

HOUSING



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Housing Construction

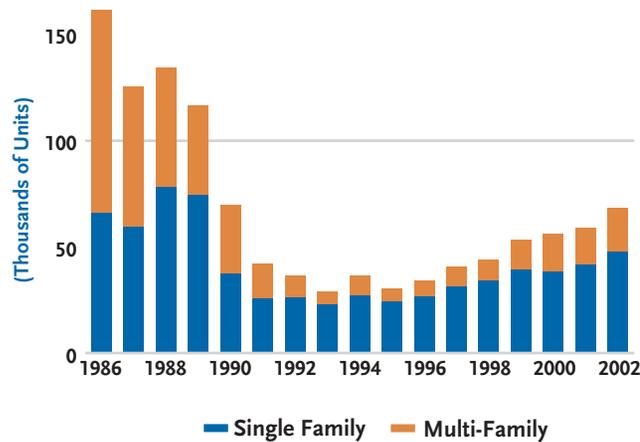
Why is this important?

▲▲ The magnitude of housing construction, population growth and new households are major determinants of housing prices. Different geographical distributions of new housing result in different needs for support infrastructure and services. The residential construction industry is also an important source of employment and corporate profit in the region. ▲▲

How are we doing?

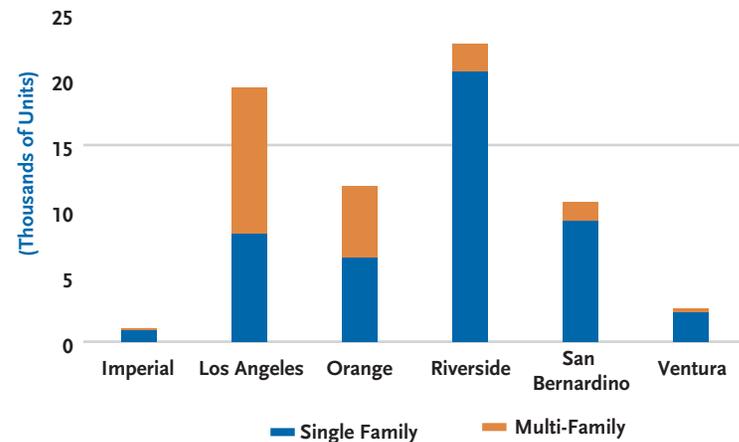
In 2002, the region experienced the largest number of building permits issued (68,000 units) as well as the largest increase (10,000 units) in one year since 1990 (Figure 28). Building permit increases occurred in every county in the region except for Ventura County. Among the total permits issued, the Inland Empire counties accounted for about a half, an increase from the 38 percent share just five years ago.

Figure 28
Residential Building Permit Activity



Source: Construction Industry Research Board

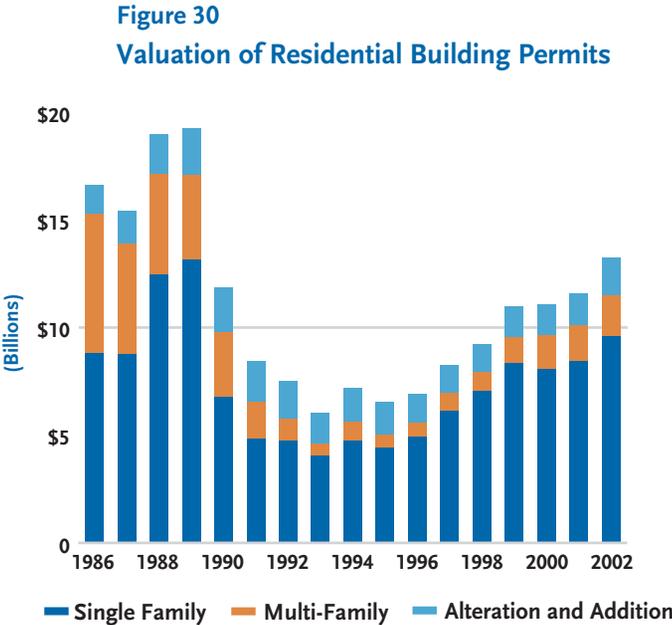
Figure 29
Residential Building Permits by Housing Types, 2002



Source: Construction Industry Research Board

Only about 30 percent of the total permits issued were for multi-family housing. However, within the region, there were significant differences among counties. Specifically, in Los Angeles County, close to 60 percent of the permits were for multi-family housing while in Orange County this figure was close to 50 percent (Figure 29). However, in the remaining four counties, 85 to 90 percent of the total permits were for single-family housing construction.

