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# Builder

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2009's Healthiest Housing Markets

## The Healthiest Housing Markets for 2009

Builder, in conjunction with Hanley Wood Market Intelligence, debuts its metric for determining markets with the best and least potential.

By:

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With most economists and builders expecting a national market decline this year, this may not seem like the best time to be selecting the "healthiest" markets in the country. Virtually every market was down last year. But a close look at the numbers reveals that some markets have way outperformed others during the last four years and are likely to continue to do so this year.

When the housing market stages its official recovery, the markets listed on the following pages are likely to lead the parade. It may take a year or more for the weakest markets--where burgeoning foreclosure sales are still pounding new home values, making building and selling new homes an exercise in futility-- to finally stage a turnaround. We'll present that list next week.

The healthiest markets have many things in common. Most of them are great places to live, either close to the ocean, mountains, or major universities. Most of them didn't have a huge run-up in prices during the boom and aren't experiencing rampant deflation during the bust.

To compile these lists, we analyzed the top 75 housing markets in the country. We ranked them based on population trends and job growth, perennial drivers of housing demand. We also examined what's happened with home prices; many of the healthiest markets have managed to hold the line on home values. And finally, we considered the rate building permits, which may be the single best ongoing indicator of builder confidence in a market. We combined all these metrics to produce a score for each market. Here are the top 15, in reverse order.

## The Healthiest Markets for 2009



## 15. Myrtle Beach, S.C.

2008 total building permits: 3,211

Though permit activity dropped sharply last year, Myrtle Beach remains one of the hottest markets in the country, especially when you analyze the number of permits pulled per resident. Only 263,287 people live in the Myrtle Beach metro area, which until recently had been growing its population by nearly 5 percent a year. That means builders pulled one permit for every 82 residents. A steady influx of people, many of them retirees, are drawn by close proximity to the ocean and 117 golf courses at last count. That has helped keep home prices steady; they fell only 10 percent last year to a very affordable \$174,800. Most of the home building is split between Brunswick and New Hanover counties. Jobs are dependent on the tourist industry, though, and the metro area was rocked last year when a \$400 million rock-and-roll themed amusement park, Hard Rock Park, opened and then filed for bankruptcy. Myrtle Beach added jobs last year, but as of December employment was decreasing at a 4.2 percent rate compared to a year earlier.

**Busiest builders:** Centex Homes, D.R. Horton, Beazer Homes, Bill Clark Homes, Pasquinnelli/Portrait Homes



## 14. Wilmington, N.C.

2008 total building permits: 3,551

Wilmington has the second highest ratio of permits pulled per resident, behind only Myrtle Beach. The population here, 352,919 by Census estimates, has been growing at a 4 percent annual rate for the last five years, well above the national average. Primary residents are drawn by a four-season climate, close proximity to Atlantic beaches, and affordable housing. Median home prices, at \$198,700, are just about the national average. The area gave back 1,000 jobs last year, after gaining 19,000 the previous three years. Wilmington has had a 60 percent decline in permit activity since 2005, around the national average, but its track record for population growth helps it make this list.



## 13. Charlotte, N.C.

2008 total building permits: 12,231

People and businesses must love Charlotte, because they are moving there at a high rate. The metro area of 1.74 million has grown its residents by 4 percent annually over the last five years, one of the highest rates in the country. They are drawn by relatively affordable housing for the east coast—median home prices are only \$210,900, and they've only "corrected" downward by only 4.2 percent in the last year. A strong fourth quarter helped Charlotte record 12,231 permits last year, only a 44 percent decline since 2005. Charlotte's strength relative to other markets led the investment banking firm UBS to predict last year that it would be [one of the first markets to recover from the housing downturn](#). Charlotte is still a single-family market, with 62 percent of the residential activity in stand-alone homes. The job market in this banking hub contracted last year, after growing 3 to 5 percent annually the previous three years.

**Busiest builders:** C.P. Morgan, NVR/Ryan Homes, Pulte Homes, Centex Homes, KB Home



## 12. Denver, Col.

2008 total building permits: 8,800

Denver has been all over the home building news of late, with [Beazer](#) and [Centex](#) leaving town, then [Village Homes of Colorado declaring bankruptcy](#). But the market hasn't been hit as hard by the home building recession as other Western markets, in part because it didn't experience rampant price appreciation during the boom. That's partly because there's lots of land available to develop in Denver. The median price of an existing home here was still an affordable \$225,100 in the third quarter of last year, down only 11.4 percent in the last year (through 3Q 08). Denver enjoys one of the highest population growth rates in the country--2 percent annually for each of the last five years. Builders pulled 8,800 permits in Denver last year, down from 20,864 in 2005, a percentage decline that's close to the national average. Denver is buoyed by a strong commercial real estate market.

**Busiest builders:** D.R. Horton, Richmond American Homes, Standard Pacific Homes, Shea Homes, Engle Homes. Courtesy: [Hanley Wood Market Intelligence](#).



