



# Los Angeles Housing Market

Past, Present, and Paths Forward

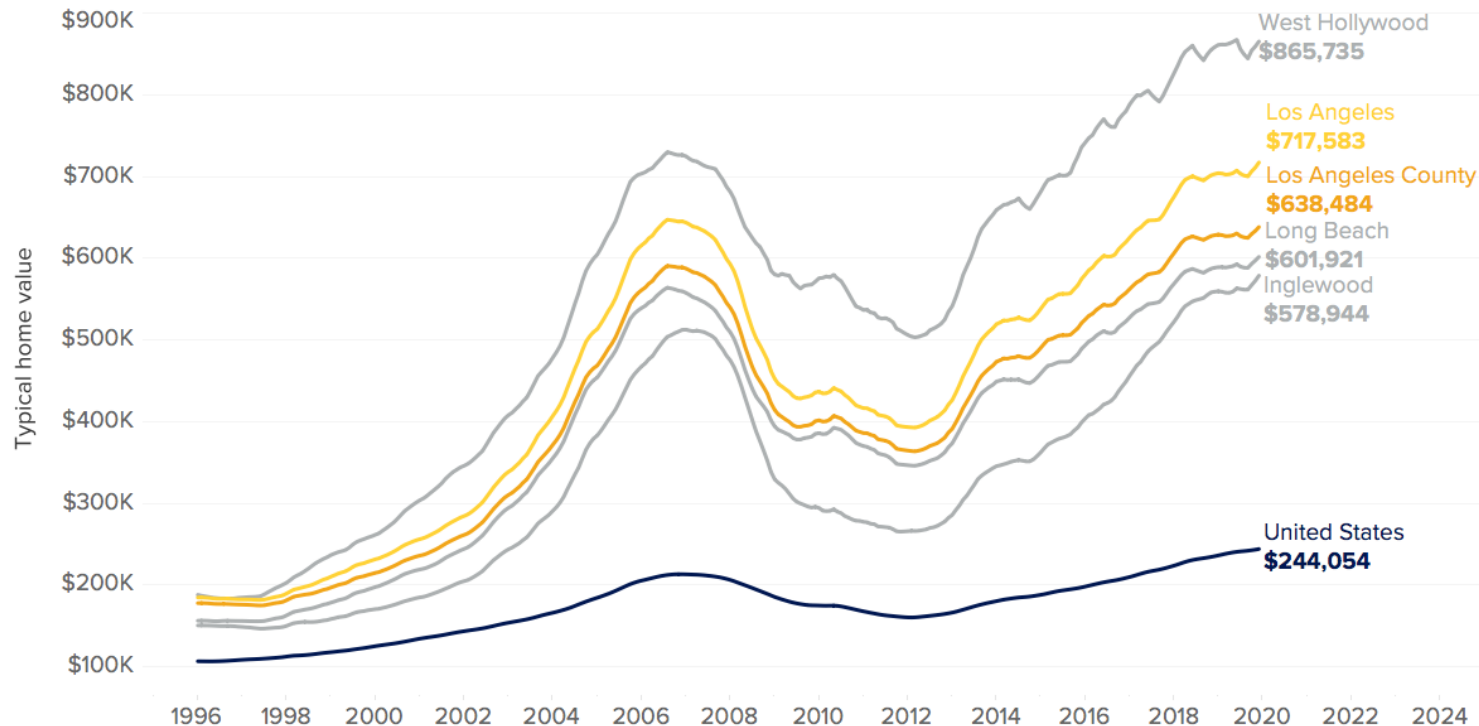
---

**Alexander Casey**

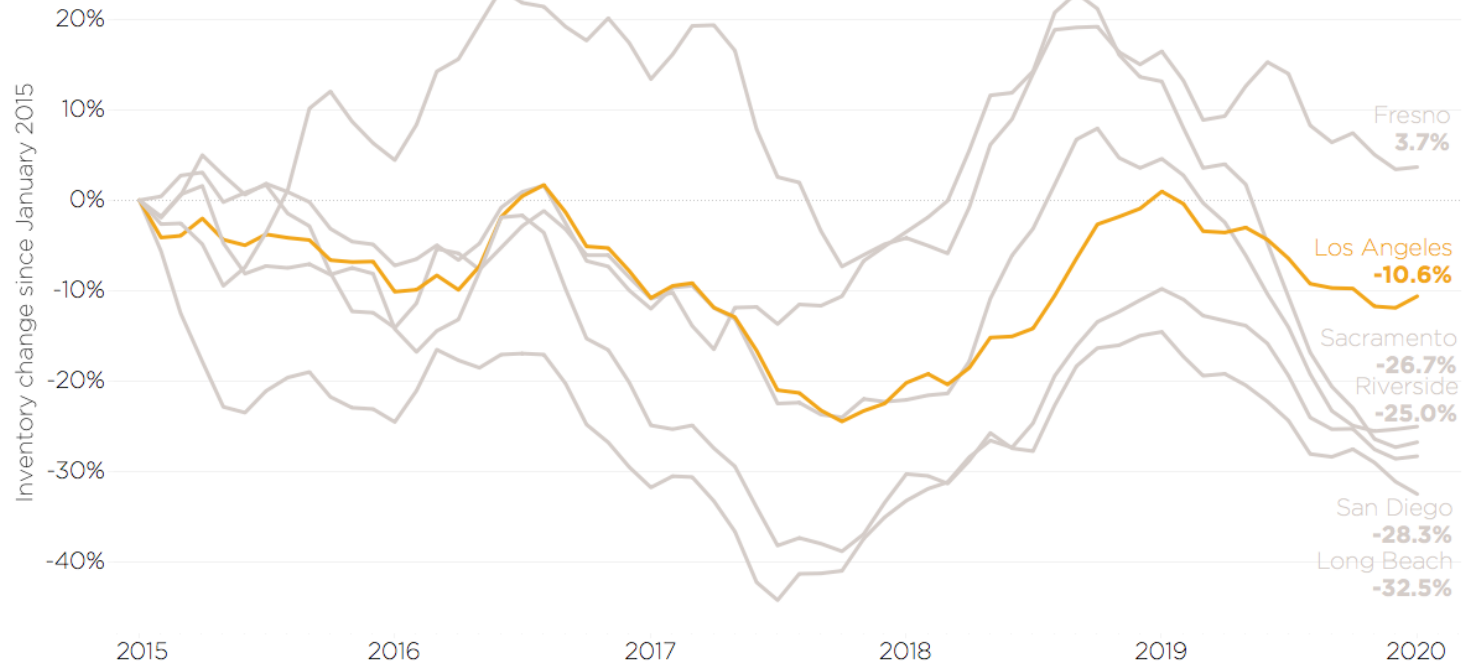
Senior Policy Advisor

Zillow Group Economic Research

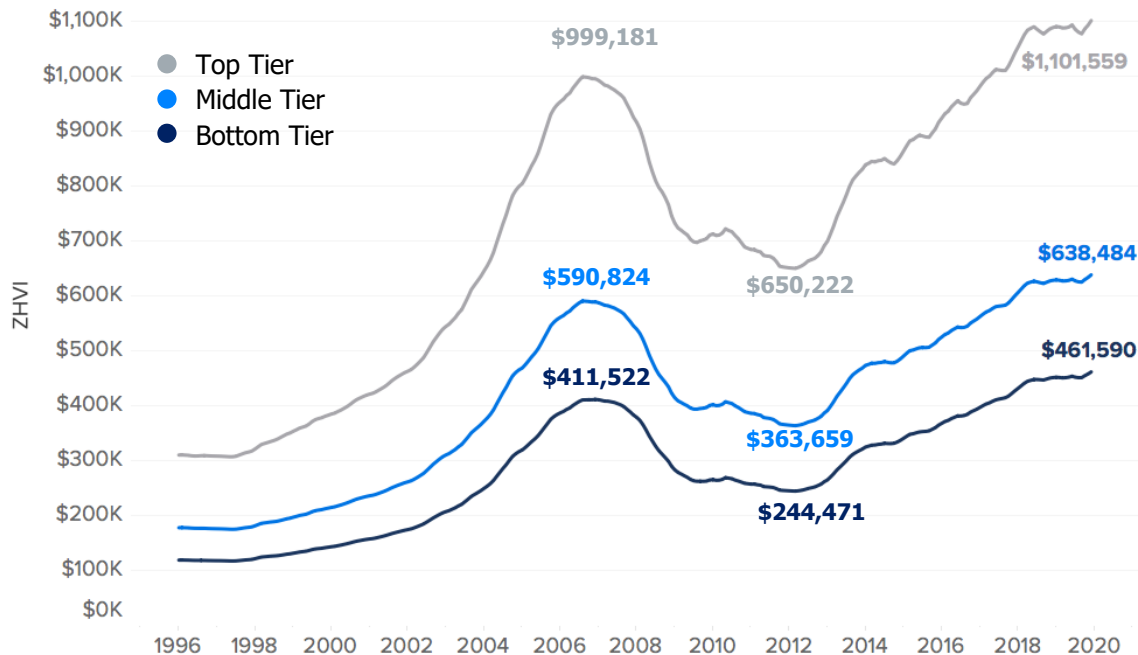
# High home values nothing new, yet now historically high



# LA follows national trend of dwindling for-sale inventory



# Lowest-value homes in LA County appreciating fastest



**Growth since pre-recession peak**

10.2%

8.1%

12.2%

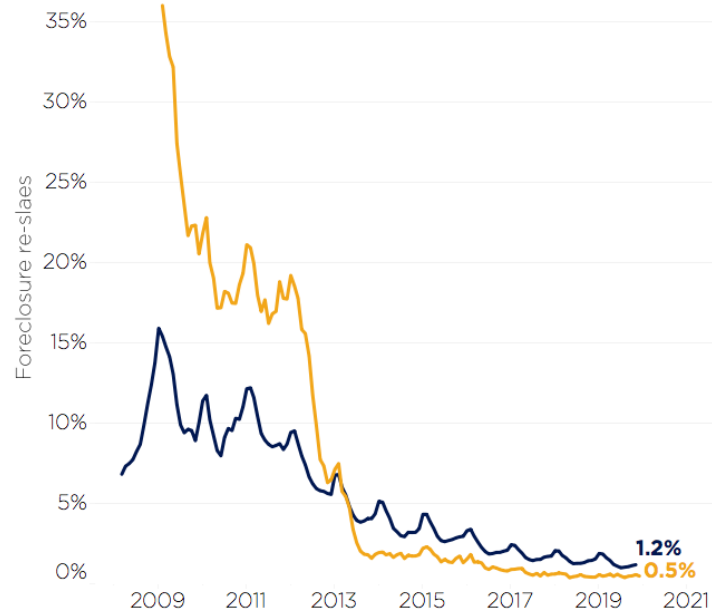
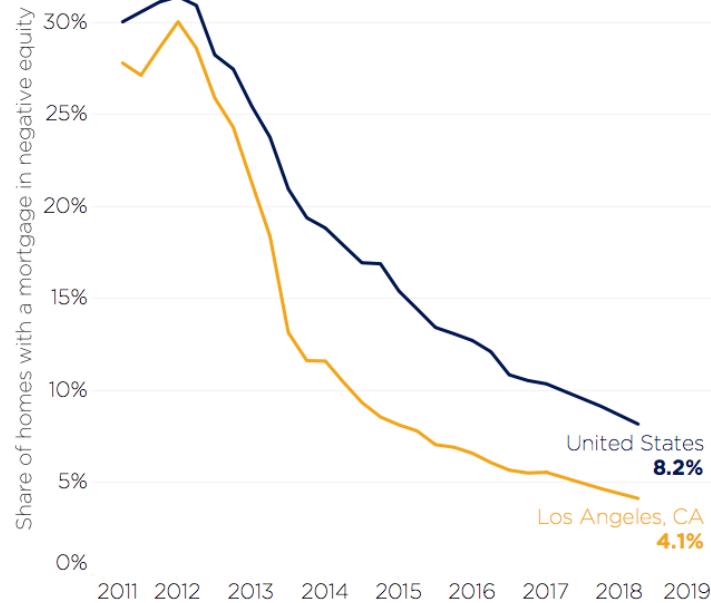
**Growth since Recession low**

69.4%

75.6%

88.8%

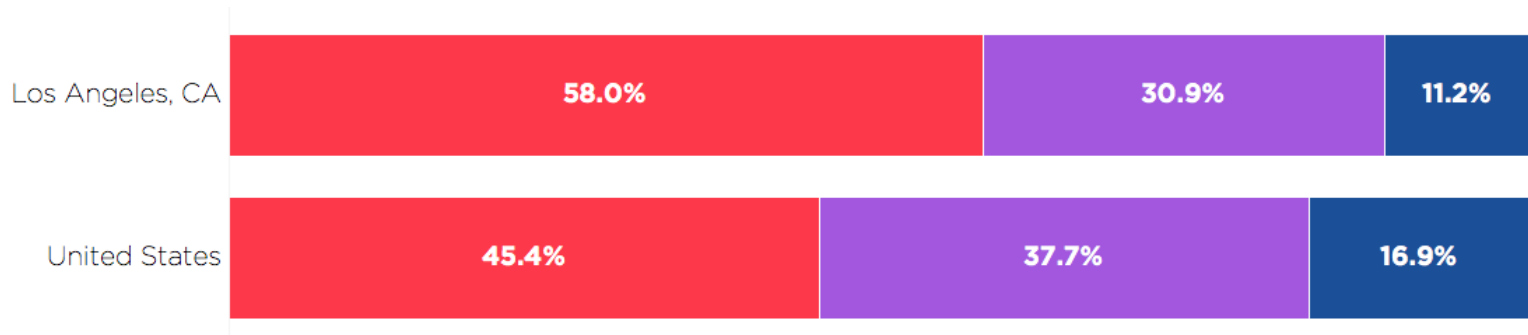
# Strong recovery drives down negative equity in LA, but scars of high foreclosure rates still linger.



