

Real Estate: Where from Here? Fast Recovery or Lingering Doldrums...

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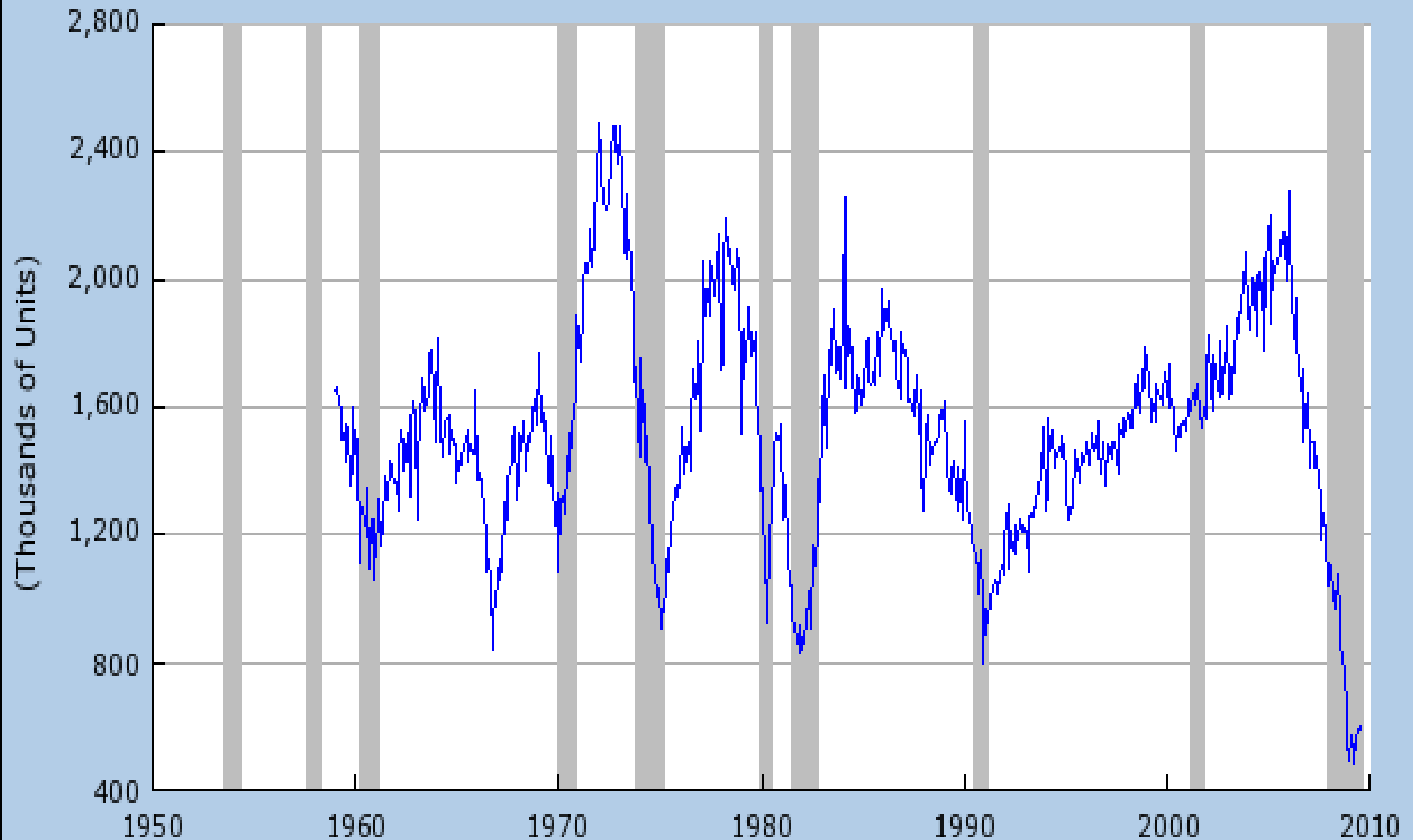
Lusk Chair in Real Estate

University of Southern California

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Housing Starts: Total: New Privately Owned Housing Units Started (HOUST)

Source: U.S. Department of Commerce: Census Bureau



Shaded areas indicate US recessions.

