

華裔房地產專業協會新聞

2012 年八月號 August 2012

President's Message ~ 會長的話



Our nomination process for 2013 directorship has started. CAREPA is looking for members who are ready to step up and be leaders in the real estate community. If you or any friends you know are interested in taking this challenge, please let us know. We welcome you to join the directorship. For nomination forms and requirements, please refer to our bylaws, both available in our website at www.carepa.org. Deadline is August 8, 2012 by 8pm.

Summer is half way over. Hope your business is doing well. You are welcome to bring your listing flyers for distribution. We can help each other sell properties. Use our dinner meetings

as a networking forum and an opportunity to advertise your listing.

Our August speaker is our legal counsel, attorney Paul P. Cheng. He will talk about the typical lawsuits real estate licensees get involved with. Come and learn how to stay out of trouble.

CAR's California Realtor® Expo is scheduled for October 2-4, 2012 in Anaheim, California. NAR's Realtors® Conference and Expo is scheduled for November 9-12, 2012 in Orlando, Florida. If you are planning to attend, please register online.

See you at our next meeting.

Very truly yours,

Brian H. Chen, CRS, GRI, SRES 2012 CAREPA President

Expensive homes and food stamps – While California home prices went up 8% in the last year, 13% of California households are on food stamps. How low interest rates help Californians more than other states

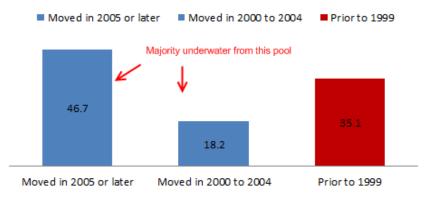
July 24th, 2012 - Dr HousingBubble

It is now almost a universal mainstream headline that housing has reached a bottom. Of course little is mentioned about the ridiculously low mortgage rates that have aided in covering up stagnant incomes to accomplish this task. Yet a nationwide bottom should not be confused with regional troughs. The summer selling season has been hot for California. Home prices

are now at two year highs coming in at a median price of \$274,000 (still far from the \$484,000 peak reached in 2007). Yet is this positive with California facing a 20 percent underemployment rate and massive budget deficits? There is no doubt that the recent push has come from two sources; low interest rates and controlled inventory. Roughly 30 percent California home owners of underwater. This works out to be 1.5+ million households. Yet California only has about 170,000 homes for sale on the MLS! You have nearly 10 times the number of underwater homeowners compared to the homes listed on the MLS.

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Percent (CA owner occupied) www.doctorhousingbubble.com

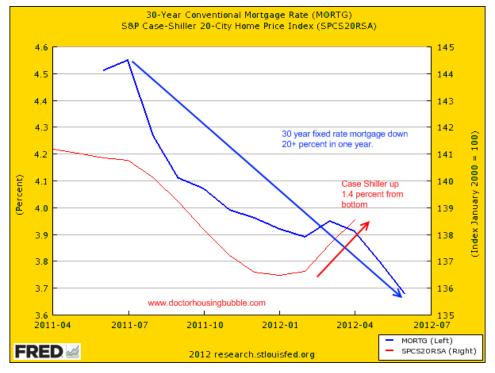


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When did people buy?

With many baby boomers heading into older age, it is important to note when people purchased their home. Many in California do have equity and can sell. I thought it would be interesting to pull this data:

Most of those who "own" their home moved in after 2000. A large portion, nearly half moved in after 2005. But you have 35 percent that bought prior to 1999 that are likely to have a good amount of equity in their properties whether they sold for \$600,000 or \$300,000. This is another interesting part of the housing market that is unfolding. The transition in demographics between an older more affluent population that bought when home prices were affordable relative to incomes versus a now upcoming younger and less affluent population that is still facing sticker shock.



The impact of interest rates

There is a false sense of charm in low interest rates. For example, in Laguna Woods, an older community you have cheap property prices but HOAs that can run \$500 to \$1,000 per month! That is only the HOA and not including property taxes. People seem to think that once you pay off your mortgage, you are living with zero payments. If you want to see the impact of low interest rates just look at the action in the last year:

Keep in mind interest rates were already historically low just one year ago. In the last year, the 30-year conventional fixed mortgage saw rates fall by a stunning 20 percent. For most of this time, home prices fell. Starting this year home prices are now up 1.4 percent. In California, and here is the kicker, home prices are up 8.3 percent year-over-year. So you begin to realize that lower

interest rates are largely a boon for high priced metro areas.

Compare a \$150,000 loan that will get you a home in most states versus say a \$400,000 loan for a starter shack in California:

20% drop in interest rate for a \$150,000 = **\$87** monthly savings in Principal and Interest

20% drop in interest rate for a \$400,000 = **\$232** monthly savings in Principal and Interest

And this is an important point. Why should a California home buyer get a subsidized monthly savings that is nearly three times that of most home buyers in other states?

