

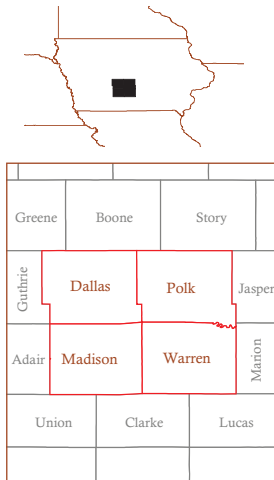


# Des Moines, Iowa

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2009



## Housing Market Area



The Des Moines, Iowa Housing Market Area (HMA) is defined as Dallas, Madison, Polk, and Warren Counties in south-central Iowa. Des Moines, located in Polk County, is the state capital and most populous city in Iowa. With a broad-based economy, relatively affordable housing, and reasonable commute times, Des Moines attracts people from throughout Iowa seeking employment opportunities and city amenities.

## Market Details

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## Summary

### Economy

The Des Moines HMA economy continues growing modestly, supported by the education and health services and the financial activities sectors. Employment in the state government subsector has a stabilizing influence on the Des Moines economy. During 2008, resident employment increased by approximately 1 percent compared with employment levels in 2007 and the unemployment rate increased from 3.5 to 3.8 percent. During the 3-year forecast period, resident employment is forecast to increase by an average of 1.2 percent annually. Table DP-1 at the end of this report provides employment and demographic data for the HMA.

### Sales Market

The sales housing market in the HMA is soft, with a current vacancy rate of 2.3 percent. In 2008, single-family home sales declined by nearly 21 percent compared with the number of sales recorded in 2007, while the average home sales price declined by nearly 1 percent to \$169,000. During the next 3 years, demand is estimated for 8,750 new homes. Some of the demand will be met by the approxi-

mately 980 homes currently under construction (see Table 1).

### Rental Market

The rental housing market in the Des Moines HMA is slightly soft, with a current vacancy rate of 8.0 percent. The market has tightened since 2004 due to economic growth in the area. Demand is estimated for 840 new rental units during the 3-year forecast period. The 650 units currently under construction will satisfy demand in the first 2 years of the forecast period; new units will not be required to come on line until the third year of the forecast period (see Table 1).

**Table 1. Housing Demand in the Des Moines HMA, 3-Year Forecast, January 1, 2009 to January 1, 2012**

	Des Moines HMA	
	Sales Units	Rental Units
Total Demand	8,750	840
Under Construction	980	650

*Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2009. Source: Estimates by analyst*

## Economic Conditions

Resident employment in the Des Moines HMA slowed in the early 2000s compared with employment levels recorded in the 1990s. During the 1990s, resident employment increased by an average of 4,025 workers, or 1.6 percent, a year. Between 2000 and 2003, employment growth averaged 1,375 workers a year, reflecting the effect of the weaker national economy. Since 2004, resident employment growth has increased to 4,600 workers a year.

