FIGURES | OFFICE | Q3 2021

Sublease availability climbs, user activity remains largely stalled

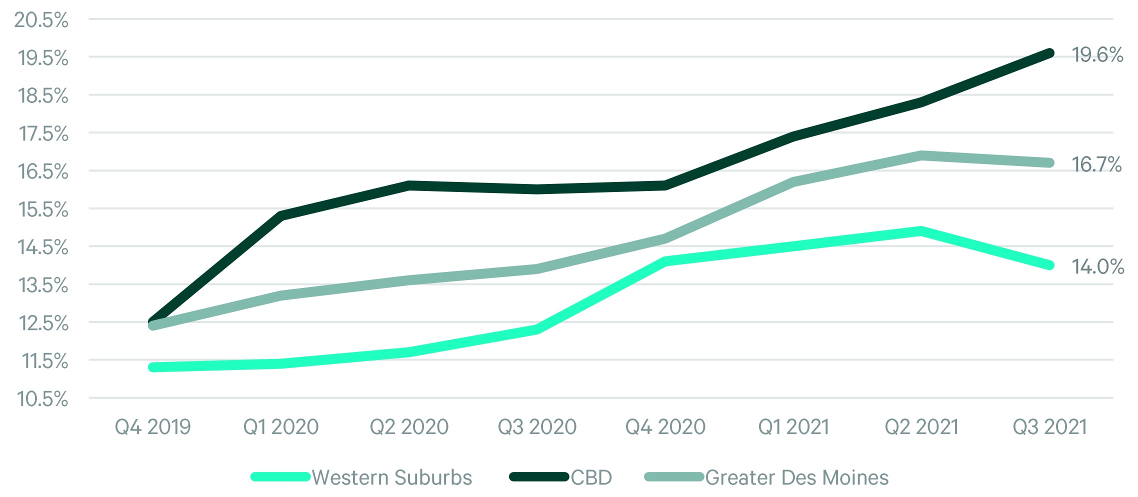
16.7%	14%	19.6%	(388,102)	$13.05	146,558
Overall Vacancy	Western Suburb Vacancy	CBD Vacancy	YTD Net Absorption (SF)	NNN / Average Lease Rate	Under Construction (SF)

Note: Arrows indicate change from previous quarter.

Overview

- Q3 net absorption was largely flat at 2,597 sq.ft. as increased sublease availability and continued pullback in leasing activity offset any absorption gains.
- Year-to-date leasing activity is down 22% in number of new deals reported and 47% in total volume from 2019 levels. Average deal size is also down 32% over the same period in 2019.
- Sublease inventory swelled to approximately 364,000 sq.ft. in Q3, the highest level since 2011.
- Two projects delivered a combined 102,000 sq.ft. in Q3 – 40% of which was spec. Two spec. projects totaling 146,558 sq.ft. remain under construction and will both deliver in 2022. Approximately 43% of the space is already accounted for.
- Market exits and contractions pushed downtown vacancy to 19.6% in Q3, its highest level in recent history.

