

FINANCIAL ADVISORY

Growing Markets to Watch

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As I often say, I like to focus on buying in growing metropolitan areas. I think that if our number of potential customers are growing every year (potential tenants or customers of those tenants), then we will have a better chance of success with our investments.

My readers will be familiar with our current favorite areas of the country – major metro areas in Texas, the Atlanta, GA suburbs and major metros in Florida – just to name a few. Over the years, I have added new growing areas to this list – such as the Nashville, Tennessee area. (2% annual population growth from 2010 to 2021; vs. 0.68% for the entire U.S.) Are there other areas to consider adding to “my list?” Let’s look at some potential candidates this month.

IS OHIO A “NEW TECH HUB?”

A recent conversation with a colleague inspired this article. He reported having great luck recently making loans to house flippers working in the

Cleveland metro area. According to him, the area was experiencing a tremendous “tech boom” and was becoming “the next San Jose” – a midwestern technology center. Cleveland is my father’s hometown and is well known for its “rustbelt decline” where it lost 60,000 manufacturing jobs between 1952 and 1969, awful sports teams and the polluted Cuyahoga River catching fire – for the 12th time – in 1969. So, naturally, I was skeptical of this report and decided to look at the data.

A Google search will produce plenty of articles that tout Ohio’s new status as a tech hub, and their three largest metro areas of Cincinnati, Cleveland, and Columbus are most often mentioned as beneficiaries of this “boom.” Upon a closer read of these articles, however, I noticed that most of the large new development is happening in Columbus. Intel plans to open a new \$20 billion semiconductor plant in the suburbs there by 2025 and create 3,000 new jobs at an average annual salary of \$125,000. The city is also home to major operations by JP Morgan Chase (20,000 employees), Honda Motor Company’s US headquarters, and the corporate HQs for Nationwide insurance and private jet operator Net Jets. A \$1 billion, 1 million square foot,



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data storage center is also under construction by a Washington, D.C.- based REIT.

Census data for Columbus certainly illustrates the growth the area is seeing. The Columbus metro area saw its census-counted population of 1.9 million in 2010 grow to an estimated total of 2,150,000 by 2021. The metro area continued to add residents during the COVID-related shutdowns of 2020 and 2021 and saw average annual population growth of 1.2% during that time period. That is almost twice the national average, and while it doesn't beat Dallas' 2% or Orlando's staggering 2.3% figure, it certainly looks better than the 0.12% figure (only 20% of the national average) that we saw in the Los Angeles metro area.

Evidence of such explosive growth in Cincinnati or Cleveland is hard to come by. Cincinnati's population growth since 2010 has been slower than the national average, while Cleveland's average growth was negative 0.01%. So – there seems to be only one “growth hub for tech” in Ohio, and it's in Columbus in the middle of the state.

OKLAHOMA CITY

I was reviewing a DST from a new sponsor earlier this year that was in Oklahoma City. During my due diligence process, I was surprised to learn that metro area saw 1.37% average annual population growth since 2010. In 2010, the city had the 31st largest population in the U.S., and today ranks at 20th. This region is seeing migration from Los Angeles, Phoenix, Dallas and Houston as new residents are attracted to the lower cost of living – which in turn attracts employers who can pay lower wages. Major employers in the area include the 26,000 employee Tinker Air Force Base, Amazon, the Hobby Lobby Corporate Headquarters, Boeing and Dell.

Oklahoma City is located in the geographic center of the United States, so this metro area makes a lot of sense for major logistics operations. Amazon has recently expanded to fill 3.5 million square feet in the region and employs 8,000 workers. As online shopping continues to grow, logistics will expand as retail operations contract – Oklahoma City stands ready to benefit from this trend.

Aerospace is a growing industry in this metro area as well – the region is currently home to over 290 aerospace firms that employ 43,250 high-wage workers. The state of Oklahoma is aggressively courting aerospace firms with tax credits and incentive packages – and expects this industry to power continued growth into the future.

WHAT NEW METRO AREAS HAVE “MADE THE LIST?”

Columbus, Ohio and Oklahoma City, Oklahoma are showing strong population growth as their respective metro areas draw new residents with new jobs and development. Both regions are seeing population growth at almost twice the national average. Although these areas aren't yet up to the strong numbers shown in Texas or Florida, they do represent areas that deserve our attention. On a case-by-case basis, perhaps we can find better deals in Columbus than in Dallas. My office number is (877) 313-1868.

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