IFA®

INTERNATIONAL FRANCHISE ASSOCIATION

2024 FRANCHISING ECONOMIC OUTLOOK

Research by:

FRANdata
Franchise Business Intelligence

Report sponsored by:

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ABOUT THE INTERNATIONAL FRANCHISE ASSOCIATION

Celebrating over 60 years of excellence, education, and advocacy, the International Franchise Association (IFA) is the world's oldest and largest organization representing franchising worldwide. IFA works through its government relations and public policy, media relations, and educational programs to protect, enhance and promote franchising and the approximately 806,270 franchise establishments that support nearly 8.7 million direct jobs, $858.5 billion of economic output for the U.S. economy, and almost 3% of the Gross Domestic Product (GDP). IFA members include franchise companies in over 300 different business format categories, individual franchisees, and companies that support the industry in marketing, law, technology, and business development.

ABOUT FRANDATA

FRANdata offers independent, comprehensive market insight focusing on the franchise ecosystem. Our research combines rigorous analysis with industry expertise and astute forecasting. By leveraging the largest database of franchise information in the industry, FRANdata focuses on delivering unparalleled insights and high-level strategic advice to a global franchise client base.

AUTHORS

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Special thanks to our report sponsor:

As the authority in franchise funding, Benetrends has been funding America's most popular brands for 40 years. Benetrends' innovative and comprehensive suite of funding solutions not only helps franchisees successfully launch their dreams, but also helps catapult growth of franchise systems

METHODOLOGY

The detailed forecasts and projections presented in this report by FRANdata combine a range of existing and new quantitative and qualitative information relevant to franchising in the United States. FRANdata's forecasting model uses internal databases that closely track approximately 9,000 brands in the U.S. and external sources of information, such as macroeconomic data and industry-specific research, to make informed predictions.

FRANdata draws on a variety of quantitative data sources, including publicly available information on franchise brands, disclosure documents, historical growth rates, and correlations between unit growth and macroeconomic factors, such as interest rates, GDP growth rates, inflation, consumer disposable income, household wealth, and small business sentiment.

In addition, qualitative data sources, which include insights from industry experts, lenders, franchisees, and franchisors are also incorporated into our findings. These sources aim to provide an understanding of observed growth and trends in financing.

FRANdata's forecast estimates the performance for the year 2023 based on observed factors. The projections for franchise establishment, employment, and economic output for 2024 consider the factors predicted to occur this year and extrapolated using 2023 estimates. FRANdata is responsible for the charts and research in this report unless otherwise noted.

KEY TERMS

Business format franchise: This type of franchise includes not only a product, service, and trademark, but also the complete method to conduct the business itself, such as the marketing plan and operations manuals.

Business lines:

- ***Business services:*** Includes accounting services, financial services, insurance, business consulting, computer products and services, mailing packaging, shipping, printing, advertising and promotions, legal services, security services, and business-focused publications.
- ***Commercial and residential services:*** Includes maintenance services and building and construction.
- ***Lodging:*** Includes a wide range of accommodation types including hotels, B&Bs, resorts, hostels, motels, and others that provide a place to stay overnight.
- ***Personal services:*** Includes services related to beauty, health and fitness, storage, moving, education, childcare, sports and recreation, pets, and travel.
- ***Quick service restaurants (QSRs):*** Includes limited-service restaurants that serve meals at lower price points and typically provide fast service, a limited menu, and limited table service.
- ***Real estate:*** Includes brokerage services, property inspection services, residential property managers, and nonresidential property managers.

KEY TERMS (CONTINUED)

- ***Retail food, products, and services:*** Includes food and beverage stores; convenience stores; food-service contractors; caterers; retail bakeries; beer, wine, and liquor stores; gas stations with convenience stores; motor-vehicle parts and supply stores, including tire dealers, automotive equipment rental and leasing, and automotive repair and maintenance; furniture and home furnishings stores; electronics and appliance stores; building material and garden equipment and supplies dealers; health supplement stores, pharmacies and drug stores; beauty supplies and optical goods stores; clothing and general merchandise stores; office supplies and stationery stores; florists and gift stores; used merchandise stores; consumer-goods rentals; photographic services; and book and music stores.
- ***Table/full-service restaurants:*** Includes establishments offering table service with three categories of establishments: fine dining, casual dining, and midscale.

Consumer disposable income: The amount that U.S. residents have left to spend or save after paying taxes.

Disclosure statement: Also known as the Franchise Disclosure Document (FDD), the disclosure document provides public information about the franchisor and franchise system for prospective franchisees as they consider purchasing decisions.

Franchise brand: The brand under which franchisees operate their business.

Franchise output: The total value of sales of goods and services.

Franchisee: A person that purchases the right to operate a business model under the franchisor's brand name and system.

Franchise establishments: Businesses that are owned and operated by franchisees.

Franchising: Franchising is the right of individuals to apply a company's business model for a specific time frame by using its trademark(s). Trademarks include business names, symbols (logos), and slogans used to identify businesses and the goods and services they provide.

Franchisor: The company that owns the trademarks and proprietary system for operating businesses and gives individuals the right, under limited agreement and for consideration, to run businesses using those trademarks and following those operational guidelines.

Gross domestic product (GDP): GDP is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

Household wealth: Household wealth or household net worth represents the total value of assets (financial as well as non-financial) minus the total value of outstanding liabilities of households (including non-profit institutions serving households).

Industry: An industry is a group of companies that are related based on their primary business activities.

Inflation: Inflation is an increase in the general prices of goods and services.

2024: A YEAR IN TRANSITION FOR FRANCHISING

The past few years have resulted in an unpredictable economy as the U.S. has navigated the aftereffects of the COVID-19 pandemic. In 2023, franchising faced economic challenges such as inflation, labor shortages, and rising interest rates, forcing many to adapt during this period of uncertainty.

Despite these challenges, franchising exceeded FRANdata's projections for 2023, with establishments estimated to have grown by 2.2% compared to the 1.9% previously forecasted. While the Federal Reserve's policy to raise interest rates helped slow inflation growth as intended, franchising and the U.S. economy exceeded expectations in 2023 thanks to robust consumer spending. Employment growth aligned with FRANdata's estimated projections, increasing by 2.9% compared to 3%. Output for 2023 also aligned with last year's projections, growing by 4.2% compared to 4.1%.

While the Federal Reserve is not expected to hit its target inflation rate of 2% until 2025, investors are optimistic that a series of rate cuts are on the horizon for 2024. Ultimately, lower interest rates will reduce the cost of borrowing, making franchising more affordable. Amidst continuing inflation, a U.S. presidential election, geopolitical tensions, and technological advances in artificial intelligence (AI), 2024 is expected to be a transitional year for the U.S. economy and franchising.

KEY FORECASTS FOR 2024 INCLUDE:

- **The number of franchise establishments will increase by more than 15,000 units**, or 1.9%, to 821,000 units. This growth will be supported, in part, by lower interest rates for higher ownership affordability and increased investment from private equity firms.
- Franchising is expected to **add approximately 221,000** jobs in 2024. As overall U.S. unemployment is forecast to average 4.1%, higher than 2023's unemployment rate of 3.7%, FRANdata forecasts **employment to grow by 2.6%,** down 0.3% in year-over-year comparisons.
- Total franchise **output will increase by 4.1%,** from $858.5 billion in 2023 to $893.9 billion in 2024.
- Franchises' GDP will continue to grow, increasing at a pace of 4.3% to $545.8 billion.
- Personal services and quick service restaurants (QSRs) will experience higher growth than other industries.
- Growth in the **Southeast and Southwest** will outpace the rest of the U.S. franchise market in 2024.

Throughout the year, the U.S. presidential election is expected to cause short-term fluctuations in the stock market. The results of the election and its ensuing policies will have a significant influence on franchising in the latter half of the year into 2025. Relatively high interest rates will continue to be a drag on business activity, and labor also remains a significant concern in 2024. The 2023 IFA Franchisee Survey underscored this, with 47% of franchisees surveyed citing labor concerns as their top issue. Approximately 59% of franchisees see labor challenges as a significant barrier to growth, particularly in the child-related, quick service restaurants (QSR), and beauty-related industries.

Given the high interest rate environment, private equity (PE) investment in 2023 witnessed lower deal volumes compared to the previous year. Anticipated convergence of price expectations between sellers and buyers, along with a decrease in borrowing costs following Federal Reserve rate cuts, is projected to result in increased deal volumes in 2024, although not substantially higher. High borrowing costs will result in PE companies being selective in their investments and may also witness consolidation and exit in 2024. PE in 2023 was most heavily involved in industries such as QSRs, personal services, and residential services, and PE's interest in franchising is expected to continue throughout 2024.

Franchise Business Economic Outlook: 2020 - 2024

	2020	2021	2022	2023 (Est.)	2024 (Proj.)
Establishments	753,770	774,965	788,914	806,270	821,589
Percentage Change	-2.6%	2.8%	1.8%	2.2%	1.9%
Employment	7,532,305	8,192,600	8,421,799	8,665,517	8,886,555
Percentage Change	-11.4%	8.8%	2.8%	2.9%	2.6%
Output ($ Billion)	$677.2	$787.7	$823.7	$858.5	$893.9
Percentage Change	-14.7%	16.3%	4.6%	4.2%	4.1%
GDP ($ Billion)	$446.3	$474.2	$499.2	$523.5	$545.8
Percentage Change	-5.7%	6.2%	5.3%	4.9%	4.3%

EXECUTIVE SUMMARY

In 2024, FRANdata projects:

- **Franchising output to increase by 4.1% to $893.9 billion**
- **Total franchised establishments to increase by 1.9% to 821,589 units**
- **Franchise employment to grow by 2.6%, adding more than 221,000 jobs and reaching a total of 8.9 million employees**
- **Franchise GDP is estimated to grow by 4.3% to $545.8 billion**

In 2024, the personal services sector is projected to lead growth in franchise establishments, growing by 3% to 124,508 units. Quick Service Restaurants (QSRs) are anticipated to secure the second position among all industries with a projected increase of 2.2% to more than 199,000 units. FRANdata forecasts a 0.9% increase in the number of franchises in the lodging industry, reaching 36,000 locations.

Employment in franchising is projected to increase by 2.6% in 2024 to a total of 8,886,555 employees in the U.S.

The southeast region leads the country for most franchise businesses. The region is home to approximately 30% of all U.S. franchised businesses, 2.6 million employees, and $268.2 billion in franchise revenue. The Midwest is the second-largest region in terms of franchise establishments.

Franchising will face challenges at the state level. In 2024, 25 states are raising their respective minimum wage, increasing the cost of labor. California, New York, and Washington will increase their baseline pay the most, to $16/hour or higher.

Inflation and supply chain challenges are expected to ease, replaced by uncertainty from other geopolitical factors and global instability, particularly for businesses outsourcing manufacturing or importing goods. The anticipated cut in interest rates is expected to alleviate business operators from high loan costs, potentially fostering more establishments in the future.

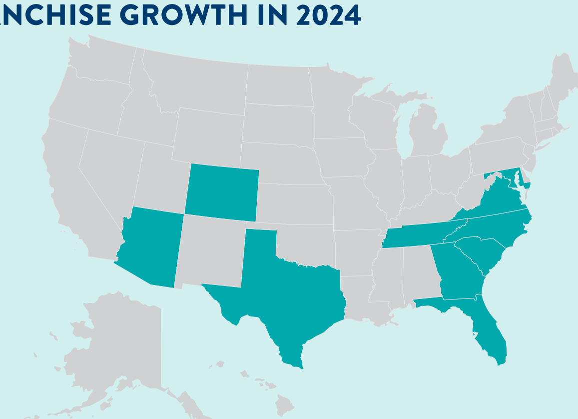
The inability to hire both skilled and unskilled labor will remain the major challenge franchisors and franchisees face in 2024. Based on IFA's 2024 Annual Franchisor Survey, 79% of the franchisors report that their franchisees have job openings they cannot fill.

Franchisors and franchisees are less concerned about labor shortages as the main challenges have shifted to the cost of labor due to wage increases, which have increased at an annual rate of 5% - 7% over the past few years, and the availability of qualified workers, which has slowed the filling of open positions.

Technological advances in artificial intelligence (AI) and investments from private equity will continue to influence the franchise industry.

