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HOUSING AFFORDABILITY IN IOWA

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ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Iowa's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Iowans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Iowans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the economy and individual opportunity.

TEAMS & FELLOWS STATEMENT

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Iowans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

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INTRODUCTION

Iowa's housing market remains favorable in a national environment defined by unaffordability. With mortgage rates still elevated and prices remaining flat to slightly higher in most states, Iowa retains a clear affordability advantage—whether measured by the cost of a new mortgage, the relationship between wages and monthly payments, or the combined burden of mortgage costs and property taxes. That affordability edge is underpinned by continued growth in Iowa's housing supply, which has helped temper price increases even as other regions see steeper costs. That progress, however, is uneven. Major population centers still face measurable housing shortages. Recent permitting has softened. And property taxes continue to add a substantial premium to monthly homeownership costs. In this quarterly update, Common Sense Institute examines the latest data on affordability, housing supply, and property taxes. Finally, it assesses how close the state is to closing its housing shortfall.

Major population centers still face measurable housing shortages.

KEY FINDINGS

Housing Affordability

- Compared with the other 49 states and D.C., Iowa has—
  - the 8th most affordable housing market in absolute terms when factoring in only the cost of a new mortgage.
  - the 12th most affordable housing market relative to what residents earn.
  - the 9th most affordable housing market when factoring in property taxes.
- Property taxes accounted for an average of 18.4% of the total monthly home cost in June 2026, ranking Iowa 10th highest nationally. (This ranking does not account for Iowa's property tax reforms passed in May 2026.)
- As of June 2026, the average Iowan needs to work 41 hours per month to afford a new mortgage payment on a typical new single-family home. This is 13 hours less than the national average.
- For new Iowa homebuyers, affording the typical 20% downpayment now requires 42% more income than the average household earns. Nonetheless, Iowa remains ahead of the U.S., where the gap is 47%.
- From June 2025 to June 2026, single-family home values in Iowa rose by 4.0%, according to Zillow.

Housing Supply

- CSI estimates Iowa will have a deficit of 8,102 homes in 2026 but is expected to resolve its shortage at the end of 2028 under current trends.
- In Q2 2026, Iowa issued 3,752 residential building permits. This is a 3.3% drop from the 3,879 issued in Q2 2025.
- At current trends, only one county (Dubuque) is expected to have a housing deficit greater than 1% of all existing units in 2026 according to CSI projections. This is an improvement from seven counties in 2023, five in 2024, and three in 2025.
- At the current rate of housing supply growth and updated population growth estimates, Polk, Scott, Johnson, Woodbury, Dubuque, and Pottawattamie counties are on track to close their housing shortages in under 5 years; Dallas will continue to experience a shortage for the foreseeable future.

HOUSING AFFORDABILITY

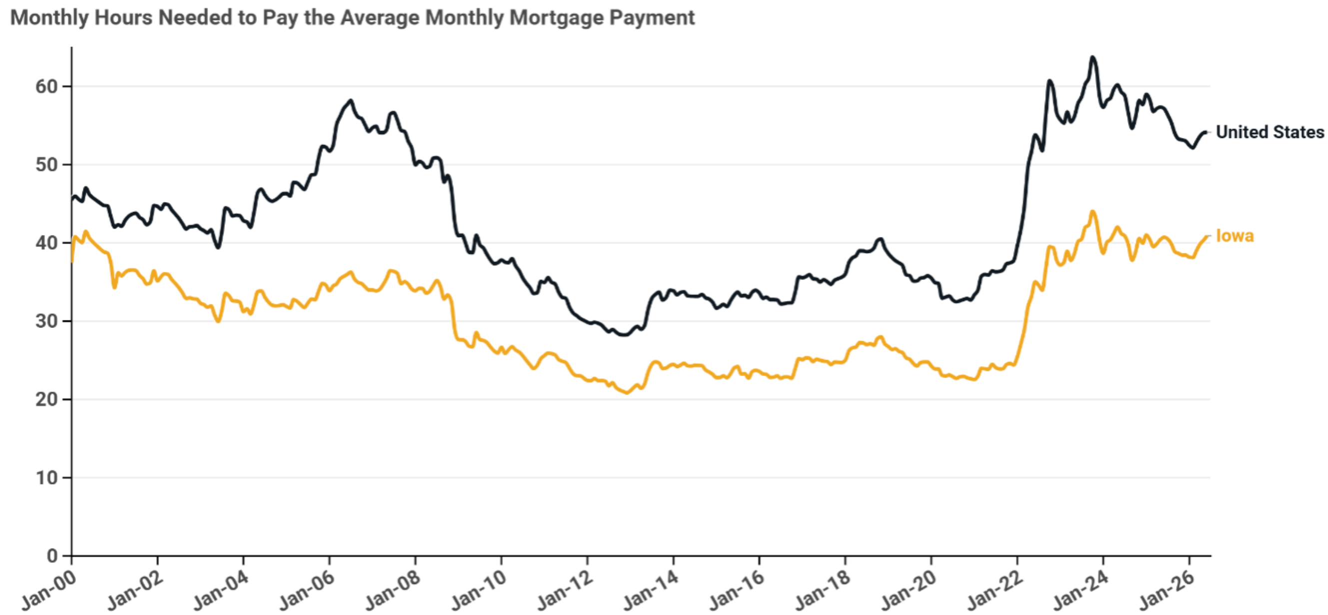
Since 2000, Iowa has consistently remained a relatively affordable state for homeownership. Even as mortgage rates and home prices rose sharply nationwide following the pandemic, Iowa's affordability advantage persisted. While the payment on a new mortgage in Iowa has doubled in nominal terms since 2000, relative to wages it remains as affordable today to own a typical home in Iowa as it was 25 years ago.

