

COMPREHENSIVE MARKET ANALYSIS REPORTS



Policy Development & Research

**Analysis of the
Bettendorf-Davenport-
Rock Island-Moline,
Iowa-Illinois
Housing Market
As of January 1, 2006**



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

Foreword

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the "as-of" date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: from 1990 to 2000, from 2000 to the as-of date of the analysis—January 1, 2006 (Current date)—and from the Current date to a Forecast date—January 1, 2009. In the analysis, 1990 and 2000 refer to the dates of the decennial census—April 1 unless specified otherwise. This analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 Census, 2000 Census, Current date, and Forecast date. For purposes of this analysis, the forecast period is 36 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in the demand-supply relationship given the market conditions on the as-of date of the analysis. This analysis was prepared by Raynard L. Owens, the Division's economist in HUD's Illinois State Office, based on fieldwork conducted in May 2005. Questions regarding the findings and conclusions of the analysis may be addressed to Mr. Owens at 312-353-6236, ext. 2665, and at raynard_l_owens@hud.gov.

Housing Market Area

The Bettendorf-Davenport-Rock Island-Moline, Iowa-Illinois Housing Market Area (HMA), commonly referred to as the Quad Cities, is the regional business and employment center for southeastern Iowa and northwestern Illinois. For purposes of this analysis, the HMA is divided into two submarkets: Scott County, Iowa, and the Illinois counties of Henry, Mercer, and Rock Island. Davenport, Iowa, the government seat of Scott County, is the largest city in the HMA, followed by Rock Island, Illinois.

Summary

Since 2000, growth in the economy and population has slowed in the Quad Cities HMA compared with the previous decade. Job losses have occurred in the manufacturing, construction, mining, trade, and transportation and utilities sectors, leading to increased unemployment. Employment is forecast to increase slightly during the next 3 years due to increased hiring in the educational and health services and professional and business services sectors. These two sectors are expected to account for approximately 55 percent of forecast growth in nonfarm employment during the next 3 years.

Due to the decline in employment, population out-migration increased between 2000 and the Current date. As a result, the population of the HMA has not changed appreciably since 2000. During the 3-year forecast period, the population and number of households are anticipated to increase slightly due to the expected growth in the local economy.

The rental market in the Quad Cities HMA is currently balanced and likely to remain balanced during the forecast period. Demand for new rental housing during the next 3 years is estimated to be relatively low. Demand for new sales housing is expected to remain strong during the forecast period.

Over the 3-year forecast period, demand is estimated for approximately 3,000 units of new sales housing and 1,000 units of new rental housing. Most of this demand is expected to be in Scott County, Iowa, particularly in the cities of Bettendorf and Davenport, the centers of population growth in the HMA.

Economy of the Area

The HMA is the regional business and employment center for southeastern Iowa and northwestern Illinois. The economy in the Quad Cities HMA historically has been dependent on manufacturing. In 2005, the manufacturing sector accounted for 13 percent of total nonfarm jobs. John Deere, a manufacturer of agricultural, construction, and consumer lawn and garden equipment, is the leading private-sector employer in the HMA, with 8,250 employees. John Deere accounts for 33 percent of all manufacturing jobs in the area. Other leading employers include the Rock Island Arsenal and Genesis Health System, with 6,400 and 4,730 employees, respectively.

During the 1990s, the economy in the HMA grew slowly and total nonfarm employment increased by 2,280 jobs, or 1.3 percent, annually. Beginning in 2000 and continuing

through 2003, nonfarm employment declined by 1,775 jobs annually, or 1.0 percent a year, due to cutbacks and plant closures, primarily in the durable goods manufacturing sector. In 2004, nonfarm employment began to increase moderately and local economic conditions improved. During 2004, nonfarm employment averaged 182,600 jobs, an increase of 1,400 jobs from 2003. Most of the employment gain was in the service-providing sector, particularly in professional and business services. The annual unemployment rate in the HMA was 4.9 percent in 2005, down from 5.5 percent in 2004.

During the 3-year forecast period, nonfarm employment is estimated to increase by 700 jobs annually. Employment gains are expected primarily in the business and professional services, educational and health services, retail trade, and leisure and hospitality sectors. Hospitals and nursing and residential care facilities are expected to increase hiring in response to the needs of an expanding and aging population. Table 1 shows the trends in labor force, employment, and unemployment from 1990 through 2005. The trends in nonfarm employment for the HMA from 1990 through 2005 are presented in Table 2.

