

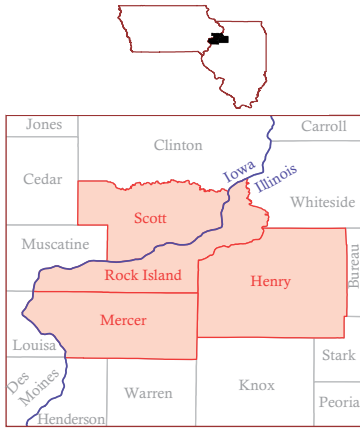


Davenport-Moline-Rock Island-Bettendorf, Iowa-Illinois

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of December 1, 2017



Housing Market Area



The Davenport-Moline-Rock Island-Bettendorf Housing Market Area (hereafter, Quad Cities HMA) is bisected by the Mississippi River and located approximately 140 miles west of Chicago. It is coterminous with the Davenport-Moline-Rock Island, IA-IL Metropolitan Statistical Area, which consists of Henry, Mercer, and Rock Island Counties in Illinois and Scott County in Iowa. The first railroad bridge across the Mississippi River was completed in 1856 in the HMA, adjacent to Fort Armstrong, which became the Rock Island Arsenal, a military weapons equipment and ordnance manufacturer in the 1880s and currently the second largest employer in the HMA, with 5,600 military and civilian employees. In 2015, the Arsenal had an economic impact of more than \$1.2 billion annually on the local economy and executed more than \$33 million in private-sector contracts (Illinois Defense Industry Adjustment Program).

Summary

Economy

Following 2 years of job declines in 2009 and 2010, economic conditions in the Quad Cities HMA have improved gradually since 2011, but job growth has been inconsistent, and nonfarm payrolls have not surpassed the previous peak of 189,400 in 2008. During the 12 months ending November 2017, nonfarm payrolls increased by 300 jobs, or 0.2 percent, to 183,400, reversing the loss of 700 jobs, or a 0.4-percent decrease that occurred during the same period 1 year earlier. Recent payroll growth has been concentrated in the education and health services sector. As the economy continues to fluctuate, nonfarm payrolls are expected to decline an average of 200 jobs, or 0.1 percent, annually during the 3-year forecast period.

Sales Market

The sales housing market in the HMA is currently balanced, with an estimated 1.5-percent vacancy rate, down from 1.8 percent in April 2010. New and existing home sales in the HMA totaled 6,650 during the 12 months ending November 2017, down 280, or 4 percent, from the previous 12 months. During the forecast period, demand is estimated for 1,200 new homes (Table 1). The 160 homes currently under construction in the HMA will satisfy some of the demand.

Rental Market

The rental housing market in the HMA is currently soft, with an estimated vacancy rate of 8.8 percent, up from 8.4 percent in 2010 when conditions were also soft. During the forecast period, demand is estimated for 270 new market-rate rental units (Table 1). The 520 units currently under construction will satisfy all the demand during the forecast period.

Table 1. Housing Demand in the Quad Cities HMA* During the Forecast Period

	Quad Cities HMA*	
	Sales Units	Rental Units
Total demand	1,200	270
Under construction	160	520

* Davenport-Moline-Rock Island-Bettendorf HMA.

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of December 1, 2017. The forecast period is December 1, 2017, to December 1, 2020.

Source: Estimates by analyst

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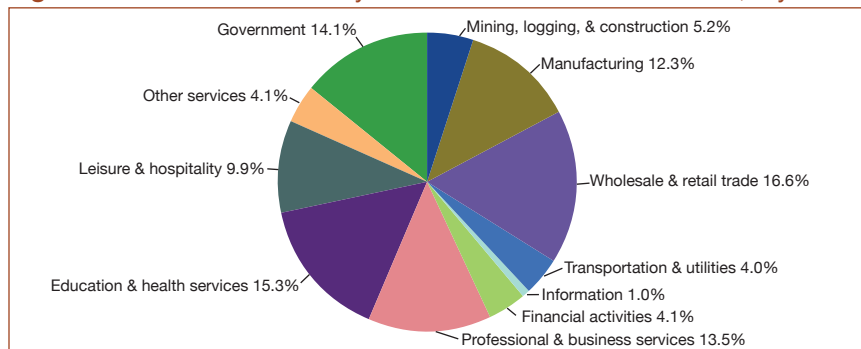
Economic Conditions

The Quad Cities HMA was established as an agricultural and manufacturing hub in the 1800s, because access to the Mississippi River was a source of energy and facilitated north-south trade. The railroad bridge enabled east-west trade beginning in 1856. Agriculture has been important to the HMA economy, and today, approximately 60 percent of HMA land is used for agriculture, with 3,525 farms employing 7,950 workers (U.S. Department of Agriculture [USDA]). HMA farmers produced more than \$960 million in livestock and grain during 2012. Historic origins in agriculture have supported growth in the manufacturing sector, which has been prominent in the HMA for more than 150 years.

