

# Des Moines 2024 Market Forecast

## MARKET SNAPSHOT

AVERAGE RENT

**\$1,089** 4Q 2023

**\$1,135** 4Q 2024

2024 RENT CHANGE

**4.2%**

OCCUPANCY RATE

**94.1%** 4Q 2023

**93.9%** 4Q 2024

2024 OCCUPANCY CHANGE

**-20 points**

EMPLOYMENT\*

**390.8K** 2023

**392.5K** 2024

UNEMPLOYMENT RATE\*\*

**2.8%** 2023

**3.2%** 2024

\* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

\*\* Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

## KEY TAKEAWAYS

- With multifamily development in Des Moines being more restrained than the vast majority of other markets across the country, the market is poised for a shift towards a supply-demand balance, creating favorable conditions for operators.
- Des Moines' apartment market is expected to see a notable increase in 2024, with all submarkets projected to experience significant rent growth surpassing 4.0% by the final quarter of the year.
- Des Moines' multifamily market finished 2023 on an upbeat note, as seven multifamily properties were sold in the final quarter, accounting for 41% of the year's total of 17 single asset multifamily sales.
- The education and health sector in Des Moines is set for robust growth, with key institutions such as UnityPoint Health Partners, Mercy One, Drake University, and Iowa State University projected to collectively add 2,800 jobs, amounting to a 2.8% expansion in the sector in 2024.

## Supply & Demand

### 2024 FULL YEAR FORECAST

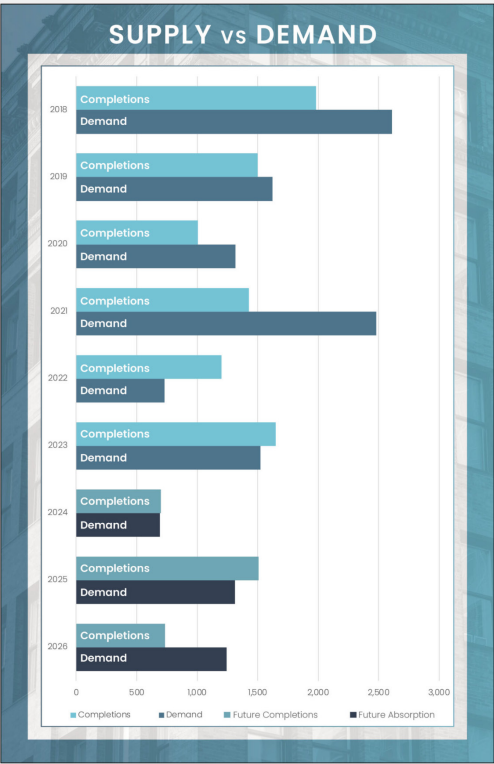
**692 Units**

FORECASTED ABSORPTION

**701 Units**

FORECASTED NEW SUPPLY

## Annual Demand Vs Completions



## Demand / Occupancy Outlook

Thanks to strong population growth, Des Moines' multifamily market has experienced historical healthy demand, leading to quick lease-ups for new developments. Despite a dip in unit absorption in 2022, renter demand has consistently met or surpassed the number of units coming online annually since 2018, with a notable increase from 731 units absorbed in 2022 to 1,522 units in the past 12 months.

Looking to 2024, the Des Moines apartment market is expected to see a decrease in renter demand, with an anticipated absorption of around 700 units. This slowdown is largely attributed to a general softness in the financial services sector, a crucial part of the local economy. Both the financial services and professional and business services sectors are expected to experience a slight contraction in 2024. Despite this, the decrease in demand is likely to be offset by a corresponding reduction in new unit deliveries, thereby avoiding any significant impact on occupancy rates, which are expected to remain stable at around 94.0%.

## New Supply Outlook

In Des Moines, multifamily development has been notably restrained compared to national trends, with just over 2,000 units currently under construction or just 3.5% of existing inventory. This marks a departure from the period between 2014 and 2019, when the market averaged more than 2,100 units deliveries annually. Recent years have seen a decrease in this pace, with annual deliveries averaging around 1,400 units from 2021 to 2023. Looking ahead to 2024, this trend is expected to continue, with only 701 units forecasted for delivery this year, significantly lower than previous years.

2025 is projected to experience a brief increase in unit completions as the remaining under-construction units are finalized. However, due to rising interest rates, the number of new apartments starts has declined last year. Considering the typical development timeframe of 18-24 months for apartment projects, a decrease in deliveries is anticipated by 2026. In this scenario, demand is expected to surpass supply, altering market dynamics, and potentially creating more favorable conditions for operators in the Des Moines multifamily market.

