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Author

Lopez, Jasmine

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The California Housing Crisis and Its Impact on Economic Mobility Across Age Groups

Jasmine Lopez
UC Center Sacramento
UC Davis Department of Political Science
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In California nine out of ten residents deem housing affordability a substantial issue, with one in three considering moving out of state in response¹. The nationwide housing affordability crisis has progressively intensified over the past fifty years, forcing families across the country to make a choice between essential needs such as childcare, healthcare, food, and other necessities to ration funds for housing expenses². The inflation of home prices has been a pressing issue, particularly within California, with the median home price in the state being almost 2.5 times higher than the national median³. In fact, in the late 1960's a typical California home cost around three times the average household income, today it costs more than seven times what the average household makes⁴. This raises the question: How has housing affordability affected intergenerational economic mobility for each generation within California?

Research on the matter characterizes homeownership as a basic indicator of wealth, enabling families to build savings, accumulate assets, and establish property to pass on to future generations⁵. Currently, the increasing occurrence of renting is transforming the landscape of property ownership, reducing the traditional accumulation of land wealth. Concurrently, residents' financial dynamics are shifting, with housing expenses increasing and extending their weight on citizen incomes, in addition to dividing income among vital life necessities. As a result, this balancing act has pushed homeownership out of the view of attainability and has led to a cycle of making ends meet or families living paycheck to paycheck and hindering the long-term accumulation of material and financial assets. Thus, this study examines the effect housing costs

¹ Statewide Housing Plan. statewide-housing-plan-cahcd.hub.arcgis.com.

Tobias, Manuela. "Victorious in recall, Newsom refocuses on California housing crisis." *CalMatters*, 20 Sept. 2021, calmatters.org/housing/2021/09/california-housing-crisis-newsom-signs-bills.

² Statewide Housing Plan. statewide-housing-plan-cahcd.hub.arcgis.com.

³ Tobias, Manuela, et al. "Californians: Here's Why Your Housing Costs Are so High." *CalMatters*, 21 Aug. 2017, calmatters.org/explainers/housing-costs-high-california/.

⁴ *Ibid.*

⁵ Pfeffer, Fabian T., and Robert F. Schoeni. "How Wealth Inequality Shapes Our Future." *RSF: The Russell Sage Foundation Journal of the Social Sciences*, vol. 2, no. 6, 2016, p. 2, <https://doi.org/10.7758/rsf.2016.2.6.01>.

have had on intergenerational economic mobility, with intergenerational pertaining to the different age ranges of citizens and the “generation” it represents. I’ll also be measuring the rate of homeownership for the age groups and the rate of house prices. I will analyze the progression of housing costs in California by examining the average sales price of homes in California counties for the years 1990, 2000, 2010, and 2021. Coupled with this data I’ll analyze the age of homeowners for the years 2010 and 2021, with the age ranges being 15-34, 35-64, and 65-older. This data will offer insight into how the rise of housing prices has impacted each generation's capacity to become homeowners or in other words, to ascend the economic ladder.

Significance of Issue

California's reputation as a land of opportunity and economic prosperity has attracted a substantial influx of residents, hundreds of thousands to nearly a million residents annually, while this has contributed to California's current stature and economy, prolonged periods of housing underproduction and the implementation of exclusionary policies have catalyzed what is now widely considered a housing crisis⁶. Affordable housing is characterized as “affordable” when a household pays less than one-third of their income on housing expenses, Presently over one-third of households in California are unable to afford their home⁷. Moreover, California currently holds the title for the third lowest rate of state homeowners in the country, the lowest rate within the state since World War II⁸. Housing costs in California have consistently continued to rise making buying and owning a home increasingly difficult for residents. The influx of residents supports the economy but the state cannot meet this population with adequate and affordable housing. As a

⁶ Statewide Housing Plan. statewide-housing-plan-cahcd.hub.arcgis.com.

⁷ “A Home for Every Californian.” ArcGIS StoryMaps, 30 Nov. 2023, storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136.

⁸ Tobias, Manuela, et al. “Californians: Here’s Why Your Housing Costs Are so High.” *CalMatters*, 21 Aug. 2017, calmatters.org/explainers/housing-costs-high-california/.

result, California holds its current highest rate of homelessness and lowest rate of homeownership since the 1940s⁹.

The issue of housing affordability is a particularly grave issue for younger generations and the elderly, with these vulnerable populations not having access to stable income or employment¹⁰. In fact, young households in California earn just half the area median income(AMI), evidently leading to significant challenges in affording housing. As a result nearly 40% of young adults still reside with their parents¹¹. As mentioned before, previous generations experienced the advantage of more affordable housing, with the typical California home costing around three times the average household income but today current generations are met with housing prices seven times the average household income, presenting a clear disproportionate effect on the economic mobility, in other word, homeownership status, of the current and future generations¹². Furthermore, as home prices have continued to rise, the average income of Californians has remained stagnant posing an additional issue for current generations¹³.

