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Rural Growth Requires More Housing

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Housing availability and affordability is a crucial issue facing both rural and urban communities. Communities that can provide an array of housing options are better positioned to attract and retain workers and families. In many communities, however, housing options are limited both in terms of affordability and type. The insufficient supply of housing partially explains why housing costs are [one of the key factors driving inflation](#). Given relatively slow population growth and aging population, many midwestern communities struggle to expand and/or update their housing stock.

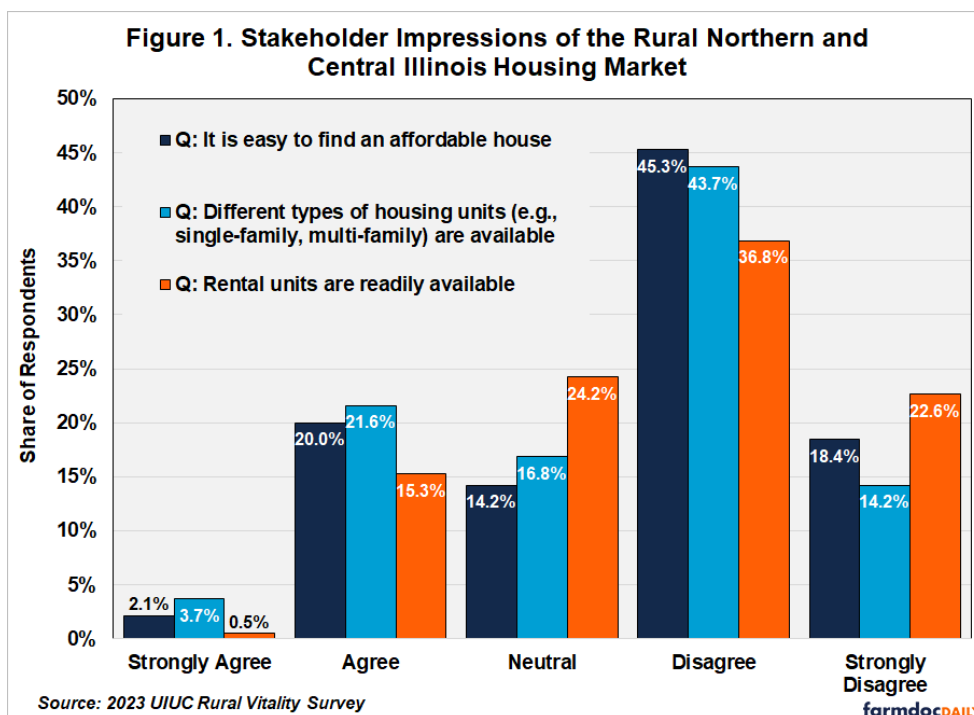
This article will first highlight several housing challenges—identified in a recent University of Illinois study on rural vitality—that face rural midwestern communities. It will then examine the geographic distribution of new residential housing construction. This analysis will draw primarily on the U.S. Census Bureau’s [Building Permits Survey](#). The final 2023 Building Permits Survey (released in early May 2024) provides county-level building permit statistics for new, privately-owned, residential construction. Among other things, these data show where new homes and housing units will be built.

Many factors contribute to regional housing challenges

For many rural economic and community development leaders, housing issues remain a high priority. As part of recent study examining rural vitality in northern and central Illinois, many community leaders were quick to note that many residents cannot find housing that meets their budget, needs, or standards (White, 2024).¹ Figure 1 shows how community leaders in northern and central Illinois responded to survey questions about their local housing market.

¹ This study—conducted by the University of Illinois and sponsored by [Compeer Financial](#)—took place primarily in Fall 2023. This study included a survey of economic and community development leaders in rural northern and central Illinois that received roughly 200 responses. We also engaged with over 145 area residents through a series of individual conversations, focus groups, and several community meetings. Throughout this project, we asked community leaders to consider the issues that spurred new opportunities and sparked greater vitality (e.g., increased entrepreneurship, remote work, volunteerism, etc.), as well as those that prevented communities and residents from truly thriving (e.g., lack of appropriate housing, limited childcare options, etc.). A report summarizing the findings of this work is available on the [University of Illinois Extension Community and Economic Development website](#).

