

FIGURES | RETAIL | Q3 2021

Leasing activity rebounds from 2020 levels, vacancy tightens

▼ 11.9%

Neighborhood & Community Center Vacancy

▼ 2.9%

Big Box Vacancy

► 19%

Downtown Vacancy

Note: Arrows indicate change from previous quarter.

▲ 216,869

YTD Overall Net Absorption (SF)

► \$16.43

NNN / Average Lease Rate

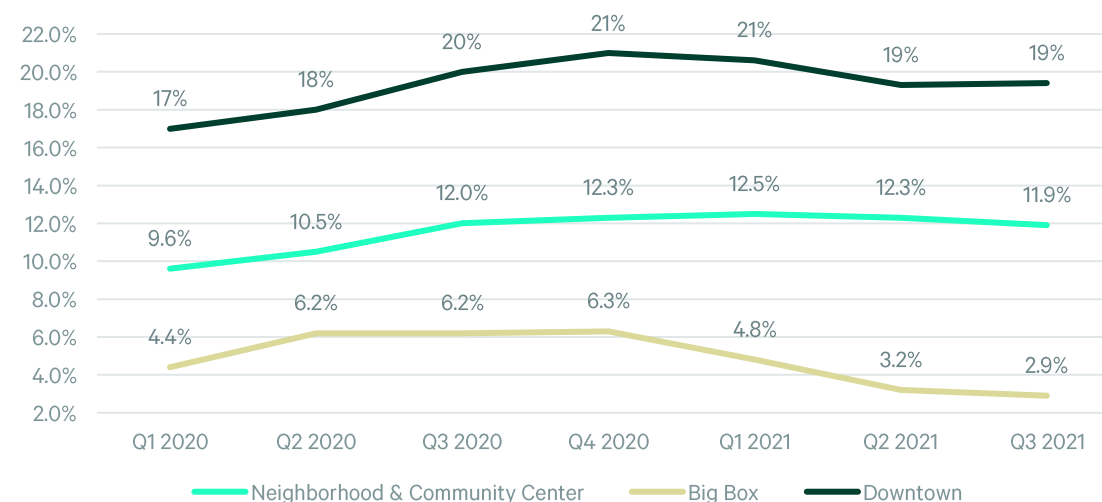
▲ 94,153

Under Construction (SF)

Overview

- Downtown, big box and neighborhood & community center net absorption remained positive for the second consecutive quarter, reflecting continued demand recovery from the pandemic.
- Big box vacancy declined 190 bps to 2.9% through the first three quarters of 2021. As a result, the number of available boxes greater than 20,000 sq.ft. has decreased to six.
- Year-to-date investment volume swelled to \$153M in Q3 – eclipsing 2019’s record total of \$139M in just the first nine months.
- Neighborhood & community center lease activity is up 33% year-over-year and down just 15% from 2019 levels.
- Four speculative projects totaling 47,000 sq.ft. delivered year-to-date. There remains 94,000 sq.ft. under construction.

FIGURE 1: Recent Vacancy Trend



Source: CBRE Research

Big Box

Strong leasing and adaptive reuse have lowered big box vacancy 190 bps to 2.9% since the start of the year. The segment recorded 175,556 sq.ft. of positive absorption through the first three quarters, representing 81% of overall year-to-date absorption.

Notable transactions driving recent big box performance:

- Burlington Coat Factory, Jo-Ann Fabric, and David's Bridal leased a combined 85,000 sq.ft. at Westridge Shopping Center in Clive. However, the three leases resulted in just 53,000 sq.ft. of net absorption as Jo-Ann Fabric and David's Bridal will be vacating approximately 32,000 sq.ft. at University Park Shopping Center in the same corridor.
- Iowa Realty leased the former Fresh Market space (23,000 sq.ft.) at Mills Crossing in WDM in Q1. Many Hands Thrift Store leased 37,000 sq.ft. in Haymarket Mall at 4100 Merle Hay Rd in Q3.
- The former Gordmans on Hubbell Ave was purchased in Q2 with plans to convert the space into self-storage, removing 91,000 sq.ft. of vacancy from the big box market.

