

# DES MOINES METRO APARTMENT SURVEY 2015



**CBRE** | Hubbell  
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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 multiple family properties.

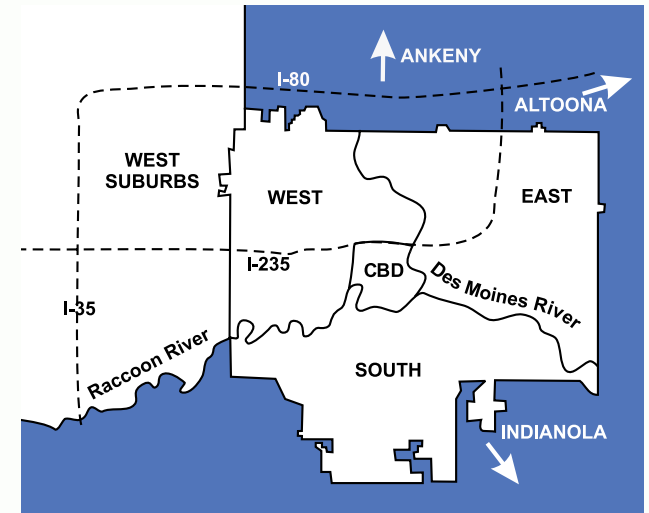
## METHODOLOGY

This 45th Annual Apartment Survey includes 24,092 conventional apartment units located in 281 projects and 3,493 Section 42 Low Income Housing Tax Credit units in 54 projects. Conducted during January of 2015, the survey covers both high-rise and garden style apartments. Occupancy and rental data was collected by a mailed survey questionnaire or phone interview with owners and managers of each project.

The apartments cover a wide range of amenities and units per complex, ranging from 8 to 450 units generally built after 1950. The survey does not include senior housing, student housing, 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 2015. 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

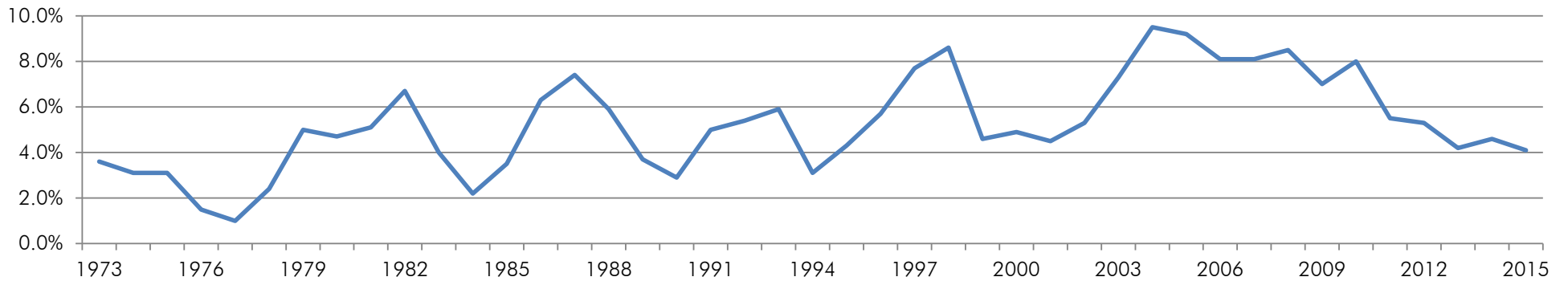
### 5. WEST SUBURBS

Clive, Urbandale, Windsor Heights, West Des Moines, Grimes, Waukee and Johnston

## HISTORICAL DES MOINES METROPOLITAN APARTMENT VACANCY RATES

Submarket	Units	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
East	1,515	4.4%	3.2%	4.7%	5.7%	7.4%	6.1%	8.1%	6.3%	6.8%	6.3%	4.0%	12.9%
South	4,051	4.8%	6.7%	4.6%	7.0%	7.9%	8.7%	8.3%	12.6%	9.7%	8.4%	12.0%	8.6%
West	2,861	3.4%	4.1%	3.5%	4.6%	4.9%	7.1%	6.7%	6.7%	7.7%	5.7%	7.5%	9.3%
CBD	1,449	2.3%	2.0%	2.7%	2.1%	5.9%	5.0%	5.2%	4.7%				
West Suburbs	11,249	4.0%	4.7%	4.4%	5.1%	4.9%	8.6%	6.8%	8.7%	8.9%	9.6%	9.4%	10.0%
<b>SUBTOTAL/AVERAGE GREATER DES MOINES</b>	<b>21,125</b>	<b>4.0%</b>	<b>4.7%</b>	<b>4.2%</b>	<b>5.3%</b>	<b>5.8%</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>
Altoona	668	3.6%	2.1%	1.7%	2.8%	3.5%	5.1%	2.5%	1.7%	5.6%	6.8%	10.5%	10.7%
Ankeny	1,811	4.9%	3.9%	5.1%	4.6%	3.5%	9.0%	7.7%	4.8%	5.4%	7.2%	8.0%	7.1%
Indianola	488	4.3%	4.9%	4.8%	9.0%	2.3%	9.0%	5.6%	7.8%	3.1%	6.0%	11.5%	6.4%
<b>TOTAL/AVERAGE OF ALL UNITS SURVEYED</b>	<b>24,092</b>	<b>4.1%</b>	<b>4.6%</b>	<b>4.2%</b>	<b>5.3%</b>	<b>5.5%</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>

