

HUD PD&R Housing Market Profiles

Des Moines-West Des Moines, Iowa

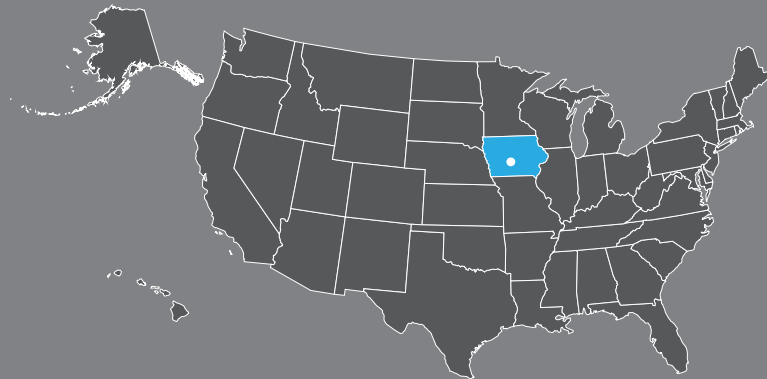


Quick Facts About Des Moines-West Des Moines

Des Moines, Iowa

By Jeremy Albright | As of November 1, 2022

- **Current sales market conditions: very tight but easing**
- **Current rental market conditions: balanced**
- **The downtown Des Moines indoor skywalk system connects more than 4 miles of businesses, hotels, and residences and is the fifth longest enclosed walkway in the United States (City of Des Moines).**



Overview

The Des Moines-West Des Moines, IA Metropolitan Statistical Area (hereafter, Des Moines metropolitan area) consists of five counties in central Iowa and is the largest metropolitan area in the state. It is known as a center for the insurance industry and associated financial services. During 2021, Dallas County—home to the largest employer in the area, Wells Fargo & Company—had the highest concentration of covered employment in the financial activities sector of all counties in the United States.

- As of November 1, 2022, the population of the Des Moines metropolitan area is estimated at 694,500, reflecting an increase of 9,650, or 1.4 percent, since 2021. During this period, net in-migration averaged 6,100 people annually.
- Population growth was lower during the year following the onset of the COVID-19 pandemic. From 2020 to 2021, the population grew by 8,025, or 1.2 percent, annually (Census Bureau decennial census counts and population estimates as of July 1). Net in-migration fell to 5,750 during the period. Deteriorating economic

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conditions contributed to the decline, as did restrictions on international migration, which accounted for approximately 29 percent of total migration from 2018 to 2019, before the onset of the pandemic (U.S. Census Bureau Population Estimates Program).

- The population of Dallas County has grown faster than the overall population of the metropolitan area and was the fifth fastest growing county in the United States from 2010 to

2021. During this period, the population of Dallas County grew a cumulative 56.9 percent, or an average annual growth rate of 4.1 percent to 103,800. The expansion of housing construction, comparably low housing costs, and proximity to major job centers in West Des Moines and Des Moines have made the county attractive to current residents and to those who have moved from other metropolitan areas for remote work.

Economic Conditions

Both the Des Moines metropolitan area and the nation have recovered all the jobs lost during the recession caused by the COVID-19 pandemic. However, the magnitude of nonfarm payroll losses was smaller in the Des Moines metropolitan area during the recession than in the nation. Nonfarm payroll losses were the most severe during the 3 months ending June 2020, reaching 9.2 percent in the Des Moines metropolitan area compared with the previous year, less extensive than the 11.3-percent loss that occurred nationally during the same period (not seasonally adjusted). The economic recovery in the metropolitan area has been slower than the nation in recent months. During October 2022, nonfarm payrolls in the Des Moines metropolitan area increased 0.6 percent, compared with 1.2 percent nationally, and exceeded the prepandemic high that occurred in November 2019 (monthly data; not seasonally adjusted).

During the 3 months ending October 2022—

- Nonfarm payrolls averaged 380,000—an increase of 6,500 jobs, or 1.7 percent, from a year earlier, with gains in 9 of 11

sectors. Before the impact of the pandemic, nonfarm payrolls in the metropolitan area rose an average of 1.8 percent each year from 347,200 during the fourth quarter of 2014 to 379,600 during the fourth quarter of 2019.

