

December 2007

Dear Colleague,

Some Goodies Mixed in With the Coal

It's December, and the future looks about as clear as a frosted glass of eggnog. Few will argue that Santa's bag holds many lumps of coal for the housing industry. But are there some goodies mixed in? Between the heaping servings of "woe" being dished up this holiday season, we still find several reasons to be merry.

Lower interest rates are something to cheer about. The Fed just lowered rates for the third time. There's good reason they'll hold steady, if not decline further.

We're better off than many. Despite the rise in foreclosures and loan defaults in San Diego County, many other communities are in far worse shape. In a study released by the U.S. Council of Mayors, San Diego did not even make the Top 50 list of communities that will be hurt by the decline in home prices next year. In fact, it ranked 88th in a list of 362 areas nationwide (source: San Diego Union Tribune, Dec 2, 2007). DataQuick analyst Andrew LePage reported in October that San Diego County, unlike counties in the Inland North County and Sacramento, has a relatively milder foreclosure problem.

Comparatively speaking, our housing prices are holding up OK. Depending on whom you ask, San Diego County's median home price has dropped over the past year anywhere between 6 - 9.6 percent. That is more than double the national average of 4 ½ percent. However, our neighbors in Orange, Riverside and San Bernardino counties have seen housing prices decline by 8 percent to 15 percent.

San Diego is not Detroit. We enjoy a strong and diverse economy. Maureen Maitland, VP of Standard & Poor's, characterized our local housing decline as more of a natural correction from the overheated market of recent years than a general economic downturn. Our diversified job base, bountiful tourism and defense dollars, attractive climate, and numerous well-heeled residents who keep spending in any economy, should help us stay the course.

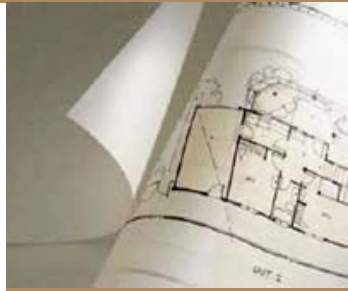
Economists will no longer complain about excessive borrowing and spending. As reported in Business Week (November 26), "In the past 25 years, Americans kept shopping through good times and bad. The subprime crisis marks the beginning of the end for the long borrow-and-buy boom." Lenders and consumers are finally facing reality.

From the national economy to the local housing industry, we are in uncharted territory. Despite the uncertainty, our parting word is that we in San Diego have much to be grateful for. When the gloomy thoughts threaten, we should make like Bing Crosby in "White Christmas" and count our blessings instead of sheep.

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Did You Know?

It's Always Football Season At Snow Properties

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No matter the quarter, Snow Properties can turn around a losing game and make a winning team stronger. Please keep us in mind for projects that could benefit from a proven quarterback.

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