Strong Spring Leasing Drives Q2 Absorption Gains

Number of Apartment Homes Surveyed 35,775

Average Asking Rent $973

H1 Deliveries 565

Occupancy 94.7%

Units Under Construction 1,191

Figure 1: Overall Vacancy Trend & Deliveries

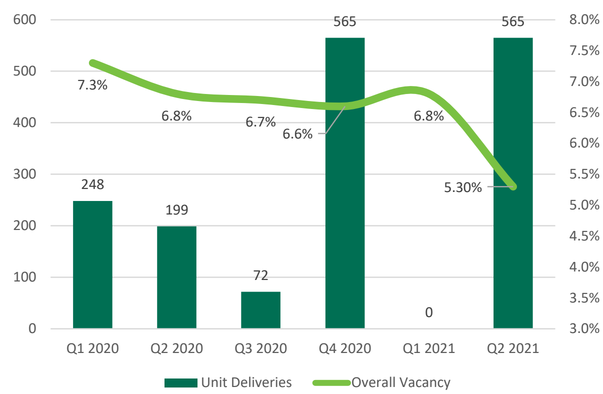


Figure 2: Greater Des Moines Units Delivered/Projected

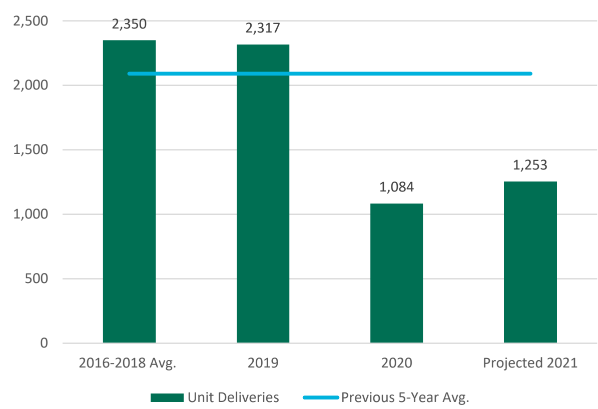
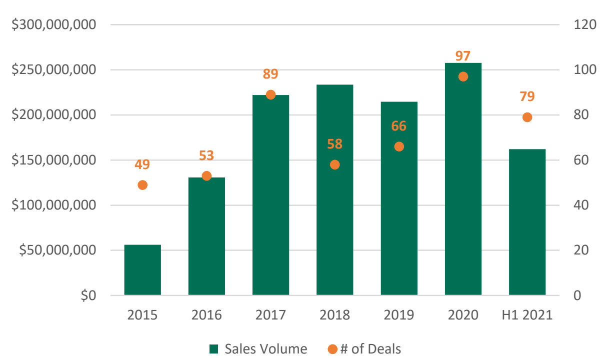


Figure 3: Historical Sales Volume & Number of Deals



PERFORMANCE HIGHLIGHTS

- A strong spring leasing season paired with no new deliveries in Q1 resulted in positive net absorption of approximately 530 units in Q2, lowering overall vacancy 150 bps to 5.3% (See Figure 1). All 8 submarkets experienced increased occupancy in Q2, most notably the Western Suburbs, which recorded approximately 330 units of positive net absorption – lowering vacancy by 200 bps to 4.4%. CBD fundamentals also saw notable improvements in Q2 as downtown vacancy fell 120 bps to 8%.
- While some use of rent concessions continues to persist in softer submarkets, strong Q2 absorption facilitated a notable burn off, particularly throughout the CBD. A Q2 survey indicated 13 of the 36 downtown projects surveyed were offering rent concessions in the form of free rent -- down nearly 40% from Q1 levels.
- Six projects totaling 565 units delivered in Q2 – dwindling the active construction pipeline to 1,191 units. We anticipate an additional 688 units will deliver by year-end, bringing the 2021 projected total to 1,253 units – approximately 40% below the previous 5-year average of new deliveries (See Figure 2).
- Hubbell Realty's latest project "Level" (114 units) in the Bridge District neighborhood of the East Village was the only new project to break ground in Q2. We anticipate this will be the only market rate project to deliver in the CBD in 2022 – representing a healthy pullback from the previous 5-year average of 580 annual CBD deliveries.
- Sales volume totaled $162M across 79 deals in the first half (H1) of 2021, up 73% in total volume and 37% in number of deals year-over-year (See Figure 8). Greater Des Moines' strong underlying fundamentals continue to attract national capital as all three of the quarters top transactions were new-to-market buyers. We expect investment activity will remain robust in the second half of the year due to strengthening market performance, sustained investor appetite and new buyers coming into the market. We anticipate 2020's record sales volume of $257M will be eclipsed as a result (See Figure 3).

