

What Income Is Needed To Afford a \$500,000 House?

Let's assume you're purchasing a \$500,000 home with a 10% down payment and a 6.71% interest rate on a 30-year fixed-rate mortgage. Based on Zillow estimates, you'd have to pay \$3,800 per month after property taxes and home insurance. Considering most lenders want borrowers to keep housing expenses at or under 30% of their gross income, you'd need to earn at least \$152,000 per year to afford a \$500,000 home, according to Moneywise.



Buying a house is now so expensive that buyers need to make almost \$50,000 more than they did pre-pandemic to afford one, per a Zillow report released in February. Zillow noted the typical U.S. household earned about \$81,000 each year, but buyers need to make more than \$106,000 to comfortably afford a home. This is 80% more in January 2020.

“Comfortably affording a home in today’s market means having the financial capacity to cover mortgage payments, property taxes, insurance and other associated costs without significant financial strain,” Stacy Brown, director of technical training at Real Property Management, explained to Fortune. Brown noted that comfortable homeownership is out of reach for many.

Filippo Incorvaia, owner and broker at Miami-based FI Real Estate, told Fortune that six-figure incomes are essential to affording a home today. Certain housing markets, particularly in larger metropolitan areas, have higher demand and lower supply. These areas may require an even higher income to afford a home.

Incorvaia told Fortune many people in their 20s are delaying homeownership. The majority of first-time buyers are professionals in their 30s and 40s who focused on their careers while renting and saving for a down payment. Millennials and Gen Zers have even turned to “house hacking,” or co-buying with friends or family. They rent out all or part of the property to generate extra income.

A Zillow report found that 21% of last year’s buyers turned to house hacking, but Incorvaia said it has its downside, including reduced equity and it may not be a viable long-term solution.

Josephine Nesbit, Thu, Apr 4, 2024

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EL SEGUNDO OFFICE 300 N. PACIFIC COAST HWY #1075 · EL SEGUNDO, CA 90245 CORPORATE OFFICE 6345 BALBOA BLVD, BLDG 4, SUITE 285 · ENCINO, CA 91316 ORANGE COUNTY OFFICE 2200 W. ORANGEWOOD AVE #140 · ORANGE, CA 92868

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