# Numbers hold largely flat through 2022 with signs of increased tenant activity

▼ 15.4%
Overall Vacancy

▶ 13.7%
Western Suburb Vacancy

▼ 17.9%
CBD Vacancy

▲ (36,185)
2022 Overall Net Absorption (SF)

▲ $13.66
NNN / Average Lease Rate

▲ 166,000
Under Construction (SF)

Note: Arrows indicate change from previous quarter.

## Summary

– Construction remains underway on Worldwide Logistics new headquarters in Urbandale at 12400 Meredith Dr. The new development is 76,000 sq. ft. and expected to be completed Q2, 2023.

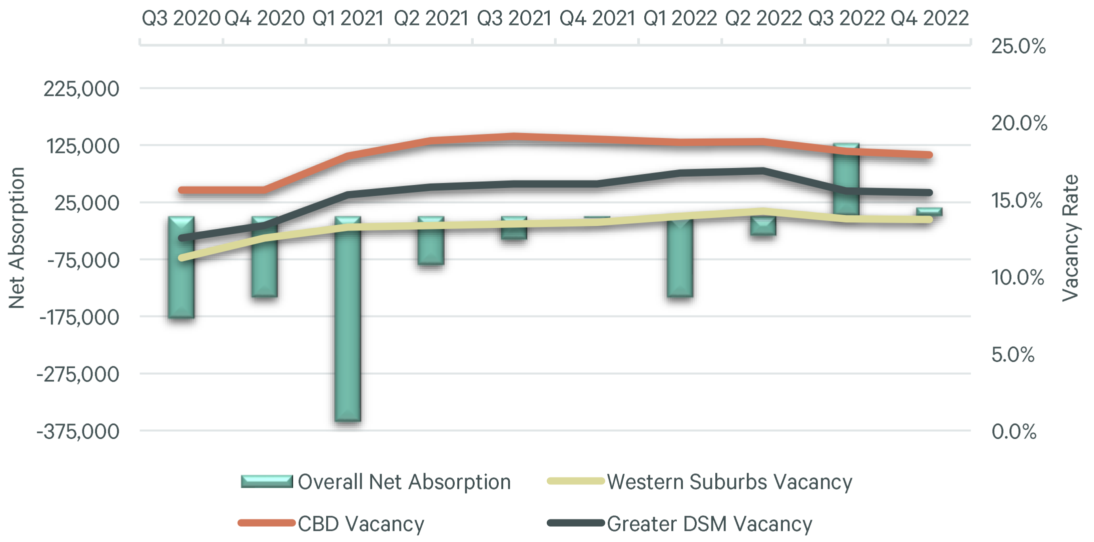
– Access Systems began construction on new headquarters in Waukee at 1055 SE Olsen Dr. The new development will be 30,000 sq. ft. and is expected to be completed summer of 2023.

The Des Moines office market experienced positive absorption for the 2nd straight quarter. Four of the six submarkets recorded positive absorption quarter-over-quarter (Figure 2). However, there was only 15,000 sq. ft. of positive absorption in Q4. Overall net absorption for 2022 was negative 36,185 sq. ft.

Overall vacancy rates remained largely flat quarter-over-quarter, only experiencing a decrease of 10 basis points (15.5% to 15.4%). The CBD submarket vacancy rate decreased 20 bps (18.1% to 17.9%) quarter-over-quarter and decreased 100 bps (18.9% to 17.9%) year-over-year.

Overall asking lease rates decreased by $0.10 quarter-over-quarter ($13.76 to $13.66 per sq. ft.) The highest asking lease rates in the market originate in the City of Waukee (part of the Western Suburbs submarket) with an average asking rate of $19.61 per sq. ft.

