Great Things Are Happening in Wichita!

While nationally there has been a considerable amount of discussion about cooling economies, that has not been true in Wichita. The local economy continues to improve and is at its strongest point in several years. The aviation industry is soaring again. Employment levels and personal incomes are increasing. Almost everywhere you look you can see signs of optimism and strength in the market.

- The residential housing market had its fifth consecutive year of record sales.
- The vacancy rates in the apartment market were the lowest the city has seen since 1998.
- The industrial market, which had vacancy rates close to 30% just three years ago, finished the year with a vacancy rate of just above 10%.
- The Downtown Arena project is moving forward.
- A new regional amusement park is scheduled to open in the spring.

Wichita has been home to J.P. Weigand & Sons for 105 years. Our company is proud to have played an integral role in the changing of Wichita from a rustic cattle town to a modern city full of business opportunities. Over the years we have built a reputation as creative, hard working, and trustworthy real estate professionals working diligently to be the leaders in the market. Our leadership stands out in many ways:

Knowledgeable and Experienced Professionals

The majority of our associates have extensive backgrounds in real estate and related fields. They have made a commitment to continually enhance their expertise and we’re proud that more of our associates have earned professional designations than any other firm in the region.

The data included in Forecast 2007 was compiled through surveys of the properties available for lease at the end of 2006. Properties under construction as well as those proposed for construction were not included. Sublease space was considered included in the survey as long as it was still being paid to the landlord. Lease rates are weighted averages for the properties that were available. Only the net effective rates for the properties that did not have vacancies and they do not reflect rates for space that has been rented. Office rates are quoted on a “full service” basis, retail rates “triple net”, and industrial rates are quoted in “industrial gross” basis.

The quadrant dividing lines are Broadway Avenue for east and Douglas Avenue for north and south. The Central Business District is defined as that area bounded by Seneca, Hydraulic, Kellogg and Murdock.

J.P. Weigand & Sons would like to thank the landlords, property managers and real estate brokers who supplied vacancy information for the Forecast. We would also like to express our appreciation to the following groups for their assistance in providing information: The Center for Economic Development and Business Research; The Greater Wichita Economic Development Coalition; The Wichita Area Builders Association; The Wichita Area Builders Association; City of Wichita; and Savage, Inc.

All information contained in the Forecast is from sources deemed reliable, but no guarantees is made or responsibility is assumed as to its accuracy or completeness. Data in the Forecast may not be directly comparable to that presented in previous Forecasts.
The exciting things happening in Wichita haven’t gone unnoticed by the rest of the country. Wichita was highly rated by several national publications.

- USA Today rated Wichita’s housing market as one of the “Ten Strongest” in the country.
- Money Magazine ranked Wichita as one of the “Top 10 Best Big Cities.”
- Kiplinger’s Magazine ranked Wichita as one of the “Top 50 Best Places to Live.”
- Forbes Magazine rated Wichita as Number One on their list of “Best Places to Live the Good Life Cheaply.”

The good news is, we’re not finished. The Center for Economic Development and Business Research at Wichita State University reports that at the end of the year the Leading Economic Indicators Index for the city was at the highest level it’s been since the inception of the Index.
Office

There was a significant amount of activity in the office market in 2006. The year was highlighted by major sales transactions, the relocation of some large tenants, and announcements of new office projects. The heightened level of activity didn’t impact the existing office inventory as year-end vacancy rates and rental rates are similar to what they have been in recent years which are basically the same as they were 10 years ago.

• New properties in the suburbs continue to attract the most interest from office users. Businesses are attracted to modern properties with ample parking that are in close proximity to service businesses. In many situations businesses that relocate from the Central Business District to the northeast area of the city increase their rent factors by two or three times. The relocations leave large vacancies in their previous buildings which are difficult to fill. This has been a trend in the office market for several years and is not expected to change in the near future.

• Landlords of class B and C properties throughout the market face stiff competition for tenants, which are basically the same as they were 10 years ago.

• There were some significant sales of office properties in 2006.

• A local investor purchased and took over management of the Bank of America Building.

• The Wilson Estates Office Park was purchased by an out-of-state investment group. This sale was the largest real estate transaction in the history of the city.

