

Summary of Findings
from a Study sponsored by the Center for California Real Estate (CCRE)

“Who Gets to Call California Home?”

*four modules showing the
Consequences of Housing Shortages for California Residents*

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<https://sites.usc.edu/popdynamics/housing/>



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Sol Price School of Public Policy



MODULE - 1

Soaring Housing Demand
Despite Lagging
Population Growth
in California

MODULE - 2

Growing Generation
Gaps in
Homeownership and
Racial Disparities

MODULE - 3

Negative Effects of
Housing Shortages on
Housing Well-Being of
Local Residents

MODULE - 4

Housing Filtering,
Prices, and Neighbor-
hood Change in
Communities of Color

Who Gets to Call California Home?

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THREE QUESTIONS for today

How *can there be* a housing shortage when population growth is falling to zero?

What are the *consequences of housing shortages*, when compared across the 50 largest metros in the U.S.?

What are differences in impacts on *people of color*, and how do these add up over time?

Comparing

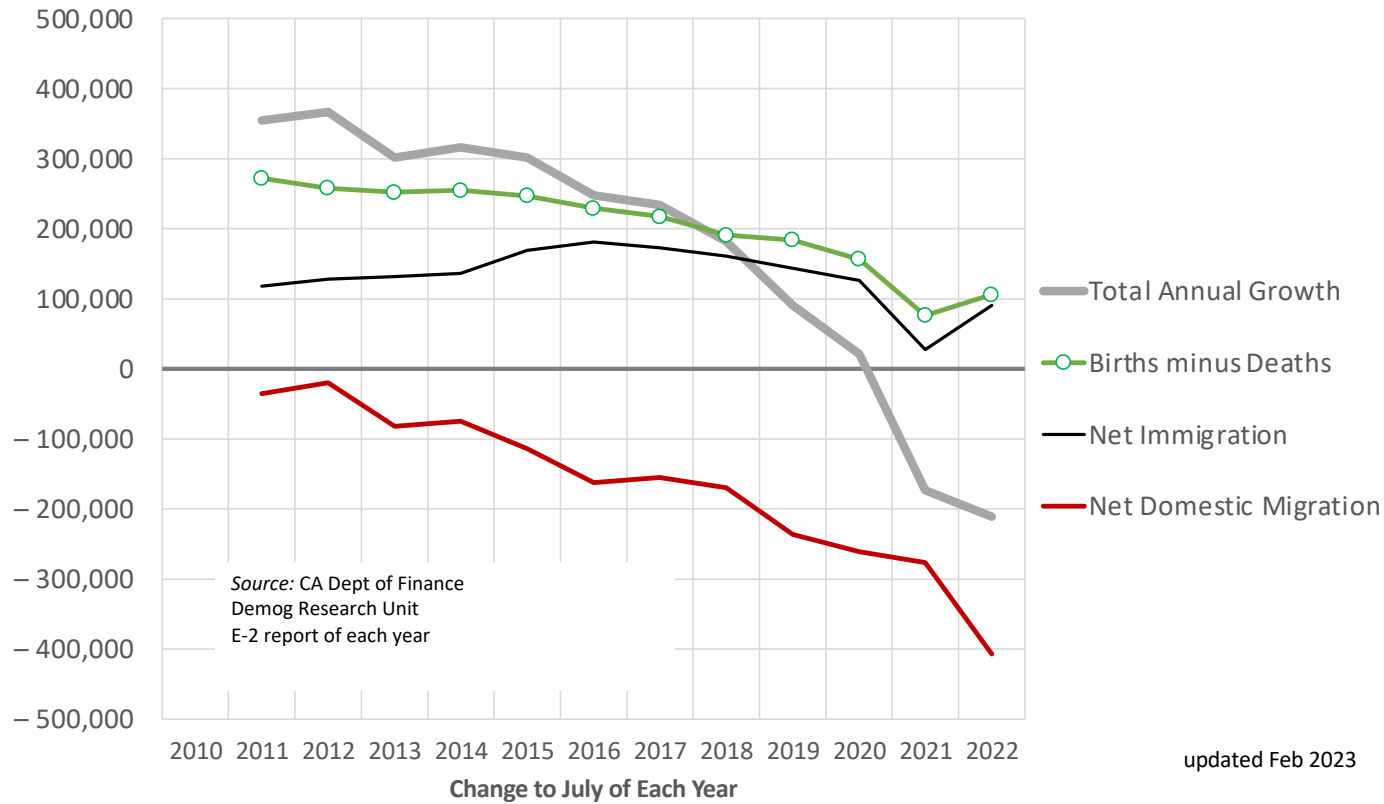
population growth

job growth

housing construction

What's a housing shortage?

Slowing Annual Population Growth in California

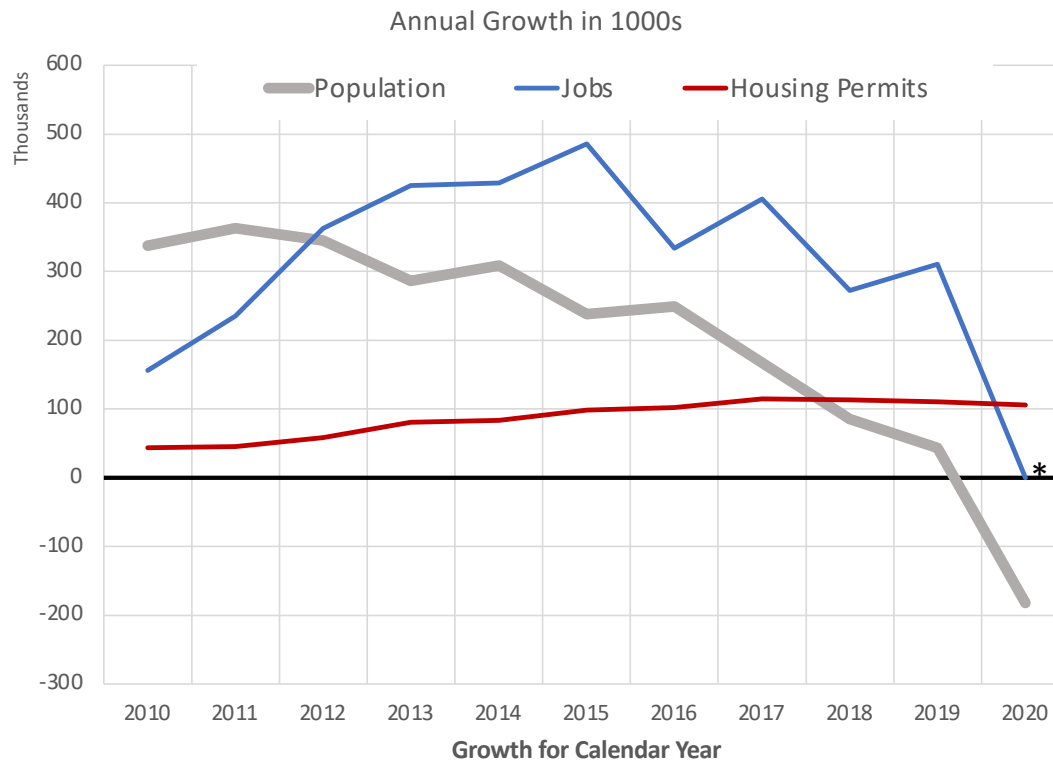


Many factors drive down population growth in California. The steepening losses due to **interstate out-migration** are the most important factor.

Could **housing** be part of the reason for this loss?

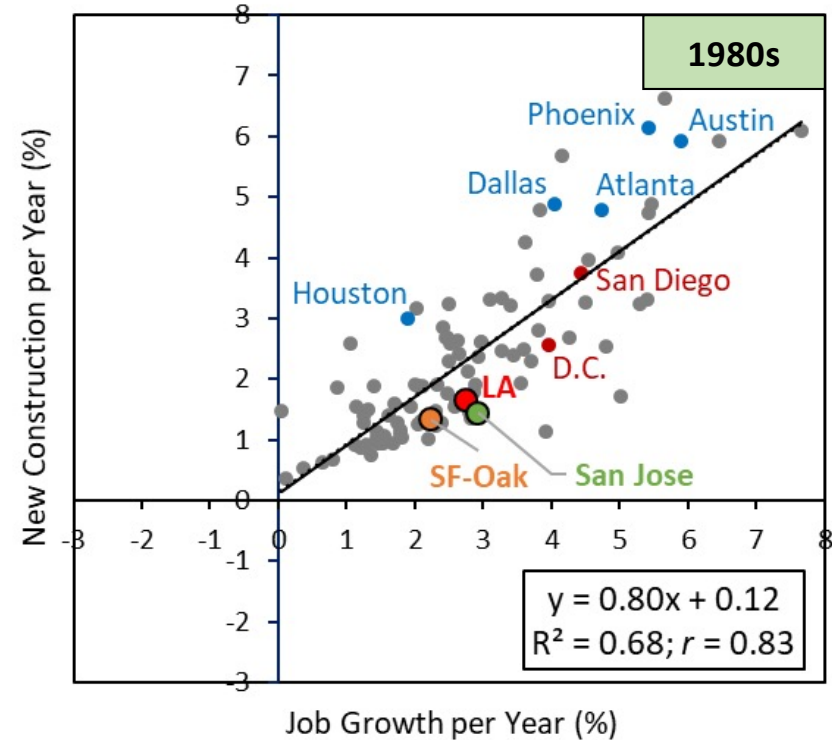
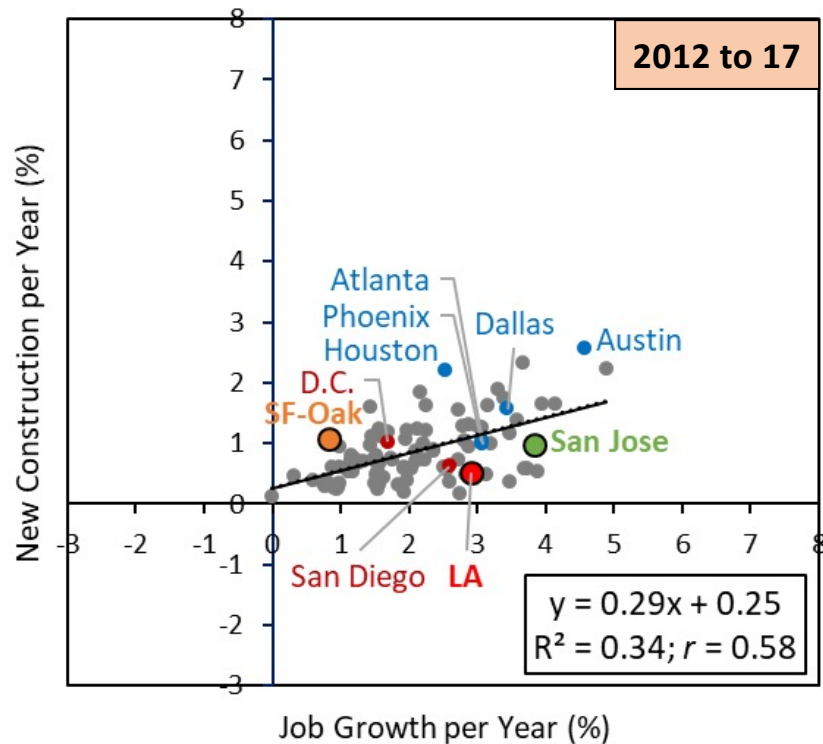
But how can there be a housing shortage if population growth is near zero?