FIGURE 1: Vacancy Trend by Market



Source: CBRE Research and Other Sources

Absorption & Vacancy

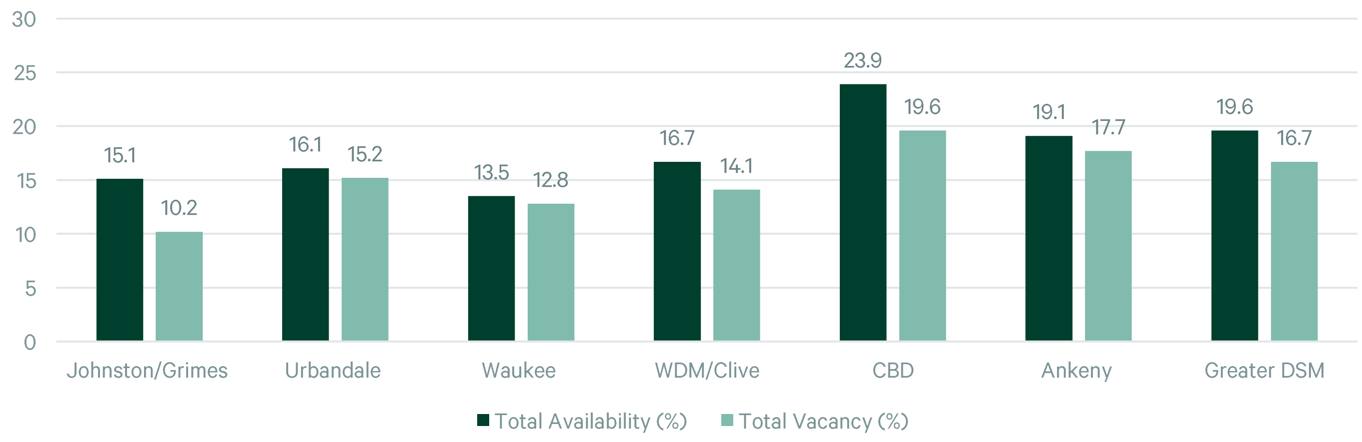
Year-to-date net absorption increased slightly to (388,102) sq.ft. in Q3, lowering overall vacancy 10 bps to 16.7%. Modest absorption gains in suburban submarkets were offset by the CBD posting 261,455 sq.ft. of negative absorption in the first three quarters. Downtown vacancy swelled to 19.6% in Q3 as a result, up 3.5% since Q4 2020.

The overall market has now recorded approximately 860,000 sq.ft. of negative net absorption since the start of the pandemic. The CBD accounted for more than half at 56% while the Western Suburbs and South submarkets filled the balance *(See Figure 2)*.

Sublease

Sublease inventory climbed to 363,890 sq.ft. in Q3, the highest level on record since 2011. Largely driven by 909 Locust and Hub tower adding combined 53,036 sq.ft. of sublease space to the CBD. There is now 89,000 sq.ft. of available sublease space in the CBD, approximately 80% of which has been added since the start of the pandemic.

FIGURE 3 : Total Availability and Vacancy (%)



Source: CBRE Research

FIGURE 2 : % of Negative Absorption (Q1 2020 – Q3 2021)

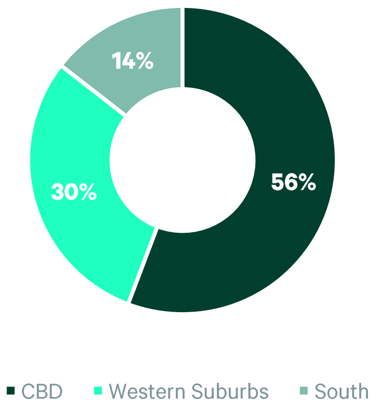
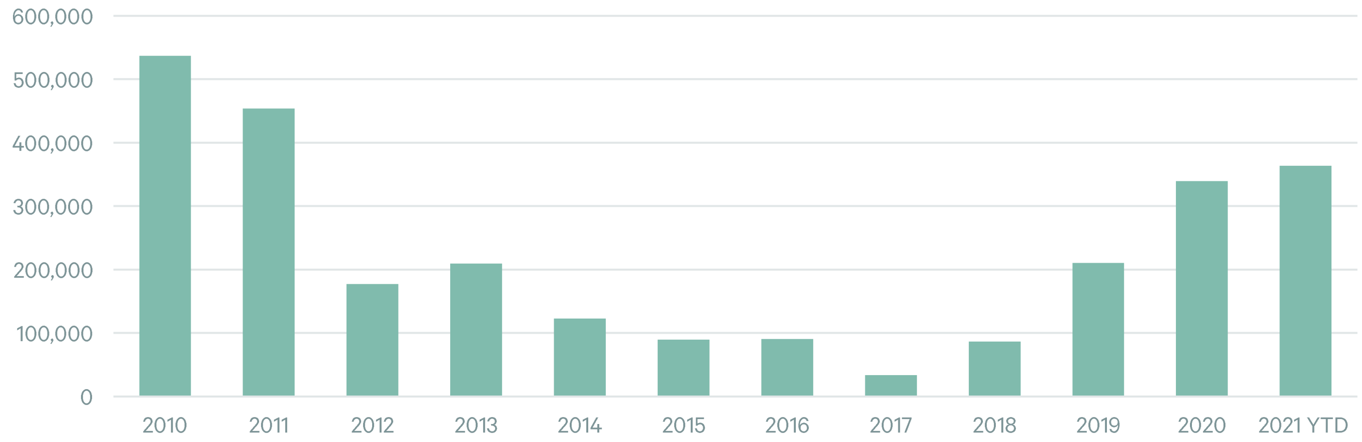


