

Iowa City Area Apartment Rent Survey

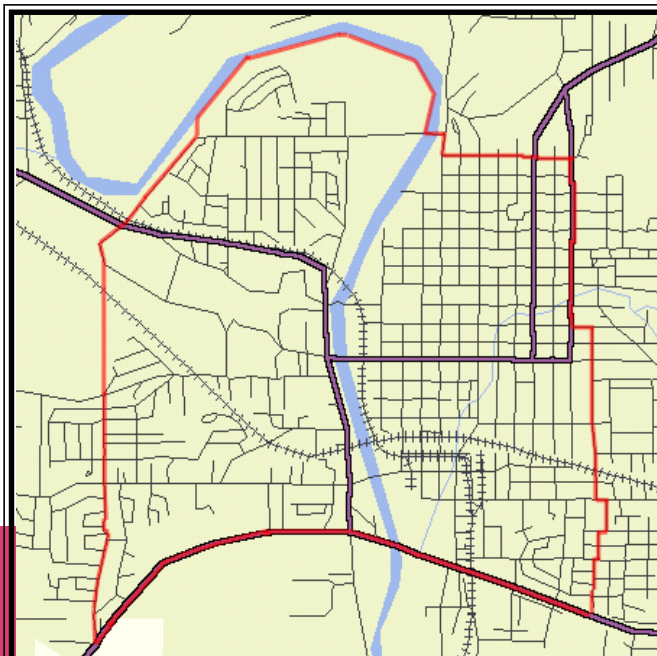
PURPOSE – This survey was created to provide usable and valuable information on rental markets in the Iowa City area. It began in 1992 and has been conducted once a year. We greatly appreciate all the owners and managers who have contributed to the survey over the years. It is your assistance that makes this survey possible.

OVERVIEW- For the past eight years, we have been compiling statistics regarding trends in the local multi-family rental markets. Data used in this study is from the years 1998, 1999, and 2001. In March of 2001, we surveyed 4,233 units. The focus of this survey was on projects with more than 10 units which are professionally managed and privately owned. The vacancy patterns tend to follow the patterns of the school year. All of the units are rented on a 12 month basis beginning in August. New leasing for August typically begins in March of the current year.

In order to get a consistent comparison, we selected a core group of apartments where we have been able to get information for at least a three year period. As a result, new units, especially four bedroom units tend to be underrepresented on this list. This core group consists of 2,266 units located throughout Iowa City and Coralville. All of the units were constructed during or after 1965 (with the exception of one complex consisting of 17 units built in 1930). Eleven complexes in the core were built in the 1960's, four were built in the 1970's, four in the 1980's, and seven in the 1990's.

We have also made an effort to adjust for owner paid utilities. Typically, units built prior to 1980 have owner paid heat and water while the tenant pays electric- including air conditioning. Units built prior to 1990 typically include owner paid water and trash only. Units built since that time are increasingly passing all utility costs onto the tenants including water, electric and heat. The rents shown are therefore, the amount that the owner receives with the tenant paying all utilities.

In addition to dividing this information into rents by unit type (1 bedroom, 2 bedroom, 3 bedroom, and 4 bedroom), we have also segregated the information based on location. We have identified three locations. The prime location has historically been within one mile of the Pentacrest. The Pentacrest is the original five buildings which made up the University of Iowa's central campus, and includes the original state capital. This area dovetails with the downtown business district. The map below identifies in red, the boundaries we have defined for the "Pentacrest Mile". The second geographic area is the rest of Iowa City. The third area includes Coralville. North Liberty is the fourth, but includes only a small part of the sample since it is only in the past few years that significant multi-family development has occurred in this area. Many of these projects are part of a mixed commercial and residential project.



Boundaries for definition of "Pentacrest mile" area.

Commencing at the intersection of Dubuque Street and Brown Street the line runs eastward along Brown Street to its intersection with Governor Street. The line continues southward along Governor Street to Washington Street where it turns eastward to intersect with Summit Street. Then, southward down Summit Street to Kirkwood Avenue, the line turns eastward along Kirkwood until Howell Street. South on Howell to Ginter Avenue where it proceeds westward to Lukirk Street. South on Lukirk to Highland Avenue, west for a short distance to Crescent Street where it runs south to its termination. Then, continuing on to intersect with State Highway Six.

