Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from first tuesday
February 2015 • Vol. 4 • Issue 2 • ***Home prices limit formation of new owner households***

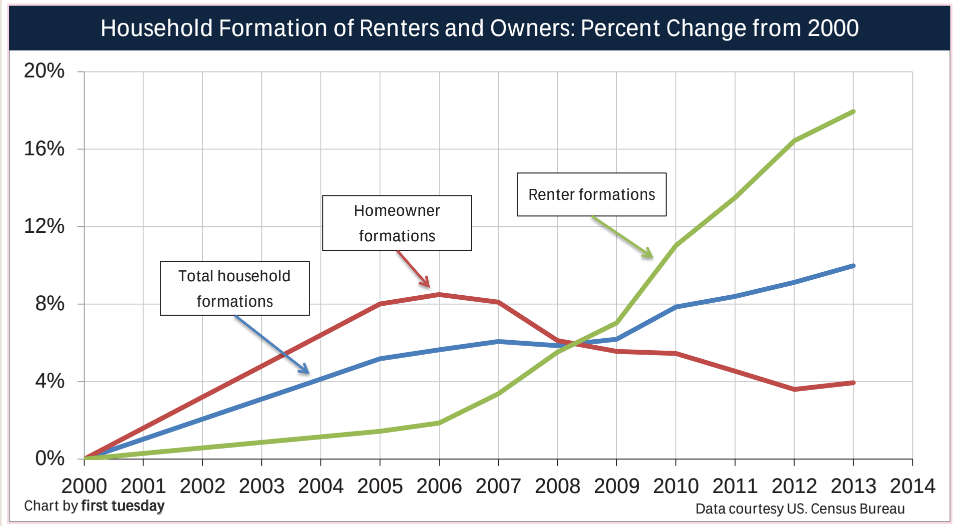
Presented by
Name
BRE License #
Phone
Email

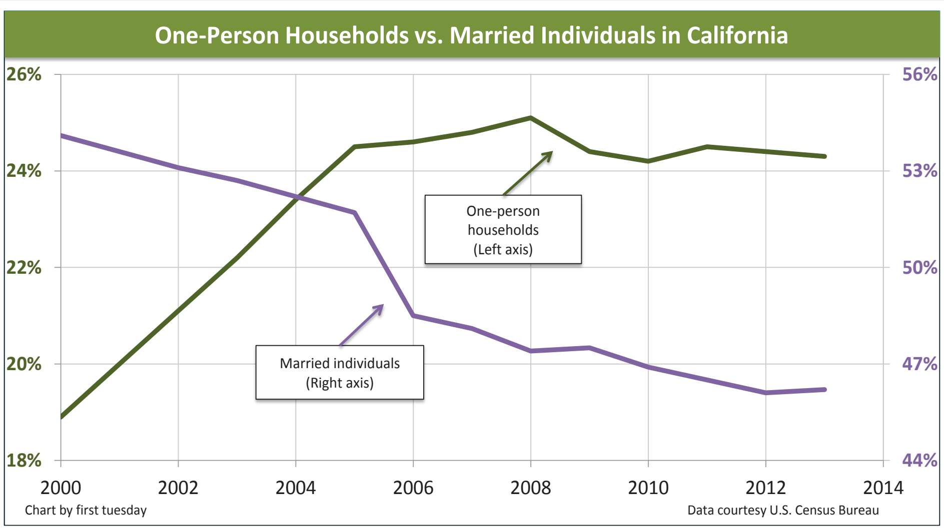
New renters lead increase in household formations

This chart plots the percent change in renter, owner and total **household formations** since 2000.

In 2013, there were **10% more households** in California than in 2000. However, that increase has not been a steady upward march of owners and renters alike. 18% more households rent today than in 2000. In contrast, homeowners have grown in number by only 4%.

Prior to the Great Recession, owner household formations outpaced new renter households significantly. During and after the recession, that pattern reversed. This remains true today as potential new owner households are held at bay by **broader economic factors**. Those factors are primarily slow wage growth, over-inflated home prices, and personal foreclosure experiences which delay entry to homeownership among Generation Y (Gen Y).





One-person households remain high

This chart contrasts the percentage of households comprised of a **single person** with California's **married population**.

In 2013, the number of **married Californians** increased for the first time since 2000. **Single-person households**, having peaked in 2008, continued a pattern of modest decline.

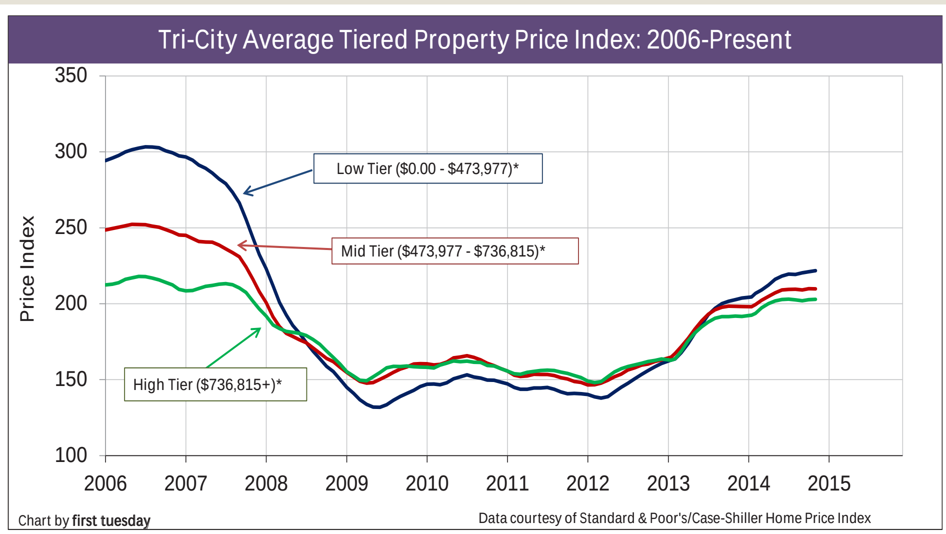
Single-person households declined during the recession as young people returned to the nest and foreclosed owners took refuge with extended family. They've since bounced back and will remain stable as the jobs and housing recovery improves. More **professional urban singles** will strike out on their own until they reach marriage age, pairing off and building families.

Inflated home prices suppress household formations

This chart tracks **sales price fluctuations** by price tiers of single family residences (SFRs) for Los Angeles, San Francisco and San Diego.

As of November 2014, low-tier home prices were 9% higher than one year earlier and 6% higher in the mid- and high-tiers. Though price growth has peaked recently, sporadic increases in 2013 yielded over 53% year-over-year price growth in the low tier due to a frenzy of speculative bidding. That has ended.

The effects of this unsupported price growth will dampen the formation of new owner households. This will persist until weak **home sales volume** bears down long enough to cause sellers to revise their sticky pricing expectations. Only then – and only if our recent jobs recovery translates to an income recovery – will new households, married or otherwise, be ready to make the homeownership leap. That is likely by mid-2016.



Click on any chart for more information!

Click to Print