TOTAL OFFICE SUBMARKET STATISTICS

First Quarter 2010

MARKET	EXISTING INVENTORY		VACANCY			YTD NET Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Buildings	Total RBA	Direct SF	Total SF	Vac %				
Bates County	7	33,776	5,000	5,000	14.8%	0	0	0	\$13.91
Brookside	31	625,280	214,192	214,192	34.3%	(9,465)	0	0	\$14.10
Caldwell County	1	5,521	0	0	0.0%	0	0	0	\$0.00
Central Business District	202	18,166,917	3,037,325	3,134,814	17.3%	20,481	0	0	\$18.55
College Blvd	340	19,568,843	2,833,517	2,886,665	14.8%	(70,616)	0	71,126	\$20.74
Country Club Plaza	98	4,635,844	607,365	615,513	13.3%	(8,553)	0	220,000	\$24.16
Crown Center	60	6,044,167	559,632	587,521	9.7%	(3,861)	0	0	\$17.94
Downtown Kansas City KS	55	1,648,110	140,459	140,459	8.5%	(10,881)	0	0	\$13.81
East Jackson County	506	5,160,435	666,018	702,052	13.6%	9,921	0	0	\$15.48
Freight House District	100	1,791,621	307,744	315,567	17.6%	(12,220)	0	0	\$15.66
Kansas City, KS	143	1,785,687	135,945	135,945	7.6%	(15,603)	0	0	\$16.64
Kansas City, MO	97	2,542,997	251,523	251,523	9.9%	(9,220)	0	0	\$14.07
Midtown	216	3,846,284	324,352	324,352	8.4%	(1,436)	0	0	\$13.45
North of the River	431	8,929,777	1,401,130	1,417,319	15.9%	(20,964)	0	0	\$16.26
Northeast Johnson County	351	7,688,408	839,096	840,036	10.9%	125,756	0	0	\$17.01
Northwest Johnson County	190	3,409,363	318,231	318,231	9.3%	(28,817)	0	0	\$17.75
South Johnson County	347	6,929,734	686,335	967,461	14.0%	43,064	4,480	0	\$20.28
South Kansas City, MO	92	3,157,254	676,381	677,281	21.5%	(6,903)	0	0	\$15.98
Southeast Jackson County	192	2,743,191	313,457	315,968	11.5%	(11,158)	0	0	\$15.51
Ward Parkway	81	3,117,769	434,820	435,927	14.0%	(15,985)	0	0	\$16.88
West Bottoms	46	1,413,591	94,190	94,190	6.7%	2,700	0	0	\$13.80
<b>TOTALS</b>	<b>3,586</b>	<b>103,244,569</b>	<b>13,866,712</b>	<b>14,380,016</b>	<b>13.9%</b>	<b>(23,760)</b>	<b>4,480</b>	<b>291,126</b>	<b>\$18.34</b>

