

# Sentiment Survey on Current Conditions for Housing Development in Iowa

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## 2021 SURVEY RESULTS

*Daniel Kuhlmann*

### Introduction

The Sentiment Survey on Current Conditions for Housing Development in Iowa is an annual survey that captures the opinions of real estate professionals regarding current conditions for housing development across the state. Respondents are asked about their sentiment on housing in general, as well as what factors drive either their positive or negative views on housing-development prospects. This year's survey is the first iteration of an annual study that will track how sentiment in terms of housing development changes over time.

The survey is supported by the Iowa State University Extension and Outreach Community and Economic Development program. The author thanks the real estate and housing specialists who participated in this survey.

### COVID-19

In addition to sentiment questions about housing development in general, the 2021 survey included supplemental questions related to the COVID-19 pandemic. Respondents were asked how they believe the pandemic has changed housing demand in urban/suburban and rural communities, and whether they think the pandemic has affected the availability and cost of building materials. Those who reported that the cost of building materials increased because of the pandemic were asked to provide an approximate estimate of the scale of this increase.

### Key Findings

- More than 70% of survey respondents reported that developing new housing in urban/suburban communities in 2021 was more difficult than last year, and 66% disclosed that it was harder in 2021 than five years ago.
- Forty-seven percent of respondents reported developing housing in rural areas was harder in 2021 than one year ago, and 48% indicated that it was more difficult than five years ago.
- Only 3% of respondents think developing housing in urban/suburban communities was easier in 2021 than during the previous year, and only 5% believe that conditions have improved in rural areas.
- Twenty-one percent of respondents believe that development conditions in urban/suburban communities will improve in the coming year, and only 13% anticipate improvements in rural communities.

- Survey participants reported that in both urban/suburban and rural areas, the most common reason for deteriorating development conditions was the cost of materials, followed by availability of labor, cost of land, and sales prices/asking rents.
- The Covid-19 pandemic has affected both supply and demand for housing across Iowa. Eighty-one percent and 61 % of respondents reported that the pandemic increased demand for housing in urban/suburban and rural communities, respectively. And most respondents believe the pandemic had increased the cost of development. Ninety-nine percent of respondents stated that the pandemic has increased the cost of building materials, and 84% believe that it made hiring skilled labor more difficult.

## Methodology

The survey was posted online through the months of July and August 2021 and respondents were self selected. The Iowa chapters of the Urban Land Institute, the American Planning Association, American Institute of Architects, and National Associations of Realtors shared a link to the survey in regular email newsletters with their members. In addition, email invitations were sent directly to the membership of the Iowa Homebuilders Associations and those registered with the State of Iowa as building contractors or developers. Because real estate professionals is a difficult population to define and likely rather fluid, a wide net was cast, in which participants with no real estate and housing development knowledge were recruited.

Because survey respondents were self-selected, the ability to make inferences about the population of Iowa real estate professionals is limited. However, the survey results still offer insight into development perceptions across the state. The results thus provide useful information about the state of the housing development industry in Iowa and the factors that affect development across the state.

## Survey Design

The survey is designed to gauge how real estate professionals view the conditions for housing development across the state and is intended to be general and widely applicable. At the same time, development in urban/suburban areas is addressed separately from development in rural communities. This distinction is important because housing markets differ dramatically between urban and rural communities. This design allows for the study of whether the cost of land, availability of skilled labor, housing demand, etc., differ consequentially in Iowa's metropolitan areas from its smaller rural communities.

### WHAT DOES THE SURVEY ASK?

Respondents were asked to compare the ease of developing housing in 2021 with one year ago and five years ago. The survey also measured how professionals anticipate development will change in the coming year, asking them to predict how development conditions in 2022 will compare with those in 2021. As previously noted, the questions were asked twice, first in regard to development in urban/suburban communities, then again for development in rural areas.

In addition to these general sentiment questions, respondents who believe that development conditions have changed were asked to explain what they think has contributed to these changes. For example, those who believe developing housing has become harder, were asked to identify what factors (e.g., prices, material costs, labor, etc.) have contributed to this change. These questions capture not only changes in general sentiment but also the factors that are driving perceived changes in development conditions.

## Results

A total of 209 people from a variety of real estate professions responded to the survey. In Table 1 a summary is presented of the professional and demographic characteristics of those who responded. Nineteen percent of respondents listed development as their primary occupation (4% multifamily, 7% home builders, and 16% multiple property types). Twenty-two percent of respondents were contractors, 14% planners or local government officials, and 16% realtors. Most (56%) of respondents were male and most (55%) have at least a four-year college degree. (See table 1.)

