

# The State of Homeownership In California

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# Overview

- Describe the California housing market
  - Punch line 1: It is expensive everywhere
  - Punch line 2: New homebuyers are less common
- Discuss causes
  - Punch line: There are many angles, some of which the state has jurisdiction over

# THE CALIFORNIA HOUSING MARKET

# California is a High Cost Market

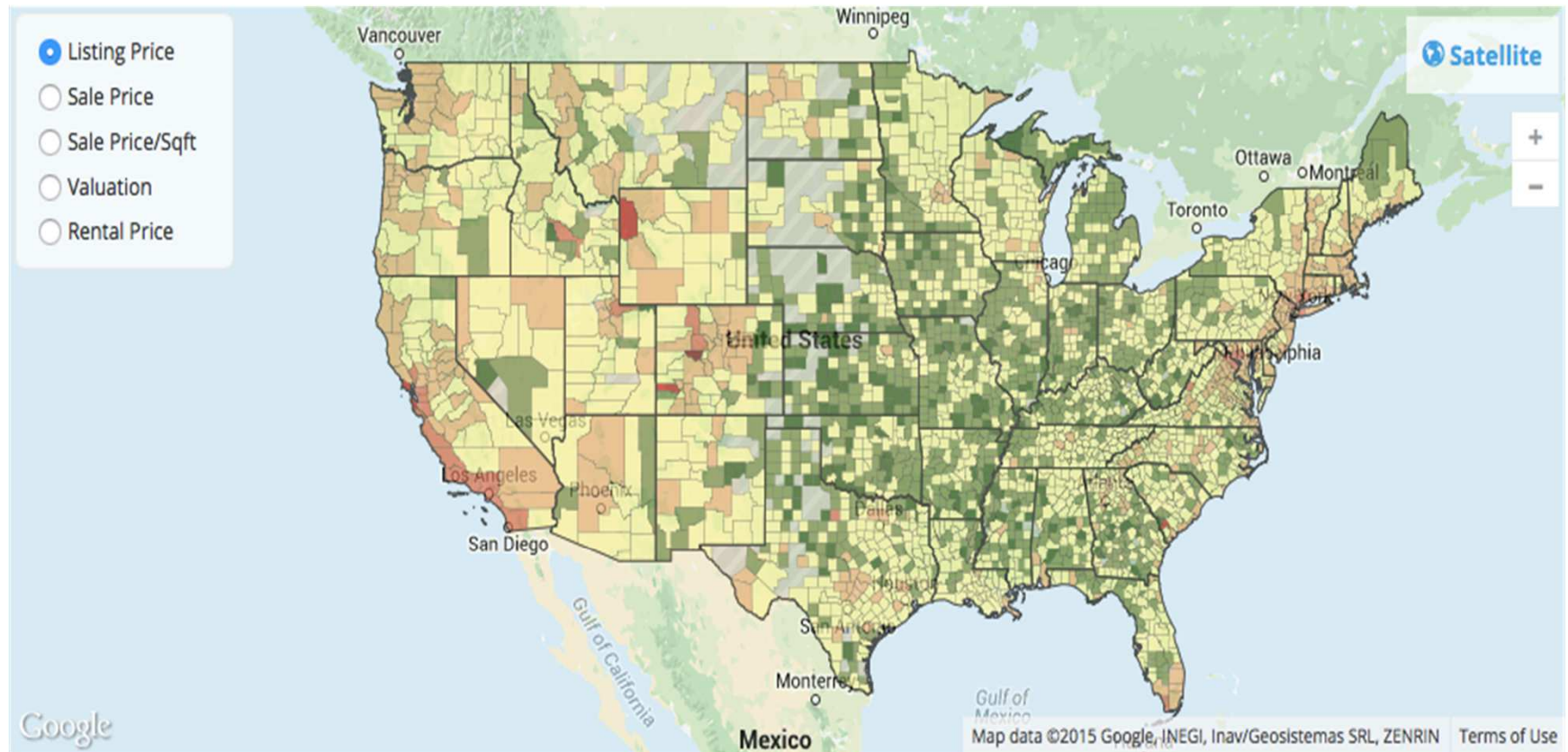


US states		Avg. listing price
Name ▼		Amount ▼
Hawaii		\$1,110,041
District Of Columbia		\$907,886
New York		\$846,476
California		\$829,634
Colorado		\$684,097
Connecticut		\$618,320
Utah		\$593,176
Massachusetts		\$590,212
Wyoming		\$516,748
Montana		\$486,653
Florida		\$480,743
Rhode Island		\$456,455
New Jersey		\$444,346
Nevada		\$407,231

Source:

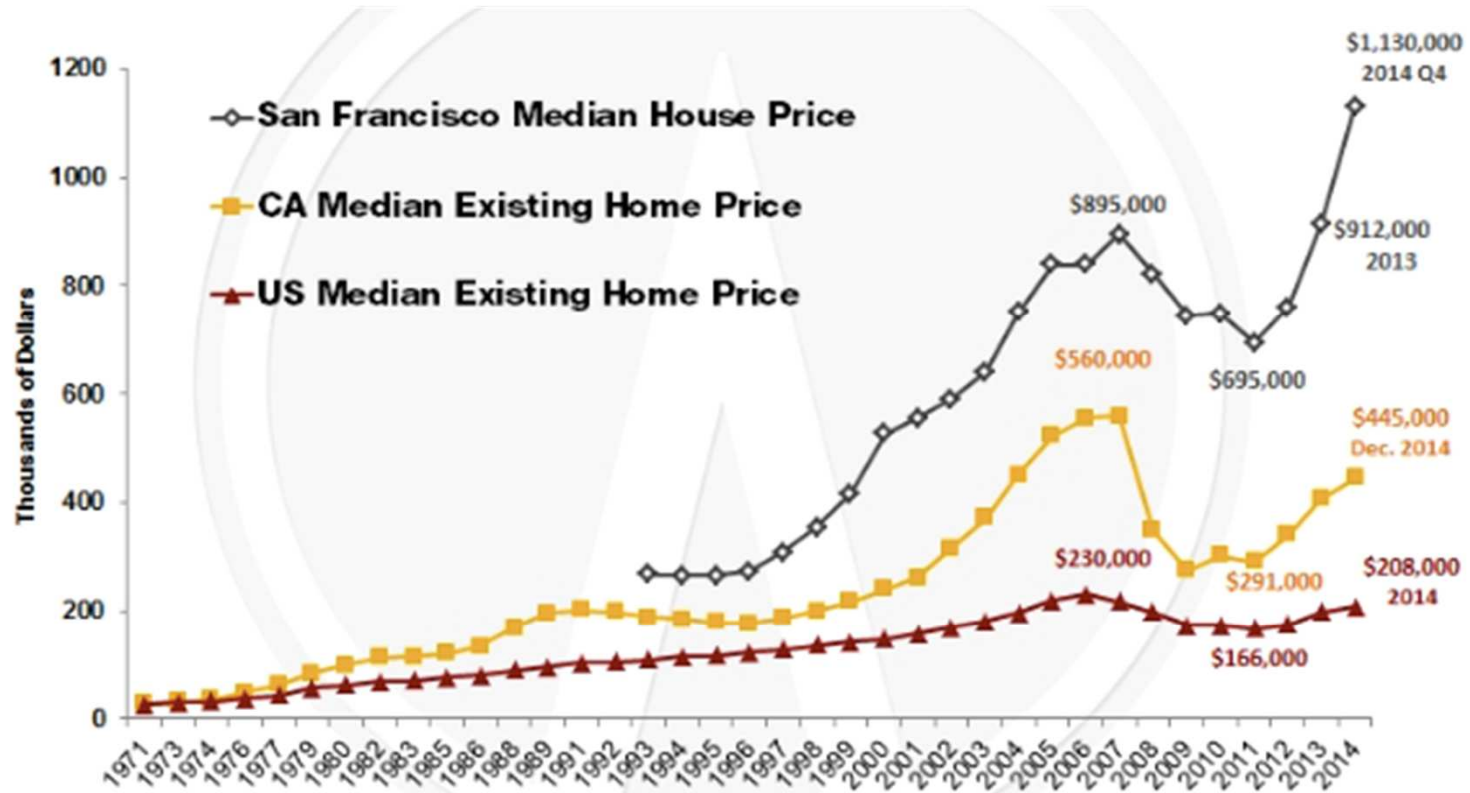
[http://www.trulia.com/home\\_prices/](http://www.trulia.com/home_prices/)

# Heat Map Shows California is HOT



Source: [http://www.trulia.com/home\\_prices/](http://www.trulia.com/home_prices/)

