MARKET OVERVIEW

J.P. Weigand & Sons presents the 21st annual Forecast publication providing the most comprehensive analysis of real estate in the metropolitan Wichita area. The data included in this year’s Forecast was compiled from research of over 1,000 commercial properties as well as reviews of current market conditions in residential real estate, multifamily projects and agricultural related properties.

After a difficult year in 2009, the local commercial real estate market stabilized in 2010. While the Wichita economy continues to be sluggish, there was a renewed level of activity in many sectors of the market. The rate of business closings slowed and many of the closings were offset by new businesses establishing a presence in the market. Regional and national retailers have started looking at Wichita again and many office and industrial tenants relocated into new facilities. Signs of progress were seen throughout the market and are reflected in the data and photographs presented in this year’s Forecast.

Downtown Wichita had a great year! Goody Clancy completed an extensive Master Plan for the downtown area that has been enthusiastically embraced by both the government and private sectors. This plan provides a realistic road map for the future development of the area. The plan comes as Downtown Wichita already enjoys a heightened level of activity. The INTRUST Bank Arena had a very successful first year and several projects were started in the area including the renovation of the Drury Broadview, construction of a new Fairfield Inn at the Waterwalk and a new research and development building for Cargill. The Greater Wichita YMCA also announced plans for a new downtown facility in 2011.

The stabilizing of the commercial real estate market and the many new projects give us optimism that we have started to recover from the negative impacts of the national recession. We know there are still many concerns in Wichita related to the economy and the need for more jobs. Like everyone else, we hope these concerns are resolved sooner rather than later, but in the interim, we are proud to be part of this resilient city and look forward to the good times ahead.

Nestor R. Weigand, Jr.
Chairman/CEO

Roger D. Weast
President

Jerry Gray
Vice President/General Manager

Cover photo by Gavin Peters
Founded in 1902 as a one man office, J.P. Weigand & Sons today is the largest real estate brokerage firm in South Central Kansas. Our Commercial and Residential Real Estate Divisions are the largest firms in their specialty areas in terms of sales and in the number of professional sales associates.

COMMITTED TO SERVICE

J.P. Weigand & Sons’ continued success is due to a commitment to give our clients the most comprehensive real estate services with the highest level of professionalism and integrity. Our clients are our primary focus. We’re proud of the many relationships we’ve established over the years and are honored by the significant amount of repeat business they choose to give us.

FULL SERVICE BROKERAGE

J.P. Weigand & Sons Commercial Division offers a full spectrum of services that enable us to offer efficient and effective responses to the needs of our clients. These services include:

• Industrial, Office, and Retail Leasing and Sales
• Tenant Representation
• Farm & Ranch Sales
• Land Acquisition and Sales
• Investment Acquisition and Sales
• Due Diligence
• Multifamily Acquisition and Sales
• Site Selection
• Auction Marketing
• Consulting
• Receivership & REO Disposition
• Market Research

KNOWLEDGE AND EXPERTISE

J.P. Weigand & Sons’ Commercial Sales Associates are committed to being knowledgeable in their market specialty and keeping informed of the latest trends in both the local and national markets. Our associates have more professional designations from national and international real estate organizations than any other company in the area. Their active involvement in these organizations provides us access to market expertise across the globe.

COLLABORATIVE CULTURE

J.P. Weigand & Sons’ Commercial Sales Associates are full time professionals who are involved in commercial real estate every day. They work together on the majority of our transactions, share market information and collaborate with each other to find the best solutions for their client’s needs. Every Weigand client, no matter how large or small their requirement, is assured of receiving outstanding service and specialized expertise that meets their needs.
• Inventory for class A space will be limited.
• Demand for class B and C properties will continue to be soft.
• New construction will be primarily for owner occupied properties.
• Consolidation of medical practices could have an impact.

OFFICE MARKET AT A GLANCE
Market Size: 10,079,029 sf
Overall Vacant Space: 1,834,930 sf
Overall Vacancy Rate: 18.2%
Overall Rental Rate: $11.18*
*Full Service.

