Nearly 75% of U.S. Households Cannot Afford a Median-Priced New Home in 2025

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Housing affordability remains a critical issue, with 74.9% of U.S. households unable to afford a median-priced new home in 2025, according to NAHB's latest analysis. With a median price of $459,826 and a 30-year mortgage rate of 6.5%, this translates to around 100.6 million households priced out of the market, even before accounting for further increases in home prices or interest rates.

This analysis also highlights the effects of rising costs:

- A $1,000 increase in the median price of new homes would price an additional 115,593 households out of the market.
- A 25-basis point rise in the 30-year fixed mortgage rate (from 6.5% to 6.75%) would price approximately 1.1 million households out of the market.

In addition to the national numbers, the article includes equivalent affordability and priced-out results for individual states and more than 300 metropolitan areas.

The Priced-Out Methodology and Data

The NAHB priced-out model uses the ability to qualify for a mortgage to measure housing affordability. This method is generally relevant because most home buyers finance their new home purchase with conventional loans, following widely recognized underwriting standards. The standard NAHB adopts for its priced-out estimates is that the sum of the mortgage payment (including the principal amount, loan interest, property tax, homeowners' property and private mortgage insurance premiums (PITI), is no more than 28 percent of monthly gross household income.

As a result, the number of households that qualify for mortgages for a certain priced home depends on the household income distribution in an area and the mortgage interest rate at that time. The most recent detailed household income distributions for all states and metro areas are from the 2023 American Community Survey (ACS). NAHB adjusts the income distributions to reflect the income and population changes that may happen from 2023 to 2025. The income distribution is adjusted for inflation using the 2024 median family income at the state[1] and metro[2] levels and then extrapolated into 2025. The number of households in 2025 is projected by the growth rate of households from 2022 to 2023.

Other key assumptions in the NAHB's calculation include a standard 10% down payment and a 30-year fixed rate mortgage at an interest rate of 6.5% with zero points. For a loan with this down payment, private mortgage insurance is required by lenders and thus included as part of PITI. The model assumes the annual private mortgage insurance premium is 73 basis points[3], based on the standard assumption of a national median credit score[4] of 738, a 10% down payment and a 30-year fixed mortgage rate. Effective local property tax rates and homeowner insurance rates are derived from the 2023 American Community Survey (ACS)[5], with the U.S. average effective property tax rate being $9 per $1,000 of property value and average homeowner insurance at $3.57 per $1,000 of property value.

To calculate median new home prices across states and metropolitan areas, NAHB relies on data from the Census Bureau's Building Permits Survey and the Survey of Construction. Initially, we determine the average value of new home permits for each state and metro area using data from the 2023 Building Permits Survey. It is important to note that permit values typically represent construction costs only and exclude the cost of raw land, brokerage commissions, marketing or financing costs. To convert from average permit values to median new home prices, NAHB employs scaling mark-ups ratios. These ratios are derived by comparing the median new home

[1] The state median family income is published by Department of Housing and Urban Development (HUD).
[2] The MSA median family income is calculated by HUD and published by Federal Financial Institutions Examination Council (FFIEC).
[3] Private mortgage insurance premium (PMI) is obtained from the PMI Cost Calculator(https://www.hsh.com/calc-pmionly.html)
[4] Median credit score information is shown in the article "Four ways today's high home prices affect the larger economy" October 2018 Urban Institute https://www.urban.org/urban-wire/four-ways-todays-high-home-prices-affect-larger-economy
[5] Producing metro level estimates from the ACS PUMS involves aggregating Public Use Microdata Area (PUMA) level data according to the latest definitions of metropolitan areas. Due to complexity of these procedures and since metro level insurance rates tend to remain stable over time, NAHB revises these estimates only periodically.

prices to the average permit values for each division, as estimated from the Survey of Construction. Furthermore, to manage the extreme estimates in median new home prices, NAHB implements a quantile-based flooring and capping method. This method identifies outliers by comparing the estimated median new home prices to the median values of newly built homes from the American Community Survey. The outliers are then adjusted by setting a cap at the 90th percentile value and establishing a floor at the 10th percentile value, making sure that the estimates reflect a more accurate and realistic range of new home prices. Finally, the median new home prices are projected forward to 2025 using the latest NAHB home price forecasts.