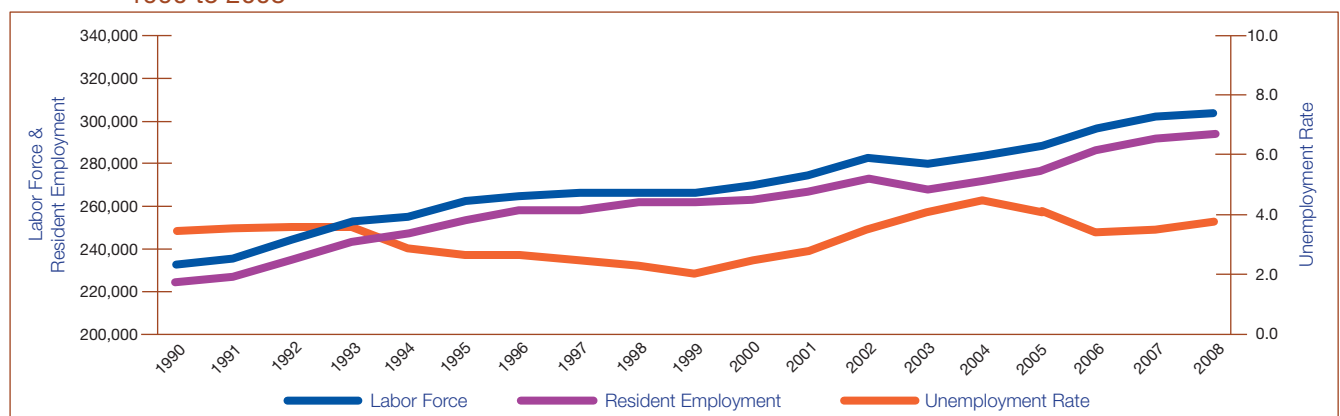
The unemployment rate in the HMA was relatively low during the 1990s, reaching a high of 3.6 percent in 1993. In 2004, the rate peaked at 4.5 percent, corresponding to the decline in resident employment in 2003. The unemployment rate declined between 2004 and 2008, when it increased to an estimated 3.8 percent. Figure 1 shows trends in the labor force, resident employment, and average unemployment rate in the HMA from 1990 to 2008.

The HMA economy is anchored by the service-providing sectors; since 1990, the professional and business services and the financial activities sectors have led job growth. Each year from 1990 to 2008, employment in the financial activities sector has grown,

increasing from 13 to 16 percent of nonfarm employment. During this same period, employment in the professional and business services sector grew each year except one, increasing from 9 to 12 percent of nonfarm employment. Employers that have headquarters or substantial organizational capacity in Des Moines include Wells Fargo & Company, Principal Financial Group®, Inc., and Wellmark, Inc. United Parcel Service of America, Inc., maintains a shipping hub in the region, employing approximately 1,600 workers. Figure 2 shows employment sector growth in the HMA from 1990 to the current date and Figure 3 illustrates current employment in the HMA by sector.

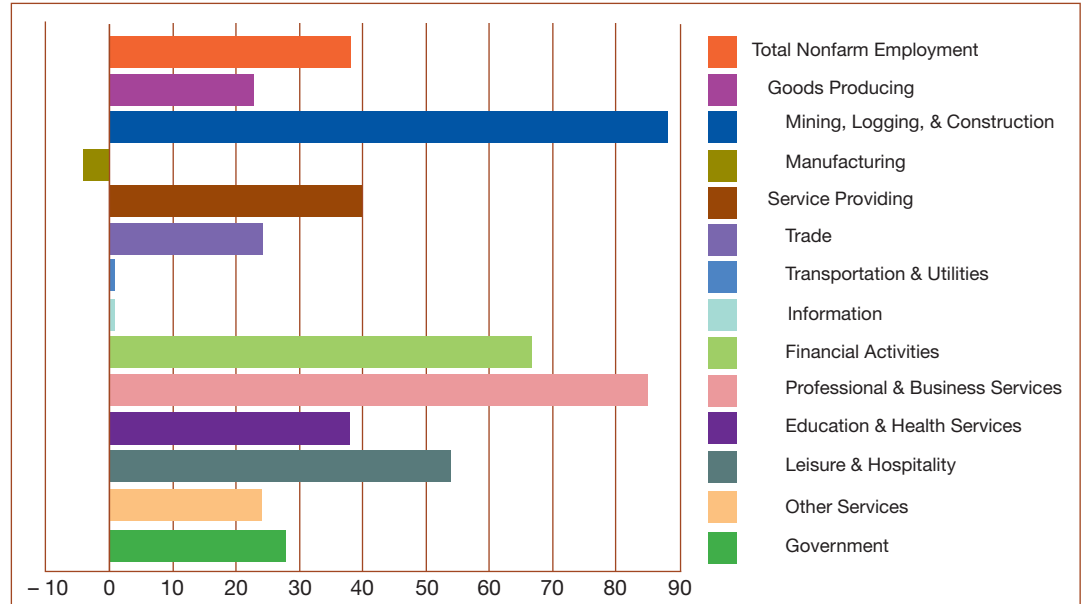
During the 12 months ending December 2008, nonfarm employment increased by 2,000 jobs to a total of 324,700 jobs compared with the number recorded during the previous 12-month period (see Table 2). During 2008, employment in the goods-producing sectors was down by approximately 600 jobs due to declines in the construction sector, but employment in the manufacturing sector remained stable. Employment in the service-providing sectors

