



Real Estate Research
Providing Comprehensive
Market Information
and Feasibility Studies



Marion County Housing Study

Presented to: Marion County Stakeholders

Presented by: Matt Mullins, Vice President
Maxfield Research & Consulting

May 21-22, 2024

Thank you to Our Sponsors!

PLATINUM

ATI Group

Marion County Dev.

PACE Alliance

Pella Corporation

Weiler

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SILVER

City of Pleasantville

Pella Rural Electric Cooperative

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Maxfield Research & Consulting

We are a full-service real estate advisory company providing strategic value to our private and public sector clients' real estate activities.



OVERVIEW

- 40 Years Experience
- Diverse Client Base
- **Multi-Sector Capable**
 - *Residential*
 - *Commercial*
 - *Public & Private Entities*
- Market Driven Strategies
- Recommending Highest & Best Uses
- Provide Actionable Plans

Project Scope

OBJECTIVE

Provide custom comprehensive housing study

APPROACH

Identify current & future housing needs for residents in Marion County and provide framework for meeting housing needs

PROJECT DELIVERABLES

- Short and long-term housing needs
- Recommendations guiding future housing development
- Tools/policies to implement the plan

KEY DATES

- Data collection: 4th Quarter 2023/1st Quarter 2024
- Draft: April 2024
- Presentation: May 21-22, 2024
- Final Report: May 2024



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Submarkets

Demographics & Economics

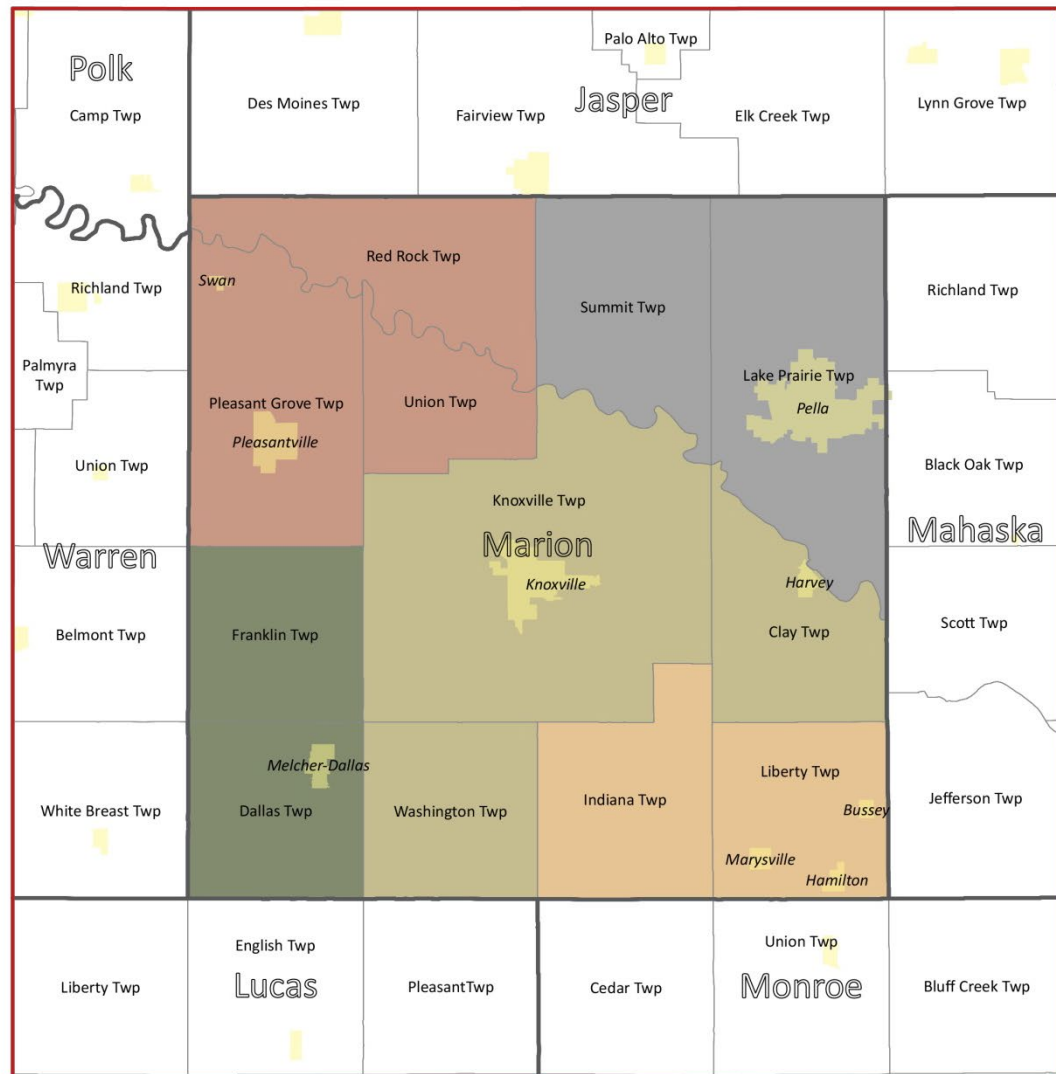
Market Overview

Demand & Recommendations

2024 Mid-Year Outlook

Discussion

Marion County Submarkets



1776-01_Marion County Submarkets



Marion County - Submarkets Definition	
City	Township
Pella Submarket	
Pella	Lake Prairie Summit
Knoxville Submarket	
Knoxville Harvey	Knoxville Washington Clay
Pleasantville Submarket	
Pleasantville Swan	Pleasant Grove Red Rock Union
Melcher-Dallas Submarket	
Melcher-Dallas	Dallas Franklin
Southeast Submarket	
Bussey Marysville Hamilton	Liberty Indiana

Source: Maxfield Research and Consulting LLC

21 Geographies

- 9 cities
- 12 townships



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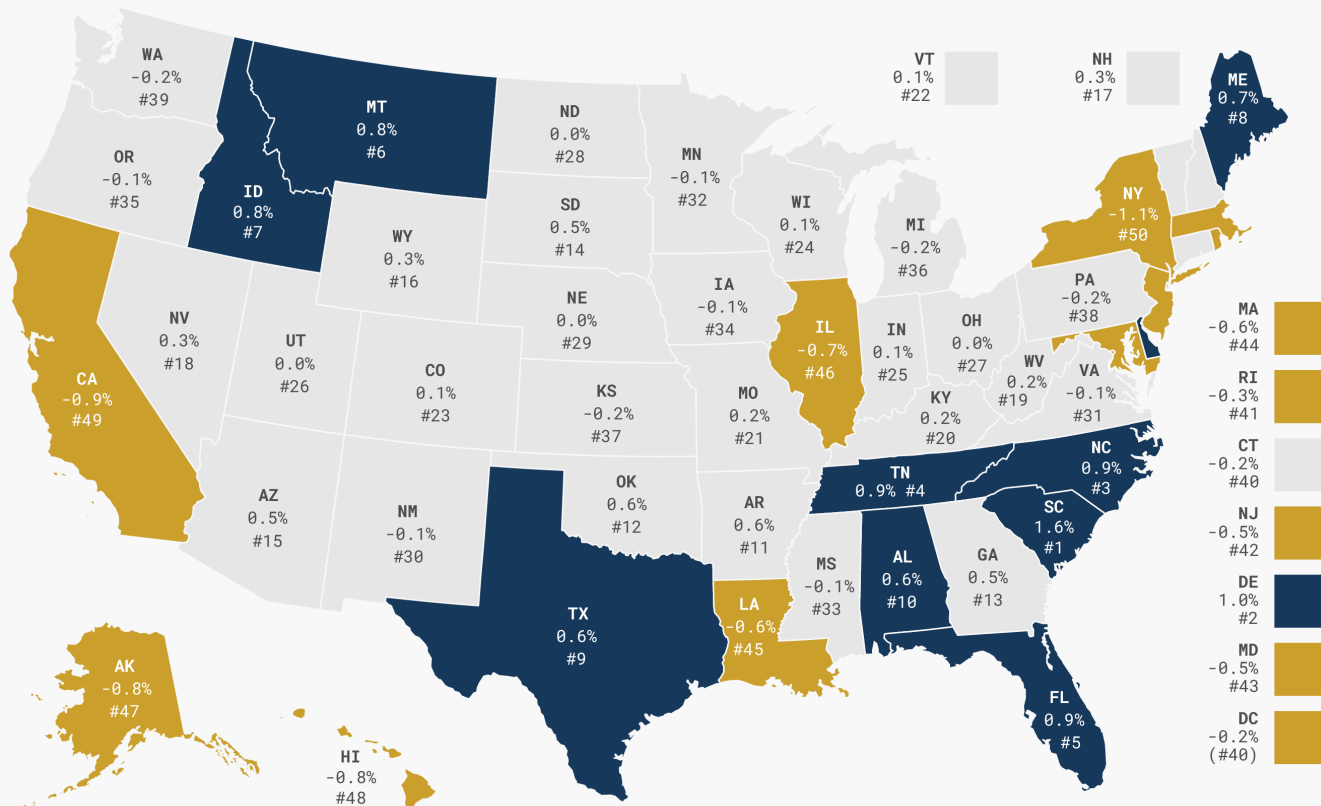
2024 Mid-Year Outlook

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2023 Mobility Trends...

State Population Changes in 2023

State Net Population Changes from Interstate Migration, from Most Inbound to Most Outbound, FY 2023



Top 10 States for Inbound Migration
Top 10 States for Outbound Migration

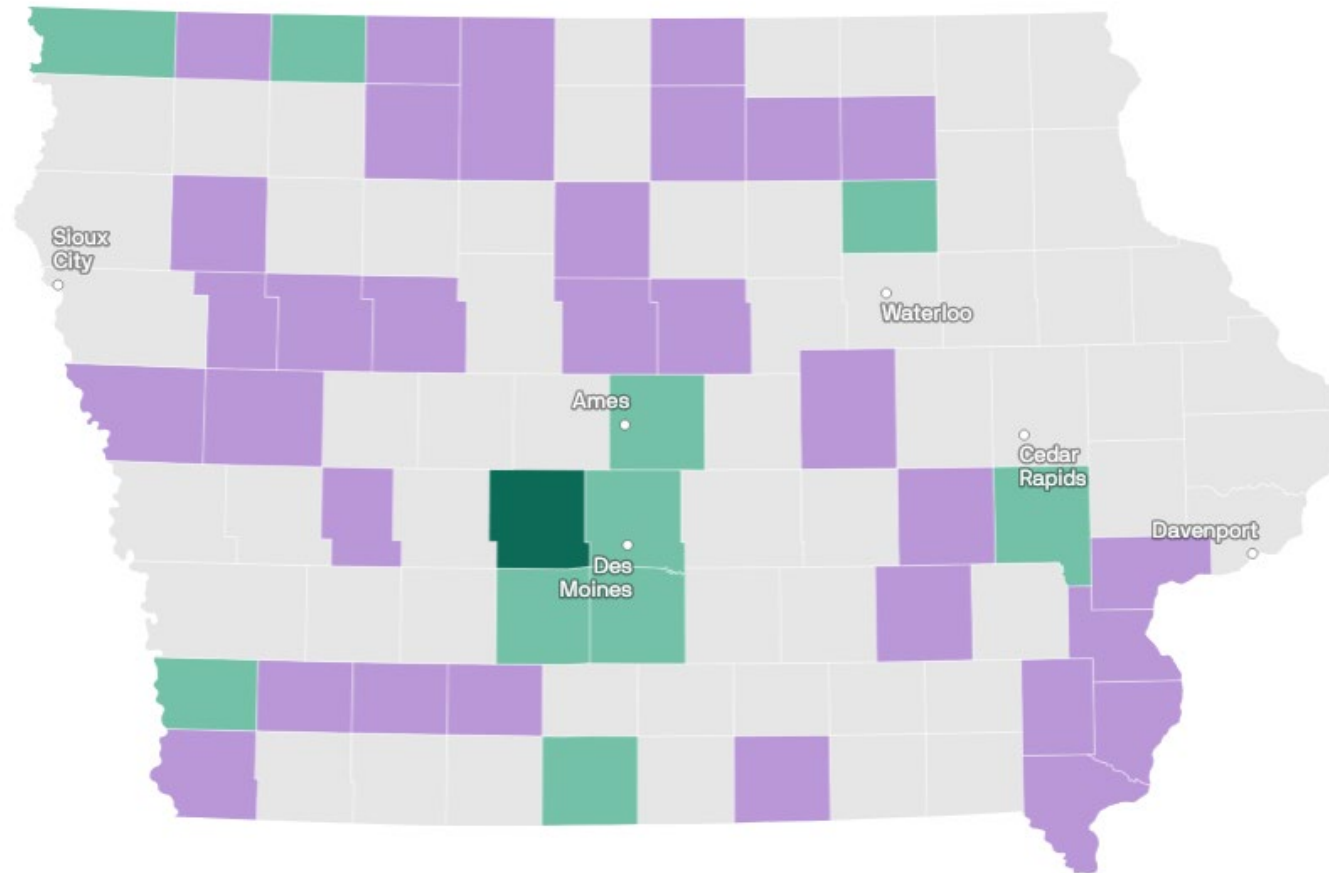
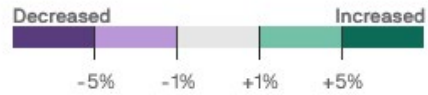
Note: On this map, population changes are rounded to the tenths place, but ranks are based on unrounded Census figures. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.
Source: U.S. Census Bureau.

- Migration rates coming down from pandemic highs...
- Hybrid work, proximity to family members, housing inventory, and affordability driving mobility..
- Suburban to Urban affordability gap narrowing...

Iowa: Urban Areas Growing at Expense of Rural Areas

Change in Iowa population, 2020 to 2022

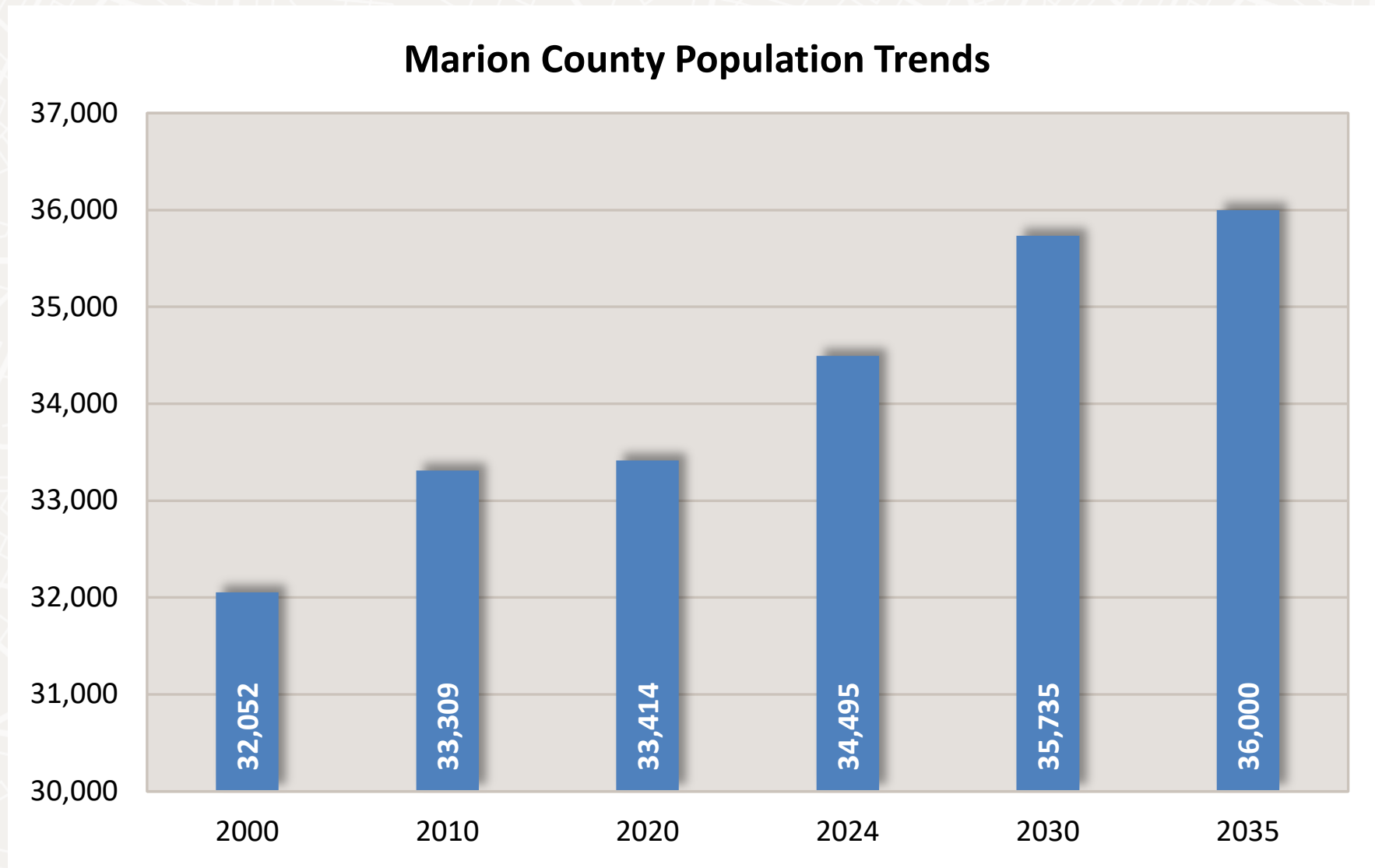
By county; Estimate as of July of each year



