



2023 CEDAR RAPIDS METRO COMMERCIAL REAL ESTATE REPORT





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GLD Commercial would like to acknowledge/express thanks to —

Amanda LaGrange, GLD Commercial marketing & research manager

Dave Passmore (Rally Appraisal) and Jon Westercamp (Appraisal Associates) for assistance in gathering multifamily data.

GD | The abbreviated GLD logo throughout the report denotes GLD Commercial team member involvement in the transaction.

Disclaimer — Real estate data contained herein was acquired through the Cedar Rapids Area Association of Realtors MLS, Cedar Rapids Assessor, Linn County Assessor, Rally Appraisal, Appraisal Associates and Cedar Rapids Area Metro Economic Alliance. All information furnished in this report is obtained from sources deemed in our opinion to be reliable but not guaranteed. If you have property currently listed with another broker, this is not intended as a solicitation of that listing.



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GLD COMMERCIAL is an independent, locally owned commercial real estate firm based in Eastern Iowa.

When utilizing GLD for your real estate needs, you'll benefit from over 65 years of combined local commercial real estate experience.

You'll also tap into the benefits of the industry's leading designations with GLD Commercial brokers — the Society of Industrial and Office Realtors (SIOR) and Certified Commercial Investment Member (CCIM).

You can trust that our experience, teamwork and track record of proven performance will deliver you the results you deserve.

We take pride in our disciplined approach to every assignment and employ only full-time commercial agents who are passionate about ensuring our clients' success.



A MESSAGE FROM ANGIE

It's our pleasure to present the third annual Cedar Rapids Metro Commercial Real Estate Report.

In 2023, the commercial real estate industry continued to excel. Industrial leasing and multifamily development persisted while the office market continued to undergo changes due to the widespread adoption of remote work during the pandemic.

I encourage you to reach out to any of the GLD Commercial real estate experts to further discuss the information contained in this report.

2023 KEY TAKEAWAYS —

Industrial submarket:

- Demand began to stabilize
- A deceleration in the pace of new construction initiatives
- Rental rates continued to increase; driven by costs and interest rates

Office submarket:

- Conversion of underutilized CBD office space to multifamily
- Suburban medical and dental office expansion
- Suburban office, less than 10,000 SF, saw stable demand and low vacancy

Retail submarket:

- Retail strip center vacancy remains low and steady
- The Westdale area (SW) gained new retailers; the Lindale area (NE) has yet to fill some larger vacancies
- Retail strip center demand is strong; big box retail demand remains weak
- Consumers continue to expect both e-commerce and experiential in-store options

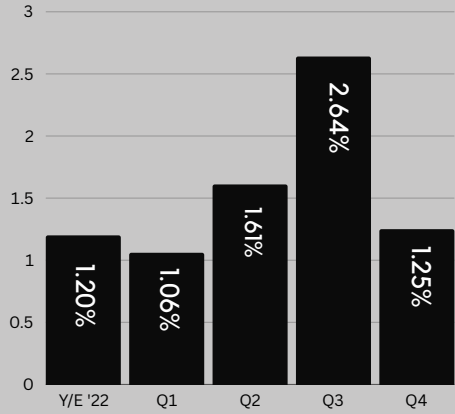
Multifamily/Mixed-use submarkets:

- Higher home prices combined with increased interest rates continue to fuel multifamily rentals and new apartment construction/conversion
- In-fill and mixed-use projects with a function of retail/office and residential continue

INDUSTRIAL

01

2023
QUARTERLY
METRO
INDUSTRIAL
VACANCY RATES

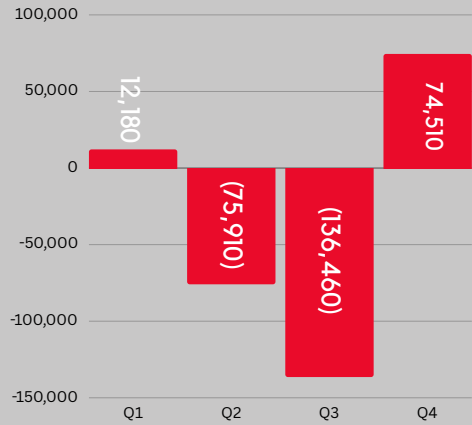


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2023
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INDUSTRIAL NET
ABSORPTION

