

MARKET ANALYSIS

The subject property is a proposed modern industrial building. The subject is a 48,000 square foot warehouse with 24' high side walls. The subject has a land to building ratio of 6.08 to 1.

As seen on the pages published by CBRE/Hubbell Commercial and Frandson & Associates on the following pages, demand for manufacturing and warehouse properties has increased within the previous three years within the Greater Des Moines area. Occupancy rates have typically fallen at or above 97% in the NE quadrant of Des Moines for newer properties within the previous five years. However, vacancy increased in 2015, primarily due to the large number of new construction spec buildings constructed. That said, absorption of manufacturing and industrial buildings have had a positive net demand over the same period.

Two of the more prominent industrial brokers within the Des Moines Metro area were contacted to discuss marketing time. Both brokers indicated that there was a relatively small amount of quality industrial space on the market right now.

The subject location has an average+ location for an industrial service property. The subject property is close to Interstate access. The subject area has seen some new developments within the area. Historically, spec buildings developed by the same developer have been selling within 6-12 months of completion. There has been good interest in the subject as indicated by the subject being 62.50% occupied while only being completed for approximately three months. It is estimated that the subject property will be stabilized (95% occupied), within the next six months.

The subject has an above average market appeal due to the age of the property. The subject property improvements have a size, quality, and design that would appeal to a broad market of industrial users.

Strengths:

- The size, location and utility of the subject are desirable.
- There are few properties like the subject on the market and there has historically been a good demand due to the number of potential users.
- The subject has an eave height that is desirable.
- Suites can be a variety of sizes - multiples of 6,000 SF

Weaknesses:

- None

CB Richard Ellis/Hubbell Commercial Survey Results



FLEX

INVENTORY

All of the flex space is considered to be "competitive" space. The occupancy trend of flex space is more office oriented in nature, especially in the CBD. In other submarkets, flex space has a wider variety of occupiers.

Over 60% of the flex market is located in the Western Suburbs submarket, which has an inventory of 3,313,328 SF. This is the same inventory from the previous survey, as no new flex space has been added since the previous survey. There will be additional inventory of flex space in the next year, however, as new construction is underway along Urbandale Avenue in Urbandale. There are currently three multi-tenant buildings within the development known as the Anderson Business Park and construction of a fourth building has begun.

Other than the Western Suburbs submarket, no other new flex construction has been announced.

The CBD experienced a large decline in flex space inventory, with over 100,000 square feet of flex space removed due to the razing of several buildings in the River Hills Business Park on the east side of the river. Residential development is being planned for this tract of land.

OCCUPANCY AND EVENTS

Overall occupancy of flex space remained relatively stable since the last survey from 90.6% in 2014 to 90.7% in 2015. Occupancy gains were experienced in all submarkets with the exception of the Western Suburbs and Ankeny submarkets which experienced slight declines in occupancy. The CBD occupancy percentage increased due to the removal of significant space, which was razed in the River Hills Business Park.

Quoted net lease rates for flex properties average \$7.50/SF for finished office space and \$4.50/SF for unfinished space. In most cases, the degree

of concessions such as rent abatement and tenant improvement allowances vary dependent upon individual owner.

ABSORPTION

Absorption is the net increase or decrease in actual area occupied between survey periods. There has been negative absorption in occupied flex space since the previous survey. This is a turnaround from the previous three years which experienced positive absorption in each of those years. The negative absorption was experienced in the Western Suburbs, CBD, and Ankeny submarkets. There is ample land available for further flex development. Until this year, improvement had taken place in the overall occupancy of space; significant new flex development is not expected in the immediate future.

