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| Real Estate **America's Increasingly Unaffordable Cities** http://images.forbes.com/media/assets/spacer_white.gif |

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If you live in [Seattle](http://www.forbes.com/2008/07/18/inflation-unaffordable-cities-forbeslife-cx_mw_0718realestate_slide_11.html), it might be time to ask for a cost of living increase. The city has the highest inflation rate in the country.

"Seattle household income is fairly high, and that helps to maintain a high rate of inflation since higher income areas can afford price increases," says Steve Cochrane, an economist with **Moody's** (nyse: [MCO](http://finapps.forbes.com/finapps/jsp/finance/compinfo/CIAtAGlance.jsp?tkr=MCO) - [news](http://www.forbes.com/markets/company_news.jhtml?ticker=MCO) - [people](http://www.forbes.com/peopletracker/results.jhtml?startRow=0&name=&ticker=MCO) ) Economy.com. "Some of it is fuel, but housing prices have also been more stable than anywhere else on the West Coast, which adds to inflation."

[**In Depth: America's Increasingly Unaffordable Cities**](http://www.forbes.com/2008/07/18/inflation-unaffordable-cities-forbeslife-cx_mw_0718realestate_slide_2.html)

Normally, Seattle's 3.7% unemployment rate, well under the national average of 5.5%, would be a good thing. But a growing economy with low unemployment drives up wages and costs. The Emerald City's consumer prices are up 5.8% from this time last year, which ties for the highest inflation rate in the country with [Dallas](http://www.forbes.com/2008/07/18/inflation-unaffordable-cities-forbeslife-cx_mw_0718realestate_slide_10.html), where high [energy costs](http://www.forbes.com/feeds/ap/2008/07/15/ap5215383.html?partner=lingospot) for home cooling and driving are eating up incomes.

Other hard-hit cities include [Los Angeles](http://www.forbes.com/2008/07/18/inflation-unaffordable-cities-forbeslife-cx_mw_0718realestate_slide_2.html), [Phoenix, Ariz.](http://www.forbes.com/2008/07/18/inflation-unaffordable-cities-forbeslife-cx_mw_0718realestate_slide_3.html), and [Milwaukee, Wisc.](http://www.forbes.com/2008/07/18/inflation-unaffordable-cities-forbeslife-cx_mw_0718realestate_slide_5.html)

**Behind The Numbers**Using an inflation study done for Forbes.com by Moody's Economy.com, we looked at the 40 largest metro areas in the U.S. to see where prices were growing fastest. The numbers reflect those from the Bureau of [Labor Statistics](http://www.forbes.com/finance/2008/05/07/wrigley-bls-liquidity-pf-etf-in_tt_0506trimtabs_inl.html?fc_c=1157139x2088986x55780349&partner=lingospot) (BLS) and Moody's figures on price change between January 2008 and June 2008. They track everything from the price of food, taxes, transportation and medical care to entertainment, education and mortgage payments.

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The reasons for inflation often seem convoluted and overly complex. Food prices are up in part because of demand from the ethanol industry, which relies on corn to produce the fuel. This has helped spike the price of corn, which in turn makes anything made from corn, or products from the livestock that eats it, more expensive.

China and India's record gasoline consumption has colluded with the dollar's slide against major currencies to force oil prices up, increasing how much truck drivers have to spend to bring you a new sport coat or shoes. These are costs that are passed along.

Inflation is a classic butterfly effect--the larger it spreads, the smaller your billfold becomes. Yet, some contributing factors to inflation are easier to understand.

"The simplest reason why has to do with income and job growth," says Malik Crawford, an economist at the Bureau of Labor Statistics. "As there are more people with more money to spend, that's going to drive up prices."

Think about it this way: If employment is up, people have more money to spend, and vendors, whether retailers or movie theaters, can get away with higher prices to chase those newfound gains.

As an example of the contrast look at Detroit. Unemployment is over 8%, the highest of any big city in the country, and yet inflation rests at the lowest level of cities we measured. Those needing to cut back won't help drive up prices since there is little demand threatening supply.

Housing also plays a role.

**Paying The Bills**Mortgage or rent payments are the single biggest household expenditure in the U.S. based on BLS data. In cities like Raleigh, N.C., where home prices are up 2.5% and jobs are up 3.1% from 2007's record highs, citizens are buying into the housing market, and bringing home more cash. Price inflation in the area is up 5.4% from last year.

Housing sector ruin can also have an effect on consumer prices if it followed a run up in values. Prices in [Miami](http://www.forbes.com/2008/07/18/inflation-unaffordable-cities-forbeslife-cx_mw_0718realestate_slide_8.html) and [Tampa, Fla.](http://www.forbes.com/2008/07/18/inflation-unaffordable-cities-forbeslife-cx_mw_0718realestate_slide_4.html), have dropped by 17% and 9%, respectively, since last year, according to the National Association of Realtors. But there are still plenty of people who have monthly mortgage bills set during the peak in 2005 and 2006 and are now being hit with resetting [mortgage rates](http://www.forbes.com/forbeslife/2008/07/14/homes-sales-incentives-forbeslife-cx_mw_0714realestate.html?feed=rss_forbeslife&partner=lingospot), lower incomes due to job loss, or both.

What's more, [rental prices](http://www.forbes.com/realestate/2008/07/14/housing-renters-list-forbeslife-cx_ls_0714bestworstrent.html) have jumped as people waiting to buy, or those foreclosed upon, have created a landlord's market in South Florida.

***What about the economy is stressing you out? Weigh in. Post your thoughts in the Reader Comment section below.***

Then there is food. While the price of food, from cereal to beef patties, has surged around the country--foodstuffs are up 8% from last year, according to the BLS--there isn't much regional variation in food inflation.

That's because, "we have a national market for food," says Cochrane. "Housing and energy are the most likely to lead to regional differences."

Food prices are most varied in places where gas is expensive. If gas prices are $4.47, as in [San Jose, Calif.](http://www.forbes.com/2008/07/18/inflation-unaffordable-cities-forbeslife-cx_mw_0718realestate_slide_6.html), that's going to roll up costs for everyone in the supply chain, and they'll deposit them in the consumer's lap.

Still, inflation doesn't always tell the full story of consumers' pain.

"Inflation doesn't take into account where you're starting from," says Crawford. "Prices in [San Francisco](http://www.forbes.com/reuters/feeds/reuters/2008/07/16/2008-07-16T232230Z_01_N16447640_RTRIDST_0_COMPUTERS-SHIPMENTS-UPDATE-1.html?partner=lingospot) are higher than everywhere, but you can't really tell that by the inflation numbers. If prices go up by the same dollar amount in Cincinnati and San Francisco, it'll be a higher percentage change in Cincinnati."