U.S. Priced-Out Estimates

Under the assumption of a 6.5% mortgage rate, the minimum income required to purchase a new median-priced home value at $459,826 in 2025 is $141,366. At this income threshold, around 100.6 million U.S. households, or 74.9% of the total 141.1 million households, would be unable to afford this home, shown in Table 1. A $1,000 increase in the home price increases the minimum income needed to $141,674, pricing out an additional 115,593 households. This calculation shows that even slight increases in housing prices can have a significant impact, pushing more households beyond the threshold of affordability.

Table 1. US Households Priced Out of the Market by Increases in House Prices, 2025

Area	Mortgage Rate	House Price	Monthly Mortgage Payment	Taxes and Insurance	Minimum Income Needed	Households Unable to Afford the Median Price	
						Number	Percent
United States	6.50%	$459,826	$2,818	$481	$141,366	100,559,111	74.9%
United States	6.50%	$460,826	$2,824	$482	$141,673	100,674,705	75.0%
Difference		$1,000	$6	$1	$307	115,593	0.1%

Calculations assume a 10% down payment and a 73 basis point fee for private mortgage insurance.
A Household Qualifies for a Mortgage if Mortgage Payments, Taxes, and Insurance are 28% of Income

US Household Income Distribution for 2025				
Income Range:			Households	Cumulative
$0	to	$10,291	7,121,176	7,121,176
$10,292	to	$15,438	4,682,323	11,803,499
$15,439	to	$20,584	4,000,467	15,803,966
$20,585	to	$25,730	4,625,765	20,429,731
$25,731	to	$30,876	4,247,105	24,676,836
$30,877	to	$36,022	4,825,033	29,501,869
$36,023	to	$41,168	4,584,479	34,086,348
$41,169	to	$46,315	4,889,671	38,976,020
$46,316	to	$51,461	4,406,216	43,382,235
$51,462	to	$61,753	8,982,666	52,364,902
$61,754	to	$77,192	12,626,853	64,991,755
$77,193	to	$102,923	17,060,257	82,052,011
$102,924	to	$128,653	13,727,763	95,779,774
$128,654	to	$154,384	9,674,686	105,454,460
$154,385	to	$205,846	12,211,266	117,665,726
$205,847	to	More	16,639,019	134,304,745

State and Metro Area Estimates

The 2025 priced-out estimates for all states and the District of Columbia are shown in Table 2. The table highlights the growing housing affordability challenges across the United States. In 23 states and the District of Columbia, over 80% of households are priced out of the median-priced new home market. This indicates a significant disconnect between rising home prices and household incomes.

Maine stands out as the state with the highest share of households (91.2%) unable to afford the state's median new home price of $682,223. High-cost states such as Connecticut and Rhode Island follow closely, with 88.3% and 87.8% of households, respectively, struggling to afford new homes. Even in states with relatively lower median new home prices, affordability remains a major concern. For example, in Mississippi, where the median home price is $275,333, 70.2% of households still find these new homes out of reach. Meanwhile, Delaware, the state with better affordability in the analysis, has a median new home price of $373,666. However, around 58.2% of households in Delaware still struggle to afford a new home. Even modest price increases, such as an additional $1,000, could push thousands more households from affording these median priced new homes. For instance, in Texas, such an increase could price out over 11,000 households.

