

▶ MARKET HIGHLIGHT: CEDAR RAPIDS

FLOOD OF DEVELOPMENT ACTIVITY CONTINUES IN CEDAR RAPIDS



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As I have enjoyed writing in six previous August articles since 2013, we have seen Cedar Rapids, the 2014 “All-America City,” go from flood recovery in 2008 and 2016 to record levels of development. The city set a record for building permits in fiscal year 2018 of \$375 million, which was \$133 million over the previous year and \$29 million more than the 2012 record by \$29 million. Activity in fiscal year 2019 is estimated to be a very impressive \$320 million.

Flood protection system reached another milestone on Nov. 22, 2018, when the city and Army Corps of Engineers officially signed the agreement for \$117 million of federal funds to allow the entire east side of the river flood protection system to be completed within five years. The west side is being funded through a state sales tax rebate program and 10 years of flood bonds to allow the entire \$750 million flood protection system to be completed in the next decade. This year there are already four sections under construction with several additional portions being bid over the next several months.

The flood protection system will not be just berms or walls that will block

the view of the river. Major sections will be designated as large areas of removable walls, recreation/art plazas at all major crossings, recreational trails on top of earthen berms and a signature new downtown bridge that will provide an additional river crossing during flood events in the downtown core.

Another major change in the protection system is the ConnectCR project. A new \$20 million recreational lake and 650-foot, twin-deck pedestrian river crossing bridge as part of the city’s trail system is in the final stages of fundraising. The city’s flood system was extended to protect the former utility cooling lake so it can become a protected 120-acre recreation area.

This public-private partnership will create a signature park next to I-380, the flood system and the Cedar River. At the south end of the ConnectCR project, the former city landfill named “Mount Trashmore” has become a trail and cycling hill with a spectacular scenic overview of the Cedar River and downtown core. It is also the highest point in Linn County.

Accolades continue

The city continues to be nationally recognized for its efforts in a variety of significant areas that are critical for employee recruitment. The state of Iowa continues to have one of the nation’s lowest unemployment rates at 2.4 percent, with Cedar Rapids at 2.3 percent as of May 2019. These nationally ranked efforts also



Sioux Falls, South Dakota-based Lloyd Cos. is nearing completion on the 190,000-square-foot Fleet Farm in the new \$50 million Edgewood Town Center. The development is in northeast Cedar Rapids along Highway 100.

recognize the quality of life of the city’s 130,000 residents beyond the recruiting focus. The following are several of the latest rankings:

- A perfect 100 score on the Municipal Equality Index Scorecard (Human Rights Campaign Foundation 2018, 2017 and 2016)
- Certified 4-STAR Community Designation. STAR Communities measure community performance for sustainability efforts. (2018)
- No. 18 “Most Secure Place to Live for Mid-Sized Cities in the U.S.” (Farmers Insurance Group, 2019)
- Bronze Walk-Friendly Community (Walk Friendly Communities, 2019)
- No. 5 “Best City in America for Young Adults to Get Rich.” Extremely low unemployment, modest expenses

and good salaries in Cedar Rapids all add up to a location ideal for savings to accumulate. (Money Under 30, 2019)

Upbeat survey results

Since 2016, the city’s economic development services division has been conducting a detailed annual business survey. This year’s survey had several highlights worth noting:

- A large number of respondents (88 percent) cited a high quality of life as a key attribute that adds value to Cedar Rapids as a location. Additionally, three-quarters of respondents agreed with the view that Cedar Rapids offers a positive business climate.
- Cedar Rapids business operations are expanding — almost two-thirds of companies surveyed plan some type of expansion by 2022.
- Companies in Cedar Rapids are growing — nearly eight out of 10 companies reported increasing sales, and more than half responded that market share had seen positive change.
- More than half of the companies surveyed had a favorable view of the cost of doing business in Cedar Rapids. Business climate was viewed as “very good” or “excellent” by the vast majority of survey participants.
- Companies identified Cedar Rapids’ central location in the United States, business climate and employee work ethic as key strengths of Cedar Rapids as a place to do business.

Industrial sector activity

This sector is similar to national trends with new construction occurring to meet the demands of e-commerce and distribution centers, especially with Iowa’s central U.S. location. Plus, users are looking for high-bay buildings. The amount of active space on the market decreased from 1.3 million square feet in December 2018 to 1.2 million square feet in June of this year. Our city is



The \$50.5 million renovation of the Guaranty Bank building/World Theatre and new nine-story hotel will create two Marriott Hotels plus an 8,000-square-foot Johnny’s Italian Steakhouse. Heart of America Group is the developer and operator, while Aspect Architecture is the architect.

still a predominantly build-to-suit town with only one large spec space at 97,000 square feet available and many smaller low-bay buildings on the market. The average rental rate increased slightly from \$5.50 to \$5.55 per square foot with the majority of new construction in the southwest quadrant of the city near the Eastern Iowa Airport.

Several industrial expansions were announced as Cedar Rapids remains the state's largest manufacturing center. Fluid-power products distributor Iowa Fluid Power is planning a \$5.7 million, 45,000-square-foot addition to its northeastern facility. Truck equipment manufacturer Future Line LLC announced a new 30,000-square-foot manufacturing building in southwest Cedar Rapids. This \$3.9 million project will allow the company to expand its equipment manufacturing as well as begin a new contract parts manufacturing division.

