

HUD PD&R Housing Market Profiles

Cedar Rapids, Iowa



Quick Facts About Cedar Rapids

- Current sales market conditions: slightly tight
- Current apartment market conditions: balanced
- The Quaker Oats plant in the city of Cedar Rapids, which is 1.9 million square feet, is the largest cereal milling plant in the world.

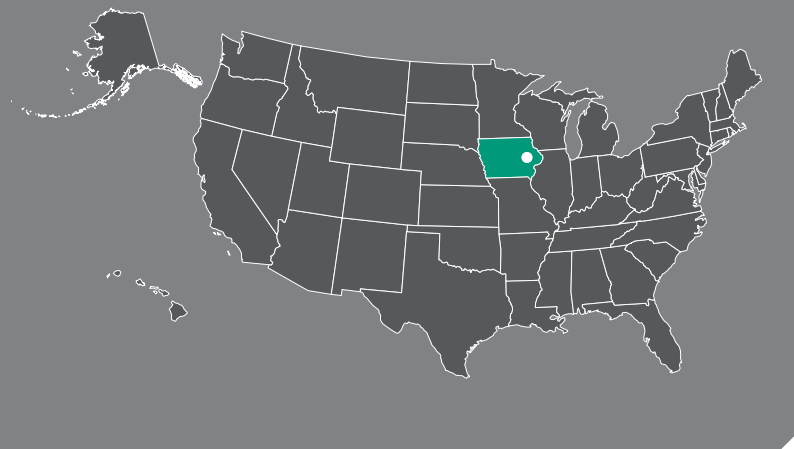
By Dillon Garr | As of April 1, 2021

Overview

The Cedar Rapids metropolitan area, located in eastern Iowa, consists of Benton, Jones, and Linn Counties. The city of Cedar Rapids is the county seat of Linn County and is the primary city in the metropolitan area. A defining feature of the geography in the city of Cedar Rapids is the Cedar River dividing the eastern and western halves of the city. The manufacturing sector is important to the economy in the metropolitan area, with Collins Aerospace and the Whirlpool Corporation being the two largest employers. Additionally, Cedar Rapids is a major hub for grain processing and bioproduct manufacturing. These sectors contribute \$4.8 billion in annual revenue to the area, according to a 2018 study by Iowa State University.

- As of April 1, 2021, the population of the metropolitan area is estimated at 274,000—reflecting an average annual increase of 1,475, or 0.6 percent, since April 2010.
- Since 2013, population patterns in the metropolitan area have varied, with periods of both in- and out-migration. Cedar Rapids had an average annual in-migration of 690 people from 2013 to 2019, when employment growth averaged 0.9 percent annually. This followed a period of net out-migration in 4 out of 5 years from 2008 to 2013,

continued on page 2



continued from page 1

which encompassed both the national financial crisis as well as a major flood in the city of Cedar Rapids. Initial estimates indicate another period of out-migration in 2020, a result of the COVID-19 pandemic and the accompanying job losses.

- The Cedar Rapids metropolitan area has a recent history of natural disasters, including flooding and wind events. An August 2020 derecho damaged or destroyed more than

1,100 housing units and caused more than \$60 million in total damage in the city of Cedar Rapids. According to the Federal Emergency Management Agency (FEMA), a 2016 flooding event caused roughly \$11.3 million in damages in the city of Cedar Rapids.

Economic Conditions

Economic conditions in the Cedar Rapids metropolitan area have weakened because of the effects of the COVID-19 pandemic. Before the pandemic, nonfarm payroll growth was relatively steady, averaging 0.7 percent annually from 2014 through 2019. Pandemic-induced job losses began in early 2020—from March to April 2020, nonfarm payrolls fell by 15,700 jobs, or 11 percent, as measures were enacted to slow the spread of COVID-19. Such measures enacted locally included encouraging social distancing, the closure of city parks and other facilities, as well as the suspension of local transit services. While a shelter-in-place order was never issued in the area or state-wide, the governor of Iowa did issue orders closing numerous businesses, including malls, bowling alleys, gyms, and theatres. These closings and the other precautions undertaken locally contributed to the previously mentioned job losses in April 2020. Since then, recovery has been slow, and only 43 percent of jobs lost have been recovered as of April 1, 2021.

