

GREATER DES MOINES AREA MULTIFAMILY CONSTRUCTION PIPELINE

Newsletter of Iowa Realty Commercial



Joanne M. Stevens
Real Estate Broker



Dan Dempsey
Real Estate Broker



Dear Esteemed Clients,

We are now a year since the FED last raised interest rates to 5.25-5.50%. It has been over two years since they started increasing rates in March 2022. Economists, news commentators, and investors debate the causes of inflation and how to fight it. For now, the FED plans to use interest rates as its main tool. What effects have these higher interest rates had on the multifamily market? How can we use this information to plan and strategize for the future?

The most obvious effect was the increase in borrowing costs. This put pressure on deals, refinancing, and pushed CAP rate expansion. These costs significantly impact the development of new multifamily construction projects.

What does the Greater Des Moines Area multifamily construction pipeline currently look like?

- **Current Projects:** Over 3000 units are planned through local planning and zoning departments, with under 1300 new starts in 2023.
- **Units Under Construction:** Almost 1800 units are currently under construction, with nearly 700 in the Downtown and East Village areas of Des Moines.
- **Preleasing Units:** Approximately 2400 units are in preleasing, mainly in the western suburbs, with West Des Moines leading, followed by Waukee and Ankeny.
- **Luxury and Class A Apartments:** Over 85% of these properties are either “luxury” class A apartments or class A apartments. In the last year approximately 2400 units have been completed and delivered.

**Stats compiled from CoStar, several brokerage market reports and several developer presentations.*

The Des Moines multifamily market has many units nearing completion, but rising rates have led to fewer new starts in 2023. This could cause short-term leasing concessions or lower rent growth, but a future unit shortfall might renew rent growth. At a recent ICREA event, Meighan Phillips, CEO of Caliber Iowa, highlighted optimism for multifamily trends and the cost-effectiveness of townhome construction. The market's future is uncertain, especially in an election year with FED scrutiny.

Thank you for reading our newsletter! We'd love to hear your thoughts on the Des Moines multifamily market.

Kind Regards,
Joanne M. Stevens and Dan Dempsey

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Evaluation of your property

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WHAT IS YOUR PARK WORTH?

I am always happy to do a FREE, NO OBLIGATION, Real Estate Review for your park(s). You ought to know today's market value of your real estate investments.

If this is something you would like, simply give me a call at 319-378-6786, email me at joannestevens@iowarealty.com, or visit <http://joannemstevens.com/>

Joanne Stevens is a specialist in listing and selling mobile home parks and manufactured housing communities throughout the U.S. With her 20 plus years of experience in developing, zoning, owning, retailing, managing, turning around and brokering parks, she can maximize your sale price.