

The purpose of this study was to answer two main questions:

First, how have current economic conditions, both national and local impacted occupancy for local commercial real estate?

Second, what are the implications for future commercial development in our area?



COMMERCIAL REAL ESTATE MARKET STUDY.

The first step was to survey commercial property owners and/or property managers to collect data directly from the market participants. Second, we conducted various interviews with local professionals active in the market.

OFFICE/RETAIL MARKET.

We have not experienced severe softening in the office/retail market locally due to a significant slowdown in the amount of land being platted for office/retail type subdivisions. In 2005/2006, there was concern about the amount of land/lots being made available for development. We considered there to be a surplus of lots. However, local participants have recognized the warning signs and since 2007 there have been no major subdivisions added to the supply.

Office/Retail Vacancy Results

Location	SF Surveyed	Included in Study		Vacant	
		SF	%	SF	%
IC	4,137,542	2,371,195	57.31%	165,604	6.98%
CV/NL	3,214,486	2,366,899	73.63%	186,570	7.88%
CBD	813,201	396,698	48.78%	10,806	2.72%
Total	8,165,229	5,134,792	62.89%	362,980	7.07%

not including Coral Ridge Mall

We estimated that there are currently 77 lots available for development. Most of these lots range in size from 1 to 2 acres. Based on our yearly absorption estimates we approximate there to be a 3 to 5 year supply of commercial lots currently available.

The health of the local office/retail market is reflected in its ability to reabsorb those big box properties vacated in the late 1990's. Many of these properties have successfully transitioned to single user spaces, or have been divided for multiple users and are all fully occupied.

Office/Retail Projects	
Project Name, City	Year Platted
Highlander (Northgate), IC	1984
North Airport Lots, IC	2000
JJR Davis, IC	2004
MWD Davis (new Menard's), IC	2005
Olde Towne Village, IC	2005
Heartland Plaza (Wal-Mart), CV	1999
Coral Court, CV	2000
Grantview, CV	2004
Coral North, CV	2006
Beaver Kreek Centre, NL	1996-2001
Liberty's Gate, NL	2000
Commercial Corridor, NL	2002
Liberty Centre, NL	2004
Grand Rail, NL	2006
Grand North, NL	2007

IC=Iowa City CV=Coralville NL=North Liberty

INDUSTRIAL REAL ESTATE MARKET.

The market for industrial space has developed supply well beyond the current demand. Every company is seeking ways to increase efficiency and cut unnecessary expense. The prime strategy other than employment cuts is to more effectively manage inventory both raw and finished. This is a longer term trend that is exacerbated in the short term by reduced inventories in response to the recession.

The Johnson County market has not been spared from these trends. While spaces over 100,000 are currently seeing vacancies nearing 15%, those spaces under 100,000 SF are nearing 10%. A market in equilibrium

would experience vacancies in the 6 to 7% range.

In 2009, only 24,385 SF of new industrial space was built. This is considerably below the ten year average of 313,112 SF. It is reasonable to expect little new construction of competitive space until the current oversupply is rectified. Historically the market has been able to absorb between 100,000 and 130,000 SF of space annually. At this rate it could be five to seven years before the imbalance is addressed assuming that there is little or no new construction.

Industrial Property Vacancy (buildings > 100,000 SF)

Location	SF Surveyed	Included in Study		Vacant	
		SF	%	SF	%
IC/CV/NL	5,703,958	4,498,304	78.86%	715,025	15.90%

Industrial Property Vacancy (buildings < 100,000 SF)

Location	SF Surveyed	Included in Study		Vacant	
		SF	%	SF	%
IC/CV/NL	2,764,986	1,262,346	45.65%	114,287	9.05%

Industrial Subdivisions

Name	Year Platted
BDI Industrial Park 5th Addn., IC	1987
WB Devel/Scott's/ABCO, IC	1980's & 90's
Scott Six Industrial Park, IC	1998
Gateway Commercial Condos, IC	1999
Westcor Business Park, CV	2004
I-380 Industrial Park, NL	2000
Saints Corridor Comm'l Park, NL	2001
Deerfield Industrial Lots, NL	2001
Progress Park, NL	2004

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