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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 elevated and home prices slightly higher than the previous year 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. Continued growth in Iowa's housing supply supports that affordability edge and can help temper price increases.[1] That progress, however, is uneven. Major population centers still face housing deficits greater than 1% of existing units. Permitting rose in the third quarter of 2026, yet year-to-date issuance still trails the 2025 pace. Property taxes continue to add a substantial premium to monthly homeownership costs as homeowners wait for the benefits of Iowa's 2026 property tax relief to show up on their tax bills.

This quarterly update begins with the latest data on housing affordability and property taxes. It then turns to housing supply. Finally, it assesses how close the state is to closing its housing shortfall.

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 17.8% of the total monthly home cost in October 2026, giving Iowa the 9th-highest share nationally. This ranking does not account for Iowa's property tax reforms passed in May 2026.
- As of September 2026, the average Iowan needed to work 40 hours per month to afford a new mortgage payment on a typical new single-family home. That is 15 fewer hours than the national average.
- From September 2025 to September 2026, single-family home values in Iowa rose by 3.3%, according to Zillow.

HOUSING SUPPLY

- CSI estimates Iowa will have a deficit of 8,077 homes in 2026 but is expected to resolve its shortage by 2028 under current trends.
- In 2025, new single-family homes in the West North Central division, which includes Iowa, took an average of 8.4 months from permit to completion, faster than the 8.8-month average in the rest of the United States. Regional timelines have fallen 1.6 months since peaking at 10.0 months in 2023 (figure 5).
- In Q3 2026, Iowa issued 3,725 residential building permits, a 10.3% increase from the 3,377 issued in Q3 2025. Through the first three quarters of 2026, Iowa issued 9,825 permits, 3.8% fewer than the 10,209 issued over the same period in 2025.
- At current trends, three of Iowa's 10 most populous counties are expected to have a housing deficit greater than 1% of all existing units in 2026, according to CSI projections. That count is down from seven counties in 2023 and five in 2024, and it matches the three recorded in 2025.
- At the current rate of housing supply growth and updated population growth estimates, Polk, Scott, Johnson, Dubuque, and Pottawattamie counties are on track to close their housing shortages in less than five years, and Woodbury is on track to close its shortage in less than 10 years. Dallas County will continue to experience a shortage for the foreseeable future.

HOUSING AFFORDABILITY

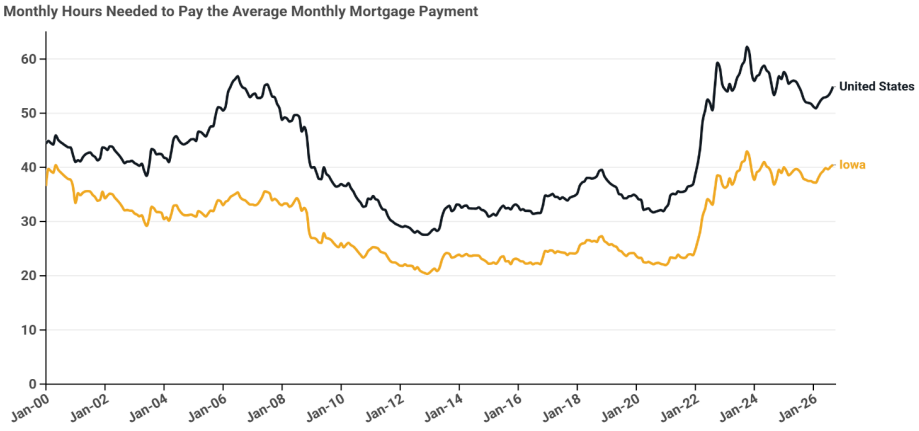
Since 2000, Iowa has remained a relatively affordable state for homeownership. Even as mortgage rates and home prices rose sharply nationwide following the pandemic, Iowa's affordability advantage persisted. Although the payment on a new mortgage in Iowa has doubled in nominal terms since 2000, owning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

"[R]elative to wages, it remains about 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 55 hours compared with just 44 in 2000."

In September 2026, the buyer of a typical single-family home in Iowa, earning an average wage for the state, worked 40 hours a month to cover the cost of their mortgage. In September 2000, a comparable purchase required 38 hours of work. In contrast, a typical U.S. homebuyer earning an average wage had to work 55 hours a month in September 2026, compared with just 44 in September 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

Although mortgages remain relatively high, it would take the average Iowa household only 40 hours of work per month, 15 hours below the national average, to afford a typical 30-year mortgage.



