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# Housing by the Numbers: Iowa Homeownership and Affordability Outlook

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## About the Study

*Housing by the Numbers: Iowa Homeownership and Affordability Outlook* was prepared by Rosen Consulting Group for the Iowa Association of REALTORS®. This report highlights housing market conditions statewide and across nine key Iowa markets, with a focus on economic and demographic drivers of housing demand, homeownership trends, affordability challenges and the supply of new housing. The research is intended to provide data and context for policy-makers and to support efforts to tackle affordability challenges and expand access to homeownership for a broader pool of potential first-time homebuyers.

## About Rosen Consulting Group

Rosen Consulting Group (RCG) is a leading independent real estate economics consulting firm. Founded in 1990 and with offices in Berkeley and New York, RCG provides strategic consulting and unbiased investment guidance through all market cycles. RCG is a trusted advisor to leading banks, insurance companies, institutional investors, public and private real estate operators and industry trade groups. For more information go to www.rosenconsulting.com.

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# Executive Summary

Historically, Iowa has been one of the most affordable states for housing, with a relatively low share of cost-burdened households, compared with many more populated states, and a high homeownership rate, relative to the national average. However, the homeownership rate in Iowa for households of color lags far behind the national average and the gap between white and nonwhite homeownership is similarly much more extreme than the homeownership gap nationwide. Indeed, for a rapidly growing number of Iowan households, homeownership currently appears largely unattainable, a trend that worsened considerably since the onset of the COVID-19 pandemic for the households already facing the greatest challenges of housing affordability, financial stability and economic mobility. With this in mind, RCG's report seeks to provide data and context for thoughtful policy-making, in order to support efforts to address some of the most critical gaps and challenges in the state housing market through a detailed examination of housing market by the numbers.

### *Economic Drivers of Housing Demand*

- After losing more than 180,000 jobs at the onset of the pandemic-led economic shutdown, total employment in Iowa was 69.3% recovered through September 2021, according to the Bureau of Labor Statistics (BLS). However, this lagged behind the nationwide recovery of 77.8%.
- Only the Des Moines and Dubuque markets had a greater share of jobs recovered than the statewide average. However, Des Moines recovered nearly 90% of jobs lost, more than 20 percentage points greater than the Iowa average, and was the only market in Iowa that was approaching a full recovery.
- The unemployment rate was 4.1% as of September 2021, less than half the peak of 10.6% reached in April 2020, but still two percentage points greater than the pre-pandemic low in mid-2019.
- Despite accounting for approximately 22% of the state population, Des Moines was home to more than 28% of all residents in the state with a bachelor's degree or higher.
- Looking ahead, the combination of wage growth and increased employment opportunities are likely to contribute to an improvement in household financial resources that should bolster new household formation and, ultimately, increase already-strong housing demand in the largest employment centers in the state.
- Consistent with the pre-pandemic trend, job growth is expected to remain highly concentrated in a relatively small number of markets, particularly in the Des Moines area.

### *Demographic Drivers of Housing Demand*

- The overarching trend throughout the last decade was an elevated number of residents moving to the larger job centers in Iowa, fueling demand for housing within a few, select markets. This trend accelerated during the pandemic and is likely to continue going forward, further concentrating housing demand in the coming years.
- Household growth in Iowa followed a similar path to population growth. The number of households increased by 5.2% between 2010 and 2019, the most recent data available. Household growth was outsized in four markets—Ames, Des Moines, Iowa City and Cedar Rapids—offsetting a decline in the more rural areas of the state and underscoring the long-term movement of residents, and housing demand, towards regions with more employment opportunities and amenities.
- Although the majority of households in Iowa were white, non-hispanic households (nearly 88% of all households), the share of nonwhite households in Iowa increased to 12.1% of all households in 2019, up from 8.8% in 2010, an increase of more than 111,000 households.
- Looking ahead, RCG expects the growth in the number of households of color to continue in the coming years—highlighting the need to ensure opportunities for economic mobility and access to homeownership, in order to address long-standing economic disparities.
- In terms of migration, Iowa lost nearly 36,700 existing residents (domestic out-migration) and gained more than 58,400 international immigrants between 2010 and 2019. Among domestic residents who moved to Iowa in 2019, most came from the high-cost states of Illinois and California, and to a lesser extent, Colorado, Minnesota and Nebraska.
- In 2020, migration trends that were already underway accelerated because of the pandemic, with moving to be closer to family representing a more important factor for new Iowa residents and relocating because of a new job remaining the top reason for those moving out of the state.

### *Iowa Homeownership Trends*

- While the homeownership rate in Iowa increased from 2017 to 2020, homeownership is still considerably less than the early-2000s peak. Among major markets, homeownership rates were lowest in Ames and Iowa City, which reflected the large student population, whereas Dubuque and Cedar Rapids had the largest share of homeownership.

- State and national homeownership rates were similar in the lowest income segment (less than $25,000 in annual income); however, the homeownership rates in Iowa were significantly higher than national across all other income groups and all levels of education.
- Homeownership rates in Iowa also exceeded the national trend across age groups, with a particularly large gap among households aged 35 to 44 years and under 35 years, as millennial households have generally been more successful transitioning to homeownership compared with the national trend.
- However, the racial homeownership gaps in Iowa are much larger than the national average. Whereas homeownership in Iowa exceeded the national average among white and Asian households, homeownership rates among black and hispanic households were 18.6 and 9.6 percentage points less than the national, respectively.
- Overall, while nearly three-quarters of all white households in the state were homeowners, only slightly more than half of Asian and hispanic households and less than one-quarter of black households in Iowa owned their own homes as of 2019, prior to the effects of the pandemic-induced recession.
- While already a critical issue, without significant measures to address affordability and access to homeownership, these gaps may well become even more extreme going forward, considering the fact that households of color represent by far the fastest growing groups of renter households in the state.

***Housing Affordability in Iowa***

- Nearly 290,000 households in Iowa were "cost-burdened"—defined as spending more than 30% of total household income on housing—which represented 22.4% of all households in the state.
- The challenges of housing affordability most directly affect existing renter households, especially low and moderate income (LMI) households and households of color. Overall, 40.3% of renter households in Iowa were cost-burdened as of 2019, compared with 15.0% of owner households. More than half of cost-burdened renters were severely-burdened (spending more than 50% of income on housing).
- For most of the previous decade, housing costs in Iowa moderately outpaced income growth. Since 2019, however, cost burdens worsened further, as pandemic-induced trends pushed up housing costs in Iowa.
- Notably, the share of households that were able to afford the median-priced single family home in Des Moines decreased by more than two percentage points, or the equivalent of more than 8,000 households since 2019—underscoring the rapid home price appreciation and increasing affordability concerns in the region.
- Examining affordability by race, the share of households able to afford the median-priced home differed dramatically for white and nonwhite households. In fact, even at the peak of affordability in the state in 2012, more than 36,300 nonwhite households could still not afford the monthly costs of purchasing the median-priced home. By 2021, this increased further, with nearly 20,000 additional nonwhite households unable to afford the median-priced home, despite the large drop in mortgage rates in recent years.
- RCG expects lack of affordability to remain a central issue for renter households, households of color and first-generation homebuyers in Iowa going forward as home prices continue to increase and mortgage rates are likely to rise in the coming years. In absolute terms, nearly 466,000 Iowan households (including current owners and renters) are not expected to be able to afford the monthly cost of the median-priced home by 2026, approximately 113,000 more households than estimated as of year-end 2021.

***Iowa Housing Supply & Pipeline***

- Historically, housing production in Iowa has closely tracked economic cycles. Indeed, permit issuance fell sharply amid the Global Financial Crisis in 2008, and continued to hover below the 2007 level through 2020. On average, the state of Iowa issued more than 11,100 building permits per year between 1960 and 2020.
- The Des Moines metropolitan area accounted for 51.6% of all building permits in Iowa in 2020, up from the average of nearly 44.0% from 2010 through 2019, and compared with one-third or less in the prior three decades.
- Manufactured homes and units in 2-4 unit multifamily buildings tend to be among the most affordable housing options; however, new homes of these types declined considerably across the state in recent decades.
- In the most recent economic cycle, between 2011 and 2020, greater than 13,400 professionally-managed apartment units delivered in the Des Moines market, more than double the number of apartment units built in the prior decade. However, nearly 80% of these new units represented Class A (high-end), lifestyle apartments that are typically only affordable for the highest income renter households.
- After the onset of the pandemic, the pace of single family homebuilding also increased further, with new communities and subdivisions most concentrated in the Des Moines suburbs. As is often the case for new construction, however, given the construction costs involved, the homes in these communities

generally cater to higher-end buyers and are out of the price range for many Iowa households.

While homeownership is more achievable in Iowa for the majority of residents, compared with the national average, housing cost burdens and the challenges of both for-sale and rental market affordability are more heavily concentrated among certain households—notably, households of color (the fastest growing group of renter households in the state), LMI households, and household with lower levels of education. The effects of the COVID-19 pandemic, further widened these pre-existing housing disparities. While new housing supply has certainly increased considerably in recent years, particularly in the Des Moines area, the vast majority of new construction (including homebuilding and apartment development) was, and is expected to remain, concentrated at the higher end of the market.

Considering the large, existing disparities in housing affordability, cost burdens and homeownership, and the ways that the pandemic further exaggerated these imbalances, addressing affordability challenges and expanding homeownership opportunities for first-time and first-generation homebuyers, low and moderate income household, and households of color in Iowa, will require a detailed understanding of the barriers that these households face, as well as a range of thoughtful, creative and, perhaps most importantly, intentional policy solutions.

# Housing by the Numbers: Iowa Homeownership and Affordability Outlook

## I. Introduction

Historically, Iowa has been one of the most affordable states for housing, with a relatively low share of cost-burdened households, compared with many more populated states, and a high homeownership rate, relative to the national average. However, these overall figures mask a sharp bifurcation in terms of housing affordability and homeownership opportunities within the state. The homeownership rate in Iowa for households of color lags far behind the national average and the gap between white and nonwhite homeownership is similarly much more extreme than the already large homeownership gap nationwide. Indeed, for a rapidly growing number of Iowan households, homeownership currently appears largely unattainable, a trend that worsened considerably since the onset of the pandemic, even as many (typically higher income) existing homeowners enjoyed the benefits of rapidly rising net worth amid robust appreciation of their home values. Similar to most other parts of the country, a large number of households with access to financial resources recently chose to purchase their first home, often accelerating their plans to transition to homeownership in response to the lifestyle impacts of the pandemic. In sharp contrast, the COVID-19 pandemic pushed the goal of homeownership even further out of reach for the very households already facing the greatest challenges of housing affordability, financial stability and economic mobility. In particular, the pandemic-induced recession disproportionately hurt households in low and moderate income industries, where job losses were most concentrated, while contributing to rising rents and home prices (among other costs) that reduced housing affordability, limited the ability of many households to save for a downpayment and put the American Dream of homeownership even further out of reach.

With these trends in mind, RCG's report seeks to provide context on the housing challenges in Iowa through a detailed examination of Iowa's housing market by the numbers, highlighting conditions statewide and across nine key Iowa markets. Specifically, the report includes: 1) an overview of major housing demand drivers through both long-standing economic and demographic trends across Iowa, as well as recent pandemic-induced shifts; 2) an exploration of homeownership trends in the state, including racial and socioeconomic gaps in homeownership; 3) an in-depth analysis of housing affordability in the for-sale and rental market examined through a wide range of metrics; and 4) a discussion of historical housing supply and the future pipeline of new housing. Ultimately, this paper is intended to provide data and context for thoughtful policy-making, and to offer clarity to local stakeholders on some of the most critical gaps and challenges in state housing market.

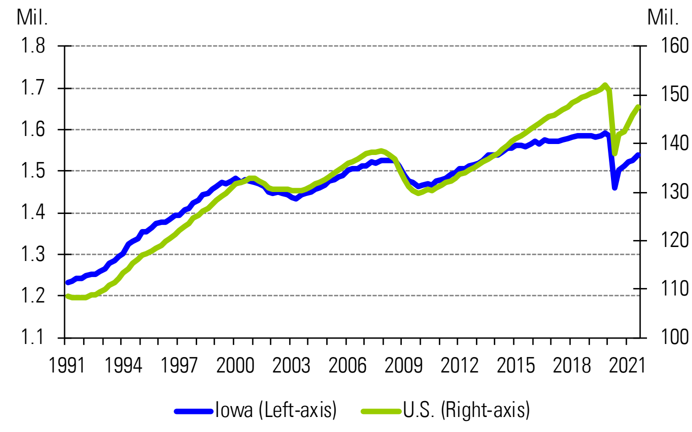
## II. Economic Drivers of Housing Demand

### *Employment Conditions*

After losing more than 180,000 jobs at the onset of the pandemic-led economic shutdown, total employment in Iowa was 69.3% recovered through September 2021, according to the Bureau of Labor Statistics (BLS). However, this lagged behind the nationwide recovery of 77.8%. More than 55,000 jobs had yet to recover—the majority in the educational and health services, leisure and hospitality, and government sectors. Similar to the national trend, employment recovery was bifurcated in Iowa. Employment in the financial services sector fully recovered and total payrolls in the leisure and hospitality and manufacturing sectors added back more than 75% of jobs lost. By contrast, employment in the transportation and utilities, professional and business services and educational and health services sectors each recovered less than 50% of jobs lost during the pandemic.

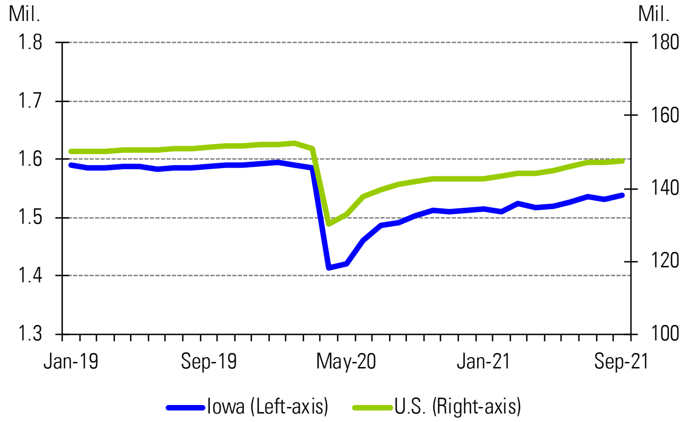
The Iowa economy was, however, less volatile than the broader national trend. In fact, total employment in Iowa declined by 11.4% peak-to-trough from the pre-pandemic level in early 2020, less than the 14.7% decline in payrolls nationwide. However, the relatively low concentration of knowledge-economy jobs statewide tempered recovery through the fall of 2021. In fact, recovery diverged considerably in the professional and business services sector; more than 83% of jobs within the sector recovered in the U.S. compared with less than 50% in Iowa. Additionally, whereas employment in the transportation and utilities sector fully recovered and surpassed the pre-pandemic peak nationally, transportation and utilities sector payrolls in Iowa recovered slightly more than 42% of jobs lost.

**Iowa Total Employment**



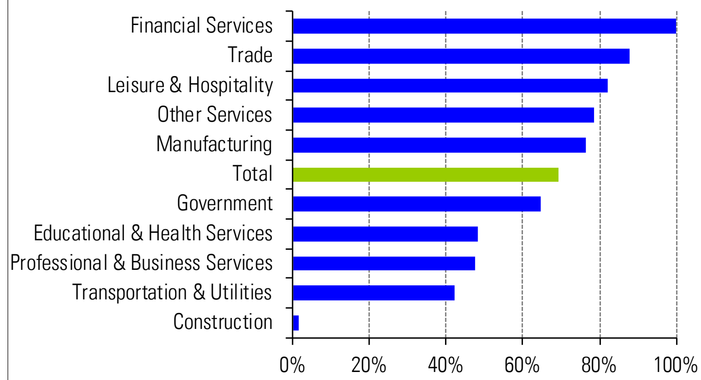

Note: Latest data as of 3Q 2021
Source: BLS

**Iowa Total Employment (2019 to 2021)**




Note: Latest data as of September 2021
Source: BLS

**Iowa Employment Recovery by Sector**

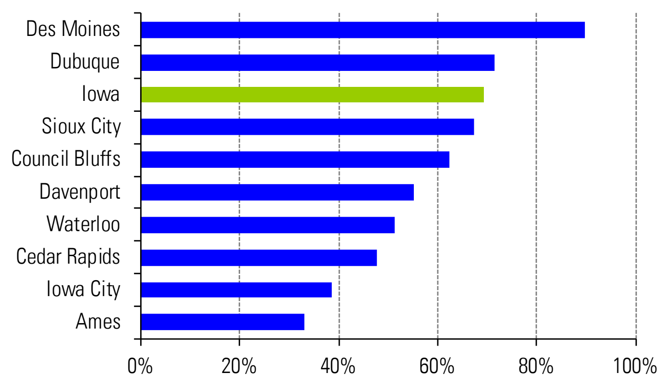



Note: Latest data as of September 2021. Information Services did not recover any jobs.
Sources: BLS, RCG

Notably, the employment recovery differed dramatically by region within Iowa. **Only the Des Moines and Dubuque markets had a greater share of jobs recovered than the statewide average. However, Des Moines recovered nearly 90% of jobs lost, more than 20 percentage points greater than the Iowa average, and was the only market in Iowa that was approaching a full recovery.** This dynamic largely reflects the strength and stability of the Des Moines economy as the state capital and the primary job center in Iowa. Des Moines is home to approximately 24% of the total number of jobs in Iowa, as well as 37% of professional and business services jobs and 28% of leisure and hospitality payrolls within the state. Notably, employment in the professional and business services, leisure and hospitality, and transportation and utilities sectors were nearly fully recovered in Des Moines.

Payroll recovery lagged behind in the Ames and Iowa City markets—as the heavy dependence on Iowa State University and The University of Iowa, respectively, delayed the timing of local recovery. Both markets recovered less than 40% of jobs lost at the onset of the pandemic through September 2021. The return of in-person learning for the fall 2021 semester should accelerate economic recovery in the near term. Total employment was also slow to recover in the Cedar Rapids (47.7% of jobs recovered), Waterloo (51.3%), Davenport (55.1%), Council Bluffs (62.2%) and Sioux City (67.4%).

