How to Find The Hottest Real Estate Markets for Real Estate Investing in 2025

LOCATION MAGIC



BY NEAL BAWA

The Mad Scientist of Multifamily

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DISCLAIMER: We’re not investment advisors. This book is for educational purposes. All investments involve risk. Be aware of your risk tolerance. You’re free to accept or reject investment recommendations. I’m going to make a lot of recommendations in this book. You have to make sure that you understand you’re free to accept or reject those. A recommendation is not a guarantee of anything. Do not invest your money on our recommendations alone. Consult a professional advisor. Do lots of due diligence.

INTRODUCTION



Let me start by telling you that I am not real estate royalty.

I don’t have a broker license, I haven’t flipped a hundred single-family homes or closed a thousand loans, and I don’t have an empire of rental properties that I personally manage.

I am a technologist who accidentally fell into real estate through my day job in tech. But then, something unexpected happened to me: I fell in love with real estate, and from there, with multifamily real estate. More of my story later...

I’ll be the first to admit that real estate isn’t all good. In fact, it’s the home of false promises. It is the pinnacle of exaggeration, the mecca of bullshit. I come from a background of engineering and data science, **where data and rational thought is the very foundation of what we do.**

That’s why I was initially put off by the real estate world, which seemed to me to be built on lip service to investors. Low returns were glossed over, and poor performance was sugarcoated. And even though I always try to stay connected to the hard numbers, I’m sorry to say that I fell into that trap myself at first: I exaggerated, I made false promises, I shoveled bullshit. And my investors suffered.

I learned the hard way that the right path was the one that I already had years and years of training on: the hard and uncompromising path of data-driven decision making. My dad used to say that if there is a God, he is in the numbers. And I believe that. A data-driven approach can be used to improve and focus ALL aspects of decision-making in real estate.

Whether you are picking cities or neighborhoods, using a **repeatable process assembly line approach** to finding properties, or perhaps using incisive underwriting as a key differentiator, the approach works.

It works to find the right property managers and to asset manage them, it works to find investors and to keep them happy, it works to make brokers your friends and it works to deny the IRS one penny more than they deserve.

That approach has led me to over **4,400 units** of multifamily and student housing. More than **1,000 investors** are invested in my portfolio, which now has more than **$660 million** in real estate and growing fast. More than **70,000 people** are subscribed to my email list where I send out free valuable information and special event invitations. **Over 14,000 students** around the country use the Location Magic data research that I put together.

INTRODUCTION

In this ebook, I'll share that research and explain the logic behind my data-driven approach to market selection that has helped thousands of investors create passive income and grow their wealth. Through my **"Location Magic"** method, I use publicly available tools and resources to isolate important metrics that can give you the full story about cities and neighborhoods.

By the end of the book, you'll have actionable insights that will get you started on the path to real estate investment success.

Let's get started.



REAL ESTATE INVESTING WITH A “MAGIC” TOUCH

Here’s a question for you:

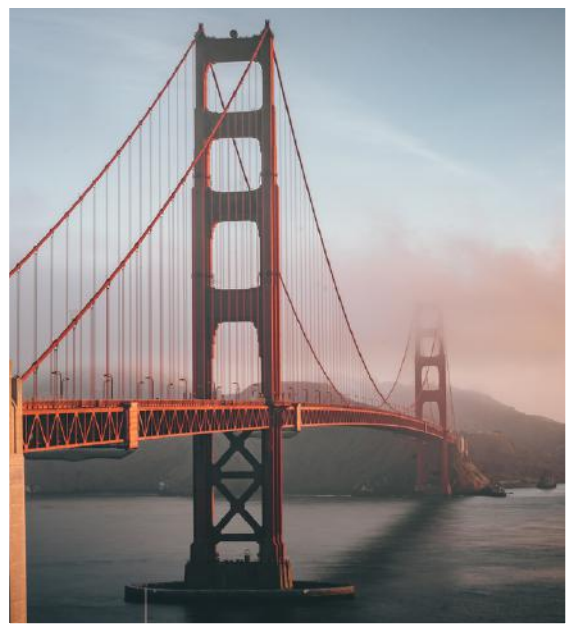
If you had to pick **one city** today that you’d say is the hottest real estate market, which city would you choose? And if you had to pick one that you think is a terrible investment, what would that be?

I’ve been asking this question during my Location Magic presentations for over 12 years. The answers always vary—wildly. Some investors choose trendy areas like Palisades, California, assuming the upward trajectory will continue... until you realize it was recently devastated by wildfires. Others might point to cities like Austin, Texas, which saw a tech-fueled boom—followed by affordability concerns and slowing rent growth. Or take San Francisco, once the crown jewel of U.S. real estate, now struggling with outmigration and office vacancies.

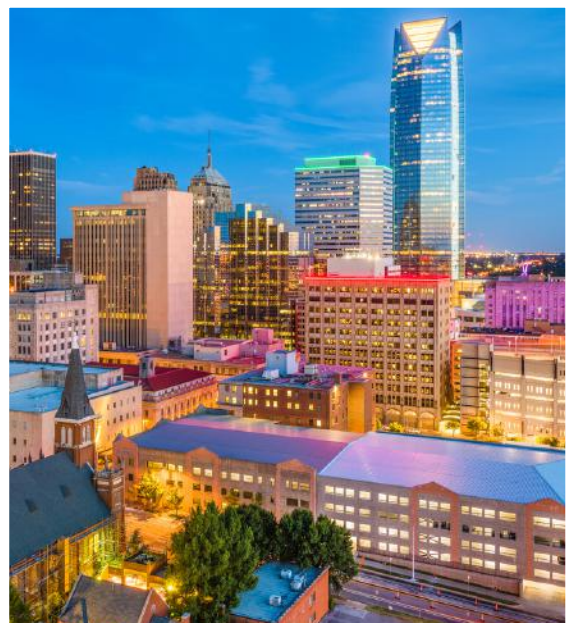
The point of this exercise isn’t to prove anyone wrong. It’s to demonstrate a core truth about real estate investing:

data is only valuable when it leads to insight.

You don’t just need more data—you need the right data, analyzed the right way. That’s the power of the Location Magic formula. It filters out the hype and brings clarity to where—and why—you should invest.

