CAREPA NEWS

CAREPA NEWS

華裔房地產專業協會新聞

2010 年五月號 May 2011

President's Message ~會長的話

April is a month of paying taxes: property tax and income tax. Now that the deadlines have passed, hopefully everyone is somewhat relieved. I am.

In May, the National Association of Realtors along with 6 partners, including CAREPA, is hosting the HOPE Awards in Washington D.C. on May 12, 2011. I invite you to join us and, at the same time, you can participate in the NAR Midyear Legislative Meetings and Trade Expo from May 9 ~ May 14. It is wise to always keep ourselves abreast of all the information relating to our profession and the technology that will enhance our performance. If you have time to come, please register at http://www.realtor.org/midyear.nsf .

CAREPA will have a golf tournament on Monday, July 25th at Whittier Friendly Hills Golf Course. I hope this year you will continue to support CAREPA to make this event memorable. If you would like more information, please look for the flier and registration form in our website at http://www.carepa.org。

Let's not forget that in May we celebrate Mother's Day. My best wishes to all the mothers and may you enjoy a wonderful Mother's Day weekend with your children, family and friends.

Nancy Lin, CRS, GRI, SRES
2011 CAREPA President

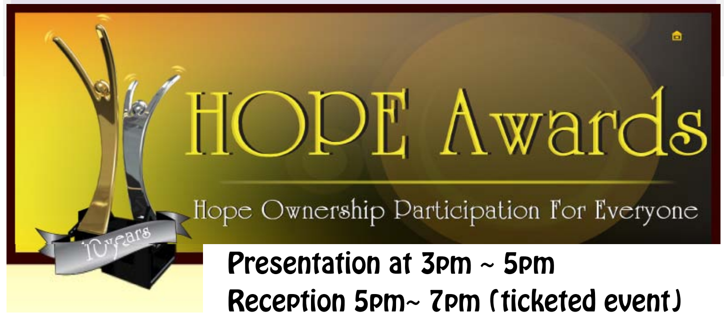
Midyear Legislative Meetings & Trade Expo
WASHINGTON DC • 2011

May 9-14, 2011

Advance Your Business, Your Industry & Your Association
The REALTORS® Midyear Meetings & Trade Expo is where NAR members take an active role to advance the real estate industry, public policy, and the association. Join us in Washington, D.C., for special issues forums, committee meetings, legislative activities, and the industry trade show.

S A V E T H E D A T E

Thursday, May 12, 2011



Presentation at 3pm ~ 5pm
Reception 5pm~ 7pm (ticketed event)
FOR INFORMATION AND RESERVATIONS
LOG INTO www.hopeawards.org.

3 economics trends stifling wages and pushing home prices lower: 1,000,000 people apply for 60,000 McDonald's jobs, the college tuition bubble, and long-term shadow inventory.

Dr. Housing Bubble ~ April 2011

We have troubling economic headwinds that are being felt on the shoulders of many American families. Over a decade of stagnant wage growth is taking a toll on the psyche of many. Many large cities still have inflated home prices yet these bubbles are slowly deflating just like the rest of housing in America. The home price collapse stems from the massive bubble and mania, that could be categorized as stage one. Yet stage two will be more ominous because home prices are now falling lower to reflect the lower wages many Americans are combating. People can only afford so much based on their household income. The fact that so many people are taking lower paying jobs and filling the seats at less than quality colleges for $50,000 a year shows how desperate many Americans are even though the recession has technically been over since the summer of 2009. Let us examine three current economic trends that are likely to keep wages low and home prices just as low moving forward.

McJob wages

Many of you probably heard about the recent campaign McDonald's had in searching for 50,000 workers. In the media McJobs are always seen lower on the ladder for employment. Work is work however and the demand shown at some places is startling:

"(Bloomberg) McDonald's Corp. (MCD), the world's biggest restaurant chain, said it hired 24 percent more people than planned during an employment event this month.