One challenge with studying rural housing development in Iowa is that rural construction is relatively rare, making it difficult to find those with expertise in such projects can be difficult. Therefore, respondents were asked whether they had worked on a project outside of a major Iowa metro area in the last five years. Surprisingly, most respondents do have some rural development experience. More than 40% of respondents had worked on a rural development project, while 23% had worked only in urban and suburban communities. Nineteen percent had not directly worked on a development project anywhere in the state.

**Table 1. Information about respondents**

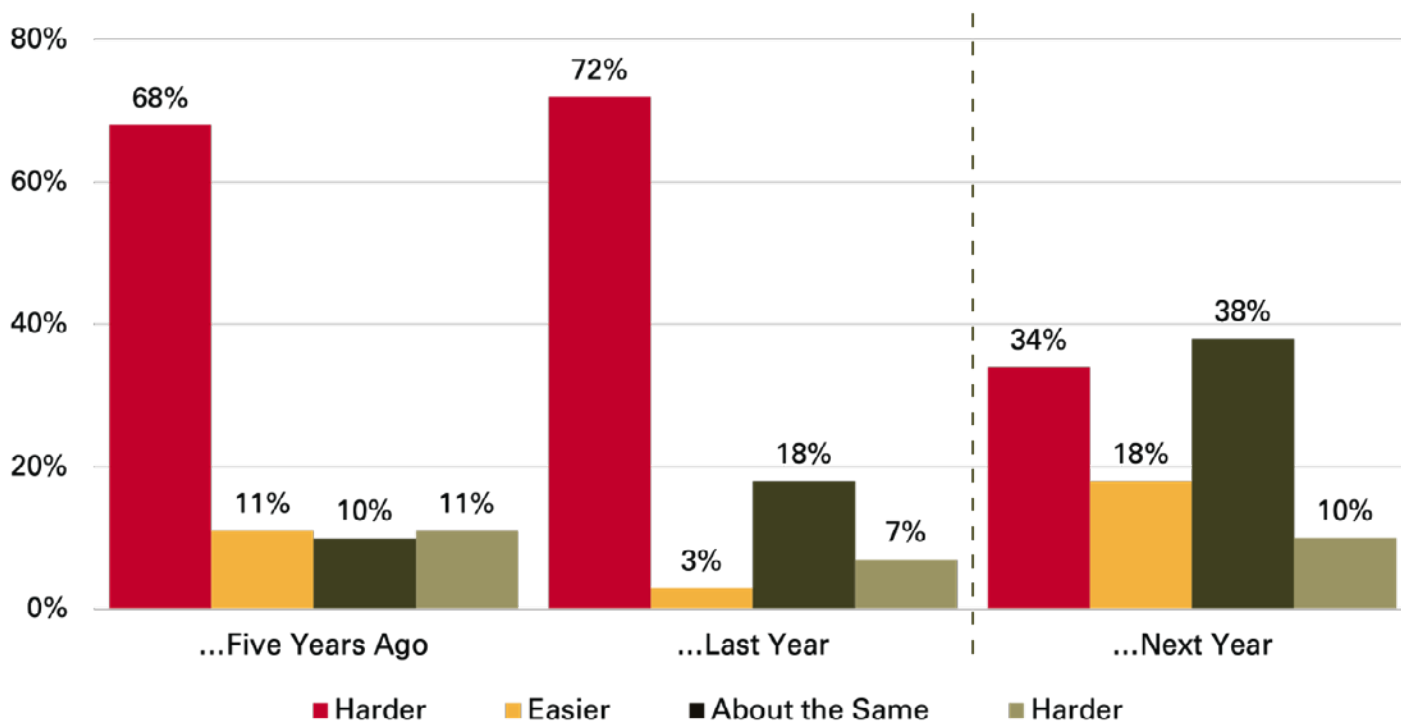
	NUMBER	PERCENT
<b>PRIMARY OCCUPATION</b>		
General Contractor and Skill Tradesperson	46	22%
Real Estate Broker or Agent	33	16%
Planner or Government Official	29	14%
Real Estate Developer - Multiple Property Types	16	8%
Real Estate Developer - Home Builder	14	7%
Architect or Engineer	9	4%
Real Estate Developer - Multifamily	9	4%
Banker or Mortgage Broker	6	3%
Real Estate Appraiser	3	1%
Other/Did not respond	44	21%
<b>SEX</b>		
Female	50	25%
Male	115	56%
Prefer not to say/Did not respond	39	19%
<b>EDUCATION</b>		
Less than high school	1	0%
High school graduate	9	4
Some college	31	15
2 year degree	18	9
4 year degree	66	31
Professional degree	46	22
Doctorate	3	1
Did not respond	36	17
<b>WORKED OUTSIDE A MAJOR IOWA METRO?</b>		
I do not work on development	39	19
No	48	23
Yes	86	41
Did not respond	36	17

