



Housing crash slows in 6 cities: What the bottom looks like

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The U.S. housing market looks like a scorched landscape.

32% from their 2006 peak. Many economists expect them to fall at least 5% more this year. Some predict even steeper declines. Even if home prices bottom later this year — a big "if" for many markets — they're not likely to rise much for several years, forecasters predict. "It'll take a long time for markets to recover," says Paul Dales, economist at Capital Economics.

That's because millions of homes still face foreclosure. Lending standards are tight. Almost one-quarter of homeowners with mortgages are underwater, which means it will be tough for them to move up into nicer homes because they owe more than their current house is worth. Yet, even charred terrain sprouts green shoots eventually. And some areas have laid the groundwork for better days, according to an analysis for USA TODAY by real estate website [Zillow.com](#). Of the nation's 100 largest metropolitan areas, Zillow identified six — [Las Vegas](#); [Fort Myers, Fla.](#); [Stockton](#) and [Vallejo, Calif.](#); [Hartford, Conn.](#); and [Columbus, Ohio](#)— that show best what housing markets look like when they are bottoming out but not yet in recovery mode. To identify them, Zillow considered factors such as the trajectory of home prices, housing affordability based on a ratio of prices to local incomes, and foreclosure rates.

None of the six is seeing price gains, just lessening declines that are expected to continue. Their foreclosure rates have peaked, so the worst could be behind them. Homes in these markets also are becoming more affordable, relative to local incomes, than they were before the real estate boom and bust of the past decade. Investors in many of the markets say the housing deals won't get much better. "In these markets, you can kind of see a light at the end of the tunnel, and it's been a pretty long, dark tunnel," says [Stan Humphries](#), Zillow.com chief economist.

Las Vegas: Flat: The new up

Investors are betting that the home market here has bottomed — or is about to. Daniel Callihan, 57, a former mortgage company officer, sees that when he hits foreclosure auctions held in a parking lot near downtown. There are twice as many bidders as a year ago, Callihan says. He's bought and sold 10 Las Vegas homes in the past two years. Many Las Vegas investors are paying cash. In February, more than half of southern Nevada's existing homes were bought with cash, local agents say. Investors also are turning many homes into rentals, says Paul Bell, president of the Greater Las Vegas Association of Realtors. No wonder:

Homes that sell for \$60,000 can fetch \$800 a month in rent — an investment return almost three times the rate in Manhattan or Los Angeles, says Patrick O'Neill, CEO of O'Neill Group, which is buying Las Vegas homes.

Before softening in recent months, Las Vegas home prices had been largely flat for more than a year. "Flat, for us right now, is very good," Bell says. Whether prices will stay flat is another matter. Moody's Analytics doesn't expect Las Vegas single-family-home prices to bottom until mid-2012. One problem: The city still has thousands of homes headed to foreclosure, says University of Las Vegas economist Stephen Brown. He says it will take at least three years for the market to absorb the excess homes. Perhaps the only sure bet in Vegas? That its housing bottom "will be a long one," Brown says.

Vallejo, Calif.: Bruised but with 'good bones'

Realtor Ramon Torres has a front-row seat on the housing wreckage in this San Francisco suburb. Seated next to a living room window during one of his recent open houses, he saw just one couple coming up the steps in the first hour. They stayed less than five minutes, apparently underwhelmed by the \$269,000 five-bedroom house with streaked windows and chipped paint. The owner, who owes \$470,000 on the house, wants a short sale. Sixteen similar homes are for sale within a 1-mile radius, and Torres fears that the "worst is yet to come" for Vallejo as more homes are lost to foreclosure. Last year, one in 16 homes here received a foreclosure filing, the nation's 10th-highest rate, RealtyTrac says. Torres also fears that Vallejo's reputation will scare off home buyers, given that the city declared bankruptcy in 2008 and has made deep cuts in city services, including police and fire personnel.

But Vallejo, along with Stockton, Las Vegas and Fort Myers, also was hit early and hard by the national housing bust and will be one of the first to recover, Zillow says. Last year, Vallejo's foreclosure filings dropped 12%, while they edged up nationwide almost 2%. Today's Vallejo buyers are mostly investors who can get good rent for some of the lowest-cost housing in the San Francisco Bay Area, real estate agents say. "There's a very strong investor presence," says David Tipp, owner of Tipp Realty at Glen Cove.

Jay Boberg, 52, a Los Angeles-based investor, has bought four Vallejo properties in the past two years. He's rented them all and immediately went cash-flow positive. He sees Vallejo as a city with "good bones," including a waterfront, views of the San Francisco Bay and proximity to San Francisco. "The fact that you can rent an apartment or a house here, with a view of the (San Francisco) Bay, for \$800 to \$1,300 a month is incredible," Boberg says. "I can't believe real estate here won't be worth much more in 15 years."

