MARKET OVERVIEW

J.P. Weigand & Sons, Inc. is proud to present the 30th Anniversary Edition of our Forecast publication. Our annual review of the local real estate market has covered many highs and some lows over the years, and this years’ report is definitely one of the highs. The positive momentum the Wichita economy has enjoyed in recent years continued in 2019.

Nowhere was the strong economy more visible than in the Central Business District. What started as a conversion of a few abandoned warehouses has expanded to include thousands of new residential apartments, new retail businesses and modern, state-of-the-art office buildings. Construction was started on two new office buildings that will be home to IMA and Fidelity Bank, and DeBoer Enterprises announced plans for a new building at the WaterWalk development. Perhaps the most exciting new construction project is for the new $75 million baseball stadium that will be the home of Wichita’s triple A baseball team, the Wind Surge.

There was other positive activity throughout the community. National and local retailers continued to expand their presence in the city. The new Steven Clark YMCA and Student Wellness Center opened on the Wichita State University Innovation Campus. The Greater Wichita Partnership had success attracting new businesses to the area and helping existing businesses expand. Among their successes were Open Roads Brands relocating its Chinese manufacturing facility to Wichita, Cosmic Pet expanding into an additional 100,000 square foot building and Atlas Aerospace moving into a new facility. These three expansions alone brought over 100 new jobs to the city.

The local aerospace industry was impacted by the issues with the Boeing 737 MAX. Spirit AeroSystems announced they were halting production, which affects their employees and many local suppliers. The City of Wichita is in a good position, however, to withstand this temporary situation, and we’re confident it will come back even stronger when normal production is resumed.

Nestor R. Weigand, Jr.
Chairman/CEO

Peggy Ward
President/CFO

Tony Utter
Vice President

Corporate Treasurer

General Manager
COMMITMENT TO EXCELLENCE

J.P. Weigand & Sons, Inc. has been playing a major role in shaping the landscape of real estate in Wichita since the company was founded in 1902. The landscape has obviously changed over the years, but one thing has remained constant: our commitment to excellence. It is a commitment made by every Weigand associate to every client in every transaction, no matter the type or the size.

COMMITMENT TO KNOWLEDGE

Knowledge is the key to a successful real estate transaction. No other commercial real estate company can match our commercial real estate expertise and market knowledge. Our associates have more professional designations than any other company in the area and their involvement in these organizations gives them access to information on global and national real estate trends. They also meet regularly to share insights on what is transpiring in the local market and work together to ensure specialized expertise is available in every transaction. This deep knowledge and collaborative culture creates value for our clients.

COMMITMENT TO WICHITA

J.P. Weigand & Sons, Inc. has strong ties to the city we’ve been a part of for 118 years. We are committed to making Wichita a wonderful place to live and do business. Our associates, management and staff are actively involved in numerous charitable and civic organizations, volunteering countless hours of their personal time and financial resources for the betterment of the city we call home.
NEWsworthY ACTIVITY

- Construction started on the new headquarters for IMA at 430 E. Douglas in the Central Business District.
- Fidelity Bank started construction on a major expansion project in the Central Business District.
- DeBoer Enterprises announced plans for a new modern, high-tech office building with unique amenities to be built at the WaterWalk development.
- The Martin Pringle Law Firm took occupancy of their new office space in the Spaghetti Works development.
- King of Freight announced plans to relocate to the former Gander Mountain building at the WaterWalk development.

NEW CONSTRUCTION

In 2019, new commercial office buildings were on the rise in the Wichita market, especially in the Central Business District. The center of our city has become the location of choice for area businesses looking for modern office facilities. Construction crews and cranes are present in the city’s core which shows signs of new progress and development. Several projects were announced and construction is underway.

Local developers are the main source for all of the Class A office buildings that began construction or are in development in the downtown core. Construction started on a $21 million 4 story building located at the northwest corner of Douglas and Emporia. The IMA Financial Group will return from the northeast suburban area to be the anchor tenant. The remaining space will offer additional office and retail opportunities. Fidelity Bank began construction on a $16 million expansion of its corporate headquarters and will include retail and office space for lease. DeBoerEnterprises announced plans for a new $30 million 5 story commercial building in the WaterWalk development. DeBoer will relocate their local operations to this building and is seeking new tenants for the remaining office and retail space. The Martin Pringle Law Firm relocated to a new office building in the Spaghetti Works mixed-use development. King of Freight announced plans to relocate to the former Gander Mountain building in the WaterWalk development, and they will occupy the entire building. Meritrust is relocating from the northeast quadrant and renovating the former Cargill building; occupancy is expected later this year. The Wichita City Council approved plans for the re-development of four existing downtown buildings into a medical campus for The Kansas Health Science Center.

