

# 2005

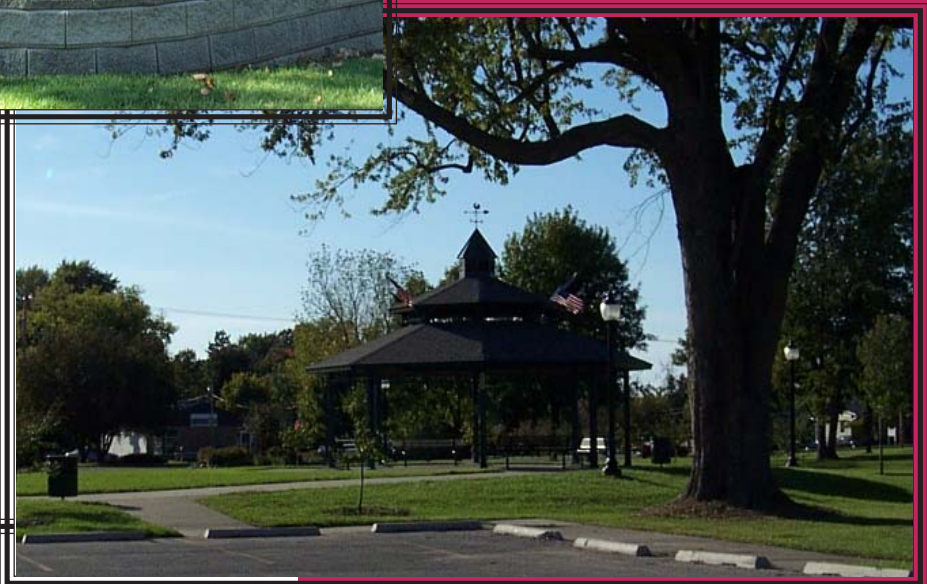
## Iowa City Area Apartment Rent Survey



Iowa City



Coralville



North Liberty

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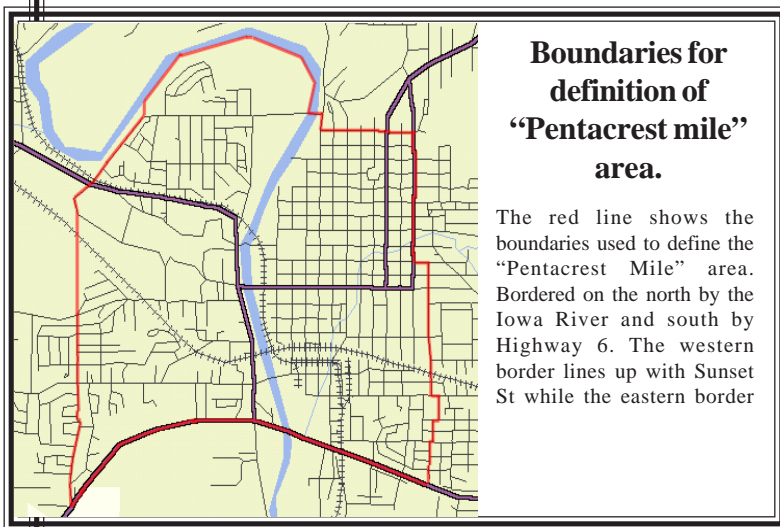
**PURPOSE** – This survey was created in 1992 to provide valuable information on the rental market in Johnson County. We greatly appreciate all the owners and managers who have contributed to the survey over the years. It is your assistance that makes this possible. We Thank You.

**OVERVIEW**-For over ten years, we have been compiling statistics regarding trends in the local multi-family housing market. The time involved with completing a study such as this is extensive, therefore we have been completing the study every two years.

In the past we have been able to maintain a relatively consistent core group of apartments, however this year we have changed our strategy. The criteria for this year's new core is rent information obtained for 2003 and 2005. It is important to note here that our 2003 core used in this survey is not the same as the 2003 core used in our last survey. This approach includes more newer units than previously allowed.

