

Real Estate October 22, 2009

The U.S. Metros Least Touched by Recession

San Antonio, TX

Overall rank: 1

San Antonio, the second-largest city in Texas and the site of the battle of the Alamo, has one of the strongest job markets in the nation. Construction, which slowed during the recession, remains relatively robust, in part because of a new JW Marriott, a Caterpillar plant now under construction, as well as school, hospital, and military projects. Employment in San Antonio peaked in the second quarter of last year. Gross metropolitan product in the second quarter was down just 0.8% from the peak in the third quarter of 2008. Home prices grew 3.1% in the second quarter compared with the same period a year earlier. And the unemployment rate in June was 6.9%, up 2 points from a year earlier. (Please see below for the various criteria used by the Brookings Institution to determine the overall ranking.)

Job growth (since peak) rank: 3

Gross Metro Product (since peak) rank: 5

Unemployment change (year over year) rank: 4

Home price change (year over year) rank: 10

Austin-Round Rock, TX

Overall rank: 2

Austin, a high-tech center, is also home to the University of Texas. Employment in the Austin metro peaked in the fourth quarter of last year. Gross metropolitan product peaked in the second quarter. Home prices grew 2.5% in the second quarter compared with the same period a year earlier. And the unemployment rate in June was 7.1%, up 2.6 points from a year earlier. (Please see below for the various criteria used by the Brookings Institution to determine the overall ranking.)

Job growth (since peak) rank: 2

Gross Metro Product (since peak) rank: 2

Unemployment change (year over year) rank: 16

Home price change (year over year) rank: 18

A combination of stable home prices and sizable sectors in health care, energy, government, and education kept these metropolitan areas relatively stable

By [Prashant Gopal](#)

America's strongest economies have one thing in common—home prices that never got too hot or too cold.

Home prices in metros such as San Antonio, Oklahoma City, Pittsburgh, Rochester, Little Rock, Ark., and Baton Rouge, La., remained steady through boom and bust. Although no metropolitan area entirely avoided the economic downturn, the most resilient metros were protected by a potent mix of recession-resistant jobs.

The upstate New York areas of Syracuse, Rochester, Albany, and Buffalo suffered from declining jobs in manufacturing, but got significant boosts from sizable health-care, education, and government sectors. Construction is booming in Baton Rouge, Louisiana's capital, as firms take advantage of financing for post-Katrina hurricane recovery work and service-related companies expand to meet the needs of a growing population. Omaha and the state of Iowa have relatively strong insurance sectors.

Texas, the last state to enter recession, has been bolstered by its oil and gas industries—which have also helped Oklahoma, North Dakota, and Louisiana. Texas also has many other things going for it, including affordable home prices and relatively low wages, which attract corporations.

Business Week.com used data and analysis from the Brookings Institution's new MetroMonitor to come up with the nation's 40 strongest economies. The MetroMonitor, which measures the nation's health on a quarterly basis, ranks the top 100 metros based on job growth, unemployment, gross metropolitan product, and home prices.

A relative boom in Baton Rouge

"No place has been untouched by this recession. This is a change from previous recessions," said Alan Berube, a senior fellow and research director of the Brookings Metropolitan Policy Program. "But there's a big difference in losing one-tenth of a percentage and losing 15% of jobs."

Baton Rouge, which was ranked [No. 6](#), "grew jobs every month until August 2009 and in August it only lost nine-tenths of a percent, compared to 5.1% nationally," said Lauren C. Scott, professor emeritus of economics at Louisiana State University.

Scott said \$5.1 billion of construction projects have been announced or are under construction in the Baton Rouge metro, including a new plant for French chemical company [SNF](#) and the expansion of an ExxonMobil ([XOM](#)) chemical plant.

"One nice thing after another thing happened that has countered what's happening in the rest of the country," Scott said.

Ernie Goss, an economist at Creighton University in Omaha, who studies much of the nation's energy and farm belts, said the strong dollar early this year hurt farm exports. "But the dollar has now weakened significantly and that will be good for the farm sector and energy commodities," Goss said. "I think 2010 is going to be much better than 2009. But we are still not going to have a lot of job gains.

A 22-year unemployment high in Texas

Although the metros in the ranking are strong by relative standards, their unemployment rates in many cases are now peaking because they entered the recession late. Texas, which had 5 metros in our top 10, including [No. 1](#) San Antonio, is a good example.

The unemployment rate in Texas hit 8.2% in September, rising above 8% for the first time in 22 years. But that's a very low unemployment rate, compared to the national rate of 9.8% or to Nevada's 13.3% rate.

Texas is unlikely to face a prolonged downturn, said Terry Clower, an economist at the University of North Texas. The state's affordable cost of living make it attractive to new residents and corporations, the largest of which tend to be based near Houston and Dallas.

"It's perceived as a low-cost place to do business," Clower said. "Because housing is affordable, the wage rates reflect that."

Marisa Di Natale, a director at Moody's Economy.com, said late arrivals to the recession will generally face mild downturns.

These metros "haven't had a big erosion in housing wealth, which has kept consumer spending stronger than it would otherwise be," Di Natale said.

[Click here](#) to see the 40 strongest metros in the U.S.

