

Market

Trends

Q3

2023

Des Moines - Office



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ANALYTICS

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MARKET TRENDS

Q3 2023 | Des Moines | Office

Employment

	<u>Current</u>	<u>Y-o-Y</u>
Employment	369,844	
Area Unemployment	3.0	
U.S. Unemployment	3.8	
Office Jobs	112,300	

Source: BLS

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

Market Recap

All Properties

Total Inventory (sf)	28,962,157
Total # of Bldgs (tracked)	676
Absorption (sf)	177,021
Vacancy	11.0%
Asking Rate (FSG)	\$20.21
New Construction (sf)	3,163,080

Multi-tenant Properties

Total Inventory (sf)	16,777,472
Total # of Bldgs (tracked)	439
Absorption (sf)	98,621
Vacancy	17.6%
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 30 basis points to 3.0% for August 2023 from 2.7% for August 2022. The unemployment rate for the US was at 3.8% in August 2023 increasing 10 basis points from last year. State of Iowa unemployment rate was 2.9%. The Des Moines MSA saw an increase in job growth, but office job growth in professional, financial, and information decreased by 4,500 jobs compared to last year.

Market Overview

The Des Moines office market consists of over 28.9 msf of space in three counties across the metro. Overall there was 177,000 sf positive absorption bringing YTD to 169,700 sf positive absorption. Q3 2023 ended with a 11.0% vacancy rate. Direct leasing had 81,700 sf positive absorption while subleases had 95,200 sf positive absorption. Multi-tenant only properties had 98,600 sf positive absorption bringing YTD to 87,800 sf positive absorption. This created a 17.6% vacancy rate for Q3 2023. To date, there are 19 construction projects totaling 3.1 msf of which 2.73 msf are for data centers.

Market Highlights

During Q2 2023, the market experienced 251,700 sf of leasing activity in 56 transactions. Des Moines West had the largest absorption gain with 153,000 sf positive absorption led by new delivery of 76,000 sf for Worldwide Logistics. Des Moines CBD was the only market with negative absorption of (8,100) sf negative absorption. Eight properties with over 63,500 sf sold during Q3 2023 topping \$12.6 million.

Market Statistics by Building Class (Multi and Single Tenant)

Total

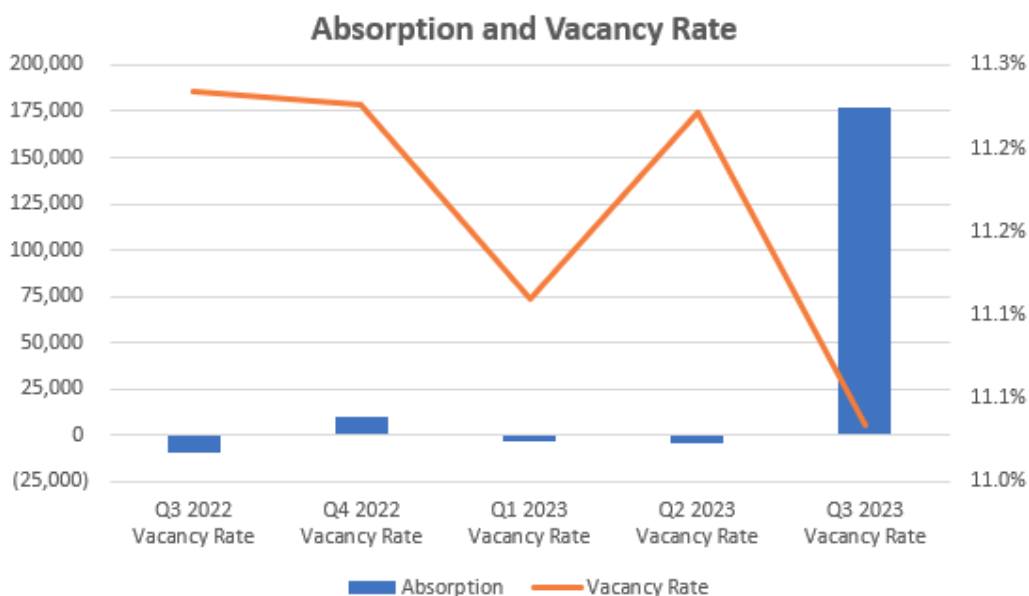
Bldg Class	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
A	47	8,209,338	1,105,693	1,125,888	110,486	98,682	13.7%
B	412	17,128,410	2,470,447	1,865,948	73,402	75,634	10.9%
C	217	3,624,409	217,838	203,772	(6,867)	(4,593)	5.6%
Grand Total	676	28,962,157	3,793,978	3,195,608	177,021	169,723	11.0%

Direct

Bldg Class	# of Bldgs	Inventory	Direct Available (sf)	Direct Vacant (sf)	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
A	47	8,209,338	1,103,176	1,123,371	24,453	9,649	13.7%
B	412	17,128,410	2,382,440	1,838,236	64,150	(3,076)	10.7%
C	217	3,624,409	216,444	202,378	(6,867)	(4,593)	5.6%
Grand Total	676	28,962,157	3,702,060	3,163,985	81,736	1,980	10.9%

