A woman in a bright yellow coat is standing in front of a retail store window, looking at her smartphone. The window has a decorative pattern of small, repeating geometric shapes. To the right, another window displays mannequins wearing sunglasses and dark clothing. The entire scene is framed by a thick green border.

Q3 2020

GREATER DES MOINES RETAIL FIGURES

CBRE | **Hubbell
Commercial**

Part of the CBRE affiliate network

Vacancy Up Amid Big Box Closures, Pullback in Lease Activity

▲ Vacancy Rate (Neighborhood & Community Centers)
12%

▲ Vacancy Rate (Big Box)
6.20%

▼ YTD Net Absorption (Neighborhood & Community Centers)
(101,678) SF

▼ YTD Net Absorption (Big Box)
(272,715) SF

Figure 1: YTD Leasing Activity By Sector

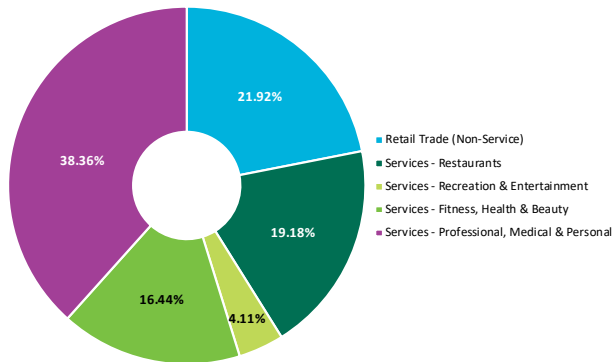


Figure 2: Recent Vacancy Trend

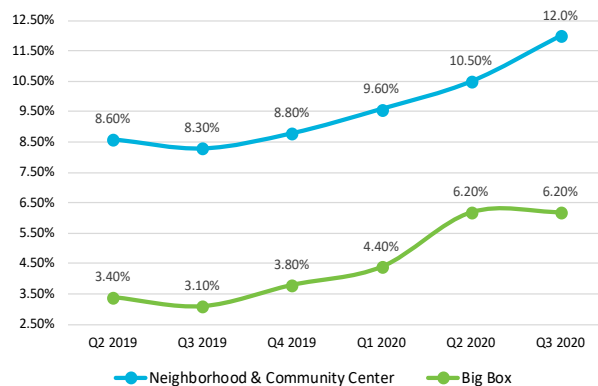
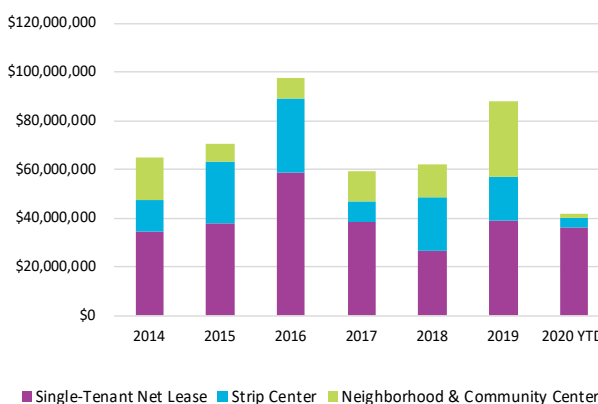


Figure 3: Retail Investment Sales Volume



Former Gordmans at 2590 Hubbell Ave, Des Moines. For Sale/Lease.