	NUMBER	PERCENT
<b>PROFESSIONAL EXPERIENCE IN REAL ESTATE</b>		
5 years or less	24	11
6-10 years	34	16
11-15 years	20	10
16-20 years	18	9
Over 20 years	78	37
Did not respond	35	17
<b>AGE</b>		
25-34	26	12
35-44	42	20
45-54	38	18
55-64	47	22
65-74	15	7
75-84	5	2
85 or older	1	0
Did not respond	35	17
<b>ORGANIZATION SIZE</b>		
1 person	15	7
2-5 people	34	16
6-10 people	26	12
11-20 people	24	11
21-50 people	16	8
Over 50 people	58	28
Did not respond	36	17

## HOW HAVE DEVELOPMENT CONDITIONS CHANGED?

Figure 1 shows summary plots of how respondents thought urban and suburban housing development conditions in 2021 compare to one and five years ago and how they anticipate conditions will change in the coming year. These plots show how precipitously professionals believed development conditions have deteriorated over the last five years. More than 70% of respondents said it was harder to build new housing in urban and suburban communities in 2021 than in the previous year, and 68% said it was harder in 2021 than five years ago. Perhaps more strikingly, few respondents believed that development conditions have improved in urban communities over the last five years. Only 3% of respondents thought conditions improved over the last year, and 11% over the last five.

**Figure 1. How building housing in urban/suburban areas in 2021 compares to five years ago, one year ago, and next year**



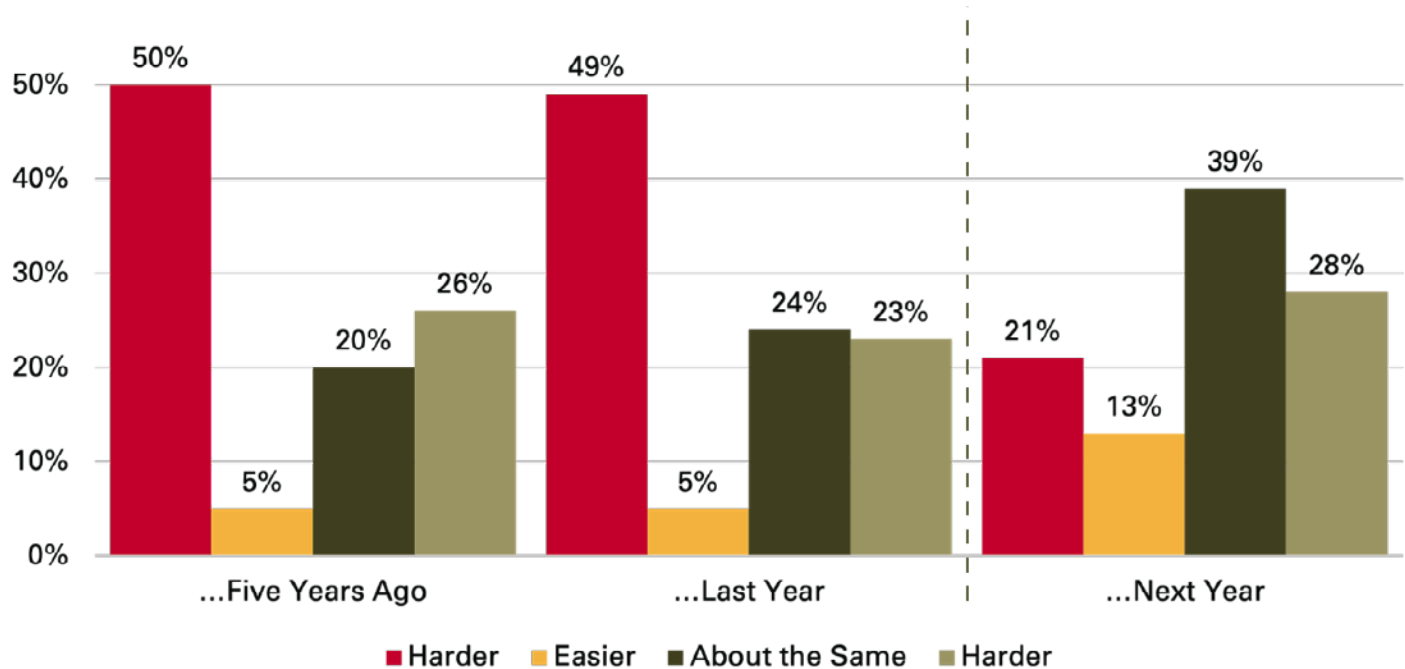
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The responses were more split in anticipating the year ahead. More than 70% expected that conditions would either deteriorate (34%) or stay the same (38%) in the coming year. Only 18% anticipated that development conditions would improve.

