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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

Housing affordability remains a persistent challenge nationwide, with home prices and mortgage rates continuing to strain household budgets. Yet, Iowa stands apart. As of mid-2025, the state remains among the ten most affordable housing markets in the country—both in absolute terms and relative to local wages. 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. But the picture is not uniformly positive. Supply growth is uneven across the state, with key population centers still facing measurable housing deficits. Property taxes also remain comparatively high, contributing to higher overall costs for homeowners. In this quarterly update, Common Sense Institute examines the latest data on affordability, housing supply, and property taxes, offering a mid-year assessment of where Iowa stands and how close the state is to fully closing its housing shortfall.

## KEY FINDINGS

- Compared with the other 49 states and D.C., Iowa has—
  - > the 8<sup>th</sup> most affordable housing market in absolute terms when factoring in only the cost of a new mortgage.
  - > the 8<sup>th</sup> most affordable housing market relative to what residents earn.
  - > the 8<sup>th</sup> most affordable housing market when factoring in property taxes.
- Property taxes accounted for an average of 19.7% of the total monthly home cost in June 2025, making Iowa 11<sup>th</sup> highest nationally for property taxes as a share of total payment.
- As of June 2025, 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 16 hours less than the national average.
- From June 2024 to June 2025, single-family home values in Iowa rose by 2.9%, according to Zillow.
- Under current trends, Iowa is on track to eliminate its housing shortage by the end of 2026. CSI estimates the state will have a deficit of 7,198 homes across Iowa in 2025 and is expected to resolve its shortage at the end of 2026 under current trends.
- Of Iowa's 10 largest counties, Pottawattamie County has the largest housing shortage with 2.52% (1,020) more homes needed, followed by Dubuque County with 0.87% (384) more needed and Polk County with 0.72% (1,633) more needed.
- At the current rate of housing supply growth, Polk, 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.
- While it cannot change mortgage rates, Iowa can increase housing affordability by increasing the supply of new units and reducing property taxes.

# HOUSING AFFORDABILITY

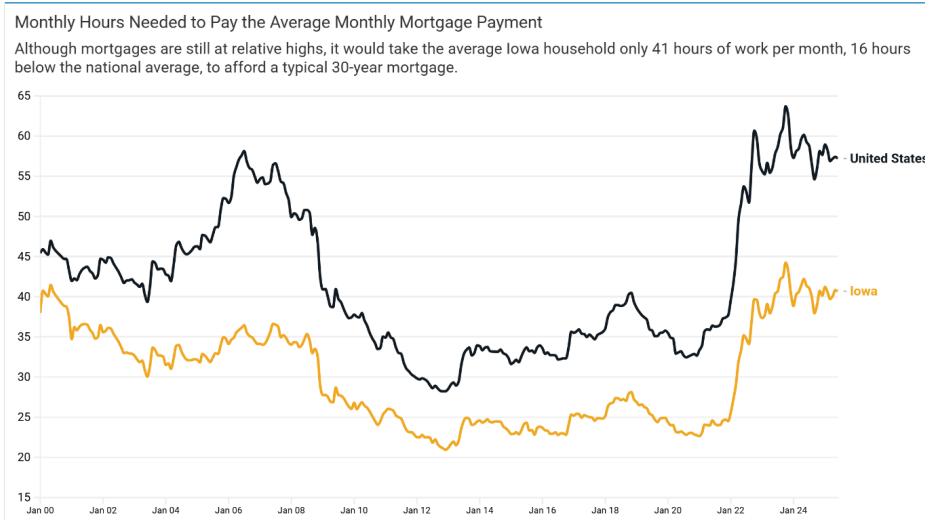
Since 2000, Iowa has consistently remained a relatively affordable state for homeownership. Even as mortgage rates and home prices rose sharply nationwide following the pandemic, Iowa's affordability advantage persisted. While the payment on a new mortgage in Iowa has nearly doubled in nominal terms since 2000, it remains as affordable today to own a typical home in Iowa as it was 25 years ago. In June 2025, the buyer of a typical single-family home in Iowa, earning an average wage for the state, worked 41 hours in a month to cover the cost of their mortgage.