Source: CoStar Property ©

Kansas City  
9237 Ward Parkway



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## SELECT TOP OFFICE LEASES

Based on Leased Square Footage For Deals Signed in 2010

	BUILDING	SUBMARKET	SF	QTR	TENANT NAME
1	US Dept of Transportation*	Central Business District (CBD)	204,605	1st	Federal Aviation Administration
2	High Tech Institution Building*	Ward Parkway	35,500	1st	High Tech Institute Inc.
3	Travelers St. Paul	College Blvd	31,104	1st	General Services Administration
4	8001 College Office Building*	College Blvd	26,592	1st	Baker University
5	Park Central Plaza II*	Country Club Plaza	25,234	1st	Wagstaff & Cartmell, LLP
6	Park Place	College Blvd	25,000	1st	RPS Financial Group, Inc.
7	10 Cambridge Place*	Kansas City, KS	19,439	1st	Coffeyville Resources, LLC
8	Broadmoor Place	Northeast Johnson County	17,404	1st	N/A
9	Plaza West Office Building*	Country Club Plaza	16,925	1st	Slagle, Bernard & Gorman
10	US Central Credit Union Inc.	Northwest Johnson County	16,000	1st	N/A
11	Corporate Woods 51	College Blvd	15,783	1st	N/A
12	Rosana Square	College Blvd	14,000	1st	Regent Asset Management Solutions
13	Two Pershing Square	Crown Center	12,764	1st	Kansas City Metro Bar Association
14	One Main Plaza	Country Club Plaza	11,200	1st	Frontier Wealth Management, LLC
15	2345 Tower	Crown Center	10,787	1st	Federal Deposit Insurance Corporation
16	Cliffside Professional	East Jackson County	9,401	1st	Independence Pediatrics, P.C.
17	Southcreek VII*	South Johnson County	8,557	1st	Digital Ally
18	Southcreek XVII	South Johnson County	8,359	1st	Future Wei
19	Financial Plaza III	College Blvd	6,936	1st	N/A
20	Town Pavilion*	CBD	6,335	1st	The Cordish Companies
21	Corporate Woods 84	College Blvd	5,848	1st	N/A
22	Becker	College Blvd	5,834	1st	N/A
23	Corporate Woods 84	College Blvd	5,768	1st	N/A
24	Southcreek XII	South Johnson County	5,643	1st	Stephens and Associates
25	Georgetown Medical Building	Northeast Johnson County	5,627	1st	SMMC Specialty Clinic
26	Corporate Woods 84	College Blvd	5,564	1st	N/A
27	Corporate Woods 84	College Blvd	5,564	1st	N/A
28	Judicial Square	CBD	5,235	1st	Ecco Select
29	Corporate Woods 40	College Blvd	5,028	1st	N/A
30	8675 College Boulevard	College Blvd	5,000	1st	N/A
31	Tuileries Plaza - Building 13	North of the River	4,842	1st	N/A
32	Plaza West Office Building*	Country Club Plaza	4,838	1st	Moore, Hennessy & Freeman, P.C.
33	Corporate Woods 84	College Blvd	4,836	1st	N/A
34	Legacy Ridge Corporate Centre	Southeast Jackson County	4,245	1st	Safetran
35	Highlands Corporate Campus I	College Blvd	3,448	1st	N/A
36	One Hallbrook Place	College Blvd	3,295	1st	Family Enterprise Company
37	Fairway Corporate Center	Northeast Johnson County	3,293	1st	CRST Logistics
38	Eastport Office Condo - Building 1	East Jackson County	3,167	1st	CES, Inc.
39	14812 W 117th Street	College Blvd	3,000	1st	Sales Focus Inc.
40	Cedar Creek Building V	South Johnson County	2,868	1st	Integrated Medical

Source: CoStar Property ©

\*Renewal



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## NET ABSORPTION

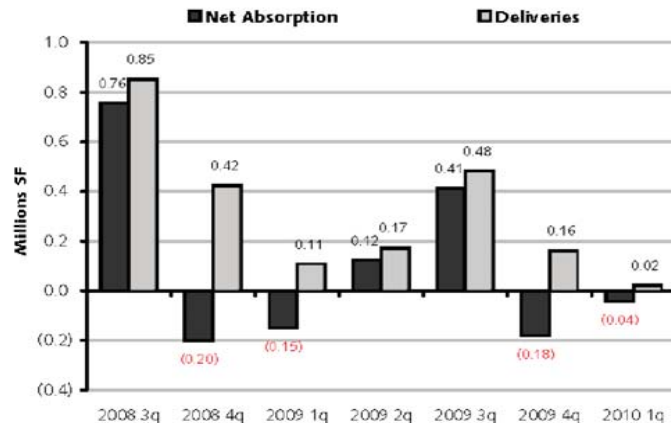
Retail net absorption was basically flat in Kansas City first quarter 2010, with negative (41,468) square feet absorbed in the quarter. In fourth quarter 2009, net absorption was negative (180,483) square feet, while in third quarter 2009, absorption came in at positive 412,903 square feet. In second quarter 2009, positive 124,239 square feet was absorbed in the market.

Some of the notable move out's in 2010 include: Randy Reed Auto Dealership moving out of 40,000 square feet at 10 NW Barry Rd; Outback Steakhouse moving out of 6,163 square feet at 6870 Johnson Dr.; and Bob Evans moving out of 5,188 square feet at 8932 Hillcrest Rd.

