2023

COMMERCIAL REAL ESTATE MARKET REPORT

QUAD CITIES AREA | IOWA & ILLINOIS

NAI Ruhl Commercial Company

COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

5111 UTICA RIDGE ROAD, DAVENPORT, IA 563 355 4000 **RUHLCOMMERCIAL.COM**

QUAD CITIES

IOWA + ILLINOIS

The Quad Cities metro area includes the communities and surrounding areas of Davenport and Bettendorf in Iowa, and Moline, East Moline and Rock Island in Illinois.

More than 30,000+ businesses including John Deere World Headquarters, Alcoa, Kraft, Exelon and a major military installation - the Rock Island Arsenal - call the Quad Cities home.

Davenport, IA	Bettendorf, IA	Moline, IL	East Moline, IL	Rock Island, IL
101,009 People	39,327 People	42,418 People	21,136	36,636

BUILD YOUR BUSINESS HERE

41 Million
People live within a 300 mile radius of the Quad Cities

469,711 MSA

Companies can efficiently move goods & services globally by:

Barge **Rail** **Air** **Interstates**

Low Cost of doing business and cost of living

Top 10
Places for Millennials to Live
RealtyHop

'Heart of the Midwest' along the Mississippi River, I-80, I-88, and I-74 with **close access to major markets**: Chicago, Minneapolis-St. Paul, St. Louis, Des Moines, Omaha, Kansas City and Indianapolis.

40+ Colleges and Universities within a 90 mile radius around the Quad Cities

Ranked #3 Best Affordable Places to Live
U.S. News & World Report 2021-2022

4,500,000 Visitors to the QCA Annually, who spend $958.76 Million

NAI Ruhl Commercial Company
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

Source: visitquadcities.com

Intro

Message from John G. Ruhl

President, NAI Ruhl Commercial Company

Thank you for taking the time to review the 2023 Commercial Real Estate Market Report and joining us at our annual event!

We are delighted to present the Quad Cities' premier and most comprehensive outlook on the regional commercial real estate market. This information has never been more critical as we find ourselves in very unique times, globally and regionally, and are faced with important decisions as it relates to commercial real estate from a buyer, seller or user perspective.

We have based our report on transactional data in the marketplace, and first-hand knowledge from our experienced brokers and property managers, who are seeing the changes unfold in "real time" as they navigate current conditions in the marketplace while serving their clients.

For our live event this year, we have called upon KC Conway, CCIM, CRE, MAI, Co-Founder and Principal of Red Shoe Economics and CCIM Institute Chief Economist, a leading nationally recognized commercial real estate economist, to offer his perspective and analysis on what we are experiencing and what we can expect in the immediate future in our segment of the financial world.

We hope you enjoy and receive value from the information to follow. We thank you for your continued business and look forward to working with you in the future on any of your commercial real estate needs. Please contact your current NAI Ruhl Commercial Company professional for specific questions regarding this report or any other needs you may have.

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NAI Ruhl Commercial Company is the leading full service commercial real estate service provider in the Quad Cities region and the only provider of a report of this comprehensive nature in this market.

Pricing Summary

Office

Office Classification	Rental Rates (NNN)	Sale Prices
New Construction	$20.00 - $28.00 PSF	$200.00 - $350.00 PSF
Class A	$16.00 - $18.00 PSF	$130.00 - $160.00 PSF
Class B	$10.00 - $14.00 PSF	$70.00 - $130.00 PSF
Class C (Gross)	$8.00 - $10.00 PSF	$50.00 - $65.00 PSF
Downtown	$8.00 - $14.00 PSF	---

Retail

Retail Classification	Rental Rates (NNN)	Sale Prices
Small (1,800 - 2,500 SF)	$8.00 - $30.00 PSF	$42.00 - $267.00 PSF
Medium (5,000 - 10,000 SF)	$5.00 - $25.00 PSF	$26.00 - $225.00 PSF
Big Box (20,000 - 80,000 SF)	$8.00 - $20.00 PSF	$18.00 - $99.00 PSF

Industrial

Industrial Classification	Rental Rates (NNN)	Sale Prices
Existing Inventory		
10,000 SF or Less	$5.00 - $7.00 PSF	$55.00 - $70.00 PSF
10,000 SF to 25,000 SF	$4.50 - $6.50 PSF	$50.00 - $65.00 PSF
25,000 SF - 50,000 SF	$3.75 - $5.00 PSF	$30.00 - $50.00 PSF
New Construction		
Greater than 50,000 SF	$6.00 - $8.00 PSF	$40.00 - $50.00 PSF
Flex Space		
3,000 SF - 5,000 SF	$6.50 - $9.50 PSF	$55.00 - $65.00 PSF
Contractor Suites		
1,500 SF - 3,000 SF	$10.00 - $12.00 PSF	$45.00 - $55.00 PSF

