

Market Snapshot

Affordability Impedes Homeownership, But Still Plenty of Potential Buyers

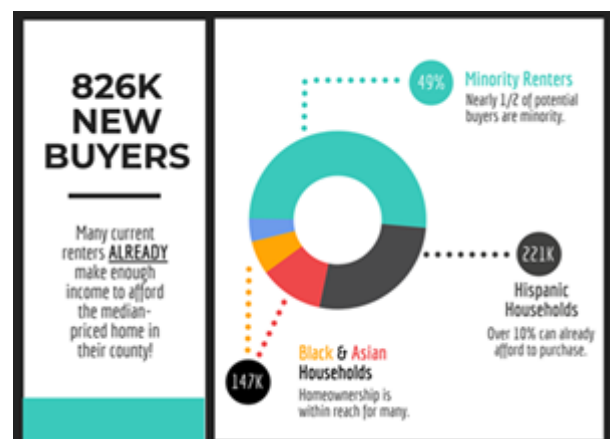
The California Association of REALTORS® recently released its Housing Affordability Index (HAI) for the 4th quarter of 2018. With a reading of 28, it showed that fewer Californians can now afford the median-priced home than could one year ago. Specifically, the HAI measures the percentage of California households that can afford the median-priced home—and, by definition—the percentage of households that cannot afford the median-priced home, which is almost up to 3 out of every 4 families. This continues a trend that began back in 2012, when housing affordability was double what it is today.

Ultimately, California will need to pursue a variety of strategies over the medium- and long-term to ensure that the American Dream remains attainable for our children and our grandchildren. Also, ensuring that our middle class can achieve homeownership will help to ensure that California's economy remains the national leader it has been for the past few decades. This includes boosting educational attainment to unlock more high-wage potential for the population, providing incentives for training in critical workforce jobs in the trades, healthcare, and public service, and perhaps most importantly, building enough housing to accommodate our growing population and economy. Until these issues are addressed, the erosion of affordability will put a crimp on homeownership and create challenges for REALTORS® as the pool of prospective buyers shrinks.

However, while these issues will take years, and perhaps decades to address, there are still plenty of potential buyers that can be converted into homeowners right now. Using data from the U.S. Census Bureau along with home prices in each of California's counties, C.A.R. found that 826,000 renters in California already earn enough income to qualify for the median-priced home where they live.

This includes more than 221,000 Hispanic households and 147,000 black and Asian households. However, many of these households over-estimate the downpayment needed to purchase. In fact, 73% of consumers surveyed by C.A.R. assumed they needed more than 20% downpayment to buy. When asked if they would consider purchasing with a smaller downpayment, nearly 70% said that they would indeed be motivated to buy. But, when asked if they knew about FHA and other low-downpayment loan options, more than 70% were unaware of those options. This group of renters represents a significant number of new homeowners even though many of their peers have been priced out of the market.

Clearly, we need to do more to ensure that a bigger slice of California can achieve the American Dream, and C.A.R. will continue to advance policies and legislation to that end, but over the short run, there are still many that can make that dream a reality. Critically, many of these potential buyers come from our black and Hispanic communities and converting many of these income-eligible families into homeowners would significantly reduce the homeownership gap that has persisted through the decades. It also represents a significant source of potential business for REALTORS® and a boon to the economy as it will reduce the incentive to flee to more affordable states and preserve a critical source of middle-class workers. That's a win-win-win!



Brought to you by:



Robert Salcido
REALTOR®
R.S. Broker Real Estate Service
407 N. Broadway#19
Redondo Beach, CA 90277

Office: (408) 707-0313
Cellular: (408) 707-0313
Email: rsalcido@gmail.com
DRE License: 01501419