

# California's Housing Problem— What and Where?

## Hewlett Grant—California Futures Project

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# What are California's Housing Issues?

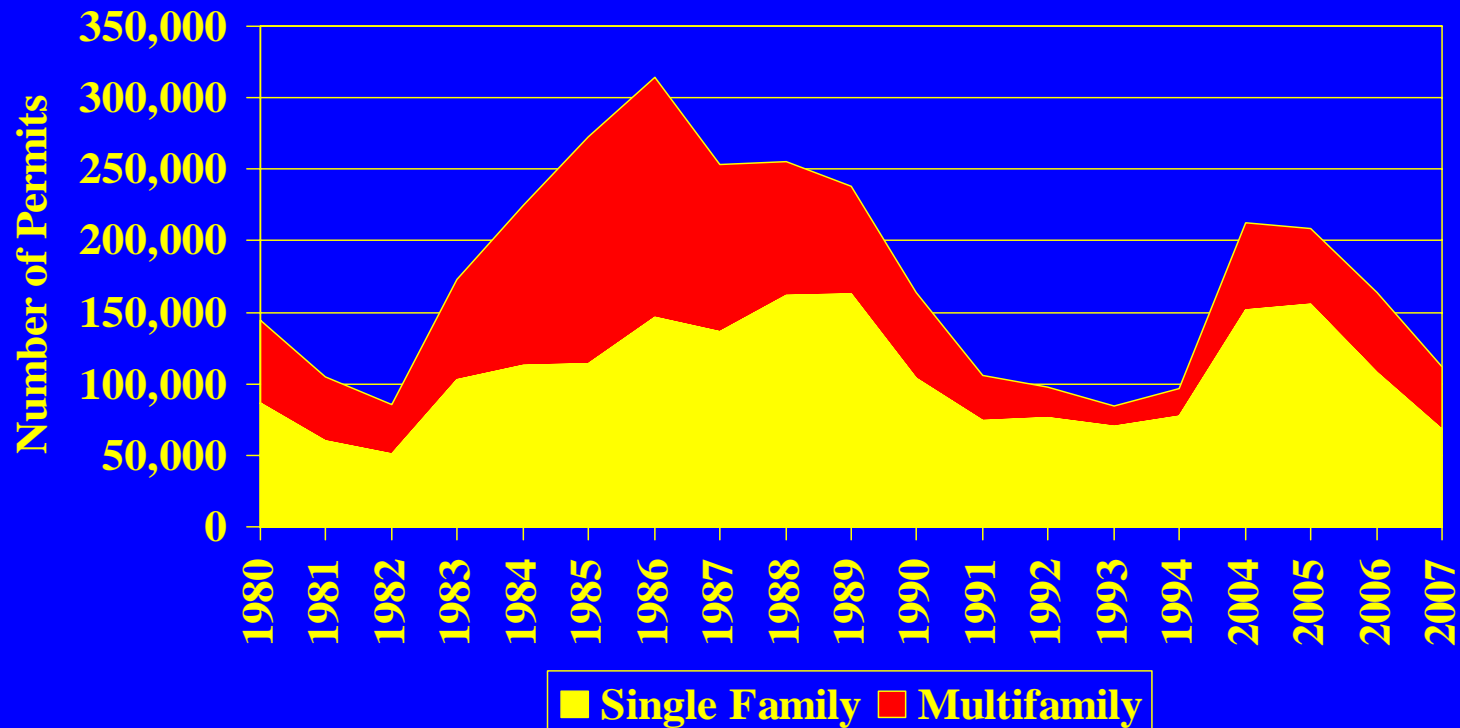
- Supply?
- Affordability?
- Access to Finance?
- Location?
- Demographics?

