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# ITASCA COUNTY COMMERCIAL RENT STUDY

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**FOR RENT**

## Executive Summary

In 2019, Community and Economic Development Associates (CEDA) was tasked to author a commercial rent survey for Itasca County. The main purpose of this survey is to help Itasca Economic Development Corporation (IEDC) / Small Business Development Center (SBDC) better serve property owners, prospective business renters as well as communities in filling vacant buildings located in the County.

The survey was designed to keep people who own multiple properties in mind. The survey was mailed out to **739** property owners in Itasca County. Responses received totaled **196**, constituting a **26.5%** responses rate. The distribution list included both owner-occupied commercial properties and commercial rental properties.

Property owners were informed that the purpose of this survey is to help Itasca Economic Development Corporation (IEDC) / Small Business Development Center (SBDC) better serve property owners, prospective business renters as well as communities in filling vacant buildings located in the County. Additionally, it was noted that this data can be used to create programs, provide services and potentially offer relevant incentives to businesses and property owners in the area. CEDA is working with IEDC in an effort to catalog and analyze commercial and industrial rents in Itasca County, MN. No known rental studies have been previously conducted on behalf of Itasca County.



## Results Summary

Relevant to completed surveys received from aforementioned respondents, the following conclusions can be interpreted. Please note that although staff work diligently to ensure the continued accuracy of information, responses can only be guaranteed valid from the date of receipt and may not reflect the current property status, rental rate or offered amenities. All responses were self reported.

- 18% of the respondents stated their commercial property is for sale.
- The current vacancy rate is 17.6% for all rental properties in Itasca County.
- The current vacancy rate for Itasca County excluding Grand Rapids is 27.3% with the majority of the vacancy rates trending towards retail/office space.
- The current vacancy rate for Grand Rapids is 13.95% with the majority of the vacancy rates trending towards retail/office space.
- The average monthly rental rate for Itasca county is \$2,593.89.
- The average square foot per commercial rental building in Itasca County is 3,570.
- The average Itasca County annual rental rate per square foot is \$8.94. However, retail/office space is \$10.92 and industrial/warehousing is \$5.44.
- The rental rate per square foot in Grand Rapids is \$9.35.
- The rental rate per square foot for Itasca County without Grand Rapids is \$6.97.
- Itasca County rental rates are competitive with other counties in the region. Average rents are higher in the City of Grand Rapids than in other areas of the county.
- 68% of vacant properties are older than 40 years old.

# Community Background

## Population Analysis

Itasca County currently has a population of approximately 45,346 (*Minnesota State Demographer's Office, 2017*). According to projections by the State Demographer, the County is expected to grow steadily from 2019-2035 with an overall estimated increase of +4.2%.

## Employment

Job growth is an important component of commercial and industrial rental rates. Itasca County has a total of 16,637 jobs (*US Census Bureau On The Map 2017*). Major industries include Healthcare/Social Assistance, Retail, Education, Construction, Manufacturing, Public Administration, Accommodation and Food Service.

The total number of companies estimated in the County is approximately 3,873 (*2012 Survey of Business Owners*).

Itasca County has a number of individuals who live in the County but commute out for work. The average commute to work is 22.7 minutes. See the workflow analysis of primary jobs in Itasca County below:

<b>Live/Work in the County: 11,517</b>	<b>Live in the County, Work outside of the County: 6,164</b>	<b>Live outside the County, Work in the County: 3,734</b>
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Some residents choose to live in the County but work outside of it due to the desirable livability of the communities within the County. The County offers an affordable cost of living with a number of noteworthy amenities such as outdoor recreation.

*The largest employers in Itasca County are:*

1. Grand Itasca Clinic & Hospital (660 employees)
2. Keetac (611 employees)
3. L & M Fleet Supply Inc (285 employees)
4. UPM Blandin Paper Co. (275 employees)
5. Arrowhead Promotions & Fulfillment (244 employees)

## Methodology

The survey was designed to keep people who own multiple properties in mind. The survey was laid out in a way that allowed for respondents to identify if they owned and operated the site or if they indeed owned a commercial rental property. Those who identified that they own commercial rental property were asked a series of additional questions laid out in a table format. Participants were asked to answer questions about the property, such as its total square feet, current vacancy, rental rate, etc. This format allowed for multiple properties to be represented on one survey vs. having to fill out multiple surveys. The survey was mailed out to 739 property owners in the County. The distribution list included both owner-occupied commercial properties and commercial rental properties. Surveys recipients were able to mail, fax/scan or email their responses back with the original deadline to return the survey by October 14, 2019, although surveys were accepted beyond the set deadline to maximize data collected. Respondents that returned incomplete surveys were contacted by phone and email to retrieve missing data through November 22, 2019.

