Q2 2022 Volume 3, Issue 2

SPERRY NEWS YOU CAN USE

A Word From Our President

Change is coming, and if you haven't already begun to adapt, it's time to look at your real estate portfolio and your wealth management. When I wrote the 2021-year end newsletter remarks, I forecasted change was coming; it's not official yet and won't be until the Fed publish their latest numbers on the economy in late July, however with the 1Q22 recording negative GDP growth, if 2Q22 is negative - which it likely will be - we will officially be in a recession and will have been for 6 months or so.

Hopefully we avoid stagflation, a shrinking economy with increasing inflation, however the real threat to real estate in 2022 isn't demand constraints - unemployment is at a record low - nor is it 'going back to the office' as many employees are already back at work on a hybrid model, and those companies which haven't demanded a return, will likely never do so, so I believe we are already across that bridge.

The real challenge we now face is linked to the increased cost of doing business and threatens NOI through unprecedented rising service and utility costs. While cap rates for retail and hospitality - the hardest hit during the recent pandemic - are trending lower, the pricing of debt is changing as interest rates trend upwards.

It's a good time to look at your real estate, meet with your property managers, and strategize on controlling costs. Did you know that Sperry Commercial manages 11.5 million square feet of commercial real estate across eight states?

...cont'd on page 2

NEWS INSIDE THIS ISSUE:

SPERRY COMMERCIAL GLOBAL AFFILIATES℠

Reach out to your local Sperry affiliate office and talk with our real estate consultants who can connect you to cost savings solutions for your commercial real estate portfolio.

Investors should also analyze the cost of debt on their cash flows. SperryCGA's agents are experts in real estate investment analysis and many hold the coveted CCIM designation. A call to your local SperryCGA office will put you in touch with an agent skilled in analyzing cash flow. It will also connect you with Sperry's capital market solutions, provided by Sperry RE Capital, to ensure your leveraged acquisitions and refinancings use the correct debt for you and the property.

Change is coming; our industry always adapts with changes, but make sure you adapt with it and don't be caught unprepared. With change comes opportunity.

ARE WE IN A SHIFTING MARKET?

By: RON OSBORNE
PRESIDENT, RJ REALTY

We have been in a Seller's market for the last several years. Properties have been sold at values that have not been seen since before the Great Recession of 2007-2008. The Federal Reserve has artificially kept interest rates low and the President in 2020 and 2021 pumped billions of dollars into the economy. Yes, this helped some people during the pandemic, but also prevented the normal market cycles we have seen over the last 40+ years.

In South Florida, every 10 to 12 years we have seen a downturn in property values, adjustments and corrections lasting a few years. The typical downcycle was due to change around 2020, but instead the market heated up. Why? It was mainly due to the migration of large corporations, senior level executives and wealthy private investors moving to South Florida. This was attributed in part to the pandemic and no personal income tax, and also kept home prices from declining while values dramatically increased. Many also sold their investment properties in high tax states such as NY, NJ, California, Pennsylvania, etc., and purchased replacement properties in Florida.

Why is the market starting to shift now? One reason has been the Fed looking at multiple rate increases - four this year alone of 0.5% each meeting. We could see interest rates as high as 6% to 7% before the end of the year. This means that Capitalization (CAP) rates must also move up, which will cause pricing to decline. We have already seen this occurring in other states in recent weeks. This will make Buyers happy and put Sellers in a state of reverse sticker shock, and in some cases, they may even pass on good sale prices because they do not believe prices are declining. Buyers are already refusing to accept some of the low cap rates on non-credit tenant transactions. Transactions may slow in the third and fourth quarter of this year except for Sellers that are now working to complete their 1031 exchanges. These will only happen on truly all cash sales with no debt as current bank rates are in the 4.5% to 5% range and it's extremely difficult to buy a property with leverage at a 4% to 4.75% CAP rate. The returns in many cases are at best a breakeven to negative cash flow.

So, I believe we are entering a stabilizing market, and should see adjustments in the next 12 to 18 months, however most likely not a crash. It won't be a Seller's or Buyers' market, but more of a market at equilibrium. This means that both sides will walk away giving a little to make a transaction happen.

If you are a Seller (or even thinking about a sale), there is still time to take advantage of this overheated market, but you need to be more realistic and move quickly. Properties need to be properly unwritten with management fees, vacancy and collection losses, reserves for replacements, adjustments for increased property taxes based on sale, and, of course, a reasonable CAP rate.

SperryCGA can still help you take advantage of the market. We have 60 offices throughout the US, with 8 offices here in Florida alone.

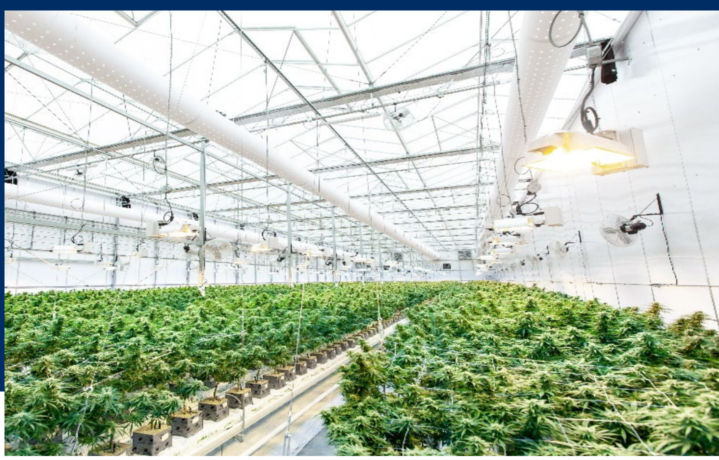
Ron Osborne
Broker/President
RJ Realty / Sperry Commercial Global Affiliates

INVESTING IN CANNABIS

By: PETER INGERSOLL, CCIM
SPERRYCGA / KIND REALTY INVESTMENTS

There's a lot of buzz about making hitting a mother lode of gold with the cannabis boom. Here's a hint. It's hard to find a worthy investment.

Don't let your investment dreams go up in smoke. Cannabis is far riskier than most realize. Even a NNN cannabis sale/leaseback has significant credit risk and re-tenanting risk. If you don't know how the industry works, you can't underwrite your tenant. No tenant = no deal. Bad tenant = dead deal.



Here are eight tips for investing in cannabis.

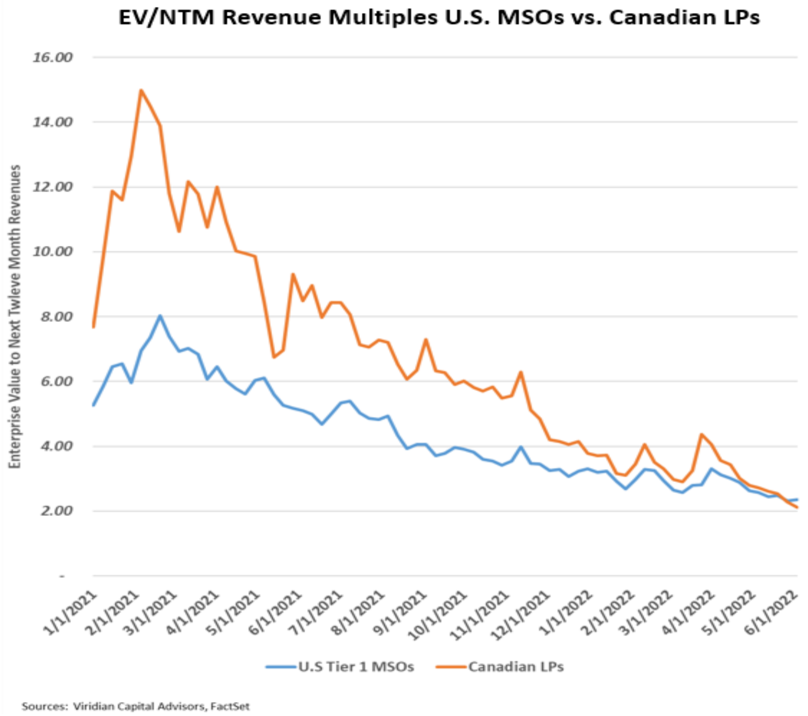
1) LEARN THE INDUSTRY

Go to cannabis conferences. Read as many cannabis investment memoranda as you can get your hands on. Research public stocks. Research the capital raises in the industry. Watch as many cannabis webinars as possible – particularly the ones hosted by investment bankers or private equity firms. Know the metrics and profit margins of the different sectors. Frank Colombo, CFA, Director of Data Analytics of Viridian Capital Advisors, posts fantastic snapshots of the industry in his Chart of the Week. https://www.viridianca.com/

