

FIGURES | DES MOINES INDUSTRIAL | Q3 2024

# Des Moines industrial market posts positive absorption in Q3 2024

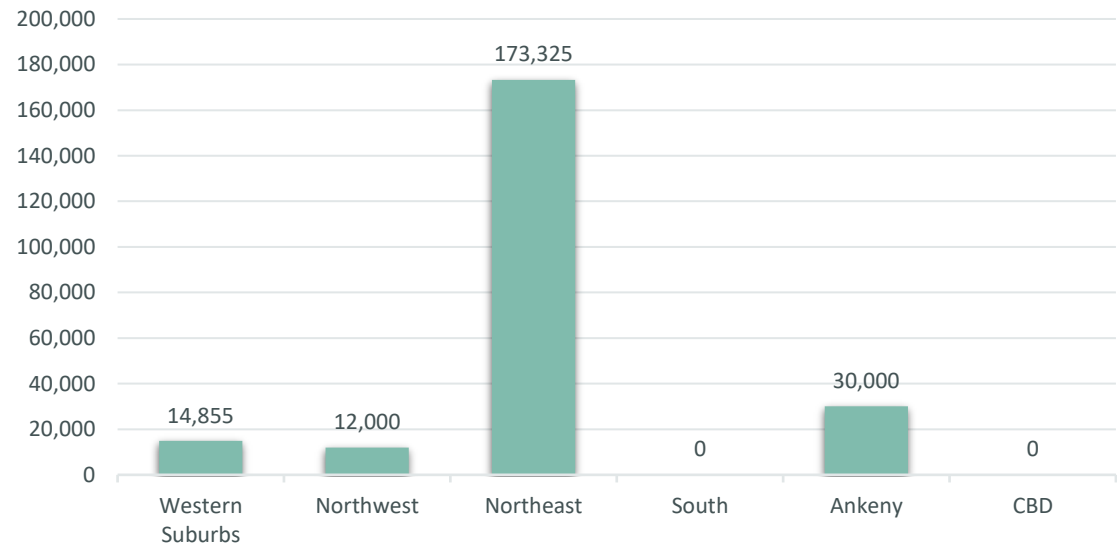


Note: Arrows indicate change from previous quarter.

### Summary

- Overall warehouse & distribution vacancy rates decreased 40 basis points (10.6% to 10.2%) quarter-over-quarter. Primarily driven by positive absorption in the Northeast submarket paired with low levels of new deliveries.
- The Des Moines industrial market had a total of 230,180 sq. ft. of positive absorption in Q3 2024. Four of the six submarkets recorded positive absorption quarter-over-quarter, with the Northeast submarket accounting for 75% of that positive absorption. (Figure 1)
- The overall market average asking lease rate remained flat at \$6.15 NNN at the end of Q3 2024. Average asking lease rates increased 2.7% year-over-year (\$5.99 NNN to \$6.15 NNN)
- The overall modern bulk warehouse & distribution vacancy rate decreased 47 basis points (16.55% to 16.08%) quarter-over-quarter.
- Flex product vacancy decreased 52 basis points (5.62% to 5.10%) quarter-over-quarter.

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



Source: CBRE

Net Absorption

Absorption dynamics in the Des Moines market shifted in Q3 2024. While the previous quarter posted 197,995 sq. ft. of negative absorption, this quarter recorded over 230,000 sq. ft. of positive absorption, bringing the year-to-date absorption to 235,636 sq. ft.

Record amounts of speculative product have delivered to the market in the past 24 months placing upward pressure on the markets overall vacancy rate. Much of this speculative space remains vacant and is located in the Western Suburbs and Northeast submarkets. (Figure 5)