In 1848, Deere & Company (hereafter, John Deere), an agricultural machinery manufacturing company, opened in the city of Moline. However, by the early 1980s, agricultural manufacturing was disrupted by the farm crisis of the 1980s, which resulted from a fall in commodity prices in response to record agricultural production, reduced exports from the 1979 United States grain embargo against the Soviet Union, and increased farm land and equipment debt. During the 1980s, John Deere cut its workforce in half, and several other agricultural manufacturing companies closed their operations in the HMA, including International Harvester Company and Caterpillar Inc.; the trend in manufacturing job losses continues in the 21st century. Manufacturing jobs have declined from 16 percent of nonfarm payrolls in 2000 to approximately 12 percent currently (Figure 1), partly because of company efforts to reduce costs and offset declining farm machinery sales, including at John Deere. Even with these declines, John Deere is currently the largest employer in the HMA with 7,625 employees (Table 2). Since 2000, the wholesale and retail trade sector also lost significant jobs partly as a result of declining manufacturing jobs. The current level of wholesale and retail trade jobs at 30,300, or 17 percent, of nonfarm payrolls is lower than the 34,100 jobs, or 18 percent, in 2000 because of several periods of job losses. The wholesale and retail trade sector remains the largest sector in the HMA, however.

Since 2000, the education and health services sector has been the fastest growing payroll sector and has provided a steady source of job growth in the HMA. Jobs in the sector have increased by an average of 400, or

Figure 1. Current Nonfarm Payroll Jobs in the Quad Cities HMA,* by Sector



* Davenport-Moline-Rock Island-Bettendorf HMA.

Note: Based on 12-month averages through November 2017.

Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Quad Cities HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Deere & Company (John Deere) Corp.	Manufacturing	7,625
Rock Island Arsenal	Government	5,600
Genesis Health System	Education & health services	4,800
UnityPoint Health	Education & health services	4,475
Hy-Vee Inc.	Wholesale & retail trade	4,375
HNI Corporation/The Hon Company/ Allsteel Equipment Company	Manufacturing	3,700
Wal-Mart Stores, Inc.	Wholesale & retail trade	2,825
Tyson Foods Corp. (Tyson Fresh Meats)	Manufacturing	2,400
Arconic Inc.	Manufacturing	2,200
Oscar Mayer Company	Manufacturing	1,600

* Davenport-Moline-Rock Island-Bettendorf HMA.

Notes: Excludes local school districts. Data include military personnel, who are generally not included in nonfarm payroll survey data.

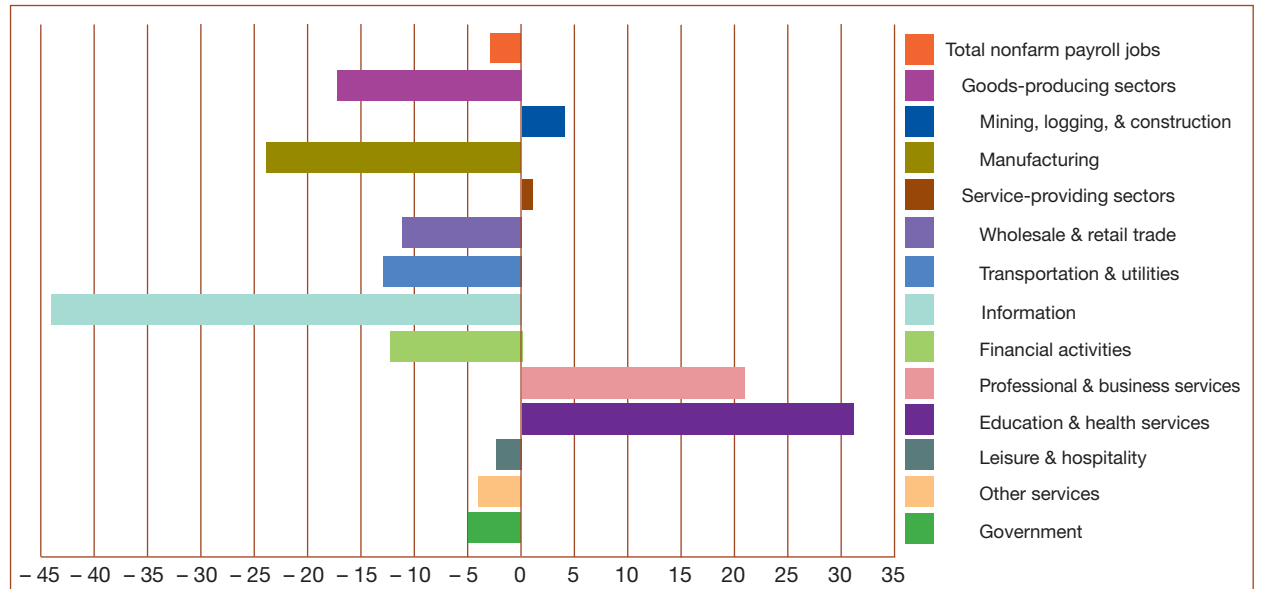
Source: Quad Cities Chamber, 2016

1.6 percent, a year since 2000, which was the largest and fastest sectoral increase in the HMA during the period (Figure 2). The healthcare and social assistance subsector accounted for more than 90 percent of the increase in the sector. A new facility at Unity-Point Health, the fourth largest employer in the HMA, contributed to job growth and included a new 139-bed hospital at their Trinity Bettendorf Campus in 2004; the number of jobs added are unknown. The education and health services sector is currently the second largest employment sector in the HMA, with 28,000 jobs, or 15 percent of total nonfarm payrolls.