**Total Employment Recovery by Market**

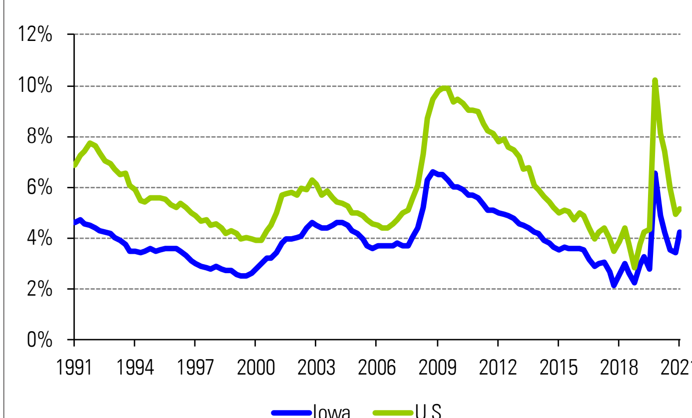



Note: Latest data as of September 2021. Davenport, Sioux City and Council Bluffs markets only include the Iowa portion of the MSA
Sources: BLS, RCG

### *Labor Market Conditions*

After steadily improving through the summer of 2021, the unemployment rate in Iowa increased into the fall as the COVID-19 delta variant surge set back the recovery, according to data from the BLS. **The unemployment rate was 4.1% as of September 2021, less than half the peak of 10.6% reached in April 2020, but still two percentage points greater than the pre-pandemic low in mid-2019.** However, it should be noted that the decline in labor force participation contributed to the improving unemployment rate. The labor force was 4.5% less than the peak prior to the pandemic, as many workers abstained from working for a variety of reasons,

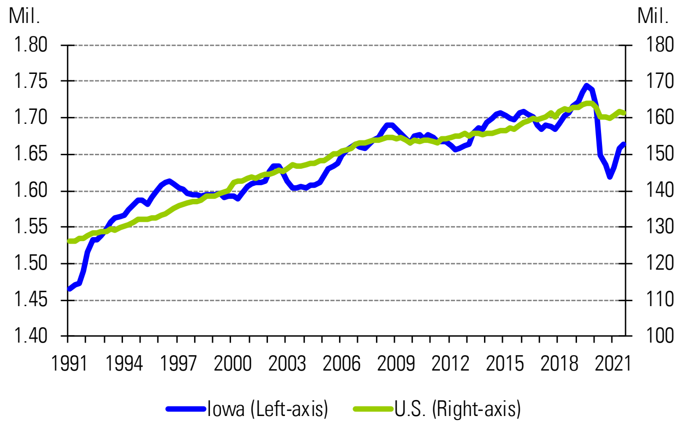
**Iowa Unemployment Rate**




Note: Latest data as of 3Q 2021
Source: BLS

**Iowa Labor Force**




Note: Latest data as of 3Q 2021
Source: BLS

**Labor Force by Market (Thou.)**

| Region | Pre-Pandemic Peak | Aug-2021 | % Change |
|---|---|---|---|
| Ames | 59.3 | 58.5 | -1.4% |
| **U.S.** | **164,247.9** | **161,605.5** | **-1.6%** |
| Des Moines | 370.5 | 359.1 | -3.1% |
| Dubuque | 57.2 | 55.4 | -3.2% |
| Council Bluffs | 63.9 | 61.5 | -3.8% |
| **Iowa** | **1,743.5** | **1,665.9** | **-4.5%** |
| Sioux City | 56.9 | 53.8 | -5.4% |
| Davenport | 91.5 | 86.0 | -6.0% |
| Waterloo | 91.4 | 85.9 | -6.0% |
| Cedar Rapids | 149.6 | 139.3 | -6.9% |
| Iowa City | 100.4 | 93.2 | -7.2% |

Note: Davenport, Sioux City and Council Bluffs markets only include the Iowa portion of the MSA
Sources: BLS, RCG

**Unemployment Rate by Market**

| Region | Pre-Pandemic Low | Pandemic High | Aug-2021 |
|---|---|---|---|
| Ames | 1.5% | 8.2% | 2.8% |
| Iowa City | 1.6% | 9.7% | 3.3% |
| Council Bluffs | 2.2% | 10.5% | 3.6% |
| Des Moines | 2.1% | 11.7% | 3.8% |
| Dubuque | 2.0% | 12.3% | 3.8% |
| Sioux City | 2.4% | 10.7% | 4.0% |
| **Iowa** | **2.1%** | **10.6%** | **4.1%** |
| Cedar Rapids | 2.3% | 12.5% | 4.3% |
| Waterloo | 2.5% | 11.6% | 4.4% |
| Davenport | 2.9% | 14.1% | 4.9% |
| **U.S.** | **2.9%** | **14.3%** | **5.0%** |

Note: Davenport, Sioux City and Council Bluffs markets only include the Iowa portion of the MSA
Sources: BLS, RCG

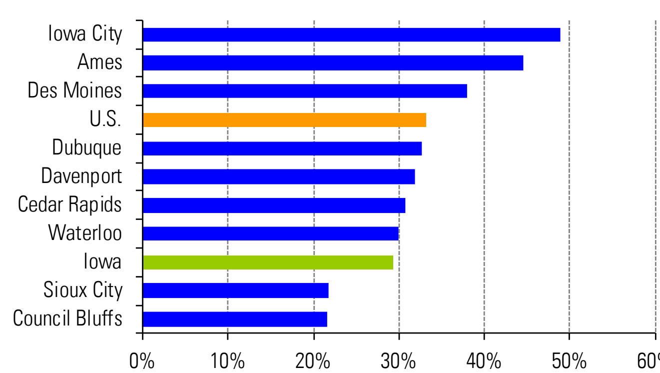
including health concerns, childcare needs and early retirement. In fact, of the more than 124,600 people who exited the Iowa labor force throughout 2020, only 44,200, or 35%, reentered as of the fall of 2021. Nationwide, the labor force was 1.7% less than the pre-pandemic peak and recovered nearly 62% of workers that left during the same period. Looking ahead, the labor force may rebound faster in the near term, as stronger economic recovery and COVID-19 vaccine authorization for children make it easier for some residents to look for jobs again.

The unemployment rate improved to less than 4% in most markets in Iowa as of August 2021. The tightest market was Ames (2.8%), followed by Iowa City (3.3%). However, the decline in the unemployment rate partially stemmed from a drop in the labor force. The lack of in-person students within the area affected many employers and employees that typically rely on university-related revenue. The unemployment rate was greatest in Davenport (5.0%) and Waterloo (4.4%). The unemployment rate in Des Moines improved to 3.8% through the fall, and the labor force was approximately 3% less than pre-pandemic, one of the fastest recovering labor forces in Iowa. In all markets, the unemployment rate was more than one percentage point greater than the pre-pandemic low. Looking ahead, although the continued employment recovery should put downward pressure on the unemployment rate, the improved economic conditions should incentivize more residents to reenter the labor force, offsetting further unemployment rate improvement.

### *Educational Attainment*

The share of college-educated residents in Iowa was less than the U.S. average. Specifically, 29.3% of residents aged 25 and older had a bachelor or higher as of 2019, the latest available data, compared with 33.1% nationwide, according to the Census. However, similar to many other metrics in Iowa, educational attainment diverged across metropolitan areas. The Iowa City and Ames markets had the highest share of residents with bachelor's degrees or higher—48.8% and 44.6%, respectively—reflecting the higher education institutions

**Educational Attainment by Market (2019)**




Note: Davenport, Sioux City and Council Bluffs markets only include the Iowa portion of the MSA
Source: Census

located in these market. Des Moines (38%) also had a greater share of highly-educated residents compared with the statewide and national figures. **Despite accounting for approximately 22% of the state population, Des Moines was home to more than 28% of all residents in the state with a bachelor's degree or higher**—the only market that accounted for more than 10% of the statewide highly-educated population. As the primary job center with the most knowledge-economy job opportunities, Des Moines should continue to attract many of the highly educated residents in the state going forward. Not surprisingly, a greater the share of educational attainment within an individual market was correlated with a tighter labor market through the fall. The markets with the lowest share of residents with a bachelor's degree or higher were Council Bluffs (21.6%), Sioux City (21.8%) and Waterloo (30.0%).

### *Economic Outlook*

While statewide labor force and employment have lagged the nation in terms of recovery, both are expected to continue to improve in the coming months and years. Consistent with the pre-pandemic trend, job growth is expected to remain highly concentrated in a relatively small number of markets, particularly in the Des Moines area. In the immediate term, the combination of continued job growth, relatively low unemployment rates (resulting from the lack of reentry into the labor force) and broader inflation trends, should translate to wage growth and increased employment opportunities for many workers. **These trends are likely to contribute to an improvement in household financial resources that should bolster new household formation and, ultimately, increase already-strong housing demand in the largest employment centers in the state.** Looking further ahead, continued economic growth and job opportunities should attract new residents to the state, especially those looking for a high quality of life and a greater level of affordability than in larger, higher-cost markets—a trend that was already underway prior to the pandemic and should continue going forward.

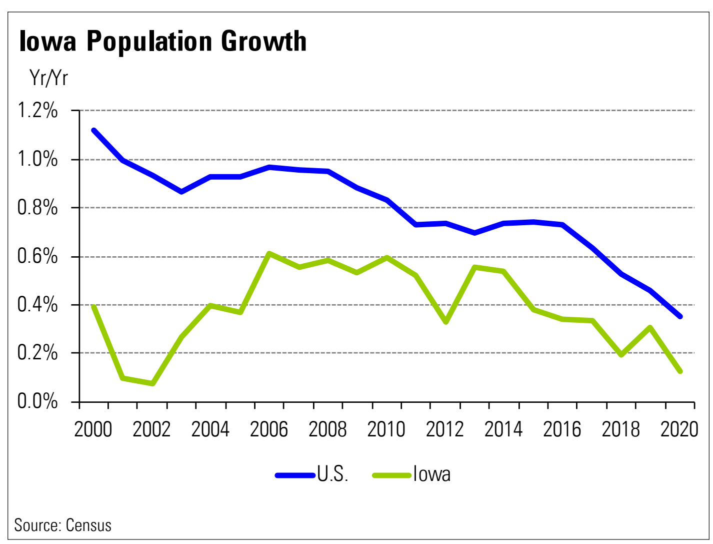
## III. Demographic Drivers of Housing Demand

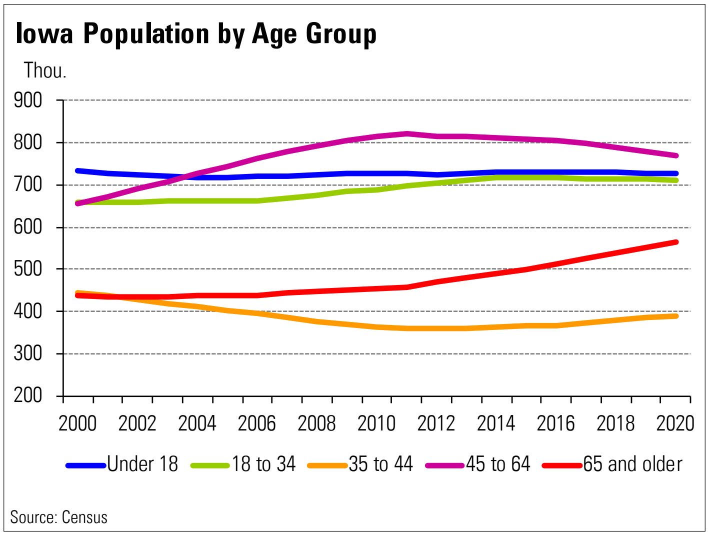
### *Population Trends*

*Population Growth*

In the last decade, population growth in Iowa lagged below the U.S. average. Between 2010 and 2020, the population grew by a compound annual growth rate of 0.4%, approximately half the U.S. rate of 0.7% during the same time span, according to the Census. In total, Iowa added approximately 130,700 residents in those ten years.

Similar to the employment trends within the state, population growth was bifurcated by market. Consistent with the concentration of employment opportunities, the vast majority of population growth was in the Des Moines market. Des Moines grew by a compound annual growth rate of 2.1% between 2010 and 2020 and accounted for 145,000 new residents, more than the 130,700 total population increase in Iowa statewide during this period. The population gain in Des Moines was offset by considerable population decline in the more rural parts of the state. Ames was the second-fastest growing market in terms of population growth, adding more than 37,300 residents during this period. As mentioned previously, Ames is desirable place to live with a sizable concentration of knowledge-economy jobs because of the stabilizing presence of Iowa State University. **The overarching trend throughout the last decade was residents moving to the larger job centers in Iowa, and as a result, creating more demand for housing within a few, select markets. This trend accelerated during the pandemic and is likely to continue going forward, further concentrating housing demand in the coming years.**






*Population by Age*

Segmenting by age, the population of Iowa residents aged 65 and older increased notably during the last decade. Part of this increase stemmed from residents moving back to Iowa for retirement, as well as the large number of existing Baby Boomers aging into the age cohort. The population of 35 to 44 year olds—a group that is generally a prime homebuyer segment—increased gradually during the last ten years. While there was likely a modest, but persistent pre-pandemic trend of some residents in this age cohort moving to Iowa (particularly the Des Moines area) because of the relative affordability of the region compared with larger, higher-cost cities, in general, the increase in this age group was largely a reflection of older millennials aging into this group rather than a large in-migration of new residents. Notably, the statewide population of residents under age 34 was roughly flat throughout the last decade.

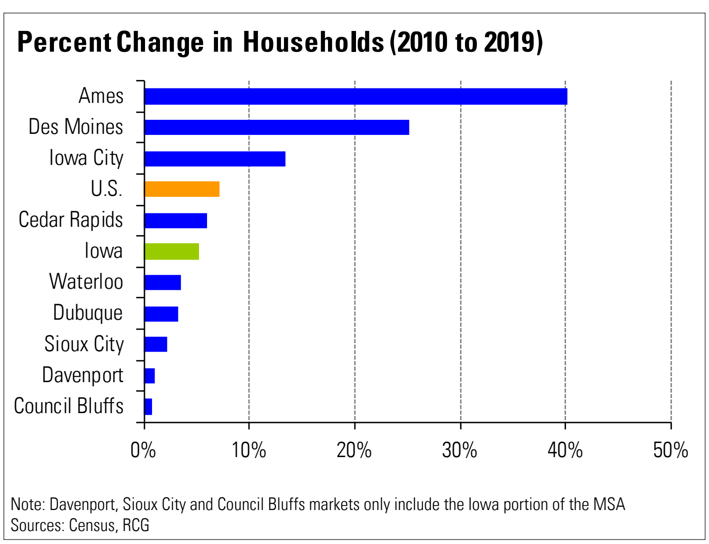
## ***Household Dynamics***

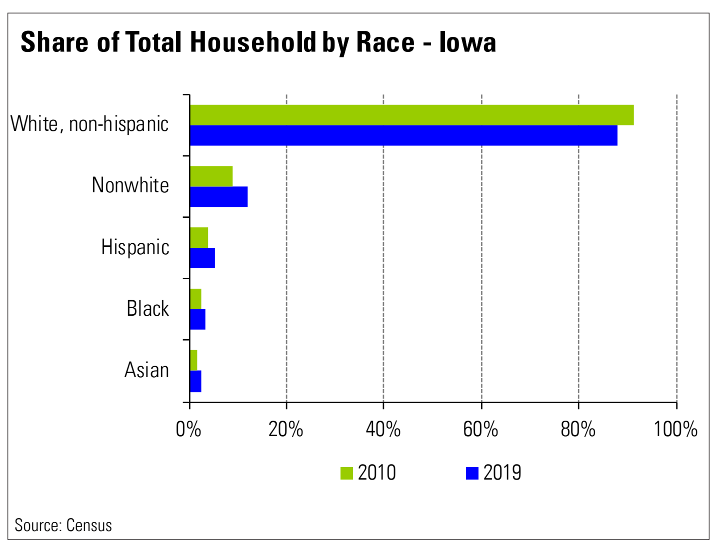
*Household Growth*

Household growth in Iowa followed a similar path to population growth. The number of households increased by 5.2% between 2010 and 2019, the most recent data available from the Census, less than the nationwide growth of 7.2%. **However, household growth was outsized in four markets—Ames, Des Moines, Iowa City and Cedar Rapids.** The number of households in the first three markets increased by 40%, 25%, and 13%, respectively, greater than both the Iowa and U.S. average. Together, these three markets added approximately 79,000 households. Cedar Rapids grew by 6%, or 6,400 more households during the same period. These four markets offset household decline in the more rural areas of the state—underscoring the long-term movement of residents, and housing demand, towards regions with more employment opportunities and amenities.

*Households by Race*

As of 2019, the latest available data, the majority of households in Iowa were white, non-hispanic households; accounting for nearly 88% of all households in Iowa, according to the Census. Of the underrepresented groups, hispanic/latinx households accounted for 5.3% of total households in Iowa, followed by black households (3.3%) and Asian households (2.4%). Importantly, however, the share of households of color in Iowa increased significantly throughout the last decade. **The share of nonwhite households in Iowa increased to 12.1% of all households in 2019, up from 8.8% in 2010, an increase of more than 111,000 households.** The Des Moines market was home to the greatest concentration of households of color. As of 2019, approximately 30% of the nonwhite households in Iowa lived in Des Moines. For reference, Des Moines was home to nearly 22% of all Iowa households. Following the statewide trend, the share of nonwhite households in Des Moines increased in the



last decade to 16.5% in 2019 from 13.5% in 2010. **Looking ahead, RCG expects the growth in the number of households of color to continue in the coming years—highlighting the need to ensure opportunities for economic mobility and access to homeownership for this growing number of households, in order to address long-standing economic disparities and the large racial homeownership gaps in the state.**

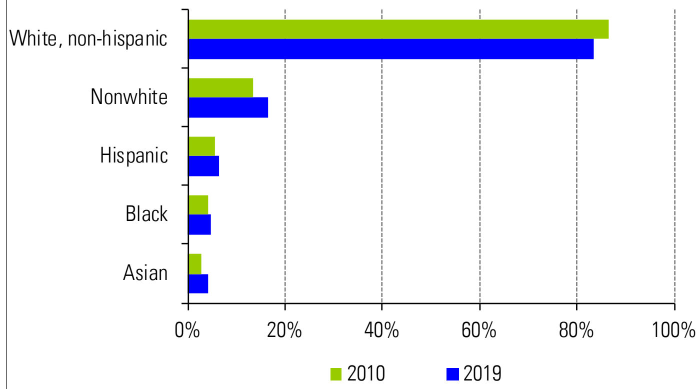
*Households by Income Group*

Although the median income in Iowa of nearly $61,700 was somewhat less than the U.S. average of $65,700 as of 2019, according to the Census, overall income inequality in Iowa (when not disaggregated by race) was not as pronounced. At the low end, 17.6% of Iowa households had a household income less than $25,000, compared with the U.S. average of 18.1%. On the high end, only 26.2% of Iowa households had an annual income greater than $100,000, approximately five percentage points less than the U.S. average. Instead, 56.2% of Iowa households had income between $25,000 and $100,000, nearly six percentage points greater than the U.S. average.

By market, Des Moines had the largest concentration of higher income residents. As of 2019, households in Des Moines accounted for more than 31% of Iowa households with more than $200,000 in income and nearly 25% of total households with an annual income between $100,000 and $150,000. As mentioned previously, Des Moines accounts for approximately 22% of all households in Iowa. Aside from student-dominated markets with major universities, the majority of the urban areas in Iowa had a greater concentration of higher-income households within the market, compared with the share statewide.

