The past decade has been one of unprecedented change in Los Angeles, California, and the nation. The greatest boom in housing prices on record has been followed by the greatest crash, and the economy has suffered a deeper recession than any time since the 1930s. Recovery has only slowly begun from what is being called the Great Recession. What this “roller coaster” of boom and bust has meant for the aggregate economic well being of residents and their social configurations is just beginning to be documented.

A question often pondered in California is how the impacts of the Great Recession differ from the state’s previous severe, long recession of the early 1990s. When we trace this latest boom and bust and contrast it to the 1990s, we arrive at some surprising findings.

In this report we compare Los Angeles County, California, and the United States on a comprehensive set of available indicators: employment growth, unemployment, poverty, income, house prices, new construction, affordability, and homeownership. In answer to the question of how the Great Recession compares to the 1990s downturn, we find that this is the opposite of the severe, long recession of the 1990s. At that time Los Angeles was severely impacted on all indicators, suffering far greater harm than the rest of the nation. Poverty, in particular, soared to record highs in 1993, however the region has been spared that devastation during the Great Recession.

This report is part of a larger study funded by the Los Angeles-based Haynes Foundation. That project is tracking trends of the 2000s, which reflect the excesses of boom and bust. How has the region fared for the decade as a whole? Are there signs of recovery? And how does Los Angeles compare to California and the United States on these issues?
decade to match what we learned about the decade of the 1990s. For answers to those questions we draw on the American Community Survey (ACS), which the Census Bureau began to fully implement in 2006. The most recent ACS data are for 2010, providing an end-of-decade report.

A second drawback to the 2010 census is that its timing yields a most unfavorable view of the decade’s performance in comparison to previous decades (see Figure 1). Unlike prior censuses, all of which since 1960 have come at the end of a period of economic expansion, the 2010 census was conducted at the very bottom of the deep recession. Whereas previous decades were measured from peak to peak of expansion, this decade is measured from peak to trough, with the end result of “tilting” downward all the measured trends. Any conclusions about the net results for the decade will depend on exactly at what point in the cycle we take the measurements, so we will contrast trends to 2006 (near the peak of the boom) with those ending in 2010 (representing the bottom of the bust).

The great advantage of the American Community Survey (ACS) is that, unlike the decennial census, data are collected continuously and reported for each individual year. Thus it is possible to observe economic and population conditions in Los Angeles and the whole of California at the peak of the boom in 2006 or 2007, followed by the depths of the crash in 2010. This newly available annual perspective allows us to closely monitor conditions in different phases of the roller coaster of boom and bust.

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The new, 2010 census data along with the 2010 American Community Survey (ACS) is being closely scrutinized in this project. Unfortunately, this census is greatly deficient in comparison to those of previous decades. Only a handful of questions were asked, none of which pertain to economic characteristics like income, employment, or house values. Without such information we cannot track boom and bust for the decade to match what we learned about the decade of the 1990s. For answers to those questions we draw on the American Community Survey (ACS), which the Census Bureau began to fully implement in 2006. The most recent ACS data are for 2010, providing an end-of-decade report.

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Trends in Employment and Poverty

During the 1980s, employment boomed in California due to growth in the aerospace industry as a result of defense spending under the Regan administration. With the collapse of the Soviet Union in 1991 and the end of the Cold War, defense spending was cut back, making the 1990s recession much worse in California than for the U.S. at large. Nonetheless, the deep losses in employment were outweighed by the previous gains experienced during the 80’s boom (as seen in Figure 2). Despite this, Los Angeles County was hit harder by the recession, experiencing proportionate losses more than twice as large as the state of California. For example, Los Angeles saw a 2.3 percent decrease in the number of employed in 1992, while California saw a mere 0.4 percent decline. This stark difference is largely due to the collapse of Southern California’s aerospace industry.

Since the early 1990s recession, California and Los Angeles County have trended closer to one another. As seen in Figure 2, during the boom in the late 1990s, California (left axis) and Los Angeles (right axis) both enjoyed proportionately similar gains in the number of employed. Four years of substantial employment growth was achieved in the late 1990s, followed by a much smaller increase in employment during the mid-2000s. That meager growth was brought to a stunning halt during the Great Recession, with especially steep losses between 2008 and 2010.

Given that the losses in employment during the Great Recession have closely mirrored what was seen in the deep recession of the early 1990s, one might expect the rise in poverty and unemployment to follow a similar trend in the two recessions. Surprisingly, though, while this trend is true for unemployment, trends for poverty rates look quite different during the two recessions.

