

41st Annual Metro Des Moines

Apartment Survey

January 2011

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Prepared by Commercial Appraisers of Iowa, Inc.

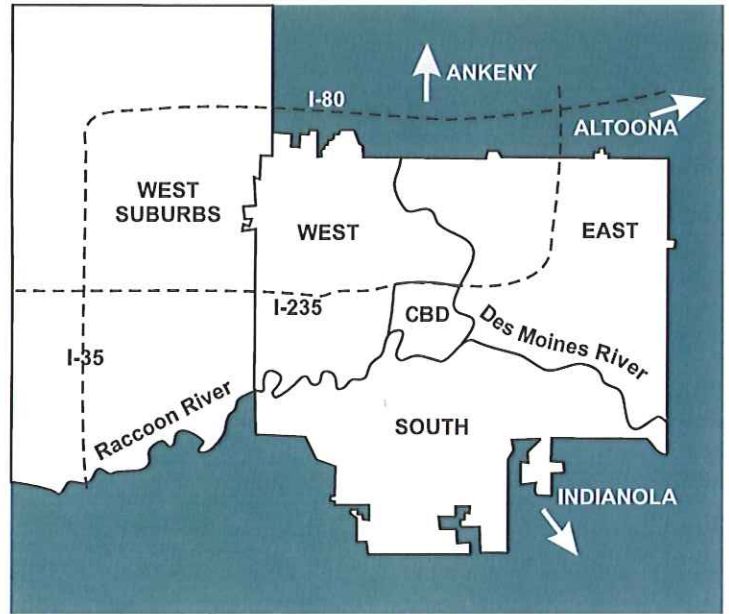
INTRODUCTION This annual survey of apartments in the Des Moines Metropolitan Area includes both conventional apartments and tax credit projects. The survey has been completed to assist in the decision-making process of developers, property owners, brokers, investors, managers, assessors, and other market participants regarding multiple family properties.

METHODOLOGY This 41st Annual Apartment Survey covers a sample of 20,665 conventional apartment units located in 270 projects and separately surveys 3,387 Section 42 Low Income Housing Tax Credit units in 49 projects. The survey covers both high-rise and garden-style apartments, and was conducted during January of 2011. Occupancy and rental data was furnished by owners and/or managers of each building project, and was obtained by a mailed survey questionnaire.

In order to demonstrate the demand for new apartment development within the area, the units surveyed were generally those built after 1950. The projects surveyed covered a wide range of amenities and units per complex, from 8 apartments to over 450. This survey does not include senior housing, student housing, government subsidized units, or projects with rental amenities such as meals. A separate study for tax credit projects is included later in this report.

The survey includes only the units available for rent as of January 2011. This survey does not include units under construction as of the survey date.

Although the method of survey and occupancy data reports are considered valid and reliable, they are not guaranteed of being free of error, statistically or otherwise. In our opinion, this survey is an objective picture of the occupancy and rental situation at this time. Reproduction of this information is permitted with acknowledgement to Commercial Appraisers of Iowa, Inc. and CB Richard Ellis/Hubbell Commercial.