Even with continued growth in the education and health services sector, the overall economy of the HMA has not recovered the total number of jobs lost during the previous decade and, since 2011, has lagged the nation in job growth. From 2001 through 2003, the HMA economy lost an average of 2,400 jobs, or 1.3 percent, annually, higher than the 0.4-percent rate of loss for the nation during the same

period. The manufacturing and the wholesale and retail trade sectors declined the most in the HMA during this period, decreasing by averages of 1,800 and 600 jobs, respectively, or 6.5 and 1.9 percent, annually. From 2004 through 2008, the HMA economy expanded, adding an average of 1,600 jobs, or 0.9 percent, annually to 189,400 jobs compared with the average annual rate of 1.0 percent in the nation. More than two-thirds of overall job growth in the HMA occurred in the professional and business services and the education and health services sectors, which increased by averages of 700 and 500 jobs, respectively, or 3.1 and 2.2 percent, a year. Although the Great Recession began in 2007 nationally, job losses in the HMA did not begin until 2009, declining by an average of 5,300 jobs, annually, or 2.8 percent, in 2009 and 2010. The rate of job loss in the HMA during the 2-year period was higher than the national rate of 2.5 percent annually during the same period. During the 2-year local

Figure 2. Sector Growth in the Quad Cities HMA,* Percentage Change, 2000 to Current



* Davenport-Moline-Rock Island-Bettendorf HMA.

Note: Current is based on 12-month averages through November 2017.

Source: U.S. Bureau of Labor Statistics

economic downturn, 9 of 11 sectors lost jobs. The professional and business services sector declined the most, down by an average of 2,000 jobs, or 8.0 percent, annually. The manufacturing and the wholesale and retail trade sectors combined accounted for more than one-half of the losses, with 2,700 jobs lost each year during 2009 and 2010. During the period, three manufacturing companies, including the Quad City Die Casting Company, BOMAG Americas, and Pines Trailer Company (a division of Great Dane LLC) laid off approximately 400 workers. From 2009 through 2010, the education and health services and the government sectors were the only two nonfarm payroll sectors to add jobs, up by 400 jobs each, or 1.4 and 1.5 percent, respectively. The federal government subsector accounted for 75 percent of the change, partly because during 2010, the Base Realignment and Closure (BRAC) legislation moved the First Army headquarters from Georgia to the Rock Island Arsenal. From 2011 through 2015, nonfarm payrolls in the HMA rose by an average of 1,000

jobs, or 0.6 percent, annually, even with the loss of 100 jobs in 2013. During 2016, jobs declined by 800, or 0.4 percent. John Deere laid off 86 employees at its Davenport Works facility, as the company continued to restructure its workforce to meet declining demand for new farm equipment. The economic recovery in the HMA fell short of the average 1.7-percent annual growth rate in the nation from 2011 through 2016.

During the 12 months ending November 2017, nonfarm payrolls in the HMA increased by 300 jobs, or 0.2 percent, to 183,400, reversing the 700-job, or 0.4-percent, decrease during the same period a year earlier (Table 3). Gains totaled 1,600 among five sectors, led by 900 jobs, or 3.3 percent, added in the education and health services sector—the largest increase of any sector. Gains in the sector were partly due to a Genesis Health System \$150 million seven-story surgical and patient care tower expansion at the Genesis Medical Center East campus in the city of Davenport, which was completed in May 2017. Partially offsetting payroll gains, the manufacturing and the wholesale and retail trade sectors lost 500 and 400 jobs, or 2.2 and 1.3 percent, respectively, to 22,600 and 30,300 jobs. The unemployment rate in the HMA fell to an average of 4.7 percent during the 12 months ending November 2017, down from 5.5 percent during the previous year primarily, because the labor force declined faster than employment (Figure 3). The unemployment rate hit a recent peak of 8.3 percent in 2009.

During the 3-year forecast period, the economy of the HMA is expected to contract slowly, with nonfarm payrolls declining an average 200 jobs, or

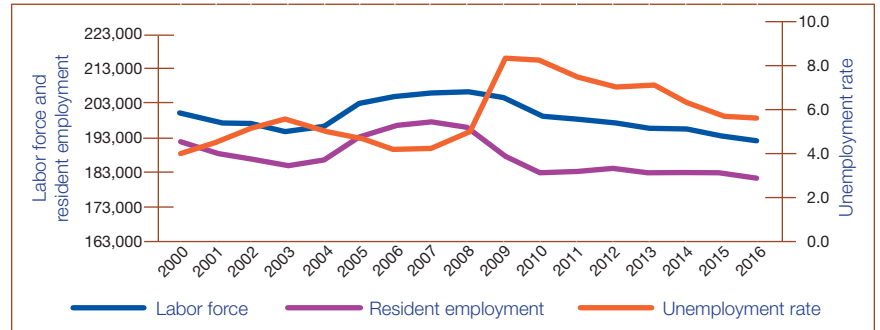
Table 3. 12-Month Average Nonfarm Payroll Jobs in the Quad Cities HMA,* by Sector

	12 Months Ending		Absolute Change	Percent Change
	November 2016	November 2017		
Total nonfarm payroll jobs	183,100	183,400	300	0.2
Goods-producing sectors	32,600	32,100	- 500	- 1.5
Mining, logging, & construction	9,500	9,600	100	1.1
Manufacturing	23,100	22,600	- 500	- 2.2
Service-providing sectors	150,500	151,200	700	0.5
Wholesale & retail trade	30,700	30,300	- 400	- 1.3
Transportation & utilities	7,300	7,300	0	0.0
Information	2,000	1,900	- 100	- 5.0
Financial activities	7,300	7,500	200	2.7
Professional & business services	24,500	24,800	300	1.2
Education & health services	27,100	28,000	900	3.3
Leisure & hospitality	18,300	18,200	- 100	- 0.5
Other services	7,500	7,500	0	0.0
Government	25,800	25,900	100	0.4

* Davenport-Moline-Rock Island-Bettendorf HMA.

