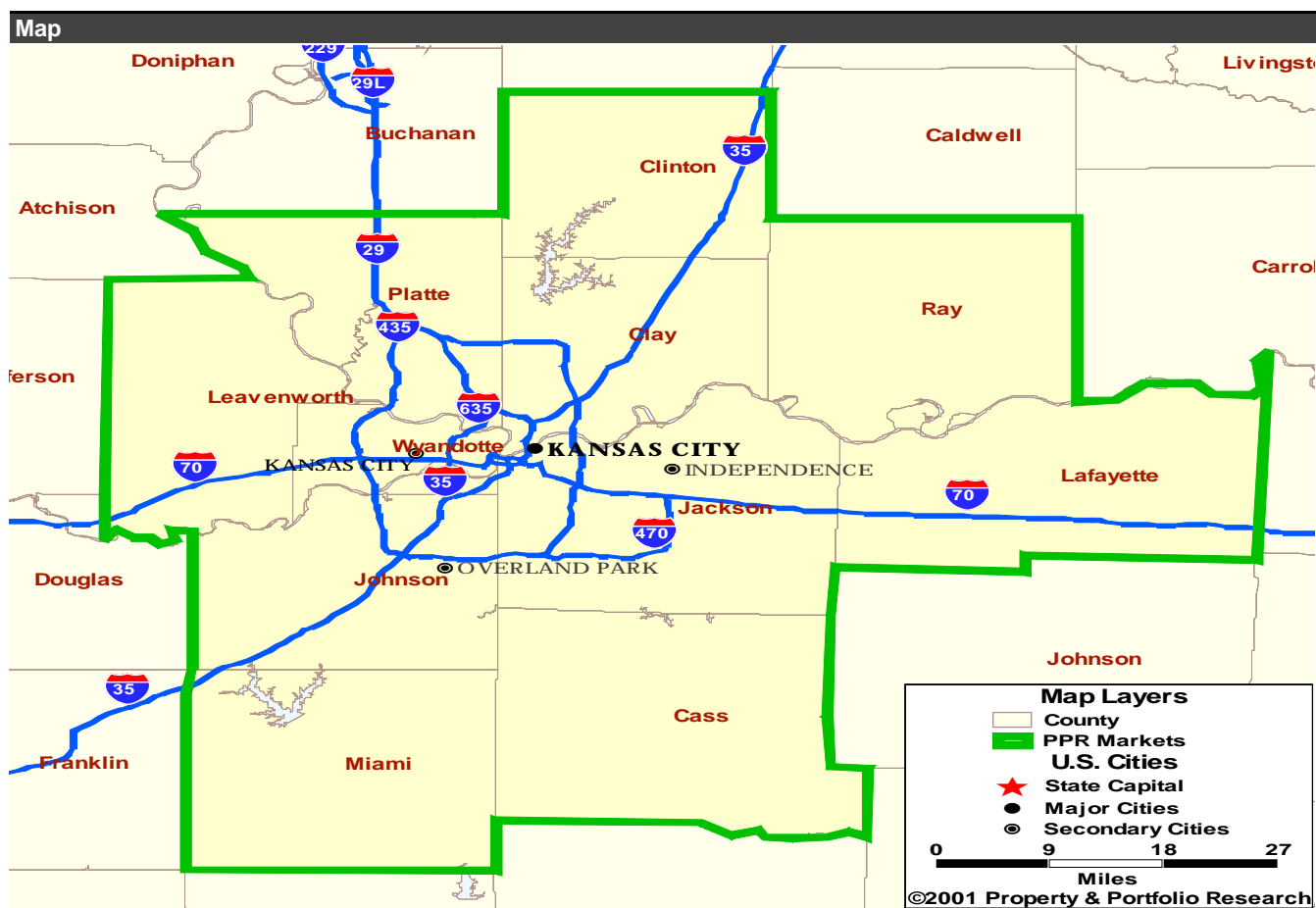


## KANSAS CITY

## Overview



## Summary of Last Twelve Months vs. Historical Minimum, Maximum, and Average

	Current Vacancy*	Net New Supply (000SF)**	Net Absorption (000SF)**
<b>Apartment</b>	↑ 7.9% 4.3% 98:1 — 12.2% 86:4 -430	↓ 2,628 9,203 87:3 — -1,646 91:2	↓ 421 8,511 87:3 — -58 89:3
<b>Office</b>	↑ 15.5% 7.2% 82:1 — 20.7% 87:3 461 93:4	↑ 4,060 4,776 87:3 — -821 91:4	↓ -58 4,201 89:3 — -512 96:3
<b>Retail</b>	↑ 12.4% 7.2% 00:2 — 19.9% 82:2 367 83:3	↑ 2,799 2,875 97:2 — -1,467 82:1	↓ -512 4,594 00:1 — -512 96:3
<b>Warehouse</b>	↑ 7.2% 4.3% 82:1 — 8.5% 87:4 -9 94:2	⇄ 2,183 3,034 82:1 — -1,091 84:1	↓ 313 2,539 96:3 — -512 96:3
<b>Hotel</b>	⇄ 61.4% 70.8% 97:1 — 58.7% 91:3 -5 95:4	↑ 888 2,446 87:2 — -217 99:1	↓ 92 1,130 97:4 — -512 96:3

\*Occupancy for Hotels

\*\*Apartment and Hotel data are in units.

