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The 115% Economy

A 40-Year Analysis of Housing Affordability in Washington

A Building Industry of Washington Report

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Homes start here.

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Was the median-priced home ever truly attainable for households earning near the median income?

Background

Since 2024, the Washington Center for Housing Studies has produced the Housing Attainability Index (HAI), a recurring report that measures how affordable local housing markets are for working households by estimating the share of residents who can and cannot afford the median-priced home. In its most recent publication, the HAI found that only 25 percent of Washington households can afford the median-priced home.

The HAI also examines the income required to purchase the median-priced home, expressed as a percentage of Area Median Income (AMI). AMI is the midpoint household income for a given area. A household earning 100 percent of AMI earns exactly the area's median income, while households earning more or less than that fall above or below the median. Because AMI is expressed as a percentage rather than a dollar amount, it provides a simple way to compare housing affordability across time. If the median-priced home requires approximately 100 percent of AMI to purchase, it remains broadly attainable to households earning near the median income. If more than 100 percent of AMI is required, the median home becomes increasingly out of reach for typical households.

Through its publication history, the HAI has consistently found that approximately 170-180 percent of AMI is required to afford the median-priced home in Washington, indicating a substantial disconnect between household incomes and housing prices.

The purpose of this report is to establish a historical baseline for housing affordability in Washington. More specifically, this report asks: **was the median-priced home ever truly attainable for households earning near the median income?**

Executive Summary

Historically, one of the defining economic expectations of the American working class was that ordinary earnings could support ordinary homeownership. This publication examines whether that longstanding compact of the American economy was ever a practical reality in Washington State.

The central finding of this report is that Washington historically operated in what may be described as a "115% economy." From 1984 through 2021, the median-priced home generally remained within reach of households earning only slightly more than the area's median income. On average, a household needed to earn 115% of AMI to purchase the median-priced home without becoming cost burdened. By 2026, that threshold had risen to 181% of AMI, leaving Washington in what may now be described as a "181% economy."

In other words, for nearly forty years, a household seeking to comfortably purchase the typical home in Washington generally needed to earn only about 15% more than the typical household. This was an imperfect reality—the longstanding goal of policymakers and the homebuilding industry have been for housing to be as attainable as possible across income brackets. Even so, the historical gap between the median household and the median home was relatively modest.

Today, the relationship between ordinary earnings and ordinary homeownership has fundamentally changed. Rather than needing to earn 15% more than the median household, prospective homebuyers must earn 81% more than the median household to comfortably purchase the median-priced home. In practical terms, the median home has shifted from a realistic middle-income goal to a purchase increasingly reserved for upper-income households and/or households that purchased housing assets when homes were more attainable. In 2026, a household entering the housing market without existing assets, such as home equity from a previously owned home, would need to earn approximately $180,000 annually to afford Washington's median-priced home.

The importance of this benchmark extends beyond the median household itself. A housing market in which the median home is attainable to households earning near the median income is generally one in which homeownership remains accessible to a broad segment of the population. As the income required to purchase the median home rises further above the median income, affordability contracts, and an increasing share of lower-income households is excluded from the ownership market altogether.

Methodological Approach, Assumptions, and Limitations

Many analyses of historical housing affordability rely on the home price-to-income ratio. While useful as a broad measure, it can obscure factors that directly affect affordability, including mortgage interest rates and property taxes. Because households experience affordability through monthly payments rather than purchase prices alone, this report uses the Housing Attainability Index (HAI) methodology to estimate the income required to purchase the median-priced home under prevailing market conditions in each year.

The methodology used in this report is unchanged from the March 2026 HAI update. The index estimates affordability using a mortgage qualification model based on Federal Housing Administration (FHA) lending guidelines and historical property insurance assumptions. Specifically, the analysis assumes that households devote no more than 28% of gross income to housing costs and provide a down payment equal to 3.5% of the home's purchase price. Although FHA down payment requirements varied slightly over time, this report applies a uniform 3.5% down payment and 28% housing-cost assumption to create a consistent affordability benchmark across the full study period.