Relocation and expansion of local businesses to the downtown core is making the area more vibrant and alive. These new projects will create a large inventory of modern class A office space that has been lacking in the market for several years. This inventory will give options to local, regional and national office users needing large blocks of contiguous space. This will provide businesses the opportunity to relocate to buildings offering the latest technology and amenities unique to Wichita. It will also give them the capability to design new, modern layouts that feature open spaces for collaboration. Equally important, the new construction provides city leaders with state-of-the-art facilities to use when attracting new businesses to Wichita.

Overall, leasing activity outside of the core area was relatively slow. The majority of the new construction was for owner-occupied properties. Medical office users continue to gravitate to the northwest and northeast quadrants. Webb Road on the northeast and Ridge Road on the northwest have become home to several medical practices and surgery centers. Moving forward, the City’s support will be critical in attracting new businesses for the Class A office buildings. Local developers, property owners, businesses and commercial associates will play a key role in this effort to attract new businesses to our expanding market.
Overall office leasing activity will remain slow.

New construction will generate more interest among office users to be in the Central Business District.

New construction outside of the core area will primarily be for owner, user properties.

**MARKET AT A GLANCE**
Market Size: **12,059,120 sf**
Overall Vacant Space: **1,956,869 sf**
Overall Vacancy Rate: **16.23%**
Overall Asking Rate: **$11.93***

*Full Service

**CLASS A STATISTICS**

<table>
<thead>
<tr>
<th>MARKET</th>
<th>TOTAL SF</th>
<th>VACANCY SF</th>
<th>VACANCY %</th>
<th>QUOTED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>2,016,469</td>
<td>250,800</td>
<td>12.44%</td>
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<tr>
<td>NORTHEAST</td>
<td>1,785,741</td>
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<tr>
<td>NORTHWEST</td>
<td>542,747</td>
<td>65,192</td>
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<td>SOUTHEAST</td>
<td>172,280</td>
<td>9,090</td>
<td>5.28%</td>
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<tr>
<td>SOUTHWEST</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>TOTALS</td>
<td>4,517,237</td>
<td>488,835</td>
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<td>$16.40</td>
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**CLASS B STATISTICS**

<table>
<thead>
<tr>
<th>MARKET</th>
<th>TOTAL SF</th>
<th>VACANCY SF</th>
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<th>QUOTED RATES</th>
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</thead>
<tbody>
<tr>
<td>CBD</td>
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<td>319,672</td>
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</tr>
<tr>
<td>NORTHEAST</td>
<td>1,520,157</td>
<td>213,223</td>
<td>14.03%</td>
<td>$13.91</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>575,758</td>
<td>95,106</td>
<td>16.52%</td>
<td>$12.60</td>
</tr>
<tr>
<td>SOUTHEAST</td>
<td>1,554,137</td>
<td>130,569</td>
<td>8.40%</td>
<td>$12.17</td>
</tr>
<tr>
<td>SOUTHWEST</td>
<td>213,547</td>
<td>44,404</td>
<td>20.79%</td>
<td>$10.26</td>
</tr>
<tr>
<td>TOTALS</td>
<td>5,847,322</td>
<td>802,974</td>
<td>13.73%</td>
<td>$12.12</td>
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</table>

**CLASS C STATISTICS**

<table>
<thead>
<tr>
<th>MARKET</th>
<th>TOTAL SF</th>
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<th>QUOTED RATES</th>
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<tr>
<td>CBD</td>
<td>823,921</td>
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<td>32,490</td>
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<td>NORTHWEST</td>
<td>97,186</td>
<td>39,737</td>
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<td>499,138</td>
<td>242,159</td>
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</tr>
<tr>
<td>SOUTHWEST</td>
<td>84,665</td>
<td>10,794</td>
<td>12.75%</td>
<td>$8.61</td>
</tr>
<tr>
<td>TOTALS</td>
<td>1,694,561</td>
<td>665,060</td>
<td>39.25%</td>
<td>$8.40</td>
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</table>

The Central Business District has become the location of choice.
NEW CONSTRUCTION

The retail market continued to make steady gains in 2019 despite the continued transition towards e-commerce and advances in technology. As consumer habits continue to evolve, retailers have maintained their commitment to remain ahead of the curve by dedicating significant resources toward repositioning themselves within their respective markets. The retail market will continue to adapt to meet the demands of the modern consumer.