RESIDENTS’ EXPERIENCE OF UNEMPLOYMENT

Consistent with the net gains and losses in the number of employed, California and Los Angeles County experienced similar trends in unemployment rates during the 1990s. For example, both Los Angeles County and California enjoyed the same relatively
low unemployment rate of 5.8 percent in 1990. By the
height of the 1990s recession in 1993, Los Angeles’
unemployment rate spiked to 10.0 percent while
California’s unemployment rate was not far behind at
9.6 percent (as seen in Figure 3).

During the Great Recession unemployment leaped
to an even higher level, reaching 12.7 percent in Los
Angeles, only slightly above the state’s average of
12.4 percent. Thus the current recession is more
equally felt throughout the state. And once again,
Los Angeles’s high unemployment is greatly exceed-
ing the nation’s: back in 1992, Los Angeles’ peak
unemployment rate was 2.4 percentage points above
the peak national average of 7.5; while in 2010, Los
Angeles’s rate was 3.0 percentage points higher than
the national average.

A striking pattern in both recessions is the greater
volatility of unemployment rates seen in Los Angeles
as compared to the nation. Los Angeles’s unemploy-
ment rate converged with the national average before
the 1990s recession (in 1990) (see Figure 3). Prior to
the Great Recession, Los Angeles County’s unem-
ployment rate once again nearly joined the national
average of 4.8 percent (in 2006). After 2006, however,
unemployment rates in Los Angeles and California
began to soar above the nation’s levels of unemploy-
ment. From 2006 to 2010, unemployment in Los
Angeles rose from 4.8 percent to 12.7 percent—an
increase of 7.9 percentage points. Los Angeles’ level
of unemployment dwarfed the nation’s 9.6 percent
peak in unemployment (2010); trends poverty levels,
however, have been more resilient in Los Angeles and
California.

RESIDENTS’ EXPERIENCE OF POVERTY
The poverty rate in Los Angeles soared upward
along with unemployment during the 1990s recession,
reaching levels much higher than the national aver-
age.5 Whereas California’s unemployment rate nearly
matched the trend in Los Angeles, the state’s poverty
rate, in contrast, trended more closely in line with the
nation in the 1990s.

While Los Angeles’ poverty rate peaked at 23.8 per-
cent in 1993, the nation’s poverty rate peaked at “only”
15.1 percent—a 8.7 percentage points difference. Since
then, however, poverty rates for Los Angeles County
have begun a downward trend that is closer in line to
the rest of the nation’s (and California’s) poverty rate,
as seen in Figure 4.

What is most remarkable is that, despite the upward
surge in unemployment during the Great Recession,
poverty in Los Angeles County remained much lower
than during the 1990s recession, rising only from 15.4
percent in 2006 to 17.5 percent in 2010.

MEDIAN HOUSEHOLD INCOME CHANGES
Reinforcing these findings of poverty resilience is the
more moderate decline in median household incomes
during the Great Recession than in the early 1990s
recession.

As seen in Figure 5, while California and Los Angeles
County both saw significant losses in median house-
hold income during the 1990s recession. The nation,
however, experienced a much more modest decline in
income. Specifically, while the Los Angeles County
median household income dropped by $9,006 the
United States experienced a decline of only $3,316 (a
decline of 15.4% versus 6.0%).
During the Great Recession, Los Angeles residents’ median income suffered slightly larger losses during the Great Recession as compared to the United States, unlike the case of poverty. For example, while Los Angeles experienced a $3,574 decline in median household income—a 6.4 percent decline—between 2007 and 2010, the United States experienced a slightly smaller decline—$3,316 or 6.2 percent. It appears likely, however, that these declines are not ended, and it is possible that income could decline for yet another year or two before trends turn for the better.

### Boom and Bust in The Housing Market

The new century began with a boom in the housing market. The 2010 census does not shed light on this because the census no longer asks about house values and rents. This absence in our time of crisis is ironic, given that the reason the census introduced these housing questions in 1940 was in response to foreclosures during the Great Depression. Every decade since, the census has continued to collect information about the economic well being of the American people. Decisions about the content of the 2010 census questionnaire were made before the recent crash and now that we are in the worst economic recession since the Great Depression we are without the usual census data.

Information can be pieced together from several sources, but as will be apparent there are many inconsistencies. Multiple data sources have been utilized to show the housing price trends in Figure 6, including government sources such as the decennial census and the American Community Survey (ACS). In addition, housing price data are also reported from industry sources, such as the National Association of Realtors (national home prices), the California Association of Realtors (California home prices), and the Case-Schiller index (Los Angeles CMSA).