The shortage of affordable housing options in California restricts access to vital opportunities and resources for many residents, negatively impacting their quality of life and carrying significant implications on the state's economy and environment¹⁴. Neglecting to address the housing needs of all Californians, who collectively shape and fuel our state, weakens our collective strength and puts the economic and social well-being of the state at risk¹⁵.

⁹ California's Housing Future: Challenges and Opportunities Final Statewide Housing Assessment 2025. 2018.

¹⁰ "A Home for Every Californian." ArcGIS StoryMaps, 30 Nov. 2023, storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136.

¹¹ California's Housing Future: Challenges and Opportunities Final Statewide Housing Assessment 2025. 2018.

¹² Tobias, Manuela, et al. "Californians: Here's Why Your Housing Costs Are so High." *CalMatters*, 21 Aug. 2017, calmatters.org/explainers/housing-costs-high-california/.

¹³ Kimberlin, Sara. "Throughout the State Californians Pay More than They Can Afford for Housing." California Budget and Policy Center, Sept. 2017, calbudgetcenter.org/resources/throughout-the-state-californians-pay-more-than-they-can-afford-for-housing/.

¹⁴ "A Home for Every Californian." ArcGIS StoryMaps, 30 Nov. 2023, storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136.

¹⁵ Ibid.

Understanding the impact of housing policy on wealth accumulation at the individual level is critical, as wealth is essential for elevating families out of poverty and increasing their socioeconomic status. It promotes representation, which increases access to opportunities, resources, and civic engagement. Furthermore, greater individual wealth benefits the wider economy by allowing individuals to afford and invest in higher-value assets. Subsequently, the continued failure to implement social mobility measures fosters the economic outcomes for less affluent households, determining their families' future economic trajectory¹⁶. In addition to this, the lack of affordable housing is the primary driver of homelessness in California, in January of 2020 alone, 161,548 Californians experienced homelessness¹⁷. Experts assert that this statistic underestimates the unsheltered population and fails to account for the overall number of people who are homeless throughout the year, which might be two to three times higher. Experiencing homelessness in California places a significant number of individuals in dire circumstances, where they lack not only basic shelter but also access to basic necessities, for example, access to a restroom, and a suitable place to wash their clothes. It is common for individuals in this situation to be exposed to violence, substance abuse, and long-term mental health issues¹⁸. This highlights the urgency of addressing the state's housing crisis but is intensified by the fact that a large majority of Californians have the possibility of being in this position, since for vulnerable households a single emergency or unexpected injury could result in a family going from a “stable household” to homelessness^{19,20}. This is an urgent matter that all Californians must address as it

¹⁶ Pfeffer, Fabian T., and Robert F. Schoeni. “How Wealth Inequality Shapes Our Future.” *RSF: The Russell Sage Foundation Journal of the Social Sciences*, vol. 2, no. 6, 2016, p. 2, <https://doi.org/10.7758/rsf.2016.2.6.01>.

¹⁷ ---. “California’s Homelessness Crisis — and Possible Solutions — Explained | CalMatters.” *CalMatters*, 31 Dec. 2019, calmatters.org/explainers/californias-homelessness-crisis-explained/.

¹⁸ *Ibid.*

¹⁹ “A Home for Every Californian.” *ArcGIS StoryMaps*, 30 Nov. 2023, storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136.

²⁰ ---. “California’s Homelessness Crisis — and Possible Solutions — Explained | CalMatters.” *CalMatters*, 31 Dec. 2019, calmatters.org/explainers/californias-homelessness-crisis-explained/.

jeopardizes the security of individuals in "stable" positions and has a broader impact on our society's overall efficacy.

Background

The existing information and research on the housing crisis explores the factors driving the inflation of home prices, offers strategies to implement to mitigate the issue, and researches the failure of past affordable housing policies. My research seeks to contribute by providing an examination of the long-term effects of the housing crisis on economic mobility within California, specifically how this has progressively affected younger generations.

Research has pinpointed the key factors that contribute to the housing crisis in California, narrowing it down to five main reasons. The first is that inadequate housing construction over the past few decades has failed to keep pace with the influx of population growth²¹. The state housing department has projected a requirement of 180,000 new housing units every year to stabilize home prices. Unfortunately, over the past decade, the construction of homes has consistently fallen short of this target, reaching less than half of the required number.²² *Figure 1* illustrates the annual increase in housing units from 2000 to 2015 alongside the projected average annual requirement of 180,000 new homes. It underscores the recurring trend of insufficient production that began in the early 2000s.

²¹ "5 Reasons California's Housing Costs Are So High." KQED, 4 May 2018, www.kqed.org/news/11666284/5-reasons-californias-housing-costs-are-so-high.

²² Ibid.