Comparing California's Annual Population Growth, Job Growth, and Housing Permits, 2010 to 2020



Weak Relations Between Job Growth and **New Construction**

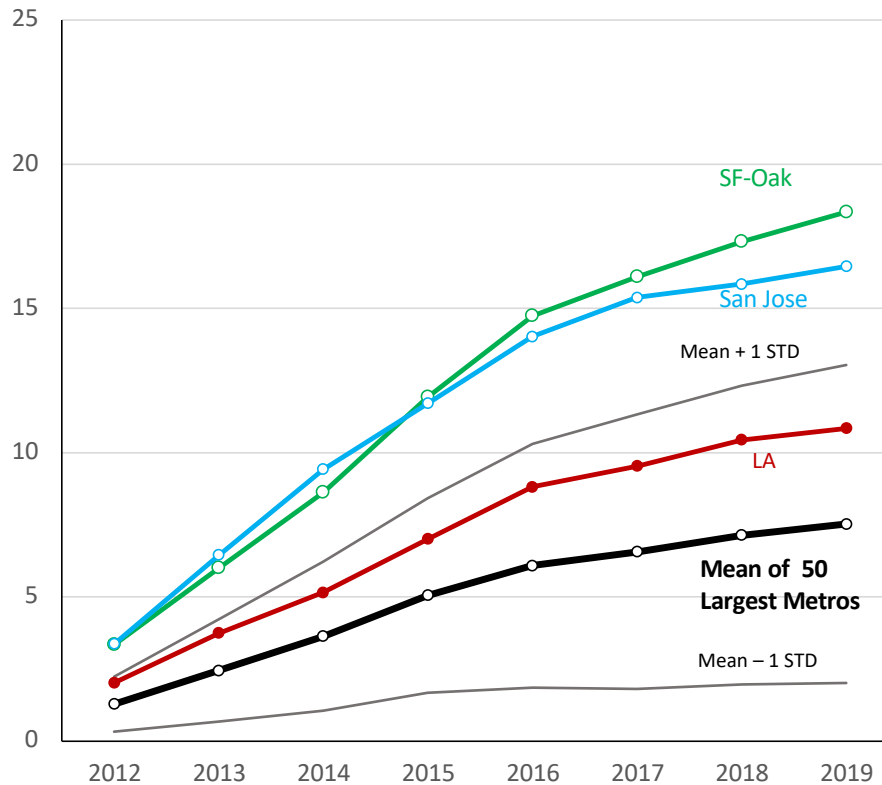
—Comparing the 50 Largest Metros—



Notes: New construction per year (%) = Summed annual bldg. permits (2-year lagged) / start year households x 100 / length of years; Job growth per year (%) = (end year jobs - start year jobs) / start year jobs x 100 / length of years
Sources: USC PopDynamics; U.S. Census Bureau's Building Permits Survey; Bureau of Economic Analysis (BEA)'s Employment Data; Decennial Census and American Community Survey IPUMS Microdata Files.

Shortage = Growing Gap of Jobs to Housing Growth

Cumulative Annual Job *minus* Permit Growth,
Summing from 2012 to 2019



Faster job growth than housing growth creates housing shortage

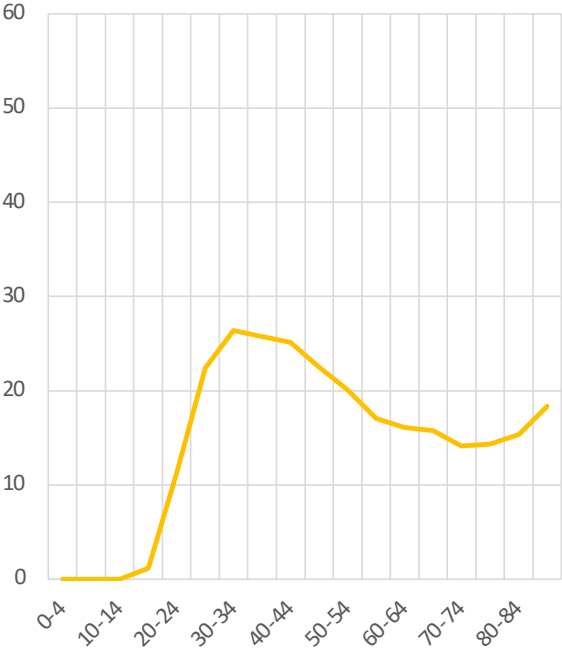
Shortages accumulate from one year to the next, with slower increases in more recent years

The changing number of young adults is a vital force to be reckoned with

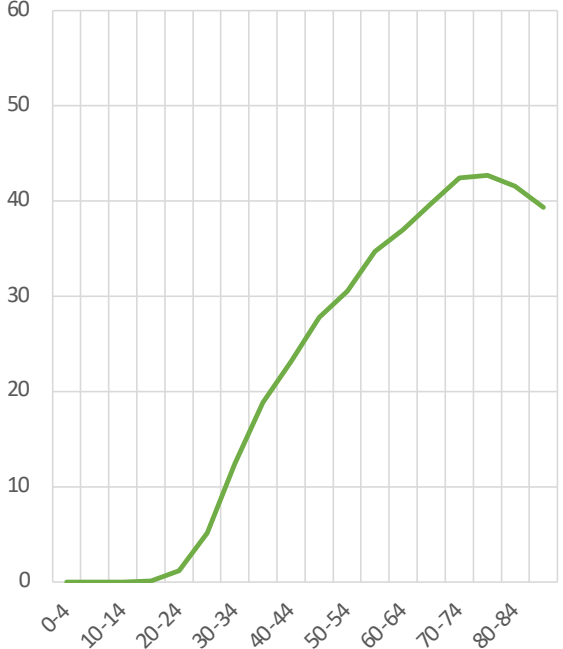
Let's have a look at lifecycle rates of housing consumption

Lifecycle Rates of Housing Demand in California: Sharp Rises in Young Ages

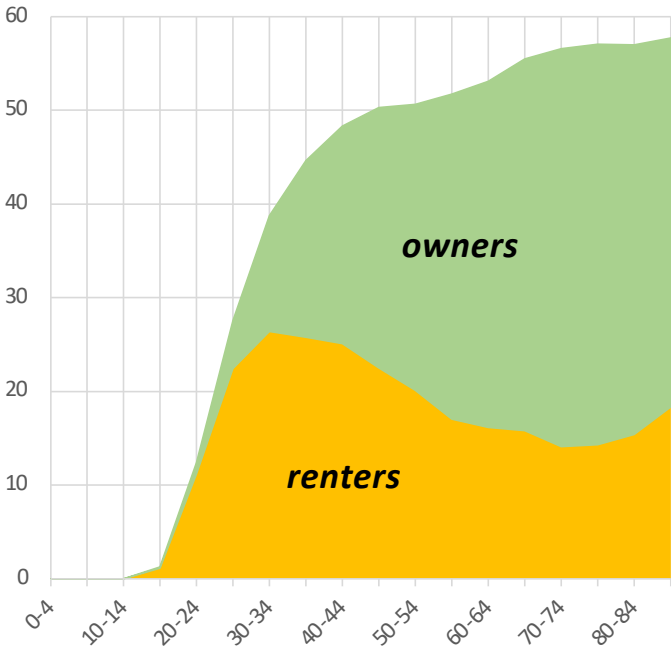
Renters per 100 People of each age



Owners per 100 People of each age



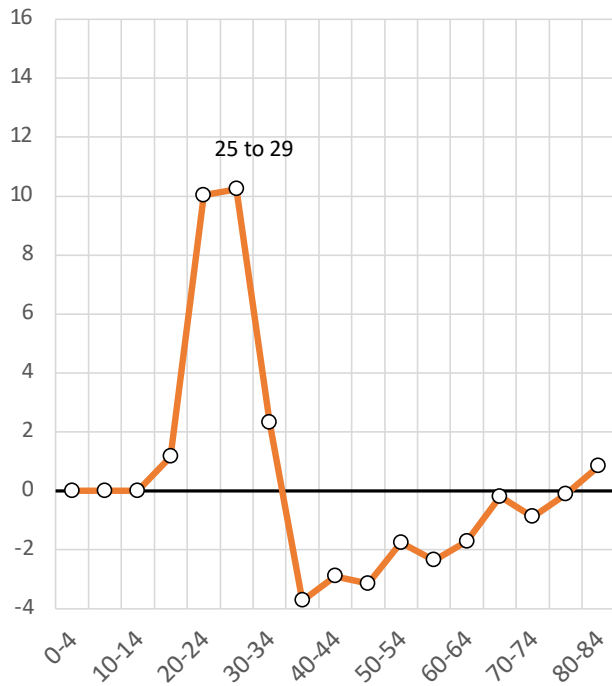
Total Households per 100 people of each age



