OVER-VIEW OF CALIFORNIA HOME BUYING TRENDS

June 13, 2016
USC – SCAG 27th Annual Demographic Workshop
Leslie Appleton-Young, C.A.R. Chief Economist

2016 MARKET PRIMER
CA SALES STAGNANT SINCE 2010

California 2015 Sales: 407,000 Units, Up 6.4% YTY

PRICE GAINS MODERATING

California, 2015: $474,420, Up 6.2% YTY
RISING HOME PRICES HAVE REVERSED EQUITY LOSSES

![Graph showing the percentage of negative equity in California, with a decline from 7.3% to 3.7%]

SERIES: Underwater Mortgages
SOURCE: CoreLogic

INVENTORY UP FROM LAST YEAR BUT PRIMARILY DUE TO SALES DECLINE

Apr. 2015: 3.4 Months; Apr. 2016: 3.5 Months

Note: "Unsold Inventory Index" represents the number of months it would take to sell the remaining inventory for the month in question. The remaining inventory for the month is defined as the number of properties that were "Active", "Pending", and "Contingent" (when available) and divide the sum by the number of "Sold" properties for the month in question.

SERIES: Unsold Inventory Index of Existing Single Family Homes
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®
BOOMERS AREN’T GOING ANYWHERE

Affordability challenge for repeat buyers
- Low rate on current mortgage
- Low property taxes
- Capital gains hit is viewed as onerous
- Could not qualify for a mortgage today
- Why sell when there is nowhere to go I can afford?

FEWER HOUSING UNITS BEING TURNED OVER SINCE THE GREAT RECESSION

Housing Turnover Rate
(Single-Family Homes only)

<table>
<thead>
<tr>
<th>Year</th>
<th>CA</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2001</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2002</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2003</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2004</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2005</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2006</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2007</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2008</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2009</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2010</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2011</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2012</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2013</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>2014</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

SERIES: Percent of existing single-family homes being sold
SOURCE: Census Bureau, American Community Survey, Moody's Analytics, C.A.R.
YEARS OWNED BEFORE SALE HIGHEST IN 30 YEARS

All Sellers

Q: How long had the seller lived in their home?
SERIES: 2015 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

HOUSING AFFORDABILITY PEAKED Q1 2012
PRICES V. LOW RATES AND INCOME GROWTH

California vs. U.S. - 1984-2015

% OF HOUSEHOLDS THAT CAN BUY A MEDIAN-PRICED HOME

SERIES: Housing Affordability Index of Traditional Buyers
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®
HOUSING AFFORDABILITY PLUMMETS SINCE 2012

2016-Q1: % able to purchase median-priced home

SHARE OF FIRST-TIME BUYERS REMAINS BELOW LONG-RUN AVERAGE

SERIES: 2015 Housing Market Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®
The Boomers and their next move
The Boomers and their Next Move

OLDER GENERATIONS IN PARTICULAR ARE NOT MOVING AS OFTEN

71% of Californian’s aged 55+ haven’t moved since 1999

California Homeowners by Length of Tenure, 2013

SERIES: Distribution of Home Ownership by Year Moved In
SOURCE: U.S. Census Bureau, 2013 American Housing Survey
OLDER GENERATIONS IN PARTICULAR ARE NOT MOVING AS OFTEN

Almost half have been in their homes for at least 25 years

California Homeowners by Length of Tenure, 2013

BOOMERS – BORN BETWEEN 1946-1964

What is your age?

SERIES: 2014 Baby Boomer Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®
What is your marital status?

SERIES: 2014 Baby Boomer Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

MAJORITY ARE MARRIED

- Married: 56%
- Single: 26%
- Other: 18%

What is your current living situation?

SERIES: 2014 Baby Boomer Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

3/4 BABY BOOMERS ARE HOME OWNERS

- Own: 75%
- Rent: 22%
- Other: 3%
Most have equity in their home:

- Yes, 92%
- No, 8%

Survey series: 2014 Baby Boomer Survey
Source: California Association of Realtors®

Majority do not plan to sell home when they retire:

- Yes, 10%
- No, 59%
- Don't know/unsure, 32%

Survey series: 2014 Baby Boomer Survey
Source: California Association of Realtors®
MAJORITY WORRY ABOUT CHILDREN’S ABILITY TO BECOME HOME OWNERS

Do you worry about your children’s ability to become home owners in the future?

SERIES: 2014 Baby Boomer Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

TIME TO TALK: 2/5 PLAN TO HELP CHILDREN WITH DOWN PAYMENT

Do you plan to help your children with their down payment to purchase a home?

SERIES: 2014 Baby Boomer Survey
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®
**WHAT KEEPS BOOMERS UP AT NIGHT?**

Q: What keeps you up at night?

