



# **2012 SEPTEMBER NEWSLETTER**

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### This is your life - You were there

#### The Time

<b>December 2007</b>	The 'Great Recession' begins
<b>December 2008</b>	The Bush Administration bails out the banking Industry
<b>January 2009</b>	President Obama takes office in a bad recession
	Unemployment rises to 10%
	Foreclosures reach historic amounts
	The economy declines to a low of (-8.9%)
<b>February 2009</b>	President Obama signs the \$ 831 Billion stimulus bill

<b>July 2009</b>	The 'Recovery' begins (after 19 months of recession)
<b>July 2010</b>	One year later we have a growth rate of 3.8% (not bad we're recovering)
<b>July 2011</b>	Two years later it's 1.8% (uh oh, wrong direction) The 'Great Recession' becomes the 'Great Slow Recovery'
<b>February 2012</b>	The 'Great Slow Recovery' Has become the 'Greatest Slow Recovery'
<b>August 2012</b>	The 'Greatest Slow Recovery' has become the 'Great Stalled Recovery'

## **“THE GREAT STALLED RECOVERY“ !!**

### **The current numbers**

According to the 'indicators chart' of the 20 indicators (from unemployment rates to retail sales) the results for the last six months are as follows:

ROUGHLY POSITIVE ..... **6** ... 30%  
ROUGHLY NEGATIVE ..... **4** ... 20%  
BASICALLY NO CHANGE ... **10** ... 50%  
TOTAL INDICATORS **20**

The '**crystal ball indicators**' say the economy is still mostly flat but there are some **good signs** with strong auto sales, lower interest rates and lower inflation (so, it's not all bad) and the residential market has been showing some signs of life.

The first half of 2012 was not very exciting. The first three months of the year started out with some real hope, confidence was improving but ... aaah ... in the second three months it fell **flat** (like a car tire that's slowly losing air but not quite flat yet).

The lack of momentum and the effects of a 'Stalled Economy' are felt painfully, very painfully in the unemployment numbers. These are real people numbers.

The unemployment rate in January 2012 was **8.3%** (12.8 million people with no job).

The unemployment rate six months later in June was **8.2%** (12.7 million people with no job).

### **ONLY A NET 100,000 people were hired in six months !!**

- ▶ 16,000 people a month !!
- ▶ IN THE ENTIRE UNITED STATES ...
- ▶ THE LARGEST ECONOMY IN THE WORLD !!
- ▶ THAT'S IT !!
- ▶ ARE YOU KIDDING !?!? THIS is **NOT**... NOT ... NOT... GOOD !!

And the NATIONAL housing market is going nowhere. No confidence to buy, impossible to get loans, families do not want to lose money on the sale of their house et cetera, and we are still building record low amounts of housing !

And that tells the story of America for the last six months. If America cannot figure out how to make a lot more jobs, this will be the story of America for a long time to come.

## **THIS IS THE NEWS FOR THE REST OF 2012 ... SORRY**

### **THE NATIONAL ECONOMY IS SHOWING SIGNS OF WEAKNESS**

#### **BUT POSITIVE SIGNS ALSO**

■ ENOUGH SLOWING SIGNS TO DEFER ANY ROBUST RECOVERY FOR AT LEAST THE NEXT SIX MONTHS ... UNFORTUNATELY

■ THERE IS JUST **NO** SIGNIFICANT **POSITIVE** MOMENTUM BUILDING UP IN THE ECONOMY

■ THERE ARE ALSO REAL CONCERNS WE MAY **STALL** BACK INTO A RECESSION. AGAIN.

### **THE PROBLEMS ? Here are a few ... ARE YOU READY ?**

- POLITICAL GRIDLOCK ... (we all know this one)
- HORRIBLE JOB MARKET ... (and that's an understatement)
- SOUR MOOD BY CONSUMERS ... (probably including you)
- TIGHT CREDIT CONDITIONS FOR HOUSING AND BUSINESS LOANS ... (ridiculous)
- MANY LOCAL GOVERNMENTS IN SEVERE FINANCIAL STRESS ... (not a surprise)
- EUROPEAN FINANCIAL INSTABILITY ... (definitely not a surprise)

THAT'S ENOUGH ... starting to be depressing ... okay... it's already depressing.

