

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. Office using jobs (information, professional and business services and financial activities) added 2,000 jobs during the past year.

Market Overview

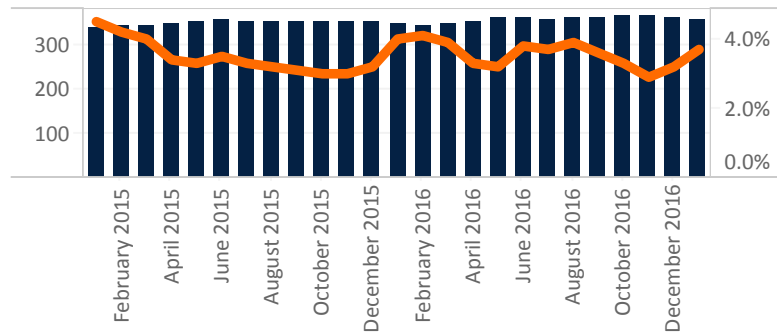
The Des Moines office market recorded negative 9,494 square feet (sf) of overall absorption during 1Q 2017. Direct absorption totaled the same. The total vacancy rate has increased from 12.1% in 1Q 2016 to 12.5% at the close of 1Q 2017. Direct vacancy rates increased 0.3 percentage points from 12.0% to 12.3% during the same time period. Weighted average rent growth continued to improve during 1Q 2017 in the CBD and West Suburbs market. Weighted average asking rents in all classes increased 2.7% recording \$17.57 per square foot (psf) at the close of 1Q 2017 compared to 1Q 2016. Class A weighted average rents increased 0.3% year-over-year, recording \$19.12 psf at the close of 1Q 2017. Class B rents increased 2.9% year-over-year, recording \$15.96 psf at the close of 1Q 2017.

Market Highlights

The 75,000 sf Newport Building was completed at Jordan Creek Parkway with Intl FCStone occupying 25,000 sf during 1Q 2017. Tek Systems will occupy 9,600 sf in this building during 2Q 2017. Major occupiers of space this quarter included Cognizant (expansion), Farm Bureau, and Sammons Financial. Currently, four Class A buildings can accommodate a user larger than 50,000 sf, the options increase for a Class A user needing between 25,000 to 49,999 sf by eleven properties. Kum & Go's building at 159,000 sf is the largest office building under construction followed by the 47,000 sf building at 200-220 SE 6th St and the 14,365 sf Park Sight II building at 2455 SW State St in Ankeny.

Des Moines Employment

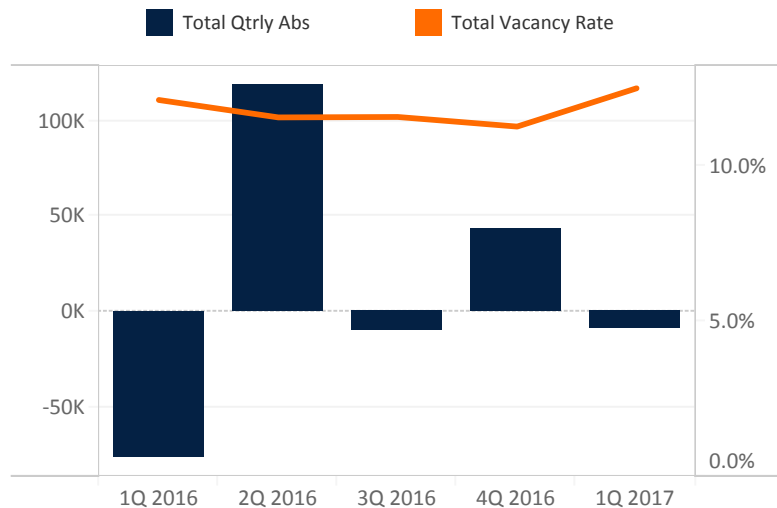
Source: BLS



Market Recap

Inventory (sf)	14,108,224
# of Bldgs	350
Qrtly Abs (sf)	-9,494
Total Avail Rate	14.8%
Total Vacancy Rate	12.5%
U/C Inventory (sf)	220,365
Delivered (sf)	75,000
Weighted Average Asking Rate (FSG)	\$17.57

