

Housing Research Brief 4
Who Lives in New Housing in Los Angeles?

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It is often said that Los Angeles needs to build more housing to accommodate the growth in new population. Further, it is sometimes implied that the new people may be younger and better-educated, or simply richer, than the current residents of Los Angeles. Very little is known, beyond rumor or anecdote, about how the new residents of Los Angeles match up to the new housing.

This research brief aims to answer these compelling questions. Is it really new people who live in the newly built housing, and are these new households so much better off than existing residents that they require upscale housing accommodations? How valid is the speculation that the typical occupants of new housing are new rich people moving to LA?

We assemble the recent evidence required to shed light on these assumptions. For that we compare new and old residents, both of which may live in either new or old housing that is either rented or owned. Key to the analysis is defining what constitutes “new” residents, which we approach in two different ways. The first is to focus on recent movers to Los Angeles who came from outside Los Angeles county. A second approach, however, is to consider that the “new” people may really just be newly formed households composed of native Angelenos who are Millennials now coming of age.

After an initial overview of the population and housing, we focus in greater depth on the rental housing sector where the great majority of newcomers in fact live. We are interested in what kind of households live in the new rental units—their age, race, nativity (foreign born, California born, or other US born), and educational attainment—all described in addition to their income and rent payment.

Are New People Living Only in New Housing?

A. Defining “New Residents”

New residents can be identified, first, as householders who have moved recently into a different housing unit than they previously occupied. We compare movers in the year preceding 2016 to those in 2006 (before the recession) and in 2011 (depths of recession). We also compare movers in earlier decades, based on census data which asked about moves in the last 5 years prior to 1980, 1990, and 2000.

In addition, we can also define these “new” in-movers to housing as those who came from out of county versus those who were local movers. In assessing the characteristics of these different mover groups it may be useful to also compare the nonmovers and total households. As seen in Exhibit 1, fewer than 3 percent of households in Los Angeles county in 2006, 2011, and 2016 had newly occupied a housing unit after moving from outside the county. The share (and absolute number) that were local movers was substantially greater in 2011, the recession year, than in 2016. Also noteworthy is that the share that are in-movers from outside LA county in the previous 5 years was much greater in 1980 (15.7%) than in 2000 (11.6%). Local movers were a relatively constant share in earlier decades (Exhibit 1).

As a second alternative, we can identify “new” people living in Los Angeles as households that have been recently formed, inferred through their young ages, under 25 or also ages 25-34. New formation makes them new in the housing market even if they previously may have lived with their parents or roommates in Los Angeles county or elsewhere.

The age breakdown of householders is displayed in Exhibit 2, which also shows separately the age profile of renter households in particular. Focusing on all householders, we see that young adults under age 25 made up a much smaller share in 2016 (2.7%) than in 2006 (3.8%) or in earlier decades, especially 1980 when they comprised 8.1% of all households. In that year the householders younger than 25 were born before 1955, thus belonging to the baby boom generation. Householders of similar age in 2016 were born before 1991, belonging to the large millennial generation, and yet they comprised a much smaller share (or absolute number) of total households—about one-third (Exhibit 2).

When examining the renter households, young adults have about twice as great a share as they do of all households, but the trends over time are similar.

Exhibit 1. Percent of All Householders Who Are Inmovers from Out of Los Angeles County, 1980 to 2016

(A) In Percentage

	Last 5 Years			Last 1 Year		
	1980	1990	2000	2006	2011	2016
Inmovers from Out of LA County	15.7	13.8	11.6	2.6	2.6	2.8
Local Movers	36.2	36.3	34.6	9.7	11.1	7.6
Nonmovers	48.1	49.9	53.8	87.7	86.3	89.6
Total Householders	100.0	100.0	100.0	100.0	100.0	100.0

(B) In Absolute Count

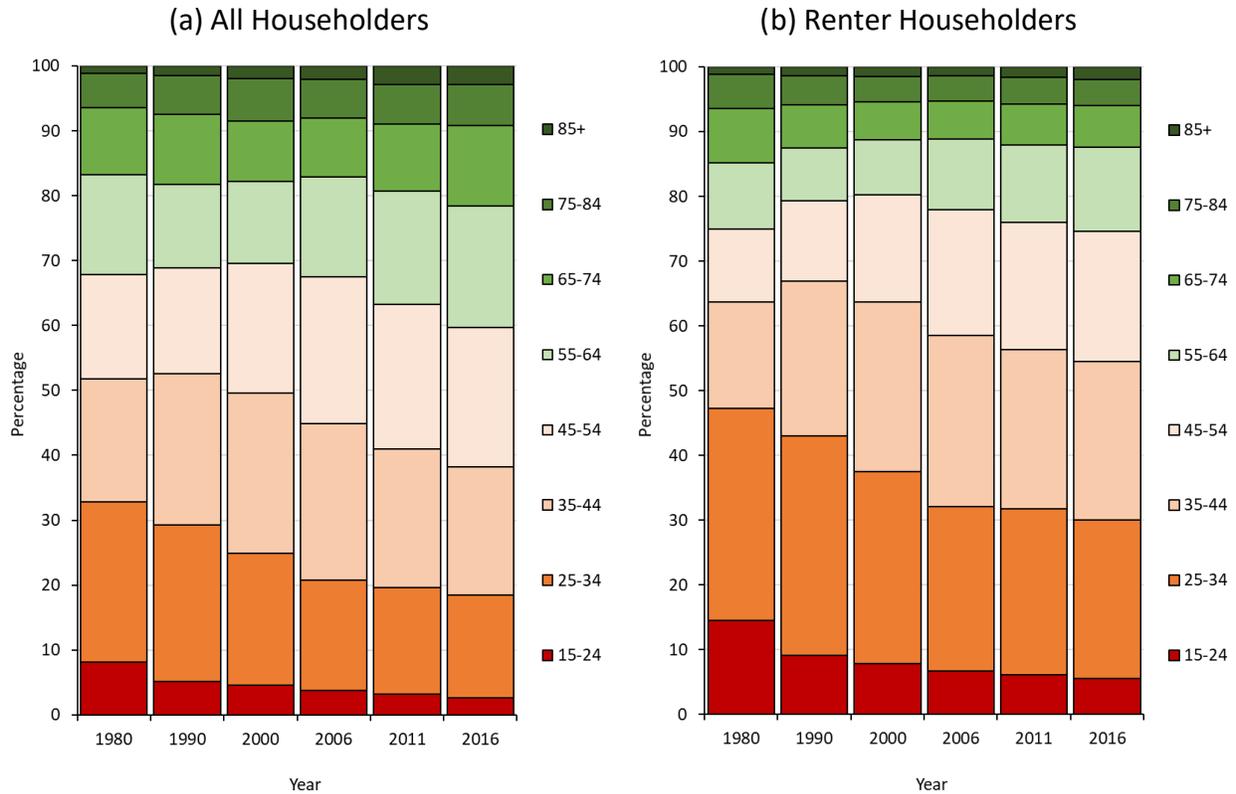
	Last 5 Years			Last 1 Year		
	1980	1990	2000	2006	2011	2016
Inmovers from Out of LA County	430,071	411,271	362,796	82,546	84,763	93,575
Local Movers	990,394	1,083,023	1,085,724	306,802	355,185	251,111
Nonmovers	1,314,614	1,486,500	1,687,690	2,782,684	2,761,853	2,960,901
Total Householders	2,735,080	2,980,794	3,136,210	3,172,032	3,201,801	3,305,587

Notes: Universe is all householders in Los Angeles county. A fuller analysis was conducted with every single ACS 1-year data between 2006 and 2016, but the detailed result was not presented here for simplicity. The result largely confirms trend shown in this exhibit. Questionnaire text is “Did this person live in this house or apartment 5 years ago (on April 1, 1995 in case of 2000 census)?” in decennial censuses, while “Did this person live in this house or apartment 1 year ago?” is the wording in the ACS. Geographic boundary of Los Angeles county has been consistent since 1980. In 1980 census, responses to questions about migration were coded for only roughly half the households included in the IPUMS data. These cases provide accurate proportional distributions but not correct absolute numbers for the entire households. Thus cases were multiplied proportionally to match total householders as suggested in IPUMS data description. In 1990 census, distinction between “Different house, moved within county” and “Different house, moved within state, between counties” was not made and coded as a single aggregated category of “Different house, unknown within state.” We distinguished inmovers from local movers on the basis of 1980 rates.

Sources: 1980, 1990, and 2000 Decennial Census; 2006, 2011, and 2016 American Community Survey IPUMS Microdata files.

