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Wealth Gains by Income And Racial/Ethnic Group

National Association of REALTORS®
Research Group





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NAR Research

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Introduction

Research has consistently shown the importance of the housing sector on the economy and to the long-term social and financial benefits of individual homeowners.

The housing sector accounted for approximately 19% of the total economic activity in 2022. Meanwhile, from an individual's perspective, owning a home can drastically help people to improve their net worth. According to the U.S. Census Bureau, home equity and retirement accounts represent over 60% of households' net worth.

Specifically, people can build wealth through homeownership in two ways. First of all, a mortgage is often also considered a forced savings account. A mortgage "forces" people to pay their monthly mortgage payment if they want to keep their property. Each monthly payment pays down the debt held by the borrower. In addition, the value of a home increases over time, and homeowners can build wealth from the price appreciation of their property. Over the last decade, the median-priced home has become worth about \$190,000 more. As a result, the net worth of a typical homeowner is about 40 times the net worth of a renter.

However, not everybody has had the same opportunities for homeownership, with many facing more constraints in their effort to become homeowners. Data shows that there are substantial variations and inequalities in homeownership rates across different income and racial/ethnic groups.

The majority of low-income households rent, and the homeownership rate for this group is 47%. Nevertheless, the homeownership rate rises to 69% for middle-income and 87% for upper-income households. Compared to a decade ago, however, even fewer low-income households own a home now. Specifically, the homeownership rate for low-income households was 48% in 2011.

Moreover, across racial/ethnic groups, the Black homeownership rate continues to be well behind the rate of any other group. At the end of 2022, the homeownership rate for Black Americans was 44.9% compared to 74.5% for white Americans, 61.9% for Asian Americans, and 48.5% for Hispanic Americans. In the meantime, the homeownership rate rose for each of these racial/ethnic groups compared to 10 years ago. But the Black homeownership rate hasn't kept pace with increases in the other racial/ethnic groups, making the gap even larger between white and Black homeownership rates.

Thus, data shows that significantly fewer low-income households and households of color own their home and are able to build wealth compared to other income and racial/ethnic groups.

This analysis looks at how homeownership can be a catalyst for building wealth for households in these groups. NAR computed how people can increase their net worth through homeownership by income level and racial/ethnic group.

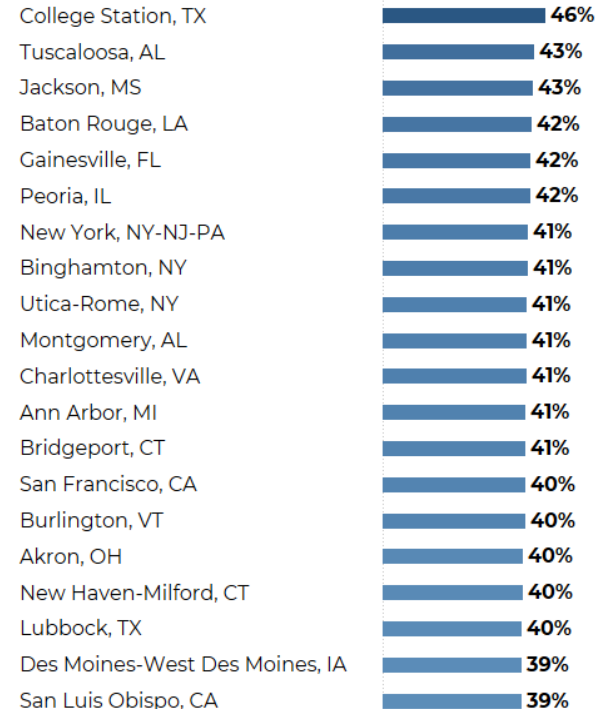
Areas with the Highest Concentration of Low-, Middle-, and Upper-Income Households

Before analyzing wealth gains by income group, it's important to understand where these households live.

Geographically, most low-income households are located in the South and West regions. College towns and big city centers tend to have the most low-income households. For example, the share of low-income households in College Station, TX (46%), Tuscaloosa, AL (43%), and Charlottesville, VA (41%) was above 40%, as most college students report very low incomes. Due to the higher cost of living, more than 40% of the households in both New York and San Francisco metro areas were low-income households.

