It is a policy with us to recondition all our properties very thoroughly, letting the work out by contract to the lowest of a selected group of bidders. We have found sales-resistance to be less on five- and six-room bungalows selling from $3750 to $5500.

We estimate a net profit of from 1 to 2% from our rented properties. This, however, does not take into consideration depreciation.

We have 10% vacancy in our properties at present but this is seasonal and we expect 100% occupancy in the next few months. In La Jolla rentals were down 60% in 1933 but are now up to 80% of the 1929 rates. In other words, a property which rented for $50 in 1929 rented for $25 in 1933 and is now rented for $40.

Building-costs are advancing rapidly. The per-square-foot cost in 1929 was $3.80; in 1933, $2.80 and in 1936 it is $3.30.

The Mortgage Moratorium Law has not affected our business at all and we view it as a proper piece of legislation. The exchange of Investment Certificates for real estate by building and loan associations, with one possible exception, was not indulged in much down here, although it developed into quite a "racket" in some localities.

Our records show completion of loans to 70% of those from whom we accepted formal applications.

The Hatton District in which La Jolla is located is negotiating for settlement of its bonds and we believe a readjustment of this debt is inevitable; in fact, there seems to be excellent prospects of reaching a settlement within a comparatively short time. The actual terms of settlement will probably be on the basis of 65% payment to bond holders of which 25% will be paid by property holders and 40% contributed by the County from gasoline tax. It is estimated it will take from 12 to 18 months to actually complete this settlement.

We have an option on a new office building which we will purchase as soon as we receive permission from "the powers that be". We believe this will be a very profitable move for us from an investment standpoint and that it will also be of aid in the selling of our shares.

Our favorite lending territory is Normal Heights and Redlands Gardens in the City of San Diego.

* * * * *

57 a