Housing Underproduction: A Risk to Latino Homeownership and the U.S. Economy

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Housing Underproduction has exacerbated U.S. wealth disparities, creating a bifurcated economy: one for those who have reaped the benefits of home equity appreciation, and another for those whose dreams of homeownership have become increasingly out of reach. While Housing Underproduction has been widespread, no demographic has been more disproportionately affected by the low supply of housing than Latinos. Today, over 51 million Latinos live in a market experiencing Housing Underproduction, 92% of Latinos living in the Metropolitan Statistical Areas (MSAs) studied in this report (U.S. Census, CPS ASEC, 2021). This should sound the alarm to anyone who has any interest in long-term U.S. economic prosperity.

The future of America's economy is directly tied to the growing U.S. Latino population. According to the National Association of Hispanic Real Estate Professionals® (NAHREP®) State of Hispanic Homeownership Report, the Latino youth community and their role in America's demographic trajectory trigger a closer look at how Latinos overall are navigating the existing perils of the housing market (2022). With a median age of 30, Latinos are 14 years younger than the non-Hispanic white population and many are in their prime homebuying years. Nearly 2 in 3 Latinos today are aged 40 or younger (U.S. Census, CPS ASEC, 2021). Between 2010 and 2020, Latinos accounted for over half (51%) of the nation's population growth (U.S. Census, Decennial Census, 2021, pp. 94-171) and

were responsible for the overwhelming majority (80.8%) of labor force growth (Bureau of Labor Statistics, 2021). Projections indicate that these trends will continue. The U.S. Department of Labor projects that Latinos will comprise 78% of net new workers between 2020 and 2030 (Dubina, 2021). Additionally, the Urban Institute predicts Latinos will account for more than half (53.1%) of new household formations between 2020 and 2040, while non-Hispanic white household formation will decline over the same timeframe. All these factors form the basis for the Urban Institute's projection that 70% of homeownership growth over the next 20 years will come from the Latino community (Goodman & Zhu, 2021).

While these projections offer a glimpse into the promise of the Latino community, they also underscore the risk associated with severe levels of Housing Underproduction. As of 2021, the annual national Latino homeownership rate is 48.4%, which continues to fall significantly below the overall U.S. homeownership rate of 65.5% (U.S. Census Bureau, Table 6, 2022). Housing market trends following the Great Recession offer a glimpse into the role Latinos have historically played in carrying the housing market, but also the shift that has occurred as a result of the housing shortage. In the ten years leading up to the COVID-19 pandemic, Latinos accounted for the majority of U.S. homeownership growth. However, the share of new homeowners attributed to Latinos decreased from its peak of 68% in 2015 to just 18.1% in 2021 (U.S. Census Bureau, Table 6, 2022). This pendulum shift occurred as the market saw historic dips in housing inventory and historic home price appreciation.

According to Freddie Mac, the U.S. is short 3.8 million homes relative to demand (2021). Housing Underproduction, particularly entry-level, owner-occupied housing, is the biggest barrier Latinos face in bridging the homeownership gap, despite Latinos being more mortgage-

Metro Name	Latino Population Share	Housing Underproduction as a Share of Total Housing Stock
Gainesville, GA	29%	11.6%
Oxnard-Thousand Oaks-Ventura, CA	43%	10.9%
Riverside-San Bernardino-Ontario, CA	52%	10.4%
Salem, OR	27%	10.3%
Laredo, TX	95%	9.9%
Merced, CA	61%	8.7%
Brownsville-Harlingen, TX	90%	8.6%
Los Angeles-Long Beach-Anaheim, CA	45%	8.4%
Bend, OR	8%	8.2%
Miami-Fort Lauderdale-Pompano Beach, FL	46%	8.1%

ready than ever. Freddie Mac defines "mortgage ready" as a group of potential future borrowers ages 45 and younger, who exhibit the following characteristics to qualify for a mortgage: Credit score equal to or greater than 661, a debt-to-income ratio equal to or less than 25%, no foreclosures or bankruptcies in the past 84 months, and no severe delinquencies in the past 12 months. There are currently 8.3 million Latinos who are mortgage-ready and have qualifying credit characteristics but are not currently mortgage holders—a number that has more than doubled since 2015.