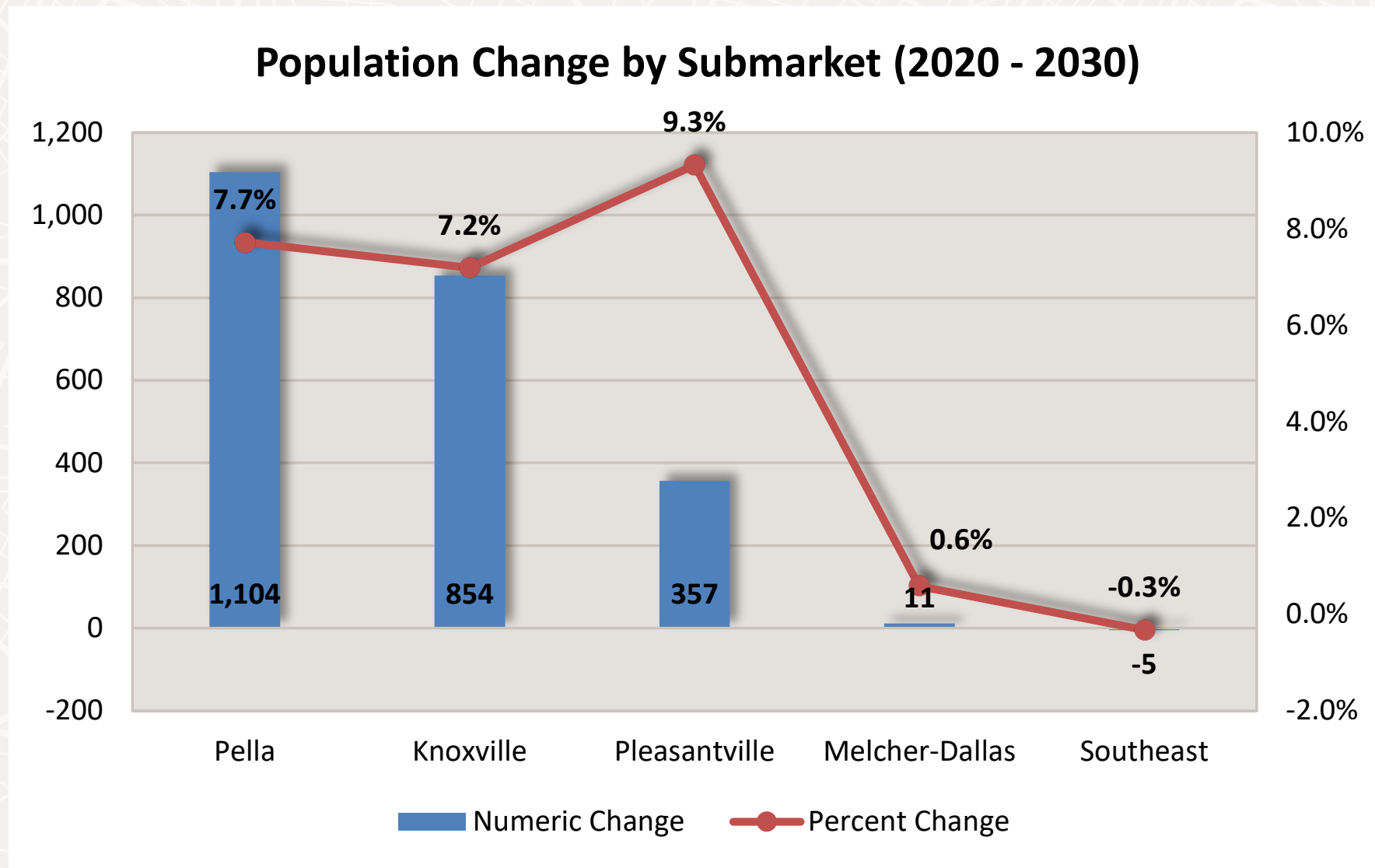
Data: S&P Global Mobility; Chart: Axios Visuals

- Iowa #27 in the US for population growth(2020-2023)
- 63% of Iowa's population in urban areas
- Fastest growing:
 - Dallas County
 - Johnson County
 - Polk County
 - Linn County

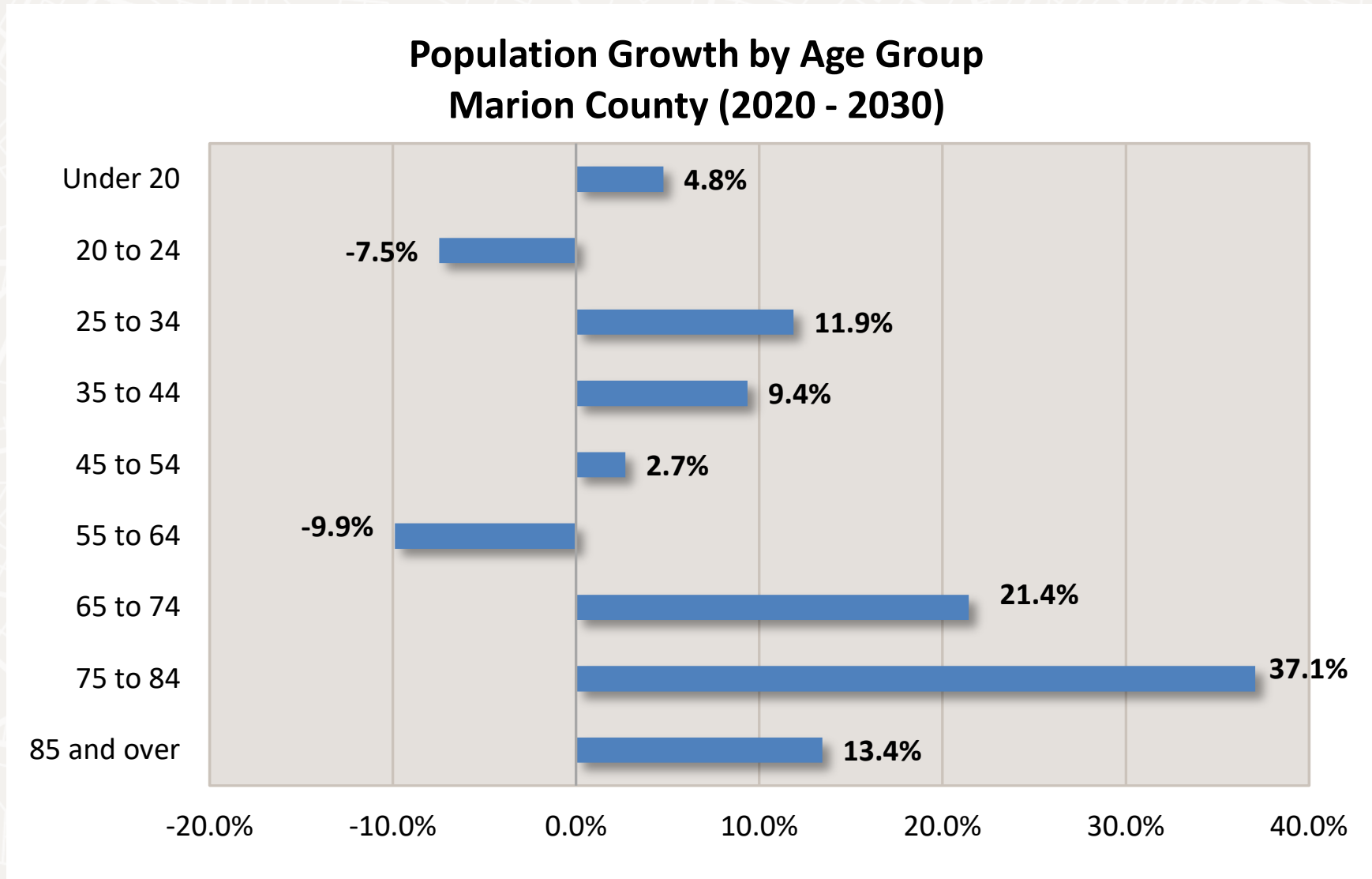
Growth Flat Last Decade | +1,000 persons since 2020



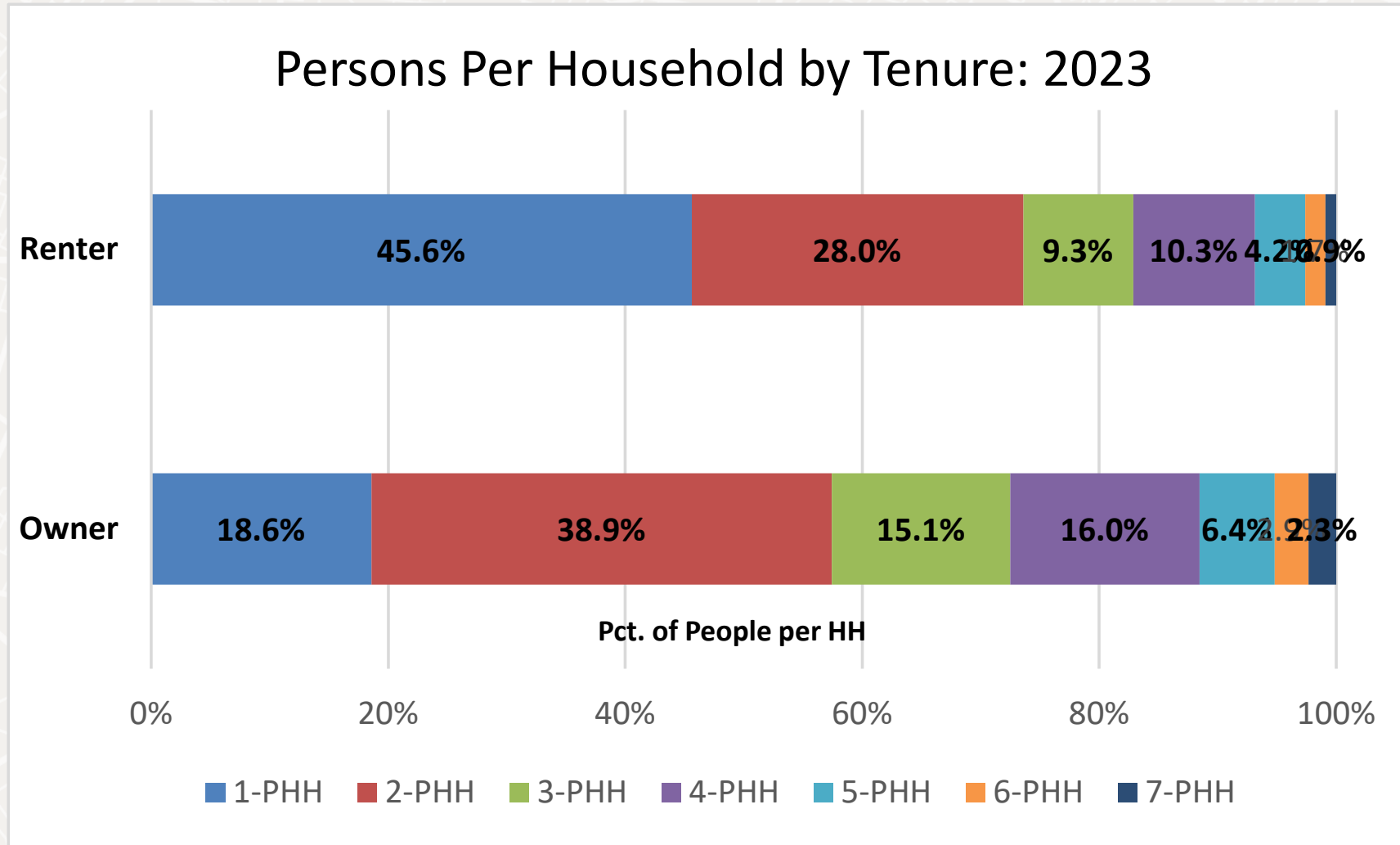
84% of Growth in Pella & Knoxville Submarkets...



65+ Population Driving Growth in Near-Term...

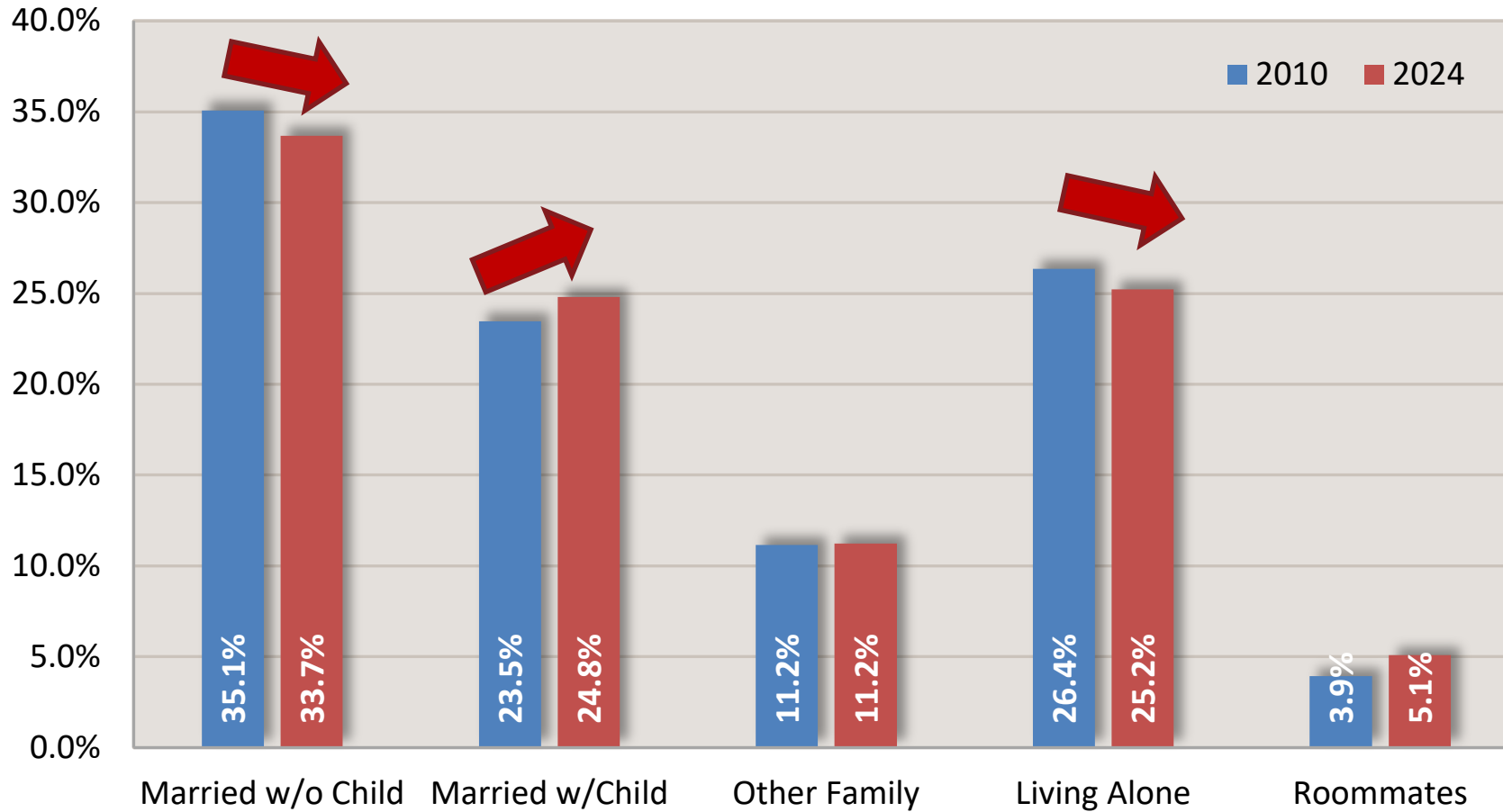


61% of County HHs are 1 & 2 Person | 25% Live Alone



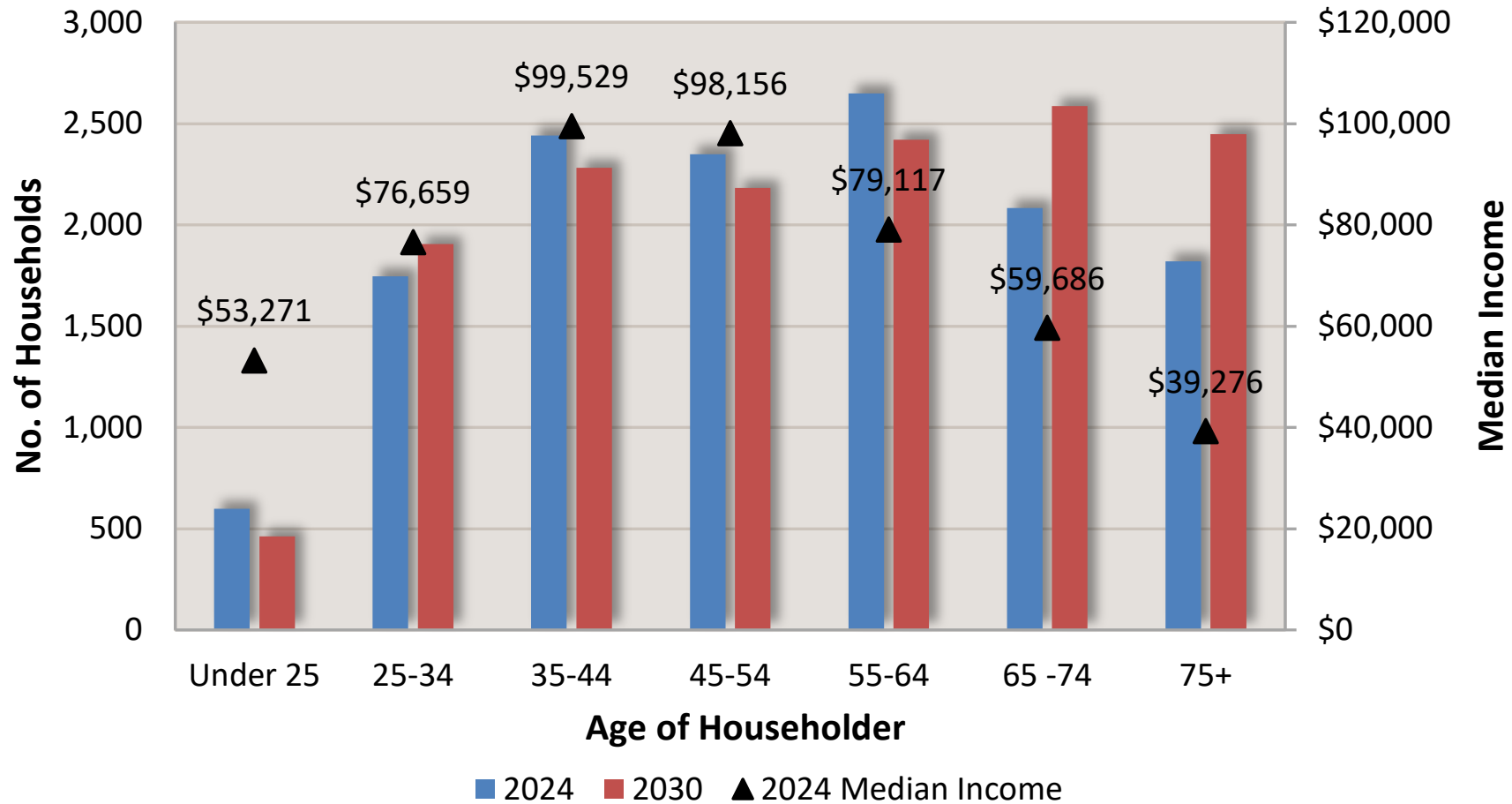
Married w/Child Growing

Household Type
Marion County (2010 & 2024)