• Real Development continued to acquire more properties in the Central Business District. They now control more than 1 million square feet of property in the area.

Residential

There Is No Housing Bubble in Wichita!

Defying national trends, the housing market in Wichita had another record year. The 12,287 houses sold was a 3% increase over the previous record. The local housing market was so strong that it gained national attention and was listed as One of the Top 10 Housing Markets in the country in a November 21st article published in USA Today. The strong housing market reflects the strength of the local economy and the fact that Wichita has seen very little speculative investment buying. The increase in values indicates the steady appreciation in recent years is sustainable.

Existing Home Sales

• The Wichita Area Association of Realtors reported sales of 10,161 existing homes in 2006 which was a 3.4% increase.

• The southwest area had the largest percentage gain at 7.2%.

• Sales of existing homes in Sedgwick County outside of Wichita declined slightly from last year.

• Butler County saw a 2.4% increase in sales of existing homes.

New Home Sales

• Sales of new homes increased by 1.8%.

• All of the market sectors in the city showed some gains except for the southeast sector which had a small decrease.

• The strength of the local economy should sustain the rate of housing starts in 2007 will be similar to what the market experienced in 2006.

• The average sales price for all homes sold increased to $128,635 in 2006. The 3% increase over last year was consistent in both new home sales at $205,000 and the sales of existing homes at $108,941.

Average Sales Prices

• The strength of the local economy should sustain slow and steady increases in residential sales.

• Rising construction costs could keep the sales of new homes relatively flat.

Housing Starts & Platting Activity

As expected, the number of housing starts dropped slightly in 2006. The 2,515 homes started were 5% less than the 2,661 in 2005. From an historical perspective, this is still a high number and reflects a strong demand from the market for new housing. There were ten new developments platted with more than 100 lots. The majority of these large developments were in areas north and west of the city.

The Wichita Area Builders Association projects that the rate of housing starts in 2007 will be similar to what the market experienced in 2006.
Major Improvement

• The multifamily market continued to improve in 2006 with the overall vacancy rate dropping to 8.5%. This is the lowest vacancy rate for the area since 1998 and is a significant improvement from the 15.5% rate seen as recently as 2003. The improvement in job growth and the reduction in new construction have enabled the market to absorb most of the vacancies created by the large amount of inventory that was added in the late '90s and the economic slowdown triggered by the events of 9/11.
  • All areas of the city, except for the southwest, reported vacancy rates below 10%.
  • The lowest vacancy rate was 6.3% in the Old Town/Downtown area followed closely by the 6.5% rate in the northwest sector.
• The average rents increased for the first time in recent years. The increase was small and rents are comparable to where they were ten years ago. They will need to show a significant increase before new construction will take place on a large scale.

The conversions of properties designed for other uses to apartments have slowed.

Smaller multifamily properties continue to be attractive to both local and national investors.

Three larger complexes sold in Wichita in 2006. All three of them were older properties built in the 1970s and early '80s.

A major mixed-use development was announced in the College Hill area on Douglas just east of Hillside. This development will include upscale residential condos and brownstone lofts.

Most of the announcements for new office properties were part of mixed use developments. Many of these buildings will be office strip centers which continue to be in strong demand by small businesses.

Higher construction costs are causing landlords to pay more for tenant improvements. Flat rental rates make it difficult to recapture the increased expense.

The WaterWalk Development began construction on a multi-purpose building that will include office space. This will be the first new construction of office space in the Central Business District in several years.

The expansion of medical users to new properties slowed in 2006. The Wichita Clinic opened a new west side facility at Eberly Farms. A new orthopedic and surgical center was also announced for the west side. On the east side of the city, the Women’s Health Center opened at the Wilson Estates Medical Park and the Kansas Medical Center opened in Andover.

Notes:
• The increased vacancy rate we show for the class A properties in the northeast area is due to newly constructed buildings that just became available for occupancy late in 2006.
• The improved data we show for the class B properties is due primarily to buildings being reclassified.
• There will continue to be good activity in the office market but most of it will be to the benefit of the newer properties. The new buildings at The Waterfront will be particularly attractive to tenants interested in relocating to the east side.
• The improving housing and multifamily markets may create more opportunities for under-utilized office properties to be converted to residential uses.
The retail market was steady in 2006. While there was positive activity throughout the market it wasn’t at the same level that has been experienced in recent years. Vacancies and rental rates were basically the same as they were at the end of 2005. National retailers played a role in the slow down as many put their expansion plans on hold. This is due to concerns about the national economy and the fact that many needed time to regroup after several years of rapid growth.