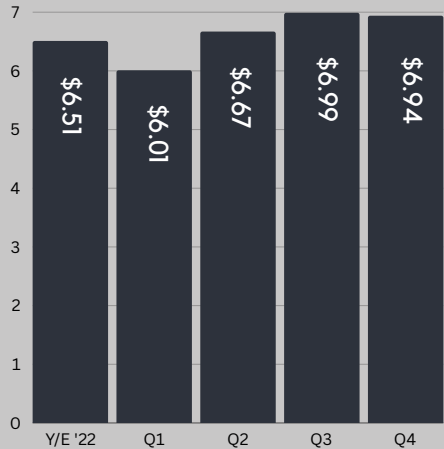


A negative number reflects square footage added to the market



03

2023
QUARTERLY
METRO
INDUSTRIAL
AVERAGE PSF
ASKING
RENTAL RATES








MARKET OVERVIEW — The Cedar Rapids industrial market consists of approx. 13,200,000 square feet (SF). Entering 2023, the vacancy rate was 1.20% which increased steadily as new construction options came online. Several larger sales/leases took place during the fourth quarter, ultimately ending the year with a vacancy rate of 1.25%.

The average asking rental rate is \$6.94/SF NNN. This figure fluctuated slightly but eventually increased after beginning the year at \$6.51/SF NNN. This increase can be attributed to the cost of new construction and the continued lack of available second-generation space.

LOOKING AHEAD — Higher interest rates and material costs contributed to the considerable slowing of new construction starts in 2023. A slight decrease in tenant demand coupled with fewer construction starts will ultimately allow the vacancy rate to begin stabilization in 2024.

SIGNIFICANT TRANSACTIONS — ANNOUNCED, IN PROGRESS, COMPLETED OR TRADED

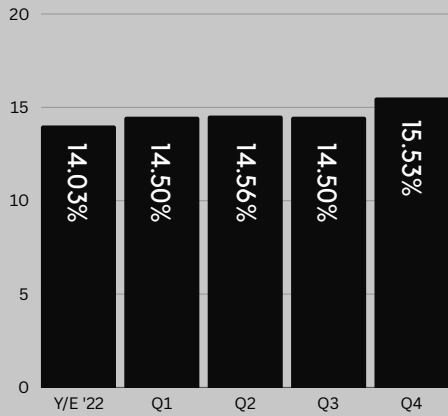
- 10015 6th Street SW, Cedar Rapids — SUB-ZERO — began construction on a 400,000 SF manufacturing facility, \$140,600,000 investment
-  • 1925 Blairs Ferry Road NE, Cedar Rapids — FORMER REXCO PROPERTY — 21,184 SF on 7 acres sold for \$1,585,000 and subsequently leased to a single tenant
- 1345 76th Avenue SW, Cedar Rapids — CONVEYOR ENGINEERING EXPANSION — 32,000 SF building expansion, \$5,000,000 investment
-  • 999 Enterprise Drive, Marion — NEW CONSTRUCTION MULTI-TENANT BUILDING — 52,300 SF building leased to Fosters Kraus and Ohio Transmission Corporation
- 9300 Earhart Lane SW, Cedar Rapids — LIL' DRUG STORE EXPANSION — 45,000 SF addition to their existing 105,000 SF facility
-  • 5515 4th Street Court SW, Cedar Rapids — WHITE CAP — 30,000 SF leased to a construction and industrial material supplier
-  • 2720 64th Avenue SW, Cedar Rapids — ZURCHER TIRE — 50,000 SF building constructed in Edgewood Industrial Park
- 76th Avenue SW, Cedar Rapids — BROWN NATIONALEASE — constructing an 11,000 SF truck and trailer leasing facility, \$4,000,000 investment
-  • 1203 & 1204 9th Street SW, Cedar Rapids — VACANT — 55,728 SF building sold to an investor for \$1,600,000
- 635 Bell Avenue SW, Cedar Rapids — SOLUTIONS MANAGEMENT GROUP — constructing a 9,000 SF warehouse and office facility

ANALYSIS — The figures contained herein focus on existing, or currently under construction, industrial buildings including warehouse, flex, commercial and small shop properties. Non-competitive, owner-occupied, special-purpose manufacturing buildings do not accurately affect local vacancy or rental rates and are therefore excluded from this analysis.