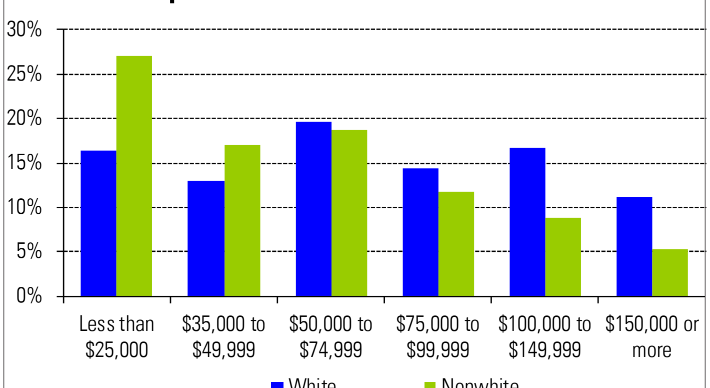
Similar to broader national trends, the distribution of income by racial group was highly uneven in Iowa. Only 16.3% of white households had an annual household income less than $25,000 in 2019, compared with 27.1% of nonwhite households. **On the higher end of the income spectrum, nearly 28.0% of white households had a household income greater than $100,000, compared with just 14.1% of nonwhite households.** As highlighted later in the report, this income inequality contributes to the significant racial disparities, not only in the share of households who are already homeowners, but also in the share with sufficient income and savings to even consider purchasing a home. Further complicating factors, the rapid home price appreciation during the last year only made homeownership less attainable for many households, particularly nonwhite households.

**Share of Total Household by Race - Des Moines**




Source: Census

**Share of White and Nonwhite Households by Income Group**



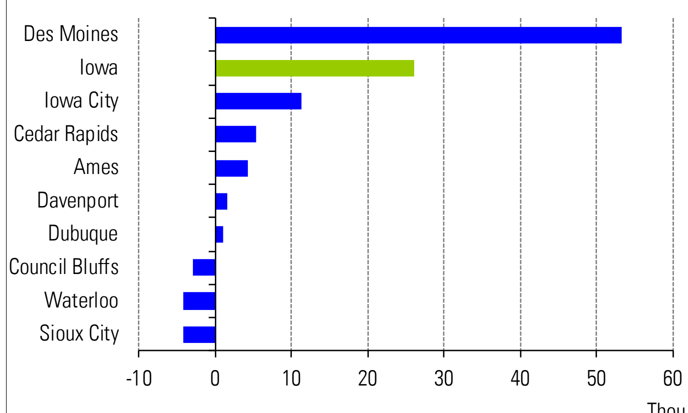

Sources: Census, RCG

### *Migration Patterns*

*Pre-Pandemic*

After strong net migration (inflow of new residents minus outflow of existing residents) throughout the first half of the past decade, statewide net migration slowed through the second half. Between 2010 and 2014, net in-migration totaled 21,700 new residents, but from 2015 to 2019, only 4,500 new residents migrated to Iowa, on

**Net Migration (2010 to 2019)**

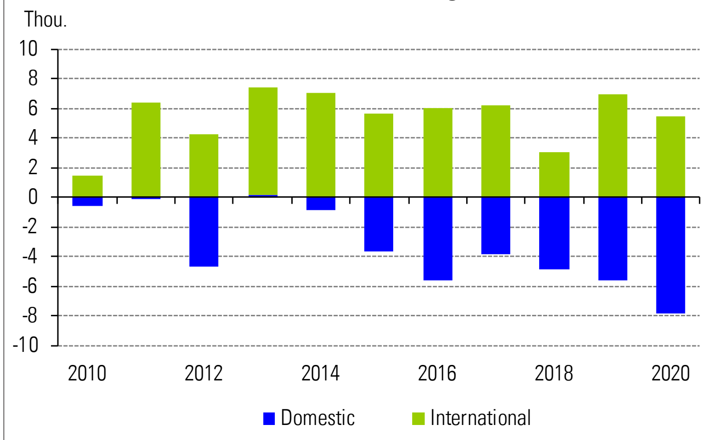



Note: Davenport, Sioux City and Council Bluffs markets only include the Iowa portion of the MSA
Sources: Census, RCG

net, according to the Census. The slowing population trend was exacerbated in 2020 as many people accelerated longer-term migration plans because of the pandemic. On balance, nearly 2,300 residents migrated out of Iowa in 2020.

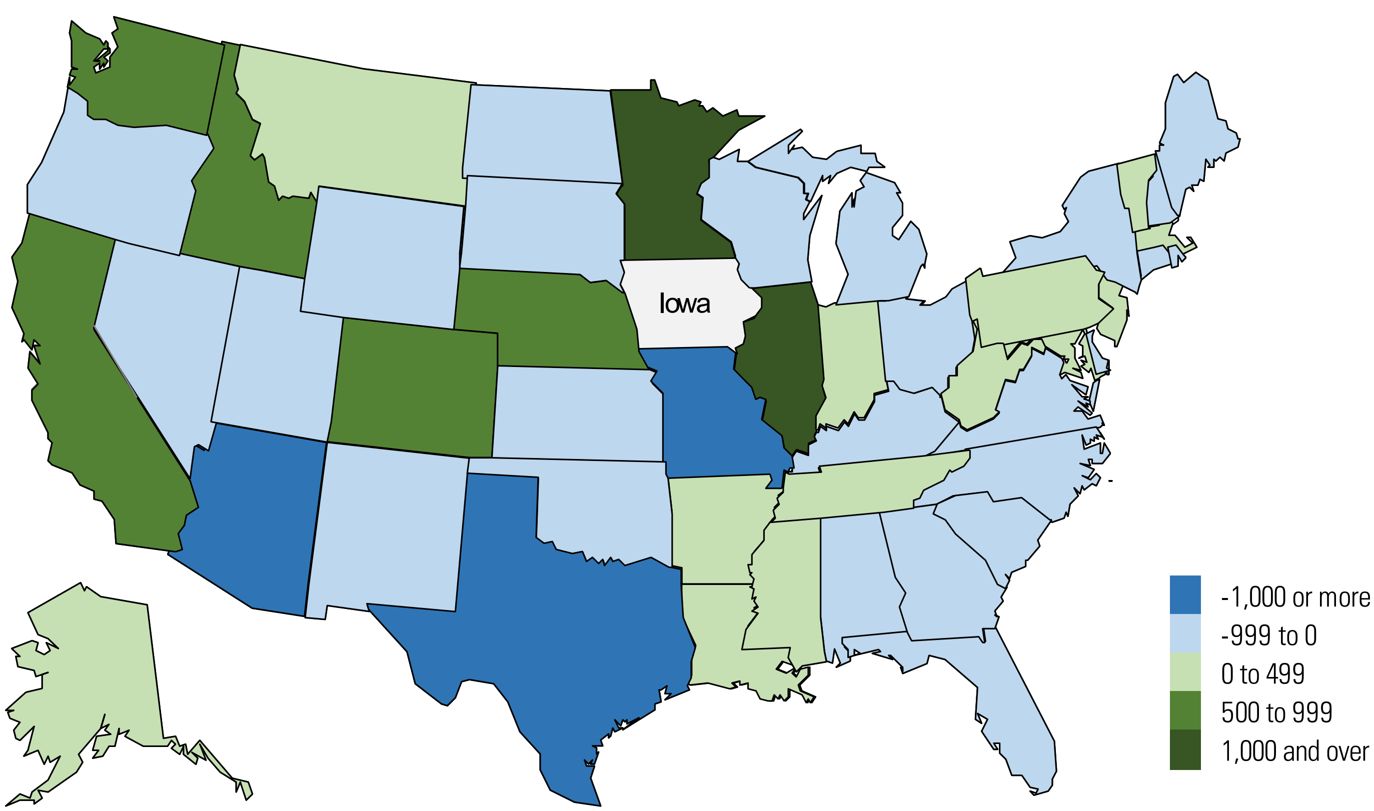
One reason for the slowing net migration in the second half of the decade was the reliance on international immigration. For the past 10 years, Iowa lost existing residents at an increasing rate (domestic out-migration). However, net migration was backfilled by strong international immigration. In fact, cumulatively, **Iowa lost nearly 36,700 existing residents between 2010 and 2019. However, during this same period, more than 58,400 international immigrants relocated to Iowa.** In 2020, net out-migration accelerated as pandemic restrictions limited the number of international immigrants that entered the country, while domestic residents continued to leave the state. The domestic out-migration trend reflected a number of reasons including the long-term trend of residents moving to regions with warmer climates in Southern and Western states, as well as the desire to live in states with larger metropolitan areas that have more job opportunities, larger concentrations of knowledge-economy industries and greater potential for career advancement.

**Iowa Domestic and International Migration**




Source: Census

## Net Migration to Iowa by State (2019)

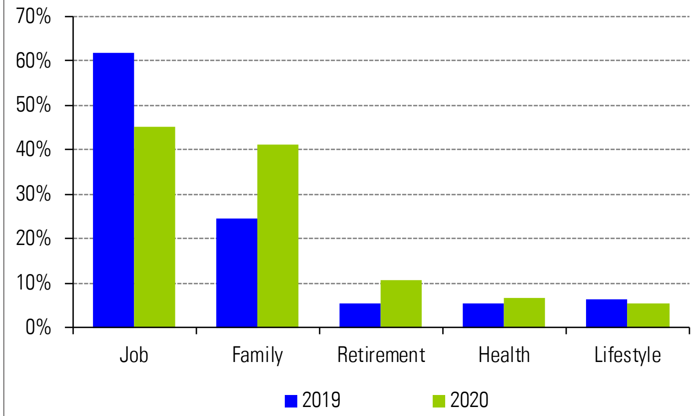



Source: Census

Prior to the pandemic, the greatest number of domestic residents who migrated out of Iowa in 2019 moved to the Sunbelt states of Texas, Arizona and Florida, as well as the neighboring states of Missouri and South Dakota, according to the Census. **The residents who migrated into Iowa most commonly came from the high-cost states of Illinois and California, and to a lesser extent, Colorado and Minnesota.** Iowa also attracted a significant number of residents from the adjacent state of Nebraska. These migration patterns were corroborated by the 2019 United Van Lines Annual Movers survey. Nearly 70% of people who moved away from Iowa in 2019, moved because of a job. Indeed, prior to the widespread adoption of remote work during the pandemic, the primary career advancement options for many young residents—especially those who were highly-educated—were to relocate to an urban job center such as Des Moines, or leave the state for regions with larger cities and more job opportunities. The second-highest reason for moving, among those surveyed, was retirement, as evidenced by the high level of net migration to Florida and Arizona. Following those moving for a new job, the next greatest factor for those moving into Iowa was the proximity to family.

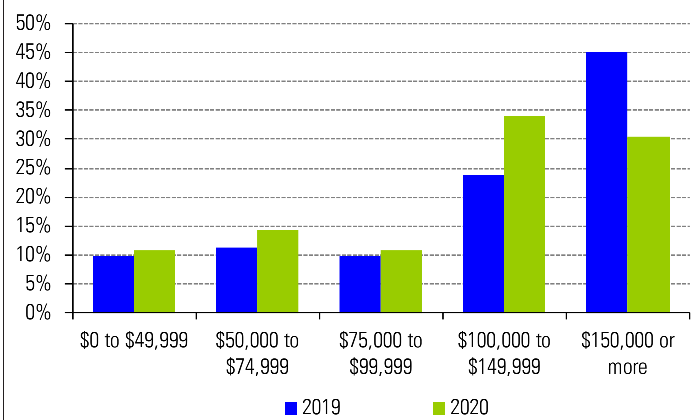
According to the 2019 United Van Lines Annual Movers Study, more than 69% of the people moving into Iowa had an annual household income greater than $100,000, well above the median income for residents who live within the state. However, it is important to note there may be some sample bias in the United Van Lines study, as those who have a need for and can afford to use a moving company will generally have a higher level of income, be in older age groups, or have more items of value, such as those in larger households. Data from the Census paints a similar, but slightly different story. While a sizable group of nearly 10% of residents who moved to Iowa in 2019 from a different state or abroad were part of the highest annual individual income group of $75,000 or more, more than 60% of new residents had an annual income below the statewide per capita income of $33,100. The Census numbers, in conjunction with the United Van Line data, underscore the diverse characteristics of movers into the state. Some have lower-incomes and are seeking better job opportunities and a higher quality of life, while others have higher-incomes and moving for cost of living reasons or proximity to family. Notably, many of the highly-educated, higher-income migrants moved to more urban job centers within the state, especially Des Moines. In fact, among all new residents who moved to Des Moines in 2019 from outside the state, nearly 48% had a bachelor's degree or higher, greater than the statewide average of approximately 40% of those moving to Iowa from out of state or from abroad, according to the Census. Additionally, the share of high-educated migrants who moved to Des Moines exceeds the 36% share of existing residents who have a bachelor's degree or higher.

**Primary Reason for Moving to Iowa**



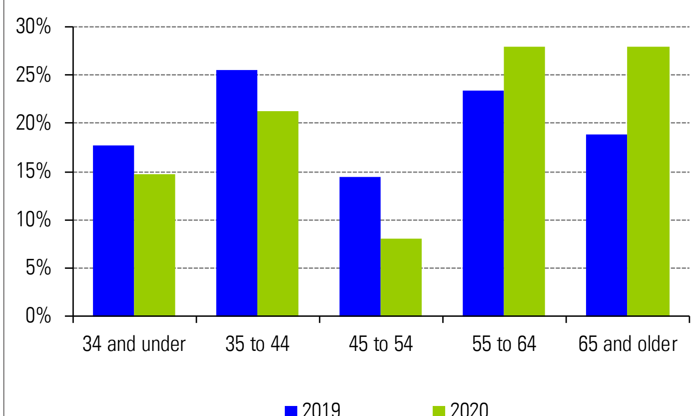

Note: Numbers do not add up to 100% due to rounding and multiple answers selected
Source: United Van Lines

**Share of People Moving to Iowa by Income**




Source: United Van Lines

**Share of People Moving to Iowa by Age**



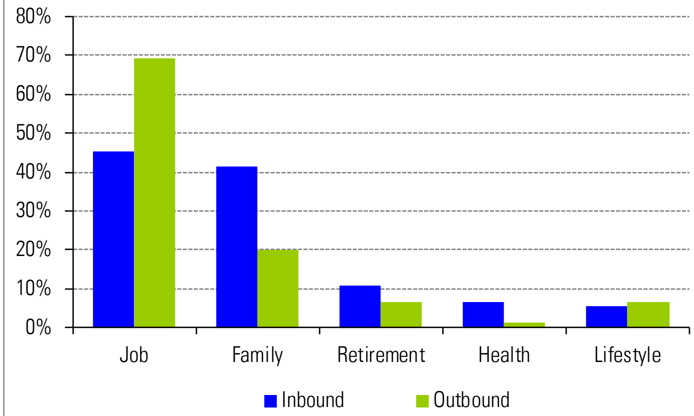

Source: United Van Lines

*Since the Onset of the Pandemic*

In 2020, trends that were already underway were accelerated by the pandemic. Moving closer to family and relocating for a job were still the two primary reasons for residents to move to Iowa, according to the 2020 United Van Lines Annual Movers survey. **However, being in close proximity to family accounted for more than 41% of all movers, compared with the 20% range in 2019.** It is likely that some portion of these households included younger professionals that had grown up in Iowa and then left to work into another city, such as Chicago, or higher cost states, such as California, returned back to Iowa after the pandemic shutdowns. These residents, many in knowledge-economy industries, would typically be more likely to relocate near the cluster of job opportunities and amenities in larger markets in the state, particularly Des Moines. More prevalent, however, than migration in this younger age cohort was the share of residents aged 55 years and older who migrated into Iowa, which increased to 56% of surveyed movers in 2020, up from 42% in 2019. The boomerang migration pattern of working professionals, and even more so, the increase in older, retirement and pre-retirement-aged migration shows up in the income distribution of movers. In fact, more than 64% of residents who moved into Iowa in 2020 had an annual income of more than $100,000. While many new residents may rent temporarily, the higher income new residents are more likely to buy homes over time, rather than rent, and may contribute to some upward pressure on existing home prices. By contrast, the lower-earning new residents added to a growing base of households who were increasingly unable to attain homeownership and are likely to remain renters out of financial necessity.

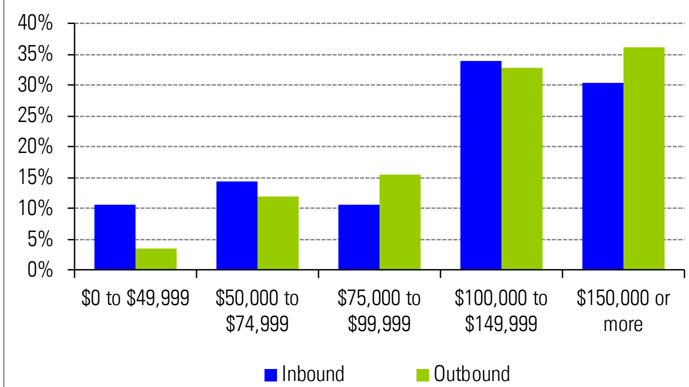
**Among the former residents who migrated out of Iowa, relocating because of a new job remained the top reason for moving in 2020, according to United Van Lines.** Residents who did not live near the concentration of jobs in Des Moines were more likely to have a stronger desire to move. Similar to many households around the country, locating in closer proximity to family amid the pandemic was the second-highest reason. Some of these movers were working professionals who may have grown up in a different state, as discussed previously, and others likely included college students moving home to save on expenses. Notably, amid the health concerns and financial uncertainty, retirement was a smaller factor in 2020 than in prior years.