Respectively, most middle-income households are located in the Midwest and some states in the West. Small/middle-sized metro areas had the largest concentration of middle-income households. For example, Salt Lake City (47%), Provo (46%), and Ogden (46%) in Utah were some of these areas with the highest share of middle-income households. In addition, Appleton, WI (47%), Green Bay, WI (46%), and Evansville, IN (46%) were areas in the Midwest with a share higher than 45%.

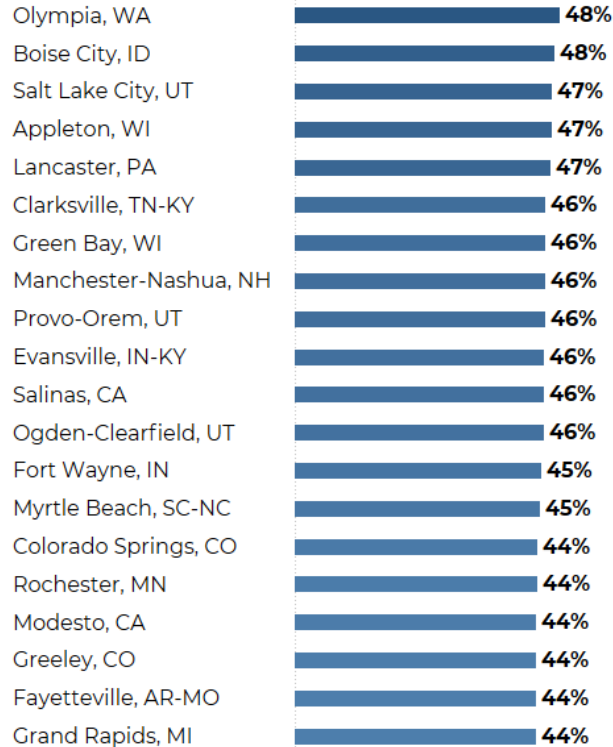
Top 20 areas with the highest share of low-income households



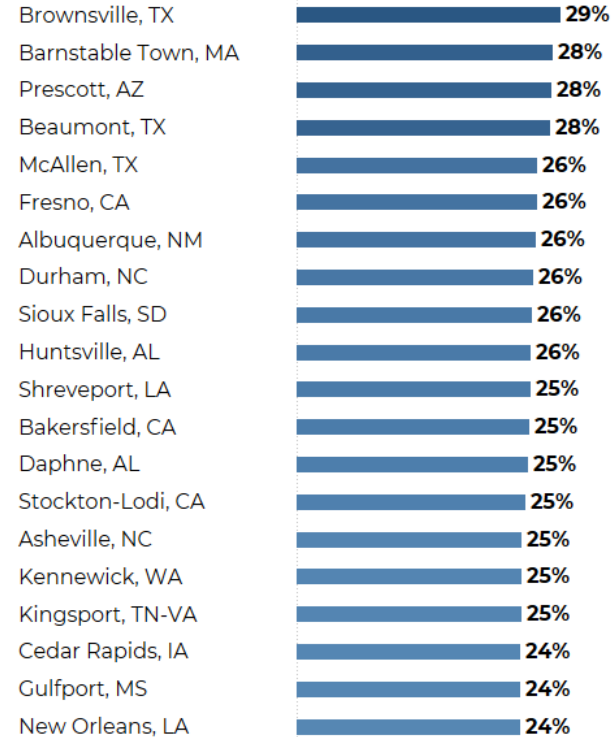
Source: NAR calculations of 2021 ACS PUMS data

Areas with the Highest Concentration of Low-, Middle- and Upper-Income Households

Top 20 areas with the highest share of middle-income households



Top 20 areas with the highest share of upper-income households



Source: NAR calculations of 2021 ACS PUMS data

Homeownership Rates Among Income Groups

Metro area level

While the homeownership rate varies by area, the National Association of REALTORS® computed the homeownership rate for each income group and identified areas with the greatest shares of low- and middle-income households that own their home as well as the areas with the smallest homeownership rate gap between income groups.

