

Des Moines Metro Multifamily: 2019 Deliveries High, Development to Level Off Through 2020



Number of Apartment Homes Surveyed
34,444



Average Effective Rent
\$935



Unit Deliveries (2019)
2,317



Occupancy
92.8%



Units Under Construction
952

Figure 1: Greater Des Moines Development & Vacancy

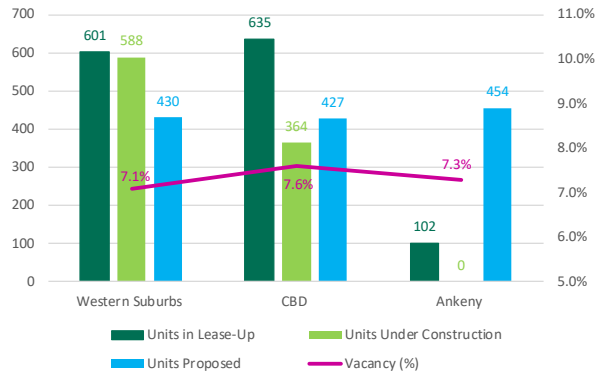
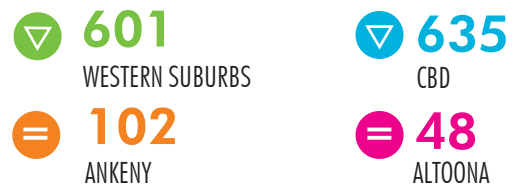


Figure 4: Units in Lease-Up by Submarket



* Arrows indicate YTD change

Figure 2: Western Suburbs Fundamentals

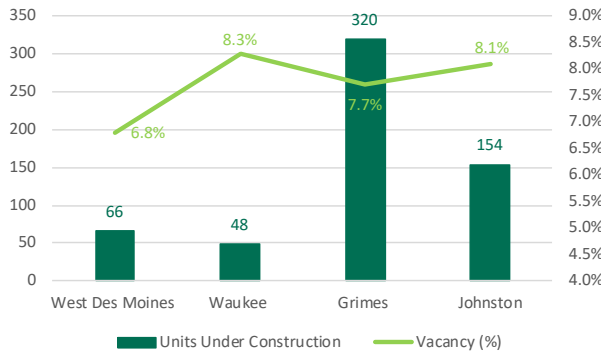
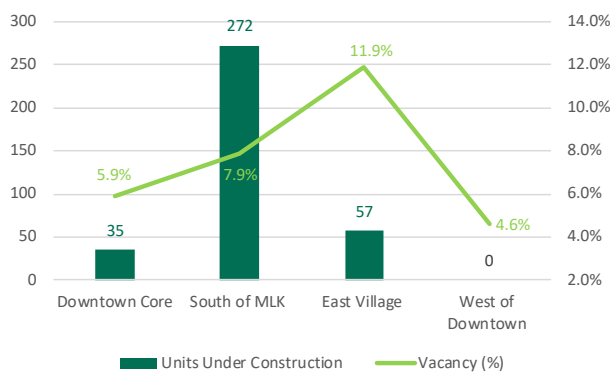


Figure 3: CBD Fundamentals



Boundary map on page 4.

PERFORMANCE HIGHLIGHTS

- 2019 delivered approximately 2,317 units to the Greater Des Moines apartment market, representing an 11% increase over the previous 3-year average of new deliveries. However, we anticipate significant deceleration in new supply with roughly 708 units expected through 2020 – a slower pace of new development the market hasn't witnessed since 2014.
- Occupancy across the metro remains in the 93% range +/- 30 bps as the market continues to absorb 2019 deliveries. Although down from previous period levels, strategic use of rent concessions continues throughout softer, high-growth submarkets.
- Investor appetite for multifamily assets continued through 2019, up 21% in number of deals and 5% in total sales volume. (See Figure 8)

MOVING FORWARD

Near Term - With pending deliveries and recently added units, strong absorption during the spring leasing season is important to the overall health of the market. Multifamily demand should remain sufficient enough to absorb most of new supply and lower concessions in oversupplied markets.

Long Term - Physical occupancy levels continue to improve in the face of new supply as multifamily demand generators remain strong. We anticipate the decline in construction starts and deliveries through 2020 will allow for healthy absorption over the next 3-6 quarters resulting in a positive trend for both physical and economic occupancy levels.

