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MARKETVIEW SNAPSHOT - Q4 2020

Greater Des Moines Retail: Market Softens in 2020

Vacancy Rate (Neighborhood & Community Centers)	Vacancy Rate (Big Box)	2020 Net Absorption (Neighborhood & Community Centers)	2020 Net Absorption (Big Box)
12.3%	6.30%	(147,451) SF	(236,203) SF

Figure 1: Suburban Vacancy Trend by Property Type

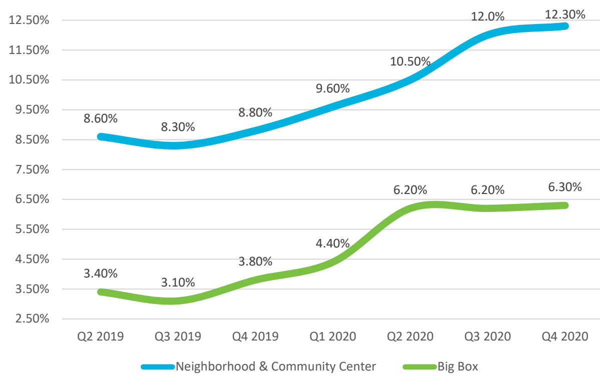


Figure 4: Asking Lease Rates ($/SF/YR/NNN)

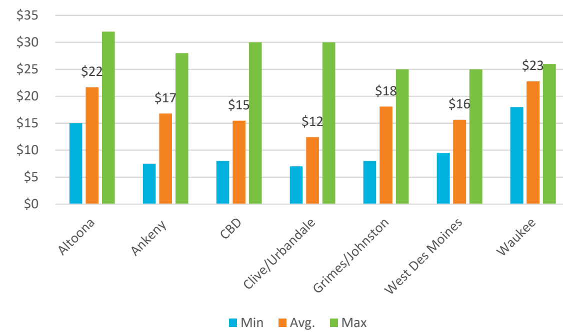


Figure 2: CBD Vacancy Trend By Neighborhood

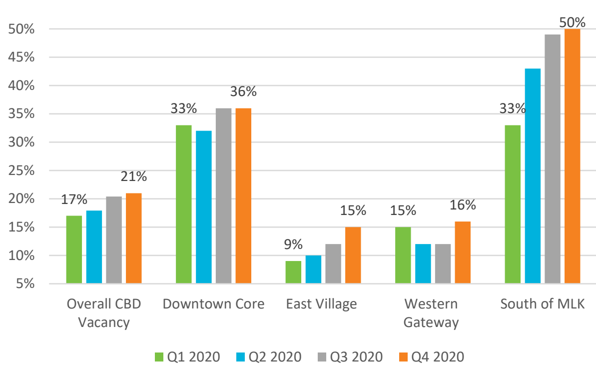
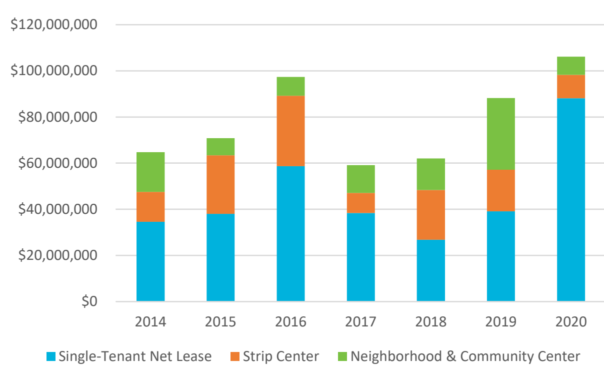


Figure 3: Retail Investment Sales Volume



*Dallas & Polk County/Fleet Farm & Sportsman's Warehouse not in totals

PERFORMANCE HIGHLIGHTS

- Stalled user activity and mounting store closures resulted in annual net absorption of negative 437,297 sq.ft. – increasing overall retail vacancy by 230 bps annually to 8.9%. Vacancy increased across all property types and submarkets as new leasing activity fell approximately 33% year-over-year.
- Floor & Décor backfilled the former Gordmans box (78,388 sq.ft.) at Westowne Shopping Center in Q4, representing the largest lease reported annually and the only deal over 25,000 sq.ft. in 2020. However, Q4 big-box absorption gains were offset by the former Price Chopper in Johnston adding 67,051 sq.ft. of available sublease space to the market in Q4.
- Iowa Realty leased and plans to consolidate their existing offices into the former Fresh Market space (23,000 sq.ft.) at Mills Crossing in WDM.
- Retail investment activity was robust in 2020, up 30% in total volume from the previous 5-year average. Increasingly strong investor demand for single-tenant net-lease (STNL) assets underpinned the surge in activity as STNL sales accounted for 83% of total volume (See Figure 3).