During the 3 months ending March 2021 —

- Nonfarm payrolls averaged 134,700—a year-over-year loss of 9,600 jobs, or 6.7 percent, which followed a year-over-year decline of 200 jobs, or 0.1 percent, during the 3 months ending March 2020.
- While no sector added jobs relative to the 3 months ending March 2020, the retail trade subsector recovered to pre-COVID levels with a total of 14,600 jobs. New Dollar Tree locations opened in both July 2020 and January 2021, adding approximately 40 new jobs in the retail trade subsector.
- The leisure and hospitality sector had the largest contraction, down 2,400 jobs, or 20.3 percent, compared with the 3 months ending March 2020. The information sector and the local government subsector also recorded double-digit percentage declines compared with year-ago levels, down 12.1 and 10.5 percent, respectively.

continued on page 3

Nonfarm payrolls in the Cedar Rapids metropolitan area declined in every sector during the first quarter of 2021 from the same period a year ago.

| | 3 Months Ending | | Year-Over-Year Change | |
|----------------------------------|---------------------------|---------------------------|-------------------------|---------|
| | March 2020 (Thousands) | March 2021 (Thousands) | Absolute (Thousands) | Percent |
| Total Nonfarm Payrolls | 144.3 | 134.7 | -9.6 | -6.7 |
| Goods-Producing Sectors | 27.4 | 26.0 | -1.4 | -5.1 |
| Mining, Logging, & Construction | 7.4 | 7.2 | -0.2 | -2.7 |
| Manufacturing | 20.0 | 18.8 | -1.2 | -6.0 |
| Service-Providing Sectors | 116.9 | 108.7 | -8.2 | -7.0 |
| Wholesale & Retail Trade | 20.4 | 20.2 | -0.2 | -1.0 |
| Transportation & Utilities | 11.0 | 10.2 | -0.8 | -7.3 |
| Information | 3.3 | 2.9 | -0.4 | -12.1 |
| Financial Activities | 11.4 | 11.3 | -0.1 | -0.9 |
| Professional & Business Services | 14.7 | 13.8 | -0.9 | -6.1 |
| Education & Health Services | 22.2 | 20.6 | -1.6 | -7.2 |
| Leisure & Hospitality | 11.8 | 9.4 | -2.4 | -20.3 |
| Other Services | 5.1 | 4.8 | -0.3 | -5.9 |
| Government | 17.1 | 15.6 | -1.5 | -8.8 |
| Unemployment Rate | 3.6% | 5.5% | | |

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

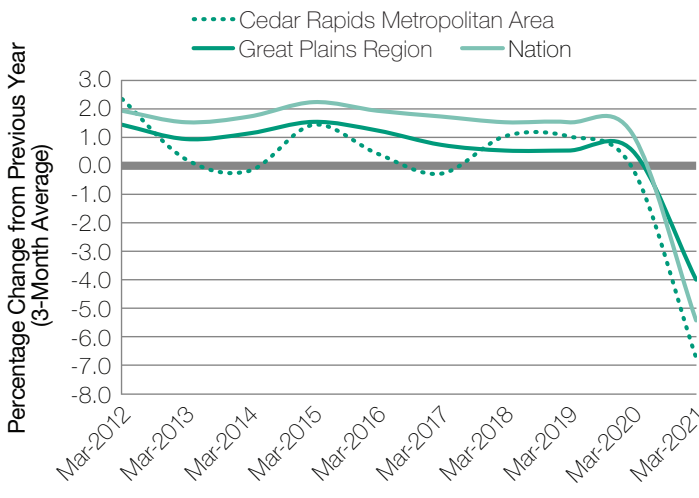
Source: U.S. Bureau of Labor Statistics



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Economic recovery from the COVID-19 pandemic in the metropolitan area is expected to be slow. Job growth is anticipated to be led by the bioprocessing industry;

Nonfarm payrolls in the Cedar Rapids metropolitan area have declined at a faster rate than both the nation and region since March 2020.



Source: U.S. Bureau of Labor Statistics

General Mills, Inc. recently pledged to invest \$37 million to expand their Cedar Rapids plant, creating 50 full-time positions during the next 3 years. However, growth will be tempered by the closings of both the Duane Arnold Energy Center, formerly the only nuclear plant in Iowa, and the Cedar Rapids Toyota Financial Services office, which will displace more than 800 workers combined. The Duane Arnold Energy Center, which officially closed in October 2020 and laid off 130 workers at that time, has scheduled the layoffs of the remaining crew for the end of June 2021, according to Iowa Workforce Development. The Toyota Financial Services job losses will be phased over the next 2 years and displace more than 600 workers.

