

Market

Trends

Q2 2023

Des Moines - Office



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ANALYTICS

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MARKET TRENDS

Q2 2023 | Des Moines | Office

Employment

	<u>Current</u>	<u>Y-o-Y</u>
Employment	373,107	
Area Unemployment	2.4	
U.S. Unemployment	3.6	
Office Jobs	114,500	

Source: BLS

*Employment figures and area unemployment are based on Des Moines MSA data.

Market Recap

All Properties

Total Inventory (sf)	28,813,094
Total # of Bldgs (tracked)	673
Absorption (sf)	(4,261)
Vacancy	11.3%
Asking Rate (FSG)	\$20.37
New Construction (sf)	2,700,659

Multi-tenant Properties

Total Inventory (sf)	16,704,409
Total # of Bldgs (tracked)	437
Absorption (sf)	314
Vacancy	18.1%
Asking Rate (FSG)	\$20.38

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Des Moines metropolitan statistical area (MSA) increased 20 basis points to 2.4% for May 2023 from 2.2% for May 2022. The unemployment rate for the US was at 3.6% in June 2023 which is unchanged from last year. State of Iowa unemployment rate was 2.7%. The Des Moines MSA saw an increase in job growth, but office job growth in professional, financial, and information decreased by 1,400 jobs compared to last year.

Market Overview

The Des Moines office market consists of over 28.8 msf of space in three counties across the metro. Overall there was (4,200) sf negative absorption bringing YTD to (7,300) sf negative absorption. Q2 2023 ended with a 11.3% vacancy rate. Direct leasing had (18,900) sf negative absorption while subleases had 14,7000 sf positive absorption. Multi-tenant only properties had 300 sf positive absorption bringing YTD to (10,800) sf negative absorption. This created a 18.1% vacancy rate for Q2 2023. To date, there are 17 construction projects totaling 2.7 msf of which 2.2 msf are for data centers in West Des Moines.

Market Highlights

During Q2 2023, the market experienced 260,000 sf of leasing activity in 63 transactions. Des Moines West had the largest absorption gain with 6,500 sf positive absorption led by Robert Half leasing 6,500 sf. Des Moines CBD dropped the most with (10,800) sf negative absorption led by Robert Half vacating 9,500 sf. Twelve properties with over 78,600 sf sold during Q2 2023 topping \$7.3 million.

Market Statistics by Building Class (Multi and Single Tenant)

Total

Bldg Class	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
A	44	8,071,115	1,114,427	1,144,479	(1,288)	(11,804)	14.2%
B	412	17,117,570	2,842,917	1,924,840	(2,288)	2,232	11.2%
C	217	3,624,409	221,222	196,905	(685)	2,274	5.4%
Grand Total	673	28,813,094	4,178,566	3,266,224	(4,261)	(7,298)	11.3%

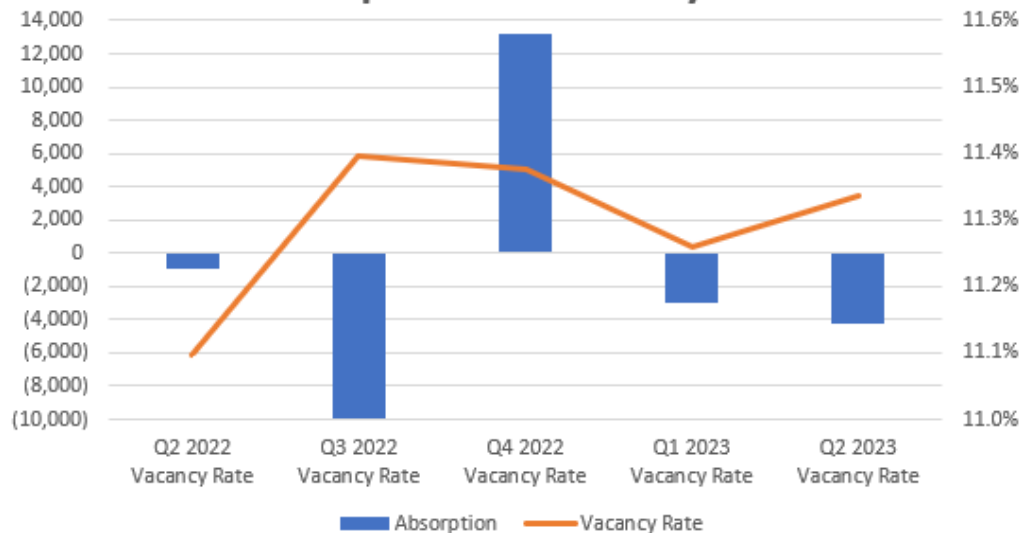
Direct

Bldg Class	# of Bldgs	Inventory	Direct Available (sf)	Direct Vacant (sf)	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
A	44	8,071,115	1,065,582	1,055,929	(1,288)	(14,804)	13.1%
B	412	17,117,570	2,759,774	1,887,876	(16,998)	(67,226)	11.0%
C	217	3,624,409	219,828	195,511	(685)	2,274	5.4%
Grand Total	673	28,813,094	4,045,184	3,139,316	(18,971)	(79,756)	10.9%