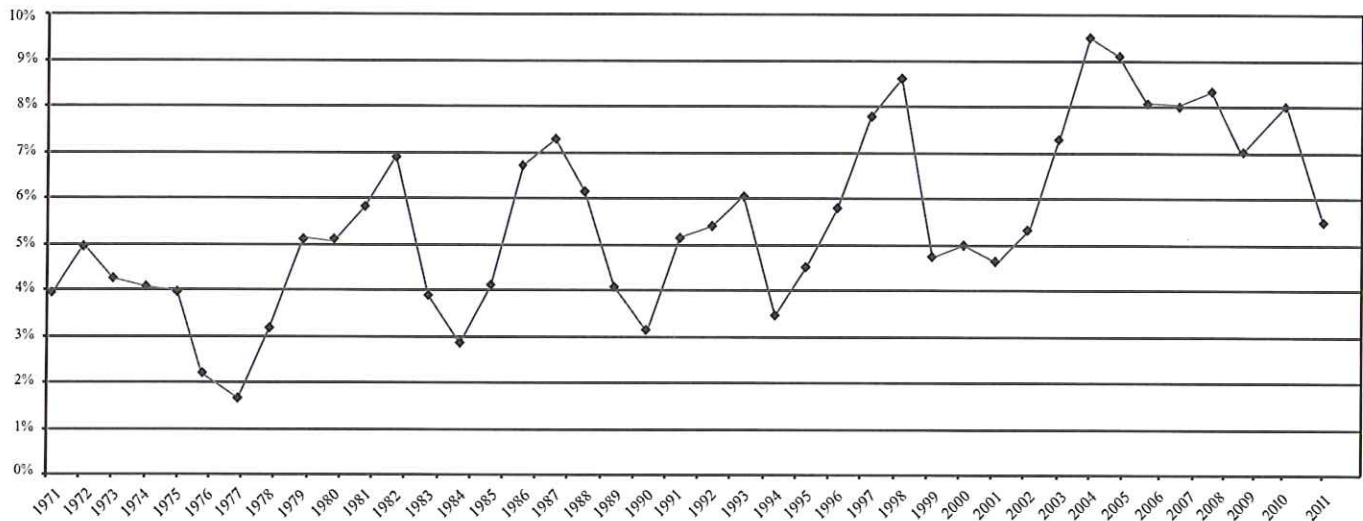


For purposes of this study, the Des Moines Metropolitan Area is geographically divided into the following areas:

1. East
All east and north of the Des Moines River, except CBD
2. South
All south of the Raccoon and Des Moines Rivers including Norwalk
3. CBD
Central Business District south of I-235, east of Martin Luther King Parkway, north of Raccoon River including East Village to the State Capitol
4. West
All west of the Des Moines River, north of the Raccoon River, except CBD
5. West Suburbs
Clive, Urbandale, Windsor Heights, West Des Moines, Grimes, Waukee and Johnston

HISTORICAL DES MOINES METROPOLITAN APARTMENT VACANCY RATES														
GREATER														
DM AREA	# of Units	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
East	1,380	7.4%	6.1%	8.1%	6.3%	6.8%	6.3%	4.0%	12.9%	11.0%	9.6%	7.1%	8.0%	4.9%
South	3,762	7.9%	8.7%	8.3%	12.6%	9.7%	8.4%	12.0%	8.6%	7.1%	6.0%	5.5%	6.5%	6.3%
West	3,002	4.9%	7.1%	6.7%	6.7%	7.7%	5.7%	7.5%	9.3%	6.6%	4.6%	3.9%	3.7%	3.8%
CBD	1,228	5.9%	5.0%	5.2%	4.7%									
West Suburbs	8,890	4.9%	8.6%	6.8%	8.7%	8.9%	9.6%	9.4%	10.0%	7.3%	4.8%	4.0%	4.3%	3.7%
TOTALS	18,262	5.8%	8.0%	7.1%	9.1%	8.6%	8.3%	9.3%	9.8%	7.4%	5.4%	4.6%	5.0%	4.6%
Altoona	648	3.5%	5.1%	2.5%	1.7%	5.6%	6.8%	10.5%	10.7%	10.0%	8.9%	3.3%	3.5%	7.9%
Ankeny	1,275	3.5%	9.0%	7.7%	4.8%	5.4%	7.2%	8.0%	7.1%	6.3%	2.5%	3.3%	4.5%	5.0%
Indianola	480	2.3%	9.0%	5.6%	7.8%	3.1%	6.0%	11.5%	6.4%	9.3%	9.6%	8.0%	5.9%	5.6%
Grand Totals	20,665	5.5%	8.0%	7.0%	8.5%	8.1%	8.1%	9.2%	9.5%	7.3%	5.3%	4.5%	4.9%	4.6%

