



# *Harry's Take*

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## **The Most Overvalued Housing Market Now Is the Southeast: Atlanta Tops the List**

It has taken a second unprecedented housing bubble within just one generation to make the most-affordable region in the U.S. for real estate now the most overvalued. Real estate has always been expensive in places like California and Manhattan, NY. For decades, people have been moving to the Southeast and Southwest from the more-populated Northeast and West Coast for lower prices and often for better weather, to boot.

But this second bubble has finally catapulted the Southeast into the top spot of most overvalued in listing prices vs. expected prices for the area. Hence, the new paradox: California and Manhattan still tend to be the most expensive for real estate, but the Southeast is now the most overpriced compared with what people expect to pay for homes. In one generation (40 years), the Southeast has gone from the least to the most overvalued. And all real estate has fallen significantly, and will continue to fall more than at any time before in U.S. and world history.

## Ten Most Overvalued Housing Markets in the U.S.: Atlanta Is No. 1

| Market         | Average Listing Price | Expected Home Value | Difference, % |
|----------------|-----------------------|---------------------|---------------|
| Atlanta, GA    | \$357,677             | \$236,627           | 51.16%        |
| Cape Coral, FL | \$375,812             | \$251,100           | 49.67%        |
| Charlotte, NC  | \$355,613             | \$240,670           | 47.76%        |
| Memphis, TN    | \$225,958             | \$154,575           | 46.18%        |
| Lakeland, FL   | \$303,766             | \$209,260           | 45.16%        |
| Palm Bay, FL   | \$345,520             | \$238,308           | 44.99%        |
| Detroit, MI    | \$226,101             | \$157,046           | 43.97%        |
| Deltona, FL    | \$334,978             | \$233,050           | 43.74%        |
| Tampa, FL      | \$361,065             | \$252,643           | 42.90%        |
| Nashville, TN  | \$420,932             | \$296,827           | 41.81%        |

Source: <https://www.gobankingrates.com/investing/real-estate/cities-most-overpriced-homes/>

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For the first few decades, places like Atlanta, GA, continued to be reasonably priced despite the strong rise in growth and prices, but no more. The warm, laid-back Southeast now could have some of the biggest price percentage declines ahead!

Atlanta is first in overvaluation, at 51.2%. That means it would take a 34% crash just to get to fair value, and real estate crashes always go well below fair value before they bottom. Who would have thought that Hot 'Lanta values could go down 50% or more?

Five of the top 10 cities in the chart are in Florida: Cape Coral, Lakeland, Palm Bay, Deltona, and Tampa (where I lived before moving to Puerto Rico). Notably, the top ten list does not include Miami, Palm Beach, or Naples, as in the past... even though these areas are still more expensive, typically.

Two in the top ten are in Tennessee. Memphis is No. 4, at 46.2% overvalued, and Nashville is No. 10, at 41.8%. Taken together, nine of the top 10 overvalued areas are in the Southeast. Most people would not expect that.

My view is that this is the most dangerous period for real estate in U.S. and in world history. This overall downturn is likely to include a drop in real estate values of more like 50%, vs. the 34% drop we got between 2006 and 2012 last time. That's huge for residential real estate, and commercial real estate will tend to do worse, as usual.

I think most people should not just be sitting through this, and even the last crash was worse than the Great Depression crash of 26% on average, as mortgages were not nearly as accommodative in the Roaring '20s bubble. That previous bubble you could've thought about sitting through.

If you want to know whether to sell, my question for you is this: What was your house worth at the last real estate bottom, around early to mid-2012? (That bottom could have come earlier in some areas.) If you can't live with the idea that your real estate valuations could fall to that level and be much slower to come back this time, then you are running out of time to sell and then rebuy in the "sale of a lifetime," which is mostly likely to happen between late 2024 and late 2026.

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Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).