The “American Dream” denied

US home ownership rate hits lowest level in two decades

By Andre Damon
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The economic recession that began with the collapse of the housing market in 2007 officially came to an end in June 2009—more than six years ago. But by most indications, American households are significantly worse off than they were at the depth of the downturn. Despite the drop in the official unemployment rate, household incomes have fallen, wages have stagnated and student loan debt has soared.

A study by Harvard University’s Joint Center For Housing Studies released on Wednesday points to another sign of the widespread economic distress affecting broad sections of the US population: the persistent fall in the share of households who are able to achieve the “American Dream” of homeownership.

According to “The State of the Nation’s Housing 2015,” the share of American households who owned their own home fell to 64.5 percent last year, the lowest level in two decades, based US Census data. This was down from a homeownership rate of over 69 percent in 2004, and was unchanged from the homeownership rate in 1985, three decades ago.

The fall in homeownership was prevalent in all age groups, but younger households were among the most affected. The ownership rate for 35-44 year-olds was down 5.4 percentage points from 1993, and has hit a level not seen since the 1960s. Only slightly more than one-third of households headed by those aged 25-35 owned their own homes.

The report attributed the continuous decline in homeownership to falling incomes, persistent long-term unemployment and a significant tightening of credit.

As the report notes, “Despite steady job growth since 2010 and a drop in unemployment to less than 6 percent, the labor market recovery has yet to generate meaningful income gains. At last measure in 2013, median household income was $51,900—still 8 percent below the 2007 level in real terms and equivalent to 1995 levels.”

In fact, the “steady job growth” is largely fictional, with the official drop in unemployment due mainly to the departure of hundreds of thousands of people from the labor force. This is itself a significant factor in the persistence of low wages and the decline in household income.

Even as household incomes have been eroded, banks have severely tightened credit, particularly to those households who need it most. One survey covering the period between 2001 and 2013 found a 37 percent drop in home loans issued to borrowers with poor credit scores, compared with a 9 percent decrease among borrowers with higher scores.

Lenders’ current tight-fisted lending practices are the polar opposite of their policies in the run-up to the 2008 financial crash. Between 2000 and 2008, Wall Street banks made billions of dollars suckering families into taking on mortgages for homes they could not afford, then selling off the worthless mortgages in the form of mortgage-backed securities. When this Ponzi scheme collapsed, the federal government handed the banks hundreds of billions in bailout funds.

For working families, there was no bailout, and after more than 10 million foreclosures, about 13 percent of homes remain “underwater,” with owners paying mortgages for more than their homes are presently worth.

The growing inability of families to afford their own homes had led to soaring demand for rental properties, and a corresponding increase in prices. Last year, rents rose at twice the pace of overall inflation.

This has led to a growing share of households who expend a large portion of their monthly incomes simply on paying rent. The report noted that over the past 10 years, the share of young renters who spent one-third or more of their incomes on housing increased from 40 percent to 46 percent, while those paying more than half of their incomes on housing rose from 19 percent to 23 percent.

Growing housing costs add to the litany of other financial pressures facing younger households. The report notes, "The share of renters aged 25–34 with student loan debt jumped from 30 percent in 2004 to 41 percent in 2013, with the average amount of debt up 50 percent, to $30,700."

"Much to their detriment, cost-burdened households are forced to cut back on food, health care, and other critical expenses," notes the Harvard report. "Affordable housing thus means a dramatic improvement in quality of life for households able to obtain it, but federal assistance lags far behind need."

This is, to put it mildly, a significant understatement. Even as the need for housing assistance has soared, housing assistance funding has been slashed at every level of government. Hundreds of thousands of families have lost federal housing assistance as a result of the "sequester" budget cuts that began in 2013, while cities throughout the country have cut back on housing programs.

Last month New York City Mayor Bill De Blasio—promoted as a "progressive" Democrat—announced a plan to jack up fees for low-income residents in the city's public housing projects, while moving to sell off sections of public housing to private developers.

Meanwhile, at the top of society, there is money to burn. The *Wall Street Journal* noted in a report published Wednesday that CEOs at top US corporations saw their median pay increase by 13.5 percent this year, to an average of about $13.6 million. Billionaire shareholders did even better, with the values of their shares, combined with dividend payments, appreciating 16.6 percent over the past year.

Amid historically low rates of homeownership, particularly among lower-income buyers, homebuilders are adjusting to a market in which buyers are increasingly wealthy. The median size of a new single-family home has increased by 12 percent between 2009 and 2013, while the median size of multi-family homes intended for the rental market shrank.

Real estate companies are scrambling to build extravagant housing for the super-rich. In New York City, developers have been hard at work constructing "vertical mansions" in the areas surrounding Central Park.

One of these buildings, 520 Park Ave, features 31 apartments sprawling to at least 4,600 square feet and listing at $27 million or more. A penthouse in the building is currently selling for $130 million, while at nearby 220 Central Park South, one Qatari billionaire is combining several apartments into a $250 million "mega-penthouse."

The oligarchs who inhabit these buildings, located in a section of Manhattan known as "billionaires' row," are each likely to own several more similarly-priced properties. As one recent report noted, "The average billionaire owns four homes, with each one worth nearly US$20 million….dotted around the globe."

After six years of the Obama "recovery" it is clear that there has been no improvement in the living conditions of the great majority of the US population. The so-called recovery has been for the corporate and financial aristocracy, whose wealth has soared amid a surging stock market fueled by virtually unlimited free money from the US Federal Reserve.