## **APOLOGY**

IN THE LAST NEWSLETTER, IN FEBRUARY 2012 I stated that; 'at the end of 2011, many of the indicators did show a definite improvement. Hopefully, this will continue, and the Economy will start to pick up momentum for the second half of the year. We expect, in the next newsletter, to report significantly better results and a more optimistic future'.

WELL ... the expectation and hope did not work out as expected and hoped. We cannot report significantly better results and the momentum hoped for in the second half of 2012 will not happen. We are stuck with a very flat National economy. This is **not** a short term optimistic story.

As I said in the last newsletter ... **FOR THE REST OF 2012 ... HANG IN THERE !!!**

**DO NOT HOLD YOUR BREATH FOR ANY GREAT IMPROVEMENT SOON**

## **BUT ... BUT ... BUT ... There is good news !!**

✓ THE BAY AREA AND MARIN ARE IMPROVING FASTER THAN THE REST OF THE NATION.

✓ Bay Area home sales continued in an upward direction with the median price Up 10.5% from a year ago to \$ 417,000.

✓ The Tech industry in all the various forms, in all areas of the Bay is expanding very rapidly. DREAMWORKS ... AUTODESK ... LUCAS FILMS ... PIXAR ... BIOMARIN ... FACEBOOK ... ZYNGA ... Y2K ... WALT DISNEY CO. (you get the idea) this is the job market of now and the future. This is very, very good for the Bay Area.

✓ The local governments in Marin county are in relatively good shape with no looming crisis.

✓ We are anticipating another strong rental market in 2013. The conditions are developing for another good year with the lack of available rental space in Marin, an improving job market and rapidly rising rents in San Francisco.

## **PERSPECTIVE**

So, given the historical Economy we are living through in this newsletter we will look at our place in the Economic and Social history of the United States of America.

**YES ...** the Recession of December 2007 to June 2009 was the Deepest and Longest Recession since World War II.

**YES ...** the Greatest and Longest Recovery since World War II is in fact the one we are in now. (this newsletter will provide the factual data and analysis to confirm the above and provide some 'talking points').



## **RENTS !!**

### **HOW ABOUT PAYING THESE RENTS !!**

1 BEDROOM ..... \$ 2,500 TO \$ 3,300 !!

2 BEDROOMS ... \$ 4,600 TO \$ 6,300 !!

3 BEDROOMS ... a measly \$ 8000 PER MONTH !!! FOR AN AVERAGE APARTMENT ?

## **WOW**

HOW BAD IS THAT ??

### **AND WHERE IS THIS ?**

Fortunately for you, MANHATTAN, New York City.

### **HOWZZ San Francisco doing ???**

How about \$ 1300 to \$1,500 a month for a studio apartment. Not bad except the catch is **YOU ARE RENTING 220 SQUARE FEET !!** The size of a ONE CAR garage parking space !! Oh we should not forget to mention there is no parking for cars (only bicycles).

BUT a great feature you have a 'Euro-style bathroom' sink, toilet and shower all together !! Fun. Or how about a 500 square foot studio? At an average rent of \$ 2,100 per month such a deal.

## WHAT ABOUT RENTS FOR NORMAL PEOPLE ... UP OR DOWN ??

Rents are definitely going UP (no big surprise here).

- ▶ In **2009** ... when millions of possible renters were doubling up, moving in or staying with family the Nationwide vacancy rate was **8%**.
- ▶ Now in the second quarter of **2012**, the Nationwide vacancy rate fell to **4.7%** (lowest since **2001**) and it is only the third time in over thirty years the Nationwide vacancy rate has been below **5%** !!
- ▶ And to put pressure on the rental market, **60%** of the job gains in the last two years have gone to people who are 20 to 34 year old. This is a major rental population. Leaving their parents home and beginning their own. (you hope)
- ▶ And to put more pressure on the rental market, (partly due to the foreclosure crisis) the rental households have increased 3.5 million in the last five years to a new record of 37 million renter households. This is an increase of 10.5% ! By 2015 an additional 4.4 million renter households are expected ... another 12% !!
- ▶ And to put even more pressure on the rental market, the Nationwide home – ownership rate has fallen to 66% of households. From 69% in 2004. (each 1% decline represents 1 million households moving to rentals).
- ▶ And to put even more pressure on the pressured rental market ... Apartment construction is at all time lows. In 2011 38,000 units were built (lowest amount in 31 years) No financing available in the current economic climate. No more supply being built ... crazy ... but good for future rents.
- ▶ And to put pressure on the already pressured San Francisco rental market, there is a flood of techies streaming in for jobs. This is where the jobs are ! BUT there is a very tight supply of available apartments and strict limits on new construction. The horror stories on trying to rent an apartment will start soon. (RENTING TIP: If you like the apartment make sure you bring a bottle of wine, flowers and cookies for the rental agent).

