

# 2017-2018 Iowa & Illinois Quad Cities Area

## Commercial Real Estate Market Report



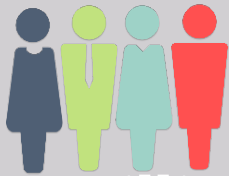
5111 UTICA RIDGE ROAD | DAVENPORT, IOWA  
563 355 4000 | [WWW.RUHLCOMMERCIAL.COM](http://WWW.RUHLCOMMERCIAL.COM)

# QUAD CITIES

IOWA & ILLINOIS

BUILD YOUR  
BUSINESS  
*here*

The Quad Cities metro area includes the communities and surrounding areas of Moline, East Moline, Rock Island in Illinois, and Davenport and Bettendorf in Iowa. More than 30,000+ businesses including John Deere World Headquarters, Arconic, Kraft Heinz, Exelon, and major military installation - the Rock Island Arsenal - call the Quad Cities home.



**37 Million**  
live within a 300 mile  
radius of the Quad Cities



**‘Heart of the Midwest’**  
along the Mississippi River, I-80, I-88, and I-74

Companies can efficiently  
move goods & services  
globally by:



Barge



Rail



Air



Interstates

**Low Cost**  
of doing business & cost of living



**400,000 MSA**



**Iowa Ranks #1 Nationally**  
for Physicians to work and live



**2nd Best Riverfront**  
along the Mississippi River, 2011



**40**  
**Colleges &  
Universities**  
within a 90 mile radius  
around the Quad Cities



**Illinois is #4  
in the Nation**  
for number of manufacturing jobs,  
Area Development Magazine, 2013

**Iowa ranks #6  
Nationally**  
in the percentage of gross state  
product in manufacturing,  
Area Development Magazine, 2013





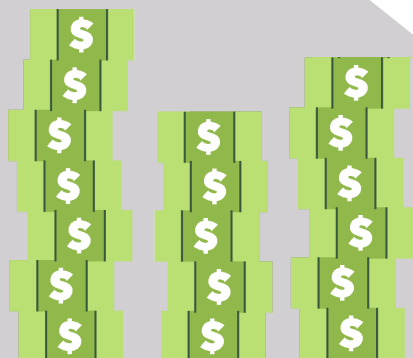
John G. Ruhl  
President

Thank you for taking the time to review the 2017-2018 Commercial Real Estate Market Report. We hope that you find this information valuable in your decision making in the year to come and as a helpful tool when advising your important clients.

The information is comprised of a summary of area activity, Commercial Multiple Listing Service (CMLS) statistics, interviews and data collected by our brokerage and property management professionals, research provided by local appraisers and multiple data sources locally, regionally and nationally.

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.

2017 was an excellent year for NAI Ruhl Commercial Company. 2018 is looking as though it will be a banner year with March being the second largest closing month in the history of the company. Several properties that we have been marketing have achieved "lease-up" based on the good market activity our area has been experiencing.



Average Transaction Price:  
\$414,154

100  
Sales Transactions

**SOLD**

114  
Lease Transactions

**LEASED**

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*Commercial Real Estate Market Report*, is produced once per year by NAI Ruhl Commercial Company to serve the region's business and community leaders, and real estate decision makers.

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# Market Overview

Information contributed by John G. Ruhl

As evidenced by the information to follow in this report you will see that nationally and regionally activity in the commercial real estate sector is strong. The other financial sectors continue to see growth with some fluctuation and corrections fueled by trade discussions, interest rate adjustments, political unrest and in the case of our region, commodity pricing.

The bigger story today is change. In each of the disciplines featured in the report you will note industry changes that distill down to pricing, activity, square footage, physical and lease term changes that impact how real estate occupants function within their space and how landlords will need to react in order to stay competitive.

A few of the notable changes that are directly impacting commercial real estate are as follows:

- Most national retailers are utilizing proprietary and industry specific software that mines data from their sales history identifying who their customer is and where they live and trade. The same software suggests what the tenant can justify in rent and other occupancy costs based on sales projections
- All types of businesses have become so reliant on internet connections due to their operational software being “in the cloud” that an interruption in connectivity can bring their day to day commerce to a screeching halt. For this reason, fiber-optic redundancy and now back-up power generation is becoming a requirement
- Driverless car technology, shared ride services and tele-commuting are decreasing parking demand for office and retail developments
- Security technology must now take into account mass shootings and terrorism events. Intruder detection, mass notification and improved and additional card access points will need to become the norm
- Texting and email communication while excellent tools for sharing detail with multiple parties and for documentation of facts is not always the appropriate vehicle for a discussion. Telephone and face to face meetings are still a necessary part of many transactions. Employers need to remind their staff members to utilize more intra-personal communication to provide a better service experience to their customer

All of us in the economic development world are observing that communities must compete as we have never competed before in order to land major employers and manufacturers in our communities. Examples of grass-roots efforts such as the Quad Cities Chamber's “Big Table” event demonstrates efforts being made by concerned citizens in our community to revision what our Quad Cities will look like in the future.

Talent recruitment and retention in today's competitive hiring market needs to be a priority. Work environment, location, ready resources and company culture are all critical components when making decisions and setting goals for an organization.

Please join our team in doing your part to make the Quad Cities an even more dynamic place to live, work and grow!