Retail continues its evolution

As the city team observed in our annual attendance at the Las Vegas ICSC ReCon convention in May, the retail experience is changing to reflect e-commerce, the demise of many big box retailers and the expanding rate of national retailers closing. Despite retail space on the active market declining from a historic 1.45 million to 1.1 million square feet, there is still plenty of activity by developers creating additional strip mall developments, especially in several mixed-use complexes with housing on upper floors.

Positive signs in our market include the conversion of two of our vacant big box spaces to new uses. One will continue as retail and the other converted to indoor climate-controlled self-storage. Plus, we are seeing sites and buildings previously planned for retail becoming housing developments and a 30,000-square-foot Veterans Affairs medical center being created from retail space.

A major new retail project is the \$50 million, 54-acre Edgewood Town Center that will house a mix of office, retail, hotel and housing options by Ahmann Cos. Its anchor is a new 190,000-square-foot Fleet Farm store adjacent to the Fountains and Peck's Landing centers. Just to the south on the other side of Highway 100 is River Ridge Center, which consists of three mixed-use buildings with retail, office and 84 apartments, plus Randy Kuehl Honda dealership has its new expanded facility under construction as a part of River Ridge Center. These four adjacent projects will create the city's third-major retail complex, competing with Lindale and Westdale Malls.

Retail rental rates have declined

slightly from December at \$13.60 to \$13.45 per square foot as older mall spaces fight for the limited tenant prospects.

Housing projects abound

New types of housing entering the market continue to amaze long-term residents in our city that once experienced single-family housing as the dominant housing being built. Our urban core continues to be a focus of developers with four major projects in planning or under construction.

In the Newbo neighborhood, construction is expected to start late this year on a \$23 million, 120-unit apartment project. A 50-unit, \$6.3 million high-rise apartment is under construction in Kingston Village. Construction is also slated to begin later this year on a 160-unit, \$25 million apartment complex downtown next to the city library, art museum and Green Square Park.

Besides those three core projects, a concept is being created with citizen input to redevelop 3.5 blocks that was assembled for a hoped-for casino on the westside of downtown that did not materialize. The area is entering the planning stages that will most likely become a mixed-use project featuring housing, office, retail, entertainment and recreational activities. The good news for this and other developments is that we are seeing townhouse condos, apartments and duplexes in three neighborhoods adjacent to the core that are leasing as fast as they are built.

In our four quadrants of the city, outside of the city core, numerous mixed-income projects and affordable housing complexes are under construction. For example, Columbus, Ohio-based Woda Cooper Cos. just

broke ground on a 44-unit, \$8.7 million Phase I project for residents at 60 percent of the area median income. Phase II of 48 units totaling \$9.2 million is planned for next year. The city also has several market-rate and affordable projects under construction totaling almost 750 units. If you add in several senior citizen-focused projects, we are seeing a historic blend of housing types to serve the needs of a growing city.

Competitive office sector

The office sector has experienced a wonderful growth spurt in the past year with new facilities constructed by UFG Insurance, Transamerica, Physicians Clinics of Iowa, Linn County Public Health and the Skogman Cos. Despite available space on the active market dropping from 1.2 to 1 million square feet in the last six months, it was caused by several existing or spec spaces from 17,000 to 170,000 square feet leaving the market versus being leased.

The major changes in office users is not growth of new companies but rather shifting to new locations. Tenants want to meet the rapidly changing office space design trends in order to attract the millennial employee. Also, less space is needed by tenants both in new and existing buildings, as the number of employees that work remotely has increased dramatically.

We are also seeing the national coworking space trend entering our market, plus many retail strip developers are marketing their vacant retail space to office users. Average office rates have increased from \$11.27 to \$11.74 per square foot in the last six months due to a change in the mix and age of spaces on the market.

Historic hotel development

In one of our more unique downtown projects in the city's history, the Heart of America Group of the Quad Cities will restore the historic Guaranty Bank building with an adaptive reuse project, creating an 80-room Courtyard by Marriott and an 8,000-square-foot Johnny's Italian Steakhouse on the main level. This will be a 78,500-square-foot building with an investment of \$20.3 million.

Next to the Guaranty Bank building in the adjacent parking lot will be a nine-story, 125-room hotel spanning 84,000 square feet. It is slated to be an AC Hotel by Marriott. This \$30.5 million hotel will feature the historic façade renovation of the former World Theatre and a rooftop bar plus event space. Construction is scheduled to start in late 2019 with an opening in early 2021.

In summary, we are fortunate that our metro cities of Marion, Hiawatha, Robins and Fairfax are seeing the positive growth that I have highlighted about Cedar Rapids in this article.

As you can see, Cedar Rapids reflects national trends, but more importantly, it is setting an example of how a city can create a high quality of life, affordable housing and an attractive job market.

This effort was highlighted by SmartAsset in 2018 when Cedar Rapids ranked No. 8 in the nation as a "top 10 city for living the American dream." Plus, in July this year, a survey released by *wallethub.com* ranked Cedar Rapids the No. 15 "Best Run City" of the 150 largest cities in the nation based on a quality of services score made up of 37 metrics. I am proud to call Cedar Rapids my home.



The 50-unit Kingston Village apartment project is under construction. The \$6.3 million project is being developed by M&W Properties, with Design Build Construction as the general contractor. The architect is Shive Hattery Inc.