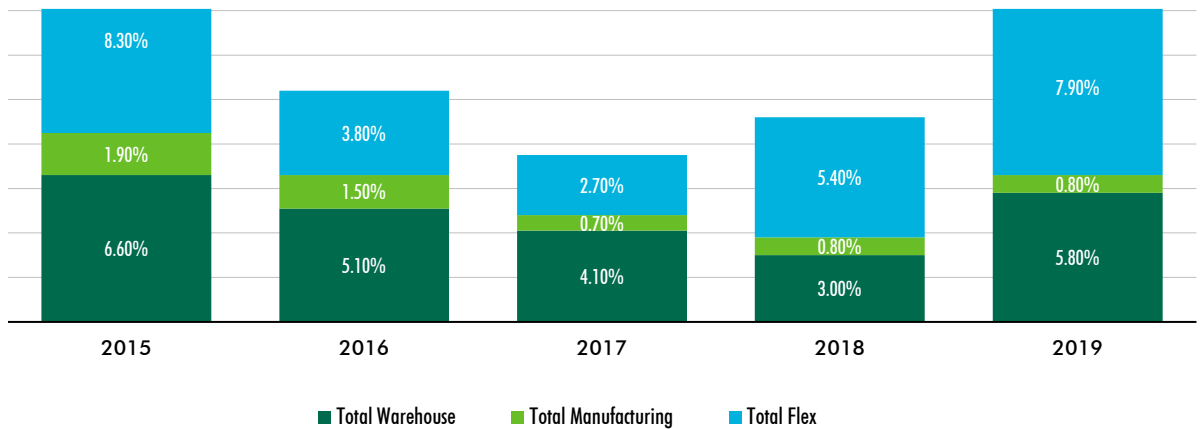


Des Moines Metro Industrial, Q1 2019

New inventory betting on growth in industrial sector

▲ Overall Vacancy Rate **6%**
≡ Lease Rate NNN **\$4.80 PSF**
▲ T-12 Net Absorption **58,488 SF**
▲ Under Construction **293,500 SF**

Historical Vacancy Rates By Property Type

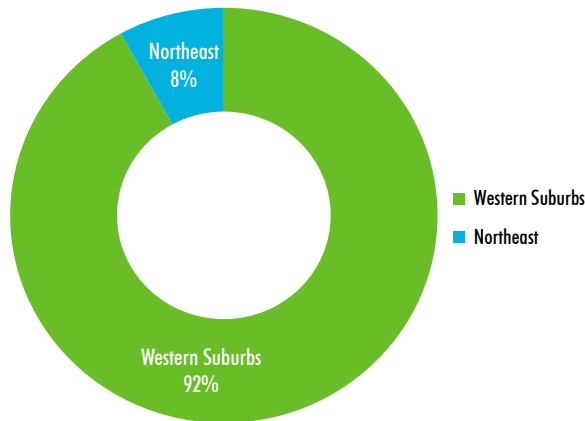


HIGHLIGHTS

- The recent trend of available new construction will continue, with new projects primarily centered in the Western Suburbs, Ankeny, and Altoona.
- The Corporate Woods corridor in Ankeny is the new home of three major build-to-suit and owner-occupied projects, including Kreg Tool, Northern Tool, and Ruan Transportation.
- Sale prices for industrial properties have increased steadily both for vacant and income-producing properties. Industrial remains a prime target for investors and cap rate compression continues despite a rising interest rate environment.
- Warehouse occupancy levels soften as sizeable deliveries come online in the Northeast, Northwest, and Western Suburbs submarkets.

Recently, the development of new industrial product in Des Moines has become a darling for the developer community. Industrial buildings as a product type are attractive to developers as the market has increasing tenant demand for quality high cube and flex product and landlords are attracted to the lower re-tenanting costs that often characterize office or retail product. Des Moines is no longer a secret and is officially “on the radar” as a distribution hub for large, high cube warehouses seen in other major Midwestern markets. Being at the crossroads of Interstates 80 and 35 has always given Des Moines a competitive advantage for companies dependent on over-the-road transportation. Considering the ever-increasing space demands for companies expanding their e-commerce business platforms, Des Moines will continue to see more space requirements and new projects.