A comparison between Los Angeles County/CMSA, the state of California, and the United States is provided in order to show how similar the three geographies can be in some instances and how starkly different they are in others. During the 1990s recession, house prices in Los Angeles fell nearly as low as the average sales price for the nation reported by the National Association of Realtors. A slowly increasing price trend began in 1996 and was maintained through the 2001 recession in California, Los Angeles, and also the nation. However, there was a greater increase in prices for California and Los Angeles than in the nation as a whole.

This boom continued to the high point in 2006, leveled or fell slightly in 2007, and then plunged steeply, falling by 27.6 percent in Los Angeles and 30.2 percent in California, compared to a 7.9 percent decline for the United States. In 2010 the median home price for Los Angeles County fared the best and was at a similar level to the price in 2003. In contrast, California and the US as a whole did not fare as well in the decline and saw their median prices (in real dollars) rolled back to levels last witnessed in 1999 for California (CAR) and 1997 for the nation (NAR).

### A DEEPER LOOK AT HOUSE PRICES

In order to get a better understanding of the dynamics involved in the price changes it is helpful to look beyond the median house value. Therefore, in addition to the median house value we have also analyzed the lower and upper quartile house values according to the 2000 (Census) and 2006-2010 period (ACS). The lower quartile marks the price under which the bottom 25 percent of home values fall, while the median marks the value that divides the upper and lower 50 percent, and the upper quartile marks the value above which the most expensive 25 percent of homes are found.

Nationally the house values in each quartile increased...
During the downturn, according to these American Community Survey data, the Los Angeles County lower quartile value dropped to $291,800 from its high of $453,481 in 2007, a decline of 48.3 percent in real dollars. The median and upper quartiles peaked in 2006 and suffered declines of 30.8 percent and 18.1 percent, respectively. According to the Case-Schiller index for Los Angeles, the mean house value fell more sharply, by 36.9 percent between 2006 and 2010. Nonetheless, the clear overall trend is that the upper quartile price increased the most in the boom and then decreased least in the crash. Conversely, the lower quartile that had risen the least in the boom then suffered the greatest decline. As a result, the percentage difference between the lower and upper quartile widened, with the upper quartile 41.8% better in 2010 than 2000, and the lower quartile only 21.5% better.

NEW CONSTRUCTION

Given the fairly drastic swings in home values during the 2000 to 2010 period it is reasonable to expect that there would be changes in construction, perhaps with increases when prices were rising and decreases when they fell. In order to measure the increase in housing

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**Figure 6** Home Price Trends, 1990-2009 (Adjusted to 2010 Dollars)


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Taking a closer look at Los Angeles County’s house values, the story is similar to the state’s price pattern, with a comparable increase in the three quartiles and a slightly faster price increase in the median and upper quartile (Figure 7). Overall, the greatest increase from 2000 to 2010 was in the median price at 62.1 percent as compared to 61.2 percent and 48.3 percent for the upper and lower quartiles, respectively. Clearly the increases in house values over the decade were greater in Los Angeles than in the state as a whole.

California’s house values increased at a faster rate than the United States. Overall, the greatest increase from 2000 to 2010 was in the upper quartile value, 41.8 percent, as compared to 38.5 percent and 21.5 percent for the median and lower quartile, respectively. The lowest price homes clearly rose more slowly than the rest of the housing market.

From 2000 through 2006 with the greatest increase in the upper quartile. However, the upper quartile subsequently also had the most dramatic decline and was the first to fall. This is likely a result of the rapid increase in high cost states, like California, and the earlier decline of the same high cost states.

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supply added to the market we analyzed housing permits as published by the Census Bureau C-40 housing survey.

Construction permits are often an indicator of the future projections of developers. Permits show what is anticipated for growth in demand, and they also indicate increases or decreases in employment, given that a large number of people are employed in the construction industry. The Center for the Continuing Study of the California Economy reports that there were significant losses in construction-related employment in California that were disproportionately greater than the rest of the nation.8

The three graphs in Figure 9 show the number of permits for new construction of single-unit homes (1 unit) and units in 2-or-more unit buildings (multifamily units).

The number of multifamily units permitted in 2006 in Los Angeles County (60%) is much larger as a percentage of all units than what is seen in California (33%) and the United States (25%). The prevalence of more densely built housing construction is likely because Los Angeles County is more densely populated and is more fully built out than the other two geographies.

The upsurge in construction permits that began in 1996 represents the recovery from the deep recession of the early 1990s. The rise in construction continues through to 2005-2006 with only minor stalls in 2002-2003. This construction upswing is especially pronounced in Los Angeles because the recession was much deeper there.

Just how extraordinary is the upswing in construction can be evaluated by considering construction trends over a longer period of time. Figure 10 presents the construction permit history for California since 1960. This view shows that construction permits fluctuate dramatically, rising and falling with the business cycle on a fairly regular basis. In this view, it seems the recent boom in housing construction was mild compared to construction booms in the mid 70’s and 80’s.