# Supply

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- California added 1.1 million homes from 2000 to 2007
- Households grew by 1.0 million
- Building activity highest since 1989
- Vacancies low, but not the lowest nationwide

## California Residential Building Activity 1990-2007

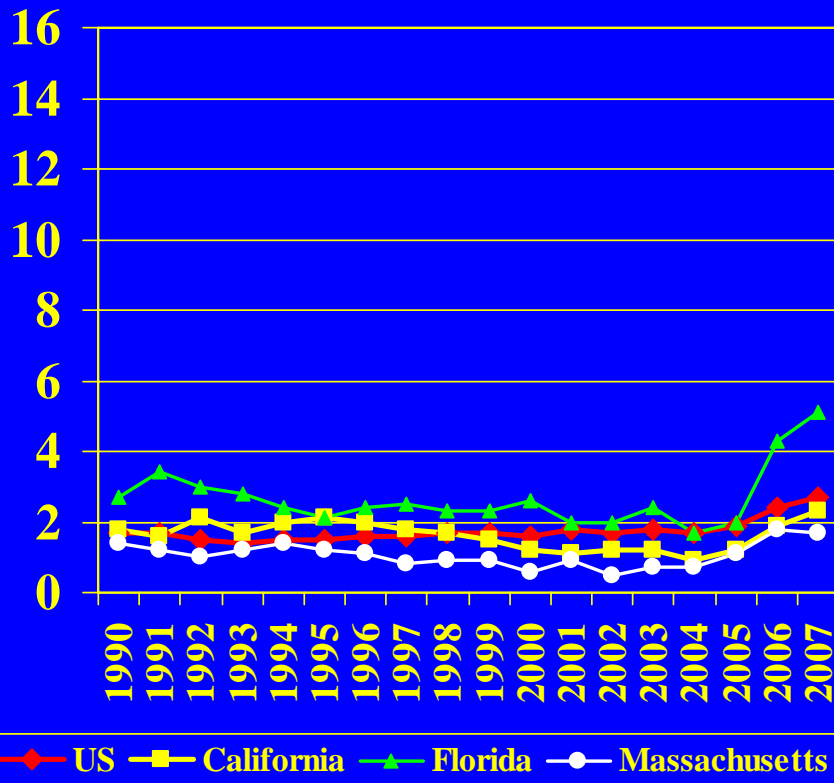


Source: Authors from California Construction Industry Research Board data.

