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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 position remains unusually strong in a national environment defined by eroding affordability. Even with mortgage rates still elevated and prices continuing to rise 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 Iowa's progress on growing its housing supply, which has helped temper price growth even as other regions see steeper costs. That progress is uneven, however. Major population centers still face measurable shortages, 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, offering an assessment of where Iowa stands and how close the state is to closing its housing shortfall.

KEY FINDINGS

- 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 11th 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 18.9% of the total monthly home cost in September 2025, ranking Iowa 10th highest nationally.
- As of September 2025, the average Iowan needs to work 38 hours per month to afford a new mortgage payment on a typical new single-family home. This is 14 hours less than the national average.
- From September 2024 to September 2025, single-family home values in Iowa rose by 3.8%, according to Zillow.
- Under current trends, Iowa is on track to eliminate its housing shortage by the end of 2028. CSI estimates the state will have a deficit of 15,937 homes across Iowa in 2025 and is expected to resolve its shortage at the end of 2028 under current trends.
- Of Iowa's 10 largest counties, Pottawattamie County has the largest housing shortage with 2.44% (988) more homes needed, followed by Dubuque County with 1.91% (841) more needed and Dallas County with 1.33% (664) more needed.
- At the current rate of housing supply growth, Polk, Johnson, Scott, Woodbury, and Dubuque counties are on track to close their housing shortages in under 5 years; Pottawattamie will close its gap in 6 years, and Dallas will continue to experience a shortage for the foreseeable future.
- While it cannot change mortgage rates, Iowa can increase housing affordability by increasing the supply of new units and reducing property taxes.

HOUSING AFFORDABILITY

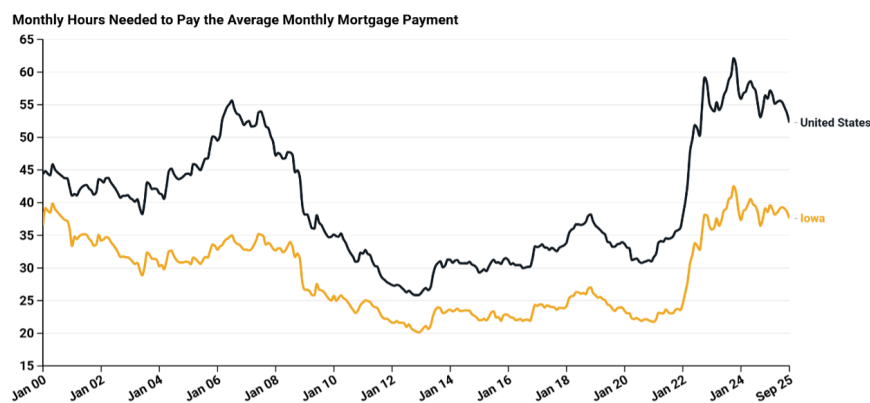
Since 2000, Iowa has consistently remained a relatively affordable state for homeownership. Even as mortgage rates and home prices rose sharply nationwide following the pandemic, Iowa's affordability advantage persisted. While the payment on a new mortgage in Iowa has nearly doubled in nominal terms since 2000, it remains as affordable today to own a typical home in Iowa as it was 25 years ago. In September 2025, the buyer of a typical single-family home in Iowa, earning an average wage for the state, worked 38 hours a month to cover the cost of their mortgage. In September 2000, the same also required 38 hours of work. In contrast, the typical U.S. homebuyer earning an average wage had to work 52 hours compared with just 44 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.

Single family home values in Iowa rose by 3.8% from September 2024 to September 2025, according to Zillow.¹

This cost still exceeds Iowa's 38 hours of work required by nearly 39%. As of September 2025, Iowa had the 11th most affordable housing market in the nation relative to what residents earn. However, Figure 1 does not factor in property taxes, which make Iowa marginally less affordable on a relative basis, though the state remains one of the most affordable in the nation, even with taxes.

