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**INVESTING: REAL ESTATE****Three Booming Towns**

Geography and jobs have made these markets hot—and they're getting hotter.

By Shelley Neumeier

It's no news to homeowners: Real estate has been a terrific investment for a decade or more. So is it too late to invest in property now? Not according to most real estate economists, executives, and brokers. Of course, some markets will fare better than others. "If you're looking for where there's going to be significant demand over the next several years, follow the demographics," says Alex Perriello, CEO of Coldwell Banker Real Estate. That means, to a large degree, following the baby-boomers as they start to think about retirement spots in the Southwest and Southeast. But retirees alone cannot support a market: Job growth is necessary as well.

We found three already hot markets where employment is healthy, population is growing rapidly, and prices have yet to go off the map—all factors necessary for strong appreciation over the next several years.

**Median Price of a Single-Family Home**

Town	Year	Price
Pensacola	2003	\$116,400
	2002	\$116,200
	1998	\$93,300
Reno	2003	\$205,400
	2002	\$183,200
	1998	\$147,200
Phoenix	2003	\$152,500
	2002	\$143,800
	1998	\$120,200

Source: National Association of Realtors

**Pensacola**

**Why it's hot:** The entire state of Florida has been booming. But Gary Eldred, author of Investing in Real Estate, steers potential buyers to the

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relative affordability of the Florida Panhandle. Pensacola, in the Panhandle's northwest corner, is one of the cities that's on top when Michael Sklarz, chief valuation officer for Fidelity National Financial, crunches numbers looking for the best balance of value and growth around the country. Realtors on the ground echo that sunny assessment: "They're selling faster than we can put them up," gushes Nancy Bristow, a realtor with Re-Max in Pensacola.

**Top neighborhoods:** Ella Hess of Ella Hess Real Estate says Gulf Breeze, a peninsula in Pensacola Bay connected to the historic district by a three-mile bridge, is booming. Doctors, lawyers, and other professionals populate this bedroom community, where it's still possible to buy an older home for \$180,000.

### **Reno**

**Why it's hot:** In a word, California. The sizzling property market in San Francisco and Los Angeles, coupled with Nevada's come-hither fiscal policy (no state income or corporate taxes), is drawing cross-border migrants to Reno. "It's been incredible, especially this past year," says James Perry of Remcor Real Estate in Sparks, Nev. "People are selling their high-priced homes and putting a portion of that into less expensive homes here." At the same time, businesses are setting up shop: Amazon.com and Barnes & Noble have each established distribution centers nearby. "We're seeing a lot of relocation business," says Gordon Miles, COO of Coldwell Banker Village Realty. Ingo Winzer, president of the Local Market Monitor, points out that, unlike Las Vegas, Reno is small enough that an influx of homebuyers could drive prices up at a rapid clip.

**Top neighborhoods:** The part of the market with the most explosive growth, says Miles, is in the \$300,000 to \$500,000 range. That will buy you a generous spread in developments like Double Diamond, on the south side of town.

### **Phoenix**

**Why it's hot:** Sun, golf, and jobs. "Initially retirees were driving [sales]," says Margaret Dixon, CEO of Prudential Arizona Properties. "That's changing because of our job market." The biggest increase in employment has been in the service sector. Wells Fargo recently set up a regional operation in Chandler, and insurer USAA is adding hundreds of jobs in the north valley. The population of greater Phoenix is expected to increase at twice the national rate for the next two decades, from three million today to five million by 2020. "It's going to be a banner year—for several years to come," Dixon predicts.

**Top neighborhoods:** Several new freeways are under construction, including one that should accelerate the already speedy growth of two upper-middle-class communities, Chandler and Gilbert, southeast of the city. Prices also have been jumping rapidly in posher areas like Scottsdale.

From the [Mar. 22, 2004](#) Issue

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