



2023

- EAU CLAIRE AREA -

COMMERCIAL REAL ESTATE
MARKET REPORT





A message from our President:



Stuart M. Schaefer
President/Principal

Dear Friends and Colleagues:

Thank you for expressing interest in the 2023 Eau Claire Area Commercial Real Estate Market Report, offering a comprehensive overview of the current state of the greater Eau Claire area. This report encompasses the cities of Eau Claire and Altoona, as well as the Town of Washington and Village of Lake Hallie. It focuses on retail, general office, and industrial properties available for occupancy as of the end of 2023. Additionally, this year's report includes 4+ unit multi-family properties in Eau Claire. The report excludes such uses as automobile dealerships, hospitality facilities, freestanding financial institution branch offices, fast-food restaurants, government-owned buildings, self-storage facilities, or hospitals.

For the past 16 years, we have meticulously gathered data from public records, conducted interviews with government officials, property managers, real estate brokers, and property owners. Our information is supplemented by internal records and visual observation, all contributing to the creation of this comprehensive report. A special acknowledgement goes to those who assisted in our research and provided the necessary data for this summary. We have made every effort to verify the accuracy of the information contained in this report, ensuring it can be trusted.

Despite challenges such as continued construction cost inflation and rising interest rates, commercial real estate performed well in 2023. The region is facing substantial obstacles with recent hospital and plant closings. However, given its regional strength and recent signs of growth, we firmly believe that the Eau Claire region will continue to prosper, and the commercial real estate market will thrive, primarily driven by the region's growth.

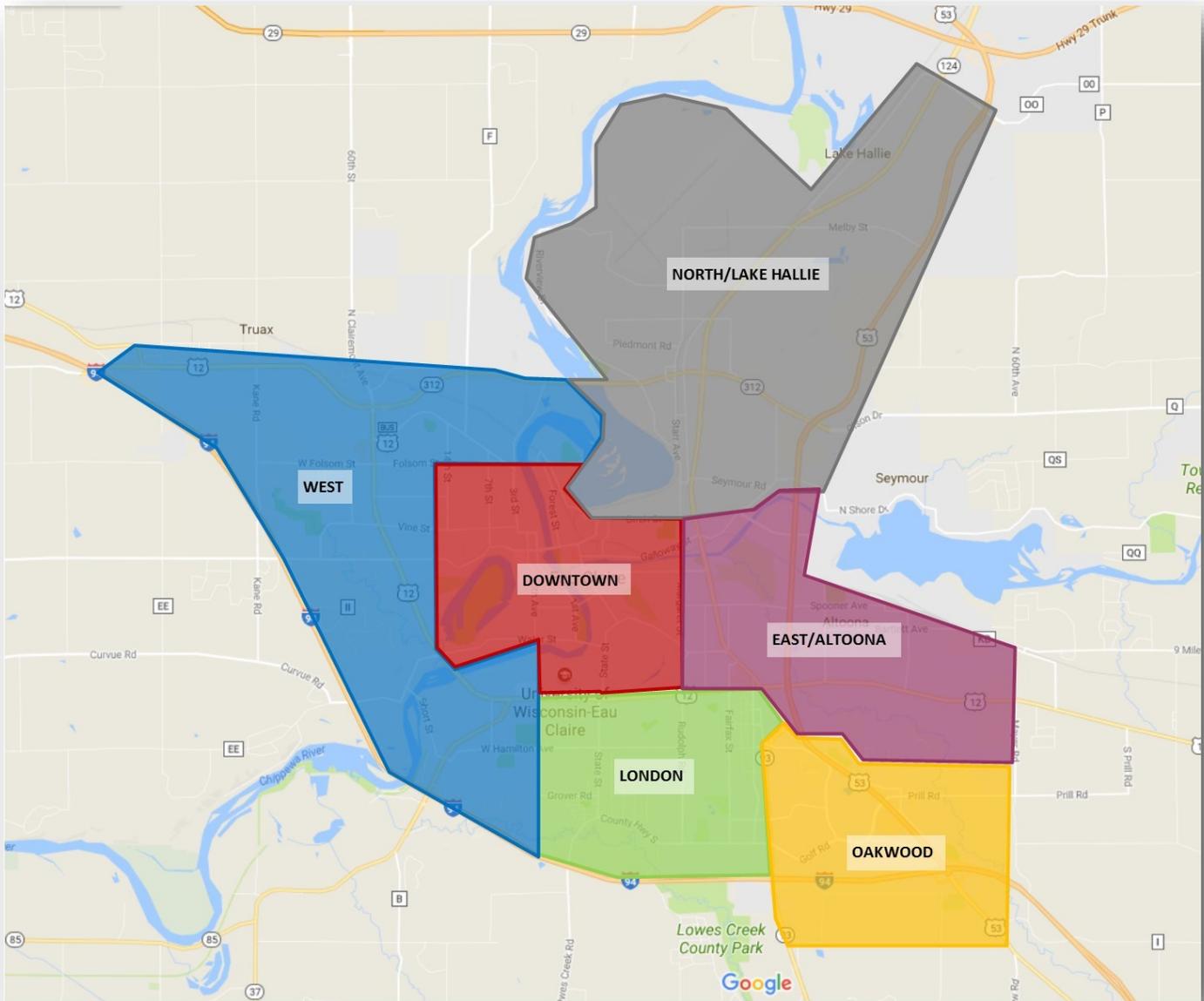
Our objective with this report is to offer valuable insights into the Eau Claire commercial real estate market. Please feel free to reach out if there's anything we can assist you with or if you have any questions.

