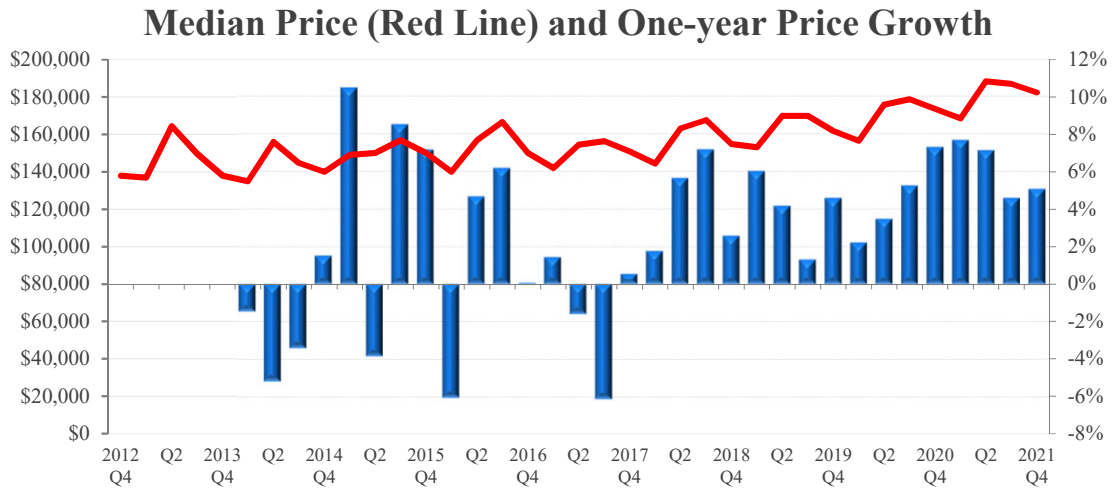
Cedar Rapids Area

Local Market Report, Fourth Quarter 2021

reflecting the impact of COVID-19 on the local economy

Today's Market…



Local Price Trends			
Price Activity	**Cedar Rapids**	**U.S.**	**Local Trend**
Current Median Home Price (2021 Q4)	$182,500	$353,800	Prices continue to grow relative to last year
1-year (4-quarter) Appreciation (2021 Q4)	5.1%	13.8%	
3-year (12-quarter) Appreciation (2021 Q4)	17.9%	38.3%	
3-year (12-quarter) Housing Equity Gain*	$27,700	$98,067	Gains in the last 3 years have extended the trend of positive price growth after the recession
7-year (28 quarters) Housing Equity Gain*	$42,500	$146,167	
9-year (36 quarters) Housing Equity Gain*	$44,600	$174,967	
*Note: Equity gain reflects price appreciation only			

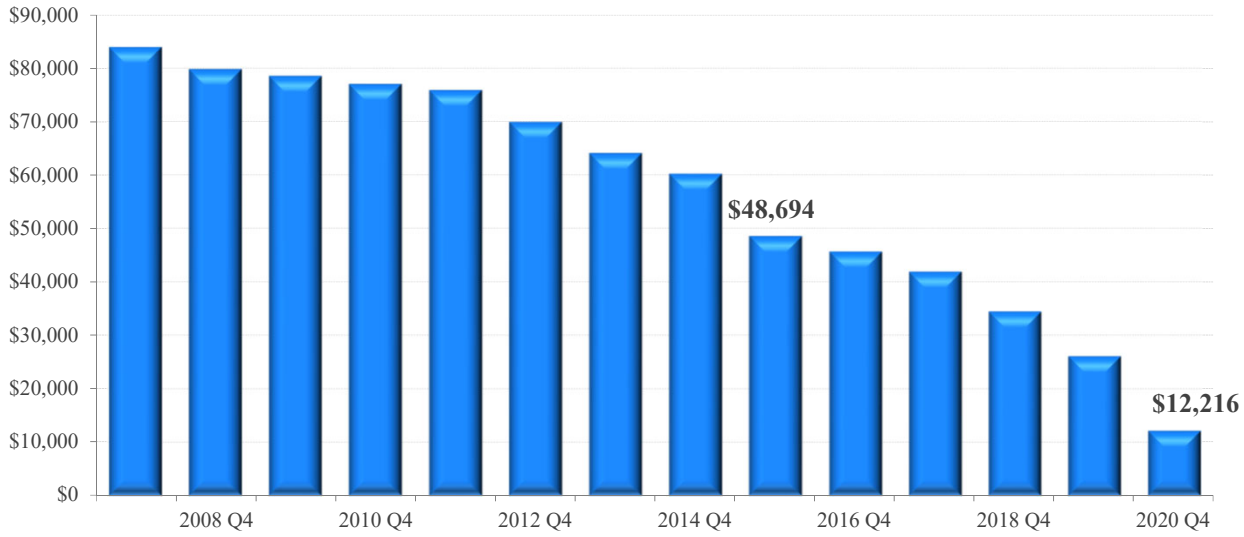
	Cedar Rapids	**U.S.**	
Conforming Loan Limit**	$647,200	$765,600	Most buyers in this market have access to government-backed financing
FHA Loan Limit	$420,680	$765,600	
Local Median to Conforming Limit Ratio	28%	not comparable	
Note: limits are current and include the changes made on January 1st 2022.			