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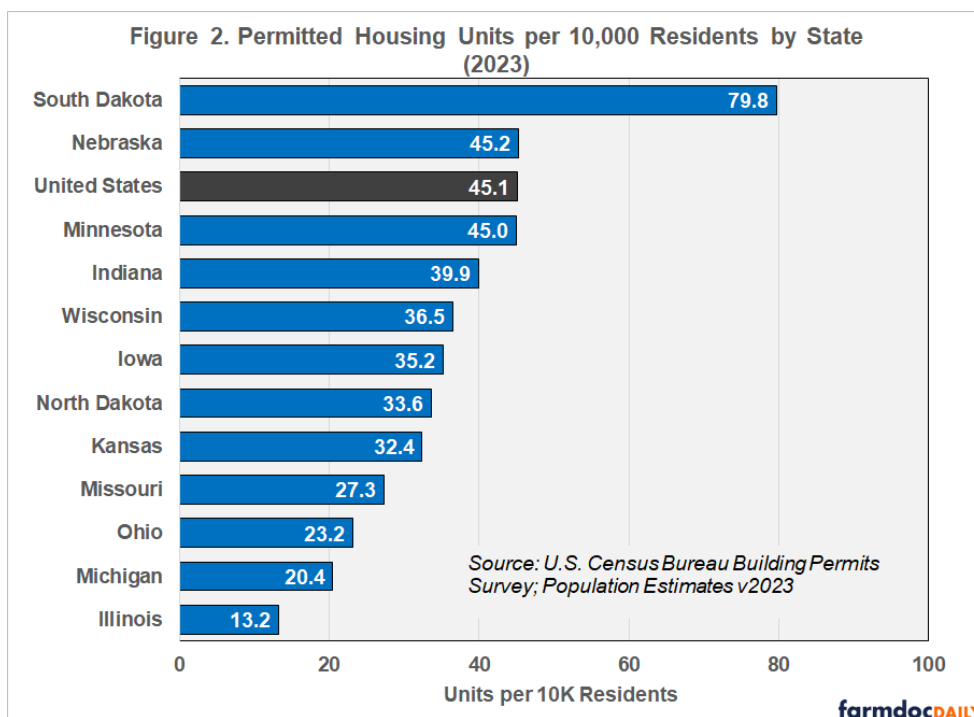
Almost two-thirds of survey respondents believed that finding an affordable home within their region was difficult, particularly for renters, and almost 60% of survey respondents believed that their community lacked a variety of housing options (e.g., single-family, multi-family). This leaves first-time home buyers, or people with more modest incomes, with fewer options and can hinder their ability to build equity through the housing market. In addition, less churn in the housing market can further limit supply and lead to a more degraded housing stock.

Several factors contribute to the lack of available and affordable housing. For instance, labor shortages in the building trades and the unpredictable cost of building materials have limited new home construction and home renovations. As a result, builders often focus more on developing larger, more expensive homes that deliver better returns on their investment. Stakeholders also noted that many homes are sold before even making it to the market, which further limits the number of homes available to current or prospective new residents. In some rural communities, the lack of assisted living facilities also suppresses turnover as many older residents stay in their homes longer than they would prefer. The longer elderly residents stay in their homes, the more likely those homes will need extensive maintenance and rehabilitation when they do make it market (Asche, 2018). Other factors (e.g., restrictive zoning, land availability, etc.) further limit new housing development, but it's also important to note that these housing challenges are not limited to just northern and central Illinois. Communities around the Midwest and other parts of the country face similar challenges, and the next section will explore the geographic distribution of new private residential housing construction.

The lack of new home construction is especially pronounced in the Midwest

Coming out of the pandemic, many urban and rural regions in the Midwest and Great Plains experienced relatively slower population growth and this has continued impact new housing development (White, 2023). The U.S. Census Bureau's Building Permits Survey uses building permits data to show where future housing construction (of both single-family and multifamily units) will occur. Figure 2 shows the number of newly authorized privately-owned residential housing units per 10,000 residents among midwestern state (broadly defined).²

² The U.S. Census Bureau's Building Permits Survey uses building permits data to show the buildings, units, and valuation of new, private, residential construction. The subsequent graphics focus on the construction of new units. I



These trends often mirror demographic trends. The slowest growing midwestern states are also those building the fewest residential housing units. With few exceptions (e.g., South Dakota, Nebraska, and Minnesota), most midwestern states are not keeping pace with the nation as a whole. Illinois—whose demographic challenges are well known—lags behind both the nation and the Midwest as a whole. Among the 50 states and the District of Columbia, Illinois only surpassed Alaska and Rhode Island in terms of newly permitted units per 10,000 residents.

