Market Analysis Update

Merle Hay Corridor

AECOM Economics

March 2013

Introduction

Beginning in the summer of 2012, AECOM Economics (formerly ERA) was engaged by the City of Johnston to update our real estate market analysis for the Merle Hay Corridor, which was first completed in 2007.

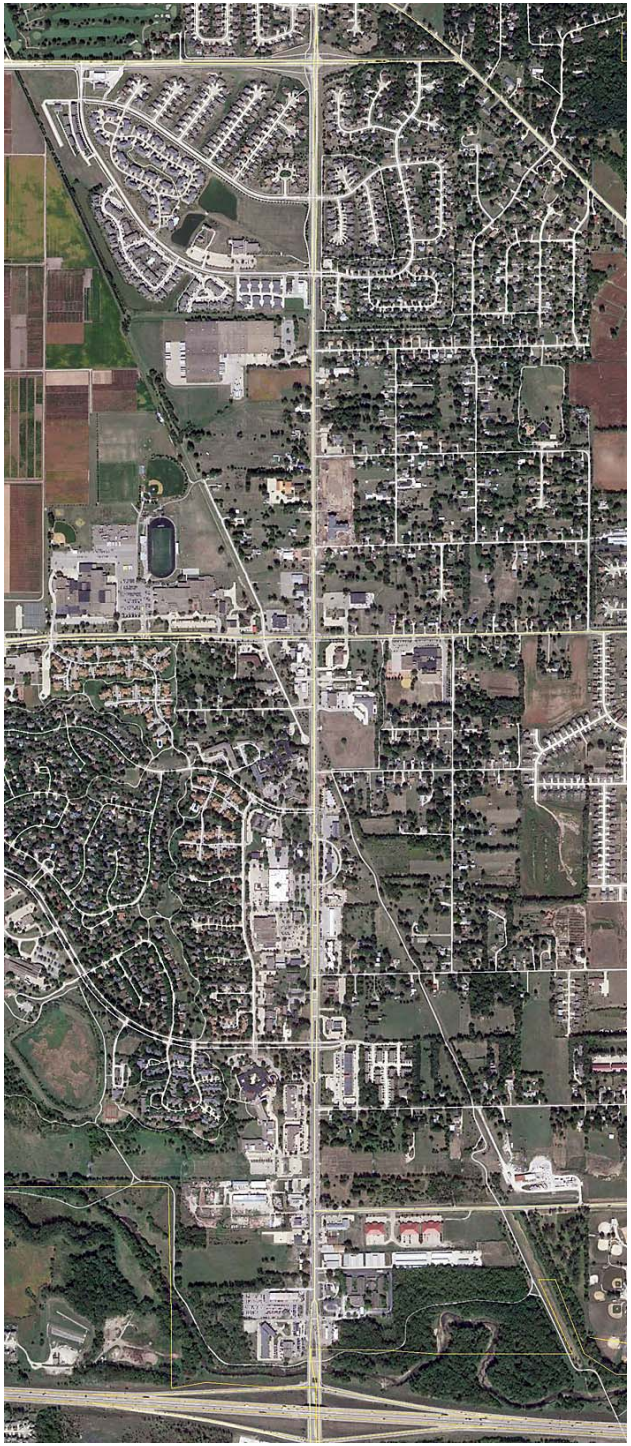
While the 2007 effort focused along the entire Merle Hay Corridor study area, generally from I-35/80 on the south to NW 70th Street on the north, recommendations generally focused on corridor locations north of NW 62nd.

Moving forward to 2012, the analysis has revisited key findings from the 2007 effort, in part to frame the pace of regional recovery from the recession, but also to place greater emphasis on the southern extent of the corridor, to include the closed hotel site, as well as other adjacent properties.

Our current effort incorporates the following scope elements:

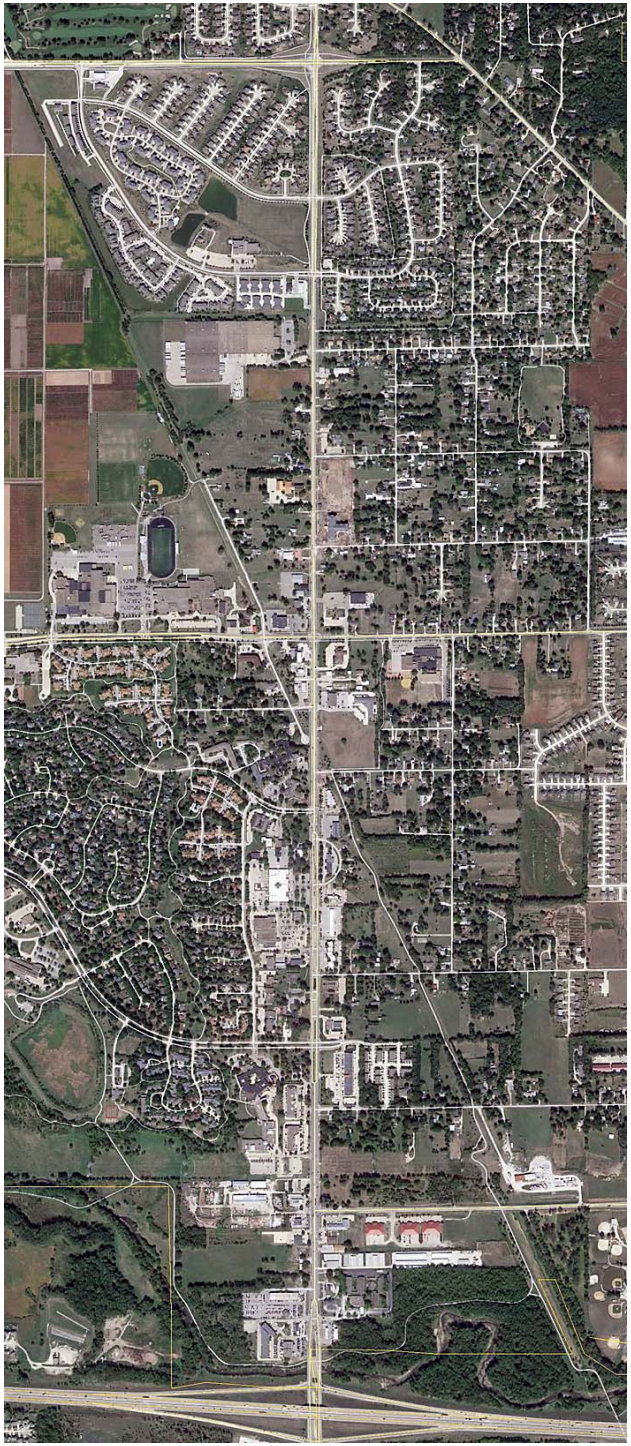
- Stakeholder interviews
- Demographic and economic analysis
- Market analysis for office, residential, and retail segments

The report's purpose is to examine the changes which have occurred due to the recession and the impact this has on previous highest and best use recommendations for the corridor.



Broader Real Estate Implications

- Johnston continues to experience a significant leakage of retail dollars to other communities. This leakage relates to regional retail concentrations in places like West Des Moines and Ankeny.
- Market opportunities in Johnston are influenced by perceptions regarding “two sides of town”. New retailers such as Panera will be helpful in shifting perspectives on the corridor.
- Warehouse inventory and occupied space in the region is stable. Flex space will continue to be a small market and demand through the recession appears to be soft. For the target area, these more land-intensive uses are not seen as likely.
- For the short-term (2013), commercial rent growth will continue to restrain opportunities for new development, along with generally tighter lending requirements for real estate projects.
- Residential markets are recovering, with values in Johnston holding up well compared to the region.
- Residential markets are expected to see a gradual shift from rental apartments to owner-occupied units including condominiums and senior housing. Tighter lending requirements are a short-term reality.
- Nationally, condominium markets are beginning to recover, in part with boomer-linked demand responding to a lack of new construction in the past several years.



Target Area Policy Implications

Policy Considerations

With a near-term market defined by slower growth in lease rates, developers will have a harder time finding specific tenants who will tolerate premium rents that will be needed to redevelop sites such as the hotel.

The City of Johnston should consider playing an active role in the redevelopment of target area sites including the hotel. Tools could include:

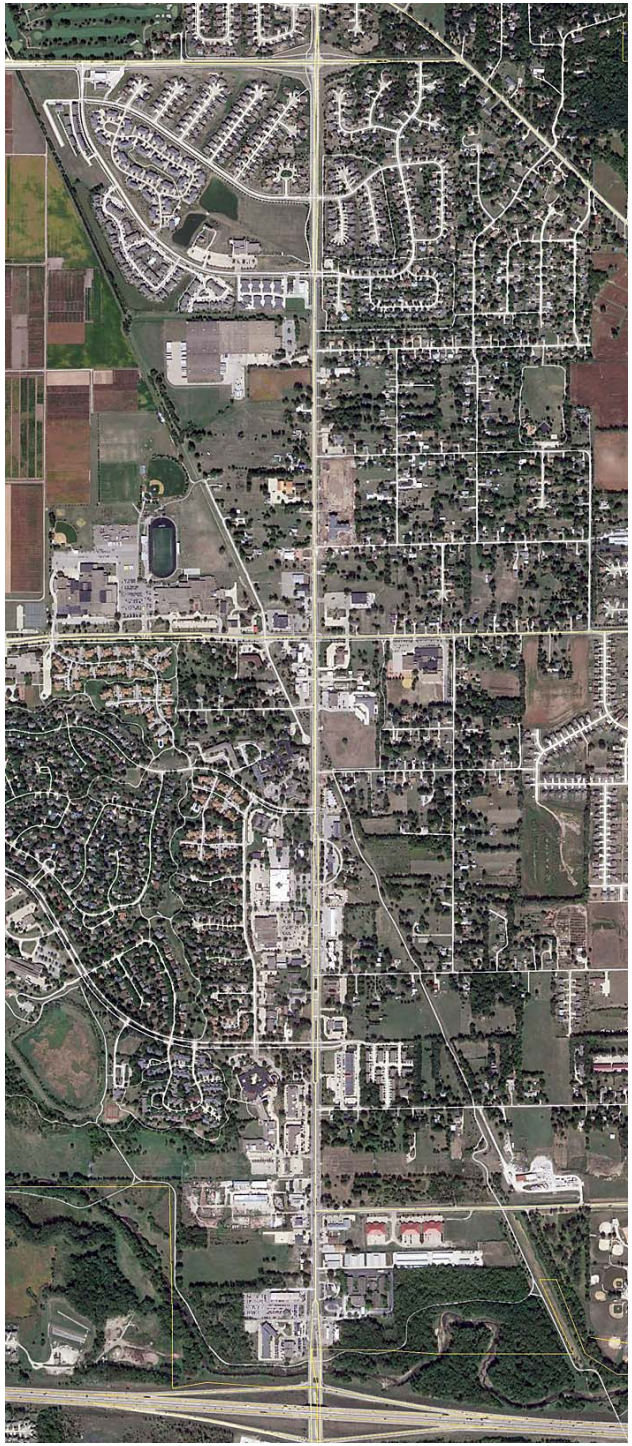
- Use of TIF to offset likely financial gaps.
- Use of City resources to demolish sites, as part of a formal redevelopment agreement with property ownership.
- Consideration incentives, including density bonuses, to otherwise reduce the likely need for TIF.
- Consideration of City acquisition of the hotel site

One clear goal would be to prepare sites for future development, such that they are “ready to go” as the economy recovers.

The target area has clear potential to serve as a defacto gateway into Johnston.

Site assessments acknowledged limited interstate visibility of key properties, such as the hotel site. Efforts to improve view corridors from the interstate would enhance site marketability.

Engagement with US Army Corps of Engineers and Iowa DNR is needed to revisit flood storage requirements and wetland area delineation along the river, while also evaluating strategies for improving visibility and recreational access.



Target Area Real Estate Implications

Market Factors

Hotel

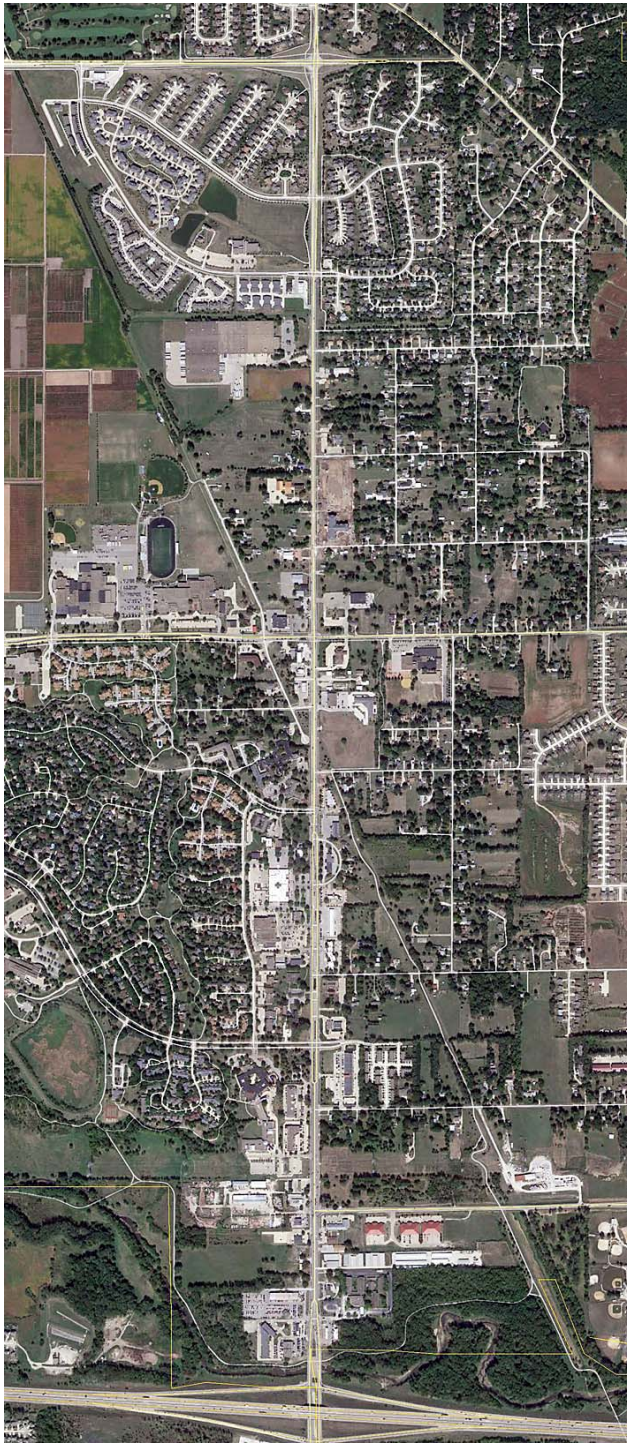
- The hotel market is viewed as a slowly evolving opportunity, to the extent that the site has been prepared for new development. A 100 to 150-room limited service property is envisioned.

Office

- The area is viewed as possible for office development, with a preference for owner-occupied / single tenant buildings. The possibility a corporate HQ was also considered. Sites would need to be “ready to go” to be competitive for these types of users.

Residential

- Although there was debate about interstate noise, from the hotel site in particular, the target area is still viewed as a housing opportunity. Johnston’s pace of new construction is moving back toward pre-recession levels, with a likely pace of 200 to 300 new units per year.
- In this context, an initial phase of 50 to 100-unit residential component is plausible, either low-rise (3-4 story) mixed-use or townhome options are envisioned. Over the entire target area, we could envision upwards of 600 to 800 units, subject to planning, zoning, and site constraints.
- Senior housing is viewed as a specific option, along with market rate apartments.
- Site amenities, including parks and trails will be critical in supporting feasibility,
- Below grade parking may be needed to maximize site values; this may impact the need for incentives as well.



Target Area Real Estate Implications

Market Factors

Retail

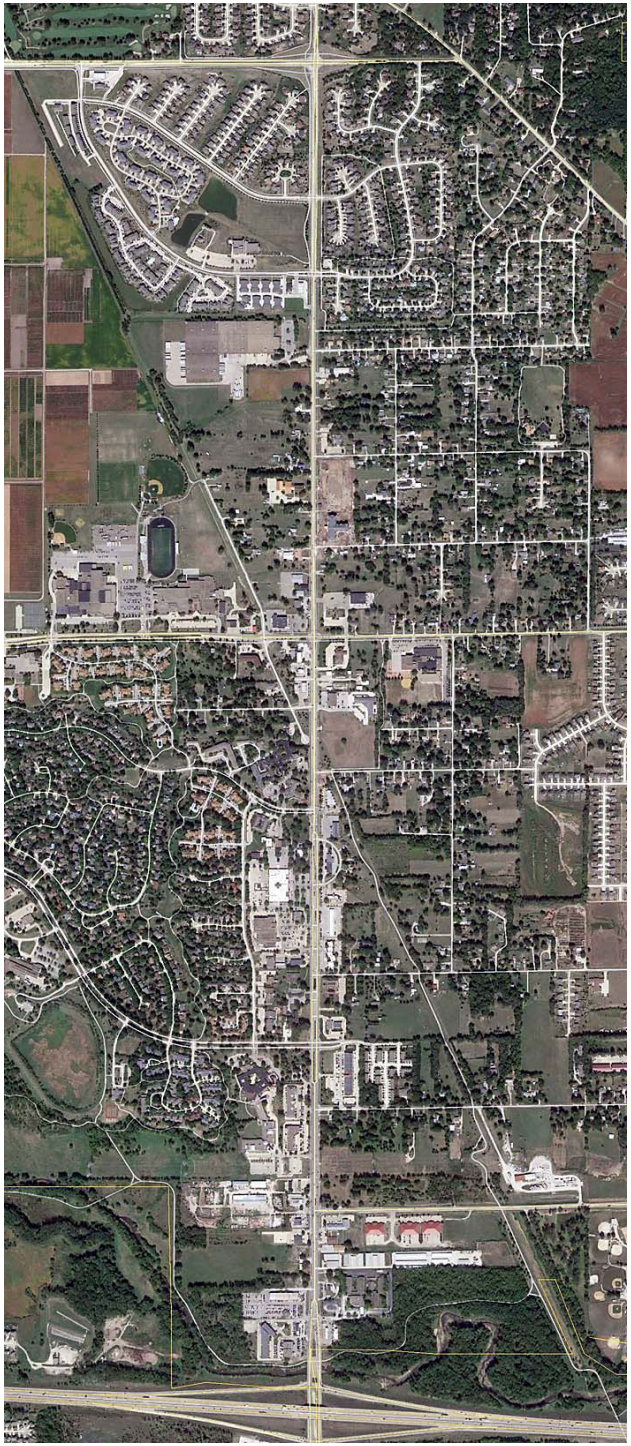
- Existing retail leakage in Johnston is the driver, combined with a site that has interstate proximity, relative visibility, and access.
- Given broader shifts toward internet spending, tenanting will need to incorporate restaurants as well as community serving uses.

Options include:

- A restaurant cluster, tied in with a smaller retail center, anchored by 1 or more “junior” boxes. Total square footage would be less than 150,000 square feet, with the actual total dictated by site constraints.
- A stand-alone big box store, subject to site constraints
- An auto dealership, aligned with adjacent Acura and VW dealerships.

Recreation

The analysis appreciates the potential to make better use of existing recreational assets in the target area. The creek and trail system both are both under-utilized. Strategies could align with City interest in developing a stronger gateway along Merle Hay Road.