Local NAR Leadership

The Cedar Rapids market is part of region 8 in the NAR governance system, which includes all of Minnesota, Iowa, North Dakota, South Dakota, and Nebraska. The 2022 NAR Regional Vice President representing region 8 is Bart Miller.

Benefits of Ownership:
Total Equity Appreciation

Total Equity Accrued to Owner by Year and Quarter of Purchase



Total Equity Gained** through 2021 Q4 from quarter in which home was of purchased			
Price Activity	**CedarRapids**	**U.S.**	**Local Trend**
1-year (4-quarter)	$12,216	$48,965	
3-year (12-quarter)*	$34,550	$109,264	Price appreciation and principle payments in the last 3 years have boosted total equity growth since the recession
5-year (20-quarter)*	$45,808	$140,475	
7-year (28 quarters)*	$60,325	$172,064	
9-year (36 quarters)*	$69,962	$207,324	

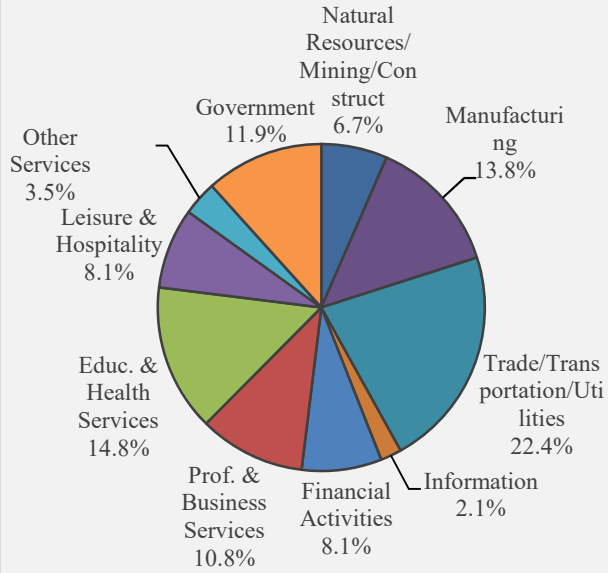
*Note: Equity gain reflects price and principle payments since purchase, prevailing 30-year fixed rate mortgage at time of purchase and a 10% downpayment. Downpayment is not included in total equity