The local market welcomed several new national concepts in 2019. Among the most notable wins for Wichita were Trader Joe’s at Bradley Fair; Saltgrass Steakhouse at Greenwich Place and Floor & Decor at Kellogg and Webb. Several other national chains announced plans for Wichita locations in 2019: REI, Jersey Mike’s, California Tortilla, and many others will open in 2020. Wichita’s strong economy was recognized by other national retailers expanding their local presence in the market, namely Panera Bread, Schlotzsky’s, Vasa Fitness, Dollar Tree, and Atwoods. Entertainment concepts continue to be in high demand as proven with the success of Chicken N Pickle at 13th & Greenwich and Dave & Buster’s at Greenwich Place.

The rapidly growing trend “shop local, buy local, eat local” took Wichita by storm. The movement bolstered the local economy and several local businesses captured the momentum and expanded their brands. HomeGrown opened a second location in Bradley Fair and later announced plans to open their third location in the Spaghetti Works development downtown. Eric Fisher Salon and The Hairy Sofa announced additional locations in downtown as well. Cocoa Dolce opened their corporate headquarters, with a retail presence, downtown in the former Coleman Factory Outlet building. New local concepts included Jenny Dawn Cellars, with their Urban Winery, opened at the revitalized Union Station, and Vora Restaurant opened at Uptown Landing near Douglas & Hillside.

Development continued at Wichita State University in 2019. The popular chain Fuzzy’s Taco Shop and Journey East Asia Grill opened at Braeburn Square and construction began on the Hyatt Place Hotel. As corporate development continues at the Innovation Campus, this will attract additional restaurants and retailers to the area.

The local market was impacted by the closing of a few national retailers, Best Buy on west Kellogg, Cowboy Chicken on north Rock Road and J. Crew and Gymboree in Bradley Fair were some of the notable closures. Wichita was not the only market to lose stores as these brands scaled back their presence across the country.

The forecast for the retail market in 2020 remains optimistic both locally and nationally. Soft goods and big box retailers will continue to downsize in market share as the convenience of e-commerce continues to expand. The expectations are for restaurants, entertainment, medical, and fitness concepts to be among the most active to take their places. Though constantly evolving, the local retail market will look to build off the success of the previous years and continue to make meaningful gains in 2020.
Market activity will remain strong.

New “walk-in” medical businesses, such as dental and urgent care, will expand.

The northeast submarket area will continue to be very active.

The Central Business District will continue to attract a variety of specialty retailers.

Entertainment concepts will continue to be on the rise and in high demand.

### MARKET AT A GLANCE
Market Size: **12,954,019 sf**
Overall Vacant Space: **1,890,940 sf**
Overall Vacancy Rate: **14.60%**
Overall Asking Rate: **$11.72***

*Triple Net

### LEASE RATES VS. VACANCY RATES

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td><strong>CLASS A</strong></td>
<td><strong>CLASS B</strong></td>
<td><strong>CLASS C</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEASE RATE</td>
<td>VACANCY RATE</td>
<td>LEASE RATE</td>
<td>VACANCY RATE</td>
<td>LEASE RATE</td>
<td>VACANCY RATE</td>
</tr>
<tr>
<td>$14.99</td>
<td>20%</td>
<td>$16.99</td>
<td>15%</td>
<td>$14.45</td>
<td>10%</td>
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### TOTAL RETAIL 2019

<table>
<thead>
<tr>
<th>MARKET</th>
<th>TOTAL SF</th>
<th>VACANCY SF</th>
<th>VACANCY %</th>
<th>QUOTED RATES</th>
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<tbody>
<tr>
<td>CBD</td>
<td>735,701</td>
<td>96,762</td>
<td>13.15%</td>
<td>$13.63</td>
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<tr>
<td>DELANO</td>
<td>287,636</td>
<td>31,513</td>
<td>10.96%</td>
<td>$12.62</td>
</tr>
<tr>
<td>NORTHEAST</td>
<td>3,768,407</td>
<td>492,978</td>
<td>13.08%</td>
<td>$13.49</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>3,524,841</td>
<td>466,591</td>
<td>13.24%</td>
<td>$12.08</td>
</tr>
<tr>
<td>SOUTHEAST</td>
<td>3,145,598</td>
<td>492,687</td>
<td>15.66%</td>
<td>$9.71</td>
</tr>
<tr>
<td>SOUTHWEST</td>
<td>1,491,836</td>
<td>310,409</td>
<td>20.81%</td>
<td>$10.83</td>
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<tr>
<td><strong>TOTALS</strong></td>
<td><strong>12,954,019</strong></td>
<td><strong>1,890,940</strong></td>
<td><strong>14.60%</strong></td>
<td><strong>$11.72</strong></td>
</tr>
</tbody>
</table>