# Pricing Summary

## Office

	Low Rental Rates (NNN)	High Rental Rates (NNN)	Avg. Rental Rates (NNN)	Low Sale Prices	High Sale Prices	Avg. Sale Prices	Vacancy Rate
New Construction	\$18.00 PSF	\$26.00 PSF	\$20.00 PSF	---	---	---	---
Class A	\$13.00 PSF	\$20.00 PSF	\$16.00 PSF	\$114.00 PSF	\$281.15 PSF	\$187.40 PSF	4%
Class B	\$10.00 PSF	\$18.00 PSF	\$14.00 PSF	\$71.50 PSF	\$134.65 PSF	\$91.30 PSF	4%
Class C	\$7.00 PSF	\$10.00 PSF	\$8.75 PSF	\$5.65 PSF	\$121.30 PSF	\$46.25 PSF	12%

## Retail

	Low Rental Rates (NNN)	High Rental Rates (NNN)	Avg. Rental Rates (NNN)	Low Sale Prices	High Sale Prices	Avg. Sale Prices	Vacancy Rate
Downtown	\$8.00 PSF	\$14.00 PSF	\$10.00 PSF	\$35.00 PSF	\$85.00 PSF	\$60.00 PSF	10%
Neighborhood	\$9.00 PSF	\$19.00 PSF	\$15.00 PSF	\$50.00 PSF	\$120.00 PSF	\$80.00 PSF	10%
Regional Strip	\$18.00 PSF	\$25.00 PSF	\$22.00 PSF	\$120.00 PSF	\$190.00 PSF	\$155.00 PSF	5%
Big Box	\$5.00 PSF	\$12.00 PSF	\$8.00 PSF	\$15.00 PSF	\$35.00 PSF	\$25.00 PSF	10%

## Industrial

	Low Rental Rates (NNN)	High Rental Rates (NNN)	Avg. Rental Rates (NNN)	Low Sale Prices	High Sale Prices	Avg. Sale Prices	Vacancy Rate
Bulk Warehouse	\$1.75 PSF	\$2.50 PSF	\$2.25 PSF	\$13.00 PSF	\$20.00 PSF	\$16.50 PSF	15%
Distribution	\$2.50 PSF	\$5.50 PSF	\$4.00 PSF	\$20.00 PSF	\$45.00 PSF	\$32.50 PSF	5%
Manufacturing	\$2.00 PSF	\$5.00 PSF	\$3.50 PSF	\$15.00 PSF	\$40.00 PSF	\$27.50 PSF	3%
Flex Space	\$5.50 PSF	\$7.50 PSF	\$6.50 PSF	\$39.00 PSF	\$54.00 PSF	\$46.50 PSF	5%

## Land & Farm

	Low Sale Price Per Acre	High Sale Price Per Acre	Low Sale Price Per SF	High Sale Price Per SF
Argiculture Land - Illinois	\$4,500 AC	\$12,000 AC	---	---
Argiculture Land - Iowa	\$4,000 AC	\$12,000 AC	---	---
Transitional Land	\$30,000 AC	\$200,000 AC	---	---
Land - Office	---	---	\$3.00 PSF	\$6.50 PSF
Land - Retail	---	---	\$4.50 PSF	\$22.00 PSF
Land - Industrial (Less than 10 AC)	\$45,738 AC	\$119,790 AC	\$1.05 PSF	\$2.75 PSF
Land - Industrial (More than 10 AC)	\$30,492 AC	\$45,738 AC	\$0.70 PSF	\$1.05 PSF



## Office Trends



**ACTIVITY**



**INVENTORY**



**VACANCY RATES**



**AVERAGE SALE PRICE**



**AVERAGE RENTAL  
RATES (NNN)**

# Office

## Local Inventory Down, Lack of New Speculative Development

Information contributed by John G. Ruhl

Nationally, office demand softened in 2017, even as employment in the office sector improved. The square footage allocated per employee has and will continue to decrease. The dichotomy has changed in the workspace model. Employee workload has increased and other factors such as mobility and working styles of employees were also contributors to this change.

Often times, employment rates tend to be one of the greatest predictors of the office sector demand. The unemployment rate was 4.1 percent at the end of 2017, the lowest since 2001. But as technology continues to advance, it creates a work environment where face-to-face interaction is no longer universally seen as essential. Also, as office workers retire and are replaced by younger tech-oriented employees, we expect the tele-commuting trend to further shrink office footprints.

In major markets, there has been a flood of new speculative office development. The introduction of large blocks of space has increased overall availability. This has synthetically created a greater vacancy rate for the office sector.

New construction continues to be attractive to tenants because current designs and technology have been adjusted to today's working model. In addition, new construction tends to offer superior locations and other efficiencies. Demand for high-speed internet service, fiber-optic redundancy, and backup power generation have become even more critical due to companies reliance on constant and fast internet connections. In today's world an interruption in internet connectivity brings business to a screeching halt.

### LOCAL

As has been the case historically, the Quad Cities market is trailing national trends from a timing perspective. One example that we have seen is little to no speculative new office development. We have seen user-driven development in the medical, banking, and educational sectors.

### Developments Coming Soon



**Ascentra Credit Union Headquarters**  
Northeast Corner of Town Square | Bettendorf, Iowa  
40,000 SF



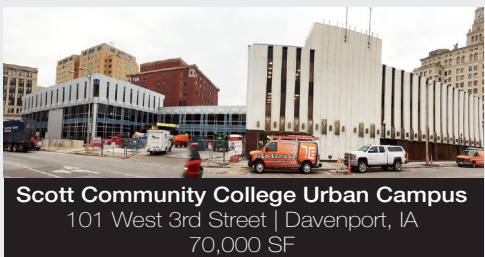
**IH Mississippi Valley Credit Union Headquarters**  
River Drive | Moline, IL  
80,000 SF

Both Ascentra Credit Union and IH Mississippi Valley Credit Union announced brand new headquarters to be built before 2020.

