

QUARTERLY COURIER

Real Estate News

This Year Peaked For Real Estate...

...But 2000 Will Still Be Good!

While experts say 1999 most likely marked the peak for real estate in San Diego County, the sky won't fall just yet for the industry at the start of the new millennium.

Leslie Appleton-Young, chief economist for the California Association of Realtors, and Rocky Tarantello, a real estate and economics professor at the University of Southern California, were in San Diego recently outlining their predictions for both the state and regional real estate markets at the Institute of Real Estate Management's economic forecast breakfast.

Last year was a record year for home sales in California, Appleton-Young said. "It was the best year for real estate in probably 30 years." In 1999, 653,400 single-family homes were sold, compared to 487,000 homes sold in 1979 and 540,452 in 1989. Appleton-Young predicts that home sales will drop slightly by 8 percent in 2000. "Still, the year 2000 will be the third strongest year for real estate." The median price for a single-family detached home last year was \$217,520, compared to \$84,150 in 1979 and \$196,120 in 1989. In 2000, the median price should rise 5 percent, Appleton-Young said. "That will be due to excess demand and a limited supply, creating an imbalance."

Consequently, the lack of affordable housing will increasingly become a critical issue. There were 141,600 housing permits issued throughout California in 1999, compared to 237,747 in 1989. Appleton-Young predicts a 10.9 percent decrease next year. "And yet, the demand is increasing," she said, adding the increase would

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Natural Facts

Donn Bree, Ph.D.

EARTHQUAKES (Part 2 of 3 installments)

Faults

There is another process at work in the Sierra Nevada Mountain Range that speaks directly to the topic of this article: faulting. It is along breaks or **faults** in the earth's crust where earthquakes occur. To understand how earthquakes are responsible for releases of energy, it is necessary to first understand the various kinds of faults involved, as well as the movement associated with each kind of fault. There are four general types of faults. For the purpose of describing the movement of each type of fault, imagine that you are holding two blocks of wood, one in each hand.

Normal Fault: the block in one hand pulls away from the block in the other hand, with each block moving vertically in relation to the other, breaking the surface of the earth at some position along the fault line. In the Sierra Nevada Mountains, the Owens Valley Fault is the result of the pulling away and uplifting of the mountains in relation to the adjacent valley. The famous Lone Pine earthquake of 1872, which killed nearly the entire population of Lone Pine, occurred along a normal fault system.

Reverse Fault: the block in one hand moves toward the block in the other hand, with each block moving vertically over the other, breaking the surface of the earth at some position along the fault line. Although occurring on a slip-strike fault system, the Loma Prieta earthquake of 1989 demonstrated the vertical displacement characteristic of a reverse fault, coupled with horizontal motion associated with a slip-strike fault system.

Blind Thrust Fault: the block in one hand moves toward the block in the other hand, with each block moving vertically in relation to the other, *without* breaking the surface of the earth at some position along the fault line. It was a blind thrust fault earthquake that struck Northridge in 1994.

Slip-Strike Fault: the block in either hand slides horizontally past the block in the other hand, breaking the surface of the earth at some position along the fault line. The Hector Mine earthquake of October, 1999 was the product of energy being released on a slip-strike fault system. The San Andreas Fault system is a notorious example of this type of fault. Consequently, the notion that California will "drop" into the ocean is, thankfully, false.

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come particularly from foreign immigrants. There will be more than 700,000 new immigrant homeowners throughout California within the next several years, and the importance to the San Diego real estate industry is significant, she said.

In San Diego County, there were 1,660 single-family detached homes sold last year, a 2.1 percent increase over sales in 1998. The median home price in the county was \$234,900, representing a 12.9 percent increase from the year before. Vacancy rates averaged 2.8 percent for the area, with population growth robust. "My forecast for next year is extremely positive," Appleton-Young said. "While 1999 was the peak, 2000 will still be a good year, just not as strong."

While the real estate industry is still strong, most of the high-yield properties are out of the market, Tarantello said. "If there are big opportunities left, they're not going to be in the United States," he said. "They will be in Latin America, the Pacific Rim, Eastern Europe, Western Europe, Japan and Hong Kong."

