

## ECONOMIC & DEMOGRAPHIC PROFILE – KANSAS CITY MSA

### INTRODUCTION

The vast Kansas City metro region encompasses 15 counties in both Missouri and Kansas and is one of the fastest growing major job markets in the Midwest. Once known primarily for agriculture and manufacturing, this region has expanded its economic base to include telecommunications, banking and finance, as well as the service industry, and is quickly becoming a center for excellence in life sciences research and development.

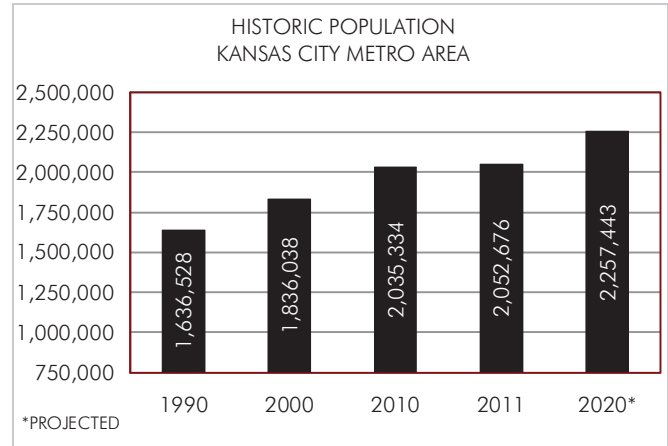


Recent accolades for the metro area include:

- » Ranked 15<sup>th</sup> among the **“Best Cities to Live”** (Bloomberg, October of 2012)
- » Ranked **third** among the **“Best Cities for Real Estate Investors”** (MarketWatch, April of 2012)
- » Ranked among the **“Top 10 Cities for New College Graduates”** (Rent.com, March of 2012)
- » Ranked ninth among the **“Top Domestic IT Locations”** (KLG Advisors, May of 2011)
- » Ranked among the **“Top 10 Cities in the U.S. to Find a Job”** (MarketWatch.com, June of 2011)
- » Ranked fifth among **“America’s Biggest Brain Magnets”** (Forbes, February of 2011)

### POPULATION

From 1990 to 2011, the population of the Kansas City Metro Area increased by 25.4%, rising from 1,636,528 to 2,052,676. With a 2020 projection of 2,257,443, the metro area will realize an annual average growth rate of 1.1% over the next five years, versus 0.7% nationally.



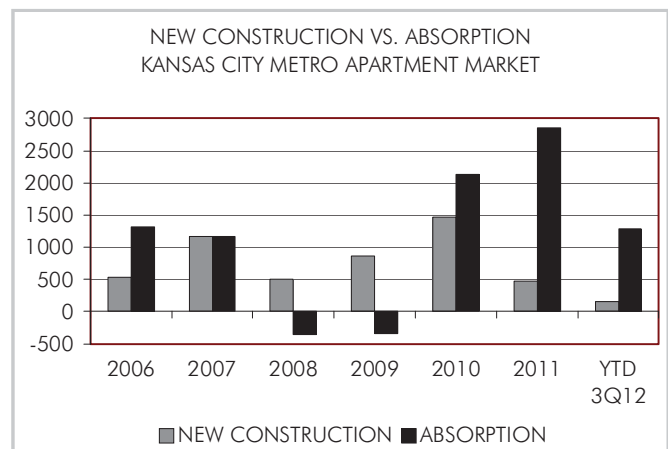
The median age of metro area residents is 36.6 years, with 20.0% within the key renter age group of 20 to 34 years.

### HOUSING

As of the 2010 Census, the Kansas City Metro Area contained 883,099 housing units, of which 29.0% were occupied by renters.

In September of 2012, the overall average sale price of new and existing single-family homes in the Kansas City MSA was \$170,172, up 13.3% from a year prior. The average new home price was \$299,916, while the resale price was \$158,158. Inventory of available homes for sale totaled 13,280 units, a 17% decrease from the year-ago level.