> ***"The most important quality for an investor is temperament, not intellect… You need a temperament that neither derives great pleasure from being with the crowd or against the crowd."***
>
> **- Warren Buffett**

2) PUBLIC STOCKS

The last two years have been rough on cannabis stocks, but current share prices are cheap.



** Chart and 280e tax data courtesy of Frank Colombo, CFA, the Director of Data Analytics for Viridian Capital Advisors

The top cannabis stock analyst is:
Alan Brochstein, CFA.

He publishes "**New Cannabis Ventures"** which tracks public announcements, M&A transactions, and cannabis news of the day.
https://www.newcannabisventures.com/

Alan also publishes an investor newsletter called "420 Investor" with a detailed analysis of public companies. He posts trades of his three different portfolios so investors can emulate and research as desired.

Direct Market Research and Analytics
https://marketfy.com/item/420investor/
$600 annual subscription. Well worth the investment.

3) LIMITED LICENSURE – THE KEY TO PRICING POWER

A key due diligence item to pay attention to is whether your state or local jurisdiction has a limited-licensure policy or an unlimited license policy. Pricing power is hard to maintain in states or locales where there are unlimited licenses. Be aware of this fundamental regulatory dynamic.

...cont'd on page 4

4) HIRE A PROFESSIONAL CANNABIS COMMERCIAL AGENT

Cannabis is some rough water to navigate. Before you set off to find your fortune, enlist a professional to help you. You can't go wrong with someone who has earned their CCIM designation.

Look for the Seal of Approval.

5) A NNN PROPERTY WITH A CREDIT-WORTHY TENANT

If you own or are looking to buy an industrial building in a permitted cannabis zone – the so-called "green zone", you can lease it to a larger multi-state operator (MSO) with solid credit. The tenant need not be a public company but must have institutional quality financial statements. Be aware that the electrical capacity needed for cannabis tenants far exceeds the service panels installed in older buildings. Understand if - and when - the local municipality can deliver the needed power for your tenant.

6) TENANT IMPROVEMENTS

Tenant Improvements are a big issue with costs running between $150 and $250 per sq. ft. higher than normal industrial users. Lessors are advised to offer a short period of free rent in exchange for the tenant being responsible for their own TIs. In this way, the TIs become the equivalent of a larger earnest money deposit and significantly lowers the risk of default and re-tenanting.

7) RETAIL LOCATIONS

Retail locations in a green zone are in high demand for cannabis dispensaries. The property must have the characteristics of an excellent retail location: 1) Parking 2) High traffic 3) Population density 4) Left & right ingress and egress, etc. Tenant finishes can be as high as $350/SF, so tread carefully with this negotiated provision. Depending on the negotiated rent, perhaps a small TI allowance will seal a deal.

8) "PICK AND SHOVEL" INVESTMENT FUNDS

The federal tax burden is a huge problem for cannabis companies. Under Reg 280e, cannabis companies cannot deduct "normal" business expenses. Total tax burdens between Local, State, and Federal range between 58% and 74% of top line revenues! Pick and Shovel funds invest in companies that sell ancillary equipment, software, and services to the cannabis sector and are not subject to Reg 280e. These funds focus on building the infrastructure to make the cannabis markets operate smoothly and are a good choice for investors wishing to side step the Federal legality risks and look at GAAP accounting financial statements under "normal" tax rules.

To participate in these private equity funds, you must be an accredited investor. Minimum investments start at $100,000. If this appeals to you, please contact me to discuss.

In summary, cannabis is still in its infancy. It continues to grow year over year like a weed (no pun intended), despite all the legal, regulatory, taxation, black market, and financial obstacles.

Can you imagine what this sector might look like if it were legalized Federally?

Peter Ingersoll, CCIM

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Peter.Ingersoll@sperrycga.com

SPERRYCGA ATTENDS ICSC SHOW IN LAS VEGAS, NV

US MIGRATION TRENDS DEEP DIVE

by: ETHAN CHERNOFSKY
VP MARKETING
PLACER.ai

While it may be self-evident that American migration patterns would change during COVID, the shift was not as dramatic as many expected. Yet, even small shifts in migration patterns can have major implications on strategic business decisions. It impacts how retailers reach their audiences, which office space strategies top employers must utilize and how cities and regions drive key tax revenue.

The result is a uniquely adjusted picture of the wider landscape and how these changes might upend existing commercial real estate and retail strategies. But as important as the changes themselves are the opportunities they present for brands, employers, and the broader real estate ecosystem. Change creates opportunity, and in retail and office real estate, many opportunities have been created.

This report breaks down the state, market, and county-level findings from Placer.ai's new Migration Analysis tool. In doing so, we will reveal key trends to monitor and outline their potential impact on the office and retail spaces.

