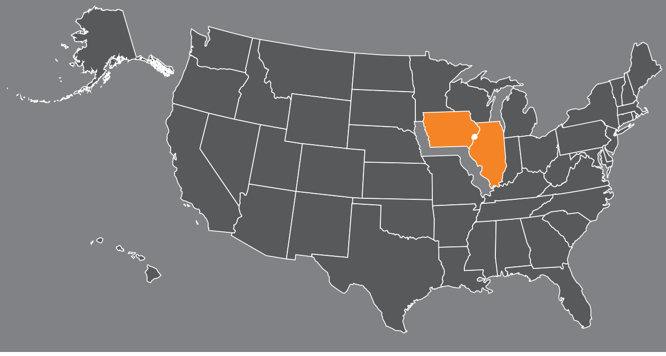
HUD PD&R Housing Market Profiles

Davenport-Moline-Rock Island-Bettendorf, Iowa-Illinois

Quick Facts About Davenport-Moline-Rock Island-Bettendorf

- **Current sales market conditions: balanced.**
- **Current rental market conditions: soft.**
- **The metropolitan area is known for Rock Island Arsenal, a location for military weapons equipment and ordnance manufacturing. The Arsenal is currently the largest employer in the metropolitan area with 6,175 military and civilian employees. In 2015, the Arsenal had an economic impact of more than $1.2 billion annually on the local economy and executed more than $33 million in private-sector contracts (Illinois Defense Industry Adjustment Program).**



By Diana Villavicencio | As of May 1, 2018

Overview

The Davenport-Moline-Rock Island-Bettendorf (hereafter, Quad Cities) metropolitan area, which is coterminous with the Davenport-Moline-Rock Island, IA-IL Metropolitan Statistical Area, includes Henry, Mercer, and Rock Island Counties in Illinois and Scott County in Iowa. The Mississippi River bisects the metropolitan area, which is approximately 140 miles west of the city of Chicago.

- As of May 1, 2018, the estimated population of the Quad Cities metropolitan area is 381,900, an average increase of 200, or 0.1 percent, annually since 2011. Net natural increase (resident births minus resident deaths) accounted for all population growth during this period, because net out-migration averaged 930 a year. Even with the relocation of the First Army Headquarters to the Rock Island Arsenal in 2011, net out-migration occurred in the metropolitan area.
- From 2011 through 2016, the working-age population is estimated to have decreased by an average of 0.5 percent annually and currently comprises 60 percent of the total population, down from 62 percent in 2011 (2010 and 2016 American Community Survey [ACS] 1-year estimates).
- Approximately 83 percent of the population resides in Rock Island and Scott Counties, which include the cities of Rock Island, Moline, East Moline, Davenport, and Bettendorf; the latter is the fastest growing city in the metropolitan area with a 1.3-percent annual rate of growth since 2011.

Only two sectors in the Quad Cities area contracted during the 3 months ending April 2018.

	3 Months Ending		Year-Over-Year Change	
	April 2017 (thousands)	April 2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	181.5	184.7	3.2	1.8
Goods-producing sectors	32.4	32.6	0.2	0.6
Mining, logging, and construction	9.6	9.2	– 0.4	– 4.2
Manufacturing	22.8	23.4	0.6	2.6
Service-providing sectors	149.1	152.0	2.9	1.9
Wholesale and retail trade	29.9	29.3	– 0.6	– 2.0
Transportation and utilities	7.2	7.3	0.1	1.4
Information	1.8	2.1	0.3	16.7
Financial activities	7.1	7.4	0.3	4.2
Professional and business services	24.1	26.1	2.0	8.3
Education and health services	27.2	27.3	0.1	0.4
Leisure and hospitality	18.4	19.2	0.8	4.3
Other services	7.3	7.3	0.0	0.0
Government	26.0	26.1	0.1	0.4
	(percent)	(percent)		
Unemployment rate	4.8	4.0		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

Following the local economic downturn that occurred from 2009 through 2010, economic conditions in the Quad Cities metropolitan area have improved gradually since 2011, but job growth has been inconsistent, and nonfarm payrolls remain 2 percent below the previous peak of 189,400 in 2008. From 2011 through 2017, nonfarm payroll growth averaged 0.4 percent annually in the metropolitan area.

