

A California Dream: Not Having to Settle for Just One Bedroom

By JENNIFER MEDINA

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Robert Ganem is a former mortgage broker who now buys properties as investments. “Things are not too far off the peak prices now, and we just see them going up and up,” he said. Monica Almeida / The New York Times

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IRVINE, Calif. — This was the state that embodied the middle-class American dream: Move west, acquire a small slice of property, perhaps with a palm tree or two.

For decades, comfortable suburbs like this one just south of Los Angeles boomed with new housing tracts designed to attract the latest arrivals. When space started to come at a premium, developers moved inland, building more homes for people who could not afford the more expensive coastal areas.

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But now, cities across the state are grappling with a **dwindling stock of housing that can be considered affordable for anyone but the wealthiest.** In much of the state, a **two-bedroom apartment or home is virtually impossible to acquire with anything less than a six-figure salary.**

“It’s hard to imagine how all of California doesn’t become like New York City and San Francisco, where you have very rich people and poor people but nothing in between,” said Richard K. Green, an economist and director of the Lusk Center for Real Estate at the University of Southern California. **“That’s socially unhealthy and unsustainable, but it’s where we are going right now — affordability is its worst ever, and we’re seeing a hollowing-out of the middle class here.”**



Abel Ruiz, center, with his parents, sister and brother in the one-bedroom apartment they share.
Monica Almeida / The New York Times

The problem extends far beyond San Francisco, where wealth from the technology industry has sent housing costs skyrocketing. In Los Angeles and Orange Counties, less than 25 percent of homes for sale are within reach of the region’s middle-class earners, according to an [analysis](#) by

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Trulia, a real estate website. Of 10 markets nationwide that Trulia ranked as least affordable for the middle class, six were in California.

“I talk a lot of buyers out of sticker shock,” said Linda Ginex, a real estate agent in Orange County. She routinely steers clients to suburbs they might not have initially considered or, for people who insist on living in the most desirable cities, into condominiums instead of houses. “A lot of people who grow up here think they can afford what their parents had, but that’s not always realistic,” she said.

In Los Angeles, the average renter spends nearly half of his or her income on rent, according to a [study](#) released this year by the University of California, Los Angeles. To make the rent, many families have opted to double up with other families, sometimes cramming six or seven people into a small apartment.

Denny Bak, 31, who grew up as a son of a minister in Aliso Viejo, a small city in southern Orange County, figured that with his salary as a police officer and his wife’s as a nurse, they would easily be able to find a three-bedroom house with a small yard. But when the couple set out searching in the neighborhoods he knew best, homes were at least \$800,000 — more than double what they could afford.

Eventually, they found an older, ranch-style home in La Mirada, another small city south of Los Angeles.

“We both grew up here and had this notion that we would have the same promises our parents had,” Mr. Bak said. “It’s just not that easy. We make good money — probably more than our parents did — and it still feels like a struggle to stay here.”

It is not only would-be homeowners who are feeling the effect. A renter in Los Angeles County would have to make at least \$27 an hour to be able to afford a two-bedroom apartment, according to a report from the [National Low Income Housing Coalition](#), which estimated that the state is short of roughly one million homes for the working poor. And while housing prices are increasing rapidly, incomes in the state remain flat.

“We can’t find any way for people earning a median income to keep up pace; that’s what’s really scary,” said Matt Schwartz, the chief executive of the [California Housing Partnership Corporation](#), which monitors affordable housing throughout the state. “We’ve seen this happening for a long time in San Francisco, but now it’s going on in Sacramento, in the Central Valley — the demand is far outpacing the supply. It’s no longer just that the low-income folks are getting squeezed out of a decent place to live.”

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Abel Ruiz has lived with his family in Santa Ana, an inland city in Orange County, for more than a decade. Their landlord recently increased the rent on their one-bedroom apartment to \$1,100, plus an \$18 surcharge per resident, an increase of more than \$300.

Mr. Ruiz, 30, works for the local parks department and has considered getting his own place. Instead, he helps his parents make the rent. The living room is divided in half, his mother and father sleeping on one side and his 18-year-old sister on the other. He and his 12-year-old brother share the bedroom in the back.

“Everything is multiuse,” he said. “Do we think about moving? Sure, but that means I have to find another job, and who knows how hard that might be.”

Banks and other investors have been buying up single-family homes all over the region, particularly in parts of the state that were hit hardest during the foreclosure crisis, like the northern suburbs of Los Angeles County and the Inland Empire, a metropolitan area east of Los Angeles. Foreign investors are paying cash for properties, as investments or as pieds-à-terre. Some renters have complained of neglect, saying that absentee landlords ignore complaints about cockroaches or leaky pipes.

But local investors have also been buying modest single-family homes, either to lease them to tenants or to “flip” them, renovating them and selling at a profit. Robert Ganem, a former mortgage broker, has bought more than 65 properties in the last four years.

“Things are not too far off the peak prices now, and we just see them going up and up,” Mr. Ganem said. “In one complex, I bought a condo for \$400,000, and six months later, the exact same model on the same floor sold for \$500,000. The market is certainly there.”

When Mr. Ganem rents out condos in the suburbs, he typically charges \$2,500 to \$3,000 for a three-bedroom — and immediately has more than a dozen applicants, he said.

“It’s usually good people who got stuck in the crash — a married couple with one or two kids who need a stable place,” he said. “I’m getting to choose who looks to be the most attractive, so I look at who has the most extra in the bank, who has the most stable job, all those kinds of things.”

Steve Twardowski, who works as an engineer for an oil company, has been looking for a home in Southern California for himself and his wife for the last year and said the process had become “a bit of a nightmare.”

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“If you make six figures, you should not have trouble finding a single-family home, but we have this crazy cost of living here,” Mr. Twardowski said. “I don’t know how people are coming to this state because right now, it feels like it is just for rich folks.” The couple considered leaving for Texas but eventually found a modest three-bedroom home in Long Beach.

“This is gentrification on steroids,” said Stan Humphries, the chief economist at [Zillow.com](https://www.zillow.com), which shows homes for sale and their valuations. “What is unique here is you have an entire state really shifting — people are bidding up prices all over the place. These were quintessential suburbs and cities built for people working as secretaries, but the newest generation is simply not going to be able to stay anymore.”