**Figure 1.** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Des Moines HMA, 1990 to 2008



Source: U.S. Bureau of Labor Statistics

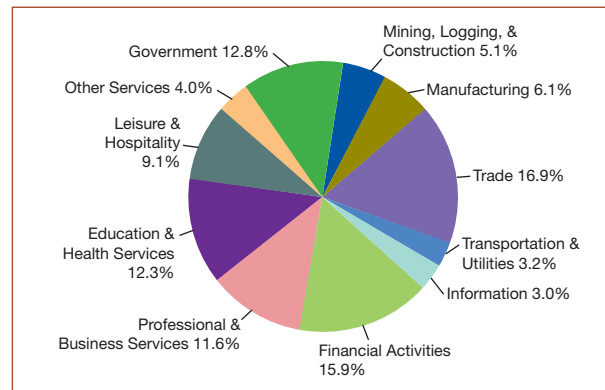
**Figure 2. Sector Growth in the Des Moines HMA, Percentage Change, 1990 to Current**



Note: Current is based on 12-month averages through December 2008.

Source: U.S. Bureau of Labor Statistics

**Figure 3. Current Employment in the Des Moines HMA, by Sector**



Note: Based on 12-month averages through December 2008.

Source: U.S. Bureau of Labor Statistics

registered a net increase of 2,600 jobs, with gains in the education and health services sector offsetting modest job losses in the leisure and hospitality sector. Employment in the government sector remained steady in 2008.

During 2008, the Greater Des Moines Partnership identified more than \$212 million in new capital investment in the local region; \$54 million of that amount was invested downtown.

Wells Fargo & Company, the leading employer in the area (see Table 3), recently consolidated its home mortgage lending operations in a new \$250 million campus in the city of West Des Moines. In May 2008, Wellmark, Inc., broke ground on a \$194 million headquarters building in downtown Des Moines; occupancy will begin in 2010.

Resident employment is forecast to grow 1.2 percent a year during the next 3 years, or by approximately 3,475 workers annually, to total 305,500 by January 1, 2012. Given stricter mortgage lending requirements and a sluggish national economy, Des Moines' insurance and banking industries are likely to record only moderate employment growth.

**Table 2.** 12-Month Average Employment in the Des Moines HMA, by Sector

	12 Months Ending December 2007	12 Months Ending December 2008	Percent Change
Total Nonfarm Employment	322,700	324,700	0.6
Goods Producing	36,800	36,200	- 1.6
Mining, Logging, & Construction	17,100	16,500	- 3.5
Manufacturing	19,700	19,700	0.0
Service Providing	285,900	288,500	0.9
Trade	54,600	55,000	0.7
Transportation & Utilities	10,600	10,400	- 1.9
Information	9,500	9,600	1.1
Financial Activities	51,400	51,600	0.4
Professional & Business Services	37,400	37,600	0.5
Education & Health Services	38,700	39,900	3.1
Leisure & Hospitality	29,900	29,700	- 0.7
Other Services	13,000	13,000	0.0
Government	41,700	41,700	0.0

Notes: Based on 12-month averages through December 2007 and December 2008. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

