

---

2024 Forecast  
Luncheon



The logo for CCIM, featuring the letters "CCIM" in a white, serif font centered within a red rectangular box with white horizontal lines above and below the text.



IREM-CCIM 2024 Market Forecast Luncheon

T.J. Hodges, Senior Vice President

Peoples Bank, Clive, IA

# Content Summary:

I. Current Rates and Loan Demand

II. Predicting Future Rates

I. Top 50 Economists

II. Federal Reserve

III. Rate Pressures – Why?

I. Yield Curve

II. Money Supply

IV. Leading Economic Indicators

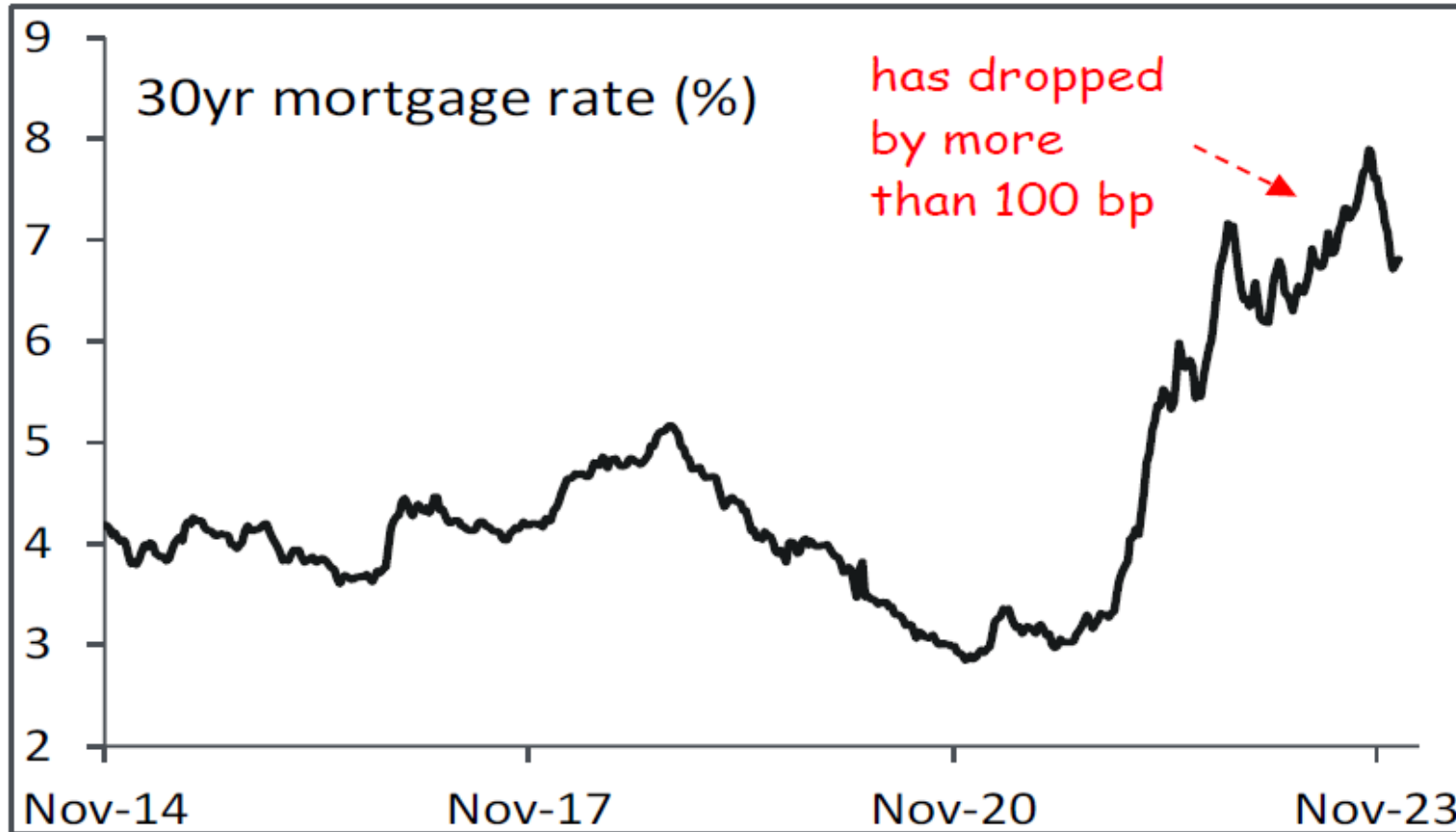
V. Bank Funding

VI. Commercial Real Estate Finance

VII. Deal Opportunities

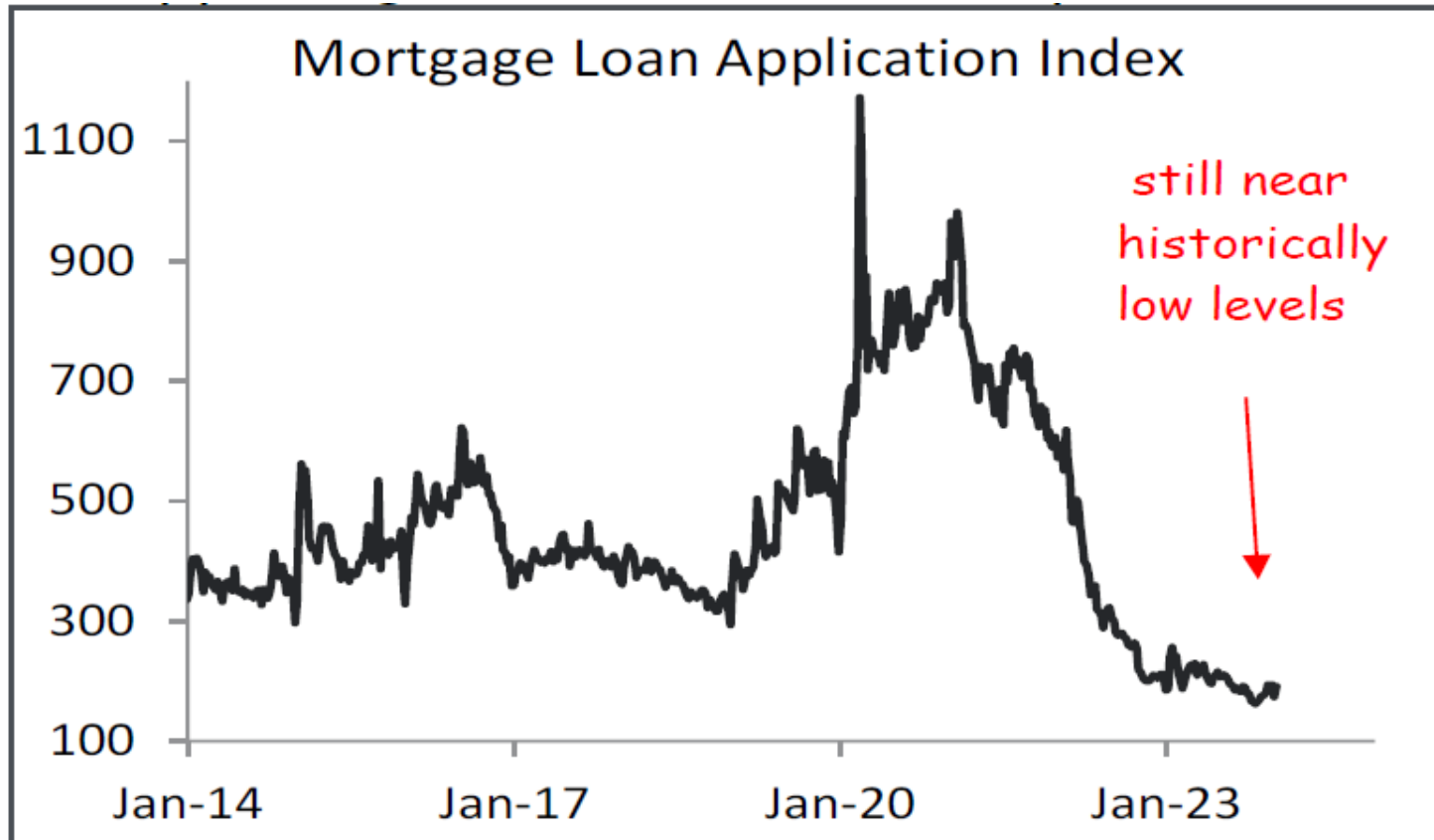
I. Hope is Around the Corner

# Current Rates



Rates Have Fallen, but Remain High

# Loan Demand



**Borrowers Are Not Impressed**

# Predicting Future Rates

Every Year the Wall Street Journal Polls the top 50 Economists in the United States.....

## ECONOMIST PREDICTIONS 1 YEAR IN ADVANCE

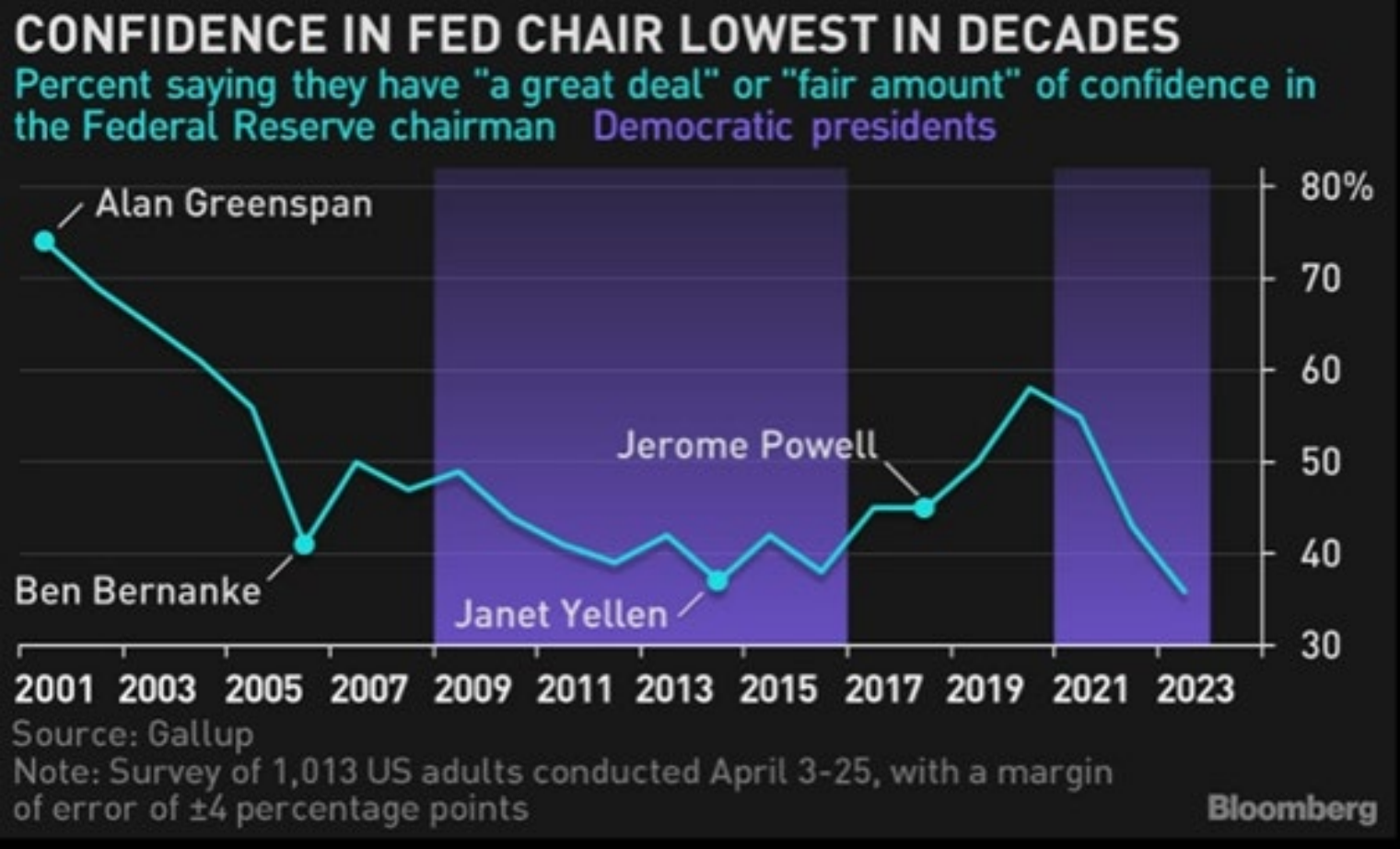
What percentage of the economists came within 50 (+/-25) bps?



