
2020 Forecast Luncheon





Save the Date
June 2, 2020
12:00

Moderator

Dr Tracy Turner – Iowa State University

Multi Family

Cy Fox— CBRE Hubbell Commercial

DES MOINES MARKET UPDATE
4 Q 2019

2020 IREM | CCIM

Annual Market Forecast
Multifamily

2019 MARKET SNAPSHOT



Average
Effective Rent
\$935



Unit Deliveries
(2019)
2,317



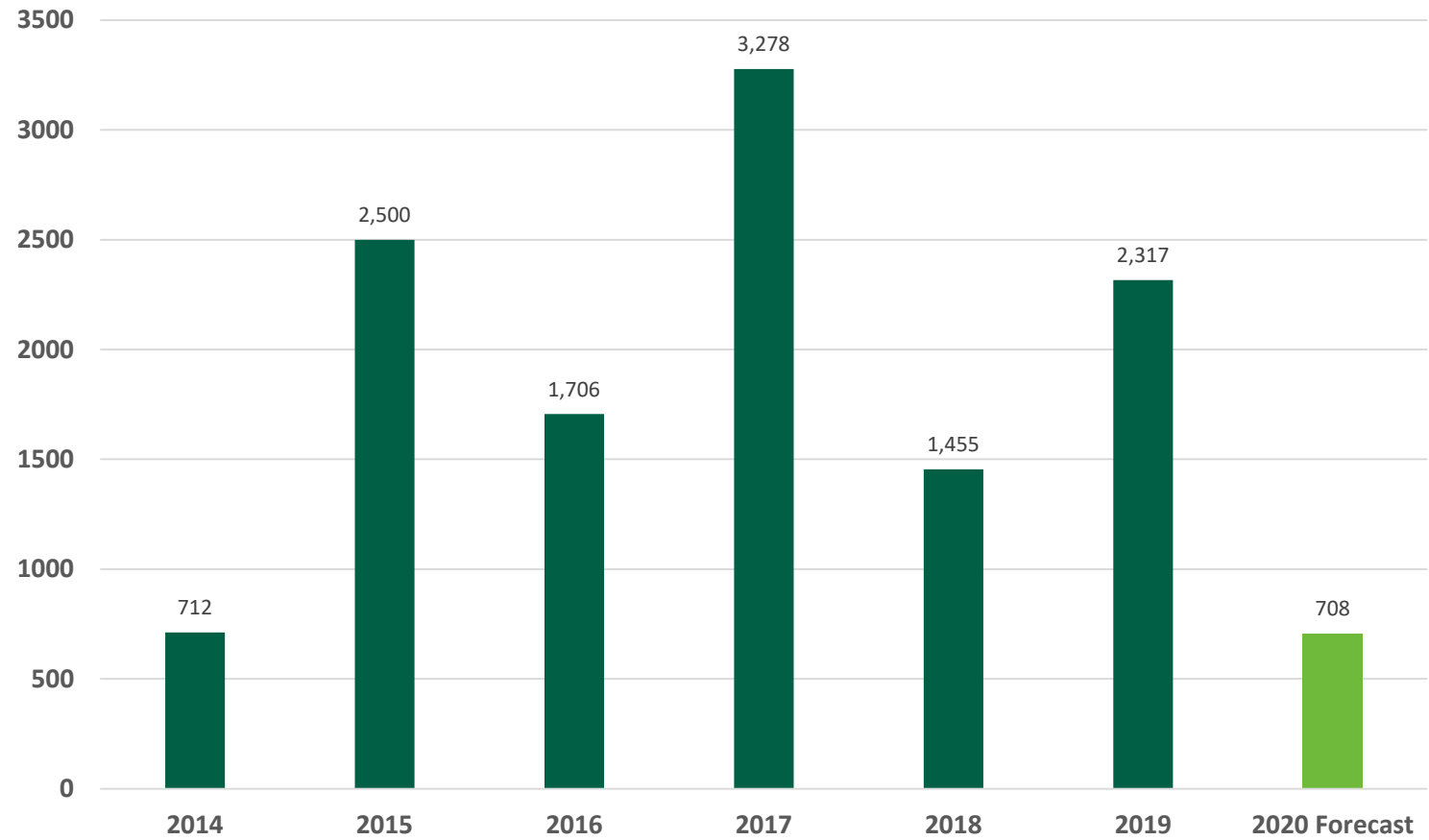
Occupancy
92.8%

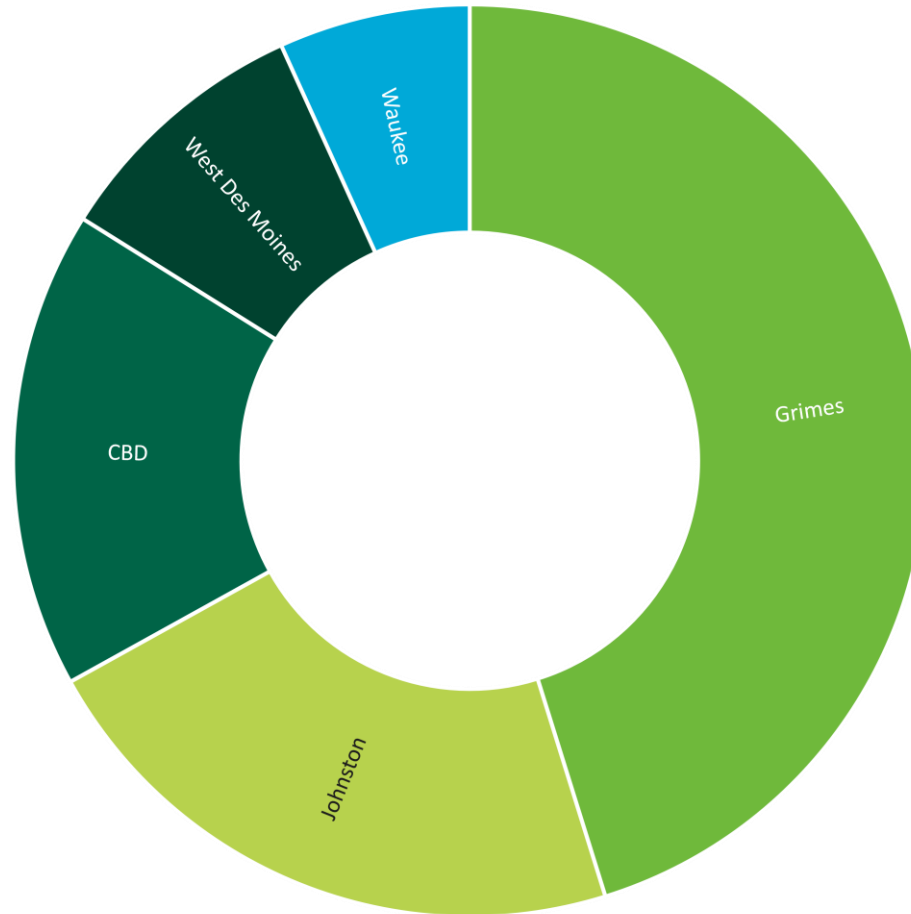


Units Under
Construction
952

- Flat physical occupancy
- Concessions burning off
- Rent growth

HISTORICAL DELIVERIES





2020 Forecast	CBD	Grimes	West Des Moines	Johnston	Waukee
# of Units	120	320	66	154	48
% of Units	17%	45%	9%	22%	7%

DEVELOPMENT BY SUBMARKET

Market-Rate Only

	# OF UNITS UNDER CONSTRUCTION	# OF UNITS IN LEASE-UP	# OF UNITS PROPOSED (2021-2023)
<i>Altoona/Northeast</i>	0	48	188
<i>Ankeny</i>	0	102	400
<i>CBD</i>	364	398	427
<i>Western Suburbs</i>	588	601	430
<i>Greater DSM</i>	952	1,149	1,445