- The leisure and hospitality and the education and health services sectors led job growth in percentage terms, expanding by 2,100 and 2,000 jobs, or 6.3 and 3.9 percent, respectively.
- Resident employment in the Des Moines metropolitan area has similarly recovered from the recent recession. Employment averaged 363,900, an increase of 12,050, or 3.4 percent, from a year earlier.
- The unemployment rate in the metropolitan area averaged 2.5 percent, down from the 3.6-percent rate during the same period a year ago. Strong gains in resident employment outpaced growth in the labor force, contributing to the declining unemployment rate.

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During the 3 months ending October 2022, 9 of the 11 job sectors added jobs in the Des Moines metropolitan area, led by the continued recovery of the leisure and hospitality sector.

	3 Months Ending		Year-Over-Year Change	
	October 2021 (Thousands)	October 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	373.5	380.0	6.5	1.7
Goods-Producing Sectors	44.6	45.1	0.5	1.1
Mining, Logging, & Construction	23.1	23.2	0.1	0.4
Manufacturing	21.5	21.9	0.4	1.9
Service-Providing Sectors	328.9	334.9	6.0	1.8
Wholesale & Retail Trade	56.4	57.0	0.6	1.1
Transportation & Utilities	14.4	14.9	0.5	3.5
Information	6.2	6.1	-0.1	-1.6
Financial Activities	57.1	56.5	-0.6	-1.1
Professional & Business Services	51.9	52.5	0.6	1.2
Education & Health Services	51.2	53.2	2.0	3.9
Leisure & Hospitality	33.6	35.7	2.1	6.3
Other Services	12.7	13.1	0.4	3.1
Government	45.4	45.8	0.4	0.9
Unemployment Rate	3.6%	2.5%		

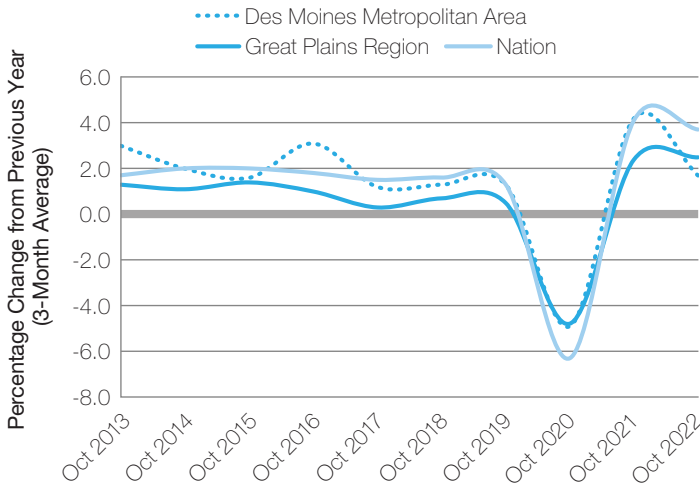
Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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Nonfarm payroll growth in the Des Moines metropolitan area fell below that of the Great Plains Region and nation during the 3 months ending October 2022, largely driven by job losses in the financial activities sector.



Source: U.S. Bureau of Labor Statistics

Despite overall job growth, nonfarm payrolls in the financial activities sector declined by 600 jobs, or 1.1 percent, during the 3 months ending October 2022, partially due to rising interest rates and monetary policy intended to slow the rate of inflation. Wells Fargo & Company has reported falling home lending revenue due to these factors and has laid off approximately 400 workers employed in the Des Moines metropolitan area since the first quarter of 2022 (*Des Moines Register*). Notwithstanding recent job losses, the financial activities sector accounted for 14.9 percent of all nonfarm payrolls in the metropolitan area during the 3 months ending October 2022, notably higher than the rate of 5.8 percent nationally.

Largest Employers in the Des Moines Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Wells Fargo & Company	Financial Activities	13,500
Hy-Vee, Inc.	Wholesale & Retail Trade	6,800
Principal Financial Group, Inc.	Financial Activities	6,500

Note: Excludes local school districts.

