

# 40th Annual Metro Des Moines



## Apartment Survey

January 2010

**CBRE** | Hubbell  
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Prepared by Carlson, Gunderson & Associates, Inc.



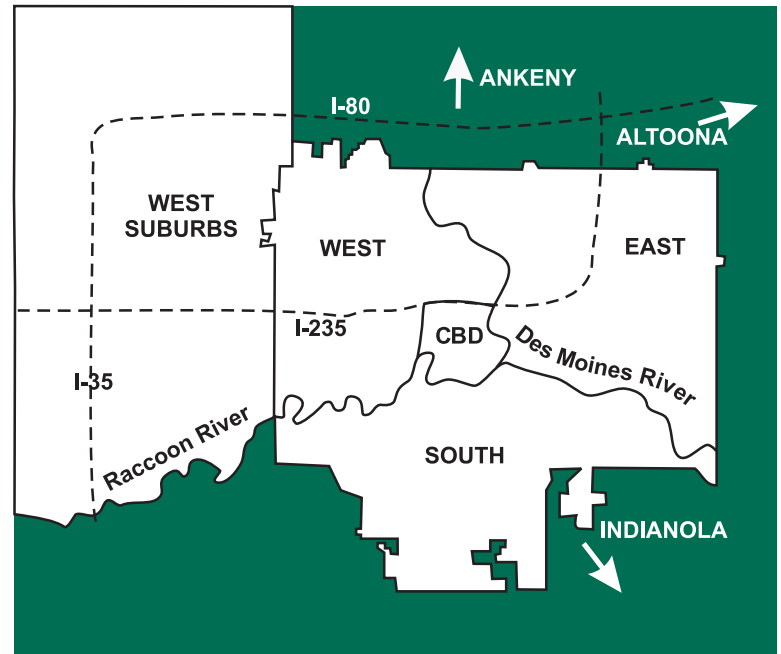
**PURPOSE** The purpose of this survey is to provide both the occupancy and rental data necessary to determine the demand for new apartment development within the Des Moines Metropolitan Area. Most new housing is a commodity which is bought and sold on the open market. Unlike most other commodities, housing is relatively long-lived and immobile. Housing, once built, is a lasting resource, and consequently re-enters the housing market again and again on the supply side, affecting new housing development.

**METHODOLOGY** This 40th Annual Apartment Survey covers a sample of 20,769 conventional apartment units located in 276 projects and separately surveys 3,552 Section 42 Low Income Housing Tax Credit units in 55 projects. The survey covers both high-rise and garden-style apartments, and was conducted during January 2010. 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 2010. 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 Carlson, Gunderson & Associates, Inc. and CB Richard Ellis/Hubbell Commercial.



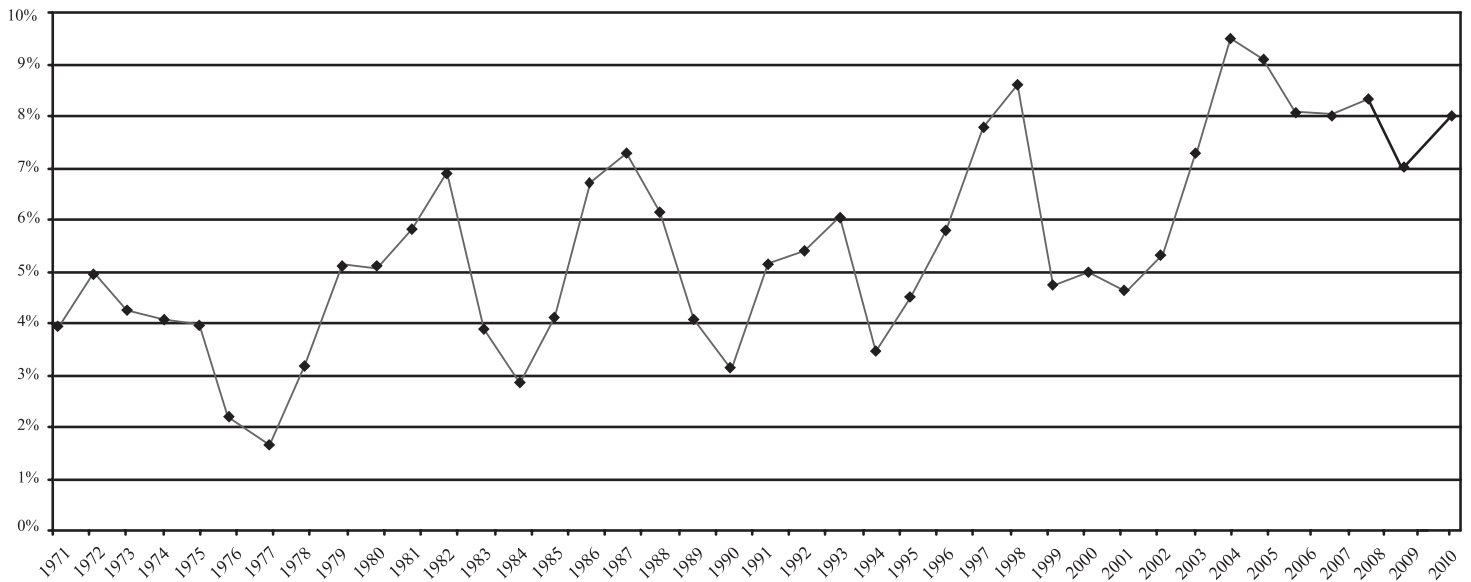
For purposes of this study, the Des Moines Metropolitan Area is geographically divided into the following areas:

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

<b>GREATER DM AREA</b>														
DM AREA	# of Units	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
East	1,314	6.1%	8.1%	6.3%	6.8%	6.3%	4.0%	12.9%	11.0%	9.6%	7.1%	8.0%	4.9%	10.5%
South	4,357	8.7%	8.3%	12.6%	9.7%	8.4%	12.0%	8.6%	7.1%	6.0%	5.5%	6.5%	6.3%	10.7%
West	2,775	7.1%	6.7%	6.7%	7.7%	5.7%	7.5%	9.3%	6.6%	4.6%	3.9%	3.7%	3.8%	7.0%
CBD	1,059	5.0%	5.2%	4.7%										
West Suburbs	9,063	8.6%	6.8%	8.7%	8.9%	9.6%	9.4%	10.0%	7.3%	4.8%	4.0%	4.3%	3.7%	7.8%
<b>TOTALS</b>	<b>18,568</b>	<b>8.0%</b>	<b>7.1%</b>	<b>9.1%</b>	<b>8.6%</b>	<b>8.3%</b>	<b>9.3%</b>	<b>9.8%</b>	<b>7.4%</b>	<b>5.4%</b>	<b>4.6%</b>	<b>5.0%</b>	<b>4.6%</b>	<b>8.8%</b>
Altoona	648	5.1%	2.5%	1.7%	5.6%	6.8%	10.5%	10.7%	10.0%	8.9%	3.3%	3.5%	7.9%	16.1%
Ankeny	1,041	9.0%	7.7%	4.8%	5.4%	7.2%	8.0%	7.1%	6.3%	2.5%	3.3%	4.5%	5.0%	7.0%
Indianola	512	9.0%	5.6%	7.8%	3.1%	6.0%	11.5%	6.4%	9.3%	9.6%	8.0%	5.9%	5.6%	5.2%
<b>Grand Totals</b>	<b>20,769</b>	<b>8.0%</b>	<b>7.0%</b>	<b>8.5%</b>	<b>8.1%</b>	<b>8.1%</b>	<b>9.2%</b>	<b>9.5%</b>	<b>7.3%</b>	<b>5.3%</b>	<b>4.5%</b>	<b>4.9%</b>	<b>4.6%</b>	<b>8.6%</b>

## HISTORICAL DES MOINES METROPOLITAN APARTMENT VACANCY RATES



## VACANCY BY UNIT TYPE AND GEOGRAPHIC AREA

	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	Total
East	11.8%	4.7%	6.5%	6.7%	6.1%
South	16.4%	9.8%	8.5%	1.4%	8.7%
West	4.2%	5.9%	8.8%	5.6%	7.1%
CBD	5.7%	3.0%	8.5%	*	5.0%
West Suburbs	5.5%	8.4%	8.3%	11.5%	8.6%
Altoona	0.0%	9.9%	3.7%	0.0%	2.5%
Ankeny	14.3%	5.9%	11.1%	12.5%	7.7%
Indianola	*	14.9%	7.8%	12.5%	5.6%
<b>Average of Units Surveyed</b>	<b>6.1%</b>	<b>7.5%</b>	<b>8.2%</b>	<b>8.7%</b>	<b>8.0%</b>

## AVERAGE RENT BY UNIT TYPE AND GEOGRAPHIC AREA

	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
East	\$433	\$490	\$684	\$929
South	\$487	\$560	\$631	\$794
West	\$469	\$569	\$679	\$1,047
CBD	\$579	\$719	\$984	*
West Suburbs	\$554	\$677	\$743	\$964
<b>Average GDM</b>	<b>\$507</b>	<b>\$620</b>	<b>\$711</b>	<b>\$938</b>
Altoona	\$454	\$540	\$636	\$773
Ankeny	\$449	\$547	\$669	\$798
Indianola		\$473	\$617	*
<b>Average of Units Surveyed</b>	<b>\$505</b>	<b>\$611</b>	<b>\$704</b>	<b>\$927</b>