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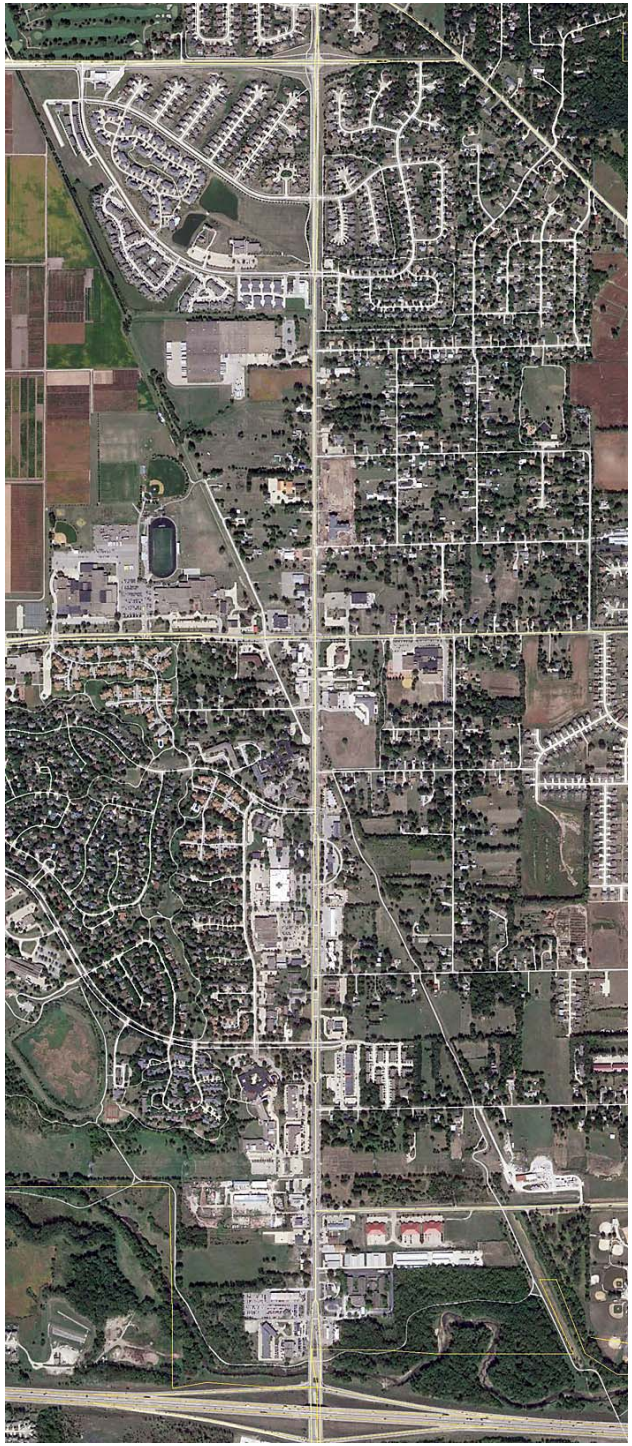
Data Sources

The effort has relied on an array of data sources:

- US Census
- City of Johnston
- Office of Social and Economic Trend Analysis (SETA)
- Environmental Systems Research Institute, Inc. (ESRI)
- Iowa Department of Revenue
- Des Moines Metropolitan Planning Organization
- Greater Des Moines Convention and Visitors Bureau
- Federal Reserve Bank of Chicago
- CB Richard Ellis
- COSTAR



Stakeholder Insights

Stakeholder Insights

Working with City Staff, AECOM participated in interviews with key stakeholders, including a sample of corridor property owners. As well, we met with local real estate brokers / developers. The intent of the interviews was to frame perceptions, issues and opportunities related to the revitalization of the Merle Hay Corridor. Insights include:

- The Des Moines area is recovering from the recession at a faster pace compared to the Midwest or US.
- Pioneer and Camp Dodge continue to be economic anchors for the community
- The region is evaluating bus rapid transit options. Current proposals do not include the corridor in Johnston.

The southern extent of the Corridor in Johnston includes both vacant sites as well as the closed hotel site, the latter of which appears to be “weighing down” perceptions of the area, according to a majority of interviews.

With respect to the hotel, an array of concerns were noted (health, public safety, blight, etc.) Additionally, the southern extent of the corridor is impacted uniquely by flood plains, which do constrain development.

The Corridor supports a relevant amount of truck traffic, linked in part with quarries and cement operations to the east. As well, due to the spacing of interchanges off of I-35/80, Merle Hay Road continues to be a key regional arterial.

Although Merle Hay is a key gateway into Johnston, the corridor does not project an image that is comparable to other corridors in the community.

Interviews reinforce a key challenge for Johnston, which is that in spite of high incomes and corresponding educational attainment, the community’s retail base remains modest, pointing to considerable leakage of retail dollars to other areas.

Local broker and developer interviews suggest that:

- Local real estate markets are recovering, albeit slowly. Current constraints relate to rent levels, as well as the reality that bank lending terms remain conservative.
- Retail around Merle Hay Mall has improved as of late, supported by tax increment financing by the City of Des Moines.
- Although the Corridor is not the “Auto Row” that it used to be, several dealerships still operate in the area.
- Regional retail market performance is improving, led by regional malls as well as larger power centers. Neighborhood retail remains in a recovery stage.

Stakeholder Insights

Interviews with local real estate brokers suggested that there are several factors which appear to be “weighing down” perceptions of the area, according to a majority of interviews. Concerns tended to focus on three areas:

1. The hotel site
2. Self storage located immediately north of the hotel
3. An existing industrial area west of Merle Hay Road (behind Sonic), situated largely in the flood plain.

The interviews focused in part on reuse potentials associated with several specific parcels:

- NE of Johnston Drive and Merle Hay Road – the Heard Gardens Redevelopment Area
- SE of Johnston Drive and Merle Hay Road – The Hotel Redevelopment Area
- West of Merle Hay Road, North of the Acura Dealership

The hotel site formerly a Best Western / Ramada, was defined by many as the location of the North End Diner. The closed property was a primary focus of concern in the interviews (health, public safety, blight, etc.)

The industrial area, generally located behind Subway and Sonic, west of Merle Hay Road, includes several older warehouse buildings, along with extensive outdoor storage.

Retail patterns on the corridor have shifted slightly since the study was first completed. Changes include:

- Loss of Starbucks
- Arrival of Panera Bread
- Expansion of Cactus Bob’s Bar B Que
- The two-story mixed use project developed at the southeast quadrant of Merle Hay and Pioneer Parkway has struggled to fill its retail space.
- The senior housing project along Merle Hay north of City Hall has opened.

From a retail standpoint, the Corridor is at a relative disadvantage, in that the population density that supports the corridor is lower compared to other areas.

Stakeholder Insights

With respect to the hotel site in particular:

- It is one of a small number of well located sites in the Region with immediate interstate access.
- It is one of a very small number of sites in Johnston to support commercial development, with a strategic location at one of the gateways into the community
- Interviews reinforced the reality that, for a well-located site, it has poor visibility from the interstate.
- It is one of several under-utilized sites along the southern extent of the corridor, many of which have flood plain challenges.
- The future of the hotel site needs to be viewed in context with several frontage parcels, including sites owned by Quik Trip, as well as adjacent owners. In a perfect world, future redevelopment would look at this larger assemblage as the core opportunity.

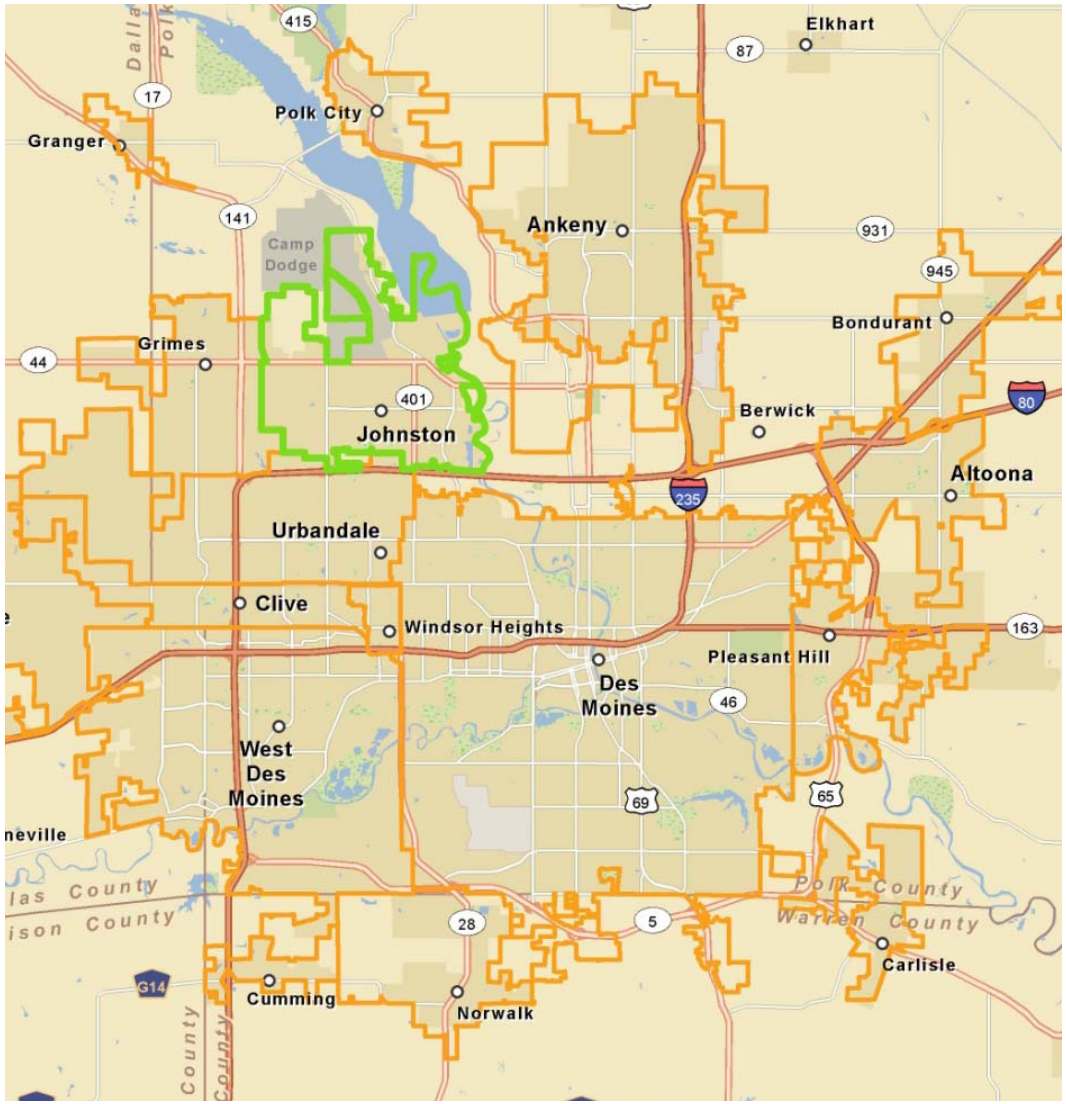
Stakeholder Interviews suggested an array of reuse options for the hotel site:

- Residential was discussed, with possible emphasis on senior housing or apartments. Concern about highway noise was noted.
- Hotel
- Office / Flex
- Auto dealership cluster
- Mixed-use
- Linkage with adjacent bike trails
- Restaurants

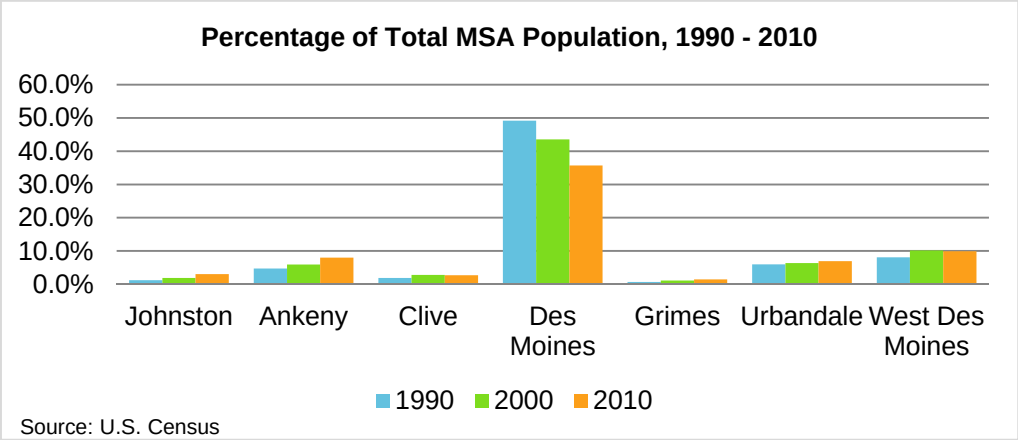
In the context of these options, local brokers and developers emphasized the reality of tepid near-term market response, as well as the likely need for public incentives to achieve successful redevelopment of the hotel site.

Demographic and Economic Context

Regional Map



Population



- The suburban communities represent a small share of the region's total population; Johnston represents 3% in 2010.
- The City of Des Moines' share of Regional population has dropped significantly from 49% in 1990 to 36% in 2010.

Population Change, 1990 to 2010

				CAGR		
	1990	2000	2010	90-00	00-10	Total Change
Iowa	2,776,755	2,926,324	3,046,355	0.5%	0.4%	269,600
Des Moines MSA	392,928	456,022	569,633	1.5%	2.2%	176,705
Johnston	4,702	8,649	17,278	6.3%	7.2%	12,576
Ankeny	18,482	27,117	45,582	3.9%	5.3%	27,100
Clive	7,462	12,855	15,447	5.6%	1.9%	7,985
Des Moines	193,187	198,682	203,433	0.3%	0.2%	10,246
Grimes	2,653	5,098	8,246	6.7%	4.9%	5,593
Urbandale	23,500	29,072	39,463	2.2%	3.1%	15,963
West Des Moines	31,695	46,403	56,609	3.9%	2.0%	24,914

Source: U.S. Census

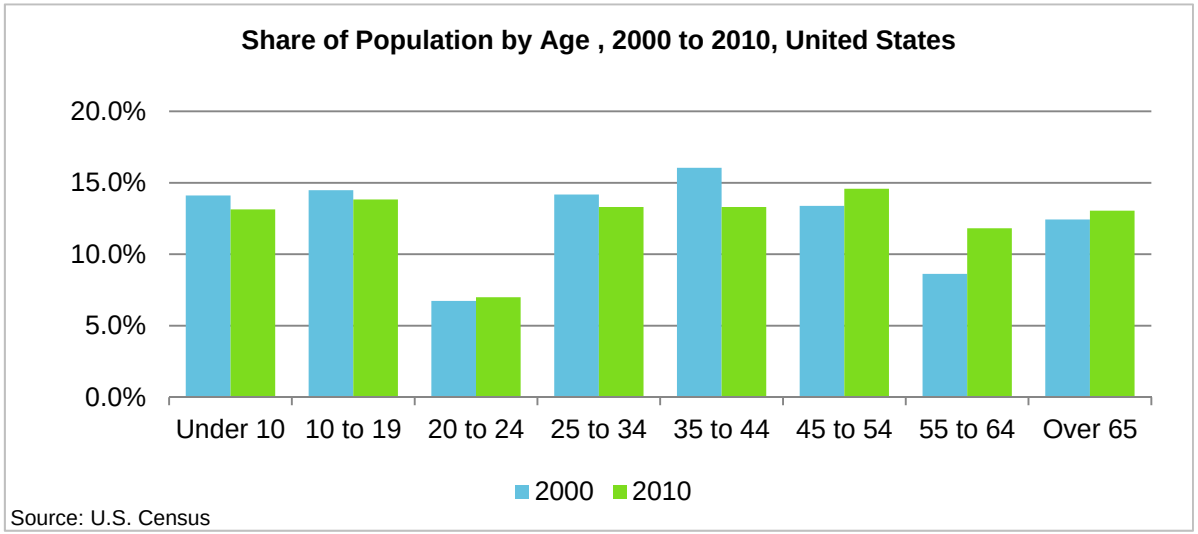
Johnston Forecasts

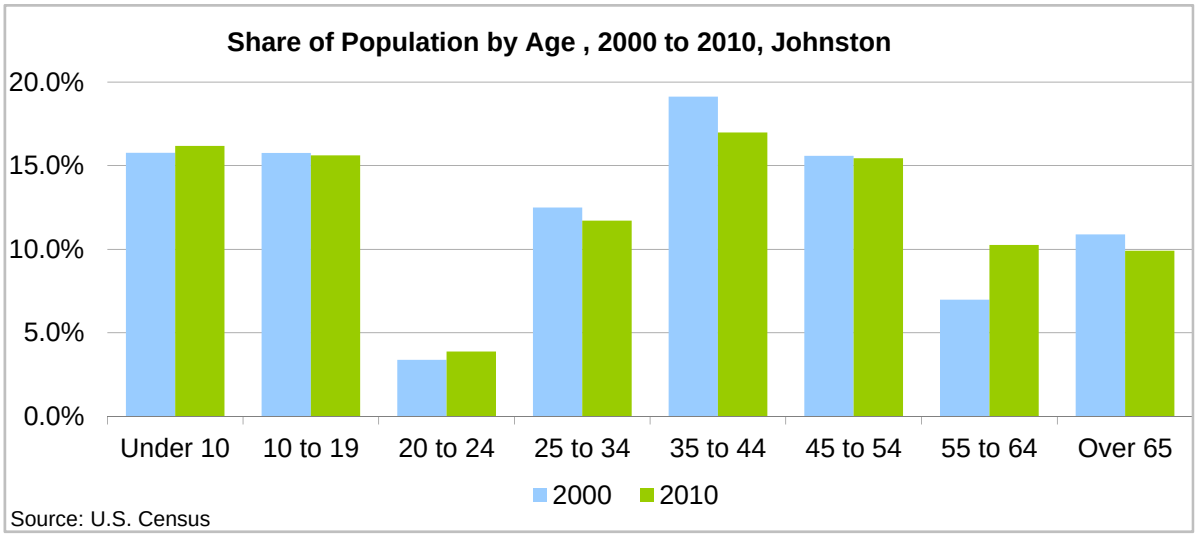
	2005	2010	2015	2025	2035
Population	14,372	16,856	19,112	22,812	27,148
Housing	5,927	6,902	7,785	9,236	11,250
Employment	11,419	12,487	13,334	14,643	15,654

Source: Des Moines Area MPO - TAZ

- The Des Moines Metropolitan Statistical Area (MSA) grew faster than the State, 2.2% annually compared to 0.4%.
- Johnston's population had the highest annual growth rate at 7.2%.
- Johnston, Ankeny, and Urbandale had compound annual growth rates increase for 2000 to 2010 compared to 1990 to 2000.
- Clive, Des Moines, Grimes, and West Des Moines saw growth rates slow.
- The MPO forecast that Johnston's population would be 16,856 in 2010; Johnston grew faster than projected growth.

Johnston Population by Age





- Johnston's youth population under the age of 19 is above the national average, exceeding 15%.
- Johnston's share of the population between the ages of 35 to 44 is well above the national average but declining.
- The 55 to 64 age segment saw the greatest increase in share in Johnston, similar to the national average
- Implications for growth in Boomer segments point to slowly evolving need for more diverse housing options in the community.

Households

Households & Average HH Size, 1990 to 2010

	Number				Average Size		
	1990	2000	2010	CAGR	1990	2000	2010
Iowa	1,064,325	1,149,276	1,221,576	0.7%	2.6	2.5	2.4
Des Moines MSA	153,100	179,404	223,268	1.9%	2.6	2.5	2.5
Johnston	1,801	3,216	6,369	6.5%	2.6	2.6	2.7
Ankeny	6,756	10,339	17,433	4.9%	2.7	2.6	2.6
Clive	2,810	4,752	5,754	3.6%	2.7	2.7	2.7
Des Moines	78,453	80,504	81,369	0.2%	2.5	2.5	2.4
Grimes	981	1,887	3,115	5.9%	2.7	2.7	2.7
Urbandale	9,013	11,484	15,596	2.8%	2.6	2.5	2.5
West Des Moines	12,974	19,826	24,311	3.2%	2.4	2.3	2.3

Source: U.S. Census

- The number of HH's in Johnston grew rapidly, doubling from 2000 to 2010.
- Average HH size in Johnston increased to 2.7.
- Johnston had the strongest annual growth rate at 6.5%.

