MSA HIGHLIGHTS
San Francisco Bay Area Continues to Dominate the Top 10 MSAs for Most Rapid Home Price Appreciation

Major MSAs in Massachusetts and Colorado Flourish

The **San Francisco Bay** area has been experiencing rapid house price appreciation over the past five years, with especially large increases during the past four quarters. Of the 10 large and medium-sized MSAs with the fastest house price growth from the second quarter 1999 to the second quarter 2000, six are located in the Consolidated Metropolitan Area (CMSA) of San Francisco which includes the **San Jose (1)**, **Santa Cruz-Watsonville (2)**, **Santa Rosa (4)**, **San Francisco (5)**, **Oakland (6)**, and **Vallejo-Fairfield-Napa (9)** MSAs* . **San Jose** has lead the rest of the pack over both the five-year period and the past year with increases of 78 percent and 25 percent, respectively. **Santa Cruz-Watsonville** falls into second place for both time frames with 61 percent appreciation over the past five years and 23 percent over the past year. Among the remaining four, all but **Vallejo** experienced annual appreciation higher than 20 percent, and five-year appreciation in excess of 46 percent. Close neighbors to the **San Francisco CMSA** reaped the benefits of the **San Francisco** boom. **Salinas, CA** experienced over 22 percent annual appreciation, ranking third, and **Yolo (17)** recorded about 14 percent growth. House prices in **San Luis Obispo-Atascadero-Paso Robles (8)**, while a bit further away, grew **16 percent** over the past year. This stellar housing market in the Silicon Valley area and surrounding areas is likely attributable to the Internet boom over the past half decade. Not surprisingly, many of these metro areas also lead the nation in per capita income growth over this time period. While the Silicon Valley consists of the Southern **San Francisco** Bay Area, price growth in Northern **San Francisco** and the surrounding MSAs reflects the local economic expansion in the Silicon Valley.

Ranked first for house price growth among states, **Massachusetts** contributes three metropolitan areas, 2 of which are members of the **Boston CMSA**, to the top 20 MSA performers since second quarter 1999. **Barnstable-Yarmouth, MA (7)** leads the other **Massachusetts** MSAs with 17 percent annual appreciation, and **Boston, MA-NH (11)** and **Lowell, MA-NH (14)** recorded about 15 percent annual appreciation. Parts of the **Boston** and **Lowell** MSAs fall into **New Hampshire**, which ranks second among states this quarter. **Nashua, NH (20)**, also included in the **Boston CMSA**, experienced a healthy **13 percent** appreciation. All four of these metropolitan areas have experienced five-year appreciation in excess of **39 percent**, and growth over the past three years has been especially strong. As one of the top three high technology centers on the East Coast, the **Boston** area has reaped the benefits of the Internet boom. Healthy economic growth resulting from the technological developments and the associated spillover effects into other sectors of the economy are primary catalysts for strong housing markets in the **Boston CMSA**. Note also that the **Boston** and **San Francisco** areas have historically experienced high price growth in response to economic stimuli. This is partially due to the fact that limited available land and high regulation in the building industry inhibits the ability of housing supply to expand commensurate with growth in demand.

Healthy economies in **Denver, CO (10)** and **Boulder-Longmont, CO (12)**, demonstrated by high per capita income growth over the past few years have been accompanied by strong house price growth. The two **Colorado** cities have experienced over **15 percent** appreciation over the past year, and **53** and **45 percent** growth, respectively, over the past five years. Solid house price performance in these areas has enabled **Colorado** to rank third among states for growth since second quarter of 1999 **(12%).**

Nassau-Suffolk, NY (16) and **New York City, NY (18)** have boosted **New York State's (7)** ranking over the past year. While **New York** state had been experiencing moderate appreciation throughout much of the late 1990s, house price growth throughout 1999 and into 2000 has been fairly strong. **New York** state recorded close to **9 percent** appreciation since second quarter 1999. **Upstate New York** MSAs have not followed the **New York City/Nassau-Suffolk** trend. In fact, most of **upstate New York** has been experiencing appreciation well below average. **Buffalo-Niagara Falls (ranked 174th** out of the 180 with **0 percent** annual appreciation) and **Rochester (ranked 172nd** with **0 percent** annual appreciation) appear in the bottom 20 MSAs for appreciation over the past year. House price appreciation in **Syracuse (144)** and **Albany-Schenectady-Troy (137)** is also well below average with annual growth in both MSAs slightly higher than **3 percent**.

Over the one-year and five-year time periods, many of the MSAs experiencing slow or negative growth are located in **Pennsylvania**, adjacent to upstate **New York**. This is reflected in the relatively low state ranking of **Pennsylvania (43),** which contains five of the worst performers: **Scranton-Wilkes-Barre-Hazelton (163), Allentown-Bethlehem-Easton (165), Harrisburg-Lebanon-Carlysle (173), Reading (177), and York (178)**. These metropolitan areas are similar in demographic and topographic characteristics to the upstate **New York** metropolitan areas.

Also notable is the continued poor performance in **Bakersfield, CA (177)**, **Honolulu, HI (179),** and **Visalia-Tulare-Porterville, CA (180).** House prices in **Bakersfield** and **Visalia-Tulare-Porterville** have grown by less than **3 percent** over the past five years. Over the past year, prices in **Bakersfield** declined 1 percent and prices in **Visalia-Tulare-Porterville** declined almost 3 percent. Housing values in **Honolulu** show no signs of recovery from the downward cycle of the late 1990s. Over the past year, they declined another 3 percent and have fallen a total of **14 percent** over the five years beginning in second quarter 1995.

---

* For this purpose, "large and medium-sized MSAs" comprise the 180 metropolitan areas that provided 15,000 or more repeat transaction observations since second quarter of 1990.