Figure 2 summarizes responses for development conditions in Iowa's rural communities. Across all time horizons, respondents were much more likely to respond that they didn't have a basis on which to make comparisons. When comparing to one and five years ago, most respondents believed that development conditions had deteriorated in rural areas (49% when comparing one year in the past and 50% compared to five years ago). Compared with urban/suburban development conditions, more respondents believed conditions had stayed the same (24% and 20% for one and five years, respectively). Still, only 5% of

respondents thought conditions had improved across both timeframes. In the year ahead, few respondents thought development conditions in rural communities would improve (only 13%). Most thought conditions would stay the same (39%), while 21% anticipated that they would deteriorate.

**Figure 2. How building housing in rural areas in 2021 compares to five years ago, one year ago, and next year**

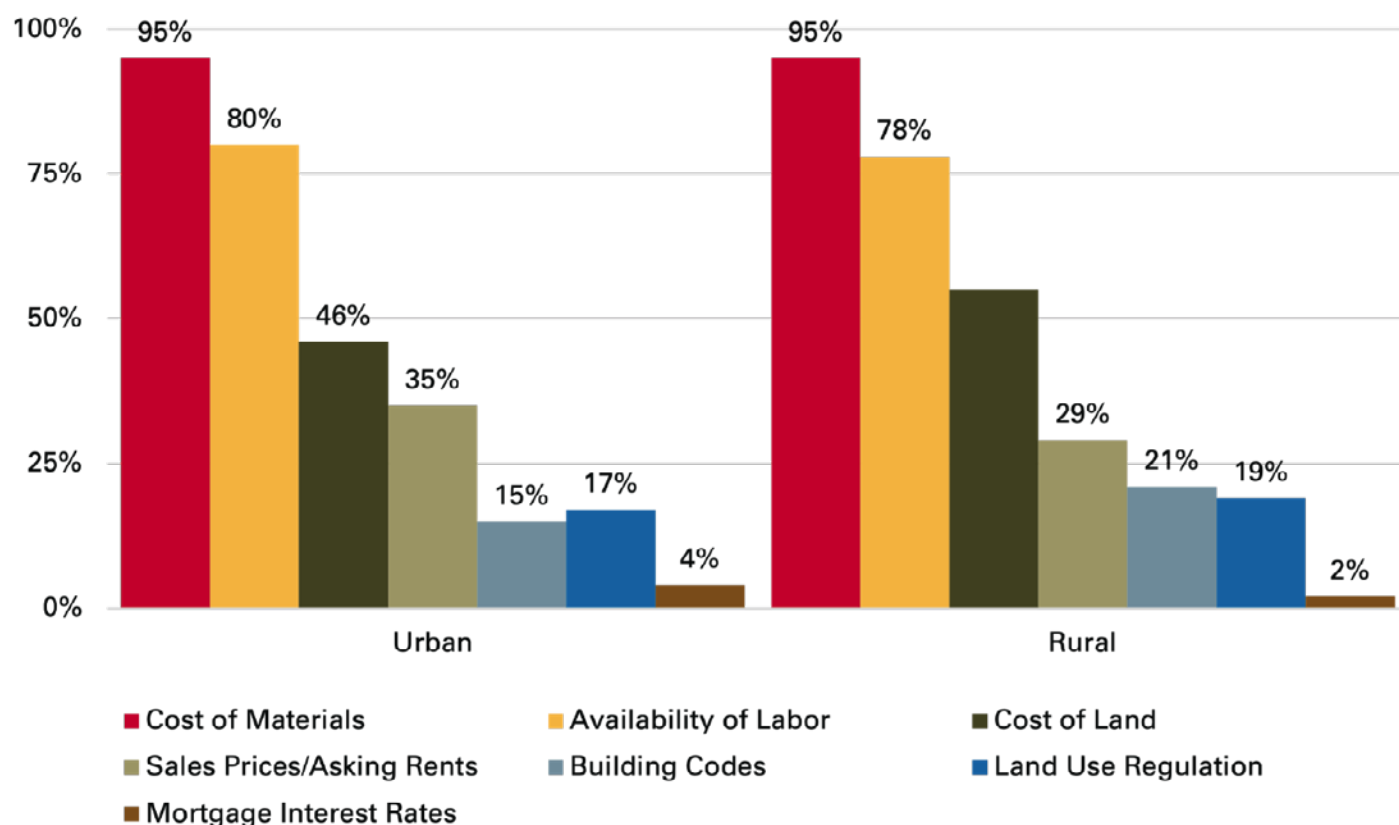


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## WHY ARE CONDITIONS DETERIORATING?