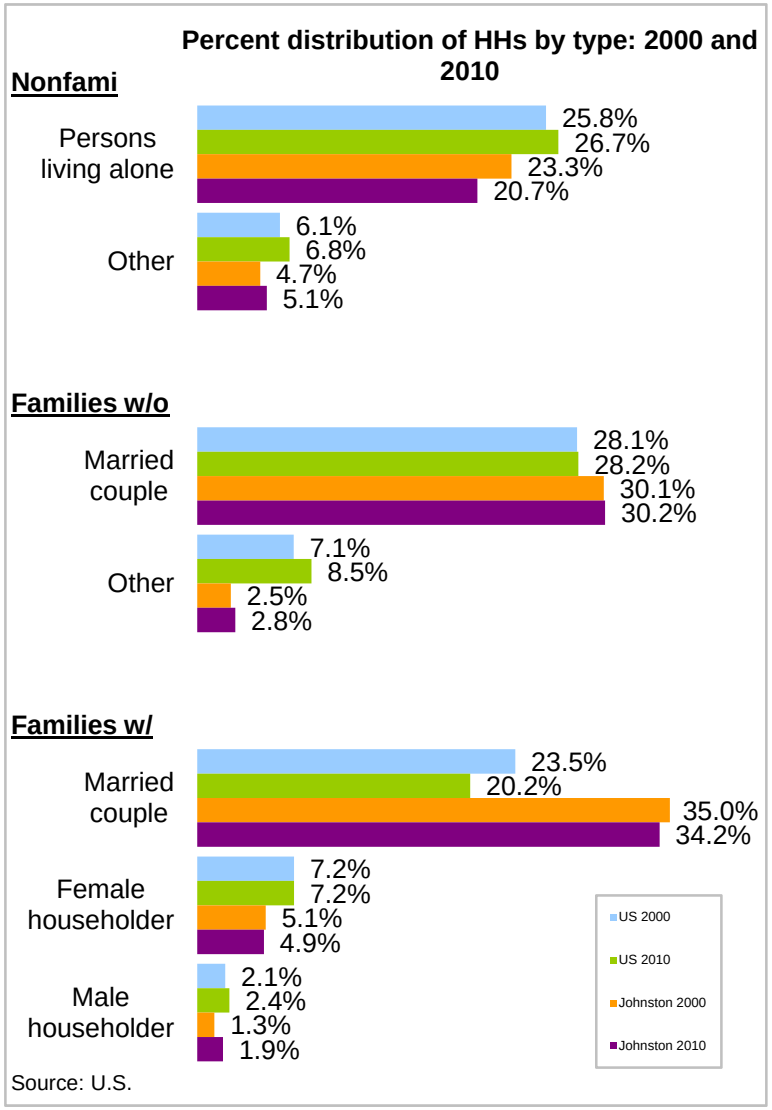
Median HH Incomes, 1990 to 2010

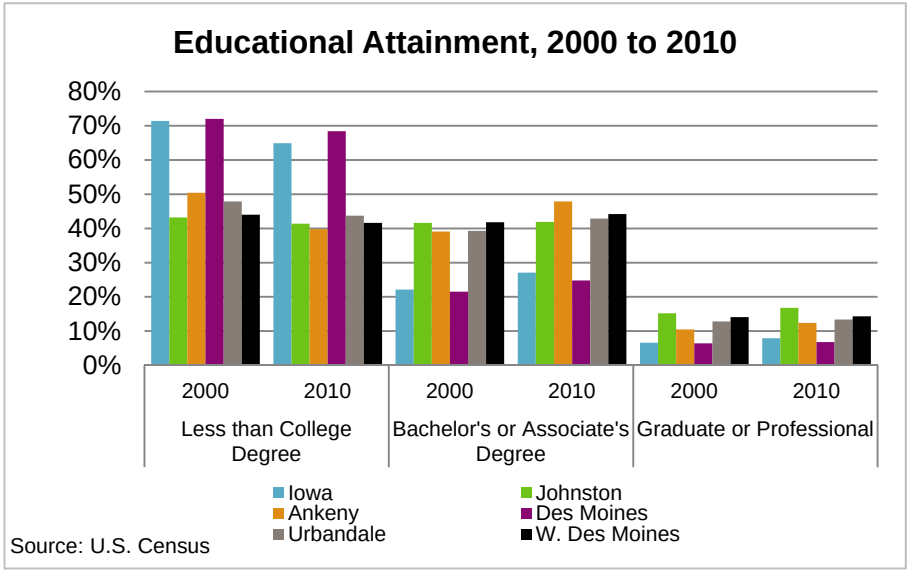
	1990	1999	2010	CAGR
Iowa	$26,229	$39,469	$48,872	3.2%
Des Moines MSA	$31,182	$46,651	$57,454	3.1%
Johnston	$43,036	$76,094	$89,453	3.7%
Ankeny	$36,582	$55,162	$71,963	3.4%
Clive	$46,227	$74,127	$98,385	3.8%
Des Moines	$26,703	$38,408	$44,178	2.5%
Grimes	$35,444	$56,275	$72,308	3.6%
Urbandale	$42,686	$59,744	$80,751	3.2%
West Des Moines	$41,045	$54,139	$63,978	2.2%

Source: U.S. Census

- Johnston has the second highest median household income of the examined municipalities at $89,543, exceeded only by Clive.
- Clive is also the only community to have a higher annual growth rate of income than Johnston.

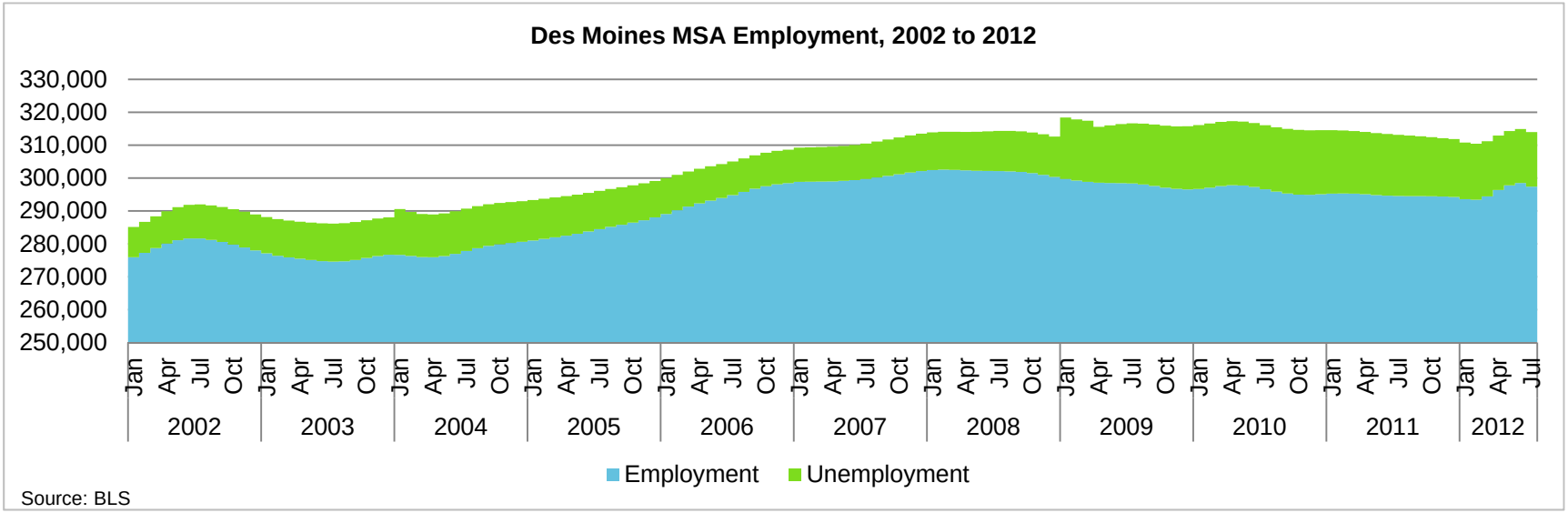
Households Characteristics

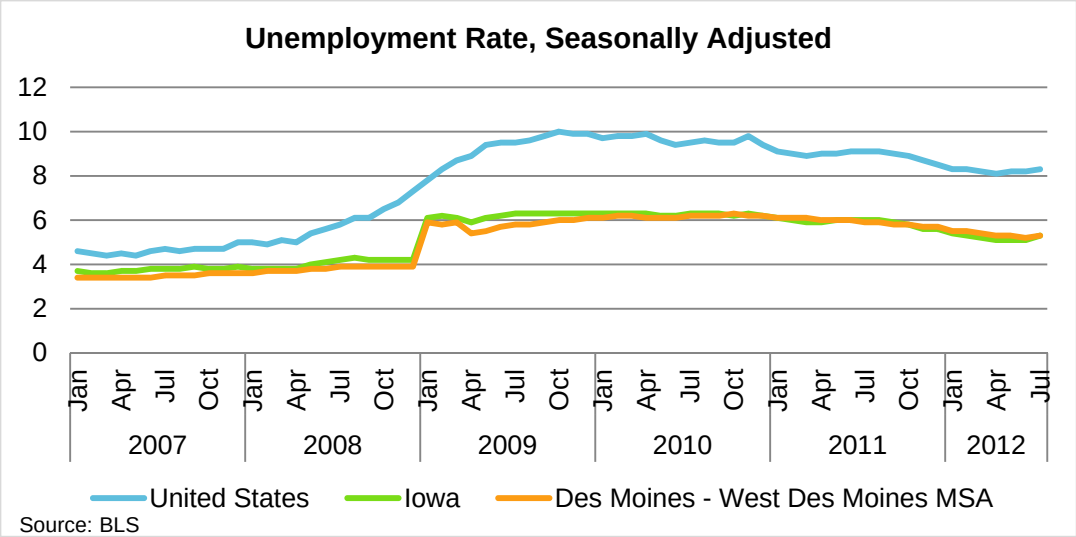




- There are fewer persons living alone in Johnston, a trend that has accelerated through 2010.
- There are a significantly higher portion of families with children than the national average, but there has been a slight decline.
- Johnston has the highest share of its population with graduate or higher level degrees, and over 40% with at least an associate's degree
- Iowa and Des Moines have a significantly higher share of its population with less than a college degree.

Employment & Unemployment Trends





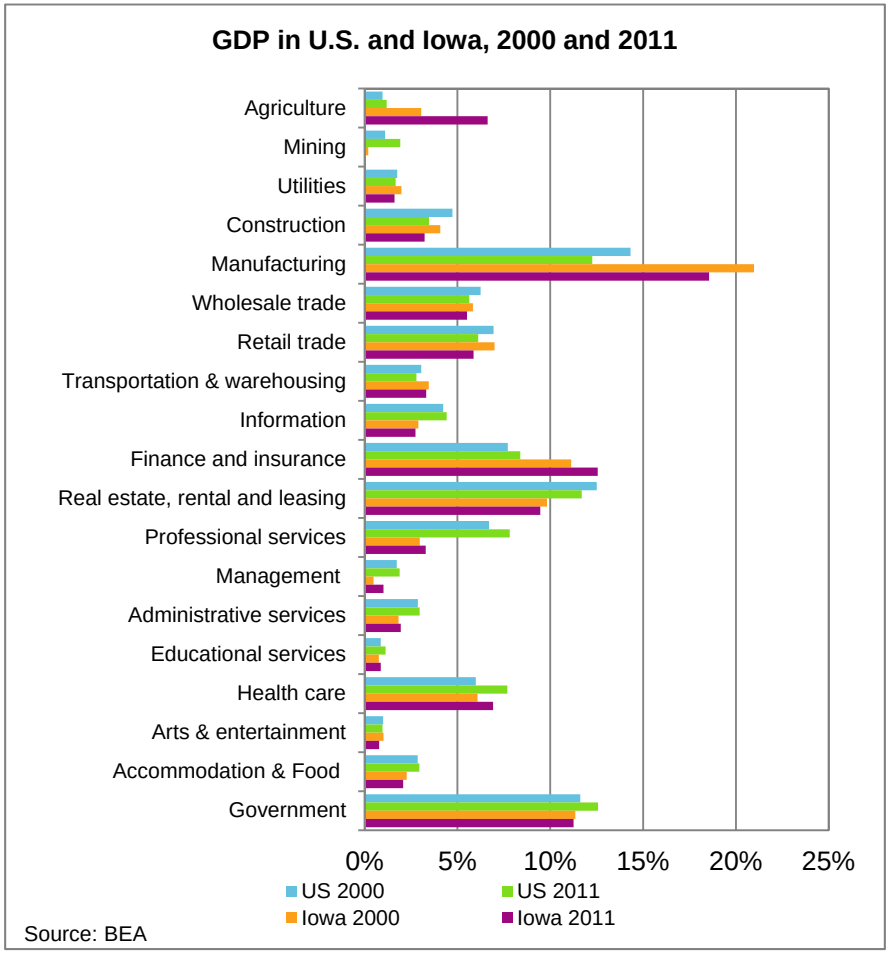
- Unlike much of the Midwest, Des Moines area employment has increased over the past 10 years
- Unemployment in Iowa has remained significantly lower than the national average.
- The Des Moines MSA has tracked with the State unemployment rate.
- Unemployment in the Des Moines MSA have been trending downward slowly and is down to 5.3%.

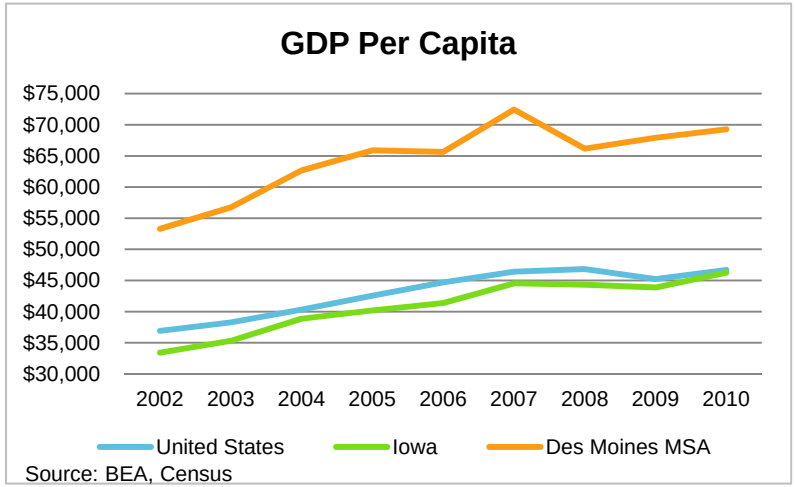
State & National Gross Domestic Product (GDP)

GDP, in $ Billions

	2002	2003	2004	2005	2006	2007	2008	2009	2010	CAGR
United States	10,572.4	11,067.8	11,774.4	12,539.1	13,289.2	13,936.2	14,193.1	13,834.7	14,416.6	4.0%
Iowa	98.6	104.6	115.6	120.0	124.1	134.1	133.9	133.1	140.9	4.6%
Des Moines (MSA)	25.3	27.6	31.1	33.5	34.1	38.5	36.0	37.8	39.5	5.7%

Source: BEA

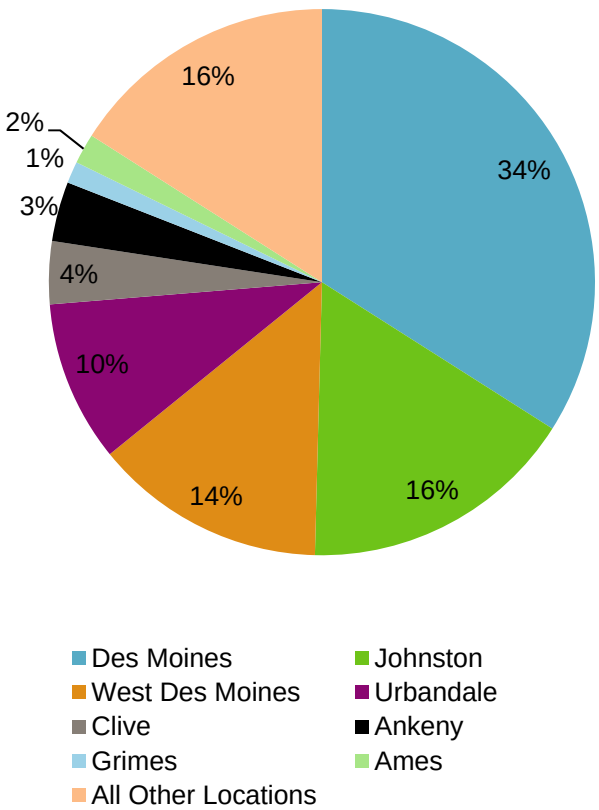




- GDP is the market value of all goods and services produced within a country in a given period of time
- GDP in Iowa and Des Moines grew faster than the United States.
- The Iowa GDP stalled through the recession, before expanding in 2010 to $140 billion, from $133 billion.
- Per Capita GDP in the Des Moines MSA is significantly higher than Iowa and the United States.
- Sector's in Iowa with higher shares of GDP than the national average (Agriculture, Manufacturing, Finance and Insurance).

