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THURSDAY, MARCH 26, 2009

Topeka relying on diverse economy to survive real estate slump

by Dan Rafter

The 1.6-million square feet of floor space at the Forbes Industrial Park in Topeka, Kan., is about 80 percent occupied today.

There was a time, about five years ago before a major grocery tenant filed Chapter 7 bankruptcy, when that figure was even higher, hitting the 90 percent mark.

But in today's struggling economy, an industrial park boasting an occupancy rate of 80 percent can be considered more than solid: It can be considered outstanding.

But to Jerry Fogel, managing member of Forbes Industrial Park LLC, the high occupancy rate is little surprise. The entire city of Topeka, though certainly feeling the impact of the nation's recession, has yet to experience the crash that other markets, in the Midwest or across the country, are going through.

"The current economic downturn has not yet been felt as strongly at Forbes Industrial Park," Fogel said. "Nor has it been felt yet as badly yet in Topeka in general, to my knowledge."

Fogel isn't alone in that view. Other commercial real estate professionals serving Topeka say the same thing: The economic downturn has hurt Kansas' capital city. That's a given. But it hasn't had the devastating impact it's had in other markets.

And for that, the men and women brokering and developing commercial real estate in Kansas are grateful.

"Topeka really is doing OK compared to many other markets," said Tom Moses, senior vice president with NAI Kaw Valley Commercial in Topeka. "The nucleus of our economic base here does not normally suffer as badly during rough economic times. And that has held true during this recession, too. We have not suffered too badly yet in relation to many other markets."

Of course, that doesn't mean that all is cheery in the capital. Like other cities, Topeka is experiencing some negative effects of the recession.

Not completely spared

People in Topeka are losing jobs. In today's economy that can't be helped.

The unemployment rate in Topeka stood at 6.6 percent in January, according to the U.S. Department of Labor. That's well below the national unemployment rate of 8.1 percent for the month. But it's slightly above the overall unemployment rate of 6.4 percent for the entire state of Kansas.

Existing home prices - another barometer of the overall economic health of a community - has held fairly steady in Topeka. In the fourth quarter of 2008, the median sales price of an existing home in the city stood at \$104,800. That's down from a median figure of \$112,300 in the fourth quarter of 2007, a drop of 6.7 percent.

But even that drop was not nearly as bad as several other Midwest markets saw. For instance, in Grand Rapids, Mich., the average median price of a home dropped more than 35 percent. In Dayton, Ohio, it fell more than 17 percent.

In additional good news, the city just landed a new distribution center for Home Depot. The 465,000-square-foot facility will be located in Topeka's Central Crossing Commerce Park. The facility, which had an office groundbreaking in early April, is owned, and will be built by, Seefried Properties, Inc. of Atlanta, which will lease it to Home Depot. The Topeka distribution center is one of 20 new such facilities that the home-renovation giant is building across the country.

Goodyear Tire & Rubber is also planning a \$250-million upgrade of facility in the city.



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"We are very fortunate here," said Steve Jenkins, senior vice president of economic development with the Topeka Chamber of Commerce. "Our economy has been extremely stable."

A diverse business base

Part of the reason that Topeka has proven so resilient is its diverse business base, Jenkins said.

"We are not focused on any one thing," he said. "We have a multiplicity of sectors here."

For example, the city boasts a busy healthcare market that is continuing to grow. Topeka is home to two major hospitals that not only act as typical medical facilities but are also centers for advanced clinical trials.

Topeka, being the state capital, is also a center for government activity. This includes not only state government agencies, but federal offices, too. A major Air National Guard base, Forbes Air Force Base, calls Topeka home, too.

Finally, the city is home to a strong, conservative banking industry, Jenkins said. The banks here did not get caught up in the subprime lending frenzy that drove many financial institutions to close their doors, Jenkins said.

These factors all combine to provide Topeka with a buffer should the country suffer through economic hard times.

"We've always had a steady hand on the wheel," Jenkins said. "We did not get sucked in to the euphoria of growth that was false. That is part of the Midwestern ethic, I think. We look at things in terms of good business parameters. The workforce here is a solid workforce. It believes in the value of working hard for a day's pay. That lends a lot of stability in tough times like the one that nation is facing now."

Moses, from NAI Kaw Valley Commercial, echoes Jenkins.

"There still seems to be an optimism here in Topeka. There still seems to be a solid level of commercial activity going on," Moses said. "We are the state capital, so we have a tremendous amount of state government activity here. We have a university here, and that helps. Then you add in the significant medical community, too, and you see that Topeka does have a good base."

The city also has a steady industrial base as well as a bit of agricultural business on which to rely, Moses said.

"We aren't totally reliant on any one industry," he said. "The eggs aren't all in one or two baskets."

Fogel, at Forbes Industrial Park, doesn't speak for all of Topeka when he praises the resiliency of the industrial park that he helps run.

But the strengths behind the park - stability, a diverse mix of tenants, a conservative approach - are much the same as those that are helping to steer Topeka through the current economic downturn.

"The industries that occupy the industrial park aren't in general as prone to swings in the economy," Fogel said. "The companies here are dealing in foodstuffs and basics. There isn't much movement in those industries. The people who need those items still have to supply their customers, not withstanding what the economy is doing."

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