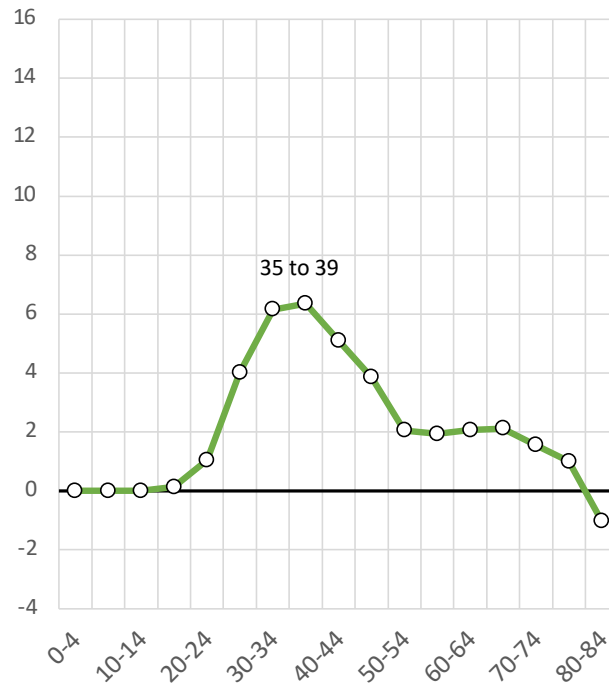
Recent Active Rates of Housing Demand at Each Point in the Lifecycle

Per 100 People in California of Each Age
 Calculated as the Difference from One Age to the Next as Cohorts Advance between 2013 and 2018

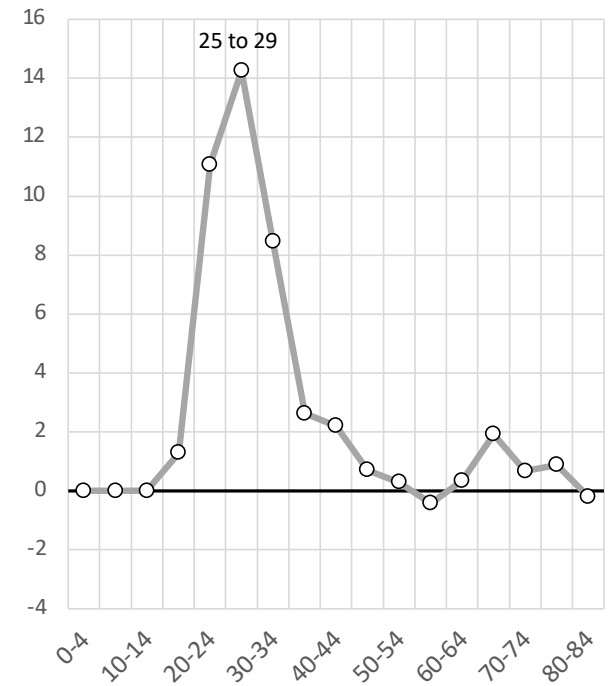
**Formation of Renter Households
 Each 5 Years**



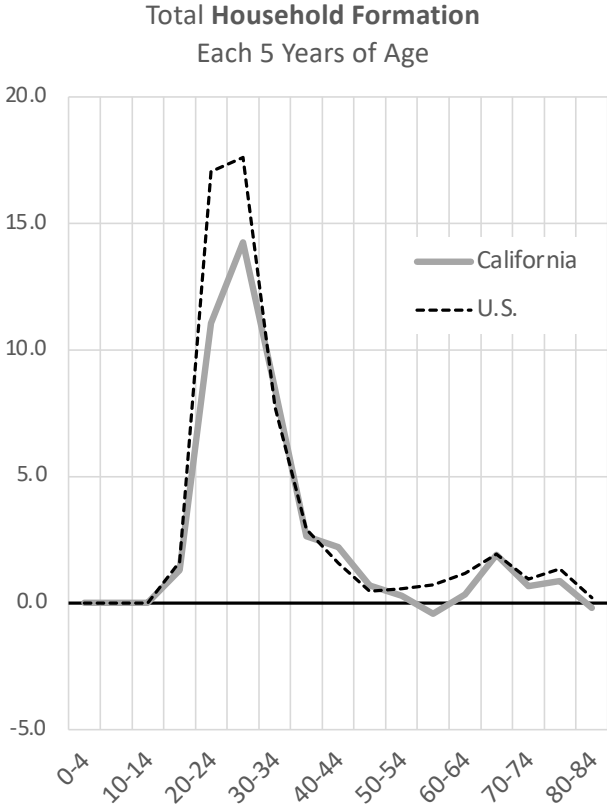
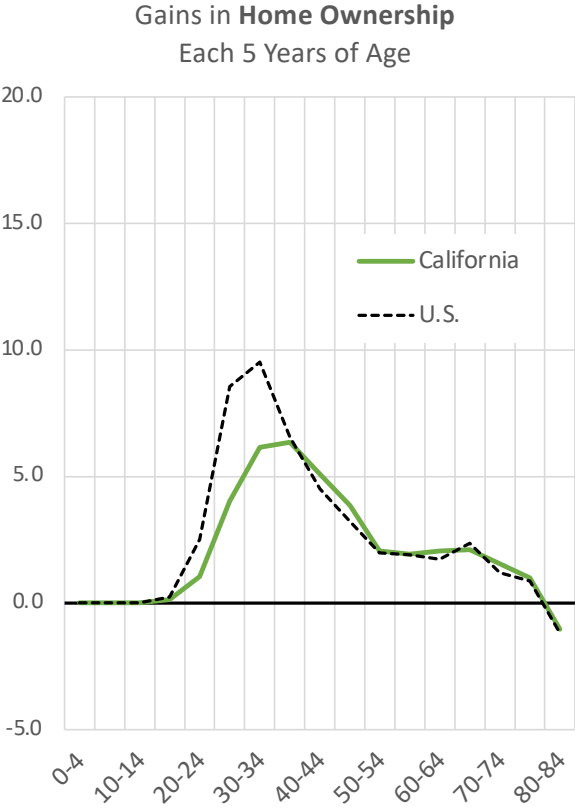
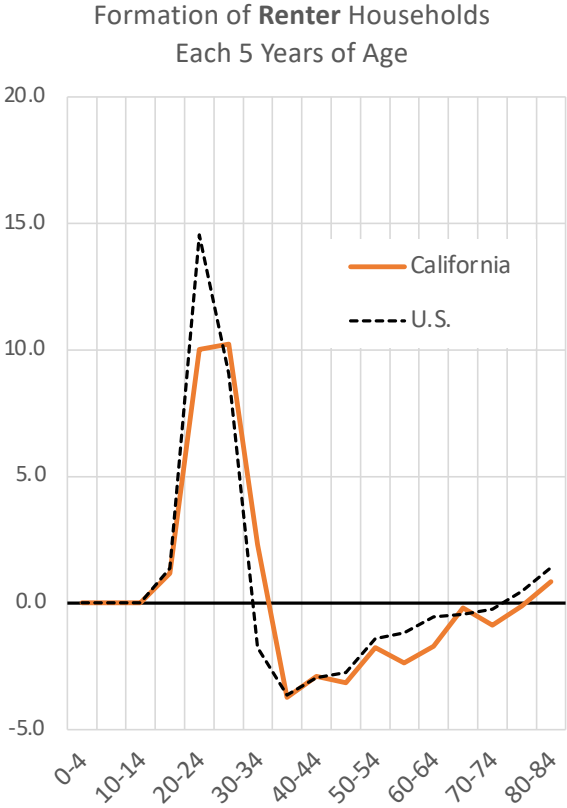
**Gains in Home Ownership
 Each 5 Years**



**Gains in Total Household Formation
 Each 5 Years**



Comparing Recent Active Rates of Housing Demand in California and the U.S.



