Report: Bend, Oregon housing most overvalued in Nation

by Bend_Weekly_News_Sources

Single Family Home Price Declines Pervasive in Q4 2007 -- Prices Drop for Second Straight Quarter -- Overvalued Markets Hit Hardest

Bend, Oregon tops the list of most overvalued housing in the nation, according to a new report released by Global Insight, an economic and financial analysis and forecasting company.

Report: Bend, Oregon was ranked #1 in the nation for overvalued single-family-homes for 4th quarter 2007. Global released the fourth quarter 2007 update of House Prices in America, the U.S. housing-valuation analysis, showing that single-family home prices continued to fall for the second period in a row and declined at a precipitous 5.1% annualized rate. The declines were pervasive, affecting 291 of the 330 metropolitan areas in the study -- the overwhelming majority of the nation's housing market. As was the case last quarter, California, Florida and Michigan accounted for the most severe losses. The 291 metro areas experiencing price declines account for 95% of all housing units and 97% of real estate value examined in the research.

Overvaluation persisted in some areas although declining sharply. In the fourth quarter, 21 metro areas were seen as overvalued, down from the peak of 58 in 2006. Those 21 metro areas represent 4% of the nation's housing units, compared with 20% in 2006. Areas that remained stubbornly overvalued include Bend and Portland Oregon, Miami, Florida, Honolulu, Hawaii, and Riverside-San Bernardino, California.

Bend, Oregon, tops the overvaluation list at 59%.

Miami, at 44% is the largest city at significant risk, while Honolulu, Portland, OR, and Riverside-San Bernardino also exceed the 32% threshold. Los Angeles, Seattle, and Phoenix are notably close to that mark.

California and Florida, which had experienced the greatest incidence of overvaluation in recent years, and Michigan, which has been hit hard by the slumping economy in the "Rust Belt," accounted for 43 of the 50 largest price declines in the period. Other areas in the "Bottom 50" include Phoenix, Las Vegas and Washington, D.C.

Eight metro areas -- seven in California and one in Florida -- have seen home prices contract by more than 20% over the course of the market correction. In all, 47 metro areas, all from four states -- California, Florida, Michigan and Nevada -- have seen double digit declines.

However, 29 metro areas, widely dispersed throughout the country, experienced price resilience. Price appreciation fell generally into two categories: undervalued or fairly valued markets, such as those in parts of Texas, the Midwest and the Northeast at some distance from the Boston- Washington, D.C. corridor; and metro areas in the Northwest in locations of robust economic activity that seem to be the remaining pockets of market froth and at risk of price declines in the future.

James Diffley, Group Managing Director of Global Insight's Regional Services Group, said, "Overvaluation is being dissipated quickly across U.S. metropolitan areas, though tight credit market conditions will continue to hamper real estate markets throughout 2008."

Jeannine Cataldi, Senior Economist and Manager of the Global Insight Regional Real Estate Service, added that, "Along with the tighter credit market, weakness in overall economic conditions will keep housing below historical trends for the near future."

The House Prices in America study, a joint effort by Global Insight and National City Corporation, examines the top 330 U.S. real estate markets, representing 78% of all existing housing units and 93% of all related real estate value, to determine what home prices should be, accounting for differences in population density, relative income levels, interest rates, and historically observed market premiums or discounts. Markets with valuation premiums above 32% were deemed at risk for price corrections based on the typical degree of overvaluation that preceded the 79 known local market price declines observed since 1985.