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## Rates Fall, but Many Still Can't Buy Homes

BY VERONICA DAGHER

Mortgage rates are lower than they were a year ago. Many hopeful buyers still can't afford a house.

Homeowners with low mortgage rates and a lot of equity feel little pressure to sell, which is keeping inventory low in some regions. Rising costs for home insurance and property taxes in many places are making matters worse.

Many potential buyers are really maxed out on cost, said Daniel McCue, senior research associate at Harvard University's Joint Center for Housing Studies. Lower interest rates can only get them so far.

The lack of affordability in today's market comes in large part from home prices outpacing incomes, said Andy Walden, head of mortgage and housing market research at Intercontinental Exchange.

For much of the past 50 years, the national median price of a home has hovered around four times the median household income, Walden said. Now it is more than five times the median household income.

Home prices surged during the pandemic era, when people were looking for more space and low interest rates boosted buying power.

Slower home price growth over the past 12 months has allowed incomes to begin catching up. But the ratio of prices to income remains stretched from a long-term perspective, Walden said.

Households earning \$75,000 a year could afford to buy only 21% of U.S. listings as of August, down slightly from a year ago, said Nadia Evangelou, senior economist and director of real-estate research at the National Association of Realtors.

By comparison, these same households could afford to buy nearly half of all listings before the pandemic in August 2019.

"It's a clear example of the 'K-shaped' economy we're seeing more broadly, where some households are still moving forward while others remain on the sidelines, waiting for conditions to improve," said Evangelou.

The lack of inventory can vary radically depending on the region, but remains acute for first-time buyers.

The most affordable starter homes, especially in the tight markets of the Northeast and Midwest, still often see intense bidding and rapid price appreciation, said Hannah Jones, senior analyst at Realtor.com, which is operated by News Corp, parent of The Wall Street Journal.

In New York, home prices have more than doubled over the past nine years, reflecting the state's chronic shortage of inventory. By contrast, prices have climbed about 33% in Texas over the same period, thanks in part to more building, she said.

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