Land & Farm

Land & Farm Classification	Sale Prices Per Acre	Sale Prices Per Square Foot
Agriculture Land - Illinois	$4,800 - $13,000 AC	---
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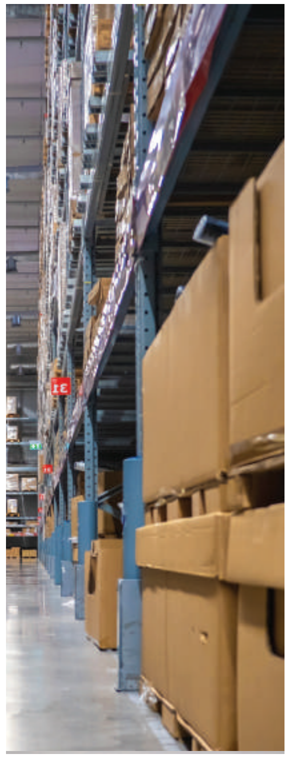
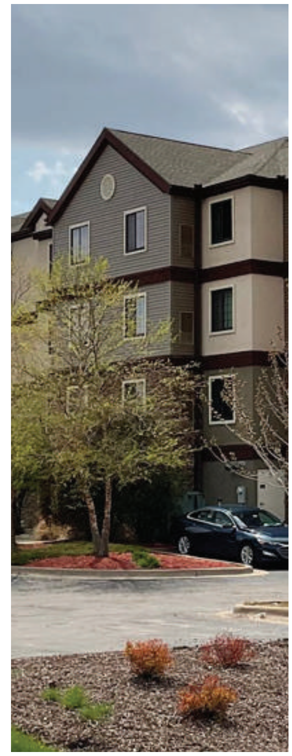
Land - Office	$152,460 - $413,900 AC	$3.50 - $9.50 PSF
Land - Retail	$130,000 - $1,500,000 AC	$2.95 - $25.00 PSF
Land - Industrial (Less than 10 Acres)	$108,900 - $152,000 AC	$2.00 - $3.50 PSF
Land - Industrial (More than 10 Acres)	$50,000 - $84,942 AC	$1.00 - $1.95 PSF



Economic Overview

Commercial Real Estate Experienced Strong Sales and Leasing Activity Despite Substantial National Influencing Factors

Written by John G. Ruhl

Despite substantial national influencing factors, including concerning inflationary numbers, historical click-up in interest rates, geo-political concerns and a dichotomy change in labor trends and worker practices, commercial real estate continues to demonstrate strong sales and leasing activity remains active dependent upon the specific discipline.

One of the most common conversations that directly impacts commercial real estate is the post-pandemic phenomenon of remote working. This custom became prevalent during the COVID-19 shutdowns and has caught on, and in some cases has become an expectation of employees as part of their overall employment and compensation packages. The obvious commercial real estate impact has been a reduction in office space demand and large employers adjusting their required footprints or reducing their space as their existing leases permit. It would appear that we will continue to see this trend though long-term concerns such as worker productivity, mentoring from senior personnel to newer employees, which was historically accomplished by side-by-side working and shadowing, and workplace competitiveness likely will arise over time.

Medical office space is a bright spot in the office segment. The medical industry appears to be responding to demographics and consumer habits by locating medical services near new housing developments for ease of consumer access.

Over the last few years, many workers previously employed in the restaurant and service industries have chosen different paths for reasons of lifestyle and are choosing to avail themselves of government entitlements and non-traditional “gig” type means of supporting themselves. This has made it particularly challenging for restaurants, retailers and businesses that require entry-level type labor roles to operate. This has also caused substantial cost increases for traditional businesses who have had to drastically increase hourly labor rates to attract and retain employees for these entry-level positions. Additionally, workers leaving the marketplace for earlier than typical retirements or in pursuit of more entrepreneurial ventures has furthered the issue.
This has translated into increased restaurant and retail closures, compression of new restaurant and retail openings, consolidation of locations, and reduction in hours of operation for businesses experiencing this impact. This is not to say that new openings are not occurring but merely to say that operators are acknowledging, and in some cases, concluding not to proceed with new openings with the added staffing challenges.

The warehousing and distribution segments have thrived due to online sales of products across the board. Industrial rents have increased dramatically, as have sales prices per square foot for existing product. There is a substantial lack of supply of modern warehousing product. This has invigorated new construction of industrial space and the sale of existing industrial product for investment as it becomes available.

Land sales have been active in keeping with the particular activity in each commercial discipline. Transitional land for residential development, both for single family and multi-family, retail development and agricultural land have all seen strong activity and increased pricing. Land sale activity in the Iowa Quad Cities has significantly exceeded land sale activity in Illinois.

The national and regional hospitality segment has had a positive run. This area was stagnant for several years, not only due to the pandemic but also the result of available financing from traditional lenders. Activity was also bolstered by a number of the major hospitality brand operators releasing new flags to meet changing consumer demands as well as to make a way for franchisees looking to expand within their markets without cannibalizing their existing holdings. The Quad Cities area has followed suit with numerous new hotel openings and more on the way in the near future.

