

# MARKET OVERVIEW

FORECAST  
2001

**F**orecast 2001 is the eleventh annual review of the Wichita real estate market published by J.P. Weigand & Sons, Inc. Over the years, the Forecast has become a valuable resource for professionals in real estate and related businesses, and is now sent to over 2,000 people around the country. The comprehensive data included in the Forecast is a result of extensive survey results from landlords, property managers, and leasing agents for every property larger than 10,000 sq. ft. in the area. We appreciate their support because the publication wouldn't be possible without it. J.P. Weigand & Sons, Inc. is proud to be able to provide you with this information, and hope it is useful for you in evaluating the dynamics of the real estate market in the metropolitan Wichita area.



# MARKET OVERVIEW



It was another prosperous year for the Wichita economy in 2000. According to the Kansas Department of Human Resources nonfarm wage and salary employment increased by 1,800 jobs from December 1999 to December 2000. More than half of the new jobs were in the manufacturing sector, as the area's general aviation manufacturers picked up the slack created by a down year for employment at Boeing. This continued a trend that began in the early 1990s. According to U.S. Census Bureau information, Wichita was in the top third, fastest

growing metropolitan areas in the country during the 90s. Again, most of this growth came from people moving to the area because of high paying jobs. Seventeen thousand "high skill" jobs were added in the late 90s, most of them in general aviation manufacturing.

This period of employment has triggered new commercial developments throughout the metropolitan area. National retailers have come to Wichita in force to establish a presence in the market, and local retailers have also expanded their businesses. New retail developments have been well received and more are being planned. Industrial users have built new buildings to keep up with the demand for

modern, high tech facilities. New business parks have been announced to meet the need for well-located industrial land. Suburban office complexes have been built to satisfy the desire by businesses for modern offices with door-side parking in non-traditional office settings.

We believe 2001 will be another good year for the Wichita economy. Boeing has announced plans to add jobs during the year, and the general aviation manufacturers are anticipating their businesses will stay strong as well. New and expanding businesses such as VoiceStream, Von Maur, and Walgreens will be hiring new employees. The construction industry will also be very active in 2001. In addition to construction demands in the private sector, work will begin on the \$285 million bond issue for USD 259, and will continue on the Kellogg expansion project. All of this is good news for those of us who work in the area and are proud to call Wichita home.



## WAGE & SALARY EMPLOYMENT

	All Industries	Mfg.	Services
'95	255,800	57,100	69,500
'96	264,500	62,100	70,900
'97	281,300	72,300	74,000
'98	286,000	74,200	74,800
'99	287,000	72,100	77,000
'00	288,800	73,100	72,300

## WICHITA MSA

(Butler, Harvey, Sedgwick Counties)

	TOTAL CIVILIAN		UNEMPLOYED	
	Labor Force	Employed	Number	Rate
'95	262,462	250,071	12,391	4.7
'96	266,977	255,439	11,538	4.3
'97	282,834	275,177	9,654	3.5
'98	288,146	279,310	8,836	3.1
'99	292,558	282,099	10,459	3.6
'00	291,982	282,247	9,735	3.3

The Weigand survey of multi-tenant properties includes properties in excess of 5,000 square feet. However, results are only reported on buildings of more than 10,000 square feet. Some older, vacant buildings weren't included because their future usage is unknown.

Rental (lease) rates are weighted averages of quoted or asking rents and do not reflect rates actually paid for leased space. Office rates are quoted "full service" while retail are "net" and industrial are "gross". Data may not be directly comparable to that presented in previous "Forecasts".

The quadrant dividing lines are Broadway Avenue

east and west, and Douglas Avenue north and south. The Central Business District is defined as that area bounded by Seneca, Hydraulic, Kellogg, and Murdock.

All information contained in this document is from sources deemed reliable, but no guarantee is made or responsibility assumed as to its accuracy or completeness.

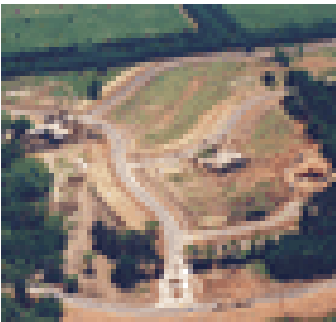
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# RESIDENTIAL



## TRENDS

- As anticipated, the residential market softened in 2000. After three years of increased sales, the number of houses sold decreased eight percent to 8,784. The average sales price also dropped slightly to \$103,829. This was the first time in the last nine years that the average sales price of homes didn't increase. The slowdown in the market was attributable, in large part, to an over supply of homes priced above \$200,000. Fortunately, the market for homes priced below \$200,000 has remained relatively strong.