OFFICE 2011 FORECAST

• Inventory for class A space will be limited.
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CLASS A STATISTICS

<table>
<thead>
<tr>
<th>MARKET</th>
<th># BLDS</th>
<th>TOTAL SF</th>
<th>VAC SF</th>
<th>VAC%</th>
<th>QUOTED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>17</td>
<td>1,409,940</td>
<td>125,219</td>
<td>8.9%</td>
<td>$15.18</td>
</tr>
<tr>
<td>Northeast</td>
<td>33</td>
<td>1,348,665</td>
<td>99,471</td>
<td>7.4%</td>
<td>$19.95</td>
</tr>
<tr>
<td>Northwest</td>
<td>25</td>
<td>286,682</td>
<td>23,564</td>
<td>8.2%</td>
<td>$18.29</td>
</tr>
<tr>
<td>Southeast</td>
<td>7</td>
<td>217,124</td>
<td>18,321</td>
<td>8.4%</td>
<td>$16.77</td>
</tr>
<tr>
<td>Southwest</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>TOTALS</td>
<td>82</td>
<td>3,262,411</td>
<td>266,575</td>
<td>13.1%</td>
<td>$17.35</td>
</tr>
</tbody>
</table>

CLASS B STATISTICS

<table>
<thead>
<tr>
<th>MARKET</th>
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<th>VAC%</th>
<th>QUOTED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>56</td>
<td>1,927,351</td>
<td>328,412</td>
<td>17.0%</td>
<td>$10.39</td>
</tr>
<tr>
<td>Northeast</td>
<td>91</td>
<td>1,599,322</td>
<td>390,784</td>
<td>24.4%</td>
<td>$11.79</td>
</tr>
<tr>
<td>Northwest</td>
<td>26</td>
<td>345,516</td>
<td>85,968</td>
<td>24.9%</td>
<td>$11.82</td>
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<tr>
<td>Southeast</td>
<td>38</td>
<td>1,378,321</td>
<td>140,150</td>
<td>10.2%</td>
<td>$11.25</td>
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<tr>
<td>Southwest</td>
<td>10</td>
<td>140,532</td>
<td>28,199</td>
<td>20.1%</td>
<td>$11.07</td>
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<tr>
<td>TOTALS</td>
<td>221</td>
<td>5,391,042</td>
<td>973,513</td>
<td>18.1%</td>
<td>$11.21</td>
</tr>
</tbody>
</table>

CLASS C STATISTICS

<table>
<thead>
<tr>
<th>MARKET</th>
<th># BLDS</th>
<th>TOTAL SF</th>
<th>VAC SF</th>
<th>VAC%</th>
<th>QUOTED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>14</td>
<td>803,465</td>
<td>440,804</td>
<td>54.8%</td>
<td>$8.48</td>
</tr>
<tr>
<td>Northeast</td>
<td>16</td>
<td>268,069</td>
<td>47,108</td>
<td>17.6%</td>
<td>$8.87</td>
</tr>
<tr>
<td>Northwest</td>
<td>4</td>
<td>81,069</td>
<td>30,000</td>
<td>37.0%</td>
<td>$7.00</td>
</tr>
<tr>
<td>Southeast</td>
<td>13</td>
<td>195,197</td>
<td>69,930</td>
<td>35.8%</td>
<td>$8.79</td>
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<tr>
<td>Southwest</td>
<td>5</td>
<td>77,776</td>
<td>7,000</td>
<td>9.0%</td>
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<tr>
<td>TOTALS</td>
<td>52</td>
<td>1,425,576</td>
<td>594,842</td>
<td>41.7%</td>
<td>$8.47</td>
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</table>

Inventory for class A space will be limited.
Demand for class B and C properties will continue to be soft.
New construction will be primarily for owner occupied properties.
Consolidation of medical practices could have an impact.

OFFICE MARKET AT A GLANCE
Market Size: 10,079,029 sf
Overall Vacant Space: 1,834,930 sf
Overall Vacancy Rate: 18.2%
Overall Rental Rate: $11.18*
*Full Service.
OFFICE

There was very little statistical change in the overall vacancy rate for the Wichita market in 2010. The year-end rate was 18.2% compared to 18.7% at the end of 2009. There was some positive absorption in the class A properties where the vacancy rate dropped almost 5% to 8.2. Class A vacancies were reduced in all sectors except for the Central Business District where there was a small, 1.2% increase. Landlords have become more aggressive in their pursuit of tenants for these properties. The low vacancy rates in the class A properties could become an issue for office tenants looking for newer, well located properties. While there is some need for more product, the current economics don’t justify new construction.

