EMPOWERING AMERICAN CITIES

FIFTH THIRD / UNC KENAN INSTITUTE

The 2026 Economic Outlook

Housing Affordability, AI Investment Keys for Growing EMAs

January 2026

Written by: Sarah Dickerson, Research Economist, Kenan Institute of Private Enterprise

KEY TAKEAWAYS

- **The Sun Belt, and the Southwest in particular, is home to many of the EMAs with the strongest employment growth.** In these metros, affordability and pandemic-era telework shifts fueled sustained population growth. This trend reflects the in-migration of workers and the continued expansion of firms into low-cost, business-friendly regions.

- **The EMAs with the strongest housing-permit growth fall broadly into two groups: affordable markets with flexible zoning regulations and sufficient land for construction (e.g., Kansas City and Greenville) and Florida metros with pandemic-era population growth, such as Miami and Tampa.** The Florida EMAs have offered economic opportunity and lower taxes, making these metros more appealing to workers who gained telework privileges.

- **Investment driven by artificial intelligence propels many of the EMAs with the strongest growth in gross domestic product, including Seattle and the San Francisco Bay Area.** This recent growth is tied to capital investment rather than broad productivity gains, which are more likely to accrue over time.

Introduction

In 2025, the U.S. economy proved resilient to economic headwinds that seemed formidable early in the year. Despite elevated interest rates, sticky inflation and policy uncertainty surrounding tariffs, the economy appeared remarkably stable by year end. The labor market softened but did not collapse, with wage growth remaining positive and unemployment low by historical standards. As the year progressed, tariffs proved less destabilizing than initially feared. Many sectors, including manufacturing, healthcare and retail, struggled to absorb higher costs, but the broader inflationary impact was more limited than many had anticipated.

Given the economy's structural resilience, we expect U.S. economic growth to remain slow yet positive in 2026. The headwinds that we encountered last year, however, have not gone away. Much of the economic risk and policy uncertainty that defined 2025 carries into 2026. Shutdown-related data gaps create additional challenges for prognosticators and foment economic uncertainty. Meanwhile, changes to tariff policies, which would affect many industries and are difficult to predict, could keep inflation above target, weighing on investment decisions, consumer sentiment and labor-market conditions. The labor hoarding observed in recent years may give way to labor shedding as firms trim payrolls. Emerging labor market weakness combined with potential inflation could dampen household spending and increase uncertainty around potential interest rate cuts.

These challenges, however, have not yet triggered an economic cooling, and tailwinds could support a repeat of the higher-than-expected gross domestic product growth observed in Q3 2025. Uncertainty in tariff policies may prompt firms to accelerate resiliency strategies, including onshoring operations and increasing capital expenditures. The disruption and anxiety initially caused by tariffs may fade, paving the way for a return to business as usual. Technological advancements, particularly in AI, could boost output even without a corresponding increase in labor. A cooling labor market may prompt the Federal Reserve to cut rates several times in 2026, which would boost construction, encourage borrowing and stimulate business investment. Meanwhile, extensive tax cuts that take effect this year may bolster consumer and business confidence despite enduring headwinds. These positive dynamics could countervail persistent risks, upholding stability in the year ahead.

In this report, we assess 2026 forecasts for GDP, housing activity, and employment for the country's 150 Extended Metropolitan Areas. We compare economic forecasts across these localities and broader regions, providing insights into which regions outperform and why. We also show that affordability and population dynamics influence expected employment and housing permit growth, and that several of the EMAs with the strongest GDP growth forecasts are hot spots for investment in artificial intelligence.

The Data That Drives Empowering American Cities

Empowering American Cities brings together Fifth Third Bank's in-depth local knowledge and data analysis by the Kenan Institute of Private Enterprise at the University of North Carolina at Chapel Hill to deliver valuable perspectives in support of business growth and economically healthy communities.

The Kenan Institute, as part of its American Growth Project, analyzes comprehensive economic data for the 150 largest EMAs in the U.S., providing insights on regional growth trends. We have adapted our model to account for data lapses stemming from the recent government shutdown and developed key indicators, including GDP growth, with forecasts for 2026 alongside historical trends spanning five and 10 years. On the supply side, employment forecasts describe labor market dynamics (see Table 1). Among the 50 largest EMAs, for instance, we expect the following to experience the strongest employment growth in 2026: Austin, Las Vegas, Phoenix, Raleigh and Durham, and Salt Lake City. On the demand side, we use housing permit growth to create housing activity forecasts. Among the 50 largest EMAs, we expect the strongest housing activity in 2026 in Columbus, Miami and Fort Lauderdale, Pittsburgh, Tampa and Oklahoma City, followed by Kansas City, Greenville, Detroit, Richmond and Salt Lake City.

