

Housing Affordability in California

Nehemiah Stone

Stone Energy Associates

September 29, 2016



Background

- “\$1000 Increase in the home price leads to pricing out about 206,269 households.” *NAHB August 1, 2014*
- “The rising cost of regulations is making homes unaffordable.”
CIBA August 18, 2014

Study

To understand the relationship of home prices to construction costs, including those imposed by regulations, I managed a study by the UCLA Anderson Forecast that PG&E had commissioned.

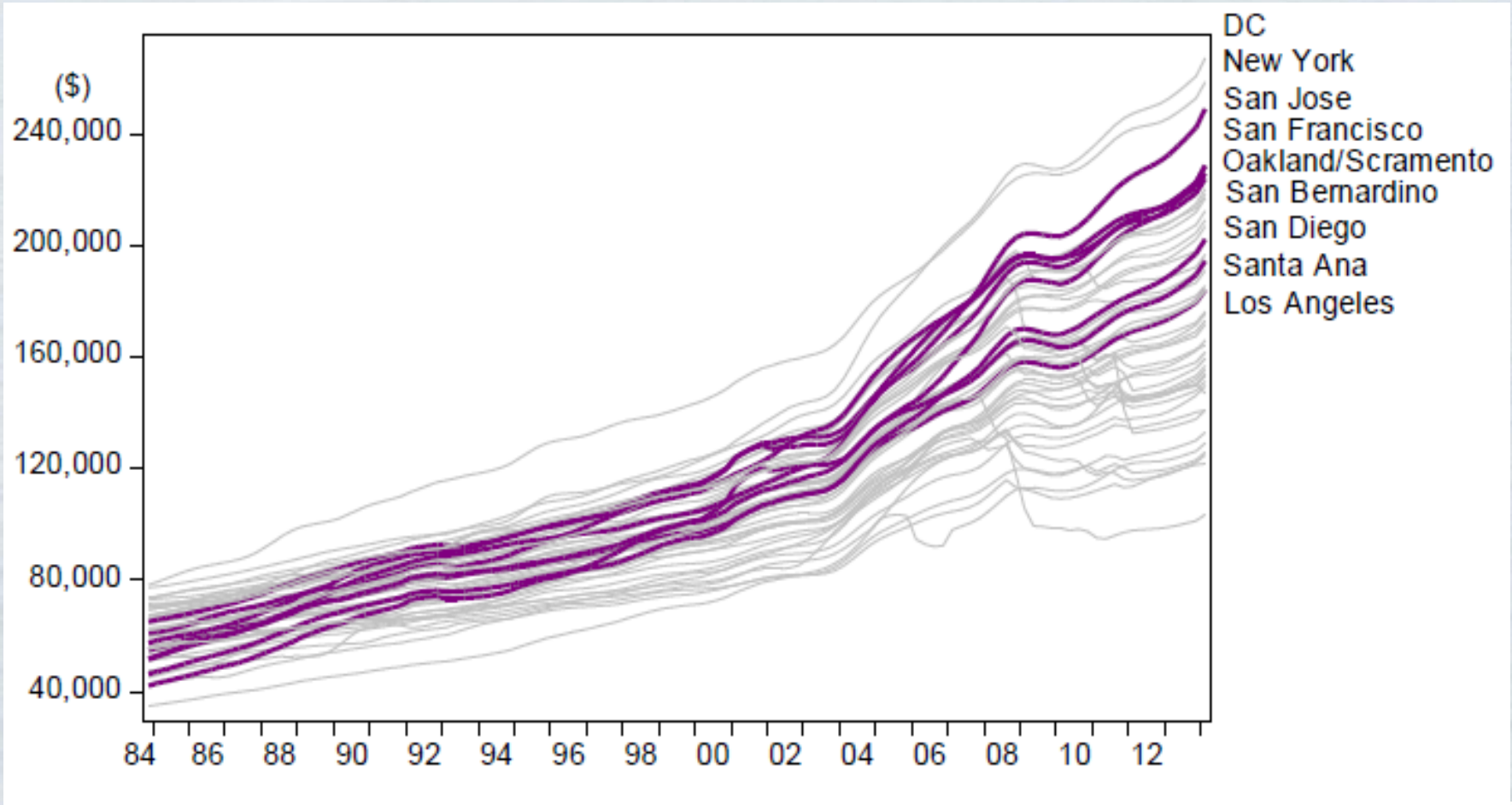
William Yu, Economist, Anderson Forecast

