Q4 2020

GREATER DES MOINES INDUSTRIAL & LOGISTICS FIGURES

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Des Moines Metro Industrial: 3PLs drive strong year-end absorption

Overall Vacancy Rate	Warehouse & Dist. Asking Lease Rate	Q4 Net Absorption	Under Construction
5.4%	$5.38 PSF	451,480 SF	84,600 SF

Figure 1: Speculative Deliveries & Overall Vacancy Trend

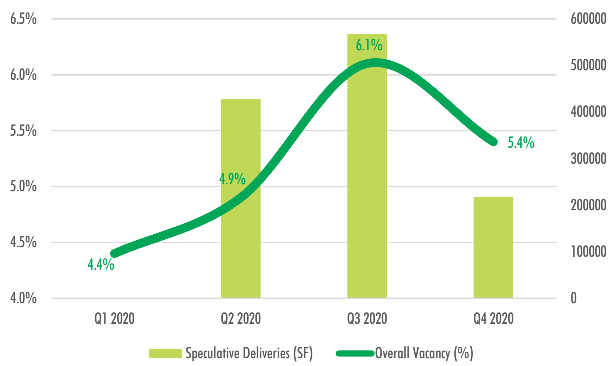


Figure 2: Recent Vacancy Trend by Property Type

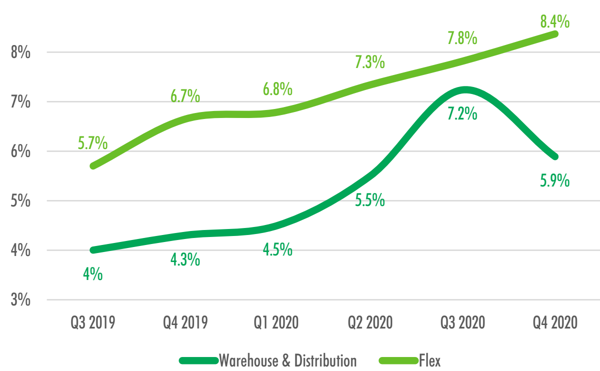
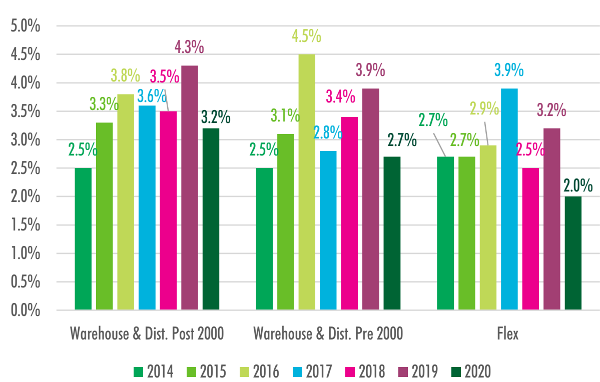


Figure 3: Market Rent Growth (YOY) by Property Type



Proposed Northridge 80/35 Industrial Development up to 1M SF

PERFORMANCE HIGHLIGHTS

- The Greater Des Moines industrial market recorded 1.2M sq.ft. of speculative deliveries in 2020, increasing the overall competitive inventory by 2%. Despite this surge in new supply, vacancy increased just 1% annually as the market absorbed approximately 50% of 2020 completions by year-end (See Figure 1).
- Strong leasing resulted in 451,480 sq.ft. of positive net absorption in Q4, lowering overall vacancy 70 bps quarter-over-quarter to 5.4%. Q4 absorption gains were largely located in the Northeast submarket, which experienced 535,617 sq.ft. of positive absorption and accounted for the top three leases of the quarter (See Pg.3). The significant increase in Northeast activity can be attributed to the rapid expansion of 3PL company JT Logistics, whom leased 447,000 sq.ft. in Q4 alone.
- Four speculative projects totaling 217,400 sq.ft. delivered in Q4, reducing the speculative construction pipeline to 84,600 sq.ft. The Northwest submarket accounted for 68% of Q4 deliveries, resulting in a 170-bps uptick in vacancy to 6.6%. Approximately 24% of Q4 deliveries have been leased.
- Investment activity was robust in 2020, up 64% in total sales volume and 44% in number of transactions year-over-year. There were four transactions in excess of $7M in Q4 alone, most notably the Atlantic Bottling HQ, which sold to an investment firm from Austin, TX for $31.5M (See Pg. 3).

MOVING FORWARD

Near Term: The significant reduction in speculative deliveries over the next two quarters should allow for continued improvement of market fundamentals in 2021. We anticipate steady demand in the near-term as Covid-19 uncertainty continues to wane and user activity increased. The favorable supply and demand balance should facilitate steady absorption gains and lower vacancy levels through the first half of the year.