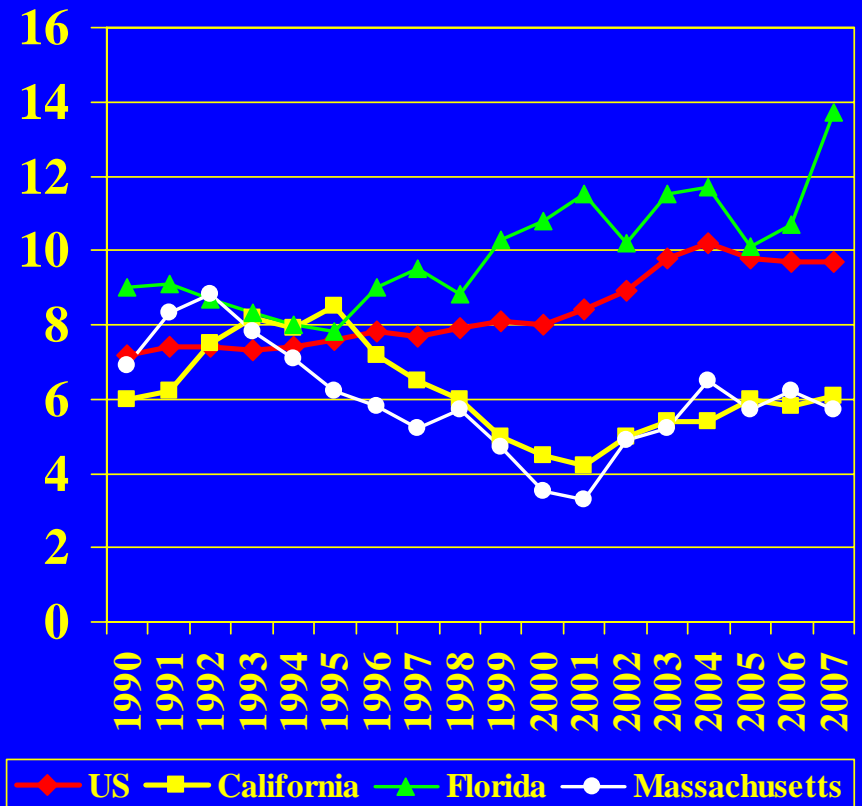
# Supply

## California Vacancy Rates

### Homeowner Percent Vacant



### Renter Percent Vacant



Source: US Bureau of the Census 2007 Vacancy Statistics

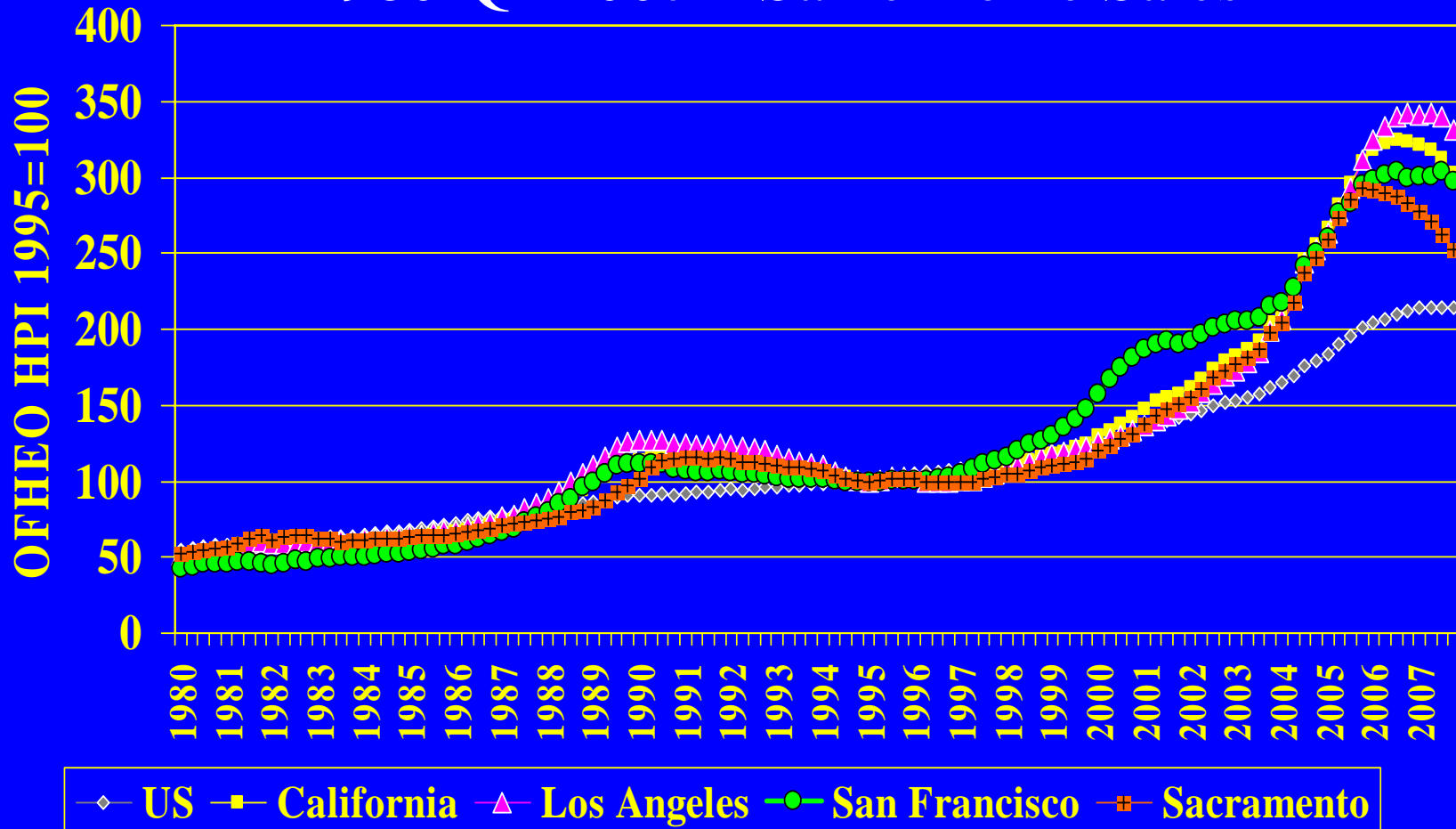
# Affordability

- California median home price 2.5X the US in 2007 (2.1X in February 2008)
- Bay Area median home prices remain more than 3X the US
- Rents 35% above national levels
- Incomes 17% above national levels
- Largest price readjustments in lower cost Central Valley areas