Percent of Inventory Under Construction



In review of the flex market in 2018, occupancy dropped from 94.6% to 92.1% across the entire Metro. The biggest drop in occupancy was in the Western Suburbs submarket where occupancy slipped under 90% for the first time in four years. We anticipate this could drop further in the next 18 months due to Deere & Company’s ISG vacating approximately 135,000 square feet at Aurora Business Park. Despite this dip in occupancy, new flex product is still in demand and will continue to be developed, including up to 200,000 square feet at Signature Group’s development at Meredith Drive and NW Urbandale Drive, as well as Hubbell Realty Company’s 72,000 square foot flex/tech building at Birchwood Crossing in Johnston. The 72,000 square foot building is the first of two phases that Hubbell has planned in that development. The buildings will capitalize on high visibility from Interstate 80/35, which is a feature that many tenants in the marketplace are seeking.

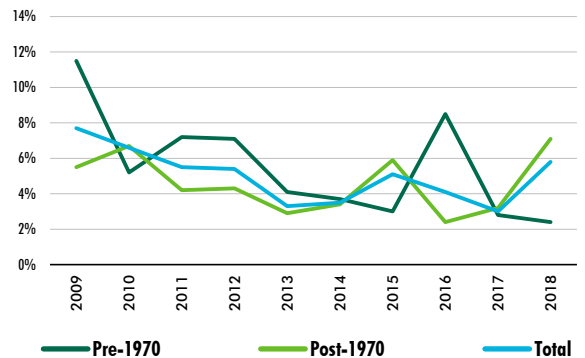
For the first time in a number of years, there are several high cube spaces in excess of 100,000 square feet that are on the market, including:

- R&R’s 350,000 square foot, 32’ clear Prairie Business Park III building in Grimes
- R&R’s 175,000 square feet available in Prairie Business Park building II
- Graham Warehouse’s new 675,000 square foot, 24’ clear building at 4950 NE 29th Street

This new inventory is a result of a shift in the developer mind-set as owners are willing to build larger speculative warehouses in an effort to be prepared for the larger tenant requirements that have circled the Des Moines market in recent years.

Overall, more than 34 million square feet of warehouse space and over 10.8 million square feet of manufacturing space was surveyed. Total occupancy in the warehouse market dropped from a 97% level in 2018 to 94.2% in Q1 2019, but still remains healthy. Impressively all six submarkets show occupancy levels in excess of 92%. Vacancy for buildings constructed pre-1970 remains low at 2.4% and the vacancy levels for buildings constructed post-1970 increased to 7.1%, which is not a surprise considering the new product that has been constructed. Manufacturing space remains 99.2% occupied across the Des Moines Metro and consistent with Q1 2018 levels.

Greater Des Moines Warehouse Vacancy



Flex Occupancy

Submarket	2015	2016	2017	2018
Western Suburbs	95.70%	97.00%	95.70%	89.30%
CBD	94.50%	94.50%	94.80%	95.90%
Northwest Des Moines	98.00%	99.30%	98.70%	98.80%
Northeast Des Moines	95.90%	97.10%	99.30%	96.60%
South Des Moines	95.40%	95.40%	86.10%	100%
Ankeny	99.10%	100%	81.70%	87.60%
Total	96.20%	97.30%	94.60%	92.10%

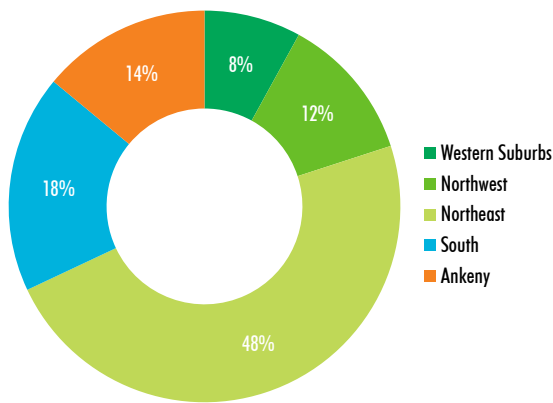
Although there is inventory available in the marketplace, the interest in developing new product will not slow in 2019 as just over 3 million square feet of space can be found in the current pipeline. Hubbell Realty Company has begun construction on their fifth building in Grimes - a 110,000 square foot, 32 foot clear building, as well as plans to construct a 130,000 square foot speculative high cube building in Ankeny. Graham Warehouse has purchased approximately 74 acres in Altoona and plans to construct four buildings there that could total 1.4 million square feet when completed. Opus also has 125,000 square feet remaining to be filled in their second building west of I-35 at the Corporate Woods exit in Ankeny and has plans to start construction on a third 200,000 square foot warehouse.

