

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. Retail using jobs (industries include trade transportation and utilities) decreased 200 from January 2016 to January 2017.

Market Overview

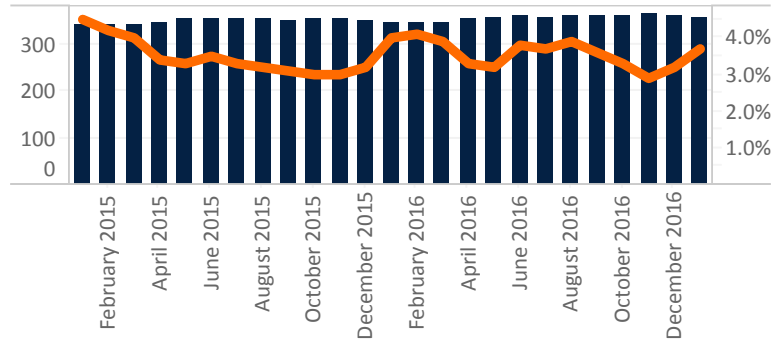
The Des Moines retail market recorded positive 23,769 square feet (sf) of overall absorption during 1Q 2017. Direct absorption totaled positive 22,232 sf. The total vacancy rate has increased from 5.2% in 1Q 2016 to 5.6% at the close of 1Q 2017. Direct vacancy rates increased 0.4 percentage points from 5.1% to 5.5% during the same time period. Weighted average asking rents in all uses decreased 4.4% recording \$11.54 per square foot (psf) at the close of 1Q 2017 compared to 1Q 2016. Freestanding/General property types weighted average rents improved 9.3% year-over-year, recording \$22.00 psf at the close of 1Q2017. Regional/Power Centers weighted average rents declined 34.5% year-over-year, recording \$6.51 psf at the close of 1Q2017.

Market Highlights

Hy-Vee's much anticipated 30,000+ sf supermarket opened at 420 Court Ave; bringing a grocery store back to the central business district for the first time in years. A 10,582 sf convenience/strip center building completed at 1135 Alice's Rd in Waukee with Rock Valley Physical Therapy, Smoothie King and Greater Iowa Credit Union taking occupancy. Midas completed their 5,525 sf building in Ankeny. Major occupiers of space for first quarter 2017 included La Tropicana and Operation Pinball. Several large tenants including Eight Mile Pets, Brown Shoe Fit Co of West Des Moines and Elite Edge are expected to occupy new space in 2Q 2017.

Des Moines Employment

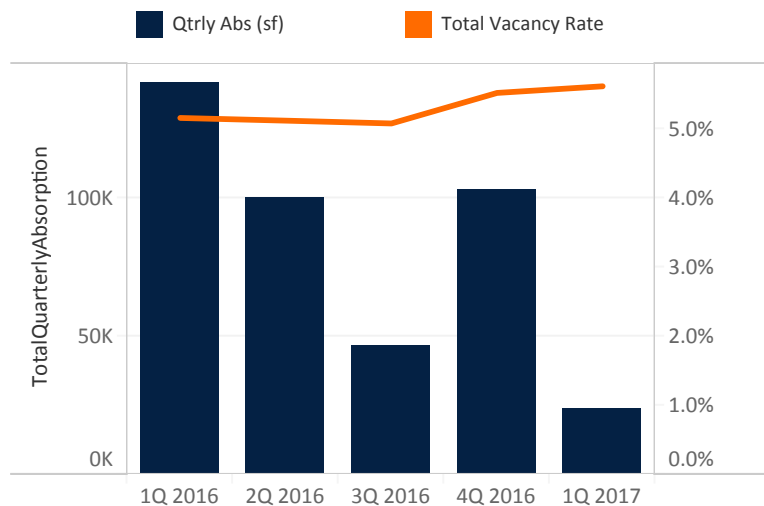
Source: BLS



Market Recap

Inventory (sf)	22,038,324
# of Bldgs	528
Qtrly Abs (sf)	23,769
Total Avail Rate	6.3%
Total Vacancy Rate	5.6%
U/C Inventory (sf)	446,326
Delivered (sf)	46,107
Weighted Average Asking Rate (NNN)	\$11.54

Absorption and Vacancy Rate



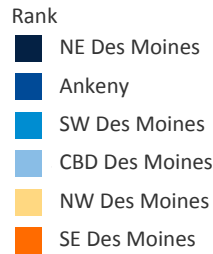
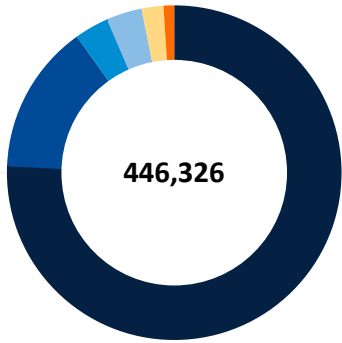
Overview by Specific Use (Total)