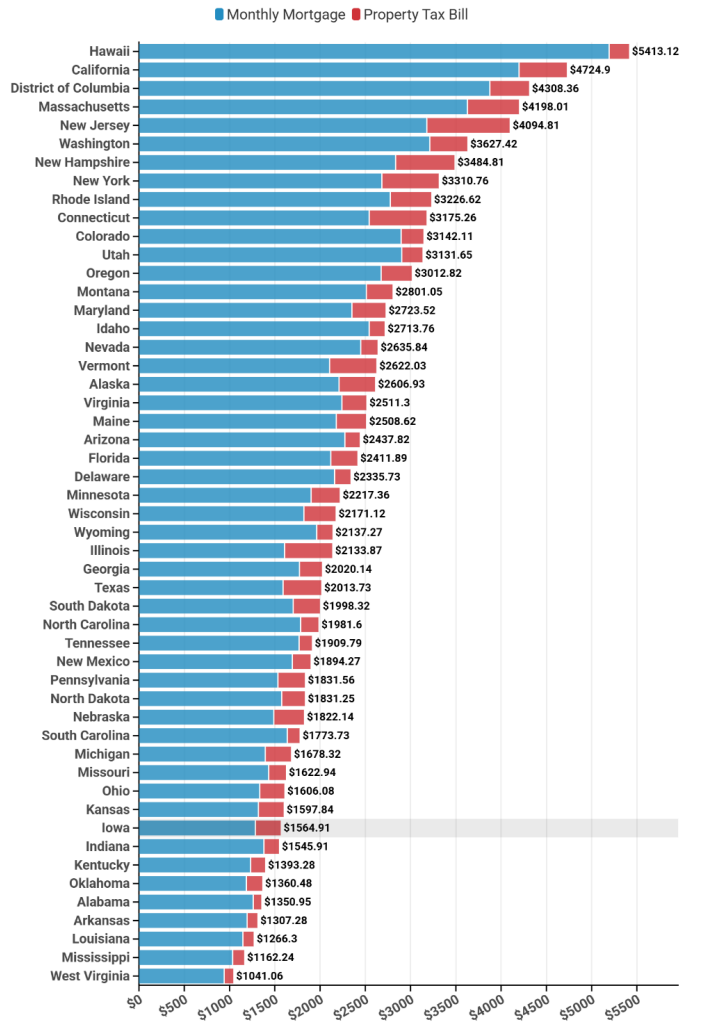
Source: Zillow, U.S. Bureau of Labor Statistics, FRED, CSI Calculations
Note: Assumes a 20% down payment.

Single-family home values in Iowa rose by 3.3% from September 2025 to September 2026, according to Zillow.[2] As of September 2026, Iowa had the 12th most affordable housing market in the nation relative to what residents earn. That rank is unchanged from Q2 2026.[3] Although Iowa remains affordable relative to the United States, homeownership costs remain less affordable than they were in the two decades prior to 2022, especially for new homeowners. Property taxes are the largest non-mortgage component of homeownership costs.[4] The following subsection examines property taxes and how Iowa compares with the nation.

Property Taxes

Property taxes affect 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.[5] 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 ninth highest in the nation for the average effective property tax rate on owner-occupied housing in 2024.[6] This reflects an improvement from 2023, when Iowa ranked 10th highest.[7] Figure 2 shows the monthly mortgage cost of a new home by state in October 2026, including the average cost of property tax. The figure applies 2025 effective tax rates, the most recent available, to median home value estimates for October 2026.

