



2012 FEBRUARY NEWSLETTER

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Slowly We Go ...

Since the not-so hot summer in Marin County, we are sorry to say the second half of the year was a not-so-hot- Economy.

The **good** news ... the Economy is clearly getting better ...

The **bad** news the 'GREAT SLOW RECOVERY' IS BECOMING the 'GREATEST SLOW RECOVERY'.

The stock market for the year was flat – very flat. The housing market still going down a little. The unemployment numbers are improving (still bad numbers). The middle class is in fact getting smaller, and the National politics are not helping.

Obviously, these are still bad times and the bad news is still with us ... BUT ...

THE BAY AREA AND MARIN COUNTY ARE GOOD NEWS !!

We are seeing solid foundations for job creation with the growth of computer technology companies, bio- technology, tourism, medical services etc. The housing market is stabilizing better than other areas and the health, living standards and educational opportunities are improving.

The unemployment numbers are decreasing steadily. Dropping from 7.8% last December to 7.4% in May and to 6.5% today (this is very good).

In the newsletter section 'Profile of Marin County Today' you will read all positive news ... Hooray for Marin !!!

RENTAL MARKETS ARE IMPROVING IN MARIN ...THIS IS VERY GOOD NEWS FOR PROPERTY INVESTORS !!

- ↑ As the employment situation improves, rents go up !
- ↑ As the residential housing markets do not improve, rents go up !
- ↑ As the ability to qualify for a house loan remains very difficult, rents go up !
- ↑ As there is no construction of new housing, rents go up !

In other words, these days rents are going ... you guessed it ... up !!!

At this time all of the above conditions exist in Marin. Consequently, we are seeing real rent increases occurring at all levels of the rental market and in every area of Marin (fantastic news for the rental business) !!

The general Economy is not doing very well but this has been in an unfortunate way a positive for the apartment rental markets, (when people can't buy houses, they have to rent).

HOW HAS AMERICA BEEN DOING ?

2010 and 2011 will go down as historical years for sobering financial statistics

- The credit-rating of the United States was downgraded for the first time in our history.
- The yield on the 10-year Treasury note hit **1.71%** – the **lowest in 50 years**.
- 6.7% of Americans, 21 million people are living in deep poverty (highest rate in 35 years)
- Unemployment rate for young college graduates (ages 20 to 24) is over 9% (the highest on record).
- In 2010, **2.6 million** more people slipped below the poverty line.
- We now have **46 million** Americans living below the poverty line (the highest number in 52 years) !!

And the last six months ?

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

ROUGHLY POSITIVE	5	25%
ROUGHLY NEGATIVE	5	25%
BASICALLY NO CHANGE	10	50%

TOTAL INDICATORS 20

The second half of 2011 was basically **'flat as a pool table'** not any worse but not much better.

The Standard & Poors 500 Index was 1257 on December 31, 2010 and one year later on December 31, 2011 the index was 1257 (that is as flat as it gets) and that tells the story of America for last year.

National Housing

Very, very unfortunately the National residential housing markets are not generally good news. The market has not changed in any significantly positive way.

AND JOBS ... Very, very unfortunately, the employment picture is not much better. 15 million still looking for jobs. There have been positive job gains for many months in a row now but, unfortunately the rate is painfully, painfully slow. Again, not much to talk about that is... well ... encouraging.

The Bigger Picture

So, since current events have not changed much in this newsletter we will look at longer term trends and perspectives.

Question: How has the 'Middle Class' been doing the last 10 years ?

Answer: The 'Middle Class' has been declining.

Question: How has California been doing the last decade or so ?

Answer: Not so good.

Question: How are the 'Boomers' doing?

Answer: Not as well as they thought they would be doing at this time of their life.

2012 ???

2012 will look and feel a lot like 2011.

Do not expect an economic year much better than 2011. Yes, the Economy will continue to improve but it will continue to improve slowly. There is no real 'momentum' in the Economy at this time. So for at least the next six months ... do not have any expectations for a robust economy.

However, 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 some momentum for the second half of the year. We expect, in the next newsletter to report significantly better results and a more optimistic future !

For 2012 HANG IN THERE



In the Apartment World

The **NATIONAL HOMEOWNERSHIP RATE** has been declining through the economic downturn. Obviously, with foreclosures, job losses, stagnant incomes, difficult financing et cetera. The ability and desire for people to own homes has been seriously impacted.

✓ IN 2004, **69%** OF THE POPULATION LIVED IN OWNED HOMES (AN ALL TIME HISTORIC HIGH).

✓ CURRENTLY DOWN TO **66%** AND CONTINUING TO DECLINE.