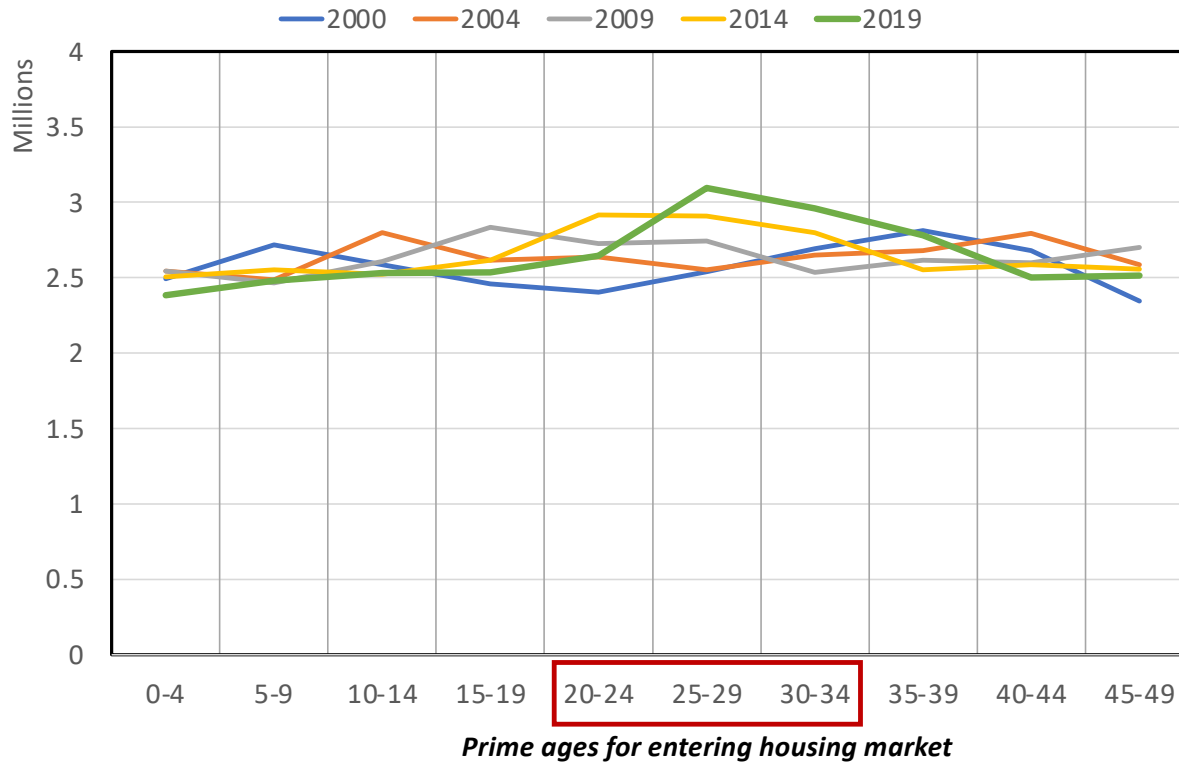
Population Age Waves Crash into the Housing Market

Starting with Little Ripples, Ups and Downs
in the Size of Key Age Groups
Can Focus Big Impacts

Here come the Millennials

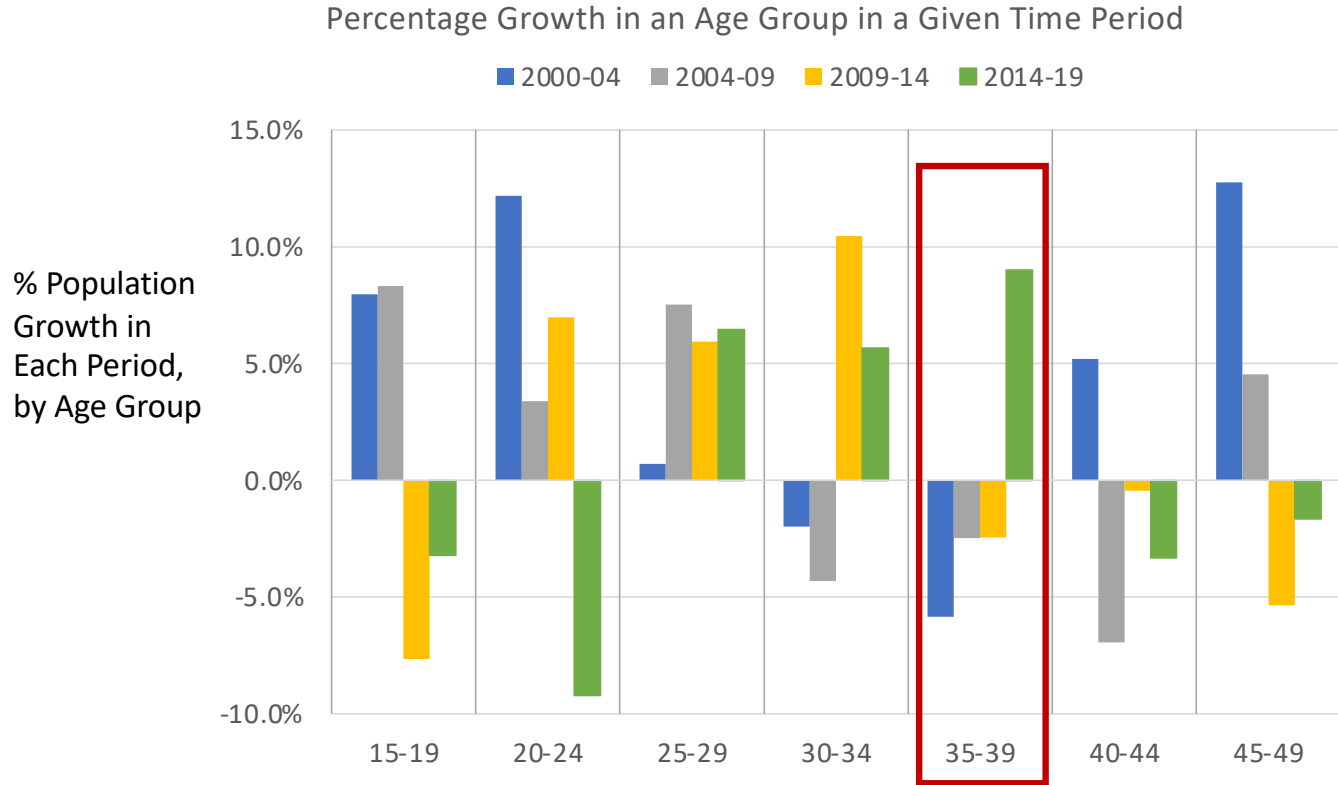
Age Ripples on the Surface of Total Population are Waves that Magnify California Housing Demand at Key Ages

Count of Population at Each Age in Different Years



Can you spot the "peak Millennial" cohort in these age data?

California Growth has Shifted into Key Age Groups for Housing Demand



Only in the last 5 years has population growth arrived at age 35-39

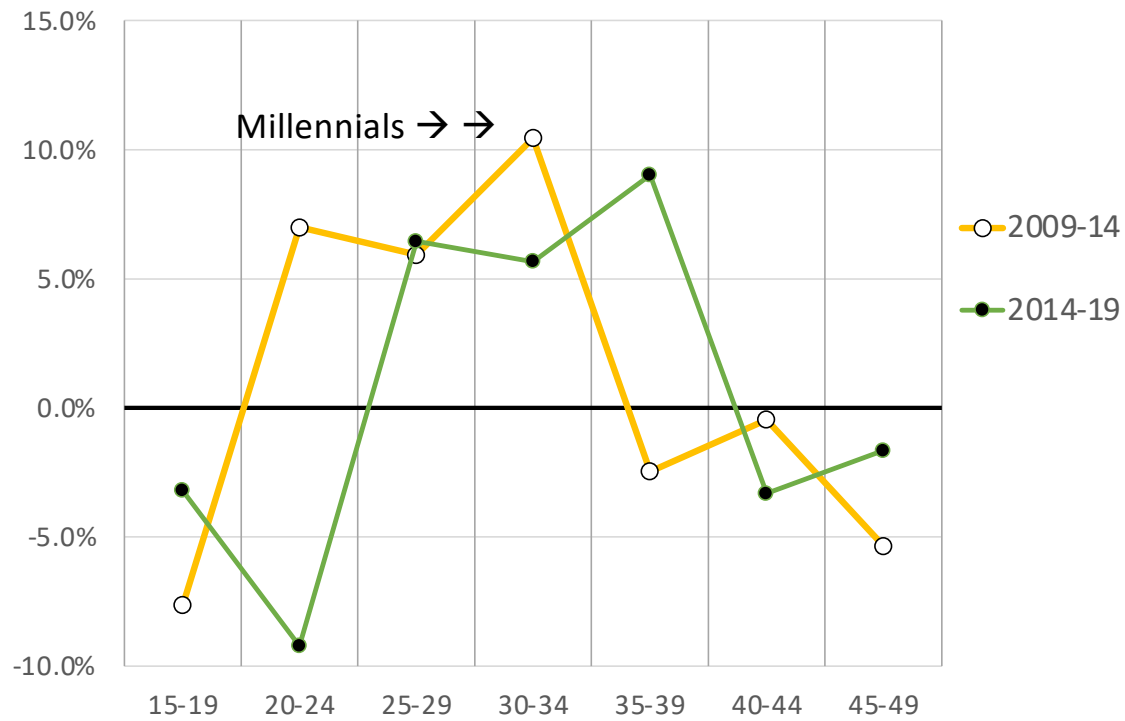
Age 30-34 has been receiving growth since 2009

These are ages of very high home buying potential

How the Aging of Millennials Shifts Stronger Population Growth into Age Brackets Key for Growth in Housing Demand

All the Cohorts Shift 5 Years Older

% Population Growth in Each 5-Year Age Group



It's a little wonkish, but let's play the game

*Given importance of Ages 30 to 39 for driving home purchases,
what years do you think offered **the strongest support** for a surge
in real homeowner demand?*

On the next chart, is it

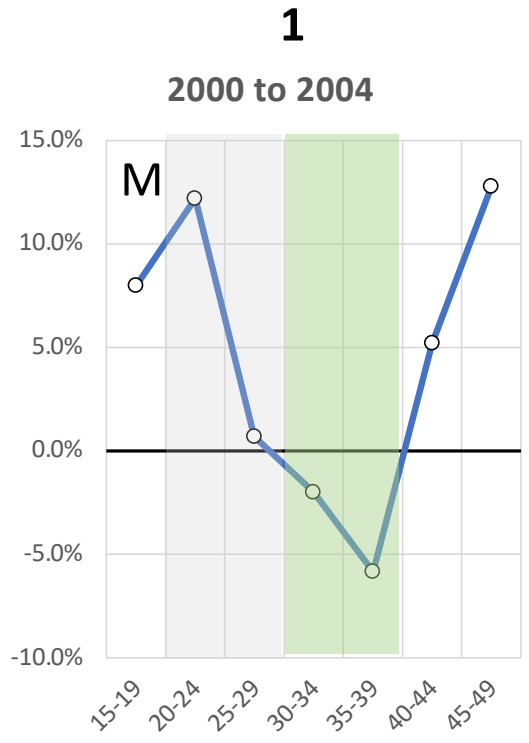
Period 1?