What stands out more is the prolonged downturn in

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**Figure 7** Los Angeles County Home Values by Quartile, 2000-2010*

* Adjusted to 2010 dollars

Source: U.S. Census Bureau, 2000 and ACS, 2006-2010
the 1990s, with six years of depressed construction when previous cycles experienced only two down years at most. This bleak period of low construction in the 1990s has been referred to as the California Great Housing Collapse. The eventual recovery of housing construction in the late 1990s also proceeded much more slowly that the sharp upswings seen in previous construction cycles. Data for 2010 indicate an uptick in new construction, particularly multifamily. It is not yet clear if this is the beginning of a trend that will be sustained.

Behind the construction trends and price trends lies the growth and decline in housing demand. This is measured most directly by the numbers of homeowners and renters entering the market each year. The fluctuation in this demand is examined in the following sections.

**HOMEOWNERSHIP RATE**

Homeownership rates measure the proportion of households that own their homes (with or without a mortgage). Typically these do not generally exhibit wide swings even across significant time horizons of a decade or more. Because homes are not something people purchase annually and can be occupied for a decade or longer, the supply of new construction available for buying or renting can swing up and down, while the total ownership rate fluctuates much more moderately.

To create a longer history of change of homeownership, ACS/Census data has been used in conjunction with additional sources. In the most recent period we will delve more deeply so that we can spotlight the housing changes under way in the Great Recession. Figure 10 shows the homeownership rate changes from 1984 through 2010. As might be expected, California’s more expensive prices lead to much lower homeownership rates than in the United States.

According to the figures provide by the Census Bureau’s Housing Vacancy Survey (HVS), the homeownership rate in the US peaked in 2004 at 69.0 percent as compared to California, which peaked in 2006 with 60.2 percent. The HVS is a useful long-term data series, but its relatively small sample yields higher estimates of homeownership than do
other sources. The ACS data show the US peak to be in 2006 (67.3%) and the California peak in 2005-06 (58.4%).

Even after taking the greater volatility of California into account, there is still notable variation between the state and the nation. During the period of 1990 to 1994 the nation had a flat and slightly declining homeownership rate while California was increasing rapidly. This homeownership increase in the face of rising prices might seem to be a paradox. However, we have previously noted that rising house prices—which ostensibly make homeownership less affordable—are correlated with rising homeownership. The explanation seems to be that rising prices encourage more investment in home buying, and the easy credit of the 2000s created a “bubble” by facilitating this speculative activity.

In the end, after a decade of boom and bust, homeownership rates in Los Angeles, California, and the US were all close to one percentage point lower in 2010 than had been observed in 2000. This is visible both in Figure 10 and as detailed in Table 1. The recession has now technically ended and conditions are slowly improving, but it remains to be seen if homeownership will contract further in the next few years. 10

THE PACE OF CHANGE IN ANNUAL NET OWNERS AND RENTERS
In order to more directly understand the rate at which the numbers of renters and owners have shifted since the onset of the Great Recession, Figure 11 displays the annual net change in number of owners and renters from 2005 to 2010. From 2005 to 2006 California added 32,059 homeowners, an increase of 0.45 percent. However, that slow growth rate was followed by a new trend of actual losses in homeowners that began after 2006.

At the same time, an increase in the number of renting households occurred within the state, and that trend increased through 2010. In 2008 to 2009 a slight flattening of the trend was apparent; however, a significant upward trend then transpired through 2010. While the state still continued to lose homeowners and gain renters, the rate at which that occurred from year to year began to decrease. Whereas California lost more than 130,000 owner households between 2007 and 2008, it lost only an additional 36,000 owners in the subsequent year. Thus, the 6,879 loss in owners over the most recent year, (2009-2010), is a confirmation of the stabilizing trend that is necessary before seeing a reversal to net gains in homeowners.

CONTRASTING OWNER & RENTER CHANGES
To properly compare the pace of owner declines and renter increases among Los Angeles, California and the United States, we convert the net changes into a percentage rate of annual growth or loss over the preceding period. Figure 12 displays the varying rates of change together so that distinctions in the regions are identified. In general, the numbers of renters have been rising while owners are declining.