**Primary Reason for Moving - Iowa (2020)**



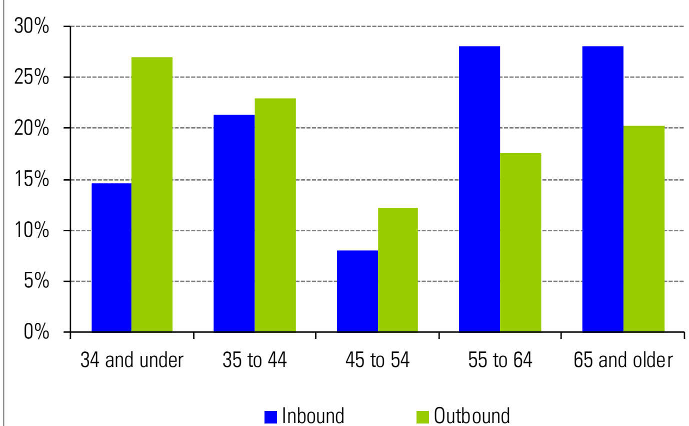

Note: Numbers do not add up to 100% due to rounding and multiple answers selected
Source: United Van Lines

**Share of People Moving by Income - Iowa (2020)**




Source: United Van Lines

**Share of People Moving by Age - Iowa (2020)**

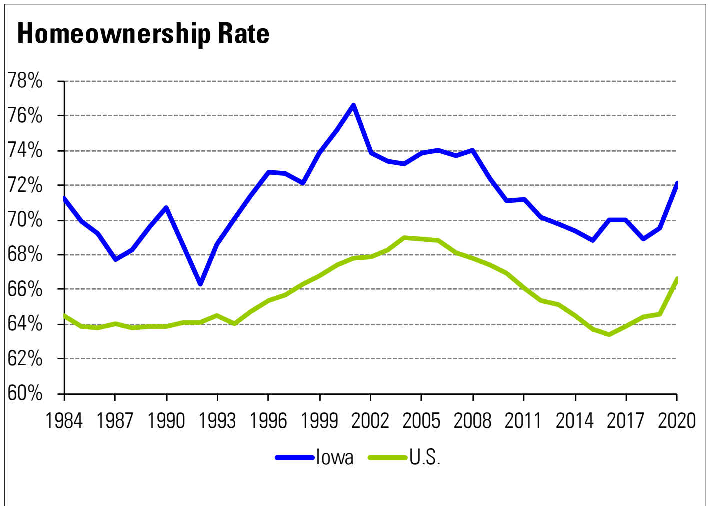



Source: United Van Lines

## IV. Iowa Homeownership Trends

### *Homeownership Rate by Geography*

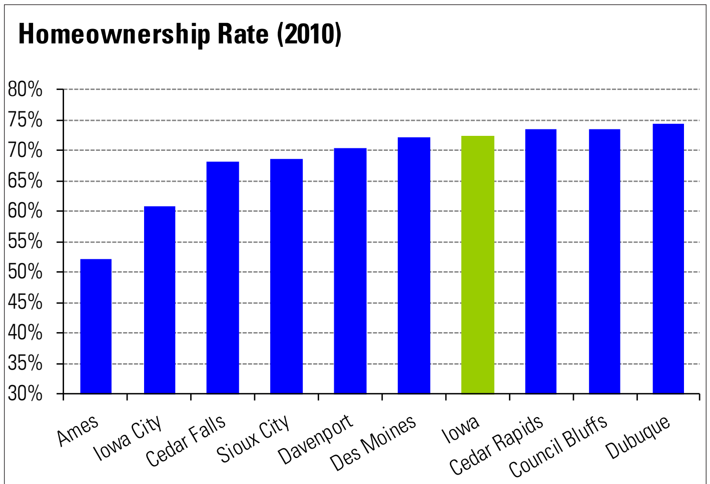
While the homeownership rate increased in Iowa from 2017 to 2020, homeownership is still considerably less than the early-2000s peak. As of 2020, 72.1% of Iowa residents owned a home, compared with 76.6% in 2002. Homeownership was more concentrated in rural areas, where home prices are typically lower. In the major markets, homeownership rates are generally lower than the state average. **Following a similar trend to cost burdens, homeownership rates were lowest in Ames and Iowa City**, which reflected the large student population. Conversely, **despite higher-than-average home prices, Dubuque and Cedar Rapids have the largest share of homeownership, owing in part to comparatively high incomes.** Homeownership decreased slightly in most markets from 2010 to 2019. Across the state, the homeownership rate fell by nearly 2 percentage points, from 72.4% in 2010 to 70.5% in 2019. Across all major markets, the decline in homeownership was most pronounced in Des Moines and Council Bluffs, where homeownership fell by more than 3%. Homeownership rates by market for 2010 and 2019 are highlighted in the nearby charts.



Source: Census

### *Homeownership by Income*

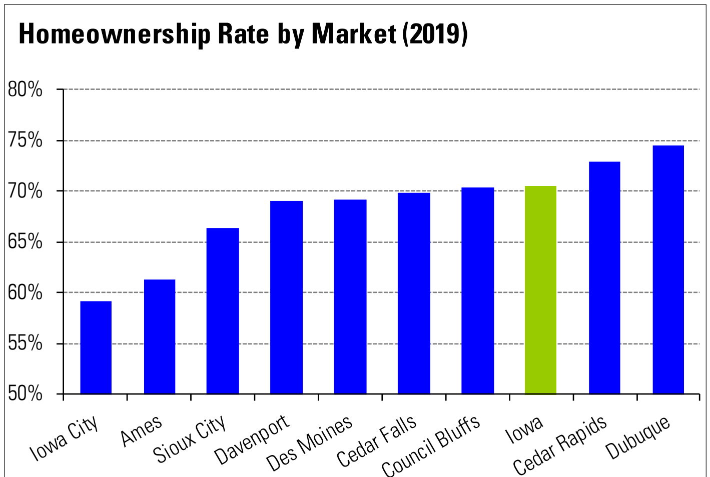
Consistent with the historical dynamic, the statewide homeownership rate in Iowa was notably higher than the national average. **While state and national homeownership rates are similar in the lowest income segment (in the low-40% range for households with less than $25,000 in annual income), the homeownership rates in Iowa were significantly higher across all other income groups.** In particular, homeownership in the state exceeded the U.S. average most among households with annual incomes between $75,000 and $150,000. In fact, largely reflecting the very high homeownership rates in the upper income segments (greater than 90% among households with more than $100,000 in income), the homeownership gap between the highest and lowest income households in Iowa was more than 52 percentage points, compared with approximately 45 percentage points nationally.



Note: Davenport, Sioux City and Council Bluffs markets only include the Iowa portion of the MSA
Source: Census

### *Homeownership by Education*

Similar to the trends by income, the statewide homeownership rates exceeded the national rates across all levels of education. The largest gap was among households with only a high school degree or equivalent, with a homeownership rate of 69.4%, compared with 60.7% nationally. Comparing across levels of educational attainment, the spread between the homeownership rates among households with the highest and lowest levels of education was 23.9 percentage points, only slightly great than the national trend.



Note: Davenport, Sioux City and Council Bluffs markets only include the Iowa portion of the MSA
Source: Census

| Homeownership by Income - United States and Iowa (2019) | Iowa | United States | Gap (IA - U.S.) |
|---|---|---|---|
| **All Households** | | | |
| Homeownership Rate | 70.5% | 64.1% | 6.4% |
| Median Income per Household | $61,691 | $65,712 | |
| | | | |
| **By Income Level** | | | |
| Under $25,000 | 41.6% | 40.5% | 1.1% |
| $25,000 to $49,999 | 59.6% | 53.4% | 6.2% |
| $50,000 to $74,999 | 72.4% | 63.3% | 9.2% |
| $75,000 to $99,999 | 82.2% | 71.2% | 11.0% |
| $100,000 to $149,999 | 90.3% | 78.7% | 11.6% |
| $150,000 or more | 93.7% | 85.7% | 8.0% |
| | | | |
| Spread Between Highest and Lowest Income Groups | 52.2% | 45.3% | |

Sources: Census, RCG

| Homeownership by Education - United States and Iowa (2019) | Iowa | United States | Gap (IA - U.S.) |
|---|---|---|---|
| **All Households** | 70.5% | 64.1% | 6.4% |
| | | | |
| **By Educational Attainment** | | | |
| Less than High School Diploma | 54.2% | 49.0% | 5.2% |
| High School or Equivalent | 69.4% | 60.7% | 8.7% |
| Some College Degree | 67.9% | 62.7% | 5.2% |
| Bachelor's Degree or Higher | 78.1% | 71.6% | 6.4% |
| | | | |
| Spread Between Highest and Lowest Education Groups | 23.9% | 22.6% | |

Sources: Census, RCG

| Homeownership by Age - United States and Iowa (2019) | Iowa | United States | Gap (IA - U.S.) |
|---|---|---|---|
| **All Households** | 71.9% | 64.1% | 7.8% |
| | | | |
| **By Age Group** | | | |
| Under 35 | 43.2% | 34.1% | 9.1% |
| 35 to 44 | 71.8% | 58.3% | 13.5% |
| 45 to 54 | 77.3% | 68.5% | 8.8% |
| 55 to 64 | 81.0% | 74.8% | 6.2% |
| 65 and over | 80.4% | 78.1% | 2.3% |
| | | | |
| Spread Between Oldest and Youngest Age Groups | 37.2% | 44.0% | |

Sources: Census, RCG

| Homeownership by Race - United States and Iowa (2019) | Iowa | United States | Gap (IA - U.S.) |
|---|---|---|---|
| **All Households** | 70.5% | 64.1% | 6.4% |
| | | | |
| **By Race** | | | |
| White, non-hispanic | 74.2% | 72.1% | 2.1% |
| Nonwhite | 37.2% | 46.6% | -9.4% |
| Black | 23.4% | 42.0% | -18.6% |
| Hispanic | 50.9% | 60.6% | -9.6% |
| Asian | 52.7% | 48.1% | 4.7% |
| | | | |
| Spread Between White, Non-Hispanic and Non-White Groups | 37.0% | 25.6% | |

Sources: Census, RCG

### *Homeownership by Age*

By age group, homeownership rates in Iowa also exceeded the national trend across all categories, with a particularly large gap among households aged 35 to 44 years, followed by the under 35 year age group. Indeed, although the lifestyle trends and homeownership challenges among millennial households (who fall within these two age groups) that are highlighted below certainly remain factors, and will continue to influence broader homeownership trends in the state in the years to come, **relative to national trends, millennial households have generally been notably more successful transitioning to homeownership in Iowa.** As a result, the spread between homeownership rates for the oldest and youngest age groups is quite a bit smaller in Iowa (37.2%) than nationwide (44.0%).

### *Homeownership by Race*

**Compared with the already large racial disparities in homeownership nationwide, the racial homeownership gaps in Iowa are much more extreme.** As of 2019, the most recent data on homeownership by race, the statewide homeownership rate for white, non-hispanic households was more than 2 percentage points higher in Iowa than the U.S. average. In sharp contrast, the homeownership rate was 9.4 percentage points lower than the comparable national figure among nonwhite households. **Indeed, whereas homeownership exceeded the national average among Asian households, the gaps were even more dramatic among black and hispanic households, with the homeownership rates in Iowa that were 18.6 and 9.6 percentage points less than the already low national rates, respectively.**

Among households within Iowa, the overall homeownership gap between white and nonwhite households was 37.0 percentage points as of 2019, far exceeding the 25.6 percentage point gap nationally. **In fact, whereas nearly three-quarters of all white households in the state were homeowners, only slightly more than half of Asian and hispanic households and less than one-quarter of black households in the state owned their own homes as of 2019.** While the lower income distribution among households of color in Iowa is certainly a factor, income alone does not account for the large magnitude of the homeowner gap. For comparison, the homeownership rate among households in the state with incomes of less than $25,000 (including all races) was 41.6%, more than 18 percentage points higher than homeownership among black households across all income segments. **While already a critical issue, without significant measures to address affordability and access to homeownership, these gaps may well become even more extreme going forward considering the fact that households of color represent by far the fastest growing groups of renter households in the state.**

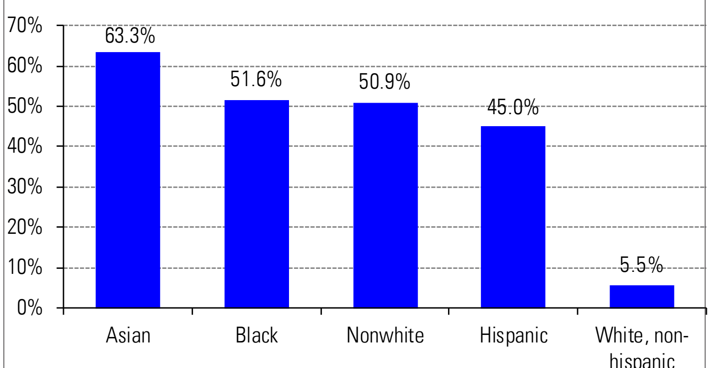
### *Households Tenure Choice Factors*

While there are numerous factors influencing household tenure choice (the decision households make to buy or rent), in many cases this is not really a choice at all. Instead, many Iowan renter households are renters by financial necessity, with major reasons including households that: 1) lack sufficient income to afford the monthly payments on a home at the prices available on the market; 2) do not have enough savings for a downpayment; 3) cannot meet the necessary debt-to-income threshold because of other debt obligations; or 4) do not have adequate credit (or a long and detailed enough credit history) to meet the necessary underwriting criteria to qualify for a mortgage. Knowledge gaps, access to family financial support and an understanding of the homebuying process also often pose significant hurdles for many households, especially prospective first-generation homebuyers. While affordability metrics are analyzed in greater depth later in the paper, RCG highlights two notable demographic and lifestyle factors that have also influenced household tenure choice and homeownership rates significantly in recent years and may continue to play an important role in the coming years.

*Pandemic-Related Shifts*

From 2019 to 2020, statewide homeownership increased by nearly three percentage points. While methodological issues with the Census Bureau survey amid lockdowns may have overstated this shift somewhat, **pandemic-induced lifestyle shifts significantly increased demand for purchasing single family homes, at the same time that historically-low interest rates enabled more households to afford a mortgage**. Similar to many other areas of the country, as families began spending increasingly large amounts of time at home, with remote work and school closures, many families with the financial means to do so chose to invest in larger and more comfortable homes, with amenities such as a home office and a large yard. At the same time, other households who had previously been considering purchasing their first home, accelerated their decisions to buy amid the pandemic, or moved to Iowa to purchase a home closer to family, as highlighted previously in the discussion of demographic trends. Furthermore, as the proliferation of remote work revolutionized the office environment, an accelerated number of households around the country sought to relocate out of high-cost-of-living cities into suburban areas and lower-cost small and mid-sized markets. As the same time, many low and moderate income (LMI) households, especially renter households, struggled financially with jobs losses, and the impact was disproportionately concentrated among households of color. Despite the sizable number of households facing these challenges, on balance, **the wave of new homebuyers in Iowa significantly increased the overall statewide homeownership rate in 2020. However, these trends put significant upward pressure on home prices, a factor that reduced affordability and pushed homeownership out of reach for many Iowans, particularly for LMI and households of color.**

**Growth Rate in Iowa Renter Population by Race (2010 to 2019)**




Sources: Census, RCG

*Aging Millennials*

While affordability is generally higher in Iowa than many other states, homeownership, a key component of financial security and economic mobility, is still out of reach for many millennial households, one of the largest age cohorts in the state. As more millennials reach their 30s and early 40s, age-related lifestyle changes (such as marriage and children) are expected to propel more millennials to want to own their own homes, a trend that was already underway prior to the pandemic, accelerated more recently, and is likely to continue in the coming years.

However, for many millennials, student loans, rising cost of living including rents, healthcare, education, and childcare, among others, will prevent them from saving for a downpayment and accessing the goal of buying their first home. **In fact, as of 2020, the average Iowan with student loans owed more than $30,000, according to the Education Data Initiative.** Among all borrowers, 56.2% were under the age of 35, impeding young people from saving for a downpayment on a home. Perhaps even more concerning, nonwhite residents are more likely to be indebted, and to carry large debt burdens. Notably, across the nation, black college graduates owe, on average, $25,000 more in student loans than their white counterparts. **While Iowans with college degrees earn significantly more, on average, compared with their less-educated counterparts, and generally have much higher homeownership rates over time, monthly student loan payments can certainly delay homeownership, especially in cases of large debt amounts.**

## V. Housing Affordability in Iowa

Consistent with the trends highlighted in the discussion of homeownership rates in the state, both rental and for-sale housing in Iowa remains relatively affordable for many, but far from all, households in Iowa. Instead, **the challenges of housing affordability most directly affect existing renter households, especially low and moderate income (LMI) households and households of color**. In order to provide a more detailed perspective on the state of housing affordability in Iowa and across major markets, RCG analyzed housing affordability from four different, but related perspectives: 1) housing cost burdens; 2) housing costs vs. income growth; 3) for-sale housing affordability; and 4) rental market affordability.

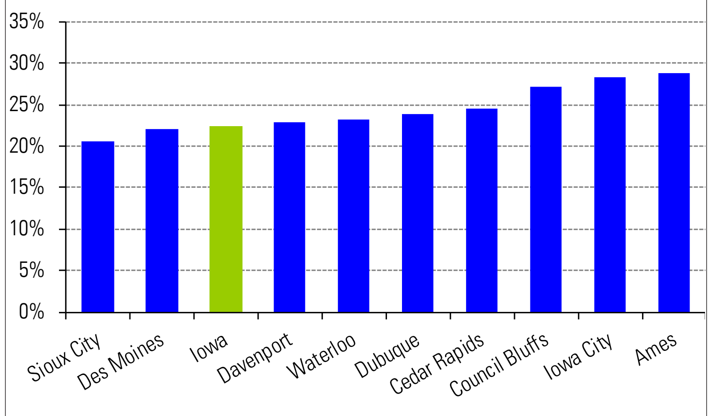
### *Housing Cost Burdens*

Historically, Iowa has been one of the more affordable states in the country for both renters and homeowners. Nonetheless, housing costs increased steadily during the most recent decade, and as of 2019, the most recent data available, **nearly 290,000 households in Iowa were "cost-burdened"—defined as spending more than 30% of total household income on housing—which represented 22.4% of all households in the state**, according to the Joint Center for Housing Studies (JCHS) at Harvard University. Of those households, nearly half spent more than 50% of their income on housing costs, meeting the threshold of "severely cost-burdened." Critically, however, those figures reflected the pre-pandemic state of the housing market and do not account for job and income losses, the significant acceleration in home prices, or the elevated pace of rent growth since the start of the COVID-19 pandemic in March 2020. All these factors further exacerbated affordability and likely increased cost burdens for many households in Iowa and around the nation, especially LMI households and households of color.

Within the state, the markets with the most concentrated number of cost-burdened households were Ames and Iowa City, in which nearly 30% of households were cost-burdened as of 2019. This is not surprising, however, as Ames and Iowa City have higher-than-average rents, but also lower-than-average incomes, owing to the large concentration of student renters and the outsized impact of Iowa State University and the University of Iowa, respectively, on the local housing markets. Conversely, the interstate Sioux City area (which included counties in Iowa, Nebraska, and South Dakota based on the market definition used by JCHS) had the lowest share of households with cost burdens.

