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Analysis of the
**DES MOINES, IOWA
HOUSING MARKET**

as of April 1, 1969

DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

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**A Report by the
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FEDERAL HOUSING ADMINISTRATION
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FHA Housing Market Analysis
Des Moines, Iowa, as of April 1, 1969

Foreword

This analysis has been prepared for the assistance and guidance of the Federal Housing Administration in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Field Market Analysis Service as thoroughly as possible on the basis of information available on the "as of" date from both local and national sources. Of course, estimates and judgments made on the basis of information available on the "as of" date may be modified considerably by subsequent market developments.

The prospective demand or occupancy potentials expressed in the analysis are based upon an evaluation of the factors available on the "as of" date. They cannot be construed as forecasts of building activity; rather, they express the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

Department of Housing and Urban Development
Federal Housing Administration
Field Market Analysis Service
Washington, D. C.

FHA HOUSING MARKET ANALYSIS - DES MOINES, IOWA
AS OF APRIL 1, 1969^{1/}

The Des Moines Housing Market Area (HMA) is defined as Polk County, Iowa. This definition conforms to those of the Bureau of the Budget for the Des Moines Standard Metropolitan Statistical Area and of the Iowa State Employment Service for the Des Moines Labor Market Area. The HMA, with a 1969 population approaching 297,000, is located in central Iowa. Des Moines, the principal city, is the state capital.

The primary support of the area economy is derived from financial, trade, service, and government functions, including a concentration of insurance companies with home offices in Des Moines. The substantial growth in the local economy during the past three years has had considerable impact on the housing market. Demand for housing was strong, stimulating residential construction activity and allowing for the absorption of the surplus of vacant housing that existed in the early 1960's.

Anticipated Housing Demand

In the Des Moines HMA, an average annual demand for 2,000 new housing units, financed at market interest rates without subsidy, is anticipated for the two-year period ending April 1, 1971. The demand estimate is based primarily on the projected level of household growth with adjustments to reflect replacement need occasioned by losses from the housing inventory. After considering current housing market factors--acceptable levels of vacancy, construction volume, and the trend toward renter occupancy--it is judged that the most desirable demand-supply balance would be achieved by 1,100 single-family houses and 900 units in multi-family structures (see table I for price and rent distributions). The forecast demand is below the average construction volume of recent years. A reduced rate of employment growth and household formation is expected, and for this reason, it does not appear that the 1966-1969 levels of residential building could be sustained without weakening the housing market. In any event, the demand estimates are not intended to be predictions of short-term construction volume, but rather indicate levels of construction designed to provide stability in the housing market, based on long-term growth trends.

Occupancy Potential for Subsidized Housing

Federal assistance in financing the cost of new housing for low- or moderate-income families may be provided through four different programs

^{1/} Data in this analysis are supplementary to a previous FHA analysis of the area as of July 1, 1966.

administered by FHA--monthly rent supplement payments, principally in rental projects financed with market-interest-rate mortgages insured under Section 221(d)(3); partial payments for interest for home mortgages insured primarily under Section 235; partial payment for interest for project mortgages insured under Section 236; and below-market-interest-rate financing for project mortgages insured under Section 221(d)(3).

Household eligibility for federal subsidy programs is determined primarily by evidence that household or family income is below established limits. Some families may be alternatively eligible for assistance under more than one of these programs or under other assistance programs using federal or state support. The potentials^{1/} discussed in the following paragraphs reflect estimates adjusted to indicate housing provided or under construction under alternative FHA or other programs. It is cautioned that the occupancy potentials discussed for various programs are, therefore, not additive.^{2/}

The occupancy potentials for subsidized housing in FHA programs discussed below are based upon 1969 incomes, on the occupancy of substandard housing, on estimates of the elderly population, on April 1, 1969 income limits, and on available market experience.

Section 221(d)(3) BMIR. If federal funds are available, a total of about 175 units of Section 221(d)(3) BMIR housing could be absorbed annually.^{3/} This estimate of occupancy potential excludes 194 units of 221(d)(3) BMIR housing under construction and scheduled for marketing during 1969. The units under construction are in two projects: One will

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- ^{1/} The occupancy potentials referred to in this analysis have been developed to reflect the capacity of the market in view of existing vacancy. The successful attainment of the calculated market for subsidized housing may well depend upon construction in suitable accessible locations, as well as upon the distribution of rents over the complete range attainable for housing under the specified programs.
- ^{2/} Families with incomes inadequate to purchase or rent nonsubsidized housing generally are eligible for one form or another of subsidized housing. However, little or no housing has been provided under most of the subsidized programs and absorption rates remain to be tested.
- ^{3/} At the present time, funds for allocations are available only from recaptures resulting from reductions, withdrawals, and cancellation of outstanding allocations.

contain 150 units of rental housing and the other will have 44 cooperative units. In April 1969, there was a conditional commitment outstanding for an additional 54 units of cooperative housing.