- The pattern of sales was more evenly distributed in 2000 than in previous years. The Northwest quadrant again had the highest percentage of sales at 27.7 percent. Sales in the Southeast and Northeast quadrants weren't far behind at 20.8 percent and 19.8 percent respectively. The highest average sales price was \$135,805 in the Northeast quadrant.

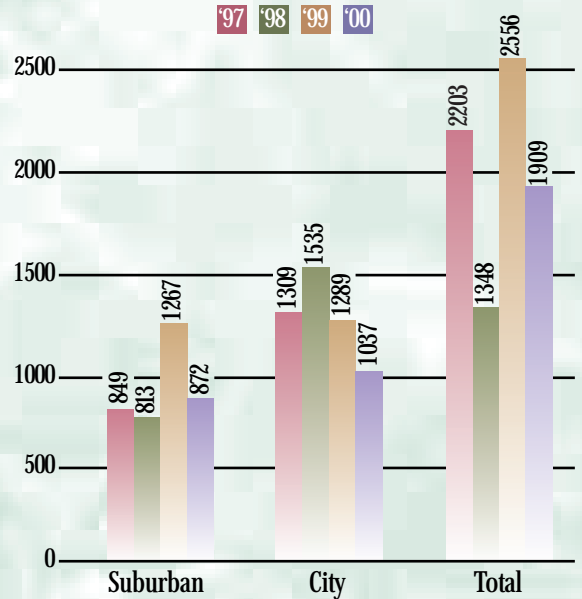
## NEW CONSTRUCTION

- The number of housing starts dropped by 25% in the metropolitan area during 2000. Goddard was the only city that saw an increase over the previous year. The 1,037 housing starts in Wichita were the fewest in the past five years. The number of permits issued for new home construction was lower than any year in the past decade.

## PLATTING ACTIVITY

- Platting activity for new residential lots actually increased by 17 percent last year. The 1,170 residential lots platted is still substantially lower, however, than the record 2,266 lots platted in 1998. Three new subdivisions with more than 100 lots were platted in 2000 compared with two in 1999. Two of the three larger subdivisions are in the far west side of the city while the third is in the far Southeast. With an ample supply of residential lots available, it is anticipated that new development activity will stay slow throughout 2001.

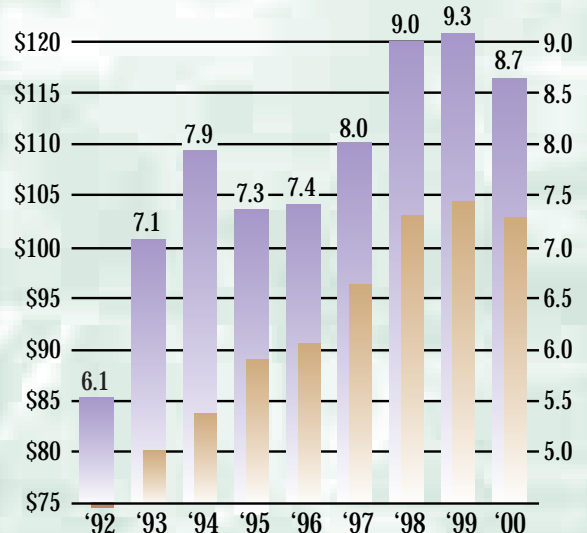
## SINGLE FAMILY HOME STARTS



## RESIDENTIAL SALES

(in Thousands)

