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# HOUSING AFFORDABILITY IN IOWA

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## ABOUT THE AUTHORS



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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

Housing affordability remains a pressing issue across the country. Thanks to home price growth and higher mortgage rates, the cost of a new mortgage has far outpaced wage growth over the last five years. Yet, Iowa continues to stand out as one of the most affordable markets for homeownership, ranking among the top ten most affordable states by multiple measures. The state is also showing encouraging signs of housing supply growth, which helps keep housing more affordable. Permitting levels today remain high enough to eliminate Iowa's housing shortage within five years. Nonetheless, Iowa faces hurdles to maintaining an affordable market. Housing supply gains are not evenly distributed, with some of Iowa's largest counties still facing substantial deficits in housing stock. Effective property tax rates also remain one of the highest in the nation, contributing to a higher cost of homeownership. In this quarterly report, Common Sense Institute revisits Iowa's housing affordability advantage. It then assesses the status of Iowa's housing supply by identifying where shortages remain and how long it will take to fill the housing shortage.

## KEY FINDINGS

- While housing affordability has declined nationwide since the start of the pandemic, Iowa has one of the most affordable housing markets in the nation. Compared with the other 49 states and D.C., Iowa has—
  - › the 7th most affordable housing market in absolute terms when factoring in only the cost of a mortgage.
  - › the 8th most affordable housing market relative to what residents earn.
  - › the 10th most affordable housing market when factoring in property taxes.
- As of March 2025, the average Iowan needs to work 39 hours per month to afford a new mortgage payment on a typical new single-family home. This is 15 hours less than the national average.
- From March 2024 to March 2025, single-family home values in Iowa rose by 4.7%, according to Zillow.
- Iowa is on track to eliminate its housing shortage within the next five years. CSI estimates the state had a deficit of 10,736 homes across Iowa in 2024 and is expected to resolve its shortage in three years under current trends.
- Of Iowa's 10 largest counties, Pottawattamie County has the largest housing shortage with 2.99% (1,206) more homes needed, followed by Dubuque County with 1.85% (814) more needed and Polk County with 1.06% (2,380) more needed.
- At the current rate of housing supply growth, Dubuque and Pottawattamie counties are on track to close their housing shortages in under 5 years; Polk will take more than 6 years; Dallas and Woodbury 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

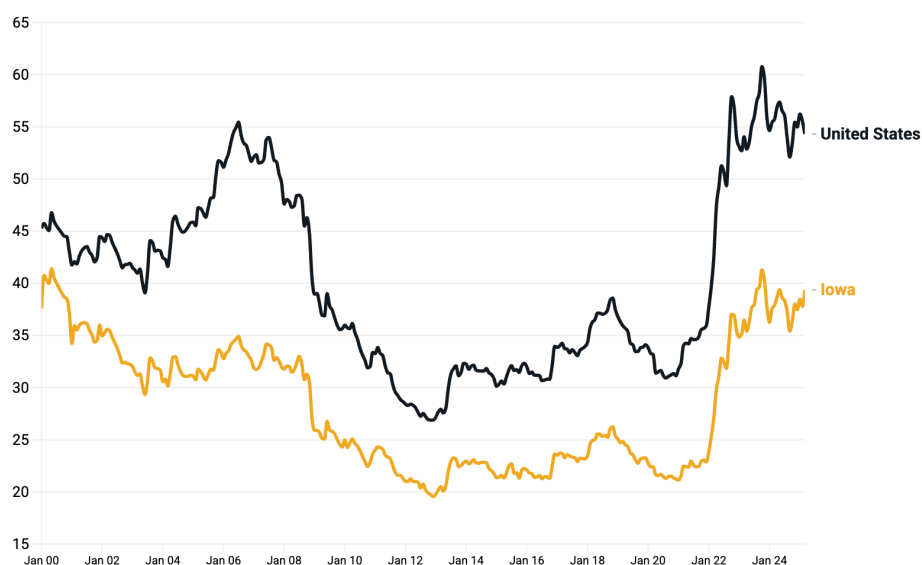
Since 2000, Iowa has consistently remained a relatively affordable state for homeownership. Even as mortgage rates and home prices rose sharply nationwide following the pandemic, Iowa's affordability advantage persisted. While the payment on a new mortgage in Iowa has nearly doubled in nominal terms since 2000, it remains as affordable today to own a typical home in Iowa as it was 25 years ago. In March 2025, the buyer of a typical single-family home in Iowa, earning an average wage for the state, worked 39 hours in a month to cover the cost of their mortgage. In March 2000, the same required 40 hours of work. In contrast, the typical U.S. homebuyer earning an average wage had to work 54 hours compared with just 45 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.

