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Getting a handle on the region's housing affordability problem

Gen RE

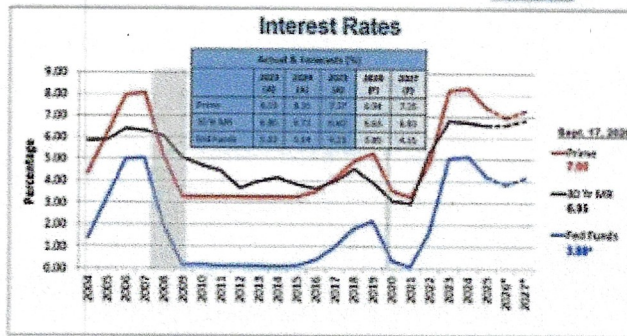
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One of the clearest ways to understand the region's housing affordability problem is to ask a simple question: What can a household afford to buy based on home prices and typical household income?

3. How many households earn less?



- 54.7% earned under \$100,000
- 74.9% earned under \$150,000
- Nearly 7% mortgage rates further limit buying power



Source: El Paso County Economic Development, 2024 ADE; Mortgage rate: Freddie Mac, September 17, 2026

In August, the median home price in the Pikes Peak region was \$470,000 (Visual 1). Assuming a 20% down payment, a buyer would need \$94,000 upfront. At an almost 7% 30-year mortgage rate, the estimated monthly cost is nearly \$3,200, including estimates for property taxes and homeowners insurance. Using the guideline that housing costs should stay below 30% of gross income, that buyer would need an annual income of \$127,760.

However, the latest available median household income for El Paso County from 2024 shows that local median income stood at \$91,009. That is a difference of \$36,751 a year. In other words, there is a homeownership gap of nearly \$37,000 in required income for the typical household in our region (Visual 2). And that comparison assumes the buyer has saved the \$94,000 down payment.

Also remember that home prices have slightly declined in the past couple of years, so the lagging income data from the Census Bureau doesn't materially change this analysis.

If the same calculation is done for the average-priced home, things are even more stark because the average home price is higher at almost \$550,000. That affordability gap calculates to \$58,000 in required income to buy a home.

How many local households fall below nearby income levels? In 2024, 54.7% earned less than \$100,000 and 74.9% earned less than \$150,000 (Visual 3).

Interest rates make things even harder. The average 30-year mortgage rate reached 6.95% in mid-September. At nearly 7%, more of every monthly payment goes toward interest, leaving buyers with less purchasing power.

All in, a first-time homebuyer has three major barriers.

One, home prices have essentially doubled locally and across the U.S. over the past few years.

Two, our region's local median income does not support the amount needed for the actual median home price.

Three, higher interest rates that are projected to increase further will raise the affordability bar even more.

And perhaps the biggest barrier for many young households is the 20% down payment on a typical local home of \$94,000. No wonder most young households require family gifts or loans to pursue the American dream of homeownership.

Tatiana Bailey, the executive director of the nonprofit Data-Driven Economic Strategies, writes about economic issues facing the Pikes Peak Region. Other Denver Gazette articles, TV segments, DDES monthly economic dashboards with technical explanations and how to sponsor their work can be found at ddestrategies.org.