ERA

Economics Research Associates

Final Draft Report

Wichita Arena District Market Assessment

Submitted to:

City of Wichita
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Submitted by:

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Introduction

ERA was engaged by the City of Wichita in agreement with Gould Evans to conduct a market assessment on the Wichita Arena District. ERA's approach included the following steps:

- An examination of existing market demographics and associated trends. This included an analysis of select migration patterns since 2000.
- A discussion of the retail market, highlighting national trends in retail sales, regional pull factors and trends in Wichita area attraction attendance.
- A discussion of the office market, looking at relevant vacancy and sales data and trends in employment sectors.
- A discussion of the residential market including recent downtown development activity.
- A comparison of competitive midwestern downtown destinations including select project descriptions and downtown retail and residential market shares.

Data for this study was gathered from a variety of sources including:

- Officials from the City of Wichita
- The Chamber of Commerce
- The Convention and Visitors Bureau
- The Wichita-Sedgwick County Metropolitan Planning Department
- J.P. Weigand & Sons, Inc.
- Grubb & Ellis / Martens Commercial Group
- The Kansas Department of Revenue
- The Kansas Department of Labor
- The Internal Revenue Service
- The National Research Bureau

Market Demographics

ERA collected relevant demographic metrics from 1990 through 2004, including population and age change, household shifts, income levels, educational attainment and related factors. Data for the year 1990 is from the US Census SF 1 or SF 3 data sets and data for the year 2004 is from the Census' American Community Survey. ERA compiled this data for the nation, the State of Kansas, the Wichita MSA, Sedgwick County, the City of Wichita and select Midwestern MSAs. For the purpose of this study, the Wichita MSA includes Butler, Harvey, Sedgwick and Sumner counties.

The following table shows population changes for the noted jurisdictions in absolute terms. Kansas has grown at roughly half the rate of the nation since 1990. The City of Wichita shows a compound annual growth rate (CAGR) higher than Kansas, the MSA and Sedgwick County, but lower than the nation. In 1990, the Wichita MSA contained about 21% of Kansas' population. This share increased slightly to 22% by 2004. The Wichita MSA increased by an average of 4,370 residents per year.

Table 1. Population

Jurisdiction	1990	2004	CAGR
USA	248,709,873	285,691,501	1.00%
Kansas	2,477,574	2,653,454	0.49%
Wichita MSA	511,111	572,296	0.81%
Sedgwick County	403,662	457,622	0.90%
Wichita City	304,011	345,810	0.92%

Source: US Census

The following tables show population changes by age cohort for 1990 and 2004. They list the percentage distribution for each age cohort for each jurisdiction. Since 1990, in each jurisdiction, the percentage of 25 to 34 year olds has decreased and the percentage of Baby Boomers (those aged 45 to 54) has increased, dramatically. In each jurisdiction, the percentage of Baby Boomers has increased from about 9% to about 15 %.

Table 2. Population by Age 1990

Age	USA	Kansas	Wichita MSA	Sedgwick County	Wichita City
<19	29%	30%	30%	30%	29%
20-24	8%	7%	7%	7%	8%
25-34	17%	17%	18%	19%	19%
35-44	15%	15%	15%	15%	14%
45-54	10%	10%	9%	9%	9%
55-64	9%	8%	8%	8%	8%
65+	13%	14%	12%	11%	12%

Source: US Census

Table 3. Population by Age 2004

Age	USA	Kansas	Wichita MSA	Sedgwick County	Wichita City
<19	28%	28%	30%	30%	28%
20-24	7%	7%	7%	7%	7%
25-34	14%	13%	13%	13%	14%
35-44	15%	15%	15%	15%	15%
45-54	14%	15%	15%	15%	14%
55-64	10%	9%	9%	9%	9%
65+	12%	12%	12%	11%	12%

Source: US Census

The following three tables show data in regards to household growth. Tables show the growth of total households as well as growth by type of household. The Wichita MSA, Sedgwick County and the City of Wichita show similar rates of growth for total households, but all are below the rate of growth experienced nationwide. Kansas shows the lowest compound annual growth rate (CAGR) at 0.94%.

Table 4. Households

Jurisdiction	1990	2004	CAGR
USA	91,947,410	109,902,090	1.28%
Kansas	944,726	1,076,366	0.94%
Wichita MSA	196,329	227,325	1.05%
Sedgwick County	156,571	182,502	1.10%
Wichita City	123,249	143,460	1.09%

Source: US Census

The following table shows data for family and non-family households for each jurisdiction. The US, overall, shows the strongest growth rate of family households at 0.97% while the Wichita MSA shows the highest growth rate for non-family households at 2.10%. For each jurisdiction, the growth of non-family households outpaced the growth of family households. In 1990, the City of Wichita contained roughly 58% of MSA family households and 74% of MSA non-family households. In 2004, these city market shares changed to 59% and 71%, respectively. In 1990, Sedgwick county households located *outside* the City of Wichita represented 20% of MSA family households and 10% of non-family households. In 2004, these shares increased to 21% and 11%, respectively.

Table 5. Household Growth

		1990	2004	Avg. Annual Growth	CAGR	% of 2004 Total
USA	Family	64,517,947	73,885,953	669,143	0.97%	80.4%
	Non-family	27,429,463	36,016,137	613,334	1.96%	39.2%
Kansas	Family	658,600	707,663	3,505	0.51%	74.9%
	Non-family	286,126	368,703	5,898	1.83%	25.1%
Wichita MSA	Family	137,011	140,954	282	0.20%	64.9%
	Non-family	59,517	76,402	1,206	1.80%	35.2%
Sedgwick County	Family	107,361	117,732	741	0.66%	64.5%
	Non-family	49,210	64,770	1,111	1.98%	35.5%
Wichita City	Family	79,687	87,221	538	0.65%	60.8%
	Non-family	43,562	56,239	906	1.84%	39.2%

Source: US Census

The following table shows growth in family households with and without children. The US shows the highest rate of growth for both categories at 0.39% and 1.54%, respectively. In the City of Wichita, families with children increased at a rate of 0.02% and families without children increased at a rate of 1.28%. Over the 14-year period, for each jurisdiction, families without children grew at a faster pace than families with children.

Table 6. Family Household Types

	Jurisdiction	1990	2004	Avg. Annual Growth	CAGR	% of 2004 Total
USA	Family w/ kids	33,103,112	34,976,246	133,795	0.39%	47%
	Family w/out kids	31,414,835	38,909,707	535,348	1.54%	53%
Kansas	Family w/ kids	337,986	337,778	-15	0.00%	48%
	Family w/out kids	320,614	369,885	3,519	1.03%	52%
Wichita MSA	Family w/ kids	72,143	68,956	-228	-0.32%	49%
	Family w/out kids	64,868	71,998	509	0.75%	51%
Sedgwick County	Family w/ kids	57,159	58,084	66	0.11%	49%
	Family w/out kids	50,202	59,648	675	1.24%	51%
Wichita City	Family w/ kids	41,534	41,627	7	0.02%	48%
	Family w/out kids	38,153	45,594	532	1.28%	52%

Source: US Census

The following tables show educational attainment for those aged 25 years and older. The population is divided into three categories including those who obtained a high school degree (including equivalency), those who attended and/or graduated from college (including associate degrees) and those who obtained a graduate or professional degree. In each jurisdiction, the percentage of residents who attended and/or graduated from college or an associates program increased substantially from 1990 through 2004.

Table 7. Educational Attainment (25 years +)

	Jurisdiction	1990	2004
USA	High School	30%	30%
	Bachelors	13%	17%
	Graduate	7%	10%
Kansas	High School	33%	30%
	Bachelors	14%	19%
	Graduate	7%	9%
Wichita MSA	High School	33%	0%
	Bachelors	18%	0%
	Graduate	9%	0%
Sedgwick County	High School	32%	31%
	Bachelors	15%	17%
	Graduate	7%	8%
Wichita City	High School	31%	31%
	Bachelors	16%	16%
	Graduate	7%	8%

Source: US Census

The following table shows the rise in per capita incomes for each jurisdiction. The State of Kansas shows the highest rate of growth for the period between 1990 and 2004 at 3.86%.

Table 8. Per Capita Income

Jurisdiction	1990	2004	CAGR
USA	$14,420	$24,020	3.71%
Kansas	$13,300	$22,594	3.86%
Wichita MSA	$14,303	$22,576	3.31%
Sedgwick County	$14,555	$22,425	3.14%
Wichita City	$14,516	$21,910	2.98%

Source: US Census

MSA Comparisons

ERA gathered demographic data from the US Census and other select sources for the MSAs listed below. The effort is to highlight relevant comparisons between Wichita and its midwestern competitors.

- Wichita, Kansas MSA
- Oklahoma City, Oklahoma MSA
- Omaha, Nebraska MSA
- Des Moines, Iowa MSA
- Kansas City, Missouri MSA

The following table shows population growth from 1990 through 2004 for the listed MSAs. The Omaha MSA has grown at the highest rate over the last fourteen years (1.87%). The Wichita MSA shows the lowest rate of growth at 0.81%.