Leasing Activity

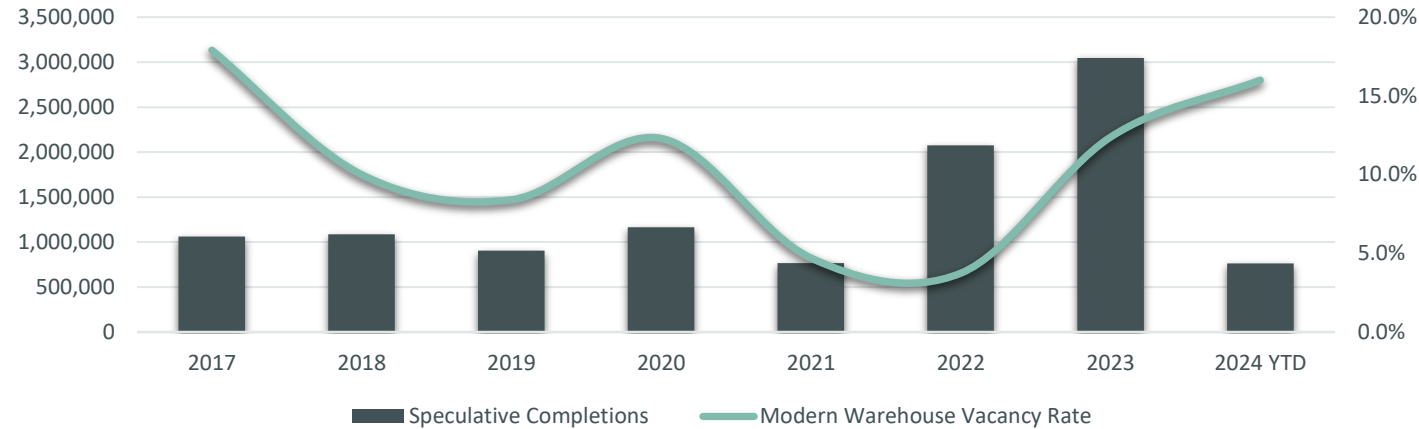
Leasing saw a slight decrease in activity during Q3 2024. Leasing activity came in at just over 277,000 sq. ft. during the quarter, a decline of approximately 118,000 sq. ft. quarter-over-quarter. The largest lease in the quarter was Baker Group taking 75,000 sq. ft. at the Anderson Warehouse in Altoona (2770 21<sup>st</sup> St NW). Followed by Weitz Supply signing a new lease for 28,380 sq. ft. at 1708 Delaware Ave, Des Moines. Both leases occurred in the Northeast submarket. (Figure 2)

FIGURE 2: Notable Transactions

Transaction Type	Tenant/Buyer	Address	Size (SF)	Submarket
New Lease	Baker Group	2770 21 <sup>st</sup> St NW, Altoona	75,000	Northeast
Renewal	Ignit	200 SE 37 <sup>th</sup> St, Grimes	62,500	Western Suburbs
New Lease	Weitz Supply	1708 Delaware Ave, Des Moines	28,380	Northeast
Sale	Block Real Estate	2220 20 <sup>th</sup> Ave NW, Altoona	314,940	Northeast
Sale	PAC West Diversified Lp	6910 SE Four Mile Dr, Ankeny	157,500	Ankeny

Source: CBRE

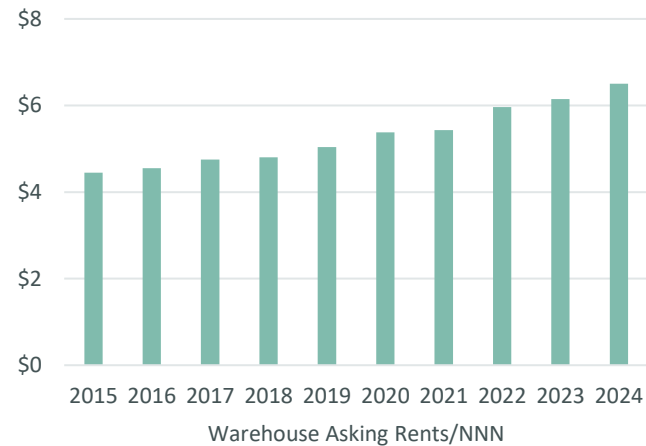
FIGURE 3: Warehouse & Distribution Completions (SF) & Vacancy Rate



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

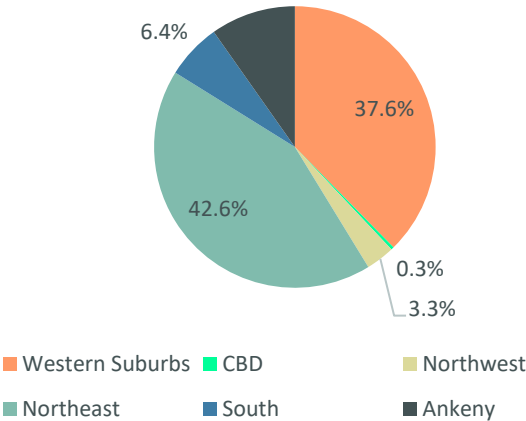
Source: CBRE

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



Source: CBRE

FIGURE 5: Vacant Space (%) by Submarket



Source: CBRE

Warehouse & Distribution Statistics

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Q3 Net Absorption (SF)	Under Construction (Spec.) (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr.)
Western Suburbs	12,867,767	1,671,717	12.99%	0	0	\$6.25
CBD	594,479	0	0.0%	0	0	\$6.00
Northwest	3,865,010	93,080	2.41%	0	0	\$6.25
Northeast	17,737,235	2,062,552	11.63%	167,325	0	\$6.25
South	4,258,016	208,628	4.90%	0	0	\$5.25
Ankeny	5,211,314	483,236	9.27%	30,000	0	\$6.25
Greater DSM	44,533,821	4,519,213	10.15%	197,325	0	\$6.15

