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## The six scariest real estate markets

Barbara Corcoran reveals which areas to avoid — and which to embrace

By Barbara Corcoran

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When choosing these cities we looked strictly at statistics, things like the number of foreclosures, steep price drops and high unemployment.\* Many of these cities are perfectly nice places to live, with thriving cultures. Detroit, for example, was recently named one of the top 10 cities for young college grads.

But for various reasons, which I will go into, these markets have been hit particularly badly by the housing crunch. Here are our picks:

### **Stockton, Calif.**

Stockton has the highest rate of foreclosures in the nation. One in 30 homes in Stockton are facing foreclosure, more than double the number a year ago. (Compare this with the national average: one in 194.) Unemployment is a whopping 10 percent, almost double the national average of 5.2 percent. The median sale price of a two-bedroom home in Stockton is only \$142,000. That's down more than 22 percent from last year!

Many 1950s bungalows were built here as part of President Truman's Fair Deal, and today they house residents who commute to San Francisco via Interstate 5. Some people are simply walking away from their homes because they're spending too much on gas to commute back and forth to work in the Bay Area, plus their homes are no longer worth what they paid for them. Instead, they just move closer to work and rent rather owning. Local realtors report that homes have become vandalized or burglarized for copper plumbing or wiring, cabinets and other re-salable fixtures.

In some areas of Stockton, there are more than five homes on a single street that are abandoned. Homeless people are squatting in homes, even without power or water, just to find shelter. Construction trades have had to reinvent themselves and now offer new services like gardening, hauling, handyman services or notary signing. Foreclosures are fueling a great rental market for investors, since people who've lost their homes usually make honest, hard working tenants.

### **Fort Lauderdale, Fla.**

One in 73 homes are in foreclosure in Fort Lauderdale, about twice as many as this time last

year. The median home price is \$345.9, down 5.7 percent from last year. Unemployment is slightly below the national average at 4.3 percent.

There are some factors here that are keeping prospective buyers on the fence. One reason is that there's too much candy on the shelf. Between standard listings, foreclosures and short sales, there is entirely too much product from which to choose. Media reports predicting that real estate hasn't neared bottom yet encourage buyers to try to time the market. Sellers reluctant to come down to reality are still holding on to peak market prices. But brokers say buyer confidence here is improving and that they're seeing increased activity over the past six months as people realize they have a terrific opportunity to get a great value in a home in the current market.

### **Decatur, Ill.**

Prices are down 15.9 percent over last year, putting the median home price at a rock-bottom \$75,000. Unemployment is high at 6.1 percent. Foreclosures in Illinois in general are high and growing, currently 50 percent more than last year. Foreclosures in Decatur are relatively low, one in every 428 homes.

Decatur lost many large factories in the last 15 years and didn't really experience the rapid rise in home prices seen in major metropolitan areas. Instead, local brokers see foreclosures here as a direct result of 100 percent loans given to buyers with low scores. The area has also been affected by appraisers who were unfamiliar with the local market and valued homes at inflated prices. The good news is that the number of home sales in Illinois were UP 24.5 percent in March from February according to the Illinois Association of Realtors. Local Decatur brokers report that "many homes are moving."

### **Sacramento, Calif.**

One in 55 homes is in foreclosure in Sacramento, the fifth highest rate in the country. Median home prices have dropped 18.5 percent to \$297.6. Unemployment is 6.5 percent. Home prices in this area more than doubled between 2000 and 2005, setting Sacramento up for a hard fall. Since last year, the price per square foot in Sacramento dropped 29.8 percent to \$161, according to the real estate data company **Radar Logic Inc.**

Worse still, Sacramento has the highest concentration of homeowner debt in the country according to Forbes.com. More people here have combined their mortgages with home equity loans, second loans, or both.

When the housing market slowed here, jobs were lost in related industries: title companies, interior design, lumber supply companies, electricians, plumbers, roofers, appliance stores and so on, dealing a heavy blow to the Sacramento job market.

**Detroit, Mich.**

One of every 68 homes here are facing foreclosure. Unemployment is 8.1 percent. Median home price is \$133.3, down 13.8 percent from last year. The automotive industry here is always laying off, cost cutting, closing plants, or outsourcing jobs. The many wealthy communities surrounding the Detroit area experienced substantial appreciation in years past, making an eventual drop in prices inevitable. Local realtors report that many homeowners here are just walking away or are negotiating with lenders to sell their home in a short sale. The good news in Detroit is that the number of home sales is actually UP 45 percent over last year as investors come in to pick up great bargains.

**Lansing, Mich.**

Michigan had the third highest rate of foreclosure in the country last year. They experienced the largest drop in home prices in the nation last year, 18.8 percent down to \$109.6. One in 150 homes are in foreclosure. Unemployment hovers at 6.1 percent. Layoffs in the auto industry throughout Michigan are hurting Lansing.

Between 1999 and 2004, sudden home growth, stimulated by lower mortgage rates and easy credit, created a seller's market. Home values appreciated as much as 10 percent a year. Building took off, with subdivisions and condos going up at a record rate. A large number of retiring baby boomers combined with the uptick in new home construction to create an unprecedented excess of available homes on the market. When the bottom fell out of the mortgage industry, it became impossible to sell anywhere near the 35 percent necessary to keep pace with previous years.

On the opposite end of the spectrum, here are the three areas with the biggest median home price increase:

**Cumberland, Md.**

The median home price here is \$116.6, up a whopping 19 percent over last year, and still a huge bargain. Within two hours of Washington, Baltimore and Pittsburgh, this area has undergone a renaissance in past few years with stores being re-built, homes being restored, and the town undergoing beautification.

**Yakima, Wash.**

Median home price is \$170.6, up 18 percent over last year. A bright spot in the economy of the Yakima Valley is the burgeoning wine industry, due in part to the Yakima Valley soil, which is very similar to the soil conditions of French wineries. Over 40 wineries dot the Yakima Valley, covering more than 11,000 acres. Yakima is home to several wine-related events each year which draw wine enthusiasts from all over the Pacific Northwest and the world. Unemployment is at 4.5 percent.

**Binghamton, N.Y.**

Prices jumped 14.8 percent in the past year to \$110,000, an incredible bargain in New York state, where the median home price is \$275,600. The pro-active government has a vision for the community and has undertaken numerous projects and initiatives, like demolishing blighted properties and selling vacant lots for as little as a dollar to bring in business and development. They take their motto, "Restoring the Pride," seriously here. Unemployment is at 4.7 percent.

Though we are in the grips of a national housing slump, it is interesting to see just how varied conditions are in different cities and the different reasons for the slumps in different areas. To figure out the state of your own real estate market and its possible trajectory, I recommend you look up the same figures we did and compare them to the cities we showed you here.

\*Foreclosure data came from RealtyTrac.com, home prices from NAR and Trulia.com. Unemployment rates came from the U.S. Department of Labor's Bureau of Labor Statistics.

*For more of Barbara Corcoran's real estate tips and advice, visit [barbaracorcoran.com](http://barbaracorcoran.com).*

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