Home bottom difference between US and California

Home prices nationwide do seem to be hitting a bottom:

According to the Zillow Home Value Index prices rose to \$149,300 (compared to the NAR figure of \$189,000 for existing home sales). Now this is important to examine in light that California has a 20 percent underemployment rate and the median home price is \$274,000. The median California home is valued at 80+ percent higher than the nationwide priced home using the Zillow figure. With major

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US country All Homes - Zillow Data www.doctorhousingbubble.com



2012 CAREPA BOARD OF DIRECTORS

感謝所有理事會成員為本協會所做出的貢獻

Thank to the Board of Directors for their voluntarism Gracias a la Junta de Directores por ser voluntarios.



Brian Chen **2012 President**



Lucia Tam

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Paul Cheng, Legal Advisor

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BUDGET AND FINANCE ELECTION CHRISTMAS/INSTALLATION MEMBERSHIP Margaret Chiu Lucia Tam Lucia Tam Nancy Lin PROGRAMS/MIXERS
PUBLICATIONS/PUBLIC RELATIONS
WEBSITE

Lucia Tam Lucia Tam Lucia Tam

AUGUST GENERAL MEETING AUGUST 8, 2012

6:30PM

SPEAKER

Paul P. Cheng

Law Office of Paul P. Cheng

TOPIC

TYPICAL LAWSUITS
In Residential and Commercial Real Estate

EMPRESS HARBOR RESTAURANT

111 N. Atlantic Blvd. 3rd floor Monterey Park, CA 91754

For reservations and information, contact LUCIA TAM@ 626-221-2888

CAREPA 2012 BOARD OF DIRECTORS NOMINATIONS

CAREPA IS SEEKING NOMINATIONS FOR DIRECTORS FOR 2013

APPLICATIONS DUE AUGUST 8, 2012 8PM

PLEASE VISIT OUR WEBSITE www.carepa.org to download the form

FOR INFORMATION

call Lucia Tam at 626-221-2888, e-mail to luciatam@yahoo.com or call Brian Chen at 626-831-3120

CAREPA bylaws available at website.

Southland office market may be starting to bounce back COMMERCIAL REAL ESTATE QUARTERLY REPORT

For the first time in years, L.A. County vacancy rates drop and average rents climb. Still, with a few notable exceptions, most markets remain quite soft.

July 22, 2012 By Roger Vincent, Los Angeles Times



John Barganski is head of leasing in Southern California for Brookfield... (Mel Melcon, Los Angeles...)

Southern California's long-languishing office market finally managed to utter a convincing peep in the second quarter as stubbornly high vacancy rates dropped a smidgen.

It doesn't signal that landlords' troubles are nearly over. Most markets — with a few notable exceptions — are considered quite soft, which means tenants are in a superior bargaining position.

Still, overall vacancy in Los Angeles County slipped to 18.6% from 19.1% in last year's second quarter, according to real estate brokerage Cushman & Wakefield. It was the first year-to-year vacancy decline since the second quarter of 2007. Meanwhile, average monthly rents last quarter climbed 7 cents to \$2.52 per square foot.

The improving climate for local property owners marks a change from years of rising vacancy and falling rents that began with the last economic downturn."My sense is that L.A. County and Orange County are kind of slowly improving, slowly inching out," said real estate analyst Jed Reagan of Green Street Advisors.

Results may vary, as the old warning goes.

Orange County's traditionally desirable John Wayne Airport area office market is reviving as tenants take advantage of depressed rents to move up from less popular markets such as Santa Ana and Anaheim.

Affection from growing tech companies has made Santa Monica and Venice so hot that they are lifting nearby areas such as Culver City and Playa Vista, where office space is more plentiful and rents are cheaper.

Vacancy in aging office buildings near Los Angeles International Airport, meanwhile, continues to rise and topped 35% in the second quarter.

Downtown Los Angeles, which has been weak since an orgy of office construction ended in 1992, finally threw off some sparks as average rents rose 5 cents to \$2.91 per square foot.

Improvement will continue, some observers say, as downtown becomes known as a growing residential neighborhood with multiplying recreational options such as bars, restaurants and professional sports.

Brookfield Office Properties Inc., owner of Ernst & Young Plaza in the financial district, signed seven leases for a total of more than 200,000 square feet in the second quarter. Downtown property experts placed the combined value of the leases at more than \$60 million. The largest was with law firm Caldwell Leslie & Proctor.

"It's times like this when people who have to make leasing commitments say, 'I may not find this in the next cycle,' so they take advantage," said John Barganski, Brookfield's head of leasing in Southern California. "We have achieved the bottom of the market."

Like some other downtown properties, Ernst & Young Plaza at 7th and Figueroa streets is in a better location than it was when it was completed in 1985. A subway station later opened across the street, and Staples Center and L.A. Live are bustling destinations with new condos and apartments a few blocks away.

Brookfield is upping the ante with a \$40-million renovation of its mall downstairs, which is set to reopen in October with new restaurants and stores, including Target and Sport Chalet.

"There are certainly a lot of amenities downtown that didn't exist 10 years ago," Cushman & Wakefield executive Joe Vargas said.

"We're not seeing a lot of tenants moving out. There is a dynamic that is new."

Substantial growth in occupancy and rents, however, will remain hard to come by downtown and in most other markets, he said.

