



Central Iowa: Multifamily Quarterly Newsletter

“Actionable **DATA-DRIVEN** Insights for **YOUR** Bottom Line”

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Central Iowa Market:

The 1st Quarter of 2019 was similar to the 4th quarter of 2018 in terms of transactions with 13 individual transactions taking place within 35 miles of Des Moines, IA and units ranging from 8-100 in count. However, the sales volume was significantly down to \$11.78 million of property sold compared to the \$30.95 million sold in the 4th quarter. In spite of this lower sales volume, price per unit, price per sq. ft. and overall CAP rate for the overall market remained on pace with 2018.



Over the 13 transactions found in research for this newsletter it was found that 224 units exchanged hands via “Deed” or “Contract for Deed” in the 1st quarter for an average of \$59.97 per square foot; \$52,625 per unit, and a 7.25% Capitalization rate (based upon actionable data).

An Inverted-Yield Curve Has Taken Place!!!



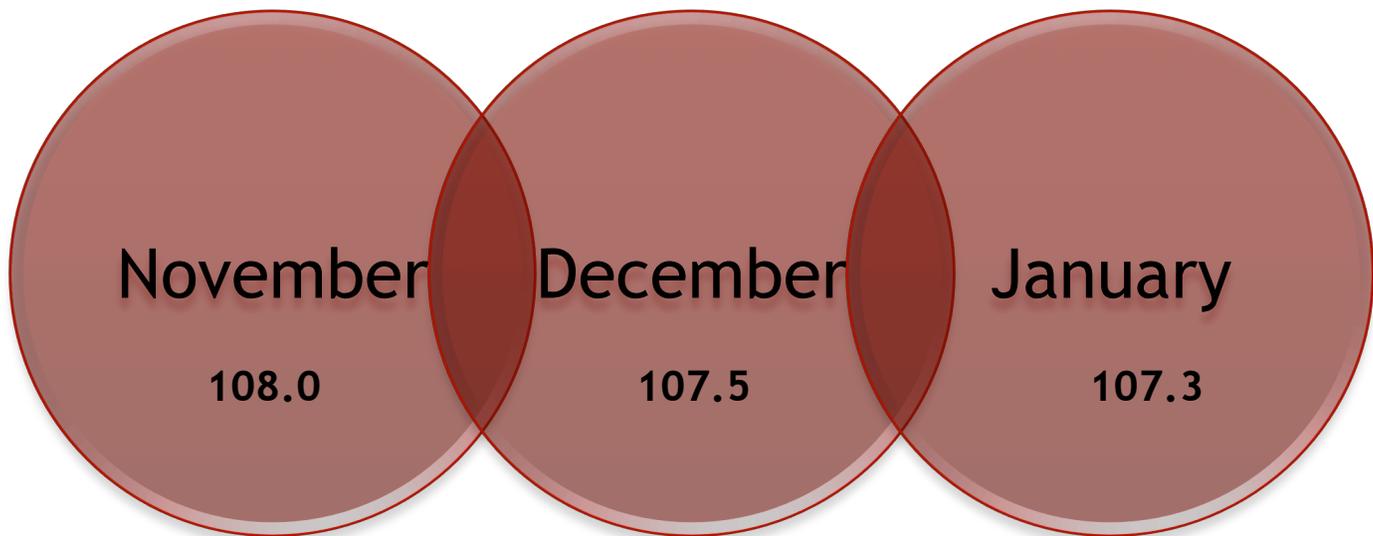
An inverted-yield is called a “negative-yield curve” and, based upon historical data, has preceded a recession by up to 18 months.

An inverted-yield curve in simple definition means that investors are requiring a higher return on their investment in a shorter time-frame due to the investor’s concern of a forthcoming recession...the first “inverted-yield curve” since 2007 took place Friday, March 22nd, 2019.



Iowa Market/Economy:

The Iowa economy is trending down; according to the Iowa Leading Economic Indicators. While February 2019 has not yet been released, the economic indicators have decreased 0.7 points in the last three months and based upon the trailing six months it is down 0.9 points. Of the eight metrics tracked in the economic report only three are currently showing a strong economy which are: the Iowa stock market, Average manufacturing hours, and the consumption of diesel.



What does this all mean? How does it affect YOUR bottom line?

- The Iowa economy is beginning to feel a cooling in the economy with new orders for purchasing and unemployment claims increasing.
 - Despite these negative trends, the Central Iowa market continues to draw investment and development and while Iowa remains one of the strongest employment centers in the nation, increased unemployment claims may actually help our local economy in the long-run.

National Market/Economy:

Despite a slowing down that is being seen across the country, the overall staying power of the multifamily sector is defying many experts opinions. In February, over the trailing three months, rents across the nation have increased 0.1% indicating an uptick in leasing for the Spring market.

A Few Key Economic Numbers:

- Rents are still up 3.6% year-over-year
- Homeownership Rate: 64.8%
- Ten Year Treasury Rate: 2.435%



What to Watch For:

- Pay attention to B & C Class Multifamily Units.
 - In the face of new supply and luxury units, Renter-by-Necessity has been outperforming A Class Multifamily units.
- Pay attention to the forthcoming election and inverted-yield curve.
 - The next presidential election is imminently approaching standing at 17 months away; and the inverted yield curve historically has predicted a recession within 18 months.
- Pay attention to the labor shortage in the construction market and the rising costs of materials.
 - These factors are causing construction delays for many new projects.

Recent Transactions:



For more information on Listed, Sold, or Sale Pending properties please contact me! Thank you.

Disclaimer

Provider is a licensed real estate agent and has the rights to sell real estate in the state of Iowa.

All information was obtained via 3rd parties including but not limited to Yardi Matrix, Iowa-Leading Economic Indicators, CoStar, and more. All effort was made to ensure the accuracy, timeliness, and completeness of information provided for publication. KW Commercial does not guarantee, warrant, or represent that all information is accurate or complete and is not liable for any loss, claim, or demand arising from the direct or indirect use or reliance upon information provided.

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