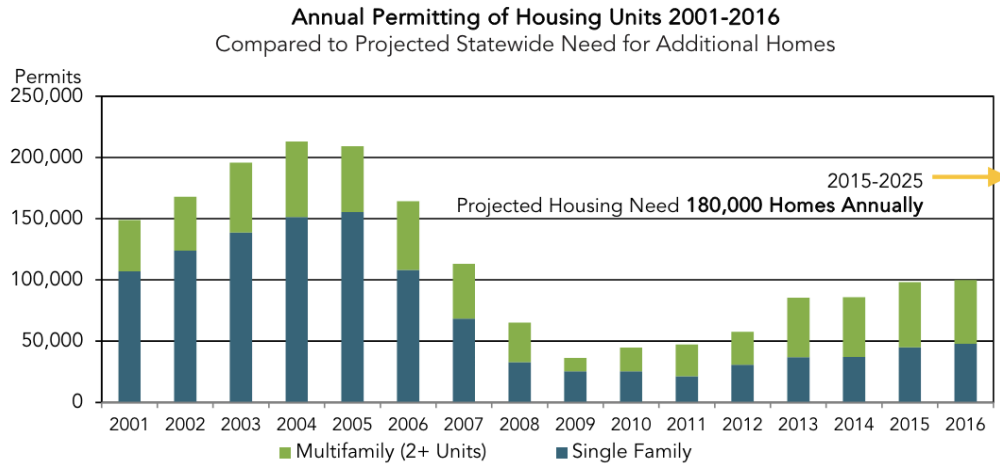


Figure 1: Annual Growth in housing units compared to projected need, Data Source: California Department of Housing and Community Development

The imbalance between the housing supply and the consistently high demand has led to unprecedented inflation in today's housing market. The data, which falls below half of the required 180,000 units, combined with the visual representation, suggests that this cycle will persist without an increase in housing production.

Moreover, the next pivotal factor to consider is the high demand to live, work, and own property in the urban areas of California, which has persistently escalated to a critical "breaking point."²³ Californians have increasingly packed themselves into "major urban centers", for example, the Bay Area, which has seen drastic inflations in housing prices²⁴. The Bay Area, in particular, faces limitations due to land availability. Being close to the ocean presents challenges, as building on water is not feasible, and the existing land is already densely occupied²⁵. The population in Bay areas and urban locations serves as a great example of the impact of high

²³ "5 Reasons California's Housing Costs Are So High." KQED, 4 May 2018, www.kqed.org/news/11666284/5-reasons-californias-housing-costs-are-so-high.

²⁴ Ibid.

²⁵ California Housing Affordability Tracker (April 2024) [EconTax Blog]. 24 Jan. 2024, lao.ca.gov/LAOEconTax/Article/Detail/793.

demand and low supply, experiencing a heightened effect of the housing crisis. The persistent escalations in housing prices in these areas reflect the immense pressure created by the imbalance between the demand for housing and the limited availability of properties.

The passing of Proposition 13 in 1978 marked a pivotal moment in shaping California's real estate landscape. This ballot initiative, aimed at curbing property tax hikes, has been identified as a significant catalyst in driving up home prices in the state. Contradictory to its intention, this measure has resulted in a decline in new housing construction. Prop 13 has promoted the building of more retailers than homes, with local governments looking at the difference in profit of each instead of necessity²⁶. The profit potential from building retail stores as opposed to homes has incentivized the expansion of retail infrastructure, further exacerbating the housing shortage and limiting affordable housing options for California residents.

A major and long-standing factor contributing significantly to the severity of the housing crisis is, that obtaining approval for new housing in most parts of California is known to be a challenging, time-consuming, and costly process, affecting the rate and likelihood of new housing units being built²⁷. The California Environmental Quality Act is a significant land-use law that requires governmental agencies to evaluate the environmental impact of projects in their jurisdictions²⁸. While the purpose is to protect the environment, 'no-growth groups' frequently use CEQA to launch "frivolous" lawsuits that delay or impede residential buildings²⁹. This inefficient litigation has created an immense obstacle to the development of new affordable homes in California. Lastly, a more foundational factor contributing to the housing crisis is that California contends with higher land, labor, and raw material costs compared to the rest of the country, and

²⁶ Ibid.

²⁷ Ibid.

²⁸ Nemeth, Mike. "CEQA reform: Bills take on barriers to new housing." California Apartment Association, 28 Feb. 2021, caanet.org/ceqa-reform-bills-take-barriers-new-housing.

²⁹ Ibid.

these costs continue to escalate. These issues are widely recognized as key factors driving the housing crisis.

