

N.C. house buyers have little room to complain

It might seem hard to believe as you're glancing through the real-estate listings, but houses in much of the state are priced about right, says a national study by Global Insight Inc., a Waltham, Mass.-based economic forecaster, and National City Corp., a Cleveland-based bank. Median prices in Greensboro and Raleigh in the first quarter were about where they should have been, while houses in Charlotte were relatively cheap. Those in Wilmington and Asheville were the most overvalued. Dave Iaia is a senior principal at Global Insight.



BNC: What does it mean for a market to be overvalued?

Iaia: We calculate what we think the median price in that metro area should be, based on income levels and housing prices historically, and we compare that to where housing prices are right now. A metro area is overvalued when the actual median is higher than the median price that income levels in that area can support.

Who uses this study?

The home market is an area that a lot of people are interested in — economists, Realtors, bankers, other business people, homeowners. So much of people's wealth is tied up in their homes. If the housing market fell apart, that would potentially mean bad things for the local economy.

Why is Wilmington so overvalued?

Wage growth has been fairly weak in Wilmington compared to other places in North Carolina. Also, in places that have a second-home market, you have outside demand driving up prices.

So the income of the nonresidents — second-home buyers — isn't factored in.

The fact that we don't have those income levels is a minus in our calculation.

Is it possible homes in Wilmington and Asheville aren't really overvalued?

No. Those were really large overvaluations. There wouldn't be enough outside demand to account for them.

Is now a good time to sell a house in Wilmington or Asheville?

We try to stay away from personal advice.

But you'd get a good price, given what the house is probably worth.

I wouldn't frame it that way. When a market is overvalued, we would say that the conditions are favorable for price growth to slow down.

So to get the best price, you would sell now before prices start leveling off or going down?

Yeah. These markets have a greater risk of having price declines or flattening out than places that are undervalued or appropriately valued.

If you're an investor, it's probably not a good idea to buy a house in Wilmington or Asheville?

Yeah. I guess if you're strictly an investor. Obviously, it varies from house to house, but those would be considered riskier markets.

Houses in Raleigh cost a lot, but you say they're priced right.

Raleigh has a good job market. Jobs are being added at a decent clip, and they're generally higher-paying jobs. When you have that, people can afford more expensive houses.

Charlotte houses are undervalued, so should investors buy property there?

It just means there's less of a chance of the market turning down. It doesn't necessarily mean the market is going to skyrocket up. But, yeah, it would be a more favorable market for investing.

How do prices in North Carolina metro areas compare with those in the rest of the nation?

Growth and prices have been unbelievable in the Northeast, Florida and California. Most of the rest of the country has not been as much of an issue. If you look at North Carolina's four biggest cities — Charlotte, Raleigh, Greensboro and Durham — they are probably averaging out at the appropriate valuation, so North Carolina is about where it should be, which is good and which is abnormal.

Is the long-predicted burst of the home-price bubble nearly upon us?

We don't think of a burst. We're expecting a cooling and a slowdown. We've already seen some signs of that in spots around the country.

Because of higher interest rates?

Yeah. And people are concerned about there being a bubble, so that makes them antsy.

Do you expect any dramatic changes in North Carolina in the next year?

That depends on what happens to interest rates as the year goes on. Is the Fed going to keep raising rates, and what kind of pressure is that going to put on the entire real-estate market? Some people are concerned you might have increases in defaults and foreclosures. If that happens, it's going to further increase supply, which will start to put more downward pressure on prices.

THROUGH THE ROOF

Single-family houses in North Carolina are cheap compared with some parts of Florida and California.

U.S. rank	Metropolitan statistical area	Median price (000s)	Overvaluation
1	Naples, Fla.	\$383.0	102.6%
2	Salinas, Calif.	608.6	79.1
3	Port St. Lucie, Fla.	240.8	77.4
4	Merced, Calif.	291.3	77.0
5	Bend, Ore.	276.1	76.4
66	Wilmington	178.0	36.7
76	Asheville	152.8	32.1
168	Hickory	102.9	8.3
208	Winston-Salem	124.8	2.6
211	Durham	163.2	2.3
217	Greensboro	121.0	1.5
224	Raleigh	173.1	0.2
231	Burlington	110.6	(0.1)
257	Greenville	95.6	(3.1)
265	Charlotte	146.2	(4.6)
280	Rocky Mount	90.9	(6.7)

Source: Global Insight, National City, first quarter 2006