Exhibit 2. Percent of All Householders and Renter Householders by Age, Los Angeles County, 1980 to 2016

(A) Graph



(B) Table

(a) All Householders

Age	In Percentage						In Absolute Count					
	1980	1990	2000	2006	2011	2016	1980	1990	2000	2006	2011	2016
15-24	8.1	5.2	4.5	3.8	3.2	2.7	222,880	154,729	142,112	119,501	102,719	87,642
25-34	24.7	24.1	20.4	17.0	16.4	15.8	674,980	717,074	638,681	539,495	523,566	523,027
35-44	18.9	23.3	24.7	24.1	21.5	19.8	516,820	694,765	773,530	764,576	687,118	653,795
45-54	16.1	16.3	20.0	22.7	22.2	21.5	441,640	487,020	627,634	718,652	710,473	709,927
55-64	15.3	12.9	12.6	15.4	17.5	18.7	419,040	383,374	396,632	488,428	561,107	616,911
65-74	10.4	10.7	9.3	9.0	10.3	12.5	283,900	320,299	291,620	285,365	329,227	412,250
75-84	5.3	6.0	6.5	6.1	6.1	6.2	143,620	177,991	204,166	192,394	196,314	206,572
85+	1.2	1.5	2.0	2.0	2.9	2.9	32,200	45,542	61,835	63,621	91,277	95,463
Total	100.0	100.0	100.0	100.0	100.0	100.0	2,735,080	2,980,794	3,136,210	3,172,032	3,201,801	3,305,587

(b) Renter Householders

Age	In Percentage						In Absolute Count					
	1980	1990	2000	2006	2011	2016	1980	1990	2000	2006	2011	2016
15-24	14.5	9.1	7.8	6.8	6.2	5.5	202,400	141,025	128,306	108,655	104,987	95,145
25-34	32.8	33.9	29.7	25.4	25.5	24.5	457,900	523,531	485,486	408,139	433,871	419,972
35-44	16.4	23.9	26.2	26.4	24.6	24.5	228,840	369,541	428,486	424,594	418,110	420,883
45-54	11.3	12.4	16.5	19.4	19.7	20.1	157,220	191,068	270,246	311,467	334,819	344,647
55-64	10.3	8.1	8.5	10.9	11.9	12.9	143,180	125,701	139,194	175,809	202,062	222,255
65-74	8.4	6.7	5.8	5.9	6.3	6.5	117,640	102,973	94,944	94,577	107,888	111,659
75-84	5.2	4.5	4.0	3.9	4.1	3.9	73,160	70,067	64,686	62,563	70,507	67,710
85+	1.2	1.4	1.4	1.3	1.6	2.0	16,420	20,983	23,512	21,469	26,967	34,318
Total	100.0	100.0	100.0	100.0	100.0	100.0	1,396,760	1,544,889	1,634,860	1,607,273	1,699,211	1,716,589

Notes: Universe is all householders or renter householders in Los Angeles county.

Sources: 1980, 1990, and 2000 Decennial Census; 2006, 2011, and 2016 American Community Survey IPUMS Microdata files.

B. Defining “New Housing”

What constitutes “new housing” is simply defined as all units built within the 5 years preceding each census or ACS survey, as reported in those data collections for the year each unit was built. In 2016 this amounts to just 1.5% of all occupied housing units (Exhibit 3). That is roughly one-half the share that was new in 2006 and one-sixth the share that was new in 1990 (9.8%) following the biggest 5-year building boom in Los Angeles history.

Placing this in comparison to the share of “new residents,” in 2016 there were nearly twice as many new movers *in one year* to Los Angeles housing from outside the county (2.8%, Exhibit 1) as there were newly built housing units *in 5 years* (1.5%, Exhibit 3). Or, compared to the share of households newly formed by householders under age 25, there also were nearly twice as many (2.7%, Exhibit 2) as the share of units built in the last 5 years. (An even greater number of new formations likely occurred at ages 25 to 34.)

Exhibit 3. Newly Built Housing Units as a Percent of All Occupied Housing and Renter-occupied Housing, Los Angeles County, 1980 to 2016

(A) In Percentage

	1980	1990	2000	2006	2011	2016
(a) All Householders						
New Housing	6.6	9.8	2.6	3.4	2.6	1.5
Older Housing	93.4	90.2	97.4	96.6	97.4	98.5
Total Housing	100.0	100.0	100.0	100.0	100.0	100.0
(b) Renter Householders						
New Housing	6.0	12.1	2.4	3.5	2.8	1.8
Older Housing	94.0	87.9	97.6	96.5	97.2	98.2
Total Housing	100.0	100.0	100.0	100.0	100.0	100.0

(B) In Absolute Count

	1980	1990	2000	2006	2011	2016
(a) All Householders						
New Housing	180,820	291,503	82,988	107,961	82,298	49,540
Older Housing	2,554,260	2,689,291	3,053,222	3,064,071	3,119,503	3,256,361
Total Housing	2,735,080	2,980,794	3,136,210	3,172,032	3,201,801	3,305,901
(b) Renter Householders						
New Housing	84,160	186,447	39,010	56,171	48,600	33,465
Older Housing	1,312,600	1,358,442	1,595,850	1,551,102	1,667,989	1,789,968
Total Housing	1,396,760	1,544,889	1,634,860	1,607,273	1,716,589	1,823,433

Notes: Universe is all occupied housing units or renter-occupied housing units in Los Angeles county. New housing is defined built in the last 5 years while older housing is defined built 6 years or earlier ago. Due to microdata code limitation, 2006 data includes housing units that is said to have been built in the last 6 years instead of 5 years, which likely results in 1-year-amount overestimation compared to other survey years based on 5-year definition.

Sources: 1980, 1990, and 2000 Decennial Census; 2006, 2011, and 2016 American Community Survey IPUMS Microdata files.

C. Many More New People than New Housing

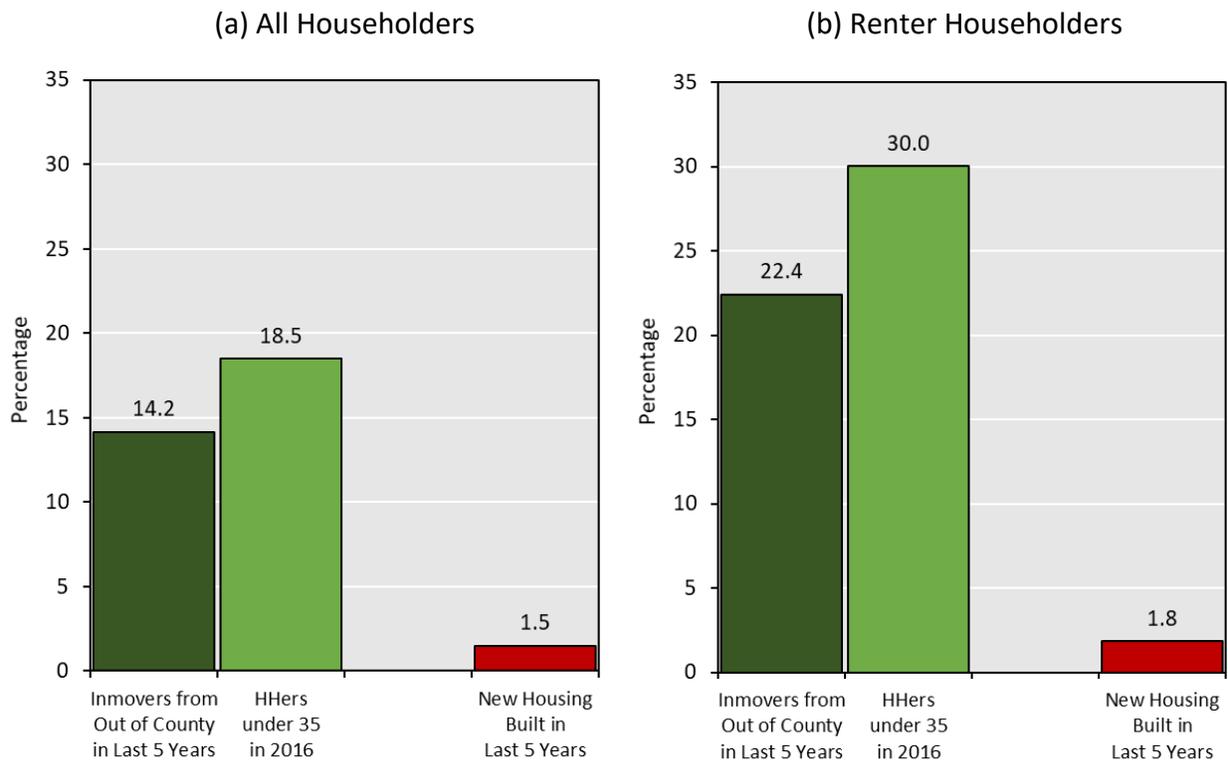
Whether we focus on all housing in Los Angeles county or solely on rental housing, the evidence shows many times more “new residents” arrived in 5 years’ time than “new housing” was built in the same time period. For ease of comparison we simply multiply the one-year rates of in-movers from out of county times 5. We also compare the percent of householders who are under age 35, surely an overstatement of the number of newly formed households. On the other hand, only counting householders under age 25 would surely be an underestimate.

These figures are compared to the share of all occupied housing that is new (Exhibit 4). Within either total housing or the rental sector alone the share occupied by newcomers is more than 7 times greater than the small fraction that is newly built.

The explanation for this very large difference is likely that previous residents have moved out of Los Angeles county, surrendering their housing units to newcomers.¹ Most of the new arrivals in the housing market are living in previously built, not new, housing.

The answer to our question posed at the top is clear: the new people are not only living in new housing. But that still leaves open the question of who does live in the newly built housing?

Exhibit 4. Percent of Householders Who Are New Residents and Percent of Occupied Housing Units That Are Newly Built, Los Angeles County, 2016



Notes: HHers is householders. Universe is all householders or renter householders (all occupied housing units or renter-occupied housing units) in Los Angeles county in 2016 in panels (a) and (b) respectively. New housing is defined as built in the last 5 years (between 2011 and 2016).