Drivers of Local Supply and Demand…

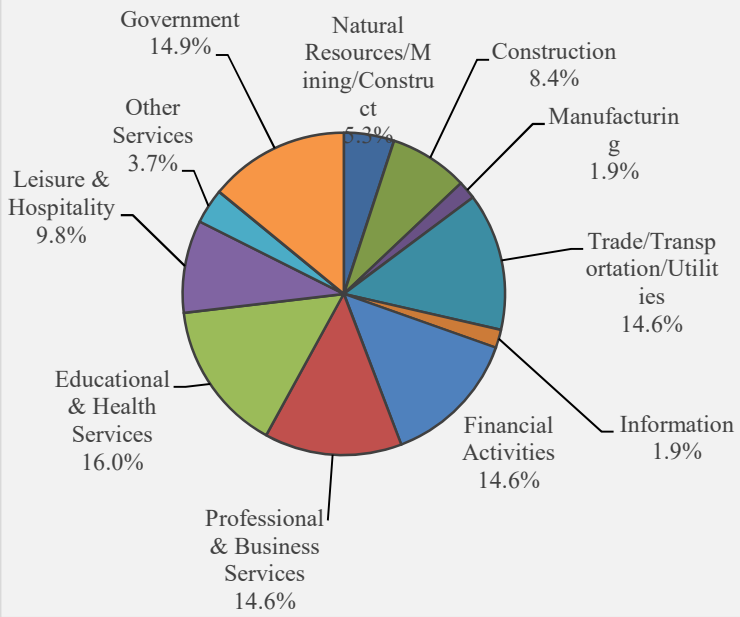
Local Economic Outlook	Cedar Rapids	U.S.	
12-month Job Change (Dec)	1,000	Not Comparable	Employment growth has eased, but remains positive
12-month Job Change (Nov)	1,200	Not Comparable	
36-month Job Change (Dec)	-6,600	Not Comparable	Cedar Rapids's unemployment situation is worse than the national average and weighs on confidence
Current Unemployment Rate (Dec)		3.9%	
Year-ago Unemployment Rate	4.7%	6.7%	Local employment growth is poor and needs to improve
1-year (12 month) Job Growth Rate	0.7%	3.6%	

Share of Total Employment by Industry

Cedar Rapids Area



U.S.

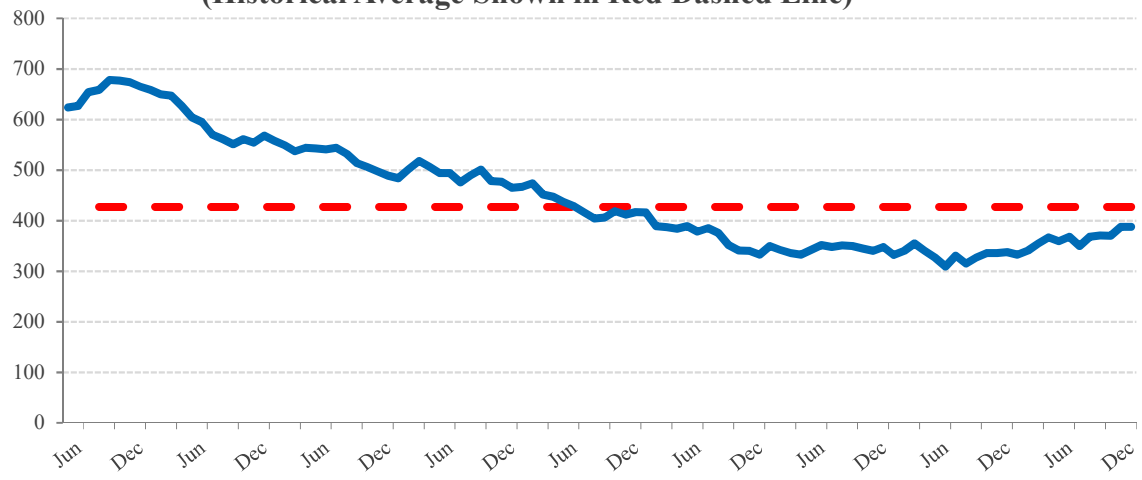


12-month Employment Change by Industry (Dec - 2021)			
Goods Producing	NA	Information	-200
Natural Resources/Mining/Construction	900	Financial Activities	-200
Natural Resources and Mining	NA	Prof. & Business Services	-200
Construction	NA	Educ. & Health Services	-700
Manufacturing	100	Leisure & Hospitality	1,300
Service Providing Excluding Government	NA	Other Services	100
Trade/Transportation/Utilities	-100	Government	200

