

# Vacancy Begins to Increase as Tenant Activity Slows

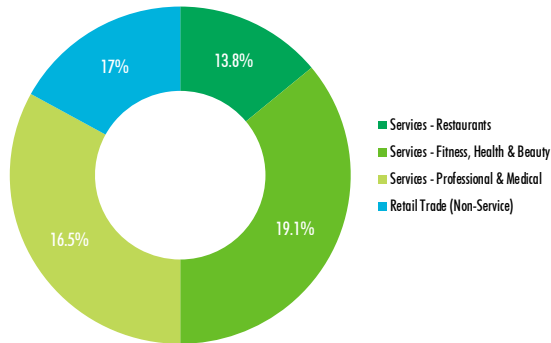
▲ Vacancy Rate (Neighborhood Centers) **9.6%**

▲ Vacancy Rate (Big Box) **4.4%**

▼ Q4 Net Absorption (Neighborhood Centers) **(33,425) SF**

▲ Q4 Net Absorption (Big Box) **(60,573) SF**

Figure 1: Retail Leasing Activity By Industry Sector



Pier One Imports Begins Liquidation Sales After Announcing Closures of All Stores

Figure 2: Historical Average Rental Rates by Submarket

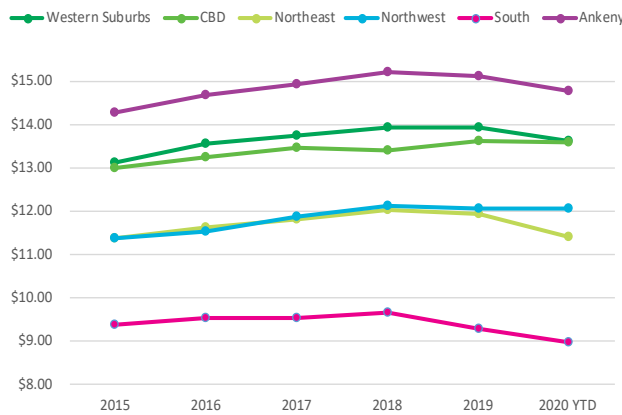
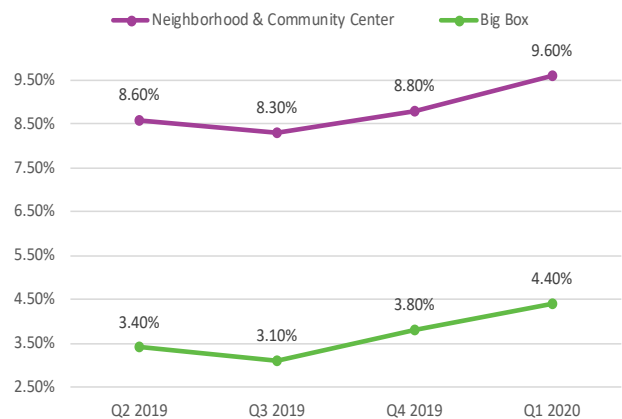


Figure 3: Historical Vacancy by Property Type



## PERFORMANCE HIGHLIGHTS

- Vacancy was up across all property types through Q1 2020 as lease activity began to slow through the latter half of the quarter. Additionally, big-box availability continues to climb with 14 spaces greater than 20,000 sf actively listed. Big-box retail has recorded negative absorption in excess of 60,000 sf for two consecutive quarters.
- Investment sales were down 17% in total volume and 18% in the number of transactions quarter-over-quarter. 89% of Q1 2020 transactions were recorded in the first two months of the quarter.
- Legacy Fitness backfilled the former Fitness World at the District at Prairie Trail in Ankeny. The 31,657 sf lease represents the largest of the quarter.
- Many Hands Thrift Store signed a 25,739 sf lease for the former Babies R Us space in Clive representing the second largest lease of the quarter.

## OUTLOOK

The Covid-19 pandemic has forced some state governments to impose strict regulations adversely affecting many industries, particularly the retail, food and beverage sectors. We anticipate these regulations and the subsequent economic downturn will accelerate downward trends the retail industry was already experiencing.

Vacancy levels will experience notable upticks as over-extended retailers are forced into store closures. Soft goods retailers with already bloated inventory levels will be hit especially hard as these regulations continue to accelerate the adoption of e-commerce.

Long-term, these closures will likely expedite the repurposing of obsolete retail space leading to an overall reduction in market vacancy.

Additionally, given Iowa's underlying economic fundamentals prior to the pandemic and the rate at which restrictions are being lifted – we are optimistic that this paired with pent up consumer demand will facilitate a healthy recovery of the Des Moines retail market on the other side of the downturn.