Sincerely

Stuart Schaefer, President/Principal

About Commonweal:

Discover the power of experience with Commonweal, your trusted partner in commercial real estate development, brokerage, and property management. With over 40 years of proven success, we offer full-service capabilities to meet all your needs, from feasibility analysis to site acquisition and beyond. Our impressive track record speaks for itself, with countless completed projects across the Midwest, including land development, retail, and office spaces. Let us guide you through every step of the process with expertise and dedication. Visit www.commonwealdc.com to learn more about our history and how we can help you achieve your goals.



Sector lines are approximate | Map - Googlemaps.com

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

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



Retail Analysis

2022 Rate - 9.75%

| Trade Area | SF Adjustment* | Total SF | Vacant | % Vacant |
|----------------------------|----------------|-----------|---------|----------|
| East Side/ Altoona | (71,049) | 596,817 | 32,263 | 5.41% |
| West Side | (97,194) | 676,926 | 101,580 | 15.01% |
| North Side/ Lake Hallie | 166,333 | 821,429 | 18,707 | 2.28% |
| Oakwood Hills | 0 | 2,724,835 | 214,665 | 7.88% |
| London Road | 0 | 1,104,426 | 46,597 | 4.22% |
| Downtown | 5,737 | 507,618 | 99,391 | 19.58% |



