Des Moines Multifamily Vacancy Rate Rises to 9.2%: What Investors Need to Know

The Des Moines multifamily market is showing signs of cooling after years of strong performance. Vacancy rates have climbed from a historically low 6.1% in 2022 to 9.2% in 2025, raising concerns among property owners and investors. While the increase may seem alarming on the surface, understanding the factors behind this shift, and how to respond, can help investors protect cash flow and long-term value.

Why Vacancy Rates Are Rising?

Surge in New Construction - Des Moines has seen a significant increase in multifamily development, particularly in the downtown and suburban core. Units that broke ground during the low-interest boom of 2021–2022 are now hitting the market, increasing supply faster than demand is growing.

Slower Population Growth - While Des Moines has generally benefited from positive immigration and a stable economy, recent trends show a slight deceleration in population growth. Remote work flexibility and rising housing costs may be pushing some renters toward smaller towns or out of state.

Affordability Pressures - Rent growth outpaced wage growth in many parts of Des Moines over the past few years. As affordability becomes more strained, some renters are consolidating households or opting for more cost-effective housing options.

Economic Uncertainty - Inflation, rising interest rates, and broader economic concerns are causing some households to delay household formation or opt for temporary living situations with friends or family. The result: fewer renters in the market at a time of growing supply.

What This Means for Multifamily Investors

Cash Flow Pressure - Higher vacancy means less rental income and higher turnover costs. If your expenses, especially debt service, taxes and insurance, remain constant or increase, your margins can quickly erode.

Greater Tenant Competition - Renters now have more options. Class A and newer properties are offering generous concessions, making it harder for older or less-amenitized buildings to compete without price reductions or upgrades.

Valuation Adjustments - Appraisers and potential buyers will take rising vacancy into account. Cap rates may adjust upward, which can lower property values—especially for those with stagnant or declining net operating income.

Tougher Financing - Lenders are more cautious. Rising vacancy and falling DSCRs (debt service coverage ratios) can make refinancing or acquiring new loans more difficult or expensive.

What Investors Should Do Now

Focus on Retention - It's far cheaper to keep a tenant than to find a new one. Offer early renewal incentives, improve communication, and address maintenance issues promptly. Retention is the first line of defense against rising vacancy.

Reevaluate Pricing and Concessions - Stay competitive. Use market comps and leasing data to adjust rents if needed. A small rent reduction or a short-term concession can prevent months of vacancy.

Upgrade Strategically - Target low-cost, high-impact upgrades—like modern fixtures, new paint, or smart home features—that make units more attractive without overcapitalizing. You can also consider value-add plays like adding covered parking, in-unit laundry, or pet rent. Even small additions to monthly income can help offset higher vacancy

Watch Your Operating Expenses - In a tighter rental market, reducing expenses becomes just as important as maintaining income. Review contracts, insurance, and utility usage for opportunities to save.

Reassess Your Hold Strategy - If you're planning to sell within 12–24 months, understand how market changes affect your valuation. You may want to invest in stabilization now to position for a stronger exit later.

While a 9.2% vacancy rate signals a shift, it doesn't spell doom. Des Moines remains a stable, growing market with solid fundamentals in the long run. This current softening phase is a natural part of the real estate cycle—and it offers savvy investors a chance to strengthen operations, acquire at a discount, or reposition for the next upswing.

If you're unsure how your property stacks up in the current market or want to run new financial projections based on today's data, reach out. Understanding your position now could mean better performance tomorrow.