Sublease

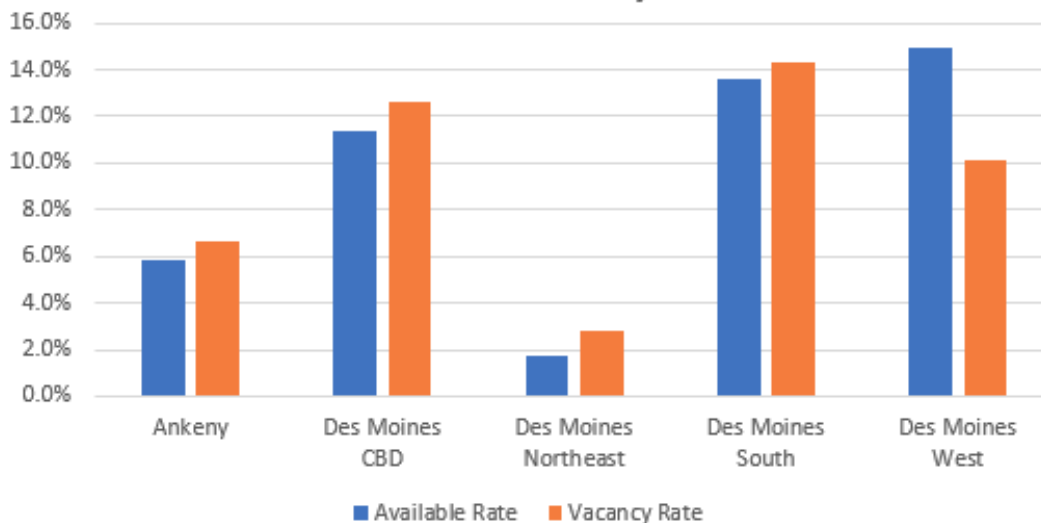
Bldg Class	# of Bldgs	Inventory	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
A	47	8,209,338	543	2,517	86,033	89,033	0.0%
B	412	17,128,410	88,007	27,712	9,252	78,710	0.2%
C	217	3,624,409	1,394	1,394	0	0	0.0%
Grand Total	676	28,962,157	89,944	31,623	95,285	167,743	0.1%



Market Statistics by Market (Multi and Single Tenant)

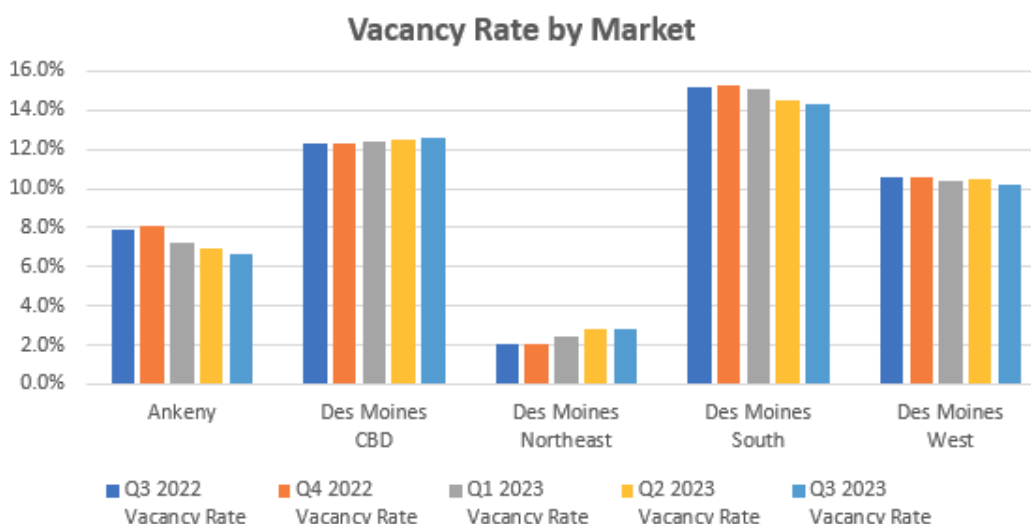
Market	Bldg Class	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Ankeny	A	3	62,430	6,222	11,151	19,093	19,093	17.9%
	B	36	534,734	37,354	38,742	11,077	18,649	7.2%
	C	14	178,970	1,900	1,900	0	223	1.1%
	Subtotal	53	776,134	45,476	51,793	30,170	37,965	6.7%
Des Moines CBD	A	23	6,302,828	823,867	747,836	(2,004)	(41,654)	11.9%
	B	56	3,493,846	337,830	555,482	(1,804)	13,993	15.9%
	C	35	805,242	43,070	34,568	(4,346)	(2,950)	4.3%
	Subtotal	114	10,601,916	1,204,767	1,337,886	(8,154)	(30,611)	12.6%
Des Moines Northeast	B	16	368,817	5,125	5,125	0	0	1.4%
	C	12	100,683	3,075	8,075	0	(3,075)	8.0%
	Subtotal	28	469,500	8,200	13,200	0	(3,075)	2.8%
Des Moines South	B	30	861,524	166,230	178,758	0	2,195	20.7%
	C	39	436,274	10,314	7,212	1,870	1,870	1.7%
	Subtotal	69	1,297,798	176,544	185,970	1,870	4,065	14.3%
Des Moines West	A	21	1,844,080	275,604	366,901	93,397	121,243	19.9%
	B	274	11,869,489	1,923,908	1,087,841	64,129	40,797	9.2%
	C	117	2,103,240	159,479	152,017	(4,391)	(661)	7.2%
	Subtotal	412	15,816,809	2,358,991	1,606,759	153,135	161,379	10.2%
Grand Total		676	28,962,157	3,793,978	3,195,608	177,021	169,723	11.0%