Neighborhood & Community Centers

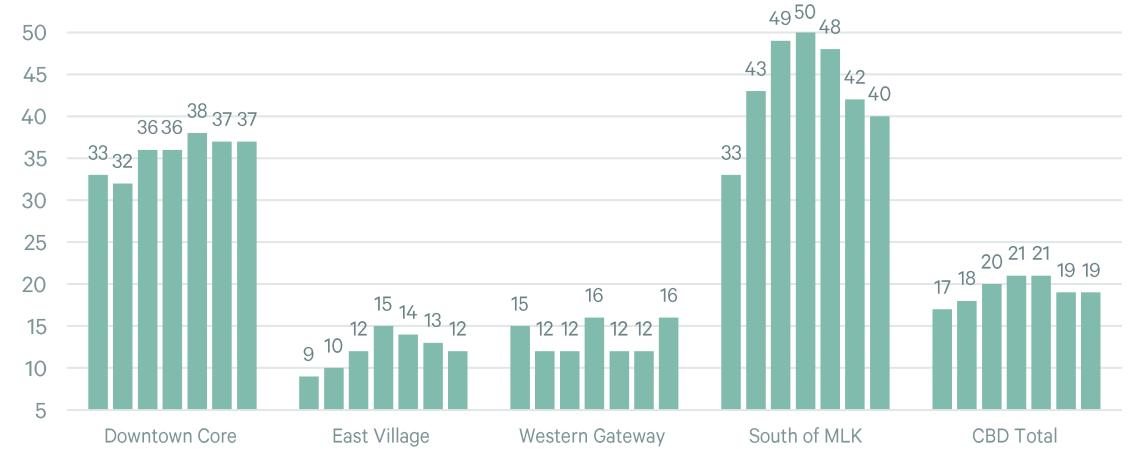
Neighborhood & Community center lease activity has rebounded in 2021 – up 33% year-over-year and down just 15% from 2019 levels. The uptick in activity has resulted in positive net absorption for two consecutive quarters, lowering vacancy 60 bps to 11.9% since the start of the year.

Ankeny and Altoona (Northeast submarket) accounted for all year-to-date absorption gains, recording 22,550 sq.ft. and 5,881 sq.ft. of positive net absorption, respectively. (See Pg. 4). While leasing activity improved in the western suburbs as well, recent speculative deliveries largely offset year-to-date absorption gains.

Downtown

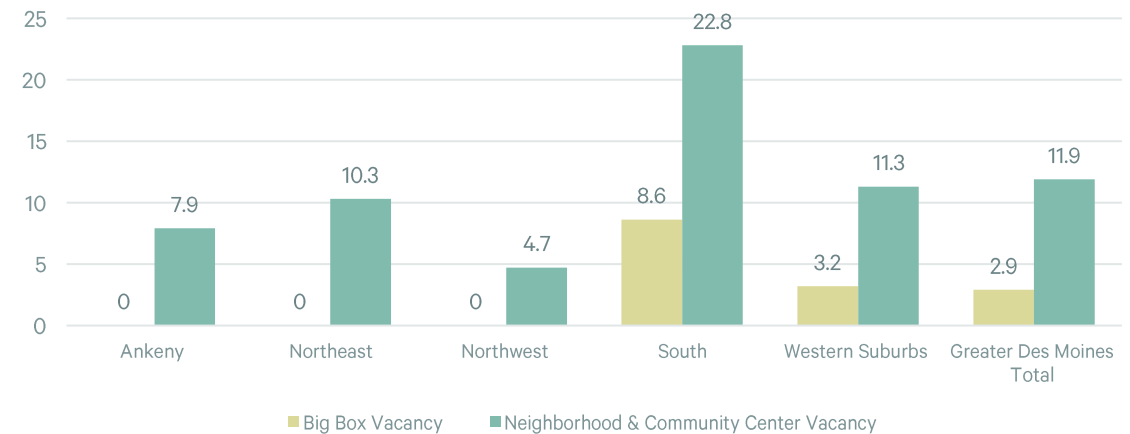
Downtown retail has recorded 16,906 sq.ft. of positive absorption year-to-date, lowering overall vacancy 200 bps to 19% since the start of the year. The South of MLK/Gray's Station neighborhood accounted for more than half of absorption -- driven by strong lease-up of the recently delivered ground floor retail at LINC and Gray's Landing. Notable tenants include Downtown's second Starbucks, Craft Bru Taproom, Table 128 and Mad Meatball.

