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America's 10 Best Undervalued Places to Live

The real estate bust has created some attractive bargain opportunities in certain housing markets

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While the national housing bust has devastated property values, it has also created some outstanding bargain opportunities for would-be home buyers—*if* you know where to look. During the first half of the decade, easy credit and speculative fervor sent home prices in certain states—Florida, California, Nevada—scorching to phenomenal heights. But nearly three years into a real estate crash that's dragged home prices down 32 percent from their 2006 peaks, some of these once wildly overpriced markets present today's real estate shoppers with perhaps their best shot at long-term value. "What we have seen is that those markets that became significantly overvalued [during the housing boom] are right now very undervalued," says Jeannine Cataldi, senior economist and manager of IHS Global Insight's Regional Real Estate Service.

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To pinpoint the nation's most undervalued housing markets, we turned to IHS Global Insight's first-quarter 2009 House Prices in America report, which uses household income, population density, and other data to compare a market's actual value with where it should be on a statistical basis. We then used employment, quality-of-life, and other research to determine America's best undervalued places to live.

[\[Slide Show: America's 10 Best Undervalued Places to Live.\]](#)

Las Vegas. After a dizzying run-up in prices, Sin City has become a cautionary tale for real estate investors everywhere. Since its 2006 peak, Las Vegas home values have plummeted by more than 50 percent. And today—at \$77 a square foot—existing homes are actually priced below the cost of building materials, says Steve Bottfeld, the principal of Las Vegas-based Marketing

Solutions, which specializes in real estate economics. "That's truly undervalued," he says. Although the market may be depressed today, several factors will support strong housing demand in Las Vegas over the long haul, Bottfeld says. The opening of MGM Mirage's CityCenter, which is expected later this year, will bring new jobs. The city's enviable climate—hot summers and mild winters—and its exciting downtown district will continue to attract residents. And the best-in-class architectural design of area properties will appeal to would-be buyers. "We are on the bottom of prices at this point," Bottfeld says. "There is no question that the residential market in Las Vegas is undervalued." The median single family home price in Las Vegas was \$140,000, in the first quarter, which IHS Global Insight considers 41 percent undervalued.

Houston. Unlike other metropolitan areas, Houston has not been hammered by the national housing bust. In fact, real home prices increased nearly 5 percent from the first quarter of 2008 to the first quarter of 2009, according to a Brookings Institution report. But even without a sharp decline in real estate values, projected job and population growth should drive future home price appreciation and create value, says James Gaines, a research economist at the Real Estate Center at Texas A&M University. "The medium- and long-term prospects for Houston are extremely good," he says. The area's low-tax, pro-business climate will lure new employers to Houston and help bolster an already sound local economy anchored by the energy and healthcare sectors, Gaines says. More jobs, of course, mean more residents and greater demand for housing. "[Houston has] good demographic growth, job growth, and a reasonably balanced housing market," he says. The median home price in Houston was \$120,000, in the first quarter, which IHS Global Insight considers 37 percent undervalued.

[See our list of [America's Best Places to Live 2009](#).]

Naples, Fla. More than two years of price declines have turned some of Florida's most overpriced communities into buying opportunities, says Jack McCabe of Florida-based McCabe Research & Consulting. "There are definitely opportunities in the marketplace now that make sense," he says. The upscale retirement community of Naples is one such market, McCabe says. With plenty of golf, beaches, and fishing, Naples is an enchanting, sun-drenched spot along Florida's southwest coastline. And after home prices plummeted by nearly 50 percent from the first quarter of 2006 to the first quarter of 2009, the housing market is looking increasingly tempting. IHS Global Insight considers the median home price in Naples —\$200,000—to be 33 percent undervalued.

Oklahoma City. Like Houston, Oklahoma City was able to dodge the housing crash. Real home prices in Oklahoma City increased nearly 3 percent from the first quarter of 2008 to the first quarter of 2009. Housing demand was fueled by a strong local economy, which had the nation's ninth-lowest unemployment rate—5.6 percent—as of March of 2009, according to the Brookings Institution. The state's pro-business philosophy plays a key role in its economic strength, says Dawn Kennedy, the CEO of the Oklahoma City Metropolitan Association of Realtors. "Businesses come in because the tax situation is favorable," she says. "They bring in jobs, which brings in workers, which brings in homeowners." At the same time, the pleasant weather, friendly residents, and an affordable real estate market make Oklahoma City a great place to live, Kennedy says. "It is like the biggest small town on Earth." IHS Global Insight considers the median home price in Oklahoma City—\$105,000—to be 29 percent undervalued.

[Check out [The Top 10 Housing Markets for the Next 10 Years.](#)]

Sarasota, Fla. Another alluring option for those looking to buy into the depressed Florida housing market is Sarasota, McCabe says. Like Naples, Sarasota is a relatively upscale community along the state's west coast. "Sarasota has got a lot of culture to it—a lot of art, a lot of art festivals," McCabe says. "It's a nice boating community, and they have got a lot of beautiful homes there." And after home prices plunged 44 percent from the first quarter of 2006 to the first quarter of 2009, the market presents would-be buyers with some attractive opportunities. IHS Global Insight considers the median home price in Sarasota—\$141,000—to be 28 percent undervalued.

America's 10 Best Undervalued Places to Live: (Percent of undervaluation, according to IHS Global Insight.)

1. [Las Vegas](#): 41 percent
2. [Houston](#): 37 percent
3. Naples, Fla.: 33 percent
4. [Oklahoma City](#): 29 percent
5. Sarasota, Fla. 28 percent
6. [San Francisco](#): 25 percent
7. [Atlanta](#): 24 percent
8. [Omaha](#): 23 percent

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9. College Station-Bryan, Texas: 21 percent

10. [San Diego](#): 21 percent

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