Both the recession and signs of recovery in housing were substantially delayed in the United States compared to Los Angeles and California. In 2006, the US still had 1 percent growth in homeowners while Los Angeles and California already had fallen to zero growth. Thereafter, growth in owners began to fall

<table>
<thead>
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<th>Table 1</th>
<th>Homeownership Rates, 2000 and 2010</th>
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<tr>
<td><strong>Los Angeles County</strong></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>2010</td>
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<tr>
<td>ACS</td>
<td>47.9%</td>
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<tr>
<td><strong>California</strong></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>2010</td>
</tr>
<tr>
<td>ACS</td>
<td>56.9%</td>
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<tr>
<td>HVS</td>
<td>57.1%</td>
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<tr>
<td><strong>United States</strong></td>
<td></td>
</tr>
<tr>
<td>2000</td>
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</tr>
<tr>
<td>ACS</td>
<td>66.2%</td>
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<tr>
<td>HVS</td>
<td>67.4%</td>
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<table>
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<tr>
<th>Figure 11</th>
<th>California’s Annual Net Change in Owners and Renters, 2006-2010</th>
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<tbody>
<tr>
<td>Renters</td>
<td>Owners</td>
</tr>
<tr>
<td>2006</td>
<td>2007</td>
</tr>
<tr>
<td>0</td>
<td>50,000</td>
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Source: American Community Survey, 2005-2010
for the US, continuing up until 2009 and by 2010 a slight gain in owners was actually seen. Conversely, the percentage of renters steadily climbed in the US, experiencing a slight decline in its rate of growth between 2009 and 2010 (Figure 12).

Up until 2009, these trends in Los Angeles and California were tracking one year ahead of the nation. Los Angeles and the state displayed similar paces of decline in number of homeowners during the bust. As shown in Figure 12, the number of homeowners declined more quickly than the nation and reached steeper losses (2 percent decline between 2007 and 2008), but thereafter the losses began to ebb and by 2009 the losses were equal to or even better than the steadily worsening decline in the U.S. In 2010, however, Los Angeles and California’s recovery began to slow, with losses remaining close to 2009 levels. At the same time, the percentage growth in number of renters shot off, rising significantly as compared to 2009 growth.

HOUSING AFFORDABILITY

One silver lining of the Great Recession might be that falling housing prices led to greater affordability. However, affordability is expressed by the relation of prices to the incomes of occupants. The U.S. Department of Housing and Urban Development (HUD) considers households spending 30 percent or more of their income on housing to be cost burdened and living in unaffordable circumstances because income is less available for other necessities such as food, transportation, and healthcare. For housing to become more affordable its costs need to fall by more than declines in incomes.

Figure 13 shows that while housing did not become more affordable in the Great Recession, it did slow the growing incidence of excess housing cost burdens. Between 2000 and 2006 the incidence of cost burdens rose markedly among both renters and homeowners with a mortgage in Los Angeles and the state. Thereafter, the increases for homeowners were curbed, especially statewide. In fact by 2010, California and Los Angeles saw slight decreases in the number of cost burdened owner households. Affordability for renters on the other hand, decreased markedly in 2010, with the proportion of cost-burdened renter households growing in both Los Angeles and California. Comparing the trends in the U.S., renters saw greater increases in California, but homeowners in the nation—even those with a mortgage—fared
much better than those in California.

In the most recent affordability data available, pertaining to 2010, over half the renters were paying more than 30 percent of their income for housing—53.0 percent of renters in the U.S., 57.2 percent in California, and 59.2 percent in Los Angeles. Among homeowners with a mortgage, 38.0 percent in the U.S., 51.2 percent in California, and 55.3 percent in Los Angeles were cost burdened. In the first decade of the new century, have we arrived at a new norm where roughly half of all renters and mortgagors in California and Los Angeles have housing obligations that exceed 30 percent of income?

While it appears that the total percentage of cost-burdened renters and mortgage-holders greatly escalated during the boom, the bust has not offered any real relief. In Los Angeles, the proportion of these households spending 30 percent or more on housing is not only higher than in the rest of California or the U.S., but it has continued to creep up from 2006 to 2010. What remains to be seen is whether the new buyers recently entering the market at lower prices will significantly lower the numbers of cost burdened households.

Winners and Losers

The California roller coaster of boom and bust has not treated everyone equally. We find there are winners and losers in each of the periods we have examined. In this section we offer only a summary assessment, and further study is clearly deserved. Here we examine the changes in unemployment, poverty, and homeownership that were experienced by different racial or ethnic groups and age groups.

UNEMPLOYMENT BY RACE AND AGE

Figure 14 clearly shows that unemployment rates rose between 2000 and 2010 among all racial or ethnic groups in Los Angeles, California and the nation. And we see that unemployment was consistently highest among Blacks. Latinos experienced lower rates, while Whites and Asians fared best.