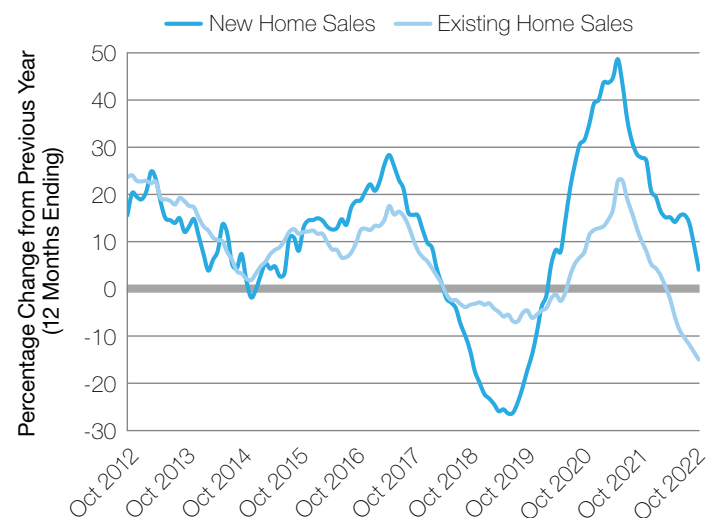
Source: Greater Des Moines Partnership

Sales Market Conditions

The sales housing market in the Des Moines metropolitan area is very tight but has eased in recent months, with an estimated vacancy rate of 1.0 percent as of November 1, 2022, down from 2.4 percent as of April 2010. Strong net in-migration during the past decade and low levels of residential construction during the Great Recession contributed to tightening sales market conditions during much of the 2010s. Since early 2022, however, increases in mortgage interest rates and tighter financial conditions, partially caused by reductions in the number of mortgage-backed securities held by the Federal Reserve, have reduced sales demand.

- During the 12 months ending October 2022, new and existing home sales in the Des Moines metropolitan area decreased by 2,500 homes, or 12 percent, to 18,200 homes sold compared with a 12-percent year-over-year increase during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst).
- The average price of new and existing home sales increased by \$26,700, or 10 percent, to \$283,000 during the 12 months ending October 2022, the same as the year-over-year increase during the 12 months ending October 2021.
- In response to falling sales demand, the supply of available for-sale homes rose from 1.5 months in October 2021 to 2.6 months in October 2022.

Existing home sales in the Des Moines metropolitan area have fallen from recent levels; record high home prices and rising mortgage interest rates have likely contributed.



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

Source: CoreLogic, Inc., with adjustments by the analyst

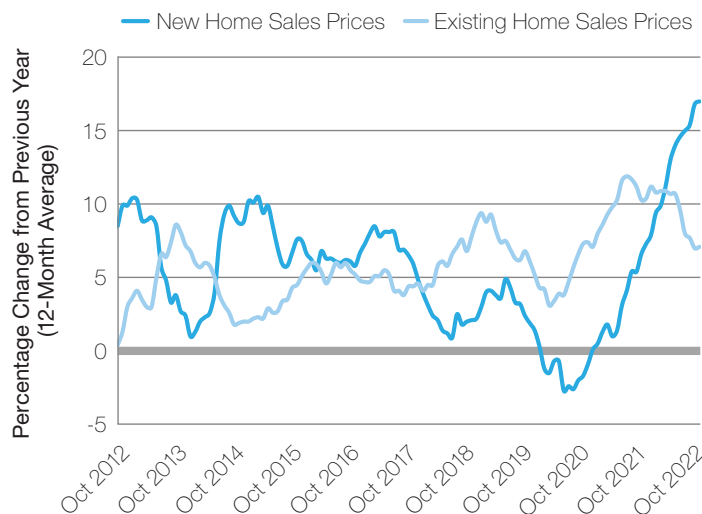
- The percentage of home loans in the Des Moines metropolitan area that were seriously delinquent or had transitioned into real estate owned status was 1.1 percent

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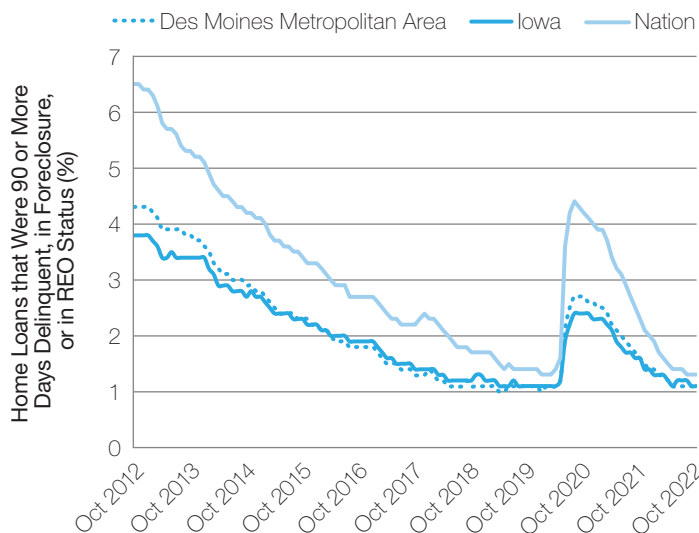
in October 2022—equal to the prepandemic rate in October 2019 and down from 2.7 percent in October 2020, coinciding with the economic recovery in the metropolitan area.

