

States At Risk Over The Next 10 Years

Real estate investors and developers tend to focus on the here-and-now, often assuming tomorrow will be very similar to today. This optimism can create cognitive bias, shared illusion or blind entrepreneurship. Too often real estate leaders, advisors and those empowered to “find opportunities” rely upon historical data providers that overlook other factors with implications for the future.

Based upon a review of several long-term trends and/or undeniable facts, it is clear that all states span a wide range of potential and risks. This table highlights just a few factors that put some states at a higher investment risk. It does not mean one should avoid those states...on the contrary, you simply must be far more diligent with where and what you do to achieve/exceed your expectations and goals. Caution and risk mitigation should be your guiding principles.

The table highlights some of the states potentially at risk over the 2017 – 2025 period.

Factor	States Potentially At Risk
Severe long-term drought and/or future water challenges	CA, NV, UT, CO, AZ, TX, FL, GA
Least economic freedom	NY, CA, NJ, HI, RI, IL, MD, MN, OR, KY, WV, ME, VT
Highest per capita taxes	NY, CT, MN, CA, HI, NJ, IL, WI, MD, RI, OR
States with the lowest high school graduation rate	D.C., OR, NM, NV, GA, WA, NY, FL, CO, LA, ID, AZ
Highest sales tax rate	TN, AR, AL, LA, WA, OK, NY, CA, KS, IL, AZ
Highest property taxes	NJ, IL, NH, CT, WI, TX, NE, MI, VT, RI
Highest labor and employment costs	MA, NY, RI, MD, HI
Lowest labor participation rates	WV, MS, AL, AR, KY, NM, SC, TN, NC, AZ
States with highest real estate tax rankings	NJ, IL, NH, WI, TX, CT, NE, MI, VT, RI, NY
Top move-out states in 2016	NJ, NY, IL, CT, OH, KS, KY, WV, UT, PA
Least educated states	WV, MS, AR, NV, LA, KY, AL, TN, TX
States with highest crime rates	AK, NM, NV, TN, LA, SC, DE, MD, FL, AR
States with largest unfunded liabilities	IL, CT, KY, AK, MS, KS, NH, HI, NJ, LA, CO
States with the worst business environment	LA, MS, WV, ME, PA, AR, KY, RI, OH, NM

Sources:

1. U.S. Government Accountability Office
2. Think Advisor
3. George Mason University
4. The Foundation
5. U.S. Department of Education
6. Tax Foundation
7. The Fiscal Times
8. CRN
9. U.S. Department of Labor
10. WalletHub
11. United Van Lines
12. 24/7 Wall Street
13. USA Today
14. Physicians Money Digest
15. Center For Climate And Energy Solutions
16. Cato Institute
17. Education Week

As the U.S. economy continues its transformative changes, *where* to conduct business is becoming as important as *which* business to conduct. When and what to build, where to grow and invest must be among the top priorities of every real estate firm.

Key Questions To Discuss This Week

1. What key economic, demographic and market trends will drive and determine success in your core markets over the next decade?
2. Which emerging trends should most concern your company?
3. Does your company have detailed strategies on how to uncover opportunities and avoid the pitfalls in your target markets?
4. Are there one or more states in which you should be conducting business to prosper through 2025?
5. Are you conducting business in a state at risk? What should you do?

Prediction

The shift to the Sunbelt will accelerate over the next decade as employers seek to avoid higher taxes, labor and natural resource challenges, government regulations and cost to conduct business...and to align with population growth, job creation, economic and market growth opportunities.”

Closing Comments

We hope you enjoyed this article and will be able to utilize the “Key Questions” at a future leadership meeting within your firm.

We welcome your comments, feedback, insights and perspectives

Regards,



Christopher Lee

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