### CLASS A STATISTICS

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>175,454</td>
<td>36,896</td>
<td>21.03%</td>
<td>$20.12</td>
</tr>
<tr>
<td>DELANO</td>
<td>14,414</td>
<td>8,200</td>
<td>55.64%</td>
<td>$15.50</td>
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<tr>
<td>NORTHEAST</td>
<td>2,264,981</td>
<td>186,698</td>
<td>8.24%</td>
<td>$19.03</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>1,452,768</td>
<td>122,809</td>
<td>8.45%</td>
<td>$19.74</td>
</tr>
<tr>
<td>SOUTHEAST</td>
<td>1,129,761</td>
<td>74,085</td>
<td>6.56%</td>
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<tr>
<td>SOUTHWEST</td>
<td>274,790</td>
<td>43,370</td>
<td>15.78%</td>
<td>$14.80</td>
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<tr>
<td><strong>TOTALS</strong></td>
<td><strong>5,312,168</strong></td>
<td><strong>471,878</strong></td>
<td><strong>8.88%</strong></td>
<td><strong>$18.41</strong></td>
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### CLASS B STATISTICS

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>CBD</td>
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<td>51,241</td>
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<tr>
<td>DELANO</td>
<td>253,386</td>
<td>23,493</td>
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<tr>
<td>NORTHEAST</td>
<td>1,048,107</td>
<td>179,317</td>
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<tr>
<td>NORTHWEST</td>
<td>1,274,125</td>
<td>127,308</td>
<td>9.99%</td>
<td>$11.14</td>
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<tr>
<td>SOUTHEAST</td>
<td>1,110,023</td>
<td>189,998</td>
<td>17.12%</td>
<td>$10.76</td>
</tr>
<tr>
<td>SOUTHWEST</td>
<td>687,514</td>
<td>147,062</td>
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<td>$11.09</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>4,895,039</strong></td>
<td><strong>718,419</strong></td>
<td><strong>14.68%</strong></td>
<td><strong>$10.93</strong></td>
</tr>
</tbody>
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### CLASS C STATISTICS

<table>
<thead>
<tr>
<th>MARKET</th>
<th>TOTAL SF</th>
<th>VACANCY SF</th>
<th>VACANCY %</th>
<th>QUOTED RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>38,363</td>
<td>8,625</td>
<td>22.48%</td>
<td>$6.28</td>
</tr>
<tr>
<td>DELANO</td>
<td>19,836</td>
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<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>NORTHEAST</td>
<td>455,319</td>
<td>126,963</td>
<td>27.88%</td>
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<tr>
<td>NORTHWEST</td>
<td>797,948</td>
<td>216,474</td>
<td>27.13%</td>
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<td>SOUTHEAST</td>
<td>905,814</td>
<td>228,604</td>
<td>25.24%</td>
<td>$6.71</td>
</tr>
<tr>
<td>SOUTHWEST</td>
<td>529,532</td>
<td>119,977</td>
<td>22.66%</td>
<td>$9.08</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>2,746,812</strong></td>
<td><strong>700,643</strong></td>
<td><strong>25.51%</strong></td>
<td><strong>$7.29</strong></td>
</tr>
</tbody>
</table>

With the success of Chicken N Pickle, entertainment concepts are in high demand.
NEWSWORTHY ACTIVITY

- TMX Aerospace expanded into additional space in Park City.
- Construction was completed on a new 100,000 square foot spec building in the Comotara Industrial Park.
- Construction started on a 100,000 square foot building for Cosmic Pet in the Iron Horse Manufacturing Park.
- Construction was started on a 138,000 square foot spec building at 40th Street North and Webb Road.
- Open Brands relocated its Chinese manufacturing plant to a 60,000 square foot facility in east Wichita.

ACTIVE MARKET

It was another good year for the Wichita industrial market. Leasing activity was strong, and new spec buildings that came on the market were well received. The direct-to-consumer trend among retailers was one of the driving forces behind the leasing activity. There is a growing demand for distribution centers to be located close to metropolitan areas as suppliers work hard to satisfy consumers’ increasing desire for online deliveries.

Expansions played a large part in the local market in 2019. TMX Aerospace took an additional 400,000 square feet in Park City, and Johnson Controls occupied a new 300,000 square foot space in the same area. Cosmic Pets announced plans to expand into a new 100,000 square foot building being constructed at Seneca and MacArthur. These expansions, and the active leasing market, have caused the amount of industrial space available for lease to tighten considerably. New construction projects will be well received by the market. A new 100,000 square foot building opened in the Comotara Industrial Park and is already 50% occupied. A larger 138,000 square foot building is under construction at 40th and Webb Road and is reporting good pre-leasing activity. A new 30,000 square foot “flex” building is being built at 45th and Webb Road to meet the demand for more office/warehouse space.