MOVING FORWARD

Looming closures and continued uncertainty surrounding COVID-19 vaccine distribution will make any notable absorption gains unlikely and hinder rent growth in the near-term. Submarkets like the CBD core that are heavily dependent on office lunch patrons will face the greatest headwinds and will likely experience increased sublease availability over the next two quarters as a result.

However, we are optimistic the widespread administration of the vaccine will facilitate a recovery of fundamentals beginning as soon as Q3. We anticipate the improved consumer sentiment that follows paired with pent up consumer demand will allow markets like the CBD to regain pre-pandemic momentum.

Suburban Neighborhood & Community Center Market Statistics

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	2020 Net Absorption (SF)
Western Suburbs	2,317,196	248,072	10.7%	-67,925
Northwest	71,887	23,704	33.0%	-9,286
Northeast	683,474	74,708	10.9%	-33,479
South	727,432	118,299	16.3%	-3,392
Ankeny	442,759	56,681	12.8%	-33,369
Greater Des Moines Total	4,242,748	521,464	12.3%	-147,451

CBD Retail Market Statistics

Neighborhood	Market Rentable Area (sf)	Vacant (sf)	Vacancy Rate	2020 Net Absorption
Downtown Core	158,205	57,740	36%	-5,321
Court District	141,439	1,508	1%	4,515
East Village	256,324	38,868	15%	-16,194
Western Gateway	110,802	16,690	15%	-1,184
South of MLK	100,023	50,037	50%	-24,553
CBD Total	766,793	164,843	21%	-42,737

Big Box Market Statistics

Submarket	Market Rentable Area (sf)	Vacant (sf)	Vacancy Rate	2020 Net Absorption
Western Suburbs	4,736,085	265,975	5.6%	-99,589
CBD	59,996	0	0.0%	0
Northwest	450,270	0	0.0%	0
Northeast	1,369,811	146,694	10.7%	-146,694
South	1,375,701	166,554	12.1%	-34,882
Ankeny	1,396,295	12,770	0.9%	44,962
Greater Des Moines Total	9,388,158	591,993	6.3%	-236,203

Notable Sales

Property	City	Submarket	Sale Price	Sale Price PSF	Sale Type
Fleet Farm	Waukee	Western Suburbs	$38,100,000	$200	STNL Investment
Sportman's Warehouse	Ankeny	Ankeny	$7,534,250	$152	STNL Investment
Wellington Plaza	West Des Moines	Western Suburbs	$6,450,000	$161	Multi-tenant Center

GREATER DES MOINES ECONOMIC DATA

Population
644,590 (2018 MSA)

Unemployment Rate
3.1%

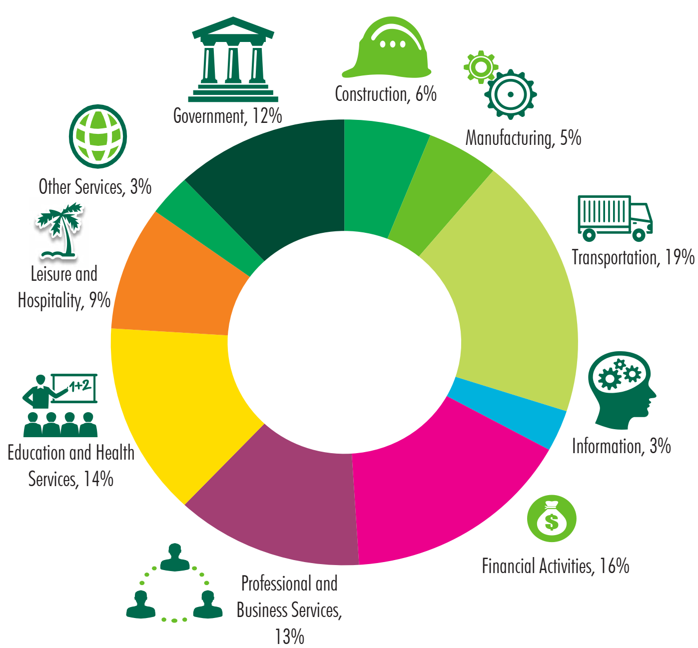
Sources: US Bureau of Labor Statistics

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.

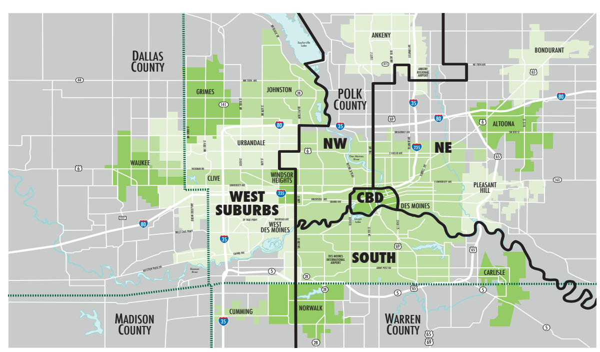
Northeast - Consists of Northeast Des Moines (extended south to the Des Moines River), Pleasant Hill, Altoona, Eastern Saylor Township, and Delaware Township.

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