



Q4 2020

# GREATER DES MOINES OFFICE FIGURES

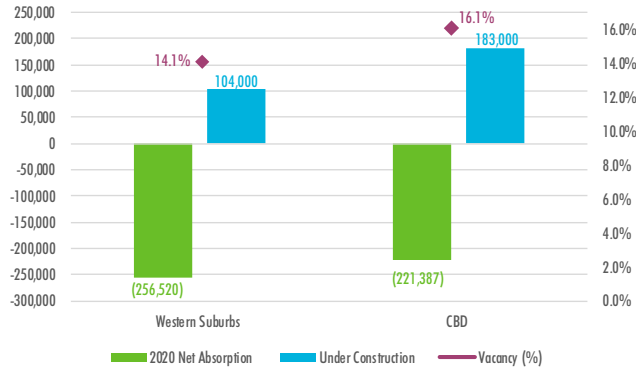
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# Des Moines Metro Office: Stalled demand, rising sublease space edge vacancy higher

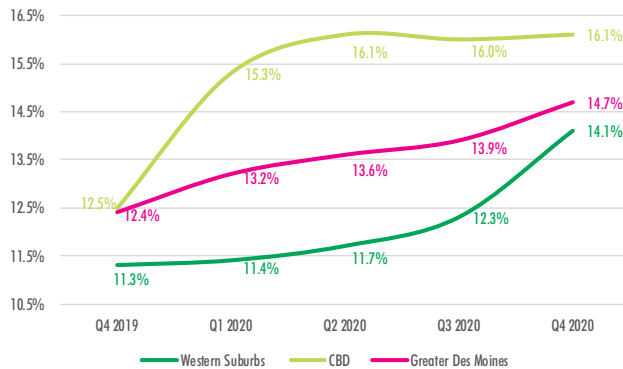
 <b>Competitive Market Vacancy rate</b> <b>14.7%</b>	 <b>Average Asking Lease Rate (NNN)</b> <b>\$12.62</b>	 <b>2020 Net Absorption</b> <b>(400,389) sf</b>	 <b>Under Construction</b> <b>312,000 sf</b>	 <b>Q4 Deliveries</b> <b>217,000 sf</b>
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**Figure 1: 2020 Annual Net Absorption/Construction & Vacancy by**

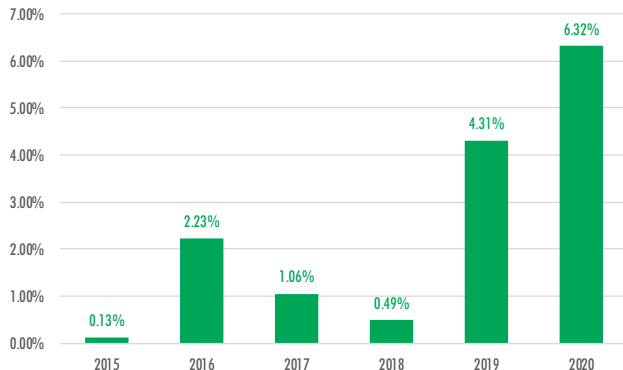


Sammons Financial HQ – Q4 Delivery – 217,000 sq.ft.

**Figure 2: Greater DSM Recent Vacancy Rate Trend (%)**



**Figure 3: % of Total Vacant SF that is Sublease Space**



**PERFORMANCE HIGHLIGHTS**

- Greater Des Moines office vacancy increased 2.3% in 2020 as the market experienced 400,389 sq.ft. of negative net absorption by year-end. The deterioration of fundamentals through 2020 was largely underpinned by surges in new supply from user-driven reductions of existing office occupancy just prior to the pandemic. These high levels of new supply were met with historically low demand in 2020 as new leasing activity fell approximately 38% year-over-year.
- The market continued to stall through Q4 with 136,239 sq.ft. of negative net absorption recorded – primarily driven by the Western Suburbs submarket. This upward pressure on vacancy was expected, given the Sammons Financial 93,000 sq.ft. relocation into an owner/occupied building. Additionally, the acceleration of sublease availability edged vacancy higher yet, with users such as ADP and Yesway adding a combined 63,000 sq.ft. of sublease space to the Western Suburbs in Q4. Sublease space now accounts for 6.3% of all available space, which is 4.7% higher than the previous 5-year average (See Figure 3).
- Despite the uncertainty in 2020, investment sales volume fell just 9% year-over-year to \$55.5M. Sale velocity was also steady with 16 investment sales in excess of \$500,000, down just 6% from the 17 recorded in 2019. Local private investors drove activity, accounting for the top three transactions in 2020 (See Page 2).
- The South submarket was the only submarket to experience positive absorption gains in Q4 as the sale of the Butler Mansion to the Italian American Cultural Center removed approximately 40,000 sq.ft. of vacant space from the market. The Italian American Cultural Center paid \$3.3M or \$86 per sq.ft. for the property and plan to occupy its entirety upon relocation from 1961 Indianola Ave.