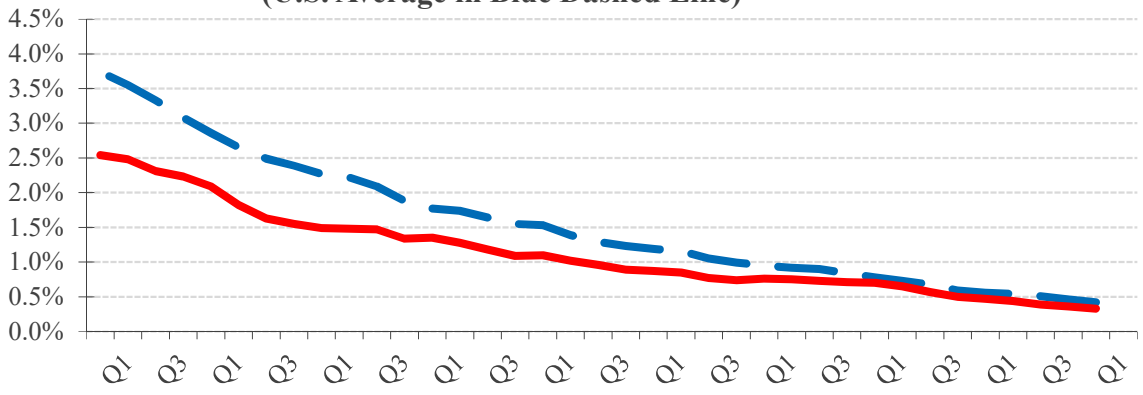
State Economic Activity Index	Iowa	U.S.	
12-month change (2021 - Dec)	4.1%	6.2%	Iowa's economy is growing, but decelerated from last month's 4.37% change and lags the rest of the nation
36-month change (2021 - Dec)	NA	4.1%	

New Housing Construction			
Local Fundamentals	**Cedar Rapids**	**U.S.**	
12-month Sum of 1-unit Building Permits through Dec	388	not comparable	The current level of construction is 9.2% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	427	not comparable	Reduced construction will limit new supply to the market, allowing demand to catch up with inventory more quickly
Single-Family Housing Permits (Dec) 12-month sum vs. a year ago	14.8%	13.9%	Construction is on the rise relative to last year, suggesting that the local inventory has stabilized

Construction: 12-month Sum of Local Housing Permits
(Historical Average Shown in Red Dashed Line)



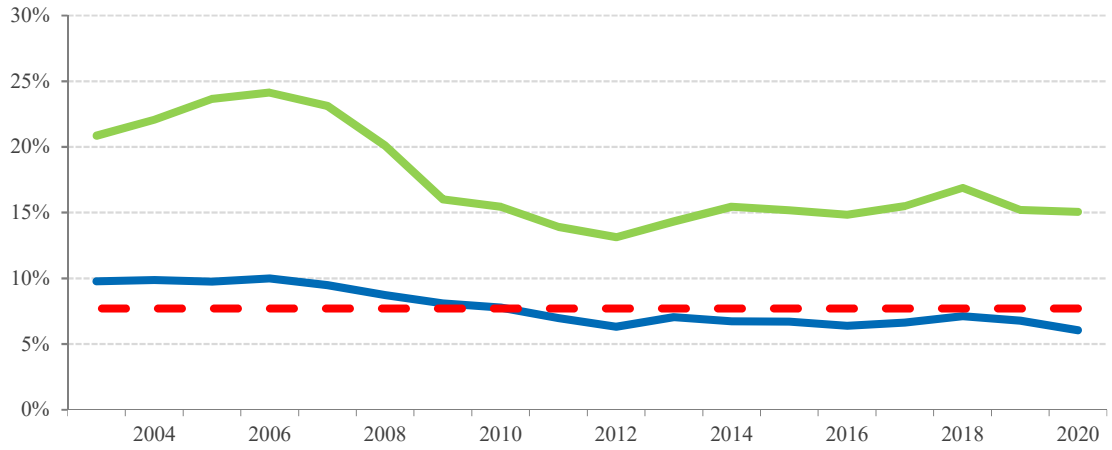
State Total Foreclosure Rate vs. U.S Average
(U.S. Average in Blue Dashed Line)



