## US homeownership rate falls to lowest level in 51 years

Gabriel Black 3 August 2016

The United States' household home ownership rate fell to its lowest level in a half-century in the second quarter of 2016, according to statistics released by the US Census Bureau last week.

During the months of April, May and June, the percentage of American households that owned a home decreased by 0.6 percent, or about 750,000 households, down to 62.9 percent. This is the lowest percentage of home ownership since the Census Bureau began recording the home ownership rate in 1965. The 51-year low comes despite record low interest rates for mortgages.

The home ownership rate in the US has been declining since June 2004, when it reached a peak of 69.2 percent. If Americans owned homes at the rate they did in 2004, then roughly 7.9 million American households who do not own homes would.

The decline in homeownership is one sign of the deep social crisis in the United States. As rents and housing costs have soared, spurred on by financial speculation that has enriched the ruling elites, incomes and jobs for most Americans have shriveled.

This national phenomenon is bound up with a broader global housing crisis facing large sections of the world's population, particularly workers and youth.

Rent and housing costs in most major cities around the world have skyrocketed since the financial crash of 2008, cuttingly deeply into workers' standard of living and prompting concerns about an unsustainable global housing bubble. Amid economic stagnation, workers are being laid off and their wages and benefits cut. High costs and low wages put large sections of the population, particularly urban workers, youth and sections of the middle class, in an impossible position.

In the United States, housing prices increased by 5.2 percent between May 2015 and May 2016, according to

the S&P CoreLogic Case-Shiller Index. Mark Vitner, a senior economist at Wells Fargo, told *National Mortgage News*, "One of the biggest hurdles now is affordability. Home prices are rising so much faster than incomes, so it's hard for buyers to save for a down payment."

Between 2001 and 2014, median household income dropped by nine percent in the US. At the same time rental prices have increased, on average, by seven percent, according to a Joint Center for Housing Studies at Harvard University study published this year.

Young adults have been particularly hurt. The rate of homeownership for Americans aged 18 to 34 fell 0.7 percent in the second quarter of 2016, dropping to 34.1 percent. This is the lowest rate recorded for this age group going back to 1992. For the first time in 130 years, Americans in this age group are more likely to live with their parents than another living situation, according to a May 2016 Pew Research Center report.

This is part of a global trend. In the United Kingdom, home ownership rates are at the lowest level in 30 years. A little less than 64 percent of households own homes, a rate not seen since 1986. In Australia, less than half of all adults are expected to own homes in a few years, according to University of Melbourne Professor Roger Wilkin's research. Ownership rates declined by 3.5 percentage points between 2002 and 2014, he found.

The Swiss bank UBS estimated earlier this year that the majority of the world's urban real estate markets are now "significantly overvalued." In London, the average home price has doubled since 2009, from about £300,000 (\$437,600 USD) to £600,000 (\$875,100). Hong Kong's average home price more than tripled between 2004 and today.

Meanwhile, incomes have declined or stagnated for

about two-thirds of the population in the advanced economies, according to a McKinsey Global Institute report released last month. The study found that between 540 million and 580 million people either saw their incomes stagnate or decline in 25 of the most advanced countries.

This trend is unprecedented. Historically, rent and housing costs have risen and fallen in accordance with wages and the interest rate. A higher interest rate, or higher wages, would tend to push housing costs up. Today, this trend has reversed. Despite a decade-long decline in wages, and interest rates at near zero in many countries, housing prices are increasing substantially.

Financial speculation is the cause of this reversal. As UBS noted in its 2015 Global Real Estate Bubble Index, "Loose monetary policy has prevented a normalization of housing markets and encouraged local bubble risks to grow." According to the report, much of the "overvaluation" in the global housing market comes from a "dependence on low interest rates."

Due to low interest rates, banks and other financial institutions are receiving billions in virtually interest-free loans from the world's central banks, only further encouraging them to invest in the stock market and real estate. It is these purchases of real estate by financial speculators that drive up the cost of rent and housing when the large majority of the population is losing its income.



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