



Des Moines 1Q 2024 Market Report

MARKET SNAPSHOT



AVERAGE RENT
\$1,113 1Q 2024



1Q 2024 RENT CHANGE
3.0%



OCCUPANCY RATE
94.5% 1Q 2024



ANNUAL OCCUPANCY CHANGE
-30 BASIS POINTS



TOTAL OPERATING EXPENSE ANNUAL
CHANGE
5.2% (FEB 2024)



NET OPERATING INCOME ANNUAL CHANGE
3.5% (FEB 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

- **Occupancy on the Upswing:** As the supply-demand gap has narrowed, Des Moines stabilized occupancy rate has rose by 30 basis points year-over-year, reaching an encouraging 94.5% in the first quarter of 2024.
- **Receding Deliveries:** After the delivery of over 1,600 units in 2023, the forecast for 2024 predicts a significant slowdown in the pace of new unit delivery, with only about 700 units expected throughout the balance of the year.
- **Des Moines Outperforms National Trends:** Despite tighter capital market conditions, the seven transactions executed in the first quarter of this year, totaling \$125.1 million, set a record for the highest transaction volume for a first quarter in recent memory, highlighting Des Moines' strong investment appeal.

Supply & Demand

1Q 2024

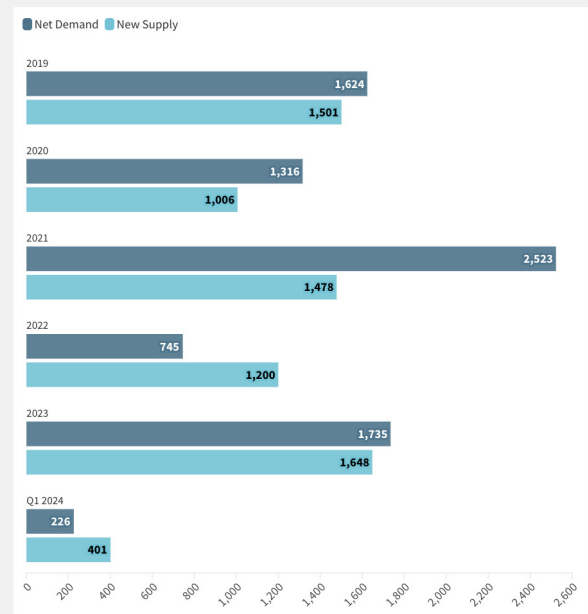


226 Units
QUARTERLY DEMAND



401 Units
QUARTERLY COMPLETIONS

Annual Demand Vs Completions



A Flourish chart

Demand Trends

In the first quarter of 2024, the Des Moines apartment market showed promising performance, with a net absorption of 226 units. All Des Moines submarkets, except for West Des Moines/Urbandale, reported positive net absorption, highlighting this encouraging signal. Dallas County stood out particularly, with 172 net units leased over the first three months of the year. Over the year ending in the first quarter of 2024, the supply-demand gap has significantly narrowed following a surge in unit deliveries in late 2022 and early 2023. The annual absorption totaled 1,514 units, nearly matching the 1,710 units that were delivered during the same time period.

Construction Trends

After the delivery of over 1,600 units in 2023, the forecast for 2024 predicts a significant slowdown in the pace of new unit delivery, with only about 700 units expected throughout the balance of the year. Over the past decade, the majority of new housing supply in Des Moines has been skewed towards the luxury segment, comprising nearly two-thirds of all new inventory. Presently, of the 2,100 units under construction, 1,600 are classified as Class A quality. This trend toward luxury development is most pronounced in the South/East Des Moines Submarket, which encompasses key development areas like downtown Des Moines and Altoona, highlighting a strong focus on upscale living in these areas.

Occupancy & Rent Trends



OCCUPANCY TRENDS

The resurgence in rental demand that began last year has continued into 2024, with the first quarter marking the fifth consecutive quarter of positive net absorption in the Des Moines apartment market, following a brief slowdown in late 2022. As the supply-demand gap has narrowed, the stabilized occupancy rate rose by 30 basis points year-over-year, reaching an encouraging 94.5% in the first quarter of 2024.

