

A low-angle photograph of several modern skyscrapers in Greater Des Moines, Iowa, reaching towards a cloudy sky. The buildings feature glass facades and grid-like window patterns. A prominent green L-shaped graphic element is overlaid on the left side of the image.

Q2 2020

GREATER DES MOINES OFFICE FIGURES

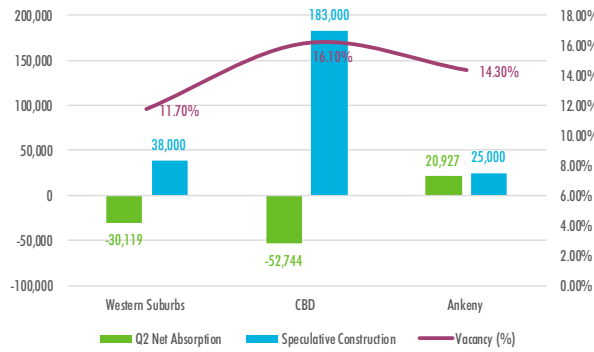
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Des Moines Metro Office: Activity Down Amid Uncertainty

 Competitive Market Vacancy Rate 13.6%	 Average Asking Lease Rate (NNN) \$13.06	 Q2 Net Absorption (72,427) sf	 Under Construction 463,000 sf	 Q2 Deliveries 28,000 sf
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Figure 1: Q2 Net Absorption/Construction & Vacancy by Submarket



Gray's Landing Office Building: Delivers Q1, 2021

Figure 2: Greater DSM Recent Vacancy Rate Trend (%)

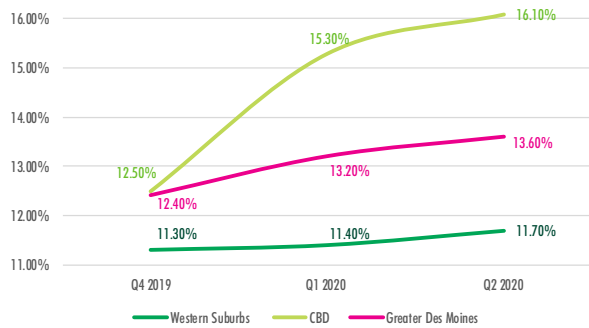
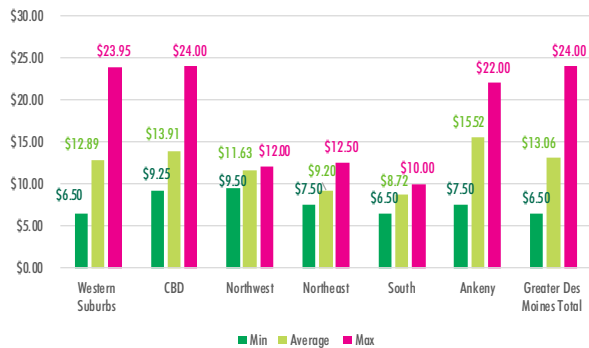


Figure 3: Asking Rents by Submarket with Min & Max (NNN)



PERFORMANCE HIGHLIGHTS

- The Greater Des Moines office market recorded over 72,000 sf of negative net absorption through Q2, raising the overall vacancy by 40 bps for the quarter to 13.6%. As expected, the market witnessed a pullback in lease activity, with an approximate 30% decline in number of deals reported year-over-year.
- The Terrastone Building in Waukee delivered 28,000 sq. ft. to the Kettlestone office market in Q2. The building is 90% leased and represents the only speculative completion YTD. Additionally, two projects broke ground in Q2, totaling approximately 110,000 sq. ft. The Grays Landing Office Building (73,000 sq. ft.) will deliver in early 2021 and represent the first class A office development south of MLK in the CBD. The Encompass Building in Waukee also broke ground in Q2, and will add 38,000 sq. ft. to the western suburbs office market in July 2021—100% of the office space is pre-leased.
- There were two office investment sales this quarter that were part of a 3-property portfolio sale consisting of two office and one industrial buildings. The office buildings at 5075 E University, Des Moines & 2894 106th St, Urbandale sold for \$1.45M and \$1.9M, respectively. The entire portfolio was approximately 90% occupied at time of sale and traded at a blended cap rate of 7.9%.