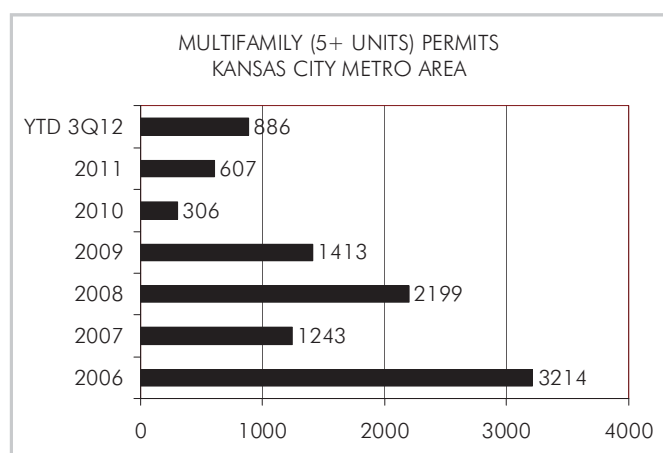
The Kansas City Metro apartment market noted strong apartment demand in 2011, with net move-ins totaling 2,850 units, the highest annual total in more than a decade and adding to the previous decade record of 2,128 units absorbed in 2010. Absorption has remained vibrant through 2012, totaling 1,293 units through the third quarter of 2012.



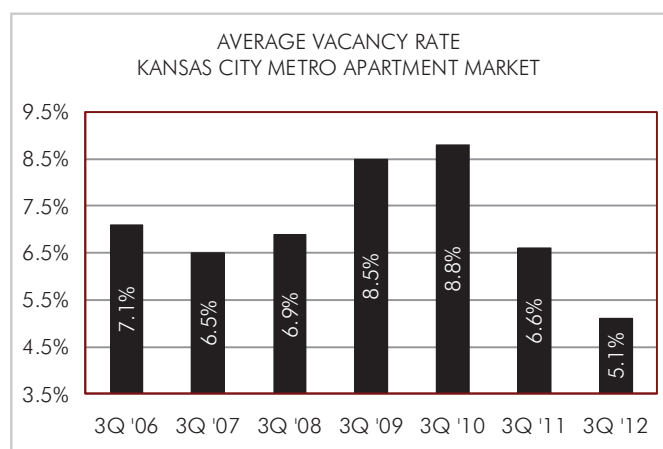
Annual new apartment completions totaled 540 units in 2006. Construction increased to 1,173 units in 2007, but in

2008, only 497 units were completed. In 2009, a total of 866 new units came on-line, while 1,465 units were delivered in 2010. Similar to absorption, this figure marked the highest annual volume of new construction deliveries since 2000. Following this record, 2011 set a new decade record low of 475 units constructed. This trend persisted into 2012, with only 152 new units entering lease-up through September.

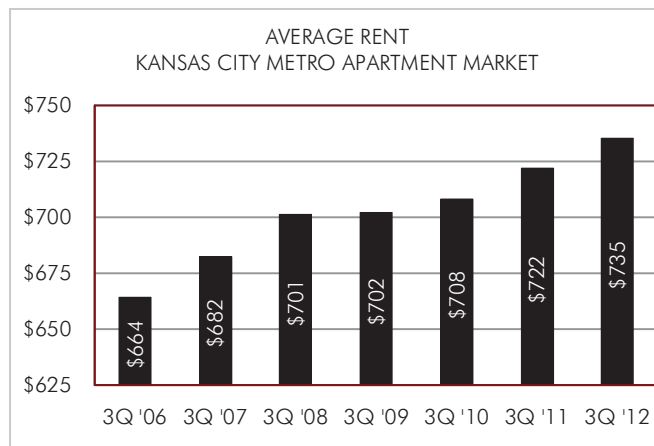
Including rental and for-sale units, multifamily permits totaled 1,413 units in 2009, while only 306 units were permitted in 2010. In 2011, the permit count totaled 607 units. Through September of 2012, permits totaled 886 units, up from the prior two years, but still constrained compared to recent historical totals.



Surging absorption totals have enabled the local apartment market to see dramatically lower vacancy rates in short order. At 5.1% in the third quarter of 2012, the overall average apartment vacancy rate for the Kansas City MSA was down 150 basis points from a year prior. Moreover, this was the lowest vacancy rate for any quarter in 11 years.