Unit Sales Avg. Sales Price



# MULTI-FAMILY

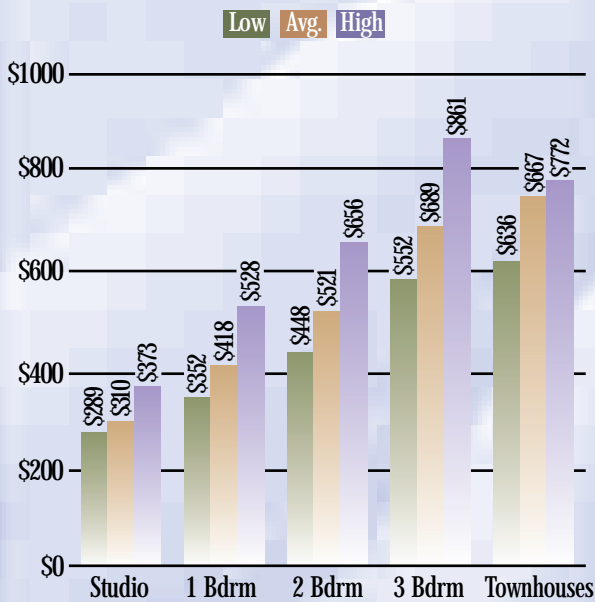


## MULTI-FAMILY

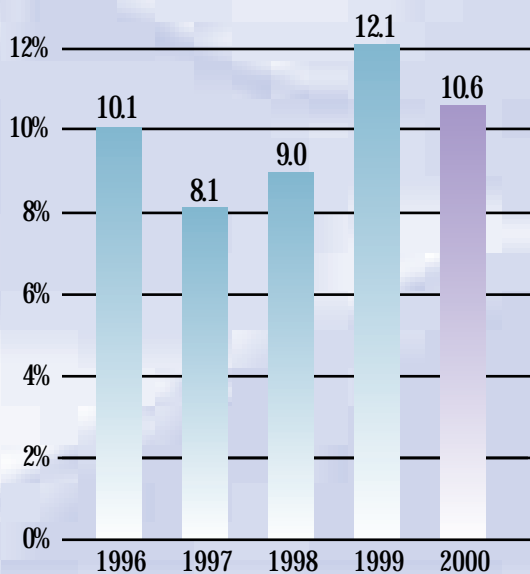
• The multi-family market had another soft year in 2000. Landlords are having to work hard to fill vacancies created by the large volume of units added to the market in the past three years. To some extent, they were successful, as the vacancy rate for



### APARTMENT RENTS



### APARTMENT VACANCY RATES



apartments dropped to 10.6 percent from the previous year's rate of 12.1 percent. Vacancy rates dropped below 10 percent in most areas of the city with the exception of the Southwest and Northwest. It is a renter's market, with incentives being offered to new tenants while lease rates remain flat.

• No major changes are expected in the multi-family market in 2001. A slow, steady absorption of vacant space is expected and rental rates should stay within 5 percent of where they were at the end of 2000. Incentives to attract tenants will still be pervasive in the market, especially at the older complexes.

• Close to 1,000 new units came on line in 2000, bringing the total units in the market to just over 20,000.

• The new units were part of developments that were actually started in 1999. No new major complexes were started in 2000 and none are expected in 2001. Developers are delaying planned projects until the market is able to absorb enough of the existing inventory to get vacancy rates lower and lease rates up to a more profitable level.

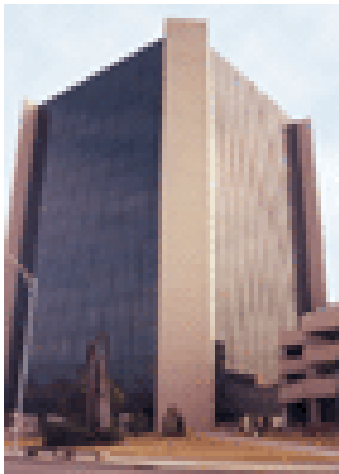
## HOSPITALITY

• Growth in the hospitality market slowed substantially in 2000. The only new hotel with more than 100 units to open was the Hilton Garden Inn at Wilson Estates. Very little additional growth is expected in 2001. The market needs time to recover from the rapid expansion in 1998 and 1999.

# OFFICE

## TRENDS

• The market improved for class A and B properties. There was positive, or at least neutral, absorption in almost every area of the city. Movement by local businesses, such as the Coleman Company to the former Thom Americas' Building, and A.G. Edwards to the former Kansas Gas Services Building, reflected the positive activity in the office market in 2000.



• Class A market makes a comeback in the CBD. After a tough year in 1999, the class A sector had an 11 percent absorption factor that reduced the vacancy rate to 10.6 percent. With the exception of the Bank of America Building, there are very few large blocks of space available.

• Class B properties continued to improve. With a 13.3 percent vacancy rate, the class B market is the healthiest it's been in a few years. The CBD showed the most significant improvement, with more than 20 percent of the available space being absorbed.

• An ample supply of office space is still available. Even with positive absorption figures, there is still a 10-year supply of class A and B space available for lease.



• Large vacancies hurt the class C sector. Several buildings in the CBD and the Southeast quadrant are either totally vacant or have large blocks of space available.

• New projects at Northrock Business Park and the Rockhill Office Park were successful. The overall pace of new construction slowed, however, as the market tried to absorb the available space.

## FORECAST

• The TriCon Building could have an impact on the market. If the new owner converts it into a multi-tenant facility, it will more than double the amount of class A space available in east Wichita.