Table 9. Population Growth

MSA	1990	2004	CAGR	Avg. Annual New Residents
Kansas City MSA	1,566,280	1,823,092	1.09%	18,344
OK City MSA	958,839	1,095,252	0.95%	9,744
Omaha MSA	618,262	801,189	1.87%	13,066
Wichita MSA	511,111	572,296	0.81%	4,360
Des Moines MSA	392,928	476,699	1.39%	5,984

Source: US Census and Omaha Chamber of Commerce

The following tables show educational attainment for those aged 25 years and older. Again, the population is divided into three categories including those who obtained a high school degree (including equivalency), those who attended and/or graduated from college (including associate degrees) and those who obtained a graduate or professional degree. In the Wichita MSA, the percentage of residents who attended and/or graduated from college or an associates program increased 4 percentage points from 1990 through 2004.

Table 10. Educational Attainment

MSA		1990	2004
Wichita MSA	High School	35%	33%
	College	46%	50%
	Graduate	7%	8%
OK City MSA	High School	28%	28%
	College	45%	48%
	Graduate	7%	9%
Omaha MSA	High School	32%	29%
	College	46%	51%
	Graduate	7%	8%
Des Moines MSA	High School	34%	30%
	College	44%	53%
	Graduate	7%	10%
Kansas City MSA	High School	32%	28%
	College	43%	51%
	Graduate	8%	11%

Source: US Census and Omaha Chamber of Commerce

The table below shows changes in per capita income for the five MSAs. Per capita income for the Des Moines MSA shows a CAGR of 4.07% from 1990 to 2004, which is the highest growth rate of the five MSAs.

Table 11. Per Capita Income

MSA	1990	2004	CAGR
Des Moines MSA	$14,972	$26,184	4.07%
Kansas City MSA	$15,067	$24,914	3.66%
Omaha MSA	$13,989	$23,681	3.83%
Wichita MSA	$14,303	$22,576	3.31%
OK City MSA	$13,269	$21,497	3.51%

Source: US Census and Omaha Chamber of Commerce

Implications

- The number of residents in the City of Wichita between the ages of 45 and 54 has increased at a faster rate than the nation, the State of Kansas, the Wichita MSA and Sedgwick County. These Baby Boomers are an ideal target market for the retail industry as they are in the midst or on the cusp of peak earnings periods.

- These Baby Boomers and Empty Nesters are strong candidates for downtown residential initiatives. In recent years, there has been increasing demand for centrally located residences (often condos) in Midwestern downtowns instead of more suburban or rural locations.

- Across all jurisdictions, the growth rate of non-families has outpaced growth of families and the increase in families without children has trumped the slight increase in families with children. Nationwide, the number of families has increased at a rate of 0.97% and non-families at a rate of 1.96% compared to rates of 0.65% and 1.84% in Wichita City. Nationwide, from 1990 to 2004, families grew an average of 669,143 per year and non-families at an average slightly less at 613,334 per year. In the Wichita MSA, families grew an average of 784 per year, roughly half of the average growth in non-families (1,430 per year). In Wichita City, the number of families with children has increased only slightly, at a rate of 0.02% whereas families without children have increased at a rate of 1.28%. These rates are similar for the MSA. Collectively, these trends point towards an increasing demand for residential offerings located near or in the downtown area.

Migration

ERA analyzed IRS data to better understand recent patterns of migration into Sedgwick County. The Internal Revenue Service (IRS) collects data from two consecutive household tax returns. Households that file a return from Butler County, Wichita in 1999 and then file their 2000 tax return from Sedgwick County, Wichita are categorized as a year 2000 in-state migrant into Sedgwick County. Non-migrants must have lived in Sedgwick County for two consecutive years and ERA lists these households as "residents" for clarity. Simply put, migration data is roughly equivalent to households so that in 2000, there were 8,513 households in Sedgwick County. Sedgwick County is the largest county in the Wichita MSA, and accounted for roughly 84% of the 2004 MSA population. The following table shows annual tax returns from Sedgwick County, separated into migrant and resident returns. The total number of migrants is down from 2000 and so is their share of total tax returns. Meanwhile, resident tax returns increase at a CAGR of 0.70% over the same time period.

Table 12. Sedgwick County Tax Returns

Group	2000	2001	2002	2003	CAGR
Migrants	8,513	8,557	8,833	8,005	-1.53%
Residents	154,436	155,714	157,641	158,795	0.70%
Migrant Share	5.51%	5.50%	5.60%	5.04%	-2.21%

Source: IRS

Since 2000, the breakdown of Sedgwick County migrants has remained relatively consistent. Roughly 95% of migrants are coming from within the United States and the remaining 5% from abroad. About 42% of migrants are from within the State of Kansas and 53% from another state (equaling 95%). The following table shows growth for each migrant group. All groups declined in number from 2000 through 2003, especially foreign migrants who decreased in number by a CAGR of 4.77%.

Table 13. Migrant Growth

Territory	2000	2001	2002	2003	CAGR
US	8,113	8,149	8,421	7,676	-1.37%
Foreign	400	408	412	329	-4.77%
In-State	3,564	3,718	3,840	3,430	-0.95%
Out-State	4,549	4,431	4,581	4,246	-1.71%

Source: IRS

The following table shows data representing the median adjusted gross incomes (AGI) for each group. The IRS uses AGI to estimate federal income taxes. AGI is essentially a measure for gross income minus deductions. It includes such gains as wages, dividends, profits and interest and deductions such as IRA contributions, business expenses and depreciation. AGI data for residents is listed at the top of the table for comparison purposes. Each year, the median migrant AGI was roughly 60% of non-migrant AGI and only in-state migrants experienced a rise in their AGI over the four-year period.

Table 14. Median Adjusted Gross Incomes

Group	2000	2001	2002	2003	CAGR
Residents	$32,573	$33,099	$33,329	$32,308	-0.20%
Total Migrants	$19,689	$20,060	$20,990	$19,622	-0.09%
US Migrants	$20,165	$20,655	$21,615	$19,997	-0.21%
Foreign Migrants	$7,064	$4,612	$4,921	$4,765	-9.37%
In-State Migrants	$19,901	$19,596	$20,612	$20,013	0.14%
Out-State Migrants	$20,403	$21,613	$22,522	$19,986	-0.51%

Source: IRS

The following table shows the annual number of migrants with higher AGIs than residents. This group has increased dramatically. In 2000 there were 20 such migrants and by 2003 there were 358. In addition, their percentage share of the total annual migrants increased from 0.23% to 4.47%.

Table 15. Migrants w/ Higher Adjusted Gross Incomes

Group	2000	2001	2002	2003	Avg. Annual Increase
Premium Migrants	20	233	283	358	85
% of Total Migrants	0.23%	2.72%	3.20%	4.47%	1.06%

Source: IRS

Implications

- The number of migrants with AGIs higher than residents has significantly increased since 2000. That year, only 20 such migrants arrived whereas by 2003 the number rose to 358. In 2003, the average AGI of premium migrants was $40,509, well above the resident average of $32,308. This would suggest an increase in the number of migrants that would be candidates for downtown housing. Justification is based on ERA experience, which suggests that people moving from urban environments expect newer developments.

- In 2002 to 2003, a large percentage of out of state migrants with higher AGIs arrived from Broward County, Florida, Hennepin County, Minnesota and Denton County, Texas. Migrants from Broward County arrived with an AGI 70% higher than the incumbent average and migrants from Denton County and Hennepin County show AGIs 60% and 30% above the average.

- That same year, 163, or roughly 21% of total in-state migrants, moved from Johnson County, Kansas, with above average AGIs. Johnson County is located in the southwestern quadrant of the Kansas City MSA.

Retail Market Discussion

ERA's review of the J.P. Weigand 2005 Forecast and 2005 Commercial Real Estate Guide for Wichita, Kansas noted several current retail market conditions. The overall vacancy rate is 14.5%, which is the highest rate in the last 10 years, which is reportedly due to several neighborhood centers struggling to attract tenants. Retail development in the northeast sector of the market continues to surge. The vacancy rate is reported to be at 9.9%, which represents a 3.6% improvement since 2003. The Weigand report highlighted several retail projects:

- Bradley Fair recently attracted national retailers including J. Jill, Chico's and Joseph A. Banks.
- At the Waterfront development retail tenants Haddock Computers, Kate Lane and Craig Allen's are open for business.
- The southeast retail vacancy rate decreased from 16.9% in 2003 to 11.7% in 2004 due, in part, to strip centers filling previously vacant spaces.
- The surrounding areas experienced increased retail activity in 2004. Derby announced a new development for 71st and Rock Road. Goddard, Maize and Park City all opened new retail centers, which are drawing attention from prospective national tenants.
- New mixed-use development started at Maple and 119th West and Maple and 135th West.
- On the Border, Applebee's, Wild Bird Center and Wells Fargo opened new stores at New Market Square, a 630,000 SF shopping center that opened in 2001. In addition, 150,00 SF of retail will be completed in 2006.
- Steve and Barry's opened at Towne East filling the center's largest vacancy. There are no spaces larger than 5,000 SF available at either the Towne East or Towne West malls.
- Target has relocated one store on the west side and opened two supercenters, located at New Market Square and Regency Park.
- Retail activity increased in Derby in 2004 with a new development announced for 71st and Rock Road. Lowes and Applebee's also opened new locations in Derby. In addition, new retail centers were opened in Goddard, Maize and Park City.
- Regarding the downtown WaterWalk project, in 2007, 75,000 SF of office space, 30,000 SF of retail and 100 apartments will be added in one mixed-use building. In 2008, a 36,000 SF retail building is scheduled for development.

