

29th Annual Demographic Workshop
Demographic Change & Housing Shortage
June 11th, 2018

New Evidence of Growing Millennial Housing Demand Amid Housing Shortage and Dislodgment in Los Angeles

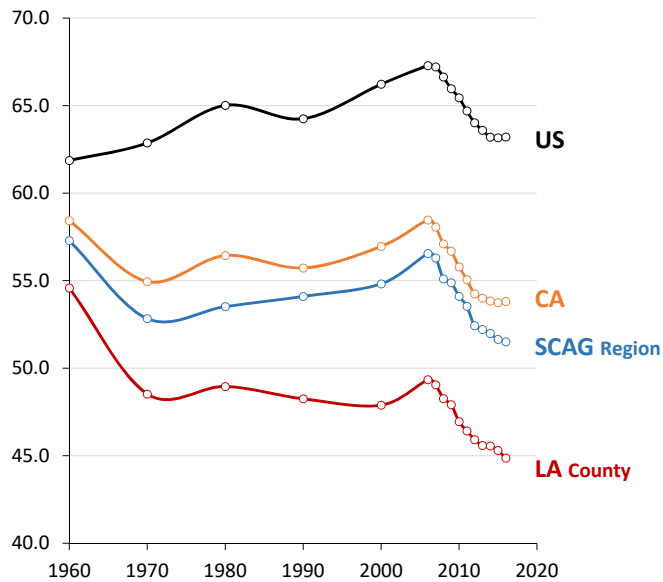
Dowell Myers and JungHo Park
USCPrice
Sol Price School of Public Policy

Presenter and Flow of Subsections

- **Dowell Myers**
 - Is Millennial Homeownership Demand Still Declining?
 - Growth in New Homeowners
 - Age-Group Rates of Homeownership as Accruals from the Past
- **JungHo Park**
 - What Makes a Rental Shortage in LA?
 - How Do Shortages Create Dislodgment?
 - Who is Squeezed Out?
 - Final Remarks

Is Millennial Homeownership Demand Still Declining?

Long-term Homeownership Rates, US, CA, and LA, 1960 to 2016

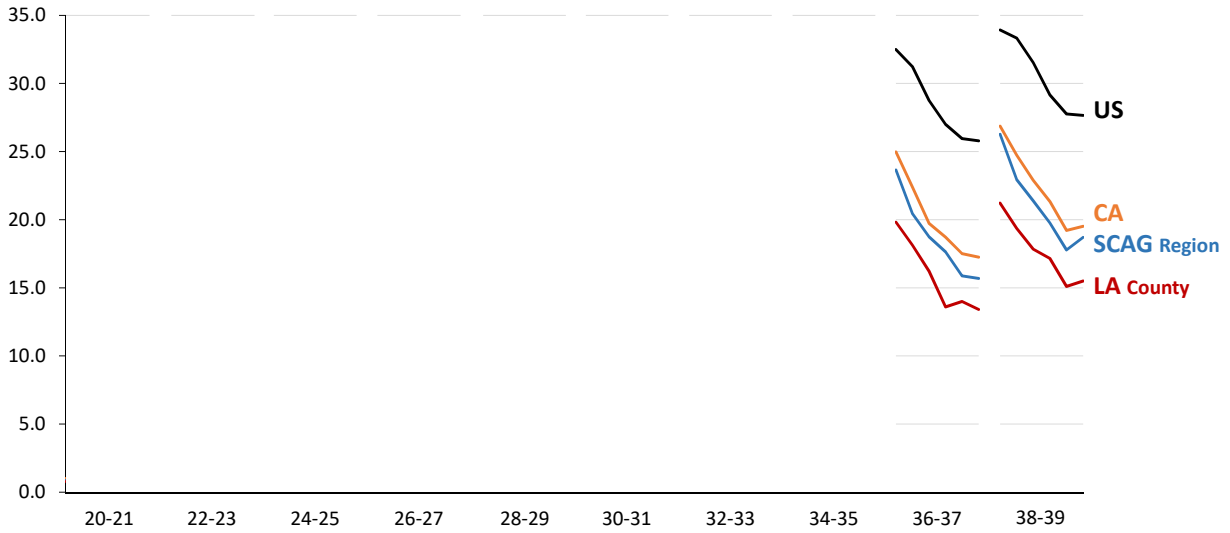


Source: Decennial Census and American Community Survey IPUMS files, 1960 to 2016.

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Per Capita Homeownership Rates, by Age, 2006 to 2016

Declining Millennial homeownership demand?

