



Latest News

- [Letter from the Executive Director](#)
- [Third MSRE Class Graduates](#)
- [CB Richard Ellis CEO to Speak at Sept. 13 Breakfast at the BMC](#)
- [BMC to Host Oct. 30 Conference on Building Green](#)
- [Haughtons Share Insight with Woodruff Scholarship Recipients](#)
- [First Annual Alumni Golf Tournament a Hit](#)
- [Calendar](#)

Useful Links

- [Request information](#)
- [Make a gift](#)

Burnham-Moores Center Staff

Dr. Mark Riedy
Executive Director

Lisa Chambers
Director, Academic Affairs & Administration

John Demas, Esq.
Instructor

John Ferber
Director, Commercial Real Estate

Louis Galuppo, Esq.
Director, Residential Real Estate

Ilse Hunnicutt



Latest News

Letter from the Executive Director



Ed. Note: An abbreviated version of this letter appeared in the Opinion section of the Aug. 8, 2007 edition of the San Diego Union-Tribune.

On Aug. 2, 15 real estate professionals from a wide variety of perspectives met with the Burnham-Moores Center staff to try to help us and one another understand better the serious challenges facing residential real estate and mortgage markets in this region. In my opening remarks to stimulate the discussion, I mentioned that one major lender representative had been forced to cancel his participation because, in his words: "This is a mortgage market meltdown the likes of which I have never seen in my 26 years in the industry."

Given the wide range of perspectives at the table — lenders, real estate and mortgage brokers, underwriters, appraisers, credit repair expert, home builder, data analyst, private mortgage insurer, investor, title insurance executive, full-service commercial real estate executive — the judgments about residential real estate and mortgage markets were mixed, ranging from some who shared the "meltdown" view to others who continued to enjoy solid business results.

Having worked in Washington, D.C., during all of the 1980s and into mid-1992, I was reminded of the debacle that hit the savings and loan, savings bank and commercial banking industries during that time. Irresponsible mortgage lending, lax regulation and supervision, and pressure on profit margins contributed to widespread failures and legislative over-reaction through passage of the federal Financial Institutions Reform, Recovery and Enforcement Act of 1989.

[^back to top](#)

Over the last several years, excess capital availability contributed to excess mortgage supply and narrowing profit margins. In response, lenders created a host of new mortgage products that greatly increased risk — to

Executive Assistant

Dr. Rohit Kishore
Assistant Professor

Lauren Lukens
Executive Assistant

Norm Miller, Ph.D.
Professor and Director of
Academic Programs

Dr. Charles Tu
Associate Professor

Jerydine Tully
Communications Director

Newsletter Info

Suggestions? Comments?
Contact us:
Jerydine Tully
(619) 260-4786

**Register Now for the
Next Continuing
Education Course:**

**Introduction to Real
Estate Finance,
Investments and
Development**

**Class Starts
September 5th**

**Click Here to
Register**

For more information about
the Certificate in Real Estate
Finance, Investments, and
Development, [click here](#)

the lender as well as the borrower — but did not price it properly. Wall Street, through the secondary mortgage market, securitized and sold these loans to risk-hungry investors stretching for higher yields.

These new mortgage products helped many first-time homebuyers enter the market, induced investors and speculators to buy up multiple properties, inflamed the conversion of apartments into condominiums, and created an aura of euphoria for all except renters as home prices responded with dramatic increases. Perhaps worst of all, many people who clearly did not have sufficient income and assets to purchase a home, or stretched above their limit, were given mortgages that quickly became ticking time bombs. The cumulative impact of these phenomena was house prices that increased too rapidly in many markets, reinforcing borrowers' needs to take out even riskier mortgages, even lying, if necessary — no income/no asset/no employment documentation — which jacked up housing demand and prices still further.

The "ticking time bomb" in the new mortgage products and overly aggressive lending — first and second mortgages combined that equaled or exceeded the purchase price of the house — generally meant a relatively short period of fixed interest rates, followed by potentially large increases and then variability in mortgage payments after a few months or years. Unfortunately, for thousands of borrowers in this region and perhaps millions across America, income growth could not possibly reach the pace needed to enable borrowers taking out the excessively risky mortgages to cover the now-upwardly-adjusting costs of these mortgages. Moreover, as mortgage market problems increased, housing demand and housing prices turned downward, making the sale of the house at break-even or at a profit less viable as a bail-out option.

[^back to top](#)

The consensus of the roundtable was that we have not yet seen the worst of mortgage market problems. Lenders are tightening their underwriting standards dramatically — after the horse is out of the barn. Regulators and secondary markets are coming down hard on the riskiest loan types, to the point that many will be removed from the market. This will hurt legitimate borrowers with good credit for whom some of these higher-risk mortgages were targeted when first created, before misuse of the mortgages became prevalent. When asked how long it will be before we see a firm floor and the start of a sustainable upturn in housing prices and demand, attendees provided a wide range of views. Several held out hope for spring 2008, more looked toward late 2008 to early 2009, and at least one — an appraiser — foresaw three to four years before a real recovery was under way.