2009 research.stlouisfed.org

At a Bottom?

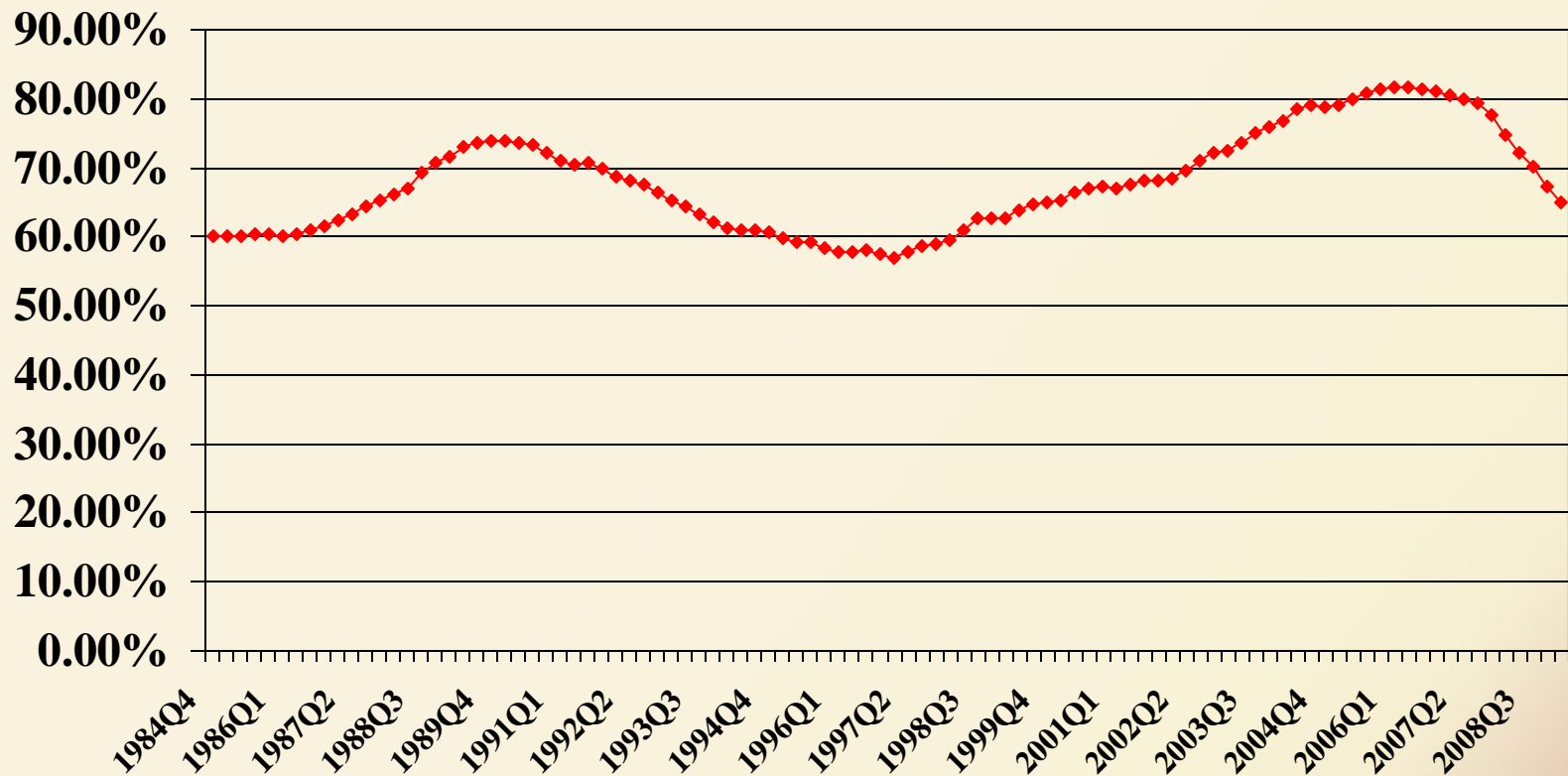
- Good news
 - Price relative to replacement cost
 - Rent to Price Ratios
 - Low Inventories
- Bad news
 - Employment Picture
 - “Shadow” inventory
 - Falling Rents