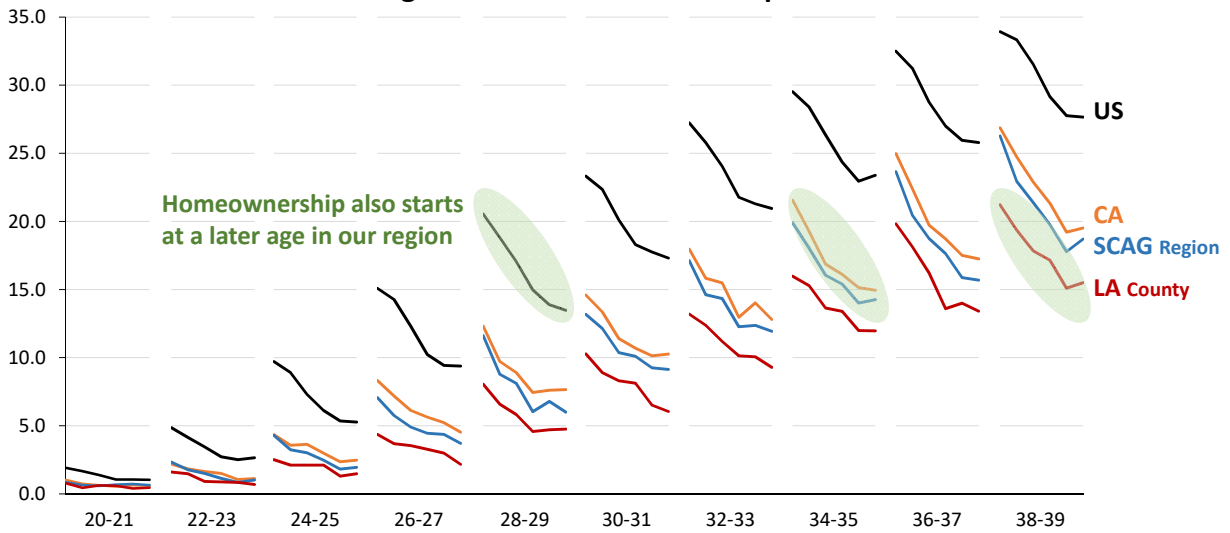


Source: American Community Survey IPUMS files, 2006 to 2016.

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Per Capita Homeownership Rates, by Age, 2006 to 2016

Declining Millennial homeownership demand?

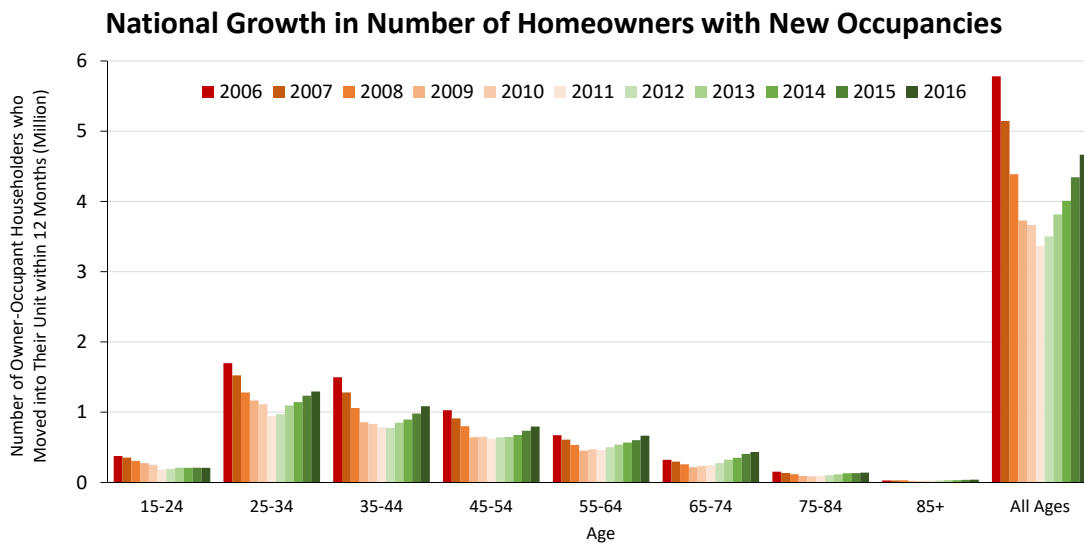


Source: American Community Survey IPUMS files, 2006 to 2016.

