

FIGURES | DES MOINES INDUSTRIAL | Q4 2024

Vacancy decreases as speculative development slows at year-end

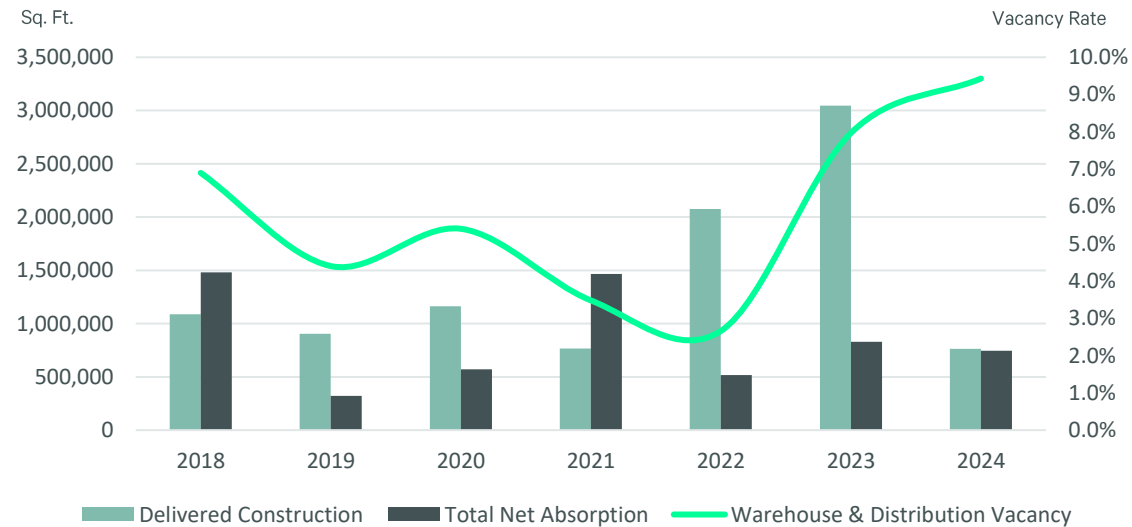


Note: Arrows indicate change from previous quarter.

Summary

- Overall warehouse & distribution vacancy rates decreased 80 basis points (10.2% to 9.4%) quarter-over-quarter. The overall warehouse and distribution vacancy rate of 9.4% represents a 190 basis points increase since the beginning of Q1 2024 (7.5% to 9.4%), a result of over 760,000 sq. ft. of speculative product delivering throughout the year with almost 90% of that space remaining vacant.
- A relatively strong Q4 brought the Des Moines industrial market overall net absorption to 745,242 sq. ft. on the year. Warehouse & distribution and flex property types accounted for over 90% of the total with five of the six submarkets recording positive absorption on the year (Figure 2).
- The modern bulk warehouse & distribution vacancy rate decreased 100 basis points (16.1% to 15.1%) quarter-over-quarter but increased 350 basis points (11.6% to 15.1%) throughout the year.
- Flex product vacancy decreased 170 basis points (5.1% to 3.4%) quarter-over-quarter.

FIGURE 1: Des Moines Industrial Market (Annual)



Source: CBRE

Net Absorption

Net absorption recorded positive 509,606 sq. ft. for the quarter, bringing the year-to-date net absorption to positive 745, 242 sq. ft. The Northeast and Ankeny submarkets recorded the most activity throughout the year, accounting for nearly 90% of total absorption. (Figure 2)

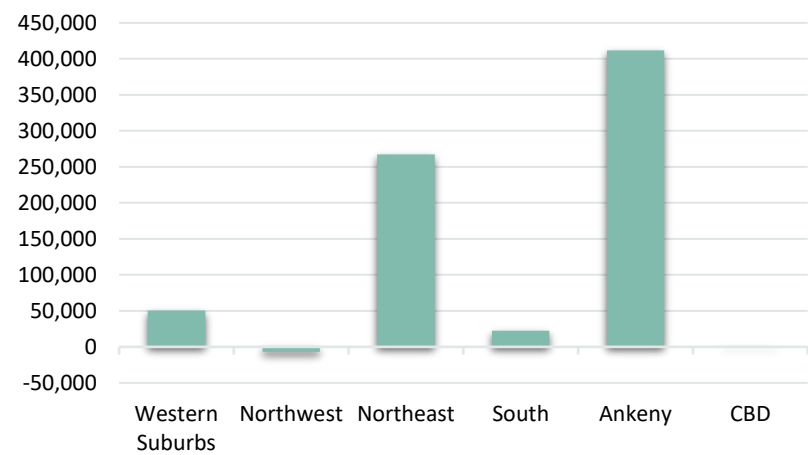
Leasing Activity

Leasing activity had a strong quarter to end the year. Leasing activity came in at just under 550,000 sq. ft. during the quarter, an increase of approximately 273,000 sq. ft. quarter-over-quarter. 20 leases were signed in Q4 with an average size of 27,465 sq. ft.