As less people occupy houses ... more people occupy apartments.

Consequently, The NATIONAL apartment vacancy rates fell to a ten year low in the fourth quarter.

FOURTH QUARTER VACANCY RATE ... **5.2%**

THIRD QUARTER VACANCY RATE ... **5.6%**

SAME TIME LAST YEAR ... **6.6%**

The vacancy rate has fallen for seven straight quarters. Down from a three decade high of 8% in 2009.

And countrywide in the whole U. S. ... Any new construction of housing ?

- In 2011, 38,000 apartment units were built (the lowest annual total in the last 31 years).
- 2011 was the worst year on record for construction of single-family homes.

The San Francisco Bay Area

- ✓ Market is the tightest since 1999, with vacancy rates dropping to **3.7%**.
- ✓ Between 2000 and 2010 the Bay Area population grew by **367,000** people !!
- ✓ But in 2010, just **1,400** new Bay Area rental units were built. Far below normal and far below the amount needed !

San Francisco

- ✓ The vacancy rate is lower at **3.2%**
- ✓ With rents increasing **9%** in the past year

In the whole Bay Area, the population growth and the production of very little new housing continues to fuel increases in rents.

Marin County

- ✓ The vacancy rate is even lower at **2.8%** (down from 3.7% last year)
- ✓ Average monthly rent last year was \$ 1,667 per month
- ✓ Average monthly rent this year is \$ 1,790 per month
- ✓ **7.4%** increase year-over-year

AND currently there is no construction of any multi-residential housing anywhere in the County. A couple of projects are in the planning stages, such as a 180-unit, high end project, in Corte Madera but they are a long way from being built, and when completed will have little impact on the overall market.

In California, the California Supreme Court ended redevelopment agencies and along with them a critical source of funding for affordable housing projects. Without an alternative funding source to redevelopment agencies, building new affordable housing will become nearly impossible in the Bay Area.



PROFILE OF MARIN COUNTY TODAY

NEW ENTERTAINMENT IN MARIN !!

IN SAN RAFAEL

SAN RAFAEL PACIFICS BASEBALL CLUB

- ⊙ YEAH !!!! Our own professional baseball club.
- ⊙ A team in the independent North American League.
- ⊙ Home games played at Albert Park starting in May 2012.

FENIX SUPPER CLUB

- ⊙ A new live music venue featuring national and local performers in a variety of genres from rock to jazz to Latin ...
- ⊙ The restaurant will be creating 'globally inspired' entrees with organic ingredients.
- ⊙ The Club's bar will serve a wide range of wines and specialty cocktails.

TERRAPIN CROSSROADS

- ⊙ Phil Lesh from the Grateful Dead announced he will open a musical home and a concert hall in San Rafael !!.....WHERE ?
- ⊙ In the building occupied by the Seafood Peddler restaurant and adjacent Palm Ballroom.

NEW GEORGE'S NIGHTCLUB

- ⊙ Re-opening !! Downtown San Rafael is becoming a destination spot. WOW.

IN MILL VALLEY

The Nationally known Sweetwater Music Hall (closed since 2007) is reopening !! In a new location at the expensively remodeled century-old Masonic Lodge across from the town's City Hall.

IN NOVATO

NOVATO THEATRE

- ⊙ Novato City Council approved the sale of the long shuttered theatre.
- ⊙ Sold to the non-profit group led by the director of Larkspur's Lark Theatre.
- ⊙ Fundraising goal of \$ 3 million for renovation and startup costs.

BICYCLE PARK

- ⊙ Supervisors enthusiastically endorsed a \$ 850,000 bicycle park at Stafford Lake in Novato.
- ⊙ \$ 142,000 allocated for design development and construction drawings.
- ⊙ Bike park would be created on 17 acres of the 139 acre Stafford Lake Park.
- ⊙ Would include a variety of areas for riders of all ages and skill level.

NEW BIG BUSINESS OPPORTUNITIES

BioMarin Pharmaceutical

- Produces multiple successful biotech drugs.
- Along with a fast-growing research and development pipeline has resulted in rapid growth.
- The Novato based biotechnology company has a manufacturing facility of 420,000 square feet.
- Recently completed a \$60 million expansion of 22,000 square-feet at the Novato plant.
- Signed a new 10-year 120,000 square-foot lease at the San Rafael Corporate Center.
- 750 workers currently in Marin and hiring 350 more.