Household Incomes

The 2005 HUD-estimated median family income in the Quad Cities HMA is \$57,950; this figure represents a 2.1-percent annual increase since the 2000 Census. The rate of change in the median family income during the past 5 years has slowed compared with the 4.4-percent annual change between 1990 and 2000. The slow rate of increase reflects the loss of approximately 6,000 high-wage manufacturing jobs during the past 5-1/2 years.

Population

Between 1990 and 2000, the population of the HMA grew by 790 a year to 376,019. More than 95 percent of the net increase in population during the decade occurred in Scott County. All of the growth in the HMA during this period was due to net natural increase (resident births minus resident deaths), which totaled 1,600 people annually while net out-migration averaged 810 people annually. It is estimated that more than 80 percent of the net out-migration occurred among people in the 20- to 44-year age group.

As of the Current date, the population of the HMA is estimated to be 376,700, a slight increase since the 2000 Census. Despite nominal population growth in the overall HMA, the population in the two submarkets of the Quad Cities has changed. The population in the Illinois counties declined by 250 annually, as net out-migration offset any gains from the net natural increase. In contrast, Scott County recorded an increase of 350 people annually during the same period.

The population of the HMA is expected to increase by 200 annually during the next 3 years, resulting in a total population of 377,300 by January 1, 2009. Net natural increase is expected to account for all the gain in population. Due to increasing job opportunities during this period, the number of residents leaving the HMA is expected to decline. Table 3 shows the trends in population change from 1990 to the Forecast date for the HMA.

Households

Between 1990 and 2000, the number of households in the Quad Cities HMA increased by an average of 690 annually to 149,735. The change in the number of households was a result of modest population growth in the area. Scott County accounted for 70 percent of the increase in households. As of the Current date, an estimated 153,400 households reside in the HMA, an increase of 640 annually since 2000. More than 80 percent of household growth in the HMA since 2000 has occurred in Scott County. A similar level of household growth in the HMA is anticipated during the 3-year forecast period. Through January 1, 2009, the number of households is expected to increase by 640 annually to 155,300. Table 3 presents annual trends in household change from 1990 through the Forecast date.

Housing Inventory

In response to the modest growth in the population and number of households during the 1990s, the housing inventory of the Quad Cities HMA increased by an average of 570 units annually to 158,817 by 2000. In 1993, a flood along the Mississippi River damaged residential properties in Illinois and Iowa. Local officials estimate that the flood damaged 1,200 units beyond repair. Most of these units were renter occupied and were later purchased by federal and state governments for demolition. Table 4 presents housing inventory, tenure, and vacancy trends in the HMA and its submarkets for 1990, 2000, and the Current date.

Since 2000, the level of production of single-family and multifamily units, as measured by building permits, has remained relatively constant compared with the previous decade. From 2000 to the Current date, an average of 860 single-family building permits and 290 multifamily building permits were issued each year in the HMA, relatively unchanged from the annual average of 820 single-family permits and 230 multifamily permits issued during the 1990s. Since 2000, nearly 70 percent of residential construction has occurred in Scott County. The trends in single-family and multifamily building permit activity in the HMA from 1990 to the Current date are presented in Table 5.

Sales Market Conditions

The sales market in the HMA has remained strong since 2000. First-time homebuyers and several downpayment assistance programs have kept the market strong despite employment losses. Local homebuilders estimate the current average sales price for a newly constructed home in the HMA at \$200,000. Sales of new and existing single-family homes totaled nearly 1,780 units in 2000 and rose to 4,900 units in 2005. According to the Quad City Area REALTORS® Association, the median sales price of an existing home increased from \$83,300 in 2000 to \$109,500 in 2005; this figure represents a 6-percent average annual increase. Despite the increase in home sales prices, the Quad Cities HMA is still one of the more affordable areas in which to live in Illinois and Iowa.

The largest subdivisions currently being developed in the HMA are located in Scott County due to the availability of developable land, the proximity to highways, and

employment opportunities in the cities of Bettendorf, northern Davenport, and LeClair. The sales price of new homes ranges from \$120,000 in Bettendorf to \$217,000 or more in northern Davenport and LeClair.