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McDonald's and its franchisees hired 62,000 people in the U.S. after receiving more than one million applications, the Oak Brook, Illinois-based company said today in an e-mailed statement. Previously, it said it planned to hire 50,000.

The April 19 national hiring day was the company's first, said

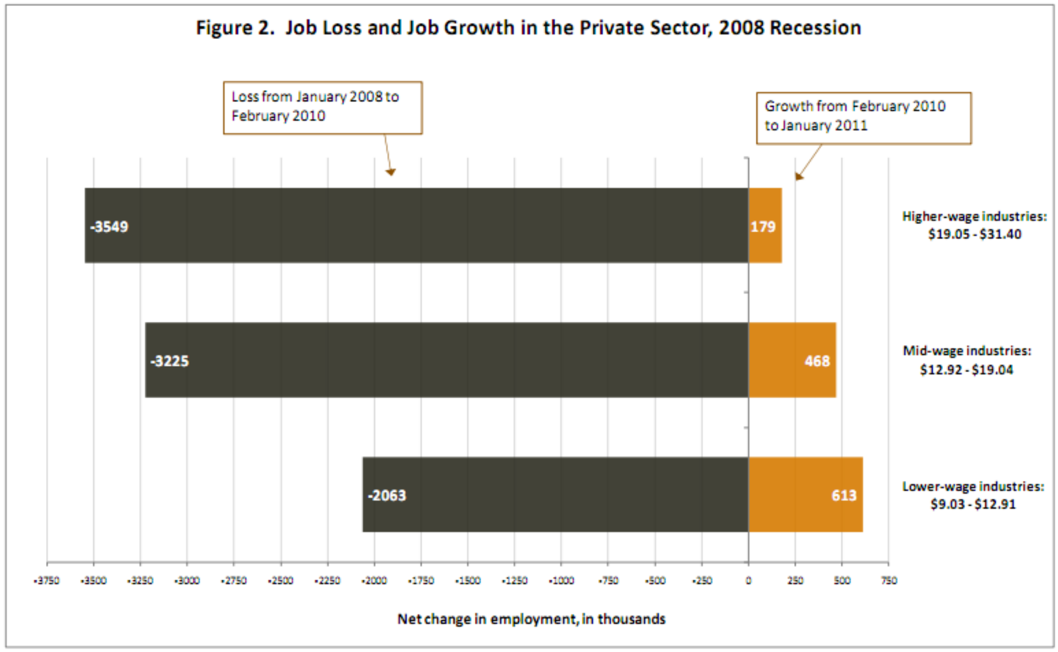
Danya Proud, a McDonald's spokeswoman. She declined to disclose how many of the jobs were full- versus part-time. McDonald's employed 400,000 workers worldwide at company-owned stores at the end of 2010, according to a company filing."

You read the above correctly that for the 62,000 people hired, McDonald's received over 1,000,000+ job applications. When I see things like this I have to ask are these people even looking to purchase a home or are they merely living paycheck to paycheck? I think many here are simply looking for a paycheck and an honest day of work. In the media there is this implicit notion that many Americans are out of work because of their personal failings. Here we have 1,000,000+ people willing to work in probably one of the less glamorous jobs in the world. Do you think this was their first choice? I'm sure many exhausted multiple job applications and opportunities before applying.

