

41st Commercial Market Overview

Scott E. Olson AIA, CFM, SIOR

Cedar Rapids, Iowa Area, December 2016

Click the "Market Overview" tab on my web site at www.scotteolson.com to track the dynamics of our market over the last 16 years by comparing previous reports.

Recognitions of our City

As was reinforced in the successful battle waged against the second highest flood crest in the city's history this fall, we are a special city that can work together (city staff, private sector, non-profits and citizens) to face a force of nature that threatened our city core.

We continue to be recognized nationally as a great place to call home:

- Cedar Rapids ranked 49th Best Run City in America and 14th Best City Services and #1 in the state of Iowa (Wallethub.com, August 2016)
- Cedar Rapids Ranks #1 best place in America to raise a child (SmartAsset, August 2016)
- Cedar Rapids #6 American City for Tech Workers (SmartAsset, July 2016)

New Era Industrial Buildings

The type of industrial warehousing being constructed nationally and recently in Cedar Rapids is changing to serve as an e-commerce fulfillment center versus just a warehouse. These facilities are being designed to meet the changing buying pattern expectations of consumers.

In the fall issue of "Strategies" by commercial real estate firm Newmark Grubb Zimmer of Kansas City, they noted in the 10 fastest growing industrial markets, new Class A industrial spaces are now considered "inland-ports." Updated design characteristics include:

- Upgraded aesthetics including high end materials, improved design.
- Larger building footprint to meet demand of providing inventory on hand for floor loading and capacity
- Speed bays for loading areas
- Expanded area between columns for modern rack design
- Redundant power and fiber connectivity
- Increased office square footage
- Brighter, more efficient lighting
- Compliance with changing fire and life safety codes
- Increased truck traffic capacity with 360-degree access for parking and trailers
- Environmentally efficient landscaping
- Dense fire sprinklers

The change in design has led to higher rental rates and lower vacancy rates.

Local Industrial Market

Our local market mirrors the national trend of a very active industrial sector. Industrial space on the market has remained virtually unchanged since June 2016 however since my last update on this sector in my December 2014 report, space on the market has increased from 774,000 SF to 1,030,000 SF today. We have seen several properties from 13,000 to 61,000 SF leased or converted to other uses, plus two facilities over 170,000 SF built in 2016 with both having 100,000 SF available for lease. A new facility in Marion that will have 120,000 SF available is planned for 2017. The average listed lease rate has remained virtually unchanged at \$5.12/SF NNN.

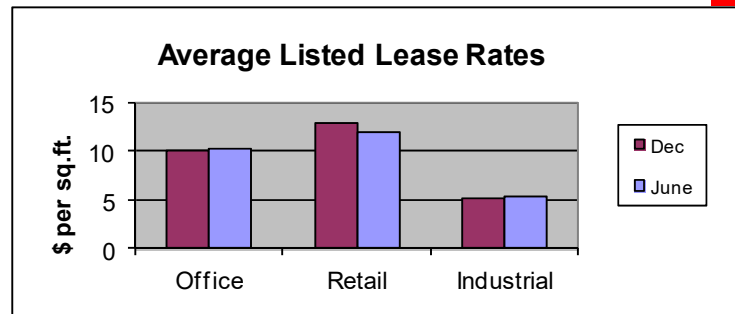
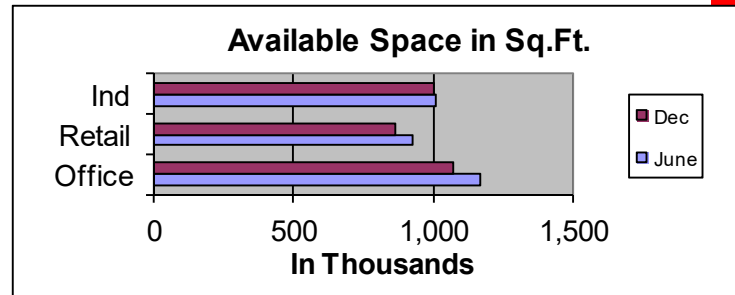
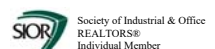
The sector pie chart shows a dramatic swing in available space location from December 2014 with NE Cedar Rapids increasing from 7% to 16%, Marion from 6% to 21% and SW Cedar rapids decreasing from 68% to 50%. This is the result of recent leasing activity plus shows the impact on location percentages when new larger available spaces enter the market.



Skogman Commercial at the Penthouse

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

All information deemed reliable, but not guaranteed.



Chart/graph data in part, obtained from the Dec 2016 multiple listing service

Current Market Trends

- Office space on the market continued to decrease from June 2016's report from 1,170,000 SF to 1,072,000 SF. Some positive absorption has occurred but most of the improvement is office buildings being converted to other uses.
- New retail tenants continue to enter the market which is a trend that will continue in 2017.
- Demand remains high for investment grade properties which are still very limited in our market. As interest rates start to rise, CAP rates will rise thus reducing income property values in 2017.
- Downtown housing development will continue to be a positive for the future of CBD retail while reducing the amount of older office space on the market. The proposed 29 story One Park Place is a positive sign of future mixed use development.
- NewBo continues its explosive growth as several new mixed use buildings take shape and two new projects are set to be announced in 2017.
- Commercial land sales remain slow but activity is increasing. The recently announced Big Cedar Business Park by Alliant Energy will create synergy for future industrial growth in SW Cedar Rapids.

Available Industrial by Sector