What might be most interesting are the changes each group experienced during the boom period (2000 to 2006). Whites and Asians in Los Angeles saw very little change in unemployment rates, while Latinos and Blacks enjoyed declines in unemployment. In particular, Latinos in Los Angeles fared much better than Latinos around the country, enjoying a 3.3 percentage point decrease in unemployment compared to the 1.8 percentage point decrease across the nation. Similarly, Blacks in Los Angeles experienced a 1.9 percentage point decrease in unemployment, compared to a 1.2 percent increase in unemployment in the United States.

Unfortunately, these decreases in unemployment for Latinos and Blacks did not persist during the Great Recession. As seen in Figure 14, Latinos suffered the greatest rise in unemployment of any racial or ethnic group in Los Angeles during the Great Recession, increasing by 6.7 percentage points and reaching 13.4
percent by 2010. Blacks also saw a steep increase in unemployment during the Great Recession, with unemployment rates in Los Angeles growing from 11.9 to 18.3 percent—a growth of 6.4 percentage points.

Whites in Los Angeles fared almost as well as Asians, who managed best overall during the past decade. During the boom period, Asian's unemployment rates decreased from 5.9 percent to 5.4 percent. During the Great Recession, Asians continued to fare better than the other racial groups and saw a much more moderate increase in unemployment, growing by only 4.0 percentage points to 9.5 percent.

Similar trends are observed in California and the U.S., as in Los Angeles, in that Latino employment fared much better than others during the boom, but then suffered a sharp upturn in the recession. What is most noticeably different is that Black unemployment in the nation as a whole actually increased during the boom, a far less favorable outcome than Blacks enjoyed in Los Angeles or California.

When examined by age, one group stands out for its high unemployment— young people ages 16 to 24 who are looking for work but are not able to find a job. Among the other age groups unemployment trends are much more similar to one another (Figure 15). In general, we observe the same pattern as for racial/ethnic groups in that employment improved more during the boom in Los Angeles than in California as a whole, and improved least in the U.S. Indeed, unemployment actually worsened during the boom in the nation as a whole. During the subsequent bust, unemployment soared by roughly the same amount for all ages.

**POVERTY BY RACE AND AGE**

Poverty exhibits much more modest changes over time than observed for unemployment. Figure 16 displays the changes in poverty rates for the four major race-ethnic groups.

Two groups—Blacks and Latinos—suffer much higher poverty rates in all years than other groups and these differences are roughly the same in Los Angeles, California and the U.S (although Blacks are markedly worse off than Latinos in the U.S. as a whole).

As found in the case of unemployment, poverty declined during the boom years more markedly in Los Angeles than in California as a whole, and it actually increased during the boom in the U.S. This pattern prevailed among all the race-ethnic groups save Whites, whose poverty rate remained flat during the boom and rose in the bust. In Los Angeles, Blacks and Asians experienced a greater rise in poverty during the bust than for the other groups.

In terms of age groups, poverty patterns are much more intricate (Figure 17). The highest poverty rates are for children under age 16 or teens and very young adults ages 16 to 24. The lowest poverty rates are for older adults, including those over age 65. In Los Angeles, children have notably higher poverty rates,
while in the nation they are better off than the teens and young adults.

Notable changes have occurred over the boom-bust cycle as well. Taking adults ages 25 to 34 as our main point of reference, it is clear that substantial reductions in poverty occurred in Los Angeles during the boom, but those improvements in poverty ceased during the bust. More importantly there was a uptick in poverty increased across all age groups; however, children and adults in the 35-44 year old age group were hit hardest. In California, similar to the observations above for race and ethnic groups, poverty gains were weaker during the boom and increases in the bust were greater. For the U.S. as a whole, poverty increased steadily for all groups except the 65+ age group, even during the boom, and then continued upward in the bust.

**HOMEOWNERSHIP GAINS & LOSSES BY RACE AND AGE**

The changes in home ownership rates among different racial and ethnic groups are displayed in Figure 18. Here, we offer a break down according to the different periods of boom and bust, followed by the cumulative effects on home ownership for the entire decade encompassing this business cycle. The most efficient way to permit comparisons between races, time periods, and geographic locations is the format of showing net changes in home ownership.

The general pattern is gains for all groups during

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**Figure 16** Poverty by RACE

Los Angeles County

California

United States

Source: U.S. Census Bureau, 2000; American Community Survey, 2006 - 2010

**Figure 17** Poverty By AGE

Los Angeles County

California

United States

Source: U.S. Census Bureau, 2000; American Community Survey, 2006 & 2010
the boom period and losses in the bust, with mixed results for the decade as a whole. The most consistent increase across all three regions during the boom occurred for Latinos, with an increase of greater than 4 percentage points in California and greater than 3.4 percentage points for Los Angeles and the U.S. Asians also made gains during this period, although they were inconsistent in the varying regions, with just over 1 percentage point gain in Los Angeles, but nearly 7 percentage points across the United States.

