HOME PRICES: NOW FOR THE GOOD NEWS

EVEN AS THE NATION REELS FROM THE HOUSING CRISIS, WE FIND 25 MARKETS READY TO REBOUND.

BY BRAD REAGAN AND ELIZABETH O'BRIEN

WHEN THE HEADLINES ABOUT THE HOUSING market are apocalyptic, the last thing a homeowner wants to do is sell. But a funny thing happened to Jeff and Jennifer Boyd when they put their three-bedroom house in Philadelphia's Graduate Hospital district on the market this summer. They turned a profit. Just 45 days after the listing went up, a buyer snapped up the property for $498,000—$20,000 more than the Boyds paid in 2006. "We were pretty hesitant, knowing what the market is like," says Jeff. "But a few weeks later, it was gone."

Here's a surefire way to start an argument: Suggest that the housing market has reached bottom. A respected group of economists may beg to differ, but a smattering of experts say there is indeed light at the end of the tunnel. To be sure, nobody is forecasting a rapid rebound, but there are signs that the overbuilding and speculative pricing that inflated the bubble are working their way through the system. In October 2006, the peak of the boom, the median sales price for a U.S. home reached $2,330 per capita income; by this May it had fallen to 5.3, in line with historical norms. Nationally, the rate of decline in sales is slowing. And home inventories—the number of homes on the market divided by the rate of sale—have leveled off. "The indicators are starting to look better," says Adam York, an economic analyst with Wardwell.

Even pessimistic analysts acknowledge that the national sales figures that get so much attention—and remain depressing—are brought down by boom-and-bust markets like Las Vegas, Miami and Phoenix. David Barson, chief economist with mortgage insurance firm The PMI Group, says that if hard-hit states like California, Arizona, Nevada and Florida are taken out of the statistical mix, the picture is much more promising. According to PMI's "risk index," which estimates the odds of prices falling in a given market, more than 79 percent of the nation's 385 metro areas have less than a 10 percent chance of seeing lower prices two years from now. What's more, the government's takeover of Freddie Mac and Fannie Mae could boost the housing market by making borrowing easier for buyers.

We dug into those numbers as well as other forecasts and analyses to answer a crucial question: Which markets are in the best shape for a rebound? Our search led us to 25 metropolitan areas that look particularly promising, and there are more than a few surprises (the City of Brother's Love, anyone?). We also talked with housing experts to learn which kinds of neighborhoods and suburbs are thinking. Learn more about these markets and you'll have a decent basis for optimism.
THE SPECTER OF A PRIOR real estate bubble helped Iowa avoid the current bust. After an agricultural debt crisis in the 1980s, when many farmers found themselves owing much more than the value of their land, Iowa began an aggressive push to diversify its economy. Many of the resulting development subsi- dies have contributed to a thriving region around Des Moines, the capital. Major insurance and financial services companies call Des Moines home, including the Principal Financial Group. The media company Meredith Corporation, publisher of Ladies’ Home Journal and Better Homes and Gardens, also maintains its headquarters in the city. Young people flocking to jobs here from other parts of Iowa have helped keep housing demand steady. But homebuyers in these high- paying, white-collar jobs don’t need to stretch much to afford the metro area’s median home price of $156,600.

Thought it’s undergone a slight slowdown this year, Des Moines’ real estate market never crashed, in part because it didn’t experi- ence much of a run-up. “Nobody was flipping houses,” says David Swenson, an economist with Iowa State University.

The suburb of West Des Moines is a particularly strong market, with only six to seven months of inventory, compared with 10 to 11 months in other parts of the metro area. Much of West Des Moines’s housing stock is new construction, both condos and single-family homes, but some historic favor remains in the Valley Junction neighborhood.

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