5 Source: Zillow Negative Equity, 2018 Q2 and Zillow Foreclosure Re-Sales %, December 2019.

# Entry-level homes hit especially hard by the foreclosure crisis in the LA metro

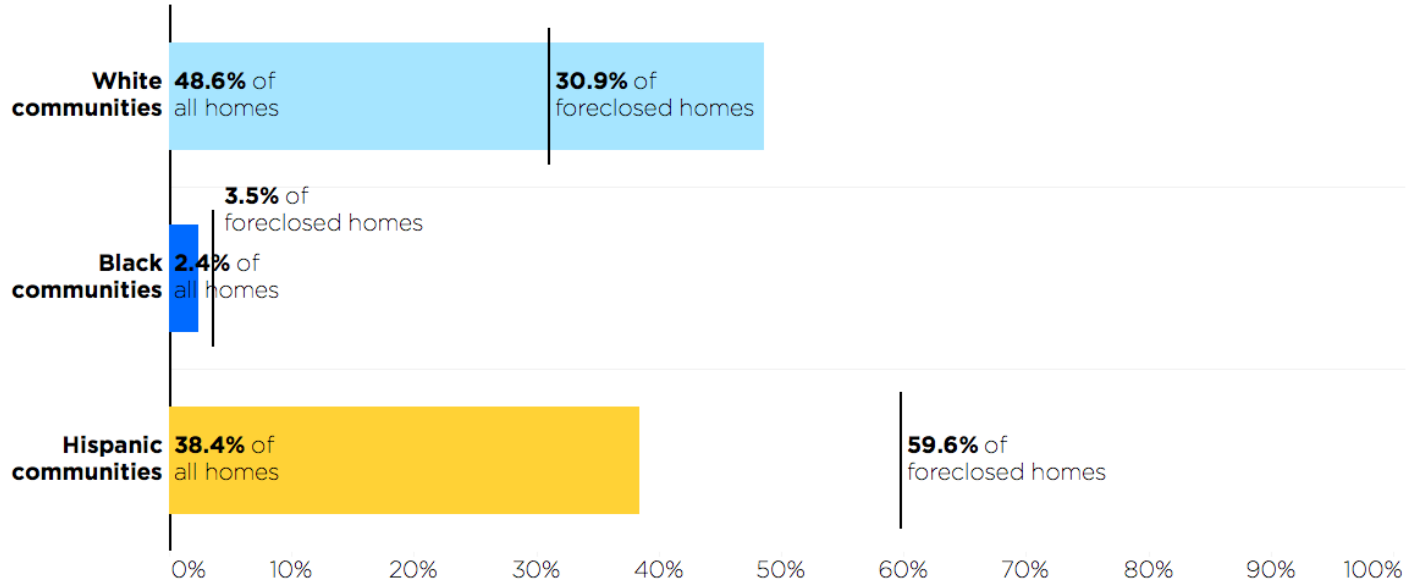
Share of foreclosed homes that are **entry-level**, **middle-tier** and **high-end**



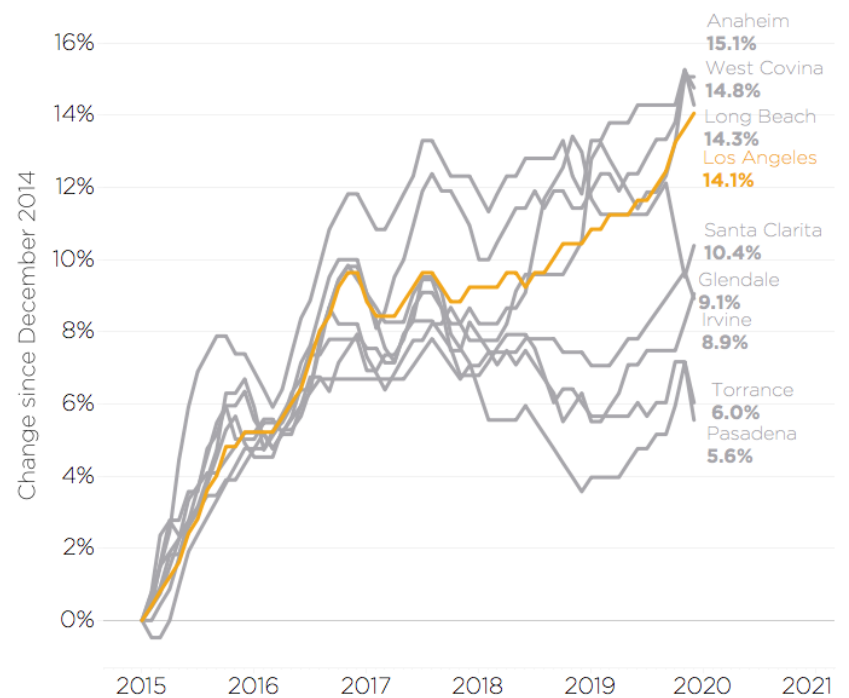
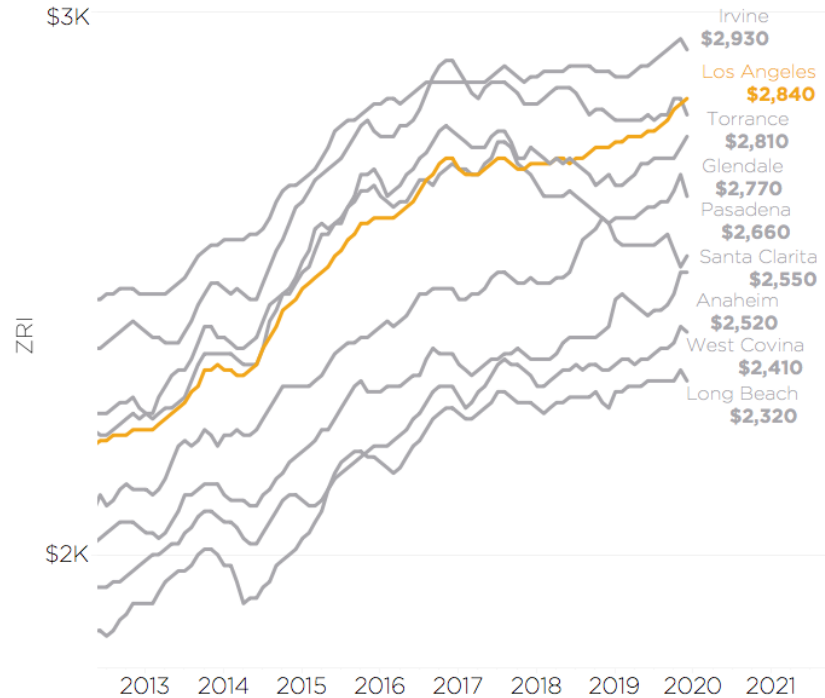
# Homes located in communities predominately of color were hit the hardest by the foreclosure crisis

Share of homes in Hispanic, black and white communities that were foreclosed

Los Angeles

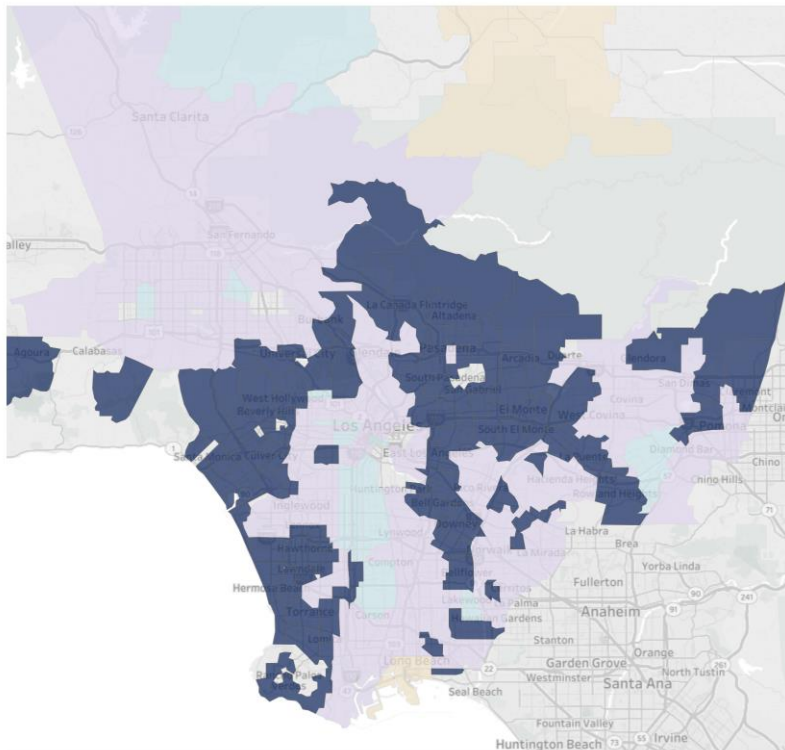


# Rental values on a steady rise across LA County





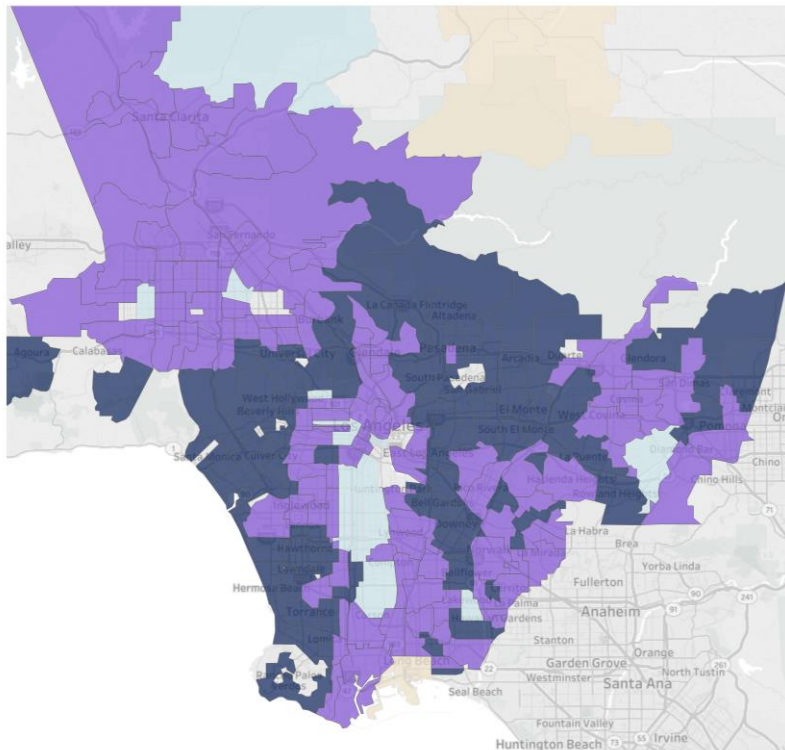
# In some parts of the LA metro rents have remained relatively level the last five years