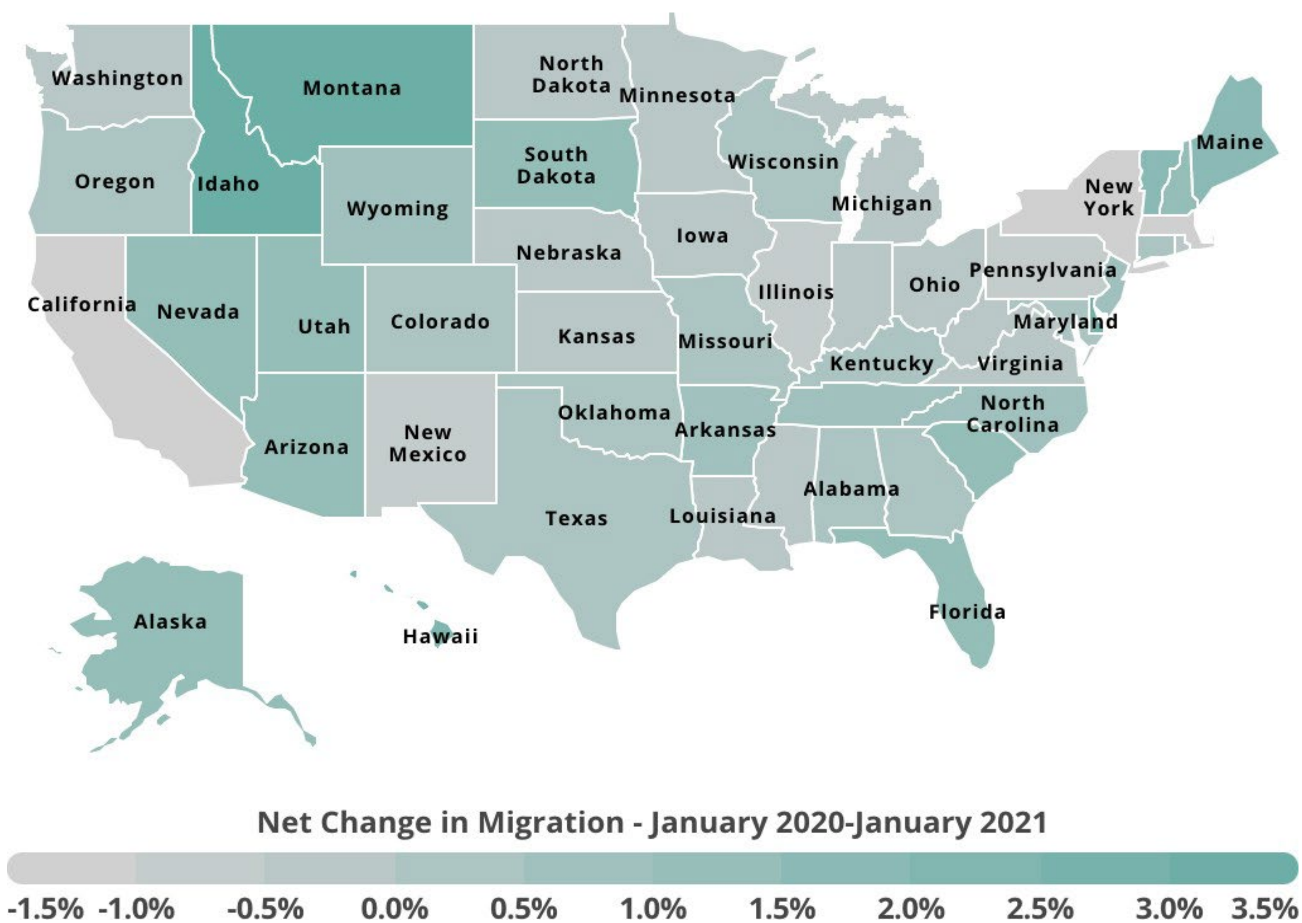
CROSS-STATE MIGRATION

A comparison of state-level migration data between January 2021 and the previous January shows that the population change that most states experienced during this period did not exceed 1%. But while overall population changes were not dramatic, some states saw exceptional migration rates throughout the pandemic. Low-populated states like Montana and Idaho experienced year-over-year population growth of 3.7% and 3.9%, respectively. Hawaii and Alaska also experienced a noticeable positive migration pattern, seeing population increases of 2.0% and 1.4%, respectively.

In contrast, a general push toward the suburbs during the pandemic has led to a significant negative migration pattern in states centered around high-density urban areas. States like New York, Massachusetts, and California experienced negative migration rates of -1.8%,

-1.4%, and -1.1%, respectively.

However, no matter how the shifts are understood, it is clear that there was no 'mass net exodus' from any state - with population rates staying fairly steady in most. Something that shows both the 'stickiness' of a home base and the related costs of leaving to a new area.



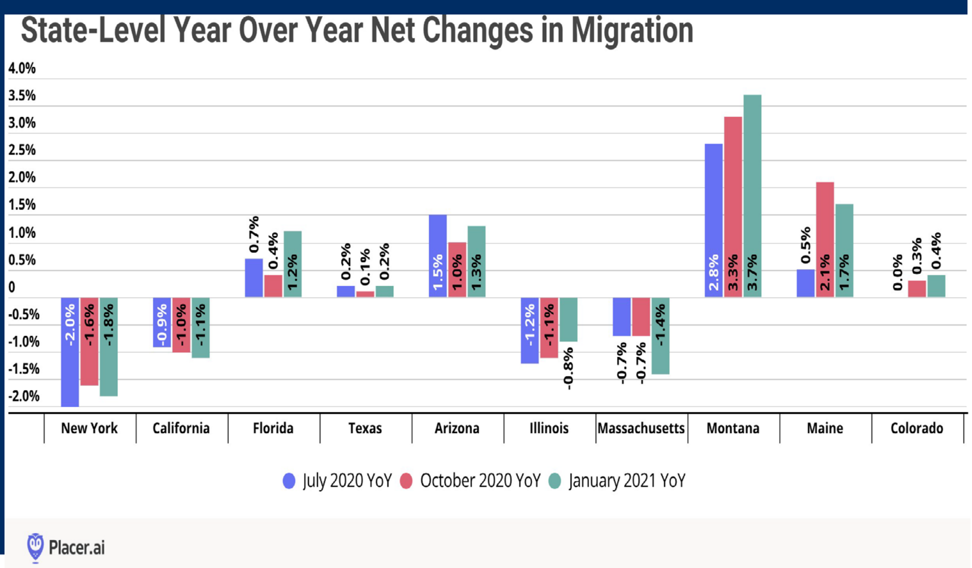
Data has also shown that the migration changes that most states experienced could not be traced to seasonality-related circumstances. Comparing year-over-year changes in migration for the months July 2020, October 2020, and January 2021 revealed the difference between those months and seasons was minor for most states. This monthly comparison also showed that certain states had experienced a continuing albeit gradual pattern of positive or negative migration. Each quarter, Montana's year-over-year net migration change grew by another 0.4%-0.5%, and California's net migration change decreased by another 0.1%. The takeaway is that while there was certainly a percentage of those leaving that were doing so temporarily, there is a very high likelihood that many were taking a more extended leave.

While southern cities like Phoenix, Austin, Tampa, and Charleston drew in many Americans during 2020, major northern and city-oriented metropolitans - including several less known for their ideal weather - experienced a negative migration pattern. San Francisco, Los Angeles, Boston, and New York all saw significant dips.

HOW FAR ARE THEY GOING?

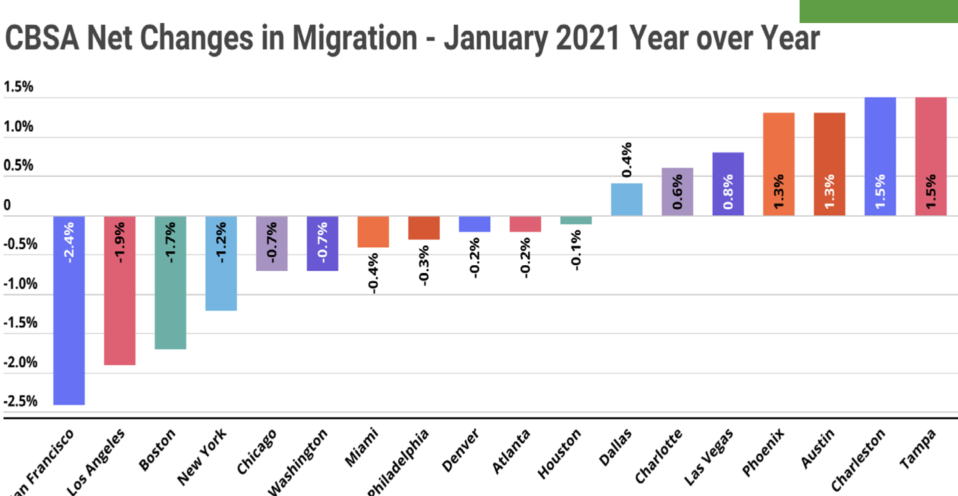
CBSA level analysis also creates an ability to better understand the magnitude of the move that most are taking. This is significant as it helps indicate shifts in the balance of power between major cities throughout the country.