The tables below are from the 2003 and 2005 Weigand reports and show corresponding retail vacancy and rental rates for 2002 and 2004. Overall vacancy rates for each class increased over the two-year period. In the northeast, 2005 vacancy rates are relatively similar to 2003 rates (9.9% versus 8.8%), but in areas such as the southwest, rates were significantly higher in 2005 versus 2003 (26.1% versus 11.%). Rental rates proved to be less volatile. In the northeast and northwest, 2005 rental rates are similar to 2003 rates. Overall, rental rates for Class A space increased slightly, and rates for Class B and Class C decreased slightly.

Table 16. 2002 Retail Vacancy and Rental Rates

Class	Northeast		Southeast		Northwest		Southwest		Totals	
	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent
A	5.2%	$15.25	14.4%	$16.28	6.1%	$14.46	1.4%	$14.50	6.8%	$14.78
B	11.0%	$9.74	9.3%	$9.67	19.0%	$7.47	15.7%	$9.28	14.1%	$8.61
C	14.1%	$6.61	6.8%	$6.79	4.7%	$7.41	8.5%	$7.06	8.2%	$6.92
Total	8.8%	$10.35	10.1%	$11.76	11.5%	$8.72	11.0%	$8.61	10.4%	$9.61

Table 17. 2004 Retail Vacancy and Rental Rates

Class	Northeast		Southeast		Northwest		Southwest		Totals	
	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent
A	4.9%	$16.31	11.7%	$14.68	9.5%	$14.62	9.4%	$13.96	7.9%	$15.05
B	15.0%	$9.50	13.9%	$8.68	12.8%	$8.42	33.0%	$7.34	16.8%	$8.40
C	14.6%	$9.50	26.8%	$4.78	19.5%	$5.19	23.1%	$5.32	21.1%	$5.38
Total	9.9%	$10.79	15.8%	$8.55	12.9%	$9.13	26.1%	$7.11	14.5%	$8.83

To develop retail market inventories for the Wichita area, ERA started with existing data provided by the 2003 Weigand Commercial Real Estate Guides. In reviewing this information, which summed to a total inventory of about 11.9 million SF, ERA noticed several key inconsistencies, particularly with the downtown (CBD) market, where several older multi-story buildings were classified as retail, even though only their street level inventory would qualify. Through this process, a significant amount of the 737,944 SF of inventory that was identified in the CBD for 2003 was removed from competitive supply.

To develop an appropriate 2003 estimate of destination focused retail, ERA started with retail space in Old Town. Local sources identified an inventory of about 285,000 SF of inventory in 2002. In 2003, the Old Town area saw the addition of Old Town Square, with a new five-screen, 30,000-SF cinema, 65,000 SF of street level retail space, and additional upper floor office space, which would suggest a current inventory in the area of 380,000 SF. This inventory estimate includes space that is vacant or in non-retail use at present (office, services, and institutional use). Site assessments conducted in the fall of 2005 highlighted a reasonable level of vacancy in storefronts and restaurant spaces.

Additional inventory adjustments for the downtown area include the 2005 completion of the 85,000 SF Gander Mountain Sports in the WaterWalk development. In talking with WaterWalk officials, ERA understands that additional retail space is programmed for the 2006 / 2007 time frame, with a mix of retail and restaurant uses expected. Based on this above approach, ERA is estimating a current inventory of approximately 465,000 SF of destination oriented retail space in the downtown market. To put current inventory in perspective, ERA looks at retail SF data on a per capita basis. For 2005, the 12,469,444 SF of MSA retail would equal roughly 21.8 SF per capita, which is in the range of other midwestern markets.

Table 18. Retail Inventory by Submarket

Submarket	2003	2005	New Inventory
CBD	380,000	465,000	85,000
Northeast	4,801,877	4,982,152	180,275
Northwest	3,670,443	3,722,943	52,500
Southeast	1,993,722	2,027,666	33,944
Southwest	746,569	912,739	166,170
Total	11,950,555	12,469,444	517,889

National Retail Context

ERA notes several key national trends that are particularly relevant to the local situation:

- The internet continues to absorb market share from traditional retail formats. Between 1992 and 2004 internet retailing increased from 1.7% to 4.2% of total retail sales, representing growth from about $35 billion in 1992 to more than $148 billion in 2004. While the allocation of retail sales to the internet is of little concern to national retailers, the same cannot be said for communities that support retail space, and see sales dollars and taxes flow elsewhere.

- Recent energy cost increases for oil, natural gas, and gasoline tend to have the strongest impact on low to middle income residents, diverting a share of potential retail spending into energy. While historic spikes in energy prices have been short-lived, changing international economic conditions would tend to point to a future with higher energy prices.

- Since 1992, while overall retail sales have increased at about 6% per year, retail sales generated by warehouse clubs and superstores has grown by almost 16% per year, greater than rates of growth for internet shopping, which have increased at about 12% per year, again since 1992. Walmart in particular has been driving the superstore trend.

- Retailers are also responding to shifting tastes, with one result being the emergence of a new retail shopping center category, called the lifestyle center. This product lacks the traditional department store anchors found in most malls, and instead focuses on a mix of restaurants, entertainment, and other destination oriented retail to draw shoppers.

- Related to above is the general growth of emphasis on lifestyle / entertainment oriented retail development, linked with the related re-emergence of downtown markets as focal points for this kind of retail activity.

- Retailers in general are also reacting to changing spending patterns driven by new technologies (broadband internet access in the home and new cell phone services), which have in the past 2 to 3 years had a relevant impact on personal spending choices.

The following table summarizes several notable shifts in per capita retail spending between 1992 and 2004. The table highlights the nature of key shifts in retailing away from traditional grocery stores, clothing stores, and conventional department stores, and toward superstore, bookstore, and internet shopping outlets

Table 19. National Per Capita Retail Spending Shifts (in millions)

Retail Segment	1992	2004	Change
Grocery stores	$1,325.0	$1,567.0	1.4%
Clothing Stores	$337.0	$478.9	3.0%
Discount Dept. Stores	$368.1	$445.4	1.6%
Conventional & Nat'l Chain Dept. Stores	$342.6	$310.7	-0.8%
Book Stores	$32.7	$56.8	4.7%
Sporting Goods Stores	$61.6	$104.1	4.5%
Full-service Restaurants	$339.2	$581.9	4.6%
Warehouse Clubs & Superstores	$156.9	$865.6	15.3%
Electronic Shopping & Mail Order	$138.2	$518.9	11.7%
General Merchandise Stores	$972.3	$1,760.1	5.1%

Source: US Census

Retail Sales Analysis

The following two tables show segmented Wichita MSA retail sales and the corresponding market shares from 2000 through 2004. The Kansas Department of Revenue converted from SIC to NAICS codes in 2003, and the NAICS coding scheme identifies fewer industries contributing to the retail trade. As a result, there appear to be some sizable swings in sales and corresponding pull factors beginning in 2003. However, according to the Kansas Department of Revenue, overall retail trade data was reported to have converted fairly well and ERA is looking further into this issue. It appears that the drivers of the Wichita MSA economy are food and beverage, general merchandise and building sales. Health and personal care stores show the highest CAGR, which is partially a function of the relatively low level of 2000 sales ($306,150,000) in this sector.

Table 20. Wichita MSA Segmented Retail Sales (in millions)

Retail Segment	2000	2001	2002	2003	2004	CAGR
Furniture & Home Furnishings Stores	$364.5	$267.7	$479.1	$499.3	$545.8	10.62%
Electronics & Appliance Stores	$519.1	$665.6	$656.0	$690.8	$745.1	9.45%
Building Material & Garden Stores	$1,099.2	$1,294.3	$1,561.5	$1,538.2	$1,648.8	10.67%
Food & Beverage Stores	$3,056.0	$3,658.7	$3,115.7	$2,419.6	$2,475.2	-5.13%
Health & Personal Care Stores	$306.2	$426.8	$581.0	$887.3	$1,288.7	43.24%
Clothing & Accessories Stores	$534.4	$648.9	$679.0	$676.9	$705.9	7.21%
Sporting, Hobby, Book & Music Stores	$448.5	$477.4	$583.4	$526.4	$471.0	1.23%
General Merchandise Stores	$2,647.7	$3,252.2	$3,392.3	$3,500.0	$3,773.1	9.26%
Miscellaneous Store Retailers	$1,462.0	$1,300.6	$1,060.8	$697.6	$685.1	-17.26%
Non-store Retailers	$588.2	$923.0	$596.3	$196.3	$242.5	-19.87%
Total	$11,025.6	$12,915.0	$12,704.9	$11,632.2	$12,581.0	3.35%

Sources: Kansas Dept. of Revenue

The following table shows national retail segment market shares for 2000 and 2004. The drivers of the national economy are building material and garden, food and beverage and general merchandise sales. Notably, the food and beverage market share decreased by 1.09%.

