

ATTRITION OF HOMEOWNERSHIP IN CALIFORNIA IN THE 2000s: NOW SEEKING GENERATIONAL REPLACEMENTS

Executive Summary

After a decade of boom and bust in the housing market, what is the state of homeownership in California today and what is the outlook for reaching a “new normal”? The state’s homeownership rate suffered a major reversal at mid-decade, after 30 years of relative stability. The rate in California climbed to a peak of 58.4% in 2006, a rise of 1.5 percentage points after 2000, and then plunged 2.5 percentage points by 2010. Thus the state netted a loss of 1.0 percentage points for the decade.

Beyond this short-term correction, ominous changes are underway in the nature of demand for homeownership. Growth of homeownership, which is necessary to sustain upward pressure on home prices, has slowed markedly. In contrast to the 1.002 million increase of homeowners in the 1980s or the 667,303 increase in the 1990s, over the decade of the 2000s the statewide increase amounted to only 489,037 homeowners. The slowdown stemmed from large losses for some groups, losses that are expected to deepen in future years due to demographic structure.

Aging white homeowners and young Latinos have common interests. While some have pointed to a growing divide between ethnic groups and generations, the new evidence suggests a growing partnership through homeownership, a willing exchange between sellers and buyers. The proof is in the new census results. California’s detailed results from the 2010 census (the SF1 files) have been released earlier than in other states, providing a first opportunity for an in-depth analysis that has broad national implications.

The nation’s giant Baby Boomer generation of homeowners is represented in California by 3.3 million of the state’s 7.0 million homeowners. No longer in the home buying phase of life, they are now poised on the threshold of retirement and approaching their home selling years. Who are the new buyers, and what can the recent trends in these age groups tell us about the transition between generations?

Analysis shows the following:

1. The major source of decline in the total housing market was generational. There is heavy attrition at older ages that is not matched by inflows of new homeowners at younger ages. The sell-off by older owners occurs for several reasons, including shifting to renting, movement into assisted living, relocation, or death. This rate of age-specific attrition is relatively the same in the 2000s as in earlier decades and it is roughly similar between ethnic groups. However, the effects have been concentrated among white homeowners, because their numbers of older homeowners are so great. Losses from the ranks of previous homeowners amounted to 610,454 for those older than 75 in the

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decade of the 2000s. This attrition was deeper than experienced in the 1990s (561,792) or 1980s (385,757). The much larger Baby Boomer cohorts will intensify this trend in the coming decades.

2. Older ages are pivotal for homeownership. On one hand, homeownership rates rise to a peak at age 65, but older age groups are about to lose large numbers of homeowners through moves out of state, shifts into renting or assisted living, and other life changes. Analysis of the new census data shows us that attrition over the 2000s was a loss of 67% from the number of homeowners who had been ages 75 and older in 2000; losses were 26% of the number of homeowners who had been ages 65-74; and losses were nearly 10% among those ages 55-64. The front half of the Baby Boomers are now positioned at ages 55-64 and about to begin this decline, and their initial numbers are 45.0% larger than the cohort occupying that age group in 2000. If the same attrition rates are applied in the coming decade, the sell-off of homeowners will be 45% greater.

3. The cohort sell-off at older ages in the 2000s was not replaced by young cohorts of white home buyers. Young homeowners under age 45 had been a very prominent growth factor in the 1980s, growing by 975,104, but they grew more slowly in the 1990s (678,870) and slower again in the 2000s (543,797). This diminishing growth at young ages is not enough to cover the growing attrition of white homeowners at older ages. As a result, the total number of white non-Hispanic homeowners in California declined by 157,877 in the 2000s.

4. In contrast, Latino homeowners increased by 383,778 over the decade, accounting for 78.5% of California's total growth in homeownership. It is young Latino home buyers, and also Asians, who have taken up the slack from diminished white demand. The new homeowners at young ages were 192,284 less than in the decade of the 1990s even though the sell-off by older homeowners was increasing. Latinos contributed 32.4% of the new homeowners at young ages during the 2000s, and they have potential to do much more. The clear challenge for the future will be how to pick up the growing slack from the increased sell-off of older homeowners. "Who is going to buy your house?" has become an important question for all of us.

Policy solutions to strengthen homeownership are two-fold. On the supply side, the sell-off by older homeowners can be slowed by making communities more elder friendly in their services and urban design (promoting greater walkability and sociability). This will help people stay in their homes longer and delay the sell-off. On the demand side, the home buying capacity of the younger generation needs to be strengthened by programs to improve job skills and promote higher education. Cultivating a stronger base of future home buyers will help the older generation as much as the young. This partnership needs to be strengthened between older future home sellers and younger potential home buyers.

Introduction

California has endured a difficult decade for homeownership. Boom in the early years of the decade led to financial over commitments and eventual housing market bust. The aftermath was the Great Recession and its lingering effects. Previous research on this "California Roller Coaster" has found that the recession in the early 1990s was more devastating with regard to poverty and unemployment, yet housing price declines, construction declines, and foreclosures have all been worse in the more recent recession.¹

The rate of homeownership is a principal indicator of well-being in America, one that has special significance as indicated by its frequent reference as the American Dream.² The summer 2011 release of

detailed data from Census 2010 provides fresh opportunity to investigate California's state of homeownership near the end of the Great Recession.

Could there be good news that all is well? In the end, after a decade of turmoil surrounding boom and bust, little has changed: the state's homeownership rate has declined by only a single percentage point. In 2000, 56.9% of households were homeowners, spiking upward to 58.4% at mid-decade, then plunging 2.5 percentage points to 55.9% homeowners in 2010. We offer a longer view, comparing the past decades and contemplating the next. A major structural change is at work among the homeownership population.

What will be the “new normal” for homeownership in California? Beneath the surface of this apparent stability, there have been dramatic gains and losses of homeownership. A major generational transition is at work. This is not a matter of race, with whites losing 157,877 homeowners, while others are gaining.

Rather it is crisis of generations. Groups older than 55 in 2000 have shed massive number of homeowners, many more so than in prior decades. What we are seeking now is the replacement generation that will fill these houses and bring new energy to promote rising house prices once again in California. The younger generation, whites in particular, has been filling homes at a much weaker pace than in earlier decades. With the nation’s massive Baby Boomer generation poised on the threshold of retirement, the trends of the last decade seem destined to be greatly magnified in the new decade. Everyone has a stake in the successful outcome of this generational transition.

This report provides a first examination of homeownership in the early stages of the great generational transition. Because California is among the first states to have detailed data (SF1 reports) released from Census 2010, the trends and dynamics revealed here may well reflect those at work in other states as well.

Demographic measures and methods are applied to census data to systematically track Californians’ changing access to homeownership. The homeownership rate, or the percentage of households that own their home (either with a mortgage or free and clear), measures the probability of occupying an owned home instead of a rental unit. This probability rises dramatically with age and varies substantially between different race and ethnic groups. Different probabilities are found in different decades, although the patterns are broadly similar. Much can be learned from comparing the homeownership rates of 2010 to those of earlier decades. Any changes in this probability of achieving homeownership have great significance, not only for individual family well-being, but also for the vitality of the housing market.