# California Prices Skyrocketed in the 2000s

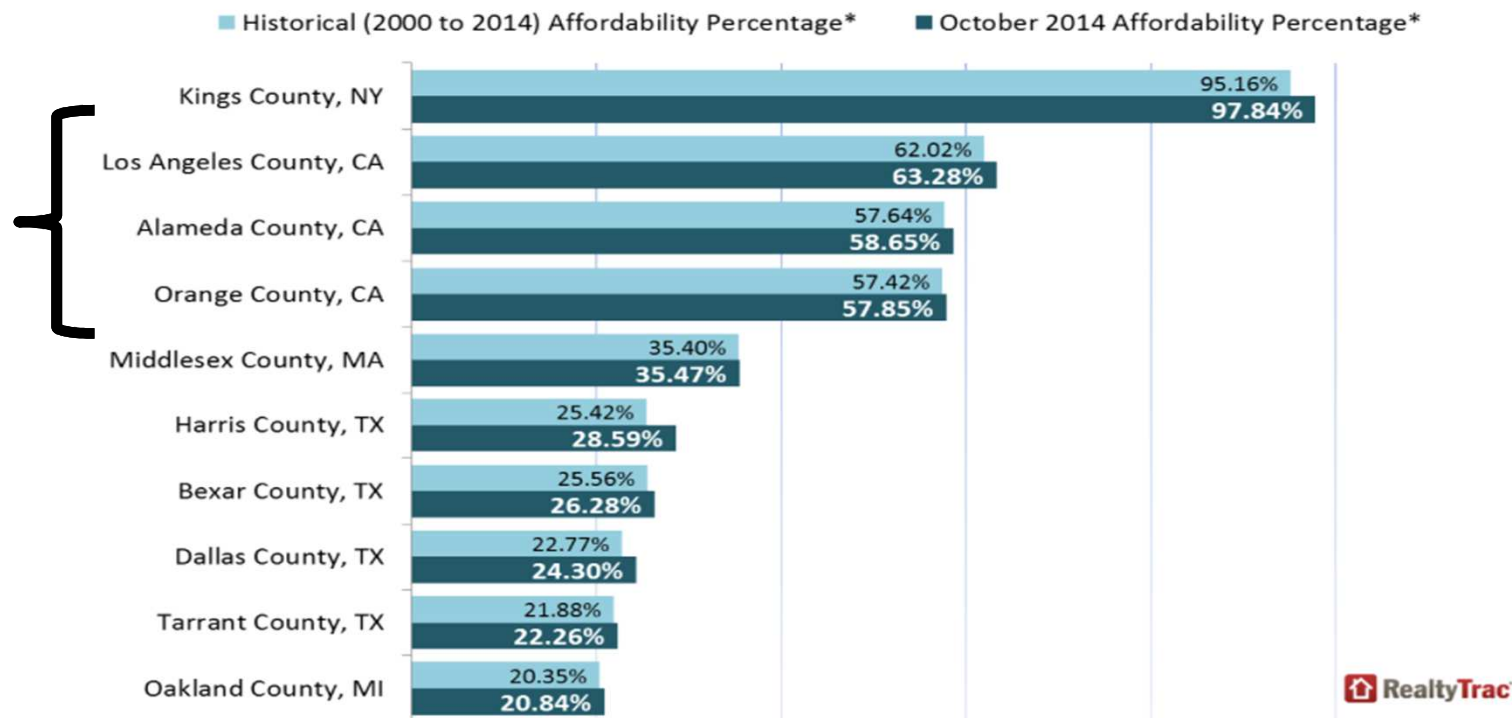


Data from the San Francisco, California and National Associations of Realtors deemed reliable but may contain errors and is subject to revision. All numbers are approximate.



Source: [http://www.paragon-re.com/san\\_francisco\\_market\\_dynamics/](http://www.paragon-re.com/san_francisco_market_dynamics/)

# Lack of Affordability Has Increased

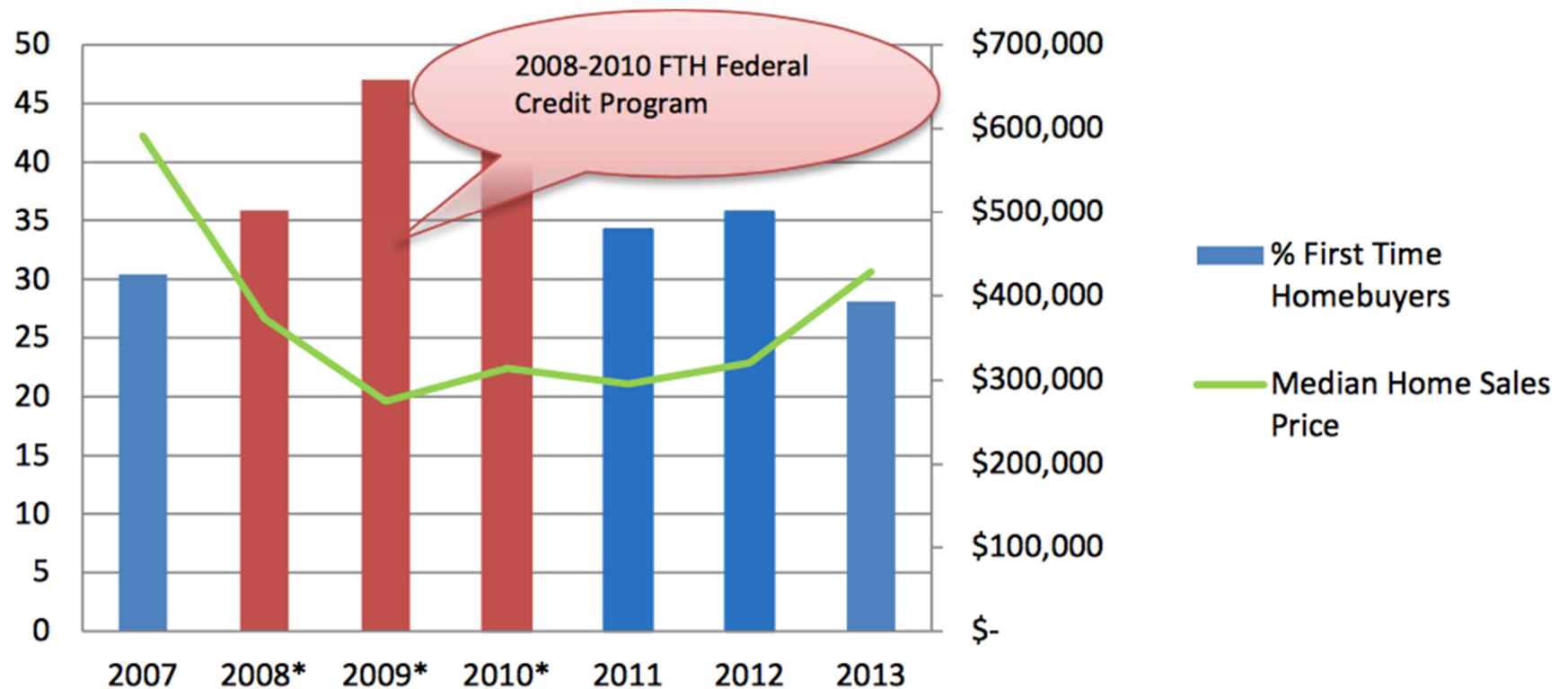


\*Affordability percentage is percent of median income needed to make monthly payments on a median priced home with a 10 percent down payment.