## KANSAS CITY

## Analysis/Economy

## Notable Economic and Real Estate Market Events

- ECON** – In contrast to most major metropolitan areas, job growth in Kansas City has remained positive throughout the economic downturn. **Year-over-year as of March, local employment grew by 1%, with the metro adding a net total of nearly 10,000 jobs.** Sprint, the metro's largest private sector employer, increased local payrolls last year, but near-term expansion prospects are bleak. **The company has cut another 350 local jobs so far this year,** on top of 3,000 layoffs last fall. Layoffs are also in the works at SBC Communications, the parent company of Southwestern Bell Telephone. Kansas City's manufacturing job losses have been relatively subdued, although both **Hallmark and Folgers Coffee are relocating production outside the metro.**
- APT** – The upward momentum in vacancies will continue throughout the year, as **more than 3,500 units are currently underway.** **Apartment demand is limited by the high affordability of single family homes in the metro,** evidenced by the 75% homeownership rate. **Johnson County, home to Sprint's new campus, is enjoying disproportionate population growth and construction activity.** Plaza Gardens of Overland Park broke ground last fall on the 250-unit Plaza Garden South, AMLI has 408 units underway in its AMLI at Cambridge Square complex in Overland Park, and Bleakley Development is underway on the 696-unit, phased-in Homestead Apartments in Olathe. In Jackson County, Lindsey & Assoc. is developing The Greens at Grand Summit, with 440 units in the first phase and up to another 500 units planned in future phases.
- OFF** – **Speculative construction has slowed considerably,** but limited demand growth combined with **a steady stream of backfill space will keep vacancies elevated in the near term.** Sprint's 3.9 million SF **World Headquarters in Overland Park,** which became the official company headquarters in April, **will ultimately result in the consolidation of more than fifty locations across the metro.** Most recently, the company put 350,000 SF in six South Johnson County locations on the sublease market. Additionally, Sprint is vacating 130,000 SF of multitenant space at Corporate Woods in Overland Park. In downtown Kansas City, Zimmer's 590,000 SF 2555 Grand Boulevard in Crown Center is expected to complete in late-2003. Shook, Hardy & Bacon will be the lead tenant with a 410,000 SF lease. **Highwood's plans for the 185,000 SF Parkview Plaza in Country Club Plaza were cancelled** after public pressure forced the developer to withdraw its TIF application.
- RET** – After falling to a cyclical low of less than 6% in 2000, **economic vacancy rates have since doubled.** Following six years of robust activity, new retail development is beginning to slow, with **less than two million SF expected to complete this year.** Johnson County had been the focal point of new supply. **Northland is experiencing a surge in retail developer interest,** with Briarcliff's 225,000 SF La Bella Vita scheduled to open this summer and R.E.D. Development's 130,000 SF Shops at the Boardwalk expected in December. Sun Stone Development is expected to break ground shortly on the 500,000 SF Zona Rosa. **The new Kansas City Speedway has inspired 1.3 million SF of planned construction at the intersection of I-435 and I-70 in Jackson County.**
- WHS** – A sharp decline in demand has lifted **vacancies close to their 1986–1987 highs.** Leasing activity is beginning to improve. Variform signed for 105,000 SF of underground space at Carefree Industrial Park in Sugar Creek and Everest MidWest signed for 96,000 SF of underground space at Lenexa Executive Park in Lenexa. **New deliveries, which averaged 2.3 million SF annually over the past three years, are expected to slow to 1.3 million SF this year.** While high by historical standards, **vacancy rates should remain in the single-digits.**
- HOT** – The **412-room Overland Park Sheraton being built in conjunction with the new Overland Park Convention Center is the largest hotel currently underway.** A 150-room Garden Hilton Inn near the Reardon Center downtown and a 104-room Residence Inn in Jackson County are also expected to open this year.

## Demographic Trends

Category	2002*		Annual Growth Rates					
	Market	U.S.	1982-1991		1992-2001		2002-2006	
			Market	U.S.	Market	U.S.	Market	U.S.
Population	1,810	288,644	1.0%	1.0%	1.1%	1.2%	0.6%	0.9%
Households	707	107,714	1.4%	1.3%	1.3%	1.3%	0.7%	1.0%
Median Household Income	\$56,725	\$44,333	5.0%	4.4%	5.1%	3.7%	3.4%	3.1%
Apartment-Renting Households	217	35,788	2.4%	1.7%	0.5%	0.5%	1.5%	1.0%
Real Retail Sales Per Capita	\$4,688	\$4,518	1.2%	1.4%	1.1%	1.7%	1.8%	1.7%

## Employment Trends

SIC Category	2002*		Annual Growth Rates					
	Employment	Location Quotient	1982-1991		1992-2001		2002-2006	
			Market	U.S.	Market	U.S.	Market	U.S.
Total Services	305	1.0	3.9%	4.3%	4.1%	3.7%	2.2%	2.5%
Business Services	76	1.1	6.9%	6.6%	6.3%	6.2%	2.7%	3.0%
Other Services	229	1.0	3.3%	3.8%	3.5%	3.0%	2.0%	2.4%
Retail Trade	172	1.0	2.5%	2.5%	2.0%	2.0%	1.1%	1.6%
Government	140	0.9	2.3%	1.6%	1.3%	1.3%	0.4%	0.7%
Manufacturing	101	0.8	-1.1%	-0.6%	-0.4%	-0.6%	0.1%	0.1%
F.I.R.E.	71	1.2	2.6%	2.2%	1.8%	1.5%	0.8%	0.9%
Wholesale Trade	61	1.2	0.7%	1.3%	0.7%	1.4%	1.3%	1.2%
Trans., Comm., Util.	82	1.6	2.1%	1.1%	3.1%	2.0%	-0.0%	1.1%
Construction	54	1.1	4.3%	1.4%	5.7%	4.2%	-0.4%	0.3%
Mining	1	0.1	-1.1%	-6.0%	-0.2%	-1.6%	-1.2%	-1.1%
Total Employment	985	1.0	2.1%	1.9%	2.4%	2.0%	1.1%	1.4%
Office-Using Employment	252	1.1	3.3%	3.0%	3.3%	2.9%	1.7%	1.9%
Trucking/Warehouse Employment	83	1.3	1.8%	1.5%	1.6%	1.7%	1.3%	1.2%

\*All units (except for dollar denominated figures) in thousands.

## Current Economic Indicators

Employment Growth 3/02	Labor Force Growth 3/02	Unemployment Rate 3/02	Employment Volatility Ratio	Net Migration (000) 2001	Cost Indices (U.S. = 100)	
					Business	Living
1.0%	4.2%	4.7%	0.8	2.6	95	99

