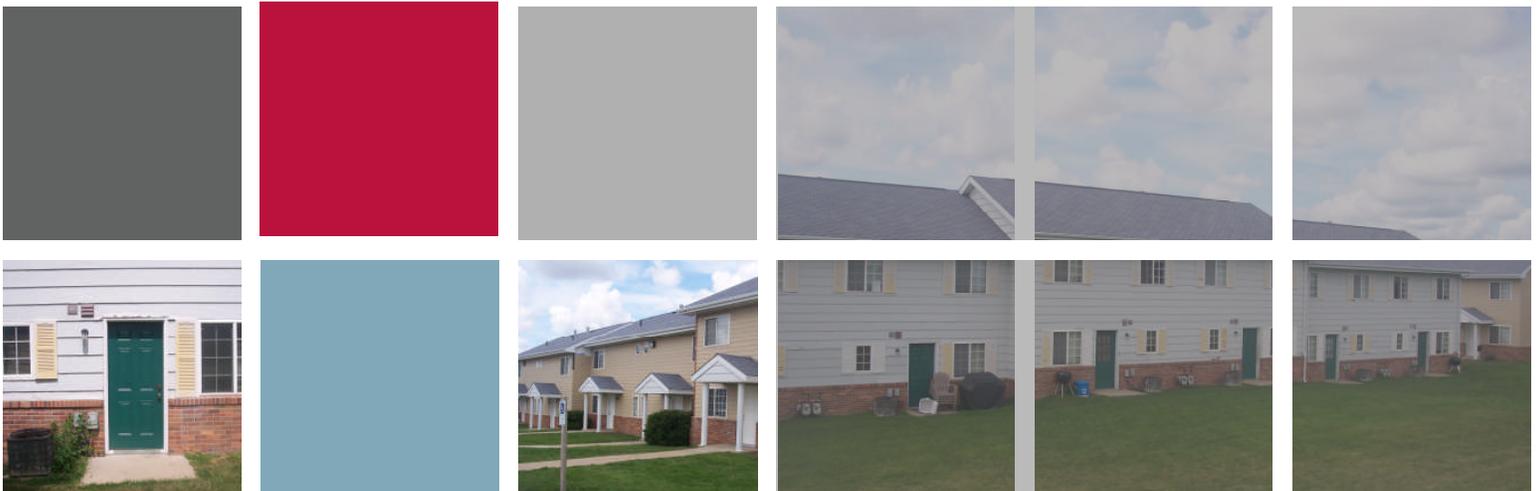
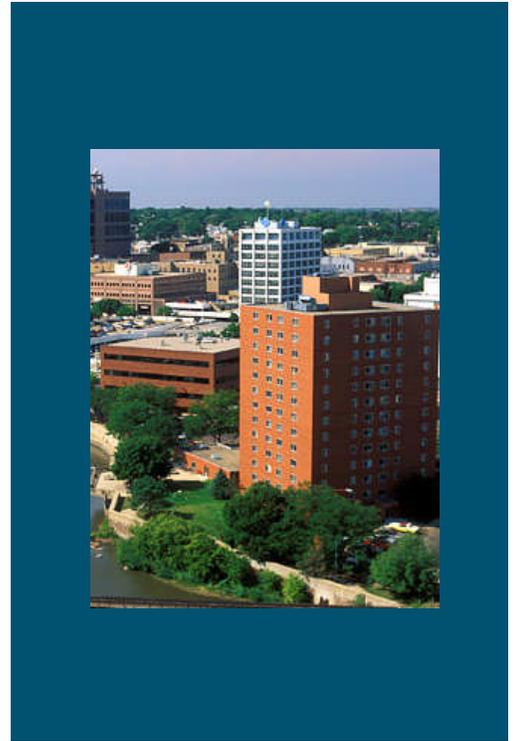


# NAI Sioux Falls

Multi-Family Report | 2010 Overview



**NAI** Sioux Falls

Commercial Real Estate Services, Worldwide.  
Local Knowledge - Global Reach

101 N. Main Avenue  
Suite 213  
Sioux Falls, SD  
P: 605.357.7100  
F: 605.357.7102

[www.naisiouxfalls.com](http://www.naisiouxfalls.com)

**\*\*In 2010 NAI Sioux Falls was voted Top Commercial Real Estate Company, Sioux Falls Business Journal\*\***

# Multi-Family



## TRENDS

### VACANCY RATE



### APARTMENT DEMAND



### ASKING RENTS



## OVERVIEW

Sales of multi-family properties proved to be one of the better segments of the market for 2010. Less volatile vacancy rates compared to office, retail, and industrial properties, coupled with significantly easier access to debt financing were the main demand drivers.