Sources: 2016 American Community Survey IPUMS Microdata file.

¹ Data on migration to and from Los Angeles county shows that, although 136 thousand people age 25 and older in 2016 moved in from other states or counties, nonetheless at the same time 210 thousand flowed out of the county (ACS 2016 tables B07009 and B07409). An additional net inflow arrived from other nations, helping to balance the total in and out flows.

Most New Residents are in Rental Housing

A. The Tenure Disposition of New and Old Housing

In 2016, 55.2% of all occupied housing in Los Angeles county was renter occupied (Exhibit 5, panel b). This is a slightly larger share than in previous years. As far back as 1980, more than half of the housing stock has been occupied by renters, with the lowest share (50.7%) recorded in 2006.

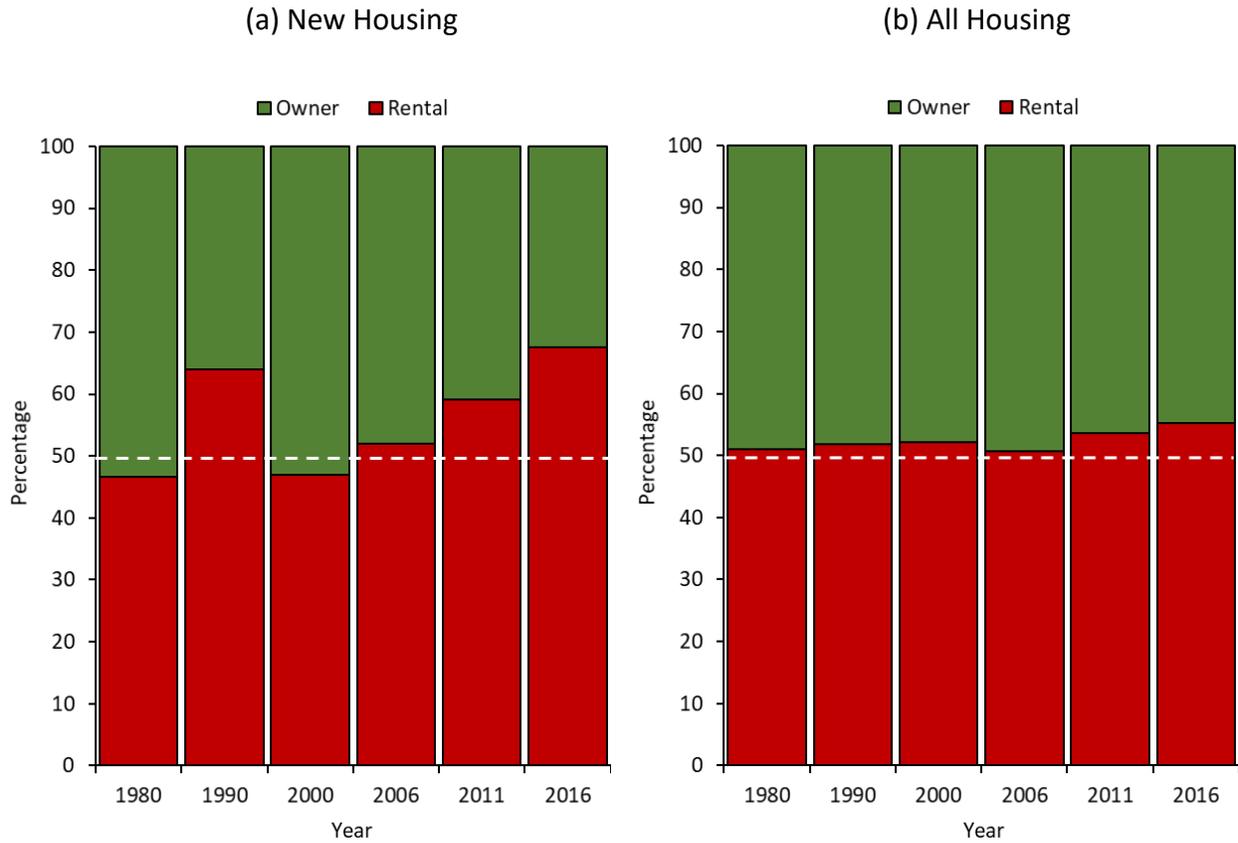
Among newly built units, the rental share has generally been substantially greater, but that has varied over time (Exhibit 5, panel a). The rental share was very large (64.0%) for new units built in the boom prior to 1990, and since the Great Recession the rental share has been climbing in new construction, reaching 67.6% in 2016.

B. The Tenure Choice of New Residents

Newcomers moving to Los Angeles are far more likely to be renters than owners, no matter the age of housing they live in (Exhibit 6). Since 2006, the rental share for newcomers living in newly built housing has sharply escalated, reaching 96% renters in 2016 (Exhibit 6, panel a-1).

Under our alternative definition of new residents, adults younger than 35, there also is a bias toward renting, but that is not nearly as extreme as was observed for newcomers moving in from outside Los Angeles county (Exhibit 6, panel b-1).

Exhibit 5. Percent of Newly Built Occupied Housing Units by Tenure, LA County, 1980 to 2016



Notes: White dashed line indicates half-and-half threshold. Universe is newly built occupied housing units or all occupied housing units in Los Angeles county. New housing is defined built in the last 5 years while older housing is defined built 6 years or earlier ago. Due to microdata code limitation, 2006 data includes housing units that is said to have been built in the last 6 years instead of 5 years, which likely results in 1-year-amount overestimation compared to other survey years based on 5-year definition.

Sources: 1980, 1990, and 2000 Decennial Census; 2006, 2011, and 2016 American Community Survey IPUMS Microdata files.

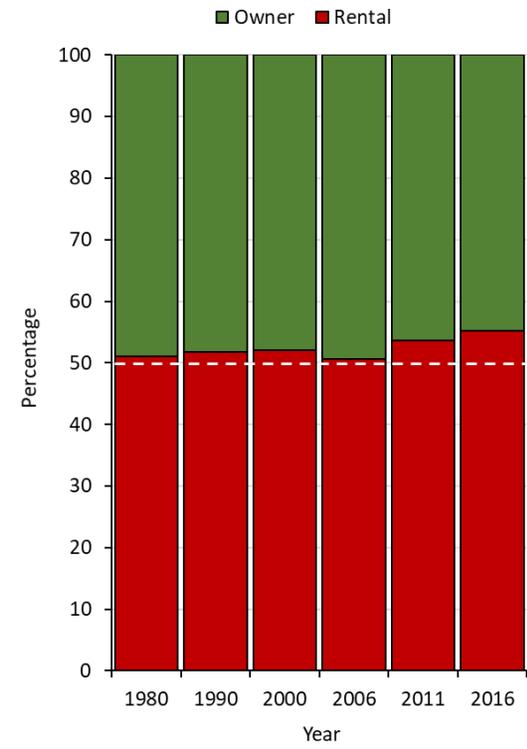
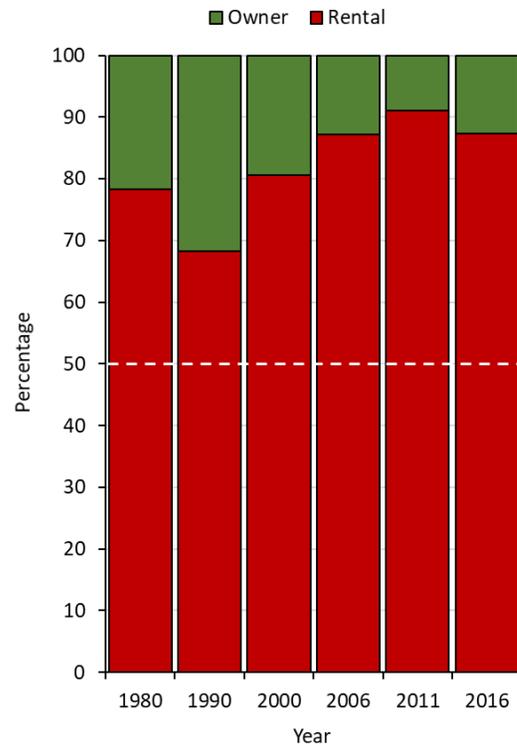
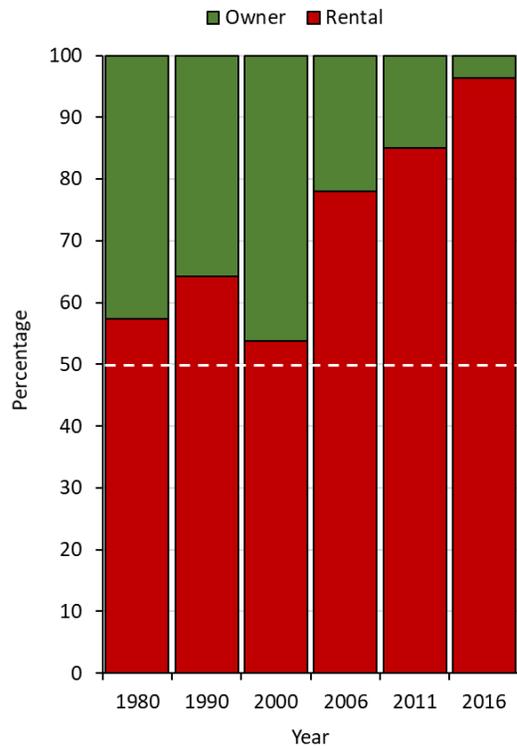
Exhibit 6. New Householder's Housing Choices, Under Alternative Definition of New Householder, Los Angeles County, 1980 to 2016