# Affordability

## California Historic Home Price Trends

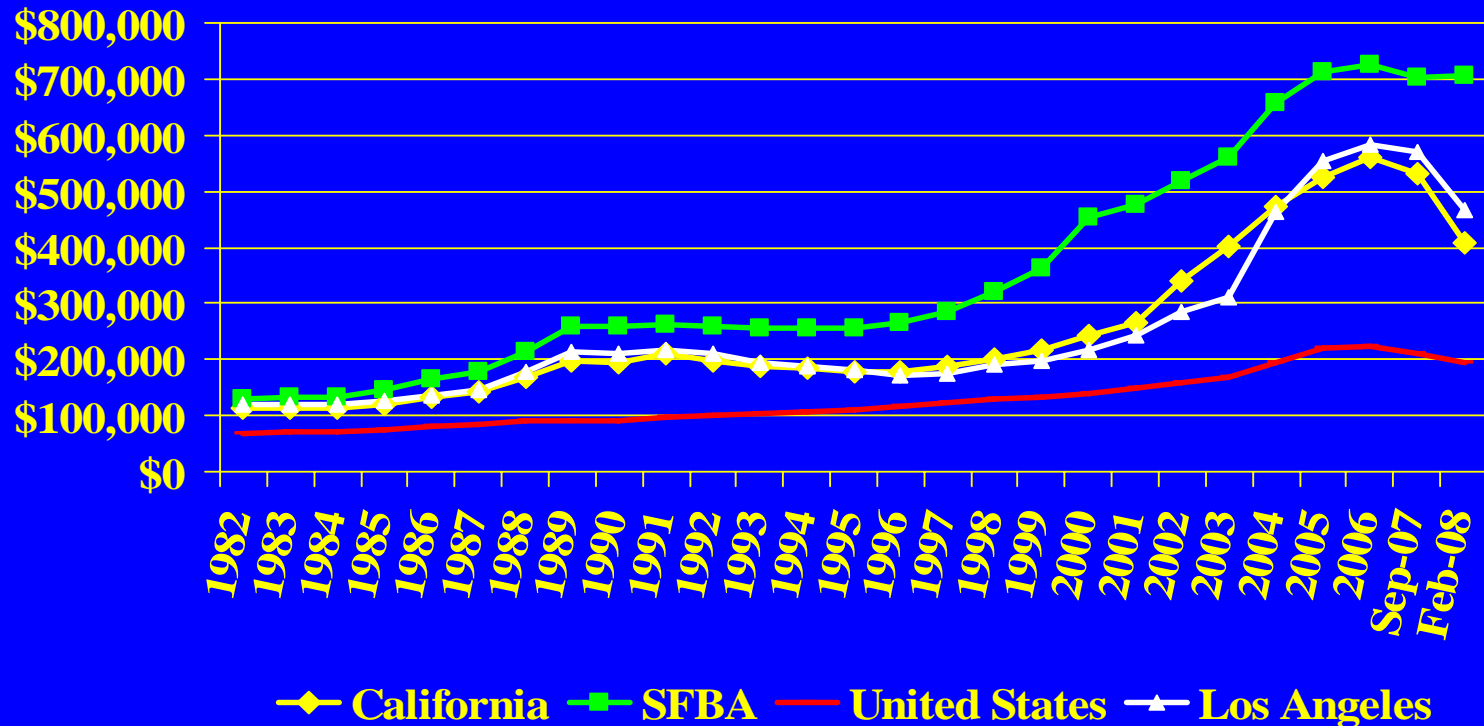
1980-Q4 2007—Same Home Sales



Source: FCREUE from OFHEO data.