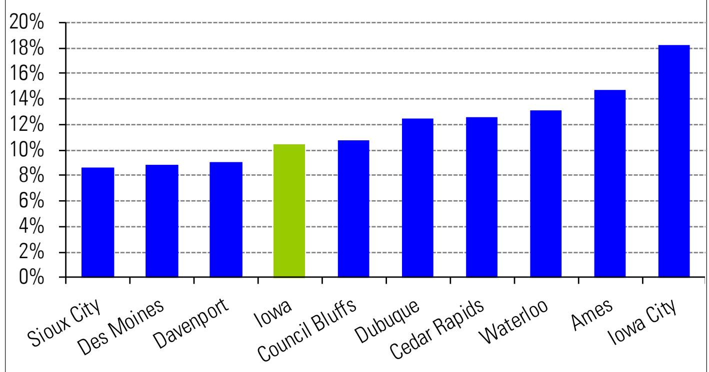
Cost burdens in Iowa were most concentrated among renters. **Specifically, 40.3% of renter households in Iowa were cost-burdened as of 2019, compared with 15.0% of owner households.** While cost burdens place immediate financial stress on a household, potentially impairing the household's ability to meet basic needs, the high cost of housing relative to incomes can

**Share of Households with Cost Burdens (2019)**



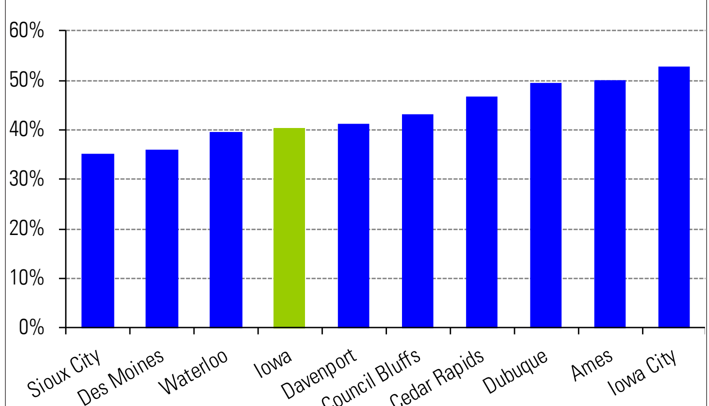

Note: City names refer to entire metropolitan area including counties in neighboring states
Source: JCHS

**Share of Households with Severe Cost Burdens (2019)**



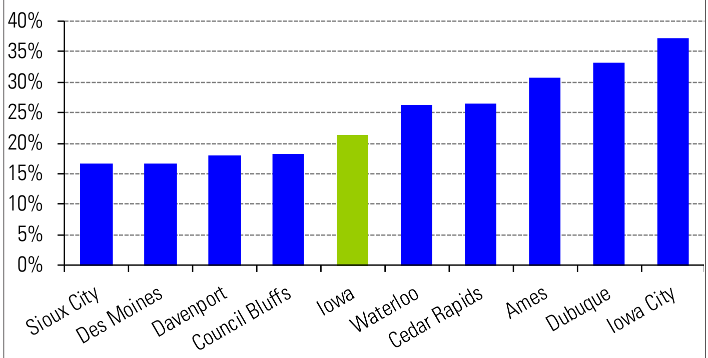

Note: City names refer to entire metropolitan area including counties in neighboring states
Source: JCHS

**Share of Renters with Cost Burdens (2019)**



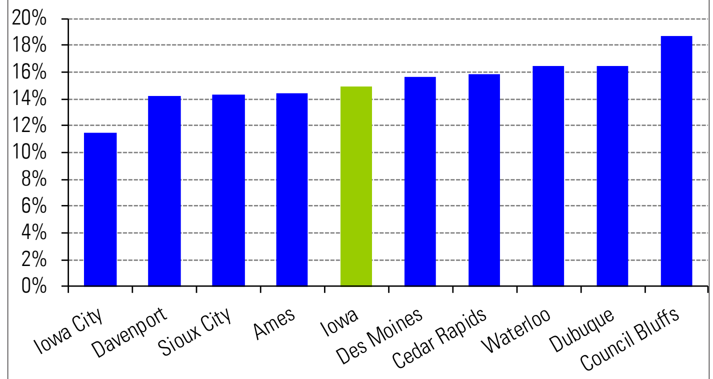

Note: City names refer to entire metropolitan area including counties in neighboring states
Source: JCHS

**Share of Renters with Severe Cost Burdens (2019)**




Note: City names refer to entire metropolitan area including counties in neighboring states
Source: JCHS

**Share of Owners with Cost Burdens (2019)**




Note: City names refer to entire metropolitan area including counties in neighboring states
Source: JCHS

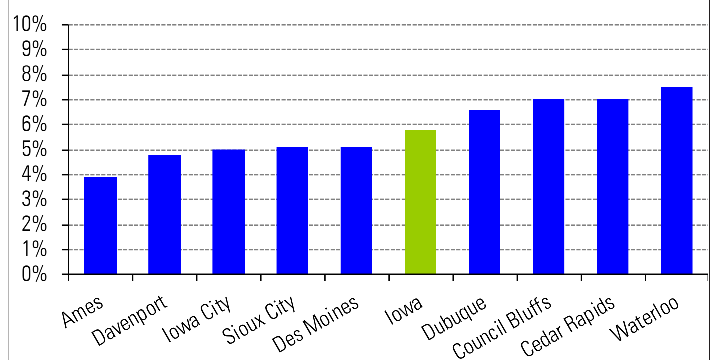
also translate to long-term negative effects on household financial wellbeing. Notably, cost-burdened renters are typically much less likely to be able to successfully save for a downpayment on a home. Furthermore, among cost-burdened households, renters were also more likely to be severely cost-burdened. In fact, more than half of cost-burdened renters were severely-burdened, while only approximately one-third of cost-burdened owners exceeded the 50% of income threshold.

### *Housing Costs vs. Income Growth*

*Pre-Pandemic*

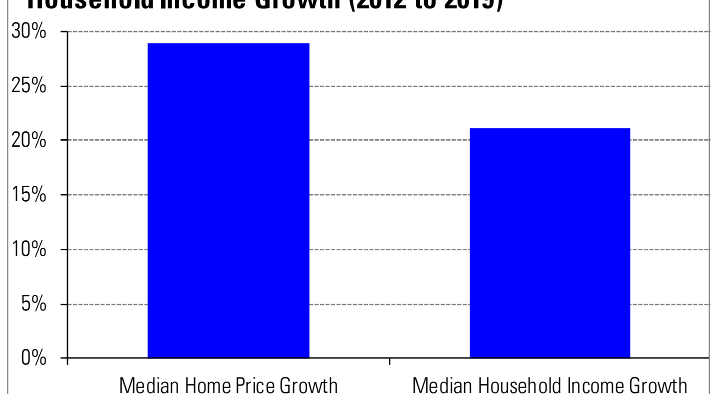
**For most of the previous decade, housing costs in Iowa moderately outpaced income growth.** After falling in 2008 during the Global Financial Crisis, home prices began to recover in 2012, increasing by an average of 3.7% per year from 2012 through 2019, while incomes grew at a slower pace. **From 2012 to 2019, the statewide median existing home sales price grew by nearly 30% ($165,000 vs. $128,000), while the median household income grew by approximately 20% ($61,700 vs. $51,000).** As of 2019, the monthly housing cost (including mortgage payment, property tax and insurance) based on the median existing home price across Iowa was $860, according to RCG estimates described in detail in the affordability methodology section below. Meanwhile, the median monthly contract rent was $660, according to the Census (based on the in-place housing cost across all rental unit types, which is typically significantly lower than current market rents for new leases). Housing costs were generally significantly higher in the major markets—for example, in Des Moines, the median contract rent was $820, nearly 25% higher than the state average. Among larger, professionally-managed apartment buildings, the average rent in the Des Moines market was $966 at the end of 2019, according to Yardi Matrix.

**Share of Owners with Severe Cost Burdens (2019)**




Note: City names refer to entire metropolitan area including counties in neighboring states
Source: JCHS

**Median Home Price Growth and Median Household Income Growth (2012 to 2019)**

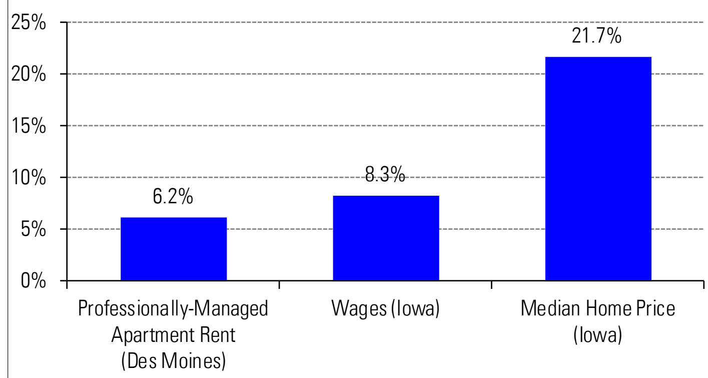



Sources: Iowa Association of REALTORS®, Census, RCG

*Since the Start of the Pandemic*

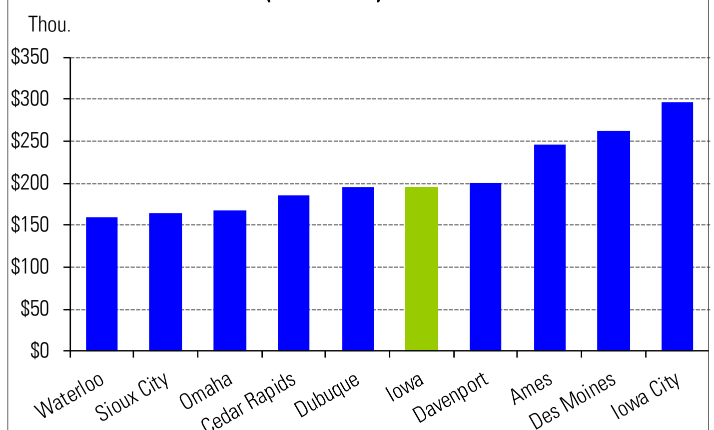
**Since 2019, however, cost burdens worsened further, as pandemic-induced trends pushed up housing costs in Iowa.** While the Census has not yet released data on owner and renter housing costs for 2020, it is notable that the average professionally-managed apartment rent in Des Moines increased to $1,021 as of the third quarter of 2021, an increase of 5.8% compared with two years earlier in the third quarter of 2019. However, most of this growth occurred this year, with the average month rent increasing nearly 4% year-to-date during the first three quarters of 2021. On the owner side, the median price home price in Iowa increased by 9.1% in 2020, according to data from the Iowa Association of REALTORS®. More recently, the median home sales price surged further by 7.6% as of October 2021, year-over-year, and was up by 21.7% compared with October 2019. While income data for the pandemic period is not yet available, data on average hourly wages from the BLS highlights the disconnect between housing costs and wage growth that has further exacerbated household cost burdens for many households across the state—particularly those in lower income industries and sectors of the economy that were slower to recover job losses, such as leisure and hospitality. Overall, the average hourly earnings for private-sector workers statewide increased by 8.3% from October 2019 through October 2021.

**Housing Cost and Wage Growth (Oct. 2019 to Oct. 2021)**



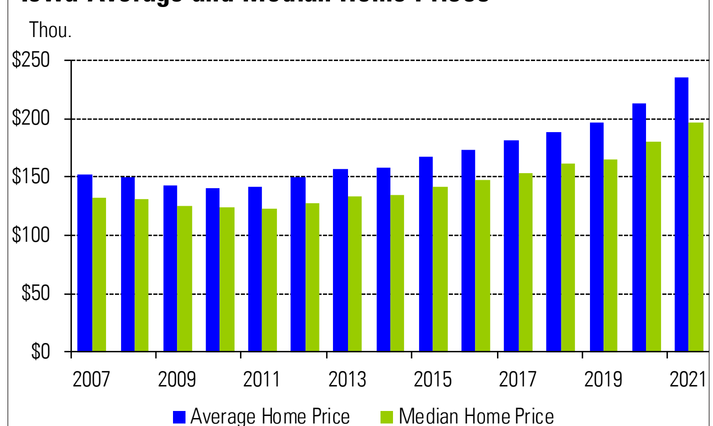

Sources: Iowa Association of REALTORS®, Yardi Matrix, RCG

**Median Home Price (Oct. 2021)**




Note: Latest data as of October 2021
Sources: Iowa Association of REALTORS®, RCG

**Iowa Average and Median Home Prices**




Note: Latest data as of October 2021
Sources: Iowa Association of REALTORS®, RCG

### *For-Sale Housing Market Affordability*

*RCG Single Family Affordability Methodology*

In order to analyze affordability in the for-sale housing market in the following sections, this report provides a wide range of details based on RCG's proprietary model of single family affordability. The model generally takes into account the following factors:

- Median home price
- Household income distribution
- Mortgage factors such as length of mortgage, initial downpayment, the prevailing mortgage rate, and assumptions regarding property tax and insurance rates
- Inflation
- Maximum cost burden

For purposes on this report, RCG affordability metrics assume a traditional, 30-year mortgage with a 20% downpayment and a maximum cost burden of 30% of household income. Using these factors, we are first able to determine the minimum annual income needed to afford the median-priced single family home within the desired region. Next, we compare the minimum income needed to the distribution of household income within the target region. Comparing these two metrics will produce the share of households with sufficient income to be able to afford the monthly costs of the median-priced single family home.

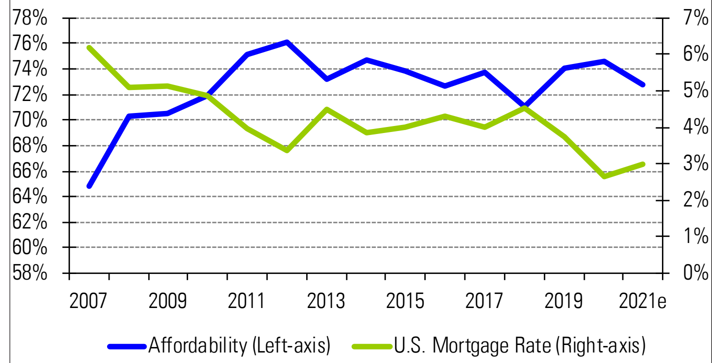
Importantly, this analysis makes the simplifying assumption that each household has enough money saved up for an initial downpayment and only examines the monthly costs of homeownership. However, realistically, many households do not have sufficient savings for a downpayment. Moreover, a traditional 20% downpayment is often no longer required and a lower initial downpayment would translate to higher monthly costs, because of the larger size of the mortgage, as well as the added costs of mortgage insurance for the homeowner. As a result, while the assumptions are conservative within the model and particularly useful for comparative analysis across geographies and over time, the output may somewhat overstate the actual share of households that realistically have the ability to buy the median-priced home within any particular area.

*Single Family Affordability for All Households*

Leading up to the 2008 housing bubble, the share of households that could afford the median-priced home in Iowa was particularly low, in the mid-60% range, based on data for all households including existing homeowners. After the housing market crashed, affordability jumped to more than 70% by 2008 and continued to rise to a peak of 76.1% in 2012. **From 2012 through 2018, the share of households able to afford the median-priced existing single family home**

**Iowa Single Family Affordability vs U.S. Mortgage Rate**

**Share of households able to afford the median-priced home**



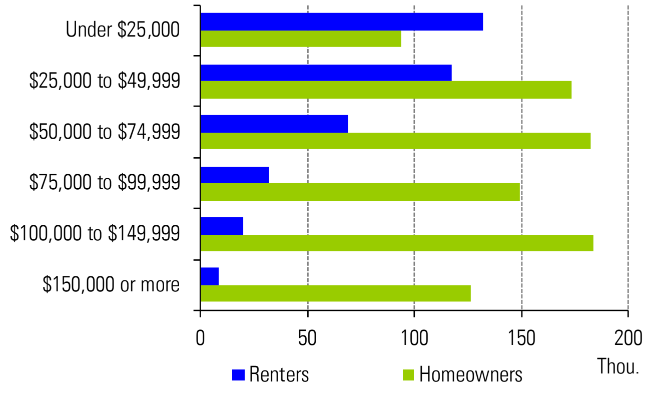

Note: 2021 is an estimate
Sources: Census, FRED, Iowa Association of REALTORS®, RCG

**gradually decreased as home prices increased.** As of 2018, affordability declined to 71.1%, a five percentage point decrease from the peak in 2012. Thereafter, in 2019, affordability in Iowa increased to 74%, in large part because of the drop in the 30-year mortgage rate. Specifically, the average 30-year U.S. mortgage rate decreased to less than 4% from more than 4.5% one year prior. In 2020, this measure of affordability remained relatively stable near 74%, as the sharp increase in the median home price was offset by a more than one percentage point decrease in the mortgage rate. **RCG estimates that the share of households able to afford the median-priced home declined to approximately 73% in 2021 because of continued strong home price growth.**

The decrease in the mortgage rate was the primary reason why affordability was elevated in the lead up to and throughout the pandemic. Whereas the 30-year mortgage rate averaged 5.8% between 2001 and 2010 and averaged 4.1% from 2011 to 2018, in 2019, the mortgage rate decreased to approximately 3.7% because of economic volatility and uncertainty. Moreover, in 2020, the pandemic, and the resulting highly accommodative Federal Reserve monetary policy, caused the mortgage rate to decline further to less than 3%, nearly half the level 20 years prior. Hypothetically, if the mortgage rate was held constant at the 2011 to 2018 average in 2019 and 2020, affordability in Iowa would have decrease to the 70% range by 2020, a four percentage point difference from the actual outcome. Notably, that gap would translate to approximately 500,000 fewer households in Iowa able to afford the median-priced home were in not for the large drop in mortgage rates.

Broadly, even as home prices accelerated considerably since the onset of the pandemic, Iowa remained relatively affordable compared with the U.S. average. While the affordability in Iowa was between the mid-60% range and mid-70% range between 2006 and 2021, the national average during that same time period was in the high-30% to low-50% range. That said, affordability for LMI

**Iowa Renter and Owner-Occupied Households by Income (2019)**




Source: Census

households and households of color in Iowa was much lower than the statewide average, adding further pressure to the existing disparities in homeownership.

*Single Family Affordability for Current Renters*

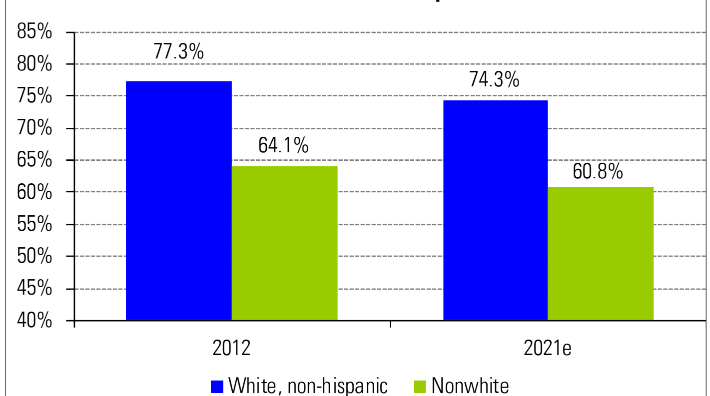
The share of renter households able to afford the median-priced home in Iowa was much less than the broader statewide averages highlighted above, which focused on the income distribution of all households (including existing homeowners). In the last economic cycle (2010 to 2019), single family affordability for renter households (i.e. the share of renter households with sufficient income to afford the monthly cost of owning the median-priced home) was steady in the low-50% range, approximately 20 percentage point less than the broader average for all households statewide. Not surprisingly, renter households were much more likely to have lower incomes than owner-occupied households. For example, as of 2019, the latest data available, **approximately 39% of owner-occupied households earned less than the statewide median income of $61,691, while more than 74% of renter households had household income less than the median**. Having less income not only makes it harder to afford the monthly payment but also makes it significantly more challenging to save enough money for a sufficient downpayment.

*Affordability by Race*

As highlighted previously, nonwhite households were far more likely to be renters than white households. **As of 2019, 58% of nonwhite households in Iowa rented compared with 26% of white households.** However, precisely determining affordability by race, specifically for renter households and prospective first-time homebuyers, would require income distribution data that is filtered by both tenure and race. Unfortunately, the American Community Survey by the Census (a primary source of data throughout this report) only provides tables with a cross-tabulation for two of these three metrics (income, owner/renter tenure and race) at a time. For this reason, the best available data for estimating RCG's single family affordability metric was the overall income distribution by race. While this provides a reasonable indicator of the relative extent of affordability challenges across racial groups and overtime, by excluding tenure, the income distribution data by race necessarily includes existing homeowners and, therefore, likely substantially understates the true magnitude of the affordability challenge for nonwhite renter households in Iowa, a disproportionate number of whom fall into lower income categories.

