ISSUE BRIEF SERIES

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California: What Housing is Built, Where? PART 1 OF 2

QUICK FACTS:

- During the Great Recession in California housing production fell by 82%.
- Since 2012, California has built more multi-family housing units than single-family housing units.
- Coastal areas, including Orange and Los Angeles Counties, are currently building as many homes as in pre-recession years. New home construction in the Inland Counties continues to lag behind coastal areas.
- By 2018, new home construction in Riverside and San Bernardino Counties had only returned to about 20% of their 2005 production level.
- New home construction in Riverside and San Bernardino Counties has not exceeded 7,000 units annually since 2008.

Introduction

Although the effects of the mid 2000's Great Recession varied across the nation, one of the most notable impacts was the decline of the housing market. From 2005 to 2010, new housing construction in California fell by 82%. Construction has slowly increased in recent years, but California has not returned to pre-recession production levels.

As new housing construction remains low throughout California, we ask: what housing is being built, where?

Methodology

In this brief, we analyze single-family and multi-family housing unit construction and the effects of the Great Recession on housing production throughout various southern California counties. To do this, we utilize data from the California Department of Finance from 1990 to 2018.

The California Department of Finance uses the Housing Unit Method (HUM) to estimate total housing units, population, household size, occupied housing units and household population. The Housing Unit Method is the most commonly used method for making smaller scale population estimates. The Department of Finance makes Housing Unit Method estimates with annual housing data reported by local jurisdictions and the United States Census Bureau. This data includes new construction numbers and annexations in addition to lost and demolished units. This housing unit estimate includes total stock of completed housing units, including vacant and seasonal units.

Results

Current single-family home production is at a three-decade low in California. However, the converse is true for multi-family housing. Multi-family housing production has outpaced single-family housing production every year since 2012. While single-family housing production lags behind pre-Recession numbers, multi-family housing production has recovered to 2005 production levels.

Figure 2.1 shows the number of single-family and multi-family housing units built in California since 1990.

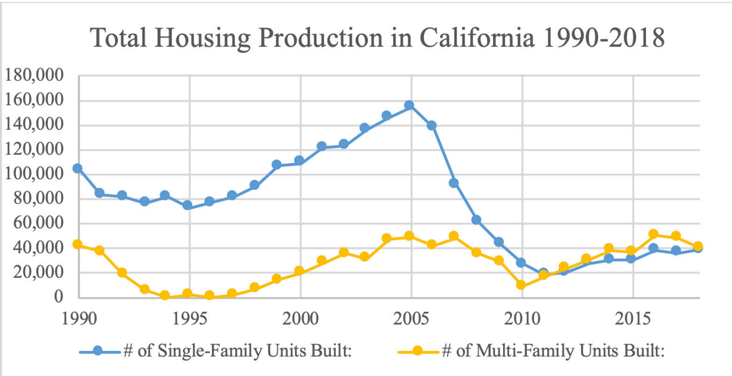

Figure 2.1: Adapted from California Department of Finance Data

Just as multi-family housing production has been more resilient, resiliency has also been distributed geographically. Housing production in the post-recession era differs in levels of recovery throughout southern California. Figure 2.2 shows housing unit production for four counties in southern California. During the recession, San Bernardino and Riverside Counties' housing production was hit the hardest; from 2005 to 2010 housing production declined by 85% and 84% in those counties respectively. Los Angeles had a similar rate of decline at 79%. Orange County was the least affected, as new production fell by just 35%.

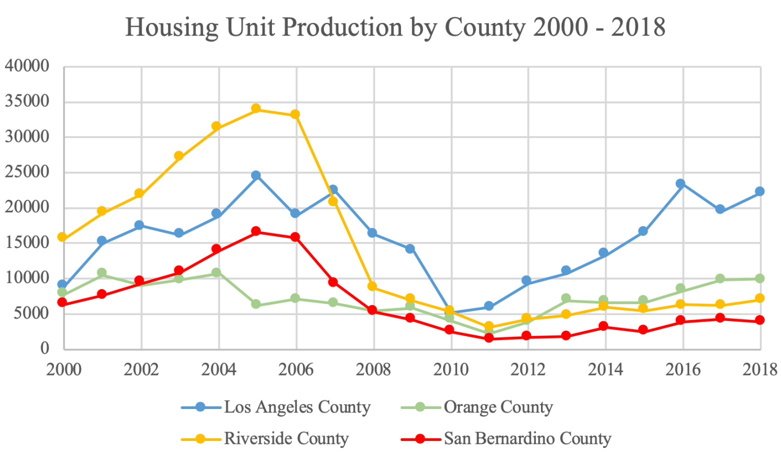

Figure 2.2.: Adapted from the California Department of Finance

Since 2010, Los Angeles and Orange Counties' housing construction has recovered to pre-recession levels. In Los Angeles, from 2003 to 2005, housing production averaged 19,818 units per year, and from 2016 to 2018 housing production averaged 21,575. Orange County averaged 8,924 and 9,322 units produced for the same periods. Riverside and San Bernardino Counties have not recovered similarly. Riverside, which produced 33,000 new housing units in 2005, has not produced more than 7,000 units in a single year since 2008. San Bernardino, which produced more than 16,000 units in 2005 has not produced more than 5,000 units in any year since 2008.

Not included in Figure 2.2, San Diego County has recovered more than Riverside and San Bernardino, although not as much as Los Angeles and Orange County. San Diego County, which averaged about 15,000 units constructed from 2003 to 2005, averaged almost 9,000 units from 2016 to 2018. San Diego has returned to about 60% of their pre-recession production.

Conclusion

The Great Recession's effects on housing production vary across southern California's counties. From 2016 to 2018, Orange and Los Angeles Counties built the same amount, if not more, housing than the years preceding the recession. Riverside and San Bernardino County's housing production, which suffered significant declines during the Great Recession, has not recovered to the extent recovery has occurred elsewhere. In 2018, Riverside County produced only 21% of the housing built in 2005. Similarly, in 2018 San Bernardino produced only 23% of the housing built before the recession.

In Part 2 of California: What Housing is Built, Where?, we dive deeper into production, density, and location of housing in San Bernardino and Riverside Counties.

Citations

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