Absorption and Vacancy Rate



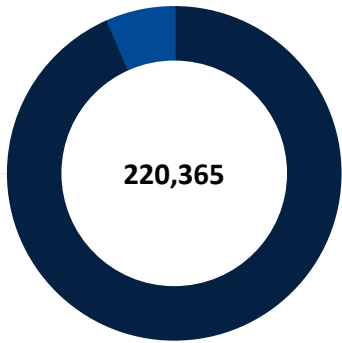
Overview by Class (Total)

Class	Inventory (sf)	Available (sf)	Vacant (sf)	Total	Qrtly Abs (sf)	YTD Net Abs (sf)
A	6,097,013	1,016,750	842,000	13.8%	32,555	32,555
B	7,025,957	1,008,930	868,953	12.4%	-37,214	-37,214
C	985,254	61,582	52,942	5.4%	-4,835	-4,835
Overall	14,108,224	2,087,262	1,763,895	12.5%	-9,494	-9,494

Overview by Market (Total)

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Total	Qrtly Abs (sf)	YTD Net Abs (sf)
Ankeny	B	412,841	32,522	27,522	6.7%	-1,480	-1,480
	C	57,099	1,550	1,550	2.7%	-1,550	-1,550
CBD Des Moines	A	1,954,139	263,319	258,121	13.2%	-13,055	-13,055
	B	2,671,084	517,193	446,085	16.7%	7,225	7,225
	C	391,636	21,753	21,753	5.6%	-3,636	-3,636
NE Des Moines	B	122,059	8,096	3,668	3.0%	30	30
SE Des Moines	B	36,211	0	0	0.0%	0	0
	C	36,832	3,600	0	0.0%	0	0
West Suburbs	A	4,142,874	753,431	583,879	14.1%	45,610	45,610
	B	3,783,762	451,119	391,678	10.4%	-42,989	-42,989
	C	499,687	34,679	29,639	5.9%	351	351
Overall		14,108,224	2,087,262	1,763,895	12.5%	-9,494	-9,494

