

DES MOINES METRO APARTMENT SURVEY 2014



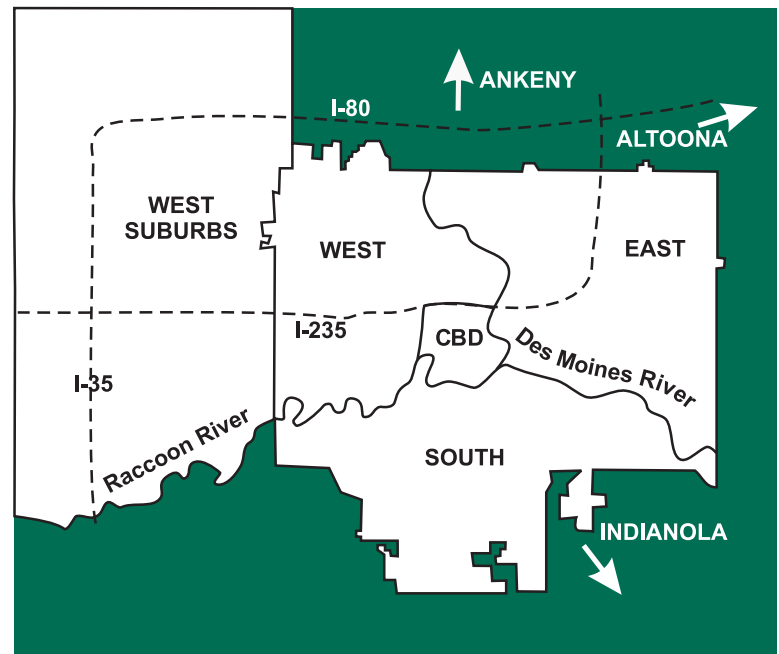
INTRODUCTION This annual survey of apartments in the Des Moines Metropolitan Area includes both conventional apartments and tax credit projects. The survey has been completed to assist in the decision-making process of developers, property owners, brokers, investors, managers, assessors, and other market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

METHODOLOGY This 44th Annual Apartment Survey includes 23,799 conventional apartment units located in 277 projects and separately surveys 3,755 Section 42 Low Income Housing Tax Credit units in 59 projects. The survey covers both high-rise and garden-style apartments and was conducted during January of 2014. 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 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 2014. 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.



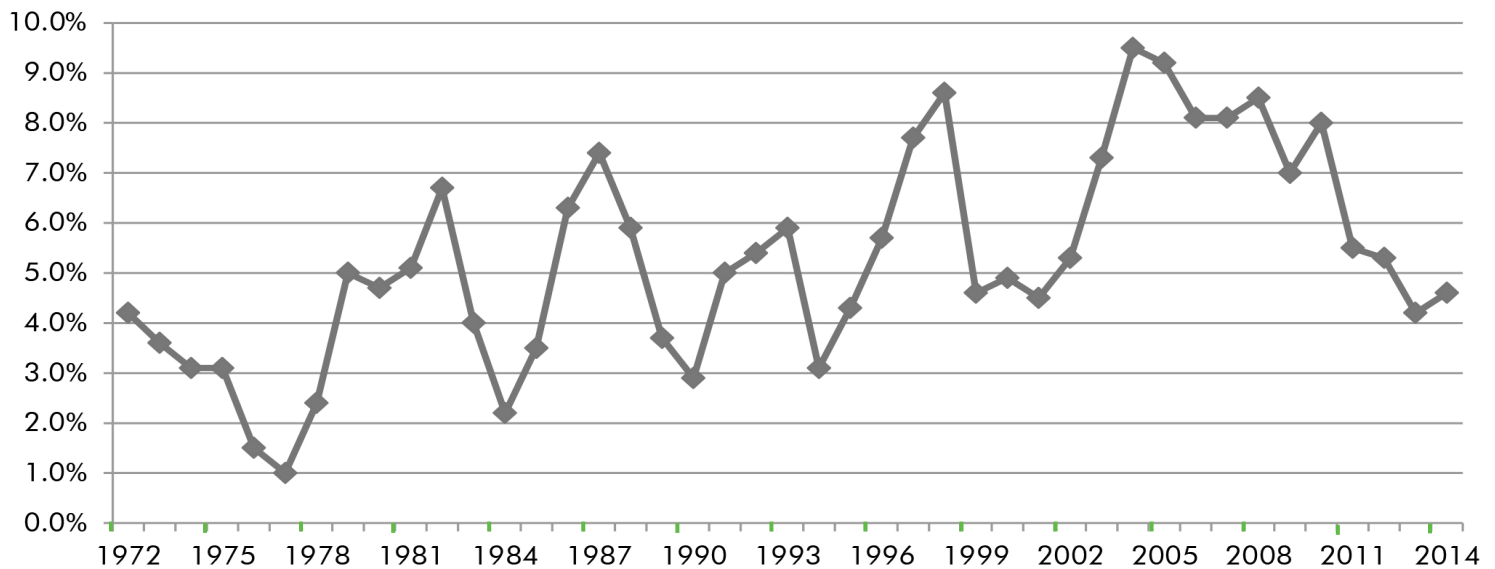
For purposes of this study, the Greater Des Moines Metropolitan Area is geographically divided into the following areas:

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	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
East	1,439	3.2%	4.7%	5.7%	7.4%	6.1%	8.1%	6.3%	6.8%	6.3%	4.0%	12.9%	11.0%
South	3,780	6.7%	4.6%	7.0%	7.9%	8.7%	8.3%	12.6%	9.7%	8.4%	12.0%	8.6%	7.1%
West	3,098	4.1%	3.5%	4.6%	4.9%	7.1%	6.7%	6.7%	7.7%	5.7%	7.5%	9.3%	6.6%
CBD	1,372	2.0%	2.7%	2.1%	5.9%	5.0%	5.2%	4.7%					
West Suburbs	11,211	4.7%	4.4%	5.1%	4.9%	8.6%	6.8%	8.7%	8.9%	9.6%	9.4%	10.0%	7.3%
Subtotal/Average Greater Des Moines	20,900	4.7%	4.2%	5.3%	5.8%	8.0%	7.1%	9.1%	8.6%	8.3%	9.3%	9.8%	7.4%
Altoona	632	2.1%	1.7%	2.8%	3.5%	5.1%	2.5%	1.7%	5.6%	6.8%	10.5%	10.7%	10.1%
Ankeny	1,779	3.9%	5.1%	4.6%	3.5%	9.0%	7.7%	4.8%	5.4%	7.2%	8.0%	7.1%	6.3%
Indianola	488	4.9%	4.8%	9.0%	2.3%	9.0%	5.6%	7.8%	3.1%	6.0%	11.5%	6.4%	9.3%
Total/Average of All Units Surveyed	23,799	4.6%	4.2%	5.3%	5.5%	8.0%	7.0%	8.5%	8.1%	8.1%	9.2%	9.5%	7.3%

HISTORICAL DES MOINES METROPOLITAN APARTMENT VACANCY RATES



VACANCY BY UNIT TYPE AND GEOGRAPHIC AREA

Submarket	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	Total
East	6.1%	3.8%	2.9%	0.0%	3.2%
South	6.4%	5.6%	7.2%	6.5%	6.7%
West	2.0%	4.6%	4.4%	2.2%	4.1%
CBD	1.1%	1.7%	2.8%	8.3%	2.0%
West Suburbs	2.8%	3.8%	4.8%	6.3%	4.7%
Altoona	0.0%	1.1%	2.9%	0.0%	2.1%
Ankeny	N/A	1.6%	5.2%	6.0%	3.9%
Indianola	0.0%	5.4%	4.8%	12.5%	4.9%
Average of All Units Surveyed	2.5%	3.7%	5.0%	5.8%	4.6%