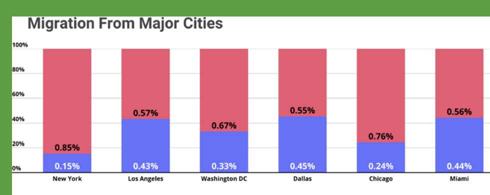
Apart from New York, where around 85% of all migration was to and from out-of-state, other analyzed CBSAs containing major cities saw out-of-state migration ranging from approximately 55% to 75%. This fact has significant implications for cross-state workforce planning, office and retail distribution, and other strategic decisions for national or regional businesses. Considering the limited nature of the 'moves' many CBSAs were likely being influenced far more by a suburban shift than a total change in where people wanted to be. The data also underscores the unique pull and reach of New York and similar cities, providing a critical indication of what their own recoveries may look like.

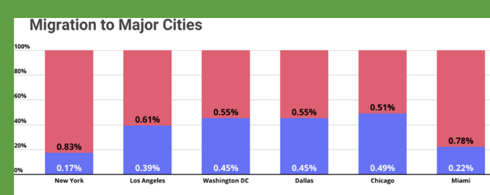


CBSA-LEVEL MIGRATION

While state-level shifts in migration were not especially dramatic, the CBSA impact was far more noticeable. CBSA-level migration data reveals which areas experienced extensive migration patterns and shows a clear distinction between northern and southern cities.







To continue reading, please click here.

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VP Marketing
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ethan@placer.ai

Current Rates

Sperrycap.com

Capital Markets Leader

Sperry RE Capital is a commercial real estate finance company that specializes in debt and equity for real estate transactions. The team has over 100 years combined experience in real estate finance, real estate development, accounting, and commercial brokerage. Sperry RE Capital provides capital market solutions to our client's commercial real estate needs. The rates provided here are for informational use only. For specific quotes, contact your local office today or whomever sent you this issue of Sperry News You Can Use.

Current Index Rates

5-Year Treasury	3.37%
7-Year-Treasury	3.37%
10-Year Treasury	3.28%
30-Day Avg. SOFR	0.88%
10-Year Swap	3.35%

Commercial

Life Companies

Term	Amortization	LTV	Spread	Rate
5-Year	25-30	65%-75%	170-210	5.05%-5.45%
10-Year	25-30	50%-65%	150-175	4.80%-5.05%
10-Year	25-30	65%-75%	170-210	5.00%-5.40%
15-Year	25-30	65%-75%	170-210	5.00%-5.40%
15-20 Year Fully Amortizing		65%-75%	170-210	5.00%-5.40%

Most life company lenders have floors of 2.75% and above. CALL FOR RATES.

CMBS

Term	Amortization	LTV	Spread	Rate
5-Year	30	65%-75%	330-370	6.65%-7.05%
10-Year	30	65%-75%	215-255	5.45%-5.85%

Multifamily

Freddie Mac-Conventional

Term	LTV	DSCR	Spread	Rate
15-Year	65%	1.35x	155-185	4.85%-5.15%
12-Year	65%	1.35x	155-185	4.85%-5.15%
10-Year	55%	1.55x	125-155	4.55%-4.85%
10-Year	65%	1.35x	145-175	4.75%-5.05%
10-Year	80%	1.25x	160-190	4.90%-5.20%
7-Year	55%	1.55x	135-165	4.70%-5.00%
7-Year	65%	1.35x	155-185	4.90%-5.20%
7-Year	80%	1.25x	170-200	5.05%-5.35%
10-Year ARM	80%	1.25x	195-225	2.85%-3.15%

Minimum index floor of 0.50% for all fixed-rate terms

Contact: Hillman Lam hlam@sperrycap.com
646-820-8618

Will Lawyer wlawyer@sperrycap.com
917-704-7708

Fannie Mae-Conventional

Term	LTV	DSCR	Spread	Rate
15-Year	65%	1.35x	185-235	5.15%-5.65%
12-Year	65%	1.35x	165-215	4.95%-5.45%
10-Year	55%	1.55x	130-180	4.60%-5.10%
10-Year	65%	1.35x	150-200	4.80%-5.30%
10-Year	80%	1.25x	170-220	5.00%-5.50%
7-Year	55%	1.55x	130-180	4.65%-5.15%
7-Year	65%	1.35x	150-200	4.85%-5.35%
7-Year	80%	1.25x	170-220	5.05%-5.55%
10-Year ARM	75%	1.00x	260-290	3.50%-3.80%
15-year floor and 10-year index floor is 1.00%; 7-year index floor is 0.80%				

Construction Loan Financing

Construction Loans- Please Call Agent

FHA-221(D) 4 Construction/Permanent

Term	Amortization	LTV	DSCR	Rate
40	40	85%	1.176x	4.50%

Before MIP of 0.25% to 0.65%

Life Companies

Term	Amortization	LTV	Spread	Rate
5-Year	25-30	65%-75%	160-200	4.95%-5.35%
10-Year	25-30	50%-65%	150-175	4.80%-5.05%
10-Year	25-30	65%-75%	160-200	4.90%-5.30%
15-Year	25-30	65%-75%	160-200	4.90%-5.30%
15-20 YR	Fully Amortizing	65%-75%	160-200	4.90%-5.30%

Most life company lenders have floors of 2.65% and above. CALL FOR RATES.

CMBS

Term	Amortization	LTV	Spread	Rate
5-Year	30	65%-75%	325-360	6.60%-6.95%
10-Year	30	65%-75%	210-250	5.40%-5.80%

Rates are general in nature and are informational use only. Rates are subject to change at anytime and the information provided is not a commitment to lend. For specific quotes based on your property, contact a Sperry RE Capital representative or whomever sent you this issue of Sperry News You Can Use.

Commercial Real Estate
Debt + Equity
Investment Sales
Loan Servicing

SCAN ME

500 Sylvan Avenue
San Bruno, CA 94066

Apartment Complex

$1,000,000

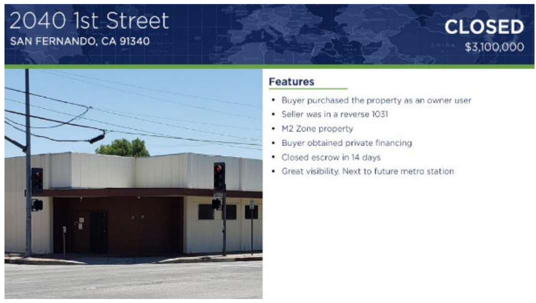
CLOSED!

2100 S Andrews Avenue
Fort Lauderdale, FL 33301

Industrial Building

$2,500,000

CLOSED!



20400 1st Street
San Fernando, CA 91340

Industrial Building

$3,100,000

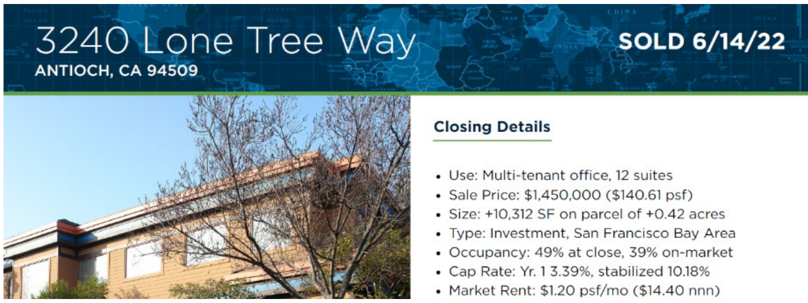
CLOSED!

2131-2171 S Grove Avenue
Ontario, CA 91761

2 Industrial/Flex Buildings

$2,500,000

CLOSED!