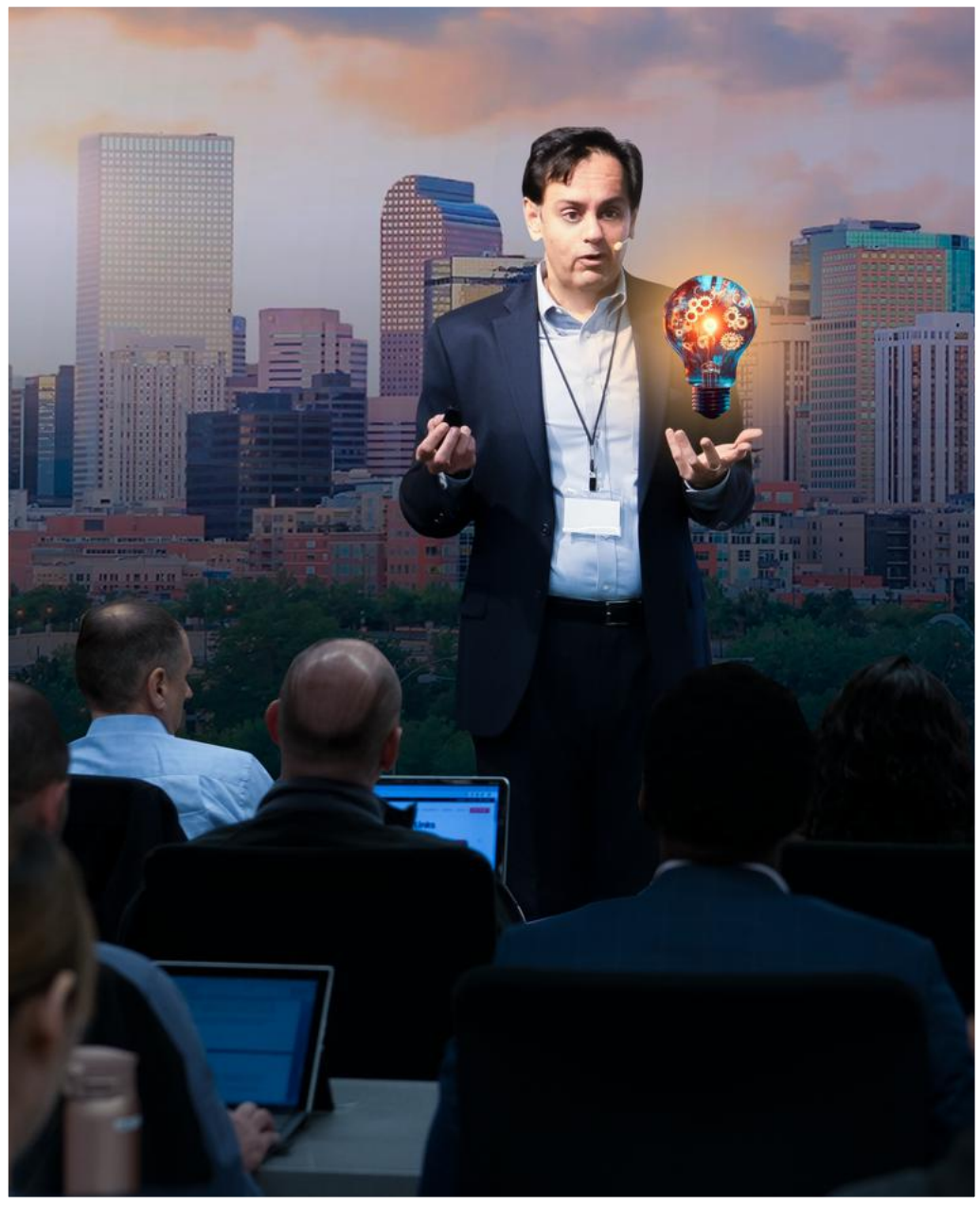









Real Estate was my second passion - my first was Data Science.



I ran a technology company for 14 years, from 1999 to 2013. It was not a startup - it was a company with hundreds of employees. But the more my salary grew, the more my tax bill siphoned away. When I started looking at ways to reduce my tax burden, I discovered real estate investing.

And it was a well-timed discovery! When I started buying single-family homes in 2008, there were plenty of them available. The big decision was where to buy.

Most people prefer to buy investment properties where they live, but as a data scientist, I wanted to dig deeper. After all, it’s a big country - there are lots of opportunities if you know where to find them. So, as I asked myself, “What's the best place in America to invest in?” that led me to break it down further: What makes a place the best or the worst? And how often does that place change?

Every year, various outlets release their own lists of the best cities, based on the experiences of living and working in the area. I began to wonder, what makes those things change?

What makes a city more attractive than another, to the point that it could overtake another town in the superlatives? And is it a change that happens over 12 months? Two years? Five?

At the time, I couldn’t find answers that would satisfy my curiosity. I would make posts on forums and run various software programs, but the information just wasn’t out there. That may be different today - there are a lot more resources available now - but I couldn’t get past my need to know. I decided to find out for myself.



Finding and Interpreting

The Data

To begin, I applied my experience as a data scientist and hired some Ukrainian hackers to search among the publicly available information. I started with the obvious: ***Zillow, Trulia, Redfin, and Realtor.com.*** That gave me a sense of how many homes were available, as well as prices.

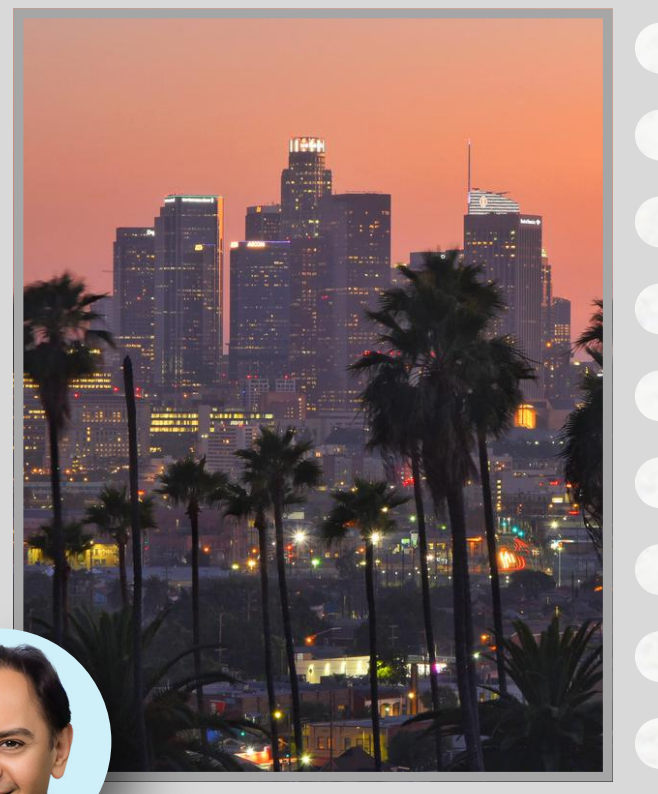
I also looked into the Bureau of Labor Statistics website ***www.BLS.gov*** for demographic information and found it the most useful. Which cities had full employment? Where were salaries growing? Where did young professionals live, and where were the retirees flocking?