Source: <http://www.realtytrac.com/content/foreclosure-market-report/home-price-bubble-early-warning-signs-report-december-2014-8196>



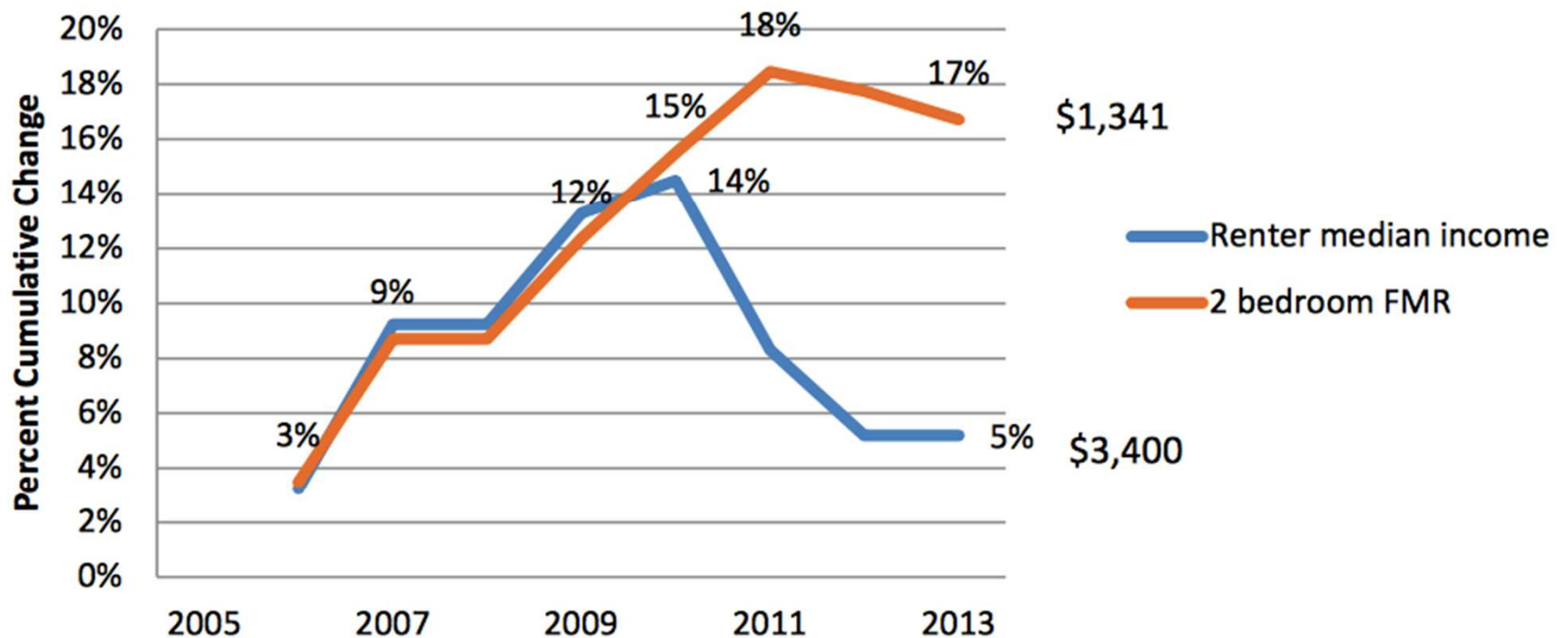
# FTHB Share Down Since Crisis



Source: [http://www.hcd.ca.gov/hpd/shp/web\\_hcd\\_stateofhousing\\_april2014.pdf](http://www.hcd.ca.gov/hpd/shp/web_hcd_stateofhousing_april2014.pdf)



