



# Commercial Real Estate Survey Findings

## Introduction

The Commercial Real Estate Survey was developed to identify avenues to fill vacant commercial properties, connect prospective businesses with information about available properties, and inform future development in the region. This survey was conducted by the University of Minnesota's Center for Community Vitality in partnership with Rochester Area Economic Development, Inc. and Community and Economic Development Associates.

The electronic survey was distributed to 134 individuals who own commercial property that is currently leased or available for lease or for sale in Stewartfield, Chatsfield, Pine Island, and Byron from September 22nd to November 11th, 2022. Local economic development agencies identified individuals to survey based on the availability of property owners' email addresses. In total, 24 property owners completed the survey. Three owners provided information for more than one property so the survey captures responses for 27 properties.

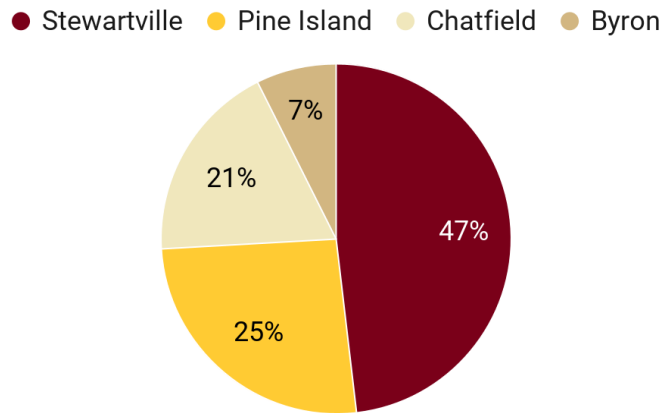
## Key Takeaways

- Properties identified as currently for sale are listed at \$896,000 per acre on average if they have a building and \$281,000 per acre if they are vacant land.
- The average lease price per square foot is \$0.77. This decreases to \$0.75 per square foot when utilities are not included in the lease price.
- Responding property owners reported flexibility with offered lease durations, but the most common preference was a two to five year lease.
- Local economic conditions and lack of interested businesses were the most common challenges to leasing.
- Property owners struggle to find places to advertise their properties for lease because many advertising platforms solely focus on properties for sale.

## Characteristics of Responding Properties

Of the 27 properties reported in the survey, thirteen are located in Stewartville, seven in Pine Island, five in Chatfield, and two in Byron. Almost all responding properties (89 percent) are located in a downtown or central business district.

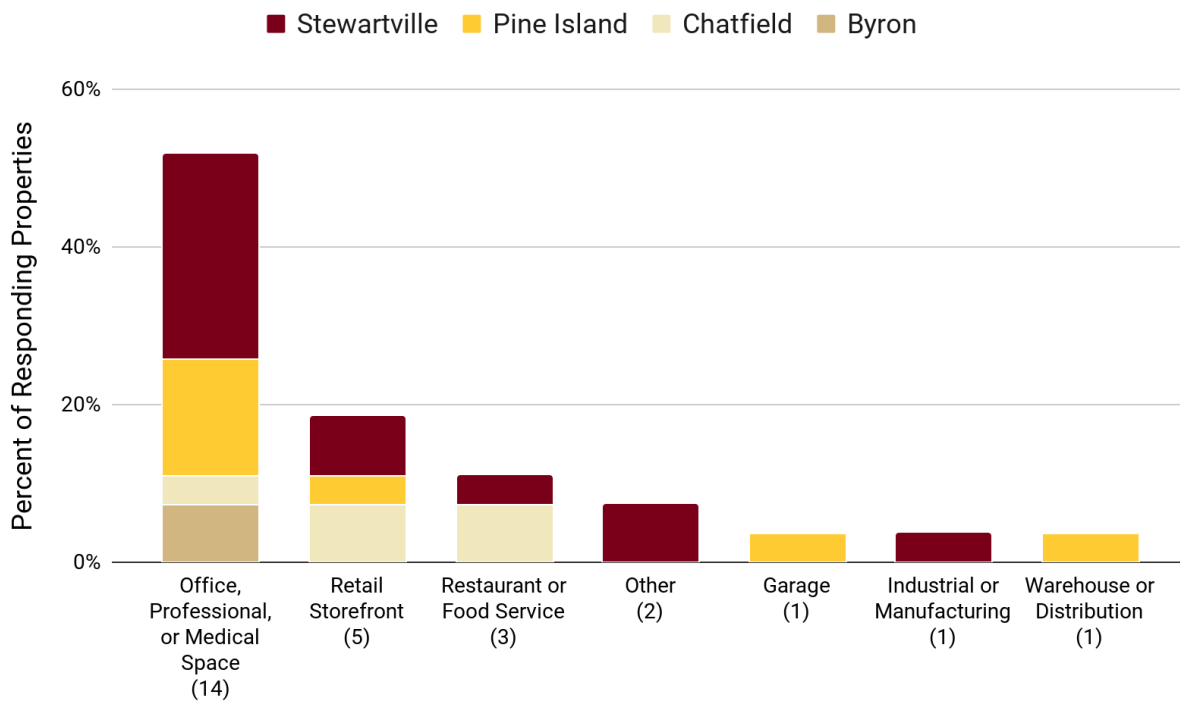
Chart 1. Location of Responding Properties



