

California's high housing costs drive out poor, middle-income workers

By Chris Kirkham

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California's high cost of living has pushed hundreds of thousands of low- and middle-income workers to other states, federal data show.

The trend points to a challenge for the state's economy: how to attract workers of moderate means to some of the nation's most expensive housing markets.

The state overall has been losing people to other parts of the country since the 1990s. A snapshot of more recent U.S. Census migration numbers shows that nearly three-quarters of those who have left California for other states since 2007 earn less than \$50,000 a year.

Experts point to the state's increasingly unaffordable real estate markets as a major driver of the trends. More than half of the nation's 50 most expensive residential real estate markets are in California, according to Coldwell Banker's Home Listing Report, including nine of the top 10.

"It's getting harder and harder for the middle-class Californian to buy a home," said Jordan Levine, director of economic research at Los Angeles' Beacon Economics, who points to the migration trends as a major hurdle for the state's future economic growth. "People just keep looking for ways to maximize that residential dollar. That attracts people to inland areas of the state and to other states."

Those moving to California tend to have higher incomes. About 35% of working-age people moving in make more than \$50,000 annually, compared with 27% of those moving out.

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The disparity gets progressively pronounced at the lower end of the income scale.

For those making \$40,000 to \$49,999, for instance, the net loss of population is 15,403 residents since 2007. The loss is 22,754 residents in the \$30,000 to \$39,999 range, then more than doubles to 46,318 residents in the \$20,000 to \$29,999 range.

"Housing prices are a primary factor, because that's usually the first thing you deal with when you're moving," said Dowell Myers, a professor of demography and urban planning at USC.

Census surveys back that up. According to data from the Census' Current Population Survey, those moving out of the state over the last 15 years listed housing as one of the most common factors, behind only family and job concerns.

"Rents are going up very rapidly, as well as housing prices," said Hans Johnson, a migration expert who is a senior fellow at the Public Policy Institute of California. "The economy is booming, but how do you supply housing for the workers who aren't commanding high incomes yet are still in demand?"

Darren Hayes is a native of Oxnard who worked for 15 years as a teacher in Orange and Ventura counties. He earned bachelor's and master's degrees at California universities. He spent most of his life in California until moving to the Dallas area last year.

He and his wife lost their Oxnard home to foreclosure after the housing crash, and the options for a replacement

home in California were sparse.

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Hayes always pictured Texas as a land of larger-than-life belt buckles and oversized pickup trucks. But he kept hearing about the great quality of life from his brother-in-law, Pete Paule, an insurance professional who left Simi Valley for Texas in 2012.

It took one visit to persuade Hayes to follow suit. He quickly found a similar teaching job in an affluent school district north of Dallas in 2013, and for the first time in years a dream home appears within reach.

"If we stayed in California to buy a house, in my opinion we would have to settle," said Hayes, 47. "Now we can be picky and choose the house we want."

The large flow of middle- and lower-income workers out of California is a trend that dates to at least the late 1980s, according to demographic expert William Frey, a senior fellow at the Brookings Institution in Washington.

During the last decade, out-migration from California peaked during the housing boom. The trend continued during and after the Great Recession, though at a slower pace.

The biggest recipients of the state's out-migration have been Texas and other western states such as Arizona, Nevada, Washington and Oregon.

"For a while now, the new frontier has not been 'Go west, young man,'" Frey said. "It's 'Go east,' if you're in California."

But the influx of higher-income, college-educated migrants from other states to California has been on the upswing since the recession, according to Census data.

That shift has pros and cons.

Attracting skilled workers with greater spending power means a boost for tax revenue and helps to retain innovative companies seeking a talented workforce. But it puts pressure on those in the middle — workers who have certificates or associate's degrees that fill crucial positions in industries such as healthcare.

According to the Census data from 2007 to 2013, one of the largest groups of workers leaving California was those who had more than a high school diploma but less than a bachelor's degree.

"For the people who can afford to go there, get the jobs and do well, the cost of living is not as much a problem," Frey said. "It's just difficult to live there in the middle."

chris.kirkham@latimes.com

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