

### Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate dropped 0.3 percentage points from 4.0% in January 2016 to 3.7% in January 2017. The unemployment rate decreased due to more opportunities being offered throughout the Des Moines area and compares favorably to Iowa (3.2%) and lower than the US (4.8%). The Des Moines metropolitan statistical area nonfarm job creation totaled 9,500 over the past year. Industrial using jobs (industries include manufacturing and trade transportation and utilities) remained flat during the past year.

### Market Overview

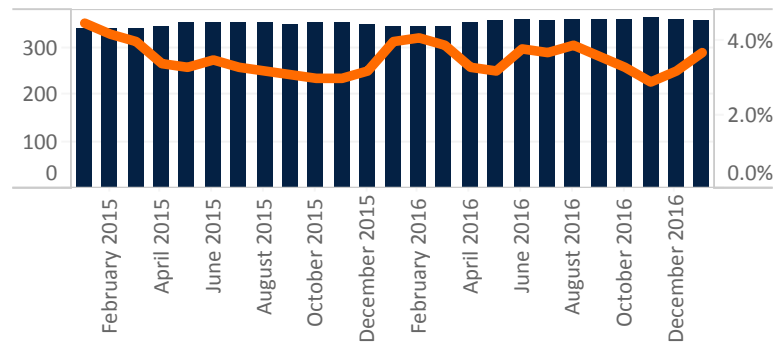
The Des Moines industrial market recorded a positive 173,270 square feet (sf) of overall absorption during 1Q 2017. Direct absorption ended the same. The total vacancy rate increased from 2.4% in 1Q 2016 to 4.5% at the close of 1Q 2017. Direct vacancy rates increased 1.0 percentage points from 2.4% to 3.4% during the same time period. Weighted average asking rents in all uses decreased 9.5% recording \$5.02 per square foot (psf) at the close of 1Q 2017 compared to 1Q 2016. Warehouse/Distribution weighted average rents decreased 19.5% year-over-year, recording \$3.93 psf at the close of 1Q 2017. Flex rents decreased 3.4% year-over-year, recording \$6.73 psf at the close of 1Q 2017.

### Market Highlights

Two new multi-tenant buildings delivered 1Q 2017 in the Northeast Des Moines market for a total of 39,600 sf being added to the inventory; an 18,000 sf building at 6806 SE Bellagio Ct and a 21,600 sf building at 6166 NE Industry Dr. Currently, 1.6 msf is under construction; Microsoft's Project Alluvion (570,000 sf) and Facebook's Data Center (496,000 sf). Major occupiers of space included Monsanto, BGS Brazilian and American Olean Midwest. Several large tenants including Keystone Automotive, Accelerated Ag Technologies and Heritage Building Maintenance are expected to occupy new or expand their current space in 2Q 2017.

### Des Moines Employment

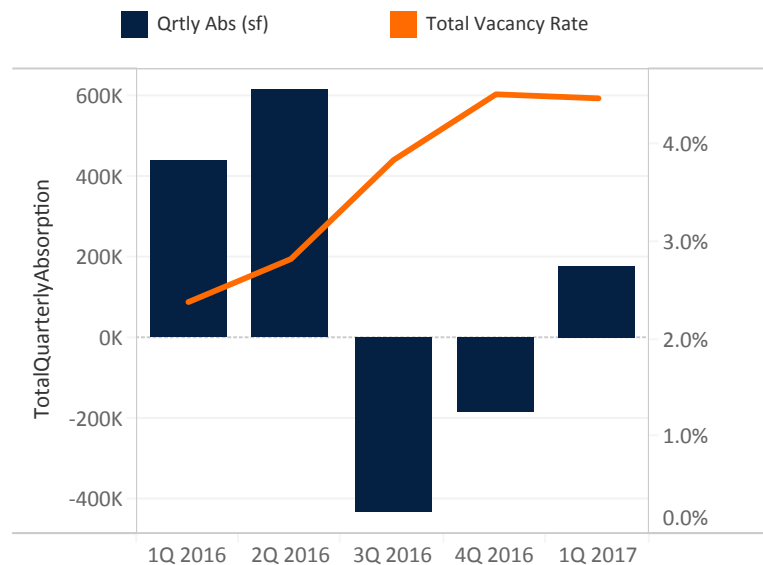
Source: BLS



### Market Recap

Inventory (sf)	54,528,352
# of Bldgs	1,170
Qrtly Abs (sf)	173,270
Total Avail Rate	5.9%
Total Vacancy Rate	4.5%
U/C Inventory (sf)	1,695,913
Delivered (sf)	39,600
Weighted Average Asking Rate (NNN)	\$5.02

