



PRINTER-FRIENDLY FORMAT
SPONSORED BY

This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers [here](#) or use the "Reprints" tool that appears next to any article. Visit www.nytreprints.com for samples and additional information. [Order a reprint of this article now.](#)

April 2, 2010

Signs of Life in Sand-State Real Estate

By FLOYD NORRIS

SAND is not a good foundation for a house, and it certainly wasn't a good foundation for a housing boom. But now home prices are starting to recover in some so-called sand states.

During the housing boom early in the last decade, the strongest markets were in the states that could offer sand and sun to lure prospective purchasers, and many came to accept that the aging of the baby boomers meant that such retirement havens would prosper forever.

But when the boom turned to bust, buyers found that what went up the most was likely to come down the fastest.

Now, there are signs of life in real estate markets in two of the sand states, California and Arizona. Florida and Nevada, though, continue to suffer.

The accompanying chart, using seasonally adjusted prices for single-family homes from the [Standard & Poor's/Case-Shiller indexes](#), shows that in the three California regions measured, there have been recoveries ranging from 8.5 percent in Los Angeles to 14.7 percent in San Francisco.

In each case, the region incorporates suburban areas that can range far from the city in the center. There is no doubt considerable variation within each market, and often it is the farthest-out markets — the ones with the longest drives to employment — that have done the worst.

In the Phoenix region, the recovery has been 7.4 percent, which exceeds the gain in all but one of the 13 markets covered by the indexes and not in the sand states. Minneapolis has climbed 10.7 percent.

But the two sand-state markets in Florida (Miami and Tampa) and the one in Nevada (Las Vegas) have shown only the smallest of recoveries, amounting to 1.2 percent or less.

All of the sand-state markets have a long way to go, and it may be many years or even decades before they set new highs. Phoenix and Las Vegas prices could double from the January levels reported this week and still be below the highs set in 2006.

All of the sand markets need to rise by more than 50 percent to get back to peak levels. That is true of only one other market, Detroit, a depressed region that largely missed the boom but has taken part in the bust.

Those figures indicate that the problems of underwater mortgages, which the Obama administration is now starting to address, are likely to endure for some time unless there are many more foreclosures or reductions in principal of outstanding loans.

The markets that appear to have the smallest problems in that regard are Dallas and Denver, each of which could rise above previous highs with gains of less than 10 percent from January levels. Others that need gains of less than 20 percent are Boston, Cleveland and Charlotte, N.C.

New York suffered less than many markets, but it is also a market that has not shown any sign of recovery. It was the only one of the 20 markets to set a new low in January. The price level then was about the same as it was almost six years earlier, in the spring of 2004.

Floyd Norris comments on finance and economics on his blog at nytimes.com/norris.

More in Economy (1 of 21 articles)

Wall Street Returns and Starts Push to 11,000

[Read More »](#)