California housing will get even less affordable, UCLA forecast says

By City News
Service

Housing in California — already considered unaffordable to many — will become even less affordable over the next two years, with construction unable to keep up with demand, according to a UCLA economic forecast released Monday.

UCLA Anderson Forecast Senior Economist Jerry Nickelsburg wrote in his forecast that government agencies need to reconsider their policies surrounding affordable housing if they hope to make a dent in the problem.

“The economics are clear,” he wrote. “When affordable housing is provided, say by requiring developers to have a fixed percentage of their new units ‘affordable,’ then the demand for that housing will be in excess of the supply.”

Nickelsburg added that “the policy itself recognizes that building constraints -- natural or regulatory -- will not permit a sufficient number of new homes to be built to satisfy the demand at affordable levels.

“This being the case, affordable housing policy needs to be explicit about who the housing is for,” he wrote. “For example, one might advocate affordable housing so that teachers in public schools can purchase housing that would otherwise be difficult for them to acquire.”

Nickelsburg said the typical response of “just build more housing” is unrealistic since such a move would require major changes in zoning codes, environmental requirements and building regulations.

“Certainly some of this is happening, particularly along mass transit corridors, but to make a significant impact the changes would have to be quite dramatic,” he wrote. “Realistically, this is not going to happen in the coming few years.”

On an economic front, Nickelsburg predicted total employment growth in California of 2.7 percent this year, 2.2 percent next year and 1.4 percent in 2017. The unemployment rate will drop below 6 percent for the balance of the year, then average 5.2 percent next year and 4.8 percent in 2017.

On the national front, UCLA Anderson director Edward Leamer predicted GDP growth of 2 to 3 percent over the next two years, with a generally healthy economy.

“This comes with an improving labor market, declining unemployment rate and a rising employment to population ratio,” Leamer wrote.