CBD OFFICE

01

2023
QUARTERLY
CBD OFFICE
VACANCY RATES

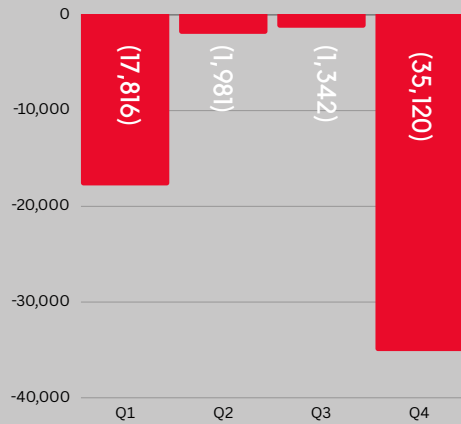


02

2023
QUARTERLY
CBD OFFICE
NET ABSORPTION
PSF

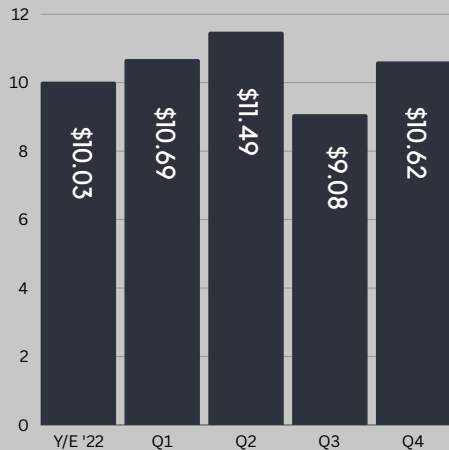


A negative number reflects
square footage added
to the market



03

2023
QUARTERLY
CBD OFFICE
AVERAGE PSF
ASKING
RENTAL RATES



MARKET OVERVIEW — The CBD office market consists of approximately 3,400,000 SF. Entering 2023, the vacancy rate was 14.03% which increased slightly throughout the year, ending at 15.53%. The average asking rental rate is \$10.62/SF NNN, increasing from \$10.03/SF NNN at the beginning of 2023.

The term adaptive reuse summarizes the 2023 CBD office market. The former Guaranty Bank block will see the addition of approx. 100 market-rate apartments and a 10,000 SF fitness facility. The Economic Alliance office building repurposed its first floor as a magnet high school and the former Principal office building is slated for conversion to multifamily.

While the CBD lost electric transmission company, ITC Midwest, and the long-standing branch banking services of U.S. Bank, it gained the corporate headquarters of the Iowa Interstate Railroad, a considerable expansion of Cedar Rapids Bank & Trust and the relocation/additional investment by Shuttleworth & Ingersoll into their move to the former Gazette building.

LOOKING AHEAD — Additional underutilized office space conversion is on the horizon. Developers and owners will continue to seek ways to fill or convert their vacant office space/buildings, specifically with multifamily, educational and medical users.

SIGNIFICANT TRANSACTIONS — ANNOUNCED, IN PROGRESS, COMPLETED OR TRADED

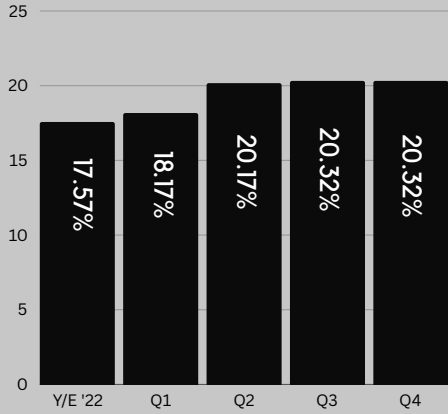
- GLD** • 512 3rd Street SE, Cedar Rapids — FORMER GAZETTE BUILDING — 16,800 SF building leased to Shuttleworth & Ingersoll with a 9,100 SF addition and a \$6,300,000 remodel
- 116 6th Street NE, Cedar Rapids — CEDAR RAPIDS BANK & TRUST — began construction on a three-story, 34,000 SF building, \$19,000,000 investment
- GLD** • 119 2nd Avenue SE, Cedar Rapids — IOWA INTERSTATE RAILROAD — leased 28,037 SF and relocated its corporate headquarters downtown
- 501 1st Street SE, Cedar Rapids — CITY VIEW COMMUNITY HIGH SCHOOL — repurposed the first floor of the Cedar Rapids Metro Economic Alliance into a magnet high school
- GLD** • 201 1st Avenue SE, Cedar Rapids — DOWNTOWN BUILDING — 10,160 SF building with a first-floor restaurant and second/third-floor office space sold for \$815,000
- 611 2nd Avenue SE, Cedar Rapids — VACANT BUILDING — renovation announced for an 8,400 SF building into first-floor restaurant/retail space and second-floor market-rate apartments, \$3,318,000 investment
- 200 2nd Avenue SE, Cedar Rapids — FORMER PRINCIPAL BUILDING — plans announced to convert vacant office space into multifamily housing
- GLD** • 222 3rd Street SE, Cedar Rapids — FORMER GUARANTY BANK BLOCK — sold as an adaptive reuse project for \$2,800,000