THE TOP 10 STATES FOR FRANCHISE GROWTH IN 2024

1. **Texas**
2. **Florida**
3. **Georgia**
4. **North Carolina**
5. **South Carolina**
6. **Tennessee**
7. **Maryland**
8. **Arizona**
9. **Colorado**
10. **Virginia**



Industry-Specific Forecasts

Service-based businesses and QSRs are expected to be among the fastest-growing industries this year. Personal services, including health and wellness, child-related, beauty-related, and pet services sectors, are expected to grow by 3.0% in 2024. Consumers' focus on personal health and wellness has bolstered the sector post-COVID. Beauty-related services, including luxury spas, salons, nonsurgical skincare, and specialized hair services, rebounded swiftly post-COVID thanks to pent-up demand for these services caused by pandemic restrictions. QSR establishments are forecast to grow by 2.2% in 2024. Rising real estate costs and costs of buildup mean more units like drive-thrus with smaller footprints. According to FRANdata's 2023 New Concept Report (NCR), these shrunken footprints cause the initial investment cost to fall to less than $500,000. Approximately 21% of new concepts were categorized as QSRs, demonstrating consumer demand for fast food and take out. Real estate is projected to experience a 0.7% growth rate for franchise establishments in 2024. While the housing sector faces challenges related to affordability and supply, there is optimism that these issues will alleviate with the anticipated decline in mortgage rates throughout the year.

Franchise Establishments by Business Line

	2020	2021	2022	2023 (Est.)	2024 (Proj.)
Business Services	97,732	99,296	100,333	102,540	104,386
Percentage Change	-4.8%	1.6%	1.0%	2.2%	1.8%
Commercial and Residential Services	73,116	75,678	77,695	79,249	80,834
Percentage Change	8.8%	3.5%	2.7%	2.0%	2.0%
Lodging	34,455	35,041	35,495	35,850	36,173
Percentage Change	1.3%	1.7%	1.3%	1.0%	0.9%
Personal Services	110,050	114,012	117,134	120,882	124,508
Percentage Change	-7.4	3.6%	2.7%	3.2%	3.0%
Quick Service Restaurants	183,543	188,402	191,673	195,507	199,808
Percentage Change	-6.7%	2.6%	1.7%	2.0%	2.2%
Real Estate	66,332	67,929	68,466	69,082	69,566
Percentage Change	1.6%	2.4%	0.8%	0.9%	0.7%
Retail Food, Products, and Services	157,538	162,579	165,305	168,446	171,983
Percentage Change	1.2%	3.2%	1.7%	1.9%	2.1%
Table/Full-Service Restaurants	31,004	32,037	32,813	33,174	33,605
Percentage Change	-6.5%	3.3%	2.5%	1.1%	1.3%
Grand Total	**753,770**	**774,965**	**788,914**	**806,270**	**821,589**
Percentage Change	*-2.6%*	*2.8%*	*1.8%*	*2.2%*	*1.9%*

Regional Trends

Regionality will influence franchising in 2024 based on multiple factors, including the cost of doing business, labor availability, economic potential, and infrastructure. FRANdata anticipates that the southeast and southwest regions – which have experienced the strongest population and industry growth – will outpace the rest of the United States. All regions are expected to see growth in 2024. However, franchise establishment growth in the Midwest is forecast to be muted at 0.9%.

Region	Growth in Franchise Establishments	Growth in Franchise Employment	Growth in Franchise Output
Midwest	0.9%	1.5%	2.3%
Northeast	1.3%	2.2%	3.3%
Southeast	3.5%	3.6%	5.5%
Southwest	3.0%	3.5%	4.9%
West	1.4%	1.3%	1.2%

- The southeast region is the largest franchise market, accounting for approximately 248,000, or 30%, of total projected units in 2024. The region employs 2.6 million people and provides $268.2 billion in total output, which is expected to grow at a rate of 3.5%, outpacing the forecasted national growth rate of 1.9%.
- The top 10 fastest-growing states based on establishment growth rate and total franchise establishments are Texas, Florida, Georgia, North Carolina, South Carolina, Tennessee, Maryland, Arizona, Colorado, and Virginia.

Top 10 States by Growth Rate

	Franchise Establishments (in thousands)				Franchise Employment (in thousands)				Franchise Output (in billion $)			
States	2022	2023 (Est.)	2024 (Proj.)	Growth Rate (23-24)	2022	2023 (Est.)	2024 (Proj.)	Growth Rate	2022	2023 (Est.)	2024 (Proj.)	Growth Rate
TX	77,006	79,860	82,463	3.3%	822,056	861,994	869,265	3.9%	80.4	84.9	89.2	5.1%
FL	59,780	61,593	64,062	4.0%	638,158	647,954	654,895	4.2%	62.4	64.4	69.0	7.2%
GA	30,577	31,383	32,813	4.6%	326,416	336,056	340,479	4.4%	31.9	33.0	35.4	7.2%
NC	28,791	29,470	30,638	4.0%	307,354	310,959	318,710	3.8%	30.1	31.4	33.7	7.3%
SC	15,700	16,191	17,031	5.2%	167,605	170,517	175,925	5.0%	16.4	17.2	18.9	9.9%
TN	19.617	19,976	20,684	3.5%	209,417	213,041	221,584	4.0%	20.5	21.3	22.5	5.5%
MD	15,109	15,256	15,913	4.3%	161,293	162,201	165,696	3.5%	15.8	16.2	17.2	5.9%
AZ	17,601	18,134	18,559	2.3%	187,890	195,624	201,179	2.8%	18.4	19.0	20.0	5.3%
CO	17,287	17,818	18,233	2.3%	184,545	192,590	198,374	3.0%	18.1	19.0	19.7	3.3%
VA	23,188	23,401	23,735	1.4%	247,541	251,031	255,022	1.6%	24.2	24.9	25.6	2.7%

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INTRODUCTION

Contrary to predictions of a mild recession in 2022, the overall economy in 2023 outperformed expectations, thriving on robust consumer spending amid increased prices and borrowing rates. The pandemic-induced limitations on travel and dining continued to contribute to increased household savings, which, combined with credit card support, sustained consumer spending throughout the year. Challenges, such as inflation, higher interest rates, and the labor shortage, exist for franchise business owners, but the franchising sector exhibited positive overall performance.

Looking ahead to 2024, several indicators suggest a shift in driving factors. Consumer savings may no longer be sufficient to support spending due to high debt levels and diminishing savings pools. However, business growth could be positively influenced by factors such as stabilizing inflation and supply chains, lowering interest rates, and mitigating labor challenges. FRANdata predicts a 4.1% increase in franchising output in 2024, reaching $893.9 billion, with total franchised establishments growing by 1.9% to 821,589 units. Franchise employment is expected to grow by 2.6%, reaching a total of 8.9 million employees. In addition, franchise GDP is estimated to grow by 4.3% in 2024.

In 2024, as the Federal Reserve continues its mitigation efforts, inflation may no longer pose a significant concern. Supply chain issues are expected to ease as manufacturing production returns to normal, but geopolitical issues introduce some trading uncertainties, particularly for businesses outsourcing manufacturing or importing goods. The anticipated cut in interest rates is expected to alleviate high loan costs for business operators, potentially fostering the growth of more establishments in the future. However, due to lagging effects, a boom in new establishments is anticipated in 2025, while 2024 is expected to follow a normalized growth rate.

The inability to hire both skilled and unskilled labor remains the major challenge franchisors and franchisees will face in 2024. Based on IFA's 2024 Annual Franchisor Survey, 79% of the surveyed franchisors report that their franchisees have job openings they cannot fill. A silver lining amid the challenges of the job market is the ongoing commitment to operational efficiency through the adoption of Artificial Intelligence (AI) and new technology. Additionally, the potential resurgence of workers entering the labor force, driven by declining household savings and sustained wage growth to enhance talent attraction and retention, is anticipated to contribute to overall improvement.

AI dominated the news cycle in 2023, ranging from questions about its use and regulation. While AI has been around for decades, it has never been as easily accessible. Through strategic implementation, AI can potentially eliminate bias in the recruitment process, enhance customer service, optimize operations and communications, and contribute to better positioning the brand in the increasingly competitive franchising landscape.

In addition, the impact of private equity on the franchise landscape has been transformative, reshaping the dynamics of business expansion and operational strategies. While higher inflation and interest rates increased the cost of initial investment and created higher barriers to entry into franchising, the facilitation of an increasing number of PE firms has injected significant capital into franchise systems to fuel growth and enhance competitiveness. PE involvement in franchising is particularly evident in industries such as QSRs, personal services, and residential services, trends that are expected to continue in 2024.

Meanwhile, the near-term uncertainty of the 2024 presidential election is expected to affect the franchise economic outlook. Data has shown that the 2016 and 2020 elections led to relatively slower growth in franchise establishments, with fewer new brands entering the market, as changes in leadership brought changes in taxation, labor regulations and economic policies. However, some economists and investors forecast that the 2024 election will likely not have a lasting effect on economic growth since the turbulence of the national election cycle primarily impacts the stock market in the short-term. As the political landscape evolves, franchisors must remain vigilant, adapting strategies to navigate potential policy changes and ensuring resilience in the face of evolving economic and regulatory environments.

In 2023, banks tightened their lending standards, directly impacting small business loans. The anticipation of a recession, declining bank deposits, and high borrowing costs compelled banks to be more selective in loan disbursement. The elimination of the SBA Directory, which determined franchise affiliation, was a significant headwind for small business lending. The expected economic slowdown in 2024 may lead the lending community to maintain their stringent standards. Consequently, franchise brands that previously had no trouble obtaining loans due to strong relationships with their lending partners may encounter obstacles in the future. The more selective nature of lenders suggests that brands with compelling narratives and comprehensive information may enjoy certain advantages.

FRANCHISE ESTABLISHMENT GROWTH

Growth Continues in the Face of Economic Uncertainty

In the face of economic uncertainties in 2023, franchising demonstrated resilience, remaining robust and stable throughout the challenging conditions. In 2023, an estimated 806,000 franchised businesses delivered products and services to customers in the United States. The year-over-year growth rate from 2022 to 2023 is estimated to be 2.2%, an increase compared to the 1.8% growth rate recorded for 2021 to 2022. The growth of franchise establishments in 2023 was driven by an increasing number of individuals leaving corporate work to pursue entrepreneurship for a better work-life balance and flexibility, further spurred by a surge in multi-unit development deals with private equity firms investing in multi-unit franchisees at an all-time high.

However, the year was not without its challenges. Inflationary concerns, which steadily crept upwards in the second half of 2022, dictated much of U.S., economic policy in 2023, leading to rising interest rates and in turn, the increased the cost of opening new business units. Given the delay between signing and opening a new unit, the impact of these higher interest rates will be more broadly felt in 2024. FRANdata projects that franchised establishments will grow by 1.9% in 2024, expanding to nearly 822,000 franchised units.

When delving into specific industries, certain sectors are poised for more rapid expansion compared to franchising as a whole. In 2024, the personal services sector is projected to grow by 3.0%, leading to the growth in franchise establishments. This is primarily attributed to the enduring consumer interest in health and wellness post-COVID driving demand, and the revival of self-care trends. Quick Service Restaurants follow in growth, projected to increase 2.2%, playing a pivotal role in the growth of franchise establishments.