The overall average rent in the metro Kansas City apartment market was \$735 in September of 2012, reflecting a 1.8% increase over the year-ago figure of \$722. With 10 of the past 12 years achieving rent growth, the Kansas City apartment market continues to outperform many metro markets around the country.



## ECONOMIC DEVELOPMENT / NEW CONSTRUCTION

The following is a small segment of the more than \$9 billion in projects that are either proposed or currently underway in the metro area.

## DISTRIBUTION / WAREHOUSE PROJECTS



**CenterPoint-KCS Intermodal Center** – Being developed by CenterPoint Realty Services and The Kansas City Port Authority Council, this project is a leading component of the KC SmartPort effort. The intermodal center is part of the redevelopment of old Richards-Gebaur Air Force Base in southern Jackson County. It will create the **largest Midwest intermodal hub for U.S. / international export trade**. Plans call for a \$300 million industrial / warehouse park consisting of more than 5 million square feet of space to be built over the next several years on 1,340 acres. Kansas City Southern is expanding its existing automotive ramp and building a new intermodal facility on the remainder of the land. The intermodal center is expected to create 1,000 construction jobs and 2,000 permanent positions.

**Logistics Park Kansas City** – This \$750 million distribution / warehouse complex will enhance the region's status as a distribution hub. Logistics Park Kansas City will surround the BNSF Railway's new rail / truck intermodal facility in Edgerton. The 1,000-acre park is being developed by San Diego-based The Allen Group. At build-out, expected to take 12 to 14 years, it could contain 7 million square feet of space. The entire project is expected to have an annual economic impact of \$1 billion, creating more than 8,700 new jobs. The BNSF facility, which will support 660 construction jobs, is slated to open in 2013.

**KCI Intermodal BusinessCentre** – Located adjacent to Kansas City International Airport, this \$216 million project will encompass 800 acres and 5.4 million square feet of space at build-out. The first phase includes 1.8 million square feet of space, including 349,440 square feet occupied by Blount International.

**Jet Midwest** – This firm is consolidating its multiple U.S. locations and relocating to the KCI Overhaul Base, as announced in 2010. As of 2011, the company already employed 75 at the site, with plans to have a workforce of 750 by 2016.

**I-35 Logistics Park** – Located in Olathe, this project will ultimately house 2.9 million square feet on 200 acres. As of August of 2012, the developer was planning the project's first phase, consisting of an 821,256-square-foot speculative warehouse.

#### DOWNTOWN KANSAS CITY



*Sprint Center*

**Recent Downtown Projects** – Major developments include the \$600 million **Children's Mercy Hospital** expansion; \$350 million **Power & Light District**; \$276 million **Sprint Center** arena; the \$138 million **H&R Block** headquarters; \$405 million **Kauffman Center for the Performing Arts**; and the \$570 million **Federal Reserve Bank and IRS** regional facilities. In addition, numerous residential

projects are underway, planned, or recently completed downtown. All of these developments will help populate downtown with more jobs and shoppers.

**Power & Light District** – This dynamic, nine-city-block, mixed-use retail, entertainment, office, and residential district is located in the heart of downtown. The \$350 million district, is the cornerstone of the city's urban renaissance. It is anchored by the \$276 million **Sprint Center** arena and includes the flagship **AMC Mainstreet** movie theater. **Kansas City Live!**, located in the heart of the Power & Light District, consists of two levels with an open-air plaza, 14 entertainment venues, restaurants, and clubs. Developer The Cordish Co. is now proposing a 250-unit, 23-story residential tower, with rents expected to range from \$950 to \$2,500 per month. The company will also convert an existing office building into 63 residences; another 750 residential units are planned at the Power & Light District over the next decade.



**East Village** – A massive, \$340 million mixed-use development is planned for 12 blocks of downtown's East Loop. Elements of the plan include 1,200 affordable and market-rate housing units, more than 80,000 square feet of retail space, parking garages. Already complete is a \$50 million corporate headquarters for **JE Dunn Construction Company**, with the capacity for 500 employees. The second phase, the 50-unit East Village Apartments, opened in 2011. The **General Services Administration** is planning a 200,000-square-foot new office building at East Village but is still seeking financing for the project. In the interim, the agency will bring its 1,000 local employees to various locations downtown in 2014.