During the 3 months ending April 2018—

- Nonfarm payroll growth accelerated, increasing by 3,200 jobs, or 1.8 percent, to 184,700 compared with a 400-job, or 0.2-percent, increase during the same 3-month period in 2017.
- Nonfarm payroll growth was greatest in the professional and business services sector, up by 2,000 jobs, or 8.3 percent, to 26,100 jobs. The sector has been the fastest growing since 2011 and currently comprises 14 percent of total nonfarm payrolls in the metropolitan area compared with 12 percent in 2011.
- The manufacturing sector grew by 600 jobs, or 2.6 percent. In April 2018, the sector benefited from the completion of a $73 million, 2.5 million-square-foot manufacturing and distribution center at Sterilite Corporation, a plastic housewares manufacturer; 500 jobs are expected to be added during a 5-year period. The

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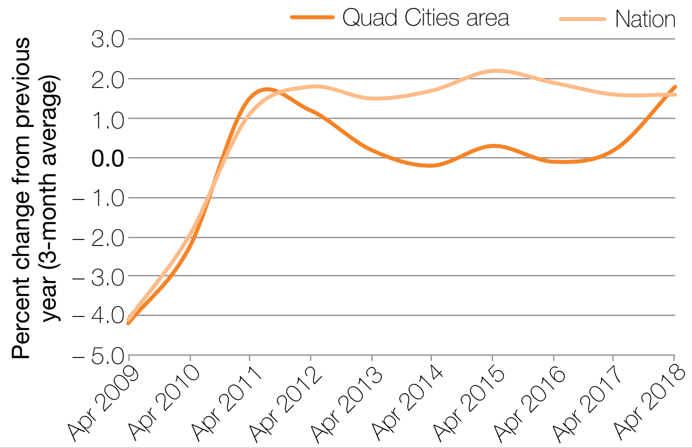
During the 3 months ending April 2018, job growth in the Quad Cities area outpaced that of the nation for the first time since 2011.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Quad Cities area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Rock Island Arsenal	Government	6,175
Deere & Company	Manufacturing	6,000
Genesis Health System	Education and health services	5,175

Notes: Excludes local school districts. Data include military personnel, who are generally not included in nonfarm payroll survey data.
Source: Quad Cities Chamber of Commerce, 2018

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sector has remained relatively unchanged at 13 percent of total nonfarm payrolls since 2011; by comparison, the sector comprised 16 percent of total nonfarm payrolls in 2000.

- As job growth accelerated, the unemployment rate declined to an average of 4.0 percent from 4.8 percent during the same period 1 year earlier. The current unemployment rate is lower than the 8.3-percent peak during 2009.

Since 2011, the metropolitan area has benefited from stronger job growth in the leisure and hospitality sector. During the 3 months ending April 2018, the leisure and hospitality sector expanded by 800 jobs, or 4.3 percent, to 19,200, the highest rate of growth since 2011. Gains in the sector were partly the result of the completion of a $16 million, 96-room Element by Westin hotel in downtown Moline, which opened February 2018; the number of jobs added is unknown. Additional job growth in the sector is expected in late 2018, when a $40 million, 133-room Hyatt Regency Hotel opens in East Moline. In addition, a $50 million, 75-acre TBK Bank Sports Complex is expected to open June 2018 in the city of Bettendorf. The complex will include an indoor and outdoor sports complex and a family entertainment center known as High 5 Lanes & Games.