Sublease

Bldg Class	# of Bldgs	Inventory	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
A	44	8,071,115	48,845	88,550	0	3,000	1.1%
B	412	17,117,570	83,143	36,964	14,710	69,458	0.2%
C	217	3,624,409	1,394	1,394	0	0	0.0%
Grand Total	673	28,813,094	133,382	126,908	14,710	72,458	0.4%

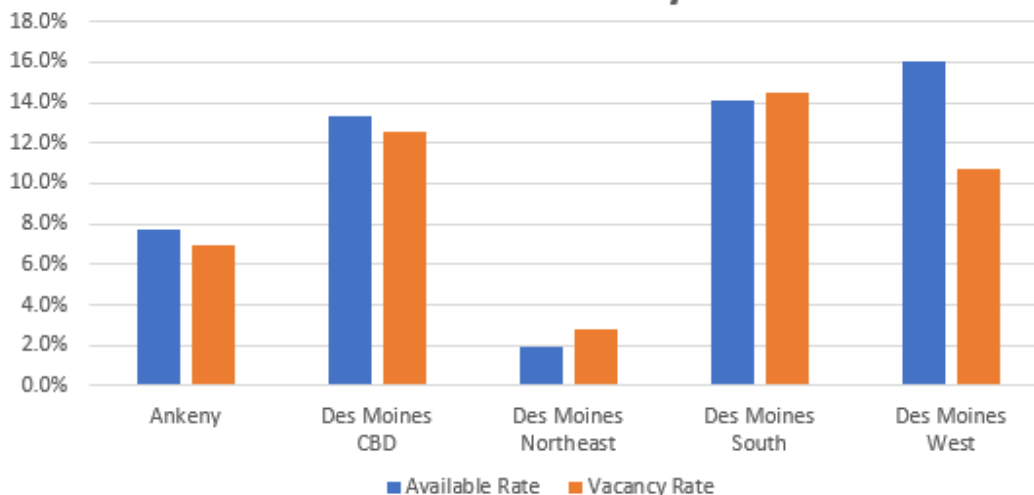
Absorption and Vacancy Rate



Market Statistics by Market (Multi and Single Tenant)

Market	Bldg Class	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Ankeny	A	2	32,186			0	0	0.0%
	B	36	534,734	55,842	49,819	1,833	7,572	9.3%
	C	14	178,970	1,900	1,900	0	223	1.1%
	Subtotal	52	745,890	57,742	51,719	1,833	7,795	6.9%
Des Moines CBD	A	23	6,302,828	802,760	745,832	(9,543)	(39,650)	11.8%
	B	56	3,493,846	562,926	553,678	(2,700)	15,797	15.8%
	C	35	805,242	43,848	30,222	1,396	1,396	3.8%
	Subtotal	114	10,601,916	1,409,534	1,329,732	(10,847)	(22,457)	12.5%
Des Moines Northeast	B	16	368,817	5,125	5,125	1,300	0	1.4%
	C	12	100,683	4,075	8,075	(3,075)	(3,075)	8.0%
	Subtotal	28	469,500	9,200	13,200	(1,775)	(3,075)	2.8%
Des Moines South	B	30	861,524	170,758	178,758	0	2,195	20.7%
	C	39	436,274	12,676	9,082	0	0	2.1%
	Subtotal	69	1,297,798	183,434	187,840	0	2,195	14.5%
Des Moines West	A	19	1,736,101	311,667	398,647	8,255	27,846	23.0%
	B	274	11,858,649	2,048,266	1,137,460	(2,721)	(23,332)	9.6%
	C	117	2,103,240	158,723	147,626	994	3,730	7.0%
	Subtotal	410	15,697,990	2,518,656	1,683,733	6,528	8,244	10.7%
Grand Total		673	28,813,094	4,178,566	3,266,224	(4,261)	(7,298)	11.3%

