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Best and Worst Places to Buy a House

Whether you're looking for an investment property or a place to live, here's a look at the cities you should seek out and avoid in 2008.

By Danielle Babb | January 23, 2008

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The housing crunch and the excessive inventory--exceeding 10 months on resale homes--continues to take its toll on housing prices. But over the long term, housing is still a good investment. In fact, it's more than an investment; it's a home. Plus, you're not really saving anything by renting, as the costs of renting and owning are about equal (well, owning may be a *little* more). The tax benefits of home ownership far outweigh renting, too. With good housing prices in many great areas, this may indeed be the time to buy.

So now that I've convinced you this is a good time to buy a home, the next question is, Where do you buy one? No matter where you look, you should check out some basic economic fundamentals before buying. Is job growth stable in the area? Is income keeping up with inflation? Is crime above the national average? Is there a higher-than-average rate of foreclosures? These issues and others play a factor when deciding where to buy a house.

As a real estate investor and analyst, it's my job to provide buyers with qualified information on where to buy--and where to stay away from. Here are my thoughts for 2008 based on the indicators noted above.

The Top Places to Buy

Whether you're an investor like me or you're looking to purchase that next move up, here are my picks for the best areas to buy a home:

- **Killeen, Round Rock, Austin, Texas:** Killeen has the lowest average home price in any market in the nation while still maintaining quality. Round Rock and Austin have seen incredible job growth and very stable home prices despite the downturn nationwide. Jobs continue to grow here--a factor for keeping inventory low and prices stable.
- **Mission Viejo, California:** Mission Viejo has the lowest crime statistics in the nation. With no murders in 2007 and a low rate of violent crime, this is a good place to raise a family. Prices are relatively stable, and the job market in the nearby cities of Irvine and San Diego means there is consistent demand from job seekers.
- **Palm Beach, Florida:** I'm taking a risk here because this area has been pummeled by foreclosures in 2007. But there are also a lot of boomers retiring, and Palm Beach is looking mighty attractive. If you don't like this high of a risk (which translates to great prices), check out Tampa or Clearwater in the same state.
- **Las Vegas, Nevada:** Yes, Las Vegas has been hit hard by incoming investors, who watched their home values disappear and then left those homes empty. Las Vegas comes in quite high on the national foreclosure list, almost always within the top three metro areas. But there's an upside--a very strong job market. In 2007, Las Vegas experienced a 12 percent increase in population, partly driven by retirees looking for Sunbelt states to move to. Coupled with low prices, we could see inventories reduced here, which would also stabilize prices. Be careful what you buy, but I like it.

Places to Avoid

And now for the places you definitely want avoid:

- **Detroit, Michigan:** The job market is in chaos. People are getting laid off left and right. National statistics seem to

point to a significant problem with job loss and job income not keeping up with inflation. As a result, many nice neighborhoods are now abandoned due to people leaving their homes. Inventories exceed one year (under six months is what we want to see), and the foreclosure problem hit Detroit hard. With fewer jobs to support home purchases, I don't see Detroit turning around anytime soon.

- **Miami, Florida:** Palm Beach is different than Miami, which sits in its gorgeous aqua water with half-built and abandoned condos, a shrinking job market, a tough time getting insurance against hurricanes and a job problem. Yes, you can get a good deal, but do this only if you don't need the appreciation from the home in the next decade.
- **Riverside/San Bernardino, California:** Even those lucky homeowners that bought before the boom are feeling it now. Riverside and San Bernardino counties in Southern California consistently lead California in foreclosures and rank in the top three metro areas nationally. The prices have plummeted, and jobs in the area are scarce. People moved there due to lack of affordability in Orange and Los Angeles counties (where their jobs were), so it's a commuter's area. Now that prices in the two counties have dropped, people can live close to their jobs. Although I grew up in Riverside County, I could never recommend it to anyone looking to buy a home.

Danielle Babb is an experienced real estate investor and specialist on the use of technology and real estate. She is also the co-author, with mortgage broker and realtor Bill Nazur, of [Finding Foreclosures: An Insider's Guide to Cashing In on This Hidden Market](#), available from [Entrepreneur Press](#).

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