Source: Wall Street Journal; US Treasury  
As of November 09, 2022

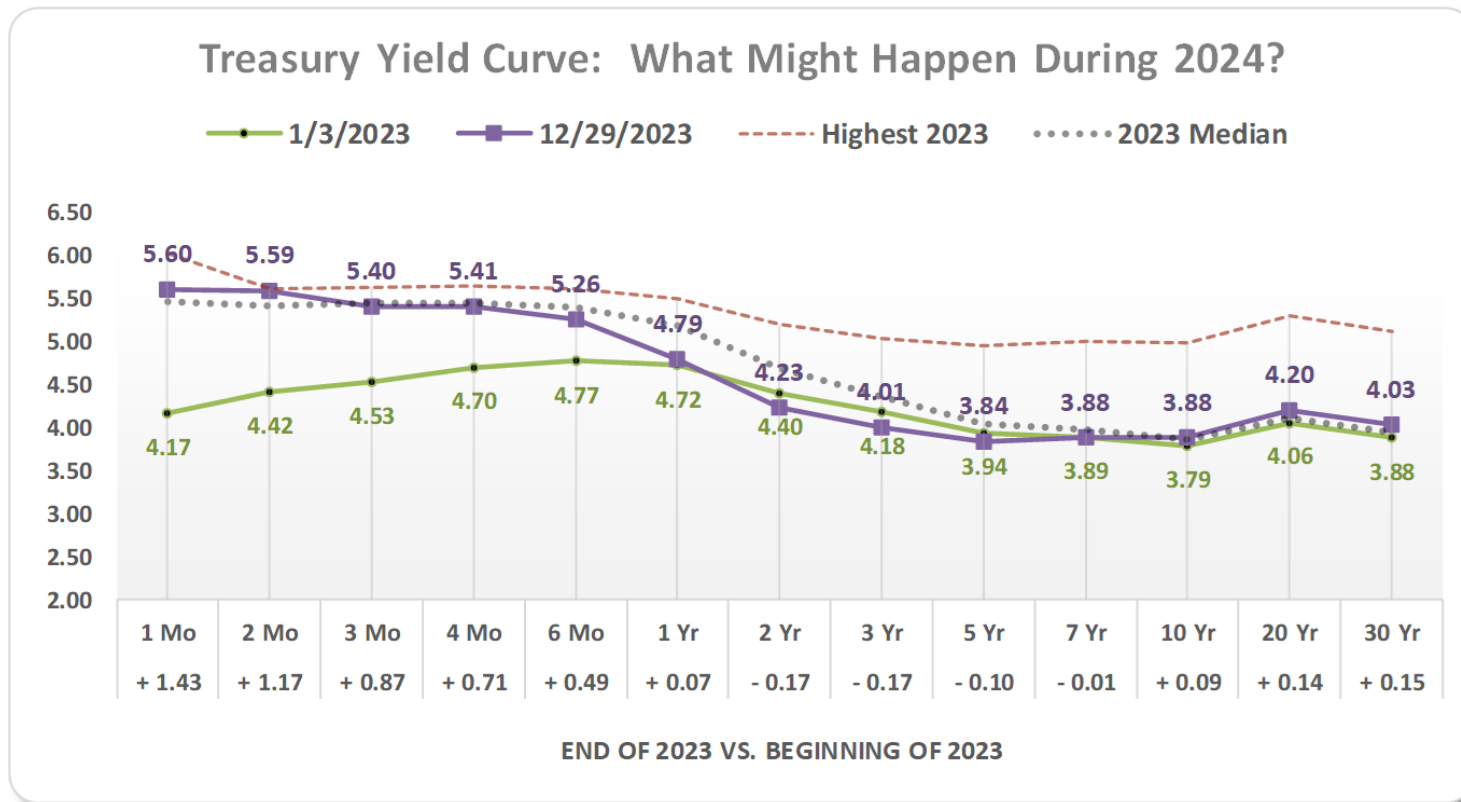
**Top 50 Economists accurately predicted rates w/in 50 bps, 13% of time over 16 years**

# Federal Reserve



Surprised?

# Rate Pressures – Why?

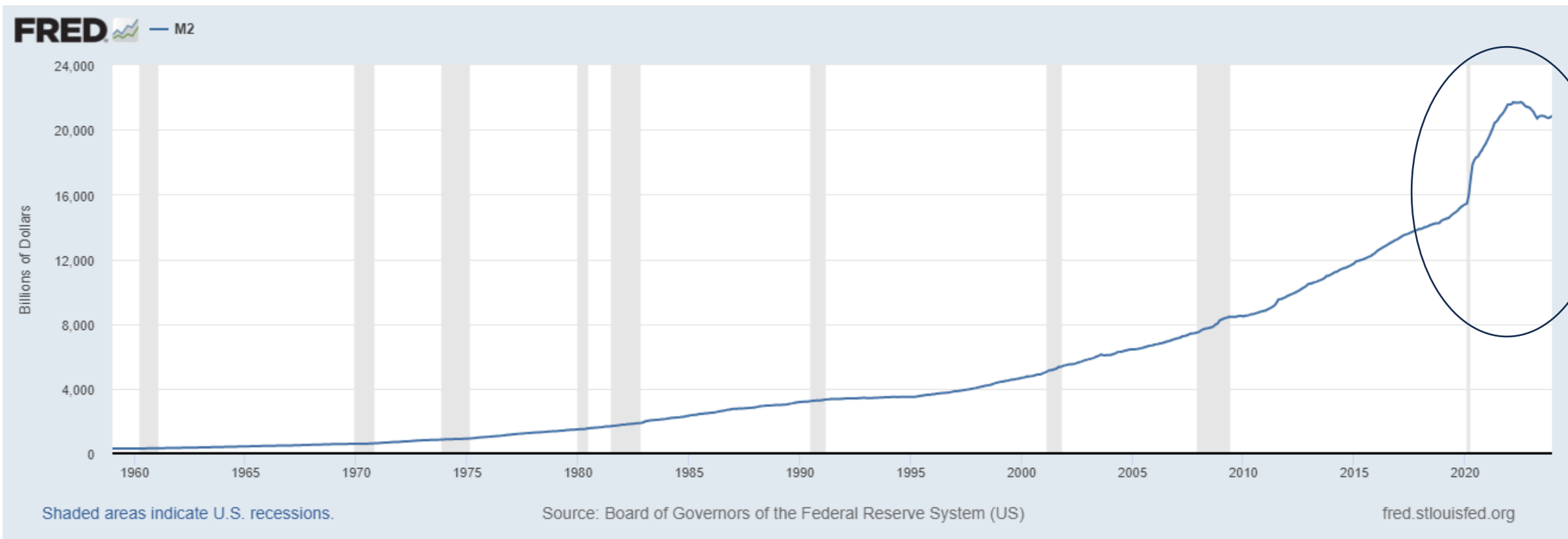


Note: The highest values during 2023 occurred on different days and months.  
(most were between August and October)

- Negative yield curves crush bank earnings and force spreads/rates up.
- Banks typically borrow on the short end of the yield curve and lend on the longer end.
- A positive slope is good for banks and borrowers.

**Continued Upward Pressure on Rates for CRE**

# Money Supply Under Pressure

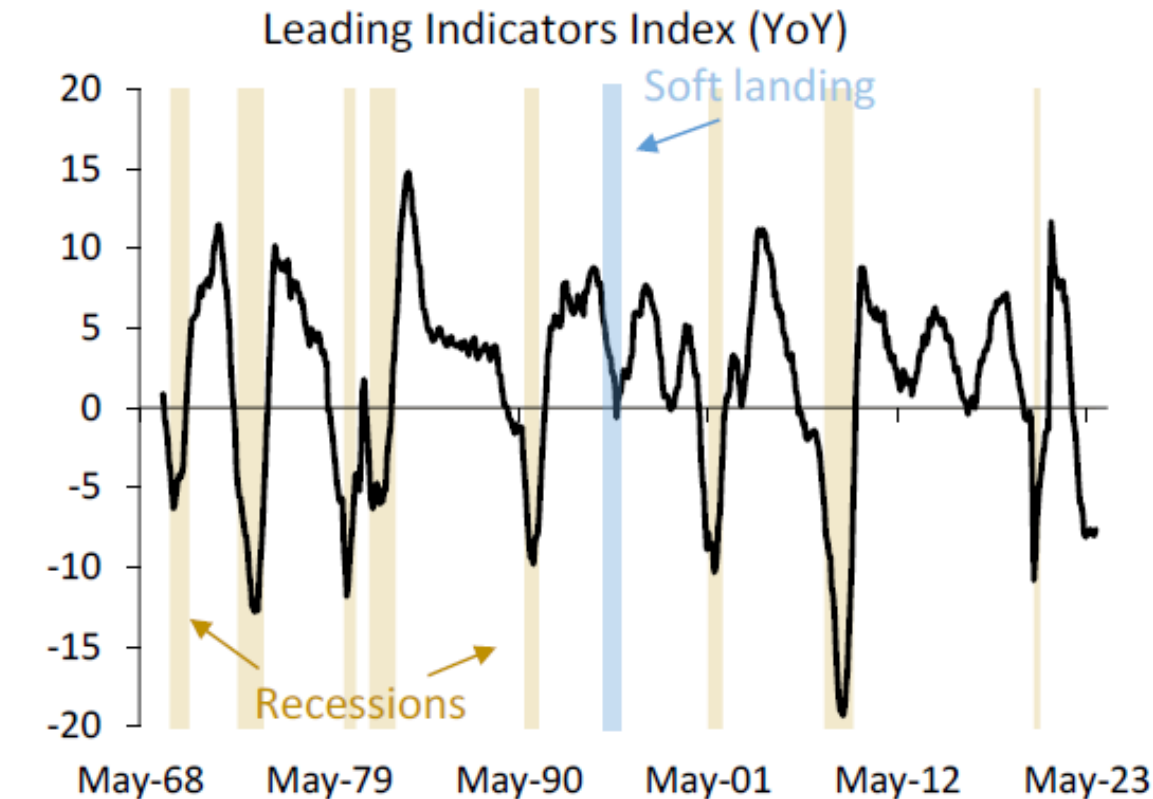


**Less Liquidity = Fewer Loans**

**An Unprecedented Rise Followed by an Unprecedented Contraction**

# Leading Economic Indicators

Figure 2: A drop of this magnitude has led to a recession 100% of the time over the last 60 years