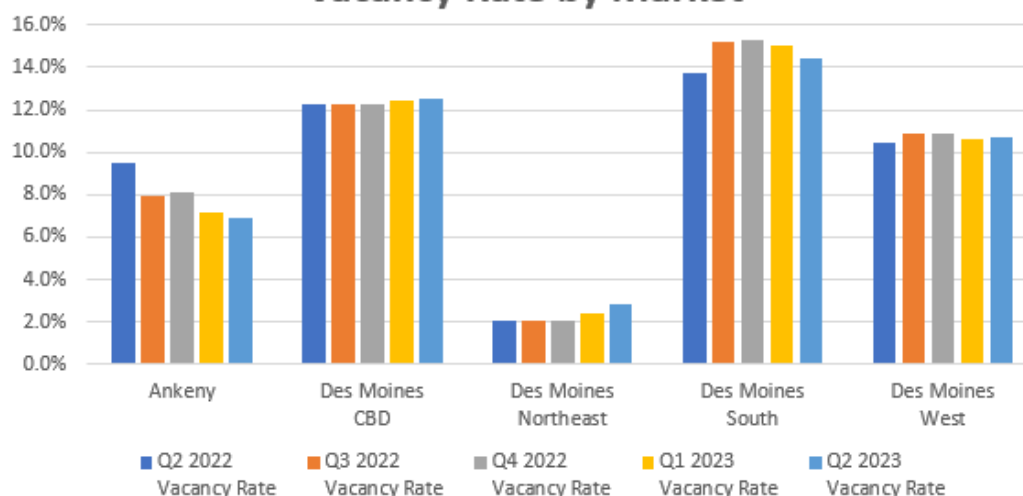
Available and Vacancy Rates



Vacancy Rates by Market (Multi and Single Tenant)

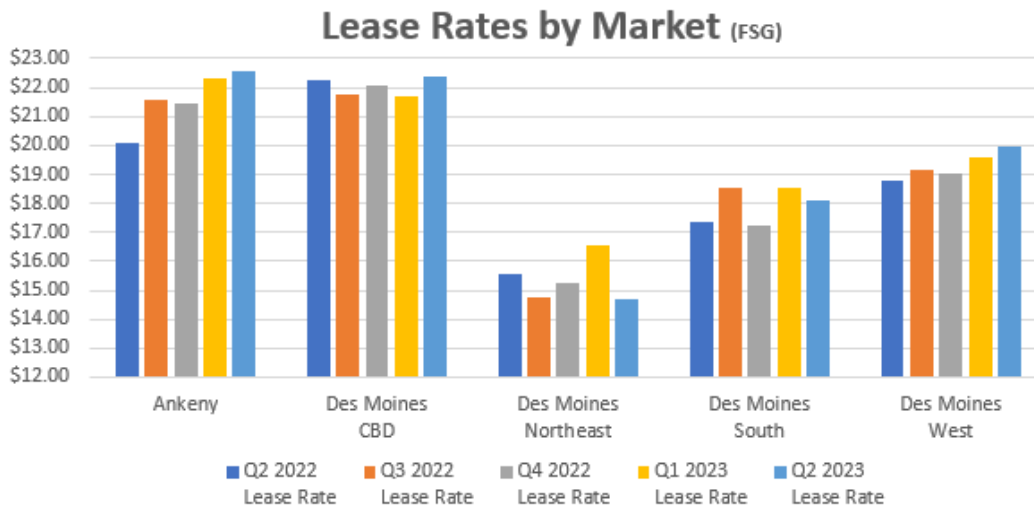
Market	Bldg Class	Q2 2022 Vacancy Rate	Q3 2022 Vacancy Rate	Q4 2022 Vacancy Rate	Q1 2023 Vacancy Rate	Q2 2023 Vacancy Rate
Ankeny	A	0.0%	0.0%	0.0%	0.0%	0.0%
	B	13.1%	10.9%	11.0%	9.7%	9.3%
	C	0.9%	0.4%	1.2%	1.1%	1.1%
	Subtotal	9.5%	7.9%	8.1%	7.2%	6.9%
Des Moines CBD	A	11.2%	11.2%	11.2%	11.7%	11.8%
	B	16.3%	16.5%	16.3%	15.8%	15.8%
	C	4.9%	3.6%	3.6%	3.9%	3.8%
	Subtotal	12.3%	12.3%	12.3%	12.4%	12.5%
Des Moines Northeast	B	1.4%	1.3%	1.3%	1.7%	1.4%
	C	4.7%	4.7%	4.7%	5.0%	8.0%
	Subtotal	2.1%	2.1%	2.1%	2.4%	2.8%
Des Moines South	B	19.5%	22.3%	22.4%	22.1%	20.7%
	C	3.0%	2.1%	2.1%	2.1%	2.1%
	Subtotal	13.7%	15.2%	15.3%	15.1%	14.5%
Des Moines West	A	22.9%	24.7%	24.4%	23.4%	23.0%
	B	9.2%	9.6%	9.5%	9.4%	9.6%
	C	7.1%	6.8%	7.2%	7.0%	7.0%
	Subtotal	10.4%	10.9%	10.9%	10.6%	10.7%
Grand Total		11.1%	11.4%	11.4%	11.3%	11.3%

Vacancy Rate by Market



Lease Rates by Market (Multi and Single Tenant FSG)

