

Local housing shows 5-year net value growth

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The latest federal statistics on housing prices in hundreds of local markets reveal patterns that haven't been making the nightly news: Nationwide, homeowners have lost more than \$1 trillion in equity since the end of the boom, but the overwhelming majority of local markets continue to show net cumulative value growth over the past 60 months.

In fact, according to the third-quarter survey released Nov. 25 by the Federal Housing Finance Agency, out of 292 metropolitan markets, 273 showed positive net home values over the previous five years, while 19 were negative.

That may be of little comfort to consumers who bought houses late in the boom in 2004 and 2005, and are now underwater on their loans. But it's important for anyone who wants to understand real estate cycles and may be considering a purchase for the long term.

Unlike stocks, where your asset values can go from peak to zero in a matter of weeks, house values tend to be far slower-moving, and can be more durable over extended periods. Buy a house and hold on to it for five to 10 years in all but the most severely depressed local economies, and you'll probably see growth in its value, even if a rough patch of price deflation intervenes.

The housing agency's quarterly data track price changes in several hundred local markets stretching back to 1975. Unlike other indexes - which may omit entire states and give extra weight to high-cost, historically volatile areas - the agency covers every metropolitan market nationwide. Its data are based on repeat home sale and refinancing transactions where mortgages were funded, owned or contained in securities backed by Fannie Mae and Freddie Mac. As a result, the properties tracked do not include houses financed with jumbo loans, and the survey data under-represent the subprime slice of the total marketplace.

In the latest quarterly study, dozens of local markets showed positive appreciation for the past 12 months, despite negative national numbers. Most of them are in areas with moderate housing costs that never experienced the hyperinflation of the boom.

For example, Austin, Texas, saw average housing prices gain by 5.6 percent during the past 12 months and by a cumulative 35.3 percent since the third quarter of 2003. Houses in Grand Junction, Colo., increased in value by 4.7 percent during the last 12 months and by a cumulative 66.1 percent over 60 months. Prices in Syracuse, N.Y., were up by 2.8 percent over the past year, and by 29.9 percent during the past five years.

Forty-three metropolitan markets saw appreciation gains of 2 percent or higher in the past year, while others - mainly in California, Florida and Nevada - experienced double-digit deflation. Twenty-seven metropolitan areas around the country have racked up 50 percent or higher cumulative gains since 2003. (The complete 85-page survey is available at www.fhfa.gov.)

The data also provide an overview of home values in many metropolitan areas that have seen losses in the past 12 months but are net positive over the last five years. For example, Chicago prices dropped by 3.8 percent in the past year but are up by a cumulative 28.3 percent since 2003. If you bought a \$200,000 house in late 2003, in other words, it's likely to be worth \$256,600 today. In Los Angeles, where prices exploded during the boom but plunged 18.8 percent last year, the cumulative value gain from third quarter 2003 through the same period this year is 45.6 percent, according to the data.

In Washington, D.C., and its suburbs, which saw a 12.5 percent price decline in the past year, the cumulative gain for homeowners over the past 60 months has been 43.7 percent. Other examples include Phoenix (negative 16.6 percent one year, positive net 48.3 percent over 60 months); San Francisco (negative 8 percent one year, 31.9 percent gain five years); Seattle (down 3 percent past 12 months, but up 54.9 percent for 60 months); and Tampa-St. Petersburg (down 15.1 percent for the year, but up 37.6 percent since 2003).

Among the top markets for cumulative gains over the past five years: Honolulu (up 78.7 percent), Virginia Beach, Va. (72.6 percent), Flagstaff, Ariz. (66.5 percent), Bellingham, Wash. (65.6 percent), Wilmington, N.C. (62.1 percent), and Baltimore (60.6 percent). Worst performers: Detroit (down 18.4 percent) followed by Merced and Stockton (San Joaquin County), both down 15 percent.

There's no question that there have been some painfully steep local declines in the past two years. But the statistical fact is that values in the overwhelming majority of markets are positive over a five-year timeline.

Courtesy of JB Goodwin