The analysis draws on publicly available data sources, including the U.S. Census Bureau and the Bureau of Labor Statistics. After compiling these data, we calculated affordability using the following assumptions:

- Property tax estimates are based on statewide average levy rates published by the Washington Department of Revenue. Rates for 1964-2004 were obtained from Property Tax Valuations, Average Tax Rates, while later years were obtained from the Department's Average Levy Rates by County dataset.

- Median household income data were obtained from the U.S. Census Bureau through FRED. Because 2026 income data were unavailable at the time of publication, 2025 income estimates were used for 2026 affordability calculations.

- Median household income was used because homeownership is typically financed at the household level. Available evidence suggests the number of earners per household has not changed substantially since the mid-1980s, limiting the impact of this assumption on long-term comparisons.

- Historical home values were estimated using Washington's All-Transactions House Price Index (HPI) from the FHFA, accessed through FRED. The index was anchored to reported median home sale price and used to estimate historical median home values throughout the study period.

- Since 1984, the median American home has generally become larger, more energy-efficient, and more technologically equipped, naturally resulting in a more expensive home.

- Home prices shown in this report are annual averages rather than point-in-time values and may therefore differ slightly from recent Housing Attainability Index (HAI) publications.

- Annual homeowners' insurance was modeled as a conservative constant percentage of home value consistent with the methodology used in the HAI. This approach provides a consistent basis for comparing affordability across time and maintains methodological consistency with prior HAI publications. To the extent that insurance costs have risen faster than home values in Washington in recent years, this assumption may modestly understate the deterioration in housing affordability.

- Mortgage interest rates are based on annual national average 30-year fixed-rate mortgage rates derived from Freddie Mac data and are intended to reflect prevailing borrowing costs within each year. Washington state credit scores tend to mirror national averages.

- Affordability calculations assume the current FHA standard 3.5% down payment and a 30-year fixed-rate mortgage. Although FHA down payment requirements varied slightly over time, a uniform 3.5% assumption is applied to create a consistent affordability benchmark across time.

- Monthly housing costs include principal and interest payments, property taxes, and homeowner's insurance. Affordability estimates do not include mortgage insurance premiums, utility costs, maintenance expenses, homeowner association dues, or closing costs.

Affordability estimates are best understood as representing the experience of a household entering the ownership market in a given year and do not account for existing housing equity or accumulated wealth. Consequently, the results measure the income required to purchase a home under prevailing market conditions, not the overall economic well-being of households. For example, a lower income requirement threshold in 2012 than in 1984 does not necessarily imply that households were better off economically in 2012. Rather, it indicates that the monthly cost of purchasing the median-priced home consumed a smaller share of household income at that time.

Results

The analysis finds that the longstanding relationship between the median household and the median home has broken down in recent years, reaching levels without precedent in the historical record examined. From 1984 through 2021, the income required to afford the median-priced home averaged 115% of Area Median Income (AMI). By 2026, that threshold had increased to 181% of AMI. As a result, the median-priced home shifted from being broadly attainable to households earning near the median income to requiring substantially above-median earnings. The chart above (top right) illustrates these findings.