FLEX INVENTORY							FIG. 10			FLEX OCCUPANCY				FIG. 11			FLEX ABSORPTION				FIG. 12		
Submarket	TOTAL SF			TOTAL BUILDINGS			Submarket	2012	2014	2015	Submarket	2012	2014	2015	Submarket	2012	2014	2015	Submarket	2012	2014	2015	
Western Suburbs	3,313,608	3,313,328	3,313,328	92	92	95	Western Suburbs	88.3%	91.1%	89.5%	Western Suburbs	88,234	111,932	(33,698)									
CBD	706,197	706,197	509,697	13	13	9	CBD	78.9%	82.1%	90.4%	CBD	(71,254)	22,998	(44,202)									
Northeast Des Moines	99,181	92,143	99,181	6	6	4	Northeast Des Moines	92.2%	90.2%	92.2%	Northeast Des Moines	(4,482)	(1,763)	2,719									
Northwest Des Moines	586,110	586,110	586,110	21	21	21	Northwest Des Moines	87.5%	90.9%	94.0%	Northwest Des Moines	17,500	19,920	18,169									
South Des Moines	237,370	237,370	237,370	5	5	5	South Des Moines	97.7%	97.7%	100.0%	South Des Moines	47,337	0	5,460									
Ankeny	421,710	421,710	421,710	16	16	16	Ankeny	77.0%	93.9%	91.9%	Ankeny	(26,568)	71,369	(8,434)									
Greater Des Moines Total	5,342,156	5,343,878	5,247,376	133	134	150	Greater Des Moines Total	86.7%	90.8%	90.2%	Greater Des Moines Total	50,768	222,764	(81,543)									

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INDUSTRIAL WAREHOUSE | MANUFACTURING

INVENTORY

Industrial properties are divided into categories of warehouse and manufacturing space. Warehouse and manufacturing inventory are analyzed in two general age groups: Pre-1970 and Post-1970.

This segregation of inventory and occupancy into subgroups allows for a more precise analysis of each sector. Special use properties are excluded from the analysis.

In the industrial market, there is significant competition across submarkets so aggregate occupancy and absorption are more of a consideration.

WAREHOUSE INVENTORY

FIG. 13

Submarket	PRE-1970			POST-1970			TOTAL (SF)			TOTAL BUILDINGS		
	2011	2014	2015	2013	2014	2015	2011	2014	2015	2011	2014	2015
Western Suburb	1,309,748	1,278,956	1,270,413	7,797,299	8,041,962	8,359,962	9,107,047	9,320,918	9,630,375	105	107	108
CBD	1,551,482	1,363,417	1,175,117	194,565	194,565	194,565	1,746,047	1,557,982	1,369,682	51	48	44
Northwest Des Moines	741,624	725,104	725,104	520,086	520,086	520,086	1,261,710	1,245,190	1,245,190	60	60	60
Northwest Des Moines	4,386,612	4,354,396	4,354,396	8,056,143	8,270,339	8,693,359	12,442,756	12,624,935	13,047,735	244	249	254
South Des Moines	1,596,438	1,596,438	1,596,438	2,152,001	2,152,001	2,152,001	3,748,439	3,748,439	3,748,439	56	56	56
Arling	271,610	271,610	271,610	3,009,275	3,009,275	3,047,748	3,280,885	3,280,885	3,319,358	65	65	65
Greater Des Moines Total	9,857,515	9,889,921	9,793,078	21,779,369	22,198,428	22,967,721	31,565,884	31,770,349	32,360,799	680	683	685

MANUFACTURING INVENTORY

FIG. 14

Submarket	PRE-1970			POST-1970			TOTAL (SF)			TOTAL BUILDINGS		
	2011	2014	2015	2013	2014	2015	2011	2014	2015	2011	2014	2015
Western Suburb	1,325,867	1,312,217	1,294,527	1,767,969	1,719,007	1,742,326	3,093,836	3,030,224	3,038,853	60	59	58
CBD	267,561	237,023	237,023	64,900	64,900	64,900	332,561	301,923	301,923	12	11	11
Northwest Des Moines	795,857	795,857	795,857	50,587	50,587	50,587	846,444	846,444	846,444	12	12	12
Northwest Des Moines	4,387,366	4,340,106	4,340,106	1,724,293	1,756,713	1,756,713	6,111,659	6,096,819	6,096,819	70	70	70
South Des Moines	388,600	388,600	388,600	810,742	810,742	810,742	1,199,342	1,199,342	1,199,342	19	19	19
Arling	565,921	565,921	565,921	1,300,411	1,342,963	1,342,963	1,866,332	1,908,884	1,908,884	14	15	15
Greater Des Moines Total	7,731,272	7,639,724	7,624,044	5,718,922	5,743,912	5,768,231	13,450,194	13,383,636	13,392,775	187	184	185