AVERAGE RENT BY UNIT TYPE AND GEOGRAPHIC AREA

Submarket	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
East	\$460	\$552	\$686	\$1,080
South	\$574	\$595	\$673	\$842
West	\$504	\$610	\$717	\$1,146
CBD	\$696	\$842	\$1,094	\$1,191
West Suburbs	\$708	\$756	\$830	\$1,049
Average GDM	\$611	\$698	\$781	\$1,034
Altoona	\$460	\$588	\$687	\$886
Ankeny	N/A	\$703	\$874	\$1,171
Indianola	\$495	\$538	\$656	\$644
Average of All Units Surveyed	\$608	\$694	\$781	\$1,040

RENTAL RATE COMPARISON								
	EFFICIENCY		1-BEDROOM		2-BEDROOM		3-BEDROOM	
Submarket	% Change 2012-13	% Change 2013 -14	% Change 2012-13	% Change 2013 -14	% Change 2012-13	% Change 2013 -14	% Change 2012-13	% Change 2013 -14
East	-6.7%	2.9%	1.7%	3.0%	3.8%	3.6%	1.0%	13.4%
South	10.9%	10.8%	5.8%	1.4%	1.2%	3.2%	2.0%	2.3%
West	1.9%	2.4%	3.5%	1.8%	4.0%	1.6%	-3.3%	8.7%
CBD	-9.6%	0.9%	-0.4%	4.5%	-6.5%	10.0%	-12.7%	12.1%
West Suburbs	8.0%	2.9%	5.5%	1.7%	4.4%	2.1%	0.6%	4.8%
Average GDM	4.5%	5.2%	5.7%	2.0%	3.5%	2.4%	0.3%	5.8%
Altoona	1.8%	1.8%	5.0%	3.0%	4.1%	3.6%	6.0%	1.7%
Ankeny	2.9%	N/A	3.6%	15.2%	5.1%	11.8%	-0.8%	0.3%
Indianola	-3.8%	2.9%	-4.3%	1.7%	-2.5%	3.0%	-3.8%	3.0%
Average of All Units Surveyed	4.3%	5.4%	5.3%	3.0%	3.3%	3.0%	0.5%	5.8%

RENTAL RATE COMPARISON Rents have increased for all unit types over the past year. The increase in average rents ranged from 3.0% for one-bedroom and two-bedroom units to 5.8% for three-bedroom units. The rents included in our past four 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 9% of the market rate projects offered some type of rental concessions to new tenants, which is a decrease from approximately 14% in each of the prior two years.

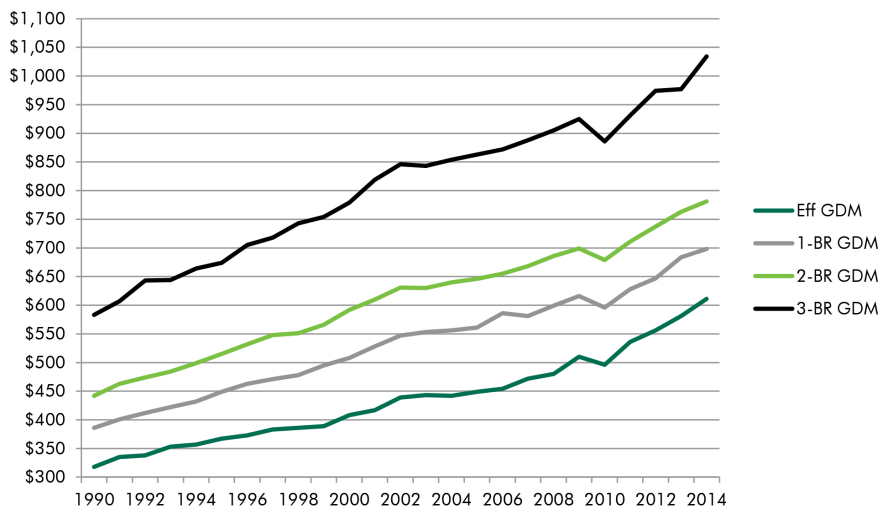
TAX CREDIT DEVELOPMENT Section 42 of the Internal Revenue Service Code provides for tax credits to developers of rental housing for low income tenants. The Iowa Housing Finance Authority administers a program involving low income tax credits under which many apartments have been built or rehabbed in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

We surveyed 59 tax credit projects containing a total of 3,755 units within the Des Moines Metropolitan Area. The average vacancy rate is 3.0%, which is slightly higher than the 2.2% vacancy last year.