Similar to the divergence between renter households and owner households, the share of households able to afford the median-priced home differed dramatically across racial groups. For white, non-hispanic households, affordability was steady in the mid- to high-70% range between 2010 and 2021. In contrast, affordability was notably lower among nonwhite households in the high-50% to low-60% range during the same period. **At the peak of affordability in 2012, more than 36,300 nonwhite households in Iowa could still not afford to purchase the median-priced home. By 2021, this increased further with nearly 20,000 additional nonwhite households in Iowa who were unable to afford the monthly cost of the median-priced home.** Among nonwhite households, black households were much less likely to be able to afford the monthly payment for the median-priced home than hispanic households. Indeed, approximately 50% of black households were able to afford, compared with the mid-60% range for hispanic households throughout the last decade (2010 to 2019). While the gap is still very large, there has been some improvement in terms of the spread between the affordability rates for white and nonwhite households over time. Specifically, whereas the affordability gap was nearly 16 percentage points in 2010, it decreased to the 13% range by 2021. While this represents some progress, **the outsized gap remains a major barrier to access to homeownership for many households of color**. Moreover, this analysis significantly understates the true size of the affordability and accessibility gap in a number of ways, including: 1) by focusing on incomes of all

**Single Family Affordability by Race - Iowa**
**Share of households able to afford the median-priced home**




Note: 2021 is an estimate
Sources: Census, FRED, Iowa Association of REALTORS®, RCG

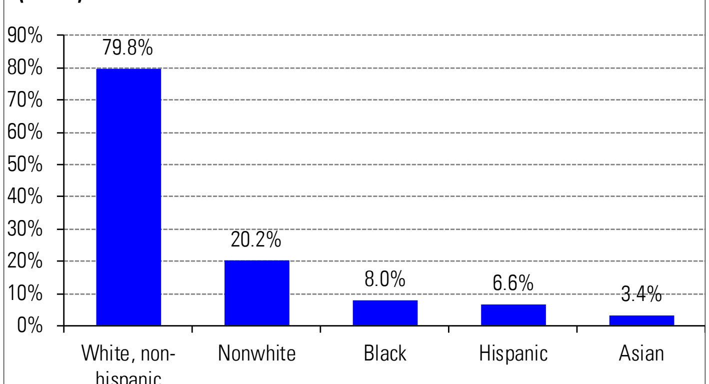
households within each segment rather than isolating just renter households (a reflection of the data limitations described previously); 2) by focusing on household incomes and monthly payments without consideration of existing assets and ability to afford a downpayment; and 3) by focusing on income alone without considering the many other hurdles to accessing homeownership that households of color, and especially first-generation homebuyers, may face ranging from the availability and pricing of mortgage credit, to knowledge and familiarity with the homebuying process, to the availability of inventory in the desired communities and price segments.

*Affordability Outlook*

Looking ahead, RCG expects affordability to decline in Iowa throughout the next five years, and even potentially the next ten years. The decrease in affordability should primarily stem from rising interest rates and steady home price growth, which is expected to outpace household income growth, especially for households in the lower portion of the income spectrum. Based on broad estimates of the major affordability factors described in the methodology section, **the share of households able to afford the median-priced home is projected to decline from 72.8% in 2021 to less than 65% in 2026.** By 2031, RCG projects that affordability could decline further to the mid-63% range. **In absolute terms, nearly 466,000 Iowan households (including current owners and renters) are not expected to be able to afford the monthly cost of the median-priced home by 2026, approximately 113,000 more households than estimated as of year-end 2021.** Based on conservative projections and an expectation that mortgage rates and home price appreciation will return to more normalized trends, by 2031, the number of households unable to afford the monthly payment for the median-priced home would increase by an additional 20,000 to approximately 486,000.

The base case scenario above assumes that over the longer term, mortgage rates will return to a level more consistent with historical norms at approximately 5%. Notably, however, affordability would

**Share of Iowa Renter Households by Race (2019)**




Note: Numbers do not add up to 100%, categories are not mutually exclusive
Sources: Census, RCG

**Iowa Single Family Affordability Outlook by Mortgage Rate**

| | Low: 4% | Baseline: 5% | High: 6% |
|---|---|---|---|
| **2021e** | | | |
| Affordability Rate | 72.8% | 72.8% | 72.8% |
| Households Unable to Afford | 353,000 | 353,000 | 353,000 |
| **2026** | | | |
| Affordability Rate | 67.9% | 64.6% | 61.1% |
| Households Unable to Afford | 423,000 | 486,000 | 511,000 |

Note: 2021 is an estimate
Sources: Census, FRED, Iowa Association of REALTORS®, RCG

improve considerably if mortgage rates do not rise as fast as expected. In the case that the long-term mortgage rates trend to 4%, the share of households that could afford the median-priced home would increase to 67.9% in 2026 and then dip slightly to 66.9% in 2031. In this scenario, the number of households that could not afford the median-priced home would increase to 423,000 in 2026, 70,000 more than 2021, but 43,000 households greater than the baseline scenario. In 2031, the number households unable to afford would grow to 441,000, nearly 45,000 households less than the 5% mortgage rate scenario. In the event that mortgage rates rise quicker than expected, affordability would be projected to decline further in Iowa. At a long-term mortgage rate of 6%, the share of households that could afford would decrease to 61.1% in 2026 and to 60.1% by 2031. Compared with the baseline scenario of 5%, a 6% mortgage rate is projected to increase the number of households unable to afford the median-priced home by 45,000 through 2026.

Following the trend of the last ten years, affordability is expected to be lowest for renter households and households of color going forward. These residents are not only expected to continue to have lower levels of income on average, but are also more likely to be first-generation home buyers. With lower levels of income and less accumulated wealth, many of these households currently do not have sufficient savings to afford an initial downpayment for a home. Given that the RCG affordability metrics assumes that each household has access to the initial downpayment, the true share of affordability in Iowa is likely considerably less than these projections would indicate. In fact, according to the 2020 study, *The Potential for Shared Equity and Other Forms of Downpayment Assistance to Expand Access to Homeownership*, conducted by JCHS, based on 2014 data, although 76% of potential households nationwide—renter households and individuals and couples in others' homes—could afford the monthly mortgage payment, only 9% of households could afford to purchase a home without downpayment assistance. Given that home price growth outpaced wage gains in Iowa since that period of data studied, homeownership likely become even less attainable for households that do not already have enough money saved. **RCG expects lack of affordability to remain a central**

**issue for renter households and first-generation homebuyers in Iowa going forward as home prices continue to increase and mortgage rates rise in the coming years**.

Furthermore, as mentioned previously in the demographic section, a notable number of people who moved into Iowa during the pandemic had relatively high incomes, were older, and sought to live in Iowa for retirement and/or family reasons. These movers were generally more likely to want to buy a home than rent, supporting elevated existing single family home demand and price growth. As a result, lower-income existing Iowa residents may continue to be priced out of homeownership in the coming years without policy interventions to support access and affordability.

*Affordability by Metro*

While housing affordability remained fairly stable on average in Iowa through the pandemic, affordability declined in many of the largest metropolitan areas within the state. Strong home price growth in the major markets that had more job opportunities offset the effect of lower mortgage rates. Single family housing affordability in 2021 is estimated to be lowest in Iowa City (57.2%), Ames (66.9%) and Des Moines (67.4%). However, it is important to note that the number of students (who typically have more limited household incomes) may be skewing the household income distribution in both Iowa City and Ames. **Notably, the share of households that were able to afford in Des Moines decreased by more than two percentage points, or the equivalent of more than 8,000 households since 2019—underscoring the rapid home price appreciation and increasing affordability concerns.** Furthermore, given the fact that the vast majority of population growth in Iowa continues to be concentrated in Des Moines, affordability is expected to become a considerably larger issue going forward.

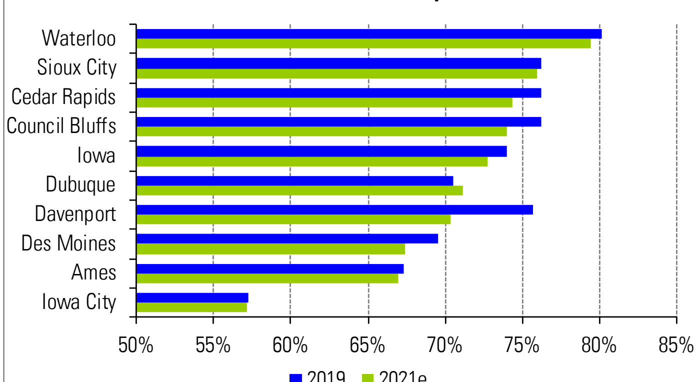
By comparison, RCG estimates show the higher share of single family affordability in Waterloo (79.4%), Sioux City (75.9%) and Cedar Rapids (74.3%) for 2021, in part reflecting the fact that these smaller markets had fewer job opportunities and somewhat slower home price appreciation through the pandemic.

*Property Tax Rates*

Iowa ranked within the top 10 states for highest effective property tax rate in the U.S. in 2019, according to the National Association of Home Builders (NAHB). Iowa had an average effective property tax rate of 1.43%, much greater than the U.S. average of 1.01%. In fact, homeowners with the 2020 median-priced home in Iowa would pay more than $2,570 in property taxes compared with $1,820 if the statewide property tax rate was equivalent to the U.S. average. However, in comparison to the neighboring states, Iowa was in a similar tax range. Specifically, the effective property tax rate was significantly less than Illinois (1.97%) and slightly lower than Nebraska (1.54%) and Wisconsin (1.53%), but considerably greater than South Dakota (1.14%), Minnesota (1.05%) and Missouri (0.96%). Notably, the property tax in Polk County, the county with the greatest share of the population in the Des Moines metropolitan area was 1.6%, somewhat greater than the statewide average. As noted previously, the vast majority of population growth in recent years was concentrated in Des Moines.

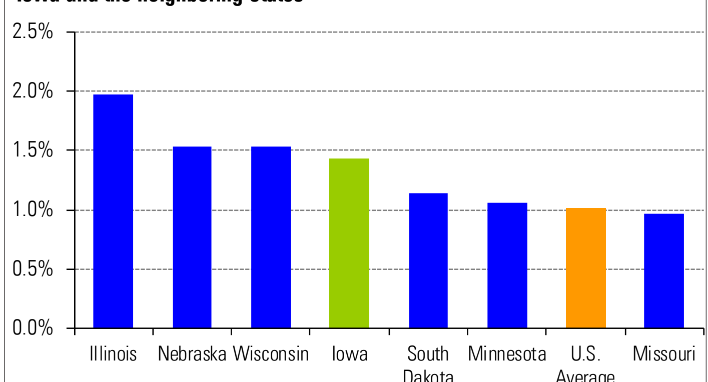
Without a large concentration of knowledge-economy industries or a large tourism sector, Iowa relies on property tax rates to fund local government budgets. **While far from a dominant factor in determining housing affordability or the ability to transition to homeownership, the relatively high property tax rate compared with the U.S. average is an added challenge that reduces the affordability of for-sale housing in a modest, but meaningful way.** While strong home price appreciation is prevalent across the U.S., the higher property tax in Iowa, and especially Des Moines, increases the average annual housing costs at a faster rate. For example, if $199,000 (October 2021 median home price in Iowa) homes in two counties both appreciate by 5.0% and the effective property tax is 1.0% in one county and 1.6% in another, the annual

**Single Family Affordability by Iowa Market**
**Share of households able to afford the median-priced home**




Note: 2021 is an estimate
Sources: Census, FRED, Iowa Association of REALTORS®, RCG

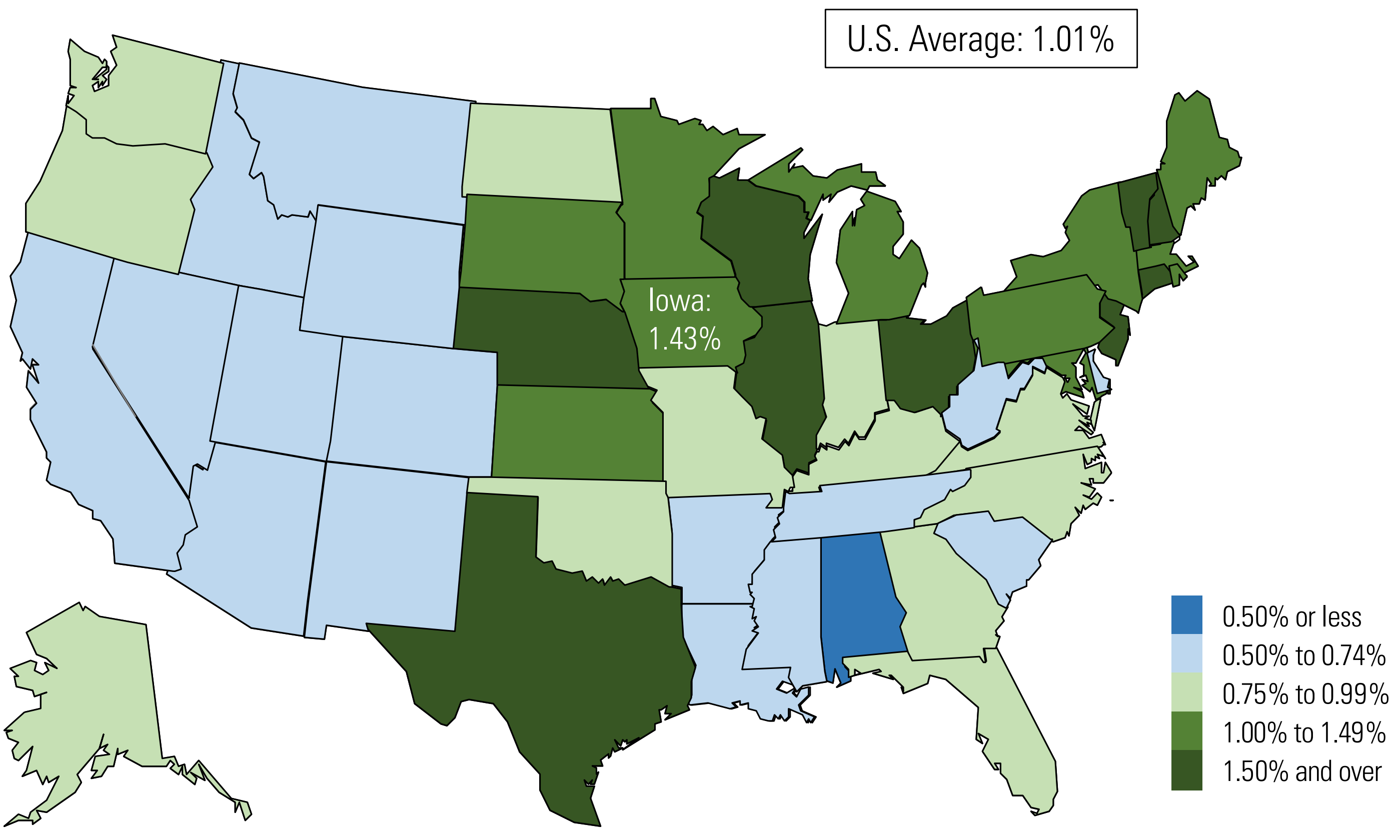
**Effective Property Tax Rate by State (2019)**
**Iowa and the neighboring states**




Note: U.S. Average is the average of the effective tax rate in 50 states
Source: National Association of Homebuilders

housing cost for the higher property tax county would be $1,250 greater than in the lower tax county after just one year. After year two, assuming the same 5% home price appreciation, the homeowner in the higher effective property tax county would pay $1,320 more in property taxes, or nearly $2,570 more in total when adding in the first year. The cycle of a larger and larger cost continues in years three, four, and so on. As highlighted in prior sections, wage growth has not been able to keep pace with housing costs—decreasing the affordability of homeownership for LMI households and first-time homebuyers. While not necessarily large, property tax obligations certainly add to the cost of owning a home over time.

## Effective Property Tax Rate by State (2019)

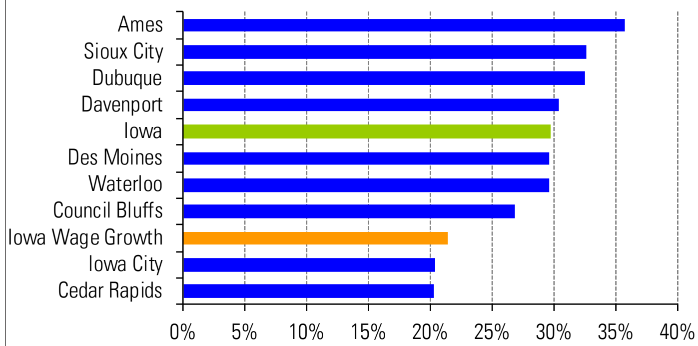



Note: U.S. Average is the average of the effective tax rate in 50 states
Source: National Association of Homebuilders

### *Rental Market Affordability*

Outside of the for-sale housing market, rental affordability also declined throughout the last economic cycle. Importantly, the rental affordability discussion uses a similar (but also simpler) concept to the RCG single family affordability metric. As such, the figures in this section are separate calculations and not derived from the model described above. While being able to afford the monthly rental payment comfortably is one important aspect, another is the ability to simultaneously save up for a downpayment. The statewide median renter household income in 2019 was approximately $36,100. After adjusting by the statewide Iowa wage growth of 4% in 2020, the estimated median renter household income in 2020 was $37,600. By comparison, the median existing family home price in Iowa in 2020 was $180,000. **Assuming renter households were able to save as much as 10% of annual income (quite an optimistic savings rate), it would still take the median renter household 10 years to save up enough money for an initial 20% downpayment of $36,000 based on the 2020 median-priced home.** However, this is a very conservative estimate, as median existing home price growth outpaced wage growth throughout the second half of the last decade—making it harder to save the sufficient amount.

**Median Contract Rent Growth vs Wage Growth (2010 to 2019)**



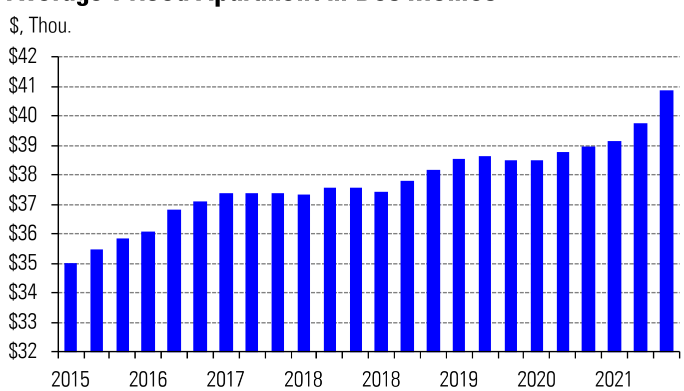

Notes: Contract rent does not include utilities; Wage growth of private industry employees
Sources: Census, BLS

The monthly median contract rent metric from the Census provides another way to capture rental costs. This measure includes all renters in both professionally-managed and smaller, family-owned properties, including single family rentals. The minimum annual income needed to afford the median rental unit in Iowa increased from $19,600 in 2010 to more than $25,600 in 2019, or an increase of nearly 31%, according to the Census. This significantly outpaced wage growth of more than 21% during the same time period. As highlighted above, with a greater share of income going toward housing, the ability for many renter households to save up enough money for a downpayment diminished.

In Des Moines—the largest and only major apartment market tracked by rental market data provider Yardi Matrix—the average income needed to rent a professionally-managed apartment increased by more than 10% between 2016 and 2019 to $38,600. However, through the third quarter of 2021, the minimum income needed increased further by more than 5% to nearly $41,000. Based on the renter household income distribution from 2019, the latest available data, more than 47%, or more than 40,000 renter households in Des Moines had an annual income less than $41,000. Even after adjusting for likely income growth since 2019, more than 44% of renter households could not afford the average apartment rent in Des Moines in 2021 without surpassing the threshold of a housing cost burden.