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through November 2016 and November 2017.

Source: U.S. Bureau of Labor Statistics

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Quad Cities HMA,* 2000 Through 2016

* Davenport-Moline-Rock Island-Bettendorf HMA.

Source: U.S. Bureau of Labor Statistics

0.1 percent, annually. Job losses are expected to occur in the first 2 years of the forecast period, with no change in jobs expected during the third year. Job losses are expected to continue in the wholesale and retail trade sector, partly because 155 employees are expected to be laid off when a Sam's Club store in the city of Moline closes in April 2018. Job growth is likely to continue in the education and health services sectors and will partly offset some of the job losses in the HMA. The \$13.6 million, 43,000-square-foot Genesis HealthPlex in the city of Davenport is expected to open in August 2018; the number of jobs to be added is unknown. Employment in the manufacturing sector is expected to remain near the current level but is expected to benefit from the completion of a project at the Eastern Iowa Industrial Center. Sterilite Corporation, a plastic housewares manufacturer, is building a \$73 million, 2.5 million-square-foot manufacturing and distribution center. When the facility opens in the spring of 2018, 500 new jobs are expected. The leisure

and hospitality sector is expected to benefit from the completion of several large projects. In East Moline, a \$40 million, 133-room Hyatt Regency Hotel is expected to open in late 2018 as part of the 54-acre The Bend of the Mighty Mississippi mixed-use planned community—the former site of the International Harvester manufacturing plant. When the community is complete, it will include apartments, a gas station, convenience store, and a strip mall. In addition, a \$16 million, 96-room Element by Westin hotel is expected to open February 2018 in downtown Moline. The hotel is a converted 1917 warehouse that will share space with The Q multimodal passenger rail station; the number of jobs to be added and a completion date are unknown. In addition, the \$50 million, 75-acre TBK Bank Sports Complex is expected to open June 2018 in the city of Bettendorf. When complete, the complex will include an indoor and outdoor sports complex and a two-story family entertainment center known as High 5 Lanes & Games.

Population and Households

As of December 1, 2017, the population of the Quad Cities HMA is estimated at 380,500, nearly unchanged from 379,690 in 2010. Approximately 83 percent of the population resides in Rock Island and Scott Counties, which include the cities of Rock Island, Moline, East Moline, Davenport, and Bettendorf; the latter is the fastest growing city in the HMA with a 1.1-percent annual rate of growth since 2010. The remaining population resides in Henry and Mercer Counties, where nearly 83 percent of the land is used for agricultural purposes (USDA, 2012).

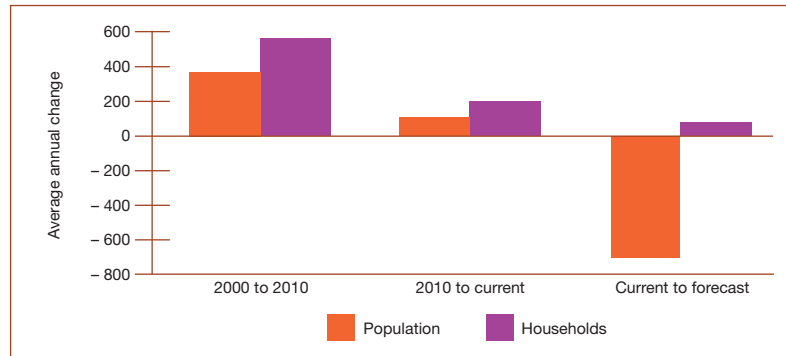
The HMA has had net-out migration nearly every year since 2000, making net natural change (resident births minus resident deaths) the source of population growth. Since 2000, net out-migration has mainly been to the southern region of the nation (Internal Revenue Service tax return data). Although the proportion of the working-age population has declined since 2005 from 62 percent to 60 percent, the population age 65 and older increased from 14 to 17 percent (2005 and 2016 American Community Survey [ACS] 1-year estimates), as they age-in-place. From 2000 to 2003, when the local economy recorded net job loss at a higher rate than the rest of the nation, the population in the HMA decreased by an average of 950, or 0.2 percent, annually (U.S. Census Bureau decennial census counts and population estimates as of July 1). During the period, the average net natural increase of 1,425 annually did not offset an average net out-migration of 2,375 people a year. From 2003 to 2008, when employment conditions strengthened in the HMA and job growth was up by nearly the same

rate as the nation, net out-migration slowed to an average of 880 people a year, which combined with an average net natural change of 1,575 people annually resulted in a population growth averaging 695 people, or 0.2 percent, annually.