- The reduced activity does not indicate problems in the retail sector. The overall vacancy rate for class A properties is still below 10% which is very healthy. There are few large vacancies available in any of the newer properties. Developers have been cautious with new projects and as a result there isn’t a problem with over supply.
- Much of the new construction in the retail sector was for small strip centers of less than 10,000 square feet. These centers are being developed throughout the market with many of them being located in infill locations. This is positive news for the city as this is the first new construction that has happened in some of these areas in several years. These centers are attracting small national retailers as well as service businesses. Many of them have already announced plans for second phases.

- The suburban market in Derby has become increasingly popular to large retailers as both Target and Kohl’s announced plans for new stores.
- Dillons (a subsidiary of Kroger) has been active in the market. They announced plans to replace stores in Derby and Andover and are undergoing major expansion projects at several other locations.
- Other Big Box announcements included a new Wal-Mart Supercenter to be built at the intersection of 53rd Street North and Meridian and a Home Depot near 47th Street South and Broadway.

The Year in Review
It was a mixed year for farmers and cattle producers in Kansas as gains in some areas were offset by losses in others.

Ranchland: There continues to be a strong demand by investors to purchase ranchland for recreational purposes. This is particularly true for ranches that have modern homes on them and diverse terrain. The demand for these properties continues to drive the prices upward making them unaffordable for many local producers.

Drought: Drought conditions were a major story in Kansas in 2006. The dry conditions in many parts of the state worsened causing water levels to fall and ponds and streams to dry up. Many farmers have concerns about the long term availability of water to support agriculture.
- Some farmers in southwest Kansas sold parcels of their land along with their water rights to utility companies.

Crops: Drought conditions impacted the yields of many summer and fall crops.
- The winter wheat crop yielded 291.1 million bushels. The average yield is 400 million bushels.
- The good news is that high grain prices helped to offset much of the loss from lower yields. This is especially true for the corn and sorghum crops which are in demand by the increasing number of ethanol plants throughout the region.

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The demand for investment real estate was as strong as ever in 2006. Going into the year there had been some concern that rising interest rates and a stronger stock market could soften the demand for investment real estate. While those things did happen they had very little impact on real estate investors.

- The local investment market has become increasingly global. Investors from other areas continue to be active in the Wichita market. They are drawn to Wichita because values are better here than they are in other parts of the country. They will typically pay a higher price which forces local investors to follow suit if they want to compete.

- Cap Rates. The strong demand for investment properties continues to put downward pressure on the cap rates. Properties with quality national tenants continue to be marketed at cap rates in the 6% range. This has caused more sellers to put their properties on the market. Tenants In Common (TICs) investment opportunities are rapidly increasing throughout the country. These investments allow buyers to purchase fractional shares in quality properties without having to take on management responsibilities.

- 1031 Exchanges play a major role in the investment market. Investors coming out of exchanges aggressively look for new opportunities to invest their profits so they can delay having to pay taxes on their capital gains. This motivation often creates situations where these buyers pay premium prices for replacement properties.

- Some analysts are predicting the market will soften, particularly in the second half of the year. These predictions are similar to those made a year ago.

- Speculation that the market may be peaking may cause more sellers to put their properties on the market. Many of the vacant Big Box properties in class B and C locations continue to be vacant. The best opportunity to fill these properties is to convert them to a different use if the zoning will allow. The vacant Target near the Town West Mall was sold to a local printing company.

- The restaurant openings were primarily on the east and west sides of the city. T.G.I. Friday’s opened on the west side and was joined by second locations for Granite City, Olive Garden and locally owned Bella Luna Café. On the east side, Bonefish Grill opened at The Waterfront and construction started on a Cheddar’s and Freddy’s at the Plazzo Entertainment Center. Saddle Ranch Chop House announced plans for a new restaurant in the WaterWalk Development. There were also several new fast food openings throughout the market.

