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The 20 Healthiest Housing Markets for 2010

Which housing markets are the best bets to recover first? We present our annual list of the 20 healthiest housing markets in the country.

By:

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Housing economists have long held that the housing rebound, when it comes, will be uneven. The markets that benefit first will be the ones with the strongest core dynamics; places where house prices never got out of hand, cities where a diverse and progressive employment base drives job creation, towns that continue to draw population despite the economic recession.

Now that the housing recovery is nearly upon us--most economists expect a full-fledged recovery to begin this year--it's time to figure out which markets will be the front-runners. Based on last year's performance, especially the level of building permits pulled in the fourth quarter, it's already clear that some markets are poised to grow at a faster pace this year than others in 2010.

Green shoots may be sprouting in markets throughout the country, but which markets will flower first? That's the question we attempt to answer with the Builder Market Health Index, compiled by Hanley Wood Market Intelligence, our market research arm. Market Intelligence (MI) first input 2009 data and 2010 projections for household formations, resale values, and job and income growth. Then, after sprinkling in some secret sauce to weight these drivers, it ranked by health the top 100 housing markets (determined by permits pulled in 2009).

Not surprisingly, many of the markets that topped our 2009 list are on the 2010 leader board, including most of the major markets in Texas, where low development costs kept a lid on house prices during the boom, and strong local economies provided a cushion from the blow of a national recession.

But Lone Star markets were eclipsed this time around by some relatively hot markets in the Carolinas, which accounted for seven of the top 20 spots. Many of the major cities along the Mid-Atlantic seaboard continue to benefit from a strong influx of people drawn by a comfortable way of life, affordable housing, and growing employment prospects.

As with last year, markets that hit the trifecta--having within their borders a state capital and a big university along with a diversified economy--dominate our list of hottest markets. A strong base of government employment, whether it be from the state or the military, has helped stabilize some markets through the housing recession. In many cases, the government is the biggest employer among the 20 markets on our list.

We present this data with one big caveat. These markets may be healthier than others, but they aren't healthy in the way they were during the housing boom, when it was common to find rising population, employment, and income. Virtually every housing market still has at least one blemish. And for that reason only two received a rating of 50 or more, indicating they are truly healthy. That's an improvement, though; only one scored 50 or higher last year.

Hanley Wood Market Intelligence, which took into consideration forecasts from Moody's Economy.com and other sources, is looking for several of these healthiest markets to break out this year. A few of them witnessed

dramatic increases in building permits pulled in the fourth quarter of last year, momentum that is expected to carry over into 2010. Several of the markets on this list are poised for double-digit growth. Read on.



20. Des Moines-West Des Moines, IA

Market Health Indicator: **30.0**

2009 Total Building Permits: **1,966**

2010 Building Permit Forecast: **2,076**

While home to only slightly more than a half million people, Des Moines has a strong and diverse employment base, with a measly 6.71% unemployment rate. In addition to jobs, new residents are drawn by an affordable housing stock, with the median resale home selling for only \$147,790 by year-end. Hanley Wood Market Intelligence expects unemployment to rise somewhat in 2010, but it also predicts a 1.8% increase in median income. The top two employers here are financial institutions--Wells Fargo and Principal Financial Group, and this sector of the economy contributes about a quarter of the region's economic income. Des Moines had the best growth rate among all metropolitan economies during 2008-2009, according to The Brookings Institution. The Iowa capital, which is home to Drake University, is also one of only two Midwest markets on the top 20 list. Permit activity fell 15% last year, but it's expected to regain lost ground in 2010.

Get local market data and more on Builder's [Des Moines Local Market Page](#)



19. Greenville-Mauldin-Easley, SC

Market Health Indicator: **31.6**

2009 Total Building Permits: **1,591**

2010 Building Permit Forecast: **1,918**

Greenville, S.C., has a lot going for it, including a low cost of housing--the median resale home sold for \$139,000 at the end of the year. Located halfway between Atlanta, Ga., and Charlotte, N.C. on Interstate 85, the city of 635,000 has been recording some of the largest percentage population gains for the last several years. Market Intelligence expects the employment picture in Greenville to turn positive again in 2010, with a 1.1% gain in total employment. It expects housing permits and starts to rise strongly in 2010, reversing several years of declines. Local builders also feel optimistic; government permit data shows a 13% increase in total building permit activity in the fourth quarter of last year.