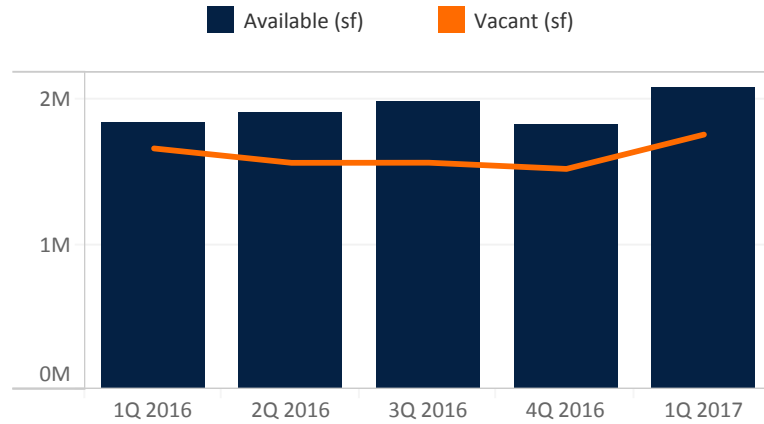
Construction by Market



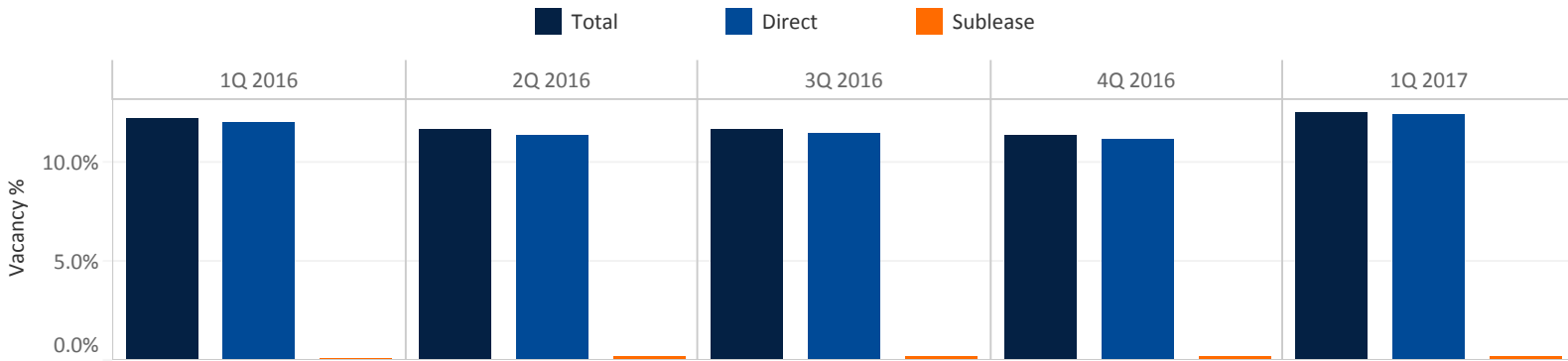
Rank

- CBD Des Moines
- Ankeny

Total Available and Vacant



Vacancy Rate



Overview by Class (Direct)

Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	6,097,013	894,613	842,000	13.8%	32,555	32,555
B	7,025,957	973,267	843,295	12.0%	-37,214	-37,214
C	985,254	61,582	52,942	5.4%	-4,835	-4,835
Overall	14,108,224	1,929,462	1,738,237	12.3%	-9,494	-9,494

Overview by Class (Sublease)

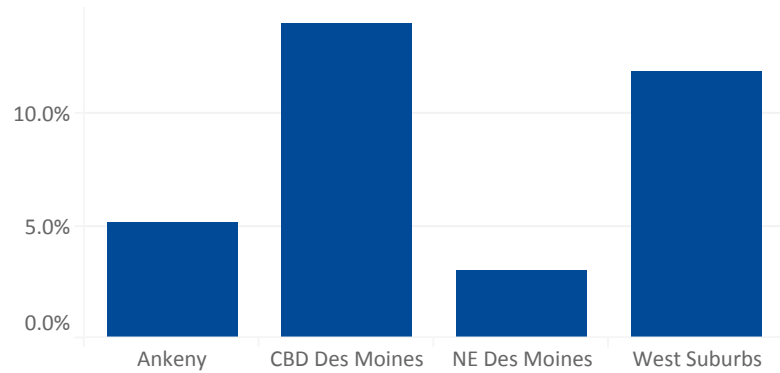
Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	6,097,013	122,137	0	0.0%	0	0
B	7,025,957	35,663	25,658	0.4%	0	0
C	985,254	0	0	0.0%	0	0
Overall	14,108,224	157,800	25,658	0.2%	0	0

