COMPREHENSIVE HOUSING MARKET ANALYSIS

Des Moines-West Des Moines, Iowa

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of November 1, 2022

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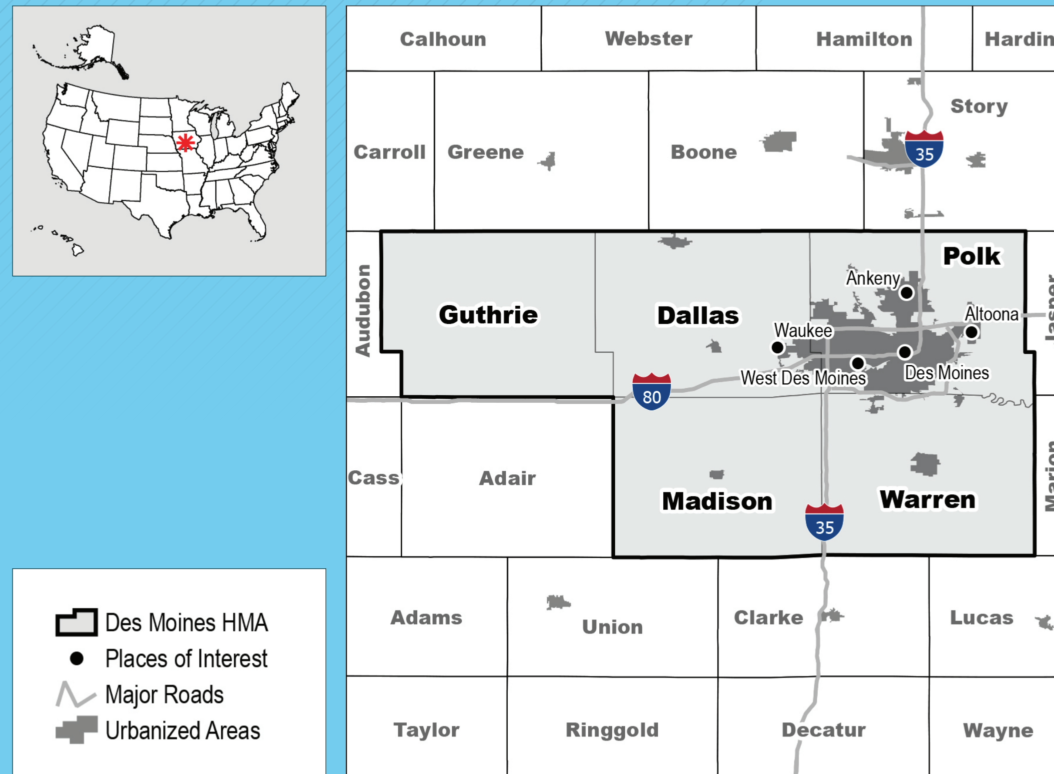
Executive Summary

Housing Market Area Description

The Des Moines-West Des Moines Housing Market Area (hereafter, Des Moines HMA) is coterminous with the Des Moines-West Des Moines, IA Metropolitan Statistical Area and consists of five counties: Dallas, Guthrie, Madison, Polk, and Warren. The HMA is in central Iowa at the intersection of Interstates 80 and 35.

The current population of the HMA is estimated at 694,500.

The Des Moines HMA is a national hub for the insurance industry and associated financial services. Polk County is the largest and most densely populated county in the HMA and is home to the city of Des Moines, which serves as the state capitol of Iowa. The fastest growing county in the HMA, Dallas County, is home to many firms in the financial sector, including the Wells Fargo & Company Home Mortgage corporate office.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: Nonfarm payrolls in the Des Moines HMA have completely recovered from the losses incurred during 2020; during the 12 months ending October 2022, nonfarm payrolls averaged 377,400 and were 0.7 percent higher than the peak level prior to the onset of the COVID-19 pandemic.

The economy is strong following the recovery from the COVID-19 pandemic-induced recession in 2020 and measures to contain the spread of the virus. During the 12 months ending October 2022, nonfarm payrolls increased year over year by 10,000 jobs, or 2.7 percent, compared with a gain of 7,500 jobs, or 2.1 percent, during the previous 12 months. Job gains were most pronounced in the leisure and hospitality sector, which accounts for 9 percent of jobs in the HMA. The average unemployment rate during the 12 months ending October 2022 was 2.8 percent, down from 4.4 percent a year ago. Job growth is expected to continue during the 3-year forecast period, averaging 1.2 percent annually, despite a slowdown in growth during the first year due to the effects of inflation and interest rate increases on major industries.

Sales Market

Very Tight but Easing: During the 12 months ending October 2022, the average home sales price increased 10 percent year over year to $283,000 (CoreLogic, Inc., with adjustments by the analyst).

The sales housing market is very tight but has shown signs of easing in recent months. The vacancy rate for sales units is 1.0 percent as of November 1, 2022, down from 2.4 percent in 2010. During the 12 months ending October 2022, new and existing home sales in the HMA totaled 18,200 homes, a decrease of 12 percent from a year ago (CoreLogic, Inc., with adjustments by the analyst). The inventory of available homes for sale in the HMA was 2.6 months in October 2022, up from 1.5 months during October 2021 (Redfin, a national real estate brokerage). During the next 3 years, demand is estimated for 11,550 new homes. The 3,825 homes under construction will meet a portion of the demand during the first year of the forecast period.

Rental Market

Balanced: The rental vacancy rate is estimated at 6.1 percent, down from 8.6 percent in 2010, as existing vacancies were absorbed and new multifamily construction throughout the 2010s largely accommodated strong rental demand.

Rental market conditions are balanced in the HMA compared with slightly soft conditions in 2010. The apartment market is tighter than the overall rental market, however, with a 3.6-percent vacancy rate during the third quarter of 2022, down from 4.4 percent a year earlier (RealPage, Inc.). Increased net in-migration and constraints on construction supply following the onset of the COVID-19 pandemic were partially responsible for the tighter apartment market. During the forecast period, demand is estimated for 7,275 new rental units, and the 2,850 units currently under construction will satisfy part of the demand.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Des Moines HMA	Total Demand	11,550	7,275
	Under Construction	3,825	2,850

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of November 1, 2022. The forecast period is November 1, 2022, to November 1, 2025.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Wholesale and Retail Trade

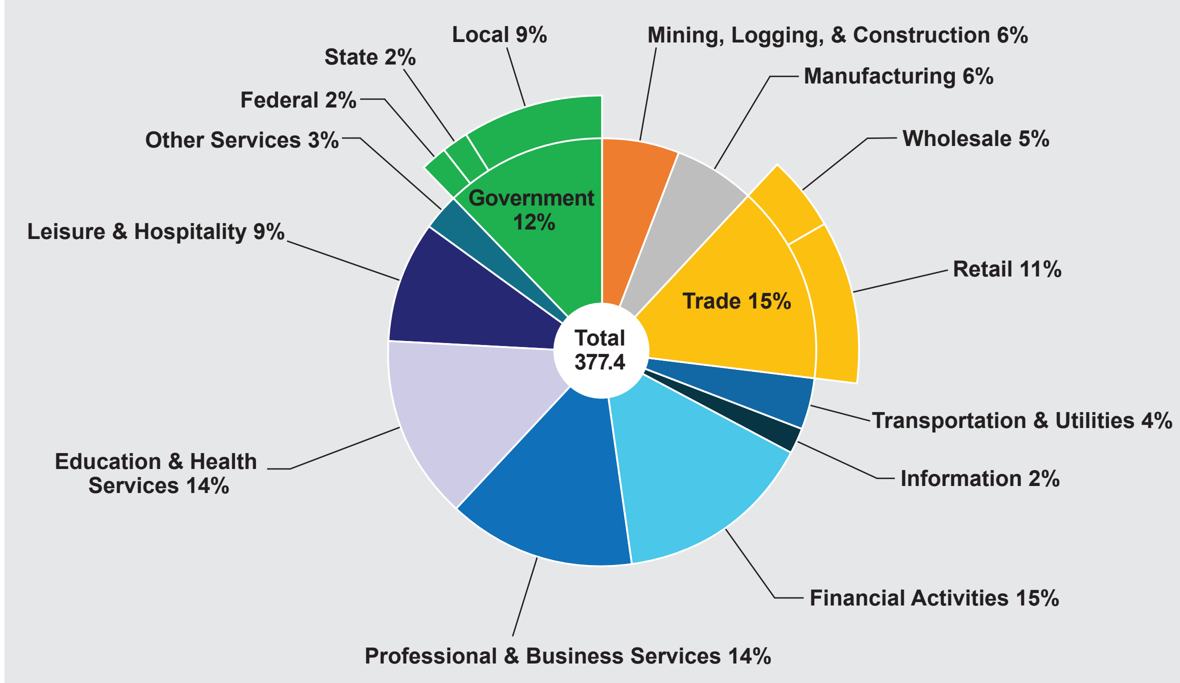
The financial activities sector in the Des Moines HMA is nearly the same size as the wholesale and retail trade sector, due to a significant presence of insurance companies in Dallas and Polk Counties.