3240 Lone Tree Way
Antioch, CA 94509

Multi-Tenant Office Building

$1,700,000

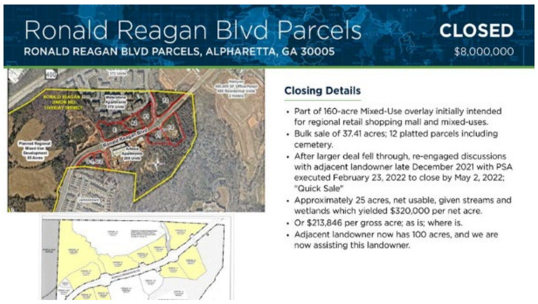
CLOSED!

301 E McNeil
Show Low, AZ 85901

Mountain Village Senior Apartments

$4,750,000

CLOSED!

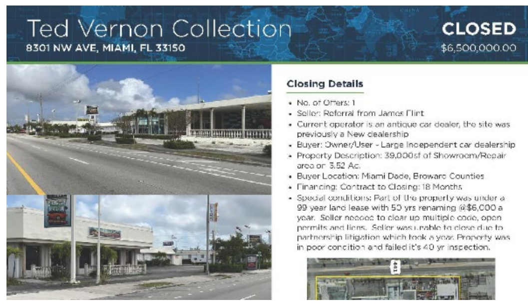


Ronald Reagan Blvd Parcels
Alpharetta, GA 30005

±37.41 Ares / 12 Parcels

$8,000,000

CLOSED!



8301 NW Avenue
Miami, FL 33150

Ted Vernon Collection

$6,500,000

CLOSED!

6050 N Black Canyon Highway
Phoenix, AZ 85017

±5,850 SF, C-2 Zoned Office/Retail Building

$1,600,000

CLOSED!

1889 Fall River Road
Estes Park, CO 80517

Amberwood Inn

$3,200,000

CLOSED!

200 Arizona Avenue, NE
Atlanta, GA 30307

25,416 SF Office Building

$8,500,000

FOR SALE

1100 Campus Lake Drive
Cottleville, MO 63376

Campus Lake Apartments Student Housing

$10,400,000

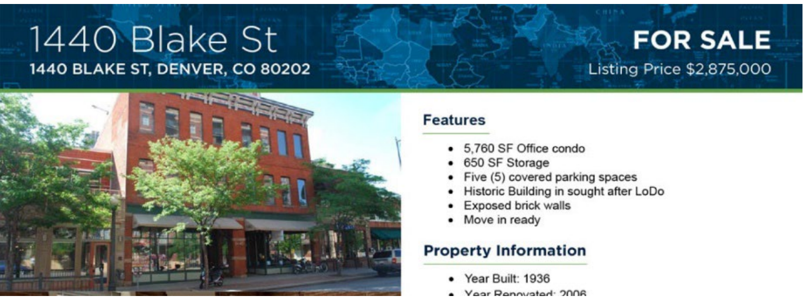
FOR SALE

5701-5711 Detroit Avenue
Cleveland, OH 44102

15,690 SF Retail Building

$1,950,000

FOR SALE



1440 Blake Street
Denver, CO 80202

5,760 SF Historic Office Condo

$2,875,000

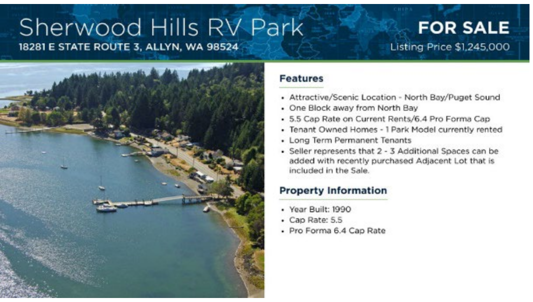
FOR SALE

1849 Howell Mill Road, NW
Atlanta, GA 30318

.87 Acres, Zoned MRC 1C

$5,000,000

FOR SALE



18281 E State Route 3
Allyn, WA 98524

Sherwood Hills RV Park

$1,245,000

FOR SALE

141 Enterprise Drive
Madison, MS 39110

Showroom/Office/Warehouse

$2,000,000

FOR SALE

820 Elm Street
Godfrey, IL 62035

Trailblazer Commons

$7,000,000

FOR SALE

2600 Yale Boulevard, SE
Albuquerque, NM 87106

Newport I, II, III

$8,250,000

AUCTION

2545 Champa Street
Denver, CO 80205

The Gertrude Apartments

$3,150,000

FOR SALE

14 STATES NOW WITH MOST JOBS EVER – MAY 2022 STATE UNEMPLOYMENT

By: TED C JONES, PhD
CHIEF ECONOMIST - SVP, STEWART TITLE

Jobs are everything to the economy and the ultimate demand for real estate. While the COVID-19 pandemic saw 22 million jobs disappear in March and April 2020, all but almost 1 million of those (numerically speaking) have come back. The recovery rate – just like the initial pandemic loss rate -- is significantly different across the states and Metropolitan Statistical Areas (MSAs).

The latest data as of May 2022 from the U.S. Bureau of Labor Statistics (BLS) shows 14 states with more jobs than ever before using seasonally adjusted data. Another eight states are within 1 percent of returning to pre-COVID levels. The table shows the percentage change in the total number of jobs from February 2020 (the month prior to the pandemic) to May 2022. While the U.S. is still missing 0.5 percent of the total number of jobs compared to February 2020, states range from a low in Hawaii, down 9.1 percent, to the high in Utah with 5.6 percent more jobs than ever before.

Change in Jobs - February 2020 Through May 2022 — stewart

Utah	5.6%	Nebraska	-0.6%	Rhode Island	-2.2%
Idaho	5.1%	New Jersey	-0.7%	Ohio	-2.4%
Montana	3.2%	Washington	-0.7%	Wyoming	-2.4%
Texas	3.0%	Maine	-0.8%	Maryland	-2.5%
Georgia	2.5%	Missouri	-1.0%	Delaware	-2.5%
Florida	2.5%	California	-1.1%	Kansas	-2.6%
North Carolina	2.3%	Kentucky	-1.1%	Minnesota	-2.7%
Tennessee	2.0%	Virginia	-1.2%	Pennsylvania	-2.8%
Arizona	1.7%	New Hampshire	-1.2%	Connecticut	-3.0%
Colorado	1.3%	Oregon	-1.2%	Michigan	-3.2%
South Dakota	1.3%	Oklahoma	-1.3%	North Dakota	-3.9%
Arkansas	0.9%	West Virginia	-1.4%	Louisiana	-4.2%
South Carolina	0.6%	Iowa	-1.6%	New York	-4.2%
Indiana	0.5%	New Mexico	-1.9%	Dist of Columbia	-4.8%
Nevada	-0.2%	Massachusetts	-2.0%	Vermont	-5.1%
Mississippi	-0.4%	Wisconsin	-2.1%	Alaska	-5.2%
Alabama	-0.4%	Illinois	-2.1%	Hawaii	-9.1%

The next table shows the net change in jobs for the 12-months ending May 2022. All 50 states and the District of Columbia posted job growth in the 12-months ending May 2022.