## LIFE SCIENCES PROJECTS

**University of Kansas Cancer Center** – In July of 2012, the KU Cancer Center received designation as a **National Cancer Institute**. Officials are now working to have the center receive the highest national designation, that of being a comprehensive cancer center. These awards will enable the center to leverage more research funding, thus supporting the ongoing development of the local life sciences sector.

**Kansas Bioscience Authority** – This \$581 million program, established in 2004, focuses on fostering Kansas' world-class research capacity and bioscience clusters, while also providing support to bioscience startups and generating business expansion and relocation in the bioscience sector. From its inception through mid-2012, the KBA has committed \$271.8 million in funding, creating hundreds of jobs and generating millions of dollars in private investment.



**Stowers Institute for Medical Research** – With \$2 billion in funding, the Stowers Institute is the nation's second-largest privately endowed institute for medical research. The Stowers Institute complements efforts at KU, attracting world-renowned researchers to the region; those researchers then turn to KUMC for academic opportunities. Twenty-one of the Stowers Institute's 24 investigators hold faculty appointments at KUMC.

**Oxford on the Blue** – A partnership headed by James Stowers III, son of the Stowers Institute's founders, is developing a 350-acre biotech office park in South Kansas City, between U.S. Highway 71 and I-435, north of 87th Street. At build-out, the site could host 4 million square feet of space, valued at \$1.3 billion.



**Johnson County Education Research Triangle** – Further building on the area's position as a life sciences center, in 2008, Johnson County voters approved a sales tax to provide research funding. The tax, which generated \$13 million from 2011-2012, is divided among the KU Cancer Clinical Research Center in Fairway, KU's Edwards Campus in Overland Park, and the Kansas State University Olathe Innovation Campus. The Research Triangle could have a \$1.4 billion economic impact during its first two decades.

**National Bio and Agro-Defense Facility** – In 2009, the **U.S. Department of Homeland Security** selected Kansas State University to be the home of its new NBAF site. The \$1 billion lab, which will conduct research into foreign animal and animal-to-human diseases, will consist of 500,000 square feet and will employ 250 to 350 people. It is expected to have an annual economic impact of \$3.5 billion in its first 20 years. Completion of the new facility is scheduled for 2015, though research work will likely begin earlier than that, using KSU's existing Biosecurity Research Institute.

## OTHER DEVELOPMENTS

**Ford** – Ford is investing \$1.1 billion in its Kansas City Assembly Plant (located in Claycomo), nearly tripling its original commitment of \$400 million. The investment will allow the company to produce the Transit, a new concept commercial vehicle, thus preserving 3,750 jobs while adding 1,650 new jobs. Local officials expect the massive investment to reverberate throughout the region and state, attracting support firms to Kansas City. According to *Automobile Magazine*, the Ford KC Plant ranks as the **top-producing factory in the U.S.** (2012 ranking). Additionally, Ford supplier **LMV Automotive Systems** is building a \$42 million facility in Liberty, with plans to create 156 jobs.



**General Motors** – GM is investing \$136 million in an upgrade of its Fairfax Assembly Plant to prepare for the 2013 Chevrolet Malibu. This announcement was followed by one in August of 2012, in which the company announced plans for \$120 million in a renovation and expansion of its paint facility operation. This project would retain 3,700 jobs at the

plant. Additionally, GM supplier **Flex-N-Gate** announced in 2011 that it will add 300 local jobs in by 2016.

**Google** – In 2012, Google launched a new ultra high-speed fiber-optic Internet network service in Kansas City, Kansas, making the city the first Google Fiber Community. The system is expected to draw new companies and jobs to the area.



**Village West** – This mixed-use development is located in western Wyandotte County, Kansas, near the NASCAR track and Legends Shopping Center. Components of the project include a \$165 million stadium for the **Sporting Kansas City** soccer team (opened 2011) and a \$150 million campus for **Cerner Corporation**. Medical technology firm Cerner, which employs 4,800 people locally, is one of the nation's fastest-growing technology firms. Construction is underway on the 660,000-square-foot Cerner campus; estimated completion: early 2014, although employees will begin moving in by late 2012. The development agreement calls for 4,000 new Cerner jobs at the site by 2016—the jobs will be newly created rather than transferred from other area locations.