# The High Cost Problem is not Limited to Ownership

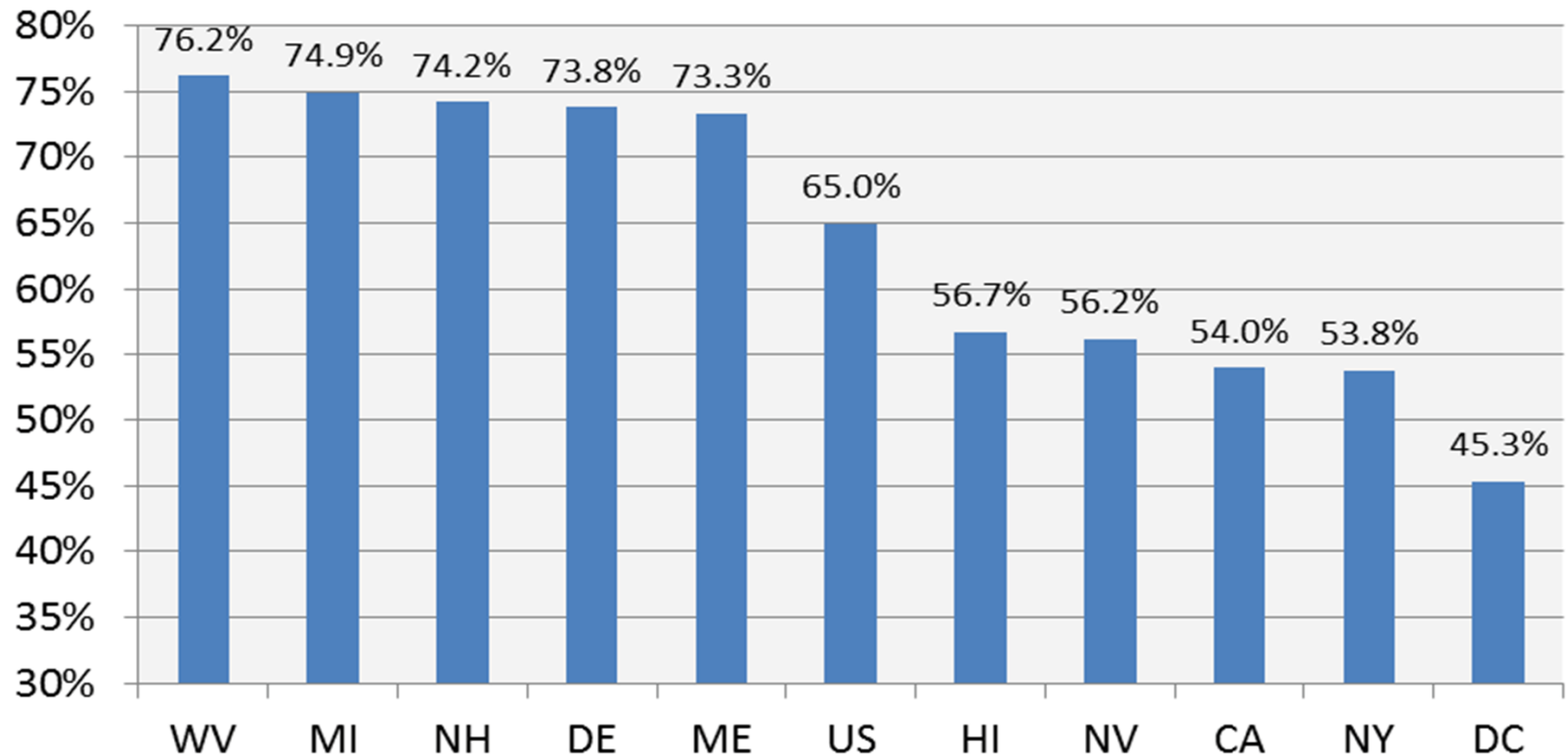


Source: NLIHC Out of Reach reports, 2005 through 2013; graphic by HCD

Source: [http://www.hcd.ca.gov/hpd/shp/web\\_hcd\\_stateofhousing\\_april2014.pdf](http://www.hcd.ca.gov/hpd/shp/web_hcd_stateofhousing_april2014.pdf)

## CAUSES OF THE DECLINE

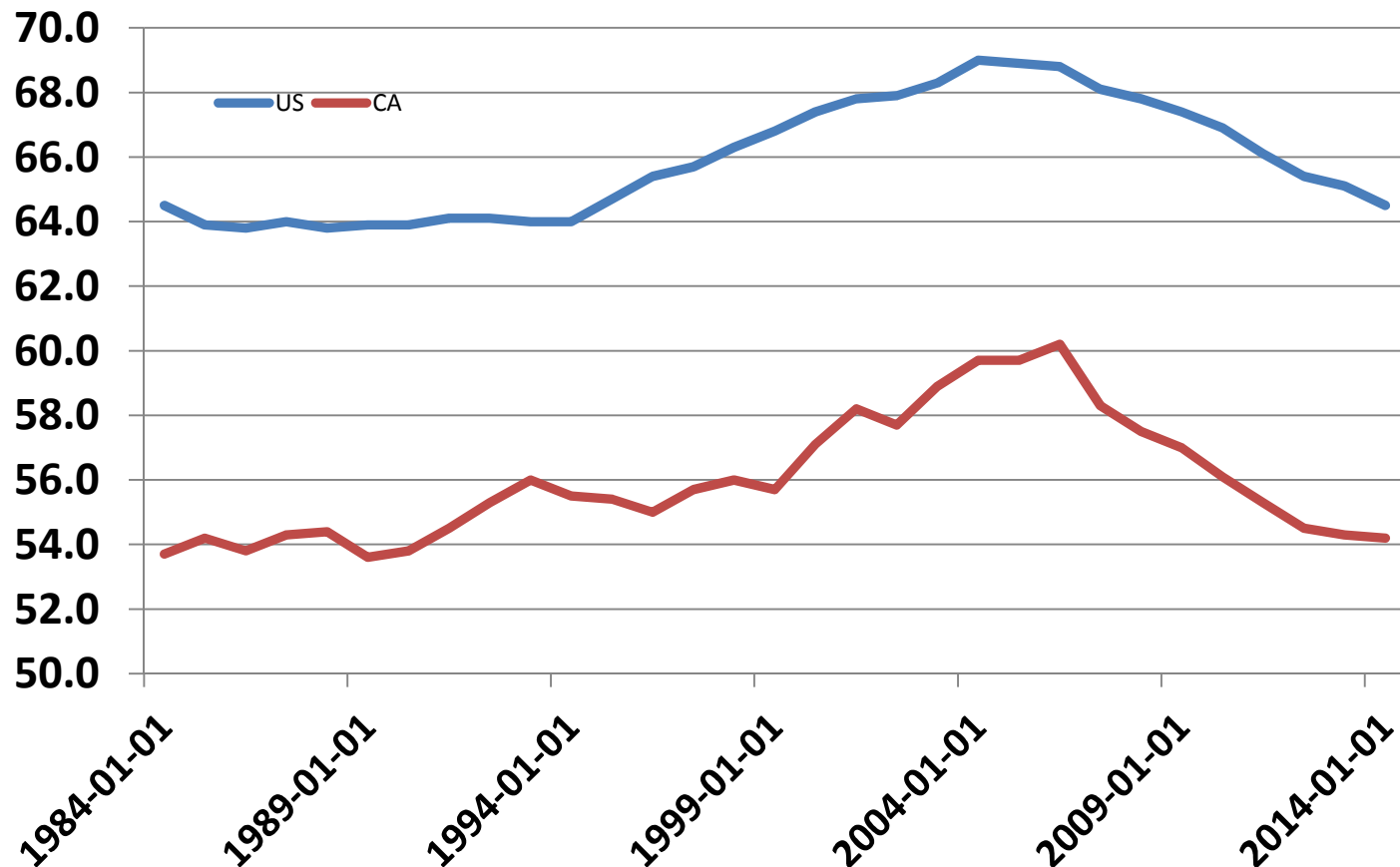
# California is a Low Homeownership State