Table 3 shows the 2025 priced-out estimates for over 300 metropolitan statistical areas. The analysis estimates how many households in each metro area earn enough income to qualify for mortgages on median-priced new homes. In high-cost areas like the San Jose-Sunnyvale-Santa Clara, CA metro area, where new homes largely target high-income Silicon Valley residents, only 10% of all households meet the minimum income threshold of $437,963 required to qualify for a loan on a median priced new home. In contrast, in more affordable metro areas like Sierra Vista-Douglas, AZ, where the median new home price is $150,893, nearly two-thirds of households can afford a median priced new home. While higher home prices generally result in higher monthly mortgage payments and higher income thresholds, the relationship between home prices and affordability is not always linear. Factors like property taxes and insurance payments can also significantly impact monthly housing costs, adding complexity to affordability calculations.

The affordability of new homes and together with the population size of a metro area, significantly influence the priced-out impact of a $1,000 increase in new home prices. In metro areas where new homes are already unaffordable to most households, the effect of such an increase tends to be small. For instance, in the San Jose-Sunnyvale-Santa Clara, CA metro area, an additional $1,000 increase to the home price affects only 259 households, as only 10% of all households could afford such expensive new homes in the first place. Here, the additional price

increase only affects a narrow share of high- income households at the upper end of the income distribution, where affordability is already stretched.

In contrast, metro areas, where new homes are more broadly affordable, experience a larger priced-out effect. A $1,000 increase in the median new home price affects a larger share of households in the "thicker part" of the income distribution. For example, in the Dallas-Fort Worth-Arlington, TX metro area, a $1,000 increase in new home price would disqualify 2,882 households from affording a median-priced new home. This is the largest priced-out effect among all metro areas, driven by the combination of relatively moderate home prices and a substantial population base.

Interest Rates

The NAHB 2025 priced-out estimates also highlight the significant impact of mortgage interest rates on the number of households able to afford median-priced new homes. As mortgage interest rates rise, monthly mortgage payments will rise as well, requiring higher household income thresholds to qualify for a loan. Table 4 shows the effect of each 25 basis-point increase in interest rates, from 3.75% to 8.25%, on affordability for a median-priced home at $459,826.

When interest rates increase from 6.5% to 6.75%, around 1.13 million households are priced out of the market, unable to meet the higher income threshold required to afford the increased monthly payments. Similarly, an increase from 7.75% to 8% would squeeze about 850,000 households out of the market. As high interest rates climb further, the priced-out effects diminish. This is because the increase affects a smaller share of households at the upper end of the income distribution, where fewer households can afford homes even before the rate hike.

In contrast, when interest rates are relatively low, a 25 basis-point increase has a much larger impact, as it affects a broader portion of households in the middle of the income distribution. For example, if the mortgage interest rate goes down from 5.25% to 5%, around 1.5 million more households will qualify the mortgage for the new homes at the median price of $459,826. This indicates lower interest rates can unlock homeownership opportunities for a substantial number of households.

Table 4. U.S. Households Priced Out of the Market by an Increase in Interest Rates, 2025

Mortgage Rate	Median New House Price	Monthly Mortgage Payment	Taxes and Insurance	Minimum Income Needed	Households That Can Afford House	Change in Households	Cumulative Change
3.75%	$459,826	$2,092	$481	$110,270	48,333,232		
4.00%	$459,826	$2,154	$481	$112,921	46,919,081	-1,414,151	-1,414,151
4.25%	$459,826	$2,217	$481	$115,609	45,484,811	-1,434,270	-2,848,421
4.50%	$459,826	$2,280	$481	$118,334	44,030,845	-1,453,966	-4,302,387
4.75%	$459,826	$2,345	$481	$121,096	42,557,615	-1,473,230	-5,775,617
5.00%	$459,826	$2,410	$481	$123,892	41,065,561	-1,492,054	-7,267,671
5.25%	$459,826	$2,476	$481	$126,724	39,555,131	-1,510,430	-8,778,101
5.50%	$459,826	$2,543	$481	$129,588	38,173,869	-1,381,262	-10,159,363
5.75%	$459,826	$2,610	$481	$132,486	37,084,452	-1,089,417	-11,248,780
6.00%	$459,826	$2,679	$481	$135,415	35,983,055	-1,101,397	-12,350,177
6.25%	$459,826	$2,748	$481	$138,375	34,870,007	-1,113,048	-13,463,225
6.50%	$459,826	$2,818	$481	$141,366	33,745,637	-1,124,370	-14,587,595
6.75%	$459,826	$2,888	$481	$144,385	32,610,274	-1,135,363	-15,722,958
7.00%	$459,826	$2,959	$481	$147,433	31,464,247	-1,146,027	-16,868,985
7.25%	$459,826	$3,031	$481	$150,509	30,307,885	-1,156,362	-18,025,347
7.50%	$459,826	$3,103	$481	$153,611	29,141,514	-1,166,371	-19,191,718
7.75%	$459,826	$3,176	$481	$156,739	28,291,876	-849,638	-20,041,356
8.00%	$459,826	$3,250	$481	$159,891	27,543,764	-748,112	-20,789,468
8.25%	$459,826	$3,324	$481	$163,068	26,789,943	-753,821	-21,543,289