NATIONAL OVERVIEW

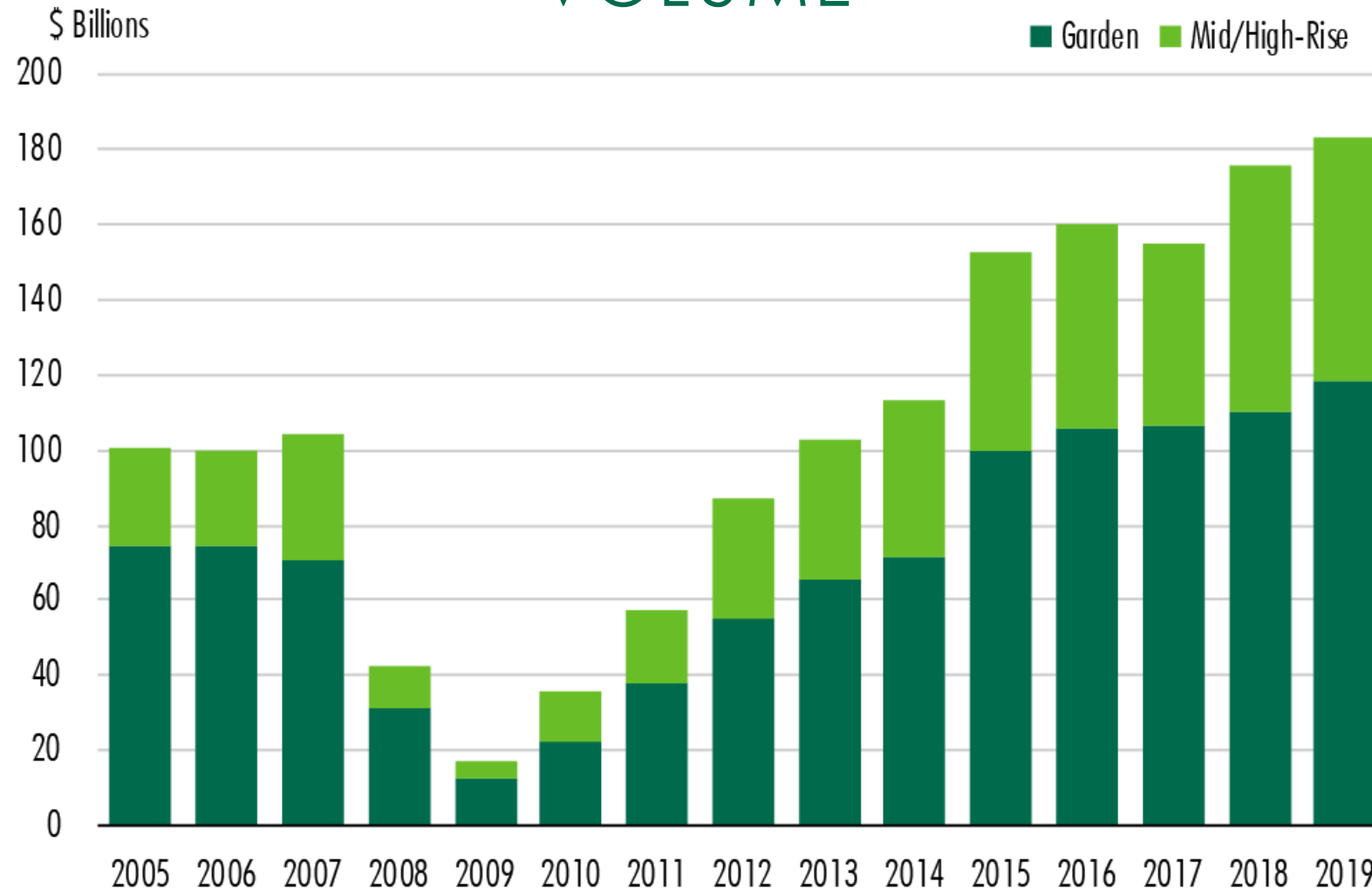
Multifamily Investment Hits Record-High
\$184 Billion in 2019

Up 4.4%

Increased asset pricing

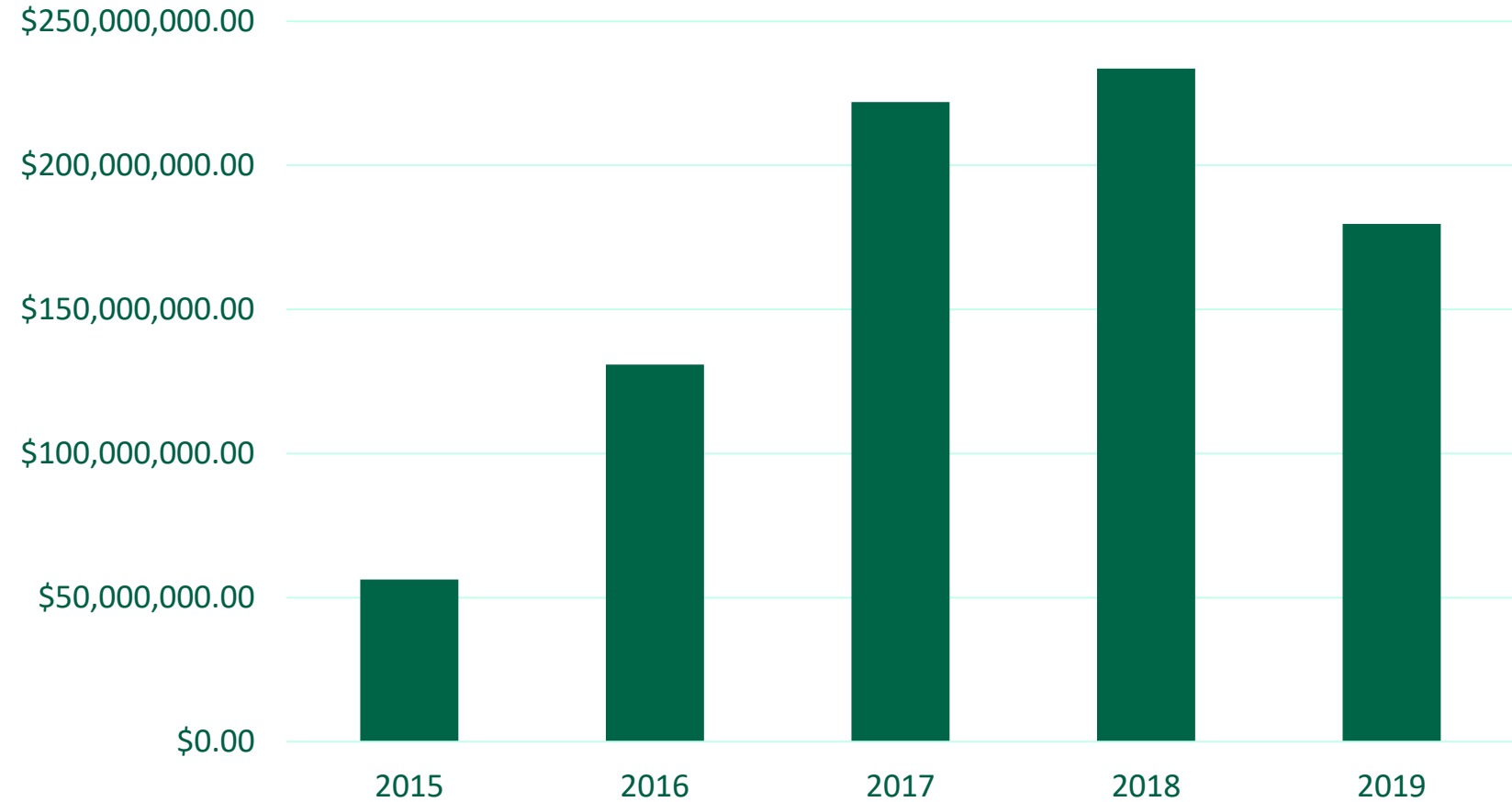
Further lowered already historically low cap rates

U.S. MULTIFAMILY TRANSACTION VOLUME



HISTORICAL TRANSACTION VOLUME

Polk and Dallas County



	2015	2016	2017	2018	2019
Total Sales Volume	\$56,233,730	\$130,822,460	\$221,956,760	\$233,507,575	\$179,629,370
# of Deals	49	53	89	58	62

The background of the slide features a photograph of a modern, multi-story building with a grid-like facade of windows and balconies. The entire image is covered with a semi-transparent green overlay. Centered on this background is the text "NOTABLE TRANSACTIONS" in a bold, white, sans-serif font.

