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Massachusetts Requires Highest Income in the U.S. to Buy a Home, New Report Shows

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— Categories: Real Estate



Massachusetts leads the nation in the income needed to purchase a home, according to a recent analysis by Realtor.com. The report reveals a significant affordability gap between what residents earn and what they must make to afford median-priced homes in the state.

The study examined July housing market data and found that Massachusetts is the third least affordable state for homebuyers. It compares the minimum recommended household income needed to afford a median-priced home using the “30% rule,” which suggests

households should spend no more than 30 % of their gross monthly income on housing costs, with the actual median household income in each state.

In Massachusetts, the median list price for a home is \$797,000. To comfortably afford such a home, a household needs to earn \$210,074 annually, the highest requirement among all states. However, the state's median household income is only \$98,170. This means prospective buyers face an affordability gap of 114 %, nearly double what they actually earn.

Affordability gaps nationwide vary widely, ranging from less than 1 % to as high as 138 %, with Massachusetts ranking near the top.

Montana tops the list as the least affordable state. There, buyers need a household income of \$171,301 to afford the median home price of \$649,900, while the median income is only \$72,066.

Realtor.com senior economic research analyst Hannah Jones noted, “Montana's housing market has grown expensive due to an influx of out-of-state buyers, especially during and after the (COVID-19) pandemic, seeking remote work-friendly, scenic, and less densely populated areas.”

New York also ranks ahead of Massachusetts in affordability challenges. With a median home price of \$797,000 and a required income of \$210,074, New York's median household income falls \$111,904 short of the recommended level.

Other states with high income requirements include Hawaii with a recommended income of \$200,585, California at \$197,685, Idaho with \$158,003, Oregon at \$152,086, Rhode Island with \$158,003, Washington at \$173,825, and Nevada at \$131,645.

In contrast, the Midwest offers more affordable homebuying options. Iowa, Illinois, and Kansas rank as the most affordable states, where incomes closely align with home prices. For example, Iowa's median home price is \$289,938, with a recommended income of \$76,422, nearly matching its actual median income of \$75,999. Jones remarked, “Located in the highly affordable Midwest, Iowa boasts incomes that are roughly in line with home prices. In fact, all five of the most affordable states are located in the Midwest, shedding some light on the recent popularity of the region.”

For homebuyers considering New England, the annual income levels needed to buy a median-priced home vary by state. Connecticut requires about \$145,000, Maine \$128,000,

Massachusetts \$210,000, New Hampshire \$158,000, Rhode Island \$158,000, and Vermont \$138,000.

This just shows the growing challenge for many Americans trying to enter the housing market, particularly in states with high home prices and income requirements like Massachusetts.