Rent-Supplement Housing. An occupancy potential for approximately 335 units of rent-supplement housing is estimated for the Des Moines housing market. This potential excludes 150 rent supplement units under construction and reflects adjustments for 60 units available to rent-supplement tenants in two Section 202 projects. There are no public housing units in the HMA.

Section 235, Sales Housing. Sales housing could be provided for low to moderate-income families under Section 235. Utilizing exception income limits, there is an occupancy potential for about 175 houses a year. Under regular income limits, the occupancy potential would be somewhat lower. All of the families in the potential for Section 235 housing are also part of the potentials estimated below for the Section 236 program, and about 75 percent have incomes within the Section 221(d)(3) BMIR range. The extent to which this potential could be satisfied by Section 235 housing will depend on the propensity for home ownership among the families and availability of suitable building sites with access to employment sources and shopping and service facilities. Consideration has been given to the Section 221(d)(3) BMIR housing under construction.

Section 236, Rental Housing. The annual occupancy potential using the exception income limits is estimated at 330 units. Many families eligible under this program also are eligible for Section 235 and Section 221(d)(3) housing. Some elderly individuals are also eligible for rent-supplements. The occupancy potential presented above has been adjusted to reflect the housing needs that have been satisfied or will be met by subsidized housing now operating or under construction in the housing market. These include two operative Section 202 projects and the rent-supplement and Section 221(d)(3) BMIR housing that is under construction. The Section 202 projects, with a total of 198 units, filled quickly and have experienced only occasional vacancies since opening.

Sales Market

The market for new and existing sales housing in the Des Moines area was sound in April 1969, in all price ranges and localities. Since 1966, the local economy has prospered, and the ensuing population growth strengthened demand. At the same time, there has been a moderate reduction in the annual volume of single-family construction.

Rising demand occurring simultaneously with production cutbacks tightened the market, as evidenced by the decline in vacancies. There has been a steady increase in the yearly volume of sales, as well as substantial appreciation in sales prices of good quality used houses which became the principal source of housing for moderate income families preferring home ownership.

The most significant development affecting the sales market has been the rise in the cost of new houses, a trend which appears likely to continue in view of the constantly increasing cost of construction and mortgage money. As discerned from FHA surveys and other information obtained from local realtors and builders, the major share of the homes built during 1968 were priced at \$25,000 and over; nearly three-fifths of the houses under construction in early 1969 were in this price range. The greatest concentration of subdivision activity is to the immediate west of Des Moines--Urbandale, Clive, and West Des Moines. In this area, most new homes are priced from \$30,000, and very few are available under \$25,000. Builders have been active in the \$22,500-\$30,000 range in a few developments located to the south of Des Moines, but there, too, prices have increased. Although the rate of production has been greatly reduced, houses priced below \$22,500 are being produced in the HMA. Principal areas for low-cost houses are the fringe neighborhoods of Des Moines and in scattered subdivisions extending north from the city of Altoona and Ankeny.

Rental Market

During the 1966-1969 period, demand for rental accommodations in the Des Moines HMA expanded markedly, as indicated by the high levels of construction, the short rent-up periods of new projects, and the decline in the over-all renter vacancy rate. The strength of the rental market is attributed to the accelerated rate of household formation, including increasing numbers of newly-formed households and in-migrating young families who typically were in the market for rental housing. In addition, the increased cost of home purchase and mortgage financing forced many prospective home buyers, particularly those with moderate incomes, to postpone buying.

In recent months, there has been some change in the condition of the rental market. During 1967 and most of 1968, the demand for rental housing exceeded the supply of units available. However, in the past year economic growth slowed while construction of units in multifamily structures continued to increase. Although most of the projects marketed during 1968 filled quickly, competition for tenants intensified and rent concessions were in evidence. Management sources at a few projects that have been opened for several years reported that

occupancy declined in the past year, and they have been losing tenants to projects offering more amenities. Rental housing available to low-income families remains in short supply, however. Occupancy experience in older projects built prior to 1960 (virtually the only source of low-rent rental housing in the HMA) has been excellent, reflecting the extreme tightness of this segment of the market.