As has been the pattern for years now, a majority of deals are renewals of existing leases instead of moves to new quarters. Many employers are hesitant to face the cost of building out new offices and the price of the move itself.

"This economy is sluggish and flat; choppy at best," Vargas said. "We are not going to see any real change until we see significant job growth, and that doesn't appear to be on the horizon."

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factors lined up to hit the market it is too early to call a bottom for a place like California especially in overpriced markets. Even close to us, in San Bernardino and Riverside good deals can be found. Yet LA and OC still look to have pocket bubbles.

California tax revenues

You would think with prices rising by over 8 percent in California in one year that the economy is now booming:

For the month of June revenues are down nearly 8 percent from last year. A big part of this comes from the fall in corporate taxes which really isn't a good sign. California has 12.4 million occupied housing units and roughly 1.7 million

	_	Month of June			
	2012			2011	
REVENUES	_		_		
Alcoholic Beverage Excise Tax	\$	22,860	\$	29,037	
Corporation Tax		1,664,304		2,322,955	
Cigarette Tax		8,290		8,276	
Estate, Inheritance, and Gift Tax		478		227	
Insurance Companies Tax		348,161		367,916	
Personal Income Tax		6,914,343		6,480,514	
Retail Sales and Use Taxes		1,781,338		2,676,766	
Vehicle License Fees		1,104		78,761	
Pooled Money Investment Interest		4,691		6,166	
Not Otherwise Classified		635,030		394,875	
Total Revenues		11,380,599		12,365,493	

households are collecting food stamps (nearly 13 percent of all households). Median household income for the state is \$57,000 (according to the ACS 2010 survey nationwide household incomes are up to \$60,000). Over 3 million Californians are already drawing Social Security. So of course, this is simply more reason to celebrate with high home prices.

It should be abundantly clear that the recent rise in home prices is being driven purely by controlled inventory and the insanely low interest rate. Those that are obsessed only with their backyard and rudimentary calculations need to pay attention to what is going on in the world (or in the state for that matter) with bigger macro issues. The economy is slowing down and storm clouds are brewing in Europe. China is now looking like it will have a tougher landing (keep an eye on the ridiculous

Canadian housing bubble to see the impact). It would be one thing if jobs were being added and wages for households were holding up and improving but that is simply not the case.





CALIFORNIA REALTOR® EXPO 2012 is *THE* real estate event of 2012! Join us in Anaheim for sessions packed with information to help you succeed. EXPO sessions offered on Wednesday, Oct. 3, and Thursday, Oct. 4, as well as entry to the exhibit hall, are free for C.A.R. members, but you still must register for the event.

Have EXPO your way with our session tracks! We have organized sessions into tracks to help you find the sessions most meaningful to you. You can pick from the following tracks, or make your own track ... EXPO is all about you!





- Real estate software
- Internet advertising
- Mobile devices and applications
- Mortgage and financial services
- Home protection and warranties
- Professional development and training
- Franchises and referral services
- Office products
- "Green" innovations
- Real estate properties and developer

referral programs

EXPO INFO

The expo is the largest trade show floor in real estate, where 400 exhibitors will be on-hand with innovations and ideas.

Here are just a few of the solutions showcased at the expo:

Tech tools

Expo Hours

Friday, Nov. 9, NEW TIME: 3:00pm-6:00pm (Grand Opening)

Saturday, Nov. 10, 9:00am–4:00pm Sunday, Nov. 11, 10:00am–5:00pm Monday, Nov. 12, 9:00am–1:00pm

California Q2 Foreclosure Activity Lowest in Five Years

July 23, 2012

La Jolla, CA.--The number of California homes entering the formal foreclosure process dropped in the second quarter to its lowest level since early 2007. The decline stems from a combination of factors, including an improving housing market, the gradual burning off of the most egregious mortgages originated from 2005 through 2007, and the growing use of short sales, a real estate information service reported.

A total of 54,615 Notices of Default (NODs) were recorded on houses and condos during the April-though-June period. That was down 2.9 percent from 56,258 for the prior three months, and down 3.6 percent from 56,633 in secondquarter 2011, according to San Diego-based DataQuick.

Last quarter's 54,615 was the lowest since 53,943 NODs were recorded in second-quarter 2007. NODs peaked in first-quarter 2009 at 135,431. DataQuick's NOD statistics go back to 1992. The year-over-year drop was most noticeable in the Bay Area, where the 8,572 NOD filings marked a 13.4 percent drop from 9,893 a year ago.

"The foreclosure process has always been the sanitation department of the housing sector. It's where financial distress is processed. The question is whether these lower NOD numbers mean that there's less distress to process, or if we're just seeing distress get processed at a slower pace," said John Walsh, DataQuick president.

"Obviously the economy has been on the mend - however slowly. But because housing is widely seen by economists as the biggest drag on growth, some interesting alternatives to the foreclosure process are being discussed, such as the use of eminent domain to buy and restructure mortgages. Needless to say, we're all watching closely," he said.

The most active "beneficiaries" in the formal foreclosure process last quarter were Bank of America (8,299), JP Morgan (7,497), Wells Fargo (7,131), Aurora Bank (1,984) and Bank of New York (1,838).