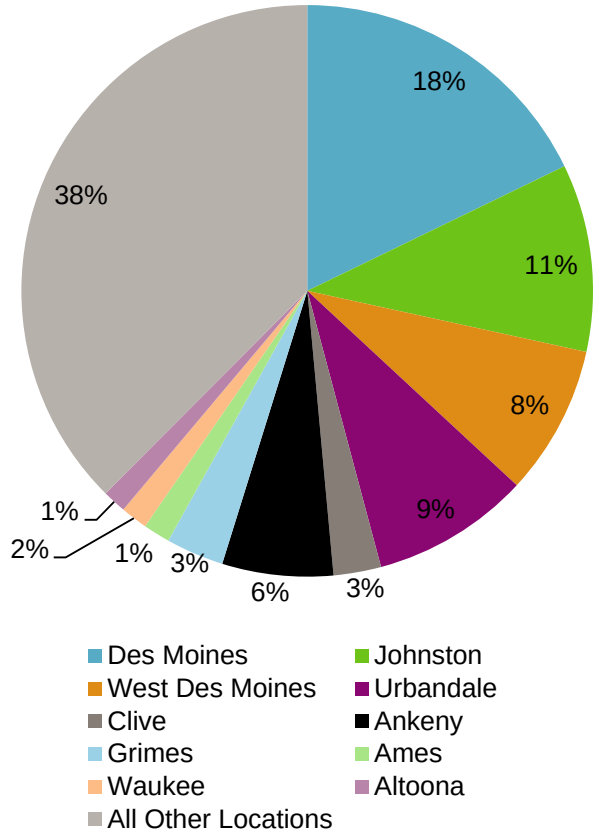
Places of Employment

Cities Where Residents Work, Johnston, 2010



Source: On The Map

Cities Where Employees Live, Johnston, 2010



Source: On The Map

- A third of Johnston's residents work in Des Moines, while 16% work in Johnston. West Des Moines accounts for 14% of employment.
- 4 cities account for 74% of the places of employment.
- In contrast to Johnston residents, individuals who work in Johnston come from a greater variety of locations.
- There are more workers in Johnston than working Johnston residents, but:
- The majority of people who live in Johnston do not work in Johnston (84%).
- The majority of workers in Johnston do not live in Johnston (89%)

Implications

Johnston's population has a number of positive demographic factors working in its favor:

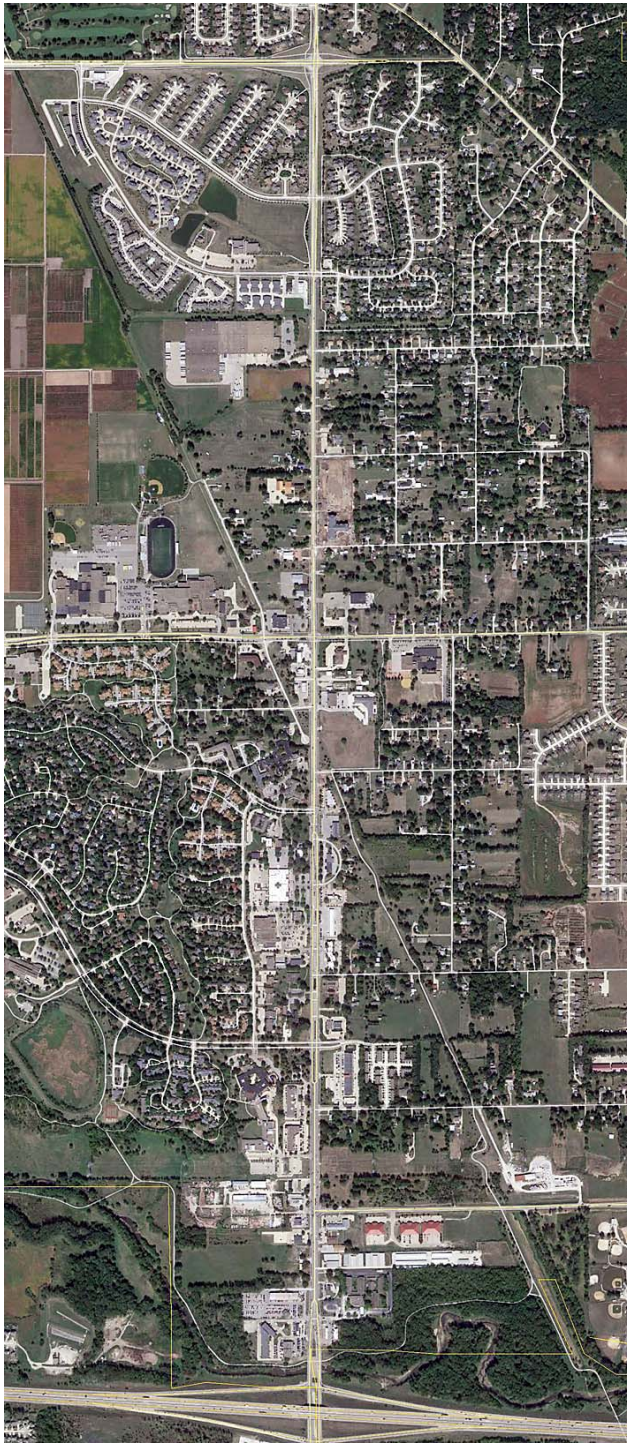
- High population and household growth, doubling the population from 2000 to 2010.
- An affluent, well educated population with one of the highest median household incomes in the region.
- The share of families and families with children is higher than the national average.

Economic considerations include:

- Johnston has an economic environment that is relatively positive. The low unemployment rates, strong GDP per capita and the strength of the finance sector locally provide a stable workforce and positive business environment for Johnston.
- Johnston's residents and workforce are traveling in opposite directions, with residents commuting to Des Moines and other suburban communities, while of Johnston employees, a smaller portion are Johnston residents.

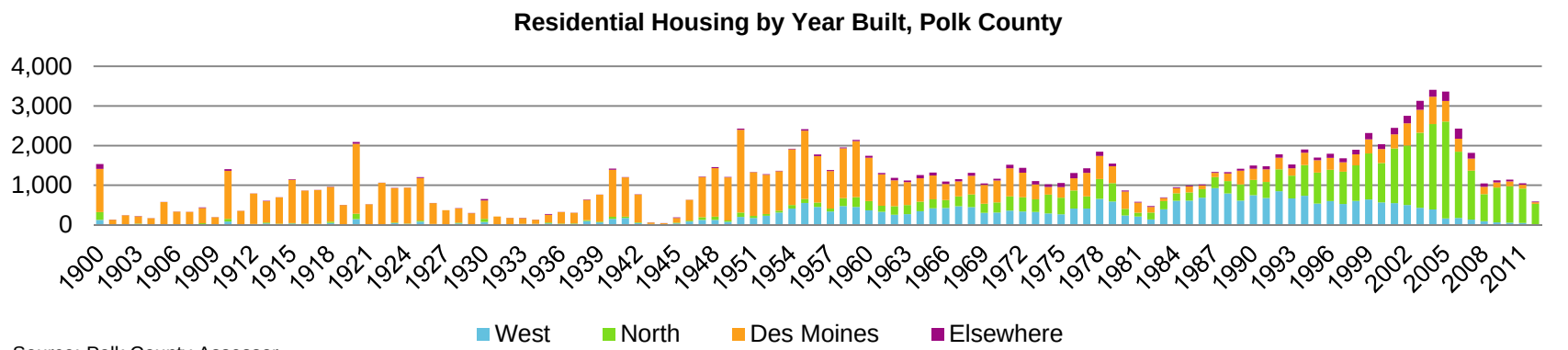
Moving forward, key policy questions arise from the following:

- The interest / ability to sustain historic population growth rates, even as retail and services do not appear to have kept pace.
- The ability to sustain population growth over the long term, given eventual land scarcity, as well as increasing affluence, which over time will tend to price a share of younger families out of the market.

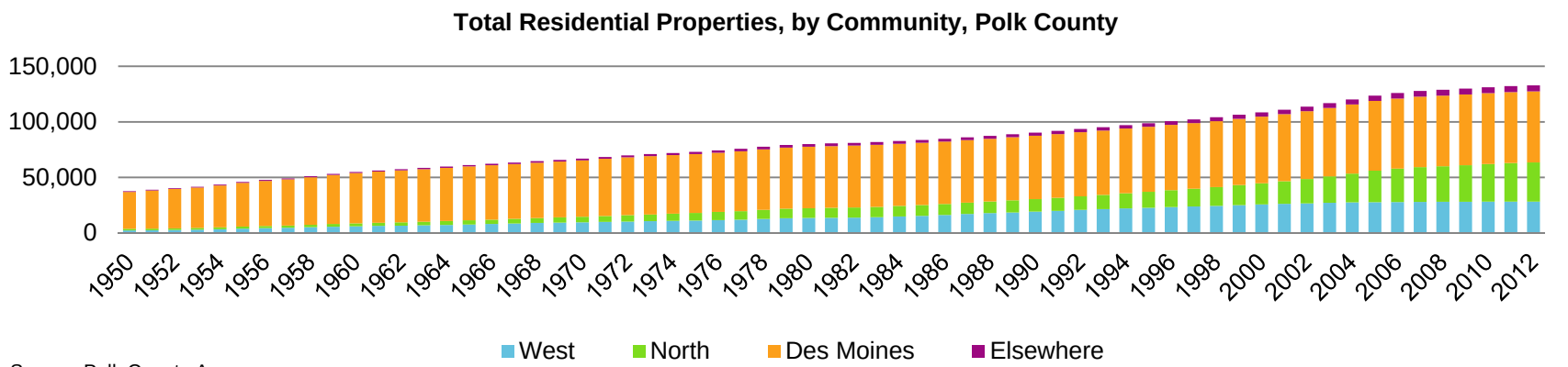


Real Estate Market Analysis

Historical Housing Trends



Source: Polk County Assessor



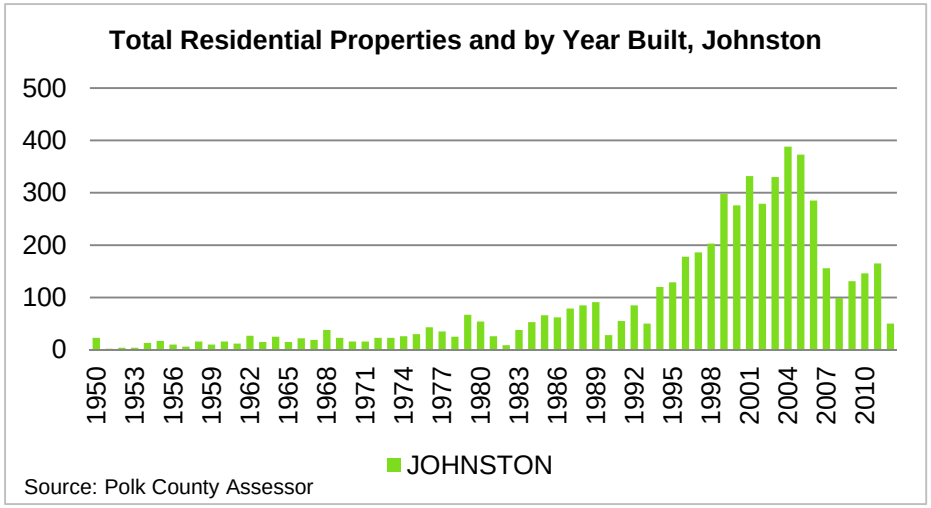
Source: Polk County Assessor

The Des Moines MSA has seen three general waves of residential housing construction:

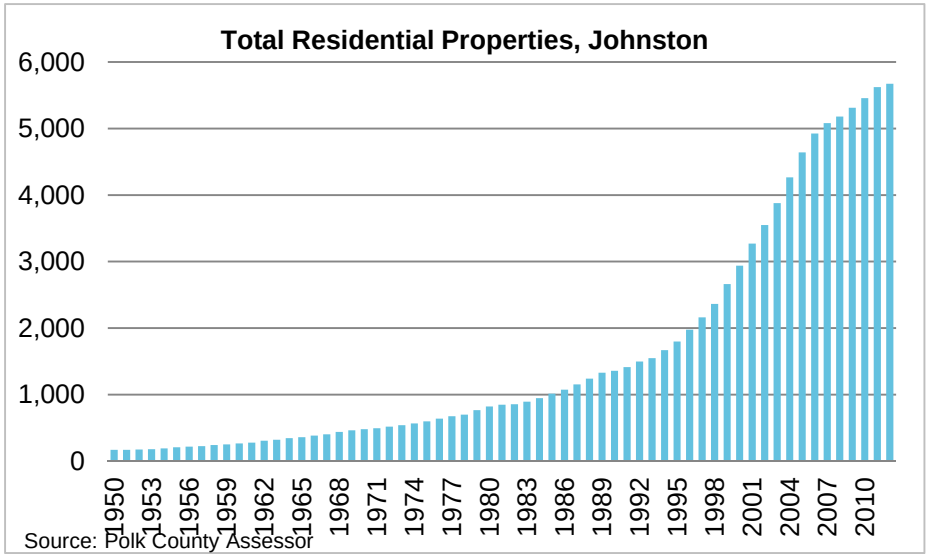
- In the 1920's, almost entirely within Des Moines
- Post-war boom with initial suburban development focused in Ankeny, Urbandale, and West Des Moines
- 1990's through the "Great Recession" with development occurring primarily in the suburbs

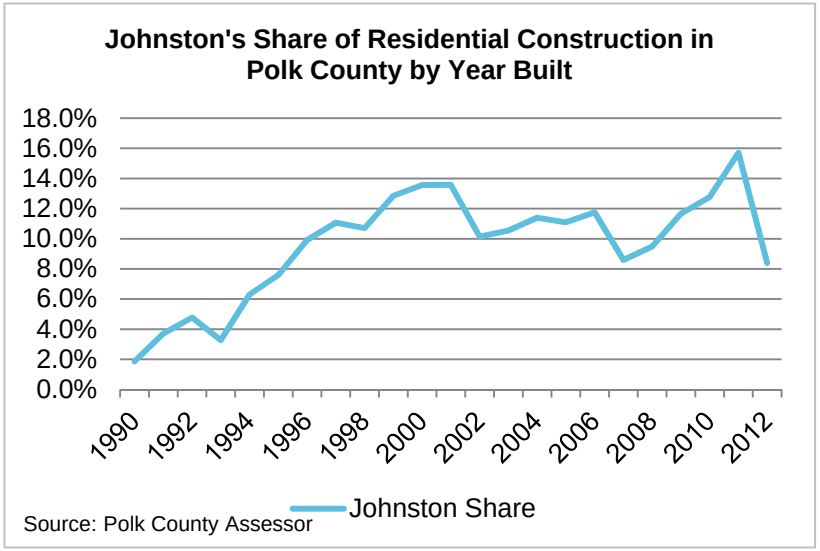
- Housing construction peaked annually in 2004, with over 3,000 units throughout the region.
- The pace of housing construction since 2008 is comparable to levels last achieved in the late 1980's
- Ankeny, West Des Moines, and Urbandale represent the largest suburban housing supply while Johnston, Clive, and Grimes remain small despite recent development.

Johnston Residential Trends

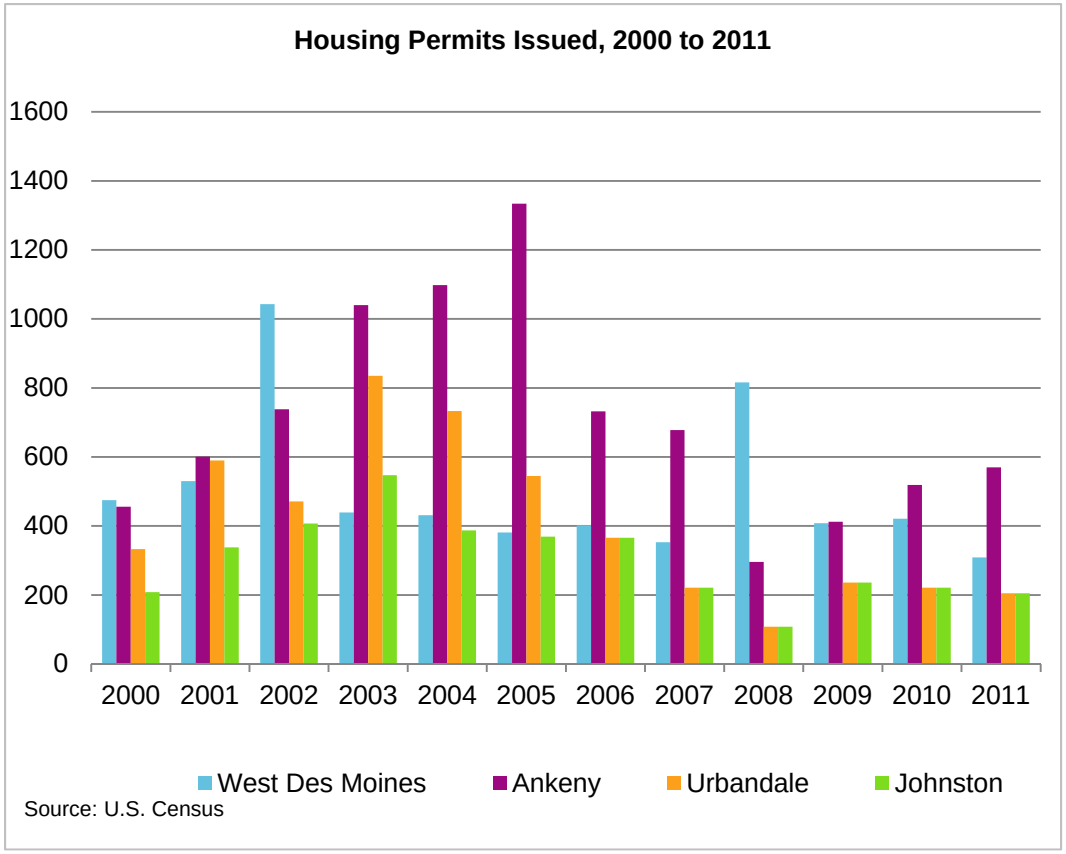


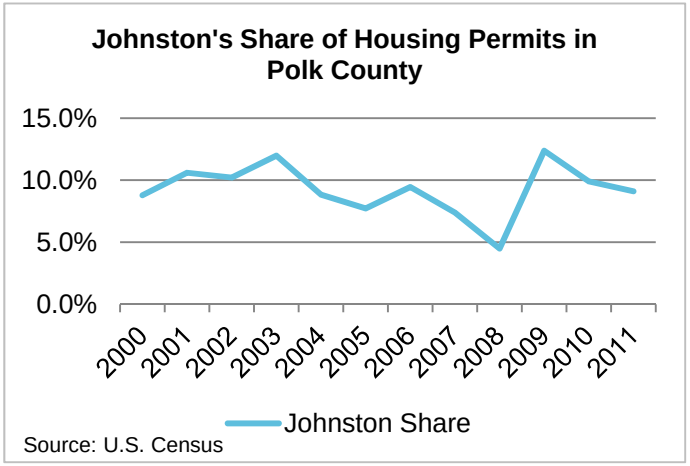
- Johnston's housing development occurred during the mid 1990's through the early part of the last decade.
- Housing starts had already dropped before the financial and housing collapse.
- Johnston had the largest annual growth rate of the four communities, but it is slightly under a third the size of the next largest community.





Residential Permitting





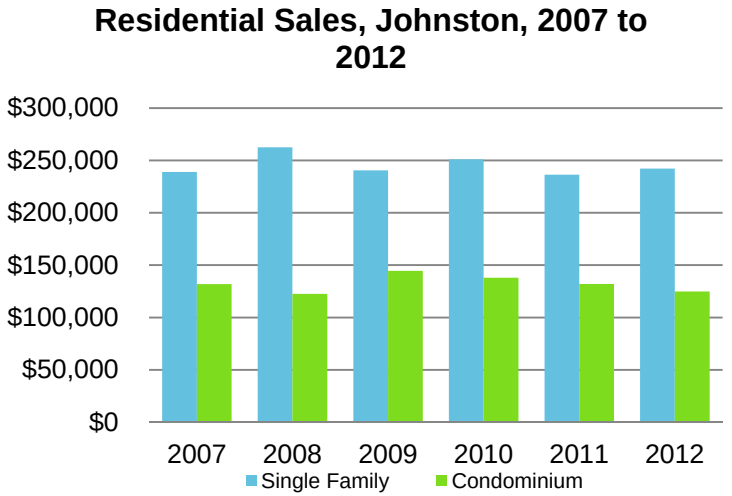
- Permitting for housing units slowed prior to the housing crisis.
- Ankeny saw the greatest decline in volume from its peak at over 1,300 permits in 2005, down to fewer than 400 in 2008.
- Johnston's permitting, historically lower, has been trending downward since 2003.
- Johnston's housing permits have been primarily single family and condominiums.
- Multifamily units were constructed from 2001-2003, and a small number were produced in 2010 and 2011.