NOTABLE TRANSACTIONS

Gray's Lake Apartments – 304 Units



Jordan Creek and Westwood Apartments – 354 Units



Mulberry Pointe – 59 Units



The Imperial and Grand Prix – 129 Units



The Bricks Waukee East – 216 Units



Ambassador West – 104 Units



WHY DES MOINES?

- Yield premium
- Strong population, employment and job growth
- Favorable market performance
- Intense competition in primary and secondary markets
- Investment criteria is changing
- Rent control

2020 FORECAST – DEBT AND EQUITY

Debt and equity to remain plentiful.

2020 FORECAST – TRANSACTION VOLUME

Multifamily to remain a favored investment target in 2020.
The only drags on investment activity may be not enough
product for sale.

Market conditions are expected to remain healthy and
pricing favorable, especially for sellers.

2020 FORECAST – CAP RATES

Multifamily cap rates should remain stable,
with slight compression possible.



THANK YOU

PREPARED BY

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Industrial

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Industrial: Momentum continues

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• JANUARY 2020

•01

2019 Central Iowa
Recap



2019 Central Iowa recap

- INDUSTRIAL LEASING:

- Leasing remained strong in 2019 with vacancy rates under 3%
- Net absorption for the year was a positive 1.3 million square feet
- Continued growth of eCommerce and the competition to deliver goods at a fast pace has resulted in further demand for warehouse space.
- Who's renting space? Traditional industrial users, online retailers, as well as 3PL logistics providers
- Largest lease transactions: XPO (600,000 SF with Graham), EMCO (154,000 SF on Dixon), and Amazon (110,000 SF in Grimes).
- Average Rental Rates: \$5.70 PSF for Industrial space and \$7.70 PSF for Flex space.

2019 central iowa recap

- According to the 2020 Emerging Trends in Real Estate survey report, industrial remains the most attractive property type both for investment and development.

WHY?

- Continued growth of eCommerce (predicted 30% growth in North American online sales from 2019 to 2021)
-
- The economy is strong which results in people spending!
- Stable inflation
- Significant decline in interest rates has translated into lower financing costs
- Industrial will continue to offer investors a “heads I win, tails I win” exposure for their portfolios.

2019 central iowa recap

INDUSTRIAL SALES:

QUICK STATS:

- In 2019 there were 88 Industrial and Flex sales transactions.
- Average sales price for Industrial was **\$42 PSF**.
- Average sales price for Flex was **\$88 PSF**.
- 2019 was a record year for Industrial Sales with over \$140 million in sales!
- Inventory was hard to find for investors, if you were a broker with product you most likely had a smile on your face with multiple offers and a happy client.

INDUSTRIAL SALES – LARGEST TRANSACTIONS



Iowa Cold Storage sold to
Lineage - \$25,000,000



Corp. Woods II sold to STAG Industrial -
\$17,400,000



**Bell Ave B.P. sold to
Krause - \$12,000,000**



• 4101 121st sold for
\$7,200,000,
82,520 SF



• MacArthur investment
sold to Colby -
\$4,300,000



4100 Dixon sold to G. Cataldo -
\$3,800,000



•02

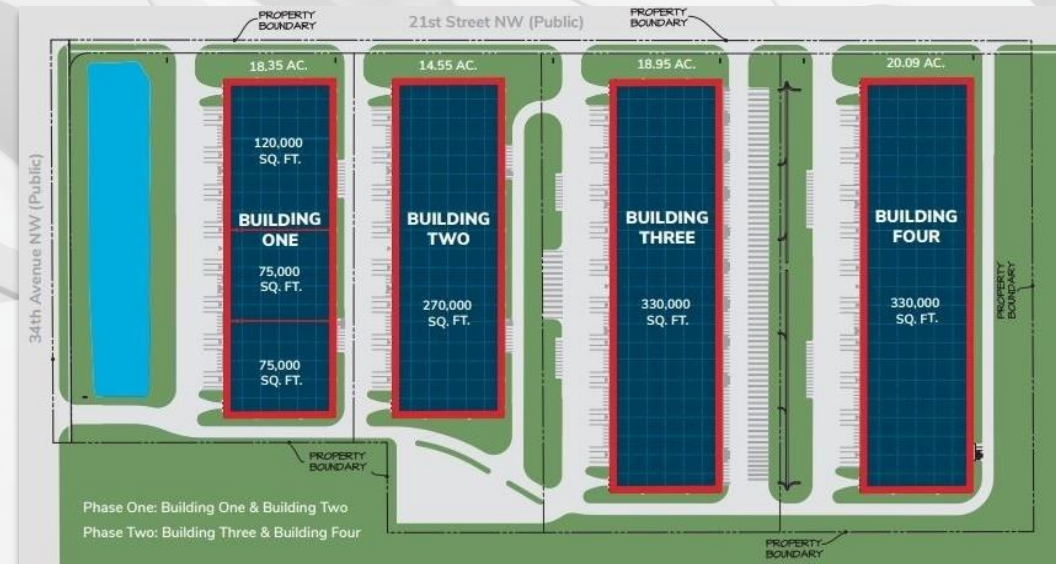
New Projects on The
horizon

Over 1.2 Million Square Feet
Under Construction!

INDUSTRIAL & FLEX DEVELOPMENTS:



- Located on 70 acres directly adjacent to Facebook's campus.
- Less than 2 miles from new "Amazon" distribution center.
- Building's 1 & 2 currently under construction with an early summer delivery.
- Both buildings are 270,000 SF each.



INDUSTRIAL & FLEX DEVELOPMENTS:



- Meredith Pointe I & II
- Developed and owned by Signature Real Estate
- 2 buildings consisting of 157,000 SF.
- New flex product catering to smaller bay users that require a retail/office front to their space.



INDUSTRIAL & FLEX DEVELOPMENTS:



Birchwood on I-80

72,000 SF



Corporate Woods III

200,200 SF



Crosswinds Business Park

137,500 SF



DRA Properties

46,800 SF



•03

HERE COMES



WHAT's been confirmed:

amazon

- Leased 110,000 SF in Hubbell's Grimes Distribution Center for a delivery station, increased parking for 800.
- Leased 346,062 SF former Procter & Gamble space for their last-mile delivery station. Scheduled to open spring of 2020.





OR

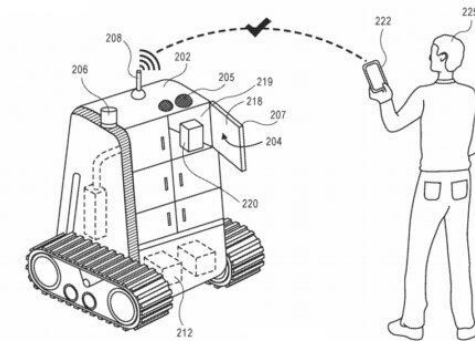
amazon •?

- Located on 165 acres in Bondurant
- 4 floors
- Each floor approximately 650,000 SF
- Approximate total square footage: 2,600,000

- 1800 spaces for cars
- 200 trailer parking stalls
- 12 month construction timeframe
- Grant Street and 32nd Street to be widened by 2021
- 4 new traffic lights
- Six year tax abatement (City of Bondurant)
- Creation of over 1,000 jobs

Fast Has Become Normal

- Amazon – Founded in 1994
- Amazon Prime introduced in 2005 with 2-day delivery.
- Prime Now introduced in 2016 offering select same day delivery.
- Prime's membership growth has skyrocketing from 40M users in 2014 to over _____ in 2019.
- As of August 2019, Amazon had roughly 155 million square feet of warehouse space in the U.S. with plans to add 30 million square feet.
- 159 fulfillment centers
- Plans to add 37 more.
- *What is the average return rate for online purchases?*
- *Return & pickup locations: Kohls*
- *The last mile of delivery was once the main concern now we are focusing on the last 50 feet of delivery (AMAZON BOT).*



The background image shows a warehouse interior. On the left, a blue forklift is partially visible. In the center and right, there are tall stacks of cardboard boxes. The ceiling is high with industrial lighting. A large red diagonal shape covers the left side of the image, and a blue diagonal shape covers the bottom right. The text is overlaid on the red shape.

