

# UCLA ECONOMIC LETTER

## REAL ESTATE AND THE MACROECONOMY

*A partnership between the UCLA Ziman Center for Real Estate and the UCLA Anderson Forecast sponsored by the Ziman Center's UCLA Rosalinde and Arthur Gilbert Program in Real Estate, Finance and Urban Economics*

JULY 2021

Monthly condensed analyses of crucial real estate and economic issues offered by UCLA Anderson Forecast and UCLA Ziman Center for Real Estate. In this July 2021 Letter, UC Researchers report there is no evidence of an abnormal increase in residents planning to move out of the state.

## UC studies: Contrary to popular belief, residents are not fleeing California

UC Office of the President

---

Despite California losing a congressional seat for the first time in history due to slow population growth and some high-profile technology companies and billionaires leaving the state, there is no evidence of an abnormal increase in residents planning to move out of the state, according to the results of a new survey released on July 7<sup>th</sup> by the University of California. This research is part of a larger, multi-institution research project led by UC to assess whether there is in fact a "Cal exodus."

*In these polarized times, there is a surprisingly small gap between the percentage of Democrats (21%) and Republicans (30%) seriously considering moving.*

Key findings include:

- The majority of Californians still believe in the “California Dream.”
- Residents are moving out of state, but not at unusual rates.
- There is no evidence of “millionaire flight” from California.
- California’s economy attracts as much venture capital as all other states combined.

Formed in fall 2020, the UC-led project is a research consortium designed to bring a fact-based, empirical approach to California’s population patterns, helping to inform state policy and public knowledge. The project includes studies conducted by scholars at UC Berkeley, UCLA, UC San Diego, as well as Cornell University and Stanford University. The research draws on many data sources to investigate the so-called exodus: public opinion data, the U.S. Census, consumer credit histories, home ownership rates, venture capital investments, and information from the Franchise Tax Board.

“From housing affordability to post-pandemic recovery, California is faced with solving a daunting number of existential challenges. To help inform those important public discussions, UC assembled many of the state’s top researchers to provide a data-driven understanding of California’s population trends,” said UC Regent John A. Pérez. “Sliced and diced by geography, race, income and other demographic factors, our efforts have produced a clearer picture of who perceives California as the Golden State versus a failed state. The empirical data will be, at once, disappointing to those who want to write California’s obituary, as well as a call to action for policymakers to address the challenges that have caused some to lose faith in the California Dream.”

## **NO BIG CHANGES ON RESIDENTS’ PLANS TO LEAVE THE STATE**

UC San Diego recently conducted a [survey](#) that found the percentage of Californians who plan to leave the state has remained static over the past two years. Twenty-three percent of California’s voters reported that they were seriously considering leaving California, which is slightly lower than the 24 percent found in a 2019 survey conducted by UC Berkeley. This finding is consistent with research that UC San Diego did on [Google search trends](#), which found no increase over the course of the pandemic in how frequently Californians searched terms such as “moving company” or “U-Haul.”

Other findings in the UC San Diego survey of more than 3,000 respondents include:

- By nearly a 2-to-1 margin, Californians respond that they still believe in the “California Dream” (that it’s a great place to live and raise a family) but belief in that dream depends on demographics, economic status and partisan affiliation. Spanish speakers, Latinos, African Americans, Asian Americans and younger Californians are more optimistic, while middle-class Californians, white respondents, older residents and Republicans are more pessimistic.
- Those living in parts of the state that have not been part of recent economic expansions, including the Central Valley and northern counties outside of the Bay Area, are most likely to contemplate moving.
- Middle-class Californians making incomes between \$50,000 and \$100,000 are the most concerned about the state of California today as well as its future.
- In these polarized times, there is a surprisingly small gap between the percentage of Democrats (21 percent) and Republicans (30 percent) seriously considering moving.

- Growth is not a goal for most Californians: Asked to look ahead 10 years, 35 percent of respondents believe it would be better if the population decreases significantly and 46 percent want it to stay about the same. Only 19 percent of those surveyed said that the state would be better if its population increases.
- The survey also revealed an 8 percent decrease in the percentage of Californians who opined California is one of the best places to live, down from 50 percent in the [2019 UC Berkeley poll](#) to 42 percent in the 2021 UC San Diego poll.