The City of Wichita’s tax abatement program for speculative industrial construction has been useful to the developers bringing much needed new product to the market. This abatement program has helped the City be more competitive with larger cities such as Oklahoma City, Kansas City and Denver, where spec building is more common. It has also helped offset the cost of construction, which is rising, due to higher material prices and increasing labor costs.

The inventory of good, well located, industrial land has become very limited. The “good old days” of $1.00 per square foot land are long gone. Developers can expect to pay $2.00 to $3.00 per square foot for land in today’s market.

There is a cloud of uncertainty hanging over the industrial market due to Spirit AeroSystems’ announcement regarding the halt of 737 MAX production. While Boeing and Spirit reached an agreement in January 2020 outlining the restart of production as well as the ramp-up of deliveries through 2022, the impact of Boeing’s 737 MAX production issues will not only impact Spirit, but the entire supply chain. It is not anticipated that Spirit will vacate any of their facilities, but that may not be true for some tier 2 and tier 3 suppliers.
Warehouse leasing activity will remain strong, especially among businesses looking for distribution centers.

New spec buildings that come on the market will be well received.

The halt of 737 MAX production at Spirit AeroSystems will have an impact on local tier 2 and tier 3 suppliers.

### Market at a Glance

- **Market Size:** 13,209,535 sf
- **Overall Vacant Space:** 1,379,311 sf
- **Overall Vacancy Rate:** 10.44%
- **Overall Asking Rate:** $4.70*  
  *Industrial Gross

### Total Industrial 2019

<table>
<thead>
<tr>
<th>Market</th>
<th>Total SF</th>
<th>Vacancy SF</th>
<th>Vacancy %</th>
<th>Quoted Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>706,363</td>
<td>129,858</td>
<td>18.38%</td>
<td>$3.24</td>
</tr>
<tr>
<td>NORTHEAST</td>
<td>5,648,162</td>
<td>409,420</td>
<td>8.10%</td>
<td>$5.10</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>272,082</td>
<td>40,012</td>
<td>14.71%</td>
<td>$6.66</td>
</tr>
<tr>
<td>SOUTHEAST</td>
<td>2,392,581</td>
<td>238,091</td>
<td>9.95%</td>
<td>$4.87</td>
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<tr>
<td>SOUTHWEST</td>
<td>4,190,347</td>
<td>561,930</td>
<td>13.41%</td>
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<td>TOTALS</td>
<td>13,209,535</td>
<td>1,379,311</td>
<td>10.44%</td>
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### Properties Up to 5,000 SF

<table>
<thead>
<tr>
<th>Market</th>
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<td>0</td>
<td>0.00%</td>
<td>N/A</td>
</tr>
<tr>
<td>NORTHEAST</td>
<td>43,380</td>
<td>4,584</td>
<td>10.57%</td>
<td>$4.50</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>51,200</td>
<td>7,300</td>
<td>14.26%</td>
<td>$8.62</td>
</tr>
<tr>
<td>SOUTHEAST</td>
<td>53,259</td>
<td>14,220</td>
<td>26.70%</td>
<td>$6.48</td>
</tr>
<tr>
<td>SOUTHWEST</td>
<td>77,174</td>
<td>21,438</td>
<td>27.78%</td>
<td>$6.53</td>
</tr>
<tr>
<td>TOTALS</td>
<td>266,964</td>
<td>47,542</td>
<td>17.71%</td>
<td>$6.21</td>
</tr>
</tbody>
</table>

### Properties 5,000 to 15,000 SF

<table>
<thead>
<tr>
<th>Market</th>
<th>Total SF</th>
<th>Vacancy SF</th>
<th>Vacancy %</th>
<th>Quoted Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>240,199</td>
<td>42,967</td>
<td>17.89%</td>
<td>$3.62</td>
</tr>
<tr>
<td>NORTHEAST</td>
<td>569,312</td>
<td>74,056</td>
<td>13.01%</td>
<td>$4.22</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>108,506</td>
<td>20,712</td>
<td>19.09%</td>
<td>$6.76</td>
</tr>
<tr>
<td>SOUTHEAST</td>
<td>414,404</td>
<td>43,484</td>
<td>10.49%</td>
<td>$5.67</td>
</tr>
<tr>
<td>SOUTHWEST</td>
<td>935,052</td>
<td>146,312</td>
<td>15.65%</td>
<td>$5.28</td>
</tr>
<tr>
<td>TOTALS</td>
<td>2,267,473</td>
<td>327,531</td>
<td>14.44%</td>
<td>$4.97</td>
</tr>
</tbody>
</table>