Rental Market Conditions

Between 1990 and 2000, the rental vacancy rate in the Quad Cities HMA declined from 8.1 percent to 7.1 percent because of a loss in inventory as a result of the flood. As of the Current date, the rental vacancy rate has increased to 8.4 percent due to slower employment growth, continued out-migration of younger households, and the trend toward an increasing number of renter households becoming homeowners. The rental market in the HMA is currently somewhat soft.

Average gross rents for new apartments in the HMA are currently \$815 for one-bedroom units, \$1,015 for two-bedroom units, and \$1,350 for three-bedroom units. Rents in the HMA have remained stable during the past 2 years. Rental conditions in the HMA are expected to improve through the forecast period as the local economy expands.

Since 1990, the development of new rental housing financed by low-income housing tax credits has been an important part of the local rental market. The HMA currently has 2,135 tax-credit units for families, seniors, and people with disabilities. Illinois has 1,210 units for families, 138 for seniors, and 72 special-needs units for people with disabilities. Iowa has 327 units for families, 330 for seniors, and 58 special-needs units for people with disabilities.

Forecast Housing Demand

A demand for 4,000 housing units is estimated during the 3-year forecast period ending December 2008. Demand would be best met by constructing 3,000 sales units and 1,000 rental units.

Current market conditions and steady household growth are expected to result in the demand for 3,000 owner-occupied housing units during the 3-year forecast period. To meet that demand, and taking into consideration the number of homes currently under construction, 625 units should be built during the first year of the forecast period and 1,000 units a year during the second and third years of the forecast period.

Based on the current level of rental units currently under construction, the estimated need for additional rental units is 220 units during the first year of the 3-year forecast period and 335 units each year for the last 2 years of the forecast period. One- and two-bedroom units with minimum gross monthly rents between \$815 and \$1,015 are expected to make up 80 percent of the demand.

A tabular summary of rental and sales qualitative demand for the Quad Cities HMA is presented in Tables 6 and 7, respectively. The distribution of rental demand by number of bedrooms is based on recent trends in housing production as well as the current construction pipeline.

Table 1
Labor Force and Employment
Quad Cities HMA
1990 to December 31, 2005

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Labor Force	188,600	191,200	194,700	194,800	192,900	190,900	192,900	196,700	199,100	199,800
Employment	179,400	180,100	182,000	183,600	183,700	182,400	184,700	189,700	192,400	190,900
Unemployment	9,200	11,100	12,700	11,200	9,200	8,500	8,125	7,050	6,725	8,850
Rate (%)	4.9	5.8	6.5	5.7	4.8	4.4	4.2	3.6	3.4	4.4

	2000	2001	2002	2003	Previous 12 Mos. ^a	Current 12 Mos. ^b
Labor Force	199,900	198,300	197,300	195,300	196,200	198,400
Employment	191,600	189,300	186,900	184,300	185,300	188,600
Unemployment	8,250	8,950	10,350	10,950	10,850	9,800
Rate (%)	4.1	4.5	5.3	5.6	5.5	4.9

^a Ending December 31, 2004.

^b Ending December 31, 2005.

Note: Numbers may not add to totals due to rounding.

Source: Illinois Department of Employment Security

Table 2
Nonfarm Employment by Industry
Quad Cities HMA
1990 to December 31, 2005 (1 of 2)

Employment Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total Nonfarm	165.7	166.8	168.1	168.5	170.7	173.1	177.2	181.7	187.1	188.5
Goods-Producing	35.6	34.6	34.0	34.2	35.6	35.9	36.7	38.1	30.2	39.6
Construction/Mining	6.7	6.9	7.2	7.4	7.8	7.8	8.5	9.1	9.6	9.8
Manufacturing	28.9	27.7	26.7	26.8	27.8	28.1	28.2	29.0	30.2	29.9
Durable Goods	19.5	18.4	17.7	17.5	18.1	18.7	18.9	20.0	21.0	20.5
Nondurable Goods	9.5	9.3	9.1	9.3	9.6	9.4	9.3	9.0	9.2	9.4
Service-Providing	130.1	132.2	134.1	134.4	135.1	137.2	140.5	143.6	147.3	148.8
Trade	32.6	32.6	32.8	34.0	32.8	32.0	32.6	32.8	33.5	33.6
Wholesale Trade	9.8	9.6	9.7	9.7	9.7	9.7	9.6	9.4	9.4	9.6
Retail Trade	22.8	23.0	23.1	24.3	23.1	22.3	23.0	23.4	24.1	24.0
Transport. & Utilities	38.7	38.8	39.1	40.6	39.8	38.7	39.5	40.4	41.6	41.9
Prof. & Bus. Svcs.	13.2	13.5	14.0	14.5	15.2	16.5	16.7	17.3	18.7	19.5
Edu. & Health Svcs.	17.0	17.4	18.1	17.9	18.2	18.7	19.5	20.4	20.8	21.0
Leisure & Hospitality	15.2	16.5	16.7	16.3	16.8	17.3	18.0	17.9	18.4	18.7
Government	27.1	27.0	27.2	26.3	26.0	26.6	27.2	27.8	27.7	27.7
Federal	9.9	9.4	9.4	8.1	7.4	7.5	7.8	8.0	7.7	7.4
State	1.1	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.2
Local	16.2	16.6	16.8	17.1	17.6	18.0	18.3	18.7	18.9	19.1