Beginning with this edition of *The Pipeline*, we will feature an interactive poll to give readers a chance to weigh in on a timely industry topic and see what their peers are thinking, too.

**Time to Recovery:
What Do You Think?**

When do you think the residential real estate market in San Diego will begin a sustainable recovery?

- In six months
- In 12 months
- In 18 months
- In 24 months
- Longer

vote

Throughout the discussion, as always, location was a major determinant of one's views of time to recovery. Also, high-end multi-million dollar homes so far have been immune from the mortgage market's problems, presumably because those who stretched too far or speculated were more in the \$400,000 to \$600,000 house price range.

As always, there was a silver lining in these storm clouds. The affordability of San Diego's housing markets will improve for future buyers and help this region's employers attract and retain key employees. While the replacement/construction cost of new apartments remains high and may inhibit new construction, look for apartments that had been purchased for conversion into condos to revert back into apartments, thereby increasing the supply of apartments, which normally would lead to downward pressure on rental rates. One mitigating factor could be that those who purchased the apartments intending to convert them perhaps paid up for the buildings, with their pro formas based on the profit potential of selling them as condos. These landlords' higher cost basis presumably will make them attempt to raise rental rates to help cover their built-in purchase prices for the properties. With house purchase demand down, rental demand will strengthen, or at least not weaken, so even if more apartments are available because the owners did not complete their conversion into condos, rental rates might not fall much, if at all.

[^back to top](#)

While the "mortgage market meltdown" might make the headlines, and those who bought homes over the last three years struggle to meet rising mortgage payments, the vast majority of San Diegans are not a part of that problem. Most of San Diego's homeowners have lived in their residences for many years, have built up substantial equity, and have fixed-rate mortgages or adjustable-rate loans with several years of fixed rates still remaining before the first upward adjustment occurs. Moreover, San Diego remains one of America's most attractive cities, with a strong employment base widely diversified across industries and characterized primarily by small employers with excellent business prospects. San Diego also has a large community of retirees and wealthy individuals for whom housing and mortgage market problems are not an issue.

Every problem creates an opportunity. Homebuyers of the last three years, many of whom never should have attempted to stretch beyond their means to buy a house, are looking at massive mortgage payment shocks and the loss of their home, although probably not the loss of equity because they were not required to provide equity in recent years. On the opportunity side, those with strong credit and reasonable equity are waiting on the sidelines, with some already beginning to purchase homes, as they seek to move up or buy a previously unaffordable residence, second home or investment property.

The bottom line is that, at the margin, there will be hell to pay for many mortgage borrowers, lenders and investors. But for the vast majority of San Diegans, the "mortgage market meltdown" will be much less of a real concern because it does not directly affect their financial status or well-being. Housing and mortgage markets are cyclical. It's unfortunate that every decade or two we all need to be reminded of that fact. Santayana said it most eloquently: "Those who fail to learn the lessons of history are condemned to repeat its mistakes."

Dr. Mark J. Riedy
Executive Director

Third MSRE Class Graduates

[^back to top](#)

The third cohort of USD's Master of Science in Real Estate degree program graduated July 13, to the delight of nearly 150 family members and friends, who came from near and far to celebrate the occasion in the Joan B. Kroc Institute for Peace and Justice Theatre.



Nineteen of the 20 graduating students attended the event, where they were given an opportunity to share the "Aha!" moment that they experienced during the 11-month program. Sameer Lad, whose background was in computer engineering, said that his occurred the first day of class when he learned the caliber of his student colleagues and the level of real estate experience that many of them brought to the program. "I realized I better shape up real fast, and I did," he said.

Sherm Harmer, principal of Urban Housing Partners who was voted Teacher of the Year by the graduating class, said that he had his own awakening through his involvement with USD's program. "I never thought I would teach in this program or have a son graduate from it," Harmer said after accepting the award. "Thank you for making all of my dreams come true."

Harmer encouraged the students to be "bigger than their profession" and help advance San Diego as an "international gateway."

Guest speaker Ruben Barrales, president and CEO of the San Diego Regional Chamber of Commerce, echoed Harmer's sentiments and further encouraged the students to exercise social responsibility in all of their career dealings. "You will have payrolls to meet and people depending on you," he reminded the students.

The event concluded with a post-ceremony reception in the Garden of the Sea, behind the IPJ building.

