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Real Estate Winners and Losers 2008

While some markets saw home values slide by as much as 40%, others rose. They weren't all wealthy enclaves either. Working-class Utica, N.Y., was up 7%

By [Prashant Gopal](#)

The housing downturn spread quickly in 2008, pulling down home prices, triggering foreclosures, and forcing builders across the nation to slash prices and scrap new construction plans.

But communities—even those within the same state—haven't suffered equally. You'll find relatively healthy pockets even in the most badly damaged states. The tony Silicon Valley community of Palo Alto, Calif., for example, experienced a 4% increase in home values this year. By comparison, home values in the California's worst performing town, Soledad in the Salinas Valley of Monterey County, fell nearly 40%.

Working with Seattle's [Zillow.com](#), BusinessWeek.com came up with 2008's best and worst towns for real estate in each state. Zillow ranked the towns using the average of the annual home value change in the first three quarters of 2008. Of course, the housing problems are likely to have worsened in the fourth quarter when the financial crisis took hold and made home buyers even more cautious.

"Things definitely got worse [in 2008] in terms of the pace of price declines and the pace of declines in home sales," said Marisa DiNatale, senior economist for Moody's Economy.com. "Only a handful of areas are showing any signs of stabilization...Some parts of the country that hadn't experienced declines before are starting to see weakness."

HARDEST HIT

Soledad, a rural California town known for its wineries and the nearby prisons where many of the residents work, experienced explosive growth during the boom. Four different builders had projects under way, each with long buyer waiting lists, seven real estate offices were open to accommodate frenzied buyers, mortgage fraud was rampant, and people stretched to purchase properties they couldn't afford, said Gloria Ledesma, broker with Coldwell Banker Ledesma & Associates in Soledad.

It crashed hard. Only three real estate agencies survived, she said. And most of the homes that are selling are bank-owned properties or so-called short-sales in which lenders agree to accept less than the balance of the mortgage.

"You can now get a house that originally sold for \$610,000 for \$275,000," Ledesma said. "Now people can really afford them, and you have first-time buyers and investors picking them up."

Prices have dropped 27% in Florida's worst-performing town, Lehigh Acres, a rural area near Fort Myers. Two-year-old houses with three bedrooms, two baths, and granite counter tops now sell for \$80,000. The same homes originally sold for well over \$200,000, said Joe Kendall, an agent with Sandals Realty in Fort Myers. For an additional \$25,000 you might be able to get a pool and a screened-in porch.

"People are pulling money out of the stock market, and they're buying foreclosed homes," Kendall said. "Where can you buy a house so cheap?"

PERKY POCKETS

But home prices aren't sliding everywhere. Palo Alto real estate has remained relatively strong, at least until the financial crisis hit in September, said Alex Wang, broker/owner of Rainmaker Properties in Palo Alto.

Wang said the market has slowed since then. Some residents are now eager to sell before the market worsens, he said. In some cases, sellers plan to move into rental properties.

But not every healthy housing market is home to high-tech millionaires. Utica, N.Y., a blue-collar town in upstate New York, hasn't

yet felt the downturn, said Joseph Stachow, owner of Central NY Appraisal Service in Utica.

Utica real estate prices are relatively steady, year in and year out, Stachow said. And he expects home prices will remain resilient. Many residents work in recession-proof jobs: prisons, universities, and hospitals, he said. Moreover, its has attracted over the decades Bosnian, Burmese, Russian, Somali, Sudanese, Vietnamese, and other refugees who have helped to rejuvenate once-failing neighborhoods and schools.

Home values in Utica rose more than 7% this year, according to Zillow.

If a home is "priced right, it usually sells pretty quickly—there's not a lot of inventory," Stachow said. "There's no high-tech industry to move out; there's nothing here that would say, 'We will go to India.' We have a Wal-Mart, a casino, prisons, hospitals, and that's it."

[Click here](#) to see *America's Best and Worst Performing Housing Markets for 2008*.

[Gopal](#) writes about real estate for *BusinessWeek.com* in New York.

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