The key to choosing the data was to consider the correlations between the data and home price growth. Was a high crime rate a sign that an area is underserved, or does a declining crime rate suggest a market that's prime for revitalization? How did the school rankings correlate with home prices?

Using the data tools, I developed an algorithm that found these correlations and started to create a blueprint for the Location Magic™ formula. The first time I taught the method at a meetup, I ended up with an audience of fellow data scientists who gave me even more insights as we talked until midnight

Back then, my formula focused on the home price from peak to trough. At the time I was buying, home prices were at a low point, with prices much lower than they had been even five years earlier. I knew that when prices start skyrocketing, they often shoot too high and then come back down.

The same is true in the opposite direction: ***When prices drop dramatically, they tend to come back up more significantly as the market stabilizes. So I started looking for the market with the most significant drop.***





In my case, that market was **Madera, California.**

THE MADERA, CA CASE STUDY

In Madera, prices had dropped 69% from the peak, and a home that had been $250,000 just a few years ago was now available for $90,000.

When I looked into the reasons, I found a distinct set of circumstances: in Madera, developers had built 5,000 brand-new homes for farm workers who were given loans based on stated (i.e., fake) income. When the crash came, they were among the first to lose their homes. So there was a portion of the city that was empty of people but full of brand-new homes. With nobody to buy them, the houses lost nearly all their value.

The same couldn't be said about nearby Fresno, which was 22 minutes away and still in demand. As one of the builders I spoke to pointed out, Fresno is where all the jobs were, and renters wanted to stay close to work.

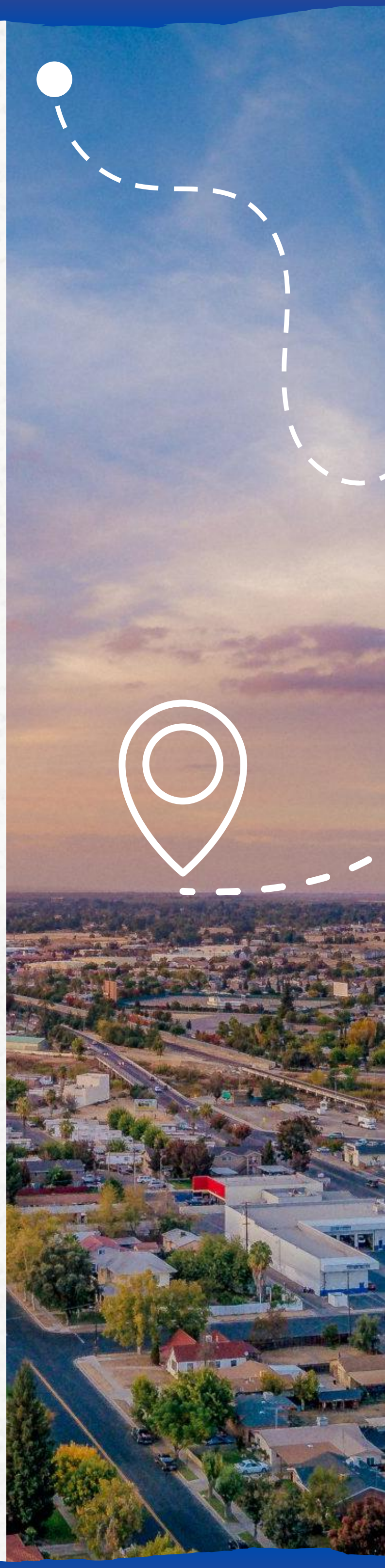
So I decided to experiment.

I purchased an old property in Fresno and listed it for rent, instructing my data team to find 1,000 renter leads. They were confused - surely the place in a high-demand area would only need 10 leads at the most before finding someone suitable? But that wasn't the point.

When a new lead called to inquire about the property, I would tell them that it had already been rented. But if you're willing to commute, there are these beautiful brand new houses at 60% the rent of a place in Fresno - and if you come out for the open house this weekend, we'll give you a $50 Amazon gift card.

Predictably, most people were skeptical and declined - and that's if they didn't just hang up outright! But every 10th person, or every 20th person, was curious. Worthless or not, the homes were beautiful. Brand new appliances, four bedrooms, top-of-the-line details. It didn't take long to start getting tenants. ***As soon as I had a signed lease in hand, I'd walk in and buy the house for $90,000 cash. Now, those homes are worth around $400,000 each.***