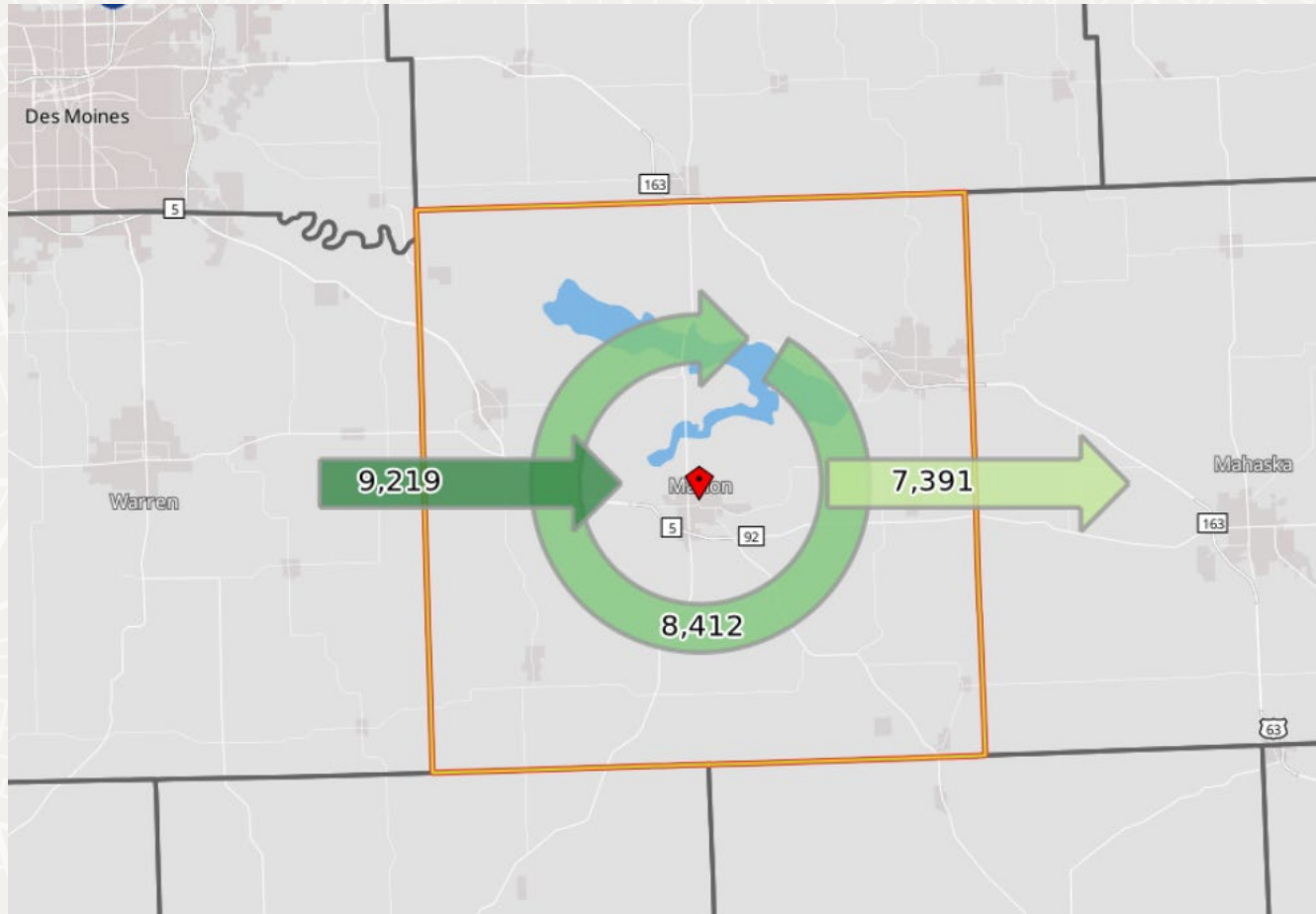


Gen X & Millennials strongest household incomes...

Growth & Income Trends by Age of Householder PMA: 2024 & 2030



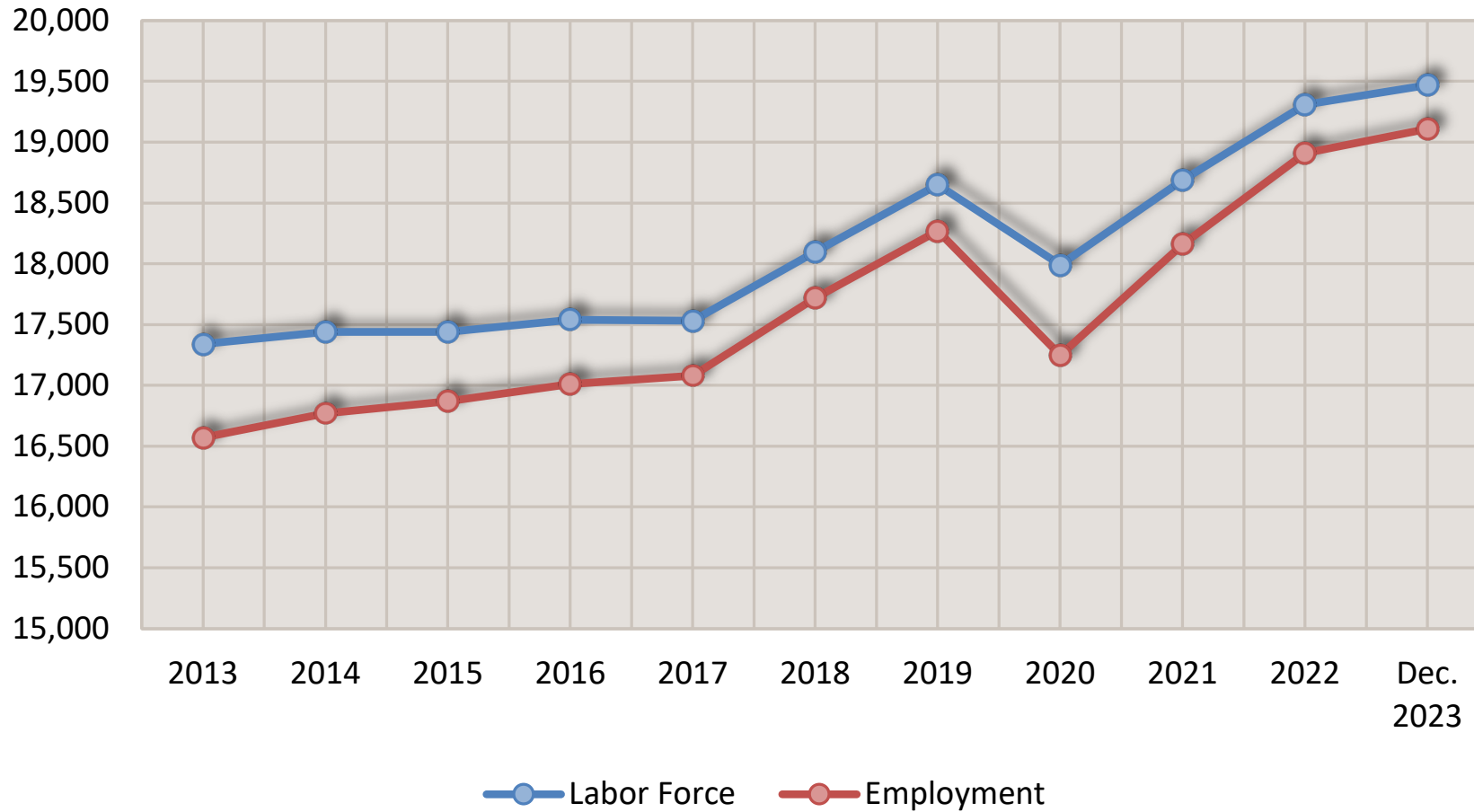
Marion County is a major job importer



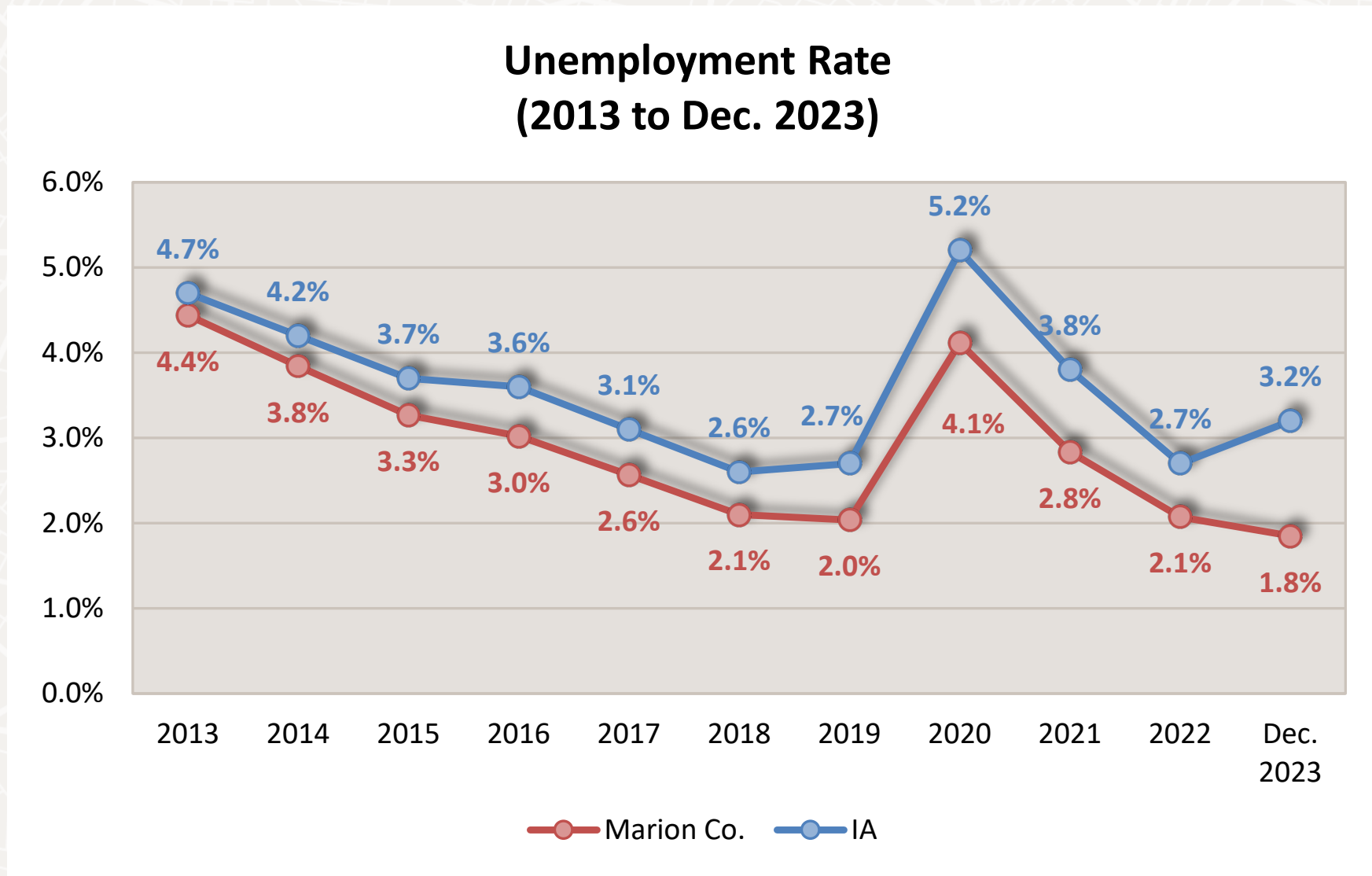
- 19,536 jobs (covered employment) Q3 2023
- Key Industry Sector Jobs:
 - Manufacturing : 44%
 - Health Care & Social Assistance : 11%
 - Retail Trade: 9%
- Avg. weekly/annual wage:
 - \$1,067 | \$55,484 (Marion County)
 - \$1,112 | \$57,824 (Iowa)
- 29% residents leave County for employment
- 37% of those employed in Marion County commute from outside of the county, predominately from Oskaloosa, Ottumwa, & Des Moines

Labor Force is higher than Pre-Pandemic

Labor Force vs Employment Trends Marion County



Unemployment rate lower than Pre-Pandemic





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Market Overview

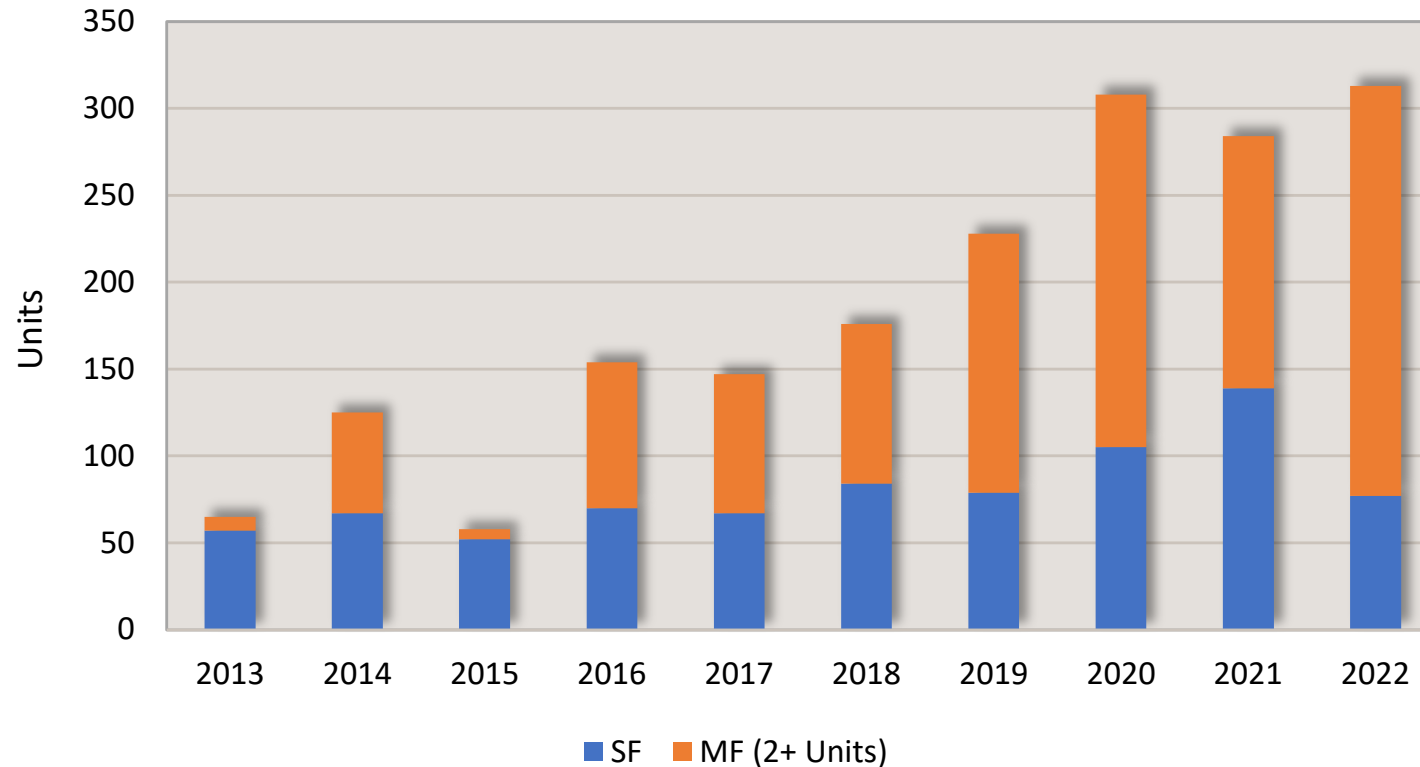
Demand & Recommendations

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Building Activity up since 2020 | 2x Rate past 5 years

