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New HSH.com Report Finds Housing Affordability Improving in Most Metro Areas

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Purchasing power improved by lower mortgage rates but isn't likely to last

FOSTER CITY, Calif., Feb. 26, 2020 /PRNewswire/ -- HSH.com announces today its latest analysis of the salary required to buy a median-priced home in the 50 top metropolitan areas. A premiere consumer destination for mortgage information and rate shopping since 1979, HSH offers a wealth of free tools and expertise for homeowners and homebuyers.

The newly-updated report uses the latest quarterly home price data from the National Association of Realtors (NAR), incorporates local property tax and homeowner's insurance costs, and calculates the income needed to qualify for a median-priced home in each market. The latest research will help potential homebuyers evaluate whether or not they can afford to buy a home in their market.

For the fourth quarter of 2019, the latest research reveals affordability in most metro areas improved a bit again as compared to the fourth quarter of 2018, as lower mortgage rates served as a powerful offset to again-surging home prices.

Compared to the same period last year and due solely to lower mortgage rates in the quarter, the income needed to purchase a median-priced home decreased in 49 of the 50 major metropolitan areas HSH reviewed. The Philadelphia metro area was the only outlier, posting a small increase. On a quarter-to-quarter basis, typically lower home prices in the fourth quarter compared to the third saw a majority of markets require lower incomes needed to purchase a median-priced home.

The most and least affordable metro areas in the salary analysis (assuming a 20% downpayment):

Most affordable metropolitan area	Required salary per year to afford a median-priced home
1. Pittsburgh	$36,581.61
2. Oklahoma City	$37,831.74
3. Cleveland	$39,146.04

Least affordable metropolitan areas	Required salary per year to afford a median-priced home
1. San Jose	$227,232.05
2. San Francisco	$184,742.64
3. San Diego	$122,695.23

Salary calculations using a 10% downpayment and including PMI are also provided for each area.

Main takeaways from the updated research:

- **Mortgage rates lower than last year improved or preserved affordability.** During the fourth quarter of 2019, mortgage rates were significantly lower than at the same time the previous year. Including stated fees, a conforming, 30-year fixed-rate mortgage averaged 3.85% for the period. In the fourth quarter of 2018, that average was 4.90%, the peak for the economic cycle so far and the highest since the first quarter of 2011.

- **Lower rates, stronger demand and limited inventory to buy have re-ignited home prices.** High mortgage rates of a year-ago damped demand and slowed the years-long increase in prices to only a moderate level of 3.91% by the beginning of 2019. Since then, in the last three quarters, national median home prices have risen 4.29% in the second quarter, 5.07% in the third and now 6.55% in the fourth. While the San Jose, CA and Oklahoma City, OK metros saw small price declines compared to a year-ago, the remaining 48 markets saw annual price increases that ranged as high as 9.81% in the Charlotte, NC metro area.

- **The trend in improving affordability isn't likely to last more than another quarter.** Mortgage rates have been slightly lower in the first quarter of 2020 and so will still favorably compare to year ago levels, but the dramatic differential in rates will diminish from one of greater than a full percentage point for the 4Q18-4Q19 comparison to much less than that in the next quarter or two. Meanwhile, while home price changes for the first quarter of each year are often a mixed bag, the second quarter has seen unambiguously higher prices in each of the last four years, and there is no reason to expect anything different this year.

- **Declines in the annual income needed to purchase a median-priced home varied greatly.** While the median decline in income needed across all markets fell by $2,675.61, metros such as San Jose saw a nearly 11% decline in the salary needed to purchase a median-priced home in the fourth quarter of 2019 compared to 2018, but even with a $27.603.69 decrease in income needed, that wasn't sufficient to improve affordability very much in the most expensive market we

track. The smallest decrease posted by a market was Memphis, TN with a $961.41 fall, some 2.32% lower than the same period last year, and just one market (the Philadelphia, PA metro area) posted an *increase* in the annual salary needed, but this was just $161.16 (0.27% more than 4Q18).

- **The "spring homebuying season" is shaping up to be the most challenging one yet in a string of them**. In terms of current conditions, mortgage rates have been relatively flat at low levels since late last summer, and home sales have generally been firming since. This has depleted inventories of homes available to buy recently to 20-year lows, with the combination of more demand and less supply igniting home prices. Without more supply, many potential homebuyers will not find a home they can buy available to them this spring.

- **Improving housing affordability due to lower mortgage rates masks one significant impact of rising home prices**. A borrower's downpayment is typically a percentage of the home's purchase price, and stronger increases in home prices means borrowers need to save more (and more quickly) in order to maintain a given down payment. For example, a borrower with enough cash on hand to make a downpayment for a median-priced home last year would need about 6.5% more savings this year just to keep pace, and that can be a little like running on a treadmill, especially for first-time and low-and-moderate income homebuyers.

Despite relative improvements in affordability, potential homebuyers of more modest means looking to buy homes often struggle to come up with a downpayment and closing costs, especially in heated markets. Help making the jump to homeownership is often available but it is tricky to find if you don't know where to look. To help potential homebuyers, HSH offers its [database of Homebuyer Assistance Programs by state](#), where information about these valuable programs, vital website addresses, contact info and more can be found.

Find the lists here for the [25 most expensive](#) and [25 least expensive](#) metropolitan areas with display maps for each list. You can also read the full article, [The Salary You Must Earn to Buy a Home in the 50 Largest Metros.](#)

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