



# nerelj

## All want top brand cities - but you go where the jobs are

August 07, 2014 - Appraisal & Consulting

Recently, I was talking with my son who graduates from business school next year about which cities and which jobs are most desired by MBA graduates. With lots of recent anecdotal information, he said that most want to go to New York or San Francisco. He said that job choice was varied, but many pick a city first and then determine how to work there.

I thought about the subject, and it had all the facets for a good NEREJ story: housing demand and supply, related prices, job growth and quality of life. Somehow millennials synthesize this information in their heads, but I need to do more research. It turns out that some of the conclusions are obvious, but there are also complexities to these choices.

The real estate company Trulia has done some excellent data collection in this field. Regarding housing pricing, they conclude that today's middle class is quickly being priced out of many "desirable" cities in the United States. While they find that 80% of the hundred largest U.S. metropolitan areas are within reach, most of those happen to be in Ohio, Indiana, Michigan, Arkansas, rural New York, etc. The ones that already are or becoming unaffordable include Los Angeles metropolitan area, San Francisco, Manhattan and Brooklyn, and to a lesser degree Chicago, Boston, Seattle, unfortunately all top choices for young grads.

I was beginning to see a pattern. Among others, my son and his millennial friends are pushing prices up, based on desirable living areas. Do these areas have plenty of jobs? I reviewed articles on the "best" cities for jobs in 2014. Needless to say, depending upon criteria for good jobs, there were varying findings. There were also relatively quick changes in how the cities rated. For example, in the earlier years of the recession, the cities that created the most jobs were either government or energy related. Thus, Washington, D.C. and Texas were rated highly. Now, with the longer duration of the recovery, best jobs have shifted to Wall Street and Silicon Valley. Much of this shift has been caused by monetary policy helping out New York financial institutions and tech sector growth helping out the California jobs. In addition to those cities, there are large job increases in the Dallas/Austin area, Raleigh/Cary, Denver, Salt Lake. These are areas that have more affordable housing and where companies continue to site new offices for growth. According to the research, the biggest surprise growth in the Sunbelt metropolitan areas that were hardest hit during the housing bust. For example, Orlando now ranked eighth in their findings, up 23 places from last year. Phoenix is ranked 22nd compared to its 51st place ranking in 2010, etc.

Overall, the U.S. economy is projected to generate 2.6 million jobs in 2014, up from 2.2 million last year. Nearly 570,000 of the new jobs will be added in just two states, Texas and California according to Moody's Analytics. Despite previous dire predictions, Florida will add 175,000 jobs and Arizona is expected to add 75,000 jobs. Based on the statistics, it clear that many jobs will be created in areas with less expensive housing. Thus, while my son may want to work in Manhattan, most new grads will end up in Arizona, Colorado, Oregon, Idaho and Utah, where the cost of living and often the

quality of life is more attractive.

How does Boston fare and compare? Job growth itself, measured as a percentage is ranked near San Francisco and New York, and projections for 2014 are substantially higher than in recent past, with a potential for over 10,000 new jobs per month. However, the absolute numbers do not compare favorably to newer growth areas, for example compared to a potential 310,000 new jobs in Texas in 2014.

As I said earlier, this part of the research is complicated and sometimes contradictory. Certain areas are recovering faster on a percentage basis, but they may have been hit hardest during the recession. Other areas are dependent on specific facets of the economy and could be hurt by sector shifts. Other areas are life style "popular," but could be prohibitive due to the cost of housing. Boston should fare relatively well, but many predict strong migration patterns towards new areas, where companies can relocate without difficulty, new homes can be built. That clearly will not be the Boston metropolitan area, where land is scarce, regulations are tough, and costs are high. We who live here will continue to love this area, but others, to our surprise, may not follow suit.

Daniel Calano, CRE, is the managing partner and principal of Prospectus, LLC, Cambridge, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540