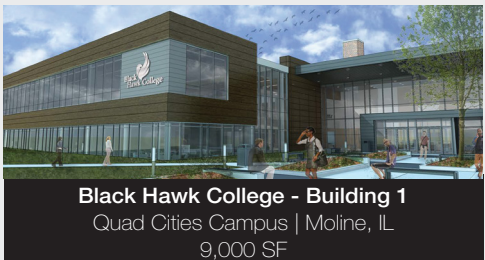
## Pricing

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## New Developments



Scott Community College continues construction on its \$30 million Urban Campus in downtown Davenport. The three-story west building opened in January 2018. It features classrooms and labs for computers, technology, science and medical. A second building, as well as a building connecting the two, will open in late spring 2018. It will house student services, Eastern Iowa Community Colleges administrative offices, continuing education classrooms, and a coffee shop.



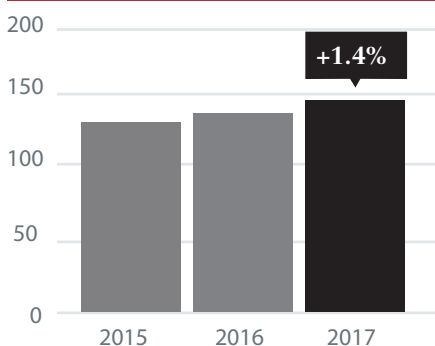
Recently, Black Hawk College broke ground on a two-story addition to its main building - Building 1. It will feature an open courtyard between the new addition and the existing building. The \$16 million project will include eight new larger classrooms and faculty offices, along with renovations to the existing building to include updates to the financial aid, registration and bursar's offices, a new HVAC system, LED lighting, and fire suppression system. Construction and renovations will be complete in summer of 2019.



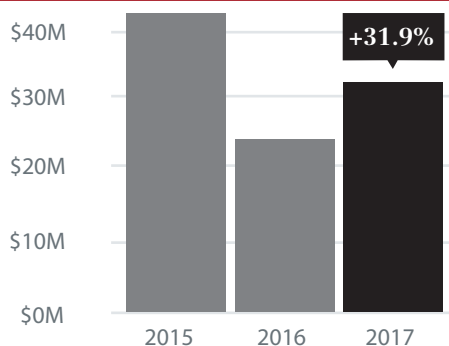
Genesis Health System began construction on its third HealthPlex location, the first in Davenport, which will open in late 2018. The \$13.6 million development will include family medicine offices, pediatrics, Genesis Convenient Care, comprehensive therapies, lab and x-rays, and additional health-related offices.

At it's East Rusholme Street campus, Genesis completed a \$150 million seven-story surgical and patient care tower. Within the tower are new surgical suites, procedure rooms, inpatient rooms and an expanded emergency department.

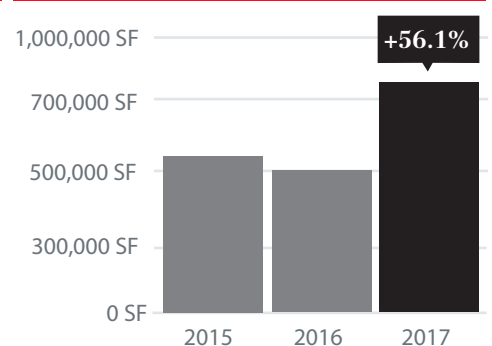
### Number of Transactions Sold and Leased



### Dollar Volume Sold and Leased



### Total Square Feet Sold and Leased





## Retail Trends



ACTIVITY



INVENTORY



VACANCY RATES



AVERAGE SALE  
PRICE



AVERAGE RENTAL  
RATE (NNN)

# Retail

## Transactions Stable, Volume Increases

Information contributed by Richard Weinstein and Chris Wilkins

The Quad Cities retail sector experienced a strong year in 2017. While activity was stable in terms of the number of transactions, there was a surge in volume as the average size of those transactions increased.

### IOWA

In the Iowa Quad Cities, we saw strong activity in the Elmore and 53rd Street corridor with new larger store openings such as Hobby Lobby, Dick's Sporting Goods, Golf Galaxy, and Field & Stream. The growth will continue with new retail such as the Altitude Trampoline Park, Costco, and HomeGoods.

Utica Ridge Road is experiencing growth with the new construction of My Place Hotel, a strip center that will include Five Guys Burgers & Fries, and a second hotel.

Other new retail activity we have seen in the area includes Pet Supplies Plus at the Village Shopping Center, and two new Kwik Star locations, with more to come over the next couple of years.

Marginally more small shop space was available in these areas, however, the inventory still is tight and rents are typically \$18.00 PSF to \$25.00 PSF.

Shopping centers along Kimberly Road continue to offer smaller space with lower rents.

### ILLINOIS

In the Illinois Quad Cities, the John Deere Road and SouthPark Mall area continues to be in high demand. SouthPark saw the opening of Olive Garden and in 2018 will welcome Ashley Furniture to the mall. We also will see the redevelopment of the old Mills Chevrolet complex.

Further east on John Deere Road, we saw the openings of Popeyes Louisiana Kitchen, Panda Express, and U.S. Cellular.

In downtown Moline, the Element Hotel initiated the opening of The Q development. The retail portion of The Q continues to add new tenants. The project recently announced a lease agreement with Urban Farmhouse and expects to announce local restaurant and coffee shop leases soon.

### New Restaurants



## NATIONAL

Retail closings and bankruptcies have been major news nationally with store closings due in large part to an increase in online sales and changing shopping patterns, especially among millennials. Companies such as Macy's, JC Penney and Sears all closed a significant number of stores in 2017. However, the 'slow and steady' Quad Cities economy has been, until recently, able to avoid some store closings such as Gordmans, JC Penney, and Sears in Davenport.

Local closings included Gander Mountain, Dunham's, Payless Shoes Source, Sam's Club in Moline, Younkers, and the anticipated closing of Toys R Us. These closings have increased the amount of available large retail spaces in the market.

