

# Market Snapshot

## California Homeownership: Buckle Up for a Bumpy Ride

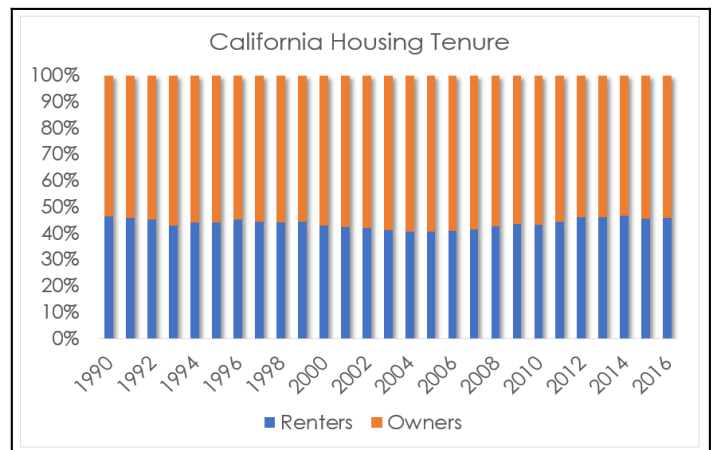
Homeownership has yet to recover from the Great Recession, and even dipped lower last year. The latest Annual Social and Economic Supplement to the Current Population Survey for 2016 pegs homeownership in California at 54.3% in 2016. That's well below the level of 59.5% homeownership hit in 2005, but is also below 2015 levels by 0.1 percentage points. With affordability deteriorating alongside rising prices and essentially flat sales for several years, fewer Californians have been able to make the jump back into owning their own homes.

There has been an increase in the number of homeowners, which has rebounded from a low of 7.12 million households in 2014 to 7.56 million in 2016. However, the renter population has increased by more than the uptick in homeownership. In 2016, we estimate that homeownership increased by a net of 87,865 while the number of renter households increased by more than 108,000.

Unfortunately, this trend is not poised to reverse course over the short run. Affordability in California is well below the national average: only 31% of households can afford the median-priced home here compared with 58% nationwide. Interest rates are also expected to rise, which will increase the cost of carrying the typical mortgage, thereby reducing affordability that much more. In addition, the supply constraints have created an excess-demand situation that is putting further upward pressure on home prices as the economy creates more jobs and incomes start to rise.

Homeownership in California subdivided across racial and ethnic lines also highlights the important work still left to do to bring the opportunity of owning your own home to our communities of color. Homeownership in California fell the farthest for blacks (-13 percentage points) and Hispanics (-8 percentage points) during the downturn—much more than their white (-5.4 percentage points) and Asian (-4 percentage points) counterparts. In addition, black and Hispanic Californians continue to fall behind as their share of the overall population base is still many points higher than their share of the owned homes, while whites and Asians continue to own a disproportionate share of the residential real estate.

C.A.R. is currently forecasting that home prices will continue to rise this year, growing by a projected 4.6%. That would bring the median price of a single-family home to \$525,400. At a 4.5% rate for a fixed-rate mortgage, that would raise the minimum qualifying income for that median home to roughly \$114,000—an income level that just over 25% of California's households currently earn. As such, affordability and homeownership may get worse before they get better.



Brought to you by:



Judy Ames Stephens  
 REALTOR®  
 Keller Williams SD Metro  
 3965 5th Ave #300  
 San Diego, CA 92103

Office: (619) 233-5935  
 Cellular: 619-787-6991  
 Email: [jasteph@ja.sdcoxmail.com](mailto:jasteph@ja.sdcoxmail.com)  
 Website: <http://www.welcomehomeinsandiego.com>  
 BRE License: 01490959