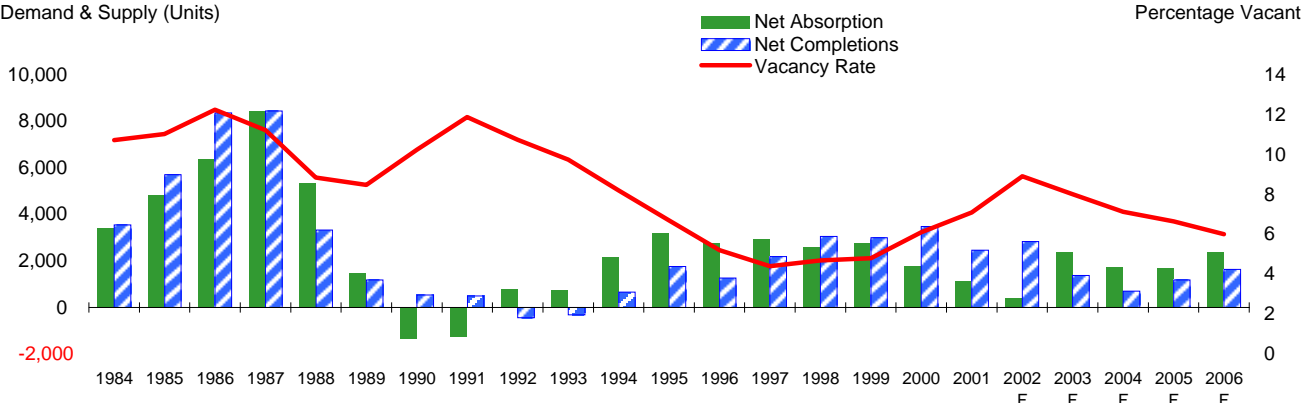
Sources: PPR; Economy.com

## KANSAS CITY

## Apartment

## Supply, Demand, and Vacancy

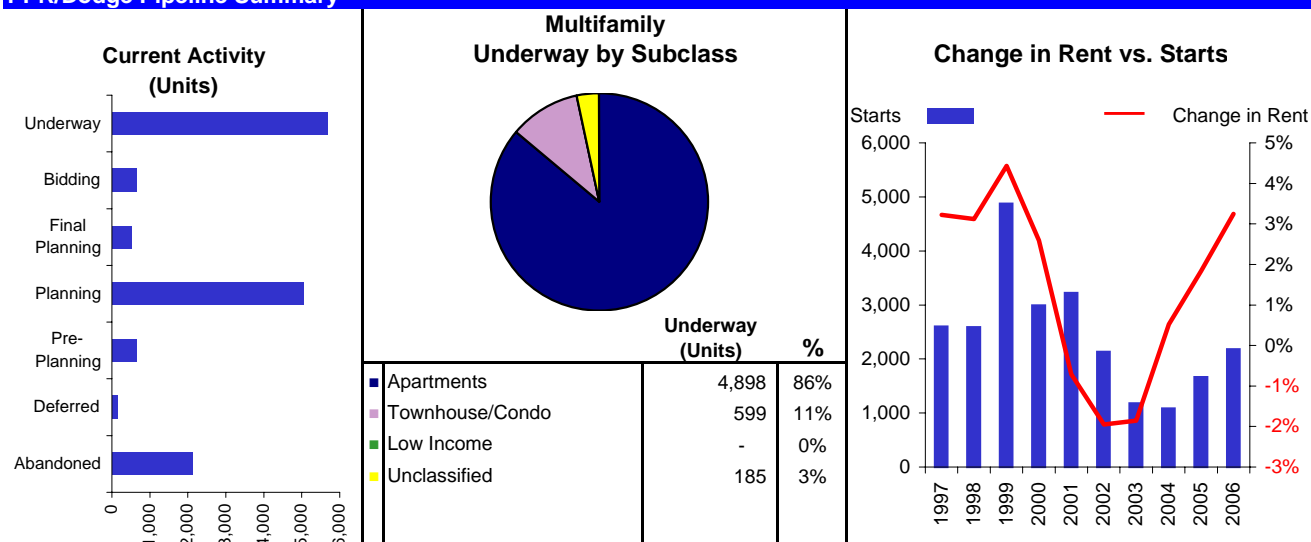
Demand &amp; Supply (Units)



## Apartment Market Statistics (Units)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Apt. Vacancy</b>	4.4%	4.7%	4.8%	6.1%	7.1%	8.9%	8.0%	7.1%	6.7%	6.0%
<b>Apt. Net Absorption</b>	2,938	2,586	2,746	1,784	1,114	403	2,376	1,745	1,698	2,366
<b>% Growth</b>	2.9%	2.5%	2.6%	1.6%	1.0%	0.4%	2.1%	1.5%	1.5%	2.0%
<b>Multifamily Starts</b>	2,603	2,591	4,875	2,992	3,225	2,132	1,181	1,083	1,666	2,177
<b>% Change</b>	17.7%	-0.5%	88.2%	-38.6%	7.8%	-33.9%	-44.6%	-8.3%	53.8%	30.7%
<b>Net Apt. Completions</b>	2,186	3,055	3,001	3,482	2,467	2,827	1,381	700	1,185	1,644
<b>Apt. Inventory</b>	108,217	111,272	114,273	117,755	120,222	123,048	124,429	125,129	126,314	127,958
<b>% Growth</b>	2.1%	2.8%	2.7%	3.0%	2.1%	2.4%	1.1%	0.6%	0.9%	1.3%
<b>Apt. Rent Index</b>	103	106	111	114	113	111	109	110	112	115
<b>% Change</b>	3.2%	3.1%	4.4%	2.6%	-0.7%	-1.9%	-1.9%	0.5%	1.8%	3.2%

## PPR/Dodge Pipeline Summary



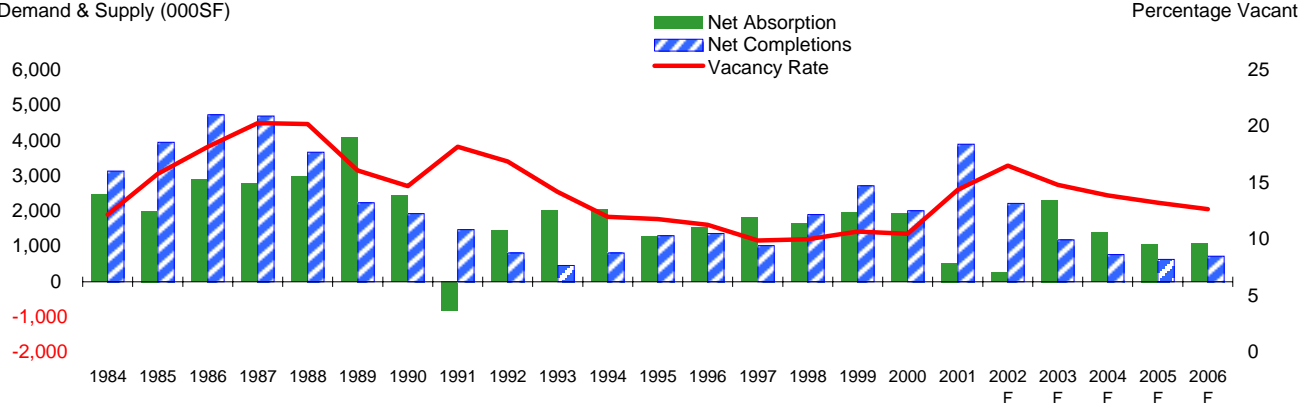
Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