In the Des Moines metropolitan area, existing home sales price growth has slowed, and new home sales prices continue to rise at record levels.



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

The percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the Des Moines metropolitan area rose following the onset of the COVID-19 pandemic but has since returned to prepandemic levels.

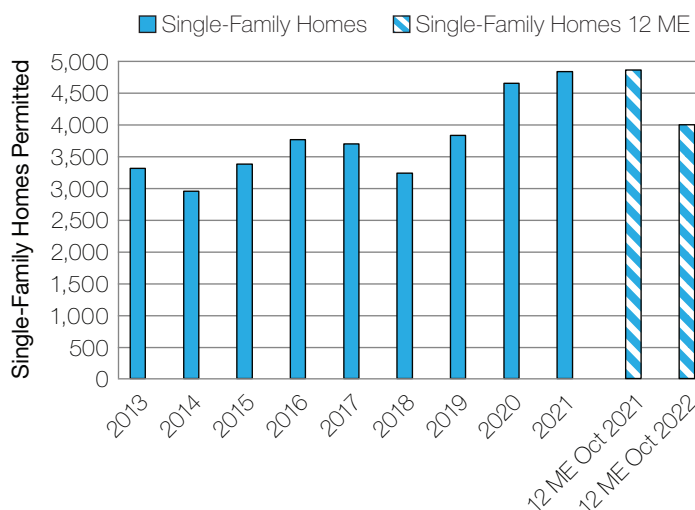


REO = real estate owned.
Source: CoreLogic, Inc.

Single-family homebuilding activity rose during the mid-2010s, as the economy and housing market recovered from the Great Recession. However, homebuilding slowed during the past year in response to rising interest rates and slowing home sales.

- Approximately 4,000 single-family homes were permitted during the 12 months ending October 2022, a decrease of 850 homes, or 18 percent, from the previous 12 months (preliminary data). By comparison, an average of 4,000 single-family homes were permitted annually from 2016 through 2021, up from an average of 3,200 single-family homes permitted annually from 2013 through 2015.
- New home construction during the past decade in the Des Moines metropolitan area has shifted from Polk County into Dallas County. In 2021, approximately 22 percent of new home construction in the metropolitan area was in Dallas County compared with 12 percent in 2010.
- The largest development currently under way in the Des Moines metropolitan area, Stratford Crossing, is in Dallas County. Completion of the approximately 430 single-family homes is expected in mid-2024. Prices will range from the low \$300,000s to the mid-\$600,000s (Dodge Data & Analytics; Summit Homes; D.R. Horton).

Single-family permitting the Des Moines metropolitan area reached a peak during the 12 months ending October 2021, the highest level recorded since 2005.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Rental Market Conditions

Overall rental housing market conditions in the Des Moines metropolitan area are currently balanced. Rising net in-migration throughout the past decade, particularly since 2020, has contributed to growing rental demand. An increase in the construction of multifamily structures with five or more units during the mid- to late 2010s accommodated much of this increase, however. Multifamily structures with five or more units, typically apartments, made up 62 percent of occupied rental housing in the Des Moines metropolitan area in 2021, up from 56 percent in 2010 (American Community Survey 1-year data).

- The overall rental vacancy rate is estimated at 6.1 percent as of November 1, 2022, down from 8.6 percent in April 2010.
- During the third quarter of 2022, the apartment market was slightly tight, with a vacancy rate of 3.6 percent, down from 4.4 percent during the third quarter of 2021 (RealPage, Inc.). A decline in the number of multifamily units permitted annually from 2018 through 2020 contributed to conditions becoming slightly tighter than the overall rental market.
- The average monthly apartment asking rent in the Des Moines metropolitan area was \$1,093 during the third quarter of 2022, 6 percent higher than the average asking rent of \$1,028 during the third quarter of 2021.
- The apartment market was balanced throughout the 2010s, as new rental construction increased to accommodate increased net in-migration. From 2014