# Affordability

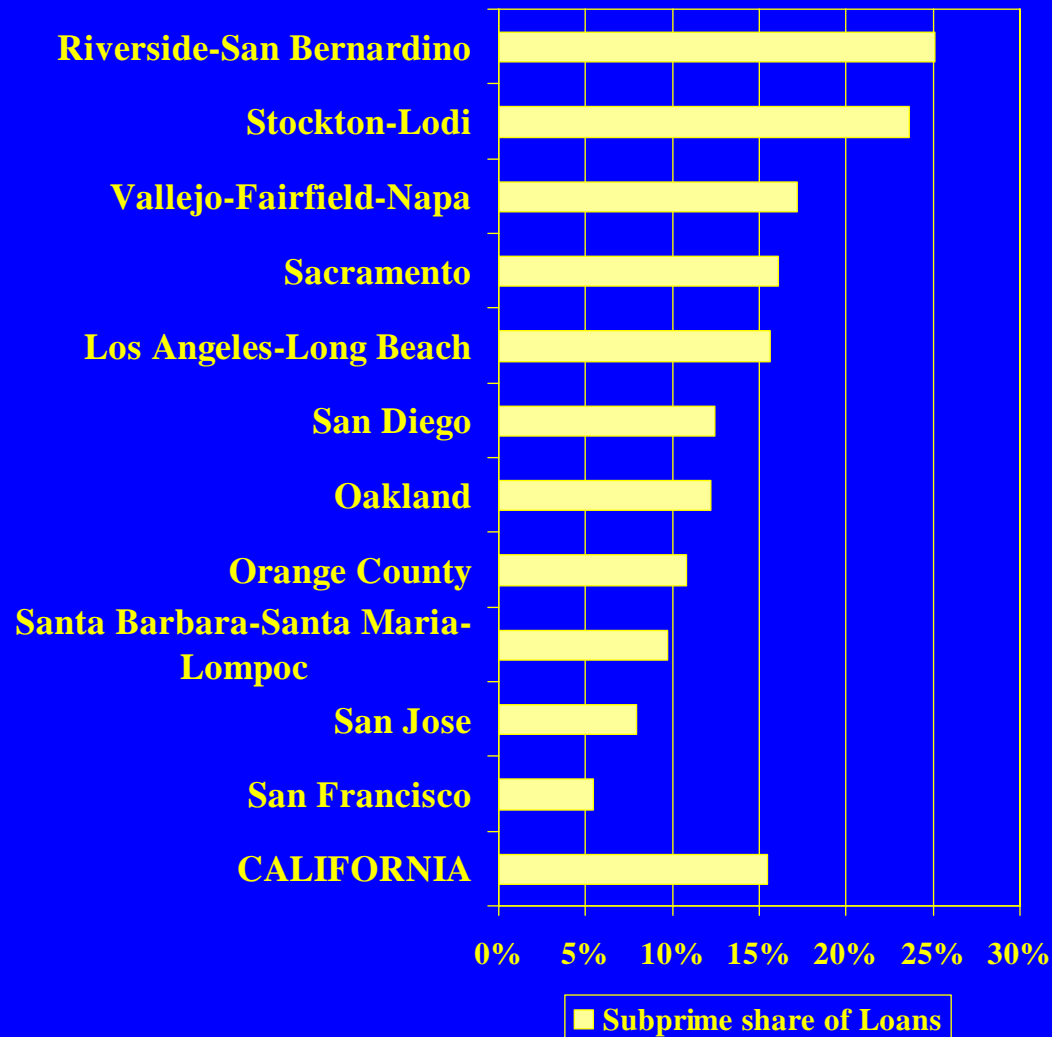
## Median Home Price, Existing Homes California, US, SFBA, and Los Angeles, 1982-2006, 9/2007 and 2/2008