Over a decade’s time we can track the gains and losses in homeownership for specific age and ethnic groups. Tracing specific generations or cohorts from 2000 to 2010, we are able to compute net gains or losses in homeownership. We find that some groups are full of buyers who contribute increases

in demand for owner-occupied homes, while other groups are full of sellers who are glutting the markets with homes for sale. Today California has a population with whites or blacks more often in age groups dominated by sellers and with Latinos or Asians more often in the buyers’ age groups.

FALTERING GROWTH IN HOMEOWNERS

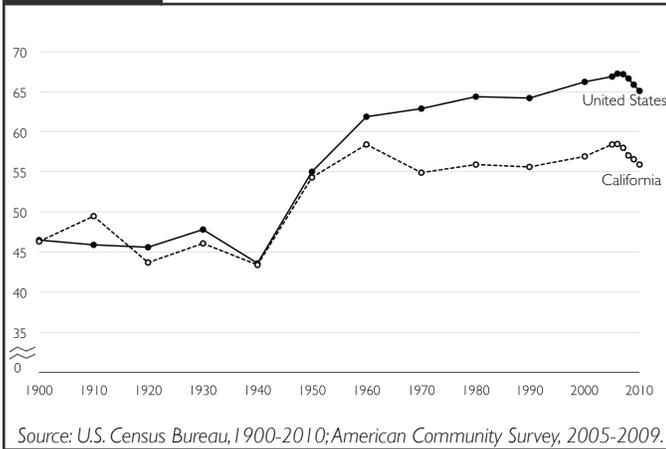
The total number of homeowners in California reported by the 2010 census is larger than ever: 7,035,371 owner-occupied homes. This number of homeowners is less than half a million greater than what was reported by the last census in 2000 (6,546,334). The rate of growth is much lower than previous decades. During the 1980s the number of homeowners increased by just over one million, while in the 1990s it increased by two-thirds of a million. Now we are down to less than half a million.

Slower growth has important effects because it implies less pressure on housing supply and less impetus for rising house prices. The source of the slowdown is not as clear. Some speculation has it that the housing crash and subsequent Great Recession have frightened people away from home buying and that there is a full-scale retreat from homeownership. Data reported next on the relative stability of the homeownership rate would seem to put that speculation to rest. However, there is the very real trend of slowing growth in homeownership that is a product of an aging population and an ethnic transition from White majority homeowners to a rainbow majority of homeowners.

The generational transition in homeownership is often overlooked despite its central importance for homeownership. Young people buy homes and old people sell them. Currently, of the 7.0 million homeowners in California, almost half (3.3 million) are members of the aging Baby Boomer generation. The future growth of homeownership will be strongly affected by attrition from this group, as well as by the success of their younger replacements.

TREND OVER TIME IN THE RATE OF HOMEOWNERSHIP

Between 2000 and 2010, California’s homeownership rate ticked downward by a single percentage point, falling from 56.9% to 55.9%. But first the homeowner-

Figure 1**A Century's Trend in Homeownership Rates, California and the U.S.**

ship rate spiked upward to 58.4% in 2005 and 2006., after which it plunged downward by 2.5 percentage points. The overall long-run stability of homeownership in California and the nation is shown in Figure 1. In the censuses from 1970 to 2010, the homeownership rate in California has varied only from 54.9% to 56.9%. The state has consistently reported a lower homeownership rate than the nation over this period, due to its higher housing costs, among other factors.

Individual counties have exhibited greater volatility in trends over the last decade. As seen in Table 1, of the 24 larger counties, ranked by their total number of households in 2010, 11 had more than a 2.0 percentage point decline in their homeownership rate. Of this group, the two counties with the greatest declines were Santa Barbara (-3.4) and Monterey (-3.7). San Francisco was alone among the larger counties in recording an increase in its homeownership rate (+0.8), while Los Angeles, the largest county, registered only a very small decrease (-0.2). Statewide, only the smaller foothill counties of Alpine, Sierra and Yuba joined San Francisco in recording increases in their homeownership rate.

Overall, 47 counties registered greater decreases in the homeownership rate than the state average, while 11 counties managed less of a decrease. Only three of these counties are of substantial size: Los Angeles, Sacramento and San Francisco. Although it might seem improbable that so many counties could deviate from the state average, there is a two-part explanation. On the one hand, the more positive trend recorded in Los Angeles outweighs that in a great many smaller counties, and, on the other hand,

there is greater population shift toward counties with higher homeownership rates. Thus, even if homeownership fell in those destinations, the growing proportion of state residents in those counties helped to hold up the overall homeownership rate in the state.

ETHNIC DIFFERENCES IN HOMEOWNERSHIP

Homeownership rates are considerably higher for non-Hispanic white residents than other groups, a difference that has been maintained for decades. In 2010, non-Hispanic white residents had the highest rate of homeownership (64.3%) and Asian and Pacific Islanders had the second highest (57.2%). All other groups fell below the state average of 55.9%: Native American or American Indian (50.9%), householders of combined races (46.2%), Latinos (44.5%), and African-Americans (37.4%). The black homeownership rate fell 1.6 percentage points from 2000 and the rate for whites fell 0.5 points. Other groups achieved a slight increase in homeownership despite the challenges of boom and bust: Asian and Pacific Islanders (+2.1), American Indians (+1.7), and Latinos (+0.8).

The total impact of each group on the market for homeownership is a combination of homeownership rates and population growth. The white population is slightly declining, falling from 15.8 million to 15.0 million residents, a decline of 5.4%. But it is aging into older years where homeownership rates are typically higher (as discussed in the next section). Asians and Latinos are the major growth populations, and although they are fewer in number than whites, they are growing more rapidly—30.7% and 27.8%, respectively. Of interest here is how these population sizes and growth rates might be expressed in growth of homeownership.

