

DES MOINES METRO APARTMENT SURVEY 2013



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Prepared by Commercial Appraisers of Iowa, Inc.

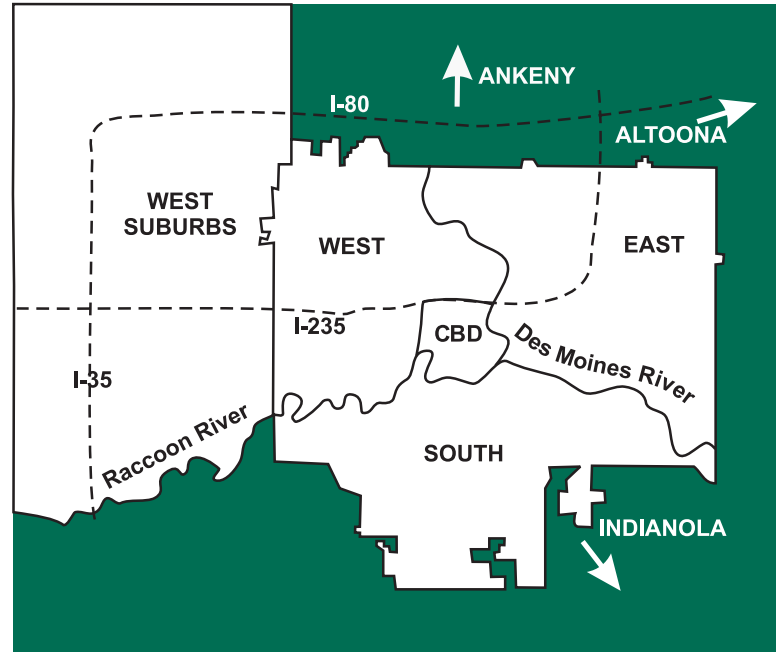
INTRODUCTION This annual survey of apartments in the Des Moines Metropolitan Area includes both conventional apartments and tax credit projects. The survey has been completed to assist in the decision-making process of developers, property owners, brokers, investors, managers, assessors, and other market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

METHODOLOGY This 43rd Annual Apartment Survey covers a sample of 23,007 conventional apartment units located in 270 projects and separately surveys 2,865 Section 42 Low Income Housing Tax Credit units in 53 projects. The survey covers both high-rise and garden-style apartments and was conducted during January of 2013. Occupancy and rental data was furnished by owners and/or managers of each building project and was obtained by a mailed survey questionnaire.

The complexes surveyed were generally built after 1950. The apartments cover a wide range of amenities and units per complex, ranging from 8 to 450 units. The 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 2013. 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 CBRE|Hubbell Commercial.