VACANCY



ABSORPTION



TOTAL SF

2023 Total

3,827

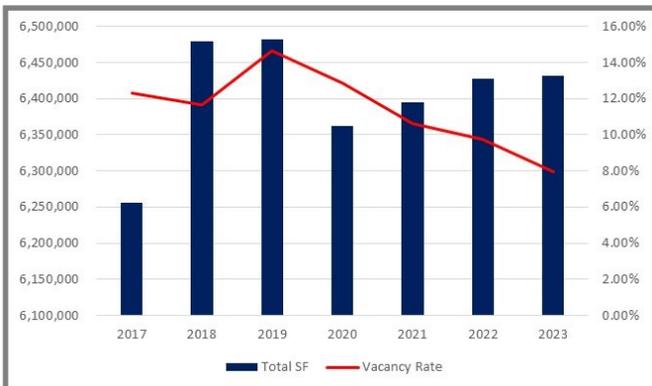
6,432,051

513,203

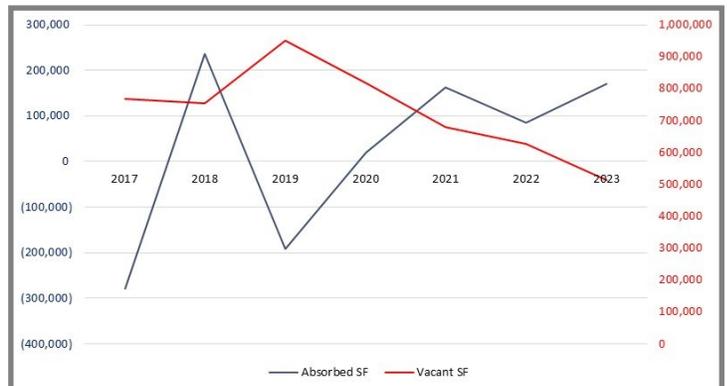
7.98%

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

TOTAL SF VS. VACANCY RATE
SQUARE FEET IN MILLIONS & VACANCY (%)



VACANT SF VS. ABSORBED SF
SQUARE FEET IN THOUSANDS





Office Analysis

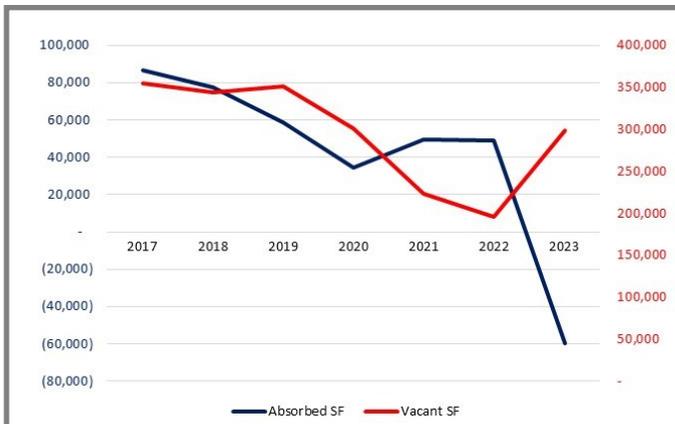
2022 Rate - 5.30%

| Trade Area | SF Adjustment* | Total SF | Vacant | % Vacant | |
|----------------------------|----------------|-----------|--------|----------|------------|
| East Side/ | 5,660 | 941,633 | 89,700 | 9.53% | VACANCY |
| West Side | (5,035) | 1,002,236 | 51,831 | 5.17% | |
| North Side/ Lake Hallie | 0 | 128,853 | 20,467 | 15.88% | ABSORPTION |
| Oakwood Hills | 43,849 | 693,419 | 19,277 | 2.78% | |
| London Road | 0 | 213,173 | 61,892 | 29.03% | TOTAL SF |
| Downtown | (2,160) | 765,992 | 54,972 | 7.18% | |

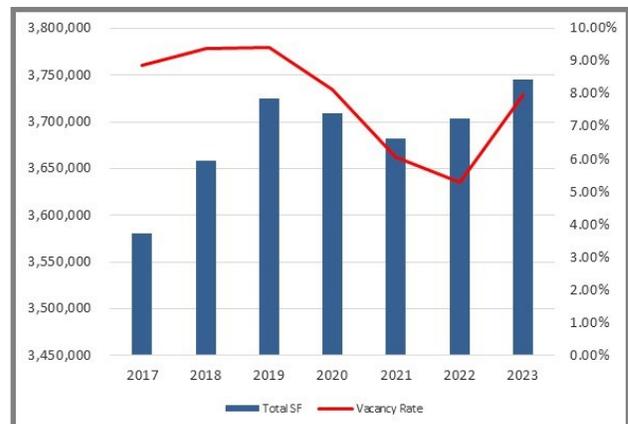
| | | | | |
|-------------------|---------------|------------------|----------------|--------------|
| 2023 Total | 42,314 | 3,745,306 | 298,139 | 7.96% |
|-------------------|---------------|------------------|----------------|--------------|

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

VACANT SF VS. ABSORBED SF SQUARE FEET IN THOUSANDS



TOTAL SF VS. VACANCY RATE SQUARE FEET IN MILLIONS & VACANCY (%)