### Absorption and Vacancy Rate



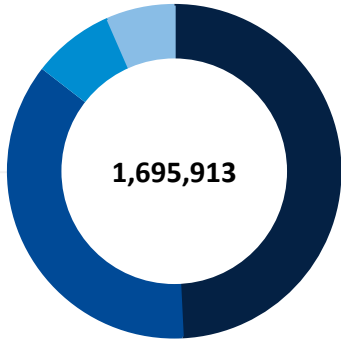
### Overview by Specific Use (Total)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Flex	12,024,531	798,639	571,600	4.8%	51,555	51,555
Lt Ind	12,289,626	379,026	286,797	2.3%	4,228	4,228
Mfg	6,718,414	0	0	0.0%	0	0
Whse/Dist	23,495,781	2,045,393	1,582,881	6.7%	117,487	117,487
Overall	54,528,352	3,223,058	2,441,278	4.5%	173,270	173,270

### Overview by Market (Total)

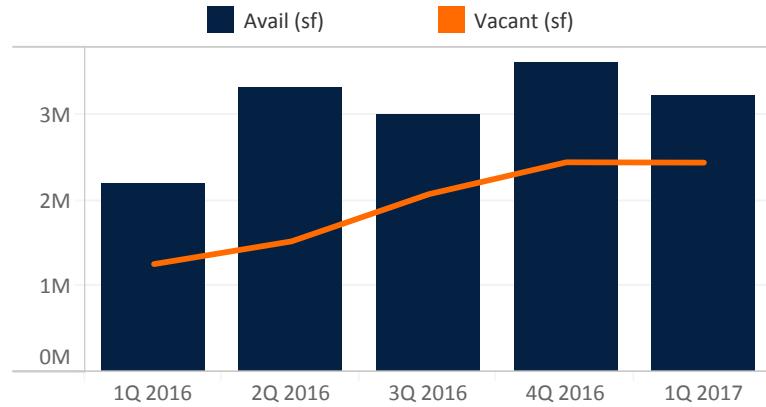
Market Name	Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Ankeny	Flex	898,379	66,723	49,803	5.5%	8,540	8,540
	Lt Ind	1,451,375	75,250	75,250	5.2%	7,000	7,000
	Mfg	2,724,407	0	0	0.0%	0	0
	Whse/Dist	3,129,372	3,480	72,160	2.3%	0	0
CBD Des Moines	Flex	498,240	71,139	34,191	6.9%	-10,786	-10,786
	Lt Ind	389,790	0	0	0.0%	0	0
	Whse/Dist	848,814	0	34,800	4.1%	0	0
NE Des Moines	Flex	3,498,635	135,483	76,644	2.2%	20,956	20,956
	Lt Ind	4,874,919	286,775	208,775	4.3%	0	0
	Mfg	1,286,622	0	0	0.0%	0	0
	Whse/Dist	7,888,706	362,493	68,936	0.9%	-18,013	-18,013
SE Des Moines	Flex	261,193	6,193	6,193	2.4%	-4,603	-4,603
	Lt Ind	1,176,239	0	0	0.0%	0	0
	Mfg	2,223,958	0	0	0.0%	0	0
	Whse/Dist	848,628	147,620	72,735	8.6%	-22,000	-22,000
West Suburbs	Flex	6,868,084	519,101	404,769	5.9%	37,448	37,448
	Lt Ind	4,397,303	17,001	2,772	0.1%	-2,772	-2,772
	Mfg	483,427	0	0	0.0%	0	0
	Whse/Dist	10,780,261	1,531,800	1,334,250	12.4%	157,500	157,500
Overall		54,528,352	3,223,058	2,441,278	4.5%	173,270	173,270