## KANSAS CITY

## Office

## Supply, Demand, and Vacancy

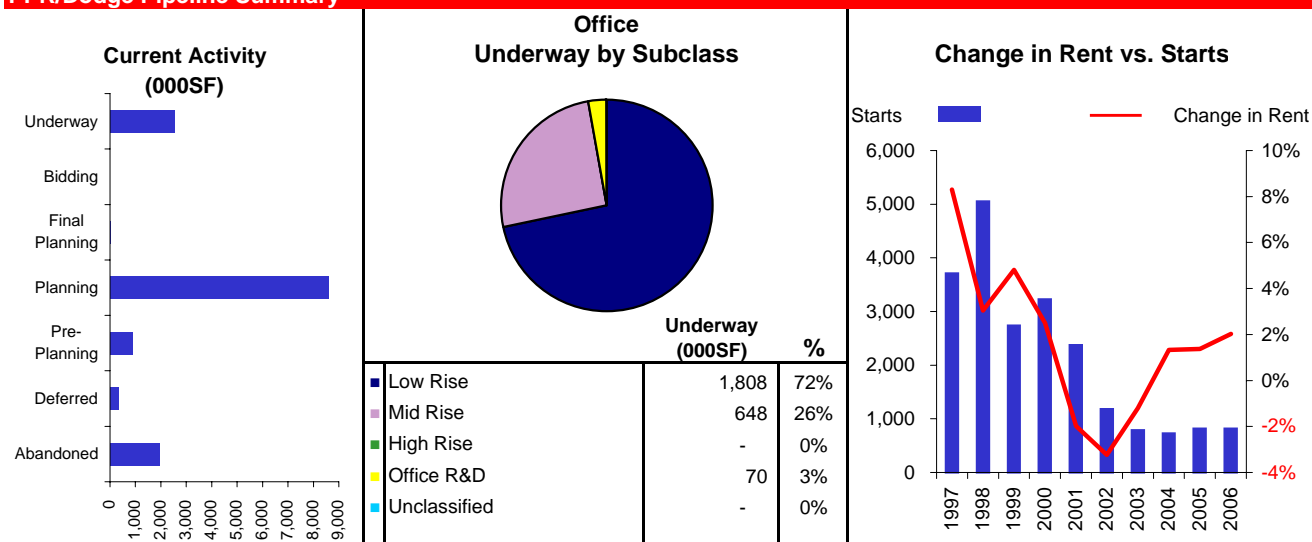
Demand &amp; Supply (000SF)



## Office Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Vacancy</b>	9.9%	10.0%	10.7%	10.5%	14.4%	16.5%	14.8%	13.9%	13.2%	12.7%
<b>Net Absorption</b>	1,810	1,649	1,953	1,939	529	253	2,316	1,404	1,063	1,085
<b>% Growth</b>	3.2%	2.8%	3.2%	3.1%	0.8%	0.4%	3.6%	2.1%	1.5%	1.6%
<b>Starts</b>	3,709	5,050	2,739	3,226	2,374	1,182	787	730	815	815
<b>% Change</b>	193.0%	36.2%	-45.8%	17.8%	-26.4%	-50.2%	-33.4%	-7.3%	11.7%	0.0%
<b>Net Completions</b>	1,018	1,905	2,713	2,010	3,893	2,220	1,181	769	629	718
<b>Inventory</b>	65,263	67,168	69,881	71,891	75,784	78,004	79,185	79,954	80,583	81,301
<b>% Growth</b>	1.6%	2.9%	4.0%	2.9%	5.4%	2.9%	1.5%	1.0%	0.8%	0.9%
<b>Rent Index</b>	108	112	117	120	118	114	112	114	115	118
<b>% Change</b>	8.3%	3.0%	4.8%	2.5%	-2.0%	-3.2%	-1.2%	1.3%	1.4%	2.0%

## PPR/Dodge Pipeline Summary



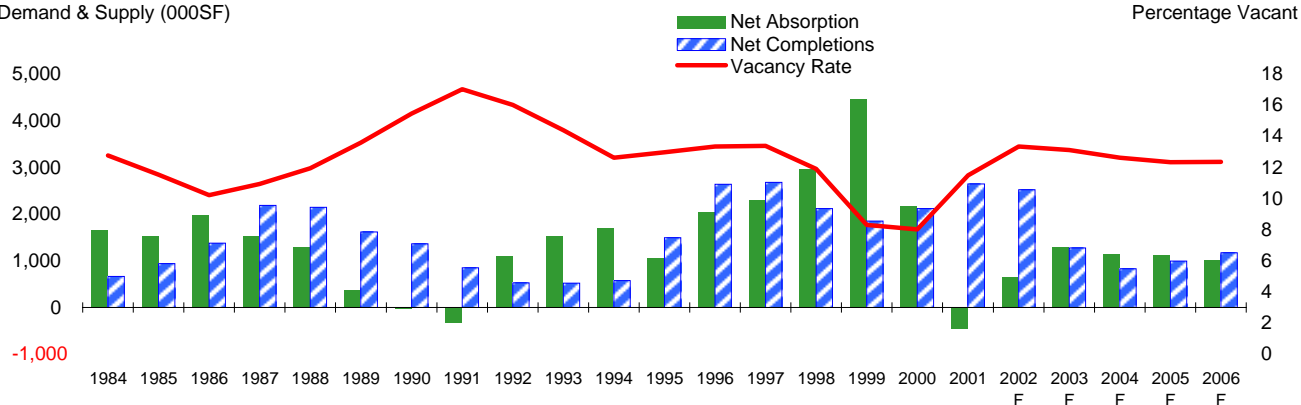
Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

