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## Some Cities Are Spared the Slide in Housing

By CLIFFORD KRAUSS and RON NIXON

AUSTIN, Tex. — The real estate market these days is a tale of two Americas, and one of them is not doing too badly.

In the America of big-city housing markets, especially on the coasts and in the struggling industrial Midwest, the huge run-up in values in recent years has given way to big drops in prices and sales volume. Millions of people owe more than their houses are worth.

But in the other America, specifically in small cities like Austin; Grand Forks, N.D.; Yakima, Wash.; and Salem, Mass., the available evidence suggests the real estate market is holding up. Prices there never boomed as crazily as they did in the big cities, and now, even though volume is down almost everywhere, prices in many of these towns are firm or rising.

Consider the experience of one Austin resident, Dan Clark. Forced by a job change to put his house here on the market, he wondered whether he would get anything like the \$385,000 he paid for it a year ago. He was floored when the second potential buyer to look at the place snapped it up for \$429,000. “Manna from heaven,” he said.

Many people are aware that a handful of big-city markets, like Manhattan and San Francisco, have largely resisted the real estate slide. It is less widely known that the same thing is true in scores of smaller markets.

“I would call them backcountry cities,” said Robert J. Shiller, an economist at Yale University and an expert on real estate markets who predicted the bursting of both the housing and stock market bubbles of recent years. “They are just going through normal growth, and they are out of the bubble picture.”

In figures released on Thursday covering 150 metropolitan areas, the National Association of Realtors said that median home prices were falling in 77 markets — but rising in 73.

Real estate statistics must be interpreted with caution, especially when sales volumes are declining, as they are all over the country. But an analysis by The New York Times of three distinct data sets — mortgage data from the government, sales figures from the Realtors’ group and courthouse records from a company called DataQuick — produced a list of 17 metropolitan areas where all three sources of information agree that prices were still rising as of late last year, the most recent figures available.

For another 43 cities, two data sets, from the Realtors and the government, suggested that prices were still rising late in the year. DataQuick could provide no information on those cities.

How long the situation will last is anyone’s guess. One possibility is that the smaller cities are just lagging

behind the big ones in seeing prices fall. And if the economy weakens drastically, all bets are off. But for now, buyers in these towns seem to feel they are getting a lot of house for the money; sellers and brokers are realizing that they have, so far, dodged a bullet.

“When I read about the national real estate market, I feel fortunate I am in Austin,” said Shara Parker, a real estate agent who is happy she turned down a chance four years ago to relocate to Las Vegas, which was booming then and is sinking now. “Our highs are not as high and our lows are not as low.”

Economists say small and medium cities, especially those where land availability is not a constraint on growth, have done better than the nation as a whole because they have followed more traditional economic patterns. New-home prices in most of these places still reflect, more or less, the cost of the labor and materials used to build the houses, in addition to a profit margin.

“There are a lot of places where you didn’t have flipping of real estate,” said Steve Dennis, a business professor at the University of North Dakota. “Since you didn’t have the price appreciation, you don’t have the price correction.”

Generally, the markets that are showing strength do not have the bulging housing inventories of larger cities, because there was relatively little speculative building during the early part of this decade. Most of the towns have only modest exposure to the subprime loan crisis. And falling mortgage rates are buoying these markets.

Typically, their local economies are still producing new jobs and healthy income growth because of factors like rising crop prices (as in Bismarck, N.D.) or local oil booms (Midland, Tex.) or an influx of second-home buyers (Sun Valley, Idaho).

“In 2008, I see momentum growing in Middle America for prices to stabilize and increase, given the historic mortgage rates,” said Lawrence Yun, chief economist for the Realtors. But he added, “If we go into a recession, it’s possible some markets will reverse themselves.”

Austin is a good example of a real estate market that was slow and steady for years and now appears to be taking off. Austin’s high-tech industries are attracting well-heeled buyers from cities where real estate is far more expensive.

Sales prices for existing homes barely moved from 2001 to 2005, when the markets in a handful of superstar cities were on fire. But last year, the median price for a single family home rose 6.4 percent, to \$185,000. It was the second consecutive strong year.

“I have to calm my buyer clients down,” said Mark Minchew, an Austin Realtor, “so they don’t pay too much.”

The fly in the ointment for these cities is declining sales volumes, which prompt some experts to argue that median prices are presenting an unduly rosy picture. If fewer houses sell, but the ones that do sell are at the high end of the range, that can skew median prices.

“In the markets that are doing better, lots of people are not selling their houses, so you don’t see the prices going down because they are not selling for a lower price,” said Todd Sinai, a real estate professor at the

University of Pennsylvania. "The market is doing a lot worse than what the median prices would show."

Still, in many of the cities where prices are strongest, local Realtors contend that volume drop-offs have been modest, just a few percentage points.

Mr. Clark is one Austin home seller with a happy tale. When a recruiter called him late last year with an enticing executive health care job in Fort Worth, Mr. Clark thought twice about trying to sell a house he had bought only a year before.

"I was concerned after my relocation package ran out I would have to carry either two mortgages or a mortgage and apartment rent," he recalled. Instead he sold the house for a profit, and only \$10,000 below his asking price. "A weight was taken off our shoulders," he said.

Mike Colpitts, the editor of Housing Predictor, an online housing forecaster, says that the market is still slowing and that some smaller cities will be hit. He projects that only 60 of the 251 markets in the United States that he monitors will show price appreciation in 2008. "The housing market is real sad, and getting sadder," he said.

Realtors in medium and small cities contend the median price figures may actually underestimate market sentiment, because the issuance of large mortgages has frozen up in recent weeks because of problems on Wall Street. In the view of these Realtors, it is the high-end sales that are stalled in smaller cities, skewing the median price data downward.

"Call me back next year, and we'll probably have a 3 percent to 5 percent price increase in 2008," said Rob Higgins, executive vice president for the Spokane Association of Realtors. The median price for a home sold in Spokane was up 2.6 percent in 2007.

In Salem, Ore, "everything is going up, even the lower-income homes," said Marlene Scully, executive vice president of the Salem Association of Realtors. Realtor data for the metro area that includes Salem showed a 3.6 percent increase for the year.

Ms. Scully noted that of the houses that were listed in 2007, 97.6 percent sold for the listed price, "which tells me there is a strong market because if there weren't, the sellers would have to negotiate down."

*Clifford Krauss reported from Austin in late January and later added updated information. Ron Nixon reported from New York.*

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