From March 2024 to March 2025, single-family home values in Iowa rose by 4.7%, according to Zillow.<sup>1</sup> Meanwhile, the average rate on a 30-year mortgage fell slightly from 6.8% to 6.65%. This increased the monthly payment on a mortgage from \$1,103 to \$1,136—a 2.9% increase. Over the same period, hourly wages increased just 3.7%.<sup>2</sup> Based on these changes, it now requires about an hour more of work per month to afford a mortgage in Iowa than

**FIGURE 1. MORTGAGE AFFORDABILITY IN IOWA AND THE UNITED STATES**

Monthly Hours Needed to Pay the Average Monthly Mortgage Payment

Although mortgages are still at relative highs, it would take the average Iowa household only 39 hours of work per month, 15 hours below the national average, to afford a typical 30-year mortgage.



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

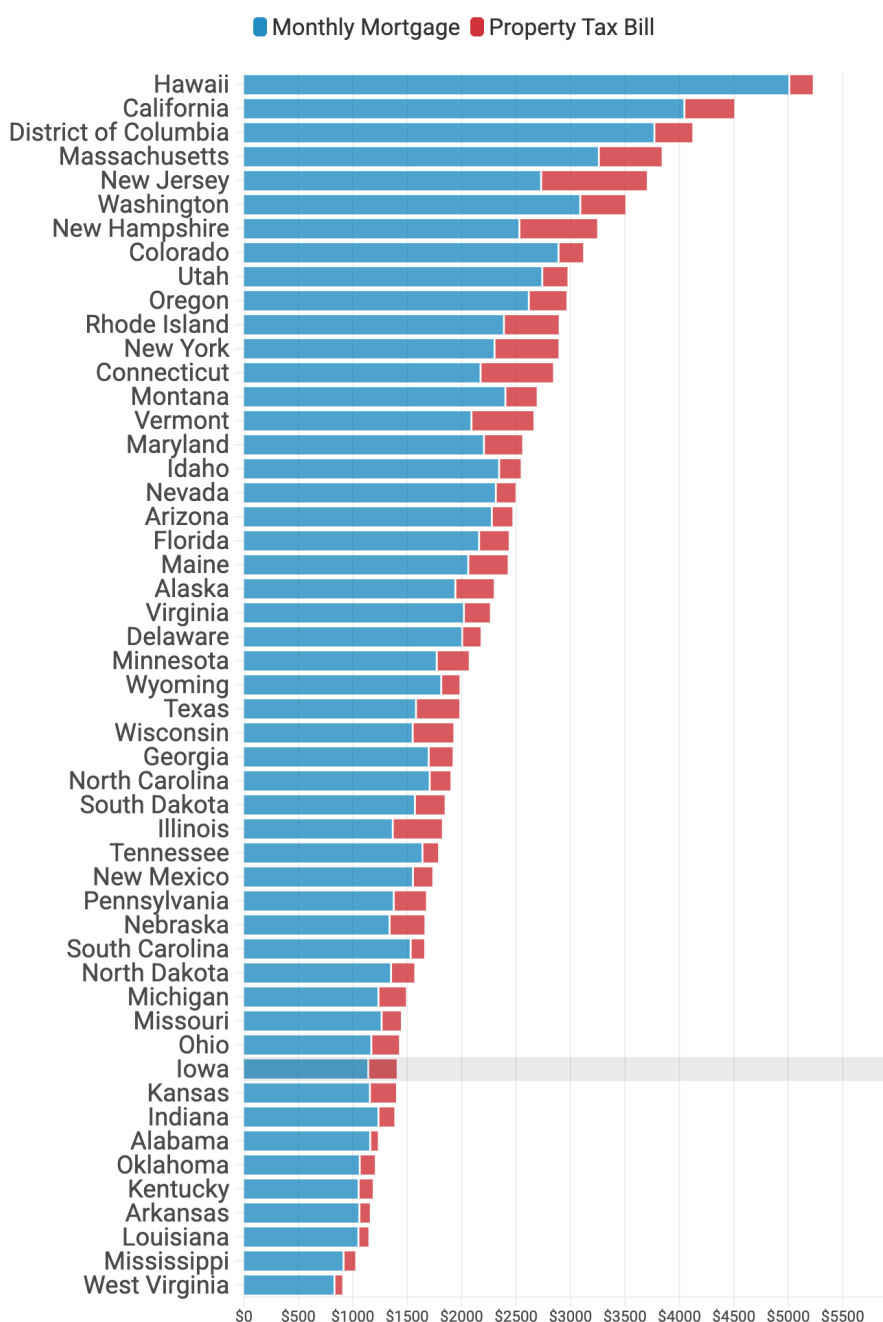
Note: Assumes a 20% down payment.

it did a year ago. Meanwhile, the average cost of a mortgage in the U.S. fell from 56 hours of work per month in March 2024 to 54 hours as of March 2025. This cost still exceeds Iowa's 39 hours of work required by nearly 40%. As of March 2025, Iowa had the 8th 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.