“Despite the popular notion of unhappy Californians leaving the state en masse, our robust research shows there is actually no exodus,” said Thad Kousser, chair of the political science department at UC San Diego and the lead researcher of the most recent survey. “Most residents say that they still believe in the ‘California Dream.’ Policymakers, including those trying to prevent an exodus, should focus more on those who are not as optimistic about the state’s direction, including many in the middle class facing steep housing costs and people from areas of the state facing the greatest economic challenges.”

### **CLAIMS OF “MILLIONAIRE FLIGHT” ARE UNSUPPORTED BY NUMEROUS DATA SETS**

The 2021 UC San Diego poll also found that affluent Californians are the group most satisfied with the direction of the state and very likely to believe that it will be a better place when today’s children grow up. This aligns with research into migration patterns of California’s millionaires conducted by project partners at Stanford University and Cornell University. The analysis of nearly two decades of Franchise Tax Board data by Charles Varner and Cristobal Young demonstrated there has been no flight of millionaires away from California despite multiple tax increases levied on higher earners in recent years.

### **YOUNGER AMERICANS ARE MORE MOBILE, FOREIGN-BORN IMMIGRANTS STAY**

The UC-led project also includes an analysis from researchers at [UCLA](#) on domestic immigration and migration (people moving into and out of California from other U.S. states) based on the Census Bureau’s American Community Survey (ACS) database by finance professor Stuart Gabriel and sociology and statistics professor Jennie Brand. Their research found that the number of those moving out of California to other states has trended up since 2012, but that is not uncommon and is similar to levels last seen in the mid-2000s. During that period, those moving into California — both from other states and other countries — has seen few changes.

The UCLA research shows:

- Young Americans (25-39) are moving around at roughly double that of middle-age or older people. While moving into California remains elevated for younger people through 2019, the combination of some decline coupled with those moving out of state has driven down the number of younger people moving into California overall.
- The number of older Americans (60+) moving into California has fallen since 2014 and has recently become negative due to more elderly Californians moving out of state. The number of younger (25-39) and older residents moving out of California has also trended up since 2014.
- Among U.S. destinations, Texas and Washington were at the top of the list among younger people, whereas low-cost and proximate areas of Nevada and Arizona dominated destinations among older Californians.
- Less than 5 percent of foreign-born immigrants who arrived in the U.S. during the prior two years left California. This finding suggests that California is not simply a gateway to other U.S. destinations among recent foreign-born immigrants arriving in the state.

## **SOME MIGRATING OUT OF SAN FRANCISCO, BUT STAYING IN STATE**

Using 16 years of credit history data to track residential moves through the end of 2020, a [UC California Policy Lab report](#) found “no evidence of a pronounced exodus from the state” and “little evidence that wealthy Californians are leaving en masse” because of the pandemic. The report did, however, reveal net migration away from San Francisco during the pandemic along with a decline in the number of people moving to the state. The report, led by Natalie Holmes, research fellow at the California Policy Lab, found:

- The share of movers that leave the state has grown slightly since 2015, from 16 percent to 18 percent, a trend that continued in 2020 with no marked increase.
- There is no evidence that wealthy households are leaving the state in large numbers.
- Approximately two-thirds of people who moved out of San Francisco remained within the 11-county Bay Area economic region, and 80 percent remained in California which is consistent with trends in prior years.
- Counties in the Sierra Nevada mountains and other parts of northern California saw huge increases in former Bay Area residents, with 50 percent and in some cases double that in 2020 as compared to 2019.

## **CALIFORNIA DRAWS HALF OF ALL VENTURE CAPITAL INVESTMENTS IN THE U.S.**

Lastly, the UC-led project features analysis from Cornell University sociology professor Cristobal Young on which states are getting the most venture capital investment, and it demonstrates two major trends:

- California’s share of venture capital dollars rose from one-third in 1995 to more than half throughout the 2010s. In the first quarter of 2021, the state’s share of VC funding stood at 48 percent, slightly below trend but consistent with normal year-to-year fluctuations.
- Between 1995 and 2005, New York and Texas each received about 6 percent of all VC funding in the U.S. By 2020, New York’s share had doubled to 12 percent, while Texas’s share had fallen to 3 percent. In the first quarter of 2021, the shares were 15 percent and 2 percent respectively. Florida, another oft-mentioned competitor with California, also received 2 percent of VC funding in Q1 2021. Together, Florida and Texas represent less than a quarter of the VC investment in New York, and a 15th of that in California.