Market	Bldg Class	Q2 2022 Lease Rate	Q3 2022 Lease Rate	Q4 2022 Lease Rate	Q1 2023 Lease Rate	Q2 2023 Lease Rate
Ankeny	A	\$23.00		\$24.00		
	B	\$20.36	\$22.43	\$21.52	\$24.42	\$24.48
	C	\$15.00	\$15.00	\$20.48	\$15.93	\$16.00
	Subtotal	\$20.09	\$21.60	\$21.45	\$22.30	\$22.59
Des Moines CBD	A	\$24.91	\$24.16	\$23.99	\$24.16	\$25.70
	B	\$21.05	\$19.82	\$20.71	\$19.82	\$20.72
	C	\$20.59	\$21.59	\$21.34	\$20.77	\$19.83
	Subtotal	\$22.27	\$21.78	\$22.04	\$21.69	\$22.40
Des Moines Northeast	B	\$15.54	\$15.54	\$16.54	\$17.79	\$17.75
	C		\$14.00	\$14.00	\$14.00	\$13.13
	Subtotal	\$15.54	\$14.77	\$15.27	\$16.53	\$14.67
Des Moines South	B	\$19.10	\$18.12	\$18.12	\$18.12	\$17.61
	C	\$14.49	\$20.20	\$15.49	\$20.20	\$20.20
	Subtotal	\$17.37	\$18.54	\$17.24	\$18.54	\$18.13
Des Moines West	A	\$25.19	\$26.29	\$26.36	\$26.40	\$26.64
	B	\$19.16	\$18.96	\$18.62	\$19.62	\$19.89
	C	\$14.35	\$16.25	\$16.46	\$15.18	\$15.20
	Subtotal	\$18.80	\$19.15	\$19.01	\$19.59	\$19.95
Grand Total		\$19.44	\$19.70	\$19.63	\$20.03	\$20.37



Market Statistics by Building Class (Multi-Tenant)

Total

Bldg Class	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
A	33	4,251,589	1,114,427	1,144,479	(1,288)	(26,868)	26.9%
B	275	10,156,108	2,464,745	1,703,992	(788)	17,681	16.8%
C	129	2,296,712	192,767	175,974	2,390	(1,627)	7.7%
Grand Total	437	16,704,409	3,771,939	3,024,445	314	(10,814)	18.1%

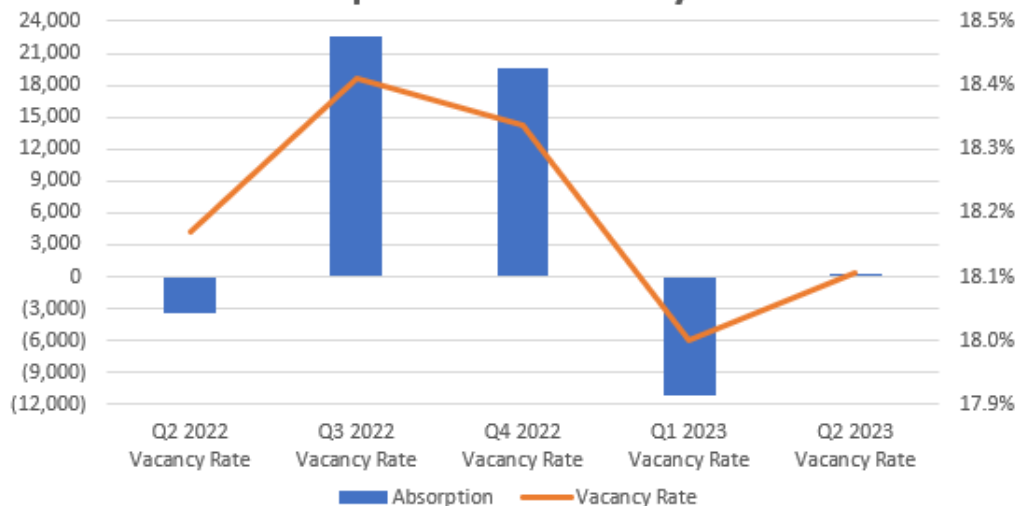
Direct

Bldg Class	# of Bldgs	Inventory	Direct Available (sf)	Direct Vacant (sf)	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
A	33	4,251,589	1,065,582	1,055,929	(1,288)	(29,868)	24.8%
B	275	10,156,108	2,381,602	1,667,028	(15,498)	432	16.4%
C	129	2,296,712	191,373	174,580	2,390	(1,627)	7.6%
Grand Total	437	16,704,409	3,638,557	2,897,537	(14,396)	(31,063)	17.3%

Sublease

Bldg Class	# of Bldgs	Inventory	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
A	33	4,251,589	48,845	88,550	0	3,000	2.1%
B	275	10,156,108	83,143	36,964	14,710	17,249	0.4%
C	129	2,296,712	1,394	1,394	0	0	0.1%
Grand Total	437	16,704,409	133,382	126,908	14,710	20,249	0.8%

