

Des Moines Metro Industrial: Vacancy Up Amid New Deliveries

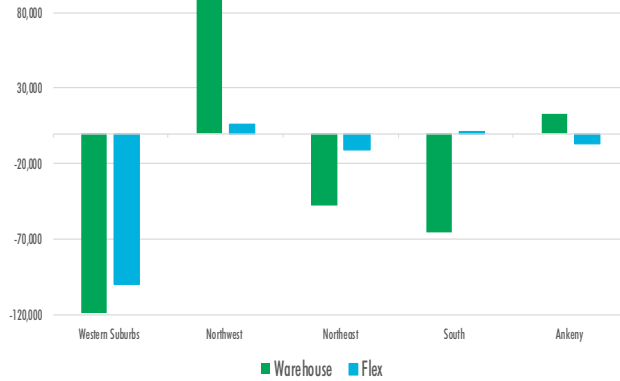
Overall Vacancy Rate
4.40%

Warehouse & Dist.
Asking Lease Rate NNN
\$5.04PSF

2019 Net Absorption
322,556 SF

Under Construction
1,105,100 SF

Figure 1: Warehouse & Flex Q4 Net Absorption (SF)



Crosswind Business Park – Delivers Q2 2020

Figure 2: Warehouse Average Asking Lease Rate by Space Size (With Min & Max)

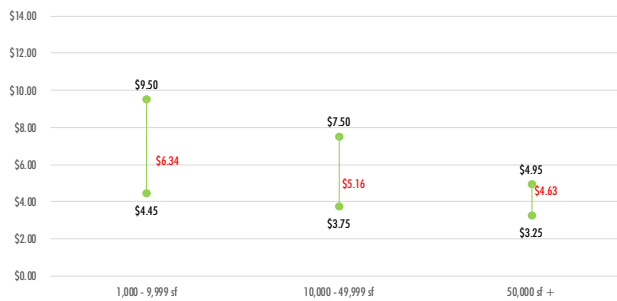


Figure 3: Flex Space Average Asking Lease Rate by Submarket (With Min & Max)



PERFORMANCE HIGHLIGHTS

- Greater Des Moines vacancy was 4.4% in Q4 2019, up 50 bps quarter-over-quarter. The modest increase is largely attributed to healthy levels of recent completed speculative buildings including Meredith Pointe 2 (80,000 SF Flex), Birchwood on I-80/35 (72,000 SF Flex) and Albaugh Ten (46,500 SF Warehouse).
- Opus' Corporate Woods Building 2 in Ankeny sold for \$17.4M to STAG Industrial, a real estate investment trust based out of Boston, MA. Tenants at time of sale included Carroll Tire Co., Alfa Laval, Berlin Packaging and Harrell's Car Wash Systems. This represents the largest industrial sale of 2019.
- Amazon leased all 110,000 SF of space at Hubbell Realty's Grimes Distribution Center Building 5, which delivered in Q3 2019.

MOVING FORWARD

Near Term: Absorption gains will be limited in 2020 as the market works to absorb new and existing supply.

Long Term: The industrial sector of the market has been and will continue to see steady growth for the foreseeable future. Nationally, the sector has been driven by e-commerce demand for large blocks of warehouse space. The metro will continue to see space demand from 3PL companies supporting the logistical needs of the e-commerce market, as well as the traditional agro-economic and manufacturing economy in Iowa. Variations in vacancy can be expected as new projects come to market, but we do not forecast a fundamental shift in demand or trends.