Construction

Speculative development continued to remain on pause in the fourth quarter. Record amounts of speculative product have delivered to the market in the past 24 months causing the markets overall vacancy rate to rise. Much of this speculative space remains vacant and is located in the Western Suburbs and Northeast submarkets. (Figure 5)

FIGURE 2: Net Absorption (SF) by Submarket (Annual)



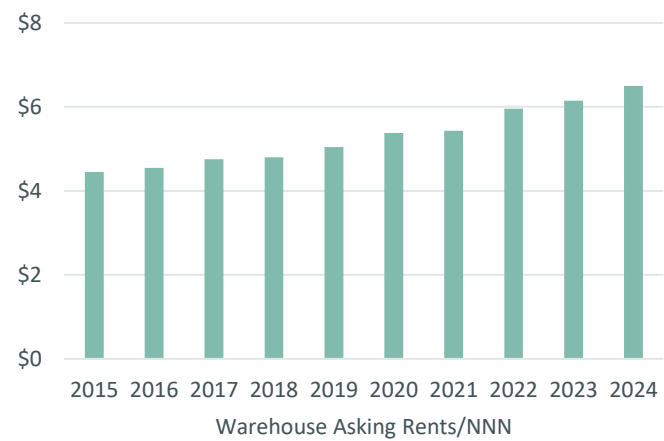
Source: CBRE

FIGURE 3: Q4 Notable Transactions

User	Size (SF)	Type	Address	Submarket
Excell Marketing	175,000	New Lease	4950 NE 29 th St, Des Moines	Northeast
Confidential	76,800	New Lease	3075 SE 42 nd St, West Des Moines	Western Suburbs
Red Boot	60,000	New Lease	1477 NE 67 Pl, Des Moines	Northwest
Summit Fire Protection	22,500	New Lease	1400 SE 19 th St, Grimes	Western Suburbs
72 Degrees	22,354	New Lease	1202 Thomas Beck Rd, Des Moines	South
ReVamp Companies	17,500	New Lease	2400 SE Enterprise Dr, Grimes	Western Suburbs

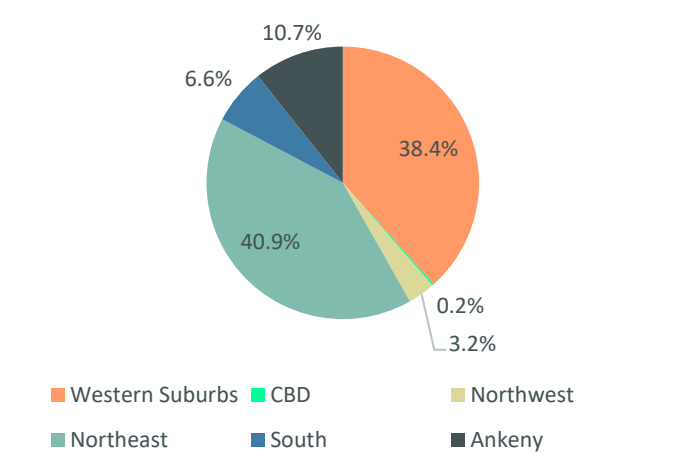
Source: CBRE

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



Source: CBRE

FIGURE 5: Vacant Space (%) by Submarket



Source: CBRE

Warehouse & Distribution Statistics

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Q4 Net Absorption (SF)	Under Construction (Spec.) (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr.)
Western Suburbs	12,867,767	1,641,717	12.76%	30,000	0	\$6.25
CBD	594,479	0	0.0%	0	0	\$6.00
Northwest	3,865,010	72,780	1.88%	20,300	0	\$6.25
Northeast	17,737,235	1,815,219	10.23%	247,333	0	\$6.25
South	4,258,016	186,274	4.37%	22,354	0	\$5.25
Ankeny	5,211,314	483,236	9.27%	0	0	\$6.25
Greater DSM	44,533,821	4,199,226	9.43%	319,987	0	\$6.15