## Intended Business Uses

Chart 2 shows the different types of businesses that owners reported their property is best suited for. The most common business use is office, professional, or medical spaces with just over half of responding properties being best suited for this use. Almost one-third of responding property owners also reported their property is best suited for retail storefronts or food service businesses.

Chart 2. Type of Businesses Properties Are Best Suited For

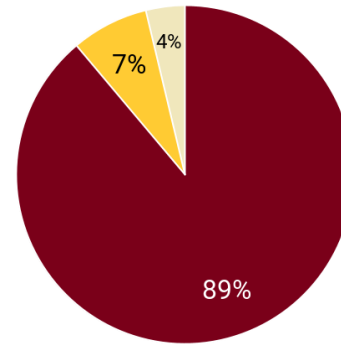


## Lease and Sale Status

In total, 24 of the 27 responding properties are currently reported to be under a lease and occupied. Three responding properties are currently for sale. Two of these three properties are currently occupied while listed for sale. The other property listed for sale is reported to have been vacant for over one year.

Chart 3. Current Property Status

- Leased - Occupied
- For Sale - Occupied
- For Sale - Vacant



## Properties For Sale

Of the three responding properties currently for sale, two have a building on the lot and one is vacant. For properties with a building, the sale price ranges from \$795,000 per acre (\$18 per square foot) to \$996,666 (\$23 per square foot), averaging \$896,000 per acre (\$21 per square foot) among the two. The one vacant property that is currently for sale is listed at \$90,000 for 0.3 acres (\$6 per square foot).

Table 1 reports additional characteristics of the responding properties for sale including the type of business a property's building is best suited for and the building size. The property reported to be in excellent condition has had recent improvements and highly suits its intended business use. The property reported to be in average condition provides adequate space for its intended use but minor repairs are desired. All of the properties currently reported for sale are located in a downtown or central business district.

Table 1. Characteristics of Properties for Sale

Type of Building	Building Size	Reported Building Condition	Parcel Size	Listing Price	Price Per Acre
Retail Storefront	7,700 sq ft	Excellent	0.3 acres	\$299,000	\$996,666
Professional or Medical Space	5,000 sq ft	Average	1 acre	\$795,000	\$795,000
Vacant lot			0.3 acres	\$90,000	\$281,250

## Leased Properties

### Price Per Square Foot

Across all responding properties, the median lease price is \$0.75 per square foot and the average is \$0.77 per square foot. Responding property owners reported leases ranging from \$0.50 to \$1.42 per square foot. However, four responding properties include utilities in their lease amount. For properties that do not include utilities in their lease, the average price drops slightly to \$0.75 per square foot.