Source: California Association of Realtors & National Association of Realtors

# Affordability/Finance

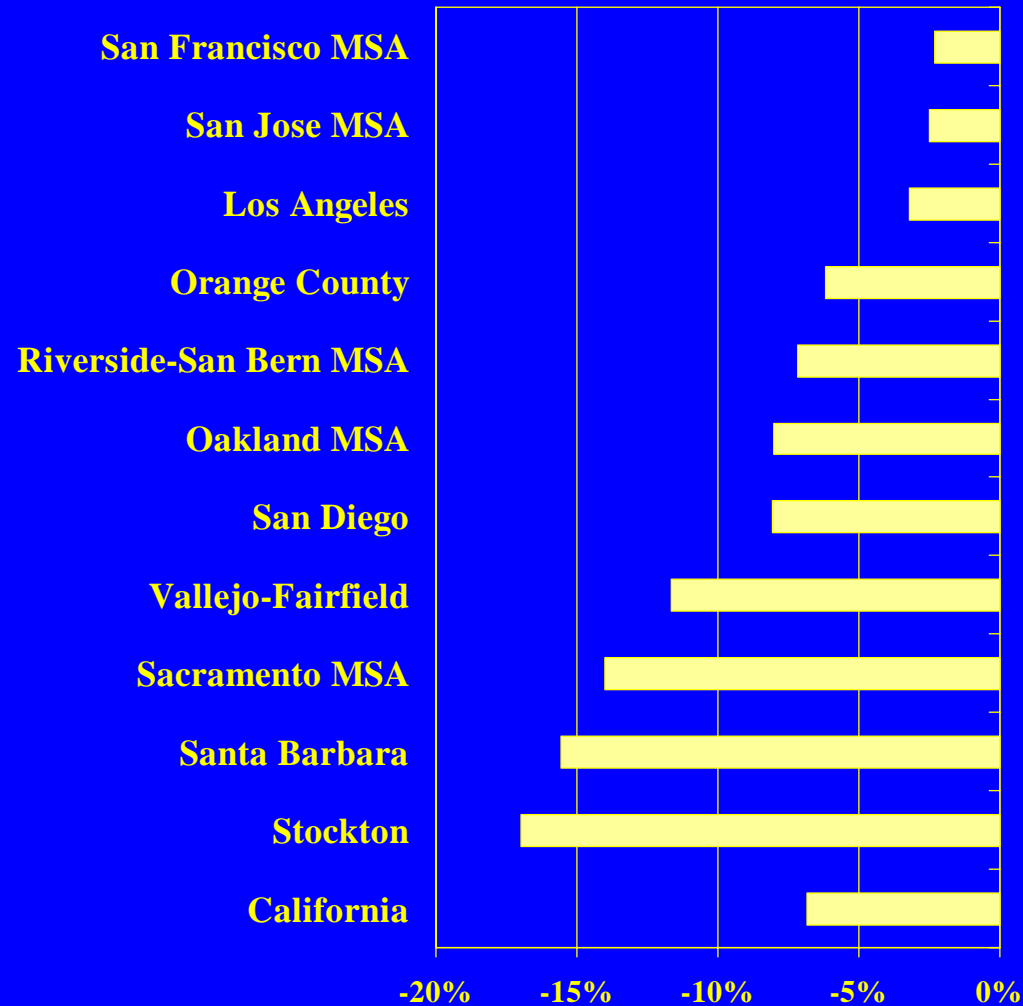
## Subprime Loans as Share of Loans Outstanding, December 2007



Source: Authors from First American CoreLogic, Loan Performance data.