The build-to-suit and owner-occupied new construction remains robust, including three major projects in the Corporate Woods corridor in Ankeny. Kreg Tool has will construct a 250,000 square foot facility, Ruan Transportation will construct an operations and training center, and Ryan Companies is developing a 675,000 square foot distribution center for Northern Tool. The Northern Tool building will be expandable to 1 million square feet and is a perfect example of a company that has brick and mortar locations, catalog business and an expanding online presence.

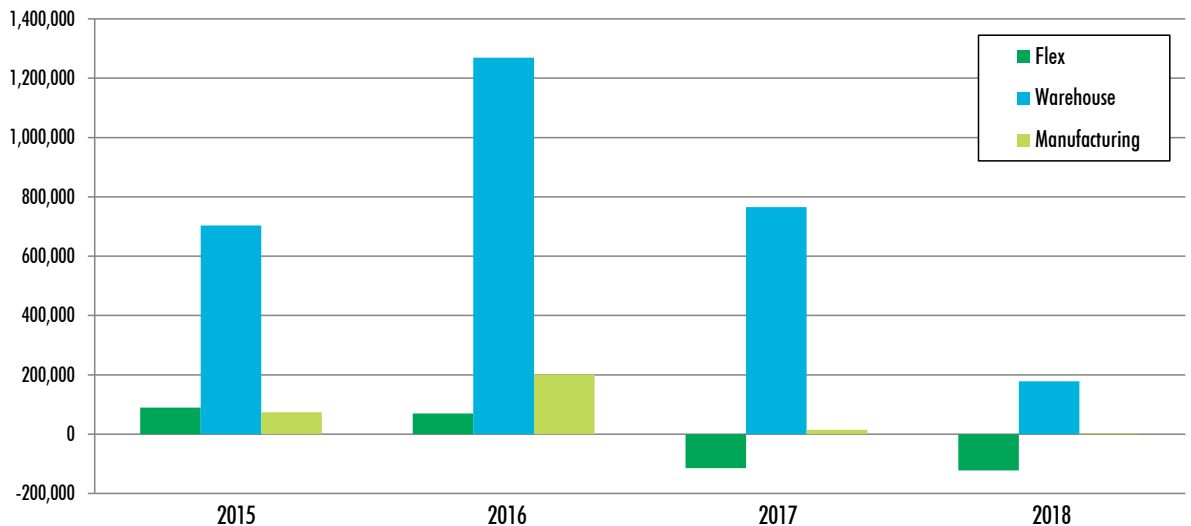
Generally, we anticipate that new warehouse construction will continue to incorporate 32' or better clear height construction, 50-ft bay spacing, Early Suppression, Fast Response (ESFR) sprinkler systems, and significant dock loading. The primary geographic location for new product will continue to reside in the traditional warehouse corridors of Northeast Des Moines, Ankeny, and the Western Suburbs.

The Des Moines' industrial market fundamentals remain strong. There is ample inventory available with over 1.4 million square feet coming online before the end of Q2 2019. Based upon tenant demand in the marketplace, we anticipate the market will successfully absorb one-half or more of that inventory before the end of 2019. Typically, the Des Moines marketplace experiences an average of 750,000 square feet of positive absorption per year. Overall, the market is in a healthy supply mode with developers anticipating tenant demand and strong absorption

Percent of Inventory in the Proposed Pipeline

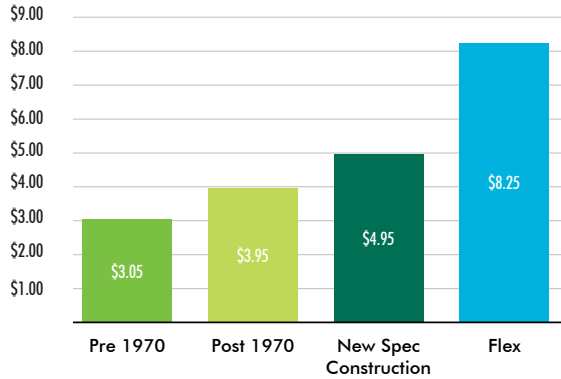


Net Absorption in Square Feet



Typical rents for new construction can range between \$4.75 to \$5.25 per square foot NNN with a 2% annual escalator. We anticipate the rent growth as seen in recent years may slow in 2019 due to extra supply in the marketplace. Concessions in the market remain at a low level but may include a short period of rent abatement or tenant improvement dollars for office buildout.