Notes: Figures are in thousands.

Numbers may not add to totals due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics—North American Industry Classification System (NAICS)

Table 2
Nonfarm Employment by Industry
Quad Cities HMA
1990 to December 31, 2005 (2 of 2)

Employment Sector	2000	2001	2002	2003	Previous 12 Mos.^a	Current 12 Mos.^b
Total Nonfarm	188.3	186.5	182.4	181.2	182.6	182.4
Goods-Producing	38.8	36.7	33.5	32.3	32.3	31.7
Construction/ Mining	9.2	9.5	8.9	8.1	8.0	8.0
Manufacturing	29.6	27.2	24.6	24.2	24.3	23.7
Durable Goods	20.3	17.7	15.8	15.6	15.7	15.2
Nondurable Goods	9.3	9.5	8.8	8.6	8.6	8.5
Service-Providing	149.6	149.8	148.8	148.9	150.3	150.7
Trade	34.1	33.8	32.8	32.2	32.3	32.4
Wholesale Trade	9.9	10.0	9.6	9.4	9.4	9.4
Retail Trade	24.2	23.8	23.2	22.8	22.9	23.0
Transport. & Utilities	42.4	41.9	40.7	39.9	39.8	39.8
Prof. & Bus. Svcs.	20.5	21.2	20.8	21.7	22.3	22.4
Edu. & Health Svcs.	21.3	21.3	22.0	22.1	22.2	22.2
Leisure & Hospitality	18.5	18.6	18.5	18.4	18.8	18.8
Government	27.2	27.4	27.4	27.0	27.3	27.3
Federal	6.7	6.5	6.5	6.5	6.6	6.6
State	1.3	1.3	1.2	1.2	1.2	1.2
Local	19.2	19.6	19.6	19.4	19.5	19.5

^a Ending December 31, 2004.

^b Ending December 31, 2005.

Notes: Figures are in thousands.

Numbers may not add to totals due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics—NAICS

Table 3
Population and Household Trends
Quad Cities HMA
April 1, 1990 to January 1, 2009

	April 1, 1990	April 1, 2000	Current Date	Forecast Date	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
Population										
Quad Cities HMA	368,151	376,019	376,700	377,300	790	0.02	110	0.0	200	0.05
Henry, Mercer, and Rock Island Counties, Illinois	217,172	217,351	215,900	215,300	20	0.0	- 250	- 0.01	- 200	- 0.03
Scott County, Iowa	150,979	158,668	160,700	162,000	770	0.05	350	0.02	430	0.03
Households										
Quad Cities HMA	143,100	149,735	153,400	155,300	690	0.05	640	0.04	640	0.04
Henry, Mercer, and Rock Island Counties, Illinois	85,403	87,392	88,300	88,700	200	0.02	160	0.02	140	0.04
Scott County, Iowa	57,697	62,334	65,100	66,600	490	0.08	480	0.07	500	0.07

Notes: Rate of change is calculated on a compound basis.
Average annual changes rounded for comparison.
Averages may not add to HMA totals due to rounding.
Sources: 1990 and 2000—U.S. Census Bureau
Current and Forecast—Estimates by analyst

Table 4
Housing Inventory, Tenure, and Vacancy
Quad Cities HMA
1990, 2000, and Current Date