**Residential Building Permits
Marion County (2013-2022)**



- Averaging 186 units per year
 - 80 units of SF per year
 - 106 units of MF per year

- 43% of development is SF
- 61% of permit activity in City of Pella
- Multifamily driving past 4+ years

Extremely low rental housing vacancies

Overall (All incomes)

- 951 units
- 1.2% vacancy rate
- 47% on rental inventory located in Pella Submarket | 41% in Knoxville Submarket

Market Rate

- 576 units
- 0.7% vacancy rate
- Avg. monthly rent \$986 | \$1.04 PSF
 - \$737 1BR (\$1.14 PSF)
 - \$1,154 2BR (\$1.14 PSF)
 - \$1,047 3BR (\$0.86 PSF)

Affordable/Subsidized

- 375 units
- 1.9% vacancy rate



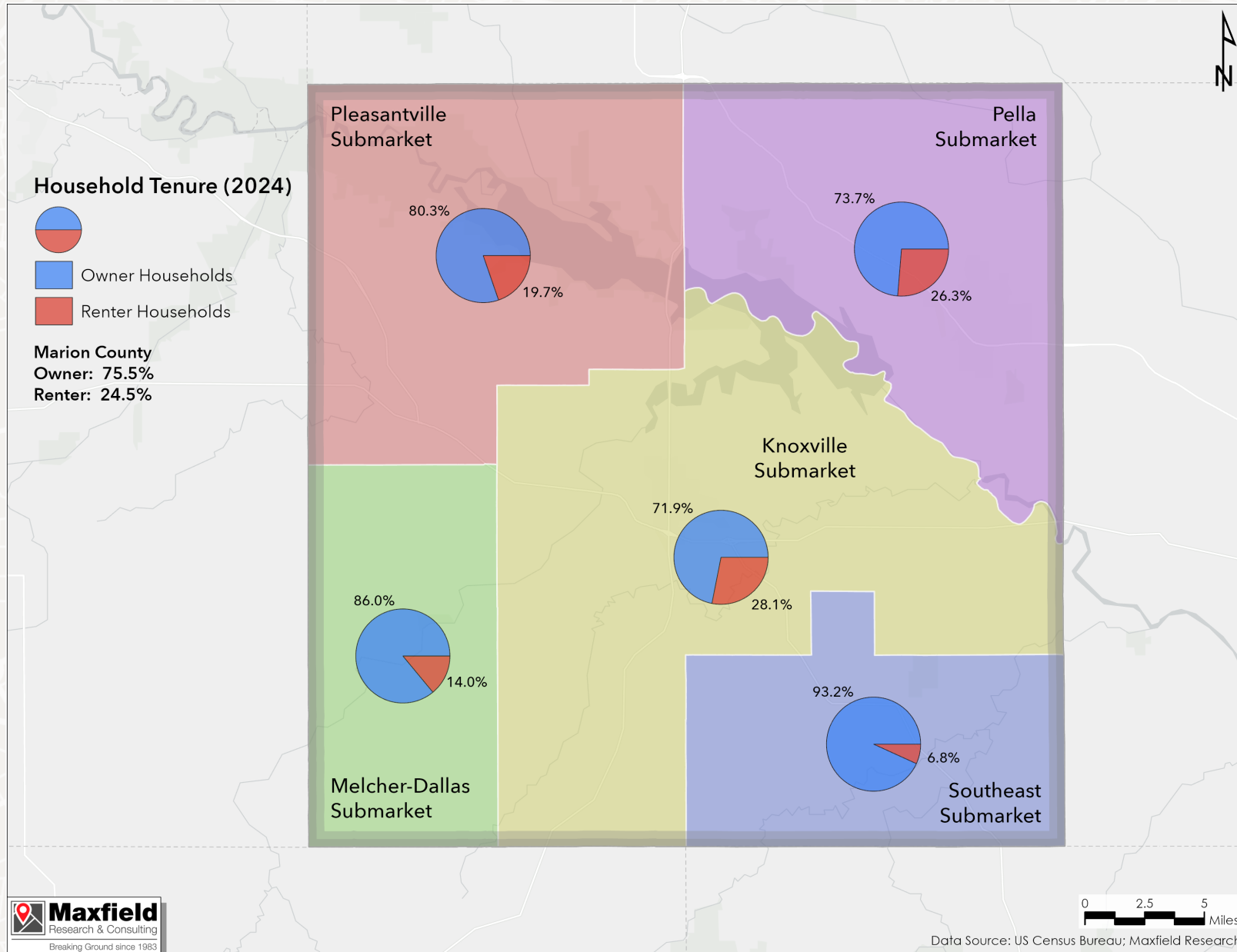
Shady Creek Apts. (Pella Submarket)



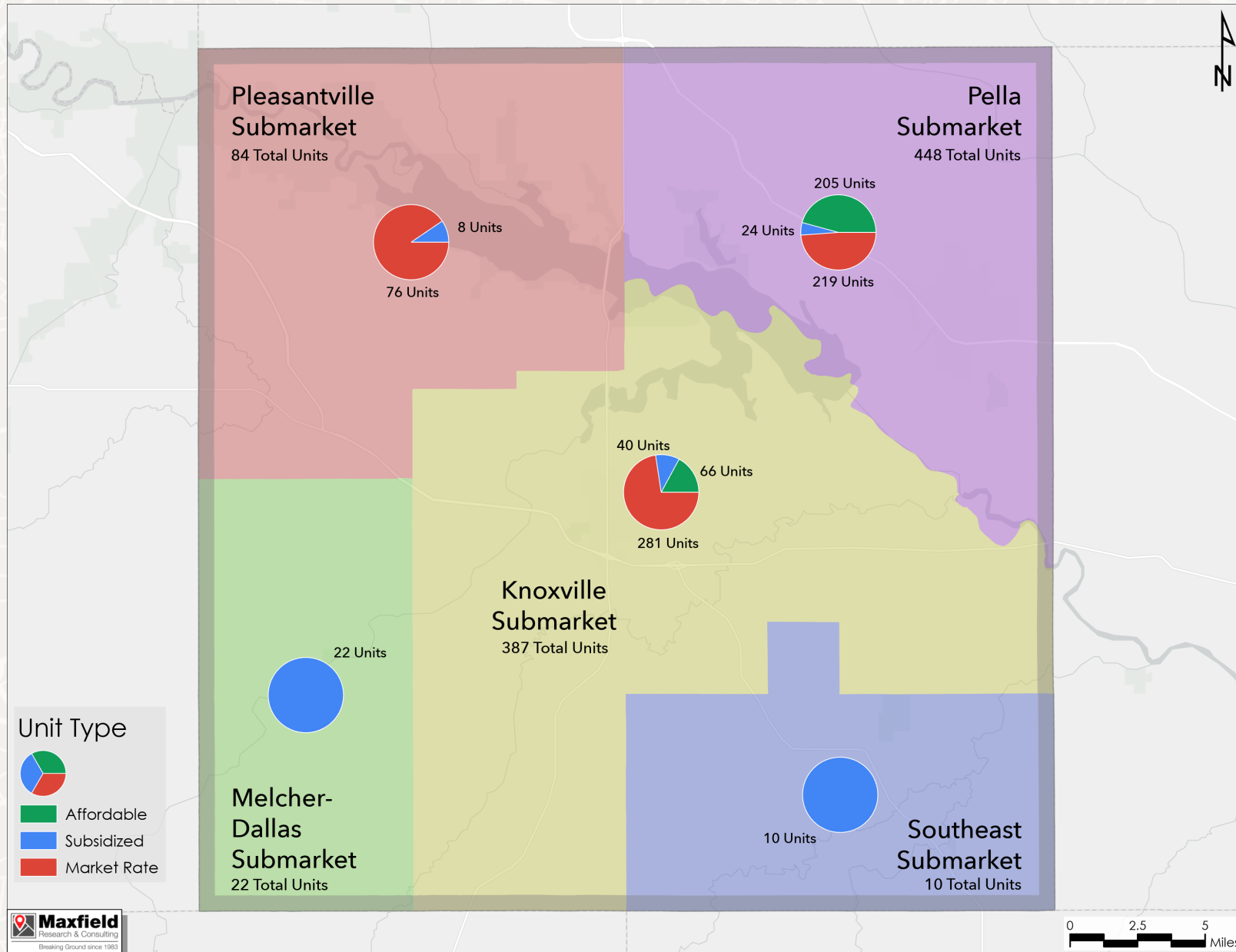
Jasper Street Apts. II (Pleasantville Submarket)

5% Vacancy = Market Equilibrium

Renters Concentrated in Pella and Knoxville Submarkets

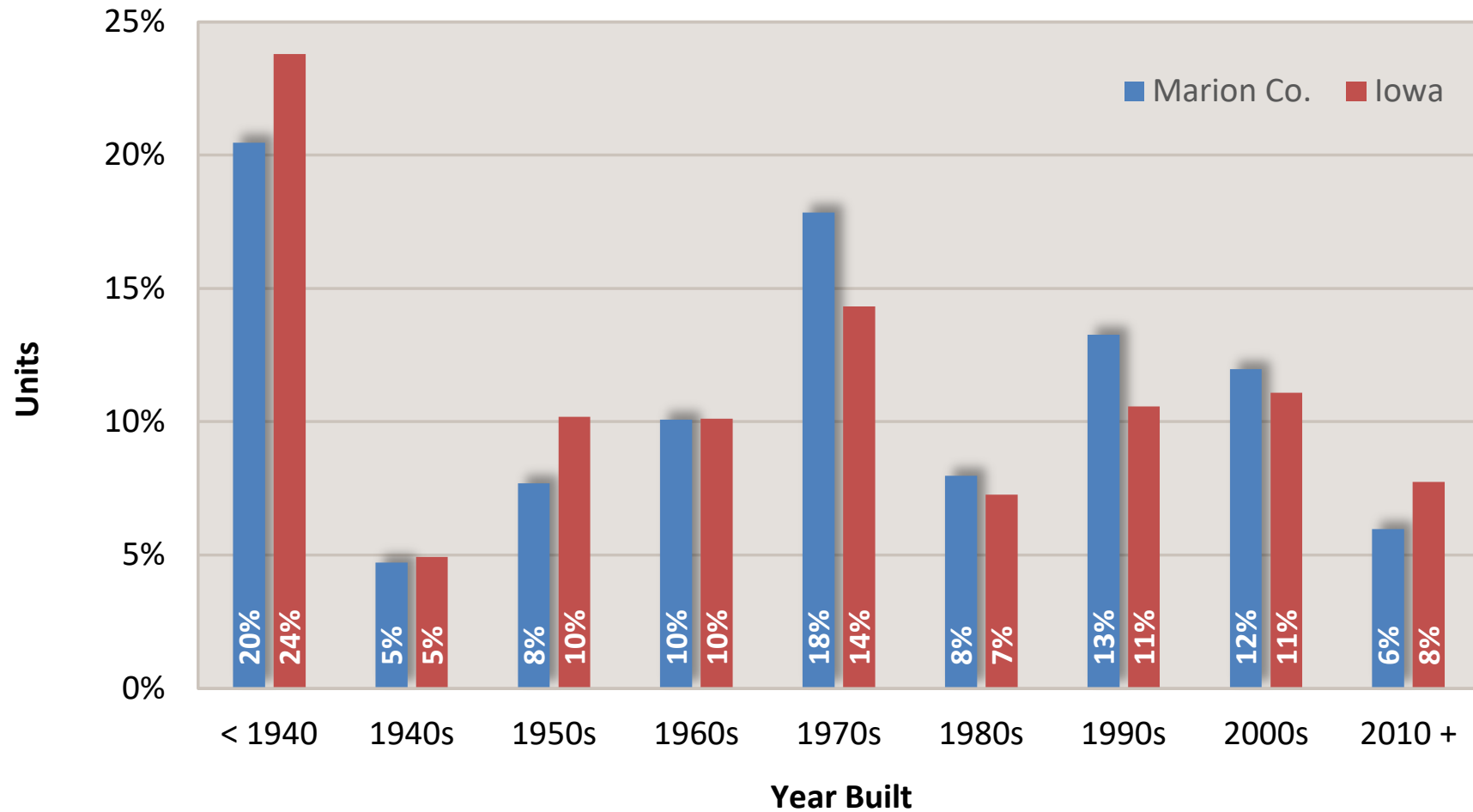


Rental Units Inventoried by Submarket



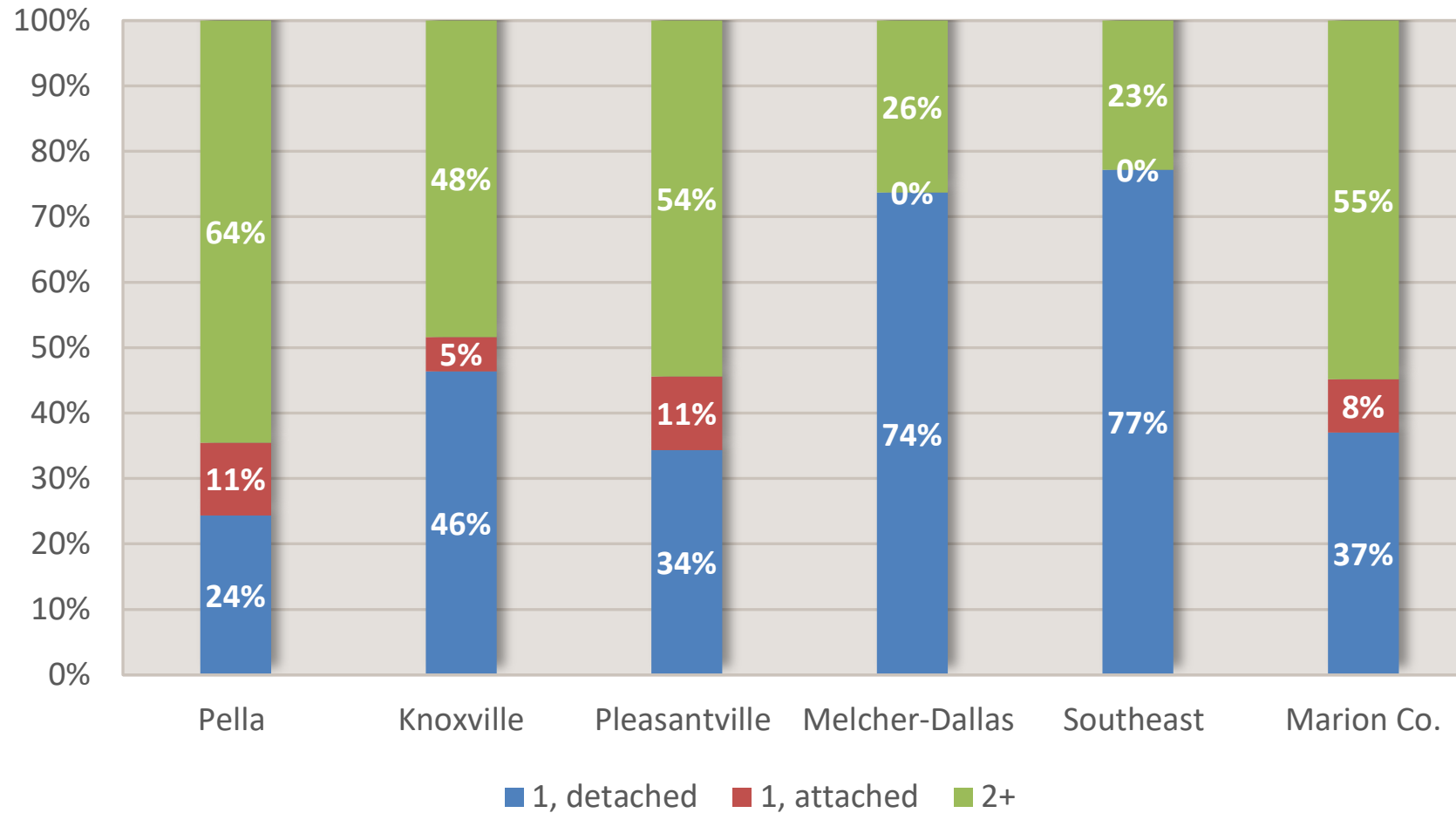
Older Rental Housing Stock...

