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## Housing prices may cool off

### Study says homes in Fresno overvalued after a 30% surge in 18 months.

By Sanford Nax  
The Fresno Bee

*(Published Wednesday, October 30, 2002, 5:14 AM)*

Anybody who has tried to buy or sell a house in the central San Joaquin Valley knows prices are soaring. Now, a couple of real estate analysts wonder whether values have climbed too high.

Home prices in Fresno are inflated by 19.2%, according to two researchers who compared real estate prices with household incomes, unemployment rates and interest rates in cities across the country. Fresno, they said, is one of 10 cities where housing is overvalued.

But that doesn't mean prices have reached the "bubble" stage and are on the verge of bursting, researchers Michael Sklarz and Norm Miller say. Instead, prices are likely to level off.

Sklarz is chief valuation officer of Fidelity National Information Services and Miller is director of the Real Estate Center at University of Cincinnati.

They said "bubbles," while common in the stock market, are rare in real estate. In housing, prices tend to move sideways without any significant gain or decrease until employment and population growth catch up enough to spark another round of appreciation, Sklarz and Miller said in their report.

And Fresno is even more protected against a sharp decline. In a telephone interview, Sklarz said Fresno's relatively low real estate prices act as a stabilizer. "Your market is so affordable that it should buffer against any meaningful decline," he said.

In addition, the Fresno economy is more stable and without the spikes that distinguish Silicon Valley and other areas.

In their analysis, the researchers concluded that home prices in Fresno could level off, or grow more slowly, for about seven years. But Sklarz said that estimate is based on computer models that don't take into account conditions at each local level.

That period would be shorter if employment picks up, population grows rapidly and if the supply of housing stays tight.

Local real estate agents say home prices in some desirable parts of Fresno and

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Clovis have climbed almost 30% over the last 18 months. Low interest rates, job growth in government, health care and other fields and a rush of buyers and investors from outside the area have been catalysts.

But those gains came after almost a decade of stagnation or snail-pace appreciation.

Scott Leonard, president of Guarantee Real Estate, said home prices already are starting to moderate.

"The market can't continue at this rapid pace, but it will be constant and consistent," Leonard said. "There is a ceiling that is being self-generated. Homes that are priced \$10,000 over the market are not selling as rapidly. It means people are resisting ridiculous or unrealistic prices."

Other cities with overinflated prices listed in the report were: Daytona Beach, Fla.; Mobile, Ala.; Burlington, Vt.; Fort Lauderdale, Fla.; Salem, Ore.; San Diego; Tacoma, Wash.; Anchorage, and Oklahoma City.

Sklarz and Miller also studied cities they consider undervalued. They included: Buffalo, N.Y.; Springfield, Mass.; Albuquerque, N.M.; and Little Rock.

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