Primary Local Economic Factors

The HMA is often referred to as the "Hartford of the Midwest" due to the high concentration of insurance companies in the area. These firms, in conjunction with companies in the home mortgage industry, contribute to the strength of the financial activities sector and stability of the HMA economy. During the 12 months ending October 2022, the financial activities sector accounted for 15 percent of all nonfarm payrolls in the HMA (Figure 1) compared to only 6 percent of payrolls nationally. 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 (Table 1).

Favorable tax policy and a highly educated workforce helped attract these firms. The state has one of the lowest insurance premium tax rates in the country at 1 percent and has no tax on many insurance products (Iowa Economic Development Authority). As a result, the cost

Figure 1. Share of Nonfarm Payroll Jobs in the Des Moines HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through October 2022.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Des Moines HMA

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
MercyOne	Education & Health Services	5,850
UnityPoint Health	Education & Health Services	5,575
Amazon.com, Inc.	Transportation & Utilities	3,500
Nationwide Mutual Insurance Company	Financial Activities	3,300
Deere & Company	Wholesale & Retail Trade	3,275
Vermeer Corporation	Manufacturing	2,900
Corteva Agriscience	Manufacturing	2,500

Note: Excludes local school districts.
Source: Greater Des Moines Partnership

of doing business in the HMA is 12 percent less than the national average (Moody's Analytics). The population of the HMA also has higher educational attainment than the national average, with approximately 38 percent of residents holding a bachelor's degree or higher compared with 35 percent nationally (2021 American Community Survey [ACS] 1-year data).

The Effect of the COVID-19 Pandemic on Economic Conditions

Economic conditions deteriorated in April 2020 following the onset of the COVID-19 pandemic. Nonfarm payrolls decreased 11.9 percent, from 371,600 jobs in February 2020 to 332,000 jobs in April 2020 (monthly data; not seasonally adjusted). The largest payroll declines stemming from the pandemic occurred in the leisure and hospitality sector and the retail trade subsector. Nonfarm payrolls in the sector and subsector declined by 17,600 and 6,000 jobs, or 50 and 15 percent, respectively, from February 2020 to April 2020 and accounted for a combined 60 percent of all jobs lost. The decline in the leisure and hospitality sector was due, in large part, to the steep decline in business travel and the suspension of the Iowa State Fair, which attracts approximately 1.1 million visitors and creates more than $110 million in economic impact annually (Catch Des Moines). The number of deplaned passengers at the Des Moines International Airport fell to 5,700 during April 2020 compared with 122,200 during April 2021 (Des Moines Airport Authority).

Current Conditions—Nonfarm Payrolls

Economic conditions in the HMA are currently strong. Since the onset of the pandemic, COVID-19 transmission levels have fallen, and the HMA has recovered all the jobs lost. During the 12 months ending October 2022, nonfarm payrolls averaged 377,400 jobs, an increase of 10,000, or 2.7 percent, from the year prior (Table 2). By comparison, nonfarm payrolls increased by 7,500 jobs, or 2.1 percent, during the previous 12 months. During the past 12 months, nonfarm payrolls also exceeded the prepandemic peak that occurred during the 12 months ending February 2020 by approximately 2,500 jobs, or 0.7 percent.

The leisure and hospitality and the transportation and utilities sectors led job growth in percentage terms during the 12 months ending October 2022, expanding by 3,700 and 1,000 jobs, or 11.9 and 7.2 percent, respectively. Firms in the transportation and utilities sector that ship products across the United States

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Des Moines HMA, by Sector

	12 Months Ending October 2021	12 Months Ending October 2022	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**367.4**	**377.4**	**10.0**	**2.7**
Goods-Producing Sectors	42.3	43.9	1.6	3.8
Mining, Logging, & Construction	21.2	22.1	0.9	4.2
Manufacturing	21.1	21.8	0.7	3.3
Service-Providing Sectors	325.1	333.6	8.5	2.6
Wholesale & Retail Trade	56.6	57.6	1.0	1.8
Transportation & Utilities	13.9	14.9	1.0	7.2
Information	6.2	6.1	-0.1	-1.6
Financial Activities	57.2	56.5	-0.7	-1.2
Professional & Business Services	51.1	51.4	0.3	0.6
Education & Health Services	51.7	52.6	0.9	1.7
Leisure & Hospitality	31.0	34.7	3.7	11.9
Other Services	12.6	12.9	0.3	2.4
Government	44.8	46.9	2.1	4.7

Notes: Based on 12-month averages through October 2021 and October 2022. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

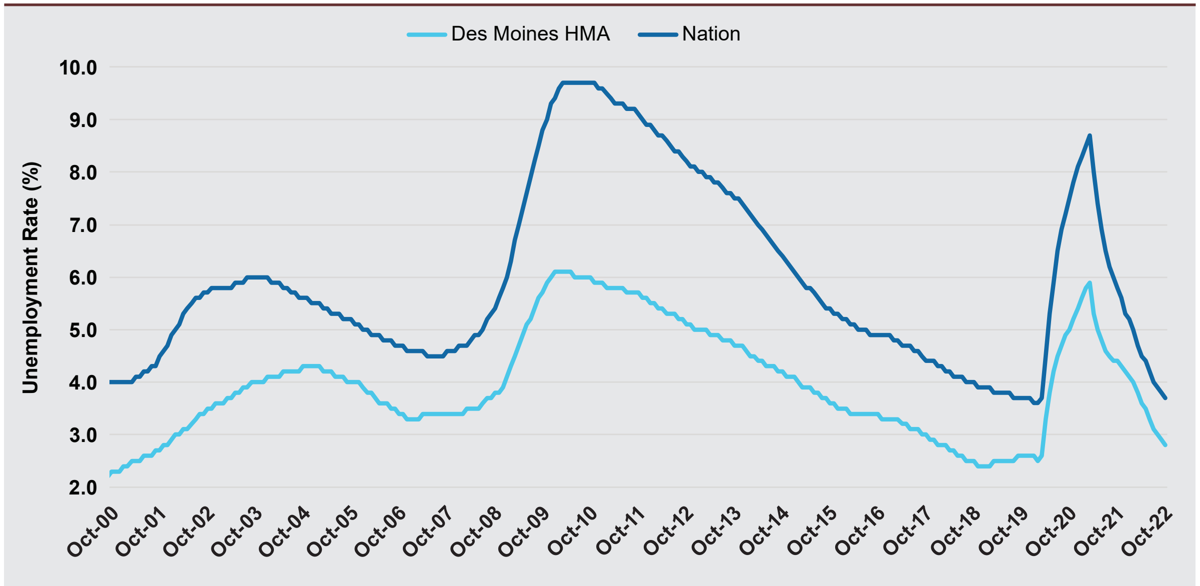
benefited from increased demand for consumer goods during the economic recovery from the COVID-19 pandemic. This dynamic also supported a gain of 1,000 jobs, or 1.8 percent, in the wholesale and retail trade sector during the past 12 months. New orders of durable goods during the 12 months ending October 2022 rose 10 percent relative to a year earlier (U.S. Department of Commerce). Accordingly, Des Moines Industrial, a freight transportation and warehousing company, completed the construction of a $33 million railport in February of 2022 that will serve as a logistics hub for the transfer of bulk materials between semi-trailers and trains. The railport is anticipated to have an economic impact of more than $10 million annually (Greater Des Moines Partnership). Despite overall job growth, nonfarm payrolls in the financial activities sector declined by 700 jobs, or 1.2 percent, during the 12 months ending October 2022, partially due to rising interest rates and monetary policy intended to slow the inflation rate. Wells Fargo & Company has reported falling home lending revenue due to these factors and has laid off approximately 400 workers in the HMA since the first quarter of 2022 (Des Moines Register).

