

FIGURES | DES MOINES INDUSTRIAL | Q1 2024

# Des Moines industrial market posts positive absorption to start off 2024

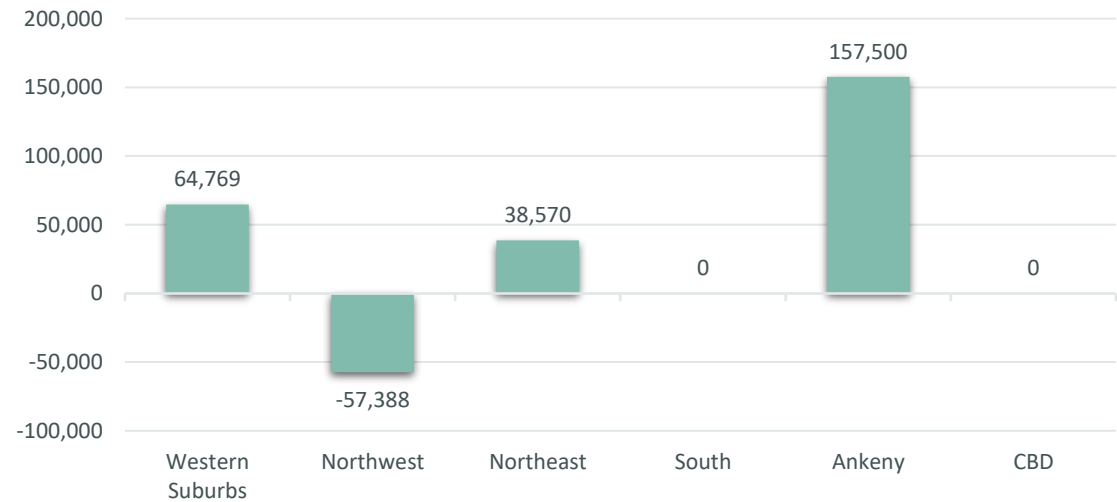


Note: Arrows indicate change from previous quarter.

### Overview

- Overall warehouse & distribution vacancy rates decreased 40 basis points (7.9% to 7.5%) quarter-over-quarter. The overall warehouse & distribution vacancy rate of 7.5% represents a 210 basis points (bps) increase year-over-year (5.4% to 7.5%).
- The Des Moines industrial market had a total of 203,451 sq. ft. of positive absorption in Q1 2024. Three of the six submarkets recorded positive absorption quarter-over-quarter, with the Ankeny submarket accounting for over 75% of positive absorption. (Figure 1)
- The overall market average asking lease rate was \$6.15 NNN at the end of Q1 2024. Average asking lease rates increased 3.3% year-over-year (\$5.95 NNN to \$6.15 NNN)
- No new supply was delivered in Q1 2024 and no new projects broke ground in the quarter. As a result, just over 760K sq. ft. of space remained under construction at the end of Q1 2024.

FIGURE 1: Overall Net Absorption (SF) by Submarket Quarterly



Source: CBRE

Construction

No properties delivered in the first quarter of 2024. As anticipated, construction activity in the market has declined since the record year of deliveries recorded in 2023. Currently, there are three industrial projects under construction across the market totaling just over 760K sq. ft. (Figure 2) All three projects are located in the Western Suburbs and scheduled to deliver this year.

Leasing Activity

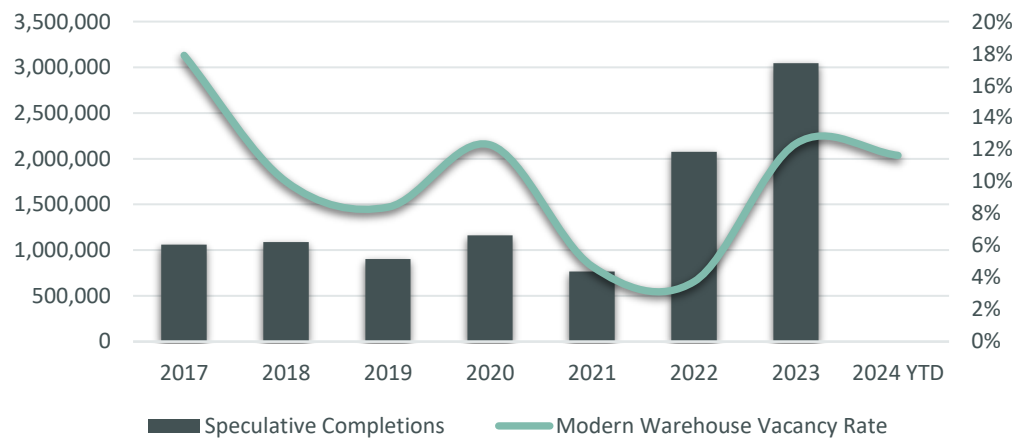
Although positive absorption was recorded in Q1 2024, leasing saw a slight decrease in activity. Leasing activity came in at just over 436,000 sq. ft. during the quarter, a decline of approximately 16,000 sq. ft. quarter-over-quarter and 400,000 sq. ft. decline year-over-year. In the Ankeny submarket, Amazon signed the largest lease of the quarter (157,500 sq. ft.) at 6910 SE Four Mile Dr which accounted for over 75% of positive absorption. The Northeast & Western Suburbs submarkets accounted for the rest of the positive absorption recorded during the quarter.