State Job Growth -- 12-Months May 2021 to May 2022 — stewart

Nevada	7.1%	Rhode Island	3.8%	Kentucky	2.5%
Texas	6.1%	Hawaii	3.8%	Missouri	2.5%
Georgia	5.4%	Arizona	3.7%	Maine	2.5%
Florida	5.3%	Michigan	3.6%	Oklahoma	2.5%
California	5.2%	North Carolina	3.6%	Alaska	2.4%
New Jersey	5.2%	Pennsylvania	3.5%	Iowa	2.3%
New York	5.1%	Utah	3.4%	Ohio	2.3%
Massachusetts	5.1%	South Carolina	3.4%	South Dakota	2.3%
New Mexico	4.9%	Montana	3.2%	Alabama	2.2%
Washington	4.7%	Virginia	3.2%	Nebraska	2.2%
Oregon	4.6%	New Hampshire	3.1%	Louisiana	2.2%
Colorado	4.6%	Maryland	3.0%	Delaware	2.1%
Tennessee	4.4%	Idaho	2.8%	North Dakota	2.1%
Dist of Columbia	4.4%	Connecticut	2.6%	Vermont	2.0%
Illinois	4.3%	Minnesota	2.6%	Wyoming	1.9%
West Virginia	3.9%	Mississippi	2.6%	Wisconsin	1.9%
Indiana	3.8%	Arkansas	2.6%	Kansas	1.3%

One-month state job growth is detailed in the next table. Compared to longer intervals, monthly data can exhibit significant noise from one-month to the next despite longer-term trends. One-third (17 states) showed a drop in jobs when comparing April to May 2022.

State Job Growth -- 1-Month April 2022 to May 2022 — stewart

West Virginia	1.3%	Utah	0.2%	Washington	-0.1%
Alabama	0.6%	Nevada	0.2%	Kansas	-0.1%
South Carolina	0.6%	Virginia	0.2%	Missouri	-0.1%
Texas	0.6%	New Jersey	0.2%	Nebraska	-0.1%
Maryland	0.4%	Massachusetts	0.2%	Vermont	-0.2%
Georgia	0.4%	North Carolina	0.1%	Arkansas	-0.2%
Oregon	0.3%	Dist of Columbia	0.1%	New Mexico	-0.2%
New York	0.3%	Florida	0.1%	Idaho	-0.2%
Indiana	0.3%	Pennsylvania	0.1%	Hawaii	-0.2%
South Dakota	0.3%	Tennessee	0.1%	Kentucky	-0.3%
California	0.2%	Mississippi	0.1%	Michigan	-0.3%
Minnesota	0.2%	Connecticut	0.1%	North Dakota	-0.4%
Oklahoma	0.2%	Ohio	0.1%	Montana	-0.4%
Illinois	0.2%	Delaware	0.1%	New Hampshire	-0.4%
Arizona	0.2%	Louisiana	0.1%	Maine	-0.5%
Colorado	0.2%	Wisconsin	0.1%	Wyoming	-1.0%
Rhode Island	0.2%	Iowa	0.0%	Alaska	-1.4%

Job performance metrics for all 50 states and the District of Columbia are detailed in the next table. Detailed metrics include:

- Percent of jobs lost from February 2020 to each individual state job trough in either April or May 2020
- Percentage of lost jobs recovered as of May 2022
- 1-Month job growth from April to May 2022
- 12-month job growth rates from May 2021 to May 2022
- Percentage change in jobs comparing May 2022 to February 2020 (the month prior to the pandemic)
- Total state employment (thousands of jobs) as of May 2022

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While the U.S. might be in a recession already, that will not be known until Q2 2022 Gross Domestic Product (GDP) numbers are preliminarily reported July 28th. A recession is defined as two-or-more consecutive quarters of negative GDP – which is essentially the value of all goods and services produced by the U.S. Assuming the U.S. is in a recession, at least at this point, it is unlike the past two recessions. The housing bubble recession in 2008 saw a loss of 8 million jobs over 24 months and the pandemic-driven recession lost 22 million jobs in two months. Assuming there is a recession today, job losses will likely be muted in aggregate – at least initially. The primary toll from the recession this time is the reduction in effective incomes arising from the highest inflation seen in the past 40-years cutting inflation-adjusted salaries by several thousand dollars for the typical household.

Though the overall number of jobs to be lost in the potential-current recession is minimal, some sectors are already seeing jobs hemorrhaging. The residential lending business is on track to see one-half of all jobs evaporate as interest rates rise and both home purchase and refinance lending shrinks. Fannie Mae is forecasting that total U.S. residential lending will drop from an all-time record $4.47 trillion in 2021 to $2.20 trillion in 2023.

Jobs are everything – but the ebb and flow of jobs across the country remains a state and local phenomena.

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State Job Loss and Recovery Metrics

State	Lost Feb 2020 to Trough *Percent*	Recovered Trough to May 2022 *Percent*	May 2022 1 Month Job Growth *Percent*	12-Month Growth *Percent*	Feb 2020 to May 2022	Total State Employment *Thousands*
Alabama	11.7%	96.6%	0.6%	2.2%	-0.4%	2,079.6
Alaska	14.1%	63.1%	-1.4%	2.4%	-5.2%	312.6
Arizona	11.3%	115.1%	0.2%	3.7%	1.7%	3,047.5
Arkansas	9.9%	108.8%	-0.2%	2.6%	0.9%	1,307.5
California	15.6%	93.0%	0.2%	5.2%	-1.1%	17,498.1
Colorado	13.3%	109.6%	0.2%	4.6%	1.3%	2,855.4
Connecticut	17.0%	82.6%	0.1%	2.6%	-3.0%	1,648.5
Delaware	14.5%	82.8%	0.1%	2.1%	-2.5%	457.4
Dist of Columbia	10.9%	56.2%	0.1%	4.4%	-4.8%	766.9
Florida	14.1%	117.4%	0.1%	5.3%	2.5%	9,299.1
Georgia	13.1%	118.9%	0.4%	5.4%	2.5%	4,782.4
Hawaii	23.5%	61.2%	-0.2%	3.8%	-9.1%	603.1
Idaho	10.3%	149.0%	-0.2%	2.8%	5.1%	813.3
Illinois	13.5%	84.0%	0.2%	4.3%	-2.1%	6,012.5
Indiana	15.6%	102.9%	0.3%	3.8%	0.5%	3,181.7
Iowa	11.1%	85.6%	0.0%	2.3%	-1.6%	1,565.0
Kansas	11.0%	76.7%	-0.1%	1.3%	-2.6%	1,392.8
Kentucky	15.1%	92.5%	-0.3%	2.5%	-1.1%	1,937.2
Louisiana	14.2%	70.8%	0.1%	2.2%	-4.2%	1,910.4
Maine	14.9%	94.8%	-0.5%	2.5%	-0.8%	635.1
Maryland	14.5%	83.0%	0.4%	3.0%	-2.5%	2,713.4
Massachusetts	18.4%	89.2%	0.2%	5.1%	-2.0%	3,665.9
Michigan	23.7%	86.6%	-0.3%	3.6%	-3.2%	4,311.5
Minnesota	13.9%	80.4%	0.2%	2.6%	-2.7%	2,913.8
Mississippi	12.8%	97.2%	0.1%	2.6%	-0.4%	1,158.3
Missouri	12.3%	92.2%	-0.1%	2.5%	-1.0%	2,897.3
Montana	13.0%	124.4%	-0.4%	3.2%	3.2%	504.8
Nebraska	9.5%	93.3%	-0.1%	2.2%	-0.6%	1,026.2
Nevada	23.8%	99.1%	0.2%	7.1%	-0.2%	1,446.6
New Hampshire	17.1%	92.9%	-0.4%	3.1%	-1.2%	681.0
New Jersey	17.3%	96.0%	0.2%	5.2%	-0.7%	4,199.1
New Mexico	12.1%	84.2%	-0.2%	4.9%	-1.9%	845.2
New York	20.2%	79.2%	0.3%	5.1%	-4.2%	9,430.3
North Carolina	12.1%	119.3%	0.1%	3.6%	2.3%	4,728.2
North Dakota	12.2%	68.1%	-0.4%	2.1%	-3.9%	423.6
Ohio	15.7%	84.8%	0.1%	2.3%	-2.4%	5,479.5
Oklahoma	9.9%	86.4%	0.2%	2.5%	-1.3%	1,680.0
Oregon	14.3%	91.4%	0.3%	4.6%	-1.2%	1,948.0
Pennsylvania	18.6%	85.0%	0.1%	3.5%	-2.8%	5,925.5
Rhode Island	21.3%	89.8%	0.2%	3.8%	-2.2%	496.8
South Carolina	13.9%	104.4%	0.6%	3.4%	0.6%	2,211.1
South Dakota	10.1%	112.5%	0.3%	2.3%	1.3%	448.8
Tennessee	12.0%	116.3%	0.1%	4.4%	2.0%	3,215.7
Texas	11.2%	127.0%	0.6%	6.1%	3.0%	13,357.1
Utah	9.1%	161.2%	0.2%	3.4%	5.6%	1,661.9
Vermont	20.8%	75.7%	-0.2%	2.0%	-5.1%	299.7
Virginia	11.7%	89.9%	0.2%	3.2%	-1.2%	4,044.4
Washington	12.2%	94.0%	-0.1%	4.7%	-0.7%	3,491.2
West Virginia	14.4%	90.0%	1.3%	3.9%	-1.4%	710.4
Wisconsin	13.5%	84.5%	0.1%	1.9%	-2.1%	2,933.4
Wyoming	9.3%	73.6%	-1.0%	1.9%	-2.4%	282.8

