2017
APARTMENT SURVEY
DES MOINES METRO

CBRE | Hubbell Commercial

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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 multi-family properties.

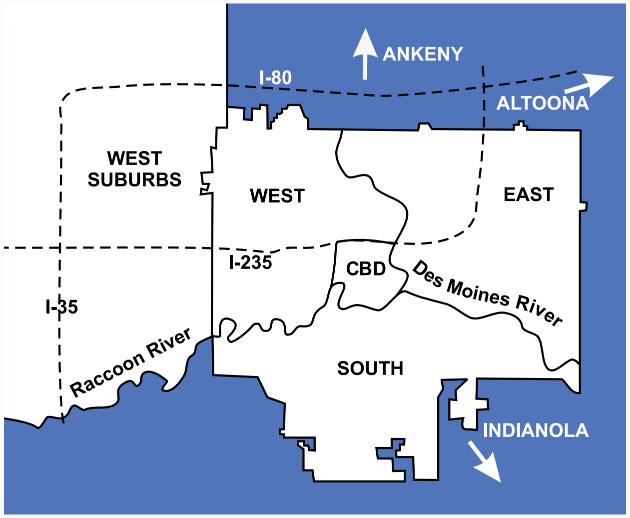
METHODOLOGY

This 47th Annual Apartment Survey includes 27,607 conventional apartment units located in 302 projects and 3,440 Section 42 Low Income Housing Tax Credit/ affordable units in 53 projects. The survey covers both high-rise and garden-style apartments, and was conducted during January of 2017. Occupancy and rental data was furnished by owners and/or managers of each building project, and was obtained by a mailed survey questionnaire or phone interview.

The surveyed apartments span a wide range of amenities and units per complex, ranging from 6 to 450 units, generally built after 1950. The survey does not include senior housing, student housing, or projects with non-rental amenities such as meals. A separate study for tax credit/affordable projects is also included in this report.

The survey includes only the units available for rent as of January 2017. 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 as of January 2017. Reproduction of this information is permitted with acknowledgement to Commercial Appraisers of Iowa, Inc. and CBRE/Hubbell Commercial.



For purposes of this study, the Greater 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