Johnston, Housing Permits, 2000 to 2011

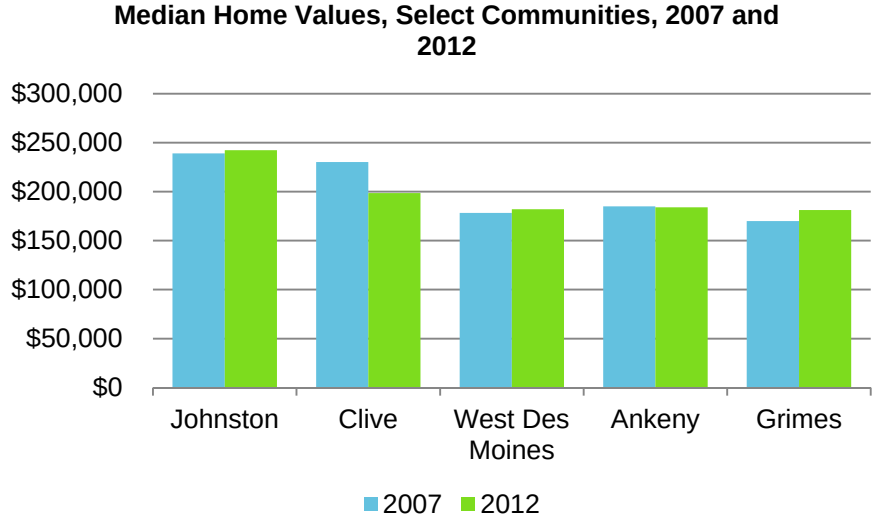
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Multifamily	0	32	152	204	0	0	0	0	0	0	36	16
Townhome/Condo	78	98	30	90	65	100	175	68	22	123	24	27
Single Family	130	206	226	253	324	269	190	130	78	98	130	139
Total	208	336	408	547	389	369	365	198	100	221	190	182

Source: City of Johnston

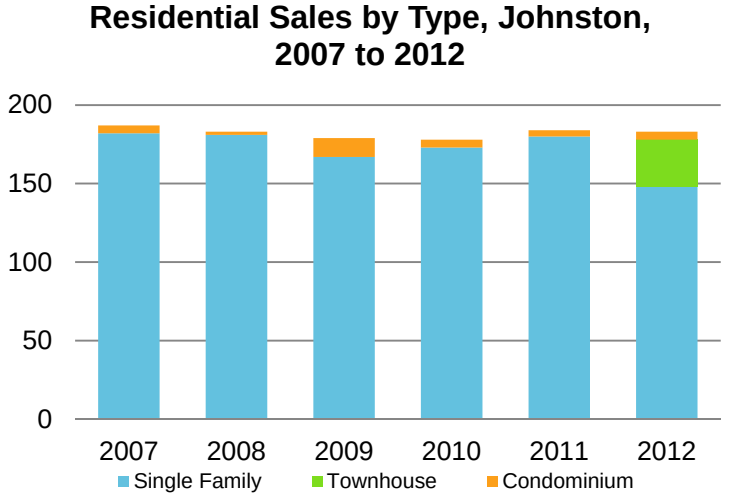
Home Price Trends



Source: Polk County Assessor



Source: Polk County Assessor



Source: Polk County Assessor

- Residential sales since the beginning of the recession are primarily single family homes with some townhouse/condo style housing each year.
- Residential housing sales have maintained stability even through the recession with sales in 2007 and each following year near 175 sales of various types.
- In comparison to other communities, Johnston's median home values have actually grown slightly in value from the peak in 2007 through 2012 from $239,000 to $242,000.

Residential Characteristics

Single Family Characteristics	#	Living Area	Land (acres)	Building Value	Building $/SF
Ankeny	13,122	1,687	0.45	$160,692	$95
Clive	2,691	2,147	0.36	$200,868	$94
Grimes	2,570	1,647	0.51	$167,202	$102
Johnston	4,566	2,068	0.51	$203,497	$98
Urbandale	9,087	1,711	0.29	$155,114	$91
West Des Moines	10,423	1,869	0.39	$174,818	$94

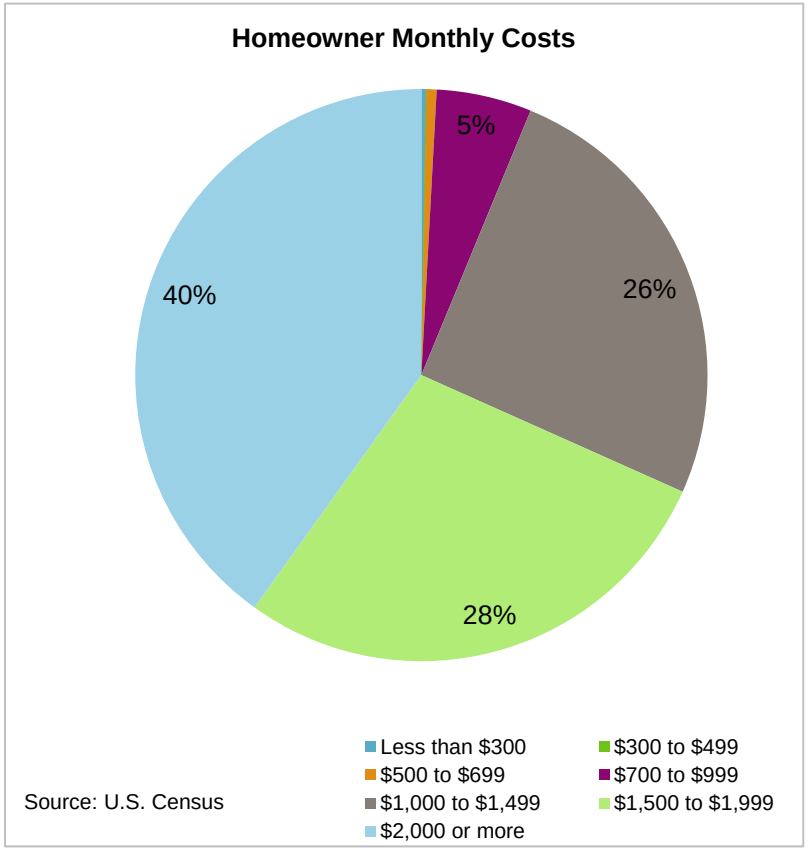
Condominium Characteristics	#	Living Area	Land (acres)	Building Value	Building $/SF
Ankeny	988	1,280	0.03	$91,087	$71
Clive	76	1,496	0.00	$209,368	$140
Grimes	464	1,237	0.02	$100,492	$81
Johnston	137	1,362	0.04	$115,039	$84
Urbandale	503	1,103	0.03	$84,879	$77
West Des Moines	711	1,319	0.06	$103,738	$79

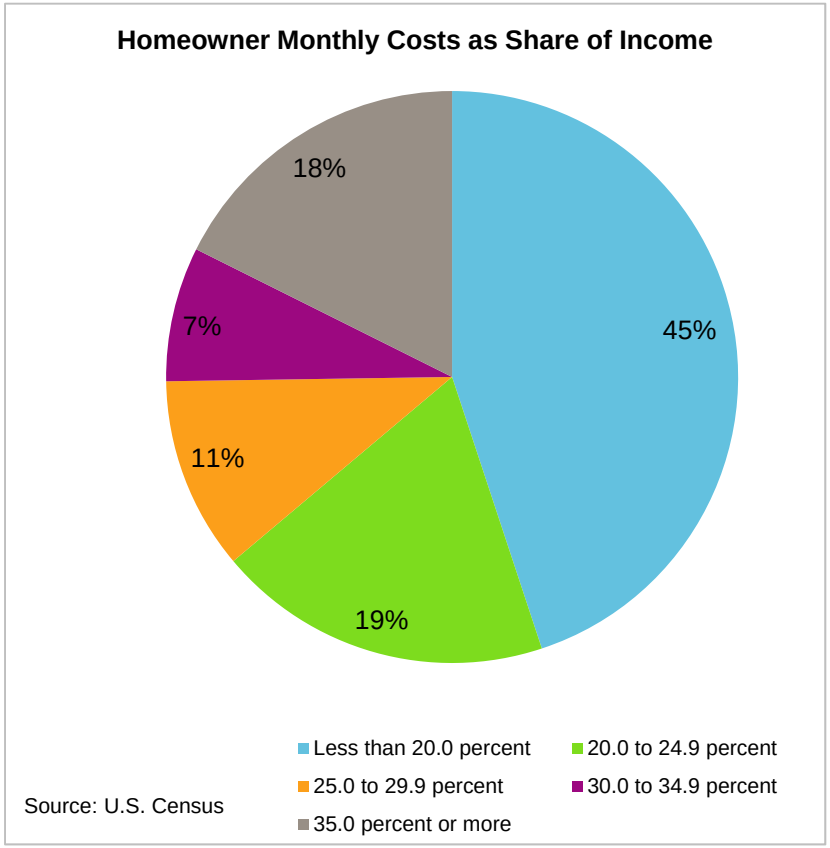
Townhouse Characteristics	#	Living Area	Land (acres)	Building Value	Building $/SF
Ankeny	2,266	1,301	0.06	$119,337	$92
Clive	273	1,754	0.15	$222,884	$127
Grimes	112	1,320	0.06	$115,328	$87
Johnston	920	1,415	0.07	$130,167	$92
Urbandale	978	1,390	0.13	$181,172	$130
West Des Moines	1,329	1,428	0.09	$149,804	$105

Source: Polk County Assessor

- Johnston single family homes are on average on the largest lot sizes, at a half acre.
- The average building value is $203,497, the highest of the communities profiled.
- The average living area in Johnston is the second largest, at over 2,000 square feet of space.

Johnston Housing Characteristics – Owners

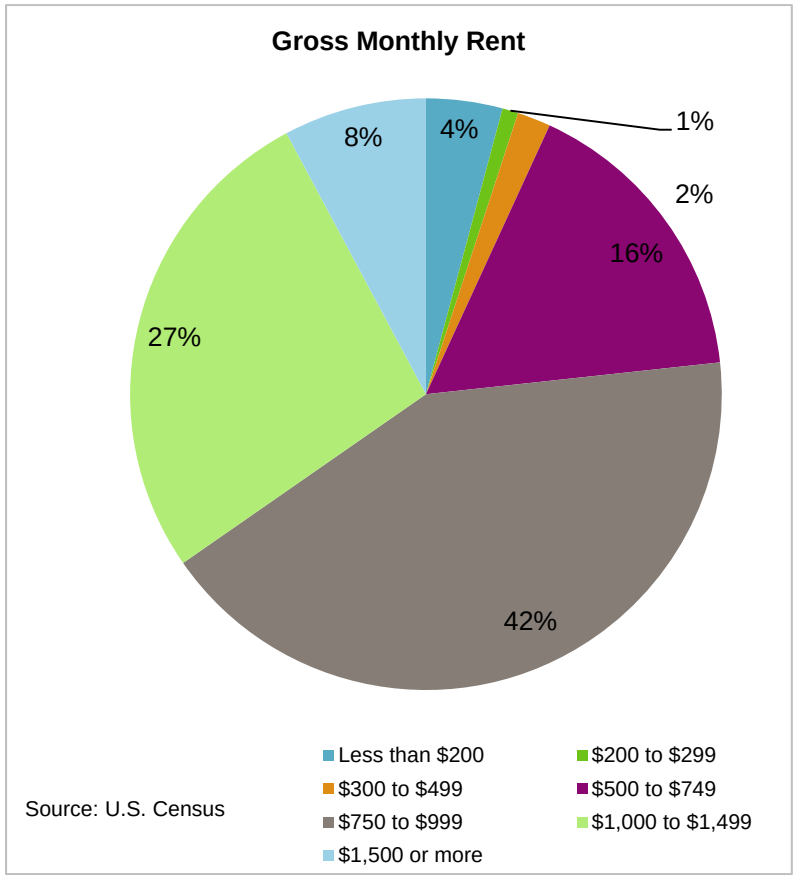


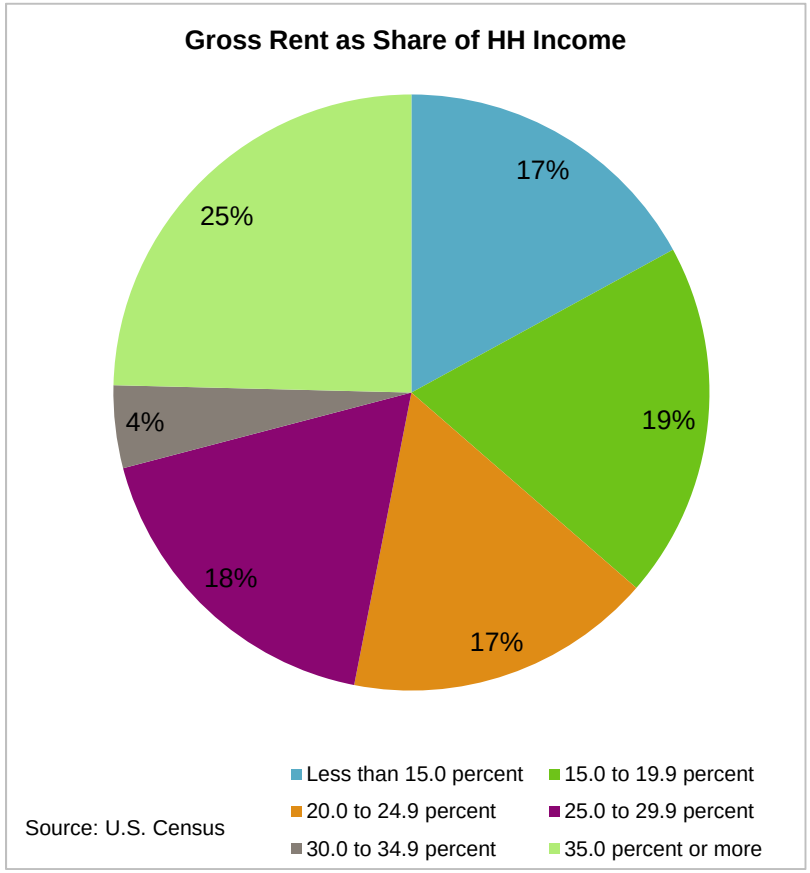


- Monthly costs for homeowners are most likely to be greater than$1,500.
- 40% of Households spend more than $2,000 or more a month.
- Monthly housing costs include the sum of payments for mortgages ,real estate taxes, property insurance, association / coop / condominium fees, and utilities. Costs do not include maintenance and repairs

- Monthly housing costs for the majority of residents (64%) account for less than 25% of monthly income.

Johnston Housing Characteristics – Renters



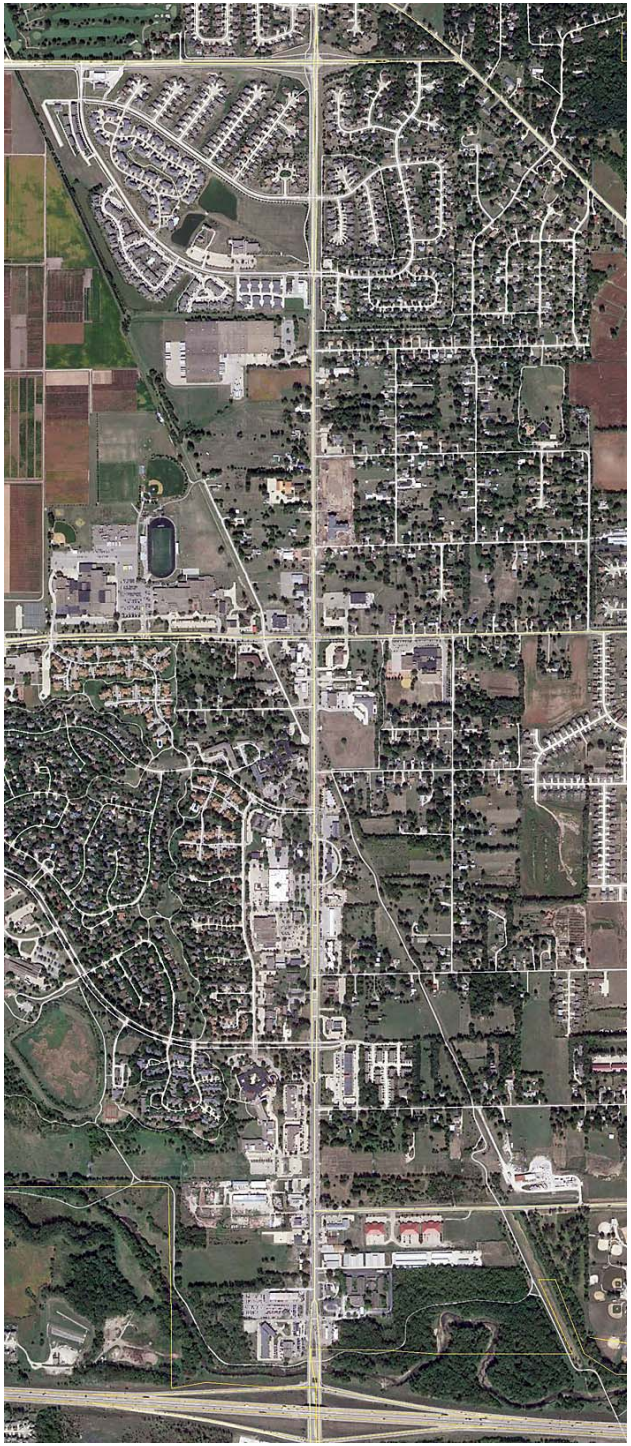


- Monthly rent is primarily of a more expensive level with 69% of monthly rents being greater than $750
- Rents below $750 account for 22%.

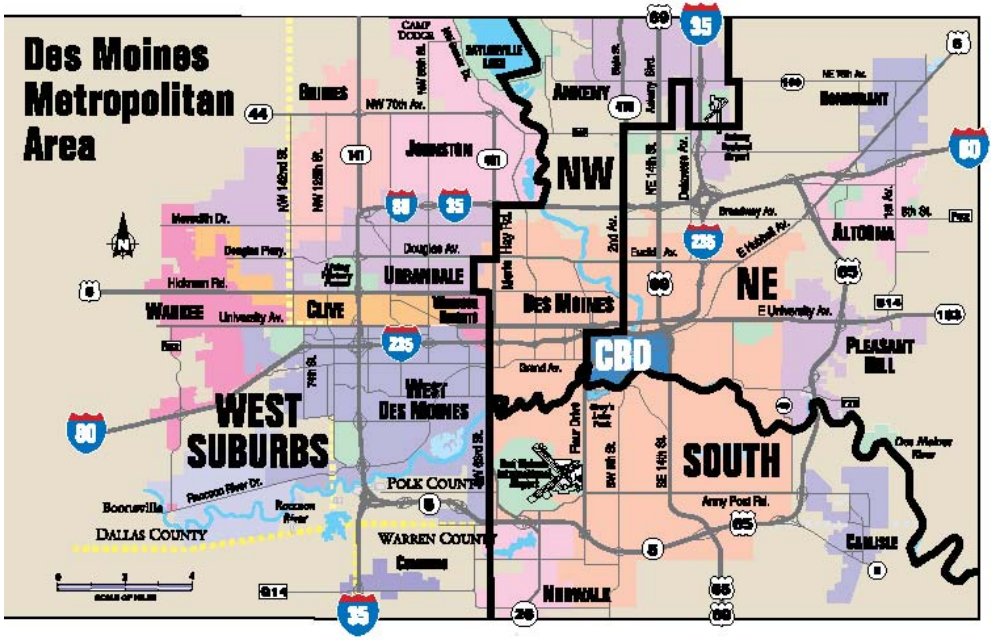
- A quarter of renters pay more than 30% of their monthly income on rent.
- 57% of renters pay more than 25% of their income on rent.

Residential Implications

- Johnston's supply of housing is relatively expensive compared to the region, but has retained value through the housing crisis.
- Housing sales also remained consistent during the recession, a positive indication for additional housing demand
- The housing stock is generally built under the suburban development model, with larger single-family homes on lots that are typically a half acre in size.
- While housing burden for homeowners is lower, for renters the burden is greater, indicating a potential gap in rental housing affordability.
- One recently built senior housing project is located along Merle Hay Road.
- Across the region, multi-family construction has generally increased as a percentage share of total housing unit construction since 2002. For Johnston, the share of multi-family units has lagged behind regional trends, with a notable uptick in multi-family for 2012.
- With limited land availability, City planners should consider opportunities for higher density residential use along the corridor. Increasing the residential base would be supportive for incremental retail development.



Commercial Real Estate Overview



CBRE Defined Submarkets

Central Business District
- Downtown Des Moines, bounded by I-235, MLK Jr. Parkway, 4th St, and the River.