### FORECAST

**OFFICE**

- The retail market will show improvement in 2007 as more new projects become available for occupancy.
- The larger new projects will be on east 21st Street and north Maize Road.
- There will continue to be growth in the smaller retail centers throughout the market.

### 10 YEAR MARKET SUMMARIES

#### INDUSTRIAL

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#### CLASS A

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#### OVERALL*

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<td>2006</td>
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*Includes class C market data.
The local industrial market showed dramatic improvement. During 2006 the overall vacancy rate dropped by more than 6%. The 10.2% vacancy factor is the lowest the market has seen since 2000. The market has shown continued improvement since it hit a low point in 2003 when more than 28% of the inventory was available for lease. The improvement accelerated this past year as the local economy strengthened, especially the aviation industries.

- Improvement was seen throughout the market in all sizes of industrial properties except for those with less than 5,000 square feet.
- Many of the vacancies currently on the market are in older properties which are no longer functional for today’s industrial users or are not well located.
- Location continues to play an important role in where industrial businesses want to be. Close proximity to major highways is very important as are locations that are convenient to employees.

Vacant spaces in newer, well located facilities are hard to find. This is especially true for properties larger than 50,000 square feet. Vacancy rates are less than 5% in three of the four market areas that have inventory in this size range. Searches for available larger spaces will yield, at most, one or two choices, depending on the criteria for the property’s features.

The predominant increase in activity came from the manufacturing sector. This activity is directly correlated to the strength of the aviation industry. Many manufacturers had put their expansion plans on hold until they knew the outcome of Boeing’s sale to Spirit AeroSystems. That uncertainty has passed and businesses are expanding to keep up with demand.

- The activity among warehouse users and distribution businesses remains steady.
- Higher construction costs have made it less expensive for businesses to expand where they are rather than relocate.
- Locally owned industrial businesses prefer to own their buildings whereas nationally owned companies prefer to rent.
- The increased construction activity of industrial properties is creating a shortage of land in good locations.

### VACANCY RATE/ASKING RATE PER SQ. FT. ON INDUSTRIAL GROSS BASIS

<table>
<thead>
<tr>
<th>Size Range</th>
<th>CBD</th>
<th>NORTHWEST</th>
<th>SOUTHEAST</th>
<th>SOUTHWEST</th>
<th>TOTALS</th>
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<td>up to 5,000 sq. ft.</td>
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<td>5,000 to 15,000 sq. ft.</td>
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<td>30,000 to 50,000 sq. ft.</td>
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<td>over 50,000 sq. ft.</td>
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<td>N.A</td>
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<tr>
<td>OVERALL</td>
<td>20.4%</td>
<td>23.9%</td>
<td>8.0%</td>
<td>3.94</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

Total Market Surveyed: 9,524,987 Square Feet
The local industrial market showed dramatic improvement. During 2006 the overall vacancy rate dropped by more than 6%. The 10.2% vacancy factor is the lowest the market has seen since 2000. The market has shown continued improvement since it hit a low point in 2003 when more than 28% of the inventory was available for lease. The improvement accelerated this past year as the local economy strengthened, especially the aviation industries.

- Improvement was seen throughout the market in all sizes of industrial properties except for those with less than 5,000 square feet.
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<td>15,000-24,999 sq. ft.</td>
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<td>25,000-34,999 sq. ft.</td>
<td>21.8%</td>
<td>22.3%</td>
<td>18.0%</td>
<td>24.5%</td>
<td>4.3%</td>
<td>3.5%</td>
</tr>
<tr>
<td>OVERALL</td>
<td>20.6%</td>
<td>23.9%</td>
<td>18.8%</td>
<td>18.1%</td>
<td>1.0%</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

The industrial market will stay strong in 2007.

- A major issue facing users will be the shortage of quality properties on the market.
- The shortage of available properties will stimulate new construction of build-to-suit projects as well some speculative developments.
- Developers will look for opportunities to develop new business parks.
- The pending sale of Raytheon Aircraft is not expected to have an impact on the market.
The demand for investment real estate was as strong as ever in 2006. Going into the year there had been some concern that rising interest rates and a stronger stock market could soften the demand for investment real estate. While those things did happen they had very little impact on real estate investors.

