

Housing is Affordable in the Hoosier State

With all the new home construction occurring in the Indianapolis area, one might wonder about the costs associated with homeownership. New American Community Survey (ACS) data released by the U.S. Census Bureau sheds light on this subject.¹

In 2004, 40 percent of Indiana's occupied housing units with a mortgage paid 15 to 24.9 percent of their household income towards monthly homeownership costs.² Most experts feel a good rule of thumb is that no more than 30 percent of your income should go towards housing-related expenses;³ many experts are even more conservative than that, claiming if a down payment of 10 percent is made, no more than 28 percent of household income should be used to pay the mortgage, property taxes and insurance. Indiana homeowners appear to have less difficulty in adhering to this principle than the rest of the nation, where 18 percent of mortgaged owners

TABLE 1: OWNER COSTS AS A PERCENT OF HOUSEHOLD INCOME, 2004

Owner Costs as a Percent of Household Income	Indiana		United States	
	With a Mortgage	Without a Mortgage	With a Mortgage	Without a Mortgage
Less than 10 percent	6.5	44.1	5.6	40.9
10 to 14.9 percent	17.7	22.1	13.7	19.9
15 to 19.9 percent	21.9	11.3	18.6	11.9
20 to 24.9 percent	18.0	7.5	16.9	7.3
25 to 29.9 percent	11.1	4.1	12.5	4.8
30 to 34.9 percent	6.6	2.3	8.4	3.3
35 to 39.9 percent	4.9	1.2	5.7	2.2
40 to 49.9 percent	5.1	2.1	6.6	2.8
50 percent or more	7.9	4.7	11.7	5.9
Not Computed*	0.3	0.6	0.4	1.0

*Units occupied by households reporting no income or a net loss are included in the "not computed" category. Source: American Community Survey, U.S. Census Bureau

are paying out at least 40 percent of their household income to housing related expenses relative to Indiana's 13 percent (see **Table 1**).

Indiana had 24.4 percent of its mortgaged owners spending 30 percent or more of their household income on selected monthly owner costs, ranking 44th and tying with Missouri.

In comparison, California (ranked first) and Nevada (ranked second) had 44.1 and 38.6 percent of its mortgaged owners paying out 30 percent or more

of their household income towards homeownership-related expenses (see **Figure 1**). Of course, many parts of California and Nevada are experiencing what the media terms a "housing bubble" where their home appreciation rates may take care of the extra cost associated with homeownership. **Figure 2** shows Nevada (ranked first) and California's (ranked fourth) one-year home appreciation rates. Nevada's housing stock increased in value by 28 percent and California's increased

FIGURE 1: MORTGAGED OWNERS SPENDING 30 PERCENT OR MORE OF HOUSEHOLD INCOME ON SELECTED MONTHLY OWNER COSTS, 2004

● **St. Joseph County Peers (18 counties)**

- Butler County, OH
- York County, PA
- Anne Arundel County, MD
- Montgomery County, MD
- Lubbock County, TX
- Dutchess County, NY
- Ada County, ID
- Hartford County, CT
- Franklin County, OH
- Fayette County, KY
- Mecklenburg County, NC
- Lancaster County, PA
- Stark County, OH
- Oklahoma County, OK
- Monroe County, NY
- Montgomery County, OH
- Ottawa County, MI
- Tulsa County, OK

