

How much salary do you need to afford a median-price home in South Florida?



As the median home price in the metro region has increased 31 percent since May 2015, so has the median salary required by lenders for approval to buy that median-priced home.



By **Ron Hurtibise**
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The median home price in South Florida has increased 31 percent since May 2015 — and so has the median salary that banks say you need before they'll approve a loan on that home.

And that's a problem, experts say, because the median household income in South Florida is well below that of comparably sized metro regions throughout the nation and income growth is failing to keep pace with home-price increases.

According to HSH.com, which sells mortgage data to the home-selling industry, you'll need to make \$78,337 to afford to buy a house for \$353,000, which is the median priced home in the metropolitan area that includes Palm Beach, Broward and Miami-Dade counties.

That makes South Florida the nation's 12th most expensive metro area for home prices — up seven spots from May 2015, when the region ranked 19th. Back then, the region's median home price was \$269,100, and buyers needed to make \$59,869 to buy it.

The median salary is the total for the household, so lenders in most cases would approve two people who each earn \$39,169 a year.

But median household income in the South Florida metro region was just \$51,362 in 2016 — second-lowest among the nation's 25 largest metro areas — according to Census estimates, “so affordability is likely a real problem,” said Keith Gumbinger, HSH.com vice president.

Home price increases in South Florida are **likely influenced by foreign investors** and high net-worth retirees, he said, which would make the trend less dependent on local income growth and be more sustainable — and put local buyers at an increasing disadvantage than in other markets where prices are becoming problematic.

HSH.com's calculations are based on the National Association of Realtors' 2018 first-quarter data for median home prices, national mortgage rate data derived from weekly surveys by **Freddie Mac** and the Mortgage Bankers Association of America for 30-year, fixed-rate mortgages and available property tax and homeowner insurance costs.

The calculations assume the base cost of owning a home — which is loan principal, interest, property tax and homeowner insurance — cannot exceed 28 percent of gross income. This is called a “front end” debt ratio, and banks use it to determine whether you are financially fit for

ownership. The calculations also assume buyers coughed up the traditional 20-percent down payment.

San Jose, Calif., topped HSH.com's list. In that market, the median home price is \$1.4 million, and the minimum salary to own it is \$274,623.

Rounding out the top 11 most-expensive markets were: San Francisco; San Diego; Los Angeles; Boston; Seattle; New York City; Washington, D.C.; Denver; Portland, Ore.; and Sacramento.

Pittsburgh was the nation's most-affordable metro area. There, the median home price was \$152,000, and you would have to make just \$38,253 to afford it. After Pittsburgh, the most-affordable metro areas were Cleveland, Ohio; Oklahoma City, Okla.; Louisville, Ky.; Indianapolis, Ind.; Memphis, Tenn.; Buffalo, N.Y.; Cincinnati, Ohio; St. Louis, Miss.; Birmingham, Ala.; and Detroit, Mich.

According to a report last week from the University of Michigan Survey of Consumers, consumers in early August viewed home-buying conditions less favorably than any time over the past 10 years, with prices judged less favorably than any time since 2006, Gumbinger noted.

"So disenchantment with current conditions appears to be growing," he said, adding that a few scenarios are possible in reaction:

Increased inventory to help cool price increases, which Gumbinger called "possible but difficult."

Faster income growth to help consumers catch up to housing inflation — "a protracted process," Gumbinger said.

"Or significantly higher mortgage rates that crush demand, which would tend to reflate inventories even as it levels (or even deflates) prices," he said.

"Some confluence of the three seems most likely over time, but for now, conditions remain challenging for those hoping to buy a home."

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