•04

The year ahead

2020

2020 TRENDS & CHALLENGES

- eCommerce will continue to drive industrial needs in 2020 and beyond.
- For the first time in a couple of years Supply has finally reached or surpassed Demand, how will our market respond/adjust?
- Sprinkler system upgrades: Cities are enforcing stricter guidelines on sprinkler systems, racking height, and overall use within industrial and flex properties. This has created confusion for both Landlords and Tenants within the market resulting in costly upgrades and in some cases loss of tenants due to outdated systems.
- Industrial spaces will continue to rent to traditional and non-traditional uses such as sports, entertainment, and office users that require higher parking ratios.
- Inventory for smaller warehouse/flex buildings for sale and lease with outside storage will continue to be a challenge.



THANK YOU!

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**CUSHMAN &
WAKEFIELD**

Iowa Commercial Advisors

#1 Market Share in
U.S. Industrial Leasing

Office

Adam Kaduce – R&R Realty Group



Trends in Commercial Office Space

Trends in Commercial Office Space

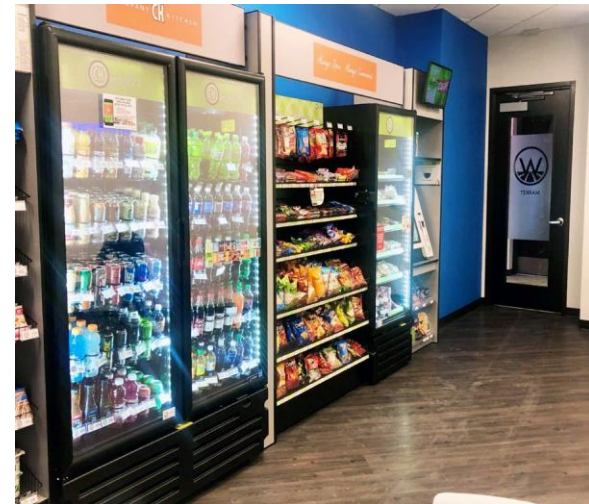
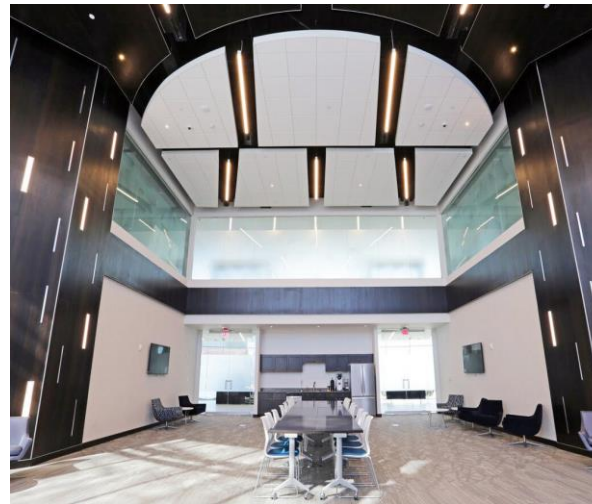
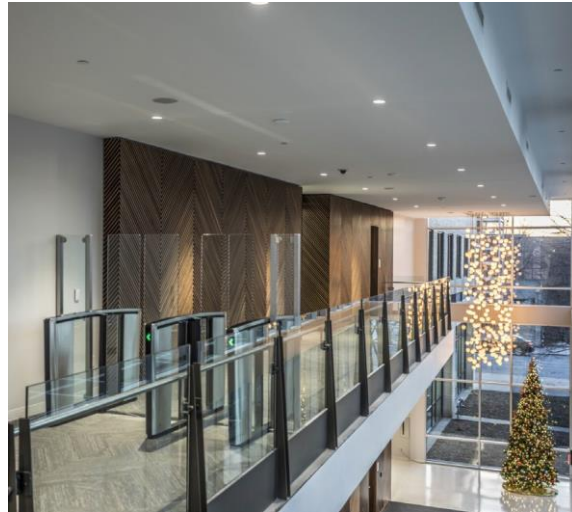
909 Locust



Westfield Campus



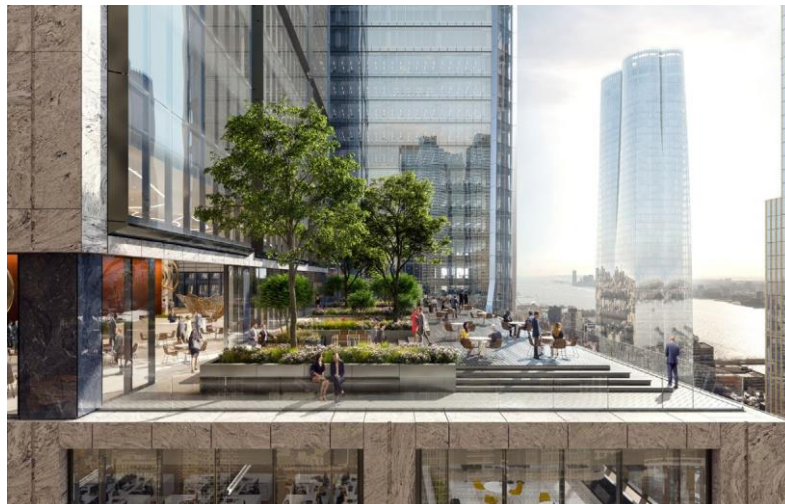
War for Amenities



30 Hudson Yards



30 Hudson Yards



Future Des Moines Projects

7300 Westown Pkwy



Encompass Building



Gray's Landing

Office Market Conditions

Western Suburbs

Vacancy Rate: 9.0%

- Class A: 6.8%
- Class B: 9.8%

Market Size: 7.8 Million SF

Largest Available Spaces:

- Regency West, Bldg. 8 – 100,000sf
 - 6400 Westown – 80,000sf
 - 7300 Westown – 58,000sf
 - 4445 Corporate Dr – 52,000sf

Central Business District

Vacancy Rate: 21.3%

- Class A: 28.9%
- Class B: 18.3%

Market Size: 5 Million SF

Largest Available Spaces:

- Financial Center – 200,000sf +
- Ruan Center – 200,000sf +
- Capitol Square – 150,000sf +
 - 801 Grand – 60,000sf +