Some of the notable move in's for 2010 include: Hobby Lobby moving into 55,000 square feet at 4330 Bass Pro Dr.; Nuts & Bolts moving into 30,830 square feet at Shannon Valley; Golfsmith moving into 28,000 square feet at 12020 Metcalf Ave. and Walgreens moving into 14,820 square feet at 8771 W 95th St.

## ABSORPTION & DELIVERIES

Past Seven Quarters



Source: CoStar Property\*

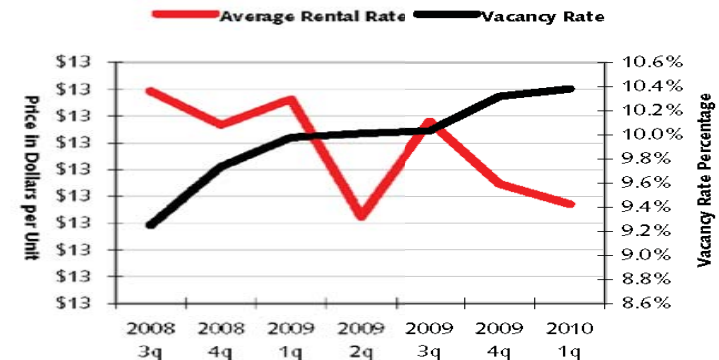
## VACANCY

Kansas City's retail vacancy rate increased in the first quarter 2010, ending the quarter at 10.4%. Over the past four quarters, the market has seen an overall increase in the vacancy rate, with the rate going from 10.0% in the second quarter 2009, to 10.0% at the end of the third quarter 2009, 10.3% at the end of the fourth quarter 2009, to 10.4% in the current quarter.

The amount of vacant sublease space in the Kansas City market has trended down over the past four quarters. At the end of the second quarter 2009, there were 377,176 square feet of vacant sublease space. Currently, there are 272,486 square feet vacant in the market.

## US VACANCY COMPARISON

Past Seven Quarters



Source: CoStar Property\*

## NOTABLE LEASE SIGNINGS

Some of the lease signings occurring in 2010 included: the 61,132-square-foot renewal signed by Price Chopper at Brywood Centre; the 30,830-square-foot-deal signed by Nuts & Bolts at Shannon Valley; and the 30,000-square-foot-lease signed by Marshall's at State Line Station.



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## RENTAL RATES

Average quoted asking rental rates in the Kansas City retail market are down over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the first quarter 2010 at \$13.14 per square foot per year. That compares to \$13.17 per square foot in the fourth quarter 2009, and \$13.11 per square foot at the end of the second quarter 2009. This rep-represents a 0.2% decrease in rental rates in the current quarter, and a 0.23% increase from four quarters ago.

## INVENTORY & CONSTRUCTION

During the first quarter 2010, three buildings totaling 23,313 square feet were completed in the Kansas City retail market. Over the past four quarters, a total of 841,651 square feet of retail space has been built in Kansas City. In addition to the current quarter, six buildings with 161,466 square feet were completed in fourth quarter 2009, 18 buildings totaling 483,087 square feet completed in third quarter 2009, and 173,785 square feet in nine buildings completed in second quarter 2009.

There were 295,688 square feet of retail space under construction at the end of the first quarter 2010.

Some of the notable 2010 deliveries include: Market Square Center, a 11,912-square-foot facility that delivered in first quarter 2010 and is now 84% occupied, and 801 NE Coronado Dr, a 7,441-square-foot building that delivered in first quarter 2010 and is now 100% occupied.

Total retail inventory in the Kansas City market area amounted to 100,594,334 square feet in 5,521 buildings and 738 centers as of the end of the first quarter 2010.

## SHOPPING CENTERS

The Shopping Center market in Kansas City currently consists of 693 projects with 40,142,297 square feet of retail space in 1,457 buildings. In this report the Shopping Center market is comprised of all Community Center, Neighborhood Center, and Strip Centers.

After absorbing 99,724 square feet and delivering 11,912 square feet in the current quarter, the Shopping Center sector saw the vacancy rate go from 13.9% at the end of the fourth quarter 2009 to 13.7% this quarter.