● **Lake County Peers (11 counties)**

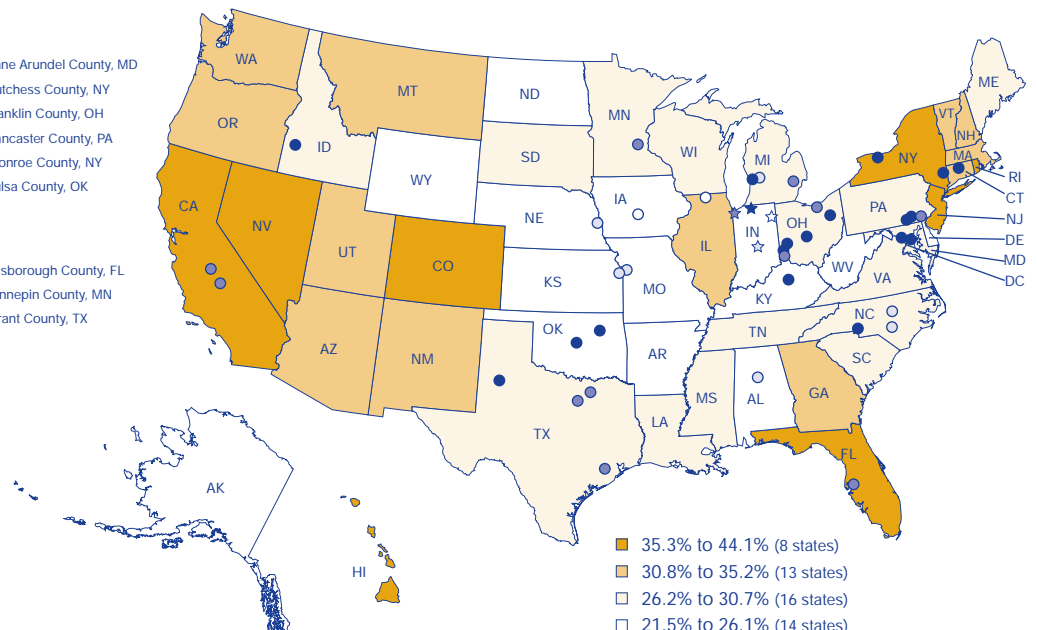
- Chester County, PA
- Collin County, TX
- Hillsborough County, FL
- Oakland County, MI
- Fort Bend County, TX
- Hennepin County, MN
- Fresno County, CA
- Hamilton County, OH
- Tarrant County, TX
- Lorain County, OH
- Tulare County, CA

○ **Marion County Peers (7 counties)**

- Cumberland County, NC
- Wake County, NC
- Douglas County, NE
- Johnson County, KS
- Jefferson County, AL
- Jackson County, MO
- Kent County, MI