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Growth in New Homeowners

National Rebound in Primary Residence Home Sales

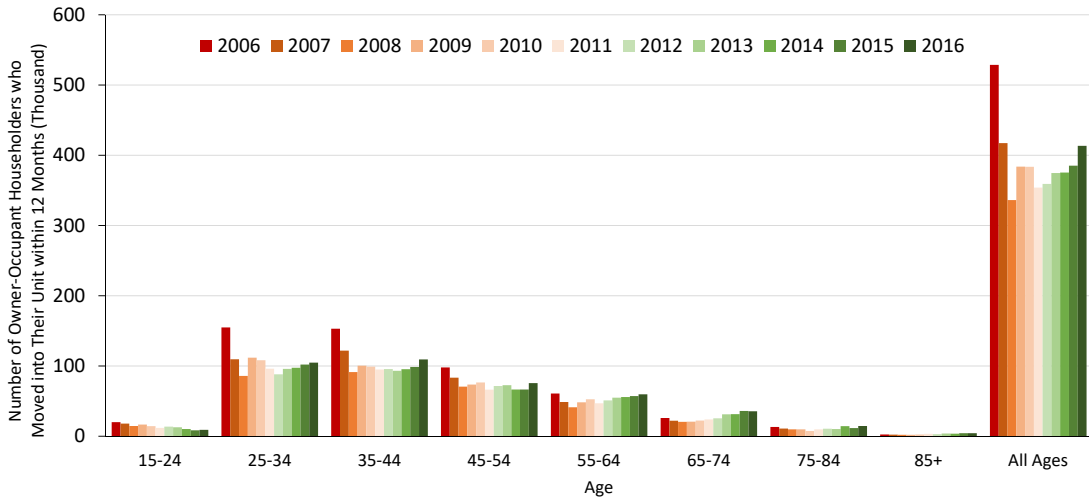


Source: American Community Survey IPUMS files, 2006 to 2016.

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California's Weaker Rebound

California Growth in Number of Homeowners with New Occupancies

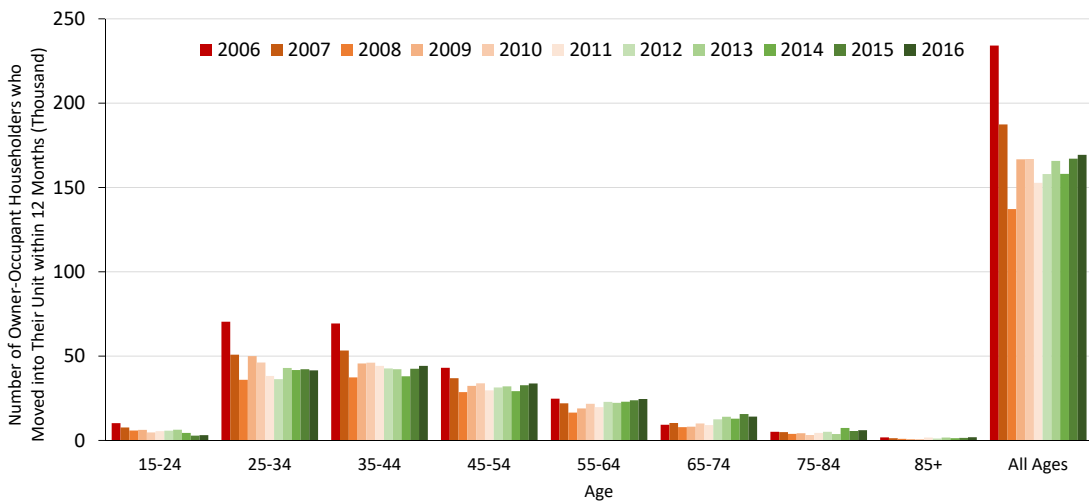


Source: American Community Survey IPUMS files, 2006 to 2016.

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SCAG Region's Stagnant Recovery

SCAG Region Growth in Number of Homeowners with New Occupancies

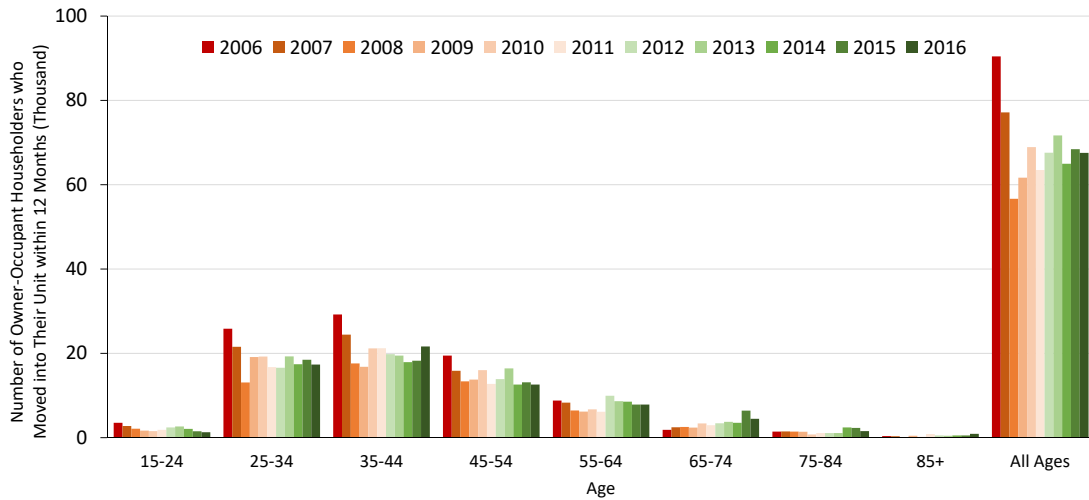


Source: American Community Survey IPUMS files, 2006 to 2016.