Source: Conference Board, Piper Sandler

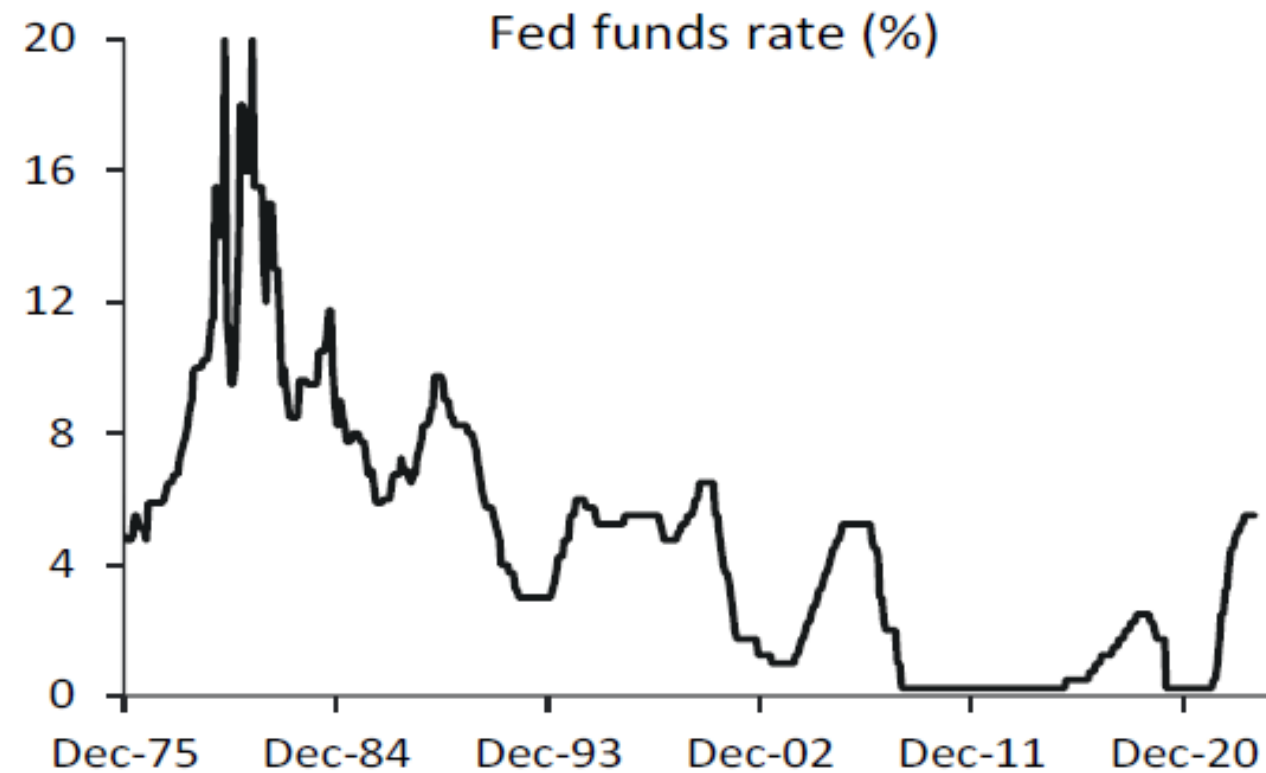
Whenever the Fed hits the brakes, someone goes through the windshield.”

~ J.P. Morgan Chief Economist, Michael Feroli

Talk About “Soft Landing” Ignores Magnitude of Leading Indicators Decline

# Funding

Figure 1: Fed funds hit their highest level since 2001



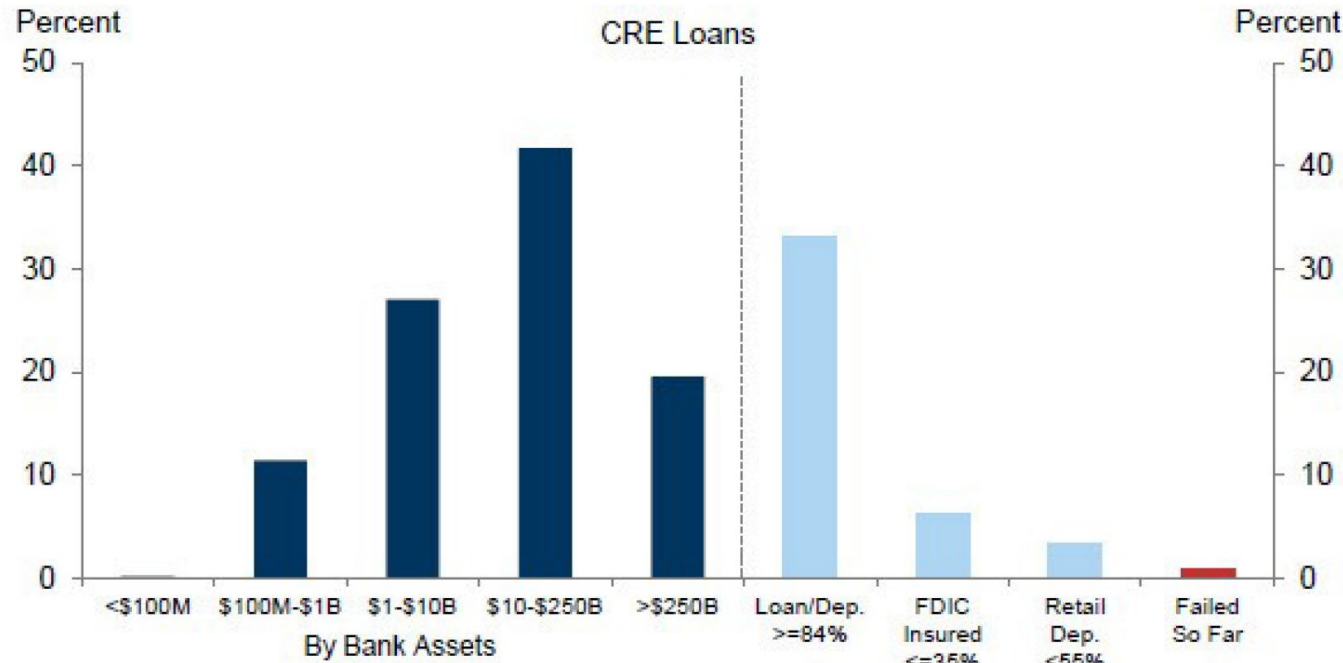
Source: Federal Reserve, Piper Sandler

- Markets typically take the stairs up and the elevator down.
- Historical precedence suggests the steeper and smoother the staircase, the swifter the elevator.

**Many are Ready to Take the Elevator DOWN!**

# Commercial Real Estate Finance

Exhibit 3: Small and Medium-Sized Banks Account for About 80% of Total Commercial Real Estate Lending



Source: Federal Deposit Insurance Corporation, Goldman Sachs Global Investment Research

Small/medium banks:

- 80% of US CRE lending
- 50% of US commercial and industrial lending
- 60% of residential real estate lending
- 45% of consumer lending

Community and Regional Banks are Critical to CRE Finance

# Deal Opportunities

## I. Bank and Credit Union Financials are Public Information

### I. [www.FDIC.gov/Bankfind](http://www.FDIC.gov/Bankfind)

#### I. “View Details” + “Create Financial Reports”

#### II. Key ratios:

I. 30 – 89 days Past Due

II. Non-Performing Loans / Non-Accruals

III. OREO



**Banks With OREO May Need Brokerage Services!**



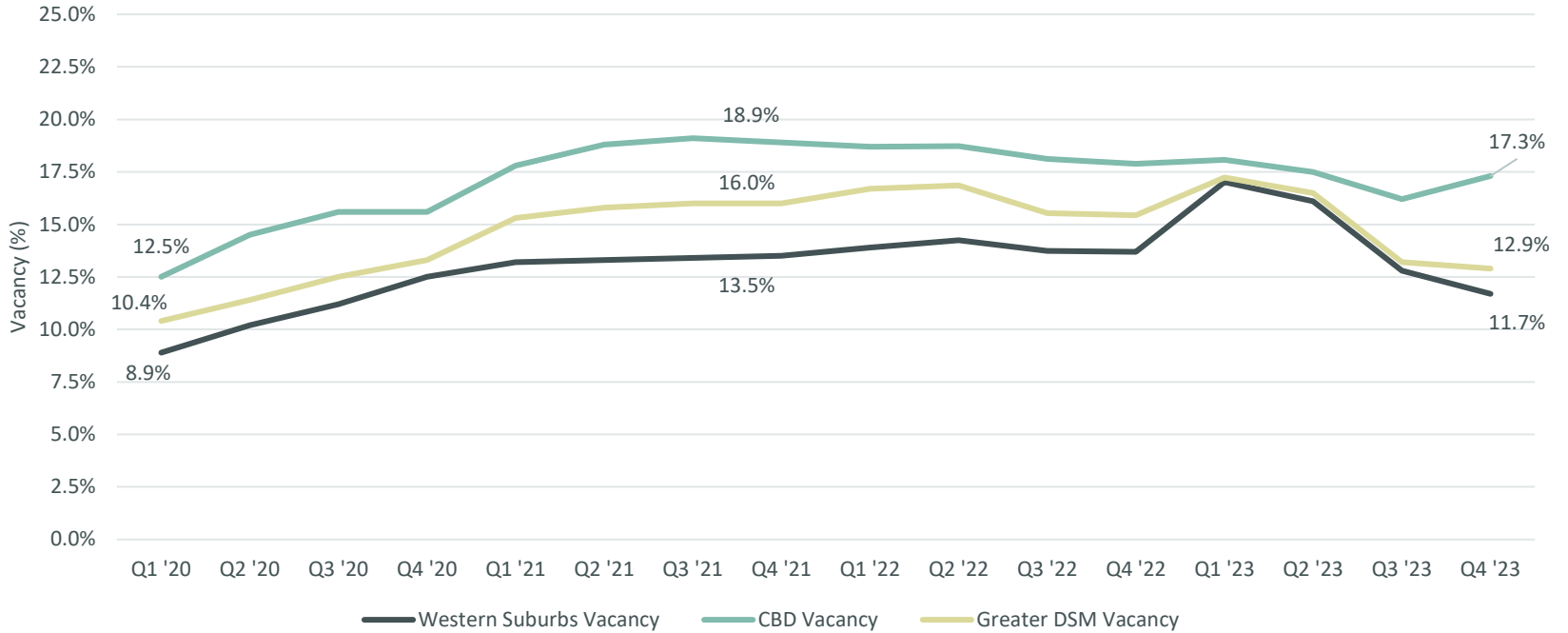
# DES MOINES OFFICE MARKET 2024

# CBRE



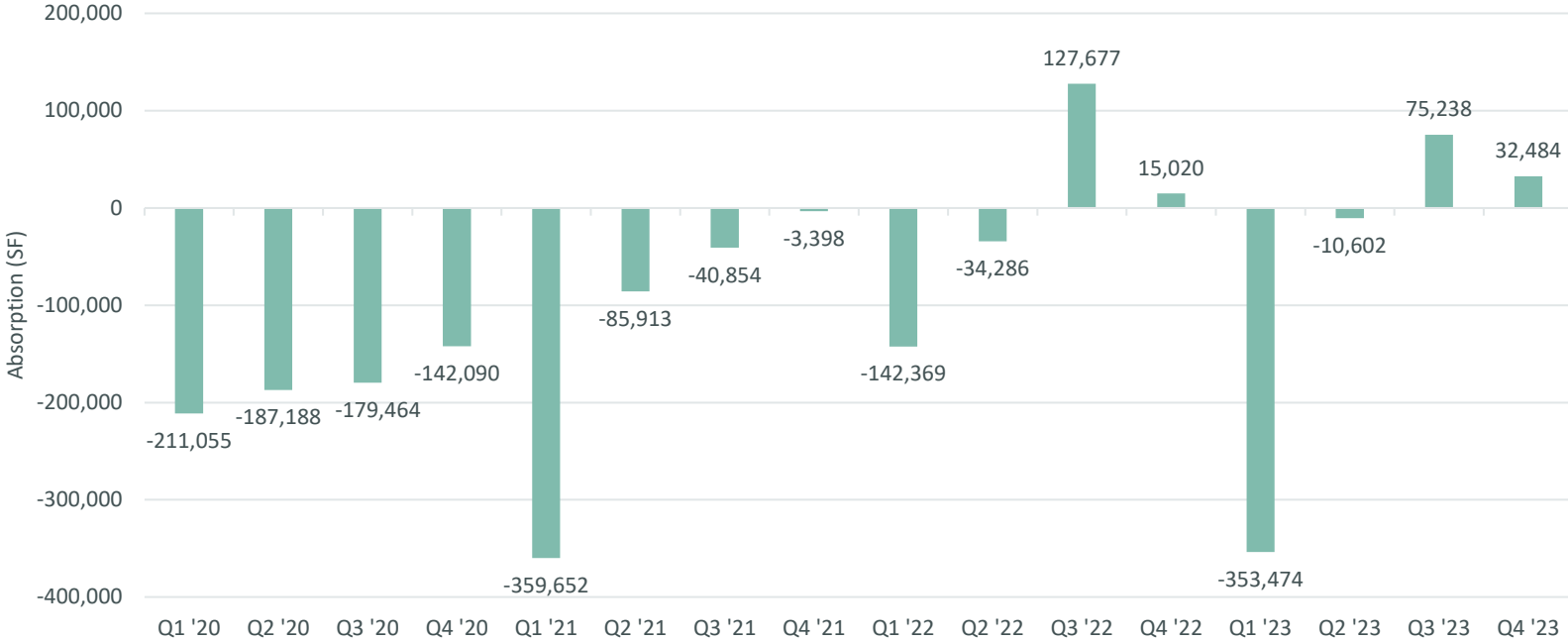
# VACANCY

Des Moines Quarterly Vacancy (%)