Over the past four quarters, the Shopping Center vacancy rate has gone from 13.5% at the end of the second quarter 2009, to 13.2% at the end of the third quarter 2009, to 13.9% at the end of the fourth quarter 2009, and finally to 13.7% at the end of the current quarter.

Rental rates ended the first quarter 2010 at \$12.04 per square foot, down from the \$12.14 they were at the end of fourth quarter 2009. Rental rates have trended down over the past year, going from \$13.16 per square foot a year ago to their current levels. Net absorption in the Shopping Center sector has totaled (23,462) square feet over the past four quarters. In addition to the positive 99,724 square feet absorbed this quarter, negative (287,162) square feet was absorbed in the fourth quarter 2009, positive 198,709 square feet was absorbed in the third quarter 2009, and negative (34,733) square feet was absorbed in the second quarter 2009.

## POWER CENTERS

The Power Center average vacancy rate was 6.7% in the first quarter 2010. With positive 4,229 square feet of net absorption and 7,441 square feet in new deliveries, the vacancy rate went from 6.7% at the end of last quarter to 6.7% at the end of the first quarter.

In the fourth quarter 2009, Power Centers absorbed positive 44,897 square feet, delivered 6,375 square feet, and the vacancy rate went from 7.1% to 6.7% over the course of the quarter. Rental started the quarter at \$17.45 per square foot and ended the quarter at \$17.41 per square foot.

A year ago, in first quarter 2009, the vacancy rate was 6.0%. Over the past four quarters, Power Centers have absorbed a cumulative (41,854) square feet of space and delivered cumulative 20,958 square feet of space. Vacant sublease space has gone from 97,484 square feet to 28,500 square feet over that time period, and rental rates have gone from \$16.02 to \$17.61.

At the end of the first quarter 2010, there were 124,015 square feet under construction in the Kansas City market. The total stock of Power Center space in Kansas City currently sits at 9,316,357 square feet in 21 centers comprised of 175 buildings.

A total of 124,015 square feet of space was under construction at the end of the first quarter 2010.



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## GENERAL RETAIL PROPERTIES

The General Retail sector of the market, which includes all freestanding retail buildings, except those contained within a center, reported a vacancy rate of 7.9% at the end of first quarter 2010. There was a total of 3,095,469 square feet vacant at that time. The General Retail sector in Kansas City currently has average rental rates of \$11.88 per square foot per year. There are 35,860 square feet of space under construction in this sector, with 3,960 square feet having been completed in the first quarter. In all, there are a total of 3,706 buildings with 39,219,458 square feet of General Retail space in Kansas City.

## SPECIALTY CENTERS

There are currently two Specialty Centers in the Kansas City market, making up 112,478 square feet of retail space. In this report the Specialty Center market is comprised of Outlet Center, Airport Retail and Theme/Festival Centers.

Specialty Centers in the Kansas City market have experienced no net absorption in 2010. The vacancy rate currently stands at 15.1%, and rental rates average \$20.00 per square foot.

## MALLS

Malls recorded net absorption of negative (35,973) square feet in the first quarter 2010. This net absorption number, combined with no new space that was built in the quarter, caused the vacancy rate to go from 10.0% a quarter ago to 10.3% at the end of the first quarter 2010. Rental rates went from \$21.88 per square foot to \$22.22 per square foot during that time. In this report, the Mall market is comprised of 22 Lifestyle Center, Regional Mall and Super Regional Malls.

## SALES ACTIVITY

Tallying retail building sales of 15,000 square feet or larger, Kansas City retail sales figures fell during the fourth quarter 2009 in terms of dollar volume compared to the third quarter of 2009.

In the fourth quarter, one retail transaction closed with a total volume of \$925,000. The one building totaled 22,468 square feet and the average price per square foot equated to \$41.17 per square foot. That compares to three transactions totaling \$8,487,500 in the third quarter 2009. The total square footage in the third quarter was 214,849 square feet for an average price per square foot of \$39.50.

Total retail center sales activity in 2009 was down compared to 2008. In the twelve months of 2009, the market saw seven retail sales transactions with a total volume of \$65,512,500. The price per square foot averaged \$39.79. In the same twelve months of 2008, the market posted 21 transactions with a total volume of \$113,834,723. The price per square foot averaged \$51.75.