### Retail Bankruptcies

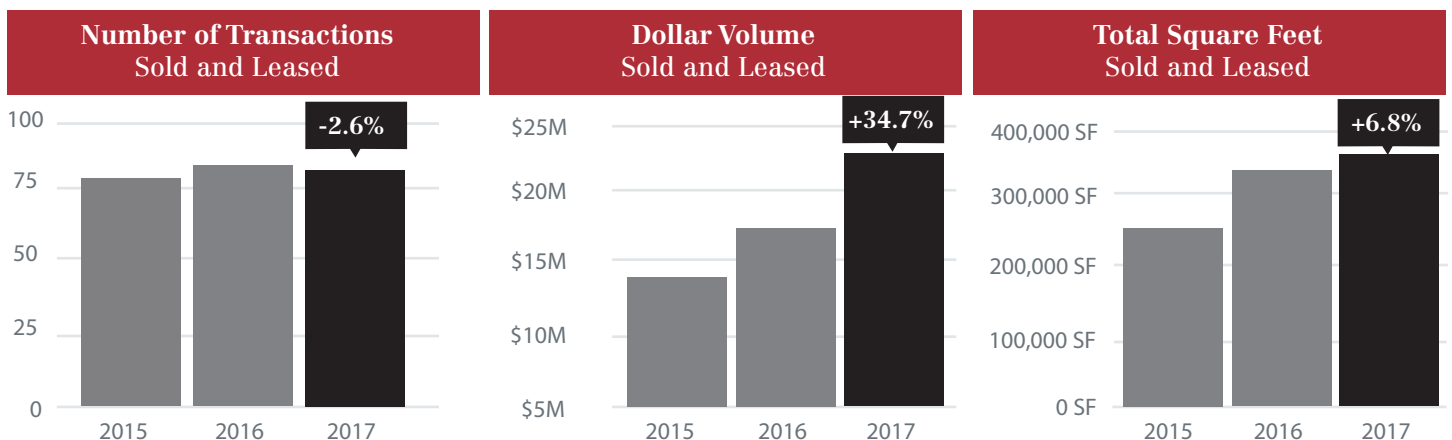


### Retail Closings



### Available Large Retail Spaces

Former Shopko	Moline, IL	104,000 SF
Former Hobby Lobby	Bettendorf, IA	65,000 SF
Former Dick's Sporting Goods	Davenport, IA	45,000 SF
Village Shopping Center	Davenport, IA	35,000 SF
Former Dunham's Sports	Davenport, IA	37,000 SF
Former Gander Mountain	Davenport, IA	28,000 SF
Former Staples	Moline, IL	25,000 SF



## Pricing

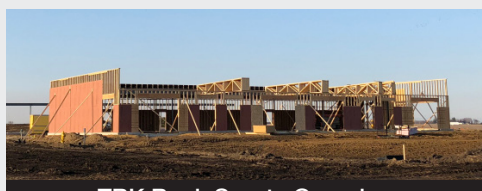
Rents dropped slightly, as inventories and vacancies have moderately increased. We expect pricing to continue to be similar.

	Low Rental Rates (NNN)	High Rental Rates (NNN)	Avg. Rental Rates (NNN)	Low Sale Prices	High Sale Prices	Avg. Sale Prices	Vacancy Rate
Downtown	\$8.00 PSF	\$14.00 PSF	\$10.00 PSF	\$35.00 PSF	\$85.00 PSF	\$60.00 PSF	10%
Neighborhood	\$9.00 PSF	\$19.00 PSF	\$15.00 PSF	\$50.00 PSF	\$120.00 PSF	\$80.00 PSF	10%
Regional Strip	\$18.00 PSF	\$25.00 PSF	\$22.00 PSF	\$120.00 PSF	\$190.00 PSF	\$155.00 PSF	5%
Big Box	\$5.00 PSF	\$12.00 PSF	\$8.00 PSF	\$15.00 PSF	\$35.00 PSF	\$25.00 PSF	10%

## FORECAST

Most experts believe the retail bankruptcies will slow in 2018; however, changing consumer expectations and e-commerce retailing will continue to reshape retail and its real estate environment both locally and nationally in 2018. As retailers adjust to the changing shopping patterns, the Quad Cities still has a number of growth corridors that will provide continuing opportunities for new and existing retailers.

## New Developments



**TBK Bank Sports Complex**

Middle Rd. & Forest Grove Rd. | Bettendorf, IA

76 acre sports and entertainment complex located just off I-80 & Middle Road in Bettendorf, Iowa. Adjacent to the complex are retail suites for lease, hotel sites, and retail pad sites available. Currently under construction are two retail buildings totaling approximately 17,000 SF. Prior to construction commencing in late 2017, approximately 75% of the space was under LOI or leased.



**Mills Chevrolet Redevelopment**

16th Street & John Deere Road | Moline, IL

The SouthPark area continues its momentum with the redevelopment of this 5.77 acre former car dealership site. The existing building will undergo a retrofit creating 40,000 SF of retail center, along with a new 5,700 SF retail building located at the corner of 16th Street and John Deere Road and a retail pad site. Prior to commencing construction, the new two tenant retail building and pad site already are under LOI. Work on the new and existing building is scheduled to begin in June 2018.



**Elmore Extension**

Elmore Avenue North | Davenport, IA

The extension of Elmore Avenue north has created prime development opportunities with more than 150 acres of land offering tremendous interstate exposure and the construction of Veterans Memorial Parkway has created connectivity from Middle Road to Brady Street. It is anticipated that this will be the major 'mixed use' growth corridor in the region.