In efforts to address the housing crisis Senate Bills 8,9, and 10 from the 2021-2022 legislative sessions were introduced as key initiatives aimed at creating more affordable housing within California. SB 8 extended the 2019 deadline of the Housing Crisis Act to 2030, allowing for the continued construction of additional housing units in per-zoned areas, notably this bill assesses previously classified single-unit projects to determine their potential conversion into multiple units³⁰. SB 9 grants local municipalities the authority to evaluate certain properties for rezoning and exempts them from a CEQA review process³¹. Comparably, SB 10 enables the splitting of eligible lots into 14 units, along with allowing the bypass of CEQA reviews³². Reputable assessments of these bills indicate that they've made significant strides in addressing housing affordability in California, recognized for their potential stimulation of housing developments in areas facing critical housing shortages, and overall enhancing the chances of building housing units. There are varying opinions, with concerns about the potential unintended consequences of these bills, one being the exacerbating gentrification and displacement of existing residents³³. It is essential to acknowledge that fully grasping the effects of these bills may require ongoing evaluation as they are put into practice and their impact unfolds gradually.

In recent developments, as of October 2023, Governor Newsom has enacted an extensive “housing package” comprising 56 bills, all aimed at tackling California's housing crisis. These Bills are designed to simplify and accelerate the construction of new housing, “safeguard tenants,

³⁰ Bill Text - SB-8 Housing Crisis Act of 2019.

[leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220SB8](https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=202120220SB8).

³¹ Bill Text - SB-9 Housing development: approvals.

[leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220SB9](https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=202120220SB9).

³² Bill Text - SB-10 Planning and zoning: housing development: density.

[leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220SB10](https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=202120220SB10).

³³ Tobias, Manuela, et al. “Californians: Here’s Why Your Housing Costs Are so High.” *CalMatters*, 21 Aug. 2017, calmatters.org/explainers/housing-costs-high-california/.

and maintain housing affordability”³⁴. Further, these bills remove some of the previously mentioned building obstacles to promote the development of more affordable homes³⁵. Notably, Governor Newsom also approved SB 423, introduced by Senator Wiener, which extends “the sunset provision on SB 35 (Wiener, chapter 366, Statutes of 2017)”. SB 35 mandates local governments failing to meet state housing planning targets to streamline affordable housing projects. Mandating this ensures that the housing crisis stays at the forefront of policymakers' agendas, preventing the issue from being sidelined. The effectiveness of these bills will become apparent in the coming years with their implementation.

Theory and Argument

I assert that there persists an inverse relationship between the cost of housing and economic mobility in California, significantly impacting generations disproportionately. Simply put, I propose that as the cost of housing goes up the economic mobility for a generation goes down, primarily affecting the younger generations. The causal mechanism between the variables presented in my research is seen through the cost of housing continuing to increase while today's household incomes fail to keep pace with this momentum^{36,37}. As a result, citizens are less likely to afford a home, due to the price consistently and rapidly increasing while seeing no rise in pay, especially younger age groups just entering the work and housing market. The escalation of housing costs coupled with stagnant wage growth serves as a foundational pillar supporting my hypothesis, illustrating a clear causal mechanism. The current dynamic underscores the widening

³⁴ Danelladabel. “Governor Newsom Signs Package to Streamline Housing and Expand Tenant Protections in California | Governor of California.” Governor of California, 26 Apr. 2024, www.gov.ca.gov/2023/10/11/governor-newsom-signs-package-to-streamline-housing-and-expand-tenant-protections-in-california.

³⁵ Ibid.

³⁶ California Housing Affordability Tracker (April 2024) [EconTax Blog]. 24 Jan. 2024, lao.ca.gov/LAOEconTax/Article/Detail/793.

³⁷ Kimberlin, Sara. “Throughout the State Californians Pay More than They Can Afford for Housing.” California Budget and Policy Center, Sept. 2017, calbudgetcenter.org/resources/throughout-the-state-californians-pay-more-than-they-can-afford-for-housing/.

affordability gap, with housing costs exceeding average income by seven times, contributing to a decline in the rate of homeownership.

I propose that particularly younger generations whose home prices are at an all-time high are much less likely to buy and own a home, this can be characterized as them having decreased economic mobility. As previously mentioned, reputable research has established that homeownership is a key indicator of economic mobility. While homeowners may initially allocate a significant portion of their income to mortgage payments, they will eventually pay off their mortgages. Consequently, their children will inherit the house, perpetuating land wealth ensuring financial security in terms of housing, and allowing for the accumulation of monetary wealth. These accumulated savings also give households the ability to obtain additional assets and participate in other parts of the market economy, including intangible investments such as stocks and bonds. Thus demonstrating the connection between homeownership and economic mobility.

Younger citizens, already facing income instability and limited experience with the housing market, are now entering a period of record-high housing price inflation³⁸. In contrast, earlier generations had access to more affordable housing that was better aligned with their income levels. This leads me to hypothesize that the younger age group is bearing a more concentrated and disproportionate impact of the housing crisis. As previously stated, this argument is supported by the fact that young households in California earn roughly half of the area's median income (AMI), while California homes cost seven times this, posing a substantial barrier to affording a home. Consequently, data and statistics also support my hypothesis estimating approximately 40% of young adults choose to live with their parents.

