It is obvious that rents must suffer from competition of this type, even if new construction were not as heavy as it has been and is. There has been no let-up in the drive to make the Los Angeles public conscious at all times of this new type of home financing, of the joys of home ownership, and the evils of perpetual tenancy. All publicity media have cooperated feverishly with the FHA program and the net result remains to be determined. Certainly, the rental structure bids fair to become the first casualty of this vast promotion of home building.

(3) The third factor adversely affecting rentals has been the absence of any widespread economic recovery in the area. This was discussed fully in the second section of this report and needs only brief reference here. Certain sources of economic support have attained peak activity, and numerical population increases have continued through the depression years, but, generally speaking, the economic livelihood of the community is sharply curtailed in comparison to 1929 levels, while relief and unemployment loads continue to grow in stature.

(4) Fourthly, a new source of competition to the present rental structure is developing in the form of low-rent, government financed or insured housing developments. The first of these, known as "Wyvernwood," is designed to house 1,102 families and is about one-third completed. All completed units were rented within three days after completion. The project was built under a $3,000,000 FHA insured loan on acreage belonging to the old Hostetter Estate and is adjacent to the heaviest industrial sections of Los Angeles, as well as convenient to the downtown business section. Rents for unfurnished apartments in this development range from $29.25 for a three room apartment to $43.75 per month (some slightly higher) for six room studio type apartments, all apartments furnished with heat, hot water, cooking and refrigerator accessories. This rental is, of course, far below the rents asked for similar new accommodations elsewhere in the city and must be considered as competitive to existing rents.

Furthermore, a different type of government housing project is now in the final stages of planning, and the beginning of actual construction is only a matter of a short time now. This type of housing is designed to supply accommodation to the poor and under-housed segment of the population and the extent of these plans is almost unbelievable. The City Council has just approved support of projects totalling $19,513,000 in amount and designed to furnish accommodation to 4,085 families, the project to be carried on by the USHA in conjunction with the Los Angeles Housing Authority. Proposed rentals are to be $17-18 per month for four-room apartments and $23-24 for 53 room units.

Putting aside the humanitarian aspect of these latter projects as a subject not within the scope of this report, our concern is with the effect of these developments on the existing rental structure. One provision of the USHA commitment requires demolition or standardization within 12 months of substandard units in equal numbers to those built under the project. Whether increases in rent in marginal neighborhoods will ensue through the elimination of this vast number of sub-standard units is problematical. It must be remembered that there were 116,250 relief cases in this area as of May 1939, in addition to 64,049 employable persons seeking work. Although these figures do not in all instances represent families, by far the largest number does and hence we are faced with a situation in which a substantial segment of the total Los Angeles housing demand is seeking living accommodations at rents of even less than $18-24 per month.

It is not improbable that rental units in marginal areas will settle to fill the gap left by the removal of this large number of sub-standard units and that the whole rental structure will subside somewhat as a consequence. The law of supply and demand does not operate so smoothly in a situation where a large percentage of the total families have only fixed amounts to pay for housing, regardless of the extent of accommodations available.

(c) Rental Demand

There is still a firm rental demand in the Los Angeles area but this demand is spotty and is becoming increasingly selective. The prospective tenant now looks for a modern, well-equipped home in a desirable neighborhood at a rental price which would have been out of question a year or two years ago. While this slight will be termed a "landlord's market", the increasing prevalence of concessions, both as to rent reductions and improvements to the property, indicates the approach of a "Tenant's market", particularly in the multiple dwelling and apartment house sections. The bargaining tool with which the well advertised FHA program of "monthly payments less than rent" has put into the hands of prospective tenants affords a not inconsiderable assistance as a lever to force concessions.