

# Fundamentals Hold Steady Leading into New Decade

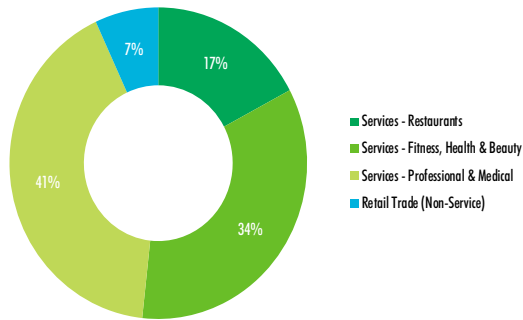
▲ Vacancy Rate (Neighborhood Centers) **8.8%**

▲ Vacancy Rate (Big Box) **3.8%**

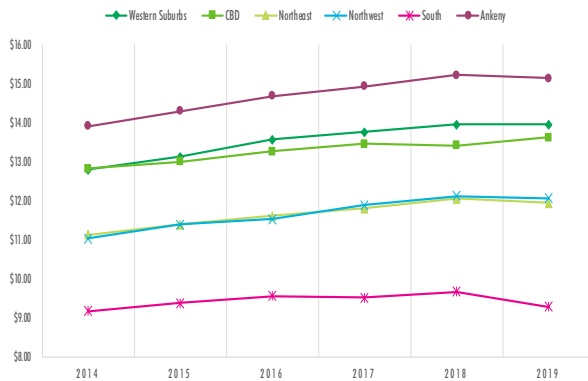
▼ Q4 Net Absorption (Neighborhood Centers) **(19,985) SF**

▼ Q4 Net Absorption (Big Box) **(63,438) SF**

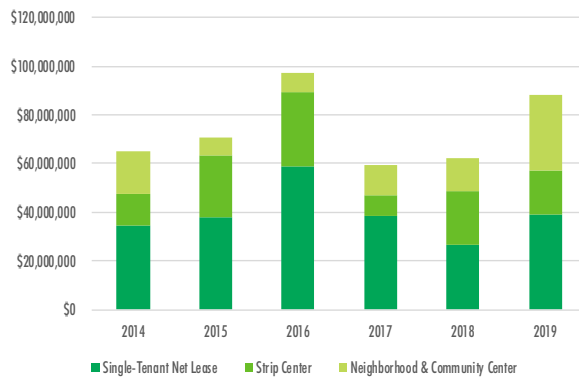
**Figure 1: Retail Leasing Activity By Industry Sector**



**Figure 2: Rent Growth by Submarket**



**Figure 3: Retail Investment Sales Volume**



Westowne Shopping Center, West Des Moines

**PERFORMANCE HIGHLIGHTS**

- National store closures stole the headlines through 2019 with more than 9,300 store closings nationally, far exceeding the previous record of approximately 8,000 stores in 2017. Notable closures impacting the Greater Des Moines market included Bed Bath & Beyond (WDM location), Dress Barn (WDM & Ankeny locations), and Pier 1 (WDM location). Bob's Discount Furniture, a Connecticut based furniture store, will backfill the former Bed Bath & Beyond space (41,000 SF) at The Village at Jordan Creek.
- Despite these closings, investor appetite remains strong for well-positioned retail assets. 2019 investment sales volume finished at a record high of \$138.2M – largely driven by the sale of Water Tower Place (\$51.1M) in Q2. Nonetheless, 2019 investment sales volume was still 20% higher than the previous 5-year average without the sale of Water Tower Place. (See Figure 3) Total volume continues to be driven by single-tenant net-lease sales, particularly quick-service restaurants and convenience stores, as private and 1031 exchange investors chase yield from internet resistant assets.
- The market locally continues to see demand driven primarily by service-oriented users. Professional & medical services accounted for 41% of lease activity this quarter while fitness, health & beauty represented 34%. Traditional retail trade accounted for just 7% of Q4 activity.

**MOVING FORWARD**

The historically tight labor market will continue to be a hindrance to space demand from small to mid-sized users in the near term. However, consumer sentiment remains high and total retail sales continue to trend upwards both nationally and locally, increasing 5% and 2.5%, respectively in 2019. We anticipate this paired with limited new supply will result in largely flat occupancy levels and continued modest, but steady, rent growth over the next 2-4 quarters.