**Table 3.** Major Employers in the Des Moines HMA

Name of Employer	Employment Sector	Number of Employees
Wells Fargo & Company	Financial Activities	11,700
Principal Financial Group®, Inc.	Financial Activities	8,350
Mercy Medical Center–Des Moines	Education & Health Services	6,600
Iowa Health–Des Moines	Education & Health Services	6,475
Allied Insurance, a Nationwide® Company	Financial Activities	4,200
MidAmerican Energy Company	Transportation & Utilities	3,700
Pioneer Hi-Bred International, Inc.	Manufacturing	2,000
Hy-Vee, Inc.	Trade	1,675
United Parcel Service of America, Inc.	Transportation & Utilities	1,600
Wellmark, Inc.	Financial Activities	1,600

Sources: OneSource information service; Des Moines Business Record "2008 Book of Lists"; The Greater Des Moines Partnership; Manufacturers' News, Inc.

## Population and Households

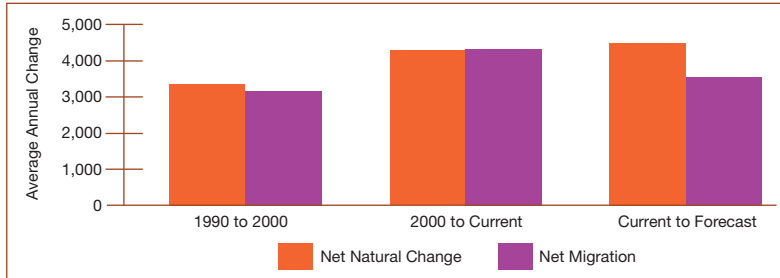
Population growth in the Des Moines HMA has been strongest in Polk and Dallas Counties since 2000. Growth has been focused in the small- and medium-sized communities surrounding Des Moines, particularly Ankeny, Johnston, and Urbandale in Polk County and Clive and Waukee in Dallas County.

The population of the Des Moines HMA increased at a faster rate from

2000 to the current date, when the annual growth rate was 1.7 percent, than it did during the 1990s, when the population grew by 1.5 percent a year. Net migration also has increased, averaging 3,125 people a year during the 1990s and 4,325 people a year since 2000, an increase of 38 percent. Net migration averaged an estimated 3,250 people a year from 2000 to 2004 and 5,500 a year between 2004 and 2008,

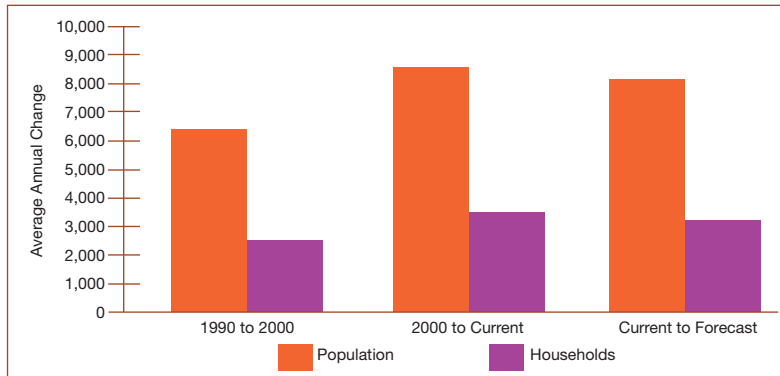
Population and Households *Continued*

**Figure 4. Components of Population Change in the Des Moines HMA, 1990 to Forecast**



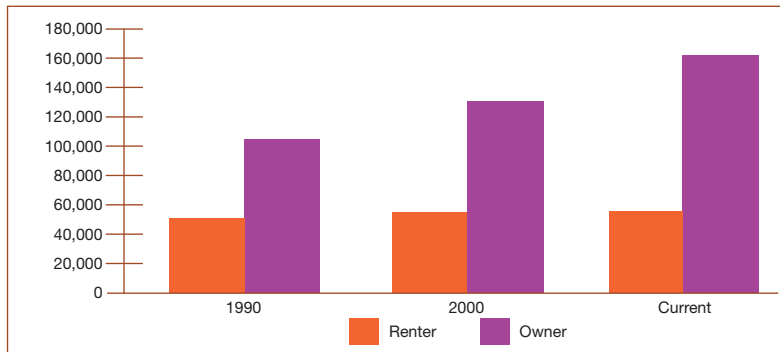
Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