Modern Bulk Warehouse & Distribution Statistics

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Q4 Net Absorption (SF)	Under Construction (Spec.) (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr.)
Western Suburbs	6,331,421	1,446,901	22.85%	30,000	0	\$6.50
CBD	0	0	0.0%	0	0	\$0.00
Northwest	2,085,427	20,000	0.96%	60,000	0	\$6.25
Northeast	8,915,145	1,436,247	16.11%	175,000	0	\$6.25
South	720,834	0	0.0%	0	0	\$5.75
Ankeny	3,969,432	432,356	10.89%	0	0	\$6.50
Greater DSM	22,022,259	3,335,504	15.15%	265,000	0	\$6.50

Manufacturing Statistics

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Q4 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%	0	0	\$5.50
Northeast	3,779,644	70,660	1.87%	0	0	\$7.00
South	963,057	110,000	11.42%	0	0	\$4.75
Ankeny	2,932,101	0	0.0%	0	0	\$7.00
Greater DSM	11,903,777	238,048	2.00%	0	0	\$6.30

Flex Statistics

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Q4 Net Absorption (SF)	Under Construction (Spec.) (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr.)
Western Suburbs	5,426,247	210,485	3.88%	126,657	0	\$9.66
CBD	327,856	10,234	3.12%	7,501	0	\$9.00
Northwest	826,617	25,183	3.05%	0	0	\$8.97
Northeast	3,538,857	90,389	2.55%	50,141	0	\$9.68
South	478,299	21,600	4.52%	0	0	\$8.44
Ankeny	792,301	32,896	4.15%	5,320	0	\$10.15
Greater DSM	11,390,177	390,787	3.43%	189,619	0	\$9.50