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## Survey Design

CEDA collaborated with the Small Business Development Center (SBDC) to assemble a list of metrics to be measured in the survey. These metrics included price per square foot, vacancy rates, comparison of rental information via the County as a whole, without Grand Rapids and Grand Rapids exclusively.

## Survey Distribution

CEDA collaborated with the Itasca County Assessor's office as well as individual city representatives to gather a comprehensive list of commercial property owners within Itasca County. This information was pulled using tax code data. The Assessor's office provided a list that identified 2057 commercial properties in the County. Subsequently, the data was scrubbed to a total of 739 property owners in the County. The survey was then mailed out to the respective 739 property owners in the County. The final distribution list included both owner-occupied commercial properties and commercial rental properties. These surveys were mailed on September 23, 2019 and the deadline to return the surveys was October 14, 2019. Although, surveys were accepted beyond the set deadline to maximize survey accuracy. Respondents that returned incomplete surveys were contacted by phone and email to retrieve missing data through November 22, 2019.

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## Survey Analysis

Survey data was compiled using Google Survey and exported to Microsoft Excel to be analyzed. Metrics calculated include: total response rate, vacancy rates, amount per square foot, average total square foot, average rental rate, the average rate (monthly and annual) for each commercial space type, and the average number of properties per owner.

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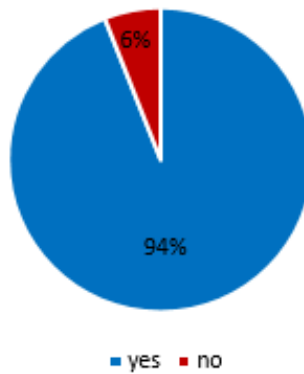
## Survey Response Rate

A total of 739 surveys were distributed. 196 of the surveys were returned. The total response rate is: 26.5%. The response rate is higher than national response rates for external surveys.

## Survey Results

**Figure 1.** Percent of respondents who own commercial / industrial property in Itasca County.

Do you own commercial/industrial properties within Itasca County?



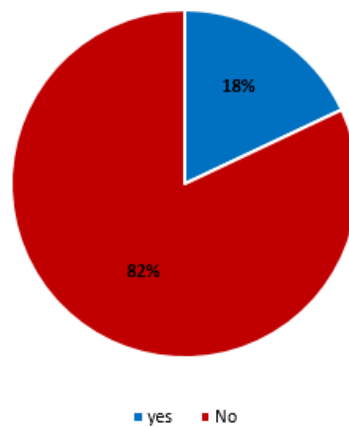
**Table 1.** Number and percentage of respondents who own commercial / industrial property in Itasca County.

Do you own commercial/industrial property in Itasca County?		
Response	# of responses	Percentage of each response
Yes	184	94%
No	12	6%

## Survey Results Continued

**Figure 2.** Percentage of respondents that have commercial/industrial properties for sale.

Do you own commercial/industrial properties within Itasca County that are for sale?



**Table 2.** Percentage of respondents that have commercial/industrial properties for sale and the number of responses for each option.

Do you own commercial/industrial property in Itasca County that are for sale?		
Response	# of responses	Percentage of each response
Yes	33	18%
No	148	82%

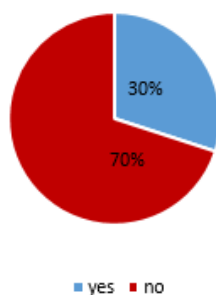


## Survey Results Continued

The information shown in Figure 3 and Table 3 illustrate that respondents that own commercial/industrial property, either currently for sale or not for sale, have indicated that they would not like it listed on the IEDC website. A number of factors could contribute to this response. First, a respondent that doesn't currently have a property listed for sale would not have a need to have the property advertised on the IEDC website and could answer "no". Second, as this is a relatively new service being offered by IEDC, there has not been very much time for communication about the resource and there may be confusion about cost, reach, etc. that could also produce a "no" response. This response clearly illustrates the need for continued outreach about the resource to increase visibility of available commercial and industrial sites throughout Itasca County.

**Figure 3.** Percentage of respondents with commercial/industrial properties that are interested in being advertised on the IEDC website.

If you have commercial/industrial properties in Itasca County, are you interested in having the property listed on the IEDC webpage?



**Table 3.** Percentage of respondents with commercial/industrial properties that are interested in being advertised on the IEDC website. Table also includes the total number of responses for each option.

Would you like to have your property listed on the IEDC webpage?		
Response	# of responses	Percentage of each response
Yes	33	30%
No	76	70%

## Survey Results Continued

**Table 4.** Analysis of vacancy rates for all of Itasca County. Variables include total number of units, current number of vacant units, vacancy rate for all commercial rentals in the County, the vacancy rate for retail/office buildings, and the vacancy rate for warehouse/industrial buildings.