In June 2026, the buyer of a typical single-family home in Iowa, earning an average wage for the state, worked 41 hours a month to cover the cost of their mortgage. In June 2000, the same buyer also required 41 hours of work.In contrast, the typical U.S. homebuyer earning an average wage had to work 54 hours compared with just 46 in 2000. Figure 1 illustrates housing affordability in Iowa and the United States based on the number of hours of work required to pay a mortgage on a newly purchased home going back to 2000.

"[R]elative to wages, it remains as affordable today to own a typical home in Iowa as it was 25 years ago... In contrast, the typical U.S. homebuyer earning an average wage had to work 54 hours compared with just 46 in 2000."

FIGURE 1. MORTGAGE AFFORDABILITY IN IOWA AND THE UNITED STATES

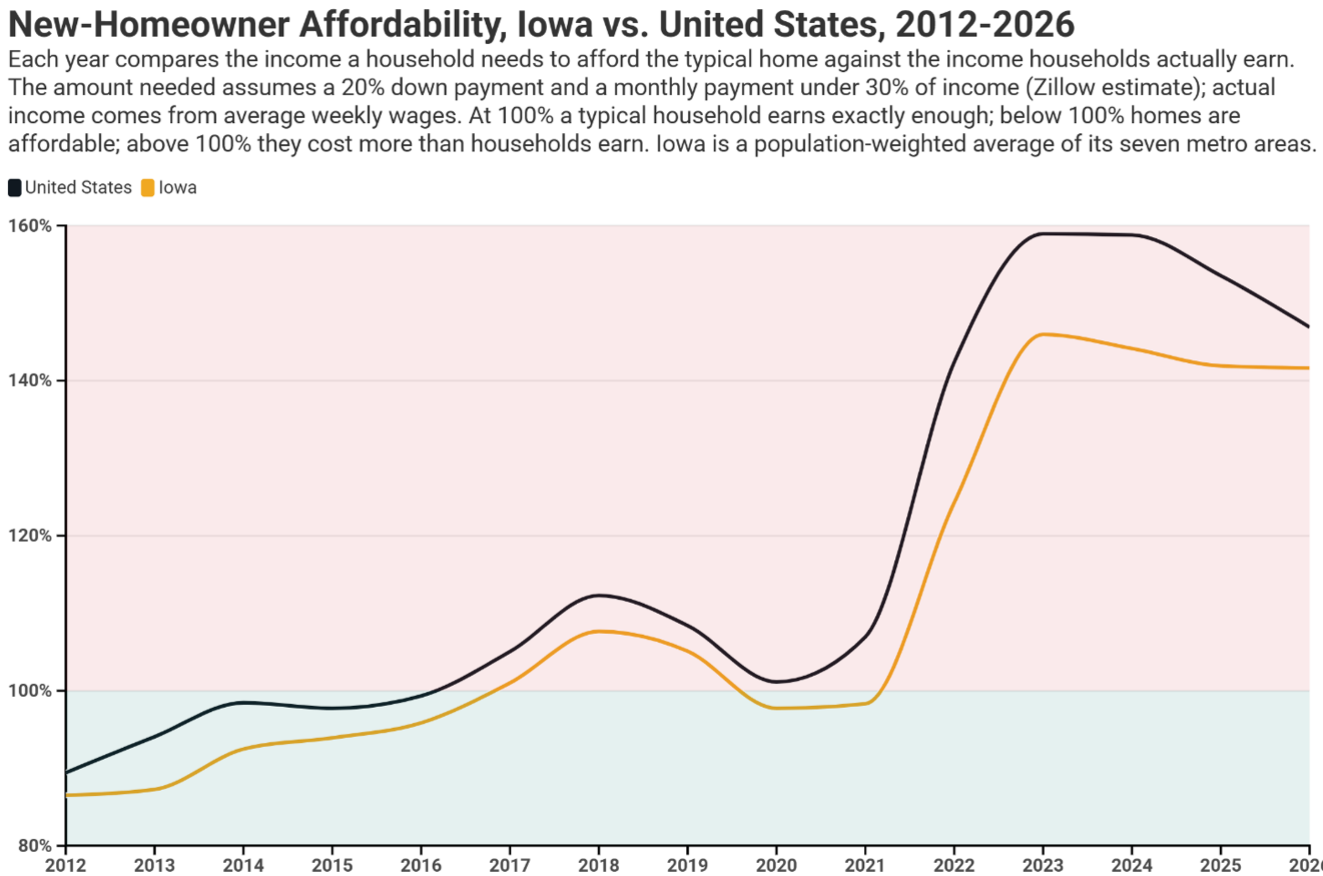
Although mortgages remain relatively high, it would take the average Iowa household only 41 hours of work per month, 13 hours below the national average, to afford a typical 30-year mortgage.