(a) Inmovers from Out of Los Angeles County

(Reference) All Householders
in All Housing

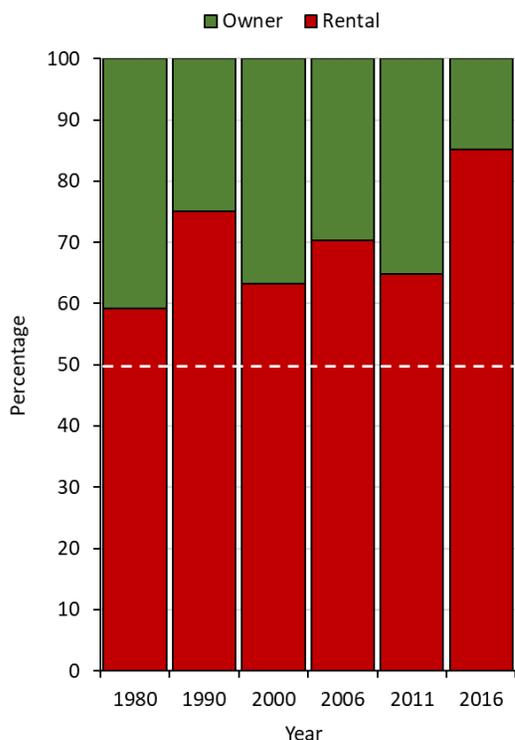
(a-1) In New Housing

(a-2) In All Housing

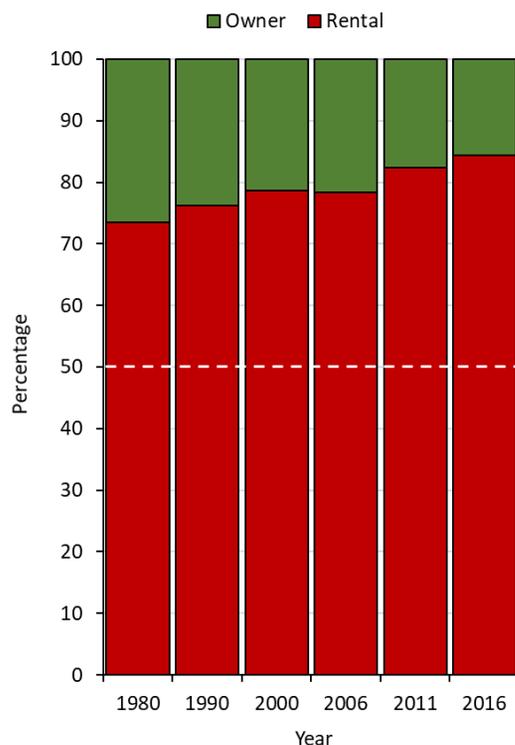


(b) New Young Householders Under Age 35

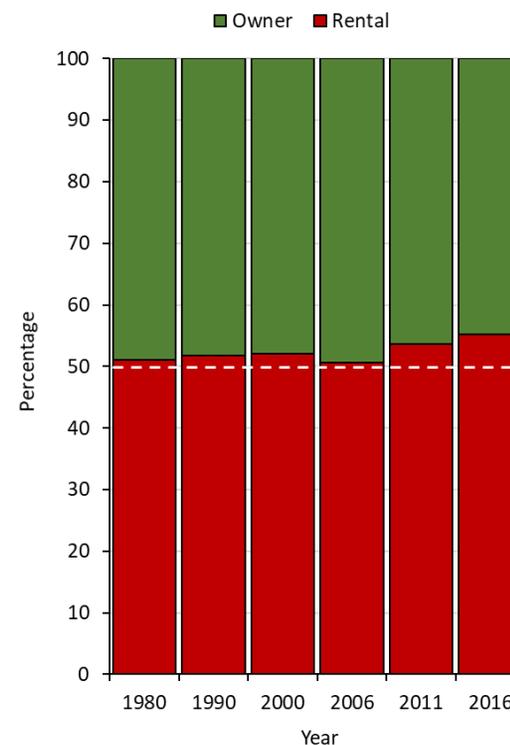
(b-1) In New Housing



(b-2) In All Housing



(Reference) All Householders in All Housing



Notes: White dashed line indicates half-and-half threshold. Universe is newly built occupied housing units or all occupied housing units in Los Angeles county. New housing is defined built in the last 5 years while older housing is defined built 6 years or earlier ago. Due to microdata code limitation, 2006 data includes housing units that is said to have been built in the last 6 years instead of 5 years, which likely results in 1-year-amount overestimation compared to other survey years based on 5-year definition. Questionnaire text is “Did this person live in this house or apartment 5 years ago (on April 1, 1995 in case of 2000 census)?” decennial censuses, while “Did this person live in this house or apartment 1 year ago?” is the wording in the ACS. Geographic boundary of Los Angeles county has been consistent since 1980. In 1980 census, responses to questions about migration were coded for only roughly half the households included in the IPUMS data. These cases provide accurate proportional distributions but not correct absolute numbers for the entire households. Thus cases were multiplied proportionally to match total householders as suggested in IPUMS data description. In 1990 census, distinction between “Different house, moved within county” and “Different house, moved within state, between counties” was not made and coded as a single aggregated category of “Different house, unknown within state.” We distinguished in-movers from local movers on the basis of 1980 rates.

Sources: 1980, 1990, and 2000 Decennial Census; 2006, 2011, and 2016 American Community Survey IPUMS Microdata files.

C. Characteristics Among Renters Who Are New Residents

Given the predominance of renters, from this point forth we will examine the characteristics of rental households on other dimensions, first addressing race, then nativity (foreign born, California born, or other US born), and next education. After that we will examine income and rent levels among renters in new and old housing.

Racial Makeup (including Hispanic Origin) of Renters

Among all rental households (Exhibit 7, right panel), non-Hispanic whites occupied a rapidly declining share of rental units. Between 1980 and 2006 the white share fell from 55.8% to 31.4%, but in the subsequent 10 years to 2016 the white share remained virtually constant. Conversely, the Hispanic and Asian shares expanded rapidly from 1980 to 2006, holding steady for the last decade.

We find that in-movers to LA county rental housing were much more likely to be white, comprising roughly 50% from 2000 to 2016 (Exhibit 7, middle panel). Asian householders also comprised a much larger share of the stream of in-movers to rental units from out of county. Conversely, the Hispanic share of *in-movers* landing in rental units was nearly half as large as their share among all renters.

When we examine the racial makeup of in-movers to newly built rental units (Exhibit 7, left panel), we find an even more diminished share of Hispanics and a slightly smaller share of whites than among in-movers to all rental units. However, the Asian share of the new rental units is substantially greater, as is the African-American share in 2011 and 2016.

Nativity or Lifetime Origin (Place of Birth) of Renters

Another way to characterize the occupants of rental units is by their place of birth, whether they are native Californian, born in other states, or foreign born. The foreign born may be further subdivided into new immigrants who arrived in the last 10 years and longer-settled foreign born. As seen in Exhibit 8 (right panel), the new immigrant share of all rentals has declined markedly from its peak in 1990, falling from a 18.5% to 8.0% share of all rentals in 2016.

What may be surprising is that among newly built rentals (Exhibit 8, left panel), and also among all in-movers (Exhibit 8, middle panel), the new immigrant share is dramatically larger and the settled immigrant share far smaller than among all rentals. Those who are longer-settled are better positioned in the housing market and already have housing units. New immigrants are having to seek newly formed opportunities. Although remaining prominent in every year, the reason the new immigrant share has been declining in new units and among all in-movers is simply that immigration flows to California have steadily declined since 1990.

