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Cultivating America's inland port

Kansas City and its surrounding region is assuredly one of the most forward-thinking, pro-business, infrastructure-rich industrial markets in the country. Even in these uncertain economic times the region continues to experience steady growth, thanks in no small part to a knowledgeable, energetic and enthusiastic marketing arm called KC SmartPort Inc.

Occupying an office in downtown Kansas City, SmartPort is not a physical port; it is a non-profit economic development organization that aims to elevate Kansas City's status as a top-tier transportation and logistics hub. The 18-county, 50-city and two-state region offers vast physical transportation assets, and SmartPort is the local authority on the logistics opportunities that promotes those assets.

Located in the heart of America, Kansas City is already a center of choice for warehousing, manufacturing and distribution. It is a strategically positioned and thriving inland port with a 290 million-square-foot industrial market. Business has prospered due to the region's seemingly unlimited capacity for growth and its well-developed and efficient multimodal transportation network. The planned expansion of that network is the key to continued industrial growth in the region.

In addition to attracting businesses with significant transportation and logistics elements, SmartPort focuses on initiatives to make the movement of goods in, out and through the Kansas City area faster, less expensive, more efficient and more secure. It also fosters a pro-business environment that speaks with a single voice.

The Kansas City advantage

Kansas City is an excellent hub for transportation and logistics operations. It is the largest rail center in the U.S. as measured by tonnage. BNSF Railway and Union Pacific Railroad transcontinental main lines pass through, and it is also home to Norfolk Southern and Kansas City Southern Railway. The region is the heart of a railroad corridor spanning coast to coast and extending from Canada to Mexico — in fact, in 2007, one-sixth of the total $109 billion U.S. cargo exported to Mexico passed through the Kansas City region. (Source: BTS "Transborder Freight Data.")

The highway system, which has minimal congestion, is equally impressive. Located at the intersection of several of the nation's major interstate highways (I-35, I-70, I-29 and soon, I-49), Kansas City has more freeway-lane miles per capita than any other U.S. city. I-35 is designated interstate linking Canada, Mexico and the U.S. A two-day drive to 98 percent of the U.S. markets makes trucking services throughout the Kansas City region very competitive. Yellow Roadway, Old Dominion, Swift, UPS and FedEx, among others, have local operations.

Aviation is a vital global transportation link and three active airports fulfill that need. Kansas City International Airport, alone, has 400 flights per day and moves 150,000 metric tons of cargo per year. Tim Cowden, senior vice president, business development for the Kansas City Area Development Council, pointed out that for business travelers, "You can be in any major market within a three-hour flight. That gives you a full day of work."

In addition, with more than 10,000 acres under the oversight of the Greater Kansas City Foreign Trade Zone, the region has more FTZ space than any other U.S. city.

Location makes Kansas City a prime player in the domestic trade — providing for efficient flow of goods across America — and in international trade — feeding the ports of the East, West and Gulf coasts, as well as the Great Lakes.

SmartPort initiatives

KC SmartPort commits resources to economic and business service development in the region. It conducts research and undertakes action to sustain and expand freight transportation. For example, in partnership with the Mid-America Regional Council, the Missouri Department of Transportation and the Kansas Department of Transportation, it is completing a comprehensive regional study that will provide current and 20-year projections of freight facilities and commodity flows. With a goal of skillful, long-range infrastructure planning and continued growth in new distribution centers and similar investments, this study will identify freight needs and trans-

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Portation advantages, enabling the Kansas City region to fine-tune its marketing strategy and focus efforts on those companies who stand to benefit the most.

SmartPort concentrates on attracting investments from companies with significant transportation and logistics divisions, such as distribution centers, warehouses, third-party-logistics providers and manufacturers. It is working to bring additional business services, such as foreign customs offices, to the Kansas City area to further facilitate the movement of goods. It is also working on a comprehensive electronic overhaul of the entire global supply-chain dynamic, investing in an effort called Trade Data Exchange.

Described as being today’s supply-chain management equivalent of the 1960s introduction of credit cards to personal financial transactions, a successful implementation of TDE may activate nothing less than a logistics revolution. SmartPort is developing TDE to enhance supply-chain visibility in the U.S. market as well as the global marketplace. In addition to providing real-time tracking, visibility and security of the cargo, the system can bring about massive increases in supply-chain efficiency.