Housing demand nationally and regionally have spurred new apartment developments. Rental rates have increased significantly over the past several years, not only due to lack of quality, amenity-rich product, but also due to costs associated with inflation. National investors have entered the Midwest market, often with 1031 exchange money in hand based on the sale of existing portfolios at premium prices in larger markets, with the feeling that this area offers greater stability and less competition from other similar investors. Lenders have been eager to finance multi-family product with the feeling of security due to a diversification of tenancy and demand in the market. Nationally, many believe this investment type has had values overinflated based on competition from investors though higher interest rates from lenders are likely to temper demand nationally.

Office

Calm *after* the storm

Information contributed by Richard Schaefer, Shawn Langan, Pete Hadjis and John G. Ruhl

Now that the dust has settled from the total uncertainty of COVID-19, office occupiers are slowly becoming active again, but are proceeding with caution. Some concerns of office tenants and owners alike include the fear of another pandemic, long-term effects and viability of the work-from-home model, and the concern of a recession.

Thankfully, our regional developers were smart, and lenders were conservative so that the Quad Cities market was not "over built" with new office product. We are seeing an increase in vacancies for 2nd and 3rd generation office space, especially in the 2,000 SF and smaller range. This has been putting downward pressure on lease rates and sale prices for that product.

The Quad Cities region has fared very well compared to many major cities, most of which are experiencing substantial vacancies, especially in downtown areas. Crime, fear of use of public transportation, relocation of headquarters out of downtown areas to suburban locations, and fewer employees working at the office have had a substantial impact.

Office Trends

Activity	Inventory	Vacancy Rates (%)	Average Sale Price	Average Rental Rates (NNN)
▼	▲	▲	▼	▼

Those who are active in the market are looking for smaller office spaces and shorter-term leases (3 years or less) to accommodate the work-from-home flexibility. Shorter-term leases often require tenants to seek spaces that are as close to "plug and play" as possible.

Many current tenants are renewing leases and remaining in existing spaces with shorter-term renewals or with termination provisions, typically with a penalty paid to the landlord at time of notice of termination. Some tenants request to recast their lease to reduce their footprint and occupancy costs, if possible. With shorter lease terms, landlords are limited in what can be provided upon renewal, such as improvements or updates to the tenant's space, which is typically negotiated for a long-term renewal of five years or longer.

In addition to noticing the “renew and stay put” trend over the past few years, it is interesting to note the profile of users committing to new and longer-term leases or office building purchases. Historically, we think of office occupiers in professions such as: accounting, law, engineering, financial planning, insurance, etc. However, the most active larger office occupiers have recently included: childcare, medical services, counseling, not-for-profit entities and social service organizations.

Notable Office Transactions

Address	City, State	Size	Intended Use
1701 River Drive	Moline, IL	45,000 SF	Social Service Agency
852 Middle Road	Bettendorf, IA	24,800 SF	Not-for-Profit
4101 John Deere Road	Moline, IL	20,000 SF	Not-for-Profit
865 Lincoln Road	Bettendorf, IA	17,000 SF	Medical Office
1510 47th Avenue	Moline, IL	15,300 SF	Childcare
3800 23rd Avenue	Moline, IL	12,000 SF	Childcare
3390 Utica Ridge Road	Davenport, IA	11,000 SF	Childcare

Bethany for Children & Families
1701 River Drive, Moline, IL
45,000 SF

Vera French Community Mental Health
852 Middle Road, Bettendorf, IA
Floors 1-3 | 24,800 SF

PJ Tender Care
1510 47th Avenue, Moline, IL
15,300 SF

No significant speculative office development has occurred recently in the Quad Cities market. Most new development is and has been driven by tenants building for their own use and as a personal investment. This activity has been limited by substantial increases in construction costs.

Our expectation is that much will remain unchanged for the next 12 to 24 months in terms of office space. Eventually, occupiers will have more confidence in the future and will return, although spaces will likely be smaller than years prior based on efficiencies and worker habits. Those employees that can effectively work from home will continue to do so, at least for the short-term.

Pricing

Office Classification	Rental Rates (NNN)	Sale Prices
New Construction	$20.00 - $28.00 PSF	$200.00 - $350.00 PSF
Class A	$16.00 - $18.00 PSF	$130.00 - $160.00 PSF
Class B	$10.00 - $14.00 PSF	$70.00 - $130.00 PSF
Class C (Gross)	$8.00 - $10.00 PSF	$50.00 - $65.00 PSF
Downtown	$8.00 - $14.00 PSF	---

Retail

Reawakening after COVID-19

Information contributed by Richard Weinstein, Shawn Langan, Pete Hadjis and John G. Ruhl

The retail market is active, but cautious, both locally and nationally. Deals have been taking longer to complete due to careful negotiations, as well as construction and financing challenges, but retailers are actively working to find suitable space at pricing and terms that work for them.