#### Construction by Market

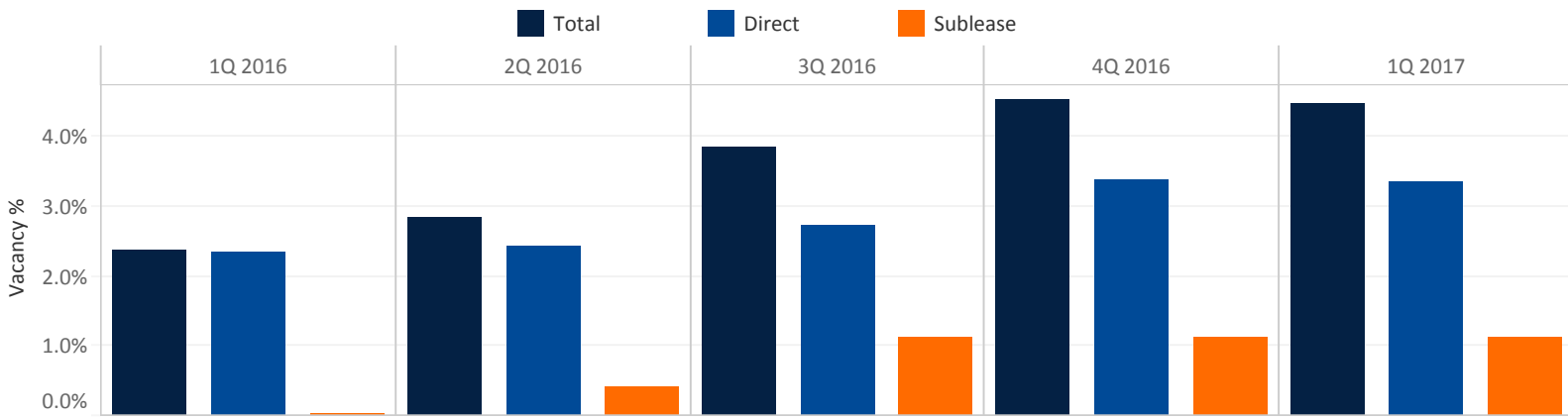


- West Suburbs
- NE Des Moines
- Ankeny
- SE Des Moines

#### Total Available and Vacant



#### Vacancy Rate



#### Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	12,024,531	737,714	523,125	4.4%	51,555	51,555
Lt Ind	12,289,626	379,026	286,797	2.3%	4,228	4,228
Mfg	6,718,414	0	0	0.0%	0	0
Whse/Dist	23,495,781	1,453,121	1,021,959	4.3%	117,487	117,487
Overall	54,528,352	2,569,861	1,831,881	3.4%	173,270	173,270

#### Overview by Specific Use (Sublease)

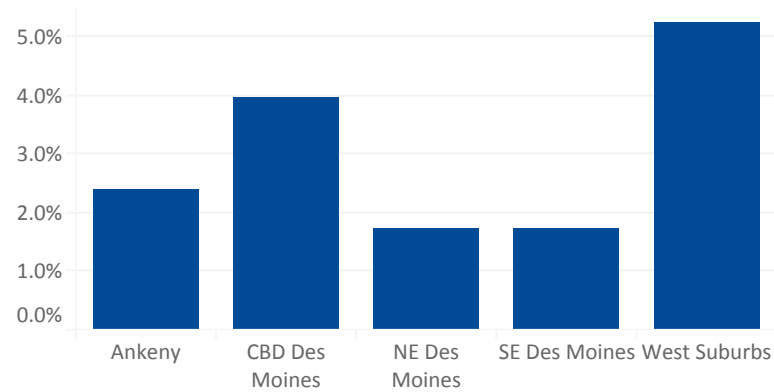
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Flex	12,024,531	60,925	48,475	0.4%	0	0
Lt Ind	12,289,626	0	0	0.0%	0	0
Mfg	6,718,414	0	0	0.0%	0	0
Whse/Dist	23,495,781	592,272	560,922	2.4%	0	0
Overall	54,528,352	653,197	609,397	1.1%	0	0

