



Central Iowa: Multifamily Quarterly Newsletter

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

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Jared Husmann
KW Commercial Greater Des Moines
4001 Westown Parkway
West Des Moines, IA 50266
Mobile: (515) 639-0145
Email: JaredHusmann@KW.com
Licensed to Sell Real Estate in Iowa

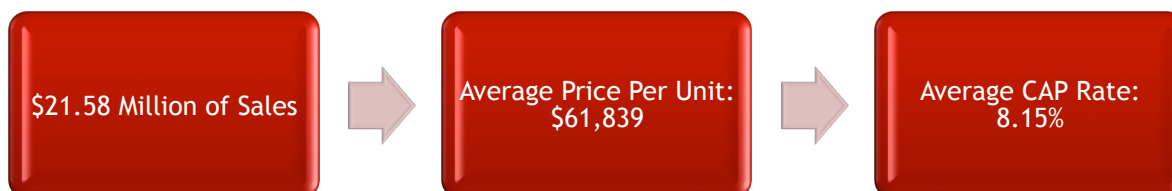


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Central Iowa Market:

The 2nd Quarter of 2019 was similar to the 1st quarter of 2019 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 as well as units sold was significantly higher standing at \$21.58 million of property sold compared to the \$11.78 million sold in the 1st quarter. Additionally, we saw 349 units exchanged compared to 224 units in the 1st Quarter; an increase of 56%.



Despite the Cap rate increasing from an average of 7.25% in the 1st Quarter to 8.15% in the 2nd Quarter do **NOT** be fooled by this simple statistic alone! The Price Per Unit increased from \$52,625 to \$61,839, a jump of 18%, and the Price Per Sq. Ft. jumped 36% from \$59.97 to \$81.68 in the 2nd quarter.

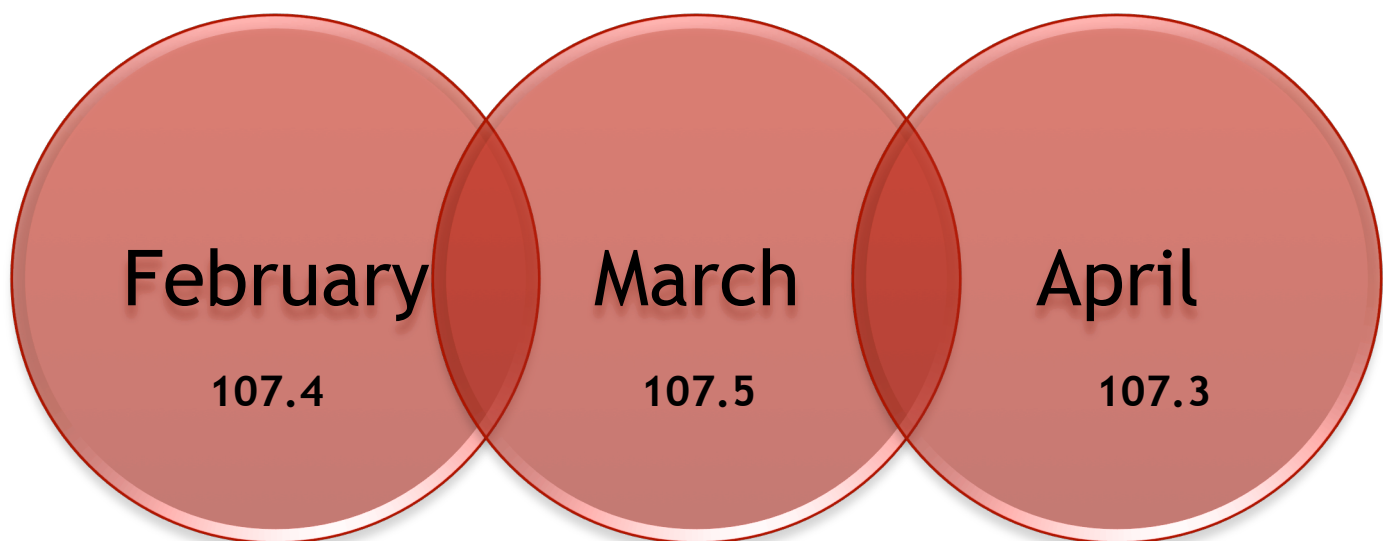
An Explanation of the Data:

While only an estimation, it is our belief that the increase in the Cap rate as well as the Price Per Unit and Price Per Sq. Ft. is due in-fact that the average transaction that took place the 2nd Quarter was 26.85 units opposed to 17.23 units in the 1st Quarter. Thus, the larger the multifamily complex the better “deal” Buyer’s are demanding in income production while being willing to pay a higher Price Per Unit and Price Per Sq. Ft. to obtain this higher return.