Blacks appear to have experienced the least amount of gain during the boom and also the greatest rate of decline in home ownership rates during the bust, leaving them with the greatest net loss in home ownership rate in all areas for the decade. Clearly, the full period of 2000 to 2010 was best for both Asians and Hispanics, as these groups were able to retain a good portion of the gains made during the boom despite reasonable losses during the bust.

Los Angeles residents generally fared better in these comparisons than did all Californians. Blacks and Latinos, in particular, suffered less of a loss in home-ownership during the bust and also experienced less overall loss for the decade. In contrast, Asians, and to a lesser degree, Whites, achieved less overall gains in homeownership in Los Angeles than in California or especially the nation as a whole.
Age group patterns of loss and gain are more clear-cut. Similar to the figures comparing race, these graphs utilize the different periods of the business cycle and also show the aggregate result for the decade. Here, we’ve delineated the age groups by 25 to 44 year olds, 45 to 54 year olds, 55 to 64, and 65 and older.

By far, the most volatile category appears to be 25 to 44 year olds, the prime group for new home buying. These young adults achieved the greatest increases in home ownership rates during the boom and suffered the most severe declines during the bust. This age group achieved higher gains during the boom than the others in Los Angeles and California and suffered very severe losses in all regions during the bust. The next most vulnerable group to the downturn was ages 45 to 54, followed by the older groups. Apparently, the younger and likely more recent homebuyers were more susceptible to losses in the housing market.

Cumulatively, the decade did not result in positive growth in homeownership rates for any particular age category. The exception was among age 65 and older, which had a slight expansion of 1.0 percent in the United States. The relative success of this age group—the opposite of ages 25 to 44—might be explained because most older homeowners purchased in earlier decades, used more traditional financing arrangements, and have acquired more home equity or own their homes without any mortgage payment.

**Conclusion**

The Great Recession is widely regarded as the worst economic calamity to befall the American people since the Great Depression of the 1930s. Some of its effects are certainly worse in California than in much of the United States. However, the recent history of California has been one of extreme ups and downs, or what we have termed “the California roller coaster.” In some respects at least, the long recession of the early 1990s may have been even worse for California than the recent, Great Recession. Our successful rebound from the earlier severe rebound is likely to be repeated again. In fact, Californians already have survived the Great Recession better in many respects than residents in the rest of the nation.

**WHAT KIND OF BOOM AND BUST?**

The outstanding feature of the Great Recession is the housing crash, which is far greater than any experienced before. It was not only deeper in California (53% decline in prices, in constant dollars) than in the 1990s long recession (26% decline), but the current bust also has afflicted virtually every state in the nation. The crisis in housing undermined financial markets to a degree never imagined and precipitated a financial crisis that was global in extent. What especially made the housing bust so painful was that it was preceded by an extreme boom in prices—the so-called “housing bubble.”

A sharp reduction in employment is a second major feature of the Great Recession; a loss of 7.6 percent of jobs in Los Angeles from 2007 to 2010, 6.1 percent in California, and 4.8 percent in the U.S. However, employment losses were just as severe in Los Angeles during the long recession of the 1990s; from 1990 to 1993, a decline of 8.1 percent, (compared to a 3.3% decline in California and 1.2% decline in the U.S) (Figure 2).

Despite these negative effects of the housing crash and employment losses, other indicators suggest that the Great Recession has been less volatile and damaging than the 1990s long recession. Recent employment losses are indeed severe, but the roller coaster effect was more violent in the 1990s recession because it was preceded and followed by years of much
stronger employment growth than witnessed during the boom of the 2000s. In contrast, the employment growth prior to the Great Recession was fairly weak. This was a housing boom followed by a housing crash and unemployment crunch.

SURPRISING EFFECTS ON POVERTY AND INCOME
What is most puzzling is the relatively moderate effect these negative trends in employment and housing have had on poverty rates. There may have been a housing and employment crash but there is not a concomitant surge in poverty. In the nation as a whole the poverty rate has risen from 13.3 percent in 2006 to 15.3 percent in 2010. Even more surprising is that the national poverty rate was climbing steadily through the entire boom of the 2000s, rising from 11.3 percent in 2000 (Figure 4).

Soaring poverty was a major crisis in Los Angeles during the long 1990s recession, leaping from 15.1 percent in 1990 to its peak level of 23.8 percent in 1993 and only slowly moderating thereafter. By 2000, poverty had nearly returned to its 1990 level (15.9%) but then rose again with the 2001 recession. With the 2000s boom fully underway the Los Angeles poverty rate finally fell to a new low of 14.6 percent by 2007.