Racial and ethnic differences in homeownership are summarized in Table 2. Non-Hispanic white homeowners declined in number between 2000 and 2010 by 3.6%, a loss of 157,877 homeowners. African Americans and American Indians both declined as well, but by much smaller amounts. In contrast, growth was concentrated among Latinos (+34.2%, a gain of 383,778 homeowners) and among Asian and Pacific Islanders (+42.7%, a gain of 264,369 homeowners). The gain among Latinos alone accounted for 78.5% of the total statewide increase in homeowners, while Asians accounted for 54.1% of the growth. These two gains can't sum to more than 100%, except that their gains are offset by the large loss among white home-

Table 1 Homeownership Change by County in California, 2000 to 2010

	Homeownership Rate			Number of Homeowners				Total Households
	2010	2000	Change	2010	2000	Change	% Change	2010
California	55.9	56.9	-1.0	7,035,371	6,546,334	489,037	7.5	12,577,498
Los Angeles County	47.7	47.9	-0.2	1,544,749	1,499,744	45,005	3.0	3,241,204
San Diego County	54.4	55.4	-1.1	591,025	551,461	39,564	7.2	1,086,865
Orange County	59.3	61.4	-2.2	588,313	574,456	13,857	2.4	992,781
Riverside County	67.4	68.9	-1.5	462,212	348,532	113,680	32.6	686,260
San Bernardino County	62.7	64.5	-1.8	383,573	340,933	42,640	12.5	611,618
Santa Clara County	57.6	59.8	-2.2	348,298	338,661	9,637	2.8	604,204
Alameda County	53.4	54.7	-1.3	291,242	286,277	4,965	1.7	545,138
Sacramento County	57.5	58.2	-0.7	295,482	263,819	31,663	12.0	513,945
Contra Costa County	67.1	69.3	-2.2	251,904	238,449	13,455	5.6	375,364
San Francisco County	35.8	35.0	0.8	123,646	115,391	8,255	7.2	345,811
Fresno County	54.8	56.5	-1.6	158,691	142,795	15,896	11.1	289,391
Ventura County	65.3	67.6	-2.3	174,168	164,380	9,788	6.0	266,920
San Mateo County	59.4	61.4	-2.1	153,110	156,133	-3,023	-1.9	257,837
Kern County	60.0	62.1	-2.1	152,828	129,609	23,219	17.9	254,610
San Joaquin County	59.2	60.4	-1.2	127,270	109,667	17,603	16.1	215,007
Sonoma County	60.4	64.1	-3.7	112,280	110,475	1,805	1.6	185,825
Stanislaus County	60.2	61.9	-1.8	99,364	89,886	9,478	10.5	165,180
Santa Barbara County	52.7	56.1	-3.4	74,827	76,611	-1,784	-2.3	142,104
Solano County	63.2	65.2	-1.9	89,648	84,994	4,654	5.5	141,758
Placer County	71.0	73.2	-2.2	94,223	68,372	25,851	37.8	132,627
Tulare County	58.8	61.5	-2.8	76,586	67,913	8,673	12.8	130,352
Monterey County	50.9	54.6	-3.7	64,077	66,213	-2,136	-3.2	125,946
Marin County	62.6	63.6	-1.0	64,637	64,024	613	1.0	103,210
San Luis Obispo County	59.7	61.5	-1.7	60,920	57,001	3,919	6.9	102,016
Santa Cruz County	57.5	60.0	-2.5	54,229	54,681	-452	-0.8	94,355
Butte County	58.2	60.7	-2.6	50,991	48,336	2,655	5.5	87,618
Merced County	54.5	58.7	-4.3	41,196	37,483	3,713	9.9	75,642
Yolo County	52.8	53.1	-0.3	37,416	31,506	5,910	18.8	70,872
Shasta County	64.4	66.1	-1.7	45,277	41,910	3,367	8.0	70,346
El Dorado County	73.2	74.7	-1.5	51,391	44,019	7,372	16.7	70,223
Humboldt County	55.0	57.6	-2.6	30,820	29,534	1,286	4.4	56,031
Imperial County	55.9	58.3	-2.4	27,465	22,975	4,490	19.5	49,126
Napa County	62.6	65.1	-2.5	30,597	29,554	1,043	3.5	48,876
Madera County	64.0	66.2	-2.2	27,726	23,934	3,792	15.8	43,317
Nevada County	72.0	75.8	-3.8	29,890	27,958	1,932	6.9	41,527
Kings County	54.2	55.9	-1.8	22,329	19,253	3,076	16.0	41,233
Mendocino County	59.0	61.3	-2.3	20,601	20,383	218	1.1	34,945
Sutter County	61.1	61.5	-0.4	19,212	16,632	2,580	15.5	31,437
Lake County	65.8	70.6	-4.7	17,472	16,914	558	3.3	26,548
Yuba County	59.5	54.1	5.4	14,468	11,105	3,363	30.3	24,307
Tehama County	64.6	67.6	-3.0	15,363	14,214	1,149	8.1	23,767
Tuolumne County	69.8	71.3	-1.5	15,471	14,978	493	3.3	22,156
Siskiyou County	64.7	67.2	-2.5	12,629	12,472	157	1.3	19,505
Calaveras County	76.9	78.7	-1.9	14,520	12,967	1,553	12.0	18,886
San Benito County	65.0	68.2	-3.2	10,927	10,830	97	0.9	16,805
Amador County	74.7	75.5	-0.8	10,883	9,629	1,254	13.0	14,569
Lassen County	65.5	68.3	-2.8	6,590	6,575	15	0.2	10,058
Del Norte County	61.7	63.8	-2.1	6,114	5,852	262	4.5	9,907
Glenn County	62.2	63.8	-1.6	6,100	5,855	245	4.2	9,800
Plumas County	69.5	70.0	-0.6	6,235	6,301	-66	-1.0	8,977
Inyo County	63.6	65.9	-2.3	5,121	5,076	45	0.9	8,049
Mariposa County	67.9	69.8	-1.8	5,227	4,615	612	13.3	7,693
Colusa County	61.2	63.2	-2.0	4,318	3,853	465	12.1	7,056
Trinity County	70.4	71.3	-0.8	4,284	3,981	303	7.6	6,083
Mono County	56.0	60.0	-4.1	3,228	3,084	144	4.7	5,768
Modoc County	68.6	70.7	-2.1	2,786	2,675	111	4.1	4,064
Sierra County	71.9	70.7	1.2	1,065	1,074	-9	-0.8	1,482
Alpine County	71.8	68.3	3.5	357	330	27	8.2	497

Source: U.S. Census Bureau, 2000, 2010.

Table 2

Growth in Number of Homeowners of Different Ethnic Groups in California, 2000 to 2010

Non-Hispanic	2000	2010	Growth	% Growth	Share of Total Growth
White	4,345,120	4,187,243	-157,877	-3.6	-32.3
African-American	302,174	301,739	-435	-0.1	-0.1
American Indian	30,946	30,519	-427	-1.4	-0.1
Asian and Pacific Islander	619,703	884,072	264,369	42.7	54.1
Some other race	9,604	9,964	360	3.7	0.1
Two or more races combined	116,332	115,601	-731	-0.6	-0.1
Hispanic or Latino	1,122,455	1,506,233	383,778	34.2	78.5
Total	6,546,334	7,035,371	489,037	7.5	100

Source: U.S. Census Bureau, 2000, 2010.

owners.

Without the growth in homeownership among Latinos and Asians, all growth would have been erased, and the total number of homeowners in the state would have actually declined by 159,110. This would have undercut demand for homeownership and, ultimately, house values even more than actually occurred.