CB Richard Ellis CEO to Speak at Sept. 13 Breakfast at the BMC[^back to top](#)

Brett White

Brett White, president and CEO of CB Richard Ellis, will be the featured speaker at the second [Breakfast at the BMC](#) event, scheduled for Sept. 13, from 7:30 to 9 a.m. at the Joan B. Kroc Institute for Peace and Justice on USD's campus. Breakfast at the BMC is a distinguished lecture series featuring thought-provoking speakers and insightful panels of industry experts whose exposure to San Diego audiences previously has been limited or non-existent.

White leads the world's largest commercial real estate services firm, with 2006 revenues of more than \$4 billion. A La Jolla native, he started on CBRE's management track in 1991 as a sales manager in the company's downtown San Diego office before working his way up the ranks to president in 2001 and CEO in 2005. He will share his perspective on how San Diego is viewed by investors nationally and globally in terms of its risks and opportunities.

To register for the event, go to www.usdce.org/bmcre/conference. For questions, contact Jodi Waterhouse, at jodiw@sandiego.edu or 619-260-4231.

BMC to Host Oct. 30 Conference on Building Green[^back to top](#)

On Oct. 30, the Burnham-Moores Center will co-host a half-day conference on green development, along with the City of San Diego, the San Diego Regional Economic Development Corporation, and Clean Tech San Diego. The conference, "Is It Easy Being Green?" will feature two panels, both of which will address the public policy and economic ramifications of sustainable development for San Diego.

The conference is directed at real estate executives who want to learn more about sustainable development, which has become a mainstream profit opportunity across the globe.

"This conference launches an important public dialogue on sustainable development," says Mark Riedy, who will be coordinating the conference on behalf of the co-hosting organizations. "It will help real estate professionals understand much more clearly the significance of the sustainable development movement as an opportunity for future growth and profitability. It will address the conventional wisdom that sustainable development is more of a challenge than a real profit opportunity."

San Diego Mayor Jerry Sanders will provide the keynote address, in which he will outline issues and opportunities related to the city's General Plan Update and the role it should play in mandating and/or providing incentives to encourage sustainable economic and community development.

Speakers will address the importance of the region in creating and attracting a cluster of science and technology companies focused on sustainable development and clean energy, as well as the economic

stimulus that such companies could provide in the way of employment opportunities, office demand and housing. Real estate executives also will present hard data on their experience building green.

Panelists confirmed to date include: Jim Waring, deputy chief of Land Use and Economic Development for the City of San Diego; Sandy Mendler, Sustainable Design principal and senior vice president for HOK in San Francisco; Chris Day, vice president of Preconstruction and Business Development at Swinerton Inc.; Matt Reid, vice president of development at the Ryan Companies Inc; and Norm Miller, Ph.D., director of academic programs for the Burnham-Moores Center for Real Estate at USD. Five additional speakers will be announced.

Further details about the conference, to be held on USD's campus, will be provided in September.

Haughtons Share Insight with Woodruff Scholarship Recipients

[^back to top](#)



On Aug. 9, Roger Haughton, former chairman and CEO of The PMI Group, and his wife, Judy, hosted eight former recipients of the Daniel B. Woodruff Memorial Scholarship for dinner at the University Club in downtown San Diego. The Woodruff scholars gained unique and intimate insights into the responsibilities faced by the CEO of a major New York Stock Exchange company, as well as the challenges of balancing career, family and community.

First Annual Alumni Golf Tournament a Hit

[^back to top](#)



USD alumna Jane Schooler (l.) and her guest Joan Thomas (r.)

Thirty-six golfers turned out for the First Annual Alumni Golf Tournament, held at the Sail Ho Golf Club at Liberty Station on July 20. The event enjoyed full participation and sponsorship support, taking in \$3,000, a portion of which will go to the alumni scholarship fund. Hole sponsors included Kelly Capital, Wells Fargo, Cruzan/Monroe, Master Development, HFF, Paragon, Land America, Urban Housing Partners and American Home Mortgage. ReMax served as the food and beverage sponsor.

Calendar

SAVE THE DATES . . .

[^back to top](#)

Continuing Education: [Introduction to Real Estate Finance, Investments and Development](#)

· starts Monday, September 5, 2007 · [register](#) · [about the program](#)

Breakfast at the BMC featuring CB Richard Ellis CEO

· Thursday, September 13, 2007, 7:30 a.m., Joan B. Kroc Institute for Peace and Justice. · Contact [Jodi Waterhouse](#) to register, or [register online](#)

"Is It Easy Being Green?" Conference on building green

· Tuesday, October 30, 2007, 7:30 a.m. to 11:30 a.m., Joan B. Kroc Institute for Peace and Justice.

Visit us online at www.USDRealEstate.com

The Burnham-Moores Center for Real Estate is committed to delivering outstanding education, industry outreach, career placement, and research services to advance socially responsible leadership in real estate.