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Real Estate Feature

Ten Rising-In-Value Real Estate Markets

Deborah Orr 11.08.07, 6:00 PM ET

Home prices nationwide posted their biggest drop in 16 years last month, according to the National Association of Realtors.

But someone forgot to tell the folks in Salt Lake City. There, the median home sale price jumped 21% in the second quarter this year, versus the same period last year.

It's not that Salt Lake City is entirely immune to the national housing downturn. In fact, new housing permits are down this year, and there is a glut of Macmansions, says John Taylor, investment specialist at Commerce CRG, a unit of developer Cushman & Wakefield. But with more people moving into the area, thanks in part to a percolating job market, demand for affordable existing homes is still healthy, while commercial construction is up 40% from last year. Apartment vacancy rates are less than 2%, and longtime residents worry about a land grab from commercial property investors flocking in from California and Las Vegas.

In Pictures: Ten Sizzling Housing Markets

"We are in the middle of a construction boom," says Taylor.

Salt Lake City isn't the only anomaly. Prices are rising in other parts of the Rocky Mountain states, parts of Texas, the Pacific Northwest and the Southeast. Other markets defying the national meltdown include Beaumont-Port Arthur, Texas, Salem, Ore., and Farmington, N.M.

What gives? For starters, these places missed the get-rich real-estate frenzy of recent years, says Lawrence Yun, economist for the National Association of Realtors. Prices aren't falling because they didn't rise that much to begin with. The median price of a single-family home in Sarasota, Fla., in June was \$311,000. Compare that with \$228,000 in Salem, which realized a 16.7% increase in property values in the second quarter of 2007, versus the same time frame in 2006.

Yun believes states like New Mexico and Utah are finally, albeit belatedly, enjoying the run-up in property prices that began in California and swept through Nevada in the last few years.

According to Taylor, Salt Lake City has typically been more affordable than many other parts of the nation, but as property prices fall in the rest of the country, the gap has closed. In the second quarter of 2007, the national median existing single-family home price was \$223,800, down 1.5% from a year earlier. The median price in Salt Lake City, however, is now up to \$233,100.

Where The Work Is

Percolating local job markets get some of the credit. (In fact, the more resilient property markets tend to be in places with above-average job growth.) Technology has been a driver in booming real estate markets like Spokane, Wash., and Salem. Sales and service sector jobs are revving up growth in Allentown, Pa.

Another factor: the sun. In a study predicting population growth through 2020, Wharton professors Albert Saiz and Peter Linneman name the I-85 corridor between Raleigh, N.C., and Atlanta as having the greatest potential for future growth because of its long stretches of good weather. Americans are increasingly prioritizing such quality of life factors in their decisions about where to live. And where the people go, the job markets now follow. Also on the list: New Mexico, Arizona, parts of Texas and Salt Lake City.

Of course, even in locations where home prices are still sizzling, there are no guarantees that the current national housing slump won't creep into the neighborhood. The devastating drop in real estate in parts of Florida, California and Michigan have made potential homeowners skittish in general. A whole layer of subprime borrowers are facing financial ruin and foreclosure. It's difficult to envision a scenario that sees them rejoining the real estate market in a meaningful way anytime soon.

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