Occupied Housing Units Built by Decade



SF Rentals dominate smaller submarkets

Rental Units by # of Units in Structure (2024)

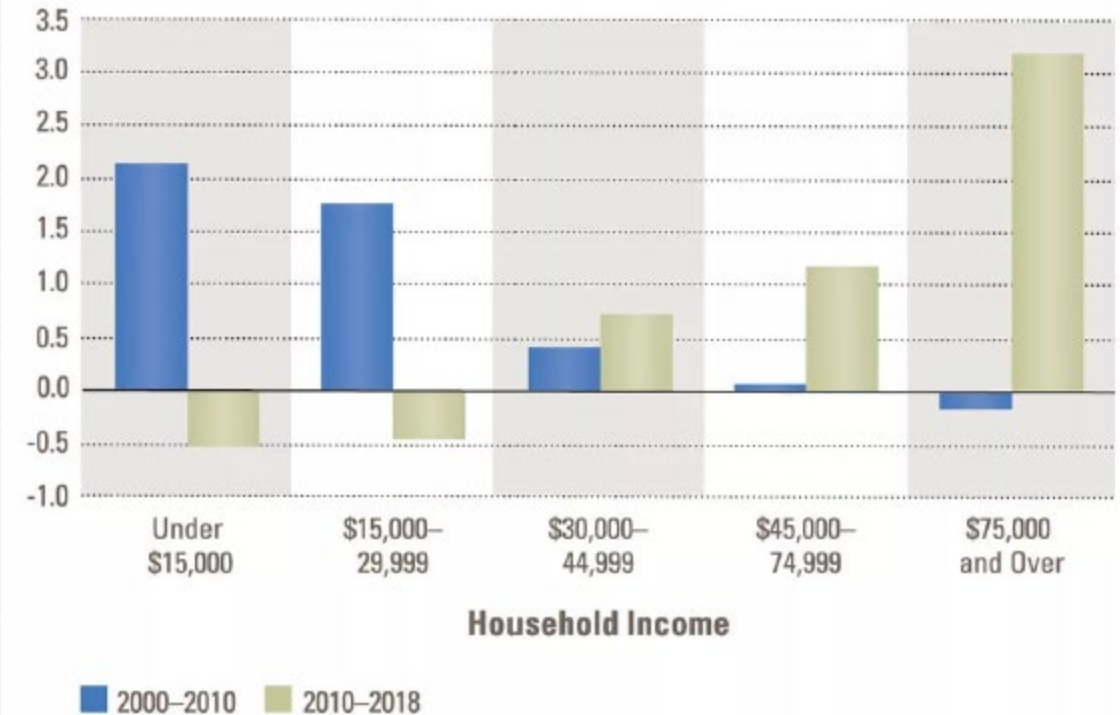


Lifestyle Renters Driving Rental Growth...

- High-earning renters: +45% last decade
- Barbell: Millennials & Baby Boomers
- Young, college educated with high incomes
- Baby Boomers: Lack of active adult product, desire to right size, simpler lifestyle, etc.
- Married couples w/kids: +14%
- Fewer renters “doubled up” during the pandemic recession

High-Income Households Have Driven Most of the Growth in Renters Since 2010

Net Change in Renter Households (Millions)



Note: Incomes are adjusted for inflation using the CPI-U for All Items.

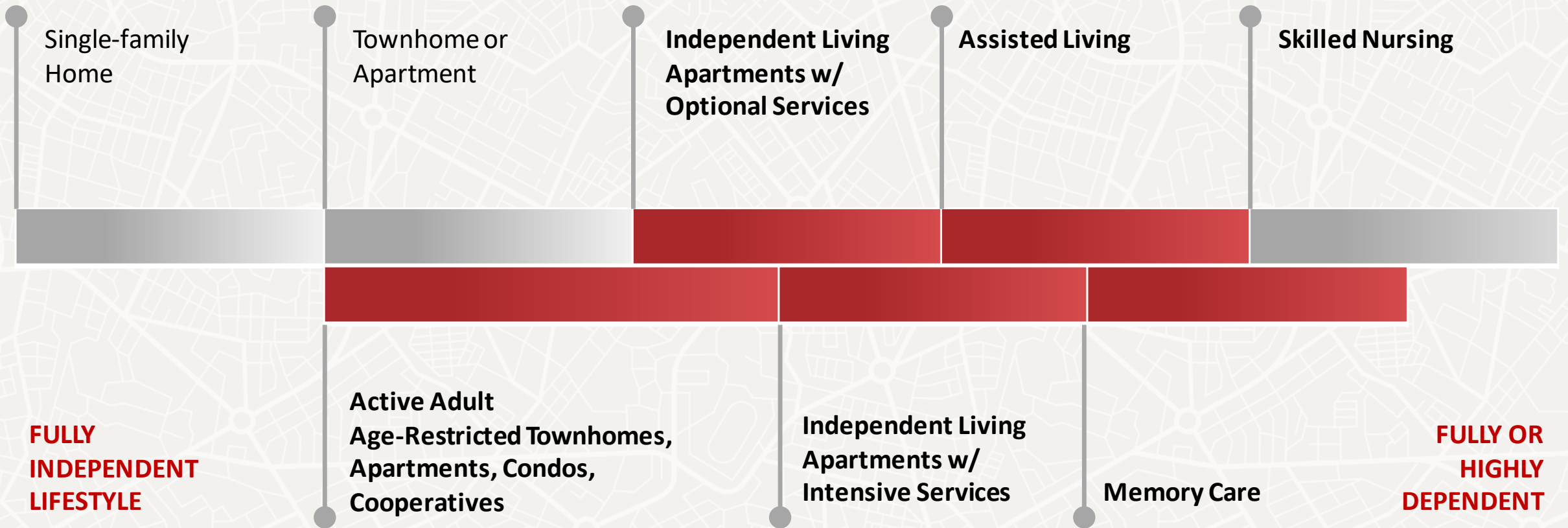
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Apartment Development Trends

- Preferred asset class from developers, investors, & lenders (despite high rates today)
- Demand driven by strong demographics: Millennials & Baby Boomers (“barbell”)
- Renters by choice (“lifestyle renters”) driving market w/higher incomes
- Amenity driven; today’s renters have higher expectations
- Strong desire for rental units with more space, yards, etc. (townhomes single-family, etc.)
- Lack of for-sale supply & higher mortgage rates has fueled renter demand
- Low vacancies = pent-up demand
- Challenges delivering new product @ reasonable price points
- Hospitality moving into rental space (i.e. short-term rentals)

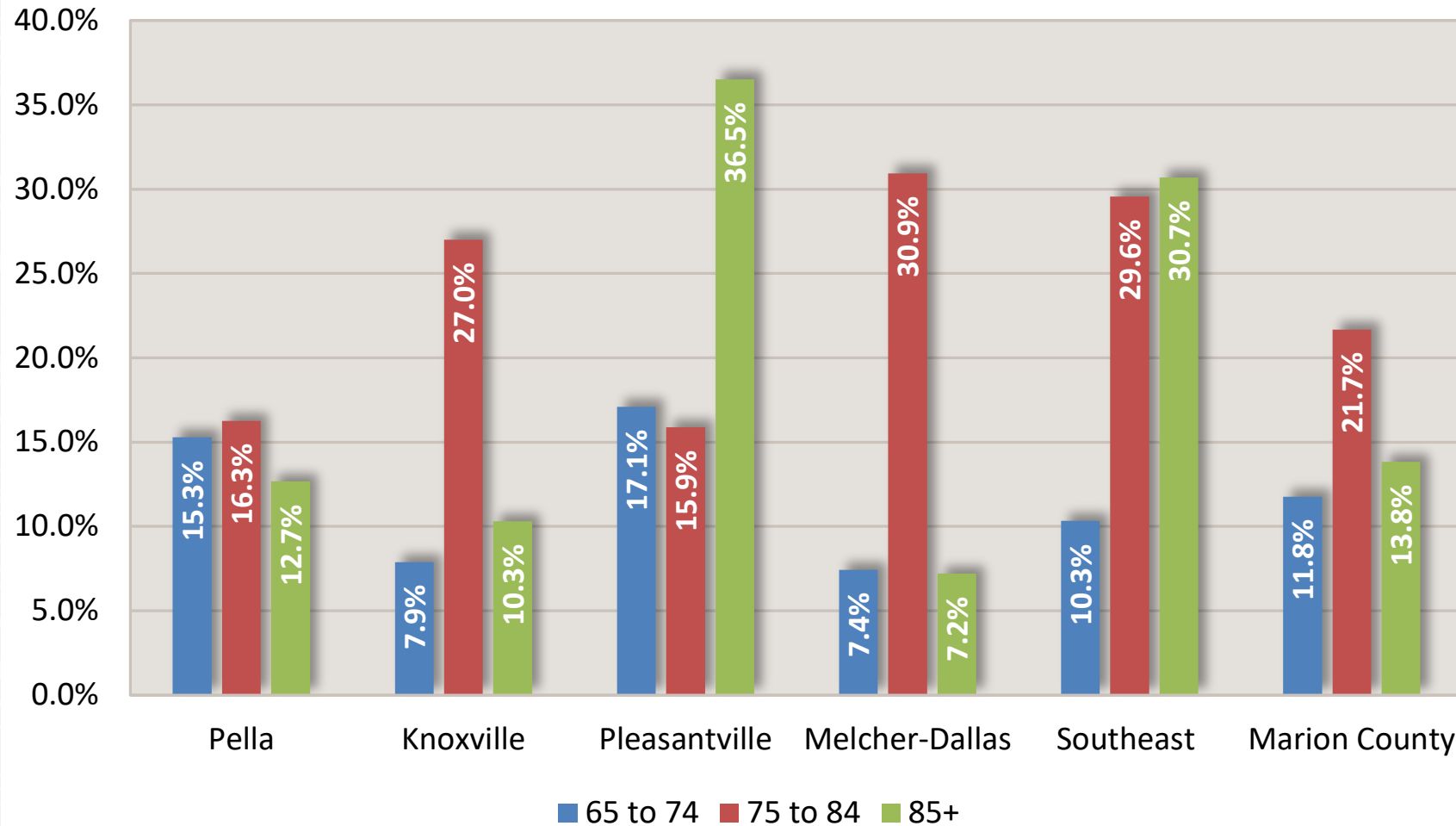
Senior Housing Continuum

FIGURE 1
CONTINUUM OF HOUSING AND SERVICES FOR SENIORS



75+ Driving Senior Demographics

Senior Growth by Age & Submarket : 2024 to 2030



Senior Housing: Tight vacancies across all sectors

Senior Inventory

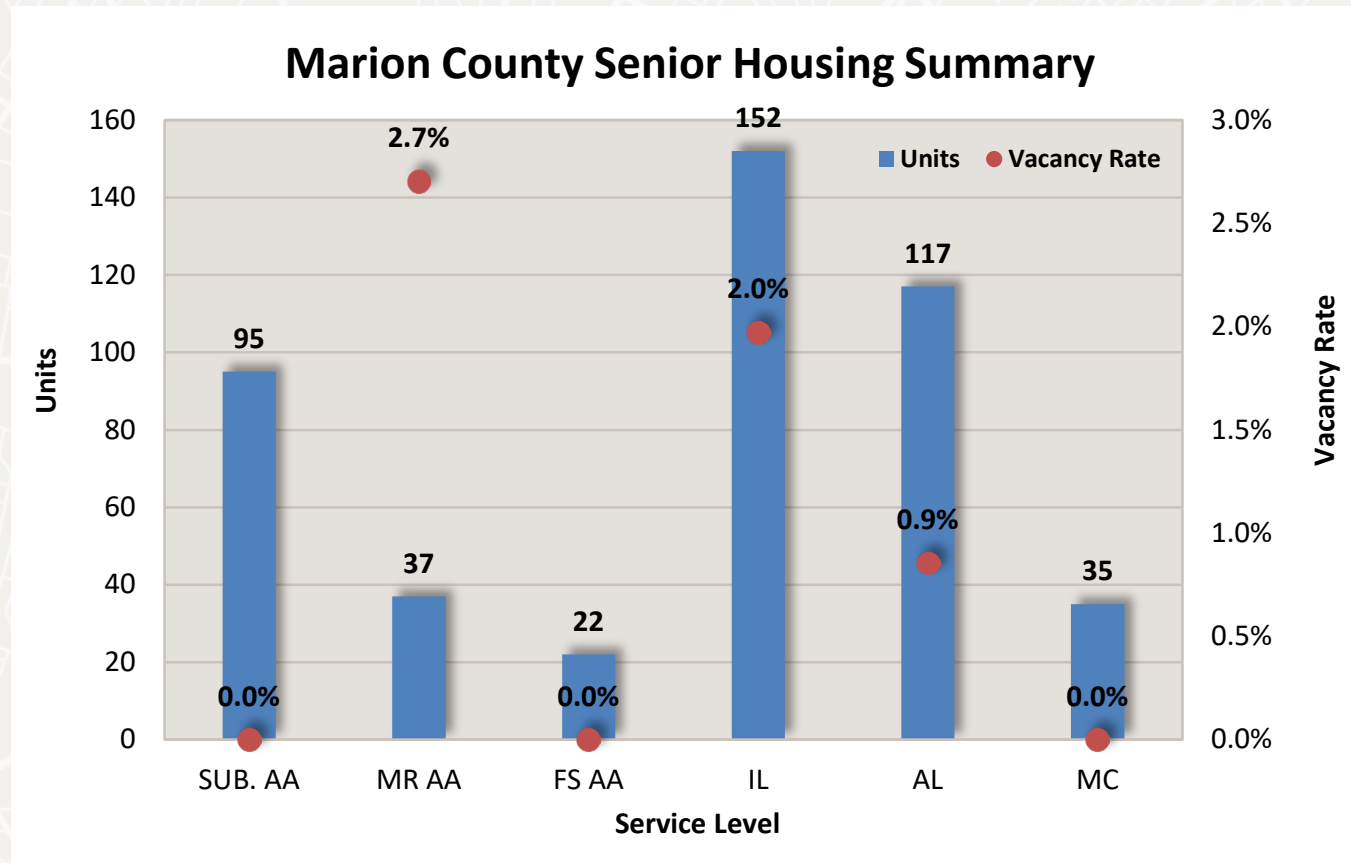
- 458 units | 11 properties
- 1.1% Overall vacancy rate
- 66% located in Pella Submarket | 34% in Knoxville Submarket



Homestead of Knoxville (Knoxville Submarket)

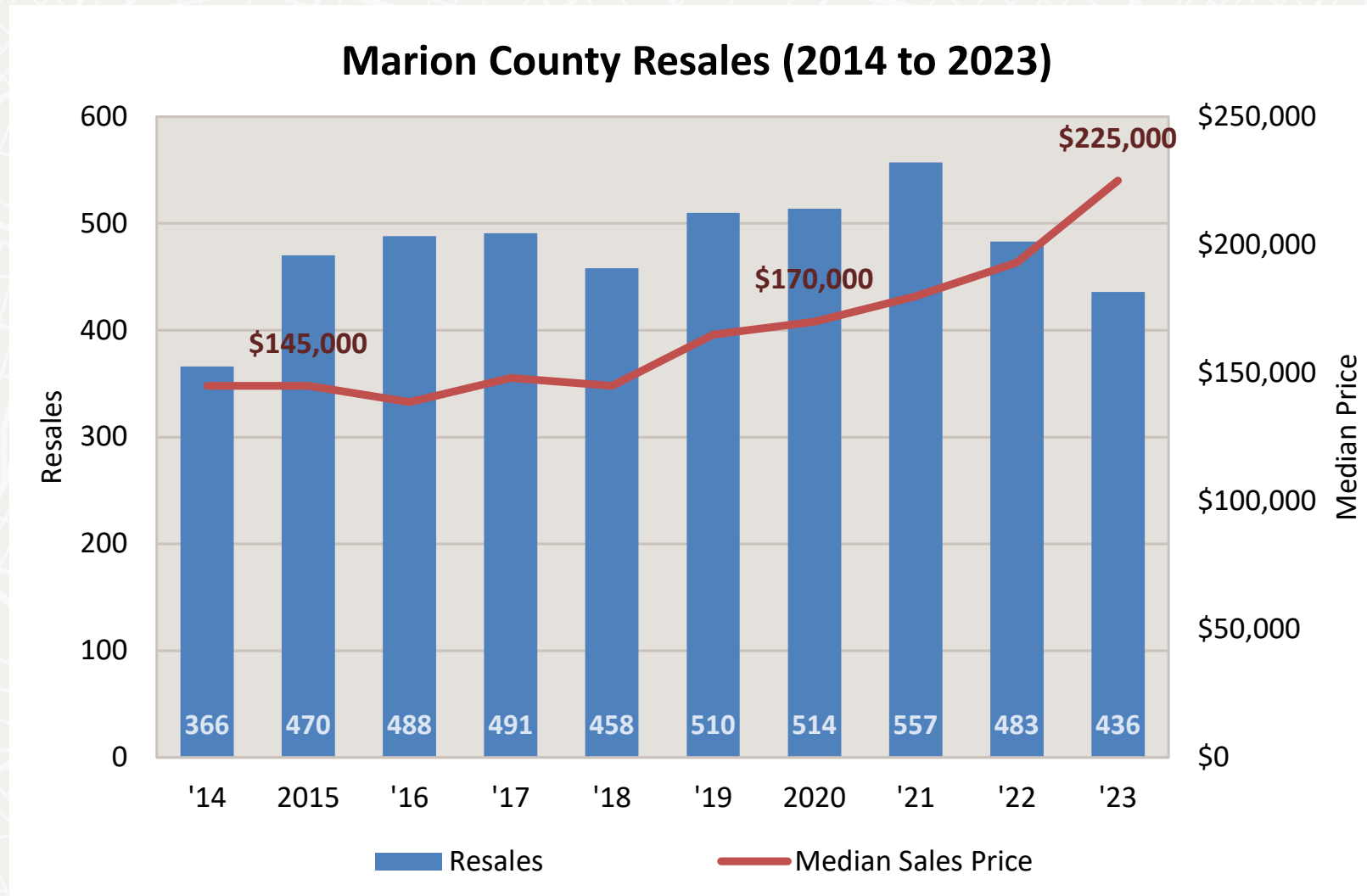


The Estates of Pella (Pella Submarket)