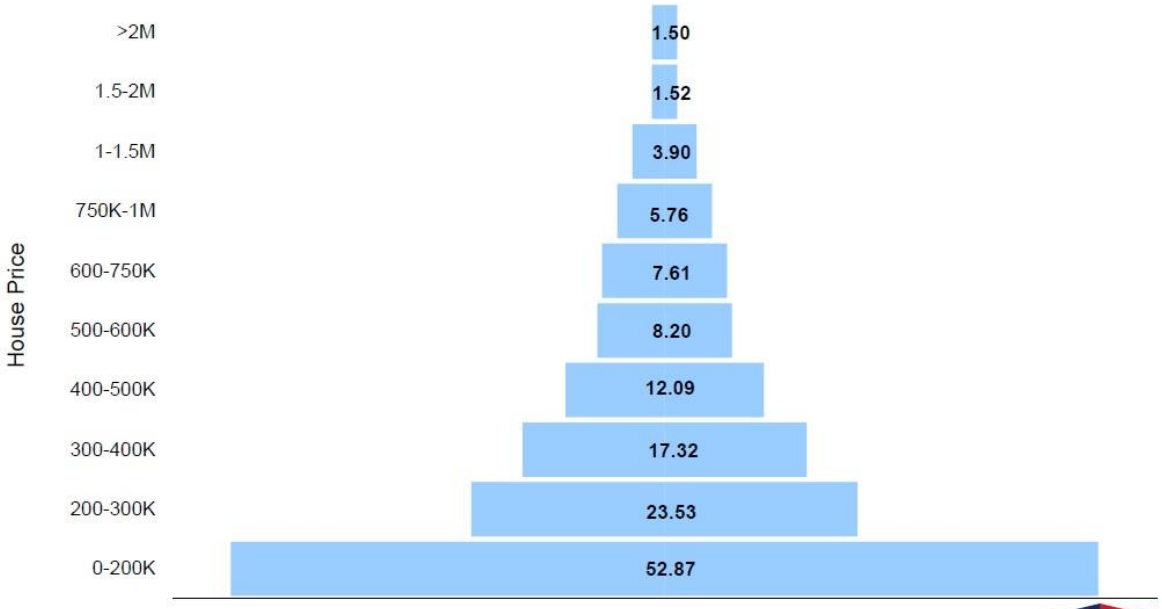
Housing Affordability Pyramid

The housing affordability pyramid illustrates the number of households able to purchase a home at various price steps. Each step represents the number of households that can only afford homes within that specific price range. The largest share of households falls within the first step, where homes are priced under $200,000. As home prices increase, fewer and fewer households can afford the next price level, with the highest-priced homes—those over $2 million—having the smallest number of potential buyers. Housing affordability remains a critical challenge for households with income at the lower end of the spectrum.