AUTODESK

- The software company creates AutoCAD, Maya and Inventor engineering software.
- Experiencing double digit growth in all markets, especially the Asia-Pacific region.
- Recently acquired three-dimensional modeling technology from a Utah company.
- Recently acquired Montreal game company, GRIP Entertainment.
- And, recently acquired New York company Horizontal Systems to develop cloud based 'building information modeling'.

LUCAS FILMS

- Plans proceeding to build a new 263,000 square-foot building, including film stages, screening rooms, and supporting facilities.
- Everything 340 movie-making employees, actors and guests will need.

NORDSTROM

- Submitted application for a 17,000 square-foot expansion of the store in Corte Madera.

MACY'S

- Submitted application for a 20,000 square-foot expansion of the store in Corte Madera.

Solo Businesses

- Currently, the County's adult working population is **121,700** with **34,060** solo businesses (no employees).
- Percentage of workforce that are solo businesses:

MARIN COUNTY ... 28%

BAY AREA ... 19%

CALIFORNIA ... 17%

NATIONAL ... 15%

MARIN COUNTY EMPLOYMENT MARKET ?

→ Definitely improving with the December 2011 unemployment rate of 6.5% (down from 7% in November).

→ And overall, the employment situation is substantially improving. The unemployment rate is 1.3% lower than the December 2010 unemployment rate of 7.8%

→ December Labor Force; 133,200

Employed 124,500

Unemployed 8,700

→ Still the **lowest** unemployment rate in the State.

→ Marin imports nearly 60% of its workforce (highest in the Bay Area). Also, has the longest average commute at 30 miles round-trip.

→ And more than a third of Marin workers commute out of the county for work.

With large employers (Autodesk, BioMarin, Lucas Films, and the major retailers) all actively expanding and hiring ... the future employment picture looks very promising and we would expect the employment picture to continue to substantially improve. ALL VERY GOOD NEWS !

THE RESIDENTIAL HOUSING MARKET

The news on the housing front is not so bright.

Residential housing prices continued to decline in 2011 with the average price of single-family homes down **3.6%** from last year and condominiums down 8.6%.

The best we can hope for this year is the market not declining anymore and finally stabilizing.

There are indications this can happen in 2012

- 667 total sales in the third quarter this year versus 579 last year sales on the increase !
- Foreclosures have leveled off and dropped 5% from last year
- 138 foreclosures third quarter last year versus 131 this year.

Unfortunately, the percentage of houses in the County that owe more on their mortgage than the house is worth (underwater) went up !

- Last year ... **11%** of Marin homeowners were underwater
- This year ... **16%** are underwater

But a lot better compared to the Nationwide rate of 29%.

The Niven Nursery in downtown Larkspur has been sold again !

14 years since the property became vacant ... maybe and only maybe something will be built on the dilapidated graffiti covered lot.

- This time the Company is the New Home Co.
- They are taking over the approved plans to build
- 85 residences
- 29 single family homes
- 6 below market cottages
- 50 senior condominiums
- BUT a new local group 'friends of larkspur greenhouses' is opposing the project and wants to see the 17 acre site used for an educational cooperative farm.

Tune in for the next chapter ... what happens in year 2015 !?!

In the last newsletter

The saga of Thompson / Dorfman Partners was recounted in a not so subtle critique of how difficult it is to build an apartment building in Marin.

These poor gents are still trying to build a 67-unit apartment building behind the Elks Lodge on Mission Avenue in San Rafael. They went before the City Council again. Received praise but no approval. Oh well, they can now look forward to more changes to their plans. Yeah, apparently the exterior design is less than desirable (according to City Council Members) and lacks sufficient outdoor space. Well back to the drawing board. For the record, this project is going into year three going back to the City Council. Maybe in March ... good luck !

Our own Marin County community of ROSS

RANKED 20th on the Forbes magazine list of 'America's Millionaire Capital'

- ▮ Ross has 2,400 people and 800 houses
- ▮ There were 24 high-bracket tax returns with a total of \$562 million in the 2008 tax year
- ▮ THAT BRINGS THE AVERAGE INCOME AMONG THE HIGH BRACKET OF RETURNS TO **\$ 1.32 MILLION**.
- ▮ The average tax burden was **38.7%**
- ▮ And the charitable giving rate among high earners was **2.5%**.

How are the kids doing ??

- ▮ Marin County has one of the lowest dropout rates in California.
- ▮ Only 5% of Marin students fail to graduate within 4 years. (California overall dropout rate is **13%**)
- ▮ A total of **119** students out of **8,850** Marin high school students did not graduate during the 2009-2010 school year.
- ▮ Marin County's high school sophomores perform well on the high school exit exams

90% passing math (State average is 83%)

89% passing English (State average is 82%)

Marin students are among the smartest in the state

On the annual Standardized Testing exam, Marin County students, (second through seventh grades) outperformed the State averages.