FIGURE 1. MORTGAGE AFFORDABILITY IN IOWA AND THE UNITED STATES

Although mortgages are still at relative highs, it would take the average Iowa household only 38 hours of work per month, 14 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.

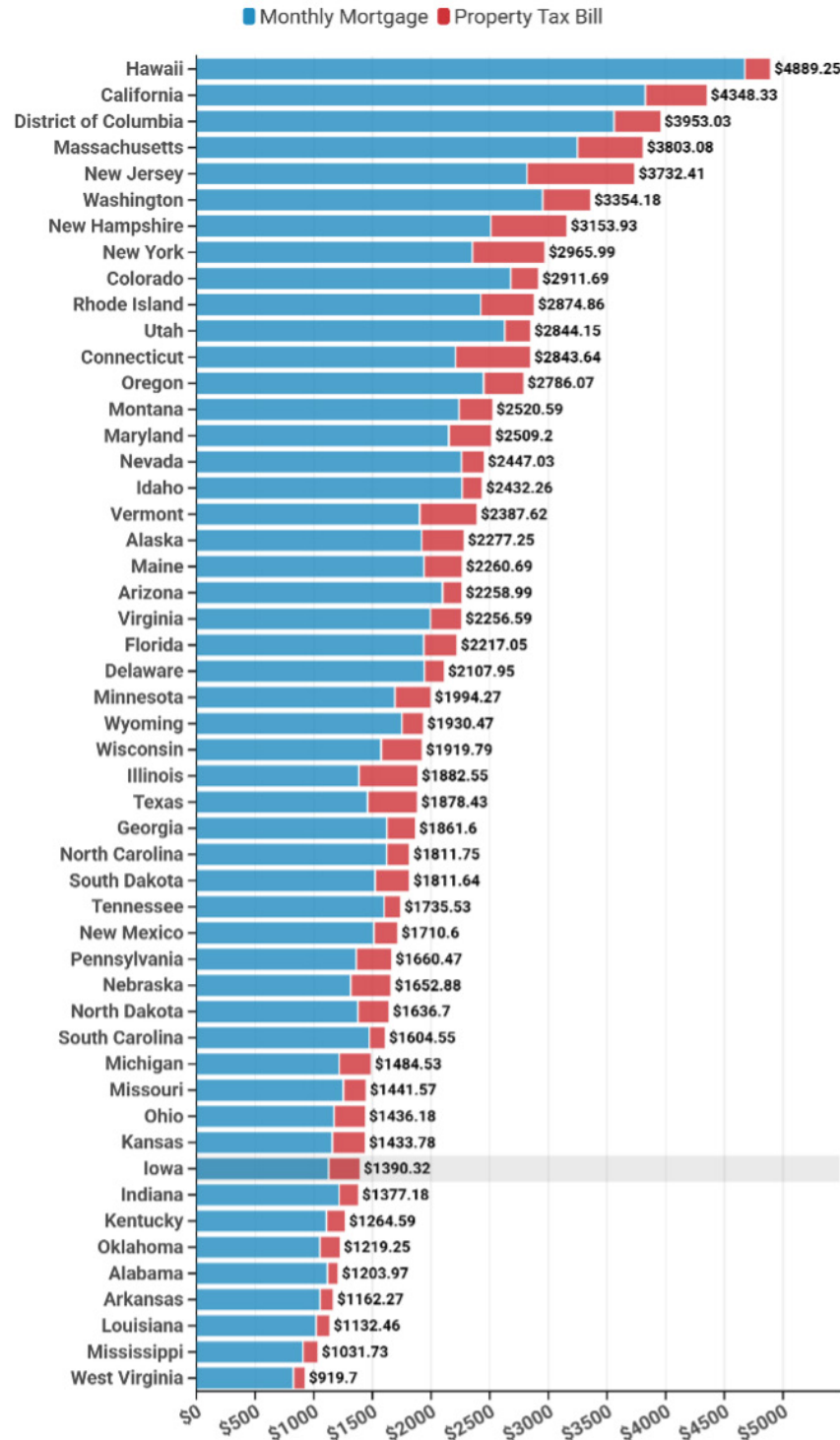
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Property Taxes