## Direct Vacancy Rates

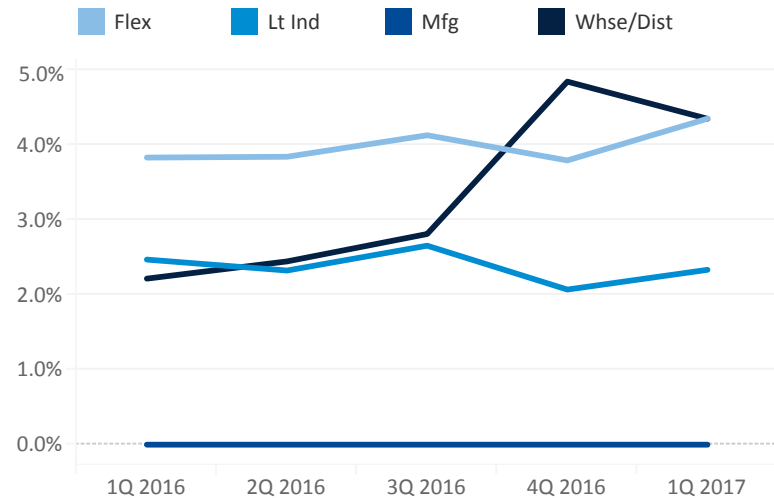
### By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
Ankeny	Flex	0.0%	6.9%	6.9%	6.5%	5.5%
	Lt Ind	0.6%	1.3%	6.1%	6.1%	5.2%
	Mfg	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	1.9%	3.5%	2.3%	2.3%	2.3%
CBD Des Moines	Flex	1.3%	1.5%	4.4%	4.4%	6.9%
	Lt Ind	1.7%	1.7%	1.7%	0.0%	0.0%
	Whse/Dist	4.4%	4.4%	3.9%	4.1%	4.1%
NE Des Moines	Flex	2.2%	1.6%	1.8%	1.4%	0.8%
	Lt Ind	5.2%	5.2%	4.3%	3.5%	4.3%
	Mfg	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	0.4%	0.7%	0.8%	0.6%	0.9%
SE Des Moines	Flex	1.2%	1.2%	0.6%	0.6%	2.4%
	Lt Ind	1.0%	1.0%	0.0%	0.0%	0.0%
	Mfg	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	2.0%	5.6%	7.5%	6.0%	8.6%
West Suburbs	Flex	5.6%	4.9%	5.1%	4.7%	5.9%
	Lt Ind	0.1%	0.1%	0.6%	0.0%	0.1%
	Mfg	0.0%	0.0%	0.0%	0.0%	0.0%
	Whse/Dist	3.6%	3.0%	3.9%	8.6%	7.2%
Overall		2.4%	2.4%	2.7%	3.4%	3.4%