Resident employment in the HMA has similarly recovered from the recent recession. During the 12 months ending October 2022, employment averaged 358,900, an increase of 14,350, or 4.2 percent, from a year earlier compared with a gain of 810, or 0.2 percent, a year before. The expansion of remote work is partially responsible for the rapid increase in resident employment. Workers from more expensive metropolitan areas throughout the nation have relocated to the HMA, partially contributing to the number of workers who primarily work from home in the HMA more than doubling from 2019 to 2021 (ACS 1-year data).

Current Conditions—Unemployment

During the 12 months ending October 2022, the unemployment rate in the HMA averaged 2.8 percent—less than one-half the peak rate of 5.9 percent during the 12 months ending March 2021—down from 4.4 percent a year earlier (Figure 2). The decline in the unemployment rate coincides with the economic recovery in the HMA. The unemployment rate in the HMA is below that of the nation and has remained below the national average during the past 2 decades.

Figure 2. 12-Month Average Unemployment Rate in the Des Moines HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

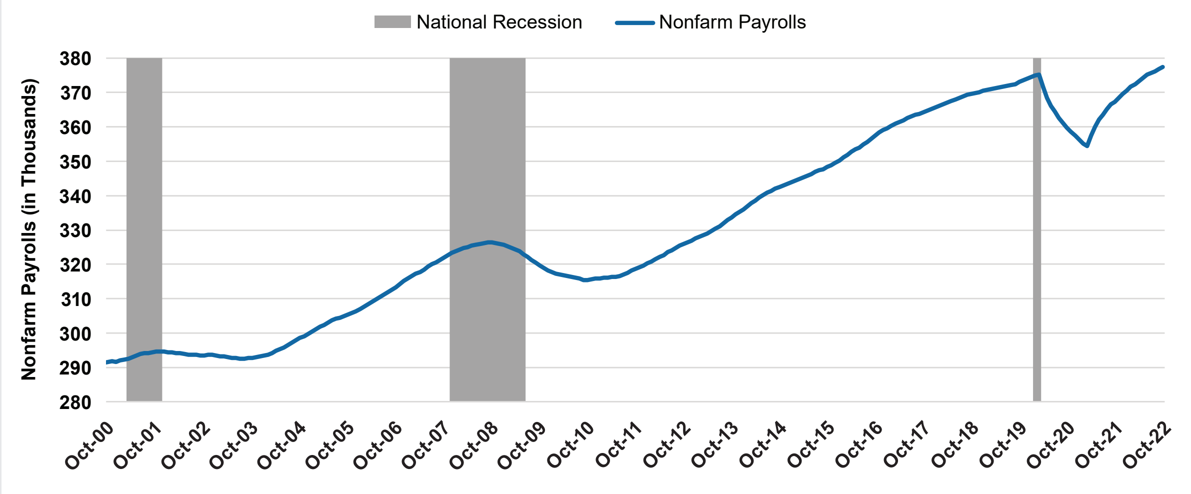
2002 Through 2003

From 2002 through 2003, nonfarm payrolls in the HMA fell by an average of 800 jobs, or 0.3 percent, a year to 293,100 during the dot.com recession (Figure 3). The economic downturn affected the information and the manufacturing sectors the most, falling by respective averages of 500 and 900 jobs, or 5.0 and 4.4 percent, annually. Gains in the financial activities sector—which grew by an average of 800 jobs, or 1.9 percent, annually—partially offset those losses.

2004 Through 2007

Economic conditions in the HMA strengthened from 2004 through 2007. Nonfarm payrolls increased by an average of 7,500 jobs, or 2.5 percent, annually largely due to continued growth in the financial activities and the other service-providing sectors. The professional and business services sector led job gains, expanding by an average of 1,700 jobs, or 4.9 percent, annually. The leisure and hospitality sector closely followed, with annual job growth of 1,100, or 4.3 percent. The financial activities sector continued to expand during this period, growing by an average of 1,600 jobs, or 3.4 percent, annually. In 2006, Wells Fargo & Company began construction on a 960,000-square-foot campus in West Des Moines, bringing approximately 4,500 jobs to the HMA. The company also expanded its corporate office in downtown Des Moines in 2006 to accommodate an additional 1,500 employees (*Site Selection*).

Figure 3. 12-Month Average Nonfarm Payrolls in the Des Moines HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

2008 Through 2010

Job losses became widespread during the Great Recession. From 2008 through 2010, nonfarm payrolls decreased by an average of 2,500 jobs, or 0.8 percent, annually to 315,800 jobs. The mining, logging, and construction sector—which fell by an average of 1,400 jobs, or 8.7 percent, annually—had the largest decline in nonfarm payrolls during the period, partially due to the decline in residential construction activity. Job losses in the information sector also were elevated during this period, decreasing by an average of 500 jobs, or 5.6 percent, annually. The expansion of the education and health services sector—which increased by an average of 1,400 jobs, or 3.4 percent, annually—partially offset job losses.

2011 Through 2019

The economy in the HMA began to recover from the Great Recession in 2011 and continued to grow through 2019. Nonfarm payrolls grew by an average of 6,500 jobs, or 1.9 percent, annually from 2011 through 2019 to 374,100. Nonfarm payrolls in all sectors grew during the period except for the information sector, which fell by an average of 200 jobs, or 2.1 percent, annually. The rate of increase in nonfarm payrolls was strongest in the mining, logging, and construction sector, partially due to the more than 56 percent increase in residential construction activity during the period (State of the Cities Data System).

Nonfarm payrolls in the professional and business services and the leisure and hospitality sectors increased by averages of 1,400 jobs and 1,000 jobs, respectively, a year. Expanding hotel capacity in the area contributed to job gains in these sectors. The number of hotel rooms in the HMA increased more than 23 percent from 2011 through 2019, including the addition of the 330-room Hilton Des Moines Downtown in the downtown area (CoStar Group).

Forecast

Nonfarm payrolls in the HMA are expected to increase an average of 1.2 percent a year during the 3-year forecast period. Growth is expected to slow in the first year partly due to increasing interest rates affecting the financial activities sector. Job growth is expected to resume in the financial services sector during the second and third years; however, as the Federal Reserve suggested, interest rate increases may moderate after reaching inflation targets. Overall job growth during the forecast period is expected to be strongest in the wholesale and retail trade and the mining, logging, and construction sectors. In the retail trade subsector, Kum & Go, a convenience store chain headquartered in the area, expects to hire an additional 5,000 employees across all U.S. stores in 2023 and 180 employees in the city of Des Moines to assist with the rollout of a new product line (Kum & Go, L.C.). Data center construction will support job growth in the mining, logging, and construction sector. In the city of Altoona, Meta is expanding its data center footprint to more than 4 million square feet by 2025 (Meta Platforms, Inc.). Approximately 1,300 construction workers have been on site each day during its construction.

Population and Households

Current Population: 694,500

Population growth in the Des Moines HMA has been generally strong since 2000, accelerating during periods of economic expansion.

Population Trends

As of November 1, 2022, the population of the HMA is estimated at 694,500, reflecting an increase of 9,925, or 1.6 percent, since 2010 (Table 3). In 2021, the HMA was the most populous metropolitan area in the state of Iowa and contained three of the five fastest growing counties in the state from 2010 to 2021. Strong population growth in the HMA is partly due to lower housing prices compared with the national average and job growth.