• The local investment market has become increasingly global. Investors from other areas continue to be active in the Wichita market. They are drawn to Wichita because values are better here than they are in other parts of the country. They will typically pay a higher price which forces local investors to follow suit if they want to compete.

• Cap Rates. The strong demand for investment properties continues to put downward pressure on the cap rates. Properties with quality national tenants continue to be marketed at cap rates in the 6% range. This has caused more sellers to put their properties on the market. Investors coming out of exchanges aggressively look for new opportunities to invest their profits so they can delay having to pay taxes on their capital gains. This motivation often creates situations where these buyers pay premium prices for replacement properties.

• Tenants In Common (TICs) investment opportunities are expanding to include similar properties in rural markets to be marketed at cap rates between 8% and 12%.

• 1031 Exchanges play a major role in the investment market. Investors coming out of exchanges aggressively look for new opportunities to invest their profits so they can delay having to pay taxes on their capital gains. This motivation often creates situations where these buyers pay premium prices for replacement properties.

• Speculation that the market may be peaking may cause more sellers to put their properties on the market.

• Tenants In Common (TICs) investment opportunities are rapidly increasing throughout the country. These investments allow buyers to purchase fractional shares in quality properties without having to take on management responsibilities.

• Many of the vacant Big Box properties in class B and C locations continue to be vacant. The best opportunity to fill these properties is to convert them to a different use if the zoning will allow. The vacant Target near the Town West Mall was sold to a local printing company.

• The flat rental rates continue to be a problem for landlords as construction costs continue to increase.

• The rising construction costs are forcing landlords to require higher rents in the new developments which make them unaffordable for some local businesses.

• Many of the vacant Big Box properties in class B and C locations continue to be vacant. The best opportunity to fill these properties is to convert them to a different use if the zoning will allow. The vacant Target near the Town West Mall was sold to a local printing company.

• The restaurant openings were primarily on the east and west sides of the city. T.G.I. Friday's opened on the west side and was joined by second locations for Granite City, Olive Garden and locally owned Bella Luna Café. On the east side, Bonefish Grill opened at The Waterfront and construction started on a Cheddar’s and Freddy’s at the Plazzo Entertainment Center. Saddle Ranch Chop House announced plans for a new restaurant in the WaterWalk Development. There were also several new fast food openings throughout the market.

• The retail market will show improvement in 2007 as more new projects become available for occupancy.

• The larger new projects will be on east 21st Street and north Maize Road.

• There will continue to be growth in the smaller retail centers throughout the market.
The retail market was steady in 2006. While there was positive activity throughout the market it wasn’t at the same level that has been experienced in recent years. Vacancies and rental rates were basically the same as they were at the end of 2005. National retailers played a role in the slow down as many put their expansion plans on hold. This is due to concerns about the national economy and the fact that many needed time to regroup after several years of rapid growth.

- The reduced activity does not indicate problems in the retail sector. The overall vacancy rate for class A properties is still below 10% which is very healthy. There are few large vacancies available in any of the newer properties. Developers have been cautious with new projects and as a result there isn’t a problem with over supply.

- Much of the new construction in the retail sector was for small strip centers of less than 10,000 square feet. These centers are being developed throughout the market with many of them being located in infill locations. This is positive news for the city as this is the first new construction that has happened in some of these areas in several years. These centers are attracting small national retailers as well as service businesses. Many of them have already announced plans for second phases.

- The suburban market in Derby has become increasingly popular to large retailers as both Target and Kohl’s announced plans for new stores.

- Dillons (a subsidiary of Kroger) has been active in the market. They announced plans to replace stores in Derby and Andover and are undergoing major expansion projects at several other locations.

- Other Big Box announcements included a new Wal-Mart Supercenter to be built at the intersection of 53rd Street North and Meridian and a Home Depot near 47th Street South and Broadway.

The Year in Review
It was a mixed year for farmers and cattle producers in Kansas as gains in some areas were offset by losses in others.

- **Ranchland**: There continues to be a strong demand by investors to purchase ranchland for recreational purposes. This is particularly true for ranches that have modern homes on them and diverse terrain. The demand for these properties continues to drive the prices upward making them unaffordable for many local producers.

- **Drought**: Drought conditions were a major story in Kansas in 2006. The dry conditions in many parts of the state worsened causing water levels to fall and ponds and streams to dry up. Many farmers have concerns about the long term availability of water to support agriculture.