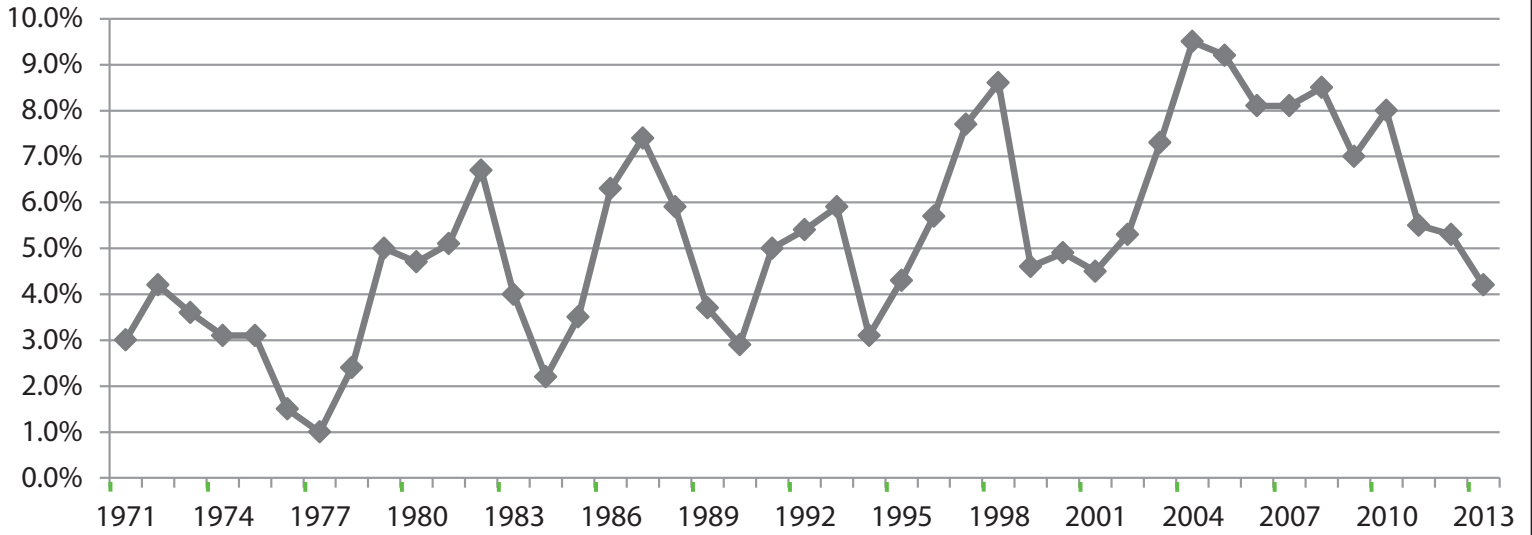
For purposes of this study, the Greater Des Moines Metropolitan Area is geographically divided into the following areas:

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 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| East | 1,406 | 4.7% | 5.7% | 7.4% | 6.1% | 8.1% | 6.3% | 6.8% | 6.3% | 4.0% | 12.9% | 11.0% | 9.6% |
| South | 3,780 | 4.6% | 7.0% | 7.9% | 8.7% | 8.3% | 12.6% | 9.7% | 8.4% | 12.0% | 8.6% | 7.1% | 6.0% |
| West | 3,098 | 3.5% | 4.6% | 4.9% | 7.1% | 6.7% | 6.7% | 7.7% | 5.7% | 7.5% | 9.3% | 6.6% | 4.6% |
| CBD | 1,419 | 2.7% | 2.1% | 5.9% | 5.0% | 5.2% | 4.7% | | | | | | |
| West Suburbs | 10,689 | 4.4% | 5.1% | 4.9% | 8.6% | 6.8% | 8.7% | 8.9% | 9.6% | 9.4% | 10.0% | 7.3% | 4.8% |
| Subtotal/Average Greater Des Moines | 20,392 | 4.2% | 5.3% | 5.8% | 8.0% | 7.1% | 9.1% | 8.6% | 8.3% | 9.3% | 9.8% | 7.4% | 5.4% |
| Altoona | 648 | 1.7% | 2.8% | 3.5% | 5.1% | 2.5% | 1.7% | 5.6% | 6.8% | 10.5% | 10.7% | 10.0% | 8.9% |
| Ankeny | 1,487 | 5.1% | 4.6% | 3.5% | 9.0% | 7.7% | 4.8% | 5.4% | 7.2% | 8.0% | 7.1% | 6.3% | 2.5% |
| Indianola | 480 | 4.8% | 9.0% | 2.3% | 9.0% | 5.6% | 7.8% | 3.1% | 6.0% | 11.5% | 6.4% | 9.3% | 9.6% |
| Total/Average of All Units Surveyed | 23,007 | 4.2% | 5.3% | 5.5% | 8.0% | 7.0% | 8.5% | 8.1% | 8.1% | 9.2% | 9.5% | 7.3% | 5.3% |