Source: Census

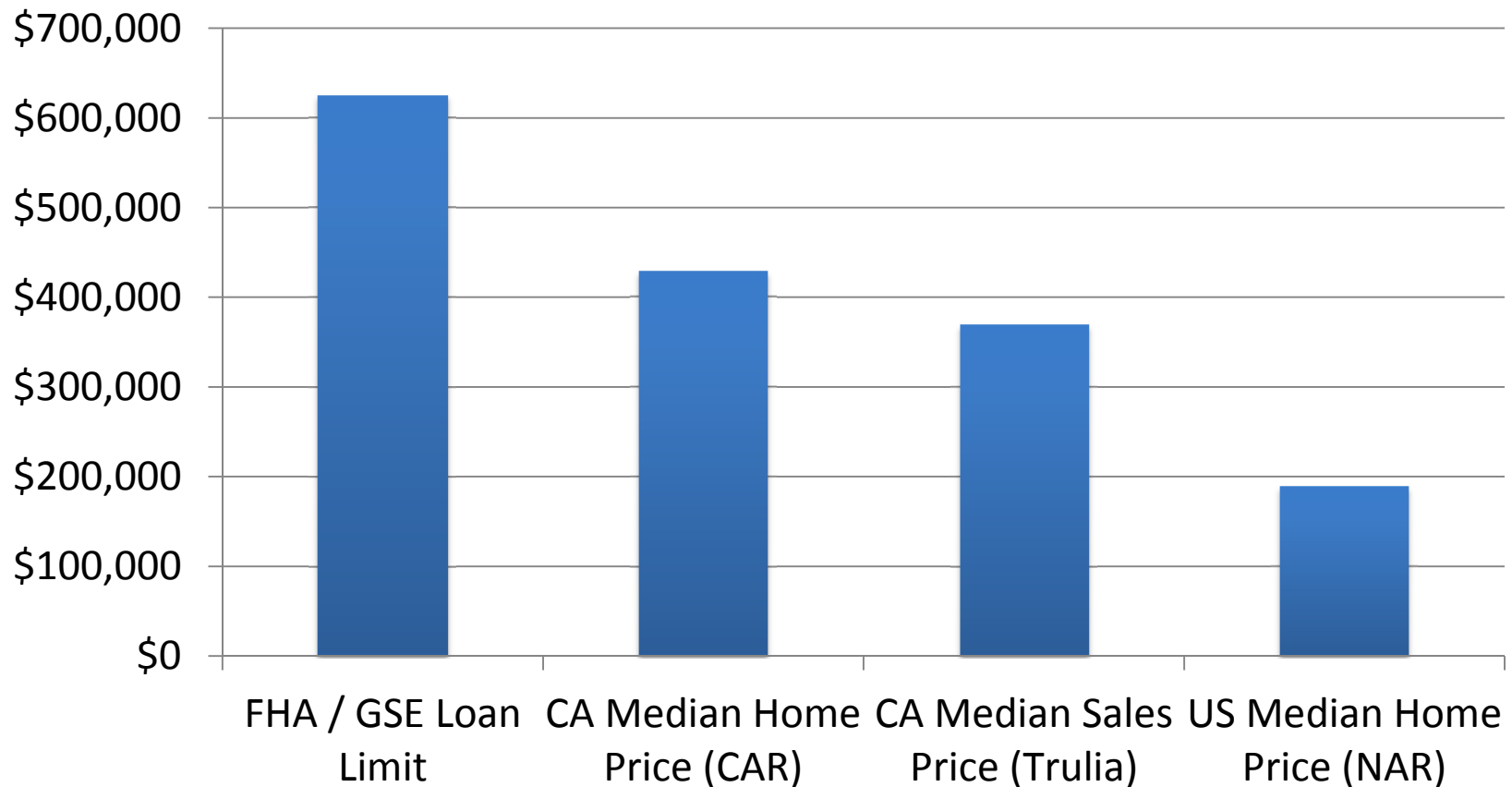
Source: <http://economistsoutlook.blogs.realtor.org/files/2013/08/081513a.png>