THE CRUCIAL ROLE OF AGE

AGE DIFFERENCES IN HOMEOWNERSHIP

Homeownership typically rises rapidly with age, not leveling off until age 60 or older. This age effect applies to all ethnic groups. Granted the large ethnic differences, the age profiles of homeownership follow a similar shape for non-Hispanic whites and Latinos in California (Figure 2). Between 2000 and 2010 there was a small but notable slippage in homeownership rates at most ages but especially in the span of ages 25 to 64.

The implication of the age difference is that homeownership is expected to rise as the population grows older. This is clearly portrayed in Figure 2 as steep rising arcs in both 2000 and 2010, among both non-Hispanic white and Latino residents. However, the high homeownership achievement of older age groups also reflects a legacy of earlier decades when

housing was more affordable. These differences can be illustrated across several decades for non-Hispanic white cohorts belonging to different generations in California (Table 3). Early differences in attainment are perpetuated as the cohorts advance across the decades from ages 25-34 to 45-54 and then 65-74. Despite these advances in homeownership with increases in age, the achievements observed at a given age may be depressed overall if a cohort with a lower history of homeownership moves into the age group. Groups suffering shortfalls in earlier decades are less

Figure 2 Homeownership Rates by Age, Whites and Latinos in California, 2000 and 2010

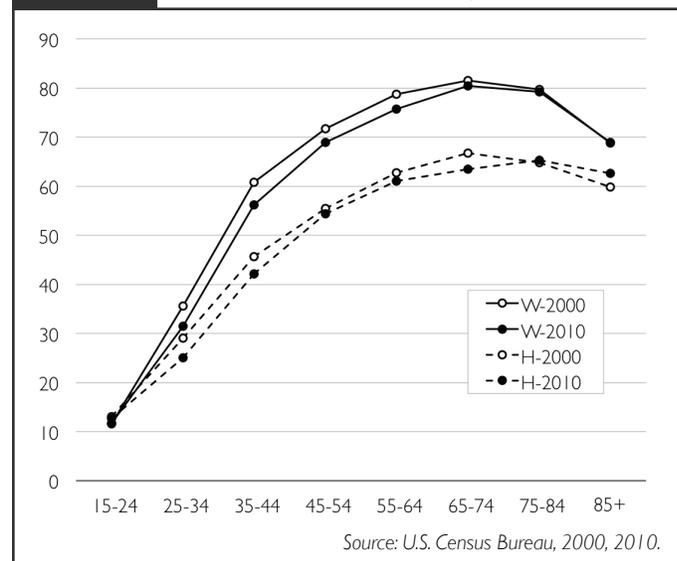


Table 3 Homeownership Rates of White Cohorts Across the Decades in California

	1980	1990	2000	2010
85+	60.5	63.0	68.8	69.0
75-84	63.9	73.0	79.7	79.2
65-74	71.9	79.5	81.6	80.4
55-64	76.9	79.6	78.7	75.8
45-54	75.9	74.3	71.7	68.9
35-44	69.3	62.5	60.9	56.2
25-34	44.9	40.1	35.6	31.5
15-24	14.1	11.8	11.6	11.7

Source: U.S. Census Bureau, 1980, 1990, 2000, 2010.

likely to establish the homeowner histories and equity accumulation needed to attain high levels of homeownership when they advance into older age groups. These differences can be illustrated across several decades for non-Hispanic white cohorts belonging to different generations in California (Table 3). Early differences in attainment are perpetuated as the cohorts advance across the decades from ages 25-34 to 45-54 and then 65-74.

The most advantaged cohort for attainment of homeownership in recent decades is the group of white residents born between 1926 and 1935, first appearing in Table 3 in 1980 when they were ages 45-54. Sometimes referred to as “the good times cohort,” this group had the great fortune to be born into a smaller sized generation that faced less competition in seeking education and job opportunities.³ As a tremendous added benefit, this cohort came of age in the prosperous years after World War II. Not only were incomes rising rapidly, but new forms of VA and FHA mortgages enabled young people to buy homes very early in their careers. This early legacy has been carried forward into their retirement years.

Succeeding cohorts have not fared as well. Reading across the rows in Table 3 it can be seen how homeownership attainment has declined for the next generation arriving at the same age. For example, the cohort aged 55-64 in 2010 was born 1946-55 and constitutes the first half of the Baby Boom generation.

Back in 1980 they were ages 25-34, entering the housing market at a time of high inflation and extremely high mortgage interest rates. California’s housing prices had already started surging in the late 1970s, and so this group was disadvantaged relative to the cohorts that tracked through the same age groups a decade earlier. Even lower outcomes are observed for the cohorts that arrived at ages 35-44 and 25-34 most recently. (It deserves note that these data are presented for non-Hispanic white residents only so that ethnic differences are not part of the explanation for lower achievements by the younger generation.) It pays to have been born earlier and bought homes in California before 1980.

PARADOXES OF RISING HOMEOWNERSHIP IN OLD AGE

If homeownership rates rise into old age, one would think that the demand for homeownership would only grow stronger as the population ages. Surely that is what the data suggest, although it may be true only up to a point. In fact, if we track the actual number of homeowners, we arrive at a different conclusion.

A paradox is that growth of the number of homeowners in an age category does not measure actual growth in real homeowners over a decade. For example, in Table 4 we see that the number of homeowners ages 55 to 64 increased by nearly half a million (45%) in 2010, suggesting strong increases in demand at older ages, and yet there was no actual increase in the number of homeowners among this cohort as it grew older from ages 45 to 54 in 2000 to its new age 10 years later. Similarly, if we look at the age group of 75 to 84, we see that it grew slightly larger, by 2.8%, between 2000 and 2010. However, the cohort that moved into the age group in 2010 actually retained only 74% as many homeowners as 10 years earlier when the cohort was ages 65 to 74. Fully a quarter had given up their homeownership, a loss of 221 thousand. Attrition was even greater for the next older cohort, retaining only 33% of their homeowners after 10 years, a loss of 517 thousand (Table 4).

A second, related paradox is that high homeownership rates at old ages only represents temporary strength and growth at old ages is a sign of market vulnerability. Older age groups are poised for major attrition from homeownership, losses that are made all the greater by their current high homeownership. These departures include not only shifting to renting, but also migration out of state, abandonment of the

Table 4

Number of Homeowners by Age and Cohort, California, 2000 and 2010

	2000	2010	Change	% Change	Cohort Ratio	Volume of Attrition or Expansion
85+	159,003	254,114	95,111	59.8	0.33	-517,604
75-84	612,715	629,787	17,072	2.8	0.74	-221,497
65-74	851,284	987,349	136,065	16.0	0.91	-100,445
55-64	1,087,794	1,577,700	489,906	45.0	1.00	4,622
45-54	1,573,078	1,730,009	156,931	10.0	1.14	208,866
35-44	1,521,143	1,238,893	-282,250	-18.6	1.83	560,326
25-34	678,567	558,665	-119,902	-17.7	8.90	495,915
15-24	62,750	58,854	-3,896	-6.2	---	58,854
Total	6,546,334	7,035,371	489,037	7.5	---	489,037

Note: Cohort ratio is the number of homeowners at a given age in 2010 divided by the number at the age occupied by the cohort in 2000; Volume of attrition or expansion is the number of homeowners in a cohort in 2010 less the number at the age occupied by the cohort in 2000.