The trustees who pursued the highest number of defaults last quarter were ReconTrust Co (mostly for Bank of America and Bank of New York), Quality Loan Service Corp (Bank of America), Cal-Western Reconveyance Corp (Wells Fargo) and NDEx West (Wells Fargo).

Most of the loans going into default are still from the 2005-2007 period. The median origination quarter for defaulted loans is still third-quarter 2006. That has been the case for three years, indicating that weak underwriting standards peaked then.

NOD filings continued to fall last quarter in communities across the home price spectrum. However, mortgage defaults remained far more concentrated in California's most affordable neighborhoods. Zip codes with secondquarter 2012 median sale prices below \$200,000 collectively saw nearly 9 NODs filed for every 1,000 homes in those zip codes, while the ratio was 5.6 NODs filed per 1,000 homes for zip codes with \$200,000 to \$800,000

medians. For the group of zip codes with median sale prices above \$800,000, there were 2.2 NODs filed per 1,000

On primary mortgages, California homeowners were a median eight months behind on their payments when the lender filed the Notice of Default. The borrowers owed a median \$17,864 on a median \$317,019 mortgage.

On home equity loans and lines of credit in default, borrowers owed a median \$5,227 on a median \$75,369 second mortgage. The amount of the credit line that was actually in use cannot be determined from public records.

San Diego-based DataQuick monitors real estate activity nationwide and provides information to consumers, educational institutions, public agencies, institutions, title companies and industry analysts. Notices of Default are recorded at county recorders offices and mark the first step of the formal foreclosure process.

Although 54,615 default notices were filed last quarter, they involved 53,664 homes because some borrowers were in default on multiple loans (e.g. a primary mortgage and a line of credit).

Of the state's larger counties, mortgages were least likely to go into default in San Francisco, Marin and San Mateo counties. The probability was highest in Tulare, San Joaquin and Sacramento counties.

Trustees Deeds recorded (TDs), or the finalized loss of a home to the formal foreclosure process, totaled 21,851 during the second quarter. That was down 27.8 percent from 30,261 for the prior quarter, and down 48.5 percent from 42,465 for second-quarter 2011.

Last quarter's Trustees Deeds total was the lowest for any quarter since the second quarter of 2007, when 17,458 were filed. The all-time peak for Trustees Deeds was 79,511 in third-quarter 2008. The state's all-time low was 637 in the second quarter of 2005, DataQuick reported.

Just as with NOD filings, Trustees Deeds, or foreclosures, remained far more concentrated in the state's most affordable neighborhoods. Zip codes with second-quarter 2012 median sale prices below \$200,000 collectively saw 4.3 homes foreclosed on for every 1,000 homes in existence. That compares with 1.9 foreclosures per 1,000 homes for zip codes with medians between \$200,000 and \$800,000, and less than one - 0.5 - foreclosure per 1,000 homes in the group of zip codes with \$800,000-plus medians.

While 1.45 million of California's roughly 8.7 million houses and condos have been involved in a foreclosure proceeding the past five years, 835,000 went through the whole foreclosure process. The other 615,000 were either sold, or the payments were brought current.

Foreclosure resales accounted for 27.9 percent of all California resale activity last quarter, down from a revised

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33.6 percent the prior quarter and 35.6 percent a year ago. It peaked at 57.8 percent in the first quarter of 2009. Foreclosure resales varied significantly by county last quarter, from 7.3 percent in San Francisco County to 47.4 percent in Madera County.

Short sales - transactions where the sale price fell short of what was owed on the property - made up an estimated 18.0 percent of statewide resale activity last quarter. That was down from an estimated 20.1 percent the prior quarter and up from 17.4 percent a year earlier. In terms of the number of short sales, last quarter's estimated 20,141 was up 13.0 percent from the prior quarter and up 10.2 percent from a year earlier.

On average, homes foreclosed on last quarter took 7.7 months to wind their way through the formal foreclosure process, beginning with an NOD. That's down from an average of 8.5 months the prior quarter and down from 10.0 months a year earlier.

At formal foreclosure auctions held statewide last quarter, an estimated 40.1 percent of the foreclosed properties were bought by investors or others who don't appear to be lender or government entities. That was up from an estimated 33.4 percent the previous quarter and up from 28.3 percent a year earlier, DataQuick reported.

Notices of Default (Trustees Deeds further down)

houses and condos			
County/Region	2011Q2	2012Q2	Yr/Yr%
Los Angeles	11,250	10,568	-6.1%
Orange	3,705	3,599	-2.9%
San Diego	4,158	4,099	-1.4%
Riverside	5,534	5,677	2.6%
San Bernardino	4,334	4,487	3.5%
Ventura	1,133	1,152	1.7%
Imperial	270	250	-7.4%
Socal	30,384	29,832	-1.8%
San Francisco	402	295	-26.6%
Alameda	2,030	1,789	-11.9%
Contra Costa	2,552	2,214	-13.2%
Santa Clara	1,793	1,474	-17.8%
San Mateo	732	613	-16.3%
Marin	279	220	-21.1%
Solano	1,185	1,137	-4.1%
Sonoma	738	680	-7.9%
Napa	182	150	-17.6%
Bay Area	9,893	8,572	-13.4%
Santa Cruz	245	258	5.3%
Santa Barbara	487	442	-9.2%
San Luis Obispo	345	313	-9.3%
Monterey	489	443	-9.4%
Coast	1,566	1,456	-7.0%
Sacramento	3,397	3,202	-5.7%
San Joaquin	1,675	1,580	-5.7%
Placer	849	788	-7.2%
Kern	1,485	1,508	1.5%