Price vs. Replacement Cost

- According to Saylor*, construction cost for a 1600 square foot stick built standard house in LA area is about \$200,000.
- Developers tell me that finishing a lot costs around \$50,000 (including fees)
- More expensive in West LA
- Inland Empire and Many zip codes in LA county now have prices below this

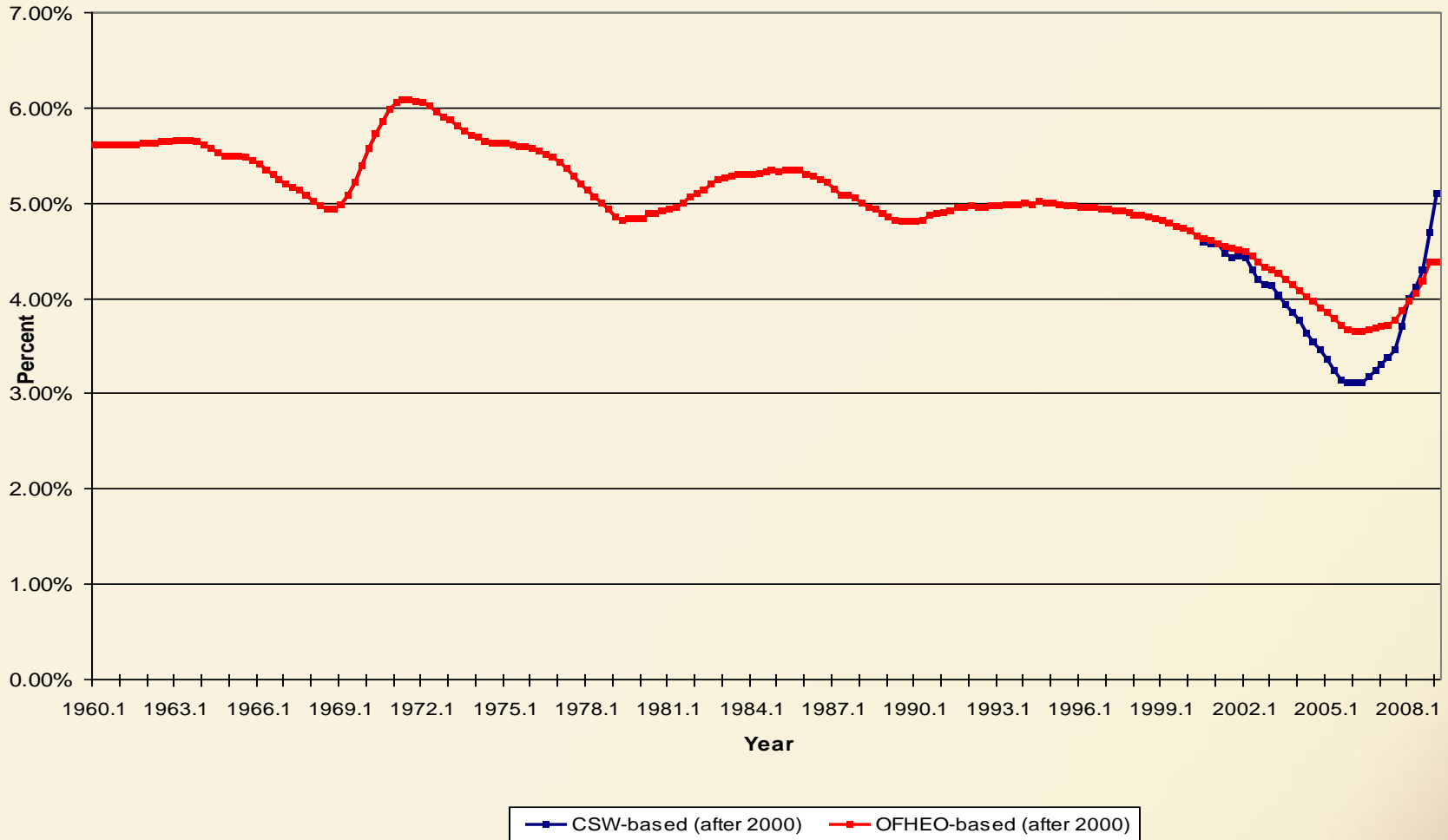
*<http://www.saylor.com/lacosts/standard.html#Standard>