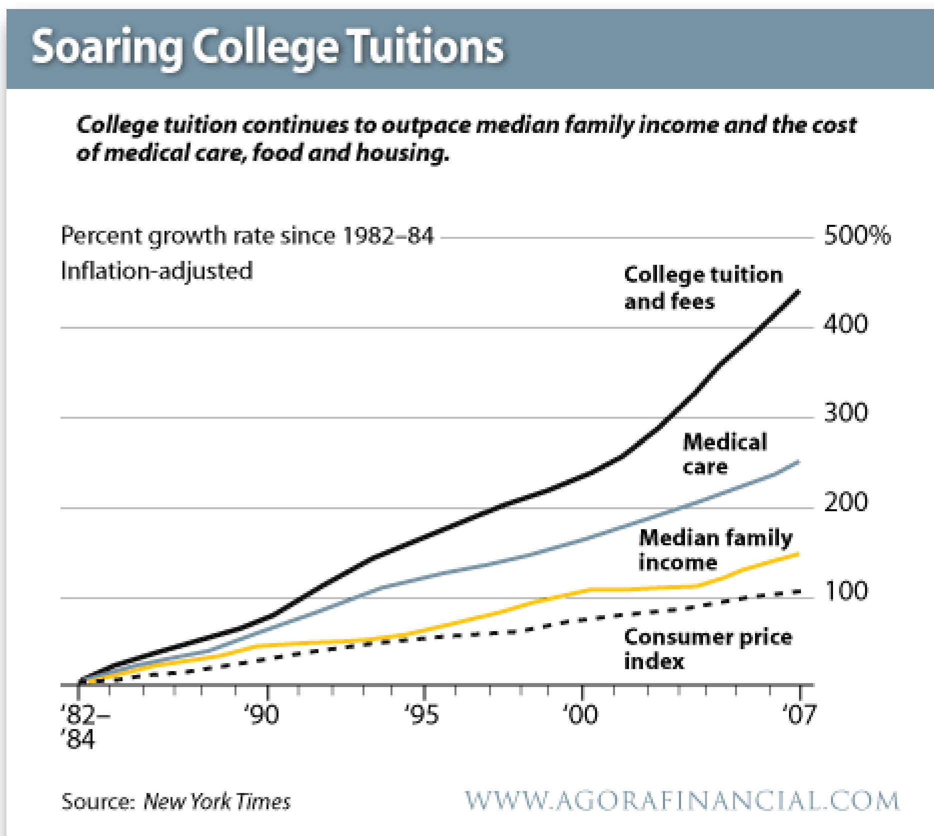
I've also noticed that many college institutions, many with less than reputable track records, are capitalizing in this trend and are promising high paying jobs so long as you pay the $20,000 a year at a paper-mill for-profit or $50,000 a year for a lower tier university.

The inflated graduate

With our blue collar sector dismantled, it is becoming more and more apparent that the only way into the middle class going forward is by going to college. Yet choosing a career and school is critical. Someone sent over this chart which shows exactly where the jobs are being added in this so-called recovery:



Source: NELP analysis of Bureau of Labor Statistics data, see Appendices A and B for details; wages are in 2010 dollars.



This I find troubling even more than the housing bust. Since the recession started we've lost 3.5 million higher waged jobs (those that pay between $19.05 and $31.40 an hour). But during the recovery only 179,000 of those jobs have been recovered. You see a similar pattern occur in the middle range as well. Yet most of our recent job growth has occurred in the lower-wage industries (those that pay $9.03 to $12.91 an hour). We've lost 2 million jobs here yet

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MAY GENERAL MEETING
MAY 11, 2011

6:30PM

SPEAKER
WEI C. WONG, ESQ.
LAW OFFICES OF WEI C. WONG

TOPICS
Post mortem for Living Trust and Probate
how property sales are handled in probate
∞∞∞
Nuts and Bolts of litigation management
from start to finish

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contact BRIAN CHEN @ **626-831-3120**

2011 CAREPA Golf Classic

Monday, July 25th, 2011
Part of the proceeds will benefit City of Hope

Friendly Hills Country Club
8500 S. Villaverde Drive
Whittier, CA 90605

Registration: 9:00AM Shotgun: 10:30AM
Individual format – Callaway System scoring

Enjoy 18 holes of golf at the beautiful Friendly Hills Country Club. Includes: green fee, cart, range balls, lunch, beverages, tee prize. Awards banquet immediately following play.