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INDUSTRIAL WAREHOUSE

OCCUPANCY AND EVENTS

Overall occupancy of warehouse space in the Greater Des Moines market declined slightly since the previous survey from 94.8% in 2014, to 93.3% in 2015. Nearly 600,000 SF of net new warehouse space has been added to the market since 2014. Warehouse inventory for the Western Suburbs, Northeast, and Ankeny submarkets increased from the previous survey. The CBD experienced a decline in warehouse inventory due to the repurposing of several warehouses. The occupancy of manufacturing space has been hovering above 95% occupied for several years. Overall manufacturing inventory increased slightly since the last survey, with a net increase occurring in the Western Suburbs. The manufacturing inventory for all of the other submarkets remained unchanged.

Lease rates have remained stable with nominal rent reductions and concessions. Generally, net lease

rates for warehouse space range from \$2.50/SF to \$5.25/SF depending on the age, quality of the building, and features such as clear height, loading capabilities, and interstate access.

The following summarizes current and recently completed industrial construction and other relevant events in the Greater Des Moines metropolitan market:

- In the Northeast submarket, two new high cube warehouses have been constructed and added to the survey. One of the buildings contains 150,000 SF and is being occupied by Jacobson. The other building contains 162,500 SF with an additional 125,000 SF to be added in 2015. Both of the buildings are located on NE 19th Street, north of NE 58th Avenue in the Jacobson Industrial Park.

- A speculative warehouse that contains 60,400 SF has been added to the Northeast submarket. This is located in the Albaugh Industrial Park between NE 58th Avenue and NE 66th Avenue.

- Also within the Albaugh Industrial Park, three new warehouse buildings have been added due to new construction. These three buildings total 67,920 SF and are occupied by Flooring Warehouse.

- In Grimes, a 110,000 square foot warehouse has been completed and delivered within the Grimes Business Park in 2015. This is the third building of its kind, with a fourth building being planned for the same industrial park. Construction of the fourth building is expected to begin in mid 2015.

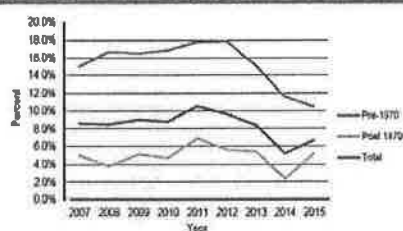
WAREHOUSE OCCUPANCY

FIG. 15

Submarket	PRE-1970			POST-1970			TOTAL		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Western Suburbs	94.4%	92.5%	92.3%	92.2%	94.5%	91.4%	92.1%	94.4%	92.4%
CBD	61.7%	60.3%	67.3%	76.5%	76.1%	82.6%	66.0%	69.5%	69.4%
Northeast Des Moines	85.6%	90.5%	84.5%	97.9%	100.0%	91.3%	90.7%	94.5%	91.1%
Northeast Des Moines	86.3%	96.9%	94.3%	95.3%	98.5%	96.3%	92.3%	97.5%	95.7%
South Des Moines	90.4%	84.3%	83.0%	96.8%	99.5%	97.2%	94.0%	93.1%	91.4%
Ankeny	100.0%	100.0%	100.0%	93.4%	97.5%	98.3%	95.8%	97.7%	98.5%
Greater Des Moines Total	84.9%	88.4%	89.5%	94.8%	97.6%	94.8%	91.6%	94.8%	93.3%

GREATER DES MOINES WAREHOUSE VACANCY

FIG. 16



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INDUSTRIAL MANUFACTURING

* Also in Grimes, at the southeast corner of NW 128th Street and SE 37th Street (formerly NW 54th Avenue), a new 260,000 square foot warehouse is nearing completion and has been added to the Western Suburbs submarket warehouse inventory. Approximately, 52,000 square feet of this warehouse has been pre-leased. This development is known as the Prairie Business Park, and the master plan includes the current building and a similarly sized additional warehouse to be constructed in the future.

* The Opus Group has announced plans for the construction of a new multi-tenant warehouse in Grimes, near the Grimes Industrial Park. The Gateway Industrial Center is proposed to contain 182,000 square feet, with commencement this spring, and completion in the Fall 2015.