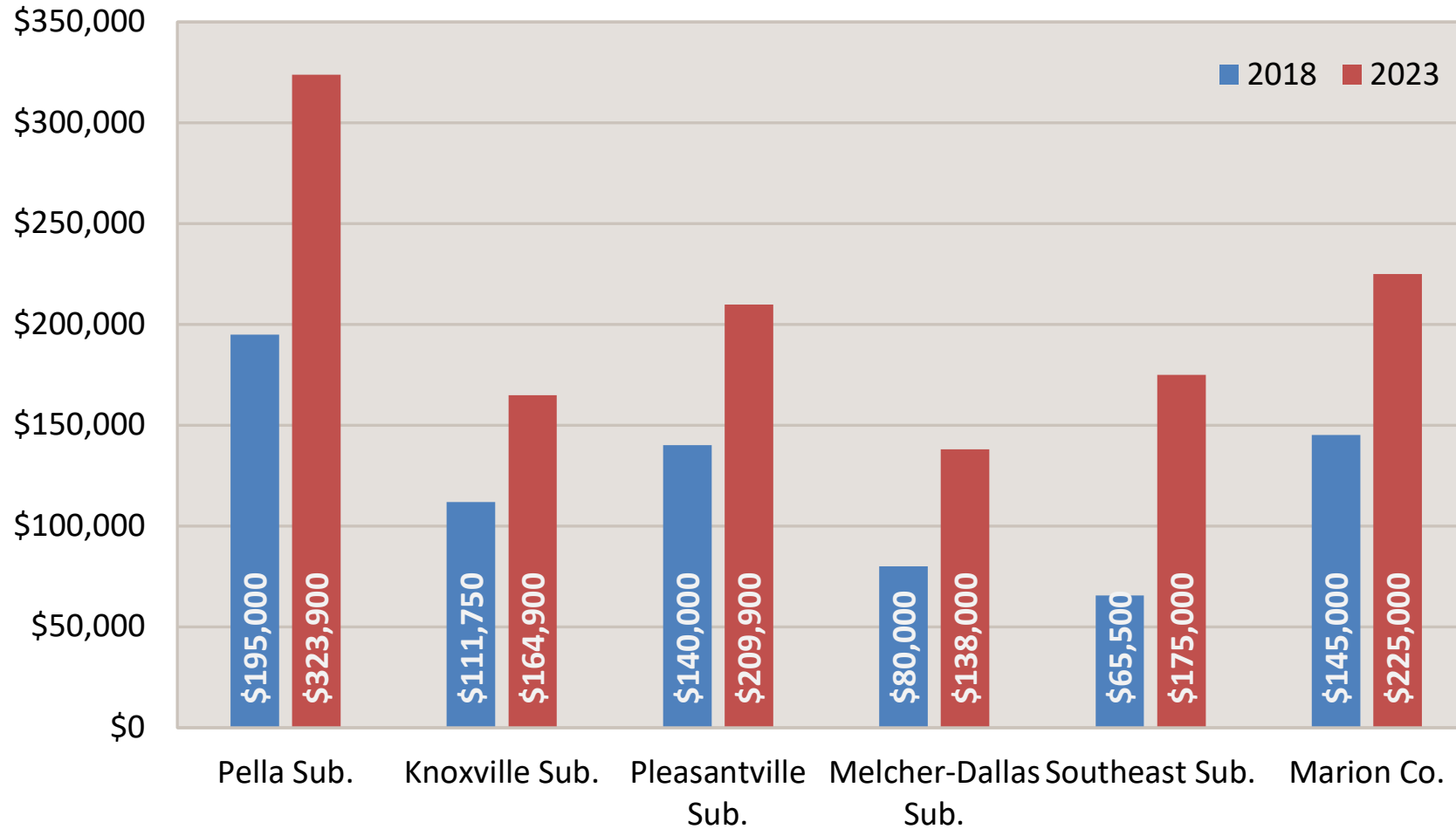
5% - 7% Vacancy = Market Equilibrium

Pandemic Housing Boom drove prices past 3+ years...



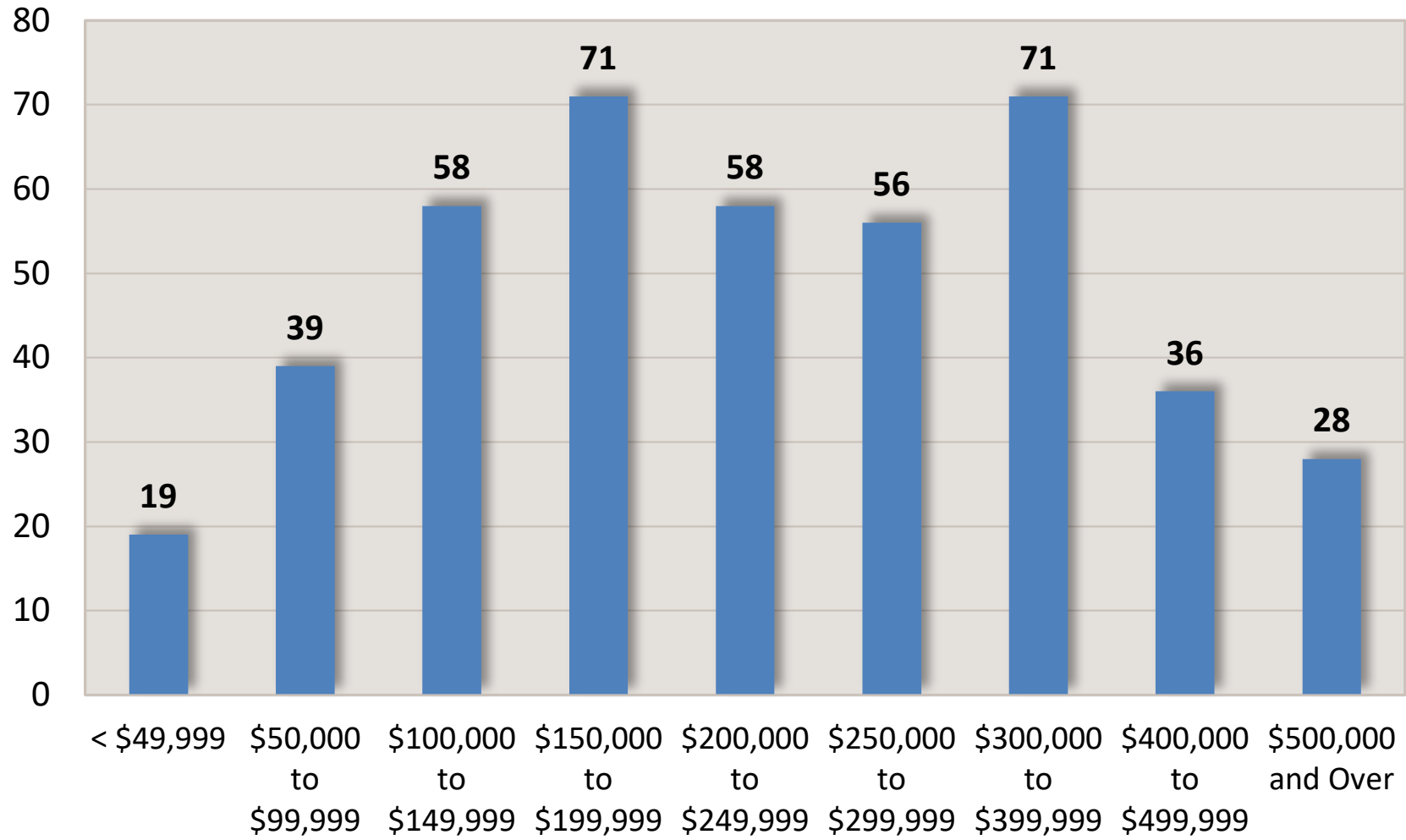
Prices up 55% since 2018 | +23% since 2020

Median Resale Price by Submarket



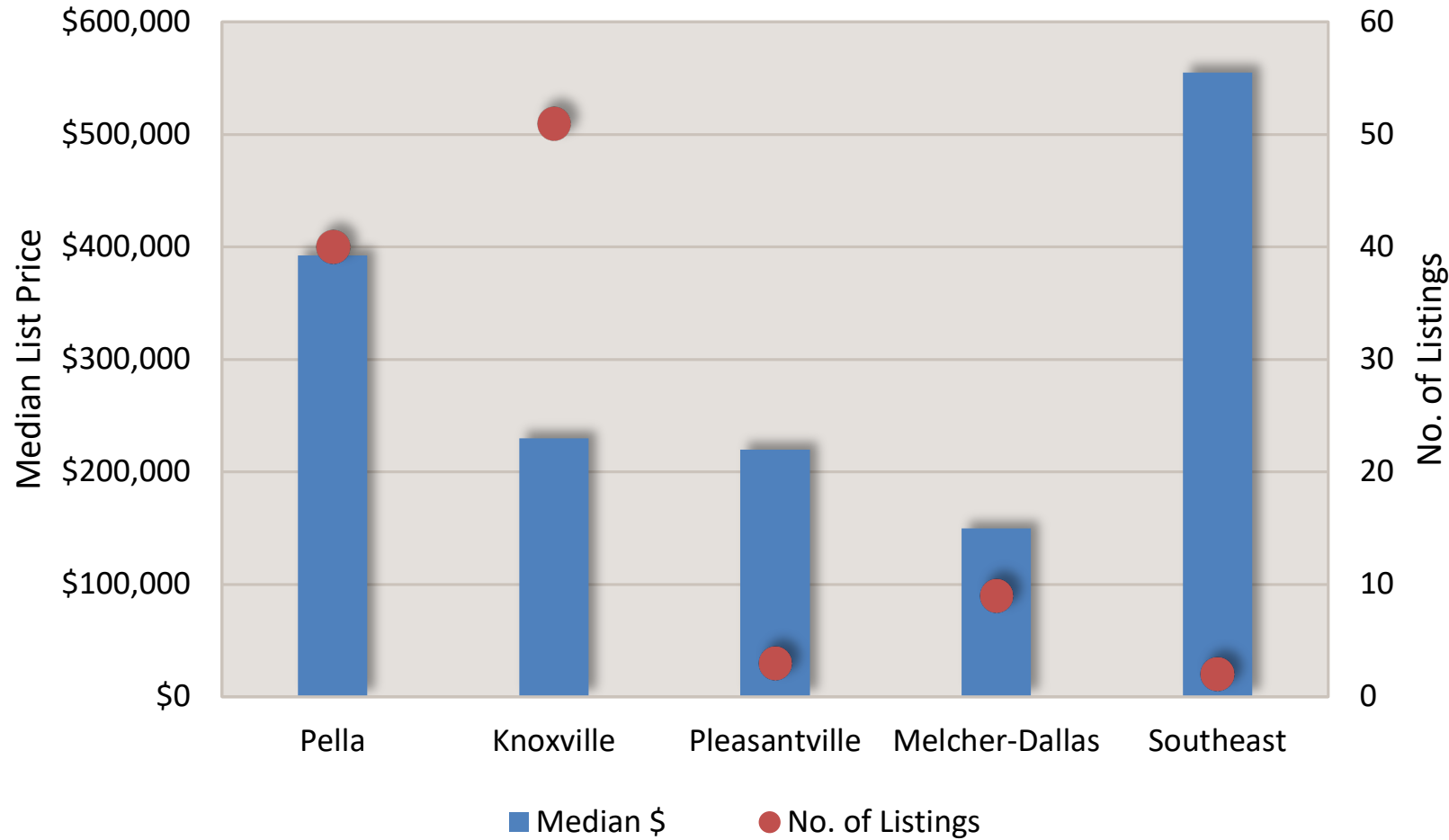
2023: 30% of Resales between \$100k to \$199.9k

Marion County Resales by Price Point (2023)

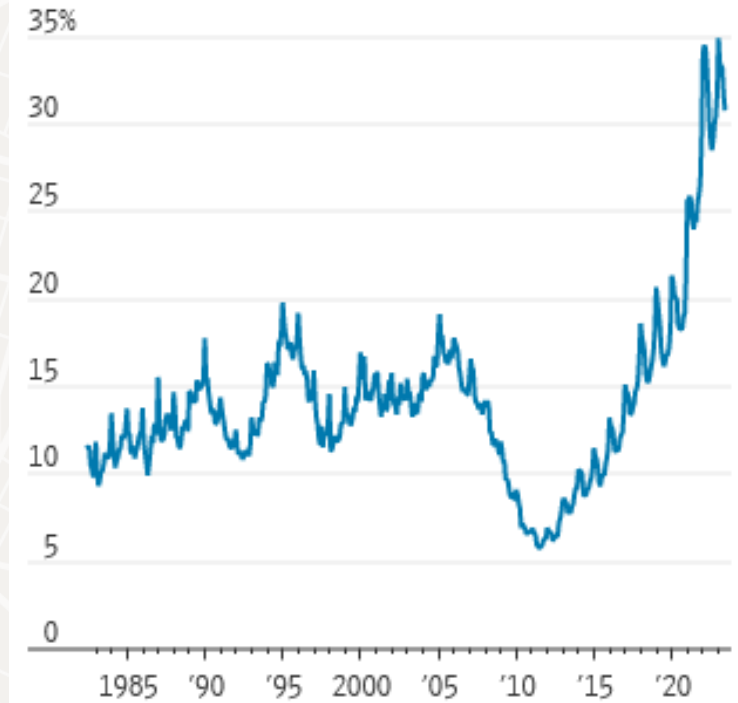


Few Homes For-Sale the past few years..

Marion County Active Listings and Median List Price (Feb. 2024)



New single-family homes as a share of all single-family homes for sale

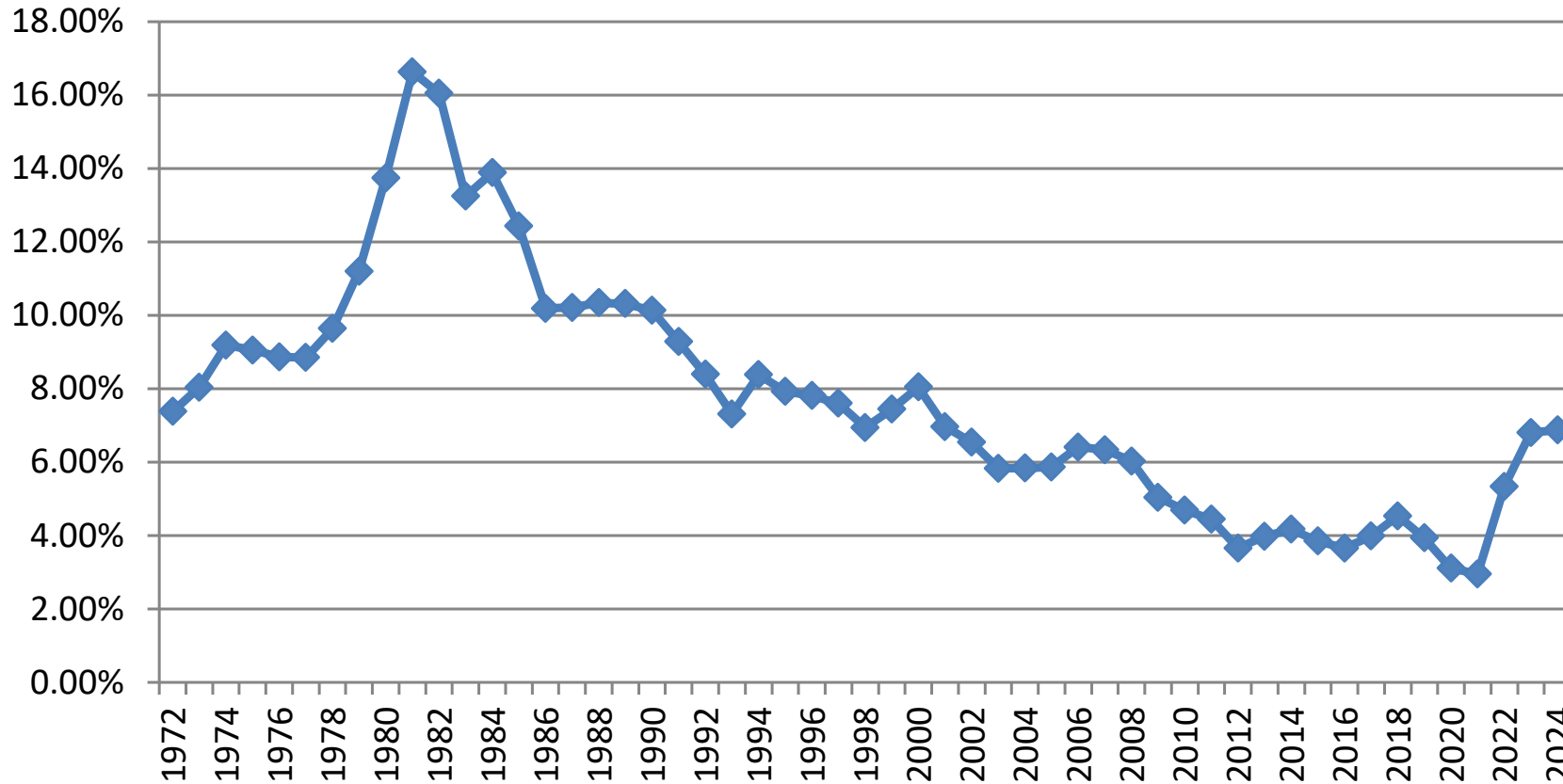


Sources: National Association of Realtors (existing homes), Commerce Dept. (new homes)

- 105 active listings | Avg. price: \$304k | Median price: \$280.5k | 49% in Knoxville

