

Homeownership remains the single largest source of equity for U.S. households, but California households continue to struggle to achieve this American dream.

California has the second lowest homeownership rate in the nation

- 58% of Californians own their own homes compared to 67% across the nation.

From 2001 to 2006, first-time homebuyer characteristics changed:

- First-time homebuyers decreased from 36% to 27% of all buyers.
- Median household income of first-time buyers increased from \$60,000 to \$80,000.
- Median purchase price increased from \$206,500 to \$450,000.
- Median mortgage amount increased from \$172,930 to \$371,600.
- Median downpayment decreased from \$13,350 to \$10,000.
- By 2006, 41% of first-time buyers put zero percent down.

Homeownership rates vary by income and race:

- Households earning less than \$50,000 annually have a 41% homeownership rate, while households earning more than \$150,000 have an 87% rate.
- Homeownership rates vary by race/ethnicity: African-Americans (39%); Latinos (44%); Asian-Americans (55%) and Whites (65%).
- While non-white households represented 37% of all repeat buyers in 2006, they represented 51% of all first-time homebuyers that year.

Home prices have skyrocketed; household incomes have not kept pace.

- CA home values grew by 530% from 1980 to 2006, while incomes only increased by 210%.
- In 2006, the state's median sales price was \$556,600, while the California median income for a household of 3 was \$64,766.
- In all but two CA Counties, the median home sales price in 2006 significantly exceeded affordable levels for low-income families; the median price in 45 of 52 counties exceeded affordable levels even for moderate-income families.
- 22% of Californians paid more than half of income toward a mortgage—surpassing the national average *severe homeownership cost burden* rate by 57%.

Californian families and communities are suffering tremendously from the subprime and foreclosure crisis. In 2007:

- Californians experienced almost twice the national rate of foreclosures (1.9% versus 1%), giving CA the 3rd highest foreclosure rate.
- More homes in California (249,500) were at some stage of foreclosure than any other state; in absolute terms, 50% more homes than the next highest state (FL).

Annual housing unit production of 165,000 units/year does not keep pace with CA housing supply needs of 220,000 units/year.

- Californians face an enormous affordability gap (\$120,000 to \$200,000) between the production cost of a new unit and what a low-income household can afford to buy.

Data source: Bay Area Economics (BAE) in *The State of Homeownership in California*, a forthcoming report being published by APIC (Summer 2008).