Just as these trends vary between states, Figure 3 shows that they also vary within states. Significant new home construction in metro areas throughout the southeast and Texas, as well as the intermountain west, mirror population growth trends (White, 2023). There are also relatively high numbers of newly permitted residential units in parts of the Midwest such as Columbus, Des Moines, Madison, and suburban Indianapolis and St. Louis, among others. Nevertheless, new residential construction lags significantly in many parts of Illinois, Kansas, Missouri, and Ohio—particularly in their more rural counties.

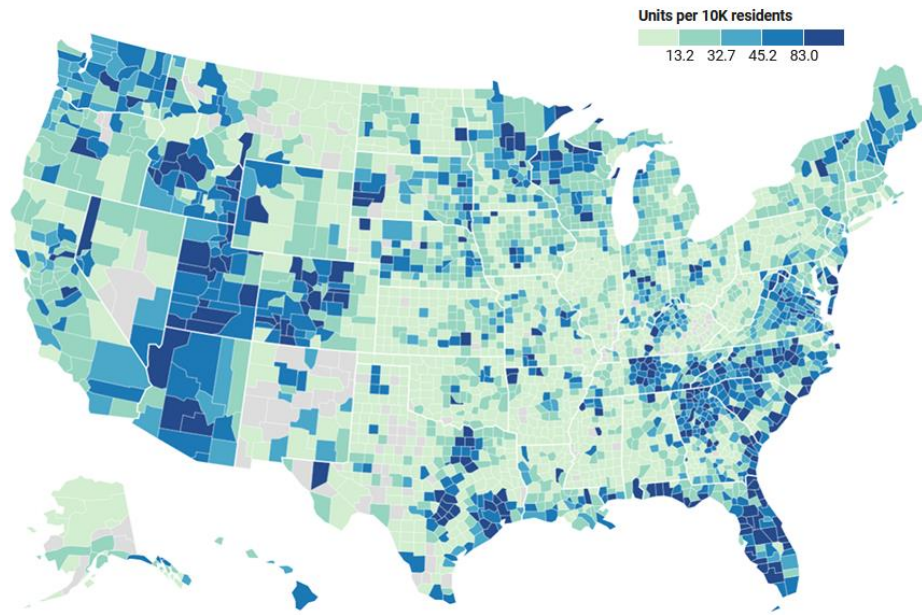
Farm dependent counties have particularly slow new residential building construction

The economic characteristics of different communities can also influence new home construction. Examining these trends through the lens of the USDA Economic Research Service’s County Economic Types³ highlights several additional patterns (Figure 4). Most notably, the rate of newly permitted residential units was significantly less in farm dependent counties, than in other county types. In addition to shrinking and aging populations, other contributing factors have limited new home construction in farm dependent counties. In some agricultural communities, for instance, the value of land for agriculture exceeds the value of land for housing development—particularly for housing that meets the needs of first-time homeowners or rental properties.

normalized these data—using the Census Bureau’s 2023 population estimates—in order to better compare states, counties, and county types of different sizes.

³ USDA ERS’ 2015 County Typology Codes classify all U.S. counties into six mutually exclusive categories of economic dependence—farm dependent, government dependent (which often includes counties with large state universities), manufacturing dependent, mining dependent, recreation counties, and nonspecialized counties. Nonspecialized counties are often found in more urban metro areas. More information about the county typology codes can be found on the USDA ERS website: <https://www.ers.usda.gov/data-products/county-typology-codes/>

