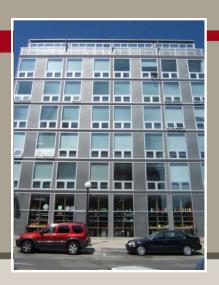
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The purpose of this study was to answer two main questions:

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.

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 | Vacancy | Paculte |
|---------------|---------|---------|

|                                |           | Included in Study |        | Vacant  |       |
|--------------------------------|-----------|-------------------|--------|---------|-------|
|                                | SF        |                   |        |         |       |
| Location                       | Surveyed  | 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 |           |                   |        |         |       |

| 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 |              |

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#### 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)**

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

### **Industrial Property Vacancy (buildings < 100,000 SF)**

|  |          | Included in Study |           | Vacant |         |       |
|--|----------|-------------------|-----------|--------|---------|-------|
|  |          | SF                |           |        |         |       |
|  | Location | Surveyed          | 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          |

IC=Iowa City CV=Coralville NL=North Liberty