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LA County's Stagnant Recovery

LA County Growth in Number of Homeowners with New Occupancies

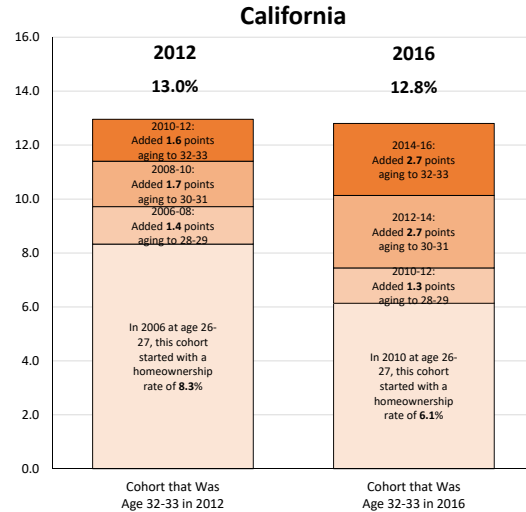
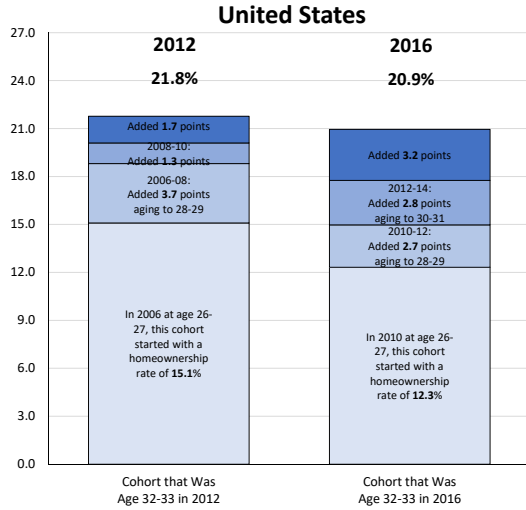


Source: American Community Survey IPUMS files, 2006 to 2016.

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***Age-Group Rates of
Homeownership as
Accruals from the Past***

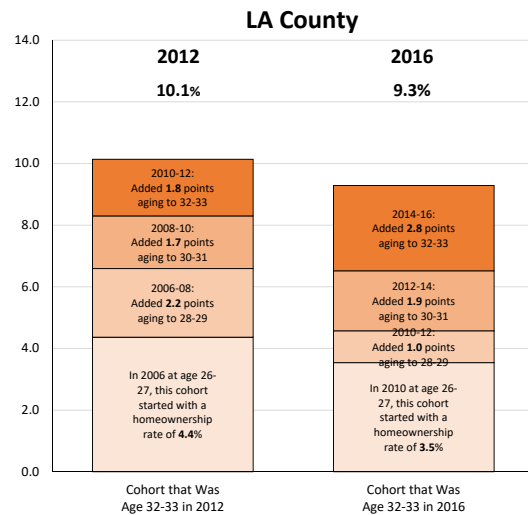
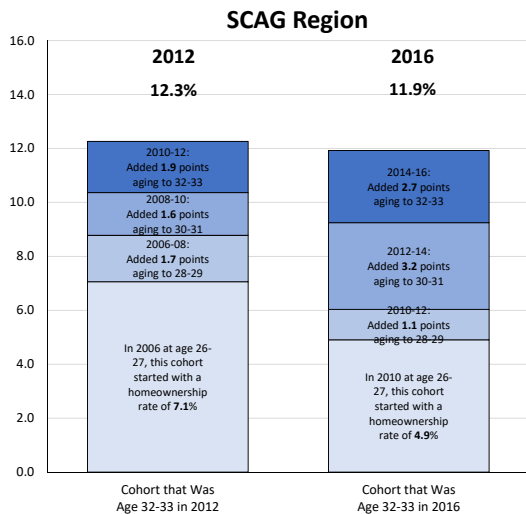
US vs. CA: How Current Age Group Homeownership Rates Are Built from Gains of Prior Periods, Current Age 32-33



Source: Graphs based on Myers et al. (2018)
American Community Survey IPUMS files, 2006 to 2016.