### Properties 15,000 to 30,000 SF

<table>
<thead>
<tr>
<th>Market</th>
<th>Total SF</th>
<th>Vacancy SF</th>
<th>Vacancy %</th>
<th>Quoted Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>165,368</td>
<td>21,350</td>
<td>12.91%</td>
<td>$4.53</td>
</tr>
<tr>
<td>NORTHEAST</td>
<td>504,750</td>
<td>38,160</td>
<td>7.56%</td>
<td>$4.64</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>112,376</td>
<td>12,000</td>
<td>10.68%</td>
<td>$5.29</td>
</tr>
<tr>
<td>SOUTHEAST</td>
<td>487,406</td>
<td>116,107</td>
<td>23.82%</td>
<td>$4.76</td>
</tr>
<tr>
<td>SOUTHWEST</td>
<td>930,707</td>
<td>127,645</td>
<td>13.71%</td>
<td>$4.38</td>
</tr>
<tr>
<td>TOTALS</td>
<td>2,200,607</td>
<td>315,262</td>
<td>14.33%</td>
<td>$4.41</td>
</tr>
</tbody>
</table>

### Properties 30,000 to 50,000 SF

<table>
<thead>
<tr>
<th>Market</th>
<th>Total SF</th>
<th>Vacancy SF</th>
<th>Vacancy %</th>
<th>Quoted Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>82,987</td>
<td>22,651</td>
<td>27.29%</td>
<td>$1.75</td>
</tr>
<tr>
<td>NORTHEAST</td>
<td>446,353</td>
<td>46,340</td>
<td>10.38%</td>
<td>$5.80</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>SOUTHEAST</td>
<td>512,966</td>
<td>14,280</td>
<td>2.78%</td>
<td>$6.31</td>
</tr>
<tr>
<td>SOUTHWEST</td>
<td>636,185</td>
<td>90,188</td>
<td>14.18%</td>
<td>$4.53</td>
</tr>
<tr>
<td>TOTALS</td>
<td>1,678,491</td>
<td>173,459</td>
<td>10.33%</td>
<td>$5.14</td>
</tr>
</tbody>
</table>

### Properties Over 50,000 SF

<table>
<thead>
<tr>
<th>Market</th>
<th>Total SF</th>
<th>Vacancy SF</th>
<th>Vacancy %</th>
<th>Quoted Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>175,858</td>
<td>42,890</td>
<td>24.39%</td>
<td>$3.00</td>
</tr>
<tr>
<td>NORTHEAST</td>
<td>4,084,367</td>
<td>246,280</td>
<td>6.03%</td>
<td>$5.34</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>SOUTHEAST</td>
<td>924,546</td>
<td>50,000</td>
<td>5.41%</td>
<td>$3.70</td>
</tr>
<tr>
<td>SOUTHWEST</td>
<td>1,611,229</td>
<td>176,347</td>
<td>10.94%</td>
<td>$3.73</td>
</tr>
<tr>
<td>TOTALS</td>
<td>5,963,910</td>
<td>515,519</td>
<td>8.64%</td>
<td>$4.22</td>
</tr>
</tbody>
</table>
NEWSWORTHY ACTIVITY

- A Colorado investment group purchased the shopping centers: Comotara Center, Normandie Center and Brittany Center.
- Investors purchased the 288-unit Southlake Village Apartments.
- Investors purchased the 253-unit Farmington Place Apartments.
- Investors purchased the 240-unit Westlink Village apartment complex.
- An investment group purchased the Towne West Mall.

ACTIVE MARKET

It was another active year for commercial real estate investment sales. The National Association of Realtors (NAR) reported a slight contraction in commercial investment sales in 2019 due, primarily, to less activity among foreign investors. Locally, however, real estate brokers reported the level of activity was as strong, if not stronger than it was a year ago. The demand for real estate investments in Wichita continues to be driven by local and regional investors. There hasn’t been much activity from larger national investors. Apartments continue to be the most sought after properties followed by retail, industrial and office, respectively.

The high level of investment sales activity is causing cap rates to continue to compress. NAR reported that nationally cap rates for apartment sales averaged 5.4%, while other property types had cap rates ranging from 6.3% for industrial to 6.75% for office. Cap rates are also compressing in Wichita with some apartment projects and single tenant retail properties being sold below 7%. Generally cap rates in the local market range from 8% to 11%.