Total valuation of the permits in 2002 reached over \$13 billion with the largest annual increase of \$1.7 billion since 1987 (Figure 30). While the housing construction industry in the



Source: Construction Industry Research Board

region almost collapsed during the last recession from 1990 to 1993, it has been serving as an important stabilizing force to the regional economy since the 2001 recession. In addition to the valuation of building permits, cash-out refinancing pumped an estimated \$97 billion from home equity back into the economy at the national level in 2002. Southern California is expected to have at least its share.

Homeownership

Why is this important?

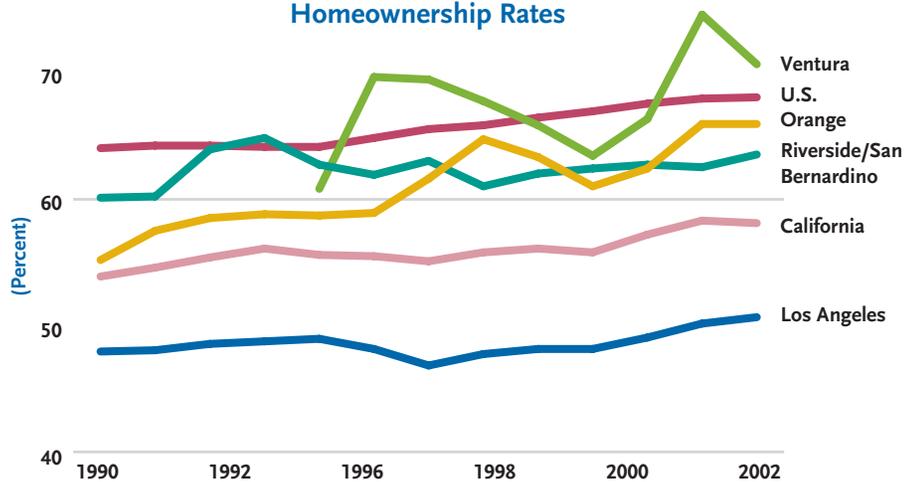
▲▲ **Owning one's home has long been considered an important part of the American Dream. In addition, the equity generated from homeownership represents almost 45 percent of total household wealth. Higher homeownership rates also help to improve neighborhood stability.** ▲▲

How are we doing?

In 2002, there were slight increases in homeownership rates in the region, particularly in Los Angeles and Riverside/San Bernardino counties partly due to the 40-year-low mortgage rates (Figures 31 and Figure 31a page 106). However, the region's homeownership rate of about 55 percent was still well below the national average of 68 percent. Except for Ventura County, every county in the region had homeownership rates below the nation average.

There was a significant disparity in homeownership among different racial and ethnic groups. For example, 42 percent of African Americans and 45 percent of Hispanics in the region owned their homes in 2000, compared to 60 percent of Asians and 69 percent of non-Hispanic Whites.¹

Figure 31
Homeownership Rates



Source: U.S. Census Bureau. Ventura County annual data started from 1994. Imperial County's homeownership rate was 58 percent in both 1990 and 2000, other annual data unavailable.

Among the nine largest metropolitan regions in the nation, Detroit and Philadelphia had homeownership rates over 70 percent that were higher than the national average. Only three regions had rates below 60 percent including San Francisco, the SCAG region and New York. It should be noted that these three regions also had the highest share of foreign-born among their total population ranging from 24 percent (New York) to 31 percent (SCAG region).²