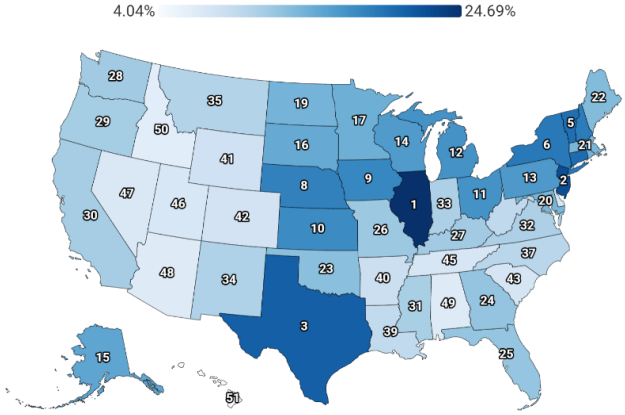
FIGURE 2. MONTHLY MORTGAGE AND PROPERTY TAX COSTS BY STATE, OCTOBER 2026



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

Although Iowa has some of the highest property taxes in the nation, it remains one of the most affordable states for homeownership, even when property taxes are included. Based on mortgage costs alone, Iowa had the eighth-lowest cost of homeownership in the nation in October 2026, unchanged from June 2026. When property taxes are added to monthly mortgage costs, Iowa's rank falls to ninth lowest in the nation, also unchanged from June. Property taxes accounted for an average of 17.8% of the total monthly home cost in October 2026, contributing significantly to costs for Iowa homebuyers and representing the ninth-highest share nationally. Because the most recently available U.S. Census Bureau statistics are from 2025, this analysis does not account for Iowa's property tax reforms passed in May 2026.[8]

FIGURE 3. PROPERTY TAXES AS A PERCENTAGE OF MONTHLY HOMEOWNERSHIP COSTS, OCTOBER 2026



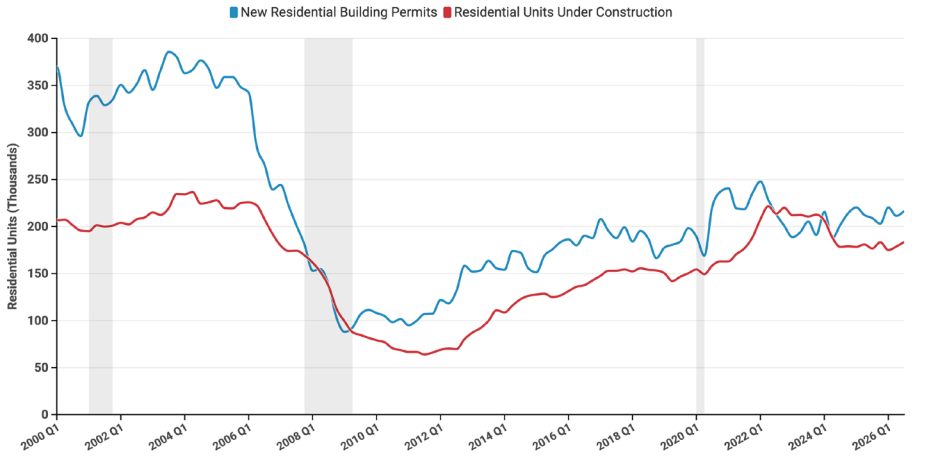
Source: Zillow, U.S. Bureau of Labor Statistics, U.S. Census Bureau, CSI Calculations

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 would improve Iowa's local property tax burden rank from 10th most burdened in the nation in fiscal year 2023 to 16th by fiscal year 2033.[9] These reforms will change how assessed values and levy rates translate into an owner's annual bill. While these reforms reduce property taxes on net across the state and lower property taxes for most homeowners, they also increase effective tax rates on multifamily homes. Some have raised concerns that increasing taxes on multifamily residences will result in fewer new units coming under construction.[10] Future editions of this analysis will reflect the direct effects of these reforms on property tax burdens as annual Census Bureau data for all 50 states become available.

HOUSING SUPPLY

Iowa has 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. Together, these two measures offer a reliable signal 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 2026



Source: FRED [PERMITMW], FRED [UNDCONMWTSA]