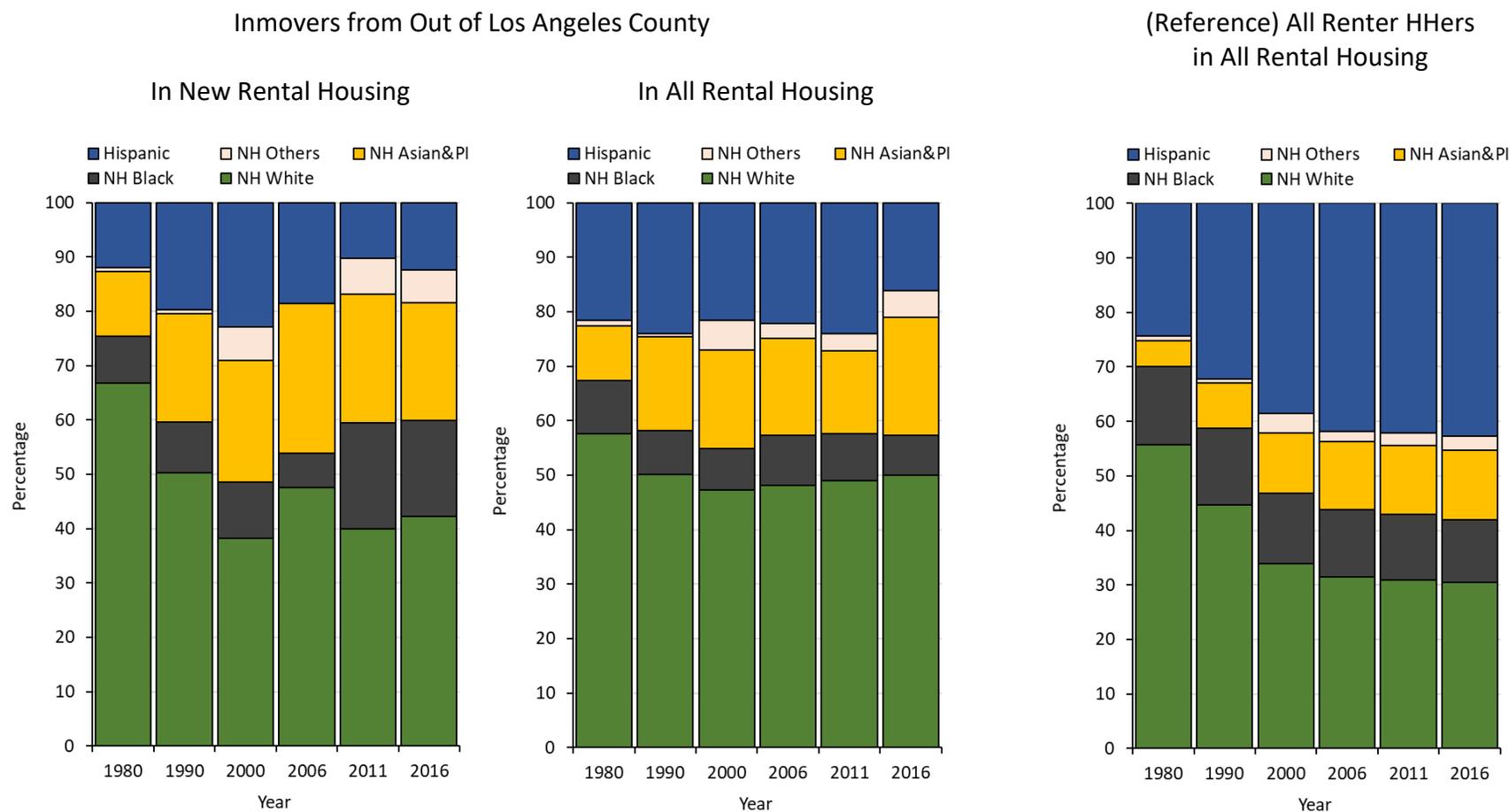
Also declining are the number of domestic movers from other states in the US. (This is also reflected in the right-hand panel showing occupants in all rental housing.) What is steadily growing is the share of households headed by a native Californian. These “locals” have grown up with many more connections and have longstanding ties into previously built housing. The striking observation in Exhibit 8 is how large a share of in-movers to new rentals is made up by people born in other states. In recent years this is more than twice as large as the share among all renters.

Educational Attainment of Renters

There is widespread speculation about changes in social and economic class among new residents in Los Angeles. In a later section we address income in conjunction with rental payments. Here we examine educational attainment.

Exhibit 9 displays steady growth between 1980 and 2016 in the share of renters with a college degree (BA or higher). College completion expanded from 16.5% of all renters in 1980 to 30.0% in 2016 (dark blue bar at the top of the right panel). Among in-movers to Los Angeles county or specifically to newly built units, this BA share is substantially greater. In 2016, college degrees were nearly twice as frequent among in-movers to rental units from outside Los Angeles county (58.7%) or among in-movers of newly built rental units (55.2%) as the 30.0% college degrees found among all renters in the area. Exhibit 10 compares just these college shares and also adds a parallel analysis for all young people under age 35.

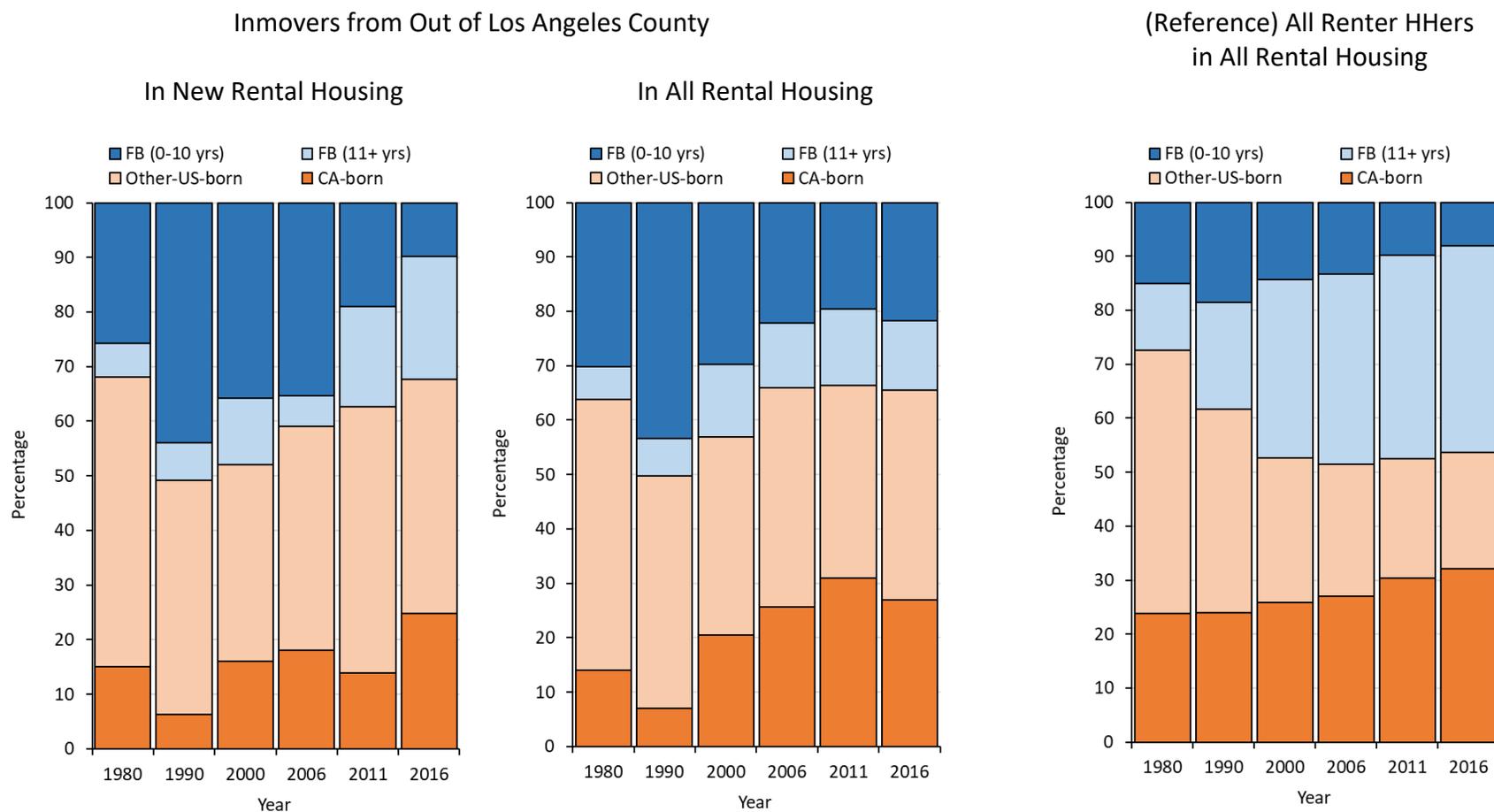
Exhibit 7. Race and Hispanic Origin of New Residents in New and All Rental Housing, Under Alternative Definition of New Householder, Los Angeles County, 1980 to 2016



Notes: HHers is householders. NH is non-Hispanic and PI is Pacific Islander. Universe is newly built renter-occupied housing units or all renter-occupied housing units in Los Angeles county. New housing is defined built in the last 5 years while older housing is defined built 6 years or earlier ago. Due to microdata code limitation, 2006 data includes housing units that is said to have been built in the last 6 years instead of 5 years, which likely results in 1-year-amount overestimation compared to other survey years based on 5-year definition.

Sources: 1980, 1990, and 2000 Decennial Census; 2006, 2011, and 2016 American Community Survey IPUMS Microdata files.