Economic, Demographic, and Housing Factors

The estimated demand for 2,000 new nonsubsidized housing units a year is based on the assumptions set forth in the discussion of economic, demographic, and housing variables which follows:

Economy. During 1968, nonagricultural wage and salary employment in the Des Moines HMA averaged 124,500 workers, or 14,050 above the average in 1965 (see table III). Economic expansion during the past three years far exceeded that of the 1960 to 1965 period, 4,680 jobs a year compared to 1,580. Coincident with the national experience, the largest annual employment gain (6,300 jobs) occurred between 1965 and 1966. Following that gain, growth slowed considerably; there were 4,750 jobs added from 1966 to 1967, and only 3,000 from 1967 to 1968.

Nonmanufacturing industries have provided nearly three-fourths of the wage and salary employment increase since 1965. Principal areas of growth have been in government, services, and trade, reflecting the expansion of state and local government functions and of regional trade and distribution activities. In addition, the insurance firms with home offices in Des Moines have steadily added to their employment. Although manufacturing is of secondary importance, the industrial base of the local economy has undergone moderate expansion as a result of hiring by producers of farm implements, by automobile tire manufacturers, and by firms classified in the printing and publishing industry.

It is anticipated that nonagricultural wage and salary employment will increase by an average of 2,800 jobs a year from April 1969 to April 1971. The expected employment increment of 2.2 percent annually is indicated by the successively smaller annual employment gains experienced since 1966, and represents a downward adjustment following the major expansion of recent years. The forecast is based on hiring expectations of local employers and the impact of foreseen nation-wide trends, both of which favor prospects for sustained growth of the area economy. The composition of past employment growth suggests that non-manufacturing jobs will comprise the major share (approximately three-fourths) of the increase in wage and salary employment with growth

concentrated in the government, trade, and service categories. Demand for products manufactured in Des Moines remains strong, and local firms anticipate gradual production advances. However, several of the largest manufacturing employers have completed expansion programs which resulted in the recent employment increases. Most now expect a leveling off in the rate of hiring, indicating only slight increases in manufacturing employment over the next two years.

Income. In 1969, the median annual income of all families in the Des Moines HMA was \$8,700, after deduction of federal income tax. The median income of renter households of two or more persons was \$6,600 after taxes. By 1971, these medians will rise to \$9,200 and \$7,000, respectively. Table IV contains distributions of all families and renter households by income classes at the 1969 and 1971 income levels.

Population^{1/}. An average population increase of about 4,625 annually during the past three years was much larger than that of the April 1960 to July 1966 period (2,850 persons). The more rapid rate of growth occurred despite a declining resident birth rate, because of in-migration. Over the next two years, it is anticipated that employment gains will be smaller and the immediate effect will be to reduce in-migration. It is expected that resident births will stabilize at about recent levels, however, and an average population increase of 3,700 persons a year is forecast.

Households^{1/}. Increases in the number of households in the HMA have paralleled the trend of population growth. The average gain of 1,850 households during the past three years was substantially above the April 1960 to July 1966 increase of about 1,150 annually, reflecting increased population growth and a decline in the average number of persons in a household. Based on the expected increase in population in response to added jobs and on the assumption that average household size will continue to decline somewhat, the number of households will increase by an average of 1,450 a year over the forecast period of this analysis.

Housing Inventory. In April 1969, there were 101,200 units in the Des Moines HMA, including 68,300 owner-occupied units, 28,400 rental units, and 4,500 vacant housing units (see table VI). The net addition to the housing inventory of 4,950 units since July 1966 resulted from the completion of 6,050 units and the removal of 1,100 units through demolitions and other causes. About 400 single-family houses and 1,000 units in multifamily structures were under construction in April 1969.

^{1/} Population and household trends for the Des Moines HMA are presented in table V.

The estimate of multifamily units under construction included 494 units with FHA-insured mortgages, 194 Section 221(d)(3) BMIR units, 150 rent-supplement units, and 147 Section 231 units.