RENTAL RATE COMPARISON								
Geographic Area	EFFICIENCY		1-BEDROOM		2-BEDROOM		3-BEDROOM	
	%Change	%Change	%Change	%Change	%Change	%Change	%Change	%Change
	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10
East	-2.87%	6.65%	0.00%	1.66%	2.50%	11.04%	1.73%	21.76%
South	-9.42%	15.13%	-3.89%	3.13%	-0.97%	3.10%	-2.17%	3.52%
West	2.82%	-1.05%	1.08%	1.43%	5.46%	0.44%	*	-0.48%
CBD	1.82%	-5.70%	13.22%	1.13%	12.28%	1.55%	*	*
West Suburbs	4.76%	0.73%	1.04%	-0.44%	0.27%	0.27%	0.74%	0.63%
<b>AVERAGE GDM</b>	<b>6.25%</b>	<b>-0.59%</b>	<b>2.84%</b>	<b>0.65%</b>	<b>1.90%</b>	<b>1.72%</b>	<b>2.21%</b>	<b>1.41%</b>
Altoona	3.20%	0.44%	3.71%	3.01%	3.05%	-0.78%	1.90%	-3.74%
Ankeny	1.61%	1.81%	1.30%	0.55%	3.41%	0.30%	10.70%	2.97%
Indianola	*	*	12.40%	0.64%	1.64%	-0.16%	*	
<b>AVERAGE OF ALL UNITS SURVEYED</b>	<b>2.42%</b>	<b>-0.59%</b>	<b>1.51%</b>	<b>0.66%</b>	<b>1.18%</b>	<b>1.59%</b>	<b>0.88%</b>	<b>1.20%</b>

**RENTAL RATE COMPARISON** The change in average rents by unit type for all units surveyed over the past year ranges from a decrease of 0.59 percent for efficiency units to an increase of 1.59 percent for two bedroom units. These percentages may overstate increases as they do not take into consideration any concessions offered such as free rent. Approximately 40 percent of the market rate projects in this survey offer some type of rental concessions to new tenants, which has increased from 25 percent last year and 33 percent in 2008.

**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 rent restrictions, they are not included within the market rate survey data previously presented in this report.

We surveyed 55 tax credit projects containing a total of 3,552 units within the Metro Area. The average vacancy rate is 5.6 percent. This compares to a vacancy rate of 6.9 percent last year and 8.1 percent in 2008.

LOW INCOME HOUSING TAX CREDIT PROJECTS					
<b>VACANCY RATE</b>					
2010	2009	2008	2007	2006	
5.6%	6.9%	8.1%	4.3%	7.2%	
<b>2010 VACANCY BY UNIT TYPE ON 3,552 UNITS</b>					
Total	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	
5.6%	6.0%	3.6%	6.7%	5.4%	
<b>2010 AVERAGE RENT BY UNIT TYPE</b>					
	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	
	\$452	\$568	\$647	\$769	
<b>% RENTAL RATE CHANGE</b>					
	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	
2009-10	-3.62%	0.00%	0.62%	1.45%	
2008-09	1.96%	4.60%	0.78%	-3.68%	

Approximately 65 percent of the tax credit projects responding to this survey provide some type of rental concession compared to 50 percent last year.

**SUMMARY** This survey indicates an overall vacancy rate of 8.0 percent, which increased from 7.0 percent in January 2009. The highest vacancy rates by geographic area are 9.0 percent in both the Ankeny and Indianola submarkets. The East Des Moines submarket showed the greatest improvement with vacancy reduced to 6.1 percent from 8.1 percent one year ago. Meanwhile, the vacancy rate for the tax credit projects decreased from 6.9 percent in January 2009 to 5.6 percent.

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 531 new rental apartment units (not including senior housing and some for sale condominiums) were added to the rental market in 2009. Of these, 185 are designated conventional apartments while 274 are new for sale condominiums now exclusively offered as conventional market rentals. The remaining 72 units are completed Low Income Housing Tax Credit units located in West Des Moines.