FIGURE 4 : Total Sublease Availability (SF)



Source: CBRE Research and Other Sources

Construction

The District VI in Ankeny was the only speculative project (46,322 sq.ft.) to deliver in Q3, lowering the speculative construction pipeline to 146, 558 sq.ft. spread across two projects:

- The 611 5th Ave renovation (105,916 sq.ft.) is currently 50% leased and is expected to deliver in the next two quarters. Select tenants include Weitz Construction, Iowa Dept. of Human Services Elias Project, and Woodward Community Based Services.
- The Oaks on Grand (36,800 sq.ft.) is a speculative Class A building in WDM that is expected to deliver in March of 2022. The project is located right off of I-35 and directly east of the new Des Moines University Campus. All 36,800 sq.ft. are still available.

FIGURE 5 : Q3 Lease Transactions

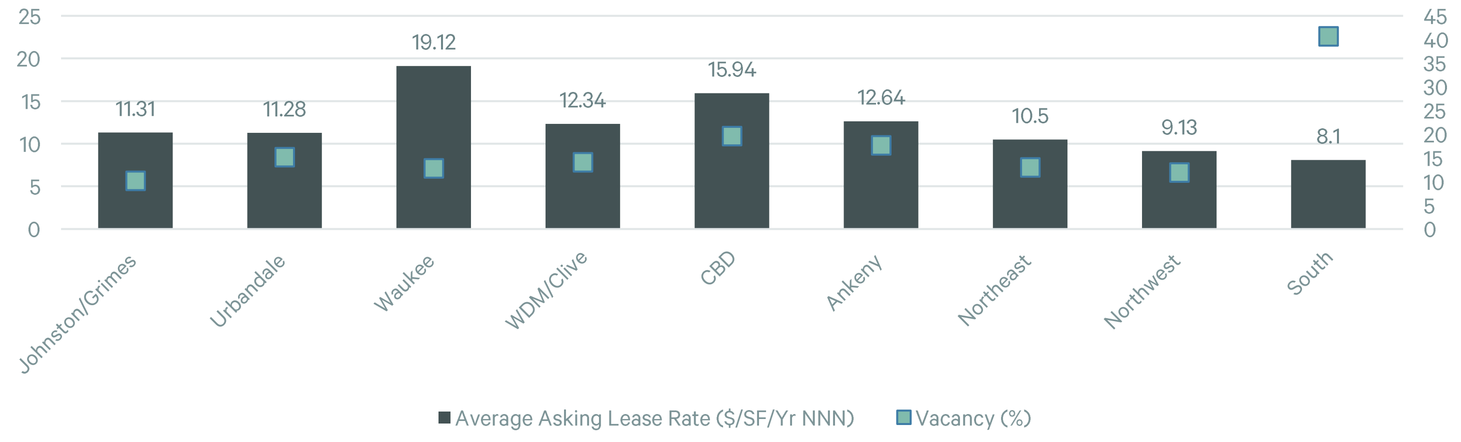
Tenant	Location	Size (SF)	Submarket	Transaction Type
Mid-Iowa Therapy Clinic	3401 106th Cir, Urbandale	4,800	Western Suburbs	New Lease
Central State Bank	140 S 68th St, WDM	4,582	Western Suburbs	New Lease
Stantec Consulting	11311 Aurora Ave, Urbandale	4,494	Western Suburbs	New Lease
Paragon IT Professionals	220 SW 9th St, Des Moines	4,440	CBD	New Lease