Retail Trends

Activity	Inventory	Vacancy Rates (%)	Average Sale Price	Average Rental Rates (NNN)
▲	▲	▲	▼	▼

Developers continue to build retail strip centers in high profile locations, but typically do not begin construction until they have secured 50% lease up with strong credit tenants. Construction pricing is extremely high based on supply chain issues, which has resulted in challenges due to the delivery of certain building materials and components. This, along with inflationary price increases, high labor costs, higher interest rates, and more conservative lending, has resulted in a limited number of developers actively building retail product. Those that do move forward with building have to lease at $25-$30 per square foot on a triple net basis to make the project financially viable. These pricey rental rates limit the tenant pool considerably.

Smaller retail tenants active in the market are drive-thru coffee shops and fast-food chains, small neighborhood bars, quick service restaurants, health and fitness, automotive, medical and optical, cell phone stores, vape shops, and salon/beauty services.

Two grocers are expanding in the market. Aldi built a new 19,110 square foot store in Bettendorf, which opened in the Fall of 2022. Fareway has leased the former Slagle's Grocery space in Le Claire, consisting of 18,000 square feet and is expected to open in Summer 2023.

The former Schnuck's at Duck Creek Plaza in Bettendorf and adjacent available space (formerly a Marshall's) has been leased to Malibu Jack's, which is an indoor family fun center totaling 92,000 square feet. It is being remodeled and is expected to open fall of 2023.

Harbor Freight
SouthPark Mall, Moline, IL
20,000 SF

Fareway Grocery
1301 Eagle Ridge Rd., Le Claire, IA
18,000 SF

Mister Car Wash
Birchwood South, Bettendorf, IA
6,620 SF

In Davenport, the former Gordman's on Elmore Avenue has been leased to HyVee to use as a large regional production bakery facility and pharmacy. Additionally, the previous Dick's Sporting Goods location on Elmore Avenue has been subdivided to accommodate a 15,000 square foot BioLife plasma center and proposed additional small retail uses.

The 52,000 SF former Gordman's in Moline on 27th Street was sold to a developer and has been subdivided for a Harbor Freight Tools in 20,000 square feet. The remaining square footage is available to lease to other smaller tenants.

These are all prime examples of shopping center owners responding to a struggling "Big Box" retail market by subdividing to attract more active smaller tenants and pursuing non-traditional uses to fill vacancies in high profile shopping centers. This is a trend nationally as many large retail tenants fall into bankruptcy or are forced to close lesser performing locations. Southpark Mall in Moline and Northpark Mall in Davenport are both experiencing tenant loss and large vacancies and will likely follow similar trends in order to fill their vacancies.

Notable Retail Transactions & Developments

Retailer	Address	Size	New or Former Use
Malibu Jacks	Duck Creek Plaza, Bettendorf, IA	92,000 SF	Former Schnuck's/Marshalls
Harbor Freight Tools	SouthPark Mall, Moline, IL	20,000 SF	Former Gordman's
Aldi	3221 Devils Glen Rd., Bettendorf, IA	19,110 SF	New Construction
Fareway Grocery	1301 Eagle Ridge Rd., Le Claire, IA	18,000 SF	Former Slagle's Grocery
Starbucks, Jersey Mike's, Rock Valley Physical Therapy	Birchwood South, Davenport, IA	9,800 SF	New Construction
HyVee Fast & Fresh	Birchwood South, Davenport, IA	6,700 SF	New Construction
Mister Car Wash	Birchwood South, Davenport, IA	6,620 SF	New Construction
Club Car Wash	3035 E 53rd St., Davenport, IA	5,526 SF	Formerly IHOP
Freddy's Steakburgers	Birchwood South, Davenport, IA	3,500 SF	New Construction

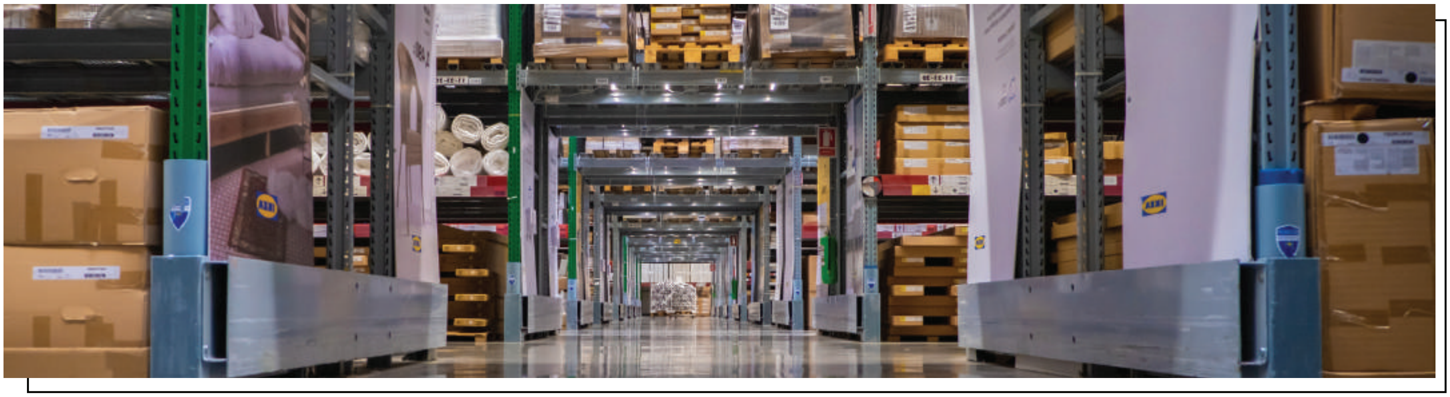
Positive signals in our market include a new retail project developed by Russell, located on East 53rd Street and known as Birchwood South. New retailers include Starbucks, Jersey Mike's, Mister Car Wash, Rock Valley Physical Therapy, HyVee Fast & Fresh, Freddy's Steakburgers, with more to come.

