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Hanmi bank CEO: Calif. real estate not in crisis

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By Jonathan Stempel

NEW YORK, Nov 30 (Reuters) - Sung Won Sohn, who runs southern California's Hanmi Financial Corp. <HAFC.O> and was once Wells Fargo & Co.'s <WFC.N> chief economist, said on Thursday concerns that the California real estate market is in crisis are overblown.

"The bark is worse than the bite itself," Sohn said in an interview in New York. "By reading the papers, you get the impression the pendulum has swung from one extreme to the other extreme. I think we've swung to a more normal situation."

About six of every 10 dollars lent by Los Angeles-based Hanmi, the largest Korean-American bank, is in real estate, and about five in 10 are for California property.

Residential property has come under greater pressure than commercial property, said Sohn, who became Hanmi's chief executive in January 2005.

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This may continue as rates reset on the popular adjustable-rate loans favored by many California borrowers. Last week, real estate specialist Ken Rosen of the University of California at Berkeley's Haas School of Business said home prices in the state should continue to erode through 2008.

Sohn said higher-end residential properties have retained value reasonably well, though they may take longer to sell, while properties valued at less than $1 million have not. Too much condominium development is in part to blame, he said.

"There is a glut of condos in San Diego, and that has been spreading to the LA region," Sohn said. "Because of strong demand for condos in the past, many builders have decided to build condo projects, and convert apartments into condos. There is an oversupply, and we do see weakness."

Offsetting such pressures, however, is growing demand for residential space by foreign investors, including from Asian countries such as China and Korea.

Sohn said many investors buy space to use for part of the year -- such as to house college students -- and rent for the rest. The result, he said, is that "many developers are marketing to foreigners."

Much of Hanmi's lending, however, is in commercial real estate, which has been less susceptible to pricing pressures and overextended borrowers.

The bank, which has $3.7 billion of assets, set aside just $5.5 million for bad loans from January to September, though that is up 57 percent from a year ago.

"If you look at commercial real estate, prices are not going up as rapidly as in the past, but the vacancy rates are quite low, and there is not as much building because there's less land to be had," Sohn said.
