FINANCIAL ADVISORY

Buy in Growing Markets for a Better Chance at Success

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In the past, I have talked a lot about the importance of buying in growing markets. I think that buying, for example, an apartment building in a market that is growing every year will give me a better chance of success than buying in a shrinking or stagnant market. After all: as an apartment owner, I'm in the business of "selling" space in my units. Wouldn't I want to pick an area where my pool of potential customers is getting larger every year? This month, we'll look at the growth characteristics in a few of my favorite regions of the country.

CALIFORNIA

You may have seen a lot of news stories recently about residents fleeing California. I have combed through US Census estimates data, and have found significant support for these claims. Between 2010 and 2019, the United States' population grew by 6.3%, or by 0.68% annually. During this time, Los Angeles County grew 2.9% or 0.32% annually – or less than half of the country as a whole. Orange County faired a bit better – posting an average annual growth rate of 0.739%.

I think those of us who have lived in California for a long time can agree that the state has seen explosive growth over the past few decades – remember Orange County in 1980? This explosive growth, however, is showing signs of slowing. There are many reasons for this, but part of the problem is that we have already built in most places that it's possible. Anyone driving on our roads and freeways can see for themselves – we have run out of space to put everyone!

When I say that I look for growing metropolitan areas, I don't mean an area like Orange County that is growing just slightly faster than the country as a whole – I want to look for areas that new residents are migrating to in large waves. I'd like to see growth at least twice the national average. Evidence such as this will encourage me that a region will produce – on an annual basis - growing numbers of renters for my apartments.

TEXAS

When we talk about states that have benefitted from business and population migration from California, Texas is often the first that is mentioned. Texas' lack of state income tax and business-friendly policies are attracting plenty of new employers and employees. During the last decade, the Dallas – Fort Worth, San Antonio and Houston MSAs have added new residents at an annual rate

Please turn to page 22

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Continued from page 18

of 1.9%, 2% and 2.2%, respectively. These extra percentages add up fast: at 0.32%; 2,000,000 residents will grow to 2,065,025 in 10 years. At 2.2%, on the other hand, those same 2,000,000 residents become 2,485,102 over the same period! Those nearly half million residents will need plenty of places to live, work, eat and shop!

THE ATLANTA SUBURBS

In 2018, the U.S. Census declared the Atlanta, Georgia metropolitan area to be the 3rd fastest growing in the country – behind Dallas-Fort Worth and Houston. This 10-county MSA is attracting new residents for much of the same reasons that Texas is, and has even managed to grow a large television and movie production industry.

FLORIDA

Long a favorite of snowbirds and retirees, The Sunshine State shares Texas' business-friendly attitude and lack of a state income tax as strong incentives to new residents. Major MSAs such as Tampa and Orlando, (Tampa's population is actually 20% larger than the home of Disney World) have seen growth rates of 1.5% and 2.3%, respectively. The state also boasts emerging population centers such as the Sarasota MSA. This area, with 2% annual growth in the last decade, was a sleepy region with a total population of 277,000 back in 1990. Today, Sarasota's population is over 820,000: a 195% increase – with plenty of room for more growth. If the area can keep that 2% growth up, they will reach 1 million residents in 2030.

WASHINGTON, D.C.

No matter which political party is currently in charge, it seems that the Federal Government never stops growing. This is part of the reason that Loudoun County (3.3% annual growth in the last decade and home of Dulles International Airport) had the United States' highest median income in 2011. This MSA consists of the District of Columbia, 5 counties in Maryland, and 17 counties in Virginia. This metro population area has "only" grown at 1.2% annually over the last decade – but that is still twice the growth of the US as a whole. Also – this area can be seen as exceptionally recession-resistant: what is the chance of the Federal government cutting it's payroll by 10%?

I didn't have space this month to talk about other areas of the country that I like – the Raleigh-Durham, NC area; Nashville, TN and Seattle, WA – among others. I hope that this article has inspired you to think about where the next "Orange County of 1980" is. I don't think it's in California, but I have some good ideas of where it may be. If you have any questions, please call my office at (877) 313-1868.

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