

YoY Chg 12-Mo. Forecast

18.9%
Vacancy Rate ▲ ▲

-409K
Net Absorption, SF ▲ ▼

\$21.20
Asking Rent, PSF ▲ ▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

YoY Chg 12-Mo. Forecast

393K
Des Moines Employment ▲ ▲

2.9%
Des Moines Unemployment Rate ▲ ▲

3.8%
U.S. Unemployment Rate ▲ ▲

Source: BLS

More Redevelopment Slated For Des Moines Market

In Quarter 1 of 2024, redevelopment continues to be a prominent activity within downtown Des Moines. Most notably, Lawmark Capital announced a plan to convert the lower 15 floors of 666 Walnut otherwise known as The Financial Center into apartment units. Along with the partial redevelopment of the building will come with upgraded building amenities including a restaurant, café, mail room, and bike storage on the group floor. A fitness center and dog park also are planned for the building. As a note, the absorption caused by the redevelopment will be shown in the second quarter. More redevelopments and building refreshes expect to be on the horizon for the remainder of 2024. Namely, 206 8th street and 207 9th street, a portion of the Wells Fargo portfolio downtown is being marketed for redevelopment into multifamily or hotels. In addition, major refreshes are slated at notable buildings like 7001 Westown Parkway and 7000 Vista Drive in West Des Moines, and 110 East Court downtown.

New Vacancy Threshold Surpassed in the Suburbs

For the first time in over fifteen years the Class A vacancy rate has surpassed 30% in the Non-CBD portion of the market. This is due in large part to the over 435,000 square feet (sf) of vacant office space brought to the market by the recent sale of 7001 Westown. The bright spot is that the trend of “flight to quality” is reigning true in the Des Moines market with a bulk of the over 700,000 sf of space leased last year mostly within Class A properties. Therefore, expect to see steady leasing activity within these Class A properties moving forward which will reduce vacancy rates minus any new vacancies to the market.

Office Property Sale Values Increase

Much speculation has come this quarter and the previous quarter around office property values decreasing as a result of the sales in Q4 2023. Namely the sales of the Wells Fargo properties at 7001 Westown and 13733 University Avenue which sold at \$37 and \$63 sf respectively. On the contrary, the average sale price went up \$17/sf from \$91 to \$108 sf from quarter to quarter discounting the Wells Fargo outliers. The transactions which closed in Q1 likely were put together prior to the announcement of the Wells Fargo transactions, so the impact on office property sale values due to these transactions will become more evident as the year progresses.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRE 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	7,776,143	27,374	1,228,186	15.8%	-36,952	-36,952	1,389	0	\$20.45	\$19.80
Western Suburbs	8,174,892	53,453	1,718,314	22.7%	-374,773	-374,773	114,074	21,053	\$22.39	\$28.10
Northwest	273,491	0	54,485	19.9%	-7,665	-7,665	0	0	\$18.18	NA
Ankeny	401,062	0	46,756	11.7%	4,754	4,754	1,500	0	\$19.95	\$23.25
Northeast	195,510	0	29,702	15.2%	4,740	4,740	2,180	0	\$16.45	NA
South	358,750	0	90,246	25.2%	800	800	800	0	17.25	NA
MARKET TOTALS	17,079,848	80,827	3,144,783	18.9%	-409,096	-409,096	119,943	21,053	\$19.88	\$21.35

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4200 Corporate Drive	Western Suburbs	Turner Construction	8,342	New Lease
12120 Meredith Drive	Western Suburbs	Cupertino Electric	7,800	New Lease
8550 New York Avenue	Western Suburbs	New View Autism	4,913	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
8325 NW 62 nd Avenue	Western Suburbs	ARCP OFC Johnston IA Phase II LLC/Pioneer Hi-Bred International Inc.	184,658	\$30,000,000/\$162
8800 NW 62 nd Avenue	Western Suburbs	Fareway Stores Inc./The Graham Group Inc.	42,000	\$3,650,000/\$87
3501 Westown Parkway	Western Suburbs	Iowa Realty Company Inc./Hurd Valley West LLC	11,184	\$2,000,000/\$179
2940 104 th Street	Western Suburbs	Faznell Properties LC/Rally Appraisal MLRA Properties	4,940	\$570,000/\$115

LOCAL MARKET RESEARCH LEAD

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