MOVING FORWARD

Sustainable levels of upcoming new supply, widespread vaccinations, an improving economy and a return of office workers will all contribute to further multifamily market improvement for the balance of the year. Steady absorption gains should encourage continued concession burn-off, allowing for restored economic occupancy and effective rent growth over the next two quarters.

FIGURE 4: GREATER DES MOINES FUNDAMENTALS

Submarket	Units	Vacancy	Average Rent Per Unit	Average Rent Per SF	Units Under Construction	Vacancy by Unit Type				Average Rent by Unit Type			
						Studio	1-Bed	2-Bed	3-Bed	Studio	1-Bed	2-Bed	3-Bed
East	1,226	4.3%	$768	$0.90	140	6.40%	5.10%	2.20%	7.00%	$529	$571	$768	$1,021
South	4,590	5.9%	$807	$0.96	0	7.00%	4.80%	7.00%	3.90%	$577	$713	$816	$1,018
West	3,268	5.1%	$824	$1.12	0	4.30%	5.10%	6.10%	8.00%	$628	$764	$915	$1,298
CBD	4,277	8.0%	$1,150	$1.47	185	7.90%	7.90%	8.60%	5.90%	$845	$1,040	$1,410	$1,937
Western Suburbs	16,962	4.4%	$1,019	$1.08	329	4.50%	4.30%	4.90%	3.20%	$830	$905	$1,027	$1,341
Subtotal/Average - Greater Des Moines	30,323	5.2%	$976	$1.11	654	5.20%	5.10%	5.50%	3.50%	$782	$878	$989	$1,301
Altoona	1,304	3.5%	$1,094	$1.13	237	3.40%	1.90%	4.30%	2.80%	$608	$972	$1,123	$1,250
Ankeny	3,638	6.7%	$1,027	$1.01	300	7.10%	8.00%	7.90%	3.70%	$803	$897	$1,098	$1,320
Indianola	510	6.9%	$750	$0.80	0	8.70%	9.40%	6.50%	4.00%	$550	$610	$850	$920
Total/Average -- All Units Surveyed	35,775	5.3%	$973	$1.08	1,191	5.30%	5.50%	5.70%	3.10%	$782	$872	$995	$1,240

FIGURE 5: WESTERN SUBURBS FUNDAMENTALS

City	Rent	$/SF	Vacancy	Units Under Construction
West Des Moines	$1,014	$1.08	4.50%	140
Waukee	$1,196	$1.13	5.30%	189
Urbandale/Clive	$847	$1.00	3.20%	0
Grimes/Johnston	$1,066	$1.12	5.00%	0
Western Suburbs	$1,019	$1.08	4.40%	329

FIGURE 7: GREATER DES MOINES FUNDAMENTALS BY YEAR BUILT

By Year	1960 - 1979			1980 - 1999			2000 - 2019		
Unit Type	Rent	$/SF	Vacancy	Rent	$/SF	Vacancy	Rent	$/SF	Vacancy
Studio	$675	$1.50	5.00%	$711	$1.49	5.70%	$906	$1.59	6.60%
1-Bed	$723	$1.07	5.60%	$796	$1.18	4.20%	$1,014	$1.35	5.50%
2-Bed	$794	$0.91	5.80%	$881	$0.96	3.90%	$1,277	$1.15	5.90%
3-Bed	$1,007	$0.88	5.60%	$935	$0.75	1.50%	$1,434	$1.05	3.30%
Overall	$767	$0.97	5.60%	$863	$0.97	3.70%	$1,190	$1.20	5.30%

FIGURE 6: CBD FUNDAMENTALS

Nbhd	Rent	$/SF	Vacancy	Units Under Construction
Downtown Core	$1,147	$1.48	7.40%	0
South of MLK	$1,228	$1.47	10.00%	41
East Village	$1,153	$1.55	8.10%	114
West Downtown	$918	$1.27	4.10%	30
CBD Overall	$1,150	$1.47	8.00%	185

FIGURE 8: TRANSACTION DIVERSITY YOY

Deal Size	# of Deals		Sales Volume	
	H1 2020	H1 2021	H1 2020	H1 2021
Less than $1M	41	60	$12,628,050	$19,663,950
$1M - $5M	7	11	$15,171,000	$33,778,600
$5M - $10M	2	4	$16,260,710	$28,719,000
$10M+	0	4	$0	$79,913,360
Total	50	79	$44,059,760	$162,074,910