Among the 200 largest metro areas across the country, 38% of these areas had a homeownership rate for low-income households higher than 50%. The homeownership rate for low-income households varied from 27% to 73%, while the homeownership rate for middle-income households ranged from 47% to 86%.

Ocala, FL (73%) had the highest homeownership rate for **low-income households** in 2021, followed by Prescott, AZ (68%) and Barnstable Town, MA (67%). Ocala, FL, Prescott, AZ, and Salinas, CA, were the areas with the smallest homeownership rate gap between low- and middle-income households.

The top 3 areas with the highest homeownership rates for **middle-income households** were Barnstable Town (86%), Ogden, UT (85%), and Port St. Lucie, FL (83%).

Top 10 areas with the highest homeownership rates for low-income households

| | Income Level | | |
|----------------------|--------------------|-------------------------|-------------------|
| | Homeownership rate | Median household income | Median home value |
| Ocala, FL | 72.9% | \$20,640 | \$147,560 |
| Prescott, AZ | 67.6% | \$20,940 | \$294,010 |
| Barnstable Town, MA | 67.3% | \$33,540 | \$469,400 |
| North Port, FL | 66.2% | \$27,780 | \$239,720 |
| Myrtle Beach, SC-NC | 65.8% | \$21,910 | \$185,670 |
| Port St. Lucie, FL | 65.5% | \$25,480 | \$212,810 |
| Palm Bay, FL | 64.4% | \$24,820 | \$203,900 |
| Huntington, WV-KY-OH | 63.7% | \$17,630 | \$83,110 |
| Deltona, FL | 63.3% | \$21,960 | \$200,310 |
| Cape Coral, FL | 62.9% | \$24,450 | \$225,900 |

Source: NAR calculations of 2021 ACS PUMS data

Homeownership Rate Among Income Groups

Top 10 areas with the highest homeownership rates for middle-income households

| | Income Level | | |
|---------------------|--------------------|-------------------------|-------------------|
| | Homeownership rate | Median household income | Median home value |
| Barnstable Town, MA | 85.8% | \$88,040 | \$471,390 |
| Ogden, UT | 84.8% | \$99,700 | \$399,440 |
| Port St. Lucie, FL | 83.3% | \$71,190 | \$281,140 |
| York, PA | 83.2% | \$84,670 | \$211,880 |
| Duluth, MN-WI | 82.2% | \$70,850 | \$179,800 |
| Peoria, IL | 82.0% | \$74,240 | \$139,880 |
| Cedar Rapids, IA | 81.9% | \$68,740 | \$180,490 |
| Salisbury, MD-DE | 81.7% | \$74,370 | \$270,700 |
| Palm Bay, FL | 80.7% | \$74,560 | \$262,030 |
| Spartanburg, SC | 80.2% | \$68,100 | \$182,500 |

Top 10 areas with the highest homeownership rates for upper-income households

| | Income Level | | |
|------------------|--------------------|-------------------------|-------------------|
| | Homeownership rate | Median household income | Median home value |
| Rochester, MN | 98.4% | \$190,620 | \$361,780 |
| Des Moines, IA | 96.4% | \$188,440 | \$323,380 |
| Cedar Rapids, IA | 96.4% | \$150,610 | \$249,300 |
| York, PA | 95.8% | \$170,160 | \$299,640 |
| Daphne, AL | 95.6% | \$146,670 | \$344,140 |
| Kalamazoo, MI | 95.4% | \$150,660 | \$297,670 |
| Burlington, VT | 94.7% | \$206,330 | \$458,350 |
| Greeley, CO | 94.4% | \$190,630 | \$554,720 |
| Peoria, IL | 94.4% | \$159,270 | \$240,330 |
| Hartford, CT | 94.3% | \$209,540 | \$379,030 |

Source: NAR calculations of 2021 ACS PUMS data

Length of Tenure and Home Value

By income and race group

Among other factors, wealth gains from owning a home also depend on the home price and the number of years these households own their property. Data shows that the amount of wealth gained typically increases by home price level and the number of years of owning the property. For example, a 10% increase in the median-priced home equals \$36,300, compared to \$50,000 for homes with a value of \$500,000. In addition, while homes tend to appreciate over time, wealth gains increase as well. For instance, the median-priced home is worth \$189,800 more now than 10 years ago and \$151,000 compared to 7 years ago.

