

# STEPS Towards Homeownership CALIFORNIA ASSOCIATION of REALTORS®

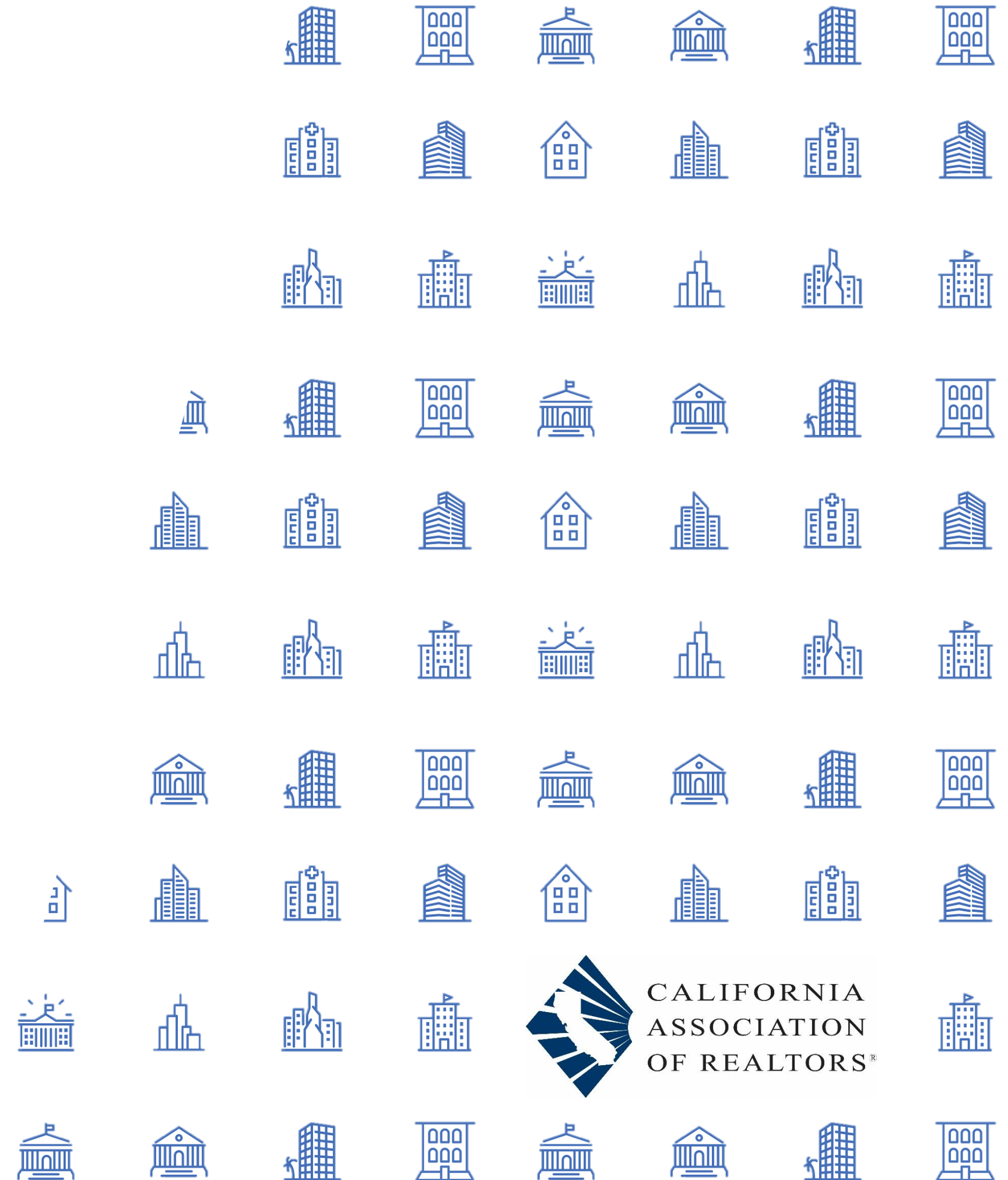


Jordan G. Levine  
Deputy Chief Economist  
California Association of  
REALTORS®



# 2019 Homeownership in California

May 14, 2019  
Jordan G. Levine  
Deputy Chief Economist



## overview

- 01** Why homeownership matters so much
- 02** Headwinds to achieve homeownership in CA

- 03** Should be concerned, but not panicked
- 04** Profile of first-time buyers in California last year

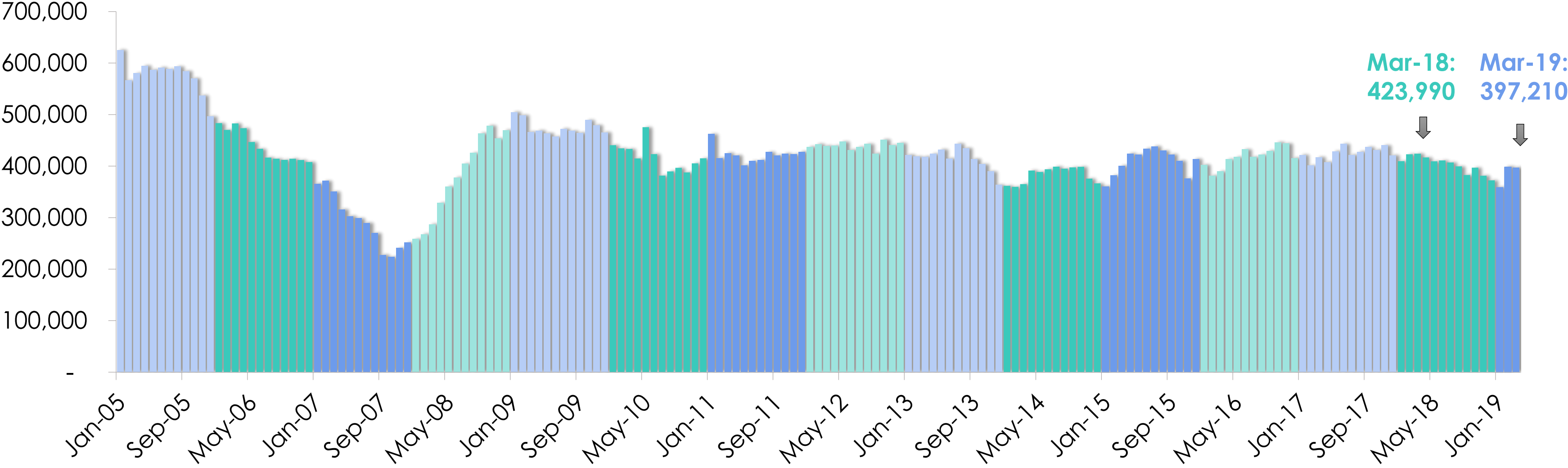
**2019: Tough year, but lots of volume out there.  
Selling homeownership can help create more!**



Let's talk  
**homeownership.**

# #0: our bread and butter

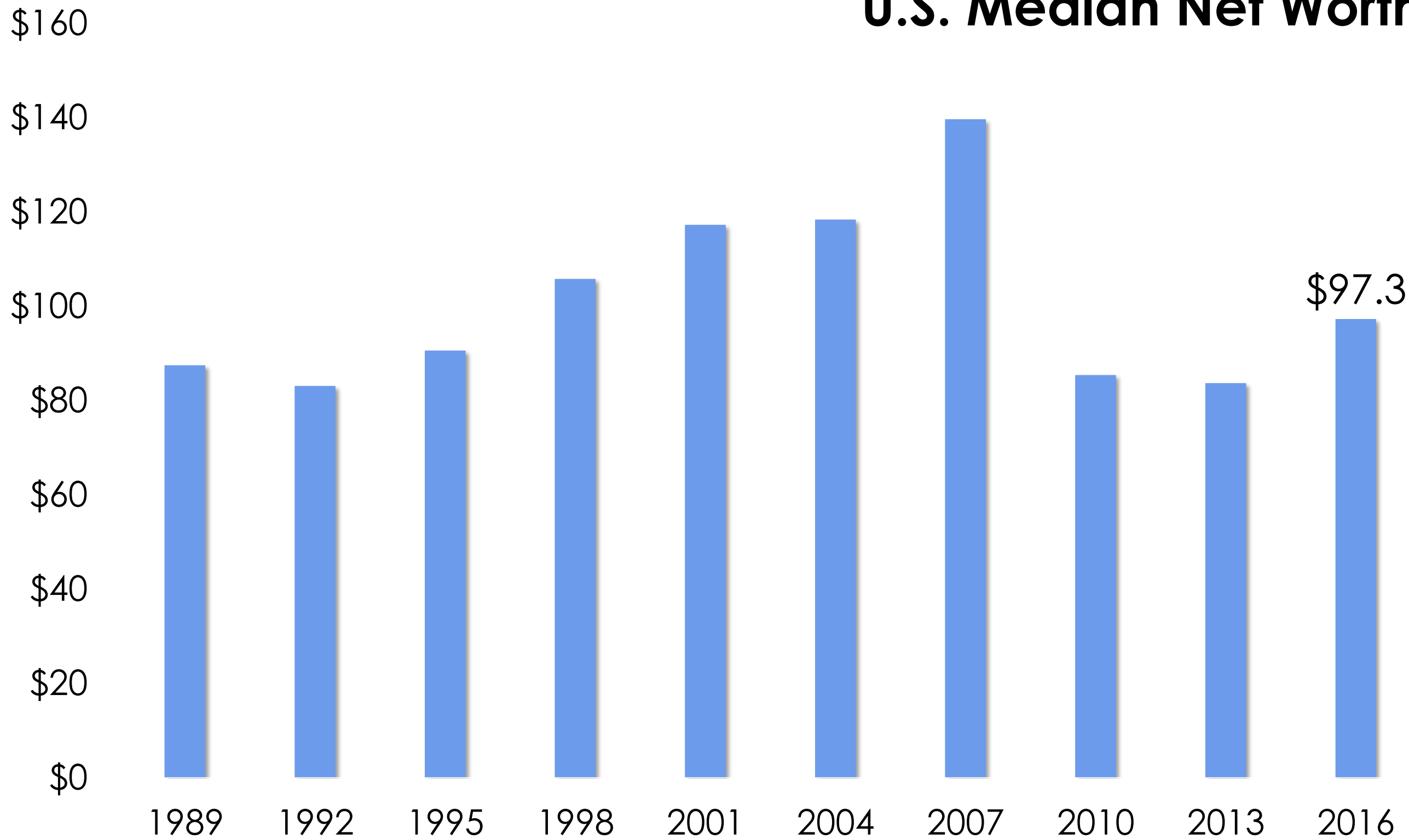
CA, March 2019 Sales: 397,210 Units, -8.2% YTD, -6.3% YTY



\*Sales are seasonally adjusted and annualized

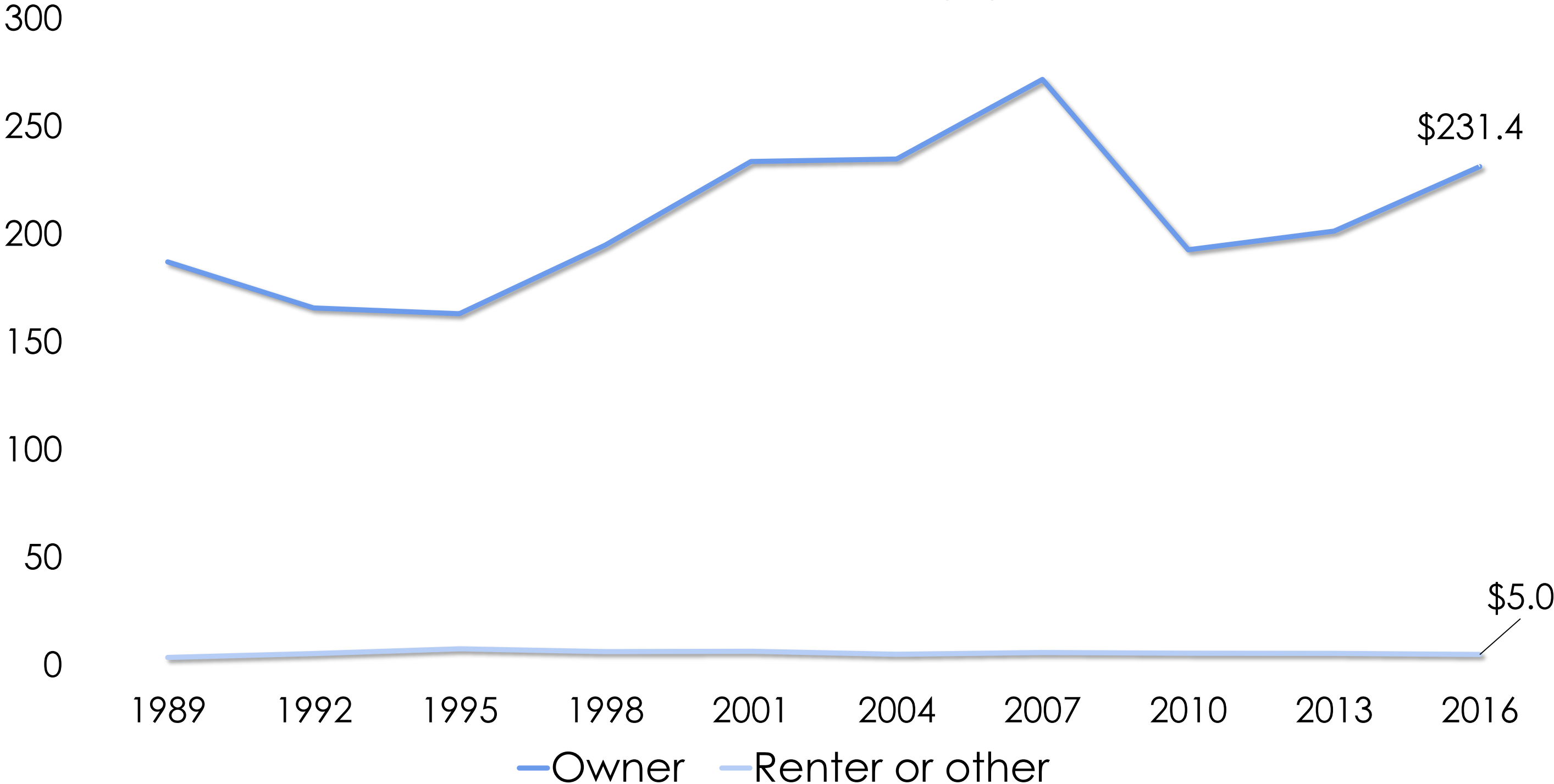
# #1: wealth creation

## U.S. Median Net Worth



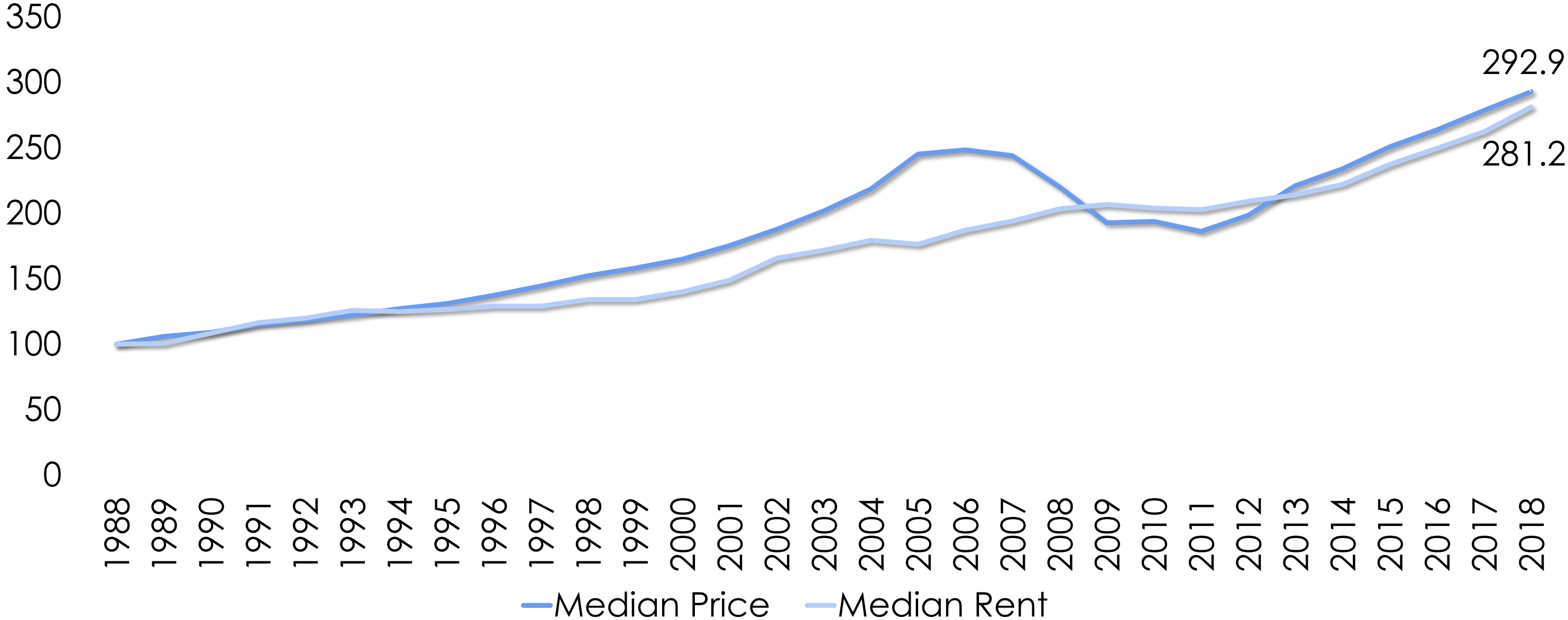
# #1: wealth creation

## U.S. Median Net Worth



# #2: hedge against inflation

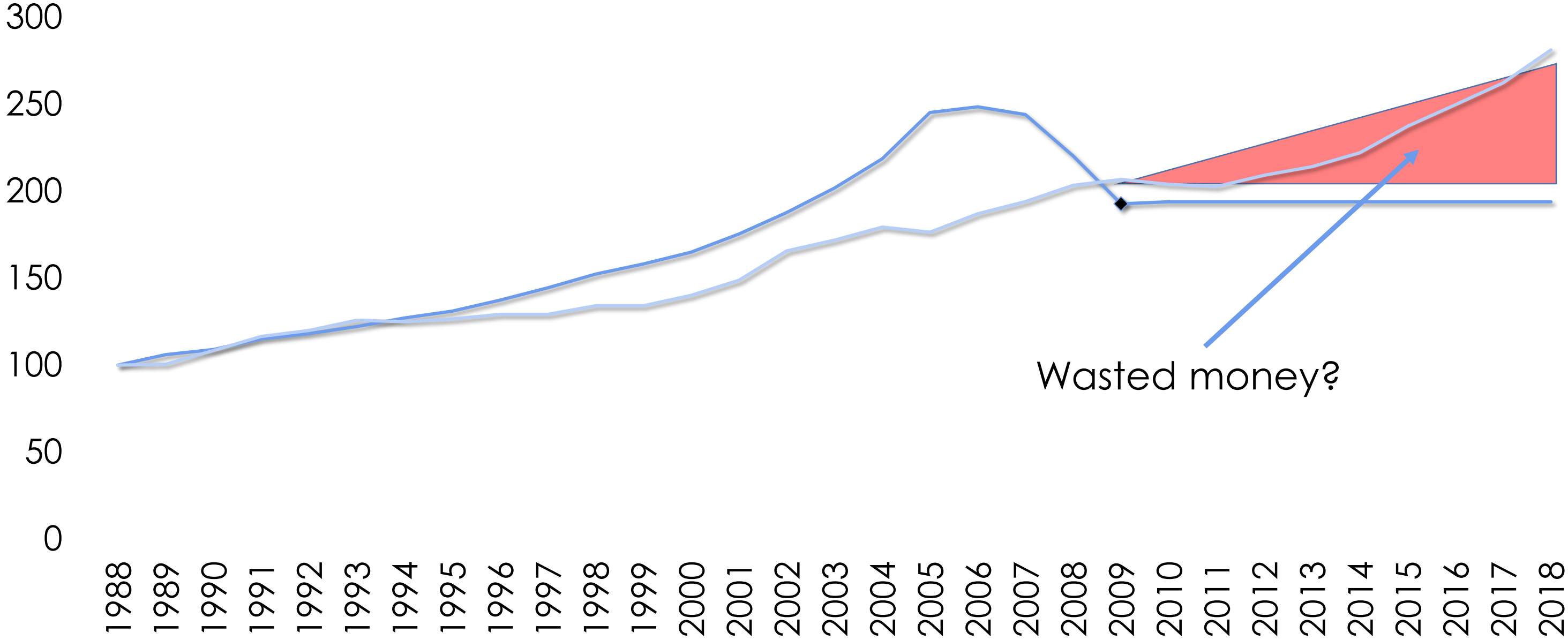
## U.S. Median Prices vs. Rents





# #2: hedge against inflation

## U.S. Median Prices vs. Rents



### #3: better individual outcomes

“Children of homeowners are significantly **more likely** to stay in school until age 17 than children of renters...”

