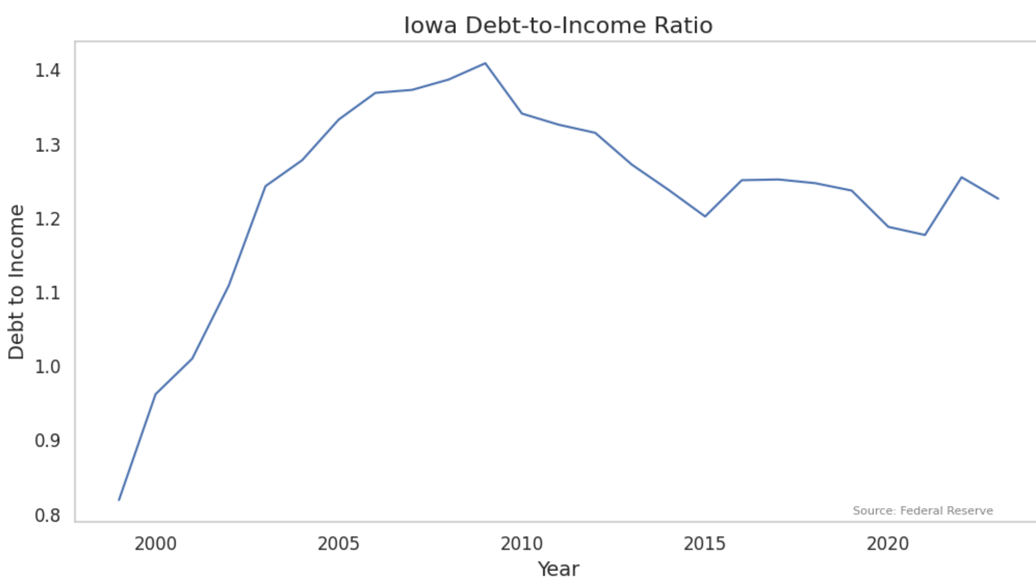
Concluding analysis

Reason 4

Excessive mortgage debt could raise housing costs.

Unfortunately, I couldn't find data on the mortgage debt for Iowans. However, I suspect that we have a growing mortgage-to-income ratio, indicating a higher risk of financial distress.

We can look at household debt as an alternative to mortgage debt in Iowa. I created a time series plot using the Federal Reserve's numbers for the debt-to-income ratio in Iowa for the last two and half decades roughly.
(https://www.federalreserve.gov/releases/z1/dataviz/household_debt/state/table/)



*Checkout my Kaggle account if you want to see the code for this graph

Debt Burdan Insight

Rising household debt relative to income isn't inherently negative, especially when considering mortgage debt, a crucial factor in homeownership for most people. However, there's a tipping point where too much debt becomes unsustainable. This realization often comes too late, as seen in the lead-up to the 2008 financial crisis.

From 1999 to 2010, Iowa's debt-to-income ratio steadily increased, reflecting a national trend of rising household debt. This rise contributed to the housing market crash and subsequent financial crisis, after which a more cautious approach to lending and borrowing emerged. Since 2010, we've seen a slight downward trend in debt-to-income ratios in Iowa, suggesting some reduction in household debt burdens.

It's important to note that while we're not as debt-burdened as we were in 2008, we're still carrying more debt relative to income than in 2000. The current level of debt could still be considered high, but determining whether it's sustainable depends on understanding the ideal balance or equilibrium, which remains uncertain. We can conclude that while progress has been made, the risk of being overly debt-burdened persists.

Final Statements

Recap

To get a general sense of Iowa's housing market, we looked at 4 pillars of housing:

1. Home ownership rates.
2. Housing and rental prices.
3. Relative income levels.
4. Mortgage interest rate.

After looking at these 4 metrics for analyzing housing, we realized that Iowans were buying fewer homes, housing and renting prices were skyrocketing, income kept up with rents for a while and hasn't kept up at all with housing prices, interest rates have been elevated the last 2 years in an attempt to cool down the market, and many other insights. But these insights weren't telling the entire story because we didn't have a strong case for why house prices were increasing even despite interest rate hikes. So we looked at four reasons why housing prices may be rising:

1. Construction is not keeping up with demand for homes.
2. The housing Dilemma.
3. Investors are speculating on the market.

4. People are taking on greater debt to get homes.

After looking at these reasons, we found that construction may be keeping up with demand and can't be blamed for the housing shortage; we may be underproducing multi-family housing in Iowa, which makes Iowa affected more by rises in single-family housing cost changes, there isn't great evidence that we are experiencing a housing bubble even though vacancies have been rising since 2016 in Iowa, and Iowans don’t take on much debt to buy their homes compared to other states. Still, their debt-to-income ratio has only decreased moderately since the housing crash of 2008.

Housing in Iowa Insight

Iowa is generally listed as one of the most affordable states to live in the U.S. in many metrics such as the housing affordability index and rental yield to name a few but this doesn’t mean that housing in Iowa is becoming more affordable. I have given many pieces of evidence to show that housing in Iowa is actually becoming less affordable and it’s likely only to get worse in the near future. There is no silver bullet to making housing more affordable in Iowa. However, implementing policies that result in stable and lower property taxes, interest rates, construction costs, and maintenance fees will result in more affordable housing.