Overview of Homeownership in CA

Profile of California Homebuyers, 2006

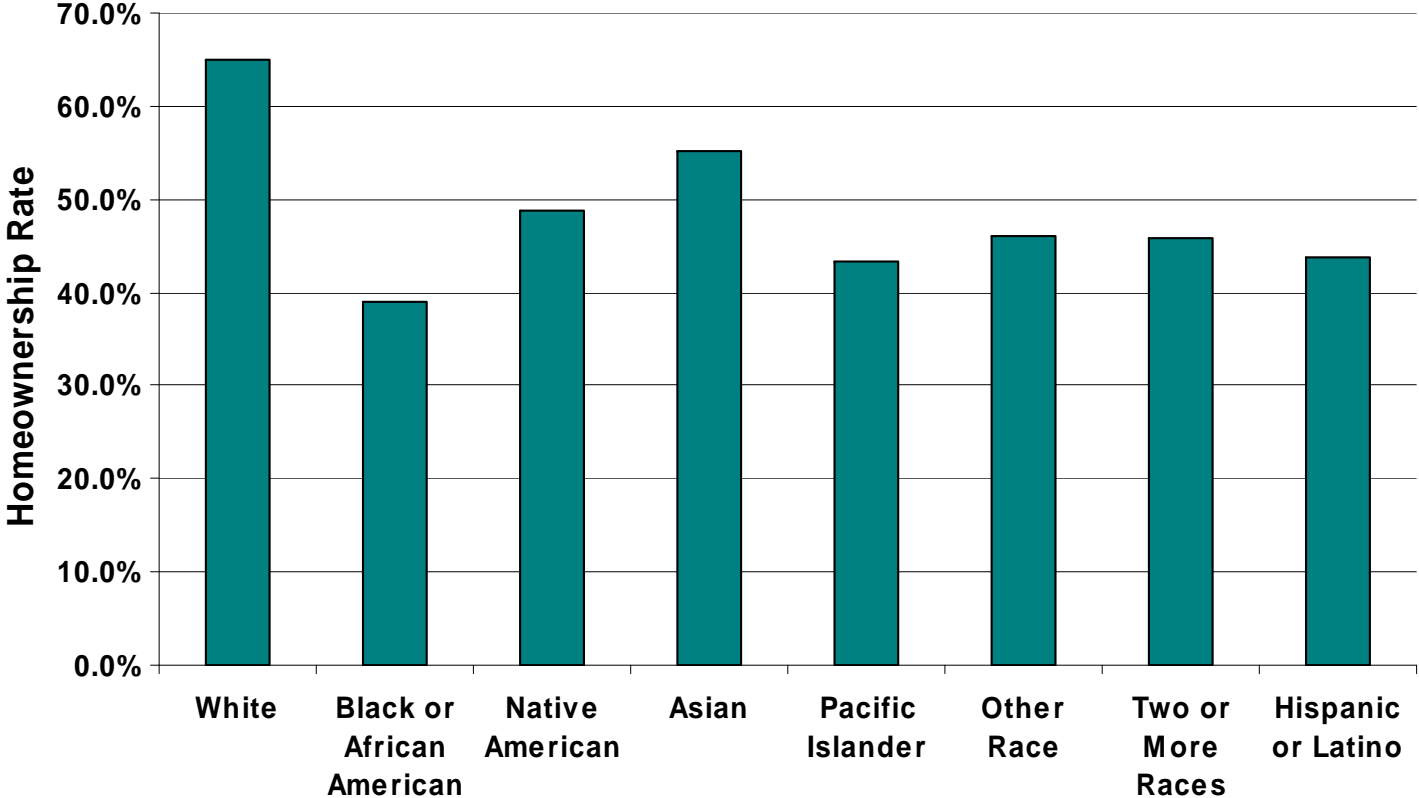
	<u>First-Time Buyers</u>	<u>Repeat Buyers</u>
% of all Buyers	27%	73%
Median Age (years)	35	45
Percent Married	50%	60%
Median Household Income	\$80,000	\$120,000
Median Purchase Price	\$450,000	\$618,000
Median Loan Amount	\$372,000	\$433,000
Median Down Payment	\$10,000	\$100,000
% with Zero Downpayment	41%	11%
% with Adj. Rate Mortgage	40%	33%

Source: State of the California Housing Market 2007, California Association of Realtors, 2007; BAE, 2008.

■ National figures for first-time buyers (2005)

