Q4 2020

GREATER DES MOINES MULTIFAMILY FIGURES

CBRE | Hubbell Commercial

Part of the CBRE affiliate network

Market fundamentals flat through 2020, poised for recovery in 2021

Number of Apartment Homes Surveyed 35,251

Average Effective Rent $945

2020 Unit Deliveries 1,084

Occupancy 93.4%

Units Under Construction 1,319

Figure 1: Overall Occupancy Trend & New Deliveries

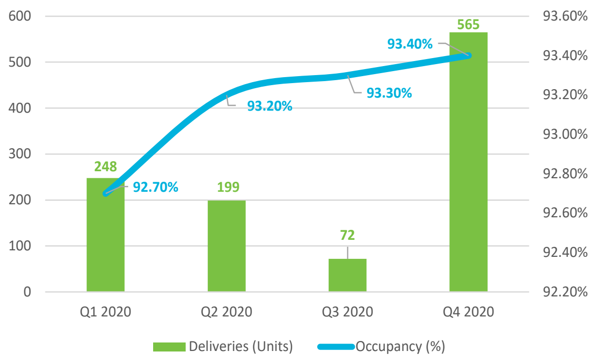


Figure 2: Greater Des Moines Construction & Vacancy

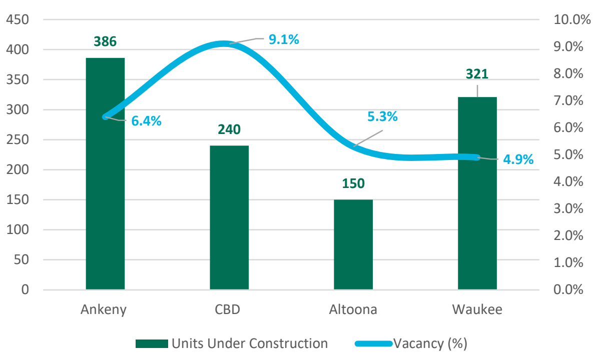
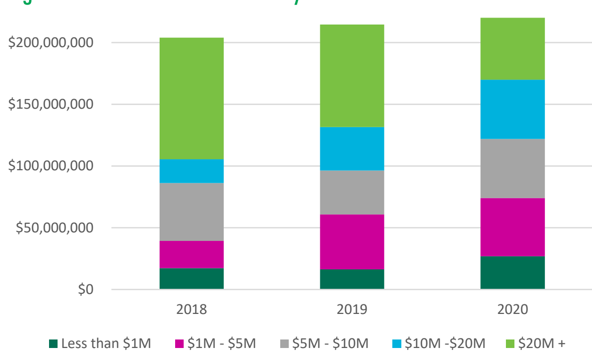


Figure 3: Historical Sales Volume by Deal Size



PERFORMANCE HIGHLIGHTS

- Six projects totaling 565 units delivered in Q4, bringing total 2020 deliveries to 1,084 units – an approximate 53% decline from the previous 5-year average. The Grimes/Johnston submarkets accounted for 62% of Q4 deliveries as the final phases of Ascend at Heritage, Brick Towne at Johnston, and The Reserve at Destination Pointe added 350 units to the market.
- This pullback in new supply allowed for a 70-bps uptick in Greater Des Moines physical occupancy year ending 2020 (See Figure 1). The western suburbs drove annual absorption gains with approximately 190 units of positive net absorption in 2020, increasing physical occupancy by 120 bps to 94.1% (See Figure 5).
- While average asking rents saw 1% annual growth, effective rent growth largely stalled in 2020 as heavy use of rent concessions persisted in softer submarkets – most notably the CBD. Despite a 40-bps improvement of CBD physical occupancy in 2020, economic occupancy and effective rent growth were hindered as 26 of the 39 CBD projects surveyed are still offering concessions in the form of free rent.
- Investment activity was strong in 2020, up 17% in total volume and 32% in number of deals. This surge in activity was largely underpinned by the 44% YOY increase in sale velocity of assets under $1M (See Figure 8). Institutional investor appetite was also robust with two portfolio sales greater than $50M selling to new-to-market buyers in Q4 – representing two of the largest single apartment trades in the state of Iowa (See Page 2).

OUTLOOK

Covid-19 restrictions, consumer uncertainty, and the historically low mortgage rate environment will continue to hinder the recovery of Greater Des Moines apartment fundamentals over the next two quarters. CBD demand will face the strongest headwinds in the near-term as Covid-19 restrictions continue to suppress downtown amenities and activities. Rent concessions will remain prevalent making any notable economic occupancy and rent gains unlikely through the next two quarters.