## Property Taxes

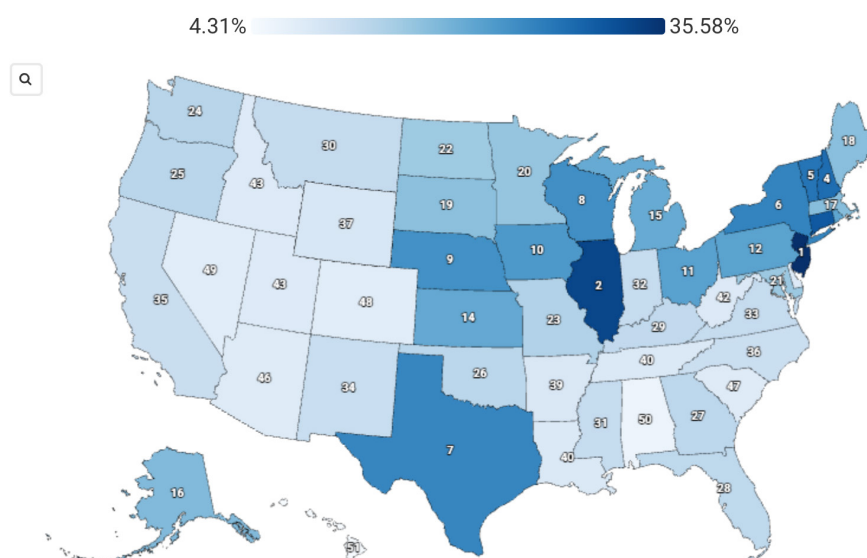
Property taxes impact all homeowners, but effective tax rates can vary significantly by state and locality. In an April 2025 report, CSI found Iowa had the 11th highest overall property tax burden nationally. This, however, measures the total property tax burden from all property classes, not just residential. Using a different measure, the Tax Foundation ranked Iowa 10th highest in the nation for average effective property tax rate on owner-occupied housing in 2023.<sup>3</sup> This is one spot lower than reported in 2022.<sup>4</sup> Figure 2 shows the monthly mortgage cost of a new home by state, with the average cost of property tax.

**FIGURE 2. MONTHLY MORTGAGE AND PROPERTY TAX COSTS PER STATE IN 2023**



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 7th lowest cost of homeownership in the nation in 2023, unchanged from 2022. When factoring in both monthly mortgage costs and property taxes, Iowa's rank fell to the 10th lowest in the nation, one spot higher than in 2022. Property taxes accounted for an average of 22.8% of the total monthly home cost in 2023, contributing significantly to costs for Iowa homebuyers. This is 0.6% lower than the 23.4% reported in 2022. 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."<sup>5</sup>