The real estate market has passed its peak, according to Tarantello. "We had a lot of inventory in the early 1990s, there was not a lot to draw new capital in, and the capital lenders became extraordinarily more disciplined," he said. The traditional "buddy system" between lenders and real estate developers has become less dominant. As a result, the real estate market is fundamentally in balance. "However, there are shortages in some of the submarkets, particularly apartments," he added. "If I had money, I would be buying apartments." In San Diego, Tarantello sees blue skies for all submarkets. "San Diego is continuing to be one of the top 10 to 15 markets because of many factors, including a diversified industrial base, the high-tech industry, and low unemployment rates."

Also, look for shrinkage in the brokerage world. "Consolidation in the real estate industry is ahead of us," Tarantello said. "What that means is that a lot of us are going to be out of work." With advances in technology, less brokers are needed than before. "By 2010, about half of the people employed in real estate will leave the industry," he added.

New Loan Programs and Niches

- Conventional financing now offers **104%** loans for the purchase of a home. This means that qualified buyers can purchase a home that they intend to occupy with no money down and minimal, if any, closing costs. Good credit and income is required.
- In addition to residential and commercial mortgages, CHAMELEON now offers mortgages on agricultural and rural properties.
- Interstate Funding Group can now originate mortgage loans in all states.

The Rate Tracker

Home mortgage interest rates for the first quarter of 2000 rose significantly, with the average 30-year, fixed-rate mortgage at about 8.375% for loan amounts under \$252,700. For loan amounts exceeding the new conforming limit (\$252,700), fixed rates averaged 8.625% for 30-years. ❖

Food Facts

Cookin' with Jan

Chicken & Mango Salad

Dressing

Juice of 8 limes
Zest of 4 limes
2 finely chopped jalapenos peppers
2 tbsp. olive oil
1 tsp. Garlic
Approx. 3 tbsp. sour cream

Salad

Coat the following with all but 1 tbsp. of dressing:
2 cubed avocados, 1 cup julienned jicama, ¼ cup chopped green onions & chopped cilantro, 1 cubed mango, ½ cup each julienned red & green peppers, 3 chopped, seeded Roma tomatoes and 4 cooked, boneless chicken breasts- cut up into bite-sized pieces.
Drizzle with sour cream & dressing over a bed of greens. Adjust ingredients to individual taste. Salt and pepper to taste.

Serves 6-8

Gym Scraps

Kim from the gym*

** Kim will be back in the next issue...*

Travel Tips

Trippin' with Ralph and Marge

Tips For A Fun Taste Of Y2K Vegas

Contacts:

For latest info on hotels, a copy of the monthly "Entertainment Schedule" and other details, contact the Las Vegas News Bureau, 3150 Paradise Rd., Las Vegas, NV 89101-9096; phone (702) 735-3611; fax (702) 735-6200; or visit the city's official Web site on the Internet at www.lasvegas24hours.com.

Once in town:

Pick up a copy of the Las Vegas Visitors Guide at your hotel and thumb through this very informative booklet with short reviews of all current shows and special casino and restaurant deals. It also has maps, tips on how to gamble, places to see and discount coupons to use for shows and buffets.

Not-to miss experiences:

- Visit the Bellagio resort. Walk through the lavish pools, dwell in the conservatory, full of colorful stunning flowers, and be dazzled by the fountain show. I might even consider renewing my vows there and I will pay for a suite! My faithful companion is standing behind me; she has just kissed my head. Hey, you only live once!
- Go to the Liberace Museum, which houses his collection of costumes, cars and furniture. It's an eye-popper that gives you personal glimpses into the late flamboyant performer's 40 years in show biz.
- Peek at the Wayne Newton mansion at the corner of Sunset and Pecos.
- Gambling suggestion: Keep to a budget. And when themoney is gone, leave!

Ralph Castro

YOUR CREDIT SCORE...and what it means*

You may have heard of credit scores and wonder what they are. How do they affect your ability to get a loan? How do they affect the interest rate and points you have to pay? You may wonder whether your credit score is accurate. This article explains credit scores and how to improve your score. You can call our office for a list of publications where you can get more information on this topic.

I can also provide a Credit Repair Kit that I have put together upon your request. This document will help guide you in your efforts to improve your credit score.

WHAT IS *FICO* SCORE?

FICO scores are a type of credit score developed by Fair Isaac Company. *FICO* scores use credit bureau information to obtain a score that indicates how likely someone is to make their loan payments on time. Millions of consumers' credit bureau records were used to develop the scorecards, and all of the consumer data – not just negative information – was included to develop the system. *FICO* scores range from approximately 350 to 900. The higher the score the more likely someone is to make their payment. Similarly, the lower the score the more likely someone is to not make their payment.