Source: Zillow, U.S. Bureau of Labor Statistics, FRED, CSI Calculations
Note: Assumes a 20% down payment.

Single family home values in Iowa rose by 4.0% from June 2025 to June 2026, according to Zillow. [1] As of June 2026, Iowa had the 12th most affordable housing market in the nation relative to what residents earn. This is one spot lower than in Q1 2026 when Iowa ranked 11th most affordable.[2] While Iowa remains affordable relative to the United States, homeownership costs remain unaffordable in absolute terms, especially for new homeowners. Figure 1 tracks the ongoing burden of carrying a mortgage payment; figure 2 considers the upfront barrier facing a new buyer—whether household income is high enough to purchase the typical home in the first place. Figure 2 visualizes new homeowner affordability as a ratio of 1) the annual household income needed to buy the typical home with a 20% down payment and a monthly payment below 30% of income, sourced from Zillow, and 2) the income households actually earn, estimated from average weekly wages, sourced from the U.S. Bureau of Labor Statistics.[3] When the ratio exceeds 100%, the income required to afford the typical home is greater than what households actually earn. The Iowa line is a population-weighted average of the state's seven metropolitan areas (Ames, Cedar Rapids, Des Moines, Dubuque, Iowa City, Sioux City, and Waterloo).

FIGURE 2. NEW-HOMEOWNER AFFORDABILITY, IOWA VS. UNITED STATES, 2012-2026



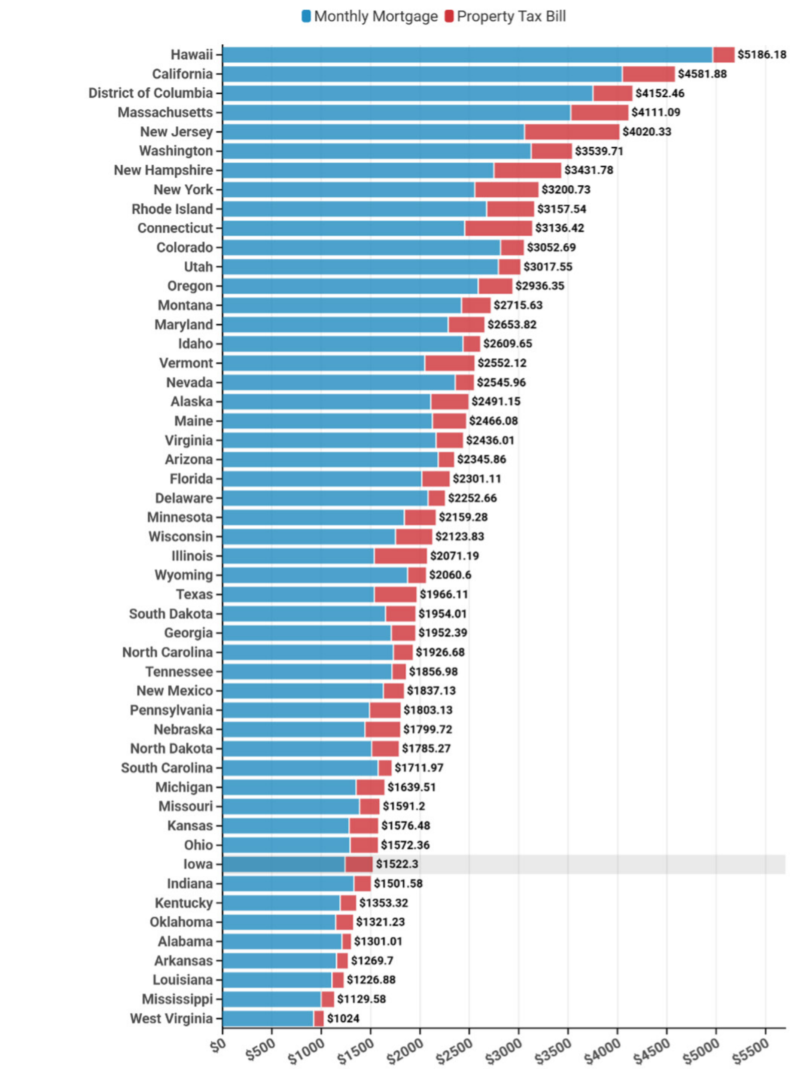
Source: Zillow, U.S. Bureau of Labor Statistics, U.S. Census Bureau, CSI Calculations