**National Nuclear Security Administration (NNSA)** – The NNSA is building a new location in South Kansas City. The NNSA plant is operated by Honeywell FM&T and produces non-nuclear parts for the U.S. nuclear weapons program. The \$687 million, 1.5 million-square-foot project, expected to be completed in 2014, will retain 2,500 local jobs in southern Jackson County, Missouri.

**Bannister Federal Complex** – Following the exit of the NNSA and General Services Administration (transferring its 1,000 employees to downtown KC), the Bannister Federal Complex in South Kansas City will be redeveloped by CenterPoint Properties. Details on the redevelopment are expected to be publicized in the spring of 2013.

**Black & Veatch** – One of the world's leading engineering firms, Black & Veatch is expanding its 600,000-square-foot headquarters facility in Overland Park, adding 250,000 square feet. The company will add more than 1,000 new jobs to its current 3,800. Estimated completion: 2015.



**Corporate Woods** – The largest of the area's suburban office parks, **Corporate Woods** in Overland Park, received approval for an expansion project in 2009. Plans call for two new office buildings totaling 510,000 square feet, a 120-room hotel, restaurant / retail space, and more. The expansion will contain space for 2,000 employees, bringing the park's total to 8,000.



**Hollywood Casino at Kansas Speedway** – This new casino in Kansas City, Kansas opened in early 2012. The \$410 million project includes a 100,000-square-foot casino. Subsequent phases could add \$290 million to the project's cost and would include a hotel, additional casino space, a spa, a convention center, and an entertainment / retail district. International Speedway was awarded a second Sprint Cup Series race at Kansas Speedway from NASCAR, enhancing the project's appeal. The casino created 1,000 jobs.



**IKEA** – Leading Swedish retailer IKEA is planning a new 349,000-square-foot store in Merriam (Johnson County), at the site of Merriam Village. Estimated completion: fall of 2014.



## ECONOMY / EMPLOYMENT

As of 2012, the Kansas City MSA is home to three Fortune 500 headquarters: Sprint Nextel, Seaboard, and YRC Worldwide.

FORTUNE 500 HEADQUARTERS KANSAS CITY MSA	
FIRM	2012 RANK
Sprint Nextel Corp.	90
Seaboard	427
YRC Worldwide	487

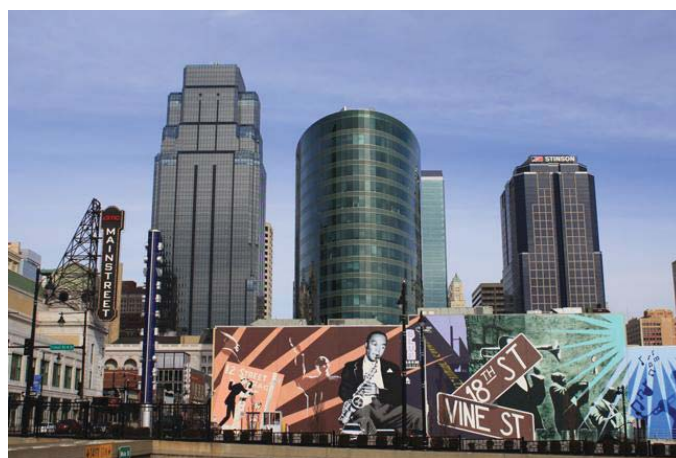
Source: CNN.Money.com

Both **Ford** and **GM** operate plants in the Kansas City MSA; both plants have been cited for their efficiency and strength of labor relations. GM's Fairfax assembly plant, which employs 3,900 workers, produces the bestselling Chevrolet Malibu and Buick LaCrosse. Ford's Claycomo plant is currently retooling in order to produce the company's new Transit commercial vehicle.

One of the area's largest employers, **Sprint Nextel**, provides wireless and wireline communications products and services to 56 million companies. Japanese firm SoftBank Corp. has proposed a \$20 billion deal that would entail purchasing 70% of Sprint, a move that could support future growth.