Chart 4 shows how lease prices vary across the surveyed cities. Overall, Byron and Pine Island reported slightly above-average leases with their average prices above \$0.80 per square foot. Stewartville had the largest range of lease prices with a median of \$0.65 per square foot and an average of \$0.79 per square foot. Chatfield reported the lowest square footage prices, on average, with an average of \$0.62 per square foot.

Chart 4. Lease Price Per Square Foot by City

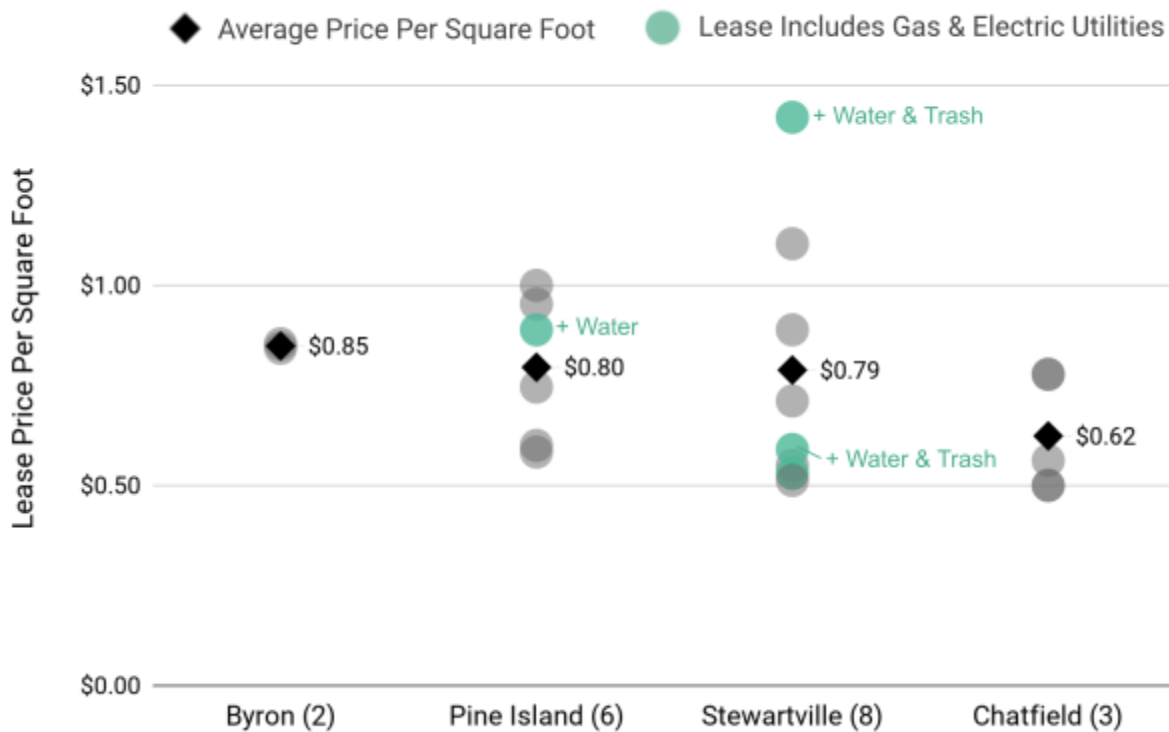


Chart 5 shows how the average lease price varies by the type of business a property is best suited for. Overall, properties suited for garages had the highest lease rate (\$1.00 per square foot), and properties suited for industrial or manufacturing had the lowest lease rate (\$0.54). Each of these estimates, however, is based solely on the response of just one responding property owner.

Properties best suited for office, professional, or medical space had the largest range of lease prices per square foot. They ranged from \$0.51 per square foot to \$1.42 per square foot. Office, professional, and medical spaces were also more likely to include utilities in their rental price. Chart 5 shows that the lease price per square foot is not consistently higher for leases that include utilities versus those that do not.