FIGURE 4: GREATER DES MOINES FUNDAMENTALS

Submarket	Units	Vacancy	Average Effective Rent Per Unit	Average Effective Rent Per SF	Units Under Construction	Vacancy by Unit Type				Average Rent by Unit Type			
						Studio	1-Bed	2-Bed	3-Bed	Studio	1-Bed	2-Bed	3-Bed
East	1,196	5.9%	\$749	\$0.92	0	8.20%	5.60%	6.00%	6.70%	\$563	\$717	\$723	\$1,187
South	4,590	8.5%	\$770	\$0.93	0	8.20%	8.20%	9.20%	6.00%	\$567	\$712	\$771	\$964
West	3,268	7.8%	\$788	\$1.05	0	8.80%	8.50%	7.20%	6.30%	\$592	\$748	\$838	\$1,288
CBD	3,932	7.6%	\$1,189	\$1.47	364	7.40%	7.50%	8.10%	5.30%	\$838	\$1,065	\$1,530	\$2,054
West Suburbs	16,124	7.1%	\$985	\$1.05	588	7.10%	6.90%	7.30%	6.70%	\$819	\$871	\$969	\$1,287
Subtotal/Average - Greater Des Moines	29,110	7.0%	\$943	\$1.06	952	7.60%	7.30%	7.50%	6.60%	\$765	\$879	\$947	\$1,274
Altoona	1,238	6.5%	\$965	\$1.03	0	7.40%	5.30%	6.30%	8.40%	\$560	\$814	\$966	\$1,225
Ankeny	3,586	7.3%	\$1,006	\$1.02	0	5.80%	8.10%	6.80%	7.20%	\$819	\$854	\$1,037	\$1,339
Indianola	510	3.8%	\$747	\$0.87	0	4.60%	3.80%	3.80%	0.80%	\$550	\$592	\$791	\$750
Total/Average -- All Units Surveyed	34,444	7.2%	\$935	\$1.05	952	7.50%	7.20%	7.30%	6.60%	\$759	\$864	\$944	\$1,258

FIGURE 5: WESTERN SUBURBS FUNDAMENTALS

City	Rent	\$/SF	Vacancy	Units Under Construction
West Des Moines	\$979	\$1.03	6.80%	66
Waukee	\$1,145	\$1.12	8.30%	48
Urbandale/Clive	\$808	\$0.93	6.30%	0
Grimes/Johnston	\$1,114	\$1.11	8.00%	474
Western Suburbs	\$985	\$1.05	7.10%	588

FIGURE 7: GREATER DES MOINES FUNDAMENTALS BY YEAR BUILT

By Year	1960 - 1979			1980 - 1999			2000 - 2018		
	Unit Type	Rent	\$/SF	Vacancy	Rent	\$/SF	Vacancy	Rent	\$/SF
Studio	\$619	\$1.35	6.60%	\$745	\$1.48	4.40%	\$887	\$1.59	7.10%
1-Bed	\$715	\$1.09	6.40%	\$771	\$1.13	6.40%	\$1,027	\$1.37	7.20%
2-Bed	\$765	\$0.90	6.10%	\$848	\$0.93	6.60%	\$1,225	\$1.12	7.10%
3-Bed	\$981	\$0.83	6.20%	\$1,040	\$0.85	5.60%	\$1,396	\$1.02	7.10%
Overall	\$751	\$0.96	6.20%	\$842	\$0.97	6.40%	\$1,168	\$1.19	7.2%

FIGURE 6: CBD FUNDAMENTALS

Nbhd	Rent	\$/SF	Vacancy	Units Under
Downtown Core	\$1,187	\$1.49	5.90%	35
South of MLK	\$1,178	\$1.51	7.90%	272
East Village	\$1,244	\$1.44	11.90%	57
West Downtown	\$995	\$1.26	4.60%	0
CBD Overall	\$1,189	\$1.47	7.60%	364

FIGURE 8: TRANSACTION DIVERSITY YOY

Deal Size	# of Deals		Sales Volume	
	2018	2019	2018	2019
\$500K - \$1M	13	13	\$8,730,500	\$8,588,500
\$1M - \$3M	8	18	\$14,885,000	\$31,421,800
\$3M - \$10M	9	8	\$54,032,000	\$47,503,370
\$10M +	4	4	\$117,899,875	\$118,283,200
Total	34	43	\$195,547,375	\$205,796,870

* East Village - the removal of 1 project out of the 11 surveyed brings vacancy from 11% to 4.84%