Outlook: Demand for warehouse space in well-positioned markets will continue to climb as rapid e-commerce adaption puts pressure on retailers, wholesalers, and 3PLs to reach consumers while lowering transportation costs. Occupiers will expand by both location and size of facilities to accommodate supply sourcing, inventory control, and customer reach. We expect continued momentum for the Greater Des Moines industrial market as a result.

Market Statistics

	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate (%)	Q4 Net Absorption (SF)	Speculative Construction
Greater Des Moines					
Warehouse Pre 1970	10,492,992	184,656	1.76%	21,186	
Warehouse Post 1970	29,376,468	2,164,423	7.37%	507,722	65,900
Manufacturing Pre 1970	7,247,016	11,215	0.15%	(8,443)	
Manufacturing Post 1970	4,072,299	86,517	2.12%	(7,500)	
Flex	10,190,871	853,407	8.37%	(61,485)	18,700
TOTAL	61,379,646	3,300,218	5.4%	451,480	84,600
Western Suburbs					
Warehouse Pre 1970	1,615,824	16,800	1.04%	(9,300)	
Warehouse Post 1970	9,951,262	838,867	8.43%	65,029	50,000
Manufacturing Pre 1970	620,467	0	0.00%	0	
Manufacturing Post 1970	898,811	63,385	7.05%	0	
Flex	5,184,786	619,899	11.96%	26,678	
CBD					
Warehouse Pre 1970	558,521	5,550	0.99%	9,450	
Warehouse Post 1970	271,961	24,764	9.11%	32,906	
Manufacturing Pre 1970	53,436	0	0.00%	0	
Manufacturing Post 1970	12,737	0	0.00%	0	
Flex	552,378	5,400	0.98%	33,803	
Northwest					
Warehouse Pre 1970	1,711,194	6,412	0.37%	(6,412)	
Warehouse Post 1970	4,479,177	533,800	11.92%	(110,268)	
Manufacturing Pre 1970	1,874,114	0	0.00%	0	
Manufacturing Post 1970	231,777	14,132	6.10%	0	
Flex	808,001	45,664	5.65%	(34,650)	
Northeast					
Warehouse Pre 1970	4,228,613	84,883	2.01%	3,787	
Warehouse Post 1970	10,661,983	525,200	4.93%	528,093	15,900
Manufacturing Pre 1970	1,968,317	4,500	0.23%	(4,500)	
Manufacturing Post 1970	1,932,889	0	0.00%	1,500	
Flex	2,709,360	25,200	0.93%	6,737	
South					
Warehouse Pre 1970	2,151,279	54,672	2.54%	40,000	
Warehouse Post 1970	2,086,794	15,600	0.75%	7,475	
Manufacturing Pre 1970	278,914	6,715	2.41%	(3,943)	
Manufacturing Post 1970	519,974	0	0.00%	0	
Flex	250,110	106,398	42.54%	(88,658)	
Ankeny					
Warehouse Pre 1970	227,561	16,339	7.18%	(16,339)	
Warehouse Post 1970	1,925,291	226,192	11.75%	(15,513)	
Manufacturing Pre 1970	2,451,768	0	0.00%	0	
Manufacturing Post 1970	476,111	9,000	1.89%	(9,000)	
Flex	686,236	50,846	7.41%	(5,395)	18,700

Notable Projects

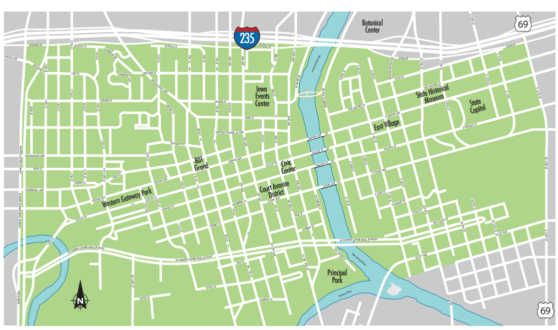
Property	City	Submarket	Property Type	Size (sf)	Expected Delivery	Construction
5800 SE Delaware	Ankeny	Ankeny	Warehouse	350,000	Q3 2021	Build-to-Suit
Amazon Sortation	Bondurant	Northeast	Warehouse	270,000	Q3 2021	Build-to-Suit
Kreg Tool HQ	Ankeny	Ankeny	Warehouse/Office	150,000	Q3 2021	Build-to-Suit
2105 SE Gateway Dr	Grimes	Western Suburbs	Warehouse	50,000	Q2 2021	Speculative
1615 SE Cortina Dr	Ankeny	Ankeny	Flex	18,700	Q1 2021	Speculative
4768 NE 20th Pl	Des Moines	Northeast	Warehouse	15,900	Q2 2021	Speculative