In addition to producing these essential economic indicators, we use GDP and employment statistics to yield productivity metrics that reveal an EMA's output per worker across major industry sectors. Our model also allows us to gauge every EMA's Embedded Local Growth Characteristics, which captures the ways in which an EMA's demographic and industry mix shape its economic trajectory. Economic indicators for the 50 largest EMAs by population are shown in Table 1.

The Empowering American Cities GDP growth map (Figure 1) provides a visual overview of economic performance across all 150 EMAs. The map tracks GDP growth over the past five and 10 years and offers a one-year forecast for the year ahead. The visualization shows that, among the 50 largest EMAs, the top performers in 2026 for one-year GDP growth are forecast to be Austin, the San Francisco Bay Area, Salt Lake City, Raleigh and Durham, and Seattle. The bottom five performers are Detroit, Cleveland, Memphis, Greensboro and New Orleans. The map shows stronger growth in many of the EMAs in the Sun Belt and weaker growth in pockets of the Midwest.

By providing side-by-side information for every EMA, the visualization shows how EMAs perform relative to one another. EMAs are separated into two distinct groups according to population size — the 50 largest EMAs and the next 100 midsize EMAs. This division allows for more in-depth, meaningful comparisons between peers of comparable size.

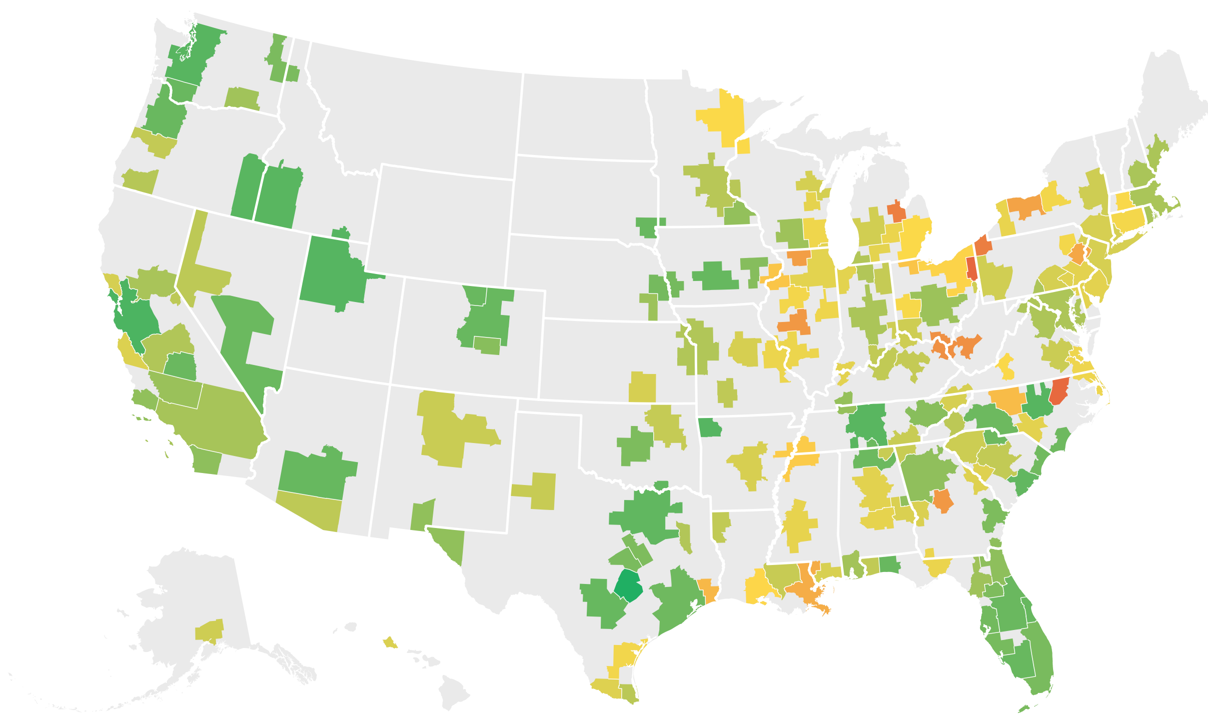
Table 1: Key Economic Indicators for the 50 Largest EMAs

