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Real Estate

## America's 25 Strongest Housing Markets

Deborah Orr, 01.07.09, 4:00 PM ET

The housing boom passed right over [Little Rock, Ark.](#)

So has the bust.

This quiet mountain metropolis of just over 675,000 saw none of the wild speculation of former boomtowns like Las Vegas or Miami, nor the ruined fortunes that followed. Of course, Little Rock isn't completely isolated from the recent housing downturn. There are 200 foreclosures in the works, according to Trulia.com, an online real estate data provider. Developers are scrapping new housing projects, and sales activity froze in the third quarter.

But housing prices in Little Rock don't look likely to fall by more than about 1% by the middle of next year. That's because they never climbed like they did in the rest of the country. In fact, 1% is about how much they have risen in the last year.

### In Depth: America's 25 Strongest Housing Markets

It's the same story for [McAllen, Texas](#), [Syracuse, N.Y.](#), [Pittsburgh, Buffalo, N.Y.](#), and [El Paso, Texas](#). They top the list of the country's strongest real estate markets, in part because, like Little Rock, "none ... participated in the housing boom," says Mark Zandi, chief economist for Moody's Economy.com. "Some are down just because the economy is bad."

#### Behind the Numbers

To compile this list, we asked Moody's Economy.com to compile a list of the country's real estate markets that are nearest to recovery. Moody's looked at the country's Census-defined metro areas—including metropolitan and micropolitan statistical areas—with populations over 500,000, and prepared forecasts through 2011. They then compared them to prices in the second quarter of 2008, which are the latest figures available, to calculate how far prices will likely fall before reaching bottom.

Not one metro area will see prices increase before the end of this year, according to Zandi's forecasts. The strongest metro areas will be flat at best—but that's better than the 15% drop Moody's expects on average in the U.S. Prices won't start to pick up again until late this year or sometime next year even in the strongest markets.

That's because there are countervailing forces at work. The job market is weakening all over. On the other hand, new housing starts are down, which should help reduce supply—eventually. And, at just over 5% for a conforming 30-year mortgage, interest rates are lower than they've been in more than 35 years.

Texas markets are most set to benefit. Housing values were rising in many Lone Star State towns until oil futures collapsed and agricultural commodity prices fell. But the bottom doesn't look very deep. Moody's forecasts no change for McAllen and a fall of less than 3% for [Dallas](#), [Fort Worth](#), [El Paso](#), [San Antonio](#) and [Houston](#).

"Texas has the best large-state economy in the country right now," says Zandi. "Employment is slowing, but it's still growing."

It's a similar story in [Tulsa, Okla.](#), where housing prices look like they will dip 1% this year after steady recent appreciation. With the price of crude falling, that's no surprise in this city built on oil. What's more surprising is how little values rose over the last decade; the average house in Tulsa changes hands for around \$131,000, according to Trulia.com, compared to \$100,000 in 2004.

[New Orleans](#) is another market that was relatively robust until the national downturn cast a shadow on local prices. Money poured into the Big Easy after Katrina destroyed the city and a long, slow renaissance began. Housing prices popped 13.7% in the third

quarter of last year compared to a year earlier, according to Zillow.com, \$135,000 on average. Moody's is forecasting a fall of 2% this year.

And just like Little Rock, housing markets in upstate New York never had the ups and downs of some hot markets in the rest of the country. In [Rochester](#), the birthplace of industrial ancients Xerox and Eastman Kodak, real estate values have climbed at a steady 3% rate for the last five years. They don't have far to fall--about 2.4% according to Moody's forecasts. In [Buffalo](#), [Syracuse](#) and [Albany](#), prices should also remain steady this year.

It's a similar story for the old industrial town of Pittsburgh, Pa. The city built on steel had its crisis two decades ago. Now, it's one of America's [cleanest cities](#). Carnegie Mellon University attracts some of the best and brightest students, and some of the old steel mills are being converted to research parks. Pittsburgh is grayer than most cities: 16% of the population is over 65, well above the national average of 12%. Retirees, living on social security and pensions, are less affected by job losses.

Housing prices ended the third quarter at a median \$122,000, about where they have been for the last three years, according to data from the National Association of Realtors. Moody's forecasts more of the same for this year.

With so many markets in sunnier places crashing and burning, being dull has its advantages.

## **[In Depth: America's 25 Strongest Housing Markets](#)**