Available and Vacancy Rates



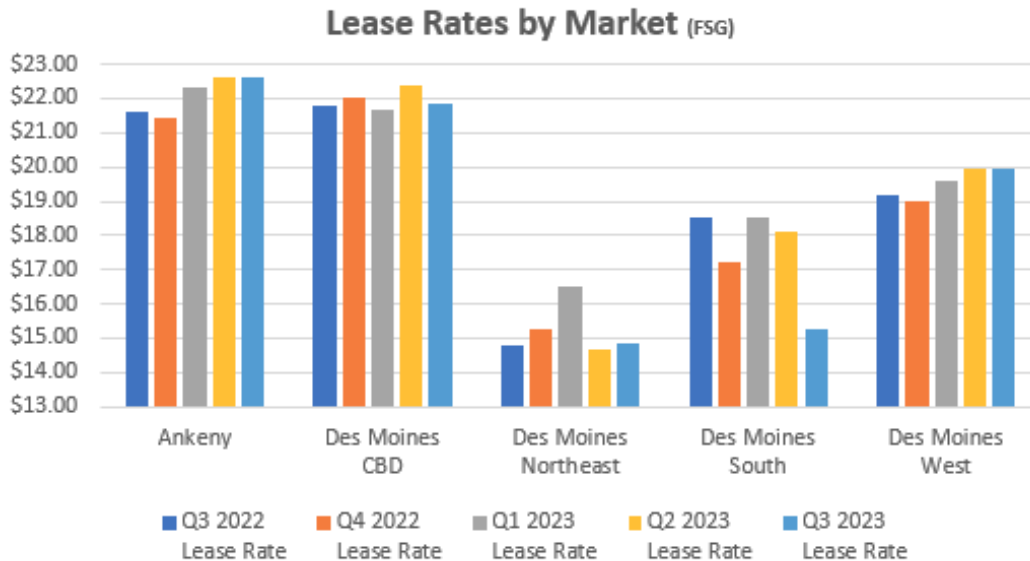
Vacancy Rates by Market (Multi and Single Tenant)

Market	Bldg Class	Q3 2022 Vacancy Rate	Q4 2022 Vacancy Rate	Q1 2023 Vacancy Rate	Q2 2023 Vacancy Rate	Q3 2023 Vacancy Rate
Ankeny	A	0.0%	0.0%	0.0%	0.0%	17.9%
	B	10.9%	11.0%	9.7%	9.3%	7.2%
	C	0.4%	1.2%	1.1%	1.1%	1.1%
	Subtotal	7.9%	8.1%	7.2%	6.9%	6.7%
Des Moines CBD	A	11.2%	11.2%	11.7%	11.8%	11.9%
	B	16.5%	16.3%	15.8%	15.8%	15.9%
	C	3.6%	3.6%	3.9%	3.8%	4.3%
	Subtotal	12.3%	12.3%	12.4%	12.5%	12.6%
Des Moines Northeast	B	1.3%	1.3%	1.7%	1.4%	1.4%
	C	4.7%	4.7%	5.0%	8.0%	8.0%
	Subtotal	2.1%	2.1%	2.4%	2.8%	2.8%
Des Moines South	B	22.3%	22.4%	22.1%	20.7%	20.7%
	C	2.1%	2.1%	2.1%	2.1%	1.7%
	Subtotal	15.2%	15.3%	15.1%	14.5%	14.3%
Des Moines West	A	22.1%	21.7%	20.8%	20.3%	19.9%
	B	9.6%	9.6%	9.4%	9.7%	9.2%
	C	6.8%	7.2%	7.0%	7.0%	7.2%
	Subtotal	10.6%	10.6%	10.3%	10.5%	10.2%
Grand Total		11.2%	11.2%	11.1%	11.2%	11.0%



Lease Rates by Market (Multi and Single Tenant FSG)

Market	Bldg Class	Q3 2022 Lease Rate	Q4 2022 Lease Rate	Q1 2023 Lease Rate	Q2 2023 Lease Rate	Q3 2023 Lease Rate
Ankeny	A		\$24.00			\$31.00
	B	\$22.43	\$21.52	\$24.42	\$24.48	\$23.06
	C	\$15.00	\$20.48	\$15.93	\$16.00	\$17.00
	Subtotal	\$21.60	\$21.45	\$22.30	\$22.59	\$22.59
Des Moines CBD	A	\$24.16	\$23.99	\$24.16	\$25.70	\$26.08
	B	\$19.82	\$20.71	\$19.82	\$20.72	\$20.71
	C	\$21.59	\$21.34	\$20.77	\$19.83	\$18.74
	Subtotal	\$21.78	\$22.04	\$21.69	\$22.40	\$21.82
Des Moines Northeast	B	\$15.54	\$16.54	\$17.79	\$17.75	\$17.75
	C	\$14.00	\$14.00	\$14.00	\$13.13	\$12.00
	Subtotal	\$14.77	\$15.27	\$16.53	\$14.67	\$14.88
Des Moines South	B	\$18.12	\$18.12	\$18.12	\$17.61	\$18.83
	C	\$20.20	\$15.49	\$20.20	\$20.20	\$11.70
	Subtotal	\$18.54	\$17.24	\$18.54	\$18.13	\$15.27
Des Moines West	A	\$26.29	\$26.36	\$26.40	\$26.64	\$26.86
	B	\$18.96	\$18.62	\$19.62	\$19.89	\$19.56
	C	\$16.25	\$16.46	\$15.18	\$15.20	\$16.12
	Subtotal	\$19.15	\$19.01	\$19.59	\$19.95	\$19.93
Grand Total		\$19.70	\$19.63	\$20.03	\$20.37	\$20.21



