



Real Estate

Cities Where The Recession Is Easing

Francesca Levy, 03.02.10

In recent weeks business in Washington, D.C. ground to a halt as record snowfalls pummeled the area and a sparring match over national health care reform hijacked the political conversation. But the nation's capital is getting something right: It is emerging from the recession better than any other major city in the country, according to research by Forbes.

Jobs in [Washington](#) are growing quickly, and in 2008 the city produced more in goods and services than almost anywhere in the country.

D.C. and nine other cities (among them: [Boston](#), [Los Angeles](#) and a host of metros in Texas) are best surviving the downturn in part because they specialize in industries that are relatively insulated from economic volatility. Federal and state jobs all but guarantee the health of a local economy, and nowhere is there more government-related work than in Washington. The city has one of the lowest unemployment rates in the country, at 6.2%, and its output amounts to \$362.3 billion, more than three times the average for the country's largest cities.

[List: Cities Where The Recession Is Easing](#)

It also saw a more modest slide in home sale prices than many other metros in late 2009. Cities where the recession's effects are lessening either never felt the full brunt of the housing crisis, or have proven resilient enough that demand is returning sooner than elsewhere in the country. These strong housing markets further enrich the local economy by feeding a host of secondary industries, like construction, lending and household services.

Uncle Sam as a Recession Shield

Government spending hasn't hurt [Austin](#), Texas, either. It's the seat of state government and tied for No. 1 on our list of 10 cities best surviving the recession. Jobs have been lost nearly everywhere in the last three years, but between December 2007 and December 2009 the number of jobs in Austin rose by 0.98%; more than any of the other major cities we looked at. And by three years from now, jobs are expected to grow by 8.09%, the second-best job outlook on our list. Third on the list is [Dallas](#), home to a thriving technology and energy sector, where jobs are projected to jump 7.19% in three years.

Behind the Numbers

To find the cities where the recession was easing, Forbes looked for a relatively low unemployment rate, using December 2009 figures, the most recent available, and the rate of job growth between December 2007 and December 2009, both from the Bureau of Labor statistics. We sought cities where economists expected that jobs would keep growing, based on the three-year job-growth forecast from Moody's Economy.com; we also looked for metros with the highest positive change in median sale price for single-

family homes between the third and fourth quarter of 2009, according to the National Association of Realtors. Finally, we factored in Metropolitan Gross Domestic Product--the dollar amount of goods and services produced within a metro area--provided for 2008, the most recent available, by Moody's.

Forbes ranked the 40 largest [Metropolitan Statistical Areas](#) for which it had comprehensive data (that excludes Nashville, Tennn. and Detroit, Mich.) on all these measures, then averaged the rankings for a final score.

Good Fortune In The Lone Star State

If one state is a poster child for economic recovery, it's Texas, home to four of the 10 cities on our list. There's more to why **Austin**, Dallas, [San Antonio](#) and [Houston](#) are faring well than just the state's energy industry. The tech, government and education industries supplement the oil state's riches. As for housing, cities in Texas didn't see the same run-up in home prices and rampant speculation that led to the spectacular bubble burst elsewhere in the country.

"The housing market got lucky, if you want to look at it that way," says James P. Gaines, research economist at the Real Estate Center at Texas A&M University. "We didn't have excessive overbuilding, so we don't have a big overhang of unsold new homes, and because Texas has among most affordable housing in the country, the demand sustained."

Like **Austin** and Dallas, Houston, tied for No. 4 on the list, is expected to experience a three-year 7.03% rise in jobs. But nowhere are jobs projected to grow more than in San Antonio, where four military bases should help drive its expected 8.32% increase.

Hope Where Housing Markets Stay Afloat

California was perhaps hit hardest by the housing crisis. In spite of that, Los Angeles rises above the rest of the state, and other big cities in the country, to No. 9 on our list. Although the Golden State's real estate woes began earlier and were more pronounced than in large parts of the country, they began easing sooner.

Los Angeles has strong banking and finance industries and a housing market that, while it suffered from a major pricing bubble and bust, has seen a resurgence of demand. After falling to a median \$311,100 in the second quarter of 2009, home sale prices there jumped 11% in the third quarter and another 2% between the third and fourth quarter of 2009 to a median \$342,700, according to the National Association of Realtors, making number four in sales price improvement out of our 40 cities.

Although it's across the country, [Boston](#), No. 8 on the list, has some of the same characteristics that make Los Angeles recession-resistant. Like the City of Angels, it is a cosmopolitan city and an educational center, chock full of amenities and jobs. Unemployment is below the 9.7% national average, at 8.2%, and the city pumped out a healthy \$284.3 billion GDP in 2008.

Bright Lights In The Midwest

Many former manufacturing centers in the Midwest suffer from pronounced economic troubles that began before--and will likely extend beyond--the country's recession. But that's not the case in two Midwest cities, [Minneapolis](#) and [Kansas City](#), Nos. 4 and 10 on our list, respectively. Incidentally, Kansas City has extra cause to celebrate its appearance on this list: it's also No. 13 on Forbes' list of the 20 [most miserable cities](#). High taxes, crime rates and poorly performing sports teams landed it on that list, which ranked cities on nine metrics, most of them non-economic (for example, pollution, government corruption and commute times). A promising economic outlook should give Kansas City residents reason to feel less miserable.

In Minneapolis unemployment is a relatively low 7.2%. The Twin Cities have moved away from their manufacturing roots and are headquarters to major companies including Cargill and General Mills. Although Kansas City, Missouri's largest city, has lost jobs in the last three years, it has done so at a slower rate than most other cities, only dropping 2.7%, thanks in part to a strong education sector and a diversity of industry.

The cities quickest to emerge from the recession benefit from evergreen industries like government, defense, education and technology--sectors that will always provide work, even in a national slump. In addition, these 10 cities are diverse; their fortunes aren't invested solely in one industry, giving them good prospects for the future.

List: Cities Where The Recession Is Easing

1. (tie) Metropolitan Statistical Area: Austin-Round Rock, Texas

Unemployment Rank: 3

Home Price Rank: 13

Metropolitan Gross Domestic Product Rank: 31

Three-Year Job Growth Forecast Rank: 2

Job Growth, 2007-2009 Rank: 1

Courtesy of JB Goodwin