HISTORICAL DES MOINES METROPOLITAN APARTMENT VACANCY RATES



VACANCY BY UNIT TYPE AND GEOGRAPHIC AREA

	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	Total
East	18.8%	5.9%	7.3%	10.0%	7.4%
South	9.1%	7.3%	8.2%	7.6%	7.9%
West	5.6%	3.9%	5.4%	2.2%	4.9%
CBD	6.2%	5.7%	6.0%	16.7%	5.9%
West Suburbs	2.9%	3.5%	5.1%	7.5%	5.8%
Altoona	11.1%	3.1%	3.9%	0.0%	3.5%
Ankeny	0.0%	2.5%	4.4%	1.7%	3.5%
Indianola	N/A	11.4%	1.2%	N/A	2.3%
Average of Units Surveyed	6.3%	4.7%	5.7%	6.6%	5.5%

AVERAGE RENT BY UNIT TYPE AND GEOGRAPHIC AREA

Submarket	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
East	\$432	\$508	\$596	\$897
South	\$472	\$553	\$629	\$785
West	\$473	\$571	\$674	\$1,063
CBD	\$629	\$711	\$974	\$1,093
West Suburbs	\$622	\$691	\$755	\$956
Average GDM	\$536	\$628	\$711	\$931
Altoona	\$444	\$541	\$630	\$800
Ankeny	\$380	\$577	\$737	\$1,052
Indianola	\$490	\$542	\$620	\$594
Average of Units Surveyed	\$532	\$621	\$707	\$929

RENTAL RATE COMPARISON								
Geographic Area	EFFICIENCY		1-BEDROOM		2-BEDROOM		3-BEDROOM	
	% Change 2009-10	%Change 2010-11	% Change 2009-10	%Change 2010-11	% Change 2009-10	%Change 2010-11	% Change 2009-10	%Change 2010-11
East	4.2%	3.3%	1.7%	5.6%	2.0%	-3.6%	21.8%	2.1%
South	15.1%	-3.1%	3.1%	3.4%	3.1%	3.3%	3.5%	3.7%
West	-1.1%	1.5%	1.4%	1.2%	0.4%	1.4%	-0.5%	7.5%
CBD	-5.7%	8.6%	1.1%	0.7%	1.6%	1.1%	N/A	N/A
West Suburbs	0.7%	19.6%	-0.4%	8.3%	0.3%	6.9%	0.6%	5.2%
AVERAGE GDM	-0.6%	8.1%	0.7%	5.4%	1.1%	4.7%	1.4%	5.1%
Altoona	0.4%	-1.3%	1.7%	2.1%	-0.8%	-0.2%	-3.7%	3.5%
Ankeny	1.8%	-15.0%	0.6%	5.9%	0.3%	10.8%	3.0%	37.0%
Indianola	N/A	N/A	0.6%	14.6%	-0.2%	3.0%	N/A	N/A
AVERAGE OF ALL UNITS SURVEYED	-0.6%	7.5%	0.7%	5.4%	1.0%	4.9%	1.2%	5.8%

RENTAL RATE COMPARISON Rents have increased for all unit types over the past year. The increase in average rents ranged from 4.9% for two bedroom units to 7.5% for efficiency units. The rents included in our survey for 2010 and 2011 were adjusted for any rent concessions offered, such as a free garage or free rent, to arrive at an effective rent. Prior to 2010, the rents included in the survey were not adjusted for concessions. Approximately 20% of the market rate projects offered some type of rental concessions to new tenants, which is a decrease from 40% in 2010 and 25% in 2009.

