

real estate

America's top 5 best – and worst – housing markets



In a moribund housing market, success means bleeding less than others. The latest S&P/Case-Shiller 20-city home price index shows a record 18.5% drop from the previous year. Is your city in the pits or relatively stable?

By [Forbes](#)



New York placed No. 1 in Forbes.com's rankings of the best housing markets in America. (© Shutterstock)

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on lost equity, homeowners are out 65 months of mortgage payments.

All signals that things aren't likely getting better any time soon.

"Vegas is a market unto its own," says Steve Cesinger, chief financial officer at Dewberry Capital, an Atlanta-based real-estate investment firm. "I don't know what those guys were drinking when they thought all this building made sense. If it does work out soon, then there's some force out there in the universe that I'm not aware of."

What's your home worth?

The S&P/Case-Shiller home price index, released monthly, examines repeat home sales in 20 metro markets, including the city core and surrounding suburbs. This means that while prices in the tony San Francisco neighborhood of Pacific Heights might be holding up, the net effect of including a bankrupt suburb like Vallejo brings down the metro area's score. Each city's score is assigned based on the price difference from 2000, which is scored as 100. So San Francisco's score of 130.12 means prices are up 30.12% from 2000. It still has the potential for a further fall, given the 31% year-over-year drop.

Forbes also analyzed monthly declines and year-over-year declines in home prices to determine where prices were falling fastest and where those drops were picking up momentum. It's not a good thing for San Diego that prices from November 2008 to December 2008 fell 2.13%, but as prices declined by 2.29% from

October to November, and 2.44% from September to October, the speed with which prices are falling is slowing.

That slowing rate of decline — also seen in places such as Denver, Washington, D.C. and Boston — helped rank those cities as some of the stronger markets in the country.

Contrast that with Minneapolis, where prices fell just 0.96% from September to October, but by December, the rate of month-to-month declines had jumped to 4.6%, an unwelcome acceleration.

Next, to rule out places in complete depression, we looked at how many months of equity homeowners have lost. Places like Detroit (-2.98%) and Cleveland (-2.07%) haven't declined as quickly over the last month as Seattle (-3.63%) or Charlotte, N.C. (-2.55%), but that's because prices in those two Rust Belt cities are so depressed it's difficult for them to fall any further. Detroit and Cleveland homeowners have lost 141 and 92 months of equity, respectively, whereas Seattle and Charlotte prices have declined only for the last 39 and 33 months, respectively.

One other factor to consider with the Case-Shiller numbers is that the index tracks repeat home sales. That means cities like Tampa and Miami — which are notorious for overbuilt new inventory and high numbers of foreclosures — perform better on the index than they ought to, as those two factors are not tracked.

"Case-Shiller doesn't take into account new construction or foreclosure sales," says Jonathan Miller, president of Miller Samuel, a Manhattan residential appraisal firm. "In some of these markets, I'm not sure how you can ignore new construction or foreclosures."

Home affordability calculator

Another city with foreclosure and new construction problems is Phoenix, where bad loans have mounted and mortgage delinquencies, a forebear of

foreclosures, have risen.

"It's pretty gruesome," says Anthony Sanders, a finance professor at Arizona State University. He points to delinquencies as a major problem and a sign that the Valley of the Sun won't be bouncing back any time soon. In Phoenix, seriously delinquent loans — those that haven't been paid in 90 days — have increased from 3.5% to 27.3% for subprime loans since this time in 2005. Adjustable-rate mortgages that are seriously delinquent have gone from less than 1% to 20.2% in the same period.

With those problems looming on the horizon in many cities across the country, President Barack Obama might need more ammunition than his proposed \$75 billion foreclosure prevention package offers.

Then again, even in a boom-bust capital like Los Angeles, if you bought in 2000, paid your mortgage on time and are still in your home, you've seen a 71.5% price appreciation. There's something to be said for that kind of responsible, long-term investor.

5 best housing markets

1. [New York](#)

2. [Washington, D.C.](#)
3. [Charlotte, N.C.](#)
4. [Portland, Ore.](#)
5. [San Diego](#)

5 worst housing markets

1. [Las Vegas](#)
2. [Phoenix](#)
3. [Detroit](#)
4. [Minneapolis](#)
5. [San Francisco](#)

Click [here to see Forbes.com's full slide show](#) of the 10 best and 10 worst U.S. housing markets.

By *Matt Woolsey, Forbes.com*

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1-10 of 149

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Frank Sandlin

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Housing prices were getting too inflated. Something had to stop the ridiculous inflated pricing the housing market was headed for .

The sub prime loans should never have been allowed, everyone lost out in the long run. I can't believe that people went for that variable interest rate. As for me I want to know how much my payments are going to be for the entire time of a loan. I guess people wanted to be a homeowner to take the risk, and they paid the price for that kind of gamble.