



NEWS UPDATE – 10-20-2009

ARRA Funds awarded to State of Washington projects: 497 projects totaling \$352,693,243 in non-transportation investments (grant, loan and bond funded) in the central Puget Sound's leading industry clusters.

http://prosperitypartnership.org/recovery/ARRA_Fund_Recipient_Database.pdf

TACOMA IS #1 ON THIS LIST:

After slumping, home prices in these 10 cities are expected to rise over the next three to five years

As the historic housing crash continues to hammer real estate prices from coast to coast, many homeowners probably can't remember the last time their [property's value](#) actually increased. But even with home prices still falling at the national level, a number of hard-hit housing markets are gearing up for a rebound.

To pinpoint the cities most likely to go from slump to bump, we turned to Moody's Economy.com. **Using S&P/Case-Shiller home price data, Moody's identified a handful of cities that took it on the chin during the crash--with property values dropping by more than 25 percent from peak to projected trough--but are expected to see strong home price appreciation in the relatively near future.**

Celia Chen, the senior director of housing economics at **Moody's Economy.com**, says home prices in many of these slump-to-bump cities became overvalued during the first half of the decade but have since fallen, or are in the process of falling, to extremely affordable levels. "That will encourage buyers back into the market and lift prices up," she says. Here is a look at 10 hard-hit housing markets that are ready for a rebound:

1. Tacoma, Wash.: With about 200,000 residents, [Tacoma](#) is the second-largest city in Washington's lovely Puget Sound region. The city's abundance of government jobs, bountiful outdoor activities, and proximity to [Seattle](#)--just 32 miles away--helped drive home prices higher during the first half of the decade. But as the national housing crash picked up steam, [Tacoma](#) saw its real estate market decline sharply. Home prices in Tacoma dropped 24 percent from their peaks through the first quarter of 2009. Still, Moody's Economy.com expects the market to bounce back strongly, with home prices increasing 22 percent by the first quarter of 2012 and 41 percent by the first quarter of 2014. David Graybill, president and chief executive of the Tacoma-Pierce County Chamber of Commerce, says the area's large military presence and diversified economy will help to support rising home prices going forward. "We also have one of the nation's busiest ports, the Port of Tacoma, which is an international deep-water port," Graybill says. "And although most international trade is down currently, the long-term outlook is good."

2. San Diego: Sunny [San Diego](#) was on the leading edge of the housing market's dramatic boom and bust. Residential real estate "prices started running up in [San Diego](#) faster than many other places in the nation," Chen

More from [U.S. News & World Report](#)

- » [America's Best Affordable Places to Retire](#)
- » [America's Best Places to Live 2009](#)
- » [Top 10 Housing Markets for the Next 10 Years](#)

says. But the market has since crashed, with home prices plummeting nearly 42 percent from their peaks through the first quarter of 2009. Still, San Diego's high-tech and hospitality industries will spark economic strength and rekindle home price appreciation in the coming years, Chen says. Moody's Economy.com projects home prices in San Diego will rise about 13 percent by the first quarter of 2012, and 25 percent by the first quarter of 2014. "Technology is really what will drive the economy once the recession is over," Chen says. "There are a lot of high value-added jobs that are in the metro area."

3. [San Francisco](#): Home prices in this city are expected to bounce back solidly as well. Real estate values in [San Francisco](#) had fallen 29 percent from their peaks through the first quarter of 2009. Chen says that [San Francisco](#) will pull out of the recession sooner than most other parts of the nation, and she expects future job and population growth to support rising home values. "The types of jobs [in San Francisco] generally tend to be higher paid, and personal income growth is going to accelerate [there] quicker," Chen says. "Personal income growth really does drive home prices." Moody's Economy.com projects that home prices in San Francisco will rise about 12 percent by the first quarter of 2012 and 26 percent by the first quarter of 2014.