FIGURE 1: Net Absorption and Vacancy Rates

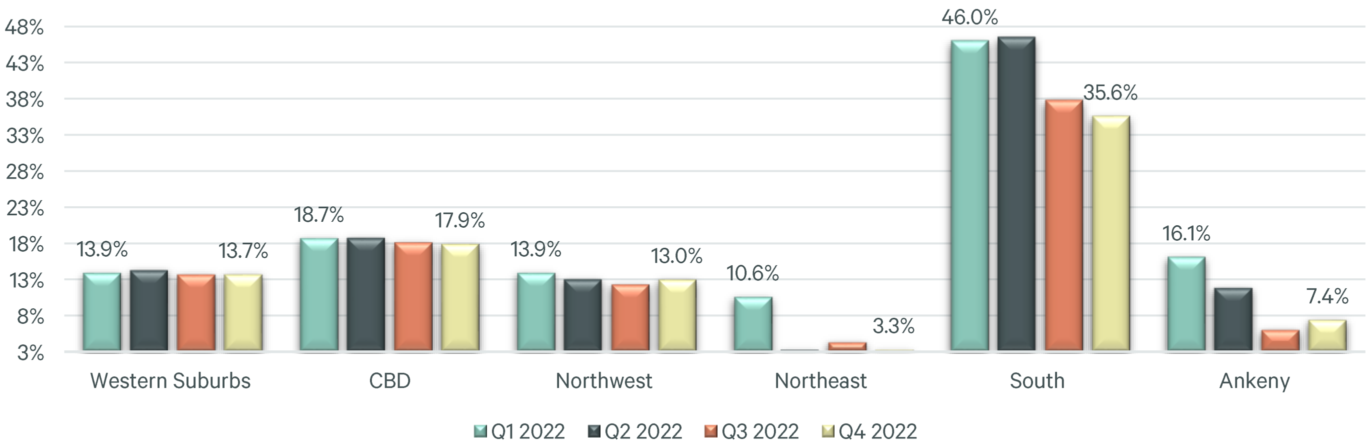



Source: CBRE Research and Other Sources

## Outlook

- Although deal size (sq. ft.) is less than historical norms, the marketplace is witnessing increased tenant activity, especially in the suburban office markets.
- There will continue to be strong interest in boutique office buildings in fringe office markets surrounding the CBD core, including Gray's Station, East Village, Market District, and the Grand/Ingersoll corridors.
- The competitive landscape for large users (25,000 sq. ft. or more) will remain ultra-competitive as there are an increased number of leasing opportunities for large office occupiers across the marketplace.
- Landlords will continue to work diligently to (a) reduce the scope of tenant improvements and/or (b) shift partial responsibility to tenants as construction costs continue to increase.

FIGURE 3: Recent Vacancy Trend by Submarket Q1 2022 – Q4 2022




*Source: CBRE Research*

FIGURE 2: Q4 2022 Net Absorption by Submarket (SF)

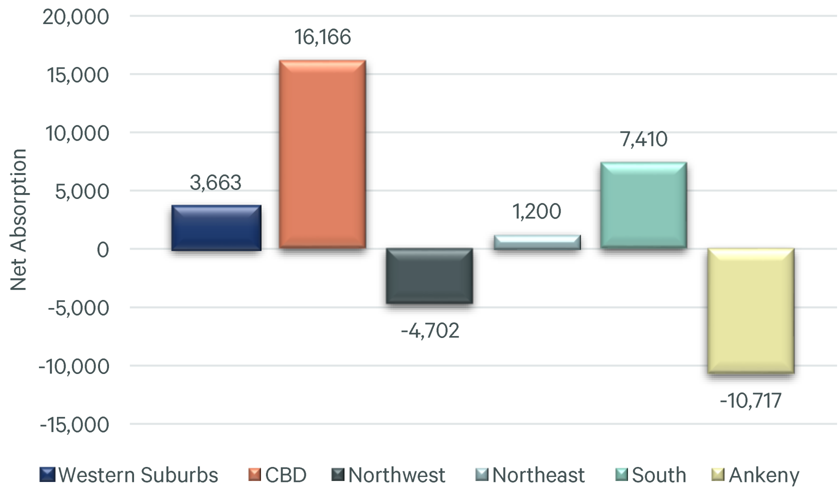
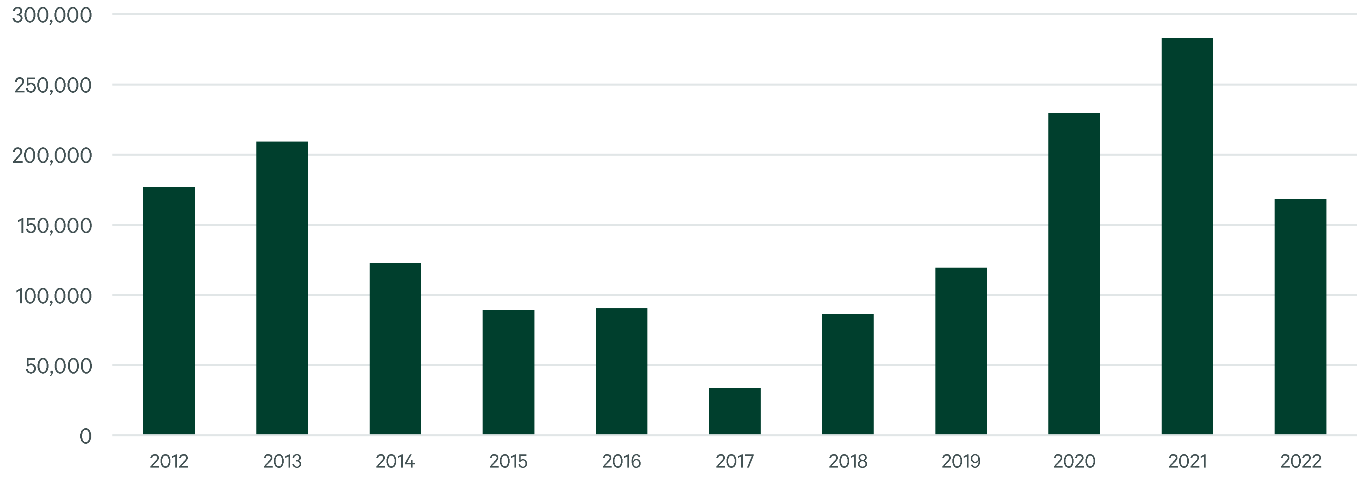