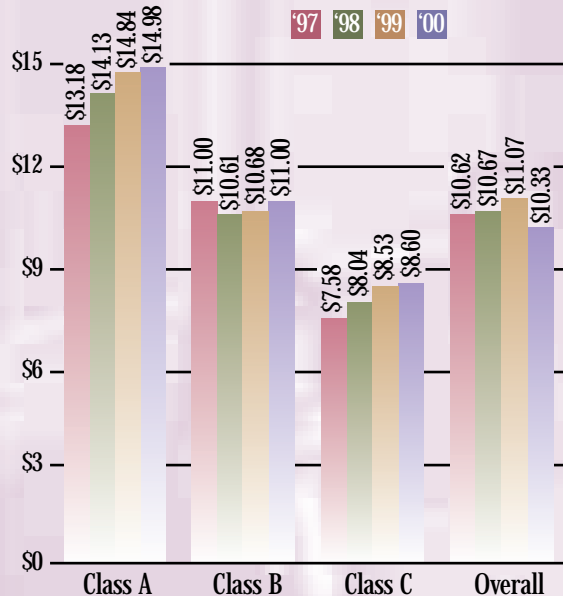
• The B market will continue to improve. New businesses in particular will be attracted to good space at reasonable rates. Positive growth in the CBD could be hurt, however, by a large amount of sublease space that is available at the Bank of America Building.

• Construction will remain slow. New projects will be in buildings less than 20,000 sq. ft. and that are at least 50 percent pre-leased.

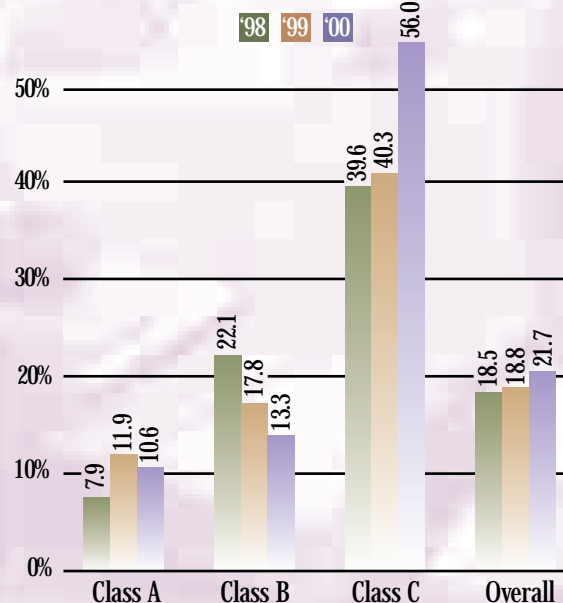
• Class C properties will continue to struggle. Those buildings with large holes to fill may need to consider alternative uses.