RECENT TRANSACTIONS



	THE BRICKS WAUKEE EAST	JORDAN CREEK & WESTWOOD APARTMENTS - 2 PROPERTY PORTFOLIO	IMPERIAL & GRAND PRIX APARTMENTS - 2 PROPERTY PORTFOLIO
City	Waukee	West Des Moines	Des Moines
Sale Date	December, 2019	December, 2019	December, 2019
# of Units	216	354	129
Price	\$25,000,000	\$22,250,000	\$9,616,000
Price/Unit	\$115,741	\$62,853	\$74,543

MARKETVIEW DES MOINES MULTIFAMILY

Under Construction	Address	Project	Developer	Submarket	Units Under Construction	Total Units	Expected Delivery of Units Under Construction
1	401 SE 6th St, Des Moines, IA	Connolly Lofts	Newbury Development	CBD	57	57	2021
2	200 SW 11th St, Des Moines, IA	Linc Apartments	Hubbell	CBD	227	227	June 2020 - 85 Units / January 2021 - 142 Units
3	12th and Tuttle Street, Des Moines, IA	Fusion	Hubbell	CBD	45	45	May, 2021
4	319 7th St, Des Moines, IA	Edna Griffin Building Renovation	Des Moines Griffin Building, LLC	CBD	35	35	March, 2020
5	935 SE Silkwood Ln, Grimes, IA	The Reserve at Destination Pointe Phase II	Edward Rose & Sons	Western Suburbs	98	390	Spring 2020
6	725 Gateway Dr, Grimes, IA	Allure at 141 Phase II	Perry Reid Properties	Western Suburbs	78	132	Spring 2020
7	720 NE Alices Rd, Waukee, IA	Alice Patricia Apartments Phase II	DSM Rental	Western Suburbs	48	288	Spring, 2020
8	1260 S Jordan Creek Pky, West Des Moines, IA	Strathmore Apartment Homes Phase II	Edward Rose & Sons	Western Suburbs	66	528	Fall 2020
9	1704 NE Gateway Ct, Grimes, IA	Ascend at Heritage Phase II	Classic Builders Inc.	Western Suburbs	144	309	Fall 2020
10	6410-6430 Merle Hay Rd, Johnston, IA	Brick Towne at Johnston Phase III & V	Jensen Group	Western Suburbs	154	462	Fall 2020
Proposed	Address	Project	Developer	Submarket	Expected Start	Proposed Units	Potential Delivery
1	SW Elm St & SW Magazine Rd, Ankeny, IA	The Sterling North at Prairie Trail	SB Communities	Ankeny	2020	400	2021-2023
2	7750 SE 19th Ln, Ankeny, IA	Ankeny Lofts	TWG Development	Ankeny	TBD	54	2021
3	437 Elgin Ln, Altoona, IA	Linden Oaks Phase II	Redwood	Altoona	TBD	80	2021
4	E 4th & E 2nd St, Des Moines, IA	Level Apartments	Hubbell	CBD	2020	114	2021
5	418 E Grand, Des Moines, IA	418 E Grand	Nelson Development	CBD	TBD	105	2021
6	422 Walnut St, Des Moines, IA	The Fifth	Mandelbaum	CBD	TBD	208	2022
7	NE Bondurant, IA	Parkside Apartments	Larson Development	Northeast	2020	108	2021
8	SE University Ave & SE LA Grant Parkway, Waukee, IA	Centennial Crossing Townhomes	Hubbell	Western Suburbs	2020	130	2022
9	NE Horizon Dr & NE Westgate Dr, Waukee, IA	Bricktowne at Prairie Crossing	Jensen Group	Western Suburbs	2020	300	2021
Lease Up	Address	Project	Developer	Submarket	Units Delivered	Total Units of Project	Delivered
1	1370 SW Raddcliffe Ln, Ankeny, IA	Havenwood Phase II	Redwood Living	Ankeny	54	160	January, 2020
2	600 Northwest Cherry Creek Ln, Ankeny, IA	Brick Towne at Piper Final Phase	Jensen Group	Ankeny	48	480	January, 2020
3	2300 1st Ave S, Altoona, IA	The Barclay at Ironwood	Highgates Group	Altoona	48	48	September, 2019
4	600 E 5th St, Des Moines, IA	Lyon Flats	Premier Companies	CBD	23	23	September, 2019
5	700 E 5th St, Des Moines, IA	The Scott at East Village Renovation	BH Equities	CBD	237	237	July, 2019
6	110 SE 7th St, Des Moines, IA	Rowat Lofts	Nelson Development	CBD	162	162	October, 2019
7	201 SE 6th St, Des Moines, IA	District at 6th	TWG	CBD	213	213	January, 2020
8	1260 S Jordan Creek Pky, West Des Moines, IA	Strathmore Apartment Homes Phase I	Edward Rose & Sons	Western Suburbs	102	522	November, 2019
9	1704 NE Gateway Ct, Grimes, IA	Ascend at Heritage Phase I	Classic Builders Inc.	Western Suburbs	165	331	September, 2019
10	8925 Cascade Ave, West Des Moines, IA	Lift at Jordan Creek	The Garrett Companies	Western Suburbs	180	180	September, 2019