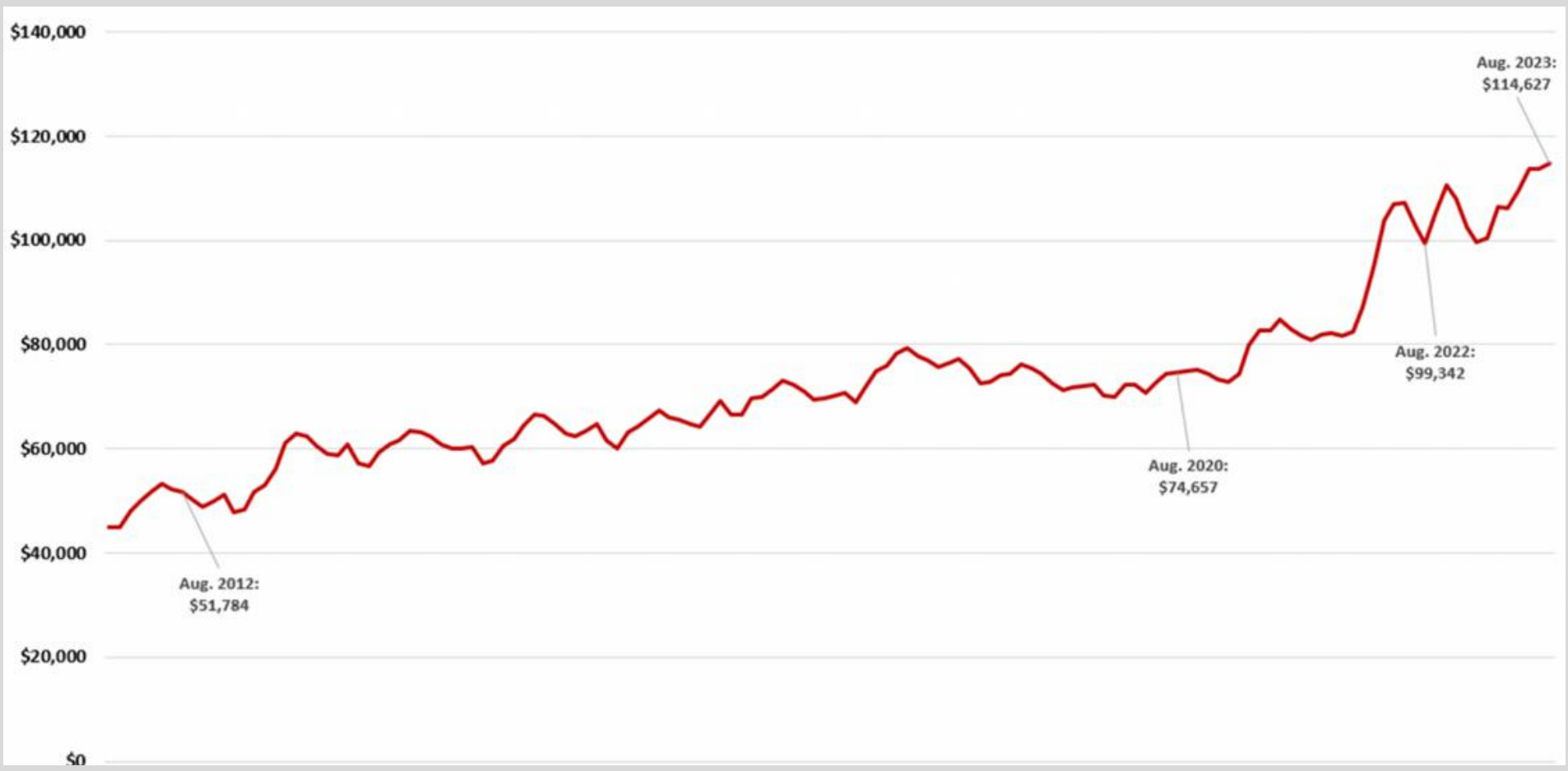
That's **Location Magic.**



In August 2012, the median income a family needed to buy a home was $51,000.

That number stayed relatively stable until around August 2020. At the time COVID started, you could buy a home with an income of $74,000. Four years later, that same family would need $116,000 to buy a house, and that number is only increasing.

That means that for 18 million families with a household income of $75,000, their opportunity to buy a home evaporated over that period. For those forever renters, they need dependable rental housing to live in, creating a wave of demand for multifamily housing.



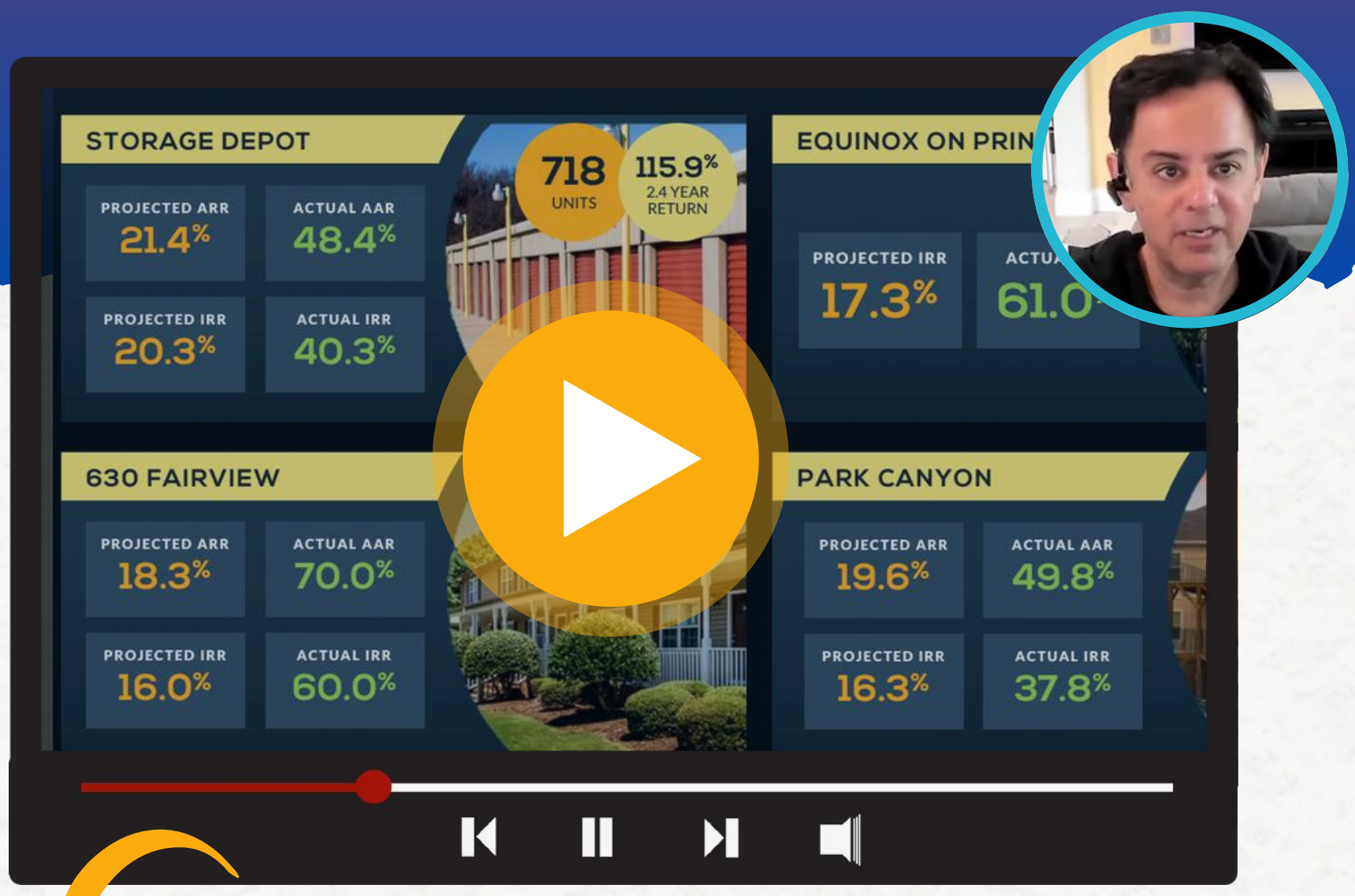
SOURCE: Redfin, Homebuyers Must Earn $115,000 to Afford the Typical U.S. Home, Oct 2023

To find where the demand might be highest, I've developed what I call the ***5 Real Focuses™*** to measure factors related to population, income, and quality of life in the different markets. The raw data and how the different datasets interact help create a profile of the market and its desirability.