## KANSAS CITY

## Retail

## Supply, Demand, and Vacancy

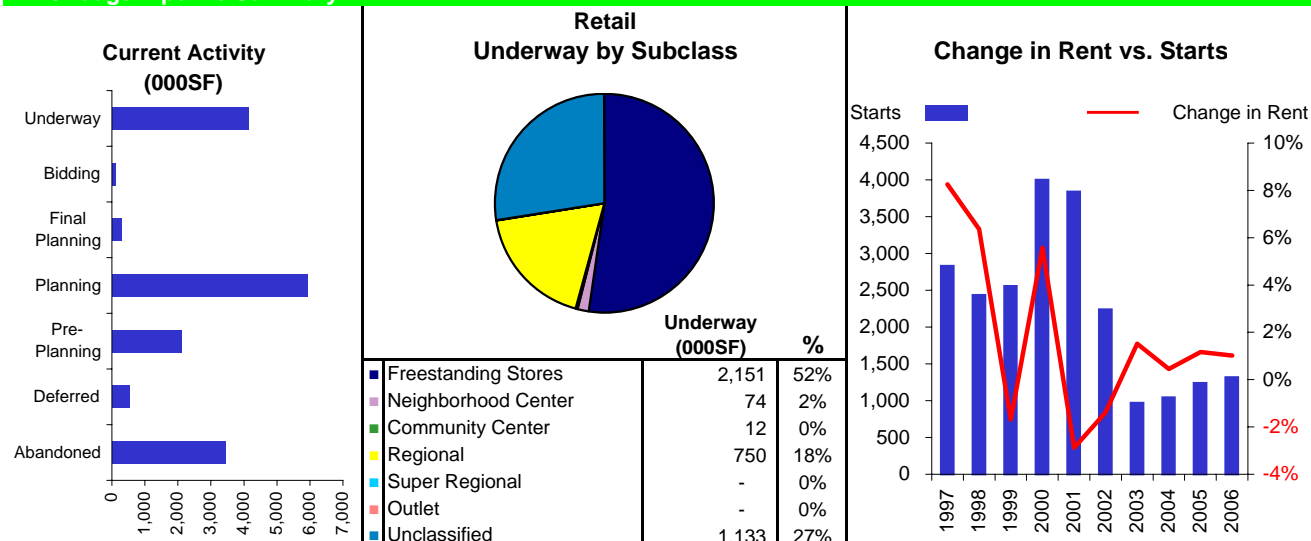
Demand &amp; Supply (000SF)



## Retail Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Vacancy</b>	13.4%	11.9%	8.3%	8.0%	11.5%	13.3%	13.1%	12.6%	12.3%	12.4%
<b>Net Absorption</b>	2,292	2,960	4,463	2,169	-456	654	1,300	1,148	1,122	1,008
<b>% Growth</b>	3.7%	4.6%	6.6%	3.0%	-0.6%	0.9%	1.8%	1.5%	1.5%	1.3%
<b>Starts</b>	2,829	2,437	2,556	3,999	3,838	2,237	970	1,043	1,238	1,315
<b>% Change</b>	-19.7%	-13.9%	4.9%	56.4%	-4.0%	-41.7%	-56.6%	7.6%	18.6%	6.3%
<b>Net Completions</b>	2,681	2,123	1,851	2,121	2,645	2,524	1,273	831	993	1,176
<b>Inventory</b>	74,440	76,563	78,414	80,535	83,180	85,704	86,977	87,808	88,801	89,976
<b>% Growth</b>	3.7%	2.9%	2.4%	2.7%	3.3%	3.0%	1.5%	1.0%	1.1%	1.3%
<b>Rent Index</b>	108	115	113	120	116	114	116	117	118	119
<b>% Change</b>	8.2%	6.4%	-1.7%	5.6%	-2.9%	-1.4%	1.5%	0.5%	1.2%	1.0%

## PPR/Dodge Pipeline Summary



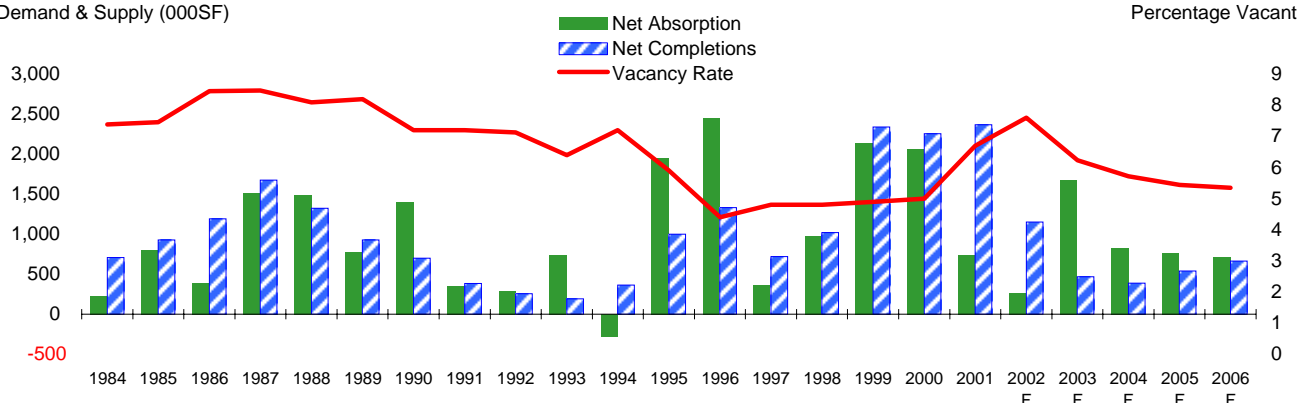
Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

## KANSAS CITY

## Warehouse

## Supply, Demand, and Vacancy

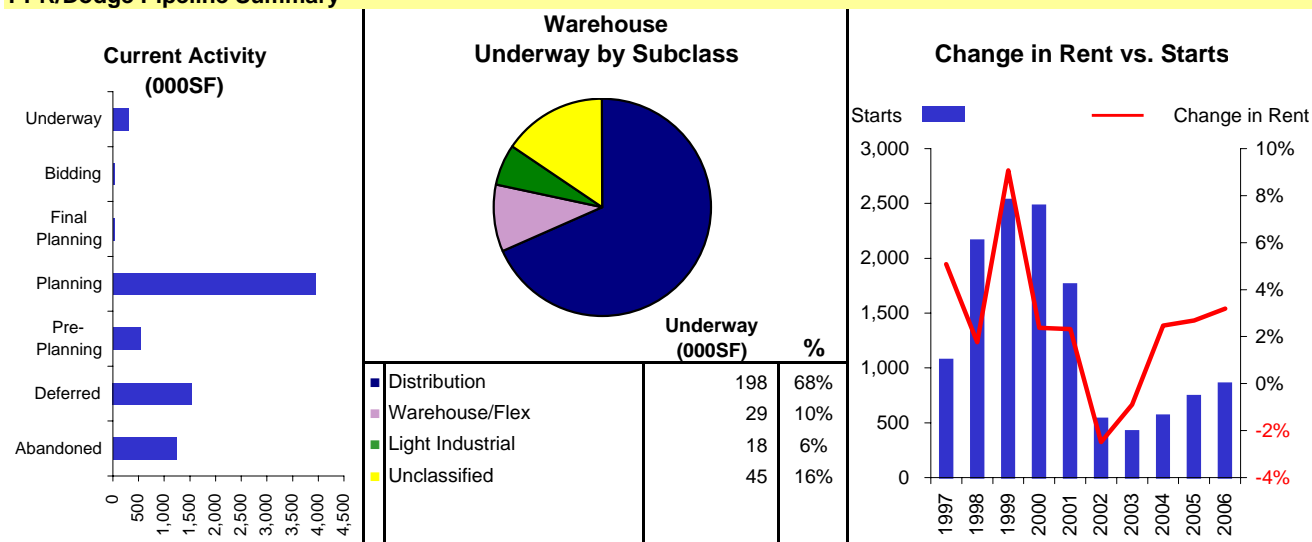
Demand &amp; Supply (000SF)



