



Central Iowa: Multifamily Quarterly Newsletter

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

October 1st, 2019

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

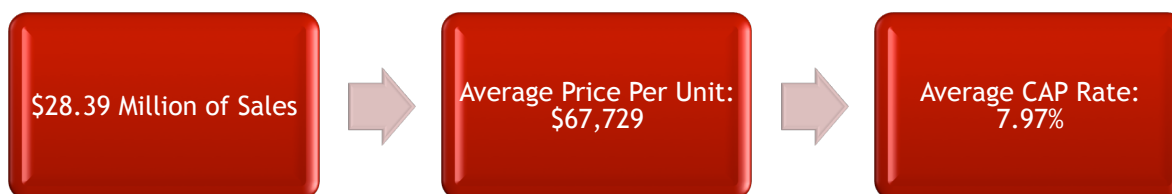


Table of Contents:

Central Iowa Statistics	3
Iowa Economy	4
National Economy	5
Recent Sales	6

Central Iowa Market:

The 3rd Quarter of 2019 was similar to the 2nd quarter of 2019 in terms of transactions with 14 individual transactions taking place within 35 miles of Des Moines, IA and units ranging from 8-100 in count. The sales volume and size of apartment complex sold increased significantly though with the average complex consisting of 32 units and an average price per unit \$67,729.



The price per unit sold in the 3rd quarter of 2019 was 9.1% higher than the sales prices seen in the 2nd quarter and Cap rates saw a compression of 0.18%. The average sale price per square foot based upon data was \$71.62.

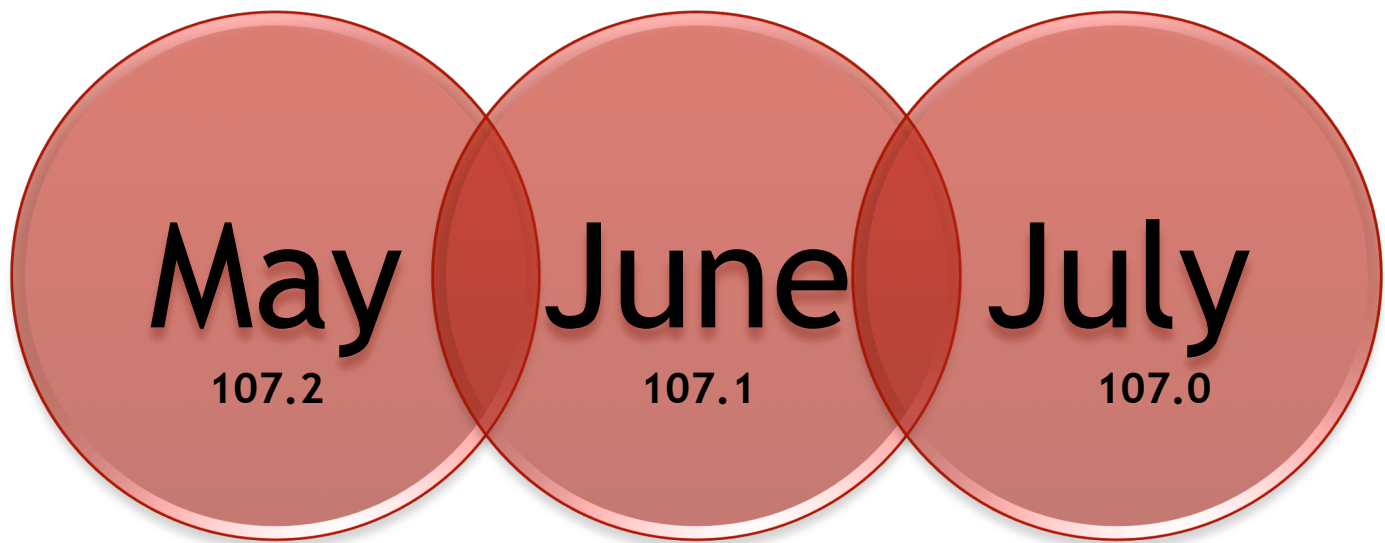
An Explanation of the Data:

The compression in Cap rates is almost certainly due to the lower borrowing costs associated with the Federal Reserve lowering the interest rate over the past few months. Furthermore, we have seen a sudden rise in the sale price per unit which may be explained that more than half of the buyers are located outside of the Central Iowa marketplace.



Iowa Market/Economy:

The Iowa economy continues to trend down; according to the Iowa Leading Economic Indicators. While August and September 2019 have not yet been released, the economic indicators have continued to decline with four of the eight indicators contributing negatively towards the ILII forecast of 107.0. Overall the farming community continues to suffer in the face of tariffs which is negatively dragging down economic indicators. Additionally, having pushed through the major construction period and heading into Fall and Winter, building permits are falling.



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

- Overall the Iowa economy is in neutral mode with very little growth or decline. While agricultural is declining, the low interest rate environment and the strong market continue to make-up for the difference. While Central Iowa and the Des Moines metro continues to grow, be cautious of smaller markets and the affect of lower manufacturing and agricultural may have on the values of real estate.

National Market/Economy:

The national rental market continues to defy logic with 3.0% rental growth being seen across the nation with stronger rental growth in the Southwest and Southeast. Since January of 2018 we have seen over 2.7% rental growth annualized despite the strong supply we have seen.

A Few Key Economic Numbers:

- Rents Growth: 3.0% year-over-year
- Homeownership Rate: 64.3%
- Ten Year Treasury Rate: 1.635%



What to Watch For:

- Pay attention to Interest Rates and the Federal Reserve
 - In the last three months we have seen the Ten Year Treasury drop by 50 basis points creating a favorable borrowing environment.
- Pay attention to the forthcoming election and inverted-yield curve.
 - The next presidential election is imminently approaching standing at 11 months away; and the inverted yield curve historically has predicted a recession within 18 months.
- Pay attention to the Cap Rates VS Interest Rates
 - The Cap rates have compressed as interest rates have lowered as many investors are looking for safe assets such as real estate; this may create a sale opportunity to take advantage of.

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.

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.

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