City-data.com can get you most of the raw data you need - just make sure you're paying attention to the details.

Before we dive in, let me offer a quick caveat about the data in the **Location Magic™** Formula.

It's important to note that the data must be updated every year, with crime being the exception.



If you'd like to save time and get fast and easy access to the updated information, be sure to visit ***www.multifamilyu.com*** every March and register to attend the latest Location Magic webinar.



In addition to the webinar, you'll get access to a ***free spreadsheet*** that I compile with the new numbers.

Population Growth

Population data will give you a sense of how many new residents are coming to the market and will need housing.

You're looking for at least 9.1% population growth overall between 2013 and 2022 being mindful of the overall population numbers.

You might say that the date range seems random, but the reason the date range is 2013 to 2022 is because that is the data that is accessible by the public right now, for free, and in under 60 seconds.

It's important to know that larger cities tend to grow more slowly, but investments in stable markets are less risky. Smaller towns are riskier, but can grow more quickly and pay dividends if you choose the right one.

Note that most investable cities in the US fall in the range of 250,000 and 1 million in population.

In large metro cities like Phoenix, AZ

*the population growth number is **going to go down to 6%.***

POPULATION OF 1-2M

In micro cities like St. George, UT

*the population growth number is **going to go up to at least 13%.***

POPULATION OF <250K

HousingAlerts.com — Tomorrow's Real Estate Today

LOCAL market monitor

If you want to pay thousands of dollars for the 2024 data, you can use ***www.LocalMarketMonitor.com*** *and* ***www.HousingAlerts.com.***

City-Data.com

What I find is that cities don't change over years unless something drastic happens, they change over decades. So the free city list on ***www.city-data.com*** works just fine.

Median Household Income Growth

Income statistics give you an idea of how much the population has to spend on housing.

Our focus number here for 2025 is 52.7%

That's the rate of median household income growth you're looking for between the years 2000 and 2023 using ***www.city-data.com.***
This applies to cities of all sizes.

Income growth can signal that the area is attracting new employers, while higher median incomes mean that residents have a larger budget for housing. Income growth leads directly to rent growth, so you want a piece of that growth.



Remember to check back for the updated number in 2026.

House or Condo Value Growth

Similar to income growth, looking at markets where property values are trending upward can give you a sense of the market trajectory. You'll want to look at year-over-year growth for the last two years; that data is also available using ***www.city-data.com.***



Since that measurement depends on home price growth for the US overall, as well as city-specific data, this number changes every year.

For 2025, the focus number is 92%

(looking at numbers from 2023 and 2024)

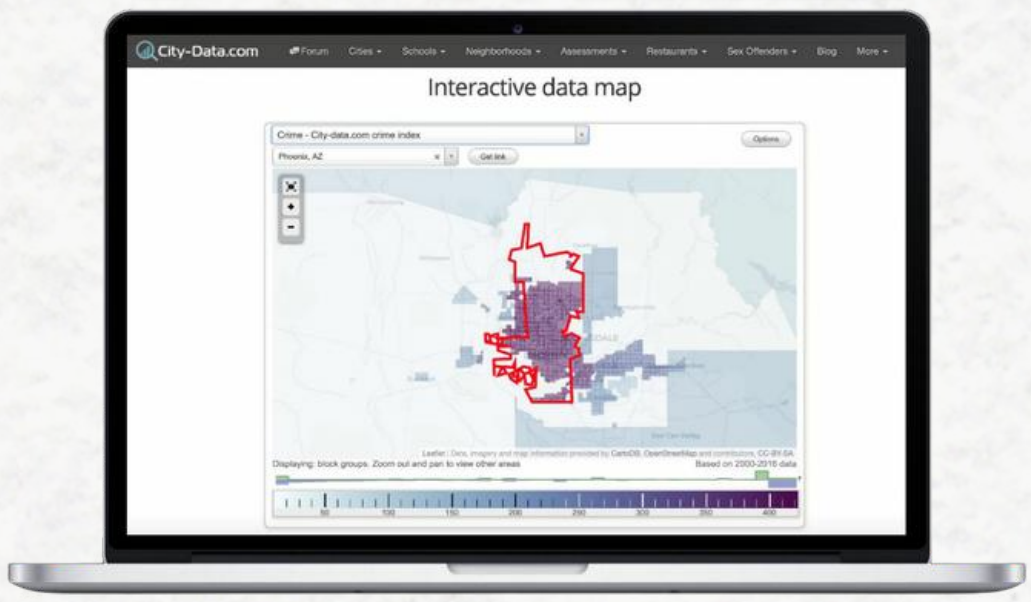
Crime Reduction

Crime statistics alone don't tell the full story. For Location Magic, I specifically look at crime data indices on ***city-data.com*** to see where crime rates have changed over time. The index gives a better overall picture of crime in a given market. Look for markets where the crime index is decreasing, which suggests that the areas are becoming safer.

My focus number here is <450

You'll want to look for markets where the crime index is 450 or lower and where crime rates have been decreasing.

This applies to cities of all sizes and applies to all years. There is no need to +/- from this 450 number as the years go by.



To find this data using ***city-data.com***, search for a city on the home page, scroll down to the crime table and look at the last line. It's light blue. Look for cities with a crime index of 450 or less in current years and declining crime (from left to right.)

12-Month Job Growth

This is another figure that relies on the most recent data available and it's the most important one. By analyzing the rates of job growth over one year, you can determine whether the area is adding new companies. Areas with high job growth may see an influx of workers who need housing.

Here, the focus number is 2.5%

annualized job growth and more in the 1 year CES Jobs Percentage Change' column on