Columbus, Ohio: Getting in young and cheap

First-time home buyers are having a hard time in today's market, given tight lending standards and competition from all-cash buyers. In February, 34% of existing-home buyers were first-timers, a National Association of Realtors survey says. In a healthy market, that would be 40%, the NAR says. But Columbus and the five other markets Zillow analyzed for USA TODAY have become so affordable that people who didn't think they could afford to own are finding that they can. Lisa Lee, a 25-year-old business analyst, recently bought a \$60,000 three-bedroom home in a suburb here that had gone through foreclosure. Her monthly mortgage, including insurance

and property taxes, will run about \$140 less per month than the rent she paid on her two-bedroom apartment. She secured an FHA-backed loan. Her down payment and closing costs came to about \$2,900. "I couldn't believe the house was so cheap," Lee says. "Why keep wasting money on rent?" Columbus is also getting a little boost from consumers with stable finances who put off buying homes during the recession, says real estate market analyst Robert Vogt of Vogt Santer Insights. Given signs of a national recovery, people are "getting the confidence to move," Vogt says.

Fort Myers, Fla.: New values 'wow' buyers

Ray Bayer, 59, of Pittsburgh has long planned to retire in Florida, but prices were too high. In January, the postal worker finally bought a \$255,000 Fort Myers home that he says would have fetched \$400,000 at the market's peak. Bayer and his wife, Kathy, 57, a nurse, expect to retire to it in a few years. Fort Myers, like much of Florida, has been battered by foreclosures. In 2010, one in 12 Fort Myers homes had foreclosure filings, the nation's second-highest rate after Las Vegas.

Even so, Fort Myers' foreclosure pace last year was down 28% from 2009. And recently, banks have slowed the pace at which they put homes on the market. That's driving multiple offers and buyers who have to settle "for their third or fourth choice," says broker Terri Lodge of Century 21 Sunbelt Realty. In February, the number of single-family homes for sale in Fort Myers was down 52% from the same month in 2009 and sales were up 2.4%, says Bob Groves, managing broker of [Coldwell Banker](#) Residential Real Estate. Snowbirds and retirees are fueling much of the activity, Realtors say. "They've seen the deals and said, 'Wow,' " says Rob Keller, a Coldwell Banker agent.

Hartford, Conn.: Jobs to help

Adam and Clare Baroncelli have been on the open-house circuit for several months and have seen good homes get snapped up more quickly. The increased activity drove them off the fence. They have made an offer on a \$370,000, four-bedroom home in Simsbury, near Hartford. "There's a lot more activity," says Clare, 34. The Baroncellis moved in August from Florida to Connecticut because of Adam's job change. Job growth is expected to help the Hartford region. Of the four major labor markets in the state, Hartford has the best prospects for job growth, says Steven Lanza, editor of *The Connecticut Economy*, the [University of Connecticut's](#) economic publication. Late last year, just 12% of homeowners with mortgages in the Hartford region owed more on their homes than they were worth, Zillow data show. That's far better than the national average, then 27%. Fewer underwater homeowners means there are more homeowners who can move up into more expensive homes.

Rob Giuffria, president of Prudential Premier Homes in Farmington, Conn., says there are huge differences among Hartford areas in terms of the current housing market. Some upper-scale neighborhoods — fueled by white-collar workers and executives — may be bottoming, while some inner-city areas are worsening, he says. Lanza looks for a broader "recovery" soon. As with the other markets Zillow analyzed, that doesn't necessarily mean improvement. "It means you're not getting worse and maybe you're getting better," he says.

Stockton, Calif.: Pain and opportunity

Few areas have been through a longer and darker tunnel than this central California city. Since peaking in 2006, Stockton's median home price is down 62%. For three of the past four years, Stockton ranked in the top five nationwide for foreclosures, says market researcher RealtyTrac. In January, six of 10 homes for sale in the city either were bank-owned, in foreclosure or tied to a delinquent mortgage.

Yet there are glimmers of change. Last year, Stockton dropped to No. 7 in foreclosures nationwide. Local Realtors say there are more non-distressed homes for sale now than there were a few years ago. More low-ball offers are being refused. And multiple offers are common on lower-end homes. "It's a very competitive market," says Jerry Abbott of Grupe Real Estate in Stockton. He recently got six offers for one home priced at \$121,000, a short sale in which the lender agrees to sell a property for less than is owed.

The big concern is when banks will begin to list for sale more of the distressed homes they've kept off the market, which could hurt prices. Banks slowed their foreclosure processes last fall after a public outcry over thousands of improperly documented foreclosure cases. The other issue is when Stockton will regain jobs. The unemployment rate in the local county — 17.6% in February — is one of the nation's highest. Moody's Analytics predicts Stockton-area home prices won't return to their 2006 peak for more than 20 years. Still, some people say it's time to buy, including Cary Fopiano, 41. Since 1996, she and her husband, Steve, 50, have made money on two of the Stockton homes they've owned. They lost money on one but are still far ahead. The stay-at-home mom and manufacturing manager bought their fourth home last year, on a lake in an upscale neighborhood. They're shopping for another to turn into a rental investment. "Prices are about as low as they can go," Fopiano says.