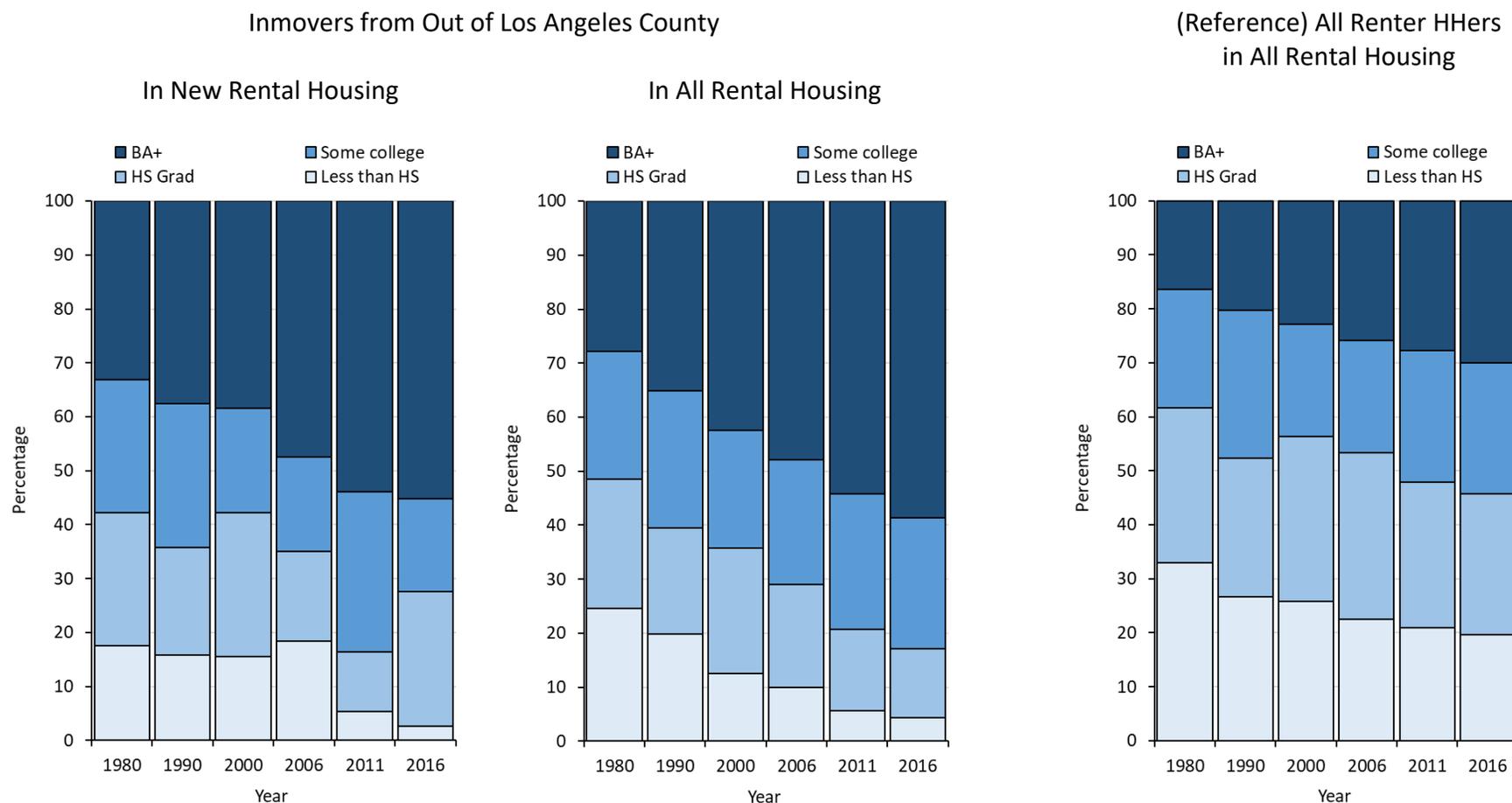
Exhibit 8. Lifetime Origin of New Residents in New and All Rental Housing, Under Alternative Definition of New Householder, Los Angeles County, 1980 to 2016



Notes: HHers is householders. FB is foreign born. Universe is newly built renter-occupied housing units or all renter-occupied housing units in Los Angeles county. New housing is defined built in the last 5 years while older housing is defined built 6 years or earlier ago. Due to microdata code limitation, 2006 data includes housing units that is said to have been built in the last 6 years instead of 5 years, which likely results in 1-year-amount overestimation compared to other survey years based on 5-year definition.

Sources: 1980, 1990, and 2000 Decennial Census; 2006, 2011, and 2016 American Community Survey IPUMS Microdata files.

Exhibit 9. Educational Attainment of New Residents in New and All Rental Housing, Los Angeles County, 1980 to 2016

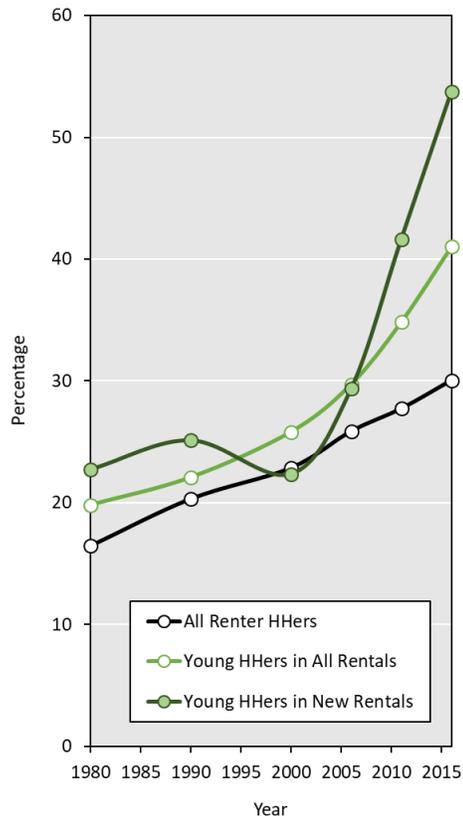
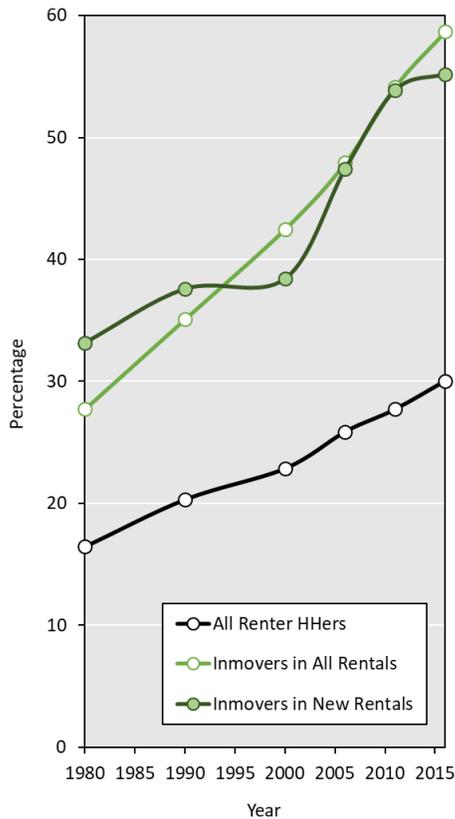


Notes: HHers is householders. BA+ is Bachelor’s degree or above. Some College is some college or associate degree. HS Grad means high school graduate. Universe is newly built renter-occupied housing units or all renter-occupied housing units in Los Angeles county. New housing is defined built in the last 5 years while older housing is defined built 6 years or earlier ago. Due to microdata code limitation, 2006 data includes housing units that is said to have been built in the last 6 years instead of 5 years, which likely results in 1-year-amount overestimation compared to other survey years based on 5-year definition.
Sources: 1980, 1990, and 2000 Decennial Census; 2006, 2011, and 2016 American Community Survey IPUMS Microdata files.

Exhibit 10. Trend in the Share with a BA or Higher Education Among Renters, Using Different Definitions of New Householder, Los Angeles County, 1980 to 2016

(a) Inmovers from Out of Los Angeles County

(b) All Young Householders Under Age 35



Notes: HHers is householders. Universe is new or all renter householders in Los Angeles county. New housing is defined built in the last 5 years while older housing is defined built 6 years or earlier ago. Due to microdata code limitation, 2006 data includes housing units that is said to have been built in the last 6 years instead of 5 years, which likely results in 1-year-amount overestimation compared to other survey years based on 5-year definition. *Sources:* 1980, 1990, and 2000 Decennial Census; 2006, 2011, and 2016 American Community Survey IPUMS Microdata files.

Are New Residents Richer and Paying Higher Rents?

One of the most frequent speculations about changes in Los Angeles centers around the changing income mix in the city, linking this to the high rents being asked for newly built units. We have already documented the longstanding trend—since 1980—toward rising education levels, which is twice as pronounced among in-movers to rental housing from outside Los Angeles county. Next we examine the rent changes and incomes more specifically.

