THE 20% CONUNDRUM

By Richard Scheinin

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You're probably used to hearing that Bay Area home prices are insane, unfair and punishing to potential buyers.

But here's a new way to look at the dilemma faced by the region's homebuyers: The median 20 percent down payment on a house in metro San Jose is $192,320. Give or take a few bucks, that sum is equal to the median nationwide value of an entire house: $192,500.

Those numbers come from a new analysis of the national market by Zillow, the online real estate database company.

Here's another way to break down the burden of home buying in the Bay Area: The average buyer in the San Jose metro area (which includes Santa Clara and San Benito counties) must set aside 182 percent of his or her annual income — nearly two years' worth of salary — to assemble the recommended 20 percent down payment. The median income in the metro area is $105,455; the median 20 percent down payment is $192,320, and the median home value is $961,600, according to Zillow.

In the San Francisco metro area (which includes San Mateo, Alameda, Contra Costa and Marin counties), the situation is similar. The average buyer must set aside 180 percent of annual income to come up with 20 percent down. The median income is $91,777; the median 20 percent down payment is $164,920; and the median home value is $824,600.

Compare that with the nation as a whole: The average American homebuyer has to set aside the equivalent of two-thirds of his or her annual income to make that 20 percent down payment.

Alex Wang, an agent with the Sereno Group in Palo Alto, chuckled at the idea that homebuyers in much of the U.S. can get into a house with a down payment of about $40,000 — roughly 20 percent of the national median house price.

"Wow, that's interesting," he said. And while most of his clients work intech and can come up with the cash for the much higher down payment required in Silicon Valley — "they're making decent salaries, a couple hundred thousand a year" — others do struggle.

Bidding on a four-bedroom house in Sunnyvale that listed for just under $2 million, one of Wang'sclients — an engineer, married to a doctor — recently offered $2.15 million. But he lost to another bidder, who offered $2.25 million.

"My client was maxed out," Wang said. "He wanted to be self-sufficient: 'I'm independent. I don't want my parents to help me.' But now he's realized he's gotto have that conversation with his mother to borrow a couple hundred thousand dollars, just in case that situation happens again."

Around the region, it has "become more difficult to buy a home now, a first home," said Margaret Garber-Teeter, an Alain Pinel agent based in Walnut Creek. "Unless they're earning a top-tier income, they're getting help from somebody or something, whether inheritance, stock or getting money out of some other piece of real estate — somehow they've been given a lump sum of money.

"Two teachers," she said, as an example, "they can't buy a house unless somebody helps them."

Where in the U.S. do buyers put aside the smallest share of income? In Pittsburgh, Indianapolis and Kansas City, where 48 percent of annual income covers a 20 percent down payment.

Zillow also reports that25 percent of first-time homebuyers in the U.S. rely on gifts from family and friends to gather enough funds to buy a house. And the report finds that saving for a down payment is the biggest worry of a fifth of all buyers.

"While it's possible to buy a house with a smaller down payment, 20 percent ensures the best rates," said Jeremy Wacksman, Zillow's chief marketing officer. "As important as it is to find a monthly payment you can afford, some buyers' budgets will come down to the amount of cash they can bring to the table."

Much of the down-payment analysis is derived from the Zillow Group Report on Consumer Housing Trends. (Income figures come from the U.S. Census, while Zillow has taken median home values from its own Zillow Home Value Index.)