- Journal of Urban Economics



## #3: better individual outcomes

“A safe, decent, affordable home is like a vaccine. It **literally** prevents disease.”

- Dr. Megan Sandel, Boston University School of Medicine

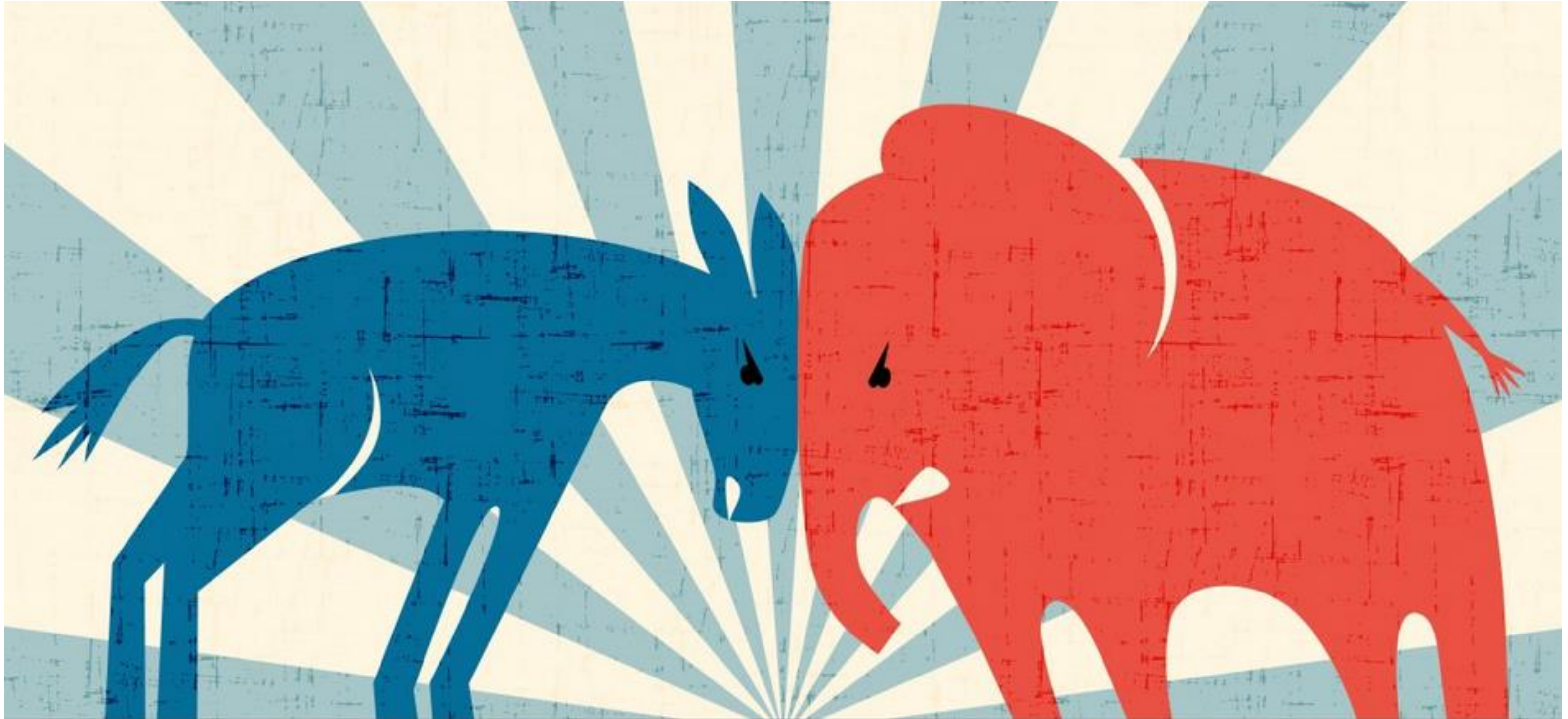


## #4: intergenerational transfers





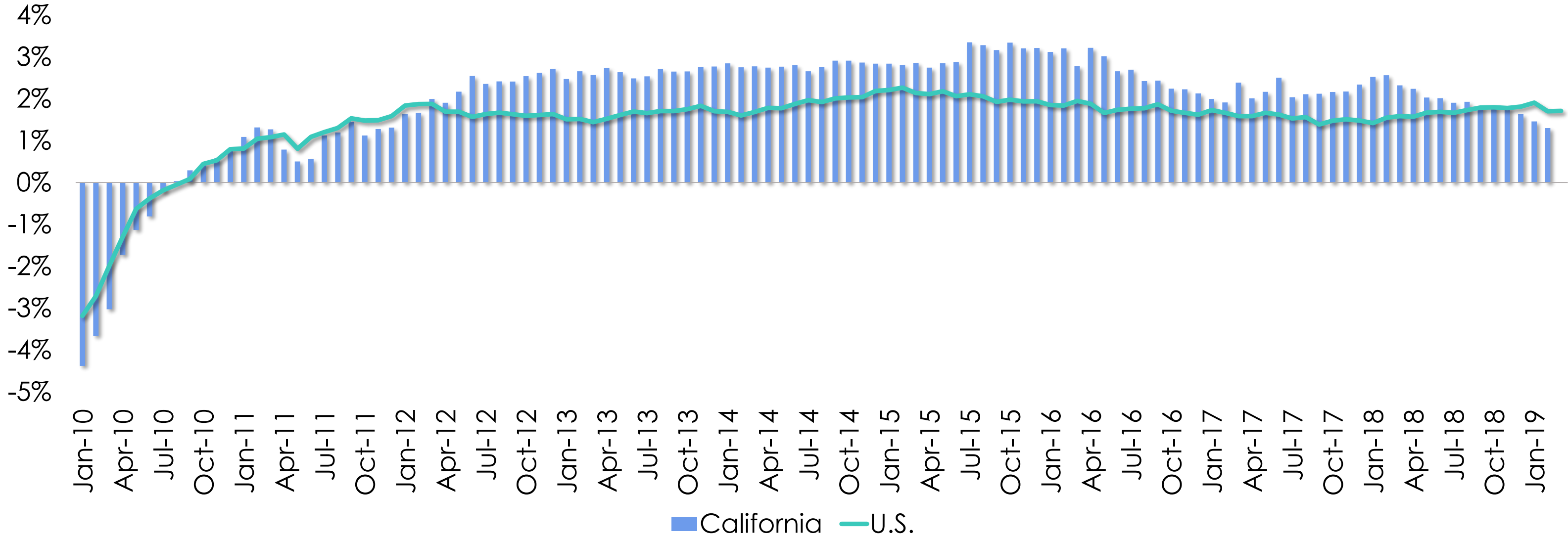
## #5: societal benefits





# #6: losing competitive edge? #affordability

CA vs. US Job Growth



## the **punchline**

“While studies simulating the financial returns to owning and renting find that renting is often more likely to be beneficial, in practice **renters rarely** accumulate any wealth.”

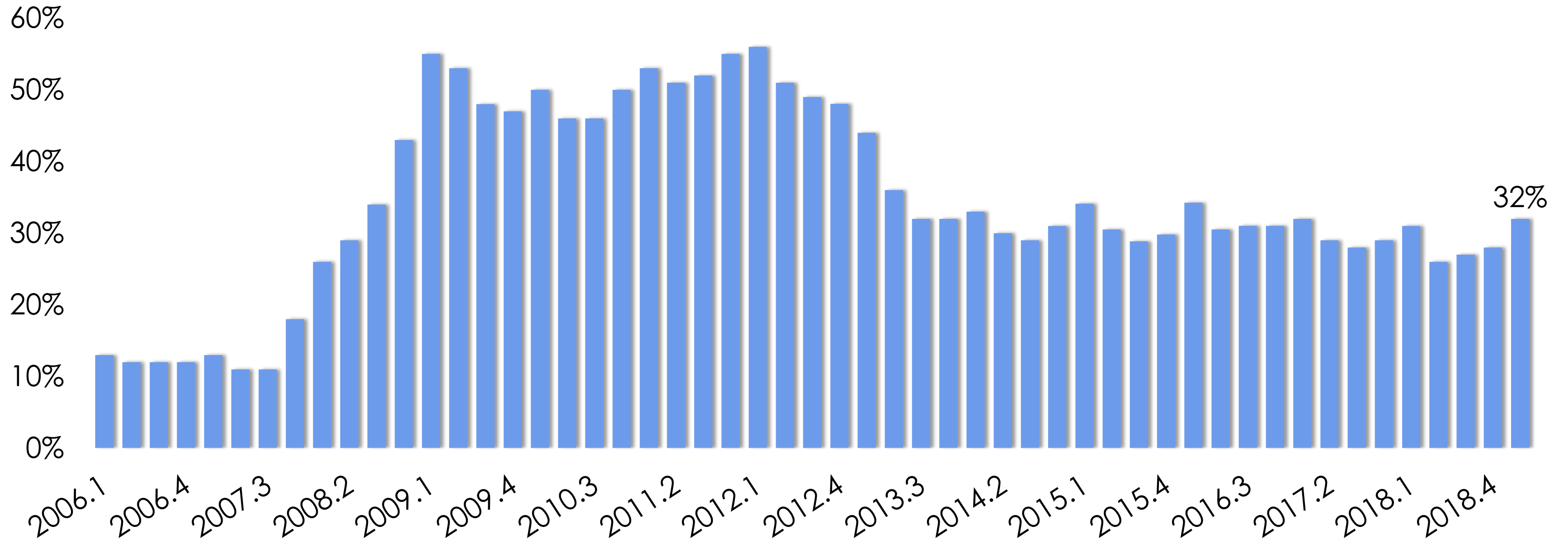
- Harvard Joint Center for Housing Studies, 2013



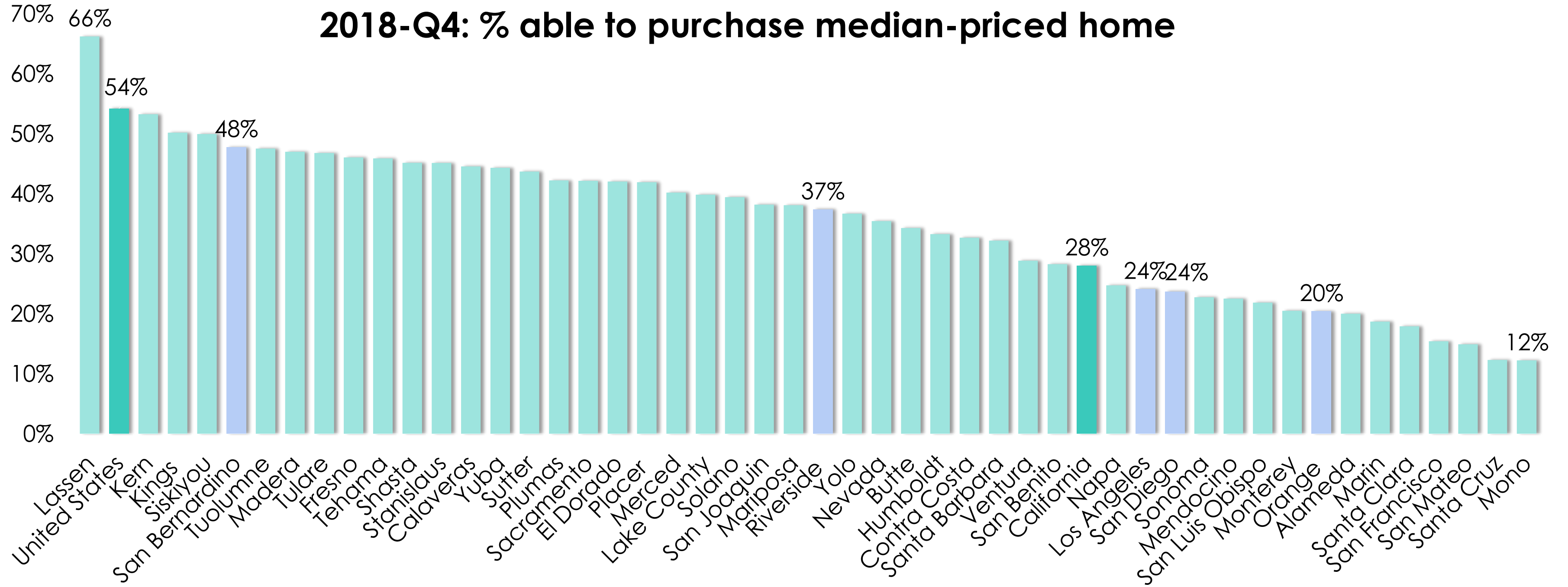
So, what's the **problem**?

# people are struggling with affordability

## California Housing Affordability Index



# housing affordability down all over



SERIES: Housing Affordability Index of Traditional Buyers  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

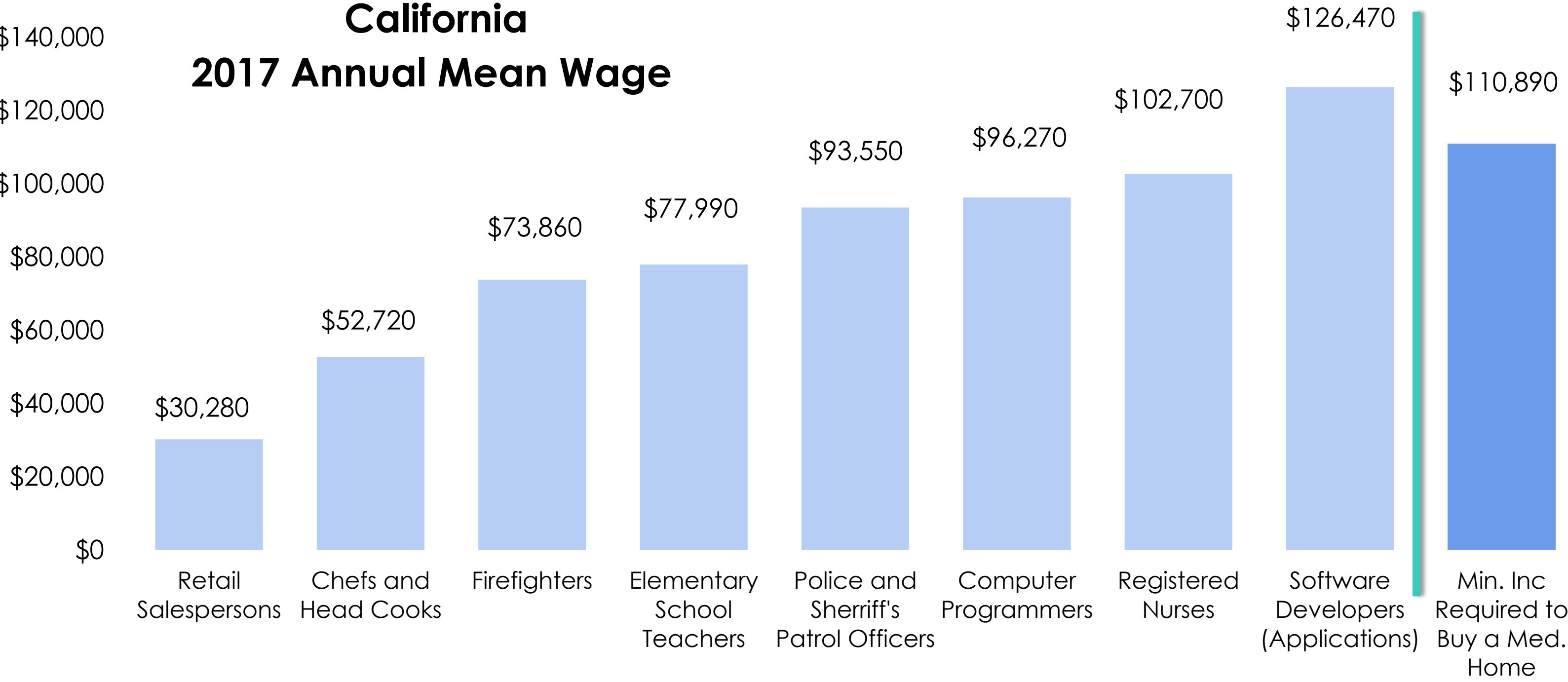


# lots more income required now

Region	2012 Q1	2019 Q1	% CHG
CA SFH	\$56,320	\$114,860	103.9%
CA Condo/Townhomes	\$44,440	\$94,690	113.1%
Los Angeles Metropolitan Area	\$53,780	\$107,110	99.2%
Inland Empire	\$35,170	\$76,810	118.4%
S.F. Bay Area	\$90,370	\$186,230	106.1%
US	\$32,000	\$53,620	67.6%



