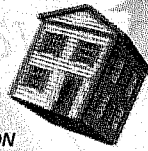


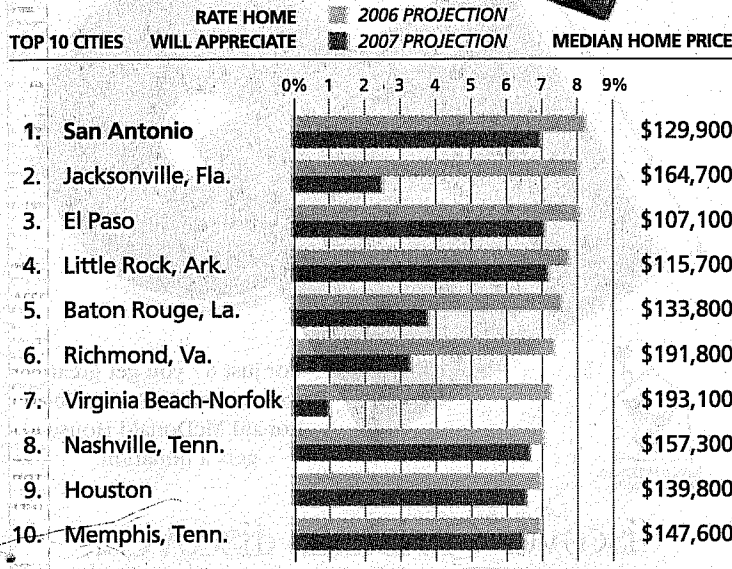
Housing values in S.A. projected

The new hot spot

San Antonio has the nation's highest rate of real estate appreciation of the top 10 cities.



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Source: Fortune Magazine

PATRICK ZELLER/STAFF

last 12 months," Hale said. "And net job growth is estimated to go up over 20 percent next year. I'd say that forecast is very reasonable."

Fortune relied on Moody's Economy.com and home property valuation service Fiserv CSW for guidance. The results estimated that a third of the nation's 100 largest metropolitan markets could expect to see a modest decline in house prices in the next two years.

California, Florida and many Northeast markets saw double-digit annual appreciation rates over the past six years — a period when San Antonio prices were rising just 2 to 4 percent a year — but are now thought to be the most vulnerable.

"It's like a ride at Fiesta Texas: big ups and big downs," Hale said.

Investors who took the ride up are looking for safe havens

to rise fastest in nation in '06

before their ride goes south.

Real estate seminars around the country regularly mention San Antonio, said H. Quincy Long, a real estate attorney who advises investors. Long is a principal in Entrust IRA Administration, a third-party administrator for self-directed individual retirement accounts.

"There's the 'everybody's talking about it' factor that creates its own kind of momentum," Long said.

There's also a solid foundation for that enthusiasm: job growth and San Antonio's probusiness reputation, he added.

Referring to Global Insight, another recent survey, Long noted its calculations for San Antonio had the city's housing stock 11 percent undervalued in the third quarter.

Brokers whom Long knows — he has offices in San Antonio and Houston — get calls from Californians who want to invest here.

Many investors come in to buy something, then go home. But many who come to stay don't just buy a home, they buy a second property.

Ruben Peña, executive vice president at TC Austin Properties, said he regularly hears from stressed-out Californians. They complain that can't afford to live there, they can't stand the traffic, they want out.

One such couple sold a 1,600-square-foot house in California for \$500,000 and bought a 1,800-square-foot house here for \$165,000.

"He ends up saying, 'I want to look for an investment property now,'" Peña said.

It isn't just Californians. Buyers are coming from Florida, the Northeast and New Orleans, brokers said.

The investor herd is drying up in some markets because there is a surplus of rental properties and the rental rates

are too high, said John Flournoy, managing broker at Phyllis Browning Co. They like San Antonio because prices are so low they can drop their asking rents substantially without getting hurt.

Peña doesn't believe this newfound national attention will drive up prices so much that housing will become unaffordable.

"You're always going to have a builder who can build that affordable product," Peña said. "We still have houses in the \$30,000s and \$40,000s. They're not pretty, but it's a place to live."

And Hale believes the city's appreciation rate is sustainable for the foreseeable future.

"It's not like we're trying to maintain a 20 percent appreciation rate," Hale said. "The rates are climbing, but they're not climbing precipitously."

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