Direct Vacancy Rates

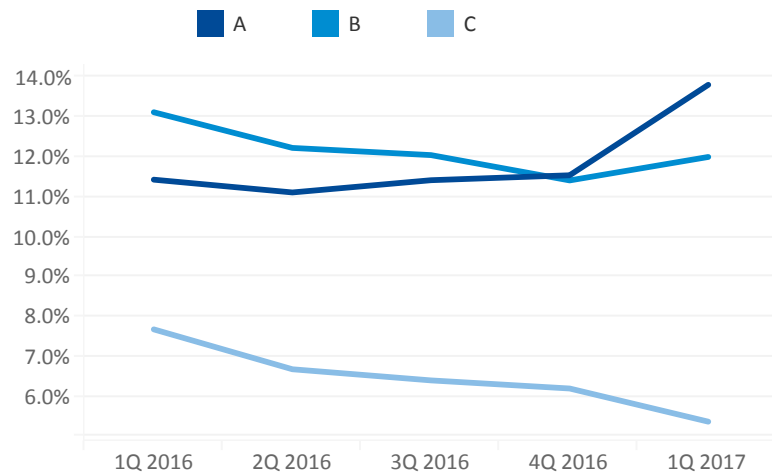
By Market and Class

Market Name	Class	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
Ankeny	B	2.5%	6.8%	6.1%	5.1%	5.5%
	C	0.0%	0.0%	0.0%	0.0%	2.7%
CBD Des Moines	A	12.3%	12.0%	13.1%	12.8%	13.2%
	B	20.3%	18.5%	18.2%	16.9%	15.9%
	C	9.5%	9.3%	9.1%	7.9%	5.6%
NE Des Moines	B	15.7%	3.0%	3.0%	3.0%	3.0%
SE Des Moines	B	0.0%	0.0%	0.0%	0.0%	0.0%
	C	9.8%	0.0%	0.0%	0.0%	0.0%
West Suburbs	A	11.0%	10.7%	10.6%	10.9%	14.1%
	B	8.7%	9.0%	9.0%	8.8%	10.4%
	C	6.9%	5.8%	5.4%	6.0%	5.9%
Overall		12.0%	11.4%	11.4%	11.1%	12.3%

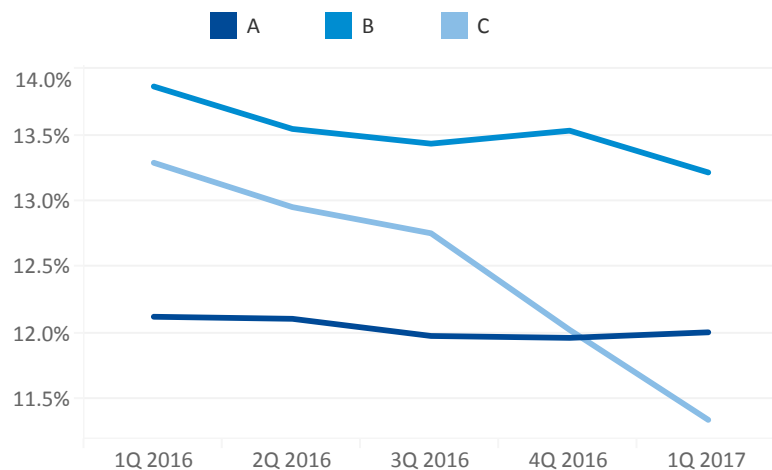
By Market



Des Moines by Class



National by Class

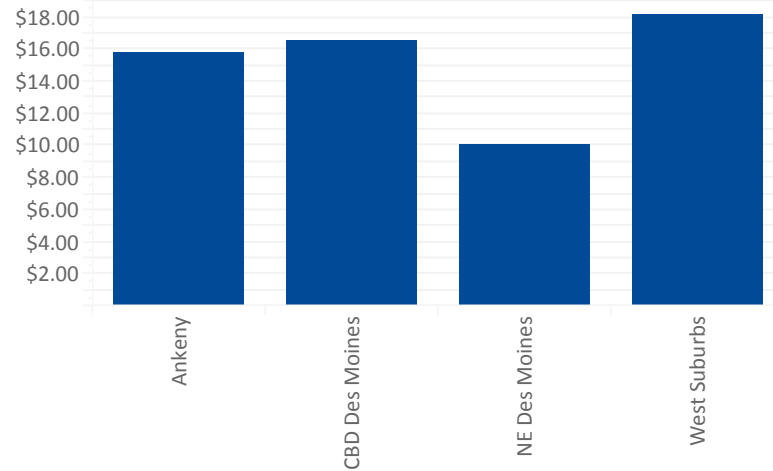


Direct Weighted Average Asking Rates (FSG)