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SCAG Region vs. LA: How Current Age Group Homeownership Rates Are Built from Gains of Prior Periods, Current Age 32-33



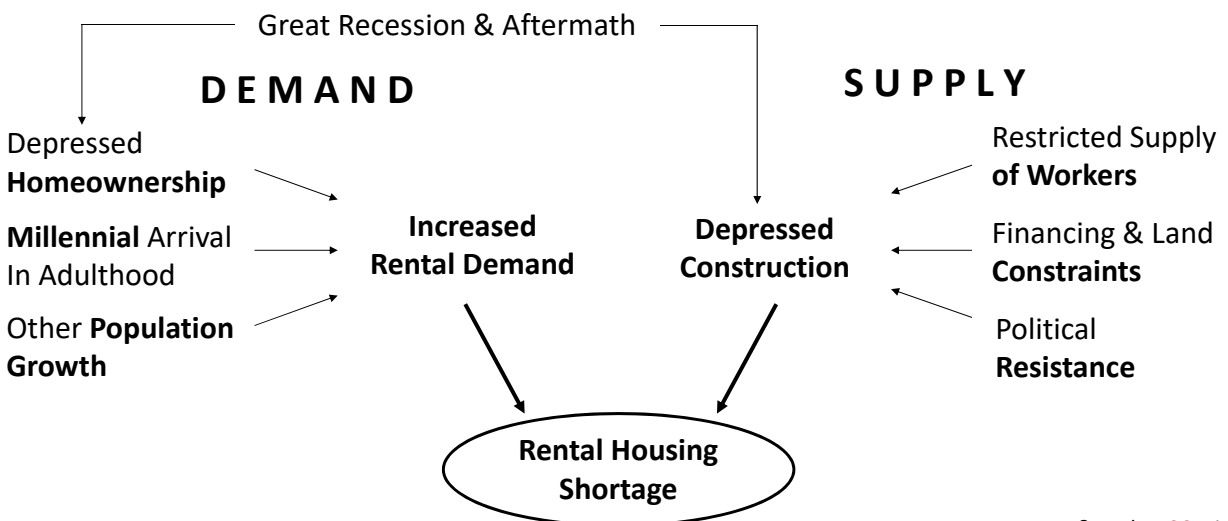
Source: Graphs based on Myers et al. (2018)
American Community Survey IPUMS files, 2006 to 2016.

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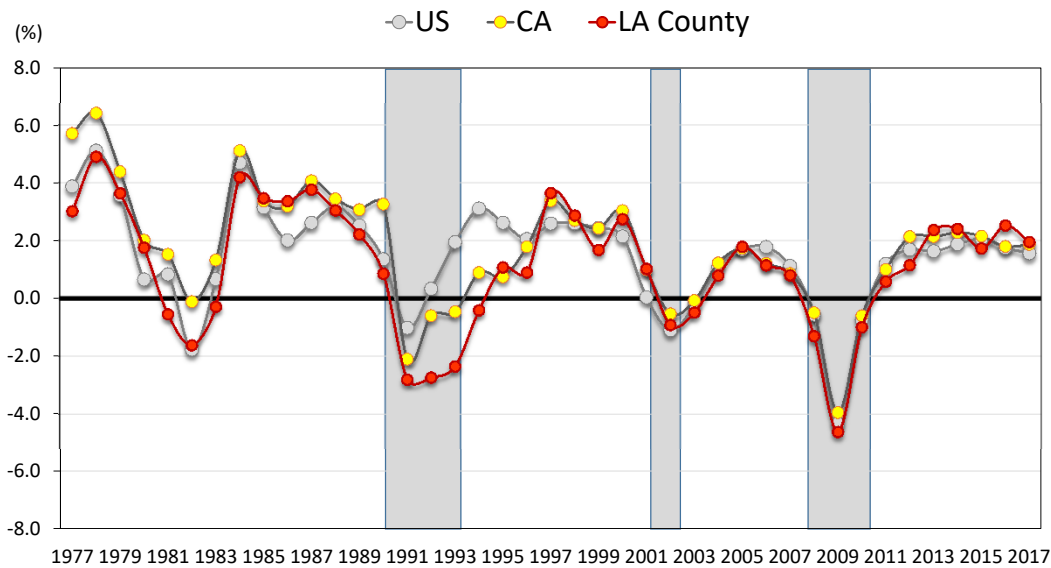
What Makes a Rental Shortage in LA?