Largest Employers in the Cedar Rapids Metropolitan Area

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|--------------------------|------------------------|---------------------|
| Collins Aerospace | Manufacturing | 8,200 |
| Whirlpool Corporation | Manufacturing | 3,430 |
| Transamerica Corporation | Financial Activities | 3,340 |

Note: Excludes local school districts.

Source: City of Cedar Rapids, Iowa—Comprehensive Annual Financial Report

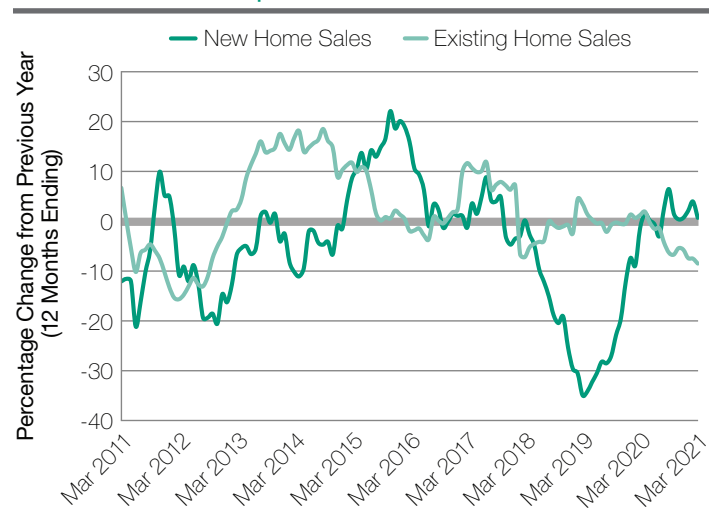
Sales Market Conditions

The sales housing market in the Cedar Rapids metropolitan area is currently slightly tight because the inventory of homes for sale has declined and home prices have increased. During the 12 months ending March 2021, total home sales in the Cedar Rapids metropolitan area declined by 8 percent to 5,875, the lowest number of homes sold in a 12-month period since the 12 months ending July 2014 (Zonda, with adjustments by the analyst). The average sales price of a home in the area increased by 12 percent from a year ago to \$205,900 during the 12 months ending March 2021. Low housing sales inventories in the metropolitan area were exacerbated by the 2020 derecho wind event. The August 2020 derecho had a significant impact on the home sales market because it further reduced the available inventory of homes for sale. The inventory of single-family homes for sale represented a 0.5-month supply in March 2021, down from a 1.6-month supply a year ago (Iowa Association of REALTORS®). During the first quarter of 2021, there were 670 active listings for single-family homes, down approximately 23 percent from the first quarter of 2020.

During the 12 months ending March 2021 —

- New home sales accounted for just 6 percent of total home sales, or 370 home sales, unchanged from a year ago (Zonda, with adjustments by the analyst).

A declining inventory of existing homes for sale has led to higher prices and fewer existing home sales since the second quarter of 2020.



Note: Includes single-family homes, townhomes, and condominiums.

Source: Zonda, with adjustments by the analyst

- The average sales price of a new home was \$318,200, a 4-percent increase from \$307,700 during the previous 12 months.

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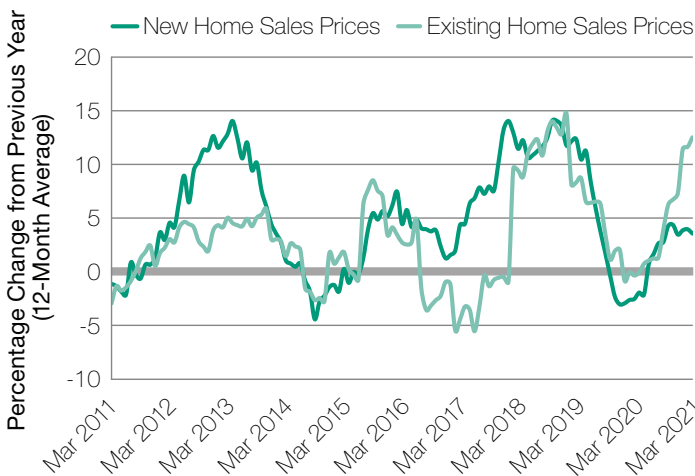
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- Existing home sales totaled 5,500, down 8 percent from 6,000 homes sold the year prior.
- Fewer homes on the market contributed to a 13-percent increase in existing home sales prices, rising from \$176,300 to \$198,300.
- Real estate owned (REO) sales accounted for 3 percent of all existing home sales, down from 4 percent during the previous 12 months. The average sales price for these properties was \$146,600, up 18 percent from the previous 12 months, but still 27 percent below the average sales price for existing homes in the metropolitan area.
- As of March 2021, 1.9 percent of home loans in the metropolitan area were 90 or more days delinquent, in foreclosure, or in REO status, up from 1.1 percent a year earlier (CoreLogic, Inc.).