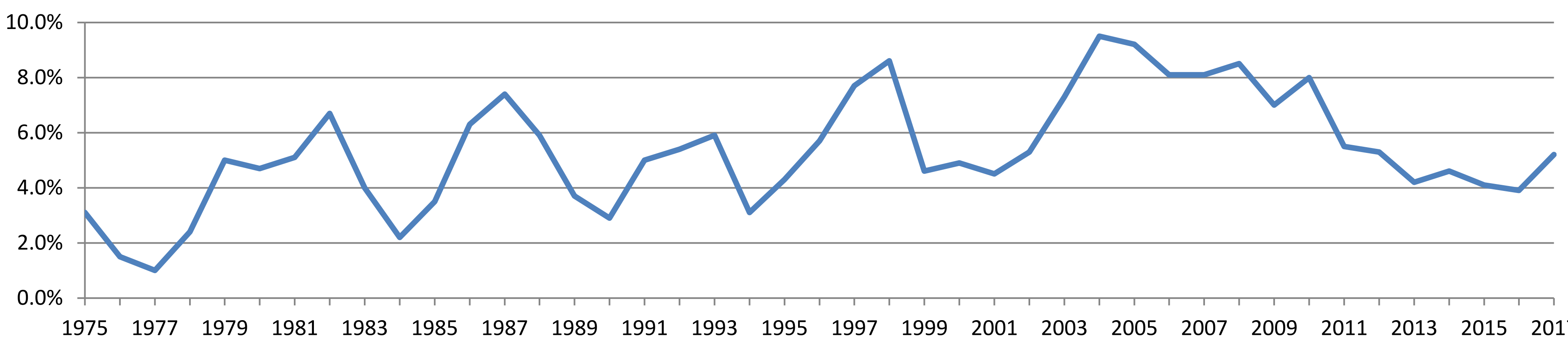
HISTORICAL DES MOINES METROPOLITAN APARTMENT VACANCY RATES

Submarket	Units	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
East	1,365	5.3%	2.9%	4.4%	3.2%	4.7%	5.7%	7.4%	6.1%	8.1%	6.3%
South	4,104	3.7%	3.8%	4.8%	6.7%	4.6%	7.0%	7.9%	8.7%	8.3%	12.6%
West	2,802	3.1%	3.2%	3.4%	4.1%	3.5%	4.6%	4.9%	7.1%	6.7%	6.7%
CBD	*2,060	4.3%	2.1%	2.3%	2.0%	2.7%	2.1%	5.9%	5.0%	5.2%	4.7%
West Suburbs	13,295	6.6%	4.3%	4.0%	4.7%	4.4%	5.1%	4.9%	8.6%	6.8%	8.7%
SUBTOTAL/AVERAGE GREATER DES MOINES	23,626	5.4%	3.8%	4.0%	4.7%	4.2%	5.3%	5.8%	8.0%	7.1%	9.1%
Altoona	1,106	3.3%	2.4%	3.6%	2.1%	1.7%	2.8%	3.5%	5.1%	2.5%	1.7%
Ankeny	2,507	4.0%	5.3%	4.9%	3.9%	5.1%	4.6%	3.5%	9.0%	7.7%	4.8%
Indianola	368	5.7%	4.0%	4.3%	4.9%	4.8%	9.0%	2.3%	9.0%	5.6%	7.8%
TOTAL/AVERAGE OF ALL UNITS SURVEYED	27,607	5.2%	3.9%	4.1%	4.6%	4.2%	5.3%	5.5%	8.0%	7.0%	8.5%

*The CBD submarket excludes three newly delivered apartment projects (319 total units) that are still in the lease-up phase. If these units are included, the vacancy rate of the CBD submarket increases to 13.4% and the Subtotal/Average – Greater Des Moines vacancy rate increases to 6.7%.

We included rental and vacancy data for 961 new and stabilized apartment units added to the market in 2016.

HISTORICAL DES MOINES METROPOLITAN APARTMENT VACANCY RATES



VACANCY BY UNIT TYPE AND GEOGRAPHIC AREA

Submarket	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	Total
East	0.0%	4.7%	5.3%	11.1%	5.3%
South	2.1%	3.3%	4.1%	1.9%	3.7%
West	1.4%	2.0%	3.9%	3.3%	3.1%
CBD	6.7%	2.9%	4.3%	12.5%	4.3%
West Suburbs	3.7%	5.8%	6.6%	8.7%	6.6%
Altoona	2.4%	3.3%	3.0%	4.5%	3.3%
Ankeny	0.0%	2.5%	4.9%	5.7%	4.0%
Indianola	N/A	2.7%	5.9%	0.0%	5.7%
Average of All Units Surveyed	3.8%	4.1%	5.5%	7.5%	5.2%

AVERAGE RENT BY UNIT TYPE AND GEOGRAPHIC AREA

Submarket	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
East	$489	$635	$737	$1,063
South	$634	$665	$747	$969
West	$552	$651	$779	$1,225
CBD	$772	$951	$1,185	$2,067
West Suburbs	$798	$838	$911	$1,182
Average Greater Des Moines	$710	$788	$866	$1,189
Altoona	$604	$724	$837	$1,093
Ankeny	$566	$749	$897	$1,183
Indianola	$504	$547	$694	$715
Average of All Units Surveyed	$704	$780	$864	$1,181