FIGURE 6: Q3 Sale Transactions

Address	City	Submarket	Sale Price	Sale Price PSF
12119 Stratford Dr	Clive	Western Suburbs	$3,000,000	$187
2650 106th St	Urbandale	Western Suburbs	$2,300,000	$95
3108 104th St	Urbandale	Western Suburbs	$1,475,000	$246
950 28th Ave SW	Altoona	Northeast	$1,450,000	$200
145 NE Dartmoor Dr	Waukee	Western Suburbs	$3,361,000	$163
301 NE Trilein Dr	Ankeny	Ankeny	$700,000	$117

Source: CBRE Research and Other Sources

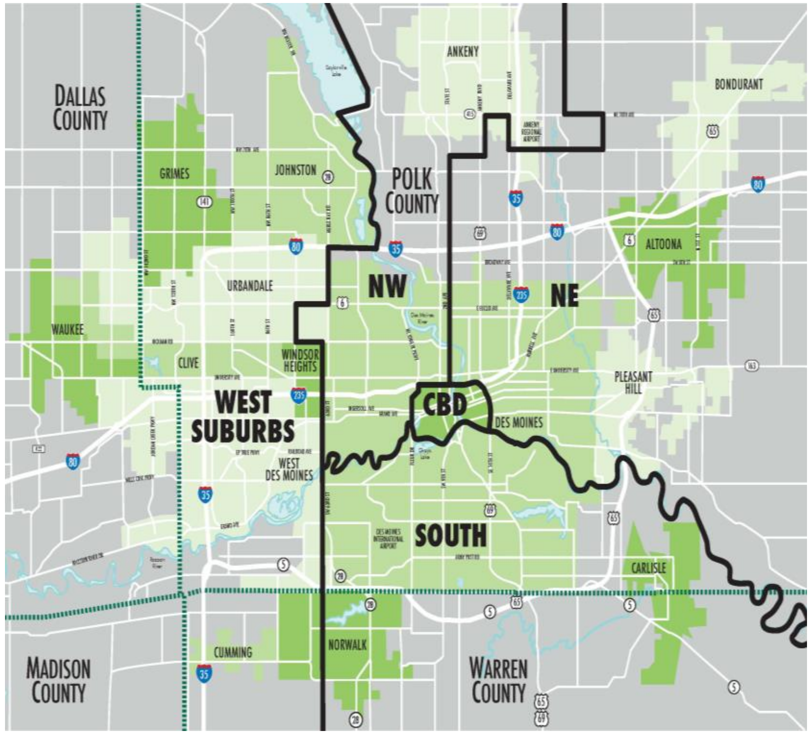
FIGURE 7 : Lease Rates ($/SF/Yr NNN) and Vacancy by Submarket



Source: CBRE Research and Other Sources

Greater Des Moines Fundamentals

Submarket	Market Size (SF)	Total Available (%)	Total Vacancy (%)	YTD Net Absorption (SF)	Under Construction (SF)	Asking Lease Rate ($/SF/Yr NNN)
Western Suburbs	9,491,191	16.4	14.0	-1,442	36,800	12.25
CBD	6,470,643	23.9	19.6	-261,455	109,758	15.94
Northwest	661,220	11.9	11.9	8,975	0	9.13
Northeast	94,627	18.7	13.0	9,931	0	10.50
South	389,901	41.4	40.7	-125,241	0	8.10
Ankeny	568,025	19.1	17.7	-18,870	0	12.64
Greater Des Moines Total	**17,675,607**	**19.6**	**16.7**	**-388,102**	**146,558**	**13.05**



Western Suburbs Fundamentals

Submarket	Market Size (SF)	Total Available (%)	Total Vacancy (%)	YTD Net Absorption (SF)	Under Construction (SF)	Asking Lease Rate ($/SF/Yr NNN)
Johnston/Grimes	775,344	15.1	10.2	-15,228	0	11.31
Urbandale	1,879,689	16.1	15.2	35,582	0	11.28
Waukee	148,326	13.5	12.8	-12,162	0	19.12
WDM/Clive	6,687,832	16.7	14.1	-9,634	36,800	12.34
Western Total	**9,491,191**	**16.4**	**14.0**	**-1,442**	**36,800**	**12.25**

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