However, as the vaccine becomes widely administered and restrictions are lifted, we expect the pace of recovery will accelerate in the latter half of 2021 as submarkets such as CBD regain momentum and levels of new supply in the pipeline remain sustainable. We anticipate restored economic occupancy and effective rent growth as a result.

FIGURE 4: GREATER DES MOINES FUNDAMENTALS

Submarket	Units	Vacancy	Average Rent Per Unit	Average 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	4.5%	$710	$0.89	90	9.80%	7.20%	3.00%	2.60%	$574	$582	$764	$1,130
South	4,590	7.9%	$782	$0.94	0	11.80%	6.30%	9.00%	6.30%	$559	$690	$794	$1,001
West	3,268	6.4%	$812	$1.07	0	5.00%	5.80%	7.20%	8.50%	$607	$766	$868	$1,170
CBD	4,192	9.1%	$1,142	$1.42	240	8.60%	9.10%	9.80%	6.80%	$844	$1,069	$1,374	$1,877
West Suburbs	16,623	5.9%	$983	$1.04	453	6.10%	6.10%	6.30%	4.40%	$801	$874	$971	$1,331
Subtotal/Average - Greater Des Moines	29,869	6.6%	$951	$1.08	783	6.70%	6.00%	6.90%	5.00%	$770	$860	$963	$1,309
Altoona	1,286	5.3%	$1,006	$1.05	150	4.20%	3.10%	6.50%	4.90%	$571	$843	$1,054	$1,214
Ankeny	3,586	6.4%	$993	$1.04	386	5.70%	7.30%	6.40%	4.70%	$834	$867	$1,031	$1,326
Indianola	510	7.4%	$765	$0.90	0	9.40%	10.50%	6.90%	6.90%	$550	$602	$804	$874
Total/Average -- All Units Surveyed	35,251	6.6%	$945	$1.06	1,319	9.20%	6.50%	6.50%	4.90%	$758	$858	$958	$1,237

FIGURE 5: WESTERN SUBURBS FUNDAMENTALS

City	Rent	$/SF	Vacancy	Units Under Construction
West Des Moines	$971	$1.03	6.80%	132
Waukee	$1,146	$1.09	4.90%	321
Urbandale/Clive	$824	$0.97	4.60%	0
Grimes/Johnston	$1,091	$1.09	6.70%	0
Western Suburbs	$983	$1.04	5.90%	453

FIGURE 7: GREATER DES MOINES FUNDAMENTALS BY YEAR BUILT

By Year	1960 - 1979			1980 - 1999			2000 - 2019		
Unit Type	Rent	$/SF	Vacancy	Rent	$/SF	Vacancy	Rent	$/SF	Vacancy
Studio	$615	$1.39	6.10%	$691	$1.46	3.80%	$874	$1.57	7.00%
1-Bed	$691	$1.01	5.90%	$781	$1.16	6.40%	$1,012	$1.33	6.80%
2-Bed	$767	$0.88	6.90%	$857	$0.93	5.90%	$1,224	$1.11	7.50%
3-Bed	$986	$0.85	8.40%	$1,096	$0.90	3.10%	$1,450	$1.04	5.40%
Overall	$737	$0.92	6.60%	$840	$0.94	5.60%	$1,167	$1.17	6.90%

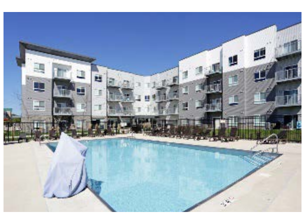
FIGURE 6: CBD FUNDAMENTALS

Nbhd	Rent	$/SF	Vacancy	Units Under Construction
Downtown Core	$1,172	$1.45	7.10%	0
South of MLK	$1,159	$1.46	9.80%	183
East Village	$1,089	$1.45	9.30%	57
West Downtown	$1,080	$1.30	4.10%	0
CBD Overall	$1,142	$1.42	9.10%	240

FIGURE 8: TRANSACTION DIVERSITY YOY

Deal Size	# of Deals		Sales Volume	
	2019	2020	2019	2020
Less than $1M	35	62	$16,256,500	$26,846,550
$1M - $5M	22	21	$44,480,800	$47,185,600
$5M - $10M	5	7	$35,544,370	$47,977,970
$10M+	4	7	$118,283,200	$135,645,060
Total	66	97	$214,564,870	$257,655,180

RECENT TRANSACTIONS



	BBK PORTFOLIO	JERRY'S HOMES PORTFOLIO	10TH STREET LOFTS
City	Ankeny, Polk City, Waukee	Johnston, Waukee	Des Moines
Sale Date	November, 2020	December, 2020	November, 2020
# of Properties	6	3	1
# of Units	507	540	94
Price	$56,750,000	$64,500,000	$10,500,000
Price/Unit	$111,933	$119,444	$111,702