Notable Sales Q4

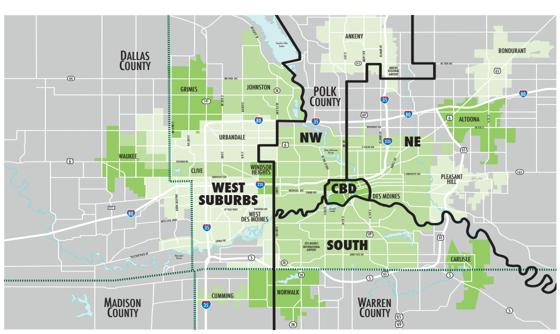
Property	Submarket	Sale Type	Property Type	Size (sf)	Sale Price	Sale Price PSF
3600 Army Post Rd, Des Moines	South	Investment	Warehouse/Office	397,938	$31,500,000	$79
1301 SE Gateway Dr, Grimes	Western Suburbs	Investment	Warehouse	110,000	$9,500,000	$86
6450 NE Industry Dr, Des Moines	Northeast	Investment	Warehouse	110,600	$7,650,000	$69
1635 NE 53rd Ave, Des Moines	Northeast	Investment	Warehouse	92,004	$7,000,000	$76

Notable Lease Transactions Q4

Property	City	Submarket	SF Leased	Tenant	Deal Type
3190 NW 21st St	Altoona	Northeast	270,000	JT Logistics	New
4121 Dixon St	Des Moines	Northeast	177,431	JT Logistics	New
1700 Dixon St	Des Moines	Northeast	72,962	GKAT Reclamation	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)

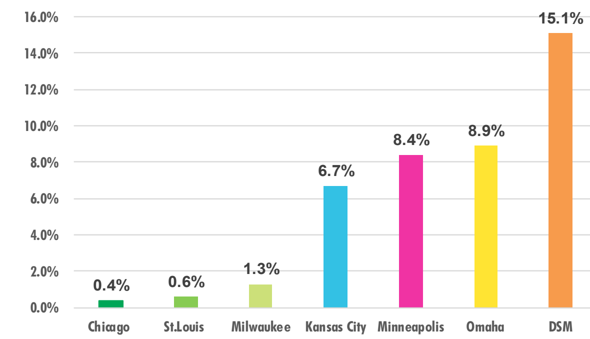
Sources: US Bureau of Labor Statistics

Unemployment Rate
3.6%

Sources: US Bureau of Labor Statistics

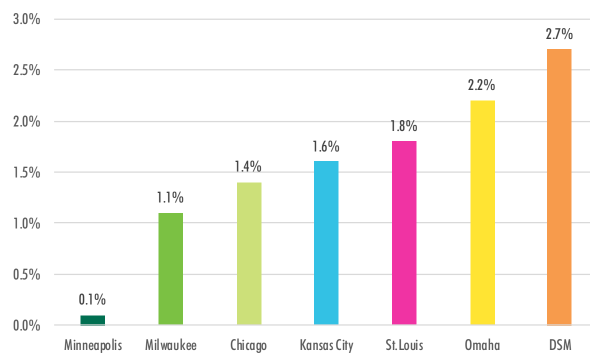
LARGEST EMPLOYERS	EMPLOYEES
Wells Fargo & Company	14,500
UnityPoint Health - Des Moines	8,026
Principal	6,500
Hy-vee	6,400
Nationwide	4,525
Mercy Medical Center	4,228
John Deere	3,089
Vermeer Corporation	2,500
Corteva	2,495
JBS USA	2,300
Pella Corporation	2,224
Wellmark Blue Cross Blue Shield of Iowa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

Population Growth: 2010 - 2018

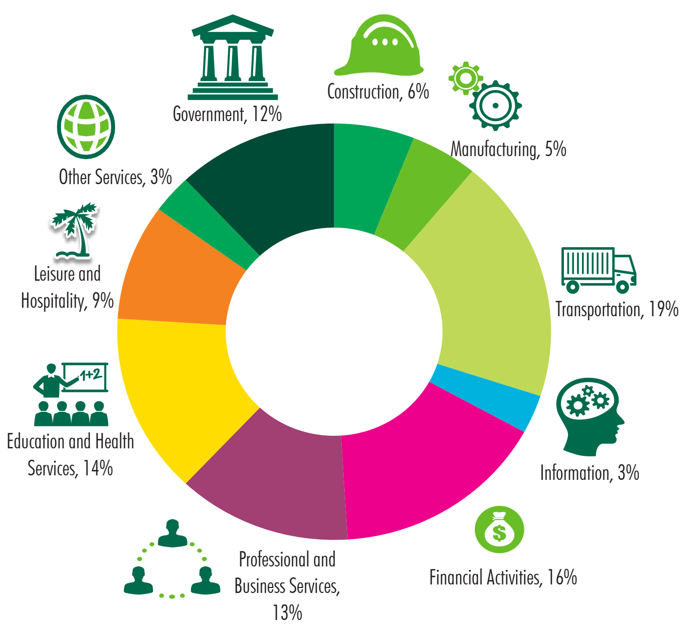


Sources: US Bureau of Labor Statistics

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