LOW INCOME HOUSING TAX CREDIT PROJECTS				
VACANCY RATE				
2014	2013	2012	2011	2010
3.0%	2.2%	4.6%	4.4%	5.6%
2014 VACANCY BY UNIT TYPE ON 2,865 UNITS				
Total	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
3.0%	1.6%	2.4%	3.3%	3.5%
2014 AVERAGE RENT BY UNIT TYPE				
	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
	\$482	\$636	\$715	\$830
% RENTAL RATE CHANGE				
	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
2013-14	-1.8%	7.8%	4.1%	2.7%
2012-13	1.4%	0.9%	2.5%	-0.2%

Approximately 2% of the tax credit projects responding to this survey provided rental concessions in the form of free rent, compared to 6% in 2013.

HISTORICAL RENTS BY UNIT TYPE



SUMMARY

The survey indicates rental rate increases for all unit types ranging from 3.0% to 5.8% during the past year. This survey also indicates an overall vacancy rate of 4.6% for conventional apartments, which is an increase from 4.2% in 2013. The highest vacancy rates by geographic area are 6.7% for the South submarket and 4.9% for Indianola. The highest vacancy rate in the Greater Des Moines metro is 6.7% in the South submarket. The East submarket showed the most improvement, with vacancy reduced from 4.7% to 3.2%. The vacancy rate for the tax credit projects increased to 3.0% from 2.2% 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 931 new rental apartment units of a planned 2,039 apartment units (not including senior housing and some "for-sale" condominiums) were added to the rental market in 2013, versus 756 units in 2012. Of these, 775 are market rent apartments and 156 are tax credit units.

The planned apartment projects for 2014 are summarized in the following tables:

MARKET RENT					
CITY	APARTMENT PROJECT	UNITS	CITY	APARTMENT PROJECT	UNITS
Des Moines	Brewery Block Apartments - Phase I	54	West Des Moines	Bella Meade	180
	14Forty	36		Sierra Pointe	127
	7th Street Brownstones	34		Watermark	176
	Cityville on 9th Street - Phase I	111		Bella Terra	120
	Broadway Heights - Phase I	90		Village at Maple Bend	75
	Locust House Mixed-Use	21		South Maple Grove	128
	Southern Horizons Townhomes	70	Johnston	Broadmoor at Jordan Creek	190
	Madison Flats	30		Providence Pointe	50
	Ingersoll Square - Phase III	47		Altoona Towers	105
	Ballyard Lofts	44	Norwalk	Ironwood - Phase I	100
	Des Moines Building	146		Cedarbrooke Place - Phase II	60
Ankeny	Prairie Lakes	60	TOTAL		2,575
	Tradition Apartments	36			
	Creekside Crossing	27			
Clive	Stonegate Crossing	198			
Waukee	The Springs at Prairie Crossing	260			

The 2,943 total units of planned development in 2014 is a 44% increase over the 2,039 total units planned in 2013. The low vacancy rates and increasing rents seen throughout Greater Des Moines over the past few years have likely led to this substantial increase in planned development.

TAX CREDIT		
CITY	APARTMENT PROJECT	UNITS
Des Moines	Hilltop Apartments - Phase I	36
	Broadway Heights - Phase II	65
	Melbourne Apartments - Phase III	72
	Younkers Building	140
	Hotel Randolph Building	55
TOTAL		368

There has been steady demand for apartment units over the past year. Vacancy levels remain low and rental rates are increasing, with fewer concessions offered. The increased demand has resulted from the continued shift toward renting versus buying homes, increased lending requirements on homes, and increases in the Des Moines 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 44 years.

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