## OFFICE ASKING RENTAL RATES



## OFFICE VACANCY RATES

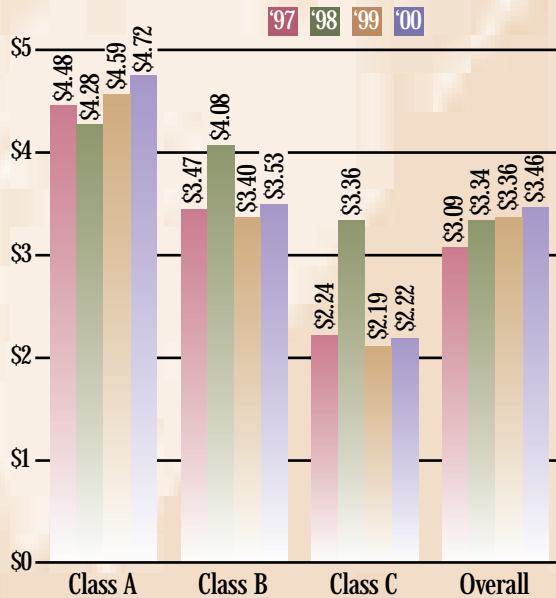


# INDUSTRIAL

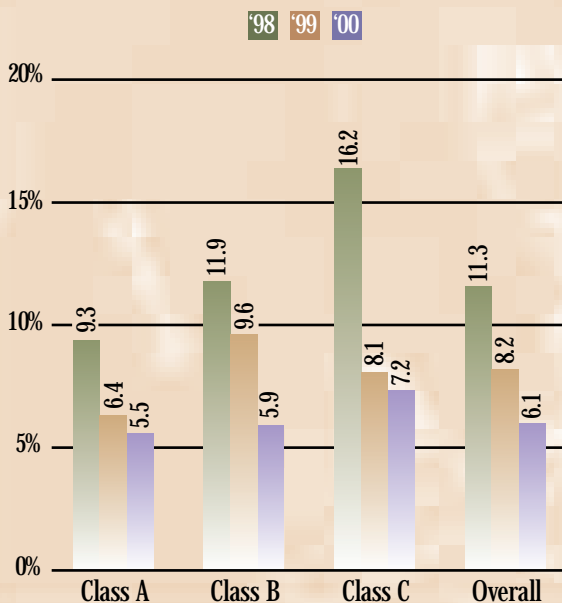


## TRENDS

### INDUSTRIAL ASKING RENTAL RATES



### INDUSTRIAL VACANCY RATES



- The industrial market was very active in 2000. Vacancies dropped below 6% in both the class A and B sectors. Asking rates showed modest increases throughout the market.

- The strong activity in the industrial market is being driven by local businesses either relocating or expanding. Manufacturers continue to make up the bulk of Wichita's industrial users.

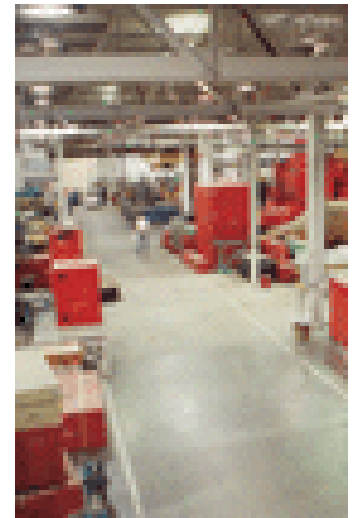
- Quality vacancies are scarce in all size ranges. The most sought after spaces are typically those in the 10,000 to 15,000 sq. ft. range.

- There is still a strong demand for office/warehouse space. Some of the new projects being developed are targeting national tenants with asking rates as high as \$11 per sq. ft.

- Land sales heat up. The lack of inventory continues to cause industrial users to buy land and build new facilities. Industrial developments are opening in new areas. Projects were completed for Chance Manufacturing, TW Metals, and Buckley Industries in Park City. This is also the site of a 200,000 sq. ft. spec facility being planned by a local developer.

- Construction costs are on the rise. The increased demand and the strength of the real estate market in general are causing construction costs to increase to \$40 to \$70 per sq. ft., depending on the type of finish.

- New developments get started. Culligan Water announced plans to build a 54,000 sq. ft. facility at the new Greenwich Business Park located at Greenwich Road and K-96 Highway. Goldsmith's broke ground on a 33,000 sq. ft. building at 37th Street North close to the K-96 exit on Rock Road.

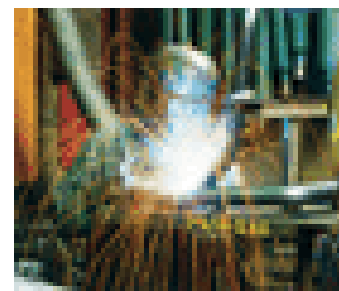


## FORECAST

- The industrial market in 2001 should be more of the same. Quality vacancies are going to be hard to find and industrial users will continue to opt to build new facilities.

- Industrial users will continue to look for sites with good access. Industrial land prices should stay in the \$1 to \$1.50 per sq. ft. range with some of the more desirable locations going for prices closer to \$2.

- Spec construction will continue to be minimal. The modest increase in rental rates isn't significant enough to create a lot of new activity by industrial developers.



# RETAIL

## TRENDS

- Another good year for retail activity. There was positive absorption of vacant space throughout the market. The vacancy rate for class A space dropped below 6 percent and for C space the number dropped below 7 percent. The B market held steady at 10.7 percent.

- Lease rates continue to increase. Average asking rates were higher in all three market classifications. The rates in the class A sector took a major jump from an average of \$14.02 to \$15.26 per sq. ft.

- Big box's continued to perform erratically. On the positive side Best Buy

vacant. More big box vacancies will occur when Montgomery Ward and ShopKo close their doors in 2001.

- Existing centers successfully attracted major tenants. In addition to Stein Mart, Towne East Mall secured a new department store, Von Maur. Bradley Fair saw the opening of two new restaurants as well as a Bed Bath and Beyond store and announced Pier 1 as a new tenant coming in March of 2001.