Get local market data and more on Builder's [Greenville Local Market Page](#)



SONY DSC

18. Houston-Sugar Land-Baytown, TX

Market Health Indicator: **33.1**

2009 Total Building Permits: **26,569**

2010 Building Permit Forecast: **29,703**

Compared to other cities its size, Houston has always been a relatively inexpensive city in which to live. Median home prices in this city of nearly 6 million are only \$153,000, and they actually rose last year, as they did throughout the housing recession. Houston may have fallen from its lofty perch as the fourth-healthiest market last year, but Market Intelligence still expects building permit activity here to rise by more than 3,000. The increase will be driven by a 2.1% gain in household formations and a 1.7% gain in employment. Houston's unemployment rate, 8.43% at the end of last year, stands well below the national rate, due to its broad industrial base. Only New York City is home to more Fortune 500 companies. Single-family permit activity raced ahead at a 27% rate in the fourth quarter of last year, compared to the same period a year earlier. Houston still has some distance to go, though, before it reaches the 42,697 permits pulled in 2008.

Get local market data and more on Builder's [Houston Local Market Page](#)



17. Wilmington, NC

Market Health Indicator: **33.6**

Total Building Permits: **1,827**

2010 Building Permit Forecast: **1,925**

Strong employment and population growth is the story in Wilmington, which should witness a turnaround in new home construction this year, according to Market Intelligence forecasts. Home prices, which fell 9.3% last year, should fall only another 2.7% this year before leveling off. Wilmington suffers from some low median income levels, \$40,508, compared to elsewhere in the mid-Atlantic. But its location, minutes from Atlantic Ocean beaches, makes up for that. A tourist destination, Wilmington has a large downtown historic district encompassing nearly 300 blocks. A new state of the art convention center is slated to debut in 2010. The Port of Wilmington is proceeding with port expansion plans. And GE Hitachi Nuclear Energy will break ground on a new nuclear energy plant within the next several years.

Get local market data and more on Builder's [Wilmington Local Market Page](#)



16. Portland-Vancouver-Beaverton, OR-WA

Market Health Indicator: **34.4**

2009 Total Building Permits: **3,821**

2010 Building Permit Forecast: **10,156**

Builders in the Portland area are placing their bets on a strong recovery in 2010; they pulled 17% more permits in the fourth quarter of last year than they did a year earlier, with nearly all the strength in single-family. The locals are betting on some strong underlying demographics, including a projected 2% increase in household growth and continued in-migration from more expensive California markets. The industry doesn't appear deterred by the region's urban growth boundaries or its [new eco-districts](#). Market Intelligence is predicting big things for Portland--an increase of 6,200 in building permits. While Portland's Renaissance Homes became one of the first major builders to emerge from Chapter 11 proceedings, two others--Legend Homes and Pacific Lifestyle Homes--are still working on their reorganization plans.

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15. Myrtle Beach-North Myrtle Beach-Conway, SC

Market Health Indicator: **36.0**

2009 Total Building Permits: **1,758**

2010 Building Permit Forecast: **1,898**

Median home prices dropped 7.4% last year to \$158,980, but the rate of decline should slow dramatically this year. That's in part because Myrtle Beach still adds people and households at one of the highest rates among the 100 largest metro regions. Household formation, for instance, increased 2.5% last year and is expected to continue at that rate in 2010. Households continue to form even though employment is weak--the unemployment rate in December, 12.38%, stood above the national rate, a reflection of weakness in local tourism. Income levels here are also 25% below the national average. Even so, total building permit activity, not just single-family, rose strongly, 47%, in the fourth quarter of last year, compared to the same period a year earlier.

Get local market data and more on Builder's [Myrtle Beach Local Market Page](#)



14. Colorado Springs, CO

Market Health Indicator: **36.7**

2009 Total Building Permits: **1,429**

2010 Building Permit Forecast: **2,260**

Thanks to a strong base of military employment, the unemployment rate in Colorado Springs, 8.44, is well below the national rate. And the median price of a home here, at \$178,770, is still \$30,000 less than in Denver, only 70 miles away. Though home prices may fall another 4.3% this year, the rate of decline would be half as fast as last year. The home building industry is stirring here--single-family permit activity rose 40% in the fourth quarter of last year over the same period the year before. For that reason, and others, Hanley Wood Market Intelligence

forecasts a robust increase in building permit activity this year, a 58% increase that would exceed 2008 levels.

Get local market data and more on Builder's [Colorado Springs Local Market Page](#)



13. Minneapolis-St. Paul-Bloomington, MN-WI

Market Health Indicator: **37.0**

2009 Total Building Permits: **4,831**

2010 Building Permit Forecast: **7,539**

Minneapolis is the other Midwestern market on our list of the 20 healthiest. Though the Little Apple was dealt a blow by the national recession, its unemployment rate at the end of 2009, 8.34%, was well below the national average. That's due in part to the region's slow population growth. Resale home prices, which dropped 8.5% last year, are likely to fall another 5% this year, not bad on a national scale. In the meantime, the market has started to add jobs again, which should continue in 2010. There was a 21% increase in single-family permit activity in the fourth quarter that, unfortunately, was offset by a decrease in multifamily permits. Hanley Wood Market Intelligence expects permits to increase 56% in 2010 to 7,539. That would exceed 2008 levels.