Market Statistics by Building Class (Multi-Tenant)

Total

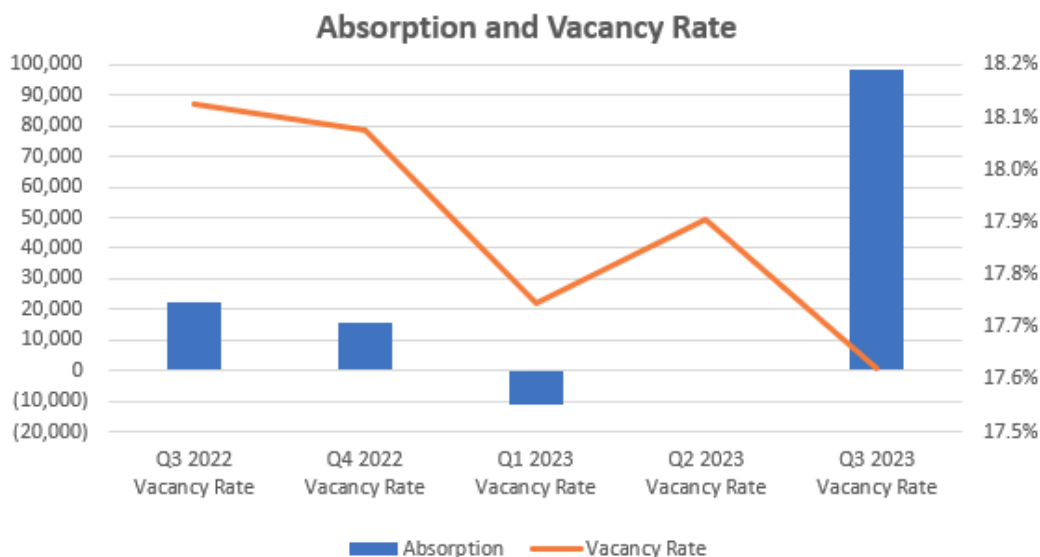
Bldg Class	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
A	35	4,313,812	857,410	1,125,888	34,486	7,618	26.1%
B	275	10,166,948	2,164,889	1,645,100	73,402	91,083	16.2%
C	129	2,296,712	190,987	185,241	(9,267)	(10,894)	8.1%
Grand Total	439	16,777,472	3,213,286	2,956,229	98,621	87,807	17.6%

Direct

Bldg Class	# of Bldgs	Inventory	Direct Available (sf)	Direct Vacant (sf)	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
A	35	4,313,812	854,893	1,123,371	(51,547)	(81,415)	26.0%
B	275	10,166,948	2,076,882	1,617,388	64,150	64,582	15.9%
C	129	2,296,712	189,593	183,847	(9,267)	(10,894)	8.0%
Grand Total	439	16,777,472	3,121,368	2,924,606	3,336	(27,727)	17.4%

Sublease

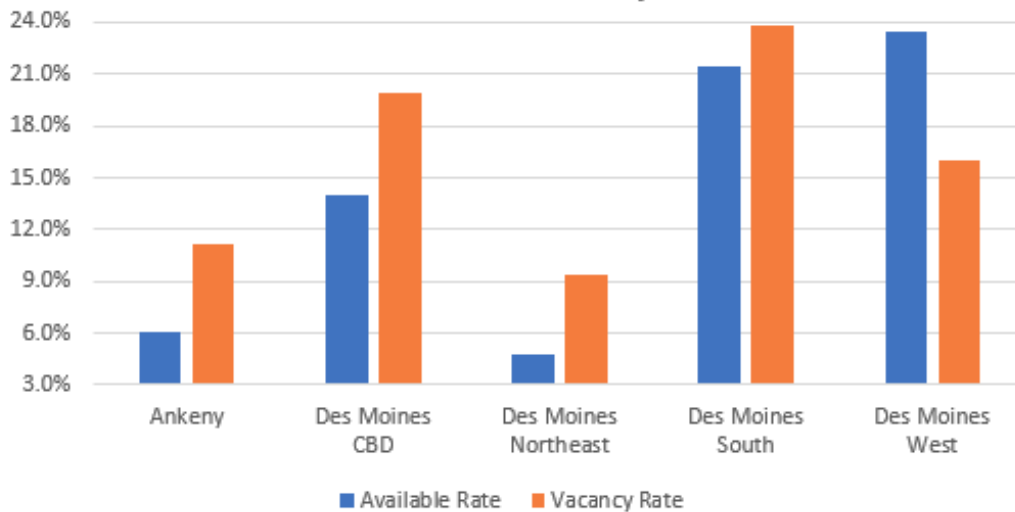
Bldg Class	# of Bldgs	Inventory	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
A	35	4,313,812	543	2,517	86,033	89,033	0.1%
B	275	10,166,948	88,007	27,712	9,252	26,501	0.3%
C	129	2,296,712	1,394	1,394	0	0	0.1%
Grand Total	439	16,777,472	89,944	31,623	95,285	115,534	0.2%