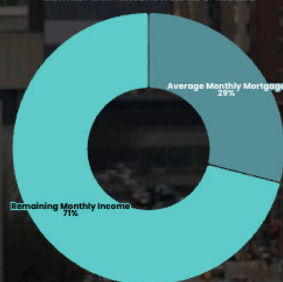
On a submarket level, occupancy rates have remained robust, with no submarkets experiencing declines. Notably, five submarkets have seen improvements in their occupancy rates, ranging from 10 to 150 basis points. Madison County, a smaller submarket on the periphery of the Des Moines metropolitan area, boasts the highest occupancy rate at 98.0%, closely followed by Ankeny/Saylorville at 96.2%. On the other end, Dallas County, which has experienced a surge in construction, recorded a lower occupancy rate of 93.2% at the end of the first quarter.

RENT TRENDS

In the first quarter of 2024, Des Moines observed a 3.0% increase in average effective rents for new leases year-over-year, with rents rising to \$1,113 per month. This rate of increase not only surpassed the national average of 0.8%, but also showed a significant quarterly rise of 50 basis points. The market is expected to see even stronger rental growth as the year progresses to the latter half, with current projections indicating a 4.0% annual rise in rents by year-end, supported by stabilizing occupancy rates and a decreasing pipeline of new developments.

An analysis of current submarket performance highlighted that the highly sought-after northwest section of the Des Moines experienced notable annual rent increases of around 4.0%. In contrast, more affordable regions such as Madison County and Guthrie County, where average rents ranged from \$692 to \$967, saw little to no change in rent levels.

MONTHLY MORTGAGE AS A SHARE OF INCOME



\$1,742

Average Monthly Mortgage Payment

MONTHLY RENT AS A SHARE OF INCOME



\$1,113

Average Monthly Rent

Submarket Rent & Occupancy

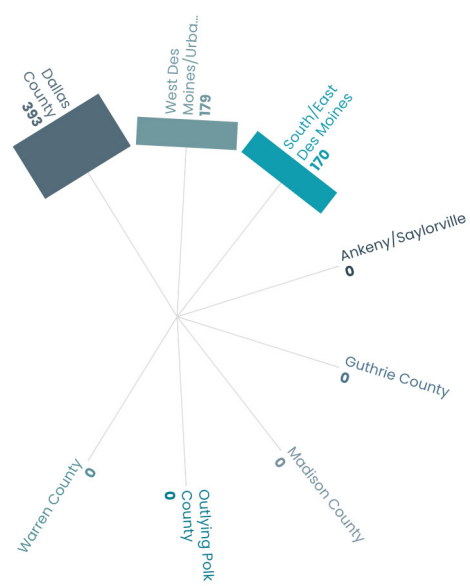
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Submarket	Q1 2024 Occupancy	Annual Occupancy Change	Q1 2024 Effective Annual Rent Growth	Q1 2024 Effective Rent/Unit
Ankeny/Saylorville	96.2%	0.3%	1.9%	\$1,219
Dallas County	93.2%	0.4%	1.4%	\$1,347
Guthrie County	93%	0%	0.8%	\$692
Madison County	98%	0%	0%	\$967
Outlying Polk County	97.1%	0.1%	3.1%	\$1,101
South/East Des Moines	93.4%	0%	1.7%	\$1,041
Warren County	95.3%	1.5%	1.9%	\$899
West Des Moines/Urbandale	95%	0.4%	3%	\$1,029

A Flourish table

Submarket Construction Pipeline

Units UC Delivering In the Next 4 Quarter



A Flourish hierarchy chart

Submarket	Units UC Delivering in the Next 4 Quarters	Under Construction Units	% of Total Market Wide UC
Ankeny/Saylorville	0	0	0%
Dallas County	393	1,327	64.5%
Guthrie County	0	0	0%
Madison County	0	0	0%
Outlying Polk County	0	0	0%
South/East Des Moines	170	331	16.1%
Warren County	0	0	0%
West Des Moines/Urbandale	179	398	19.4%
Total	742	2,056	100%

A Flourish table

Sales Activity

While investment activity has been subdued across many of the country's apartment markets, Des Moines has seen a year-over-year increase in transaction volume for single-asset conventional properties, totaling \$125.1 million. The seven deals closed in the first quarter of this year align with the number recorded one year prior, indicating that this year's transactions involved larger assets. A notable transaction was the sale of Nexus at Gray's Landing, an institutional-quality mid-rise asset located near the urban core, which traded for approximately \$29 million in March.