When Growing Rental Demand Meets Limited Housing Supply

Conceptual Diagram for Explaining the Rental Housing Shortage



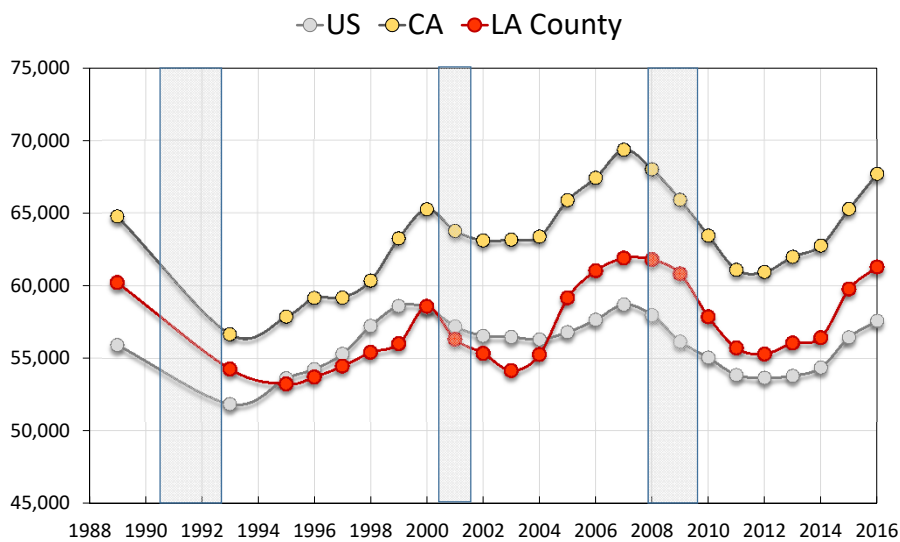
Great Recession Graphics: Employment Change (Annual %)



Source: U.S. Bureau of Labor Statistics, 1977-2017, Current Employment Statistics.

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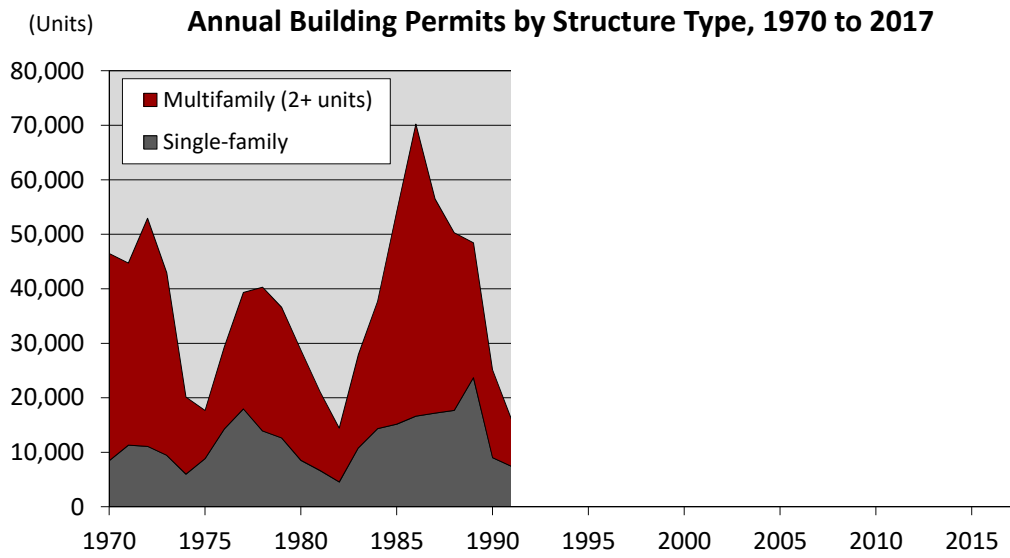
Great Recession Graphics: Median Household Income (2016\$)



Source: U.S. Census Bureau, Small Area Income and Poverty Estimates, 1989, 1993, and 1995-2016.

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Slowdown in New Construction in LA County



Source: U.S. Census Bureau, 1970-2017, Building Permits Survey.

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***How Do Shortages
Create Dislodgment?***