The effect of the Great Recession on poverty in Los Angeles has been minor compared to the 1990s long recession. The poverty rate climbed only 2.9 percentage points from 2007 to 2010, reaching 17.5 percent in 2010. This increase is far outweighed by the 8.7 percentage point gain during the 1990s recession. The contrast is less stark for California as a whole—a poverty increase in the Great Recession of 3.4 percentage points compared to 4.9 percentage points in the 1990s. In the United States, the current increase in poverty is slightly greater than the 1990s recession, an increase of 2.3 percentage points versus 2.0 percentage points.

WHAT POPULATION GROUPS FARED BEST?
Not all groups were equally advantaged in the boom. Not all groups were equally advantaged in the boom and bust of the decade. Latinos fared especially well during the boom, lowering both their unemployment and poverty rates and raising their homeownership rate more than others. Blacks also fared well, but mainly in Los Angeles not in California or the nation as a whole, and not with regard to homeownership or poverty. Asians lowered their poverty rate during the boom and they raised their homeownership rate more than most in the Nation. Whites achieved very little improvement in poverty, unemployment, or homeownership but their position was already the most favorable (Figures 14, 16, and 18).

In the subsequent downturn, all racial and ethnic groups experienced a similar deterioration in fortunes, but Asians suffered less of a decline in homeownership. Some of the largest differences are with regard to age groups. Young people had much higher unemployment and poverty throughout the decade and were similarly disadvantaged in all three geographic areas (Figures 15 and 17).

Young adults also suffered the greatest losses in homeownership during the decade. Ages 25 to 44 are the most important among homebuyers—they are the ones most active in home buying and increasing their homeownership rate. Initially, adults ages 25 to 44 had gained the most in the boom period, especially in Los Angeles (+1.0 percentage point) and California (+1.8 percentage points), despite the very high home prices during the boom. However, during the Great Recession that followed the crash young adults also lost the most in housing. Their homeownership rates between 2006 and 2010 fell by 7.1 percentage points in California, but somewhat less in Los Angeles and the Nation. At the end of the decade, homeownership rates of all age groups save the elderly had fallen compared to 2000; young adults suffered the most, falling just over 5 percentage points in, and a little less in Los Angeles and the nation (Figure 19).

PROSPERING AFTER THE GREAT RECESSION
In the end, Los Angeles and California have suffered a great housing calamity. This was the boom and also the bust. The younger generation was especially damaged by this cycle of events and some of them may have been permanently relegated to the status of renters. But we might hope that the reduced house prices also have lowered the barrier to homeownership for countless others. Certainly the unemployment crisis triggered by collapse in the housing sector continues to haunt us. Yet on other indicators Californians, especially Angelenos, have fared surprisingly well. Rises in poverty are far lower than during 1990s crisis, and household incomes have also regained their lost advantage over the national average. This is a good platform on which to build prosperity in the new decade.
Endnotes

1. A recession is based on a decline in economic activity, a period which officially ends when there is any growth, even from a very low level. The National Bureau of Economic Research’s defines a recession not as two consecutive quarters of decline in real GDP. Rather, a recession is defined as a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales (NBER 2010). Web. 25 Mar. 2011. Retrieved from: <http://www.nber.org/cycles/>


5. Following the Office of Management and Budget’s (OMB) Statistical Policy Directive 14, the Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is in poverty. If a family's total income is less than the family’s threshold, then that family and every individual in it is considered in poverty. The official poverty thresholds do not vary geographically, but they are updated for inflation using Consumer Price Index (CPI-U). The official poverty definition uses money income before taxes and does not include capital gains or noncash benefits (such as public housing, Medicaid, and food stamps). U.S. Census Bureau (2010). Web. 25 Mar. 2011. Retrieved from: <http://www.census.gov/hhes/www/poverty/methods/definitions.html>

6. The combined data allows for greater detail in historical price trends and allows for further refinement of ACS data for the period of 2006 through 2009. The slight variation in prices between sources is a factor of different universes. The Census and ACS housing prices include the value of all housing stock with surveys taken in April for values in the previous year (Census) and throughout the year (ACS). The industry sources use existing home sales to determine value and do not consider the housing stock that has not transacted in the past year. As a result, the industry sources act as a leading index as compared to the ACS/Census data. The Case-Shiller index is reported as an index. For the purposes of this analysis it has been adjusted to have a base year of 2000 that matches the Census price in 2000.


for more information...

Copies of all project reports are downloadable from the website of the Population Dynamics Research Group, Sol Price School of Public Policy

[link](http://www.usc.edu/schools/price/research/popdynamics/)

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