**Figure 5. Population and Household Growth in the Des Moines HMA, 1990 to Forecast**



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

**Figure 6. Number of Households by Tenure in the Des Moines HMA, 1990 to Current**



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

reflecting strong employment growth. Net natural change (resident births minus resident deaths) in the HMA has been steadily increasing since 2001. Figure 4 shows components of population change in the HMA from 1990 to the forecast period. The current population is estimated at 545,900 and is forecast to reach 570,400 by January 1, 2012. Figure 5 illustrates population and household growth in the HMA from 1990 to the forecast period.

During the 1990s, the number of households in the HMA grew by approximately 2,700 a year compared with an increase of 3,460 a year from 2000 to the current date. As of January 1, 2009, an estimated 215,000 households are in the HMA. Figure 6 illustrates the number of households by tenure in the HMA from 1990 to the current date. The number of households in the HMA is forecast to increase by 3,230 a year to approximately 224,700 by the end of the 3-year forecast period.

# Housing Market Trends

## Sales Market

The sales housing market in the Des Moines HMA is soft, with an estimated vacancy rate of 2.3 percent as of January 1, 2009, up from 1.6 percent in 2000. Soft market conditions, resulting from tighter lending standards and slower economic growth, have caused a decline in existing home sales. According to the Des Moines Area Association of REALTORS®, during 2008, approximately 8,100 homes were sold, down nearly 21 percent from the 10,200 homes sold during 2007. The average price decreased by 1 percent, from \$170,400 to \$169,000. The inventory of single-family homes for sale increased from an 8 months' supply on January 1, 2008, to a 10 months' supply on January 1, 2009.

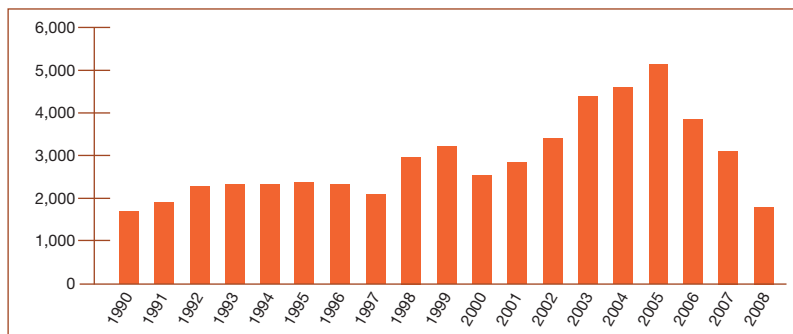
Builders have reacted to increasing inventories of unsold homes by slowing the pace of construction. During 2008, approximately 1,800 building permits were issued for single-family homes, down 43 percent from the 3,150 permits issued during 2007. In comparison, between 2000 and 2008, permits were issued for an average of 3,525 homes a year, up from an aver-

age of 2,350 homes a year during the 1990s. The number of permits issued for single-family homes rose from 2,525 in 2000 to 5,150 in 2005 before declining from 2006 to 2008. Figure 7 shows the number of single-family building permits issued between 1990 and 2008. According to local REALTORS®, newly constructed homes priced between \$160,000 and \$210,000 are selling best, with the largest number of sales occurring in the northern and western suburbs. Days Run West Villas in Urbandale, northwest of Des Moines in Polk County, began construction in April 2008 and includes 63 single-family homes. Available units are priced between \$179,900 and \$262,900.