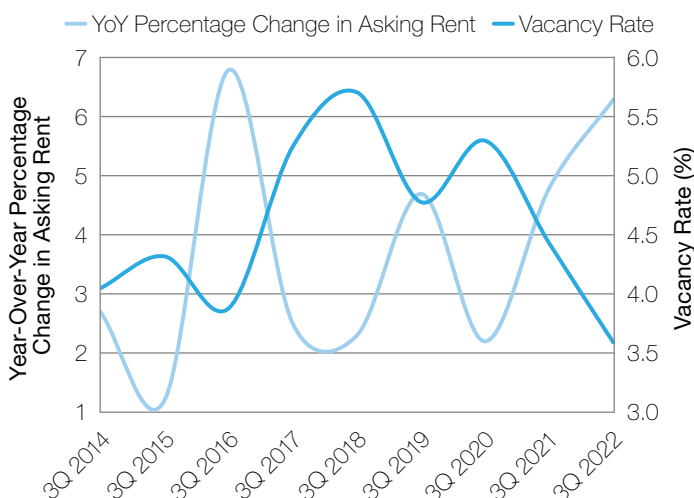
to 2019, the third-quarter vacancy rate averaged 4.7 percent, and the average rent increased 3 percent a year.

Despite tightening apartment market conditions, multifamily construction activity, as measured by the number of multifamily units permitted, fell during the 12 months ending October 2022, partially due to rising interest rates that have made financing large developments more difficult.

- During the 12 months ending October 2022, approximately 2,175 multifamily units were permitted, a decrease of 600, or 22 percent, from the 2,775 units permitted during the 12 months ending October 2021 (preliminary data, with adjustments by the analyst).
- Multifamily unit construction increased significantly during the recovery from the Great Recession and remained elevated throughout much of the 2010s. From 2013 through 2017, multifamily construction averaged 2,700 units annually, including an unprecedented multifamily construction level in 2015 of 3,475 units. Multifamily construction fell to an average of 1,925 units annually from 2018 through 2020.
- Multifamily construction accelerated during 2021 to approximately 2,500 units permitted, as material shortages caused by the COVID-19 pandemic began to moderate and builders responded to improving economic conditions and accelerating population growth.

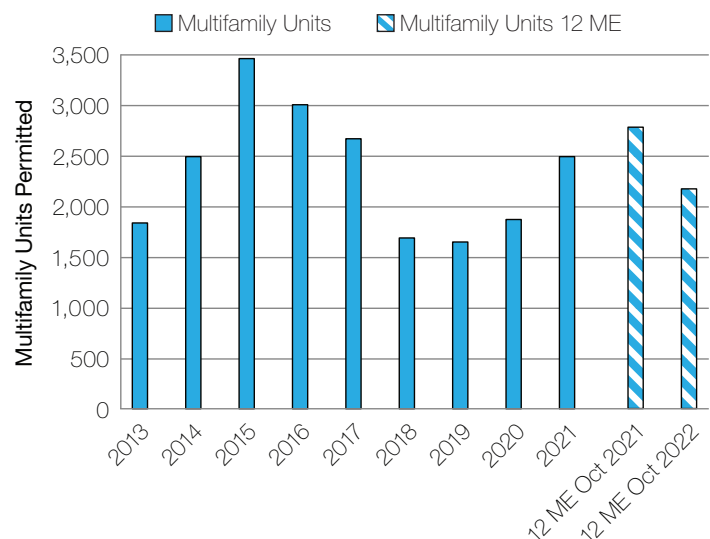
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During the past year, the apartment vacancy rate in the Des Moines metropolitan area fell to nearly 3.5 percent, and the average apartment rent increased at an accelerated rate.



3Q = third quarter. YoY = year-over-year.
Source: RealPage, Inc.

Multifamily permitting activity in the Des Moines metropolitan area has generally trended upward since 2019 but remains below the peak in 2015.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

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- The largest development currently under way in the Des Moines metropolitan area is The Reserve at Jordan Creek in the city of West Des Moines. The Reserve at Jordan Creek is a 228-unit community that will offer loft-style, one-bedroom apartment units with rents averaging \$1,228 (CoStar Group).
- One of the largest rental developments completed in the past year is the 522-unit Strathmore Apartment Homes, also in the city of West Des Moines. Rents at the development range from \$1,138 for one-bedroom units to \$1,399 for two-bedroom units.

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Existing Home Sales	Includes resales, short sales, and real estate owned sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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