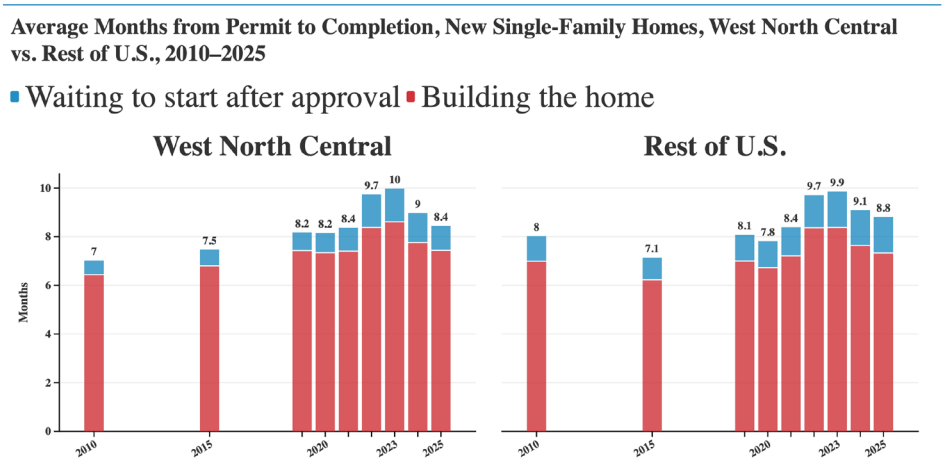
In Q3 2026, Midwest residential building permits rose to a seasonally adjusted annual rate of 216,300 units, 3.5% higher than the 209,000 a year earlier. The number of units under construction also rose 4%, to 183,600 from 176,600 a year earlier.[11] The gap between permitting and construction remains narrow by historical standards—well below the wide gap that emerged through 2021 and 2022. Because permits lead construction by several quarters, the 3.5% rise in permits signals that builder interest in the Midwest is growing at a modest, steady pace. The 4% increase in units under construction tracks closely with that permit growth, which indicates that new approvals are moving into active construction at roughly the same rate. If permitting continues to grow at its current pace, construction activity is likely to keep rising modestly in the coming quarters.

Regional supply trends

Permits signal builder interest, but a permit adds to the housing stock only once the home is finished. The time between approval and completion therefore determines how quickly permitting activity becomes supply that can ease prices. According to the U.S. Census Bureau's Survey of Construction, that timeline lengthened across the country over the past decade and peaked shortly after the pandemic.[12]

Figure 5 splits the average time from permit to completion for new single-family homes into two parts. The first is the wait between permit approval and the start of construction. The second is the construction period itself. The figure compares the West North Central Census division, which includes Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota, with the rest of the United States.

FIGURE 5. AVERAGE MONTHS FROM PERMIT TO COMPLETION, NEW SINGLE-FAMILY HOMES, WEST NORTH CENTRAL VS. REST OF U.S., 2010–2025



Source: U.S. Census Bureau Survey of Construction, CSI Calculations
Note: Excludes years without available data. Figures for recent years may be revised as longer builds are completed.

In 2010, a new single-family home in the West North Central division took an average of 7.0 months from permit to completion, a full month faster than the 8.0 months elsewhere in the country. That advantage narrowed over the following decade as regional timelines lengthened. From 2019 to 2023, new builds in the region took as long as or slightly longer than builds in the rest of the nation. Timelines in both areas peaked in 2023, at 10.0 months in the West North Central division and 9.9 months elsewhere. While reduced build times drove most of the post-pandemic construction recovery, the region has recovered faster than the rest of the United States due to falling wait times before breaking ground. By 2025, the average West North Central home took 8.4 months from permit to completion—1.6 months less than at the peak and back to its 2021 level. The rest of the country averaged 8.8 months, still above its 2021 level of 8.4 months.

The West North Central region recovered more quickly than the rest of the United States because builders there broke ground with less lag time after receiving a permit. In 2022, builders in Iowa's division took approximately the same amount of time to break ground after a permit was issued as in the rest of the United States, 1.4 months and 1.3 months, respectively. Since then, however, West North Central builders began breaking ground sooner, typically 1–1.25 months after a permit was issued. In contrast, builders in the rest of the nation began taking longer to begin construction, with post-permit wait times climbing to 1.5 months. Over the same period, build times remained comparable between the region and the U.S., going from 8.4 months in 2022 to 7.4 in 2025 for the region and 8.4 to 7.3 for the rest of the U.S.

Overall, Iowa's division completes homes faster after permits have been issued, though that is due to quicker start times rather than a shorter construction period.

Two caveats apply to the recent improvement. First, homes with the longest build times are the last to be completed and therefore the last to enter the data, so figures for the most recent years may understate final timelines and could be revised upward. Second, the data describe the West North Central division as a whole rather than Iowa alone. Even so, the data indicate that permitted homes in Iowa's region currently reach the market somewhat faster than in the rest of the country. Future CSI research could examine permitting and construction timelines in Iowa in more detail. The following subsection turns to Iowa's own permit data to assess how close the state is to closing its housing shortage.