Average Asking Lease Rates (\$/sq. ft. nnn)



One recent trend is the inflation of sale prices for both vacant and income producing industrial buildings. There is a limited supply of smaller industrial buildings available for purchase and sale prices have climbed to a range of \$60 to \$100 per square foot for quality industrial buildings that are less than 20,000 square feet in size. Sale prices for larger, 20,000 square feet-plus, industrial buildings have escalated also and are approaching \$50 to \$60 per square foot in some cases. Overall, we surveyed 33 industrial buildings in excess of 20,000 square feet that sold in Polk County in 2018 and the average sale price was almost \$47 per square foot. If you remove one 572,809 square foot building sold in Urbandale in June 2018, the average sale price for an industrial building rises to over \$53 per square foot.

Top Recent Lease/Sale Transactions

Tenant/Buyer	Size(SF)	Type	Property	City	Submarket
Deere & Co	2,451,768	Sale	8925 SW Ordnance	Ankeny	Ankeny
Anderson Properties	245,000	Sale	1000 SE 19th St	Grimes	Western Suburbs
MYA Logistics	211,290	Lease	5701 Park Ave	Des Moines	South
K&M Tire Inc	177,431	Lease	4121 Dixon St	Des Moines	Northeast
Shorr Packaging Corp	162,500	Lease	4900 NE 29th St	Des Moines	Northeast

Market Statistics

	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate (%)	Net Absorption (SF)	Under Construction (SF)
Greater Des Moines					
Warehouse Pre 1970	8,930,844	214,340	2.40%	35,691	
Warehouse Post 1970	25,176,602	1,787,539	7.10%	-158,759	272,500
Manufacturing Pre 1970	6,850,551	0	0%	2,772	
Manufacturing Post 1970	4,037,695	84,792	2.10%	0	
Flex	5,008,412	395,664	7.90%	-122,716	21,000
TOTAL	50,304,104	2,782,335	6%	-243,012	
Western Suburbs					
Warehouse Pre 1970	1,279,616	0	0%	0	
Warehouse Post 1970	8,189,458	820,704	10.10%	-326,844	250,000
Manufacturing Pre 1970	620,467	0	0%	0	
Manufacturing Post 1970	898,811	0	0%	0	
Flex	2,697,344	288,615	10.70%	-169,124	21,000
CBD					
Warehouse Pre 1970	730,705	29,958	4.10%	36,143	
Warehouse Post 1970	398,251	7,965	2%	-5,736	
Manufacturing Pre 1970	53,436	0	0%	0	
Manufacturing Post 1970	12,737	0	0%	0	
Flex	490,449	20,108	4.10%	5,440	
Northwest					
Warehouse Pre 1970	864,732	0	0%	11,474	
Warehouse Post 1970	3,876,136	255,825	6.60%	8,971	
Manufacturing Pre 1970	1,883,813	0	0%	0	
Manufacturing Post 1970	231,777	0	0%	0	
Flex	663,952	7,967	1.20%	2,402	
Northeast					
Warehouse Pre 1970	3,834,858	65,192	1.70%	-23,926	
Warehouse Post 1970	9,913,477	882,299	8.90%	172,385	22,500
Manufacturing Pre 1970	1,553,153	0	0%	0	
Manufacturing Post 1970	2,000,473	86,020	4.30%	0	
Flex	490,213	16,667	3.40%	-13,610	
South					
Warehouse Pre 1970	1,956,730	117,403	6%	12,000	
Warehouse Post 1970	1,974,586	84,907	4.30%	-44,638	
Manufacturing Pre 1970	278,914	2,789	1%	2,772	
Manufacturing Post 1970	423,509	0	0%	0	
Flex	157,074	0	0%	21,888	
Ankeny					
Warehouse Pre 1970	264,203	0	0%	0	
Warehouse Post 1970	1,844,694	20,291	1.10%	37,103	
Manufacturing Pre 1970	2,460,768	0	0%	0	
Manufacturing Post 1970	470,388	0	0%	0	
Flex	509,380	63,163	12.40%	30,288	

