

THE **CAAS** RESEARCH REPORT

Vol. 1, No. 2 December 2002

UCLA Center for African American Studies

LIVING JUST ENOUGH: RACE and HOMEOWNERSHIP in LOS ANGELES

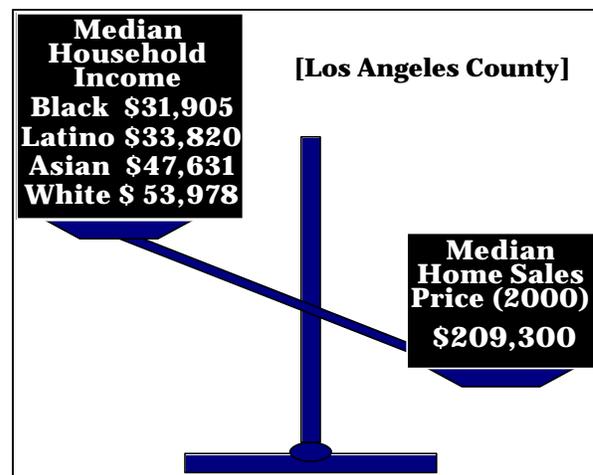
Owning one's own home is a defining element of the "American Dream." Like many other aspects of the "American Dream," homeownership has been more difficult for African Americans to attain, relative to other groups. Homeownership rates are approximately 20 percentage points higher among Whites than for Blacks or Latinos in Los Angeles County. This research reviews trends in homeownership by race, focusing specifically on Los Angeles County. Making homeownership more attainable for African Americans and other Los Angelinos must become a policy imperative for those interested in the well being of urban communities.

Introduction

The dream of owning a home of one's own is pervasive for practical, financial and cultural reasons. In recent years there has been substantial research regarding racial differences in wealth accumulation (Oliver and Shapiro, 1995). This research has demonstrated that despite small declines in racial gaps in income, racial gaps in wealth remain an intractable problem. Wealth accumulation both depends on intergenerational support, and determines the boundaries of support for future young adults' socio-economic outcomes. Wealth illuminates both current dynamics of race, and the continuing legacy of racial inequality (Conley, 1999; Oliver & Shapiro, 1995). Of course, for most Americans, home equity represents the bulk of their overall wealth portfolio. Racial gaps in homeownership represent a barrier preventing African Americans and other minorities from gaining access to the most widely used method for

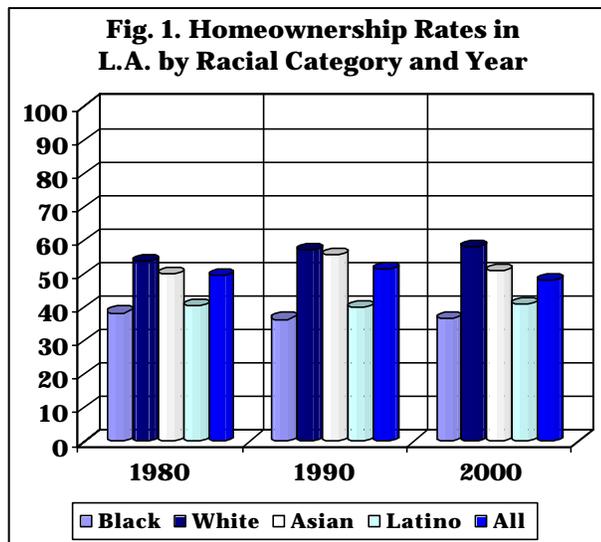
obtaining wealth (Yinger, 2000). Individuals and families may borrow against their home equity to finance new business ventures, or propel adulthood status of children with the gift of a down payment for their own home. Homeownership also has substantial socio-cultural importance. In fact, most Americans continue to define the "American Dream," in part, by the prospect and attainment of homeownership.

Homeownership in Los Angeles is an area in which the disparities between Blacks and Whites are particularly stark. When it comes to housing, Los Angeles County ranks as one of the least affordable communities in the nation. With median priced homes of over \$200,000, homeownership is affordable to less than half of Los Angeles households. The "Affordable Housing Crisis" is real and immediate to African American families in Southern California. Substantial housing costs leave fewer resources to spend on life's other necessities.



Trends in the National and Local Homeownership Rate among African Americans

Black families in Los Angeles County have generally had lower homeownership rates than non-Hispanic Whites. Furthermore, the gap between Blacks and Whites has increased in the last several decades. While the rate of homeownership among Whites has increased slightly, the rate among African Americans has remained low.