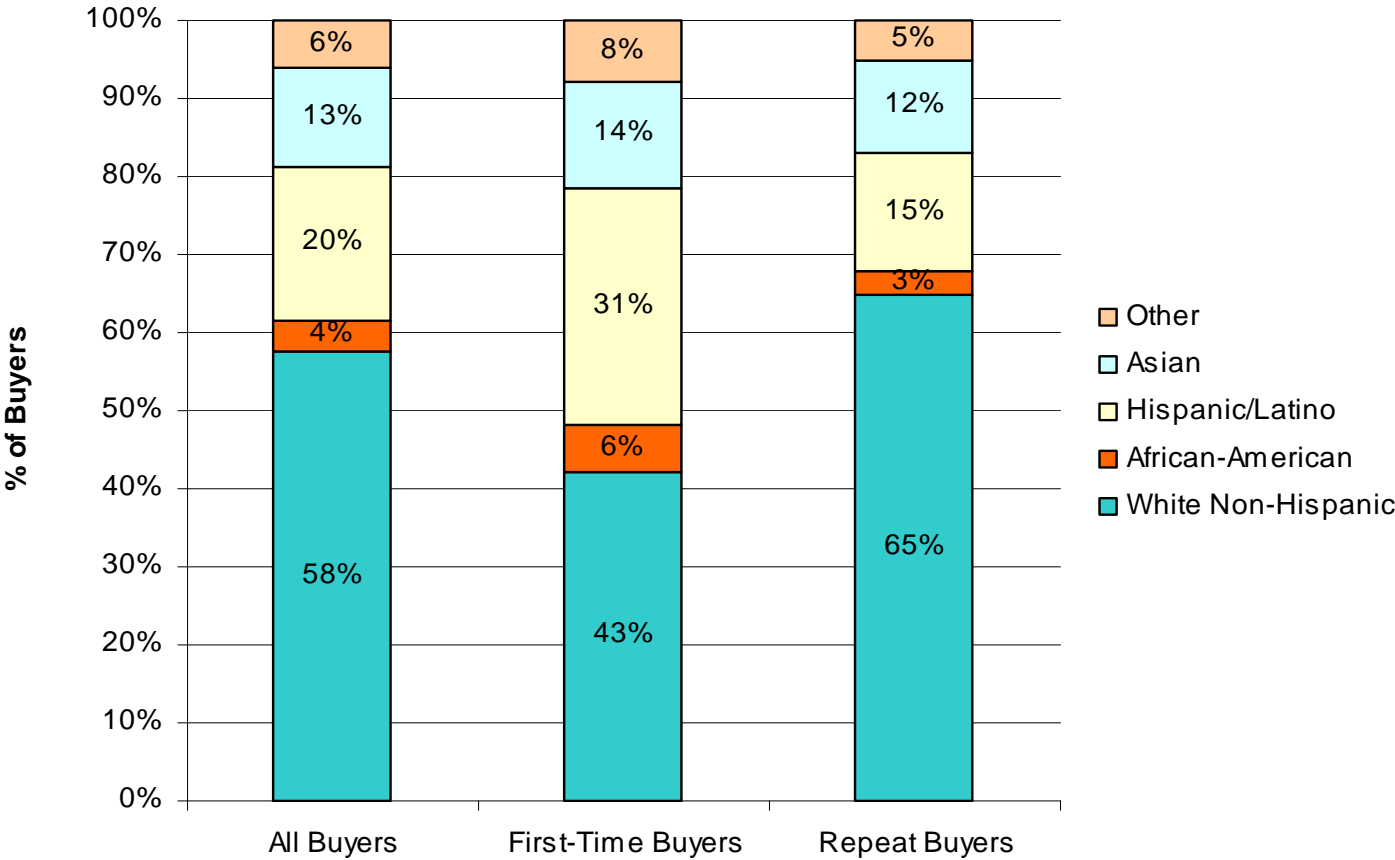
- Median loan amount - \$125,500
- % with zero downpayment - 24%

Overview of Homeownership in CA



Source: US Census, Public Use Microdata Sample, 2000; BAE, 2008.