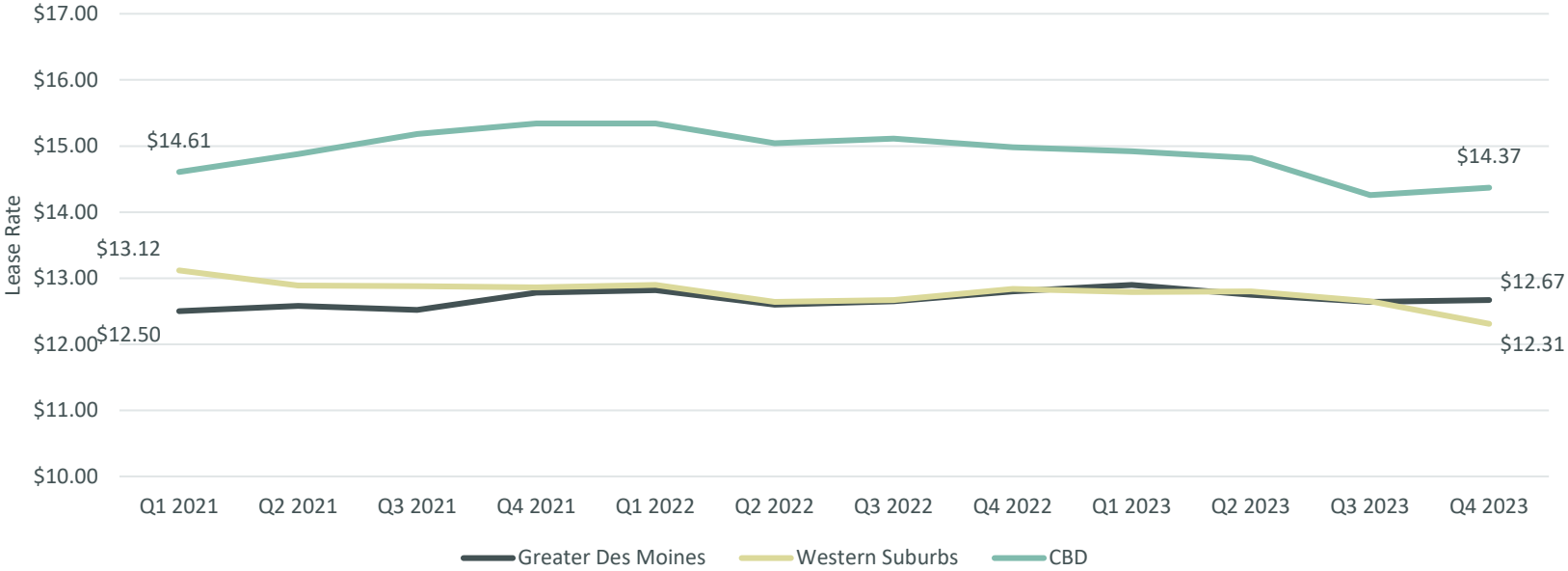
# ABSORPTION

Des Moines Quarterly Absorption (SF)



# LEASE RATES

NNN / Avg. Lease Rates (\$)



# NOTABLE SALES



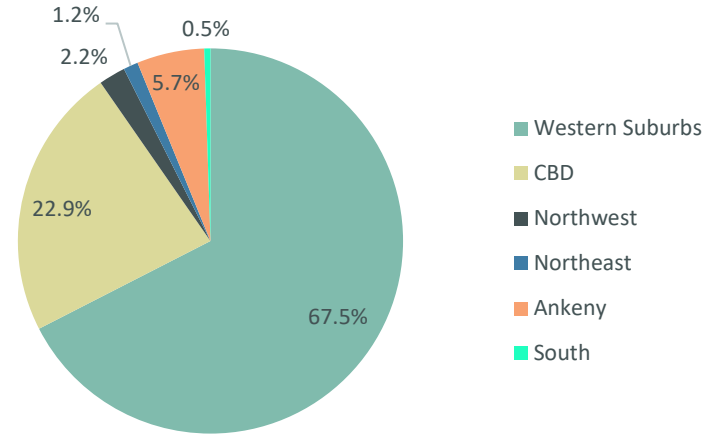
Address	8800 NW 62 <sup>nd</sup> St	7001 Westown Pkwy	13733 University Ave	1200 Locust St	6200 Park Ave	1615 Locust St
City	Johnston	West Des Moines	Clive	Des Moines	Des Moines	Des Moines
Size (SF)	42,000	451,161	91,479	371,920	138,978	1998
Sale Date	1/8/2024	12/28/2023	12/28/2023	12/20/2023	9/28/2023	3/3/2023
Sale Price	\$3,650,000	\$16,500,000	\$6,495,000	\$30,000,000	\$18,000,000	\$29,000,000
Price/SF	\$87	\$37	\$71	\$80	\$130	\$161

## 2023 LEASING ACTIVITY

### 2023 Notable Lease Transactions

Tenant	Location	Size (SF)	Submarket	Type
Maverick	1100 Locust Street	41,724	CBD	New
ITA Group	Arcadia 7000 Vista Dr.	150,000 +/-	Western Suburbs	New
Co-op Solutions	Palisade 4900 University	99,700	Western Suburbs	New
Businesssolver	1025 Ashworth Road	90,736	Western Suburbs	Renewal
Dentons Davis Brown	Davis Brown Tower 215 10 <sup>th</sup> St	48,151	CBD	Renewal

### 2023 Leasing Activity by Submarket (%)



- What to Expect When Negotiating a Lease
  - Lease Rates Holding Firm
  - Aggressive TI Allowance and Free Rent Concessions
  - Lengthened Lease Term
  - Annual Base Rent Escalation
  - Request for Caps on Controllable OPEX
- Market Dynamics
  - Continuation of the Flight to Quality
  - Little New Construction
  - Owners will Continue to Amenitize Buildings
  - Focus on Design that Supports Hybrid Workplace

# Retail Outlook 2024

Market Forecast for Retail at National and  
Local Levels with JLL Des Moines Insights



**Meredith Young**

Vice President  
JLL Des Moines

[jll.com/des-moines](https://jll.com/des-moines)

# Executive summary

- Overall holiday sales for November and December rose 3.1% from 2022, with particularly strong gains coming from F&B, which saw 7.8% growth.
- Demand ramped up to finish the year strong, with the highest net absorption levels for 2023 at 17.6 million square feet (s.f.). A surge in mall demand helped boost fourth-quarter totals.
- Sun Belt markets are the best poised to continue outsized retail rent growth. The top eight markets seeing the highest population growth between mid-2022 and mid-2023 were all located in the Sun Belt, and there is, on average, 13% less space available in these markets than the national average.
- 2023 continued to be an active year for retail expansion, with new store opening announcements comfortably exceeding closure announcements.

Our tally for new store plans announced by retailers in 2023 (regardless of opening date) is approximately 6,617 compared to 4,412 announced store closures.

- In the retail property investment sector, preliminary transaction volume estimates show roughly \$57.5 billion for the year, down roughly 37% year-over-year. While this represented a significant slowdown the sector outperformed the best amongst the primary property types. In the multi-tenant retail space, grocery-anchored comprised the largest market share of transactions by volume at just over \$7 billion, or roughly 21% of total volume.
- Between 2017 and October 2023, top retailers who backfilled vacant big box space included discounters, fitness centers and craft/hobby tenants. Hobby Lobby backfilled the most square footage, while Burlington took the largest number of vacant spaces.





# U.S. retail economy trends



Inflation

**3.4%** ↓

Consumer price index growth slowed to 3.4% above year-ago levels at the end of 2023 – nearly 300 basis points lower than the pace of growth seen at the start of the year. While this modulation is good news for consumers, prices are still some 19.4% higher than they were pre-COVID.



Consumer sentiment

**78.8 pts** ↑

Consumer sentiment (University of Michigan index) surged 13.1% month-over-month and 21.4% from year-ago levels. The index is at its highest level since July 2021. Easing inflation and strengthening income expectations helped boost consumers' confidence about current conditions. This jump in confidence should bolster consumer spending in the short term.



Retail sales

**0.6%** ↑

Retail sales rose again in December, increasing 0.6% over November and 5.6% year-over-year. Overall holiday sales for November and December also rose 3.1% from 2022, with particularly strong gains coming from F&B, which saw 7.8% growth.



# Retail fundamental statistics Q4 2023 - National

Fundamentals	General retail	Malls	Power centers	Neighborhood and community	Strip centers	Total retail
<b>Inventory</b>	6,518,096,334	910,793,607	800,443,522	2,982,178,354	708,149,932	12,023,969,921
<b>Vacancy</b>	2.5%	8.5%	4.2%	5.8%	4.6%	4.0%
<b>Net absorption</b>	8,226,156	3,485,846	691,839	3,886,983	996,586	17,602,540
<b>Net deliveries</b>	7,812,073	(435,982)	217,200	783,262	503,648	9,210,327
<b>Under construction</b>	38,702,112	2,569,312	1,755,004	7,717,110	3,361,289	55,501,808
<b>Market rent</b>	\$23.82	\$33.35	\$26.38	\$23.81	\$22.68	\$24.69



# Retail fundamental statistics Q4 2023 - Local

Current quarter	RBA	Vacancy rate	Market asking rent	Availability rate	Net absorption SF	Deliveries SF	Under construction
Malls	5,158,759	2.7%	\$16.73	0.2%	0	0	0
Power Center	774,618	12.5%	\$15.35	7.3%	0	0	0
Neighborhood center	7,735,207	6.2%	\$14.33	5.2%	28,103	0	0
Strip center	2,709,908	3.4%	\$15.45	4.2%	(4,642)	0	13,565
General retail	27,933,646	3.0%	\$15.84	4.6%	(10,622)	42,211	356,112
Other	300,000	0%	\$14.79	0%	0	0	0
<b>Market</b>	<b>44,612,138</b>	<b>3.7%</b>	<b>\$15.64</b>	<b>4.2%</b>	<b>12,839</b>	<b>42,211</b>	<b>369,677</b>

# U.S. retail RE fundamentals snapshot

1

## Demand

Demand ramped up to finish the year strong, with the highest net absorption levels for 2023 at 17.6 million s.f. A surge in mall demand helped boost fourth-quarter totals. With a bump up in move-ins, vacancy fell to its lowest level at 4.0%.

2

## Rents

Rent growth continues to be positive but is slowing in pace for most markets. Sun Belt markets continue to show the highest rent gains across the nation, boosted by strong in-migration in recent years.

3

## Supply

Retail construction activity remains at a minimum due to high costs. With vacancy low, expanding retailers will continue to encounter challenges in nabbing the most desirable spaces.

4

## Capital markets

Retail transaction volume remains muted but is outperforming other property types. Grocery-anchored centers remain in high demand, garnering the highest transaction volume in 2023 – more than 20% of total retail transaction volume.