From 2001 to 2003, during the recession in the early 2000s, population growth averaged 6,825 people, or 1.4 percent, annually, and net in-migration into the HMA averaged 3,025 people each year (U.S. Census Bureau intercensal population estimates as of July 1). By comparison, from 2003 to 2007, population growth accelerated in conjunction with economic growth, averaging 10,050 people, or 1.9 percent annually, largely due to the increase in net in-migration, which averaged 5,600 people a year.

Table 3. Des Moines HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	569,633	694,500	723,200
	Average Annual Change	8,825	9,925	9,575
	Percentage Change	1.7	1.6	1.4
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	223,268	275,700	288,100
	Average Annual Change	3,400	4,175	4,125
	Percentage Change	1.7	1.7	1.5

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (November 1, 2022) to November 1, 2025.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Population growth slowed during and shortly after the Great Recession. From 2007 to 2012, the population increased by an average of 9,350, or 1.7 percent, annually, and net in-migration accounted for 51 percent of the increase. As the economy recovered from the Great Recession and expanded, rising net in-migration more than compensated for falling net natural change and led to increasing population growth. From 2012 to 2020, population growth averaged 10,350 people, or 1.7 percent, annually, and net in-migration rose, accounting for 59 percent of the increase.

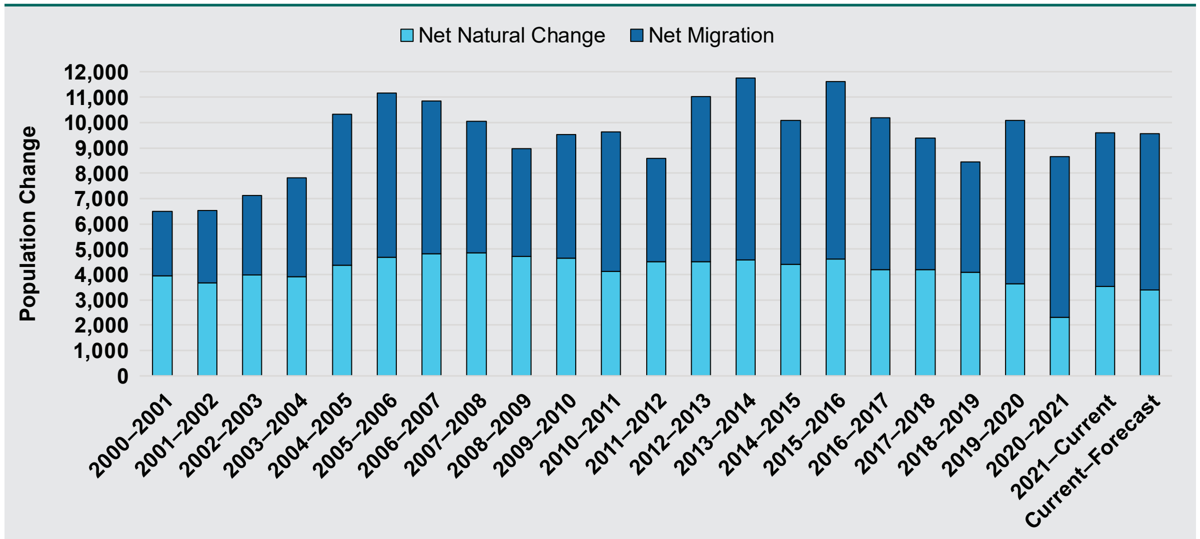
During the year following the onset of the COVID-19 pandemic, population growth slowed. From 2020 to 2021, the population grew by 8,650, or 1.3 percent, annually; net in-migration accounted for 73 percent of the increase. Deteriorating economic conditions contributed to the decline, as did restrictions on international migration, which accounted for approximately 29 percent of total migration from 2018 to 2019, prior to the onset of the pandemic (U.S. Census Bureau Population Estimates Program). As economic conditions improved and travel restrictions lifted, population growth has accelerated since 2021, averaging 9,650 people, or 1.4 percent, annually. An influx of remote workers to the area also contributed to the rise in net in-migration. A survey of American workers in November 2021 found that nearly 2.4 percent of workers moved because of remote work since 2020 and that an additional 9.3 percent, or nearly 19 million people, were planning on moving because of remote work, up from 6.1 percent during late 2020 (Upwork Global, Inc.). The survey also found that workers were most likely to consider relocating to areas with comparatively lower costs of living, which may include the HMA, where the cost of living is 14 percent less than the national average (Greater Des Moines Partnership). In the HMA, the number of workers who primarily work from home nearly doubled from 2019 to 2021, increasing from 5.6 percent of all workers to 10.4 percent (ACS 1-year data). The city of Des Moines consistently ranks high on lists of best places to live for a remote career by real estate advisory firms such as Orchard, Bankrate, and the National Association of REALTORS®, due to the presence of well-paying industries and affordable housing prices.

Net Natural Change and Age Cohort Trends

Net natural change slowed in the HMA during the past decade, largely due to retirement-aged individuals aging in place and a falling birth rate. Net natural change slowed from an average of 4,350 people, annually, from 2000 to 2010 to an average of 4,100 people, annually, from 2010 to 2021. Net natural change has continued to fall further to an average of 3,550 people since 2021, partially due to increased mortality during the COVID-19 pandemic (Figure 4).

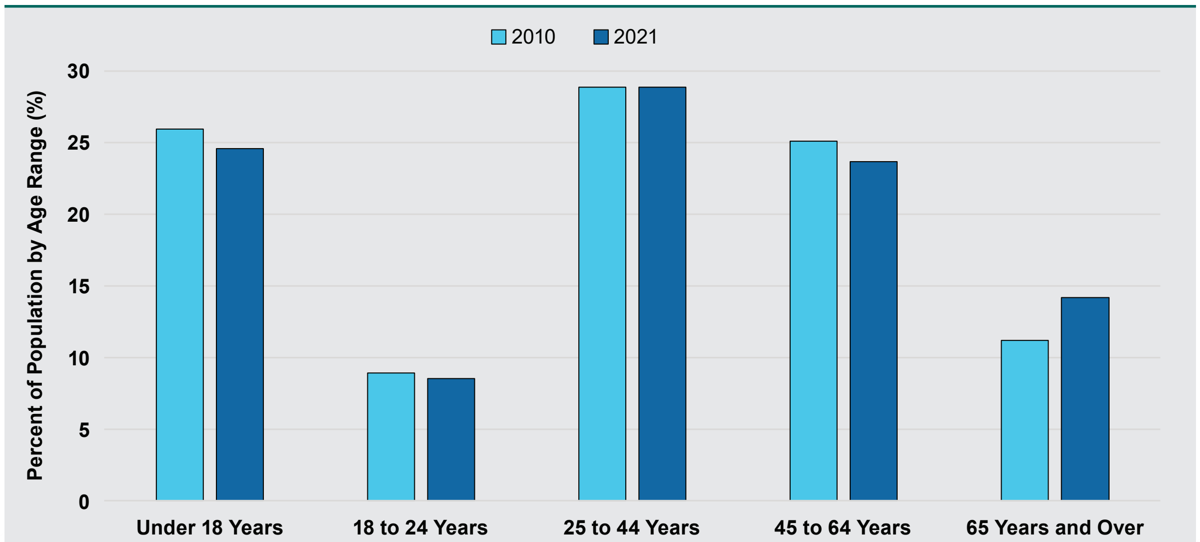
The growth of the population aged 65 years and older in the HMA has exceeded overall population growth since the mid-2010s, partially contributing to the decline in net natural change. From 2010 to 2021, the number of residents of the HMA aged 65 years and older grew at an average annual rate of 4.5 percent compared with the overall population growth rate of 1.6 percent (ACS 1-year data). This accelerated growth caused the proportion of the population aged 65 years and older to increase from 11.2 percent in 2010 to 14.2 percent in 2021 (Figure 5). The share of the population aged 25 to 44, for whom the birth rate has consistently fallen during the past decade,

Figure 4. Components of Population Change in the Des Moines HMA, 2000 Through the Forecast



Notes: Data displayed are average totals. The forecast period is from the current date (November 1, 2022) to November 1, 2025.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Figure 5. Population by Age Range in the Des Moines HMA



Source: American Community Survey 1-year data has remained consistent from 2010 to 2021 at 28.9 percent due to strong economic growth and comparably low housing costs supporting the net in-migration of younger working-aged individuals.