HISTORICAL DES MOINES METROPOLITAN APARTMENT VACANCY RATES



VACANCY BY UNIT TYPE AND GEOGRAPHIC AREA

| Submarket | Efficiency | 1-Bedroom | 2-Bedroom | 3-Bedroom | Total |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| East | 3.9% | 1.8% | 6.3% | 2.9% | 4.7% |
| South | 6.8% | 4.8% | 4.3% | 6.1% | 4.6% |
| West | 3.7% | 2.8% | 3.9% | 2.8% | 3.5% |
| CBD | 0.0% | 1.9% | 4.4% | 6.7% | 2.7% |
| West Suburbs | 1.6% | 2.9% | 4.7% | 6.6% | 4.4% |
| Altoona | 0.0% | 2.6% | 1.6% | 0.0% | 1.7% |
| Ankeny | 20.0% | 3.1% | 6.8% | 1.0% | 5.1% |
| Indianola | 0.0% | 24.3% | 3.2% | 0.0% | 4.8% |
| Average of All Units Surveyed | 2.8% | 3.1% | 4.6% | 5.6% | 4.2% |

AVERAGE RENT BY UNIT TYPE AND GEOGRAPHIC AREA

| Submarket | Efficiency | 1-Bedroom | 2-Bedroom | 3-Bedroom |
|--------------------------------------|--------------|--------------|--------------|--------------|
| East | \$447 | \$536 | \$662 | \$952 |
| South | \$518 | \$587 | \$652 | \$823 |
| West | \$492 | \$599 | \$706 | \$1,054 |
| CBD | \$690 | \$806 | \$994 | \$1,062 |
| West Suburbs | \$688 | \$743 | \$813 | \$1,001 |
| Average GDM | \$581 | \$684 | \$763 | \$977 |
| Altoona | \$452 | \$571 | \$663 | \$871 |
| Ankeny | \$492 | \$610 | \$782 | \$1,167 |
| Indianola | \$481 | \$529 | \$637 | \$625 |
| Average of All Units Surveyed | \$577 | \$674 | \$758 | \$983 |

| RENTAL RATE COMPARISON | | | | | | | | |
|-------------------------------|------------|----------|-----------|----------|-----------|----------|-----------|----------|
| Submarket | EFFICIENCY | | 1-BEDROOM | | 2-BEDROOM | | 3-BEDROOM | |
| | % Change | % Change | % Change | % Change | % Change | % Change | % Change | % Change |
| | 2011-12 | 2012 -13 | 2011-12 | 2012 -13 | 2011-12 | 2012 -13 | 2011-12 | 2012 -13 |
| East | 10.9% | -6.7% | 3.7% | 1.7% | 7.0% | 3.8% | 5.1% | 1.0% |
| South | -1.1% | 10.9% | 0.4% | 5.8% | 2.4% | 1.2% | 2.8% | 2.0% |
| West | 2.1% | 1.9% | 1.4% | 3.5% | 0.7% | 4.0% | 2.5% | -3.3% |
| CBD | 21.3% | -9.6% | 13.8% | -0.4% | 9.1% | -6.5% | 11.3% | -12.7% |
| West Suburbs | 2.4% | 8.0% | 1.9% | 5.5% | 3.2% | 4.4% | 4.1% | 0.6% |
| Average GDM | 3.7% | 4.5% | 3.0% | 5.7% | 3.7% | 3.5% | 4.6% | 0.3% |
| Altoona | 0.0% | 1.8% | 0.6% | 5.0% | 1.1% | 4.1% | 2.8% | 6.0% |
| Ankeny | 25.8% | 2.9% | 2.1% | 3.6% | 0.9% | 5.1% | 11.8% | -0.8% |
| Indianola | 2.0% | -3.8% | 2.0% | -4.3% | 5.3% | -2.5% | 9.4% | -3.8% |
| Average of All Units Surveyed | 3.9% | 4.3% | 3.1% | 5.3% | 3.8% | 3.3% | 5.3% | 0.5% |

RENTAL RATE COMPARISON Rents have increased for all unit types over the past year. The increase in average rents ranged from 0.5% for three bedroom units to 5.3% for one bedroom units. The rents included in our past three annual surveys have been adjusted for any rent concessions offered, such as a free garage or rent, to arrive at an effective rent. Prior to 2010, the rents included in the survey were not adjusted for concessions. Approximately 14% of the market rate projects offered some type of rental concessions to new tenants, which is similar to 2012 and a decrease from 20% in 2011.