Market Statistics by Market (Multi-Tenant)

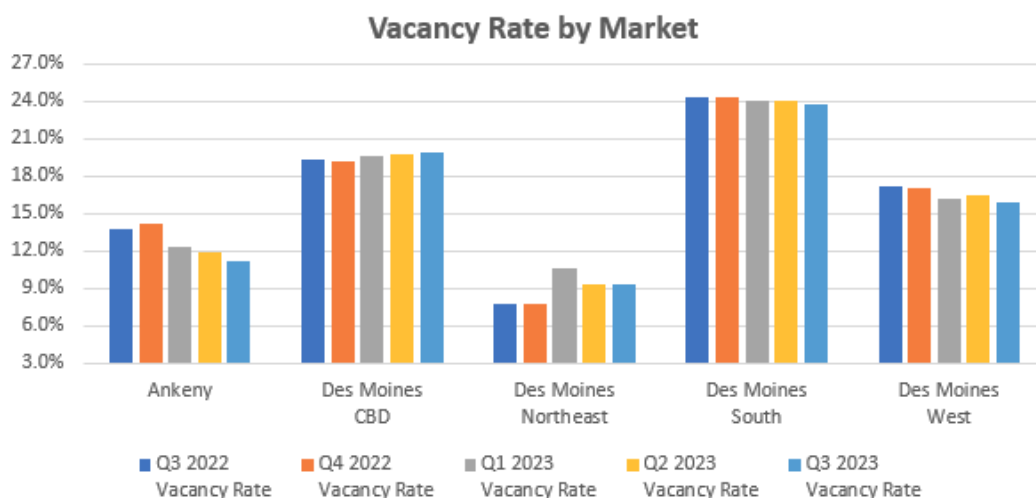
Market	Bldg Class	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Ankeny	A	3	62,430	6,222	11,151	19,093	19,093	17.9%
	B	24	343,124	19,994	38,742	11,077	18,649	11.3%
	C	8	58,426	1,900	1,900	0	223	3.3%
	Subtotal	35	463,980	28,116	51,793	30,170	37,965	11.2%
Des Moines CBD	A	15	3,155,502	575,584	747,836	(2,004)	(41,654)	23.7%
	B	44	2,755,381	296,445	514,097	(1,804)	6,053	18.7%
	C	22	532,371	28,214	19,712	(4,346)	(2,950)	3.7%
	Subtotal	81	6,443,254	900,243	1,281,645	(8,154)	(38,551)	19.9%
Des Moines Northeast	B	7	74,443	5,125	5,125	0	0	6.9%
	C	4	33,078		5,000	0	0	15.1%
	Subtotal	11	107,521	5,125	10,125	0	0	9.4%
Des Moines South	B	16	442,980	143,254	155,782	0	2,195	35.2%
	C	22	242,777	3,712	7,212	1,870	1,870	3.0%
	Subtotal	38	685,757	146,966	162,994	1,870	4,065	23.8%
Des Moines West	A	17	1,095,880	275,604	366,901	17,397	30,179	33.5%
	B	184	6,551,020	1,700,071	931,354	64,129	64,186	14.2%
	C	73	1,430,060	157,161	151,417	(6,791)	(10,037)	10.6%
	Subtotal	274	9,076,960	2,132,836	1,449,672	74,735	84,328	16.0%
Grand Total		439	16,777,472	3,213,286	2,956,229	98,621	87,807	17.6%

Available and Vacancy Rates



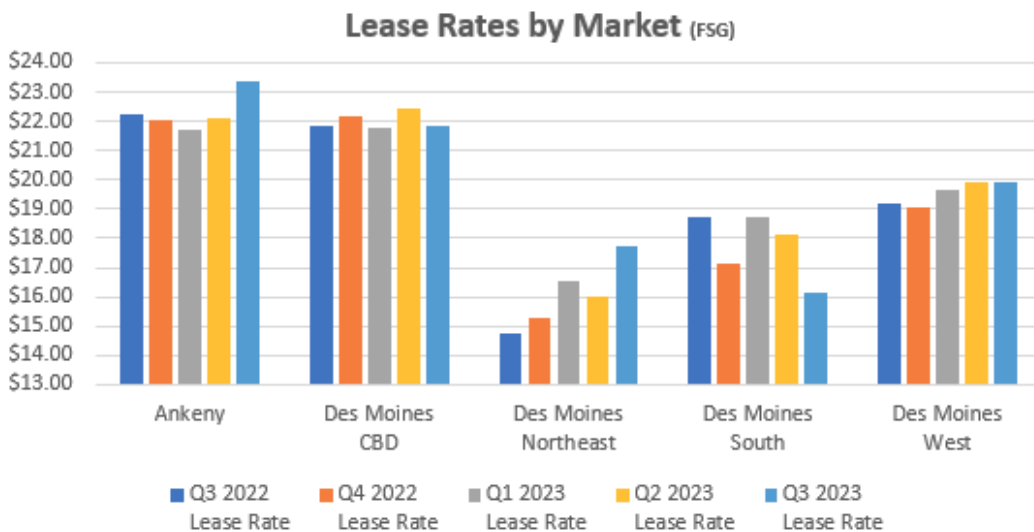
Vacancy Rates by Market (Multi-Tenant)