The TBK Sports Complex continues to see strong activity welcoming additional small retailers. The second phase of this development has been announced and will include Iron Tee Golf, a new indoor golf driving range facility as an anchor, McDonald's, a new hotel and much more.

The retail segment in the immediate future is expected to continue to be approached with caution by national retailers, developers and bankers. More change in consumer habits, disposable income and available workforce are sure to reshape how retailers do business and adapt in order to continue.

Pricing

Retail Classification	Rental Rates (NNN)	Sale Prices
Small (1,800 - 2,500 SF)	$8.00 - $30.00 PSF	$42.00 - $267.00 PSF
Medium (5,000 - 10,000 SF)	$5.00 - $25.00 PSF	$26.00 - $225.00 PSF
Big Box (20,000 - 80,000 SF)	$8.00 - $20.00 PSF	$18.00 - $99.00 PSF



Industrial

Demand for Space has Increased Pricing & Created New Product

Information contributed by Charlie Armstrong, SIOR, Alex Kelly, Richard Schaefer and John G. Ruhl

Industrial space, primarily warehouse and manufacturing space, is in high demand in many markets nationally as well as in the Quad Cities market. Demand has exceeded supply for the first time in 20 years in the Quad Cities. For many years, the region's supply of existing space has been sufficient for tenants and buyers to have several options to choose from when studying the market. There has been a great deal of discussion among economic development officials, brokers and community leaders about a lack of modern industrial product. A lack of industrial buildings featuring up-to-date specifications that are expected by national users today, such as ceiling heights exceeding 24 feet, adequate column spacing, state-of-the-art fire suppression systems, and located on an interstate, have frequently caused our region to be eliminated as a potential site for companies considering a Midwest location.

Industrial Trends

▲	▼	▼	▲	▲
Activity	Inventory	Vacancy Rates (%)	Average Sale Price	Average Rental Rates (NNN)

The vastly increased country-wide demand has been caused by a number of converging factors that have occurred over roughly the last two years. Supply chain challenges have created a need to have ready product available on-shore has been a substantial driving force. Brisk E-Commerce sales of consumer products and an expectation by customers to receive items rapidly has driven a need for regional distribution points to expedite timely deliveries. Historic demand of products required for all types of construction have caused substantial price increases. The combined effect of all of this activity has resulted in historically low vacancy in the industrial sector of commercial real estate. Demand has slowed in several regions in the U.S. but has not cooled off in our region.

Pricing

Industrial Classification	Rental Rates (NNN)	Sale Prices
Existing Inventory		
10,000 SF or Less	$5.00 - $7.00 PSF	$55.00 - $70.00 PSF
10,000 SF - 25,000 SF	$4.50 - $6.50 PSF	$50.00 - $65.00 PSF
25,000 SF - 50,000 SF	$3.75 - $5.00 PSF	$30.00 - $50.00 PSF
New Construction		
Greater than 50,000 SF	$6.00 - $8.00 PSF	$40.00 - $50.00 PSF
Flex Space		
3,000 SF - 5,000 SF	$6.50 - $9.50 PSF	$55.00 - $65.00 PSF
Contractor Suites		
1,500 SF - 3,000 SF	$10.00 - $12.00 PSF	$45.00 - $55.00 PSF

Due to this low supply and high demand dynamic in our region, we have seen substantial price increases both in sales and leasing of industrial buildings. Our review of recent transactions suggests that pricing for sales and leases have both increased 15-20%. It is commonplace for quality buildings to receive multiple sale and lease proposals promptly after being placed on the market as there are many buyers and tenants waiting for properties to become available. Landlords are very well positioned as they are able to negotiate confidently for longer lease terms, premium pricing, annual price increases of 1-3% and limited landlord funded improvements, as they know there will likely be multiple interested tenants competing for the property. The same is true in sale scenarios. Sellers are pricing quality properties at aggressive prices and achieving record sale prices on a square foot basis with very few contingencies included in final purchase agreements. Lenders are anxious to finance qualified owner-occupied industrial properties knowing the limited supply available.