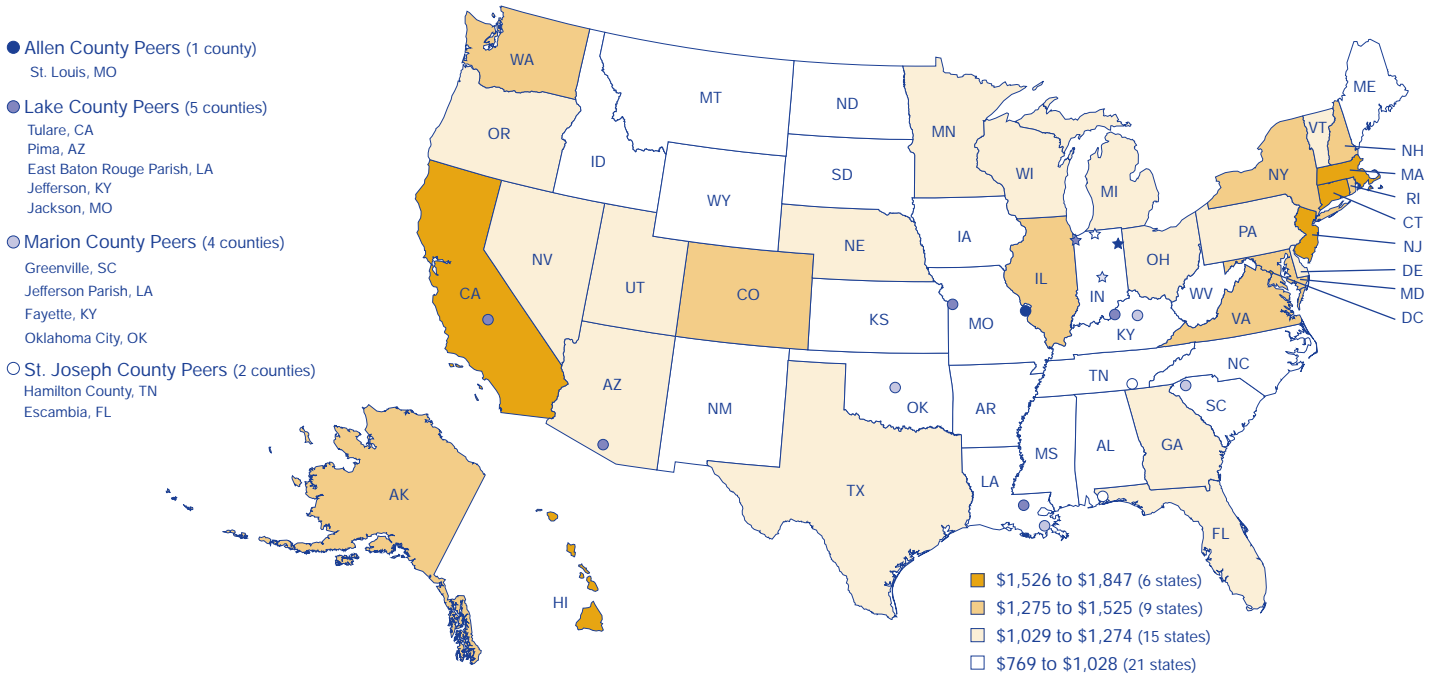
○ **Allen County Peers (2 counties)**

- Winnebago County, IL
- Polk County, IA



Source: American Community Survey, U.S. Census Bureau

FIGURE 3: MEDIAN MONTHLY HOUSING COSTS FOR OWNER-OCCUPIED HOUSING UNITS WITH A MORTGAGE, 2004



Source: IBRC, using U.S. Census Bureau data

(within 1 percent of the Indiana counties' 2003 per capita income).

The old saying, "just because you can afford it doesn't mean you should buy it," probably applies here too. Hoosiers need to make sure they have all of their finances and debt in line

before taking on one of life's biggest debts.

Notes

1. In 2010, the ACS is scheduled to replace the long-form census questionnaire that was administered to one in six addresses in Census 2000.

- Selected monthly owner costs are the sum of payments for mortgages, deeds of trust, contracts to purchase or similar debts on the property (including payments for the first mortgage, second mortgages, home equity loans and other junior mortgages); real estate taxes; fire, hazard and flood insurance on the property; utilities (electricity, gas, water and sewer); and fuels (oil, coal, kerosene, wood, etc.). It also includes, where appropriate, the monthly condominium fee for condominiums and mobile home costs (installment loan payments, personal property taxes, site rent, registration fees and license fees).
- The Department of Housing and Urban Development (HUD) has determined that no more than 30 percent of income should go toward housing costs.
- For a list of Indiana counties in the ACS sample, visit www.census.gov/acs/www/SBasics/county02.htm.
- Peers were determined by being plus or minus 0.5 percentage points from the Indiana value.
- The data for monthly housing costs are developed from a distribution of selected monthly owner costs for owner-occupied units and gross rent for renter-occupied units. Gross rent includes aggregates of payments for contract rent and the cost of utilities and fuels.

TABLE 2: INDIANA'S NEIGHBORING STATES MEDIAN HOME VALUE, 2004

	Area	Median Home Value	Percent of U.S.
Midwest	United States	151,366	100
	Indiana	110,020	72.7
	Illinois	167,711	110.8
	Ohio	122,384	80.9
	Kentucky	98,438	65.0
	Wisconsin	137,727	91.0
	Michigan	145,177	95.9
Counties and Neighboring Peers	Lake County, IN	113,021	74.7
	St. Clair County, IL	92,814	61.3
	Mahoning County, OH	89,633	59.2
	Winnebago County, IL	107,960	71.3
	Marion County, IN	112,559	74.4
	Allen County, IN	103,582	68.4
	Kent County, MI	145,091	95.9
	St. Joseph County, IN	95,430	63.0
	Butler County, OH	142,224	94.0
	Kane County, IL	216,218	142.8
	Wayne County, MI	130,633	86.3
Lucas County, OH	115,816	76.5	

Note: The peer counties shown are neighboring states only and are within 1 percent of the Indiana counties' 2003 per capita income. No Marion County peers made the American Community Survey list of counties.
Source: American Community Survey, U.S. Census Bureau

—Amber Kostelac, Data Manager, Indiana Business Research Center, Kelley School of Business, Indiana University