Despite tighter capital market conditions, the seven deals executed in the first quarter mark a high watermark for first-quarter transaction activity, representing the highest traded volume for a first quarter in recent memory. It's reasonable to assume that investors, recognizing Des Moines' strong market fundamentals and a measured construction pipeline, see the area as a compelling opportunity to deploy their capital.

TRANSACTION VOLUME

\$125.1M

YTD Transaction Volume

37.2%

Y-O-Y Change

7 YTD

Individual Transaction Count

\$120.6k*

Price Per Unit

-3.9%

Annual PPU Change

* Trailing 4Q average PPU

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

Income & Expense Analysis

Please note that the income and expense data presented in this section is sourced from third-party providers. Our firm does not provide any warranty or guarantee as to the accuracy or reliability of this information. We recommend that users exercise their own discretion and professional judgment when interpreting and utilizing this data.

Income & Expenses

— Operating Income Metrics

Income Assumptions	Value / Unit	Year Change (%)
Rental Income / Occupied Unit	\$1,102.90	4.9%
Recoverable Expenses / Occupied Unit	\$55.28	11.5%
Other Income / Occupied Unit	\$83.31	1.6%
Total Income / Occupied Unit	\$1,241.49	4.9%
Rental Income	\$1,026.95	4.3%
Recoverable Expenses	\$51.48	10.9%
Other Income	\$77.57	1.1%
Total Income	\$1,156.00	4.3%

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Showing 1 to 7 of 7 entries

— Operating Expense Metrics

Operating Expenses	Value / Unit	Year Change (%)
Payroll	\$108.95	6.8%
Repairs & Maintenance	\$41.11	18.7%
Leasing	\$40.70	-0.4%

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General	\$27.13	2.1%
Marketing & Advertising	\$17.34	11.3%
Repairs & Maintenance	\$120.57	17.5%
Cleaning	\$24.62	-3.4%
Roads & Grounds	\$27.71	25.9%
General	\$68.23	23.8%
Administrative	\$43.32	7.9%
Security	\$6.06	0.8%
General	\$37.26	9.2%
Management Fees	\$50.84	2.6%
Utilities	\$69.63	-2.5%
Electric	\$14.95	-12.2%
Gas	\$4.32	-33.3%
Water/Sewer	\$50.37	5.1%
Real Estate & Other Taxes	\$134.34	-4.3%
Insurance	\$40.93	17.0%
Other Operating Expenses	\$0.67	
Total Operating Expense	\$586.59	5.2%
— Net Operating Income		
	Value / Unit	Year Change (%)
Net Operating Income	\$569.41	3.5%

Market Outlook

Des Moines has experienced significant population growth in recent years, which has continually fueled strong demand for new developments and rapid lease-up times. Despite a dip in occupancy in 2023 due to increased supply, resilient renter demand led to an overall increase in the stabilized occupancy rate in the most recent quarter. Moving forward, a reduced pipeline of multifamily developments suggests potential further increases in occupancy rates across Des Moines.

Historically, the market's annual rent growth has been below the national average. However, since the fourth quarter of 2022, Des Moines has seen annual rent growth figures surpass the national rate. Currently, the market's annual rental growth rate stands at 3.0% at the end of the first quarter of 2024, significantly outpacing the national average of 0.8%. The slowdown in construction activity is expected to lead to a period of market stabilization, with both occupancy rates and rent growth in Des Moines projected to exceed national averages in 2024.

Sources: Yardi Matrix; Costar; MSCI.

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



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