# Demand surges in fourth quarter

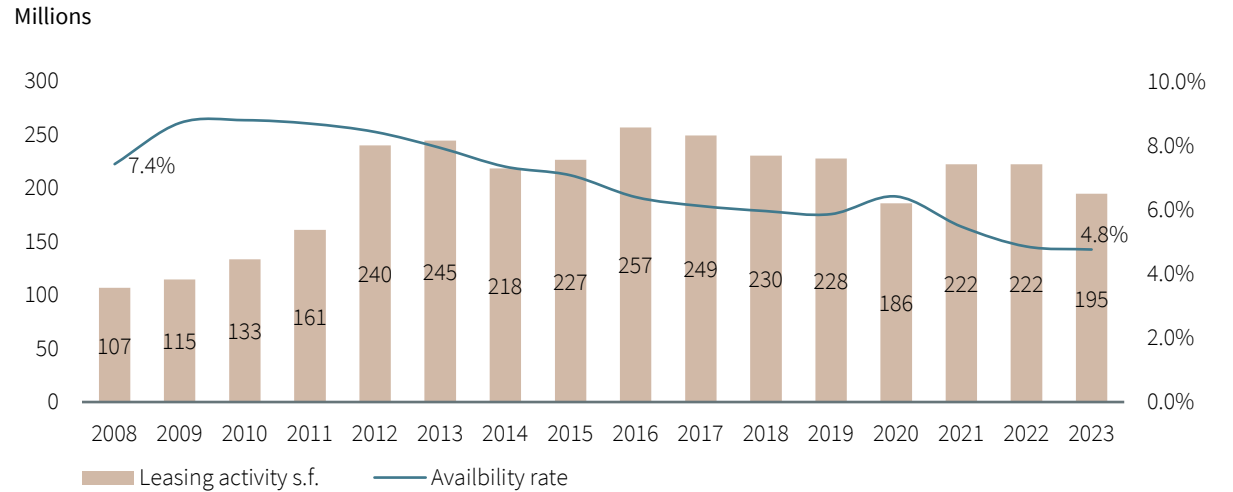
Retail net absorption surged 37.2% quarter-over-quarter to 17.6 million s.f. – boosted by a significant jump in mall net absorption. Conversely, deliveries decreased 5.1% from the previous quarter. With little new construction and rising absorption, vacancy fell 20 basis points to 4.0% - the lowest on record since 2007. Rents are still on the rise, but the pace of growth continues to slow since its high in 2022.

Anticipated new space delivery in 2024 totals over 63 million s.f., although much of that is preleased and consists of freestanding built-to-suit retail. Available shopping center space slated for 2024 delivery totals approximately 5.7 million s.f., with more than one-third comprised of neighborhood centers.

Sun Belt markets are the best poised to continue outsized retail rent growth. The top eight markets seeing the highest population growth between mid-2022 and mid-2023 were all located in the Sun Belt, including in Texas, Florida, North Carolina and Georgia. Retail space demand in many of these markets have hit record levels and there is, on average, 13% less space available in Sun Belt states than the national average.

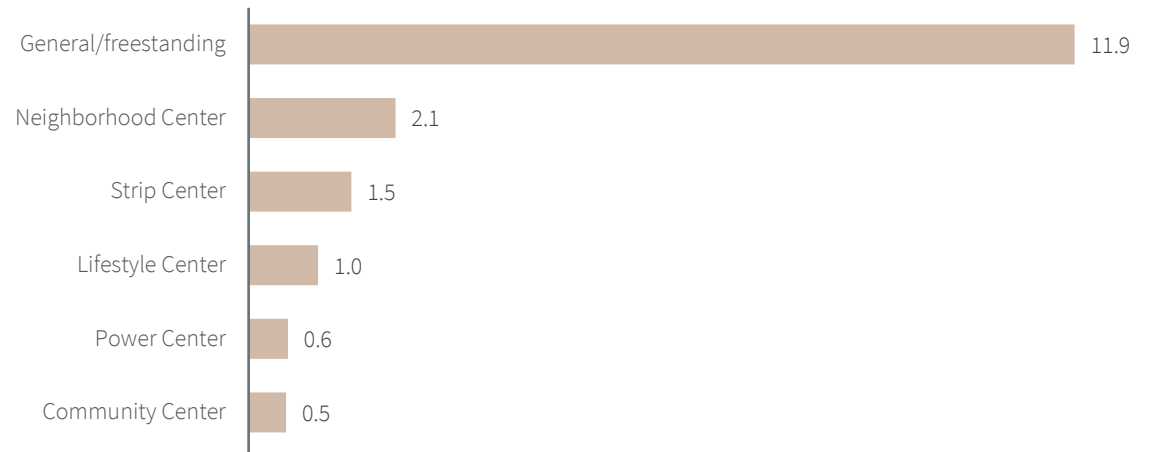


## Declining availability curbs leasing activity



Source: CoStar

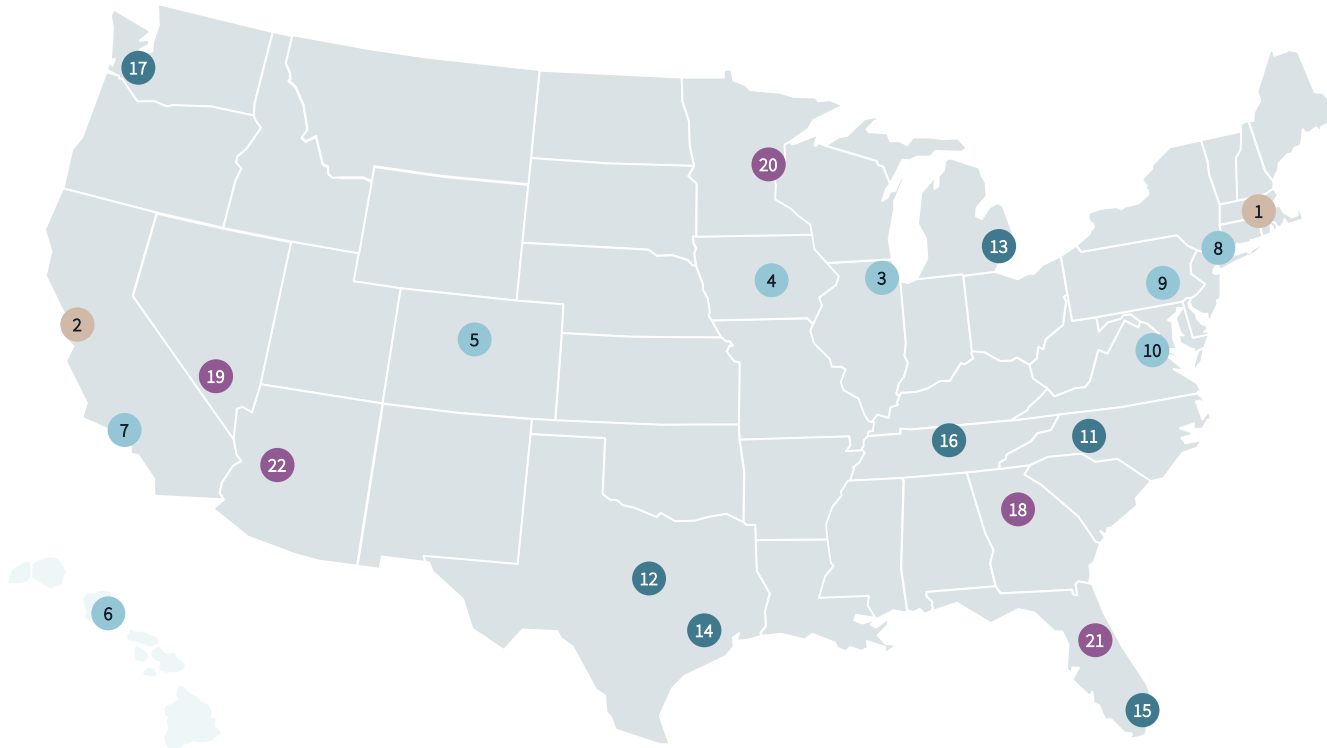
## Available retail s.f. (in millions) slated for 2024 delivery



Source: CoStar, JLL



# Major metros see positive rent growth with strongest in Sunbelt markets



Source: CoStar

1	Boston	↓	-0.7%	12	Dallas	↑	5.4%
2	San Francisco	↓	-0.7%	13	Detroit	↑	3.7%
3	Chicago	→	1.2%	14	Houston	↓	3.4%
4	Des Moines	↑	2.5%	15	Miami	↓	4.2%
5	Denver	↑	2.2%	16	Nashville	↓	3.9%
6	Honolulu	↑	1.8%	17	Seattle	↕	4.1%
7	Los Angeles	↓	1.3%	18	Atlanta		7.3%
8	New York	↓	1.5%	19	Las Vegas	↓	7.1%
9	Philadelphia	↓	0.2%	20	Minneapolis	↑	6.1%
10	Washington, D.C.	↓	3.2%	21	Orlando	↑	8.1%
11	Charlotte	↑	5.8%	22	Phoenix	↓	9.2%

Y/Y % rent change



Movement from previous quarter



# Four trends that will affect retail in 2024

- 1. Retailers go all in on AI.** Retailers will use Generative AI (genAI) to enhance consumers' shopping experiences across channels and to maximize efficiency. Insider Intelligence estimates that 78 million Americans used genAI in 2023. Investment in this technology is expected to grow this year to offer personalized experiences and recommendations to shoppers.
- 2. Retailers are re-thinking self-checkout.** Some retailers are reversing course on self-checkout lanes. Initially instituted to reduce labor costs, growing customer dissatisfaction, slow and erroneous scanning and retail shrinkage are all acting as major factors in the decision to reduce self-checkout lanes. One study showed companies with self-checkout had a loss rate of 4% (source: CNN Business), which is more than double the industry average. Retailers pulling back on this store feature at some locations—or adding additional staff to these areas—include Walmart, Target, ShopRite, Wegmans, Costco and Dollar General.
- 3. Grocery gets more competitive with return of Amazon Fresh.** Amazon recently announced five new locations of its Amazon Fresh stores opening in Los Angeles and Chicago. The e-commerce giant also plans to amplify its grocery delivery service by offering delivery in select cities to shoppers who don't belong to its Prime loyalty program.
- 4. Drone deliveries are gearing up.** Walmart is expanding its drone deliveries in the Dallas-Fort Worth area to 75% of the region's population by the end of 2024. This delivery expansion will make it possible to serve an additional 1.8 million households within 10 miles of a Walmart store. There is a 10-pound weight limit on deliveries with wait times between 10 and 30 minutes. Walmart has nearly 4,700 stores within 10 miles of 90% of the U.S. population; if this program continues to be successful, a national rollout may follow.



US Retail Outlook

Mall fundamentals		
Q4 2023 net absorption	3.5 million s.f.	↑
Vacancy	8.5%	↓
NNN rent	\$33.35	↑
Under construction	2.5 million s.f.	↑
Deliveries	-0.4 million s.f.	↓

Source: CoStar  
National index markets

Power center fundamentals		
Q4 2023 net absorption	0.6 million s.f.	↓
Vacancy	4.2%	↑
NNN rent	\$26.38	↑
Under construction	1.8 million s.f.	↑
Deliveries	0.2 million s.f.	↑

Source: CoStar  
National index markets

Shopping center fundamentals		
Q4 2023 net absorption	4.9 million s.f.	↓
Vacancy	5.2%	↓
NNN rent	\$23.25	↑
Under construction	11.1 million s.f.	↓
Deliveries	1.3 million s.f.	↓

Source: CoStar  
National index markets





# Notable transactions in the Des Moines Metro



(Ankeny)



February 2024

# IREM/CCIM MARKET SURVEY

2024 MARKET SURVEY - INDUSTRIAL

**CBRE**



# DSM: GREAT PLACE TO LIVE

## POPULATION GROWTH:

- DSM Metro MSA has grown an average of 1.5-2.0% annually since 2000
  - 100,000+/- new residents since 2010 (15.6% from 2010-2020).
    - Equal to the entire populations of Ankeny and Waukee combined
    - Shows growth is spread around the metro, no just one area.
  - Averaging 37 new residents per day
  - Population growth is driving demand for ALL things construction:

### Pros:

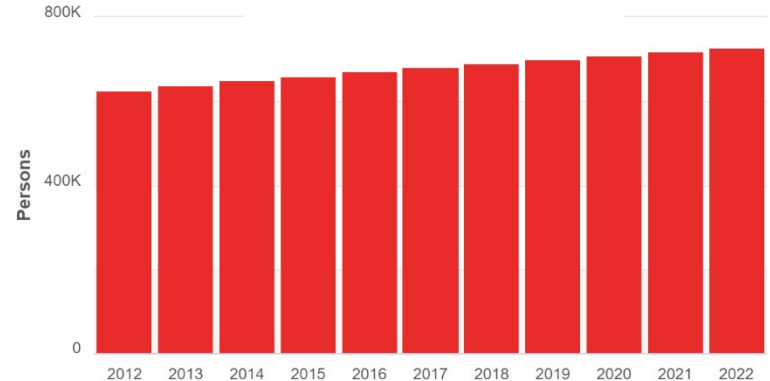
- Increased online shopping = increased demand for distribution warehouse (*national trend*)
- Increased demand for property = increase rental rates and valuations
- Increased demand further increases demand for new construction

### CONS:

- Increased population growth leads to a supply shortage of materials, price increases
- Sticker shock of rental increases and new construction costs
- Increased demand for development land has led to steep increased in land valuation and demand for infrastructure improvements.

