Inland housing bust doesn't mean vacant homes

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Press-Enterprise special report on the data released for Inland Southern California from the 2010 Census.

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After a construction boom spurred by easy credit and creative financing, Inland Southern California's housing market was clobbered by mortgage failures and high unemployment, causing many people to lose homes to foreclosure.

The vast majority of these former homeowners have rented other houses or moved to apartments. And the houses they left behind have been quickly reoccupied.

That is what some economists conclude from U.S. census data showing that as of April 2010, after years of intense foreclosure activity, the percentage of the housing stock standing vacant in Riverside and San Bernardino was only slightly higher than in 2000, before the Great Recession.

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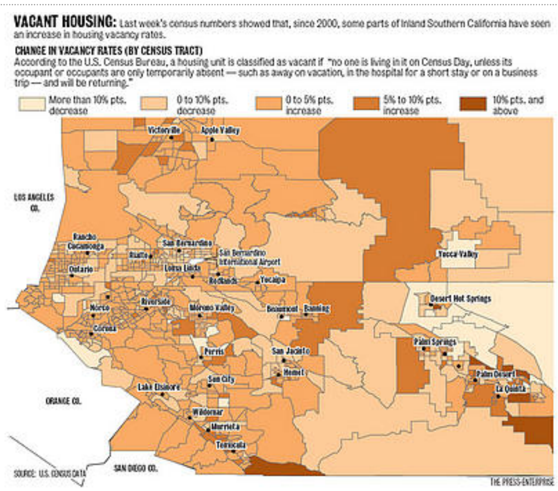

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During the past decade, vacancies as a portion of housing increased more sharply in counties such as Orange and San Diego that were less hard hit by foreclosures than the Inland area. Statewide the 2010 census showed 8.1 percent of housing units were vacant, a rate that was 38.3 percent higher than in 2000.

By contrast, the portion of housing units that were vacant in Riverside County rose from 13.4 to 14.3 percent over the same decade, which translates into a vacancy rate increase of just 6.5 percent.

In San Bernardino County, the share of homes that were vacant barely budged from 12.1 percent to 12.6 percent, which was a rate increase of just 4 percent.

"A lot of people have conjectured that foreclosures cause vacancies. That may be true in Detroit where you have more people leaving the area than are coming in. But that is not true (in Inland Southern California)," said Sean O'Toole, founder and chief executive of ForeclosureRadar, a company that tracks foreclosures.

"While foreclosures caused a lot of financial pain, it hasn't chased many people away," he added.

O'Toole, similar to several other real estate analysts, said the most important reason that kept home vacancies from rising faster in Riverside and San Bernardino counties was the region's tremendous population growth before the recession that even outpaced home building.

The census shows the population of Riverside County expanded by almost 41 percent from 2000 to 2010, while at the same time the county gained almost 37 percent more housing units. In San Bernardino County, the population grew by more than 19 percent, while the county added more than 16 percent more housing.

Also key to lower vacancies is the high affordability of Inland homes after prices collapsed, said Inland economist John Husing. Because homes are cheaper in the Inland Empire than anywhere else in Southern California, he said, they are being snapped up by first-time buyers and investors.

In the last three years, migration to the Inland Empire from surrounding counties has come to a near standstill, so the same population is moving rather seamlessly from residence to residence, said Husing.

However, Dowell Myers, a demographer at the University of Southern California School of Policy, Planning and Development, said because the initial census data combines vacancies for rental and for-sale housing, it is possible that a significant increase in vacancies of for-sale housing is camouflaged by a much strengthened rental market. More specific data is expected to be released later in the year.

Builders of apartments and houses averted creating a larger burden of unoccupied homes by stopping construction promptly when the market cooled, Myers said.

Builders caught with unsold homes when the market turned were assisted in attracting buyers with federal and state tax incentives, said Steve Johnson, a director in the Riverside office of Metro Study, a real estate consulting firm. Today there are very few finished homes that have not been pre-sold, he said.

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