"Find out where the people are going and buy the land before they get there."

-William Penn Adair

WHAT THE HOUSING AFFORDABILITY CRISIS LOOKS LIKE ACROSS THE UNITED STATES

By: Xiaodi Li
Economist, Moody's Analytics

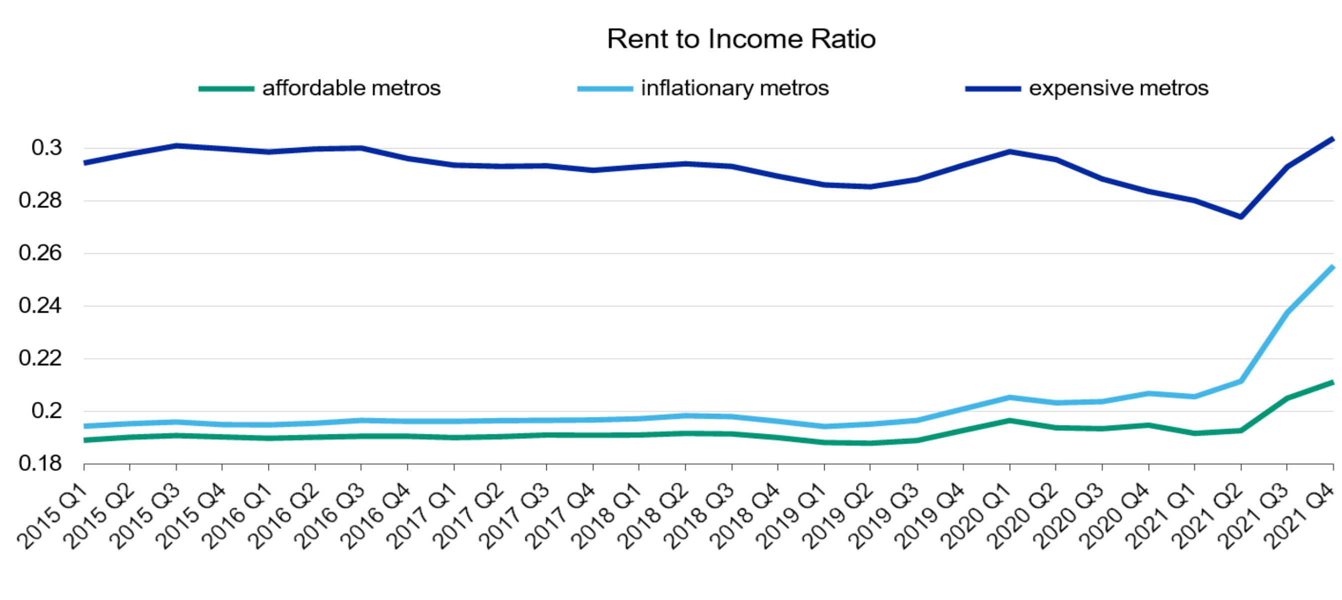
More than a decade ago, an aspiring gubernatorial candidate for New York ran on a single issue: "The rent is too damn high." [1]This is not a new pain point, of course. Rent control has gripped the national conversation since at least 1942, when President Franklin D. Roosevelt signed the Emergency Price Control Act into law. The COVID-19 crisis only exacerbated the challenge to find affordable housing in the US.

Though rent generally declined in 2020, multifamily performance roared back in 2021 and more than made up for 'short-term cheapening.' Rents skyrocketed in multiple metros, including those previously seen as relatively affordable.

WHERE HOUSING AFFORDABILITY IS FALLING BEHIND MOST

Table 1 segments *inflationary metros* and *expensive metros.* The 14 MSAs deemed inflationary metros experienced a more than 25% increase in multifamily asking rents from the end of 2019 to the end of 2021. And no, wage growth did not keep pace. As a result, rent-to- income ratios in these geographic areas (monthly rents divided by monthly income) rose by 600 basis points over the last two years, from 20% to 26%, as shown in Figure 1. ***That means the median household now dedicates over a quarter of their income to rent – up from a fifth just two years ago for inflationary metros.*** Multifamily rent burdens actually *decreased* in expensive metros in 2020 because rents plummeted so severely compared to inflationary ones (markets like **New York, San Francisco,** and **Washington, DC** posted record drops in effective rents in 2020). However, this brief respite did not last***: rent-to-income ratios surged above 30% by Q4 of 2021 for expensive metros***. As for affordable metros, their average ratio increased from 19% in 2019 to 21% two years later, only about one third of the rent burden increase in inflationary metros.

Figure 1: Multifamily Rent-to-Income Ratio for Different Metro Types



Source: Moody's Analytics

1 A recent article in the Berkeley Political Review provides an update on how The Rent Is Too Damn High Party is trying to remain relevant: https://bpr.berkeley.edu/2018/04/05/the-rent-is-too-damn-high-a-guide-on-what-not-to- do-when-the-rent-is-just-too-damn-high/

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Table 1: Multifamily Market Rent and Rent Growth for Inflationary Metros and Expensive Metros[2]

Inflationary Metros

Metro	State	Rents increase from 2019 Q4 to 2021 Q4	Market Rents in 2021 Q4 ($)
Lake Charles	LA	30.85%	1,083
Allentown	PA	29.35%	1,450
Daytona Beach	FL	27.98%	1,262
Ocala	FL	27.87%	1,171
Killeen-Fort Hood	TX	27.77%	1,016
Jacksonville	FL	27.60%	1,374
Memphis	TN	26.98%	1,092
Tampa-St. Petersburg	FL	26.79%	1,523
Albuquerque	NM	26.76%	1,145
Fort Walton Beach	FL	25.73%	1,505
Huntsville	AL	25.67%	1,003
Fort Myers	FL	25.55%	1,310
Jacksonville	NC	25.20%	1,117
Savannah	GA	25.13%	1,248.00

Expensive Metros

Metro	State	Rents increase from 2019 Q4 to 2021 Q4	Market Rents in 2021 Q4 ($)
New York	NY	4.98%	3,840
San Francisco	CA	-10.23%	2,945
San Jose	CA	-4.37%	2,635
Boston	MA	6.01%	2,633
Westchester	NY	12.84%	2,626
Oakland-East Bay	CA	3.43%	2,466
Fairfield County	CT	10.06%	2,398
Orange County	CA	15.56%	2,327
Long Island	NY	7.86%	2,327
Northern New Jersey	NJ	10.02%	2,286
Santa Cruz-Watsonville	CA	5.02%	2,242
San Diego	CA	13.02%	2,155
Los Angeles	CA	2.46%	2,136
District of Columbia	DC	-2.51%	1,981
Suburban Virginia	VA	2.33%	1,952

Source: Moody's Analytics

2 Expensive metros are 15 metros with highest asking rents in 2019 Q4; Inflationary metros are 14 metros where asking rent growth rates exceed 25% from 2019 Q4 to 2021 Q4; we categorize other metros as affordable metros.