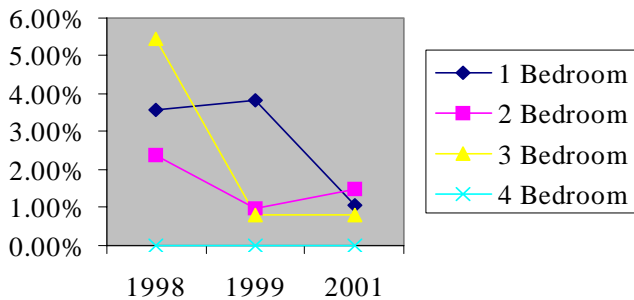
From State Highway Six, the line proceeds westward along Highway Six to the intersection of Highway Six and State Highway One. Then, along Highway One, proceeding westward to Sunset Street. Running generally northward along Sunset Street, the line continues northward at the end of Sunset Street at Melrose Avenue. The line continues across the Iowa Interstate Railroad to join up with Hawkins Drive. From the intersection of Hawkins Drive and State Highway Six the line runs north by northeasterly along Rocky Shore Road and the Iowa River.

The line continues along the Iowa River around City Park to the intersection of the Iowa River and Rocky Shore Road. The line runs easterly down Rocky Shore Road to intersect with Dubuque Street, then runs south to intersect with the commencement point at the intersection of Dubuque Street and Brown Street.

RESULTS

VACANCIES- Vacancy rates overall decreased or stayed the same for all of the areas of our survey from 1999 to the current study. For vacancies however, the information is less reliable. The preponderance of vacancies were found in a small number of complexes. It is not unusual when a market softens for the most marginal projects to suffer most. This may be a problem with management, location or the amenities of the complex itself in relation to the market as a whole. Three bedroom apartments are showing a marked decrease in vacancy since 1998. The vacancy rate in one bedroom apartments fell to 1.05% in 2001. The highest vacancy rate by unit type are two bedroom units at 1.48%. This year has seen decreases in vacancy rates for units outside of the Pentacrest mile, and there has been no need for those areas to offer extra incentives.

Average Vacancy Rates by Bedroom



RENT- When comparing the 2001 rent averages to the 1999 rent averages in all zones, rent generally increased by approximately \$20.00 from 1999 (or \$10 per year). As well, in 1999 rent increased slightly in all zones. The two years prior to 1999 saw very little increase over the 1996 rent levels. Increases in the Coralville area (Zone 3) in 2001 were the sharpest, up 4.03% since 1999. Typically, Coralville rents have generally been lower than the Pentacrest area and the rest of Iowa City. With the surge of activity in Coralville in the past couple of years, this may be changing as demand for housing in Coralville increases. From 1999 to 2001, the 2 bedroom apartment showed the largest increase up 4.19% in the two years for the entire survey area. The 4 bedroom units were close behind increasing by 3.99% since 1999.

Vacancy by Zone and Bedroom

	1998	1999	2001
Pentacrest (Zone 1)	0.50%	0.00%	0.00%
Non-Pentacrest (Zone 2)	6.17%	3.74%	2.51%
All Iowa City (Zone 1 & 2)	3.86%	2.27%	1.49%
Coralville (Zone 3)	1.01%	1.50%	0.89%
1 Bedroom	3.59%	3.85%	1.05%
2 Bedroom	2.40%	1.00%	1.48%
3 Bedroom	5.43%	0.80%	0.81%
4 Bedroom	0.00%	0.00%	0.00%

SUMMARY- In general, rents continue to increase across all areas, and increases are likely in the future considering the circumstances in regard to property taxes and gas prices. As well, it seems that the historically lower Coralville rents will continue to rise and eventually reach and maintain rates comparable to those rents in Iowa City. It seems that the Coral Ridge Mall has had a positive impact on the Coralville area's rental market. The strength of the current economy seems to have pushed the vacancy rates lower than this 5% equilibrium for all of the Iowa City and Coralville market. Besides the zero percent vacancy in the Pentacrest area, Coralville units have the second lowest vacancy rates. Most market analysts would concur that a market with vacancy factors of 5% or less is near equilibrium. Vacancies as a whole for the downtown Zone 1 are not likely to exceed 1.5% for the next two years. Vacancies for Zone 2 are not expected to exceed 5%, and Coralville's vacancies are not expected to exceed 3% for the next two years.

Average Rent by Zone and Bedroom

	1998	1999	2001
Pentacrest (Zone 1)	\$ 542.00	\$ 550.13	\$ 570.38
Non-Pentacrest (Zone 2)	\$ 470.08	\$ 478.78	\$ 497.20
All Iowa City (Zone 1 & 2)	\$ 499.34	\$ 506.77	\$ 525.67
Coralville (Zone 3)	\$ 460.69	\$ 467.06	\$ 485.89
1 Bedroom	\$ 376.37	\$ 378.22	\$ 389.34
2 Bedroom	\$ 493.45	\$ 501.75	\$ 522.75
3 Bedroom	\$ 737.64	\$ 761.72	\$ 786.27
4 Bedroom	\$1,001.47	\$1,040.78	\$1,082.37



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