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America's Recession-Proof Cities

Joshua Zumbrun 04.29.08, 8:20 PM ET

Nationally, home prices are falling, unemployment is on the rise and the economy is expected to grow slowly--or even contract--in the first half of the year.

But some cities are doing just fine.

Take Oklahoma City, Okla. With falling unemployment, one of the country's strongest housing markets, and solid growth in agriculture, energy and manufacturing, it looks best positioned among the nation's largest metropolitan areas to ride out the current crisis.

In Pictures: 10 Recession-Proof Cities

San Antonio is right behind. It also features solid employment figures and affordable home prices that continue to rise. Its industries are growing; it can't hurt that the new AT&T was formed when San Antonio-based SBC Communications swallowed the old AT&T Corp. and BellSouth.

The others holding steady or improving include Austin, Texas; Houston; Charlotte, N.C.; Dallas; San Jose, Calif.; Raleigh, N.C.; Salt Lake City; and Seattle.

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Behind The Numbers
To find them, Forbes.com examined the country's 50 largest metros and looked at several key measures.

We examined unemployment data supplied by the U.S. Bureau of Labor Statistics for the year ending in February 2008 to see which areas are most adding or subtracting jobs. Next, we looked at the BLS data on job growth in non-farm payrolls, through February 2008, for construction, education and health services, financial activities, information, leisure and hospitality, manufacturing, natural resources and mining, professional and business services, trade, transportation and utilities, and the BLS's catch-all category, "other services."

We also took into account median home price data from the National Association of Realtors--from the fourth quarter of 2006 to the fourth quarter of 2007--to see which areas posted the largest annual gains. Our data don't account for the impact of declining sales in the first several months of this year.

Finally, our rankings were adjusted using data from a November 2007 report, "U.S. Metro Economies: The Mortgage Crisis," by the U.S. Conference of Mayors. It lists each city's estimated gross metropolitan product growth by projecting how rising foreclosures and falling home prices would affect overall levels of productivity in local economies.

Sunny Southern Skies
Texas cities fared best under these measures. San Antonio, Austin, Houston and Dallas-Fort Worth have benefited from historically lower home prices, which have been affordable to a large segment of the population. The availability of land--and, in some cases, little zoning--helped keep prices in these cities low. Instead of competing for homes, Texans could move to a new subdivision a little farther out.

What's more, all four boast falling unemployment rates, with Austin dropping from 3.8% to 3.6% and San Antonio from 4.3% to 4%

Cities that are expected to see growth in non-farm payrolls include Raleigh, which is expected to see 7.4% growth in professional and business services and 6% growth in education and health. In Salt Lake City, where the median home price rose 2.5% and unemployment, at 3.1%, is below the 5.1% national average, growth in education and health services is expected to be 5.5%.

How are you planning on weathering the impending recession? Weigh in. Add your thoughts in the Reader Comments section below.

Some cities have seen increasing home prices but otherwise continue to struggle. Buffalo and Rochester, N.Y., have seen home price growth (from a low base) but still contend with high unemployment--around 6%--and slow-growing or shrinking industries.

And in the San Jose area, the median home sale price is over $830,000. That's 11% higher than it was in the fourth quarter of 2006, helping to land the area at No. 4 on our list. Problem is, that growth has since cooled, and it remains to be seen whether pricey homes coupled with a 5.3% unemployment rate will cause trouble for homeowners this year.

To be sure, even in the most resilient cities, the mortgage crisis has caused suffering. People everywhere got into bad mortgages. Similarly, even in the most battered cities, the majority of people are employed and making their mortgage payments. The extent of recession or resilience is very much in the eye of the beholder, and this list represents only one of many ways to take a snapshot of economies that are standing tall.

In his statements to Congress' Joint Economic Committee earlier this month, Federal Reserve Chairman Ben Bernanke predicted the economy would possibly move into recession in the first half of 2008 but begin to rebound in the second half.

If you're tired of waiting, these might be the best places to go.

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