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## College Station homes are most undervalued

College Station- When economists in Cleveland and Boston recently ran the numbers, they concluded that houses in this college town were a huge bargain.

The analysis by National City Corp., a Cleveland banking concern, and Global Insight Inc., a Boston consulting firm, ranked the adjacent towns of Bryan and College Station-home of Texas A&M University-as the most "undervalued" housing market in the country in this year's first quarter. So as the real estate market cools along the East and West coasts, are savvy investors racing here to buy every house in sight?

On a recent afternoon, there was little sign of a stampede.

Janet Higgins, a veteran real estate broker in College Station, drives a visitor past a four-bedroom home custom-built seven years ago, with marble floors and a "gourmet" kitchen. It is on sale for about \$420,000, down from \$440,000 last year.

"It's a wonderful house," Higgins sighs. "It's got all the whistles and bells." But she says it is tough competing with new homes on the edge of town. A few hundred feet away, she points to another mini-mansion: "This house they almost gave away."

A visit to this metropolitan area of about 190,000 people shows the dangers of relying too heavily on economic models to determine where house prices are headed in any given town.

The analysis by Global Insight and National City looks at the ratios of home prices to household income in 317 metro areas and seeks to explain the variations in those ratios on the basis of population density, income levels and past differences in prices that are caused by such things as climate and schools. Economists then estimate what home prices should be and compare those estimates with market prices to determine whether homes are overvalued or undervalued.

The latest study found Bryan-College Station was 24 percent undervalued. Dallas was the runner-up, at 19 percent undervalued. Indeed, eight of the 10 bargain-basement cities were in the Lone Star State.

But Michael Carliner, an economist at the National Association of Home Builders, says the historical data crunched in this study may not have much to do with where prices are currently headed. The local price outlook, he says, depends on such hard-to-predict things as how the local economy will perform, population trends and the pace of home building.

One thing the analysis doesn't measure is that Bryan-College Station has lots of homes on the market. Elsewhere in Texas, inventories have declined over the past year, but they have held steady at six to seven months here.

In the first five years of the 1990s, one new home-building permit was issued for every 7.5 new people here, said Mark Dotzour, chief economist at Texas A&M's real estate center. In the first half of this decade, the rate soared to one building permit for every 1.3 new people.

But there are some bullish signs for real estate investors. Moody's Economy.com projects that Bryan-College Station will rank among the top fifth of metropolitan areas in terms of employment growth in the five years ending in 2010.

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