EMA Name	GDP Growth 2019-2026	2026 GDP Growth Ranking	GDP Change in Rank	Employment Growth 2019-2026	2026 Employment Growth Ranking	Employment Change in Rank	Housing Growth 2019-2025	2025 Housing Growth Ranking	Housing Change in Rank	Embedded Local Growth Characteristics
Atlanta, Georgia	3.8% 1.6%	21	−9	1.3% 1.0%	16	+15	−13.5% −20.6%	41	+5	Moderate
Austin, Texas	6.5% 4.6%	1	0	3.5% 2.9%	1	+2	6.7% −23.2%	45	−26	Strong
Birmingham, Alabama	1.3% 0.6%	39	+1	1.9% 0.2%	41	−22	13.1% −4.7%	22	−8	Weak
Boston, Massachusetts	3.2% 1.3%	25	−6	1.1% 0.5%	27	+6	3.0% −21.0%	42	−16	Moderate
Charlotte, North Carolina	3.1% 2.1%	14	+6	2.4% 1.2%	12	−4	−5.4% −8.2%	32	+9	Strong
Chicago, Illinois	0.9% 0.5%	41	+4	0.4% 0.2%	40	+7	1.6% −6.5%	27	+2	Weak
Cincinnati, Ohio	4.8% 0.9%	34	−28	1.6% 0.1%	42	−20	−2.0% −7.0%	28	+6	Weak
Cleveland, Ohio	1.9% −0.0%	47	−12	1.3% −0.4%	50	−22	−3.0% −26.8%	49	−14	Weak
Columbus, Ohio	2.6% 1.5%	22	+3	1.8% 0.5%	32	−12	−13.4% 20.2%	1	+44	Moderate
Dallas and Fort Worth, Texas	3.8% 2.6%	7	+4	2.4% 1.5%	9	+1	−1.0% −7.9%	30	+3	Strong
Denver, Colorado	5.7% 2.3%	10	−6	2.2% 1.2%	11	0	−6.8% −1.8%	17	+25	Strong
Detroit, Michigan	0.8% 0.0%	46	0	1.1% −0.2%	47	−12	4.7% 8.7%	8	+16	Weak
Fresno, California	2.8% 1.3%	28	−6	1.2% 0.9%	19	+13	17.5% −16.4%	39	−30	Moderate
Grand Rapids, Michigan	0.6% 0.8%	36	+12	0.5% 0.6%	23	+23	5.6% −5.2%	24	−2	Weak
Greensboro, North Carolina	0.2% −0.1%	49	0	1.3% 0.2%	37	−7	−0.5% −21.8%	44	−12	Weak
Greenville, South Carolina	2.7% 0.9%	33	−10	2.5% 0.5%	30	−23	0.9% 8.7%	7	+23	Weak
Harrisburg, Pennsylvania	1.9% 0.8%	37	−3	1.3% 0.2%	39	−10	12.2% 3.5%	13	+2	Weak
Houston, Texas	−0.7% 2.0%	15	+35	1.9% 1.3%	10	+6	10.9% −3.1%	19	−2	Strong
Indianapolis, Indiana	1.9% 1.3%	26	+7	1.1% 0.7%	22	+12	7.6% −4.9%	23	−5	Moderate
Jacksonville, Florida	4.0% 1.7%	19	−10	1.9% 1.1%	13	+5	−5.1% −8.0%	31	+6	Moderate
Kansas City, Missouri, and Kansas City, Kansas	2.1% 1.3%	29	+1	1.0% 0.5%	25	+12	−9.9% 8.8%	6	+37	Moderate
Las Vegas, Nevada	4.4% 2.2%	13	−5	4.0% 2.5%	2	−1	15.4% −5.8%	26	−15	Moderate
Los Angeles, California	3.6% 1.4%	23	−8	0.9% 0.4%	33	+7	1.7% −4.1%	21	+7	Moderate
Louisville, Kentucky	3.6% 1.0%	31	−15	0.8% 0.5%	28	+14	6.6% 1.8%	14	+6	Weak
Memphis, Tennessee	0.7% −0.0%	48	−1	1.5% 0.0%	44	−20	−18.0% −26.3%	47	+2	Weak
Miami and Fort Lauderdale, Florida	2.3% 1.9%	17	+11	2.0% 1.0%	18	−3	6.5% 19.1%	2	+19	Moderate
Milwaukee, Wisconsin	1.3% 0.3%	44	−3	−0.6% −0.0%	45	+4	−28.8% −3.3%	20	+30	Weak