Table 21. National Retail Segment Market Shares

Retail Segment	2000	2004	Change
Furniture & Home Furnishings Stores	3.6%	3.4%	-0.19%
Electronics and Appliance Stores	2.7%	2.7%	-0.05%
Building Material & Garden Stores	9.2%	10.0%	0.88%
Food & Beverage Stores	30.2%	29.1%	-1.09%
Health & Personal Care Stores	6.3%	6.8%	0.53%
Clothing & Accessories Stores	6.7%	6.3%	-0.45%
Sporting, Hobby, Book & Music Stores	3.1%	2.7%	-0.40%
General Merchandise Stores	16.2%	16.7%	0.42%
Miscellaneous Store Retailers	4.3%	3.6%	-0.76%
Non-store Retailers	7.1%	7.7%	0.64%

Source: US Census

The following table shows the same data for the Wichita MSA. Like the nation overall, the drivers of the Wichita MSA economy are building material and garden, food and beverage and general merchandise sales. The market share of food and beverage stores also declined, significantly. Market share for traditional outlets like clothing and accessory stores actually increased while the market share of non-store retailers decreased.

Table 22. Wichita MSA Segment Market Shares

Retail Segment	2000	2004	Change
Furniture & Home Furnishings Stores	3.3%	4.3%	1.03%
Electronics & Appliance Stores	4.7%	5.9%	1.21%
Building Material & Garden Stores	10.0%	13.1%	3.14%
Food & Beverage Stores	27.7%	19.7%	-8.04%
Health & Personal Care Stores	2.8%	10.2%	7.47%
Clothing & Accessories Stores	4.9%	5.6%	0.76%
Sporting, Hobby, Book & Music Stores	4.1%	3.7%	-0.32%
General Merchandise Stores	24.0%	30.0%	5.98%
Miscellaneous Store Retailers	13.3%	5.5%	-7.81%
Non-store Retailers	5.3%	1.9%	-3.41%

Source: Kansas Dept. of Revenue

Pull Factor Analysis

ERA evaluated retail pull factors for the Kansas City, Lawrence, Topeka and Wichita MSAs, based on data from the Kansas Department of Revenue. Pull factors are ratios that compare local and state retail sales. Pull factors less than one show that an MSA is losing retail sales to adjacent areas. Pull factors equal to one show that an MSA retail spending balances with store sales. Pull factors greater than 1.0 show that an MSA is an importer of retail sales, above what the resident market would support. The following table exhibits total retail pull factors for the four Kansas MSAs. Motor vehicle, parts and gasoline sales are excluded from this analysis. Wichita shows the highest CAGR (5.52%) over the four-year period, but its pull factor is second to the Topeka MSA pull factor (5.32).

Table 23. Total Retail Pull Factors

Jurisdiction	2000	2004	CAGR
Kansas City MSA	1.43	1.58	2.55%
Lawrence MSA	2.54	2.98	4.01%
Topeka MSA	4.90	5.32	2.07%
Wichita MSA	2.75	3.41	5.52%

Sources: US Census, Kansas Dept. of Revenue and ERA

The following table shows pull factors for each segment of the Wichita MSA retail market. Across every segment, pull factors increased from 2000 to 2004.

Table 24. Wichita Pull Factors by Segment

	2000	2004	CAGR
Furniture & Home Furnishings Stores	2.58	2.63	0.44%
Electronics & Appliance Stores	5.66	7.81	8.39%
Building Material & Garden Stores	2.03	2.16	1.54%
Food & Beverage Stores	2.97	3.71	5.74%
Health & Personal Care Stores	2.16	4.46	19.81%
Clothing & Accessories Stores	2.48	3.59	9.74%
Sporting, Hobby, Book & Music Stores	2.71	3.07	3.20%
General Merchandise Stores	2.67	3.10	3.79%
Miscellaneous Store Retailers	2.72	3.21	4.30%
Non-store Retailers	2.78	3.18	3.41%

Source: Kansas Dept. of Revenue and ERA

Pull factors for clothing and accessory stores, electronics and appliance stores and health and personal care stores show the largest increases from 2000 to 2004. Notably, there does not appear to be a correlation between the market share of each segment and its pull factor.

Office Market Discussion

ERA reviewed the J.P. Weigand 2005 Forecast and 2005 Commercial Real Estate Guide to draw several conclusions on the current office market. Despite a large amount of leasing activity and development, the overall vacancy rate rose from 16.2% to 18.8%. This is most likely due to business relocating, leaving similar sized spaces vacant. The increased vacancy is also the result of select national companies leaving the market. ERA notes the following conditions:

- The vacancy rate for properties in the CBD was virtually the same as in 2003 (20.6% versus 21%). Several out of state investors purchased buildings located in the CBD, some with intentions of converting the space to residential apartments.

- Since 2003, the Class A vacancy rate decreased from 13.5% to 11.3%. Meanwhile, several tenants left the Class B market, contributing to a rise in the vacancy rate from 11.9% to 16.6%.

- The reduction in the Class C rate is actually the result of many properties being converted for other uses, rather than a sign of positive absorption of vacant space.

- Several new developments were announced in the northeast part of the city. Most of these developments will be located within the Waterfront development.

- The overall vacancy rate for the northwest sector increased from 18% in 2003 to 19% in 2004. New developments in the area were typically office strip centers ranging from 1,000 to 2,500 SF.

- The office sector in the southeast had a 2004 vacancy rate of 20%, which was 1.5% less than 2003. There was a 20% absorption factor for Class A space that was, in part, the result of leasing activity at the Ruffin Building on East Douglas.

Office Vacancy

Like the previous retail data, the tables below are from the 2003 and 2005 Weigand reports and show corresponding office vacancy and rental rates for 2002 and 2004. For reasons highlighted above, over these two years, the overall Class A and C vacancy rates decreased and the Class B vacancy rate increased. Similar to the retail market, office rental rates for Class A, B and C space remained stable. The overall rate decreased slightly from $11.19 to $10.26.

Table 25. 2002 Office Vacancy and Rental Rates

Class	CBD		Northeast		Southeast		Northwest		Southwest		Totals	
	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent
A	11.20%	$13.82	10.90%	$17.76	63.30%	$13.01	1.20%	$12.14	-	-	16.00%	$14.48
B	15.40%	$10.55	12.50%	$13.13	22.50%	$9.75	9.30%	$11.06	22.10%	$10.96	16.20%	$10.67
C	53.00%	$7.73	17.90%	$7.34	13.60%	$7.93	36.10%	$7.00	14.60%	$8.90	36.00%	$7.16
Total	19.00%	$10.16	11.40%	$16.18	29.80%	$11.18	14.80%	$8.19	18.70%	$10.23	19.20%	$11.19

Table 26. 2004 Office Vacancy and Rental Rates

Class	CBD		Northeast		Southeast		Northwest		Southwest		Totals	
	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent	Vacancy	Rent
A	11.3%	$14.02	12.6%	$15.49	13.5%	$14.07	4.9%	$14.22	-	-	11.8%	$14.24
B	16.6%	$10.69	18.6%	$10.63	35.0%	$10.19	26.6%	$10.89	8.0%	$11.30	20.0%	$10.56
C	46.5%	$6.16	38.4%	$6.58	11.1%	$8.21	40.1%	$7.23	8.2%	$7.13	32.0%	$6.56
Total	20.6%	$9.44	15.3%	$13.03	20.0%	$10.31	19.0%	$9.64	8.0%	$9.97	18.8%	$10.26

Inventory

The table below shows growth in office inventory, by submarket. Again, square footage estimates were formed lacking select demolition data, but still show relevant growth comparisons. The northeast shows the largest increase in space, due in part to the new developments announced in 2004.

Table 27. Office Inventory By Submarket

Submarket	2003	2005	CAGR
CBD	4,185,553	4,166,131	-0.23%
Northeast	3,750,221	4,044,599	3.85%
Northwest	1,166,370	1,306,710	5.85%
Southeast	1,391,325	1,417,925	0.95%
Southwest	334,837	406,837	10.23%
Total	10,828,306	11,342,202	2.35%

For the CBD market, ERA notes two factors that will impact the area moving forward. First, several developers have options on considerable existing inventory of Class B / C office space, with the intent of converting it into residential use. Second, the WaterWalk project will include a significant office component, with initial plans including one mixed-use building with a reported 70,000 to 80,000 square feet of office space. At total build-out, WaterWalk could support a total of about 200,000 square feet of office space.

Office Employment Analysis

The table below shows the distribution of select Wichita MSA business likely to require office space. Notice the large percentage of business employing between two and ten people, which would suggest substantial demand for smaller office space.

Table 28. Wichita MSA Distribution of Select Office Using Businesses

Range of Number of Employees	Number of Businesses	% of Total Businesses
2-10	2,702	81%
11-20	321	10%
21-30	104	3%
31-50	85	3%
51-100	67	2%
101-500	29	1%
500+	3	0.1%

Source: ESRI

The above table is useful in placing firm employment size factors into perspective, in that there are a small number of firms with between 100 and 500 employees. Companies of this size are key office market drivers in that they can lease a significant enough amount of office space (more than 30,000 square feet) to serve as a lead or anchor tenant for a new project. While developers can package smaller tenants together in order to get a building pre-leased, lenders also tend to look at the credit risk associated with smaller tenants.

The table below shows employment by sector from 2000 to 2004 for the Wichita MSA. Total employment grew by a modest amount, and employment in office using sectors remained relatively consistent. This table reinforces the notion that near-term market potentials will be driven by tenants relocating in the market, rather than by employment growth. The implication of this trend is that while tenants will relocate, it will be harder for the market to backfill older space.