All for just $150 / player

For more information and registration, contact:
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Jacqueline Cheou
Tel: (626) 656-8788 ext 109

For registration form, visit our website at www.carepa.org

[Glamorous foreclosures – Beverly Hills foreclosure and short sales – $4 million Beverly Hills foreclosure goes for a second round and $2 million short sale.](#) Dr. Housing Bubble

The California housing market has enough diversity to seem like a world unto itself. You have areas like the Central Valley and the Inland Empire that are being swarmed by investors looking for cheap places to flip or to buy as a prospective rental. These investors are finding plenty of inventory since foreclosures are plastered all over these markets. Then you have coastal cities including Santa Monica that carry a certain premium, even if prices have adjusted lower. Then we have mid-tier cities like Pasadena and Culver City that are now correcting because people in those areas although with solid incomes, do not have enough to afford current sticker prices. Today we are going to look at Beverly Hills with the prestigious 90201 zip code. This market just like Hollywood puts on a certain front but behind the scenes things are not as pleasant as they appear.

Beverly Hills $4 million foreclosure

600 COLE PL, Beverly Hills, CA 90210

Listed	**05/01/11**
Beds	**4**
Full Baths	**4**
Partial Baths	**1**
Property Type	**SFR**
Sq. Ft.	**5,300**
$/Sq. Ft.	**$923**
Lot Size	**20,480 Sq. Ft.**
Year Built	**1968**

Price History

Date	Description	Price	% Chg	$/sqft	Source
05/02/2011	Listed for sale *	$4,890,000	8.8%	$922	KELLER WILLIAMS BEVERLY HILLS REALT
03/23/2009	Listing removed *	$4,495,000	--	$848	Imagemaker360
03/04/2009	Listed for sale *	$4,495,000	27.9%	$848	Imagemaker360
01/29/2009	Sold	$3,515,000	-12.0%	$663	Public Record
11/25/2008	Price change *	$3,995,000	-11.1%	$753	Prudential California
09/21/2008	Listed for sale *	$4,495,000	7,999%	$848	Prudential California
09/20/1967	Sold	$55,500	--	$10	Public Record

You do not get to see many foreclosures in Beverly Hills because not many of the distressed properties make it to the public inventory list. The above home was only listed on May 1st and is certainly what we would consider a prime property:

5,300 square feet is certainly not a small home. I think the staged photos always add a certain Photoshop aroma. Thankfully a StreetView perspective helps:

Not a bad place and certainly a nice home for many but keep in mind this home is listed as a foreclosure. Let us look at the listing history here:

It looks like someone tried selling this place back in 2008 for $4,495,000. It looks like the place did eventually sell for $3,515,000 in 2009. Someone tried to flip the place only two months later for $4,495,000. Of course that never panned out. Now the place is listed for $4,890,000. A very distressed property in Beverly Hills. This place only has a day on the market so we shall see if this time there is better luck.

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Beverly Hills Short Sale
10051 CIELO DR, Beverly Hills, CA 90210

Listed	**01/12/11**
Beds	**2**
Full Baths	**2**
Partial Baths	**0**
Property Type	**SFR**
Sq. Ft.	**2,363**
$/Sq. Ft.	**$1,014**
Lot Size	**1.2 Acres**
Year Built	**1926**

The above is a 90210 zip code short sale. I know people get all picky about the post office designation and actual Beverly Hills city so I've included two homes in this post. This is another nice home and would be considered prime as well. 2 beds and 2 baths with a listed 2,634 feet. Maybe looking at the history will help us out here:

Price History

Date	Description	Price	% Chg	$/sqft	Source
10/30/2009	Listing removed *	$2,995,000	--	$1,267	Prudential California Realty
05/05/2009	Listed for sale *	$2,995,000	177%	$1,267	Prudential California Realty
04/10/2003	Sold	$1,080,000	20%	$457	Public Record
07/26/2002	Sold	$900,000	52.5%	$380	Public Record
03/20/1995	Sold	$590,000	--	$249	Public Record

The last official sale took place in 2003. At one point they listed this place at $2,995,000! Not going to happen. Today it is currently listed at $2,395,000. The 2010 tax assessment has this place listed at $1.2 million so I'm curious to find out what is going on here behind the scenes. Either way, no one is biting even in the 90210 area code.