Franchise Business Economic Outlook: 2020-2024

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FRANCHISE EMPLOYMENT GROWTH

Labor Challenges Remain in 2024

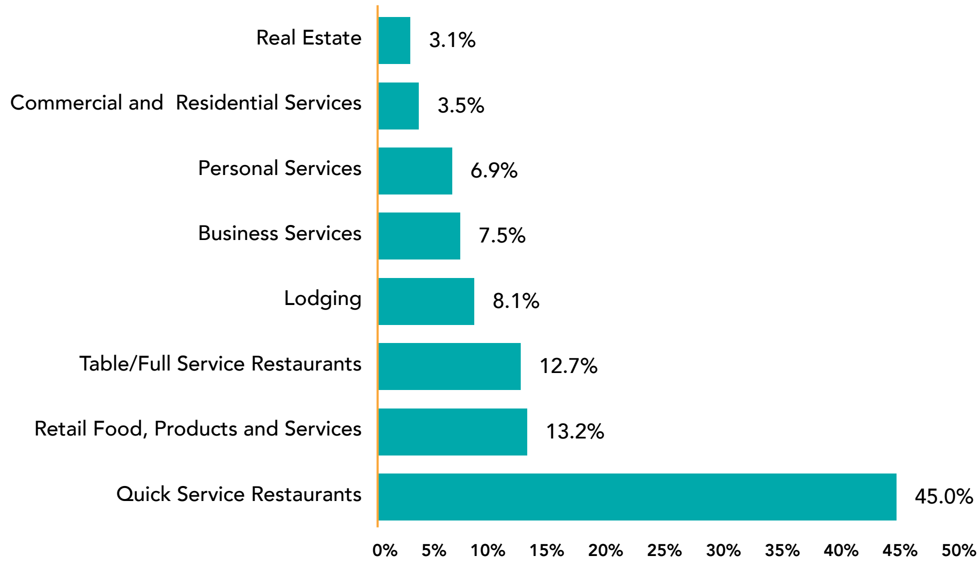
The U.S. economy demonstrated robust growth in 2023, driven primarily by a strong labor market. The unemployment rate remained at 3.7% in December 2023. The labor market outlook is stabilizing and beginning to normalize in the post-pandemic era, as the labor supply expands and excess demand diminishes. The "Great Reshuffle" of 2022, which saw historic levels of quitting and job-hopping as employees sought higher-paying positions, gave way to the "Big Stay" of 2023 where employees chose to stay in their current roles as hiring slowed and job satisfaction increased.

Franchisors and franchisees remain concerned about labor shortages and the cost of labor, which has increased at an annual rate of 5%-7% over the past few years. Additionally, the lack of qualified workers has delayed the filling of open positions. Employment growth will

Franchise Employment by Business Line

	2020	2021	2022	2023 (Est.)	2024 (Proj.)
Business Services	564,863	586,523	601,996	635,748	668,069
Percentage Change	*-9.5%*	*3.8%*	*2.6%*	*5.6%*	*5.1%*
Commercial and Residential Services	253,682	288,542	303,044	309,105	315,251
Percentage Change	*0.3%*	*13.7%*	*5.0%*	*2.0%*	*2.0%*
Lodging	510,761	664,886	709,901	717,000	723,453
Percentage Change	*-32.6%*	*30.2%*	*6.8%*	*1.0%*	*0.9%*
Personal Services	475,580	527,718	550,528	580,234	610,091
Percentage Change	*-13.1%*	*11.0%*	*4.3%*	*5.4%*	*5.1%*
Quick Service Restaurants	3,544,759	3,728,402	3,795,132	3,910,136	3,996,159
Percentage Change	*-8.7%*	*5.2%*	*1.8%*	*3.0%*	*2.2%*
Real Estate	245,437	265,954	274,221	276,689	278,263
Percentage Change	*-6.4%*	*8.4%*	*3.1%*	*0.9%*	*0.6%*
Retail Food, Products, and Services	1,014,127	1,069,837	1,091,014	1,128,588	1,169,487
Percentage Change	*-4.5%*	*5.5%*	*2.0%*	*3.4%*	*3.6%*
Table/Full-Service Restaurants	923,097	1,060,736	1,095,961	1,108,017	1,125,782
Percentage Change	*-17.4%*	*14.9%*	*3.3%*	*1.1%*	*1.6%*
Grand Total	**7,532,305**	**8,192,600**	**8,421,799**	**8,665,517**	**8,886,555**
Percentage Change	*-11.4%*	*8.8%*	*2.8%*	*2.9%*	*2.6%*

Franchise Employment Distribution by Sector



GROWING AT 2.6%, TOTAL FRANCHISE EMPLOYMENT IS FORECASTED TO REACH 8.9 MILLION.

remain positive through 2024 but at a much slower pace than in recent years. Job gains are expected to be moderate, unemployment will rise, and wages will continue to cool. Experts expect the unemployment rate to increase slightly to 4.2% in 2024, with wage growth normalizing to 4%, still above the historical average. The continued cooling means fewer opportunities, so hiring will focus on filling open positions rather than adding new jobs.

In 2023, FRANdata estimates that franchising added nearly 244,000 jobs, increasing total employment by franchised businesses to approximately 8.7 million. With the U.S. economy expected to slow slightly in 2024, it is anticipated that the number of workers employed by franchised businesses will add more than 221,000 jobs, increasing total employment to nearly 8.9 million this year, representing a growth rate of 2.6%.

Employment growth is expected to be driven mainly through service-based industries, including business and personal services, both of which are estimated to see employment grow at a rate of 5.1% in 2024.

As the economy moves past the pandemic era, consumers are increasingly returning to brick-and-mortar stores. Brick-and-mortar sales increased by 8% in 2022, while e-commerce sales increased by 7.7%, boosting employment in the retail food, goods, and services sector, which is projected to grow at a rate of 3.6% in 2024. The QSR sector will continue its expansion in 2024, with employment in the industry anticipated to grow by 2.2%.

While uncertainties are still on the horizon for the economy, franchising has proven resilient, providing small business owners with opportunities to grow and adding jobs to local economies. A tight labor market will continue and may become the new normal as employees pursue opportunities with higher pay and greater benefits. To compete in this labor market, franchisees have offered higher pay, flexible scheduling, and additional training opportunities. Franchised businesses have also implemented AI to help offset labor challenges and create efficiencies. Franchisees are increasingly adopting automated kiosks, digital payments, chatbots, and AI software to address staffing shortages, streamline inventory management, and predict future sales.

FRANCHISE OUTPUT FORECAST TO REMAIN STABLE

Franchise output growth in 2023 was supported by stable consumer spending, which was fueled by the tight labor market, where wage growth surpassed inflation and increased purchasing power and household wealth.

In 2024, output growth is expected to decelerate due to factors such as reduced pandemic-era savings, slower wage growth, rising household debt, and lower savings rates. Yet consumer confidence remained high, as the Consumer Confidence Index reached a 5-month high in December 2023, indicating that consumers entered 2024 with optimism and improved sentiment about both current and future economic conditions. As the economy transitions in **2024, FRANdata forecasts total output generated by franchised businesses to grow by approximately 4.1%, reaching $894.0 billion.**

In the face of economic uncertainties and price hikes, consumers are likely to spend money on experiences and services they can enjoy and find fulfillment in rather than on retail merchandise. The focus will be on pampering and self-indulgence, which will primarily benefit the personal services sector and lead franchise output growth at 7.3% compared to other industries. It is expected that people will not stop spending on travel but will travel more affordably within the country than internationally, boosting output growth for the lodging sector by 4.5%. The output of franchised businesses in the QSR space is expected to increase by 4.7%, driven by increased spending on dining out due to the return to the office and a surge in off-premises dining preferences.

Franchise Output by Business Line ($Billion)

	2020	2021	2022	2023 (Est.)	2024 (Proj.)
Business Services	$84.4	$95.3	$99.4	$103.6	$107.6
Percentage Change	*-17.1%*	*13.0%*	*4.3%*	*4.2%*	*3.8%*
Commercial and Residential Services	$49.3	$52.7	$55.8	$57.2	$59.8
Percentage Change	*7.7%*	*6.9%*	*5.9%*	*2.4%*	*4.6%*
Lodging	$52.0	$82.8	$87.1	$93.0	$97.2
Percentage Change	*-41.8%*	*59.2%*	*5.2%*	*6.9%*	*4.5%*
Personal Services	$26.0	$35.8	$39.4	$42.3	$45.5
Percentage Change	*-34.0%*	*37.9%*	*10.1%*	*7.4%*	*7.3%*
Quick Service Restaurants	$241.0	$261.2	$275.1	$287.6	$301.1
Percentage Change	*-10.1%*	*8.4%*	*5.3%*	*4.5%*	*4.7%*
Real Estate	$48.4	$60.2	$60.7	$63.0	$64.8
Percentage Change	*-12.5%*	*24.3%*	*1.0%*	*3.7%*	*2.8%*
Retail Food, Products, and Services	$121.1	$127.0	$129.8	$133.6	$137.8
Percentage Change	*2.3%*	*4.9%*	*2.1%*	*3.0%*	*3.1%*
Table/Full-Service Restaurants	$55.1	$72.8	$76.4	$78.1	$80.2
Percentage Change	*-27.9%*	*31.9%*	*5.0%*	*2.2%*	*2.7%*
Grand Total	**$677.2**	**$787.7**	**$823.7**	**$828.5**	**$894.0**
Percentage Change	*-14.7%*	*16.3%*	*4.6%*	*4.2%*	*4.1%*

BUSINESS SERVICES

FRANdata anticipates a 1.8% growth in franchise establishments within the business services sector in 2024, reaching an estimated 104,000 locations. This expansion is poised to generate an additional 32,000 jobs in franchise employment, with industry output expected to contribute $107.6 billion at 3.8%.

The expansion of the business services industry within franchising is propelled by shifts in workforce dynamics, purchasing behaviors, and lifestyles. The IT consulting/management sector continues to grow, driven by the prevalence of hybrid and remote work environments. The mailing, packaging, and shipping sector is also thriving due to the growing popularity of e-commerce. While the staffing services sector maintains a significant presence in franchising and shows potential for growth in 2024, the pace is expected to moderate as the job market and hiring activity experience a slowdown.

Brands offering other professional services, such as accounting, finance, or marketing, are also expected to grow in 2024. This growth is supported by small and medium-sized businesses increasingly choosing to partner with third parties to manage specific tasks and functions, thereby reducing their operating costs. According to the U.S. Small Business Administration, there are 33.2 million small businesses in the U.S., with the number of new businesses increasing by approximately 30,000 annually. Steady growth in new business formations has stimulated demand for professional services. Conversely, traditional services such as printing or direct mail will continue to experience challenges as consumers' demand for digital services grows.

COMMERCIAL AND RESIDENTIAL SERVICES

In 2024, commercial and residential services are poised to reach around 81,000 establishments, reflecting a growth rate of 2%. Employment within the industry is projected to increase by a corresponding 2% to 315,000 jobs. The output in the sector is expected to grow faster than in 2023, driven by improvements in the housing market, with a growth rate of 4.6% anticipated in 2024, reaching a total of $59.8 billion.

With economists expressing optimism about the housing market in 2024, the demand for residential services is expected to grow. The National Association of Realtors (NAR) predicts a significant increase in existing home sales, expecting to reach 4.7 million in 2024, a 13.5% increase over the anticipated 2023 figure. The sales increase creates additional opportunities for the industry, as unforeseen repairs often occur within the first year of ownership. Additionally, the industry is capitalizing on the ongoing trend of hybrid work, and seniors' increasing acceptance of recent technology provides opportunities for modifications and upgrades. On the commercial side, while office rentals may still face high vacancy rates in 2024, demand for brick-and-mortar stores and warehouses remains robust, driving overall growth in the sector. Notably, the industry has attracted significant private equity investment in recent years. As the service offerings of individual businesses in the sector are limited, consolidations of different concepts to form platform companies are attracting increasing interest from investors.

Looking ahead to 2024, franchise business owners in this industry are embracing new technologies to improve customer experience. This may include collaborating with AI-powered platforms to streamline service processes and implementing search engine optimization strategies to enhance marketing approaches. Examples from more prominent players, such as Amazon Home Services and Google's Local Services, have expanded customer options, making it imperative for brands to focus on response time, pricing, and reviews to attract and retain customers.

LODGING

In 2024, FRANdata forecasts a 0.9% increase in the number of franchises in the lodging industry, reaching 36,000 locations, as current investments remain constrained due to high interest rates. Total output production is expected to grow by 4.5% to $97.2 billion, driven by increased revenue per available room (RevPAR). Employment in the lodging sector is expected to reach 723,000 jobs in 2024, reflecting the same growth rate as establishments.

The lodging industry ended 2023 on a strong note, achieving an occupancy rate of 63.0%, up 0.6% from 2022. RevPAR experienced a significant 4.9% increase to an average of $98.00, driven primarily by an increased average daily rate (ADR) of $155.6. Both ADR and RevPAR reached their highest averages on record. Despite robust hotel operations, hotel investment remained subdued, with global investment volume reaching a 10-year low (excluding 2020) of $32.5 billion in the first nine months of 2023, mainly attributed to high interest rates, which increased the cost of construction.