Iowa Market/Economy:

The Iowa economy continues to trend down; according to the Iowa Leading Economic Indicators. While May and June 2019 have not yet been released, the economic indicators have continued to decline with six of the eight indicators contributing negatively towards the ILII forecast of 107.3. Only diesel fuel consumption and agricultural futures profits showed signs of growth according to the April ILII report while the remaining six: yield spread, Iowa stock market, average weekly manufacturing hours, average weekly unemployment, new orders, and residential building permits, all trended lower.



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

- Despite the Spring market and increasing temperatures, the Iowa economy remains brisk. However, in spite of 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. With that being stated; be cautious of investing in small townships and cities across the state.

National Market/Economy:

We are finally seeing the slow-down predicted in rental-growth with the annual rent growth nationwide falling to 2.5% and 2019 is shaping up to be much weaker than the last few years; in fact, 2019 has seen the lowest rent growth in the first six months of the year since 2011!

A Few Key Economic Numbers:

- Rents Growth: 2.5% year-over-year
- Homeownership Rate: 64.2%
- Ten Year Treasury Rate: 2.13%



What to Watch For:

- Pay attention to C Class Multifamily Units.
 - Renter-by-Necessity is seeing the largest rental growth as well as the strongest occupancy in the face of new supply. Additionally, the homeownership rate decreased from last quarter by 0.6%.
- Pay attention to the forthcoming election and inverted-yield curve.
 - The next presidential election is imminently approaching standing at 14 months away; and the inverted yield curve historically has predicted a recession within 18 months.
- Pay attention to the Ten Year Treasury Rate.
 - The treasury rate has plummeted in the last few months creating an inverse-yield curve. This lower rate also means the Federal Reserve is wary of a recession and is attempting to attract borrowers into the market by lowering the borrowing rate drastically.

Recent Transactions of 2019:

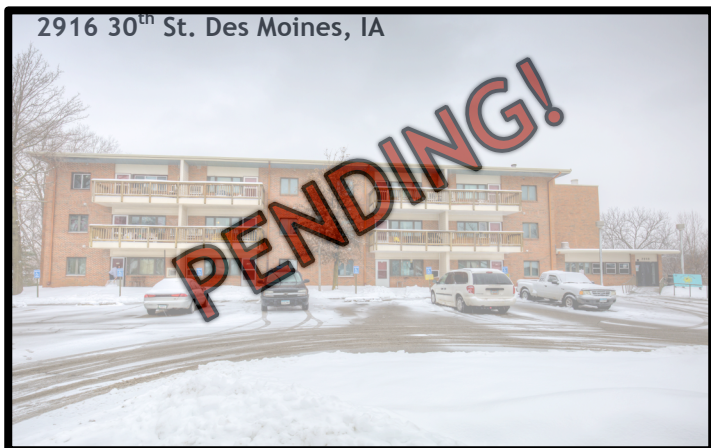
4200-4210 Knob Hill Dr. Des Moines, IA



3710 56th St. Des Moines, IA



2916 30th St. Des Moines, IA



117-201 NW College Ave. Ankeny, IA

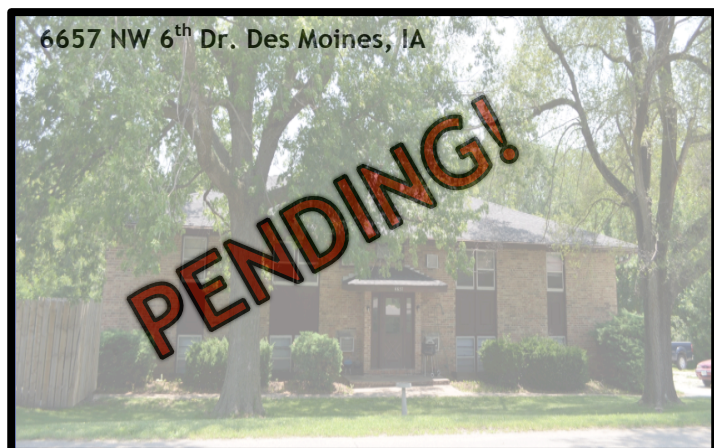


1114-1202 SE Belmont Dr. Ankeny, IA



801 S. R St. Indianola, IA





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.

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Jared Husmann
KW Commercial Greater Des Moines
Mobile:(515) 639-0145
Email:JaredHusmann@KW.com
Licensed to Sell Real Estate in Iowa