Source: U.S. Census Bureau, 2000, 2010.

housing market for assisted living or nursing homes, and even death. Ultimately, every person's homeownership must end, and if the state's homeownership is weighted toward the most advanced ages then it is spring-loaded for rapid attrition. Somebody younger needs to step up and buy all these homes being released.

ENTRANCES AND EXITS FROM HOMEOWNERSHIP

It is helpful to think of homeownership as first expanding and then contracting in volume over the life course of a cohort. It expands most rapidly in age ranges where a cohort's homeownership rate is rising most rapidly, augmented by any growth in cohort size due to new recruits from in-migration. As the homeownership rate levels off in older ages and as the cohort population begins to decline through mortality, the cohort's number of owner-occupied homes

begins to contract. In a stable population younger cohorts advancing into homeownership would be expected to fill the gaps generated by the shrinking cohorts.

Prior research by the author has addressed the future prospects when the large cohorts of Baby Boomers advance into old age, terming this the "generational housing bubble."⁴ The present report examines only the generational transition observed thus far, taking advantage of the newly released data from Census 2010. This can tell us how cohort expansion and contraction fared in the 2000s, setting the stage for major changes ahead. To put this decade in better perspective, we also compare the 1980s and 1990s.

EVIDENCE OF THE LAST THREE DECADES

The homeowner rates of attrition at each age are surprisingly consistent across the decades. Attrition in homeownership is most rapid for cohorts aged 75

Table 5**Cohort Expansion, Retention, and Attrition of Homeownership in Three Decades**

Proportion of homeowners remaining at end of decade, all races combined*

Age at beginning of the decade	Decades		
	1980-90	1990-00	2000-10
75+	0.29	0.29	0.33
65-74	0.70	0.70	0.74
55-64	0.92	0.87	0.91
45-54	1.01	0.93	1.00
35-44	1.14	1.12	1.14
25-34	1.61	1.77	1.83
15-24	9.20	11.80	8.90

*Proportion of a cohort defined by age at the beginning of the decade that retains homeownership at the end of the decade

Source: U.S. Census Bureau, 1980, 1990, 2000, 2010.

and older at the beginning of the decade, as shown in Table 5. When compared to the number recorded by the next census at ages 85 and older, only 29% to 33% remain in the housing market—two-thirds have exited. For the next younger cohort, namely the one beginning the decade at ages 65-74, a full quarter of these homeowners also have exited the housing market in California.⁵

For the cohort beginning the decade at ages 55-64, 91% retained their homeownership 10 years later in 2010. Attrition thus amounted to just under 10%. This age group is especially significant because the front half of the Baby Boom generation is now occupying this age. For the next younger cohort, there was no net change in the decade just completed. The age range beginning at 45-54 and ending in 55-64 is one of great stability in homeownership.

At younger ages the cohorts exhibit progressively stronger net expansion in their homeownership. Fully 558,665 homeowners were recorded in 2010 at ages 25-34, while back in 2000 there had been only 62,750 at ages 15-24. Expansion in homeowner demand continues into the 40s. The number recorded at ages 35-44 in 2010 (1,238,893) was 83% greater than the 678,567 recorded 10 years earlier when the cohort was 10 years younger.

The one inconsistency across the decades occurs in

the 1990s, especially the lower ratios retaining homeowners ages 45-54 and 55-64. No explanation can be offered that is very certain, but the decade of the 1990s, of course, was calamitous because of the deep California recession and the discouraged outlook that settled on the state for all its misfortunes.⁶ Perhaps the lower retention figures in Table 5 reflect this discouragement about California residence. These are post-childrearing, early retirement ages, and a similar dip in this age range is observed for Latino homeowners as for white homeowners. At younger ages, the expansion rates appear more normal, and people who were young enough were better able to capitalize on the lower house prices that resulted in the 1990s.

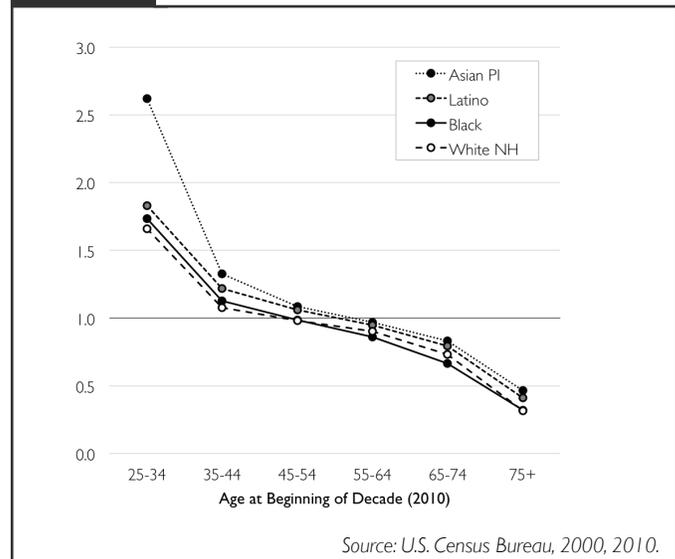
With this one exception, the cohort expansion and attrition in numbers of homeowners seems remarkably regular across the decades. It remains to be determined how much the lingering effects of the Great Recession might spill into the new decade, perhaps generating a long-term discouragement like the 1990s. However, even if that did occur, it does not appear from the 1990s data that the overall pattern of cohort expansion and attrition would be greatly altered.

DIFFERENT ETHNIC GROUPS ENTERING AND EXITING HOMEOWNERSHIP

Rates of homeowner expansion and attrition follow a similar age pattern among all racial and ethnic groups. This is portrayed in Figure 3 for the decade

Figure 3

Expansion and Attrition of Cohort Homeownership by Ethnic Groups in Calif., 2000-2010



Source: U.S. Census Bureau, 2000, 2010.

of the 2000s, comparing all four major groups: non-Hispanic whites, Hispanics or Latinos, African-Americans or blacks, and Asian and Pacific Islanders.

The youngest cohorts show the most dramatic expansion of homeownership over the decade, while attrition is greatest for the oldest. With dramatic exception of the Asian and Pacific Islanders, who surge into homeownership at very high rates in young ages, what is most striking about the figure is how similar is the pattern of expansion and attrition for each ethnic group over the age span. White and black expansion at young ages is a little lower because there is less in-migration to bolster their ranks of homeowners. Similarly, at older ages white and black attrition rates are a little deeper, possibly because in older ages they have greater migration out of state. Nonetheless, the overall pattern of expansion and attrition is very similar for all groups.