Housing Affordability

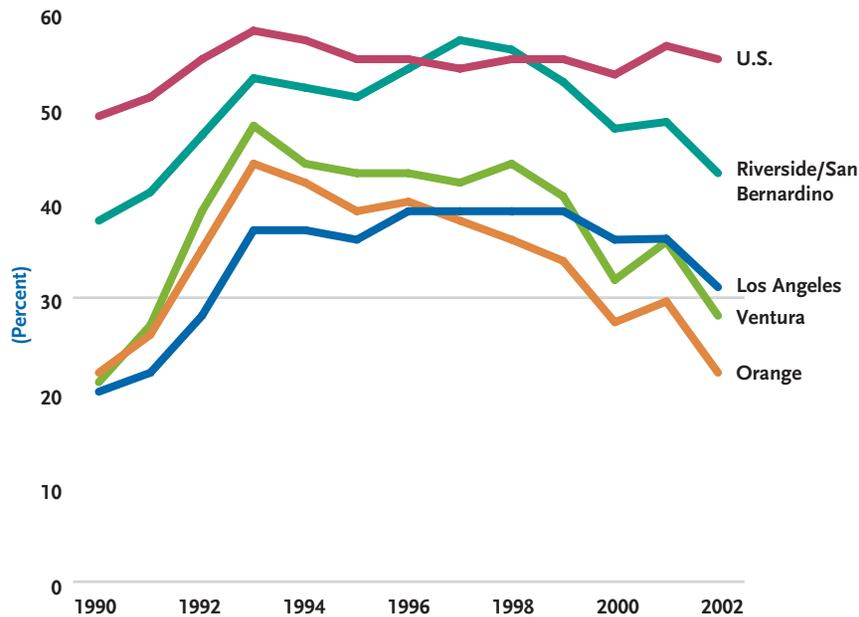
Why is this important?

▲▲ Housing affordability provides an indication of the level of burden from housing expenses. Housing expenses constitute the largest share of household expenditures among all consumption items. When a household spends too much on housing, there is not enough left to meet other household needs, such as transportation, healthcare or education. Housing affordability also affects decisions as to where to live. Hence, housing affordability is an indicator reflecting the fundamental well-being of households. In addition, it also influences business decisions to locate or expand in the region. Lack of affordable housing will result in a weakening of our region's attractiveness and competitiveness. ▲▲

How are we doing?

Based on the 2000 Census, among the nine largest metropolitan regions in the nation, Southern California had the highest percentage of owner households spending 30 percent or more of household income on housing.³ In 2002, housing affordability in the region further declined in its coastal as well as inland counties. For example, in Los Angeles County, the share of households who can afford a median-priced home dropped from 36 percent in 2001 to 31 percent in 2002, while it dropped from 30 percent to 22 percent in Orange County. In the Inland Empire counties, the corresponding share also dropped from 48 to 43 percent between 2001 and 2002 (Figure 32). In 2002, every county experienced lower housing affordability than the national average and the gaps have continued to widen since 1997. While more than

Figure 32
Housing Affordability
 (Percent of Households Who Can Afford to Purchase a Median-Priced Home)



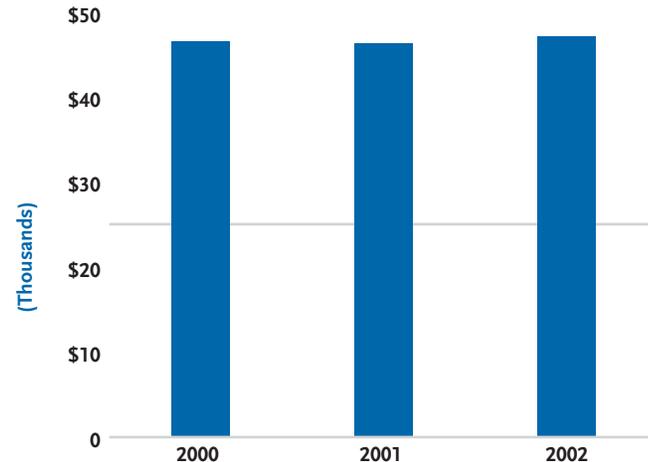
* Data for Imperial County is not available.
 Source: California Association of Realtors

half of the nation’s households could afford a median-priced house in 2002, less than a third of the region’s households could achieve the same.

Housing affordability is generally impacted by household income, home prices and mortgage interest rates. During 2002, sharp increases in home prices and lack of growth in household incomes

offset gains from lower interest rates, making housing less affordable. There has been a lack of growth in median household income in the region since 2000, after a slight decline during the 1990s (Figure 33). However, average home prices in the region reached historical peaks in 2002 in almost every county (Figure 34). Since 1998, after recovering from the losses during the previous recession, average home prices had increased between 6 and 7 percent per year up to 2001. In 2002, partly because of lower mortgage interest rates, average home prices in the region increased by 12 to 14 percent.