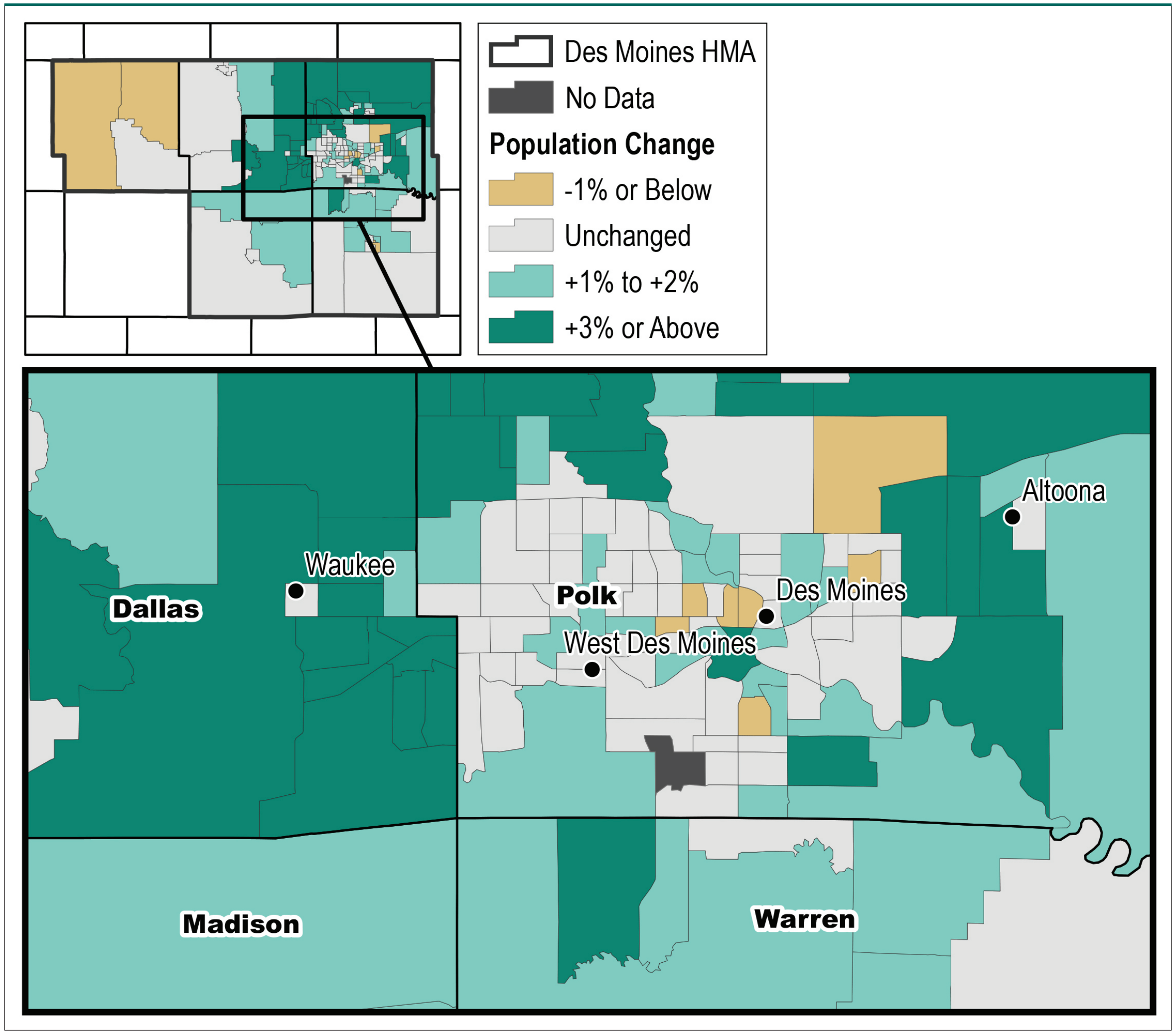
Population by Geography

Although population growth has occurred in all counties in the HMA since 2010, the strongest growth has been in Dallas County (Map 1). Dallas County lies to the west of the city of Des Moines and includes the cities of Waukee, Adel, and a portion of West Des Moines. From 2010 to 2021, the population of Dallas County grew 56.9 percent, or an average annual growth rate of 4.1 percent, to 103,800. This growth rate was substantially higher than the population growth rate for the HMA as a whole and was the fifth-fastest growth rate among all counties in the United States during the period. The expansion of housing construction, comparably low housing costs, and proximity to major job centers in West Des Moines and Des Moines make the county attractive to current residents and those who have moved from other metropolitan areas.

Household Trends

An estimated 275,700 households lived in the HMA as of November 1, 2022, representing an average annual increase of 4,175, or 1.7 percent, since April 2010 (Table 3). The rate of household growth has been slightly higher than population growth since 2010 due to a slight decline in the average household size. This decline is due, in part, to the growing share of seniors in the HMA, who tend to live with fewer people per household. Household size from 2010 to the current date decreased from 2.50 to 2.48 persons.

Map 1. Population Annual Average Change in the Des Moines HMA, 2010–20



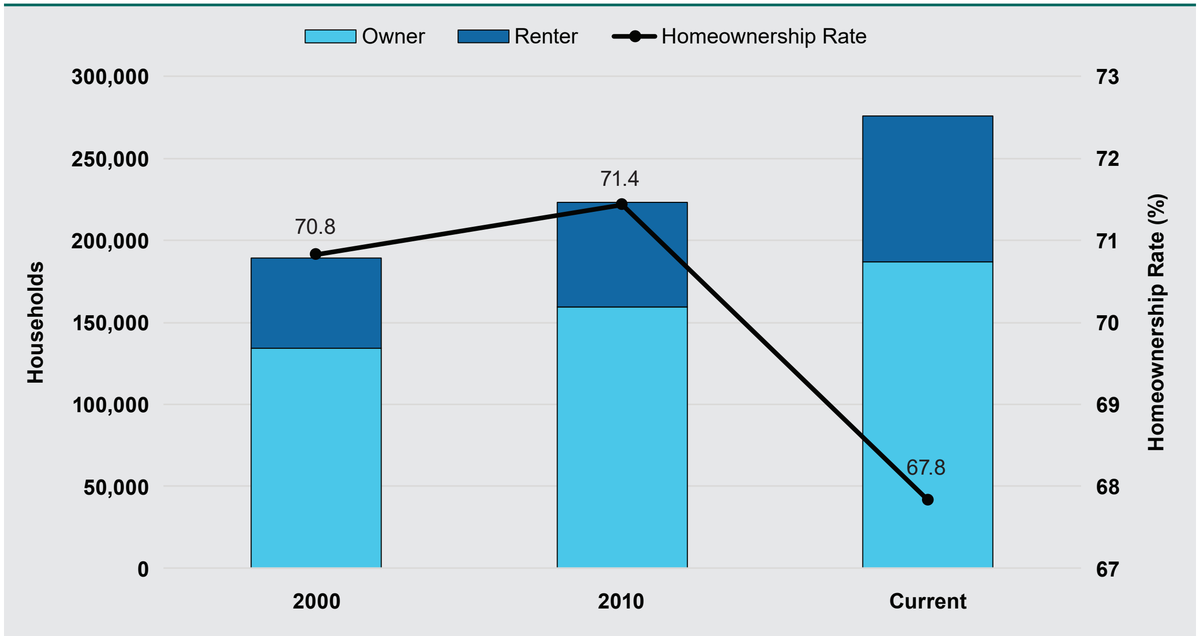
Source: U.S. Census Bureau

The homeownership rate is currently estimated at 67.8 percent, down from 71.4 percent in 2010 and 70.8 percent in 2000 (Figure 6). From 2010 to the current date, a lack of home sales construction following the Great Recession and an influx of young workers seeking rental housing contributed to the decline in the homeownership rate.