Specific Use	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Conv/Strip Ctr	3,514,452	513,617	496,862	14.1%	-10,014	-10,014
Free/Gen	1,720,147	21,286	17,186	1.0%	3,955	3,955
Nbrhd/Comm Ctr	5,776,352	614,403	599,618	10.4%	19,439	19,439
Reg/Power Ctr	11,027,373	240,668	124,562	1.1%	10,389	10,389
Overall	22,038,324	1,389,974	1,238,228	5.6%	23,769	23,769

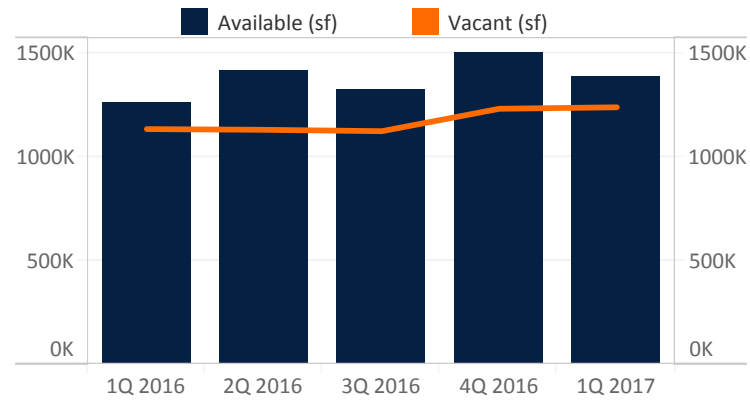
Overview by Market (Total)

Market Name	Specific Use	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Ankeny	Conv/Strip Ctr	530,409	67,488	66,608	12.6%	-7,836	-7,836
	Free/Gen	163,244	1,385	1,385	0.8%	10,525	10,525
	Nbrhd/Comm Ctr	572,583	15,160	9,560	1.7%	0	0
	Reg/Power Ctr	1,133,750	27,286	27,286	2.4%	0	0
CBD Des Moines	Conv/Strip Ctr	74,880	0	0	0.0%	0	0
	Free/Gen	213,725	1,991	1,991	0.9%	0	0
	Nbrhd/Comm Ctr	194,894	43,941	45,918	23.6%	2,781	2,781
	Reg/Power Ctr	30,000	0	0	0.0%	30,000	30,000
NE Des Moines	Conv/Strip Ctr	546,722	222,589	222,589	40.7%	0	0
	Free/Gen	261,350	0	0	0.0%	0	0
	Nbrhd/Comm Ctr	392,247	81,234	81,234	20.7%	0	0
	Reg/Power Ctr	776,615	390	390	0.1%	0	0
NW Des Moines	Conv/Strip Ctr	1,378,539	135,449	129,524	9.4%	-3,223	-3,223
	Free/Gen	422,295	0	0	0.0%	0	0
	Nbrhd/Comm Ctr	2,198,452	194,115	216,391	9.8%	12,884	12,884
	Reg/Power Ctr	2,804,956	180,240	64,984	2.3%	-64,984	-64,984
SE Des Moines	Conv/Strip Ctr	207,127	2,250	4,350	2.1%	1,260	1,260
	Free/Gen	243,574	6,810	6,810	2.8%	-6,810	-6,810
	Nbrhd/Comm Ctr	647,789	129,215	86,015	13.3%	0	0
	Reg/Power Ctr	1,331,918	8,319	8,319	0.6%	0	0
SW Des Moines	Conv/Strip Ctr	776,775	85,841	73,791	9.5%	-215	-215
	Free/Gen	415,959	11,100	7,000	1.7%	240	240
	Nbrhd/Comm Ctr	1,770,387	150,738	160,500	9.1%	3,774	3,774
	Reg/Power Ctr	4,950,134	24,433	23,583	0.5%	45,373	45,373
Overall		22,038,324	1,389,974	1,238,228	5.6%	23,769	23,769