For Beverly Hills I see 3 official MLS SFR foreclosures. There are another official 11 short sales. However there are 101 properties in the shadow inventory. This number may not seem high to you but keep in mind the area we are talking about. There are homes with $1, $3, and even $5 million in loans attached.

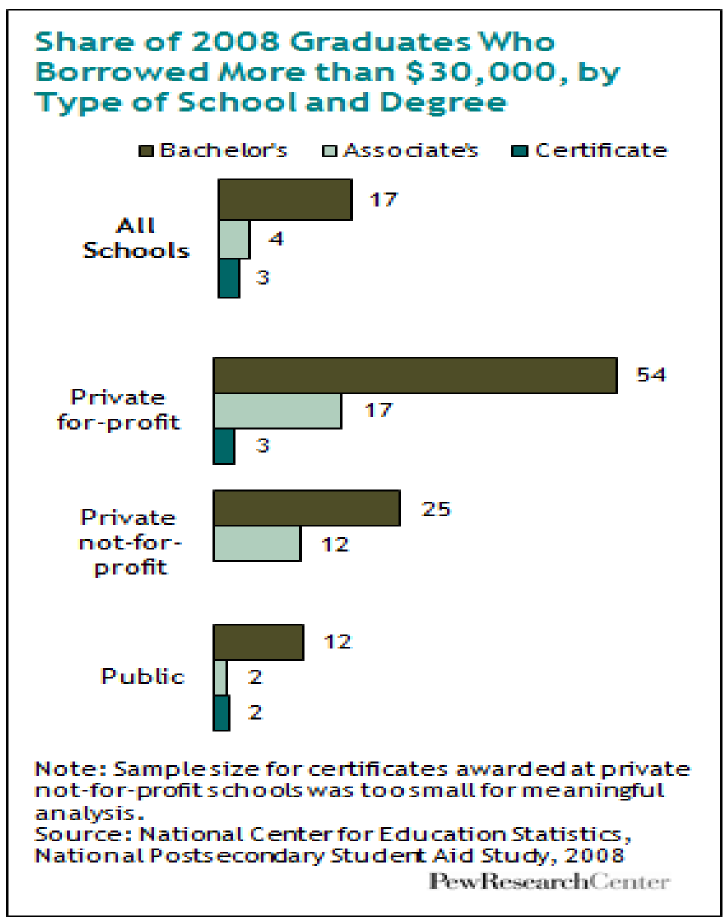
Welcome to the 90210 correction. At least you get to see nice photos of homes selling for millions of dollars but with loads of distress brought on by mega mortgages. How many people are living in Beverly Hills without making their mortgage payment? Well we know that 101 are having trouble keeping up with their mortgage.

continued from page 2 . . . **3 economic trends . . .**

613,000 jobs have been added in this sector. Not sure if that figure includes the 62,000 jobs added by McDonald's?

It is amazing that the cost of college has far outpaced almost every basket of goods or products in our economy:
I think the above simply reflects the mythology that still pertains to education. We saw this in housing where "homes never fall in price" or "a home is the best investment you can make." Those mantras are undergoing a drastic surgical alteration. Yet a college education still carries this brand. Forget the fact that we have over 4,000 colleges and universities and how many of these are actually worth the money? Even if we say 1,000 are quality that leaves 3,000 ripping people off. Even if you go to a top 100 school and pick a major that doesn't prepare you for the current economy you are looking at moving back home with mom and dad except with boat loads of debt. There is no reason someone should pay $50,000 a year to study basket weaving at a lower tier school. But many are. Late at night I've seen ads for the for-profit schools showing a kid playing video games and making it seem that he is only one call away from making millions a year (and of course $20,000+ a year in loans).