Rising price points have pushed homeownership out of reach for many first-time buyers across the country, particularly in Latino-dense markets. Housing prices have increased in every state across the country, but the states with the highest appreciation are those with high Latino populations. Arizona and Florida, home to a combined 12.7% of the U.S. Latino population, saw the highest home price appreciation in the country at 28.6% and 25.6%, respectively (Boesel, 2022). Affordability challenges for Latinos were most pronounced in metros with the largest discrepancy between median Latino household income and median-priced home. In the greater New York metro, a market that requires a six-figure income ($119,974) to afford to purchase a median-priced home, the median Latino household income is $49,900. Likewise, in Los Angeles, the household income required to afford a median-priced home ($144,330) is more than double the median Latino household income of $66,700 (HSH, 2022). Only 15.2% of Latino households in the Greater Los Angeles MSA have an income above $150,000 (U.S. Census Bureau, CPS ASEC).

The data featured throughout this report underscores an important reality: Latinos are concentrated in areas exhibiting the highest rates of underproduction.

Latinos Live in States with the Highest Rates of Underproduction

According to the Housing Underproduction analysis by Up for Growth, California, Texas, and Florida have the highest Housing Underproduction—more than 1.6 million units. These are also three of the most populous Latino states in the U.S., home to 32.7 million Latinos, more than half of the nation's Latino population.

California is the most populous Latino state in the nation and has also experienced some of the most acute housing shortages, resulting in the greatest decrease in Latino net migration in 2021, at a loss of 22,029 Latino households.

The Texas market has offered critical affordable homeownership opportunities during the past decade, making Texas an important state for future Latino homeownership growth. But the levels of underproduction in Texas pose a threat to future Latino homeownership growth because Latinos are moving to the state in search of those opportunities. Texas has seen the highest inbound migration of Latinos in the nation, adding 17,226 Latinos in 2021. In partnership with Freddie Mac, NAHREP® identified the top 25 opportunity markets for mortgage-ready Latinos ranked by share of those who can afford median-priced homes. Texas is home to the top four markets and makes up nearly one-third of the entire list.

Latinos Are Concentrated in Metropolitan Areas with the Highest Rates of Underproduction

A breakdown of underproduction by MSA indicates that nine of the top ten MSAs exhibiting the highest rate of underproduction have a Latino population above the national average, and seven out of ten have a Latino population above 40%.

> The Riverside-San Bernardino-Ontario, CA market, colloquially known as the Inland Empire, ranks third in the country for its share of Housing Underproduction. This is alarming since it is one of the most important markets for Latino homeownership in the nation. Between 2019 and 2021, the Inland Empire produced the most new Latino homeowners, adding a total of over 88,000 new Latino-owner households. Today, the Inland Empire has a Housing Underproduction share of 10.4%, more than triple what it was in 2012 and the third-highest share in the nation.

> Underproduction is occurring in the top 10 most populous Latino markets. Not only is there currently Housing Underproduction in all of the top 10 MSAs with the largest Latino populations in the country, but between 2012 and 2019, the crisis worsened in each of these markets. The most pronounced shift can be seen in the Phoenix-Mesa-Chandler, AZ market, which prior to 2012 was not experiencing Housing Underproduction, but now has a Housing Underproduction share of 5.8% relative to its current housing stock. Out of 140 MSAs that were found to be producing enough housing in 2019, only 16 of them, or 11%, had a Latino population at or above the national average.

Metro Name	Latino Population Share	Housing Underproduction as a Share of Total Housing Stock
Los Angeles-Long Beach-Anaheim, CA	45%	8.4%
New York-Newark-Jersey City, NY-NJ-PA	25%	4.5%
Miami-Fort Lauderdale-Pompano Beach, FL	46%	8.1%
Houston-The Woodlands-Sugar Land, TX	38%	2.8%
Riverside-San Bernardino-Ontario, CA	52%	10.4%
Dallas-Fort Worth-Arlington, TX	29%	3.0%
Chicago-Naperville-Elgin, IL-IN-WI	23%	3.4%
Phoenix-Mesa-Chandler, AZ	31%	5.8%
San Antonio-New Braunfels, TX	57%	7.8%
San Diego-Chula Vista-Carlsbad, CA	34%	5.6%

Conclusion

In the U.S., homeownership has historically been the most important tool for building wealth from one generation to the next. Housing Underproduction has become the biggest threat to Latino homeownership growth and in turn, Latino wealth creation. As of 2019, Latino homeowners have 28 times the wealth as Latino renters, underscoring the multiplier potential homeownership can provide in bridging the wealth gap. A failure to address the housing supply crisis could result in a steep decline in the overall homeownership rate and could have a devastating impact on the nation's GDP and economic well-being.

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