Housing

# Real Estate Markets Most Likely To Rebound

Dorothy Pomerantz 10.29.08, 4:00 PM ET

If you're a homeowner seeing property values plummet, look to the commercial real estate market for solace. It might tell you which areas will recover fastest--and which will likely remain weak.

The Urban Land Institute recently asked 700 real estate professionals to name the best (and worst) places to invest in commercial real estate in the coming year. Those surveyed included private developers, Realtors and Real Estate Investment Trust executives. Their answers also apply to the residential market, since the single-family-home sector typically follows the economy. As wages go up and there are more jobs, more people can buy homes, pushing prices up.

The best cities in which to invest are those that are considered gateways to international investment, have vital downtowns where people can forgo cars, and don't have a glut of condos or office space.

## In Depth: Best And Worst Places For Real Estate Investors

These traits landed Seattle the No. 1 spot on the list. No city scored above a 6.15 on a scale of one to nine (one being an abysmal place to invest and nine being excellent).

Seattle is "a diversified market, has a good base of business and is becoming a 24-hour city," says Stephen Blank, senior resident fellow, finance, of the Urban Land Institute. "It's going to be in a good position to come back."

Although the city is suffering from the loss of Washington Mutual and the downsizing of Starbucks, Boeing and Microsoft are still relatively strong. Apartment vacancies are low and there aren't too many new buildings going up, meaning the market won't be oversupplied. The same is true in the retail space.

San Francisco comes in second with a 6.12. The City by the Bay learned from the tech crash of 2001 not to overbuild. There is a reasonable supply of office and apartment space, which should limit vacancies. San Francisco's port is also expected to help the city during the downturn as Americans continue to rely on Asian imports.

Washington, D.C., New York and Los Angeles round out the top five.

Of course, there's no guarantee that an improved commercial market will lead to an improved home market. However, investors have a better chance of seeing home prices rise in fundamentally strong markets like Seattle than in struggling cities like Detroit.

It landed at the bottom of the list, scoring a 2.24. Detroit has been reliant on the car industry, which is rapidly shrinking. Other businesses are unlikely to fill the void in the next few years, which means the city will be hit hard by further economic struggles.

New Orleans also lands near the bottom with a score of 3.33. The city has been losing businesses to Houston, Dallas and Atlanta since Hurricane Katrina hit in 2005.

The other cities at the bottom of the list--Columbus, Ohio, Milwaukee, Wis., and Cleveland--suffer from dying industries and lack of tourist appeal.

Recent attempts to turn downtown Milwaukee into a thriving 24-hour city haven't been enough to protect it from the coming downturn. Increasingly picky investors are expected to favor higher-quality port cities over Midwest towns.

And while Columbus has the potential to become a major shipping hub for goods traveling cross-country, that revitalization may have to wait for a stronger economy and a government focused on improving the nation's roads.

For now, prospects are dim.