2016 Eau Claire Area Commercial Real Estate Market Analysis

COMMONWEAL
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"35 years of trusted real estate service"

Stuart M. Schaefer
President

A message from our President:

Dear Friends and Colleagues:

Thank you for taking the time to review the 2016 Eau Claire Area Commercial Real Estate Market Analysis summarizing collected data related to the commercial real estate market for the greater Eau Claire, WI area. The analysis includes the cities of Eau Claire and Altoona as well as the Town of Washington and the Village of Lake Hallie. The data used was collected during the months of November and December, 2016 and the report focuses on retail and general office properties which are available for occupancy as of the end of 2016. This years' report does not include multi-family buildings, automobile dealerships, hospitality facilities, industrial properties, free standing financial institution branch offices, government owned buildings or hospitals. We trust this report provides you useful insight into the Eau Claire commercial real estate market.

We relied on public records, interviews with government officials, property managers, real estate brokers and property owners as well as internal records and visual observations to collect the information we use. We would like to thank the many people who provided the data necessary to complete the report and trust that the information we receive is correct and accurate.

2016 was a relatively slow, but steady year for commercial project completions and leasing activity. Eau Claire's strong retail presence does not appear to be at risk, but faces some challenges as the market is still reacting to the changing landscape of retailing particularly as it relates to the grocery industry. The area's office sector was steady, but did not see any larger projects or major leasing activity for a second year. The future is unclear as it relates to both sectors, but we are optimistic that the characteristics that have driven the steady growth of the Eau Claire area over the past decade is still in place and new initiatives to improve the quality of life and make this area a desirable place to call home.

Please contact us if you have questions or comments.

Very truly yours,

COMMONWEAL DEVELOPMENT CORPORATION

Stuart M. Schaefer
President

About Commonweal Development

With over 35 years of trusted real estate service and development success, you can count on Commonweal Development to navigate through the development process on your behalf.

Our full service capabilities allow us to assist you with all of your commercial real estate needs, covering everything from feasibility analysis, site acquisition, development services, brokerage and property management.

We have an impressive track record of successfully completing dozens of land development, retail and office projects throughout the Midwest. To learn more about Commonweal and our project history, please visit www.commonwealdc.com.

Sector lines are approximate | Map - Googlemaps.com

For the purpose of this report, we have divided the Eau Claire area into six areas as shown on the map:

- East Side / Altoona
- North Side / Village of Lake Hallie
- London Road
- West Side
- Oakwood Hills
- Downtown

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Retail Analysis		2016 Retail Vacancy Rate - 7.55%		
Trade Area	SF Adjustment*	Total SF	Vacant	% Vacant
East Side/Altoona	39,630	637,253	118,630	18.62%
West Side	2,726	774,282	67,605	8.73%
North Side/Village of Lake Hallie	0	743,790	16,145	2.17%
Oakwood Hills	0	2,476,897	51,062	2.06%
London Road	0	1,111,360	142,294	12.80%
Downtown	32,538	494,633	75,341	15.23%
Total	**74,894**	**6,238,215**	**471,077**	**7.55%**

**Adjustments include square footage that is new, removed or reclassified*

2016 Retail News:

Haymarket Landing opens downtown Eau Claire, housing 400 UWEC students and adding 30,000+ square feet of retail.

Royal Construction builds two new retail strip centers in Altoona's River Prairie development.

New strip center with Jimmy John's opens near Menards West.

Mega Coop and Gordy's swap grocery and gas locations leading to the closure of the Mega East location.

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Office Analysis			2016 Office Vacancy Rate - 9.77%	
Trade Area	SF Adjustment*	Total SF	Vacant	% Vacant
East Side/Altoona	15,499	805,428	140,263	17.41%
West Side	18,461	983,106	39,633	4.03%
North Side/Village of Lake Hallie	0	93,248	3,361	3.60%
Oakwood Hills	39,386	601,836	45,519	7.56%
London Road	(5,000)	207,592	9,513	4.58%
Downtown	(3,466)	848,707	107,544	12.67%
Total	**64,880**	**3,539,917**	**345,833**	**9.77%**

**Adjustments include square footage that is new, removed or reclassified*

2016 Office News:

Bernicke Wealth Management moves to new office in River Prairie.

REMAX opens new office building on Southtowne Drive.

Royal Construction builds new Oakwood Hills office building that will be home to Spinal Aid and Regal Property Mgmt.

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The year in summary:

In 2016 the Eau Claire commercial real estate market had a relatively slow, but fairly balanced year of project completions which included a handful of retail and office projects along with one large mixed use project. Two retail centers and an office building opened in the River Prairie area and the largest mixed use project in the Chippewa Valley opened in downtown Eau Claire.

The two River Prairie retail strip centers, totaling just over 23,000 SF are part of the same development housing a combination of retail and service retail tenants that include Midwest Dental, Great Clips and Pearle Vision. The two buildings were collectively 35% occupied as of the end of 2016. The Haymarket Landing mixed use project in Downtown Eau Claire has more than 34,000 SF of retail space and is approximately 30% occupied by two fitness related businesses, FE24 Fitness and Ignite. The only other retail project completed in 2016 was a 2,700 SF strip center on the West side which has a Jimmy Johns as its sole Tenant.

Of the three office projects completed in 2016 two were in the Oakwood Hills area and the other in River Prairie. The two Oakwood Hills buildings include a 5,400 SF REMAX Real Estate office and a new 4,165 SF building for Spinal Aid. The River Prairie project was a 15,500 SF office for Bernicke Wealth Management.

Retail leasing activity in the market was slow last year and due to the closing of the Mega East grocery store, the approximate net absorption for retail space was a negative 50,000 SF, a stark contrast to 2015 which had a net positive absorption of over 250,000 SF. Office absorption was positive but also slower than 2015. The Bernicke occupancy along with some medical office activity and one reclassification indicates a positive absorption of office space of over 90,000 SF, but in actuality it was closer to 50,000 SF, about half of last years' total. The market activity resulted in the retail vacancy rate in the Eau Claire market increasing from 6.53% to 7.55% and the office vacancy rate decreasing from 10.68 % to 9.77 %, both of which are still below national averages.

Hotel activity is not tracked as part of this analysis, but there is no doubt that the four hotel openings in 2016 had a significant impact on market growth and activity.

Despite a slow year in 2016, there is underlying optimism for the Eau Claire market with the recent progress in the Downtown, River Prairie and the Oakwood Hills areas creating the general sense that the Eau Claire area is moving in the right direction.

Looking Forward:

The retail landscape will continue to change in the market during 2017 with the announcement that the Eau Claire Macy's location will shutter in the first quarter. That closing will leave three large retail vacancies in the market along with the Mega East grocery store and the former Kmart property. The fallout from the Woodman's Grocery opening may not have been fully realized yet, but there are as many as three different proposals for a new downtown grocery store. With the three large retail vacancies and available space in River Prairie and Haymarket Landing, some new retail tenancies should occur during the upcoming year. There are two restaurants under construction and scheduled to open in 2017 in the River Prairie area and a mixed use project which should be completed by years end on Water Street, but no other major retail projects that we know of are in the pipeline.

There are two smaller office projects under construction which should be occupied in early 2017, but no other office projects identified. At this time, the office market does not look as if it will set any records in 2017.

We hope to include industrial and multi-family analysis for next year and both sectors should have some significant activity with three larger multifamily projects currently under construction and others in the planning stages.