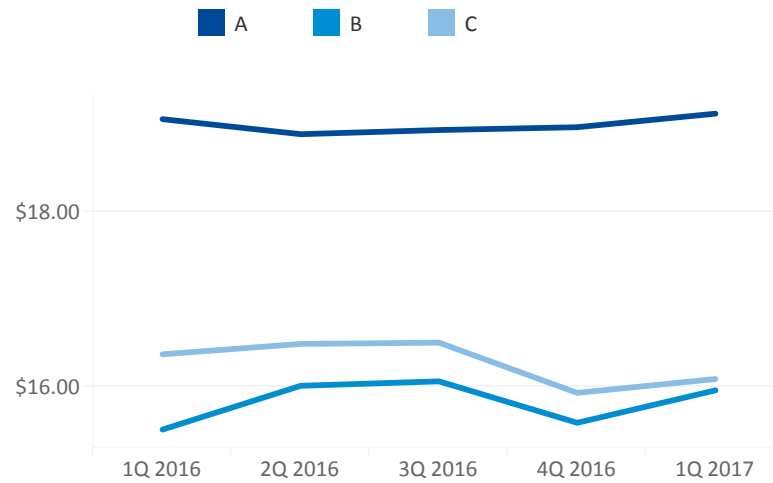
By Market and Class

Market Name	Class	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
Ankeny	B	\$19.42	\$17.99	\$18.41	\$18.05	\$15.82
	C	-	-	-	-	-
CBD Des Moines	A	\$17.53	\$17.50	\$17.50	\$17.50	\$16.87
	B	\$15.77	\$15.70	\$15.64	\$15.70	\$16.23
	C	\$18.32	\$18.32	\$18.32	\$19.00	\$19.00
NE Des Moines	B	\$13.38	\$10.00	\$10.00	\$10.00	\$10.00
SE Des Moines	B	-	-	-	-	-
	C	-	-	-	-	-
West Suburbs	A	\$19.49	\$19.28	\$19.31	\$19.36	\$19.57
	B	\$15.55	\$16.21	\$16.36	\$15.40	\$15.70
	C	\$12.79	\$13.07	\$13.72	\$13.10	\$13.30
Overall		\$17.13	\$17.22	\$17.30	\$17.07	\$17.57