MOVING FORWARD

For the balance of the year, we expect continued pullback in leasing activity as occupiers assess the future of their workspace. We anticipate sublease availability could increase in the near-term as a result, making any notable absorption gains unlikely given the temporary pullback in demand.

Looking ahead, we don't foresee the demand for office space going away, but we suspect it could change. There will not be a one size-fits-all approach amongst office users, and how they approach their workspace will vary case-by-case. While some downsizing is inevitable in select industries, the companies that rely on office space for day-to-day operations, collaboration, and talent acquisition/retention will likely need to reverse the trend of office densification and allocate more sq.ft. to each employee. We are optimistic both approaches will balance each other out, resulting in sufficient demand for office space on the other side of the downturn.

MARKETVIEW GREATER DES MOINES OFFICE

Competitive Market Statistics Greater Des Moines

Competitive Market Statistics	Market Rentable Area (sf)	Vacant (sf)	Vacancy Rate	Quarter-Over-Quarter % Change in Occupancy	Q2 Net Absorption	Under Construction (SF)	Average Asking Rate (NNN)
Western Suburbs	9,438,712	1,103,562	11.7%	(0.3%)	(30,119)	255,000	\$12.89
CBD	6,283,858	1,011,037	16.1%	(0.8%)	(52,744)	183,000	\$13.91
Northwest	657,962	76,235	11.6%	(0.8%)	(5,320)	0	\$11.63
Northeast	93,750	17,298	18.5%	(3.8%)	(3,510)	0	\$9.20
South	389,901	88,876	22.8%	(0.4%)	(1,661)	0	\$8.72
Ankeny	544,037	77,615	14.3%	3.8%	20,927	25,000	\$15.52
Greater Des Moines Total	17,408,220	2,374,623	13.6%	(0.4%)	(72,427)	463,000	\$13.06

Competitive Market Statistics Western Suburbs

Competitive Market Statistics	Market Rentable Area (sf)	Vacant (sf)	Vacancy Rate	Q2 Net Absorption	Under Construction (SF)	Average Asking Rate (NNN)
Johnston	772,371	67,648	8.8%	0	0	\$12.08
Urbandale	1,871,737	243,388	13.0%	2,543	0	\$11.57
Waukee	113,468	6,536	5.8%	(6,536)	38,000	\$16.00
WDM/Clive	6,681,136	785,990	11.8%	(26,126)	217,000	\$13.41
Western Suburbs Totals	9,438,712	1,103,562	11.7%	(30,119)	255,000	\$12.89

Q2 Notable Sales

Property	City	Sale Type	Size (sf)	Price	Price PSF
Hickman Hills	Urbandale	Investment	24,686	\$1,898,360	\$77
The Dental Studio of Iowa	Johnston	Owner/User	3,906	\$1,650,000	\$422
311 N Ankeny Blvd	Ankeny	Investment	6,840	\$1,500,000	\$219
5075 E University Ave	Pleasant Hill	Investment	18,900	\$1,450,490	\$77

Recent Lease Transactions

Property	Size (sf)	Type	Submarket	Tenant
111 E Grand Ave	15,840	New	CBD	Fredrickson & Byron, PA
405 SW 5th St	11,340	New	CBD	Access2Care

Notable Projects

Project	Size (sf)	Expected Delivery	City	Submarket	Construction
Sammons Financial HQ	217,000	December, 2020	West Des Moines	Western Suburbs	Owner/User
611 5th Ave Renovation	110,000	TBD	Des Moines	CBD	Competitive
Gray's Landing Office	73,000	February, 2021	Des Moines	CBD	Competitive
Encompass Building	38,000	July, 2021	Waukee	Western Suburbs	Competitive
District VI	25,000	December, 2020	Ankeny	Ankeny	Competitive