Property taxes impact all homeowners, but effective tax rates can vary significantly by state and locality. In an April 2025 report, CSI found Iowa had the 11th highest overall property tax burden nationally.² 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 10th highest in the nation for the average property tax rate on owner-occupied housing in 2023.³ This is one spot lower than reported in 2022.⁴ Figure 2 shows the monthly mortgage cost of a new home by state in September 2025, including the average cost of property tax. The figure assumes effective tax rates for 2024 (the most recent available data), alongside the most recent September 2025 median home value estimates.⁵

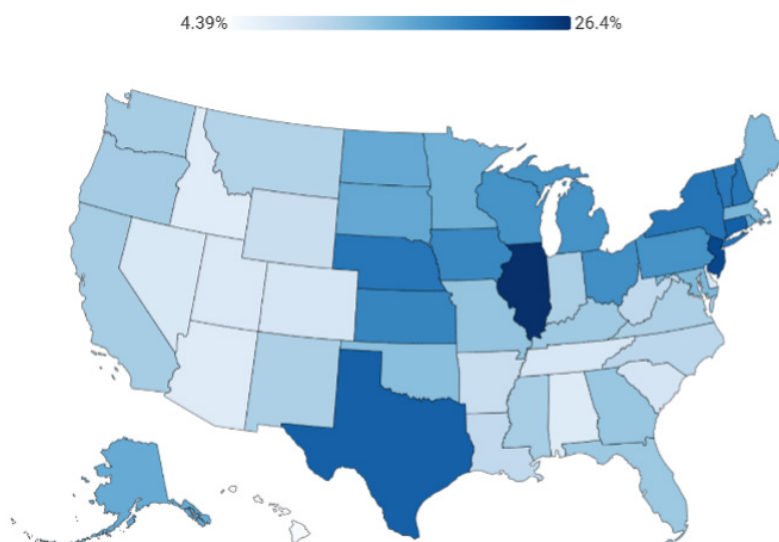
Though one of the highest property tax states, Iowa remains one of the most affordable states for homeownership. Based on mortgage costs alone, without factoring in property taxes, Iowa had the 8th lowest cost of homeownership in the nation in September 2025, unchanged from June 2025.

FIGURE 2. MONTHLY MORTGAGE AND PROPERTY TAX COSTS PER STATE, SEPTEMBER 2025



When factoring in both monthly mortgage costs and property taxes, Iowa's rank falls to 9th lowest in the nation, one spot lower than in June. Property taxes accounted for an average of 18.9% of the total monthly home cost in June 2025, contributing significantly to costs for Iowa homebuyers and ranking Iowa as the 10th highest. For more on how policymakers can responsibly reduce Iowa's property tax burden, see CSI's report, "Property Tax Reform: Targeting Iowa's High Local Tax Burden."⁶