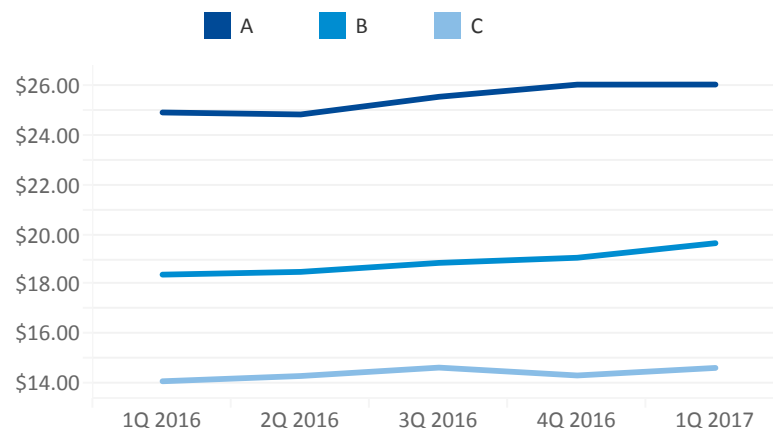
By Market



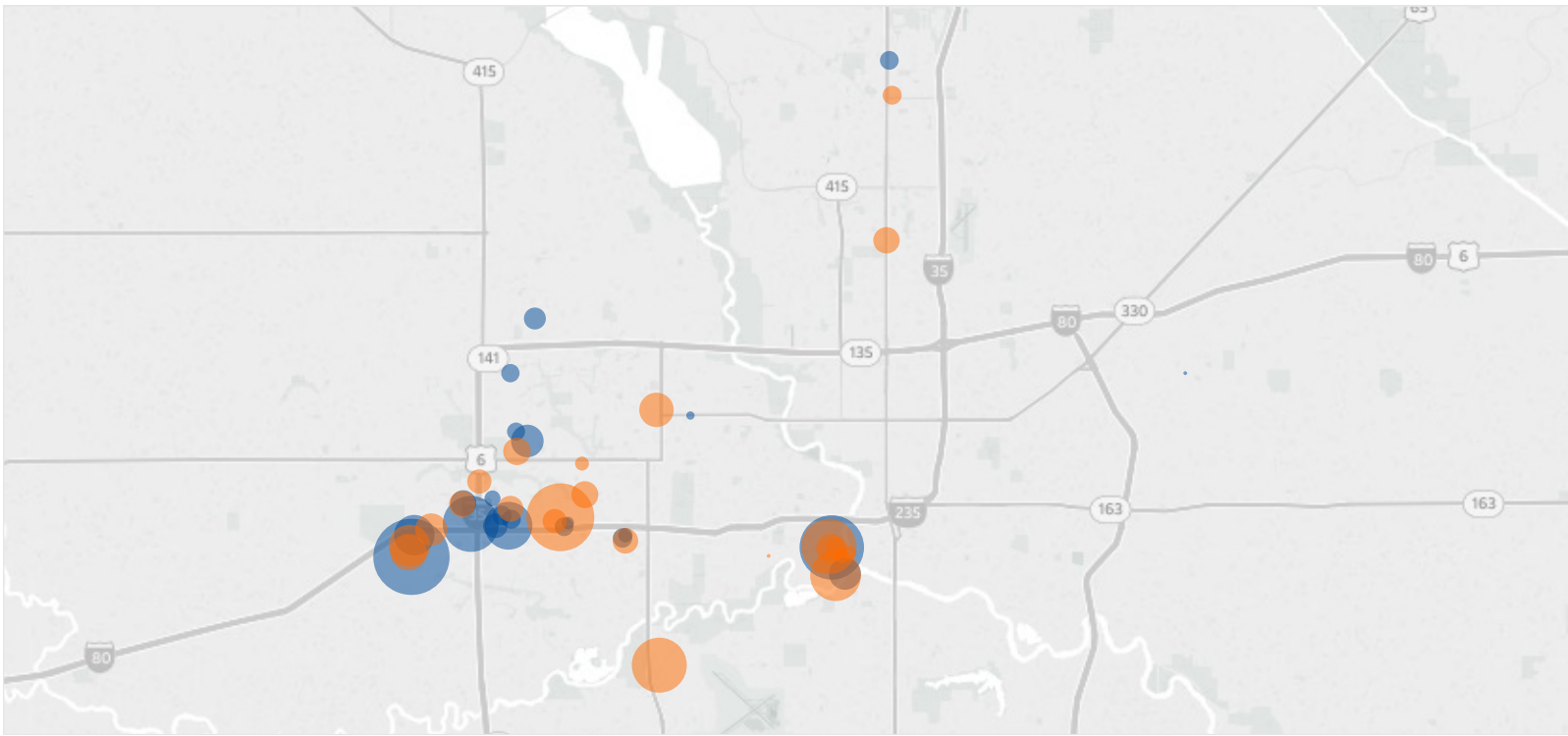
Des Moines by Class



National by Class



Absorption Map



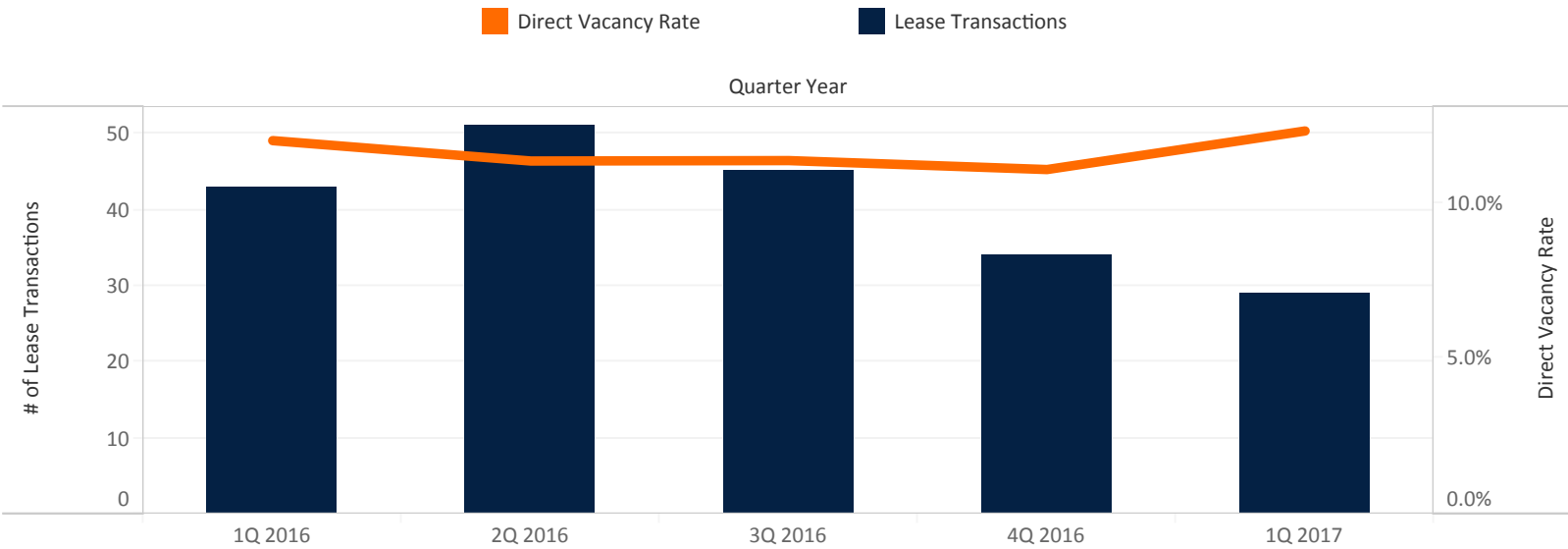
Largest Positive (Total)

Property Name	Significant Transactions	Market Name	Class	
Newport Building	Intl FCStone, Inc. 25,000 sf	West Suburbs	A	25,000
Two Ruan Center	Cognizant 17,872 sf.	CBD Des Moines	B	17,872
Westridge Building	Farm Bureau 13,529 sf.	West Suburbs	A	13,529