## Warehouse Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Vacancy</b>	4.8%	4.8%	4.9%	5.0%	6.7%	7.6%	6.2%	5.7%	5.4%	5.3%
<b>Net Absorption</b>	364	971	2,143	2,060	742	265	1,670	826	760	718
<b>% Growth</b>	0.5%	1.3%	2.8%	2.6%	0.9%	0.3%	2.0%	1.0%	0.9%	0.8%
<b>Starts</b>	1,075	2,162	2,534	2,480	1,761	537	424	567	745	859
<b>% Change</b>	15.9%	101.1%	17.2%	-2.1%	-29.0%	-69.5%	-21.0%	33.7%	31.4%	15.3%
<b>Net Completions</b>	718	1,020	2,340	2,257	2,367	1,153	469	387	539	666
<b>Inventory</b>	80,640	81,660	84,000	86,257	88,624	89,777	90,246	90,633	91,172	91,837
<b>% Growth</b>	0.9%	1.3%	2.9%	2.7%	2.7%	1.3%	0.5%	0.4%	0.6%	0.7%
<b>Rent Index</b>	105	107	117	119	122	119	118	121	124	128
<b>% Change</b>	5.1%	1.8%	9.1%	2.4%	2.3%	-2.5%	-0.9%	2.5%	2.7%	3.2%