5 Year Change in Rent

- < 10%
- 10% - 20%
- 20% - 30%
- 30%+

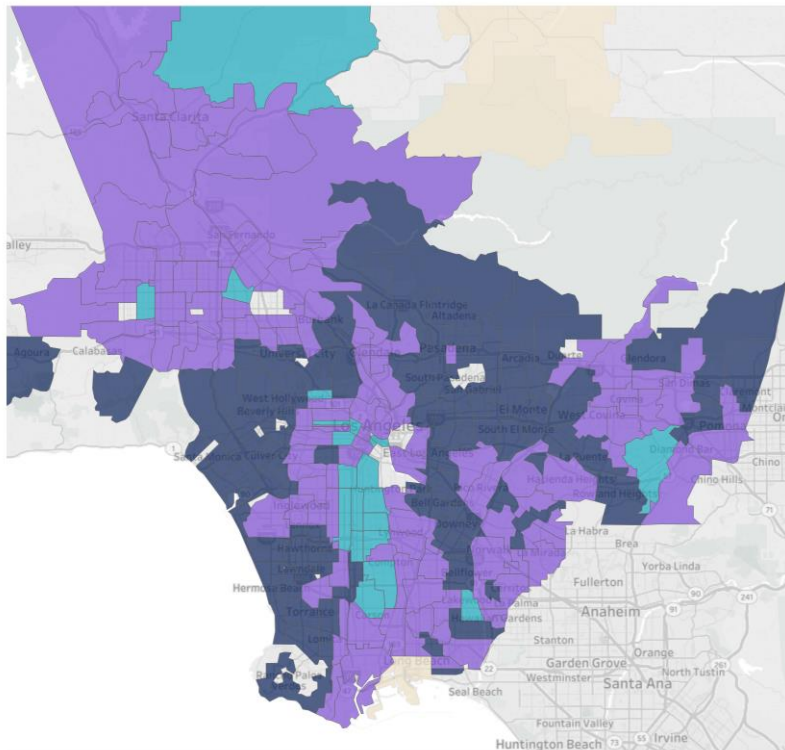
# In many ZIP codes, rents are rising alongside national pace during the past five years



5 Year Change in Rent

- < 10%
- 10% - 20%
- 20% - 30%
- 30%+

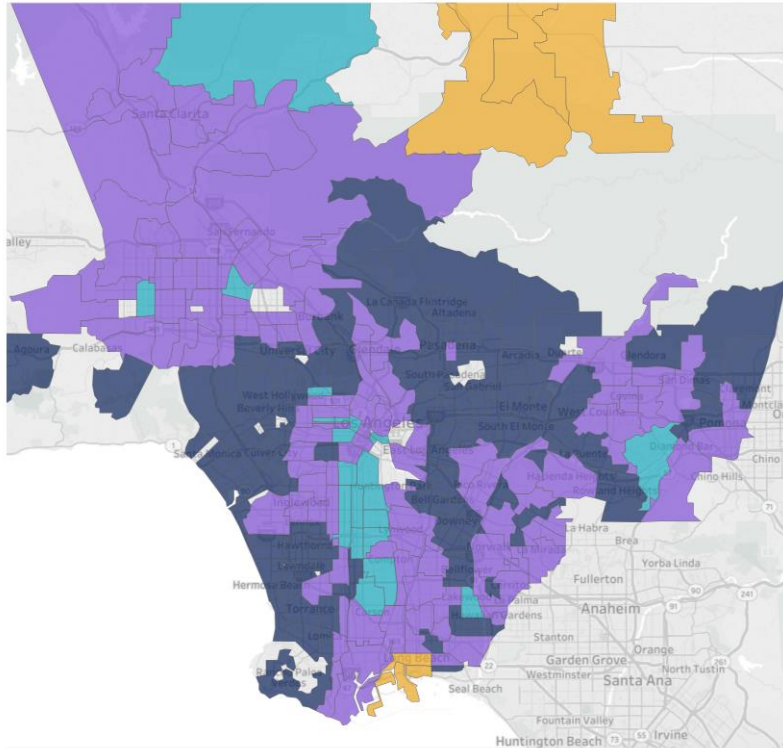
## But across most of the region, rental prices have significantly outpaced the nation



5 Year Change in Rent

- < 10%
- 10% - 20%
- 20% - 30%
- 30%+

# Pockets of exceptionally hot rent appreciation within Los Angeles

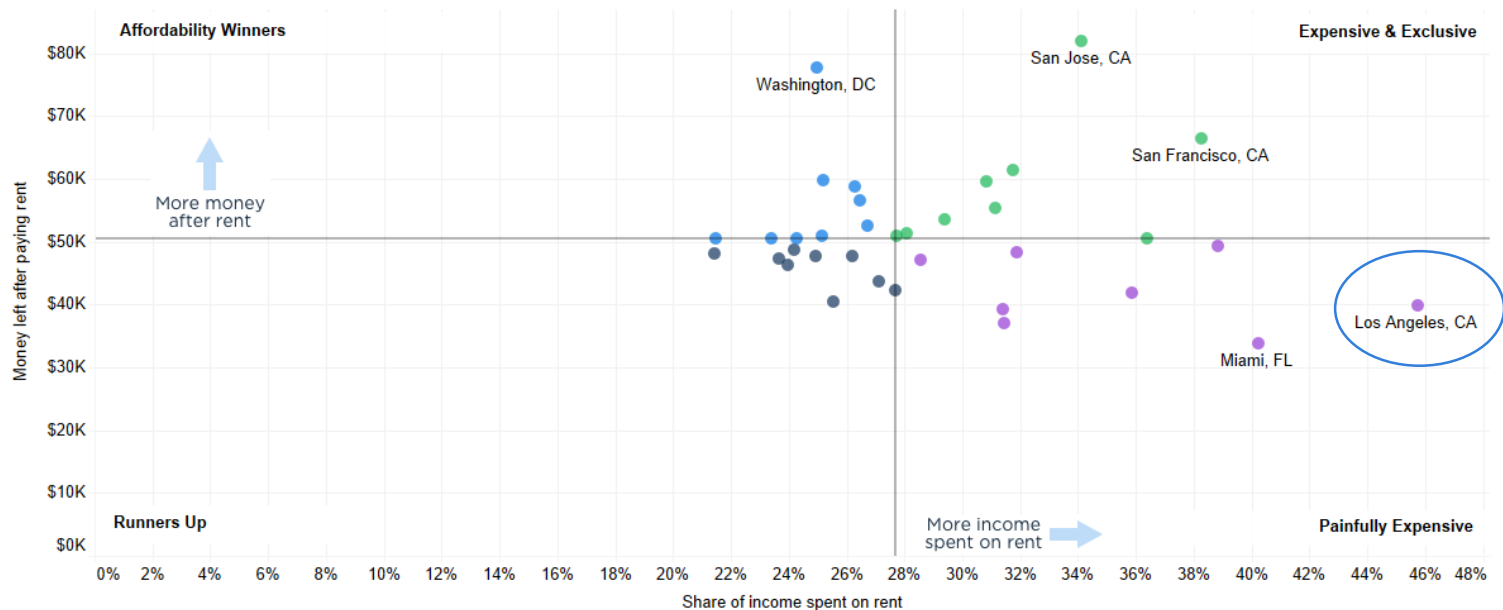


5 Year Change in Rent

- < 10%
- 10% - 20%
- 20% - 30%
- 30%+

# High incomes don't fully cover for high burdens

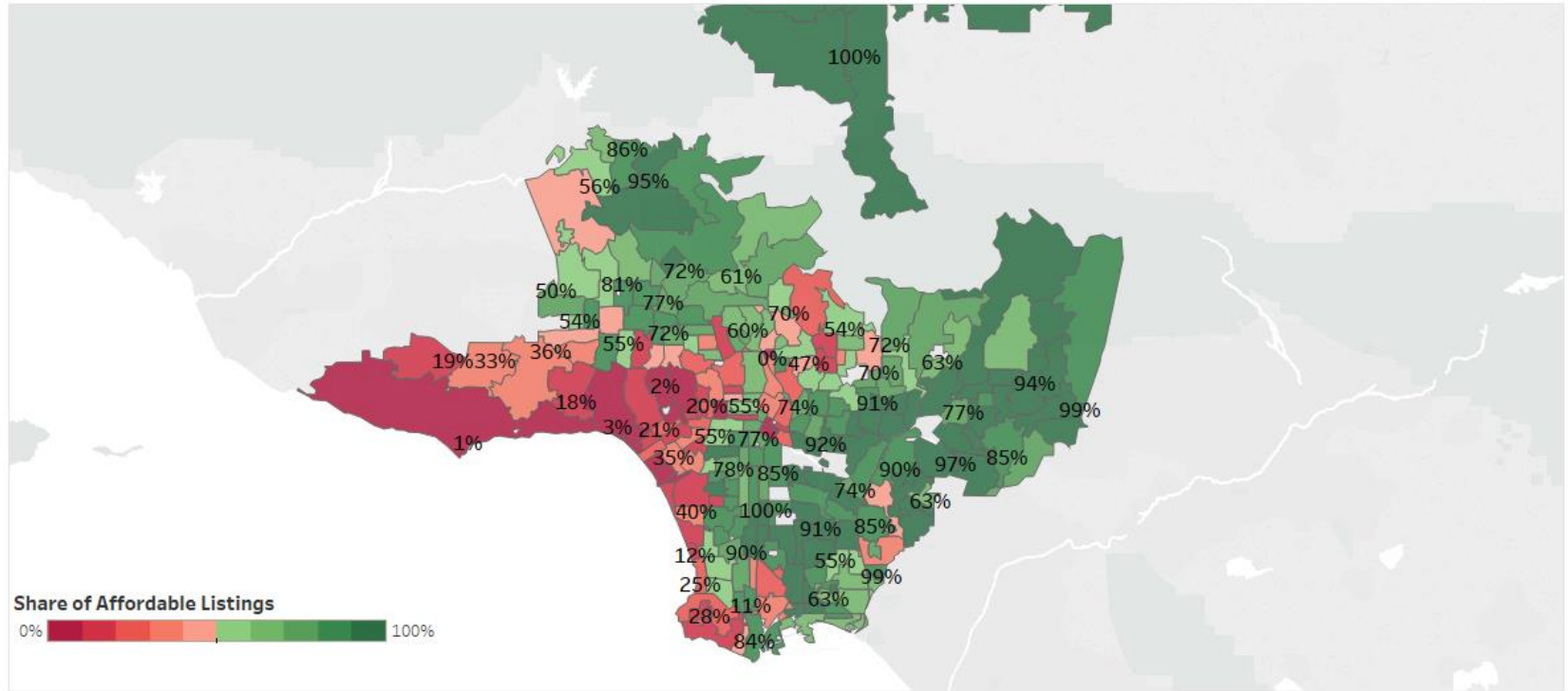
(Un)affordability means less money for living in LA than in SF



Zillow Economic Research | Source: Zillow Affordability and Median Income Calculation from US Census Bureau American Community Survey

