

38th Commercial Market Overview

by

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Scott's Comments

Click the "Market Overview" tab on my web site at www.scotteolson.com to track the dynamics of our market over the last 14 years by comparing previous reports. This Market Overview will again be published in the *Corridor Business Journal* in an effort to share this important data with a broader base of individuals/businesses in our area.

The Future is Bright for Cedar Rapids

On the heels of designation as an *All-America City* in 2014, the national recognitions continue for the city and the metro area:

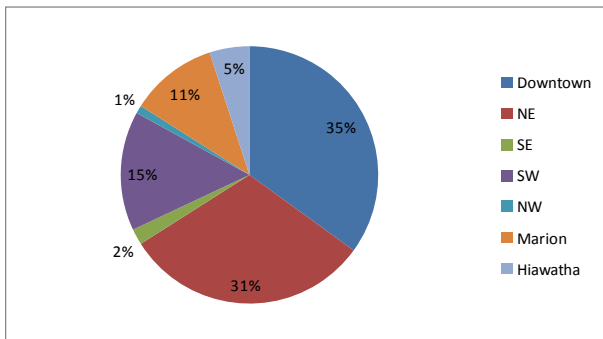
- Cedar Rapids is #7 on the *Most Livable* list for medium cities due to its innovative programs. (AARP)
- Cedar Rapids also ranked #4 as one of the *Best Cities for Making New Friends*. Research indicates it's a city where residents look out for family and neighbors and join civic groups more often. (AARP)
- Named 6th *Best Place to Start a Business* after examining the business climate of 183 metro areas with 145,000 or more businesses. (nerdwallet.com)
- Named *Top 10 Best Affordable Places to Live*, Cities were most people can afford to live and still *want* to live. (livability.com)
- Ranked #65 in the nation in Livability.com's Top 100 Best Places to Live, cities were scored in a variety of important categories including economic factors, healthcare, housing, civic capital, education, amenities, demographics and infrastructure.
- *5th Happiest Zip Code in America - 52411*, based on low unemployment, low commute times, income, home ownership, proximity to parks, etc. (Movoto Real Estate)
- #4 *Best Mid-Sized Cities for Education* in America (Movoto Real Estate)

Downtown Housing is Rapidly Expanding

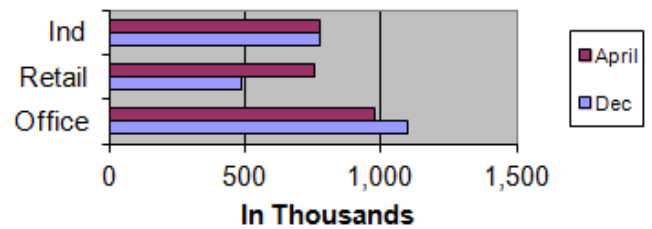
The recent 3rd annual Urban Living forum organized by the Downtown Housing Working Group of the Economic Alliance highlighted the rapid expansion of housing ownership/rental options in the downtown and surrounding core neighborhoods (NewBo, Kingston Village, Czech Village). In projects ranging from 2 units to 60 units, the available living units should increase from approximately 1,000 to potentially 1,500 in the next 2 to 3 years. It is anticipated that the city can support between 3,000 to 5,000 units within the next 10 years. This will have a positive impact on commercial and office market segments by converting class B & C office properties to housing and creating demand for additional retail and service businesses in the core of the city.

Office Sector is Stabilizing

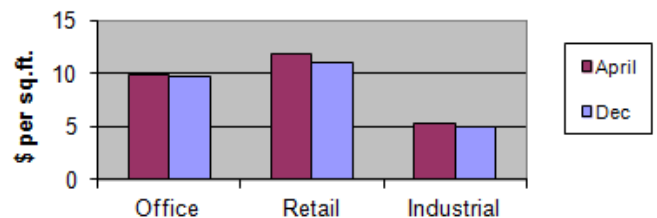
As the conversion of office to housing was highlighted above, increased leasing and conversion of buildings to alternative uses has led to a drop in office space on the market to 976,000 SF. This is the first time in almost three years that the active space on the market is below one million square feet. As the market has become more active, lease rates have increased slightly over our rates seen in December 2014. Since my last feature on office in July 2013, the pie chart shows the location percentage of overall space available in the downtown has decreased from 43 to 35 percent, NE quadrant increased from 26 to 31 percent and Marion has increased from 7 to 11 percent. All other sectors remained similar to 2013. One project not included in the totals is the CRST office tower currently under construction in the CBD that will come online in early 2016.



Available Space in Sq.Ft.



Average Listed Lease Rates



Current Market Trends

- Industrial space on the active market remained steady at 775,000 SF with several spaces being leased but a large facility in the SW quadrant (210,000 SF) entering the market.
- Average rent for industrial space increased slightly based on the newer age of space available and perceived activity causing rates to increase.
- Interest in investment property is strong but limited available properties for sale is frustrating potential buyers who want to find local investments.
- Retail space on the market experienced a large jump due to the newly active listings at Westdale, and two major projects on Blairs Ferry Rd in NE Cedar Rapids.
- The increase of newer retail development on the active market has led to a spike in average lease rates for retail over the December 2014 report.
- The city of Cedar Rapids has contracted with Buxton Company to provide retail market data over the next three years to assist local developers in the downtown/NewBo area, NE quadrant, Westdale development and the airport exit in the recruitment of national retailers that fit the demographics/consumer spending habits of those key areas plus the addition of national retailers to the quality of life if they are successful. The new developments will generate property taxes, create jobs, and increase sales tax revenues that are being used for flood protection and Paving for Progress street repair projects.
- Land sale activity is starting to see new life after being almost non-existent the last two years. Activity is occurring in all of the market sectors.



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All information deemed reliable, but not guaranteed.