Even with poor economic conditions in the HMA during 2009 and 2010, net in-migration averaged 430 people annually from 2008 to 2010. At the same time, the population increased by an average of 1,850, or 0.5 percent, annually. Net in-migration during the period was partly because the First Army headquarters began to move from Georgia to the Rock Island Arsenal during 2010. When the move was complete in June 2011, 550 military and civilian workers and their families were living in the HMA. Even with improving economic conditions beginning in 2011, population growth in the HMA from 2010 to 2016 slowed to an average of 410 people, or 0.1 percent, annually, because net out-migration averaged 690 people a year. Since 2016, net out-migration has increased further, up to an average of 2,250 people a year, partly a result of the local economic contraction in 2016. As a result, the population declined by an average of 1,250, or 0.3 percent, a year. Because jobs are expected to decline during the next 3 years, the population of the HMA is expected to decrease by an average of 700, or 0.2 percent, annually to 378,400. Population loss will be highest in the first year but slow during the second and third years of the 3-year forecast period, as net out-migration slows (Figure 4). Figure 5 shows the components of population change in the HMA from 2000 to the forecast date.

Population and Households *Continued*

Figure 4. Population and Household Growth in the Quad Cities HMA,* 2000 to Forecast

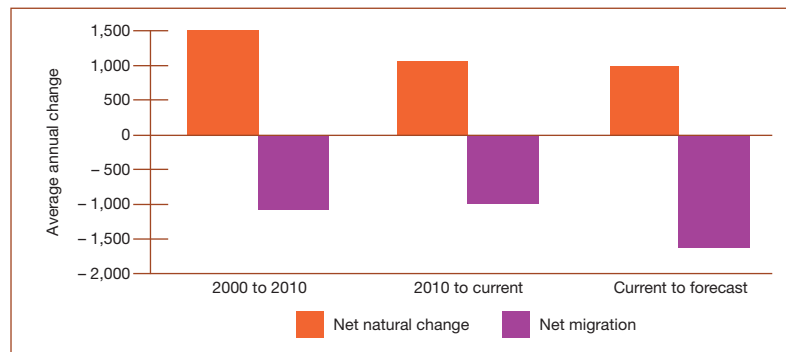


* Davenport-Moline-Rock Island-Bettendorf HMA.

Notes: The current date is December 1, 2017. The forecast date is December 1, 2020.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Quad Cities HMA,* 2000 to Forecast

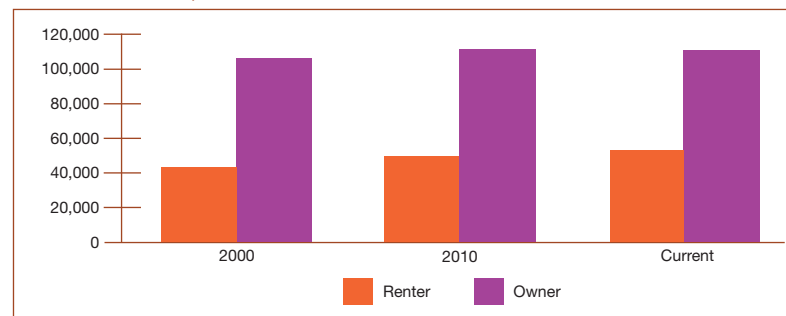


* Davenport-Moline-Rock Island-Bettendorf HMA.

Notes: The current date is December 1, 2017. The forecast date is December 1, 2020.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Quad Cities HMA,* 2000 to Current



* Davenport-Moline-Rock Island-Bettendorf HMA.

Note: The current date is December 1, 2017.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Household growth in the HMA generally mirrored population growth, with lower rates since 2010 because of slower population growth. The current number of households in the HMA is estimated at 156,650, an average annual increase of 190, or 0.1 percent, since April 2010. From 2000 through 2010, the number of households increased from 149,726 to 155,175, an average annual increase of 540, or 0.4 percent. Since 2010, all net household formation was renter households, higher than the portion from 2000 to 2010, when nearly 43 percent of all new household formations were renter households. During the forecast period, the number of households is expected to increase by an average of 85, or 0.1 percent, annually. Figure 6 depicts the number of households by tenure from 2000 through the current date.

Housing Market Trends

Sales Market

The sales housing market in the Quad Cities HMA is balanced, and market conditions have improved since the housing market downturn that occurred from 2008 through 2011. The estimated sales vacancy rate is currently 1.5 percent, down from 1.8 percent in April 2010. The decline in the vacancy rate resulted from relatively improved economic conditions and an increase in the conversion of homes to rental properties. Low levels of home construction since the late 2000s also contributed to the absorption of excess vacant homes in the market. In addition, the local market has fared better than the nation since the national housing crisis because of a lower rate of seriously delinquent mortgage loans (loans that 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties since 2010. In April 2010, 4.5 percent of mortgages were seriously delinquent or had transitioned into REO status compared with 9.1, 4.2, and 8.2 percent for Illinois, Iowa, and the nation respectively (CoreLogic, Inc.). As of November 2017, the rate of seriously delinquent loans and REO properties in the HMA declined to 2.1 percent compared with rates of 2.5, 1.4, and 2.3 percent for Illinois, Iowa, and the nation, respectively. The rate in the HMA is elevated compared with the early to mid-2000s, however, when it ranged from 1.2 to 2.0 in 2000 and 2006, respectively. Even with the relatively moderate impact of the national housing crisis in the HMA, the homeownership rate has decreased 1.0 percentage point since 2010 to 70.2 percent because of greater renter household growth (Table DP-1 at the end of this report).