The pyramid is based on income thresholds and underwriting standards. Under these assumptions, the minimum income required to purchase a $200,000 home at the mortgage rate of 6.5% is $61,487. In 2025, about 52.87 million households in the U.S. are estimated to have incomes no more than that threshold and, therefore, can only afford to buy homes priced up to $200,000. These 52.87 million households form the bottom step of the pyramid. Of the remaining households who can afford a home priced at $200,000, 23.53 million can only afford

to pay a top price of somewhere between $200,000 and $300,000. These households make up the second step on the pyramid. Each subsequent step narrows further, reflecting the shrinking number of households that can afford increasingly expensive homes.

Figure 1. US Households (in Millions)
by Highest Priced Home They Can Afford : 2025



Source: Calculations by the National Association of Home Builders Housing Policy Department, based on income data from the 2023 American Community Survey Public Use Microdata Sample File, U.S. Census Bureau

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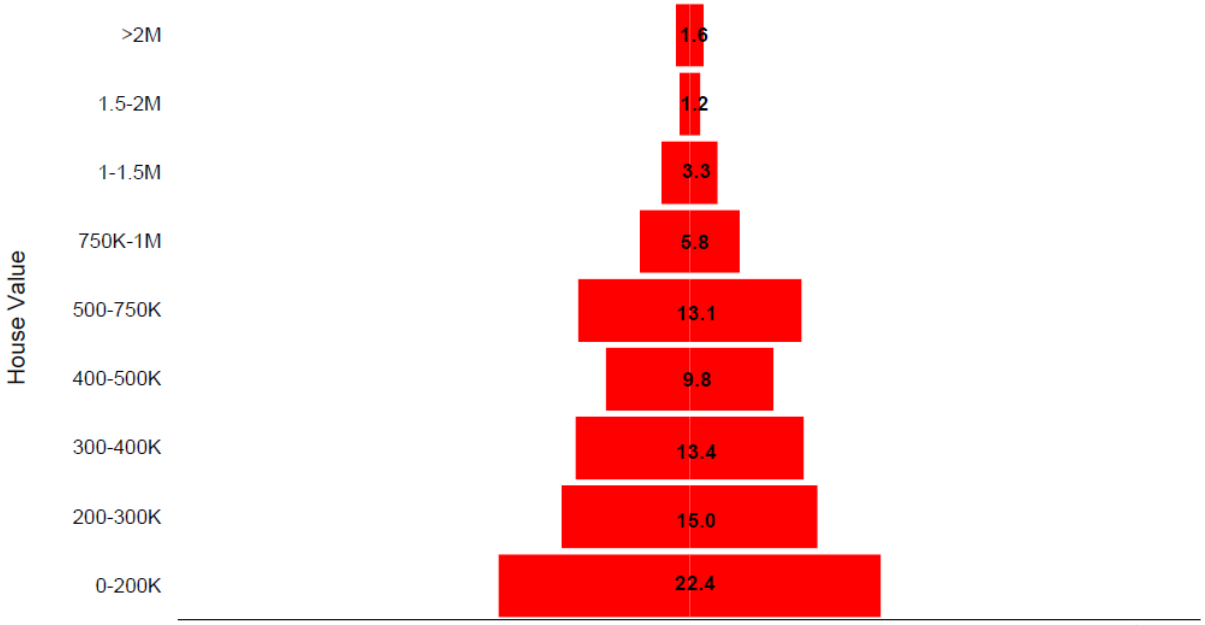
It is worthwhile to compare the number of households that can afford homes at various price levels and the number of owner-occupied homes available in those ranges, as shown in Figure 2. For example, while around 53 million households can afford home priced at $200,000 or less, there are only 22 million owner-occupied homes valued in this price range. This trend continues in the $200,000 - $300,000 price range, where the number of households that can afford homes is much higher than the number of housing units in that range. These imbalances show a shortage of affordable housing.

Figure 2. How U.S. Housing Stock Varies by Value Range



Source: 2023 American Community Survey, U.S. Census Bureau, NAHB Analysis