The increased pricing of existing buildings has, after many years of stagnant pricing, finally caused new construction to be a more viable option for buyers and tenants. We have seen more newly developed speculative industrial buildings constructed in the last 1-2 years than we have in the past two decades. Most of the speculative product that is developed is leased or sold while still under construction. Large projects such as the new Amazon Fulfillment Center (2.9 Million SF) and the new Fair Oaks Foods (150,000 SF) being specialized uses with proprietary designs obviously have no alternative to new construction. A number of other speculative projects in Bettendorf and Davenport were leased before being completed.

Notable Industrial Transactions

Address	City, State	Size	Type
7800 W 14th Street	Rock Island, IL	143,665 SF	Sale
200 E 90th Street	Davenport, IA	113,776 SF	Lease
3401-3560 5th Avenue	East Moline, IL	105,600 SF	Sale
2805 Research Parkway	Davenport, IA	29,400 SF	Sale
5550 Carey Avenue	Davenport, IA	22,224 SF	Sale

Notable Industrial Developments

Name	City, State	Size	Status
Amazon Fulfillment Center	Davenport, IA	2.9 Million SF	Complete; Opening 2024
Russel Industrial Park	Davenport, IA	900,000 SF	Planned
Russel Industrial Park	Davenport, IA	301,000 SF	Complete; Space Available
Russel Industrial Park	Davenport, IA	251,000 SF	Complete; Leased to Ryder
Mid-American Energy	Davenport, IA	188,000 SF	Complete
Fair Oaks Food Production Plant	Davenport, IA	150,000 SF	Under Construction
Bettendorf Industrial	Bettendorf, IA	75,000 SF	Complete
Ramar Trucking	Eldridge, IA	68,000 SF	Under Construction
Twin City Concrete	Eldridge, IA	50,000 SF	Complete
Bettendorf Industrial	Bettendorf, IA	50,000 SF	Complete
Iowa American Water Company	Davenport, IA	45,000 SF	Under Construction

Amazon Fulfillment Center
Davenport, IA

Russell Industrial Park
Davenport, IA

Mid-American Energy
Davenport, IA

As a result of the recent demand for newly constructed industrial buildings, existing quality industrial sites have enjoyed substantially increased sales prices as well. Small improved industrial lots (2-4 Acres) with prices stagnant for a decade at $1.00-$1.50 per square foot are now trading for as much as $3.50 per square foot, if you are fortunate enough to find one.

Developers have responded with bringing new industrial land development to the market. Russell has developed a new 95 acre industrial park at I-80 and Northwest Boulevard in Davenport and has two buildings completed including a 301,000 square foot speculative building currently available, and a 251,000 square foot building leased to Ryder. The development plans for an additional 900,000 square feet of space in various sized buildings.

While most of the new activity has been Iowa-based, Illinois industrial activity and pricing is enhanced as well. Based on limited availability of existing product in the overall market existing quality industrial buildings in Illinois are seeing very good activity as well, though they are typically trading for 5-10% less on a square foot basis than Iowa properties.

Very recently, due to higher interest rates and frequent predictions of a recession, activity has slowed slightly from its height dependent upon the market location. This being the case, activity and pricing appear to have plateaued but are vastly enhanced as compared to the last decade. This trend of strong industrial sales and leasing is anticipated to continue for at least the next 12-24 months. Factors that will be of consequence in the near term are interest rates, fluctuation in new construction costs and recessionary concerns.

Land & Farm

Quad City Land Sales Mirror Market Demand for Housing, Small Retail, and Industrial

Information contributed by Thomas Dalton and John G. Ruhl

New construction is active in the Quad Cities, which is the driving force behind land sales. We are seeing activity in most of the segments of commercial real estate. Transitional land has been active in growth areas, such as Bettendorf and Pleasant Valley, in order to make way for residential housing. Residential land sales were primarily for single family homes, condominiums, limited apartment projects and one assisted living project in Bettendorf. This activity slowed towards the end of 2022 as interest rates increased.

Strong industrial activity has paved the way for limited industrial land development to accommodate new industrial facilities. This activity is primarily occurring in Davenport on the I-80 corridor. The bulk of the industrial land developed has been for larger industrial buildings in excess of 100,000 square feet. There remains a gap in the available industrial land market in small (1-5 acre) industrial lots to accommodate 10,000-50,000 square foot industrial buildings for which we feel there is strong demand but virtually no available existing building inventory in the market.

Land Trends

Farm Land Cap Rates	Farm Land Rental Rates	Average Price of Farm Land	In-fill Commercial Land Inventory

Retail land is moderately active for small retail strip centers, some freestanding retail buildings and numerous new car washes, which are paying top dollar for high profile land sites consisting of 1-2 acres. The big box segment of retail is quiet based on challenges of online sales and other economic factors.