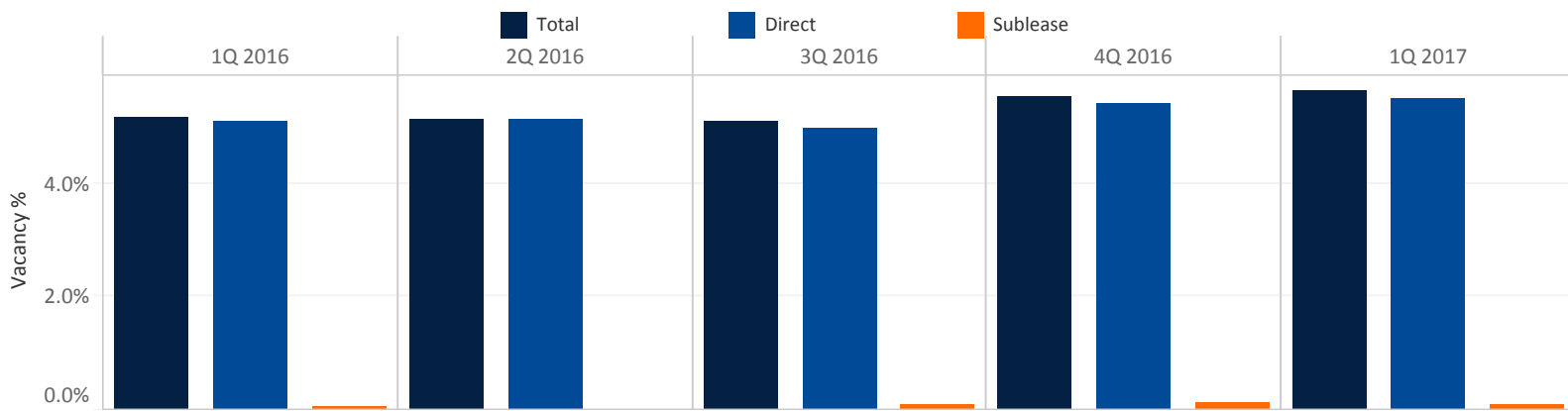
Construction by Market



Total Available and Vacant



Vacancy Rate



Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Conv/Strip Ctr	3,514,452	510,709	493,954	14.1%	-11,551	-11,551
Free/Gen	1,720,147	21,286	17,186	1.0%	3,955	3,955
Nbrhd/Comm Ctr	5,776,352	592,376	577,591	10.0%	19,439	19,439
Reg/Power Ctr	11,027,373	240,668	124,562	1.1%	10,389	10,389
Overall	22,038,324	1,365,039	1,213,293	5.5%	22,232	22,232

Overview by Specific Use (Sublease)

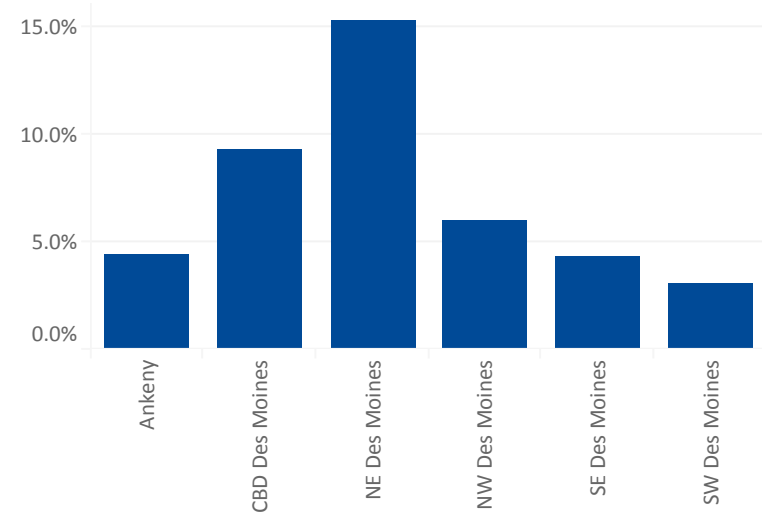
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Conv/Strip Ctr	3,514,452	2,908	2,908	0.1%	1,537	1,537
Free/Gen	1,720,147	0	0	0.0%	0	0
Nbrhd/Comm Ctr	5,776,352	22,027	22,027	0.4%	0	0
Reg/Power Ctr	11,027,373	0	0	0.0%	0	0
Overall	22,038,324	24,935	24,935	0.1%	1,537	1,537