Newcomers and expansions

Over the last 1 1/2 years, the region has welcomed a number of leading companies including MWI Veterinary Supply, The Piston Group and Kimberly-Clark. In May, Iowa-based Pure Fishing Inc. selected a site at the region’s SkyPort Business Park — located near Kansas City International Airport — to construct a 400,000-square-foot, modern distribution center. Pure Fishing considered four other locations in various parts of the country for its national distribution center, but ultimately settled on Kansas City due to the region’s exceptional transportation infrastructure.

Although relocating companies often make their choice based on abundant property opportunities and cost-effective real estate, rail and air assets, the one attribute sometimes overlooked is the human element. Michael J. Lally, vice president of Kansas City engineering firm Olsson Associates said, “When my company relocated here 10 years ago, I noticed the people. They are genuinely nice, and that translates into how business is done. The work ethic of folks is good too. Kids with higher education, like engineering, are well trained, respectful and make excellent employees. Our company found it easy to break in, to network, and our firm’s performance has exceeded all expectations.”

Cowden said, "The keywords that individuals and businesses live by here are values, quality and fairness. And it doesn’t hurt that about 32 percent of the population have college degrees — the local market is better educated than average."

This year a remarkable number of companies have expressed interest in distribution space in the region. Currently, the KCAOC has 19 large prospective distribution centers in the pipeline, six of which require more than 400,000 square feet and two exceed 1 million square feet. Moving forward, KC SmartPort and its partners will continue to seek out new opportunities to spread the story of Kansas City’s world-class opportunities, cultivating progressive perceptions of the region and helping to attract and expand logistics-based enterprises. There is a special level of regional commitment to be "America’s inland port solution" — to provide the logistics and transportation industry with exceptional products and progressive services unmatched in any other market.

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The work of Kansas City SmartPort has elevated Kansas City’s status as a top-tier transportation and logistics hub.

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11/11/2008
Trade Data Exchange —
Nothing short of a logistics revolution

Although blessed with a vast and growing transportation infrastructure that appeals to a wide range of warehousing, distribution and manufacturing operations, the Kansas City area is somewhat of an emerging treasure. Those who don't know the market may easily dismiss it and miss out on something unique and possibly indispensable to their long-term success. It offers surprisingly diverse options, countless efficiencies and measurable cost savings.

KC SmartPort has sworn to change that identity crisis, helping businesses see the advantages the region offers. Chris Gutierrez, SmartPort president, said, "Enhancing the region's visibility is a big challenge. We are approaching it from a number of angles, the most important of which is a technical solution dealing with data integration. We're taking a UPS-style, nine-digit-code tracking model and splashing it across the entire supply chain." The product is Trade Data Exchange and it represents the leading project for advancing private-sector efficiency in the supply chain.

The TDE vision

Dean Kothmann, SmartPort's advisor on TDE, is the vision behind the data exchange system. He describes it as "...a cooperative of logistics participants that provides an open, trusted data exchange that gives gains in predictability, efficiency and visibility in the movement of goods."

It is an open, collaborative, technology-neutral, standards-based, service-oriented architecture. The system runs on a secure, private network operated by EDS, an HP company.

The trade approach that TDE provides has been around for a long time. "If you look at the stock exchange it is similar," Kothmann said. "You can log onto a Schwab account and buy a stock. There are a number of traders and brokers between you and the person you bought the stock from but the transaction happens. You don't know how. You don't know who fills out which forms along the way."

The Trade Data Exchange will facilitate any trade-related data flow between buyers, suppliers and any players in between, including government agencies. It has its origins in the Kansas City region to provide visibility and efficiency and predictability in the supply chain. It does so, for example, by preventing cargo delays caused by paperwork errors and by documenting the exact location of freight at
Connected to the Field

Not simply a Web site, TDE incorporates a field-sensing environment. It is connected to the physical world, not just to paper work flows. Although the organization is not investing in field equipment, such as satellites and sensors, it has developed a standard called SensorNet that can provide connectivity to such equipment. SensorNet — developed in partnership with Oak Ridge National Laboratory and the University of Kansas — is the link that enables any electronic supply-chain device, such as a container security seal, to talk to any other device, such as a corporate security system. Once participants sign up for the free SensorNet standard, they simply rework the connectivity of their devices, enabling the information collected by each device to be understood by SensorNet.