**FIGURE 3. PROPERTY TAXES AS A PERCENTAGE OF MONTHLY HOME OWNERSHIP COSTS, 2022**

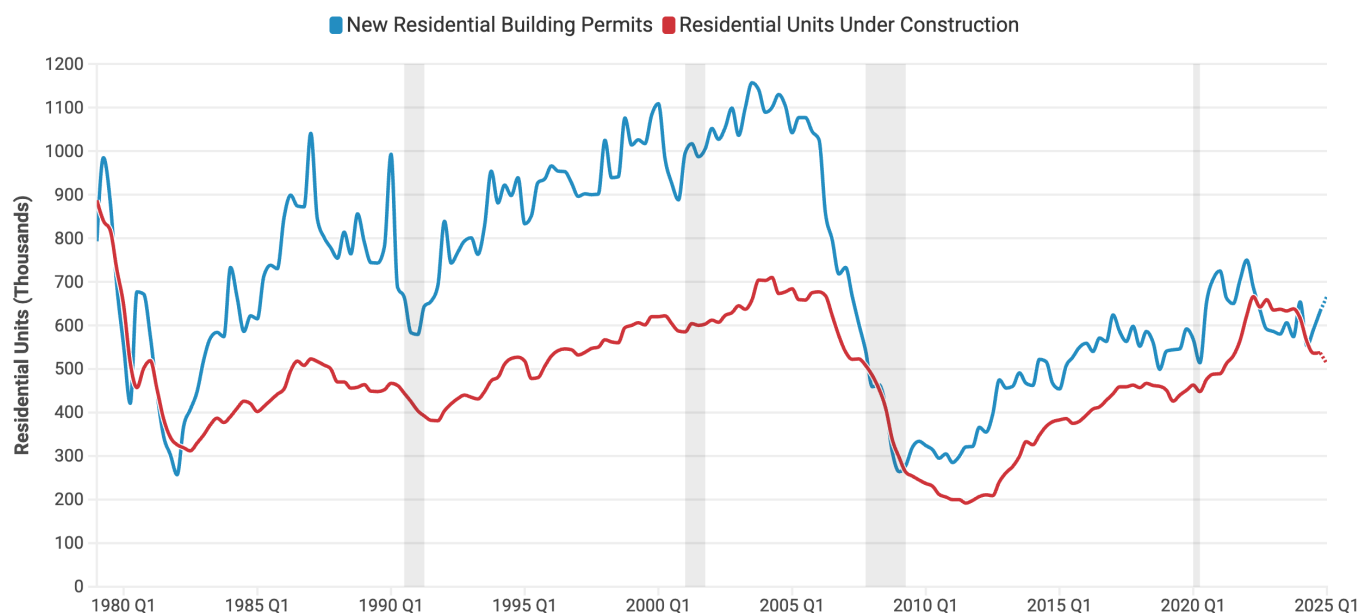




# HOUSING SUPPLY

Iowa is currently grappling with a housing shortage, according to the Iowa Finance Authority, which estimates the state will need tens of thousands of homes to reach adequate demand.<sup>6</sup> 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 pulled 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, 1980 TO 2025**



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

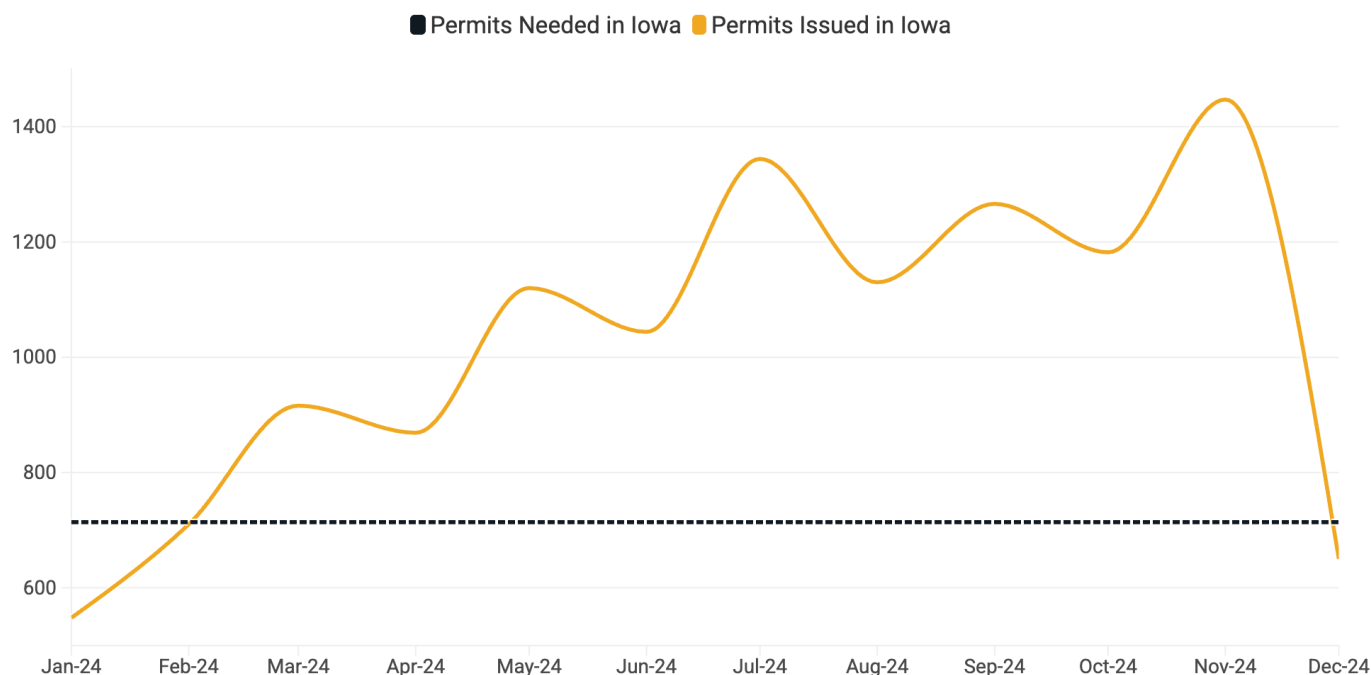
Low interest rates and rising home prices during and directly following the COVID-19 pandemic incentivized homebuilders to increase the construction of new homes across the country. Optimistic homebuilder activity in turn led to an acceleration in new homes built in 2021 and into 2022. Permits peaked in Q1 2022 and sharply declined over the next 18 months while interest rates experienced their steep ascent from around 3% to a high of nearly 8% in Q3 2023. Meanwhile, new construction remained elevated through the end of 2023. In 2024, new builds declined following the decline in permits the prior year. With just 291 thousand new units built in 2024, the Midwest experienced its largest one-year decline in new units under construction since 2009. Now the opposite appears to be taking place. While new residential units under construction fell 12.6% from February 2024 to February 2025, new permits rose 2.11%. This rise in permits suggests new construction could pick up later this year or next year. Even with the decline in new construction since the start of 2024, supply growth remains strong.