## HISTORICAL DES MOINES METROPOLITAN APARTMENT VACANCY RATES





## VACANCY BY UNIT TYPE AND GEOGRAPHIC AREA

Submarket	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	Total
East	5.9%	4.7%	4.1%	3.8%	4.4%
South	0.0%	3.4%	5.6%	3.6%	4.8%
West	2.4%	2.2%	4.2%	1.9%	3.4%
CBD	0.7%	3.0%	2.4%	0.0%	2.3%
West Suburbs	5.4%	3.8%	3.7%	5.9%	4.0%
Altoona	0.0%	4.7%	3.3%	3.0%	3.6%
Ankeny	0.0%	4.0%	5.2%	7.3%	4.9%
Indianola	0.0%	8.1%	3.9%	12.5%	4.3%
Average of All Units Surveyed	3.1%	3.6%	4.2%	5.2%	4.1%

## AVERAGE RENT BY UNIT TYPE AND GEOGRAPHIC AREA

Submarket	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
East	\$448	\$577	\$730	\$1,000
South	\$506	\$607	\$698	\$881
West	\$521	\$633	\$739	\$1,101
CBD	\$726	\$851	\$1,047	\$1,732
West Suburbs	\$704	\$768	\$841	\$1,051
Average Greater Des Moines	\$646	\$713	\$796	\$1,044
Altoona	\$483	\$627	\$723	\$960
Ankeny	\$500	\$726	\$857	\$1,198
Indianola	\$517	\$519	\$647	\$665
Average of All Units Surveyed	\$642	\$711	\$793	\$1,049



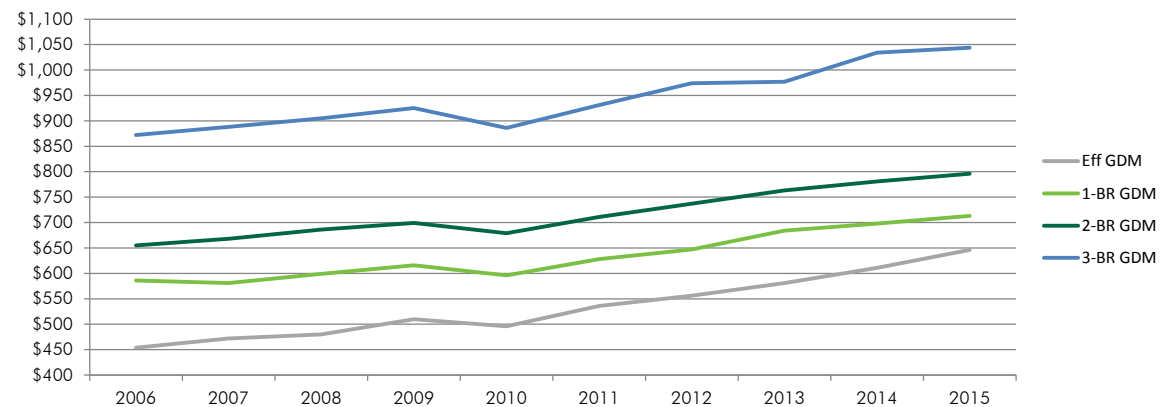
## RENTAL RATE COMPARISON

Submarket	EFFICIENCY		1-BEDROOM		2-BEDROOM		3-BEDROOM	
	% Change	% Change	% Change	% Change	% Change	% Change	% Change	% Change
	2013-2014	2014-2015	2013-2014	2014-2015	2013-2014	2014-2015	2013-2014	2014-2015
East	2.9%	-2.6%	3.0%	4.5%	3.6%	6.4%	13.4	-7.4%
South	10.8%	-11.8%	1.4%	2.0%	3.2%	3.7%	2.3%	4.6%
West	2.4%	3.4%	1.8%	3.8%	1.6%	3.1%	8.7%	-3.9%
CBD	0.9%	4.3%	4.5%	1.1%	10.1%	-4.3%	12.1%	45.4%
West Suburbs	2.9%	-0.6%	1.7%	1.6%	2.1%	1.3%	4.8%	0.2%
<b>Average Greater Des Moines</b>	<b>5.2%</b>	<b>5.7%</b>	<b>2.0%</b>	<b>2.1%</b>	<b>2.4%</b>	<b>1.9%</b>	<b>5.8%</b>	<b>1.0%</b>
Altoona	1.8%	5.0%	3.0%	6.6%	3.6%	5.2%	1.7%	8.4%
Ankeny	N/A	N/A	15.2%	3.3%	11.8%	-1.9%	0.3%	2.3%
Indianola	2.9%	4.4%	1.7%	-3.5%	3.0%	-1.4%	3.0%	3.3%
<b>Average of All Units Surveyed</b>	<b>5.4%</b>	<b>5.6%</b>	<b>3.0%</b>	<b>2.4%</b>	<b>3.0%</b>	<b>1.5%</b>	<b>5.8%</b>	<b>0.9%</b>