Under Construction	Address	Project	Developer	Submarket	Units Under Construction	Total Units of Project	Expected Delivery
1	SW Elm St & SW Magazine Rd, Ankeny, IA	The Sterling North at Prairie Trail Phase I	SB Communities	Ankeny	138	400	Q3, 2021
2	1335 SW Merchant St, Ankeny, IA	District Lofts	Caliber	Ankeny	48	48	Q3, 2021
3	NE Otterview Cir & NE 36th St, Ankeny	The Standard at 36th	Caliber	Ankeny	200	200	2022
4	1490 34th Ave SW, Altoona	The Emory Phase I	Haverkamp	Altoona	150	300	Q2, 2021
5	401 SE 6th St, Des Moines, IA	Connolly Lofts	Newbury Development	CBD	57	57	Q2, 2021
6	200 SW 11th St, Des Moines, IA	Linc Apartments Phase II	Hubbell	CBD	142	227	Q2, 2021
7	12th and Tuttle Street, Des Moines, IA	Linc III	Hubbell	CBD	41	45	Q2, 2021
8	2415 Paine St, Bondurant, IA	Parkside Apartments Phase II	Larson Development	East	90	120	Q2, 2021
9	1260 S Jordan Creek Pky, West Des Moines, IA	Strathmore Apartment Homes Phase II	Edward Rose & Sons	Western Suburbs	132	528	Q2, 2021
10	SE University Ave & SE LA Grant Parkway, Waukee, IA	Centennial Crossing Townhomes Phase I	Hubbell	Western Suburbs	60	130	Q3, 2021
11	NE Horizon Dr & NE Westgate Dr, Waukee, IA	Bricktowne at Prairie Crossing Phase I	Jensen Group	Western Suburbs	180	300	Q1, 2021 - Q2, 2021
12	175 NW Common Pl, Waukee, IA	The Commons at Greenway Park Phase II	Lloyd	Western Suburbs	81	162	Q1, 2021
Proposed	**Address**	**Project**	**Developer**	**Submarket**	**Expected Start**	**Proposed Units**	**Potential Delivery**
1	Adventureland Dr, Altoona, IA	Blue Ridge Commons	Signature Companies	Altoona	Q1,2021	324	TBD
2	1490 34th Ave SW, Altoona	The Emory Phase II	Haverkamp	Altoona	2021	150	2021-2022
3	SW Elm St & SW Magazine Rd, Ankeny, IA	The Sterling North at Prairie Trail Phase II & III	SB Communities	Ankeny	2021	262	2022-2023
4	E 4th & E 2nd St, Des Moines, IA	Level Apartments	Hubbell	CBD	2021	114	2022
5	418 E Grand, Des Moines, IA	418 E Grand	Nelson Development	CBD	TBD	105	2021
6	19th & Crocker St, Des Moines, IA	Bricktop Lofts	Caliber	CBD	Q1,2021	30	2021
7	NW Sunrise Dr & NW 10th St, Waukee	Stratford Pointe	Town & Country Development	Western Suburbs	Q2,2021	149	2022
8	SE University Ave & SE LA Grant Parkway, Waukee, IA	Centennial Crossing Townhomes Phase II	Hubbell	Western Suburbs	2021	130	2022
9	NE Horizon Dr & NE Westgate Dr, Waukee, IA	Bricktowne at Prairie Crossing Phase II	Jensen Group	Western Suburbs	2021	120	2021 - 2022
Lease Up	**Address**	**Project**	**Developer**	**Submarket**	**Units in Lease Up**	**Total Units of Project**	**Delivered**
1	1435 SW 11th St, Ankeny, IA	Chalet at Prairie Trail	Caliber	Ankeny	104	104	Q4, 2020
2	2810 SE Rio Dr, Ankeny, IA	Oakwood Place	TWG Development	Ankeny	52	52	Q3, 2020
3	437 Elgin Ln, Altoona, IA	Linden Oaks Phase II	Redwood	Altoona	18	118	Q3, 2020
4	200 SW 11th St, Des Moines, IA	Linc Apartments Phase I	Hubbell	CBD	85	227	Q2, 2020
5	319 7th St, Des Moines, IA	Edna Griffin Building Renovation	Revive Community Development	CBD	35	35	Q1,2020
6	201 SE 6th St, Des Moines, IA	District at 6th	TWG	CBD	213	213	Q1,2020
7	2415 Paine St, Bondurant, IA	Parkside Apartments Phase I	Larson Development	East	30	120	Q4, 2020
8	935 SE Silkwood Ln, Grimes, IA	The Reserve at Destination Pointe Phase II	Edward Rose & Sons	Western Suburbs	96	384	Q4, 2020
9	1704 NE Gateway Ct, Grimes, IA	Ascend at Heritage Phase II	D.R. Horton	Western Suburbs	110	323	Q4,2020
10	175 NW Common Pl, Waukee, IA	The Commons at Greenway Park Phase I	Llyod	Western Suburbs	81	162	Q4, 2020
11	6410-6430 Merle Hay Rd, Johnston, IA	Brick Towne at Johnston Phase IIII & V	Jensen Group	Western Suburbs	144	360	Q4,2020
12	720 NE Alices Rd, Waukee, IA	Alice Patricia Apartments Phase II	DSM Rental	Western Suburbs	36	288	Q2, 2020
13	725 Gateway Dr, Grimes, IA	Allure at 141 Phase II	Perry Reid Properties	Western Suburbs	78	138	Q2, 2020