# The State's Homeownership Drop Was Steep



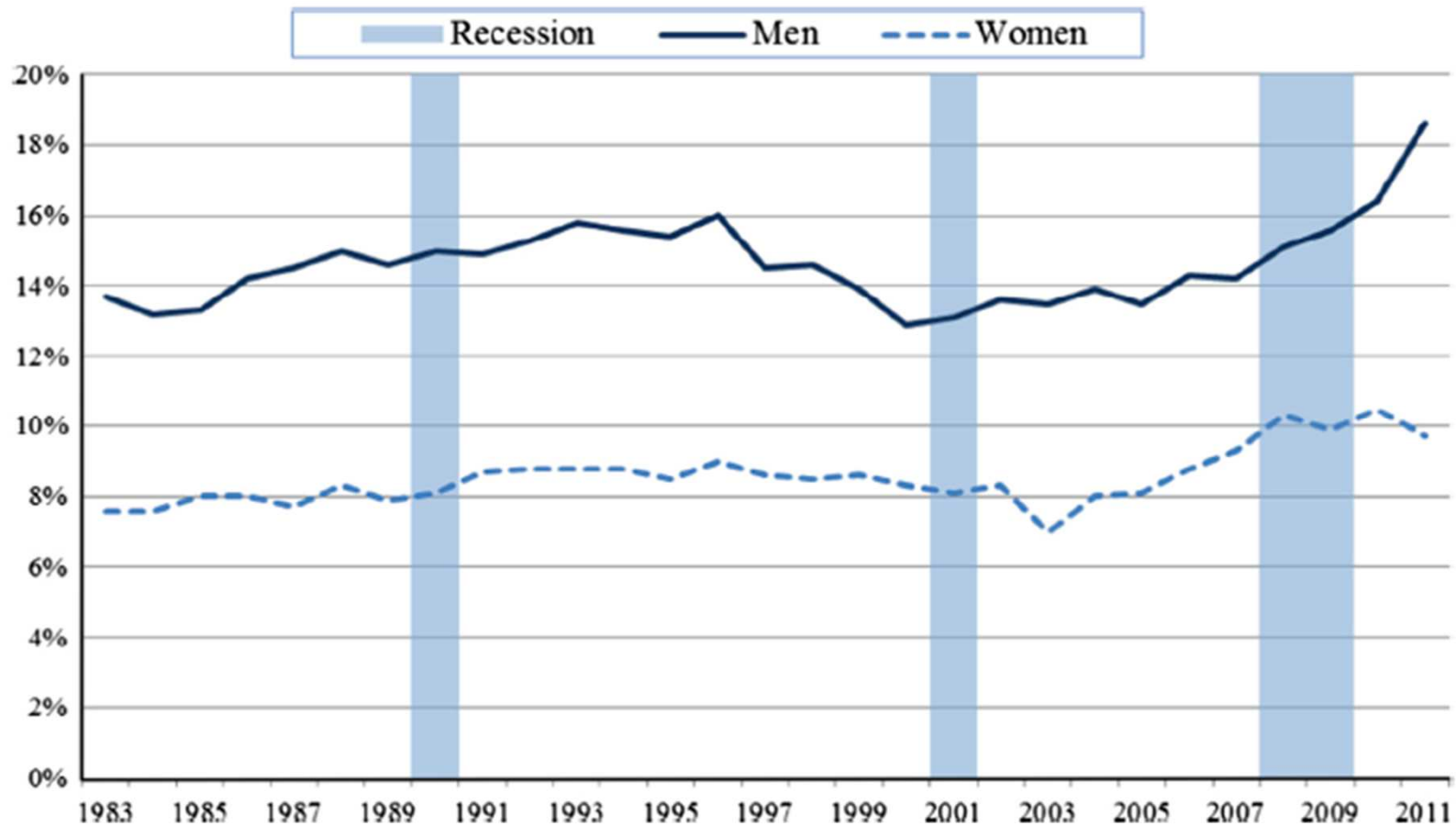
Source:: Federal Reserve Bank of St. Louis, U.S. Census

# Financing Will Be a Challenge



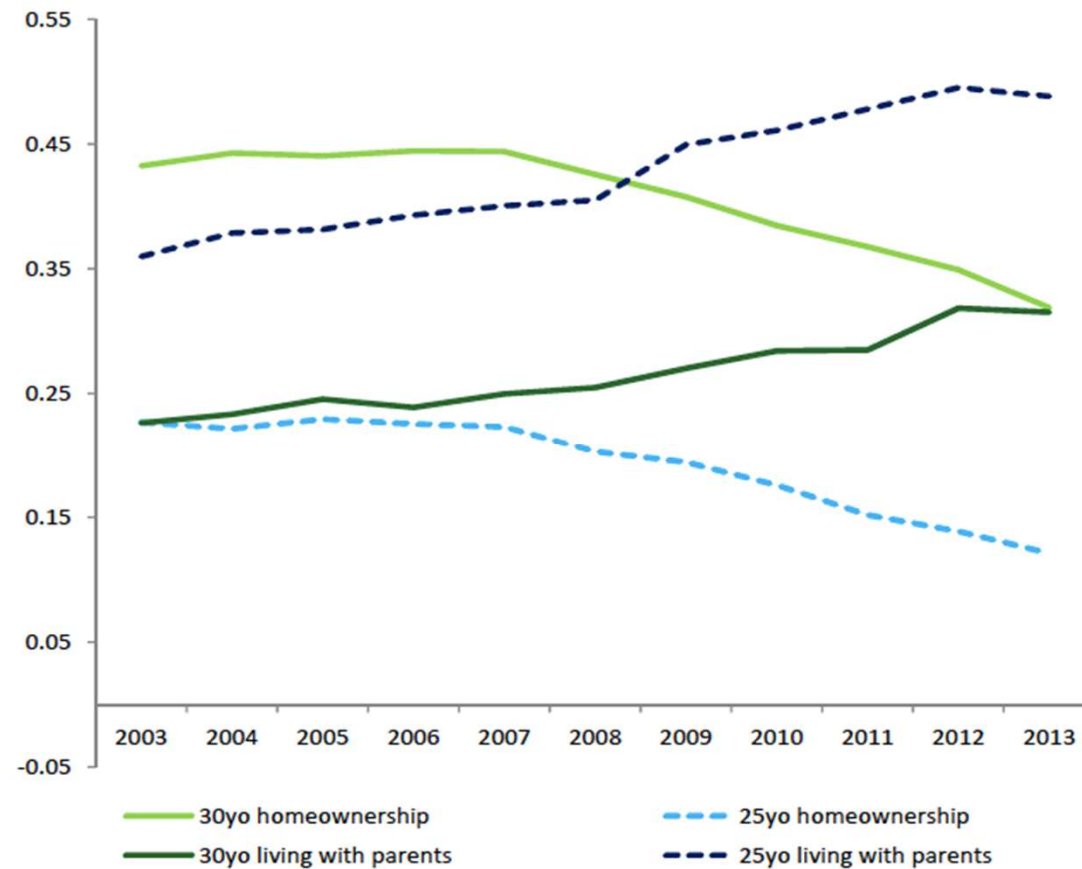
NOTE: Pre-crisis loan limits were \$417,000 for the GSEs and \$367,000 for the FHA.