The greater Kansas City region, extending from Manhattan, Kansas to Columbia, Missouri, is home to more than 200 life sciences firms, employing a combined total of 20,000 people.



Five Kansas City-area companies were named to the **Inc. 500** list for 2012, including Strategic AR (Overland Park), UnitedLex (Overland Park), Nextaff (Overland Park), Rhythm Engineering (Lenexa), and Sweet Spot Marketing (Merriam). The list recognizes the fastest-growing companies in the U.S.

Major employers in the Kansas City MSA include the federal government, Sprint, Cerner Corporation, and Children's Mercy Hospital.

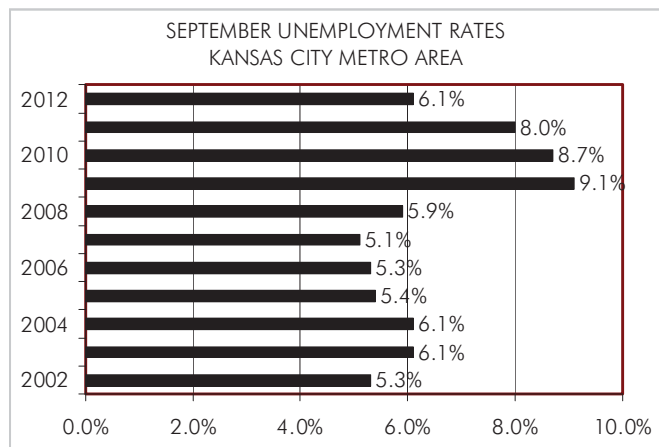
MAJOR PUBLIC & PRIVATE EMPLOYERS KANSAS CITY MSA	
Federal Government	28,400
HCA-Midwest Health System	8,126
Sprint Nextel Corp.	7,000
Saint Luke's Health System	6,665
State of Missouri	6,197
Cerner Corporation	5,700
State of Kansas	5,494
Children's Mercy Hospital	5,108
City of Kansas City, MO	4,569
University of Kansas Hospital	4,496

Source: Kansas City Business Journal, 2011

Nearly 44% of Kansas City MSA workers are employed in the services sector, followed by 11.2% in retail trade, 9.6% in finance / insurance / real estate and 8.8% in manufacturing. Approximately 66% of employed residents are employed in white-collar positions.

Evidencing the region's renewed economic vigor, unemployment in the Kansas City MSA declined to 6.1% in September of 2012, down 190 basis points from a year prior and reaching the lowest rate for this month in four years.

Moreover, this figure was 150 basis points below the national unemployment rate (7.6%) in September of 2012.

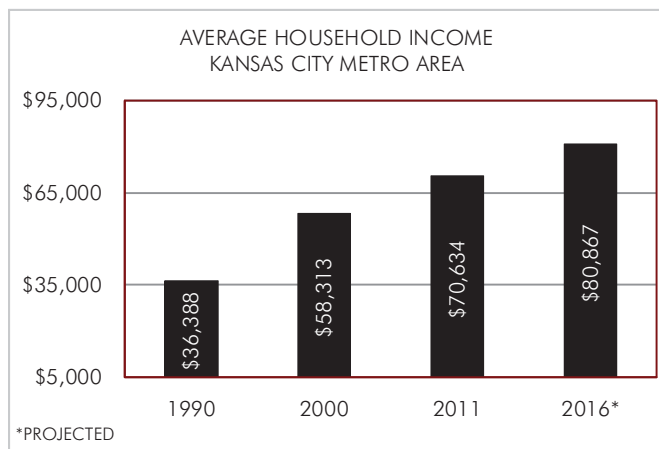


Also indicative of a recovering economy, Kansas City noted a 0.5% gain in employment for the year ended in September of 2012, equating to the addition of 4,500 jobs.

Employment growth is expected to strengthen into 2013, with a forecast from Moody's and USA Today projecting that the Kansas City MSA will see a 1.3% employment increase from the second quarter of 2012 to the second quarter of 2013.

