

Out Migration: It's A Housing Story

California has an out-migration problem. Recently released figures from the State's Department of Finance (DOF) shows that the number of Californians leaving the state each year is on the rise. After falling significantly during the Great Recession, outmigration from California is on a 4-year uptrend. The DOF reports that nearly 118,000 people moved to other states in 2016, and more than half a million people have left California since 2010. Much can be said about our high taxes, hostility towards business, and strict regulatory environment in the Golden State, but our out-migration problem is really a symptom of a much deeper problem: the lack of housing affordability in the state.

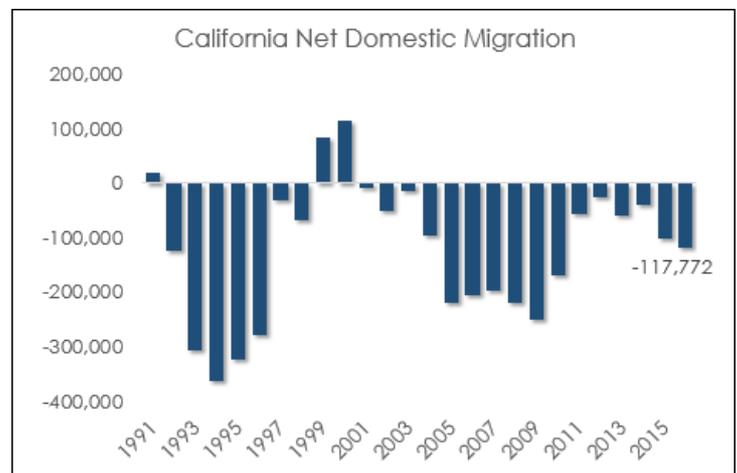
According to the Census Bureau, the top 3 destinations for people leaving California in 2015 were Nevada, Arizona, and Texas, which accounted for nearly two-thirds of all out-migration. These are states where job and economic growth has been slower than in California, which suggests that it isn't simply a booming economy that is luring our resident away. These states just have less expensive housing: the median home price in Nevada and Arizona is less than half of what it costs to live in California; and in Texas, housing is 66% more affordable.

At the same time, the largest outflows came from some of our least affordable housing markets: Los Angeles, Santa Clara, Orange, San Diego, and San Mateo Counties accounted for virtually all the out-migration from California last year. Our survey research consistently shows that consumers still believe in homeownership as a way to achieve the American Dream, but only 31% of households are able to afford the median-priced home here.

The notion that high housing costs (rather than taxes or business climate) are driving people away is further supported by who leaves and what they do in their new states. For example, nearly two-thirds of people who left the state purchased homes in their new state of residence—these are people who want to be homeowners.

The vast majority of out-migrants earned less than \$100,000 per year. Given our exceptionally progressive tax rates in California, you would expect to see that higher income earners who pay the most taxes leaving. That they are not suggests that something else is the primary motivator. Further, 3 out of every 4 out-migrants were either Millennials or Gen X-ers, who have much lower rates of homeownership than previous generations. Finally, all of the out-migration was done by those with an Associate's Degree or less educational attainment.

In short, for many working-age, working-class people who want to own their own homes leaving California is the only option. California's migration problem is really a housing problem.



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Haig Barsamian
REALTOR®
Barsam & Associates, inc.
2901 W. Coast Highway #200
Newport Beach, CA 92663

Office: 877-522-7726
Cellular: 949-485-0173
Email: haig@barsaminc.com
Website: <http://www.barsaminc.com>
BRE License: 01012187