FIGURE 4 : Total Sublease Availability (SF)




*Source: CBRE Research and Other Sources*

FIGURE 5: 2022 YTD Notable Lease Transactions

| Tenant | Location | Size (SF) | Submarket | Type |
|---|---|---|---|---|
| Brokers International | 4135 NW Urbandale Dr. | 30,400 | Western Suburbs | Renewal |
| Landus Cooperative | 220 SW 9th St | 25,520 | CBD | New |
| DSM Register And Tribune Company | 400 Locust St | 25,500 | CBD | Renewal |
| Mercy Clinics | 1350 Des Moines St | 17,318 | CBD | Renewal |

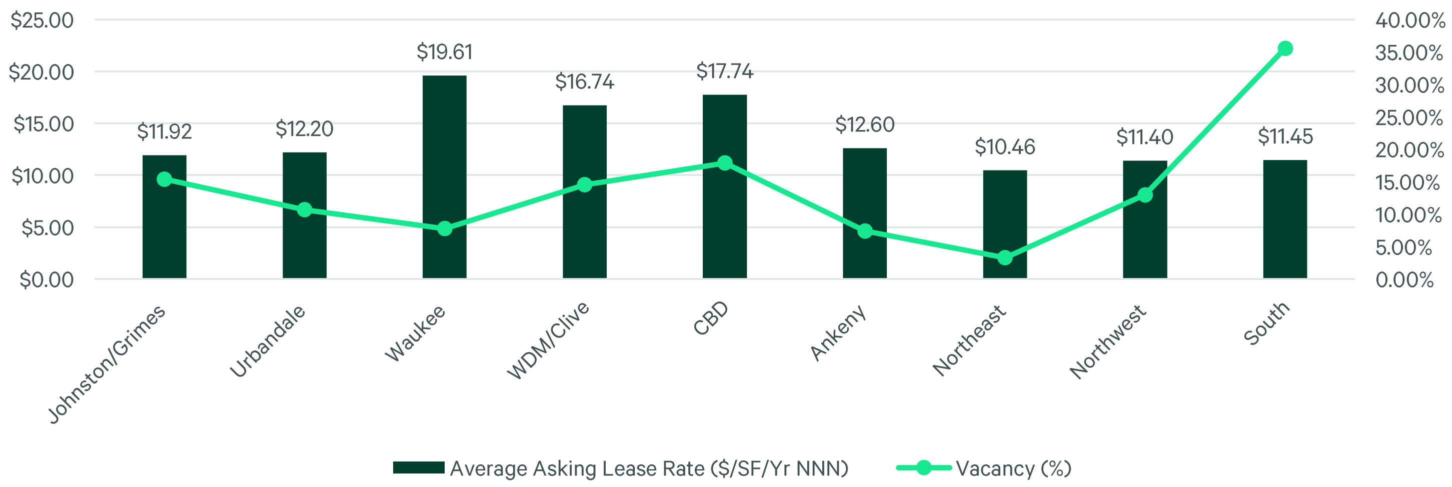
*Source: CBRE Research*

FIGURE 6: Q4 Notable Sales

| Address | City | Submarket | Type | Sale Price | Sale Price PSF |
|---|---|---|---|---|---|
| 9201 NorthPark Dr | Urbandale | Western Suburbs | Office | $10,820,339 | $164 |
| 5504 NW 88th St | Johnston | Western Suburbs | Office | $4,379,661 | $157 |
| 1435 Mulberry St | Des Moines | CBD | Office | $2,343,250 | $260 |
| 3424 EP True Pkwy | West Des Moines | Western Suburbs | Office | $1,950,000 | $143 |

