

Where Home Prices Are Hot Now

by Dean Tretz



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Despite a National Downturn, Some Markets That Missed the The Housing Boom Are Thriving; Fleeing Florida for Charlotte

The housing news isn't all grim. Even as prices sag nationwide, there are several cities in the country where home values are climbing smartly.

Portland, Ore., Boise, Idaho, Seattle, Salt Lake City, Houston, Austin, and Charlotte and Raleigh, N.C., are among the cities bucking the national trend. Homes' appreciation there between the fourth quarters of 2005 and 2006 far exceeded the national average of 5.9%, according to the Office of Federal Housing Enterprise Oversight. In some markets, like Boise and Seattle, the appreciation jumped well into the double digits.

Local

"All real estate is local, despite the headlines," says Lawrence Yun, the senior economist for the National Association of Realtors. Nationwide, the median existing-home price fell 1.3%, to \$212,800 in February from \$215,700 in February 2006, according to preliminary NAR statistics.

There's no single secret of these cities' apparent success, but many of them missed the housing boom of the past five years. From 2001 to 2005, annual appreciation in these cities was between 2% and 5%, far slower than the 7% to 12% national average, according to the Office of Federal Housing Enterprise Oversight. (OFHEO calculates appreciation based on repeat sales or refinancings of the same single-family properties.) Now, prices are playing catch-up.

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Industry and Education

Most of the cities also have one or more strong industries to drive their economies -- colleges and technology in Raleigh, banks in Charlotte, energy in Houston and aerospace in Seattle. And all have education levels above the national average.

These cities emerged from the last recession later than most of the country for various reasons, including the lagging technology, aviation and energy industries, says Mark Zandi, CEO of Moody's Economy.com. Now, their economies are strong and housing prices are still perceived as affordable, luring buyers into the market. For instance, the median sales price for a single-family home in the area of Austin-Round Rock, Texas, is \$173,700, according to the National Association of Realtors, compared with \$371,200 in the Miami-Fort Lauderdale-Miami Beach area.

So many Northeasterners who moved to Florida have resettled in the Charlotte area in recent years -- both workers and retirees -- that Henry Scala and others in Charlotte refer to them as "halfbacks."

The influx may have helped Mr. Scala when he moved across town in January. "I was faced with selling this house in theoretically a down market," the 36-year resident of Charlotte says. "But there was no down market in Charlotte." Charlotte-area house prices grew 9.09% from the fourth quarter of 2005 to the fourth quarter of 2006 -- the fastest appreciation the metro area has seen since 1982, according to OFHEO. Mr. Scala got his \$800,000 asking price in four days.

Today's declining prices nationwide are in part the result of an earlier explosion of short-term investors in Florida, California and other booming markets. Recently, both investors and long-term homeowners have been cashing in or cutting losses in formerly hot markets and settling in areas that avoided the boom, such as the Carolinas, parts of Georgia and Tennessee, areas of Texas, the Western mountain states and the Pacific Northwest.

"We're cutting and running," jokes Mark Hoover, 47 years old. Mr. Hoover and his wife, Melissa, 35, are both in the mortgage business, and they are moving from Florida to Austin to work for PRO-30, a mortgage lender based in Novato, Calif. But the Hoovers' move hasn't been easy. Their vacation home in Wellington, Fla., near West Palm Beach, has been on the market since October with a price tag of about \$900,000, and their \$1 million-to-\$1.5 million primary home outside Fort Lauderdale, Fla., has sat since February.

From Portland to Austin

Now, the Hoovers are ready for stable, low-cost, "homey" Austin, where houses appreciated at a steady 6.7% annual rate between the fourth quarters of 2004 and 2005, even as Fort Lauderdale's prices skyrocketed more than 30% before dropping off recently. The Hoovers recently paid about \$400,000 for a home on five acres outside Austin and have plans to move in the next two months.

The growth of Portland, Salt Lake City, Boise and Seattle can be attributed in part to an influx of former Californians and people opting out of slumping Las Vegas or Phoenix. The trend may have created smaller echo booms -- especially in Boise and Salt Lake City -- which have slowed in the past several months, with each city experiencing a slow winter. Other areas, too, have experienced faster-than-average appreciation, including the New York City borough of Manhattan and New Orleans.

While some worry that a new group of cities could face a boom-and-bust cycle, local real-estate agents and economists predict stable growth for the near future. Since the cities have strong economies and builders, lenders and investors are increasingly cautious, homes are less likely to become extremely overvalued than in booming markets in the first half of the decade.

Mr. Yun of the National Association of Realtors predicts prices nationally will bottom out sometime this summer. Mr. Zandi, of Moody's Economy.com, isn't so sanguine. "I'd be shocked if [prices stop depreciating] this summer; it's more likely next summer," he says.

Laura Chung, an interior decorator who recently moved to Portland, Ore., from Cambridge, Mass., sees the strong market as the ultimate stress reliever. Mrs. Chung, and her husband, Eric, are considering sprucing up their new home and selling it if they find a house more to their liking - a prospect that wasn't so simple back in Cambridge. "It's not this perpetual worry that we're not going to sell" the 2,500-square-foot house, she says. While Mrs. Chung's move to Portland had nothing to do with the housing prices, they "definitely ease the wallet a little."

After sitting on the market from June to December 2006, the Chungs' 1,200-square-foot Cambridge, Mass. townhouse condominium sold for \$70,000 less than the asking price. "The number of condos in our price point was at some record high," Mrs. Chung says.

To attract a buyer, their real-estate agent suggested purchasing a flat-screen TV and including it in the price of the house. When the home finally sold, the buyer didn't want the TV.

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