Regency West Bldg 7	Sammons Financial 9,834 sf.	West Suburbs	A	9,834
Augusta Building	ReMax Real Estate Service Center 7,061 sf.	West Suburbs	A	7,061
Ashland Point	Hubbard Law Firm 4,565 sf.	West Suburbs	A	4,565
MLK River Park	Access2Care 4,400 sf.	CBD Des Moines	B	4,400
12035 University Ave	Iowa Trust and Savings Bank 2,878 sf	West Suburbs	A	2,878

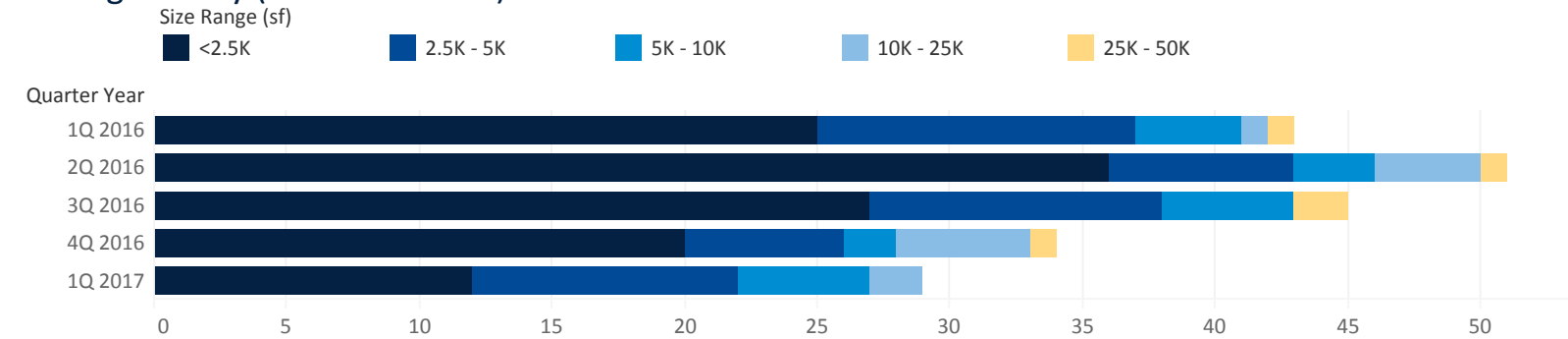
Largest Negative (Total)