Looking ahead, the current inactivity in hotel construction is expected to result in a lower projected growth in hotel establishments in 2024. With the potential interest rate cut in 2024, the investment landscape is poised for a rebound in the second half of 2024, paving the way for growth in 2025.

Demand for business travel is expected to remain muted as corporations tighten their budgets for 2024. FRANdata expects the primary demand to come from outbound international travel to the U.S., surpassing inbound travel. Overall, demand is estimated to remain sluggish in the first half of 2024 and gradually improve in the second half, leading to a stabilized occupancy rate of approximately 63%. RevPAR is projected to grow, albeit at a lower rate than in 2023. CBRE forecasts RevPAR growth of 3.0% and ADR growth of 2.3%.

FRANdata observed that mature lodging brands introduced several new concepts in 2023 in franchising. This strategic approach helped fill portfolio gaps by offering various price points and service levels to cater to diverse customer needs while retaining customers through loyalty programs. Another notable trend is the increasing popularity of extended-stay concepts, with features such as kitchenettes or full kitchens.

Other trends to watch for in 2024 include the growing integration of generative AI for enhanced operational management efficiency or monitoring consumers' online search behaviors. Additionally, there is a notable shift towards hotel conversions, a swift and cost-effective way to expand portfolios. Heightened attention is directed towards employee retention, particularly after the worker strikes of 2023.

PERSONAL SERVICES

In 2024, FRANdata projects that personal services will maintain its position as the top industry for franchise expansion, exhibiting the highest growth in both the number of establishments and output. This growth trajectory will require an increased workforce to support the expansion. The forecast indicates a 3% increase in the number of establishments to reach nearly 125,000 locations, while output is expected to grow by 7.3% to $45.5 billion. In addition, the industry will contribute approximately 610,000 jobs to the franchise market.

The dominant sectors in the industry include health and wellness, child-related services, beauty-related services, and pet services. The health and wellness sector continues to grow, driven by heightened individual focus on personal health post-COVID. According to the World Bank, individuals aged 65 and older accounted for 17.1% of the total U.S. population in 2022, contributing to increased demand for senior care services. Child-related services, particularly in early daycare and education, are anticipated to grow as more parents return to work, despite a slight decline in births from 2021 to 2022.

The beauty-related services sector, including luxury spas, salons, nonsurgical skincare, and specialized hair services, has rebounded swiftly post-COVID. However, traditional salon chains and nail care are expanding more slowly due to the rise in do-it-yourself (DIY) practices during the post-COIVD era. The pet services sector is expected to witness increased sales fueled by a growing pet population in the U.S., attributed to longer pet lifespans and a stable percentage of pet owners in total households. Moreover, as the younger generation embraces pet ownership, there is a rise in per-pet expenses, particularly in pet food and veterinary services, boosting the output for pet-related franchised businesses.

QUICK SERVICE RESTAURANTS AND TABLE/FULL-SERVICE RESTAURANTS

FRANdata forecasts that franchise establishments in the QSR industry will increase by 2.2% in 2024 to more than 199,000 units. Employment will increase by 2.2% in 2024 to nearly 4 million employees. Additionally, 2024 will see the overall industry output grow 4.7% from $287 billion in 2023 to $301 billion in 2024.

FRANdata predicts franchise output in the table/full-service restaurant sector will grow 2.7% to approximately $80.2 billion in 2024. This growth will be supported by adding more than 400 units, which are expected to provide about 18,000 new jobs. Franchised full-service restaurant establishments will grow by 1.3% to more than 33,600 units.

Franchises in the QSR and sit-down restaurant sectors are facing continued challenges from increases in the cost of inventory, supplies and materials. According to the IFA 2023 Annual Franchisee Survey, 65% of QSRs and 53% of sit-down restaurants reported substantial impacts from inflation. Most food-service operators were forced to absorb cost increases by raising prices to counter these financial hurdles in an increasingly competitive industry, but overall sales did not slow down and grew steadily, as evidenced by preliminary U.S.

Census Bureau data that reported total year-end sales increasing to $94.6 billion from $85.1 billion in December 2022, buoyed by resilient consumer spending behavior.

In 2024, successful food franchises will differentiate themselves through a focus on hospitality and personalized customer service as the consumer mindset shifts to focus on the value derived from the money spent in an anticipated slower economy in 2024. Consumer spending, closely linked to the health of the labor market, will be crucial in supporting restaurant sales. With the projected uptick in the unemployment rate as 2024 progresses, full-service restaurants will need to be prepared for a potential decline in demand, while affordable QSRs targeting the lower-income segment may witness increased business. Although, increasingly, as consumers find more value in services that they can experience and delight in instead of over-priced physical goods, "eatertainment" options combining dining and experiences which witnessed a 25%-30% increase in foot traffic in 2023, according to data collected by Placer.ai, are projected to continue to thrive.

The trend of consumers preferring healthier, plant-based diets will continue in 2024 with the addition of USDA-approved, lab-grown, meat-based offerings that provide sustainable protein alternatives. The menu will likely feature more international flavors catering to a growing immigrant-prompted global and diverse consumer base.

Although incremental improvements are expected, labor challenges identified by 91% of QSRs and 87% of full-service restaurants in the IFA 2023 Annual Franchisee Survey will persist as a growth hurdle in 2024. The industry must leverage technology to address post-pandemic labor shortages and potentially increase wages and benefits to attract talent. Potential new labor laws in some states, such as AB 1228 in California which will increase the minimum wage in QSRs to $20/hour starting April 2024, will increase operational costs, shrink profit margins, and potentially decrease unit growth.

QSRs and full-service restaurants will adopt advanced technologies such as license plate recognition in drive-thrus and invest in data mining to better understand their consumers' preferences and behaviors. 2024 will see the integration of Voice AI and Vision AI to further improve omnichannel management systems and ordering options like self-service kiosks, POS systems, detachable mobile tablets, table-side payment options and consumer-facing apps. These innovations are expected to garner higher customer engagement, satisfaction, and loyalty. Intuitive and smarter technology will aid in managing the higher volume of orders, improving the speed of service, streamlining operations, and reducing labor costs.

Due to the high interest rate-driven increase in real estate costs in 2023, FRANdata predicts that more units will be established as drive-thrus and smaller footprint QSRs, which require comparatively less than $500,000 in initial investment costs. According to FRANdata's 2023 New Concept Report (NCR), 21% of the new concepts in franchising were from the QSR category, reflecting a clear consumer demand for fast food and take-outs. Direct to consumer (DTC) deliveries through third-party vendors like Door Dash & Uber Eats, ghost kitchens and mobile food truck concepts, which gained traction during the pandemic and boosted off-premises sales, are expected to continue thriving by leveraging technology to optimize preparation times and delivery routes.

In the coming year, the food service industry is expected to experience better conditions for growth as food prices decline with inflation. Additionally, investor confidence will be restored, and with pent-up demand for investment opportunities, 2024 is poised to witness increased activity in the equity and M&A field.

RETAIL FOOD, PRODUCTS, AND SERVICES

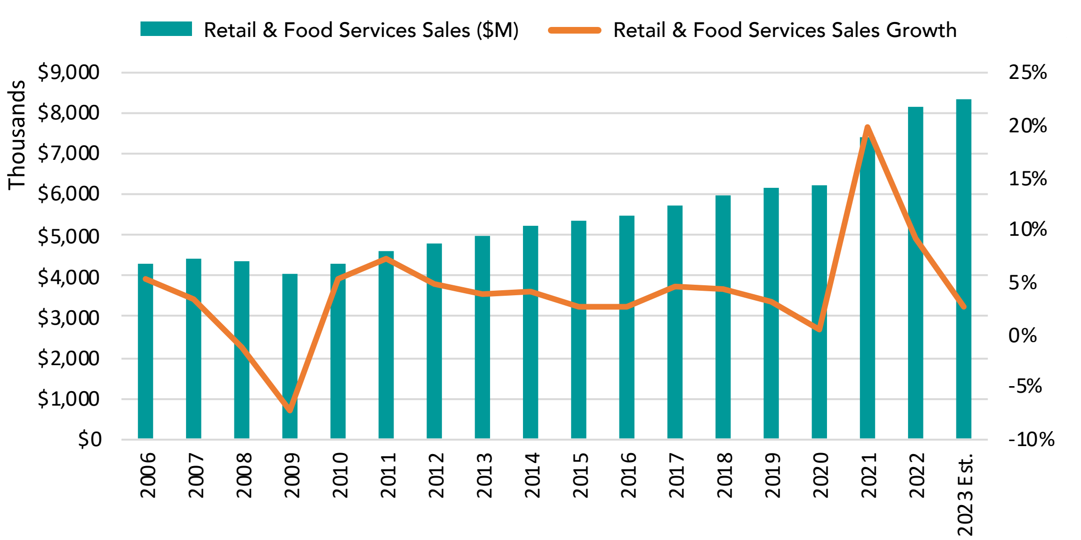
FRANdata foresees a 3.1% increase, or $4.1 billion, in additional franchise retail output in 2024. The number of franchise retail establishments is expected to increase by approximately 3,500 units and add over 40,000 additional jobs in 2023.

In 2023, U.S. retail and food services sales rose by 3.2%, driven by solid consumer spending and a tight labor market, wage gains, and increased perceptions of household wealth. In 2024, an anticipated slower economy and a cooling labor market are expected to slow purchasing power, prompting price-conscious consumers to focus on essential goods and favor private label products at more affordable franchise retail options. Franchise retailers may face pressure to reduce prices despite elevated supply chain and labor costs, requiring a focus on customer loyalty to offset lower pricing.

Traditional mall-based franchise retailers are adapting by closing underperforming stores and expanding into smaller-format suburban centers. E-commerce-only retailers are investing in brick-and-mortar stores to enhance visibility, providing tactile shopping experiences favored by Gen-Z and millennials. Omnichannel and hybrid options like BOPIS (buy online, pick up in-store) are expected to drive growth, with physical franchised retail outlets remaining the primary point of purchase. Retail franchises dealing in second-hand goods are predicted to thrive with increasing awareness of a circular economy.

To stay competitive, retail franchises must integrate AI and technology for personalized customer engagement, demand forecasting, trend identification, and operational efficiency. Virtual reality, smart mirrors, unattended checkouts, and AI-driven chatbots are expected to redefine the franchise retail industry going forward.

U.S. Retail & Food Service Sales



Source: U.S. Census Bureau

REAL ESTATE

FRANdata estimates that franchise establishments in real estate services will increase at a modest rate of 0.7% in 2024, totaling approximately 69,500 units. Similarly, the workforce in this sector will rise slightly at 0.6% to include an additional 1,500 jobs. Franchise output is anticipated to increase by 2.8% to reach $64 billion.

The landscape of real estate in 2023 was marked by the lowest housing affordability in three decades, aggravated by factors such as the lag effects of steep inflation in 2022, rising interest rates, constrained borrowing conditions, and diminished inventory. The initial two quarters of 2024 are expected to echo these conditions with subdued transaction activity, setting the stage for a gradual recovery in the latter half of the year, driven by low inflation and anticipated rate cuts in the Federal monetary policy. In the rental market, a substantial influx of new apartments following an unprecedented construction boom, is poised to moderate rent growth, providing a marginal reprieve for renters in 2024 with affordable housing options.