In addition indicating how they perceived that development conditions have changed, respondents were asked what they believed has contributed to the improvement or deterioration of those conditions. Figure 3 summarizes the reported changes that have made development conditions worse over the last year. In both urban/suburban and rural communities, nearly all respondents who thought development conditions had deteriorated over the last year indicated that the cost of materials was a contributing factor (95% in both urban/suburban and rural communities).

In addition to material costs, the second most common explanation for the deterioration in development conditions was the availability of labor. In both urban and rural areas, approximately 80% of respondents who thought development conditions had deteriorated over the last year indicated that the limited availability of skilled labor played a role in this decline. Other commonly listed contributing factors include the rising cost of land (46% of respondents for urban/suburban development and 55% for rural development) and declining sales prices or asking rents (35% and 29%, respectively).

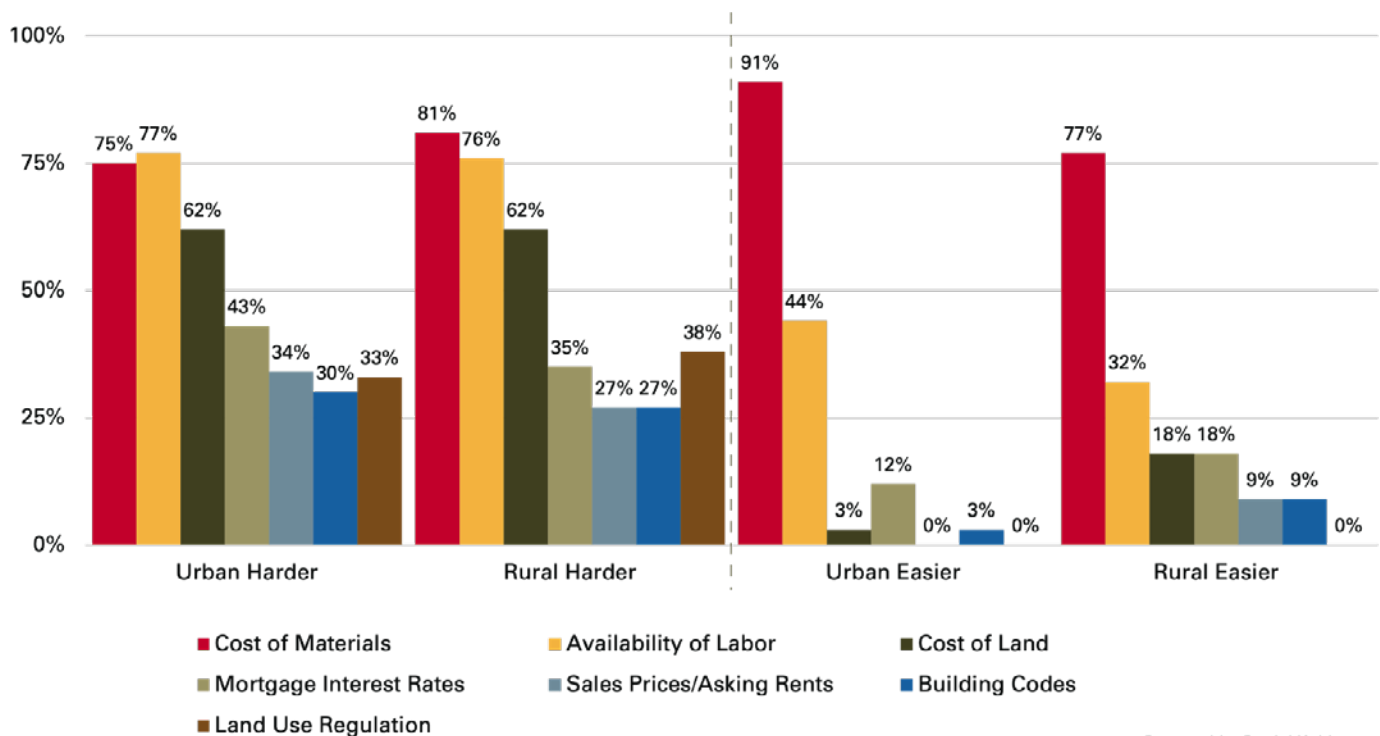
**Figure 3. Changes that have made building housing more difficult in urban/suburban and rural areas**

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## WHAT WILL CHANGE IN THE YEAR AHEAD?