In 2012, a typical Iowa household earned more than enough to buy the typical home. The income needed in Iowa was just 87% of actual income, compared to 89% nationally. Affordability eroded steadily over the following years, crossing the 100% mark around 2017. By 2026, the income needed to afford the typical Iowa home reached 142% of actual income, compared with 147% nationally. While figure 1 shows mortgage affordability has held steady over time as Iowa wages rose roughly in step with the payment, figure 2 measures the income needed to buy against a fixed 30%-of-income standard. A monthly payment can keep pace with wages yet still require more income than households earn to stay under 30% of income. So while it takes only 41 hours of work at average Iowa pay to cover the monthly payment, buying the typical home now requires 42% more income than households actually earn. However, figures 1 and 2 do not factor in other costs which make Iowa marginally less affordable on a relative basis. Property taxes are the largest non-mortgage component of homeownership costs in Iowa. The following subsection examines property taxes and how Iowa compares relative to the nation.

Property Taxes

Property taxes impact all homeowners, but effective tax rates can vary significantly by state and locality. In its June 2026 report, CSI found Iowa had the 10th highest local property tax burden in the nation as a share of statewide personal income.[4] This ranking, however, measures the total property tax burden from all property classes, not just residential. Using a different measure, the Tax Foundation ranked Iowa 9th highest in the nation for the average effective property tax rate on owner-occupied housing in 2024.[5] This is one spot lower than reported in 2023.[6] Figure 3 shows the monthly mortgage cost of a new home by state in June 2026, including the average cost of property tax. The figure assumes effective tax rates for 2024 (the most recent available data), alongside the most recent June 2026 median home value estimates.[7]

FIGURE 3. MONTHLY MORTGAGE AND PROPERTY TAX COSTS PER STATE, JUNE 2026

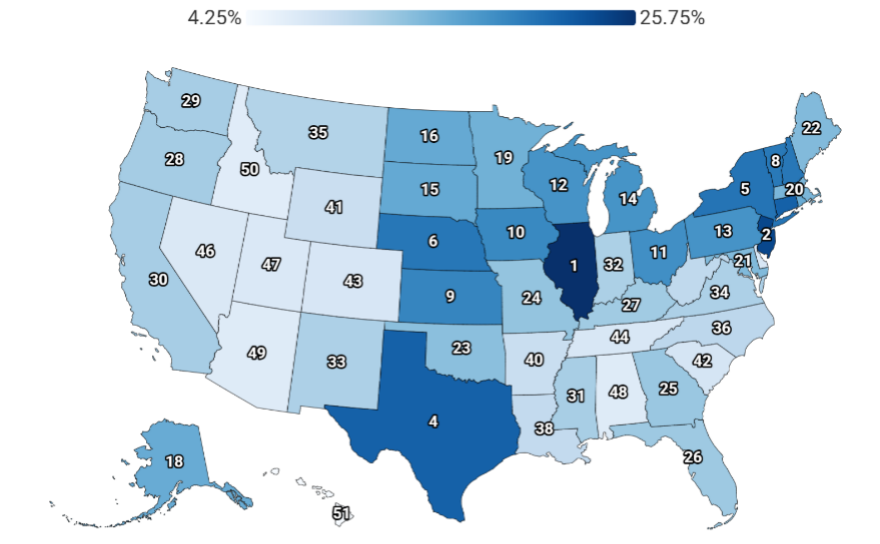


Source: Zillow, U.S. Bureau of Labor Statistics, U.S. Census Bureau, CSI Calculations

