A Brief Explanation of the Housing Affordability Pyramid

At the base of the market for housing in the U.S. is a large number of households with relatively modest incomes. The homes that these households can afford are also relatively modest.

Based on conventional assumptions and underwriting standards, the minimum income required to purchase a $150,000 home at the mortgage rate of 6.5% is $45,975. In 2024, about 40.5 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 no more than $150,000. These 40.5 million households form the bottom step of the pyramid. Of the remaining households who can afford a home priced at $150,000, 26.1 million can only afford to pay a top price of somewhere between $150,000 and $250,000 (the second step on the pyramid).

This trend continues up the pyramid of house prices. Each step represents a maximum affordable price range for fewer and fewer households. Although it's certainly possible to find households at the high end of the market (please see note below), there are many more households at the low end where affordability is a major concern. Increased development costs can easily price these households out of the market for a new home.

> **Note:** The peak of the pyramid shows a very small share of households able to afford homes priced above $1.6 million. It's possible to have more million-dollar homes than this in the U.S., because many households would have initially purchased homes at lower prices which subsequently appreciated.
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> The pyramid is based on an income threshold and a 10 percent down payment assumption. Households at the high end of the market may be more likely to have equity in a previously owned home or other accumulated wealth for a larger down payment.
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> Finally, to preserve confidentiality, the Census Bureau suppresses some detail that makes it difficult to estimate the number of households at the top end of the income distribution with precision.