The class B market softened considerably as many tenants downsized and others took advantage of aggressive landlords’ offers to relocate to class A properties. There was no change in the class C market where vacancies continue to be very high. Real Development’s plans to convert two vacant office properties in the Central Business District to other uses are still on hold. There was speculation that another local developer was considering purchasing the Douglas Building to convert it to a residential use.

The only new office construction in 2010 was for owner occupied properties. Construction was started on three new medical facilities in the northeast and Cargill began construction on a new building in the Central Business District.

Office owners and developers are going to be closely tracking the medical market in 2011. Two major mergers of hospitals and clinics were announced in 2010 that could have repercussions on the market in the future. There is also some concern that the new health care plan could have an impact on medical practitioners’ needs for real estate.

MARKET SUMMARY

The overall vacancy rate declined slightly to 18.2%.

The overall asking rate continued to trend downward.

There was positive absorption of class A space in the northeast and southeast sectors.

Class A vacancy rates were below 10% in all market sectors. The lowest was 7.4% in the northeast.

Class A asking rates went up in all market sectors. The highest was $19.95 in the northeast.

The class B properties struggled with a 5% increase in the overall vacancy rate. Vacancy rates went up in every sector except for the northwest.

There was little change in the class C sector.

There is speculation that a local developer is considering converting a class C property in the CBD to a multifamily facility.

Cargill started construction on a new research and development building in the CBD.

Fidelity Bank converted the former Carnegie Library to an office use.
**RETAIL 2011 FORECAST**

- Increased activity from regional and national retailers.
- Limited spec construction.
- Market conditions will still favor tenants.
- Land sales will continue to be soft.

**RETAIL MARKET AT A GLANCE**

- Market Size: 9,388,782 sf
- Overall Vacant Space: 1,350,910 sf
- Overall Vacancy Rate: 14.4%
- Overall Asking Rate: $10.21*
  *Triple Net.

### TOTAL RETAIL

<table>
<thead>
<tr>
<th>MARKET</th>
<th># BLDGS</th>
<th>TOTAL SF</th>
<th>VAC SF</th>
<th>VAC%</th>
<th>QUOTED RATES</th>
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</thead>
<tbody>
<tr>
<td>CBD</td>
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<td>380,878</td>
<td>47,200</td>
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<td>Northeast</td>
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<td>341,415</td>
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<tr>
<td>Northwest</td>
<td>111</td>
<td>3,152,669</td>
<td>389,539</td>
<td>12.4%</td>
<td>$9.39</td>
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<tr>
<td>Southeast</td>
<td>84</td>
<td>2,001,614</td>
<td>318,067</td>
<td>15.9%</td>
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<tr>
<td>Southwest</td>
<td>49</td>
<td>1,218,260</td>
<td>254,689</td>
<td>20.9%</td>
<td>$8.65</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>373</strong></td>
<td><strong>9,388,782</strong></td>
<td><strong>1,350,910</strong></td>
<td><strong>14.4%</strong></td>
<td><strong>$10.21</strong></td>
</tr>
</tbody>
</table>

### CLASS A STATISTICS

*Does Not Include Grocery and Big Box Stores larger than 20,000 sf or either of the regional malls

<table>
<thead>
<tr>
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<th>QUOTED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Northeast</td>
<td>42</td>
<td>985,391</td>
<td>92,465</td>
<td>9.4%</td>
<td>$16.32</td>
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<tr>
<td>Northwest</td>
<td>25</td>
<td>1,068,409</td>
<td>54,958</td>
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<tr>
<td>Southeast</td>
<td>9</td>
<td>585,163</td>
<td>74,203</td>
<td>12.7%</td>
<td>$16.38</td>
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<tr>
<td>Southwest</td>
<td>11</td>
<td>276,769</td>
<td>29,621</td>
<td>10.7%</td>
<td>$14.98</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>87</strong></td>
<td><strong>2,915,732</strong></td>
<td><strong>251,247</strong></td>
<td><strong>8.6%</strong></td>
<td><strong>$15.82</strong></td>
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</tbody>
</table>

