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Wages, home prices add up to affordability issue

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It seems like everyone today is talking about the a ordability crunch and ever rising inflation. Even some of my wealthier friends are bitterly complaining about how much more expensive everything is.

El Paso County Median Family Income & Housing Payments (2024)

INCOME	HOUSING COSTS
▪ Median Family Income: <u>\$110,424</u>	▪ Median home price: <u>\$485,000</u>
▪ Living Wage for Family of Four	▪ 30-year mortgage rate: 6.72%
▪ 2 working adults & 2 kids: <u>\$135,283</u>	▪ 20% Downpayment: \$97,000
▪ Deficit: <u>~\$25,000 per year</u>	▪ Monthly payment*: \$2,894
	▪ Annual income needed for monthly payment**: <u>\$115,760</u>



I think about lower earners and young individuals or families who are just starting out and trying to buy a house. Let's look at some data.

Measuring "family" income is a little more accurate than household income because by Census Bureau standards a family means individuals under the same roof who are related. And remember income includes wages, cash payments from the government, retirement payments and other sources like rental income for a landlord or stock dividends for stock owners.

All in, median annual family income in El Paso County in 2024 was about \$110,000. According to MIT, a living wage in our region for a family of four with two working adults and two kids that year was \$135,283. Right there we see a typical young family is about \$25,000 a year short of a living wage. That's red flag number one. *Note*

Now let's tie that to housing a ordability. The median home price in our region in 2024 was \$485,000. Assuming a 30-year mortgage rate of 6.7% with a 20% downpayment of \$97,000, the mortgage payment for a family would be almost \$2,900 per month. That implies a necessary annual income of \$115,760 if that family spends roughly 30% of their income on housing, which is a rough rule of thumb for acceptable expenditures on housing. Some might say that 30% is low, but again I think about a family who is also spending on child care, general child rearing and now more expensive food and energy. That's another red flag.

Lastly, we looked at income distribution in El Paso County and found that roughly half of the families in our region don't meet that income threshold to a ord the median-priced home . And honestly, it's not that easy to find a home for that price of \$485,000, according to many young people I talk with who are trying to buy their first home.

When the typical young family has these housing a ordability challenges, it makes sense that Colorado doesn't have as many people moving here and it unfortunately makes sense that many young people are delaying or avoiding having children. *Note*

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