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

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?


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

Myers & Park, USC Price
Declining Millennial homeownership demand?

Per Capita Homeownership Rates, by Age, 2006 to 2016

Homeownership also starts at a later age in our region

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

Myers & Park, USC Price
Growth in New Homeowners

National Rebound in Primary Residence Home Sales

National Growth in Number of Homeowners with New Occupancies

Source: American Community Survey IPUMS files, 2006 to 2016.
California’s Weaker Rebound

California Growth in Number of Homeowners with New Occupancies

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

SCAG Region’s Stagnant Recovery

SCAG Region Growth in Number of Homeowners with New Occupancies

Source: American Community Survey IPUMS files, 2006 to 2016.
LA County’s Stagnant Recovery

LA County Growth in Number of Homeowners with New Occupancies

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

Myers & Park, USC Price

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

In 2006 at age 26-27, this cohort started with a homeownership rate of 8.3%.

In 2010 at age 26-27, this cohort started with a homeownership rate of 6.1%.

2006-08: Added 1.4 points aging to 28-29

2010-12: Added 1.3 points aging to 28-29

2008-10: Added 1.7 points aging to 30-31

2012-14: Added 2.7 points aging to 30-31

2010-12: Added 1.6 points aging to 32-33

2014-16: Added 2.7 points aging to 32-33


Myers & Park, USC Price

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

In 2006 at age 26-27, this cohort started with a homeownership rate of 7.1%.

In 2010 at age 26-27, this cohort started with a homeownership rate of 4.9%.

2006-08: Added 1.7 points aging to 30-31

2010-12: Added 1.6 points aging to 32-33

2012-14: Added 3.2 points aging to 30-31

2010-12: Added 1.9 points aging to 32-33

2014-16: Added 2.7 points aging to 32-33


Myers & Park, USC Price
What Makes a Rental Shortage in LA?

When Growing Rental Demand Meets Limited Housing Supply

Conceptual Diagram for Explaining the Rental Housing Shortage

**Demand**
- Depressed Homeownership
- Millennial Arrival in Adulthood
- Other Population Growth

**Supply**
- Great Recession & Aftermath
- Increased Rental Demand
- Depressed Construction

Rental Housing Shortage

Restricted Supply of Workers
Financing & Land Constraints
Political Resistance

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Great Recession Graphics: Employment Change (Annual %)


Great Recession Graphics: Median Household Income (2016$)

Slowdown in New Construction in LA County

Annual Building Permits by Structure Type, 1970 to 2017

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

Myers & Park, USC Price

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

Would-be *homeowners* were diverted into rentals

Joining the expected growth of *renters* from Millennials & others

Creating Total POTENTIAL growth in *renters* .................

304 K

208 K

512 K

*How well was this rental demand met by supply?*

Source: 2000 Decennial Census IPUMS and 2016 ACS 1-year Estimates IPUMS files.
When Growing Rental Demand Meets Limited Housing Supply

LA County, Changes 2000 to 2016

Total EXPECTED growth in renters ........................................ 512 K

Less the

ACTUAL increase in renter-occupied units ......................... 189 K

LEAVES dislodged renters.......... 323 K

(16.7% of 2016 actual renters)

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

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.

Declining Household Formation and Renter Rate


**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
Select References


The future remains to be determined......

Thank you