Figure 4 summarizes what respondents expect to change in the coming year that will affect development conditions. Explanations for both those who thought development would become easier (18% and 13% of respondents for urban/suburban areas and rural areas, respectively) and more difficult (24% and 21%, respectively). Regardless of their prediction for the year to come, respondents thought changes in the cost of materials and the availability of skilled labor would play a role in the evolution of development conditions. For example, among those who responded that it would become more difficult to build in 2022, 75% (for urban/suburban) and 81% (for rural) expect changes in the cost of materials will be a contributing factor. Among those who thought development conditions would improve, 91% (urban/suburban) and 77% (rural) also indicated that changes in the cost of materials would make it easier to develop housing. For better or worse, real estate professionals believe that the cost of materials will drive the evolution of development conditions in the year ahead.

Among those who believe development conditions will worsen over the coming year, many reported that the availability of skilled labor would be a contributing factor. Seventy-seven percent of respondents who predict that development conditions will worsen in urban/suburban areas and 76% for those predicting deterioration in rural areas listed labor costs as a contributing factor. Among respondents who predict conditions will improve, however, the availability of labor is a much less common explanation. Only 44% of respondents who predict development conditions will improve in urban/suburban areas and 32% of those predicting improvement in rural areas thought labor availability would contribute to these improvements.

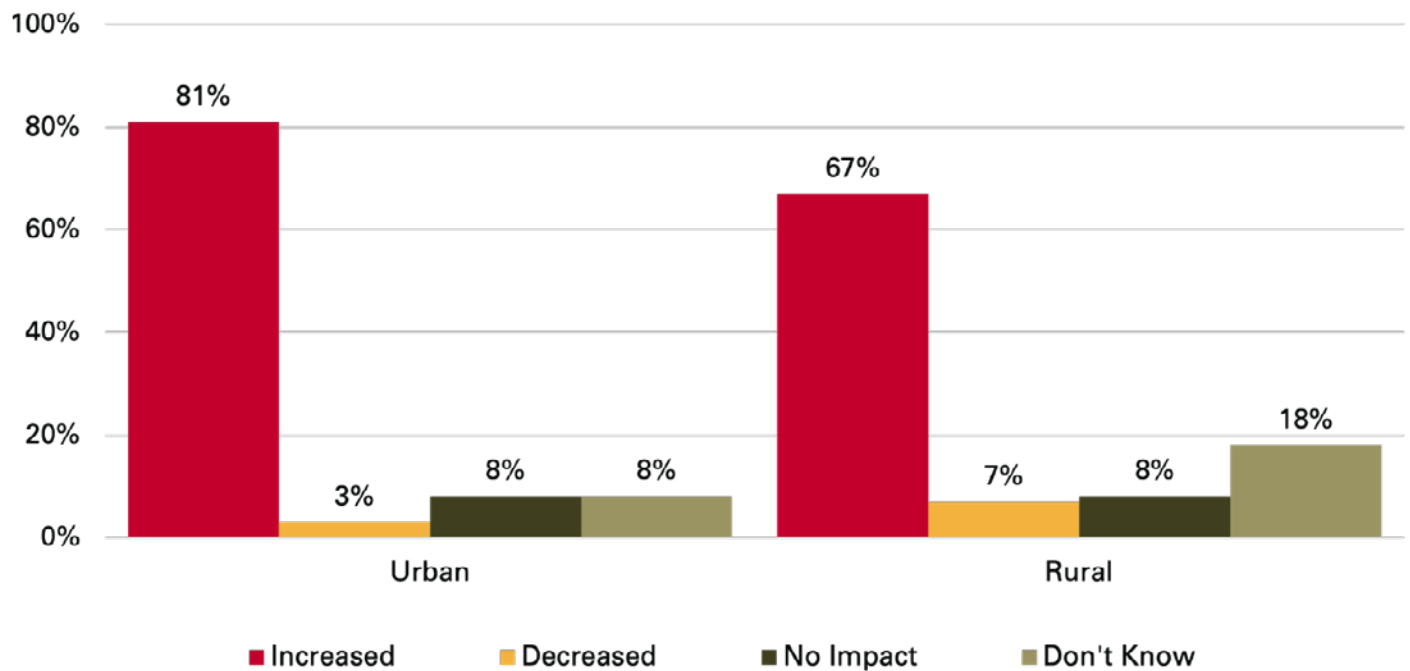
**Figure 4. Expected changes in the next year that will make it easier/more difficult to build new housing**