There is very limited office land sales activity due to the uncertainty of the overall office market both nationally and regionally. The office land sales that did occur in 2022 and early 2023 were site specific and were chosen to accommodate small build-to-suit projects, primarily consisting of medical and dental space.

Similar to the last few years, land sale activity is anticipated to be good for the immediate future, though it will likely pause somewhat as many wait to see what federal policy makers do with interest rates.

Pricing

Land & Farm Classification	Sale Prices Per Acre	Sale Prices Per Square Foot
Agriculture Land - Illinois	$4,800 - $13,000 AC	---
Agriculture Land - Iowa	$6,381 - $18,150 AC	---
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Land - Industrial (More than 10 Acres)	$50,000 - $84,942 AC	$1.00 - $1.95 PSF

Investments

Commercial Real Estate Investment in the Midwest is Viewed as Stable and Smart Diversification in Light of a Bumpy Stock Market.

Information contributed by John G. Ruhl

The commercial real estate investment market continues to be strong. There remains more demand and available capital than there is existing high quality investment product both nationally and regionally. As interest rates have crept higher and talk of a recession continues, demand has softened slightly, though capitalization rates (cap rates) have not been substantially impacted, as of yet.

Investors pursuing commercial real estate are typically less concerned about the geographic location than they are about the property type, length of lease term for stability, overall return on their money, potential for appreciation or depreciation of end value, financial strength and quality of the tenant(s), condition of the property and ability to re-tenant the building at the conclusion of the lease. Those selling quality properties in major metro areas where property values are already selling for a premium price due to higher rents, will likely receive multiple competing offers, further inflating the sale price. This drives down cap rates, causing the purchasing investor to receive less of a return on their dollar. Many investors are taking advantage of 1031 Like Kind Exchanges in order to defer capital gains and reinvesting their proceeds into properties located in the Midwest, as they are able to achieve more attractive returns and get “more bang for their buck” in what is considered a more stable market.

Large apartment projects have been favorable as investors and lenders have viewed them as well diversified due to the number of tenants and the much talked about undersupply of housing overall. Multi-family properties are more challenging from a management standpoint and require a considerable amount of effort by ownership and/or their property manager. With competition driving investor returns down and tenants not paying their rents during the pandemic, both investors and lenders are practicing more caution when considering this property class. There are some feelings that the multi-family market has become somewhat overheated with some properties trading for less than a 6% cap rate. Cap rates of 6.5-8.5% have been more common in recent history.

Current Cap Rates

8%	4.6% - 7%	6% - 7.5%	6.5 - 8.5%
Office	Retail	Industrial	Multi-Family

Single tenant, triple net (NNN) retail leases, such as freestanding Starbucks investments, have been extremely popular based on the financial strength of the tenant and long-term nature of the leases (typically 10 years). They are also traditionally in high profile, high value locations offering a potential long-term exit strategy for investors. These properties with 9-10 years remaining on the primary lease can trade at a cap rate in the range of 4.2% to 5%. This is seen as a modest return for the investor though is exchanged for low risk and minimal responsibilities for an owner.

Investors seeking a slightly better return, yet still wishing to enjoy limited management responsibilities, are flocking to single tenant industrial properties. With the extremely strong demand for industrial buildings and some murkiness in the retail and office segments, banks are enthused about financing industrial assets to diversify their lending portfolios. A cap rate of 6% to 7.5% is a reasonable expectation for properties of this nature provided the tenant is of good credit and the lease term is in excess of 7 years.

In the immediate future, we expect that the commercial real estate investment market to remain stable overall. Tenant financial strength, property type, and interest rates have never been more important as banks continue to practice caution waiting to see what the future holds for the economy. Some entrepreneurial investors that have leveraged properties heavily, faced with an ending lease term and a looming note coming due with their lender, will certainly face challenges considering increased interest rates and lenders becoming increasingly cautious.

Notable Investment Transactions

Address	City, State	Type	Size	Price	Cap Rate
5000 Tremont Avenue	Davenport, IA	Industrial	120,500 SF	$8,329,000	6.68%
3401-3560 5th Avenue	East Moline, IL	Industrial	105,600 SF	$5,900,000	6.7%
5101 Tremont Avenue	Davenport, IA	Industrial	114,000 SF	$5,450,000	7.76%
4321 53rd Avenue	Bettendorf, IA	Office/Retail	9,857 SF	$3,800,000	7.75%
4000 E 53rd Avenue	Bettendorf, IA	Retail	25,236 SF	$2,900,000	8%

5000 Tremont Avenue
Davenport, IA
120,500 SF

4321 E 53rd Avenue
Bettendorf, IA
9,857 SF

4000 E 53rd Street
Davenport, IA
25,236 SF
Absolute Net Lease

Property Management Case Study

Expertise to Provide Property Management from the Owner's Viewpoint

Information contributed by Diana Haubenstricker

Property Management is the foundation of profitability and value of a real estate investment.

