

The State of California's Housing Market 2012

**State Capitol, Room 3191
Wednesday, March 7 at 1:30 pm**

BACKGROUND PAPER

Introduction

Since the housing bubble burst, housing construction has plummeted in California, dropping from 164,000 new units in 2007 to 36,000 new units in 2009, a decline of 78%. The 2009 total of residential building permits is the lowest total since records have been kept. Construction has rebounded only minimally since then, reaching 47,000 new homes in 2011. Population growth in California, on the other hand, has decreased much less over this time period, falling 28% between 2007 and 2009 before rebounding.

Review of the First Hearing

This is the second of two hearings looking at the state of California's housing market after the burst of the housing bubble. The first hearing in May 2011 focused on the impact of foreclosures on homeowners and on the future of the housing market more generally.

Discussing the future housing market in the first hearing, Steven Levy of the Center for the Continuing Study of the California Economy described how major changes in demographics will affect housing demand over the next decade in California. He testified that a lack of growth in the 35-54 year old age group, the "prime family forming group," and significant growth in the 25-34 and the 55 and over age groups may result in very different housing demands in the coming decade compared to what California has seen in the past.

Background for this Second Hearing

This second hearing will update members of the committee on foreclosure, demographic, and market data in this quickly evolving market. It will include two panels, the first of which will include an economist, an academic, a representative from the state's Department of Housing and Community Development, and a member of the mortgage lending industry. This panel will explore these questions:

- What explains this lack of demand for new housing?
- Is demand likely to rebound any time in the near future?
- When the market recovers, what will future housing demand look like?
- How has the drop in home sale prices affected affordability both for homebuyers and renters?
- Has mortgage credit become more available?
- What is the long-term future of mortgage lending as Fannie Mae and Freddie Mac either get smaller or are replaced?

A second panel will discuss the state and future of the housing development sector. This second panel will feature practitioners from various segments of the housing development and finance industry: a homebuilder, an infill developer, an affordable housing developer, a converter of foreclosed homes to rentals. These panelists will discuss the current state of their industries, trends in their industries, and what barriers they face to a quicker recovery.

Brief Panelist Biographies

Leslie Appleton-Young is Vice President and Chief Economist for the California Association of Realtors. In that capacity, she oversees the analysis of housing market and brokerage industry trends, member communications, and membership development activities. She is also closely involved in the association's strategic planning efforts.

Arthur C. Nelson is a Presidential Professor of City and Metropolitan Planning at the University of Utah who has written extensively on the subject of urban design. Recently, on behalf of the Urban Land Institute, he authored *The New California Dream: How Demographic and Economic Trends May Shape the Housing Market*.

Linda Wheaton is the Assistant Director for Intergovernmental Affairs at the California Department of Housing and Community Development (HCD), where she leads intergovernmental efforts related to sustainable development and program design. She is the editor of HCD's recent paper entitled *The State of Housing in California 2011: Supply and Affordability Problems Remain*.

Drew Collins oversees mortgage lending across California for Wells Fargo Home Mortgage.

Michael Winn has been President and CEO of the California Building Industry Association since 2011. For 30 years, he has been an active California homebuilder, first with his family business, Winncrest Homes, and then later in his career with Lennar Communities and Reynen & Bardis Communities.

Meea Kang is President and co-founding partner of Domus Development, a development firm focused on sustainability and community revitalization through infill of multi-unit housing with access to public transit. She is also President of the Board of the California Infill Builders Association.

Gary Beasley is the Managing Director of Waypoint Homes, a real estate investment company that buys, renovates, and rents out distressed single-family homes. Waypoint currently owns over 1000 rental homes in the Bay Area and Southern California and hopes to expand its inventory by several thousand homes. In his role with Waypoint, Mr. Beasley is responsible for the overall leadership of the firm, strategy, and finance.

Doug Shoemaker is the President of Mercy Housing California, a non-profit organization committed to developing affordable, program-enriched housing for low-income families, seniors, and people with special needs who lack the economic resources to access quality, safe housing opportunities. Over the last 30 years, Mercy Housing participated in the development, preservation, and financing of more than 40,000 affordable homes in California and other states.