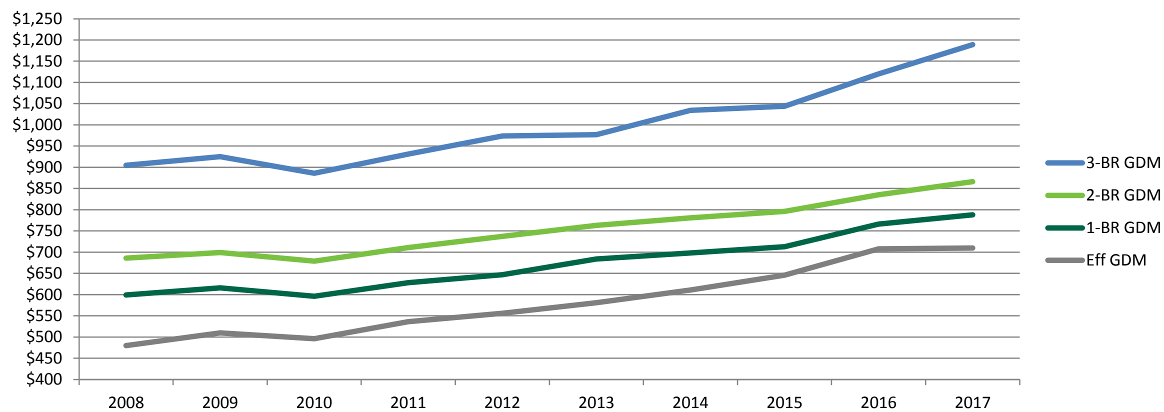
RENTAL RATE COMPARISON

Submarket	EFFICIENCY % Change 2015-2016	EFFICIENCY % Change 2016-2017	1-BEDROOM % Change 2015-2016	1-BEDROOM % Change 2016-2017	2-BEDROOM % Change 2015-2016	2-BEDROOM % Change 2016-2017	3-BEDROOM % Change 2015-2016	3-BEDROOM % Change 2016-2017
East	16.1%	-6.0%	14.7%	-4.1%	4.8%	-3.7%	12.9%	-5.8%
South	27.1%	-1.4%	7.2%	2.2%	3.0%	3.9%	6.8%	3.0%
West	7.7%	-1.6%	1.6%	1.2%	2.7%	2.6%	10.0%	1.2%
CBD	3.0%	3.2%	7.1%	4.4%	14.2%	-0.9%	1.2%	18.0%
West Suburbs	7.1%	5.8%	7.6%	1.5%	4.3%	3.9%	6.5%	5.6%
Average Greater Des Moines	9.6%	0.3%	8.0%	2.3%	4.9%	3.7%	6.6%	6.8%
Altoona	55.7%	-19.7%	12.1%	3.0%	11.1%	4.2%	10.3%	3.2%
Ankeny	7.0%	5.8%	5.6%	-2.3%	4.7%	0.0%	4.8%	-5.7%
Indianola	-3.3%	0.8%	9.4%	-3.7%	6.2%	1.0%	-1.5%	9.2%
Average of All Units Surveyed	10.3%	-0.6%	7.7%	1.8%	5.2%	3.6%	6.8%	5.4%

RENTAL RATE COMPARISON

Rents have increased for all unit types over the past years, except efficiency units, which experienced a small decrease in rents. The change in average rents ranged from -0.6% for efficiency units to 5.4% for three-bedroom units. The rents have been adjusted for any rent concessions offered, such as a free garage or rent, to arrive at an effective rent. Approximately 9% of the market rate projects offered some type of rental concessions to new tenants, which is an increase from approximately 8% in the prior year.

HISTORICAL AVERAGE RENTS BY UNIT TYPE



LOW INCOME HOUSING TAX CREDIT PROJECTS

VACANCY RATE				
2017	2016	2015	2014	2013
2.1%	2.7%	2.0%	3.0%	2.2%

2017 VACANCY BY UNIT TYPE ON 3,440 UNITS				
Total	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
2.1%	6.2%	1.6%	2.1%	2.3%

2017 AVERAGE RENT BY UNIT TYPE				
	Efficiency	1-Bedroom	1-Bedroom	1-Bedroom
	$635	$685	$767	$932

% RENTAL RATE CHANGE				
	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
2016-17	18.5%	4.9%	3.4%	6.8%
2015-16	3.9%	3.3%	1.8%	2.6%

None of the tax credit/affordable projects responding to this survey provided rental concessions in the form of free rent, compared to 6% in 2016.

TAX CREDIT/AFFORDABLE 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 some apartments have been built or rehabbed in recent years. Since these projects have rent restrictions, they are not included in the market rate survey previously described in this report.

We surveyed 53 tax credit/affordable properties containing a total of 3,440 units within the Des Moines Metropolitan Area. The average vacancy rate is 2.1%, which is a decrease from 2.7% vacancy last year.

SUMMARY

The survey indicates rental rate changes ranging from -0.6% to 5.4% during the past year. The largest increases in market rent were seen in efficiency units in the West Suburbs, three-bedroom units in the CBD, and three-bedroom units in the Indianola submarket. The East submarket experienced decreasing rent levels in all unit types. However, this submarket previously experienced large rent growth in 2016. These changes can primarily be attributed to different sets of apartment complexes responding to the survey between 2015 and 2017.

This survey also indicates an overall vacancy rate of 5.2% for conventional apartments, which is an increase from 3.9% in 2016.