Among income groups, low-income households typically own a home with a value of \$65,000 lower than the value of homes owned by middle-income households. However, low-income owners spend more years in their properties. The average length of owning their home was 19 years compared to 16 years for middle-income and 14 years for upper-income households in 2021.

Across racial/ethnic groups, Black Americans own homes that are less expensive by nearly \$64,000 than homes that white Americans own. In the meantime, Black homeowners tend to stay in their homes longer, about 19 years, compared to 16 years for white owners, 12 years for Asian owners, and 14 years for Hispanic owners.

Wealth Gains by Income and Racial/Ethnic Group

**Median Home Value and Length of Tenure
by income level**

| | Income Level | | |
|---------------------|------------------|-----------|-----------|
| | Low | Middle | Upper |
| Median home value | \$209,920 | \$274,420 | \$405,160 |
| Average tenure | 19.0 | 15.8 | 13.7 |
| Number of owners | 20.9M | 33.3M | 23.0M |
| Share of all owners | 25.1% | 39.8% | 27.5% |

**Median home value and length of tenure
by racial/ethnic group**

| | Racial/ethnic group | | | |
|---------------------|---------------------|------------------|-----------|-----------|
| | White | Black | Asian | Hispanic |
| Median home value | \$281,500 | \$217,990 | \$521,620 | \$279,490 |
| Average tenure | 16.5 | 18.6 | 12.1 | 13.7 |
| Number of owners | 62.0M | 6.7M | 4.1M | 9.3M |
| Share of all owners | 74.3% | 8.1% | 4.9% | 11.1% |

Source: NAR calculations of 2021 ACS PUMS data

Wealth Gains by Income Level and Race

Nationwide

The National Association of REALTORS® computed how much homes owned by low-, middle-, and upper-income households appreciated in the last 5, 7, 10, and 15 years. It's interesting to see that while the amount of home appreciation in dollar value rises for more expensive homes, the percentage change in home values is significantly larger for properties owned by low-income households.

In the last 10 years (2012-2022), the median value of homes owned by low-income households rose by \$98,910, or 75%. Thus, low-income owners were able to build \$98,910 in wealth in the last decade solely from home price appreciation. Middle-income buyers were able to accumulate \$122,070 in wealth as their homes appreciated by 68%. Upper-income households built over \$150,810 in wealth since 2012.

Among racial/ethnic groups, Asian homeowners accumulated the most wealth gains in the last decade, followed by Hispanics. While Asian households own more expensive homes than any other group, it's interesting to see that Hispanic homeowners had faster appreciation than white homeowners. Black homeowners experienced the smallest wealth gains among any other group.

**Wealth gains in the last 5,7,10 and 15 years
by income group**

| | Income Level | | |
|----------|-----------------|-----------|-----------|
| | Low | Middle | Upper |
| 5 years | \$74,270 | \$84,300 | \$101,660 |
| 7 years | \$85,770 | \$104,100 | \$122,600 |
| 10 years | \$98,910 | \$122,070 | \$150,810 |
| 15 years | \$70,350 | \$89,210 | \$85,720 |

**Wealth gains in the last 5,7,10 and 15 years
by racial/ethnic group**

| | Racial/ethnic group | | | |
|----------|---------------------|------------------|-----------|-----------|
| | White | Black | Asian | Hispanic |
| 5 years | \$92,810 | \$90,410 | \$141,190 | \$109,570 |
| 7 years | \$115,310 | \$103,530 | \$181,240 | \$135,906 |
| 10 years | \$138,430 | \$115,430 | \$239,430 | \$162,450 |
| 15 years | \$114,150 | \$107,890 | \$174,840 | \$92,720 |

Source: NAR calculations

Wealth Gains by Income Level in the Last 10 years

Metro area level

No matter the income level, owners who live in expensive metro areas experienced the largest wealth gains. In the San Jose metro area, low-income owners have accumulated nearly \$630,000 in wealth in the last decade; middle-income owners gained \$643,000, and upper-income owners gained nearly \$840,000. San Francisco and Salinas were some other areas where all owners - any income level - experienced substantial wealth gains due to price appreciation.