## Iowa on Track to Close Housing Shortage in 5 Years

Local jurisdictions in Iowa have issued between 10 and 12 thousand new permits each year since 2022.<sup>7</sup> 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-day 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, 2024**

Given the housing shortfall and historical population growth, Iowa needs to permit about 714 housing units every month to close the gap in 5 years; in November new permits peaked at 1,447. Throughout 2024, Iowa averaged 1,018 permits a month.



Source: [HUD](#), Census Bureau, CSI Estimates

Note: Permit counts for 2024 are preliminary and subject to revisions.

To close the housing shortfall within five years, CSI estimates Iowa localities would need to permit approximately 714 residential units per month statewide. New permit issuance peaked in November at 1,447, and the state averaged 1,018 permits a month. Despite the drop in preliminary permit data at the end of the year due to seasonal fluctuations, Iowa produced enough permits to 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 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.

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.

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

County	2021 Deficit	2022 Deficit	2023 Deficit	2024 Deficit Est.	Shortfall as % of Existing	5-year Construction Needed per Year	2024 Permits Est.	Years to close
Polk County	(2,457)	(4,381)	(4,655)	(2,380)	1.06%	2450	2,953	6.3
Linn County	(1,344)	314	(1,362)	(291)	0.28%	393	1,023	0.6
Scott County	(1,022)	(1,161)	(1,121)	(305)	0.38%	224	805	0.6
Johnson County	(554)	(840)	(154)	578			714	
Black Hawk County	167	(554)	404	1,021			287	
Dallas County	(1,127)	(149)	(785)	(312)	0.64%	2199	1,503	Gap widening
Woodbury County	(839)	(1,217)	(668)	(216)	0.49%	381	170	Gap widening
Dubuque County	(1,075)	(941)	(1,260)	(814)	1.85%	348	473	2.9
Story County	(320)	(759)	(345)	94			196	
Pottawattamie County	(1,018)	(1,236)	(1,159)	(1,206)	2.99%	249	679	1.9
<b>Iowa Shortage</b>	<b>(22,420)</b>	<b>(25,955)</b>	<b>(25,207)</b>	<b>(10,736)</b>	<b>0.73%</b>	<b>8573</b>	<b>12,226</b>	<b>3.1</b>

Source: HUD, Census Bureau, CSI Estimates

Note: Out-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 2024 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, according to CSI projections. Polk, Dubuque, and Pottawattamie continue to have shortages greater than 1% of all existing units. Despite this, Dubuque and Pottawattamie are still on track to close their shortages in under 5 years at their current rate of permit issuance and five-year population growth rate. Polk County will take over 6 years at its current rates. Dallas and Woodbury 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 country. While affordability has declined modestly over the past year—driven by rising home prices, slow income growth, and stubbornly high mortgage rates—the state continues to outperform national trends. Most importantly, Iowa is making tangible progress on housing supply. Permit activity in 2024 exceeded the necessary pace needed to close the statewide housing shortfall within five years, even as construction slowed in the broader Midwest. Supply challenges do, however, persist in high-growth counties like Dallas and Polk, where housing markets are not expected to eliminate their shortfalls in under five years. Until the Federal Reserve begins another round of rate cuts that push mortgage rates lower, maintaining elevated permit levels and lowering property taxes across the entire state would further increase the attractiveness of Iowa's housing market to would-be buyers.

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