Land As Share of Total Value: Los Angeles (1984-2009)*



Source: Davis, Morris A. and Michael G. Palumbo, 2007, "The Price of Residential Land in Large US Cities," *Journal of Urban Economics* vol. 63 (1), p. 352-384; data located at Land and Property Values in the U.S., Lincoln Institute of Land Policy

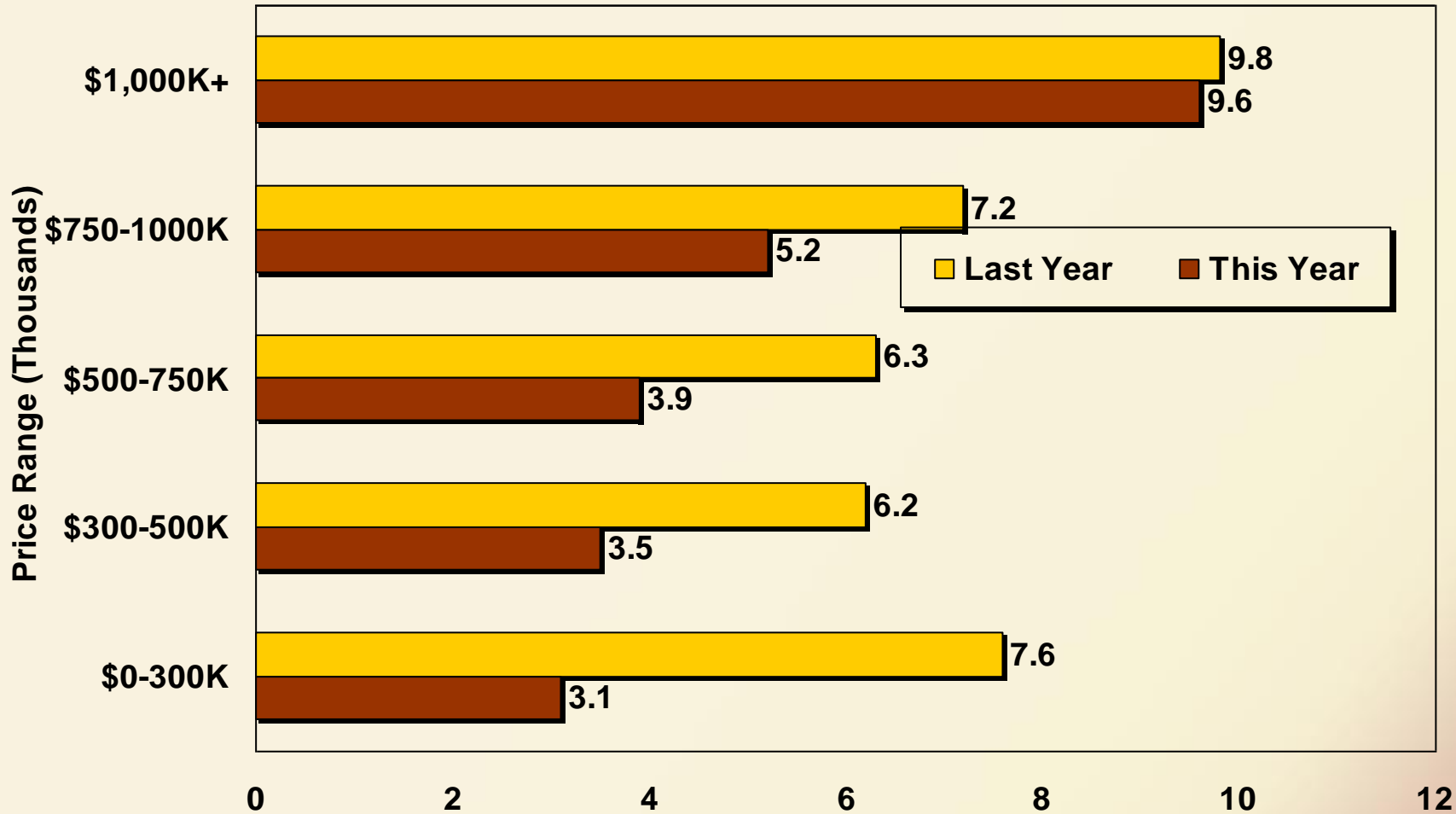
Gross Rent-Price Ratio, U.S. Stock of Owner-Occupied Housing