Jerry Nickelsburg, Senior Economist, Anderson Forecast

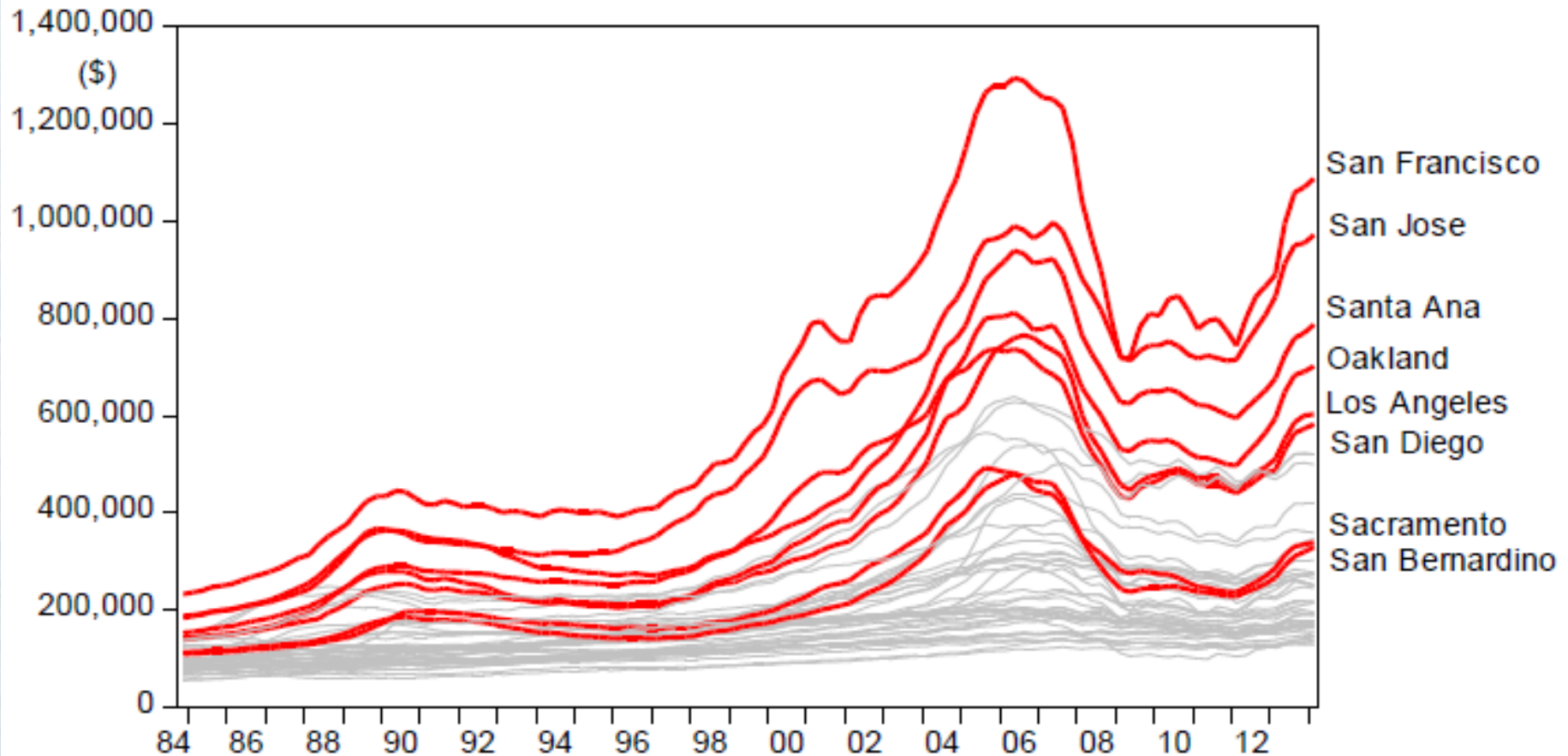
Methodology

- Via builder interviews, determine the largest construction cost categories
- Gather data on costs of construction inputs from six robust sources (Turner index, wage index, PPI lumber, PPI metal, PPI mineral, PPI crude materials)
- Compare to trends in housing prices using the Case-Schiller Index and Lincoln Institute of Land Policy