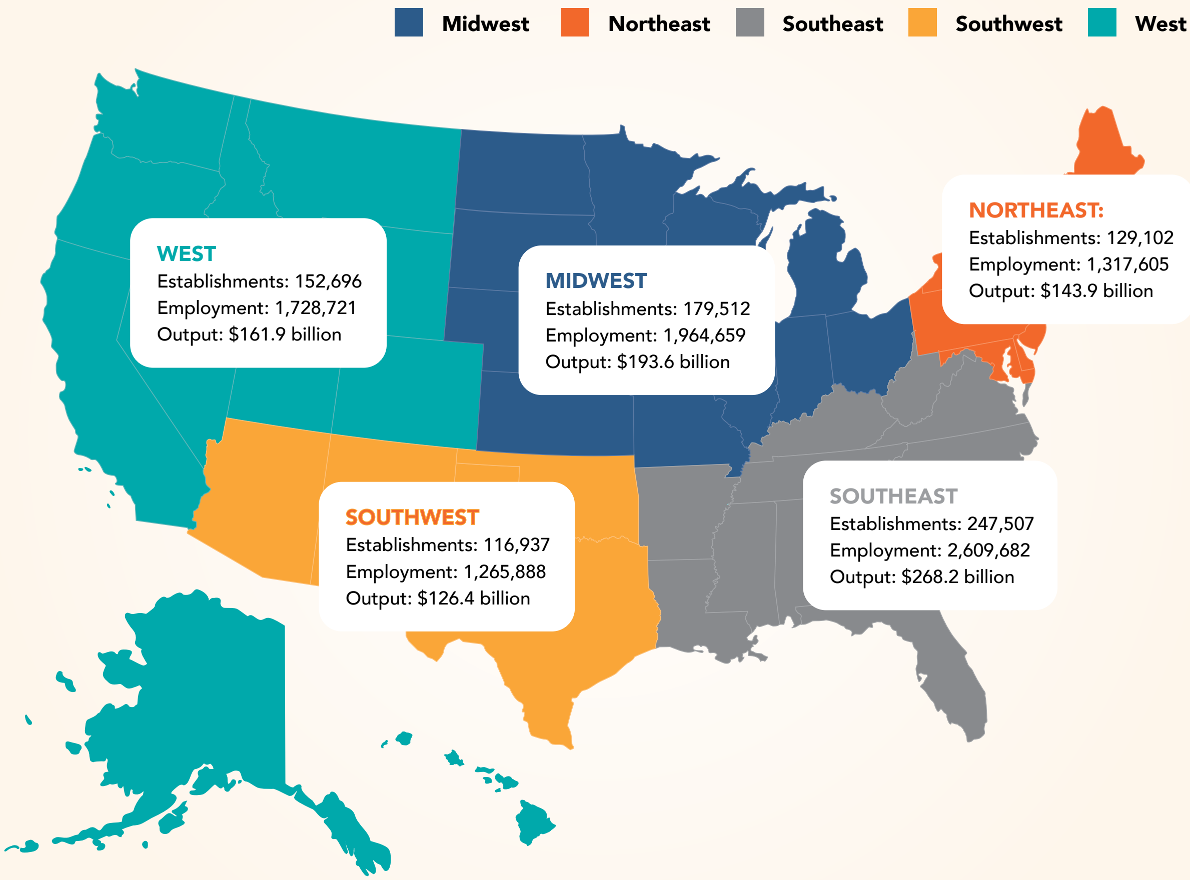
The projected decline in interest and inflation rates is expected to unlock opportunities for franchised real estate brokerages and housing inspection services with more buyers and sellers re-entering the market. With an increased supply of new rental homes and continued maintenance of rental spaces, franchises in property management services will find more opportunities for growth in 2024.

CONCLUSION

The franchising sector remains a dynamic player in the economic landscape, poised for growth in 2024. The optimism reflected in the Consumer Confidence Index signals a positive outlook, and **despite potential economic headwinds, forecasted growth reinforces the sector's enduring strength**. The emphasis on experiential spending and technological integration sets the stage for continued success, affirming franchising's resilience in the ever-evolving business landscape.

STATE FRANCHISE OUTLOOK

2024 Franchising Outlook by Region

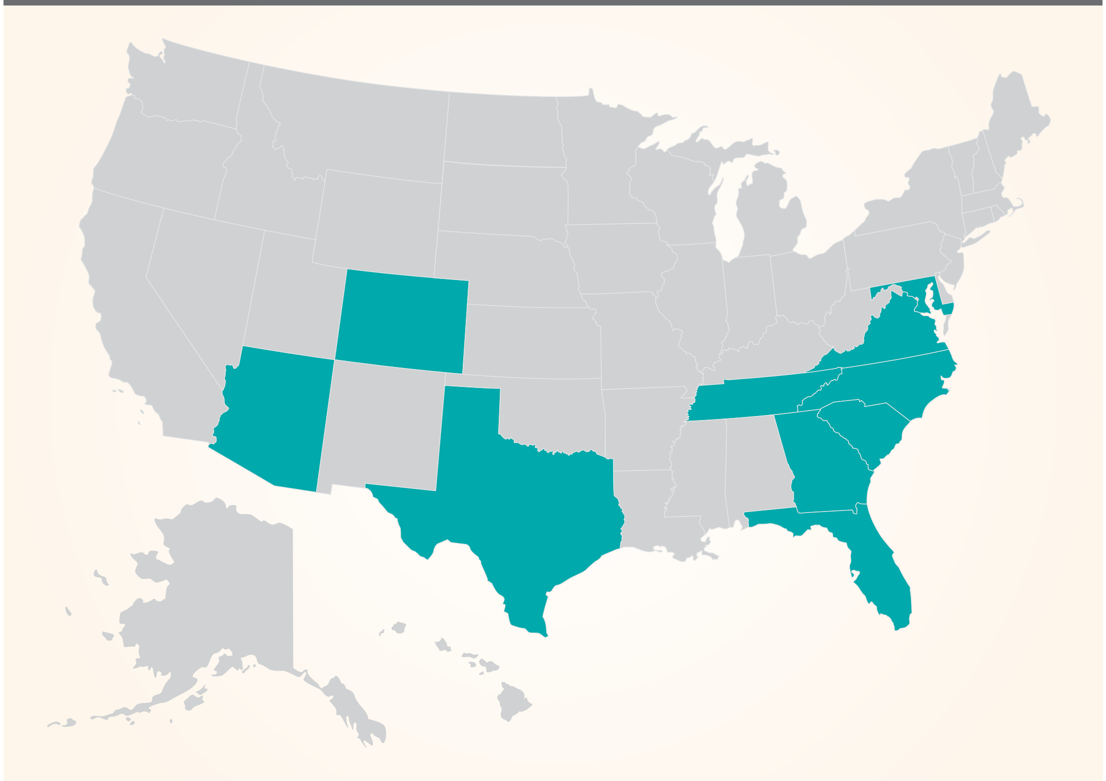


In 2024, franchising will help bolster economic growth, providing jobs and business opportunities at the national, regional, and state levels. **According to FRANdata estimates, the southeast region holds the number one spot for most franchised businesses. The region is home to approximately 30% of all U.S. franchised businesses, 2.6 million employees, and $268.2 billion in franchise revenue.** The Midwest is the second-largest region in terms of franchise establishments with an estimated 179,500 businesses, employing 2.0 million people, with an output of $193.6 million.

FRANdata forecasts the Southeast and Southwest will benefit the most from the growing franchise sector in 2024. The number of franchise establishments in the Southeast is expected to grow by 3.5% and 3% in the Southwest. The projected growth in these regions is higher than the overall projected growth in the U.S. (1.9%). The increase in population and growing industry pool, which will draw more workers, will promote growth in the southern United States.

Economic growth varies state-by-state due to factors such as business environment, population

Top 10 States for Franchise Growth in 2024



growth, infrastructure, and make-up of local industries. By considering forecasted establishment growth and total number of existing units, **FRANdata predicts the Top 10 growth markets for franchises in 2024 will be: Texas, Florida, Georgia, North Carolina, South Carolina, Tennessee, Maryland, Arizona, Colorado, and Virginia.** Texas remains the top state for franchising for the third year in a row, holding the position in both 2022 and 2023. Ranked the 8th largest economy globally, Texas has experienced robust industry and population growth over the past several years. In 2024, franchised establishments are forecast to grow at a rate of 3.3% to 82,463 units.

Population migration to states in the southeastern United States continues as residents seek a lower-than-average cost of living and increasing job opportunities. The Southeast's regional growth is expected to outpace national GDP growth. According to

THE TOP 10 STATES FOR FRANCHISE GROWTH IN 2024

1. TEXAS
2. FLORIDA
3. GEORGIA
4. NORTH CAROLINA
5. SOUTH CAROLINA
6. TENNESSEE
7. MARYLAND
8. ARIZONA
9. COLORADO
10. VIRGINIA

the U.S. Census Bureau, South Carolina and Florida were the two fastest-growing states in the country, increasing by 1.7% and 1.6%, respectively, in 2023.

More than 90% of South Carolina's population growth is due to domestic migration as workers seek more affordable places to live. The state's pro-business policies have attracted business investments, creating job opportunities. The South Carolina Department of Commerce reports the state recorded $9.2 billion in capital investments estimated to generate more than 14,000 jobs in 2023. In 2024, FRANdata forecasts the number of franchised establishments will increase by 5.2%.

Florida's economy is forecast to grow faster than the U.S. economy in 2024. Warmer weather has drawn people from colder climates, and as well as the state's robust labor market and the lack of a state income tax.

However, while some states experience significant growth, franchising will face a number of challenges at the state level. In 2024, 25 states are raising their respective minimum wage, increasing the cost of labor. California, New York, and Washington will increase their baseline pay the most, to $16/hour or higher. California and Washington are forecast to be among the slowest-growing states for franchising in 2024 at -4.2% and -2.3%, respectively. Rising costs and regulations have contributed to this decline. In 2024, California will enact a law banning "junk fees" – which include service charges added to food delivery. QSRs and full-service/table restaurants will feel the impacts of this regulation, as menus will need to reflect the total price, which may make consumers hesitate due to perceived higher prices.

The top 10 states will benefit from the initial investment cost of establishing a new franchise unit, which has increased over the years. FRANdata estimates the opening of new franchise establishments within the top 10 states will contribute the following amounts to the state economy:

Average Investment Contribution By New Franchise Establishment

State	2024 (Proj. New Units)	$ M
Texas	2,603	$5,202
Florida	*2,469*	*$4,934*
Georgia	1,430	$2,858
North Carolina	*1,168*	*$2,334*
South Carolina	840	$1,679
Tennessee	*708*	*$1,413*
Maryland	657	$1,313
Arizona	*425*	*$8,493*
Colorado	415	$8,293
Virginia	*334*	*$6,674*

INTRODUCTION

The U.S. economy defied expectations for a mild recession in 2023. Real gross domestic product (GDP) increased at an annual rate of 3.3% in the fourth quarter of 2023, faster than expected. Consumer spending remained robust, the unemployment rate closed at a low 3.7% at the end of 2023, and the Federal Reserve steered efforts to tame inflation. Advanced retail sales, which hovered around the $600 billion mark, indicated that the economic forecasts did not deter consumers. The labor market ended the year on a strong note, adding 2.7 million jobs and real wage growth of 4%, outpacing inflation of 2.6%. The Federal Open Market Committee (FOMC) tightened monetary policy, raising interest rates and reducing securities holdings, resulting in a decline in inflation from 6% to 3% throughout 2023.

There is a consensus that, compared to 2023, there will be slower economic growth in 2024. While most economists are cautious due to elevated debt levels, reduced pandemic-era savings, and the possibility of a weakening labor market, few believe that the economy could yet again outperform expectations with the possibility of faster Federal fund rate cuts and lower inflation rate.

More specifically, anticipated interest rate cuts may boost business, improving financing terms for small businesses. Real wage gains and cautiously optimistic sentiments reflected in the Consumer Confidence Index will contribute to sustained consumer spending, with dollars going toward both "needs" and "wants." Labor continues to be a concern, with 47% of franchisees citing labor concerns as their top issue based on IFA's 2023 Franchisee Survey. While new jobs are steadily being added to the market, challenges remain in recruiting and retaining skilled talent.

Geopolitical tensions also present a degree of uncertainty for 2024. Wars in Eastern Europe and the Middle East may impact important shipping routes through the Red Sea and Suez Canal, negatively impacting oil prices, which may exert inflationary pressures on many franchised sectors. Additionally, China's souring trade relations with the U.S. and its declining GDP rate in 2023 could hurt several U.S. franchise industries' manufacturing and supply divisions. 2024 will see politics redefine the national and global economy with elections looming in the U.S. and 50 other countries, including Russia, India, the United Kingdom and Taiwan, with post-effects largely felt in 2025.