For the coming year, construction is underway or permits have been issued for 825 units including 331 conventional units and 494 Tax Credit units. The conventional market rate projects underway include the Broadmoor at Jordan Creek, which will eventually include 302 units. New Tax Credit units include 84 units in the Melbourne Apartments at 5515 SE 14th Street in Des Moines, a second phase of Chapel Ridge West with 95 units at 41st Street and EP True Parkway in West Des Moines, 208 units under construction in Whisper Ridge at 88th Street and Bridgewood Boulevard in West Des Moines, and a total of 107 tax credit units in the Rumley Lofts and Hawkeye Transfer warehouse loft rehabilitations in the Central Business District.

With increasing vacancy and some economic burden upon renters, we are witnessing more projects offering rental concessions. The addition of new and proposed units could further add to apartment vacancies. However, demand for apartment housing has improved after years of movement toward owner occupancy encouraged by favorable economic and financing options. As mortgage credit requirements tighten, many households remain apartment tenants. Another trend observed is that some condominiums originally developed to be sold are now entering the upper-end rental market, so we have included 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 40 years.

Carlson, Gunderson & Associates, Inc. announces that it is being acquired by Commercial Appraisers of Iowa, Inc. For questions regarding this market survey or future appraisal services please contact Pat Schulte MAI, SRPA, or Russ Manternach, MAI with Commercial Appraisers of Iowa, Inc.

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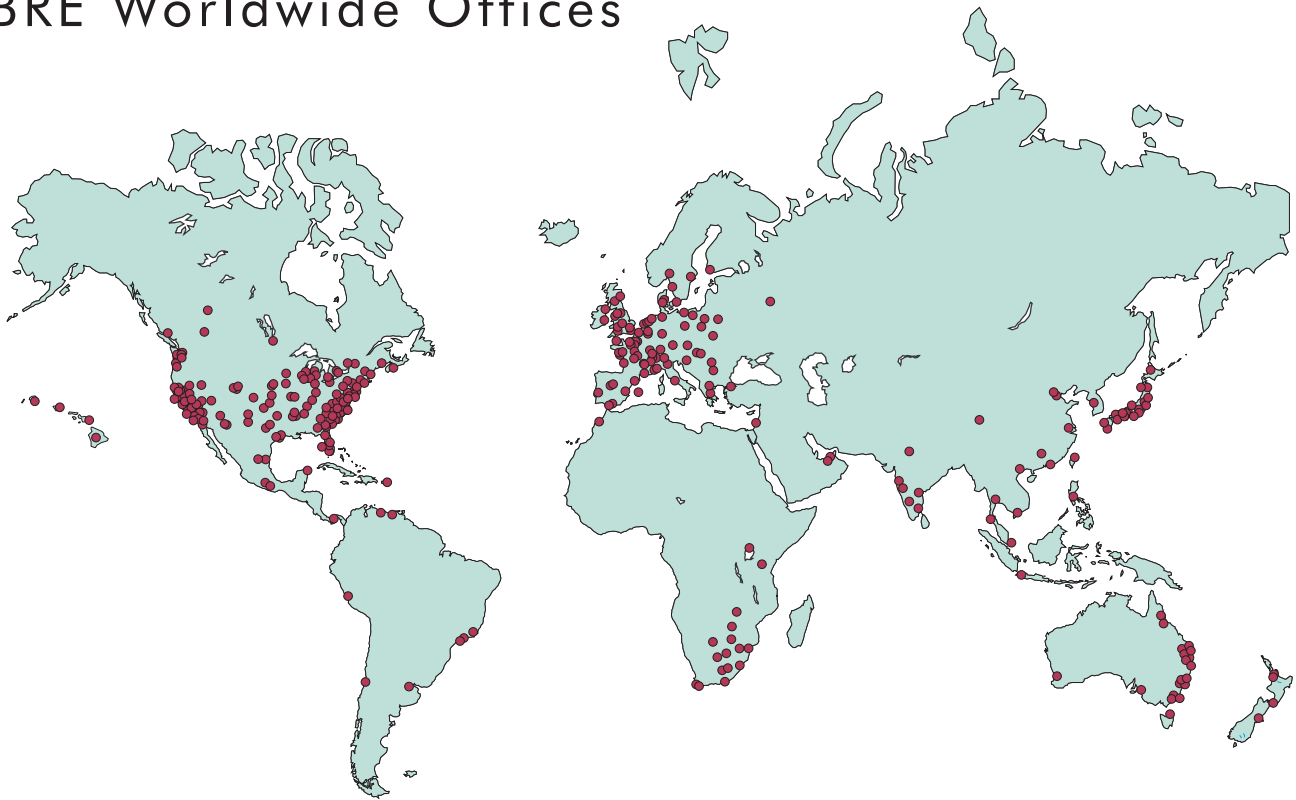
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