

## Business Seminars

### Monrovia Business Seminar

Oliver Chi-Monrovia City Manager  
Double Tree Monrovia  
October 16, 2017 11:30am-1:30pm

### MADIA TECH LAUNCH

Meets at Tanner Research  
825 S. Myrtle Ave., Monrovia  
Sept. 12, 2017 6:30-8:00 pm  
Charles Botsford, AeroVironment

### Monrovia Kiwanis

Meets at the Monrovia Restaurant  
Every Thursday 12-1:30 PM

### Duarte Kiwanis

Meets at Westminster Gardens  
Every Other Tuesday 12-1:30 PM

## Quotes for the Month

It is not the strongest or the most intelligent who will survive but those who can best manage change. --*Charles Darwin*

Adaptability is about the powerful difference between adapting to cope and adapting to win. --*Max McKeown*

The art of life is a constant readjustment to our surroundings. --*Kakuzo Okakura*

A wise man adapts himself to circumstances, as water shapes itself to the vessel that contains it. --*Chinese Proverb*

## How Fractional-Reserve Banking Really Works

Fractional-reserve banking is a term that many of us have heard throughout the years, but what does it really mean? It can sound impressive and sound complicated, but how many of us have really taken the time to look behind the veil and learn just how this system really operates?



With this in mind, banks are required to keep reserves on hand equal to a percentage of their total deposit liabilities. That required reserve ratio can fluctuate, but oftentimes 10% is given as the typical percentage for this requirement. So let's say that you're rummaging through the attic and you find an old trunk that grandpa used to have, and while going through the trunk, you find \$1,000.00 cash. Then you take that money down to your bank and you deposit it. So both the bank and the overall banking system now have an additional \$1,000.00 in deposits that previously did not exist, and the bank can now make some additional loans from these deposits.

Let's say once again that the required reserve ratio is 10%, meaning that the bank must keep \$100.00 in reserve out of the \$1,000.00 in new deposits, and that it can loan out the other \$900.00. So this is where it can all begin to get interesting. Let's say that the bank loans out the additional \$900.00 to a borrower, and the borrower then begins paying interest on the loan. But now look at what just happened...the bank still has the \$1,000.00 that was just deposited into it, and it has now made a \$900.00 loan to someone, as an electronic deposit into their checking account, meaning that there's now a total of \$1,900.00 in new money in the banking system that came from the original \$1,000.00 deposit!

**Continued Page 2 Banking**

## Almost half of top US housing markets are 'overvalued'

Diana Olick - CNBC September 5, 2017

It will come as no surprise to anyone out house hunting today — buying a home is becoming ever more difficult to afford.

Prices just keep soaring while incomes fail to keep pace. Even historically low mortgage rates are not helping enough. At the end of July, of the top 50 markets, based on housing stock, 46 percent were overvalued, according to CoreLogic.

A market is considered overvalued when home prices are at least 10 percent higher than the long-term, sustainable level. On the flip side, 16 percent of markets in the report were listed as undervalued and 38 percent came in fairly valued.

**Continued Page 2 Housing**

So where did this additional \$900.00 come from? It snapped into existence at the moment that the \$900.00 loan was given to the borrower!

But with fractional-reserve banking, it now gets even more interesting. Let's say, for example, that the person who borrowed the \$900.00 from the bank now buys something for \$900.00, and then that \$900.00 is then deposited into the store's bank. So the store's bank now has an additional \$900.00 in new deposits, and they can now loan out \$810.00 (90%) of that money, while keeping \$90.00, or 10% of the \$900.00, as the required reserve.

This then continues building throughout the entire banking system, as more deposits are then made from these additional loans and the purchases that come from them, until ultimately the banking system can then create approximately \$9,000.00 in new loans from that initial \$1,000.00 deposit!

While this seems incredible, for banks that are members of The Federal Reserve System, this is how the banking system operates. While there have been many books and articles written on this, if you're interested in more information, the one book that's considered to be the most thorough and detailed one ever written on the subject is "The Creature from Jekyll Island", which was written by G. Edward Griffin.

Home prices came in 6.7 percent higher in July, compared with the same month a year ago. A record-low supply of homes for sale keeps driving prices; the supply at the end of July was 9 percent lower compared with a year ago and has been shrinking steadily for nearly three years, according to the National Association of Realtors

"Home prices in July continued to rise at a solid pace with no signs of slowing down," said Frank Martell, president and CEO of CoreLogic. "The combination of steadily rising purchase demand along with very tight inventory of unsold homes should keep upward pressure on home prices for the remainder of this year. While mortgage interest rates remain low, affordability cracks are emerging."

Price appreciation is strongest in the Pacific Northwest and in Denver, where some of the tech industry has migrated, ironically because northern California housing became so expensive.

"The sharp increase in prices in Washington and Utah has been especially striking, with home price growth in both states accelerating by 3 percentage points since the beginning of this year," said Frank Nothaft, chief economist for CoreLogic.

Even Las Vegas, where homes lost more than half their value during the housing crash, is now considered overvalued. Washington, D.C., Miami and Houston are also on that list, although Houston home values will surely be hit hard by Hurricane Harvey.