Table 29. Employment by Sector (in thousands)

Employment Sector	2000	2004	CAGR
Total Non-Farm	283.1	287.5	0.39%
Total Private	243.2	246.7	0.36%
Goods Producing	73.7	76.2	0.84%
Service-Providing	209.4	211.3	0.23%
Private Service-Providing	169.5	170.5	0.15%
Trade, Transportation & Utilities	50.7	49.6	-0.55%
Information	6.4	5.6	-3.28%
Financial Activities	12.6	12.2	-0.80%
Professional and Business Svcs	25.4	26.8	1.35%
Educational and Health Svcs	37.9	39.1	0.78%
Leisure and Hospitality	24.6	25.1	0.50%
Other Services	11.9	12.1	0.42%
Government	39.9	40.8	0.56%
Total	1188.3	1203.5	0.32%

Source: Kansas Dept. of Labor

Residential Market Discussion

ERA analyzed annual issues of "Development Trends" since 1998 in conjunction with the US Census to examine potential trends in residential construction. The following tables are from this report, which is produced by the Wichita-Sedgwick County Metropolitan Area Planning Department and includes population and new residential unit projections derived from building permit data. Population projections differ slightly from Census data. The following table shows annual population estimates since 1998. Wichita City has grown at a rate significantly higher than Sedgwick County, overall.

Table 30. Annual Population Projections

Jurisdiction	2000	2001	2002	2003	2004	2005	CAGR
Sedgwick County	452,869	457,539	463,323	470,151	471,360	471,739	.82%
Wichita City	344,284	350,642	354,420	358,270	360,715	359,665	.88%

The table below shows annual estimates of new residential units in Sedgwick County, based on building permit data. The first line of data refers to added units and the second to demolished units. A net number of units is shown for each year.

Table 31. Sedgwick County Residential Units

	1997	1998	1999	2000	2001	2002	2003	2004
New	2,934	4,218	2,590	1,979	2,275	2,728	2,683	2,933
Demolished	201	70	54	225	78	69	55	61
Net	2,733	4,148	2,536	1,754	2,197	2,659	2,628	2,872

The following table shows annual new residential unit estimates for Wichita City based on building permit data. Notice the abnormally high number of multi-family units that were added in 1998. Since 2001, the number of total added units has remained relatively stable (an average of 1,579 per year), as has the ratio between single and multi family units, consistently near 10:1.

Table 32. Wichita City Residential Units

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Single Family	1,213	1,266	1,535	1,264	984	1,244	1,407	1,445	1,602
Multi Family	56	542	1,202	118	88	150	111	186	170
Total	1,269	1,808	2,737	1,382	1,072	1,394	1,518	1,631	1,772

The following table shows new residential units by county area. From 1998 through 2003, the northwest section absorbed by far the most residential units. Over the same six years, numerous residential units in the central and southwest areas were demolished.

Table 33. Residential Units By Statistical Development Area

	Units	1998	1999	2000	2001	2002	2003	Total
Central	New	112	71	72	96	269	111	731
	Demolished	59	24	222	69	55	39	468
	Net	53	47	-150	27	214	72	263
East	New	429	388	226	327	411	461	2,242
	Demolished	1	0	0	0	2	1	4
	Net	428	388	226	327	409	460	2,238
North	New	90	98	73	79	223	140	703
	Demolished	3	2	0	1	3	3	12
	Net	87	96	73	78	220	137	691
NE	New	1,016	262	232	245	269	339	2,363
	Demolished	0	3	0	1	2	1	7
	Net	1,016	259	232	244	267	338	2,356
NW	New	1,469	641	471	648	602	606	4,437
	Demolished	2	2	0	1	0	0	5
	Net	1,467	639	471	647	602	606	4,432
South	New	91	144	61	61	59	65	481
	Demolished	2	10	0	1	1	3	17
	Net	89	134	61	60	58	62	464
SW	New	327	162	127	88	133	134	971
	Demolished	0	2	222	0	0	0	224
	Net	327	160	-95	88	133	134	747
	Total	**3467**	**1723**	**818**	**1471**	**1903**	**1809**	

The following table shows downtown residential development since 1996. Most of the listed properties are located in Old Town. In general, current vacancies at the listed rental properties are extremely low and most condominium units were pre-sold as soon as they became available.

Table 34. Downtown Residential Development

Name	Units	Year
Rental		
Mosley Street	24	1996
Innes Station	80	1998
Garvey Center	77	2000
Eaton Place	115	2000
Harvester Lofts	48	2003
Lofts at Old Town	15	2003
Legacy Square	50	2004
Owner/Condo		
Grant Telegraph	13	2004
La Louisiana	24	2004
Lofts at St. Francis	27	2005
Rumley	28	2005

The table below shoes annual downtown shares of new residential construction in Sedgwick County as well as cumulative share of total county residential inventory. Notice that the downtown share of new construction drops to 3.0% in 2004 from 9.7% in 2000. The downtown cumulative share has remained extremely small, increasing slightly, from 0.15% in 2000 to 0.25% in 2004.

Table 35. Downtown Residential Shares

Jurisdiction	2000	2004
Downtown	192	87
Sedgwick County	1,979	2,933
Share of New Construction	9.7%	3.0%
Cumulative Share	.15%	.25%

Moving forward, the next sections will highlight relative MSA comparisons in housing demand, with implications for new development.

Competitive Downtown Destinations

ERA analyzed residential development activity in other cities that are either broadly comparable to Wichita or would serve as benchmarks to judge future trends. The cities analyzed include:

- St. Louis, MO
- Minneapolis, MN
- Indianapolis, IN
- Kansas City, MO
- Des Moines, IO
- Omaha, NE
- Dallas, TX
- Oklahoma City, OK

Select arena projects in Kansas City, Des Moines, Omaha and Oklahoma City are highlighted. Retail inventories reflect only destinations and individual stores may not be included.

St. Louis, Missouri

According to staff at the Downtown St. Louis Partnership, the two primary retail and entertainment centers in downtown St. Louis are Union Station and Laclede's Landing.

Union Station

Union Station reopened in 1985, and was at that time the largest adaptive reuse project in the United States, costing roughly $150 million dollars. Today, Union Station is anchored by a 539-room Hyatt Regency and also includes office space, a festival plaza, 70 shops and 20 different restaurants. Located in between 18th and 20th Streets on Market Street, the station is just four blocks west of the Savvis Center Arena, and near Busch Stadium and the Gateway Arch. Savvis Center is a 20,000-seat arena used by the St. Louis Blues NHL hockey team, the St. Louis Ambush indoor soccer club, the Saint Louis University Billikens basketball team and other college and professional sports events. Retail attractions span from a Cardinals Clubhouse store to a Mark Anthony's Jewelry shop. Entertainment outlets include national brands like the Hard Rock Café, but also local attractions like the Memories Museum, based on the history of transportation in St. Louis. Dining options also span from national to regional brands, including Hooters, Aldo's, the BBQ Station and the upscale Station Grille. According to Jones Long LaSalle, the station comprises about 660,000 SF with shop space occupying roughly 165,000 SF. There are approximately 1,600 parking spaces.

Laclede's Landing

The Laclede's Landing Redevelopment Corporation redeveloped the landing in 1975. The landing is separated from the downtown area by I-70, and runs south from the interstate until the Mississippi River, situated between Washington Ave. and Laclede's Landing Blvd. The area was initially used for river trade but is now a lively entertainment district named for Pierre Laclede, St. Louis' French founder. The landing offers a wide variety of entertainment and dining options, as well as select retail outlets. Retail offerings are essentially limited to a St. Louis Souvenir shop and two other small outlets including a novelties and costume store. However, there are plenty of entertainment options including two nightclubs, Laughs on the Landing and the Presidential Casino situated on the river. The casino has 58,000 SF of gaming space, 38 table games, and 1,100 electronic gaming devices. Dining outlets range from national chains like Subway to local establishments like the St. Louis Fish Market or Hannegan's

Restaurant and Pub. The Edward Jones Dome and Convention Center is situated next to Laclede's Landing. According to the Laclede's Landing Redevelopment Corporation, the landing offers 75,000 SF of entertainment space, 800,000 SF of office space, a 25,000 SF floating casino and minimal retail space. They do not keep track of annual visitation. A new casino is expected to replace the existing floating option.

Bottle District

The Bottle District will open in the spring of 2007, and will be located north of the Edward Jones Dome. There is more than 900,000 SF of planned entertainment, dining and shopping outlets including an indoor Formula-One kart track and a Rawlings All American Grill. The following table shows the downtown housing market as of 2004. Growth in downtown St. Louis housing has been slow relative to comparable midwestern markets.

Table 36. Downtown St. Louis Residential Market Share

Area	2000	2004	Avg. Annual Increase
Downtown St. Louis	4,640	6,090	290
St. Louis MSA	1,092,915	1,144,279	10,273
Market Share	0.42%	0.53%	

Sources: US Census, St. Louis Downtown Partnership

According to the Downtown St. Louis Partnership, 2004 average sales prices in the downtown area range from $132 to $204 per square foot, and average $171 per square foot. This represents a 54% increase since 2000. Rental rates have increased at a much slower pace and in 2004 the average rent in the downtown area is about $0.95 per square foot. The following table shows St. Louis downtown retail market shares for 2004 and 2007. The 2007 data includes the Bottle District.