In 2008, approximately 20 percent of residential sales in the HMA consisted of condominium units, which sold for an average price of approximately \$155,000. Condominium development, which is concentrated in the city of Des Moines and the nearby suburbs, has become more common since 2000. Approximately 70 percent of the multifamily units built in the HMA since 2000 are condominiums.

Demand is estimated for 8,750 new sales units during the 3-year forecast period. A portion of the demand will be met by the 980 homes currently under construction (see Table 1), which are expected to be completed during the first year of the forecast period. Table 4 illustrates demand for new market-rate sales housing in the HMA by price range during the 3-year forecast period.

**Figure 7.** Single-Family Building Permits Issued in the Des Moines HMA, 1990 to 2008



Notes: Includes only single-family units. Includes data through December 2008.

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

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Des Moines HMA, January 1, 2009 to January 1, 2012

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	124,999	520	5.9
125,000	149,999	610	7.0
150,000	174,999	1,050	12.0
175,000	199,999	1,325	15.1
200,000	224,999	1,325	15.1
225,000	249,999	1,050	12.0
250,000	299,999	960	11.0
300,000	399,999	870	9.9
400,000	499,999	440	5.0
500,000	699,999	350	4.0
700,000	799,999	170	1.9
800,000	999,999	40	0.5
1,000,000	and higher	40	0.5

Source: Estimates by analyst

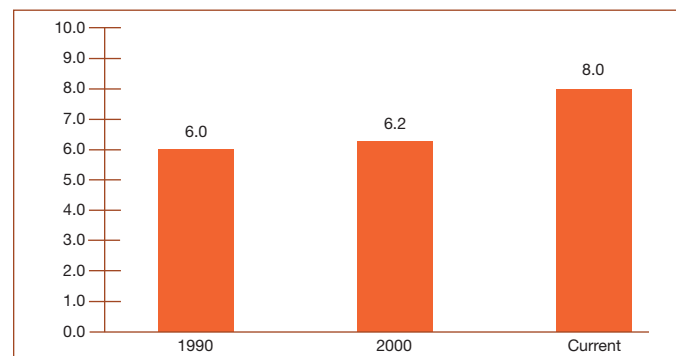
## Rental Market

The Des Moines HMA rental housing market is slightly soft, with an estimated vacancy rate of 8 percent, up from 6.2 percent reported in the 2000 Census. Commercial broker CB Richard Ellis Hubbell/Commercial (CBRE/Hubbell) surveys conventional apartments in the HMA and reports the January 2009 apartment vacancy rate is 8.5 percent, up from 8.1 percent in January 2008. Figure 8 displays trends in rental vacancy rates in the HMA from 1990 to the current date.

CBRE/Hubbell's rental survey estimated an average rent of \$685 for

a two-bedroom apartment, which represents an increase of 2 percent from the rent reported in the January 2008 survey. Average rents in the HMA for newly constructed apartments are approximately \$650, \$750, and \$950 for one-, two-, and three-bedroom units, respectively. Concessions of 1 month's free rent with a 12-month lease are offered at approximately one-third of the market-rate properties, approximately the same incidence and level of concessions recorded a year ago.

During the 1990s, multifamily construction, as measured by the number of units permitted, averaged 850 units a year in the HMA. From 2000 to 2008, the number of multifamily units permitted averaged 1,000 a year. During 2008, the number of units permitted totaled 1,125, 76 percent more than the 640 units permitted during 2007. Figure 9 displays the number of multifamily building permits issued in the HMA from 1990 to 2008. Single-family homes and condominiums converted to rental units have helped maintain