## HOW HAS THE PANDEMIC AFFECTED DEVELOPMENT CONDITIONS?

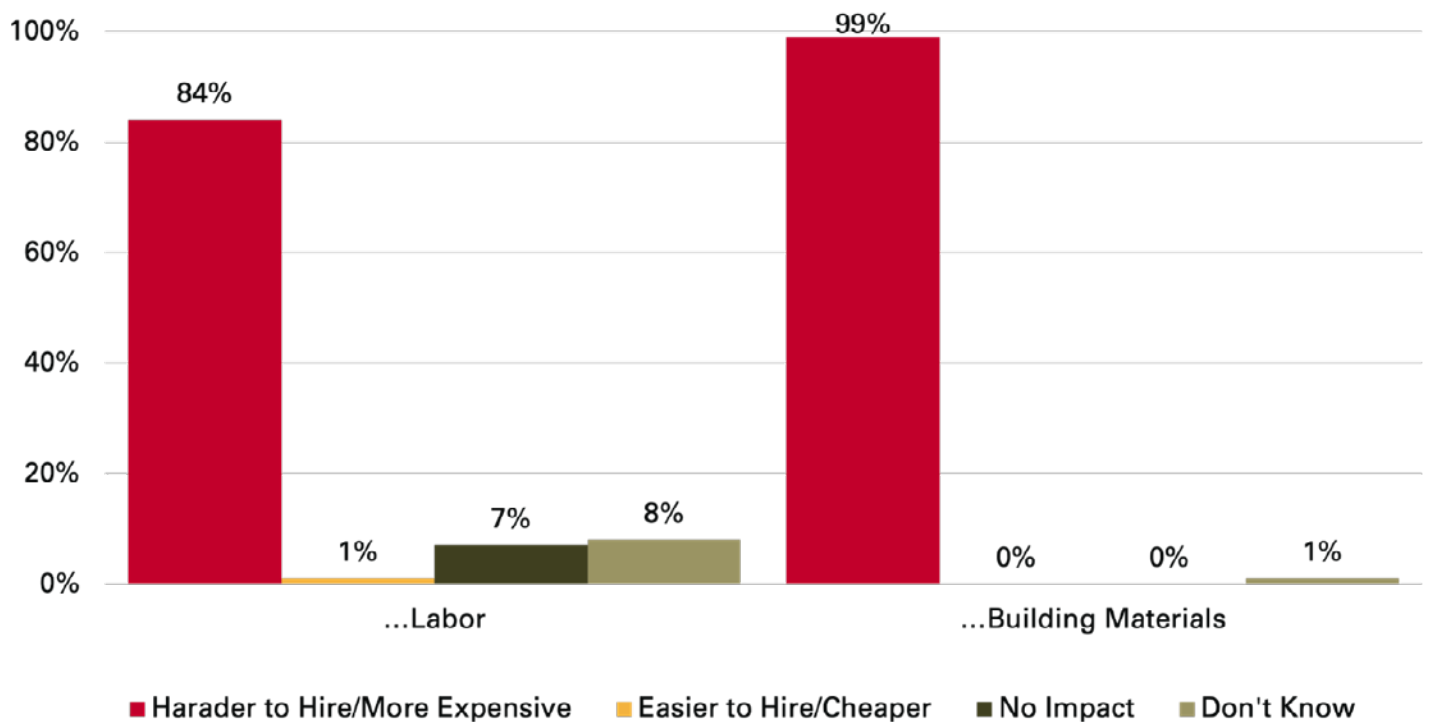
As previously noted, the survey also addressed how the COVID-19 pandemic has affected housing development. Consistent with other research and the results of the more general development questions summarized above, the survey focused on the two sets of pandemic-related impacts. First, respondents were asked if they believe demand for housing in Iowa has increased or decreased during the pandemic. Second, a series of questions were asked to understand better the impact of pandemic-induced labor and material shortages on development.

Figure 5 is a summary of how respondents believed the pandemic has affected housing demand. For both urban/suburban and rural communities, most respondents believed the demand for housing increased during the pandemic. Eighty-one percent of respondents thought the pandemic increased urban/suburban housing demand, while 67% thought rural demand increased. For both types of areas, few people reported that the pandemic decreased housing demand—3% for urban/suburban and 7% for rural communities.

Next, the survey addressed how respondents believed the pandemic has affected the cost of materials and the availability of labor. Nearly all respondents thought that the pandemic had increased the cost of materials (99%) and reduced the availability of skilled labor (84%).