Property Name	Significant Transactions	Market Name	Class	
Westridge III	Intl FC Stone Corp -31,849 sf; Ginnell Mutual 12,026 sf.	West Suburbs	B	-19,823
Ruan Center	Accountable Health -13,157 sf.	CBD Des Moines	B	-13,157
Crossmark Building	Crossmark -13,032 sf.	West Suburbs	B	-13,032
Riverpoint Business Park	Peterson Court Reports -900 sf; KCWI -10,180 sf	CBD Des Moines	A	-11,080
Summit Building	Undisclosed -6,970 sf; Undisclosed -2,783 sf; Undisclosed 2,272 sf.	West Suburbs	A	-7,481
Sonoma Building	TEK Systems -5,760 sf.	West Suburbs	A	-5,760
Merle Hay Tower	Present Truth Ministries -1,666 sf; Iowa Soccer-1,712 sf;	West Suburbs	B	-5,103
6600 Westown Pkwy	Northland Securities -3,675 sf; Specialized Products -814 sf.	West Suburbs	A	-4,489

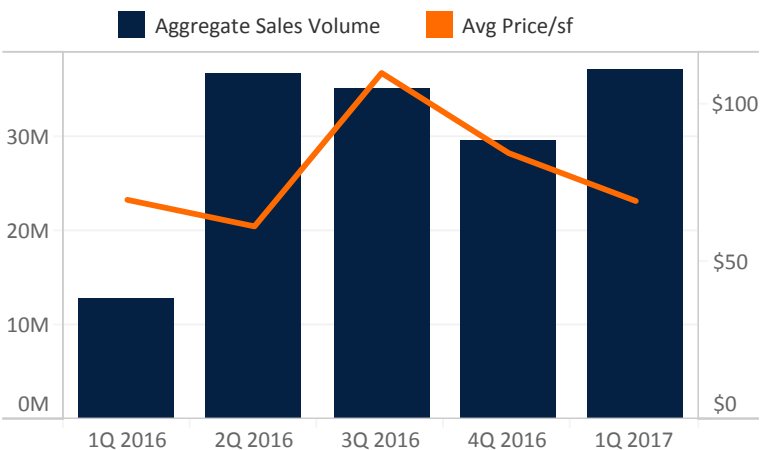
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
Village Place Condo's	03/06/2017	HOA Development LLC	\$8,391,380
317 6th Ave	03/14/2017	We Can Build It LC	\$5,250,000
1601 W Lakes Pkwy	01/30/2017	All Star Masonry LLC & MRP 1031 LLC	\$5,000,000
Jordan Creek I	02/22/2017	IPE 1031	\$4,250,000
Northshore II	01/27/2017	All Star Masonry LLC and MRP 1031 LLC	\$4,150,000

Terminology

Term	Definition
Class A	Most prestigious buildings competing for premier office users with rents above the market average. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.
Class B	Buildings competing for a wide range of office users with average market rents. Building finishes are fair to good for the area and systems are adequate, but the property does not compete with Class A product.
Class C	Buildings competing for office users requiring functional office space at rents below the market average for the area.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Inventory	The total square feet (sf) of all competitive, existing single and multi-tenant office properties greater than 5,000 sf.
Net Absorption (sf)	The net change in occupancy 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 full service/gross 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.

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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