Market	Bldg Class	Q3 2022 Vacancy Rate	Q4 2022 Vacancy Rate	Q1 2023 Vacancy Rate	Q2 2023 Vacancy Rate	Q3 2023 Vacancy Rate
Ankeny	A	0.0%	0.0%	0.0%	0.0%	17.9%
	B	17.2%	17.4%	15.1%	14.5%	11.3%
	C	1.4%	3.6%	3.3%	3.3%	3.3%
	Subtotal	13.8%	14.2%	12.3%	11.9%	11.2%
Des Moines CBD	A	22.4%	22.4%	23.3%	23.6%	23.7%
	B	19.1%	18.9%	18.5%	18.6%	18.7%
	C	2.9%	2.9%	3.1%	2.9%	3.7%
	Subtotal	19.3%	19.2%	19.6%	19.8%	19.9%
Des Moines Northeast	B	5.5%	5.5%	8.6%	6.9%	6.9%
	C	13.1%	13.1%	15.1%	15.1%	15.1%
	Subtotal	7.7%	7.7%	10.6%	9.4%	9.4%
Des Moines South	B	35.6%	35.7%	35.2%	35.2%	35.2%
	C	3.7%	3.7%	3.7%	3.7%	3.0%
	Subtotal	24.3%	24.4%	24.0%	24.0%	23.8%
Des Moines West	A	34.9%	34.3%	33.9%	33.1%	33.5%
	B	15.8%	15.8%	14.7%	15.2%	14.2%
	C	9.8%	9.9%	10.2%	10.1%	10.6%
	Subtotal	17.1%	17.1%	16.3%	16.5%	16.0%
Grand Total		18.1%	18.1%	17.7%	17.9%	17.6%

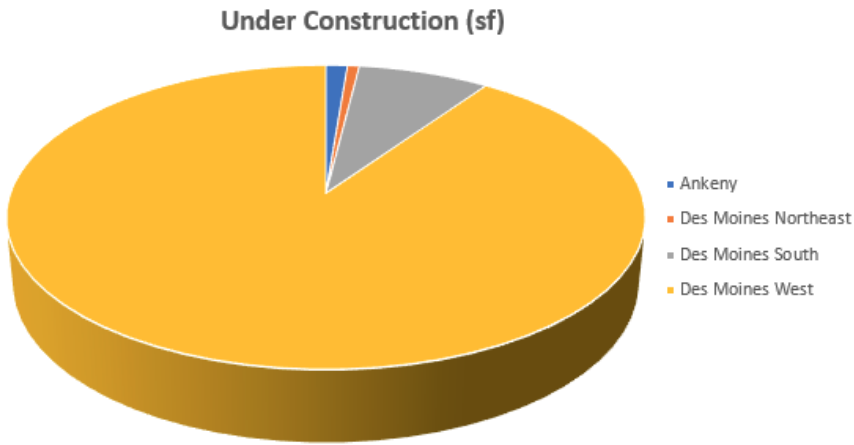


Lease Rates by Market (Multi-Tenant FSG)

Market	Bldg Class	Q3 2022 Lease Rate	Q4 2022 Lease Rate	Q1 2023 Lease Rate	Q2 2023 Lease Rate	Q3 2023 Lease Rate
Ankeny	A		\$24.00			\$31.00
	B	\$23.30	\$22.56	\$24.62	\$24.57	\$24.37
	C	\$15.00	\$20.48	\$15.93	\$16.00	\$17.00
	Subtotal	\$22.27	\$22.03	\$21.72	\$22.12	\$23.36
Des Moines CBD	A	\$24.16	\$23.99	\$24.16	\$25.70	\$26.08
	B	\$19.89	\$20.85	\$19.90	\$20.76	\$20.74
	C	\$21.29	\$20.96	\$20.34	\$19.10	\$18.07
	Subtotal	\$21.86	\$22.14	\$21.77	\$22.47	\$21.85
Des Moines Northeast	B	\$15.54	\$16.54	\$17.79	\$17.75	\$17.75
	C	\$14.00	\$14.00	\$14.00	\$14.25	
	Subtotal	\$14.77	\$15.27	\$16.53	\$16.00	\$17.75
Des Moines South	B	\$18.24	\$18.24	\$18.24	\$17.48	\$19.25
	C	\$20.20	\$15.49	\$20.20	\$20.20	\$13.00
	Subtotal	\$18.73	\$17.14	\$18.73	\$18.16	\$16.13
Des Moines West	A	\$26.29	\$26.36	\$26.40	\$26.64	\$26.86
	B	\$18.91	\$18.55	\$19.59	\$19.77	\$19.46
	C	\$16.30	\$16.54	\$15.23	\$15.32	\$16.29
	Subtotal	\$19.19	\$19.04	\$19.66	\$19.92	\$19.93
Grand Total		\$19.77	\$19.69	\$20.04	\$20.38	\$20.38