Period 2?

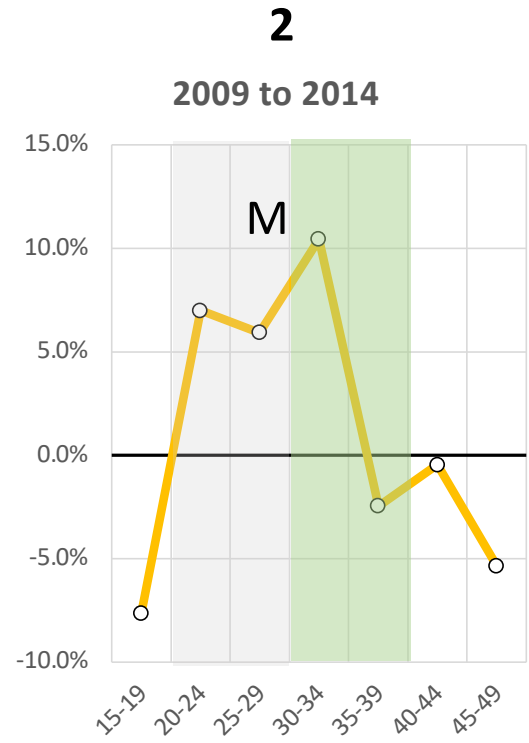
Or

Period 3?

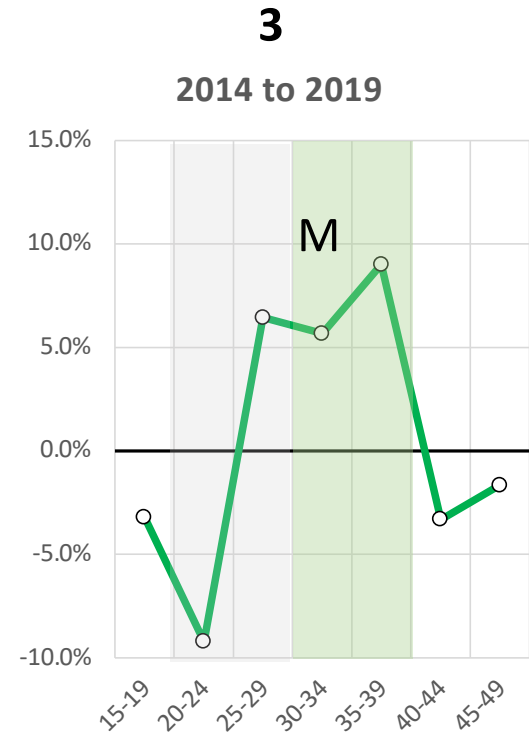
Most Recent Millennial Positioning of Population Growth by Age is Strongest for Household Formation and Entry into Homeownership



Undersized Gen X undermined demand



In their 20s, Millennials were in ages to boost Household Formation But Recession held them back

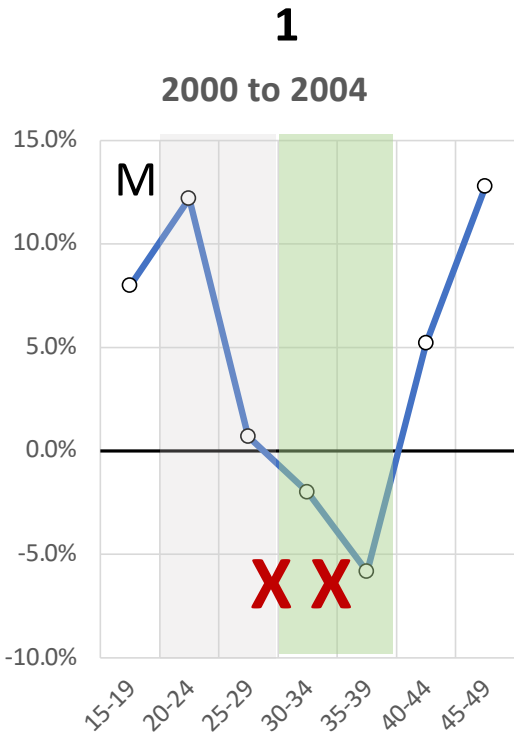


Reaching their 30s, Millennials also boosted Home Buying

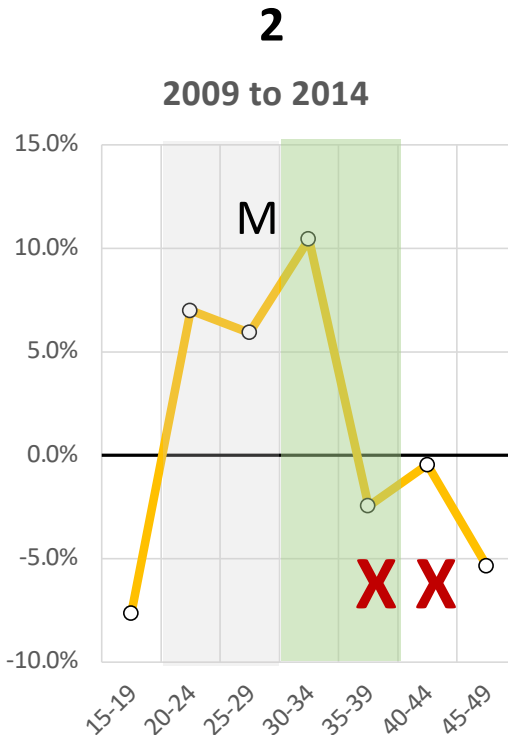


Congratulations
We have a
WINNER !!

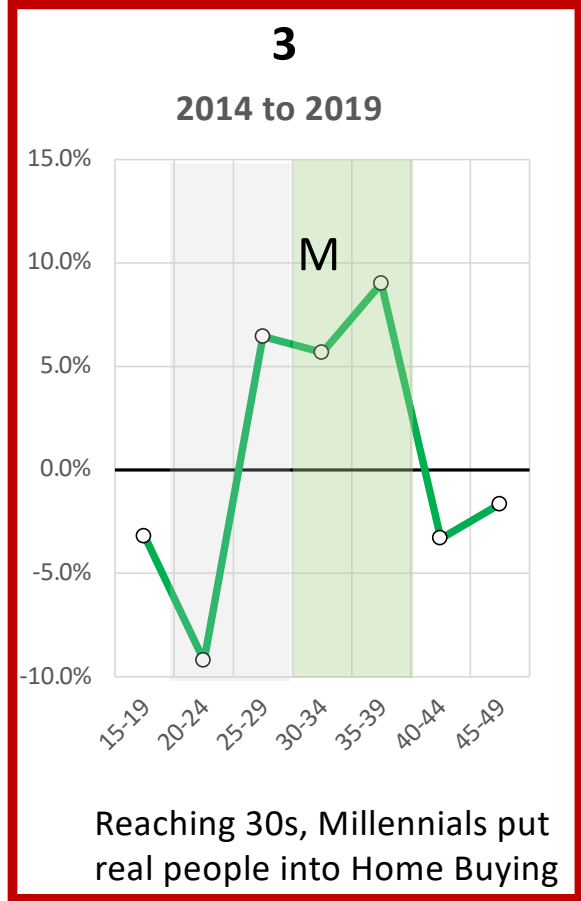
Most Recent Millennial Positioning of Population Growth by Age is Strongest for Household Formation and Entry into Homeownership



Undersized Gen X undermined demand but offset by easy \$\$



In their 20s, Millennials were blocked by a poor economy



Reaching 30s, Millennials put real people into Home Buying

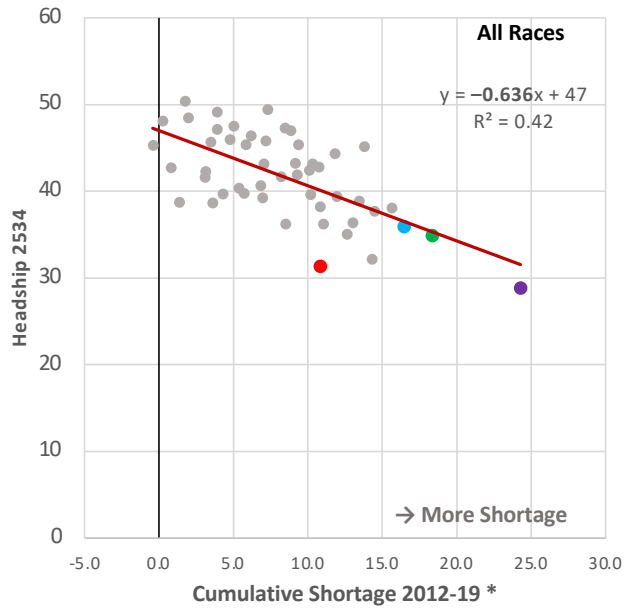
***What are the consequences of housing shortages,
focusing now on the four major racial groups?***