### Vacancies

According to the South Dakota Multi-housing Association's most recent survey, apartment vacancy rates dropped from 11.05% in July 2010, to 7.87% in January 2011. Two main events account for this drop in vacancy. First, expiration of the homebuyer's tax credit program stopped the increase in vacancies that was caused when many renters became home buyers. Second, increased optimism with the economy has led to stronger apartment demand as more young workers, now more confident in their jobs, entered the apartment rental market. Economist Peter Lindemann echoed this point at a recent NAI convention indicating, "Nationwide there is significant pent up demand for apartments." Given the significant recent reduction of vacancies and strong summer rental market almost upon us, we are projecting that multi-family vacancy rates could fall to 5 - 6% by end of year 2011.

### Investor Demand/Cap Rates

Investor demand remained strong in Sioux Falls as local, regional, and national investors seem to like the stability of our market and our somewhat higher yields.

Locally, cap rates for 2010 closed multifamily transactions ranged between 7.5% - 10.25%. For 2011 and beyond, we see cap rates moving higher as interest rates increase and sellers of older properties become more motivated and realistic in their asking prices.

### BUILDING PERMIT DATA

Multi-family construction was 232 units in 2010 relative to 539 units constructed in 2009.

### FORECAST

We expect to see strong investor demand for properly priced existing properties and also expect an increase in new construction activity. Four of five apartment developers, we surveyed, indicated they have plans to build in 2011.

NAI Sioux Falls' annual market update is a comprehensive report designed to provide you with an accurate, objective representation of the local commercial real estate climate.

We have drawn on our resources, expertise and supporting data to compile this detailed snapshot of the local market. The multi-family market statistics have been extracted from our internal database, with up-to-date information supplied by our brokerage and management staff.



Jeff Brooks  
Broker Associate

Cell: 605.261.2215  
jbrooks@naisiouxfalls.com



Mike Orr  
Broker Associate

Cell: 605.370.9951  
morr@naisiouxfalls.com

## AVERAGE RENTAL RATES: \*Source: South Dakota Multi-Housing Association

Average Rental Rates	1 bedroom	2 bedroom	3 bedroom
Conventional	\$506	\$795	\$825
Tax Credit	\$533	\$599	\$715
HUD	\$614	\$693	\$946

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### NOTABLE MULTI-FAMILY SALE TRANSACTIONS

PROPERTY	SALE PRICE	SALE DATE	UNITS	PRICE/UNIT
LaVerne LaVilla Apartments	\$2,700,000	November 2010	51 Units	\$52,941.18
Tower of David Apartments	\$2,275,000	February 2010	80 Units	\$28,437.50
Sherman Park Apartments	\$1,675,638	September 2020	30 Units	\$55,854.60
Richmond Townhomes	\$1,049,000	May 2010	22 Units	\$47,681.82
Cedar House Apartments	\$951,603	September 2010	24 Units	\$39,650.13

Source: Minnehaha County/Local Appraisers



### SIGNIFICANT SALE LaVerne LaVilla Apartments

- One & two bedroom units
- Elevator and wheelchair accessibility
- Hot water heat and central air
- Tenant pays electricity, cable and phones
- Landlord pays heat, water, sewer, trash, snow removal and lawn care
- Detached garages

### Vacancy Rates



If you are interested in either buying or selling a multi-family property, please call Jeff or Mike at (605) 357-7100 or e-mail at [jbrooks@naisiouxfalls.com](mailto:jbrooks@naisiouxfalls.com) or [morr@naisiouxfalls.com](mailto:morr@naisiouxfalls.com). Please visit our website at [www.siouxfallscommerical.com](http://www.siouxfallscommerical.com) for further information and a list of our current multi-family property listings.