


# Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from **RPI (Realty Publications, Inc.)**

March 2021 • Vol. 11 • Issue 03 • **Residential construction trails growing demand, stunting homeownership**

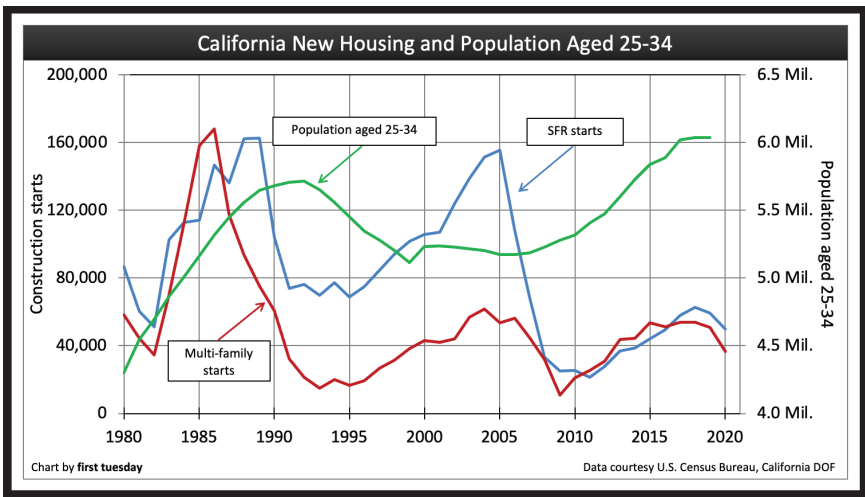
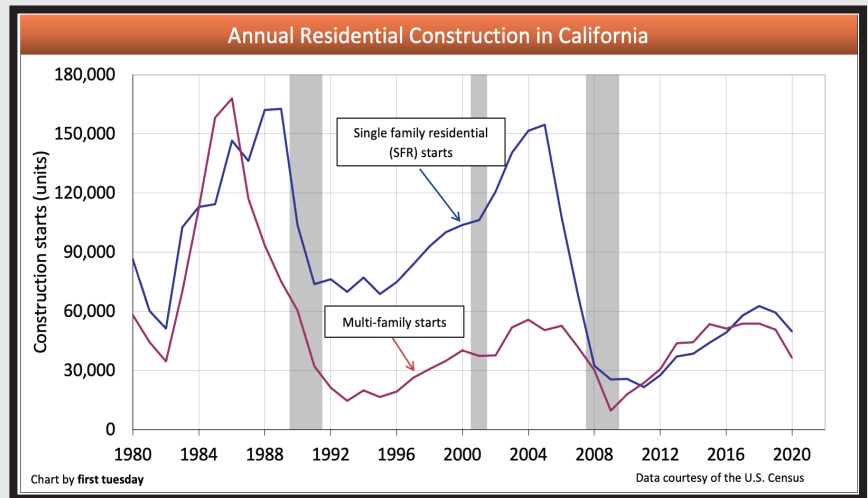
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## Residential construction declines, despite rising demand

This chart shows the number of new **single family residential (SFR)** units and **multi-family** units started each year in California.

In 2020, 49,800 new SFR units and 36,600 new multi-family units were started. Compared to the prior year, this level of **new construction** was down 16% for SFRs and 28% for multi-family.

Legislative efforts to add to the low- and mid-tier housing stock have focused on encouraging more residential construction. But social distancing and tightened lines of credit are holding builders back. Significant **job losses** have also made builders more cautious, watchful for the inevitable fallout once foreclosure and eviction moratoriums are lifted and vacancies rise later in 2021. These factors will put downward pressure on construction for the next two-to-three years.



## Population growth exceeds new housing

This chart shows the number of 25-34-year-olds in California, representing the typical age group of **first-time homebuyers**, alongside the annual number of residential construction starts.

The number of young adults in California is now higher than at any other time, having last peaked during the 1990s, when the parents of today's young adults were themselves first-time homebuyers. But the pace of new construction has fallen behind **population growth**, leading to an imbalance in availability and demand.

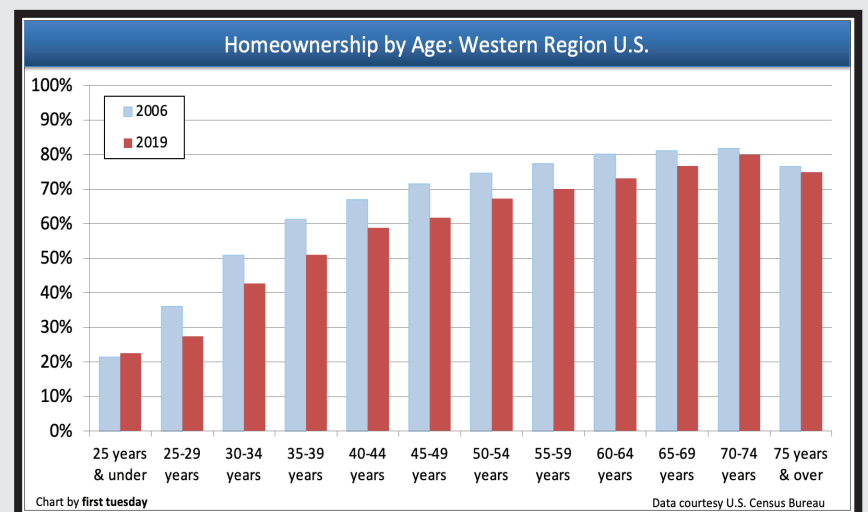
Many of today's would-be first-time homebuyers have been prevented from purchasing due to low inventory, fast rising home prices, high levels of student debt, and a delayed entry into the labor force following the 2008 recession. While this demographic is growing very slightly each year, expect their rate of **homeownership** to continue to remain low through at least 2024 as they continue to slowly muster savings for down payments and grapple with the financial fallout from the ongoing recession.

## Homeownership declines for the young

This chart shows the **homeownership rate** by age group in the western region of the U.S. in 2019 (the most recent Census year), compared to when homeownership last peaked in 2006.

Roughly four-out-of-five **Baby Boomers** are homeowners today and will remain so in retirement. Many will sell and downsize, purchasing a replacement home of equal or lesser price. Among potential first-time homebuyers aged 25-34, approximately 35% own a home, down from 43% in 2006.

While the homeownership rate has declined for all age groups since the 2006 peak, the decrease has been sharpest for younger generations. Part of the decrease is due to **Generation Y's** delay to become homeowners. However, once this generation feels financially secure in their careers and the state's economy, their appetite for shelter will accelerate, expected to peak around 2025, at which point the next generation of young homebuyers — Gen Z — will be entering the housing market in earnest.



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