Fresno	1,612	1,637	1.6%
Madera	284	279	-1.8%
Merced	510	483	-5.3%
Tulare	714	831	16.4%
Yolo	201	222	10.4%
El Dorado	377	289	-23.3%
Stanislaus	1,094	1,133	3.6%
Kings	184	230	25.0%
San Benito	85	105	23.5%
Yuba	195	157	-19.5%
Colusa	35	44	25.7%
Sutter	217	175	-19.4%
Central Valley	12,914	12,663	-1.9%
Mountains*	635	648	2.0%
North Calif*	1,241	1,444	16.4%
Statewide*	56,633	54,615	-3.6%
includes addition	al counties		

Trustees Deeds Recorded (number of homes foreclosed on)

OII)			
houses and condos			
County/Region	2011Q2	2012Q2	Yr/Yr%
Los Angeles	6,733	3,553	-47.2%
Orange	1,887	1,052	-44.3%
San Diego	2,763	1,391	-49.7%
Riverside	4,810	2,395	-50.2%
San Bernardino	4,083	2,012	-50.7%
Ventura	697	360	-48.4%
Imperial	274	147	-46.4%
Socal	21,247	10,910	-48.7%
San Francisco	156	103	-34.0%
Alameda	1,317	638	-51.6%
Contra Costa	1,799	900	-50.0%
Santa Clara	991	392	-60.4%
San Mateo	328	182	-44.5%
Marin	130	74	-43.1%
Solano	916	475	-48.1%
Sonoma	495	258	-47.9%
Napa	129	61	-52.7%
Bay Area	6,261	3,083	-50.8%
Santa Cruz	191	84	-56.0%
Santa Barbara	319	185	-42.0%
San Luis Obispo	270	107	-60.4%
Monterey	425	167	-60.7%
Coast	1,205	543	-54.9%
Sacramento	3,160	1,562	-50.6%
San Joaquin	1,399	729	-47.9%
Placer	641	320	-50.1%
Kern	1,555	802	-48.4%
Fresno	1,392	780	-44.0%
Madera	298	151	-49.3%
Merced	585	230	-60.7%
Tulare	607	408	-32.8%
Yolo	231	110	-52.4%
El Dorado	393	149	-62.1
Stanislaus	1,199	533	-55.5%
Kings	157	118	-24.8%

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continued from page 7				Central Valley	12,074	6,160	-49.0%
San Benito	73	47	-35.6%	Mountains*	525	358	-31.8%
Yuba	184	91	-50.5%	North Calif*	1,153	797	-30.9%
Colusa	40	17	-57.5%	Statewide*	42,465	21,851	-48.5%
Sutter	160	113	-29.4%	* includes additional Source: DataQuick; DQ			

California June Home Sales

July 18, 2012

An estimated 41,027 new and resale houses and condos sold statewide last month. That was down 1.8 percent from 41,790 sales in May, and up 5.3 percent from 38,975 sales in June 2011, according to San Diego-based DataQuick.

While sales have increased on a year-over-year basis every month since July last year, they are still below the historic norm. Last month's sales were 17.5 percent lower than the average number of sales during the month of June – 49,753 – since 1988, when DataQuick's statistics begin. June sales in California have varied from a low of 35,202 in 2008 to a high of 76,669 in 2004.

The median price paid for a home in California last month was \$274,000, up 1.5 percent from \$270,000 in May, and up 8.3 percent from \$253,000 in June 2011. Last month's median was the highest for any month since May 2010, when it was \$278,000. June marked the fourth consecutive month in which the state's median sale price rose year-over-year. For the current housing cycle, the median hit a trough of \$221,000 in April 2009, while it peaked at \$484,000 in early 2007.

Distressed property sales – the combination of foreclosure resales and "short sales" – made up 43.1 percent of the state's resale market last month. It was the lowest level since the figure was 37.3 percent in January 2008.

Of the existing homes sold in June, 25.0 percent were properties that had been foreclosed on during the past

year. That was down from a revised 28.5 percent in May and down from 35.1 percent a year earlier. Last month's figure was the lowest for any month since foreclosure resales made up 23.7 percent of the resale market in December 2007. Foreclosure resales peaked at 58.5 percent in February 2009.

Short sales – transactions where the sale price fell short of what was owed on the property – made up an estimated 18.1 percent of the homes that resold last month. That was up from 17.9 the month before and up from 17.5 percent year earlier.

The typical mortgage payment that home buyers committed themselves to paying last month was \$1,006. That was unchanged from the prior month. Adjusted for inflation, last month's typical payment was 55.6 percent below the 1989 peak of the prior real estate cycle, and 64.0 percent below the 2006 peak of the current cycle.