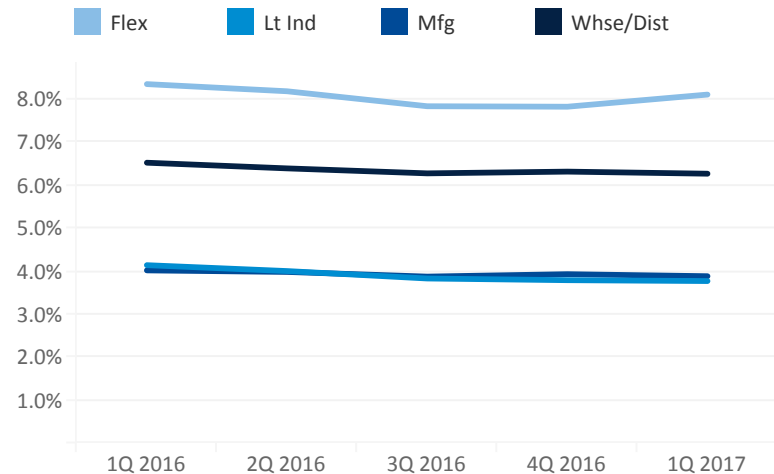
### By Market



### Des Moines By Specific Use



### National by Specific Use

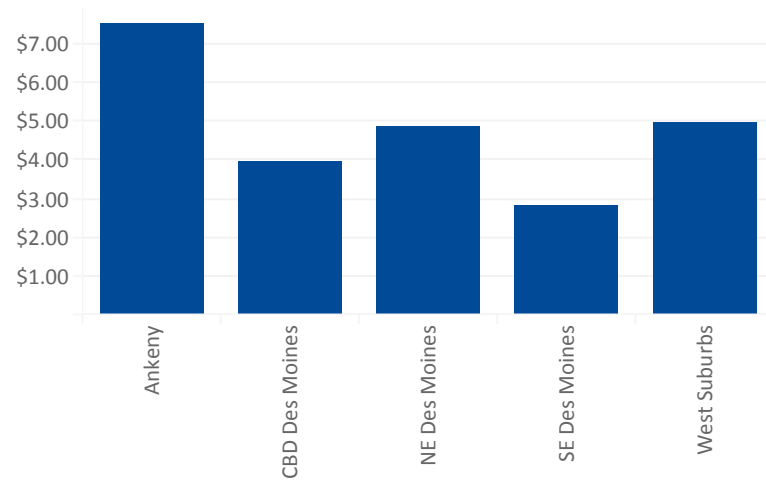


### Direct Weighted Average Asking Rates (NNN)

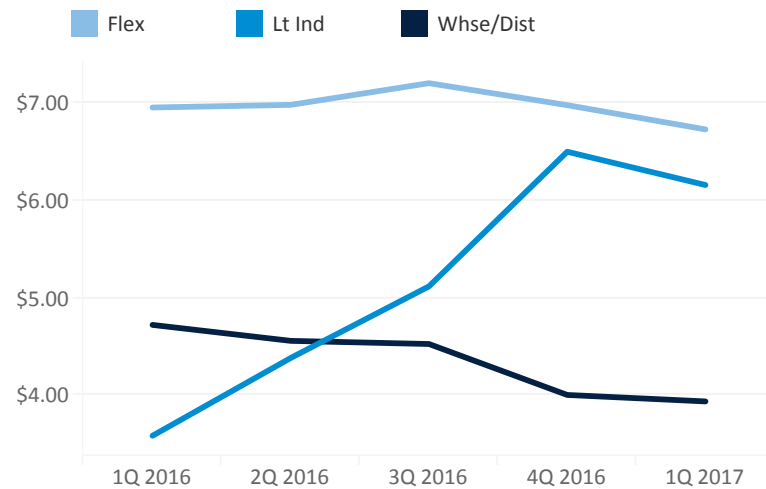
#### By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
Ankeny	Flex	-	\$6.15	\$6.23	\$6.39	\$6.57
	Lt Ind	-	-	\$7.95	\$7.95	\$7.95
	Mfg	-	-	-	-	-
	Whse/Dist	\$5.28	\$5.00	\$5.00	\$5.00	-
CBD Des Moines	Flex	\$3.67	\$3.67	\$5.80	\$3.99	\$3.99
	Lt Ind	-	-	-	-	-
	Whse/Dist	-	-	-	\$3.00	-
NE Des Moines	Flex	\$4.94	\$5.10	\$5.26	\$6.01	\$4.11
	Lt Ind	\$3.45	\$4.39	\$4.30	\$5.23	\$5.60
	Mfg	-	-	-	-	-
	Whse/Dist	\$4.20	\$3.70	\$4.19	\$4.20	\$4.24
SE Des Moines	Flex	-	-	-	-	-
	Lt Ind	\$4.29	\$5.50	-	-	-
	Mfg	-	-	-	-	-
	Whse/Dist	\$2.75	\$3.92	\$2.75	\$2.85	\$2.85
West Suburbs	Flex	\$8.07	\$8.17	\$8.18	\$7.68	\$7.86
	Lt Ind	-	\$2.25	\$2.25	-	\$5.50
	Mfg	-	-	-	-	-
	Whse/Dist	\$4.82	\$4.67	\$4.59	\$3.99	\$3.93
Overall		\$5.50	\$5.18	\$5.51	\$4.93	\$5.02