## RESULT

The San Francisco rental area (includes Marin County and San Mateo County) had the nation's fastest rising rental costs in the Nation. The average monthly rent hit **\$1888** (up 6% from a year earlier) The biggest jump in rents of all major U.S. metropolitan areas. The nationwide rate was **2.8%**.





## WHAT WAS HAPPENING 50 YEARS AGO - SUMMER 1962

- ★ CHARISMATIC PRESIDENT KENNEDY IS AT THE HEIGHT OF HIS POPULARITY
- ★ DR. MARTIN LUTHER KING WAS JAILED IN GEORGIA AS RIOTS CONTINUE !!
- ★ SDS, STUDENTS FOR A DEMOCRATIC SOCIETY PUT FORTH A MANIFESTO AT A MEETING IN PORT HURON, MICHIGAN. 'WE ARE THE PEOPLE OF THIS GENERATION LOOKING UNCOMFORTABLY TO THE WORLD WE INHERIT'. THE MAIN CONCERNS WERE RACIAL BIGOTRY AND THE 'BOMB'.
- ★ HOUSE PASSES BILL FOR EQUAL PAY REGARDLESS OF SEX.
- ★ SUPREME COURT BANS RELIGIOUS PRAYERS IN PUBLIC SCHOOLS
- ★ THE SEX SYMBOL MARILYN MONROE DIED FROM AN OVERDOSE OF SLEEPING PILLS (SHE WAS 36)
- ★ FIRST LIVE TELEVISION PICTURES FROM EUROPE TRANSMITTED VIA THE TELSTAR COMMUNICATIONS SATELLITE
- ★ 'LAWRENCE OF ARABIA' WON THE ACADEMY AWARD
- ★ 'BLOWIN' IN THE WIND' WITH THE MAMAS AND THE PAPAS WAS THE POPULAR SONG.
- ★ KEN KESEY WROTE 'ONE FLEW OVER THE CUCKOO NEST'
- ★ AND ANTHONY BURGESS WROTE 'CLOCKWORK ORANGE'



## SOME HISTORICAL PERSPECTIVE

Do you remember the 9 recessions of your lifetime ?? Of course not !!

Recession	How Long	Low Point GDP	Max Unemployment
July 1953 to May 1954	10 months	(-5.4%)	6.1%
August 1957 to April 1958	8 months	<b>(-10.4%)</b>	7.5%
April 1960 to February 1961	10 months	(-5.0%)	7.1%
December 1969 to November 1970	11 months	(-4.2%)	6.1%
November 1973 to March 1975	16 months	(-4.8%)	9.0%
July 1981 to November 1982	16 months	(-6.4%)	<b>10.8%</b>
July 1990 to March 1991	8 months	(-3.5%)	7.8%
March 2001 to November 2001	8 months	(-1.3%)	6.3%
December 2007 to June 2009	<b>19 months</b>	(-8.9%)	10%

## AND THEN THERE WAS THE 1990s

### AND THE BOOMERS AND GOOD NEWS !!

THE 10 YEARS FROM MARCH 1991 TO MARCH 2001. THESE 10 YEARS BETWEEN RECESSIONS WERE THE LONGEST PERIOD OF GROWTH IN UNITED STATES HISTORY, AND YOU WERE THERE !! \*APPLAUSE\*

## HOW BAD HAS OUR 'GREAT RECESSION' BEEN ??

### OKAY HISTORY TIME

THE NATION STARTED IN **1790** (**222** YEARS AGO). WELL SINCE 1790, THERE HAVE BEEN 47 RECESSIONS. ROUGHLY ONE RECESSION EVERY FIVE YEARS. THAT'S A LOT OF RECESSIONS !! BUT THERE HAS ALSO BEEN 47 RECOVERIES !!