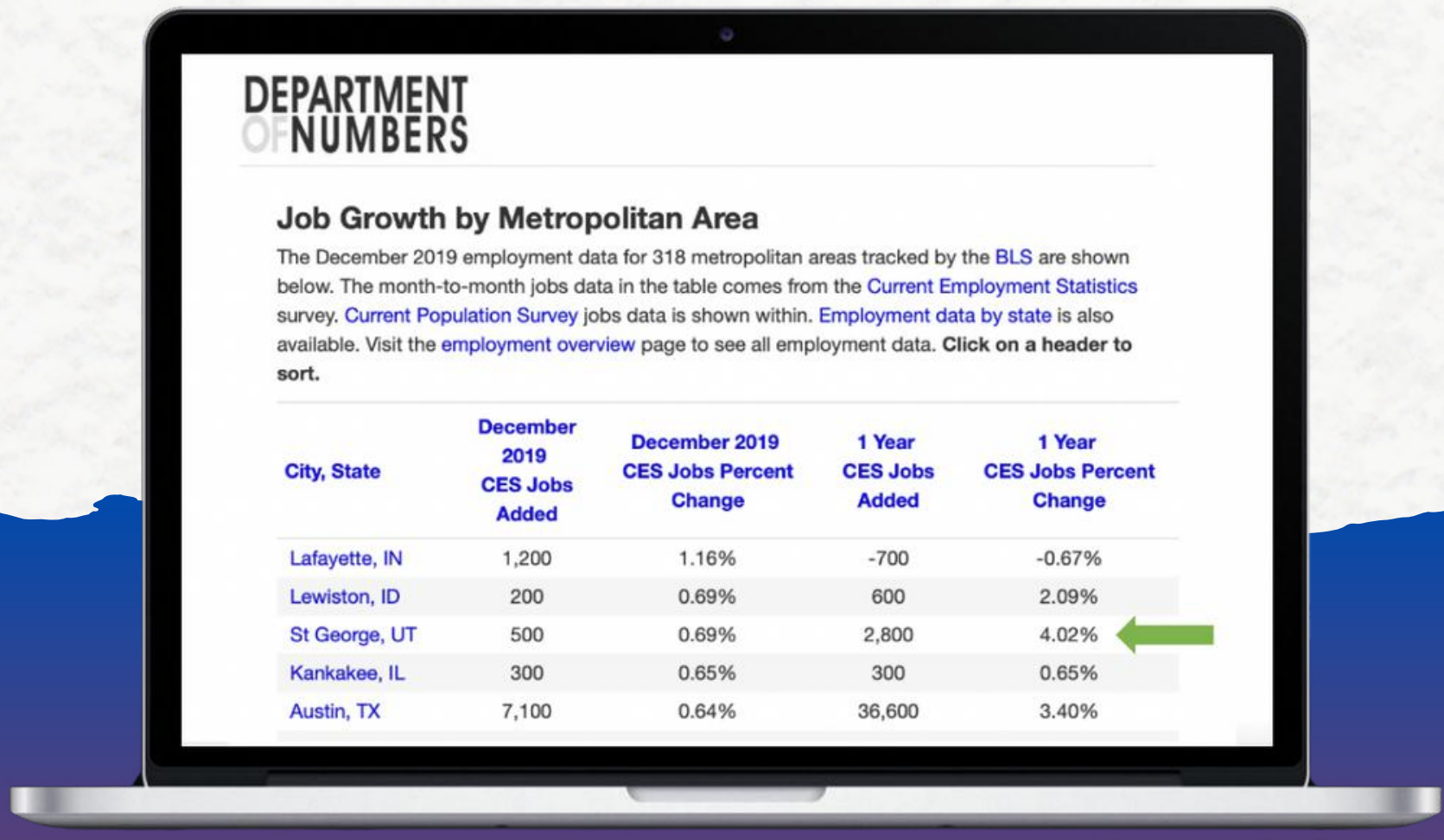
deptofnumbers.com/employment/metros

You have to factor in the size of the city because larger, more established cities tend to have lower job growth, so I recommend 2% for cities with more than one million people. This number only applies to 2025.



Invest Where The Data Leads You

Some metros stand out not just because of media buzz or anecdotal evidence—but because they align with the proven metrics of the Location Magic formula. Markets with strong population and income growth, rising property values, improving safety, and sustained job creation offer the best odds for long-term success. As always, we encourage investors to look beyond the surface and dig into the numbers. ***When you follow the data, you minimize risk and maximize opportunity.*** Whether you're investing in a rising star like Carson City or a steady performer like Dallas, these markets are primed for those who know what to look for—and we're here to guide the way.



DEPARTMENT OF NUMBERS

Job Growth by Metropolitan Area

The December 2019 employment data for 318 metropolitan areas tracked by the BLS are shown below. The month-to-month jobs data in the table comes from the Current Employment Statistics survey. Current Population Survey jobs data is shown within. Employment data by state is also available. Visit the employment overview page to see all employment data. **Click on a header to sort.**

City, State	December 2019 CES Jobs Added	December 2019 CES Jobs Percent Change	1 Year CES Jobs Added	1 Year CES Jobs Percent Change
Lafayette, IN	1,200	1.16%	-700	-0.67%
Lewiston, ID	200	0.69%	600	2.09%
St George, UT	500	0.69%	2,800	4.02%
Kankakee, IL	300	0.65%	300	0.65%
Austin, TX	7,100	0.64%	36,600	3.40%

2025 TOP 6 MARKETS

Each year, we dive deep into the data to identify the U.S. markets showing the strongest potential for growth, stability, and long-term passive income.



In 2025, a mix of rising stars and reliable performers are standing out—regions where job creation, population growth, and demand for rental housing align to create compelling opportunities for multifamily investors. These metros aren't just hot—**they're strategically positioned for resilient returns**, even as national economic conditions shift.

Whether you're a seasoned investor or just getting started, understanding where the smart money is going can give you a competitive edge. Below, explore six top-performing markets—analyzed through the Location Magic lens—to help guide your next investment move.



DURHAM & RALEIGH, NC

This region has been a staple of "Best Cities" lists for a reason. Jobs and incomes are booming, and the metro area is growing as new residents move to the outskirts. Durham's job growth may be slowing, but it is still adding jobs.



LAS VEGAS, NV

Las Vegas is an up-and-coming city with a recent boom of explosive job growth. This is a diversifying market, not just a gambling and tourism market anymore. That means more permanent residents need rental housing.



CHARLESTON, SC

As home prices in North Carolina continue to surge, some people are heading south to Charleston, South Carolina. The population has been growing at a steady rate of between 3% and 5% every month for the last three years. Charleston is only 120 miles from tourist-friendly Myrtle Beach, and that corridor is on fire.



RENO & CARSON CITY, NV

Reno is a strong market, and the data shows why. But nearby Carson City is starting to grow out of its shadow. Over the years, several venture capital firms have opened offices in Carson City, driving a mini-boom that could be profitable with the right timing.



BOISE, ID

Boise is another city that's frequently included on "Best Of" lists. Job growth has been steady; however, there are signs that the rate of growth might trend downward, so be sure to look at data details and compare them to the market's history.



DALLAS, TX

Dallas is a standout, with its 3% job growth and 5 million residents defying the conventional wisdom that larger cities are growing more slowly and demonstrating strong demand.

CAUTIONS





The data you collect can also help you spot the red flags in specific markets.