	English	Math
Marin County	73%	66%
California	54%	50%

Marin students are also among the most physically fit students in the State

Six physical tests were administered, and the passing grades are as follows:

	Grade 5	Grade 7	Grade 9
Marin County	41%	44%	46%
California	25%	32%	37%

Marin County has the lowest level of childhood obesity in the State

	2005	2010
Marin County	24%	25%
California	38%	38%

Yeah but don't start cheering yet.

The rate of obesity is 3 times higher for 12 -19 year olds today than it was in the 1970s !!

Four times higher for 6 to 11 year olds !!

WHAT IS THE LOCAL GOVERNMENT UP TO ?

The Marin County Board of Supervisors approved an \$ 82 million plan to purchase a 328,000 square-foot Marin Commons Building in San Rafael (spend another \$53 million thru 2014 on improvements to the building). This will become the new county Emergency Operation Facility.

The Novato City Council approved plans for a new city building providing 22,000 square-feet of office space for public works administrative services etc. The new building would be adjacent to the downtown police station.

How does the Marin County government compare to our neighboring counties ?

	<u>Marin</u>	<u>Sonoma</u>	<u>Napa</u>
Per Capita Spending	\$ 1,730	\$ 1,678	\$ 2,578
Employees per 10K Residents	80	74	95
Public Works (potholes)	\$ 55	\$ 50	\$ 192

MISCELLANEOUS MARIN

POPULATION:

- ▮ Population growth saw an increase of **0.53%** last year
- ▮ A new **1,347** people bringing the total population to **254,114**
- ▮ There were **2,397** births and **1,672** deaths
- ▮ Net migration of **622** people

CRIME:

Marin County's crime numbers fell or remained flat between 2009 and 2010. Violent crime declined 0.08% from 524 to 520. Property crimes declined 4%.



THE STATE OF CALIFORNIA ... TODAY

How about a little history ?

Before World War II

- ☛ In 1940 the State had a population of 6.9 million people.
- ☛ San Francisco had a population of 634,536
- ☛ From 1930 to 1940 the City had a population growth of only 142 people – in 10 years !
- ☛ Summer homes were advertised in Mill Valley for **\$1,750**. If interested, one could telephone a real estate agent at 'Mill VALLEY 13' (There were no dial phones)
- ☛ In S.F.'s Sunset District, a new three-bedroom home on 34th Avenue was advertised on Dec 7, 1941 for \$ **5,235** with a down payment of \$ 535 and monthly payments of \$ 35.

After World War II

- ☛ People were moving to California at 1,500 a day.
- ☛ In the 1950's and the 1960's almost **50%** of Californians were drawn from other states !! Lots of great jobs, great weather and beach parties.
- ☛ The Bay Area grew from under 2 million residents to 7 million today.
- ☛ California now has **37.5 million** residents (up from 6.9 million)

AND TODAY ??

- ☛ Currently the State is experiencing one of the slowest growth rates in its history.
- ☛ Fewer immigrants
- ☛ More Californians moving elsewhere
- ☛ Birth rate in decline

- o Fertility levels below replacement levels
- o Women now have an average of **1.9** children
- o The replacement level is **2.1** children

AND the struggling economy may be causing women to have fewer or no children.

- ▣ In 2010, 19% of women 40 to 44 were childless.
- ▣ The total number of births (a record 4.3 million in 2007).
dropped to 4 million in 2010 (a **7%** drop).
- ▣ Fertility rates drop during economic downturns. The longer the downturn the more likely a prolonged shift in fertility.
- ▣ Eighteen of the State's 58 counties experienced population decline, mostly in the Sierra Nevada and the rural north.
- ▣ Since 2000, the State's immigrant population has stayed even at 27% of total population (no growth).

AND THE FUTURE POPULATION ?

- ▣ Since at least **2005**, more people are leaving California than migrating in. (long term trend)??
- ▣ More than 363,000 Californians moved to Texas over the last five years. In 2010 alone almost 70,000 people moved to Texas.
- ▣ The amount of Californians who have originally come from somewhere else has dropped to the lowest percentage in 100 years (20%).
- ▣ California has become mostly a home-grown population whose future depends on the children of past immigrants and their children.
- ▣ The State increasingly will have to rely on the people it produces to power the economy.

NOTE: BECAUSE THE POPULATION IS BECOMING STATIC IT IS CRITICAL FOR CALIFORNIA TO EDUCATE AND TRAIN THE YOUNGER GENERATIONS TO REPLACE 'BOOMERS' WHEN THEY RETIRE.