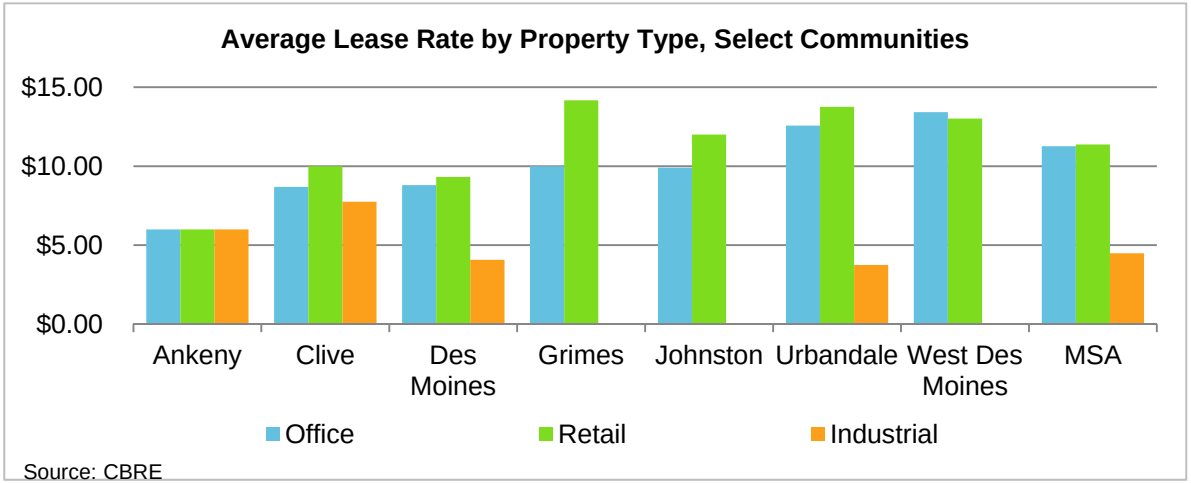
Western Suburbs
- West Des Moines, Clive, Urbandale, Windsor Heights, Johnston, Grimes, Waukee, and unincorporated areas

Northwest
- Northwest Des Moines, and Western Saylor Township

Northeast
- Northeast Des Moines, Pleasant Hill, Altoona, Eastern Saylor Township, and Delaware Township.

South
- Des Moines south of the River, unincorporated areas

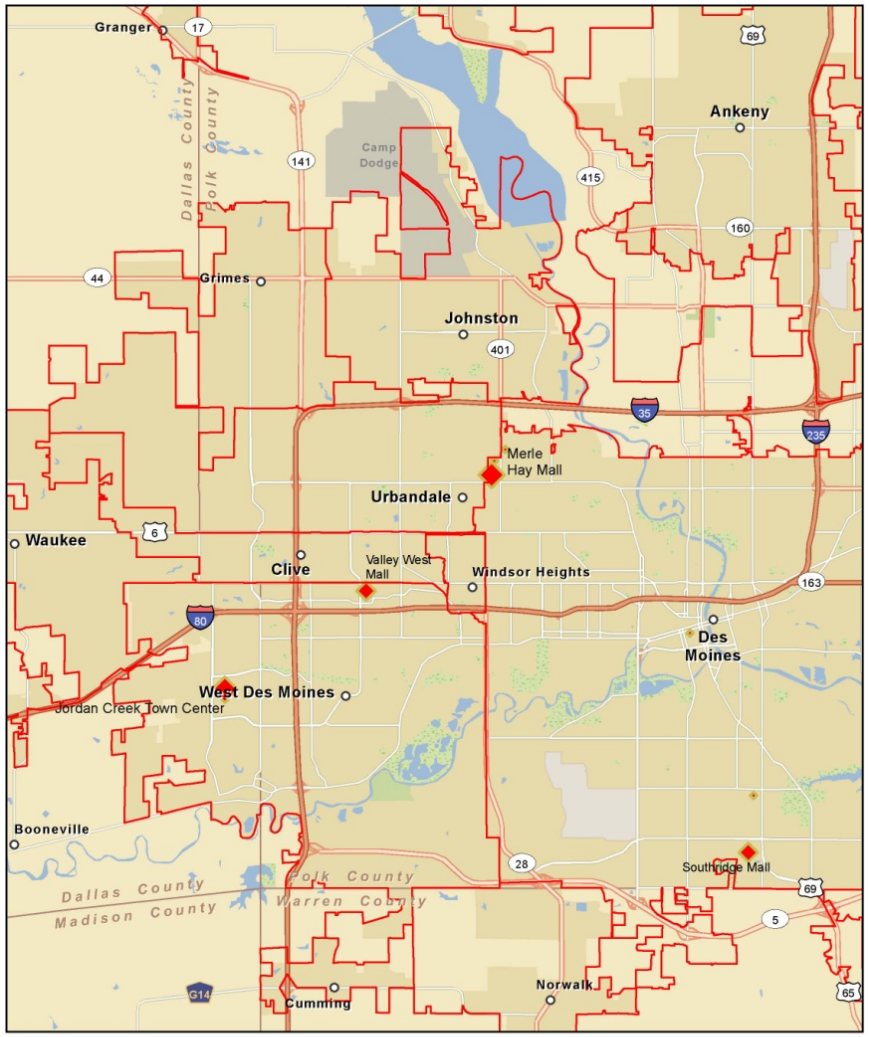
Ankeny
- Analyzed separately



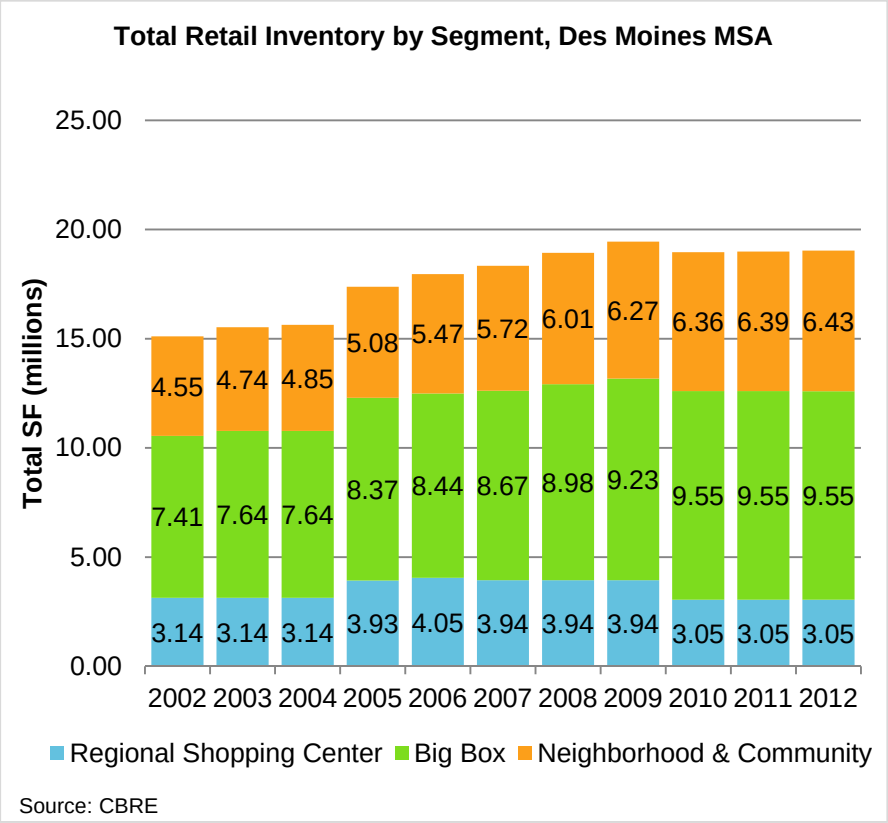
Source: CBRE

- Using lease rates for currently available space, it appears that Johnston's current lease rates, though not the highest, are in line with the other select communities.

Retail – Regional Perspective



AECOM



Source: CBRE

Regional Retail Inventory

Regional Shopping Center Inventory (Thousand SF)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Merle Hay Mall	1,230	1,037	1,163	1,163	1,163	1,163	1,163	1,163	1,163	-0.7%
SouthRidge Mall*	1,000	1,000	1,000	891	891	891	0	0	0	-100.0%
Valley West Mall	910	910	910	910	910	910	910	910	910	0.0%
Jordan Creek Town Center		979	979	979	979	979	979	979	979	0.0%
Total	3,140	3,926	4,052	3,943	3,943	3,943	3,052	3,052	3,052	-0.4%

Big Box Inventory (Thousand SF)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Western Suburbs	3,567	4,000	4,117	4,370	4,621	4,755	4,910	4,910	4,888	4.0%
Northwest Des Moines	575	575	575	428	428	428	448	448	448	-3.1%
Northeast Des Moines	1,159	1,429	1,383	1,383	1,383	1,465	1,611	1,611	1,611	4.2%
South Des Moines	1,302	1,302	1,302	1,302	1,302	1,302	1,302	1,302	1,302	0.0%
Ankeny	1,038	1,064	1,064	1,189	1,240	1,280	1,280	1,280	1,297	2.8%
Total	7,641	8,369	8,441	8,673	8,975	9,231	9,551	9,551	9,546	2.8%

Neighborhood & Community Shopping Center Inventory (Thousand SF)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Western Suburbs	2,485	2,657	2,930	3,158	3,315	3,454	3,518	3,546	3,534	4.5%
CBD Core	98	98	98	98	98	98	112	112	112	1.7%
Northwest Des Moines	680	667	691	669	684	728	714	714	738	1.0%
Northeast Des Moines	591	591	619	645	729	769	792	792	792	3.7%
South Des Moines	613	613	613	613	613	617	617	617	617	0.1%
Ankeny	388	458	517	540	575	606	606	606	641	6.5%
Total	4,854	5,084	5,467	5,723	6,014	6,271	6,357	6,386	6,434	3.6%

Source: CBRE

Regional Shopping Center

- Outside of the SouthRidge Mall, the regional malls are located in the Western Suburbs.
- The nearest mall to Johnston is the Merle Hay Mall, leading to retail along Merle Hay Road south of I-80/I-35.
- SouthRidge Mall has struggled in recent years and is undergoing a major renovation and redesign of its commercial makeup.

Big Box

- The western suburbs added the most big box inventory with 1.4 million square feet of space added.
- Northwest Des Moines lost 92 thousand square feet of big box space.
- The region overall gained 2.1 million square feet of big box space.

Neighborhood and Community Shopping Center.

- The western suburbs saw the most with 1.2 million sf.
- Ankeny saw its space double, growing at an annual rate of 7.1%.
- Des Moines saw the smallest growth rates in its inventory.

Retail Occupied Space

Regional Shopping Center Occupied Space(Thousand SF)						
	2008	2009	2010	2011	2012	CAGR
Merle Hay Mall	1,023	1,000	1,000	1,087	1,101	1.9%
SouthRidge Mall*	734	693	0	0	0	-100.0%
Valley West Mall	837	824	828	837	846	0.3%
Jordan Creek Town Center	964	952	959	959	959	-0.1%
Total	3,561	3,470	2,786	2,884	2,909	-4.9%
Big Box Occupied Space (Thousand SF)						
	2008	2009	2010	2011	2012	CAGR
Western Suburbs	4,367	4,531	4,718	4,723	4,653	1.6%
Northwest Des Moines	391	386	410	410	410	1.2%
Northeast Des Moines	1,341	1,434	1,510	1,510	1,534	3.4%
South Des Moines	1,186	1,194	1,199	1,224	1,224	0.8%
Ankeny	1,206	1,248	1,244	1,242	1,249	0.9%
Total	8,491	8,797	9,083	9,112	9,068	1.7%
Neighborhood & Community Shopping Center Occupied Space (Thousand SF)						
	2008	2009	2010	2011	2012	CAGR
Western Suburbs	2,569	2,576	2,582	2,588	2,718	1.4%
CBD Core	98	95	60	72	57	-12.7%
Northwest Des Moines	611	611	586	607	604	-0.3%
Northeast Des Moines	508	572	624	633	645	6.2%
South Des Moines	480	439	436	391	416	-3.5%
Ankeny	466	491	486	486	528	3.2%
Total	4,739	4,791	4,787	4,789	4,973	1.2%

Source: CBRE

Regional Shopping Center

- Regional shopping center occupied space in the malls outside of SouthRidge continued to remain strong, with a slight decline occurring in Jordan Creek Town Center, though this decline in occupied space still represents 98% occupancy.

Big Box

- Since the recession, big box occupied space has grown at similar rates to growth in inventory.

Neighborhood & Community Shopping Center

- Neighborhood and Community shopping center retail has been adding occupied inventory in some submarkets while others continue to struggle and have lost occupied space.
- The downtown core saw the greatest loss in occupied inventory.
- Northwest Des Moines' occupied space is down slightly from 2008, with a negative annual growth rate of -0.3%.
- While over the longer timeframe the western suburbs added 4.5% of inventory annually, since 2008 its growth in inventory grew at 1.6% while occupied space grew 1.4%.

Retail Occupancy

Regional Shopping Center Occupancy					
	2008	2009	2010	2011	2012
Merle Hay Mall	88.0%	86.0%	86.0%	93.5%	94.7%
SouthRidge Mall*	82.4%	77.8%			
Valley West Mall	92.0%	90.5%	91.0%	92.0%	93.0%
Jordan Creek Town Center	98.5%	97.2%	98.0%	98.0%	98.0%
Total	90.3%	88.0%	91.3%	94.5%	95.3%
Big Box Occupancy					
	2008	2009	2010	2011	2012
Western Suburbs	94.5%	95.3%	96.1%	96.2%	95.2%
Northwest Des Moines	91.2%	90.2%	91.6%	91.6%	91.6%
Northeast Des Moines	97.0%	97.9%	93.7%	93.7%	95.2%
South Des Moines	91.1%	91.7%	92.1%	94.0%	94.0%
Ankeny	97.2%	97.5%	97.2%	97.0%	96.3%
Total	94.6%	95.3%	95.1%	95.4%	95.0%
Neighborhood & Community Shopping Center Occupancy					
	2008	2009	2010	2011	2012
Western Suburbs	77.5%	74.6%	73.4%	73.0%	76.9%
CBD Core	99.6%	96.7%	53.8%	64.6%	50.7%
Northwest Des Moines	89.3%	84.0%	82.1%	85.0%	81.8%
Northeast Des Moines	69.7%	74.4%	78.8%	80.0%	81.5%
South Des Moines	78.3%	71.1%	70.7%	63.4%	67.5%
Ankeny	81.0%	81.0%	80.2%	80.3%	82.5%
Total	78.8%	76.4%	75.3%	75.0%	77.3%

Source: CBRE

Regional Shopping Center

- Regional shopping centers did not have a similar experience with vacancy since 2008.
- Valley West Mall, Jordan Creek Town Center, and Merle Hay Mall has maintained high occupancy rates.
- SouthRidge Mall's challenges caused its occupancy to plummet before its renovation and re-envisioning.

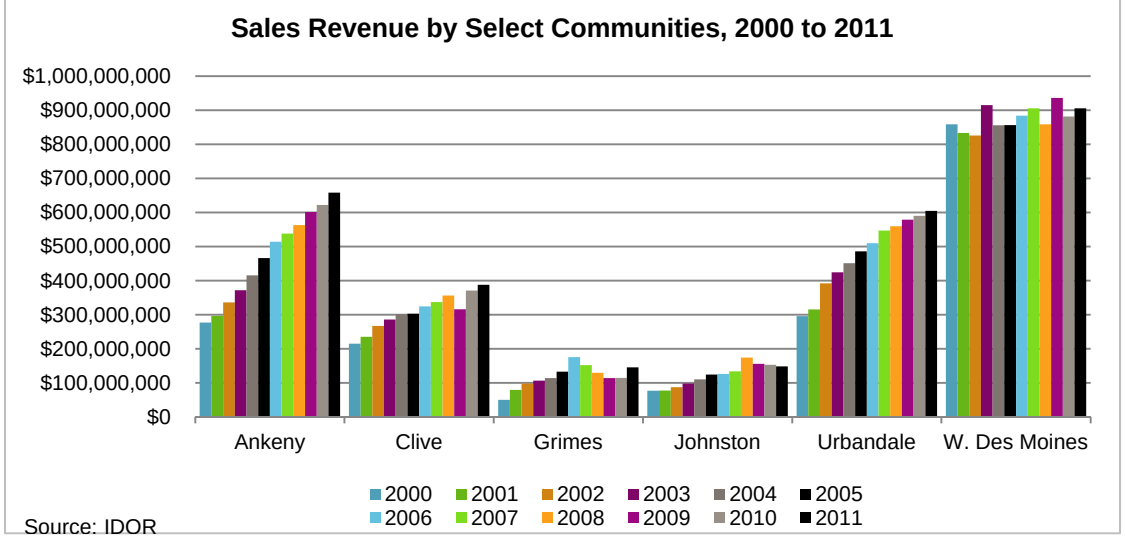
Big Box

- Big Box Occupancy has remained high throughout the region, staying above 91% in all markets.

Neighborhood and Community Shopping Center

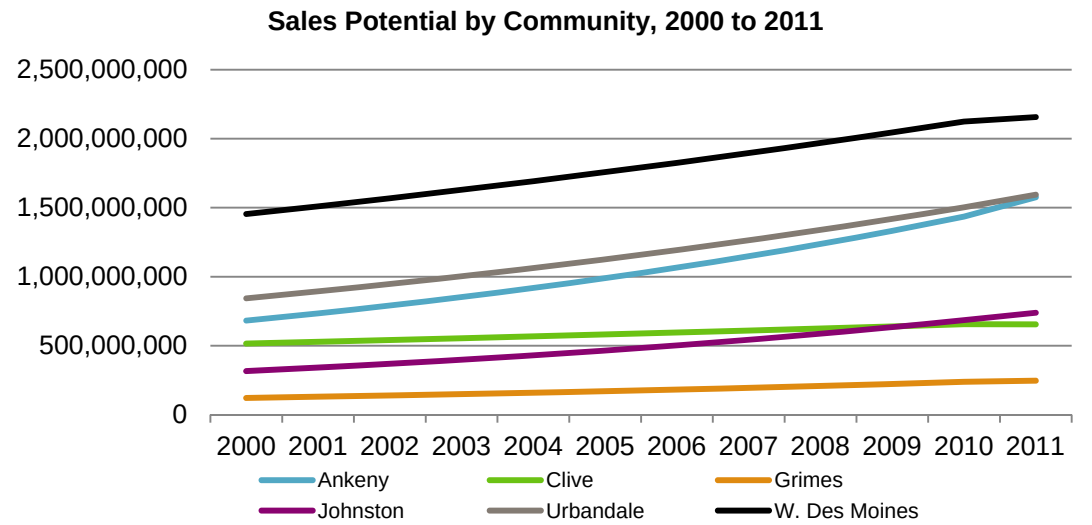
- While supply has grown in neighborhood and community shopping centers, occupancy has been a serious issue for some submarkets.
- The western suburbs built a significant amount of inventory and its occupancy has been below 78% since 2008, reaching a low of 73.4% in 2010.
- The downtown core saw its occupancy rates plunge due to vacant retail space at the Kaleidoscope at The Hub, going to 50.7% in 2012.