**Plaza on the Avenue**

Avenue of the Cities | Moline, IL

The redevelopment of the former Aldi site on Avenue of the Cities has created more than 8,200 SF of mixed use retail opportunities ranging from 1,500 SF to 8,200 SF. Phase II of the project consists of 4,000 SF of new retail with drive-thru possibilities. Leasing of the former Aldi and the new building currently is underway.



## Industrial Trends



\$ VOLUME



SF ABSORPTION



# OF TRANSACTIONS



% OF VACANCY



\$ PRICING

# Industrial

## Significant Transaction Growth, Limited Inventory Available

Information contributed by Charlie Armstrong, SIOR, Alex Kelly, and Richard Schaefer

The Quad Cities industrial market continues to be a “user driven” market with very little speculative industrial development. Most recently developed industrial projects; Sterilite, Kraft Heinz, Jewell Group, and Craftsman Utility Trailer are build-to-suit projects built specifically for an identified user to either lease or own and the building is fully occupied when complete.

### Recently Developed Inventory



**Sterilite**  
Granite Way | Davenport, IA  
2,500,000 SF



**Kraft Heinz**  
9401 Granite Way | Davenport, IA  
300,000 SF



**Jewell Group**  
130 Research Parkway | Davenport, IA  
60,000 SF



**Craftsman Utility Trailer**  
2607 Research Parkway | Davenport, IA  
30,000 SF

The dynamics of being a user driven market has continued for many years in the Quad Cities for a variety of reasons:

- Lack of strong industrial velocity and growth in the market, with few prospective users actively in the market at any one time
- Industrial lease rates have not increased to levels high enough to encourage new development
- Many industrial real estate users are locally owned privately held companies where company principals own the real estate and lease back the facility to the company for the benefit of additional rental income and depreciation

As available space is absorbed and without new speculative inventory in development, we continue to face a shortage of available industrial space in the market that meet user requirements. This applies to buildings of 30,000 SF or less which comprise the bulk of our demand as well as 100,000 SF to 400,000 SF buildings which we have requests for but are unable to provide. This is especially true in the Iowa Quad Cities where demand is higher and inventory is limited.

### QUAD CITIES INDUSTRIAL: BY THE NUMBERS

**62%** of industrial properties are located in **Iowa** Quad Cities

**38%** of industrial properties are located in **Illinois** Quad Cities



**60%** of the market is warehouse/distribution properties



**40%** of the market is manufacturing properties



The Quad Cities industrial market totals: **53 million square feet**



Adding in the regional submarkets: Clinton, Muscatine, DeWitt, Galesburg & Geneseo provide an additional: **10 million square feet**

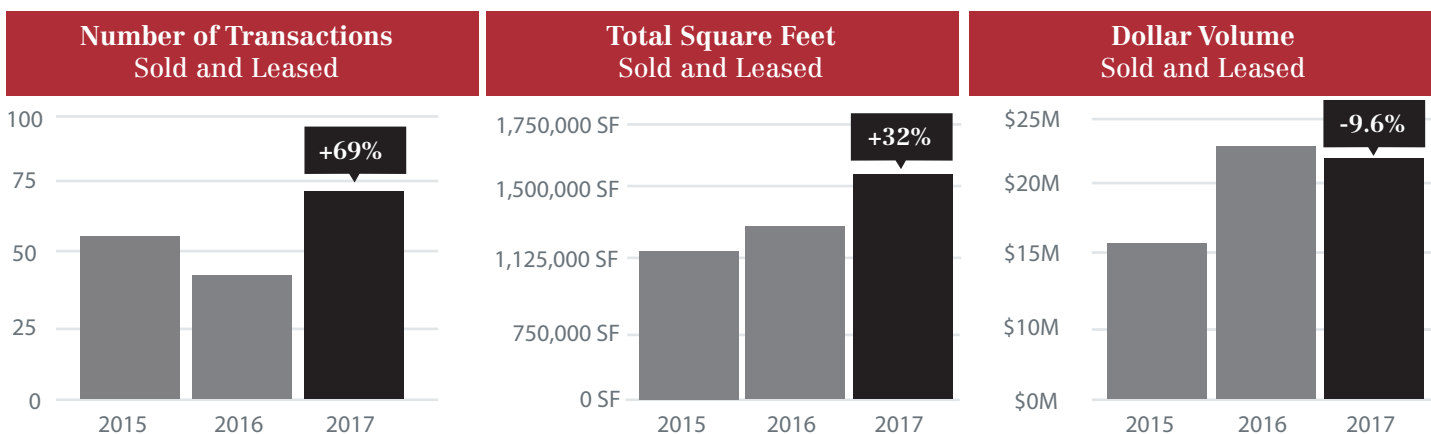


In the last 18 months, the industrial market grew by: **3 million square feet**

## MARKET ACTIVITY

In 2017, the number of industrial transactions completed was up 69% compared to 2016, and the amount of space leased or sold was up 32% compared to 2016. However, in 2017, the dollar volume of completed transactions fell from \$23,500,000 to \$21,250,000, a decrease of 9.6%. This decrease in dollar volume transacted can be explained by an increase in leasing activity compared to sale activity, shorter term leases and lesser quality/lower priced buildings that remained on the market and were absorbed. In 2017, over 85% of the industrial transactions completed (leased or sold) have been for spaces 30,000 SF or less. This year, 56% of the industrial transactions were lease transactions and 44% have been sale transactions compared to last year which saw a 50/50 split between sales and leases.

Of the 71 total industrial transactions completed in 2017, 68% were in Iowa and the other 32% were in Illinois. We are pleased to report that the number of transactions in the Illinois Quad Cities increased from 14 transactions in 2016 to 23 transactions in 2017 and Illinois Quad Cities transactions accounted for 45% of the industrial transaction volume in 2017. This is a direct result of more building inventory in Illinois.