BUT ... nearly 1 out 5 high school students in California did not make it (94,000 teenagers hit the street without a high school diploma). **That's 18% !!**

AND for people who have not completed high school? In the last four years the median income of this population declined 8% to \$25,000. (for those with a bachelor's degree income declined 7% to \$82,000)

And WORSE. 8th grade students (7,000 quit before attending a single day of high school)
That's **3% !!**

What a difference a few decades makes - What happened ??

- ▶ High housing prices
- ▶ High tax structure

- ▶ Immigrants returning to their home country
- ▶ Current high unemployment
- ▶ Business community changing and job markets and jobs changing
 - ▶ High paying large industries like aerospace, lumber and construction have seriously declined and been replaced by lower paying warehousing and service industries
 - ▶ 30% of higher paying manufacturing companies have left in the last 10 years
 - ▶ Business markets are becoming more concentrated in small, poorly capitalized local service businesses. More vulnerable in economic downturns and pay a lot less for employees (particularly benefits)
- ▶ Deterioration of the educational system on all levels, grade school to University level
- ▶ Traffic, nanny-state regulations, et cetera
- ▶ California was No. 5 for foreclosure starts in the Nation in the third quarter



SAN FRANCISCO - INTERESTING THINGS GOING ON

The Economist and Siemen's ranked San Francisco the most sustainable city in the U.S.

- # 1 for waste - reduction strategies
- # 2 for transportation, building standards and clean air policies
- In the Top 10 for every category in the Green City Index

San Francisco officials are developing a 'GREEN GRADE' certification that would be placed on the property records of homes that meet certain efficiency standards. This designation could help sellers charge more for their property. Potential buyers would know that a green grade home would have energy efficient appliances and equipment, low utility bills and a relatively light impact on the environment.

San Francisco becomes the Nation's first city to require a minimum wage of \$10.24 per hour. Compare that to California's minimum wage of \$8.00 and the Federal wage of \$7.25. (the bad news is the living wage for a single adult in San Francisco is \$15 per hour)

Tourism is back!! Last year tourists spent \$ 8.3 BILLION in the City (the Nation's No. 1 travel destination). This was a 6% increase over 2009 and the numbers are getting better. Air travel out of SFO this year is estimated to be up about 4 – 5%.

CITY ON THE MOVE

At **1,070 feet tall** construction of the new TRANSBAY TOWER would support the Transbay Transit Center (a new high-density downtown core) with 1.3 million square feet of office space and 16,500 square feet of retail space. The Transbay Terminal, the City's new transit hub !

Other big projects:

- ▶ The **\$ 78 million** purchase by DivcoWest of the 237,000 square- feet HOWARD-HAWTHORNE complex on Howard Street. Tenants include Quest Software and Innovative Technologies.
- ▶ They also purchased the California State Compensation Fund building on Market Street for **\$44 million** (more room for technology companies)
- ▶ Twitter is taking up residence one block away. MORE TECH COMPANIES AND YOUNG WORKFORCE TO FOLLOW.
- ▶ University of the PACIFIC closed a **\$ 47 million** deal to buy the former Wells Fargo building on Fifth Street (to become the new location of the Arthur A. Dugoni School of Dentistry). Renovations estimated to cost \$ 100 million should be done by mid-2014. Academically approximately 550 students are enrolled in various programs.

Zynga, the biggest maker of games on Facebook filed for a **\$1 BILLION** initial public offering. They are trying to attract investors who want to hopefully profit from rising demand for social games.

Yelp filed a \$ 400 MILLION initial public offering (the company has more than 22 million reviews on everything from salons to dentists).

UNEMPLOYMENT NUMBERS

- ↔ The December rate of **11.1%** remained almost unchanged from November's rate
- ↔ But the rate was down to **1.4%** from the **12.5%** last December
- ↔ Still more than **2 million** Californians remain unemployed
- ↔ And the State remains well above the National jobless rate of **8.5%**

AND ON TO THE FUTURE ENERGY OF CALIFORNIA

California's landmark 2006 greenhouse gas law requires

- ▶ Reducing emissions by 2020 to 1990 levels
- ▶ Reducing emissions an additional 80% by 2050

THEREFORE

- ▶ California must be fully 100% electrified 40 years from now
- ▶ Driving only electrified cars plugged into a carbon-free grid
- ▶ Homes and businesses will be heated with electricity or solar power
- ▶ Natural gas and coal power plants will have to be replaced with renewable energy sources

PERSPECTIVE

California, between now and 2050 would have to build:

1½ to 2 NUCLEAR POWER PLANTS EVERY YEAR

(To meet the growing and needed electricity demand)

BUT THERE IS HOPE ...