Direct Vacancy Rate

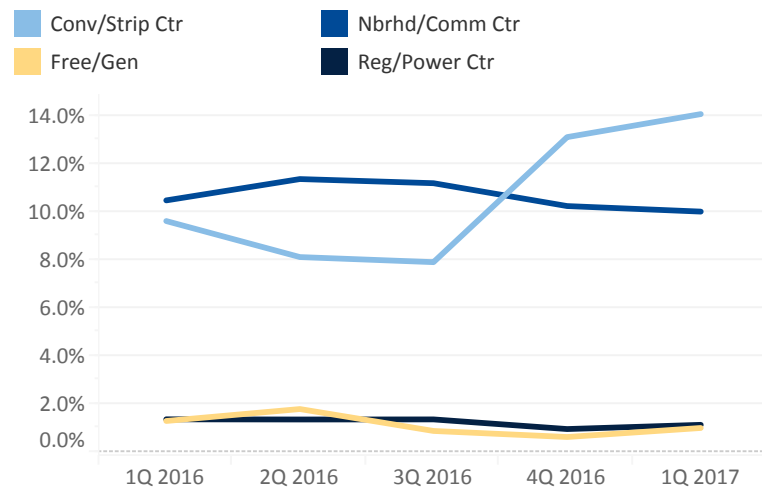
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
Ankeny	Conv/Strip Ctr	10.8%	8.5%	10.2%	11.5%	12.6%
	Free/Gen	3.6%	1.7%	0.9%	0.9%	0.8%
	Nbrhd/Comm Ctr	2.3%	2.7%	1.7%	1.7%	1.7%
	Reg/Power Ctr	2.3%	2.3%	2.3%	2.4%	2.4%
CBD Des Moines	Conv/Strip Ctr	10.0%	7.5%	10.0%	10.0%	0.0%
	Free/Gen	1.0%	1.0%	1.0%	1.0%	0.9%
	Nbrhd/Comm Ctr	23.6%	23.6%	23.6%	25.0%	23.6%
	Reg/Power Ctr					0.0%
NE Des Moines	Conv/Strip Ctr	4.8%	4.3%	4.3%	30.7%	40.6%
	Free/Gen	5.5%	5.5%	0.0%	0.0%	0.0%
	Nbrhd/Comm Ctr	22.1%	20.7%	20.7%	20.7%	20.7%
	Reg/Power Ctr	0.0%	0.0%	0.1%	0.1%	0.1%
NW Des Moines	Conv/Strip Ctr	11.3%	9.2%	8.8%	8.3%	9.2%
	Free/Gen	0.0%	0.0%	0.0%	0.0%	0.0%
	Nbrhd/Comm Ctr	13.8%	11.9%	11.4%	10.4%	9.8%
	Reg/Power Ctr	1.7%	1.6%	1.6%	0.0%	2.3%
SE Des Moines	Conv/Strip Ctr	13.2%	9.9%	1.6%	2.6%	2.1%
	Free/Gen	0.0%	0.0%	0.0%	0.0%	2.8%
	Nbrhd/Comm Ctr	8.7%	15.3%	15.0%	13.3%	13.3%
	Reg/Power Ctr	0.6%	0.6%	0.6%	0.6%	0.6%
SW Des Moines	Conv/Strip Ctr	7.5%	8.1%	8.7%	9.8%	9.5%
	Free/Gen	0.0%	2.8%	2.8%	1.7%	1.7%
	Nbrhd/Comm Ctr	4.8%	8.7%	9.1%	7.8%	7.8%
	Reg/Power Ctr	1.4%	1.4%	1.4%	1.4%	0.5%
Overall		5.1%	5.1%	5.0%	5.4%	5.5%

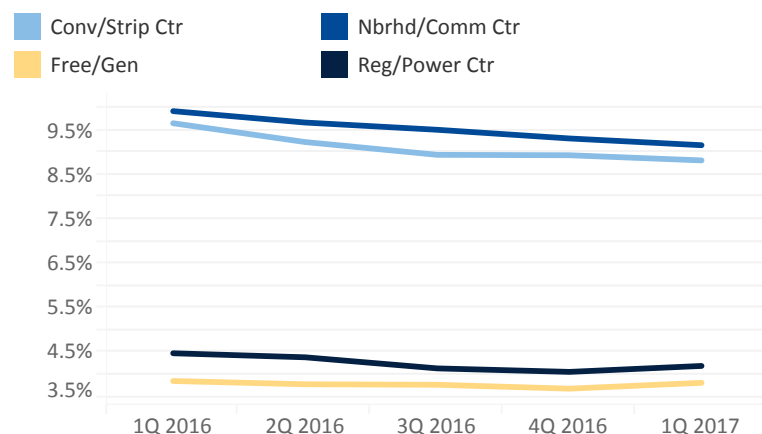
By Market



Des Moines by Specific Use



National by Specific Use

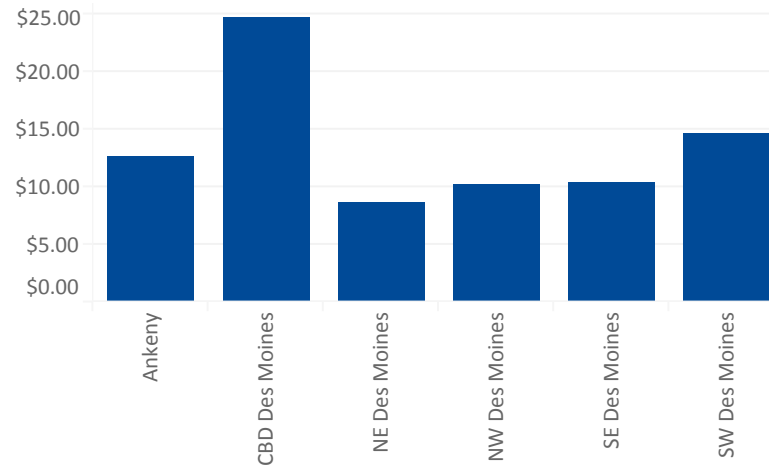


Direct Weighted Average Asking Rates (NNN)