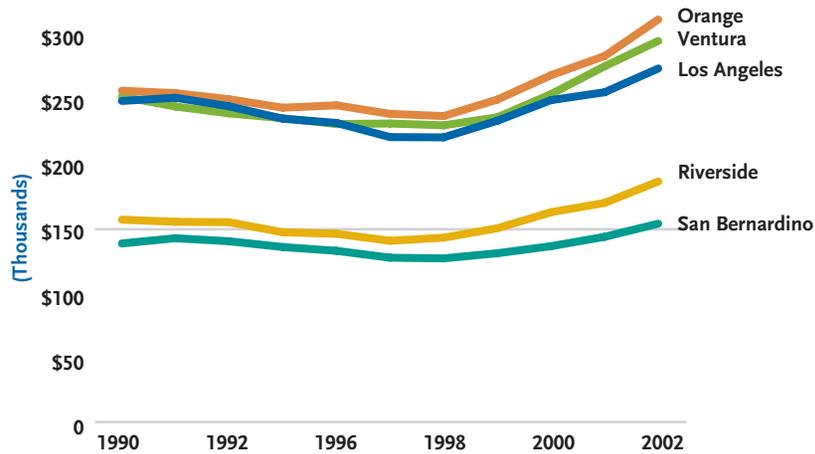
Figure 33
Median Household Income**
 (2002 Dollars)



* U.S. Census Bureau determined that, in the SCAG Region, median household income differences among the three years above were not statistically significant considering sample size.

Source: U.S. Census Bureau

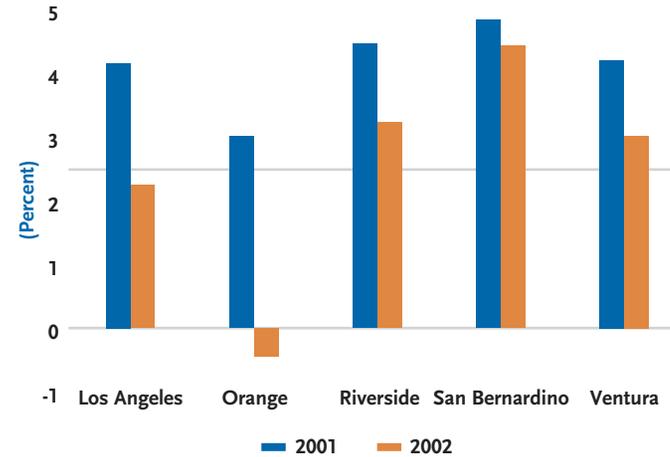
Figure 34
Average Home Price
 (New and Existing in Current Dollars)



Source: Real Estate Research Council of Southern California

Based on the 2000 Census, among the nine largest metropolitan regions in the nation, the SCAG region also had the highest percentage (43 percent) of rental households with monthly rent at or greater than 30 percent of household income (see Figure 74 page 92). (Also see Map 4 page 42 on renter occupied housing.) Between 2000 and 2002, average rents in the region increased generally between 3 and 4 percent per year after adjusting for

Figure 35
Average Monthly Rent
 (Change from Previous Year)



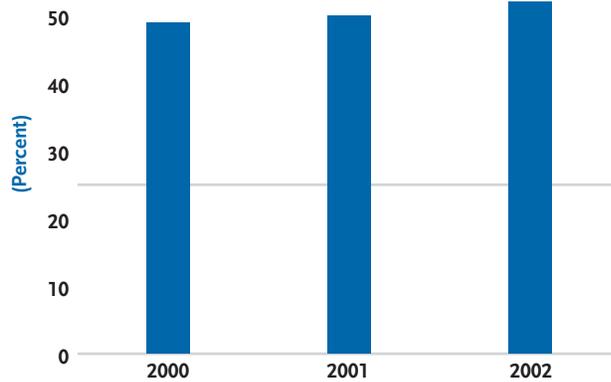
* With inflation adjustment

Source: Real Estate Research Council of Southern California

inflation (Figure 35). With no growth in household income, the rental cost burden has continued to rise. In 2002, among the approximately 7.2 million renters in the region, 52 percent or more than 3.6 million renters spent 30 percent or more of their income on rent (Figure 36).