Tight credit conditions, which evolved from the strong competition for mortgage and construction financing funds, caused a decline in residential building volume from 1965 to 1966. Since 1966, demand pressures arising from the high level of household formation have stimulated residential building activity, and units authorized by building permits^{1/} reached peak levels. As shown in table VII, the growth in building volume reflects increased apartment construction. Geographic detail with respect to building permit authorizations also is presented in table VII.

Vacancy. Based on postal vacancy survey data and on other information obtained from local sources, it is estimated that there were about 2,700 vacant housing units available in the HMA as of April 1969. Of that total, 1,050 units were available for sale only and 1,650 were available for rent, equal to homeowner and renter vacancy rates of 1.5 percent and 5.5 percent, respectively. Both the sales and rental vacancy rates were the lowest of the post-1960 period. The reduction in the vacancy rates is indicative of the improvement of the housing market that began with the employment expansion of the mid 1960's.

^{1/} Virtually all residential construction has been within permit-issuing jurisdictions.

Table I

Estimated Annual Demand for New Single-family Housing
Des Moines, Iowa, Housing Market Area
April 1, 1969 to April 1, 1971

<u>Sales price</u>	<u>Number of units</u>	<u>Percent of total</u>
Under \$17,500	35	3
\$17,500 - 19,999	100	9
20,000 - 22,499	165	15
22,500 - 24,999	220	20
25,000 - 29,999	240	22
30,000 - 34,999	230	21
35,000 and over	110	10
Total	1,100	100

Estimated Annual Demand for New Multifamily Housing
Des Moines, Iowa, Housing Market Area
April 1, 1969 to April 1, 1971

<u>Gross monthly rent^{a/}</u>	<u>Efficiency</u>	<u>One bedroom</u>	<u>Two bedrooms</u>	<u>Three or more bedrooms</u>
Under \$140	45	-	-	-
\$140 - 154	30	-	-	-
155 - 169	15	180	-	-
170 - 184	-	90	-	-
185 - 199	-	35	200	-
200 - 214	-	15	120	15
215 - 229	-	10	70	15
230 and over	-	-	50	10
Total	90	330	440	40

^{a/} Gross rent is shelter rent plus the cost of utilities.

Table II

Estimated Annual Occupancy Potential
Des Moines, Iowa, Housing Market Area
April 1, 1969-April 1, 1971

Subsidized Sales Housing, Section 235

<u>Eligible family size</u>	<u>Number of units^{a/}</u>
Four persons or less	110
Five persons or more	<u>65</u>
Total	175

Privately-financed Subsidized Rental Housing

<u>Unit size</u>	<u>Rent supplement</u>	<u>Section 236</u>
Efficiency	245	125
One bedroom	40	75
Two bedrooms	20	80
Three bedrooms	10	25
Four or more bedrooms	<u>20</u>	<u>25</u>
Total	335	330

^{a/} All of the families eligible for Section 235 housing are also eligible for the Section 236 program, and about 75 percent are eligible for Section 221(d)(3) BMIR housing. The estimates are based upon exception income limits.

Table III

Nonagricultural Wage and Salary Employment by Industry
Des Moines, Iowa, Housing Market Area
1965 - 1968
 (annual averages)

<u>Industry</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Wage and salary employment	<u>110,450</u>	<u>116,750</u>	<u>121,500</u>	<u>124,500</u>
Manufacturing	<u>22,650</u>	<u>24,450</u>	<u>24,900</u>	<u>26,300</u>
Food and kindred products	4,000	4,000	3,900	3,600
Lumber, wood products and furn.	400	400	400	600
Printing and publishing	4,300	4,400	4,500	4,800
Chemicals and allied products	650	750	700	700
Stone, clay, and glass	950	1,150	1,100	1,000
Metal products	1,850	2,150	2,200	2,100
Machinery	4,650	5,200	5,500	6,000
Other	5,850	6,450	6,600	7,300
Nonmanufacturing	<u>87,800</u>	<u>92,300</u>	<u>96,600</u>	<u>98,200</u>
Construction	5,200	5,650	5,600	5,800
Trans., and utilities	8,200	8,750	9,000	9,000
Trade	28,800	30,500	31,800	31,600
Fin., ins., and real estate	12,450	12,700	13,200	13,600
Service and misc.	17,600	18,650	20,000	20,800
Government	15,550	16,050	17,000	17,300

Note: Components may not add to totals because of rounding.

Source: Iowa State Employment Service.