### CLASS B STATISTICS

<table>
<thead>
<tr>
<th>MARKET</th>
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<th>VAC%</th>
<th>QUOTED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>21</td>
<td>338,078</td>
<td>36,100</td>
<td>10.7%</td>
<td>$10.39</td>
</tr>
<tr>
<td>Northeast</td>
<td>48</td>
<td>1,392,179</td>
<td>215,026</td>
<td>15.5%</td>
<td>$11.03</td>
</tr>
<tr>
<td>Northwest</td>
<td>61</td>
<td>1,413,198</td>
<td>204,474</td>
<td>14.5%</td>
<td>$10.35</td>
</tr>
<tr>
<td>Southeast</td>
<td>45</td>
<td>864,157</td>
<td>139,558</td>
<td>16.2%</td>
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</tr>
<tr>
<td>Southwest</td>
<td>25</td>
<td>792,622</td>
<td>162,898</td>
<td>20.6%</td>
<td>$9.04</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>200</strong></td>
<td><strong>4,800,234</strong></td>
<td><strong>758,056</strong></td>
<td><strong>15.8%</strong></td>
<td><strong>$10.23</strong></td>
</tr>
</tbody>
</table>

### CLASS C STATISTICS

<table>
<thead>
<tr>
<th>MARKET</th>
<th># BLDGS</th>
<th>TOTAL SF</th>
<th>VAC SF</th>
<th>VAC%</th>
<th>QUOTED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
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<td>42,800</td>
<td>11,100</td>
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<td>$7.80</td>
</tr>
<tr>
<td>Northeast</td>
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<td>257,791</td>
<td>33,924</td>
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<td>$8.16</td>
</tr>
<tr>
<td>Northwest</td>
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<td>671,062</td>
<td>130,107</td>
<td>19.4%</td>
<td>$5.63</td>
</tr>
<tr>
<td>Southeast</td>
<td>30</td>
<td>552,294</td>
<td>104,306</td>
<td>18.9%</td>
<td>$6.51</td>
</tr>
<tr>
<td>Southwest</td>
<td>13</td>
<td>148,869</td>
<td>62,170</td>
<td>41.8%</td>
<td>$4.60</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>82</strong></td>
<td><strong>1,672,816</strong></td>
<td><strong>341,607</strong></td>
<td><strong>20.4%</strong></td>
<td><strong>$6.03</strong></td>
</tr>
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</table>
The retail market stabilized in 2010 with an increased level of leasing activity offsetting closings and downsizing. Vacancies and asking rates in all market sectors were very similar to what they were at the end of 2009. New construction was minimal which also helped to keep the market in balance. There was renewed interest from regional and national retailers looking to expand their presence in the market. Menards, Panda Express, Five Guys Burgers and Fries, Sephora, and Chick-Fil-A were among the retailers that either opened, or announced plans to open, their first Wichita stores.

There was a significant absorption of the big box inventory in 2010. Big box landlords have realized they can’t replace the previous tenants paying premium rents and have become much more aggressive in their efforts to find buyers and new tenants. Among the big box properties that were filled in 2010 were the former Dillon’s store in Andover by Atwoods; the former Michael’s on West Kellogg by Northern Tool; the former Comp USA to JoAnn Fabrics; the former Circuit City on East Kellogg to a local entrepreneur and the former Jacobs Liquor by Kansas Sampler. Many of the big box locations that were occupied had been on the market for more than two years.

Restaurant activity was similar to the rest of the retail market, with openings offsetting the majority of the closings. Newport Grill opened at Bradley Fair in the former Cibola’s space. Ted’s Montana Grill closed two locations but one has already been purchased for another restaurant use. Chili’s reopened at 21st and Greenwich and the former Fritz Grill was purchased after being vacant for three years. There were several openings in the fast food sector.

The City of Wichita put two attractive land parcels on the market near the Towne East Regional Mall at Kellogg and Rock Road late in 2010.

MARKET SUMMARY
The market stabilized with overall vacancy rates in all categories similar to what they were at the end of 2009.

The class A properties in the northeast and northwest sectors continue to have vacancy rates below 10%.

There was increased interest in the market from regional and national retailers.