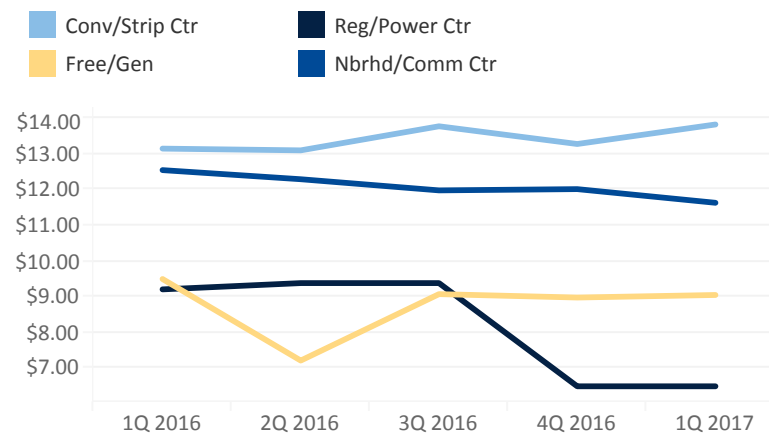
By Market and Specific Use

Market Name	Specific Use	Quarter Year				
		1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
Ankeny	Conv/Strip Ctr	\$16.36	\$13.85	\$13.39	\$13.13	\$13.02
	Free/Gen	\$22.00	\$22.00	\$22.00	\$22.00	\$22.00
	Nbrhd/Comm Ctr	\$15.88	\$15.75	\$15.63	\$16.63	\$18.63
	Reg/Power Ctr	\$7.00	\$8.00	\$8.00	\$8.00	\$8.00
CBD Des Moines	Conv/Strip Ctr	\$10.25	\$10.25	\$10.25	\$10.25	-
	Free/Gen	\$15.00	\$15.00	\$15.00	-	-
	Nbrhd/Comm Ctr	\$25.89	\$25.89	\$25.19	\$23.37	\$24.55
	Reg/Power Ctr	-	-	-	-	-
NE Des Moines	Conv/Strip Ctr	\$7.13	\$7.08	\$5.55	\$8.31	\$10.16
	Free/Gen	\$3.99	\$3.99	-	-	-
	Nbrhd/Comm Ctr	\$8.17	\$6.55	\$8.17	\$8.17	\$6.55
	Reg/Power Ctr	-	-	-	-	-
NW Des Moines	Conv/Strip Ctr	\$13.45	\$14.37	\$14.54	\$13.50	\$14.80
	Free/Gen	-	-	-	-	-
	Nbrhd/Comm Ctr	\$12.39	\$10.55	\$10.47	\$10.09	\$10.09
	Reg/Power Ctr	\$9.69	\$9.69	\$9.69	\$6.00	\$6.00
SE Des Moines	Conv/Strip Ctr	\$6.89	\$6.89	\$10.00	\$8.55	\$10.00
	Free/Gen	-	-	-	-	-
	Nbrhd/Comm Ctr	\$10.07	\$8.55	\$8.60	\$9.01	\$10.27
	Reg/Power Ctr	-	-	-	-	-
SW Des Moines	Conv/Strip Ctr	\$16.62	\$16.92	\$15.37	\$15.52	\$14.99
	Free/Gen	-	\$6.50	\$6.50	\$6.50	\$6.50
	Nbrhd/Comm Ctr	\$13.19	\$15.86	\$15.37	\$14.82	\$15.07
	Reg/Power Ctr	-	-	-	-	-
Overall		\$12.05	\$11.84	\$11.91	\$11.57	\$11.54