# wages rarely stack up against prices

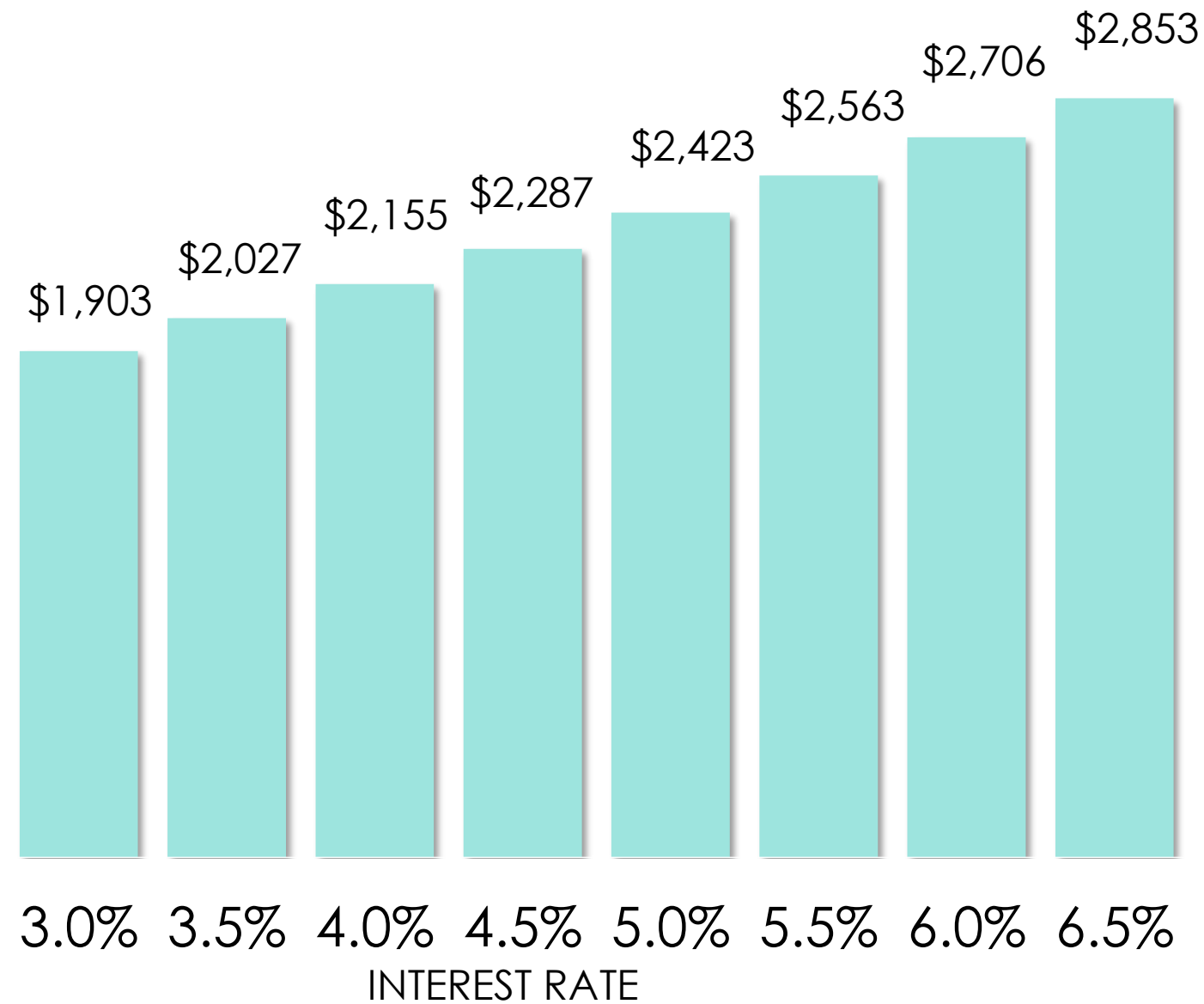


# higher rates compound the issue

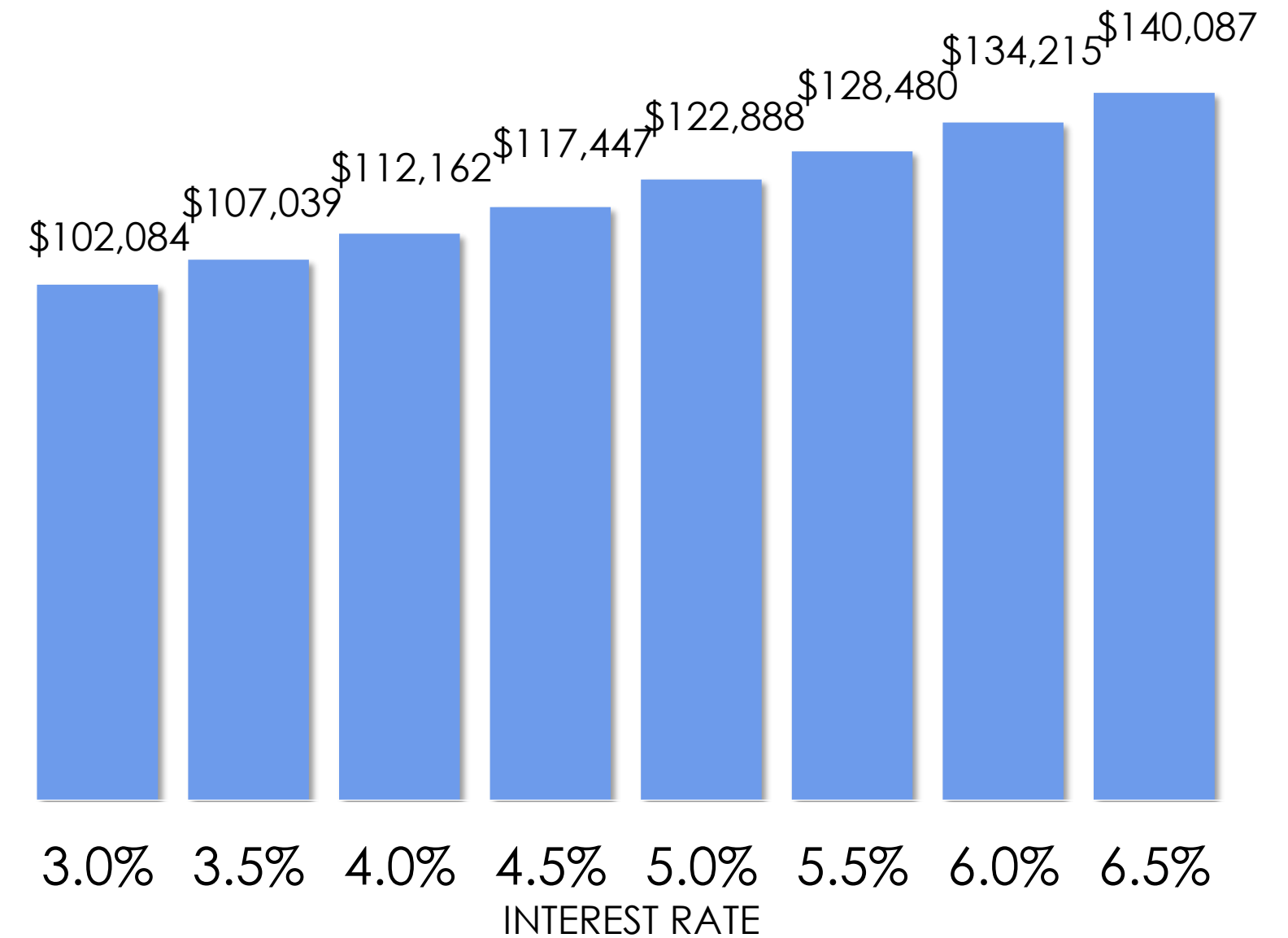
Q4-2018 Median Price \$564,270

20% Downpayment

MONTHLY MORTGAGE

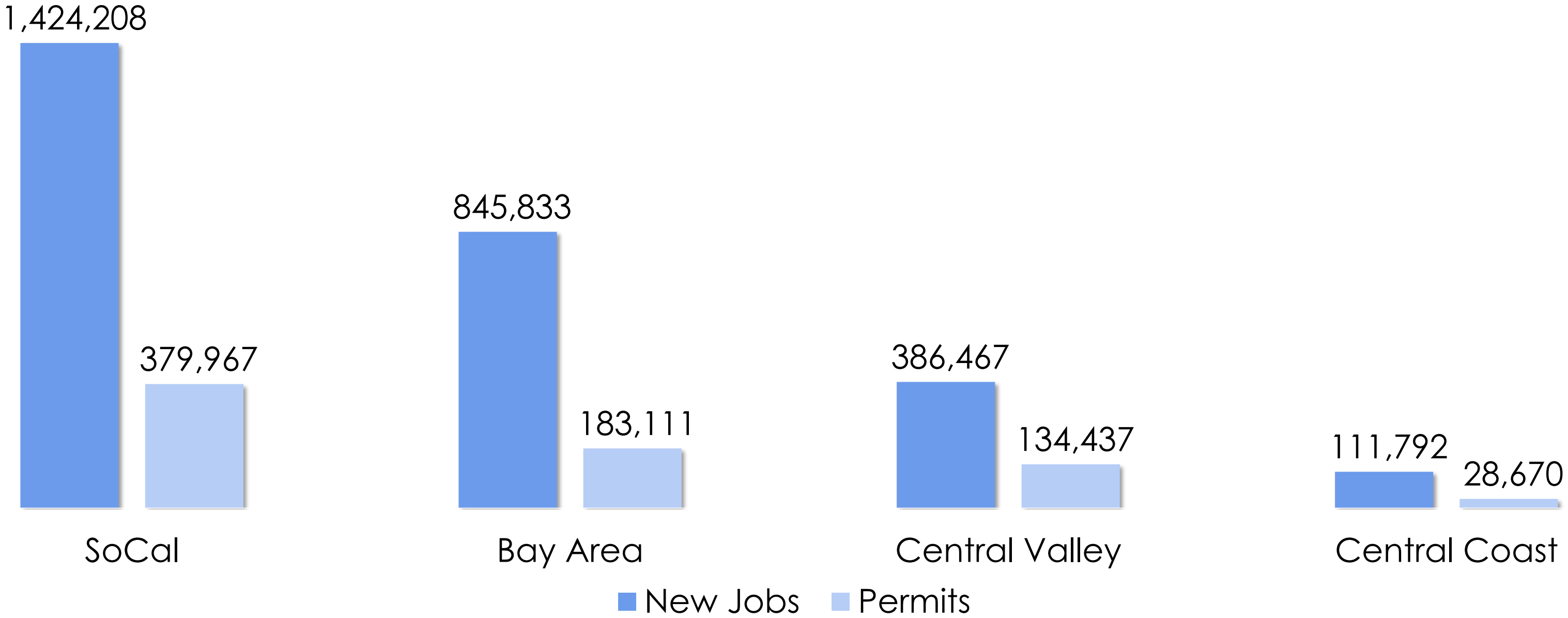


Minimum Qualifying Income



mostly a supply problem

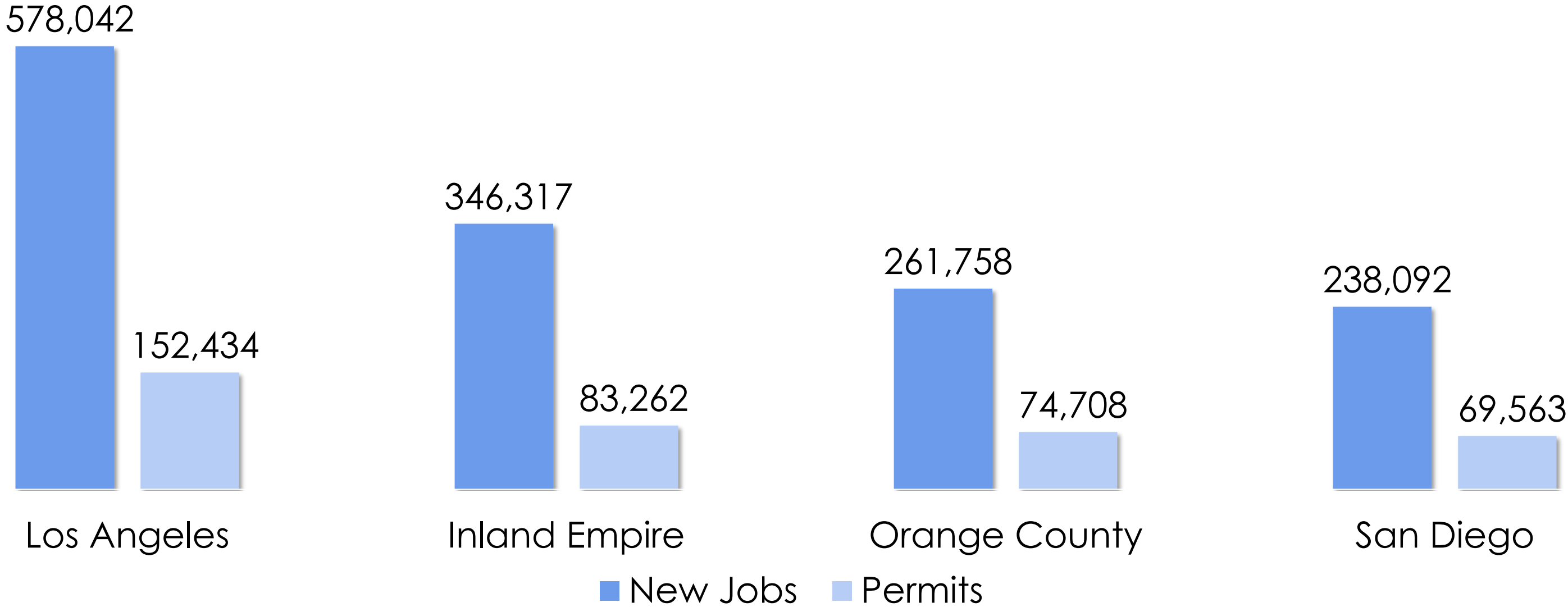
### California New Jobs vs. New Construction 2010-2018



SERIES: Nonfarm Job Growth & New Housing Permits  
SOURCE: CA EDD, Construction Industry Research Board

mostly a supply problem

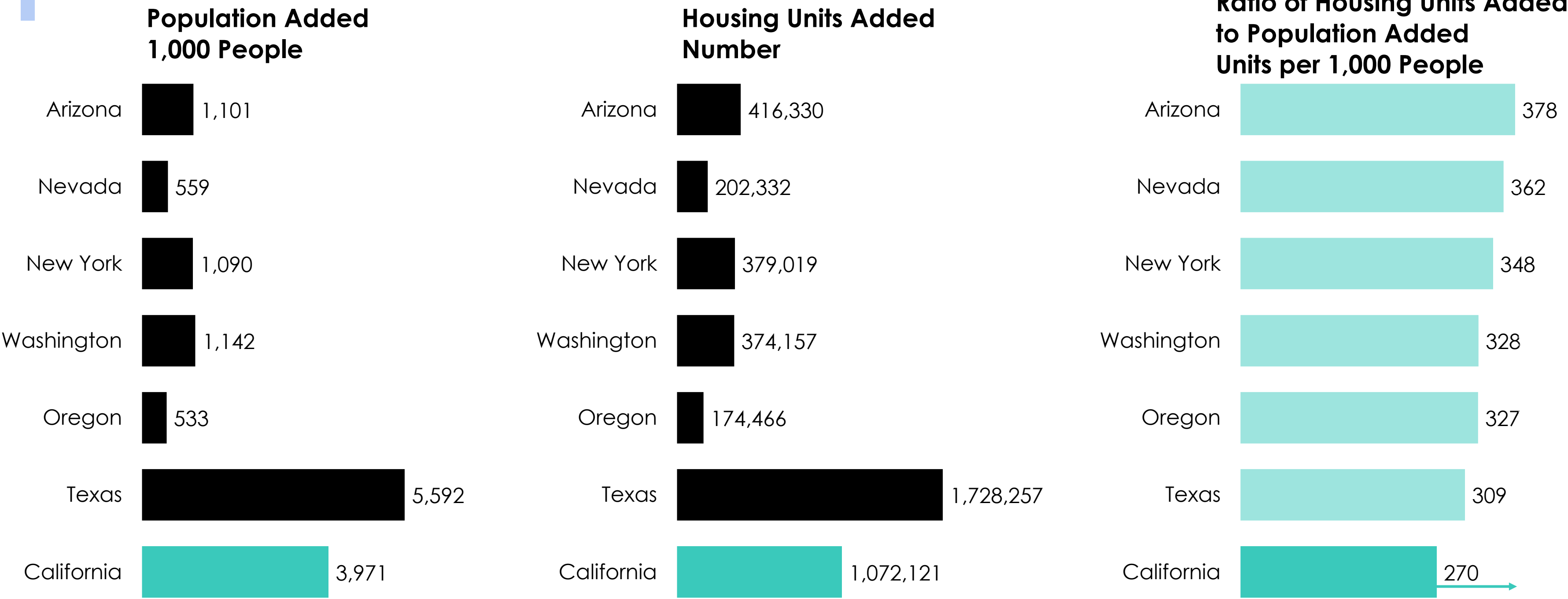
### Southern California New Jobs vs. New Construction 2010-2018



SERIES: Nonfarm Job Growth & New Housing Permits  
SOURCE: CA EDD, Construction Industry Research Board