GREATER DES MOINES ECONOMIC DATA



Population
644,590 (2018 MSA)

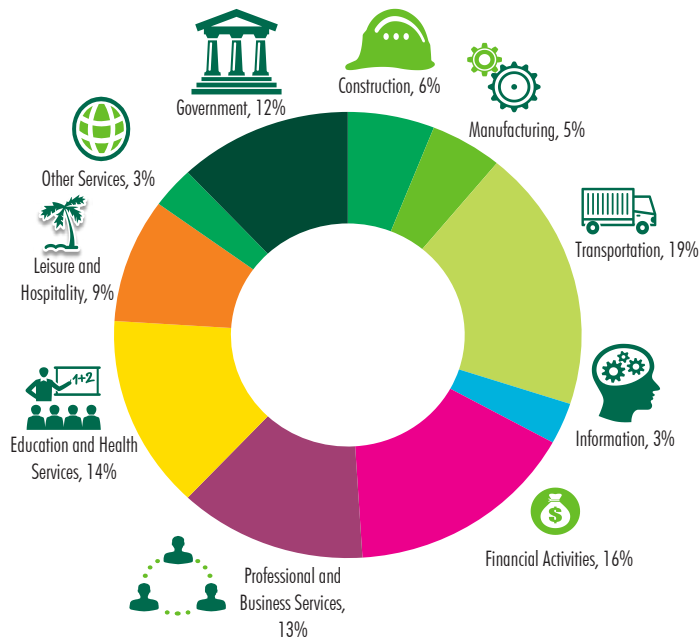


Unemployment Rate
2.4%

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
DuPont Pioneer	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



12 Month Change
in employment
3.3%



Sources:
Greater Des Moines Partnership
Bureau of Economic Analysis
US Bureau of Labor Statistics - December 2018

METHODOLOGY

Inventory of each property type is based on the Polk County Assessor’s records and municipal building permits. The public data is further refined and classified through a variety of direct contacts and physical inspections. Properties are grouped by property type, age, and broad geographic region.

Warehouse

Individual bulk storage and distribution warehouse properties 7,500 square foot and larger are all considered. Special use properties such as cold storage facilities and truck terminals with multiple doors used to transfer freight between trucks are not included.

Manufacturing

Light and heavy manufacturing facilities 7,500 square foot and larger are all considered. Truck shops and other service facilities are not included. Other special use properties, such as bulk oil facilities are also not included.

Flex

This multi-purpose space typically contains a better quality front facade, but also contains dock high or drive-in doors at the rear of the building. This type of space is designed to easily accommodate 100% finish or any combination of office, retail, showroom, and warehouse.

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.

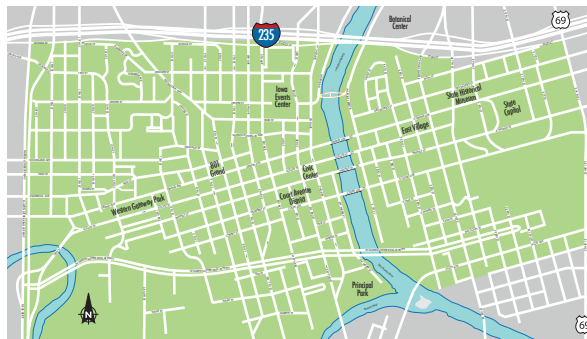
Northeast - Consists of Northeast Des Moines (extended south to the Des Moines River), Pleasant Hill, Altoona, Eastern Saylor Township, and Delaware Township.

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

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

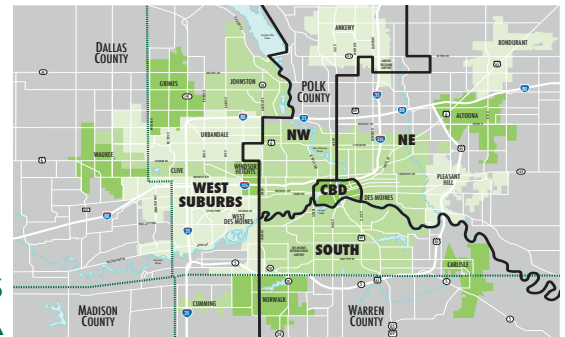
Northwest - Includes Northwest Des Moines and Western Saylor Township.

Ankeny - Evaluated separately.



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

**DES MOINES
METROPOLITAN AREA**



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



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