Chicago Fed Insights, August 2026

Creating Viable Rural Housing Markets: Reflections from Experts and Practitioners

By Dustin Ingram, Susan Longworth, Brianna Smith

Urban, Rural, Regional, Real Estate, and Transportation Economics | Community Development | Housing | Regional Economy | Rural Development | Economic Development, Innovation, Technological Change, and Growth | Public Economics

To better understand the challenges to building and improving rural housing, the Chicago Fed organized a series of panels, conversations, and community tours over the past two years. At these events held in 2024–25, rural housing experts and practitioners from across the Seventh Federal Reserve District shared their insights. The District encompasses Iowa and most of Illinois, Indiana, Michigan, and Wisconsin.

For additional resources and details from these events (e.g., agendas, speaker bios, and videos) please click through the links in these bullet points:

- Experts from rural communities across Seventh District states convened in Des Moines, Iowa, to discuss the challenges and opportunities faced by rural community leaders at The Rural Futures Series—The Lay of the Land: Labor, Zoning, and Housing in Rural Communities.
- Four rural housing experts discussed trends, obstacles, and tangible solutions at the Advancing Rural Housing: Insights into Conditions and Strategies webinar.
- Housing experts and practitioners gathered for a tour of six rural communities in Iowa's Driftless Area to learn about the hurdles and progress in these housing markets.

This article summarizes the major rural housing challenges identified by event participants, dividing these challenges into three thematic groups:

A. Housing market: Older housing stock, higher construction costs, and limited potential for large-scale developments
B. Local resources: Limited capacity/staffing in local government and lack of financial resources
C. Population trends: Aging population and population decline

This article describes each of these three sets of challenges in greater detail before highlighting potential strategies that event participants suggested to address them.

A. Housing market: Older housing stock, higher construction costs, and limited potential for large-scale developments

1. *Older housing stock.* Participants suggested rural communities have an older housing stock that may not meet the requirements of today's families and that may require expensive rehabilitation and upgrading. In the Seventh District states, on average, the median housing age in nonmetro counties is around six years older than in metro counties; put another way, on average, the median housing construction year across nonmetro counties and across metro counties is 1969 and 1975, respectively.[1]

2. *Higher construction costs.* Rural practitioners noted that compared with urban areas, certain aspects of housing development—e.g., transportation, labor, and site preparation—are often more expensive in rural areas.

3. *Limited potential for large-scale developments.* Developers often require a certain volume of lots or units to make projects financially viable. Event participants identified that projects in rural areas can be less attractive to developers because of small populations requiring only small-scale projects.

The event participants suggested the following strategies to address these issues:

- *Preserve current rural housing stock.* The loss of rental housing subsidies may decrease the availability of affordable housing. In addition, the loss of subsidies that help with maintenance of residential properties can lead to a deterioration of the housing stock. Given the older age of rural housing stock, there is also a risk of the loss of units from dilapidation more generally. Local governments and housing organizations can maintain inventories of at-risk properties to help prioritize preservation resources and code enforcement.
- *Leverage existing community assets through zoning flexibility.* Flexible zoning codes that allow for alternative uses of commercial real estate, including upper-story housing (where residential units are located on the upper floor of a building, often with commercial space on the first floor), and adaptive reuse of vacant buildings can expand housing supply while preserving existing community assets.
- *Reduce development barriers.* Local governments and utility companies can reduce upfront development costs and risk through infrastructure investments, streamlined approvals, and fee waivers.

B. Local resources: Limited capacity/staffing in local government and lack of financial resources

1. *Limited capacity/staffing in local government.* Housing experts emphasized that effective rural housing strategies require local government buy-in, community input, and alignment across interested parties that reflect the needs and vision of the broader community. In addition, developing, coordinating, and implementing locally tailored housing strategies require specialized knowledge and staff, which many small rural communities lack.

2. *Lack of financial resources.* Participants at the events also noted that on account of small population sizes, geographic isolation, and low property tax revenues, rural communities are often too financially constrained to upgrade infrastructure and provide financial assistance to housing developers and home buyers.

The event participants suggested the following strategies to address these issues:

- *Lean into local leadership and collaboration.* Leaders in local governments, economic development organizations, and community foundations can convene and help align partners, identify development opportunities, and navigate housing finance. Collaboration can help move projects forward that might otherwise stall.
- *Cost-sharing.* Collaborative cost-sharing among employers, philanthropic organizations, and local and state governments can help to offset development costs.
- *Identify and pursue potential funding sources.* Communities can pursue and "stack" grants, revolving loan funds (RLFs), local programs such as tax increment financing (TIF), and other government resources.
- *Technical assistance.* Local leaders can use technical assistance, training, and planning support provided by state agencies, university extension offices, and regional planning organizations to proceed toward housing goals without further constraining local capacity.

C. Population trends: Aging population and population decline

1. *Aging population.* Participants at the events noted that many people who live in rural communities are aging out of the workforce. Priorities for both economic developers and community leaders have shifted from attracting jobs to attracting people, which requires housing options at different price points that meet the needs of individuals and families at different stages of life.

2. *Population decline.* Many rural communities in the Seventh District face demographic and workforce challenges. Participants suggested that population decline must be counteracted with in-migration if these rural places want to stabilize or grow.[2]

The event participants suggested the following strategies to address these issues:

- *Provide housing that aligns with shifting demographics, different life stages, and multiple price points.* A range of housing options can help meet the needs of individuals and families at different stages of life while supporting workforce attraction and retention. Communities should consider both what residents want and what they can afford. As rural populations age, communities may need a broad range of housing options that allow older households to age in place

while creating opportunities for younger households. For example, smaller, accessible units located near health care facilities, grocery stores, and other amenities could allow older residents to remain in the community while creating turnover in the broader housing market.
- *Connecting housing to workforce and regional needs.* Rural communities can think regionally about housing needs and labor markets. Connecting jobs to housing by aligning housing development with commuting patterns and workforce demands can support population stability and growth.
- *Maintain buyer pipeline and offer incentives.* Participants noted that new housing construction in rural areas commonly takes a year to 18 months to complete. Communities should plan for realistic timelines, maintain a pipeline of prospective buyers, and work with local funders and community finance organizations, such as community development financial institutions (CDFIs), to offer down payment assistance or other incentives.

Conclusion

Many rural communities in the Seventh District and across the country continue to grapple with retaining and attracting residents, a challenge that impacts their long-term viability. While many of the strategies and solutions suggested by rural experts and practitioners are complex and require collaboration across sectors, there was consensus across event participants that expanding access to quality, attainable housing is a foundational priority. Insights and practical steps shared by participants at Chicago Fed events related to rural housing in the past two years underscore both the obstacles and the opportunities ahead.

Notes

[1] For this analysis, counties in the entirety of the five Seventh District states are used, though, as noted earlier, only major portions of Illinois, Indiana, Michigan, and Wisconsin are officially in the Seventh District. The average of the median housing construction year by county is based on data from the U.S. Census Bureau, 2024 *American Community Survey*, five-year estimates, and U.S. Department of Agriculture, Economic Research Service, Rural–Urban Continuum Codes (RUCC); counties with RUCC 1–3 are considered metro, while counties with RUCC 4–9 are considered nonmetro.

[2] See also, e.g., Davis et al. (2023).