³⁸ Kimberlin, Sara. "Throughout the State Californians Pay More than They Can Afford for Housing." California Budget and Policy Center, Sept. 2017, calbudgetcenter.org/resources/throughout-the-state-californians-pay-more-than-they-can-afford-for-housing/.

In order to test my hypothesis, I conducted a comprehensive research study on the average cost of housing for every county in California and examined the percentage of homeowners within each “age group” in every California county. The aforementioned enabled me to analyze the evolution of the housing crisis and measure the rate of economic mobility across time for Californians. My independent variable measured the percent change in the average sales price of a California home in the years 1990, 2000, 2010, and 2021³⁹. This measurement observes the progression of the housing crisis and will provide adequate insight into the housing market experienced by each generation. My dependent variable is the measurement of economic mobility within California in the years 2010 and 2021 through homeownership rates across each age group⁴⁰. This information coupled together provides a clear understanding of how increasing housing costs have impacted individuals' ability to afford and own homes, particularly when analyzed across different age groups.

Several variables, including debts, investments, citizenship status, mental health issues, income inequality between counties, population density, the relative importance of rural and urban settings, education levels, and racial and ethnic demographics, could impede the causal relationship between housing affordability and wealth accumulation. Furthermore, cultural norms may be the source of other explanations for the falling rates of homeownership among younger age groups. For instance, younger generations may prioritize activities such as studying abroad, pursuing educational objectives, or engaging in recreational travel, finding themselves in situations where housing is not a primary concern. As was previously noted, younger generations are just starting to enter the workforce and can be working transitory jobs in places where they're not yet ready to commit to becoming homeowners. Ignoring these factors may cause us to misinterpret the

³⁹ Explore Census Data. data.census.gov/table/ACSST1Y2010.S2501?q=housing%20vacancy%20rate.

⁴⁰ Ibid.

relationship between home affordability and economic mobility in California across age groups, changing its direction and strength. It's important to address these various confounding variables when conducting research on the housing crisis to ensure a comprehensive and accurate understanding of the relationship between housing affordability and economic mobility across different age groups in California.

Research Design

My research strategy employs a large-N time series observational study that includes all counties in California. The large-N component is attributed to the incorporation of all 58 California counties, while the time series dimension entails examining data at several points in time, the years: 1990, 2000, 2010, and 2021⁴¹. This approach allows for a thorough examination of housing price trends and allows a conducive picture of California citizens' experience with the data from almost every county being examined. Notably, all data was obtained directly from the United States Census Bureau, a highly regarded and credible data collection institution. The primary focus of the comparison is on homeownership rates in 2010 and 2021 and the average sales price of homes, I chose these dates to ensure a consistent measuring period, with the goal of accurately assessing the long-term influence of housing costs on homeownership. To investigate the relationship between my independent variable and the dependent variable in my study, I also carried out a correlation analysis. This correlation is intended to identify any meaningful correlations that might exist between the results seen in the dependent variable depending on the changes in the independent variable, specifically the percentage change in average home sale prices from 1999 to 2021 and its effect on homeownership rates.

⁴¹ Explore Census Data. data.census.gov/table/ACSST1Y2010.S2501?q=housing%20vacancy%20rate.

Analyzing the percentage change in average home sale prices in USD between 1999 and 2021 was my independent variable⁴². This analysis illustrates the substantial shifts in average sales prices over two decades, providing an accurate gauge of the impact of the housing crisis on California's counties. This also gives a comprehensive understanding of the housing market each generation interacts with. I presented this research through a map visual of each California county and the percent change, represented in *Figure 2*. Which efficiently depicts the areas predominantly affected by the inflation of housing costs. The graph, depicted in, efficiently depicts the previously mentioned influx and rapid increase of housing prices in the Bay Area and urban areas of California, providing visual support for the concentrated effect of the housing crisis on these regions. In select counties, notably those in rural areas, there was a lack of reliable information on average sales prices. Despite this, such incidents were not common enough to have a significant effect on the outcomes of my study. The housing crisis and its effects concentrated primarily on coastal and southern regions, where data was readily available. As a result, the lack of data in these rural areas had no significant impact on the results or findings of my research. Additionally, this data was sourced from the US Census Bureau, ensuring its accuracy, and the longitudinal approach is supported by previous research as an accurate method of measurement to view time series information.

⁴² Ibid.