Sales Market Conditions

The sales housing market in the Quad Cities metropolitan area is balanced, and market conditions have improved since the housing market downturn that occurred from 2008 through 2011. The estimated sales vacancy rate is currently 1.5 percent, down from 1.8 percent in April 2010. Relatively improved economic conditions, an increase in the conversion of homes to rental properties, and low levels of home construction since the late 2000s contributed to the absorption of excess vacant homes in the market. The percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned (REO) status was 1.9 percent during March 2018 compared with rates of 2.3, 1.3, and 2.2 percent for Illinois, Iowa, and the nation, respectively. The rate of seriously delinquent mortgages and REO properties in the metropolitan area has declined every year since 2012, and the rates have been consistently low compared with Illinois and the nation.

During the 12 months ending March 2018—

- Approximately 7,275 existing homes (including single-family homes, townhomes, and condominiums) sold in the metropolitan area, up 4 percent from the 7,025 homes sold during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst) and up nearly 48 percent from the average 4,925 homes sold a year from 2008 through 2011 during the local housing market downturn.
- The existing home sales price averaged $141,800, unchanged from a year earlier but approximately 17 percent greater than the average $120,900 annual price from 2008 through 2011, when an elevated level of REO sales negatively affected the average sales price in the metropolitan area.

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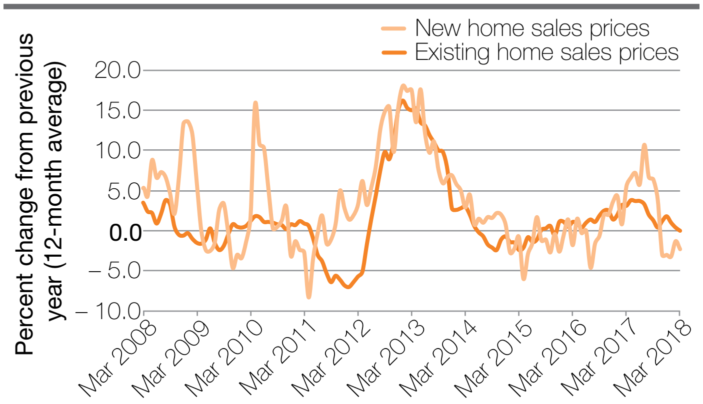
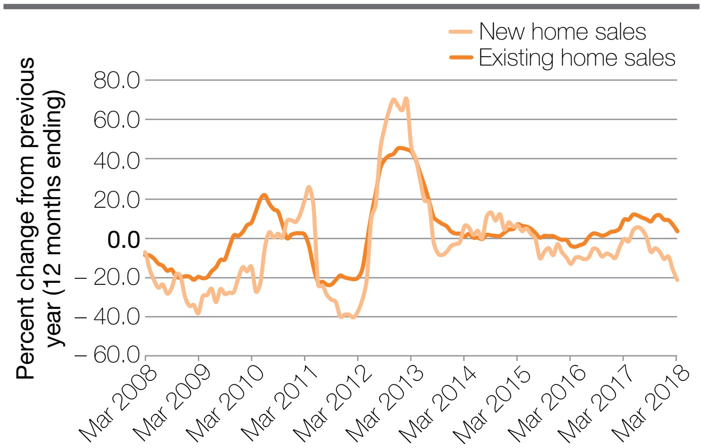
Despite economic growth, new and existing home sales prices in the Quad Cities area did not grow during the past year.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

In the Quad Cities area, new home sales have decreased since 2015, while the growth rate in existing home sales has generally increased.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