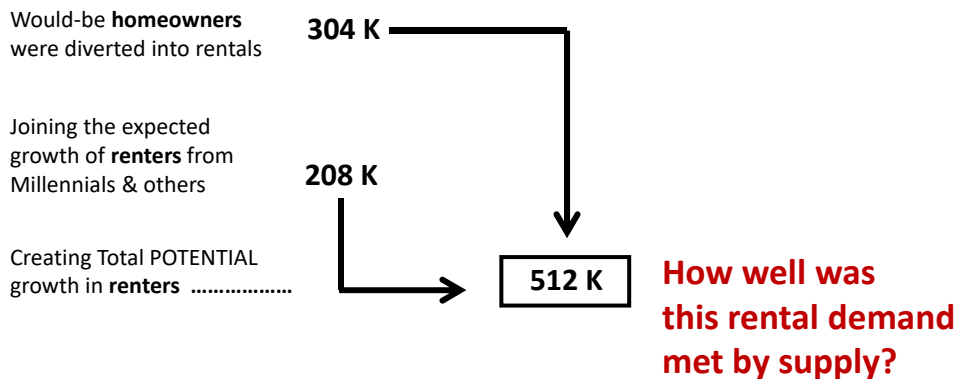
Housing Shortages and *Dislodgment*

1. Households = Occupied Housing Units
2. Households CANNOT **exceed the units available** for occupancy
--- A shortage of units caps the number of Households that can be formed, thereby **undercounting** true housing need
3. Someone is going to be bumped, made to disappear from the housing market, i.e. **"dislodged,"** not just spatially **displaced**
--- How many? Hundreds of thousands of potential renters
--- Who? Youngest/newest Millennials and lowest incomes

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Cascade of Diverted and Growing Households

LA County, Changes 2000 to 2016, Actual Population,
but Assuming 2000 Patterns of Housing Occupancy

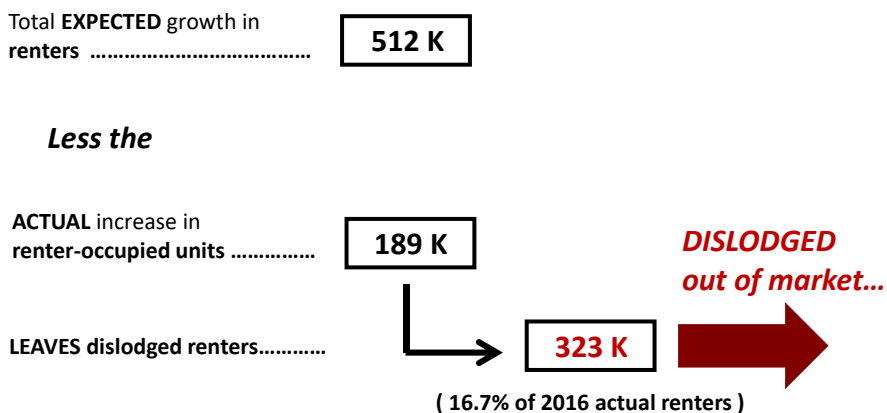


Source: 2000 Decennial Census IPUMS and 2016 ACS 1-year Estimates IPUMS files.

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When Growing Rental Demand Meets Limited Housing Supply

LA County, Changes 2000 to 2016

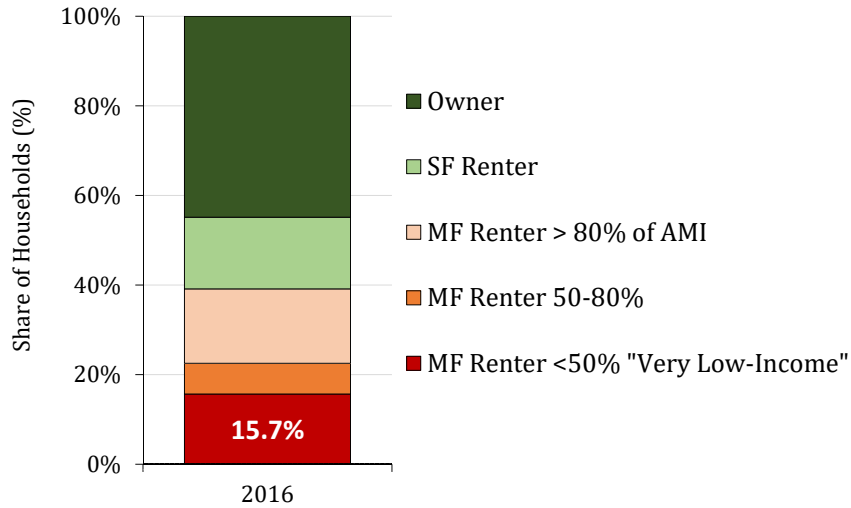


Source: 2000 Decennial Census IPUMS and 2016 ACS 1-year Estimates IPUMS files.