Table 37. St. Louis Downtown Retail Market Share (SF)

Area	2004	2007
Downtown St. Louis	240,000	1,065,000
St. Louis MSA	58,800,268	59,700,268
Market Share	0.28%	1.78%

Sources: Union Station, Bottle District, NRB

Minneapolis, Minnesota

According to the City of Minneapolis, downtown Minneapolis consists of about 3.6 million SF of retail space. In the 1980's four significant retail centers were built including City Center, Gavidae Common, Gavidae Two and Conservatory. In 1990, the popular Nicollet Mall was redesigned and refurbished. Today, much of the retail is located between 5th and 10th St. along Nicollet Mall. This stretch of retail occupies approximately 2,000,000 SF. It contains four department stores including Dayton's, Neiman Marcus, Saks and Montgomery Wards. There are 4,000 parking spaces for short-term parking. Retail sales are generated by three main markets, which include downtown employees, visitors to the downtown and regional residents. Employees generate 40% of sales, visitors 15% and residents 45%. The Minneapolis MSA contains 49,887,101 SF of retail space, which makes the downtown Minneapolis retail market share approximately 7%.

The downtown also provides an array of entertainment options. Attractions include professional football, baseball and basketball teams. There are 10 theaters including the State and Orpheum theaters, which combine to draw roughly 700,000 people annually. Orchestra Hall offers 240 events per year drawing about 300,000 people. Most of the entertainment offerings are located west of the retail district, along Hennepin Ave. in the historic warehouse district. Some of the cultural attractions are located near downtown such as the Walker Art Museum, the Guthrie Theater, the Minneapolis Art Institute and the Frederick Weisman Museum or Art.

There appears to be a balance between national and regional/local dining options in the downtown area. The City of Minneapolis lists national restaurants such as Chipotle, McDonalds, the Hard Rock Café and Capital Grille as some of the options found in Minneapolis and nation wide. But Hennepin Ave. and the Nicollet Mall also offer food outlets only available in downtown Minneapolis like D'Amico Cucina, Solera and the Dakota Jazz Club and Restaurant. The following table shoes the downtown housing market share as of 2004. In recent years, the downtown market share has increased largely due to the large number of completed condominium developments.

Table 38. Downtown Minneapolis Residential Market Share

Area	2000	2004	Avg. Annual Increase
Downtown Minneapolis	13,204	15,938	547
Minneapolis MSA	1,169,775	1,272,370	20,519
Market Share	1.13%	1.25%	

Sources: US Census, Minneapolis Downtown Council, GVA Marquette

According to DSU Research, the average sales price per square foot for condominium units in the downtown area is $271 and the corresponding price for condominiums in the overall MSA is $222. GVA Marquette reports that the average market rent for apartments in the downtown area is $850 per month. The following table shows the downtown retail market share. This market share is the ratio of downtown retail square footage to total MSA retail square footage.

Table 39. Minneapolis Downtown Retail Market Share (SF)

Area	2004
Downtown Minneapolis	3,600,000
Minneapolis MSA	49,887,101
Market Share	7.22%

Sources: City of Minneapolis, NRB

Indianapolis, Indiana

According to Indianapolis Downtown Inc., there are six different cultural districts including:

- Wholesale District
- Canal and White River State Park
- Indiana Avenue
- Mass Ave
- Fountain Square
- Broad Ripple Village

Some of these districts are more established than others. The consensus is that the Wholesale District is the center of downtown retail and entertainment. It offers the most outlets and annually draws the most visitors.

Wholesale District

The following streets border the Wholesale district:

- North: Market St.
- South: South St.
- East: Pennsylvania St.
- West: Capitol Ave.

Anchored by the Circle Centre Mall, the district holds notable downtown landmarks including Monument Circle, Conseco Fieldhouse, the RCA Dome and Indiana Convention Center, the Indiana Repertory Theater and the Indianapolis Arts Garden. There are more than 75 restaurants in the district, and dining options include the famous St. Elmo's Steakhouse and the Oceanaire Seafood Room. There are plenty of evening attractions including Howl at the Moon and the Slippery Noodle Jazz Club. There are also numerous hotel accommodations to choose from. According to Indianapolis Downtown Inc., the district draws approximately 1,800,000 visitors per year. The following table shows the downtown residential housing market share. According to the Metropolitan Indianapolis Board of Realtors, in 2004, 74 single-family homes were sold, a 25% increase compared to 2000. Also in 2004, 150 condominiums were sold, a 241% increase compared to 2000.

Table 40. Downtown Indianapolis Residential Market Share

Area	2000	2004	Avg. Annual Increase
Downtown Indianapolis	6,257	8,000	349
Indianapolis MSA	681,144	745,597	12,891
Market Share	0.92%	1.07%	

Sources: US Census, Indianapolis Downtown Inc.

The following table shows the Indianapolis downtown retail market share.

Table 41. Indianapolis Downtown Retail Market Share (SF)

Area	2004
Downtown Indianapolis	3,024,554
Indianapolis MSA	37,026,237
Market Share	8.17%

Sources: Wholesale District, NRB

CB Richard Ellis reports that in 2004, the average rental rate for downtown Indianapolis was $645 or $0.87 per square foot compared with an MSA rental rate of $616 or $0.70 per square foot.

Kansas City, Missouri

Several sources agreed that the two largest retail and entertainment districts in downtown Kansas City are the River Market and the Crown Center. Some would argue that the Crown Center is not centrally located, and would therefore not consider it to be downtown. However, it deserves mentioning because it is larger than River Market and contains numerous retail, entertainment, dining and lodging options. ERA chose to focus on River Market because of its superior location.

River Market

The River Market district is bordered on the north by the Missouri river and on the south by Independence Ave. It offers significant retail, entertainment, dining and living options. For entertainment, visitors flock to the City Market and other attractions like the Steamboat Arabia Museum and Comedy City. Open year round, the City Market is in the center of the district, consisting of numerous restaurants, shops, museums and live concerts. There is plenty of retail shopping destinations. The River Market contains everything from antique shops to clothing stores, art galleries and jewelry stores. The River Market does not offer a retail square footage, but CB Richard Ellis reports the total downtown Kansas City retail to be at 1,786,866 SF. The River Market's food and beverage outlets are mostly local. Notable destinations include the Local Harvest grocery store, Carollo's Meat Co. and Winslow's City Market BBQ.

Crown Center

Crown Center is, by some, considered to be located outside of the central downtown area. It is located at 2450 Grand Avenue, which is south of interstate 670. The center offers three levels of shopping, two live theaters, a multi-screen movie complex, numerous restaurant and two hotels. The Hyatt Regency contains 731 rooms and the Westin Crown Center contains 729 rooms. Management considers the Hyatt Regency to be the anchor tenant.

According to Heartland Real Estate Business, other than select downtown district development, most retail development is occurring in the suburbs of Kansas City. Zona Rosa is a 1.5 million SF lifestyle center located at Interstate 29 and Barry Road, and is close to completion. Also nearing completion is the Legends, a 600,000 square foot shopping center located at Interstates 70 and 435. Cabela's and the Nebraska Furniture Mart will anchor the center.

Power and Light District

The Power and Light District will offer over 450,000 SF of entertainment retail space, located across seven blocks in the South Loop. This $350,000 million dollar project will be completed in 2007.

Sprint Center Arena

The $250 million dollar Sprint Center will be completed in the fall of 2007. The arena will be located between 13th and 15th and Grand Blvd. and Oak St in downtown Kansas City. It will hold 18,500 seats, 72 private suites and 7 locker rooms. Notably, all available suites are already sold out. The design team consists of HOK Sport, Ellerbe Beckett, 360 Architecture and Rafael Architects, Inc. To finance the project, the Kansas City Industrial Development Authority sold a $184.4 million dollar tax-exempt revenue bond and an $18.7 million dollar taxable bond, both bearing AAA ratings. The arena has yet to secure a major sports franchise, but there are ongoing talks with the Pittsburgh Penguins owners, who are unlikely to stay in Pittsburgh past the current NHL season. The Anschutz Entertainment Group (AEG) contributed $50 million dollars to the project and will oversee operations. AEG hopes to attract NHL hockey, Big 12 college tournaments, NCAA regional tournaments, rodeos and music concerts.

The following table shows the downtown residential housing market share. The Kansas City downtown housing market is very similar to the Indianapolis downtown housing market in size, share and growth.

Table 42. Downtown Kansas City Residential Market Share

Area	2000	2004	Avg. Annual Increase
Downtown Kansas City	7,022	8,292	254
Kansas City MSA	740,884	794,964	10,816
Market Share	0.95%	1.04%	

Sources: US Census, Kansas City Downtown Council

The Downtown Kansas City Council reported current average sales prices at $200 per square foot and average rental rates ranging from $0.95 to $1.10 per square foot. The table below shows the Kansas City downtown retail market share. The 2007 data includes the planned Power and Light District.

Table 43. Kansas City Downtown Retail Market Share (SF)

Area	2004	2007
Downtown Kansas City	1,786,866	2,211,866
Kansas City MSA	48,453,299	49,203,299
Market Share	3.69%	4.50%

Sources: River Market, Downtown Kansas City Council, NRB

Des Moines, Iowa

Several sources agreed that the largest retail and entertainment district in downtown Des Moines is the Court Avenue Cultural and Entertainment district. There are other developing districts in the downtown that are worth mentioning, but since 1846, Court Avenue has been the site for much of the development in the downtown area.