Of course there are many good institutions but just like buying a home with the correct mortgage and adequate income, this is a smart choice that needs to be walked into carefully. Yet we are seeing more bad than good in the current market and the fact that student loan delinquencies are shooting up tells us something is wrong. The culprits are more concentrated in the private sector:



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Just another bubble in our economy. And it looks like government funding may be cut:

"(Colorado Independent) Student loan defaults are on the rise, according to a new federal tracking system. For students who began repaying their loans in 2008, 13.8 percent have since defaulted. For profit institutions had 25 percent of their graduates defaulting after three years, and public four-year colleges had 10.8 percent of their graduates defaulting after three years.

"These disturbing numbers clearly indicate the need for local, state, and national leaders to strengthen their prioritization of higher education," said United States Student Association President Lindsay McCluskey. "Young people face a staggering unemployment rate far above the national average and cannot afford to begin a post-collegiate life while saddled with tens of thousands of dollars of debt."

U.S. House Republicans sought $64 billion in cuts in Pell Grant mandatory funding over the next 10 years as a result of the deep reduction it would make in the 2011 fiscal year, through H.R. 1. It would go on to make a 30 percent reduction in 2014 to Pell grants, and a 34 percent reduction in 2017."

With many students coming out with the equivalent of mortgage debt before they purchase a home, many will carry this debt as an albatross for years to come.

Shadow inventory is here to stay

Finally the amount of shadow inventory in the U.S. is staggering. There is still no clean mechanism in place to move out the excess inventory even though our government has plowed trillions of dollars to the banking system. What we got in return was McJobs and the ability to watch banking profits soar. Loans to small businesses are as tough as they were to get back in 2008 and consumer loans are contracting severely. The liquidity went to one segment of our economy and banks are happy leaking out shadow inventory for years to come while hedging taxpayer bailouts in global markets and pushing Americans into lower paying jobs.

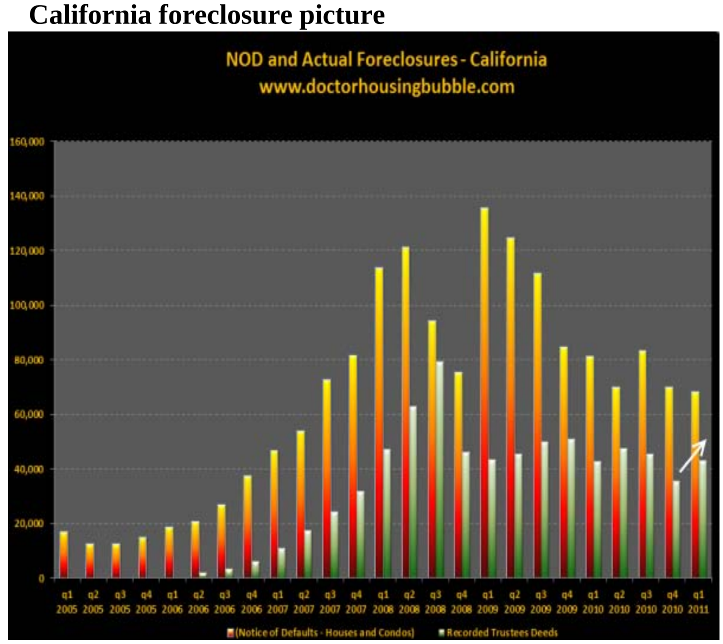
"(LA Times) 'Shadow inventory' of 1.8 million homes could prolong housing slump.

The glut of troubled homes not yet on the market represents a nine-month supply at the current sales pace. That's in addition to 3.49 million previously owned homes already on the market."