Table 1: Key Economic Indicators for the 50 Largest EMAs *(cont.)*

EMA Name	GDP Growth 2019-2026	2026 GDP Growth Ranking	GDP Change in Rank	Employment Growth 2019-2026	2026 Employment Growth Ranking	Employment Change in Rank	Housing Growth 2019-2025	2025 Housing Growth Ranking	Housing Change in Rank	Embedded Local Growth Characteristics
Minneapolis and St. Paul, Minnesota	1.4% 1.2%	30	+7	1.0% 0.5%	31	+8	21.2% −2.6%	18	−13	Moderate
Nashville, Tennessee	3.5% 3.0%	6	+11	3.7% 1.5%	7	−5	18.8% −5.4%	25	−18	Strong
New Haven and Hartford, Connecticut	1.3% 0.2%	45	−6	−0.6% 0.2%	36	+14	−5.1% −45.1%	50	−12	Weak
New Orleans, Louisiana	2.1% −0.2%	50	−21	0.7% −0.3%	48	−4	4.8% 0.1%	16	+7	Weak
New York, New York	2.0% 0.7%	38	−7	1.5% 0.3%	34	−11	28.3% −25.7%	46	−42	Weak
Oklahoma City, Oklahoma	1.9% 1.8%	18	+14	1.4% 0.9%	21	+5	14.4% 9.5%	5	+7	Moderate
Orlando, Florida	4.0% 2.2%	12	−2	2.4% 1.5%	8	+1	1.8% 4.3%	12	+15	Strong
Philadelphia, Pennsylvania	1.1% 0.5%	40	+4	1.7% 0.1%	43	−22	16.5% −15.0%	37	−27	Weak
Phoenix, Arizona	4.6% 2.4%	9	−2	3.5% 2.1%	3	+1	14.3% −21.4%	43	−30	Strong
Pittsburgh, Pennsylvania	1.3% 0.8%	35	+7	0.7% −0.4%	49	−4	−0.5% 12.2%	3	+28	Weak
Portland, Oregon	2.6% 2.3%	11	+15	1.9% 1.0%	17	0	18.0% −13.2%	35	−27	Strong
Raleigh and Durham, North Carolina	2.9% 3.0%	4	+17	2.0% 1.8%	4	+10	−11.4% 5.0%	11	+33	Strong
Richmond, Virginia	2.4% 0.9%	32	−5	1.3% 0.6%	24	+3	39.7% 6.2%	9	−8	Weak
Sacramento, California	3.5% 1.4%	24	−6	1.0% 0.9%	20	+18	19.4% −13.4%	36	−30	Moderate
Salt Lake City, Utah	6.1% 3.1%	3	−1	2.7% 1.8%	5	+1	11.2% 6.2%	10	+6	Strong
San Antonio, Texas	3.7% 2.4%	8	+6	1.4% 1.6%	6	+19	37.3% −26.7%	48	−46	Strong
San Diego, California	2.7% 1.7%	20	+4	0.3% 0.5%	29	+19	−16.5% −7.3%	29	+19	Strong
San Francisco Bay Area, California	5.8% 3.4%	2	+1	0.7% 0.2%	35	+8	−15.4% 0.9%	15	+32	Strong
Seattle, Washington	5.2% 3.0%	5	0	2.9% 1.1%	14	−9	−5.2% −19.8%	40	0	Strong
St. Louis, Missouri	1.7% 0.4%	42	−6	1.1% −0.1%	46	−10	−5.2% −16.1%	38	+1	Weak
Tampa, Florida	3.7% 2.0%	16	−3	2.2% 1.0%	15	−3	34.9% 11.3%	4	−1	Strong
Virginia Beach, Virginia	1.1% 0.3%	43	0	0.9% 0.2%	38	+3	3.2% −11.3%	34	−9	Weak
Washington, D.C., and Baltimore, Maryland	1.4% 1.3%	27	+11	2.1% 0.5%	26	−13	−4.0% −8.9%	33	+3	Moderate