ANALYSIS — The figures contained herein focus on all CBD office buildings. Non-competitive hospital-owned properties, radio/television-occupied properties and existing buildings being converted to multifamily housing do not accurately affect local vacancy or rental rates and are therefore excluded from this analysis.

SUBURBAN OFFICE

01

2023
QUARTERLY
METRO OFFICE
VACANCY RATES

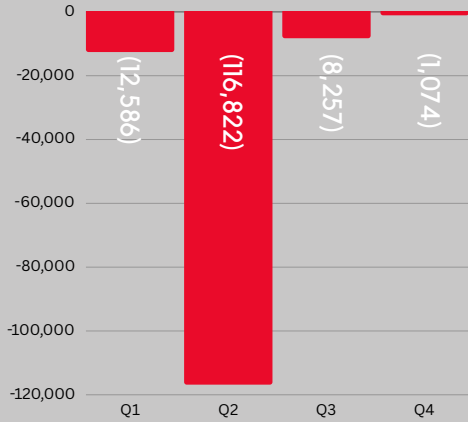


02

2023
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METRO OFFICE
NET ABSORPTION
PSF

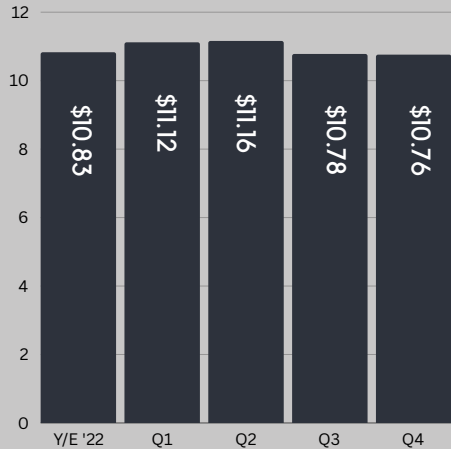


A negative number reflects square footage added to the market



03

2023
QUARTERLY
METRO OFFICE
AVERAGE PSF
ASKING
RENTAL RATES



MARKET OVERVIEW — The Cedar Rapids metro suburban office market consists of approximately 5,700,000 SF. Entering 2023, the vacancy rate was 17.57% which increased throughout the year, ultimately ending at 20.32%. The average asking rental rate is \$10.76/SF NNN, decreasing slightly from \$10.83/SF NNN at the beginning of 2023.

2023 was a year of suburban medical and dental office expansion. Despite the high cost of new construction, demand remains lofty in this subsector. Over the next year, the metro area will gain expanded emergency medical, dental and therapeutic services.

Several metro headquarters have listed excess space for lease while others began calling workers back to the office, at least part-time. Suburban office space continues to be in a period of transition following the pandemic which catapulted many companies into a fully remote-work environment.

LOOKING AHEAD — Net absorption remained negative throughout 2023 indicating a decrease in occupied space fueled largely by large/corporate vacancies. The metro continued to see a trend of tenants downsizing or foregoing lease renewals. While the future of office space is still in flux, expect lackluster new construction starts in the near term. Leasing and sales of smaller suburban buildings are anticipated to remain strong.