**Percent Change in Home Prices By County Between 2000
and 2021**

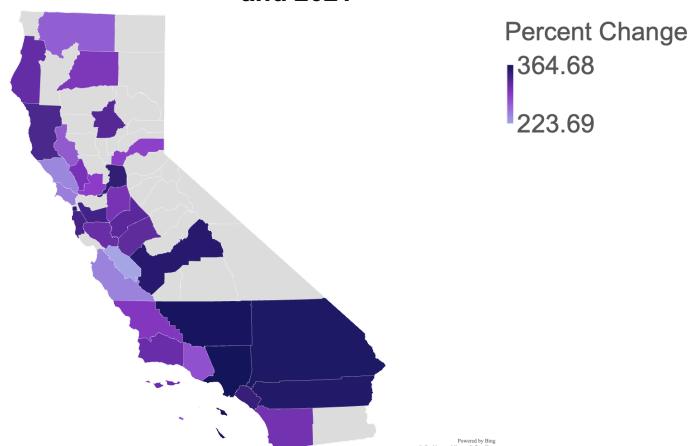


Figure 2: Percent Change in home prices, Data Source: US Census Bureau

The dependent variable in my study was the percentage of homeowners in different age ranges in the years 2010 and 2021. These age groupings were divided into 15-34-year-olds, 35-64-year-olds, and individuals 65 and older. As previously stated, homeownership is an acknowledged metric of wealth and a standard indicator of economic mobility in socioeconomic research. As a result, I used homeownership rates as a measurement for economic mobility in my research. The age ranges listed were directly sourced from the reputable United States Census Bureau. I maintained the integrity of their classifications as they offered a comprehensive framework for evaluating the effects of the housing crisis on different "generational" groups and gathered this information from each California county using percent as my measurement. This variable also encountered the same issue as mentioned above, there were rural counties that failed to report information regarding the age of homeowners, but such missing information followed the previous pattern, not at a volume significant enough to affect my findings and concentrated in rural areas with small populations. Thus, it does not play a sufficient factor in the outcomes of my research but nonetheless needs to be addressed.

Findings and Analysis

After conducting my research the results refuted the expectations of my hypothesis, which predicted a negative relationship between the rise in average sales prices and homeownership rates. Based on the data presented through my research, average sales prices have not significantly impacted homeownership rates, and there is still a positive relationship between housing price increases and homeownership for each age group. The existence of a positive correlation was demonstrated by conducting a correlation analysis between average sales prices and homeownership rates for each age group. This correlation was also evident when the collected data was transformed into graphical representations. The positive relationship suggests that, despite growing housing expenses, homeownership rates have increased for every generation, although at different rates for different age groups, these rates have nonetheless maintained increasing.

Let's now analyze the specific percentages outlined by the correlation. When we look at the data from 1999 to 2021, for every 1% increase in home prices in a county, we see a slight increase in homeownership across all age groups. Specifically, 0.012% increase for the 15-34 year-olds, a 0.1091% increase for 35-64, and a 0.0355% increase for the 65-older.

Now, let's dissect this information according to different age groups. Put simply, for 15-34 year-olds a 0.012% correlation suggests that there is still a slight increase in homeownership rates as there is an increase in average sales prices of homes. This contradicts my hypothesis that this age group would have seen a more concentrated negative effect of the housing crisis on homeownership rates. In fact, I had projected that there would be a negative association for all age groups, but predominantly for this age range which was proven incorrect. Although, this age group does present to be very slightly more impacted by the increase in property prices, evidenced by the slightly lower positive percentage compared to the other age groups it is nonetheless positive and not at a high enough concentrated rate.

When examining the correlation for individuals aged 35 to 64, it appears that middle-aged individuals had the greatest percentage in increasing their homeownership rates by 0.1091% in response to a 1% increase in housing prices. Financial experience, job stability, and marital status are a few possible influences on this. Furthermore, the increased homeownership rates among this demographic could also be attributed to their greater access to credit and more substantial savings, which buffer them against rising housing prices. This also contradicts my expectations, although older than the youngest age group, I had expected lower homeownership rates in recent years for these individuals with the influx of high average sales costs. This unexpected result underscores the complexity of the housing market and the multifaceted factors that influence homeownership.

I posited that individuals aged 65 and above are more likely to experience stable living conditions, as they have had a longer time to establish such stability, subsequently, they may be less affected by recent fluctuations in housing expenses compared to younger age groups. Yet, the correlation indicated only a slight rise in homeownership rates, precisely 0.0355%. The observed percentage remains higher than that of the youngest age group, providing some support for my hypothesis that this particular age group was significantly impacted by the rise in housing costs. According to this analysis, this hypothesis has been refuted, as their rate of homeownership falls short of my anticipated projection and only slightly exceeds that of the youngest age group. As previously said, the fact that the 35-64 age bracket had a larger positive correlation with homeownership rates also disproves my hypothesis. I had predicted that the 65-older group would excel in homeownership rates with the presumption of their access to accumulated income, the likelihood of having a higher-paying job due to their ability to move up in position over time, and the assumption that these individuals would no longer have mortgages to pay, but this assumption was also disproved. Some explanations for this can be explained by the occurrence of “aging out”,

retirement, and other confounding variables such as COVID-19. Older individuals are at a higher likelihood of entering retirement thus negating the need to buy a home. COVID-19 had extensive effects on older citizens as this virus initially predominantly affected them. The assumption that older individuals would leverage accumulated wealth to increase homeownership rates fails to account for economic pressures. Additionally, the psychological and social impacts of aging, such as the desire to downsize or relocate to more manageable living environments, further complicate the relationship between age and homeownership. Therefore, the interplay between these factors warrants deeper investigation to fully understand the underlying causes of these housing market behaviors. These confounding variables pose viable and salient research questions for future researchers.