In June 2000, the same required 41 hours of work.

In contrast, the typical U.S. homebuyer earning an average wage had to work 57 hours compared with just 47 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.

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



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

Note: Assumes a 20% down payment.

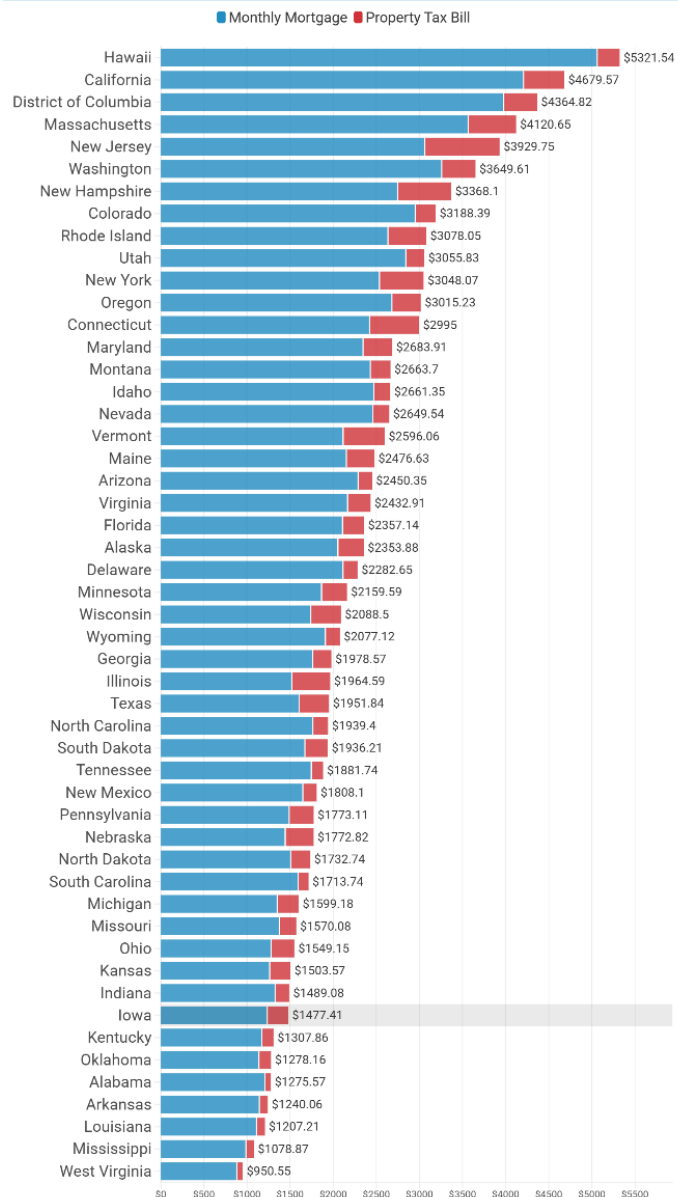
From June 2024 to June 2025, single family home values in Iowa rose by 2.9%, according to Zillow.<sup>1</sup> Meanwhile, the average rate on a 30-year mortgage fell slightly from 6.92% to 6.82%. This increased the monthly payment on a mortgage from \$1,218 to \$1,240—a 0.9% increase. Over the same period, hourly wages increased by just 3.1%.<sup>2</sup> Based on these changes, it now requires about the same per month to afford a mortgage in Iowa than it did a year ago. Meanwhile, the average cost of a mortgage in the U.S. fell from 59 hours of work per month in June 2024 to 57 hours as of June 2025. This cost still exceeds Iowa's 41 hours of work required by nearly 39%. As of June 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