Home sales have been weakening throughout the summer, as demand far outpaces supply and affordability weakens. Even the Realtors' chief economist, Lawrence Yun, gave an uncharacteristically pessimistic prediction, that, "sales in coming months will not break out unless supply miraculously improves. This seems unlikely given the inadequate pace of housing starts in recent months and the lack of interest from real estate investors looking to sell."

Buyer demand continues to soar. In fact, Redfin, a real estate brokerage, reported 35 percent more requests for home tours in July, compared to July 2016. It also, however, reported that the number of offers dropped 11 percent.

"Buyer demand has been stronger so far in 2017 than last year, but the combination of low inventory and rising home prices is taking its toll heading into the fall," said Nela Richardson, chief economist at Redfin. "Sellers are still in control of the market, but their advantage is narrowing as buyers are becoming less willing or able to chase escalating prices."





# For Sale

514-522 E. Duarte Road, Monrovia, CA



### Property Highlights:

- High visibility property located adjacent to the 210 FWY.
- Parking available in the rear.
- An Approx. 11,400 SF Industrial Building For Sale on 24,877 SF of Land.
- Auto Body Shop with spray booths.
- 2 Large Ground Level Roll up door and approx. 13 foot ceilings.
- Property has a secure yard.
- Close to Dealerships.
- Easy Access to 210, 605 & 10 Freeways.
- Zoned M1
- Sales Price \$2,100,000.00

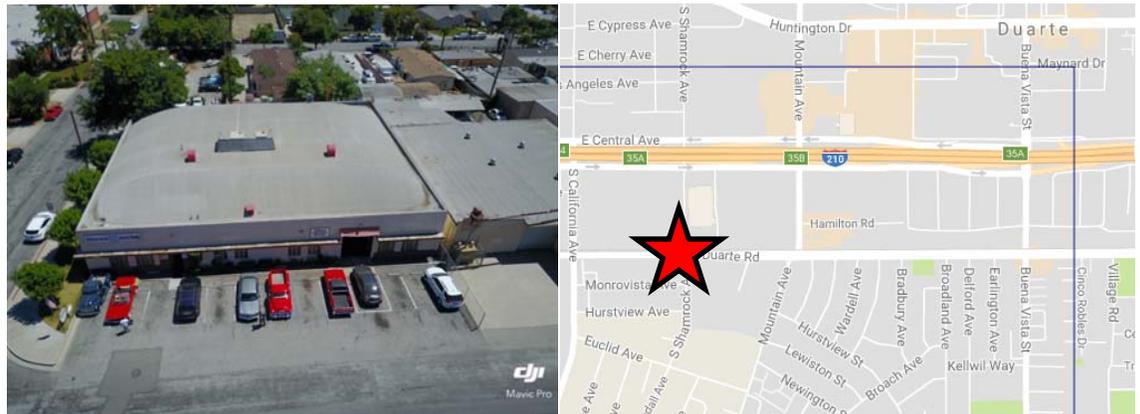
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Shown by appointment only.  
Please call listing office to schedule an appointment.  
626-841-0599



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# For Sale

**11636 Goldring Road, Arcadia, CA**



CoStar

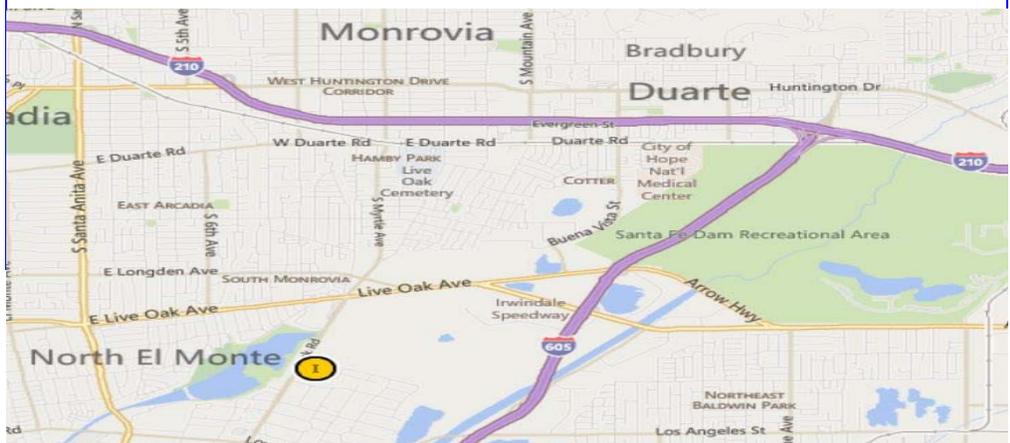
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## Hard to Find Arcadia Industrial Building Property Highlights

- Approx. 8,260 SF Industrial Property on 16,052 SF of Land
- 2,652 SF Office and 5,608 SF Warehouse
- Very Well Maintained Building With Secure Gated Yard.
- High Ceilings. 2 Ground Level Doors.
- Easy Access to 210 and 605 Freeways
- Currently leased Through February 2018
- Well Positioned For Many Uses With Light Manufacturing Designation
- Call Alfredo Mejia if You have any questions 626-841-0599
- Asking \$1,895,000.



Shown by appointment only. Please  
call listing office to  
schedule an appointment.

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