In analyzing the correlation between the increasing average sales prices from 1999 to 2021 and the homeownership rates in the years 2010 and 2021, visualization of my discoveries is depicted in *Figure 3* through a scatter plot.

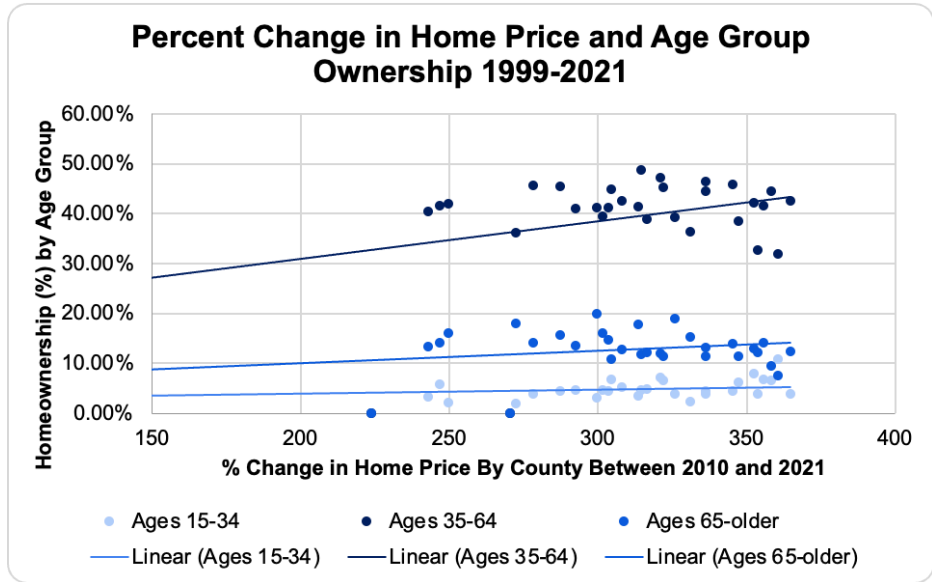


Figure 3: Percent Change in Home Price and Age Group Homeownership, Data Source: US Census Bureau

This visualization, despite proving my previous hypothesis incorrect, is consistent with the findings of my correlation analysis. The scatter plot visually represents the relationship between the percentage of homeowners for each age group on the Y-axis and the percent change in the average sales price of homes in each CA county on the X-axis. Each age group is distinguished by three different colors on the graph, and each dot on the plot corresponds to a specific county. The data suggests that homeownership rates are highest among individuals aged 35-64, indicating a positive relationship between homeownership rates and housing expenses within this age group compared to others. The 65 and older demographic occupies a middle ground, with homeownership rates lower than the preceding age group but still surpassing those of the youngest age group. As previously analyzed, the 15-34 age bracket displays the least pronounced positive association between housing expenses and homeownership rates in comparison to the overall populace. This visual representation validates the findings produced from my data and correlation. While it does not support my initial idea, it does demonstrate the accuracy of my calculations and the dependability of the data sources.

Due to this unexpected result, it is possible and somewhat clear that confounding variables are at play in the outcome of my research. This discrepancy suggests that there are underlying factors influencing homeownership rates that were not fully accounted for in the initial hypothesis. Economic shocks, policy shifts, and demographic changes likely play more substantial roles than previously anticipated. Confounding variables are common challenges in research, often complicating the interpretation of results. However, they also offer opportunities for deeper analysis. By identifying and measuring these variables in future studies, researchers can control for their effects, leading to more accurate and robust conclusions. My research serves as a foundational step, highlighting basic findings that can be expanded upon. The outcomes of my

research results contradict my expectations as well as, I assume, the expectations of the general public, raising more questions and opening the door for more research on this subject.

Implications

My study's findings indicate an unanticipated relationship between housing costs and homeownership rates across the various age groups in California, calling into question both my initial hypothesis and general public opinion. Based on my research, it is now clear that, despite the continued rise in housing costs, the increase in homeownership rates in California varies but continues to increase across all age groups.

Contrary to my initial hypothesis, where the rapid increase of average sales prices would have a negative effect on economic mobility for each age range in California, specifically younger generations, the data represents an actual positive relationship between the variables. There is a varied effect on homeownership rates for each age group, with there being a slight dominance of the 35-64 age group. Statistically, it maintained a .0971% difference between the 15-34 and 35-64 age groups, with the former maintaining the higher percentage along with a slightly smaller dominance between individuals 65 and older with a .0736% difference. My research would indicate that this middle age group has maintained a larger and positive relationship between homeownership and housing prices, the other age groups also result in this positive relationship simply to a lesser degree.