The only real problem for commercial real estate investment sales is lack of supply. There are not enough properties coming on the market to meet the demand. This is a problem across the country and it is getting worse as more buyers are looking for opportunities. According to the National Real Estate Investor, “There’s never been more private equity cash chasing real estate assets.” They predict that 2020 could be the most active year ever for investment in commercial real estate. There are two primary reasons for the strong demand.

- Real estate is still a good value that provides steady income and attractive rates of return relative to other investment assets.
- Real estate fundamentals are strong and there are not significant concerns about over supply.

Finding sources for loans on commercial investment transactions is not a problem for local or regional investors as lenders are aggressively seeking opportunities to make loans. Buyers with good credit, purchasing properties with solid fundamentals, can often choose from multiple lenders and loan options.

Opportunity Zones started attracting more interest from developers looking for redevelopment projects in the area. There were some local properties purchased late in the year and more purchases are expected in 2020.
NEWSWORTHY ACTIVITY

- A fire at Tyson’s Holcomb beef plant negatively affects feeder cattle market through the 2nd half of the year.
- Farm incomes continued to decline.
- New trade agreements forecasted to alleviate down turning commodity prices.
- Land values increased.
- Cattle prices varied throughout the year.

STRUGGLES CONTINUE

It was another difficult year for Kansas farmers as farm incomes continued to deteriorate. The rate of decline was modest, but combined with the drop seen in recent years, it has created a challenging situation for agricultural producers. The issue continues to be low commodity prices, increasing production costs and an abundance of grain. Commodity prices are, by far, the biggest concern. The average price per bushel of wheat, as recently as 2012 was $7.12, while in 2019 it was only $4.94. Soybeans and corn prices saw similar declines when compared to 2012. Soybean prices were $17.58 per bushel in 2012 compared to $8.97 in 2019. Corn prices were $7.82 in 2012 and $4.53 per bushel in 2019, respectively. Farmers are trying to adjust by cutting spending and selling assets to improve liquidity.

Cattle producers fared somewhat better in 2019 as stronger than expected demand helped prices stabilize late in the year after falling sharply during the summer. Cattlemen continue to be hampered by large inventories as well as high feed and labor costs.

Land values were a bright spot for the agricultural community in 2019. These increased for both cropland and pastureland. Irrigated cropland had the largest increase at 11.4%, going from $2,980 per acre to $3,320, while non-irrigated increased from $1,960 to $2,050 per acre. Pastureland prices increased by 5.3% to $1,390 per acre compared to $1,280 in 2018. The increase in values for Kansas agricultural land was significantly higher than the national average, which was 1.2% for cropland and 2.2% for pastureland, indicating there is still strong interest among buyers when quality land comes on the market in the state.

Kansas farmers and cattlemen are hoping trade agreements signed late in 2019 will help offset some of their losses. Grain producers are generally optimistic that the Phase I Trade Agreement between the United States and China will have a positive impact on exports. Soybean markets will be the biggest beneficiaries of the new agreement. The China trade resolution as well as a new agreement with Japan could dramatically help beef exports.

The Tenth District of the Federal Reserve is quick to point out that the slumping agricultural economy hasn’t reached crisis proportions yet, “but could turn into one if things don’t start improving soon.” We hope the trade agreements and a stronger economy, in general, keep that from happening.

2020 FORECAST

Farm incomes will continue to decline, but at a slower rate.
International trade agreements will be helpful.
Agricultural based communities will be hurt by reduced expenditures among grain and cattle producers.
Land values will remain steady and quality land that comes on the market will attract buyers.

KANSAS CROPLAND VALUES

<table>
<thead>
<tr>
<th>Year</th>
<th>Irrigated</th>
<th>Non-Irrigated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$2,920</td>
<td>$2,090</td>
</tr>
<tr>
<td>2016</td>
<td>$3,000</td>
<td>$2,180</td>
</tr>
<tr>
<td>2017</td>
<td>$3,150</td>
<td>$2,380</td>
</tr>
<tr>
<td>2018</td>
<td>$3,220</td>
<td>$2,450</td>
</tr>
<tr>
<td>2019</td>
<td>$3,320</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

KANSAS PASTURE & RANGELAND VALUES

<table>
<thead>
<tr>
<th>Year</th>
<th>Irrigated</th>
<th>Non-Irrigated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$1,590</td>
<td>$1,240</td>
</tr>
<tr>
<td>2016</td>
<td>$1,370</td>
<td>$1,190</td>
</tr>
<tr>
<td>2017</td>
<td>$1,280</td>
<td>$1,150</td>
</tr>
<tr>
<td>2018</td>
<td>$1,280</td>
<td>$1,150</td>
</tr>
<tr>
<td>2019</td>
<td>$1,280</td>
<td>$1,150</td>
</tr>
</tbody>
</table>

*Land values shown for 2016, 2017, 2018 and 2019 reflect data through August of the respective year.
NEWSWORTHY ACTIVITY

- Market continues to tilt in favor of sellers.
- Suburban markets had the biggest statistical gains in housing starts.

