

# 44th Commercial Market Overview

by  
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 Cedar Rapids, Iowa Area, June 2018

Click the "Market Overview" tab on my web site at [www.scotteolson.com](http://www.scotteolson.com) to track the dynamics of our market over the last 18 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.

## Iowa Ranked #1

In February, Iowa was ranked the #1 state in the nation by *U.S. News and World Report* due to its #1 ranking for **infrastructure and broad band access** plus top ten rankings for **health care, opportunity, education and quality of life**. This recognition has a positive impact on the Cedar Rapids area efforts to recruit new businesses and employees.

## Flood Protection Gets Federal Funding

After a decade of unrelenting efforts by local, state and federal officials, the Army Corps of Engineers awarded Cedar Rapids \$117 million dollars toward its \$550 million dollar flood protection system. Construction on the system has begun utilizing state funds of \$267 million, local funds of \$10 million to date plus several federal grants totaling \$14 million. This Army Corps grant allows the city to finalize its funding plan to fill the remaining revenue gap to complete the system over the next decade.

## Other State/National Recognition

- **Cedar Rapids ranked #16 in Nation for High Density of Inc. 5000 Companies**  
 Each year, *Inc.* Magazine publishes its list of the fastest-growing businesses in America—the Inc. 5000, and Cedar Rapids was among the top of the list of cities in the nation with a high density of these businesses. (*Inc.* Magazine, 2018)
- **Cedar Rapids was named Technology Community of the year 2018**  
 The Technology Association of Iowa's Prometheus Award is the most prestigious recognition for Iowa's technology industry, celebrating the year's most momentous innovations.
- **City of Cedar Rapids Awarded Phoenix Award for NewBo District Development**  
 The Phoenix Award recognizes outstanding achievement and innovation relating to environmental and community issues. (American Planning Association Dec 2017)
- **Cedar Rapids Ranked #13 Best Run Cities in America**  
 Ranking compares operating efficiencies of 150 of largest US cities utilizing 35 metrics grouped into six service categories measured against the city's per capita budget (Wallethub.com, 2018)

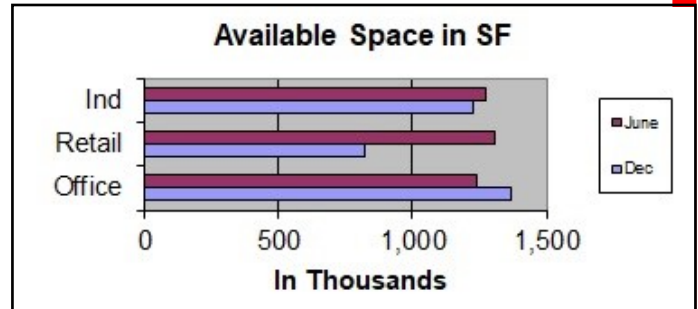
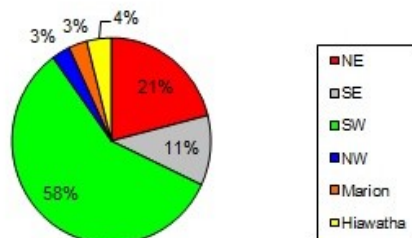
## Retail Sector Facing National Trends

As evidenced by the national news of major national chains closing; the debate on "brick & mortar" retail versus "on-line" shopping and the difficulty for small independent retailers to obtain financing, the retail market in the Cedar Rapids area is beginning to feel those trends. During my recent visit to the ICSC retail convention in Las Vegas with city manager Jeff Pomeranz, these subjects were front and center in many seminar presentations. Locally, we had closings announced for two Younkers stores, Toys R Us and a Sears store. As illustrated in the bar chart, our active space on the market has jumped from 821,000 to 1,309,410 SF in the last six months mainly due to Westdale Mall re-entering the leasing market. This active space does not include 200,000 SF of Lindale Mall announced closings. Even with these national trends, several new strip centers have been announced or are under construction totaling over 60,000 SF. Average rental rates have increased from \$12.95/SF to \$13.41/SF due to the new construction.

The pie chart by sector shows that 58% of available space is located in the SW quadrant due to Westdale Mall on the active market but a significant increase was noted in the NE quadrant.

The good news from our ICSC visits with national retailers and developers is that Cedar Rapids is still looked at positively for future expansion and several of the large big box spaces created by recent retail closings in our market already have interest from replacement retailers.

## Available Retail by Sector



Chart/graph data in part, obtained from June 2018 multiple listing service, research by Karl Hoffman, MBA

## Current Market Trends

- **Industrial/Commercial Land**  
 Industrial land remains an active segment of the market. Despite almost a 1,000 acres on the active market plus a large "Super Park" of 600 acres and a Mega Park of 1,300 acres, we continue to see the most sale transactions in over a decade. Land prices have remained relatively unchanged in both developed and undeveloped sites.
- **Office**  
 The active space on the market has decreased from 1,370,000 SF to 1,240,846 SF due to some positive absorption of existing spaces and building sales. Plus, the planned redevelopment of the former Guaranty Bank Building caused several tenants to find new space in other existing buildings throughout the metro area. A wild card is the foreclosure action on the 184,000 SF Town Centre in downtown Cedar Rapids that is causing several if its major tenants to plan moves to new locations. With new corporate facilities for the United Fire Group, Transamerica and Skogman Companies in process, plus a major Physicians Clinic of Iowa expansion, we will continue to have a dynamic market. As in previous reports, most activity is from tenants shifting locations versus expansions due to our very low unemployment rate of 2.8% plus a desire for new, more efficient office designs. Average rental rates have increased slightly from \$10.77/SF to \$11.13/SF
- **Industrial**  
 This active segment of our market has seen a slight increase in space available over the last six months from 1,225,000 SF to 1,271,485 SF due to several facilities being constructed with some fully or partially leased. The potential of several large new high bay buildings still in planning could cause a dynamic change in the market even though it offers potential national tenants the type of modern warehouse/distribution facilities they require. The average rental rate remained the same at \$5.34/SF from last December.
- **Investment Sales**  
 Due to a very limited number of properties on the market, the activity level for income producing properties has been much slower. The demand remains high but investors are very selective.



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