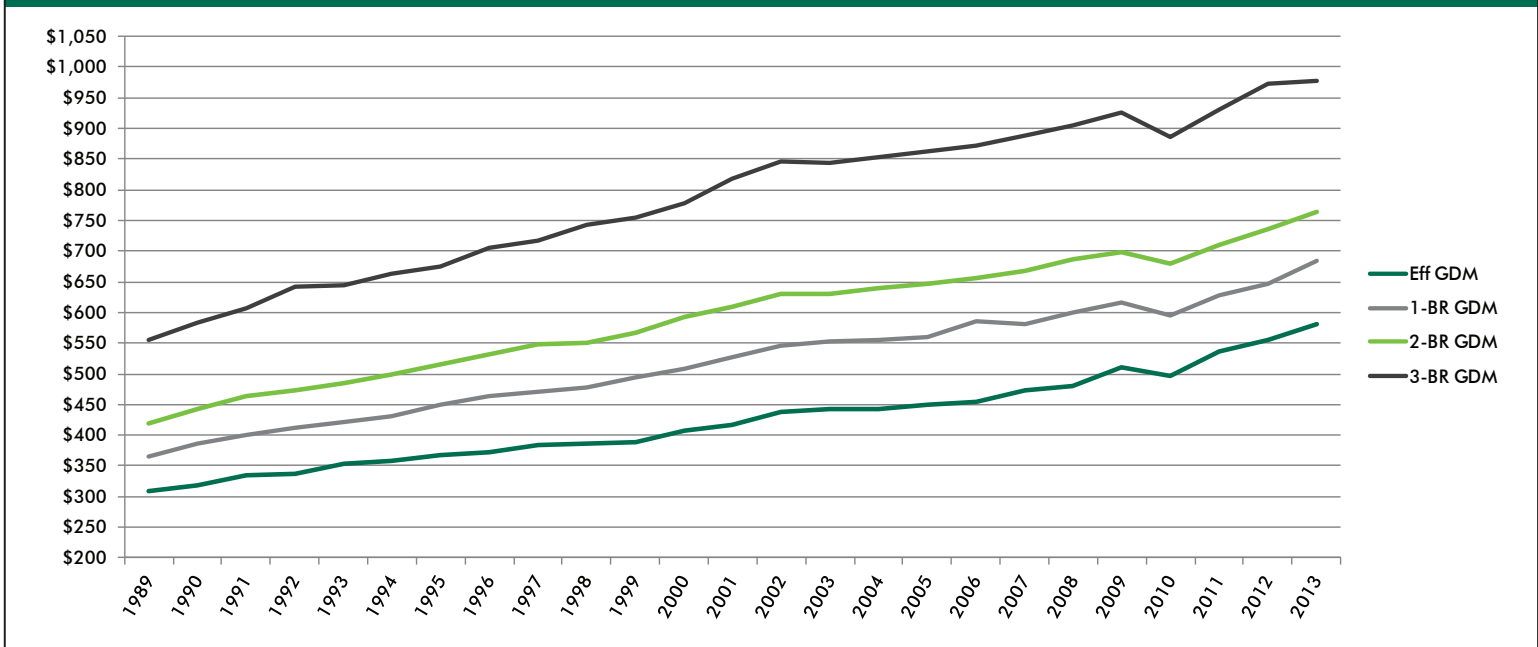
TAX CREDIT DEVELOPMENT Section 42 of the Internal Revenue Service Code provides for tax credits to developers of rental housing for low income tenants. The Iowa Housing Finance Authority administers a program involving low income tax credits under which many apartments have been built or rehabbed in recent years. 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 projects containing a total of 2,865 units within the Des Moines metropolitan area. The average vacancy rate is 2.2%, which is lower than the 4.6% vacancy last year.