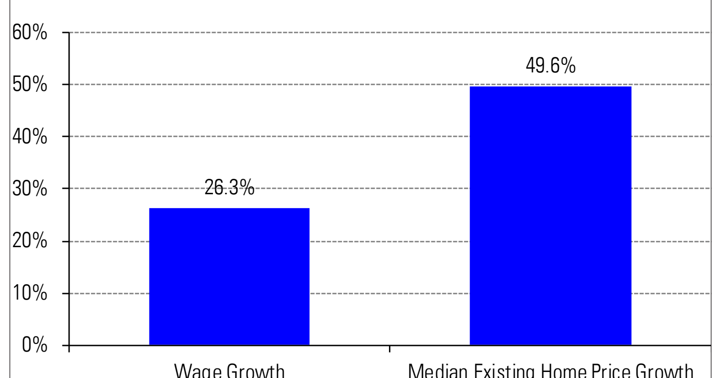
Overall, renter households had an increasingly hard time transitioning to homeownership in the last decade, a trend that was magnified during the pandemic in a number of major markets around the state where home price appreciation was fastest. **At the current trajectory of rent growth, home price appreciation and pace of wage growth, renter households will likely have an even lower ability to purchase in the upcoming years, a challenge that will continue to be particularly prevalent among households of color.**

**Annual Income Needed to Rent the Average Priced Apartment in Des Moines**




Notes: Latest data as of 3Q 2021; Based on a maximum cost burden of 30% rent to income
Sources: Yardi Matrix, RCG

**Cumulative Wage vs. Median Existing Home Price Growth (2015 to 2021)**




Notes: 2021 data as of October 2021
Sources: Census, Iowa Association of REALTORS®

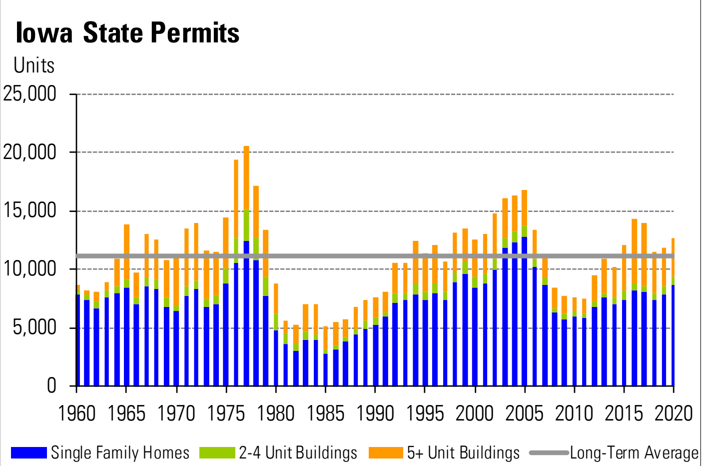
## VI. Iowa Housing Supply

### *Historical Housing Production*

*Statewide*

Historically, housing production in Iowa has closely tracked economic cycles. Notably, statewide permit issuance across all building types fell by more than 60% percent from 1979 to 1982 (a decline of more than 8,000 permits) and remained very limited throughout the 1980s and early 1990s in the wake of the energy crisis, the early 1980s recession and the 1980s farm crisis. **The decline was most concentrated among 2-4 unit buildings, which decreased by 65% during the same time period.** While this segment, commonly referred to as the "missing middle" of housing production often represents one of the most affordable rental options, new development of these smaller multifamily properties was extremely limited in recent decades in many areas of the country, including across all major markets in Iowa.

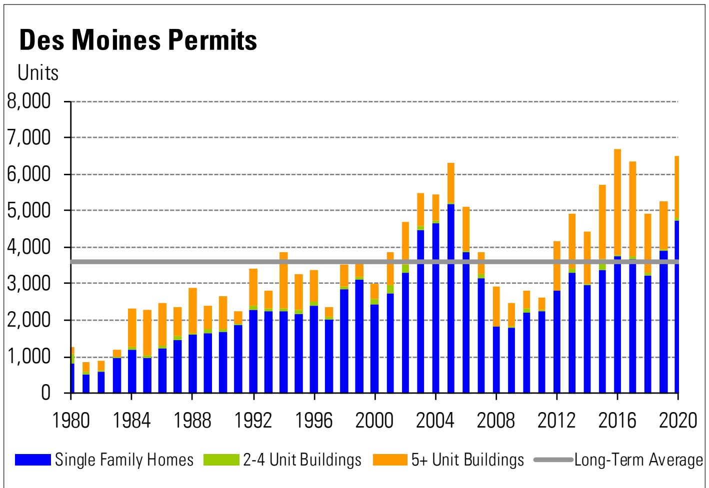
Though permitting accelerated through the 1990s and early 2000s, annual permit issuance in Iowa never recovered to the pre-recession peak. Following a similar trend, permit issuance fell sharply again amid the Global Financial Crisis in 2008, and continued to hover below the 2007 level through 2020. On average, the state of Iowa issued more than 11,100 building permits per year between 1960 and 2020. By property type, that translated to an annual average of approximately 7,400 single family homes, nearly 760 units in small multifamily buildings with two-to-four unit, and more than 2,900 units per year in buildings with five-or-more units.



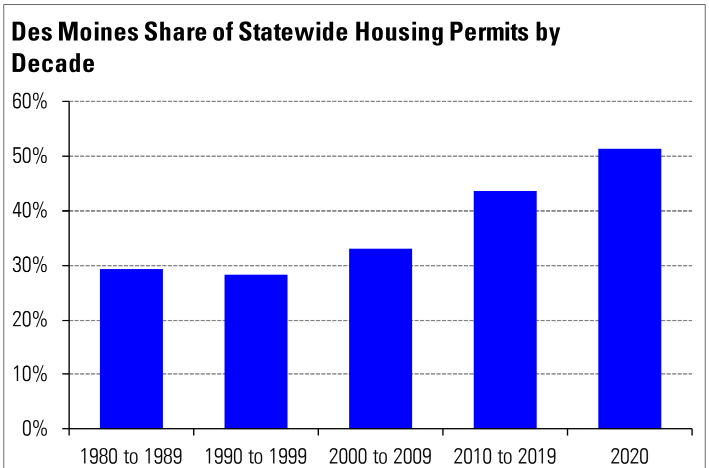

Note: Permit totals are per unit, not per building
Source: Census

*Major Markets*

During the past decade, permit issuance accelerated dramatically in the Des Moines area, even as permitting stagnated in much of the rest of the state, especially the more rural areas. **In fact, the Des Moines metropolitan area accounted for 51.6% of all building permits in Iowa in 2020, an increase from the average of nearly 44% from 2010 through 2019, and compared with one-third or less of statewide housing permitting in the prior three decades.** Strong demographic trends in Des Moines continued to fuel demand for all types of housing, even as housing demand was more moderate in rest of the state and new permitting activity was stable or decreased in recent years in a number of other markets. By property type, despite the increase in multifamily permitting in recent years, the vast majority of new housing in the Des Moines area continued to be single family homes. As of 2020, single family homes accounted for nearly 73% of local housing permits, up from approximately two-thirds of permitting from 2010 through 2019. In comparison, from 1980 to 2020, single family homes accounted for an average of 70% of new housing permits, approximately 3.5 percentage points greater than the state average.

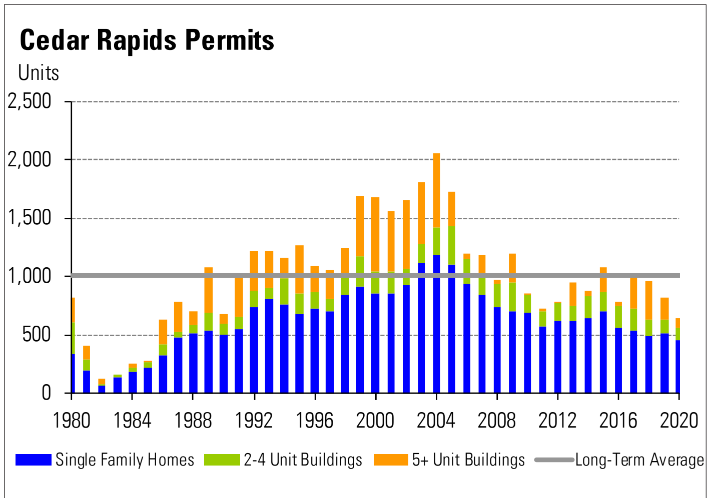



Source: Census

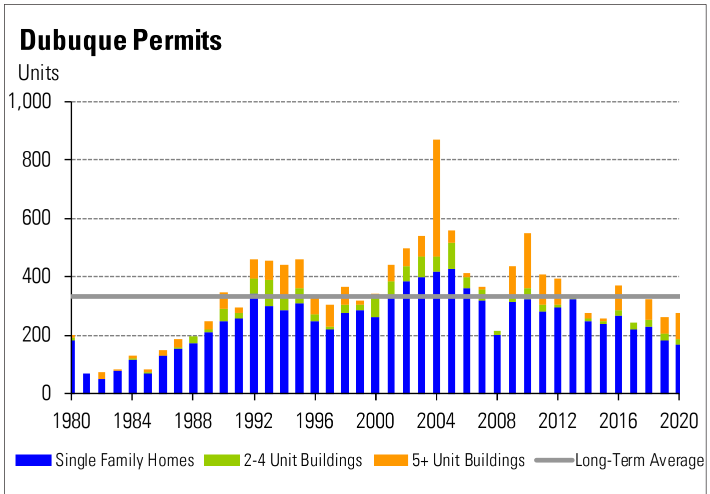



Note: Includes single family and multifamily housing units
Source: Census

- In contrast to the Des Moines area, permit issuance in Cedar Rapids peaked in 2004, before falling steadily from 2005 through 2020. The average number of units permitted in Cedar Rapids from 1980 to 2020 was slightly more than 1,000 per year, of which 63% were for single family homes.
- Similarly, permit issuance in Dubuque trended downward in recent years after spiking in 2004, with a record high of 870 permits. For comparison, the historical average from 1980 to 2020 was only 330 units, of which 75% were single family homes.
- The large student population in Ames supported considerable demand for new multifamily housing in the market. However, production of 2-4 unit buildings, which was already limited, declined further since the early 2000s. On average, approximately 530 housing units were permitted in the Ames market per year from 1980 to 2020, of which 47% were single family homes, while 49% were multifamily buildings with five-or-more units.
- Permit issuance in Iowa City has closely tracked the statewide trend, with troughs during periods of economic recession. Notably, despite the sizeable student population and an acceleration in multifamily construction in the years prior to the pandemic, the Iowa City market continued to permit a relatively large number of single family homes compared with Ames (54% vs. 47% of historical housing production, respectively).
- From 1980 to 2020, an average of approximately 540 housing units were permitted in the Iowa counties within the Davenport market per year, of which 75% were single family homes. In contrast, new production of multifamily units in Davenport was limited, especially in the 2-4 unit building category.
- While housing production fluctuated somewhat by year, especially for larger multifamily properties, in general, the Waterloo-Cedar Falls market followed the statewide trend, with large dips in housing production occurring during times of economic recession. From 1980 to 2020, Waterloo-Cedar Falls issued an average of 370 permits per year, of which 69% were for single family homes.
- As seen in the nearby chart, there were almost no five-or-more unit buildings permitted in the Iowa counties of the Sioux City market from 2005 to 2014. Multifamily permitting increased dramatically in the years since, but as of 2020, remained less than the peak in 1994. During the past 40 years, the Iowa-side of Sioux City issued 300 permits per year, on average, of which approximately two-thirds were for single family homes.
- Housing production stagnated in the Council Bluffs market following the Global Financial Crisis, with no recovery in single family homebuilding and almost no multifamily permitting since 2007. From 2007 to 2008, permitting fell nearly 50%, from 490 to 260 total permits issued. Furthermore, in 2008, 97% of permits were for single family homes. For comparison, the historical average from 1980-2020 in the Iowa-side of Council Bluffs was 330 permits per year (of which 73% were for single family homes).

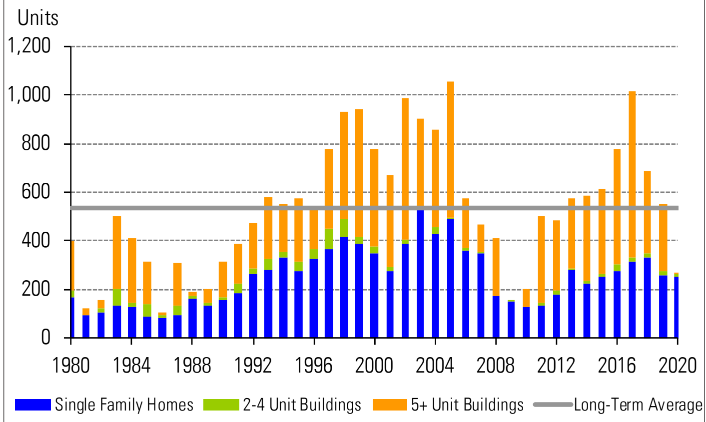



Source: Census



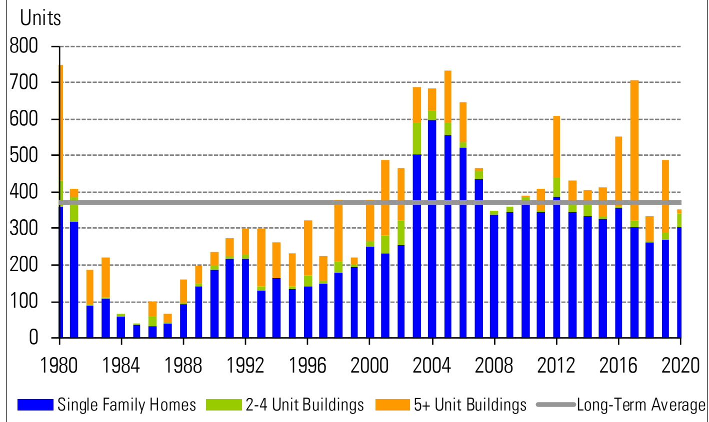

Source: Census

**Ames Permits**



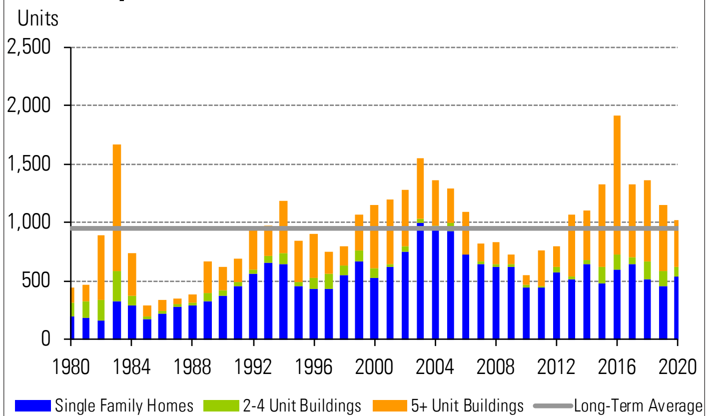

Note: Ames includes Story and Boone counties
Source: HUD

**Waterloo-Cedar Falls Permits**



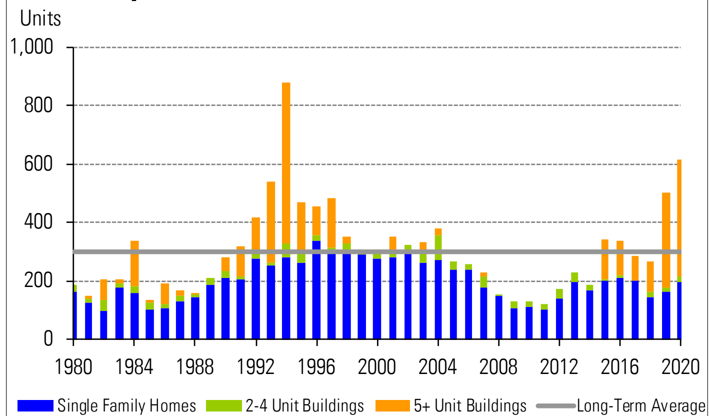

Source: Census

**Iowa City Permits**



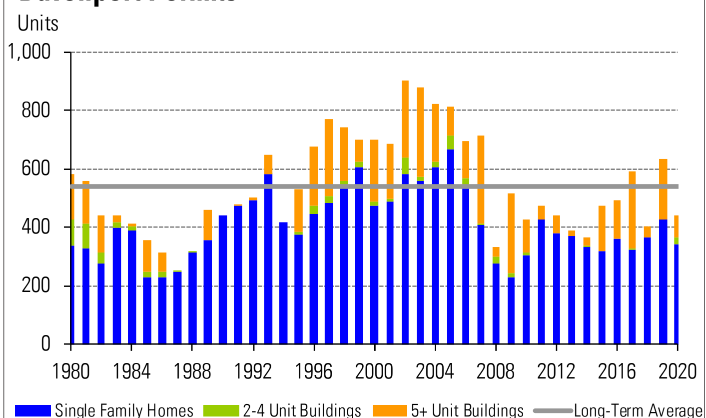

Source: Census

**Sioux City Permits**



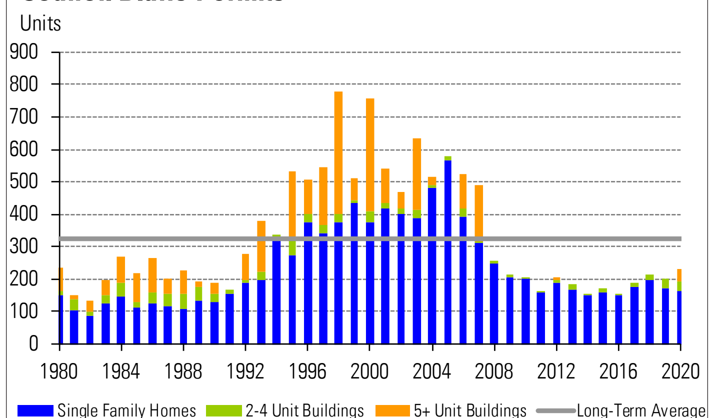

Note: "Sioux City" refers to Plymouth County and Woodbury County, IA
Source: HUD

**Davenport Permits**




Note: Davenport includes Scott County, IA
Source: HUD

**Council Bluffs Permits**



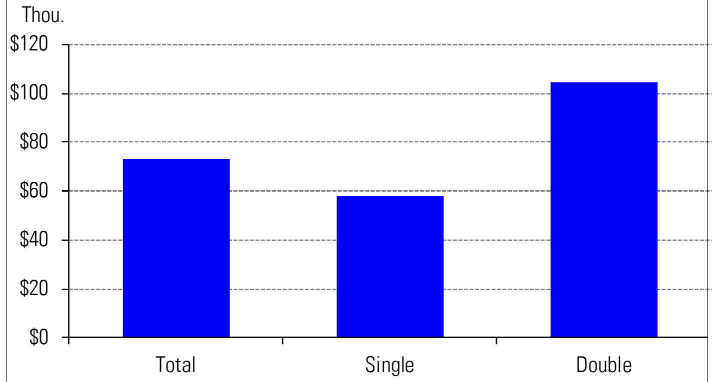

Note: "Council Bluffs" refers to Pottawattamie, Mills, and Harrison Counties
Source: HUD

*Manufactured Housing*

Manufactured housing shipments to Iowa, the best indicator of new manufactured housing supply in the state, fell precipitously through the 2000s and remained muted throughout the past two decades, despite a modest acceleration in recent years, according to the Census. While this trend was broadly consistent with the significant reduction in manufactured housing shipments nationwide through this period, **the figures for Iowa highlight the sharp decline in the number of new housing units in this relatively affordable segment of the housing stock**. Specifically, shipments declined from an average of more than 2,300 units per year from 1994 through 2000, to nearly 560 units annually from 2001 through 2010 and slightly more than 400 units annually from 2011 through 2020, representing declines of 76% and 83%, respectively in each decade, compared with the pre-2000 period. Reflecting a modest recent acceleration in response to increased housing demand and rising housing costs, shipments approached 600 units in 2019 and 2020 and, through August 2021 year-to-date, shipments were on pace for nearly 700 units in 2021. Consistent with the longer-term slowdown in shipments and the aging of existing homes, from 2010 through 2019, the total number of existing manufactured homes in Iowa declined slightly from 55,200 homes (representing 4.2% of the total housing stock) to 51,200 homes (3.7% of the total housing stock).