In this years report, this core group consists of 4,939 units located throughout Iowa City, Coralville, and North Liberty. We also collected information from Tiffin, but the number of respondents was too small to include in this study. In this core all of the units were constructed since the 1960's, with the exception of three buildings with a total of 45 units, built from 1920 to 1930 and one building with of 65 units built in 1956. Of the core units 48% were built in the 1960's, 16% in the 1970's, 14% in the 1980's 13% in the 1990's and 7% were built since 2000 (with the remaining 2% being built prior to 1960)

We have made an effort to adjust for owner paid utilities. Typically, units built prior to 1980 have owner paid heat, water and trash while the tenant pays electric, including air conditioning. Units built prior to 1990 typically include owner paid water and trash only. With units built since that time owners are passing utility costs onto the tenants including water, electric and heat. The rents used to calculate the averages have been adjusted in the case of owner paid utilities.



### Boundaries for definition of "Pentacrest mile" area.

The red line shows the boundaries used to define the "Pentacrest Mile" area. Bordered on the north by the Iowa River and south by Highway 6. The western border lines up with Sunset St while the eastern border

In addition to dividing the information into rents by unit type (1BR, 2BR, 3BR and 4+BR units), we have also segregated the information based on location. We have identified four zones. The Zone 1 location has historically been within one mile of the Pentacrest. This includes the original state capital and this area dovetails with the downtown business district. The second zone is the rest of Iowa City. The third zone is Coralville and the fourth is North Liberty.

**BUILDING PERMITS**- One concern of property managers was a glut of construction, we have researched building permits to get an accurate assessment of how much building there has actually been.

From 1999 to 2000 units built in Iowa City increased by 75% and construction of multi-family buildings more than tripled in Coralville. These kinds of figures increased or kept at a similar pace through 2002, but tapered off in 2003. 2003 units looks like the highest year for Iowa City, but The Lodge registered for a building permit for 201 units at the end of the year. Since that time construction has dropped; the projected 2005 rate for Iowa City is 104 units and construction of multi-family buildings in Coralville has slowed markedly.

In North Liberty the projected estimate for 2005 is around 100 units, if construction continues at its current pace. While this is well short of 2004 totals, it is still four times greater than the 2001 rate.

Iowa City Buildings Units			Coralville Buildings Units			North Liberty Buildings Units		
1995	15	166	1999	7	127	2000	0	0
1996	19	218	2000	22	164	2001	4	25
1997	24	185	2001	20	185	2002	15	88
1998	15	97	2002	20	133	2003	10	84
1999	13	152	2003	7	52	2004	17	188
2000	22	267	2004	3	8	YTD 9-2005	6	72
2001	24	310	YTD 9-2005	4	18			
2002	38	402						
2003	31	486						
2004	24	220						
YTD 9-2005	12	78						

**QUESTIONNAIRE**-This year 27 of our 54 respondents returned the optional questionnaire in regards to vacancy rates.

Many stated that vacancies still continue to be an issue. The low interest rates and increased construction of multi-family units in the area are concerns expressed by managers. Those that are struggling with vacancy issues see these trends continuing until interest rates rise.

The offering of concessions or incentives to help in renting units has become a common practice. One or two months of free rent has been a frequent concession. Some stated that they now allow pets, while others offer a free parking space or garage. Some managers have been freezing rents for current tenants or not raising rents at all. While location is still the driving force for renters, particularly student renters, tenants have come to expect new floor coverings, or new appliances.

# RESULTS

**VACANCIES**-It is clear that Coralville is still suffering from more than its fair share of vacancies. Coralville's vacancy rate shows the impact of low interest rates on non-student oriented rental units. Another important figure to notice is that 2-bedroom units make up roughly 64% of our core, but almost 80% of our total vacancies. Clearly there is an overabundance of 2-bedroom units. North Liberty is currently better than Coralville. When examining vacancies by bedroom, rates in the larger units remain very low. However 3 bedroom units have shown the only increase in vacancy by unit type. We believe that this is attributed to the age of some of these units. It is in the 1-bedroom units that we see the most dramatic decrease in vacancies dropping to 1.64%. If we were to presume that singles or two-person households are commonly renting 2 bedroom units, then this would lend some explanation to the higher vacancy rates in those unit types and the belief that those tenants have chosen to buy instead of rent due to the low interest rates.