Though one of the highest property tax states, Iowa remains one of the most affordable states for homeownership, even when factoring in the cost of property taxes. Based on mortgage costs alone, without factoring in property taxes, Iowa had the 8th lowest cost of homeownership in the nation in June 2026, unchanged from March 2026. When factoring in both monthly mortgage costs and property taxes, Iowa's rank falls to 9th lowest in the nation, unchanged from March. Property taxes accounted for an average of 18.4% of the total monthly home cost in June 2026, contributing significantly to costs for Iowa homebuyers and ranking Iowa as the 10th highest for property taxes nationally. Because Tax Foundation derived their 50-state property tax rate comparison from the most recently available U.S. Census Bureau statistics from 2024, this analysis does not account for Iowa's property tax reforms passed in May 2026.[8]

In its June 2026 report, "Iowa's Largest Property Tax Reform in Decades Changes the U.S. Tax Burden Map," CSI projected Senate File 2472 and House File 718 together will improve Iowa's local property tax burden rank from 10th most burdened in the nation in FY 2023 to 16th by FY 2033.[9] These reforms will change how assessed values and levy rates translate into an owner's annual bill. Analysis will reflect the direct impacts of these reforms on property tax burdens in future editions of this analysis as annual data becomes available for all 50 states through the Census Bureau.

FIGURE 4. PROPERTY TAXES AS A PERCENTAGE OF MONTHLY HOME OWNERSHIP COSTS, JUNE 2026

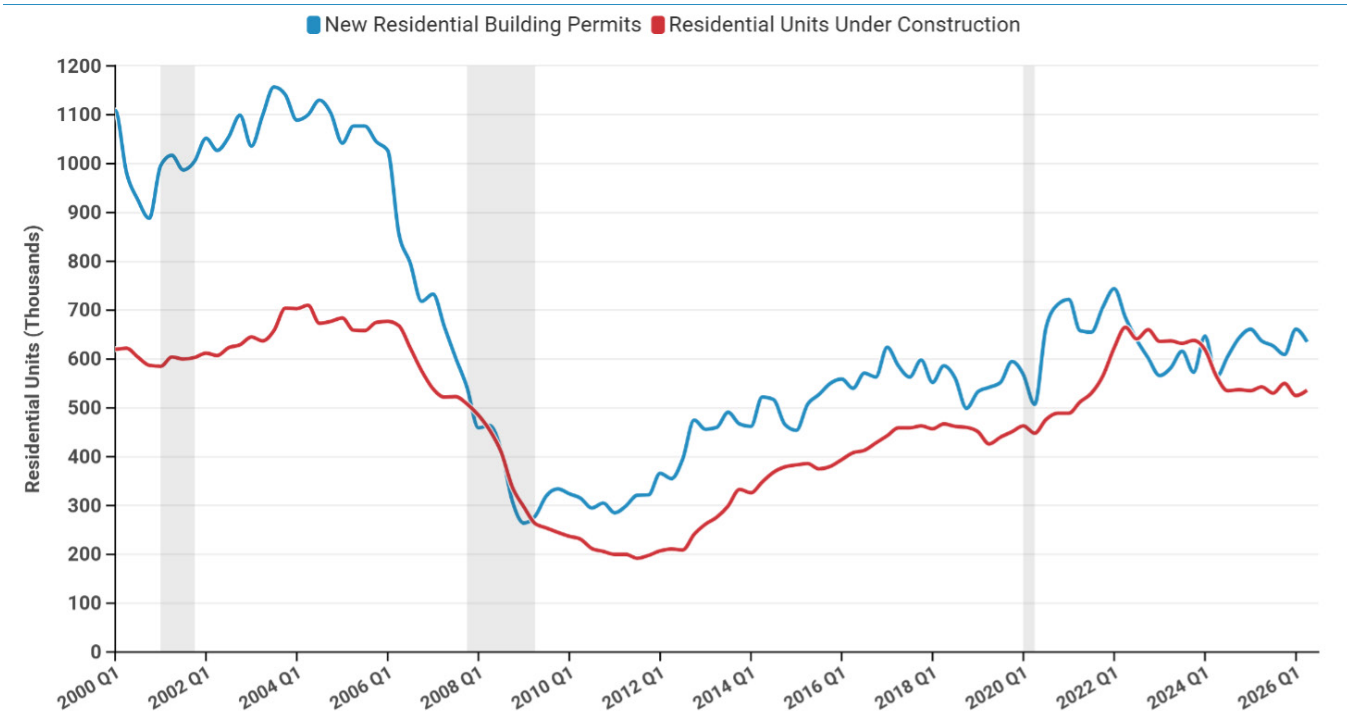


Source: Zillow, U.S. Bureau of Labor Statistics, U.S. Census Bureau, CSI Calculations

HOUSING SUPPLY

Iowa is currently grappling with a housing shortage, but conditions are improving. Most new housing supply begins with building permits and then shows up in the data as residential units under construction. The number of new residential building permits is a leading indicator of how many new units will be under construction in the following quarters. Likewise, the number of units under construction is a leading indicator of future housing supply. These two data points together serve as reliable evidence of future housing supply. Figure 5 shows the number of residential building permits and new homes under construction across the Midwest.