Existing single-family home, townhome, and condominium (hereafter,

existing home) sales in the HMA have rebounded from the number of homes sold during the local housing market downturn and have recently returned to the previous peak reached in 2005. From 2000 through 2003, when jobs were declining and net out-migration was high, an average of 2,475 existing homes sold annually before increasing 73 percent a year to a peak of 7,075 homes in 2005, when market conditions were strong. Beginning in 2006, existing home sales decreased and continued to decline through the local housing market downturn to 4,200 homes in 2011. Following improvements in the economy that began in 2011, existing home sales increased 45 percent to 6,125 in 2012 and continued to rise to approximately 6,500 in 2015. Sales of existing homes in the HMA totaled 7,075 during the 12 months ending November 2017, an increase of 430 homes sold, or 7 percent, from the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). From 2000 through 2016, existing home sales prices in the HMA increased relatively steadily, up an average of 3 percent annually from \$85,525 in 2000 to \$138,900 in 2016. The average sales price was not severely impacted by the levels of REO sales, which peaked at 9 percent of sales in 2011 compared with 6 percent currently. During the 12 months ending November 2017, the average existing home sales price increased 0.3 percent to \$139,800 compared with \$139,300 during the previous 12-month period.

Whereas existing home sales returned to previous levels, new single-family home, townhome, and condominium (hereafter, new home) sales have been subdued in the HMA since 2008, partly because average new home sales prices are 126 percent

Housing Market Trends

Sales Market *Continued*

higher than average existing home sales prices. During the 12 months ending November 2017, an average of 270 new homes sold compared with the 290 sold during the previous 12-month period. From 2008 through 2015, an average of 310 new homes sold annually. By comparison, new home sales averaged 540 a year from 2004 through 2007, when economic conditions were strong, and nearly eight times more than the average of 70 new homes sold annually from 2000 through 2003 during the earlier local economic downturn. The average sales price of new homes during the 12 months ending November 2017 was \$315,600, a decrease of 4 percent from the previous 12-month period. Prior to the recent decline, new home sales prices had increased by an average of \$12,200, or 4 percent, annually from 2011 through 2016 to \$327,400. Before that, the average new home sales price increased by an average \$16,150, or 9 percent, a year from 2000 through 2008 to \$270,400, before declining to \$254,300 in 2010, when housing conditions were weak.

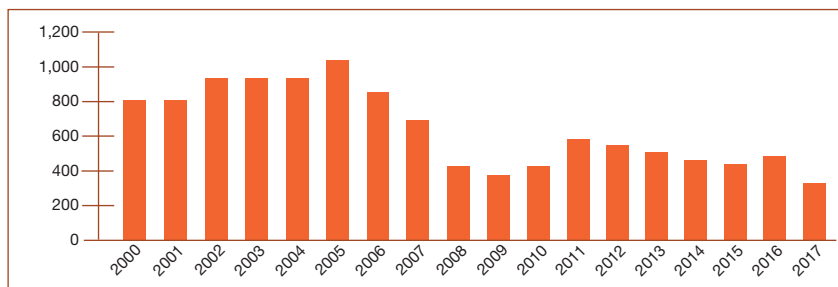
Homebuilding activity, as measured by the number of single-family homes permitted is at a low level compared with the early to mid-2000s. From 2000 through 2005, an average of 910 single-family homes were permitted

annually, before steadily declining to 370 homes in 2009 in response to the local economic contraction and housing market downturn (Figure 7). Even with continued job losses, single-family home permitting increased slightly to 420 in 2010 and increased further to an average of 500 homes a year from 2011 through 2015, when economic conditions improved. During the 12 months ending November 2017, 340 homes were permitted compared with 350 homes permitted the previous year (preliminary data).

More than 87 percent of single-family home construction occurred in Scott County during the 12 months ending November 2017, higher than the 73-percent average annual rate from 2010 through 2016. Significant single-family home construction in Scott County is concentrated in northern Bettendorf, near the TBK Bank Sports Complex. In 2016, construction began at Wyndham West, one of the newest developments in the city of Bettendorf, and approximately 14 of the 56 lots have sold. Prices start at \$485,000 for a four-bedroom, four-bathroom home. Another significant development in northern Bettendorf is the planned community the Village of the Woodlands. Construction of the first single-family home began in October 2017, and construction on townhomes will begin in January 2018. When complete, the community will feature 143 single-family homes, with prices estimated to range from \$380,000 to \$3 million, and 49 townhomes with prices starting at \$249,900.

During the next 3 years, demand is expected for an estimated 1,200 new homes in the HMA (Table 1). Demand is expected to be highest

Figure 7. Single-Family Homes Permitted in the Quad Cities HMA,* 2000 to Current



* Davenport-Moline-Rock Island-Bettendorf HMA.

Notes: Includes townhomes. Current includes data through November 2017.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Sales Market *Continued*

during the second and third years of the 3-year forecast period, as job losses moderate and net out-migration slows. Most of this demand

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Quad Cities HMA* During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
249,900	349,999	540	45.0
350,000	449,999	300	25.0
450,000	and higher	360	30.0

* Davenport-Moline-Rock Island-Bettendorf HMA.