Bright Source Energy of Oakland has applied for State approval of a new solar plant in Southern California capable of producing electricity for 178,000 homes. The system will use 340,000 mirrors to focus sunlight on two towers generating heat to create steam to turn turbines to generate electricity.

Maybe we need more beach parties ?



THE AMERICAN MIDDLE CLASS OF OUR TIME

IS THE AMERICAN MIDDLE CLASS AN ENDANGERED SPECIES ??

Well what do you think ? We all talk about it and we seem to think it is happening we sense or feel it but is it really true ??

If we define MIDDLE CLASS (solely by income) then here's the math:

(ACCORDING TO THE U.S. CENSUS BUREAU ON THE NATIONAL LEVEL)

YOUR ARE

IF YOU EARN

IN THE BOTTOM 20%

BELOW \$ 21,000 A YEAR

BETWEEN 21 - 40%

BETWEEN \$ 21,000 AND \$ 35,000 A YEAR

BETWEEN 41 - 60%

BETWEEN \$ 36,000 AND \$ 58,000 A YEAR

BETWEEN 61 – 80%

BETWEEN \$ 59,000 AND \$ 92,000 A YEAR

TOP 20%

ABOVE \$92,000 A YEAR

AND WHO IS IN THE TOP 1% ?

YOUR ARE

IF YOU EARN

IN THE TOP 5%

ABOVE \$ 167,000 A YEAR

IN THE TOP 1%

ABOVE \$ 350,000 A YEAR

AND HOW DO THE TOP INCOMES AFFECT THE ECONOMY ?

- ↗ The top **5%** of earners account for **37%** of consumer outlays.
- ↗ The top **1%** of earners pay **38%** of federal income taxes.
- ↗ The richest **1%** of Americans own more than **50%** of the country's individually held stocks.

*(In California in 2007 the top 1% of earners households making above \$495,000 paid **48%** of income taxes)*

AND WHO ARE THE POOREST POOR ?

THOSE 21 MILLION LIVING IN DEEP POVERTY THE BOTTOM 7%

	<u>Income</u>
Individual	\$ 5,570
Family of four	\$ 11,157

So where do you think the poor people live ??

Mississippi has the poorest people at **22.7%**. New Hampshire has the least poor people at **6.6%**.

HOW BAD IS IT FOR THOSE ON THE BOTTOM ??

Oh, and by the way. For those in **deep poverty**, that 7% rate is the **highest in the 35 years** the Census Bureau has maintained such records (that's 1 in 15 people) ... wow

NOW, if you are one step up from the bottom (if you are on the poverty, not deep poverty level), you are living on the federal poverty level for a family of four of ... \$ 22,350.

And the total percentage of Americans living at this poverty level last year rose to 15% (the highest level since 1993) 12 MILLION more real people (an increase of almost 30% over the last 10 years). A bit alarming.

(California's poverty rate increased to the highest level in 13 years with 16% of Californians living in poverty)

In 2010, about 2.6 million people slipped below this poverty line. 46 million Americans currently live in poverty. The highest number in the 52 years the Census Bureau has been tracking this number.

- X 50% of U.S. workers earned less than \$ 26,000 last year
- X Over 45 MILLION people receive food stamps. 1 in 6 Americans !
- X Poverty also swallowed more children. 22% of children living below the poverty line.
- X Poverty for people above 65 has remained steady at 9%.

AND WHAT ABOUT LOW INCOME ?? NEXT LEVEL UP ?

BELOW \$ 45,000 PER YEAR FOR A FAMILY OF FOUR

ALARMING NOTICE

Current statistics are indicating that a record number of Americans (nearly one in two) are falling into earning levels that qualify them as low income.

👉 **50% OF AMERICA IS NOT MIDDLE CLASS !!**

SAID ANOTHER WAY

👉 **50% OF AMERICA IS VERY POOR, POOR OR LOW INCOME !!**

👉 **50% ... HALF THE COUNTRY... Wow !!**

The latest census data depict a middle class that is continuing to shrink as unemployment remains high and the government safety nets decline. (food stamps and tax credits keep poverty from rising even higher).

AND THINGS ARE NOT GETTING BETTER

Between December 2007 (the beginning of the recession) to June 2011

- Inflation-adjusted median household income **fell 10%** to \$ 50,000
- This drop is the largest in several decades and represents a significant reduction in the American standard of living. (\$ 53,000 in 1999)
- Median household income dropped across all working-age categories last year
- The 15 to 24 age group dropped **9%**

Another discouraging fact. People who lost jobs during the recession and later found work again made 18% less than their last job.