- **Crops**: Drought conditions impacted the yields of many summer and fall crops.

- **Land Values & Credit Conditions**: Farm credit conditions started weakening in late 2005 and stayed basically the same in 2006.

- **Cattle**: The cattle industry was also forced to deal with issues related to the drought conditions.

- **Poor pasture conditions triggered aggressive culling of herds by many cattle producers.**

- **There is good demand for beef which helps keep prices steady.**

- **There continues to produce more sorghum than any other state in the nation. There were 2.8 million acres planted in sorghum in 2006.**

- **Kansas farmers continue to increase their production of soybeans and cotton. Soybean acreage increased by 10% and cotton by 35%.**

- **Land Values & Credit Conditions**: Farm credit conditions started weakening in late 2005 and stayed basically the same in 2006.

- **The Federal Reserve reported that loan demand is flat compared to last year, while the availability of loan funds is slightly higher.**

- **Though it will soften from previous years, there will continue to be a demand for good ranch properties by recreational users.**

- **Farm credit conditions will continue to soften.**

- **Late fall and early winter storms will help ease drought conditions which should increase production from all of Kansas’ grain crops.**

- **Losses related to the early winter storms could be significant for cattle and dairy producers in western Kansas.**

### VACANCY RATE/ASKING RATE PER SQ. FT. ON TRIPLE NET BASIS

<table>
<thead>
<tr>
<th></th>
<th>Northeast</th>
<th>Northwest</th>
<th>Southeast</th>
<th>Southwest</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CLASS A</strong></td>
<td>10.5%</td>
<td>8.2%</td>
<td>8.0%</td>
<td>7.6%</td>
<td>8.6%</td>
</tr>
<tr>
<td><strong>CLASS B</strong></td>
<td>15.3%</td>
<td>14.8%</td>
<td>13.5%</td>
<td>12.4%</td>
<td>13.9%</td>
</tr>
<tr>
<td><strong>CLASS C</strong></td>
<td>5.8%</td>
<td>7.0%</td>
<td>6.8%</td>
<td>6.9%</td>
<td>6.9%</td>
</tr>
<tr>
<td><strong>OVERALL</strong></td>
<td>12.9%</td>
<td>11.1%</td>
<td>10.9%</td>
<td>10.4%</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Northeast</th>
<th>Northwest</th>
<th>Southeast</th>
<th>Southwest</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average value per acre of farm real estate</td>
<td>$310 (9.4% increase)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average value per acre of cropland</td>
<td>$377 (9.3% increase)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average value of irrigated cropland</td>
<td>$1,300 (4.8% increase)</td>
<td></td>
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<tr>
<td>Average value of non-irrigated cropland</td>
<td>$890 (9.9% increase)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average value per acre of pasture land</td>
<td>$620 (17% increase)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Year in Review
It was a mixed year for farmers and cattle producers in Kansas as gains in some areas were offset by losses in others.

- **Ranchland**: There continues to be a strong demand by investors to purchase ranchland for recreational purposes. This is particularly true for ranches that have modern homes on them and diverse terrain. The demand for these properties continues to drive the prices upward making them unaffordable for many local producers.

- **Drought**: Drought conditions were a major story in Kansas in 2006. The dry conditions in many parts of the state worsened causing water levels to fall and ponds and streams to dry up. Many farmers have concerns about the long term availability of water to support agriculture.

- **Crops**: Drought conditions impacted the yields of many summer and fall crops.

- **The winter wheat crop yielded 291.1 million bushels. The average yield is 400 million bushels.**

- **The good news is that high grain prices helped to offset much of the loss from lower yields. This is especially true for the corn and sorghum crops which are in demand by the increasing number of ethanol plants throughout the region.**

- **Kansas continues to produce more sorghum than any other state in the nation. There were 2.8 million acres planted in sorghum in 2006.**

- **Kansas farmers continue to increase their production of soybeans and cotton. Soybean acreage increased by 10% and cotton by 35%.**

- **Land Values & Credit Conditions**: Farm credit conditions started weakening in late 2005 and stayed basically the same in 2006.