Market Statistics

	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate (%)	Q4 Net Absorption (SF)	Under Construction
Greater Des Moines					
Warehouse Pre 1970	10,492,992	193,685	1.85%	(37,924)	
Warehouse Post 1970	28,287,518	1,491,930	5.27%	(86,976)	1,084,100
Manufacturing Pre 1970	7,247,016	37,694	0.52%	35,920	
Manufacturing Post 1970	4,072,299	240,575	5.91%	(94,031)	
Flex	10,121,871	673,053	6.65%	(105,446)	21,000
TOTAL	60,221,696	2,636,937	4.4%	(288,457)	1,105,100
Western Suburbs					
Warehouse Pre 1970	1,615,824	0	0.00%	0	
Warehouse Post 1970	9,923,812	746,300	7.52%	(119,204)	
Manufacturing Pre 1970	620,467	0	0.00%	0	
Manufacturing Post 1970	898,811	63,385	7.05%	(63,385)	
Flex	5,115,786	594,893	11.63%	(100,148)	21,000
CBD					
Warehouse Pre 1970	558,521	0	0.00%	5,888	
Warehouse Post 1970	271,961	9,960	3.66%	(9,960)	
Manufacturing Pre 1970	53,436	0	0.00%	0	
Manufacturing Post 1970	12,737	0	0.00%	0	
Flex	552,378	0	0.00%	4,732	
Northwest					
Warehouse Pre 1970	1,711,194	50,000	2.92%	11,500	
Warehouse Post 1970	4,365,177	108,470	2.48%	87,530	154,400
Manufacturing Pre 1970	1,874,114	0	0.00%	0	
Manufacturing Post 1970	231,777	30,646	13.22%	(30,646)	
Flex	808,001	7,250	0.90%	6,452	
Northeast					
Warehouse Pre 1970	4,228,613	46,973	1.11%	(28,023)	
Warehouse Post 1970	9,885,983	417,593	4.22%	(19,662)	929,700
Manufacturing Pre 1970	1,968,317	4,500	0.23%	35,920	
Manufacturing Post 1970	1,932,889	85,540	4.43%	0	
Flex	2,709,360	16,569	0.61%	(11,038)	
South					
Warehouse Pre 1970	2,151,279	96,712	4.50%	(40,000)	
Warehouse Post 1970	2,086,794	41,955	2.01%	(25,680)	
Manufacturing Pre 1970	278,914	33,194	11.90%	0	
Manufacturing Post 1970	519,974	61,004	11.73%	0	
Flex	250,110	28,015	11.20%	1,560	
Ankeny					
Warehouse Pre 1970	227,561	0	0.00%	12,711	
Warehouse Post 1970	1,753,791	167,652	9.56%	0	
Manufacturing Pre 1970	2,451,768	0	0.00%	0	
Manufacturing Post 1970	476,111	0	0.00%	0	
Flex	686,236	26,326	3.84%	(7,004)	

Construction Pipeline

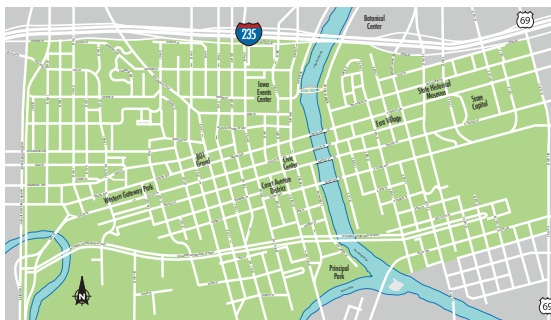
Property	City	Submarket	Property Type	Size (sf)	Expected Delivery
Anderson Warehouse	Altoona	Northeast	Warehouse	270,000	Q2 2020
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Corporate Woods-Phase 3	Ankeny	Northeast	Warehouse	200,000	Q3 2020
Crosswinds Business Park 1	Ankeny	Northeast	Warehouse	137,500	Q2 2020
5548 NW 2nd St	Des Moines	Northwest	Warehouse/Flex	120,000	Q1 2020
4761 NE 20th Ln	Des Moines	Northeast	Warehouse	36,000	Q2 2020
4707 SE Rio Court Rd	Ankeny	Northwest	Warehouse	34,400	Q2 2020
1040 SE Frontier Ave	Waukee	Western Suburbs	Flex	21,000	Q1 2020
4661 NE 20th Ln	Des Moines	Northeast	Warehouse	16,200	Q2 2020

Notable Sales

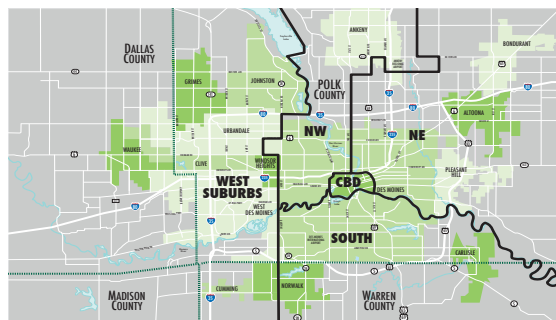
Property	City	Submarket	Property Type	Size (sf)	Sale Price	Sale Price PSF
Corporate Woods Industrial	Ankeny	Northwest	Warehouse	200,688	\$17,400,000	\$87
4124 NW Urbandale Dr	Urbandale	Western Suburbs	Industrial/ Warehouse	41,004	\$4,200,000	\$102