SIGNIFICANT TRANSACTIONS — ANNOUNCED, IN PROGRESS, COMPLETED OR TRADED

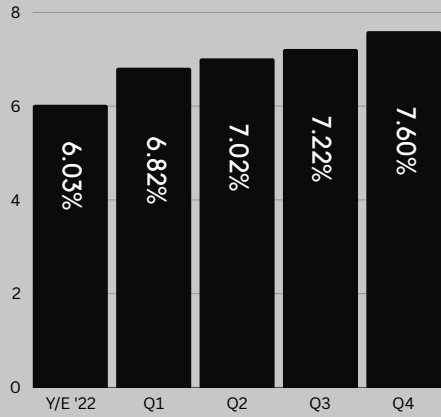
- GLD** • 1755 1st Avenue SE, Cedar Rapids — FORMER COLLINS COMMUNITY CREDIT UNION — sold for demolition and construction of a new 4,000 SF dental office building, \$2,390,000 investment
- GLD** • 3301 Armar Drive, Marion — UNITYPOINT HEALTH - ST. LUKE'S OFF-CAMPUS EMERGENCY DEPT — leased space for a 10,000 SF medical facility offering emergency care
- GLD** • 100 6th Avenue, Marion — IOWA KIDS PEDIATRIC DENTISTRY — former 4,000 SF McDonald's restaurant conversion to a pediatric dental office
- GLD** • 999 35th Street, Marion — MERCY OFF-CAMPUS EMERGENCY DEPT — constructing a medical facility offering emergency care
- GLD** • 4201 River Center Court NE, Cedar Rapids — HEALTH CARE INSURER — 11,319 SF lease to a claim processing office
- GLD** • 5945 Rockwell Drive NE, Cedar Rapids — CIRCLE CITY ABA AUTISM CLINIC — new construction of an 8,500 SF clinic adjacent to Blairs Ferry Super Target
- GLD** • 3900 Fountains Boulevard NE, #202, Cedar Rapids — MEDICAL USER — 14,540 SF leased for a medical office
- GLD** • 3165 Edgewood Parkway SW, Cedar Rapids — ITC MIDWEST — purchased the 26,505 SF former Purdue Global building for \$2,800,000, leaving the CBD

ANALYSIS — The figures contained herein focus on metro area office properties. CBD office and non-competitive owner-occupied medical buildings do not accurately affect local vacancy or rental rates and are therefore excluded from this analysis.

RETAIL/SERVICE

01

2023
QUARTERLY
METRO
RETAIL/SERVICE
VACANCY RATES

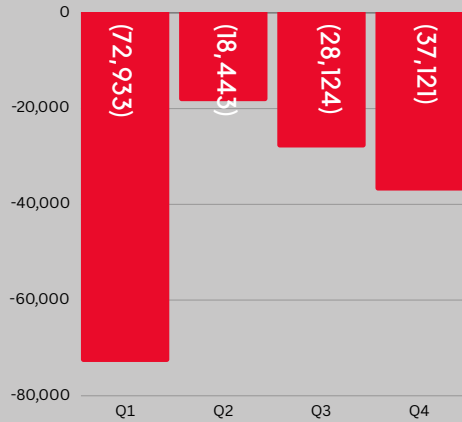


02

2023
QUARTERLY
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RETAIL/SERVICE
NET ABSORPTION
PSF

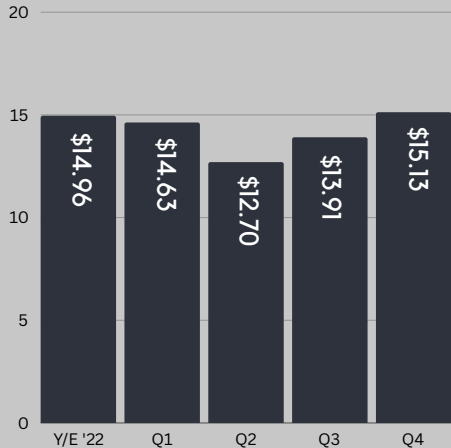


A negative number reflects square footage added to the market



03

2023
QUARTERLY
METRO
RETAIL/SERVICE
AVERAGE PSF
ASKING
RENTAL RATES



04 | RETAIL/SERVICE

MARKET OVERVIEW — The Cedar Rapids retail/service market consists of approx. 9,300,000 SF. Entering 2023, the vacancy was 6.03%, increasing steadily and ending the year at 7.60%. The average asking rental rate is \$15.13/SF NNN, a slight increase from \$14.96/SF NNN at the beginning of 2023.