- **The Federal Reserve reported that loan demand is flat compared to last year, while the availability of loan funds is slightly higher.**

### KANSAS FARMLAND VALUES

- **Average value per acre of farm real estate**
- **Average value per acre of cropland**
- **Average value of irrigated cropland**
- **Average value of non-irrigated cropland**
- **Average value of pasture land per acre**

- **Through it will soften from previous years, there will continue to be a demand for good ranch properties by recreational users.**

- **Farm credit conditions will continue to soften.**

- **Late fall and early winter storms will help ease drought conditions which should increase production from all of Kansas’ grain crops.**

- **Losses related to the early winter storms could be significant for cattle and dairy producers in western Kansas.**
Major Improvement

- The multifamily market continued to improve in 2006 with the overall vacancy rate dropping to 8.5%. This is the lowest vacancy rate for the area since 1998 and is a significant improvement from the 15.5% rate seen as recently as 2003. The improvement in job growth and the reduction in new construction have enabled the market to absorb most of the vacancies created by the large amount of inventory that was added in the late '90s and the economic slowdown triggered by the events of 9/11.
  - All areas of the city, except for the southwest, reported vacancy rates below 10%.
  - The lowest vacancy rate was 6.3% in the Old Town/Downtown area followed closely by the 6.5% rate in the northwest sector.
- The average rents increased for the first time in recent years. The increase was small and rents are comparable to where they were ten years ago. They will need to show a significant increase before new construction will take place on a large scale.
  - The conversions of properties designed for other uses to apartments have slowed.
  - Smaller multifamily properties continue to be attractive to both local and national investors.
  - Three larger complexes sold in Wichita in 2006. All three of them were older properties built in the 1970s and early '80s.
  - A major mixed-use development was announced in the College Hill area on Douglas just east of Hillside. This development will include upscale residential condos and brownstone lofts.

FORECAST

- Most of the announcements for new office properties were part of mixed use developments. Many of these buildings will be office strip centers which continue to be in strong demand by small businesses.
  - Higher construction costs are causing landlords to pay more for tenant improvements. Flat rental rates make it difficult to recapture the increased expense.
  - The WaterWalk Development began construction on a multi-purpose building that will include office space. This will be the first new construction of office space in the Central Business District in several years.
  - The expansion of medical users to new properties slowed in 2006. The Wichita Clinic opened a new west side facility at Eberly Farms. A new orthopedic and surgical center was also announced for the west side. On the east side of the city, the Women’s Health Center opened at the Wilson Estates Medical Park and the Kansas Medical Center opened in Andover.

Notes:

- The increased vacancy rate we show for the class A properties in the northeast area is due to newly constructed buildings that just became available for occupancy late in 2006.
- The improved data we show for the class B properties is due primarily to buildings being reclassified.
- The improved vacancy rates have been seen for both the A and B classes.
There was a significant amount of activity in the office market in 2006. The year was highlighted by major sales transactions, the relocation of some large tenants, and announcements of new office projects. The heightened level of activity didn’t impact the existing office inventory as year-end vacancy rates and rental rates are similar to what they have been in recent years which are basically the same as they were 10 years ago.

- New properties in the suburbs continue to attract the most interest from office users. Businesses are attracted to modern properties with ample parking that are in close proximity to service businesses. In many situations businesses that relocate from the Central Business District to the northeast area of the city increase their rent factors by two or three times. The relocations leave large vacancies in their previous buildings which are difficult to fill. This has been a trend in the office market for several years and is not expected to change in the near future.

- Landlords of class B and C properties throughout the market face stiff competition for tenants, which are basically the same as they were 10 years ago.

- There were some significant sales of office properties in 2006.
  - A local investor purchased and took over management of the Bank of America Building.
  - The Wilson Estates Office Park was purchased by an out-of-state investment group. This sale was the largest real estate transaction in the history of the city.
  - Real Development continued to acquire more properties in the Central Business District. They now control more than 1 million square feet of property in the area.

There Is No Housing Bubble in Wichita!
Defying national trends, the housing market in Wichita had another record year. The 12,287 houses sold was a 3% increase over the previous record. The local housing market was so strong that it gained national attention and was listed as One of the Top 10 Housing Markets in the country in a November 21st article published in USA Today. The strong housing market reflects the strength of the local economy and the fact that Wichita has seen very little speculative investment buying. The increase in values indicates the steady appreciation in recent years is sustainable.