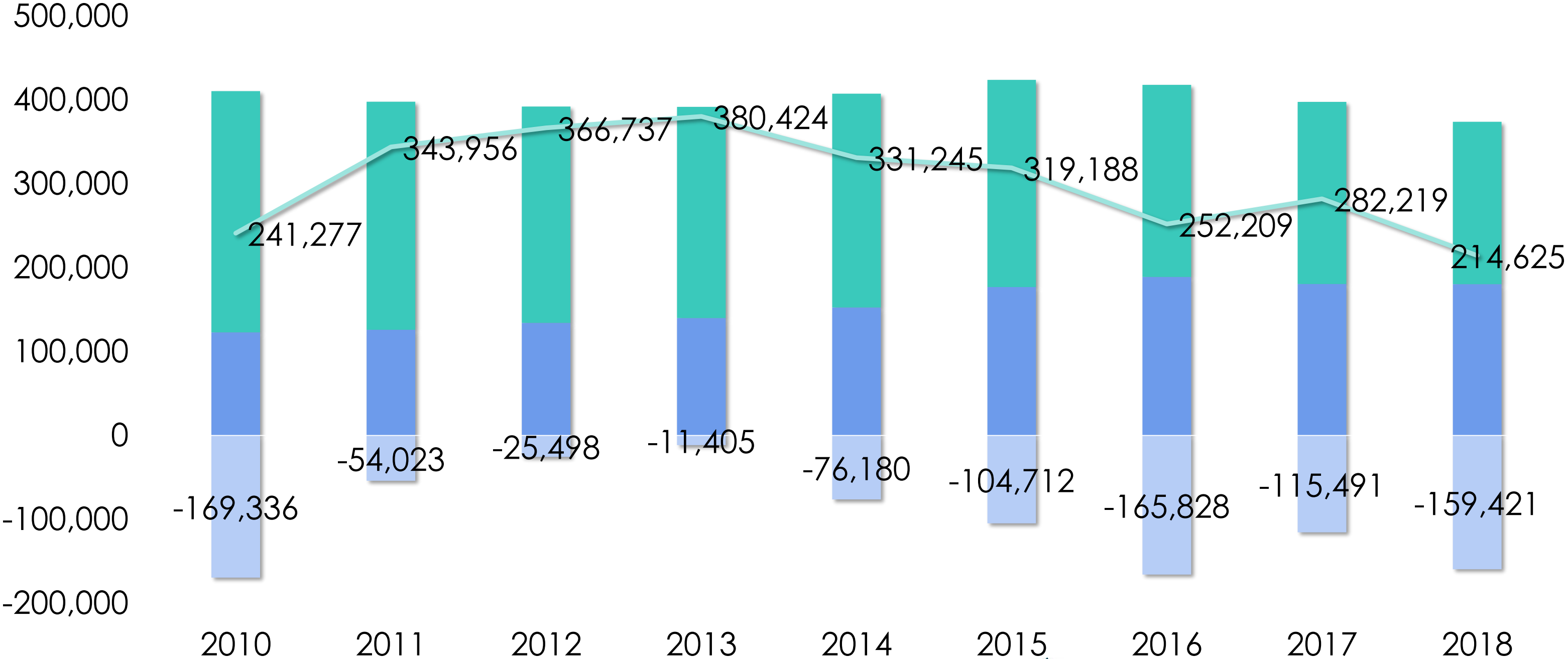
# less housing per capita than others



# that's the giant sucking sound we hear

## California Population Growth

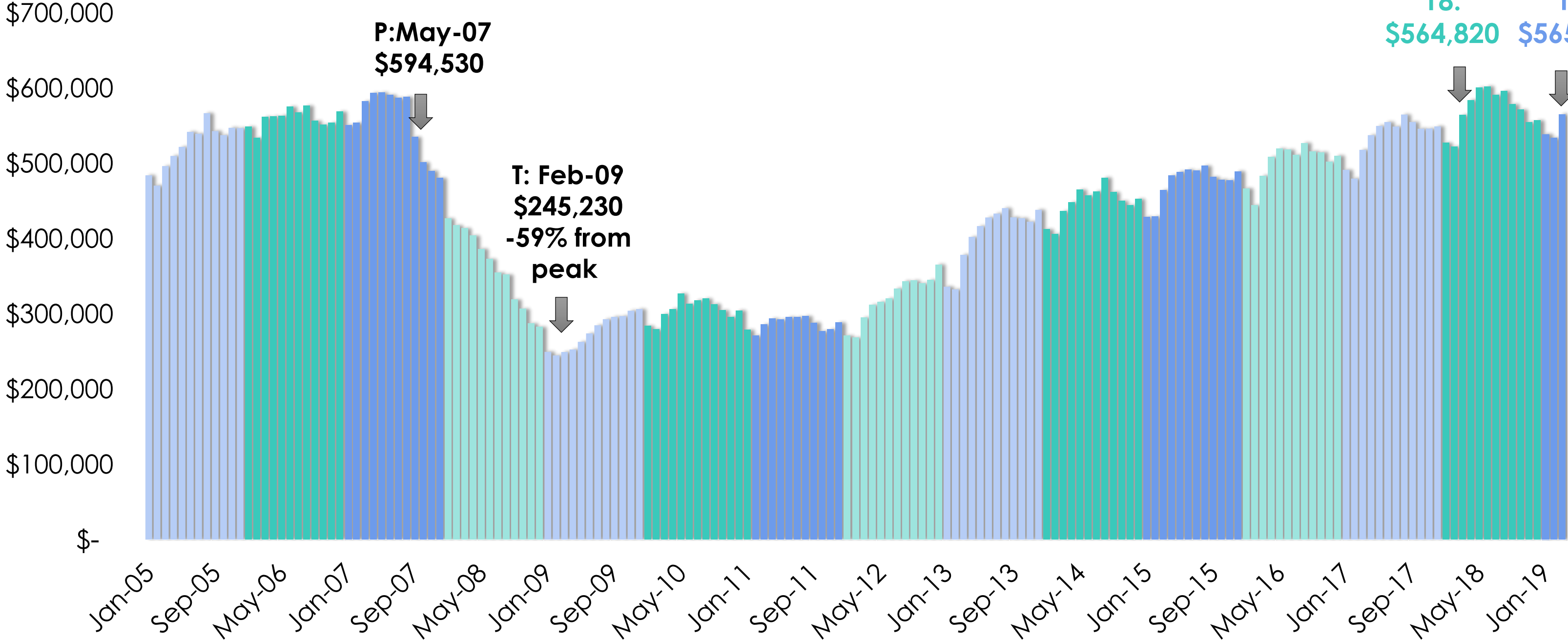
■ Immigration   ■ Out-Migration   ■ Babies   — Total Population



# home prices: back to pre-recession peak

CA, March 2019: \$565,880, 5.9% MTM, +0.2% YTY

March-18: \$564,820  
March-19: \$565,880

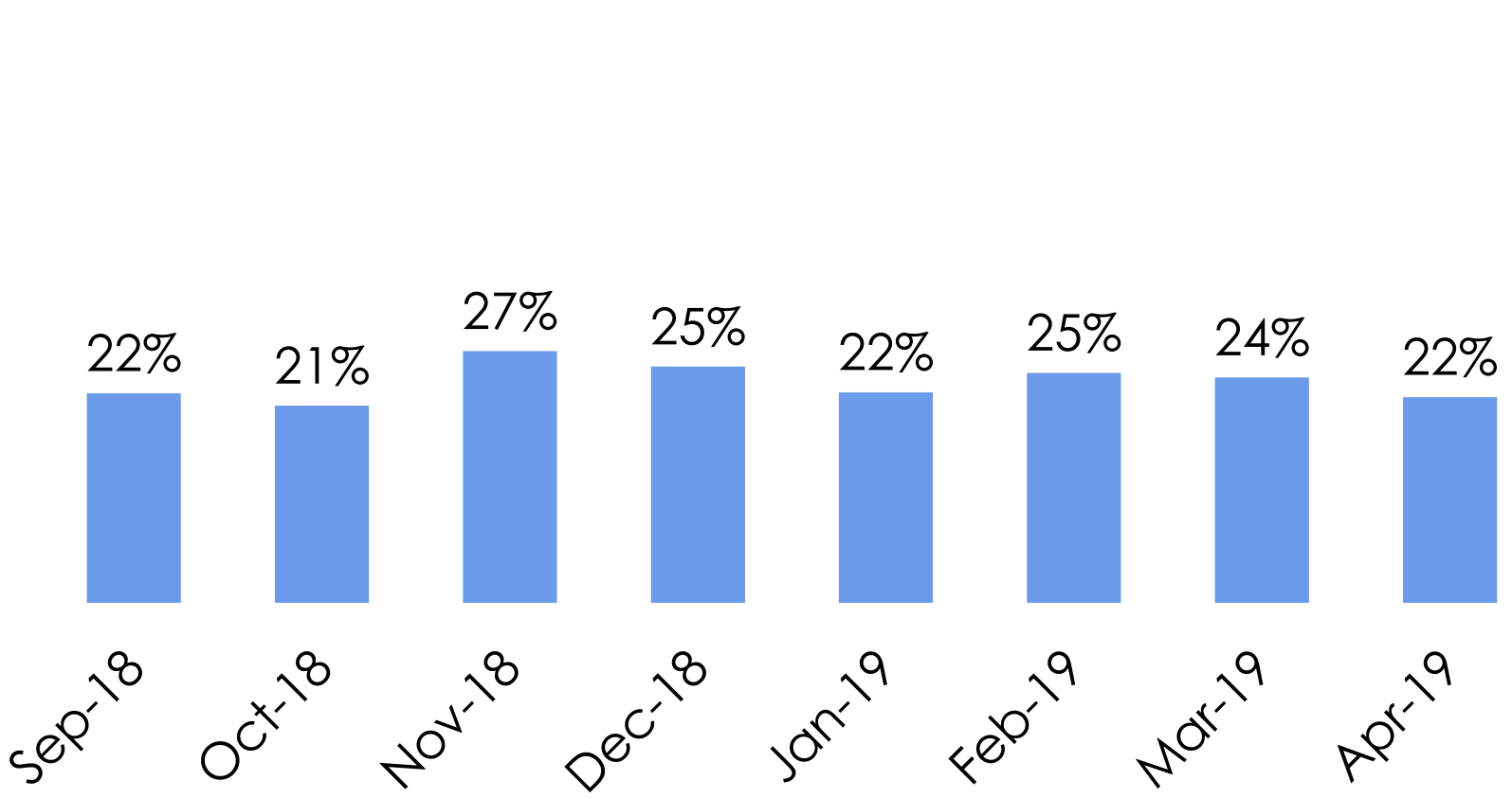


SERIES: Median Price of Existing Single Family Homes  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

# which brings us to the cyclical aspect

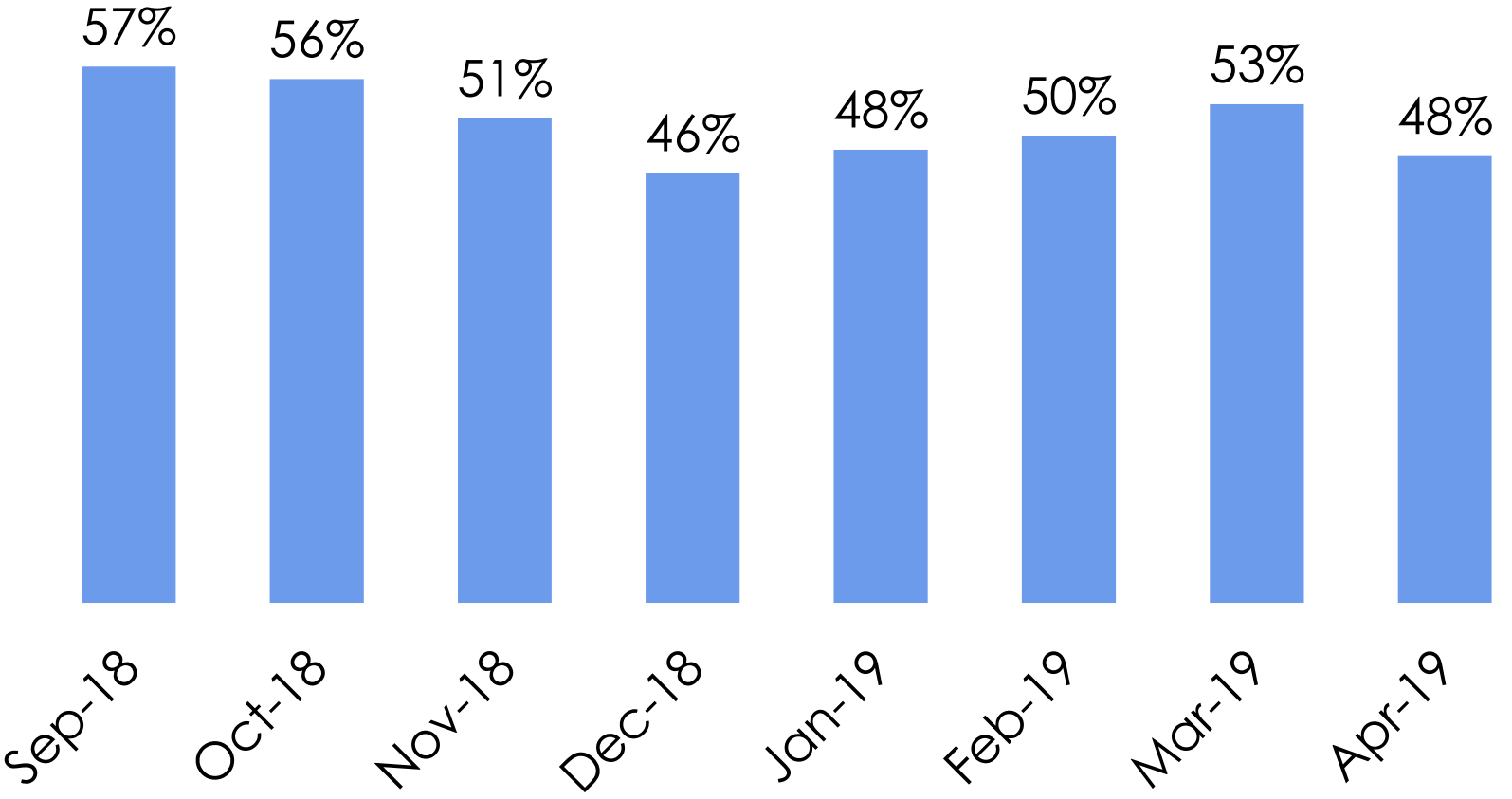
Do you think it's a good time to **buy** a home in California?

N=300



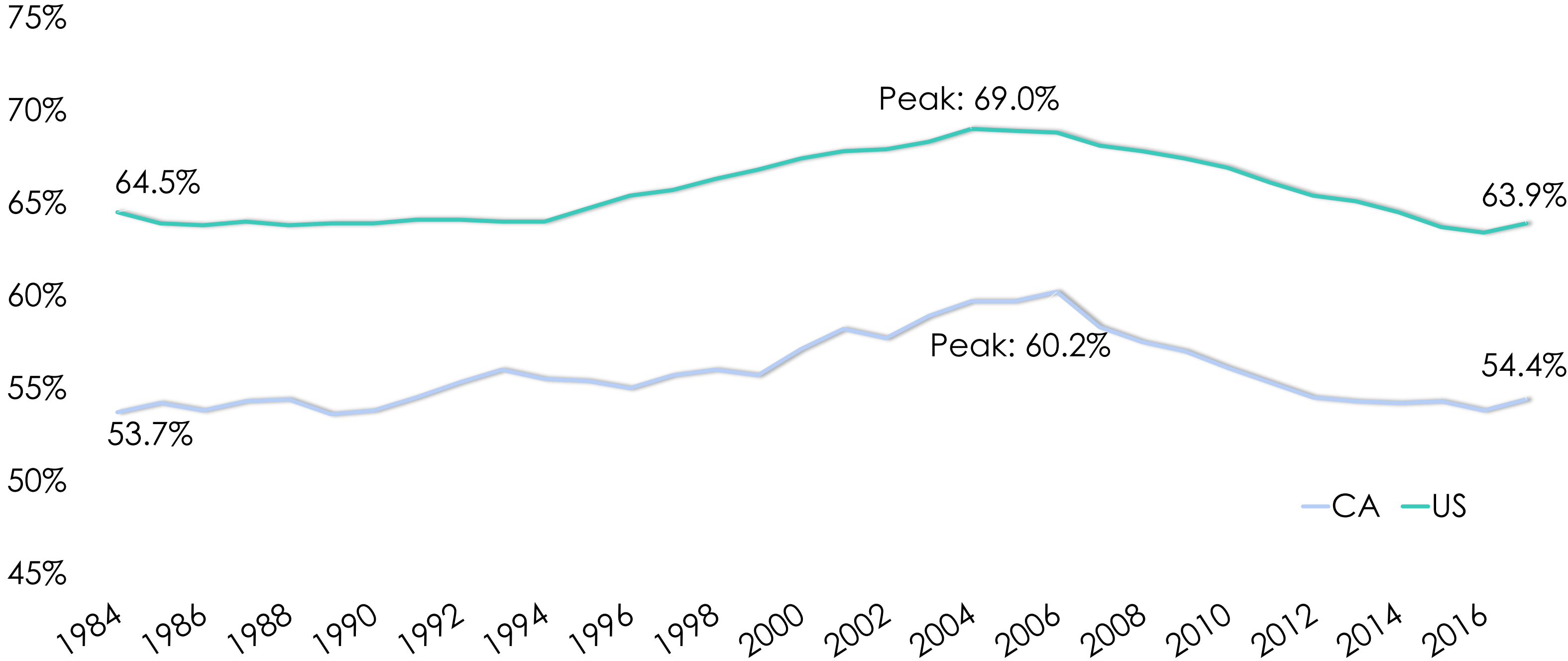
Do you think it's a good time to **sell** a home in California?