Source: Mortgage Bankers' Association

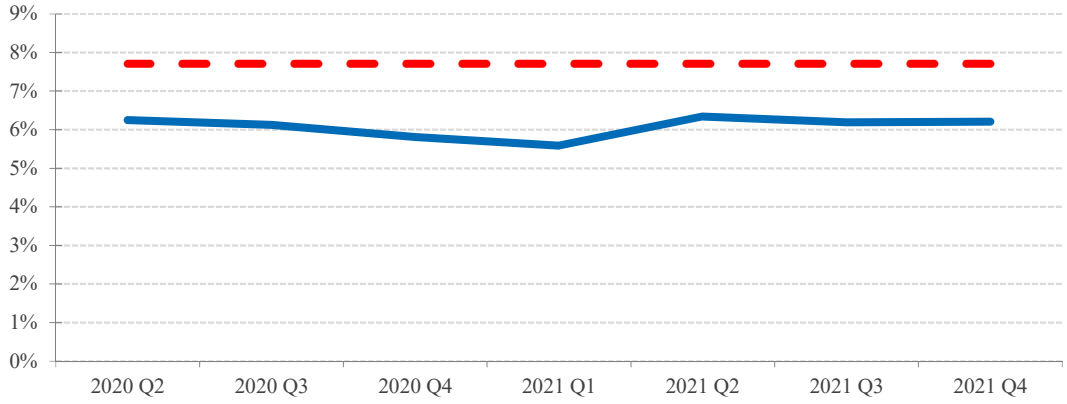
Affordability

Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income
(Local Historical Average Shown in Red, U.S. Average in Green)

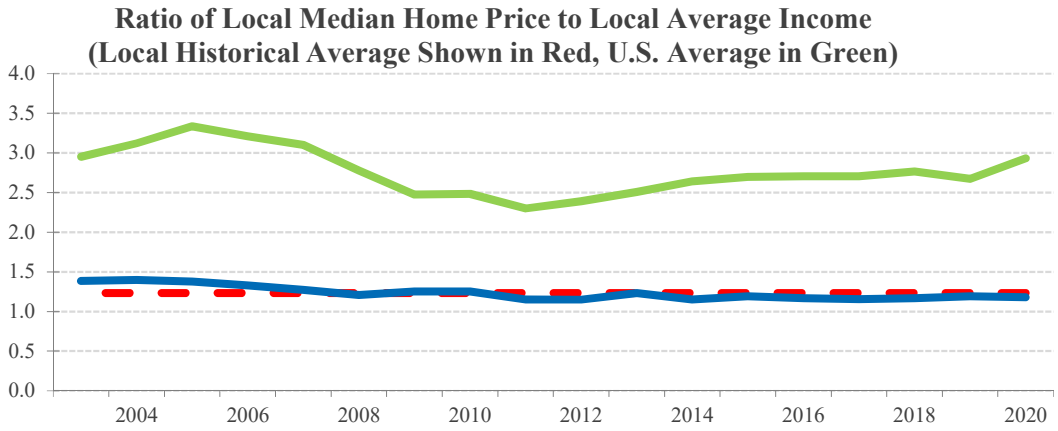


Monthly Mortgage Payment to Income	Cedar Rapids	U.S.	
Ratio for 2021	6.1%	16.7%	Historically strong, but weaker than the third quarter of 2021
Ratio for 2021 Q4	6.2%	16.3%	
Historical Average	7.7%	18.1%	More affordable than most markets

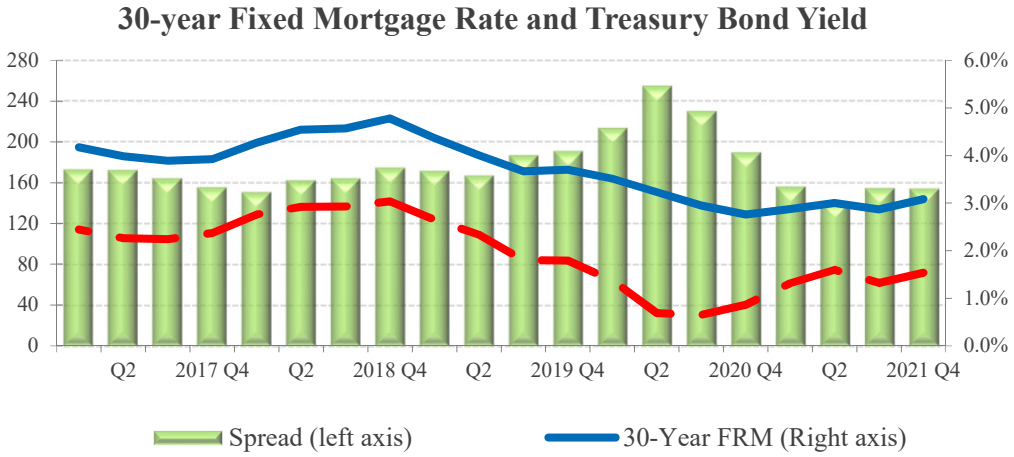
Recent Trend - Local Mortgage Servicing Cost to Income
(Historical Average Shown in Red Dashed Line)