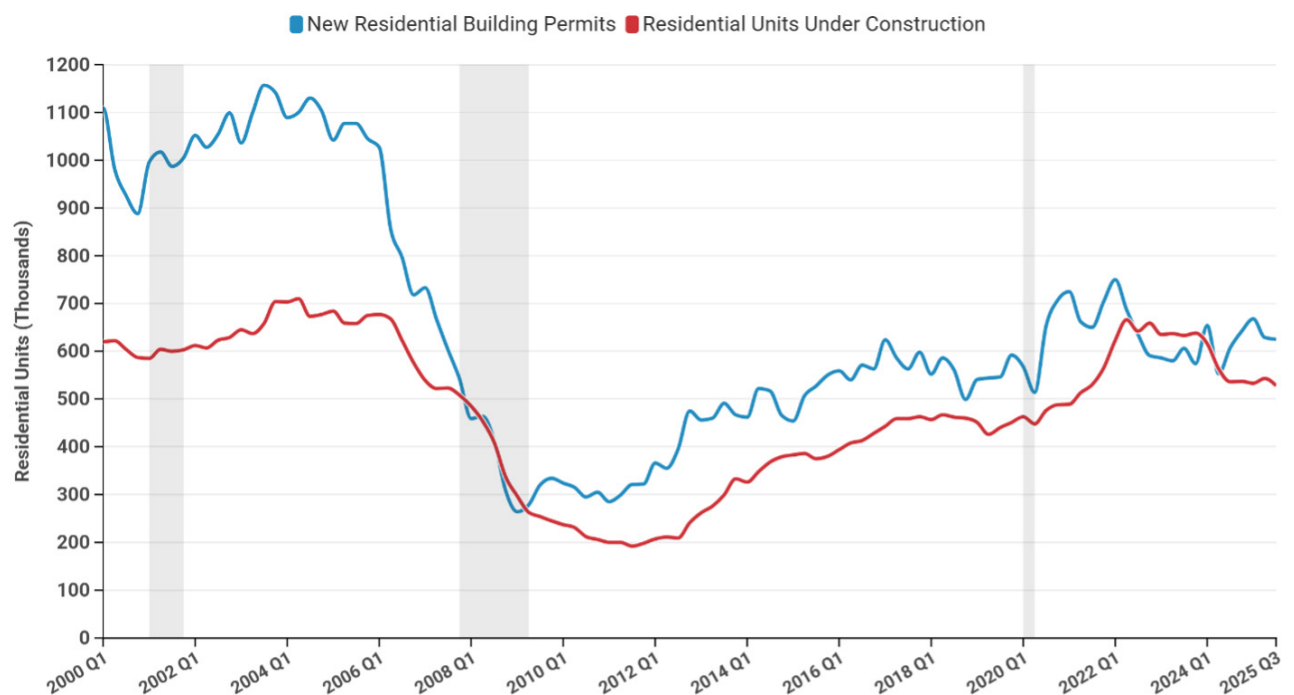
FIGURE 3. PROPERTY TAXES AS A PERCENTAGE OF MONTHLY HOME OWNERSHIP COSTS, SEPTEMBER 2025



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 4 shows the number of residential building permits and new homes under construction across the Midwest.

FIGURE 4. MIDWEST BUILDER INTEREST VS. HOMES ALREADY UNDER CONSTRUCTION, QUARTERLY, 2000 TO 2025



Source: [FRED \[PERMITMW\]](#), [FRED \[UNDCONMWTS\]](#)