- **Midland, TX**
- **Ocean City, NJ**
- **Huntsville, AL**

It’s important to take a close look at the data and keep an eye out for indicators that the city might not be a solid bet. For example, while Ocean City, NJ, has strong job growth, the heavy influence of tourism and gambling means that the population is very transient.

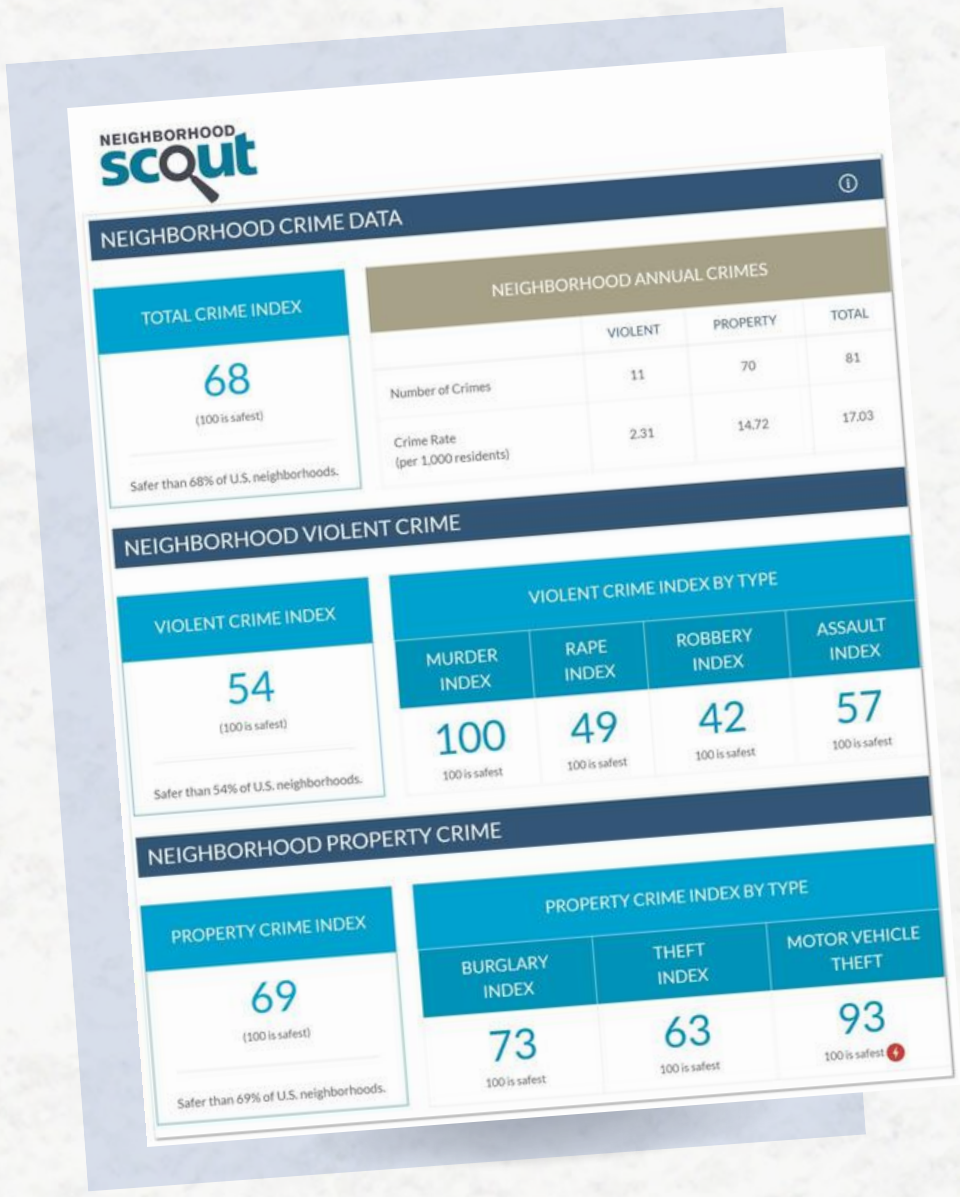
In the case of Midland, Texas, the job growth doesn’t reflect that it’s an oil city. And while Huntsville, Alabama, has solid growth, it also has an oversupply of housing.



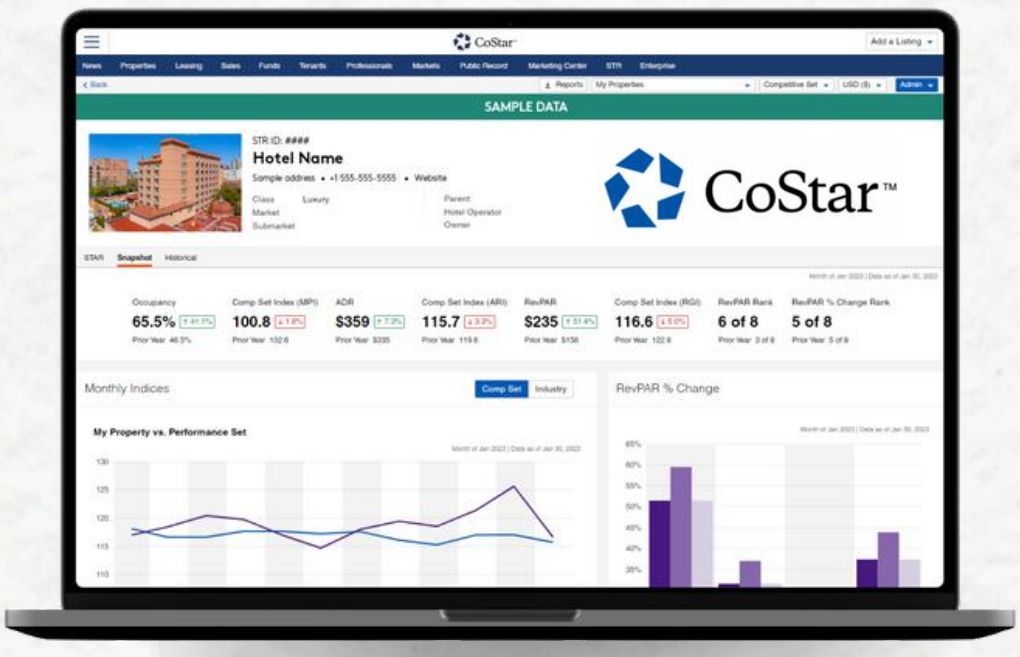
In two years, Huntsville may be at the top of our recommendations; for now, I say stay away.

So you've gone through five to six cities and chosen one that looks promising. How do you narrow your search down to the right neighborhood?

