

Real Estate

Best And Worst Bang For The Buck Cities

Abha Bhattarai 10.10.08, 2:30 PM ET

The economic storm sweeping the country has left Americans with few places to hide.

But those looking to hunker down might want to head to Texas, where they can get the best value for their dollar.

That's because [Austin](#) and [San Antonio](#) lead our list of places where your money goes farthest. Residents of both enjoy affordable housing and promising prospects for job growth in coming years. [Houston](#) and [Dallas](#) also land in the top 10, at Nos. 4 and 7, respectively.

In Depth: America's Best-Value Cities

In Depth: America's Worst-Value Cities

"Texas, as a whole, is one of the few economies that's performing extremely well because of the energy and technology sectors," says Andrew Gledhill, an economist at Moody's Economy.com. Plus, he added, military bases in San Antonio have continued to draw a steady stream of personnel and federal employees to the city, spurring widespread job growth.

The state's manufacturing sector has also grown in recent years, and a reputation for affordable housing continues to lure people to the South. When accounting for median household income, a house in Dallas, for example--with a median price of about \$150,000--is four times more affordable than a house in [Los Angeles](#), the worst-ranked city on our list.

A house in [New York](#) is three times less affordable than in [Charlotte, N.C.](#), and four times less than in [Denver](#), two cities where your money goes far and where the median house costs \$245,000, according to the National Association of Realtors.

Housing has remained affordable in the South and Midwest, thanks to growing populations, relatively lax building regulations and "lots and lots of land," said Daniel McCue, a research analyst at Harvard's Joint Center for Housing Studies.

Plus, he added, housing in cities like Houston "grew at a more controlled pace and didn't go overboard like in Phoenix or Las Vegas," which means houses won't lose much value in coming months.

Three Midwestern cities round out the top 10: [Indianapolis](#); [Columbus, Ohio](#); and [Minneapolis](#). The worst-ranked cities, after Los Angeles, were [Providence, R.I.](#); [New Orleans](#); [Philadelphia](#); and [Cleveland](#).

Behind the Numbers

To ensure that our list reflected future value instead of past bargains, we began by looking at projected job growth through 2012 in the 40 largest U.S.-Census-defined metropolitan areas of the country with data from Moody's Economy.com.

Texan cities were a clear winner, with economists predicting job growth of at least 2% by 2012 in Austin, San Antonio, Dallas and Houston. By comparison, job growth in cities at the bottom of our list, including Los Angeles, Philadelphia and Cleveland, is expected to be about 0.2%.

We then calculated the ratios between each city's median house price and median household income, using 2000 U.S. Census figures, the latest available, and 2007 data from the National Association of Realtors. Next, we compared median income to Moody's cost of living index.

Final factors included the average gas price in each city on a given day in October as collected by AAA, and year-over-year inflation growth as calculated by Moody's and Forbes.com.

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The factors that make the cities on our list valuable--affordable housing, relatively low gas prices, sluggish inflation, a job market that's more vibrant than most--are more than an indication of cheap deals. Instead, they give us a glimpse of the cities that are likely to offer *value*. Cities like Detroit (which didn't make it to our list) are cheap, but low-income figures and a fading job market won't do much for sustaining worth.

The cities where you'll get the least value include areas like Los Angeles, New York and [Washington, D.C.](#), where median house prices are more than \$400,000 and relatively few people can afford them. Cities like Providence, R.I., and Philadelphia are suffering from large waves of out-migration as more and more residents decide to pick up and leave. As a result, local economies stagnate, and prospects for job growth seem bleak--economists predict the number of jobs in Philadelphia will grow by 0.2% by 2012 and by 0.1% in Providence.

But, economists say, no state has been as hard hit as California.

"California is being faced with a combination of a zillion things--the state's been in a prolonged recession, and at the same time, you have some of the least affordable housing in the country," says Gledhill. "We'll probably start seeing a bottom in the housing market late next year, but it'll be a while until we see a real recovery."

Los Angeles' misfortunes, however, have helped boost the economy in cities like [Portland, Ore.](#) It and Seattle have become attractive alternatives for those looking to leave California in search of affordable housing and lower costs of living.

The value of a dollar in different cities is also closely linked to local inflation rates. In Austin, for example, year-over-year inflation rates rose by 5%, while in Portland, that figure was nearly 5.7%. Local inflation rates ranged from 3.2% in St. Louis (No. 8 on the worst list) to 5.82% in Dallas (No. 7 on the best list).

How is the struggling economy affecting you? Weigh in. Post your thoughts in the Reader Comments section below.

But keep in mind, even cities that ranked well on our list aren't immune from the forces of today's downturn. Gledhill says economic growth in Portland, which has already begun to slow, will be compounded further by California's slowdown.

Things won't be much better in Columbus, according to Bodhi Ganguli, an economist at Moody's. So far, the city has weathered the storm better than its local counterparts. But he said, "an extremely high foreclosure rate" and bleak expectations for job growth will begin to take their toll on the city's economy.

Things may turn for those in Charlotte, which has fared relatively well so far. That's because housing prices never reached exorbitant highs, which shielded the city from a major housing bust.

But as the Charlotte-based Wachovia get swallowed by Wells Fargo, Gledhill says, "a more measured deterioration is on its way."

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