DIFFERENT GENERATIONS ENTERING AND EXITING HOMEOWNERSHIP

Demographers have long had a fascination with the interplay between the age structures of different ethnic groups or, more specifically for California, between aging whites and young Latinos.⁷ The thesis of *Immigrants and Boomers* explicitly linked the politics surrounding immigrants and their children with that surrounding the retirement welfare of seniors. Here I developed the concept of housing market exchanges between aging home sellers and younger home buyers. “Who is going to buy your house” is a more serious question in California today than when *Immigrants and Boomers* first introduced this generational perspective.

A first-level summary of generational exchanges in homeownership is offered in Table 6. The net expansion of demand by cohorts under age 55 at the end of the decade has remained strong from the 1980s to the 2000s, falling only slightly from 1.5 million net additional homeowners in the 1980s and 1990s to 1.3 million in the 2000s. These gains are offset, however, by net attrition of a sizable amount for cohorts older than 75 at the end of the decade. This attrition has increased from 436 thousand in the 1980s to 739 thousand in the 2000s. In addition, another small amount of attrition has occurred for cohorts ages 55-74 at the end of the decade. The greater attrition in the 1990s in this age range is plainly visible in Table 6, but the greater attrition in the 2000s than the 1980s likely

	1980s	1990s	2000s
Under 55	1,497,696	1,516,245	1,323,961
55-74	-59,418	-200,457	-95,823
75+	-436,207	-648,485	-739,101
Total Net Change	1,002,071	667,303	489,037

Source: U.S. Census Bureau, 1980, 1990, 2000, 2010.

reflects the presence of large Baby Boom cohorts in this age range.

The overall result summed across all generations was a net increase in the 1980s of some 1.0 million homeowners, an increase that could only be met by new construction. During the 1990s, only 667 thousand additional homeowners were generated, due to growing attrition at older ages. Finally, in the most recent decade, net growth in homeowners fell further to less than half of what they were in the 1980s, reaching only 489 thousand. Given the relative stability of the expansion and attrition rates, the explanation for slower increases in homeownership comes down to smaller cohorts of young people in the expansion years and larger cohorts of older people entering the attrition years.

The most interesting result is to see how these generational dynamics combine with ethnic differences. To compare earlier decades we cannot examine all the groups because of data inconsistencies in 1980 and 1990. Our main focus must be on Latinos and non-Hispanic whites.⁸

Changes among white homeowners are the dominant story in California, as summarized in Figure 4. What is clearly evident is the declining growth of new homeowners among younger white households. Growth is barely half the volume in the 2000s (544 thousand) that it was in the 1980s. At the same time, the volume of attrition from the housing market has increased substantially, with whites losing 702 thousand homeowners over the decade at ages older than 55.

The inescapable conclusion is that whites are not replacing their own demand for homeownership in the life cycle of expansion and contraction. The combination of steep attrition and diminishing replacement yields a net loss of white homeowners on the order of 158 thousand for the decade. More complete data on the ethnic generational mix of buying and selling over the decades is presented in Table 7. White attrition above age 75 is greater than in prior decades, although when we combine the 55 to 74 age group it appears that attrition is slowing. In fact, that is solely an artifact of the anomalous steep loss at ages 55 to 74 in the 1990s, a pattern not repeated in the 2000s. Going forward, we anticipate the Baby Boomers advancing into higher attrition years and we anticipate that white losses in homeownership will continue to deepen.

Latino households, by contrast, are making a much more vigorous contribution to the market for homeownership. Latino attrition at older ages amounts to only 45 thousand in the last decade, compared to the 702 thousand attrition in homeowners among whites. And at younger ages Latinos have added 15 times as many new homeowners as lost at older ages, an

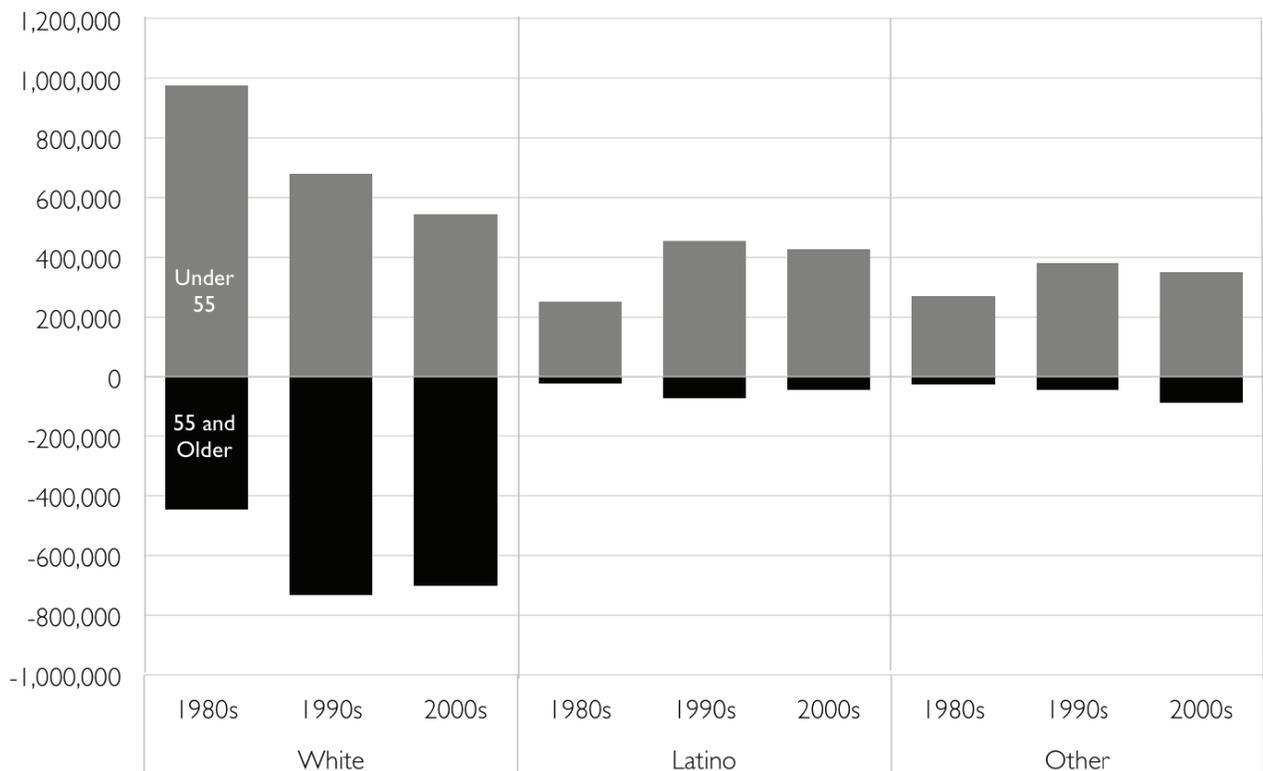
infusion of 428 thousand homeowners, not that many fewer than the 544 thousand gain among younger whites.

