MEMORANDUM

TO: Mr. John L. Fable
FROM: Gerwin A. Ferguson

Date: January 28, 1988

Subject: Special Summary Survey of
SAN JOSE, CALIFORNIA
Field Report dated September 16, 1987

San Jose is largely devoted to the production of deciduous fruits and nuts, mostly prunes and apricots, and is a very large fruit canning and packing center. The work is highly seasonal and low average annual wages prevail. Business is believed to be at about the 1929 level, but the production of prunes and apricots has been exceeding consumption, prices have dropped sharply, and the prospect is for lower prices than those received prior to 1980. Relief load is heavy and is increasing. Tax collections have been unusually good. A settling of the land under the area is in process and is particularly acute in nearby Alviso.

The real estate market is active, but has been declining slightly since early summer. Residential sales by institutions for 1986 and 8 months of 1987 ($805,600) exceeded their present small overhang of $477,600. Foreclosures have been dropping steadily and potential acquisitions are negligible. Market values have shown an excellent recovery to 90-95% of 1929. Rents in the better grade security areas exceed 1929, and in the poorer grade areas are back to 1929 levels. Occupancy is virtually 100% and a housing shortage exists. Residential construction volume during the first half of 1987 compared favorably with the 1929-peak rate, but began to decline in June and since then has been running below similar months of 1926. Construction costs are estimated to equal or exceed 1929. Ample mortgage funds are available at 6.7.2% interest.

The six state chartered and one small Federal savings and loan associations are the most active lenders, accounted for 64% of the institutional total for 1986 and 8 months of 1987 and are the largest holders of residential mortgages - 61% of institutional total. Four of the six state chartered associations are insured. Private share investments have lately been increasing, which is a reversal of the trend up to early 1987. Annual dividend or interest rate is 4%.

The four banks and trust companies are a close second to savings and loan associations in recent lending. Practically all of the activity is by the three branches of San Francisco banks. Deposits have been gaining steadily and exceed 1929. Savings deposits earn 2%.

Five insurance companies are in the area, but recent lending and mortgages held are negligible.

Three other non-residential institutions have accounted for 14% of the recent lending, most of which was done by the branch of the San Francisco Bank located in Burlingame. The California Veterans Welfare Board holds $1,781,400 of residential mortgages, equal to about 1% of the total for all institutions.

HOLL has $1,396,000 of residential mortgages (equal to only 8% of the Institutional total) and only $28,700 in real estate.

The two institutions in liquidation hold 8% of the residential overhang and 1% of the institutional mortgages.

Attached is a recapitulation of residential mortgages and real estate activity of current lending terms for reporting institutions.

G.A.F.