FIGURE 5. MIDWEST BUILDER INTEREST VS. HOMES ALREADY UNDER CONSTRUCTION, QUARTERLY, 2000 TO 2026



Source: FRED [PERMITMW], FRED [UNDCONMWTSA]

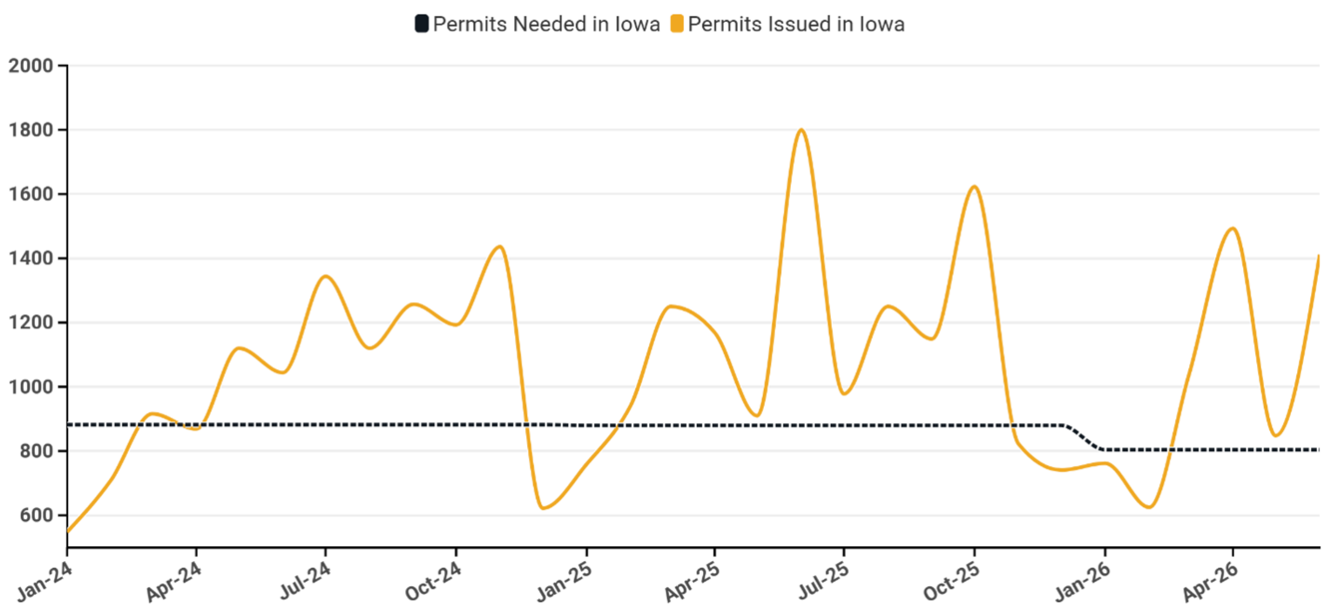
In Q2 2026, Midwest residential building permits fell to 635 thousand units, 0.31% lower than the 637 thousand a year ago. Construction activity also fell 1.3%, with 536 thousand units under construction compared to 543 thousand the prior year. The gap between permitting and construction remains narrow by historical standards—well below the wide gap that emerged through 2021 and 2022. Because permits lead construction by several quarters, a nearly flat permit growth rate indicates that builder interest has stabilized rather than declined. The 1.3% decline in units under construction is small relative to recent growth and falls well within the range of normal quarter-to-quarter movement in the series. Should permitting remain near its current pace and not decline further, construction activity is likely to stabilize in the coming quarters rather than decline further.