FIGURE 2: Downtown Vacancy (%) by Neighborhood Q1 2020 – Q3 2021



Source: CBRE Research

FIGURE 3: Vacancy (%) by Submarket and Property Type



Source: CBRE Research

Construction Activity

Four speculative projects totaling 47,000 sq.ft. delivered in the first three quarters. Approximately 90% of the 47,000 sq.ft. is located between Grimes and Ankeny and has an average asking lease rate of \$28 NNN. Just over 70% of the space is still available. There remain 8 speculative projects under construction totaling 94,000 sq.ft. – 46% of which is in Grimes.

Construction activity will remain high in the near-term with approximately 270,000 sq.ft. of proposed available space currently being marketed. Notable anchors driving the pipeline include Live Nation (Waukee-Kettlestone), Des Moines University relocation (West Des Moines), and Grimesplex (Grimes).

Robust development will continue for the foreseeable future with plans getting approved in Q3 for the Metro’s second Costco location at the NE corner of I-35 and NE 36th St in Ankeny. The store will anchor a 125 AC commercial development called Spectrum 36, which is expected to begin construction in 2022. Additionally, the long-vacant 10 AC parcel directly north of Scheels at the Jordan Creek Town Center sold in Q3, with plans for up to 40,000 sq.ft. of retail development.

Investment Activity

Year-to-date investment sales volume swelled to \$153 million in Q3, already surpassing 2019’s record total of \$139 million. 2021 volume is now up 45% from the previous 7-year annual average in just the first three quarters.

Activity continues to be driven by single tenant net lease sales (STNL), which accounted for 68% of year-to-date volume and 67% of transactions. Strip centers accounted for 12% of volume and 29% of transactions, while one power center sale of \$31 million filled the balance (See Figure 4).

Two notable sales closed during the third quarter, which accounted for 85% of the total sales volume:

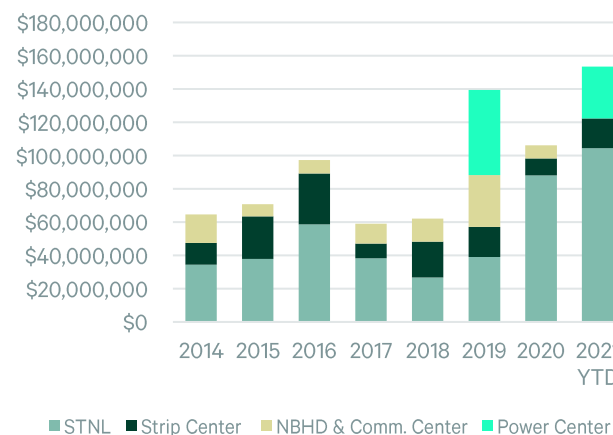
- In the largest sale of the quarter, a South Dakota based private investor acquired *Plaza at Jordan Creek* in West Des Moines from Hurd Real Estate for \$31 million or \$167 per sq.ft. The power center located at 320 S Jordan Creek Pkwy is anchored by Dick’s Sporting Goods, Nordstrom Rack & Hobby Lobby and was 96% leased at time of sale.
- Hurd Real Estate purchased the Prairie Trail Hy-Vee in Ankeny from Ladder Capital – a public REIT out of New York – for \$19.2 million or \$202 per sq.ft. The sale represents the second largest net lease transaction of the year.