## Unit Distribution vs Vacancy Distribution

	Units		Vacancies	
	Units	%	Vacancies	%
Pentacrest (Zone 1)	1752	38.61%	35	19.44%
Non-Pentacrest (Zone 2)	1455	32.06%	65	36.11%
Coralville (Zone 3)	1145	25.23%	73	40.56%
North Liberty (Zone 4)	186	4.10%	7	3.89%
1-Bedroom	1158	25.52%	19	10.56%
2-Bedroom	2888	63.64%	141	78.33%
3-Bedroom	397	8.75%	20	11.11%
4-Bedroom	95	2.09%	0	0.00%

**RENTS**-Average rent by zones increased in 2005 (from 2003) with the exceptions of zone 2 Iowa City and North Liberty. Zone 1 rent averages saw the most change, going up 4.04%. The opposite could be said for zone 2 Iowa City. These modest changes are similar to changes in our former core, indicating a relatively similar market over the past 3 years. In bedroom type we see that confidence has continued to increase in the rent and leasability of the larger 3 and 4 bedroom units. In contrast, the 1 and 2-bedroom units rent decreased by about 1%. We expect rents to continue to decline in 2-bedroom units since vacancies are most prevalent there, but 1-bedrooms will likely begin to rise since there have been so little vacancies.

## Average Vacancy by Zone and Bedroom - New Core

	2003	2005	% change
Pentacrest (Zone 1)	2.29%	2.00%	-0.29%
Non-Pentacrest (Zone 2)	4.18%	4.47%	0.29%
All Iowa City (Zone 1 & 2)	3.20%	3.12%	-0.08%
Coralville (Zone 3)	7.04%	6.38%	-0.66%
North Liberty (Zone 4)	9.09%	3.76%	-5.33%
1 Bedroom	5.87%	1.64%	-4.23%
2 Bedroom	5.84%	4.88%	-0.96%
3 Bedroom	2.31%	5.04%	2.73%
4+ Bedroom	1.30%	0.00%	-1.30%

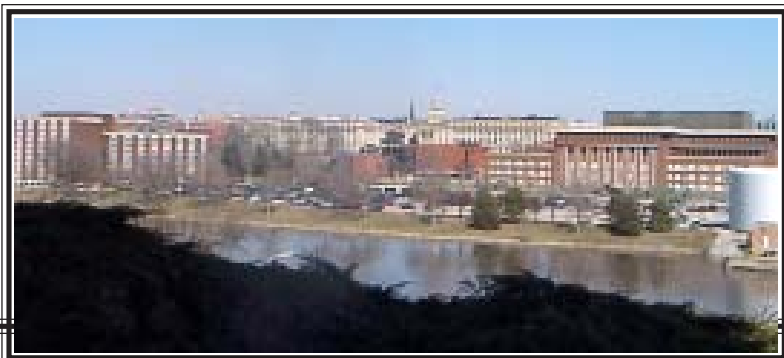
**SUMMARY**-The total number of units within this year's core is 4,939. However, the total number of units responding with 2005 rent and vacancy information was 6,210. By completing a brief analysis using all of the 6,210 units, it appears that rents increased slightly more than is indicated by our core apartment units. Likewise, when we look beyond the core we see a similar situation with vacancies being slightly higher.

Finally, interest rates have been slowly but steadily climbing, and by examining building permits, we see that throughout the area new construction has begun to slow down. The major exception is the construction of several buildings by Apartments Downtown on Gilbert Street, which will consist of approximately 100 4 and 5-bedroom units in a prime downtown location. Combined with the current high vacancies at the Lodge, we predict that the 4-bedroom vacancies in these types of units should begin to increase. We expect vacancies and rents to flatten for the next 2 to 4 years as these new units (including the Lodge and the new buildings on Gilbert Street,) become absorbed into the market.

We want to make a note regarding the University of Iowa and Kirkwood College. The University predicts that its enrollment will remain relatively flat, growing no more than .45% in total over the next 10 years. Kirkwood College in Iowa City has seen rapid growth, but increases have begun to slow. Kirkwood's increases are especially relevant to the apartment market because they have no student housing.

## Average Rent by Zone and Bedroom - New Core

	2003	2005	% change
Pentacrest (Zone 1)	\$718	\$747	4.04%
Non-Pentacrest (Zone 2)	\$696	\$684	-1.72%
All Iowa City (Zone 1 & 2)	\$711	\$727	2.25%
Coralville (Zone 3)	\$557	\$562	0.90%
North Liberty (Zone 4)	\$568	\$567	-0.18%
1 Bedroom	\$482	\$480	-0.41%
2 Bedroom	\$656	\$644	-1.82%
3 Bedroom	\$927	\$971	4.75%
4+ Bedroom	\$1,310	\$1,309	-0.08%



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