DataQuick monitors real estate activity nationwide and provides information to consumers, educational institutions, public agencies, lending institutions, title companies and industry analysts.

Indicators of market distress continue to move in different directions. Foreclosure activity remains high by historical standards but well below peak levels. Financing with multiple mortgages is low, down payment sizes are stable, and cash and non-owner-occupied buying remains at a high level, DataQuick reported.

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"Carmageddon II" I-405 Freeway Closure Now Scheduled for September 29-30, 2012



The second 10-mile closure of both directions of the I-405 over the Sepulveda Pass, popularly known as "Carmageddon," has now been scheduled for Sept. 29-30, 2012 when contractors will demolish the remaining side of the Mulholland Bridge. Motorists throughout the State of California are advised to "Plan Ahead, Avoid the Area, or Eat, Shop and Play

Locally" to avoid generating extreme auto congestion in the project area and throughout the greater Los Angeles region.

The Los Angeles County Metropolitan Transportation Authority (Metro), California Department of Transportation (Caltrans), Metrolink, Los Angeles Police Department, California Highway Patrol, Los Angeles Department of Transportation and Los Angeles Fire Department are giving the public advance notice to enable everyone to make all necessary advance travel arrangements to avoid the closure area that weekend.

The I-405 is the nation's busiest freeway and will be closed in both directions for 53 consecutive hours between the I-10 and U.S. 101. Half a million motorists drive this portion of the I-405 over a typical weekend.

Global Economic Update

IMF: The International Monetary Fund (IMF) recently released an update to its April 2012 World Economic Outlook (WEO). The IMF lowered its forecasts for the world economy in 2012, projecting the world economy to grow by 3.5% in 2012 versus the April 2012 forecast of 3.6%.

The Fund still expects the advanced economies to grow at a much slower pace than the emerging economies. The advanced economies are forecasted to grow by 1.4% in 2012 (representing no change from April), while the emerging and developing economies are projected to expand by 5.6% this year rather than the 5.7% forecast in April. The largest downward revisions were to India, the UK, and Brazil; growth was decreased by 0.7%, 0.6% and 0.6%, respectively. In addition, the outlooks for

China, and the Newly Industrialized Asian Economies (which include South Korea, Hong Kong, Taiwan, and Singapore) were also lowered. Meanwhile, the Japanese economy is now forecasted to expand by 2.4% rather than the 2.0% projected in April. The Chinese and Japanese economies are now projected to grow by 8.0% and 2.4%, respectively.

Taking a regional perspective, the Los Angeles Customs District's top five trading partners are now forecasted to expand in 2012 by:

- China (8.0%, previously 8.2%)
- Japan (2.4%, was 2.0%)
- South Korea (3.25%, from 3.5%)
- Taiwan (3.5%, previously 3.6%)
- Thailand (5.5%, no change from April)

California Home Sales and Median Prices in June

The California Association of Realtors (CAR) released another upbeat (mostly) report for California existing home sales and median prices in June. Sales of existing single-family homes increased by 8.5% in June to 518,460 units (seasonally adjusted, annualized rate). The median price climbed by 8.1% to \$320,540. This was the third consecutive month in which the median price topped \$300,000 after 15 months of floundering below that mark and was 30.7% higher than the cyclical bottom of \$245,230 recorded in February 2009.

Sales and median price results varied throughout the state. Here is a year-over-year summary of sales and price activity in Southern California by county:

- Los Angeles County: unit sales rose by 5.0% over the over the year to June, and the median price was up by 4.7% to \$315,390.
- Orange County: sales were up by 15.1% last month, and the median price increased by 6.2% to \$567,910.
- **Riverside County**: sales of existing homes edged up by 0.9%, while the median price bumped up by 8.3% to \$219,850.
- San Bernardino County: sales slipped by -0.1%, but the median price climbed higher by 6.6% to

\$138,110.

- San Diego County: unit sales jumped by 15.2%, and the median price ticked up by 2.8% to \$388,100.
- **Ventura County**: existing home sales surged by 23.6%, but the median price dropped by 3.1% to \$429,520.

The inventory of unsold single-family detached homes in California was 3.5 months last month, down from 5.1 months in June 2011. Los Angeles County found itself with a 3.4 month supply of single-family homes in June (compared with 5.4 months a year ago). Inventories are exceptionally tight. The historic average for single-family unsold homes in California is a seven month supply.

The limited number of homes on the market is frustrating many potential home buyers. This is particularly true for lower-priced homes. Last month, sales of homes priced below \$300,000 fell by 4.1% from the previous month, while sales of homes priced over \$500,000 increased by 2.3%. The lack of inventory, together with a greater number of higher-priced homes in the sales mix, are the primary factors behind the increase in median price.