FIGURE 2 : Construction Pipeline

Under Construction	Size (SF)	Address	City	Submarket	Est. Delivery
Prairie Tower I	234,348	4800 NW 128 <sup>th</sup> St.	Urbandale	Western Suburbs	2024
Urban Loop Commerce Center I	450,686	NW 128 <sup>th</sup> St & Meredith Dr.	Urbandale	Western Suburbs	Q2, 2024
South Branch Flex Warehouse I	76,800	4210 SE Army Post Rd	West Des Moines	Western Suburbs	Q2, 2024

[Click Here for Interactive Map](#)

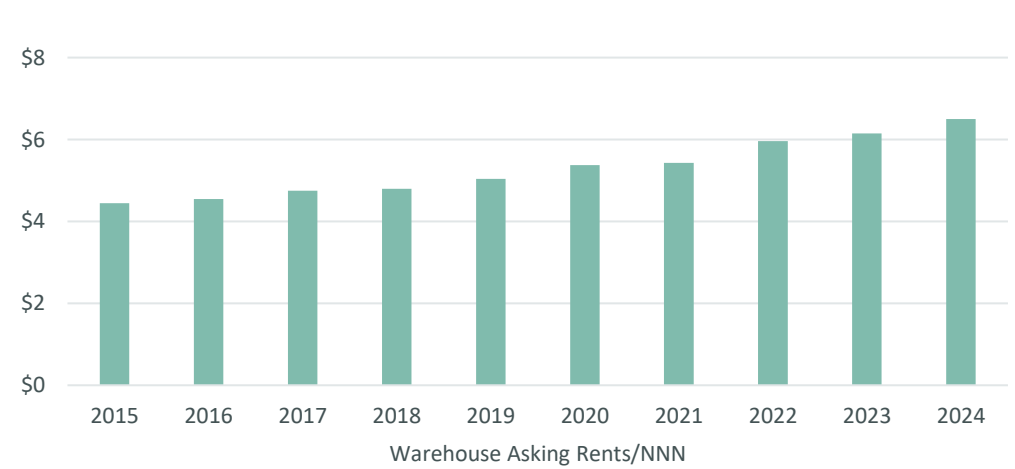
FIGURE 3 : Warehouse & Distribution Completions (SF) & Vacancy Rate



Modern Warehouse: Built in 1990 or later with 24’ or higher clear height

Source: CBRE

FIGURE 4 : Historical Rent Growth (\$/SF/NNN)



Source: CBRE

Warehouse & Distribution Statistics

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Q1 Net Absorption (SF)	Under Construction (Spec.) (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr.)
Western Suburbs	12,183,081	559,612	4.59%	8,000	685,034	\$6.25
CBD	594,479	4,691	0.79%	0	0	\$6.00
Northwest	3,865,010	108,080	2.80%	0	0	\$6.25
Northeast	17,737,235	1,983,309	11.18%	10,000	0	\$6.25
South	4,258,016	208,628	4.90%	0	0	\$5.25
Ankeny	5,211,314	543,617	8.70%	157,500	0	\$6.25
Greater DSM	43,849,135	3,317,937	7.57%	175,500	685,034	\$6.15