Retail Sales by Community



Source: IDOR

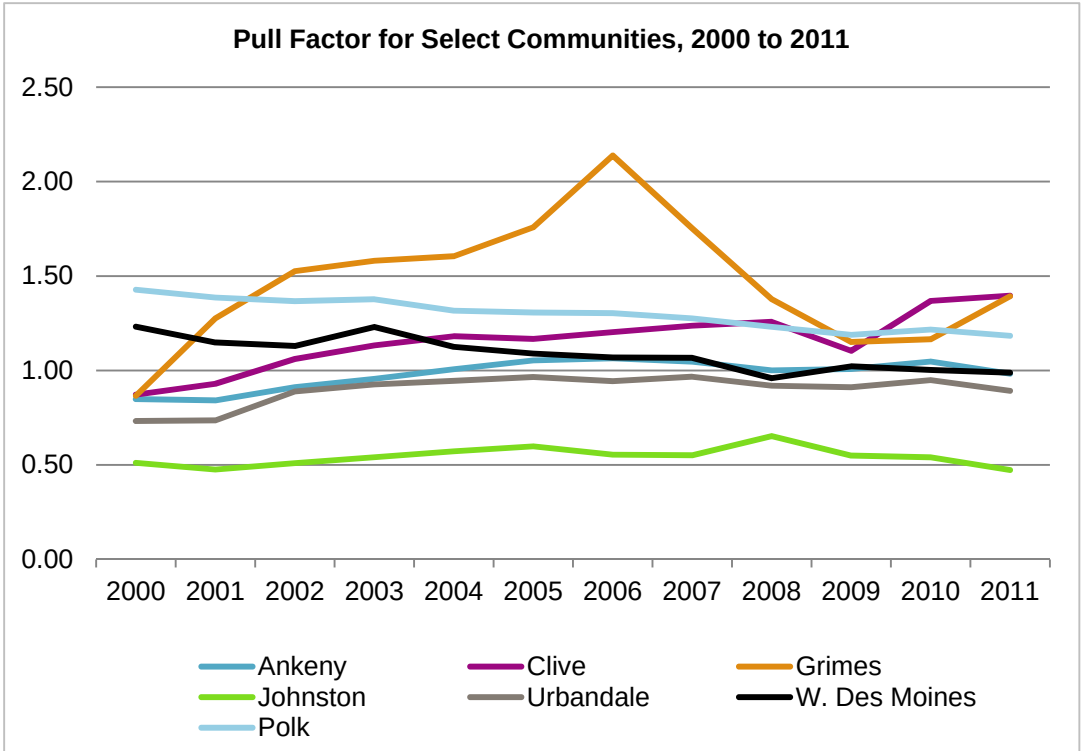
- Revenues grew in communities such as Ankeny, Clive and Urbandale even through the recession, while Grimes and Johnston both saw declines in sales revenues with the recession.
- Grimes and Johnston also have significantly smaller sales revenues compared to the other communities.



Source: U.S. Census, AECOM

- Sales potential is a measure of the median HH income and the population to get an estimate for the spending potential within the community.
- Johnston's sales potential has been steadily increasing over the past decade due to the influx of high income households moving into the community.

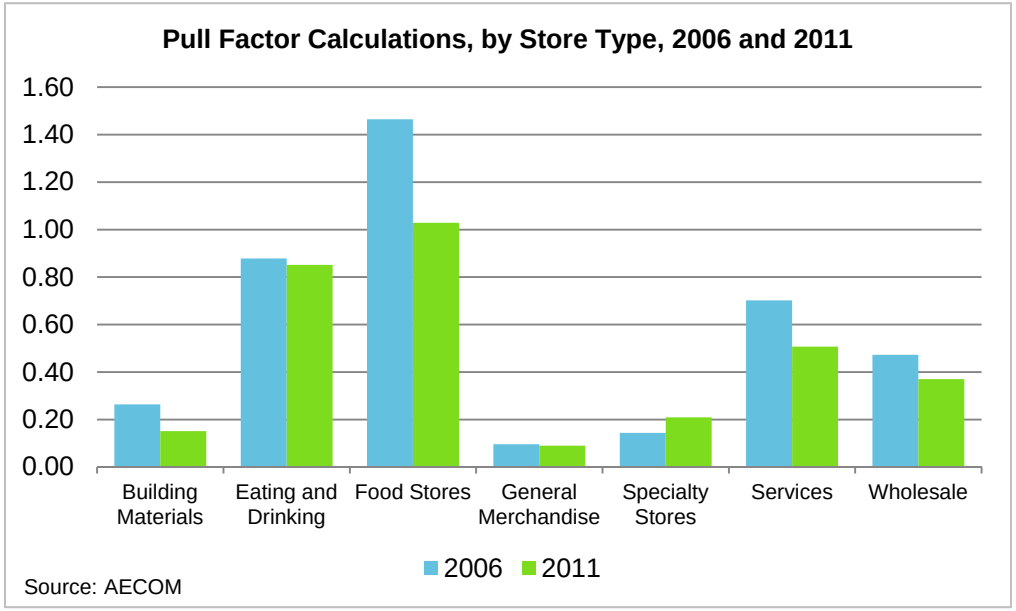
Retail Pull Factor



Source: AECOM

- While Johnston has seen population growth, its retail potential versus actual sales revenues has continued to suffer since 2000, fluctuating near or slightly above a 0.5 pull factor.
- Grimes saw an increasing pull factor into the recession, indicating that the community was attracting outside sales dollars compared to their community spending potential.
- The pull factor plummeted with the recession but from 2010 into 2011 has seen slight improvements.
- Other communities have had pull factors more closely aligned with the spending potential of their communities.
- In total, Johnston is under performing from a retail standpoint.

Retail Pull Factor by Category, Johnston



- Johnston's retail revenues are significantly below its spending potential in all retail categories, with Food Stores being the only segment in which there was a positive pull factor, though that too is lower than the 2006 pull factor.
- Building Materials, Services, and Wholesale all saw decreases in pull factor.
- Johnston does not have the retail revenues coming in that its population could support according to the pull factor analysis. This trend has been a constant as the population has doubled in size and has grown its retail offerings.

Retail Gap Leaving the Community, 2011	
Building Materials	$19,969,622
Eating and Drinking	$4,798,067
Food Stores	($461,953)
General Merchandise	$46,206,269
Miscellaneous	($829,010)
Motor Vehicle	$11,027,017
Service	$21,566,610
Specialty Retail Stores	$19,410,441
Utilities and Transportation	$26,109,357
Wholesale	$13,914,089
TOTAL	$152,736,514

Source: AECOM

Retail Revenue Gap

- Total additional annual revenues in Johnston if spending were equal to the State: $152 million
- Eating and Drinking in 2011 is approximately $4.8 million.
- General Merchandise is a category where Johnston has struggled, with its retail gap in this category being $46 million.

Office Inventory, Occupied Space & Occupancy

Office Inventory by Submarket (Thousand SF)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Western Suburbs	9,866	10,219	11,166	11,462	11,981	12,453	12,792	13,210	13,445	3.9%
CBD	11,755	11,655	11,188	11,532	11,776	12,260	12,267	12,867	12,792	1.1%
Northwest Des Moines	908	908	808	908	908	908	908	908	908	0.0%
Northeast Des Moines	384	384	377	377	395	395	395	395	402	0.6%
South Des Moines	378	402	402	408	452	452	452	452	452	2.3%
Ankeny	293	293	316	316	344	416	433	433	455	5.7%
Total	23,585	23,862	24,357	25,003	25,857	26,885	27,249	28,266	28,456	2.4%

Source: CBRE

Office Occupied Space by Submarket (Thousand SF)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Western Suburbs	9,037	9,105	10,083	10,419	10,711	10,884	11,168	11,836	12,074	3.7%
CBD	10,687	10,730	10,514	11,141	11,031	11,253	11,163	11,143	11,104	0.5%
Northwest Des Moines	782	789	733	819	810	763	725	789	809	0.4%
Northeast Des Moines	333	378	372	371	363	373	372	384	389	2.0%
South Des Moines	350	359	370	376	429	436	412	413	416	2.2%
Ankeny	260	267	285	287	293	361	374	387	407	5.8%
Total	21,439	21,619	22,457	23,053	23,892	24,089	24,224	24,959	25,184	2.0%

Source: CBRE

Office Occupancy by Submarket

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Western Suburbs	91.6%	89.1%	90.3%	90.9%	89.4%	87.4%	87.3%	89.6%	89.8%
CBD	90.9%	92.1%	94.0%	96.6%	93.7%	91.8%	91.0%	86.6%	86.8%
NW Des Moines	86.1%	86.8%	90.7%	90.2%	89.2%	84.0%	79.8%	86.9%	89.0%
NE Des Moines	86.6%	98.2%	98.8%	98.5%	91.8%	94.3%	94.2%	97.0%	96.8%
South Des Moines	92.6%	89.4%	92.1%	92.0%	94.8%	96.4%	91.1%	91.3%	92.0%
Ankeny	88.6%	91.0%	90.1%	90.8%	85.2%	86.8%	86.5%	89.4%	89.3%
Total	90.9%	90.6%	92.2%	92.2%	92.4%	89.6%	88.9%	88.3%	88.5%

Source: CBRE

- The office inventory expansion occurred largely in the western suburbs and the CBD, which gained 3.9 and 1.8 million square feet of space respectively.
- Ankeny grew rapidly in both inventory and occupied space annually but remains a much smaller market than the Western Suburbs or the CBD.
- The Des Moines Submarkets saw occupancy and inventory growth rates that closely mirrored each other.
- Growth in inventory and occupied space continued through the recession.

Industrial Inventory and Occupied Space

Industrial Inventory by Submarket (Thousand SF)

Warehouse	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Western Suburbs	7,301	7,616	7,817	7,983	8,109	8,602	8,615	8,629	8,651	2.1%
CBD Fringe	2,935	2,818	2,762	2,644	2,632	2,272	2,203	1,922	1,869	-5.5%
Northwest Des Moines	1,415	1,388	1,388	1,388	1,367	1,314	1,314	1,314	1,314	-0.9%
Northeast Des Moines	11,589	11,685	11,824	11,920	11,936	12,202	12,332	12,295	12,482	0.9%
South Des Moines	2,864	2,864	3,430	3,430	3,481	3,481	3,448	3,448	3,748	3.4%
Ankeny	2,660	2,735	2,782	2,814	2,846	2,846	2,846	2,846	2,831	0.8%
Total	28,764	29,106	30,004	30,179	30,371	30,718	30,758	30,455	30,896	0.9%
Manufacturing										
Western Suburbs	2,904	2,904	2,850	2,949	2,962	3,003	3,031	3,031	3,031	0.5%
CBD Fringe	342	342	34	342	342	342	333	333	333	-0.4%
Northwest Des Moines	902	902	902	846	846	846	846	846	846	-0.8%
Northeast Des Moines	5,662	5,668	5,698	5,698	5,780	5,984	5,997	5,989	5,972	0.7%
South Des Moines	1,720	1,736	1,170	1,170	1,170	1,170	1,199	1,199	1,199	-4.4%
Ankeny	1,462	1,462	1,462	1,462	1,535	1,535	1,535	1,535	1,577	1.0%
Total	12,993	13,014	12,424	12,467	12,636	12,880	12,942	12,934	12,958	0.0%

Source: CBRE

Industrial Occupied Space by Submarket (Thousand SF)

Warehouse	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Western Suburbs	5,987	6,275	6,981	7,424	7,784	7,922	7,977	7,991	8,080	3.8%
CBD Fringe	2,368	1,964	2,033	1,996	1,790	1,597	1,441	1,219	1,155	-8.6%
Northwest Des Moines	1,154	1,236	1,227	1,161	1,109	1,173	1,143	1,141	1,114	-0.4%
Northeast Des Moines	10,396	9,804	10,145	11,085	11,017	11,116	11,284	10,943	11,521	1.3%
South Des Moines	2,560	2,595	3,228	3,334	3,426	3,391	3,396	3,255	3,501	4.0%
Ankeny	2,570	2,724	2,559	2,578	2,676	2,758	2,804	2,707	2,551	-0.1%
Total	25,025	24,595	26,163	27,583	27,789	27,953	28,051	27,257	27,930	1.4%
Manufacturing										
Western Suburbs	2,864	2,692	2,687	2,801	2,915	2,970	2,849	2,831	2,868	0.0%
CBD Fringe	312	342	34	280	231	293	276	276	284	-1.2%
Northwest Des Moines	902	891	838	796	796	796	796	796	796	-1.6%
Northeast Des Moines	5,424	5,492	5,658	5,573	5,676	5,870	5,829	5,810	5,876	1.0%
South Des Moines	970	1,300	1,052	984	1,130	1,033	1,063	1,058	1,006	0.5%
Ankeny	1,462	1,462	1,459	1,459	1,532	1,532	1,532	1,530	1,574	0.9%
Total	11,940	12,181	12,039	11,894	12,244	12,494	12,346	12,300	12,401	0.5%

Source: CBRE

Industrial Occupancy

Industrial Occupancy by Submarket

Warehouse	2004	2005	2006	2007	2008	2009	2010	2011	2012
Western Suburbs	82.0%	82.4%	89.3%	93.0%	96.0%	92.1%	92.6%	92.6%	93.4%
CBD Fringe	80.7%	69.7%	73.6%	75.5%	68.0%	70.3%	65.4%	63.4%	61.8%
Northwest Des Moines	81.6%	89.0%	88.4%	83.6%	81.1%	89.3%	87.0%	86.8%	84.8%
Northeast Des Moines	89.7%	83.9%	85.8%	93.0%	92.3%	91.1%	91.5%	89.0%	92.3%
South Des Moines	89.4%	90.6%	94.1%	97.2%	98.4%	97.4%	98.5%	94.4%	93.4%
Ankeny	96.6%	99.6%	92.0%	91.6%	94.0%	96.9%	98.5%	95.1%	90.1%
Total	87.0%	84.5%	87.2%	91.4%	91.5%	91.0%	91.2%	89.5%	90.4%
Manufacturing									
Western Suburbs	98.6%	92.7%	94.3%	95.0%	98.4%	98.9%	94.0%	93.4%	94.6%
CBD Fringe	91.1%	100.0%	100.0%	81.7%	67.4%	85.7%	82.9%	82.9%	85.3%
Northwest Des Moines	100.0%	98.7%	92.9%	94.0%	94.0%	94.0%	94.0%	94.0%	94.0%
Northeast Des Moines	95.8%	96.9%	99.3%	97.8%	98.2%	98.1%	97.2%	97.0%	98.4%
South Des Moines	56.4%	74.9%	89.9%	84.1%	96.6%	88.3%	88.6%	88.2%	83.9%
Ankeny	100.0%	100.0%	99.8%	99.8%	99.8%	99.8%	99.8%	99.7%	99.8%
Total	91.9%	93.6%	96.9%	95.4%	96.9%	97.0%	95.4%	95.1%	95.7%

Source: CBRE

Warehouse

- Warehouse inventory has grown slightly in the region, overall increasing annually at 1.2%.
- The western suburbs and south Des Moines saw growth in inventory and occupied space while the CBD lost significant volumes of inventory (-5.8%) and occupied space (-8.6%) annually.
- The largest two submarkets in terms of inventory are the western suburbs and Northeast Des Moines.
- The recession further slowed growth in both inventory and occupied space, and accelerated the issues in the CBD fringe.

Manufacturing

- Manufacturing inventory growth has been modest throughout the region, although some submarkets saw improvements.
- South Des Moines lost -4.4% of inventory annually, which allowed for small increases in occupied space.

Flex Inventory, Occupied Space and Occupancy

Flex Inventory by Submarket (Thousand SF)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Western Suburbs	2,906	3,084	3,209	3,243	3,243	3,243	3,273	3,273	3,273	1.5%
CBD Fringe	700	736	736	736	736	736	736	736	736	0.6%
Northwest Des Moines	99	99	99	99	99	99	99	99	99	0.0%
Northeast Des Moines	475	475	509	509	531	586	586	586	586	2.7%
South Des Moines	237	237	237	237	237	237	237	237	237	0.0%
Ankeny	380	401	401	422	422	422	422	422	422	1.3%
Total	4,798	5,033	5,192	5,246	5,268	5,323	5,353	5,353	5,353	1.4%

Source: CBRE

Flex Occupied Space by Submarket (Thousand SF)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Western Suburbs	2,601	2,683	2,651	2,769	2,776	2,899	2,727	2,769	2,818	1.0%
CBD Fringe	563	542	632	651	658	656	648	616	628	1.4%
Northwest Des Moines	61	92	95	94	94	87	90	97	96	5.9%
Northeast Des Moines	374	355	393	428	453	468	504	516	495	3.6%
South Des Moines	189	174	179	187	193	140	143	190	185	-0.3%
Ankeny	301	330	318	349	358	376	371	368	351	1.9%
Total	4,088	4,182	4,273	4,480	4,531	4,620	4,476	4,550	4,577	1.4%

Source: CBRE

Flex Occupancy by Submarket

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Western Suburbs	89.5%	87.0%	82.6%	85.4%	85.6%	89.4%	83.3%	84.6%	86.1%
CBD Fringe	80.5%	73.7%	85.9%	88.4%	89.4%	89.1%	88.0%	83.7%	85.4%
Northwest Des Moines	61.3%	92.7%	96.1%	94.4%	94.9%	87.6%	90.6%	98.0%	96.7%
Northeast Des Moines	78.6%	74.6%	77.3%	84.0%	85.3%	79.9%	86.0%	88.0%	84.5%
South Des Moines	79.5%	73.5%	75.4%	78.7%	81.5%	59.1%	60.4%	80.2%	77.8%
Ankeny	79.4%	82.3%	79.2%	82.7%	85.0%	89.1%	88.0%	87.3%	83.3%
Total	85.2%	83.1%	82.3%	85.4%	86.0%	86.8%	83.6%	85.0%	85.5%

Source: CBRE

- Small additions in flex inventory have been paired with growth in occupied space in submarkets.
- Northwest Des Moines which saw an annual growth rate of 5.9% in occupied space, assisted because no new inventory was added.
- Flex Occupancy has maintained relative stability in its occupancy since 2004 with regional occupancy fluctuating between 83% and 87%.

Commercial Lease Rates - Retail

- Retail rents are in recovery mode, with a total market rent that has grown slightly since 2009
- Office rents have also begun a slow recovery since 2009. Class A rents have grown slightly, increasing from about $16 per sf to about $17 per sf.