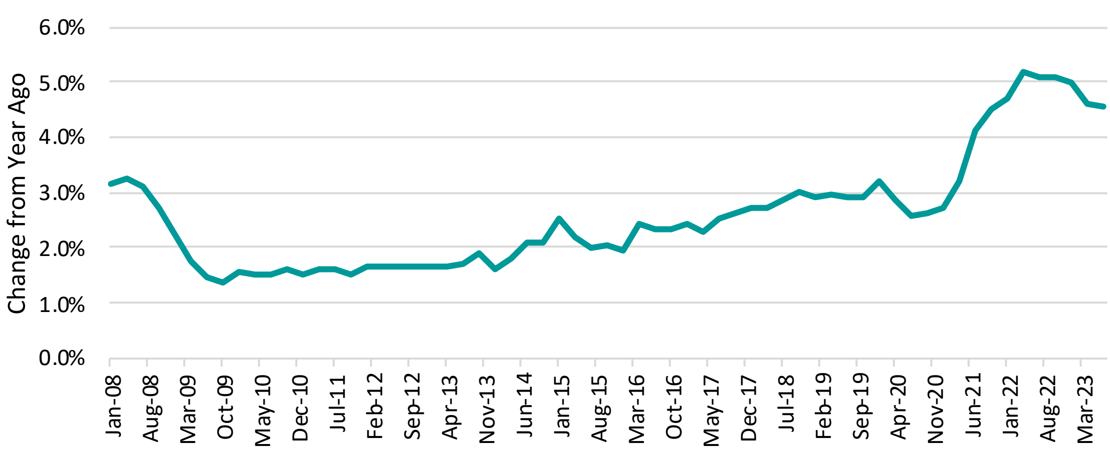
EMPLOYMENT AND WAGES

The American workforce is navigating a transformative shift characterized by the coexistence of five generations: the Silent Generation, Baby Boomers, Generation X (Gen X), Millennials, and Generation Z (Gen Z). Despite efforts by employers to create jobs and integrate innovative technologies, the persistent struggle to hire skilled talent continues. In the aftermath of 2022's "The Great Reshuffle," a phenomenon marked by historic levels of quitting and job-hopping, 2023 saw a contrasting trend termed "The Big Stay." Professionals and workers opted for job stability, influenced by a job market that stagnated due to lower hiring activity and increased job satisfaction. With a workforce totaling 167.8 million individuals, the gap between job openings and skilled unemployment remains, resulting in widespread labor shortages across various industries and states. According to data from the U.S. Chamber of Commerce, the overall labor force participation rate currently stands at 62.5%, down from the pre-pandemic rate of 63.3% in February 2020 but higher than in 2021 and 2022. As of December 2023, the national average unemployment rate stood at

85%
OF FRANCHISORS INCREASED WAGES

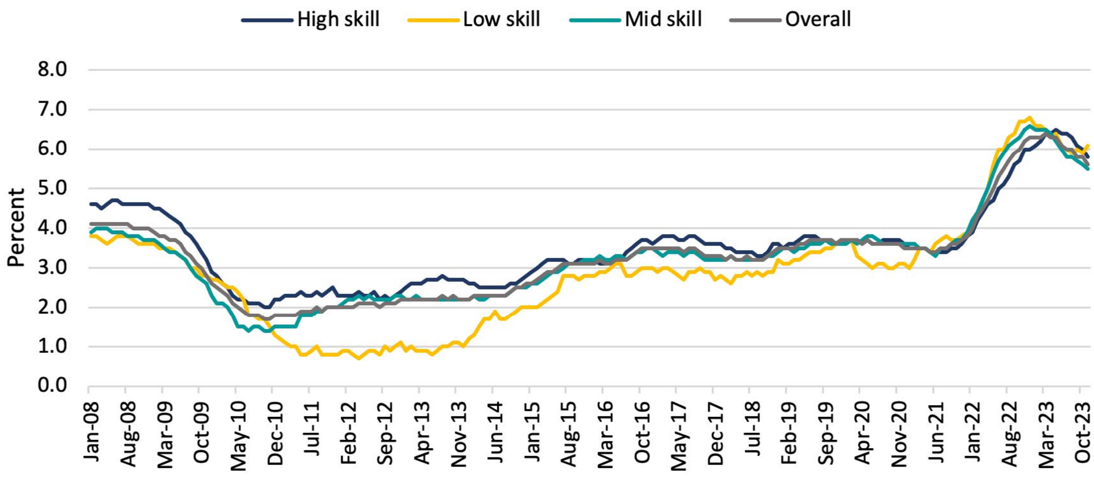
+4.6%
HOURLY EARNINGS

Wage and Salary Growth



Source: Bureau of Labor Statistics

Median Hourly Wage Growth by Occupation



Source: Bureau of Labor Statistics

3.7%, predicted to rise to over 4% in 2024 as the pace of hiring further slows with fewer job openings, especially for white-collar workers.

Industries heavily reliant on in-person work and employing unskilled labor, such as leisure and hospitality, face heightened difficulties in retaining workers due to marginal wage gains on already low wages. The accommodation and food services businesses within this sector have consistently reported quit rates exceeding 4.5% since July 2021 as workers pursue higher-paying jobs, aligning with the rise of the gig economy. Conversely, industries embracing remote work, such as information and finance, exhibited lower employee turnover but faced intensified competition for talent, given the scarcity of experienced candidates.

Franchised businesses recognized labor challenges as a substantial constraint on their growth and tried addressing this by attracting, recruiting, and retaining talent through wage increases and benefits. Based on the IFA 2023 Annual Franchisee Survey, nearly 85% of franchised businesses increased wages in 2022, and 60% intended to continue doing so over the course of 2023. Similarly, 43% of franchised businesses increased benefits in 2022, with 42% anticipating doing the same during 2023.

Overall, wage growth at 4.5% in 2023, while slower than in 2022, exceeded the year-end inflation rate at 2.6%, resulting in real wage gains. According to the Bureau of Labor Statistics, the median hourly wage growth from January 2023 to November 2023 reached 6.1%, marking a marginal increase of 0.8% compared to the same period in the previous year.

In 2024, the cost of labor from increased wages and quality of the labor will become the major concern as the labor market gradually softens due to supply meeting demands. It is projected that franchise business operators will need to control labor costs and attract and retain talent with innovative strategies such as expanding access to childcare, providing opportunities to upskill and retrain existing and new employees, exploring the possibilities of AI, etc., to win the battle against fierce competition for qualified labor.

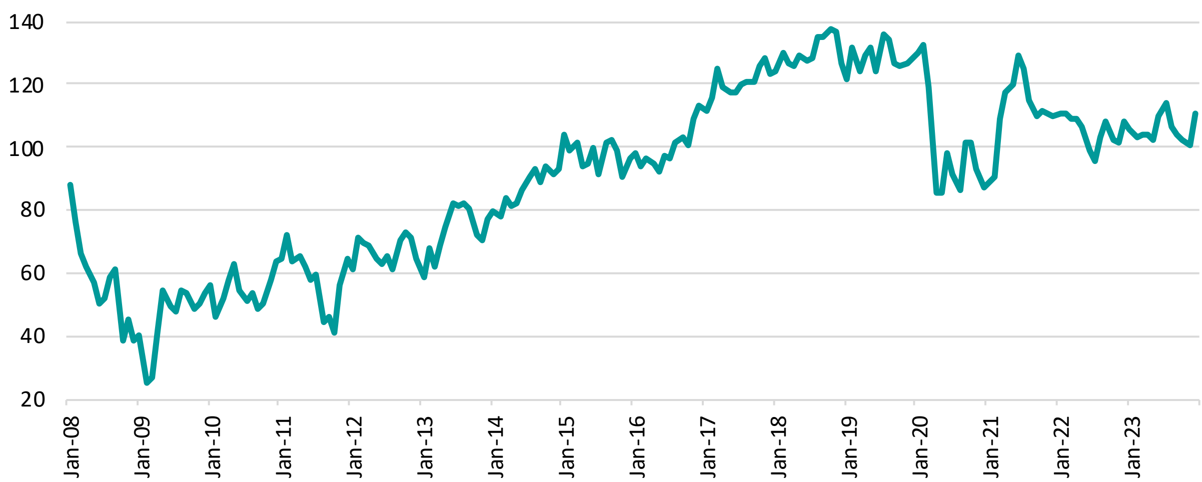
CONSUMER SPENDING AND CONFIDENCE

U.S. consumer spending has been remarkably resilient, accounting for two-thirds of the nation's economy in 2023, weathering elevated inflation and rising interest rates, and was the key driver behind the nation's GDP growth. As wage growth outpaced inflation, resulting in real wage gains, consumers were left with greater purchasing power. In 2024, consumers entered the year with optimism and confidence, as reflected in the notable rise in the Consumer Confidence Index (CCI) in December 2023. The overall index reached 110.7, its highest level in five months, driven by improved sentiments on current and future situations, the year-end holiday shopping trends, and real wage gains of the past nine months.

However, consumer spending is expected to decline slightly in the first half of the year and gradually improve in the second half of 2024. Several factors may contribute to this deceleration, including the depletion of excess pandemic-era savings, slow wage growth in 2023 compared to 2022, rising household debt, diminished savings rates and the possibility of a weakening labor market. Rising credit card debt levels could hurt consumer sentiment and spending, as well as the end of the COVID-19 pause on student loan payments. With inflation and interest rates likely to ease in the second half of 2024, consumer spending is anticipated to expand in the second half, but at a comparatively lower rate.

According to Mastercard Economics Institute, consumer spending was driven by "wants" than "needs" in the latter half of 2023. Looking ahead to 2024, consumers will spend largely on "needs" and "wants," but less on "impulses," meaning that consumers will make more informed purchasing decisions after careful comparisons between multiple complementary and substitute products. They may also delay or time their purchases strategically, seeking

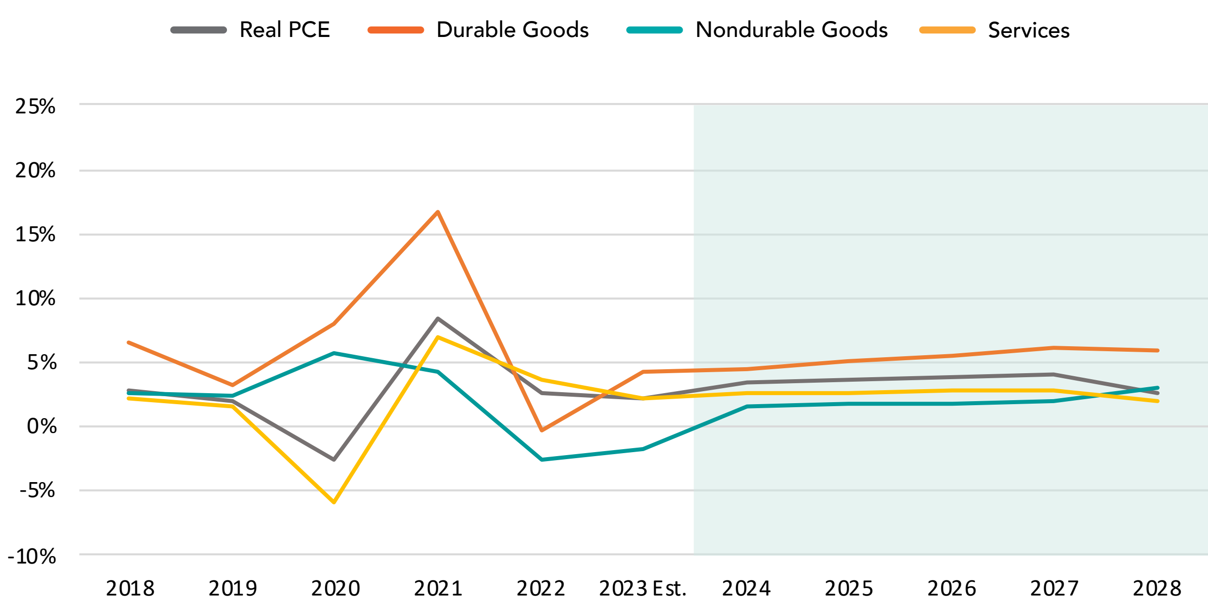
Consumer Confidence Index



Source: The Conference Board

the best promotions and discounts. Franchised businesses that have incorporated analytics to understand their customer behavior better, can benefit from designing marketing campaigns and promotions that resonate with their target demographics. Franchised businesses may also need to focus on maintaining their market share as consumers' loyalty to products or brands shifts.