Retail

Bill Wright – CBRE Hubbell Commercial



2020 IREM/CCIM Annual Market Forecast

► Des Moines *Retail*

February 4, 2020

CONSUMER CONFIDENCE DRIVES RETAIL SALES GROWTH

Availability Rate
6.1%

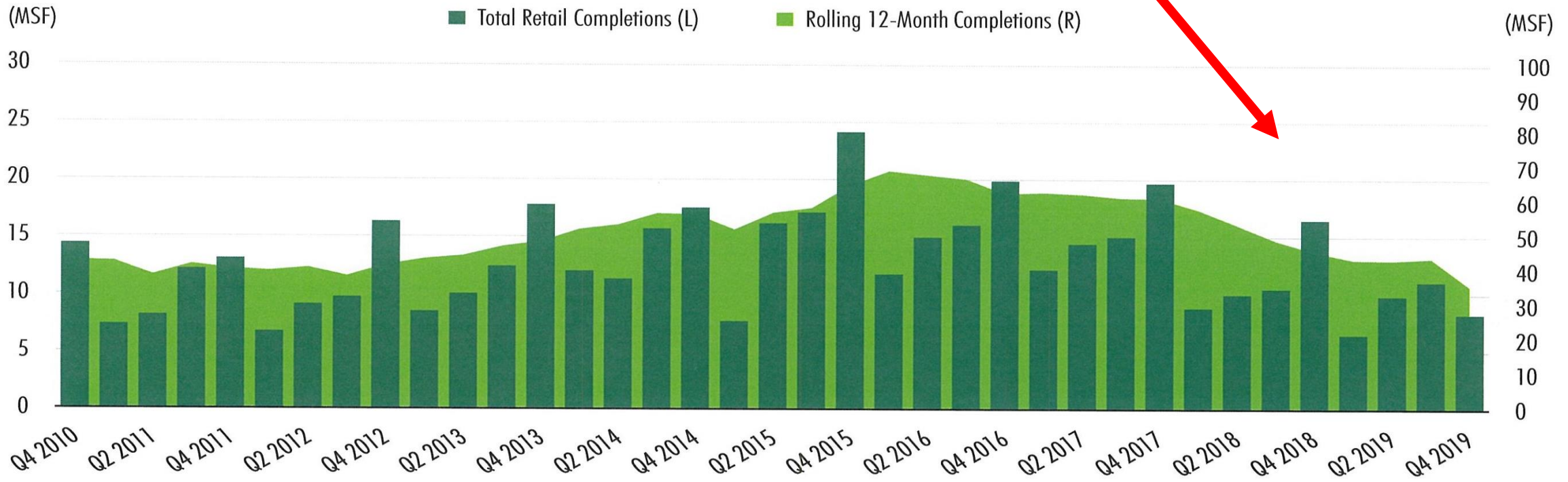
Net Absorption
9.9 MSF

Completions
8.3 MSF

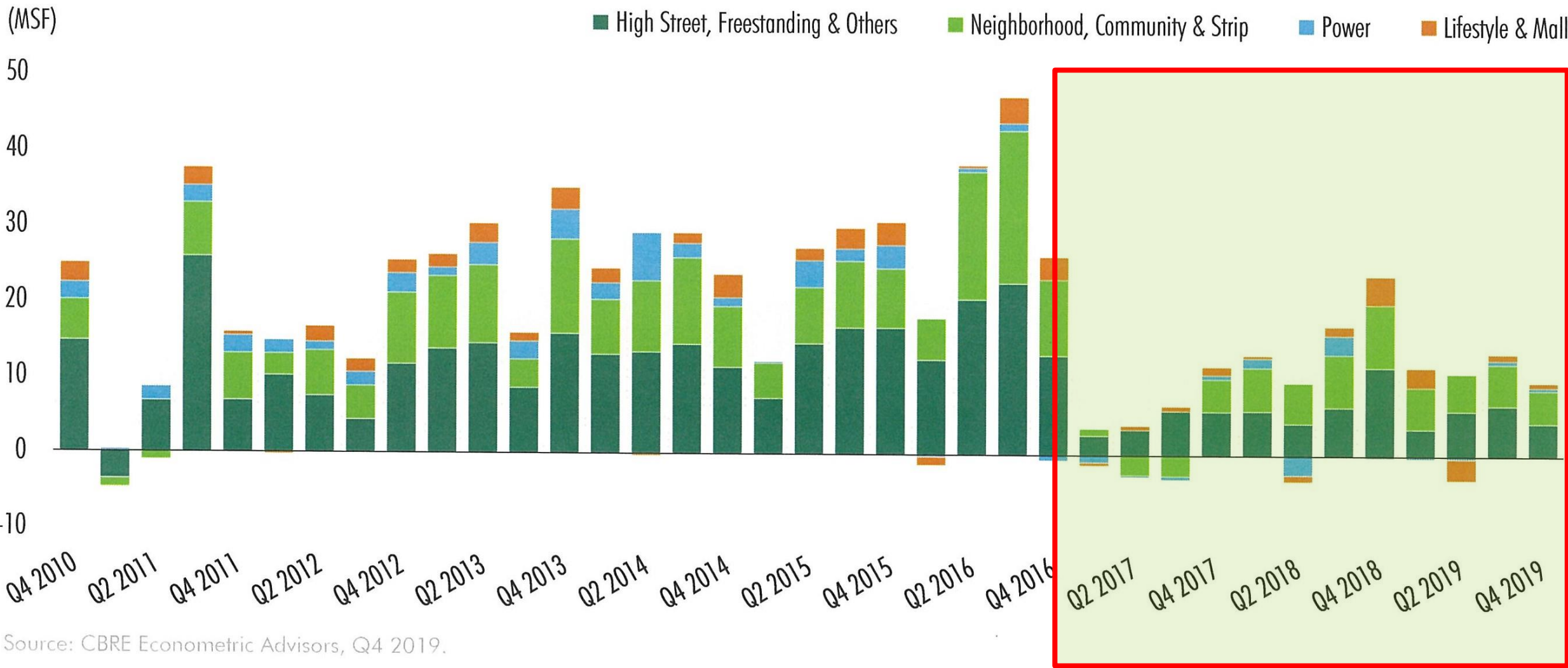
Net Asking Rent
\$17.71 PSF

Arrows indicate change from previous quarter.