Modern Bulk Warehouse & Distribution Statistics

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Q1 Net Absorption (SF)	Under Construction (Spec.) (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr.)
Western Suburbs	5,548,196	584,112	10.53%	0	685,034	\$6.50
CBD	0	0	0.0%	0	0	\$0.00
Northwest	2,085,427	20,000	0.96%	0	0	\$6.25
Northeast	8,915,145	1,474,947	16.54%	0	0	\$6.25
South	720,834	0	0.0%	0	0	\$5.25
Ankeny	3,969,432	392,956	9.90%	157,500	0	\$6.50
Greater DSM	21,239,034	2,472,015	11.64%	157,500	685,034	\$6.50

Manufacturing Statistics

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Q1 Net Absorption (SF)	Under Construction (Spec.) (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr.)
Western Suburbs	1,882,576	0	0.0%	0	0	\$6.30
CBD	0	0	0.0%	0	0	\$0.00
Northwest	2,346,399	57,388	2.45%	(57,388)	0	\$5.50
Northeast	3,779,644	74,400	1.97%	0	0	\$7.00
South	963,057	0	0	0	0	\$4.75
Ankeny	2,932,101	0	0.0%	0	0	\$7.00
Greater DSM	11,903,777	131,788	1.11%	(57,388)	0	\$6.30

Flex Statistics

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Q1 Net Absorption (SF)	Under Construction (Spec.) (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr.)
Western Suburbs	5,349,447	369,814	6.91%	56,769	76,800	\$9.66
CBD	327,856	10,980	3.35%	0	0	\$9.00
Northwest	823,617	13,985	1.70%	0	0	\$8.97
Northeast	3,430,884	127,577	3.72%	28,570	0	\$9.68
South	351,129	21,600	6.15%	0	0	\$8.44
Ankeny	792,301	33,574	4.24%	0	0	\$10.15
Greater DSM	11,075,234	577,530	5.21%	85,339	76,800	\$9.50

Economic Outlook

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

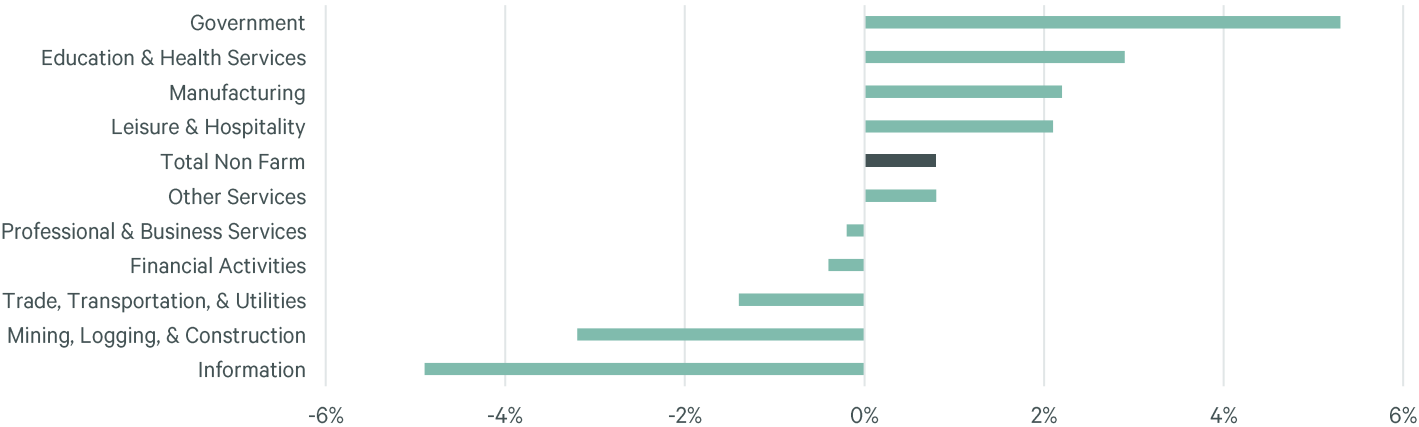
More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is actually delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