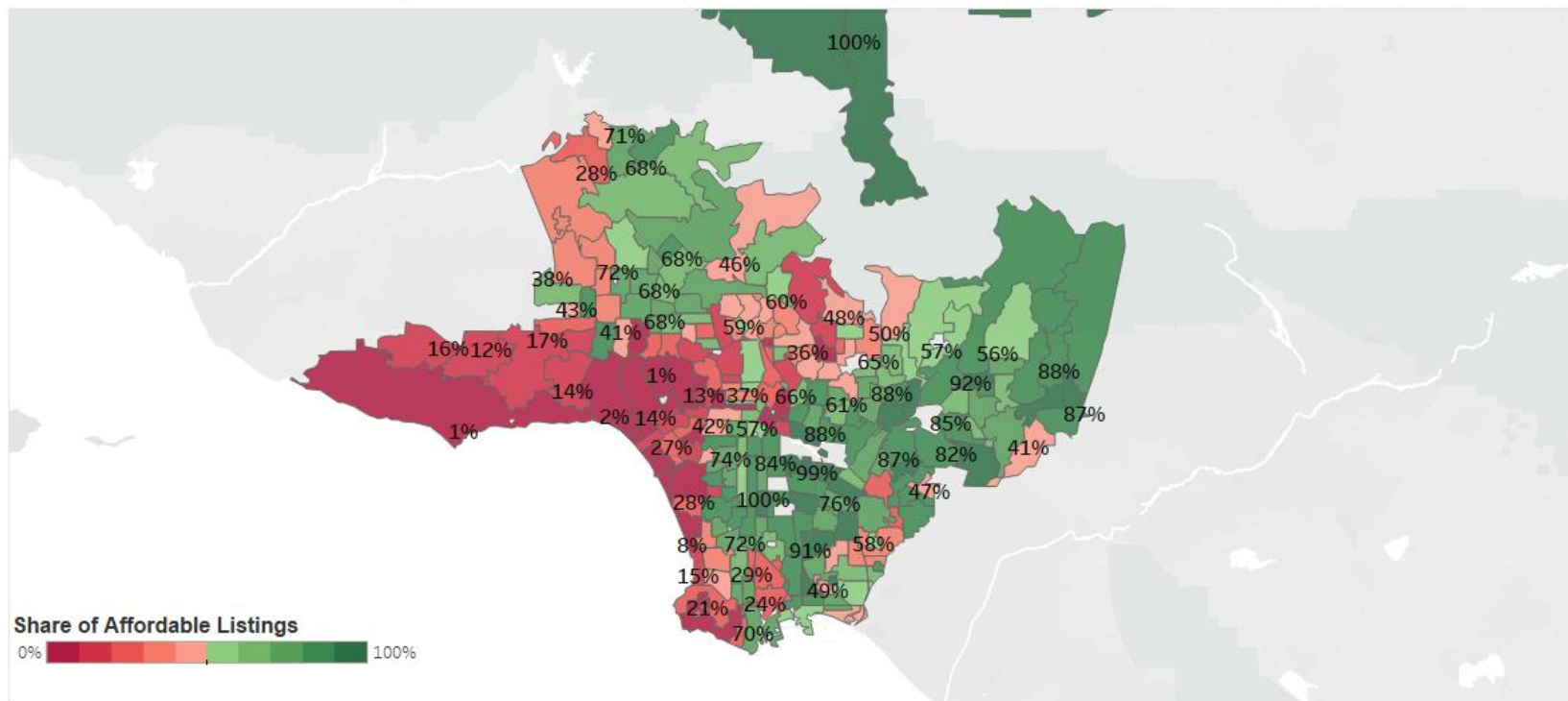
## The Typical Los Angeles Law Enforcement Official has Few Affordable Options in Many Neighborhoods

Share of 1-2 Bedroom 2018 Rental Listings Affordable on the Median Police Officer or Detective Salary in Los Angeles County ZIP Codes.



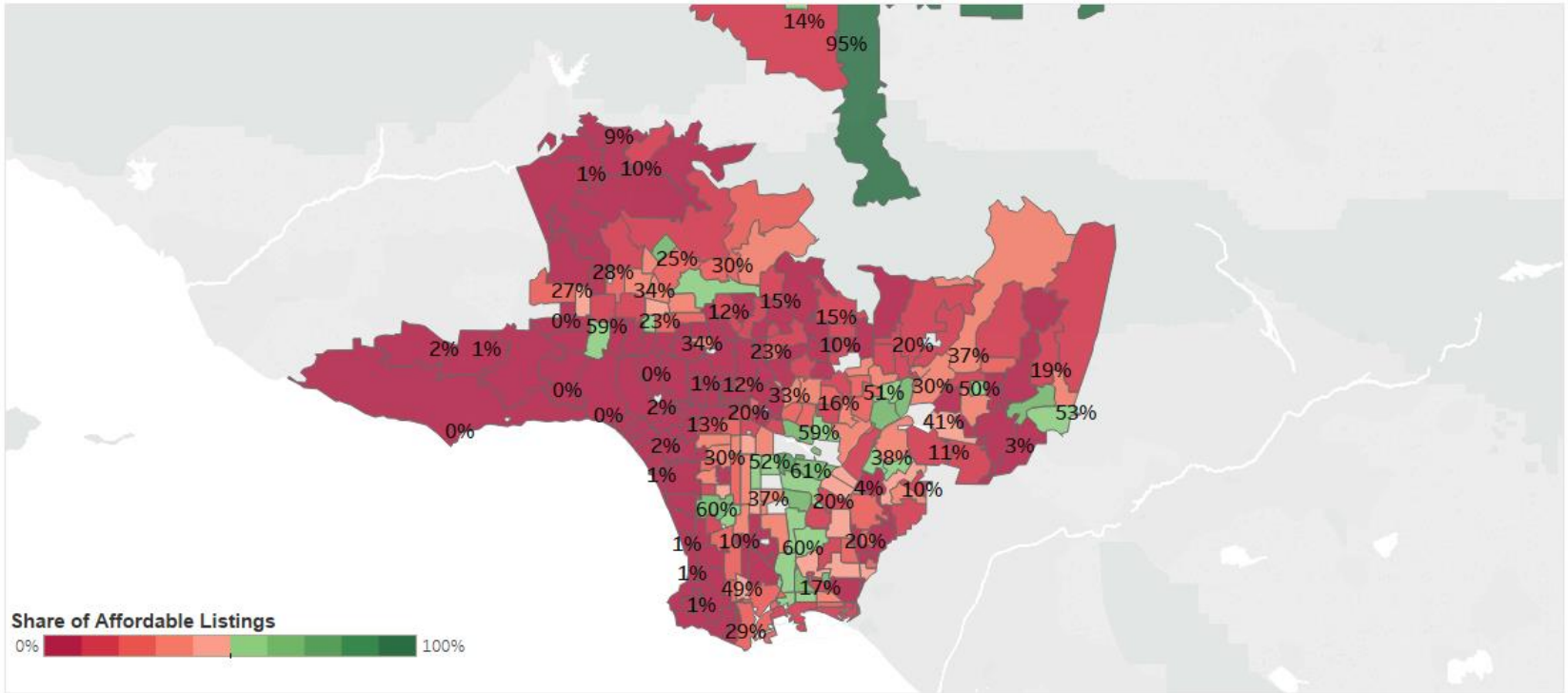
## The Typical Los Angeles Nurse has Few Affordable Options In Many Neighborhoods

Share of 1-2 Bedroom 2018 Rental Listings Affordable on the Median Registered Nurse Salary in Los Angeles County ZIP Codes.



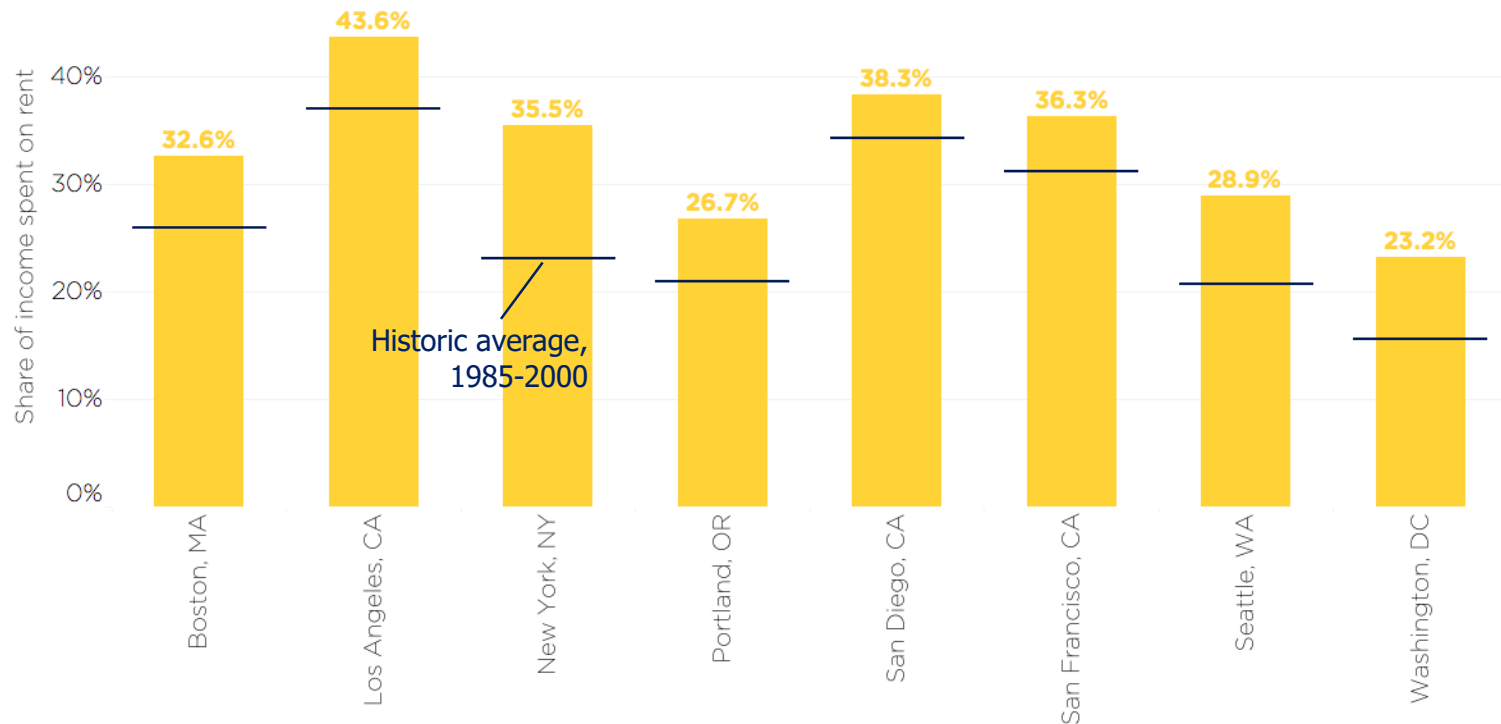
## The Typical Los Angeles Teacher has Few Affordable Options

Share of 1-2 Bedroom 2018 Rental Listings Affordable on the Median Teacher Salary in Los Angeles County ZIP Codes.