Iowa is on track to close its housing shortage by 2028

Local jurisdictions in Iowa have issued between 10 and 12 thousand new permits each year from 2021 to 2024.[10] In 2025, permitting reached 13,395, the highest level since 2005.[11] This increase has helped narrow Iowa's housing gap, easing shortages most notably in the ten most populous counties. Continued homebuilding at this pace would further reduce the state's housing shortage over the next several years, provided permitting does not decline. In Q2 2026, Iowa issued 3,752 permits, a 3.3% decrease from the 3,879 issued in Q2 2025. This does not establish that 2026 will close below 2025, but the early figures in the first two quarters of 2026 point in that direction. Shown in figure 6, new permit issuance through June 2026 exceeds the monthly permits needed to close Iowa's housing shortage. As data becomes more finalized, actual permit data could point to a different conclusion.

FIGURE 6. AVERAGE MONTHLY BUILDING PERMITS NEEDED OVER 5 YEARS, JANUARY 2024 TO JUNE 2026

Given the housing shortfall and historical population growth, Iowa needed to permit about 880 housing units per month in 2025 to close the gap within five years. In 2026, that figure falls to 804 per month as population growth slows. So far this year, Iowa has averaged 1,030 permits a month.



Source: HUD, Census Bureau, CSI Estimates
Note: Permit counts for 2025 are preliminary and subject to revisions.

To close the housing shortfall within five years, CSI estimates Iowa localities would need to permit approximately 804 residential units per month statewide. This is down from 880 permits per month in 2025. New permit issuance peaked in June 2025 at 1,800, and the state averaged 1,116 permits per month in 2025. Between 2024 and 2025, the state saw 10.0% year-over-year growth, from 12,179 permits in 2024 to 13,395 in 2025. So far in 2026, Iowa has averaged 1,030 permits per month, enough permits to barely maintain a steady trajectory to close the housing shortfall. Figure 6 visualizes the state's monthly permit issuance compared to permits required to close this gap since January 2024. At its current pace, the state is on track of this monthly minimum goal to close the housing shortfall within five years. However, not all individual counties are on a clear trajectory towards closing this gap in five years.

All top 10 Iowa counties but one are closing their housing shortage

In Table 1, CSI reports the supply and building information for the state of Iowa and its ten most populous counties. Based on a combination of an area's housing supply, vacancy rates, permitting rates, and household population rates, CSI estimates the housing shortage or surplus for each county. The table estimates the average number of new yearly home constructions required to resolve the area's shortage. Notably, estimates for 2025 and 2026 have been revised since CSI's Q1 2026 report on housing affordability in Iowa due to new county-population for 2025, made available by the Census Bureau.[12]

TABLE 1. IOWA'S HOUSING SHORTAGE, BY COUNTY, SINCE 2021

County	2021 Deficit	2022 Deficit	2023 Deficit	2024 Deficit	2025 Deficit Est.	2026 Deficit Est.	Shortfall as % of Existing	5-year Construction Needed per Year	2026 Permits Est.	Years to close
Polk County	(2,445)	(4,369)	(4,643)	(951)	(160)	(1,138)	0.50%	2,363	3,858	0.8
Linn County	(1,341)	322	(1,363)	380	1,883	2,184			783	
Scott County	(1,017)	(1,156)	(1,116)	(1,234)	(489)	(104)	0.13%	197	484	0.3
Johnson County	(550)	(835)	(149)	(701)	(550)	(104)	0.14%	746	1,039	0.3
Black Hawk County	170	(551)	407	(139)	329	478			277	
Dallas County	(1,124)	(146)	(781)	(854)	(546)	(157)	0.30%	2,219	1,292	Gap widening
Woodbury County	(836)	(1,214)	(666)	(386)	(292)	(286)	0.65%	362	183	3.6
Dubuque County	(1,073)	(938)	(1,482)	(1,257)	(795)	(569)	1.28%	270	283	2.2
Story County	(317)	(756)	(342)	1,014	1,069	1,446			194	
Pottawattamie County	(1,016)	(1,234)	(1,157)	(1,183)	(596)	(31)	0.07%	12	304	0.1
Iowa Shortage	(22,341)	(25,878)	(25,128)	(20,813)	(12,920)	(8,102)	0.55%	8,638	11,567	1.2

Source: HUD SOCDS, Census Bureau, CSI Estimates
Note: Current year forecast values based on current trends and forecasts in permits, population growth, and demand (measured by vacancy rates). They may not align with projected unit needs given 2025 actual market conditions.

Among the counties listed in table 1, only one county is expected to have a housing deficit greater than 1% of all existing units in 2026, according to CSI projections. This is an improvement from seven counties in 2023, five in 2024, and three in 2025. Six counties—Polk, Scott, Johnson, Woodbury, Dubuque, and Pottawattamie—are on track to close their shortage in under 5 years at their current rate of permit issuance and five-year population growth rate. For more information on year-over-year permitting growth by county, see figure 7 in the appendix.