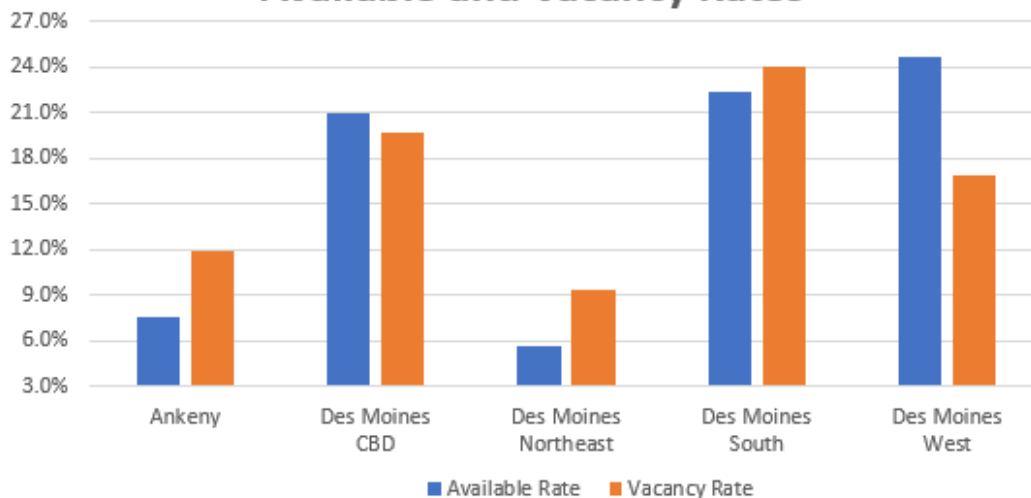
Absorption and Vacancy Rate



Market Statistics by Market (Multi-Tenant)

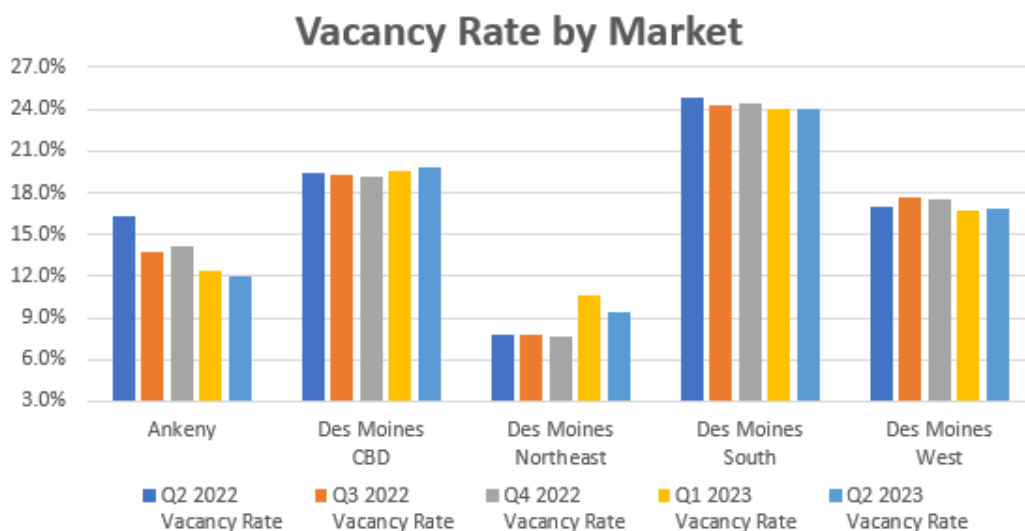
Market	Bldg Class	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Ankeny	A	2	32,186			0	0	0.0%
	B	24	343,124	30,942	49,819	1,833	7,572	14.5%
	C	8	58,426	1,900	1,900	0	223	3.3%
	Subtotal	34	433,736	32,842	51,719	1,833	7,795	11.9%
Des Moines CBD	A	15	3,155,502	802,760	745,832	(9,543)	(39,650)	23.6%
	B	44	2,755,381	521,541	512,293	(1,200)	7,857	18.6%
	C	22	532,371	28,992	15,366	1,396	1,396	2.9%
	Subtotal	81	6,443,254	1,353,293	1,273,491	(9,347)	(30,397)	19.8%
Des Moines Northeast	B	7	74,443	5,125	5,125	1,300	0	6.9%
	C	4	33,078	1,000	5,000	0	0	15.1%
	Subtotal	11	107,521	6,125	10,125	1,300	0	9.4%
Des Moines South	B	16	442,980	147,782	155,782	0	2,195	35.2%
	C	22	242,777	6,074	9,082	0	0	3.7%
	Subtotal	38	685,757	153,856	164,864	0	2,195	24.0%
Des Moines West	A	16	1,063,901	311,667	398,647	8,255	12,782	37.5%
	B	184	6,540,180	1,759,355	980,973	(2,721)	57	15.0%
	C	73	1,430,060	154,801	144,626	994	(3,246)	10.1%
	Subtotal	273	9,034,141	2,225,823	1,524,246	6,528	9,593	16.9%
Grand Total		437	16,704,409	3,771,939	3,024,445	314	(10,814)	18.1%