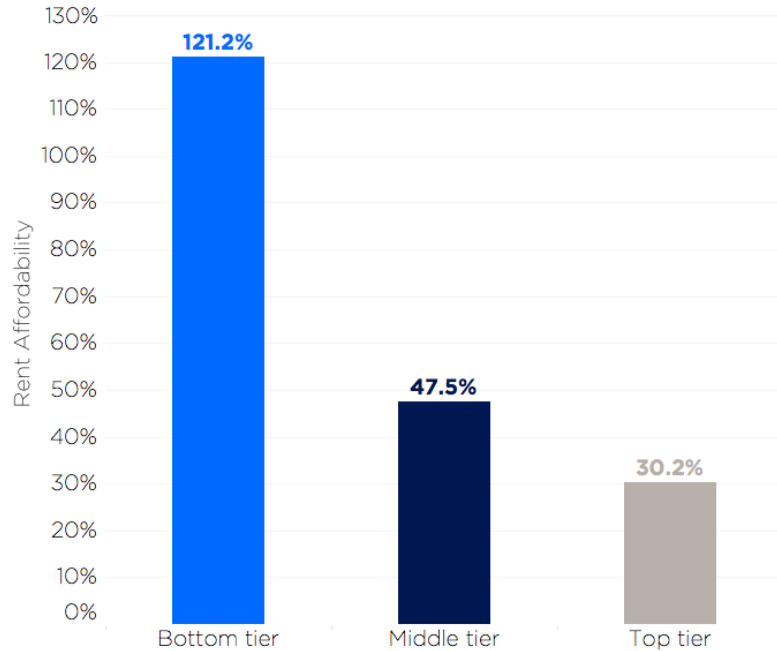




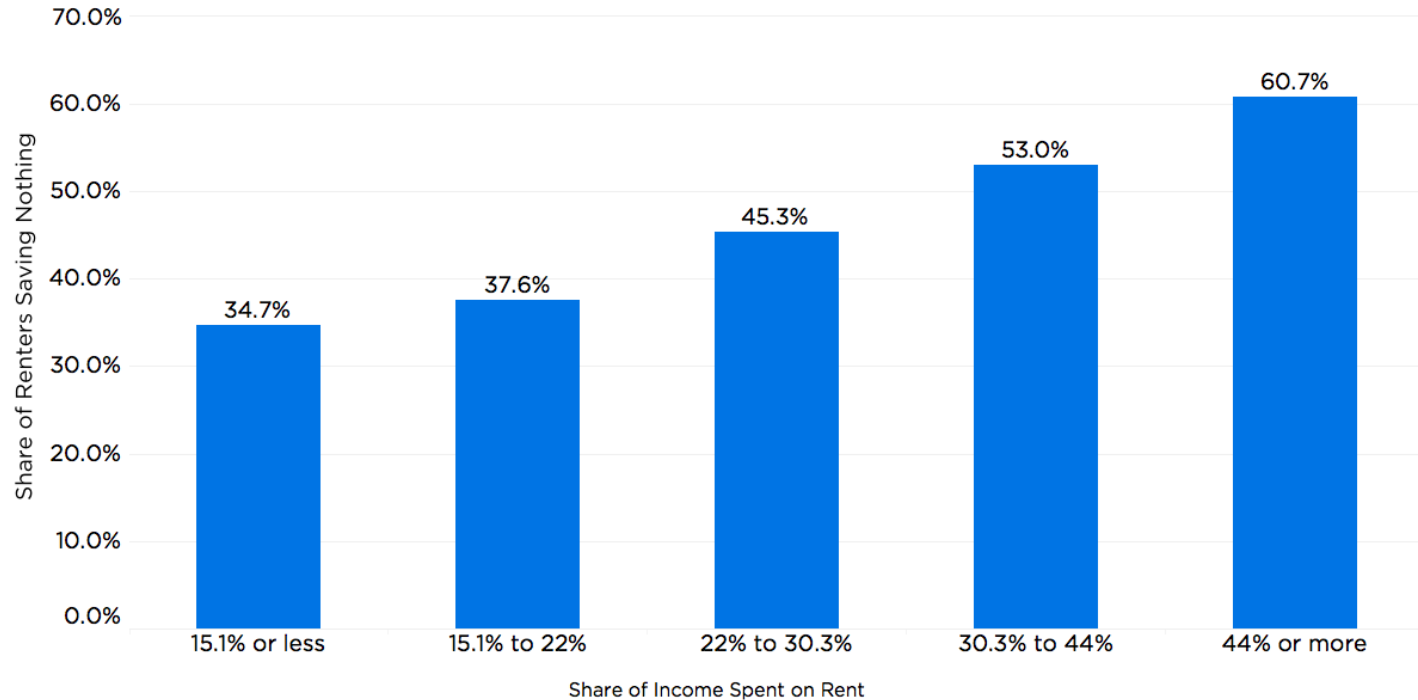
# Share of income necessary for typical rental at historic high



# Affordability pinch most severe on the lower-end of the market



# As the share of income spent of rent rises, fewer people save any income



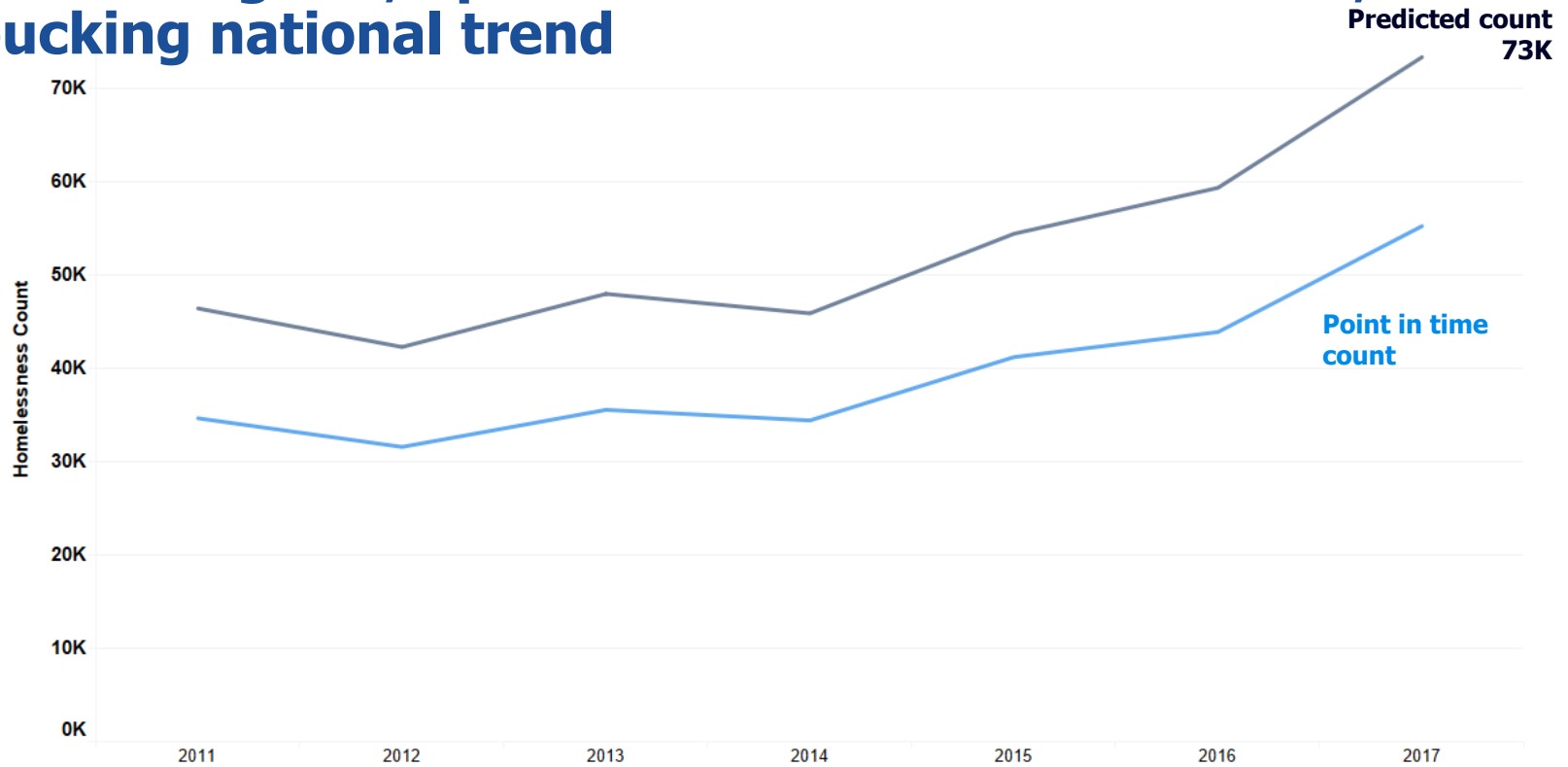
Findings from:  
Inflection Points in Community-Level  
Homeless Rates

Chris Glynn, Thomas H. Byrne, and Dennis P. Culhane

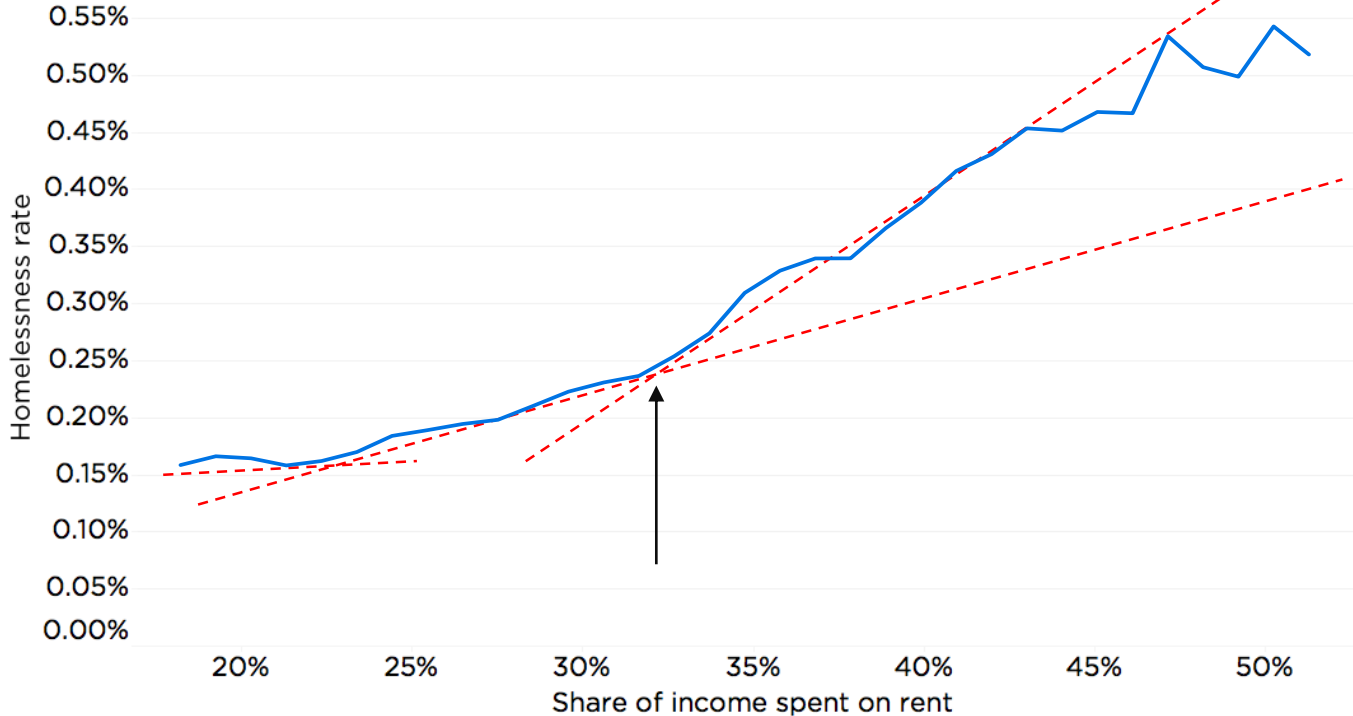
In partnership with Zillow

---

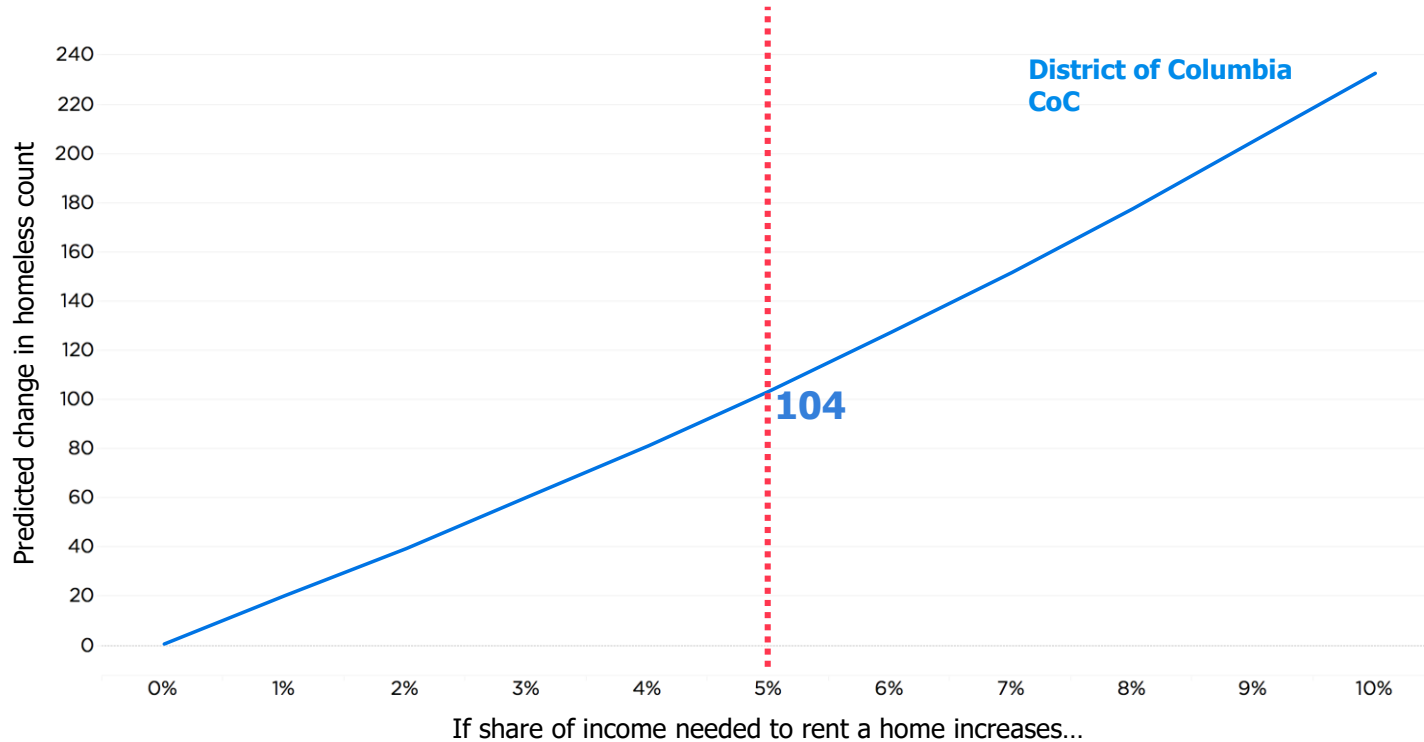
# In Los Angeles, episodes of homeless on the rise, bucking national trend