HOW TO IMPROVE YOUR CREDIT SCORE

Because each borrower's credit score is a reflection of his or her unique credit profile, it is not possible to quantify in advance exactly how each item in your credit history numerically impacts upon your ultimate credit score. No one can tell you, for example, how much your credit score will be affected if you pay off a delinquent account or cancel a credit card. We do know, however, that there are things you can do to improve your credit profile. Some of the factors that may impact your credit score will be included in the next issue.

* This article is an excerpt from a prior Chameleon newsletter insert.

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It is implied by the original definition of an earthquake given earlier – an earthquake is a release of energy caused by an abrupt movement along a fault – that not all pieces of the earth's crust move relative to each other without incident. Rather, it is the resistance of opposing plates along their boundaries that creates an enormous potential for releasing energy – stored energy that is often released during a single event: an **earthquake**. If one considers that faults can represent lengthy sections of plate boundaries –the San Andreas Fault, for example, is over 1,000 miles long – it is easy to understand how opposing segments of crust may grind past each other. There are many places where the plates can get hung up. One such place is marked by a bend in the San Andreas Fault near Los Angeles, called the “big bend.” This one hundred mile northwesterly bend apparent along the boundaries of the North American and Pacific plates has caused buckling in the earth's crust, resulting in the uplift of mountains east of the Los Angeles basin. The San Gabriel Mountains and the San Bernardino Mountains are among the fastest growing in the world.

When an earthquake occurs, a sudden release of energy is emitted in all directions in the form of waves from the point of initial seismic activity, called the **focus**. The focus is generally situated below the surface of the earth. The **epicenter** of an earthquake is the location on the surface of the earth directly above the focus. Earthquakes typically emit three kinds of seismic waves: **P-waves**, or primary waves; **S-waves**, the secondary waves; and **surface waves**. P-waves cause particles to vibrate back and forth along the direction that the wave is traveling. S-waves cause particles to move perpendicular to wave direction. Surface waves, as the name suggests, travel along the surface of the earth generating horizontal and vertical vibrations, like the movement of a rope that is whipped. Generally, it is the surface waves – like ocean waves – that are responsible for the most of the damage resulting from an earthquake, since surface waves produce more ground movement and, as a consequence, are slow to pass. Surface waves can be extremely disastrous in areas where the soil is not consolidated, such as an evaporated lake basin or a river floodplain. Areas of loose, unconsolidated soils may actually take on the form of a passing surface wave, causing extensive damage to any structure on the surface. This condition is referred to as **liquefaction**.

Any location where there exists the possibility for displacement of the earth's crust is a potential earthquake area. Higher risk areas are along known tectonic plate boundaries. However, there are stress points located in mid-continent locales that are capable of producing earthquakes as damaging as those associated with plate boundary activity. The New Madrid Fault zone near Memphis, Tennessee has produced some of the most powerful earthquakes described in North America. Three earthquakes generated along this zone in 1811 and 1812 were estimated

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to have been more powerful than the great earthquake of 1906 in San Francisco, California. In fact, church bells rang in Philadelphia as a result of these quakes. In the region of the New Madrid Fault zone, seismologists believe that tensional forces have released energy from a **failed rift** – an area where the earth began to break apart, but ceased to spread – deep in the earth’s crust. Adjustments within the crust can produce very powerful and deadly earthquakes.❖

Factoids

The Richter Scale

The Richter scale is a measure of the amount of energy released by an earthquake. Each increase in number on the scale represents 10 times the amount of energy released by the earthquake.

- 1 – Detectable only by seismic instruments
- 2 – Hardly felt at the epicenter
- 3 – Detected indoors
- 4 – Felt by most people at epicenter; slight structural damage
- 5 – Felt by all people at epicenter; damage minor to moderate
- 6 – Moderately destructive
- 7 – Major damage
- 8 – Major to total damage

* Source: *The Handy Science Answer Book.*

REFERRAL FEE COUPON

EASY MONEY!

\$250.00

For the past several years, the vast majority of our business has come to us through client referrals. As such, we would like to demonstrate our appreciation for referral business by offering a substantial fee to clients referring our services to their relatives, friends, and associates. This offer is effective 1 January 2000. However, as the person referring our services to another, you must do one thing in order to be compensated:

You must send in this coupon with the name of the person that you have referred to us!

You will be compensated immediately upon the funding of any transaction in which CHAMELEON, or any of its affiliates, received compensation involving the person that you referred.

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