Notable Lease Transactions

Property	City	Submarket	Lease Type	Size (sf)	Tenant
Grimes Distribution Center, Building 5	Grimes	Western Suburbs	110,000	Amazon Delivery	New
Corporate Woods Industrial Park	Ankeny	Northwest	73,000	Berlin Packaging	New
5554 NE 16th St	Des Moines	Northeast	47,200	Nexus	New



DES MOINES CENTRAL BUSINESS DISTRICT (CBD)



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.

GREATER DES MOINES ECONOMIC DATA



Population
644,590 (2018 MSA)

Sources: US Bureau of Labor Statistics

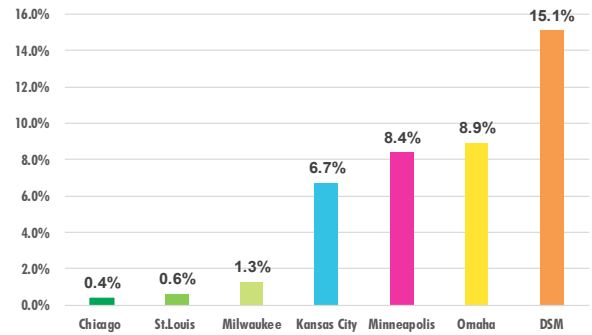


Unemployment Rate
2.7%

Sources: US Bureau of Labor Statistics

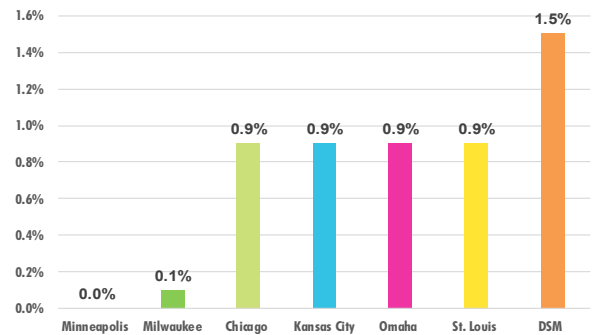
LARGEST EMPLOYERS	EMPLOYEES
Wells Fargo & Company	14,500
UnityPoint Health - Des Moines	8,026
Principal	6,500
Hy-vee	6,400
Nationwide	4,525
Mercy Medical Center	4,228
John Deere	3,089
Vermeer Corporation	2,500
Corteva	2,495
JBS USA	2,300
Pella Corporation	2,224
Wellmark Blue Cross Blue Shield of Iowa	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

Population Growth: 2010 - 2018

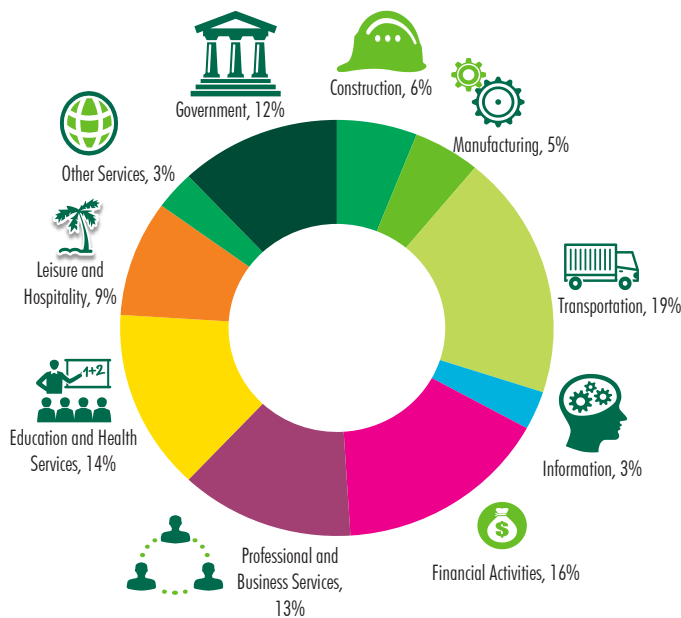


Sources: US Bureau of Labor Statistics

Employment Growth: March 2018 - March 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