Why Des Moines?

James Chung
October 2018
Why Des Moines?

Des Moines, Iowa: How America's Dullest City Got Cool - POLITICO
Jan 21, 2018 - To make Des Moines hip, civic leaders did something almost unheard of.

Living & Working in Des Moines, Iowa | US News Best Places to Live
https://realestate.usnews.com/places/.../des-moines
The capital of this so-called flyover state may not top your to-visit list, but Des Moines is a great place to live and raise a family. Elegant colonial and Tudor-style...
Des Moines, Iowa Photos · Job Market · Crime · Schools

Des Moines, Iowa - Wikipedia
Des Moines, Iowa ... It was incorporated on September 22, 1851, as Fort Des Moines, which was shortened to "Des Moines" in 1857. It is named and named after the Des Moines River, which likely was adapted from the French colonial name, Rivière des Moines, meaning "River of the Monks".
History · Geography · Demographics · Culture

21 Things You Need To Know About Des Moines Before You Move ...
https://www.movoto.com/blog/opinions/moving-to-des-moines/
May 21, 2014 - With a thriving downtown, a bike race to end all bike races, and a football rivalry that turns brother against brother, Des Moines is no ordinary...

Des Moines, Iowa Is Actually Cool | HuffPost
https://www.huffingtonpost.com/.../des-moines-iowa-is-actually-cool_us_593782e4e4...
Oct 6, 2017 - Who knew though? I certainly didn't. After all, I only came here in 2012 for a girl (who dumped me a month later) All I know of Des Moines ...

Des Moines, Iowa among top places to live, U.S. News says
Apr 10, 2018 - U.S. News & World Report ranked Des Moines fourth in its Best Places rankings released Tuesday — which analyzed 123 metric areas in the...
Des Moines GDP grows faster than average Central US comps

Des Moines real GDP +36.6% since 2010

Source: Bureau of Economic Analysis, U.S. Department of Commerce/Reach Advisors analysis
DSM productivity higher overall and faster-growing

Source: Bureau of Economic Analysis, U.S. Department of Commerce/Reach Advisors analysis
Better off in DSM vs. Central US comp cities...

Average annual HHI
$11,000 higher

Average home value
$52,000 more

Average net worth
$80,000 higher

Source: StratoDem Analytics/Reach Advisors analysis
Des Moines

LOOK WHO’S TALKING ABOUT GREATER DES MOINES

#1 “WEALTHIEST CITY IN AMERICA” - NBC’s TODAY Show, 2014

#2 “BEST PLACES FOR BUSINESS AND CAREERS” - Forbes, 2014

#1 “UP AND COMING DOWNTOWN” - Fortune, 2014

#1 “STRONGEST LOCAL ECONOMY” - Pollecon Corporation, 2014

#1 “BEST MEDIUM-SIZED METRO AREA FOR HOMEOWNERSHIP” - NerdWallet, 2014

#2 “TOP 10 FARMERS’ MARKETS IN AMERICA” - Shape Magazine, 2014

#1 “BEST CITIES FOR NEW COLLEGE GRADS” - SmartAsset, 2015

#1 “PAYROLL TO POPULATION” - Gallup, 2015

#2 “TOP 10 U.S. CITIES TO LAND WORK” - NBC News, 2015

#2 “AMERICA’S TOP 5 UNDER-THE-RADAR TECH HUBS” - The SpareFoot Blog, 2014

#3 “AMERICA’S MOST LGBT

#2 “BEST CITIES TO START A BUSINESS”

#2 “BEST CITIES FOR JOBS”
Excited to be at the National Governors Association annual summer meeting! Des Moines is lovely. Who knew?

Like · Reply · 2y

I believe so!

Like · Reply · 2y

Write a reply...
People want to stay in DSM...unlike other places

I'd absolutely stay where I am

<table>
<thead>
<tr>
<th></th>
<th>Des Moines</th>
<th>A</th>
<th>B</th>
<th>C</th>
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<td></td>
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<td>35%</td>
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<td>29%</td>
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I’d love to leave / leaving now

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<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17%</td>
<td>22%</td>
<td>26%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Source: Reach Advisors survey of 5,000 adults in IA, KS, NE, and OK
People in DSM more optimistic about their city’s future, compared to other cities

"Very optimistic about future of city"

Des Moines: 41%
A: 38%
B: 35%
C: 26%

Source: Reach Advisors survey of 5,000 adults in IA, KS, NE, and OK
Why Des Moines?
Difference #1
Abundant labor market
Updated story of population growth: DSM still a winner