Our property management team is recognized as the leading commercial management firm by a wide variety of individual and institutional clientele. We manage over 1.8 million square feet of office, retail, institutional, and industrial space throughout the Quad Cities and surrounding area, as well as two (2) residential homeowner associations and four (4) commercial homeowner associations.

Approaching property and facility management from an owner's perspective, NAI Ruhl Commercial Company delivers unparalleled service, asset management, energy efficiency, and the reduction of real estate investment risk. With a unified team, we are able to harness the combined creativity and drive to produce superior quality and results as proven through one of our many case studies.

Case Study

During a very harsh winter, with temperatures below 0 degrees Fahrenheit, NAI Ruhl Commercial Company had a property under their management in which the heater of an occupied space had stopped working. The lack of heat caused a pipe that served the fire protection system to break. This incident happened at 2:00 AM on a Sunday morning.

The fire department called our property management team to provide access as the water from the fire protection system had pooled inside the suite, totaling at about 2-inches in height. Our property management team provided access to the local fire department and stopped the water from causing more damage to the suite.

Due to the vast rolodex of trusted vendors that property management has collected throughout the years, they quickly got in touch with a remediation company and began cleaning the space within hours of the reported break. Property management documented and took pictures of all the damage in the space to assist both the Landlord and the Tenant with the insurance claim that needed to be filed by each party.

> **Capstone has been working with Ruhl since we acquired the Village Shopping Center in 2014. Capstone has had a great experience with Ruhl's property management team. Ruhl is very responsive and they go above and beyond. We very much appreciate them and the services and quality they provide.**
>
> Sam Buchholz, Capstone Group

John G. Ruhl
President | Partner

Caroline Ruhl
Partner

Chris Beason
Partner

Our Company

A Solid Foundation in Commercial Real Estate

More Than 160 Years of Experience

Ruhl & Ruhl was established in 1862 during the Civil War. Additional real estate services were added by owner John H. Ruhl in 1900, and the company quickly grew into a community and industry leader. During the mid-twentieth century, Charles Ruhl, Sr. guided the real estate division into one of the region's best known residential and commercial brokerages. The company also established a strong emphasis on property management. Even during the slower economy of the 1980's, when many firms were contracting or had failed, the company continued to expand through market penetration and acquisitions.

Now in the fourth generation of the Ruhl family leadership, the company has evolved into three independent operations specializing in commercial real estate, residential real estate, and insurance.

A Major Force In Commercial Real Estate

Today, NAI Ruhl Commercial Company is led by President John G. Ruhl II, Caroline Ruhl, and Chris Beason, and has expanded into the region's largest full service commercial real estate firm with significant market presence in the Quad Cities, Iowa City and Dubuque, Iowa. In addition to commercial real estate, NAI Ruhl Commercial Company manages over 1.5 million square feet of office, retail, multi-family and industrial space throughout Iowa and Illinois, and is recognized as a leading commercial management and brokerage firm by a wide variety of individual and institutional clientele.

While still remaining true to our founders' Midwestern values, we have extended our reach throughout the world. We're proud to be affiliated with NAI Global, the largest managed network of commercial real estate firms connecting us to over 6,700 real estate professionals in 375 offices around the globe.


Charlie Armstrong, SIOR
Vice President/Director


Julie Billings
Client Services Coordinator


John Corelis
Senior Vice President


Tom Dalton
Senior Vice President


Jake Eikenberry
Commercial Sales Associate


Jeff Fenner
Field Maintenance Supervisor


Penny Fitzpatrick
Accounting Specialist


Pete Hadjis
Commercial Sales Associate


Annette Hallam
Accounting Specialist


Diana Haubenstricker
Asset Manager


Marie Holdridge
Senior Accounting Specialist


Alex Kelly
Vice President/Director


Carrie Lamb
Commercial Sales Associate

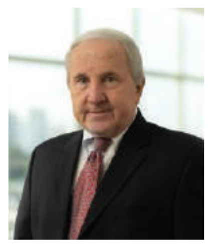

Shawn Langan
Vice President/Director


Jeff Lassiter
Marketing Director


Tom Losasso
Maintenance Technician


Carol Luciani
Director of Operations
Assistant to President


Marcia Mitchell
Senior Client Services
Coordinator


Ray Oczak
Vice President - Tri-State
Region


Jeannette Overton-Evans
Information Specialist


Megan Pieper
Commercial Sales Associate


John G. Ruhl
President/Designated Managing
Broker


Richard Schaefer
Vice President/Director


Zeb Schissel
Maintenance Technician


Ethan Simons
Commercial Sales Associate


Jeff Smith
Assistant Property Manager/
Maintenance Manager


Pete Stopulos
Commercial Sales Associate


Michele Stroyan
Maintenance Services
Coordinator


Bonnie Voelkers
Chief Financial Officer


Richard Weinstein
Vice President/Director

NAI Ruhl Commercial Company
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE


Aaron Healey
Tri-State Commercial Group


Ryan Anglese
Tri-State Commercial Group

Commercial Real Estate Leaders Since 1862

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