

YoY Chg 12-Mo. Forecast

16.5%
Vacancy Rate ▲ ▲

-142K
Net Absorption, SF ▼ ▼

\$20.05
Asking Rent, PSF ▼ ▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

YoY Chg 12-Mo. Forecast

382K
Des Moines Employment ▲ ▲

2.4%
Des Moines Unemployment Rate ▼ ▲

3.6%
U.S. Unemployment Rate ▼ ▲

Source: BLS

Flight to Quality Leads to Uptick in Leasing Activity

Leasing activity picked up in Q2 2023, particularly within Class A properties. Thanks to recent and upcoming vacancies, the Des Moines office market features numerous opportunities for businesses to take near turn-key space with existing furniture, fixtures, and equipment available. In addition, the office market in Q2 2023 proved the trend of “*Flight to Quality*” to be an accurate depiction of what is happening, as over 60% of the all leasing took place within Class A properties. Most notably, Co-Op Financial took nearly 100,000 square feet (sf) in the Palisade Building (4900 University Avenue in West Des Moines). This leasing activity was in response to the landlord, R&R Realty Group refacing the exterior, and revamping the interior in the building to enhance the quality of the building. We forecast continued capital expenditure investment from landlords, in an effort to accommodate the flight to quality trend among office users.

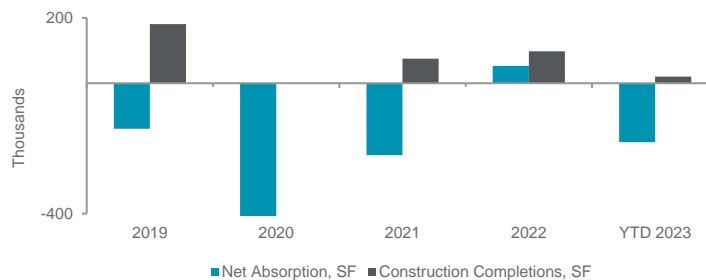
Office Sales Volume Remains Steady For Now

The large office buildings that were put on the market for sale in Q1 2023 have not yet transacted. However, as predicted in Q1 we anticipate the price per square foot (psf) sale pricing to decrease dramatically to reflect where demand is currently at for large office campuses. At this time, office sale values have remained steady at \$121 psf year-to-date (YTD), compared to \$125 psf in 2022. However, the number of transactions has decreased compared to this time last year. At this time last year, 23 office buildings had been sold, compared to only 14 YTD. As the numbers show, it isn't just office leasing that has slowed down, despite many office users looking to take advantage of the soft market to consider moving out of the leasing market into an owned facility.

PRICING: Asking Rents Fall, Quarter over Quarter

As noted in the graph below, rents have remained stagnant since Q3 2020 with mild increases and decreases occurring each quarter. In Q2 2023 we saw a slight decrease in asking rents dropping from \$21.03 psf to \$20.83 psf on a gross basis (inclusive of taxes, insurance, common area maintenance, utilities, and janitorial). Our market knowledge tells us that the drop is due to the increased incentives by landlords to land new tenants. For quite some time we have seen a dramatic increase in other leasing incentives such as more tenant improvement dollars, more free rent, etc. However, the best way to get new prospects in the door for a showing is by lowering the price on a listing, as many of these other incentives do not show up until negotiations begin.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	7,108,716	6,466	1,101,026	15.4%	-3,901	29872	11,098	0	\$20.30	\$25.68
Western Suburbs	7,947,590	104,259	1,205,136	16.5%	-152,292	167,100	304,635	52,986	\$22.16	\$28.10
Northwest	271,292	0	55,586	20.5%	14,220	2,613	0	0	\$19.08	NA
Ankeny	366,853	0	29,246	8.0%	16,653	29,008	29,008	54,218	\$20.15	\$22.00
Northeast	141,019	0	8,045	5.7%	-1,200	-3,993	0	0	\$16.45	NA
South	459,554	27,098	150,839	38.7%	-15,359	2,000	2,000	0	\$18.25	\$21.00
MARKET TOTALS	16,295,024	137,823	2,549,878	16.5%	-141,879	-180,858	346,741	107,204	\$20.05	\$24.65

*Rental rates reflect full service asking

Note: States table figures are not reflective of the U.S. Office MarketBeat figures

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4900 University Avenue	Western Suburbs	CO-OP Financial	99,700	New Lease
7745 Office Plaza Drive North	Western Suburbs	Heartland Business Systems	17,000	New Lease
303 Watson Powell Jr Way	Western Suburbs	Allen Lund Company	6,603	New Lease
1840 NW 118 th Street	Western Suburbs	Archer Daniels Midland	6,205	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1201 Pennsylvania Avenue	Northeast Des Moines	Gregory Smith / Genesis KC Development LLC	5,306	1,650,000/\$311
301 N Ankeny Blvd	Ankeny	William G. Gardner / Rogers Six Inc.	7,260	977,333/\$134
213 Ankeny Blvd	Ankeny	William G. Gardner / Rogers Six Inc.	7,236	792,600/\$109
3401 106 th Circle	Urbandale	Damaro LLC / HAI Investments LLC	4,500	800,000/\$178

LOCAL MARKET RESEARCH LEAD

Alec Wilcox

+1 515 210 9446/awilcox@cwca.com

Kurt Mumm

+1 515 309-3002/kmumm@cwca.com

lowaca.com

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