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Latest News

Letter from the Academic Director



Norm Miller, Ph.D.

The last few years have been tumultuous for homeowners. Prices dropped, jobs were lost, and a recession began. Oil prices shot up and then down as did mortgage interest rates. Everyone keeps asking when we will hit bottom, and housing analysts keep saying that this is not likely to be a V-shaped price trend in housing, rather a very slow bottoming and slow turn.

Recent interest rate declines will help, and there is one more sign that we are getting closer to the floor: the bottom-fishers are in full force trying to buy real estate owned property from banks. Generally speaking, it's a good thing when wholesale investors enter the market and help provide capital. But here's the new twist: Some of the investors are working with real estate brokers who provide what are called BPOs — broker price opinions — to lenders. The lenders then determine what to ask for an REO to get it off their books.

Apparently, some brokers are finding this too tempting and they are providing BPOs that are as low as 25 percent to 50 percent under the homes' true market values. Not only do these sales get flipped by their "friends" and associates, who are presumably very grateful for the insider advice, but to make things worse, the brokers will then use these initial low-priced sales as comps to repeat the process on other properties. While we'll refrain from naming names, all one needs to do is find properties bought from banks that are quickly resold at huge price increases, and you will likely find a broker who has many investor friends.

I don't blame investors for buying foreclosed property and, indeed, they provide a service to the market. But one should question if the brokers who are in cahoots with investors really feel good about their actions? After all, isn't it this same ethical void and greed that got us into this mess in the first place? Have we not learned our lesson? Appraisers and real estate agents look at the comps resulting from these actions making it that much harder to discern true market value.

13th Annual Real Estate Conference: Register Now!
Feb. 18, 2009
7:30 a.m. to Noon
 San Diego Marriott Hotel & Marina
 Keynote: Richard Davis, CEO, US Bancorp, Minneapolis
 \$95.00/individual;
 \$950 for a reserved table of 10
[go here](#) for a full list of speakers and topics

Norm Miller, Ph.D.
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Sherry Tehrani, Esq.
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Charles Tu, Ph.D.
Associate Professor

Jeryldine Tully
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Newsletter Info

Suggestions? Comments?
Contact us:
Jeryldine Tully
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New Continuing
Education Certificate
Program in Land Use
and Sustainable
Community
Development

Next class:
Community and
Building Design . . .
An Architectural
Perspective

Starts Feb. 4, 2009

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For more information about
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Certificate in Land Use and
Sustainable Community
Development,
go [here](#).

Continuing Education
Certificate Program in
Real Estate Finance,
Investments and
Development

Next class: Legal
Aspects of Real
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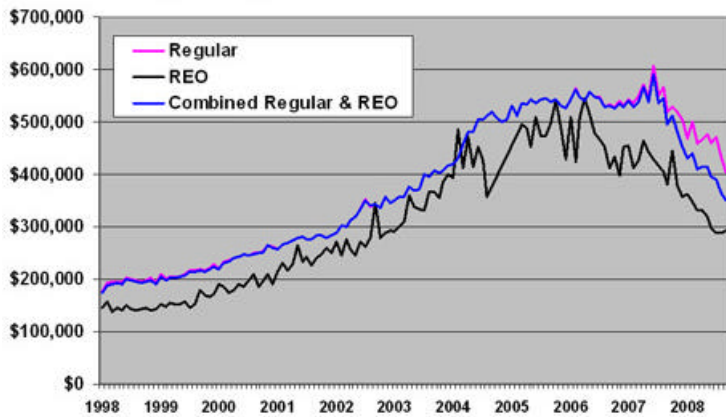
Starts Feb. 3, 2009

In fact, we see a significant difference between foreclosed or distressed sale prices and non-distressed prices in the market, and the mode of sale is affecting price. On a typical three-bedroom, two-bath home in San Diego County, we see a difference in prices of about \$100,000 in the current market. This is a 25 percent discount from a non-distressed sale. If the brokers providing lowball BPOs were within 25 percent of the non-distressed values, it wouldn't be so bad, but we are now witnessing discounts of up to 50 percent from non-distressed fair market value. This leads us to one of two conclusions: Either some brokers assume lenders are so overwhelmed that they have no time for a second opinion or else some lenders are simply as ignorant as brokers presume.

When will we hit the bottom? At this rate, sometime after the exploitation finally ends.

Norm Miller is professor and director of academic programs at the Burnham-Moores Center for Real Estate. Michael Sklarz, president of New City Technology in Honolulu, Hawaii, contributed to this report.

San Diego County Regular, REO and Regular with REO Single Family Prices for 3 Bedroom and 2 Bath Homes



SOURCE: CyberHomes.com

Brett Kondrick Receives Daniel B. Woodruff Memorial Scholarship

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Brett Kondrick

USD undergraduate student Brett Kondrick has been named the Fall 2008 recipient of the Daniel B. Woodruff Memorial Scholarship. Kondrick graduated this December with a major in business and minors in finance and real estate.