Income Required to Purchase Washington's Median Home

Measured as Percentage of Area Median Income (AMI), 1984-2026

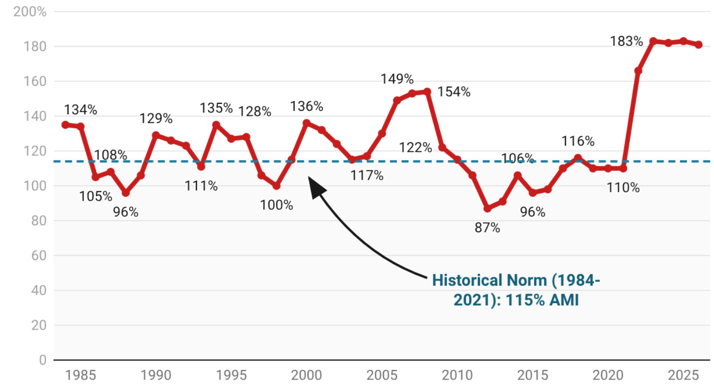
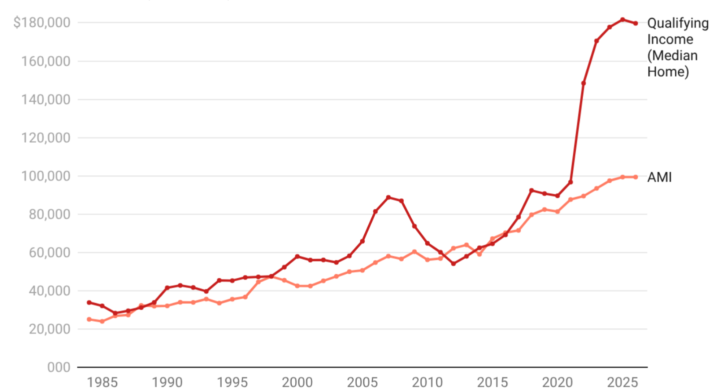


Chart: Washington Center for Housing Studies • Created with Datawrapper

The same trend can also be shown in nominal dollar terms. In 2026, the qualifying income required to purchase the median home has risen to nearly $180,000 annually, roughly $80,000 more than the median household income. This is a historically unprecedented and striking gap that exceeds any other year measured in this dataset.

Area Median Income (AMI) vs. Income Required to Afford Washington's Median-Priced Home

Washington State (1984-2026)



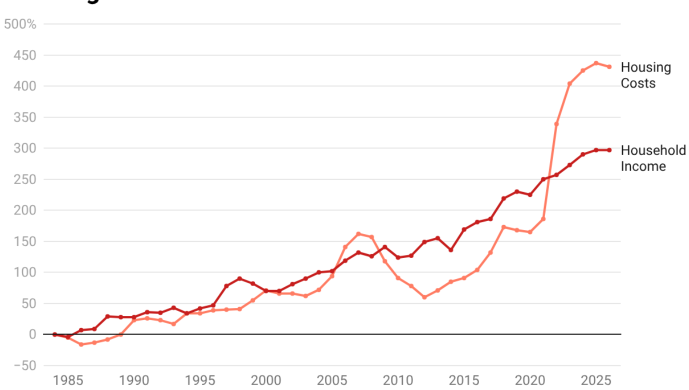
Notes: Qualifying income is based on a 3.5% FHA down payment and a maximum housing cost burden of 28% of gross household income. Because WA's 2026 median household income data was not yet available at the time of analysis, 2025 income estimates were used for 2026 affordability calculations.

Chart: Washington Center for Housing Studies • Created with Datawrapper

Similar to the first chart, the data show that the income required to qualify for a median-priced home generally tracked median incomes until 2022. One explanation for the sudden recent decline in affordability is the rapid spike in interest rates beginning in 2022. However, that explanation does not tell the whole story. Even after the 2022 interest-rate spike, mortgage rates are still lower than pre-2008 levels. This suggests that historically low mortgage rates during the 2010s may have temporarily masked underlying long-term housing supply constraints, allowing affordability to remain relatively stable despite a decade of weak housing production, during which housing units permitted per capita declined by 28% compared with preceding decades.

The following chart, shown below, compares the growth of housing costs and household income in Washington State since 1984, the first year in the dataset. Because 1984 was characterized by exceptionally high mortgage interest rates (approximately 14%), it was one of the least affordable years in the study period despite relatively modest home prices. As a result, growth in household income generally kept pace with, and often exceeded, growth in monthly housing costs for much of the following four decades. This relationship remained largely intact until 2022, when housing costs began increasing substantially faster than household incomes, producing the sharp affordability deterioration observed today.

Growth of Housing Costs and Household Income in Washington State



Values represent the percentage change since 1984 to compare changes over time rather than dollar amounts. The housing cost series reflects the estimated monthly cost of purchasing Washington's median-priced home in a given year, while the income series reflects monthly median household income. Because WA's 2026 median household income data was not yet available at the time of analysis, 2025 income estimates were used for 2026 affordability calculations.