N=300



# the homeownership gap

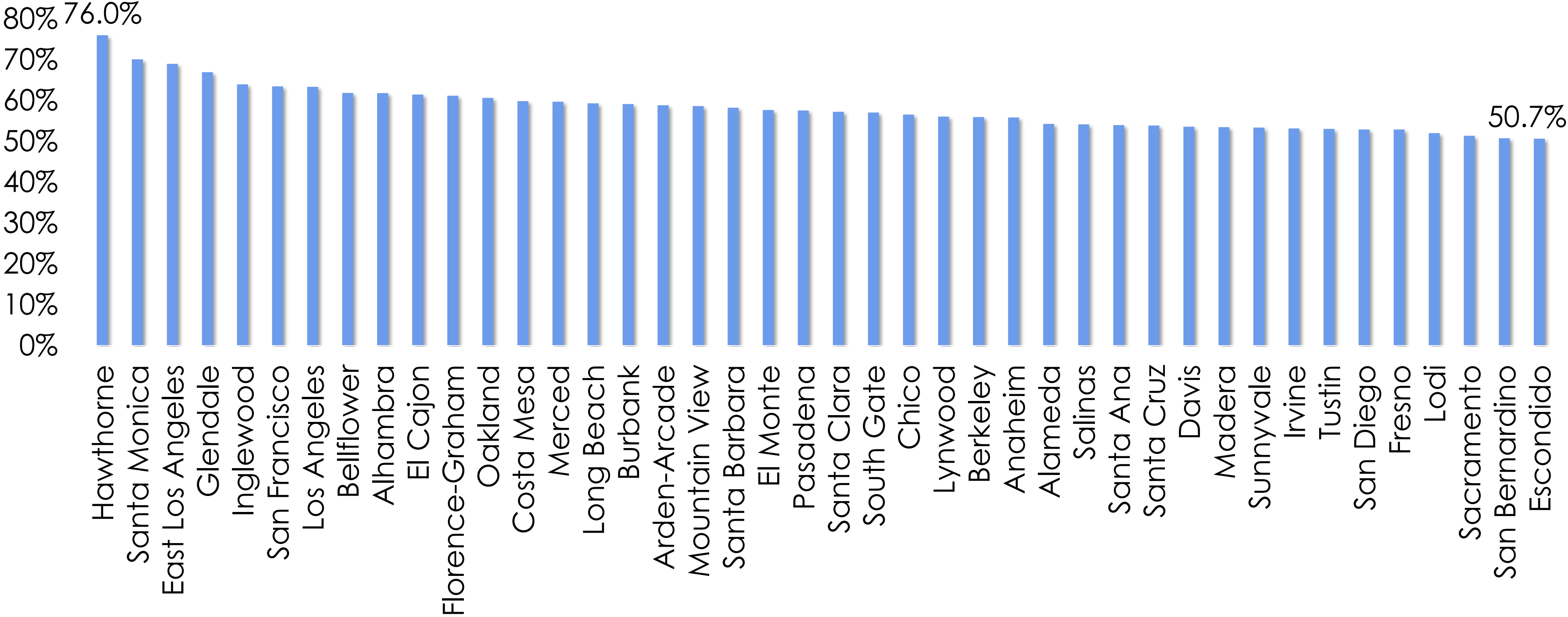
“The Gap”: 3.5% in 1960 9.5% in 2017





# lots of majority renter cities already

2017 California Renter Rate by City

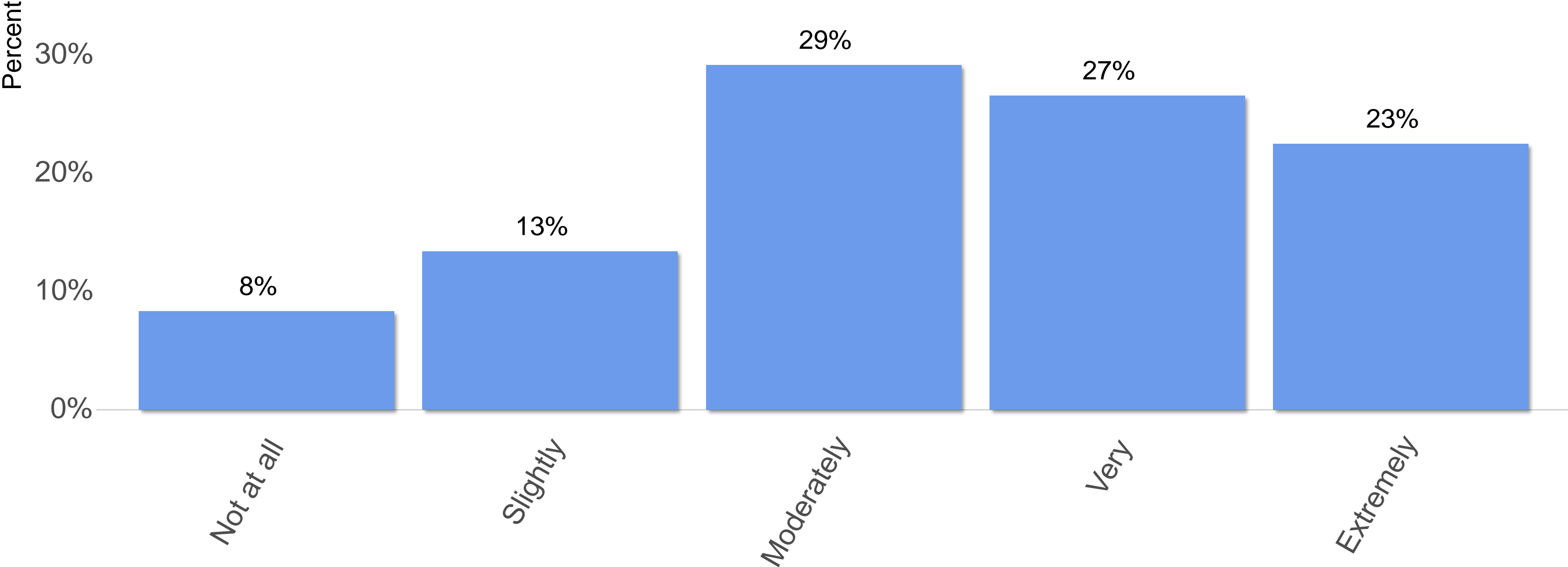


Is there **ANY**  
good news?

# homeownership *still aspirational*

How important is homeownership to you?

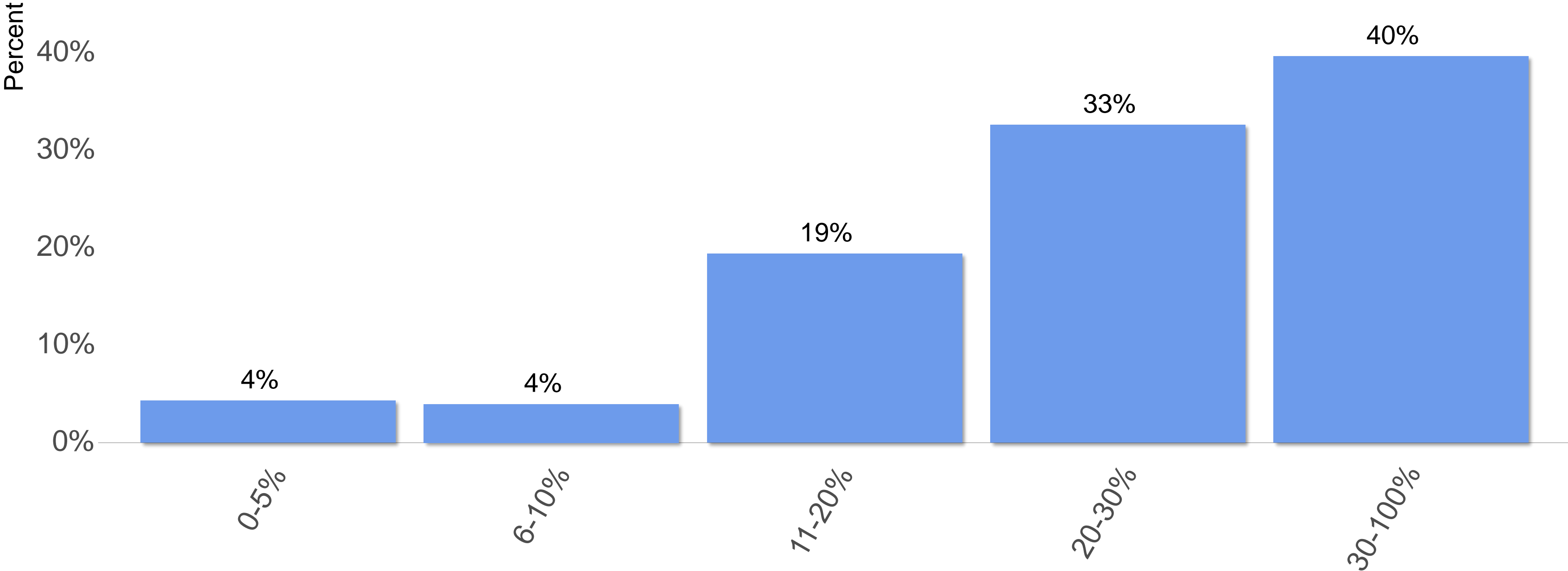
n: 1663



# vastly over estimate downpayment

How much downpayment is required to purchase a home?

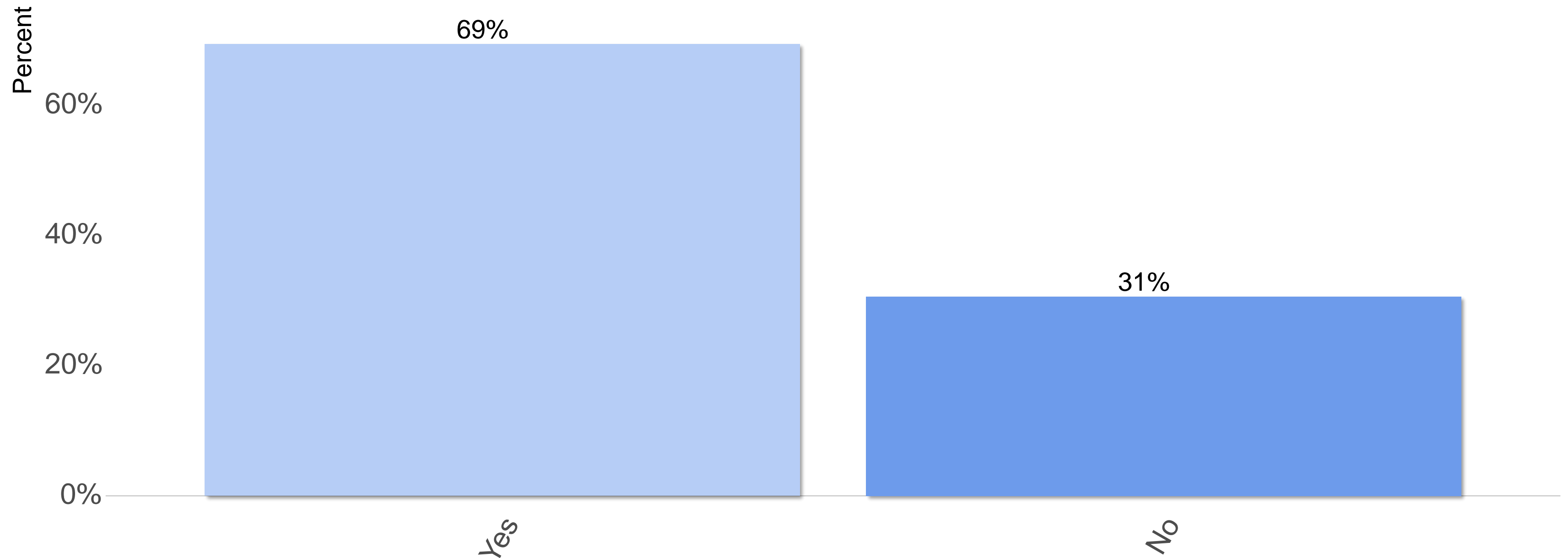
n: 1681



# most renters would buy with little down

If you could qualify for a mortgage with a much lower down-payment would you buy?

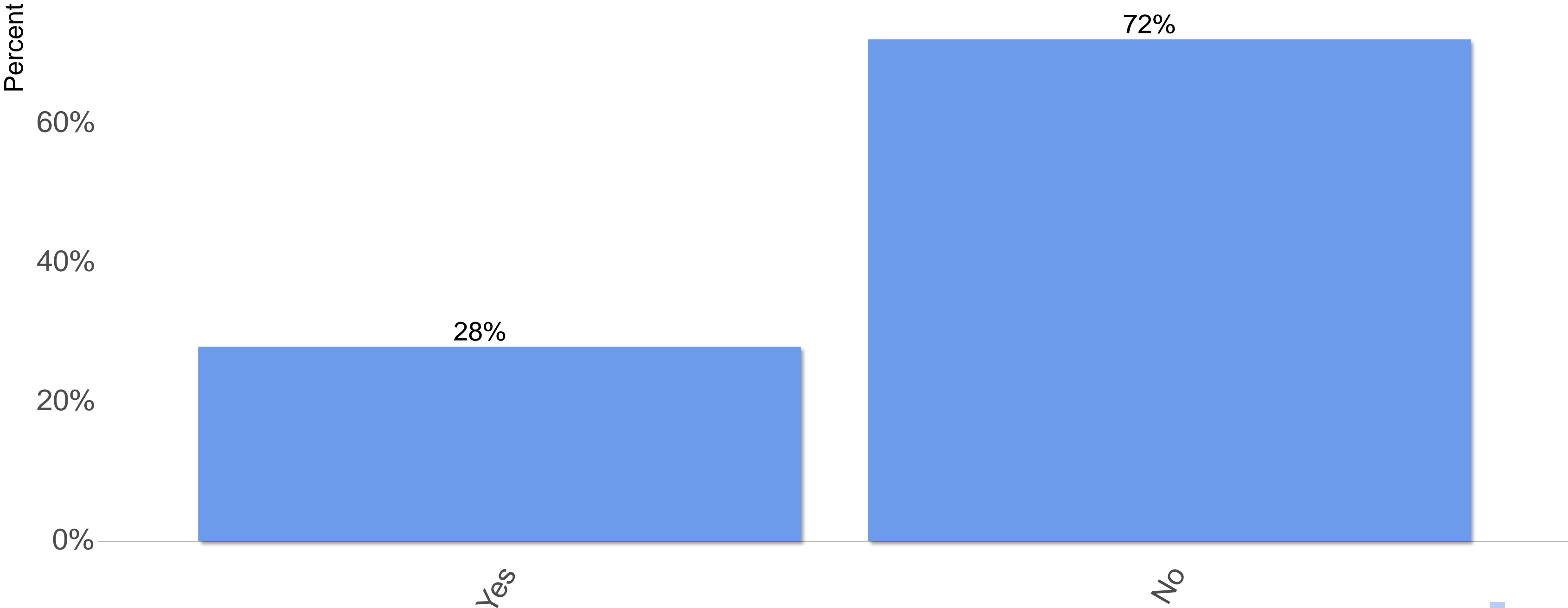
n: 1716



# only 30% know of low-down loans

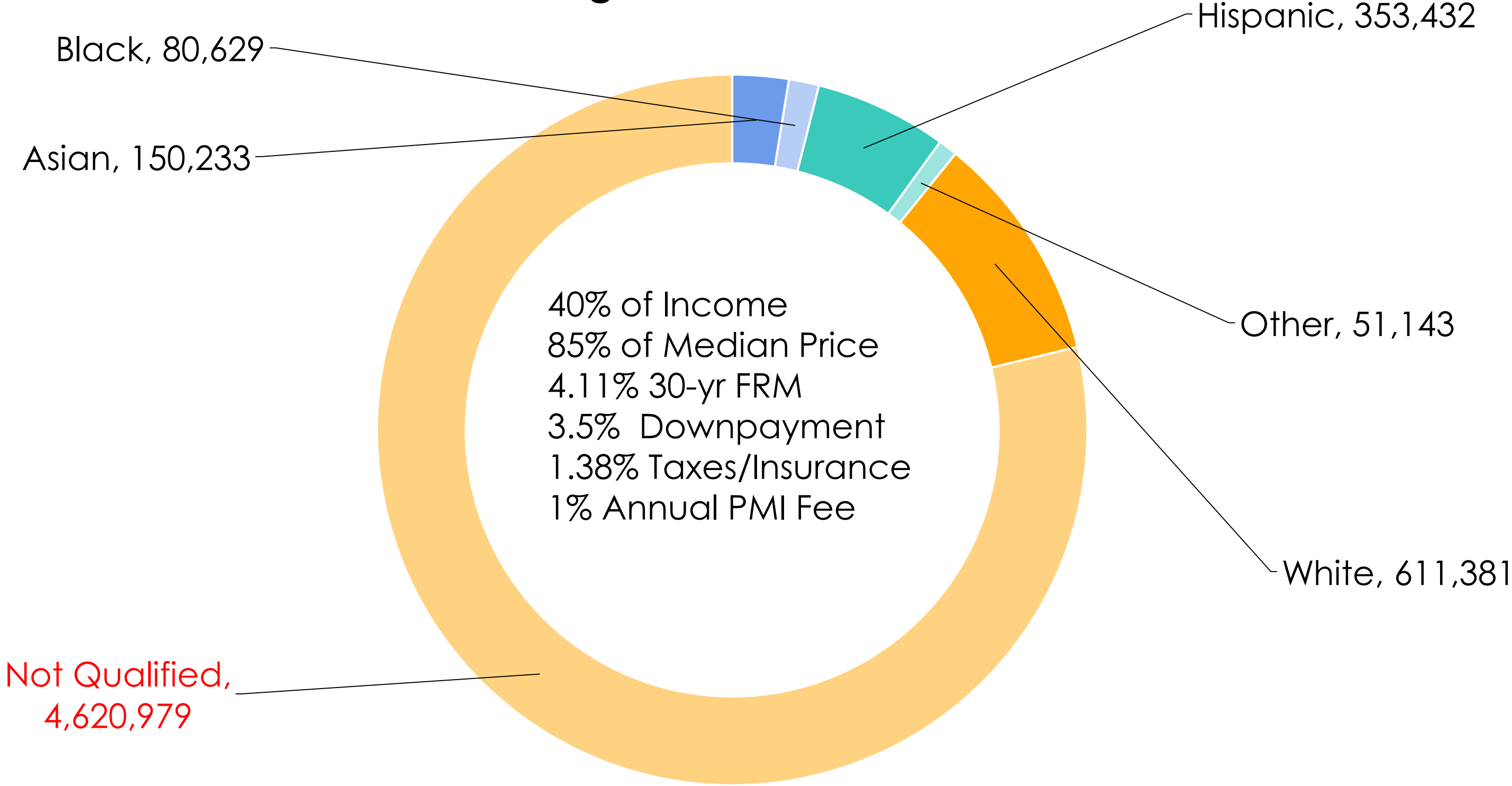
Are you aware of (FHA) backed loans that require only a 3.5% downpayment

n: 1716



# lots of potentially eligible renters

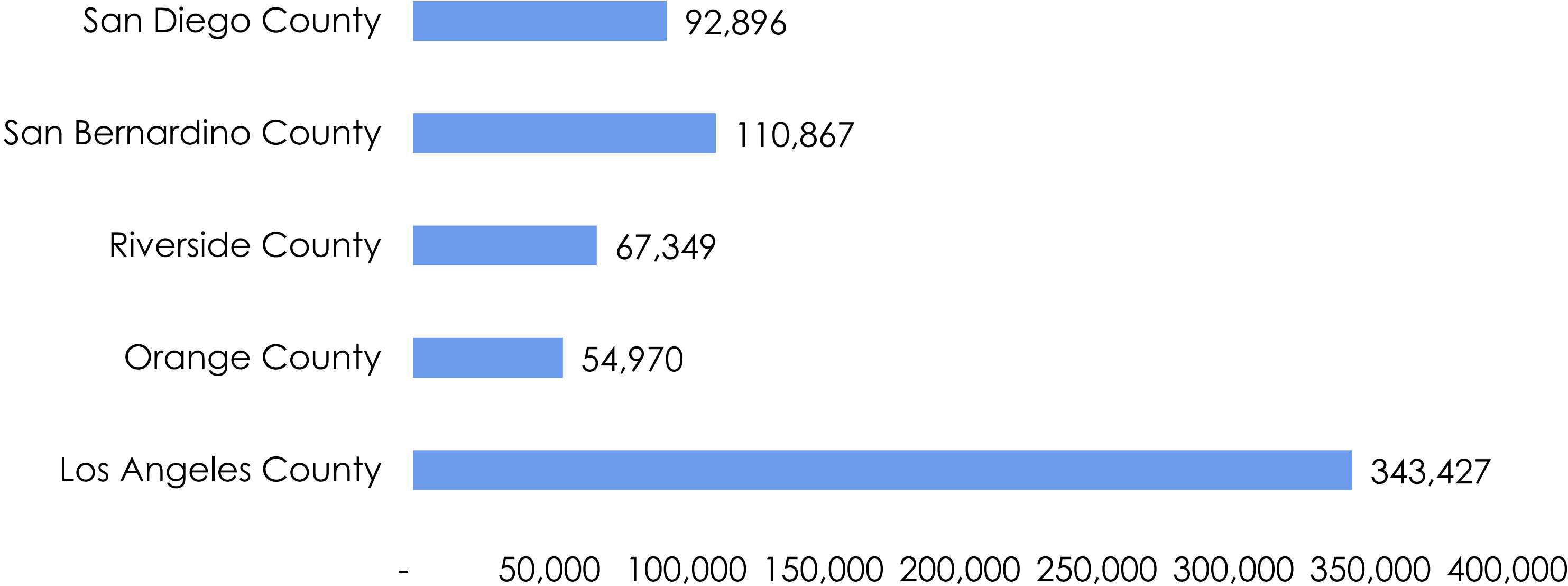
## Income-Eligible Renters in California