Itasca County - Vacancy Rate					
	Total # of Units	Currently vacant	Vacancy Rate %	Vacancy Rate Warehouse/Industrial	Vacancy Rate Retail/Office
<b>totals</b>	119	21	17.6%	13.3%	18.1%
<b># of responses</b>	53	53	53	12	42

**Table 5.** Analysis of price per square-foot for all commercial rental properties in Itasca County. Variables include average monthly rent, average area (square-feet) for commercial buildings, average rent per square-foot (annual and monthly), average rent per square-foot for retail/office buildings, and average rent per square-foot for industrial/warehouse buildings.

Itasca County - Price Per SQFT						
	Average Monthly Rent Rate	Average sqft per commercial building	Average rent per sqft (monthly)	Average rent per sqft (annual)	Average yearly rent per sqft (Retail/Office)	Average yearly rent per sqft (Industrial/Warehouse)
<b>totals</b>	\$2593.89	3570	\$0.75	\$8.94	\$10.92	\$5.44
<b># of responses</b>	52	52	52	52	41	11

## Survey Results Continued

**Table 6.** Analysis of vacancy rates for Itasca County with the City of Grand Rapids removed from the data. Variables include average number of properties per owner, total number of units, current number of vacant units, vacancy rate for all commercial rentals in the County, vacancy rate for retail/office buildings, and the vacancy rate for warehouse/industrial buildings.

Itasca County (without Grand Rapids) - Vacancy Rate					
	Total # of Units	Currently vacant	Vacancy Rate %	Vacancy Rate Warehouse/Industrial	Vacancy Rate Retail/Office
<b>totals</b>	33	9	27.3%	26.7%	33.3%
<b># of responses</b>	15	15	15	3	12

**Table 7.** Analysis of price per square-foot for all commercial rental properties in Itasca County (with the City of Grand Rapids removed). Variables include average monthly rent, average area (sqft) for commercial buildings, average rent per square-foot (annual and monthly), average rent per square-foot for retail/office buildings, and average rent per square-foot for industrial/warehouse buildings.

Itasca County (without Grand Rapids) - Price Per SQFT						
	Average Monthly Rent Rate	Average Sqft per commercial building	Average rent per sqft (monthly)	Average rent per sqft (annual)	Average yearly rent per sqft (Retail/Office)	Average yearly rent per sqft (Industrial/Warehouse)
<b>totals</b>	\$1685.71	2901	\$0.58	\$6.97	\$8.56	\$2.4
<b># of responses</b>	14	15	14	14	12	2

## Survey Results Continued

**Table 8.** Analysis of vacancy rates for the City of Grand Rapids. Variables include average number of properties per owner, total number of units, current number of vacant units, vacancy rate for all commercial rentals in the County, the vacancy rate for retail/office buildings, and the vacancy rate for warehouse/industrial buildings.

City of Grand Rapids - Vacancy Rate					
	Total # of Units	Currently vacant	Vacancy Rate %	Vacancy Rate Warehouse/Industrial	Vacancy Rate Retail/Office
<b>totals</b>	86	12	13.95%	9.1%	14.7%
<b># of responses</b>	38	38	38	9	30

**Table 9.** Analysis of price per square-foot for all commercial rental properties in Itasca County (with the City of Grand Rapids removed). Variables include average monthly rent, average area (sqft) for commercial buildings, average rent per square-foot (annual and monthly), average rent per square-foot for retail/office buildings, and average rent per square-foot for industrial/warehouse buildings.

City of Grand Rapids - Price Per SQFT						
	Average Monthly Rent Rate	Average Sqft per commercial building	Average rent per sqft (monthly)	Average rent per sqft (annual)	Average yearly rent per sqft (Retail/Office)	Average yearly rent per sqft (Industrial/Warehouse)
<b>totals</b>	\$2991.41	3841	\$0.78	\$9.35	\$11.80	\$5.77
<b># of responses</b>	37	37	37	37	29	9

## Survey Results Continued

**Table 10.** Average price per square foot across peer counties compared to Itasca County data. (Comprehensive for office / retail property types) Data provided by the Northspan Group.