# Occupancy & Rent Trends

## RENT VS OWN MONTHLY PAYMENT



**\$2,421**

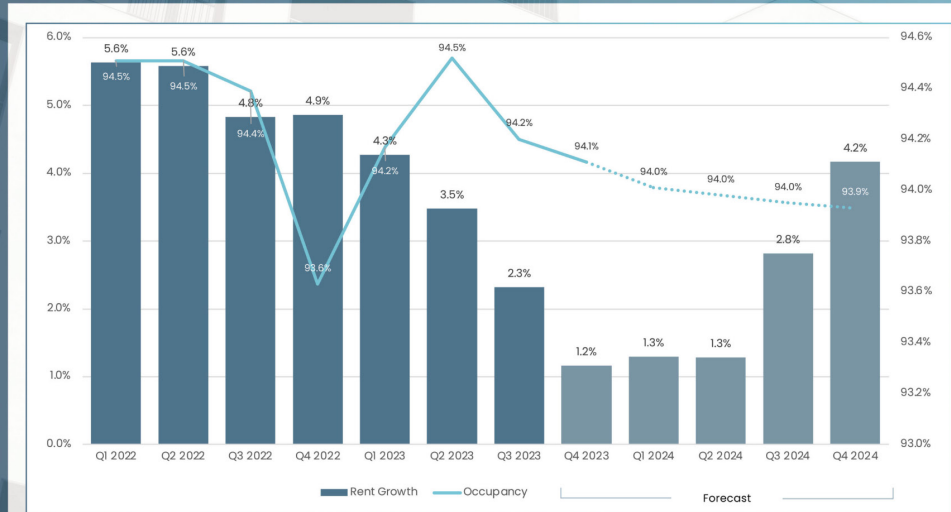
Average Monthly Mortgage Payment



**\$1,089**

Average Monthly Rent

## RENT vs OCCUPANCY



## 2024 RENT TRENDS OUTLOOK

In 2023, Des Moines' apartment market experienced a moderation in rent growth from its peak in 2022, but still achieved a positive annual increase, closing the year with a 1.2% rise and an average rent of \$1,089. Looking forward, 2024 is set to see an upswing in rent growth, with forecasts indicating a 4.2% year-over-year increase by the final quarter. While the outer suburbs and rural areas, known for their spacious, garden-style apartment communities, have previously led in rent growth, all eight submarkets in Des Moines are expected to witness consistent and notable improvements in rent growth, surpassing 4.0% by the end of 2024. This broad-based improvement signals a promising near-term recovery across the market's diverse localities.



## Submarket Rent & Occupancy

Submarket	Q4 2023 Stabilized Occupancy	Q4 2024 Stabilized Occupancy (f)	Annual Occupancy Change (2024/2023)	Q4 2023 Average Monthly Rent	Q4 2024 Average Monthly Rent (f)	Annual Rent Change (2024/2023)
Ankeny/Saylorville	95.2%	95.0%	-0.1%	\$1,188	\$1,238	4.3%
Dallas County	92.6%	92.3%	-0.3%	\$1,325	\$1,380	4.2%
Guthrie County	94.0%	93.8%	-0.2%	\$691	\$720	4.2%
Madison County	97.8%	97.8%	-0.1%	\$967	\$1,008	4.3%
Outlying Polk County	97.8%	97.8%	0.0%	\$1,078	\$1,124	4.3%
South/East Des Moines	93.3%	93.1%	-0.2%	\$1,024	\$1,067	4.1%
Warren County	95.2%	95.0%	-0.2%	\$905	\$945	4.3%
West Des Moines/Urbandale	94.7%	94.5%	-0.2%	\$1,005	\$1,047	4.1%
<b>Market</b>	<b>94.1%</b>	<b>93.9%</b>	<b>-0.2%</b>	<b>\$1,089</b>	<b>\$1,135</b>	<b>4.2%</b>

## Submarket Construction Pipeline



57,636

4Q 2023 Unit Inventory



2,044

Number of Units Under Construction



701

Number of Units UC Delivering  
In the Next 4 Quarters

Submarket	Unit Inventory: 4Q 2023	Units Under Construction	% of Existing Inventory UC	% of Total UC	Units UC Delivering In the Next 4 Quarters
Ankeny/Saylorville	7,502	0	0%	0.0%	0
Dallas County	8,836	1,518	17%	74.3%	352
Guthrie County	95	0	0%	0.0%	0
Madison County	98	0	0%	0.0%	0
Outlying Polk County	1,537	0	0%	0.0%	0
South/East Des Moines	16,792	284	2%	13.9%	170
Warren County	1,577	0	0%	0.0%	0
West Des Moines/Urbandale	21,199	242	1%	11.8%	179
<b>Market</b>	<b>57,636</b>	<b>2,044</b>	<b>3.5%</b>	<b>100.0%</b>	<b>701</b>

# Sales Activity

Preliminary data from MSCI reveals that Des Moines ended 2023 with a reasonably strong performance in conventional single asset multifamily trades. The final quarter saw a sales volume of \$55.34 million, contributing to a total annual transaction activity of \$163.16 million across 17 sales. Although there was a 20% year-over-year contraction in transaction volume in 2023, this decline was significantly smaller compared to the national trend, which experienced a reduction of about 65%. Notably, Des Moines' deal activity in this past year exceeded annual figures in 8 out of the last 10 years, highlighting the metro's increasing prominence among multifamily investors.