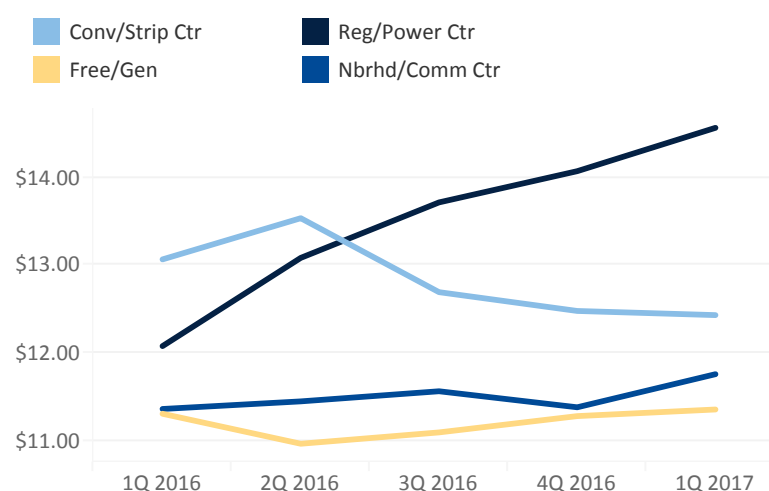
By Market



Des Moines by Specific Use

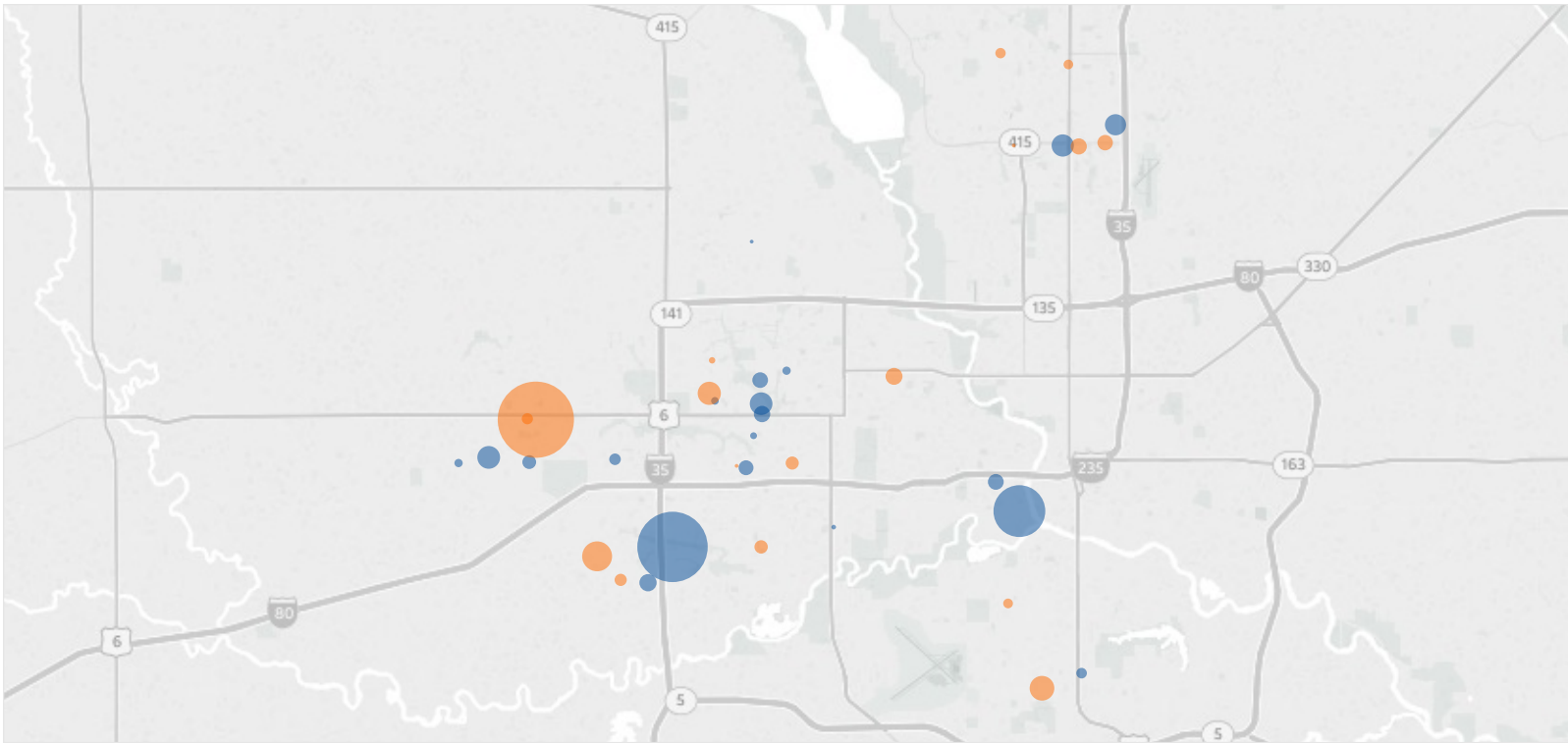


National by Specific Use



Absorption Map

■ Negative
 ■ Positive



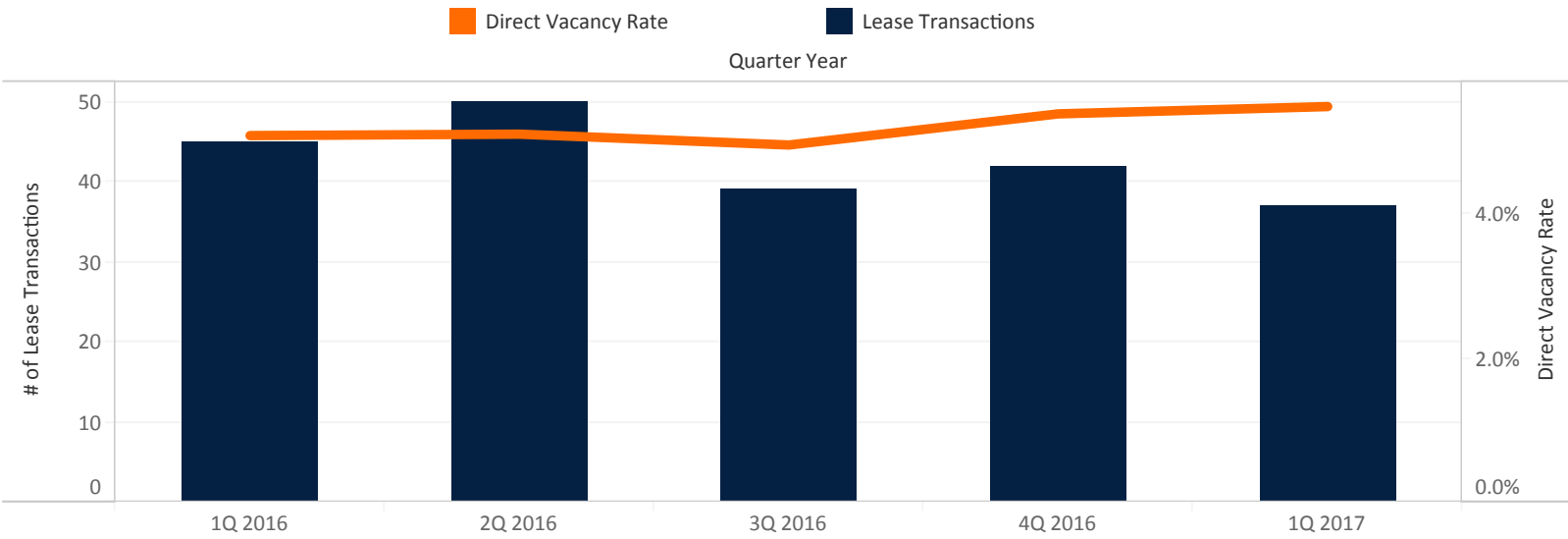
Largest Positives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
5003 EP True Pkwy	Ridgway Titleholder LLC 55,386 sf (purchased).	SW Des Moines	Reg/Power Ctr	55,386
Hy-Vee	Hy-Vee 30,000 sf.	CBD Des Moines	Reg/Power Ctr	30,000
Central Plaza	Rock Balley Therapy 2,102 sf; Greater Iowa Credit Union 2,239 sf	NW Des Moines	Conv/Strip Ctr	5,788
Westmark Plaza	La Tropicana 5,720 sf.	NW Des Moines	Nbrhd/Comm Ctr	5,720
Midas	Midas 5,525 sf building delivered.	Ankeny	Free/Gen	5,525
Chipotle	Chipotle 5,000 sf building delivered.	Ankeny	Free/Gen	5,000
West Glen Town Center	Operation Pinball 3,320 sf.	SW Des Moines	Nbrhd/Comm Ctr	3,320