Source: Reach Advisors analysis of US Census Bureau, Population Estimates 2014

Omaha: 2,869
Des Moines: 32,042
St. Louis: -67,560
Little Rock: 7,215
Wichita: -18,452
Chicago: -479,482
Kansas City: 16,802
Minneapolis: 432
Milwaukee: -50,575
OKC: 71,409
Net domestic migration (newcomers - departures) 2010-2017
Des Moines rank:
#37 of 381 MSAs
#4 of 100 Central US comps

Source: U.S. Census Bureau American Community Survey/Reach Advisors analysis

Nashville: 126,142
Positive domestic migration has real dollar impact

**Des Moines 2015 to 2016**

Net gain:
2,020 households

Added aggregate AGI:
$110,886,000

**Comp city 2015 to 2016**

Net loss:
-778 households

Lost aggregate AGI:
-$67,764,000

Source: Internal Revenue Service/Reach Advisors analysis
Open jobs... hot economy

Source: U.S. Bureau of Labor Statistics
19,000 fewer adults compared to that city...

Population age 16+

City C: 490,966
Des Moines: 471,026

Source: U.S. Census Bureau American Community Survey/Reach Advisors analysis
...but 17,000 person larger labor force in DSM

Population age 16+ in labor force

City C: 325,019
Des Moines: 341,965

Source: U.S. Census Bureau American Community Survey/Reach Advisors analysis
Impact of deep labor force?

- Easier for businesses to grow
- Easier to attract new businesses
Difference #2
More college-educated workers
DSM: 26,000 more college-educated workers

Labor force educational attainment

- Less than high school graduate: 15,473 in Des Moines, 20,483 in Comp city
- High school graduate: 58,513 in Des Moines, 60,935 in Comp city
- Some college or associate's degree: 90,410 in Des Moines, 91,619 in Comp city
- Bachelor's degree or higher: 113,183 in Des Moines, 87,184 in Comp city

Source: U.S. Census Bureau American Community Survey/Reach Advisors analysis
Each 1% increase in college educational attainment adds $1,349 to a city’s median household income.
A better-educated city generates stronger pay for everyone.

Each 1% increase in college educational attainment boosts median wages for...

- College graduates by .4%
- Those with some college by 1.6%
- High school graduates by 1.6%
- High school dropouts by 1.9%
Difference #3
Mid-career talent strength
Des Moines: Younger adult population grew 4x faster than US.
Disproportionate attraction of college-educated mid-career adults

34% growth since 2010 (age 30-44)

Growth rate pop. age 30-44 with BA/BS+ since 2010

- US: 14.5%
- Des Moines: 33.9%

Source: U.S. Census Bureau American Community Survey/Reach Advisors analysis
Des Moines-West Des Moines, IA MSA

In 2018 the average household income in Des Moines is $92,879 (1.02x the US average of $91,245). Over the past five years, average household income has increased in this market by 13.8% (2.61% annualized) from $81,639. Average household income growth in this market has lagged behind the US rate by 0.00% per year over the past five years (US: 2.61% annualized). The StratoDem Analytics Engine forecasts that over the next five years, average household income in this market will increase by 8.4% (1.63% annualized) to $100,676, trailing US by 0.05% per year (US: 1.68% annualized).

**Age:** 69 years or younger
**HH income:** $100,000 or more

### MANAGE SEGMENT CARDS

Households with household income of $100,000+ by age
In 2018 the most common level of educational attainment in Des Moines is a HS degree with 234,162 people, making up 49.4% of the population (0.97x the US concentration of 50.9%). Over the past five years, the number of people in this segment in this market has increased by 9.8% (1.89% annualized) from 213,210 people. Growth for this segment in this market has outpaced the US rate by 0.99% per year over the past five years (US: 0.90% annualized). The StratoDem Analytics Engine forecasts that over the next five years, the population in this segment in this market will increase by 8.3% (1.60% annualized) to 253,498 people, outperforming US growth by 0.79% per year (US: 0.81% annualized).

**Age:** 49 years or younger

**Education:** A bachelor's degree or higher

### Population with educational attainment of a bachelor's degree or higher by age

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
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<tr>
<td>25 to 29</td>
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<td>30 to 34</td>
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<td>35 to 39</td>
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<td>40 to 44</td>
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<td>45 to 49</td>
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</tbody>
</table>

**Managing Segment Cards**
Difference #4
Outsized community investment
Civic investment
DSM downtown civic development: 5x more than some comp cities
DSM downtown
hotels in development:
10x comp cities
DSM downtown residential in development: 5x comp cities
DSM downtown commercial in development: 5x comp cities
DSM mega-projects: 5x comp cities

- Principal $400MM
- Apple $1.4BB
- Microsoft $3.5BB
- Facebook $3BB
Philanthropic investment
Community foundation assets

Assets (in millions of dollars)

- Wichita Community Foundation: 80
- Cedar Rapids Community Foundation: 149
- Grand Rapids Community Foundation: 331
- Des Moines Community Foundation: 545
Community foundation assets