Heading into 2024, Des Moines' balanced supply and demand fundamentals, coupled with its rapidly growing population—one of the highest in the Midwest—and robust economy, are expected to boost transaction activity. Investors are increasingly targeting secondary markets like Des Moines that offer strong growth potential and are less affected by supply side pressures.

## ▲ Most Active Buyers (Previous 24 Months)

1. VareCo
2. Spruce Capital Partners
3. BAM Capital
4. Donna Dailey (IL)
5. Archstone Capital

## ▲ Most Active Sellers (Previous 24 Months)

1. Hubbell Realty Company
2. Roers Investments
3. Thompson Thrift
4. Premier Companies
5. Artisan Capital Group

\*Most Active Buyers and Sellers are based on the sale volume of apartment units.

TRANSACTION VOLUME  
**\$163.2M (p)**

2023 Transaction Volume

**-20%**

Y-O-Y Change

**17 YTD**

Individual Transaction Count

**\$122.3K\***

Price Per Unit

**3.3 %**

Annual PPU Price Change

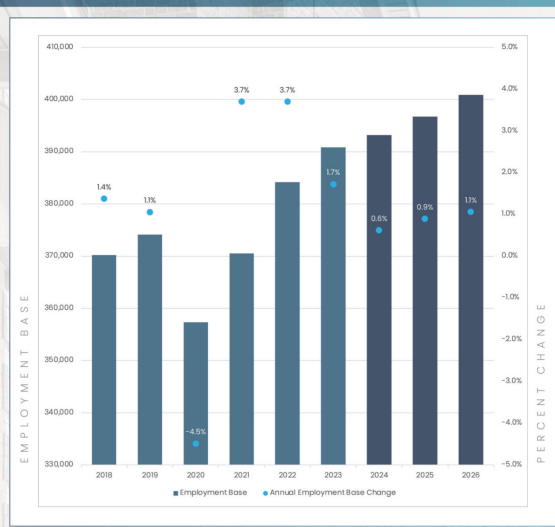
\* Trailing 4Q average PPU

\* Preliminary Data from RCA – Individual transaction \$2.5M +

P=Preliminary

# Employment Forecast

## EMPLOYMENT SECTOR FORECAST



## Forecasted 2024 Employment Sector Growth

Sector	Employment Change 2023 to 2024	Percent Change
<b>Overall Employment</b>	<b>2,400</b>	<b>0.6%</b>
Manufacturing	0	0.0%
Construction	(100)	-0.4%
Trade, Transport, & Utilities	600	0.8%
Information	100	1.6%
Financial Activities	(400)	-0.7%
Professional & Business Services	(200)	-0.4%
Education & Health Services	1,600	2.8%
Government	900	1.9%
Leisure & Hospitality	(100)	-0.3%



# Economic Outlook

Des Moines' economic outlook for 2024 is marked by stability and a slight slowing in hiring, with job growth expected to downshift to 0.6%, adding about 2,400 jobs across the metro. The city concluded 2023 with a low unemployment rate of 2.8%, notably below the national average. The Des Moines economy is underpinned by diverse sectors, with trade, transportation, and utilities, financial activities and education and health services accounting for 48% of total employment.

The education and health sector is poised for strong growth this year, with major institutions like UnityPoint Health Partners, Mercy One, Drake University, and Iowa State University expected to add 2,800 jobs, a 2.8% sector expansion. The government sector is also forecasted to grow, by 900 positions (1.9%). However, this positive trajectory might be tempered by softness in the financial services and professional and business services sectors, which have been impacted by the run up in interest rates.

Despite this short-term moderation, Des Moines is on the cusp of significant economic development. The \$770 million expansion of the Des Moines International Airport is projected to create 8,500 jobs over the next decade. Additionally, major cultural projects like the \$100 million Live Nation entertainment district and the \$550 million stadium district with a new downtown soccer stadium are in progress. These developments not only bolster Des Moines' cultural appeal but are also pivotal in driving demand and enhancing the city's economic ecosystem in the long term, positioning it as a key destination in the Midwest.

Sources: Costar; Yardi Matrix; BLS; MSCI; Moody's Analytics; BizJournal

TO GAIN FURTHER INSIGHTS INTO THE DES MOINES MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



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