## VACANCY

The industrial vacancy rate is tracked annually for all multi-tenant industrial buildings over 50,000 SF and all available single occupant buildings over 50,000 SF throughout the Quad Cities market. When this vacancy rate is applied to the entire Quad Cities industrial market for all buildings over 50,000 SF, the resulting vacancy rate for 2017-18 is 6.1%, a slight increase from 5.1% in 2016-17. It should be noted that this vacancy rate does not include smaller single occupant buildings which continue to be in high demand and short supply and would indicate a much lower overall industrial vacancy rate.

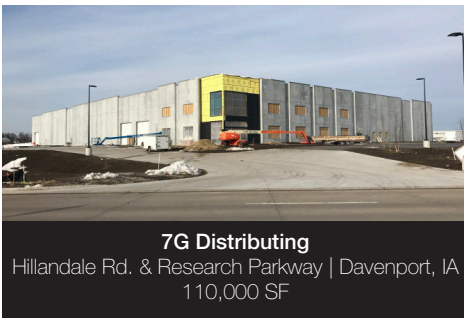
## AVAILABLE INVENTORY

As previously noted, most new development of industrial space in the Quad Cities market is built for a specific user and immediately occupied upon completion. For those tenants not willing to commit to a long term lease of 10 years, and higher pricing necessary for new construction, options are limited. There are some larger 50,000 SF plus multi-tenant spaces available throughout the Quad Cities, but for smaller 30,000 SF or less spaces, options are limited. This is especially so in the Iowa Quad Cities. This presents a challenge to the market given that over 85% of the industrial transactions completed last year were for spaces 30,000 SF or less. Much of the available inventory of industrial space is older and does not offer the amenities typically required by users today: high ceilings, updated sprinkler systems, up to date lighting, and sufficient quantity of dock doors.

## DEVELOPMENT

Last year, we reported six notable new industrial buildings were under construction totaling approximately 3,000,000 SF. This year, one notable industrial building is under construction in NW Davenport for 7G Distributing, representing 110,000 SF. In addition, Phase 2 of the I-74 Tech Park flex-space development is currently under construction after a positive market reaction and lease up of Phase 1. Phase 2 is expected to be approximately 35,000 SF. Lewis Machine & Tool Company broke ground in late 2017 on construction of a 75,000 SF facility in Eldridge, Iowa. A new 50,000 SF speculative industrial facility, expandable to 150,000 SF, in Bettendorf's Riverside Development Park off of US Highway 67, is planned with construction to begin fall of 2018.

### Developments In Progress



## Pricing

Sale prices and lease rates for industrial real estate continue to remain stable without noticeable change from the prior years. The drivers that most influence price include: location, size, quality, features, condition, and age of the property.

	Low Rental Rates (NNN)	High Rental Rates (NNN)	Avg. Rental Rates (NNN)	Low Sale Prices	High Sale Prices	Avg. Sale Prices	Vacancy Rate
<b>Bulk Warehouse</b>	\$1.75 PSF	\$2.50 PSF	\$2.25 PSF	\$13.00 PSF	\$20.00 PSF	\$16.50 PSF	15%
<b>Distribution</b>	\$2.50 PSF	\$5.50 PSF	\$4.00 PSF	\$20.00 PSF	\$45.00 PSF	\$32.50 PSF	5%
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<b>Flex Space</b>	\$5.50 PSF	\$7.50 PSF	\$6.50 PSF	\$39.00 PSF	\$54.00 PSF	\$46.50 PSF	5%

## FORECAST

With the US economy running on all cylinders, we remain optimistic about industrial real estate activity in the Quad Cities market for the coming year. Our industrial clients and their customers are optimistic and enjoying the steadily increasing trajectory of business volume. Due to limited inventory, we anticipate industrial vacancy periods will be reduced for higher quality buildings that are priced competitively. Industrial properties of lesser quality or with some degree of functional obsolescence will continue to be challenged without adjustment in price as buyers/tenants will not settle for sub-standard facilities. Further, we expect landlords will become less flexible in negotiations knowing there are fewer competing properties. With the lack of higher quality inventory and continued increase in industrial demand, we do anticipate modest upward pressure on pricing in the future. We expect new development to continue to be user driven without significant speculative development for the foreseeable future.

## STRATEGIES

Due to a limited supply of good and available inventory, tenants/buyers will be challenged to find space that meets specific requirements. We recommend beginning your market search early; watch for new inventory coming available and to be prepared to act quickly when the right option is identified. From a landlord/seller perspective, always be sure to present your property in the best possible light. We recommend carefully evaluating price to be competitive and be proactive in completing repairs of any deferred maintenance items, confirm good operating condition of all mechanical systems, and if necessary, consider upgrading lighting to modern efficient standards.



# Land & Farm

## Iowa and Illinois Farmland Values - Steady Course Overall

Agricultural and transitional information contributed by Dwayne Anderson  
Retail, office, and industrial information contributed by Jeff R. Heuer

The Quad Cities land and farm sector did not experience much change in 2017 regarding land value or change in rents being paid for Illinois and Iowa farmland.

Overall, prices being paid for high quality Illinois and Iowa farmland, as well as cash rents, have stayed essentially flat for the past 12 months, following three consecutive yearly declines. There is still significant variability throughout the two states as well as some slight increases noted.

The east central region of Iowa showed the largest overall average farmland value increase at 4.3% in the last year.

In the northwest Illinois region, excellent quality farmland was flat-to-down 5%, while good and average productivity farms were flat-to-up 5% in certain areas. And, there still are a few farms that have sold for more than \$12,000 per acre.