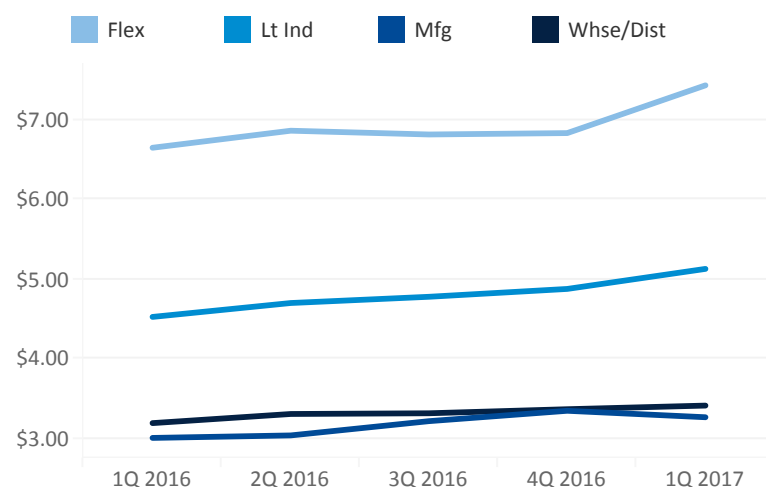
#### By Market



#### Des Moines by Specific Use

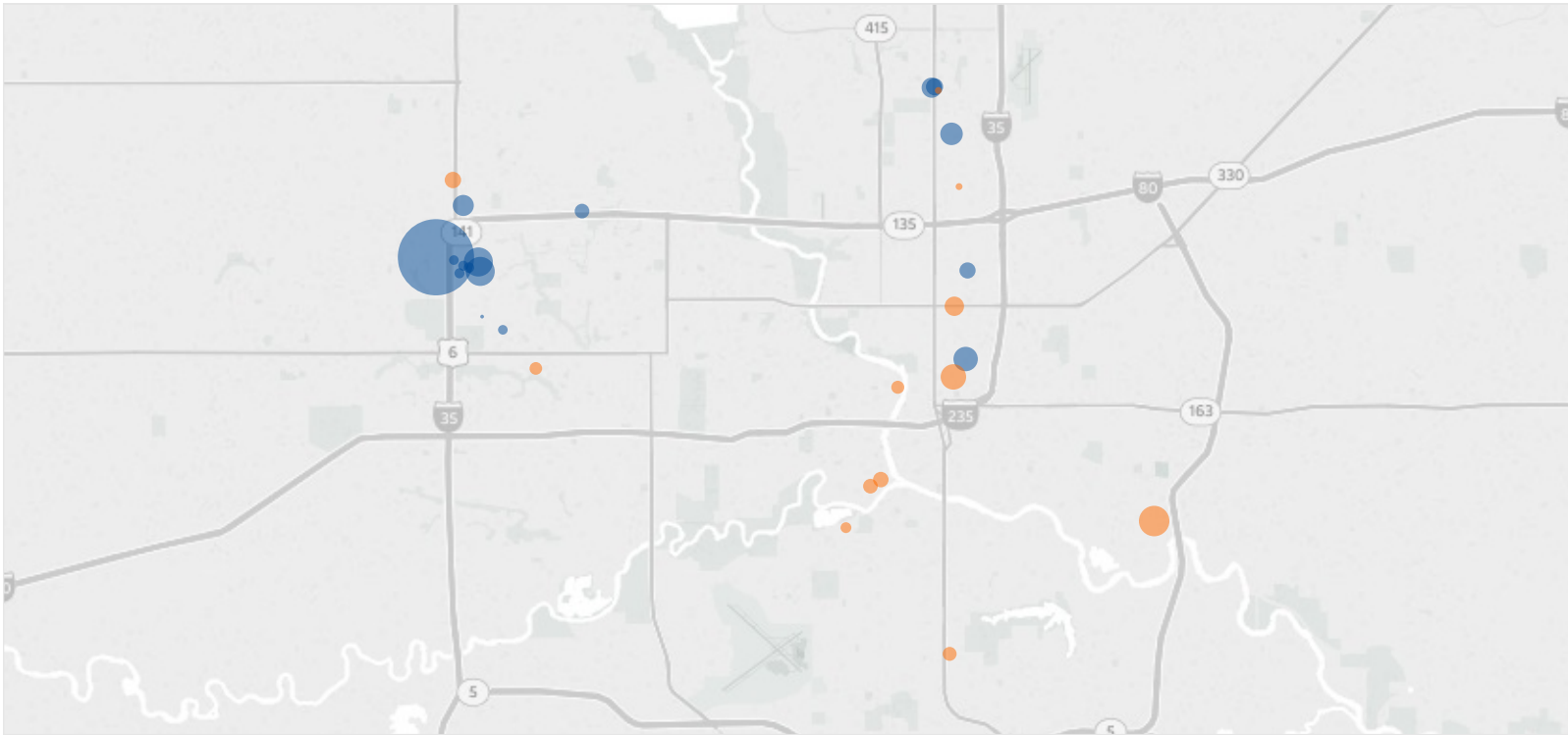


#### National by Specific Use



#### Absorption Map

● Negative
 ● Positive



#### Largest Positives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
Meredith Business Park V	Monsanto 137,500 sf.	West Suburbs	Whse/Dist	137,500
Interstate Acres I	American Olean Midwest 10,000 sf; A flooring company 10,000 sf.	West Suburbs	Flex	20,000
Interstate Acres III	BGS Brazilian 20,000 sf.	West Suburbs	Whse/Dist	20,000
2201 E 17th St	Brant & Amy Hambly 14,085 sf (purchased).	NE Des Moines	Flex	14,085
Albaugh Industrial Park	A Volley Ball Club 12,000 sf.	NE Des Moines	Flex	12,000
1915 SE 41st St	I Work & Play 10,500 sf.	West Suburbs	Flex	10,500
6990 NE 14th St-Bldg 3	Undisclosed tenant 9,660 sf.	Ankeny	Flex	9,660