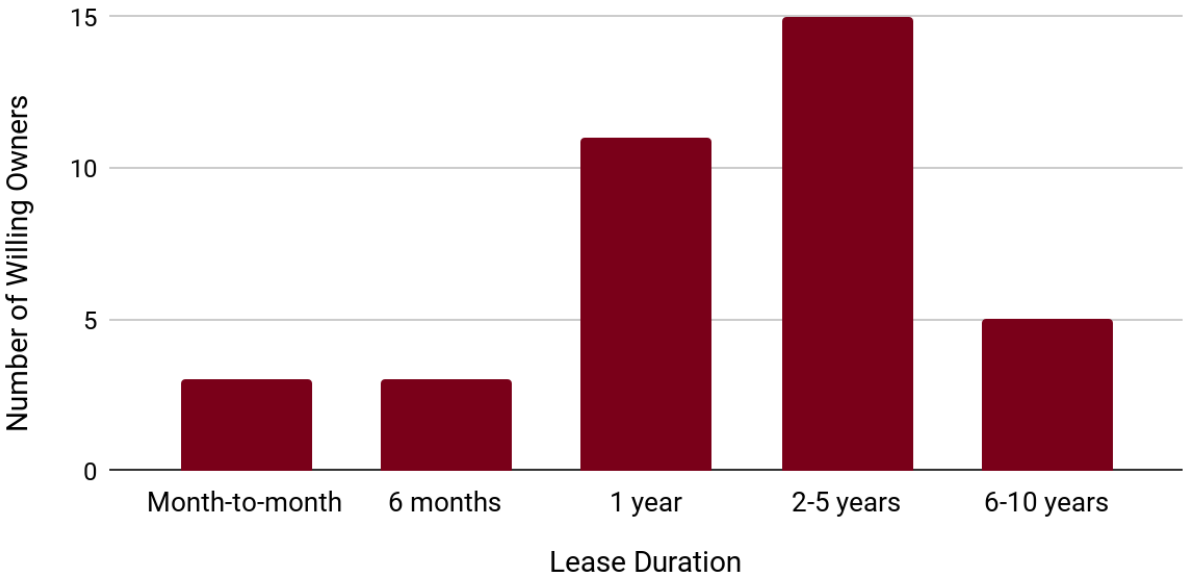
Chart 5. Lease Price Per Square Foot By Property Business Type



## Lease Duration

Overall, there are a wide variety of lease durations that property owners are willing to offer. The most common lease duration is 2-5 years. Property owners with spaces best suited for office, medical, or professional spaces are reported to be the most flexible in terms of lease durations.

Chart 6. Lease Durations Property Owners Are Willing To Offer



## Challenges

Overall, 30 percent of all responding property owners reported facing challenges in leasing or selling their property. The top challenges owners face are local economic conditions, lack of interested businesses, advertising the property, and the condition of the property.

As shown in Chart 7, local economic conditions were cited as the most common challenge across all property owners. At least one property owner in each city cited this as a challenge to leasing or selling their property. One property owner summarized shared economic concerns by noting that “new commercial property is very expensive (and risky) right now due to construction costs, low unemployment (higher labor costs), inflation, and rising interest rates”.

Lack of interested businesses was the second most cited challenge. This difficulty was highly concentrated in Stewartville and Pine Island for properties best suited for office, professional, or medical spaces. Advertising properties when they are available for sale or lease was also a common challenge that coincides with difficulties finding interested businesses. One respondent noted that while there are many places to advertise commercial properties for sale, they have trouble finding a good place to advertise properties available for lease. Currently, word of mouth is the most popular way for owners to advertise their properties.

Finally, two property owners cited the condition of the property as a challenge to leasing and one reported a low appraisal value as a challenge to selling. Out of all the property owners reporting challenges, more than half of respondents were not aware of any resources to improve their property.

Chart 7. Top Challenges Faced By Property Owners