4. [Memphis](#): Home prices in [Memphis](#) fell 23 percent from their peaks through the first quarter of 2009. John Moore, the president and chief executive of the Greater Memphis Chamber, says that the area's exposure to subprime loans--although limited to several specific areas--played a key role in this decline. More recently, however, [foreclosures](#) linked to subprime [mortgages](#) have dropped, and investors have scooped up distressed properties at steep discounts, he says. In addition to its pleasant quality of life, [Memphis's](#) position as an important transportation hub will keep its economy humming and housing demand strong, Moore says. "We have the largest cargo airport in the world," he says. "We are the third-largest trucking corridor, fourth-largest inland port, and on top of that we are one of only three cities in the [United States] that is served by the five class-one railroads." In addition, Moore says that Memphis's low cost of living and strong healthcare system have made it a popular destination for retirees. Moody's Economy.com projects that home prices in Memphis will rise about 9 percent by the first quarter of 2012 and 24 percent by the first quarter of 2014.

5. [Worcester, Mass.](#): [Worcester](#), which has about 180,000 residents, saw its home prices fall by roughly 23 percent from their peaks through the first quarter of 2009. But Timothy Warren, CEO of the Warren Group, a New England real estate information and data provider, points to two key industries that can help drive home price appreciation. With a number of colleges and universities located there--such as the College of the Holy Cross and Clark University--higher education is an important component of [Worcester's](#) local economy. And its university-linked healthcare sector is another key provider of jobs. "Because of the medical schools, there are teaching hospitals out there as well and a lot of research that gets done," Warren says. Moody's Economy.com projects that home prices in Worcester will rise about 6 percent by the first quarter of 2012 and 21 percent by the first quarter of 2014.

6. [Warren, Mich.](#): Like nearby [Detroit](#), [Warren's](#) economy has been hammered by the auto industry's woes, Chen says. Home prices in [Warren](#) fell 37 percent from their peaks through the first quarter of 2009. But going forward, Moody's Economy.com projects that home prices in Warren will rise about 5 percent by the first quarter of 2012 and 21 percent by the first quarter of 2014. These rates of appreciation may look encouraging, but they aren't exactly what they seem, says Chen. Warren, like the rest of the country, will indeed see some job growth as the economy pulls out of the recession, she says. And home prices will eventually fall far enough to attract buyers. But Moody's projection for healthy home price appreciation says more about the depth of Warren's real estate decline than anything else, Chen says. "Because prices are going to pick up off of such a low base, even a small increase in the actual dollar value of homes will look like a very strong growth rate," Chen says. Warren's long-term economic outlook remains unfavorable, she adds.

7. [Boston](#): Home prices in [Boston](#) fell 18 percent from their peaks through the first quarter of 2009. But Timothy Warren says the city's robust higher education and healthcare sectors should help support higher home prices in the future. In addition, "the financial services sector has been hit hard recently, but it is still a strength of the [Boston](#) area," he says. "They have been hit [harder] than other industries, but I think they will probably come back." Moody's Economy.com projects home prices in Boston will rise about 3 percent by the first quarter of 2012 and 18 percent by the first quarter of 2014.

8. Lansing, Mich.: Like Warren's, [Lansing's](#) economy is struggling. Home prices there fell 28 percent from their peaks through the first quarter of 2009. Moody's Economy.com projects that home prices in [Lansing](#) will rise about 2 percent by the first quarter of 2012 and 15 percent by the first quarter of 2014. However, these increases are largely attributable to the extremely low base that real estate prices will come off of, Chen says.

9. Chicago: Home prices in [Chicago](#) fell 28 percent from their peaks through the first quarter of 2009. But David Hanna, president of the Chicago Association of Realtors, says the city's diverse economy and pleasant quality of life can help drive property values higher in the future. "The city is clean [and] it's functional," Hanna says. "The last two decades of revitalization here has spread out not only through the city but into many of the other surrounding communities." Moody's Economy.com projects that home prices in [Chicago](#) will rise about 2 percent by the first quarter of 2012 and 16 percent by the first quarter of 2014.

10. Minneapolis: Home prices in [Minneapolis](#) fell 35 percent from their peaks through the first quarter of 2009. Moody's Economy.com projects home prices there will rise about 2 percent by the first quarter of 2012 and 16 percent by the first quarter of 2014.

HOUSING CALENDAR: <http://www.affordablehousingconsortium.org/index.php/Calendar/>