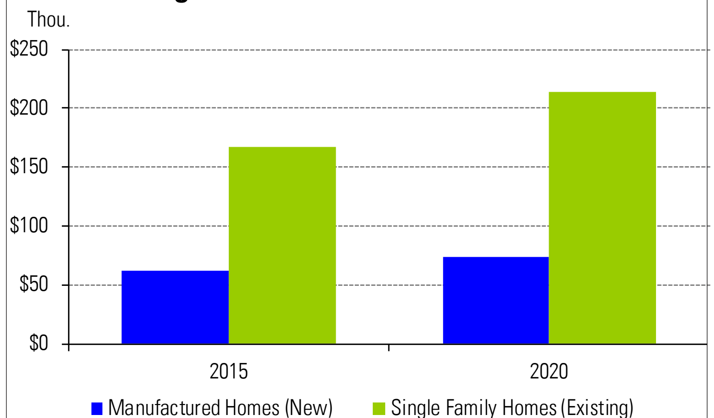
While land costs are not included in manufactured home prices, the efficiencies achieved through the off-site, factory-built process, can make manufactured homes a particularly affordable homeownership option, as well as an affordable rental option (most typically in manufactured home communities). Indeed, while the price of manufactured homes varied by home size (single vs. double wide), the average price of a manufactured home in Iowa was $73,100 in 2020, according to the Census, compared with an average price for existing single family homes of $213,500 and a median single family price of $180,000 during the same period, based on data from the Iowa Association of REALTORS®. Moreover, **manufactured home pricing increased more gradually in recent years further adding to affordability**. The average sale price grew by 17.5% from 2015 through 2020, compared with price growth of more than 27% for more traditional, existing single family homes. While land costs or site (pad) rentals certainly add to overall housing costs, as highlighted in RCG's February 2021 report on *State and Local Policy Strategies to Advance Housing Affordability* for the National Association of REALTORS®, **off-site construction methods, such a manufactured, modular or pre-fabricated homes, could certainly provide opportunities to reduce construction costs and increase housing affordability**—factors that could potentially expand homeownership opportunities particularly for LMI households and first-time homebuyers.

**Iowa Average Sales Price of New Manufactured Homes by Home Size (2020)**



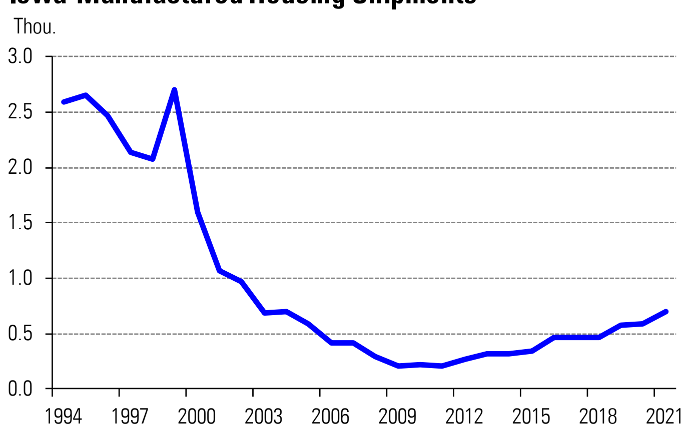

Note: Single wide and double wide home sizes
Sources: Census, HUD

**Iowa Average Sales Prices**




Sources: Census, HUD, Iowa Association of REALTORS®, RCG

**Iowa Manufactured Housing Shipments**




Note: Latest data annualized pace as August 2021 year-to-date
Sources: Census, HUD, RCG

*Housing Inventory and Availability*

**Since the start of the pandemic, the for-sale housing market in Iowa tightened considerably, as a wave of new buyers entered the market amid strong homebuyer demand growth and historically low mortgage rates.** According to the Iowa Association of REALTORS®, detached single family homes spent an average of 31 days on the market before selling in October 2021, compared with 56 days in October 2019. During the same time period, the months' supply of inventory nearly halved, falling from 4.2 months to only 2.2 months.

Even before the pandemic, the supply of for-sale homes was trending downward. From 2010 to 2019, the rental vacancy rate held constant at 6.5%, while the homeowner vacancy rate fell to 1.4% from 2.0%, according to the Census.

Thereafter, during the pandemic, vacancy rates were low among rental properties, partially owing to the eviction moratorium, which was effective until August 2021, but also reflecting a surge in rental housing demand. Among investment-grade apartments, the vacancy rate in the third quarter of 2021 stabilized under 4.0%—a significant shift from the pre-pandemic vacancy rate of 6.2%, as of the fourth quarter of 2019.

*Housing Growth in Context*

While significant amounts of housing were developed across Iowa since the 1960s, in recent years, that housing production was increasingly concentrated in the Des Moines area. Furthermore, the lack of production of relatively affordable housing units in many parts of the state (including both single family and multifamily units), increasingly puts saving for and accessing homeownership out of reach for many residents, especially LMI households and households of color. In particular, both **manufactured homes and units in 2-4 multifamily buildings tend to be among the most affordable housing options; however new homes of these types declined considerably across the state in recent decades**, consistent with the broader national trend.

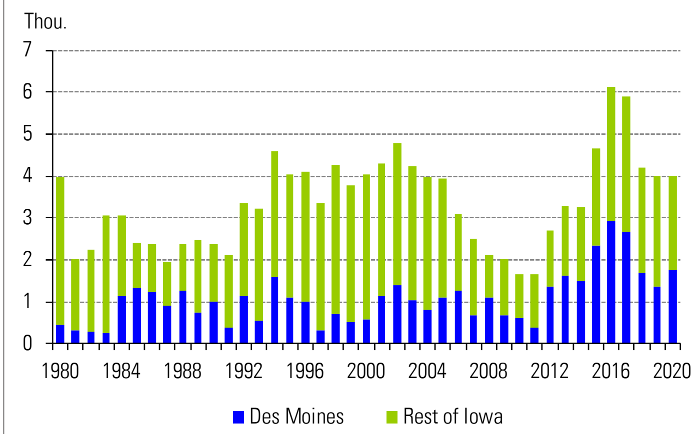
## VII. Iowa Housing Pipeline

### *Multifamily Pipeline*

The pace of multifamily permitting in Iowa slowed heading into the 2008 Recession and reached a trough of approximately 1,600 permits in both 2010 and 2011. Thereafter, the number of multifamily permits issued in Iowa increased steadily through 2016, hitting a cyclical peak of more than 6,100 permits. Multifamily permitting then slowed through 2020 as the surge of supply was backfilled. In 2021, the pace of permitting picked up as the pandemic increased the demand for apartments in relatively affordable markets and in suburban locations. Through the fall, the number of permits issued was on pace to reach more than 4,600 in 2021.

**Unsurprisingly, the largest concentration of multifamily permitting was in the Des Moines area.** Notably, the share of permitting in Des Moines increased in this last economic cycle compared with prior cycles. Between 1990 and 2010, Des Moines accounted for 26% of the multifamily permits issued statewide.

**Multifamily Permits Issued - Iowa**

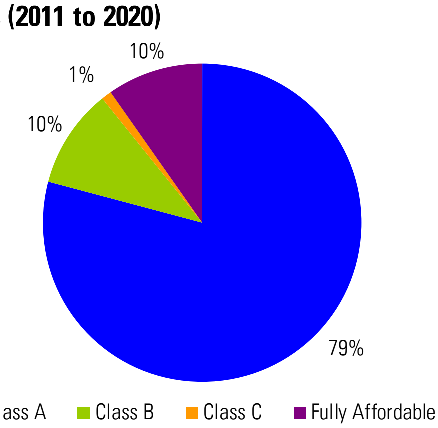



Source: Census

From 2011 to 2020, Des Moines accounted for more than 44% of total multifamily permits issued statewide. The increase in share can largely be attributed to the fact that Des Moines has the largest share and number of knowledge economy jobs in Iowa and offers the most job opportunities for those within the state and those looking to move in. Additionally, as mentioned in prior sections, most of the population growth in Iowa stemmed from the gains within the Des Moines area.

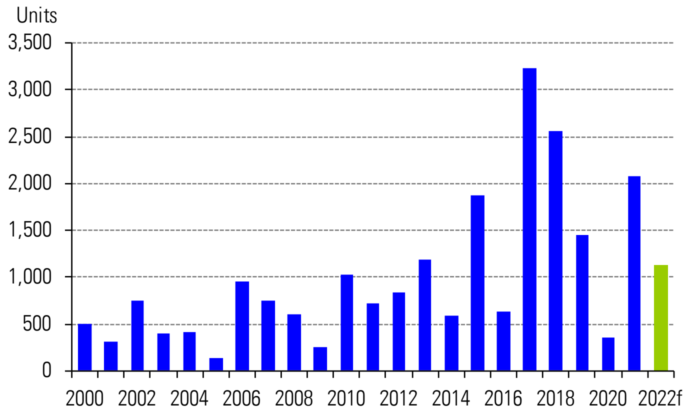
Following the trend of permit issuance, apartment construction in Des Moines increased in the last economic cycle. Between 2000 and 2010, a total of 6,100 professionally-managed apartment units completed in the Des Moines market, according to Yardi Matrix. In the most recent economic cycle, between 2011 and 2020, greater than 13,400 units delivered to Des Moines, more than double the number of apartment units built in the prior decade. **Notably, between 2011 and 2020, nearly 80% of new apartment units that delivered in Des Moines were Class A (high-end), lifestyle apartments.** As more high-end product delivered to the market, lower-income households continued to face challenges in paying their monthly rent (as highlighted in the discussion on rent burdens),

**Apartment Completions by Class - Des Moines (2011 to 2020)**




Note: Only includes professional-managed apartments tracked by Yardi Matrix
Source: Yardi Matrix

**Apartment Construction - Des Moines**



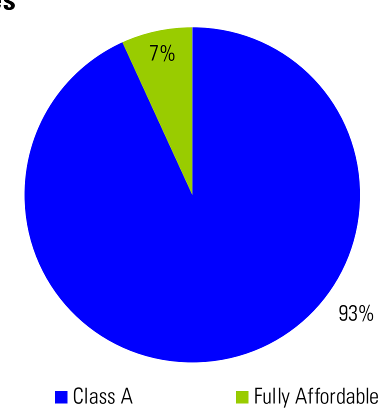

Note: Only includes professional-managed apartments tracked by Yardi Matrix
Source: Yardi Matrix

covering the other costs of living, and saving up enough money to transition to homeownership. After apartment construction deliveries reach the lowest level in 10 years in 2020, owing to the effects of the pandemic, apartment completions subsequently surged through the fall of 2021.

Looking ahead, more than 1,500 apartment units are currently under construction in Des Moines as of late-2021, according to Yardi Matrix. Notably, however, more than 90% of the units are high-end, Class A apartments. The remainder of the projects under construction are fully affordable developments, which typically involve income restrictions, below-market rents and tax credits or other forms of major development subsidies.

The pipeline of planned and prospective projects in the Des Moines area that are further away from completion remains robust. Through December 2021, nearly 6,300 units are in various stages of the pre-construction process, according to Yardi Matrix. While some of these projects may cater to lower-income households, consistent with the historical trend, the majority are expected to be high-end product, as those are kinds of projects that are most likely to make sense financial for developers, particularly in an environment of rapidly rising construction material and labor costs. While moving forward with significant additional new supply, even high-end supply, could certainly help balance demand growth and potentially limit further deterioration in affordability, **efforts to more directly address affordability for LMI households, households of color, and those facing the most severe cost burdens will likely require a combination of demand-side support and new development across a broad cost spectrum.**

**Apartment Units Under Construction by Class - Des Moines**



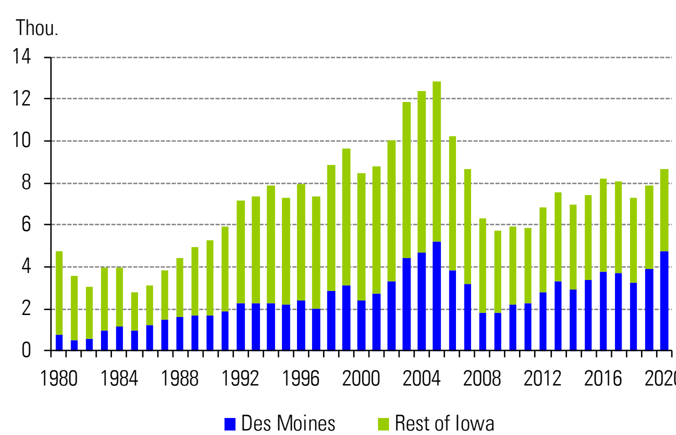

Note: Only includes professional-managed apartments tracked by Yardi Matrix
Source: Yardi Matrix

### *Single Family Pipeline*

Similar to the multifamily market, the pace of single family permitting was robust heading into the 2008 housing crisis. The number of permits issued increased to a peak of more than 12,800 homes in 2004 from less than 2,800 in 1985. Permit issuance reached a cyclical low point in 2009 of 5,700. Thereafter, permit issuance steadily increased in the last economic cycle (2010 to 2019). However, the rate of issuance was still approximately half the rate from the prior decade. **After the onset of the pandemic, the pace of permitting increased further as work-from-home policies and low interest rates led to strong demand for single family homes.** Additionally, Des Moines increasingly accounted for the majority of permit issuance in Iowa. Between 2000 and 2009, approximately 35% of the single family permits issued in Iowa were for homes in Des Moines. The share of permits increased to nearly 44% between 2010 and 2019. In 2020, this share rose to nearly 55%, the first year in which more permits were issued in Des Moines market than the rest of the state combined.

Another way to gauge demand for new single family homes is by tracking new activity among major national homebuilders, which typically focus on building new communities in areas of the country where buyer demand is robust. Currently, **DR Horton and Century Communities represent two of the largest national builders that have communities underway in Iowa. The vast majority of their communities are in the Des Moines suburbs in cities such as Waukee, Ankeny and Grimes.** The rest of their com-

**Single Family Permits Issued - Iowa**




Source: Census

munities in Iowa are located in other major markets including Iowa City, Cedar Rapids and Waterloo.

Notably, **consistent with the recent strength of the existing home sales market, demand for new homes in new communities and subdivisions remains similarly strong, and many of the lots in the Des Moines area are either sold out and selling quickly.** For example, of the three new home communities in Des Moines recently built by Century Communities, two are sold out. Furthermore, the starting price for new single family homes in these types communities are much generally greater than the median price for existing homes in Des Moines. For example, in the DR Horton communities, the standard, base home starts at more than $300,000, far greater than the median single family price of $199,000 for existing homes in October 2021. **As is often the case for new construction considering the costs of construction, the homes in these communities generally cater to higher-end buyers and are out of the price range for many Iowa households.** Specifically, a $300,000 home (likely the lower end of new home pricing) in a new Des Moines subdivision, would cost approximately $1,450 a month (based on the same assumptions described previously for RCG's affordability model). This would translate to a minimum household income needed of $58,000 (assuming a maximum cost burden of 30%). Realistically, this cost would be out of the price range for many renter households in Iowa, even after assuming each renter household had access to a downpayment. The minimum household income needed for a $300,000 home is approximately $20,000 more than what is needed for the median-priced existing single family home. Furthermore, approximately 30% of renter households in Iowa would be able to afford the monthly cost of a new, $300,000 home, compared with 50% of renters that could afford the existing median-priced home, assuming access to a downpayment.

Importantly, similar to the situation with multifamily development, new homebuilding has accelerated to meet growing demand in Iowa, and particularly in the Des Moines area. Looking ahead, more supply is likely still needed for some time to accommodate continued demographic and economic growth. However, **considering the outsized racial homeownership gaps in Iowa, the wide range of barriers to transitioning to homeownership and the cost of new homes, it is quite clear that new supply alone is unlikely to address affordability sufficiently to make any significant inroads in terms of expanding access to homeownership for LMI households and households of color**.

**New Home vs Existing Home Affordability (2021)**

| | New Home | Median-Priced Existing Home |
|---|---|---|
| Price | $300,000 | $199,000 |
| Monthly Payment | $1,450 | $968 |
| Minimum Income Needed | $58,000 | $38,700 |
| Share of Renter Households Able to Afford | 32.0% | 51.1% |

Sources: Census, FRED, Iowa Association of REALTORS®, RCG

## VIII. Conclusion

For many Iowa residents, homeownership represents professional and personal success, economic mobility, long-term financial security, and nothing less than the American Dream; yet, many fellow Iowans are being left behind. While homeownership is more achievable in Iowa for the majority of residents, compared with the national average, housing cost burdens and the challenges of both for-sale and rental market affordability are more heavily concentrated among certain groups—notably, households of color (the fastest growing group of renter households in the state), low and moderate income earners, and less-educated individuals. Prior to the pandemic, racial and socioeconomic homeownership disparities in Iowa already exceeded the national average, most notably the outsized homeownership gap between white and nonwhite households. The effects of COVID-19 pandemic, including the shutdown-induced economic recession and the surge in home pricing that resulted from elevated demand, low mortgage rates and limited for-sale inventory, significantly reduced housing affordability in the state—particularly for these same households—further widened the pre-existing housing disparities in Iowa.

While new housing supply has certainly increased considerably in recent years, particularly in the Des Moines area, the vast majority of new construction (including homebuilding and apartment development) was, and is expected to remain concentrated at the higher end of the market. This dynamic reflects both rising construction costs and robust housing demand among higher income residents in the state. The trend is also consistent with many other rapidly growing markets around the country. At the same time, however, the limited supply of more affordable homes, including both single family homes and rental apartments—is undoubtedly putting upward pressure on housing costs and making it increasingly challenging for many Iowan households, especially renter households, to afford housing costs, pay for other rising costs of living, or to save for the American Dream of buying their own home. This dynamic is especially prevalent in the Des Moines area, where robust migration trends have increased demand for all types of housing unit.

Considering the large, existing disparities in housing affordability, cost burdens and homeownership, and the ways that the pandemic further exaggerated these imbalances, addressing affordability challenges and expanding homeownership opportunities for first-time and first-generation homebuyers, low and moderate income household and households of color in Iowa, will likely require a detailed understanding of the barriers that these households face, as well as a range of thoughtful, creative and, perhaps most importantly, intentional policy solutions.