The Westdale area saw several retail strip centers lease to full capacity, a new Boulder Tap House and Take 5 Oil Change in addition to a Michaels lease and JCPenney lease renewal. The Lindale area has yet to fill some vacancies with the closing of Bed, Bath & Beyond, Tuesday Morning and David's Bridal.

Cedar Rapids downtown lost long-time staples Jeff Jones Furniture and retail banking services at the downtown U.S. Bank branch. Metro area restaurants QDogs BBQ, Rodina, Hospoda, Sugarfire Smoke House and the NE El Bajio also closed.

LOOKING AHEAD — Metro area retail vacancy remains low and steady. 2024 brings the openings of Big Grove Brewery and Pickle Palace in the Kingston Yard/1st and 1st West development. Rising interest rates and construction costs will make new construction more difficult, commanding lease rates near \$30.00/SF, keeping second-generation retail and restaurant spaces in high demand.

SIGNIFICANT TRANSACTIONS — ANNOUNCED, IN PROGRESS, COMPLETED OR TRADED

- 4444 1st Avenue NE, Cedar Rapids — LINDALE MALL — 723,666 SF enclosed shopping mall sold for \$28,500,000
- 1200 Collins Road NE, Cedar Rapids — MARRIOTT HOTEL — 187,782 SF hotel on 8.32 acres sold at auction for \$8,180,000, rebranded as a Radisson
- 4515 Westdale Parkway SW, Cedar Rapids — BOULDER TAP HOUSE — rebranded the Lindale Mall location and opened a stand-alone location at Westdale
- 4601 1st Avenue SE, Cedar Rapids — MARKETPLACE ON FIRST SHOPPING CENTER — off-market sale for \$19,500,000

GLD • 3214 1st Avenue NE, Cedar Rapids — STARBUCKS — former Hardee's renovated into a leased drive-through coffee retailer

GLD • 2360 Edgewood Road SW, Cedar Rapids — WESTDALE RETAIL STRIP CENTER — 2,774 SF leased to Napoli's Italian Restaurant, 2,388 SF Crab House Seafood Boil & Bar and 2,056 SF Metro Infusion Center

GLD • 2380 Edgewood Road SW, Cedar Rapids — WESTDALE RETAIL STRIP CENTER — 5,638 SF RNR Tire Express, 4,512 SF Slager Appliance and 1,500 SF Jersey Mike's Subs

- 2400 Edgewood Road SW, Cedar Rapids — JCPENNEY — signed a lease extension on their 68,432 SF space at Westdale through October 2029

- 170 1st Street SW, Cedar Rapids — BIG GROVE BREWERY & TAPROOM — completed construction on an 11,313 SF restaurant and brewery

ANALYSIS — The figures contained herein focus on metro area retail buildings and service establishments.


MARKET OVERVIEW — Prospective homebuyers continued to grapple with low inventory and high interest rates, leaving renting the most economical option for many.

Both factors contributed to elevated interest in multifamily investment throughout 2023. Of the 11 multifamily buildings sold in the metro, not including mixed-use properties, all but one building was constructed between 1965 and 1978. Many of these properties will require renovations and/or capital investment to remain relevant rental options.



The average capitalization (CAP) rate remained steady at 7.34% in 2023, compared to 7.28% in 2022. The average vacancy rate for the buildings that sold ranged from 3% to 5%.

LOOKING AHEAD — Low vacancy coupled with steady rent growth means multifamily properties will continue to be favored by investors in 2024. Multifamily construction, specifically those units integrated into mixed-use properties, continues with approximately 900 units nearing completion, under construction or proposed for 2024.

SIGNIFICANT TRANSACTIONS — ANNOUNCED, IN PROGRESS, COMPLETED OR TRADED

- 5502 Kirkwood Boulevard SW, Cedar Rapids — EAGLE'S POINTE APARTMENTS — 72 residential apartments sold for \$6,875,000
-  • 3100 10th Avenue, Marion — GREEN PARK APARTMENTS — construction on the first of two buildings was completed — \$25,000,000 investment
- 135 33rd Avenue SW, Cedar Rapids — WILLOWBROOK CONDOMINIUMS — 72 residential apartments sold for \$4,500,000
- 1113 6th Street SE, Cedar Rapids — VILLAGE APARTMENTS — 22 residential apartments with four first-floor commercial spaces, sold for \$2,450,000