Three counties—Linn, Black Hawk, and Story—do not have a shortage. The state as a whole is on track to completely close its shortage by the end of 2028, but future data on permitting, population growth, and housing unit completions will ultimately determine how quickly—or whether—that gap fully closes. Dallas County is the only one of Iowa's top 10 largest counties that will continue to experience a shortage for the foreseeable future, as population growth and vacancy rates are exceeding the necessary level of new permit issuance.

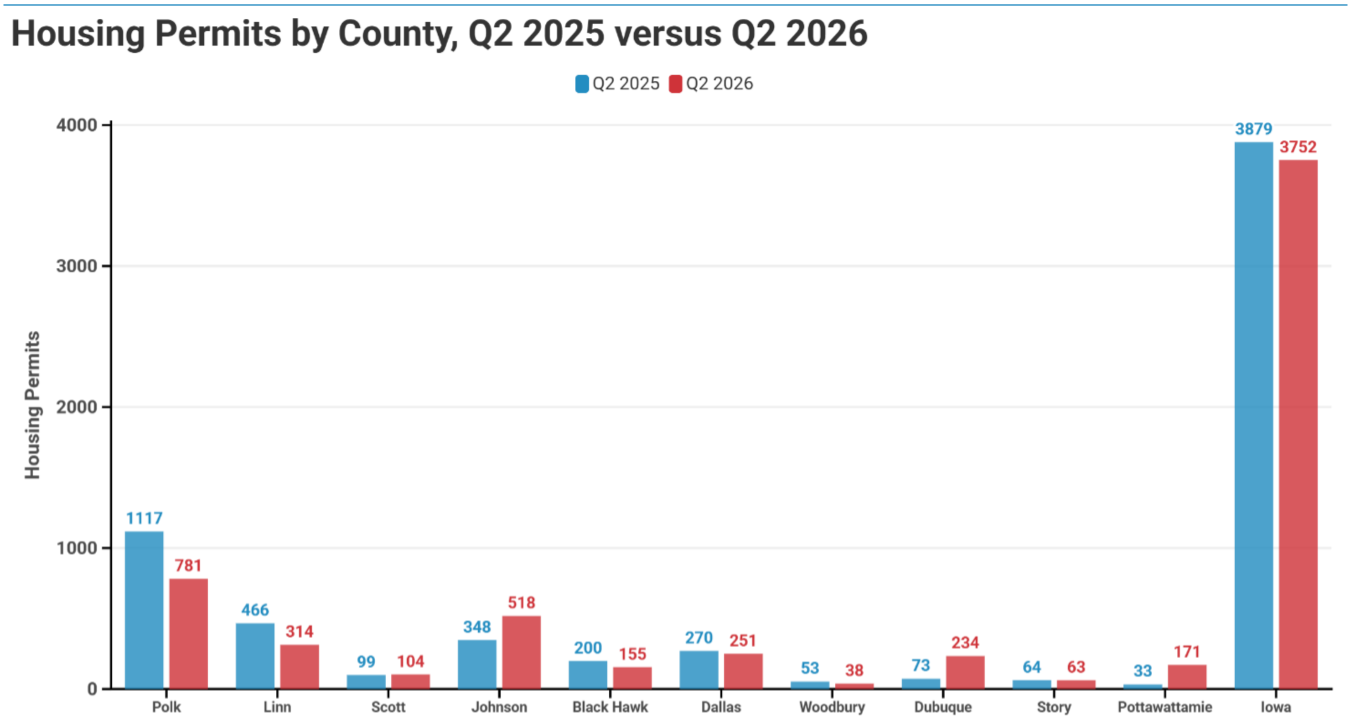
BOTTOM LINE

Iowa remains one of the most affordable housing markets in the nation, even after a decade of rising costs. Property taxes continue to compound these pressures, accounting for nearly one-fifth of total monthly homeownership costs. Despite these headwinds, Iowa's housing supply response has been comparatively strong. Permitting activity remains sufficient to keep the state on a trajectory to close its housing shortage by 2028, and most of Iowa's largest counties are expected to eliminate their deficits within five years. The statewide outlook is favorable, but risks remain concentrated in high-growth counties like Dallas County where population gains continue to outpace new construction.

Maintaining affordability will depend on sustaining permit volumes and translating permits into completed units. Property tax reform legislation passed in 2026 should improve affordability for most homebuyers, though tax increases for multifamily properties could reduce affordability for some, especially renters. Future CSI research will explore the effects of these reforms in more detail.

APPENDIX

FIGURE 7. HOUSING PERMITS BY COUNTY, Q2 2025 VERSUS Q2 2026



Source: HUD SOCDS

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