Modern Bulk Warehouse & Distribution Statistics

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Q3 Net Absorption (SF)	Under Construction (Spec.) (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr.)
Western Suburbs	6,331,421	1,476,901	23.33%	0	0	\$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	1,611,247	18.07%	75,000	0	\$6.25
South	720,834	0	0.0%	0	0	\$5.75
Ankeny	3,969,432	432,356	10.89%	30,000	0	\$6.50
Greater DSM	22,022,259	3,540,504	16.08%	105,000	0	\$6.50

Manufacturing Statistics

Submarket	Inventory (SF)	Vacant (SF)	Vacancy (%)	Q3 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 (%)	Q3 Net Absorption (SF)	Under Construction (Spec.) (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr.)
Western Suburbs	5,426,247	337,142	6.21%	14,855	0	\$9.66
CBD	327,856	17,735	5.41%	0	0	\$9.00
Northwest	826,617	25,183	3.05%	12,000	0	\$8.97
Northeast	3,538,857	140,530	3.97%	6,000	0	\$9.68
South	478,299	21,600	4.52%	0	0	\$8.44
Ankeny	792,301	38,216	4.82%	0	0	\$10.15
Greater DSM	11,390,177	580,406	5.10%	32,855	0	\$9.50

Economic Outlook

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is steady, and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a downturn in the labor market, although the recent bump in unemployment appears mainly driven by an increase in participation.

One reason for concern is the decline in the share of private industries that are creating jobs. The labor market has slowed but it is not slumping, and companies are not letting workers go at a particularly high rate.

While many are focused on November’s election, the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