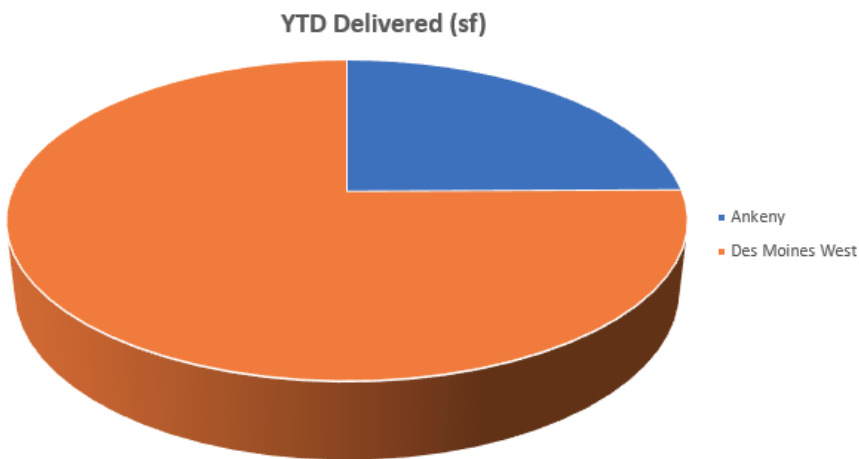


Under Construction



Market	Bldg (sf)
Ankeny	40,087
Des Moines Northeast	22,000
Des Moines South	245,000
Des Moines West	2,855,993
Grand Total	3,163,080

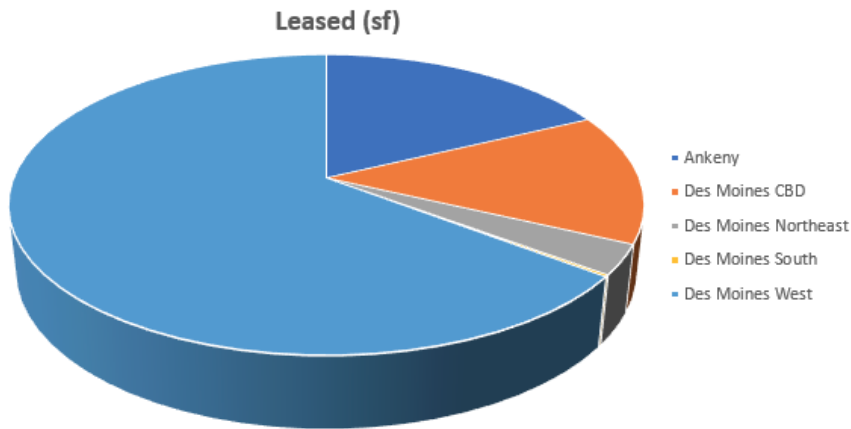
YTD Delivered



Market	Bldg (sf)
Ankeny	42,244
Des Moines West	127,780
Grand Total	170,024

Leasing Activity

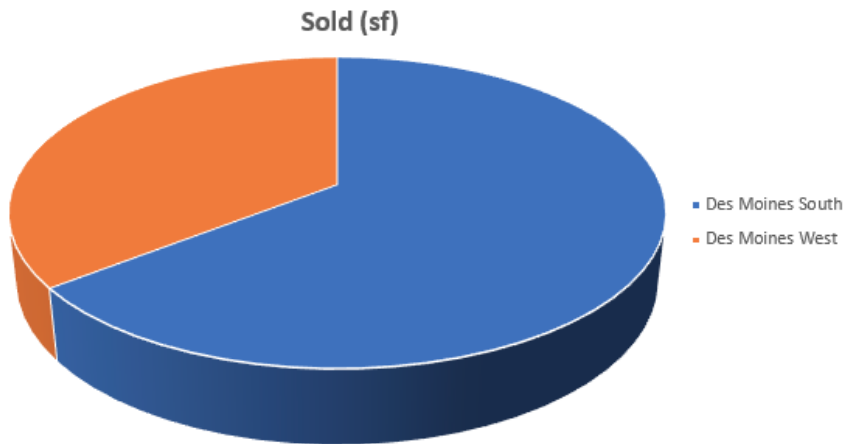
Property	Size (sf)	Market	Tenant	Landlord
Hawthorne Building 7745 Office Plaza Dr N	17,500	Des Moines West	Heartland Business Systems	Hawthorne Building LLC
6400 Westown Pkwy	14,129	Des Moines West	Wells Fargo	Westown Parkway LLC
220 W 1st St	13,500	Ankeny	Central Iowa Family Institute	JPE Family Corp
7100 Westown Pkwy	13,114	Des Moines West	Equitrust - Expansion	West Lakes Development Company
7100 Westown Pkwy	13,114	Des Moines West	Trackor Zoom	West Lakes Development Company



Market	Leased (sf)
Ankeny	45,024
Des Moines CBD	35,412
Des Moines Northeast	8,075
Des Moines South	492
Des Moines West	162,739
Grand Total	251,742

