

The cost gap between buying and renting is closing

Story by Hugh Cameron 2026-2-15

The affordability gap between renting and owning a home in the United States is closing, according to recent research, as home prices begin to ease while rents continue to climb.

In a new report, the real estate brokerage and research firm Redfin said that Americans now need an annual income of \$111,252 to afford the typical home. This compares with the \$76,020 needed to meet typical rental prices. The 46 percent gap is now the narrowest it has been in three years.

Why It Matters

Researchers said the shift reflects both moderating home prices and the soaring costs of renting in the U.S., which have ballooned amid demographic shifts and as demand outstripped supply across much of the country.

And while the gap is narrowing, homeownership remains out of reach for millions of Americans, an issue that has led the administration to announce several measures, from 50-year mortgages to barring large investors from purchasing single-family homes, aimed at cooling prices and expanding access to the housing market.

What To Know

According to Redfin's report, based on data from December 2025, the \$111,252 income now needed to afford a typical home in the U.S. has dropped from \$115,870 a year ago, when the comparable amount needed to rent—\$74,464—equated to a 56 percent gap. This disparity peaked at 66 percent in late 2023, it said, when a \$120,609 income was required to buy versus \$72,572 needed to rent.

By region, it found that the gap was widest in San Jose, California, where buyers need to earn \$374,241 annually, 175 percent more than renters need. San Jose was followed by San Francisco and Seattle, with buyer-renter gaps of 138 percent and 120 percent, respectively.

On the other end, the differences are smallest in Pittsburgh (13 percent), New Orleans (18 percent) and Cleveland (21 percent).

And while rental affordability is improving in only five metro areas, Redfin said that home affordability has improved nearly nationwide.

One factor in moderating house prices is the broad decline in demand and the resulting shift toward more "buyer's markets."

"With hundreds of thousands more homebuyers than sellers in the market, much of the country is firmly in a buyer's market, allowing house hunters to negotiate prices down and get concessions," the report read, citing recent research showing that homebuyers are now benefitting from the "biggest discounts in 13 years."

However, it noted that "the income needed to afford the typical home is still much higher than what the typical American earns." The latest Census Bureau estimate put this at \$83,730 for 2024, though Redfin said this has since risen marginally to \$86,185, around \$25,000 below the amount needed to afford a home.

Meanwhile, median household income is now roughly \$10,000 higher than the costs of renting, but rental costs are up around 2.1 percent year over year.

"The median asking rent nationwide is \$1,901," Redfin writes, "just \$15 shy of August's all-time high."

What People Are Saying

Redfin economist Grishma Bhattarai wrote in the report: "Many Americans have been hesitant to jump from renting to buying due to high homeownership costs, but the recent drop in mortgage rates and rise in homebuyer negotiating power may help some take the leap. We expect homebuying affordability to gradually improve in the coming year as mortgage rates stay closer to 6 percent than 7 percent, home-price growth loses steam and wages rise faster than housing costs."

Note

What Happens Next

Redfin said that while rental costs have risen on a year-over-year basis, these have started to tick down monthly, and said that rental affordability "could notably improve if current trends persist."

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