**MOVING FORWARD**

Greater Des Moines office vacancy will persist at a stubbornly high rate in the near-term and rent growth will be difficult to achieve as market conditions remain decidedly in favor of tenants. Additionally, an overhang of sublease space brought to market in H2 2020, paired with upcoming new deliveries, will contribute to persistently high vacancy through the first half of 2021. However, we are optimistic office fundamentals will begin to stabilize in the second half of 2021 as vaccines become widely administered and restore confidence in reoccupying office space.

**MARKETVIEW** GREATER DES MOINES OFFICE

Competitive Market Statistics Greater Des Moines

Competitive Market Statistics	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Quarter-Over-Quarter % Change in Occupancy	Q4 Net Absorption (SF)	Under Construction (SF)	Average Asking Rate (NNN)
Western Suburbs	9,438,712	1,327,413	14.1%	(1.8%)	(170,538)	104,000	\$12.53
CBD	6,283,858	1,008,760	16.1%	(0.1%)	(1,063)	183,000	\$13.46
Northwest	657,962	87,688	13.3%	(1.7%)	(11,301)	0	\$9.58
Northeast	93,750	22,268	23.8%	0.3%	340	0	\$9.20
South	389,901	33,324	8.5%	13.6%	52,886	0	\$7.12
Ankeny	544,037	81,691	15.0%	(1.2%)	(6,563)	25,000	\$13.13
<b>Greater Des Moines Total</b>	<b>17,408,220</b>	<b>2,561,144</b>	<b>14.7%</b>	<b>-0.8%</b>	<b>-136,239</b>	<b>312,000</b>	<b>\$12.62</b>

Competitive Market Statistics Western Suburbs

Competitive Market Statistics	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Q4 Net Absorption (SF)	Under Construction (SF)	Average Asking Rate (NNN)
Johnston/Grimes	772,371	63,966	8.3%	3,682	0	\$12.07
Urbandale	1,871,737	321,154	17.2%	(66,102)	60,000	\$11.43
Waukee	113,468	6,536	5.8%	0	44,000	\$16.00*
WDM/Clive	6,681,136	935,757	14.0%	(108,118)	0	\$12.92
<b>Western Suburbs Totals</b>	<b>9,438,712</b>	<b>1,327,413</b>	<b>14.1%</b>	<b>-170,538</b>	<b>104,000</b>	<b>\$12.53</b>

2020 Top Sales

Property	City	Sale Type	Size (sf)	Price	Price PSF
East Grand Office Park	Des Moines	Investment	111,748	\$14,100,000	\$126
4300 Westown Pkwy	West Des Moines	Investment	107,068	\$13,850,000	\$129
1275 NW 128th St	Clive	Investment	59,387	\$10,000,000	\$168

2020 Notable Lease Transactions

Property	Size (sf)	Type	Submarket	Tenant
Westfield	21,034	New	Western Suburbs	Morgan Stanley
801 Grand	19,340	New	CBD	Fidelity Guaranty
111 E Grand	15,840	New	CBD	Fredrickson & Byron, PA
Westridge	12,754	New	Western Suburbs	ICG Mortgage

Notable Projects Under Construction

Project	Size (sf)	Expected Delivery	City	Submarket	Construction
611 5th Ave Renovation	110,000	July, 2021	Des Moines	CBD	Competitive
Gray's Landing Office	73,000	February, 2021	Des Moines	CBD	Competitive
Iowa Bankers Association HQ	60,000	Q2, 2021	Urbandale	Western Suburbs	Owner/User
Encompass Building	44,000	July, 2021	Waukee	Western Suburbs	Competitive
District VI	25,000	Q1, 2021	Ankeny	Ankeny	Competitive