TDE is being financed by a $20 million private/public fund. “This type of product is best removed from the software-for-profit realm, allowing the focus to be on the savings that TDE will be able to offer the logistics industry around the world,” Gutierrez said.

One advantage of the system is cost — it will allow universal access with minimal fees. There are private software programs available that have comparable functionality but require participants to buy into the system. Many supply-chain participants today have electronic data interchange, which is very costly to initiate. Web-based environments are simply more cost-effective. Gutierrez said the beauty of TDE is its ease of use. Most users won’t want to know how the information gets on the Web, simply that it is there and accurate and secure. “The technology will not challenge the average user — the complexity will, in essence, be hidden behind a curtain,” Kochmann said.

A system that takes action

TDE is a dynamic system with built-in business rules so it actually takes action — sending messages and immediately creating responsive action. Kochmann presented an example: “If a document is missing a required data field, a message will bounce back to the originator saying the field needs to be completed. That way, the goods won’t be, for example, detained at customs,” he said. “Because many delays are associated with errors of omission, the system might prevent the time and expense of a dozen separate telephone calls trying to discover why the goods are being held up.” TDE will ensure that all the necessary and correct information arrives at the next point in the supply chain before the goods. Valuable time isn’t wasted waiting for action or decisions.

When asked if TDE could be described as an information management system, Gutierrez replied, “That is one facet: it is an information management system, plus a processing system, plus a governance system. These last factors make the project unique and robust.” As a private-industry cooperative initiative — albeit endorsed and partly funded by government — the co-op is in charge. It is industry-driven and open to all, and users will dictate policy and police themselves. TDE is a fully encrypted, fully secure product. Participants do have to trust self-owned, self-governed and self-regulated systems. Just as they trust others, such as SABRE, the airline reservation system. Each participant retains its own data. The system aggregates the data for each shipment as it occurs and then the aggregated information essentially disappears.

KC SmartPort’s goal is to grow transportation and logistics in the Kansas City region. Trade Data Exchange holds out the promise of a robust tool to help achieve this goal. Preliminary research indicates that it has the ability to cut shipping time by up to two-thirds. “Kansas City industry is paying attention to this,” Gutierrez said. “If we do it well, companies may say ‘Let’s locate there.’ The region is focused on the logistics industry, and can meet almost any supply chain need.” And that focus resonates to people who want cost savings for their business.
Kansas City — An intermodal mecca

Kansas City is working hard to be the location of choice for large-scale corporate distribution centers, warehouses and manufacturing operations. Economic development officials aren’t lethargic in their efforts to achieve that goal, despite the fact that the region’s attributes shine very well on their own.

The area is a full-blown intermodal mecca, presenting a very wide range of rail, road and air infrastructure staffed by talented teams who are eager to serve current, new and expanding companies. That is one of the two main factors that truly differentiate Kansas City from its competitors. The second is that the region’s table is groaning under a veritable smorgasbord of building and site options.

Plentiful site options

The region presents a full array of choices to potential customers, including speculative buildings, build-to-suit with infrastructure in place, vacant and unimproved land and sub-surface warehousing. Spec buildings are an inducement to companies needing to expedite market entry. Their existence opens up the region to an entirely new set of relocation possibilities — companies in a hurry. Properties with utilities and roadwork in place appeal to the broadest spectrum of companies. Vacant land is also in high demand, allowing some companies to manage the development process from start to finish. Another option, subsurface warehousing, is a specialty in the region and appeals to savvy companies searching for unique advantages, such as a climate-controlled environment.

Growing demand leads to upsizing

The forecast for demand for all types of product in the region is promising. “At the end of the second quarter the net absorption of square footage in the nation’s industrial markets was a negative 9 million square feet but in Kansas City it is up,” said Paul Licausi, president of LS Commercial Real Estate. “The vacancy rate here was 2.3 percent for modern Class A space. In Memphis it is twice that.” The local market is bucking the national trend.

Not dependent on one coast or one industry, diversification is helping it weather the storm of high fuel costs, international competition and faltering financial markets.

