



## Are Low Rates Enough to Offset Rising Prices? Builders Say Yes

Even with the accelerating pace of home price increases, the National Association of Home Builders (NAHB) still sees homes **remaining affordable**. The NAHB/Wells Fargo Housing Opportunity Index for the fourth quarter of 2020 shows that affordability remained steady during the quarter as "**record-low mortgage rates offset record-high home prices**." NAHB analyst Rose Quint writes in the *Eye on Housing* blog however, that "regulatory and supply-side challenges threaten to aggravate affordability problems in the year ahead."

Quint says that, nationally, 58.3 percent of all homes, new and existing, that sold during the quarter were affordable to households earning the adjusted U.S. median income of \$72,900, identical to the percentage in Q3. **This was, however, the lowest percentage since the same quarter in 2018.** The median income for Q4 2020 was provided by the Department of Housing and Urban Development (HUD) based on estimates computed prior to the onset of the COVID-19 pandemic. NAHB adjusted those income numbers down by 7.1 percent to account for the pandemic's effects.

The index puts the national median home price at an all-time high of \$320,000 in the fourth quarter, up from the previous high of \$313,000 set in the third quarter. At the same time, there was a 20-basis point decline in average mortgage rates, from a record low of 3.05 percent in the third quarter to a new low of 2.85 percent.

The **most affordable major housing market (population over 500,000) was Lansing-East Lansing**, Michigan where 89 percent of homes sold during the quarter were affordable to families earning the area's \$75,000 median. The smallest small market was Cumberland, Maryland/West Virginia where 96.4 percent of homes were affordable to those earning \$57,500.

The **Los Angeles metro area was the nation's least affordable large market**. Just 9.1 percent of the homes sold were affordable to families earning that area's median income of \$71,800. All five of the least affordable small markets were also in California with Salinas the least affordable. Only 13.6 percent of homes sold were affordable to those earning the median of \$75,800.



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