## Population, 2012-2022

DES MOINES METRO (MSA)



Source: Greater Des Moines Partnership Year

### MSA Population:

2012: 626,897

2022: 729,053

**Increase: 102,156!!!**

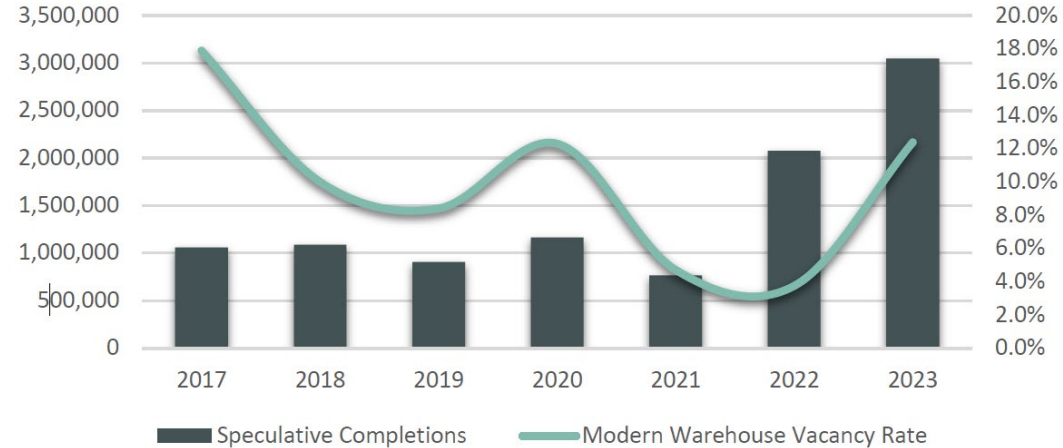


## INDUSTRIAL MARKET: GOING BACK TO WHERE WE STARTED

### TRANSACTION VOLUME AND SIZE:

- Market has experienced a demand shift in size of product size since 2013.
- Average building size of new construction significantly larger than historic average for this market.
  - Skews vacancy rate percentages:
    - Now, one building can equate to 50% of occupancy pre-2017.
- More construction now than the “hey day” of construction pre-2007.
- As population continues to grow, expect demand to continue.

FIGURE 4 : Warehouse & Distribution Completions (SF) & Vacancy Rate

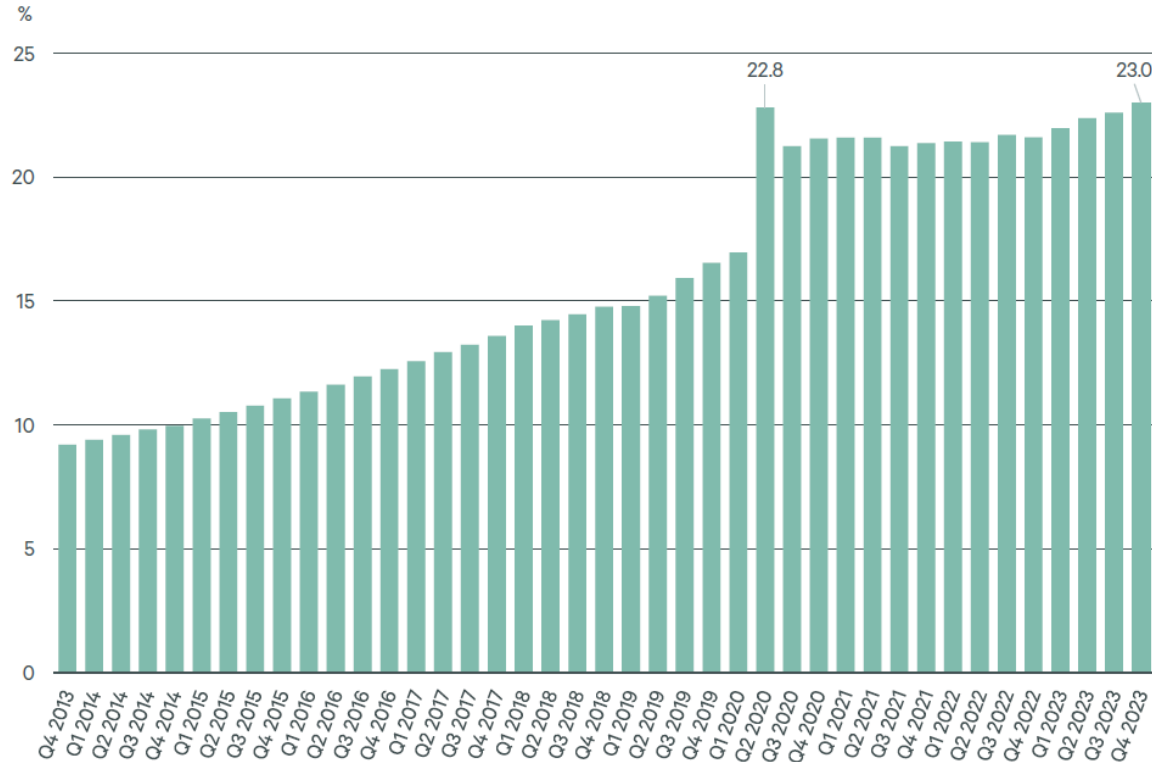


*Modern Warehouse: Built in 1990 or later with 24' or higher clear height*

## E-COMMERCE: NOT SLOWING!

### E-Commerce Share of Total Retail Sales Continue to Rise

- The e-commerce share of total retail sales- a key indicator of demand of warehouse space.
  - Increase by 40 basis points in Q4 2023 to 23%, breaking prior record of 22.8% in Q2 2020.
- Est. for every \$1 Billion in e-commerce spending, an additional 1.25 mm SF of e-commerce distribution space still needed. (*nationally*)
  - *Retail sale expected to grow 10-11% annually through 2027*
  - *Est. \$500 Billion in additional sale. = 5.25 Billion in addition space needed.*
- The e-commerce share is expected to exceed 25% of retail spending by 2025.



Source: CBRE Research, Q4 2023.

## MARKET TRANSACTIONS

### NOTABLE TRANSACTIONS:

- Market has experienced a demand shift in size of product size since 2013.
- Delivering over 3,000,000 SF annually
  - Still leasing over 1,000,000 SF (*historically average*)
  - Much of the “Available” space delivered in 2023 has either leased or has pending offers.
    - Occupancy reporting lagging activity
- As population continues to grow, expect demand to continue.

2023 Notable Sales						
Address	City	Size (SF)	Sale Date	Sale Price	Price/SF	Assessor
2600 20th Ave NW	Altoona	265,726	8/8/2023	\$24,900,000.00	\$93.71	<a href="#">Link</a>
5950 Delaware Ave	Ankeny	200,220	8/16/2023	\$21,000,000.00	\$104.88	<a href="#">Link</a>
2225 E Commerce Dr	Mount Pleasant	99,234	6/2/2023	\$12,400,000.00	\$124.96	<a href="#">Link</a>
2400 SE Enterprise Dr	Grimes	80,780	12/27/2023	\$9,708,000.00	\$120.18	<a href="#">Link</a>
1477 NE 67th Pl	Des Moines	60,000	8/7/2023	\$5,400,000.00	\$90.00	<a href="#">Link</a>
1800 Hull Ave	Des Moines	70,660	5/31/2023	\$4,400,000.00	\$62.27	<a href="#">Link</a>

2023 Notable Lease Transactions				
Tenant	Location	City	Size (SF)	Type
Innovairre AMG	1805 E Washington St	Mount Pleasant	301,763	Renewal
Cummins	7400 SE Convenience Blvd	Ankeny	207,122	New
Rapids Warehousing	SE Delaware Ave	Ankeny	200,494	New
JT Logistics	4121 Dixon St	Des Moines	177,431	New
AFC Industries	900 E Broadway Ave	Des Moines	164,000	New
Packaging Corp of America	2421 River Rd	Council Bluffs	163,999	New
Kamps	2421 River Rd	Council Bluffs	157,207	New
Total Notable Leases			1,372,016	

2023 Deliveries						
Recently Completed Developments	Address	City	Submarket	SF	Available SF	Delivered
Gateway East Business Center (Phase 1) (Flex)	305 Adventureland Dr NW	Altoona	NE	135,656	115,868	Q4 2023
Donovan Marine Grimes Warehouse	501 SW 37th St	Grimes	Western	200,000	100,000	Q2 2023
I-80 Distribution Center (Building A)	555 9th St NE	Altoona	NE	300,000	300,000	Q2, 2023
Center Pointe Warehouse	Interstate 80/35 & 100th St	Urbandale	Western	212,500	170,420	Q2, 2023
Altus Commerce Center (Building B)	2075 25th	Altoona	NE	328,147	328,147	Q2, 2023
Legacy 3 at Legacy Park (Flex)	1200 SE 19th St	Grimes	Western	135,500	67,500	Q2, 2023
Prairie Business Park Warehouse IV	400 SE 41st St	Grimes	Western	260,000	0	Q1, 2023
Chapman Distribution Center	5950 SE Delaware Avenue	Ankeny	Ankeny	200,494	0	Q1, 2023
Rider Logistics Center Phase 1 (Building A)	3901 SE Park Dr	Grimes	Western	270,192	270,192	Q1, 2023
Northridge 80/35 Phase I (Buildings - B)	990 E Broadway Ave	Des Moines	NE	164,000	0	Q1, 2023
Northridge 80/35 Phase I (Buildings C)	991 E Broadway Ave	Des Moines	NE	186,000	186,000	Q1, 2023
Four Mile Distribution (South)	6910 (South) SE Four Mile	Ankeny	Ankeny	157,900	157,900	Q1, 2023
Altus Commerce Center (Building C)	2600 20th Ave SW	Altoona	NE	496,800	496,800	Q1, 2023
Total Delivered: 3,047,189 SF					Available SF: 2,192,827	

# MARKET TRANSACTIONS

## LABOR MARKET CHANGES:

- As population continues to grow, expect demand to continue.
- DSM- One of only 3 markets to exceed 30% job growth in Transportation & Warehouse employment.
- Every 1MM SF of T&I space constructed, 1,000 new employees needed.
- Overall, Low cost and location options for logistic operator in Iowa is a positive.

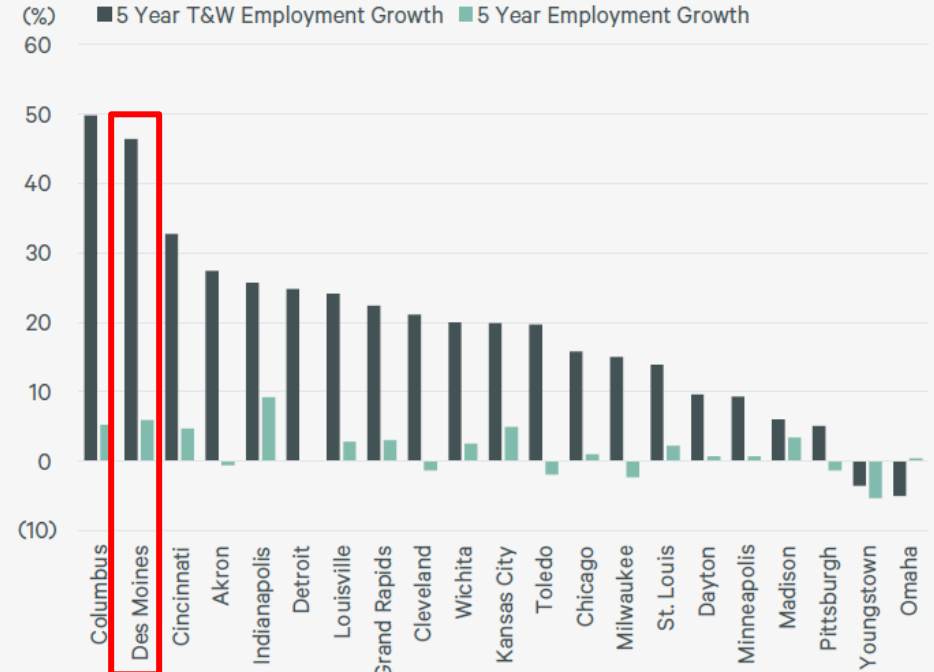
Source: ESRI, 2023. Bureau of Labor Statistics (BLS), May 2023. CBRE Labor Analytics Group (CBRE LAG).