RECENT TRANSACTIONS



	HICKMAN FLATS	WILLOW PARK & THE RIDGES PORTFOLIO	WHITE OAKS
City	Des Moines	Des Moines	Johnston
Sale Date	June, 2021	June, 2021	June, 2021
# of Properties	1	2	1
# of Units	203	360	88
Price	$8,729,000	$18,300,000	$11,913,360
Price/Unit	$43,000	$50,833	$135,379

Under Construction	Address	Project	Developer	Submarket	Units Under Construction	Total Units of Project	Expected Delivery
1	1435 SW 11th St, Ankeny, IA	Chalet at Prairie Trail Townhomes Phase II	Caliber	Ankeny	52	104	Q3 - Q4, 2021
2	1335 SW Merchant St, Ankeny, IA	District Lofts	Caliber	Ankeny	48	48	Q3,2021
3	NE Otterview Cir & NE 36th St, Ankeny	The Standard at 36th	Caliber	Ankeny	200	200	2022
4	1490 34th Ave SW, Altoona	The Emory Phase II	Haverkamp	Altoona	75	300	Q3, 2021
5	1401 Adventureland Dr NW, Altoona	Blue Ridge Commons Phase I	Signature Companies	Altoona	162	324	Q4, 2021
6	19th & Crocker St, Des Moines, IA	Bricktop Lofts	Caliber	CBD	30	30	Q4, 2021
7	12th and Tuttle Street, Des Moines, IA	Linc III	Hubbell	CBD	41	45	Q3, 2021
8	E 4th & E 2nd St, Des Moines, IA	Level Apartments	Hubbell	CBD	114	114	2022
9	6901 Martha L Miller Dr, Pleasant Hill, IA	Rising Ridge	Knapp	East	140	140	Q1,2022
10	1260 S Jordan Creek Pky, West Des Moines, IA	Strathmore Apartment Homes Phase III	Edward Rose & Sons	Western Suburbs	140	528	Q3 - Q4, 2021
11	SE University Ave & SE LA Grant Parkway, Waukee, IA	Centennial Crossing Townhomes Phase I & II	Hubbell	Western Suburbs	129	129	2021-2022
12	NE Horizon Dr & NE Westgate Dr, Waukee, IA	Bricktowne at Prairie Crossing Phase I	Jensen Group	Western Suburbs	60	300	Q3, 2021

Potential Starts	Address	Project	Developer	Submarket	Expected Start	Proposed Units	Potential Delivery
1	Adventureland Dr, Altoona, IA	Blue Ridge Commons Phase II	Signature Companies	Altoona	2022	162	2023
2	SW Elm St - Prairie Trail	The Sterling North Phase I	SB Communities	Ankeny	Q3,2021	200	2022-2023
3	1490 34th Ave SW, Altoona	The Emory Phase III & IIII	Haverkamp	Altoona	2021-2022	150	2022-2023
4	415 SW 11th St, Des Moines, IA	The Nexus Phase II	Sherman Associates	CBD	Q4,2021	175	2023
5	E 6th St & Walnut St, Des Moines, IA	The Lab	Heart of America Group	CBD	TBD	110	2023-2024
6	NW Sunrise Dr & NW 10th St, Waukee	Stratford Pointe	Dan Dolan Homes	Western Suburbs	Q4,2021	149	2022-2023
7	Grand Prairie Pkwy & SE Encompass Dr, Waukee	Kettlestone Apartments	John Fischer	Western Suburbs	2022	87	2023
8	SWC of Jordan Creek Pkwy & Ashworth Rd, WDM	TBA	Great Lakes Capital	Western Suburbs	Q4,2021	199	2022-2023
9	S 88th St & EP True Pkwy, West Des Moines	88th Street Lofts	TWG	Western Suburbs	Q4,2021	49	2022
10	1260 S Jordan Creek Pky, West Des Moines, IA	Strathmore Apartment Homes Phase IIII+	Edward Rose & Sons	Western Suburbs	2022-2023	283	2022-2024
11	NE Horizon Dr & NE Westgate Dr, Waukee, IA	Bricktowne at Prairie Crossing Phase II	Jensen Group	Western Suburbs	2021-2022	120	2022-2023

Lease Up	Address	Project	Developer	Submarket	Units in Lease-Up	Total Units of Project	Delivered
1	1490 34th Ave SW, Altoona	The Emory Phase I	Haverkamp	Altoona	75	300	Q2,2021
2	401 SE 6th St, Des Moines, IA	Connolly Lofts	Newbury Development	CBD	57	57	Q2,2021
3	200 SW 11th St, Des Moines, IA	Linc Phase II	Hubbell	CBD	142	227	Q2,2021
4	2415 Paine St, Bondurant, IA	Parkside Apartments Phase II	Larson Development	East	90	120	Q2,2021
5	935 SE Silkwood Ln, Grimes, IA	The Reserve at Destination Pointe Phase II	Edward Rose & Sons	Western Suburbs	96	384	Q4,2020
6	1704 NE Gateway Ct, Grimes, IA	Ascend at Heritage Phase II	D.R. Horton	Western Suburbs	110	323	Q4,2020
7	175 NW Common Pl, Waukee, IA	The Commons at Greenway Park Phase II	Llyod	Western Suburbs	81	162	Q2,2021
8	731 NE Venture Dr, Waukee	Bricktowne at Prairie Crossing Phase I	Jensen Group	Western Suburbs	120	300	Q2,2021