- Major retailers commit to new developments. New Market Square Super Center, at 21st and Maize announced agreements with several major tenants,



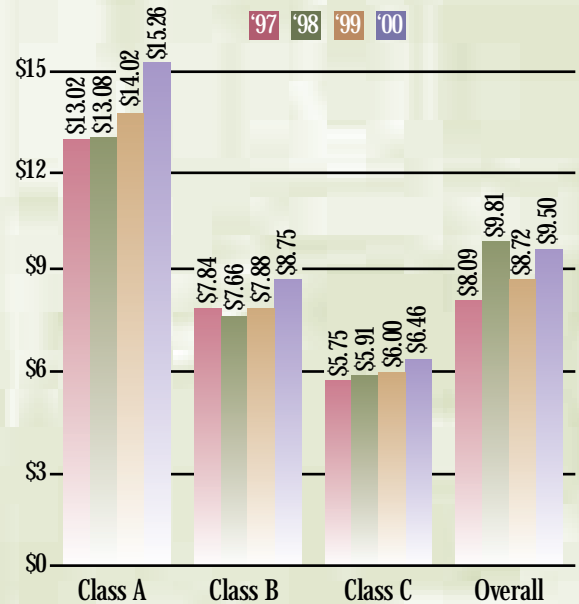
took over the former Albertson's store at 21st and Rock and Stein Mart moved into the former Service Merchandise store at the Towne East Mall. Three new tenants have committed to occupy the vacated grocery store at Cherry Creek. Burlington Coat Factory opened a new store in the former Builders Square location on West Kellogg. On the down side, the relocation of Best Buy left a vacancy at the Eastgate Center. Also, the former Builders Square location on East Kellogg as well as the former Jumbo Sports stores are still

including Wal Mart and Old Navy, which triggered ground-breaking for the new retail center.

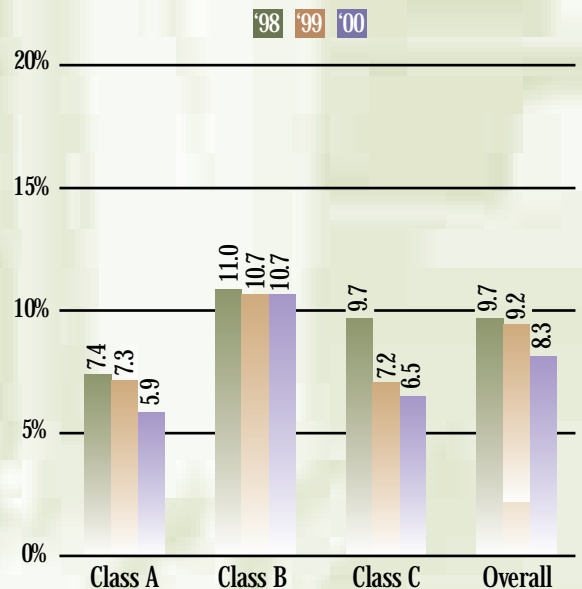
- More new retail centers are on the way. Among those announced in 2000 were new developments at Kellogg and Greenwich, Maple and Ridge Roads, and Central and 127th East. Plans were also revealed for the Plazzio Center, a 347,000 sq. ft. retail/entertainment complex at 13th and Greenwich, that will feature an upscale 12-screen theatre.



## RETAIL ASKING RENTAL RATES



## RETAIL VACANCY RATES





**FORECAST**

• 2001 will be a good year for the retail market in Wichita. National retailers are continuing to look at the market for either first or second locations. With the local economy staying healthy, local businesses will continue to expand into neighborhood centers in the market.

• Redevelopment will continue. The conversion of older mixed-use properties into retail specialty shops will be a positive part of the retail growth in the market in 2001.

• The big box market will continue to struggle. Many of the existing

properties will remain vacant and new vacancies may occur as existing tenants move to better locations.

• Development will continue to expand along the Kellogg corridor east and west, in the northwest and northeast areas, and along 47th Street South, east and west of Broadway

# SURVEY RESULTS

**OFFICE SURVEY**

Vacancy Rate - Asking Rate Sq. Ft.

Class	CBD		Northeast		Southeast		Northwest		Southwest		Totals		Inventory
Class A	10.2%	\$14.55	10.7%	\$15.90	5.8%	\$15.35	12.3%	\$13.87	40.5%	\$11.60	10.6%	\$14.98	3,477,672
Class B	15.6%	\$10.63	12.3%	\$12.57	9.5%	\$10.96	13.6%	\$ 9.85	1%	\$14.25	13.3%	\$11.00	3,513,993
Class C	65.6%	\$ 8.45	35.7%	\$ 7.34	57%	\$ 8.80	9%	\$ 6.89	9.2%	\$ 6.00	56%	\$ 8.60	1,997,169
Overall	22.7%	\$10.19	11.4%	\$14.45	35%	\$ 9.11	12.2%	\$10.89	8.3%	\$11.03	21.7%	\$10.38	8,988,834
Inventory	4,453,112		2,052,783		1,812,176		492,145		178,618		8,988,834		

**INDUSTRIAL SURVEY**

Vacancy Rate - Asking Rate Sq. Ft.