| LOW INCOME HOUSING TAX CREDIT PROJECTS | | | | | |
|---|------------|-----------|-----------|-----------|--|
| VACANCY RATE | | | | | |
| 2013 | 2012 | 2011 | 2010 | 2009 | |
| 2.2% | 4.6% | 4.4% | 5.6% | 6.9% | |
| 2013 VACANCY BY UNIT TYPE ON 2,865 UNITS | | | | | |
| Total | Efficiency | 1-Bedroom | 2-Bedroom | 3-Bedroom | |
| 2.2% | 2.5% | 2.3% | 2.3% | 1.8% | |
| 2013 AVERAGE RENT BY UNIT TYPE | | | | | |
| | Efficiency | 1-Bedroom | 2-Bedroom | 3-Bedroom | |
| | \$491 | \$590 | \$687 | \$808 | |
| % RENTAL RATE CHANGE | | | | | |
| | Efficiency | 1-Bedroom | 2-Bedroom | 3-Bedroom | |
| 2012-13 | -1.4% | 0.9% | 2.5% | -0.2% | |
| 2011-12 | 1.0% | 0.7% | 3.1% | 5.3% | |

Approximately 6% of the tax credit projects responding to this survey provided rental concessions in the form of free rent, which is similar to the prior year.

HISTORICAL RENTS BY UNIT TYPE



SUMMARY This survey indicates an overall vacancy rate of 4.2% for conventional apartments, which is a decrease from 5.3% in 2012. The vacancy rate is at its lowest level since 1994. The highest vacancy rates by geographic area are 5.1% for Ankeny and 4.8% for Indianola. The highest vacancy rate in the Greater Des Moines submarkets is 4.7% in the East submarket. The South submarket showed the best improvement with vacancy reduced from 7.0% to 4.6%. The vacancy rate for the tax credit projects decreased to 2.2% from 4.6% 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 South, East, Altoona, and Indianola submarkets.

Approximately 756 new rental apartment units (not including senior housing and some for-sale condominiums) were added to the rental market in 2012, versus 455 units in 2011. Of these, 588 are conventional apartment units and 168 are tax credit units.

The planned apartment projects for 2013 are summarized in the following tables:

| MARKET RENT | | |
|-----------------|--------------------------------|----------------------|
| CITY | APARTMENT PROJECT | UNITS |
| Des Moines | 14Forty | 37 |
| | Fleming Building | 96 |
| | Rocket Transfer Lofts | 58 |
| | Ingersoll Square Phase II | 63 |
| | Des Moines Building | 57 |
| | Cityville on 9th Phase I | 111 |
| | Broadway Heights | 90 |
| | Ankeny | Fieldstream Phase II |
| | Campustown | 90 |
| | Prairie Lakes | 72 |
| Waukee | The Winhall of Williams Pointe | 206 |
| Clive | Stonegate Crossing | 198 |
| West Des Moines | Broadmoor Phase II | 250 |
| | Village at Jordan Creek | 180 |
| | Sierra Pointe Apartments | 127 |
| Johnston | Adam's Ridge Condos | 48 |
| TOTAL | | 1,809 |

| TAX CREDIT | | |
|--------------|-------------------------------|---------------------------|
| CITY | APARTMENT PROJECT | UNITS |
| Des Moines | Melbourne Apartments Phase II | 62 |
| | Baker Creek Apartments | 60 |
| | Des Moines Building | 82 |
| | Ankeny | Fletcher Estates Phase II |
| Grimes | Meadowlark Place Phase II | 84 |
| TOTAL | | 320 |

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 43 years.

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