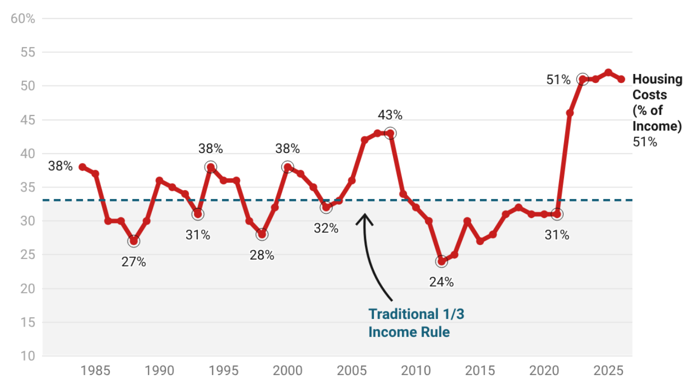
Chart: Washington Center for Housing Studies • Created with Datawrapper

This divergence has accelerated sharply in recent years. **Since 2012, housing costs have more than tripled, while household incomes have not even doubled. Put another way, housing costs have grown nearly four times faster than incomes since 2012.**

The final chart below illustrates the share of median household income that would have been required to purchase and maintain Washington's median-priced home in a given year. By expressing housing costs as a share of household income, the chart provides a straightforward measure of how attainable homeownership was for the typical Washington household at different points in time.

Share of Median Household Income Required to Afford Washington's Median-Priced Home

Washington State (1984-2026)



This chart illustrates how much of a median household's income would be required to afford Washington's median-priced home in a given year.

Chart: Washington Center for Housing Studies • Created with Datawrapper

For much of the period between 1984 and 2021, the monthly cost of purchasing the median-priced home generally consumed between 25% and 38% of median household income, remaining broadly consistent with traditional affordability benchmarks. Even at the height of the 2006-2008 housing bubble, the housing burden peaked at approximately 43% of income. Since 2023, however, purchasing the median-priced home has required roughly 51%-52% of median household income, representing the highest sustained housing burden in the historical record. More concerning, these elevated levels have persisted for four consecutive years, suggesting that what initially appeared to be a temporary affordability shock has instead become a new and substantially less affordable housing environment.

Implications and Discussions

The Washington Center for Housing Studies typically concludes its reports by evaluating current legislation and specific policy proposals. This report will intentionally depart from that approach. Our other publications conclude examining how Washington might improve housing affordability. This report instead asks a more fundamental question: what does it mean for Washington if the median household can no longer afford the median home?

For much of Washington's modern history, homeownership was a key wealth-building tool for ordinary households. Homeownership also helped households establish long-term roots in the state and improve the economic prospects of the next generation. As homeownership moves further beyond the reach of households earning around the median income, these opportunities become increasingly concentrated among households with higher incomes or existing housing wealth. The consequences extend well beyond renters and prospective first-time homebuyers. They shape patterns of wealth accumulation, household formation, employers' ability to attract and retain workers, the length of daily commutes, and whether middle-income households can continue living in the communities they serve.

The central question of this report was whether the median-priced home was ever truly attainable for households earning near the median income. The answer is yes. For nearly four decades, Washington's housing market largely operated within a remarkably consistent range in which the median-priced home generally required only modestly above-median earnings. That relationship was not perfect, but it was stable, predictable, and broadly consistent with the longstanding expectation that ordinary work could provide a realistic path to homeownership.

Today, that expectation no longer reflects reality. The median-priced home remains the median home, but it no longer serves the median household. In just a few years, Washington has moved from a housing market in which ordinary earnings could support ordinary homeownership to one in which the median-priced home requires income levels far beyond what the median household earns.

The policy implications are straightforward: if Washington wishes to restore broad access to homeownership, the state must do more than slow the decline in affordability. It must meaningfully reverse it. The gap between the median household and the median home has grown too large to close through marginal adjustments alone. Recreating the conditions that once made homeownership broadly attainable will require housing outcomes at a scale not seen in recent years.

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