**Figure 5. Effect of COVID-19 on urban/suburban and rural housing development**

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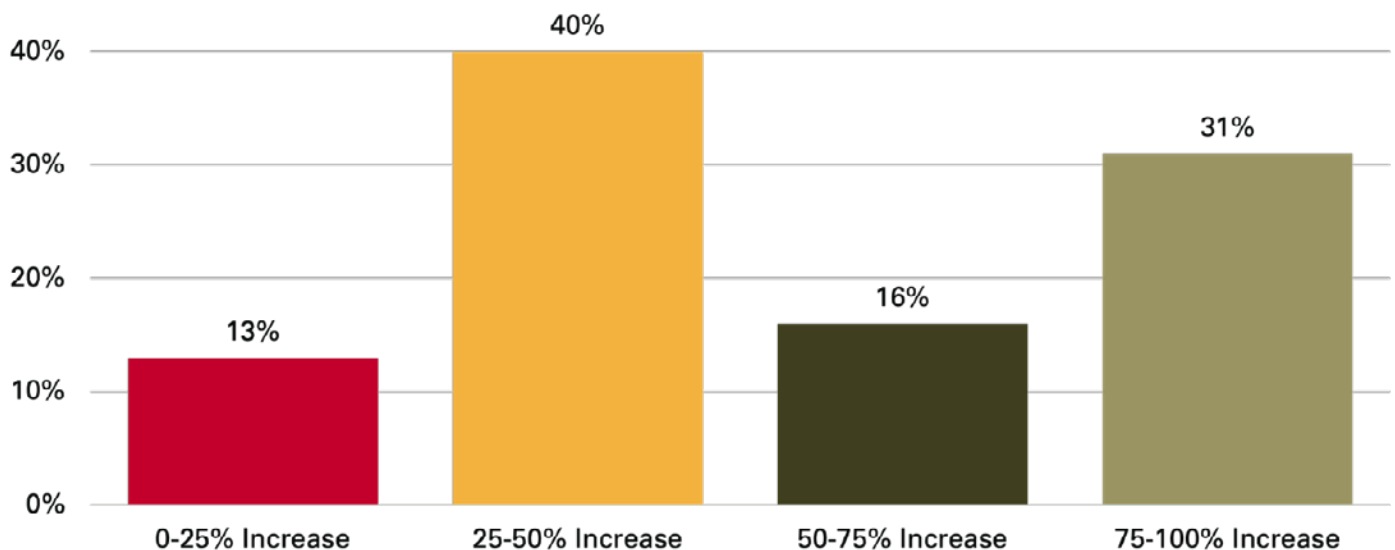
**Figure 6. Effect of COVID-19 on the cost of materials and availability of labor for housing development**

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Respondents were asked to estimate how much they thought the cost of building materials had increased during the pandemic, the summary of which is presented in Figure 7. Again, none of the professionals who responded to the survey believed that the pandemic either reduced or did not affect the cost of building materials. Forty percent of respondents estimated that the cost of building materials increased between 25 and 50% during the pandemic. Thirty-one percent thought materials increased between 75 and 100%. The remaining respondents (13% and 16%, respectively) thought the pandemic resulted in either a 0–25% or 50–75% increase in the cost of building materials.

**Figure 7. Perceived increase in cost of building materials caused by COVID-19**



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These results show the complicated way in which the pandemic has affected housing development. On the one hand, the pandemic has increased housing demand. This is particularly notable in rural communities, where demand for housing, at least when measured by population change or housing prices, has been either stagnant or declining in recent decades. But the spike in demand occurred concomitant with an increase in development costs. Whether the pandemic will result in new development in Iowa depends on whether this spike in demand sustains and how long these material and labor shortages persist.

## Summary and Conclusions

As the survey results make clear, real estate professionals believe that it is challenging to develop new housing in Iowa. Over the past one and five years, real estate professionals across the state believe that it has become more difficult to build new housing units. This is true for urban, suburban, and rural development. And, at least over the next year, few believe that it will get much easier to build. Respondents argued that the high cost of materials and the limited availability of skilled labor are driving these worsening development conditions.

Although these more general development sentiments likely reflect the impact of the COVID-19 pandemic on the development industry, a series of questions about the specific impact of the pandemic help illustrate the complex way in which the pandemic has affected Iowa housing markets. On the one hand, respondents felt that in both urban/suburban and rural communities, the pandemic had increased the demand for housing units. While a generally positive sign, this spike in demand coincided with an increase in development costs. Nearly all respondents felt that the pandemic had increased the cost of building materials, and a majority reported that it had made it harder to hire skilled labor. Of those who believe building costs increased, 87% think that the cost of materials had increased by 25% or more. Whether costs moderate and high demand continues will greatly impact how housing development conditions evolve across the state. This institution is an equal opportunity provider.

Prepared by Daniel Kuhlmann, assistant professor in the Iowa State University Community and Regional Planning Department and housing and real estate extension specialist. This report is a product of the ISU Extension and Outreach Community and Economic Development program.

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