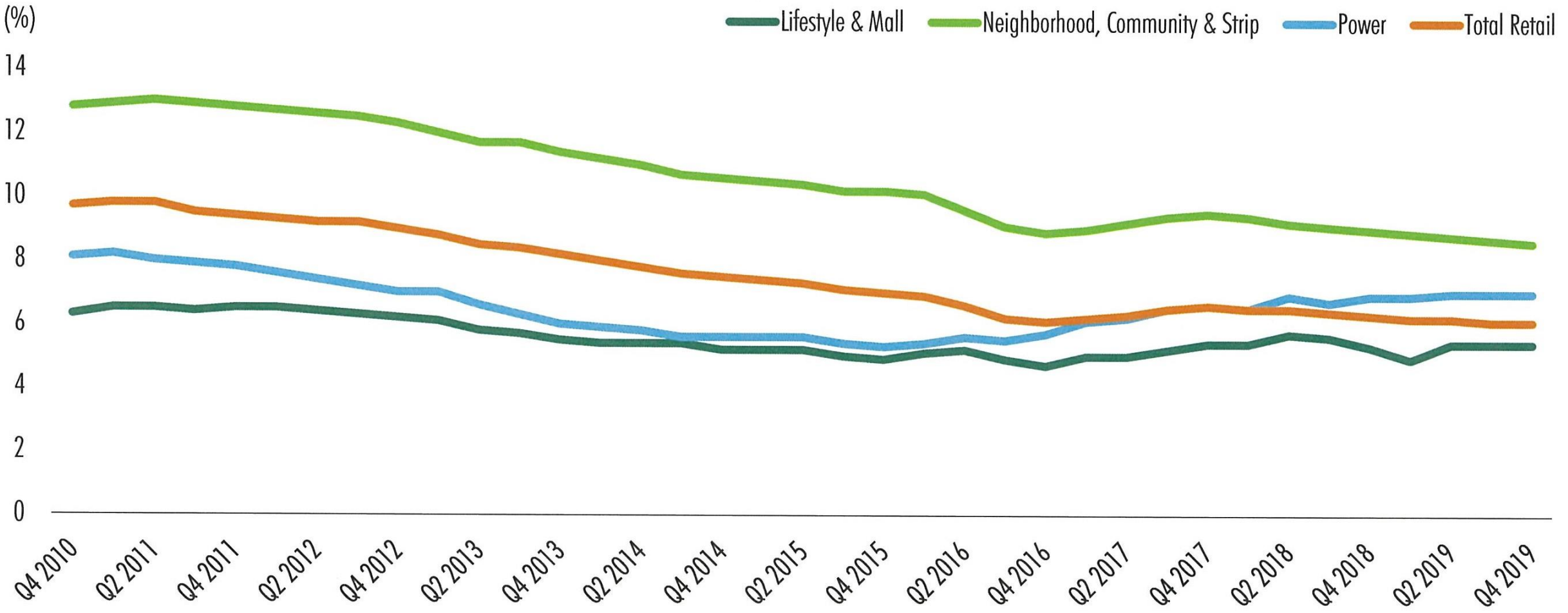
TOTAL RETAIL COMPLETIONS



ALL ASSET CLASSES RECORD POSITIVE NET ABSORPTION

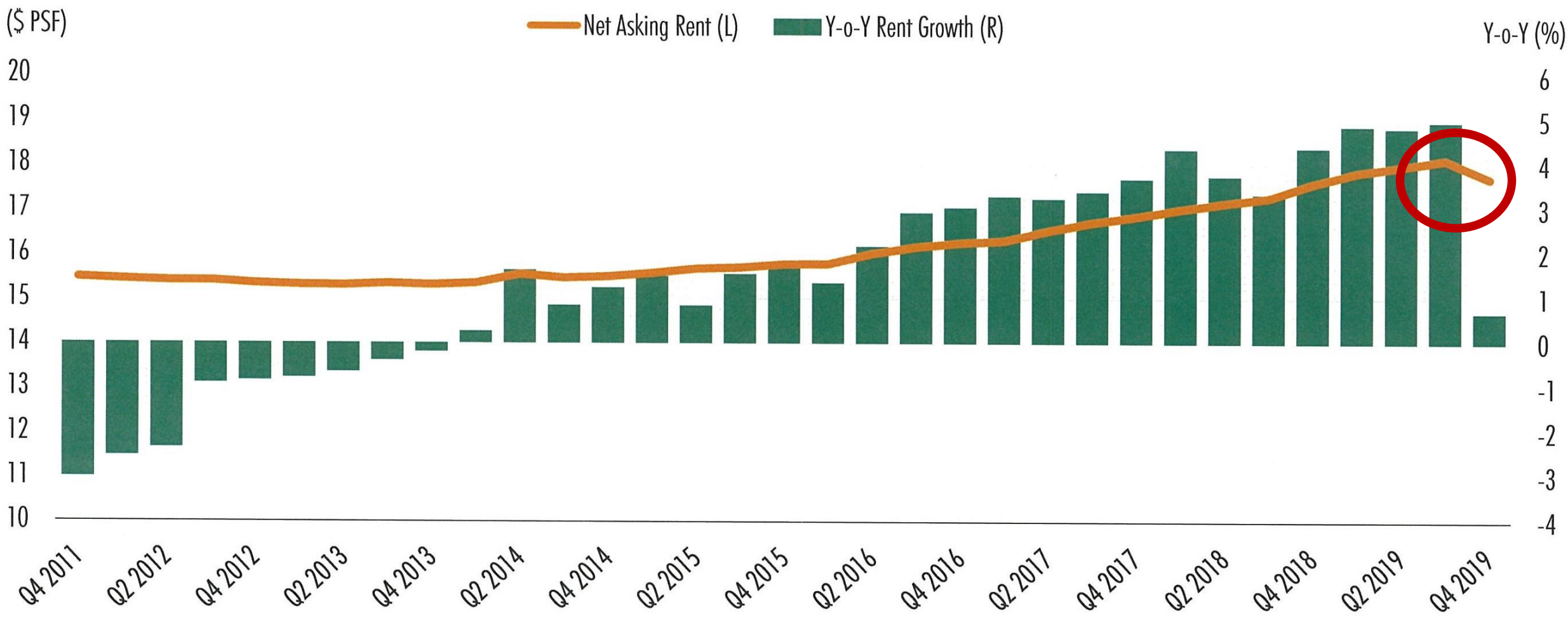


TOTAL RETAIL AVAILABILITY REMAINS UNCHANGED



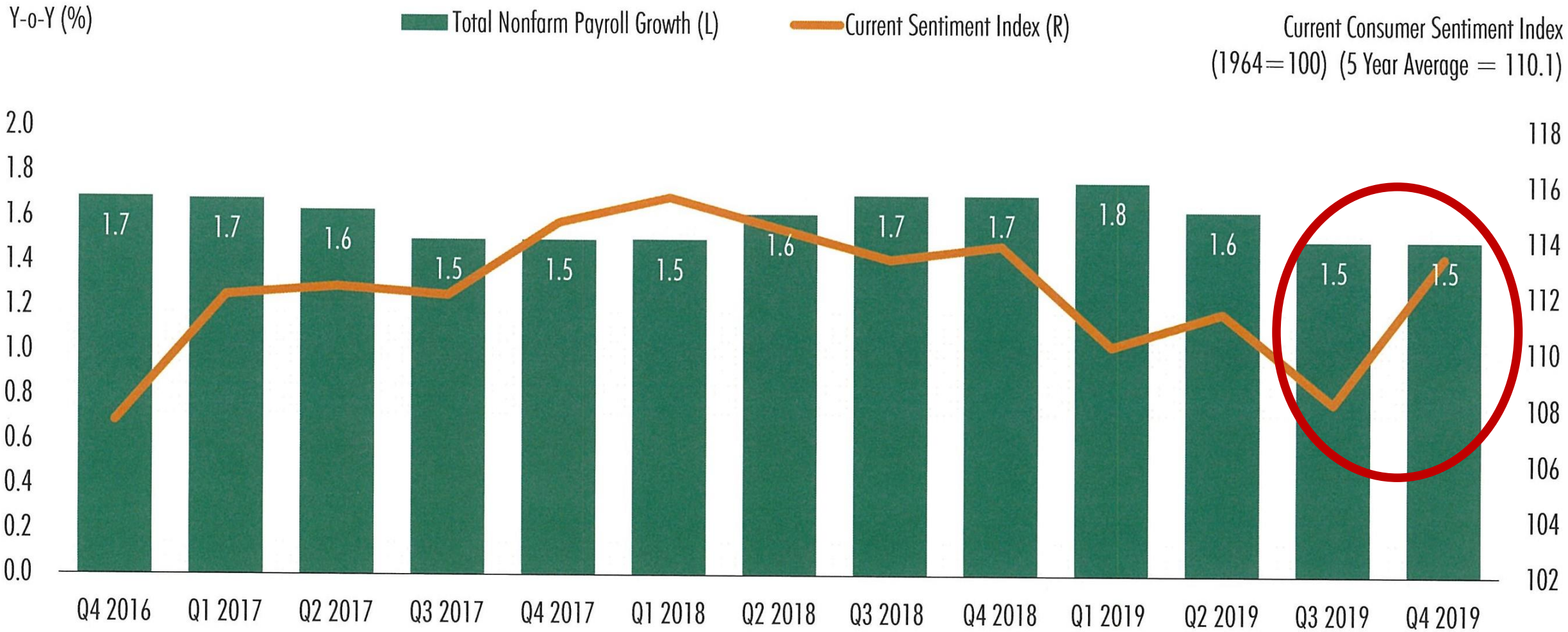
Source: CBRE Econometric Advisors, Q4 2019.