When asked how large industrial projects continue to find funding, Licausi said, “If you have a good case study and your foundation is solid, there is plenty of money out there.” Most developers are working with a financial partner, such as an insurance or pension fund. “Only 10 years ago real estate wasn’t considered a safe investment — today’s portfolios are now moving from 20 percent real estate up to maybe 40 percent,” he said. “This represents billions of dollars of impacts and the money has to be invested in solid projects somewhere.”

Kansas City is preparing for a major change in focus — the demand for enormous spec buildings is rising. The local economic development community has noticed the trend over the last few years. Major distribution centers used to locate in Chicago, Dallas and...
Today, a cargo container in North America is more than likely to move to the Kansas City region.

Global supply chains are changing to adapt to the need for efficient and reliable transportation corridors.

KC's central location is unbeatable. A distribution center located in the KC area can reach 98% of the U.S. market and 60% of the population within two days trucking.
With challenges facing the transportation industry, KC's central location is an attractive option for development. More than 3,100 acres of intermodal logistics parks are being developed and close to 3 million square feet of speculative industrial space is under development across the KC region. This expansion of industrial assets adds to a region that is flourishing.

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Memphis, in part because the 100,000-square-foot or smaller spec product being built in Kansas City was just too small. Kansas City watched prospects come in and then go, but things have changed. "We're now routinely seeing 400,000-, 500,000- and even 800,000-square-foot assembly facilities and distribution centers springing up here," Chris Gutierrez, KC SmartPort president, said.

"There has been a paradigm shift, a change in strategies," Licasius said. "It started with developers, moved to the municipalities and then the larger product was here." One very visible example of the new government mindset is a proliferation of much-appreciated incentives, ranging from 10-year, 50-percent tax abatements to job training incentives, to the elimination of certain personal property taxes.

Spec buildings aren't the only thing upsizing in Kansas City. As supply-chain cost management has become more sophisticated, area companies have ramped up their investment in intermodal yards and industrial parks, appealing to local cargo owners and corporate relocation specialists looking for savings. F.E. "Skip" Kab Jr., BNSF Railway's director of strategic development, said the timing is right for intermodal terminal expansions and business park developments too. Currently low industrial vacancy rates have spurred development and, "As companies reconsider their supply-chain strategies, they will examine not just the size but also the location of their distribution centers and warehouses." If a region has a top product, now is a good time to offer it. "Another upside of the economy is low construction costs. When is it a bad time to save dollars?" Kab said.

According to Robert J. Marcus, president and chief executive of the Kansas City Area Development Council, the transportation component is approximately one-third of the total cost of a product on a store shelf. If transportation costs can be reduced, a manufacturer's product can become much more competitive. William "Bill" F. Crandall, president of The Allen Group's Kansas City operations and developer of the new Logistics Park Kansas City said, "Fully 60 percent of the proposals we have received recently are driven by the need to reduce expenses." The Allen Group is answering that call with a new offering, a drayage calculator. It is a Web-accessible tool that allows companies to input numbers -- including building size and container count -- to compare costs and savings associated with locating in various parts of the Kansas City area.

The demand for rail-based intermodal centers is on the rise everywhere, said Steven E. Forsberg, BNSF Railway's general director of public affairs. "Rail is needed more than ever due to its fuel efficiency," he said. "Each ton moved by rail travels more than 450 miles on a gallon of fuel. That is almost double what it was in 1980, and three times as efficient as truck transit." Of course, by their very design, most intermodal centers are truck-dependent, but a successful marriage occurs when railroads concentrate on higher-volume, longer hauls and trucks focus on shorter distances.

Licasius said Kansas City's capacity to absorb in-market uptake and large national companies is self-evident, but its attitude may not be as apparent. Capturing the region's capabilities and aggressive marketing posture, he said, "All companies need to do ... is to give us a chance at bat and Kansas City will hit a home run."
Logistics sites for every need

CenterPoint KCS Intermodal Center

Among the largest of industrial developments in the Midwest, CenterPoint Properties is partnering with Kansas City Southern Rail to create CenterPoint KCS Intermodal Center, a 370-acre intermodal facility and 970-acre industrial park.