## 11. Nashville, Tenn.

2008 total building permits: 8,142

Nashville, the 20<sup>th</sup> largest home building market, operated under the radar of the national housing boom. It didn't ramp up wildly during the boom years, and it's not contracting viciously during the bust. Median home prices remain an affordable \$152,100, propped up by a growing job base. Eighty percent of the residential construction is single-family. Some of the market's resilience stems from above-average population growth of about 2.3 percent a year. Back in the day, 2005, Nashville accounted for 16,654 permits; it now runs at about half that level. But that's a better performance than most major markets.

**Busiest builders:** Ole South Properties, Beazer Homes, Centex Homes, The Jones Company of Tennessee, Technical Olympic USA. Courtesy: [Hanley Wood Market Intelligence](#).



## 10. Washington DC

2008 total building permits: 11,693

Washington D.C. showed signs last summer that it might be emerging from the downturn, then it turned south again. Even so, the area produces a ton of jobs—an estimated 35,000 in the last year—that fuel a vibrant housing market, the 11<sup>th</sup> largest in the country. Many of the jobs stem from contracts with the federal government. Washington D.C. remains a relatively unaffordable place to live, with a median home price of \$332,700 in the third quarter of last year. But values have fallen only 24 percent in the last year in part because the population continues to grow—an average of 1 percent annually over the last five years. Home building patterns have changed dramatically in the nation's capital with builders mothballing [subdivisions well beyond the beltway](#) and focusing on infill opportunities. The region remains one of the worst in the nation for commuters.

**Busiest builders:** Ryan Homes, K. Hovnanian Homes, Centex Homes, NV Homes, and Stanley Martin Companies. Courtesy: [Hanley Wood Market Intelligence](#).



## 9. Fayetteville, Ark.

2008 total building permits: 2,989

Fayetteville has made some important lists in recent years. Located in the foothills of the Ozarks and within an easy drive of Wal-Mart's corporate headquarters, it has recently been named one of the best places to live (by Kiplinger) and to do business (by Inc.). Employment, which had been strongly positive since 2005, dropped somewhat in the fourth quarter of last year. Recent layoffs at Wal-Mart's corporate office sent tremors through the market. But several Fortune 500 companies that sell products to Wal-Mart have established offices here, and they have helped Fayetteville achieve one of the lowest unemployment rates in the country, 4.1 percent in the fourth quarter. The University of Arkansas is also located in Fayetteville, and it has helped attract start-up businesses. Residents are drawn by an affordable housing stock; median prices average only \$139,400, below the national average, and they've lost only 2.4 percent of their value in the last year. Builders pulled only 2,989 residential permits last year, down from 7,449 in 2005.



## 8. Indianapolis, Ind.

2008 total building permits: 7,004

Builders are still pulling permits at a relatively healthy rate in Indianapolis, despite a virtually flat job market. Unlike other major markets that have become multifamily-oriented, single family still accounts for two-thirds of home building activity. Ultra-affordable housing accounts for some of the activity—the median price of a home here is only \$117,900, making it one of the [most affordable markets in the country](#). As a result, home prices have declined only 4.5 percent in the last year. At the top of the market in 2005, builders in Indianapolis took down 15,619 permits, so activity is down 55 percent, slightly better than the national average. Unfortunately, the relative health of the market wasn't enough to keep Davis Homes, one of the area's largest private builders, [from going out of business last year](#).

**Busiest builders:** C.P. Morgan, Beazer Homes USA/Trinity Homes, Centex Homes, American West Development/Arbor Homes, The Ryland Group. Courtesy: [Hanley Wood Market Intelligence](#).



## 7. Seattle, Wash.

2008 total building permits: 13,021

Seattle, a city of 3.4 million people, last year weighed in as the eighth largest home building market. Residential construction activity here, as measured by permits, is off only 50 percent since 2005, much better than most markets. Seattle has steadily transitioned during the last 10 years from an affordable to an upscale housing market, with the median price of an existing home reaching above \$350,000. Even so, existing home prices fell only 11 percent in the last year. One of the secrets to Seattle's success is that it has added lots of jobs in recent years; and held on to them last year. Some builders there have even stepped up their [land buying in anticipation of a market recovery](#). As the city has become more urban, the share of single family to multifamily permits has reversed; multifamily now accounts for 58 percent of activity.

**Busiest builders:** Quadrant Homes, Centex Homes, Murray Franklyn, Camwest Development, Polygon Northwest. Courtesy: [Hanley Wood Market Intelligence](#).



## 6. Raleigh, N.C.

2008 total building permits: 11,386

Another state capital with multiple universities, Raleigh was still adding jobs at a 1.9 percent annual rate though the third quarter of last year. With a population of more than 1 million, it also has one of the highest rates of population growth of any top metro market in the country over the last five years: nearly 5 percent annually. Though the price of a median home here, \$221,900, is above the national average, it is well below other cities in the mid-Atlantic and Northeast. The metro area has added roughly 68,000 jobs since 2005, and employment held steady last year. With a glut of national builders in the market, locals such as Dixon Kirby have experimented with [different looks and styles to keep sales alive](#).