**GREATER DES MOINES ECONOMIC DATA**



**Population**  
644,590 (2018 MSA)

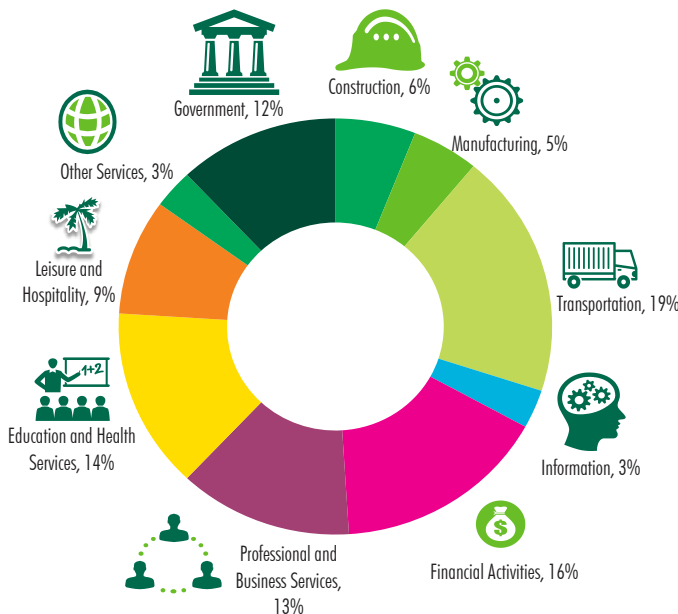
Sources: US Bureau of Labor Statistics



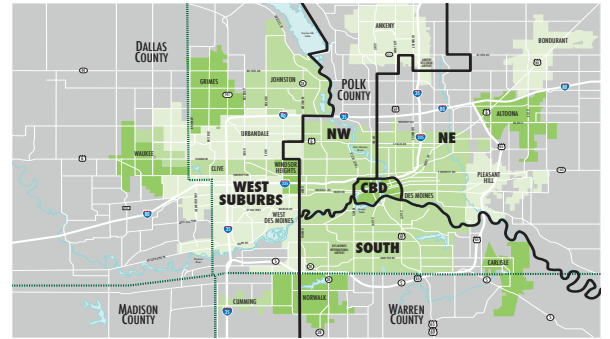
**Unemployment Rate**  
3.6%

Sources: US Bureau of Labor Statistics

LARGEST EMPLOYERS	EMPLOYEES
Wells Fargo & Company	14,500
UnityPoint Health - Des Moines	8,026
Principal	6,500
Hy-vee	6,400
Nationwide	4,525
Mercy Medical Center	4,228
John Deere	3,089
Vermeer Corporation	2,500
Corteva	2,495
JBS USA	2,300
Pella Corporation	2,224
Wellmark Blue Cross Blue Shield of Iowa	2,000
UPS	1,600
Bridgestone Americas Tire Operations	1,600
Mercer	1,560
YMCA	1,300
EMC Insurance Companies	1,269
Casey's	1,200
Tyson Fresh Meats, Inc.	1,200



**DES MOINES METROPOLITAN AREA**



**SUBMARKET BOUNDARIES**

**Central Business District (CBD)** - Includes the Western CBD and the East Village, extending west to Martin Luther King Jr. Parkway and east to East 14th Street.

**Western Suburbs** - Encompasses West Des Moines, Clive, Urbandale, Windsor Heights, Johnston, Grimes, Waukee, and some unincorporated areas of Polk, Dallas, and Warren Counties.

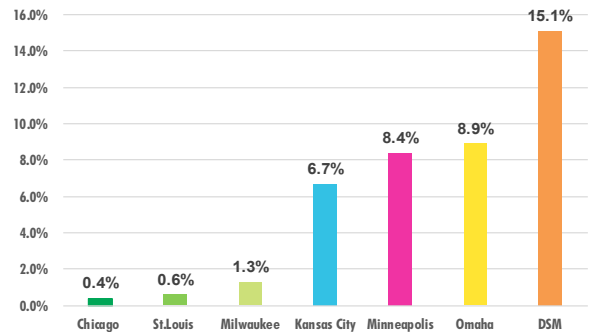
**Northwest** - Includes Northwest Des Moines and Western Saylor Township.

**Northeast** - Consists of Northeast Des Moines (extended south to the Des Moines River), Pleasant Hill, Altoona, Eastern Saylor Township, and Delaware Township.

**South** - Comprises Southwest Des Moines, Southeast Des Moines (south of Des Moines River), and some unincorporated areas of Polk and Warren Counties.

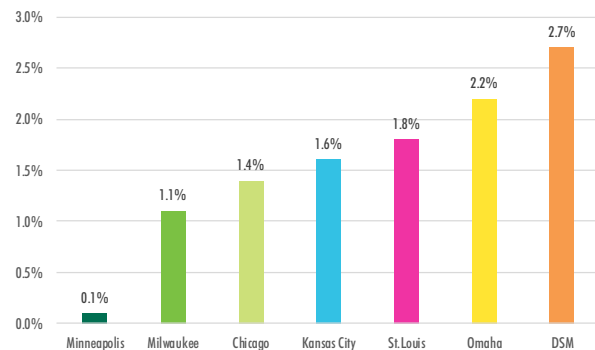
**Ankeny** - Evaluated separately.

**Population Growth: 2010 - 2018**



Sources: US Bureau of Labor Statistics

**Employment Growth: March 2018 - July 2019**



Sources: US Bureau of Labor Statistics

Sources: CoStar Group, Polk County Assessor, Dallas County Assessor, Greater Des Moines Partnership, Bureau of Economic Analysis and US Bureau of Labor Statistics