Get local market data and more on Builder's [Minneapolis-St.Paul Local Market Page](#)



12. Richmond, VA

Market Health Indicator: **37.3**

2009 Total Building Permits: **3,042**

2010 Building Permit Forecast: **3,329**

Richmond is another market on the mend. The city of 1.24 million is a state capital and home to several universities. The median price of a home here, \$198,000, fell only 5% last year. Now, the region, which boasted a below average unemployment rate of 8.4% at year end, is poised to start adding jobs again. Market Intelligence expects employment to rise 0.3% in 2010. Permit levels are expected to rise by roughly 10%, though they won't come close to 2008's level of 4,970.

Get local market data and more on Builder's [Richmond Local Market Page](#)



11. Dallas-Fort Worth-Arlington, TX

Market Health Indicator: **37.3**

2009 Total Building Permits: **20,832**

2010 Building Permit Forecast: **24,099**

When it comes to housing, Dallas has an awful lot in its favor--a relatively low unemployment rate, a reputation as a good place for businesses to relocate, and relatively inexpensive housing (median home prices are just \$137,000). These factors should conspire to produce growth in employment (1.9%) and households (2.2%) in 2010, according to Market Intelligence projections. Single family permit activity rose strongly in the fourth quarter of last year, 30%, compared to the year before, though a moribund multifamily market conspired to depress total permit activity 12% during that period. Even so, Market Intelligence expects a 16% rebound in total permits in 2010.

Get local market data and more on Builder's [Dallas Local Market Page](#)



10. Eugene-Springfield, OR

Market Health Indicator: **39.2**

2009 Total Building Permits: **627**

2010 Building Permit Forecast: **1,346**

Permit activity may double in Eugene next year as employment and household formations rise; it did in the fourth quarter of last year. That will be a welcome relief to the 353,000 people who live in the University of Oregon's home town, which currently suffers from a high unemployment rate. Home prices may fall again this year, at half last year's rate, according to forecasts from Hanley Wood Market Intelligence. But permit activity is projected to more than double, if it continues at fourth quarter 2009 rates.

Get local market data and more on Builder's [Eugene-Springfield Local Market Page](#)



9. Durham-Chapel Hill, NC

Market Health Indicator: **39.6**

2009 Total Building Permits: **2,367**

2010 Building Permit Forecast: **2,367**

Durham-Chapel Hill is one of only two markets on our list that escaped the national pattern of home price deflation. Median home prices actually rose last year, 2.7%, even as the market lost some jobs. The market should get some of those jobs back this year. Median incomes, which fell last year, are expected to turn around in 2010 and rise 2.5%. Nearly half a million people live in the famed Research Triangle area, which is home to the University of North Carolina and Duke University. While permits are expected to be flat this year, Durham was one of the few top 100 markets last year that experienced an increase in permit activity.

Get local market data and more on Builder's [Durham-Chapel Hill Local Market Page](#)



8. Washington-Arlington-Alexandria, DC-VA-MD-WV

Market Health Indicator: **40.1**

2009 Total Building Permits: **12,243**

2010 Building Permit Forecast: **15,281**

Our nation's capital had the second lowest unemployment rate last year, 6.75%, on our list of the 20 healthiest housing markets. The region may shed a few jobs this year, but unemployment is still expected to remain below 7%. Washington, D.C. may be an expensive place to live--the median price of a home is \$290,580--but residents have the income to afford it. The median income here is \$84,676, and it's projected to increase another 0.7% this year. Home prices here fell early in the housing recession and are expected to decline only another 2.8% this year. The relative stability allowed builders to expand activity last year. Market Intelligence expects a further pick up this year, with permits rising by 25%.

Get local market data and more on Builder's [Washington D.C. Local Market Page](#)



7. Huntsville, AL

Market Health Indicator: **40.2**

2009 Total Building Permits: **3,309**

2010 Building Permit Forecast: **3,459**

The big news in Huntsville is that building permits didn't fall last year. They didn't rise either, but Hanley Wood Market Intelligence is calling for a modest increase this year. That will be driven by a big build up in household formations, 3.8%, coupled with strong employment prospects (4.2% job growth), the highest rate among the top 20 healthiest markets. The city of 408,000 in northern Alabama has a median home price of just under \$120,000, well below national averages. It supports several military installations, including NASA's Marshall Space Flight Center and the U.S. Army Aviation and Missile Command.

Get local market data and more on Builder's [Huntsville Local Market Page](#)



6. Denver-Aurora-Broomfield, CO

Market Health Indicator: **40.7**

2009 Total Building Permits: **4,521**

2010 Building Permit Forecast: **9,552**

The forces of strong employment growth and household formations should be enough to turn the tide, and then some, in Denver this year. Though median home prices may continue to decline in 2010, population inflows to this attractive city and business growth are expected to lead to a near-doubling of building permit activity. Median incomes here, \$60,876, are expected to rise a hefty 1.7%. New home prices appeared to stabilize late last year; some builders were able to increase them. The good news here is that if builders pull 9,552 permits in 2010, as Market Intelligence projects, they would exceed 2008 levels.