▲ 376,286  
Labor Force

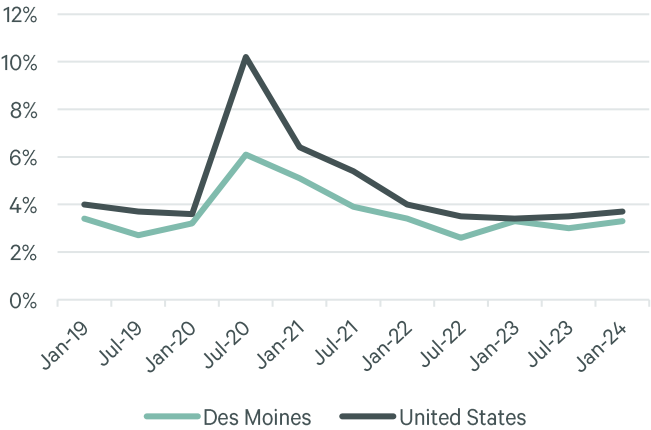
▲ 3.3%  
Unemployment Rate

Figure 5: Employment Growth by Industry, 12-Month Percent Change



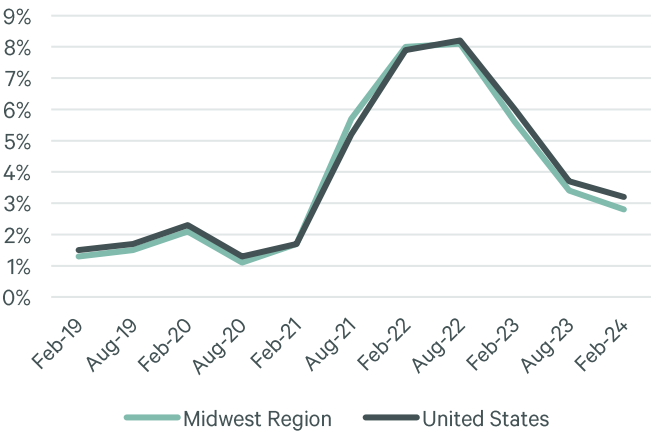
Source: BLS

Figure 6: Unemployment Rate

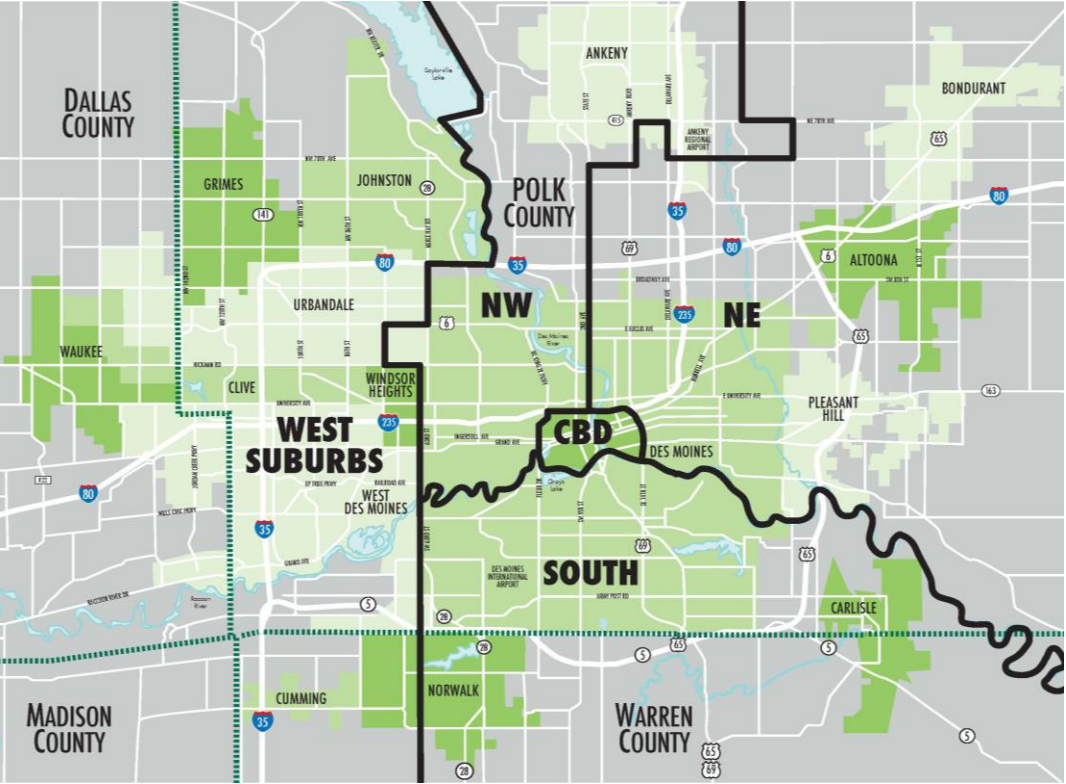


Source: BLS

Figure 7: Consumer Price Index, 12-Month Percent Change



Source: BLS



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size. Buildings under construction includes buildings which have begun development beyond initial site work.

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