**SERIES:** 2014 Baby Boomer Survey
**SOURCE:** CALIFORNIA ASSOCIATION OF REALTORS®

---

**MILLENNIALS: TOMORROW’S HOME OWNERS?**
**Q:** What is your current living situation?

**SERIES:** 2014 Millennials Survey

**SOURCE:** CALIFORNIA ASSOCIATION OF REALTORS®
ATTITUDE TOWARD THE HOME BUYING PROCESS – MIXED RESULTS

SOURCE: How would you describe your attitude towards the home buying process?
C.A.R. 2014 Millennial Survey

MOST MILLENNIALS UNCERTAIN/DOUBTFUL THAT THEY COULD OBTAIN A MORTGAGE

Q: Could you obtain a mortgage if you applied now?
PEOPLE WOULD PREFER THE FOLLOWING OVER GOING THROUGH THE HOME MORTGAGE PROCESS

SOURCE: Guaranteed Rate Mortgage Survey of 1,000 adults 25 and older USA Today April 2014

2016 GENERATIONAL SURVEY: MILLENNIALS
MILLENNIAL VIEWS ON HOUSING

Do you think you could afford to purchase in your current (or a similar) neighborhood given the difference in cost of renting vs buying?

n: 745

- Yes: 25.1%
- No: 42.6%
- Don't know: 32.2%


**CAN YOU AFFORD TO BUY IN YOUR NEIGHBORHOOD BY ETHNICITY**

*Do you think you could afford to purchase in your current (or a similar) neighborhood given the difference in cost of renting vs buying?*

By Ethnicity  n: 745

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Yes</th>
<th>No</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASIAN</td>
<td>23%</td>
<td>30%</td>
<td>24%</td>
</tr>
<tr>
<td>WHITE</td>
<td>20%</td>
<td>46%</td>
<td>31%</td>
</tr>
<tr>
<td>LATINO</td>
<td>15%</td>
<td>31%</td>
<td>38%</td>
</tr>
<tr>
<td>BLACK</td>
<td>31%</td>
<td>31%</td>
<td>26%</td>
</tr>
</tbody>
</table>

**VIEWS ON HOUSING SUPPLY**

*Which of the following statements best represents your preference regarding housing growth in your city.*

n: 1318

- Increase housing: 29.8%
- Maintain housing: 35.0%
- Decrease housing: 5.8%
- Don't know / No opinion: 29.3%
VIEWS ON HOUSING SUPPLY - RENTERS/OWNERS

Which statement best represents your preference regarding housing growth in your city.
Split by Renter / Owner
n: 1318

- Increase Housing: 31% (Owner), 29% (Renter)
- Maintain Housing: 39% (Owner), 32% (Renter)
- Decrease Housing: 6% (Owner), 6% (Renter)
- Don't Know / No Opinion: 33% (Owner), 32% (Renter)

VIEWS ABOUT HOUSING FUTURE

What do you think is in greatest need of increased attention in the coming years?
Ranked #1: n: 1227

- Decreased housing supply and prices: 38.5%
- Affordable housing for everyone: 27.8%
- Place more emphasis on walkability: 19.4%
- Connect communities with open spaces: 14.3%
**VIEWS ABOUT HOUSING FUTURE BY ETHNICITY**

*What do you think is in greatest need of increased attention in the coming years?*

<table>
<thead>
<tr>
<th>Issue</th>
<th>ASIAN</th>
<th>WHITE</th>
<th>LATINO</th>
<th>BLACK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversity of housing price and places</td>
<td>35%</td>
<td>40%</td>
<td>47%</td>
<td>39%</td>
</tr>
<tr>
<td>Accessible transit for everyone</td>
<td>33%</td>
<td>27%</td>
<td>30%</td>
<td>23%</td>
</tr>
<tr>
<td>Public School facilities and public spaces</td>
<td>21%</td>
<td>21%</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>Comfortable community with other people</td>
<td>17%</td>
<td>14%</td>
<td>13%</td>
<td>11%</td>
</tr>
</tbody>
</table>

*Split by Ethnicity, Ranked #1; n: 1227*

---

**WILLINGNESS TO MAKE TRADEOFFS TO BUY**

*What tradeoffs are you willing to make to purchase a house within your means, today?*

Rate on a 1-5 where 1 means completely unwilling, and a 5 means completely willing

<table>
<thead>
<tr>
<th>Tradeoff</th>
<th>Unwilling</th>
<th>Neither Willing / Unwilling</th>
<th>Willing</th>
</tr>
</thead>
<tbody>
<tr>
<td>House size</td>
<td>8%</td>
<td>51%</td>
<td>41%</td>
</tr>
<tr>
<td>School system</td>
<td>16%</td>
<td>49%</td>
<td>35%</td>
</tr>
<tr>
<td>Give up your car and use more public transportation</td>
<td>33%</td>
<td>43%</td>
<td>25%</td>
</tr>
<tr>
<td>Longer commute</td>
<td>23%</td>
<td>57%</td>
<td>20%</td>
</tr>
</tbody>
</table>