IF YOU LOST YOUR JOB IN

TIME TO FIND A JOB

December 2007

16 Weeks

June 2009

24 Weeks

September 2011

41 Weeks (the longest period in more than 60 years)

HOW HAS IT BEEN FOR THE EARNINGS OF THE AMERICAN WORKER ??

Well, not that good.

Median annual income for a male full-time year-round worker in 2010 was about \$ 48,000.

Adjusted for 2010 dollars the median income was **\$ 49,000 (in 1973) !!**

Basically, the American male worker has made no income progress in the last **38 years**.

This is not good.

AND IF THINGS ARE NOT BAD ENOUGH

The number of Americans without medical coverage increased to **16%**.
(roughly **50 million** people).

The increase was mostly due to the loss of employer-provided health insurance in the weak economy.

AND WHAT ABOUT THE ELDERLY ?

Actually they are doing pretty good

- ▶ The median net worth of households 65 or older was **\$ 170,000**
- ▶ That is 42% more than in 1984 (the first year of this record keeping)
- ▶ The typical household headed by a person 65 or older has a net worth **47** times greater than a household headed by someone under 35
- ▶ This 47 to 1 wealth gap between young and old is the highest ever
- ▶ Over the last four years income rose 5% for households headed by people 65 to 74

At the same time

- ▶ The number of Americans **90 years** and older has tripled in recent decades
- ▶ Growing to **1.9 million**

HOW ABOUT SOCIAL SECURITY THESE DAYS ??

Social security benefits account for **55%** of the annual income for older-age households (unchanged since 1984). Most retirees rely on Social Security for most of their income.

- ▶ There was no inflation adjusted increases in social security for 2009 and 2010. The checks did not get bigger.
- ▶ For 2011 there will be an increase of about 3.5% (big whoop, barely keeps up with inflation)

TO GIVE YOU SOME PERSPECTIVE

Monthly social security payments average \$ 1,082 or about \$ 13,000 a year. A 3.5% increase would amount to an additional \$38 per month (\$ 455 a year, \$ 9.50 a week).

Don't spend it all in one place. Actually, it can only buy you breakfast ... once a week !

Hmmm ... Future concern ... As the population lives longer, its needs for services grows, which will be an increasing problem for an increasingly poor population.

AND HOW IS THE YOUNGER – AGE GROUP DOING ?

The median net worth of the younger-age household was \$ 3,662 (down 68% from 1984). 37% of younger-age households have a net worth of \$0 ! (double the percentage of 1984).

WHAT ABOUT MULTI-GENERATIONAL LIVING ?

Let's go back ... High rates of multi-generational family living had been the norm before World War II and for some years after. I remember in the 1950s my family unit included my parents, 'the kids' and my grandmother (three generations under one roof).

BUT THE TIMES CHANGED

The construction of interstate highways fueled the rise of the suburbs and the affluence of young adults (previously called 'the kids'). The nuclear family arrived.

In the 70's nobody wanted to live together. Seniors were moving to Leisure World to get away from the 'kids'. It was a time of the highest rates of divorce.

AND THE TIMES CHANGED AGAIN

- ▶ Today one in five adults ages 25 – 34 live in a multi-generational home
- ▶ Between 2007 and 2011, there was a 25% rise in 25 to 34 year-olds returning to live at home
- ▶ Below is the recent ten year change in multi-generational households.

<u>Year</u>	<u>Households</u>	<u>% of Houesholds</u>
2000	4.2 million	3.7%
2010	5.1 million	4.4%

A 21% INCREASE IN 10 YEARS

AND SOME OF THE REASONS FOR THIS CHANGE

- ▶ 40% reported that job loss or underemployment was the reason
- ▶ 14% because of foreclosure
- ▶ 20% because of health care costs
- ▶ And **50%** of the 25-34 year olds would be living below the poverty line without their parents help
- ▶ 4% of adults age 55 and older reported moving in with families to save money

HMMM – future concern

This has long term consequences. Young, poor, less educated and job skilled adults cannot support children or form stable families.

HOW ARE THE BOOMERS DOING ?

John Kenneth Galbraith, the famous economist about 60 years ago imagined an ‘affluent society’ which could dispense with the labor of those reaching retirement age. Promising and optimistic words, **but it did not quite work out that way.**

The number of Boomers over 65 in the labor force increased from:

11% ... in 1985 to
 12% ... in 1995 to
 15% ... in 2005 to
 17% ... in 2010 !!