Assets (in millions of dollars)

Wichita Community Foundation: 80
Cedar Rapids Community Foundation: 149
Grand Rapids Community Foundation: 331
Des Moines Community Foundation: 545
Omaha Community Foundation: 1,000
Three challenges

Significant shifts entering the next decade
Challenge #1

Young adult population growth slows
Growth in younger adult population starts to slow mid-decade

US pop. growth age 30 to 44

Source: U.S. Census Bureau American Community Survey/Reach Advisors analysis
Increasing battle with top markets
for smaller pool of top mid-career talent...
Challenge #2

Des Moines is a high beta economy
Digging deeper by applying financial portfolio-theory tools

Alphas and betas
High-beta economy (12.4% more cyclical)
High beta = strong recovery...

Des Moines outpacing more than ever...

Source: Bureau of Economic Analysis, U.S. Department of Commerce/Reach Advisors analysis
High beta = strong recovery... but also steeper declines

Des Moines outpacing more than ever...

Will regress toward the mean

Source: Bureau of Economic Analysis, U.S. Department of Commerce/Reach Advisors analysis
No alpha in the economy (0.0%)
Challenge #3

Disruptive innovation...

or putting more alpha into the economy
Will Des Moines rely on what’s worked in the past... or re-invent as the economy evolves?
In a city where 33% of the GDP driven by Financial / Insurance / Real Estate (FIRE industries)...
What happens when AI replaces...
Accountants, actuaries, agents, claims adjusters, customer service representatives, examiners and investigators, financial managers, loss control specialists, marketing managers, salespeople, underwriters...
The digital and algorithmic reality...
Another industry example of digital transformation...
Figure 6. Variable Importance

- Age
- Gender
- Drug use
- BMI
- Blood pressure
- Smoking status
- Alcohol per week
- Diabetes
- Cholesterol ratio
- Face amount (proxy)
- Total cholesterol
- Skin cancer
- Family history of diabetes
- Family history of cardio
Figure 6. Variable Importance

- Age
- Steps per day
- Gender
- Drug use
- BMI
- Blood pressure
- Smoking status
- Alcohol per week
- Diabetes
- Cholesterol ratio
- Face amount (proxy)
- Total cholesterol
- Skin cancer
- Family history of diabetes
- Family history of cardio
Choosing your own future...
James Chung
Reach Advisors
StratoDem Analytics
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james@reachadvisors.com
518.439.6942
What will Des Moines do to stay ahead of the curve?
Extra slides and alternate template slides follow
High beta comp city:
Beta swings and increasingly negative alpha choke a recovery

2017 GDP indexed to 2001

Source: Bureau of Economic Analysis, U.S. Department of Commerce/Reach Advisors analysis
Des Moines: Higher beta swings drive greater recovery and continuing cycles up
Open jobs... hot economy

Des Moines labor force growing

Not in other cities

Source: Bureau of Labor

Diagram showing the labor force of Des Moines growing compared to a comp city.
Open jobs... hot economy

US and Des Moines labor force growing

Not in other cities

Source: Bureau of Labor Statistics
Des Moines:
Has more young college educated adults vs. US
1.4x
Higher index

Des Moines:
Attracts more young talent vs. US
2.3x
growth rate
Disrupting immune businesses

Snap and save up to 30% more.
Some growth due to retention and attraction of college grads...
Venture capital investment: Past two years

City C
- 5 tracked deals
- $5.4MM

City D
- 15 tracked deals
- $20.8MM

DSM
- 23 tracked deals
- $130MM

Source: National Venture Capital Association
Younger adult population growth likely to slow

Annual growth slows to .7% nationally, to 1.3% in Des Moines
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Comparison 01

**TOPIC 01**

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**TOPIC 02**

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Comparison 02

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Pellentesque habitant morbi tristique senectus et netus et malesuada fames ac
Chart

Statistics here

Sales

Category 1 | Category 2 | Category 3 | Category 4
---|---|---|---
Series 1 | Series 2 | Series 3 | Series 4

1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr
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</table>
The real story of population growth

Net domestic migration
(newcomers - departures)
2010-2014

Wichita rank:
331 of 381 MSAs

- Omaha: 2,869
- Des Moines: 16,559
- Wichita: -11,148
- Oklahoma City: 37,528
- Austin: 126,296
Venture investment
Funding rounds and dollars: Past two years

<table>
<thead>
<tr>
<th>City</th>
<th>Tracked Deals</th>
<th>Dollars</th>
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<tr>
<td>City B</td>
<td>117</td>
<td>$600.5MM</td>
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<tr>
<td>City C</td>
<td>205</td>
<td>$681.0MM</td>
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<td>DSM</td>
<td>141</td>
<td>$1,119.4MM</td>
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Source: Crunchbase Data