

Determining the income needed to afford the median home sales price

This analysis was used to make comparisons between the median renter household incomes and income needed to afford the median home sales price in Virginia localities. This analysis was conducted using American Community Survey data on median renter household incomes at the locality-level in Virginia, as well as median sales price data from the Virginia REALTORS®.

Assumptions

In order to calculate the income needed to afford the median sales price, the following assumptions were made about a monthly mortgage payment:

1. A household would spend no more than 30% of their gross income on their housing costs.
2. A household has put a 3 percent down payment on the purchase of their home.
3. A household has acquired a 30-year fixed rate mortgage at a 4% interest rate.
4. A household pays \$250 in taxes and insurance payments monthly, which is included when calculating the income needed to afford a home.

The median home sales price was adjusted to 2021 dollars to make comparisons by utilizing the Consumer Price Index for All Urban Consumers: Owners' Equivalent Rent of Residences in U.S. City Average. The inflation-adjusted median home sales price was then used in the calculation.

Using these assumptions, the income needed to afford a median home sales price for each quarter was determined for each locality in Virginia from 2014 to 2021.