Cap rates have been higher in 2009, averaging 8.15% compared to the same period in 2008 when they averaged 7.92%. One of the largest transactions that has occurred within the last four quarters in the Kansas City market is the sale of Ward Parkway Center in Kansas City. This 610,430-square-foot retail center sold for \$33,500,000, or \$54.88 per square foot. The property sold on 3/26/2009.





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## SHOPPING CENTER MARKET STATISTICS

First Quarter 2010

MARKET	EXISTING INVENTORY		VACANCY			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Centers	Total GLA	Direct SF	Total SF	Vac %				
Bates County	3	23,700	0	0	0.0%	0	0	0	\$0.00
Caldwell County	0	0	0	0	0.0%	0	0	0	\$0.00
Downtown	3	343,778	21,031	21,031	6.1%	0	0	0	\$16.00
East Jackson County	153	7,458,243	1,102,512	1,102,512	14.8%	41,270	0	98,591	\$9.58
Kansas City KS	48	2,213,442	321,757	339,470	15.3%	91,414	0	0	\$9.21
Linn County	1	0	0	0	0.0%	0	0	0	\$0.00
Midtown	19	458,293	75,005	75,005	16.4%	(1,388)	0	0	\$13.83
North Johnson County	122	7,251,122	1,053,410	1,139,689	15.7%	5,217	0	0	\$11.45
North of the River	133	7,441,425	759,565	759,565	10.2%	(2,040)	0	0	\$13.74
South Johnson County	121	8,623,419	1,157,360	1,167,360	13.5%	(25,564)	11,912	0	\$15.01
South KC	51	3,409,114	613,759	682,659	20.0%	4,281	0	0	\$9.89
Southeast Jackson County	39	2,919,761	195,655	206,434	7.1%	(13,466)	0	0	\$12.86
<b>TOTALS</b>	<b>693</b>	<b>40,142,297</b>	<b>5,300,054</b>	<b>5,493,725</b>	<b>13.7%</b>	<b>99,724</b>	<b>11,912</b>	<b>98,591</b>	<b>\$12.04</b>

Source: CoStar Property ©

## TOTAL RETAIL MARKET STATISTICS

First Quarter 2010

MARKET	EXISTING INVENTORY		VACANCY			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Buildings	Total GLA	Direct SF	Total SF	Vac %				
Bates County	30	170,941	0	0	0.0%	0	0	0	\$2.50
Caldwell County	8	42,314	0	0	0.0%	0	0	0	\$0.00
Downtown	366	7,202,449	547,771	549,666	7.6%	12,834	0	0	\$13.60
East Jackson County	1,205	16,957,938	2,007,444	2,056,094	12.1%	35,181	7,441	222,606	\$9.80
Kansas City KS	592	8,982,676	915,704	953,827	10.6%	88,102	0	35,860	\$12.17
Linn County	9	26,144	0	0	0.0%	0	0	0	\$0.00
Midtown	378	4,490,018	486,690	486,690	10.8%	11,395	0	0	\$19.59
North Johnson County	727	15,871,048	1,515,058	1,609,197	10.1%	(57,805)	0	37,222	\$12.15
North of the River	729	15,990,704	1,528,754	1,528,754	9.6%	(76,495)	0	0	\$13.58
South Johnson County	827	17,710,495	1,623,716	1,633,716	9.2%	(34,390)	11,912	0	\$16.04
South KC	365	8,210,810	1,165,646	1,234,546	15.0%	2,714	0	0	\$11.42
Southeast Jackson County	285	4,938,797	379,690	390,469	7.9%	(23,004)	3,960	0	\$19.07
<b>TOTALS</b>	<b>5,521</b>	<b>100,594,334</b>	<b>10,170,473</b>	<b>10,442,959</b>	<b>10.4%</b>	<b>(41,468)</b>	<b>23,313</b>	<b>295,688</b>	<b>\$13.14</b>

