Lessons From the Housing Crisis

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Reinventing Older Communities: Bridging Growth and Opportunity
FRB-Philadelphia and University of Pennsylvania
Philadelphia, PA
May 12, 2014
Overview

• Housing historically
• What’s been seen
• What’s been learned
A Context for Our Work
Imbalance!
October 2008: Freefall In Housing Prices

Source: Federal Housing Finance Agency
The Present

• Crisis is multi-pronged
  – Homeownership
    • Foreclosure remains a challenge
U.S. Foreclosure Activity by Type

Source: RealtyTrac
The Present

• Crisis is multi-pronged
  – Homeownership
    • Foreclosure remains a challenge
    • Negative equity and delinquency loom
    • Neighborhood-level instability persists
National Economic Dynamics: Housing as a Driver

Source: Federal Housing Finance Agency
Two Realities: Slow and Steady

Source: Federal Reserve
Bank of St. Louis, Federal Housing Finance Agency

House Price Index (1991:1=100)

- East N Cent
- East S Cent
- West N Cent
- West S Cent

1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013

Source: Federal Reserve Bank of St. Louis, Federal Housing Finance Agency
National Economic Dynamics: Homeownership Rate Continues its Decline

Source: Department of Housing and Urban Development
The Present

• Crisis is multi-pronged
  – Homeownership
    • Foreclosure remains a challenge
    • Negative equity and delinquency loom
    • Neighborhood-level instability persists
  – Rental markets
    • Affordability remains a significant concern
    • Competition for rentals has worsened, not improved, in many communities
Affordability Has Improved Dramatically

Source: Federal Reserve Bank of St. Louis, National Assn of Realtors
Exhibit 8

West: Real Renter Income by Metropolitan Area


Source: Collinson (2011), Cityscape Journal
And Rents Are Sharply Up

Source: Collinson (2011), *Cityscape Journal*
Rental Affordability: A Statewide Problem

Gross 25th percentile rent as share of 25th percentile renter income
Source: Census 2011 ACS and Author's Calculations

Source: Blog of Richard Green, University of Southern California, forbes.com
# Rental Housing: The LA Story

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Affordable Units</th>
<th>Affordable and Available Units</th>
<th>Renter Households</th>
<th>Aff. and Avail per 100 Renters</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% AMI</td>
<td>213,000</td>
<td>124,000</td>
<td>501,000</td>
<td>25</td>
</tr>
<tr>
<td>30-50% AMI</td>
<td>211,000</td>
<td>136,000</td>
<td>374,000</td>
<td>36</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Affordable Rental Vacancy Rate, 0-50% AMI</th>
<th>Total Rental Vacancy Rate, 0-50% AMI</th>
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<tbody>
<tr>
<td>3.3 percent</td>
<td>6.1 percent</td>
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</tbody>
</table>

**NOTE:** AMI = Area Median Income

*Source: Collinson (2011), *Cityscape*, American Housing Survey data*
Final Thoughts

• “A crisis is a terrible thing to waste.”
  – Shaun Donovan, HUD Secretary

• “The successful people are those that learn how to take advantage of the world as it is.”
  – Bill Clinton, former US President, NAHREP conference, October 2012