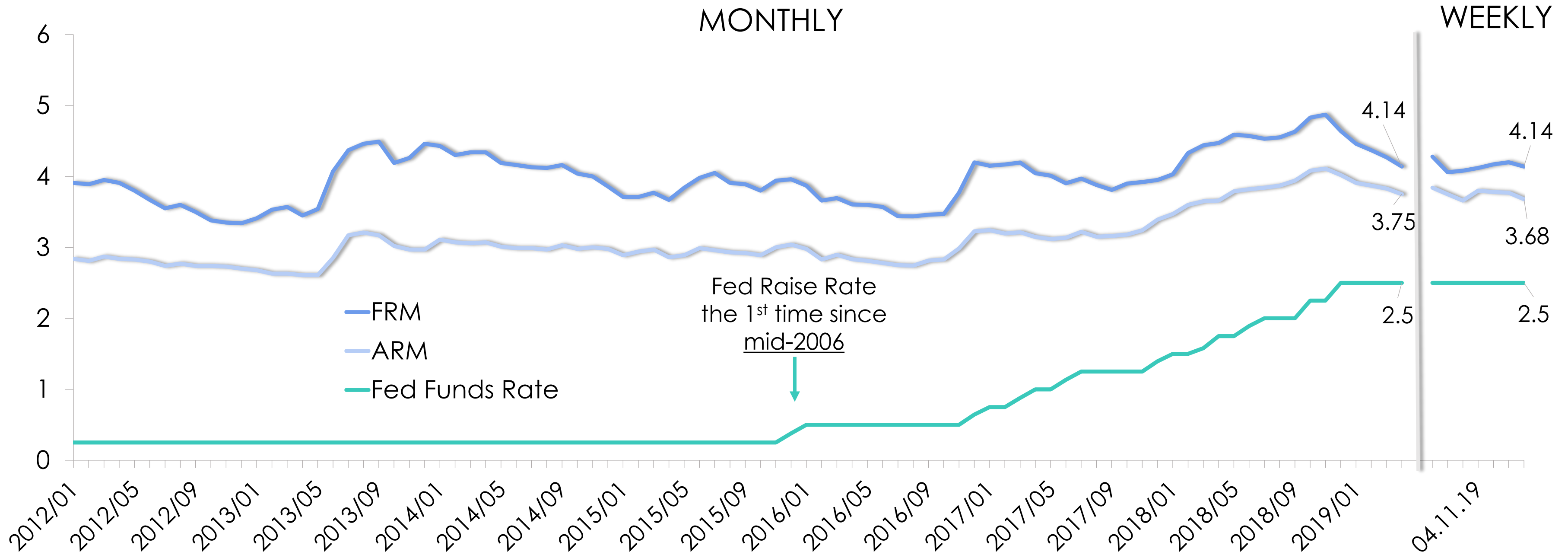
# lots of opportunity while we address structural issues

## Income-Eligible Renters in Southern California



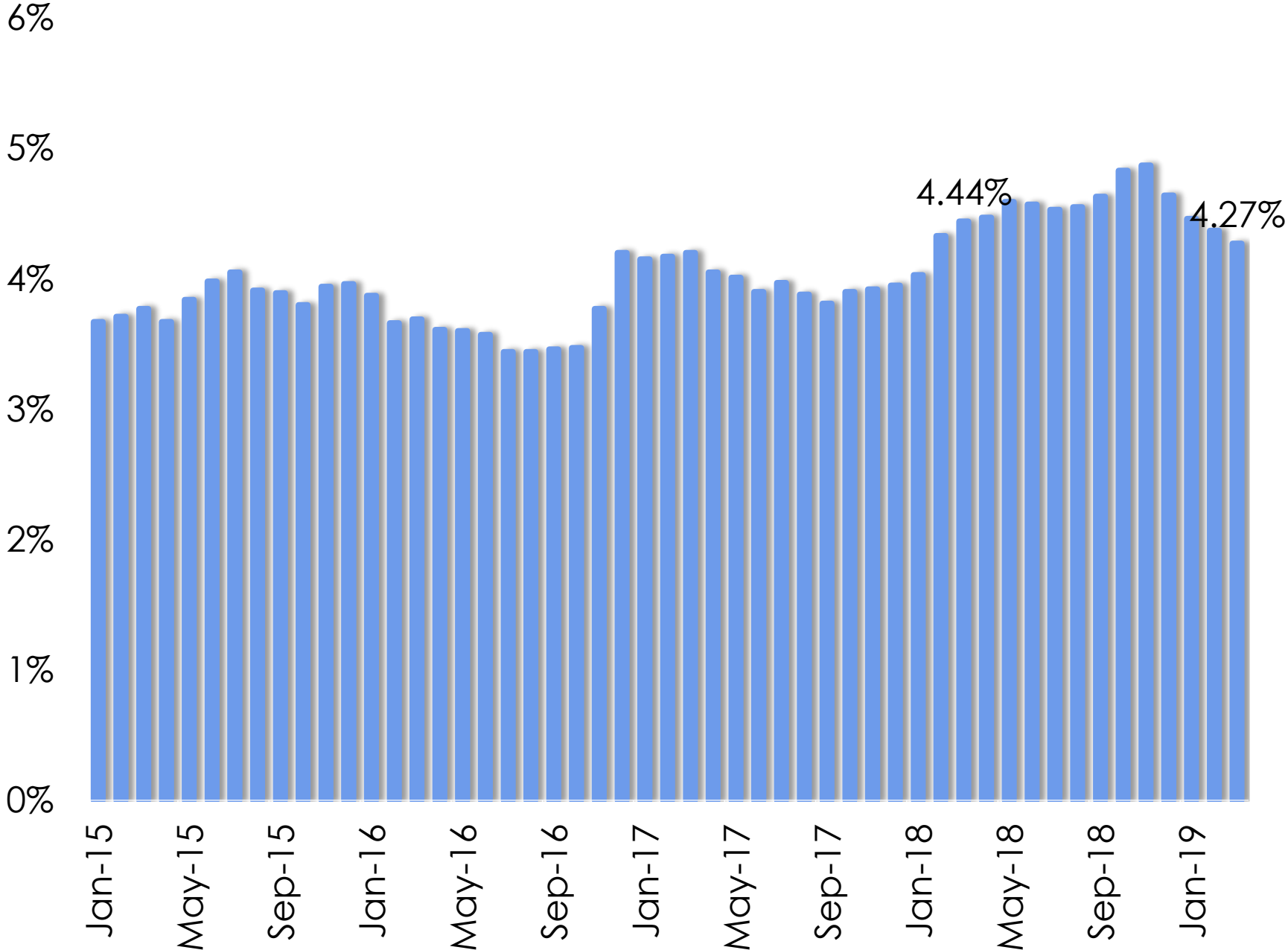
# Fed has raised rates 9x since Dec 2015

January 2012 – May 2019

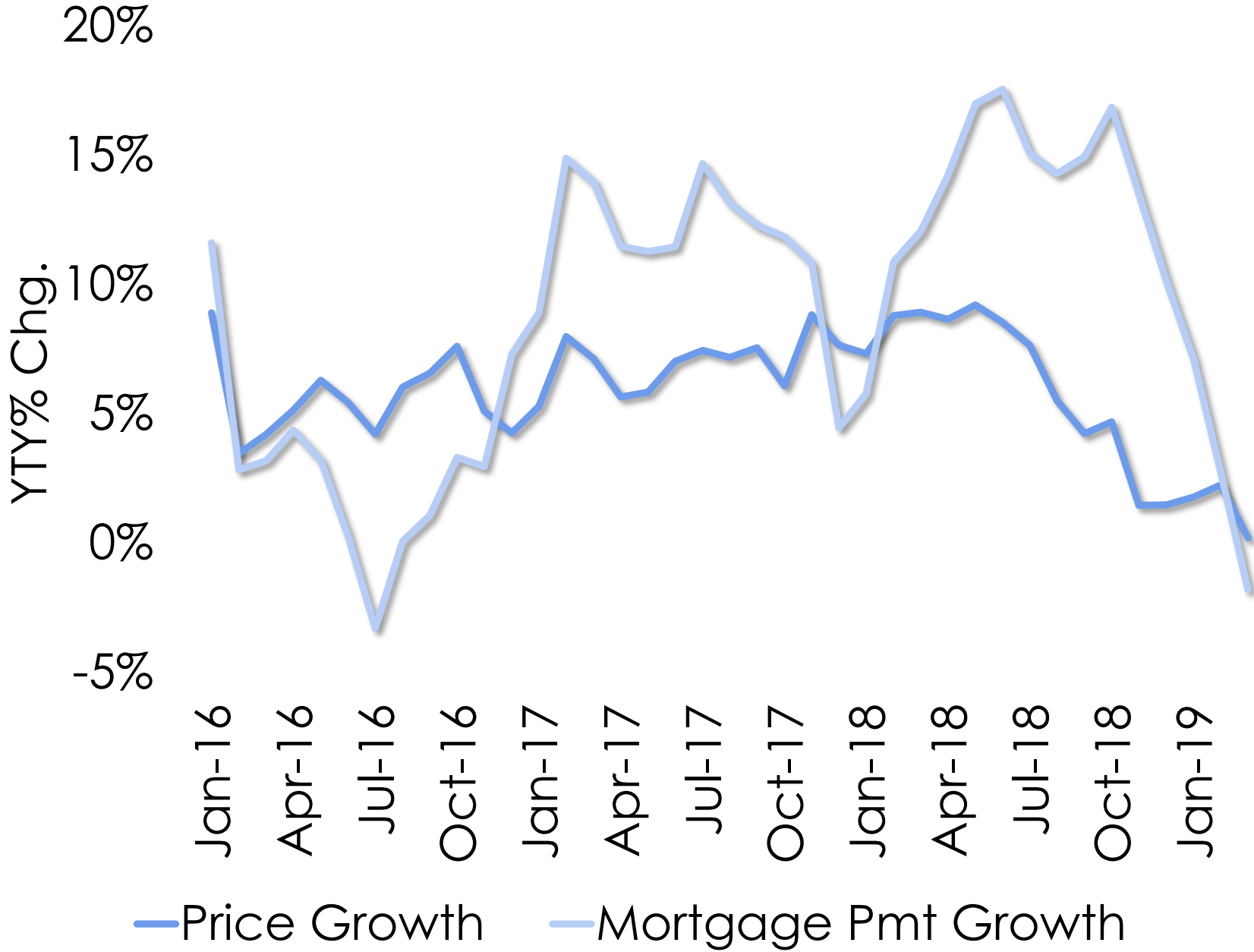


# interest rates are helping!

30 Yr. FRM



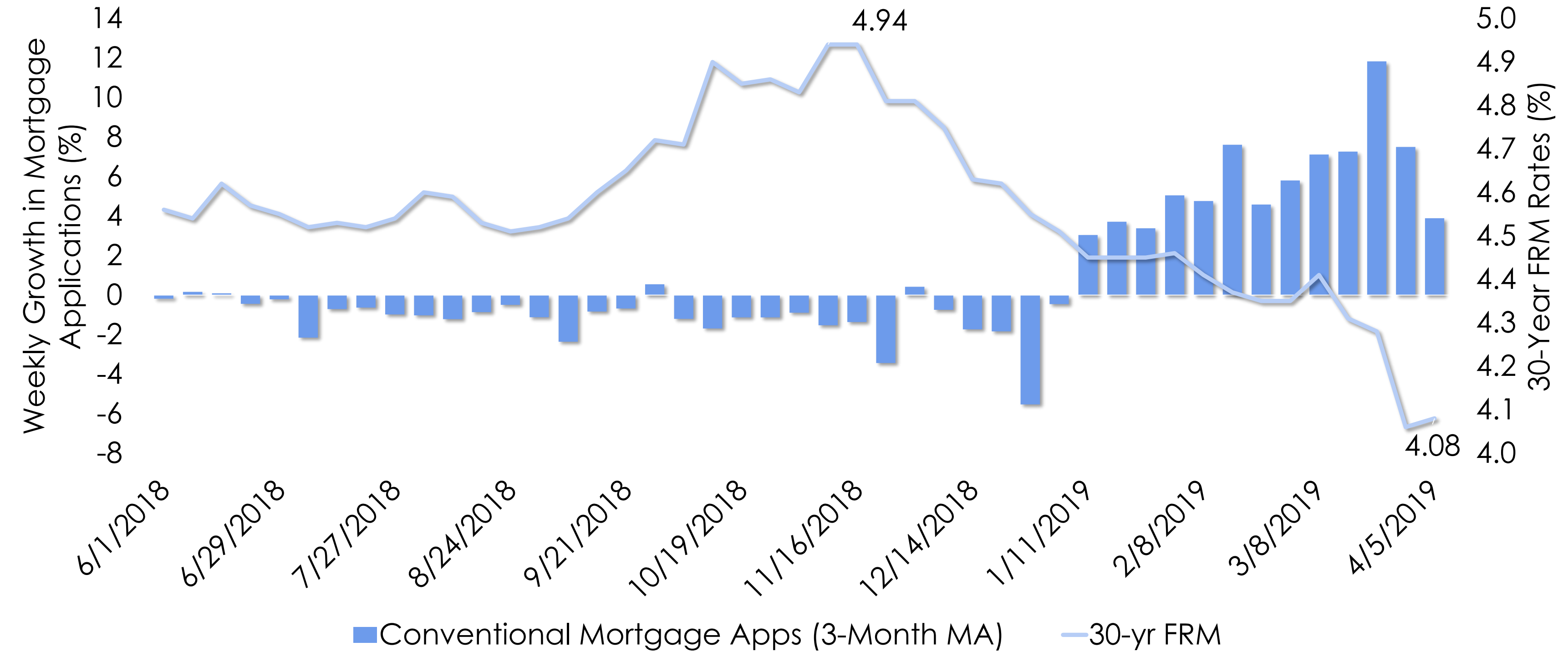
California Median Price vs. Mortgage Payment



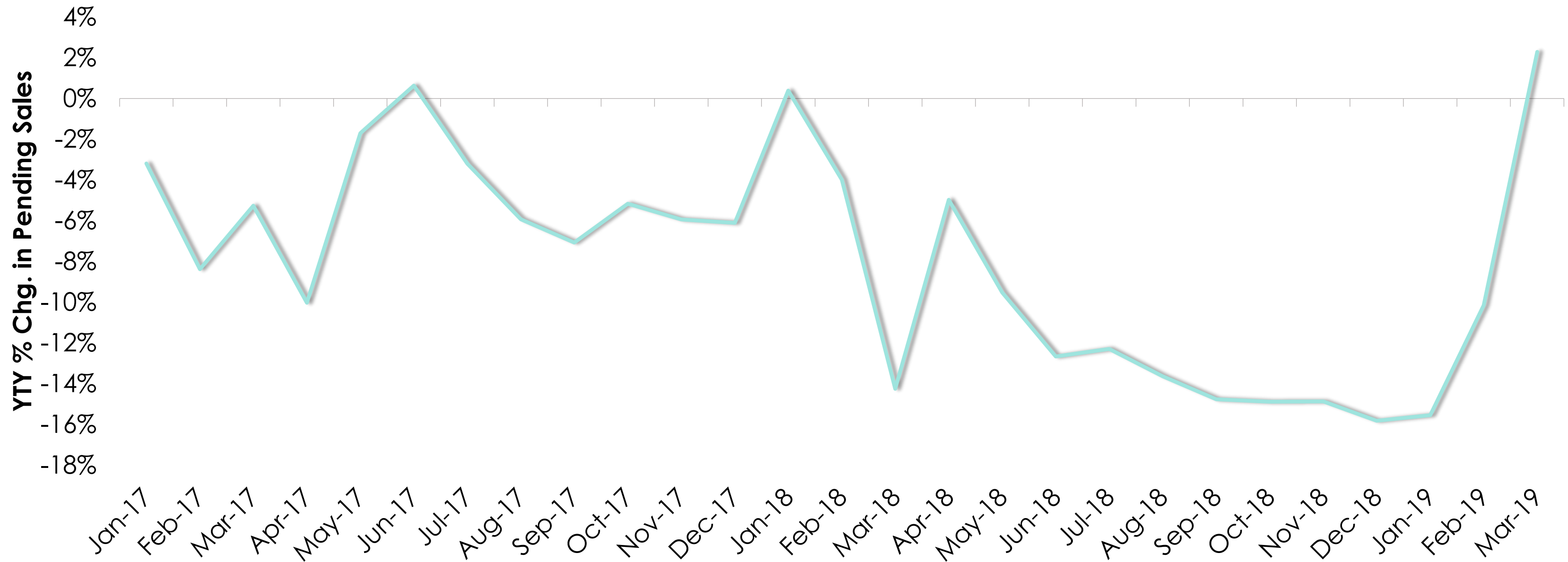
SERIES: Price Growth vs. Mortgage Payment Growth  
 SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