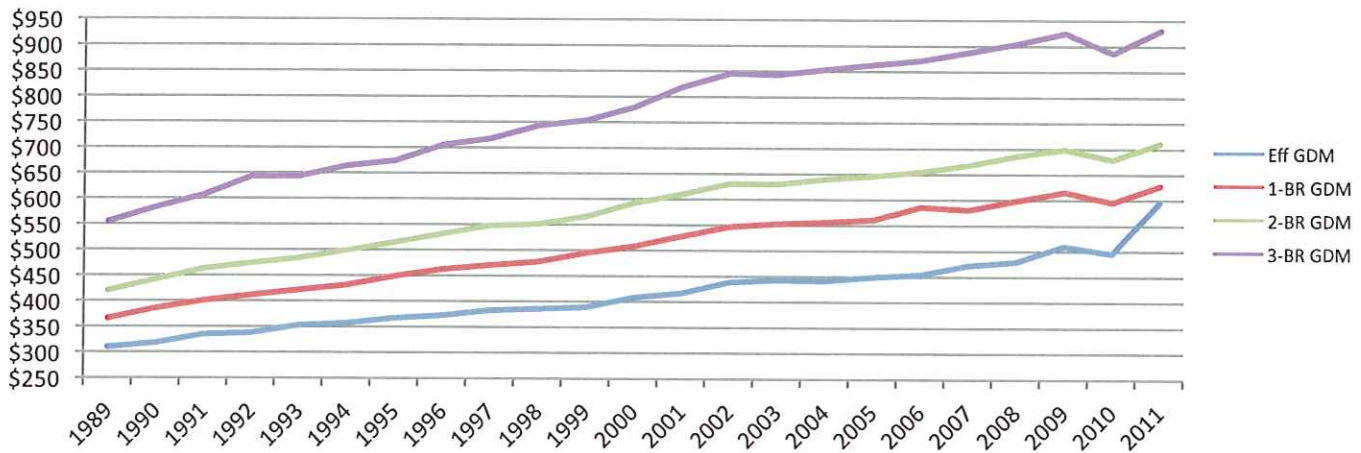
TAX CREDIT DEVELOPMENT Section 42 of the Internal Revenue Service Code provides for tax credits to developers of rental housing for low income tenants. The Iowa Housing Finance Authority administers a program involving low income tax credits under which many apartments have been built or rehabbed in recent years. Because these projects have reduced rent restrictions, they are not included within the market rate survey data presented previously in this report.

We surveyed 49 tax credit projects containing a total of 3,387 units within the Metro Area. The average vacancy rate is 4.4 percent. This compares to a vacancy rate of 5.6% last year, and 6.9% in 2009.

LOW INCOME HOUSING TAX CREDIT PROJECTS				
VACANCY RATE				
2011	2010	2009	2008	2007
4.4%	5.6%	6.9%	8.1%	4.3%
2011 VACANCY BY UNIT TYPE ON 3,387 UNITS				
Total	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
4.4%	8.8%	2.9%	5.7%	3.2%
2011 AVERAGE RENT BY UNIT TYPE				
	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
	\$493	\$581	\$650	\$769
% RENTAL RATE CHANGE				
	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
2010-11	9.07%	2.47%	0.78%	0.00%
2009-10	-3.62%	0.00%	0.62%	-3.68%

Approximately 6% of the tax credit projects responding to this survey provided rental concessions in the form of free rent.

HISTORICAL RENTS BY UNIT TYPE



SUMMARY This survey indicates an overall vacancy rate of 5.5%, which is a substantial decrease from 8.0% in January of 2010. The vacancy rate is at its lowest level since 2002. The highest vacancy rates by geographic area are 7.9% for the south side of Des Moines, and 7.4% for the east side of Des Moines. The Ankeny and Indianola submarkets showed the best improvement, with vacancy reduced from 9.0% to between 2.3% and 3.5%. The vacancy rate for the tax credit projects decreased to 4.4% from 5.6% the prior year.

The West Suburbs and the new units added to the Central Business District have the highest average rents. The lowest average monthly rental rates tend to be in the East and Indianola submarkets.

Approximately 963 new rental apartment units (not including senior housing and some for sale condominiums) were added to the rental market in 2010, versus 531 units in 2009. Of these, 391 are market rent apartments and 572 are tax credit units.