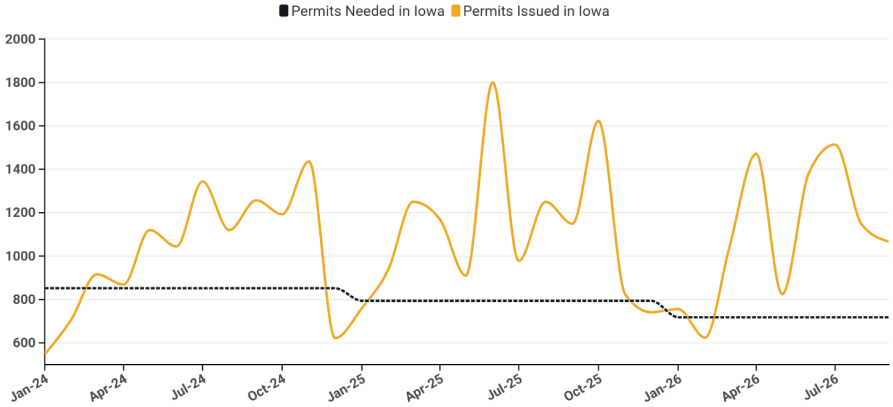
Iowa is on track to close its housing shortage by 2028

Local jurisdictions in Iowa issued between 10,000 and just over 12,000 new permits each year from 2021 to 2024.[13] In 2025, permitting reached 13,395, the highest level since 2005.[14] This increase has helped narrow Iowa's housing gap, easing shortages most notably in the 10 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 its Q2 2026 housing affordability report, CSI estimated a deficit of 8,077 homes.[15] The same report also estimated that if construction trends continue, the shortage should disappear by 2028. In Q3 2026, Iowa issued 3,725 permits, a 10.3% increase from the 3,377 issued in Q3 2025. Despite the year-over-year increase in the third quarter, year-to-date permitting remains behind the 2025 pace. Through the first three quarters of 2026, Iowa issued 9,825 permits, 3.8% fewer than the 10,209 issued over the same period in 2025. This does not guarantee that 2026 will finish below 2025, but the first three quarters point in that direction. Final permit data could point to a different conclusion. Figure 6 compares the state's monthly permit issuance since January 2024 with the permits needed to close the gap.

As figure 6 shows, new permit issuance through September 2026 exceeds the monthly permits needed to close Iowa's housing shortage. To close the housing shortfall within five years, CSI estimates Iowa localities would need to permit approximately 718 residential units per month statewide. That figure is down from 794 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 1,091 permits per month, well above the 718 needed to close the shortfall within five years. However, not every county is on track to close its gap within five years.

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

Given the housing shortfall and historical population growth, Iowa needed to permit about 794 housing units per month in 2025 to close the gap within five years. In 2026, that figure falls to 718 per month as population growth slows. So far this year, Iowa has averaged 1,091 permits a month.



Source: HUD, Census Bureau, CSI Estimates

Note: Permit counts for 2026 are preliminary and subject to revision.

All but one of Iowa's 10 most populous counties are closing their housing shortage

In table 1, CSI reports supply and building information for Iowa and its 10 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 also estimates the average number of new homes needed each year to resolve each area's shortage. Estimates for 2025 and 2026 have been revised since CSI's Q2 2026 report on housing affordability in Iowa due to new 2025 American Community Survey data from the Census Bureau.[16]

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

County	2021 Deficit	2022 Deficit	2023 Deficit	2024 Deficit	2025 Deficit	2026 Deficit Est.	Shortfall as % of Existing	5-year Construction Needed per Year	2026 Permits Est.	Years to close
Polk County	(2,442)	(4,366)	(4,640)	(948)	(2,182)	(1,154)	0.50%	2,380	4,305	0.6
Linn County	(1,340)	323	(1,361)	381	(448)	984			874	
Scott County	(1,016)	(1,155)	(1,116)	(1,233)	(649)	(18)	0.02%	180	540	0.0
Johnson County	(549)	(834)	(148)	(700)	(511)	(85)	0.12%	742	1,157	0.2
Black Hawk County	171	(550)	408	(138)	(386)	28			309	
Dallas County	(1,124)	(146)	(781)	(853)	(757)	(892)	1.75%	2,322	1,442	Gap widening
Woodbury County	(836)	(1,214)	(665)	(385)	(903)	(939)	2.14%	493	204	9.4
Dubuque County	(1,072)	(937)	(1,482)	(1,257)	(737)	(285)	0.64%	213	315	1.0
Story County	(317)	(756)	(342)	1,014	(262)	(298)			216	
Pottawattamie County	(1,015)	(1,233)	(1,156)	(1,182)	(1,089)	(881)	2.14%	182	339	2.3
Iowa Shortage	(22,323)	(25,861)	(25,110)	(20,777)	(12,883)	(8,077)	0.55%	8,628	12,905	1.0