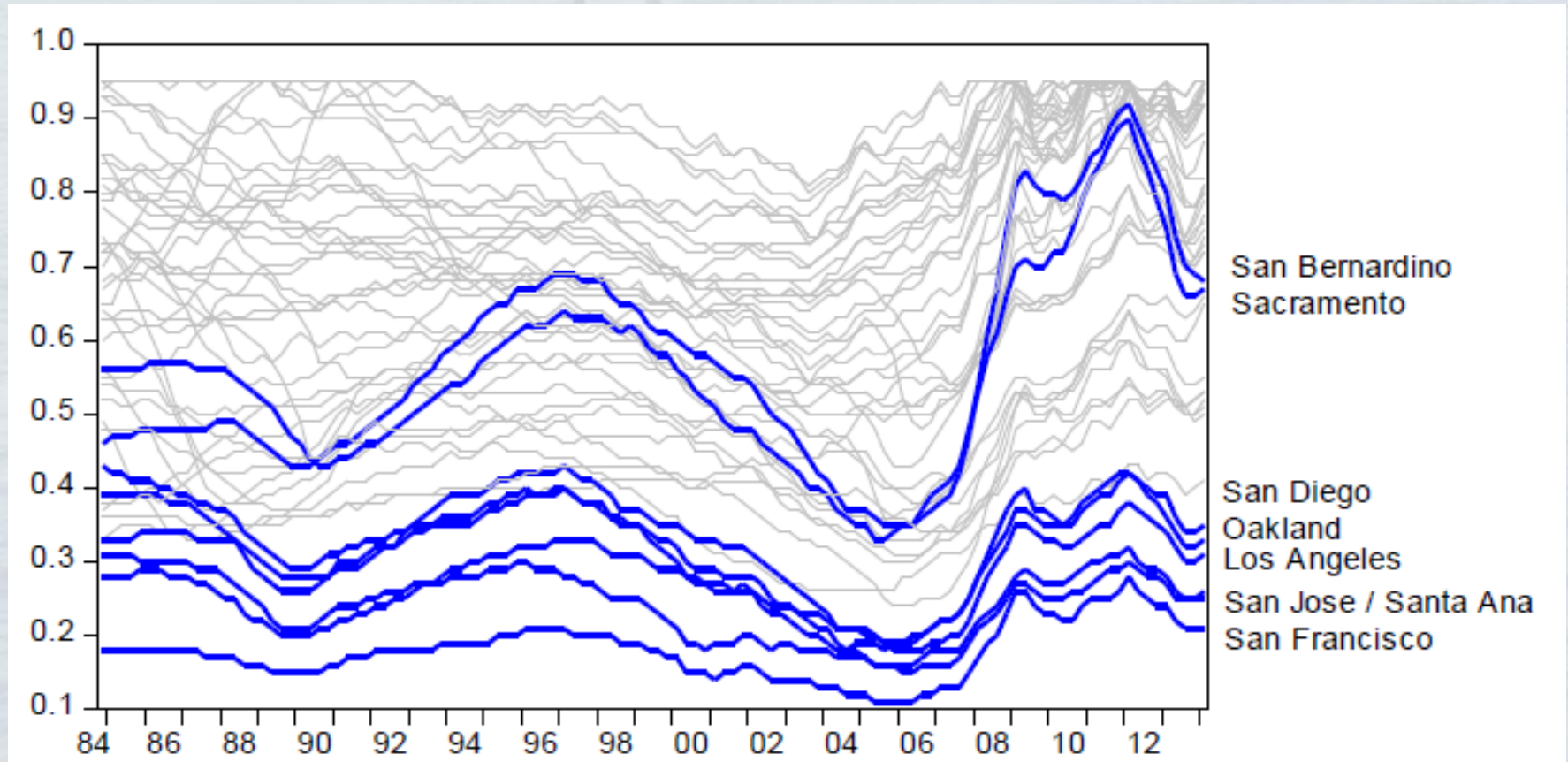
Construction Costs



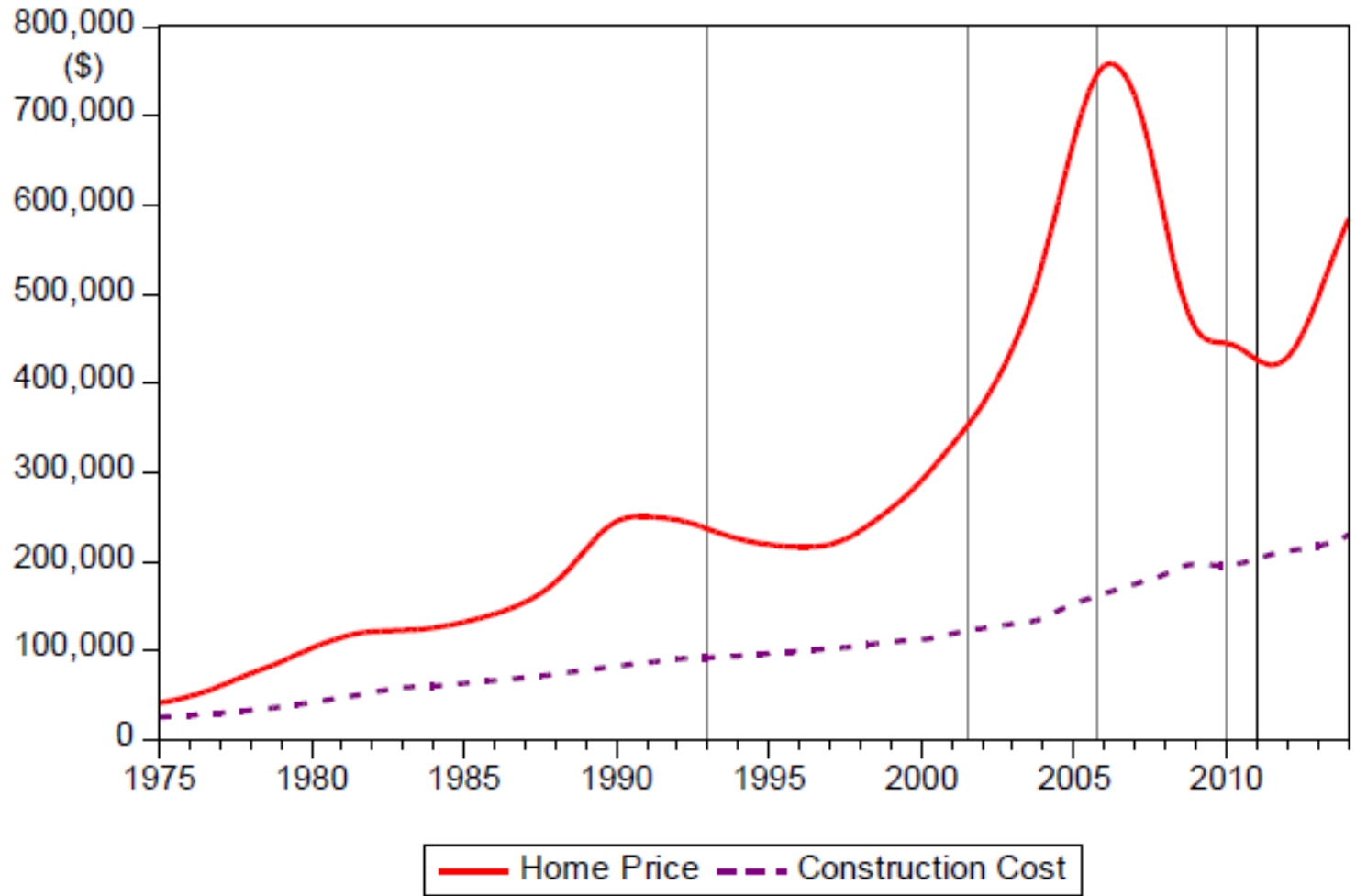
Home Prices



Is there a Cause and Effect Relationship?



...Or even a Correlation?



Anderson Forecast Conclusions

1. “We cannot find evidence that structure cost increase will cause higher home prices in either coastal or inland California.”
2. “We cannot find statistically significant evidence that California’s ... Title 24 is associated with home construction costs in 8 Metros in California, in which 2 Metros are in inland California.”

On the other hand, Energy Costs do affect households

Non Low-Income Households	4%
Average of All U.S. Households	7%
For those who got LIHEAP Assistance	
Before Assistance	16%
After Assistance	11%

Energy Intensity

- On average, Low Income households
 - Use 98% as much electricity as average of all households
 - Use 86% as much gas as other households
 - But do so on an average of less than half the square footage (ergo >energy intensity)
 - **And with less than half the income** (~\$31k/yr vs. ~\$63k/yr)

If you would like a copy of the report, send me an email or give me your card.

Nehemiah Stone

nehemiah@StoneEnergyAssc.com

Stone Energy Associates