Court Avenue Cultural and Entertainment District

Located west of the Des Moines River, the Court Avenue district is bordered by the following streets:

- North: Walnut St.
- South: Vine St.
- East: 2nd Ave.
- West: 5th Ave.

According to the Iowa Department of Cultural Affairs, this area of downtown is full of historic buildings and shops, with popular restaurants, clubs and growing residential spaces. The district contains Walnut Transit Mall, a Farmer's Market, the Court Avenue Blues Fest, the Des Moines Art Festival, the Civic Center of Greater Des Moines, the Science Center of Iowa and Principal Park. Historic buildings like the Polk County Court House, Hotel Kirkwood and the Fleming Building attract a large number of residents and tourists. Over the years, there has been an effort to increase green spaces and streetscapes. Future projects include a $26 million dollar Principal Riverwalk and new housing units that will provide an affordable housing option for downtown workers. Total current downtown retail space is about 50,000 SF.

Wells Fargo Arena

Recently completed this past summer, the Wells Fargo Arena is located within the Iowa Events Center at 730 3rd Avenue. The center also includes Hy-Vee hall, the Veterans Memorial Auditorium and the Polk County Convention Complex. The arena holds as many as 17,000 people and offers Iowa Stars home games, State wrestling tournaments, basketball tournaments, large concerts and family events. The Principal River's Edge is an on-site restaurant seating up to 180 people. There are 36 corporate suites, 20 loge boxes and 600 club seats. HOK Sport designed the arena. The following table shows the downtown residential housing market share for Des Moines. Since, 2000, the downtown market share has decreased from 2.21% to 2.12%.

Table 44. Downtown Des Moines Market Share

Area	2000	2004	Avg. Annual Increase
Downtown Des Moines	4,154	4,468	188
Des Moines MSA	188,265	210,338	4,415
Cumulative Market Share	2.21%	2.12%	

Sources: US Census, Downtown Community Alliance

CB Richard Ellis reports 2005 downtown rental rates of $554 for a one-bedroom apartment and $646 for a two-bedroom apartment. Comparable rates for the Des Moines metropolitan area are $561 for one-bedroom apartments and $646 for two-bedroom apartments. The following table shows the Des Moines downtown retail market share.

Table 45. Des Moines Downtown Retail Market Share (SF)

Area	2004
Downtown Des Moines	50,000
Des Moines MSA	12,651,519
Market Share	0.40%

Sources: Iowa Dept. of Cultural Affairs, NRB

Omaha, Nebraska

Old Market

By far the most visited downtown retail and entertainment district is the Old Market. Located at 1000 Howard St., near the Missouri River, the Old Market runs from 10th St. to 13th St. and from Farnam St. to Jackson St. The Old Market offers charming local restaurants like Vivace, the French Café and Upstream. There are numerous art galleries including the Artists Cooperative Gallery. Shops range from antique outlets to local clothing stores, such as Nebraska Clothing. The district contains four hotels including a Double Tree, an Embassy Suites, the Redick Tower and the Westin Aquila. Neither annual visitation nor square footage numbers are reported.

Qwest Arena and Convention Center

Located at 455 N. 10th St., the 1.1 million SF Qwest Arena and Conference Center holds 17,000 seats, a 194,000 SF exhibition hall and 62,000 SF of meeting space. In 2000, voters approved a $216-million dollar bond issue and private organizations and individuals covered the remainder of the $291 million dollar project. The center was completed in September of 2003 and the current owner of the center is the Metropolitan Entertainment and Convention Authority (MECA). For the most part, the center shows basketball and hockey games and concerts. Both the Creighton University basketball team and the University of Nebraska at Omaha hockey team play their home games at the Qwest center. In May of 2006 there will be 1,500 seats added for an estimated $5.7 million dollars. The project should be completed by September of the same year. The following table shows the downtown residential housing market share for Omaha.

Table 46. Downtown Omaha Residential Market Share

Area	2000	2004/05	Avg. Annual Increase
Downtown Omaha	6,183	6,833	130
Omaha MSA	291,001	314,354	4671
Market Share	2.12%	2.17%	

Sources: US Census, Omaha Chamber of Commerce

According to the National Institute of Real Estate Management, the average rent for a two-bedroom apartment in Omaha is $698 per month. And according to the National Association of Realtors, the median home sales price for the Omaha metro area during the first quarter of 2005 was $134,200, compared with a national average of $188,800.

The following table contains data for the Omaha downtown retail market share.

Table 47. Omaha Downtown Retail Market Share (SF)

Area	2004
Downtown Omaha	90,500
Omaha MSA	19,142,497
Market Share	0.47%

Sources: Omaha Chamber of Commerce, NRB

Dallas, Texas

Main St.

Largely due to a $2.5 million dollar retail recruitment program started in early 2004, Main St. has become the most popular downtown Dallas destination for retail and entertainment. The district includes Main, Elm and Commerce streets. Harwood St. is the eastern border and Field St. is the western border. Numerous retail outlets and restaurants are currently located on Main St. and RTKL's plan for the district calls for further additions and tenants. Neiman Marcus is perhaps the most recognizable retail outlet while Pegasus Plaza is one of the larger district attractions and the Stone Street Gardens offers over 9,800 SF of retail space. Overall, there is currently 300,000 SF of retail space in the Main St. district. According to the Dallas CVB, roughly 75,000 SF of Main St. retail space is currently available and another 150,000 SF will become available in the next year. There are also a number of residential redevelopment projects of older buildings including Mosaic Towers and 1200 Main St.

The following table shows the downtown residential market share for downtown Dallas. Dallas has the smallest downtown market share of any city.

Table 48. Downtown Dallas Residential Market Share

Area	2000	2004	Avg. Annual Increase
Downtown Dallas	883	1,821	188
Dallas MSA	2,031,348	2,236,578	41046
Market Share	0.04%	0.08%	

Sources: US Census, Dallas CVB

The table below presents the Dallas downtown retail market share.

Table 49. Dallas Downtown Retail Market Share (SF)

Area	2004
Downtown Dallas	300,000
Dallas MSA	132,298,864
Market Share	0.23%

Source: Dallas CVB, NRB

Oklahoma City, Oklahoma

Bricktown

Bounded by Main Street, Reno St., Walnut St. and the Santa Fe Railroad tracks, Bricktown is downtown Oklahoma City's premier retail and entertainment district. Notable attractions include a Bass Pro Shop, the Oklahoma City Museum of Art and the 12,000-seat capacity SBC Bricktown Ballpark. Shopping options include the Bricktown Gifts and Imports, the Oklahoma Nature Art and Jewelry Store and the RedHawks Gift Shop. There are several restaurants within the area including the recently opened Toby Keith's I Love This Bar and Grill along with a Hooters and Micky Mantle's Steakhouse. Entertainment outlets include the 16-screen Harkins Bricktown Theater and the Coca-Cola Events Center. Downtown Oklahoma City Inc. estimates annual visitation to be 4 million people.

Ford Center

Construction of the $87.7 million dollar Ford Center lasted from the spring of 1999 until June of 2002. The Atkins Benham Group served and the leading architect. The center was a central component of Oklahoma City's Metropolitan Area Project (MAPS), a capital improvement program funded by a sales tax approved on December 14th, 1993. This one-cent sales tax expired July 1st, 1999 and generated $309 million dollars plus an extra $54 million dollars earned in interest from the deposited tax revenue. The 581,000 SF Ford Center offers 20,000 seats distributed throughout three levels. There are 3,380 club seats, 8 party suites and 48 private suites. The York Icehouse is a full-service restaurant open to the public and the Sunset Bistro and Victory Bar and Buffet are available to club seat holders and suite owners. Currently, the Ford Center is home to the Oklahoma City Blazers of the Central Hockey League, the Oklahoma City Yard Dawgz of the Arena Football League and, temporarily, the New Orleans Hornets of the National Basketball Association. The center is also scheduled to host the 2007 Big 12 Men's Basketball Tournament. In addition to these sporting events the center is a top venue for country and rock music concerts, family events and ice shows. The center is owned by the City of Oklahoma City and managed by SMG. The following table shows the downtown residential market share for downtown Oklahoma City. Since 2000, little downtown housing has been added while the MSA housing stock has increased enough to actually lower the downtown housing market share.

Table 50. Downtown Oklahoma City Residential Market Share

Area	2000	2004	Avg. Annual Increase
Downtown Oklahoma City	2,818	2,841	5
Oklahoma City MSA	466,230	491,434	5041
Market Share	0.60%	0.58%	

Sources: US Census, Oklahoma Dept. of Commerce

The following table shows the Oklahoma City downtown retail market share.

Table 51. Oklahoma City Downtown Retail Market Share (SF)

Area	2004
Downtown Oklahoma City	262,000
Oklahoma City MSA	24,624,282
Market Share	1.06%

Sources: Oklahoma Chamber of Commerce, NRB

Implications

- The most progressive, vibrant downtown areas are those with the highest residential market shares, whereas those downtowns traditionally seen as lacking substantial activity are those with the smaller residential market shares. Minneapolis is a good example of the former and Dallas the latter.