# mortgage applications are **responding**

Weekly Growth in Mortgage Applications vs. Mortgage Rates



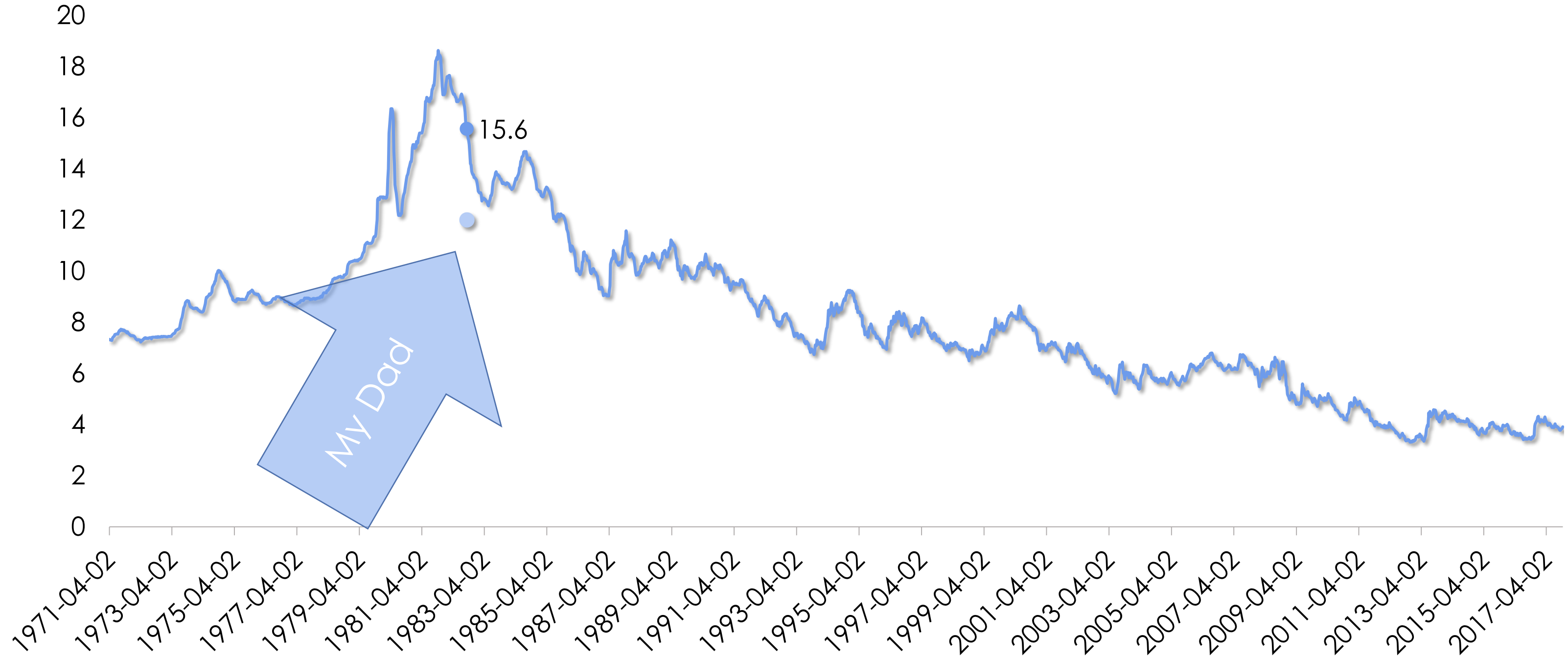
# pending sales: first growth in 27 months



SERIES: Percent Change in Pending Sales  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

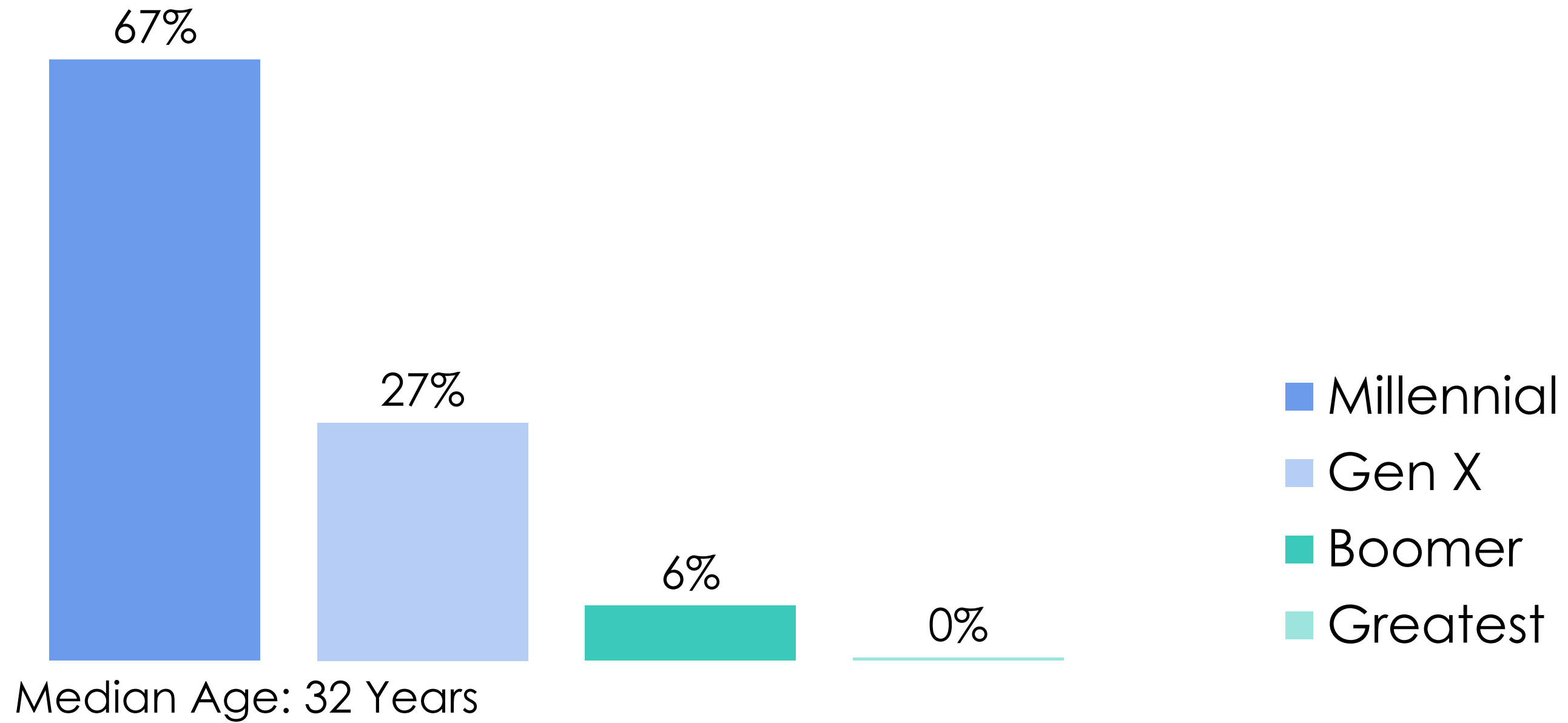
# perspective is everything

## 30-Year Fixed Rate Mortgage



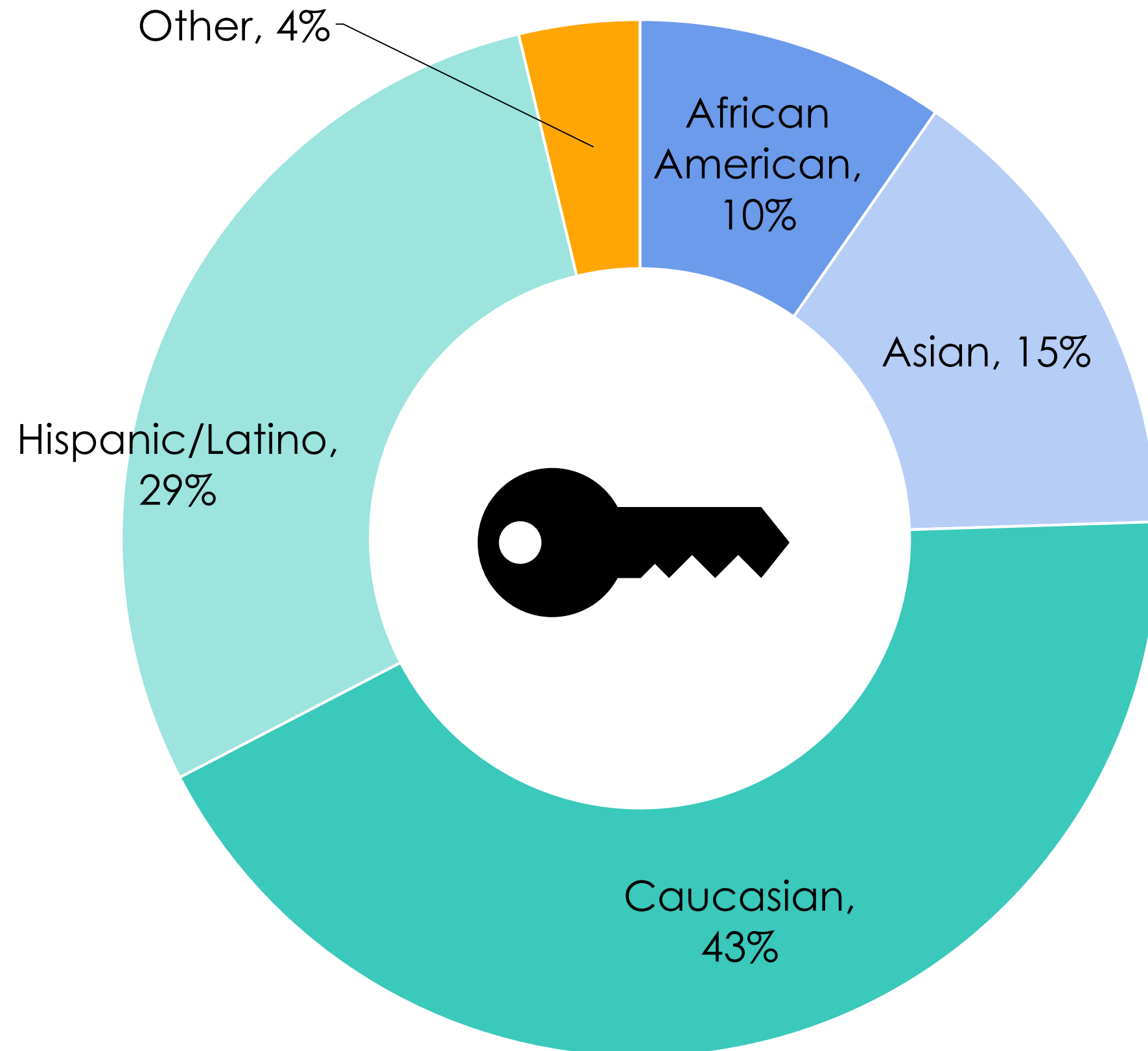
So **who are**  
these buyers?