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 2026 actual market conditions.

Among the counties listed in table 1, only Woodbury, Dallas, and Pottawattamie counties are expected to have a housing deficit greater than 1% of all existing units in 2026, according to CSI projections. That count is down from seven counties in 2023 and five in 2024, and it matches the three recorded in 2025. Five counties—Polk, Scott, Johnson, Dubuque, and Pottawattamie—are on track to close their shortages in less than five years at their current rates of permit issuance and five-year population growth. Woodbury County is on track to close its shortage in less than 10 years. 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 close its shortage by 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 10 most populous counties that will continue to have a shortage for the foreseeable future, as population growth is exceeding the necessary level of new permit issuance, causing vacancy rates to remain low.

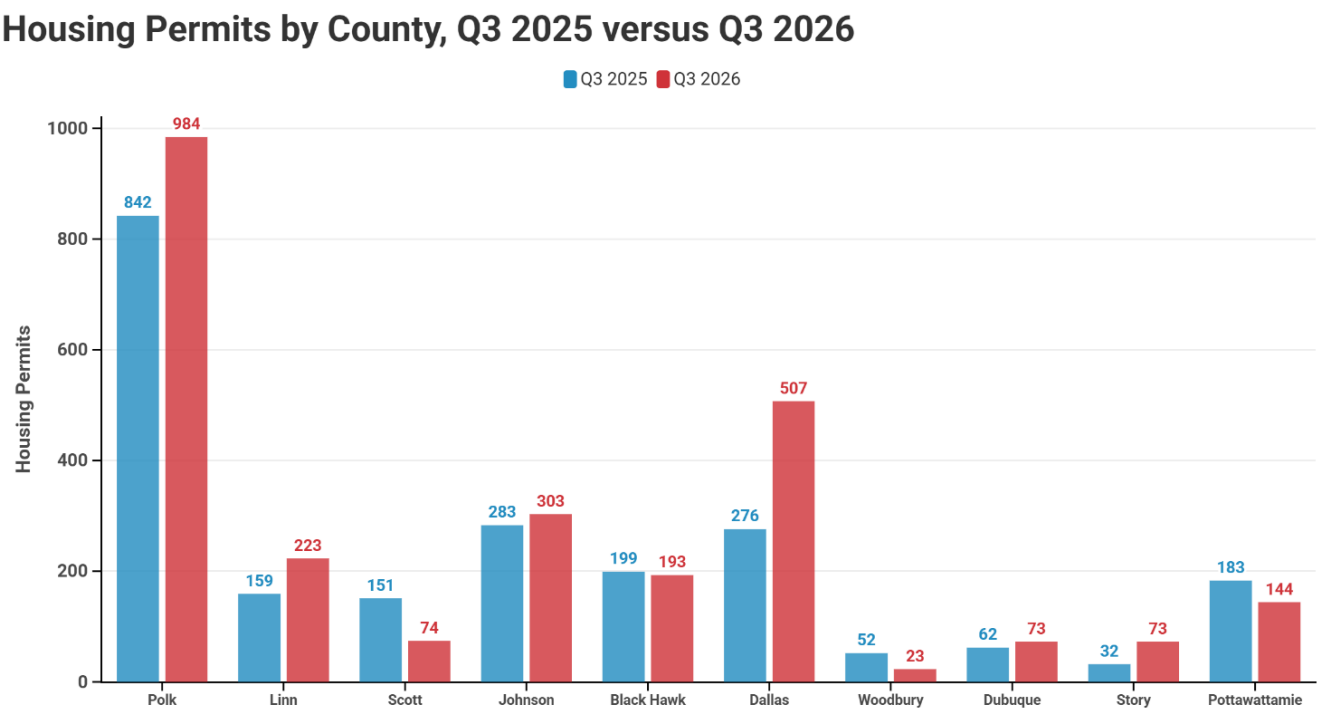
BOTTOM LINE

Iowa remains one of the most affordable housing markets in the nation, even after the pandemic shock to the housing market. Construction times are recovering and permitting activity remains sufficient to keep the state on its trajectory to close the housing shortage by 2028. Common Sense Institute projects most of Iowa's largest counties with a shortage will eliminate their deficits within five years. Risks to that favorable statewide outlook remain concentrated in high-growth counties such as 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 homeowners, though tax increases for multifamily properties could reduce affordability for some, especially renters, and could reduce the number of new units under construction. Future CSI research may explore the effects of these reforms in more detail.

APPENDIX

FIGURE 7. HOUSING PERMITS BY COUNTY, Q3 2025 VERSUS Q3 2026



Source: HUD SOCDS

ENDNOTES

1. Linlin Liang, Adam Staveski, and Alex Horowitz, "Minneapolis Land Use Reforms Offer a Blueprint for Housing Affordability," The Pew Charitable Trusts, January 4, 2024, https://www.pew.org/en/research-and-analysis/articles/2024/01/04/minneapolis-land-use-reforms-offer-a-blueprint-for-housing-affordability. Similar growth in housing supply has been shown to reduce housing prices in nearby Minneapolis even as other regions see steeper costs; the same economic principles drive supply, demand, and price changes in Iowa.