- Nearly **450,000** Boomers (65 and older) **are unemployed and looking for work** ! This number of unemployed Boomer job seekers has more than **doubled in the last four years.**
- Between 2007 and 2010, the number of working Boomers over 65 years old jumped **16%.**

37% OF MEN AND WOMEN 65 TO 69 YEARS OLD ARE STILL WORKING
7% OF PEOPLE 75 AND OLDER ARE STILL WORKING

Certainly, the culture has changed in ways that have made it easier to work later in life. Work is a lot less arduous as we moved away from heavy-work industrial jobs and quite frankly the over 65 population today for multiple reasons is healthier and more mobile. And we know many people enjoy their work and prefer to continue being productive after 65.

BUT ... ALSO

X NEARLY **40%** OF 55 TO 64 YEAR- OLDS **DO NOT** HAVE RETIREMENT ACCOUNTS !

X 43% ARE EXTREMELY WORRIED ABOUT PAYING FOR MEDICAL COSTS.

X 83% DO NOT HAVE LONG-TERM CARE INSURANCE.

X 39% OF ADULTS WITH PARENTS 65 AND OLDER REPORTED GIVING PARENTS FINANCIAL AID. THEIR AVERAGE NET WORTH (INCLUDING HOUSING) HAS DROPPED FROM \$273,000 IN 2008 TO \$254,000 TODAY – **A 7% DECREASE IN JUST THREE YEARS**

X OH AND SINCE 1999 THEY HAVE SAVED LESS THAN 4% OF THEIR INCOME EACH YEAR.

2007-2009 in California, 37% retirees (60 and older) had income below the poverty levels

HOW HAS THE 'WAR OF THE CLASSES' BEEN GOING IN THE LAST 30 YEARS ??

WHO IS WINNING AND LOSING ... AND BY HOW MUCH ?

Well it looks like this:

For the top 1% ... income grew by 275%

For the top 20% ... income grew by 65%

For the middle 60% ... income grew by 40%

Bottom 20% ... income grew by 18%

TA ... TA ... THE TOP 1% WINS !!

Are you surprised ?

IS THIS CHANGE IN AMERICAN INCOME AND STANDARD OF LIVING CHANGING OUR SPENDING HABITS ?

Are we developing different values reflected through our spending ??

Apparently we are !

We are spending a greater share of our income on:

- ▶ Pets and vets
- ▶ Spectator sports
- ▶ Disposable contact lenses
- ▶ Wine (but not wine glasses)
- ▶ Gas (but not the car)

Spending on psychological counseling is the highest share of income on record ?? And we are still spending more than we should. In the third quarter consumers spent **93%** of their after-tax income on SOMETHING ! Still not saving enough.

CONCLUSION

The facts seem to be conclusive that:

- The elderly generation has it pretty good
- The 'Boomer' generation is looking at a disappointing retirement
- The younger generation. Well the financial future looks grim (between 2007 and 2011)

The younger generations are not going to do as well, financially as their parents.

By the way, in the Bay Area, the town with the widest gap between rich and poor is ...

BERKELEY !! Who wudda thunk ??

THE JOB MARKET

NATIONAL LEVEL

- ▮ Unemployment rate dropped from **9.2%** in June to **8.5%** in December. (A good improvement but a long way from the **4.4%** of December 2006.
- ▮ Approximately 6 million Americans have been seeking work for more than 6 months ! This is **40%** of the approximately **15 million Americans** unemployed ... **this is pain !**
- ▮ Employers have added an average of 143,000 net jobs a month from July through December (but 100,000 jobs a month are needed just to keep up with population growth).
- ▮ Unemployment for 20 to 24 year olds is approximately **16%**.
- ▮ Employment- to- population ratio stood at 58% ... a 28 year low (in the year 2000 it was an all time high of 65%)
- ▮ Jobs created:
 - 2011 ... 1.6 MILLION
 - 2010 ... 940,000
 - 2009 ... LOST 5 MILLION

And how about jobs ???

Not good ... despite population growth. Jobs fell again.

Total employment of 150.4 million (down 5.2 million jobs from 2007)

CALIFORNIA

- ◆ Jobless rate fell to **11.1%** in December.
- ◆ Last year same time the rate was 12.5%. (1.4% higher, slow progress is being made)
- ◆ Still ... more than **2 million** people remain out of work
- ◆ Coastal regions continue to benefit from the growth in technology, trade and tourism.
- ◆ Imperial County (along the Mexican border) had an employment rate of 27% (that's bad)

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