**Busiest builders:** Centex Homes, KB Home, Pulte Homes, Hovnanian Enterprises, Atreus Homes & Communities. Courtesy: [Hanley Wood Market Intelligence](#).



## 5. Dallas, Texas

2008 total building permits: 26,145

In a year when permits declined 35 percent nationally, Dallas only experienced a 9 percent fall-off. With a population of 4.2 million, Dallas was the third largest home building market last year, as measured in permits pulled. Employers in Dallas, a popular place for corporate relocation and expansion, added 42,000 jobs last year, a growth rate of 2 percent. Existing home prices have held steady, falling a paltry 2.3 percent in the last year. Interestingly, the face of residential construction has changed dramatically in Dallas in recent years; 58 percent of the activity last year was in multifamily, compared to a five-year average of 23 percent. The relative stability of the market, though, wasn't enough to prevent [Wall Homes from filing for bankruptcy](#) earlier this year. On the other hand, former Meritage co-CEO [John Landon recently started a new Dallas-based home building company](#).

**Busiest builders:** D.R. Horton, Highland Homes, David Weekely Homes, K.Hovnanian Homes, Drees Custom Homes. Courtesy: [Hanley Wood Market Intelligence](#).



## 4. San Antonio, Texas

2008 total building permits: 10,261

San Antonio is another Texas market that is still adding jobs, about 15,000 last year. A city of more than 2 million people now, its population is also growing, at a 2.8 percent annual clip through the third quarter of last year. Existing home prices are barely declining in San Antonio, down only 1.8 percent in the last year, leaving the median price of an existing single-family home at an affordable \$154,400, 25 percent below the national average of \$200,500, according to the National Association of Realtors. The upper end of the housing market was hurt recently when AT&T announced it would be moving its corporate headquarters to Dallas.

**Busiest builders:** D.R. Horton, K.B. Home, Centex Homes, Pulte Homes, Fieldstone Communities. Courtesy: [Hanley Wood Market Intelligence](#).



### 3. Fort Worth, Texas

2008 Total Building Permits: 10,388

Fort Worth, always operating in the shadow of higher profile Dallas, nevertheless can currently claim to have [a slightly healthier housing market](#), based on its employment growth, relatively strong permit activity, and inexpensive housing. Now the 14<sup>th</sup> largest home building market in the country, Ft. Worth's builders pulled 10,388 permits last year, roughly two-thirds of them single-family. That may be half as many as 2005, but many other major markets showed much sharper drop-offs. The relative strength of the Fort Worth market in recent years stems from its ties to the oil and gas industries, which has fueled above-average job growth. The metro area added 17,300 jobs last year.

**Busiest builders:** D.R. Horton, Choice Homes, History Maker Homes, Meritage Homes, Centex Homes. Courtesy: [Hanley Wood Market Intelligence](#).



### 2. Austin, Texas

2008 Total Building Permits: 14,250

Nine years ago, during the tech bust, some builders felt that Austin was too crowded and left. The bloom is back on Austin's yellow rose now; it moved up the leader board to become the sixth largest home building market last year. Job creation explains the move. While other markets lost employment, Austin added 17,400 jobs last year, 2.31 percent growth rate. It helps that Austin is home to both a major university, The University of Texas, and the state capital. Existing homes cost a little bit more in Austin than other Texas markets, roughly \$190,900, but that's still below the national average. Also, Austin is one of the few metro areas in the country where median prices actually rose in 2008--1.4 percent through the first three quarters of the year. Amazingly, Austin now generates more home building activity than Chicago, which has six times more people.

**Busiest builders:** D.R. Horton, Lennar, KB Home, Centex Homes, Meritage Homes. Courtesy: [Hanley Wood Market Intelligence](#).



# 1. Houston, Texas

2008 Total Building Permits: 42,697

They like to do things big in Houston. Now the metro area, home to nearly 5.8 million people, can lay claim to being the largest home building market in the country, with 42,697 building permits. The market is still benefiting from an influx of population and jobs and rebuilding in [the wake of Hurricane Ike](#). Employment rose 2.2 percent last year, representing the addition of an incredible 57,000 jobs. Home building activity in Houston has only fallen 31 percent since 2005. Also, existing home prices actually rose in Houston last year, 2.8 percent, to \$160,200, still a very affordable level. Roughly one third of the home building action is in Harris County, followed by Houston proper and Fort Bend County. One of Houston's largest builders, [Royce Homes, shut down last year](#), and Kimball Hill, one of the biggest builders in Texas, [closed its doors this year after it failed to find a buyer](#).

**Busiest builders:** Lennar, Perry Homes, David Weekley Homes, MHI/McGuyer Homebuilders, and KB Home. Courtesy: [Hanley Wood Market Intelligence](#).

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