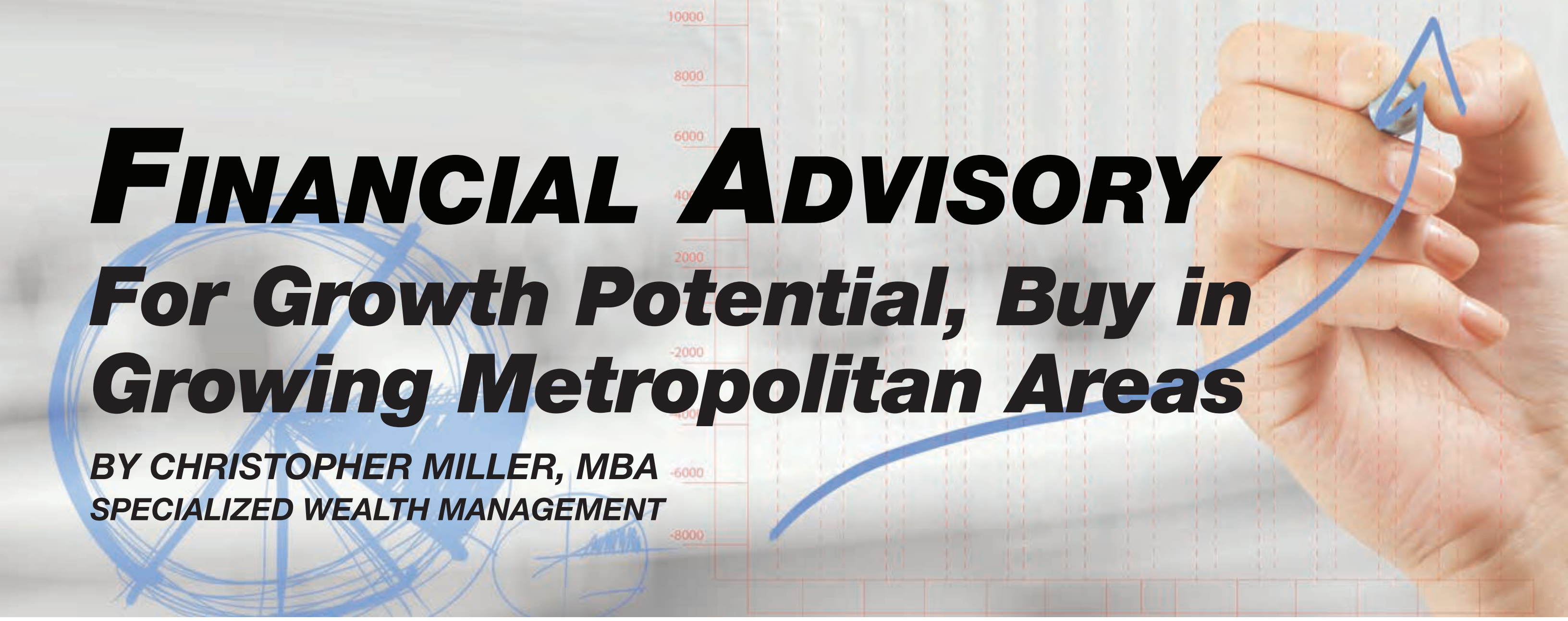

Financial Advisory

For Growth Potential, Buy in Growing Metropolitan Areas

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I have been helping my clients make real estate investments for 20 years now. I think that a big part of our success comes from buying in the right areas. I prefer to invest in growing metropolitan areas because I think that a growing population – and therefore growing pool of renters for our apartments and shoppers at our tenants' stores, gives us as investors the best chance at success.

HOW DO WE FIND GROWING AREAS?

I spend a lot of time reviewing the government's US Census results. This data tells me that the US population grew by 7.5%, or at a 0.7% annual rate, between 2010 and 2021. As of the 2020 Census; the US population was 331,449,281, so our country – through immigration and births – is gaining an additional 2,320,144 residents on an annual basis. That's roughly the population of the Orlando, Florida metro area. So: this data tells us that we will need to build the equivalent of the Orlando, Florida metro area every year in the United States to give all these new residents somewhere to live, work and shop.

Of course, this new population isn't spread evenly across the country – this growth is concentrated in certain areas that are better at attracting new residents with incentives such as jobs, low taxes and (sometimes) great weather. We also look for metro areas seeing net migration from other states – the fastest growing areas don't only have the highest birth and immigration rates, they also are attracting residents of other states.

AREAS THAT ARE NOT GROWING

For decades, I have been saying "I think California has seen all the explosive growth that it will get – we are running out of places to put everyone!" Today, population statistics are certainly backing me up. The 2010 census counted the Los Angeles Metro Area's (which includes Orange County) population at 12,828,837, while the 2021 estimate was 12,997,353. That is a 1.3% total increase, or 0.1% per year. The Los Angeles metro's population peaked at 13,278,000 in 2018 and has shrunk by almost 300,000 residents since then. Pretty dismal.

Orange County on its own, surprisingly, didn't fare well either. Their numbers were 3,010,232 in 2010, and 3,167,809 in 2021 for a 5.2% total increase or 0.48% annually. (Lower than the national average.) By comparison, Detroit, Michigan posted similar increase numbers at 4.6% total and 0.42% annually. Who would have ever guessed that Detroit's population growth rate would be four times that of Los Angeles'?

Christopher Miller is a Managing Director with Specialized Wealth Management and specializes in tax-advantaged investments including 1031 replacement properties. Chris' real estate experience includes work in commercial appraisal, in institutional acquisitions for a national real estate syndicator and as an advisor helping clients through over four hundred and fifty 1031 Exchanges. Chris has been featured as an expert in several industry publications and on television and earned an undergraduate business degree and an MBA emphasizing Real Estate Finance from the University of Southern California. Chris began his real estate career in 1998. Call him toll-free at (877) 313 – 1868.

GROWING AREAS TO WATCH

By comparison by the above numbers, the Dallas-Fort Worth Metro Area's population grew 21 percent between 2010 and 2021 – that is a 2% annual rate – almost 3 times the national average. Orlando, Florida saw 26% growth, or 2.3% annually, during that time period. The growth of these two areas really isn't very surprising – their pro-business governments are busy attracting employers with low regulations and no state income taxes. If California charges a 9.3% tax on income, and Texas and Florida charge nothing – this represents a potential giant savings on a company's largest expense line.

NEWLY EMERGING HIGH-GROWTH AREAS

Some new high growth areas of the country have emerged over the past 10 years, too – some in surprising areas. While researching a property in Oklahoma City earlier this year, I realized that this metro area's population grew 15%, or 1.3% annually, over the same 11-year period mentioned above. Growth at twice the national average gets my attention. Nashville, Tennessee's numbers were 22% total or 2% annually, while Richmond, VA saw 11% and 1% annually as "overflow" from the DC metro area took over and reversed the slow growth the area saw between 2000 and 2010.

Owning and managing investment properties is hard enough – why would we continue to endure the exponentially-expanding regulations that we face in California when our customer base is growing so slowly? People from all over the world (and inside the United States) are moving to a few different metro areas. They are chasing jobs and better lives for themselves – why don't we buy real estate there and help them take advantage of that? To discuss, call my office toll-free at (877) 313-1868.

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