Many of these expensive areas had also relatively smaller income inequalities in wealth accumulation between low- and middle-income owners than other areas. In the last decade, homes owned by low-income households appreciated faster than homes of middle-income owners in the San Francisco, Salinas, Los Angeles, and Sacramento metro areas. Surprisingly, low-income owners were able to accumulate larger wealth compared to upper-income owners in the Santa Maria, Salinas, and Los Angeles areas.

Low-income Owners

The wealth gains for low-income owners from owning their homes for the last decade (2022-2012) varied by area from \$13,880 to \$627,880. All top 10 areas with the largest wealth gains - surpassing \$290,000 - were located in California. However, due to low affordability, the homeownership rate for low-income households in the top 10 areas with the largest

wealth gains was lower than the national level at 42% on average. In contrast, in the areas with the highest homeownership rates for low-income households, wealth gains were \$140,000 on average.

Middle-income Owners

Among the 200 largest metro areas, wealth gains for middle-income owners ranged from \$20,660 to \$642,760. Homes owned by these households appreciated faster in expensive areas in California. In the top 10 areas with the highest homeownership rates for middle-income households, these owners gained \$110,000 in wealth on average in the last 10 years. For example, middle-income owners in Barnstable Town, MA, gained about \$170,000 due to price appreciation in the last decade.

Wealth Gains by Income Level in the Last 10 years

Metro area level

Top 10 areas with the largest wealth gains for middle-income owners in the last 10 years

| | Income Level | | |
|---------------------|--------------|------------------|-----------|
| | Low | Middle | Upper |
| San Jose, CA | \$627,880 | \$642,760 | \$836,490 |
| Santa Cruz, CA | \$433,670 | \$527,790 | \$589,850 |
| San Francisco, CA | \$493,570 | \$444,530 | \$682,450 |
| Salinas, CA | \$460,640 | \$407,880 | \$364,410 |
| Santa Maria, CA | \$351,670 | \$370,190 | \$266,920 |
| San Luis Obispo, CA | \$290,200 | \$350,630 | \$401,570 |
| San Diego, CA | \$336,360 | \$346,820 | \$385,650 |
| Los Angeles, CA | \$345,210 | \$338,650 | \$338,140 |
| Santa Rosa, CA | \$301,980 | \$323,960 | \$328,020 |
| Vallejo, CA | \$290,870 | \$314,830 | \$315,640 |

Source: NAR calculations

Wealth Gains by Race in the Last 10 years

Metro area level

Parsing out by racial/ethnic groups, owners from minority groups were able to accumulate the largest wealth gains in the West and South regions. In some of these areas, the median home value of homes owned by Black Americans is over \$500,000 more than it was 10 years ago.

Bremerton, WA, Santa Maria, CA, and Lake Havasu City, AZ, were some of the areas with the largest wealth gains for Black Americans. With the Black population rising faster than nationwide levels in many of these areas in the last decade, the value of homes owned by this group increased substantially. For example, the number of Black households is nearly two times the number of households 10 years ago in Bremerton, WA, and about three times that of a decade ago in Lake Havasu City, AZ. In the meantime, Black homeowners accumulated more than \$570,000 in both of these areas.

Furthermore, comparing home appreciation by racial/ethnic groups, homes owned by Black homeowners appreciated faster than homes owned by white homeowners in 27% of the areas included in the study. Black owners accumulated at least \$200,000 additional wealth than white owners did in the following areas: Lake Havasu City, AZ; Bremerton, WA; Duluth, MN-WI, Fargo, ND-MN; and Provo, UT.