	Quad Cities HMA			Henry, Mercer, and Rock Island Counties, Illinois			Scott County, Iowa		
	1990	2000	Current	1990	2000	Current	1990	2000	Current
Total Housing Inventory	152,831	158,517	163,700	91,452	92,868	94,650	61,379	65,649	69,000
Occupied Units	143,100	149,735	153,400	85,403	87,392	88,300	57,697	62,343	65,150
Owners	97,343	107,343	111,200	59,228	63,384	64,600	38,115	43,959	46,600
%	68.0	71.7	72.5	69.4	72.5	73.1	66.4	70.6	71.5
Renters	45,757	42,392	42,250	26,175	24,008	23,700	19,582	18,384	18,550
%	32.0	28.3	27.5	30.6	27.5	26.9	33.6	29.4	28.5
Vacant Units	9,990	8,791	10,250	6,049	5,476	6,050	3,941	3,315	3,975
For Sale	1,523	1,570	2,450	998	878	1,450	525	692	1,000
Rate (%)	1.5	1.4	2.2	1.6	1.4	2.2	1.4	1.5	2.1
For Rent	4,010	3,262	3,850	2,227	1,806	2,100	1,783	1,456	1,725
Rate (%)	8.1	7.1	8.4	7.8	7.0	8.1	8.3	7.3	8.5
Other Vacant	4,457	3,959	3,950	2,824	2,792	2,800	1,633	3,315	1,150

Note: Numbers may not add to totals due to rounding.
Sources: 1990 and 2000—U.S. Census Bureau
Current—Estimates by analyst

Table 5
Residential Building Permit Activity
Quad Cities HMA
1990 to December 31, 2005 (1 of 2)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Quad Cities HMA										
Total	659	800	879	1,045	848	932	1,034	1,522	1,302	1,222
Single-family	649	754	836	936	803	737	803	810	910	962
Multifamily	10	46	43	109	45	195	501	712	392	260
Henry, Mercer, and Rock Island Counties, Illinois										
Total	220	322	377	396	430	403	628	753	560	520
Single-family	210	282	345	356	385	363	357	327	364	356
Multifamily	10	40	32	40	45	40	271	426	196	164
Scott County, Iowa										
Total	439	478	502	649	418	529	676	769	742	702
Single-family	439	472	491	580	418	374	446	483	546	606
Multifamily	0	6	11	69	0	155	230	286	196	96

Source: U.S. Census Bureau, Building Permits Survey

Table 5
Residential Building Permit Activity
Quad Cities HMA
1990 to December 31, 2005 (2 of 2)

	2000	2001	2002	2003	Previous 12 Mos. ^a	Current 12 Mos. ^b
Quad Cities HMA						
Total	1,069	1,078	1,301	1,279	1,270	905
Single-family	813	812	924	927	929	770
Multifamily	256	266	377	352	341	135
Henry, Mercer, and Rock Island Counties, Illinois						
Total	368	394	396	402	449	115
Single-family	339	326	341	370	322	110
Multifamily	29	68	55	32	127	5
Scott County, Iowa						
Total	701	684	905	877	821	790
Single-family	474	486	583	557	607	660
Multifamily	227	198	322	320	214	130

^a Ending December 31, 2004.

^b Ending December 31, 2005.

Source: U.S. Census Bureau, Building Permits Survey

Table 6
Estimated Qualitative Demand for New Market-Rate Rental Housing
Quad Cities HMA
January 1, 2006 to January 1, 2009

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
815	300	1,015	500	1,350	200
865	260	1,065	260	1,400	160
915	240	1,115	370	1,450	150
965	210	1,165	320	1,500	320
1,015	180	1,215	260	1,550	130
1,065	140	1,265	210	1,600	120
1,115	110	1,315	170	1,650	100
1,215	85	1,415	130	1,750	90
1,315	65	1,515	100	1,850	80
1,415	50	1,615	75	1,950	70
1,515 and higher	40	1,715 and higher	60	2,050 and higher	20

Notes: Distribution above is noncumulative.
Demand shown at any rent represents demand at that level and higher.
Source: Estimates by analyst

Table 7
Estimated Qualitative Demand for New Market-Rate Sales Housing
Quad Cities HMA
January 1, 2006 through January 1, 2009

Price Range (\$)		Units of Demand
From	To	
100,000	124,999	1,200
125,000	174,999	850
175,000	249,999	550
250,000	and higher	400

Source: Estimates by analyst