Growth in Real PCE and Components (%)



Source: U.S. Bureau of Economic Analysis

HOUSEHOLD WEALTH

Household wealth, a holistic representation of a family's financial and non-financial assets minus liabilities, is a vital indicator of economic standing, encapsulating properties, investments, savings, and collectibles. This snapshot proves invaluable in evaluating the overall stability of the national economy.

The net worth of the typical U.S. household experienced an unprecedented surge, marking the fastest pace of growth in over three decades from 2020 to 2022. Supported by government stimulus initiatives, households accumulating cash reserves during the pandemic were encouraged to make individual stock investments. In addition, the median value of checking and savings accounts and other cash holdings witnessed a remarkable 30% surge, as indicated by the Federal Reserve's triennial survey. The flourishing housing market during this period also propelled numerous Americans into homeownership, capitalizing on comparatively lower mortgage rates before they spiked up in the second half of 2023.

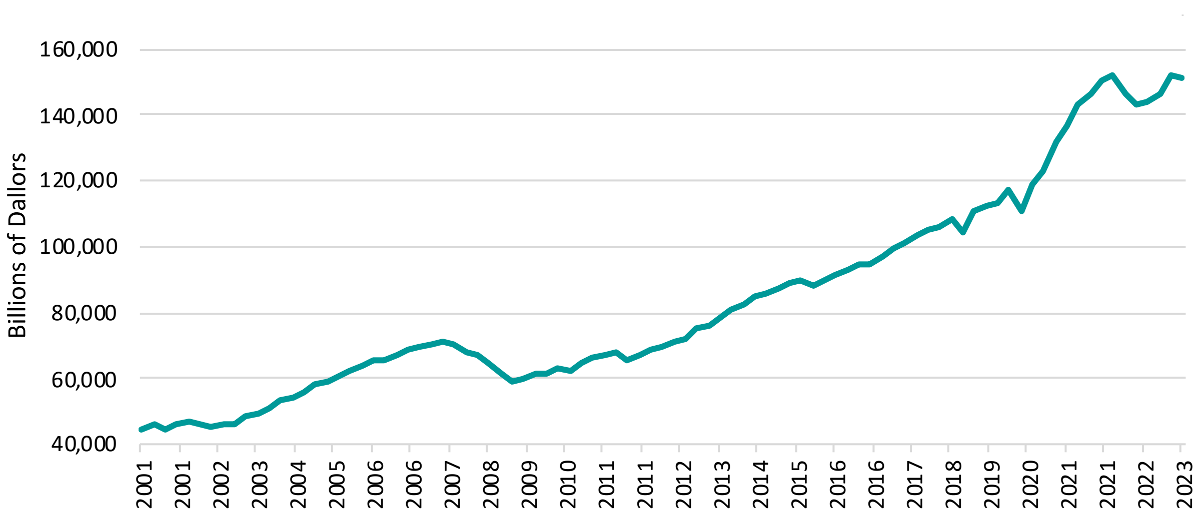
However, the post-pandemic U.S. economic recovery has widened the wealth gap. While the wealthy have benefited disproportionately from stock market gains and asset appreciation, the middle-class and lower-income families face more uncertainty about their future prospects. The rise in home values has positively impacted the net worth of existing homeowners, but it has simultaneously reduced affordability for aspiring home buyers.

In 2024, these disparities are anticipated to have a tangible impact on franchised businesses. Even with an anticipated slow economy, premium franchised brands will continue to appeal to high net-worth households, while more affordable concepts are likely to cater to middle and low-income families.

A Morgan Stanley report suggests that household savings, estimated at approximately $350 billion, may be depleted by the first quarter of 2024 due to dwindling lockdown reserves and high inflation. With U.S. households facing over $17 trillion in household debt, concerns around factors such as the high cost of living, healthcare, wealth inequality, and a softening labor market could contribute to financial anxieties.

Millennials, the largest demographic generation in the U.S., will likely be most impacted by persistent inflation challenges, escalating childcare costs, and diminished retirement savings after having experienced two economic recessions in 2008 and the pandemic. In contrast, the baby boomer population, aged 60 and above, holding over 30% of the country's wealth, will experience a continued surge in net wealth driven by gains in home values.

U.S. Household Wealth



Source: Board of Governors of the Federal Reserve System (US)

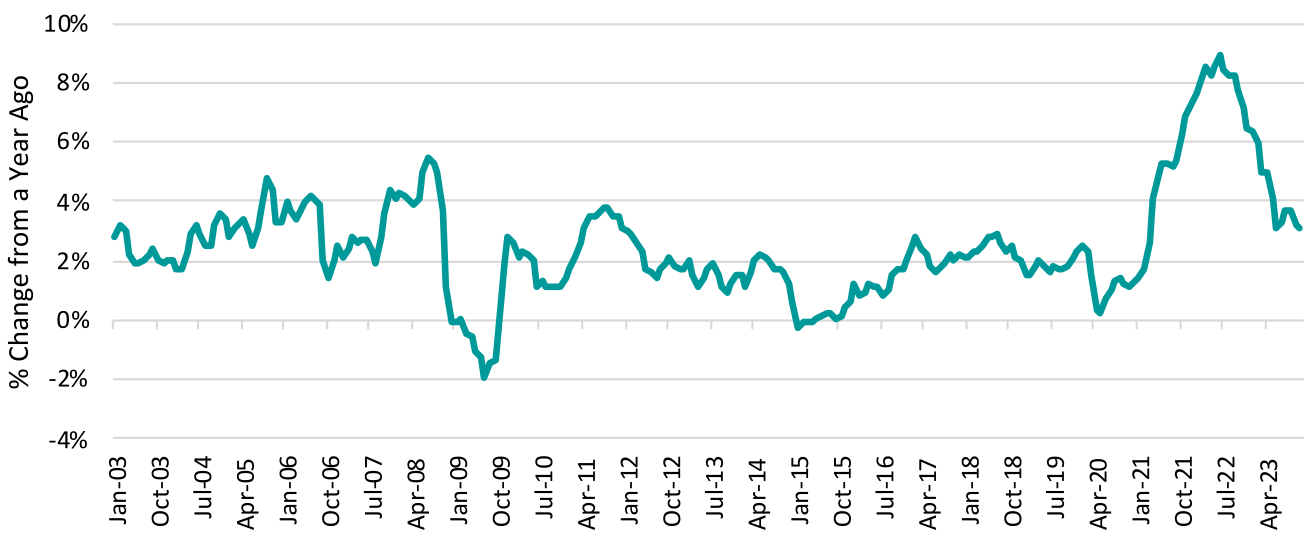
INTEREST RATES AND SMALL BUSINESS LENDING

In response to elevated inflation, the Federal Reserve has pursued a strategy of raising interest rates since 2022, which increased the cost of borrowing and investing. The interest rate exceeded 5.1% in May 2023, the highest interest rates since the 2007-2008 recession.

According to the National Federation of Independent Business' (NFIB) credit-focused survey, the impact of higher interest rates on small businesses is pronounced, with 80% of recent borrowers citing high interest rates as their top financing concern over the past three months. Additionally, in 2023, an increasing number of business owners expressed dissatisfaction with both the amount and terms of the financing they secured.

Looking ahead to 2024, the Federal Reserve has indicated it will likely begin lowering interest rates. This anticipated shift should lead to improved financing terms and amounts and reduced financing costs. At the same time, the ongoing trend of declining inflation rates should provide businesses with additional flexibility to reduce operating costs.

Inflation Rate (Consumer Price Index for All Urban Consumers)



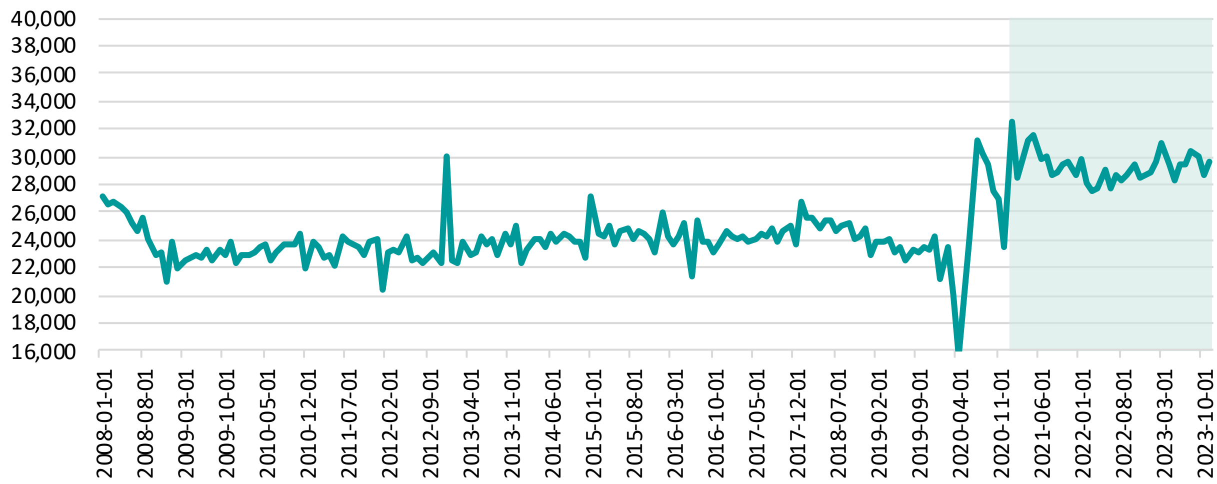
Source: Bureau of Labor Statistics

BUSINESS INVESTMENT AND SMALL BUSINESS OPTIMISM INDEX

Gross Private Domestic Investment (GPDI), a key component of GDP that includes business spending, landlord spending, and inventory changes, is a forward-looking indicator of economic productivity. The quarterly GPDI stabilized at $4.7 trillion to $5 trillion, reflecting a substantial growth in overall GDP. The number of business formations also expanded significantly since 2020, driven by individuals who faced layoffs or reduced wages during COVID, leading them to explore additional income opportunities through entrepreneurship, as well as an increasing number of individuals leaving corporate work to pursue business ownership for a desired better work-life balance and flexibility. In December 2023, the U.S. Census Bureau projected a 2.6% month-over-month increase in business formation to 30,449 new businesses. Additionally, the average monthly business formation projection for 2023 was about 4% higher than the average for 2022.

However, 2023 presented challenges for small business owners. The NFIB Small Business Optimism Index, a key measure of small business sentiment, has consistently fallen below its 5-year average of 98, last reaching that benchmark in December 2021, with more than two-thirds of small business owners rating inflation as their most important problem in operating their business, followed by quality of labor.

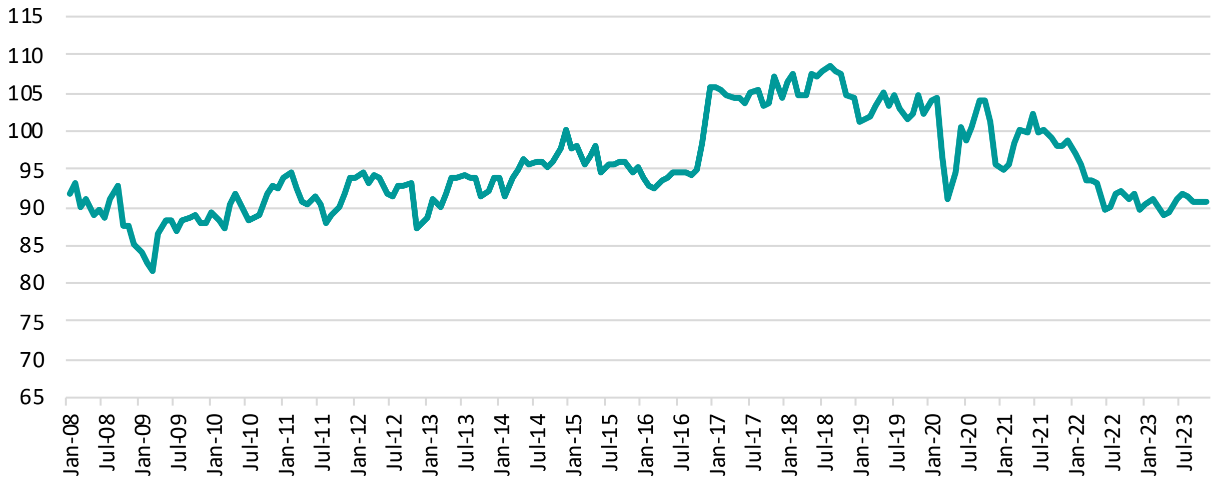
Monthly Total Business Formations – Actual and Projections



Source: U.S. Census Bureau

Through 2024, entrepreneurs in small businesses must embody resilience, innovation, and adaptability to navigate economic uncertainties and sustain upward growth.