Table IV

Estimated Percentage Distribution of All Families and Renter Households
By Income After Deducting Federal Income Taxes
Des Moines, Iowa, Housing Market Area 1969 and 1971

Annual After-tax income	1969 Incomes		1971 Incomes	
	All families	Renter households ^{a/}	All families	Renter households ^{a/}
Under \$3,000	8	15	7	14
\$3,000 - 3,999	3	8	3	7
4,000 - 4,999	6	9	5	8
5,000 - 5,999	7	11	6	10
6,000 - 6,999	8	12	8	11
7,000 - 7,999	10	10	9	11
8,000 - 8,999	11	8	11	8
9,000 - 9,999	9	7	10	8
10,000 - 12,499	17	12	17	13
12,500 - 14,999	10	4	11	5
15,000 - 19,999	6	(4	8	(5
20,000 and over	<u>5</u>	<u>(</u>	<u>5</u>	<u>(</u>
Total	100	100	100	100
Median	\$8,700	\$6,600	\$9,200	\$7,000

^{a/} Renter households of two or more persons.

Source: Estimated by Housing Market Analyst.

Table V

Trend of Population and Household Growth
Des Moines, Iowa, Housing Market Area
1960-1969

	<u>April</u> <u>1960</u>	<u>July</u> <u>1966</u>	<u>April</u> <u>1969</u>	<u>Average annual change</u>	
				<u>1960-1966</u>	<u>1966-1969</u>
<u>Population</u>					
HMA Total	266,315	284,200	296,900	2,850	4,625
Des Moines	208,982	206,700	208,900	-370	800
Selected incorporated areas ^{1/}	26,907	40,300	47,600	2,140	2,650
Remainder of HMA	30,426	37,200	40,400	1,080	1,160
<u>Households</u>					
HMA Total	84,352	91,600	96,700	1,150	1,850
Des Moines	68,226	71,200	73,000	470	650
Selected incorporated areas ^{1/}	7,559	10,500	12,900	470	870
Remainder of HMA	8,567	9,900	10,800	210	330

^{1/} Altoona, Ankeny, West Des Moines, Windsor Heights, and Urbandale.

Table VI

Components of the Housing Inventory
Des Moines, Iowa, Housing Market Area
April 1960 - April 1969

<u>Tenure and Vacancy</u>	<u>April 1960</u>	<u>July 1966</u>	<u>April 1969</u>
Total housing supply	<u>89,084</u>	<u>96,250</u>	<u>101,200</u>
Occupied housing units	<u>84,352</u>	<u>91,600</u>	<u>96,700</u>
Owner occupied	59,661	65,550	68,300
Percent of all occupied	70.7%	71.6%	70.6%
Renter occupied	24,691	26,050	28,400
Percent of all occupied	29.3%	28.4%	29.4%
Vacant housing units	<u>4,732</u>	<u>4,650</u>	<u>4,500</u>
Available vacant	<u>3,155</u>	<u>2,950</u>	<u>2,700</u>
For sale	1,188	1,250	1,050
Homeowner vacancy rate	2.0%	1.9%	1.5%
For rent	1,967	1,700	1,650
Renter vacancy rate	7.4%	6.1%	5.5%
Other vacant ^{a/}	1,577	1,700	1,800

^{a/} Includes vacant seasonal units, dilapidated units, units rented or sold awaiting occupancy, and units held off the market.

Sources: 1960 Census of Housing and estimates by Housing Market Analyst.

Table VII

Privately-financed Housing Units Authorized by Building Permits
Des Moines, Iowa, Housing Market Area
1965 - 1968

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
HMA total	<u>2,023</u>	<u>1,624</u>	<u>2,697</u>	<u>2,840</u>
Single-family	1,364	1,001	1,281	1,197
Multifamily	659	623	1,416	1,643
Selected Areas				
Altoona Town	45	33	51	68
Ankeny Town	233	176	324	214
Bondurant Town	10	5	3	11
Clive Town	96	65	147	262
Des Moines	866	753	1,086	1,618
Elkhart Town	-	-	-	-
Grimes Town	5	6	7	2
Mitchellville Town	7	7	14	10
Pleasant Hill Town	27	28	27	32
Polk City Town	3	4	2	3
Polk County Uninc.	122	93	177	179
Runnels Town	3	-	-	1
Urbandale Town	352	267	400	230
West Des Moines	172	161	404	163
Windsor Heights Town	82	26	55	47

Source: Bureau of the Census, C-40 Construction Reports.