Class	CBD	Northeast		Southeast		Northwest		Southwest		Totals		Inventory	
Class A	no vacancies	7.6%	\$5.05	no vacancies		no vacancies		7.2%	\$4.41	5.5%	\$4.72	2,512,045	
Class B	27.5%	\$3.60	7.7%	\$3.59	5.6%	\$3.77	no vacancies		3.8%	\$3.12	5.9%	\$3.53	3,758,185
Class C	6.19%	\$2.72	20.2%	\$1.94	7.1%	\$3.00	no vacancies		1.5%	\$2.20	7.2%	\$2.22	2,157,558
Overall	7.00%	\$3.20	10.4%	\$3.26	4.4%	\$3.61	no vacancies		4.1%	\$3.81	6.1%	\$3.46	8,427,788
Inventory	412,517		2,559,251		1,916,530		234,600		3,304,890		8,427,788		

**RETAIL SURVEY**

Vacancy Rate - Asking Rate Sq. Ft.

Class	CDB	Northeast		Southeast		Northwest		Southwest		Totals		Inventory
Class A	n/a	4.1%	\$15.58	11.9%	\$16.28	3.7%	\$11.94	2.6%	\$12.00	5.9%	\$15.26	1,768,282
Class B	n/a	11.1%	\$ 9.26	8.8%	\$12.12	11.1%	\$ 8.14	11.9%	\$ 5.99	10.7%	\$ 8.75	3,222,293
Class C	n/a	2.7%	\$ 6.81	8.4%	\$ 6.61	7.2%	\$ 5.82	6.5%	\$ 6.91	6.5%	\$ 6.46	1,744,423
Overall	n/a	6.7%	\$10.85	9.6%	\$12.52	8.8%	\$ 7.85	8.6%	\$ 6.52	8.3%	\$ 9.50	6,734,998
Inventory	1,951,674		1,503,049		2,014,510		1,265,765		6,734,998			

# INVESTMENT

## TRENDS

- The investment market slowed somewhat in 2000. The slight downturn was due more to lack of product than a lack of interest among investors. Good investment properties have become increasingly hard to find, as most sellers want to find replacement properties to utilize the tax advantages of a 1031 exchange. This trend has been going on for the last few years throughout the country and has forced investors to expand the parameters of what they will consider. It has also caused cap rates to drop.



- Real estate is still a good investment compared to other assets. Occupancy rates are high in all types of properties and new development is staying in line with supply and demand. The tendency for today's investors is to look more for "solid" investments with good cash flow in place, rather than "high risk, high reward" properties. The most popular investment properties nationally are apartment complexes and single tenant industrial facilities. On the local level, retail centers have been attractive to investors. In 2000, the Ken Mar and Westway Shopping Centers were sold to out-of-state investors. Two major apartment complexes were also sold last year.

- As long as there are no major downturns in the economy, the investment market in 2001 should be similar to what it has been the last two years. Basically, good properties will be hard to find and those that come on the market will bring premium prices.

## OLD TOWN

## TRENDS

- The Old Town Historic District has become a vital part of Wichita. Its diversified dining opportunities, nighttime entertainment, and specialty shops draw people from all across the area as well as visitors to the city. Old Town has also become attractive to residents who are choosing to make their homes in the area. Some of the highlights in 2000 were:

- The December opening of the \$15 million renovation of the historic Eaton Hotel and Carey House Square. Renamed Eaton Place, the renovated block offers 115 apartment units, specialty retail shops, and office space. The opening was well received, with tenants quickly occupying many of the apartments and retail spaces.



- Strong leasing activity of existing residential apartments at Mosley Street Place and Innes Station Loft Apartments.

- The approval of the development agreement between the City of Wichita and Cinema Old Town, L.L.C. for a 25 million dollar development. The plans for the development include a 35,000 sq. ft., 6-screen movie theatre; 65,000 sq. ft. of entertainment facilities; 10,000 sq. ft. of office space; a 390-stall parking garage and renovation of surrounding streets.

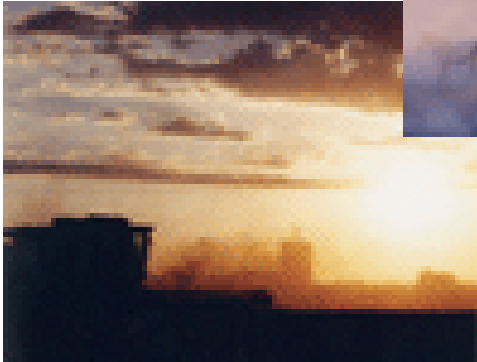
- The conversion of a property at First and Washington into a women's clothing and accessory shop, coffee shop, and hair salon.