AVERAGE RETAIL NET ASKING RENT DECREASES



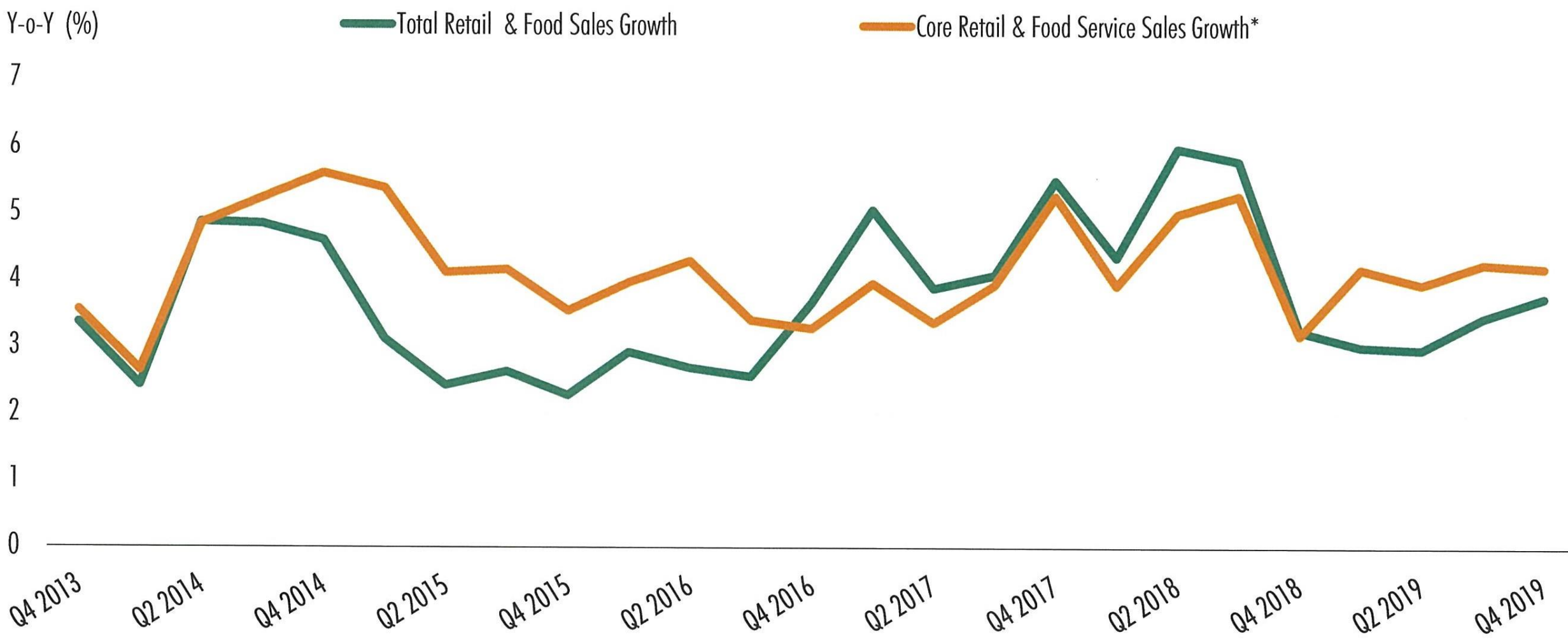
Source: CBRE Econometric Advisors, Q4 2019

CONSUMER SENTIMENT REBOUNDS



Source: University of Michigan, FRED, Q4 2019.

TOTAL RETAIL SALES GROWTH CONTINUES



Note: Sales figures are seasonally adjusted.

*Core Retail & Food Service Sales excludes gasoline stations and motor vehicle & parts dealers.

Source: U.S. Census Bureau, Q4 2019.

2019 Holiday Sales

- ▶ **+5.9%** Retail sales (minus motor vehicles and gasoline)
- ▶ **+19.2%** Online sales
- ▶ **+8.1%** Miscellaneous sales (florists, office supply store, stationery and gift, and used-merchandise stores)
- ▶ **+4.9%** Restaurant and drinking sales
- ▶ **+3.8%** Health and personal care sales
- ▶ **+2.2%** General merchandise sales
- ▶ **-0.7%** Electronic and Appliances
- ▶ **-5.5%** Department stores sales

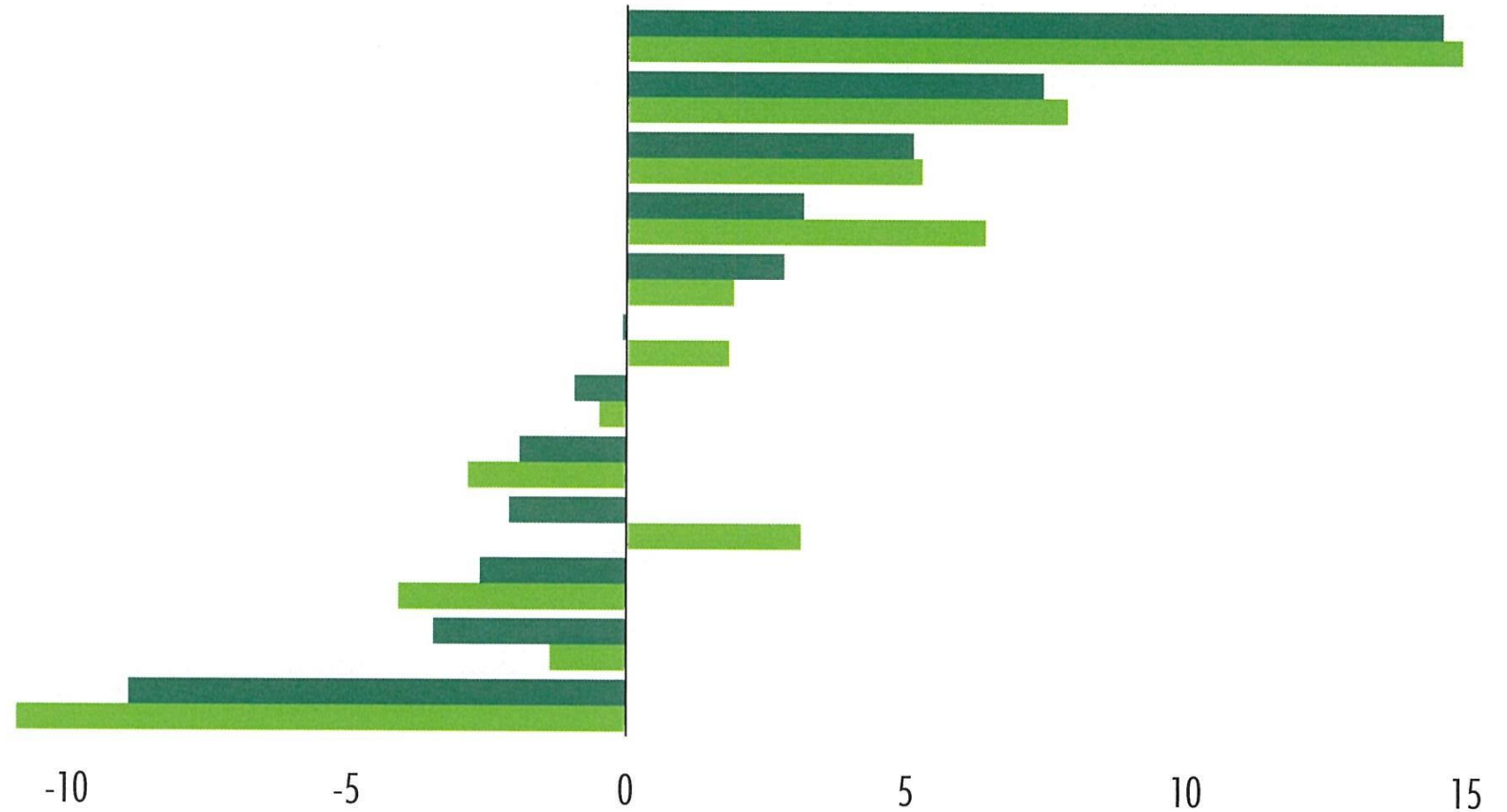
RETAIL SALES BY CATEGORY

Y-o-Y (%)

Nonstore Retailers
Food Services & Drinking Places
Grocery Stores
Miscellaneous Store Retailers
Health & Personal Care Stores
Gasoline Stations
Electronics & Appliance Stores
Clothing & Clothing Access. Stores
Sporting Goods, Hobby, Book & Music Stores
Building Mat. & Garden Equip. & Supplies Dealers
Furniture & Home Furn. Stores
Department Stores

-15

Rolling 4-Quarters Q4 2019



Source: U.S. Census Bureau, Q4 2019.