In permanent tribute to USD graduate Daniel Woodruff, the Burnham-Moores Center for Real Estate established the award in 2000 to honor the most outstanding student pursuing real estate as a career profession. Woodruff died of cancer at the age of 27, less than two years after graduating from

USD. Each semester the scholarship is awarded to a student who best epitomizes Woodruff's positive qualities of "academic excellence, warmth, determination, intellectual curiosity, and unabashed love for humankind." Kondrick is the 15th student to receive the scholarship, which carries with it a \$2,000 award.

Kondrick is currently working as an intern at Managed Futures Group in La Jolla, where he is involved with derivatives/futures trading. He previously was branch office administrator of an Edward Jones Investments office in San Diego, where he ran a two-person office with \$60 million in assets.

Register Now

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

Wealth & Legacy Seminar Series:

Next Seminar:
Oceans, Real Estate & The Local Economy

Jan. 21, 2009

[Go here](#) to register

MSRE Students Earn Argus Certification

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MSRE Students (*l. to r.*) Brent Farrell, Art Panossian, Andrew Kiesling, Greg Drobot, Christian von Merkatz and Brad Flewellen were six of nine MSRE students who recently earned Argus Software Certification. (Not pictured are Ben Brosseau, Bryce Lewis and Sasha Zhang.) The students spent three full weekend days in Argus training, before passing the certification exam that earned them the right to add "ASC" after their name.

The training the students received to prepare them to sit for the exam was made possible, in part, by a \$2,500 donation from CCIM, as well as a personal gift from Dan Phelan, president and CEO of Pacific Southwest Realty Partners and an instructor in the Center's continuing education program.

BMC Professors Published in Real Estate Journal

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Professors Norm Miller, Ph.D., and Charles Tu, Ph.D., each had papers they had co-authored published in the October-December issue of the *Journal of Real Estate Portfolio Management*.

Miller's paper, "Does Green Pay Off?," was co-authored by Andrew Florance and Jay Spivey of the CoStar Group Inc. in Bethesda, Md. Miller's paper on studies of cross-section variation in cap rates also was referenced in the same volume of the journal by researchers John McDonald and Sofia Dermisi of the University of Chicago.



Charles Tu, Ph.D.

Tu's paper, "Time-Varying Diversification Effect of Real Estate in Institutional Portfolios: When Alternative Assets Are Considered," was co-authored by Kathy Hung of California State University-East Bay and Zhan Onayev of State Street Global Advisors in Boston.

Guest Commentary

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Demography: A Study of the Future of the World

By Alan Nevin



Alan Nevin

I am generally recognized as a real estate economist, but actually expend much of my thinking time ruminating on demographics. I have come to the conclusion that, in the long run, the demand for and value of real estate relates to demography. By definition, demography is the study of changing population.

Let me provide an extremely poignant example of a nation in flux. Japan has three exceptionally negative demographic trends that are causing it much economic pain. Japan has an extremely low birth rate, a rapidly aging population and severe xenophobia. Whereas most other industrialized countries have allowed major immigration to boost their population, Japan has opted not to participate in that trend.

As a result, Japan's decreasing population means that there are fewer and fewer persons to buy the goods they produce. In addition, its workforce is getting older and less efficient. As fewer persons enter the workforce, there are a continually smaller number of persons available to pay for the care and upkeep of the elderly. Almost half of the Japanese population will be over age 60 by the time we reach 2050 (compared to 26 percent in the United States).

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www.sandiego.edu/msre

Most of the industrialized countries have had a remarkable decline in birth rate. In traditional demographics/economics, for a nation to grow and prosper, each couple should have two children. Countries like Spain, Italy, Germany, Russia, and, of course, Japan are setting new records for reduced fertility.

The United States is right on target, with a fertility rate of 2.1 (live births per woman). That compares to countries like Kenya, Rwanda and Afghanistan with fertility rates in the 5.0 to 7.0 range. Fertility rates, in general, are falling slowly throughout the world, but perhaps the fastest decline has been in Mexico.

The Mexican fertility rate is down to 2.2, almost matching the United States and Canada. The rapidly reducing fertility rate in Mexico means that the nation is beginning to move toward a middle-class society. Manufacturing and health care industries in Mexico are nearing U.S. standards and that goes hand in hand with better educated persons and lower birth rates. It also means a major expansion of consumer spending, including spending on new homes and furnishings.

The United States is one of very few industrialized nations that has a perpetually expanding population, largely as a result of in-migration from other nations. Our population continues to expand by 3 million+ per year. It is that rate of expansion that allows our purchasing power to expand and keep our workforce employed. Yes, I know that our unemployment rate is up to 6.0+ percent, but we do still have 94 percent of our population employed. That's more than 150 million persons who bring home paychecks and spend them with great enthusiasm.

As we look at our demography, in the United States and including California, we know that persons are getting married later; that the percent of married couples with their own children is declining, and our college-educational attainment levels are rising. In 1960, only 6 percent of women had college degrees. That is now up to 24 percent, a four-fold increase in

less than half a century. In 1960, less than half our adult population had a high school degree. Now it's up to 84 percent.