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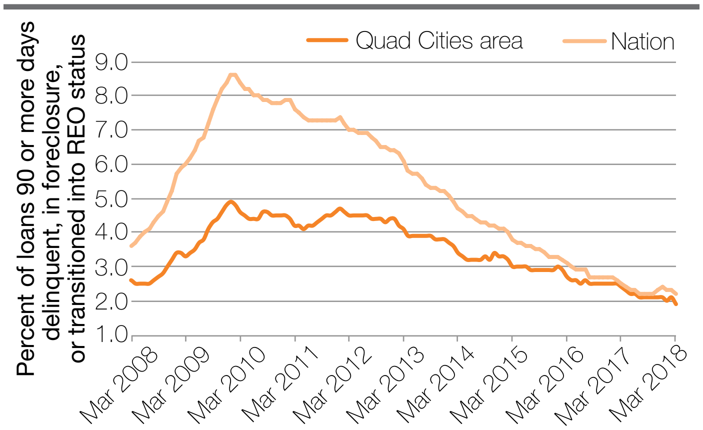
- New home sales (including single-family homes, townhomes, and condominiums) declined 21 percent from a year earlier to approximately 240 homes sold, and the average sales price fell 2 percent to $323,300. Since 2008, new home sales have been subdued compared with existing home sales, partly because the average new home sales price is more than double the average existing home sales price.
- Approximately 47 percent of total sales occurred in Scott County, partly because property tax rates are lower in Scott County communities compared with communities in Illinois.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, was at a higher level from 2011 through 2016 compared with 2009 and 2010 but decreased recently.

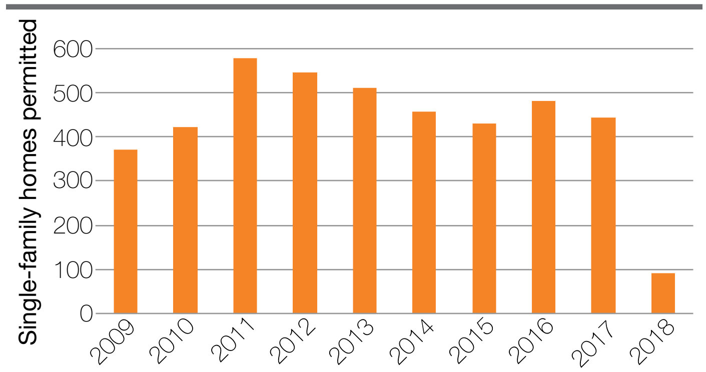
- The number of single-family homes permitted totaled 320 during the 12 months ending April 2018, down from the 340 homes permitted 1 year earlier (preliminary data). Scott County accounted for nearly 90 percent of all single-family homes permitted in the metropolitan area.
- From 2009 through 2010, when local economic conditions were contracting, an average of 400 single-family homes were permitted a year. By comparison, an average of 500 homes were permitted a year from 2011 through 2016, when economic conditions improved.
- New single-family home construction in Scott County is concentrated in northern Bettendorf, near the TBK Bank Sports Complex. The newest development, Villages of The Woodlands, is a planned community that began construction in October 2017. When complete, the community will feature 143 single-family homes, with prices estimated to range from $380,000 to $3 million and 49 townhomes with prices starting at $249,900.

The Quad Cities area has consistently had a lower rate of seriously delinquent loans and REO properties than the nation.



REO = real estate owned.
Source: CoreLogic, Inc.

Single-family home permitting in the Quad Cities area increased in 2016, after declining since the peak in 2011.



Note: Includes preliminary data from January 2018 through April 2018.
Source: U.S. Census Bureau, Building Permits Survey

Rental Market Conditions

As of May 1, 2018, overall rental housing market conditions are currently soft in the Quad Cities metropolitan area, with an estimated 8.9-percent vacancy rate for all rental units (including single-family homes, townhomes, mobile homes, and apartments), up from 8.4 percent in April 2010. Renter households currently account for approximately 29.8 percent of all households in the metropolitan area, up from 28.8 percent during April 2010.

- Approximately 56 percent of renter households in the metropolitan area live in single-family homes, duplexes, multifamily properties with three or four units, and mobile homes (2016 ACS 1-year data), while multifamily buildings with five or more units, typically apartments, account for the remaining 44 percent.
- The apartment market was balanced during the first quarter of 2018, with an estimated vacancy rate of 5.4 percent, down from 5.7 percent a year earlier but up from 2.4 percent in 2011 (Axiometrics, Inc.), when a shortage of available apartment units for rent combined with increased renter household demand contributed to tight apartment market conditions.
- During the first quarter of 2018, the average apartment rent decreased nearly 6 percent to $786 from the first quarter of 2017. The reduction in asking rents is the reverse of the 2-percent annual rent increase from 2011 through 2014, when apartment market conditions were tighter.