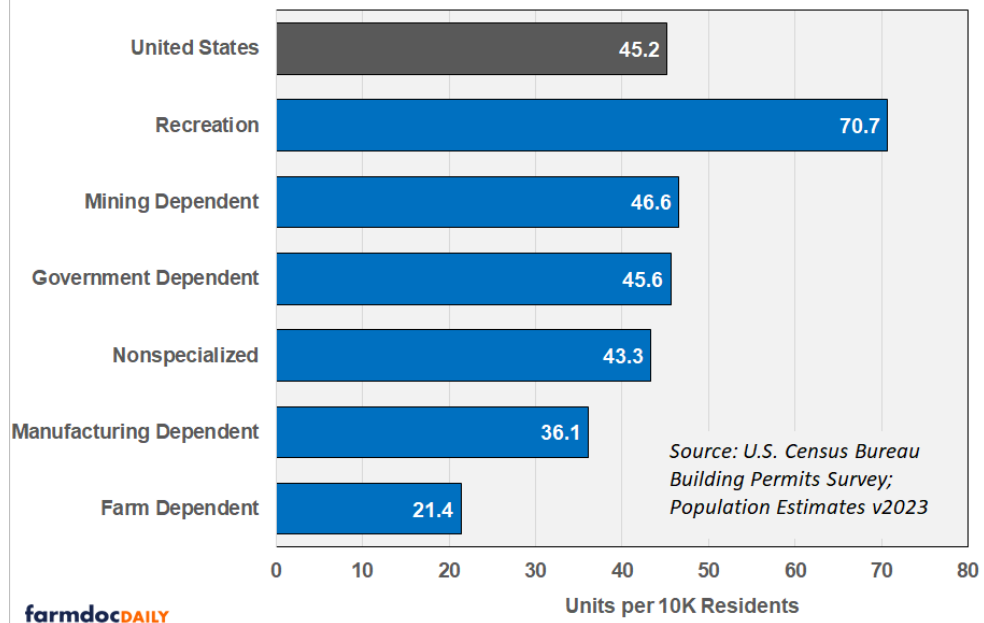
Figure 3. Permitted Housing Units per 10,000 Residents by County (2023)



Map: Mark C. White • Source: U.S. Census Bureau, Building Permits Survey • Created with Datawrapper

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Figure 4. Permitted Housing Units per 10,000 Residents by County Type (2023)



Source: U.S. Census Bureau Building Permits Survey; Population Estimates v2023

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Mining dependent, government dependent, and nonspecialized counties more closely follow the national trend. By contrast, significantly more housing is coming online in recreation counties, where over 70 private residential units have been permitted per every 10,000 residents. This figure is even higher (90.1 permitted units per 10,000 residents) in counties considered retirement destinations. This includes many parts of Florida and Arizona, but also smaller midwestern areas such as the Branson and Lake of the Ozarks regions in Missouri. These relatively high amenity communities can attract wealthier residents who can afford more expensive housing. In some instances, these new units represent seasonal or second homes. These homeowners may often use these units as short-term rental properties (e.g., Airbnb, Vrbo, etc.). While this may support the local tourist industry, this new construction does little to address local housing challenges.

More expansive housing options are necessary for future development

Affordable and accessible housing can significantly influence the ability for communities to attract and retain residents—and importantly workers. Providing more housing, and housing options, is an important element for slowing the outmigration that exacerbates the workforce challenges facing midwestern communities. Addressing these issues, however, often requires intentional action. After years of rising housing costs, the City of Minneapolis reviewed their zoning rules in the early 2000s and subsequently took steps—such as encouraging apartment development on commercial corridors and allowing duplex and triplex construction on all residential lots—that encouraged greater housing development (Liang, Staveski, and Horowitz, 2024). These policies have helped Minneapolis expand its housing supply at a faster rate than many other midwestern cities.

Nevertheless, housing issues remain important for all communities, and especially those in more rural, farm communities where new home construction has lagged, and communities struggle to meet the housing needs of their residents and workforce. In these instances, local communities might explore programs to address derelict or distressed properties. Such investments can limit the deterioration of the existing housing stock, which can also stabilize property values to the benefit of the local tax base. Rural communities might also consider efforts to promote more diverse types of residential housing (e.g., multi-family, rental) that sometimes face opposition from existing residents and homeowners. Regardless, no one strategy—nor one local or regional actor—can solve community housing challenges. Rather, communities must work collaboratively on multiple strategies to effectively address these issues (National Association of Development Organizations Research Foundation, 2024).

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