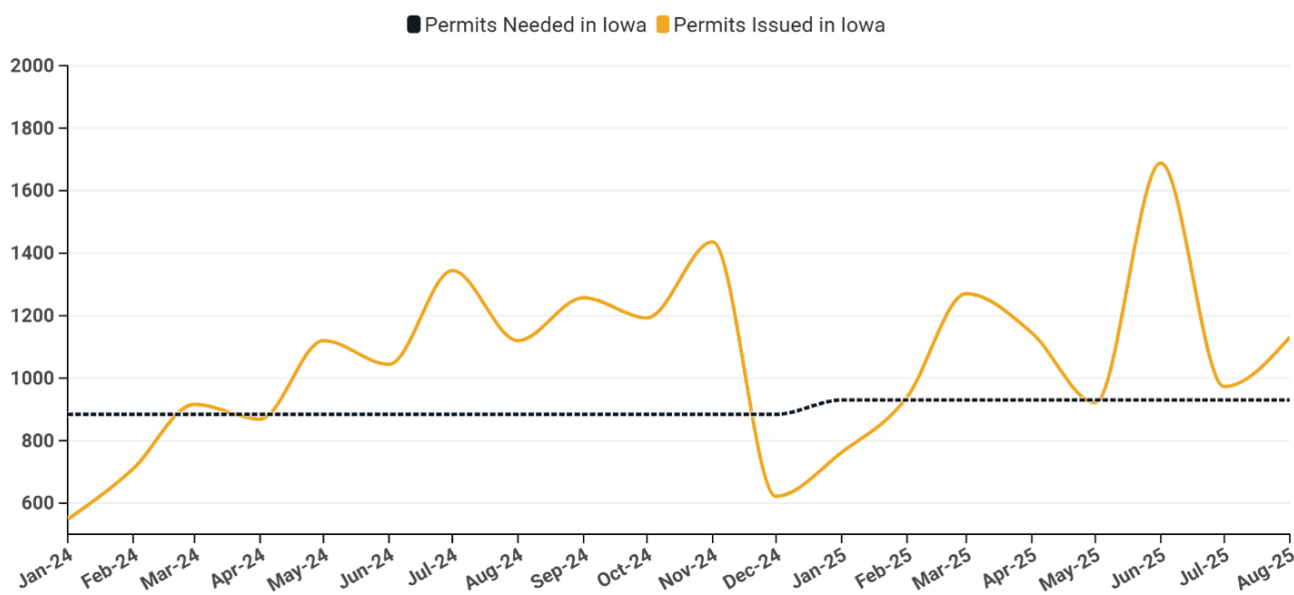
In Q3 2025, Midwest residential building permits climbed to 625 thousand units, up from 607 thousand a year ago—a 3.0% increase. Meanwhile, construction activity continued to edge down 1.8%, with 528 thousand units under construction compared to 537 thousand the prior year. This year-over-year decline in construction has been ongoing since Q2 2023. Around the time construction began trending down, permitting began to recover. The inverse relationship between permitting and building—where permitting rises while construction declines—reflects a common lag following cyclical downturns. As housing supply begins to pick back up after a downturn, permitting leads the trend reversal; construction follows.⁷ Nonetheless, supply continues to grow in Iowa. The decline in new units under construction has only slowed the growth in new units. However, the increase in permits foreshadows a possible future increase in new units. Given Iowa's modest but steady demand, the state is unlikely to face a short-term imbalance, though sustained slowing in new builds could eventually limit progress on housing supply and affordability.

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 since 2022.⁸ This trend has helped close Iowa's housing gap, reducing home shortages especially in the top ten most populated counties. The rise in homebuilding in these major counties in 2024 should help alleviate the state's housing shortages over the next few years. Shown in Figure 5, CSI's estimate of new permit issuance through the end of the year reflects current and historical trends in the available data. As data becomes more finalized, actual permit data could point to a different conclusion.

FIGURE 5. AVERAGE MONTHLY BUILDING PERMITS NEEDED OVER 5 YEARS, JANUARY 2024 TO AUGUST 2025

Given the housing shortfall and historical population growth, Iowa needs to permit about 930 housing units every month to close the gap in 5 years. This is up from the initial 2025 projection (785) and revised 2024 estimate (884). Throughout 2025, Iowa averaged 1,100 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 930 residential units per month statewide. This is up from 884 permits per month in 2024.⁹ New permit issuance peaked in June 2025 at 1,688, and the state has since averaged 1,100 permits per month through July 2025. Despite negative year-over-year growth in the preliminary permit data, particularly in critical summer months, Iowa has still produced enough permits to maintain a steady trajectory to close the housing shortfall. Figure 5 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 well ahead of this monthly minimum goal and is on track 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. The table estimates the average number of new yearly home constructions required to resolve the area's shortage within five years. Notably, estimates for 2024 and 2025 have been revised due to new American Community Survey (ACS) 1-year data for 2024, made available by the Census Bureau.