Annual permitting has remained relatively steady since 2016. During the 12 months ending March 2021, 540 sales units were permitted, up from 440 during the 12 months ending March 2020 (preliminary data, with adjustments by the analyst). Sales construction remained steady despite the August 2020 derecho, which caused damage to more than 1,100 housing units in the metropolitan area.

- From 2016 through 2020, sales permitting activity averaged 580 units annually (preliminary data, with adjustments by the analyst). By comparison, sales construction averaged 710 homes permitted annually from 2012 through 2015.
- Sales permitting in Linn County accounted for nearly all of the new home construction during the 12 months ending

Existing home prices have risen rapidly since the August 2020 derecho damaged many housing units in the area.

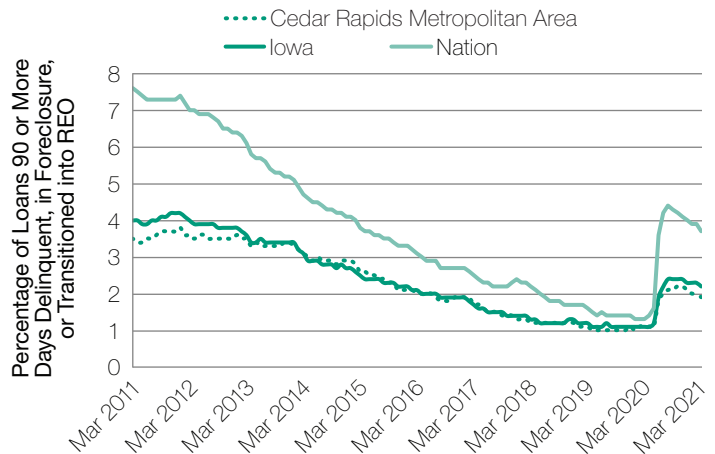


Note: Includes single-family homes, townhomes, and condominiums. Source: Zonda, with adjustments by the analyst

March 2021, with less than 1 percent of units permitted in Jones County and no units permitted in Benton County.

- Recent developments include Knollwood, an 88-home subdivision located in the city of Cedar Rapids, which is about 70 percent complete. Home prices in this subdivision start at \$262,500 for a two-bedroom, two-bathroom home. The Bowman Hills subdivision, located in the city of Marion, is nearly built out, with the last few homes currently under construction. Home prices in this 111-home subdivision start at \$325,000 for a three-bedroom, two-bathroom home.

In the Cedar Rapids metropolitan area, the percentage of mortgages 90+ days delinquent, in foreclosure, or in REO status has remained well below the national rate since June 2020.



REO = real estate owned.

Source: CoreLogic, Inc.

The number of sales units permitted in Cedar Rapids has remained relatively steady since 2016.



Note: Includes preliminary data from January 2020 through March 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



