MEMORANDUM

TO:    Mr. John H. Fahey
FROM:  Corwin A. Fergus

Date:  January 6, 1939

Business is near peak levels in Stockton with the present trend upward after a moderate recession shrinkage. The recent construction of a ship channel to the Pacific Ocean has enhanced the city's importance as a distribution center.

Real estate sales prices are about 75% of the 1926 peak and 85% of 1929, while rents are 95-100% of 1929, and both are firm. Vacancy is 3% in single-family dwellings and averages 5% for all types of dwelling units. Sales activity has slackened slightly but remains near 1928 peak activity. Institutions have disposed of virtually all their residential real estate, and sales during 1936-37 and the first 9 months of 1939 ($2,053,100) were more than 5 times their present slight overhang ($356,800). Foreclosures are dropping sharply—particularly HOLC actions. New residential construction volume is heavy and increasing, with costs slightly above 1929. Ample mortgage funds are available.

Savings and loan associations and banks dominate local residential mortgage lending, the latter becoming increasingly important by virtue of their Title II activity. The savings and loan group accounted for 59% of the loans made during 1936-37 and the first 9 months of 1939, and 45% of the dollar volume, while banks made 41% of the loans and 55% of the dollar volume in that period. The mortgage portfolios of the savings and loan associations represent 56% of the number and 48% of the dollar total of all institutions, that of the banks 24% of the number and 26% of the dollar total. Only one of the three associations reports any gain in private share subscriptions during the past year and the net loss for the group totalled $290,700. Annual dividend rates are 3-4%. Total bank deposits, however, increased $1,117,200 for the period and are now at an all-time peak. Interest of 2% is paid on savings.

Insurance companies are virtually inactive in Stockton and the only remaining institutional group—other non-resident institutions—accounted for but 5% of the number and 9% of the dollar amount of recent lending activity. However, this latter group holds 13% of the number and 18% of the dollar amount of total institutional residential mortgages.

There are no institutions in liquidation in Stockton. The HOLC holdings of mortgages and real estate are equal to 7% and 8% of institutional totals respectively.

(For details as to investment and activity by institutional groups, see the attached consolidated figures.)

C.A.F.