**Suburban Neighborhood & Community Center Market Statistics**

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Net Absorption (SF)
Western Suburbs	2,317,196	180,147	7.8%	-27,466
Northwest	71,887	14,418	20.1%	-5,855
Northeast	683,474	41,229	6.0%	-1,416
South	727,432	114,907	15.8%	10,354
Ankeny	442,759	23,312	5.3%	4,398
Greater Des Moines Total	4,242,748	374,013	8.8%	-19,985

**Downtown Retail Market Statistics**

Neighborhood	Market Rentable Area (sf)	Vacant (sf)	Vacancy Rate	Average Asking Lease Rate (NNN)
Downtown Core	157,090	52,419	33%	\$15.59
Court District	141,439	6,023	4%	\$19.00
East Village	241,129	22,674	9%	\$17.00
Western Gateway	102,593	15,506	15%	\$17.00
South of MLK	77,558	25,484	33%	\$9.56
CBD Total	719,809	122,106	17%	\$12.39

**Big Box Market Statistics**

Submarket	Market Rentable Area (sf)	Vacant (sf)	Vacancy Rate	YTD Net Absorption
Western Suburbs	4,736,085	166,386	3.5%	(9,188)
CBD	59,996	0	0.0%	0
Northwest	450,270	0	0.0%	15,910
Northeast	1,369,811	0	0.0%	12,356
South	1,375,701	131,672	9.6%	(38,184)
Ankeny	1,396,295	57,732	4.1%	(44,332)
Greater Des Moines Total	9,388,158	355,790	3.8%	(63,438)

**Notable Sales**

Property	City	Submarket	Sale Price	Sale Price PSF	Sale Type
Westowne Center	West Des Moines	Western Suburbs	\$15,882,000	\$90	Investment
Grimes Plaza	Grimes	Western Suburbs	\$1,800,000	\$106	Investment
Dunkin Donuts	Des Moines	South	\$1,165,000	\$537	Investment

**GREATER DES MOINES ECONOMIC DATA**



Population  
644,590 (2018 MSA)



Unemployment Rate  
2.7%

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

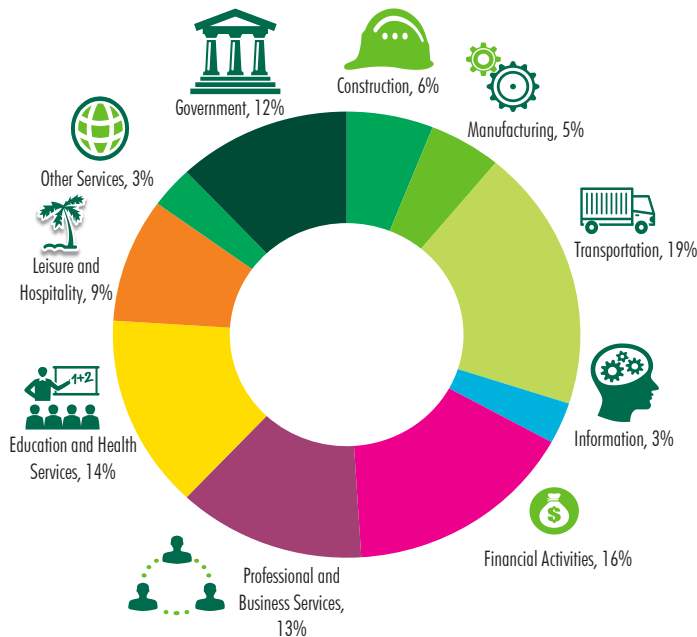


12 Month Change  
in Employment  
3.3%

**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.

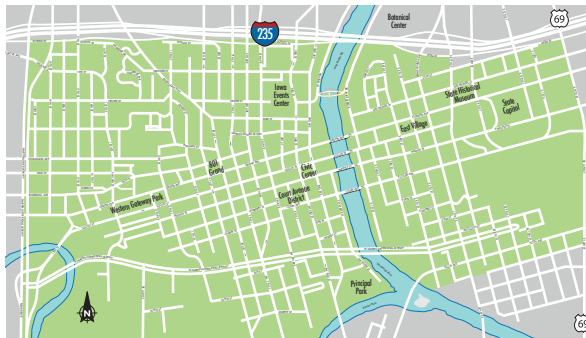
**Western Suburbs** - Encompasses West Des Moines, Clive, Urbandale, Windsor Heights, Johnston, Grimes, Waukee, and some unincorporated areas of Polk, Dallas, and Warren Counties.

**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.

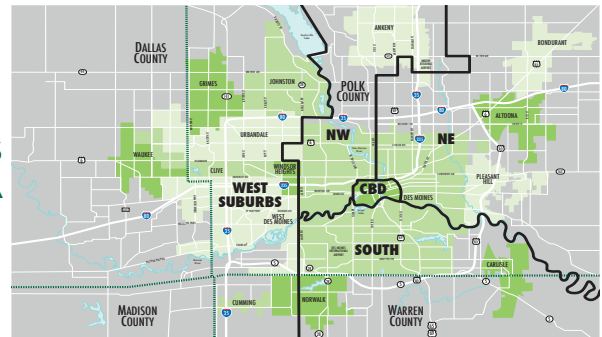
**South** - Comprises Southwest Des Moines, Southeast Des Moines (south of Des Moines River), and some unincorporated areas of Polk and Warren Counties.

**Ankeny** - Evaluated separately.



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

**DES MOINES  
METROPOLITAN AREA**



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