A. The Rent Distribution of New and Old Housing

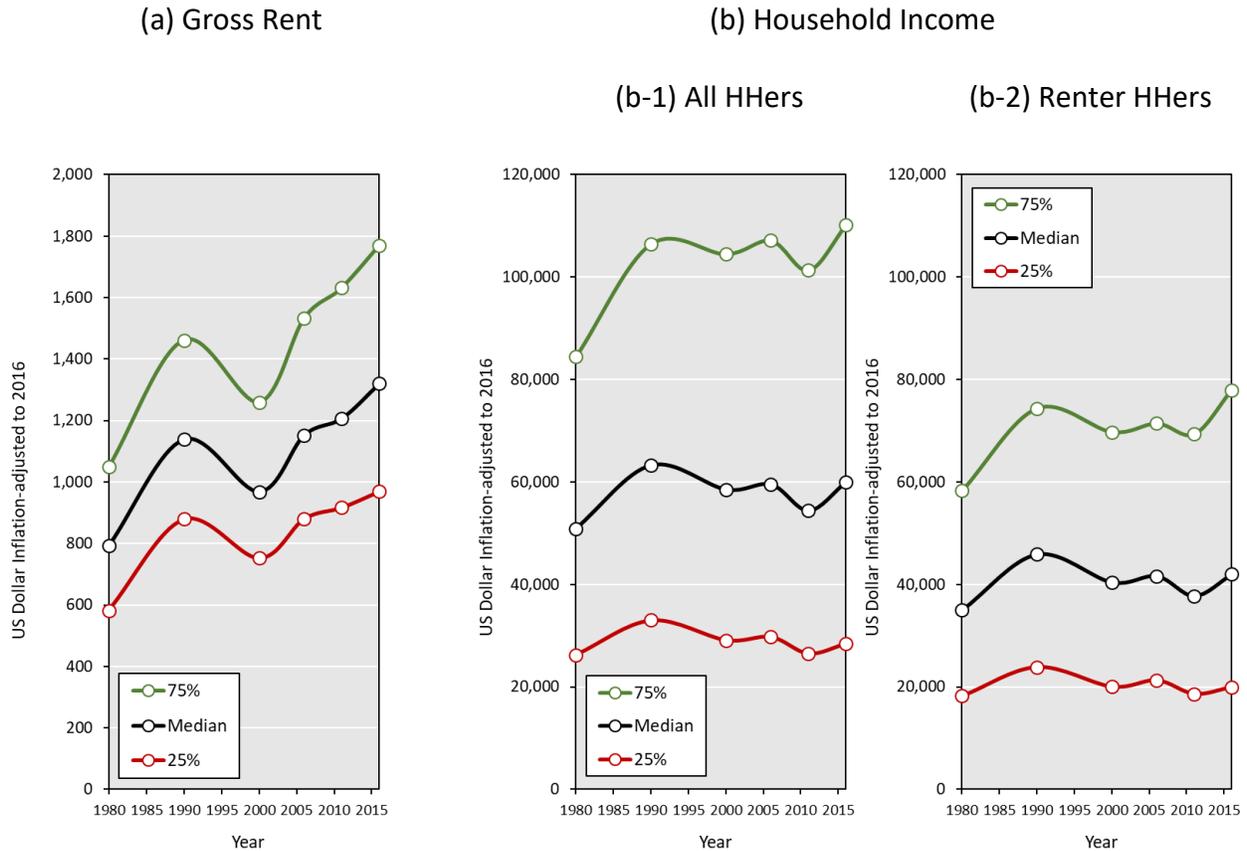
Rents have been rapidly rising in Los Angeles county in recent years, continuing a decades long trend. From 1980 to 2016, the median rent in the American Community Survey rose from \$792 to \$1,320, an increase of 66.6% in 2016 dollars (Exhibit 11, panel a). This increase was not steady but rose most acutely in the late 1980s, from 2000 to 2006, and after the recession from 2011 to 2016, rising 4.4%, 3.2%, and 1.9% per year, respectively. Also rapidly increasing from 1980 to 2016 were top and bottom quartile rents, 68.8% and 66.5% respectively. Sharp increase in rents in LA was nearly universal, including high-, middle-, and low-end.

Household income, in contrast, was left far behind rising rents. For the same 36 years, the median household income rose from \$50,951 to \$60,000 in 2016 dollars, an increase of 17.8% (Exhibit 11, panel b-1). From 1980 to 2016, income of households in the bottom quartile increased by only 8.4% (from \$26,229 to \$28,430 in 2016 dollars) while income among households in the top quartile increased by 30.4% (from \$84,498 to \$110,200). As shown in Exhibit 11, panel b-2, renters' income also increased at a very similar rate as all householders' income increased at each quartile: top quartile by 33.8% (from \$58,283 to \$78,000), median by 20.1% (from \$34,982 to \$42,000), and bottom quartile by 9.7% (from \$18,234 to \$20,000). Thus, whereas the rent increases were uniformly more than 60%, the incomes in the top quartile increased by one-half that amount and in the bottom quartile by one-eighth as much.

The clearest way to compare different types of housing across the years is to show how many units of each type fall into the upper quartile (top 25%) of rents each year. As shown in Exhibit 12, in-movers to rental units who previously lived outside Los Angeles county pay higher rents than average in Los Angeles. In contrast to the 25% of renters paying rents in the top quartile (by definition), fully 50.7% of the recent movers into Los Angeles in 2016 paid rents in the top quartile (Exhibit 12, middle panel).

And, when we restrict this analysis to in-movers in newly built housing, we find that 71.7% of the new occupants are paying rents in the top quartile (Exhibit 12, left panel). The frequency of higher rent payments by new residents appears to have escalated in 2011 and 2016 compared to years before the recession. Barely 10% (9.1%) of the new residents moving into newly built units command rents in the bottom half of the rent distribution for the county. These few low-cost rentals are likely under a subsidy program to produce more affordable units.

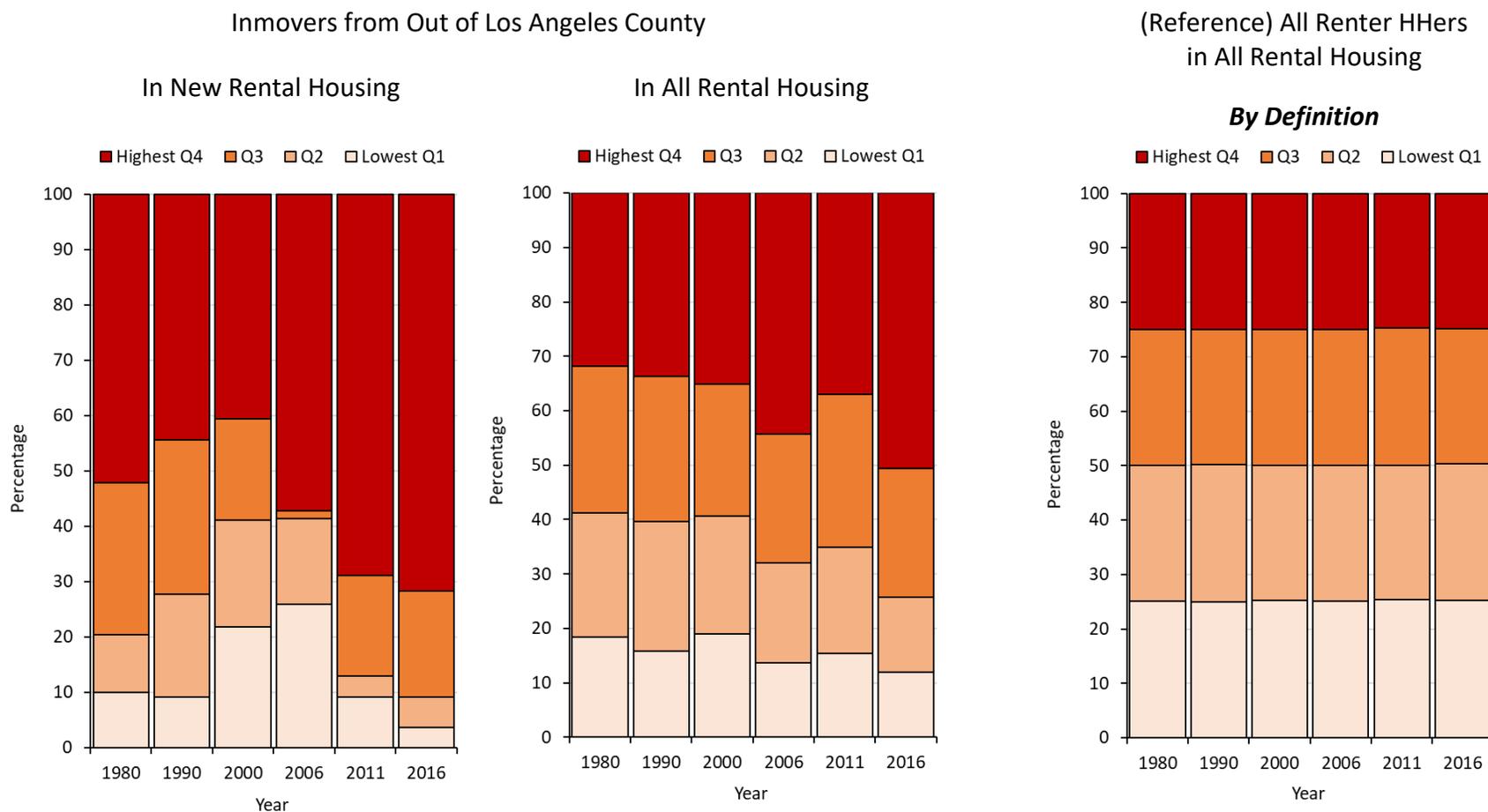
Exhibit 11. Trend in Gross Rent and Household Income, Los Angeles County, 1980 to 2016



Notes: HHers is householders. Universe is renter householders in Los Angeles county in panels (a) and (b-2) while all householders in panel (b-1). Inflation was adjusted to 2016 by using Bureau of Labor Statistics' Consumer Price Index (CPI) Based on All Urban Consumption Items. Green trend line labeled 75% shows the inflation-adjusted income break between top quartile and second top quartile. Black trend line labeled Median shows the inflation-adjusted median income. Red trend line labeled 25% shows the inflation-adjusted income break between bottom two quartiles.

Sources: 1980, 1990, and 2000 Decennial Census; 2006, 2011, and 2016 American Community Survey IPUMS Microdata files.

Exhibit 12. Gross Rent Quartile of New Residents in New and All Rental Housing, Under Alternative Definition of New Householder, Los Angeles County, 1980 to 2016



Notes: HHers is householders. Universe is newly built renter-occupied housing units or all renter-occupied housing units in Los Angeles county. In 2016 ACS IPUMS data, quartile break between the highest quartile rent group (Q4) and the second highest quartile group (Q3) was \$1,770 (in 2016 USD) while \$1,320 between Q3 and Q2 and \$970 between Q2 and the lowest quartile group (Q1). New housing is defined built in the last 5 years while older housing is defined built 6 years or earlier ago. Due to microdata code limitation, 2006 data includes housing units that is said to have been built in the last 6 years instead of 5 years, which likely results in 1-year-amount overestimation compared to other survey years based on 5-year definition.