Sales Activity

Property	Price	Market	Buyer	Seller
Fresenius Kidney Care 6651 SW 9th St	\$8,102,000	Des Moines South	850 & 6651 Des Moines LLC	Mercy South II LLC
5305 Merle Hay Rd	\$1,231,668	Des Moines West	FIP MASTER FUNDING XIX LLC	VetCor of Johnston, LLC
225 NE Dartmoor Dr	\$1,200,000	Des Moines West	Law Building Co LLP	J E T Holdings LLC
2130 Grand Ave	\$760,000	Des Moines South	Big Brothers Big Sisters of Central Iowa INC	Ricon LLC
6510 Merle Hay Rd	\$425,000	Des Moines West	Iowa Nice View LLC	Five Gifts LLC



Market	Sold (sf)
Des Moines South	41,012
Des Moines West	22,559
Grand Total	63,571

Methodology

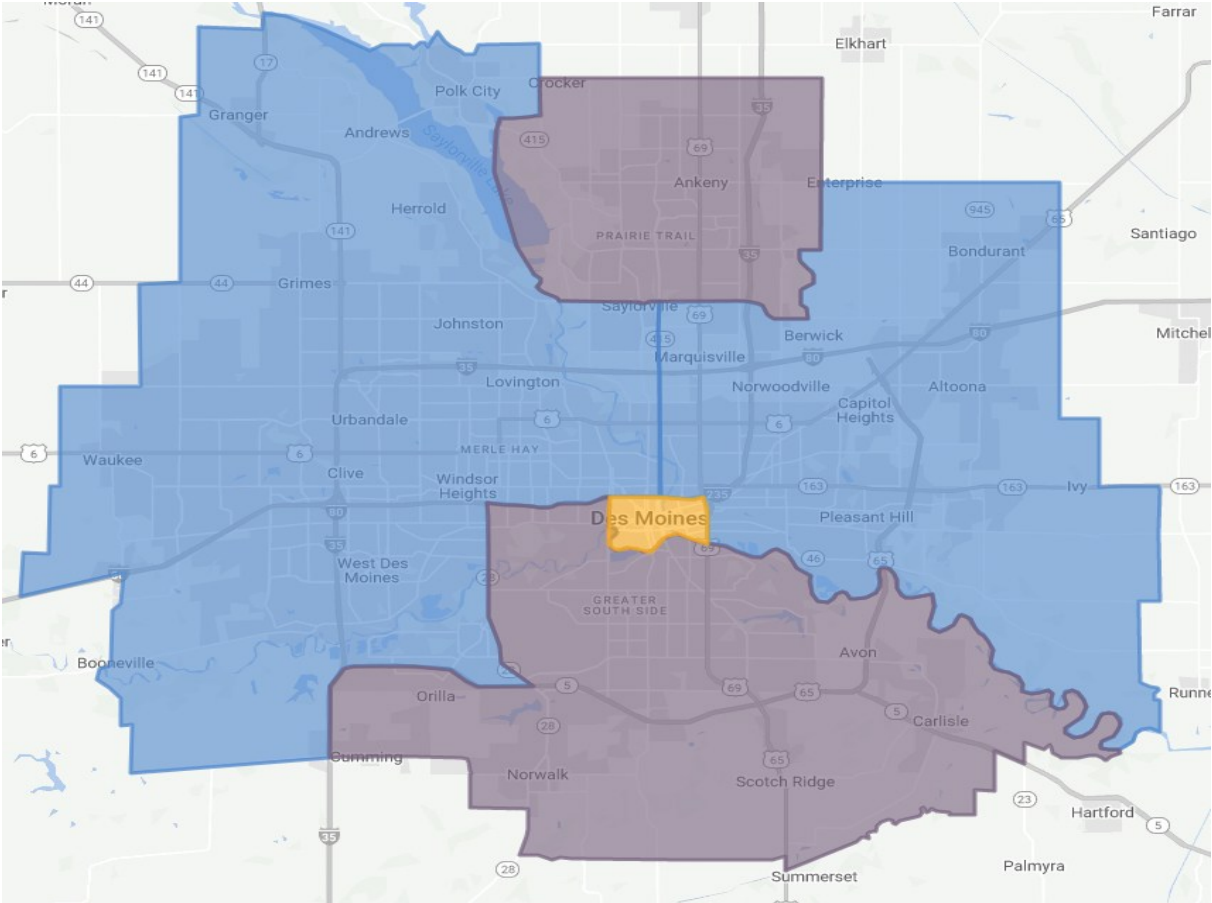
The Des Moines market consists of single and multi-tenant office buildings 5,000 sf or larger or part of a complex larger than 5,000 sf. The geographic area includes Dallas, Polk and Warren counties. The tracked set does not include medical or government properties. All tracked properties are existing. 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	Buyers Realty	Mike Cunningham
	Bill Wright	Caliber Realty	Blake Pagliai
CBRE	Blake Bogenrief	Capstone Commercial	Corey Sedrel
	Chris Pendroy	CDM RE Services	Sherri Goode
Cushman & Wakefield	Alec Wilcox	Denny Elwell Company	Carson Hughes
Ferguson CRE	Darin Ferguson		Lucas Hedstrom
	Korey Birkenholtz	JLL	Eric Land
Knapp Properties	Brian Erickson		Justin Lossner
	Angie Tessau		Abi Reiland
Locate CRE	Keith Olson	NAI Iowa Realty	Kevin Crowley
R&R Realty Group	Chris Curran	Signature CRE	Andy Hodges
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