As with choosing the right city, the process for choosing the best neighborhood comes down to the right metrics. With cities, I've shown you how to use free, publicly available data to build a profile of each city to determine the best areas to invest. For neighborhoods, that data is harder to find, so I'm going to recommend a new tool: ***NeighborhoodScout.com.*** This is a paid tool, but it's very reasonably priced (around $39/month) and will make your search much easier.



The process is simple: You can plug in any address, and it'll give you data points about the neighborhood. As much as I love data and developing my own numbers-based methods, I don't deviate from these reports. They're extremely accurate and can make you a guru of any neighborhood in the United States. You're an instant expert! That expertise will particularly come in handy when talking to brokers: they're going to try to bullshit you, and you'll be able to come back with specific data points that will cut through their pitch.



Another great source of information is CoStar: ***www.costar.com***. While they don't have the same neighborhood-specific data, CoStar can show you the comparable rental properties in an area and help you get a sense of what those properties are charging for rent, and whether rents are trending up or down. Between NeighborhoodScout and CoStar, you'll have the information you need.



Now that you know where to find the data, here are the metrics you want to evaluate:

NEIGHBORHOOD INCOME

The first consideration when choosing a neighborhood is the residents' income. Do not invest in neighborhoods where the median household income of that neighborhood of that area is lower than $47,000. There are some exceptions - for example, if you're in the Rust Belt, you can go a little bit below that, or if you're in an expensive state like California then you'll want to shoot higher - but this limit applies to most of the investable areas in the U.S.

But there's a top limit too. You may wonder, why is it bad to invest in a neighborhood where people have a lot of money? The truth is that in the weather neighborhoods, there simply aren't as many renters.

These neighborhoods are predominantly comprised of single-family homes, with almost no apartments. At the end of the day, the wealthier neighborhoods simply have less demand for rental properties.

When you're looking at an income range, you want to stay between $47,000 to $88,000. Keep in mind that if you're closer to the lower end of that income range, you're likely going to have more challenges with rent delinquencies. So look for an income range that makes sense considering the state, the surrounding neighborhoods, and the other factors we'll discuss.

UNEMPLOYMENT RATES

Determining unemployment rates at a neighborhood level is difficult. I generally have to do a lot of math to figure this one out. You want an unemployment rate that is no more than 2.5% higher than the city's unemployment rate. For example: If the city of Columbus has a 4% unemployment rate, a neighborhood you invest in should not have higher than 6.5% unemployment. If you go higher than that range, you may stand to make more profits as the neighborhood improves, but those areas are also more risky.

Those areas tend to do okay when everything's all right, but when a recession starts, those areas will feel that constriction first, leading to higher rent delinquency rates. If you want to be more recession-resistant, make sure your neighborhood is not more than 2.5% higher in unemployment than the city that you're investing in.

POVERTY RATES

This is another economic indicator that can tell you how well the neighborhood is doing. I recommend only investing in neighborhoods with a poverty rate that is below 20% - preferably below 17%.

The areas with higher poverty rates tend to be more precarious. I sometimes see people paying $150,000 a door in Phoenix in neighborhoods where the poverty level is 25%. Frankly, I don't think they know what they're doing.

For example, I have investment properties in Mesa (15.8% poverty rate), Jacksonville (16.4%) and Durham (12.2%).



Keep your focus on neighborhoods with a poverty level below 17% and you'll be in good shape.

DEMOGRAPHICS

I know this one is controversial, so I'm going to start with a disclaimer: You're not doing racial segregation here. Pay close attention to the details on this part, and hear me out before you make assumptions.

What you're looking for is a neighborhood with a diverse ethnicity, because here's what happens: Once you invest and are looking for tenants, you're going to end up paying ***Apartments.com*** to buy leads. If your property tanks in occupancy, those leads are going to be coming from all sorts of ethnic backgrounds.

But once those people come to your property, they're going to notice if any one ethnicity is dominant, and if that particular family feels like they're vastly in the minority, they aren't going to want to live in that property. That means you've just wasted money on leads that won't go anywhere.

Diverse neighborhoods just feel more welcoming. Anyone who comes into a rental property will feel like they'll be accepted, regardless of their background. That allows you to appeal to a wider range of potential tenants and keep the property full.

KEEP LEARNING, KEEP INVESTING

Location Magic is only one example of the resources I share with investors. In fact, I have an entire program called Multifamily University that teaches everyone—from real estate novices to tycoons—how to find new investment opportunities.

You can continue your learning journey at ***www.multifamilyu.com.***

I would recommend you begin with the latest year's Real Estate Trends presentation, one of my most popular and well-attended events. This fabulous and entertaining journey explores the top trends that are impacting real estate returns, my rankings for more than 50 cities in the U.S., and a vast toolkit of research and actionable data.

You'll get videos from CNBC, Redfin, CBS News, On the Money and Bloomberg, as well as articles about the impact of tax reform on real estate, the housing affordability crisis, and projections and outlooks for the next 12 months.

If that doesn't satiate your appetite for data, the site's webinar section contains all of my top data-driven webinars, as well as additional webinars from experts that I have invited to share their insight and wisdom. There are no hard sales pitches, no pressure, and no credit card required. With the correct information and the right tools, you can rank cities in 10 minutes or less and identify new investment opportunities!

NEXT STEPS

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Join our free Investor Club and get access to our entire catalog of webinars to help you become a multifamily real estate expert!



We created the Investor Club as a way to give our investors an edge in the market, with a goal to make the Club the best free multifamily real estate investing community on the planet!

Easy Online Access to Our Content

Our training portal is simple to navigate and use.

Data-Packed Educational Resources

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Digital Downloads

Presentation PDFs, worksheets, webinar cliff notes and spreadsheets.

Membership in the Investor Club is FREE, with three tiers.

BRONZE members can stay up to date on any upcoming Multifamily University events and access webinar replays for three days after.

SILVER Members enjoy unlimited access to our comprehensive webinar library, along with complete webinar PDFs, slide decks, and various resources that guide you through the entire Location Magic investment approach.

GOLD is only available to Grocapitus investors and gives you access to curated notes from each webinar, as well as events exclusive to Gold members.

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ABOUT NEAL BAWA



Neal Bawa is a technologist who is universally known in the real estate circles as ***"The Mad Scientist of Multifamily."*** Besides being one of the most in-demand speakers in commercial real estate, Neal is a data guru, a process freak, and an outsourcing expert. Neal treats his $660 million-dollar multifamily portfolio as an ongoing experiment in efficiency and optimization.

The Mad Scientist lives by two mantras:

"We can only manage what we can measure"

"Data beats gut feel by a million miles"

These mantras and a dozen other disruptive beliefs drive profit for his

1000+ investors



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