Apartment Market Conditions

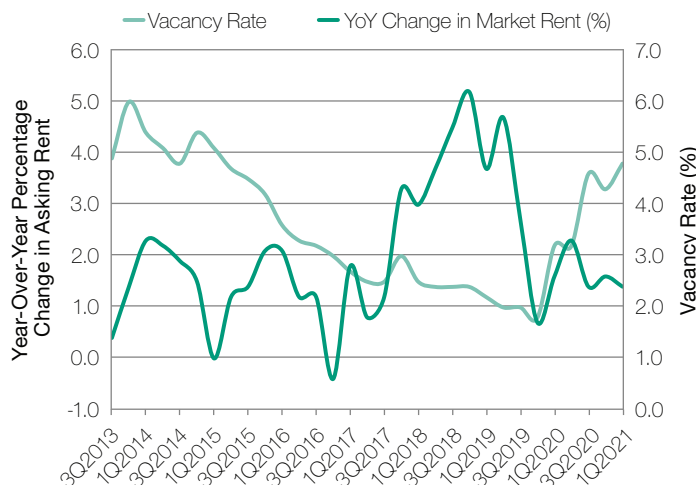
The apartment market in the Cedar Rapids metropolitan area is currently balanced. Increased production of apartment units in 2018 and 2019 has alleviated previously tight conditions in the apartment market.

During the first quarter of 2021 —

- The apartment vacancy rate was 4.8 percent, up from 3.6 percent in the first quarter of 2020 (Moody's Analytics REIS).
- The average monthly rent was \$719, a 1-percent increase from \$710 a year earlier. The average monthly rent peaked during the second quarter of 2020 at \$723.
- One of the more recently completed apartment communities, the 60-unit Hidden Creek Apartments, opened in November 2020. This property consists of one-, two-, and three-bedroom units, with rents that range from \$919 to \$1,419 per month.
- The 100-unit Villas at Stoney Point senior living community was completed in March 2021 and is now leasing. This property is adjacent to the existing Stoney Point Meadows assisted living and memory care facility.

Rental construction has slowed during the past year following a spike in the number of units permitted in each of the previous 2 years. Following the flood in 2016, rental construction activity increased in 2017 and accelerated during 2018 and 2019. Strong permitting during the 3-year period led to a significant

The apartment market vacancy rate in the Cedar Rapids metropolitan area has recently trended higher as a large number of units have entered the market.

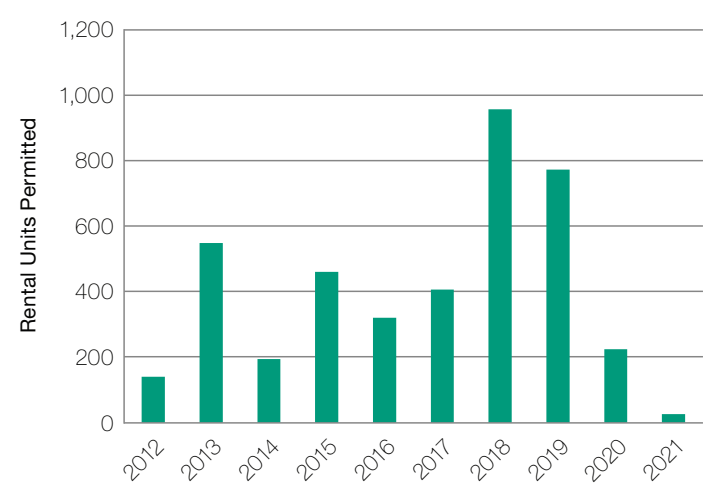


1Q = first quarter. 3Q = third quarter. YoY = year-over-year. Source: Moody's Analytics REIS

decline in rental permitting in 2020 and into 2021 as the market absorbed the new units.

- During the 12 months ending March 2021, there were 210 rental units permitted in the Cedar Rapids metropolitan area; all of the units permitted were in Linn County. This was significantly lower than the 700 rental units permitted during the 12 months ending March 2020 (preliminary data, with adjustments by the analyst).
- The number of rental units permitted spiked to an average of 860 units annually in 2018 and 2019 because of rebuilding after the 2016 flooding event as well as continued economic growth. By 2020, new units that were permitted 12 to 18 months earlier began to come online and coincided with large job declines, which resulted in a reduced level of rental units permitted during the past year.
- Before the elevated levels of rental construction during 2018 and 2019, the number of rental units permitted was much lower, averaging 350 units annually from 2012 through 2017.
- In the city of Marion, Squaw Creek Apartments are currently under construction and will have 88 units upon completion, which is expected by the summer of 2021. The apartment property will offer one- and two-bedroom units ranging from \$800 to \$1,400 per month. The mixed-use building will also feature 20,000 square feet of commercial space.

After the surge of production during 2018 and 2019, rental permitting activity has slowed as developers allow time for the absorption of recently completed units.



Note: Includes preliminary data from January 2020 through March 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

