

June 2007

Dear Colleague,

**Will the First to Fall Be the First to Recover?**

As California began experiencing the early signs of a housing downturn, developers and builders in San Diego County were among the first to pull the plug, according to Peter F. Dennehy, Senior Vice President for the Sullivan Group Real Estate Advisors. Does this bode well for San Diego County's recovery? Has San Diego's housing market bottomed out?

According to Dennehy, the number of active projects in San Diego has stabilized. While many other areas in California are still seeing a rise in active projects, San Diego is doing a good job controlling inventory. Comparing the first quarter of 2006 with the first quarter of 2007, the change in supply of new detached projects saw increases everywhere except San Diego. The Inland Empire led the field with +199, Sacramento +38, LA +10, and San Diego -15. Too many new detached units are still being supplied as well. Central California has 1,720, the Inland Empire has 1,232, and San Diego is a -33.

"The only market that's moved in the right direction, the only market that is offering fewer subdivisions that are detached and attached in first quarter 2007 vs. first quarter 2006 is San Diego," said Sullivan Group President, Tim Sullivan.

The Sullivan Group concurs that San Diego is in a good position to return to a normal market because it has less standing inventory to burn through and there is a lack of available land for new development. In addition, job and population growth remain steady.

San Diego's residential permits are also on the decline according to Dennehy, and at historically low levels. California and Florida lead the nation in permit declines, with a change of -29% and -53% respectively.

**Affordability Linked to Inventory**

Homebuilding analysts at Merrill Lynch bring another perspective to today's market. Their mantra, "You can't afford it. . ." trumps pent-up demand. So much for burning through inventory. Among the major markets followed by Merrill Lynch, Riverside and Sacramento rank highest in least affordability. Homeowners in Riverside allocate more than 50% of their income toward their monthly payment. Dallas is the most affordable of the top markets. What can bring affordability into balance? Merrill Lynch singles out reduced home prices, lower interest rates, or increased income.

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*Snow Properties provides project management services to developers, financial institutions, owners and managers of real property assets in Southern California. Its expertise spans three decades and all stages of real estate development.*

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**Did You Know?**

**Snow Properties Seeks Development Opportunities**

We love our work in the trenches, overcoming challenges and fixing problems. But our heart is also in development. Snow Properties is actively interested in hearing about any development opportunities you may have or know about. From parcels of raw land to an older neighborhood or existing site that is ripe for transformation, we want to hear about it. Please contact us at [info@snow-properties.com](mailto:info@snow-properties.com).

**In Memoriam: Jack Orr**

Jack Orr was a colorful champion for many political causes in San Diego County. Jack died on Saturday, June 9, at the age of 68. Because of Jack, many of us made wonderful associations that we might not otherwise have had. Snow Properties wishes to acknowledge Jack, his family, and wide circle of friends and admirers at this time.

A celebration of life is being planned for Jack on Friday, July 20, at 5 p.m. at the Grand Pacific Palisades Resort (in the ballroom) at 5805 Armada Drive in Carlsbad. Heavy Hors d'oeuvres will be served along with a hosted bar.

**Encinitas Chamber Launches Founders Club To Help Support New Offices**

The Encinitas Chamber of Commerce is moving into new offices in Historic Downtown Encinitas. The new location will provide crucial and needed space for Chamber staff and members. A one-time grant from the City of Encinitas is covering some of the costs. However, the remaining cost of the move is estimated at \$50,000.

The ECC has established a Founders Club program to help raise this additional money. Contributors will be entitled to a variety of benefits. You can learn more about this worthwhile program at [www.encinitaschamber.com](http://www.encinitaschamber.com).

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