Comparatively, though, the average price paid for this same farmland in 2002, was a little more than \$3,400 per acre.

There is a great deal of variability in cash rents for a given land productivity. In northwestern Illinois for example, the highest cash rents were slightly down with a continued trend towards variable leases. Iowa cash rents remained generally steady.

The profile of the buyers of farmland has not changed in many years with farmers accounting for a majority. Investors, local and otherwise, are the second largest group of buyers. Estate sales lead the way as the greatest reason for a property to come on the market. Brokered transactions still are the most popular way of selling land followed by public auction.

Major factors contributing to current farmland values continue to include: slightly higher commodity prices, limited amount of land on the market, and higher than expected yields. Other factors include: tight operating capital, lack of stable alternative investments, cash on hand, and increasing interest rates.

## Land & Farm Trends



Farm Land Cap Rates



Farm Land Rental Rates



Average Price of Farm Land



In-Fill Commercial Land Inventory

### Influencing Factors on Land Pricing



Governmental Policy Impact on Trades



Net Farm Income



Biofuels & Ethanol



US Dollar/Exchange Rates



Weather and Yields



Alternative Investments



Commodity Prices



General Economy Growth



Interest Rates



Long Term Inflation

## RETAIL

Demand for retail land remained steady in 2017. There has been no new out lot inventory for existing big box anchor store developments; however, the Costco development and Rhythm City Casino development will spur an increase of inventory in the immediate area.

Iowa Quad Cities: The placement of the Rhythm City Casino at the interchange of Interstate 80 and Interstate 74 and the development of the TBK Bank Sports Complex located just off Interstate 80 and Middle Road will encourage land development north of 53rd Street.

Due to the available development sites being larger in size, the opportunities are challenging for small and medium size developers to absorb. Until these lots can be subdivided to accommodate average size development of strip centers and standalone retailers, development will occur gradually.

Illinois Quad Cities: Higher priced out lots have not developed rapidly due to a sluggish Illinois economy and a variety of other factors. The multi-jurisdictional nature of the Illinois Quad Cities creates another challenge because of varying rules, regulations and incentives.

Prime out lot inventory has mostly been absorbed. Supply and demand has achieved equilibrium and prices likely will be pushed upward. Older secondary infill corridors have received a second look due to lack of available new usable product and increased prices.

## OFFICE

Demand for office land continues to improve in growth corridors. Examples include northeast Davenport and Bettendorf. Medical offices, banks or credit unions, and institutional users are driving the current land acquisitions.

These sales absorb the premium lots and push up prices on the inline or infill lots. Large office users in the past 10 years have declined due to work-from-home options, new technology, and a reduced labor force.

## INDUSTRIAL

Demand for industrial land is related to the availability of leasing or purchasing existing buildings and the cost of new construction. Other factors include: labor force, proximity to interstates, utility capacity, environmental impact, waste treatment, and timeline to build. Industrial users are looking for shovel-ready sites with infrastructure already in place.

The Iowa Quad Cities has had recent success in industrial land sales in the Eastern Iowa Industrial Center Park. We expect to see more growth in that development.

The Illinois Quad Cities has seen significantly less industrial land sale activity. This suggests that there is adequate supply of existing building inventory to satisfy buyer and tenant demand.

## Pricing

	Low Sale Price Per Acre	High Sale Price Per Acre	Low Sale Price Per SF	High Sale Price Per SF
Agriculture Land - Illinois	\$4,500 AC	\$12,000 AC	---	---
Agriculture Land - Iowa	\$4,000 AC	\$12,000 AC	---	---
Transitional Land	\$30,000 AC	\$200,000 AC	---	---
Land - Office	---	---	\$3.00 PSF	\$6.50 PSF
Land - Retail	---	---	\$4.50 PSF	\$22.00 PSF
Land - Industrial (Less than 10 AC)	\$45,738 AC	\$119,790 AC	\$1.05 PSF	\$2.75 PSF
Land - Industrial (More than 10 AC)	\$30,492 AC	\$45,738 AC	\$0.70 PSF	\$1.05 PSF



## Multi-Family & Investments Facts

### Current Cap Rates

Retail  
6.6%

Multi-Family  
6.2%

Office  
7.1%

Industrial  
7.4%

\*Rates are for Midwest Markets at the time of publication.

# Multi-Family & Investments

## National Investors Take Interest in Midwest Investments

Information contributed by Matt Slavens

### MULTI-FAMILY

The multi-family sector is on track in 2018 for a great year. Developers are expected to bring more than 200,000 new units to the market nationwide by late spring of 2018.

The latest trend in multi-family has been a demographic change as we see a greater number of empty nesters move to multi-family urban property with high-end amenities.

People are taking the equity from their homes and investing it while at the same time moving into urban areas that are more conducive to walking to restaurants and retail stores. This gives them the freedom to travel without the responsibilities of a traditional home.

Young professionals are staying strong in the multi-family market as they continue to rent versus purchase. This allows them to stay fluid in their ability to relocate for jobs and also push for better amenities with a neighborhood feel.

### HISTORIC TAX CREDITS

As we see new projects come online, older buildings have to drop their rental rates to compete. Historical tax credits create the opportunity for developers, as well as investors, to continue to rebuild older outdated properties and give them a new life. Thankfully, the new tax code still allows for historic tax credits with the caveat that they are now spread over a five year period instead of upon completion of the project.

Davenport utilized the more than \$400 million in historic tax credits to help revitalize multi-family housing in downtown. Illinois recently introduced legislation to approve the use of historic tax credits for Rock Island.

Historic tax credits, favorable cap rates in our area, and the need to place tax deferred 1031 exchange money should keep renovations and developments strong in the near future.