6990 NE 14th St-Bldg 1	Central Appliance 7,000 sf.	Ankeny	Lt Ind	7,000

#### Largest Negatives (Total)

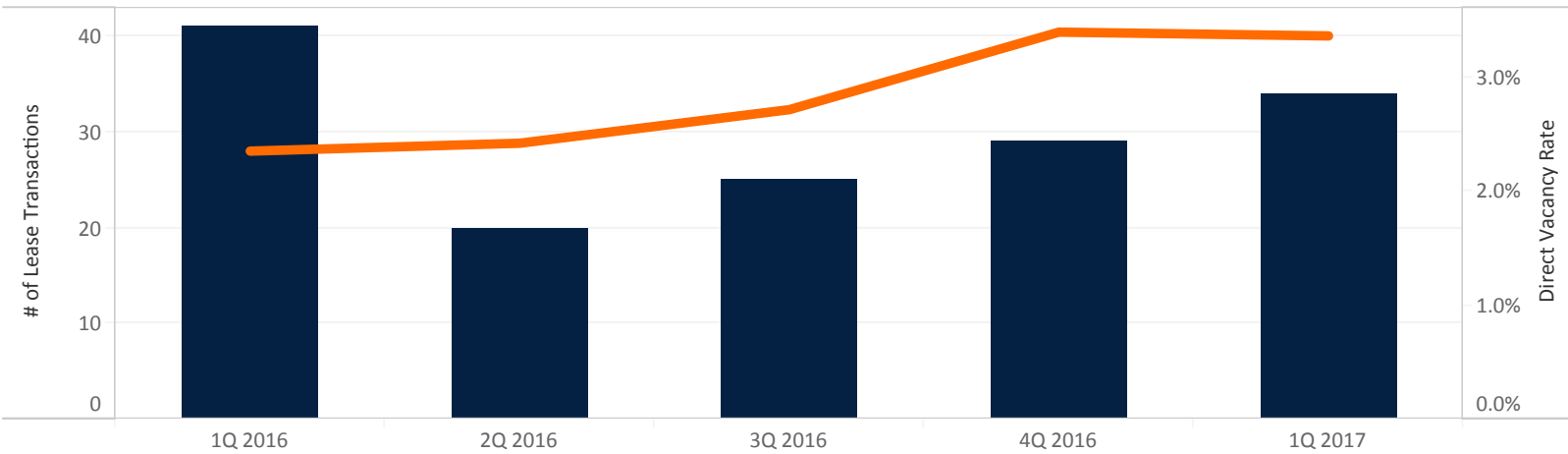
PropertyName	Significant Transactions	Market Name	Specific Use	
4750 Vandalia Rd	Forest Septic Tank -22,000 sf.	SE Des Moines	Whse/Dist	-22,000
Washington Avenue Dist. Center	Aspen Automation -15,335 sf.	NE Des Moines	Whse/Dist	-15,335
1600 E Euclid Ave	1st Choice Carriers -8,878 sf.	NE Des Moines	Whse/Dist	-8,878
Gateway Business Park	Performance Contracting Inc -6,367 sf.	West Suburbs	Flex	-6,367
319 SW 5th St	James Spevak Pottery -1,180 sf; Re-purposed space -4,500 sf.	CBD Des Moines	Flex	-5,680
MLK River Park	IBM -5,106 sf.	CBD Des Moines	Flex	-5,106
1410 E Diehl Ave	Media.Com -4,603 sf.	SE Des Moines	Flex	-4,603
1529-1549 Vermont St	Bogo Bowl -4,029 sf.	NE Des Moines	Flex	-4,029