# Affordability/Finance

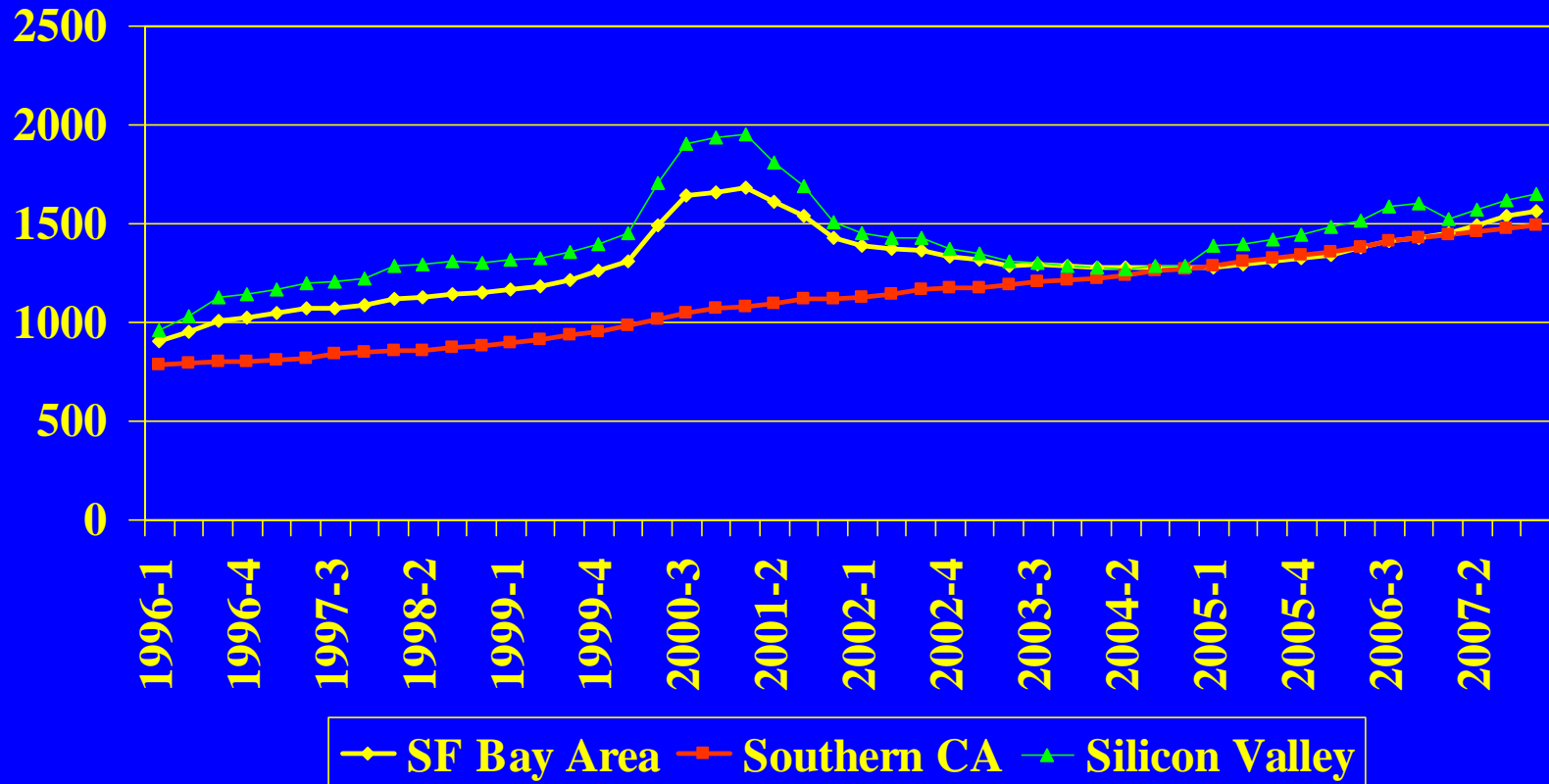
Change in OFHEO Home Price Index, from Peak to 4<sup>th</sup> Quarter 2007,  
California and MSAs



Source: Authors from Office of Federal Housing Enterprise Oversight, HPI data.

# Affordability

## Rent Levels, SF Bay Area, Silicon Valley and Southern California: Quarterly, 1996- 2007 Q4

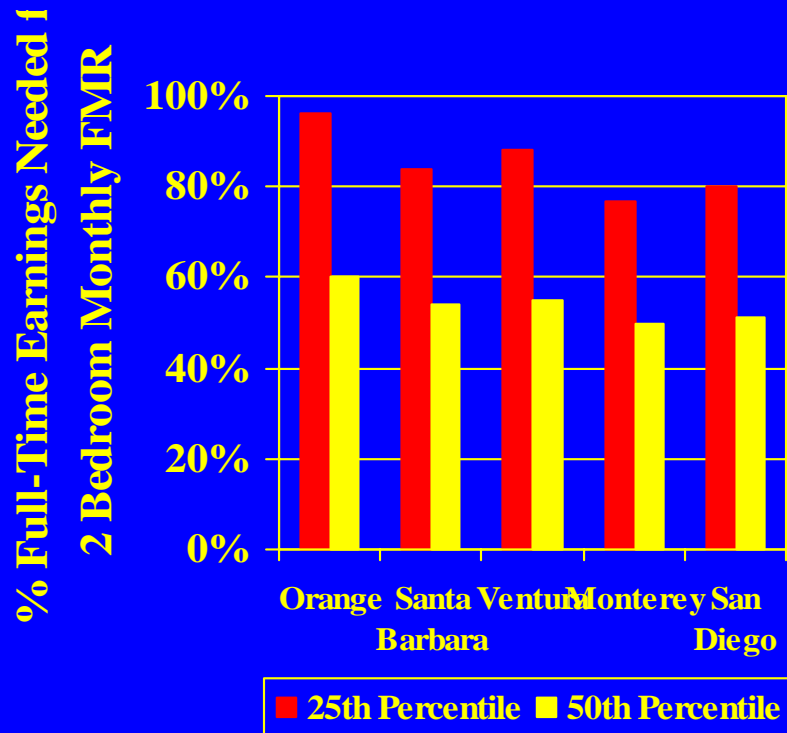


Source: Real Estate Research Council from RealFacts.