### Distribution Market Index

Labor Supply	99	POSITIVE
Availability and Quality	108	
Skill Set Employment per 10,000 Workers	91	
Labor Cost	101	POSITIVE
Macro Labor Costs	113	
Cost Skill Sets	99	

Source: CBRE Labor Analytics Group (CBRE LAG).

FIGURE 5: Midwest 5 Year T&W Employment Growth & 5 Year Employment Growth By Market



Source: Bureau of Labor Statistics (BLS), May 2023.

## NEW IN A GENERATION

### “INFLATION”: (FIRST TIME IN A GENERATION)

- In 2000 average NNN warehouse rent for new construction was \$3.25-\$3.50/SF.
- In 2015, the average NNN warehouse rent in the metro was \$3.50/SF NNN.
  - Little to no rent growth in industrial rental rates from 2000-2015.
  - Rental rates of 2024 are within \$.40-\$.50 of inflation adjusted rates from the year 2000.
    - Current average rental rates are still statistically low when adjusted for inflation.
    - Little chance of seeing slow down in rental rate growth over the next 18-24 months.

### INTEREST RATE IMPACTS:

- Interest rate adjustments can have less an impact on property valuation, but substantial effect on new construction or carry costs.
  - Further increases in construction costs.
  - Interest rate increases are outpaced by rental growth rates and CPI.
    - Valuation of properties will begin to shift from CAP Rate compression to NNN income increases.
    - “Cash” and “Income” will remain king when setting valuations.

### CONSTRUCTION COST INCREASE:

- Construction cost increase have averaged 12%-20% in the cumulative over the last two years.
  - This cost is outpacing inflation and current rent growth.
    - This increase in construction costs has a larger effect on the viability of a new project.
    - Increase in construction cost has had a exponential effected on increases in financing costs.
      - I.E. : More cost per project at higher rates to borrow is outpacing increase in NNN rent.
    - Follow the futures markets for commodities. Gives insight as to leading indicators of cost changes in 3-9 months
    - Once material cost stabilize, Rental rates will continue to increase as inflation adjusts.



## MARKET SUMMARY

### 2024 INDUSTRIAL EXPECTATIONS

#### DSM METRO:

- Continued development and expansion within the sector
- Expect rental rates growth to continue above the average rate of inflation for the foreseeable future.
- Demand will shift from 3PO's to Producers and Manufacturing.
  - Demand for space will shift those that “make things”, not just store them.
- Building sizes of new construction will decrease in some projects as owner/occupied options become more appealing as rental rates continue to climb.
  - You'll see a shift from 150,000 SF-300,000 SF to 20,000 SF- 40,000 SF building as the normal again.
  - Smaller junior tenants looking for owner/occupied and growth spaces will spur demand for 20,000-40,000 buildings
  - Higher cost per SF, but high demand for ownership options with limited existing supply.

#### NATIONAL:

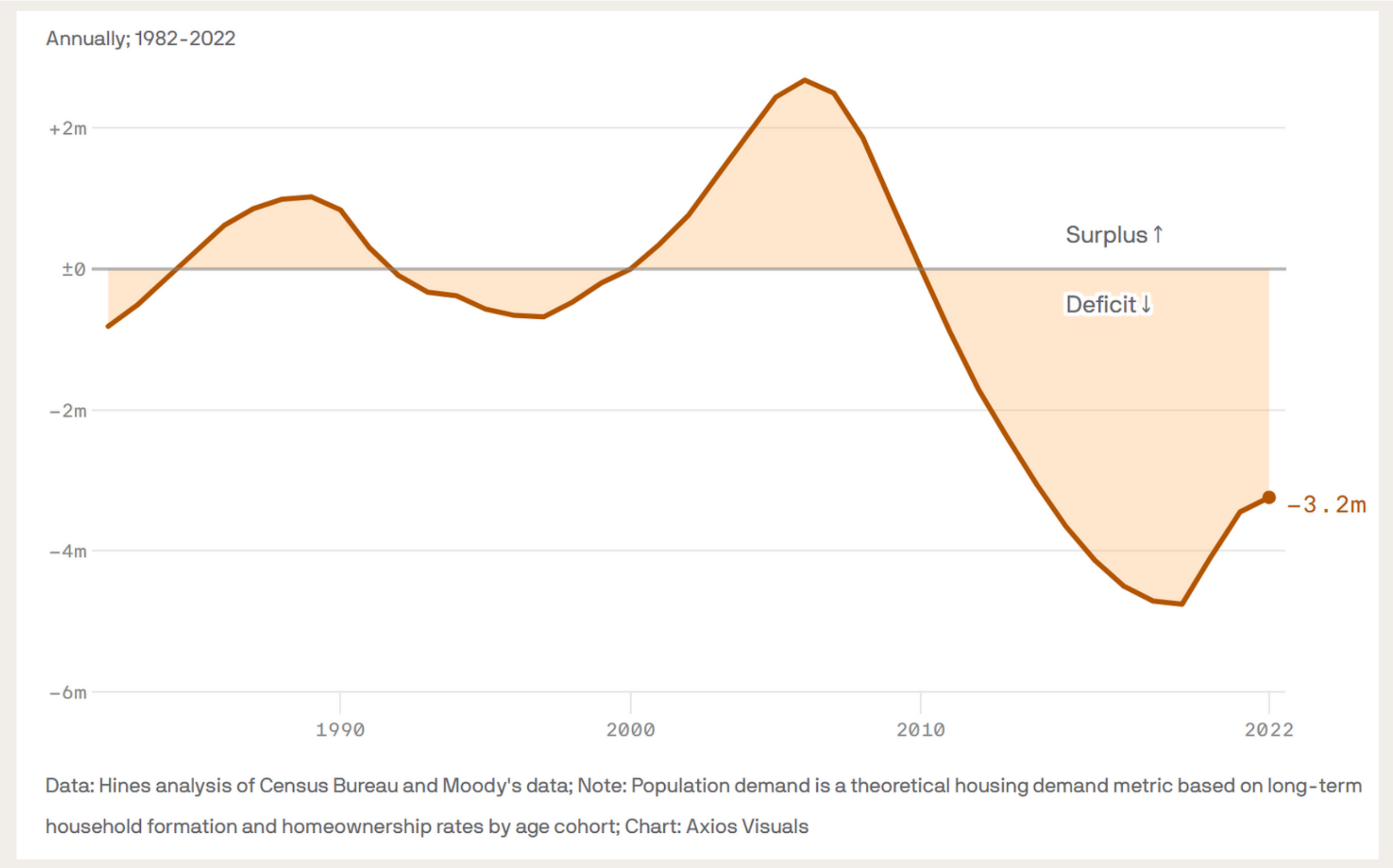
- E-commerce users and other large occupants will continue to make headlines and drive the market.
- Desire for supply chain control by large manufacturer, distributor and wholesalers will spire national demand for high cube space for the foreseeable future as the manufacturing process shifts from JIT.
  - “on-shoring” not going anywhere... but short-term effect from 2020 beginning to slow.



CALIBER  
COMPANY

STATE OF THE  
MULTIFAMILY MARKET

# EXISTING HOUSING UNITS RELATIVE TO POPULATION DEMAND IN THE U.S

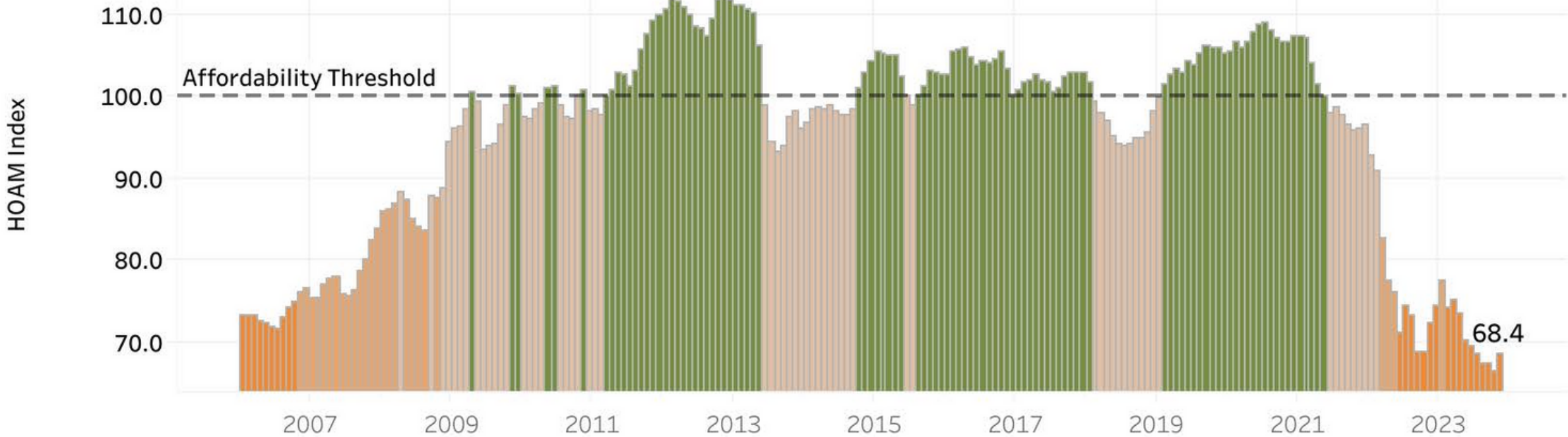


# HOME OWNERSHIP AFFORDABILITY MONITOR

## Federal Reserve Bank of Atlanta National Home Ownership Affordability Monitor (HOAM) Index

Data through November 2023

Updated: 1/18/2024

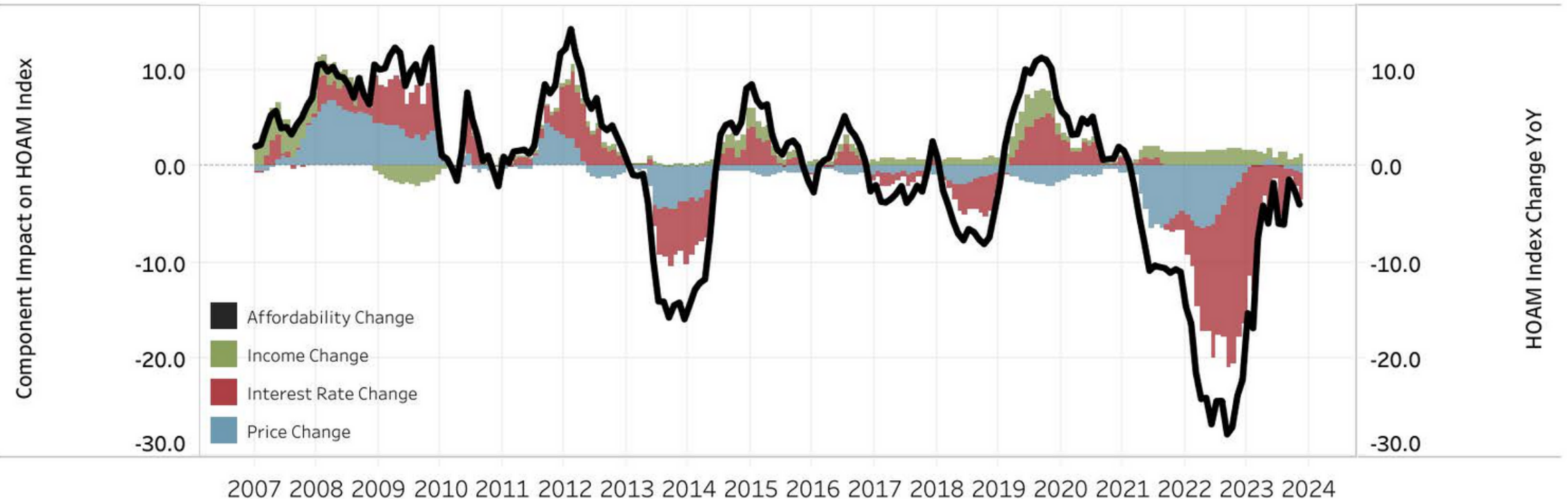


**February 2020**  
**HOAM Index: 106.7**  
 (Change in Affordability YoY = 5.1%)

Median Home Price: **\$264,833**  
 Median Income: **\$65,868**  
 Interest Rate: **3.5%**  
 Median Monthly P&I: **\$1,066**  
 Total Med. Monthly Payment (P&I, Taxes, Insurance, PMI): **\$1,544**  
 Annual Total Payment Share of Med. Income: **28.1%**

## Drivers of Affordability

Note: Tracks actual and not percent change. Does not sum to change in index as other components (such as taxes, insurance, or PMI) are not included.