*Source: CBRE Research and Other Sources*

FIGURE 7 : Lease Rates ($/SF/Yr NNN) and Vacancy by Submarket



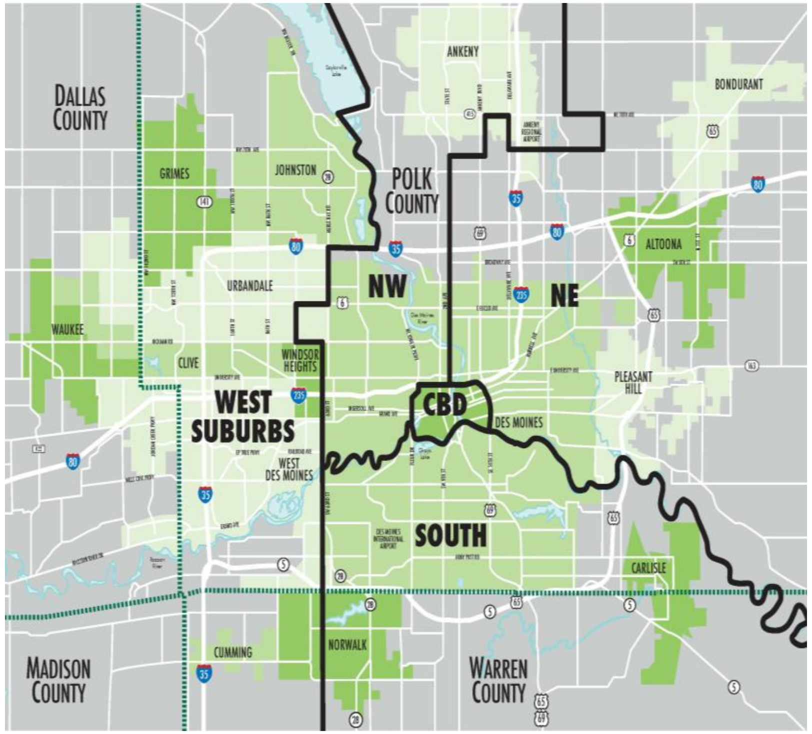

*Source: CBRE Research and Other Sources*

## Greater Des Moines Fundamentals

| Submarket | Market Size (SF) | Vacant SF | Vacancy (%) | Q4 Net Absorption (SF) | 2022 YTD Net Absorption (SF) | Under Construction (SF) | Asking Lease Rate ($/SF/Yr NNN) |
|---|---|---|---|---|---|---|---|
| Western Suburbs | 9,611,864 | 1,316,723 | 13.70% | 3,663 | (32,138) | 138,000 | $15.12 |
| CBD | 6,528,333 | 1,167,086 | 17.88% | 16,166 | 55,410 | 0 | $17.74 |
| Northwest | 671,640 | 87,162 | 12.98% | (4,702) | (8,449) | 0 | $11.40 |
| Northeast | 123,497 | 4,052 | 3.28% | 1,200 | 0 | 0 | $10.46 |
| South | 426,832 | 151,826 | 35.57% | 9,410 | (107,435) | 0 | $11.45 |
| Ankeny | 606,930 | 44,908 | 7.40% | (10,717) | 56,427 | 28,000 | $12.60 |
| **Greater Des Moines Total** | **17,969,096** | **2,771,757** | **15.43%** | **15,020** | **(36,185)** | **166,000** | **$13.66** |

## Western Suburbs Fundamentals

| Submarket | Market Size (SF) | Vacant SF | Vacancy (%) | Q4 Net Absorption (SF) | 2022 YTD Net Absorption (SF) | Under Construction (SF) | Asking Lease Rate ($/SF/Yr NNN) |
|---|---|---|---|---|---|---|---|
| Johnston/Grimes | 786,939 | 121,201 | 15.40% | (4,466) | (42,007) | 0 | $11.92 |
| Urbandale | 1,879,410 | 200,696 | 10.68% | (2,107) | (990) | 76,000 | $12.20 |
| Waukee | 199,807 | 15,553 | 7.78% | 1,641 | 3,145 | 30,000 | $19.61 |
| WDM/Clive | 6,745,708 | 979,273 | 14.52% | 8,595 | 7,714 | 32,000 | $16.74 |
| **Western Total** | **9,611,864** | **1,316,723** | **13.70%** | **3,663** | **(32,138)** | **138,000** | **$15.12** |

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