Available and Vacancy Rates



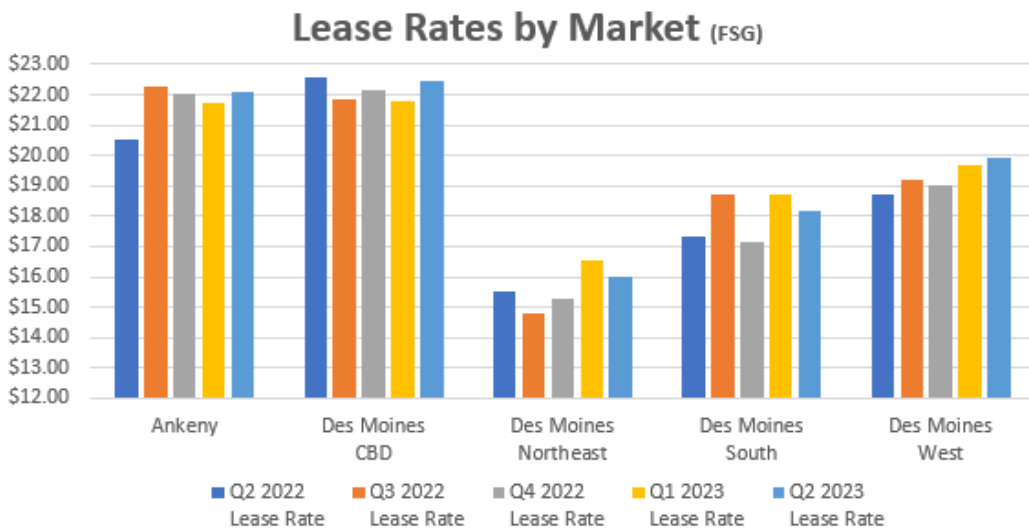
Vacancy Rates by Market (Multi-Tenant)

Market	Bldg Class	Q2 2022 Vacancy Rate	Q3 2022 Vacancy Rate	Q4 2022 Vacancy Rate	Q1 2023 Vacancy Rate	Q2 2023 Vacancy Rate
Ankeny	A	0.0%	0.0%	0.0%	0.0%	0.0%
	B	20.2%	17.2%	17.4%	15.1%	14.5%
	C	2.7%	1.4%	3.6%	3.3%	3.3%
	Subtotal	16.3%	13.8%	14.2%	12.3%	11.9%
Des Moines CBD	A	22.3%	22.4%	22.4%	23.3%	23.6%
	B	19.0%	19.1%	18.9%	18.5%	18.6%
	C	5.2%	2.9%	2.9%	3.1%	2.9%
	Subtotal	19.4%	19.3%	19.2%	19.6%	19.8%
Des Moines Northeast	B	5.5%	5.5%	5.5%	8.6%	6.9%
	C	13.1%	13.1%	13.1%	15.1%	15.1%
	Subtotal	7.7%	7.7%	7.7%	10.6%	9.4%
Des Moines South	B	35.6%	35.6%	35.7%	35.2%	35.2%
	C	5.4%	3.7%	3.7%	3.7%	3.7%
	Subtotal	24.9%	24.3%	24.4%	24.0%	24.0%
Des Moines West	A	36.9%	39.3%	38.7%	38.2%	37.5%
	B	15.2%	15.8%	15.7%	14.7%	15.0%
	C	10.4%	9.8%	9.9%	10.2%	10.1%
	Subtotal	17.0%	17.7%	17.6%	16.7%	16.9%
Grand Total		18.2%	18.4%	18.3%	18.0%	18.1%



Lease Rates by Market (Multi-Tenant FSG)