Source: CoStar Property ©

## GENERAL RETAIL SUBMARKET STATISTICS

First Quarter 2010

MARKET	EXISTING INVENTORY		VACANCY			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Buildings	Total GLA	Direct SF	Total SF	Vac %				
Bates County	27	147,241	0	0	0.0%	0	0	0	\$2.50
Brookside	18	113,475	12,921	12,921	11.4%	0	0	0	\$14.66
Caldwell County	8	42,314	0	0	0.0%	0	0	0	\$0.00
CBD	155	5,091,838	376,218	376,218	7.4%	10,903	0	0	\$22.15
College Blvd	65	1,091,097	71,297	71,297	6.5%	(3,186)	0	0	\$15.11
Country Club Plaza	68	633,629	20,440	20,440	3.2%	3,660	0	0	\$24.47
Crown Center	22	401,721	40,082	40,082	10.0%	5,500	0	0	\$6.00
Downtown Kansas City, KS	126	685,375	55,035	55,035	8.0%	(5,736)	0	0	\$6.69
East Jackson County	656	4,466,490	534,615	554,765	12.4%	(19,400)	0	0	\$9.02
Freight House District	114	878,488	95,890	97,785	11.1%	(5,469)	0	0	\$11.78
Kansas City KS	373	4,595,284	132,576	132,576	2.9%	2,424	0	35,860	\$15.58
Kansas City MO	220	1,244,695	175,583	175,583	14.1%	5,998	0	0	\$9.84
Linn County	8	26,144	0	0	0.0%	0	0	0	\$0.00
Midtown	228	2,129,441	329,965	329,965	15.5%	(8,733)	0	0	\$12.90
North of the River	379	3,820,888	379,982	379,982	9.9%	(72,355)	0	0	\$11.59
Northeast Johnson County	234	2,365,287	124,933	132,793	5.6%	(14,473)	0	0	\$15.49
Northwest Johnson County	185	2,228,040	156,398	156,398	7.0%	(5,568)	0	0	\$10.66
South Johnson County	330	4,297,782	189,394	189,394	4.4%	4,792	0	0	\$13.79
South Kansas City, MO	155	2,282,483	171,597	171,597	7.5%	2,261	0	0	\$11.87
Southeast Jackson County	185	1,525,894	71,173	71,173	4.7%	(9,538)	3,960	0	\$16.72
Ward Parkway	84	665,228	112,915	112,915	17.0%	(2,428)	0	0	\$13.18
West Bottoms	66	486,624	14,550	14,550	3.0%	1,900	0	0	\$12.47
<b>TOTALS</b>	<b>3,706</b>	<b>39,219,458</b>	<b>3,065,564</b>	<b>3,095,469</b>	<b>7.9%</b>	<b>(109,448)</b>	<b>3,960</b>	<b>35,860</b>	<b>\$11.88</b>