# Young Adults Live at Home More Frequently



Source: Kwan Ok Lee & Gary Painter (2013), *Journal of Urban Economics*.

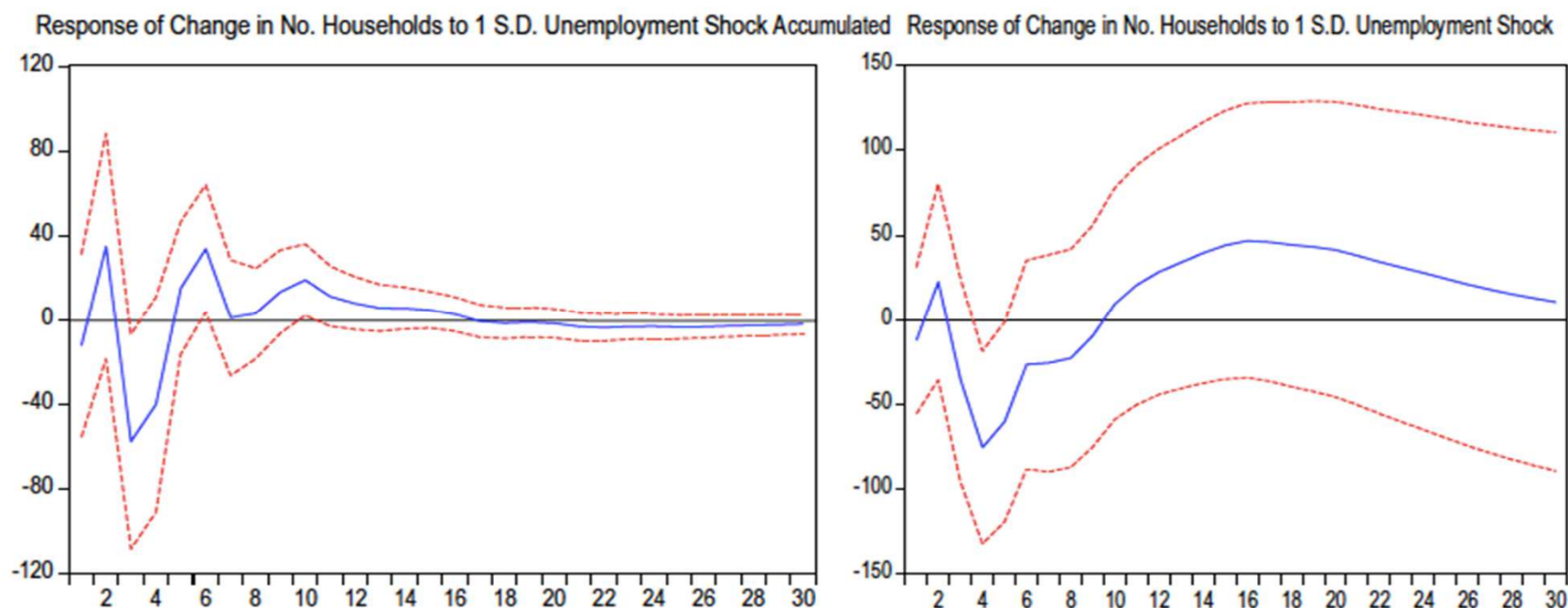
# Being At Home More Means Owning Less



Source: [http://www.newyorkfed.org/research/staff\\_reports/sr700.pdf](http://www.newyorkfed.org/research/staff_reports/sr700.pdf)



# Household Formation Rates Remain an Unknown



*“...the surprise in the recent recession is that the number of households did not fall more than it did...”*

Source: Jung Hyun Choi & Gary Painter (2014), *Journal of Real Estate Finance & Economics*.

# Summary of Causes

- California housing's **high cost**:
  - Translates to lower ownership rates in general
  - Means there are (will be) fewer **financing** options
  - Makes **wealth, income, and credit** barriers steeper
- Young people are **forming their households** later

# Thank You

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