Among all other ethnic groups combined (black, Asian, American Indian, and multiple race), attrition was fairly low, with 44 thousand (half of the total) contributed by African-Americans alone in the 2000s. Instead, the other groups have contributed 352 thousand net new homeowners. Combined with Latinos, these other groups are helping to compensate for the underproduction of homeowners among whites.

How might we summarize the contributions of different ethnic groups to homeownership growth in the 2000s? Whites supplied only 41.1% of the homeownership expansion at young ages, but they accounted for 82.6% of the losses above age 75 (Table 7). Latinos in contrast accounted for little of the losses and 32.4% of the expansion at young ages. Overall, taking all ages together, Latinos accounted for 78.5% of the growth in homeownership in the 2000s. Whites contributed a net loss of 157,877 homeowners, equivalent to -32.3% of the total gain for the decade.

Figure 4

Net Gains and Losses of Homeowner Cohorts in Three Decades, by Ethnicity and Age at End of Decade



Source: U.S. Census Bureau, 1980, 1990, 2000, 2010.

Table 7

Ethnic Breakdown in Cohort Changes in Number of Homeowners, by Age Range at End of Decade

	Net Change in Number of Homeowners			Ethnic Group Share of Change		
	1980s	1990s	2000s	1980s	1990s	2000s
Under 55 at End of Decade						
White	975,104	678,870	543,797	65.1	44.8	41.1
Latino	251,562	454,619	428,441	16.8	30.0	32.4
All Other	271,030	382,756	351,723	18.1	25.2	26.6
	1,497,696	1,516,245	1,323,961	100.0	100.0	100.0
55 to 74 at End of Decade						
White	-60,693	-171,252	-91,220	102.1	85.4	95.2
Latino	-1,939	-29,799	7,797	3.3	14.9	-8.1
All Other	3,214	594	-12,400	-5.4	-0.3	12.9
	-59,418	-200,457	-95,823	100.0	100.0	100.0
75 and Older at End of Decade						
White	-385,757	-561,792	-610,454	88.4	86.6	82.6
Latino	-21,611	-42,817	-52,460	5.0	6.6	7.1
All Other	-28,839	-43,876	-76,187	6.6	6.8	10.3
	-436,207	-648,485	-739,101	100.0	100.0	100.0
All Ages						
White	528,654	-54,174	-157,877	52.8	-8.1	-32.3
Latino	228,012	382,003	383,778	22.8	57.2	78.5
All Other	245,405	339,474	263,136	24.5	50.9	53.8
	1,002,071	667,303	489,037	100.0	100.0	100.0

Note: "All Other" homeowners consist of Blacks, Asians, American Indians, and mutrace individuals. As described in the text, inconsistencies in the identification and reporting of race in earlier decades precludes more specific analysis of these smaller subgroups.

Source: U.S. Census Bureau, 1980, 1990, 2000, 2010.

A CONTRAST OF TWO COUNTIES: LOS ANGELES AND ORANGE

Earlier it was observed that Los Angeles County defied the statewide trend of a declining homeownership rate. Los Angeles remained almost unchanged, with an overall homeownership rate of 47.7%, just two-tenths of a percent lower than in 2000. Given the disproportionate weight Los Angeles exercises in the state average, without the strong performance of LA, the state average would have fallen much more. What were the underlying forces that enabled Los Angeles to maintain as high a homeownership as it did?

At the same time, Orange County leads all southern California counties in the magnitude of its decline in homeownership, from 61.4% in 2000 to 59.3% in 2010. Even though Orange County still has a higher homeownership rate than Los Angeles, what accounts for its steeper decline?

The two counties are compared side-by-side with regard to changes in homeownership rates and the expansion or attrition of homeowner cohorts. Residents of Los Angeles and Orange follow the same

Figure 5 Homeownership Rates by Age, Whites and Latinos

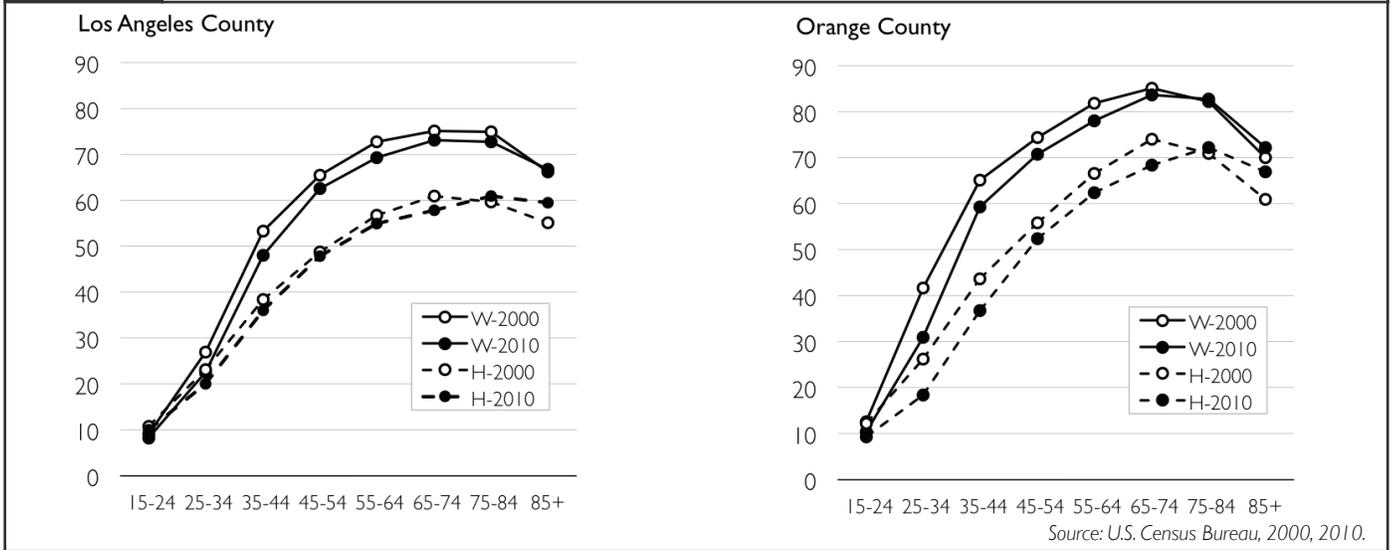
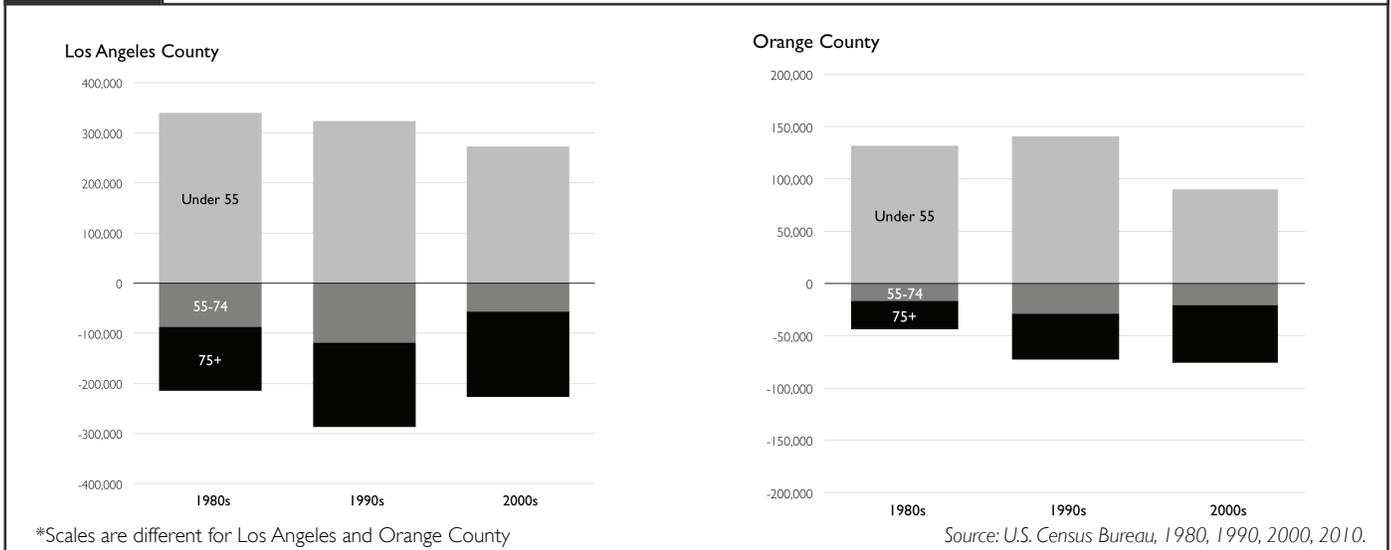