## INCOME

From 1990 to 2011, the average household income in the Kansas City MSA rose from \$36,388 to \$70,634, equating to an increase of 94.1%. Projections for 2016 put that figure at \$80,867, representing a gain of 14.5% from 2011.



## EDUCATION

Educational attainment throughout the metro area is impressive, with 32.0% of residents over the age of 24 holding a bachelor's degree and 11.1% having earned a graduate or professional degree. Those figures surpass the equivalent U.S. rates of 28.1% and 10.4% respectively.

While slightly more than 85% of U.S. residents are high school graduates, nearly 91% of Kansas City MSA residents are high school graduates.

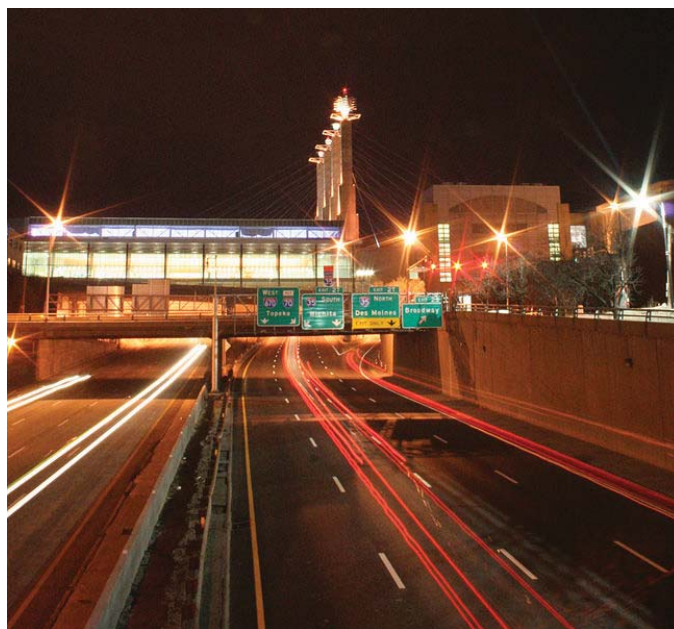
The greater metro area boasts nearly 600 public schools and about 200 private and parochial schools. Many of the area's schools have earned "Blue Ribbon" awards or other distinctions, with the high level of school quality being a major draw for the area in attracting new residents and businesses.

For those seeking a higher level of education, the metro area is home to 10 four-year colleges and universities and six two-year institutions.

LARGEST COLLEGES & UNIVERSITIES METRO KANSAS CITY	
	ENROLLMENT
University of Kansas (all campuses)	29,462
Johnson County Community College	20,869
University of Missouri-Kansas City	13,511
Park University	12,593
Kansas City KS Community College	7,566
Rockhurst University	3,029
Avila University	1,939
MidAmerica Nazarene University	1,750
William Jewell College	1,200

## TRANSPORTATION

Highways serving the Kansas City Metro Area include three interstates (I-70, I-35, I-29), four interstate connections (I-435, I-635, I-470, I-670), and seven U.S. highways.



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**Kansas City International Airport**, located 15 miles northwest of the city's CBD, has consistently ranked among the top airports in the country in terms of customer service, according to J.D. Power & Associates and others. The airport served more than 10.1 million passengers in 2011. With an annual economic impact of \$5.5 billion, the airport supports more than 60,000 local jobs.

Airport officials are currently planning a \$1.2 billion project that would replace the existing three terminals with a single, multistory building. A study on the new terminal will be submitted to the FAA in early 2013. Construction would support 1,800 jobs over a two-year period.



#### **Sources**

Hendricks & Partners Research Division; ESRI; Bureau of Labor Statistics; U.S. Census Bureau; City of Kansas City; Reis; ProximityOne; Unified Government of Wyandotte County / Kansas City, Kansas; KCK Chamber; City of Olathe; Olathe Chamber of Commerce; Kansas City Business Journal; KansasCityFrontPage.com; University of Kansas; Avila University; Peterson's; Kansas City Southern; MidAmerica Nazarene University; KTBS.com; Trefis; Kansas Board of Regents; University of Missouri-Kansas City; Oxford on the Blue; Kansas City International Airport; ProximityOne