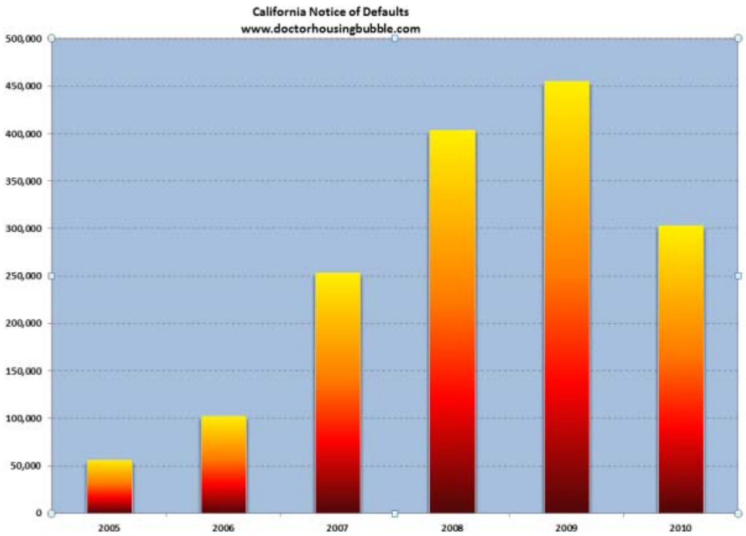
Early in the crisis I thought that people would be up and furious about what was going on. I'm not so sure about that anymore. If a crisis that was the worst since the Great Depression didn't get large number of Americans out to the streets and demand substantive action then nothing will. Where is the organized movement to reform the capital markets? Where is the multi-million person organization to break up the too big to fail banks? This is why this leakage accompanied by falling wages seems to be the path forward. Do you think big east coast investment banks care if certain prime cities in California see a 50 percent price decline? They don't and that is why we are seeing more homes leak onto the market. The profits made globally are now surpassing the chump change in housing so expect more lower priced homes to hit the market to reflect the lower wages Americans are earning. McJobs to accompany the McMansions.

The number of homes foreclosed on in the first quarter of 2011 shot up in California by 22 percent from the fourth quarter of 2010. Notice of defaults remained rather steady in California. The reality of the situation is that the market is divided between normal home sales and distressed properties. This divide is virtually down the middle nationwide and in California there are more distressed properties than normal homes for sale. In other words the market is still incredibly flawed from multiple vantage points. The only reason things remain stagnant is because of the Federal Reserve intervening in the mortgage markets and also allowing the suspension of mark-to-market accounting. This is like pushing pause on your favorite sporting event when things are not going your way and expecting the results to remain. However the major issue for the housing market is how do you get actual household incomes up to justify current price levels? The Fed has tried unsuccessfully to boost prices and now inflation is leaking out in energy, medical, and food costs.

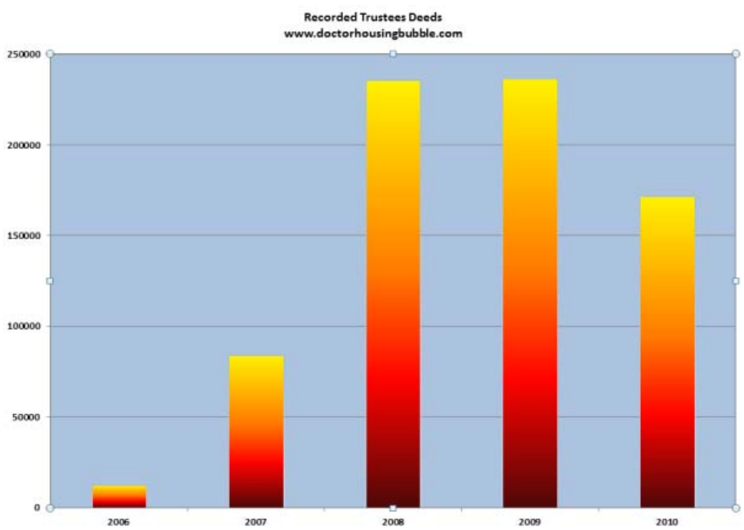
California foreclosure picture



I think it is useful to put the overall market in perspective here. From Q4 2010 to Q1 2011 actual completed foreclosures jumped by 22 percent. Notice of defaults remained steady although how much of this is due to banks simply not moving on the current backlog of shadow inventory? It might be useful to aggregate the data and see how things were during the good days of the market:



In 2005 notice of defaults for the entire year were slightly above 50,000. Last year even with an artificial market we still had 300,000 NODs filed. What about actual completed foreclosures?