Cobblestone Market	Advanced Spine Health Center 3,000 sf.	NW Des Moines	Nbrhd/Comm Ctr	3,000

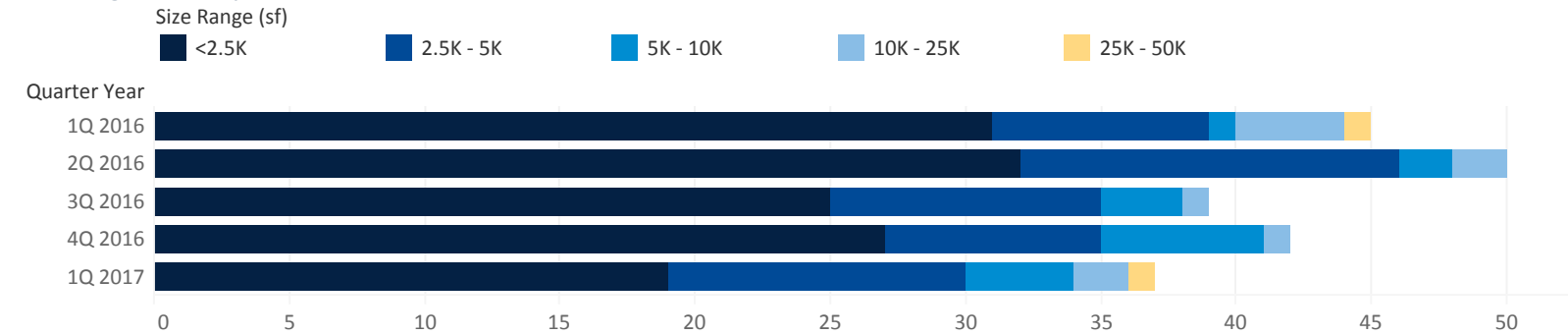
Largest Negatives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
15500 Hickman Rd	Cash Saver's -64,984.	NW Des Moines	Reg/Power Ctr	-64,984
Jordan Creek Town Center	Champs -10,143 sf; NY & Co -6,616 sf; Charlotte Russe 5,515 sf	SW Des Moines	Reg/Power Ctr	-10,013
228 E Army Post Rd	Undisclosed tenant -6,810 sf.	SE Des Moines	Free/Gen	-6,810
3000-3070 100th St	Midwest Appliance -6,000 sf.	NW Des Moines	Conv/Strip Ctr	-6,000
3613-3629 Beaver Ave	Radiant Complexion -1,455 sf; Vintage Corp -1,750 sf.	NW Des Moines	Conv/Strip Ctr	-3,205
Springwood Center	Kosama -2,906 sf.	Ankeny	Conv/Strip Ctr	-2,906
The Junction	Hair West -2,668 sf.	Ankeny	Conv/Strip Ctr	-2,668
Country Side Village Center	Gregg Young Chevrolet -2,000 sf.	SW Des Moines	Nbrhd/Comm Ctr	-2,000