Figure 36
Rental Cost Burden

(Renters Paying 30 Percent or More of Household Income on Rent)



Source: U.S. Census Bureau

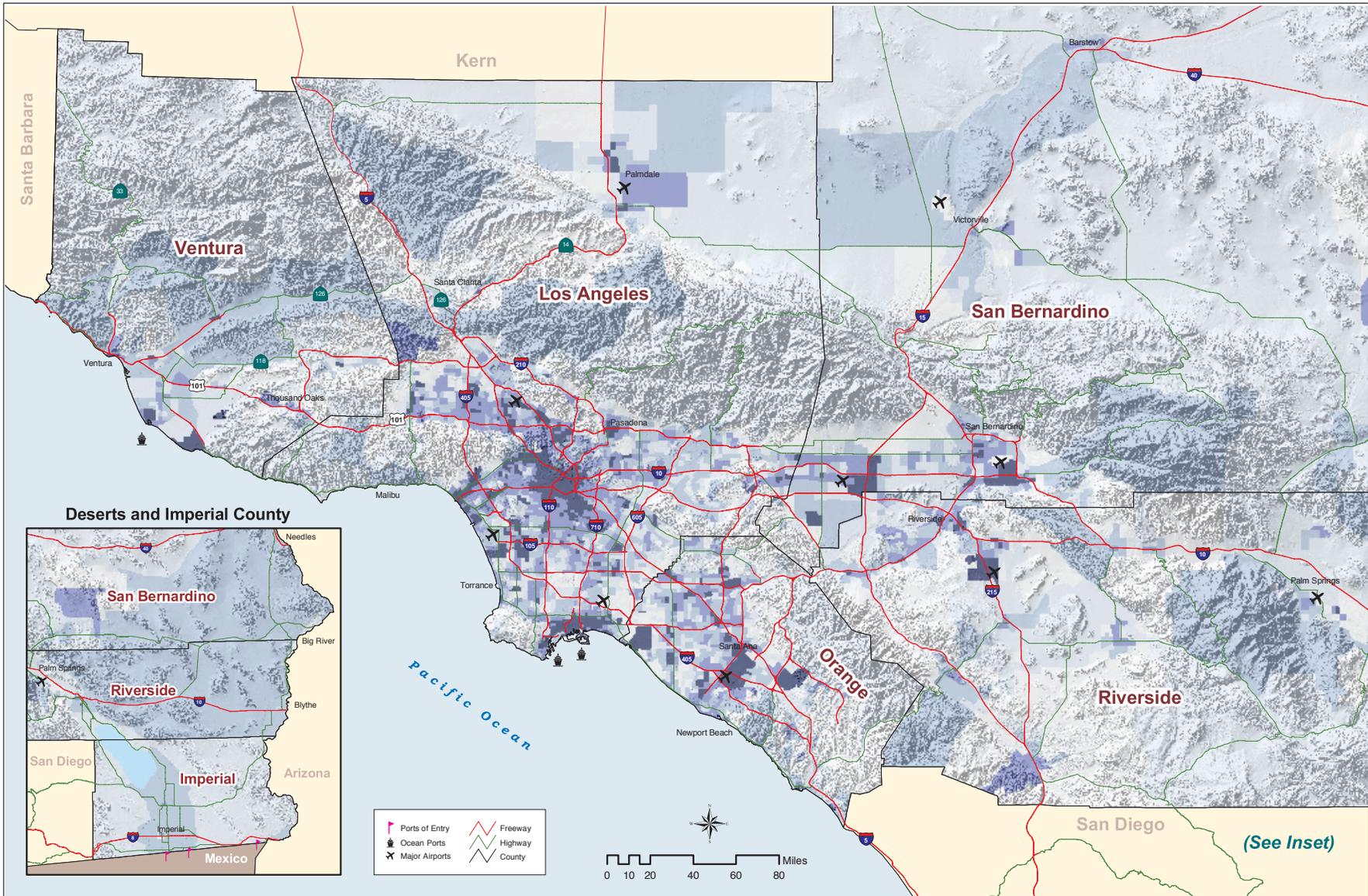
Housing Crowding

Why is this important?

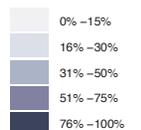
▲▲ Housing crowding measures the percent of housing units with more than one person per room, including all rooms except bathrooms. It provides indications on housing shortage and housing affordability. Lack of affordable housing will lead to higher levels of housing crowding. ▲▲

How are we doing?

In 2000, the region had the highest rate (20 percent) of crowded housing among the nine largest metropolitan regions, significantly above the second highest of 11 percent in the Bay Area.⁴ Between 2000 and 2002, partly due to the slight increase in the homeownership rate, the share of crowded housing in the SCAG region was reduced by 0.6 percent.⁵



Percent of Housing that were Renter Occupied by Census Tract



Source: Census 2000, Thomas Bros. Network

RENTER OCCUPIED HOUSING



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