Top 10 areas with the largest wealth gains for Black owners in the last 10 years

| | Racial/ethnic group | | | |
|----------------------|---------------------|------------------|-----------|-----------|
| | White | Black | Asian | Hispanic |
| Bremerton, WA | \$266,780 | \$585,710 | \$239,880 | \$261,160 |
| Santa Maria, CA | \$508,040 | \$583,980 | \$400,890 | \$306,060 |
| Lake Havasu City, AZ | \$150,500 | \$574,740 | \$157,290 | \$81,160 |
| Santa Rosa, CA | \$389,060 | \$513,770 | \$303,280 | \$351,570 |
| San Jose, CA | \$890,170 | \$513,500 | \$777,650 | \$594,910 |
| Provo, UT | \$287,960 | \$509,910 | \$339,530 | \$227,300 |
| San Francisco, CA | \$635,870 | \$456,640 | \$577,300 | \$511,110 |
| Bellingham, WA | \$265,650 | \$450,890 | \$218,440 | \$199,220 |
| Salinas, CA | \$570,470 | \$436,370 | \$364,410 | \$422,510 |
| Reno, NV | \$286,750 | \$385,370 | \$258,330 | \$275,350 |

Mortgage Debt Dropped by 21% in the Last 10 Years

Along with the wealth gains that existing low- and middle-income owners were able to accumulate by price appreciation in the last decade, they also need to keep in mind that while these owners pay the same amount for their mortgage every month, their debt has dropped by 21% and 36% after 10 and 15 years of owning their home, respectively. The easiest way to understand what borrowers pay every year for their mortgage is through the following example.

The median value of homes owned by middle-income households across the country was about \$180,000 in 2012. While the mortgage rate was about 4% for the period 2012-2019, these owners have already paid 21% of their mortgage during that time. Owners who purchased their homes in 2007 have paid off 36% of their mortgages in the last 15 years. While many owners were able to refinance and secure a rate lower than 4% during 2021, they may have paid off an even larger amount of their mortgage.

**Principal and interest paid for a loan \$180,000
by year**

| | Principal | Interest | Balance | % Change from Initial Loan |
|----------------|------------------|-----------------|------------------|-----------------------------------|
| Year 1 | \$3,170 | \$7,140 | \$176,830 | -1.8% |
| Year 2 | \$3,300 | \$7,010 | \$173,530 | -3.6% |
| Year 3 | \$3,430 | \$6,880 | \$170,100 | -5.5% |
| Year 4 | \$3,573 | \$6,740 | \$166,520 | -7.5% |
| Year 5 | \$3,720 | \$6,590 | \$162,810 | -9.6% |
| Year 6 | \$3,870 | \$6,440 | \$158,940 | -11.7% |
| Year 7 | \$4,030 | \$6,280 | \$154,910 | -13.9% |
| Year 8 | \$4,190 | \$6,120 | \$150,710 | -16.3% |
| Year 9 | \$4,360 | \$5,950 | \$146,350 | -18.7% |
| Year 10 | \$4,540 | \$5,770 | \$141,810 | -21.2% |

Source: NAR calculations

Methodology

About This Report: Wealth Gains by Income and Racial/Ethnic Group

The report used the following definitions in order to identify the different income groups:

Low-income: income no greater than 80 percent of the area median income

Middle-income: income higher than 80 percent but less than 200 percent of the area median income

Upper-income: income higher than 200 percent of the area median income

Using the ACS Public Microdata Sample (PUMS) data, NAR was able to estimate the homeownership rate and the median home value of homes owned by different income and racial/ethnic groups at the national and metropolitan area levels. The American Community Survey releases the Public Use Microdata Sample (PUMS) files every year, which includes population and housing unit records with individual response information.

Applying the House Price Index growth from FHFA to the latest housing data from the American Community Survey (ACS), NAR estimated the 2022 median home value for the 200 largest metro areas across the country.

Home values represent the value of all homes instead of home sales.

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