Notes: The 160 homes currently under construction in the HMA will likely satisfy some of the forecast demand. The forecast period is December 1, 2017, to December 1, 2020.

Source: Estimates by analyst

is expected to be in Scott County, particularly in the cities of Bettendorf and Davenport, the centers of household growth in the HMA, partly because Iowa has lower property tax rates. The 160 homes currently under construction likely will satisfy a proportion of the estimated demand during the forecast period. Demand is expected to be strongest in the \$249,900-to-\$349,999 price range. Table 4 shows the estimated demand for market-rate sales housing by price range.

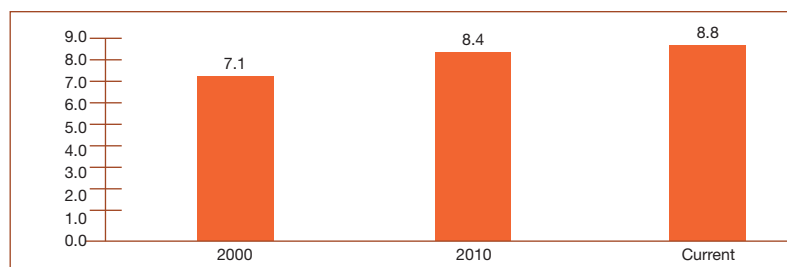
Rental Market

Rental housing market conditions are currently soft in the Quad Cities HMA. The estimated vacancy rate for all rental units (including single-family homes, townhomes, mobile homes, and apartments) is estimated at 8.8 percent, up from 8.4 percent in April 2010 (Figure 8). Renter households currently account for approximately 29.8 percent of all households in the HMA, up from 28.8 percent during April 2010. Even with a higher propensity to rent, rental market conditions have deteriorated since 2010 because of modest job gains and net out-migration. Approximately 56 percent of renter households in the HMA live in single-family homes,

duplexes, multifamily properties with three or four units, and mobile homes, relatively unchanged from 2010 (2016 ACS 1-year data). This ratio is comparable to the 57-percent rate in the nation. Multifamily buildings with five or more units, typically apartments, accounted for the remaining 44 percent of all occupied rental units in the HMA in 2016. Of those occupied apartment units, 46 percent are in Scott County and 45 percent in Rock Island County, the most populous counties, and the remaining 9 percent in Henry and Mercer Counties.

Apartment market conditions in the HMA are currently balanced. During the third quarter of 2017, the apartment vacancy rate was 4.8 percent, up from 3.8 percent during the third quarter of 2016 (Axiometrics, Inc.). The increased vacancy rate is partly the result of net out-migration from the HMA in the past year. The average apartment rent increased 1 percent to \$821 during the same time. Although the apartment vacancy rate increased from a year earlier, it is below the 6.6-percent level of 2005

Figure 8. Rental Vacancy Rates in the Quad Cities HMA,* 2000 to Current



* Davenport-Moline-Rock Island-Bettendorf HMA.

Note: The current date is December 1, 2017.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

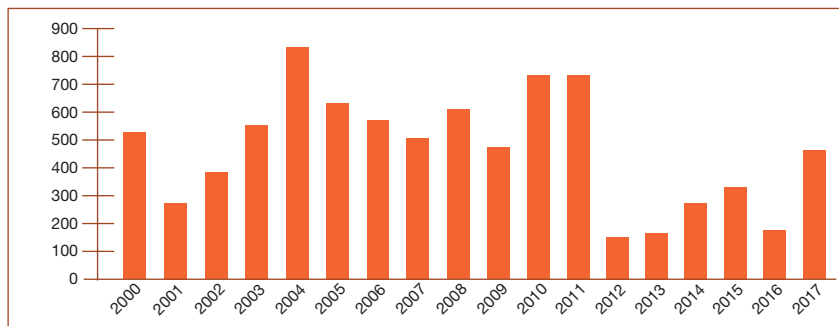
when economic conditions were strong, but readily available access to mortgage credit contributed to a higher propensity for homeownership. In 2005, the average rent in the HMA was \$562. As home sales slowed from 2006 through 2011, the demand for apartments increased, reducing the apartment vacancy rate to 1.3 percent by 2011 (Axiometrics, Inc.). In response to the tightening market conditions, developers increased apartment production during the period; however, net in-migration from the BRAC relocation to the HMA, contributed to the absorption of new units and lowered the vacancy rate. With decreasing vacancy rates from 2006 through 2011, the average rent increased by an average of \$14, or more than 2 percent, annually to \$645, as newer, higher priced inventory raised the rent. As the sales housing market in the HMA recovered and net out-migration resumed, demand for apartment units decreased, and the apartment vacancy rate increased from 2.2 percent in 2012 to 4.2 percent by 2015. During 2015, the average rent was \$777, an average increase of \$33, or nearly 5 percent, annually since 2012.