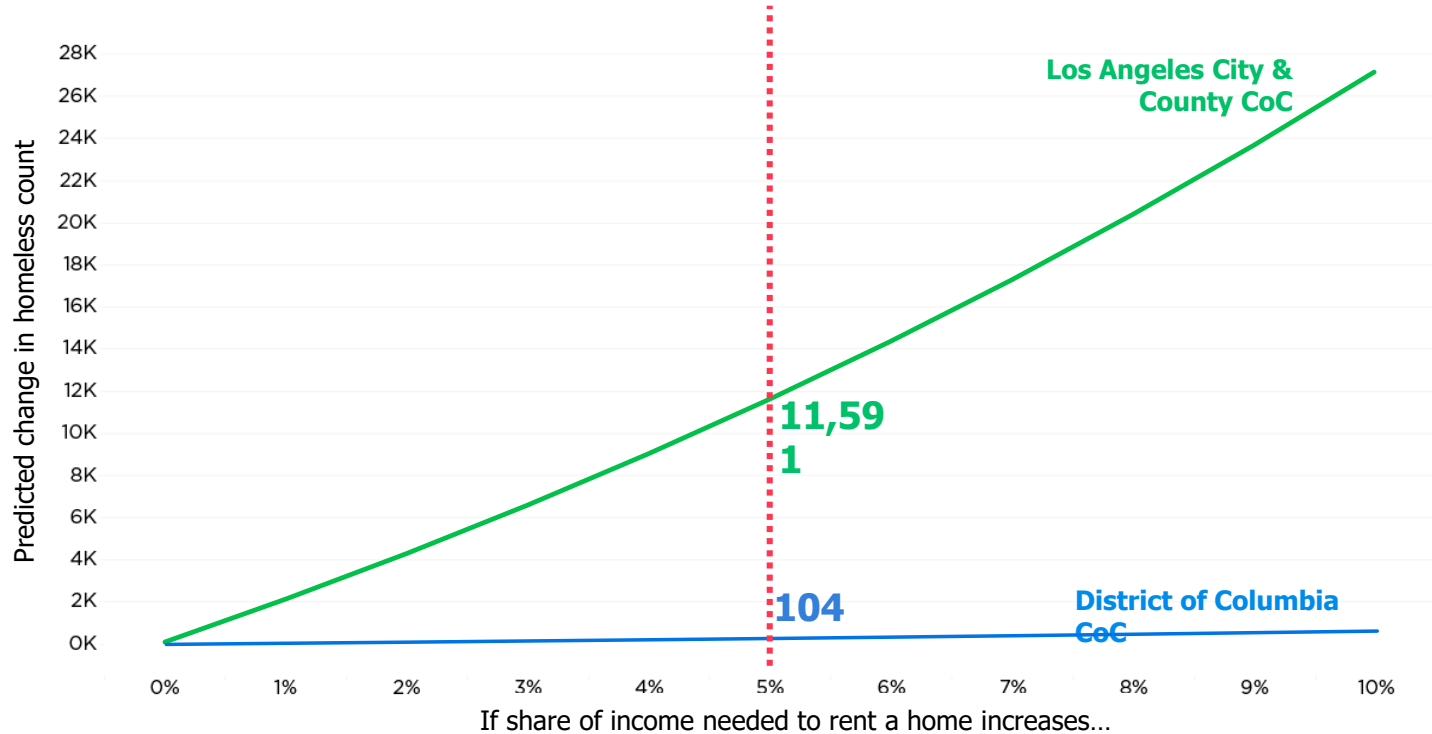
## When a community reaches an affordability tipping point, the link between rent burdens and homeless rates grows stronger



# If rent affordability worsens, the model predicts an increasing homelessness count



# And in Los Angeles this link is even stronger





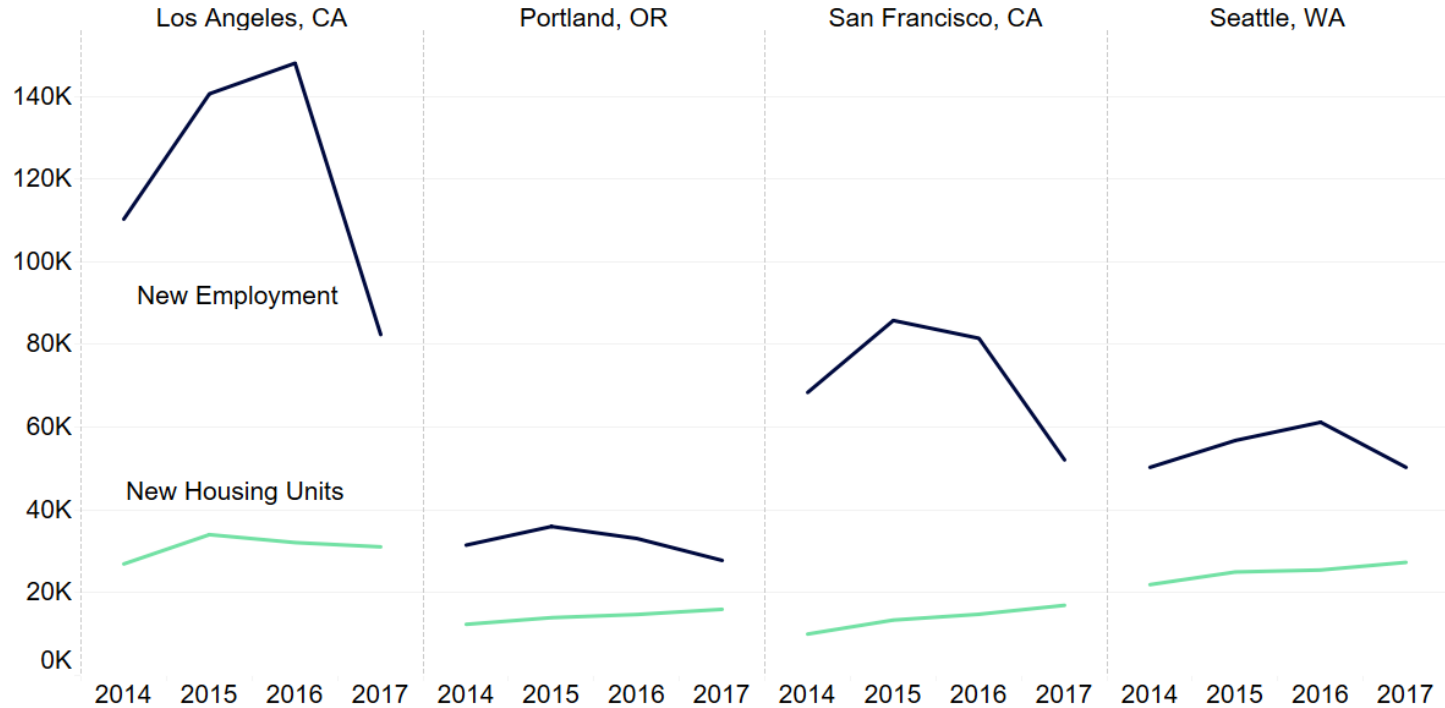
# Paths forward on housing affordability

- I. Address housing supply shortage
- II. Protect and boost incomes of economically vulnerable

## Public policy has the capability to:

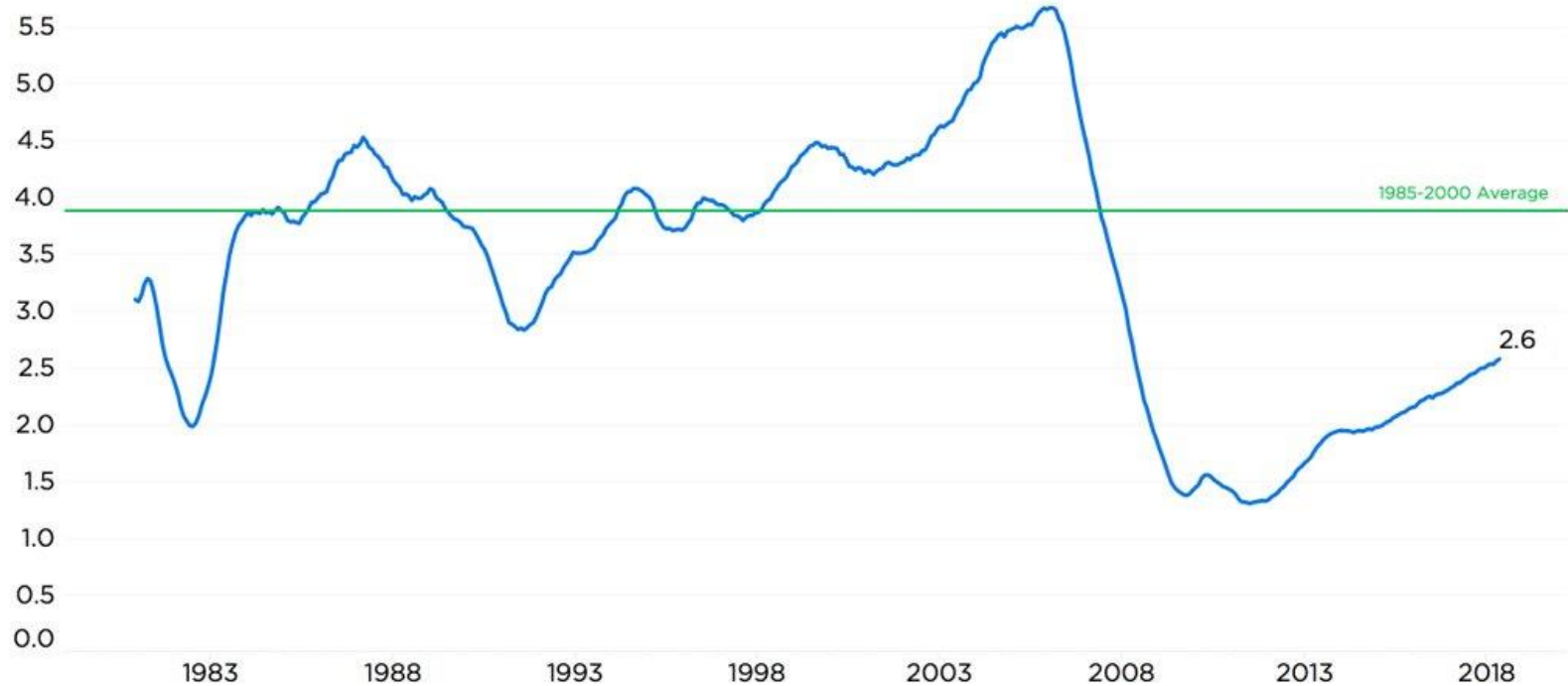
- I. Address housing supply shortage
  - I. Influence cost of production
  - II. Incentivize certain types of housing
  - III. Fund/build it directly
- II. Protect and boost incomes of economically vulnerable