Bradley Fair had several new stores open for business in 2010 including Healing Waters, Carla’s Love It, the LBD, and Newport Grill. They also announced that Sephora’s will open in 2011 which will bring the successful lifestyle center’s occupancy rate to 99%.

Retail strip centers built in the past two years continue to have a difficult time filling vacancies.

Approximately 44% of the vacant big box inventory was occupied in 2010.

Menards entered the market with the construction of two stores on the east and west sides of the city.

Panda Express and Five Guys Burgers and Fries entered the market.

Ted’s Montana Grill closed two locations.

Several Blockbuster Video locations came on the market.

Freddy’s, Panera Bread and Quik Trip expanded their presence in the market.
• Uncertainty in the aviation industry will continue to be a factor.
• Vacancies and asking rates should remain stable.
• New construction will be minimal.
• Few options for large tenants looking for high grade space.
• Older properties will struggle to find buyers and tenants.

MARKET AT A GLANCE
Market Size: 9,325,823 sf
Overall Vacant Space: 2,098,999 sf
Overall Vacancy Rate: 22.5%
Overall Asking Rate: $4.03*
*Industrial gross

ALL PROPERTIES
VACANCY RATES VS. LEASE RATES
LEASE RATE VACANCY RATE

Uncertainty in the aviation industry will continue to be a factor. Vacancies and asking rates should remain stable. New construction will be minimal. Few options for large tenants looking for high grade space. Older properties will struggle to find buyers and tenants.

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ALL PROPERTIES
VACANCY RATES VS. LEASE RATES
LEASE RATE VACANCY RATE
INDUSTRIAL

The industrial market stabilized in 2010, with the overall vacancy rate increasing by just 1% to 22.5%. This was a significant improvement over 2009 when the vacancy rate jumped by more than 11%. Market conditions are still soft, primarily due to the reduced production levels at the major aircraft companies.

Leasing activity improved in the properties in the smaller size categories below 50,000 square feet. Vacancy levels dropped in each of the different size ranges with the biggest improvement in the small office warehouse properties 5,000 square feet and smaller. The highest vacancy rate is in the properties larger than 50,000 square feet where the rate increased from 19.3% to 27.9%. This category has been impacted by large national companies leaving the market over the past two years. Another contributing factor was the construction of a large 293,000 square foot spec property that came on the market this year.

The vacancy factor in the larger properties is somewhat misleading because it is so easily skewed by a few vacancies. There are also several older properties in the larger categories that don’t meet the requirements of many of today’s industrial users who want modern, employee friendly facilities, located next to major arterials. There are actually few options for prospective tenants looking for these types of properties in excess of 100,000 square feet, which could become an issue when companies are considering coming to Wichita.

Uncertainty in the aviation industry continues to be a major factor in the local industrial market. Timelines for recovery in the industry continue to be pushed further into the future and there is some doubt about how much work will return to the area when business levels do increase. Many of the manufacturers are changing their processes and outsourcing parts production to foreign countries with local plants being used for final assembly. This is a change from past practices and local businesses will have to adapt in order to survive.

MARKET SUMMARY

Overall vacancy rate increased by 1%.

Vacancy rates are skewed upward by a few large properties.

Vacancy rates decreased in all size categories except for those properties over 50,000 square feet.

The biggest improvement was in the small properties below 5,000 square feet where the vacancy rate dropped from 29.4% to 20.6%. The vacancy rate in the properties between 30,000 and 50,000 square feet dropped 4.7%.

The lowest overall vacancy rates were 11.4% in the southeast sector and 17.6% in the southwest sector.

Older, poorly located properties make up a large portion of the overall vacancies in the properties larger than 30,000 square feet.

There were few sales of industrial land.

Many local manufacturers still prefer to own.

A new 293,130 square foot spec building came on the market in the northeast sector.

Fed Ex built a new distribution facility in the southwest sector.

New manufacturing procedures at the large aviation companies are forcing changes at many of their local suppliers.
Investment Activity Continues to be Slow

The real estate investment market showed little improvement in 2010 as both buyers and sellers struggled to overcome obstacles that impede their ability to put together deals. Lending is still an issue for prospective buyers of investment properties as lenders continue to be cautious when evaluating potential new loans on commercial properties. Both the property and the buyer are closely scrutinized and buyers will typically have to invest 20% to 25% before being considered. Interest rates remained in the 6% to 8% range but most new commercial loans are being done with three year adjustable rate mortgages rather than the 5 year ARMs the market has seen in the past.