Source: CoStar Property ©



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## SELECT TOP RETAIL LEASES

Based on Leased Square Footage For Deals Signed in 2010

BUILDING	SUBMARKET	SF	QTR	TENANT NAME	
1	Brywood Centre*	East Jackson County	61,132	1st	Price Chopper
2	Shannon Valley	College Blvd	30,830	1st	Nuts & Bolts
3	State Line Station	South Kansas City MO	30,000	1st	Marshall's
4	1311 E Santa Fe St	South Johnson County	25,000	1st	N/A
5	West Market Shopping Center	South Johnson County	10,148	1st	Brown Bag Liquors
6	Mission Farms East	College Blvd	7,800	1st	N/A
7	8101 N. Oak Tfwy	North of the River	7,600	1st	N/A
8	Stateline Center	Ward Parkway	6,957	1st	N/A
9	Former Amor DeBrazil Steak House	South Johnson County	6,778	1st	JoyWok
10	Olathe Landing Shopping Center	South Johnson County	6,464	1st	Olathe Beauty
11	Southside Plaza Shopping Center*	Southeast Jackson County	6,158	1st	Jumpin Catfish, Inc.
12	10512 S Ridgeview Rd	South Johnson County	6,000	1st	Zepi's Pizza & Pub
13	Chapel Ridge Retail Center	East Jackson County	5,778	1st	N/A
14	Overland Park Marketplace	South Johnson County	5,500	1st	Salty Iguana Mexican Restaurant
15	Raintree Village	Southeast Jackson County	5,461	1st	N/A
16	Quivira Crossing Shopping Center	South Johnson County	5,000	1st	N/A
17	4335 NW Gateway Ave	North of the River	4,800	1st	N/A
18	14905 W 119th St	South Johnson County	4,730	1st	Five Guys Famous Burger & Fries
19	6925 W 151st St	South Johnson County	4,605	1st	Life Centers of Kansas LLC
20	417 N Rawhide Dr	South Johnson County	4,296	1st	N/A
21	8147 N Oak Tfwy	North of the River	4,200	1st	Safelite Autoglass
22	Former O'Reilly Automotive	South Kansas City MO	4,050	1st	Main Street Guns, Milk & Liquor
23	Price Chopper	Southeast Jackson County	3,934	1st	Catholic Charities
24	1503 Main St	South Kansas City MO	3,774	1st	UPS Store
25	Olathe Station Shopping Center	South Johnson County	3,600	1st	N/A
26	Shawnee Village Shopping Center	Northwest Johnson County	3,600	1st	N/A
27	1121 NE Rice Rd	Southeast Jackson County	3,500	1st	N/A
28	LaPaloma Shopping Center	South Johnson County	3,407	1st	Napoleon Bakery
29	Coin-Op Laundry	East Jackson County	3,400	1st	Plan B Inc.
30	16070 Metcalf Ave	South Johnson County	3,322	1st	N/A
31	Suites 130-210	South Kansas City MO	3,155	1st	Uniforms & More
32	7815 Wornall Rd	Ward Parkway	3,100	1st	N/A
33	6401 N Prospect Ave	North of the River	3,028	1st	On a Wing and a Prayer
34	590 NW Murray Rd	Southeast Jackson County	3,000	1st	AAA
35	3601 S Noland Rd	East Jackson County	2,700	1st	Boost Mobile
36	Linwood Plaza	Midtown	2,500	1st	Main Smoke Shop
37	Colonnade Shopping Center*	East Jackson County	3,400	1st	Apollo Products, Inc.
38	Oak Park Mall	Northwest Johnson County	2,399	1st	Nicholas Luggage & Gifts

Source: CoStar Property ©

\*Renewal



# Real Estate Services

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## Brokerage Services

RED Brokerage offers a wide range of brokerage services including office, retail, restaurant, land, multi-family and mixed-use. This range indicates our ability to develop, redevelop and lease a wide variety of uses in diverse locations. We tackle our projects with creativity, knowledge and enthusiasm, with an eye toward always doing what is best for our clients. Our team approach ensures the best input and coverage to get the job done.

## Tenant Representation

RED Brokerage is an experienced and reliable tenant representative and corporate real estate advisor. Our core strengths include problem solving and transaction structuring supported by our construction and legal departments. Our services include site selection, marketing, market analysis, space planning, transactions and lease negotiations. Our philosophy and attitude toward our work is one of high energy and focus. Whether we're assisting a local or national client seeking the right location or handling a unique property assignment, RED Brokerage listens to clients and addresses their particular needs with honesty, expertise, action and results.

## Landlord Representation

With the increasing economic challenges for property owners today, our team offers strong analytical capabilities and a full understanding of investment criteria, leasing objectives, building operations and, most importantly, tenant retention. Whether representing a single property or

several, RED Brokerage serves as the owner's agent, creating a comprehensive strategy to maximize value, operational objectives as well as budgetary and business constraints. Our services include strategic planning, marketing, property positioning, site selection, transaction management, negotiation, leasing and property management.

## Asset Management

RED Asset Management, Inc., (RAM), oversees all facets of the property management process for RED's existing and future property portfolio. By handling this important operational responsibility itself, RED is more actively involved in daily operations; creates processes and procedures relevant to each property, tenant and investor; actively engages on-site employees; and maintains strong relationships with our tenants throughout the life of a project which is key to ongoing success in the industry.

## Financial Advisory/Consulting Services

RED Capital and Advisory (REDCA) is a consulting arm of RED headed up by an experienced team of professionals assisting entrepreneurs with their growing businesses. REDCA provides numerous advisory/consultative services such as assisting with business plans, organizational structure, Small Business Association (SBA) loans, financing and dealing with growth and expansion issues.