▲

376,247

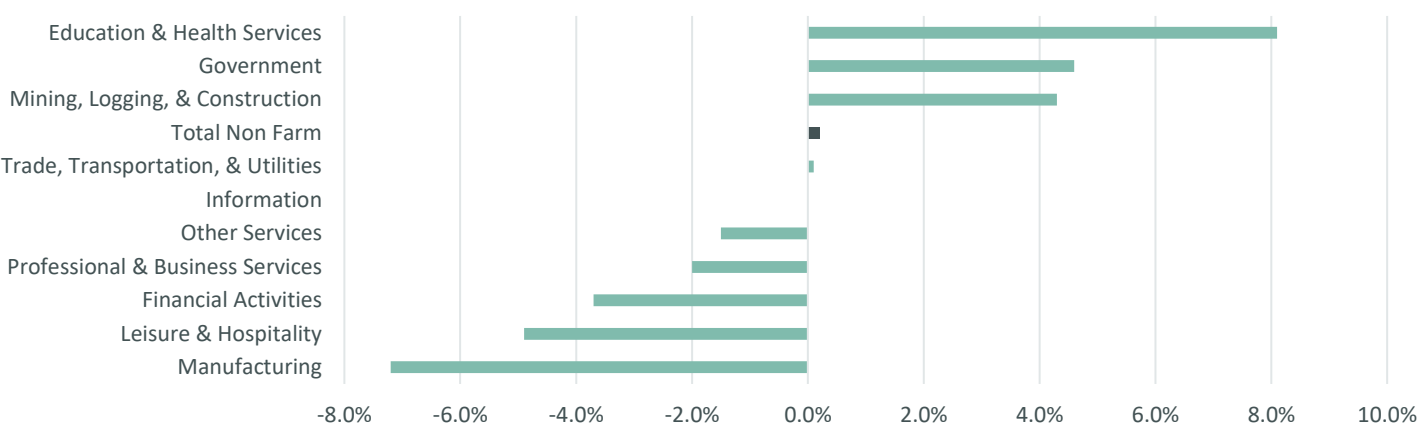
Labor Force

▲

3.3%

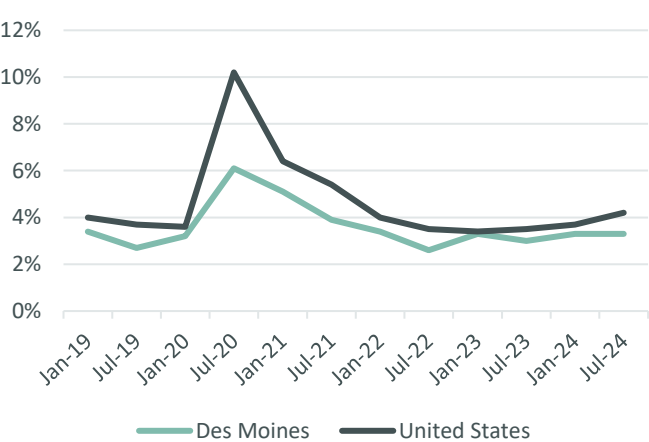
Unemployment Rate

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



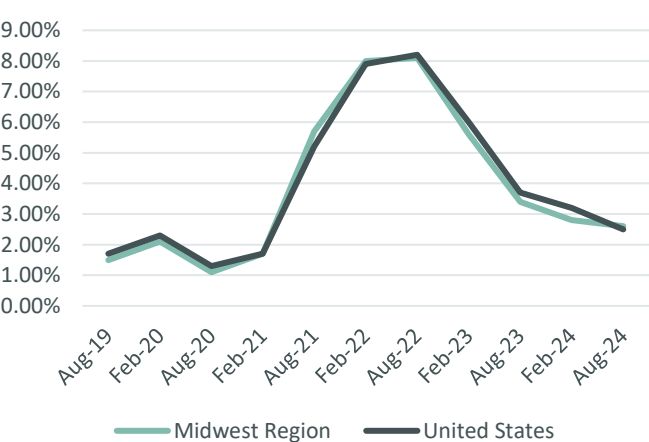
Source: BLS

Figure 7: Unemployment Rate

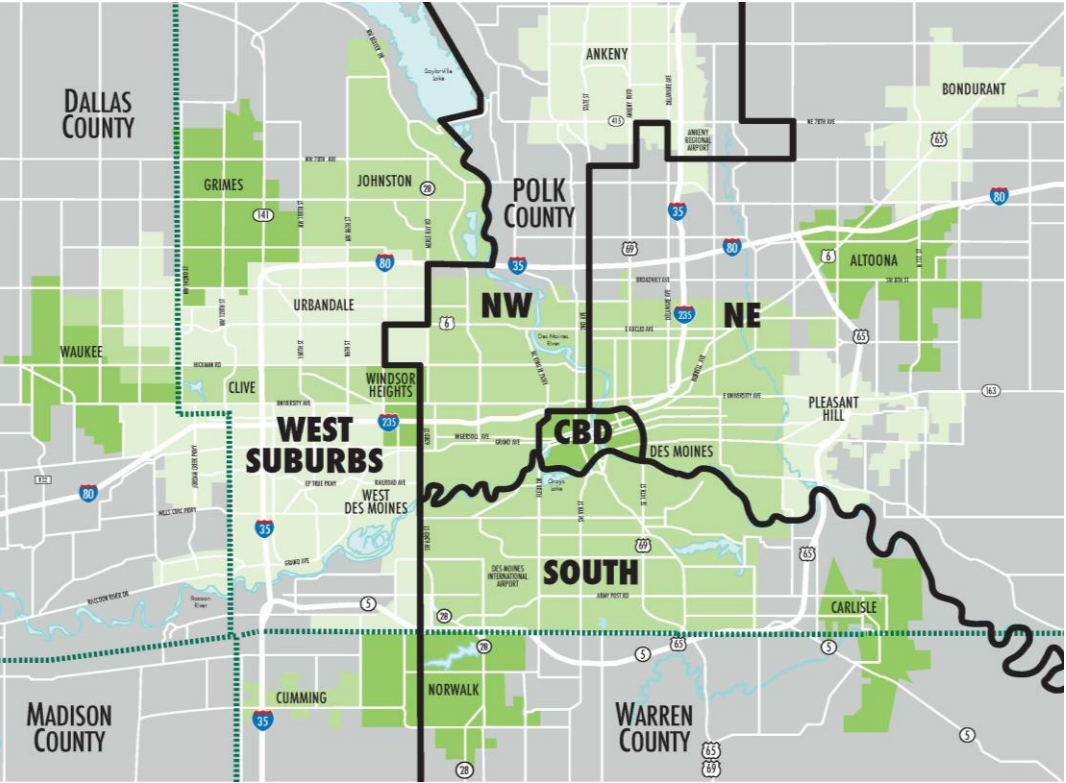


Source: BLS

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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