California Homebuyers by Race 2006

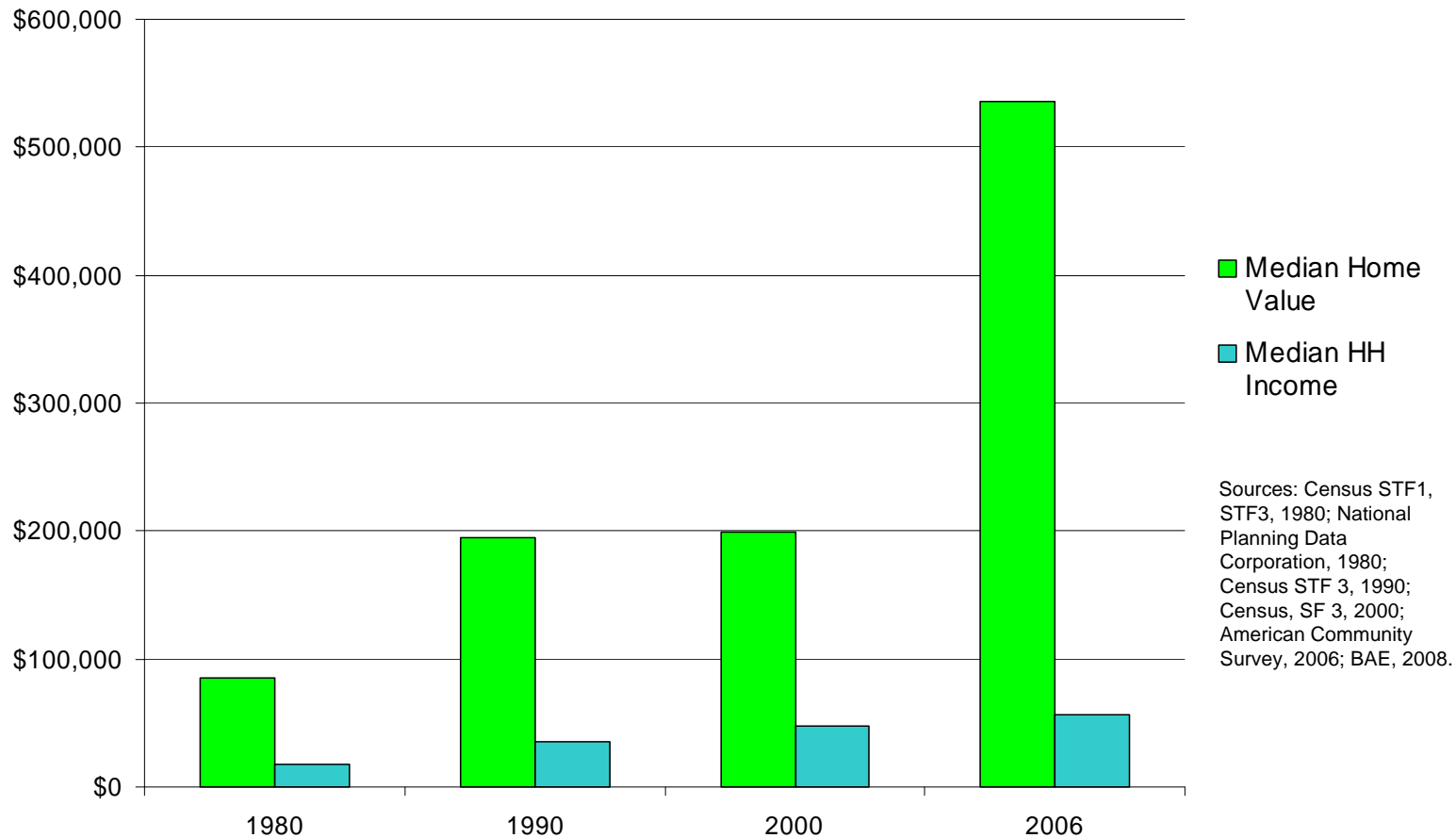


Source: *State of the California Housing Market 2007*, California Association of Realtors, 2007



