



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

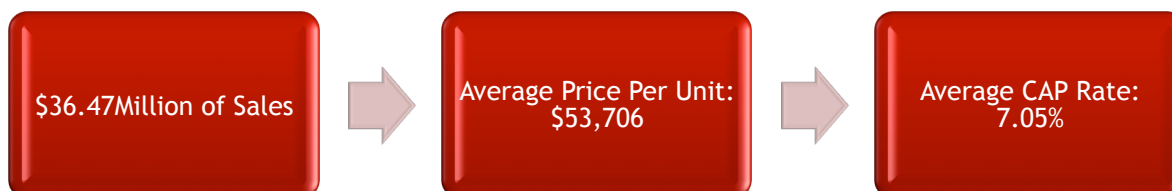


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Central Iowa Market:

The 4th quarter of 2019 closed out strong with a 23.21% increase in sales volume compared to the 3rd quarter with a total of \$36 million of sales spread between 16 transactions. This closes the year out at a total of: \$99.43 million in sales between 59 transactions and 1,689 units exchanged (making the average price per unit for 2019: \$58,869). Comparing this with 2018, prices are up almost 8% in a 12-month comparison.



While the price per unit sold is down compared to the 3rd quarter of the year, the average price per square foot is up to \$86.07 from \$71.62 (a 20.02% increase from Q3 to Q4). Additionally, based upon information obtained, the CAP rate dropped to an average of 7.05% in the 4th quarter compared to 7.97% in the 3rd quarter of 2019.

An Explanation of the Data:

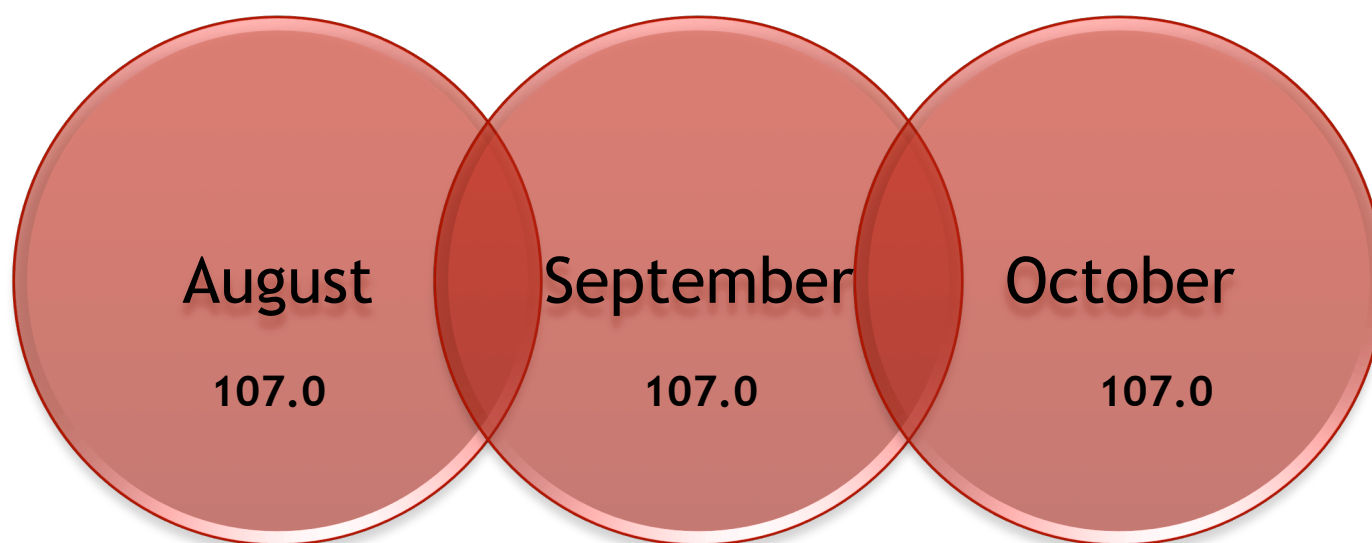
The lower price per unit can be explained by the simple fact that 75% of the transactions that took place in the 4th quarter happened within the Des Moines Metro opposed to the suburbs while only 40% of the 3rd quarter sales took place within the Des Moines Metro. This means that suburbs are selling around \$60,000/unit while the Metro is trading closer to \$55,000/unit on average.

Additionally, while everyone is talking about a recession and waiting on a downturn, owners of apartments and multifamily units are experiencing a surge in equity despite increased taxes and a supply/demand inequality.



Iowa Market/Economy:

The Iowa economy seems to be remaining steady for the recorded data provided by the Iowa Leading Economic Indicators; however, this information does include November or December and the reflected prices of the agricultural harvest coming in for 2019. Additionally, from May-October the leading indicator has declined by 0.4%



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 3.1% rental growth being seen across the nation with stronger rental growth in the Southwest and Southeast. Since January of 2018 we have seen over 3.0% rental growth annualized despite the strong supply we have seen.

A Few Key Economic Numbers:

- Rents Growth: 3.0% year-over-year
- Homeownership Rate: 64.8%
- Ten Year Treasury Rate: 1.878%



What to Watch For:

- Pay attention to Rental Growth
 - We are coming into the Winter market which historically is a tightening of rental growth; however, 2020 projects fewer development completions than the past 5 years of growth.
- Pay attention to Interest Rates and the Federal Reserve
 - The Ten Year Treasury rate is up almost 0.25% since the last quarterly update.
 - Prior to the last update they had fallen almost 0.40%.
 - This indicates we may be reaching an equilibrium in borrowing costs.
- 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

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