Industry Insights

January 15, 2020

Retail Real Estate Transformed

*How the Emergence of Services Has Changed
Tenant Mixes and Reshaped Shopping Centers*

Table 1

Number of Retail and Service Establishments (2002-2017)

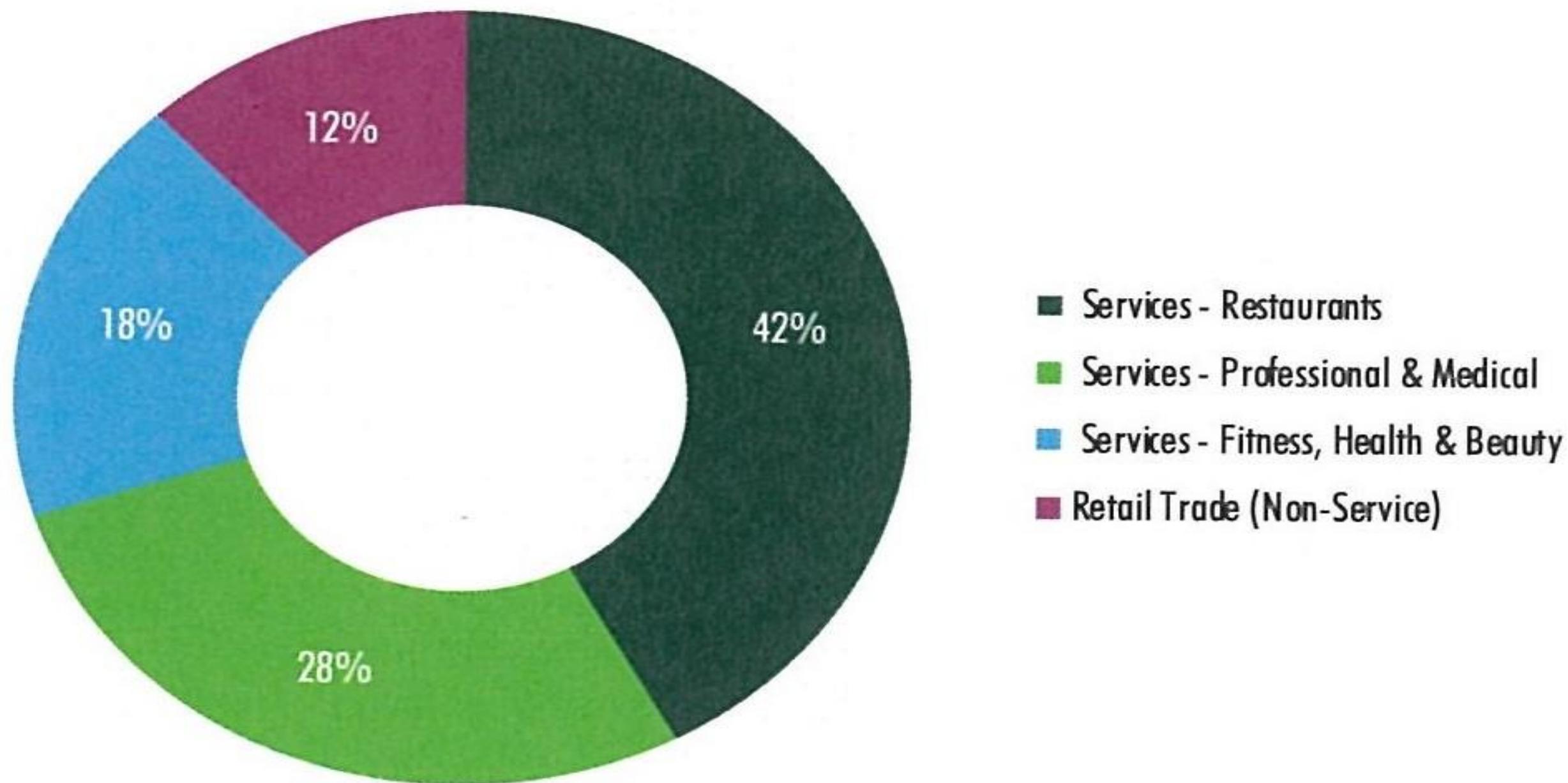
Economic Census Release Years	Number of Establishments			Share	
	Retail*	Services**	Combined Retail and Services	Retail	Services
2002	1,114,637	980,698	2,095,335	53.2%	46.8%
2007	1,128,112	1,055,371	2,183,483	51.7%	48.3%
2012	1,062,083	1,072,050	2,134,133	49.8%	50.2%
2017	1,064,210	1,182,025	2,246,235	47.4%	52.6%

Table 2
Number of Establishments, 2002 and 2017 Comparison

	2002	2017	Difference
Retail Trade	1,114,637	1,064,210	-50,427
Motor vehicle and parts dealers	125,139	118,632	-6,507
Furniture and home furnishings stores	65,204	50,662	-14,542
Electronics and appliance stores	46,779	30,407	-16,372
Building material and garden equipment and supplies dealers	88,314	75,103	-13,211
Food-and-beverage stores	148,804	150,334	1,530
Health and personal care stores	81,797	95,072	13,275
Gasoline stations	121,446	115,143	-6,303
Clothing and clothing accessories stores	149,810	143,261	-6,549
Sporting goods, hobby, book, and music stores	62,236	45,001	-17,235
General merchandise stores	40,723	53,794	13,071
Miscellaneous store retailers	129,464	108,930	-20,534
Non-store retailers	54,921	77,871	22,950

Source: U.S. Census Bureau

Figure 1: Retail Leasing Activity By Industry Sector





Case Study

Apple Valley, Windsor Heights

Restaurants	Service	Retail
Sweet Swirls	MidWest One Bank	Taspen's
Marco's Pizza	MedPharm	Trusty Market
Eileen's Cookies	Salon Services	Mediterranean Market
Bubble Tea	Davita Kidney	
Kathmandu	Chiropractor	

Neighborhood & Community Centers Market Statistics

Submarket	Market Rentable Area (SF)	Vacant (SF)	Vacancy Rate	Net Absorption (SF)
Western Suburbs	2,317,196	156,637	6.8%	1,918
CBD	410,621	41,515	10.1%	(3,992)
Northwest	71,887	14,418	20.1%	0
Northeast	683,474	24,134	3.5%	(2,256)
South	727,432	128,367	17.7%	(1,390)
Ankeny	442,759	36,070	8.1%	(2,227)
Greater Des Moines Total	4,653,369	401,141	8.6%	(7,947)

Robust Investment Sales



University Park, Clive
110,625 SF - \$38 PSF



Interstate Plaza, DM
109,143 SF - \$57 PSF



Westowne Center, WDM
180,412 SF - \$88 PSF



Normandy Plaza, WDM
52,502 SF - \$106 PSF



Water Tower Place
278,679 SF - \$183 PSF



National Market Outlook

- ▶ Retail Sales Growth will slow in 2020. A cautious consumer due to political uncertainty, economic uncertainty, lack of affordable housing, and US/China trade conflict.
- ▶ Absorption will remain positive with a lack of new supply and new store openings outpacing store closings.
- ▶ Malls begin to benefit from Generation Z (born between 1997 and 2010) who are showing signs of preferring to shop in brick & mortar stores. Gen Z is seeking a seamless experience where purchases originated online are fulfilled in-store.
- ▶ Conversion of retail assets to mixed use.

Greater Des Moines Market Outlook

- ▶ New Construction will be primarily Build-to-Suit (BTS) activity and small neighborhood and community centers in pockets with a high demand for services.
- ▶ Leasing activity in multi-tenant shopping centers will be flat.
- ▶ Lease Rates will continue to be strong for premium locations while rates will be flat to slightly declining for Class B and C centers.
- ▶ Slowdown in new restaurants and fitness centers.
- ▶ Hot corridors will continue to include Jordan Creek Town Center, Waukee/Hickman Road, East Village, Grimes, and Ankeny.

Retail Market *Headwinds*

- ▶ Labor Pool. 2.5% unemployment.
- ▶ Land Costs.
- ▶ Rising Construction Costs. May lead to increased focus on redevelopment and repurpose.
- ▶ Des Moines Road Infrastructure.
- ▶ Service users looking to develop and own their own facilities.

Opening New Stores



Continuing
Education
Credits?
Make sure
you “signed
in”