*n: 1319*
### WILLINGNESS TO MAKE TRADEOFFS TO BUY - 2

**What tradeoffs are you willing to make to purchase a house within your means, today?**

Rate on a 1-5 where 1 means completely unwilling, and a 5 means completely willing

n: 1319

<table>
<thead>
<tr>
<th>Tradeoff</th>
<th>0</th>
<th>25</th>
<th>50</th>
<th>75</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Move to a different city in CA</td>
<td>14%</td>
<td>45%</td>
<td>41%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Live in a condo or townhouse instead of a single family home</td>
<td>21%</td>
<td>44%</td>
<td>35%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share a house with family</td>
<td>25%</td>
<td>44%</td>
<td>31%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Move to a different state</td>
<td>32%</td>
<td>39%</td>
<td>29%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### HOUSING CHALLENGES FACING YOU

**What are the biggest housing challenges that you face today?**

Rate from No/Light Challenge to Large / Constant Challenge

n: 1319

<table>
<thead>
<tr>
<th>Challenge</th>
<th>No/Light Challenge</th>
<th>Medium Challenge</th>
<th>Large Challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home prices are too high</td>
<td>24%</td>
<td>19%</td>
<td>57%</td>
</tr>
<tr>
<td>Other living costs</td>
<td>28%</td>
<td>32%</td>
<td>41%</td>
</tr>
<tr>
<td>Takes too long to get to work</td>
<td>56%</td>
<td>25%</td>
<td>19%</td>
</tr>
<tr>
<td>Issues with public services</td>
<td>57%</td>
<td>29%</td>
<td>14%</td>
</tr>
</tbody>
</table>
What are the biggest housing challenges that you face today?
Rate from No/Light Challenge to Large / Constant Challenge
n: 1319

- Saving for a down-payment: 36% No/Light Challenge, 22% Medium Challenge, 42% Large Challenge
- Obtaining financing: 38% No/Light Challenge, 28% Medium Challenge, 34% Large Challenge
- Not enough housing: 52% No/Light Challenge, 29% Medium Challenge, 19% Large Challenge

HOME PURCHASE DECISIONS
WHEN DO YOU PLAN TO PURCHASE

When do you plan to purchase your next house
Renters and Owners; (either as a home or as an investment property) n: 1118

RENTERS: KNOWLEDGE OF HOUSING PURCHASES

In your estimation, how much down-payment is required to purchase a home?
n: 722
In your estimation, how much down-payment is required to purchase a home?

Response by Renters; n: 722

If you knew you could qualify with lower downpayment, would you start to look for a house?

n: 722
Renters: Knowledge of FHA Loans

Federal Housing Administration (FHA) backed loans only require a 3.5% down-payment...

Were you aware of such loans? Renters: n: 722

- 81% knew
- 19% did not know

Renters: Knowledge of FHA Loans by Ethnicity

Federal Housing Administration (FHA) backed loans only require a 3.5% down-payment

Were you aware of such loans? n: 1319

- Asian: 15%
- White: 25%
- Latino: 15%
- Black: 20%
DEBT WORRIES

Is financial debt a worry for you?
Scale of 0 to 5, n: 1267

No Challenge: 6%
Light Challenge: 7%
Light-Medium Challenge: 12%
Medium Challenge: 22%
Medium-Large Challenge: 23%
Large Challenge: 27%

DEBT WORRIES - TYPE

What kind of debt is the most burdensome for you?
If rating worry 2 or greater; n: 947

Student: 38.3%
Credit card: 24.6%
Mortgage: 14.4%
Other: 6.6%
Medical: 6.3%
Auto loan: 6.0%
Private loan: 3.8%
STUDENT DEBT AND BUYING (OF ALL RENTERS)

Renters: Is your student loan keeping you from exploring home ownership?
Of all renters n: 722

- 75.7% of renters feel this.
- 24.3% do not feel this.

But only a minority of all renters feel this.

STUDENT DEBT AND BUYING (OF DEBT WORRIERS)

Renters: Is your student loan keeping you from exploring home ownership?
Of all renters who selected Student Debt as Most Worrisome n: 226

- 75.6% of renters feel this.
- 24.4% do not feel this.

"Debt Worrier" Renters feel constrained by Student Loans.
STUDENT DEBT AND HOUSING : OWNERS

Did student debt of any kind keep you from exploring homeownership sooner?
Owners: n: 597

- 30.1%
- 69.9%

STUDENT DEBT AND HOUSING : RENTERS AND OWNERS

Did student debt of any kind keep you from exploring homeownership (renters), or homeownership sooner
Combined Response: n: 1319

- 30%
- 24%
STAY CONNECTED WITH RESEARCH

CARResearchGroup
CARResearchInfo
On.car.org/CARResearch
Housingmatters.car.org

THANK YOU!

www.car.org/marketdata
lesliea@car.org

This presentation can be found on
www.car.org/marketdata
Speeches & Presentations