Six of the 14 inflationary metros are in Florida. Why? Multiple media outlets point out that the COVID-19 pandemic prompted residents in expensive metros to relocate to a state like Florida boasting tax benefits, lower costs of living, and warmer weather (at least relative to the Northeast). While these newcomers bring additional business to the local economy, they also stiffened competition[3] for housing and likely bid up multifamily costs, thus intensifying the affordability predicament.

DEPRIVED OF THE AMERICAN DREAM

Interestingly, patterns in household median income expose a looming equity crisis.

Expensive metros boast higher rents, but generally higher incomes to match. The average annual household median income is $97,003 in 2021 Q4 for expensive metros.[4] This drops to $58,322 in inflationary metros, lower than the US household median income of $60,351.

Table 2: Multifamily Rent, Median Household Income, and Single-Family Home Price Growth Rates between Q4 2019 and Q4 2021 for Different Metro Types

Metro Type	Multifamily Market Rent Growth (average)	Median household Income Growth (average)	Median Single-Family Home Price Growth (average)
Expensive	4.43%	0.88%	33.45%
Inflationary	27.06%	-0.03%	29.40%
Affordable	11.38%	1.66%	27.43%

Source: Moody's Analytics

"Ninety percent of all millionaires become so through owning real estate."

- Andrew Carnegie

If multifamily rents rise faster in lower-income areas, poorer households bear a proportionately larger brunt of the rent increases brought about by these trends.

To continue reading, please click here.

Xiaodi Li
Economist
Moody's Analytics

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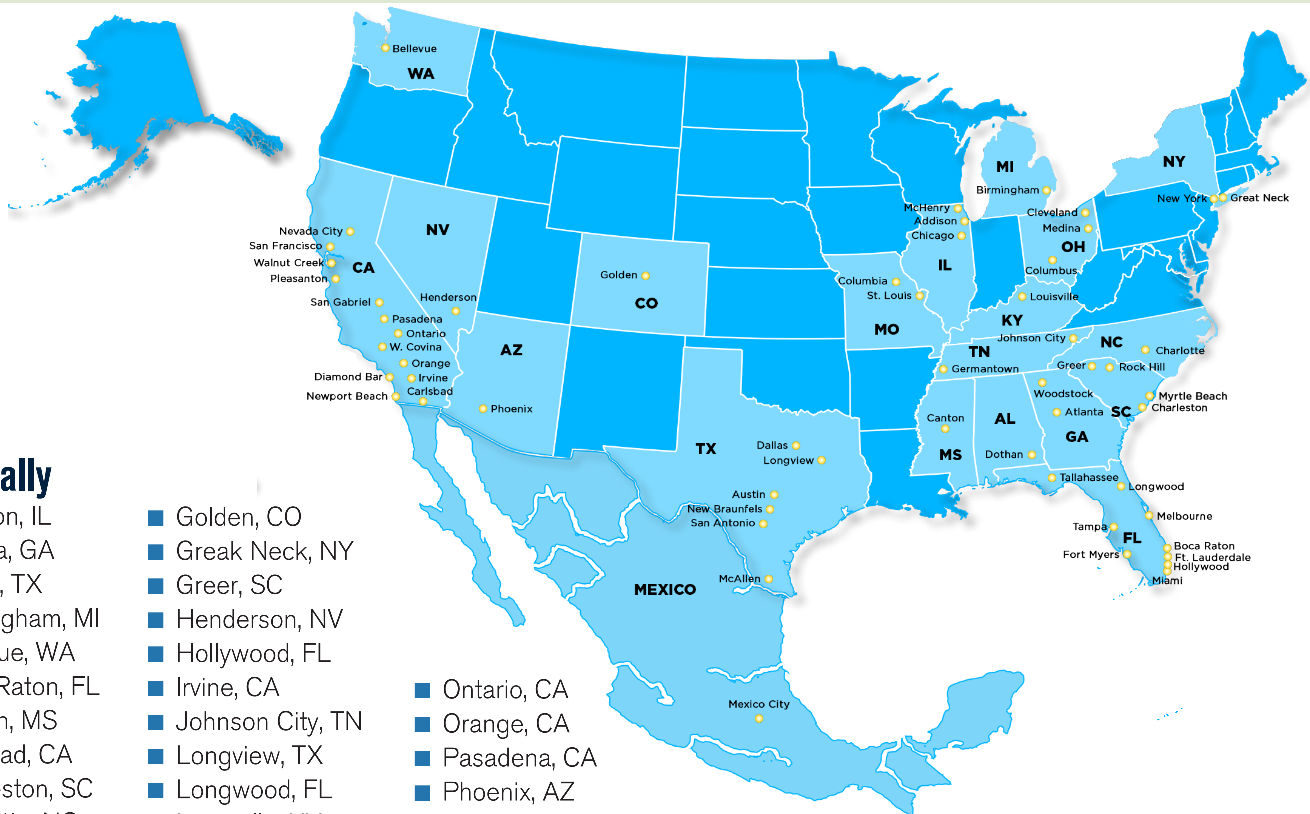

Nationally

- Addison, IL
- Atlanta, GA
- Austin, TX
- Birmingham, MI
- Bellevue, WA
- Boca Raton, FL
- Canton, MS
- Carlsbad, CA
- Charleston, SC
- Charlotte, NC
- Chicago, IL
- Cleveland, OH
- Columbia, MO
- Columbus, OH
- Cupertino, CA
- Dallas, TX
- Diamond Bar, CA
- Dothan, AL
- Fort Myers, FL
- Germantown, TN
- Golden, CO
- Greak Neck, NY
- Greer, SC
- Henderson, NV
- Hollywood, FL
- Irvine, CA
- Johnson City, TN
- Longview, TX
- Longwood, FL
- Louisville, KY
- McAllen, TX
- McHenry, IL
- Medina, OH
- Melbourne, FL
- Miami, FL
- Myrtle Beach, SC
- Nevada City, CA
- Newport Beach, CA
- New Braunfels, TX
- New York, NY
- Ontario, CA
- Orange, CA
- Pasadena, CA
- Phoenix, AZ
- Pleasanton, CA
- Rock Hill, SC
- San Antonio, TX
- San Francisco, CA
- San Gabriel, CA
- St. Louis, MO
- Tallahassee, FL
- Tampa, FL
- Walnut Creek, CA
- West Covina, CA
- Woodstock, GA

Internationally

- Mexico City, Mexico (Opened 2021)
- Monterrey, Mexico (Opening 2022)
- Madrid, Spain (Opening 2022)
- Barcelona. Spain (Opening 2022)
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