Median Home Price to Income	Cedar Rapids	U.S.	
Ratio for 2021	1.2	3.3	The price-to-income ratio has fallen and is below the historical average
Ratio for 2021 Q4	1.2	3.2	
Historical Average	1.2	2.7	Affordable compared to most markets

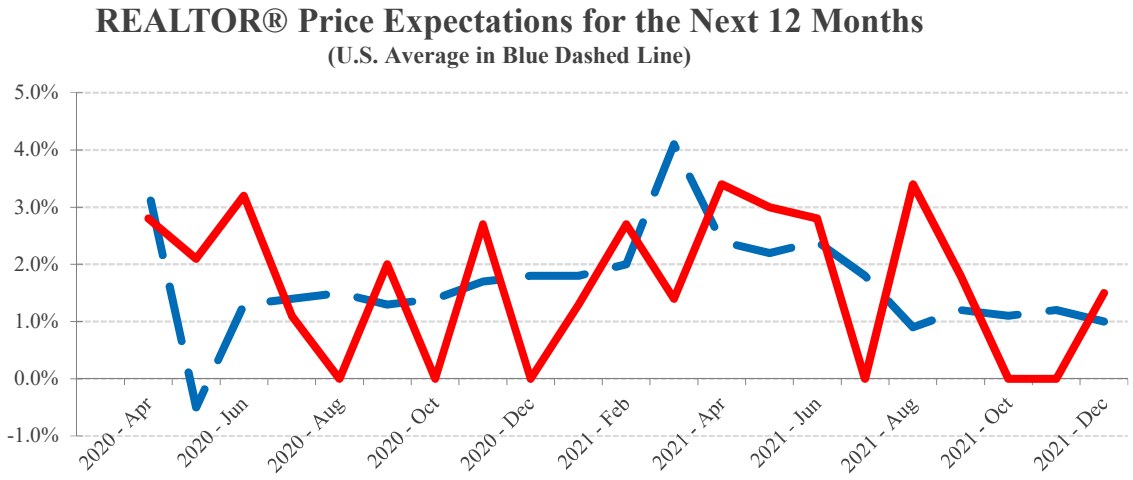


The Mortgage Market



At the end of year, mortgage rates continued to remain near 3 percent as investors were concerned about the impact of Omicron variant on the economy. Nevertheless, rates were higher than a year ago. According to the mortgage finance provider Freddie Mac, the 30-year fixed mortgage rate rose to 3.08 percent in Q4 2021 from 2.76 percent a year earlier. Meanwhile, the outlook is for mortgage rates to rise even further. With elevated inflation, the Fed will likely raise short-term interest rates as soon as March. Although the Fed doesn't set up mortgage rates, Fed's actions have a ripple effect. A higher rate for banks tends to make borrowing more expensive for consumers affecting eventually long-term interest rates (such as 10-year Treasury bond). While mortgage rates typically follow the trend of the 10-year Treasury yield, the rate on the conventional 30-year mortgage also tends to rise. As a result, mortgage rates will move up in the first quarter of 2022. NAR forecasts the 30-year fixed mortgage rate to hover around 4.5 percent in mid-2022.

REALTOR® Price Expectations



Source: NAR

REALTOR® Price Expectations	Iowa	U.S.	
2021 - Dec	1.8%	3.5%	REALTORS® expect weaker price growth in Iowa than in the U.S. in the next 12 months. Their price expectations for the local market are more modest than a year ago.
Prior 12 months	2.7%	2.0%	

Geographic Coverage for this Report

The Cedar Rapids area referred to in this report covers the geographic area of the Cedar Rapids metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Benton County, Jones County, and Linn County

More information on the OMB's geographic definitions can be found at https://obamawhitehouse.archives.gov/omb/bulletins_default/