Table- Office and Retail Market Rates in Des Moines Region, 2009Q1-2012Q4

Period	Class A Office	Class B Office
2009 1q	$16.13	$12.24
2009 2q	$15.92	$12.14
2009 3q	$16.03	$12.33
2009 4q	$16.06	$12.24
2010 1q	$16.09	$12.27
2010 2q	$16.09	$12.02
2010 3q	$16.06	$12.23
2010 4q	$15.84	$12.96
2011 1q	$15.95	$12.90
2011 2q	$16.01	$12.81
2011 3q	$15.93	$12.69
2011 4q	$16.38	$12.99
2012 1q	$16.38	$12.09
2012 2q	$15.99	$12.62
2012 3q	$16.57	$12.42
2012 4q	$17.04	$13.06

Source: CoStar

Retail Market Rates by Category in the Des Moines Region, 2009Q1-2012Q4

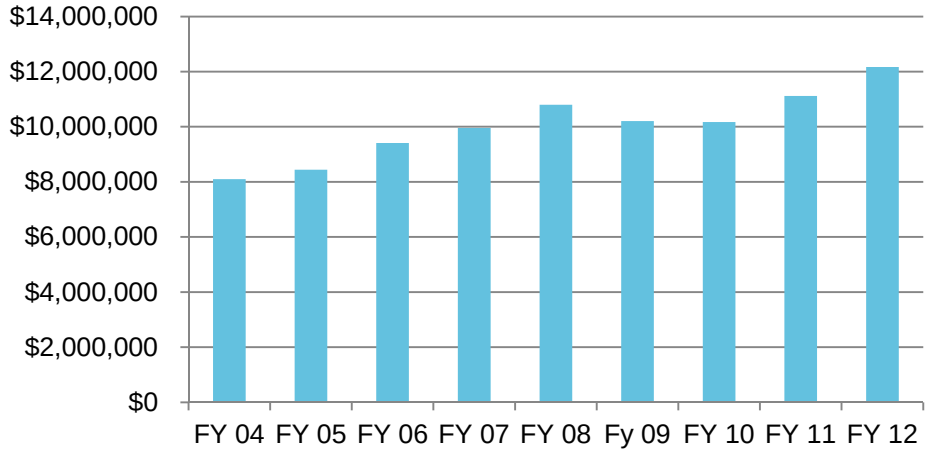
Period	General Retail	Mall Market	Shopping Center Market	Total Retail Market
2009 1q	$8.44	$20.63	$11.26	**$11.00**
2009 2q	$9.00	$19.65	$11.86	**$11.51**
2009 3q	$9.17	$20.55	$11.84	**$11.48**
2009 4q	$9.67	$17.22	$11.77	**$11.54**
2010 1q	$9.49	$17.07	$11.47	**$11.32**
2010 2q	$9.29	$17.06	$11.46	**$11.19**
2010 3q	$9.46	$16.76	$11.84	**$11.52**
2010 4q	$9.62	$16.76	$11.84	**$11.65**
2011 1q	$9.57	$15.74	$11.60	**$11.28**
2011 2q	$9.69	$15.73	$11.76	**$11.37**
2011 3q	$9.65	$15.99	$11.74	**$11.30**
2011 4q	$9.95	$16.32	$11.34	**$11.31**
2012 1q	$9.88	$16.03	$11.47	**$11.32**
2012 2q	$9.91	$15.68	$11.28	**$11.17**
2012 3q	$10.36	$15.37	$11.22	**$11.22**
2012 4q	$10.81	$15.34	$10.90	**$11.29**

Source: CoStar

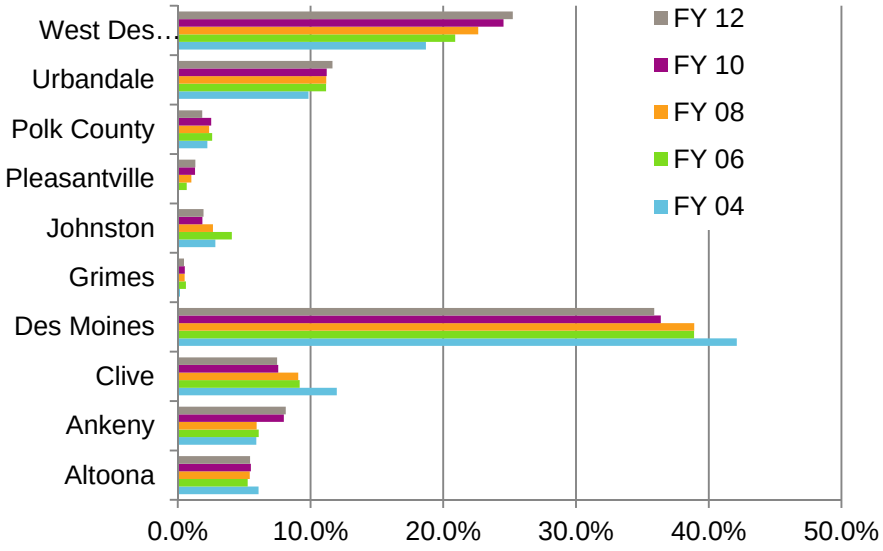
Hotel Market Review

- Overall hotel motel tax collections are up across the region with FY 12 levels that have exceeded pre-recession thresholds.
- Since 2010, hotel tax collections have grown at a 9.2% annualized rate.
- Overall, since 2004, hotel taxes have increased at a significant annualized rate of 5.2%.

Total Hotel Taxes, Des Moines Region, Noted Years



Percentage of Hotel Taxes by Jurisdiction, Noted Years



- For Johnston, hotel taxes have increased slightly between 2004 and 2012, growing from $229,557 to $236,317.
- Importantly, hotel tax receipts in Johnston peaked in 2008 at $286,000.
- Receipts have recovered since 2010, growing at a 10% annualized rate.
- With respect to market share, Johnston has seen its share of regional hotel tax receipts decrease over time, falling from 2.8% to 1.8% of total tax receipts. The loss in share is reflective of the closure of the hotel on Merle Hay Road.

Land Valuation Discussion

Commercial Land: Tables

Average Sale Price per Square Foot by Land Use, City of Johnston

Land Use	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Auto dealers											
Personal care / health care	14.54		16.36					14.04			
Improved Hotel								3.83			
Vacant Land	2.78	5.73	3.70	5.11	3.75	3.52	2.35	15.36	1.80	1.66	1.29
Improved Office	3.99	10.24	15.57	20.85	28.84	1.15	20.74	12.61	18.27	7.85	21.86
Recreation / Entertainment			22.97								
Improved Retail	7.46	8.56	23.85	13.68	20.29	6.33	11.40	1.40		24.13	
Warehouse	2.71	1.41	2.61	0.97	5.87		14.88	3.96			1.59

Source: Polk County Assessor

Average Sale Price per Square Foot, Vacant Land Only (Polk County)

Jurisdiction	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
ALTOONA	3.28	2.52	3.99	1.61	5.70	7.58	4.20	9.00	6.93	3.09	3.51
ANKENY	4.42	3.74	4.35	4.65	5.21	7.50	4.84	9.38	6.03	4.16	2.87
BONDURANT		0.70	1.88	0.59	0.88	1.12	0.13	0.22	0.16	0.30	0.25
CLIVE	5.21	7.85	9.54	7.38	13.16	4.16	0.89		8.01		
DES MOINES	3.34	10.10	3.27	3.22	2.83	2.82	5.88	4.02	4.64	3.02	2.58
GRIMES	1.43	1.46	1.12	1.98	1.92	2.01	1.75	0.69	2.53	3.01	2.33
JOHNSTON	2.78	5.73	3.70	5.11	3.75	3.52	2.35	15.36	1.80	1.66	1.29
PLEASANT HILL	1.42	2.84	3.04	1.44	1.49	1.63	2.65	0.98		0.39	0.03
URBANDALE	3.97	3.48	3.98	4.71	5.03	3.97	6.48	5.65	4.90	5.71	4.27
WEST DES MOINES	2.87	4.54	7.72	4.90	7.66	8.91	3.72	9.90	1.19	1.42	16.53

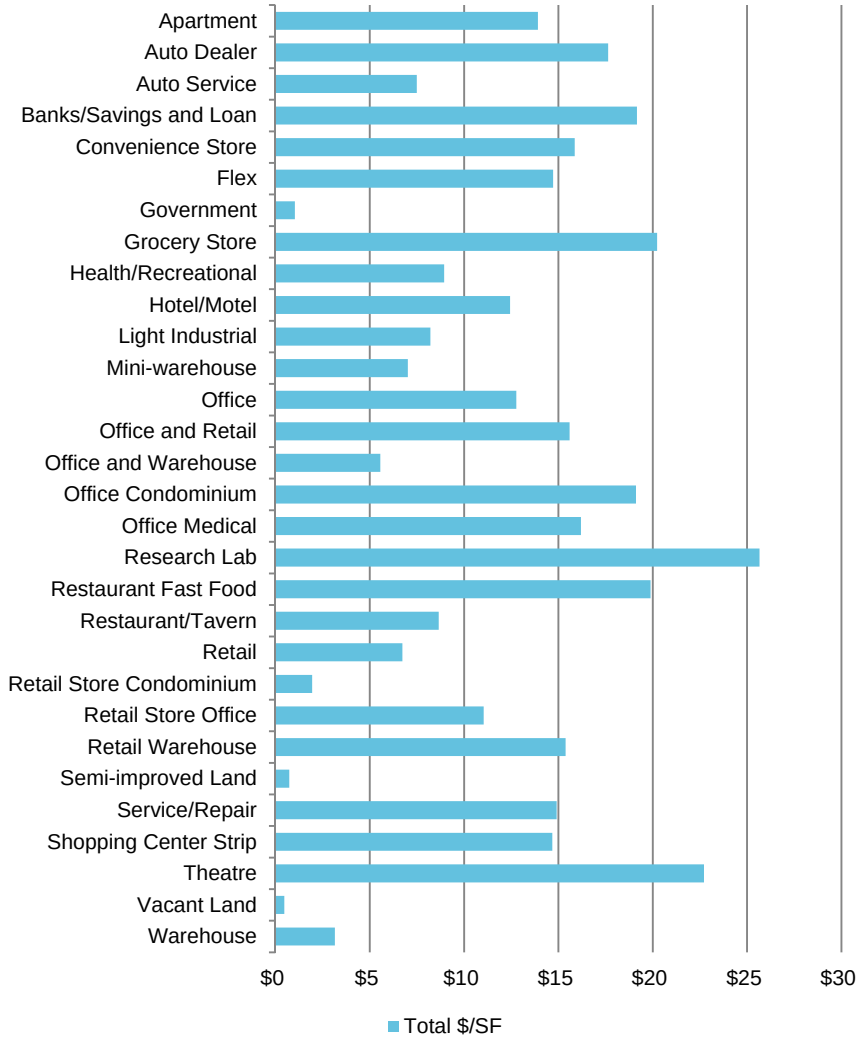
Source: Polk County Assessor

Average Sale Price per Square Foot - Vacant Land by Size Category (Polk County)

Parcel size (acres)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Less than 1	4.63	10.17	5.29	4.83	5.99	4.30	6.80	4.48	4.95	3.11	5.66
Between 1 - 5	2.70	3.80	4.00	3.33	4.11	4.06	3.64	9.71	5.80	4.51	3.31
Between 5 - 10	2.16	2.10	1.89	3.35	2.66	6.37	3.44	0.20	1.14	1.92	0.69
Between 10 - 25	0.79	1.46	0.64	1.58	0.85	2.82	0.94	1.04	0.63	1.98	0.69
Between 25 - 50	0.41	0.54	0.56	0.70	0.52	1.39	0.61	0.28	0.22	0.18	0.31
Between 50 - 100	0.09	0.29	0.26	0.30	0.27	0.49	0.30	0.15	0.12	0.20	0.27
More than 100	0.05	0.11	0.11	0.20	0.24	0.11	0.10	0.11	0.14	0.24	0.16

Source: Polk County Assessor

Commercial Land Analysis



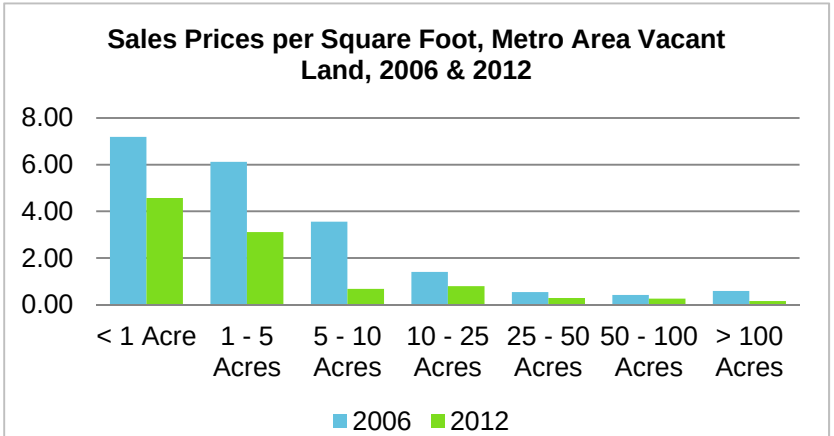
Source: Polk County Assessor

Parcel Size

- There is a price premium for smaller sized lots on a per square foot sale price.
- Lots sizes under 5 acres have maintained their value across Polk County
- Larger lots have seen significant declines in sales prices per square foot following the recession.

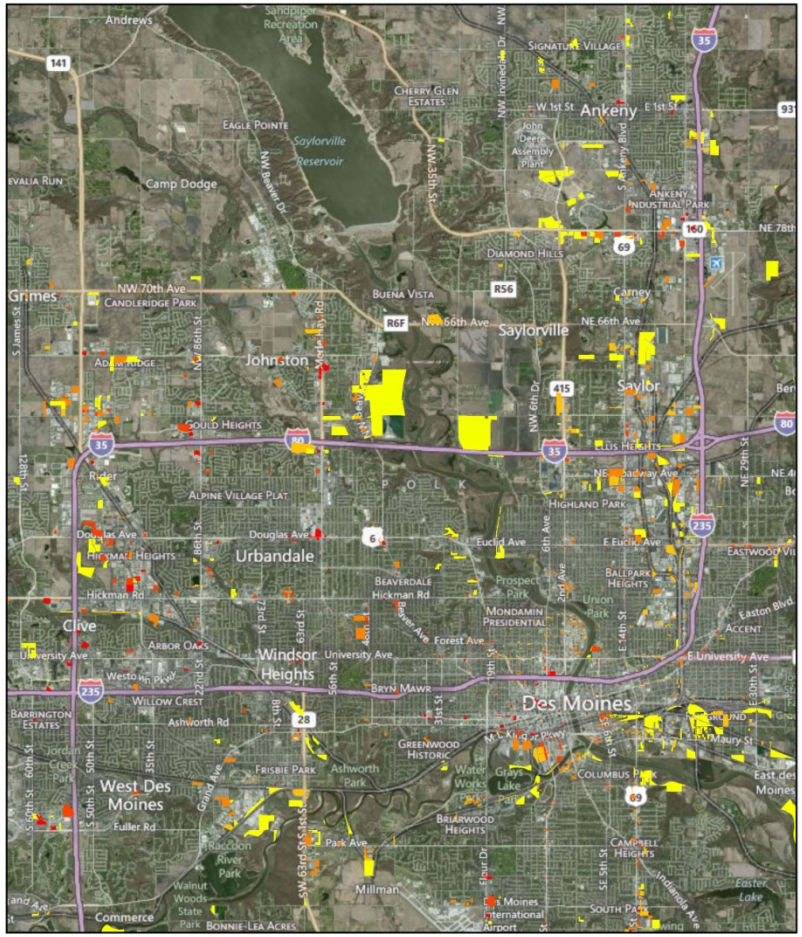
•Johnston

- Office space has maintained its value on a per square foot sales price.
- Vacant land has been selling continuously in Johnston but is selling for slightly lower values post-recession.
- Total property values vary widely in range from vacant land at $0.47/sf to research labs at $25.66/sf. General commercial uses are between $10-$20/sf



Source: Polk County Assessor

Vacant Land



Vacant Land Values

$0.00 - $0.50	$1.01 - $2.50	$5.01 - $64.96
$0.51 - $1.00	$2.51 - $5.00	

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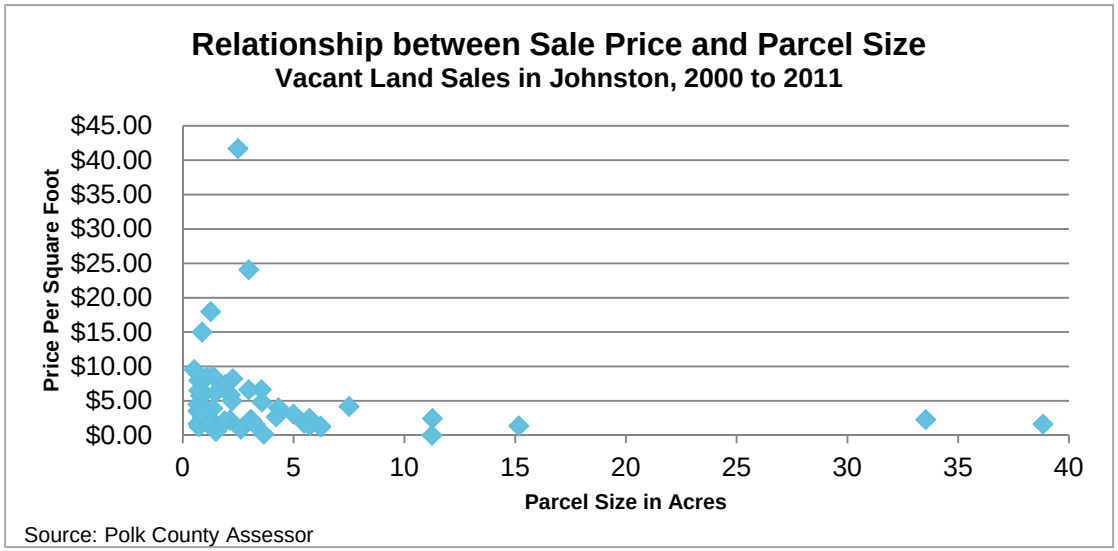
- The map shows the value of vacant commercial land on a per square foot basis and indicates a premium is placed on smaller sized vacant parcels.
- Larger sized parcels have land that is generally valued at under $0.50/square foot.
- Smaller sites generally have land values that exceed $1/sf, with those at the most desirable locations commanding an extra premium and being valued at over $5/sf.
- The western suburbs have a number of small vacant commercial parcels spread along the I-35 corridor going north to south with Clive having a number of higher valued parcels.
- Downtown Des Moines has a number of small high value parcels, as well as numerous lower value large parcels around the Chesterfield area
- On the eastern side of the MSA, along the 22nd St corridor there are a number of vacant commercial parcels. These are generally small and midsized parcels with values ranging to under $2.50/sf.
- Ankeny has a number of larger parcels along State Street and Oralabor Road.
- Johnston has a few parcels along Merle Hay Rd which are vacant, as well as some larger lower value parcels along Beaver Drive.

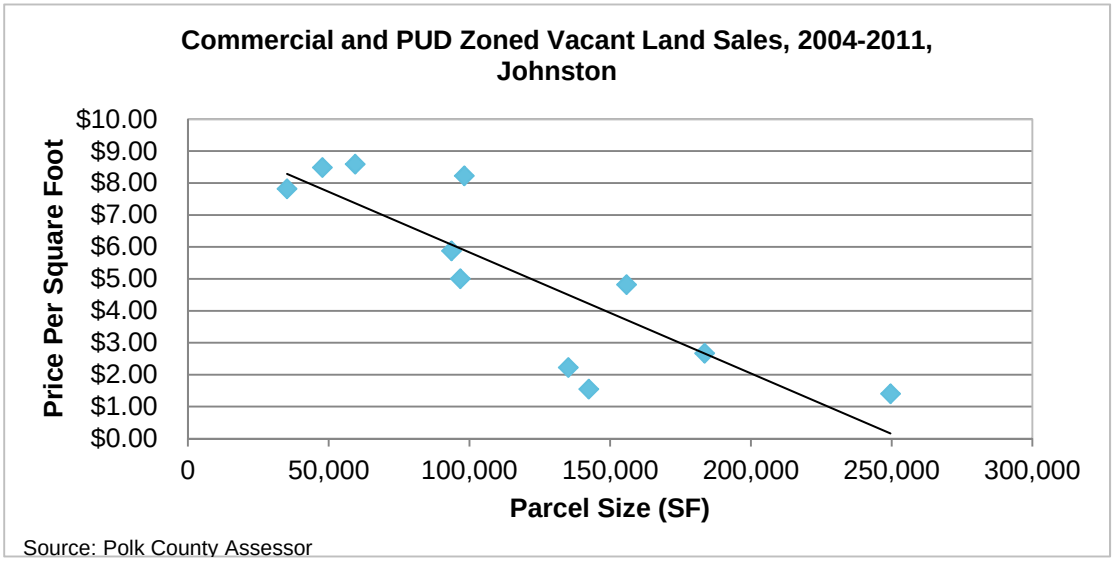
Johnston

AECOM

Land Sales



Source: Polk County Assessor



Source: Polk County Assessor

- Looking only at the commercial and PUD zoned vacant land sales since 2004, there appears to be a correlation between parcel size and the sales price per square foot. The trend is generally a decreasing sales price as parcel size increases.
- Vacant land sales in Johnston have been most commonly smaller parcels under 5 acres, and selling for under $10/sf, in many cases under $5.
- A few high value sales have occurred which have all been on lots under 5 acres.
- The few sales of larger parcels occurring in Johnston have had generally low sales prices per sf.

General Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of AECOM and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of January 2013 and AECOM has not undertaken any update of its research effort since such date.

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