- The opening of two new nighttime entertainment spots, Rita's Little Uptown and Finn's. These are nice complements to the eclectic mix of entertainment and dining establishments in the area.

# FARM & RANCH

## TRENDS

• The Kansas farm economy has stabilized during the past two years after a downturn in 1998. The economy had mixed results last year, but was positive overall due to government subsidies and strong livestock profits. Poor weather conditions hurt the 2000 wheat crop and kept the value of the crops basically the same as in 1999. The 2000 corn crop



brought values slightly higher than last year. The weather also created poor pasture conditions which made cattle ranchers reluctant to expand their breeding herds. The lack of production was a contributing factor for cattle prices moving to their highest levels since late 1998.

• Farmland values edged up slightly in 2000. Some of the demand for farmland came from strong operators expanding their operations by purchasing land from other farmers. The continued interest by investors in purchasing farmland for non-farming uses also contributed to higher land values.

• The Kansas farm economy should be steady in 2001 as long as the federal subsidies stay at their current levels and livestock profits remain healthy. Rising energy costs could hurt the farm and ranch industry substantially. Exports will continue to be a major factor in the health of the farm economy, with as much as one-fifth of the total farm output going to foreign markets.



## TRENDS

• Commercial land sales were very strong in 2000. Retailers, industrial users, and commercial developers are seeking good locations to meet the demand for new buildings.

• As predicted, retail developers had to move further east to Webb Road and Greenwich Road to find good sites in the Northeast quadrant. On the West Side, new sites were sought as far out as 119th West, on both 21st and 13th Streets. Retailers also looked for new sites on the far north side at 37th & Woodlawn, along I-135, and south on Meridian and the 47th Street corridor.

• Well-located retail land in high traffic areas brought prices in the \$15 to \$20 per sq.ft. range. The market didn't see as much of the \$20 to \$30 per sq.ft. sales prices as had been experienced in 1999, when national retailers were aggressively pursuing prime corner sites.

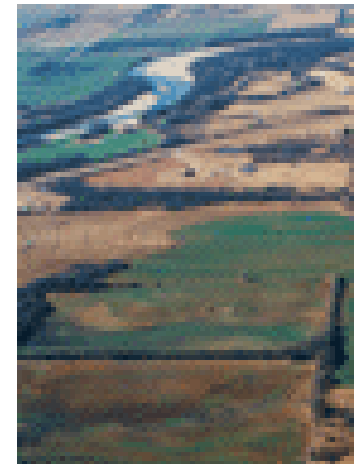
• Prices for industrial land held steady in the \$1.00 to \$1.50 per sq.ft. range despite strong demand. The limited demand for office land kept the prices in the \$3 to \$5 range.

• Very little land was sold to residential developers in 2000. The softening market for new homes has left many of them holding vacant land that they intended to develop.



# LAND

• There was a strong demand by individuals for transitional land on the outskirts of the city. These buyers are typically looking for land as an investment or as a new home site. Prices for this land range from \$2,500 to \$7,500 per acre, depending on the size and desirability.



## FORECAST



• The demand for good retail sites will continue in 2001.

• Prices for industrial land with good highway access and the infrastructure in place will get closer to \$2 per sq.ft.

• There will be very limited demand for residential development land.

• Barring a major softening in the economy, land on the fringe of the city will continue to be popular with individual buyers.

# NEW AMERICA INTERNATIONAL

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For more information visit the NAIDirect.com website and see how NAI and JP Weigand & Sons, Inc. can help you locally - or anywhere in the world.

## HUTCHINSON MARKET

The Hutchinson economy had another strong year in 2000, with 550 new jobs being added. Highlights of the year included announcements by Teleperformance USA and Portfolio Recovery Systems that they were opening new offices in Hutchinson. Eaton Corporation, the largest manufacturer in the area, also announced the relocation of a newly acquired company to the market. This relocation involved a \$9.3 million dollar capital investment by Eaton and the creation of 143 new manufacturing

jobs. The City of Hutchinson, in partnership with Growth, Inc., announced plans for a new business park. Work on the infrastructure for the development is scheduled to begin in mid-year 2001.

The vibrant economy in Hutchinson during 2000 capped off ten years of economic growth. The employment level in Reno County increased by more than 10 percent during the past decade. Personal income levels increased by more than 45 percent during the same period.