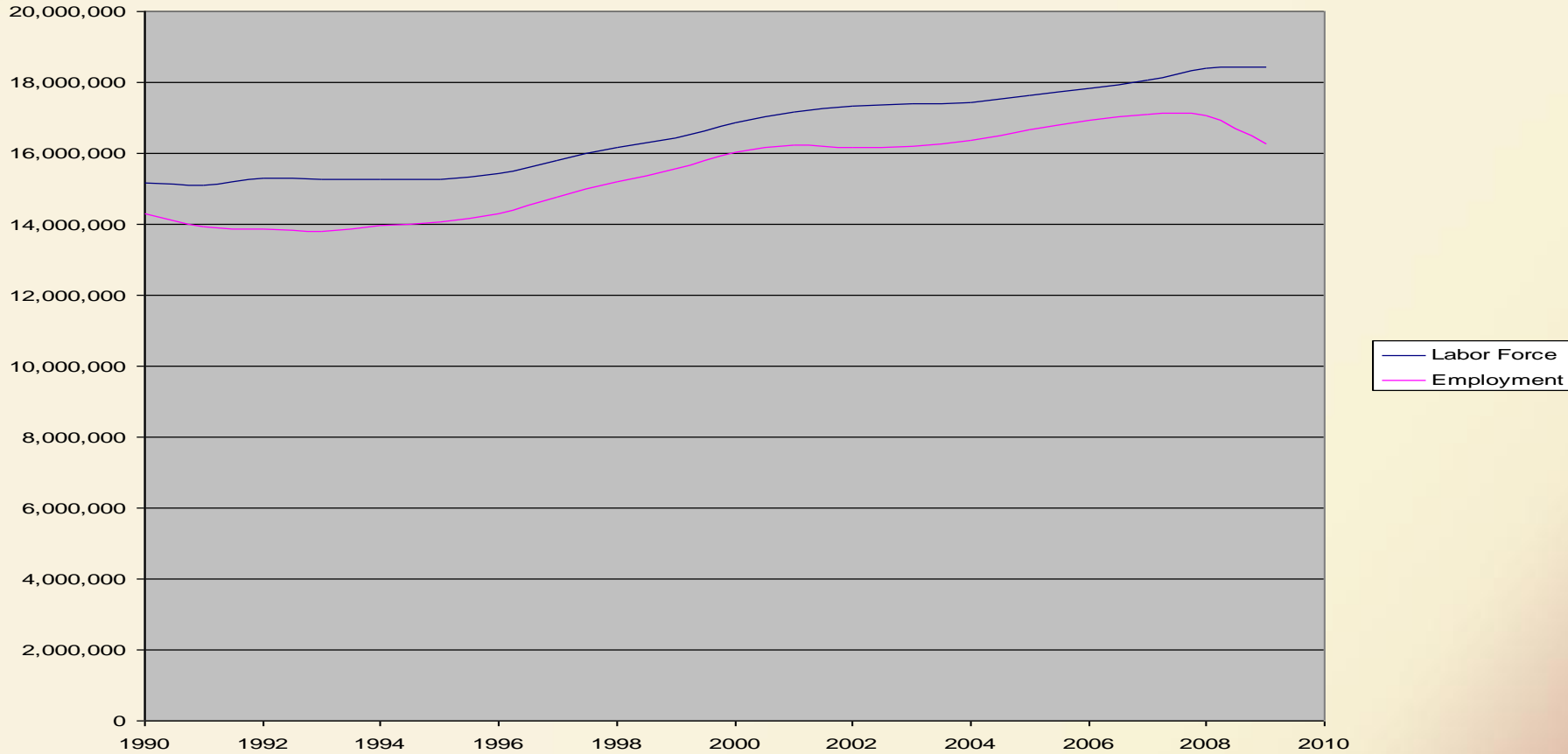
Source: Davis, Morris A., Lehnert, Andreas, and Robert F. Martin, 2008, "The Rent-Price Ratio for the Aggregate Stock of Owner-Occupied Housing," *Review of Income and Wealth*, vol. 54 (2), p. 279-284; data located at Land and Property Values in the U.S., Lincoln Institute of Land Policy <http://www.lincolninst.edu/resources/>