Forecast

During the 3-year forecast period, the population of the HMA is expected to increase by an average of 9,575, or 1.4 percent, annually to 723,200. Population growth is expected to slow slightly in the first year of the forecast period in response to the moderation of job growth. Net in-migration is expected to average 6,175 people annually, accounting for 64 percent of population growth during the forecast period. Net natural change is anticipated to continue to slow to an average of approximately 3,400 people annually, partially due to the continued decline in birth rates and the aging population. These dynamics will result in a sustained decline in the average household size, causing household growth to remain slightly higher than population growth during the forecast period. The number of households in the HMA is anticipated to increase by an average of 4,125, or 1.5 percent, annually to approximately 288,100.

Figure 6. Households by Tenure and Homeownership Rate in the Des Moines HMA



Note: The current date is November 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Home Sales Market

Market Conditions: Very Tight but Easing

The Des Moines HMA sales market eased slightly in recent months, with a 2.6-month supply of homes for sale in October 2022 compared with a 1.5-month supply in October 2021, but remained below the 3.2-month supply of for-sale inventory during October 2019 (Redfin, a national real estate brokerage).

Current Conditions

Sales housing market conditions in the HMA are very tight, with an estimated vacancy rate of 1.0 percent, down from 2.4 percent in April 2010, when the market was balanced (Table 4). Strong net in-migration from 2010 to 2019 and low levels of residential construction following the Great Recession contributed to the decline in the vacancy rate. The available for-sale inventory in the HMA decreased from approximately 8.3 months in 2010 to 4.4 months in 2019 (Redfin, a national real estate brokerage). Following the onset of the COVID-19 pandemic, the home sales market continued to tighten. Supply chain bottlenecks and labor shortages were exacerbated, constraining new home construction. Conversely, historically low mortgage interest rates, an improving job market, and increased adoption of remote work caused an increased demand for homes. From October 2019 through October 2022, new and existing home prices increased at an average annual rate of 9 percent (CoreLogic, Inc., with adjustments by the analyst). Since early 2022, the sales market in the HMA has begun to ease. The Federal Reserve reduced its holdings of mortgage-backed securities that had surged at the beginning of the pandemic. As a result, bank liquidity has shrunk, leading to tighter financial conditions and higher lending standards, as banks look to find different buyers of mortgage debt. These conditions have contributed to slowing home purchase activity and increased the months' supply of homes for sale. Likewise, increases in mortgage interest rates and home prices have caused payments on a new 30-year fixed-rate mortgage for an average home in the HMA to rise 58 percent from January 2022 to October 2022 (CoreLogic, Inc.).

Table 4. Home Sales Quick Facts in the Des Moines HMA

		Des Moines HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.0%	NA
	Months of Inventory	2.6	2.6
	Total Home Sales	18,200	6,762,000
	1-Year Change	-12%	-11%
	New Home Sales Price	$396,500	$477,500
	1-Year Change	17%	15%
	Existing Home Sales Price	$259,300	$388,600
	1-Year Change	7%	8%
	Mortgage Delinquency Rate	1.1%	1.3%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending October 2022; and months of inventory and mortgage delinquency data are as of October 2022. The current date is November 1, 2022.

Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; home sales, prices, and mortgage delinquency rate—CoreLogic, Inc.

Current Home Sales and Prices

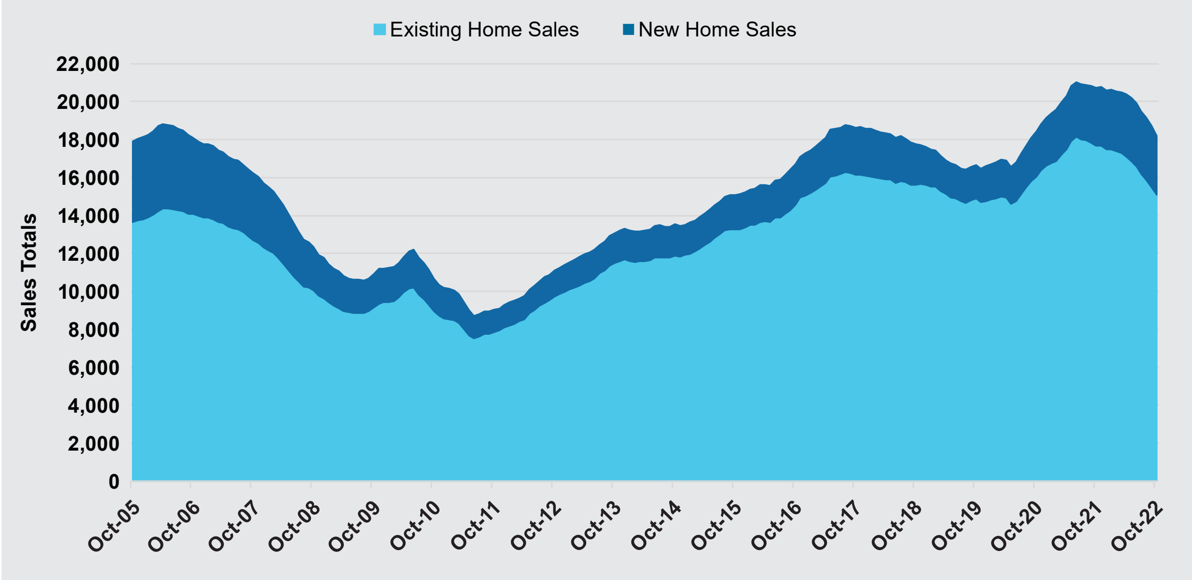
During the 12 months ending October 2022, new and existing home sales in the HMA decreased by 2,500 homes, or 12 percent, to 18,200 homes sold compared with a 12-percent year-over-year increase during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst; Figure 7). The decrease has been more pronounced in recent months, with new and existing home sales declining 23 percent during the 3 months ending October 2022 compared with the 3 months ending October 2021. During the 12 months ending October 2022, the average price of new and existing home sales increased by $26,700, or 10 percent, to $283,000, the same as the year-over-year increase during the 12 months ending October 2021 and similar to the increase during the 3 months ending October 2022 compared with the 3 months ending October 2021 (CoreLogic, Inc., with adjustments by the analyst).

New home sales rose by 120 homes, or 4 percent, to 3,150 homes sold during the 12 months ending October 2022 compared with the prior year, partially due to the completion of new homes financed during the final months of 2021, before increases in borrowing rates. Because interest rates increased, new home sales were accordingly 23 percent lower during the 3 months ending October 2022 compared with the 3 months ending October 2021. During the 12 months ending October 2022, the average price of new home sales increased by $57,500, or 17 percent, to $396,500. Existing home sales decreased by 2,625 homes, or 15 percent, to 15,050 homes during the 12 months ending October 2022 compared with the year prior, which is the same rate of year-over-year decline during the 3 months ending October 2022. The average price of existing home sales during the 12 months ending October 2022 increased by $17,150, or 7 percent, to $259,300 compared with the year prior.

Historical Home Sales Trends

Historically, home sales mirrored trends in economic growth and net in-migration to the HMA. From 2008 through 2011, during and

Figure 7. 12-Month Sales Totals by Type in the Des Moines HMA



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

shortly after the Great Recession, new and existing home sales fell by an average of 1,600 homes, or 12 percent, annually, reaching 9,300 homes sold in 2011. From 2012 through 2017, new and existing home sales accelerated, as the economy in the HMA recovered from the Great Recession and net in-migration returned to prerecession levels. New and existing home sales increased by an average annual rate of 1,550 homes, or 12 percent. Home sales fell slightly from 2018 through 2019, as limited new construction and slowing population growth constrained sales. During this period, new and existing home sales fell by an average annual rate of 1,000 homes, or 6 percent.

From 2020 through 2021, low mortgage rates and the economic recovery in the HMA following the onset of the COVID-19 pandemic contributed to new and existing home sales reaching an all-time high of nearly 21,050 during the 12 months ending June 2021. From 2020 through 2021, new and existing home sales rose by an average of 1,975 homes, or 11 percent, annually, with new home sales increasing by an average annual rate of 630 homes, or 30 percent, and existing home sales rising at an average annual rate of 1,350 homes, or 9 percent.

