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## **U.S. Residential Real Estate Markets are Peaking and Some Cities are in a Pricing Bubble, BH&J Buy vs. Rent Index Shows**

**BOCA RATON, Fla. (December 4, 2018)** – U.S. metropolitan residential real estate markets are peaking and some cities are in another pricing bubble, according to the latest national index produced by Florida Atlantic University and Florida International University faculty.

The [Beracha, Hardin & Johnson Buy vs. Rent \(BH&J\) Index](#) estimates wealth creation by way of homeownership and equity appreciation versus renting and reinvesting in more traditional financial assets. Thus, by default, the index also measures the pressure on the demand for homeownership. Scores approaching one indicate strong downward pressure on the demand for ownership.

Two metropolitan areas Dallas (.92) and Denver (.77) are rapidly approaching an index score of one. “Both Dallas and Denver are significantly overheated,” said [Ken Johnson](#), Ph.D., one of the index’s creators and associate dean and professor in [FAU’s College of Business](#). “Residential real estate prices in Dallas are significantly above their long-term pricing trend, and I anticipate pricing corrections in the near future.”

Strong economies in Dallas and Denver have buoyed property prices beyond their fundamental levels for a sustained period.

“Prices are still appreciating in both metros but at a decreasing rate, suggesting that the current upward pattern in property appreciation is nearing an end,” said [Eli Beracha](#), co-creator of the index and director of the [Hollo School of Real Estate at FIU](#).

Of the 23 cities in the BH&J Index, 20 trended toward rent territory last quarter, implying these markets became slightly more renter friendly in terms of wealth creation. Interestingly, three metro areas – Honolulu, Miami, and Seattle – which have been some of the hottest real estate markets in the country, have trended marginally back toward ownership territory.

“This does not mean that these markets are exhibiting clear buy signal but rather they appear to be pulling back from the brink as buyers begin to negotiate more aggressively in these areas,” said [William G. Hardin](#), director of FIU’s [Jerome Bain Real Estate Institute](#) and associate dean of the Chapman Graduate School of Business.

It is hard to say exactly what is going to happen this time around, said Johnson. Residential cycles are a relatively new phenomenon in most parts of the country. However, markets are going to experience pricing events, he said.

“These events could be as benign as flattening prices and extended marketing times in less overheated cities to significant price declines in the more overheated metros,” Johnson said. “We are nearing the peak of the current residential cycle. The ship is turning once again.”

The BH&J Index is published quarterly and is available online at <http://business.fau.edu/buyvsrent>. Due to data availability and the time necessary to calculate the most current index values, the index is produced two months after the end of the quarter.

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*Florida Atlantic University, established in 1961, officially opened its doors in 1964 as the fifth public university in Florida. Today, the University, with an annual economic impact of \$6.3 billion, serves more than 30,000 undergraduate and graduate students at sites throughout its six-county service region in southeast Florida. FAU’s world-class teaching and research faculty serves students through 10 colleges: the Dorothy F. Schmidt College of Arts and Letters, the College of Business, the College for Design and Social Inquiry, the College of Education, the College of Engineering and Computer Science, the Graduate College, the Harriet L. Wilkes Honors College, the Charles E. Schmidt College of Medicine, the Christine E. Lynn College of Nursing and the Charles E. Schmidt College of Science. FAU is ranked as a High Research Activity institution by the Carnegie Foundation for the Advancement of Teaching. The University is placing special focus on the rapid development of critical areas that form the basis of its strategic plan: Healthy aging, biotech, coastal and marine issues, neuroscience, regenerative medicine, informatics, lifespan and the environment. These areas provide opportunities for faculty and students to build upon FAU’s existing strengths in research and scholarship. For more information, visit [www.fau.edu](http://www.fau.edu).*