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Explaining Racial Differences in Homeownership

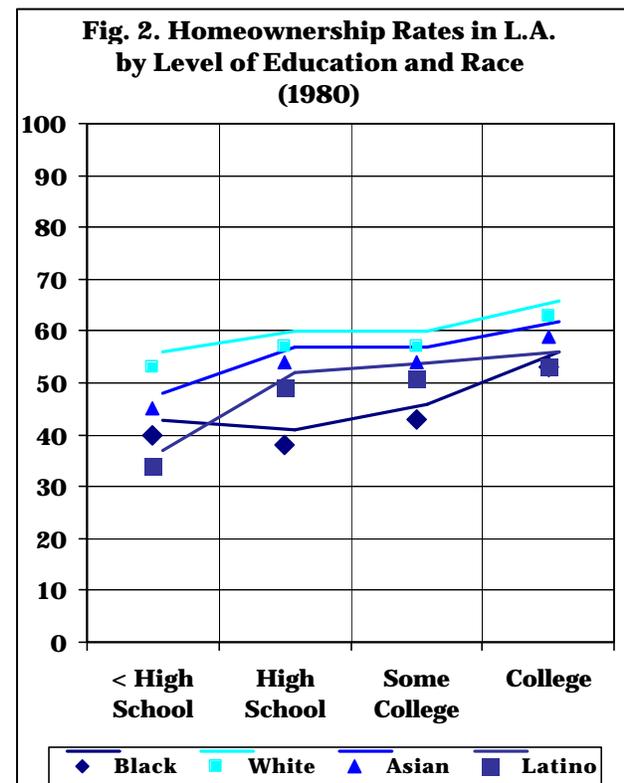
Racial disparities in homeownership have been a subject of ongoing scholarly and policy debate (see for example, Painter, Gabriel, and Myers, 2001; Coulson, 1999; Gyourko & Linneman, 1996; Rosenbaum, 1996; and Yinger, 1995). This interest derives from the sizeable and persistent gaps in rates of homeownership. Explanations of continuing racial gaps in homeownership are numerous. Families maintained by Blacks or other racial and ethnic minorities may experience particular difficulties in buying a home as a result of racially patterned differences in endowment characteristics such as education and income; they may also face peculiar structural barriers in the housing market such as segregation or direct expressions of prejudice and discrimination in the housing market which may shape the likelihood of homeownership (Yinger, 1995; Alba & Logan, 1991, 1992, 1993; and Massey & Denton, 1993).

It is likely that all of these factors play a role in racial disparities in homeownership. This research

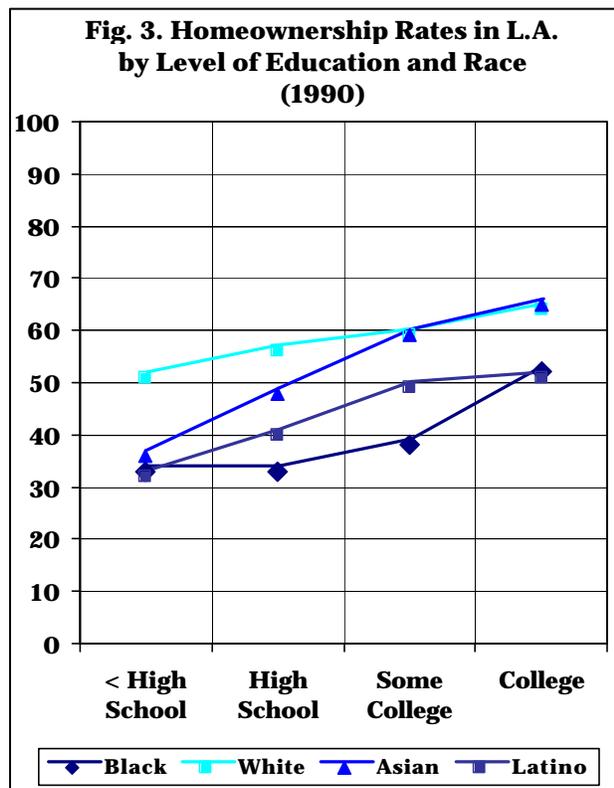
examines the extent to which observed racial differences in homeownership are due to differences in human capital endowments or other social-demographic characteristics of households, as well as how such differences are shaped by family change. I focus on the homeownership experience of young African Americans in Los Angeles County in some detail. Young adulthood represents what has historically been a common point of entry into homeownership. As such, changes in the last several decades demonstrate the impact of the current social and economic environment. The centrality of homeownership to family asset accumulation, as well as its significance to the standard of living and overall sense of well being among young adults cannot be overstated. Changes in the cohort experiences of young African Americans offer us a glimpse at future racial differences in wealth accumulation.