	<b>Average Recession</b>	<b>Average Expansion</b>
Before WWI (1790 to 1919)	22 months	27 months
Between WWI and WWII	18 months	35 months
Since WWII	10 months	57 months

### **WELL IF YOU LOOK AT THE PATTERN, THE GOOD NEWS IS THAT OVER TIME**

▀ THE TIME SPENT SUFFERING IN A RECESSION HAS SHORTENED (22 MONTHS TO 10 MONTHS)

▀ AND THE AVERAGE TIME SPENT ENJOYING 'THE GOOD TIMES' BETWEEN RECESSIONS HAS BECOME LONGER ... (27 MONTHS TO 57 MONTHS).

IN OTHER WORDS, THE SUFFERING TIME HAS CUT IN HALF AND THE PARTY TIME HAS DOUBLED !!

THIS IS A VERY GOOD TREND.

IN FACT, OUR YEARS IN THE 1990s WERE THE LONGEST PERIOD OF GROWTH IN AMERICAN HISTORY.

YEAH ... 10 YEARS WITH NO RECESSION !!

### **SINCE WORLD WAR II**

THE 'GREAT RECESSION' FROM 2007 TO 2009 WAS IN FACT THE 'GREAT RECESSION'

- ▀ AT 19 MONTHS IT WAS THE LONGEST RECESSION
- ▀ AT A MINUS (- 8.9%) GDP IT WAS THE SECOND DEEPEST DROP
- ▀ AT 10% IT WAS THE SECOND HIGHEST UNEMPLOYMENT RATE
- ▀ IN 60 YEARS THIS WAS THE WINNER OF THE 'TOUGHEST RECESSION CONTEST'

**'YOU WERE THERE ... DON'T YOU FEEL LUCKY ?**

### **CONCLUSION**

*RECESSIONS HAVE BECOME KINDER, IN BOTH LENGTH AND SEVERITY, OVER THE LAST 222 YEARS. BUT SINCE WORLD WAR II THE RECESSION OF 2007 TO 2009 HAS BEEN THE WORST. IT WAS THE 'GREAT RECESSION' OF 2007 AND OF COURSE YOU WERE THERE !!*



**HOW SLOW HAS OUR 'GREAT SLOW RECOVERY' BEEN ?**

ONE MAJOR AND ACCEPTABLE METHOD TO MEASURE OUR ECONOMY IS A CONCEPT KNOWN AS **GDP** (OR **GROSS DOMESTIC PRODUCTION**).

HOW MUCH WE PRODUCE IN GOODS AND SERVICES (UP OR DOWN) IN A GIVEN PERIOD, A YEAR, A QUARTER ETC.

IN OTHER WORDS, IT IS ABOUT OUR STANDARD OF LIVING GOING UP OR DOWN. SO HOW HAS THE GDP BEEN DOING IN OUR LIFETIME? AND HOW HAS THE CURRENT RECOVERY COMPARED TO HISTORICAL STANDARDS?

### **HERE'S THE GDP RESULTS**

- ☑ THE AVERAGE GDP GROWTH RATE FOR THE LAST **70** YEARS HAS BEEN ... **3.9%**
- ☑ THE CURRENT GDP RATE FOR THE QUARTER ENDED **6/30/12** IS ... **1.5%**

### **THIS IS ONLY 40% OF AVERAGE**

#### **SINCE WORLD WAR II**

- ☑ THE AVERAGE 3 YEAR GROWTH RATE FOLLOWING A RECESSION HAS BEEN **4.0%**
- ☑ THE AVERAGE 3 YEAR GROWTH RATE FOR THIS RECOVERY HAS BEEN ... **2.6%**

### **THIS IS ONLY 67% OF AVERAGE**

- ☑ THE BEST AVERAGE **GDP** RECOVERY FOLLOWED THE 1981-1982 RECESSION **5.6%**
- ☑ THE AVERAGE FOR THIS RECOVERY IS ... **2.6%**

