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Finance does not explain everything

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From Mr Daniel J. Aronoff.

Sir, Robin Harding's explanation of the relative stability of the Texas housing market is flawed ("[Dallas and destiny](#)", Analysis, May 18). He attributes the muted rate of house price increase during the recent boom to conservative local lending practices. But housing finance during the past decade evolved into a national market, reflecting mortgage investor preference for geographically diversified portfolios; and since end investor underwriting terms became relatively uniform across the US, local market underwriting standards converged.

House prices in Texas rose less because the state has vast expanses of buildable land and limited land use restrictions, and the abundant supply of developable land prevented its price from rising during the boom. Recent academic studies have confirmed a strong positive correlation between the elasticity of the price of residential land and development restrictions. During the housing boom, high growth markets with a glut of buildable land, such as Dallas and Atlanta, did not experience significant house price appreciation, while development restricted markets such as San Francisco and Boston, did.

Finance, it turns out, cannot explain everything about US house prices.

Daniel J. Aronoff,

President and Chief Executive,

The Landon Companies,

Bloomfield Hills, MI, US

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