A Contemporary Portrait of Homeownership: Income & Education

Both income and education levels are significant predictors of homeownership. Those with higher incomes and more education are more likely to own their home as opposed to rent. The relationship between education and homeownership is the same for both Blacks and Whites.



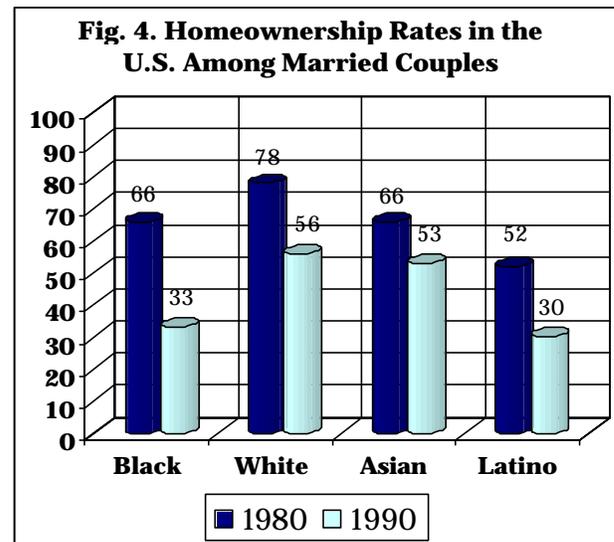
Education differences in homeownership are very similar to those of income. Among Blacks and Whites, those with a college degree are most likely to own their home. However, racial gaps persist at all levels of education, but are especially profound among those with at least a high school degree, but less than a college degree. Notably, the racial gap in homeownership increased at each level of education.



Marital Status and Homeownership

Perhaps related to the particularities of the “American Dream” as an incentive to homeownership, there is a significant connection between the likelihood that an individual owns their home and their marital status. People who are currently married (as opposed to divorced or never-married persons) are much more likely to own their home (Sweet, 1990). It remains to be seen whether the increasing diversity in family and household arrangements will fundamentally alter family related transitions to homeownership in the future. While homeownership has increased recently among all marital status groups, married persons remain much more likely than others to own their home. As figure#4 illustrates, there are racial gaps

in homeownership even among those most likely to own, the married. Significantly, the racial gap is greatest among young, Black married couples. Blacks under 35, in particular, face significant difficulties in attaining the “American Dream” of homeownership and economic and social parity with Whites.



A Multivariate Analysis of Homeownership

One question, which arises out of the analysis of racial differences conducted with the aforementioned descriptive data, is whether racial differences between Blacks and Whites might be effected by their differential demographic and socio-economic profiles. Higher income and education levels are associated with homeownership. Married people are more likely than the unmarried to own their home. Young adults are less likely than older adults to own their home. Might the fact that Blacks are more likely to have lower education and income, and are more likely to be unmarried, account for racial differences in homeownership rates? In this next section I use logistic regression analysis to explore whether racial differences are eliminated when social and demographic characteristics other than race are held constant. Specifically, I address three related questions: 1) the relative importance of social and demographic characteristics in explaining Black-White gaps in homeownership; 2) whether social and demographic variables interact with race in ways which impact homeownership; 3) whether there are any significant changes in these patterns over time.

In order to answer these questions, I utilize 1980 and 1990 PUMS data of households in Los Angeles County to separately estimate models of homeownership for young adults between 25 and 35 years of age. As mentioned, the African American population has higher proportions of individuals with a range of characteristics that decrease the likelihood of homeownership. In the first model (see page #4, table# 1) I estimate only the impact of race on the odds of homeownership. In the second model, I estimate a full range of social and demographic characteristics which are believed to impact homeownership. The last model explores interactions between race and time, as well as race and marital status to assess the extent to which these characteristics may relate to homeownership differently as a consequence of race.

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Results:

In the first model, I limit the analysis to view, simply, the odds of homeownership for Blacks as opposed to Whites. Of course, the odds of

homeownership are substantially lower for Blacks relative to Whites. In the second model I include a range of social and demographic variables to see if the odds of Black homeownership relative to White homeownership increases to parity. Even holding constant the full range of social and demographic variables, the odds of Black homeownership remains about 40% lower, relative to Whites. As expected, married people have higher odds of homeownership. Similarly, those with higher levels of education and income were also more likely to own their home.