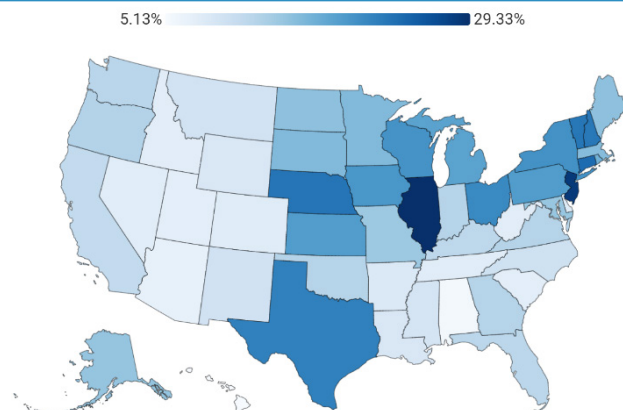
Property taxes impact all homeowners, but effective tax rates can vary significantly by state and locality. In an April 2025 report, CSI found Iowa had the 11<sup>th</sup> highest overall property tax burden nationally.<sup>3</sup> This ranking, however, measures the total property tax burden from all property classes, not just residential. Using a different measure, the Tax Foundation ranked Iowa 10<sup>th</sup> highest in the nation for the average property tax rate on owner-occupied housing in 2023.<sup>4</sup> This is one spot lower than reported in 2022.<sup>5</sup> Figure 2 shows the monthly mortgage cost of a new home by state in June 2025, including the average cost of property tax. The figure assumes effective tax rates for 2023 (the most recent available data), alongside the most recent June 2025 median home value estimates.

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 8<sup>th</sup> lowest cost of homeownership in the nation in June 2025. When factoring in both monthly mortgage costs and property taxes, Iowa's rank remained at 8<sup>th</sup> lowest in the nation. Property taxes accounted for an average of 19.7% of the total monthly home cost in June 2025, contributing significantly to costs for Iowa homebuyers and ranking Iowa as the 11<sup>th</sup> 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."<sup>6</sup>

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



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

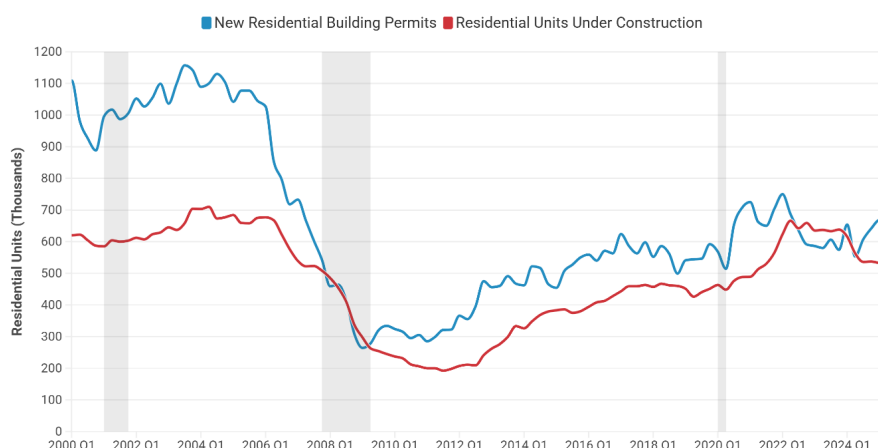


# HOUSING SUPPLY

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 \[UNDCONMWTS\]](#)