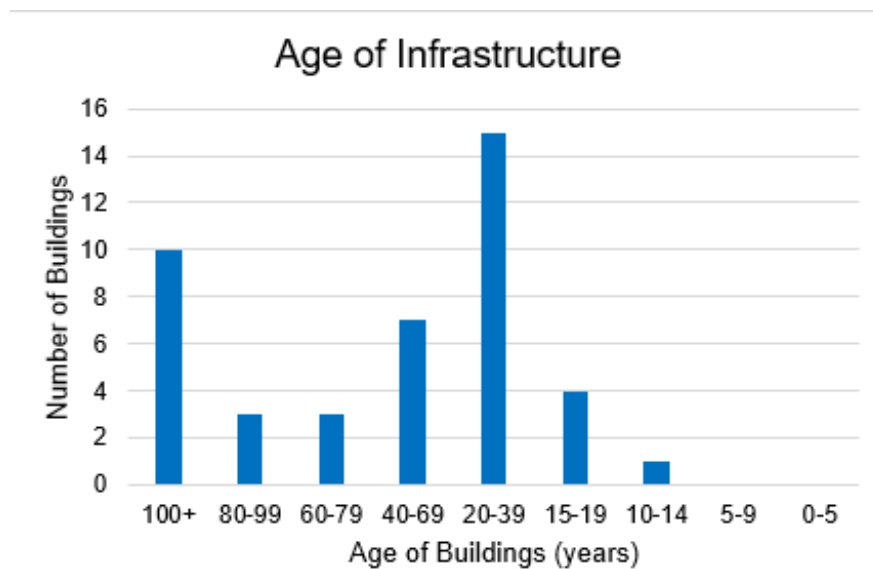
County	Avg Price / sqft
Douglas (WI)	\$14.00
Carlton	\$12.83
St. Louis	\$12.07
<i>City of Grand Rapids</i>	<i>\$11.80</i>
St. Louis w/o Duluth	\$11.07
<i>Itasca</i>	<i>\$10.92</i>
Aitkin	\$10.50
<i>Itasca w/o Grand Rapids</i>	<i>\$8.56</i>

As the tables above show, rental rates for Itasca County are competitive with other counties in the region. Average rents are higher in the City of Grand Rapids than in other areas of the county. This is to be expected as Grand Rapids is the largest city in the county making demand the highest. The higher rental rates in Grand Rapids are still very competitive with the averages in the region.

With the low percentage of rental units as compared to those that are owner operated, the vacancy percentages can seem more alarming than they need to. That being said, the vacancy rate does show that there are existing properties available for prospective businesses. The potential of these vacant buildings could be explored further with the use of tools like a retail trade/gap analysis or a market area profile that could help to show market opportunities in the different areas of the county. The City of Grand Rapids has worked with the University of MN Extension Service to complete these types of studies in the past.

## Survey Results Continued

**Figure 4.** Number of buildings in Itasca County separated by construction age.



Because the information is based on a sampling of the population via survey, the report is not intending to state that not a single commercial/industrial building has been built in the county over the last ten years. Instead, the numbers should be interpreted to show that the percentage of them built comparative to the other time frames is very small.

Because of the relatively high percentage of older buildings in this category steps should be taken to encourage reinvestment in these properties to help keep them efficient and viable. Commercial rehabilitation programs like the Minnesota Small Cities Development Block Grant program, or energy efficiency programs through local utility companies could assist in these efforts.

New construction is also key to maintaining a strong tax base, and several programs could be explored to help encourage new construction in the commercial/industrial segments for all areas of the county. Examples of tools that could be used by a community to assist include, but are not limited to, tax increment financing and tax abatement.



## Conclusion

Overall, throughout the survey responses there was a distinct difference when Grand Rapids was included versus excluded when looking at the County as a whole. The majority of commercial rental buildings can be found in Grand Rapids. Smaller rural communities have commercial buildings, however, it is less common to find rental opportunities as the majority are owner-occupied. That being said, the average price per square foot elucidated in the survey is lower than peer counties and cities. On average peer counties show average price per square foot as three to four dollars higher than averages in Itasca County.

### Limitations

A limitation of this study was the lack of email contact information to send electronic surveys. Therefore, only paper surveys were mailed which could have been a deterrent to an increased response rate. Additionally, the original distribution list included both owner-occupied commercial spaces and commercial rental spaces. As the majority of commercial spaces in Itasca County are owner-occupied, the majority of the surveys were from owner-occupied properties, potentially skewing the number of true rental spaces in the County. Another possible limitation is the lack of understanding of survey design on the part of the respondents. This is an unavoidable limitation with any survey design.

### Recommendations

Continue with the additional promotion of key sites and buildings available in Itasca County through the use of IEDC's Website and Northland Connections. Consider maintaining an internal contact list of all property owners within the County to leverage for future communications. Consider adding rental/lease properties to the IEDC website to aid in lowering the current vacancy rate. Continue working with outside resources to attract, promote, retain, possible new employment opportunities. Consider promotion of revitalization of older more dated buildings to possibly attract new tenants.



## Appendices

### Appendix A