Comparing across the 50 largest metros

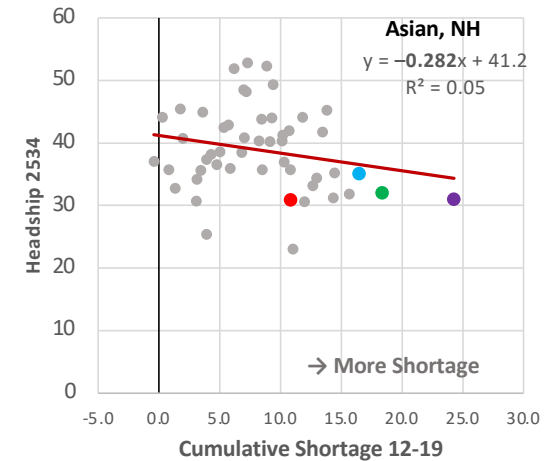
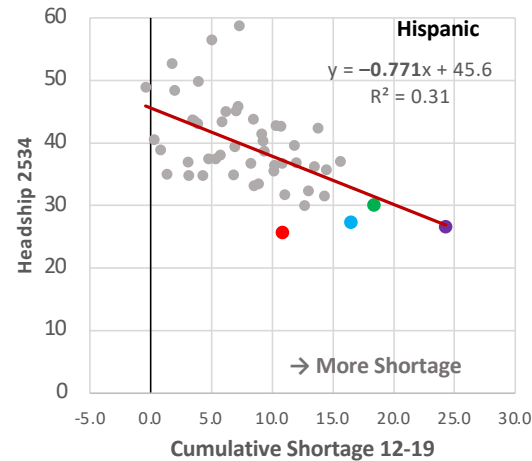
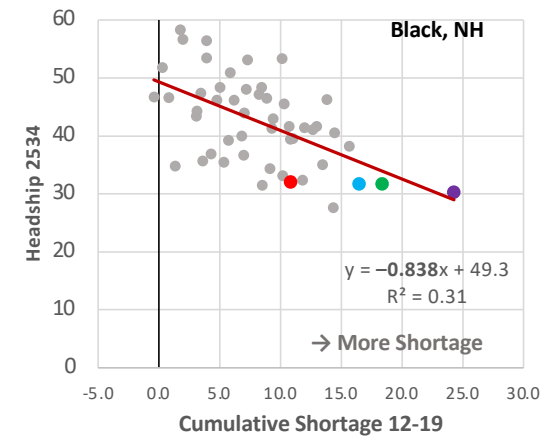
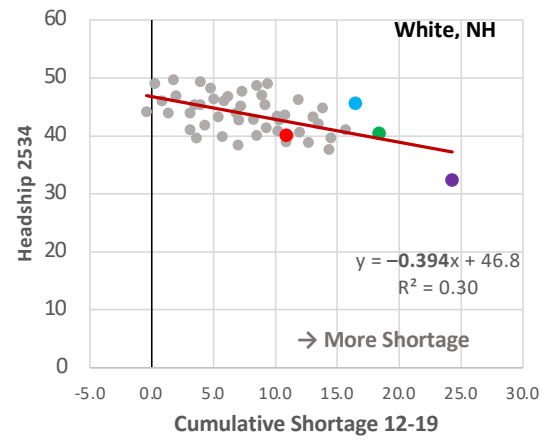
Household Formation is Stunted Under Housing Shortages (50 Metros)

- SF-Oakland
- San Jose
- LA-Orange
- Riverside-San Bernardino

Percent of Population Age 25-34 that has Household Headship



* Annual % Job Growth minus % Housing Growth, summed for 7 years

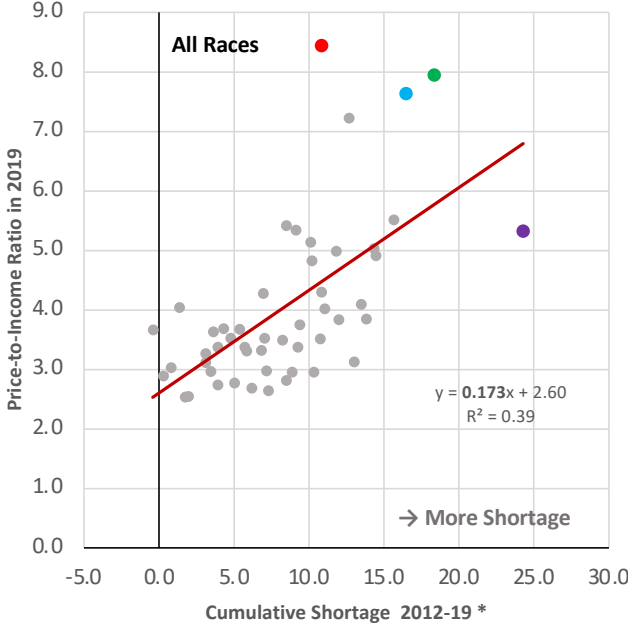


That was the rate of Household Formation

Next is Homeownership Attainment

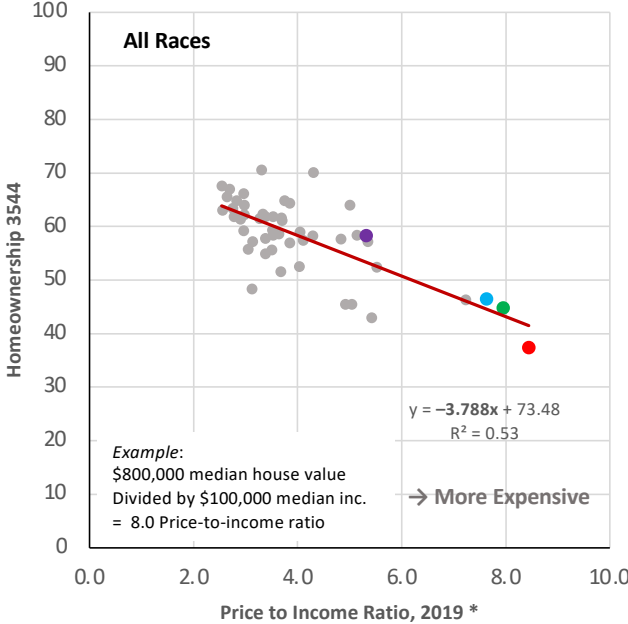
Homeownership at Age 35-44 is Reduced By High Prices Driven by Cumulative Shortages (50 Metros)

Step 1: Cumulative Shortage in a Metro
 --> Higher Ratio of Price to Area Median Income



* Annual % Job growth minus % Housing growth, summed for 7 years

Step 2: Higher Price to Income Ratio in Metro
 --> Lower Homeownership Rate

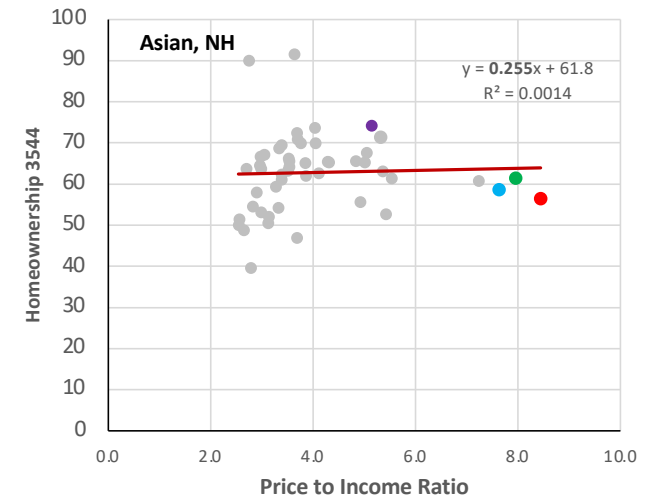
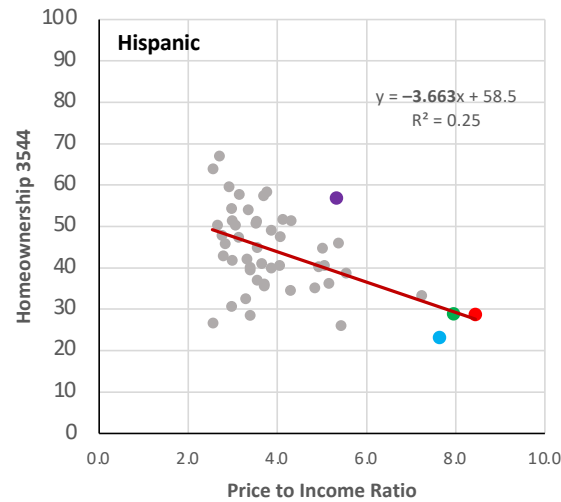
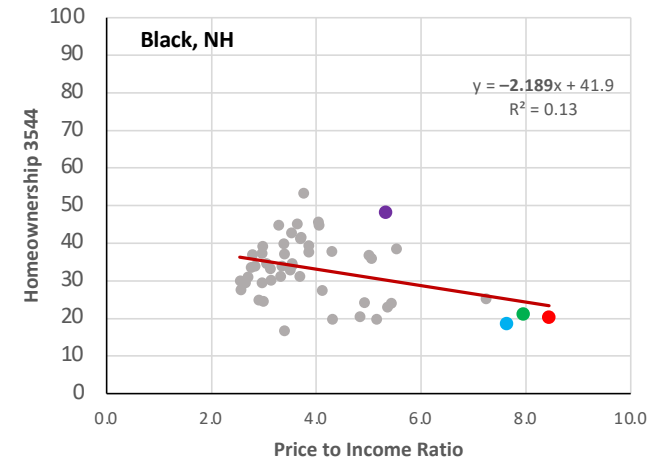
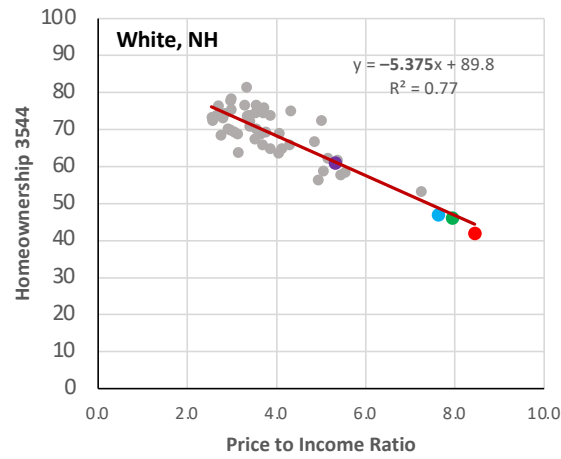
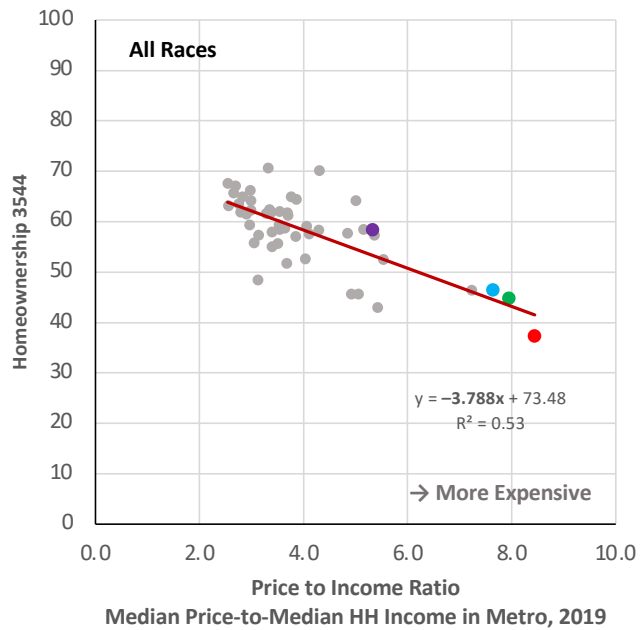


