

Peoria: Most Affordable or Most Misunderstood?

The news media have recently dubbed Peoria the city with the most affordable housing in America. The September issue of *Changing Times* magazine, for example, concludes that a family could buy five ordinary houses in Peoria for the price of one similar home in San Francisco. The magazine's source of price information is National Association of Realtors® median house price data for existing homes in 84 metropolitan areas. Peoria's first quarter 1989 level of \$42,000 was the lowest in the U.S., \$8,000 lower than the next-most affordable area (Spokane). The second quarter \$47,700 median price is also at the bottom of the list nationally.

It is true that Peoria offers affordable housing; prices fell in the early 1980s, and increases have been moderate in a rebounded economy. Yet those who know Peoria's market and are familiar with prices in other cities caution against comparisons of the type offered by *Changing Times*. Such individuals might cite a recent Housing Cost Survey by Better Homes and Gardens® Real Estate, which finds Peoria to be far from the most affordable in the nation, or in the Midwest (even St. Louis homes are shown to be less costly). The survey figures, which

measure the cost of a benchmark residence, show a new Peoria home to cost \$130,000 and an existing home to cost \$90,600. What, then, is the true state of the Peoria housing market?

Brokers in the area do not dispute the \$42,000 and \$47,700 NAR figures; indeed, these figures were computed from MLS data supplied by the Peoria Board of Realtors®. However, as ORER Advisory Committee member and Peoria Realtor® Dave Rittmiller notes, knowledgeable agents do not feel that a house selling for less than \$50,000 in Peoria is comparable to one selling in San Francisco for \$250,000.

Market statistics can be deceiving. A median price is generally more representative of the "typical" house than is a mean. The reason is that the median is the midpoint of an ordered listing of values from lowest to highest, whereas the mean is the "average," which may be distorted by a few particularly high or low transaction prices. (The recent mean price of houses sold in Peoria was \$56,200.) Yet in some cases the median is not a particularly representative figure. For example, if a disproportionate number of sales involve properties that are atypically low in price, the median could be correspondingly low.

Such a result may have occurred with the Peoria median values. An abundance of older, lower priced homes offered for sale has held prices extremely low in this market segment. Could the competitive environment in this sector have caused more sellers to enlist the assistance of agents, resulting in an atypically high proportion of low priced sales in the MLS statistics? At the same time, could agents have been utilized to a less-than-typical extent in higher priced segments?

Rittmiller suggests that the Better Homes and Gardens® figures present a more realistic picture of the market, at least for the typical relocation client buying an existing home. Studies such as the Better Homes and Gardens® survey tend to define a "typical" home as one with specified amenities in a newer neighborhood. Such a definition would account for at least some of the disagreement in Peoria's NAR and Better Homes and Gardens® rankings.

A final question might be how so many low priced houses could sell if "typical" home-buying families are purchasing costlier units. Part of the answer may be that houses in the low price ranges have been so plentiful and so affordable that the types of families who would typically choose to rent in other cities have been able to buy in Peoria.