The other U.S. demographic trend that continues unabated is population movement toward the Sunbelt and Pacific Coast. Almost half of the population gain in the United States is in California, Florida and Texas. What we refer to as the "dynamic dozen" (the big three, plus Nevada, Arizona and another handful of states) constitute almost 80 percent of the growth of the nation; that is, the other 38 states combined account for only 20 percent of the growth.

*In the next 20 years,
San Diego County
will add 750,000
persons; 65 percent
of them will be
60+ years of age.*

In our own San Diego County, two-thirds of our population growth is the result of births over deaths and one-third in-migration. That's a diametrical shift from even 20 years ago when the reverse was true. In the next 20 years, San Diego County will add 750,000 persons; 65 percent of the change will be those 60+ years of age; 50 percent of the total growth will be those of Hispanic descent, and almost one-third of the population will have a bachelor's degree or higher.

Think of these major changes in terms of how your business can prosper by taking advantage of this rapidly changing world. The market is constantly changing, and your competition is probably moving faster than you are.

Alan Nevin is director of economic research at MarketPointe Realty Advisors, and a member of the Burnham-Moores Center for Real Estate's Residential Committee. This article was originally published in the San Diego Metropolitan.

Center Offers LEED AP Training at Discount

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Beginning next month, the Burnham-Moores Center will be offering a LEED training course that prepares individuals to sit for the LEED AP exam. MSRE students will be able to attend the 16-hour course free of charge; the Center also is offering a discounted rate to individuals and companies who would like to take part.

The course will be held in the University of San Diego's Olin Hall, Room 226, on the following dates:

Friday, Feb. 27	9 a.m. to 2:30 p.m.
Saturday, Feb. 28	9 a.m. to 3:30 p.m.
Friday, March 6	9 a.m. to 2:30 p.m.

The Center is currently seeking corporate sponsorships to help cover the cost of the training for the MSRE students. To contribute or participate, contact Ines Kraft at ikraft@sandiego.edu, or (619) 260-4150.

In the News

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Alan Gin's Index of Leading Economic Indicators, which he compiles for the Burnham-Moores Center for Real Estate, was cited in the Dec. 2 [edition](#) of the *San Diego Union-Tribune*, a Dec. 2 news [segment](#) on *San Diego 6 News* and a Dec. 19 news [segment](#) on 10 News.

Mark Riedy was interviewed by Jen Lebron-Kuhney of *The Daily Transcript* for a Dec. 5 [article](#) about the drop in trustee's deeds.

The Center's Ninth Annual Residential Real Estate Conference was [featured](#) in the Dec. 15 edition of the *San Diego Business Journal*. The conference also received [video](#) and print coverage in the [Dec. 9](#) and [Dec. 10](#) editions of *The Daily Transcript* and the Dec. 22 [edition](#) of the *California Real Estate Journal*.

Ryan Ratcliff, USD assistant professor of economics, was interviewed by Rebecca Go of *The Daily Transcript* for a Dec. 10 video [segment](#) on the atypical characteristics of the current recession. The interview was conducted following Ratcliff's presentation at the Ninth Annual Residential Real Estate Conference.

Alan Gin was quoted in a Dec. 19 *San Diego Union-Tribune* [article](#) on area unemployment rates. The article was picked up by *Black Enterprise* magazine.

Mark Riedy was [profiled](#) in the *San Diego Daily Transcript's* Top Influentials Sourcebook 2009, which published Dec. 31.

Norm Miller was quoted in an [article](#) on falling home prices that appeared in the *San Diego Union-Tribune* Dec. 31.

Calendar

SAVE THE DATES . . .

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13th Annual Real Estate Conference Feb. 18, 2009

- San Diego Marriott Hotel & Marina.
 - \$95.00 for individuals; \$950 for a reserved table of 10
- To register go to www.sandiego.edu/annual

For questions or sponsorship opportunities, contact Jeryldine Tully at (619) 260-4786 or jtully@sandiego.edu.
For a complete listing of speakers and topics, [go here](#).

Real Estate Expo Feb. 26, 2009

- University of San Diego Hahn Center
 - Free
- To reserve a company booth or for more information, please contact Lauren Lukens at llukens@sandiego.edu.

Continuing Education

Upcoming Continuing Education Classes

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New Land Use and Sustainable Community Development Certificate
Next class: Community and Building Design . . . An Architectural Perspective
 · Starts **Feb. 4, 2009**

· To register, contact [Julia Chemers](#), or [register online](#)
For more information about this class or the new certificate program, go [here](#).
This class is a core course for the Land Use and Sustainable Community Development Certificate and an elective class for the Real Estate Finance, Investments and Development Certificate.

Real Estate Finance, Investments and Development Certificate

Next class: Legal Aspects of Real Estate

· Starts **Feb. 3, 2009**
· To register, contact [Monica Phelps-Zambrano](#), or [register online](#)
For more information about this class or the certificate program, go [here](#).
This class is a core course for the Real Estate Finance, Investments and Development Certificate and an elective class for the Land Use and Sustainable Community Development Certificate.

Visit us online at www.USDRealEstate.com

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

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