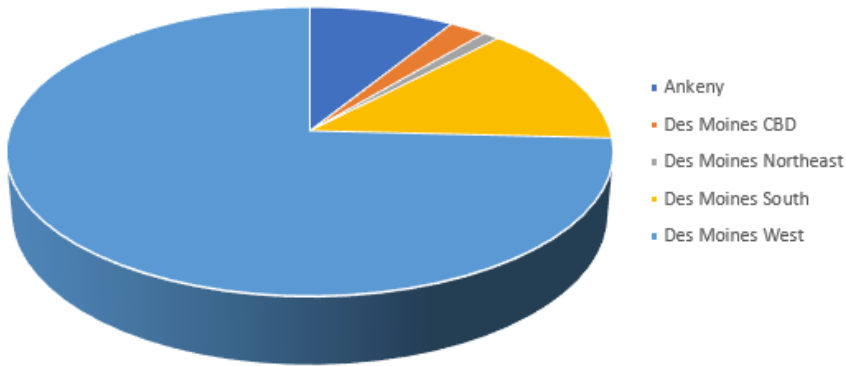
Market	Bldg Class	Q2 2022 Lease Rate	Q3 2022 Lease Rate	Q4 2022 Lease Rate	Q1 2023 Lease Rate	Q2 2023 Lease Rate
Ankeny	A	\$23.00		\$24.00		
	B	\$20.94	\$23.30	\$22.56	\$24.62	\$24.57
	C	\$15.00	\$15.00	\$20.48	\$15.93	\$16.00
	Subtotal	\$20.51	\$22.27	\$22.03	\$21.72	\$22.12
Des Moines CBD	A	\$24.91	\$24.16	\$23.99	\$24.16	\$25.70
	B	\$21.19	\$19.89	\$20.85	\$19.90	\$20.76
	C	\$21.69	\$21.29	\$20.96	\$20.34	\$19.10
	Subtotal	\$22.60	\$21.86	\$22.14	\$21.77	\$22.47
Des Moines Northeast	B	\$15.54	\$15.54	\$16.54	\$17.79	\$17.75
	C		\$14.00	\$14.00	\$14.00	\$14.25
	Subtotal	\$15.54	\$14.77	\$15.27	\$16.53	\$16.00
Des Moines South	B	\$19.43	\$18.24	\$18.24	\$18.24	\$17.48
	C	\$14.49	\$20.20	\$15.49	\$20.20	\$20.20
	Subtotal	\$17.31	\$18.73	\$17.14	\$18.73	\$18.16
Des Moines West	A	\$25.60	\$26.29	\$26.36	\$26.40	\$26.64
	B	\$19.13	\$18.91	\$18.55	\$19.59	\$19.77
	C	\$13.85	\$16.30	\$16.54	\$15.23	\$15.32
	Subtotal	\$18.74	\$19.19	\$19.04	\$19.66	\$19.92
Grand Total		\$19.46	\$19.77	\$19.69	\$20.04	\$20.38



Leasing Activity

Property	Size (sf)	Market	Tenant	Landlord
Palisade Building 4900 University Ave	99,700	Des Moines West	Co-op Solutions	R & R Realty Group LTD
Norwalk Central 1951 E 18th St	30,444	Des Moines South	Sports Plex	Diligent HCC LLC
District 5 1465 SW Park Square Dr	14,257	Ankeny	Talen-X	DRA Properties LC
5500 Westown Pkwy	7,356	Des Moines West	Kidney Physicians	West Lakes Dev Co
1220 73rd St	5,200	Des Moines West	Gardener Automotive	JDS Real Estate Investments LLC

Leased (sf)

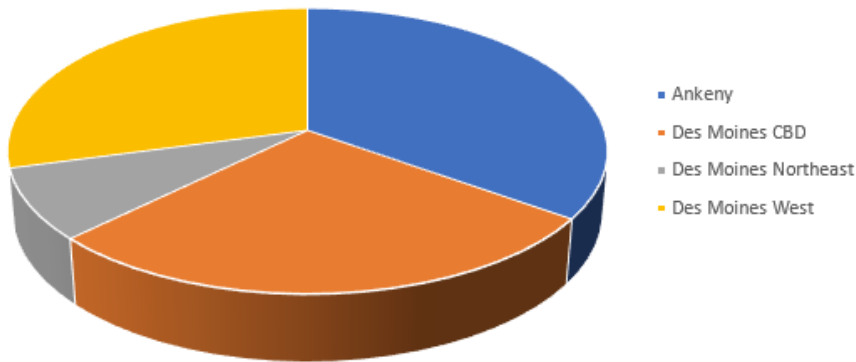


Market	Leased (sf)
Ankeny	23,059
Des Moines CBD	5,935
Des Moines Northeast	2,665
Des Moines South	35,511
Des Moines West	193,162
Grand Total	260,332

Sales Activity

Property	Price	Market	Buyer	Seller
2480 Berkshire Pkwy	\$1,700,000	Des Moines West	Iowa Great Lakes Property LLC	DSM Holdings LLC
1910 SW Plaza Shops Ln	\$1,068,000	Ankeny	DHIR Iowa I LLC	DR Horton Iowa LLC
301 N Ankeny Blvd	\$977,333	Ankeny	Rogers Six Inc	Gardner William G
315 E 5th St	\$800,000	Des Moines CBD	Hai Investments LLC	Damaro LLC
213 N Ankeny blvd	\$793,000	Ankeny	Rogers Six INC	Gardner William G

Sold (sf)



Market	Sold (sf)
Ankeny	27,424
Des Moines CBD	21,919
Des Moines Northeast	6,348
Des Moines West	22,973
Grand Total	78,664