PERFORMANCE HIGHLIGHTS

- Greater Des Moines retail vacancy is up 203 bps YTD largely driven by a considerable pullback in new lease activity and big-box closures – most notably Gordmans, which added 224,000 sq.ft. of big-box availability to the market in closing all three locations.
- YTD lease activity has been sparse compared to prior periods with an approximate 44% decline in number of new deals reported year-over-year. Professional, medical and personal services continue to drive user activity accounting for approximately 40% of leases reported YTD. Stylin' Paws signed a lease at Tuscan Village Center in Urbandale for 14,800 sq.ft. representing the largest lease of the quarter and the only deal over 10,000 sq.ft.
- The long-vacant former Toys R Us at 1211 E Army Post Rd sold to Johnson Healthcare for \$1.7M, or \$37 per sq. ft. The 45,000 sq.ft. building will be repurposed into an outpatient clinic for veterans and is expected to deliver in late 2021.
- Investment sales volume has been steady through the first three quarters at \$41.6M. Single-tenant net-lease transactions accounted for 87% of total volume and is on pace to eclipse the previous six-year average of net-lease sale activity (See Figure 3).

MOVING FORWARD

Looming closures and continued uncertainty surrounding Covid-19 will put upward pressure on vacancy levels and likely hinder any potential rent growth in the near-term. Submarkets like the CBD core that are heavily dependent on office lunch patrons will likely face the strongest headwinds moving forward as we suspect Panera Bread will not be the last of closures downtown.

While the outlook may be stark in the near-term, we are optimistic looking beyond the next 2-3 quarters. We anticipate the accelerated redevelopment of obsolete retail space paired with restored consumer confidence and pent up demand will result in an overall supply and demand correction.

Suburban Neighborhood & Community Center Market Statistics

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	YTD Net Absorption (SF)
Western Suburbs	2,317,196	228,514	9.9%	-65,723
Northwest	71,887	23,704	33.0%	-4,119
Northeast	683,474	86,755	12.7%	8,681
South	727,432	119,699	16.5%	-12,340
Ankeny	442,759	50,445	11.4%	-28,177
Greater Des Moines Total	4,242,748	509,117	12.0%	-101,678

Downtown Retail Market Statistics

Neighborhood	Market Rentable Area (sf)	Vacant (sf)	Vacancy Rate	YTD Net Absorption
Downtown Core	158,205	57,129	36%	-6,120
Court District	141,439	6,023	4%	0
East Village	246,418	28,562	12%	-2,951
Western Gateway	102,593	12,686	12%	0
South of MLK	100,023	48,609	49%	-13,531
CBD Total	748,678	153,009	20.44%	-22,602

Big Box Market Statistics

Submarket	Market Rentable Area (sf)	Vacant (sf)	Vacancy Rate	YTD Net Absorption
Western Suburbs	4,736,085	285,692	6.0%	-87,008
CBD	59,996	0	0.0%	0
Northwest	450,270	0	0.0%	0
Northeast	1,369,811	146,694	10.7%	-86,811
South	1,375,701	151,496	11.0%	-112,296
Ankeny	1,396,295	0	0.0%	13,400
Greater Des Moines Total	9,388,158	583,882	6.2%	-272,715

Notable Sales

Property	City	Submarket	Sale Price	Sale Price PSF	Sale Type
4900 Mills Civic Pkwy (Walgreens)	West Des Moines	Western Suburbs	\$5,700,000	\$395	Investment
1211 E Army Post Rd (Former Toys R Us)	Des Moines	South	\$1,700,000	\$37	Owner/User
1800 NW 86th St (Plaza 1800)	Clive	Western Suburbs	\$1,360,000	\$45	Investment

GREATER DES MOINES ECONOMIC DATA



Population
644,590 (2018 MSA)