The highest vacancy rates are located in the West Suburbs which range from 3.7% for efficiency units to 8.7% for three bedroom units. The CBD also experienced an increase in vacancy rates which range from 2.9% for one-bedroom units to 12.5% for three-bedroom units. The CBD has been experiencing a major surge in apartment development over the past year. We estimate that 666 new units were delivered to the CBD in 2016, of which 524 responded to this survey. However, 319 of the responding units are still in the initial lease-up phase. Therefore, only 205 of the newly delivered CBD units have been included in this survey.

The vacancy rate for the tax credit/affordable properties decreased to 2.1% from 2.7% the prior year.

The West Suburbs, Ankeny, 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 South, East, and Indianola submarkets.

Approximately 1,966 new rental apartment units of a planned 4,425 apartment units (44%) were added to the rental market in 2016, versus 1,177 new units in 2015. All of the units delivered in 2016 were market rent apartments.

The planned apartment projects for 2017 are summarized in the following tables:

MARKET RATE

CITY	APARTMENT PROJECT	UNITS
Des Moines	Wilkins Building	29
	Carman Estates	48
	The Edge at Grey's Landing	90
	R&T Lofts	75
	Bici Flats	154
	Eagle View Lofts	58
	Clemens Building	44
	4th and Court	81
	Harbach Lofts	103
	219 E. Grand	98
	Cityville III	90
	Confluence on 3rd	211
	Maxwell	62
	Jackson Crossing	156
	The Nexus	145
	Verve	124
	Vue	123
	Station 121	26
	Velocity	115
	Woodlawn Town homes	38
Altoona	Ironwood	111
	Linden Oaks	91
Ankeny	The Sterling at Prairie Trail	305
	Lakeshore	150
	Fieldstream	66
	Village at Trestle Crossing	48
	Brick Towne at Piper	192
Grimes	Pepperwood Glen	126
	Edward Rose Apartments	100

MARKET RATE - CONT.

CITY	APARTMENT PROJECT	UNITS
Johnston	The Residences at 62W	137
Waukee	Brick Towne at Kettlestone	144
	Alice Patricia	72
	Autumn Ridge	252
West Des Moines	Cascades at Jordan Creek	114
	Jordan West	180
	Aspire	105
TOTAL		4,063

TAX CREDIT/AFFORDABLE

CITY	APARTMENT PROJECT	UNITS
Des Moines	Wilkins Building	31
	R&T Lofts	90
	Eagle View Lofts	62
	Fort Des Moines	142
	Hilltop Apartments Phase II	72
TOTAL		397

The numbers in the above tables represent only the units that we anticipate will be added to the market in 2017. These units do not always represent the total project size. There are 4,460 total units of planned development in 2017, of which 2,136 units (48%) were originally expected to be delivered in 2016.

It should be noted that typically not all planned units are actually delivered to the market. However, currently 3,374, or 76% of the planned 4,460 units, are either under construction and/or have begun pre-leasing. Therefore, in 2017, well over 3,000 units are expected to be delivered to the market, with 1,967 of the new units located in the CBD. The 2017 planned development estimates are primarily based on discussions with city development officials and project developers. The low vacancy rates and increasing rents witnessed throughout Greater Des Moines over the past few years have led to this substantial amount of planned development.

Over the past year, the steady demand for apartments has continued, but the large amount of newly delivered apartment units has led to an increase in vacancy rates. A mix of Gen X, Baby Boomer and Millennial tenants are driving the demand, all desiring flexibility, walkability, choice in floor plans, diverse property designs, and quality amenity packages. Vacancy levels remain relatively low and rental rates are increasing. The steady demand is a result of many factors, including but not limited to a shift to renting by choice, lack of consistent job formation thus allowing renters the flexibility to follow jobs, increasing population, and household creation.

While demand is expected to remain healthy, it is likely that the market will experience static to slightly decreasing occupancy levels and diminished rent growth due to the supply of units entering the market in 2017. Increased single-family housing rental options, reduced affordability and proposed tax reform may also affect apartment absorption in 2017.

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 47 years.

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3737 Woodland Avenue, Suite 320 • West Des Moines, IA 50266 • +1 515 288 6800

russm@caiowa.com **patschulte@caiowa.com**

www.caiowa.com

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6900 Westown Parkway • West Des Moines, Iowa 50266 • +1 515 224 4900 • Fax +1 515 221 6652

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