## RENTAL RATE COMPARISON

Rents have increased for all unit types over the past year. The increase in average rents ranged from 0.9% for three-bedroom units to 5.6% for efficiency units. The rents included in our past five 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 7% of the market rate projects offered some type of rental concessions to new tenants, which is a decrease from approximately 9% in the prior year.

## HISTORICAL AVERAGE RENTS BY UNIT TYPE



## LOW INCOME HOUSING TAX CREDIT PROJECTS

### VACANCY RATE

2015	2014	2013	2012	2011
2.0%	3.0%	2.2%	4.6%	4.4%

### 2015 VACANCY BY UNIT TYPE ON 3,493 UNITS

Total	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
2.0%	0.0%	1.8%	1.7%	3.5%

### 2015 AVERAGE RENT BY UNIT TYPE

	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
	\$516	\$632	\$729	\$851

### % RENTAL RATE CHANGE

	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
2014-2015	7.1%	-0.6%	2.0%	2.5%
2013-2014	-1.8%	7.8%	4.1%	2.7%

Approximately 4% of the tax credit projects that responded provided rental concessions in the form of free rent, compared to 2% in 2014.

## 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 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 54 tax credit projects containing a total of 3,493 units within the Des Moines Metropolitan Area. The average vacancy rate is 2.0%, which is a decrease from 3.0% vacancy last year.

## SUMMARY

The survey indicates rental rate increases for all market rate unit types ranging from 0.9% to 5.6% during the past year. The substantial increase in market rent for three-bedroom units in the CBD submarket can be attributed to several high end units being added to a relatively small amount of total units surveyed. Overall vacancy rate for conventional apartments of 4.1% is a decrease from 4.6% in 2014. The highest vacancy rates by geographic area are 4.8% for the South submarket and 4.9% for Ankeny. The South submarket showed the greatest improvement, with vacancy reduced from 6.7% to 4.8%. The vacancy rate for the tax credit projects decreased to 2.0% from 3.0% 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 2,137 new rental apartment units of a planned 2,943 apartment units (not including senior housing and some "for-sale" condominiums) were added to the rental market in 2014, versus 931 units in 2013. Of these, 2,000 are market rent apartments and 137 are tax credit units.

The planned apartment projects for 2015 are summarized in the following tables:

MARKET RATE		
CITY	APARTMENT PROJECT	UNITS
Des Moines	Cityville - Phase II	111
	R & T Lofts	85
	Equitable Building	146
	City Square	124
	Copper Crossing	110
	East Village Tower	103
	Carmen Estates	96
	The Edge	90
	Southern Horizons Townhomes	70
	Wilkins Building	30
	Randolph Building	55
	Meadow Cove	36
	Southern Meadows	34
	Broadway Heights - Phase III	30
	Nexus	142
Ankeny	Lakeshore	85
	Tradition	36
Clive	Stonegate Crossing	66
Grimes	Meadowlark - Phase III	90
Waukee	The Springs at Waukee	260
	Autumn Ridge - Phase 1	56
West Des Moines	Cascades at Jordan Creek	264
	BelleMeade	180
	Greenway Square	57
	Keystone at West Glen	30
Johnston	NW 62nd Street Apartments	162
	Cadence	90
Norwalk	Legacy Landing	120
<b>TOTAL</b>		<b>2,758</b>

TAX CREDIT		
CITY	APARTMENT PROJECT	UNITS
Des Moines	Hilltop - Phase I/II	108
	R & T Lofts	80
	Melbourne - Phase IV	72
	Wilkins Building	30
<b>TOTAL</b>		<b>290</b>

The 3,048 total units of planned development in 2015 is a 4% increase over the 2,943 total units planned in 2014. It should be noted that typically not all planned units are actually delivered to the market. Thus the adjacent charts are primarily based on discussions with city development officials. The low vacancy rates and increasing rents observed throughout Greater Des Moines over the past few years have led to this substantial amount of planned development.

There has been steady demand for apartment units since the recession. Vacancy levels are remaining low and rental rates are increasing, with fewer concessions offered. The increased 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, delayed household creation, and millennials who make up 31% of the renter pool desiring flexibility, walkability, urban living and amenities.

In 2015 well over 2000 units are expected to be delivered to the market. While demand is expected to remain healthy it is likely that the market will experience some normalization to slight softening in occupancy levels and rent growth. Increased single family housing options and affordability will also be a competitive element to apartment absorption in 2015.



## 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 45 years.

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