## PPR/Dodge Pipeline Summary

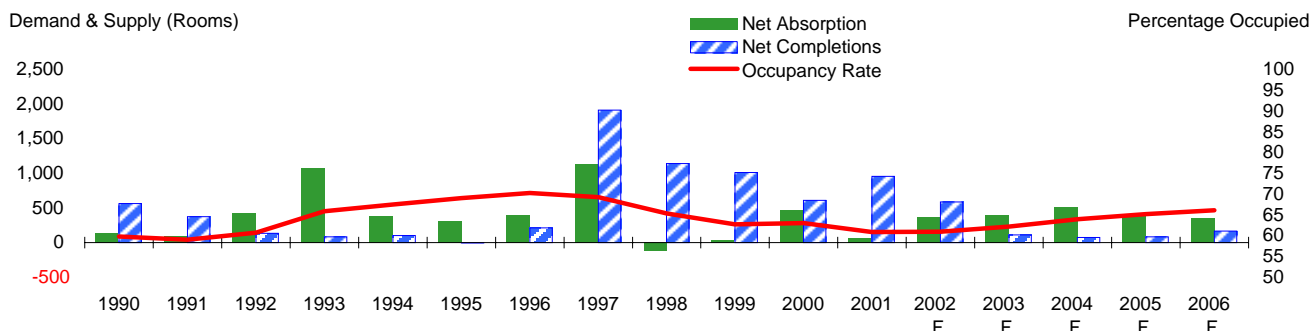


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

## KANSAS CITY

## Hotel

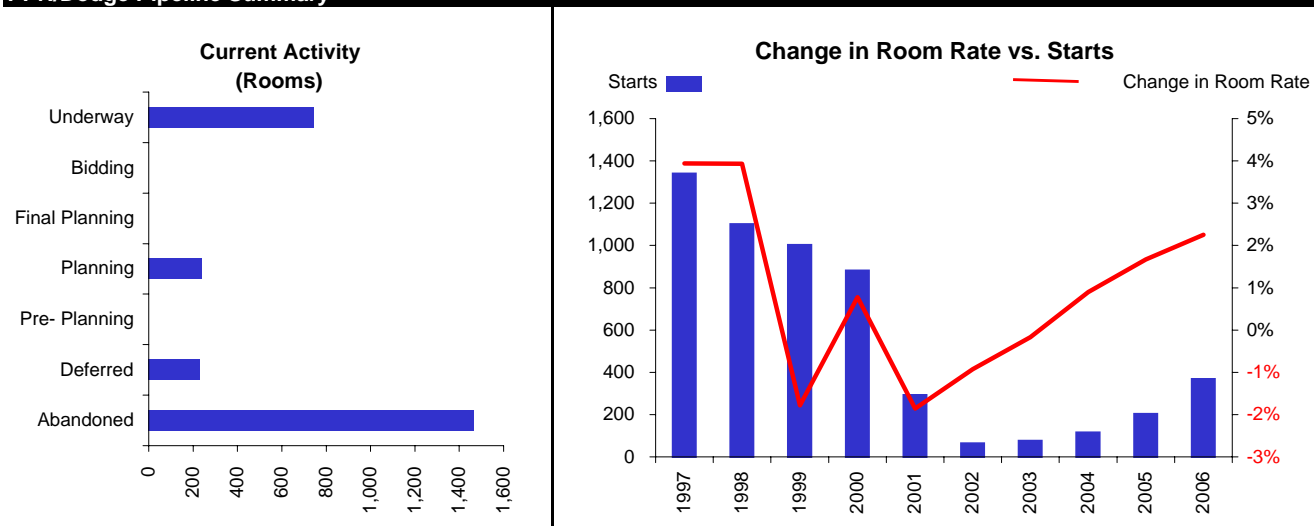
## Supply, Demand, and Occupancy



## Hotel Market Statistics (Rooms)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Occupancy</b>	69.3%	65.3%	62.7%	63.0%	60.9%	60.9%	62.2%	63.9%	65.2%	66.1%
<b>Net Absorption</b>	1,130	-120	26	460	55	364	395	507	381	354
<b>% Growth</b>	8.0%	-0.8%	0.2%	3.0%	0.4%	2.3%	2.5%	3.1%	2.3%	2.1%
<b>Starts</b>	1,339	1,101	1,002	881	292	64	75	115	203	368
<b>% Change</b>	-27.4%	-17.8%	-9.0%	-12.1%	-66.9%	-78.1%	17.2%	53.3%	76.5%	81.3%
<b>Net Completions</b>	1,913	1,140	1,011	610	954	586	111	71	82	166
<b>Inventory</b>	21,931	23,071	24,082	24,692	25,646	26,232	26,342	26,414	26,495	26,661
<b>% Growth</b>	9.6%	5.2%	4.4%	2.5%	3.9%	2.3%	0.4%	0.3%	0.3%	0.6%
<b>Room Rate Index</b>	104	108	106	107	105	104	104	105	106	109
<b>% Change</b>	3.9%	3.9%	-1.8%	0.8%	-1.9%	-0.9%	-0.2%	0.9%	1.7%	2.2%
<b>RevPar Index</b>	99	101	91	94	85	84	87	90	93	97
<b>% Change</b>	-0.7%	1.6%	-9.9%	2.9%	-9.3%	-1.1%	3.4%	3.7%	3.7%	3.8%

## PPR/Dodge Pipeline Summary

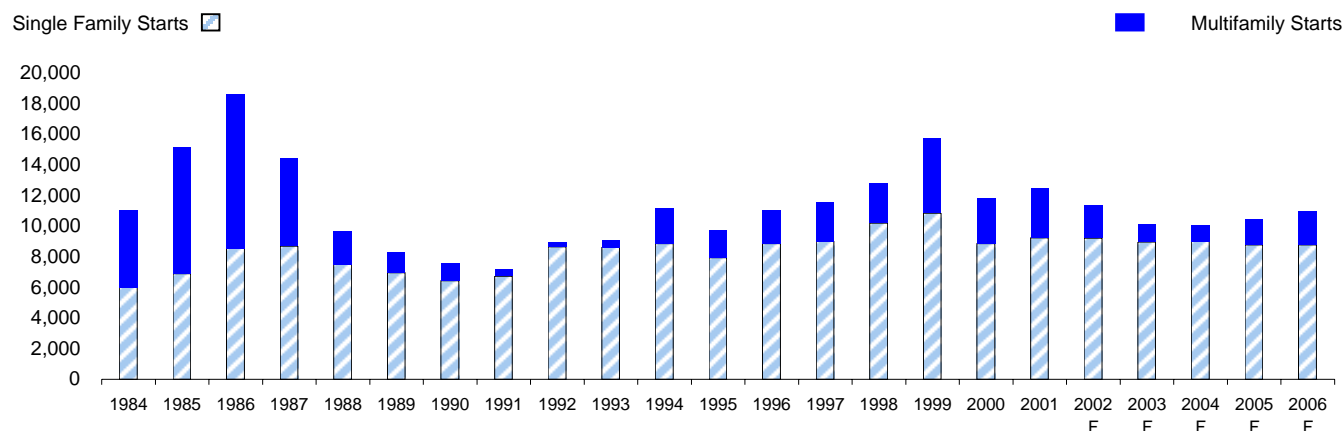


Sources: PPR; McGraw-Hill Construction - Dodge; Smith Travel Research

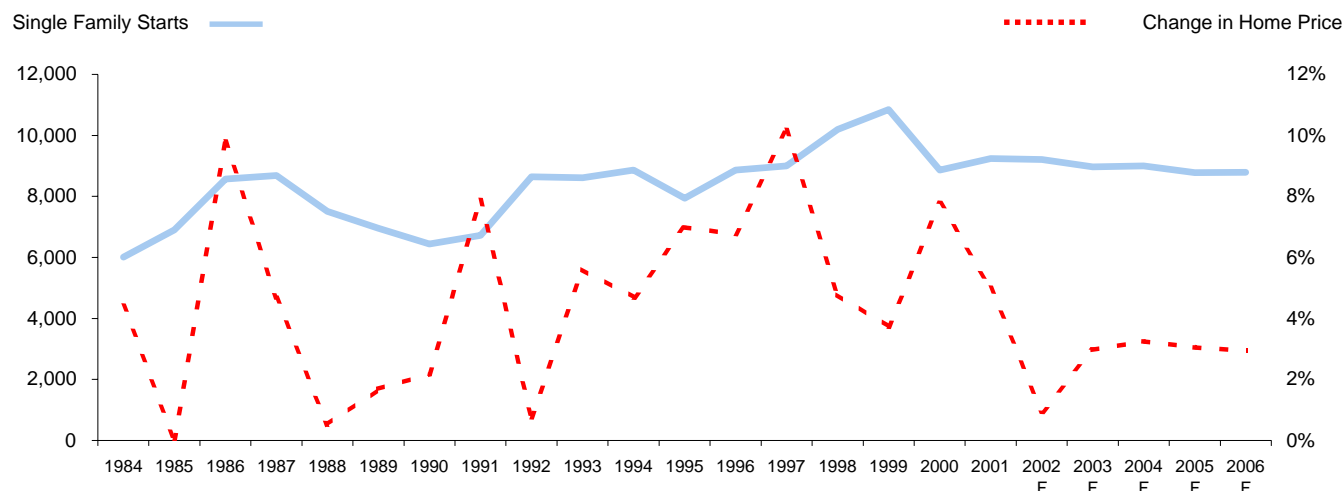
## KANSAS CITY

## Single Family

## Housing Starts



## Single Family Market



Sources: PPR; Economy.com

## Single Family Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Starts</b>	8,998	10,193	10,841	8,864	9,241	9,210	8,964	9,003	8,781	8,787
<b>% Change</b>	1.6%	13.3%	6.4%	-18.2%	4.3%	-0.3%	-2.7%	0.4%	-2.5%	0.1%
<b>Completions</b>	8,775	9,454	10,924	9,984	8,534	9,442	8,987	9,019	8,854	8,771

## Apartment Market Statistics

<b>Multifamily Starts</b>	2,603	2,591	4,875	2,992	3,225	2,132	1,181	1,083	1,666	2,177
<b>% Change</b>	17.7%	-0.5%	88.2%	-38.6%	7.8%	-33.9%	-44.6%	-8.3%	53.8%	30.7%
<b>Apartment Completions</b>	2,186	3,055	3,001	3,482	2,467	2,827	1,381	700	1,185	1,644