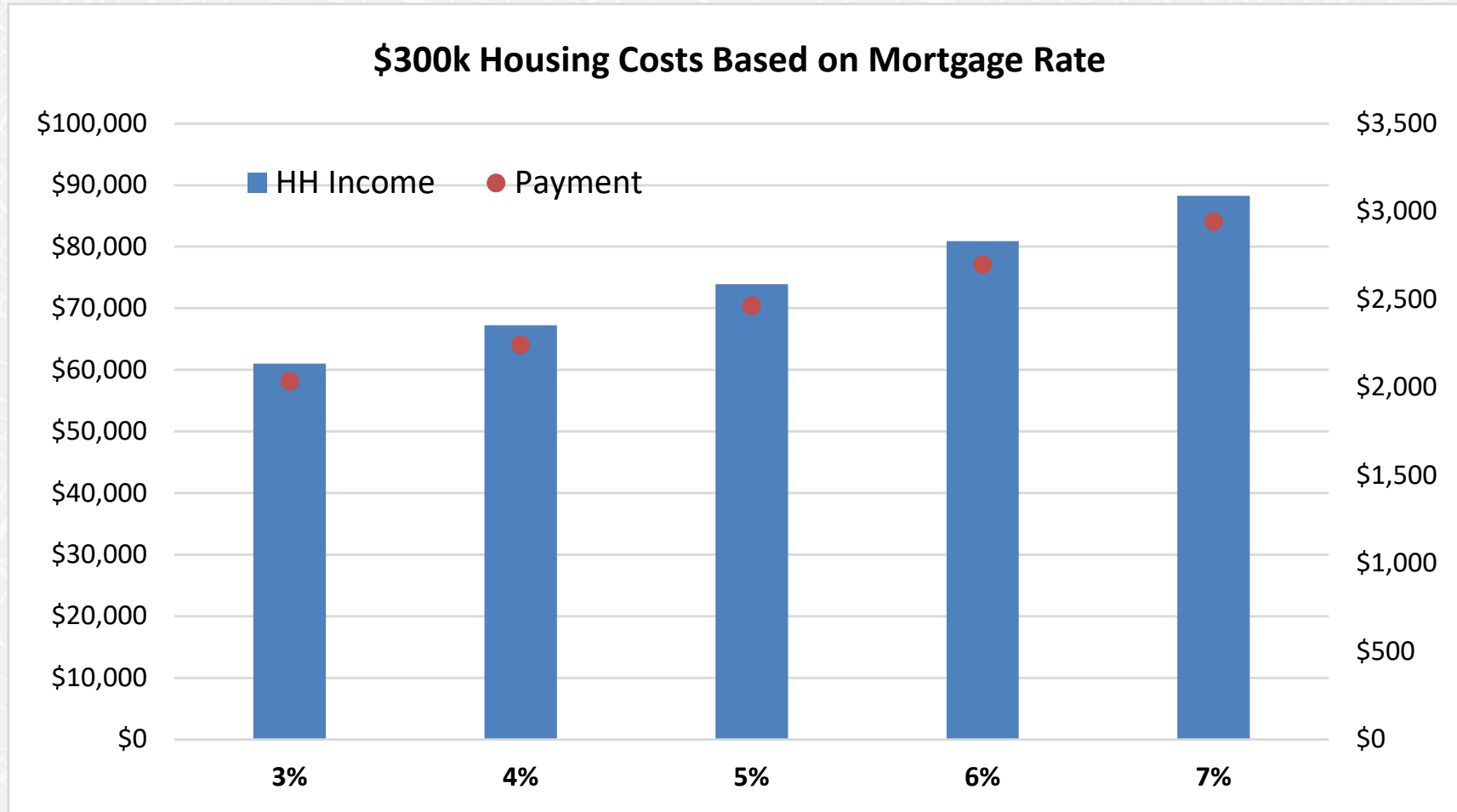
Interest Rates Rising...still historically low

Historic 30-year Mortgage Rates 1972 to 2024 YTD



FOMC Mtg. Mtg. Date	Rate Chage (bps)	Federal Funds Rate
3/3/2020	-150	1.0% to 1.25%
3/16/2020	-100	0.0% to 0.25%
3/17/2022	+25	0.25% to 0.50%
5/5/2022	+50	0.75% to 1.0%
6/16/2022	+75	1.5% to 1.75%
7/27/2022	+75	2.25% to 2.5%
9/21/2022	+75	3.0% to 3.25%
11/2/2022	+75	3.75% to 4.0%
12/14/2022	+50	4.25% to 4.5%
2/1/2023	+25	4.5% to 4.75%
3/22/2023	+25	4.75% to 5.0%
5/3/2023	+25	5.00% to 5.25%
6/14/2023	0	5.00% to 5.25%
7/26/2023	+25	5.25% to 5.5%
9/20/2023	0	5.25% to 5.5%
11/1/2023	0	5.25% to 5.5%
12/13/2023	0	5.25% to 5.5%
1/31/2024	0	5.25% to 5.5%
3/20/2024	0	5.25% to 5.5%
5/1/2024	0	5.25% to 5.5%

Housing Costs (via rate hikes) +45%

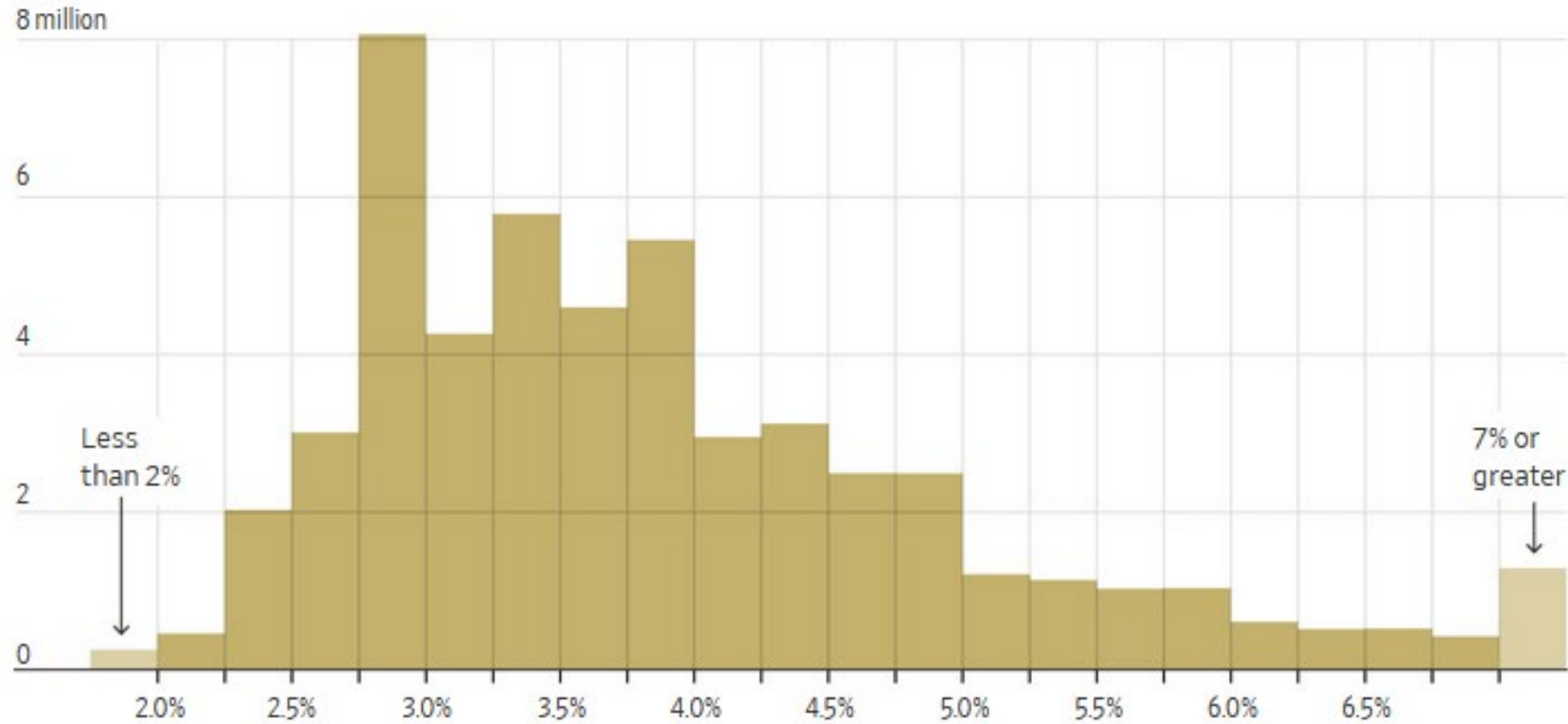


Note: Based on 10% down, 30-year fixed, good credit, HO insurance, property taxes, and PMI. Change between 3% and 7% mortgage rate. (Note: excludes home appreciation between 2020 and today).

Mortgage Rate Lock In Effect...holding back supply

Nearly 75% of existing mortgages are under 4%!

Active primary mortgages by interest rate



Note: As of March 31
Source: Black Knight

Housing Affordability Index

Today's home prices are on-par with the early 1980s!

Dallas Fed's Housing Affordability Index

Lower score = less affordable housing market. Higher score = more affordable housing market.



Chart: Lance Lambert • Source: Federal Reserve Bank of Dallas • Created with [Datawrapper](#)

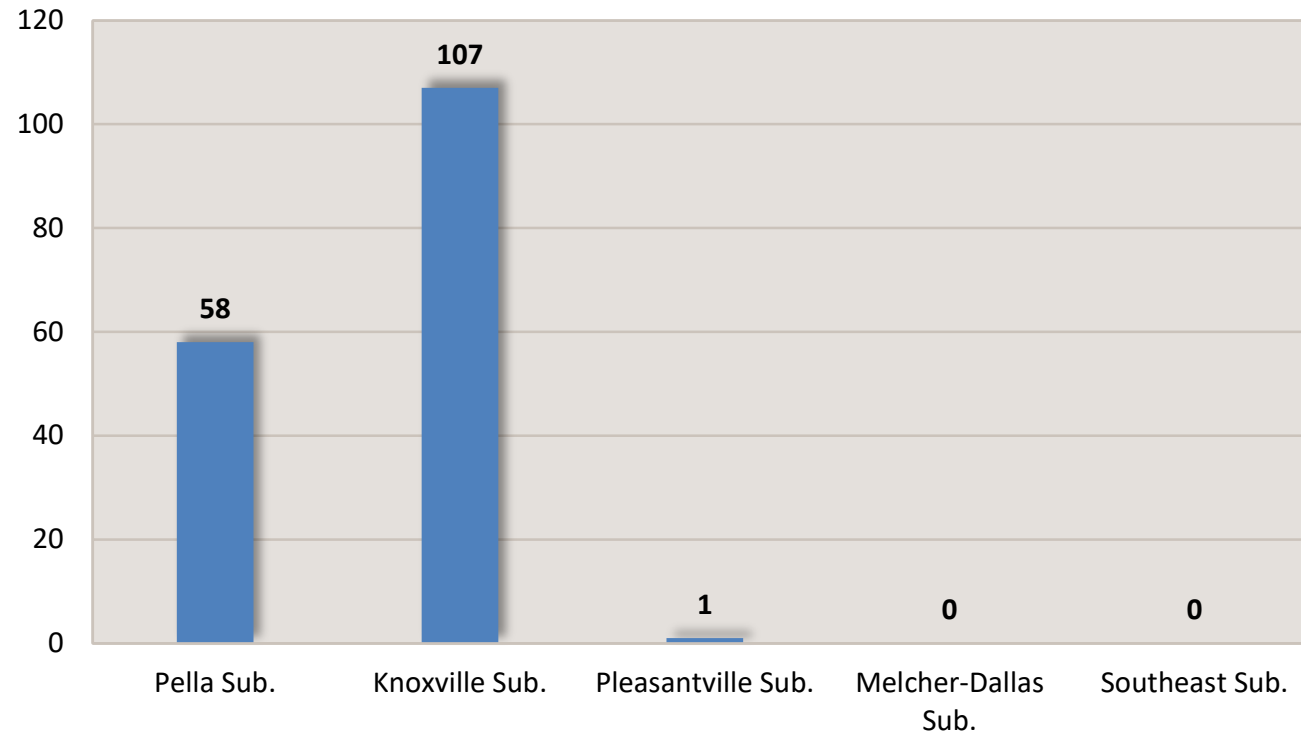


Lot Inventory | New Construction

Lot Inventory/Supply

- 166 vacant lots | 13 active subdivisions
- Nearly 64% in Knoxville submarket (five subdivisions)
- No newer platted lots in Melcher-Dallas & Southeast submarkets, few lots in Pleasantville

Vacant Lots: New Subdivisions by Submarket (Apr. 2024)



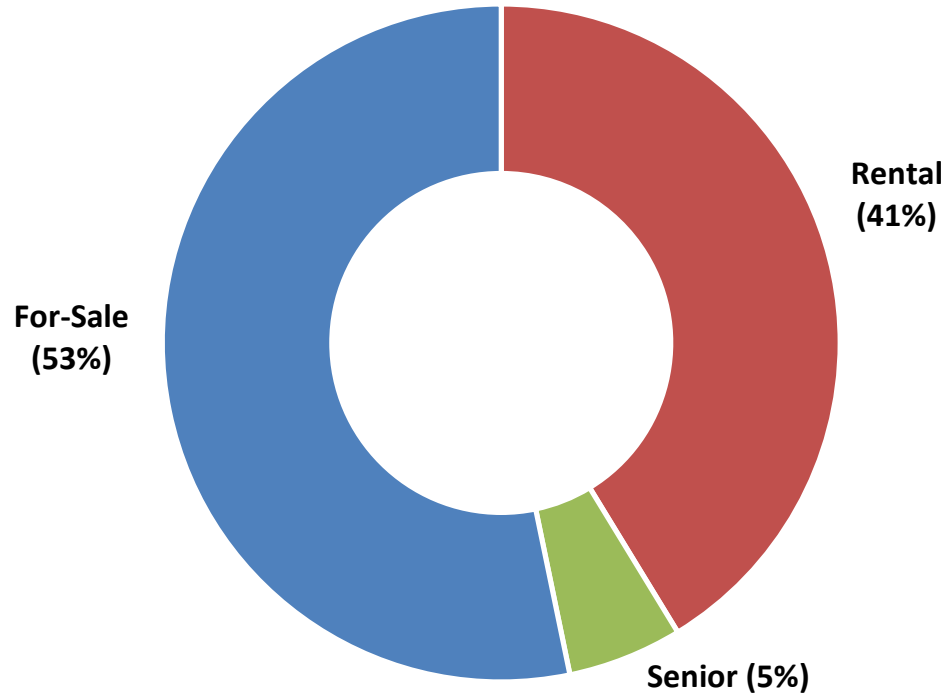
New Construction Market

- Mostly build-to-suit
- No production builders | Local builders
- New product targets move-up or executive buyers
- Detached single-family housing dominated
- Few association-maintained products
- Avg. Price: \$400k + | \$250 PSF



Development Pipeline

**Pending Housing Developments
Marion County (Q1 2024)**



- Most product in planning or concept stage
- No Identified pending units in Melcher-Dallas Sub. or Southeast Sub.

