SECTION B. MARKET ANALYSIS

As a part of the planning process a market assessment of the Wichita Arena Neighborhood was completed. The approach to complete the assessment 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

The results of the completed market assessment are outlined in this section of the plan.

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.

Figure TS-8 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 during this time.

Figure TS-8: 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 figures ***(Figures TS-9 and TS-10)*** show population change 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%.

Figure TS-9: 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

Figure TS-10: 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

Figures TS-11, TS-12 and TS-13 show data in regard to household growth. These figures 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%.

Figure TS-11: 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

Figure TS-12: 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

Figure TS-13: 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%

Figure TS-12 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.

Figure TS-13 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.

Figure TS-14 shows 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.

Figure TS-14: Educational Attainment (25 years +)

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

Source: US Census

Figure TS-15 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%.

Figure TS-15: 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%

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

Figure TS-16: 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

Figure TS-16 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%.

Figure TS-17: Educational Attainment

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

Source: US Census and Omaha Chamber of Commerce

Figure TS-17 shows 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. The educational attainment of the population of the Wichita MSA for college and graduate level education is below all other peer cities except Oklahoma City. Competition between these cities for higher wage jobs will be challenging because of their similar educational attainment.

Figure TS-18 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.

Figure TS-18: 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

MARKET DEMOGRAPHICS - 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 (ages 45 and older) and Empty Nesters (those households with adults age 45 or older and no children) 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. For example, 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. ***Figure TS-19*** 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.

Figure TS-19: 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%). ***Figure TS-20*** 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%.

Figure TS-20: 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

Figure TS-21 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 figure 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.

Figure TS-21: 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

Figure TS-22 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%.

Figure TS-22: 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

MIGRATION - 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.

RETAIL MARKET

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%, 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 marketplace 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, 150,000 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 figures below ***(Figures TS-23, TS-24 and TS-25)*** 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.

Figure TS-23: 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

Source: Weigand Commercial Real Estate Guides

Figure TS-24: 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

Source: Weigand Commercial Real Estate Guides

Figure TS-25: 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

Source: Weigand Commercial Real Estate Guides

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 uses). 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.

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. Wal-Mart 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.

Figure TS-26: 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

Figure TS-26 summarizes several notable shifts in per capita retail spending between 1992 and 2004. The figure 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.

Retail Sales Analysis - The following three figures ***(Figures TS-27, TS-28 and TS-29)*** 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.

Figure TS-27: 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%

Source: Kansas Dept. of Revenue

Figure TS-28 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%.

Figure TS-28: 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: Kansas Dept. of Revenue

Figure TS-29: 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

Figure TS-29 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.

Figure TS-30: 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%

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

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. ***Figure TS-30*** 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).

Figure TS-31: 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: US Census, Kansas Dept. of Revenue and ERA

Figure TS-31 shows pull factors for each segment of the Wichita MSA retail market. Across every segment, pull factors increased from 2000 to 2004. 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

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 units.

- 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 for that category from 11.9% to 16.6%.

- The reduction in the Class C vacancy 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.

Figure TS-32: 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

Source: Weigand Commercial Real Estate Guides

Figure TS-33: 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

Source: Weigand Commercial Real Estate Guides

OFFICE VACANCY* -** Like the previous retail data, the figures below ***(Figures TS-32 and TS-33) are from the 2003 and 2005 Weigand reports (reporting for the previous years) 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.

Figure TS-34: 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%

Source: Weigand Commercial Real Estate Guides

Inventory* – *Figure TS-34 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.

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* – *Figure TS-35 shows the distribution of select Wichita MSA business likely to require office space. Notice the large percentage of businesses employing between two and ten people, which would suggest substantial demand for smaller office space.

Figure TS-35: 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: ERA

The figure 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.

Figure TS-36: 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: ERA

The adjacent figure ***(Figure TS-36)*** 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 figure 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.

RESIDENTIAL MARKET

ERA analyzed the annual issues of "Development Trends" since 1998 in conjunction with the US Census to examine potential trends in residential construction. The following figures 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. The reported population projections differ slightly from Census data.

Figure TS-37: 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%

Source: MAPD and US Census

Figure TS-37 shows annual population estimates since 2000. Wichita City and Sedgwick County grew at comparable rates during that time, 4.5% and 4.2% respectively.

Figure TS-38: 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

Source: MAPD and US Census

Figure TS-38 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.

Figure TS-39 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.

Figure TS-39: 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

Source: MAPD and US Census

Figure TS-40 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.

Figure TS-40: 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**	

Source: MAPD and US Census

Figure TS-41: 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

Source: MAPD and US Census

Figure TS-41 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.

Figure TS-42: 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%

Source: MAPD and US Census

Figure TS-42 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.

MARKET IMPLICATIONS

Moving forward, the next section highlights relative MSA comparisons in general, retail, office and residential demand, with implications for new development in the Arena Neighborhood Area and Wichita.

General

- 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 downtown Wichita's total inventory of about 4.2 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.

In addition to the market assessment completed for the study area, an examination of competitive downtown destinations and associated MSA market inventories was also completed. To review the additional information prepared please contact the Metropolitan Area Planning Department.

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