Figure 1: GDP Growth Map for 150 Largest EMAs



The Role of AI, Affordability and Population Dynamics

Many of the country's fastest-growing EMAs have sizable and expanding tech sectors, reflecting recent, large investments in AI infrastructure. These investments indicate private sector belief in AI's potential to propel growth across multiple industries by supporting skill development in specialized professions, helping small businesses scale more efficiently and boosting productivity across the board. Orlando stands out for its investment-led growth in defense and healthcare technologies, which have helped the area achieve a modest increase in its GDP-growth ranking (2025 versus 2026) relative to other EMAs.

Concerns over funding and the AI boom's cyclical effects carry extra weight for microeconomies with large tech industries. Funding cuts have greater consequences for regions that rely heavily on AI research, much as reductions in government science funding have affected research-intensive areas. Historically, federal research and development spending has buffered science-focused economies from broader economic cycles. With the recent cuts, it is unclear whether private investment can meaningfully offset declines in public funding.

EMAs that rank in the highest group for both employment expansion and housing permit growth are often characterized by their affordability, a key attribute affecting population dynamics, housing growth and business activity. A gauge of an area's cost of living relative to wages, this locally specific feature is challenging to measure, yet we capture its downstream effects in our Embedded Local Growth Characteristics metric. Among the five metros with the fastest employment growth, four are in the nation's Sun Belt. Each of these EMAs (Austin, Raleigh and Durham, Phoenix and Las Vegas) offers a lower cost of living than do comparable coastal cities, an appealing feature that has attracted residents since the outset of the COVID-19 pandemic. This domestic migration helped to strengthen talent pools in the growing EMAs, as other areas' population growth slowed.

Strongly associated with affordability, housing supply is a structural factor that affects every EMA, no matter the size or geography. EMAs are perennially competing for talent, and given today's low labor force growth, housing and its affordability are at the fore for local business and government leaders across the country. Markets with more available land at a lower cost tend to attract developers, which in turn accelerates housing permit activity. Oklahoma City, Kansas City and Greenville are well-positioned to build housing because they combine affordability with flexible zoning laws. Oklahoma City, for one, has a substantial stock of low-cost housing and development-friendly policies, including flexible zoning for the construction of various home types.

Housing is vitally important for EMAs because growing the housing stock is one structural economic feature that local governments and developers can directly influence. A city or regional authority cannot force people or businesses to move to their area, but they can entice talent and incentivize firms with low-cost housing and development opportunities. There are, of course, lags between permitting new builds, slowing rental price growth, and filling new homes with young talent. Yet these connections are real: Look to Austin, for example. While not in the top 10 EMAs for expected housing activity in 2026, Austin was among the leaders in housing activity between 2022 and 2025, yielding the lowest annual growth in rents among major American cities last year. As noted above, Austin is projected to lead all EMAs in GDP and employment growth in 2026.

Conclusion

Shutdown-related data gaps and the federal government's broader retreat from data transparency make it increasingly difficult to assess U.S. economic conditions with confidence. Even so, the information we do have points to an economy entering 2026 on relatively stable footing. Growth in 2025 exceeded expectations, particularly due to a strong Q3, and the labor market appears to have avoided widespread job losses.

Looking ahead, AI-driven investment will continue to lift GDP growth in AI-intensive EMAs. Affordability will remain a powerful engine of both employment and housing growth, drawing workers toward select EMAs, especially across the Sun Belt, where pandemic-era migration fueled labor market expansion. EMAs with a greater supply of available land at a lower cost are positioned for some of the strongest housing activity.

For a deeper examination of the economic forces shaping the year ahead, check out the Kenan Institute's "Five Economic Trends to Watch in 2026" Insight.

CORRECTION: **Updates to UNC Kenan Institute American Growth Project economic modeling led to a correction in the forecasted employment growth for the New Haven and Hartford EMA. As of Feb. 12, the New Haven and Hartford EMA is ranked 36 for employment growth in 2026.**

EMPOWERING AMERICAN CITIES

FIFTH THIRD / UNC KENAN INSTITUTE

For more information visit Empowering American Cities.