

39th Annual Metro Des Moines

Apartment Survey

January 2009



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Prepared by Carlson, Gunderson & Associates, Inc.

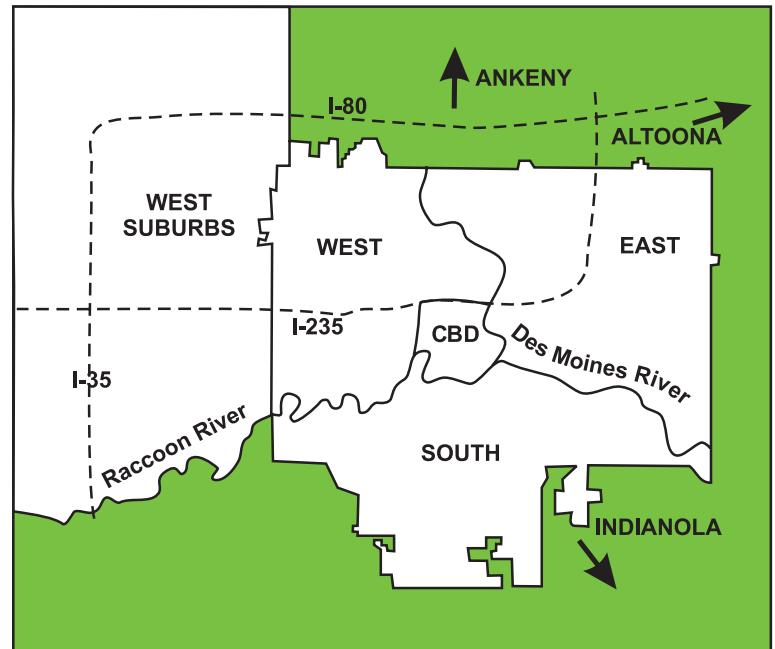
PURPOSE The purpose of this survey is to provide both the occupancy and rental data necessary to determine the demand for new apartment development within the Des Moines Metropolitan Area. Most new housing is a commodity which is bought and sold on the open market. Unlike most other commodities, housing 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 39th Annual Apartment Survey covers a sample of 20,033 conventional apartment units located in 284 projects throughout the Des Moines Metropolitan Area. The survey covers both high-rise and garden-type apartments, and was conducted during January 2009. Occupancy and rental data was furnished by the 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 2009. This survey does not include units under construction as of the survey date.

Although the method of survey and occupancy data reports is considered valid and reliable, it is not guaranteed of being free of error, statistically or otherwise. In our opinion, it 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.



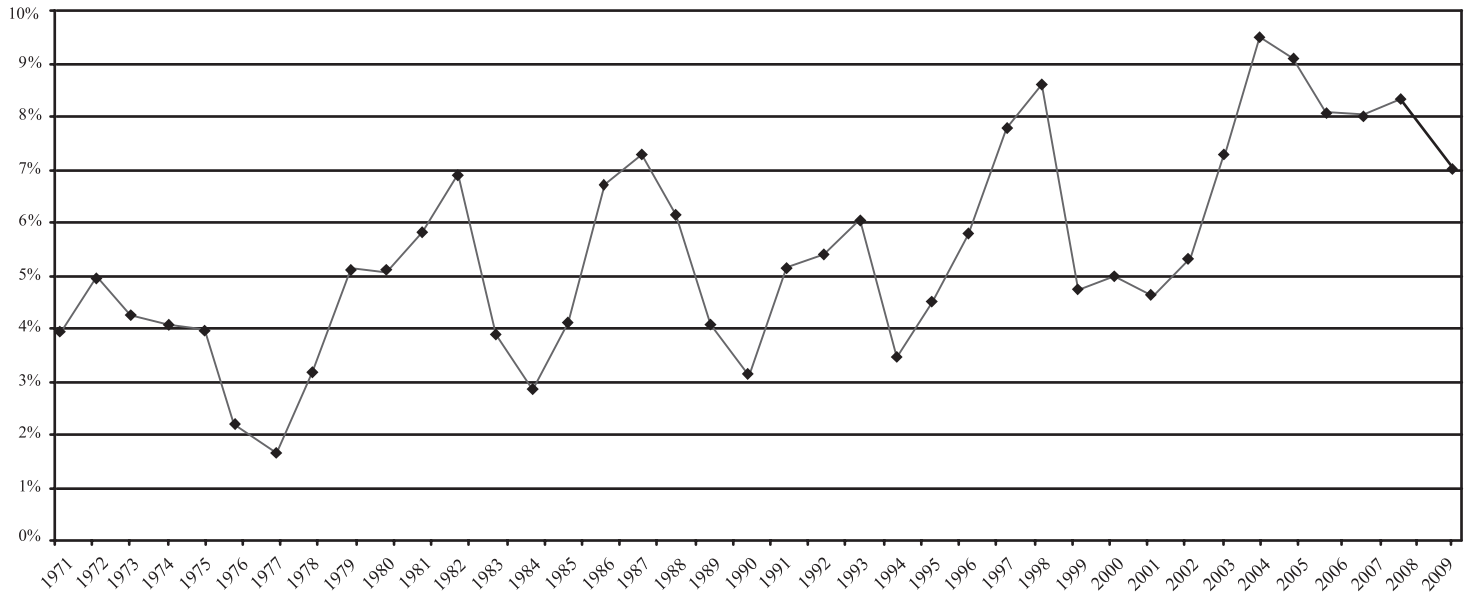
For purposes of this study, the Des Moines Metropolitan Area is geographically divided into the following areas:

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 Capital
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														
DM AREA	# of Units	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
East	1,278	8.1%	6.3%	6.8%	6.3%	4.0%	12.9%	11.0%	9.6%	7.1%	8.0%	4.9%	10.5%	6.3%
South	4,107	8.3%	12.6%	9.7%	8.4%	12.0%	8.6%	7.1%	6.0%	5.5%	6.5%	6.3%	10.7%	8.9%
West	2,748	6.7%	6.7%	7.7%	5.7%	7.5%	9.3%	6.6%	4.6%	3.9%	3.7%	3.8%	7.0%	6.1%
CBD	1,018	5.2%	4.7%											
West Suburbs	8,776	6.8%	8.7%	8.9%	9.6%	9.4%	10.0%	7.3%	4.8%	4.0%	4.3%	3.7%	7.8%	8.1%
TOTALS	17,927	7.1%	9.1%	8.6%	8.3%	9.3%	9.8%	7.4%	5.4%	4.6%	5.0%	4.6%	8.8%	8.0%
Altoona	553	2.5%	1.7%	5.6%	6.8%	10.5%	10.7%	10.0%	8.9%	3.3%	3.5%	7.9%	16.1%	11.1%
Ankeny	1,049	7.7%	4.8%	5.4%	7.2%	8.0%	7.1%	6.3%	2.5%	3.3%	4.5%	5.0%	7.0%	6.0%
Indianola	504	5.6%	7.8%	3.1%	6.0%	11.5%	6.4%	9.3%	9.6%	8.0%	5.9%	5.6%	5.2%	1.4%
Grand Totals	20,033	7.0%	8.5%	8.1%	8.1%	9.2%	9.5%	7.3%	5.3%	4.5%	4.9%	4.6%	8.6%	7.7%

HISTORICAL DES MOINES METROPOLITAN APARTMENT VACANCY RATES



VACANCY BY UNIT TYPE AND GEOGRAPHIC AREA ON 20,033 UNITS

	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	Total
East	15.8%	6.5%	8.6%	13.3%	8.1%
South	2.6%	9.0%	7.8%	10.6%	8.3%
West	10.8%	7.6%	5.3%	2.2%	6.7%
CBD	1.0%	3.7%	9.2%	*	5.2%
West Suburbs	15.7%	5.7%	7.1%	5.4%	6.8%
Altoona	7.1%	1.9%	2.4%	3.9%	2.5%
Ankeny	0.0%	6.7%	8.4%	12.5%	7.7%
Indianola	*	9.0%	4.9%	0.0%	5.6%
Average of Units Surveyed	10.4%	6.5%	7.1%	6.3%	7.0%

