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Real Estate

Best And Worst U.S. Housing Markets

Matt Woolsey, 11.21.07, 6:00 PM ET

Scaled-back lending practices, risky loans, oversupply and low demand continue to plague the nation's housing markets, driving down prices and stalling sales.

But it's not so in Salt Lake City, Charlotte, N.C., and San Jose, Calif., where prices have continued to climb without so much as a hiccup.

In Salt Lake City, the median home sale price for the third quarter this year rose 14% over the same time in 2006, according to data released today by the National Association of Realtors (NAR). That's the biggest increase of the country's 50 largest metros measured. Prices in Charlotte, one of the country's most undervalued markets, surged 11%. In San Jose, they jumped 9.4%.

Complete List: Best U. S. Housing Markets

Complete List: Worst U.S. Housing Markets

They are not the only markets that have proved resilient.

In the Northeast, median home sale prices increased 3.2% from this time last year, with the biggest gainers in affordable markets like Buffalo, N.Y., up 4.6% to $110,900; Pittsburgh, up 6.1% to $127,700; and Philadelphia, up 3% to $243,000.

Out West, it's a tale of the north versus the south. Housing markets in Northern California and the Pacific Northwest continued to rise: San Francisco prices jumped 8.6% to $825,400; in Seattle, prices rose 6% to $394,700; and in Portland, Ore., prices increased 5.2% to $299,700.

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Southern California was a different story. In Los Angeles, prices stayed flat, growing by 1.1% to $588,400; Riverside, Calif., prices fell 7.6% to $377,000; and in San Diego prices slumped 2.1% to $589,300. Sacramento, which is in central California, saw prices plunge 10.5% to $355,700.

Other suffering markets include Detroit, where the median home price slipped 7.3% to $142,900; Las Vegas, where an inventory glut is largely to blame for a 7.1% dip; and Phoenix--its median home sale price dropped 4.1%, to $255,500, largely as a result of a rash of foreclosures.

What gives? "There is no 'national' housing market," says Jonathan Miller, director of research at **Radar Logic**, a New York-based real estate research firm. Different markets have different risk factors and fundamentals that drive prices, he says. What's more, "consumers attempt to overlay national statistics on their own property or local housing market, resulting in significant confusion and frustration."

Behind The Numbers
A few things to understand about NAR's numbers: They are reported in quarterly year-over-year terms, due to the highly seasonal nature of the housing market, as prices and volume almost always peak in the second quarter and trough in the third and fourth.

What's more, in some markets, the median home sale price can be skewed. For example, in a foreclosure capital like Los Angeles, slow sales volume in the bottom of the market could artificially enhance the median price, because more expensive homes are selling better.

Los Angeles is also a costly market; the median home price there is $588,400, which means potential buyers are the hardest hit by the tightening of credit. In places where a high share of buyers rely on "jumbo loans"--those above $417,000, which cannot be insured by government lenders Fannie Mae or Freddie Mac--potential homeowners with good credit have had a hard time getting a loan--or have had to accept the most inflated jumbo-loan interest rates of the last 20 years.

The good news? Economists are expecting more diverse mortgages to return to the market. This means buyers with good credit in healthy markets on the coasts will have an easier time getting loans.

"The first thing to come back will be [loans for] prime jumbos, to borrowers of good quality," says Doug Duncan, chief economist at the Mortgage Bankers Association. He also notes that slumping markets will have to wait longer: For lenders, "when prices are falling, you don't know if the collateral is going to hold up, which is why the securitization hasn't fully returned."