- Ideally, growth in the downtown residential market should be synonymous with growth in downtown retail inventory. Accessible retail is crucial to downtown residents and provides a destination for those traveling from outside the downtown area.

MSA Inventory Comparisons

The following five tables are based upon data from several sources including the US Census, the US Dept. of Commerce, the Omaha Chamber of Commerce, the Oklahoma City Chamber of Commerce, Bricktown, Jones Lang LaSalle, CB Richard Ellis, the City of Minneapolis, the Wholesale District, Grubb and Ellis, the Old Market, the Dallas CVB and the National Research Bureau. The following table shows retail per capita data for each MSA. Kansas City and Des Moines show nearly identical retail per capita rations. Minneapolis has the smallest retail per capita at 16.48 SF, and Wichita the second smallest retail per capita at 21.79 SF.

Table 52. 2004 MSA Retail Per Capita

	St. Louis	Minneapolis	Indianapolis	Kansas City	Des Moines	Omaha	Dallas	Oklahoma City	Wichita
MSA Retail	58,800,268	49,887,101	37,026,237	48,453,299	12,651,519	19,142,497	132,298,864	24,624,282	12,469,444
MSA Population	2,620,334	3,027,000	1,664,412	1,823,092	476,699	801,189	5,676,651	1,095,252	572,296
Retail Per Capita	22.44	16.48	22.25	26.58	26.54	23.89	23.31	22.48	21.79

The table below ranks each MSA on the basis of population and shows the corresponding downtown residential market shares. Dallas is the largest MSA and Des Moines the smallest. Notably, there is no apparent correlation between the size of the listed MSAs and their downtown residential market shares. Downtown Omaha and downtown Des Moines show the two highest residential market shares of any MSA

Table 53. 2004 MSA Populations w/ Downtown Housing

MSA	Population	Downtown Units	Downtown Market Share
Dallas	5,676,651	1,821	0.08%
Minneapolis	3,027,000	15,938	1.25%
St. Louis	2,620,334	6,090	0.53%
Kansas City	1,823,092	8,292	1.04%
Indianapolis	1,664,412	8,000	1.07%
Oklahoma City	1,095,252	2,841	0.58%
Omaha	801,189	6,833	2.17%
Wichita	572,296	501	0.19%
Des Moines	476,699	4,468	2.12%

The following table ranks each MSA, again in terms of population, and includes the corresponding downtown retail market share (downtown percentage of total MSA retail square footage). Minneapolis has by far the highest percentage of downtown retail with a 7.22% downtown retail market share. There is no clear correlation between the population of a listed MSA and the downtown share of the retail market. The three largest downtown retail market shares belong to Minneapolis, Kansas City and Oklahoma City. These are the second, fourth and sixth ranked MSAs, in terms of population.

Table 54. 2004 MSA Populations w/ Downtown Retail

MSA	Population	Downtown Retail (SF)	Downtown Retail Share
Dallas	5,676,651	300,000	0.23%
Minneapolis	3,027,000	3,600,000	7.22%
St. Louis	2,620,334	165,000	0.28%
Kansas City	1,823,092	1,786,866	3.69%
Indianapolis	1,664,412	3,024,554	8.17%
Oklahoma City	1,095,252	262,000	1.06%
Omaha	801,189	90,500	0.47%
Wichita	572,296	465,000	3.73%
Des Moines	476,699	50,000	0.40%

The following table ranks each MSA based on per capita income. Minneapolis shows a per capita income well above all other MSAs at $38,601. Oklahoma City shows the lowest per capita income at $21,497. There appears to be no correlation between MSA per capita income and the downtown housing market share. St. Louis, for example, has the third highest per capita income, but the second lowest downtown housing market share.

Table 55. 2004 MSA Per Capita Incomes w/ Downtown Residential Market Shares

MSA	Per Capita Incomes	Downtown Housing Share
Minneapolis	$38,601	1.25%
Des Moines	$26,184	2.12%
St. Louis	$25,336	0.53%
Dallas	$25,124	0.08%
Kansas City	$24,914	1.04%
Indianapolis	$24,498	1.07%
Omaha	$23,681	2.17%
Wichita	$22,576	0.19%
Oklahoma City	$21,497	0.58%

The following table ranks each MSA in terms of per capita income and shows the corresponding downtown retail market share. Minneapolis has the largest per capita income and downtown retail market share. However, Oklahoma City shows the third largest downtown retail share and has the lowest per capita income. There appears to be no correlation between MSA per capita income and the downtown retail market share.

Table 56. 2004 MSA Per Capita Incomes w/ Downtown Retail Market Shares

MSA	Per Capita Incomes	Downtown Retail Share
Minneapolis	$38,601	7.22%
Des Moines	$26,184	0.40%
St. Louis	$25,336	0.28%
Dallas	$25,124	0.23%
Kansas City	$24,914	3.69%
Indianapolis	$24,498	8.17%
Omaha	$23,681	0.47%
Wichita	$22,576	3.73%
Oklahoma City	$21,497	1.06%

Project Implications

General Concepts

- There does not seem to be an MSA size requirement to complete successful downtown housing or retail initiatives. The Dallas MSA is significantly larger than the Oklahoma City MSA, but the later of the two boasts a stronger downtown housing stock. Likewise, the Oklahoma City and Omaha MSAs contain nearly the same number of residents, but the Oklahoma City MSA offers more destination retail in the downtown area.

- There appears to be no required level of MSA per capita income to increase the size of a downtown residential or retail market. The Des Moines and St. Louis MSAs show similar per capita incomes, but from 2000 to 2004, the downtown St. Louis housing stock grew at a rate of roughly 290 units per year whereas the Des Moines downtown market added about 188 units on an annual basis. Along those same lines, Kansas City generates an MSA per capita income of only \$24,914 (5th highest) but shows the second strongest downtown retail market share (3.69%).

Retail Market

- Old Town and the WaterWalk development offer regionally relevant retail space. The downtown retail market share of the MSA (3.73%) is well above MSAs of similar size including Omaha and Oklahoma City.

- ERA estimates that existing downtown attractions have been generating between 2.2 and 2.3 million visits per year. The arena will clearly add additional weeknight and weekend traffic to the downtown area, increasing the sustainability of existing downtown districts.

- Abilities to expand retail beyond the two core destinations (Old Town and WaterWalk) will be linked to further growth in the downtown residential market. Given the national retail trends that ERA has discussed, it will be critical to prioritize the expansion of existing districts rather than build new districts (i.e. in addition to Old Town and WaterWalk).

Office Market

- Between 1990 and 2002, the downtown market saw construction of about 32,000 SF of new office space, while the suburban market saw construction of about 1.4 million SF of new office space. The market as a whole is driven more by existing tenants moving to new space rather than the arrival of new tenants in the market. For downtown, recent residential adaptive reuse projects have started to remove obsolete office buildings from supply.

- ERA understands that WaterWalk is expecting to deliver its first mixed-use building, which should include approximately 75,000 SF of office space.

- ERA notes that Wichita's total inventory of about 11.5 million rentable SF appears generally comparable to other midwestern downtown districts, such as Omaha, in terms of rentable space; these markets also support relevant owner occupied space and government office buildings, which do not show up in the rentable statistics. These cities support downtown office space ranging from about 30% to 55% of total inventories.

- Given the array of attractions that are already in the downtown area, combined with investment related to the new arena, there is a reasonable expectation by ERA that the downtown areas share of the regional office market will increase. Assuming that the overall office market continues to grow at its current pace, looking forward (post WaterWalk), with the construction of a new arena ERA would expect the downtown market to be competitive for a 20% to 30% share of new office construction, which would translate to between 280,000 and 420,000 SF of new office space. This market share would be consistent with downtown's current share of overall class A and B inventory. Growth above these levels is possible, but depends upon more aggressive and targeted incentives.

Residential Market

- In 2004, the median downtown housing market share of Oklahoma City, Omaha, Des Moines and Wichita was 1.35%. Wichita shows a 0.19% downtown market share, which is by far the lowest in the group. It is clear that downtown Wichita is currently underserved by the present housing stock and that there is the market interest and desire to justify additional development.

- From 2000 to 2004 the median amount of average annual housing units absorbed by the downtown markets of MSAs with more than 1,000,000 people was 363. This group included Minneapolis, Dallas, St. Louis, Indianapolis and Kansas City. During the same time period, the median amount of average annual housing units absorbed by MSAs with less than 1,000,000 people was 79, largely because Oklahoma City absorbed only 23 units over the four-year period. Wichita averaged about 85 units absorbed per year during the same time period.

- Similar sized MSAs show higher current downtown market shares and have added significantly more downtown housing units since 2000. In addition, the Wichita MSA is experiencing higher growth among non-family households than in family households. Non-family households are more likely candidates for downtown residential developments.

- Moving forward, there is a clear opportunity to further expand the base of downtown housing with a year-to-year absorption potential in the 100-unit range. Of critical importance will be the transition from adaptive reuse of existing buildings to new construction. If significant additional downtown housing is to be built it will need to incorporate key elements, which could include design standards, walkability and density.

Appendix

General Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible, and they are believed to be reliable. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the industry, and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the clients agent, and representatives or any other data source used in preparing or presenting this study. No warranty or representation is made by Economics Research Associates that any of the project values or results contained in this study will actually be achieved.

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