Unemployment Rate
8.0%

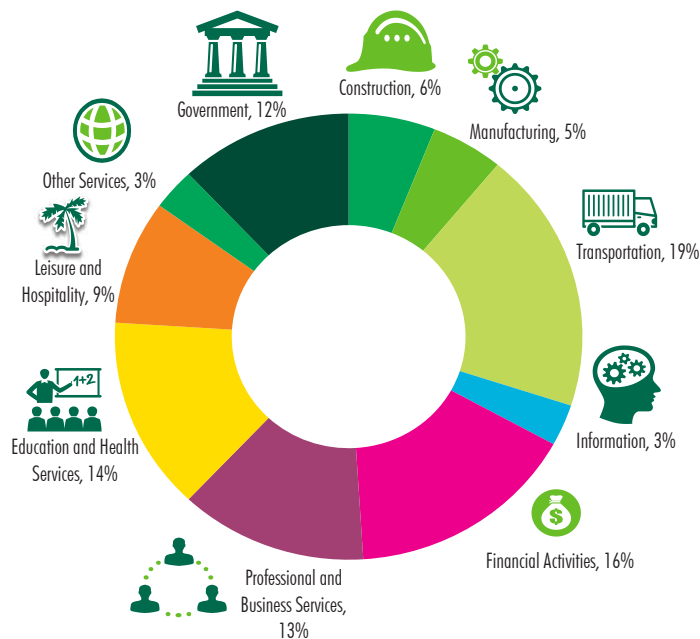
Sources: US Bureau of Labor Statistics

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

Annual Retail Sales

YEAR	DES MOINES MSA	Year - Over - Year
2013	\$8,411,526,797	1.71%
2014	\$8,787,650,388	4.47%
2015	\$9,346,317,273	6.36%
2016	\$9,769,581,274	4.53%
2017	\$10,071,879,055	3.09%
2018	\$10,128,863,313	0.60%
2019	\$10,382,430,906	2.50%

Source: Iowa Retail and Use Tax Report, Iowa Department of Revenue and Finance



Sources:
Greater Des Moines Partnership
Bureau of Economic Analysis
US Bureau of Labor Statistics - December 2018

METHODOLOGY

While there are a variety of retail uses, this survey focuses on regional shopping malls, neighborhood and community centers, and big box retail. The neighborhood and community centers analysis focuses on multi-tenant with small to medium size occupiers. Big box includes grocery stores, home improvement stores, and larger retail and discount stores containing approximately 20,000 SF or more in size. The 2019 Marketview Snapshot contains information collected.

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.

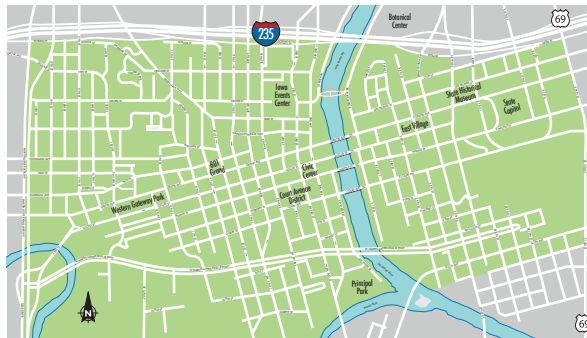
Western Suburbs - Encompasses West Des Moines, Clive, Urbandale, Windsor Heights, Johnston, Grimes, Waukee, and some unincorporated areas of Polk, Dallas, and Warren Counties.

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.

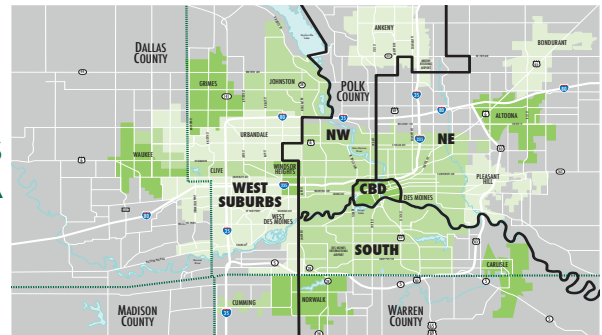
South - Comprises Southwest Des Moines, Southeast Des Moines (south of Des Moines River), and some unincorporated areas of Polk and Warren Counties.

Ankeny - Evaluated separately.



**DES MOINES
CENTRAL BUSINESS
DISTRICT (CBD)**

**DES MOINES
METROPOLITAN AREA**



Sources: CoStar Group, Polk County Assessor and Dallas County Assessor