For the coming year, construction is underway or permits have been issued for 485 units, including 364 conventional units and 121 Tax Credit units. The planned conventional market rate projects include the Villages at Jordan Creek (180 units) and Springs at Jordan Creek (168 units) in West Des Moines, along with a 16-plex in Des Moines. New Tax Credit units include 91 units in the River Point Lofts, which will be a warehouse conversion project in downtown Des Moines, along with a 30-unit project along 19th Street in Des Moines (MLK Brickstone II).

There has been increased demand for apartment units over the past year. Vacancy levels are decreasing and rental rates are increasing, with fewer concessions offered. The increased demand has resulted from the expiration of first time home buyer credits, increased lending requirements on homes, and increases in the metropolitan area population. Mortgage credit requirements are likely to remain tight, causing many households to remain apartment tenants. Another trend observed is that some condominium projects originally developed for owner-occupancy, are now entering the upper-end rental market. Therefore, we included a few of these projects that are exclusively rented in this year's survey.

ACKNOWLEDGEMENTS We wish to thank the property owners, developers and managers who made this survey possible by providing rental and vacancy data over the past 41 years.

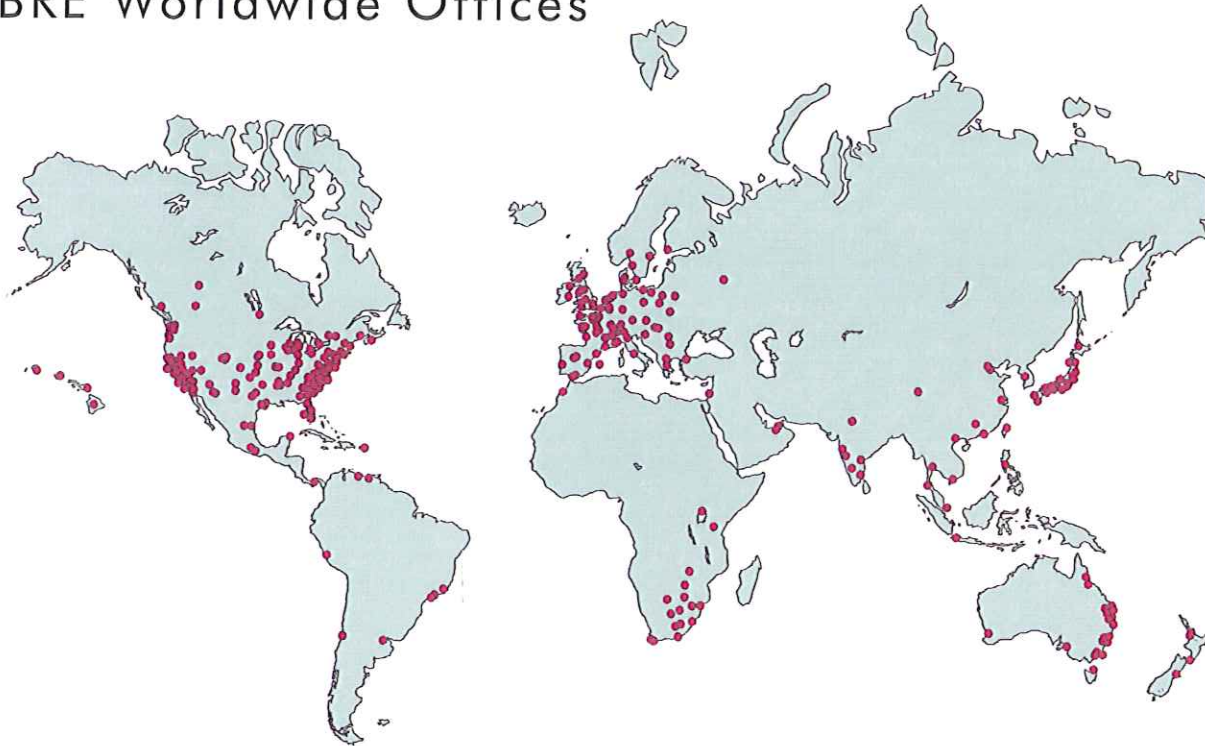
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