Submarket	For Sale	Rental	Senior	Total
Knoxville	59	323	48	430
Pella	254	24	0	278
Pleasantville	154	15	0	169
Total	467	362	48	877



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Demand Methodology

Demand Overview

- Household growth & tenure
- Turnover
- Income-qualified households
- Demand by product | Preferences

Demand Driver Examples

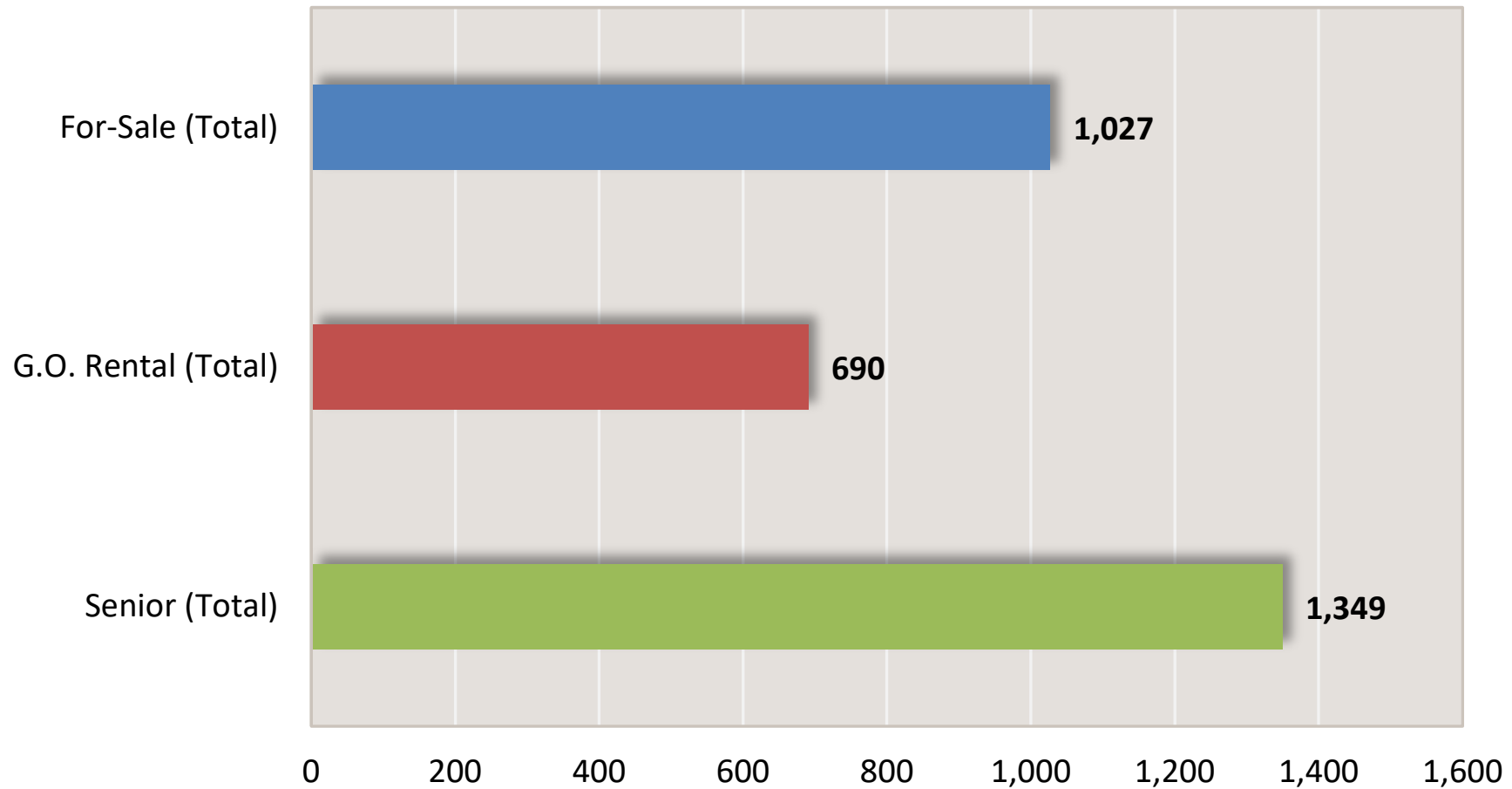
- Demographics
- Economy & Job Growth
- Consumer Choice | Preferences
- Turnover/Mobility
- Supply (i.e. Existing Hsg. Stock)
- Replacement need (i.e. functionally /physically obsolete)
- Financing

Demand Assumptions/Methodology

- Household growth adjusted for local factors (i.e. economy, building permits, etc.)
- Senior demand estimates apply capture and penetration rates and are presented as “Point in Time” vs. Cumulative

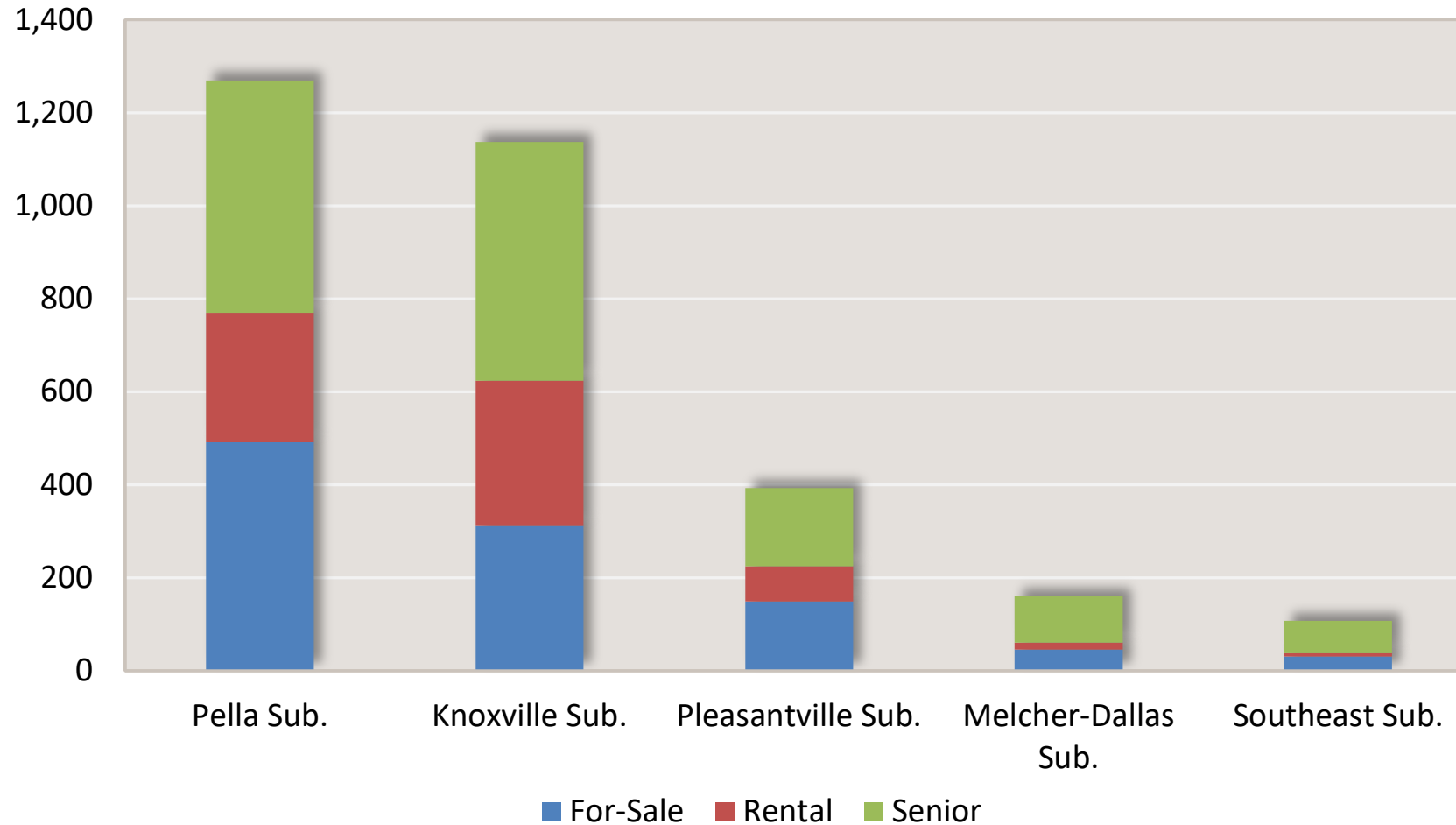
Demand for 3,000+ housing units through 2035

**Marion County Demand by Type
2024 - 2035**



Pella + Knoxville Submarkets – 78% of all demand

Demand by Type (2024 - 2035)



SF For-Sale Recommendations

- Recommend 3 to 5-year lot supply
 - Only 2-year lot supply in county
 - Need for diverse lot types (look-outs, acreage, etc.)
- Demand for nearly 750 SF homes (through 2035)
- Demand across all price points, however entry-level SF becoming more difficult to build given development cost
- \$250k - \$400k highest demand, but growing need for executive homes too



Knoxville: Veterans District



Pella: Fountain Hills New Construction

Single-Family For-Sale Demand by Submarket by 2035

Submarket	Units	Pct.
Pella	344	46.4%
Knoxville	218	29.4%
Pleasantville	112	15.0%
Melcher-Dallas	41	5.5%
Southeast	27	3.7%
Total	741	100.0%

MF For-Sale Recommendations

- Demand for 286 units
- Lack of association-maintained product in the County
 - Strong demand for association-maintained product
 - Popular with older adult and senior households
- Potential housing types:
 - Twin homes/duplex
 - Att. / Det. Townhomes/Villas
 - Townhomes/Quads
 - Condominiums

Multifamily For-Sale Demand by Submarket by 2035

Submarket	Units	Pct.
Pella	148	51.7%
Knoxville	93	32.7%
Pleasantville	37	13.0%
Melcher-Dallas	5	1.6%
Southeast	3	1.1%
Total	286	100.0%



Knoxville Twin home



New Condo - Pella

Rental Housing Recommendations

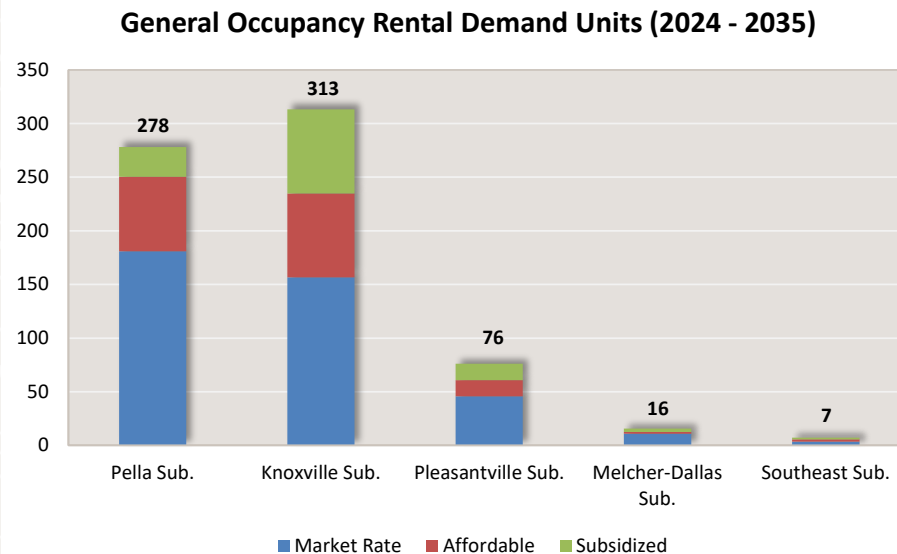
- Demand for 690 units
 - 398 market rate | 167 affordable | 126 subsidized
- Demand for all incomes, HH types, and product types
- Potential concepts:
 - Rental townhomes | SF Rentals
 - Traditional multi-story
 - Mixed-income



Terrace View (Knoxville Submarket)



View Pointe (Pella Submarket)



Senior Housing Recommendations

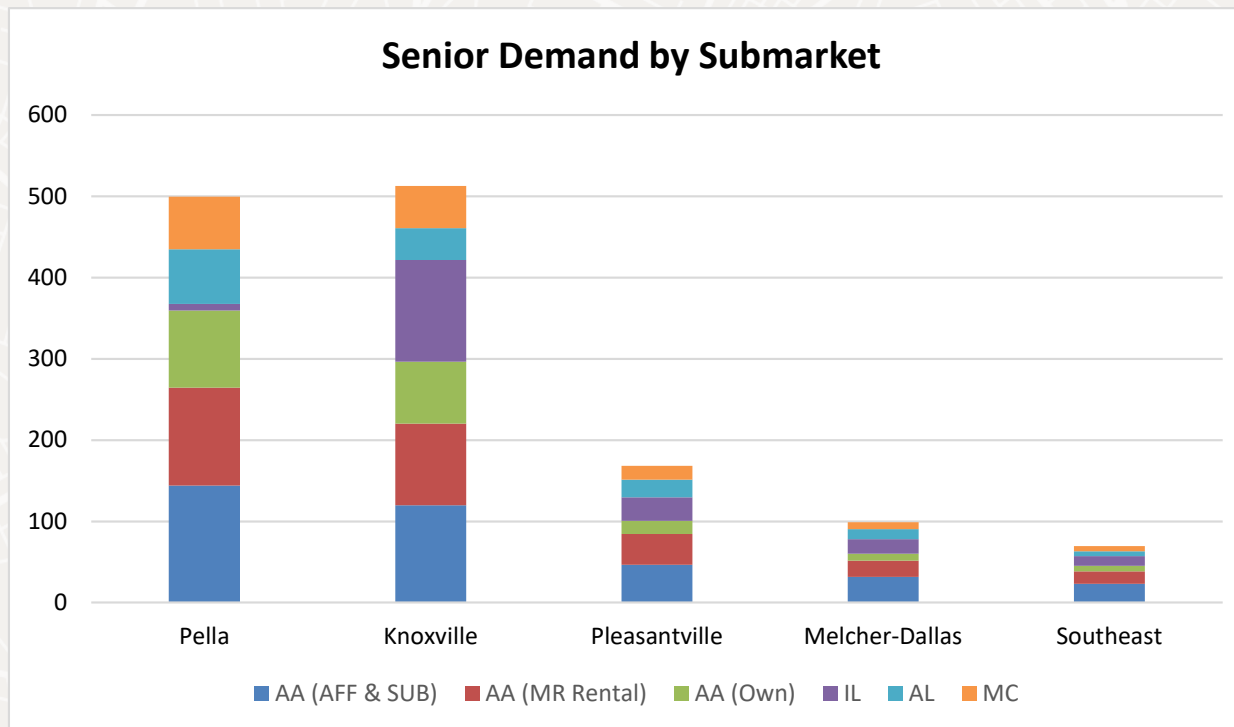
- Significant demand through this decade & beyond..(i.e. boomers)
- Demand for 1,349 units by 2035
 - Strongest Demand for active adult and IL in short-term
 - 75% of demand in Knoxville & Pella Submarkets



Homestead of Knoxville (Knoxville Submarket)



The Estates of Pella (Pella Submarket)



Tools to alleviate costs | New production not keeping pace

Multiple Strategies needed to address supply & demand challenges...

Public Sector (sample)

- Relax zoning requirements (density, lot size, parking, etc.)
- Regulatory fees (passed to end consumer)
- Fee reductions (Entitlement, permit, impact)
- Fast tracking (time is money)
- Tax abatement/TIF, etc.
- Housing Trust Funds & other housing programs
- Land acquisition contribution, infill sites, etc.
- Opportunity zone tax breaks
- Accessory Dwelling Units (ADU), Multi-gen, tiny homes, etc.
- Financing instruments
- Private-public partnerships

Improving Productivity

- Modular housing or Prefab
- Emerging construction (AI, 3D printing, automatize, etc.)
- Alternative construction materials
- Design innovations
- Promotion of the trades (schools)
- Builders in interim:
 - Reduce lot size
 - Reduce square footage
 - Less expensive finishes

Key Takeaways

- Flat growth last decade, accelerated growth since 2020 | Growth moderating with high interest rates
- Growth led by Millennials & Boomers | 65+ growing fastest = alternative housing products
- Families w/kids fastest growing HH type | Empty/never nesters largest cohort (33.7%)
- UE rate lower than pre-pandemic (1.8%) | Plenty of job openings | Labor force increasing
- Major job importer: 9,200+ workers commute into Marion County for employment
- Low rental vacancy rates (1.2%) | Pent-up demand for new rental housing | Projects in the pipeline
- Senior housing market poised for strong growth | Short-term need for active adult & Independent
- For-sale market @ peak, but slowing | lack of supply | Interest rates impacting sales/affordability
- New construction targets move-up buyers | Few entry-level or association-maintained options
- Vacant lot supply deficient across the County | New platted lots needed immediately
- Inflation, interest rates and rising construction costs impact development opportunities in near-term

Priorities

- Lot Supply: 2-year lot supply insufficient to meet future for-sale needs
 - Detached single-family
 - Need for association maintained and one-level living options
- Promote rental housing production: all product types, incomes, etc.
- Senior housing/Age-targeted Housing
- Promote private-public-partnerships (PPP) to stimulate housing markets
- Implement housing programs/resources (i.e. 1st time buyers, fix-up funds, land banking, etc.)
- Update housing action plan regularly
- Promote affordability, schools, recreation, open space, & hybrid work



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Economic Outlook...soft landing or recession?

On the Bright Side

- More job openings than unemployed
- Limited distressed real estate..for now
- Car pricing stabilizing...finally
- Inflation is decelerating...we think?
- Retail brick and mortar on solid footing
- Wage growth slowing
- Supply chain mostly back to normal
- Strong dollar
- Dow Jones hit 40,000 last week...

Headwinds

- Persistent 40-year high inflation
- Debt ceiling
- GDP growth falling
- Consumer confidence waning
- Federal Reserve: rate cuts when?
- Housing market cooling
- High insurance costs
- Labor shortage
- Geopolitical risk
- Banking crisis/financial tightening
- Gas prices

Pandemic Housing Boom deflating with rising rates...

- Mortgage rates up significantly in 2022/03 (3% vs. 7%+)
- Buyers priced out/on sidelines
- Rate lock-in effect: when will home-owners part ways with historic low rates?
- New construction market share remains strong w/ few existing homes for-sale
- Land demand is rising
- Smaller homes/lots = combat affordability

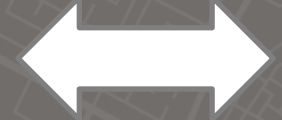
Median Sales Price



Home Sales



Housing Starts



Interest Rates



Inventory



Days on Market



Affordability



2024 Rental Housing Outlook...

- Record breaking supply (USA)
- Lack of for-sale product & rising interest rates boosts renter demand
- Hybrid work/mobility drives new submarkets
- Bid/ask spread wide...
- Landlords focus on renewals
- Rising debt & construction cost constraints...
- Rising Op Ex. (taxes, labor, etc.)

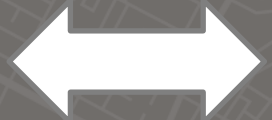
Deliveries



Absorption



Rent Growth



Vacancies



Transactions



Concessions



Affordability



2024 Senior Housing Outlook...

- Pop. growth led by younger seniors
- Strongest demand for independent & middle market products
- Labor shortages hinder occupancies
- Another year+ of recovery until we reach pre-pandemic occupancies
- Transactions muted w/higher int. rates
- New construction suppressed w/higher financing costs
- Margin compression: expenses rising faster than revenue
- More aggressive rent growth

Deliveries



Vacancies



Rent Growth



Housing Values



Transaction Activity



Concessions



Affordability





Real Estate Research
Providing Comprehensive
Market Information
and Feasibility Studies

Submarkets

Demographics & Economics

Market Overview

Demand & Recommendations

2024 Mid-Year Outlook

Discussion

Thank You!



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