

Study Ranks Phoenix #15, Tucson #41 in Best Large Cities for Investment



Whether you're looking to become an investment property owner, or are looking to buy additional investment properties, large cities can offer a number of benefits. From high-rises to single-family homes, large

cities provide more diverse housing options as well as ample opportunities to find tenants, but knowing where and when to invest is a key factor. In order to determine the best large cities to buy an investment rental property, we recently analyzed home values and median rent as well as other metrics in cities around the country.

The large cities on our list all have a population size of 300,000 residents or more and were ranked based on five metrics: median home value, year-over-year home value growth, 10-year population growth, annual property tax and annual return.

On average, these cities have experienced a 10% growth in population since 2010. They also offer an average annual yield of \$5,451, which represents potential profit after mortgage, property taxes and homeowner's insurance. We also displayed home value to gross rent ratio, which represents the number of rent payments it would take to pay for a home in each city based on median rent and median home value if a home were financed based on a 30-year mortgage with a 4% fixed interest rate.

	City, State	Median Home Value	Home Value to Gross Rent Ratio	Annual Property Tax	Population Growth	Annual Return
1	Cincinnati, OH	\$161,508	102	\$2,917	2%	\$7,967
2	Colorado Springs, CO	\$302,900	189	\$1,484	11%	\$4,252
3	Tampa, FL	\$224,900	141	\$2,301	14%	\$6,459
4	Atlanta, GA	\$264,500	152	\$2,716	14%	\$6,428
5	New Orleans, LA	\$228,780	142	\$1,828	11%	\$6,896
6	Aurora, CO	\$332,400	175	\$2,014	13%	\$6,014
7	Lexington, KY	\$154,100	150	\$1,835	8%	\$4,477
8	Philadelphia, PA	\$182,238	121	\$1,793	4%	\$7,747
9	Corpus Christi, TX	\$150,000	100	\$2,823	7%	\$7,593
10	Jacksonville, FL	\$180,600	134	\$1,755	9%	\$6,057
11	Oklahoma City, OK	\$135,300	135	\$1,416	10%	\$4,308
12	Mesa, AZ	\$257,180	172	\$1,645	13%	\$4,871
13	Miami, FL	\$366,159	153	\$3,804	15%	\$8,724
14	Raleigh, NC	\$281,800	188	\$2,485	13%	\$2,927
15	Phoenix, AZ	\$248,100	169	\$1,588	13%	\$4,556
16	Charlotte, NC	\$232,500	156	\$2,571	15%	\$4,569
17	Indianapolis, IN	\$147,600	131	\$1,547	5%	\$5,301
18	Nashville, TN	\$267,000	157	\$2,419	10%	\$6,113
19	Fort Worth, TX	\$200,300	125	\$4,330	16%	\$5,582
20	Kansas City, KS	\$149,500	146	\$2,057	6%	\$3,295
21	Minneapolis, MN	\$268,100	149	\$3,509	10%	\$6,115
22	Bakersfield, CA	\$244,700	163	\$2,484	9%	\$4,152
23	St. Paul, MN	\$219,700	146	\$2,863	7%	\$4,937
24	Dallas, TX	\$212,700	122	\$4,237	11%	\$6,887
25	Columbus, OH	\$169,700	123	\$3,296	11%	\$4,888
26	Tulsa, OK	\$123,000	129	\$1,374	2%	\$3,930
27	Riverside, CA	\$414,100	197	\$1,321	7%	\$5,471
28	Denver, CO	\$426,200	194	\$2,583	16%	\$4,869
29	Louisville, KY	\$165,500	144	\$1,539	4%	\$4,581
30	San Antonio, TX	\$178,500	137	\$3,547	13%	\$3,761

Eyes on the South and West

More than half of the cities on our list are located in either the South or the West, making both regions areas that investment property owners will want to keep an eye on. Texas makes the most appearances on our list with four cities: Dallas, Fort Worth, San Antonio and Corpus Christi. Florida also has a strong presence with three cities: Tampa, Miami and Jacksonville.

1. Cincinnati

At nearly \$8,000, Cincinnati offers the highest potential annual return on our list, if an investor financed a home at the city's median home value of \$161,508. It also provides the best home value to gross rent ratio at 102. This number represents the number of rent payments needed to pay off a home. These factors along with a 7.1% year-over-year home value growth propelled Cincinnati as the best large city to buy an investment property.

2. Colorado Springs

Head West to find the No. 2 city on our list. Although the median home value is higher (\$302,900), Colorado Springs offers low annual property taxes of \$1,484, which is nearly \$1,000 less per year than the overall average on our list of 30 cities (\$2,363). This city has also seen a population growth of 11% within the last ten years. Two other Colorado cities, Aurora and Denver, also made it onto our list at No. 6 and No. 28, respectively.

3. Tampa

Looking to invest in property and plenty of sunshine? With a potential annual return of \$6,459, Tampa is your best bet. The city has also been booming in terms of both population and job growth. In fact, the Tampa Bay metro area added more than 26,000 jobs over the last year, according to the Florida Department of Economic

Opportunity.

4. Atlanta

With a population teetering on half a million people, Atlanta offers the best of both worlds in terms of “big city” feel and big potential for investors. The city has experienced a 14% population growth since 2010 and offers potential annual returns of \$6,428 making it No. 4 on our list of best large cities to buy an investment property.

5. New Orleans

If you want to be close to the action (and the party), New Orleans is calling your name. The Big Easy offers a reasonable median home value of \$228,780, low annual property taxes of \$1,828, a growing population of more than 10% since 2010 and potential annual returns of more than \$6,000.

For local comparison, when comparing major metro areas with populations greater than 300,000, Tucson ranked #41. The Old Pueblo has a median home value of \$196,300, annual property taxes of \$2,004, a growing population of 3% since 2010 and potential annual returns of \$3,876 and a home value to gross rent ratio of 157.

Whether you’re considering becoming an investment property owner, or already own investment properties, utilizing a 1031 Exchange can defer capital gain taxes on investment property. You can use our [Capital Gain Estimator](#) or [click here](#) to learn more about how a [1031 Exchange](#) can help preserve and grow your assets when selling and buying investment properties.

For full article [click here](#) .

Methodology

To determine the best large cities to buy an investment property, we compared cities with a population of 300,000 or more. From there, we considered median home value, year-over-

year home value growth, 10-year population growth, annual property tax and annual return for each city. Data for 10-year population growth was collected from the U.S. Census Bureau. Median housing cost, median rent and year-over-year home value growth data was collected from Zillow. Each factor was graded on a 100-point scale and then weighted to determine a final ranking.

We determined an overall weighted average based on the following:

Median Home Value: Median home value in each city. (20 points)

Home Value Growth: Year-over-year home value growth (as of December 2019, not displayed in the above graphic). (20 points)

Annual Property Tax: Annual property tax amount within each city based on the median home value. (20 points)

Population Growth: Each city's 10-year population growth. (20 points)

Annual Return: Represents the annual profit an investor could potentially make if a home was financed based on a 30-year mortgage with a 4% fixed interest rate. This potential profit includes factoring in home insurance and property taxes, but does not include factors such as closing costs, maintenance or utilities. (20 points)