	Total Units Under Construction	Potential Starts (Units)
Western Suburbs	329	937
CBD	185	285
Ankeny	300	200
Altoona	237	312
Greater DSM	1191	1684

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GREATER DES MOINES ECONOMIC DATA

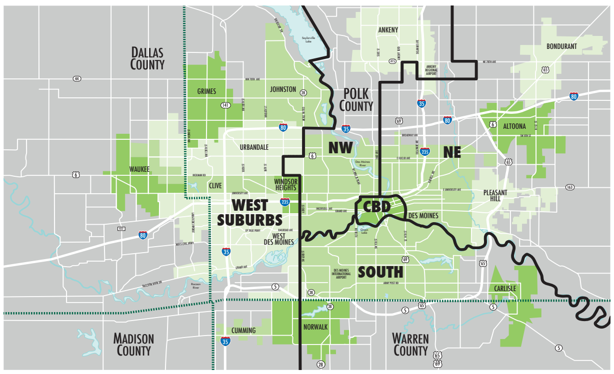
Population
692,292 (2019)

Sources: US Bureau of Labor Statistics

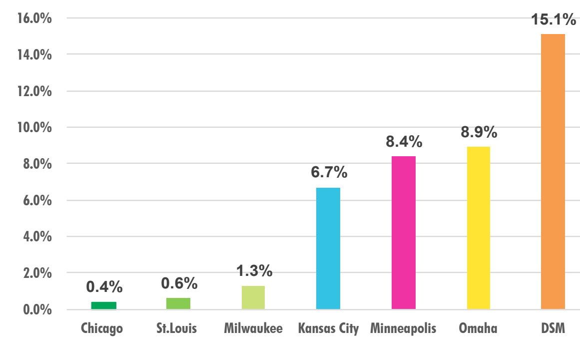
Unemployment Rate
3.1%

Sources: US Bureau of Labor Statistics

Metro

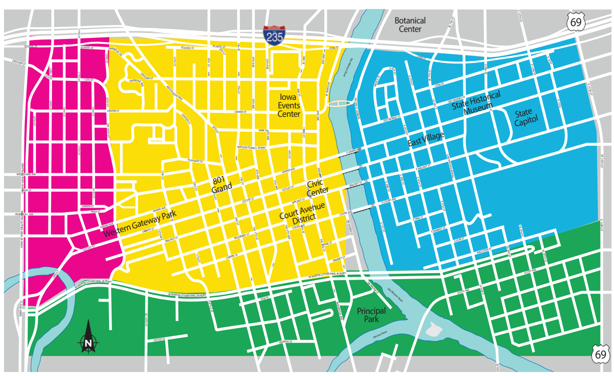


Population Growth: 2010 - 2018

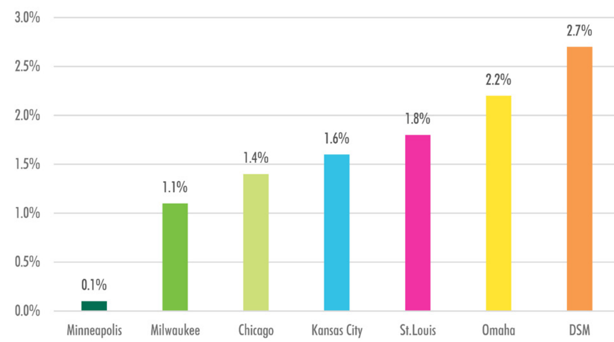


Sources: US Bureau of Labor Statistics

CBD



Employment Growth: July 2018-July 2019



Sources: US Bureau of Labor Statistics

Downtown - North-235, South-MLK, East-Des Moines River, West-15th St

East Village - North-235, South-MLK, East- E 14th St, West-Des Moines River

South of MLK - North-MLK, South-Raccoon River*, East-SE 14th st, West-MLK

West of Downtown - North-235, South-MLK, East-15th St, West-MLK

Sources: CoStar Group, Polk County Assessor, Dallas County Assessor, Greater Des Moines Partnership, Bureau of Economic Analysis and US Bureau of Labor Statistics