Rock Island Arsenal is not only important to the economy of the HMA

but also affects the rental market in the HMA, because the Arsenal no longer offers on-base dormitories for unaccompanied military personnel or housing for other military personnel and their dependents. Military and civilian employees at the Arsenal account for 8 percent of renter households in the HMA, with approximately 3,900 of the 5,600 active-duty personnel that reside off base occupying rental units. In March 2017, construction on two housing developments for military personnel and families broke ground on the base, the first construction since 1960. The homes are intended for the enlisted, warrant officer ranks up to colonel with children, and not for civilians. When complete in summer 2018, the subdivisions will feature 41 single-family homes with three- or four-bedrooms and 30 duplex homes with two- or four-bedrooms; on-base military housing is free.

Since 2012, multifamily construction activity, as measured by the number of multifamily units permitted, has been at a significantly lower level compared with the 2004-through-2011 period. From 2000 through 2003, multifamily permitting averaged 430 units a year before increasing to an average of 630 units a year from 2004 through 2011. The number of multifamily units permitted decreased to an average of 220 units annually from 2012 through 2015, when the sales market strengthened and net out-migration continued. During the 12 months ending November 2017, 460 multifamily units were permitted, up from 170 during the previous 12-month period (preliminary data, with adjustments by the analyst). Figure 9 shows the number of multifamily units permitted in the HMA from 2000 through the current date.

Figure 9. Multifamily Units Permitted in the Quad Cities HMA,* 2000 to Current



* Davenport-Moline-Rock Island-Bettendorf HMA.

Notes: Excludes townhomes. Current includes data through November 2017.

Sources: U.S. Census Bureau, Building Permits Survey; 2000-2016 final data and analyst estimates; 2017 preliminary data and analyst estimates

Unlike single-family housing construction, which is concentrated in a few communities, multifamily construction is widespread and includes general occupancy and age-restricted units. In the city of Davenport, construction is under way at the \$32 million, 115-unit Harbor View loft-style apartments. When the warehouse-to-apartment conversion is complete in July 2018, rents are expected to range from \$900 to \$1,700. In addition, 501 Brady Lofts, a 25-unit apartment complex in downtown Davenport, will consist of one- and two-bedroom units, with rents starting at \$1,025 when construction on the project is complete in January 2018. In East Moline, the 88 apartments that are part of the \$80 million The Bend on the Mighty Mississippi planned community are currently under construction and are expected to be complete in June 2018; rents have not yet been released. Apartment construction in the city of Bettendorf is primarily adjacent to the Mississippi River at The Bridges Lofts apartments. The 84 units currently under construction are part of Phase 1, which is expected to be complete fall 2018. Monthly rents start at \$750, \$1,050, and \$1,475 for studios, one-, and two-bedroom units, respectively. Phase 2 will have 48 units, but the start and completion dates are unknown. The Bridges Lofts

is next to the Interstate 74 bridge currently under construction that will link Bettendorf to Moline. Three projects under construction will address growing rental demand from the 65 and older population. Two former schools are currently being converted into the 18-unit, \$5.4 million Garfield apartments in Moline and the 57-unit, \$11.5 million Buchanan apartments in Davenport. The \$33 million Overlook Village senior living facility is currently under construction in the city of Moline and will feature 135 assisted-living units. The project is scheduled for completion in July 2018; proposed asking rents have not yet been released.

During the next 3 years, demand is estimated for 270 new market-rate rental units in the HMA (Table 1). Similar to the sales market, demand is expected to be greatest in the second and third years of the 3-year forecast period, as job losses decline and net out-migration moderates. The 310 general-occupancy and the 210 age-restricted and assisted-living units currently under construction will be complete in the first year of the forecast period and will meet all of the expected rental housing demand. Table 5 shows the forecast demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Quad Cities HMA* During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand
725 or more	40	975 to 1,174	45	761 to 960	10	866 to 1,065	10
		1,175 or more	35	961 to 1,160	15	1,066 to 1,265	15
				1,161 to 1,360	30	1,266 or more	10
				1,361 or more	50		
Total	40	Total	80	Total	110	Total	40

* Davenport-Moline-Rock Island-Bettendorf HMA.

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 520 units currently under construction will likely satisfy some of the estimated demand. The forecast period is December 1, 2017, to December 1, 2020.

Source: Estimates by analyst

Data Profile

Table DP-1. Quad Cities HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	192,509	182,455	180,100	-0.5	-0.2
Unemployment rate	3.9%	8.2%	4.7%		
Nonfarm payroll jobs	188,300	178,900	183,400	-0.5	0.4
Total population	376,019	379,690	380,500	0.1	0.0
Total households	149,726	155,175	156,650	0.4	0.1
Owner households	107,350	110,477	109,900	0.3	-0.1
Percent owner	71.7%	71.2%	70.2%		
Renter households	42,376	44,698	46,750	0.5	0.6
Percent renter	28.3%	28.8%	29.8%		
Total housing units	158,517	167,110	169,600	0.5	0.2
Owner vacancy rate	1.4%	1.8%	1.5%		
Rental vacancy rate	7.1%	8.4%	8.8%		
Median Family Income	NA	\$61,600	\$68,800	NA	1.6

* Davenport-Moline-Rock Island-Bettendorf HMA.

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through November 2017. Median Family Incomes are for 1999, 2009, and 2016. The current date is December 1, 2017.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 12/1/2017—Estimates by the analyst
 Forecast period: 12/1/2017–12/1/2020—Estimates by the analyst

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits.

As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Davenport_Moline_RockIsland_Bettendorf_IA_IL_18.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.