Methodology

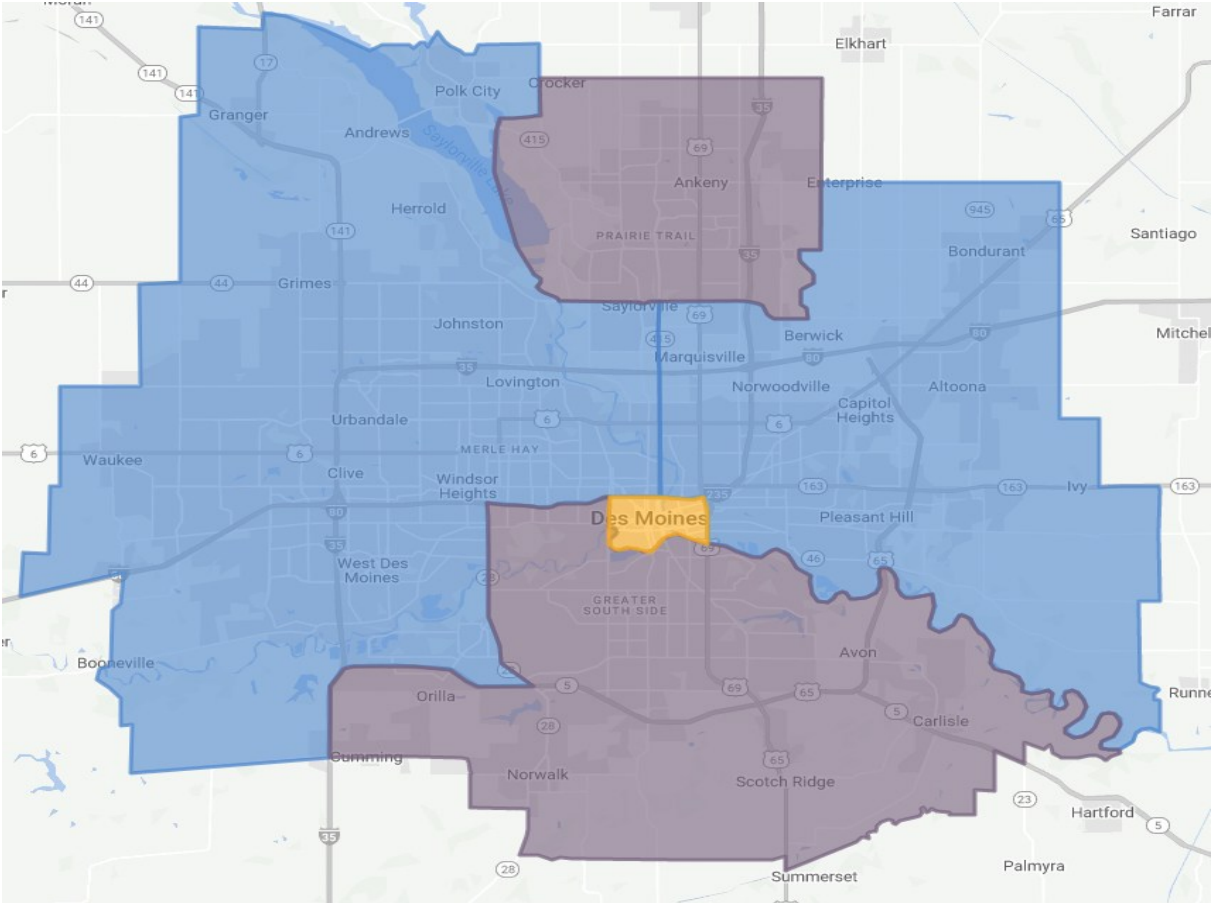
The Des Moines market consists of single and multi-tenant office buildings 5,000 sf or larger or part of a complex larger than 5,000 sf. The geographic area includes Dallas, Polk and Warren counties. The tracked set does not include medical or government properties. All tracked properties are existing. Statistically, net absorption will be calculated based on occupancy change during the current quarter. Asking lease rates are based on an average asking rate and noted on a FSG terms with Net type leases grossed up.

The Des Moines tracked set consists of an inventory of buildings considered to be competitive by the brokerage community. All buildings within the competitive tracked set have been reviewed and verified by members of the Advisory Boards for each market area.

Terminology

Inventory	The total square feet (sf) of existing single and multi-tenant buildings greater than 5,000 sf or are part of a complex that totals greater than 5,000 sf located in Dallas, Polk and Warren Counties.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move.
Total Vacant (sf)	The total of all the vacant square feet within a building including both direct and sublease space.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Sublease Space	Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.
Average Asking Rate	The average lease rate expressed as a per square foot value in Full Service Gross (FSG) terms with Net type leases grossed up.

Market Map



Advisory Board Members

Anderson Properties	Jeff Saddoris	Knapp Properties	Korey Birkenholtz
Buyers Realty	Mike Cunningham		Brian Erickson
	Bill Wright		Lucas Hedstrom
CBRE	Blake Bogenrief	JLL	Eric Land
	Chris Pendroy		Abi Reiland
Caliber Realty	Blake Pagliai	Locate CRE	Keith Olson
Capstone Commercial	Corey Sedrel	NAI Iowa Realty	Kevin Crowley
CDM RE Services	Sherri Goode	R&R Realty Group	Chris Curran
Cushman & Wakefield	Alec Wilcox	Signature CRE	Andy Hodges
Denny Elwell Company	Carson Hughes	Stanbrough Realty	Jeff Stanbrough

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