2. Zillow, "Housing Data," accessed through ZHVI Single-Family Homes Time Series ($), 2026, https://www.zillow.com/research/data/.
3. Andrzej Wieciorkowski, "Housing Affordability in Iowa: Q2 2026," Common Sense Institute Iowa, July 30, 2026, https://commonsenseinstituteus.org/iowa/research/housing-affordability-in-iowa-q2-2026/.
4. Wieciorkowski, "Housing Affordability in Iowa: Q2 2026."
5. Ben Murrey and Andrzej Wieciorkowski, "Iowa's Largest Property Tax Reform in Decades Changes the U.S. Tax Burden Map," Common Sense Institute Iowa, June 5, 2026, https://www.commonsenseinstituteus.org/iowa/research/taxes-and-fees/iowas-largest-property-tax-reform-in-decades-changes-the-us-tax-burden-map.
6. Janelle Fritts, "Property Taxes by State and County, 2026," Tax Foundation, March 16, 2026, https://taxfoundation.org/data/all/state/property-taxes-by-state-county/.
7. Janelle Fritts, "Ranking Property Taxes on the 2023 State Business Tax Climate Index," Tax Foundation, May 30, 2023, https://taxfoundation.org/data/all/state/ranking-property-taxes-2023/.
8. "Gov. Reynolds signs property tax relief bill, other bills into law," State of Iowa, May 19, 2026, https://governor.iowa.gov/press-release/2026-05-19/gov-reynolds-signs-property-tax-relief-bill-other-bills-law.
9. Murrey and Wieciorkowski, "Iowa's Largest Property Tax Reform."
10. Michael Crumb, "Developers, Property Owners Raise Concerns About Senate Property Tax Reform Bill," Business Record, April 21, 2026, https://www.businessrecord.com/developers-property-owners-raise-concerns-about-senate-property-tax-reform-bill/.
11. Correction: Previous editions of this report overstated the levels of Midwest building permits and units under construction because of an error in how monthly data were aggregated to quarterly values. Because the error affected all periods equally, the reported growth rates and the conclusions drawn from them are unchanged. The figures in this edition have been corrected, and future editions will use the revised method.
12. U.S. Census Bureau, "Survey of Construction (SOC)," accessed October 2026, https://www.census.gov/construction/soc/index.html.
13. U.S. Department of Housing and Urban Development, "Building Permits Database," accessed October 2026, https://socds.huduser.gov/permits/.
14. U.S. Department of Housing and Urban Development, "Building Permits Database."
15. Wieciorkowski, "Housing Affordability in Iowa: Q2 2026."
16. U.S. Census Bureau, "American Community Survey Data Tables," accessed October 2026, https://www.census.gov/programs-surveys/acs/data/data-tables.html.