	Total Units Under Construction	Total Units in Lease-Up
Western Suburbs	588	601
CBD	364	635
Ankeny	0	102
Altoona	0	48
Greater DSM	952	1386

GREATER DES MOINES ECONOMIC DATA



Population
644,590 (2018 MSA)

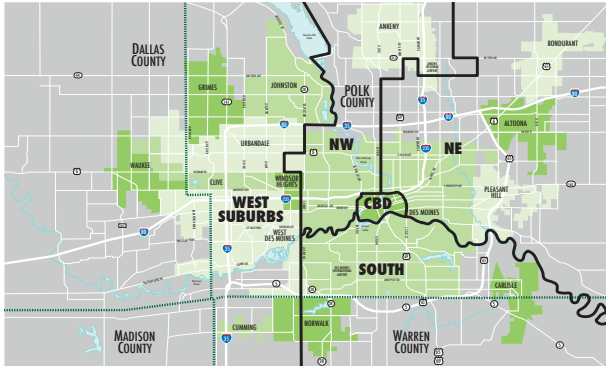
Sources: US Bureau of Labor Statistics



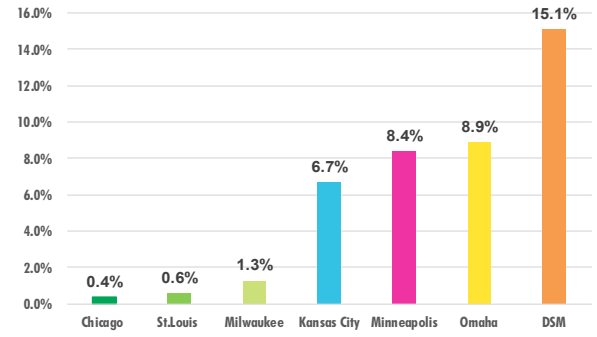
Unemployment Rate
2.7%

Sources: US Bureau of Labor Statistics

Metro

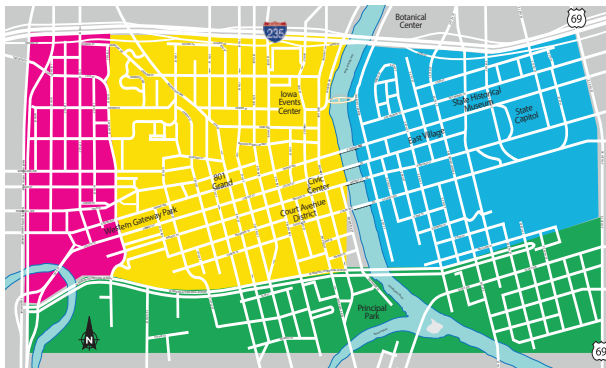


Population Growth: 2010 - 2018

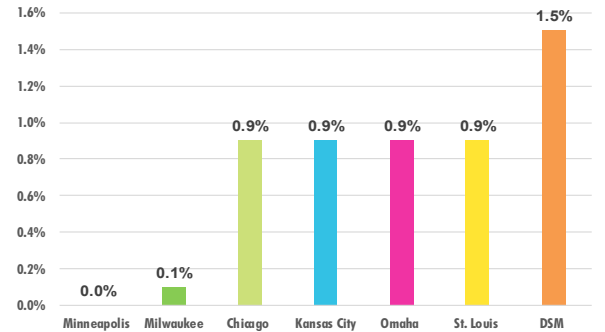


Sources: US Bureau of Labor Statistics

CBD



Employment Growth: March 2018 - March 2019



Sources: US Bureau of Labor Statistics

Downtown - North-235, South-MLK, East-Des Moines River, West-15th St

East Village - North-235, South-MLK, East- E 14th St, West-Des Moines River

South of MLK - North-MLK, South-Raccoon River*, East-SE 14th st, West-MLK

West of Downtown - North-235, South-MLK, East-15th St, West-MLK

Sources: CoStar Group, Polk County Assessor, Dallas County Assessor, Greater Des Moines Partnership, Bureau of Economic Analysis and US Bureau of Labor Statistics