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5. Charleston-North Charleston-Summerville, SC

Market Health Indicator: **42.3**

2009 Total Building Permits: **2,916**

2010 Building Permit Forecast: **3,065**

The city of Charleston may be steeped in history, but it isn't resting on its laurels; it is currently the fastest growing city in South Carolina. Its 2% annual population growth over the last five years ranks very high among the 100 largest housing markets. Underlying demographic strength helped the city escape some of the pain felt in other top housing markets. Home prices, which fell only 4.2% last year, are expected to climb in 2010 as the region begins to add jobs again. Two of the four biggest employers here are military bases, and the health sector accounts for the other two. Recovery appeared to begin in the fourth quarter of last year, when builders pulled 641 building permits, a 27% increase over the previous year.

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Credit: Vernon Wentz

4. San Antonio, TX

Market Health Indicator: **43.1**

2009 Total Building Permits: **6,099**

2010 Building Permit Forecast: **7,341**

Military installations account for three of the four biggest employers here--Lackland Air Force Base, Fort Sam Houston, and Randolph Air Force Base. They have helped keep the region's unemployment rate a relatively low 7.11%, though the area did lose some jobs last year due to weakness in manufacturing. This trend is expected to turn around in 2010; a 2.3% increase in jobs is projected. Household growth has also been strong here. It came in at 2.2% in 2009 and should continue at that rate in 2010. With relatively affordable housing and a growing economy, San Antonio has earned a reputation as a great place to live. It is expected to gain another 2.2% of households in 2010. Single-family permits rose 20 percent during the fourth quarter of last year. Market Intelligence expects total building permits to rise at a 20% rate in 2010, reaching 7,341. By comparison, San Antonio produced 10,261 total building permits in 2008.

Get local market data and more on Builder's [San Antonio Local Market Page](#)



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3. Charlotte-Gastonia-Concord, NC-SC

Market Health Indicator: **48.0**

2009 Total Building Permits: **7,607**

2010 Building Permit Forecast: **7,442**

Home to 1.77 million people, Charlotte has been one of the strongest housing markets in the country during the last three years. Housing prices in this banking center (Wachovia and Bank of America have big presences here) were pretty stable last year, barely inching down. Income levels actually rose in 2009. And households continued to form at a relatively high rate, compared to the rest of the country. The job picture should brighten in 2010; the area is projected to add 2% more jobs. Single-family permit activity began rising in the fourth quarter--it was up 20% over the year-ago period--despite a glut of downtown condos that have been converted to rentals.

Get local market data and more on Builder's [Charlotte Local Market Page](#)



2. Raleigh-Cary, NC

Market Health Indicator: **50.5**

2009 Total Building Permits: **5,145**

2010 Building Permit Forecast: **7,267**

Though home to 1.14 million, Raleigh should produce nearly as much building permit activity as Charlotte in 2010. One of the strongest household formation rates in the country, 3.3% in 2009, should increase slightly this year. The area is expected to regain in 2010 most of the jobs it lost the previous year. One of the secrets to Raleigh's strength is that its population has been growing rapidly, at a 5% rate, for the last five years. It's home to many high-tech businesses, multiple universities, and the state capitol. IBM is its largest employer, followed by North Carolina State University. The single-family market is already showing signs of recovery--permits rose 46% year over year in the fourth quarter, even though total permits dropped 57%. Meanwhile, the city recently announced a big urban revitalization effort.

Get local market data and more on Builder's [Raleigh-Cary Local Market Page](#)



1. Austin-Round Rock, TX

Market Health Indicator: **57.5**

2009 Total Building Permits: **8,277**

2010 Building Permit Forecast: **10, 389**

A state capital that is home to the University of Texas and Dell Inc., Austin managed to avoid the brunt of the national recession. It has one of the lowest unemployment rates in the country, 7.5%. Moreover, nearly all its

major housing metrics will be positive in 2010. The region of 1.72 million is forecast to have rising employment, household formations, and incomes. Only two markets on our list, Huntsville and Raleigh, will have higher rates of household formation this year. Austin was the second fastest growing metro area in the nation in 2008, according to Census projections, and business relocations continued rising through the recession, according to the Austin Chamber of Commerce. Home prices finally declined in 2009; they are expected to fall another 3.3% this year. But that won't stop builders from pulling more permits; permit levels are expected to increase 26%. That would still be well below 2008's 14,250 permits.

Get local market data and more on Builder's [Austin Local Market Page](#)

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