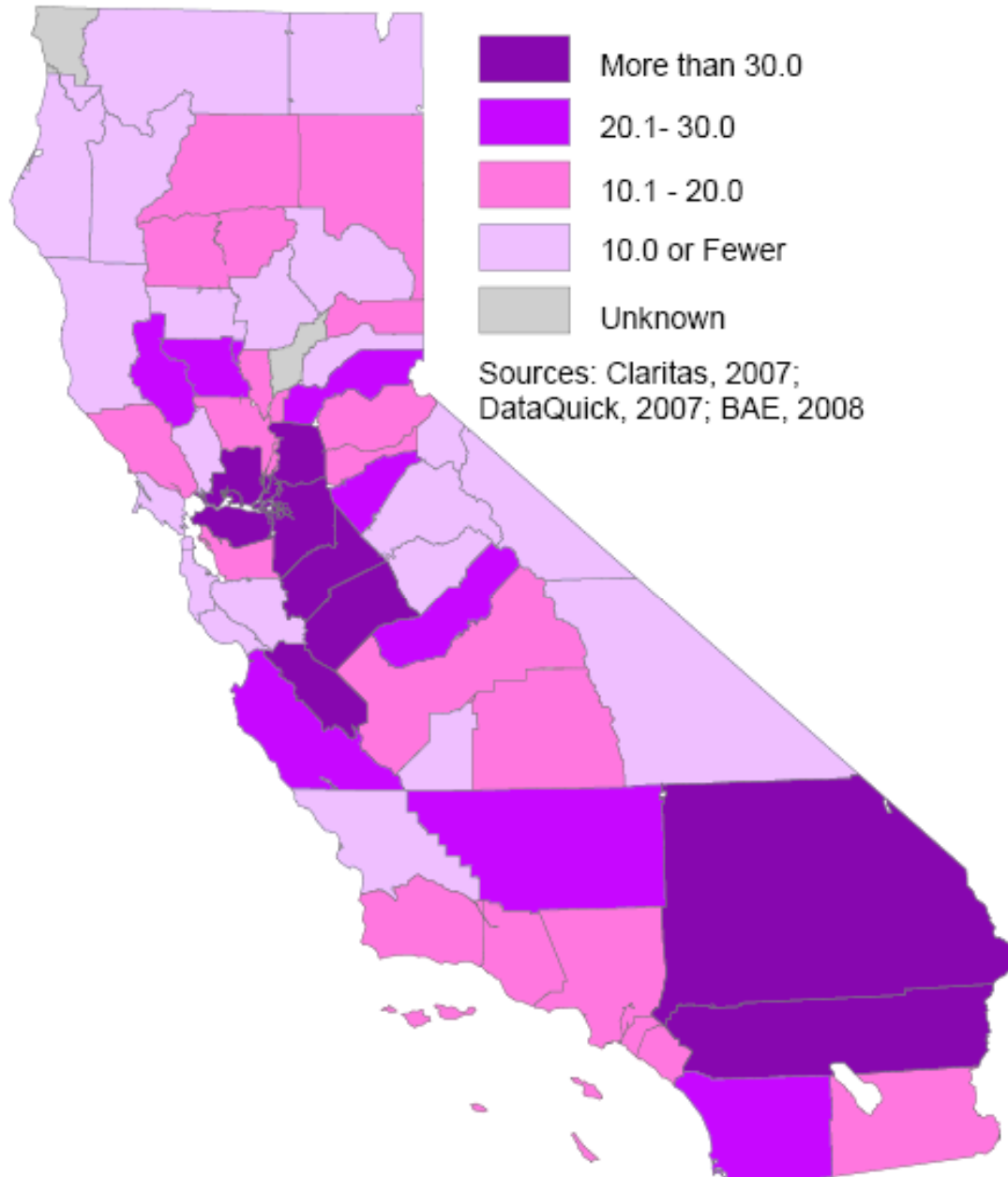


The Lack of Affordability



- **Home values in CA have risen 2.5x faster than household incomes over last 25 years.**

Foreclosures per 10,000 Households, Q3 2007



■ Suburban Fringe

- Highest rate of foreclosures
- Merced, Riverside, San Bernardino, Stanislaus, Sacramento, San Joaquin

■ Urbanized Centers

- Lower rate, but still large increase in % terms
- San Francisco, Santa Clara, Marin

■ Rural Areas

- Least foreclosure activity
- Inyo, Plumas, Siskiyou, and Trinity

■ Local Hotspots

- Vallejo-Fairfield, Modesto, Stockton, Bakersfield, and Sacramento