* Ratio of Median Price-to-Median HH Income in Metro

Homeownership Rates are Suppressed by High Ratios of Prices to Incomes in 50 Largest Metros

- SF-Oakland
- San Jose
- LA-Orange
- Riverside-San Bernardino

Percent of People Ages 35-44 that have Achieved Homeownership



*This study for the **Center for California Real Estate (CCRE)***

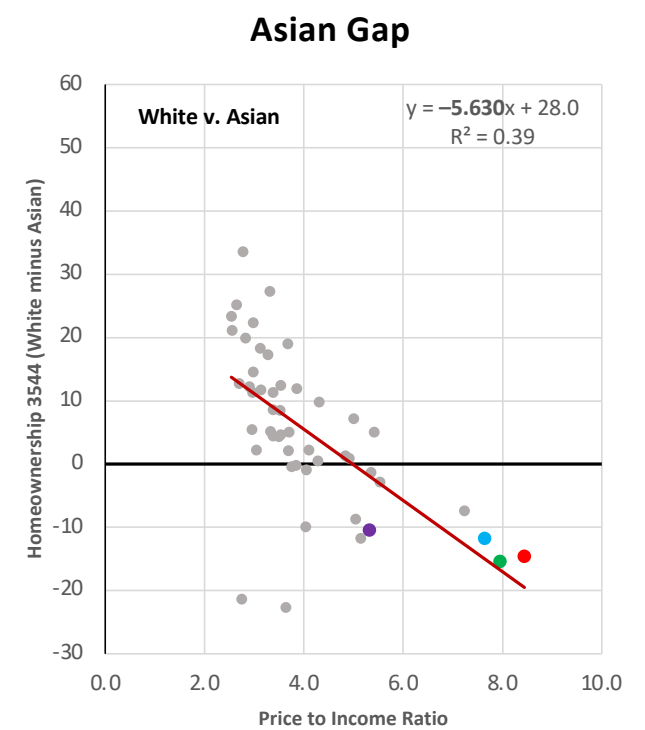
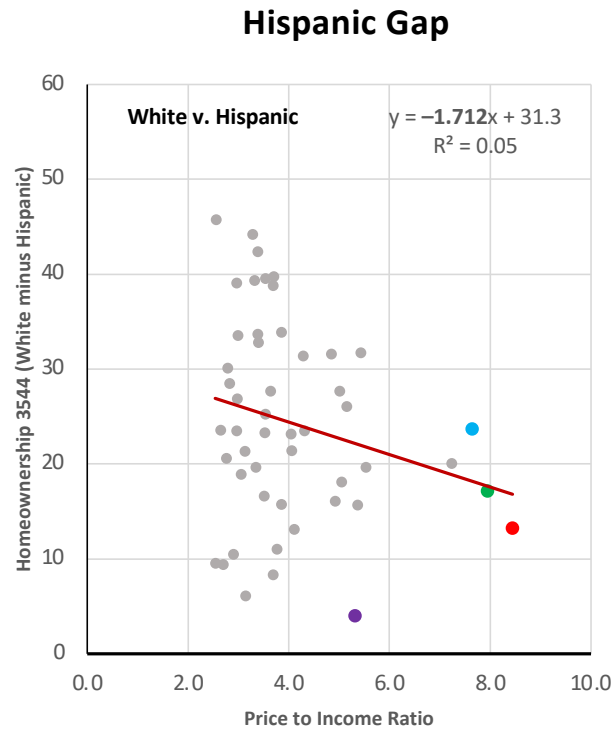
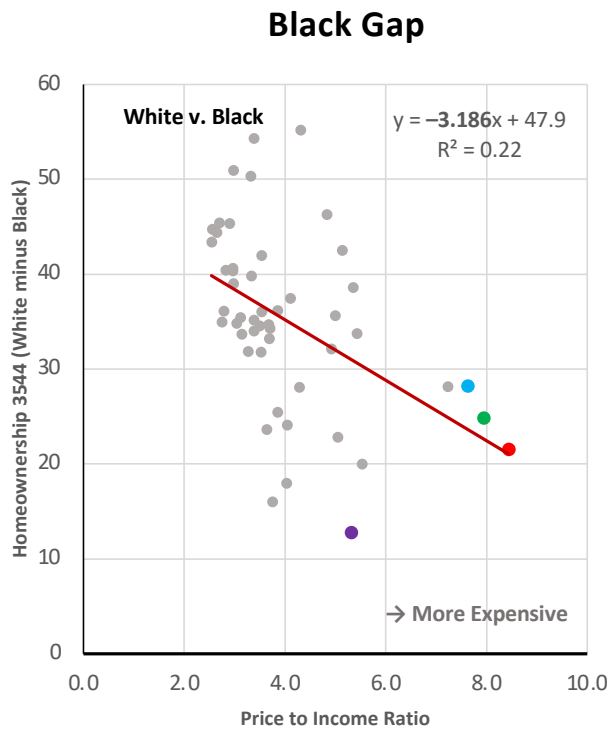
*Finds much better homeownership prospects
for households of color in the Inland Empire
(San Bernardino and Riverside counties)*

*But how does the **homeownership gap**
fare between White and other groups?*

Homeownership Gap Between White and Other Households at Age 35-44 in Each Metro in 2019