The gap between buyers’ and sellers’ expectations is still a major factor in the low volume of investment transactions. Buyers want rock bottom prices while sellers have little motivation to reduce their values to those levels. The gap in expectations has started to narrow but it is still substantial and a major factor in the small number of investment transactions.

Uncertainty about future trends continues to be a challenge for both buyers and sellers of commercial real estate. Many buyers are waiting for distressed properties to come on the market but it is still unclear whether or not the billions of dollars in commercial mortgages maturing in the next few years will lead to a flood of distressed assets being available. Lenders continue to be reluctant to take back properties, preferring to work with owners until economic conditions improve.

There hasn’t been much movement in capitalization rates. Single tenant properties with strong national tenants are typically sold with rates in the 7.5% to 8.5% range. Other property types sell at capitalization rates varying anywhere from 9% to 15%.

The real estate investment market will continue to be sluggish, especially during the first part of 2011. Things could change dramatically if a large volume of distressed properties come on the market.
Land Values Appreciate

Farmland values throughout Kansas appreciated in 2010. Good crop prices boosted farm income and created demand among farmers for additional cropland when it came on the market. The livestock sector returned to profitability in 2010 which caused pasture land to also increase in value. The United States Department of Agriculture reported that values for both cropland and pasture land increased in every statistical district in the state. The majority of the farmland sales were to farmers but there was an increase in sales to investors looking for consistent returns on their investments.

Good weather conditions across Kansas created a good harvest with above average yields. Export demand for grains was strong as developing countries continue to change their diets to include more protein which creates a need for grain to feed livestock. The failure of the Russian wheat crop increased the demand for wheat throughout the world. The lowest cattle inventory since 1965 and stabilized prices helped livestock producers have a profitable year.

Credit conditions improved for all agricultural producers and many banks in the Federal Reserve’s Tenth District reported higher loan repayment rates and fewer loan renewals. These banks also reported a rebound in capital spending among their agricultural clients, especially for new equipment and grain storage bins.

Agricultural land sales are expected to stay strong in 2011. The combination of an ample supply of capital plus strong national and international demand should help keep farm incomes at a high level. Increased grain prices could, however, slow the recovery in the livestock sector.
**MULTIFAMILY 2011 FORECAST**

- Market conditions should sustain continued improvement in the local multifamily market with vacancy rates dropping and rents gradually increasing.
- Construction of new projects will be minimal.
- Sales activity should pick up as investors come back to the market.
- More properties in the Central Business District will be converted to multifamily use.

The multifamily market had a nice recovery in 2010. The soft housing market and job uncertainties helped reduce the year-end, overall vacancy rate from 10.5% to 8.8%. The northeast and southeast areas showed the biggest improvement as their vacancy rates dropped to 7.6% and 8.5% respectively after being above 10% at the end of 2009. Vacancy rates ranged from 11% to 11.8% in the northwest, southwest and downtown areas.

The improvement in the vacancy rates was reflected in the rents which went up in every size category except for town homes. The percentage increases in rents ranged from 2% for studio apartments to 5% for three bedroom units. Savage, Inc. reported that 31% of the apartment communities in the area raised rents in 2010.

There was no new construction of major projects started in 2010 and no new apartment communities came on line during the year. There continues to be more new multifamily projects coming on the market in the Central Business District. The Flats at 324 and Finn Lofts both opened during the year and were well received by the market. The Garvey Center announced plans to increase the number of units in their popular residential complex and there was speculation that Marketplace Properties was considering acquiring a downtown office building for the purpose of converting it into a multifamily project.

