

40th Commercial Market Overview

by

Scott E. Olson AIA, CFM, SIOR

Cedar Rapids, Iowa Area, June 2016

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 15 years by comparing previous reports. This *Market Overview* will 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.

Pride in our City

As the city of Cedar Rapids dedicates the new Northwest Recreation Center this summer next to the historic Harrison Elementary School, it is the last public facility recovery project completed after the historic flood of 2008. The recovery has led to a revitalization of many flood impacted areas in the city from residential neighborhoods to the city's downtown business district.

Now, the momentum is well beyond flood recovery:

- The 11 story CRST tower in downtown is 2 months from occupancy plus includes 300 feet of the new flood protection system.
- A 28 story retail/office/hotel/housing tower is being proposed on city owned property in the downtown.
- Over 10 downtown housing projects are under construction that will create almost 400 new living opportunities that brings our core closer to a 24/7 live/work environment plus converts former vacant retail and office buildings to new uses.
- The New Bo/Czech Village Neighborhood continues to grow with historic buildings being renovated/repurposed while augmented with exciting new construction featuring retail/entertainment/office and housing options.

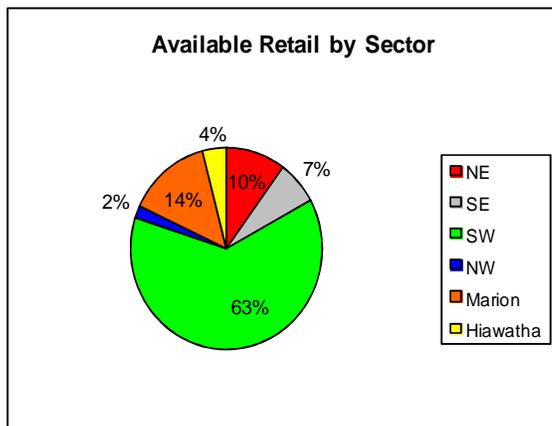
No matter where you go in Cedar Rapids, or our surrounding neighboring communities, there are new housing and commercial projects under construction. It is a great time to be able to call the metro Cedar Rapids area your home.

The Retail Sector is Exploding

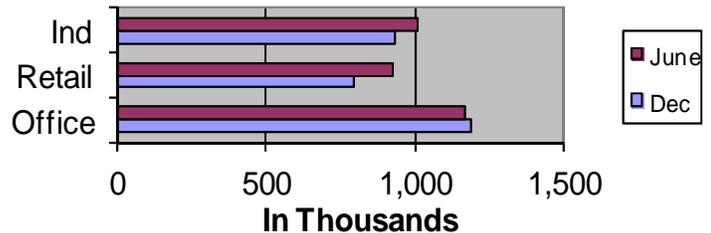
The Cedar Rapids area is being recognized as a place to consider for retail development. In the recent visit to ICSC retail convention in Las Vegas with city manager Jeff Pomeranz, many retailers and developers had Cedar Rapids on their radar. This is evident as we see many retail projects under construction from Westdale Mall's rebirth to additions at Lindale Mall and the new North Towne Market/Water Rock projects on Blairs Ferry Road. Plus there are several smaller strip retail developments underway to house local and national Tenants.

The bar chart on available retail featured in June 2014, the biggest change is a jump in available space from 658,000 SF to 927,000 SF. Location of space shown in the pie chart has the SW quadrant growing from 39% to 63% and the NE quadrant has dropped to 10% from 27% with Marion decreasing from 21% to 14%. Despite all of the new construction, retail rates have remained steady as the market is still very competitive.

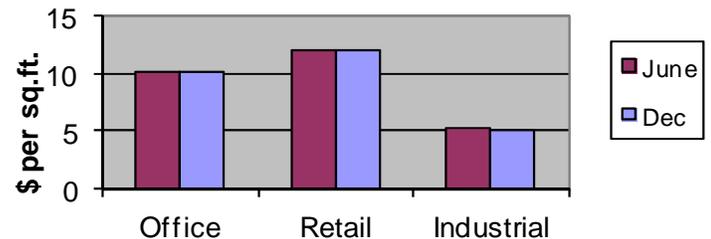
Based on conversations with local and national retailers, our market could see 20 to 25 new and expanding retail options in 2016 into 2017. Besides improving our retail options, this type of development creates jobs and new tax base. But as important, the sales tax from retail sales increases the funding for Paving for Progress and the flood prevention system along the Cedar River.



Available Space in Sq.Ft.



Average Listed Lease Rates



Current Market Trends

- Industrial space on the active market has increased from 935,000 SF to 1,008,000 SF in this report. Several new facilities are under construction which will provide some new options for tenants needing space quickly to serve their needs.
- Office space saw a slight decrease to 1,170,00 SF mainly caused by conversion of older space to downtown housing. However, the majority of leasing is to tenants moving to newer spaces versus an influx of new office tenants in the metro area.
- The investment market is still active despite a limited number of income producing properties on the market. This will continue as long as interest rates remain low.
- Commercial land sales remain slow with over 1,000 acres on the active market. New options will be entering the market as the first phase of the Highway 100 extension is scheduled to open in late 2016 which is just a few months away.
- Average lease rates remain virtually unchanged in the industrial and office market sectors.

Good News

Many times we don't appreciate where we live as we face the daily grind of work and the many activities that keep us busy at home. However, it is good to share how others view Cedar Rapids.

- Cedar Rapids has been ranked the third-best U.S. city for single mothers (24/7 Wall Street, June 2016)
- Once again Cedar Rapids was named one of the 10 Best Affordable Places to Live (Livability.com, Feb 2016)
- Cedar Rapids was ranked 7th in the top 10 U.S. mid-sized cities with the shortest commutes to work (Town & Country, January 2016)
- Ranked #88 in the nation "Top 100 Best Places to Live" (Livability.com, Jan 2016)



Skogman Commercial at the Penthouse

319-247-5000, www.scotteolson.com, scott@scotteolson.com

All information deemed reliable, but not guaranteed.