Smaller White Advantage when Prices are Higher

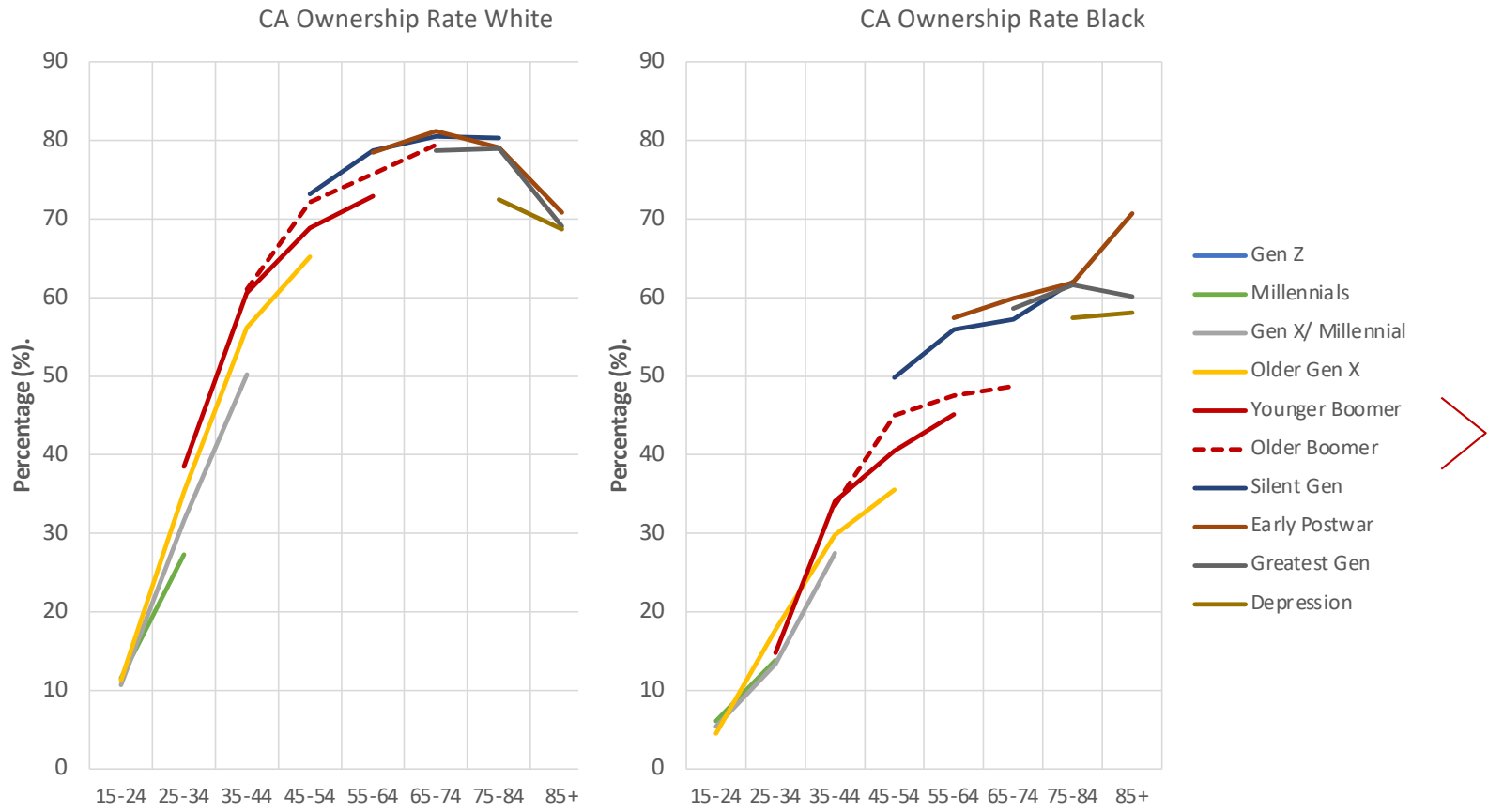
- SF-Oakland
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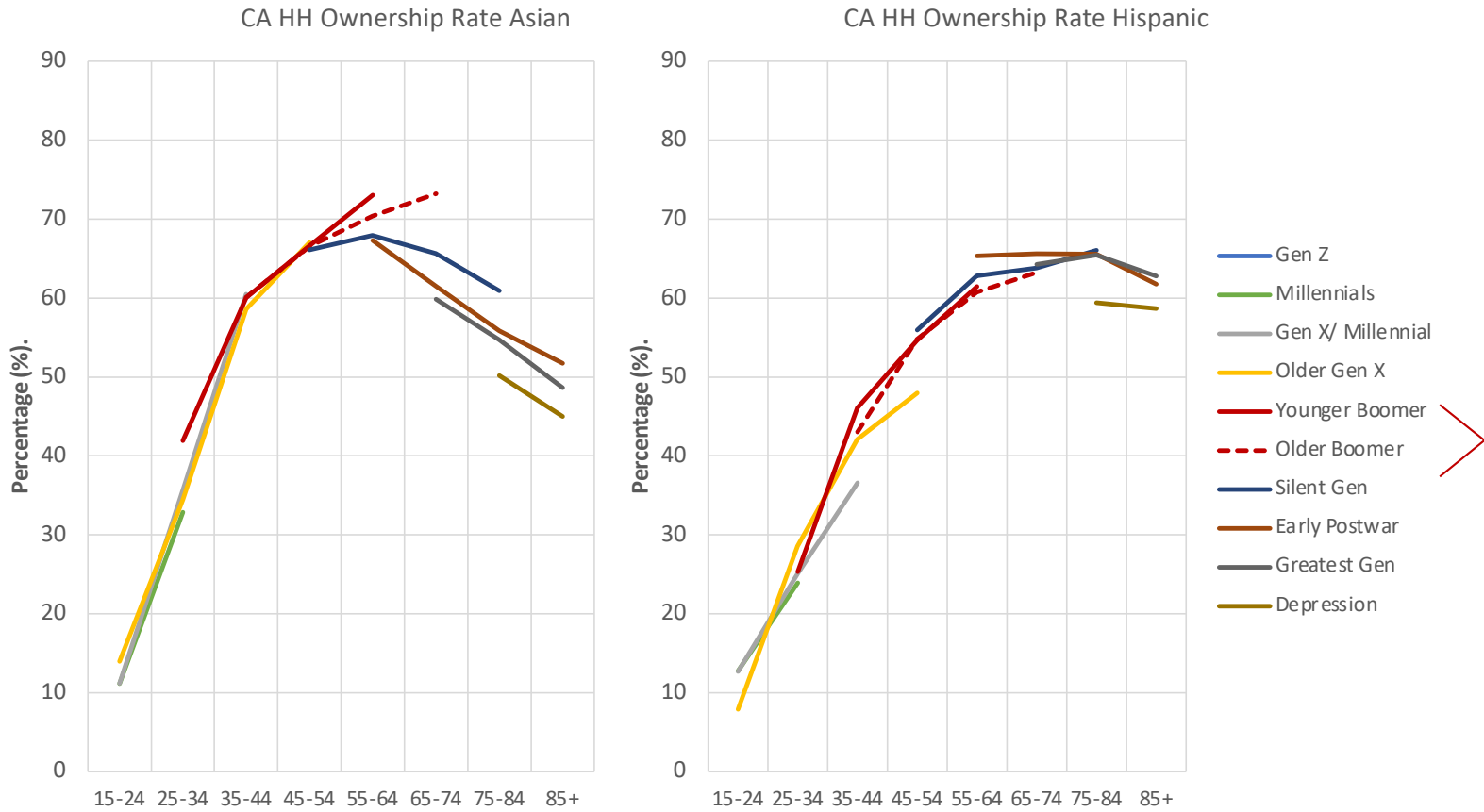
***Homeownership soars over the lifecycle,
but Millennials lag far behind
Will today's young adults ever catch up?
Long lasting homeownership deficits in all races
are carried into the future***

Comparing Generations
In California and the U.S.

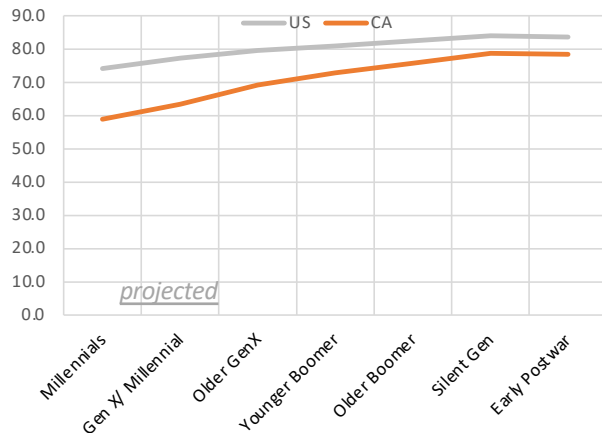
Lifecycle Trajectories of Homeownership Achievement, 1990 to 2019



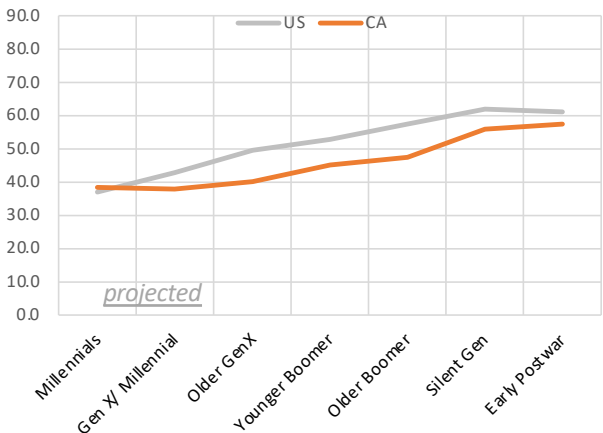
Lifecycle Trajectories of Homeownership Achievement, 1990 to 2019



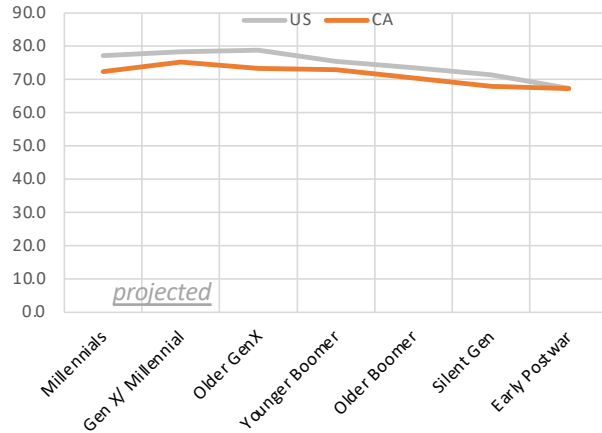
White Homeownership at Age 55-64



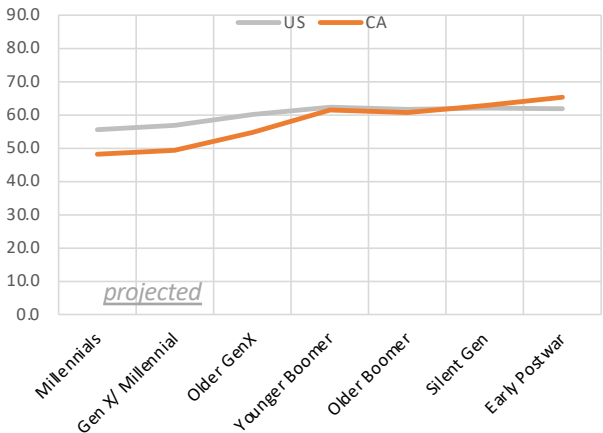
Black Homeownership at Age 55-64



Asian Homeownership at Age 55-64



Hispanic Homeownership at Age 55-64



Comparing Generations At Time They Are 55-64

U.S. and California

Earlier Generations of White Households Were Most Advantaged

More Recent Asian Households Are Better Off than Earlier

Very Recent Generations of Black HHs are Faring Better After Declining in Boomers

Hispanic/Latinx Generations Slipping Downward in CA More than in US

THREE QUESTIONS for today

How *can there be* a housing shortage when population growth is falling to zero?

What are the *consequences of housing shortages*, when compared across the 50 largest metros in the U.S.?

What are differences in impacts on *people of color*, and how do these add up over time?

Conclusions

How Population Impacts Housing Demand

The normal housing lifecycle means that older Californians take up a larger share of the owner-occupied housing in the state, especially given that the Baby Boom generation is so large to begin with

Californians have lower housing per capita than the U.S. average, especially for homeowners, and greater pressure is placed on the limited supply of rental housing

The Millennial wave is the key factor in recent escalation of home buying, even without adding many people—they just grew 10 years older and crossed into their 30s

The gap between older and younger generations has widened over recent decades because of rising prices and slower entry of young households

Racial and Ethnic Disparities

Each of the four major racial and ethnic groups has a distinct profile of housing impacts due to shortages and high prices.

African Americans and Hispanic or Latinx households have sharply greater reductions in household formations, while White households exhibit greater reductions in homeownership. Asians actually experience increases in homeownership relative to Whites and also across generations of Asians.

The Los Angeles region and Bay Area stand out in the nation for their greater shortages, prices, and reductions in housing consumption, but the gaps between Whites and other groups are much smaller than in other large metros. The Inland Empire stands out for offering the most exceptional opportunities for homeowners of color

Thank you



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