This comparison indicates that while there have been insufficient numbers of housing units provided in the city since 1920 to take care of the increases in families since that year, building activity in the remainder of the county in the same period has substantially exceeded the increases in number of families. Assuming that the same ratio of excess of dwelling units existed in the balance of the county in the year 1920 as that estimated for the City of Los Angeles (7.2%), then there were approximately 7,000 surplus units available in the county outside of Los Angeles City in that year. Adding to this total the increment in excess units since 1920, the estimated total surplus units in 1938 would number 32,500 or about 9% of total units as compared to the 2.2% ratio of excess in the city proper. Assuming that these ratios are a reasonable approximation of the actual conditions existing, it is evident that the present danger of over-building is to be found in those portions of Metropolitan Los Angeles outside the corporate limits of the city proper. This supposition is borne out by two facts: first, there has been a rapid decentralization of business enterprises in recent years, indicating a trend of population decentralization; and, second, an increasing portion of the total dwelling units built in Los Angeles County each year is being built in areas outside the city.

However, there is evidence that the present low ratio of excess units in the city itself will show a turn for the worse by the close of 1939. The FHA has commitments outstanding for construction of approximately 3,000 rental units in large scale housing projects in the city, including the partially completed "Hyverwood" project mentioned earlier in the report, and residential construction generally in the city during the past year has been heavy. On the other hand, it is believed that the decentralization of population to outlying sections of the Metropolitan Area will substantially cut down the net increase of families in the city during the year. Visible evidence that this surplus ratio for the city will increase is afforded by the endless number of vacancy signs prominently displayed in all the apartment house sections and even in some of the downtown single family residential areas.

It is needless to point out that such a heavy concentration of excess units cannot but have a serious effect on the housing market. This factor in itself is serious enough, but when combined with continuing heavy speculative building activity in the affected areas and the present uncertainty in general business conditions, it should give pause to mortgage institutions. Again, virtually all of the newly constructed dwellings have been sold on down payments which have afforded but slight equity to the purchaser and the same is true to an equal or greater extent of sales of acquired dwellings by mortgagee institutions. How well this thin margin of safety would stand up in the face of a recurrence of sub-normal economic conditions, should this occur, is highly questionable. And an occurrence of such conditions is not impossible in this area. Economic recovery has been spotty and spread very thinly in this area until quite recently when the outbreak of war stimulated business activity generally. The position of this country with respect to the neutrality provisions governing foreign trade and the possibility of actual participation in the war constitute variable factors which render any speculation on the housing market of Los Angeles extremely hazardous.

C. Summary of Present Real Estate Conditions in Los Angeles and Probable Future Trends.

In the foregoing pages, we have analyzed in detail current conditions for each of the major elements making up the real estate market and discussed the factors, both favorably and adversely, affecting these elements. On the basis of conditions as presented, it is difficult to draw other than an unfavorable conclusion with regard to the Los Angeles real estate market, or to foresee a future that holds any substantial degree of promise. These conclusions are inescapable after weighing the favorable and unfavorable factors influencing the market. These factors may be summarized as follows:

1. Favorable factors.
   a. A continuing growth in the number of families comprising the housing market
   b. Increase in home ownership