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Exurbs hardest hit in recent housing slump

Distant suburbs of major cities experiencing biggest decline in price and sales since summer of 2005.

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WASHINGTON (Reuters) -- While the U.S. housing downturn has depressed once-thriving real estate markets around the nation, far-flung suburbs of major cities have suffered the most abrupt market correction.

Home construction in these distant exurbs has slowed and prices and sales have fallen more than those of close-in suburban neighbors since a five-year U.S. housing boom ended in the summer of 2005.

Average home prices in Loudoun County, Virginia, 35 miles outside of Washington, D.C., fell roughly 11 percent in 2006, according to the Northern Virginia Association of Realtors. By contrast, Virginia's Arlington County, which hugs the nation's capital, saw a price decline of only about 2 percent.

"It's been hard for sellers to comprehend, and I'm usually the bearer of bad news," said Mike Wagner, a real estate broker who works in Loudoun. "The news is: Your home is worth \$100,000 less than it was a year and a half ago."

And it's not just prices that have suffered.

The average Loudoun County home sold in December spent 101 days on the market, according to the Realtor group. In Arlington, the average was 72 days.

Wagner and other local real estate agents say the area's soft market is a hangover, in part, from a building spree and a buying binge among investors priced out of other areas.

The same holds true for California, where exurban housing markets have softened more than those close to urban centers.

Home prices in Los Angeles rose a relatively modest 5.8 percent in December from a year earlier, while sales were down 14.5 percent, the California Association of Realtors said.

Riverside and San Bernardino counties, which are on the eastern edge of Los Angeles' suburban frontier, saw a more modest 3.9 percent increase in prices, while sales volume plummeted 40.6 percent. High Desert, about 80 miles from downtown Los Angeles, saw just a 1.3 percent increase in sales price and a 39 percent drop in the number of sales.

Some observers blame the sales stall in the Los Angeles area on home builders who for years gobbled up available land in exurban tracts and overbuilt. Areas closer to the city are already built out and have not faced a big injection of new homes, said Leslie Appleton, an economist with the California Association of Realtors.

Now, real estate agents in the exurbs trying to sell a glut of new homes, along with the inventory of previously owned houses.





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"There is intense competition in the inland areas of the state between the existing stock and new homes," said Appleton. "The absorption of this new product is going to take some time."

And while new buyers are needed to sop up the housing stock, many investor-owners are losing their properties through bankruptcy, said Jesse Ramirez, a real estate agent in Riverside.

"There were some investors thinking that the market was going to continue going up," said Ramirez, who has noticed a spike in the number of bank repossessions. "When things go up, they creep. When they go down, they go down fast."

In some of Florida's distant suburbs, strong price appreciation rates had builders imagining a continued demand for homes, said Brad Hunter, director of South Florida real estate research firm Metrostudy.

"I think it was easy for builders to think that there were real users in these fringe areas far from jobs and entertainment," he said. "In fact, we found that purchases in those areas over the last three years or so ... were speculators and not users."

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