**Figure 8.** Rental Vacancy Rates in the Des Moines HMA, 1990 to Current

Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

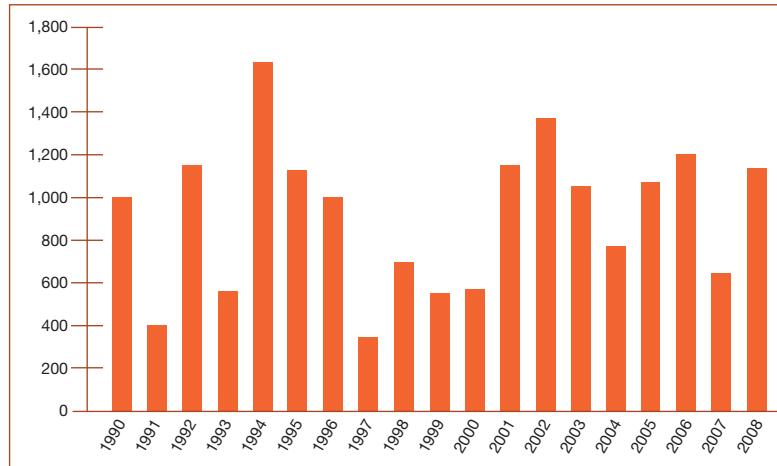
## Housing Market Trends

### Rental Market *Continued*

the supply of rental stock. Since 2000, approximately 30 percent of multifamily permits issued have been for apartments. The Broadmoor at Jordan Creek, located in southwest

Des Moines, is scheduled to open in late 2009 with approximately 300 rental units, including studio, one-bedroom, and two-bedroom apartments.

**Figure 9.** Multifamily Building Permits Issued in the Des Moines HMA, 1990 to 2008



Notes: Includes all multifamily units in structures with two or more units. Includes data through December 2008.

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

During the 3-year forecast period, demand is estimated for 840 new rental units (see Table 1). The current supply of available rental units, combined with the 650 rental units currently under construction, will satisfy demand during the first 2 years of the forecast period. New rental units should be planned for delivery in the third year of the forecast period. Table 5 shows estimated demand for new market-rate rental housing in the HMA by number of bedrooms and rent level during the forecast period.

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Des Moines HMA, January 1, 2009 to January 1, 2012

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
650	310	750	420	950	110
700	280	800	350	1,000	100
750	250	850	320	1,050	90
800	230	900	290	1,100	75
850	200	950	250	1,150	60
900	170	1,000	210	1,200	55
950	140	1,050	180	1,250	50
1,050	110	1,150	140	1,350	35
1,150	90	1,250	90	1,450	25
1,250	70	1,350	65	1,550	20
and higher		and higher		and higher	

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

Source: Estimates by analyst



# Data Profile

**Table DP-1.** Des Moines HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	225,900	264,400	295,100	1.6	1.4
Unemployment Rate (%)	3.4	2.4	3.8		
Covered Employment	235,700	290,700	324,700	2.1	1.4
Total Population	405,411	470,041	545,900	1.5	1.7
Total Households	157,815	184,730	215,000	1.6	1.7
Owner Households	105,833	130,428	160,250	2.1	2.4
Percent Owner (%)	67.1	70.6	74.5		
Renter Households	51,982	54,302	54,750	0.4	0.1
Percent Renter (%)	32.9	29.4	25.5		
Total Housing Units	165,943	193,926	228,530	1.6	1.9
Owner Vacancy Rate (%)	1.4	1.6	2.3		
Rental Vacancy Rate (%)	6.0	6.2	8.0		
Median Family Income	\$36,000	\$60,000	\$67,900	5.2	1.6

*Notes: Median family income data are for 1989, 1999, and 2007. Employment data represent annual averages for 1990, 2000, and the 12 months through December 2008.*

*Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development*

## Data Definitions and Sources

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1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 1/1/2009—Analyst's estimates

Forecast period: 1/1/2009–1/1/2012—Analyst's estimates

**Demand:** The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to [www.huduser.org/publications/pdf/CMARtables\\_DesMoinesIA\\_09.pdf](http://www.huduser.org/publications/pdf/CMARtables_DesMoinesIA_09.pdf).

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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 expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to [www.huduser.org/publications/econdev/mkt\\_analysis.html](http://www.huduser.org/publications/econdev/mkt_analysis.html).