### **THIS IS ONLY 46% OF THE BEST RECOVERY (FROM 1982 TO 1985)**

THE BEST AVERAGE PERCENTAGE POINT INCREASE IN GDP

- ☑ WAS FOLLOWING THE 1981-1982 RECESSION ... **14.3 POINTS**
- ☑ THE AVERAGE FOR THIS RECOVERY IS ... **10.4 POINTS**

### **THIS IS 72% OF THE BEST RECOVERY (FROM 1982 TO 1985)**

## **CONCLUSION**

*IN THE **3** YEARS FOLLOWING THE END OF A RECESSION, BASED ON THE HISTORICAL GDP EVIDENCE, IT IS TRUE THAT THE CURRENT RECOVERY FROM THE RECESSION OF 2007 – 2009 HAS BEEN THE SLOWEST GDP RECOVERY ON RECORD.*

## **BUT THERE IS SOME POSITIVE NEWS !**

THE AVERAGE PERCENTAGE POINT INCREASE IN GDP – 3 YEARS AFTER RECESSION  
... **8.9 POINTS**

THE AVERAGE FOR THIS RECOVERY IS ... **10.4 POINTS**

**THIS IS 17% ABOVE THE AVERAGE**

THIS STATISTIC DOES SHOW THERE HAS BEEN GOOD PROGRESS MADE IN  
RESTORING GDP GROWTH TO MORE NORMAL LEVELS (AT A FASTER PACE THAN THE  
HISTORICAL AVERAGE OF GDP RECOVERY).

**HOW SLOW HAS THE RECOVERY IN EMPLOYMENT BEEN ?**

**SINCE WORLD WAR II**

☒ THE AVERAGE UNEMPLOYMENT RATE FOR THREE YEARS FOLLOWING A  
RECESSION ... **6.6%**

☒ THE AVERAGE 3 YEAR UNEMPLOYMENT RATE FOR THIS RECOVERY HAS BEEN  
... **9.2%**

**THIS IS 40% ABOVE AVERAGE**

☒ THE BEST AVERAGE UNEMPLOYMENT RATE FOLLOWED THE 1953 – 1954  
RECESSION ... **4.5%**

☒ THE AVERAGE UNEMPLOYMENT RATE FOR THIS RECOVERY IS ... **9.2%**

**THIS IS 104% ABOVE THE BEST UNEMPLOYMENT RATE (FROM 1954 TO 1957)**

☒ THE AVERAGE % IMPROVEMENT OF UNEMPLOYMENT RATE IN 3 YEARS ... **19.3%**

☒ THE % IMPROVEMENT IN UNEMPLOYMENT RATE IN 3 YEARS FOR THIS RECOVERY  
IS ... **16%**

**THIS IS 20% BELOW AVERAGE**

## **CONCLUSION**

ANYWAY YOU WANT TO LOOK AT THE EMPLOYMENT NUMBERS. THERE IS NO DOUBT  
THIS IS BY FAR THE **SLOWEST RECOVERY IN EMPLOYMENT IN THE LAST 60 YEARS !!**

**HOW SLOW HAS THE RECOVERY IN CONFIDENCE BEEN ?**

**THE UNITED STATES CONSUMER CONFIDENCE INDEX**

☒ FROM 1967 UNTIL 2012 ... AVERAGED 93

☒ JANUARY OF 2000 REACHING AN ALL TIME HIGH OF 145

☒ AND a record low of 25 in February of 2009

CURRENTLY THE NUMBER IS 62

**(THIS IS 33% BELOW THE HISTORICAL AVERAGE)**

## **LET'S SEE**

GDP GROWTH RATE IS 40% SLOWER THAN NORMAL  
UNEMPLOYMENT IS 40% HIGHER THAN NORMAL  
CONSUMER CONFIDENCE IS DOWN 33% OF NORMAL

Hmm ...

YES, FROM JUNE 2009 TO TODAY (3 YEARS LATER) SIGNIFICANT PROGRESS HAS BEEN MADE AND CONTINUES TO BE MADE.

**BUT THE STATISTICS SINCE WORLD WAR II INDICATE THIS RECOVERY IS 'THE GREATEST SLOW RECOVERY'**

AND ... YOU WERE THERE !!

Now don't you feel happy you are living in this historical time ?? ... of slow recovery that is.

**Keep on smiling ...**