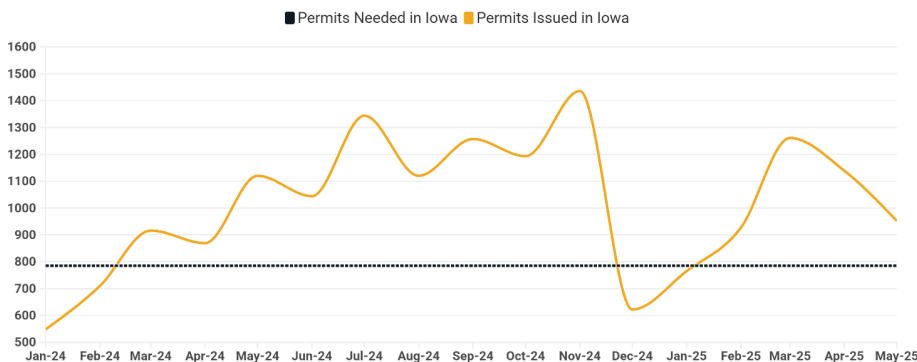
In Q2 2025, Midwest residential building permits climbed to 628 thousand units, up from 553 thousand a year ago—a 13.5% increase and the first annual gain since the post-pandemic slowdown. Meanwhile, construction activity continued to edge down 0.88%, with 558 thousand units under construction compared to 563 thousand the prior year. This inverse between permitting and building reflects a common lag following cyclical downturns: permitting often recovers before construction does, especially when elevated interest rates and input costs remain in play.<sup>7</sup> For Iowa, where demand pressures are less acute than in faster-growing states, this dynamic suggests supply growth has not reversed. Nonetheless, the rate of supply growth has clearly cooled. 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 on track to close housing shortage by end of 2026

Local jurisdictions in Iowa have issued between 10 and 12 thousand new permits each year since 2022.<sup>8</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, JANUARY 2024 TO MAY 2025**

Given the housing shortfall and historical population growth, Iowa needs to permit about 785 housing units every month to close the gap in 5 years. This is up from 714 in 2024. Throughout 2025, Iowa averaged 1,008 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 785 residential units per month statewide. This is up from 714 permits per month in 2024. New permit issuance peaked in November 2024 at 1,447, and the state has since averaged 1,008 permits per month through May 2025. Despite a recent drop in preliminary permit data, 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.

**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)	(2,375)	(1,633)	0.72%	2690	4222	1.1
Linn County	(1,347)	316	(1,369)	(291)	1,041			708	
Scott County	(1,022)	(1,161)	(1,121)	(304)	395			511	
Johnson County	(554)	(839)	(153)	576	1,036			877	
Black Hawk County	167	(554)	404	1,022	1,580			225	
Dallas County	(1,127)	(149)	(784)	(311)	(65)	0.13%	2166	905	Gap widening
Woodbury County	(839)	(1,217)	(668)	(216)	(159)	0.36%	378	271	1.0
Dubuque County	(1,075)	(941)	(1,260)	(810)	(384)	0.87%	250	348	1.0
Story County	(320)	(759)	(345)	93	145			211	
Pottawattamie County	(1,018)	(1,236)	(1,159)	(1,207)	(1,020)	2.52%	232	406	2.3
<b>Iowa Shortage</b>	<b>(22,425)</b>	<b>(25,964)</b>	<b>(25,214)</b>	<b>(10,739)</b>	<b>(7,198)</b>	<b>0.49%</b>	<b>9426</b>	<b>12074</b>	<b>1.1</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 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 one county, Pottawattamie, is expected to have a housing deficit greater than 1% of all existing units in 2025. Despite this, Pottawattamie 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, Woodbury, and Story County are expected to close their gaps by the end of 2026, assuming permitting trends stay consistent. The state as a whole is also on track to completely close its shortage by the end of 2026, 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 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 mounting pressures on affordability. Home prices have continued to rise modestly, but Iowa's affordability advantage has held thanks in part to a stable pace of homebuilding. Permit issuance remains ahead of the pace needed to eliminate the state's housing shortage by the end of 2026, even as construction activity moderates in the broader Midwest. Still, progress is uneven. Populous counties like Dallas and Pottawattamie risk falling short if permitting slows further or population growth accelerates faster than expected. Moreover, high property taxes remain a structural headwind for affordability. Future progress will depend not only on sustaining permit volumes, but also on actual completions, vacancy rates, and continued population shifts. Without that alignment, the state's projected timeline to close its housing gap could slip, leaving some local markets constrained for years to come.

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