LARGE-SCALE MIXED-USE PROJECTS ANNOUNCED OR IN PROGRESS

-  • 222 3rd Street SE, Cedar Rapids — GUARANTY BANK, WORLD THEATRE AND DRAGON RESTAURANT BLOCK — sold as an adaptive reuse for \$2,800,000; the bank will be repurposed with commercial suites on the first floor and 80 market-rate apartments above, the former theatre will be leased to a 10,000 SF gym/training facility and former Dragon restaurant will be first-floor commercial with 13 market-rate apartments above
- 116 16th Avenue SE, Cedar Rapids — VESNICE — a six-story residential building was announced with 63 units in addition to a four-story mixed-use building with 22 units plus 1,443 SF of commercial space, \$23,700,000 investment
-  • 1218-1310 3rd Street SE, Cedar Rapids — FULTON LOFTS (f/k/a Redball Lofts) — construction began on 34 market-rate multifamily rental units with 6,600 SF first-floor commercial space, \$9,800,000 investment

ANALYSIS — The figures contained herein focus on metro area multifamily buildings and/or complexes with a minimum of six units. Small-scale multifamily properties consisting of duplexes, townhomes or condos do not accurately affect local cap rates, vacancy or rental rates and are therefore excluded from this analysis.

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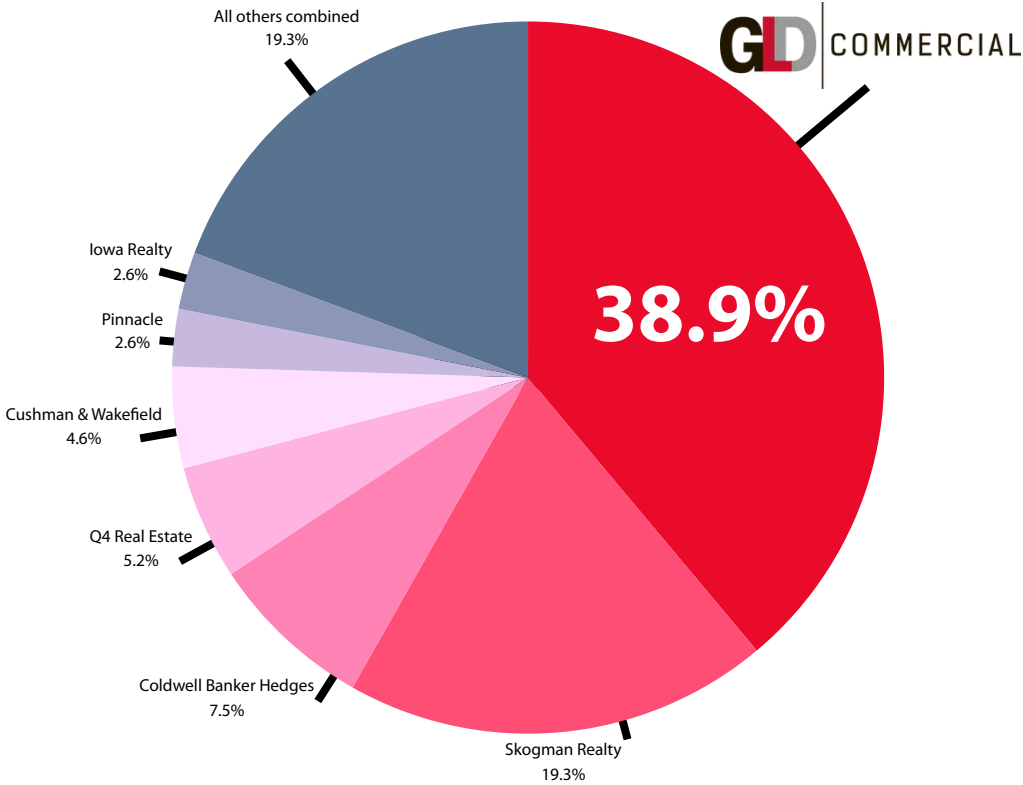
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2023 Cedar Rapids Metro Market Share



Commercial Real Estate Volume Per Firm

*Figures provided by the Cedar Rapids Area Association of Realtors Multiple Listing Service (MLS)



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