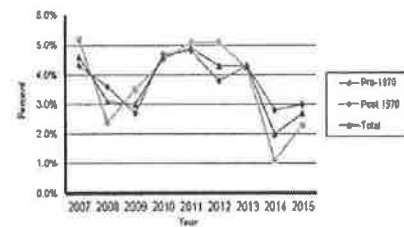
MANUFACTURING OCCUPANCY

FIG. 17

Submarket	PRE-1970			POST-1970			TOTAL		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Western Suburbs	94.5%	99.4%	100.0%	94.4%	98.9%	98.3%	94.5%	99.1%	97.9%
CBD	74.7%	73.0%	73.0%	84.0%	100.0%	84.0%	74.1%	76.6%	79.4%
Northeast Des Moines	93.7%	93.7%	92.7%	43.6%	43.6%	43.6%	90.7%	90.7%	90.7%
Northeast Des Moines	97.7%	97.9%	97.7%	100.0%	100.0%	99.2%	98.4%	98.5%	98.7%
South Des Moines	90.1%	100.0%	96.4%	87.5%	96.3%	98.3%	88.4%	98.3%	97.7%
Ankeny	100.0%	100.0%	100.0%	99.8%	100.0%	100.0%	99.9%	100.0%	100.0%
Greater Des Moines Total	95.7%	97.2%	97.0%	93.8%	98.5%	97.7%	95.7%	98.0%	97.3%

GREATER DSM MANUFACTURING VACANCY

FIG. 18



ABSORPTION

Absorption is the net increase or decrease in actual area occupied between survey periods.

The Greater Des Moines total warehouse market inventory increased and occupancy decreased slightly, with a continued trend of positive aggregate absorption of over 40,000 SF. The Northeast submarket led with 112,010 SF of positive absorption followed by the Western Suburbs

submarket, with 78,205 SF of positive absorption. Ankeny experienced positive absorption as well. The other three submarkets experienced negative warehouse absorption. The largest negative warehouse absorption was witnessed in the CBD submarket with 131,605 SF of negative absorption.

In the manufacturing sector, overall negative absorption occurred as well with 76,164 SF of net negative absorption since the prior survey.

Fig. 19 and Fig. 20 (page 17) summarize absorption for both warehouse and manufacturing segments.

INDUSTRIAL WAREHOUSE | MANUFACTURING

WAREHOUSE ABSORPTION

FIG. 19

Submarket	PRE-1970			POST-1970			TOTAL		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Western Suburb	0	(181,263)	180,973	401,447	516,803	(102,768)	401,447	335,540	78,205
CBD	34,495	(72,595)	(140,360)	(37,005)	3,502	8,755	(2,510)	(69,093)	(131,605)
Northwest Des Moines	40,140	21,389	29,004	(10,922)	10,922	(45,247)	29,218	32,311	(16,243)
Northwest Des Moines	41,226	433,763	(113,214)	(80,561)	452,864	225,224	(39,335)	886,677	112,010
South Des Moines	4,789	(94,190)	(23,942)	21,520	58,104	(38,736)	26,309	(36,086)	(67,663)
Arden	0	0	0	592,560	63,195	61,893	592,560	63,195	61,893
Greater Des Moines Total	120,650	107,104	(67,544)	887,039	1,105,390	109,121	1,007,689	1,212,494	41,577

MANUFACTURING ABSORPTION

FIG. 20

Submarket	PRE-1970			POST-1970			TOTAL		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Western Suburb	(11,933)	55,377	(7,807)	60,710	30,127	(21,249)	48,777	85,504	(29,056)
CBD	(30,513)	(25,578)	0	0	10,384	(10,384)	(30,513)	(15,194)	(10,384)
Northwest Des Moines	0	0	0	(28,531)	0	0	(28,531)	0	0
Northwest Des Moines	(4,387)	(37,493)	(6,680)	139,930	32,420	(14,054)	135,543	(5,073)	(22,734)
South Des Moines	0	38,471	(13,990)	53,509	86,749	0	53,509	125,220	(13,990)
Arden	0	0	0	289,872	45,153	0	289,872	45,153	0
Greater Des Moines Total	(46,833)	30,777	(30,477)	515,490	204,833	(45,687)	466,657	235,610	(76,164)

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