A Brief Explanation of the Housing Affordability Pyramid

The Housing Affordability Pyramid illustrates the number of households that can afford homes at various price levels. 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 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. This pattern reflects ongoing housing affordability challenges.

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.

As house price increases, each step represents a smaller group of households that can afford higher-priced homes. The lower two tiers, households that can afford homes under $300,000, make up almost 57% of all U.S. households. Affordability remains a major challenge for these households. The shortage of starter homes, rising construction costs and elevated mortgage rates make homeownership increasing difficult. Increased development costs could price these households out of the market for a new home.

To note, this pyramid is based upon an income threshold and a 10 percent down payment assumption. It does not consider additional savings, or home equity or other financial resources. For instance, households at the high end of the market are more likely to have equity in a previously owned home or other accumulated wealth for a larger down payment. Additionally, while the analysis estimates affordability based on income levels, households may choose to buy homes below their maximum approved loan amount.

At the top of the pyramid, only a very small share of households can afford homes priced above $2 million. However, the actual number of million-dollar homes in the U.S. may be higher, as many homes originally purchased at lower prices have appreciated in value over time.

NAHB relies on Census Bureau data for income distribution estimates. To preserve confidentiality, the Census Bureau suppresses some details that make it difficult to estimate the number of households at the top end of the income distribution with precision.