Industrial Analysis*

| Trade Area | Total SF | Vacant | % Vacant |
|------------------------|-------------------|----------------|--------------|
| East Side/Altoona | 1,052,316 | 36,713 | 3.49% |
| West Side | 5,513,035 | 77,590 | 1.41% |
| North Side/Lake Hallie | 3,875,107 | 86,560 | 2.23% |
| Downtown | 1,817,101 | 26,526 | 1.46% |
| Total | 12,257,559 | 227,389 | 1.86% |

*Industrial Parks are included in above totals

Industrial Parks

| | | | |
|---------------------------------|------------------|----------------|--------------|
| Gateway Northwest | 1,563,415 | 15,000 | 0.96% |
| Gateway West | 1,716,036 | 10,310 | 0.60% |
| SkyPark | 737,598 | 52,280 | 0.00% |
| Chippewa Valley Industrial Park | 2,784,523 | 78,000 | 0.43% |
| Banbury Place | 843,700 | 0 | 0.00% |
| Total | 7,645,272 | 155,590 | 2.04% |

Based on Colliers Q3 Industrial Report, total U.S. industrial vacancy was at 5.02%, up 1.4% from the previous year. At the end of Q3 2023, net absorption for the year was 178.3 million square feet for the entire U.S.

For more information on the U.S. industrial real estate market, click on the link below:

[Q3 2023 U.S. Industrial Market Outlook](#)

In Eau Claire, industrial vacancy increased from last year, yet it remains the strongest sector in the market. The local vacancy rate is well below the National and Midwest averages at 1.86%. Local industrial parks continue to fill and with the potential expansion of those areas along with the continued demand for industrial space, we believe the industrial sector will continue to be the strongest sector in 2024.

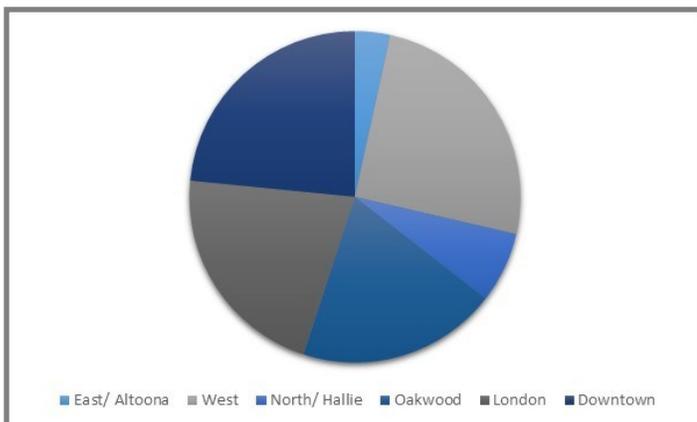


Multifamily Analysis*

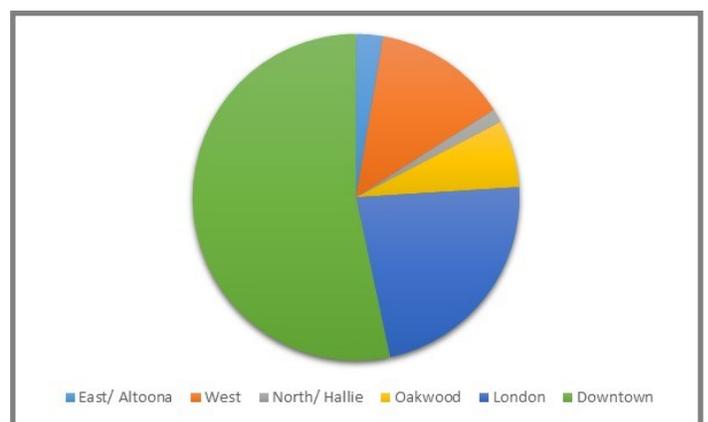
| Trade Area | Number of Units | Percentage of Total Units in Market | % Vacant |
|-----------------------------------|-----------------|-------------------------------------|--------------|
| East Side (not including Altoona) | 213 | 3.36% | 0.94% |
| West Side | 1,562 | 25.98% | 0.64% |
| North Side (not including Hallie) | 428 | 9.83% | 0.23% |
| London Road | 1,212 | 25.57% | 0.41% |
| Oakwood Hills | 1,334 | 19.78% | 1.27% |
| Downtown | 1,454 | 15.48% | 2.75% |
| Total | 6,203 | 100% | 1.21% |

*This data includes properties that are 4 units and above and vacancy data collected in Summer 2023. The data does not include units in Altoona and Lake Hallie, which we plan to add in 2024.