Figure 6 Cohort Changes in Number of Homeowners by Age at End of Decade



age patterns of high homeownership at old ages as we observed for the state as a whole (Figure 5). And the difference between Latinos and non-Hispanic whites is similar. Orange County's rates are higher than in Los Angeles, among both whites and Latinos. However, Orange County also suffered more marked declines in ownership rates over the decade, particularly at younger ages of both whites and Latinos.

This decline in the young rates implies that cohort expansion of homeownership was relatively depressed in Orange County in the 2000s, as compared to the 1990s. In fact, the summaries of gains and losses

show this in Figure 6. More detailed data not shown indicate that younger, white homeowner expansion in Orange County was roughly half of what it was in the 1990s, younger, Latino expansion was two-thirds, and Asian/Other expansion was about the same as in the 1990s. In contrast, in Los Angeles County, expansion slowed much more modestly, helping to stem the decline in the overall homeownership rate.

Conversely, it can be seen at older ages in Figure 6 that cohort attrition moderated in Los Angeles in the 2000s compared to the 1990s, whereas attrition continued at the same pace as before in Orange

County (and even greater above age 75). This Orange County pattern resembles that seen for the state as a whole more than does Los Angeles County.

CONCLUSION

The simple formula for decline in homeownership is accelerated attrition of homeowners at older ages, combined with slower expansion into homeownership at younger ages. In recent years, the white population has been shedding many more homeowners at older ages than it has been adding at young ages. The white population has not been replacing its own homeownership demand, leaving the burden to Latinos and Asians, the two growing groups. For this transition to be successful, if they are to serve well as generational replacements in the homeownership market, it seems necessary to elevate the homeownership rates of younger Latinos in particular.

Several implications can be cited for the future health of homeownership in California. Foremost is that cultivating stronger replacement demand must be seen as crucial if older home sellers are to find a satisfactory answer to the continuing question of “who is going to buy your house?”

Second, greater net increase in homeownership is necessary if we are to support revival of new construction. Historically the home building industry has been vital for generating employment and spending that pulls local economies out of recession. However, without growth in demand there is little need for new construction.

A third implication is that mitigating or actively slowing the rate of attrition by older homeowners could help to bolster aggregate demand for homeownership. Improved community services for seniors, better urban design for walkability, or other conveniences can help older residents stay longer in their homes. See also the recommendations in Myers and Ryu (2008). It is not certain how effective these strategies may be, but the magnitude of the problem commands our attention and requires the effort.

Reciprocally, a fourth implication is that speeding the rate of expansion by younger homeowners is vital to fill the growing gap generated by older attrition. It is unlikely that the nation will return soon to the mortgage financing schemes that fueled the bubble and collapse of the 2000s. Sounder strategies must be

explored, most likely emphasizing broader access to higher education for superior job training. Without this the younger population will not develop the employment careers needed to qualify for mortgages to buy the older folks homes.

The overall lesson of the last decade is surely that homeownership can no longer be taken for granted in California or the nation. Every existing homeowner has a stake in securing the housing market by preparing for the future rendezvous of buyers and sellers.

Endnotes

1. See Myers et al. (2011), “The California Roller Coaster.”
2. Reviews of the evidence supporting homeownership as a merit good deserving public support can be found in Green and White (1997) and Rohe, et al. (2002).
3. A review of these cohort histories may be found in Myers (2005), “Cohorts and Socioeconomic Progress.”
4. Myers (2007), *Immigrants and Boomers*, chapter 11; Myers and Ryu (2008), “Aging Baby Boomers and the Generational Housing Bubble.”
5. If a married couple shares an owner-occupied home and one of the spouses who was listed a householder dies, the surviving spouse would retain the homeownership as long as he or she remained in the home. And if the survivor moved to a different home that he or she also owned anywhere in the state, this would count as no net change in homeownership. Thus the measures in Table 5 afford a conservative estimate of the rate of change in the housing market.
6. See the in-depth review of the 1990s’ discouraged outlook, including assessments by Mike Davis and Kevin Starr, recounted in chapter 4 of Myers (2007), *Immigrants and Boomers*.
7. This generational divide was the subject of a demographer’s presidential address (Preston 1985). Also see the early statement on California by Hayes-Bautista et al. (1988). The discussion in Myers (2007) intersects this theme with the surrounding issues of immigrant assimilation and political perceptions about immigrants. The Brookings Demographer William Frey has recently promoted the notion of cultural generation gaps between whites and Latinos, ranking California behind Arizona in severity of the gap.
8. The procedures require that racial and Hispanic origin groups be defined and counted in an identical manner in the data sources used for different decades. Unfortunately, in earlier years there is ambiguity whether Blacks, Asians and others are inclusive of

Hispanics or not. This creates a potential double counting that creates a “closure error” in the data. The only groups that are defined exactly the same way all decades are Latinos (or Hispanics) and non-Hispanic Whites. Accordingly for this analysis we focus on those two groups and group all others into a third, broad category.

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Copies of all project reports are downloadable from the website of the Population Dynamics Research Group, School of Policy, Planning, and Development.

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