# In many high-priced metros, significantly more new jobs came to town than new housing units were built

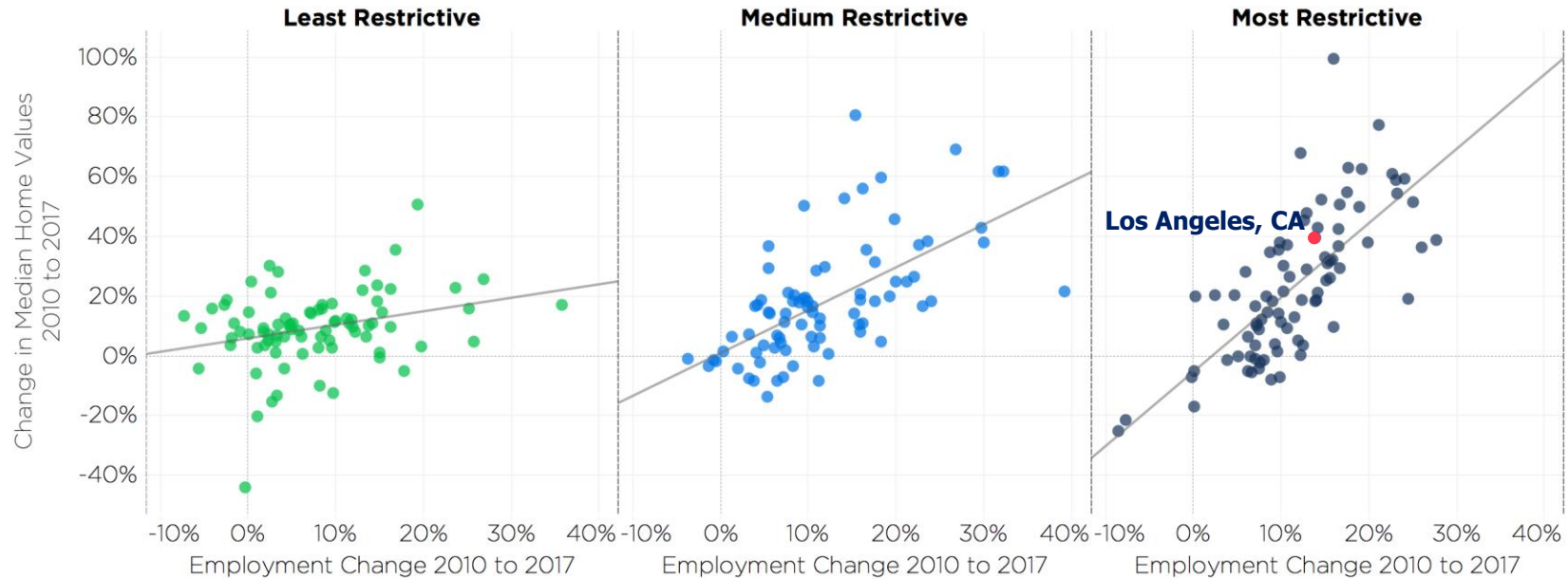


# Home building behind historic average

Permits per 1,000 residents in previous 12 months

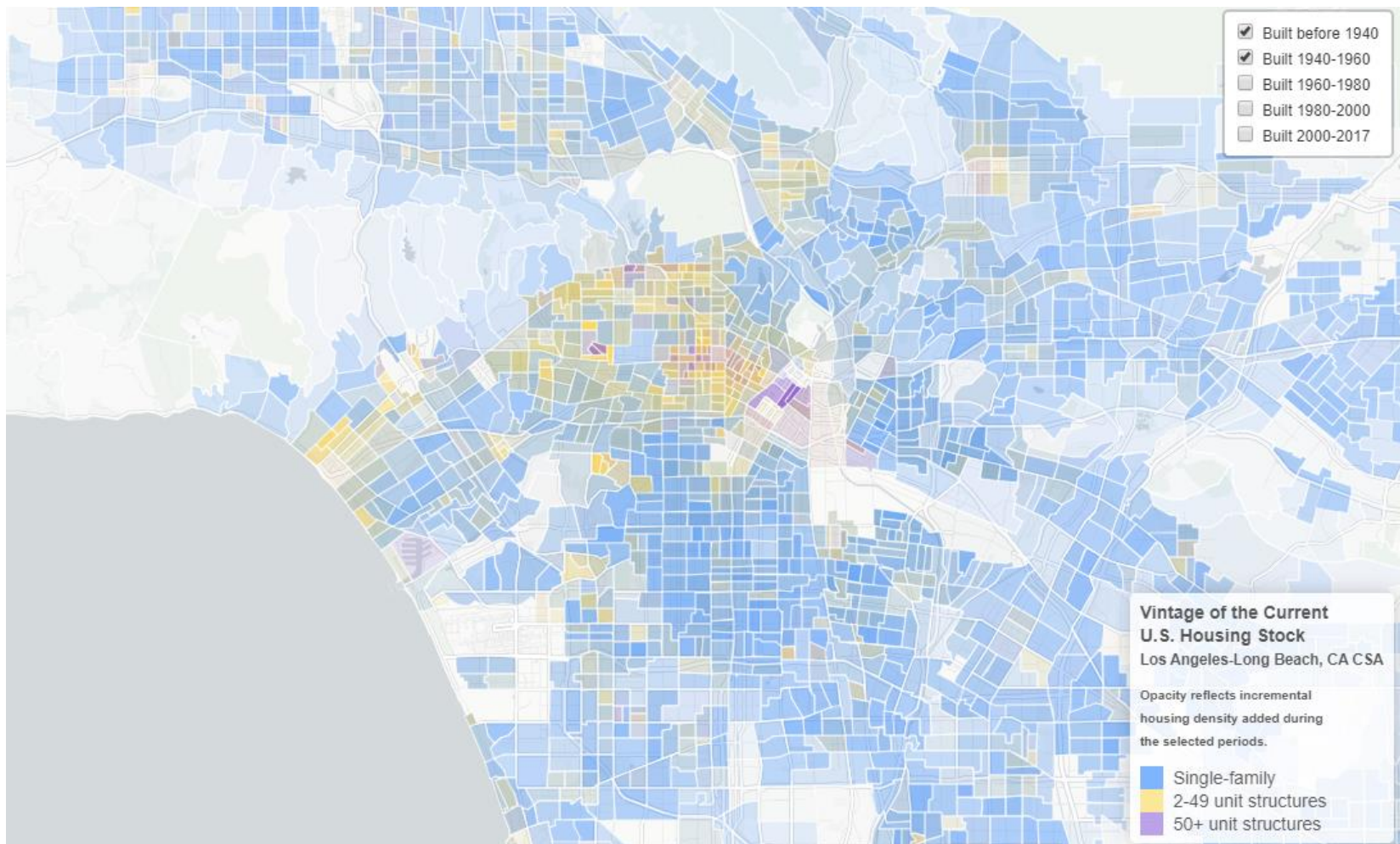


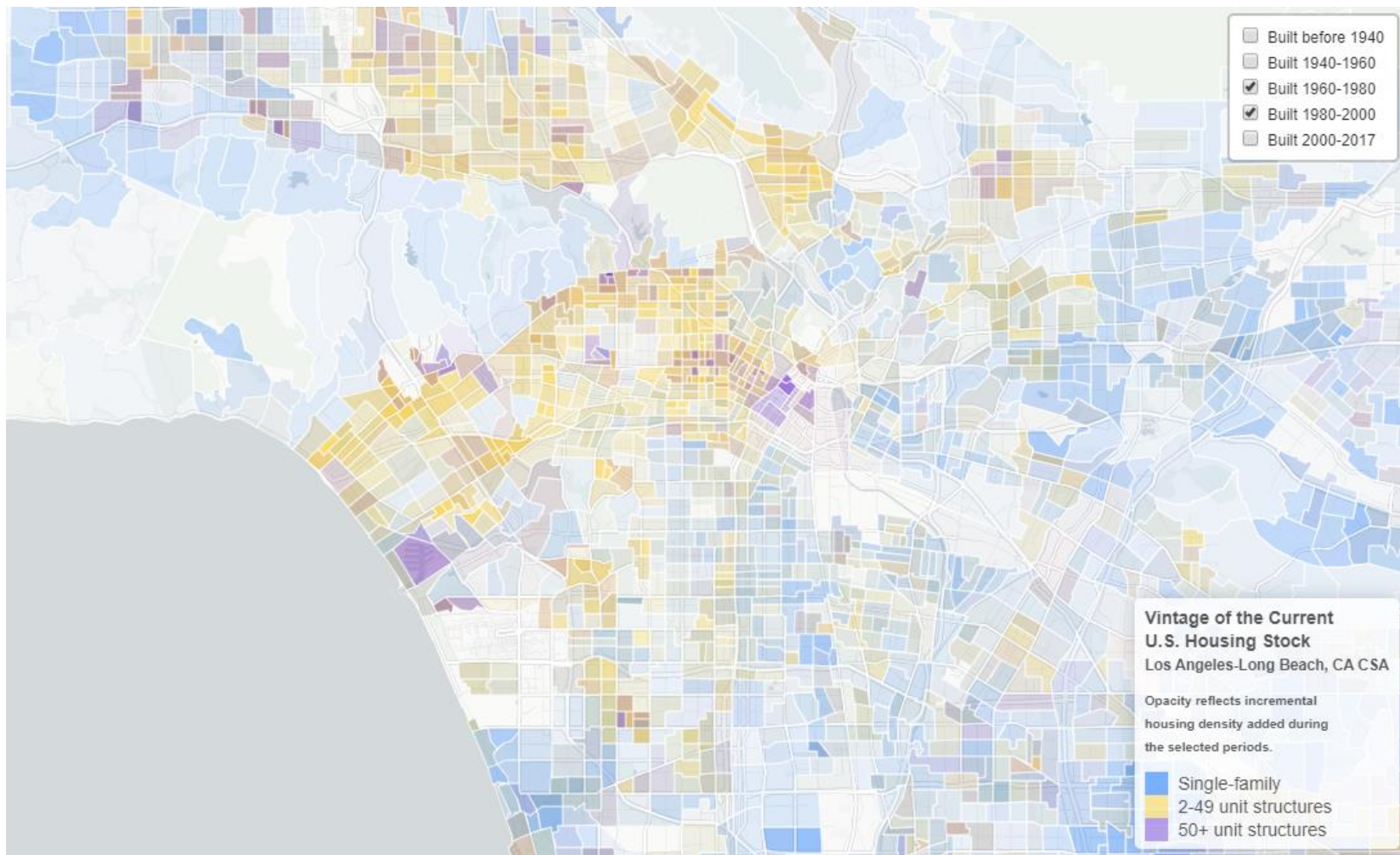
# Cities with the most land use restrictions see their home values grow faster when new jobs come to town