Source: http://www.car.org/newsstand/newsreleases/2012releases/668441/

2012 -2013 FORECAST AT A GLANCE

The U.S. Economy

Slow growth, gradual improvement in labor market, and low inflation threat

Consumer sector is healing, which is good news for overall economy

Risks: uncertainty regarding the European situation, global economic slowdown, and the Federal "fiscal cliff"

	2011	2012F	2013F
Real GDP (% Change)	+1.7%	+2.0%	+2.2%
Nonfarm Jobs (% Change)	+1.2%	+1.4%	+1.4%
Unemployment Rate	9.0%	8.2%	8.0%
Consumer Price Index (% Change)	+3.2%	+2.2%	+1.9%

Leading Sectors: Consumer Spending, Exports, Business Equipment Spending, Manufacturing, Professional & Business Services

Trailing Sectors: Construction, Financial Activities, State/Local Government Spending

The California Economy

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State improvement	tied to	national	and	alahal	economies
State Improvement	ucu u	manomai	anu	giodai	CCOHOHHCS

Private sector job gains, unemployment rate down slowly but steadily, housing on the mend

Risks: short-run/long-run challenges stemming from problems with state and local government finances

	2011	2012F	2013F
Unemployment Rate	11.7%	10.7%	10.0%
Nonfarm Jobs (% Change)	+1.4%	+1.5%	+1.5%
Population Growth (% Change)	+0.7%	+0.9%	+0.9%

Leading Sectors: High-Tech Manufacturing, Software Development, Tourism, and Health Care

Trailing Sectors: Construction, State/Local Government Spending

The Southern California Economy

- Progress in regional economy, but unevenly across counties and industries
- Orange County and Inland Empire (Riverside-San Bernardino) leading region in labor market gains
- Private sector recovery continues despite state/local fiscal problems and associated government job losses

Leading Sectors: High-Tech, Tourism, International Trade, Entertainment, Professional and Business Services

Trailing Sectors: Residential Construction, State/Local Government Spending, Financial Activities

OUTLOOK FOR THE US ECONOMY

In some regards, the economy's performance during the first half of 2012 seems like déjà vu. Both 2011 and 2012 began with promising numbers on the labor front, giving rise to hopes that the U.S. economy would finally accelerate and drive the unemployment rate down. But the economy faltered in the second quarter in 2011 and again in 2012. Last year, the economy reacted to the Japanese earthquake/tsunami, higher energy prices in the wake of the Arab Spring, and the Greek sovereign debt crisis. This year, higher energy prices and the Greek sovereign debt crisis both staged repeat performances – the latter causing more widespread problems in the euro zone. In both years, the domestic economy softened in the second quarter relative to the first quarter.

Still, the economy has made progress, as illustrated by a quick review of the vital signs of the economy at mid-year 2012:

Gross Domestic Product (GDP) grew by 1.9% in the first quarter of this year, slightly better than the 1.7% annual growth rate for all of 2011. The second quarter growth rate is also expected to be just below 2%.

The unemployment rate stood at 8.2% in June, having changed little since the start of the year but nearly a percentage point lower than a year earlier.

Having started the year with hefty increases in excess of 250,000 jobs per month, the labor market has since responded to the slow growth rate of the economy by averaging 75,000 nonfarm jobs gained in the last three months, about one-third of the job growth needed to bring the unemployment rate down in a timely fashion. Still, the economy has added jobs 900,000 jobs from the end of last year through June, averaging

a 1.4% year-to-year growth rate.

The rate of inflation averaged a moderate 2.5% through May, despite the increase in energy prices during the spring. The core rate of inflation (excluding the volatile components fuel and food) also held steady at a tolerable 2.3%.

Although the recession officially ended three years ago, the economy has been stuck in a low growth trajectory with GDP increasing at approximately 2%, due largely to below par demand for goods and services, primarily on the part of the consumer sector. Slavy growth leaves clock in recovery markets and results in a subdued threat of inflation, but it also

consumer sector. Slow growth leaves slack in resource markets and results in a subdued threat of inflation, but it also means that it may take years before the labor market fully recovers and the unemployment rate returns to a normal level.

While full recovery in the economy appears to be years off, it is reassuring to note that there has been no repeat domestic financial crisis and no double-dip recession, both of which were feared over the last three years. Moreover, the slowdown in China's growth rate, and Europe's economic and sovereign debt problems have had only a muted impact on the U.S. economy.

Key Sectors

Consumers: The consumer sector accounted for 70% of all expenditures in the U.S. economy last year. Increases in consumer spending are needed to spur economic growth, causing firms to ramp up the production of goods and services, and triggering both job and income growth.

Several indicators reflect gradual healing on the consumer front. Personal consumption expenditures rose by an annualized 2.5% in the first quarter of this year, the biggest increase in over a year. The increase was led by hefty gains in the purchase of durable goods, especially cars and trucks, which have contributed to increased manufacturing employment in recent

quarters. While it is considerably below the average 4.1% increase in consumer spending that prevailed in previous post-recession years, it is a welcome sign that consumers are opening their wallets.

Income gains, improvement in consumer balance sheets, and increases in the use of consumer credit have supported increases in consumer expenditures in recent quarters. Inflation-adjusted after tax income (real disposable personal income) grew by a marginal 0.7% in the first quarter on an annualized basis. Moreover, household net worth (assets minus liabilities) continues to recover, posting a 3.3% year-to-year increase in the first quarter of this year. Household net worth plunged 24.0% from its cyclical peak in the first quarter of 2007 to its trough in the first quarter of 2009, but has since increased 22.6% through the first quarter of this year, although it is still 6.8% below the 2007 peak.

