

Area avoids bubble trouble

N. Texas house market among least at risk for price drop, analysts say

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By STEVE BROWN / The Dallas Morning News

While the buzz about a nationwide housing shakeout grows, Dallas and Fort Worth are near the bottom of the list of cities at risk of a price meltdown.

North Texas real estate markets are among the safest in the country, according to the latest analysis released Tuesday by PMI Group, one of the country's biggest mortgage insurers.

At the same time, the chances of a price slide have grown in many coastal markets, PMI analysts found in their first-quarter survey.

"Risk continues to be concentrated on the coasts," said Mark Milner, chief risk officer for California-based PMI Mortgage Insurance Co. "We continue to believe the most likely scenario is a soft landing, because of the continued strength of national and local economies.

"We expect to see the continuation of the slowing trend in many markets," Mr. Milner said.

During the last six months it's been more obvious that the housing market is cooling, he said.

"What we are seeing now is what we are expected to see and, frankly, what we thought we had to see – a gradual slowing of a market that had gotten out of balance," Mr. Milner said.

Among the top-heavy housing markets, seven of the top 10 are in California, and all have more than a 50 percent chance of a significant price decline in the next two years, according to PMI.

But the Dallas-Fort Worth area is rated with cities including Pittsburgh, Columbus, Ohio, and Nashville, Tenn., where a price fall is unlikely.

"Those of us in the San Francisco Bay area wish we were in the same boat Texas is in," Mr. Milner said. "If you look at the Dallas-Fort Worth numbers, what you see is

strong labor markets – good job creation and low unemployment – and very strong home affordability.

"The flipside of that is home appreciation has been very slow relative to the rest of the country, but it's been nice and steady," he said.

The home price risk in Dallas is now only about a third of the national average, according to PMI's new estimates.

Local housing experts haven't been swayed by recent worries about nationwide home prices.

"There are a number of reasons why none of the cities in Texas are threatened by the bubble," said James Gaines, an economist with Texas A&M University's Real Estate Center. "Our housing markets are in good shape."

Mary Frances Burleson, president of Ebby Halliday Realtors, said she's not surprised at PMI's findings.

"If there is a bubble, I don't think it's here," Ms. Burleson said.

In cities where home prices are still soaring, it's putting a squeeze on buyers.

"With continued double-digit appreciation in many areas coinciding with rising interest rates, affordability is becoming a challenge for American home buyers," Mr. Milner said. "Overall appreciation remains quite strong by historical standards.

"It still remains in the double digits in many areas, but there is definitely a slowing trend in the past two quarters," he said.

The National Association of Realtors is predicting that home prices will have risen only about 6 percent nationwide last year. That's down from an almost 14 percent jump in fourth quarter 2005.

Home sale prices rose by only 4 percent in North Texas last year.

Pending home sales in February showed about a 5 percent dip from a year earlier, according to the Realtors association.