

42nd Commercial Market Overview

by

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Cedar Rapids, Iowa Area, June 2017

Click the "Market Overview" tab on my web site at www.scotteolson.com to track the dynamics of our market over the last 17 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 creative corridor.

National Rankings Continue

- Cedar Rapids ranked #10 Best City for New Grads - This study considered factors such as affordability, salary, entry level jobs available and local amenities. (GoodCall.com, 2017)
- Cedar Rapids ranked #19 overall Best Run City in the United States, a 30 place increase from 2016. This 150 city survey evaluated each city based on total budget per capita and quality of services which includes 33 performance points. The indicators are grouped into six service categories; financial stability, education, health, safety, economy, infrastructure and pollution. (Wallethub.com 2017)

2017 Cedar Rapids Economic Development Survey

This is the second year that the city has continued a coordinated program of outreach to local businesses. During 2017, City Economic Development Services staff contacted 153 companies as part of the 2017 Cedar Rapids Business Survey. A total of 80 business retention visits were performed for a response rate of about 52%, which is comparable to the response rate from 2016. Additionally, around 40% of participants are participating in Cedar Rapids Business Survey for the first time, while 60% of companies are repeating participation from 2016. Some of the survey results include:

- Over 90% of companies surveyed reported the quality of property, plant and equipment as "good" or "excellent".
- Based on the sample, 41% of Cedar Rapids companies could expand in their current location and around 20% currently have surplus floor area that is not utilized.
- Attitudes and impressions about Cedar Rapids as a location to do business are highly positive. Almost 94% of business leaders and managers surveyed viewed the City as an "excellent" place to do business.
- Cedar Rapids also scores highly in evaluation of business climate in which 97% of respondents classified the City as "excellent" or "good" in that category. A similar finding holds that 8 out of 10 respondents consider the business climate in Cedar Rapids to have improved in the last 5 years.

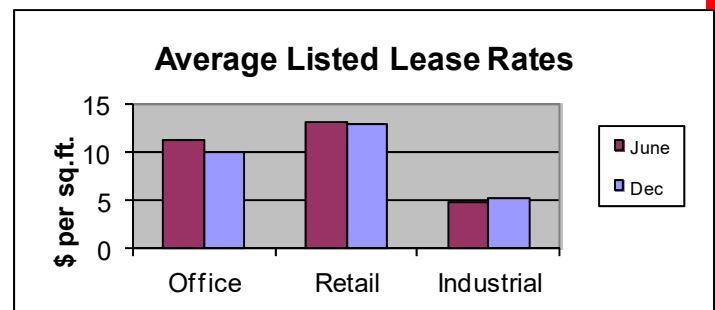
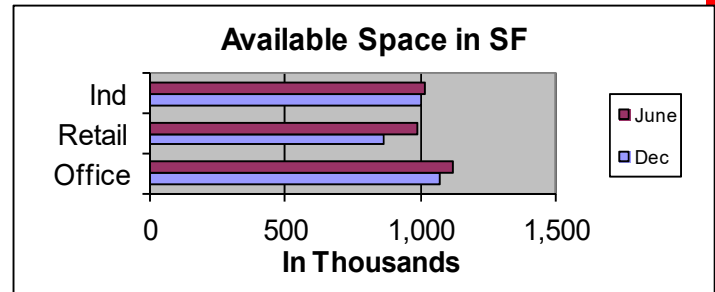
Office Development Continues Despite Surplus Space

Despite an increasing availability of office space that has grown by more than 100,000SF since December 2016 to reach 1.1 million SF on the active market, this June we continue to see new office projects proposed. Construction has begun on a second 50,000 SF Class A office building in the Fountains development in NE Cedar Rapids. The developer, The Ahmann Group, is requesting that the final building in the Fountains, a 90,000 SF structure, be split into two separate mixed-use buildings featuring a retail component due to the excess office in the market.

Local downtown developer Steve Emerson unveiled Jade Luxe Plaza, a contemporary, multi-level 170,000 square foot Class A office building on the edge of the CBD. Construction may start in 2018 when initial tenants are identified. Just a few blocks away, Physicians Clinic of Iowa announced it will build in 2018 a 98,000 SF \$30 million, three story medical building across from its main complex, plus a 400 car parking structure adjacent to both buildings. The initial medical building was 221,000 SF completed in 2013 at a cost of \$47 million. That building is now fully leased.

Also underway in the core of downtown is the renovation of the 10-story historic American Building with an attached 10 story glass tower that together will create an additional 110,000 SF of office space to the downtown campus of United Fire Group. The \$28.4 million project is scheduled for completion in 2018.

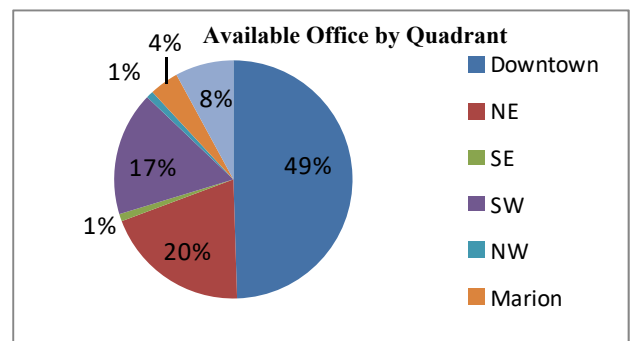
The boom in new office space does not include a proposed 29-story tower proposed by Jesse Allen, an Iowa City developer, that has an office component, or several recent announcements of corporate expansion in the metro area. Most of the available space (49%) is in the downtown area, followed by 20% in northeast Cedar Rapids and 17% in the southwest quadrant. The average triple net rental rate has increased from \$9.95 SF to \$11.19 SF due to the new projects in process. Thus, we will likely continue to see a shift by major existing office tenants from older to newer space creating a higher vacancy rate in older office buildings.



Chart/graph data in part, obtained from the June 2017 multiple listing service Research by Karl Hoffman, MBA

Current Market Trends

- Retail space on the active market has increased to 989,000 SF up from 863,000 SF in December 2016 as new projects come on line and the Westdale revitalization continues. Average retail rates have increased slightly to \$13.11/SF due to new projects with higher asking rates.
- My annual visit to the Las Vegas RECON convention with city manager Jeff Pomeranz revealed national brand interest in this market but a lack of franchisees was hindering their expansion.
- The industrial sector has been active with major expansion in process or announced throughout the city including Lesaffre, Lil' Drug Store, Hunt Brothers Pizza and ReConserve of Iowa. However, we still have 1 million SF on the market but many buildings are older. Average industrial rates have dropped from \$5.12/SF to \$4.81/SF which reflects facility age.
- Land options are varied but still exceed 1,000 acres which is a 10 year supply. New to the market is the certified Cedar Rapids Air and Land Super Park of 582 acres and the recently announced 1,300 acre Big Cedar Industrial Center, the first state assisted Mega Park along Edgewood Road/Hwy 30 in SW Cedar Rapids. These parks are not on the active market acreage.



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All information deemed reliable, but not guaranteed.

