"We have followed the general policy of not renting. However, I might say that rental values went down 40% between 1929 and 1933 and are now around 80% of 1929 levels.

"We have found that the two or three-bedroom residences are the easiest to sell, prices varying according to structural condition and locality. We have found little or no sales resistance to such properties in any of the residential areas shown on the Security Area Map, except in areas 'D-1', 'D-2', 'D-3', 'D-4', 'C-12', and 'C-14'. These areas pretty generally run to flats and apartments, and there is very little demand for single-family residences.

"Building costs are fully as high now as they were in 1929 and are still going up. One element in this high cost, which is not shown by wage scales or material prices, should be taken into consideration, and that is the present-day building trades laborers. They are not only less thorough with their work but they perform less in a given space of time. The average bungalow is now costing around $4 per square foot, but it should be borne in mind that there are a great many more built-in features and other conveniences and refinements in the bungalows of today than those built in the '20's. However, if costs advance much further, lending on new construction is going to be a hazardous undertaking. One of the hazards at the present moment lies in the fact that the demand for lumber is so great that in many cases green lumber is being used, and in such cases depreciation or, rather, deterioration will inevitably be very great.

"FHA Title II loans, together with the high degree of competition existing among lending agencies, is a prime factor in advancing costs. An actual instance came under my observation recently. A speculative builder bought a lot for $800 and put up a house costing $4,000, making his total cost $4,800. A conservative, amortized loan on the property would not have been more than $5,000. The property was sold for $6,000 and financed through an FHA loan of $4,800, which was exactly what the property had cost the builder.

"There is very little residential overhang left in San Francisco. We have but six single-family dwellings left in our San Francisco inventory. While there will continue to be a few requirements from time to time, there will not be enough to constitute a future problem."