Sources: PPR; McGraw-Hill Construction - Dodge



## KANSAS CITY

## Apartment Projects

## Projects

Title	Address	Units	Stage	Target Start	Target Completion
The Homestead Apartments Phases I and II	11720 S. Shannon, Olathe S Johnson County	696	underway	5/99	6/02
Highpoint Village Apartment Complex	Overland Park S Johnson County	448	Planned		
AMLI at Cambridge Square	1-435 & Nall Ave, Overland Park N Johnson County	408	underway	9/01	3/03
Lakes of Liongate Phase II	14105 Broadmoor St, Overland Park N Johnson County	360	Completed	9/00	11/01
City Place Apartments	Westport Rd and Clark Street Jackson County	288	Underway	9/01	9/02
Arbors Lakeside Apartments	138th Street and Pflumm, Olathe S Johnson County	284	Completed	11/00	1/02
Plaza Gardens South	143rd and Metcalf, Overland Park S Johnson County	250	Underway	10/01	10/02
Lakewood Terrace Apartments	Cunningham Industrial Parkway Cass County	152	Underway	9/01	9/02
Oak Ridge Park	154th Street, west of Ridgeview, Olathe S Johnson Cty	59	Underway	1/02	1/03
Hawthorne Estates Multifamily Housing	1900 Jenkins Dr Harrisonville, MO	40	Underway	10/01	10/02

## KANSAS CITY

## Office Projects

## Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Sprint World HQ - Bldg II-IV	NW 119th & Nall, Overland Park S Johnson Cty	2,100	Completed		10/01
Sprint World HQ - Bldg I	NW 119th & Nall, Overland Park S Johnson Cty	1,000	completed		7/99
Tenants: Sprint BTS					
Sprint World HQ - Bldg V	NW 119th & Nall, Overland Park S Johnson Cty	800	underway	7/00	6/02
Corporate Woods office park - Bldg 82	10851 Mastin St., Overland Park S Johnson Cty	250	completed		6/01
Tenants: Lathrop & Gage, Midland Loan Services					
Plaza Colonnade	on the current site of the Plaza Library at Ward Pkwy and Main St., Plaza CBD	240	planned		
BTS for Butler Mfg Co HQ	Genessee St., NW of Kemper Arena, West Bottoms CBD	140	Completed		12/01
Community America Credit Union HQ - Renner Ridge CC	95th St & Renner Blvd. in the Renner Ridge Corporate Center, Lenexa N Johnson Cty	100	Underway	10/01	12/02
University Office Park - Eby BTS	137th St on Mur-Len Rd, Olathe S Johnson Cty	95	Underway	3/02	6/03
Med4Home Office	across from the Argosy Casino, Riverside Platte County	82	Completed		4/02
BTS for DaimlerChrysler Financial Services	Antioch Rd near 137th Street, Overland Park S Johnson Cty	80	Completed	8/01	4/02

## KANSAS CITY

## Retail Projects

## Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
The Walk at High Pointe	135th St. & Metcalf Ave, South Johnson County	1,250	planned	12/01	
Summit Woods Crossing	I-470 and Hwy 50, Lee's Summit Jackson County	780	Completed		12/01
Tenants: Target, Lowe's, Kohl's, Borders Books, Best Buy, Dicks					
Midtown Marketplace	Linwood Blvd & Main St., Midtown CBD	300	completed		2/01
Tenants: Costco; Home Depot					
Super Target	9799 N Church Rd CBD	184	Underway	9/01	6/02
Super Target	Hwy 50 & Chipman Road, Lee's Summit Jackson Cty	175	Completed	6/01	1/02
Costco	123rd St. and Metcalf Ave, Overland Park South Johnson County	148	Completed		10/01
Costco	Lenexa North Johnson County	148	Completed		11/01
Home Depot & Garden Store	Highway 58 and Mullen Rd, Belton Cass County	130	Underway	12/01	7/02
Home Depot Leavenworth	Eisenhower Rd and 4th St, Leavenworth North	121	Underway	11/01	7/02
Mall at Fall Creek	MO Hwy 7 & Clark St., off US Hwy 40, Blue Springs Jackson County	100	Completed		12/01

## KANSAS CITY

## Warehouse Projects

## Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
BTS for Wal-Mart	Harrisonville Cass County	860	completed		7/01
BTS for Foodbrands Supply Chain Services	at 20701 W. 159th St., Olathe S Johnson Cty	430	completed		4/01
Trammell Crow project	College Blvd and Renner Rd, Lenexa N Johnson Cty	226	Completed		12/01
BTS for Organized Living	1111 Monticello, Olathe S Johnson Cty	225	planned		
Watkins & Co. Project	Platte County	200	Completed	5/01	11/01
BTS for Fastenal Co.	9911 Wooden Drive, Edwardsville Wynadotte County	200	Completed	1/01	7/01
Costco Warehouse	12221 Blue Valley Pkwy, Overland Park N Johnson Cty	155	Underway	10/01	8/02
Congress Building One	10761 N Congress Ave CBD	101	Completed	6/01	12/01
AirWorld Center - Congress II	110th and Congress Ave North KC	90	Planned		9/02
Quik and Tasty Distribution Center	822 Quick Trip Way, Belton Cass	75	Completed		11/01

## KANSAS CITY

## Hotel Projects

## Projects

Title	Address	Rooms	Stage	Target Start	Target Completion
Overland Park Sheraton	College Boulevard next to convention center, Overland Park North Johnson County	412	Underway		11/02
Hilton Garden inn	19677 E Jackson Dr, Independence Jackson County	203	Completed	3/00	10/01
Reardon Center - Garden Hilton Inn	540 Minnesota Ave CBD	150	Underway	8/01	8/02
Hilton Garden Inn	Overland Park North Johnson County	125	Completed		2/02
Hilton Homeward Hotel	133rd and Metcalf, Overland Park Johnson County	120	Cancelled		
Fairfield Inn Motel	30th and Main Jackson County	115	Completed		9/00
Residence Inn	4601 Broadway St Jackson County	104	Underway	11/01	11/02
Courtyard by Marriott	Midland Drive & I 435 Hwy, Shawnee Johnson County	90	Proposed		
Baymont Inn	Chapel Ridge Development, Lee's Summit Jackson County	76	Completed	8/00	4/01
Convention Plaza Hotel	119th and Renner, Olathe S Johnson County	0	Cancelled		