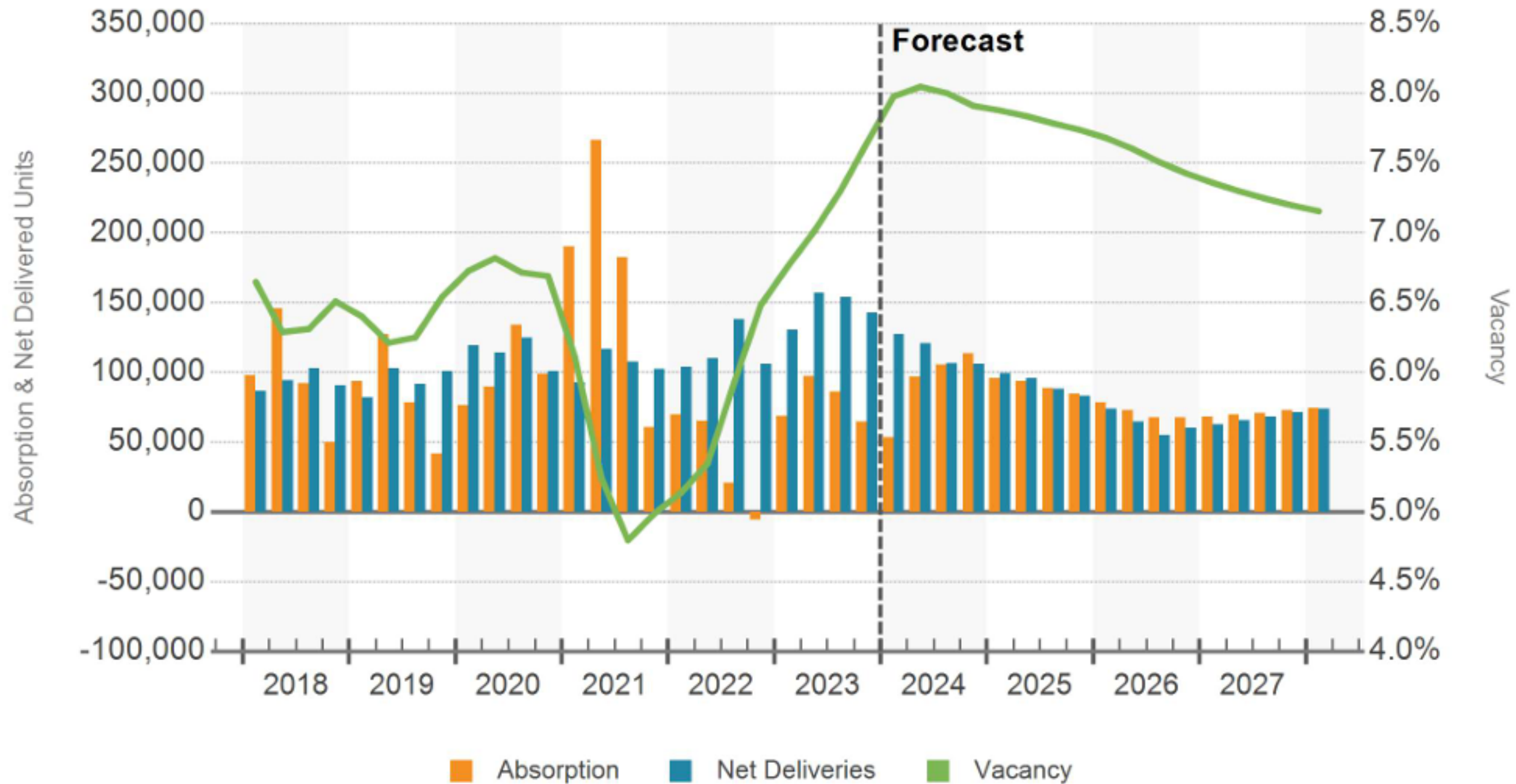
**November 2023**  
**HOAM Index: 68.4**  
 (Change in Affordability YoY = -5.4%)

Median Home Price: **\$362,667**  
 Median Income: **\$77,451**  
 Interest Rate: **7.4%**  
 Median Monthly P&I: **\$2,269**  
 Total Med. Monthly Payment (P&I, Taxes, Insurance, PMI): **\$2,831**  
 Annual Total Payment Share of Med. Income: **43.9%**



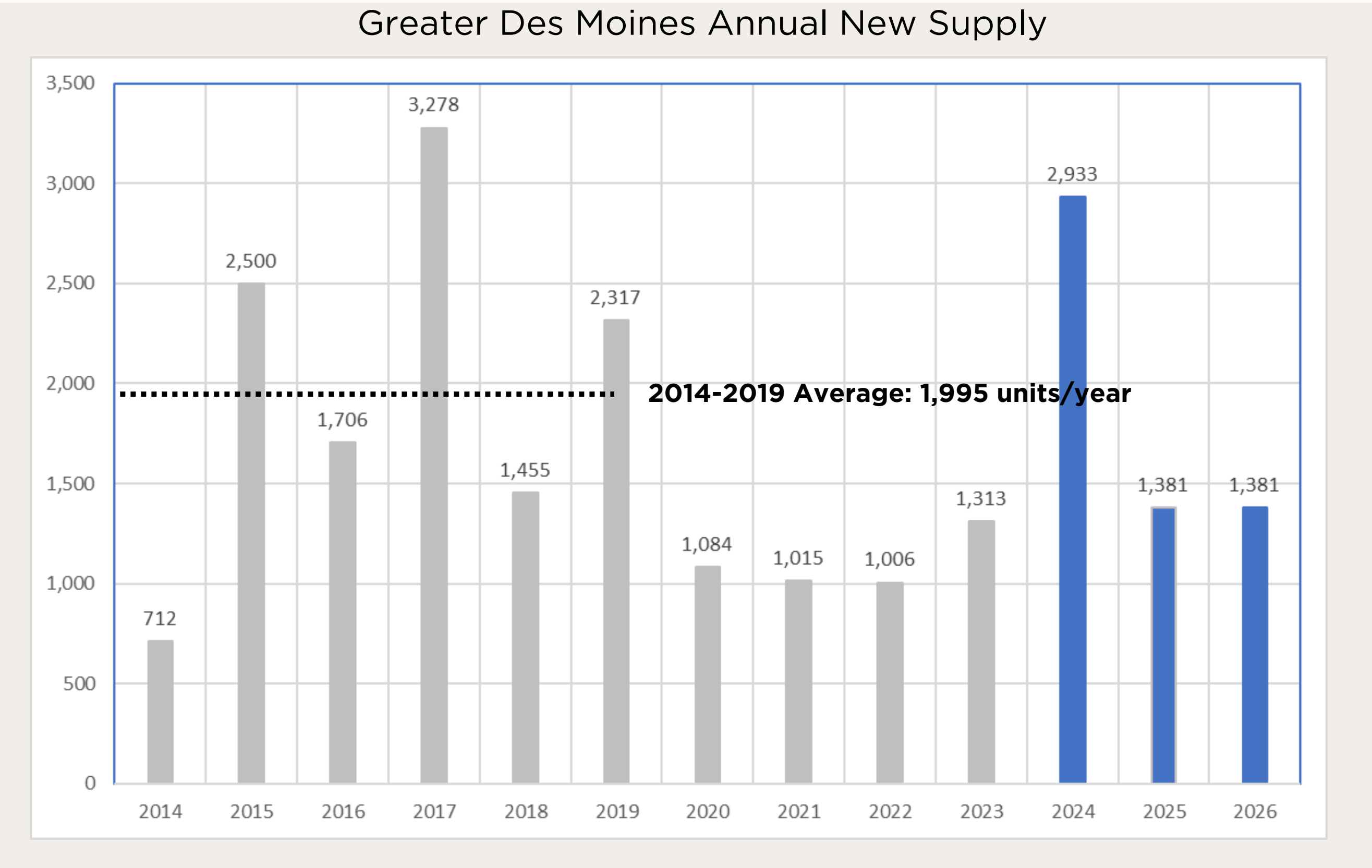
# NATIONAL MULTIFAMILY SPACE MARKET FUNDAMENTALS

ABSORPTION, NET DELIVERIES & VACANCY



Source: CoStar

# WHAT DOES THIS MEAN FOR DES MOINES?



SOURCE: CBRE

# WHAT DOES THIS MEAN FOR DES MOINES?

## DELIVERIES BY SUBMARKET\* *Under Construction*

	RENT	CURRENT INVENTORY	UNDER CONSTRUCTION	PIPELINE	TOTAL NEW	NEW SUPPLY (% OF INVENTORY)
<b>Ankeny</b>	\$1,182	5,747	200	479	679	12%
<b>CBD</b>	\$1,265	4,804	503	913	1,416	29%
<b>DSM WEST/ WINDSOR HEIGHTS</b>	\$905	946	0	105	105	11%
<b>WEST DES MOINES</b>	\$1,121	11,367	593	794	1,387	12%
<b>WAUKEE</b>	\$1,340	3,175	1,521	180	1,701	54%
<b>GRIMES/JOHNSTON</b>	\$1,229	3,564	116	0	116	3%
<b>URBANDALE/CLIVE</b>	\$981	2,800	0	291	291	10%

\*Source: CBRE

BUILD FOR RENT/SINGLE FAMILY RENTAL

## **ANKENY**

**AVERAGE RENT: \$1,554**

**AVERAGE OCCUPANCY: 99.3%**

**MARKET RENT GROWTH: 4.54%**

**NOI GROWTH: 0.32%**

**RETENTION: 60%**

## **WEST SIDE**

**AVERAGE RENT: \$1,733**

**AVERAGE OCCUPANCY: 98.5%**

**MARKET RENT GROWTH: 4.76%**

**NOI GROWTH: 2.49%**

**RETENTION: 68%**

# BY THE NUMBERS

- 26 new persons per day to DSM MSA = 9,490 annually\*
- As of February 19, 2024 in the Waukee School District:
  - 397 single family homes for sale
    - 4 homes under \$300k
    - Median list price: \$524k
  - 131 townhomes for sale
    - 13 townhomes under \$250k
- Rent vs. Own:
  - Own:
    - Purchase Price: \$250k
    - Down Payment: \$50k
    - Loan: \$200k
    - Estimated Payment (PITI): **\$1,680**
  - Own:
    - Median List Price: \$317k
    - Down Payment: \$63.4k
    - Loan: \$253.6k
    - Estimated Payment (PITI): **\$2,050**
  - Rent: Average townhome product on westside: **\$1,733**

\*Source: Greater DSM Partnership

# 2024 FORECAST

- CONTINUED DEMAND FOR RENTAL UNITS - BOTH TRADITIONAL APARTMENTS AND BFR/SFR
- REDUCED SUPPLY PIPELINE DUE TO HIGH INTEREST RATES AND LACK OF EQUITY/DEBT CAPITAL CHASING DEVELOPMENT
- SLOWER RENT GROWTH IN APARTMENTS; NOI AUGMENTED BY CLOSING GAP IN LOSS-TO-LEASE
- UPSIDE IN MARKET RENTS IN THE BFR/SFR SPACE DUE TO FRAGMENTED MARKET AND HIGH REPRODUCTION COST
- SOFTNESS IN THE WAUKEE APARTMENT MARKET GIVEN INFLUX OF NEW SUPPLY