Unsold Inventory By Price Range

Months Supply



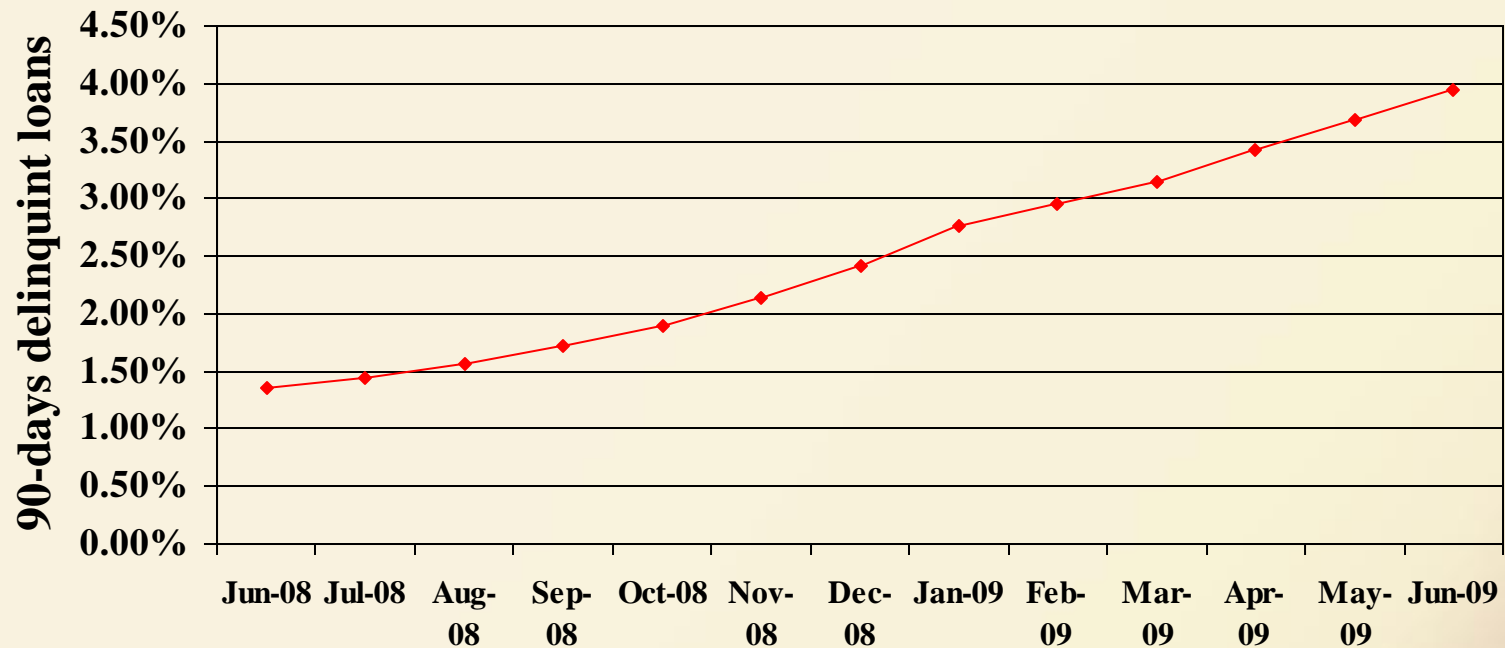
Labor Force and Employment: California 1990-2009



Source: <http://www.labormarketinfo.edd.ca.gov/?Pageid=166>. 2009 is seasonally adjusted employment for July

The foreclosure problem is now coming from the
Prime Market

Fannie Mae Troubled Loans



Source: Fannie Mae Monthly Volume Summary