

Central Iowa: Multifamily Quarterly Newsletter

“Actionable DATA-DRIVEN Insights for YOUR Bottom Line”

April 1st, 2020

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Central Iowa Market:

The 1st Quarter of 2020 was extremely robust with almost \$28 million of sales volume! This is a 200% increase in sales volume compared to the 1st quarter of 2019 which saw only \$11.79 million of sales! The average sale price per unit was \$87,880; however, this number is not an accurate reflection of the market as two Class A properties were sold which drastically skew the average. When these sales are taken out, the 1st quarter 2020 had an average sale price per unit of \$47,010 and an average Cap rate of 8.44%.



Based upon relevant and usable information, the average Cap rate for the 1st quarter hovered around 8.44% compared to average Cap rate of the 4th quarter 2019 at 7.05%

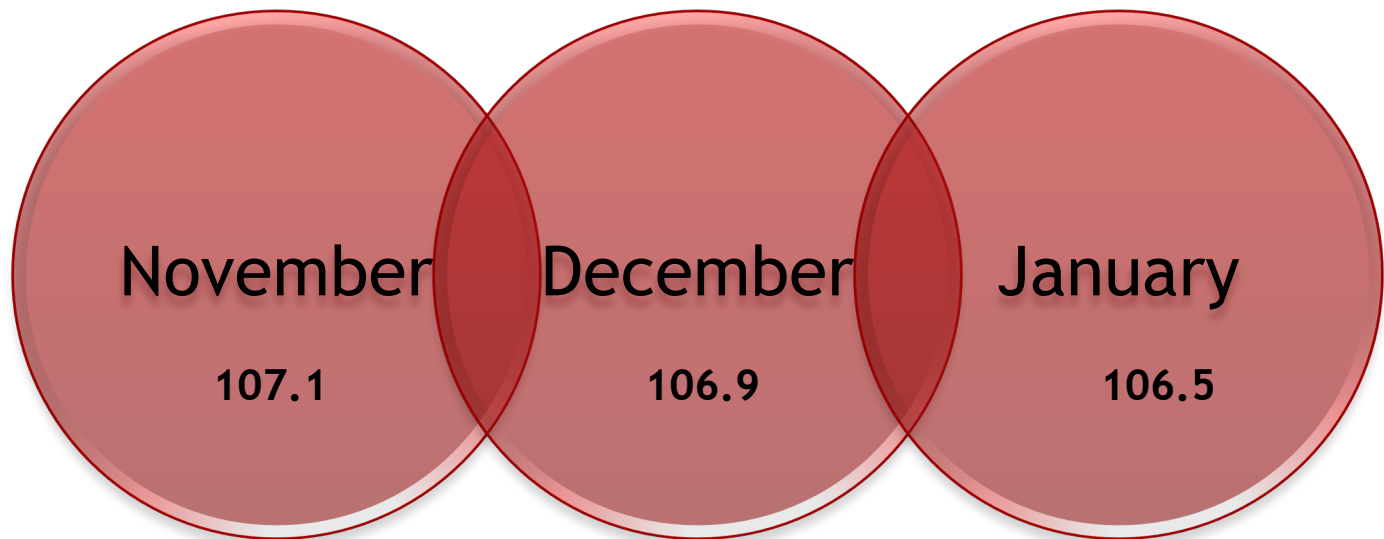
An Explanation of the Data:

The lower sales price per unit helps us understand explain the surge in the Cap rate from the 4th quarter of 2019 to the 1st quarter of 2020. Additionally, 70% of the sales in the 1st quarter took place within the Des Moines Metro which historically has a lower sales price compared to the suburbs.



Iowa Market/Economy:

The Iowa economy is contracting. With January being the latest report for the leading indicators it shows a drop of 0.5 points in the last 6 months with only four of the eight components contributing positively to the economy (Diesel Fuel, Residential Building Permits, Avg Weekly Unemployment, and New Orders) respectively. However, none of these data points contribute or give an indication of the Iowa economy upon the COVID-19 crisis and the relevant outcome.



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

- Prior to the outbreak of the COVID-19 crisis the Iowa economy was beginning to trend down, with the recent health crisis as well as the drop in the stock market a recession is imminent (if we are not already in one).
- The COVID-19 virus is what most economists refer to as a “Black Swan” event. A black swan event is an event that is unpredictable that can suddenly change the direction of a market. Similar to the 9/11 terrorist attacks, the COVID-19 virus has drastically changed the real estate market and we can expect a very soft and slow 2nd quarter of 2020.

National Market/Economy:

The national rental market was performing well with rents up 3.2% respectively before the outbreak of COVID-19. With the outbreak of the virus in the U.S. however the stock market saw the fastest collapse in history (faster than the depression even). While market appear to have stabilized with a \$2 trillion bailout from the government, what the future holds is uncertain until we can ascertain the effects of this quickly spreading disease.

A Few Key Economic Numbers:

- Unemployment Claims: 3.28 Million (4.7x higher than any previous record)
- Homeownership Rate: 65.1%
- Ten Year Treasury Rate 0.84%



What to Watch For:

- Everything has changed with the emergence of COVID-19 virus and the U.S. has now become the epicenter of the virus, eclipsing every other country in number of confirmed cases.
- Pay attention to the amount of cases daily and look for the curve to soften; once we feel we have seen the virus spread contained, markets will begin to move upward.
- Pay attention to occupancy rates as many individuals are out of work while the country addresses the growing pandemic.
- Pay attention to lease-renewal rates and look to keep your current resident/tenant base intact!

Recent Transactions of 2020:

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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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