**Existing Home Sales**
- The Wichita Area Association of Realtors reported sales of 10,161 existing homes in 2006 which was a 3.4% increase.
- The southwest area had the largest percentage gain at 7.2%.
- Sales of existing homes in Sedgwick County outside of Wichita declined slightly from last year.
- Butler County saw a 2.4% increase in sales of existing homes.

**New Home Sales**
- Sales of new homes increased by 1.8%.
- All of the market sectors in the city showed some gains except for the southeast sector which had a small decrease.
- The largest increase, both in terms of units (18) and percentage (30%) was in the southwest area of the city.
- The northeast and northwest market sectors continue to have the largest amount of new home activity.

**Average Sales Prices**
- The average sales price for all homes sold increased to $128,635 in 2006. The 3% increase over last year was consistent in both new home sales at $205,000 and the sales of existing homes at $108,941.

**Housing Starts & Platting Activity**
As expected, the number of housing starts dropped slightly in 2006. The 2,515 homes started were 5% less than the 2,661 in 2005. From an historical perspective, this is still a high number and reflects a strong demand from the market for new housing. There were ten new developments platted with more than 100 lots. The majority of these large developments were in areas north and west of the city.

The Wichita Area Builders Association projects that the rate of housing starts in 2007 will be similar to what the market experienced in 2006.
The exciting things happening in Wichita haven’t gone unnoticed by the rest of the country. Wichita was highly rated by several national publications.

- USA Today rated Wichita’s housing market as one of the “Ten Strongest” in the country.
- Money Magazine ranked Wichita as one of the “Top 10 Best Big Cities.”
- Kiplinger’s Magazine ranked Wichita as one of the “Top 50 Best Places to Live.”
- Forbes Magazine rated Wichita as Number One on their list of “Best Places to Live the Good Life Cheaply.”

The good news is, we’re not finished. The Center for Economic Development and Business Research at Wichita State University reports that at the end of the year the Leading Economic Indicators Index for the city was at the highest level it’s been since the inception of the Index.

2007 is going to be another great year to be in Wichita!
Great Things Are Happening in Wichita!

While nationally there has been a considerable amount of discussion about cooling economies, that has not been true in Wichita. The local economy continues to improve and is at its strongest point in several years. The aviation industry is soaring again. Employment levels and personal incomes are increasing. Almost everywhere you look you can see signs of optimism and strength in the market.

- The residential housing market had its fifth consecutive year of record sales.
- The vacancy rates in the apartment market were the lowest the city has seen since 1998.
- The industrial market, which had vacancy rates close to 30% just three years ago, finished the year with a vacancy rate of just above 10%.
- The Downtown Arena project is moving forward.
- A new regional amusement park is scheduled to open in the spring.

Wichita has been home to J.P. Weigand & Sons for 105 years. Our company is proud to have played an integral role in the changing of Wichita from a rustic cattle town to a modern city full of business opportunities. Over the years we have built a reputation as creative, hard working, and trustworthy real estate professionals working diligently to be the leaders in the market. Our leadership stands out in many ways:

**Knowledgeable and Experienced Professionals**

The majority of our associates have extensive backgrounds in real estate and related fields. They have made a commitment to continually enhance their expertise and we’re proud that more of our associates have earned professional designations than any other firm in the region.

**Collaborative Culture**

We maintain a corporate culture that fosters the sharing of information. Our associates openly communicate with each other on market activity, best practices, and solutions to client problems. More than 70% of the transactions completed by the Commercial Division each year involve two, or more, of our associates working on the same side of the transaction to ensure our clients are getting the best expertise and service available.

**Commitment to Clients**

Our clients are our primary focus. A testimony to our success in making this commitment is the amount of repeat business that we continually handle for our clients.

**Market Expertise**

No other real estate company covers the market as thoroughly as we do. For the past 17 years J.P. Weigand & Sons has conducted the most comprehensive market wide commercial real estate survey. We track and publish data covering close to 30 million square feet of space from over 1,000 buildings in our annual Real Estate Forecast. This collection of data provides us with information pertinent to developing successful strategies for the acquisition and disposition of assets owned or controlled by our clients.