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Housing Bubble Didn't Burst Everywhere in U.S.: John F. Wasik

Commentary by John F. Wasik

June 9 (Bloomberg) -- Economic savants focused on the U.S. housing bust tend to neglect one overriding fact: Some of the market is doing fine.

Some home markets have flown under the global media screen and are benefiting from employment, population surges and moderate increases in housing prices that are close to or below the national average.

Where are these hotspots? They certainly aren't in Arizona, Southern California, Florida or Nevada. Pockets of growth are thriving in places that really don't make the headlines too often. They are worth considering if you are relocating, investing or looking for a retirement haven or second home.

Many of these bubble-averse locales seem to be expanding or holding their own for employment and demographic reasons.

Americans are getting older, want to move somewhere warmer and need to find a smaller home for less money. Or younger workers are going where they can find decent jobs and affordable housing. Hint: You won't find these areas in coastal cities.

Population growth is another driver. While many cities in the upper Midwest are depopulating due to manufacturing-job losses, employment is robust in the South where new white-collar occupations are growing.

As more than one economist has quipped in disgust in recent years, there really is no national real-estate market in the U.S. The tech-savvy Seattle area is a quantum leap from decaying Detroit. And mature Cleveland is light years away from the young, job-producing Salt Lake City corridor.

Collateral Risk

Where jobs are leaving, a housing rebound will be slow. The Detroit area, and the Ohio cities of Toledo, Akron, Columbus and Cleveland will be among the riskiest markets for some time, according to <http://www.homesmartreports.com>, a Web site that measures "collateral risk," or the likelihood you will lose equity in a given market.

The most bountiful places for housing growth are where homes are reasonably priced and people are relocating there because jobs are being created.

Let's take the Dallas area. Not only is "Big D" one of the top producers of jobs -- followed by the San Francisco Bay Area, and Seattle-Tacoma, Washington -- it leads in the total number of people moving in, according to the most recent figures by the U.S. Bureau of Labor Statistics and the **Census Bureau**.

Housing Value

Even better is the kind of housing value you will get in Dallas. Although it's ringed by towns with multimillion-dollar homes, Dallas lagged behind the half-decade U.S. home-appreciation rate through last year.

Dallas homes gained an average of 16 percent compared with the 41 percent national average through 2007, according to the **Office of Federal Housing Enterprise Oversight**, the regulator of mortgage-

finance companies Fannie Mae and Freddie Mac. While that sounds like bad news for Dallas homeowners, it's a plus if you are moving into the area. Your housing dollar will buy much more than in San Jose, California.

Other top markets with low risk include Bethesda, Maryland; Stamford-Norwalk, New Haven and Hartford, Connecticut; Providence, Rhode Island; the Boston-Worcester areas; and Lexington, Kentucky, according to homesmartreports.com. Only Lexington may offer a true housing bargain, though.

You have to dig deeper to discover what will give an area some durability in weathering this housing bust.

U.S. population trends will continue to favor less-populous Southern and Western locations as Northern states become even more crowded and expensive, and retirees continue to move to the Sunbelt. That's why 70 out of 100 of the Census Bureau's fastest-growing counties were in the South.

Some Caveats

The fastest-growing areas also often suffer from a lack of regional planning, producing what I call ``spurbs." These burgeoning, car-dependent sprawling urban areas will become increasingly unaffordable if energy prices remain high and infrastructural needs push up property taxes.

Won't it always be true that Americans will move away from central cities if they want to buy more house for their money -- even if it means a multihour commute?

That won't always be the case as some cities with viable or reviving central cores attract more buyers with cultural attractions and great values with little or no commuting involved.

Places to watch on that account include San Antonio and Austin, Texas; Chicago; Milwaukee; Philadelphia; Pittsburgh; Denver; Portland, Oregon; Minneapolis-St. Paul; and Charlotte and Raleigh-Durham in North Carolina.

Older Americans -- particularly empty-nesters -- are beginning to eschew their suburban communities for the amenities, public transportation and car-free lifestyle of central cities. That may be the least-reported trend of all, and one of the few bright spots in an otherwise dismal housing story.

(John F. Wasik, author of ``The Merchant of Power," is a Bloomberg News columnist. The opinions expressed are his own.)

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