GREATER DES MOINES ECONOMIC DATA



Population
644,590 (2018 MSA)

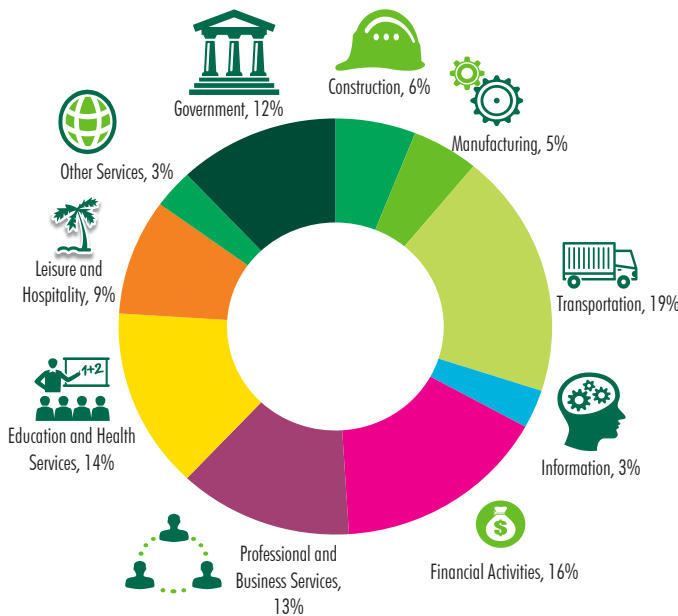
Sources: US Bureau of Labor Statistics



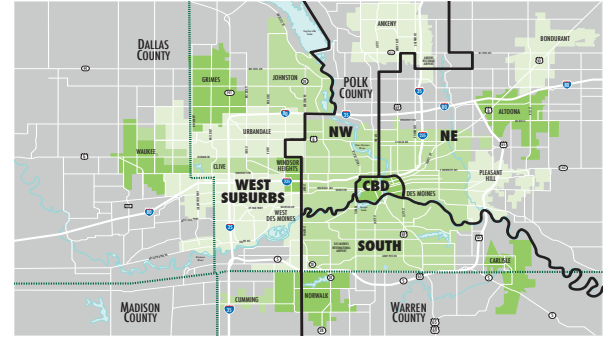
Unemployment Rate
8%

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



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.

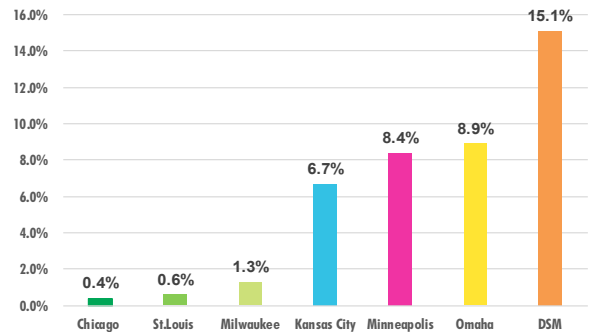
Northwest - Includes Northwest Des Moines and Western Saylor Township.

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.

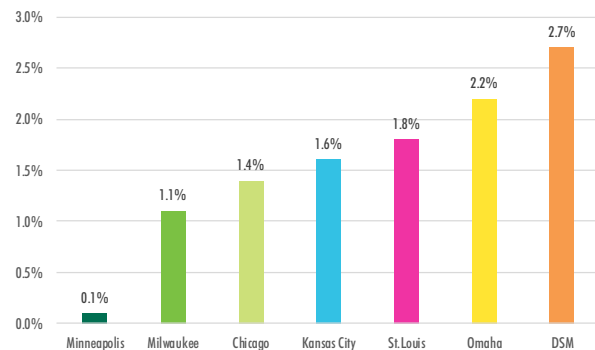
Ankeny - Evaluated separately.

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