Sources: 1980, 1990, and 2000 Decennial Census; 2006, 2011, and 2016 American Community Survey IPUMS Microdata files.

B. The Income Distribution of New and Old Residents

A similar quartile analysis is carried out for household incomes of renters. The difference is that we compare renters to the income distribution of all households. Thus only about 12% of renters have incomes in the top quartile, while one-third have incomes in the bottom quartile for all Los Angeles residents and another third are located in Q2, the second-from-bottom quartile (Exhibit 13 right panel).

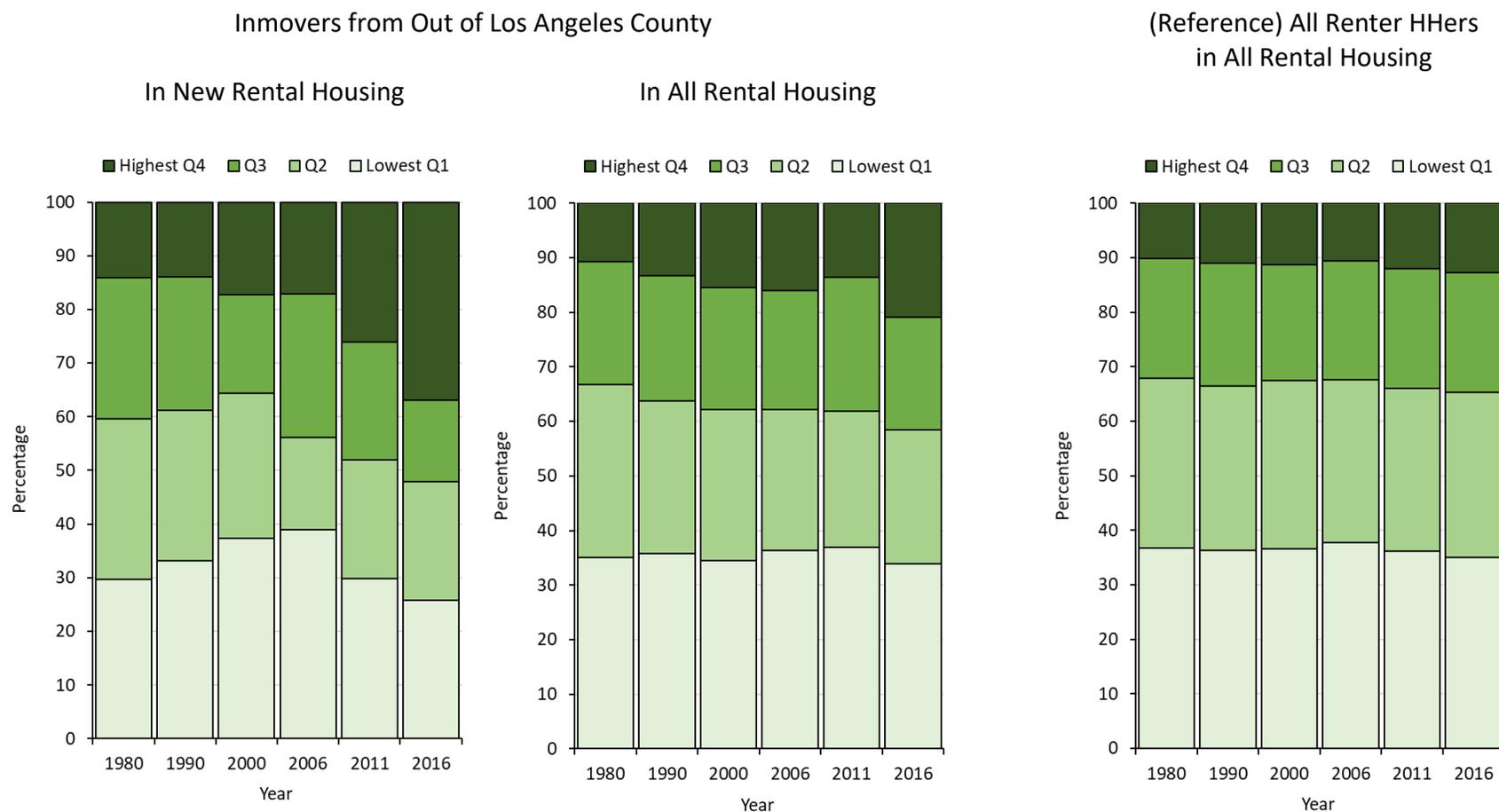
Inmovers from outside the county are only slightly better off than the average renters in Los Angeles, despite their education levels that are twice as high. (This is likely because many are such young adults and have not begun earning incomes commensurate with their high educations.) However, among new residents landing in newly built housing there has been a distinctly growing share since before the recession that are in the top income quartile (Exhibit 13, left panel). The top income group in 2016 comprises 36.9% compared to only 17.2% in 2006.

C. Overall Assessment of Income and Rent Trends

Taking the long view on the evidence, rents have been rising over a 36-year period, as have educational attainment and, more slowly, incomes. Incomes for the bottom quartile of residents have grown less than 10%, while the bottom quartile of rents have increased more than 60%. These trends escalated in the post-recession period, from 2011 to 2016, and they are amplified in the case of new residents coming from outside Los Angeles and moving into rental housing, especially if those units are newly built.

What this means for rental affordability is very closely considered in a separate report in this series, [“How Much Worse is Affordability in LA than Before?” \(HRB 3\)](#). The affordability analysis has been developed in even greater detail, comparing the 50 largest metro areas, in a separate publication forthcoming in the HUD-sponsored journal, *Cityscape* (Myers and Park, 2019).

Exhibit 13. Current Household Income Quartile of New Residents in New and All Rental Housing, Los Angeles County, 1980 to 2016



Notes: HHers is householders. Universe is newly built renter-occupied housing units or all renter-occupied housing units in Los Angeles county. In 2016 ACS IPUMS data, quartile break between the highest quartile income group (Q4) and the second highest quartile group (Q3) was \$110,200 (in 2016 USD) while \$60,000 between Q3 and Q2 and \$28,430 between Q2 and the lowest quartile group (Q1). New housing is defined built in the last 5 years while older housing is defined built 6 years or earlier ago. Due to microdata code limitation, 2006 data includes housing units that is said to have been built in the last 6 years instead of 5 years, which likely results in 1-year-amount overestimation compared to other survey years based on 5-year definition.

Sources: 1980, 1990, and 2000 Decennial Census; 2006, 2011, and 2016 American Community Survey IPUMS Microdata files.

CONCLUSIONS

Overall, we find that rental opportunities have become much more taxing on residents in years since the recession, but the ongoing changes continue some longstanding trends. This brief has set out to answer a popular question of widespread speculation:

“Is it really *new* people who live in the newly built housing of Los Angeles? More specifically, are the typical occupants of new housing really *rich people newly moving to LA*?”

Here are the four essential conclusions.

First, many fewer new units are being built than newcomers to the housing market. If new residents are defined as in-movers from out of county, 14% of households were newly arrived in the last 5 years, while only 1.8% of occupied housing was built in the last 5 years (see Exhibit 4). There are far more new residents than new housing.

Second, most new residents are lodged in rental housing—approximately 85%, compared to 55% who are renters among all households in Los Angeles county (see Exhibit 6).

A third set of findings is that a progressively more advantaged population has been residing in rental housing in Los Angeles, following a decades long trend that escalated after the Great Recession. This is reflected in several indicators:

- a) 30% of rental occupants are white, by 2006 ceasing the sharp decline in the white share that began in 1980. Meanwhile, roughly 50% of in-movers to rentals from out of county are white (see Exhibit 7);
- b) a falling share of rental occupants are immigrants—by 2016, less than 50% of all renters were foreign born, as were only 35% of new residents from out of county (see Exhibit 8);
- c) a rising share of rental occupants are native Californians, born and raised, now reaching 30% of renters in 2016 (see Exhibit 8);
- d) a rapidly rising share of rental occupants have a BA degree or higher, reaching 30% of all renters but approaching 60% of in-movers (see Exhibit 9).

Finally, in answer to the question about whether the new people are rich, yes, but only a little. Whereas, two-thirds of all renters have incomes below the median for all households, a small share—12%—have incomes in the top quartile. That is only half of the 25% of all households that form the top quartile. However, among renters in-moving from out of county, 20% have incomes in the top quartile, and among in-movers in newly built rental units, 37% are top quartile.

When Los Angeles begins to build a larger supply of rental housing, or when homeownership becomes more accessible in the future, the above trends will likely moderate. One enduring fact will remain: the new people coming to Los Angeles will still live largely in existing—not new—housing. Many of those existing households hopefully can move up to better quarters when supply is more ample, making better room for the newcomers.

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This series of housing research briefs is focused on housing conditions in Los Angeles. Topics address total housing needs, rental housing problems, displacement and housing dislodgement, and who benefits from newly built housing, with particular reference to Los Angeles but also comparing other metros. We gratefully acknowledge the kind support of the Haynes Foundation, but the authors alone are responsible for any findings, errors, and opinions expressed.

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