



AUGUST 2024

GREATER DES MOINES AREA MULTIFAMILY CONSTRUCTION PIPELINE

Newsletter of Iowa Realty Commercial

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, Dan Dempsey, and Ben Stevens

HAVE BUYERS... NEED LISTINGS

Experienced apartment investor in Central Iowa:

Wants 100+ units in the Des Moines metro.
Very qualified to buy and can close in 2024.

Large apartment owner- investor with multiple 40+ unit properties:

Wants to buy in the Des Moines metro.
Minimum of 30 apartments.

1031 Exchange Buyer:

Just went under contract to sell a \$5MIL property.
Needs to identify the Exchange property soon.
Office (leased) property preferred.

East Coast Buyer:

Just purchased his first multifamily property.
Highly qualified to buy and wants under 50 units.

Warren Buffet and Berkshire Hathaway Takeaways

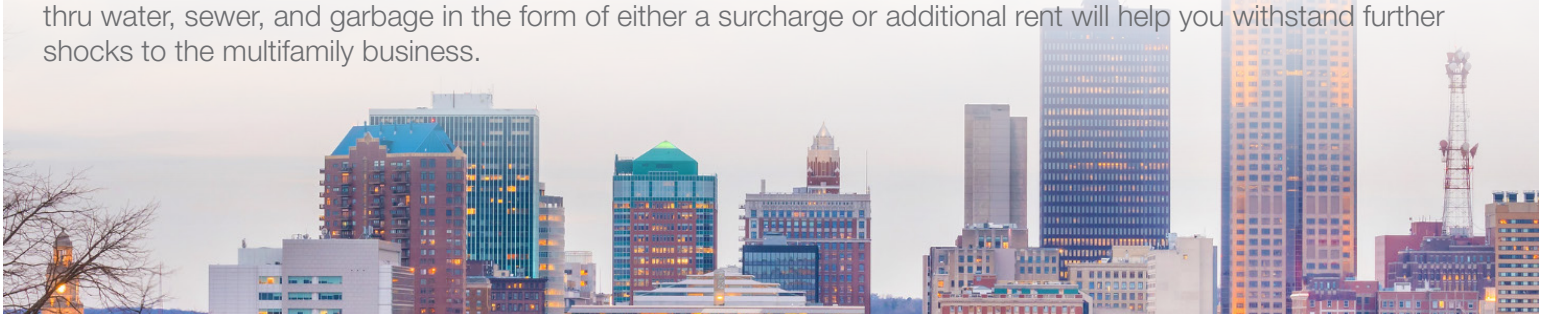
Our Apartment Broker Team consisting of Joanne Stevens, Dan Dempsey, and Ben Stevens, are proud to be part of the Berkshire Hathaway conglomeration of companies. We admire Warren Buffet and have found over the years that many multifamily real estate investors follow his wisdom, whether or not they own Berkshire Hathaway stock.

It is curious that Berkshire Hathaway, while looking for large investments to make, doesn't own real estate. In fact, in 2007, Berkshire Hathaway acquired Clayton Homes, a manufacturer of mobile homes. At the time of the acquisition, Clayton owned multiple mobile home parks. It wasn't long after the Berkshire Hathaway acquisition of Clayton that the mobile home parks were sold. Many of you, our esteemed newsletter readers, earn returns on your multifamily investments that exceed Berkshire Hathaway returns.

But here is a nugget of wisdom from Warren Buffet's 2024 Letter to Shareholders: he refers to being prepared for eventualities of the market, such as recessions and downturns that could cause a problem for his shareholders. By that, he means not being subject to mortgage loans and mortgage interest rates.

Most multifamily owners have debt on their real estate assets and this is a time to shop for refinancing 12-18 months or more before the loan comes due. It is possible the Federal Reserve will lower rates in 2024, but we should not be lulled into assuming that rates will be lower.

The good news is that the higher interest rates are good for multifamily housing, at least for now. While times are good for multifamily housing, now is the time to prepare for a tougher market. One thing we see a lot of is under market rent. By raising rents to market, you will be in better shape to withstand higher interest rates. Also, passing thru water, sewer, and garbage in the form of either a surcharge or additional rent will help you withstand further shocks to the multifamily business.



THIS... NOT THIS

Make sure that your managers are keeping up with landscaping and lawn maintenance needs to ensure a beautiful appearance for both you and your tenants.

THIS...



... NOT THIS



AUGUST 2024 NEWSLETTER



1005 Blairsferry Rd NE STE 210
Cedar Rapids, IA 52402

Save The Date

NMHC OPTECH Conference & Expo

(National Multifamily Housing Council Operations and Technology Conference)

October 21-23 | National Harbor, MD

Rent Manager User Conference

(Property Management Software Expo)

November 4-7 | Palm Springs, CA

Useful Websites

Energystar.gov (Energy Saving Electronics and Appliances)

Turbotenant.com (Tenant Screening Resource)

Petscreening.com



Joanne M. Stevens

Office: 319.378.6786

Cell: 319.310.0641

joannestevens@iowarealty.com



Dan Dempsey

Office: 515.453.5403

Cell: 515.306.0794

djdempsey@iowarealtycommercial.com



Ben Stevens

Office: 319.393.4900

Cell: 319.893.4361

benstevens@iowarealty.com

www.apartmentbrokersofiowa.com

WHAT IS YOUR MULTIFAMILY PROPERTY WORTH?

I am always happy to do a FREE, NO OBLIGATION, Real Estate Review for your multifamily property. 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 www.apartmentbrokersofiowa.com

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

NAI Iowa Realty Commercial is proud to be part of the **Berkshire Hathaway** family of companies.