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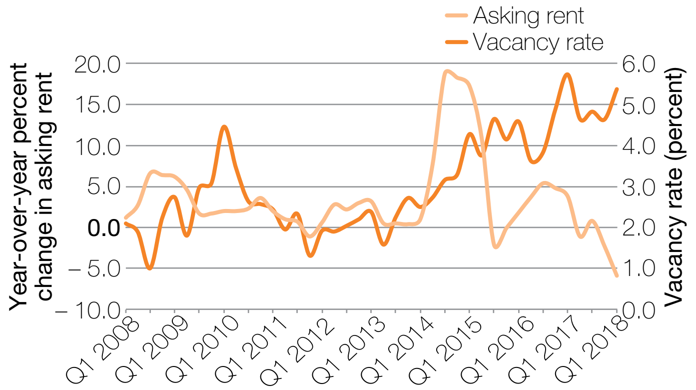
- Military and civilian employees at Rock Island Arsenal account for approximately 4,300, or 8 percent, of renter households in the metropolitan area.

Multifamily construction, as measured by the number of units permitted, was at a higher level during the 12 months ending April 2018 compared with annual levels from 2011 through 2014, despite continued net out-migration.

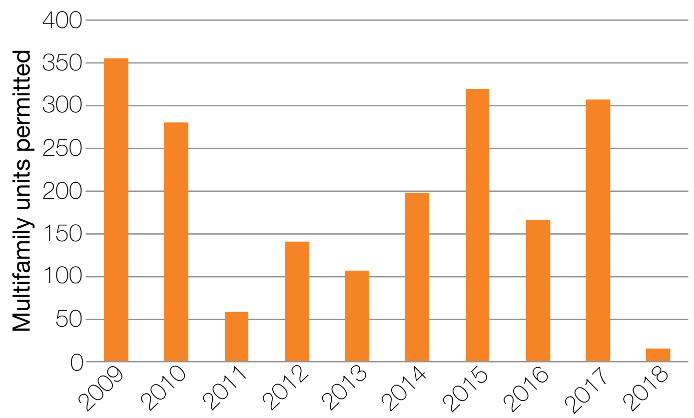
- During the 12 months ending April 2018, approximately 290 multifamily units were permitted, up from the 220 units permitted during the previous year (preliminary data; estimates by the analyst).
- From 2009 through 2010, multifamily permitting averaged 320 units annually before decreasing to an average of 130 homes a year from 2011 through 2014. By comparison, an average 240 multifamily units were permitted from 2015 through 2016 annually and contributed to increasing vacancy rates.
- New construction in the city of Davenport is under way at the $32 million, 115-unit Harbor View loft-style apartments. When the warehouse-to-apartment conversion is complete in January 2019, rents are expected to range from $900 to $1,700 monthly.
- In the city of Bettendorf, Phase 1 of The Bridges Lofts apartments is under construction adjacent to the Mississippi River. The 84 units are expected to be complete in the fall of 2018. Monthly rents start at $750, $1,050, and $1,475 for studios, one-, and two-bedroom units, respectively. Phase 2 will have 48 units, but the start date is unknown.
- At Rock Island Arsenal, construction of two housing developments for military personnel and families broke ground in March 2017. The homes are intended for the enlisted, warrant officer ranks up to colonel with children. When complete in September 2018, the subdivisions will feature 41 single-family homes with three- or four-bedrooms and 30 duplex homes with two- or four-bedrooms and will replace 50 demolished homes.

Vacancies increased and rent growth moderated in the Quad Cities area, as several hundred rental units entered the market.



Q1 = first quarter.
Source: Axiometrics, Inc.

Multifamily permitting in the Quad Cities area from 2015 through 2017 was the highest 3-year period of production since levels before the local economic downturn.



Note: Includes preliminary data from January 2018 through April 2018.
Source: U.S. Census Bureau, Building Permits Survey