The interaction term representing the interaction between race and marital status indicates that the marriage advantage has comparatively less of an impact on the likelihood of homeownership among young African Americans. In other words, marriage does not provide the same increase in the likelihood of homeownership among Blacks, as it does among Whites. Similarly, the likelihood of homeownership among young African Americans declined substantially between 1980 and 1990. In other words, young African Americans have become more disadvantaged during the period in question.

TABLE 1. LOGISTIC REGRESSION OF HOMEOWNERSHIP ATTAINMENT, 1980-2000 *

VARIABLE	MODEL #1	MODEL #2	MODEL #3
YEAR	.88	.43	.43
BLACK	.44	.62	.76
ASIAN	1.19	1.09	1.2
LATINO	.55	.69	.94
AGE	-	1.1	1.1
HOUSEHOLD INCOME	-	2.6	2.6
MARRIED	-	2.8	3.2
FAMILY SIZE	-	1.2	1.2
HIGH SCHOOL	-	1.7	1.7
SOME COLLEGE	-	2.4	2.3
COLLEGE GRADUATE	-	2.4	2.4
MARITAL STATUS & RACE	-	-	.87
YEAR & RACE	-	-	.73
R ²	.02	.18	.21

* FULL MODEL AVAILABLE UPON REQUEST

** ALL VARIABLES SIGNIFICANT AT 0.05 LEVEL

To revisit the initial questions fueling this investigation, it appears that:

- 1) Controlling for other social and demographic characteristics does not eliminate the disadvantage of Blacks relative to Whites with regards to homeownership.
- 2) Marital status and race interaction suggests that marriage does not facilitate homeownership among Blacks in the same manner that it does for Whites.
- 3) The relative disadvantage that young African Americans face with regards to homeownership has increased substantially over the course of the period between 1980 and 2000.

Conclusions:

For most Americans wealth is largely centered on the ownership and value of their home. The differential rate of homeownership in the past has had a significant impact on the intergenerational transmission of wealth. Contemporary income and education inequality is dwarfed by racial inequality in wealth accumulation (Oliver & Shapiro, 1995). Hence, African American young adults in Los Angeles have inherited an economic legacy that harms their ability to enter the housing market. Perhaps more importantly, current declines in the rate of homeownership among young African Americans portend a future of ever-greater racial inequality in the area of wealth.

Far from race disappearing when we control for the numerous social and demographic compositional differences between Blacks and Whites, the racial gap persists. In fact, in terms of homeownership, racial inequality has grown more severe in the last several decades. This change is particularly evident when looking at young African Americans. Young African Americans have lower odds of marriage relative to Whites, and even when they marry, they do not eliminate their disadvantage. The significance of this gap becomes particularly evident when controlling for income, education, and other social characteristics that have been thought to drive the disadvantage of Blacks relative to Whites. The daunting challenge facing young

African Americans striving to realize the “American Dream” of homeownership has increased over time. Furthermore, the value of other auxiliary social characteristics –like marriage, in facilitating homeownership is lower for Black than it is for Whites.

The research presented here suggests that racial differences cannot be explained by corollary differences in economic and social characteristics associated with homeownership. A major focus of social policy in this area should be on facilitating homeownership among young African Americans, who may not have access to inherited family wealth which often provides the foothold needed to purchase one’s first home. Significantly, this disadvantage impacts African Americans at all educational and income levels. There are numerous social as well as economic benefits to homeownership, which should be afforded to African American young adults at higher levels than is currently the case. Homeownership represents both an integral part of the “American Dream,” as well as a major component of wealth. As such, growing inequalities between Blacks and White young adults with regards to homeownership should be a matter of pressing social concern.

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About the Author

Angela James is currently an Assistant Professor of Sociology at the University of Southern California. She is also a Research Scientist at UCLA in the Department of Psychiatry, Center for Culture & Health. Her degrees in Sociology and Afro-American Studies are from the University of California, Los Angeles (B.A., 1987; M.A., 1989; M.A., 1991; Ph.D., 1995).

Dr. James' current research is focused on understanding changes and continuities in Black marriage and family patterns, as well as on issues surrounding urban inequality. She has written articles examining a range of issues including: changing patterns of homeownership among Blacks, occupational patterns among women, the impact of economic restructuring on marriage, mate availability and the impact of marital status on psychological well-being, racial classification, assortative patterns of marriage among African Americans, interracial marriage and intimate relationships, and racial ambiguity (with M.B. Tucker).

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ISSN: 1540-1065

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