I always marvel at this chart. In 2006 California witnessed roughly 12,000 actual foreclosures for the entire year! In 2010 this number was up to 171,000. Clearly the market is still battling with the aftermath of the bubble bursting. Another item that is rarely brought up is the California budget. Do people simply think that if we don't talk about it that it will somehow resolve itself? I'm not sure if people really understand the deep changes that are coming down the pipeline.

Should I rent or buy?

This is a common question. The answer of course depends on the home you are looking at and your income. However many people that ask this question are usually looking at areas like Pasadena and Culver City that are simply entering the genesis of their correction. I rarely get asked about buying a home in the Inland Empire to live in (many do ask about this area as an investment property). The reason I think we are still years away from any normal market is the fact that there is still a large appetite for housing. The current market is now dominated by investors and first time buyers. These buyers are picking lower priced properties but again, a bulk of these people are speculating even for cash flow purposes. Psychologically assessing the market I believe sentiment is still too strong in some areas. The bottom will come when people look at homes more as a place to live instead of an investment. The California market is facing challenges ahead:

Market @ A Glance

California	Reporting Period	Current Period	Last Period	Year Ago	Change from Last Period	Change from Year Ago
Existing Home Sales (SAAR) *	March-11	514,090	498,450	506,680	3.1%	1.5%
Median Home Price *	March-11	$286,010	$271,320	$300,900	5.4%	-4.9%
Unsold Inventory Index (months) *	March-11	5.3	7.3	4.8	-27.4%	10.4%
Median Time on Market (days) *	March-11	56.7	64.4	37.0	-12.0%	53.2%
First-Time Buyer Housing Affordability Index (HAI) *	2010 Q4	69%	66%	64%	3.0%	5.0%
30-year fixed-rate mortgage (FRM) **	March-11	4.84%	4.95%	4.97%	-0.11%	-0.13%

SOURCES: * CALIFORNIA ASSOCIATION OF REALTORS® ** Federal Home Loan Mortgage Corp.

The only things keeping this market together is artificial methods of intervention like the Federal Reserve and accounting gimmicks. These actions have kept the above data stagnant for a year but how long can this game of pretend go on? If incomes are not rising then how are households going to pay for their home? What if mortgage rates start retreating to their more historical average? Ultimately incomes have to go up or home prices have to go down.

We see the same key players as the dominant players in the foreclosure game:

"(DQ News) The most active "beneficiaries" in the formal foreclosure process last quarter were JP Morgan Chase (9,634), Wells Fargo (8,329) and Bank of America (7,158).

The "servicers" (or the Trustees in the formal foreclosure process) that pursued the highest number of defaults last quarter were ReconTrust Co (mostly for Bank of America and MERS), Quality Loan Service Corp (Bank of America), California Reconveyance Co (JP Morgan Chase), NDEx West (Wells Fargo) and Cal-Western Reconveyance Corp (Wells Fargo)."

Bottom line problems still are deeply embedded in the California housing market. Take a look at this example in prime Santa Monica:

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117 FRASER AVE, Santa Monica, CA 90405
Beds: 2
Baths: 1.5
Square feet: 1,909

This is a nice rental in the prime location of Santa Monica. But look only a few homes away and you find this:

140 Ocean Park Blvd, Santa Monica, CA 90405

Beds: 2
Baths: 2
Square feet: 1,502
The rental is going for $5,500 per month while the home is for sale at $1,950,000. How far apart are these homes?

Technically you are a little bit closer to the ocean with the rental. Welcome to California housing folks.

EDITOR MESSAGE:
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