AVERAGE RENT BY UNIT TYPE AND GEOGRAPHIC AREA

	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
East	\$406	\$482	\$616	\$763
South	\$423	\$543	\$612	\$767
West	\$474	\$561	\$676	\$1,052
CBD	\$614	\$711	\$969	*
West Suburbs	\$550	\$680	\$741	\$958
Average GDM	\$510	\$616	\$699	\$925
Altoona	\$452	\$531	\$641	\$803
Ankeny	\$441	\$544	\$667	\$775
Indianola	\$475	\$470	\$618	\$763
Average of Units Surveyed	\$508	\$607	\$693	\$916

RENTAL RATE COMPARISON

Market Sector	EFFICIENCY		1-BEDROOM		2-BEDROOM		3-BEDROOM	
	% Change	%Change	% Change	%Change	% Change	%Change	% Change	%Change
	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09
East	4.24%	-2.87%	4.10%	0.00%	2.91%	2.50%	-2.47%	1.73%
South	-4.11%	-9.42%	4.24%	-3.89%	4.04%	-0.97%	4.81%	-2.17%
West	3.83%	2.82%	3.74%	1.08%	0.47%	5.46%	5.51%	*
CBD	5.40%	1.82%	-1.08%	13.22%	-6.69%	12.28%	*	*
West Suburbs	1.35%	4.76%	3.38%	1.04%	3.07%	0.27%	2.04%	0.74%
AVERAGE GDM	1.69%	6.25%	3.10%	2.84%	2.69%	1.90%	1.91%	2.21%
Altoona	2.58%	3.20%	2.40%	3.71%	-1.89%	3.05%	-3.90%	1.90%
Ankeny	-1.36%	1.61%	0.37%	1.30%	-0.62%	3.41%	7.16%	10.70%
Indianola	*	*	0.24%	12.40%	0.0%	1.64%	*	*
AVERAGE OF ALL UNITS SURVEYED	4.64%	2.42%	3.28%	1.51%	2.39%	1.18%	1.34%	0.88%

RENTAL RATE COMPARISON The change in average rents by unit type for all units surveyed over the past year ranges from an increase of 0.88 percent for 3 bedroom units to an increase of 2.42 percent for efficiency units. These percentages may overstate increases as they do not take into consideration any concessions offered such as free rent. Approximately 25 percent of the market rate projects in this survey offer some type of rental concessions to new tenants, though this has decreased from 33 percent last year and 39 percent in the previous year as occupancy improves.

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 subsidized rents, they are not included within the survey data presented previously in this report.

We surveyed 54 tax credit projects containing a total of 3,613 units within the Metro Area. The average vacancy rate was 6.9 percent. This compares to a vacancy rate of 8.1 percent last year, and 4.3 percent the year prior.

The vacancy rate by unit type was 6.7 percent for one-bedroom units, 8.1 percent for two-bedroom units and 4.0 percent for three-bedroom units. The average rents per month were \$469 for efficiencies, \$568 for one-bedroom units, \$643 for two-bedroom units and \$758 for three-bedroom units. Average rents have increased over last year from 1.96 percent on efficiencies, 4.60 percent on one-bedroom units, 0.78 percent on two-bedroom units and a decline of -3.68 percent on three-bedroom units.

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



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SUMMARY This survey indicates an overall vacancy rate of 7.0 percent, which declined from 8.5 percent in January 2008. The highest vacancy rates by geographic area are 8.3 percent in the South submarket and 8.1 percent in the East submarket. The vacancy rate for the tax credit projects decreased from 8.1 percent in January 2008 to 6.9 percent.

This year, in light of the substantial increase in apartment units added to the Central Business District, we have redefined our geographic areas to specifically include apartments within both the west and east side Central Business District.

The West Suburbs and now 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 357 new rental apartment units (excluding senior housing and condominiums) were added to the rental market in 2008. Of these, 102 are conventional units such as the Market Place Lofts on Court Avenue and the Traditions Apartments on SW 28th Street in Ankeny. The remaining 255 units are Low Income Housing Tax Credit units mostly in Des Moines and Pleasant Hill.

For the coming year, permits have been issued for 666 units including 458 conventional units and 208 Tax Credit units. The conventional market rate projects underway are all in West Des Moines and the East Village Central Business District. For example, the Broadmoor at Jordan Creek will eventually include 302 units and The Keystone in the West Glen Town Center has 60 units in a mixed use building. In the East Village, there are 80 units in the E300 Grand Building and 10 rental units in the nearby E5W Building at East 5th and Walnut. New Tax Credit units include 168 units at 41st Street and EP True Parkway in West Des Moines, and an additional 40 units in the Deer Ridge complex at 6000 SW Creston in Des Moines.