## Multi-Family Developments



**Pershing Hill Lofts**  
511 Pershing Avenue | Davenport, IA  
64 Units



**The Bridges Lofts**  
U.S. 67 & 15th Street | Bettendorf, IA  
76 Units



**Gordon-Van Tine Co. Building**  
736 Federal Street | Davenport, IA  
113 Units

## INVESTMENTS

Investment funding continues to be strong, creating a lack of supply as investors are holding onto properties. One of the problems currently faces our market has to do with the availability of investment properties. Currently there are more investors seeking full leased investments, than are available for sale. This causes many properties to be sold as soon as they reach the market. Typically, most brokers have a list of investment buyers who are approved and ready to purchase. National investors are taking great interest in Midwest commercial real estate investments because properties are perceived as trading at a value as compared to larger and coastal markets.

With interest rates still being historically low, there is a big unknown as to what will happen in 2018. Based off current inflation rates, we should see interest rates stay stable. If inflation rates start to climb, expect rates to move spurring development of alternative sources of financing and capitalization.

Prices are expected to remain level as cap rates near the rise of interest rates.

## Major Investments



**Former Western Illinois University Campus**  
3561 60th Street | Moline, IL  
\$1,400,000



**FedEx/Athletico**  
4730 Elmore | Davenport, IA  
\$2,400,000



**JMF Company**  
500 36th Street | East Moline, IL  
\$5,000,000



# NAI Global

Global Strength  
Built on Local Leadership

**7,000** Local Market Professionals

**400** Offices Around the World

**Where can we help you next?**

# Property Management

## Providing Owners the Best Possible Return on Their Investment

Information contributed by Laurie A. Peters, Senior Property Manager

When Cap-Realty purchased the Village Shopping Center in northwest Davenport in 2014, the company understood the retail center's impact on the surrounding community and felt tenant retention and attraction would be key to its continued success.

One month after their purchase of the 250,000 SF center, the new ownership entered into a management agreement with NAI Ruhl Commercial Property Management, along with NAI Ruhl Maintenance. Local contact was important to Cap-Realty to oversee contracted vendors and be proactive with tenants' needs.

The Village, located at 902 W. Kimberly Road, opened in 1956 as Iowa's first suburban-style retailing complex, which included 29 air-conditioned stores. The grand opening was attended by Iowa's governor, along with a crowd of more than 30,000 who signed up to win a 1956 Pontiac convertible. One original store, Village Barber Shop, remains open today.

In 2017, the first Iowa Ross Dress For Less store opened, another Iowa first for the Village Shopping Center. With the signing of this lease the year before, façade renovations began, the first since 1987.

Along with Ross Dress For Less and additional improvements, the shopping center has attracted additional tenants, which include Buddy's Home Furnishings, Pet Supplies Plus, Pancheros Mexican Grill, Cricket Wireless and Smokin' Joe's.

Part of the success of this management contract can be attributed to NAI Ruhl Commercial Company's management, brokerage and maintenance divisions working hand-in-hand to deliver the desired result to the client.

### PROPERTY MANAGEMENT: BY THE NUMBERS

**76** years combined experience



24 hour on-call services

**54** properties



3 full-time maintenance techs

**1,903,079** SF managed



8 team members



began in 1991

“

As an out of state owner of Village Shopping Center, we have relied heavily on NAI Ruhl Commercial Company's property management, maintenance, and leasing services. Since we bought the property in 2014 we have performed extensive renovations and leased a substantial amount of space to new tenants. Ruhl Commercial has played an integral role in getting it all accomplished.

Ruth Gohlke  
The Capstone Group

”





**John G. Ruhl**  
President | Partner



**Caroline Ruhl**  
Partner



**Chris Beason**  
Partner

# Our Company

## A Solid Foundation in Commercial Real Estate

### More Than 150 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 almost two 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.



**Dwayne Anderson,**  
CPA, PFF, ALC  
Broker Associate



**Charlie Armstrong,**  
SIOR  
Vice President/Director



**Annie Barclay**  
Director of Operations/  
Assistant to the President



**Stephanie Bent**  
Reception Coordinator



**Stacy Brannam**  
Information  
Administrator



**Stephanie Carmichael**  
Marketing Director



**Tom Carroll**  
Broker Associate



**John Corelis**  
Senior Vice President



**Thomas P. Dalton**  
Broker Associate



**Jeff Fenner**  
Maintenance  
Technician



**Jeff R. Heuer, CNE**  
Broker Associate



**Susan Hoehn-Bral**  
Commercial Sales  
Associate



**Marie Holdridge**  
Accounting Specialist



**Rick Hoots**  
Maintenance Director

# Commercial Real Estate Leaders Since 1862



**Alex Kelly**  
Commercial Sales  
Associate



**Shawn Langan**  
Commercial Sales  
Associate



**Lyle Leftwich**  
Maintenance  
Technician



**David A. Levin**  
Vice President/  
Director - Illinois Region



**Carol Luciani**  
Client Services  
Coordinator



**Marcia Mitchell**  
Senior Client Services  
Coordinator



**Ray Oczak, SIOR CCIM**  
Vice President  
Tri State Region



**Laurie A. Peters**  
Senior Property  
Manager/Director



**Elizabeth Plumb**  
Accounting Specialist/  
Maintenance Bookkeeper



**John G. Ruhl**  
President/  
Managing Broker



**Richard Schaefer**  
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**Matt Slavens**  
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Associate



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Manager



**Pete Stopulos**  
Commercial Sales  
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**Kailea Surratt**  
Accounting Specialist



**Bonnie Voelkers**  
Chief Financial Officer/  
Director



**Richard Weinstein**  
Vice President/Director



**Jim Weir**  
Broker Associate



**Chris Wilkins**  
Vice President/Director