% OF TOTAL UNITS BY LOCATION



% OF VACANT UNITS BY LOCATION





The Year in Summary:

The retail real estate market in Eau Claire maintained its positive momentum in 2023, marked by increased absorption and a decline vacancy rates. On the flip side, the office sector experienced the addition of new buildings but faced a slight downturn in vacancy.

Noteworthy entrances into the market included Chick-fil-A and Costco, emphasizing Eau Claire's standing as a robust retail market attracting major national tenants. Despite the significant square footage added by Costco, the overall retail footprint only expanded by approximately 5,000 SF, attributed in part to the demolition of the former Shopko and reclassification of the former Mega East to self-storage. Jersey Mike's debut along Clairemont Ave and Menomonie Market's new downtown store enhanced the city's diverse retail landscape. Conversely, Mega Coop's closure of several gas stations in the area left their future uncertain. The combination of new construction and positive absorption, totaling around 170,000 SF, contributed to the third consecutive year of declining retail vacancy rates, reaching 7.98% in 2023 compared to 9.75% in 2022.

In the office sector, major projects by Compeer Financial and Chippewa Valley Eye Clinic brought substantial square footage to the market in 2023. However, leasing activity slowed and the departure of large users, including United Health, elevated the office vacancy rate to 7.96%, up from 5.30% in 2022. Notably, there was negative absorption of approximately 60,000 SF, marking the first instance of negative absorption in the Eau Claire office sector since 2014.

The industrial space demonstrated continued strength in 2023, although vacancy did increase slightly from 0.91% in 2022 to 1.86% in 2023. Industrial continues to be the strongest sector nationally.

Over the years, our observation of the multi-family sector revealed significant growth in the number of apartment buildings and units within our market. However, this marks the first year that we have systematically analyzed and incorporated this data into our report. While it is premature to draw firm conclusions at this early stage, we anticipate gaining the ability to do so in the future. The current data indicates approximately 6,000 units in our market, with an estimated 900 units permitted in 2023. Notably, the vacancy rate for multi-family properties in September stood at approximately 1.2%. Given the increased supply, we suspect a subsequent rise in the vacancy rate, and it would not be surprising if this trend continues into the next year

Looking Forward:

The commercial real estate industry in Eau Claire anticipates a strong retail real estate market in 2024. Notable developments include Raising Cane's proposal for a new location and the construction of two new retail buildings on the former America's Best Value site along the Clairemont corridor. The presence of Costco is expected to drive additional development on the north side, while the Oakwood Hills area has the potential for a significant transformation if the vacant portions of the Oakwood Mall building and site can be put to use.

In the office market, growth is projected, particularly in the Oakwood Hills area, with several projects under construction or in the planning stages. However, the closure of HSHS/Prevea and other businesses announcing layoffs might contribute to an increase in the vacancy rate by the end of 2024. This potentially leaves a number of vacant medical office buildings if no other medical provider takes on the HSHS/Prevea properties. Although we don't track financial institutions, there were no significant projects in 2023 and none expected in 2024.

For industrial, we fully expect the vacancy rate to remain low in 2024 with some new construction and absorption in the market.

Chippewa Falls, located just outside our market area, continues to experience growth, with anticipated retail expansion including a planned Culver's and Taco Bell near the new Festival Foods grocery store. Expect to see additional growth in this area as 2024 progresses.

While no new convenience stores were added in 2023, some of the Mega Coop closures are expected to be reopened under new ownership or redeveloped. In hospitality, the construction of the Springhill Suites near the Sonnentag Complex is underway and expected to open in 2024.

The multi-family sector is growing across the region, although the pace may have slowed. Tracking the addition of units annually will be crucial, as an increase in supply and leveling off of demand may contribute to a rising vacancy rate in 2024. Despite these challenges, Eau Claire remains a strong regional retail hub, with additions like Costco, Chick-fil-A and Raising Cane's reinforcing its position in the state.