Economic Outlook

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

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373,300

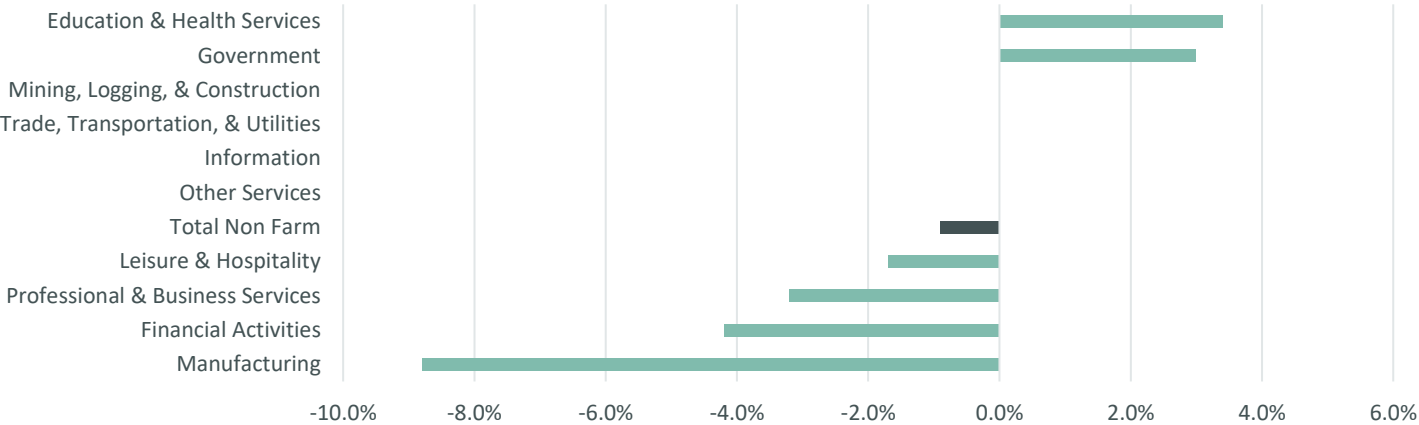
Labor Force

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3.2%

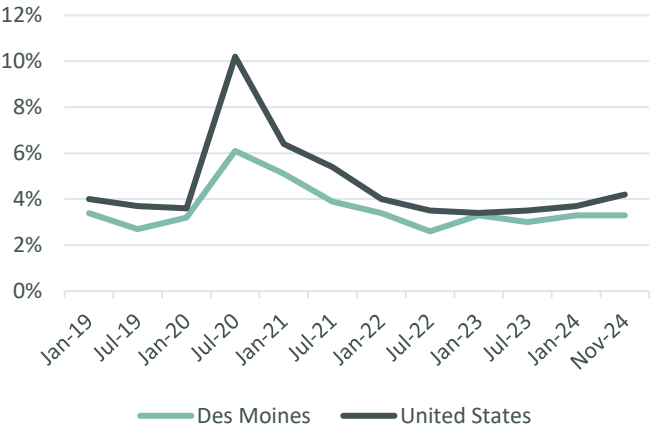
Unemployment Rate

Figure 6: Employment Growth by Industry, 12-Month Percent Change



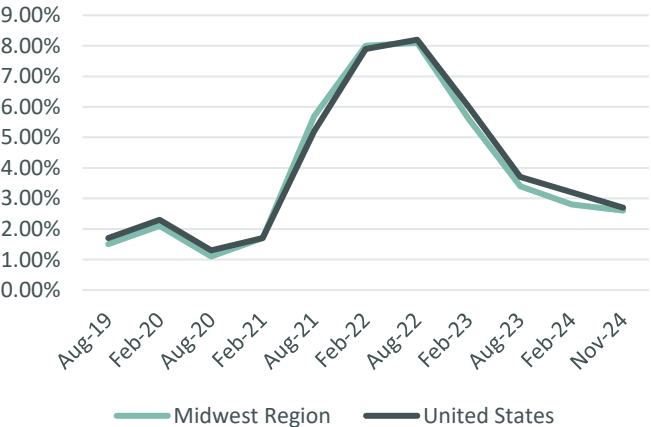
Source: BLS

Figure 7: Unemployment Rate

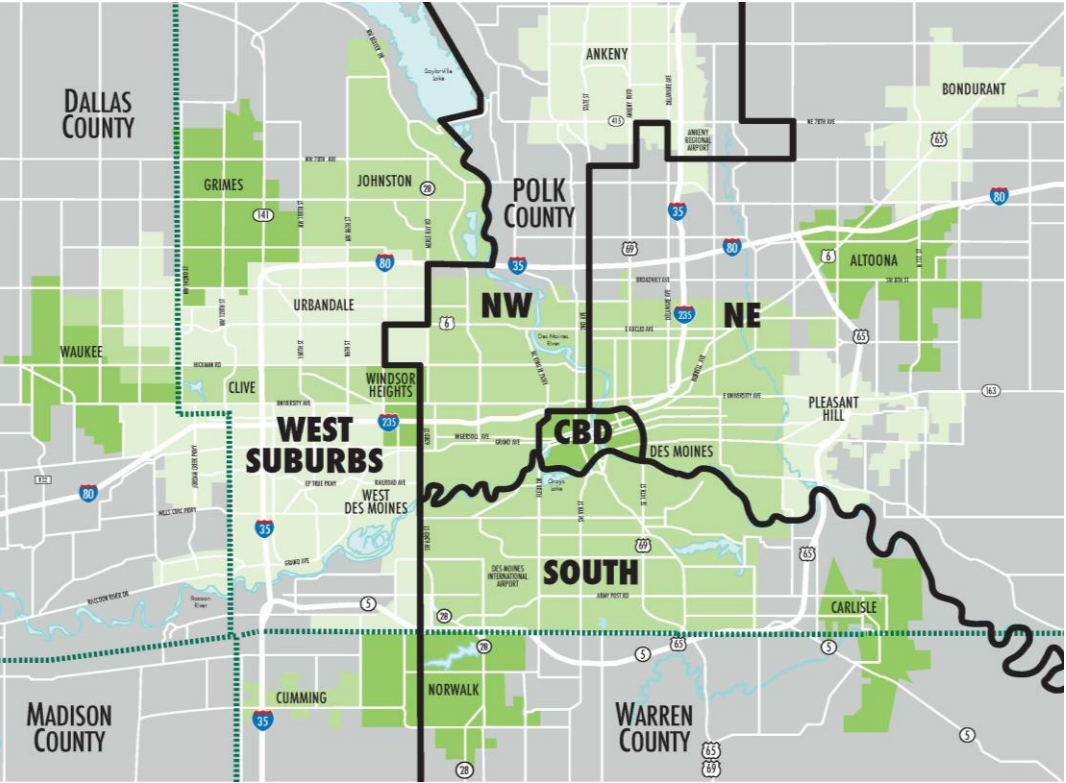


Source: BLS

Figure 8: 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.

Contact

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