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

County	2021 Deficit	2022 Deficit	2023 Deficit	2024 Deficit	2025 Deficit Est.	Shortfall as % of Existing	5-year Construction Needed per Year	2025 Permits Est.	Years to close
Polk County	(2,458)	(4,382)	(4,656)	(964)	(191)	0.08%	2640	4126	0.1
Linn County	(1,347)	316	(1,369)	374	1,694			2004	
Scott County	(1,022)	(1,161)	(1,121)	(1,239)	(555)	0.70%	390	284	2.6
Johnson County	(554)	(839)	(153)	(705)	(266)	0.37%	970	1157	1.0
Black Hawk County	167	(554)	404	(142)	408			283	
Dallas County	(1,127)	(149)	(784)	(857)	(664)	1.33%	2511	981	Gap widening
Woodbury County	(839)	(1,217)	(668)	(389)	(329)	0.75%	453	242	2.6
Dubuque County	(1,075)	(941)	(1,485)	(1,260)	(842)	1.91%	375	204	3.6
Story County	(320)	(759)	(345)	1,011	1,047			234	
Pottawattamie County	(1,018)	(1,236)	(1,159)	(1,185)	(988)	2.44%	248	133	6.0
Iowa Shortage	(22,425)	(25,964)	(25,214)	(20,933)	(15,937)	1.08%	12,276	12,401	2.3

Source: HUD, 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, seven had a shortfall greater than 1% of all existing units in 2023. One had no deficit in 2023. The number of major counties without a housing deficit increased to three for 2024 and five for 2025, according to CSI projections. Only three counties—Dallas, Dubuque, and Pottawattamie—are expected to have a housing deficit greater than 1% of all existing units in 2025. Notably, two counties that were previously not reported to have shortages—Scott and Johnson—are now estimated to have housing shortages under 1% of their existing supply, according to revised Census Bureau data.

Despite the new data releases, nearly every county is still on track to close its shortage in under 5 years at their current rate of permit issuance and five-year population growth rate. Polk and Johnson are expected to close their gap in 2026, assuming permitting trends stay consistent. The state as a whole is also 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. Scott, Woodbury, Dubuque, and Pottawattamie Counties are expected to close their gaps between 2028 and 2032. Dallas County is the only one of the 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's housing market remains one of the most affordable in the nation despite historic price increases over the last five years. Home prices continue to rise, mortgage payments have increased faster than wages over the past year, and property taxes remain among the highest in the country. Even so, Iowa continues to rank within the top tier of affordable housing markets nationally. The state's permitting activity has remained strong enough to keep Iowa on a path to closing its housing shortage, though the timeline has shifted. What had been a projected 2026 closure of the housing gap is now drifting toward 2028 as permitting slowed during key months and as new Census data adjusted estimates of local demand. The statewide trajectory remains positive, but local outcomes vary.

While most of the state's largest counties are on track to eliminate their shortages within five years, others—most notably Dallas County—face sustained deficits driven by rapid population growth and insufficient new supply. High property taxes continue to weigh on affordability and act as a structural constraint. Whether Iowa ultimately closes its housing gap on schedule will depend on keeping permit volumes sufficiently high, converting those permits into completed units, and ensuring supply keeps pace with shifting population patterns.

ENDNOTES

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3. Andrey Yushkov, "Property Taxes by State and County, 2025," Tax Foundation, March 4, 2025, <https://taxfoundation.org/data/all/state/property-taxes-by-state-county/>.
4. Andrey Yushkov, "Property Taxes by State and County, 2024," Tax Foundation, August 20, 2024, <https://taxfoundation.org/data/all/state/property-taxes-by-state-county-2024/>.
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7. Aarthi Swaminathan, "Builders hit the brakes on home construction as tariffs and weak demand weigh on sales," MarketWatch, April 17, 2025, <https://www.marketwatch.com/story/builders-hit-the-brakes-on-home-construction-as-tariffs-and-weak-demand-weigh-on-sales-66252df6>.
8. U.S. Department of Housing and Urban Development, "Building Permits Database," <https://socds.huduser.gov/permits/>.
9. Estimates adjusted due to newly released American Community Survey (ACS) 1-year data for 2024 by the Census Bureau.