California’s High Housing Costs – Causes and Consequences

A March 2015 research analysis by the highly respected and non-partisan California Legislative Analyst’s Office outlines the serious impacts to California’s hardworking families and the state economy due to the lack of new housing construction.

- The median price of California home costs $440,000, two-and-a-half times the average national home price of $180,000.
- The state’s average rent is $1,240 per month, 50% higher than the rest of the country.

High housing costs are a direct result of supply not meeting demand

- The main obstacles to building more supply are cumbersome project reviews, growth controls, local community opposition to new housing, misused environmental reviews (CEQA) that are used to stop or limit development, scarcity of developable land and several other major obstacles.
- With demand far outstripping supply, competition for limited housing drives prices up for all Californians.
- California needs to build 100,000 units per year to seriously mitigate its problems with housing affordability.

High housing costs have real-world consequences on the state’s economy

- California’s shortage of housing and failure to meet demand:
  o Dramatically drives up the cost of housing for all Californians, in particular working families who have to spend a larger percentage of their income on housing.
  o Businesses have a harder time attracting and hiring qualified employees, which in turn impacts economic growth.

Source: Legislative Analyst Report: California’s High Housing Costs: Causes and Consequences - http://www.lao.ca.gov/Publications/Detail/3214