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Cities with highest share of affordable home listings: How Denver compares

Story by Andrew Dorn

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(NewsNation) — A brief dip in mortgage rates boosted home affordability to a 19-month high in September but a new analysis suggests that relief may be short-lived.

Zillow found that a typical U.S. household would have been able to afford nearly 28% of homes for sale in September — the highest share since February 2023.

Zillow's report considered a home "affordable" if the estimated monthly mortgage payment on that home would cost no more than 30% of the median household income. The estimated monthly mortgage payment included principal and interest only, and assumed a 20% down payment and a mortgage rate at the monthly average.

The jump in affordable listings marks a five-point improvement from May, when a household making the median income could only afford about 23% of homes listed for sale, according to Zillow.

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The improvement comes after mortgage rates fell to a two-year low in September, averaging 6.18% for the month. Since then, rates have ticked up again with the average 30-year mortgage at 6.78% last week, according to Freddie Mac.

The rise in mortgage rates has already sent the share of affordable listings down one point to 27% in October.

"Buyers should expect more ups and downs ahead for mortgage rates," Orphe Divounguy, a senior economist for Zillow, said in a release.

Divounguy said rates could move "a bit lower" into next year but warned that the path "will be bumpy."

Share of affordable homes in US cities

Zillow's report found the share of affordable homes varies from market to market.

Austin, Texas has seen the biggest rise in affordable listings compared to a year ago — increasing from 13% in October 2023 to 26% in October 2024.

Raleigh, North Carolina has also seen the share of affordable homes jump, rising to 40% last month from 28% a year ago. San Antonio was third on the list, with affordable listings going from 21% in Oct. 2023 to 33% in Oct. 2024. Phoenix and Minneapolis have both seen major gain as well.

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In Denver, 22.9% of home listings in October 2024 were considered affordable, slightly down from September 2024's 23%.



In a few major cities, the majority of home listings are affordable.

Of all major metros, Pittsburgh had the highest share of affordable homes in October, 72.1% of listings. St. Louis, MO (64.2%), Buffalo, NY (63.7%) and Detroit, MI (61.5%) weren't far behind.

Meanwhile, large markets in California and the Northeast are among the least affordable in the country.

In Los Angeles, just 1.6% of listings in October were considered affordable to a middle-income household. San Diego (4.2%) and San Jose (7.2%) weren't much better. The vast majority of listings in the New York City metro area and Boston, about 90%, were also out of reach for the typical American.

These are the 10 U.S. metros with the highest share of affordable listings in October, according to Zillow.

1. Pittsburgh, PA: 72.1%
2. St Louis, MO: 64.2%
3. Buffalo, NY: 63.7%
4. Detroit, MI: 61.5%
5. Indianapolis, IN: 59.5%
6. Cleveland, OH: 57.2%
7. Baltimore, MD: 56.2%
8. Birmingham, AL: 54.8%
9. Cincinnati, OH: 53.5%
10. Philadelphia, PA: 51.2%

Changes to interest rates could impact affordable listings

Still, interest rate cuts by the Federal Reserve have helped improve housing affordability compared to a year ago.

Last month, the share of affordable listings was greater than a year earlier in all of the nation's 50 largest metro areas, Zillow found.

Going forward, housing affordability will depend, in part, on mortgage rates, which could go up or down based on several factors.

While it's true the Fed's benchmark interest rate can impact home loans, the central bank doesn't set mortgage rates directly. Other variables like investor sentiment, bond yields and inflation also play a role.

When Fed rate cuts are anticipated, as they have been, the market tends to price that in early, meaning there's often less movement when the cut happens.

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Trump's recent victory has further clouded the mortgage rate outlook.

"Given what we're seeing in bond markets, investors are expecting higher rates under a Trump administration and are starting to position in that direction already," Danielle Hale, chief economist at Realtor.com told the Associated Press. "So, if overall rates are higher, that would tend to also mean that mortgage rates would move higher, too."

In its September forecast, before the election, Freddie Mac predicted that the average 30-year fixed mortgage rate would remain above 6% through the end of the year.

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