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Special Report: Investment Risk Analysis Key Takeaways for 2026

Yardi Matrix's Investment Risk Analysis offers a comprehensive framework for evaluating markets and key factors that influence investment decisions. This report integrates our in-depth review of 39 markets, covering fundamentals, infrastructure quality, political stability and environmental considerations.

The 2026 update is now available, offering fresh insights into fundamentals and risk indicators across these markets. Highlights include:

Market Fundamentals: Diverging Trends Across U.S. Metros

Population growth patterns remain on the trajectory that we've seen over the past few years, with the strongest population growth projected in the Sun Belt and Mountain West and the weakest in gateway cities.

Rent growth, however, diverges from population trends. The highest increases are anticipated in supply-constrained gateway markets including San Francisco, Boston and Los Angeles, whereas high-supply Sun Belt metros such as Dallas and Austin are projected to see the softest rent growth.

Annual employment growth has moderated across most metros, with few outperforming the national average in 2025. Measures related to tech talent, educational attainment and office-using employment remained largely in line with findings from our 2023 analysis. Five-year job growth projections, however, have strengthened, with most metros expected to exceed national trends.

This year's analysis also incorporates additional labor market indicators to provide a more comprehensive view of employment dynamics, including the percentage of the workforce in manufacturing and construction, as well as the number of technical and trade schools in each state. The inclusion of these measures particularly disadvantaged traditional gateway metros such as Chicago, New York and Washington, D.C., while favoring secondary markets like Boise, Phoenix and Salt Lake City.

Infrastructure Risk: Rising Strain On Urban Systems

From 2023 to 2025, several major U.S. metros experienced a significant increase in infrastructure risk across water, energy and transportation systems. For example, Chicago's water infrastructure risk increased due to widespread lead contamination from aging infrastructure, leaving future water supply efforts severely underfunded. Boston and Columbus saw a dramatic increase in pressure on their energy systems, driven by soaring electricity and natural gas costs, aging grids and insufficient progress toward meeting future demand—particularly as Boston faces a clean energy infrastructure gap and Columbus struggles with explosive growth from data centers.

Transportation systems in Dallas and Washington, D.C., also deteriorated, with both cities facing worsening congestion, transit funding shortfalls and stalled expansion efforts, undermining their ability to keep pace with rapid population growth. Overall, these trends highlight mounting challenges in infrastructure capacity, quality and funding, signaling urgent needs for accelerated investment and modernization.

Political Risk: Uneven Recovery in Crime, Fiscal Health and Affordability Policy

National crime levels continue to ease from the elevated highs of the Covid era. Metros with longstanding public safety challenges—including Albuquerque, Chicago and Portland, Ore.—continue to rank the lowest on safety, whereas cities like Boise, Columbus and Madison remain among the safest.

Chicago and Huntsville continue to post the weakest outcomes on tax burden and pension liability, driven by low levels of tax competitiveness and underfunded city and state pension systems, while

Nashville and Salt Lake City maintain favorable business conditions.

Regarding affordability policy, New York, Boston and Los Angeles remain the most challenged, while Austin is showing notable improvement as regulatory reforms and zoning adjustments help reduce development barriers. Similarly, new policies in Las Vegas that allow by-right zoning for residential properties and the allowance of Accessory Dwelling Units (ADUs) promote increased density and more supply.

Environmental Risk: Revised Methodology Reveals Shifting Vulnerabilities

Many of the shifts in environmental risk compared to our last analysis can be attributed to an updated methodology, which provides a more robust and forward-looking foundation for understanding long-term environmental risks across U.S. metros.

Based on the FEMA national risk index, several cities had elevated risk exposure due to natural disasters, including wildfires and avalanches (Salt Lake City) and earthquakes (Seattle, Portland and San Francisco). In Nashville, the lack of an enhanced disaster mitigation plan and the lowest number of tax incentives promoting renewable and energy-efficient investments contributed to more elevated risk.

Pollution-related scores also shifted in a few cities. Colorado Springs experienced a deterioration in air quality due to intensified heat and dry weather, which led to increased levels of smog. Additionally, Miami had a marked increase in contaminants detected in water, some of which can be attributed to better detection methods.

—*Claire Spadoni, Brittney Peacock, Jacob Gonzalez, Senior Research Analysts*

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