#### Leasing Activity Trends

Direct Vacancy Rate

Lease Transactions

Quarter Year



#### Leasing Activity (# of New Deals)

Size Range (sf)

<2.5K

2.5K - 5K

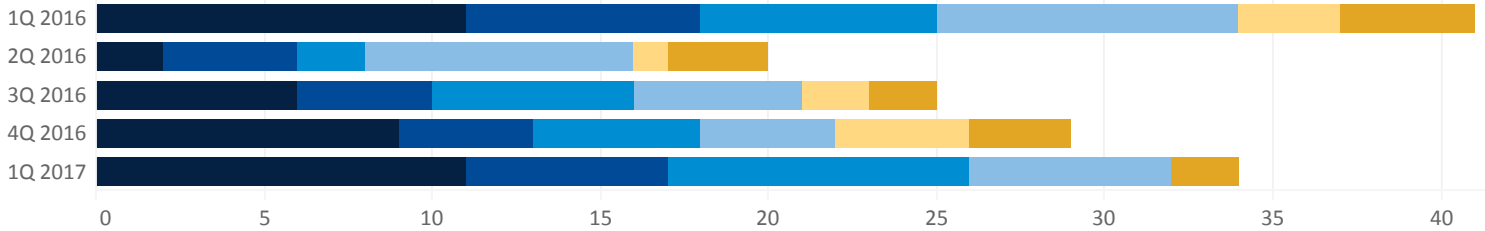
5K - 10K

10K - 25K

25K - 50K

>50K SF

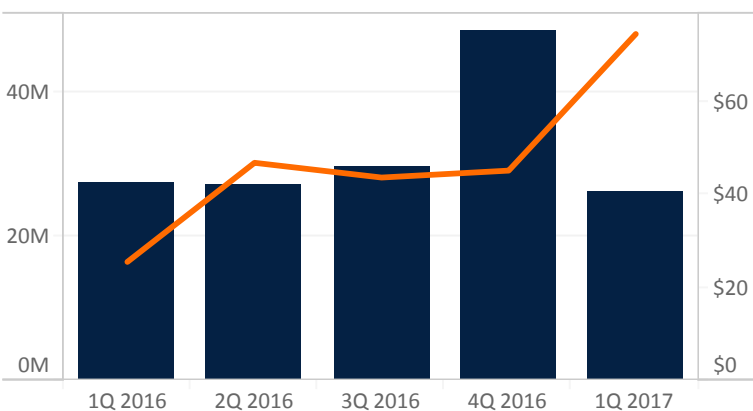
Quarter Year



#### Sales Volume vs. Price/SF

Aggregate Sales Volume

Avg Price/sf



#### Top Sales

Property	Sale Date	Buyer	Sale Price
Birchwood Crossing Business Park	01/02/2017	Sansgaard Group	\$13,730,000
Metro East Business Park	01/12/2017	Robert D Coulson	\$4,000,000
10540-10667 Justin Dr	02/21/2017	Slumberland Furniture	\$2,100,000
Rowat Cut Stone & Marble Company	01/26/2017	Nelson Construction & Development	\$1,250,000
1301 Ohio St	01/13/2017	Mark & Jan Thornton	\$907,200

## Terminology

Term	Definition
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Flex/R&D	Includes Flex/R&D properties
Inventory	The total square feet (sf) of all existing single and multi tenant industrial properties greater than 5,000 sf.
Lt Ind	Includes Light Industrial properties
Mfg	Includes Manufacturing properties
Net Absorption (sf)	The net change in physically occupied space from quarter to quarter, expressed in square feet.
Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move.
Total Vacant (sf)	The total of all of the vacant square footage within a building, including both direct and sublease space.
Weighted Average Rents	The weighted average of all direct asking lease rents expressed as a NNN rental rate and weighted on total direct available square feet. Non-full service rents (such as NNN) have been grossed up to reflect a full service/gross rate.
Whse/Dist	Includes Warehouse-Distribution, Warehouse-Freezer/Cooler, Truck Terminal and Bulk Warehouse properties

*This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy.*



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