The United States is facing an extensive housing crisis, particularly in California, where the typical home price is 2.5 times higher than the national average. My findings do not refute this fact; rather, they inspire future research questions. It highlights the question of the genuine impact of the housing crisis on economic mobility after being presented with data that refutes the logical hypothesis which is common among the public that as housing costs increase the rate of homeownership will decrease. What external factor could be influencing the data, has the

correlation between variables been interpreted correctly, is there an external factor in the first place? The unexpected trends observed suggest that other variables, perhaps related to social policies, demographic shifts, or even psychological factors, could be exerting significant influence. For instance, it may be beneficial to explore how intergenerational wealth transfers or government housing assistance programs impact homeownership rates. Additionally, examining the role of urban development patterns and regional economic policies could provide further clarity on the disparities in housing affordability. Future studies should employ more comprehensive data collection methods and advanced statistical techniques to control for potential confounding variables. By doing so, researchers can produce more accurate and reliable findings, ultimately contributing to a more holistic understanding of the housing crisis. My research has revealed new avenues of research with the potential to provide useful insights into the larger effects of the housing crisis on economic mobility in California. These emerging research topics have the potential to considerably advance our understanding of how housing affordability influences socioeconomic outcomes.

Upon further examination beyond the statistical data outlined in my research and its conclusions, it becomes apparent that there exists an abnormal and unsustainable surge in housing expenses, leading to challenges for a significant portion of the Californian population in obtaining housing within the state. As established in this essay there are several acknowledged elements that contribute to the occurrence and severity of the California housing crisis. Two key concerns that go hand in hand are insufficient housing production practices and an array of obstacles to housing production ranging from CEQA regulations to cost-related roadblocks, that prevent the construction of housing. To effectively take steps forward to resolving this crisis, comprehensive policy solutions must address the underlying structural issues that the previously mentioned key

factors present. These comprehensive policies would need to include the streamlining of housing development, an extensive allocation of funding to this production, and the removal of unnecessary building regulations⁴³. In recent headlines these suggestions can be seen coming to fruition, with the introduction of housing packages proposed by Governor Newsom in October of 2023, making attempts to Remove dozens of CEQA obstacles that will accelerate housing development⁴⁴. This was combined with a \$30 billion investment in affordable housing production. Like any policy implementation, time is required to adequately assess the efficacy and effects of new policies⁴⁵. As a result, unfortunately, it will be unclear if these new regulations will successfully address the affordable housing shortage in years to come.

Conclusion

Beyond the deduction of my research findings, the broader reality is that California is experiencing an acute housing crisis, with many individuals in detrimental and vulnerable positions. More than half of the state's population is classified as vulnerable and cost-burdened in terms of housing, forcing families to prioritize housing expenses over other necessities such as childcare, healthcare, food, clothing, and basic luxuries. The implications of this housing crisis extend far beyond the immediate financial strain on families. Housing instability is closely linked to a range of adverse outcomes, including poor physical and mental health, lower educational attainment for children, and increased stress and anxiety. These consequences create a cycle of disadvantage that is difficult to break, perpetuating poverty and hindering long-term economic growth.

⁴³ “Governor Newsom Signs Package to Streamline Housing and Expand Tenant Protections in California.” California Governor, 12 Oct. 2023, www.gov.ca.gov/2023/10/11/governor-newsom-signs-package-to-streamline-housing-and-expand-tenant-protections-in-california/.

⁴⁴ Ibid.

⁴⁵ Ibid.

Through my research, I have identified numerous unexplored avenues for further investigation and have also called into question certain entrenched assumptions about the influence of housing prices on socioeconomic mobility. By expanding the scope of future research to include a wider array of variables and employing more rigorous methodologies, we can better grasp the complexities of the housing crisis and develop more effective strategies to address its far-reaching impacts. Nonetheless, I've provided insight into the lack of construction of housing units in *Figure 1*, provided an extensive portrayal of the regions where the housing crisis is most prevalent, as seen in *Figure 2*, and portrayed the relationship between homeownership across age groups in response to the increase in house prices in *Figure 3*.

As previously stated, California's housing crisis is primarily due to infrastructure inadequacies. It is necessary for the implementation of new policies to address these structural concerns is vital, and it appears to be underway. Housing is an essential human right, and our society's health, prosperity, and efficiency depend on providing a safe and secure home for every Californian. Housing is an essential human right, and our society's health, prosperity, and efficiency depend on providing a safe and secure home for every Californian. Ultimately, the housing crisis in California underscores the importance of a comprehensive and coordinated response. By addressing infrastructure inadequacies and implementing thoughtful policies, we can ensure that every Californian has access to safe and secure housing. This is not only a moral imperative but also essential for the state's economic stability and social well-being. Ensuring affordable and adequate housing will promote greater social equity, enhance public health, and foster a more efficient and well-structured economy.

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