Historical Home Prices Trends

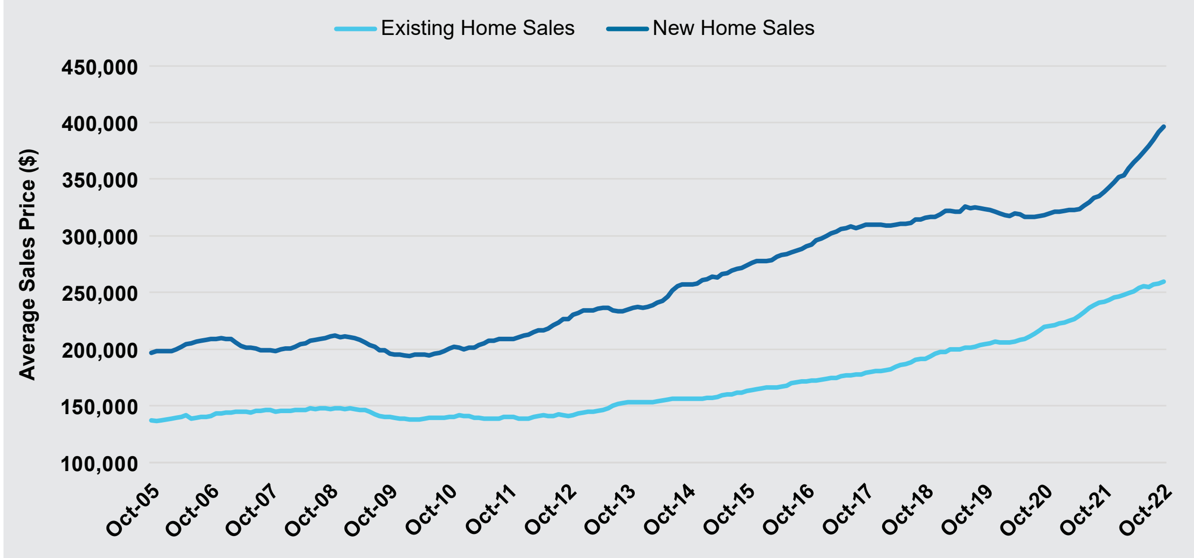
Changes in home demand and economic growth similarly affected new and existing home prices in the HMA. From 2009 through 2010, alongside falling nonfarm payrolls, new and existing home prices decreased by an average of $4,225, or 3 percent, annually to $151,000 (Figure 8). Home sales prices began to increase in 2011, slightly ahead of the increase in home sales, and continued to rise through 2019 in conjunction with improving economic conditions and strong net in-migration. During this period, home prices rose by $7,575, or 4 percent, annually to $219,100.

Elevated home sales demand and limited supply contributed to rising sales prices following the onset of the COVID-19 pandemic. From 2020 through 2021, new and existing home prices increased by an average of 9 percent annually, with new home prices increasing by an average of $12,850, or 4 percent, annually and existing home prices rising at an average rate of $19,600, or 9 percent, annually.

Seriously Delinquent Mortgages and REO Properties

The percentage of home loans that were seriously delinquent or transitioned into real estate owned (REO) status was 1.1 percent in October 2022—equal to the prepandemic rate in October 2019 and down from 2.7 percent in October 2020, coinciding with the continued

Figure 8. 12-Month Average Sales Price by Type of Sale in the Des Moines HMA



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

economic recovery in the HMA (CoreLogic, Inc.). The increase in mortgage delinquencies from October 2019 to October 2020 was due entirely to the number of home loans that were 90 or more days delinquent, which increased nearly three-fold during the period. Foreclosures declined during this period due to the national moratorium on foreclosures for federally backed mortgages. Before the onset of the COVID-19 pandemic, the percentage of home loans in the HMA that were seriously delinquent or had transitioned into REO status declined from 5.2 in 2010 during the Great Recession to 1.0 percent in 2019.

Sales Construction

During the 12 months ending October 2022, new home construction in the HMA, as measured by the number of single-family homes, townhomes, and condominiums permitted, totaled 4,100 units, down 17 percent from the 4,950 units permitted during the previous 12 months (preliminary data and adjustments by the analyst), largely in response to slowing home sales and rising interest rates. However, home construction activity has remained high since 2020 in response to continued net in-migration and home sales demand. During 2020 and 2021, home construction averaged 4,825 homes annually (Figure 9).

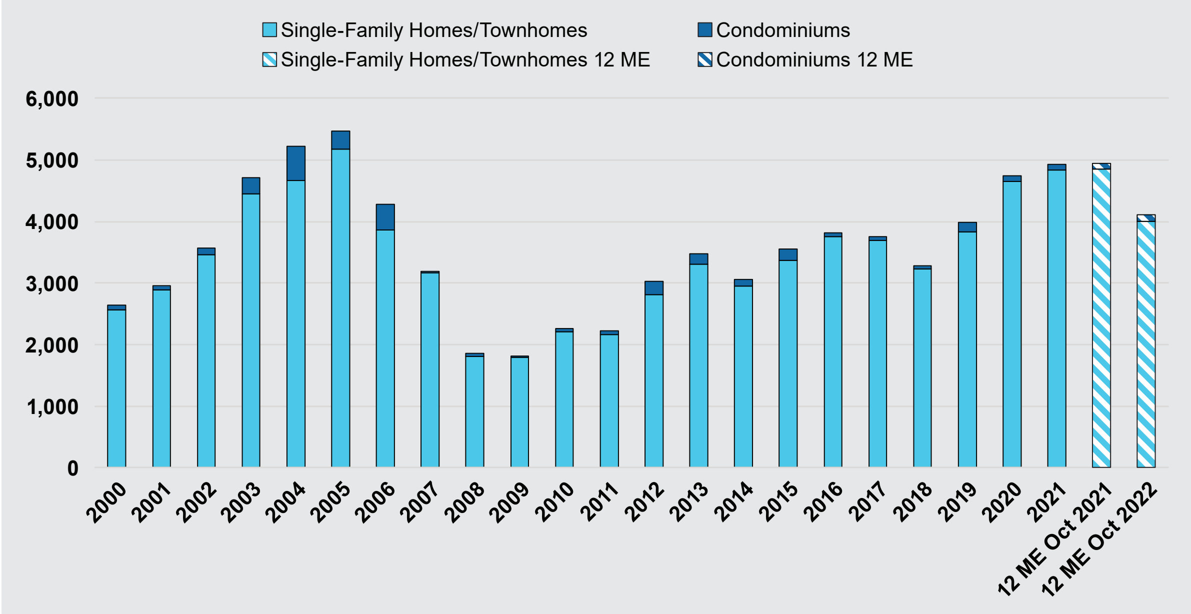
New home construction in the HMA was strongest prior to the Great Recession. From 2001 through 2005, home construction rose by an average of 570 units annually, or 16 percent, to 5,475 units. During 2008 and 2009, home construction declined sharply, averaging 1,825 units annually. From 2010 through 2019, home construction recovered and generally trended upward, growing at an average rate of 220 homes, or 8 percent, annually to 3,825 homes in 2019.

Recent Developments

New home construction during the past decade in the HMA shifted from Polk County to Dallas County. In 2021, approximately 22 percent of new home construction was in Dallas County compared with 12 percent in 2010. Accordingly, the largest development currently under way in the HMA, 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 LLC; Summit Homes; D.R. Horton, Inc.).

A considerable portion of new home construction in the HMA is the replacement of existing homes. Many homes constructed prior to 1940 have fallen into disrepair and have been demolished, with a new home built on the same lot. Government initiatives, such as the Blitz on Blight program that has demolished more than 100 structures as of October 2022, have also encouraged the reconstruction of single-family homes (City of Des Moines).

Figure 9. Annual Sales Permitting Activity in the Des Moines HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

During the next 3 years, demand for an additional 11,550 new homes is expected in the HMA (Table 5). The 3,825 homes under construction are expected to meet a portion of that demand during the first year of the 3-year forecast period. Demand is expected to slow during the first year of the forecast period, coinciding with slower economic growth, and increase during the second and third years.