**Suburban Neighborhood & Community Center Market Statistics**

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Q1 Net Absorption (SF)
Western Suburbs	2,317,196	162,791	7.0%	17,356
Northwest	71,887	19,585	27.2%	-5,167
Northeast	683,474	95,436	14.0%	-54,207
South	727,432	107,359	14.8%	7,549
Ankeny	442,759	22,268	5.0%	1,044
Greater Des Moines Total	4,242,748	407,439	9.6%	-33,425

**Downtown Retail Market Statistics**

Neighborhood	Market Rentable Area (sf)	Vacant (sf)	Vacancy Rate	Q1 Net Absorption
Downtown Core	157,090	51,009	32%	1,410
Court District	141,439	6,023	4%	0
East Village	246,418	25,611	10%	-2,937
Western Gateway	102,593	12,686	12%	2,820
South of MLK	80,919	35,078	43%	-9,594
CBD Total	728,459	130,407	17.90%	-8,301

**Big Box Market Statistics**

Submarket	Market Rentable Area (sf)	Vacant (sf)	Vacancy Rate	Q1 Net Absorption
Western Suburbs	4,736,085	198,684	4.2%	-32,298
CBD	59,996	0	0.0%	0
Northwest	450,270	0	0.0%	0
Northeast	1,369,811	59,883	4.4%	-59,883
South	1,375,701	144,496	10.5%	-12,824
Ankeny	1,396,295	13,400	1.0%	44,432
Greater Des Moines Total	9,388,158	416,463	4.4%	-60,573

**Notable Sales**

Property	City	Submarket	Sale Price	Sale Price PSF	Sale Type
Plaza at Westlakes	West Des Moines	Western Suburbs	\$3,950,000	\$136	Investment
Smokey Row	Ankeny	Ankeny	\$2,225,000	\$475	Owner/User
Village Inn	Altoona	Northeast	\$2,450,000	\$513	Investment

**GREATER DES MOINES ECONOMIC DATA**



Population  
644,590 (2018 MSA)



Unemployment Rate  
3.2%

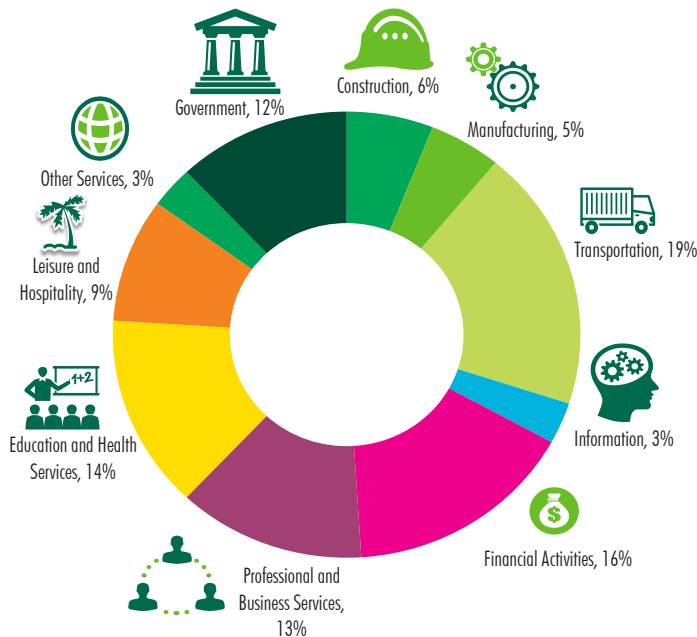
Sources: US Bureau of Labor Statistics

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.

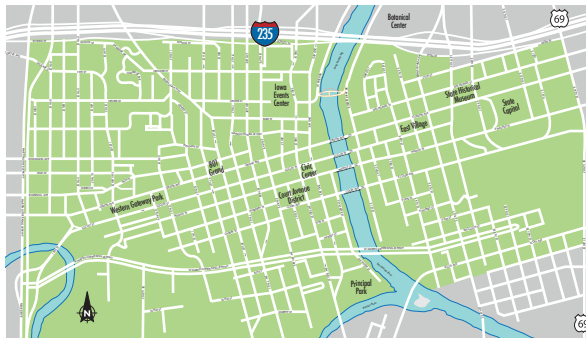
**Western Suburbs** - Encompasses West Des Moines, Clive, Urbandale, Windsor Heights, Johnston, Grimes, Waukee, and some unincorporated areas of Polk, Dallas, and Warren Counties.

**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.

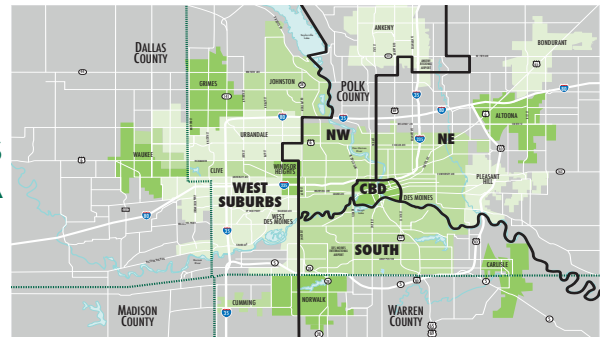
**South** - Comprises Southwest Des Moines, Southeast Des Moines (south of Des Moines River), and some unincorporated areas of Polk and Warren Counties.

**Ankeny** - Evaluated separately.



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

**DES MOINES  
METROPOLITAN AREA**



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