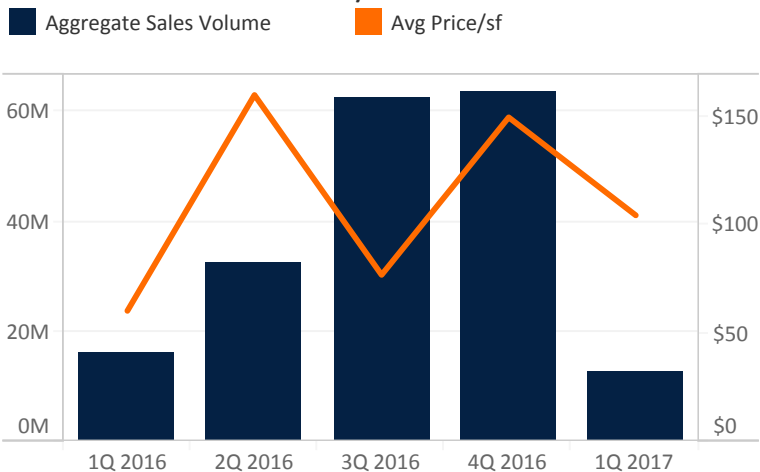
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
Midland Building	02/10/2017	Aparium Hotel Group	\$2,600,000
East Town Plaza	01/11/2017	Greater Inca Holdings LLC	\$2,535,000
Scenic Pointe Plaza	01/04/2017	Jarcor LLC	\$1,812,500
202 SE Delaware Ave	01/23/2017	Jose Olveraz & Rogelio Perez	\$875,000
Valley Junction Retail - 300 4th St	02/07/2017	300 4th Street LLC	\$750,000

Terminology

Term	Definition
Conv/Strip Ctr	Includes Conv/Strip Ctr, Gas Station/Conv Store and Mixed Use Properties
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Freestanding Retail	Includes Automotive, Bank, Freestanding and General properties.
Inventory	The total square feet (sf) of all existing single and multi tenant retail properties greater than 5,000 sf.
Nbrhd/Comm Ctr	Includes Anchored Strip Center, Community Ctr and Neighborhood Ctr properties.
Net Absorption (sf)	The net change in physically occupied space from quarter to quarter, expressed in square feet.
Regional/Power	Includes Big Box, Lifestyle Ctr, Outlet Ctr, Specialty Ctr, Super Regional, Power and Regional Center properties.
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.

Advisory Board Members

Buyers Realty	Mike Cunningham	JLL	Eric Land
CBRE Hubbell	Bill Wright		Justin Lossner
	Tyler Dingel	NAI Optimum Commercial	Christopher Stafford
Denny Elwell Company	Darcy Gill	Polk County Assessor's Office	Mark Patterson
Ferguson Commercial Real Estate Services	Aaron Hyde	R&R Real Estate Advisors	Mike Bonnett
Hurd Realty	Richie Hurd	Signature Real Estate	Andy Hodges
Iowa Realty Commercial	Jordan Bousleg	Stanbrough Realty	Peter Jaques
		Terrus Real Estate Group	Sherri Goode

Xceligent Team

Bonnie Devine	Director of Analytics	bdevine@xceligent.com	(314) 452-3059
Brian Reece	Regional VP of Analytics	breece@xceligent.com	(919) 971-3461
Greg Hayden	Regional VP of Sales	Ghayden@xceligent.com	(816) 303-2833
Rico Starling	Sales Executive	rstarling@xceligent.com	(515) 360-7777