Figure 4: Notable Sales

Property	Address	City	Sale Price	Sale Price PSF
Plaza at Jordan Creek	320 S Jordan Creek Pkwy	WDM	\$31M	\$167
Hy-Vee	1710 SW Oralabor Rd	Ankeny	\$19.2M	\$202
Kinder Care	1101 NE Gateway Dr	Grimes	\$4.8M	\$398
New Horizon Academy	8650 NW 62nd Ave	Johnston	\$4.05M	\$326
Firestone	765 34th Ave SW	Altoona	\$3.9M	\$622
Mister Car Wash	850 Army Post Rd	Des Moines	\$3.6M	\$563

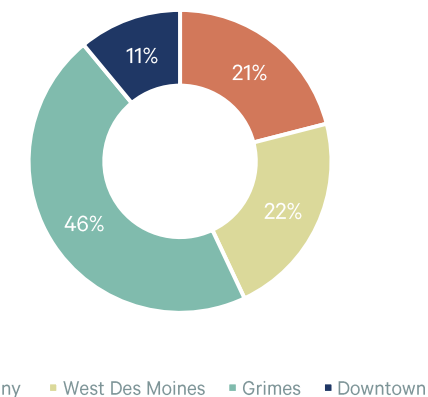
Source: CBRE Research

FIGURE 5: Investment Sales Volume



Source: CBRE Research

FIGURE 6: Under Construction by Submarket



Neighborhood & Community Center Figures

Submarket	Market Size (SF)	Vacant (SF)	Vacancy (%)	Asking Lease Rate (NNN)	YTD Net Absorption (SF)	Under Construction
Ankeny	431,669	34,131	7.9	\$17.13	22,550	19,202
Northeast	670,531	68,827	10.3	\$16.67	5,881	0
Northwest	193,935	9,155	4.7	\$13.26	0	0
South	519,250	118,247	22.8	\$12.90	52	0
Western	2,237,482	252,148	11.3	\$17.21	-4,076	64,478
Total	4,052,867	482,508	11.9	\$16.66	24,407	83,680

Big Box Figures

Submarket	Market Size (SF)	Vacant (SF)	Vacancy (%)	YTD Net Absorption
Ankeny	1,397,238	0	0.0	12,770
CBD	59,996	0	0.0	0
Northeast	1,391,242	0	0.0	91,096
Northwest	407,258	0	0.0	0
South	1,364,254	117,814	8.6	0
Western	4,793,181	152,442	3.2	71,690
Total	9,413,169	270,256	2.9	175,556

Downtown Retail Figures

NBHD	Market Size (SF)	Vacant (SF)	Vacancy (%)	Asking Lease Rate (NNN)	YTD Net Absorption (SF)	Under Construction (SF)
Downtown Core	158,205	58,192	37	\$15.85	-452	0
Court District	141,439	363	0	\$15.00	1,145	0
East Village	256,324	32,182	13	\$18.52	6,686	10,473
Western Gateway	106,377	16,800	16	\$16.03	-110	0
South of MLK	100,023	40,400	40	\$8.52	9,637	0
CBD Total	762,368	147,937	19	\$15.82	16,906	10,473

2021 Notable Leases

Tenant	Center	Lease Size (SF)	Submarket	Transaction Type
Burlington Coat Factory	Westridge	39,270	Western	New Lease
Many Hands Thrift	Haymarket Mall	37,164	Western	New Lease
Jo-Ann Fabric	Westridge	33,000	Western	New Lease
Iowa Realty	Mills Crossing	23,000	Western	New Lease
David's Bridal	Westridge	12,700	Western	New Lease
Mid-K Beauty Supplies	1251 University Ave	8,761	Northwest	Renewal

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