Table 5. Demand for New Sales Units in the Des Moines HMA During the Forecast Period

	Sales Units
Demand	11,550 Units
Under Construction	3,825 Units

Note: The forecast period is from November 1, 2022, to November 1, 2025.
Source: Estimates by the analyst

Rental Market

Market Conditions: Balanced

Despite strong net in-migration during the economic recovery from the COVID-19 pandemic-induced recession, rental market conditions have remained balanced, partially due to expanded rental construction activity during the mid-to-late 2010s.

Current Conditions and Recent Trends

Overall rental housing market conditions in the Des Moines HMA are currently balanced, with a 6.1-percent vacancy rate, down from 8.6 percent during 2010, when rental market conditions were slightly soft. 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 was able to accommodate much of this increase, however. Multifamily structures with five or more units, typically apartments, made up 62 percent of occupied rental housing in the HMA in 2021, up from 56 percent in 2010 (Table 6).

Apartment Market Conditions

The apartment market is slightly tight, with a 3.6-percent vacancy rate as of the third quarter of 2022, down from 4.4 percent during the third quarter of 2021 (RealPage, Inc.). Apartment demand was strong during the past year, partially due to strong economic performance and rising net in-migration of both remote and local workers. During the third quarter of 2022, the average apartment rent increased 6 percent compared with the third quarter of 2021 to $1,093. This rate of increase is the fastest annual rate increase recorded in the past decade (Figure 10).

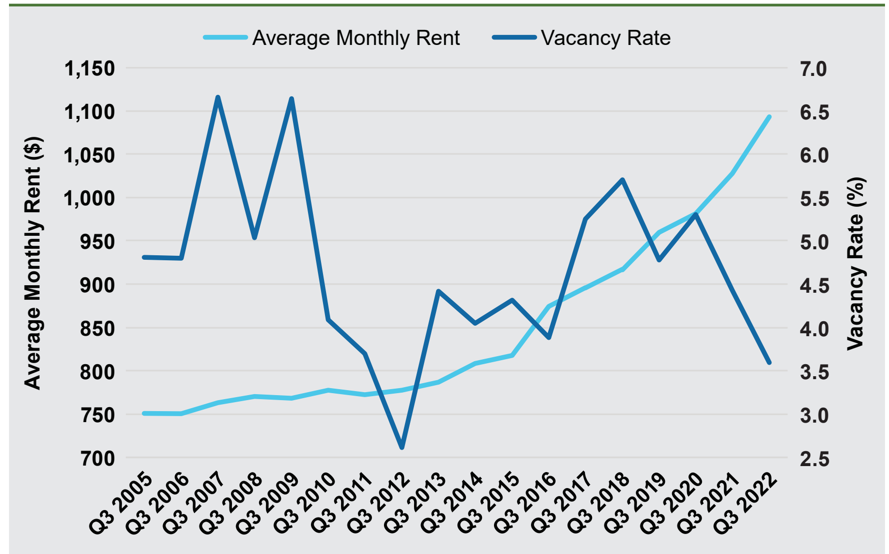
The apartment market was balanced throughout the mid-to-late 2010s, as new rental construction that began earlier in the decade entered the market to accommodate increased net in-migration. From 2013 to 2019, the third-quarter vacancy rate averaged 4.6 percent, and the average rent increased 2 percent a year. During this period, multifamily construction exceeded pre-Great Recession highs. Apartment market conditions tightened after 2020, because the economic recovery from the COVID-19 pandemic-induced recession encouraged net in-migration, and supply chain disruptions concurrently constrained multifamily construction.

Table 6. Rental Market Quick Facts in the Des Moines HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	8.6	6.1
		2010 (%)	2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	31	25
	Multifamily (2–4 Units)	11	11
	Multifamily (5+ Units)	56	62
	Other (Including Mobile Homes)	2	2

Notes: The current date is November 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 1-year data

Figure 10. Apartment Rents and Vacancy Rates in the Des Moines HMA



Q3 = third quarter.
Source: RealPage, Inc.

Rental Construction

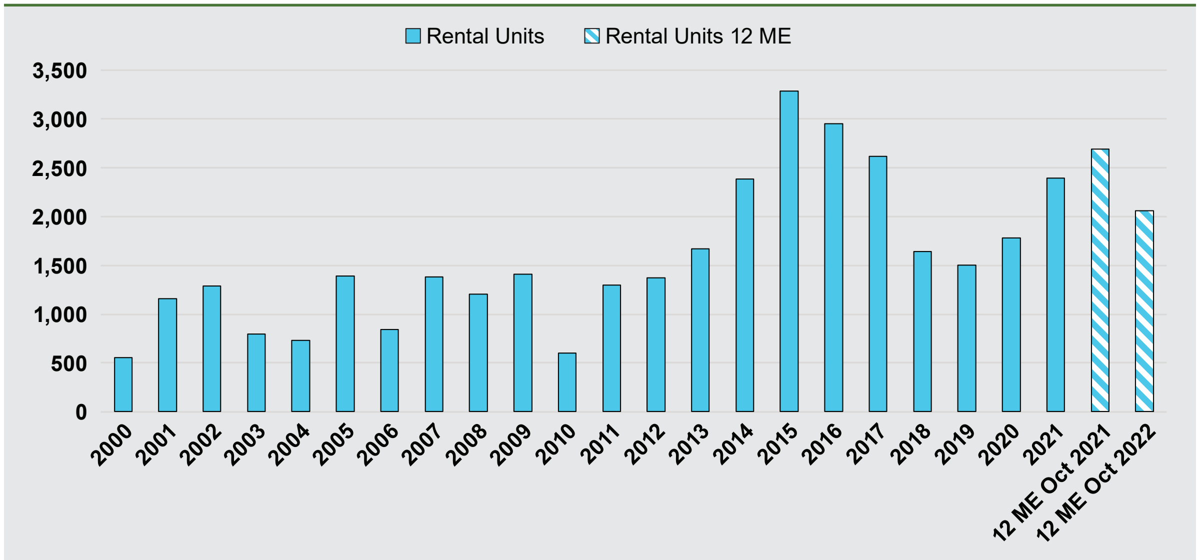
During the 12 months ending October 2022, approximately 2,050 rental units were permitted, nearly equal to the average number of units permitted from 2011 through 2019, but down by 630 units, or 23 percent, from the previous 12 months (Figure 11). Rental construction, as measured by the number of rental units permitted, began to increase in 2020 and accelerated during 2021 to approximately 2,400 rental units permitted, because material shortages began to resolve, and builders predicted that economic recovery in the HMA would continue to contribute to rising net in-migration.

Rental construction was consistent from 2000 through 2009, averaging 1,075 units annually and reaching a relative peak of 1,400 units in 2009. In 2010, following low levels of net in-migration during the late 2000s and a lack of available financing, construction fell 58 percent to 600 units. Rental unit construction increased significantly during the recovery from the Great Recession. From 2011 through 2019, rental construction averaged 2,075 units annually, including unprecedented rental construction levels in 2015 of 3,275 units.

New Construction

The largest development currently under way in the HMA 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 apartments with rents averaging $1,228 (CoStar Group). The 522-unit

Figure 11. Annual Rental Permitting Activity in the Des Moines HMA



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Strathmore Apartment Homes, also in the city of West Des Moines, is one of the largest rental developments completed in the past year. Rents at the development range from $1,138 for one-bedroom units to $1,399 for two-bedroom units.

Forecast

During the next 3 years, demand is expected for 7,275 new rental units in the HMA (Table 7). The 2,850 units currently under construction are expected to meet nearly 40 percent of the demand in the first year of the 3-year forecast period. Demand is expected to be slower in the first year, alongside decelerating economic growth, but is expected to rise in the second and third years as major job sectors experience growth.

Table 7. Demand for New Rental Units in the Des Moines HMA During the Forecast Period

	Rental Units
Demand	7,275 Units
Under Construction	2,850 Units

Note: The forecast period is November 1, 2022, to November 1, 2025.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.
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.
Existing Home Sales	Includes resale sales, short sales, and REO sales.
Forecast Period	11/1/2022–11/1/2025—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
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.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of 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.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.

D. Photo/Map Credits

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Contact Information

Jeremy Albright, Economist
Denver HUD Regional Office
303–672–5119
jeremy.t.albright@hud.gov