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***Who
is Squeezed Out?***

Most Vulnerable are **Very Low-Income (<50% of AMI)** Multifamily Renters, LA County, 2016

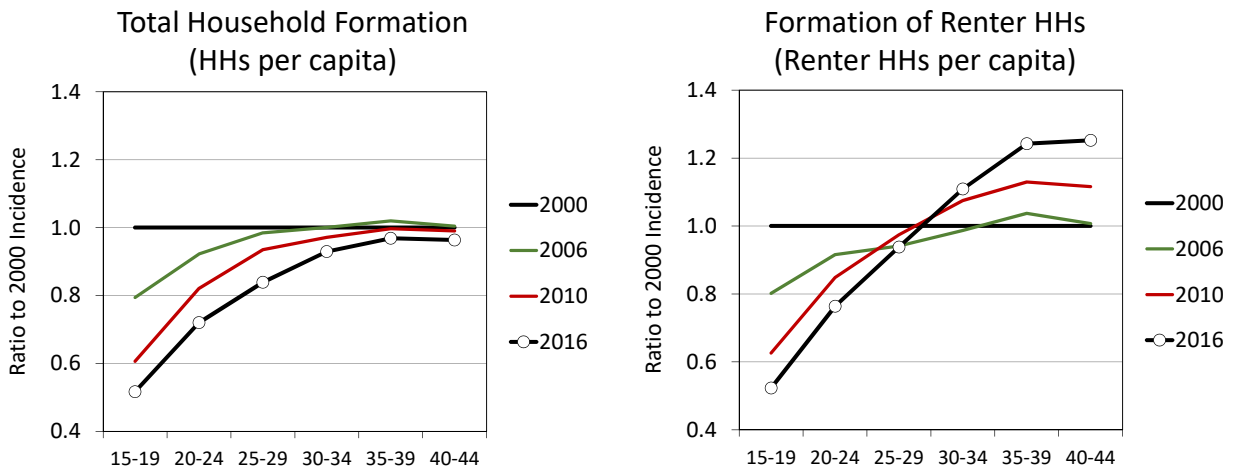


Source: 2016 ACS 1-year Public Use Microdata (IPUMS) File.

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Declining Household Formation and Renter Rate

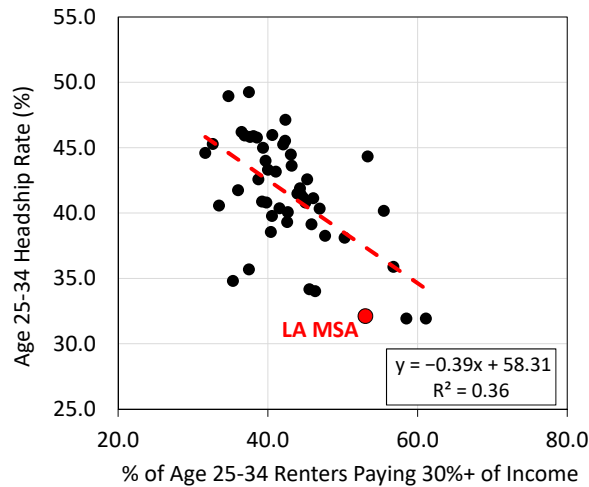
Proportional Changes since 2000 in Housing Occupancy by Age, LA County, 2000, 2006, 2010, and 2016



Source: Graphs based on Myers (2016) 2000 Decennial Census IPUMS and 2006, 2010, and 2016 ACS 1-year Estimates IPUMS files.

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Household Formation Rates are Lower in Metros Where Rent Burdens are Higher, 50 Largest Metros, 2016



Source: 2016 ACS 1-year Public Use Microdata (IPUMS) File.

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Final Remarks

- Millennials' homeownership demand is **rebounding** in the nation while **stagnant** in our region
 - The most recent homeownership increment only represents **current behavior** while the bulk of the **cumulative** rate was built up under very different economic conditions of prior periods
- Demographic needs based on 2000 normal in LA County
 - **All those diverted homeowners**
 - Plus **Millennials** coming of age
 - Totals **323 thousand renters are dislodged (16.7% of renters)**
- Most vulnerable are the **low-incomes and young (15-29 yrs old) population entering into the rental market**

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Select References

- Myers, D. (2016). Peak Millennials: Three Reinforcing Cycles That Amplify the Rise and Fall of Urban Concentration by Millennials. *Housing Policy Debate*, 26(6), 928–947.
- Myers, D., & Lee, H. (2016). Cohort Momentum and Future Homeownership: The Outlook to 2050. *Cityscape*, 18(1), 131–144.
- Myers, D., Painter, G., Lee, H., & Park, J. (2016). *Diverted Homeowners, the Rental Crisis and Foregone Household Formation*. Washington, DC: Research Institute for Housing America.
- Myers, D., Lee, H., & Simmons, P. (2018). *Cohort Transitions and Age Group Analysis of Millennial Homeownership Demand: Understanding Trajectories of Recovery Following the Great Recession* (Fannie Mae Perspectives). Washington, DC: Fannie Mae.
- Myers, D., Park, J., & Li, J. (2018). *How Much Added Housing is Really Needed in California?* (Haynes Research Brief). Retrieved from <http://popdynamics.usc.edu/research-housing.html>.

The future remains to be determined.....

Thank you

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