Nationally, apartment projects have become increasingly popular with real estate investors. The increased sales activity is causing capitalization rates to trend downward after increasing in 2008 and 2009. According to Integra Realty Resources cap rates were 7.16% for urban projects and 7.14% for suburban projects at the end of 2010. Locally, capitalization rates are higher because of the fewer number of sales and the older inventory in the market. Typically, cap rates for local multifamily transactions range from 8.5% to 15% depending on the age, condition and the occupancy of the properties involved.
Sales Continue to Decline
The area residential real estate market in 2010 continued the recent trend of declining sales. As expected, the market was active during the first half of the year as buyers took advantage of the home buyer tax credits. Activity slowed substantially for the next few months but did pick up late in the year. The total number of houses sold in 2010 was 7,820 which was 9.2% less than the 8,617 sold in 2009. Last year was the fourth consecutive year residential sales have declined. The 2010 sales volume was 36% lower than the 12,318 units sold in 2006. The low volume of sales has caused the market to swing in the buyer’s favor with the year-end inventory for existing and new homes increasing to 4,207 homes compared to 3,710 at the end of 2009. The combined average sales price for new and existing homes held steady at $136,000 compared to $135,203 last year. The highest average sales prices continue to be in the northwest and northeast areas of the market.

Housing Starts Decline
There continues to be minimal demand for new homes as housing starts dropped another 24% in 2010. The 951 new housing starts were 59% less than the 2,316 that were started as recently as 2007. The soft market conditions were consistent throughout the area as fewer homes were started in the majority of the suburban markets as well as Wichita. There were 533 housing starts in Wichita, down 25% from a year ago, and 418 starts in the other reporting areas, representing a drop of 24%. The new home market is expected to stay soft in 2011.

### RESIDENTIAL SALES

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Units Sold</th>
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<tbody>
<tr>
<td>2010</td>
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</tr>
<tr>
<td>2009</td>
<td>8,617</td>
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<tr>
<td>2008</td>
<td>9,933</td>
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<tr>
<td>2004</td>
<td>9,048</td>
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<tr>
<td>2003</td>
<td>8,714</td>
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</table>

### AVERAGE SALES VALUE

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Sales Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$136,000</td>
</tr>
<tr>
<td>2009</td>
<td>$135,203</td>
</tr>
<tr>
<td>2008</td>
<td>$132,200</td>
</tr>
<tr>
<td>2007</td>
<td>$131,800</td>
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<tr>
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<td>$130,800</td>
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<tr>
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<tr>
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<td>$109,049</td>
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<tr>
<td>2001</td>
<td>$103,829</td>
</tr>
</tbody>
</table>

### RESIDENTIAL 2011 FORECAST

- Market will continue to be soft but will stabilize after significant reductions in the volume of sales the past two years.
- Gradual improvement and stabilization will bring the market to a more neutral position that doesn’t strongly favor buyers over sellers.
- Limited new construction will allow the market to gradually absorb the 472 new home units that were on the market at the end of 2010.
FORECAST METHODOLOGY
The data in the Forecast includes data on all office, retail and industrial buildings that have leasable space equal to 50% or more of the total building. Excluded are government buildings, owner-occupied properties with less than 50% of the total space available for lease to other businesses, regional malls and single tenant big box buildings of 20,000 or more square feet.

GLOSSARY of TERMS
Average Asking Rate: Quoted asking rental rates, given on a per-square-foot-per-year basis. They are provided as a weighted average by the amount of square footage available for lease at the end of 2010.
Vacancy Rate: All space available for lease divided by the total amount of space in the statistical category.

LEASE TERMS
Retail: Retail lease rates are quoted on a “triple net” basis in which the tenant pays its share of all taxes, insurance and maintenance expenses that arise from its use of the property.
Office: Office lease rates are quoted on a “full service” basis in which the landlord pays all operating expenses related to the property.
Industrial: Industrial lease rates are quoted on an “industrial gross” basis in which the landlord is responsible for base year taxes, insurance and exterior maintenance.

PROPERTY CLASSIFICATIONS
Office and Retail
Class A product is newer construction in prime locations with quality tenants and asking premium rates for lease space. Class B product is older construction in secondary locations that is well maintained and typically attracts a wide range of tenants. Class C product is older than Class B properties in third tier locations attracting mostly small locally owned businesses.

Industrial
Industrial properties are classified by size: up to 5,000 square feet; 5,000 to 15,000 square feet; 15,000 to 30,000 square feet; 30,000 to 50,000 square feet and over 50,000 square feet.
All information contained in the Forecast is from sources deemed reliable, but no guarantee is made or responsibility is assumed as to its accuracy or completeness. Data in this Forecast may not be directly comparable to that presented in previous Forecasts.

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