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What Happened to Middle Class Housing in California?

With housing costs outpacing incomes throughout California not to mention nearly all of the country's major cities, housing has understandably become one of the most pressing topics in public policy.

Nationwide, governments from the local to the state level have increasingly begun paying attention, sometimes even offering fixes.

But what's driven this new normal?

On Wednesday, Richard Green--a former Senior Advisor in the Obama Administration's HUD and the Chair of USC's Lusk Center for Real Estate--helped LA NABE's members answer the question.

In a word: supply.

In two more words: not enough.

For over the last five decades, the U.S. has produced 1.4 million new single-family homes per year.

However, over the last decade, we've been creating only a fraction of that. In fact, in 2017--that's 11 years since the real estate bubble burst--the U.S. economy is still producing about 200,000 units below its long-run average.

To be sure, new apartment construction has heated up. Last year, more new multifamily units will have been completed than at any time since 1989.

But that welcome supply nationwide will mean little for California, asserts Professor Green.

That's because the new supply won't nearly compensate for years and years of under-building.

To create a real dent in the affordability crisis, "California would have to nearly double housing production per year … We'd have to helicopter drop 100,000 housing units into LA County and then keep adding 35,000 per year after that."

For Green, the solution is as simple as it is complex:

"Build more--everything else is noise."

By Max Taves, Vice President, LA NABE

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