The industrial park, opened in March 2008, already has $30 million invested, which is set to rise to $300 million. At build-out there will be up to 7 million square feet of warehousing, Mark C. Long, senior vice president and principal of Zimmer Real Estate Services, L.C., is leading CenterPoint’s marketing efforts. “About 350 acres have utilities and roads in place,” he said. “As a former airport, the site is level and large, capable of accommodating a 5 million-square-foot, rail-served industrial center.” KCS has 11,340 feet of main-line track bordering the site.

Joining established resident business Mazda North America is Schneider Trucking, the first new tenant. One of the most important attributes at CenterPoint is KCS itself, a Class I railroad. Regional drays — costing upwards of $230 per container, Long said — are averted. Add to that KCS’s recent acquisition of rail infrastructure in Mexico — with service to the cost-effective, deep-water, high-capacity port of Lázaro Cárdenas — and customers will be well served at this site.

In its current phase, KCS will increase its lift capacity from 10,000 to 0.5 million, with an eventual goal of 1 million.

BNSF Intermodal and Logistics Park Kansas City

Logistics Park Kansas City is a 600-acre intermodal-served logistics park located in Gardner, Kan., 25 miles southwest of Kansas City. It will have up to 7 million square feet of vertical development, including spec buildings.

BNSF handles more units annually than all other railroads in the Kansas City area combined and its location plays a key role in the current development of the 600-acre intermodal-served Logistics Park Kansas City.

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LPKC’s planning, including best practices in landscaping; controlling construction waste and managing storm water; and possible Leadership in Energy and Environmental Design certification.

"The greatest environmental benefit of the project is that we are taking trucks off the road, reducing drayage to blocks — not miles — and reducing fuel consumption and air emissions," Kalb said. "A mile-and-a-half-long unit train takes 250 trucks off the road." This will be the first "greenfield," intermodal facility to install all-electric wide-span cranes that will load and offload trains in a quiet and fuel-efficient manner, he said.

Steven J. Forsberg, BNSF’s general director of public affairs, said the new half-million-lift facility will be open by the end of 2010. At full build-out it will accommodate up to 1.5 million lifts.

KCI Intermodal Business Centre
Kansas City International Airport is surrounded by thousands of acres that are now providing an excellent opportunity for businesses. Three years in the making, the Kansas City Aviation Department and its partners broke ground on the 800-acre KCI Intermodal Business Centre on October 14, 2008. It is expected to open in 2009. Civil site work is underway by the McNinch Corporation.

Developer Steven D. Bradford, managing director for Trammell Crow Co., said that the first phase — with 183 acres, four buildings and 1.8 million square feet of commercial space — will help airlines realize their full potential. KCI’s current all-cargo airline tenants include BAX Global, DHL, FedEx, Kitty Hawk and UPS.

"We intend to create an airport city," said Bradford. "Air service is exceptional; you can be anywhere in the country by 8:30 a.m. Convenience, speed and cost savings will give tenants of the new center a competitive advantage."

Outlining the potential, he said, "We offer an excellent location for everyone — large distribution centers, high-profile headquarters or facilities with immediate proximity to air freight logistics providers. There is exceptional ground access, an educated workforce, a great quality of life and a low cost of living. These will drive the success of the KCI Intermodal Business Centre."

Kessinger/Hunter Jensen Project
Less than 15 miles from Kansas City Southern Intermodal and six miles from BNSF Intermodal, in Olathe, Kan., is a vast speculative warehouse and distribution center. Answering the call for bigger facilities, the 40-acre, 600,000-square-foot warehouse — developed by Kessinger/Hunter Jensen and built by one of the nation’s top builders, Walton Construction — has up-to-36-foot ceiling clearance, 136 dock-high doors, two drive-in doors, parking for 98 trailers and interior column spacing designed to accommodate 80,000 different racked pallet positions.

Indicative of a new breed of spec building, this project is the region’s first to market. Designed with flexibility in mind and situated on 40 acres, the facility...
is foreign-trade-zone eligible, 1 mile from major interstates and essentially complete.
Daniel B. Jensen, principal of the KH Jensen project, said, "We are anticipating a user from outside the area — a company that is trying to decrease truck miles in their supply chain to save on fuel costs. Our project will appeal to retailers and high-end, high-velocity distribution centers with high-cube goods. We are not the building for cargo that stacks 16-feet high; we will appeal to lightweight cargo, such as consumer goods."