# first time buyer snapshot





# first time buyer snapshot



87%

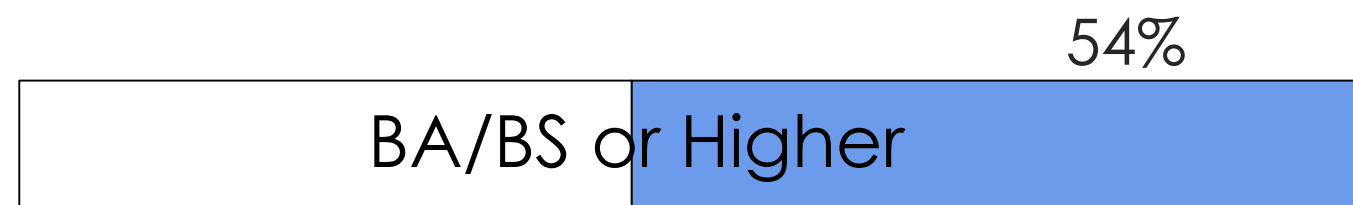
Born in US



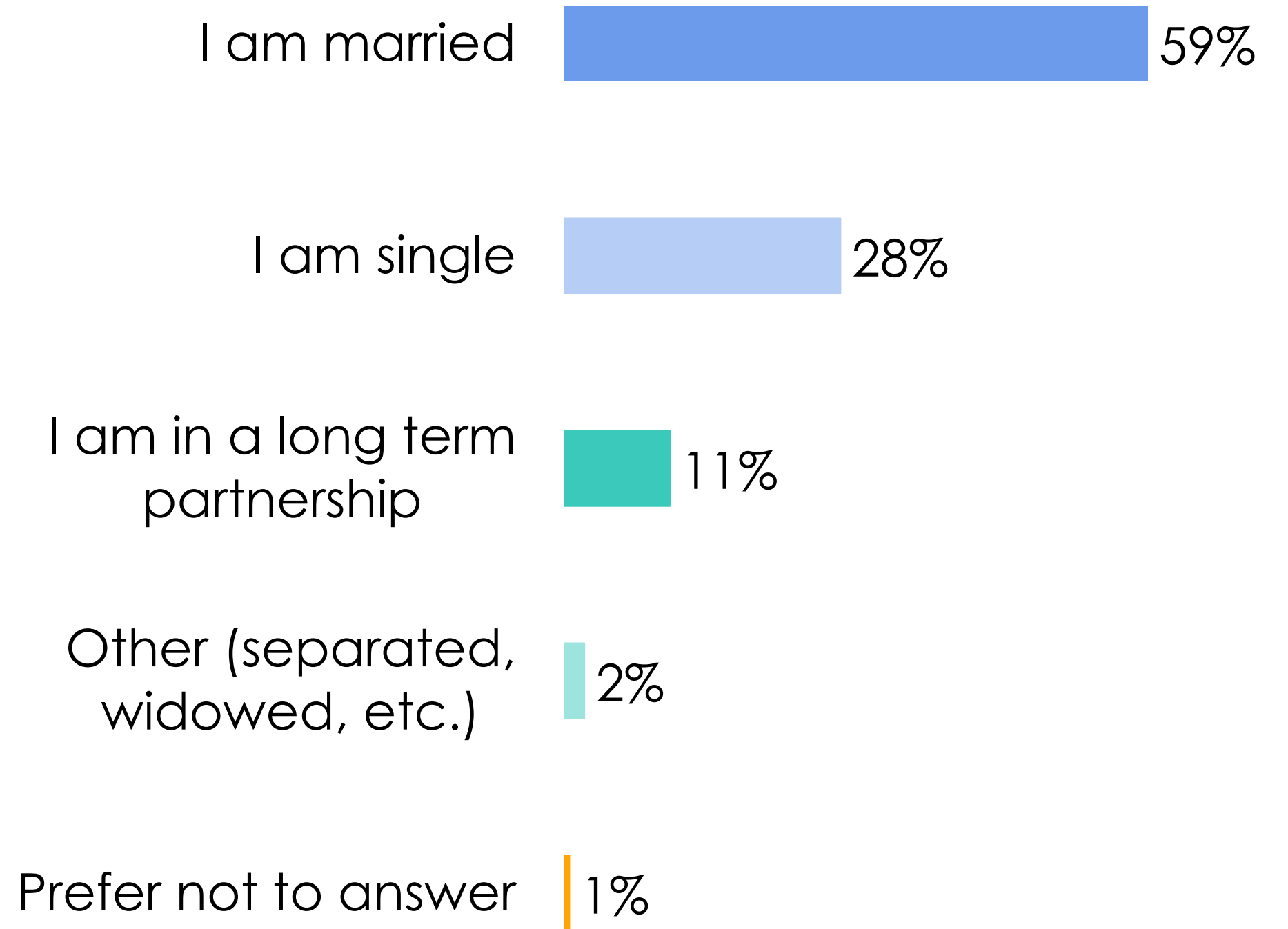
# first time buyer snapshot



Median Number of Children Under 18 Living in the Home: 1

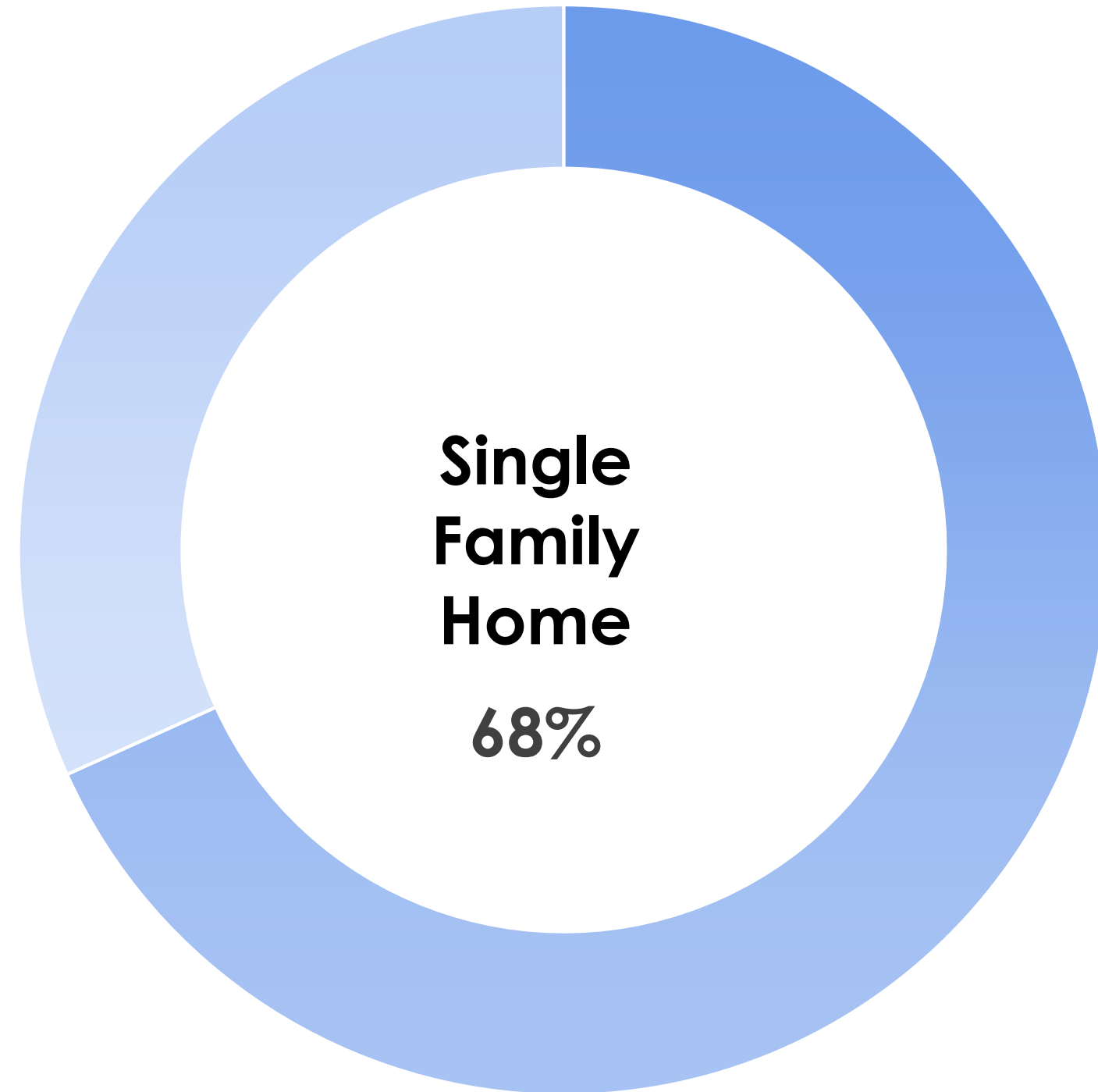


Median Income: \$85,000





# what are they buying?



Median Bedrooms: 3  
 Median Square Footage: 1,500

44%

Built in 1994 or Earlier

34%

Multi-Story

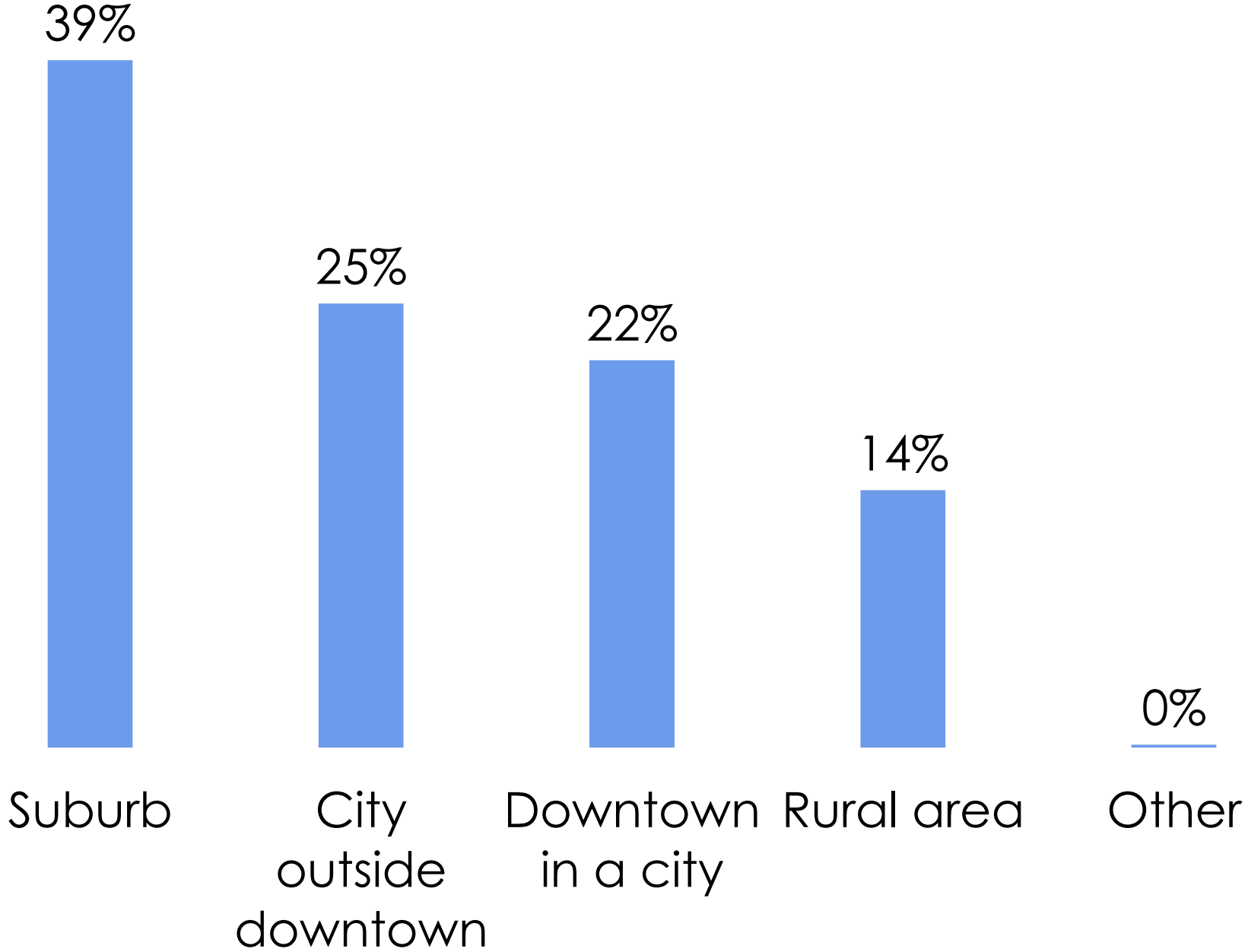
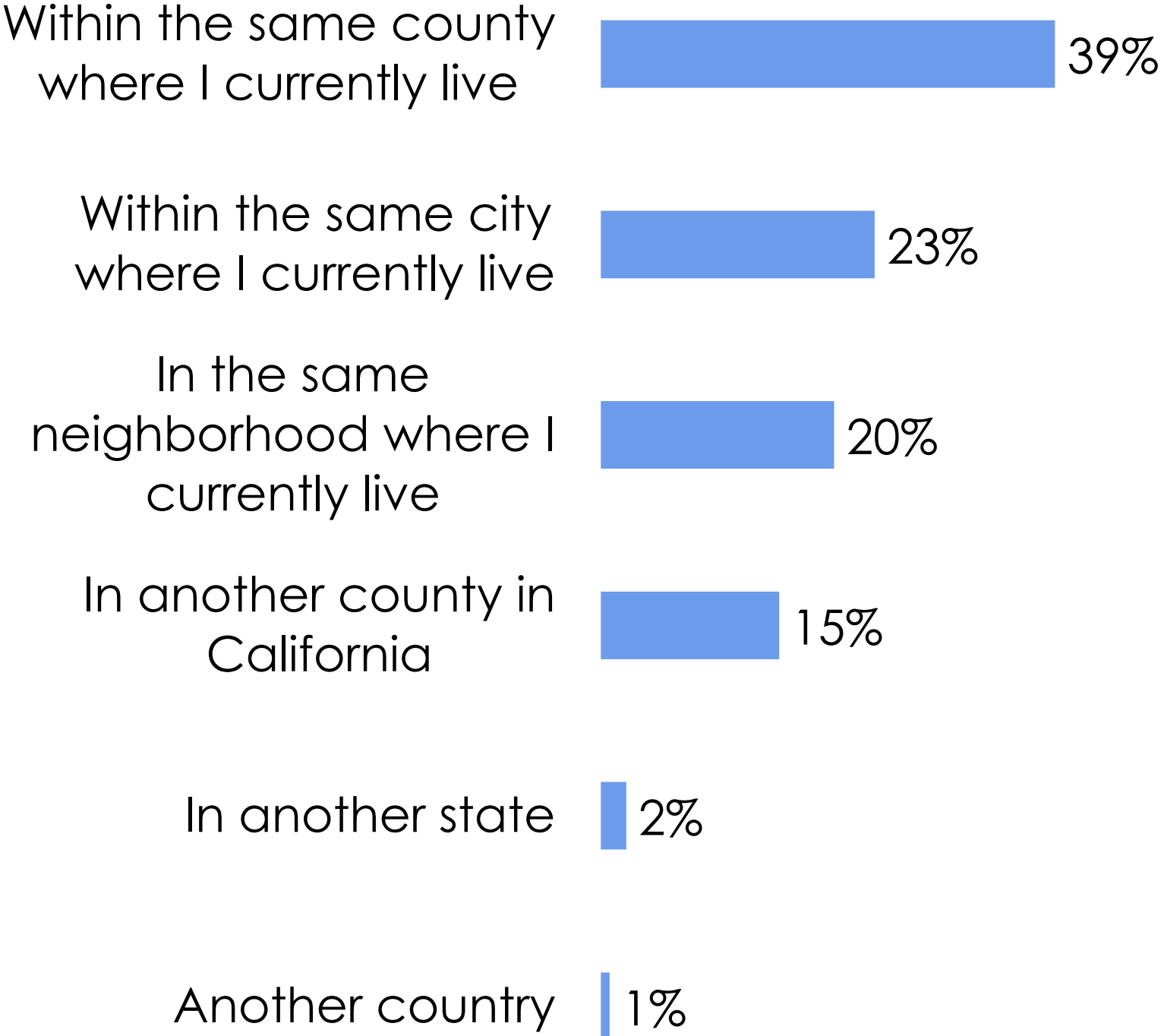
66%

Single-Story

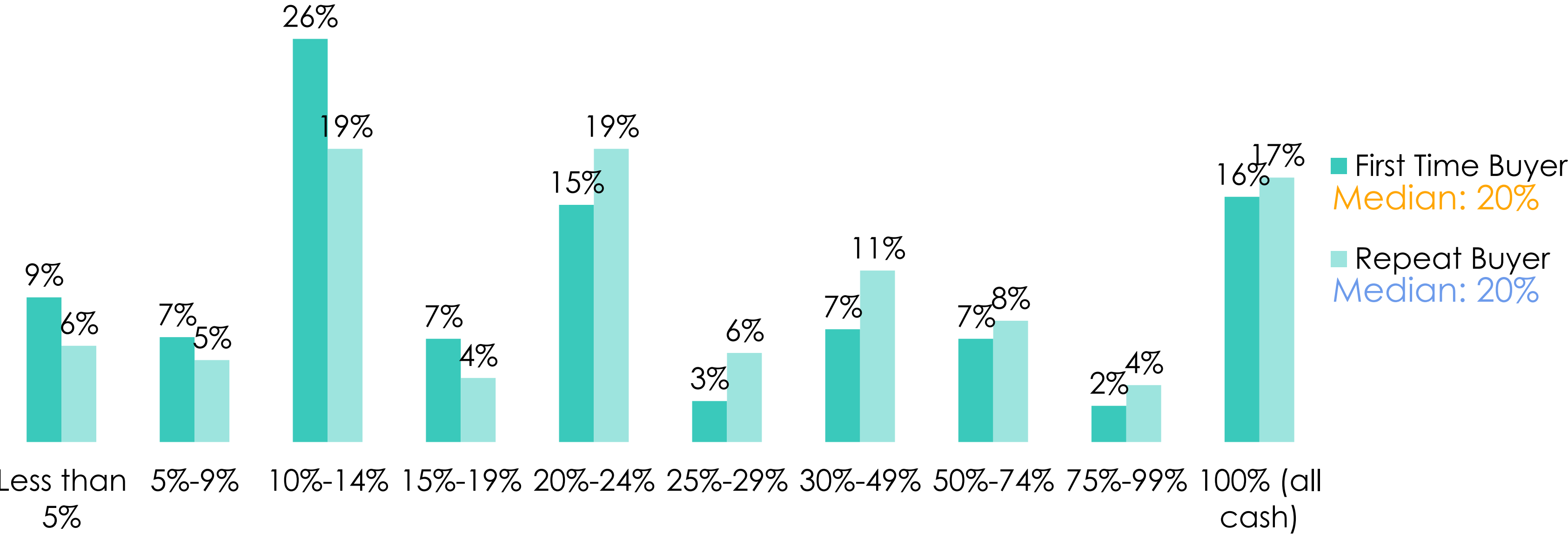
Median Final Sale Price: \$350,000  
 Bought Median of 7 Months Ago



# where are they buying?

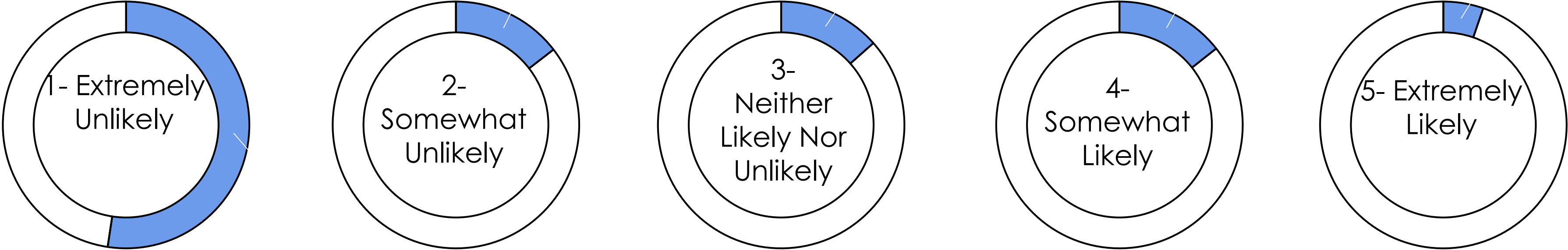


# half of FTBs put down less than 20%

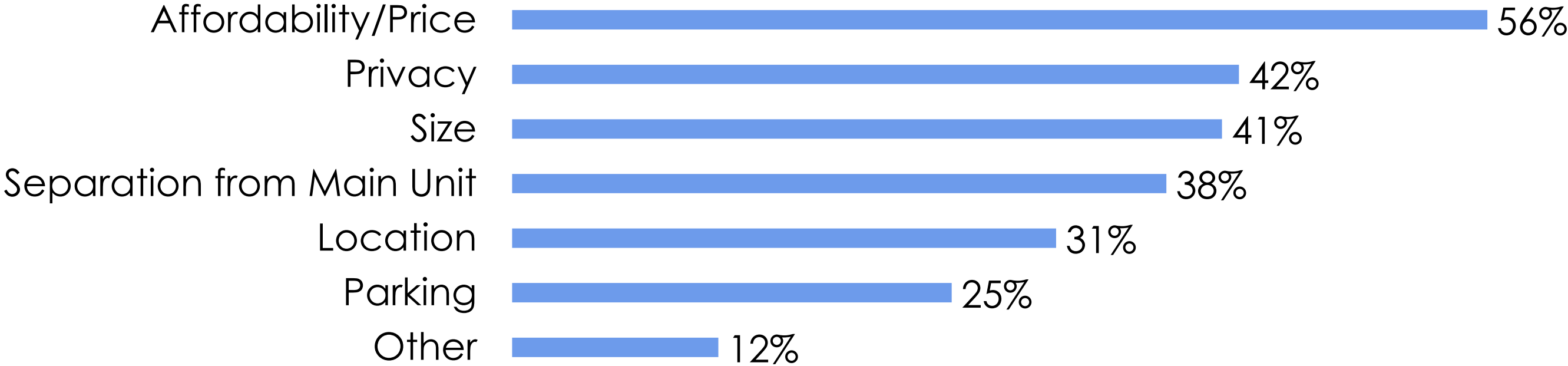


# ADUs: potential option to boost affordability?

Mean: 2.06

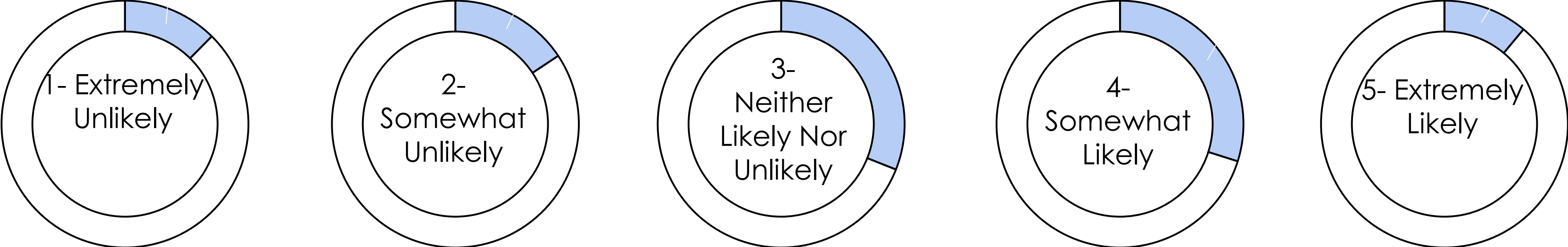


What would you want to be assured of before building an ADU?

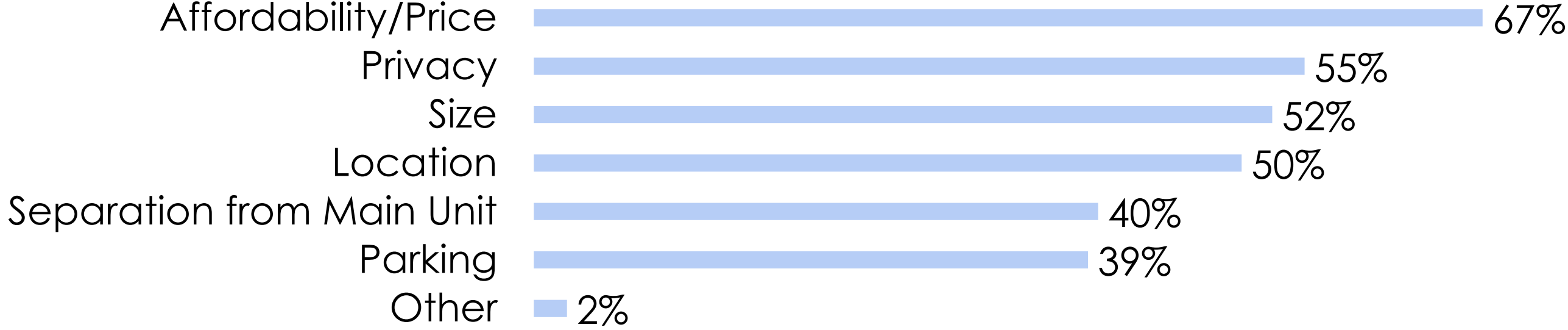


# there's a good market out there for ADUs

Mean: 3.12



## What would you want to be assured of before renting an ADU?



To me, there's no difference between an ADU and a... 10%



# Conclusion



## putting it all together

- 01 Homeownership still matters A LOT**
- 02 We need policy to tackle long term issues**

- 03 But REALTORS® can make a difference short-term**
- 04 Lots of potential buyers of all shapes and sizes**

**Sell homeownership → Crush 2019!**




# Where is the Market Data?

The screenshot displays the website's navigation bar with the California Association of Realtors logo on the left and menu items: TRANSACTION CENTER, LEARN & THRIVE, INDUSTRY 360°, YOUR C.A.R., a shopping cart icon, SIGN IN, and a SEARCH button. Below the navigation bar is a dark blue header with tabs for MARKET DATA (highlighted in orange), MLS / PROFESSIONAL STANDARDS, POLITICAL ADVOCACY, and LEGAL. A 'CLOSE X' button is located in the top right corner of the content area.

**Market Data**

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Following modest gains in home sales in 2016, California's housing market will post a nominal increase in 2017.

**Data & Statistics** >  
View the latest sales and price numbers. Find out where sales will be in upcoming months.

- [Current Sales & Price Statistics](#)
- [Housing Affordability Index - Traditional](#)
- [Pending Home Sales Index](#)
- [Rent Vs. Buy](#)
- [Historical Housing Data](#)

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From outreaches to webinars, the Research and Economics team is sharing their insight on the market and the economy.

**Surveys & Highlights** >  
Californians are surveyed annually to gain insights on the housing market from their perspective.



monthly  
market  
report  
March  
2019

# Ventura, California

## Median Price



## Home Sales



## Active Listings



## Market Competition

Median  
Days on  
Market

41

Sales to  
List Price %

98.6%

% of Active  
Listings  
Reduced

41.0%

monthly market report

# Ventura, California



Monthly Market Report  
March 2019

## Median Price

\$608K

## Home Sales

51

## Active Listings

144



## Market Competition

Median  
Days on  
Market

41

Offers  
to List  
Ratio %

98.6%

Active  
Listings  
Reduced

41.0%





# Housing Matters Podcast



**Thank You**