MARKET TIGHTENS

2019 was a good year for home sales in the Wichita area. Buoyed by especially strong sales activity in the second half of the year, the number of units sold increased by 4% over 2018. The 10,803 homes sold were the most the market has seen in the last three years. The sales gain was only in existing homes, as the 743 new homes sold was one less than the number sold the previous year.

The active market and limited inventory had an impact on prices. The average sales price for all homes was $173,297 compared to $165,768 the year before. The average sales price of existing homes had a higher year-over-year percentage gain at 5.6% than new homes which was 2.3%.

Homes that are in good condition and priced right tend to sell quickly when they come on the market. Local agents report that the most sought after properties are in the $125,000 to $250,000 price range. These homes often get multiple offers and are under contract within a few days after being listed. Conversely, homes priced above $500,000 will typically stay on the market longer. The average number of days all homes were on the market in 2019 was 40. For existing homes the time between listing and sale was only 38 days. The average number of days new homes were on the market dropped significantly from 90 in 2018 to 68 in 2019.

The market continues to tilt in the favor of sellers. The total inventory of homes on the market at the end of the year was 1,677 units, which is down from 2,205 units last year. This represents just 1.9 months of inventory. Traditionally, a six-month supply of homes has been considered a balanced market, that doesn’t favor buyers or sellers. The limited inventory helped sellers get, on average, 97.9% of the listing price last year.

Homebuilders responded to the shrinking inventory of existing homes available for purchase by increasing the number of houses being built in the metropolitan area. The number of housing starts increased by 8% to 1,071 after a decline in 2018. Suburban markets, east of Wichita, had the biggest statistical gains in starts. The largest gain was 83% in Andover followed by a 71% gain in Rose Hill.

The limited inventory helped sellers get, on average, 97.9% of the listing price.
NEWSWORTHY ACTIVITY

- Construction began on three new housing projects near Wichita State University.
- The Spaghetti Works residential project opened with 40-units in the Central Business District.
- Plans were announced for a second apartment building at the Uptown Landing development in the College Hill area.
- New 203-unit complex south of the public library in the Delano Historic District.

VIBRANT MARKET

There continues to be a strong demand for residential rental units throughout the Wichita area. New projects quickly attract tenants and often have waiting lists. The demand is for all types of properties ranging from large complexes to duplexes and townhomes. According to the mid-year Savage Report the vacancy rate for the apartments they surveyed was just 6.9%. This is down from 7.9% at the end of 2018 and is the lowest vacancy rate the market has seen in the last eleven years. The vacancy rates in the northwest and northeast sectors were the lowest in the city at 4.7% and 5.3%, respectively.

The rate of new construction slowed in 2019. The slowdown was helpful in that it allowed the market to absorb much of the inventory that had been available the previous two years. Large complexes opened at Kellogg and 127th Street on the east side and at 37th Street North and Maize Road on the far west side of the city. Forty new units opened in the Spaghetti Works project bringing the total number of apartments in the core area to just under 3,000. Some new projects did start construction last year. Three different housing projects were started near the Wichita State University campus and construction began on a 203-unit development in the Historic Delano District. Construction began on a large number of duplexes and townhomes. Demand for these types of properties is particularly strong with many developments reporting waiting lists of prospective residents.

Apartment complexes are the most sought after investments in Wichita and throughout the country. Real Capital Analytics reported that multifamily acquisitions rose by 4.4% in the United States last year. The $184 billion spent on apartment purchases was the highest volume since 2005. Locally there were over two dozen complexes sold. The largest were Southlake Village Apartments, 288-units, The Farmington Place Apartments, 253-units, and the 240-unit Westlink Village.

Apartment complexes will continue to be highly sought after by investors.
Overall vacancy rates will remain below 10%.
Duplexes and townhomes that come on the market will quickly attract tenants.
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FORECAST METHODOLOGY
The data in the Forecast includes data on all office, retail and industrial buildings that had leasable space available for occupancy at the end of 2019. Excluded are government buildings, owner-occupied properties with less than 50% of the total space available for lease, 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 at the end of 2019.

**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 shares 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.

**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 50,000 square feet and above.

*Preliminary numbers as of December 2019
Sources: U.S. Bureau of Labor Statistics and The Greater Wichita Partnership

Special thanks to Jerry Gray for his continued support with the publication on our annual market Forecast.

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