New Century AirCenter
Originally a naval air station that functioned in part as a logistics hub, the New Century AirCenter inherited an excellent multimodal center foundation. It is located along Interstate 35 — approximately 5 miles southwest of downtown Kansas City; has an active commercial airport with 60,000 flights per year; and boasts its own rail system with spur to customers and connections to the BNSF Railway main line. Eight of the 45 resident businesses regularly use rail. With air, rail, and road it is a truly multimodal center.
Robert L. "Lee" Metcalfe, Johnson County Airport Commission executive director, described the 4.2 million square feet of office, warehouse, distribution and manufacturing space that is situated on 280 acres (out of more than 1,000 market-ready acres). Although the AirCenter offers leases only. Metcalfe said, they appeal to investor-savvy customers trying to minimize their asset numbers and improve their return on investment.

The AirCenter is located in a suburban area that can draw on rural and urban labor pools with a dependable work force. Companies in air-related businesses find the location particularly attractive. "One of our greatest strengths is that we are committed to speeding the process along, putting business in place here quickly," said Tom Riederer, president of Southwest Johnson County Economic Development Corp.

Midwest Commerce Center
For 20 years, US Commercial Real Estate has developed industrial real estate in the Kansas City area. The company’s latest project is 153 acres with 2.2 million square feet of buildings. Infrastructure is currently being put in the ground. There is good access to Interstate 35 and the park is just north of BNSF Railway’s forthcoming intermodal facility.

Describing the company’s approach, President Paul Licausi said, "We wanted to have the capacity to capture momentum, to build later on the initial phase. At full build-out there will be five buildings." Essentially a distribution center equipped with cross-dock facilities, its buildings will range in size from 442,000 to 750,000 square feet. "Our strategy is to put product in the ground — our first speculation building’s 520,000 square feet. There are more inbound prospects needing product within 60 to 90 days than there are prospects for one-year build-to-suits,” Licausi said.

WHAT DO THESE DESTINATIONS HAVE IN COMMON?

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Subsurface warehousing —
The underground alternative

The Kansas City region — though not the only provider of subsurface warehousing — is certainly its global leader. With 24 million square feet of developed underground warehouse space and more on the way, the region also possesses unrivaled subsurface warehousing operational expertise.

A novel idea to many, subsurface warehousing has a long and honored tradition in Kansas City. It represents close to 10 percent of the entire regional industrial market. Rising from the shells of former limestone mines, the redeveloped properties are highly suitable for warehousing, distribution, light manufacturing and other uses.

The region's unique topography can be credited for its substantial subsurface potential; the rolling terrain conceals abundant limestone formations that are very near the surface but not close enough to be quarried. Rock is mined and extracted and then the site can be redeveloped and converted into a working business park, situated just beneath the minor earth overburden. Entrances at grade level provide easy access.

Subsurface site attributes include natural climate control with a 68 degrees Fahrenheit year-round average temperature; a truly rock-solid setting with no concerns for heavy loads; and an environmentally sound starting point. According to Paul Licauci, president of LS Commercial Real Estate, "...subsurface sites are the epitome of green. They represent a total reuse of a resource. The carbon footprint is minimal and electrical bills are low. Utility costs on the surface are about $0.75 per square foot; subsurface they are closer to $0.25. That includes water, gas, electric and sewer."

There are numerous subsurface developments in the Kansas City region. With nearly 5 million square feet and 50 businesses, Hunt Midwest SubTropolis is the world's largest underground business complex. Home to 44 businesses, Carefree Industrial Park contains more than 6 million square feet of developed industrial space. At full build-out, it will offer close to 10 million square feet.

The sites are stable and safe. Operators have unraveled expertise in ventilation, exhaust management, filtering systems and air circulation. Licauci emphasized the safety of the facilities, "Some sites, mined 30 years ago, were actually engineered with a view to later subsurface development."

Subsurface provides a unique alternative to surface sites. They are particularly appropriate for very specific types of business operations, such as companies specializing in food products needing climate control to extend shelf life, but their flexibility makes them usable by nearly any warehousing, distribution or light manufacturing use.

Home to 44 businesses, the subsurface development Carefree Industrial Park will offer close to 10 million square feet of industrial space at build-out.

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