	Total Units Under Construction	Total Units in Lease-Up
Western Suburbs	453	545
CBD	240	333
Ankeny	386	156
Greater DSM	1,319	1,082

GREATER DES MOINES ECONOMIC DATA

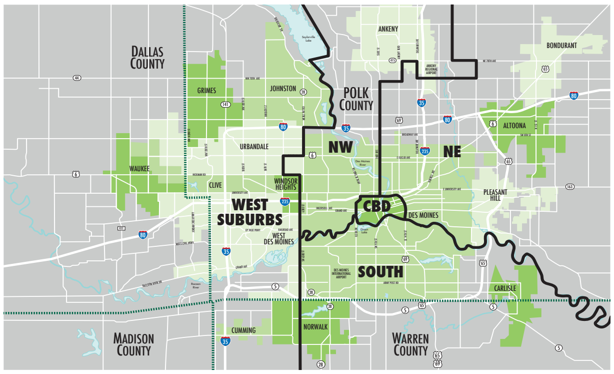
Population
644,590 (2018 MSA)

Sources: US Bureau of Labor Statistics

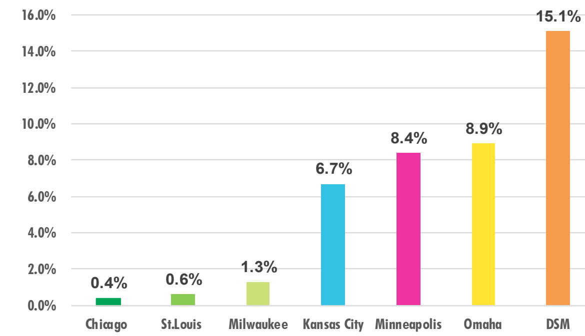
Unemployment Rate
3.1%

Sources: US Bureau of Labor Statistics

Metro

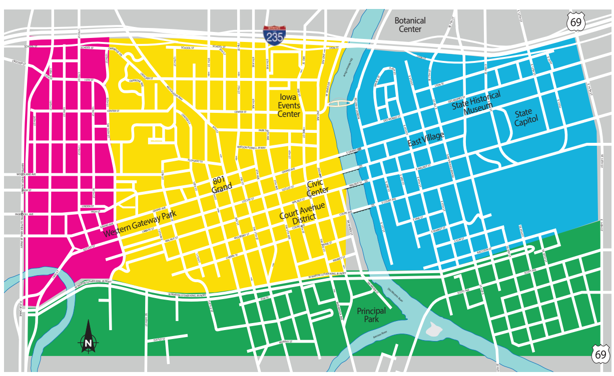


Population Growth: 2010 - 2018

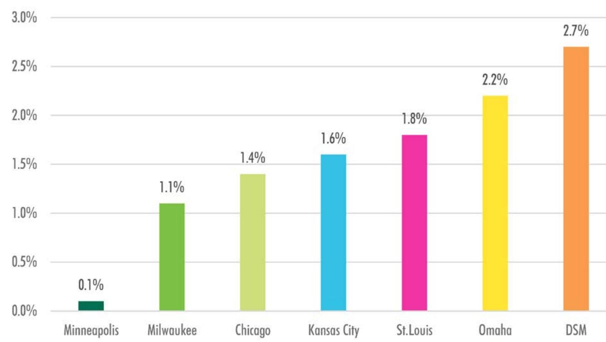


Sources: US Bureau of Labor Statistics

CBD



Employment Growth: July 2018-July 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