Households have largely recovered their financial wealth, but real assets continue to lag in recovery. Meanwhile, consumer deleveraging that ensued at the start of the recession seems to be nearing an end, as consumer credit has grown steadily since hitting bottom in August 2010. Improvements in income and household net worth have been slow to date, but are essential ingredients to a healthy consumer sector, while increased use of consumer credit reflects more confidence about future consumer finances.

Consumer sentiment experienced nearly a year of steady gains before pulling back in June in response to softening conditions in the economy during the second quarter. While consumer behavior does not correlate precisely to consumer sentiment, it provides some insight to current and future spending on the part of households.

Increases in the price of gasoline early in the year tempered consumer spending but the price of oil has since retreated, offering relief to consumers at the pump. That relief came more slowly to California drivers as it was temporarily offset by costs associated with the seasonal switch from winter gas to summer gas formulations. However, the price of a gallon of unleaded gasoline, which rose above four dollars from February through May, finally fell below that threshold by early June. Consumer expenditures are expected to increase by 2% for all of this year, with growth just above 2% in 2013.

Businesses: Business investment spending includes expenditures on nonresidential structures, equipment and software, additions to inventory, and residential investment, that is, new single-family and multi-family home construction. It accounted for 13% of total economic activity in 2011.

Investment spending fell sharply during the recession but came back strongly in the aftermath of the Great Recession with double-digit percentage increases in late 2009 and the first part of 2010. Investment spending overall grew by 6.5% on an annualized basis in the first quarter of this year, mainly because of increased spending on computer equipment and software, with smaller contributions from transportation (mainly aircraft) equipment, new nonresidential structures, and new residential structures. Even a slight contribution from new residential activity is a welcome development, as this expenditure category detracted from GDP over the last three years.

For all of this year, business investment spending is expected to grow by 5% to 6% this year and next. The mix of expenditures is likely to resemble that of the first quarter, with continued investment in computer equipment and software, aircraft, and commercial construction. New residential construction will also continue to register gains this year and next.

Government Spending: Government spending at the federal, state, and local levels accounted for 20% of total economic activity in 2011, with the federal government accounting for roughly 40% of all government expenditures and state and local government accounting for the other 60%. Spending at all levels of government continues to be under pressure as a result of the weak recovery in the overall economy.

Federal government expenditures exceeded \$1 trillion in 2009, 2010, and 2011, in part because of the \$800 billion 2009 American Reinvestment and Recovery Act (ARRA), most of which was distributed over that three year span. Federal government expenditures are projected to exceed \$1 trillion again in 2012, but should fall below that threshold in 2013.

State and local government expenditures reached a peak of \$1.53 trillion in 2007 and 2008, but slid with the start of the recession. Because of the requirement to balance their budgets, state and local governments across the country have cut expenditures while looking for new revenue sources. Portions of the 2009 ARRA went to state and local government to temporarily save the jobs of first responders and teachers, but as that support has waned, more job cuts have been implemented. State and local budgets largely support public services that are inherently labor intensive, so there are few alternatives to job cuts. In turn, this has created a drag in the labor market where private sector job gains have been partially offset by losses in the public sector. Expenditures fell to \$1.45 trillion last year and are expected to fall by an additional 1% to 2% this year and next. After so many years of cuts, municipalities in California and elsewhere in the country are facing this year and next with great trepidation, and a few have considered declaring bankruptcy.

Total government expenditures, which hit a peak of \$2.56 trillion in 2010, fell 2.2% in 2011 to \$2.50 trillion. Total government expenditures are expected to decline by roughly 2% this year and next, falling to \$2.41 trillion by 2013.

Labor: Improvement in the unemployment rate from 9.0% in the late summer of 2011 to the low 8% range early in 2012

continued from page 11

led many to hope the labor market was finally on the mend. Monthly job gains picked up in late 2011 and averaged 226,000 per month by the first quarter of this year. But job growth pulled back to 75,000 per month during the second quarter as economic conditions softened, much the same as in 2011.

The prolonged high unemployment rate has caused concerns that structural changes in the economy and possibly the extension of unemployment benefits may have caused permanent job losses. While there may be some structural unemployment, and while extending unemployment benefits may have contributed to a limited extent to longer unemployment duration, evidence suggests that the main culprit is the weakness of the overall economy. Because firms face weak demand for their products and services, they have been slow to hire workers on a full-time basis. Instead, they have managed fluctuations in demand and their workforce needs by relying on temporary employment.

If the current outlook for 2% GDP growth over the next two years holds up, a normal unemployment rate of 6% is still years off. Given the outlook for 2% growth in GDP this year and next, the unemployment rate will average 8.2% this year and 7.9% next year. While this is an improvement over 9.0% in 2011, households will continue to be weighed down by slow improvement in the labor market.

LAEDC Kyser Center for Economic Research To be continued in the September 2012 Newsletter

EDITORS MESSAGE

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