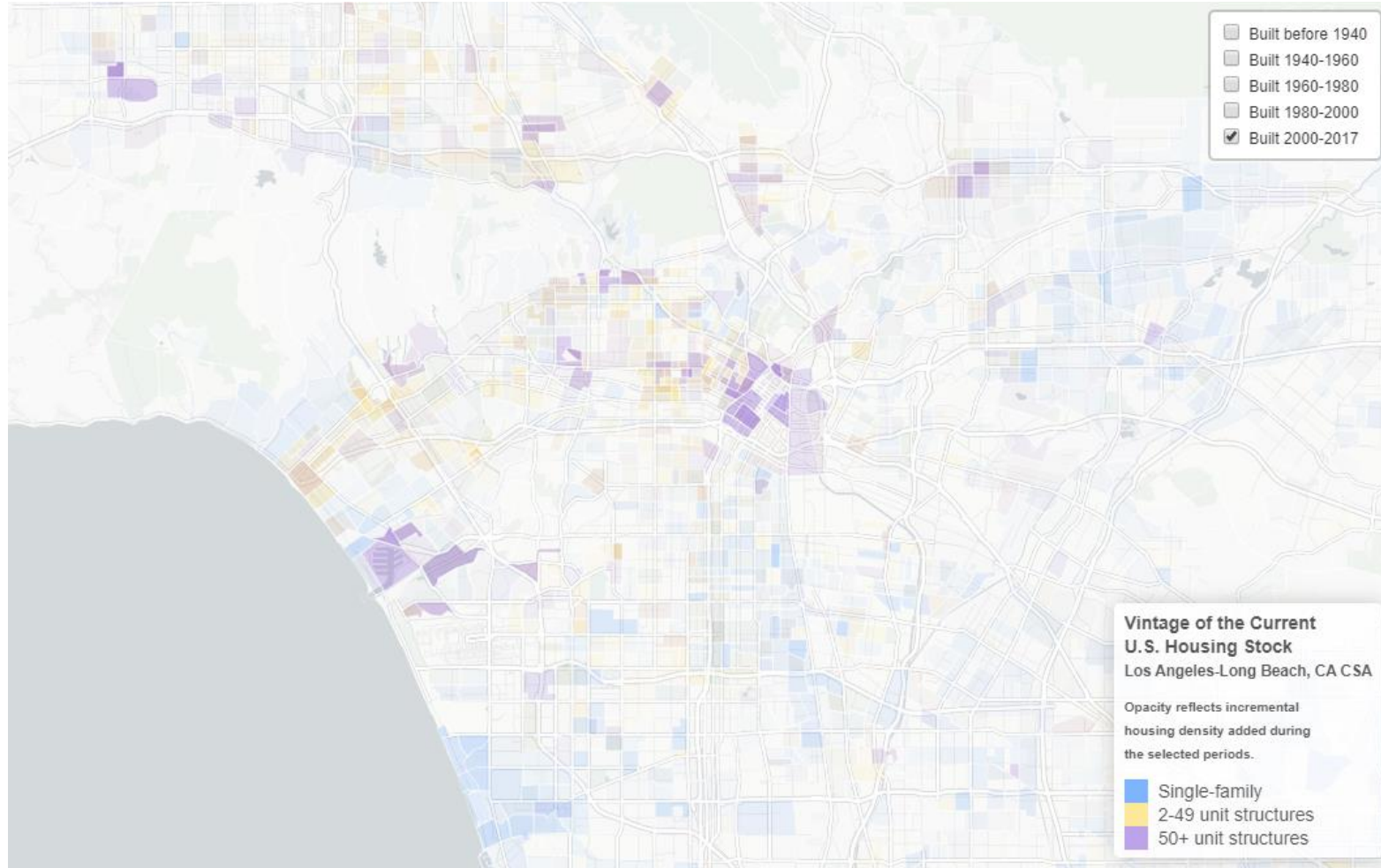
## Public policy has the capability to:

- I. Address housing supply shortage
  - I. Influence cost of production
  - II. Incentivize certain types of housing
  - III. Fund/build it directly
- II. Protect and boost incomes of economically vulnerable









# Mild density housing options important source of low-cost housing in Los Angeles metro

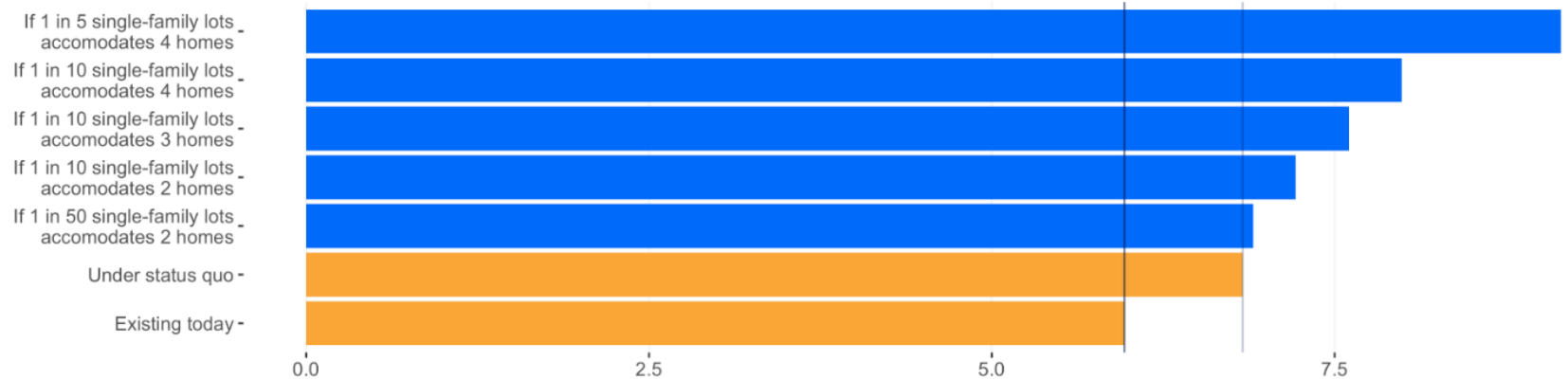
Renter poverty rate by structure type and age of unit

	1959 or earlier	1960-1979	1980-1999	2000 or later
5-49 units	25.7%	21.2%	21.4%	24.6%
50+ units	29.8%	22.7%	24.0%	21.4%
Duplex/Triplex/Quad	22.1%	21.9%	23.2%	25.1%
Single family residence	21.6%	17.2%	18.6%	17.8%

# Even modest densification can greatly impact supply shortage

How much housing could modest densification add?

## Los Angeles-Long Beach, CA CSA Homes in 2040 (millions)



Source: U.S. Census; analysis and estimation by Zillow.

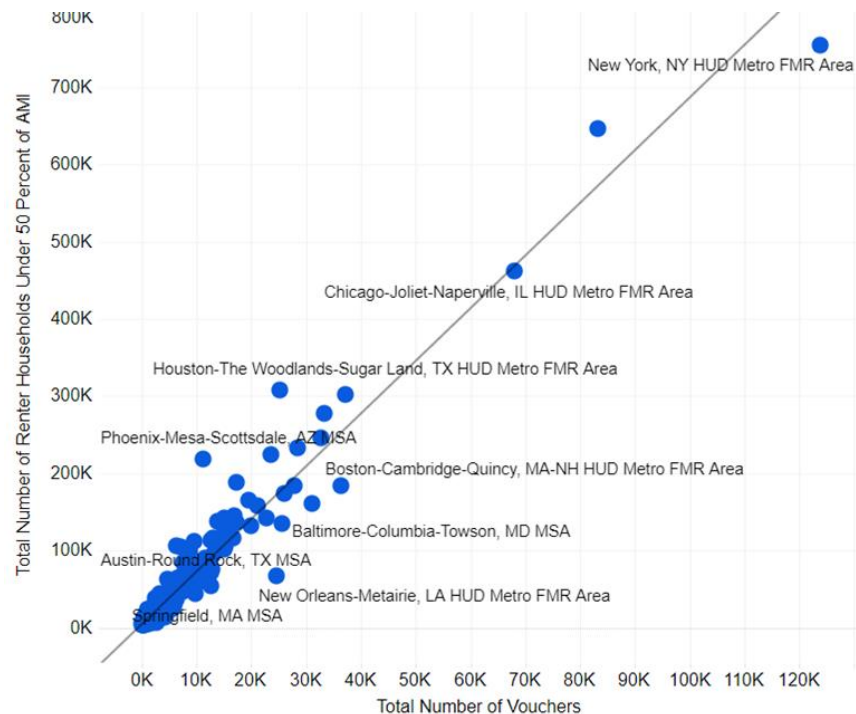
## Public policy has the capability to:

- I. Address housing supply shortage
  - I. Influence cost of production
  - II. Incentivize certain types of housing
  - III. Fund/build it directly
- II. Protect and boost incomes of economically vulnerable

# Public policy has the capability to:

- I. Address housing supply shortage
- II. Protect and boost incomes of economically vulnerable
  - I. Rectify imbalance between need and funding
  - II. Improve efficiency of subsidies
  - III. Maintain control of affordable stock
  - IV. Administer rehousing and supportive housing programs

# Rental assistance often a lottery for a lucky few



Highlight Region

Highlight Region



Source: Zillow Analysis of HUD Vouchers and U.S. Census Bureau, American Community Survey, 2015

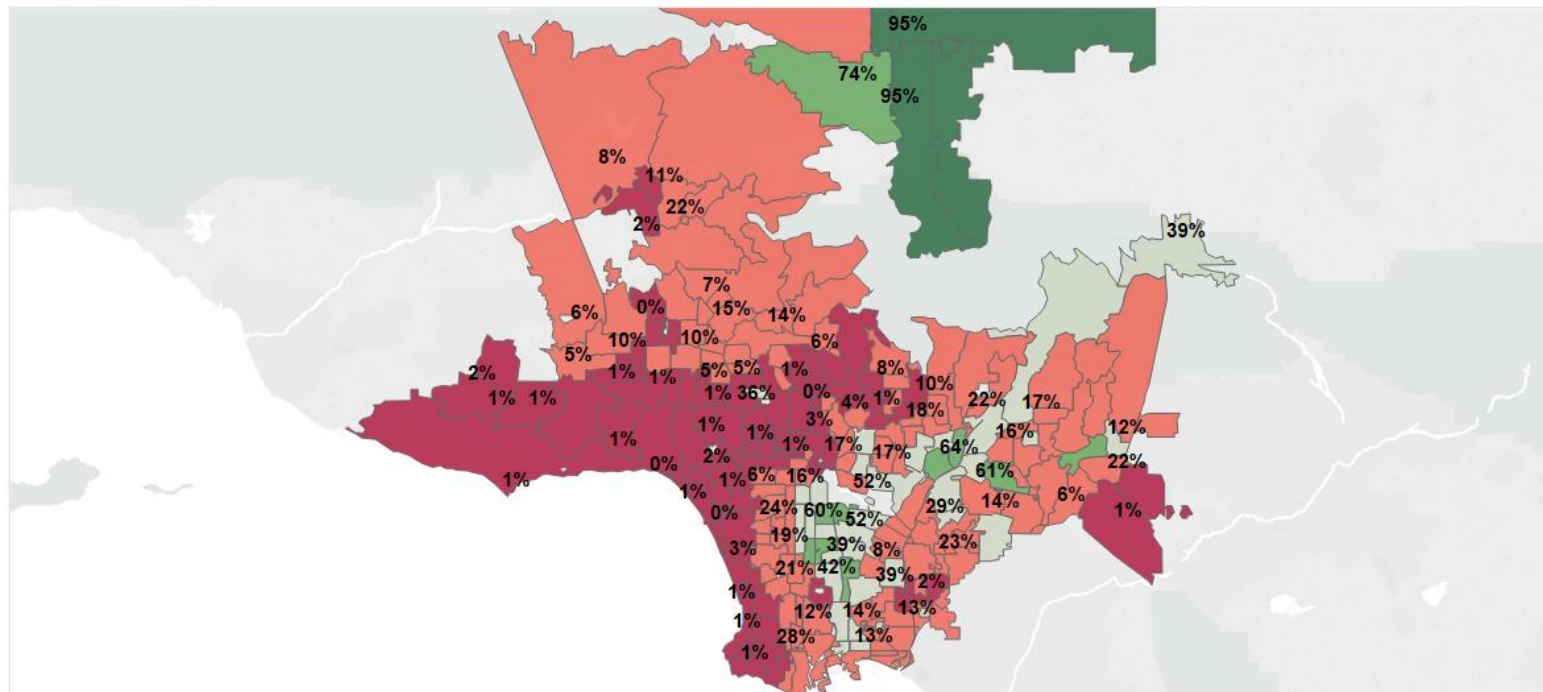
# Public policy has the capability to:

- I. Address housing supply shortage
- II. Protect and boost incomes of economically vulnerable
  - I. Rectify imbalance between need and funding
  - II. Improve efficiency of subsidies
  - III. Maintain control of affordable stock
  - IV. Administer rehousing and supportive housing programs

# Most units affordable for voucher holders in high-poverty neighborhoods

## Share of Rental Listings Below 2018 Voucher Payment Standards

2018 listings for 1-4 bedroom units





# Public policy has the capability to:

- I. Address housing supply shortage
- II. Protect and boost incomes of economically vulnerable
  - I. Rectify imbalance between need and funding
  - II. Improve efficiency of subsidies
  - III. Maintain control of affordable stock
  - IV. Administer rehousing and supportive housing programs