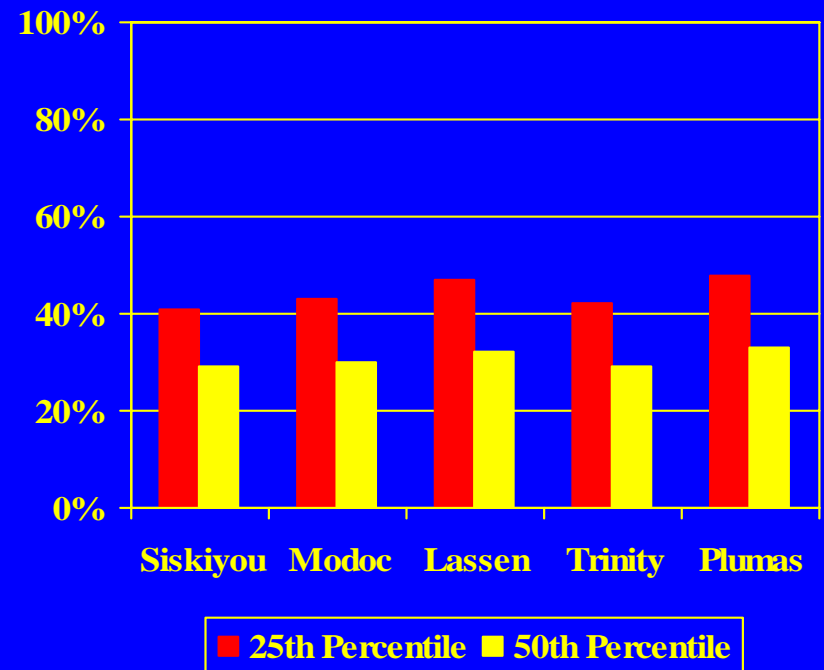
# Affordability

## Least and Most Affordable Rental Markets in California

### Least Affordable Rental Markets



### Most Affordable Rental Markets



Source: Authors from Employment Development Department and California Budget Project data

## Key Points

- Affordability issues most serious in large, coastal job markets
  - 2 earner households essential
- Low income renters face most serious shortfalls
- Subprime problems leading to price adjustments most heavily in peripheral, more affordable markets

# Location and Accessibility

- Weak job market + strong housing construction = moderate congestion increase  
(San Francisco, Los Angeles)
- Strong job market + weak housing construction = high congestion increase (Riverside-San Bernardino)
- Housing < jobs = high housing costs, lower income workers commute further  
(Ventura, Orange)

# Location and Accessibility

## Housing VS Job Change, 2000-2006

Place (State/ County)	Housing Unit Change	Job Change	Housing Units/ Job 2006
<b>California</b>	924,120	545,200	0.85
Orange	48,896	129,000	0.67
San Francisco	10,458	-76,700	0.69
Santa Clara	32,800	-154,800	0.70
Los Angeles	93,844	20,400	0.82
Fresno	26,641	22,400	0.85
San Diego	79,075	105,700	0.85
Sacramento	60,974	56,000	0.87
San Joaquin	30,557	21,000	0.98
Riverside	137,687	158,000	1.16

Source: FCREUE from California Dept of Finance and Emp Devt Dept data.

# Location and Accessibility

## Implications

- Adding density reduces growth of congestion
- Concentrating moderate priced homes away from job centers increases commute time and congestion
- Low income households tradeoff unaffordable housing with lack of access to jobs

# Demographic Shifts

- Cannot project future demand from population projections alone
- Demographic shifts will change household size, whatever the housing supply situation
  - Higher share of large households (Hispanic, immigrant)
- Demographic shifts will change location demands
  - Higher share of retiree-headed households

# California's Housing Priorities

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## Affordability:

- Target affordable housing funds to areas with most urgent needs and tightest supply
- Increase supply of rental, multi-family housing
- Include needs of larger families in rental housing
- Support affordable housing through technical assistance and infrastructure funding

# California's Housing Priorities

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- Homeownership assistance for low and moderate income household should be accompanied by financial management safeguards
- Prioritize projects whose design and location reduce the carbon footprint