Vacancy rates decreased during 2008 showing that demand for apartment housing is shifting back from years of movement toward owner occupancy encouraged by favorable economic and financing options. As mortgage credit requirements tighten, many households remain apartment tenants. Also, with lower vacancy, we are seeing less rental concessions offered. One trend observed is that some condominiums originally developed to be sold are now entering the upper-end rental market, so we have included a few projects that are exclusively rented in this year's survey. Unless economic or employment problems persist, the apartment sector should remain stable.

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 39 years.

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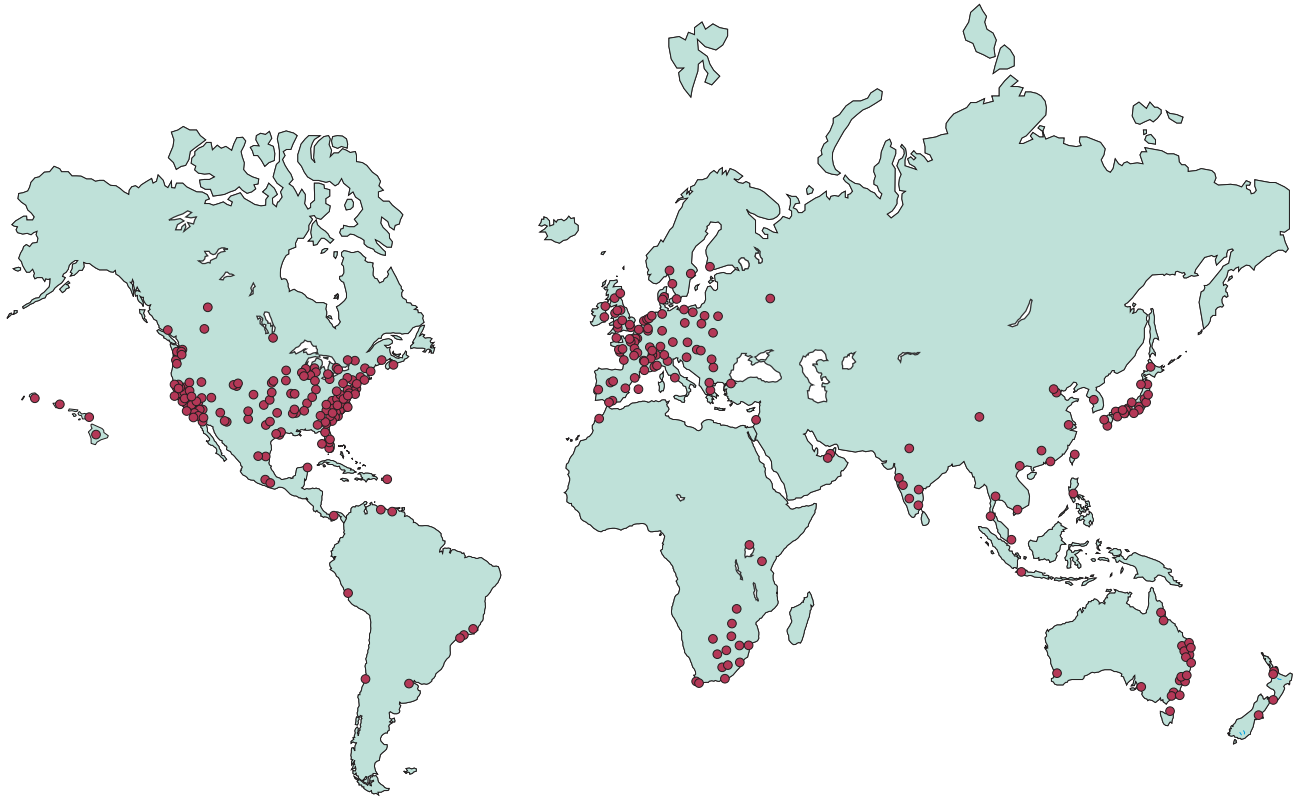
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