U.S. Small Business Optimism Index



Source: The National Federation of Independent Business (NFIB)

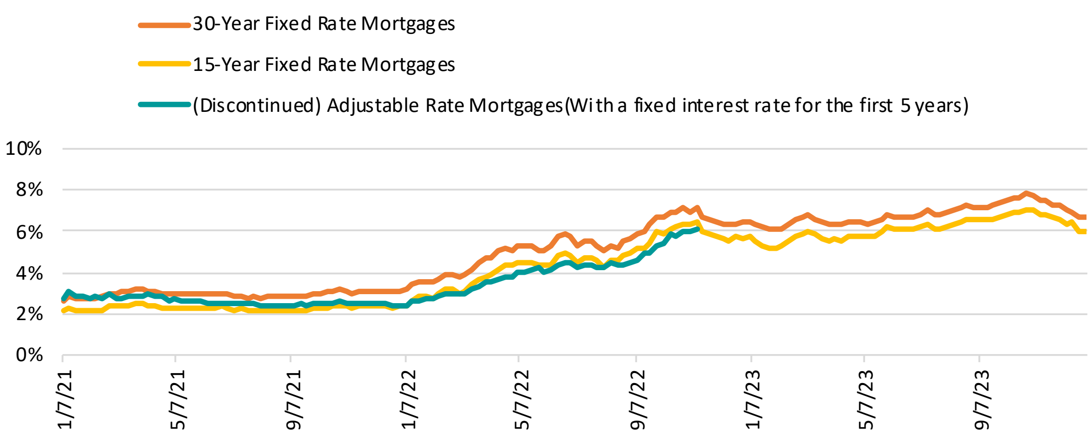
U.S. HOUSING MARKET

High inflation, steep mortgage rates, low inventory, and rising home prices characterized the housing market in 2023. After peaking at 8% in October, the average 30-year fixed mortgage rate eased to 6.6% in December, remaining at a consistently high level since the onset of COVID-19, posing affordability challenges for prospective homebuyers throughout the year. However, demand for rentals remained robust over the same period, driven by younger generations prioritizing flexibility and cost-effectiveness over homeownership.

In 2024, a gradual rebound and increased traction are anticipated in the U.S. housing sector, particularly in the last two quarters of the year. Mortgage rates are expected to stabilize, influenced by potential mid-year adjustments in the Federal Reserve's monetary policy. As the cost of borrowing decreases, more buyers are expected to re-enter the market, and home sales are likely to surge as sellers may opt to capitalize on their accrued equity before potential declines in housing prices. The National Association of Realtors (NAR) predicts a possible 30% increase in inventory compared to the previous year, but pent-up demand could continue to exert upward pressure on prices.

On the rental front, forecasts suggest that declining inflation, lower interest rates, and the introduction of new multifamily units will exert mild downward pressure on rents. Whether forced to rent due to the high cost of homebuying or choosing to rent for flexibility, demand for rental spaces is likely to persist through 2024, especially among Millennials and Gen Zers.

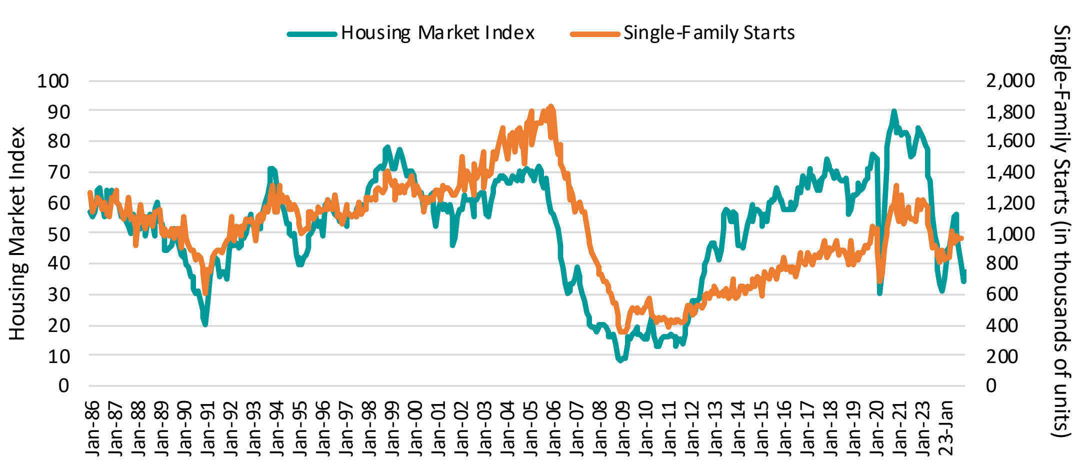
U.S. Weekly Average Mortgage Rates as of 12/29/2023



Source: Freddie Mac

In conclusion, the housing market is anticipated to experience a transformative year with a delicate balance between increased inventory and sustained demand, setting the stage for a complex but potentially lucrative real estate landscape, which in turn could directly and indirectly benefit franchising as a whole.

NAHB/Wells Fargo Housing Market Index (HMI) and New Single-Family Starts



Source: National Association of Home Builders (NAHB).

APPENDIX | Franchise Establishments

STATE	2021	2022	2023 (Est.)	2024 (Proj.)	Growth Rate (21-22)	Growth Rate (22-23)	Growth Rate (23-24)
Alabama	12,980	13,192	13,458	13,709	1.6%	2.0%	1.9%
Alaska	1,241	1,199	1,190	1,162	-3.3%	-0.8%	-2.3%
Arizona	17,239	17,601	18,134	18,559	2.1%	3.0%	2.3%
Arkansas	7,595	8,062	8,235	8,560	6.1%	2.1%	3.9%
California	81,337	74,719	75,990	72,791	-8.1%	1.7%	-4.2%
Colorado	16,961	17,287	17,818	18,233	1.9%	3.1%	2.3%
Connecticut	7,059	8,005	8,016	8,574	13.4%	0.1%	7.0%
Delaware	2,397	2,571	2,638	2,769	7.2%	2.6%	5.0%
District of Columbia	1,129	1,203	1,181	1,216	6.5%	-1.8%	2.9%
Florida	56,851	59,780	61,593	64,062	5.2%	3.0%	4.0%
Georgia	28,698	30,577	31,383	32,813	6.5%	2.6%	4.6%
Hawaii	3,044	2,791	2,779	2,628	-8.3%	-0.4%	-5.4%
Idaho	4,557	4,599	4,850	4,978	0.9%	5.5%	2.6%
Illinois	32,255	28,837	33,461	33,453	-10.6%	16.0%	0.0%
Indiana	17,178	17,341	17,872	18,188	1.0%	3.1%	1.8%
Iowa	8,437	8,207	8,340	8,284	-2.7%	1.6%	-0.7%
Kansas	8,136	8,194	8,365	8,510	0.7%	2.1%	1.7%
Kentucky	11,091	11,299	11,491	11,697	1.9%	1.7%	1.8%
Louisiana	11,284	11,713	11,796	12,091	3.8%	0.7%	2.5%
Maine	2,290	2,402	2,404	2,462	4.9%	0.1%	2.4%
Maryland	14,098	15,109	15,256	15,913	7.2%	1.0%	4.3%
Massachusetts	10,796	12,698	12,766	13,899	17.6%	0.5%	8.9%
Michigan	23,025	22,988	23,272	23,488	-0.2%	1.2%	0.9%
Minnesota	14,286	14,309	14,261	14,311	0.2%	-0.3%	0.4%
Mississippi	6,983	7,244	7,387	7,620	3.7%	2.0%	3.1%
Missouri	15,288	15,834	16,101	16,534	3.6%	1.7%	2.7%
Montana	3,076	3,069	3,084	3,097	-0.2%	0.5%	0.4%
Nebraska	6,259	6,182	6,311	6,312	-1.2%	2.1%	0.0%
Nevada	8,139	7,908	8,202	8,229	-2.8%	3.7%	0.3%
New Hampshire	2,997	3,260	3,272	3,429	8.8%	0.4%	4.8%
New Jersey	18,832	21,199	21,294	22,702	12.6%	0.4%	6.6%
New Mexico	4,783	4,847	4,926	4,986	1.3%	1.6%	1.2%
New York	27,262	29,945	29,973	31,534	9.8%	0.1%	5.2%
North Carolina	27,280	28,791	29,470	30,638	5.5%	2.4%	4.0%
North Dakota	2,355	2,448	2,444	2,499	3.9%	-0.2%	2.3%
Ohio	28,794	28,823	29,483	29,707	0.1%	2.3%	0.8%
Oklahoma	10,139	10,461	10,658	10,929	3.2%	1.9%	2.5%
Oregon	9,702	9,478	9,606	9,534	-2.3%	1.4%	-0.7%
Pennsylvania	26,722	27,959	28,399	29,288	4.6%	1.6%	3.1%
Rhode Island	2,014	2,257	2,289	2,428	12.1%	1.4%	6.1%
South Carolina	14,615	15,700	16,191	17,031	7.4%	3.1%	5.2%
South Dakota	2,722	2,852	2,860	2,940	4.8%	0.3%	2.8%
Tennessee	18,697	19,617	19,976	20,684	4.9%	1.8%	3.5%
Texas	74,909	77,006	79,860	82,463	2.8%	3.7%	3.3%
Utah	8,611	8,728	9,180	9,438	1.4%	5.2%	2.8%
Vermont	1,053	1,097	1,082	1,104	4.1%	-1.3%	2.0%
Virginia	22,736	23,188	23,401	23,735	2.0%	0.9%	1.4%
Washington	16,632	15,815	16,033	15,658	-4.9%	1.4%	-2.3%
West Virginia	3,620	3,632	3,640	3,651	0.3%	0.2%	0.3%
Wisconsin	14,902	15,001	15,183	15,286	0.7%	1.2%	0.7%
Wyoming	1,877	1,887	1,926	1,948	0.5%	2.1%	1.2%
Total	774,965	788,914	806,270	821,589	1.8%	2.2%	1.9%

APPENDIX | Franchise Employment

STATE	2021	2022	2023 (Est.)	2024 (Proj.)	Growth Rate (21-22)	Growth Rate (22-23)	Growth Rate (23-24)
Alabama	137,219	140,828	144,750	148,019	2.6%	2.8%	2.3%
Alaska	13,119	12,804	13,071	12,859	-2.4%	2.1%	-1.6%
Arizona	182,246	187,890	195,624	201,179	3.1%	4.1%	2.8%
Arkansas	80,296	86,068	85,149	88,350	7.2%	-1.1%	3.8%
California	859,864	797,635	899,010	892,106	-7.2%	12.7%	-0.8%
Colorado	179,305	184,545	192,590	198,374	2.9%	4.4%	3.0%
Connecticut	74,625	85,457	77,028	80,951	14.5%	-9.9%	5.1%
Delaware	25,340	27,443	27,284	28,582	8.3%	-0.6%	4.8%
District of Columbia	11,935	12,840	11,601	11,702	7.6%	-9.7%	0.9%
Florida	601,008	638,158	647,954	674,895	6.2%	1.5%	4.2%
Georgia	303,387	326,416	326,056	340,479	7.6%	-0.1%	4.4%
Hawaii	32,176	29,798	32,201	31,138	-7.4%	8.1%	-3.3%
Idaho	48,178	49,095	52,680	54,564	1.9%	7.3%	3.6%
Illinois	340,986	307,840	374,894	381,547	-9.7%	21.8%	1.8%
Indiana	181,597	185,121	194,661	199,622	1.9%	5.2%	2.5%
Iowa	89,194	87,615	92,824	93,389	-1.8%	5.9%	0.6%
Kansas	86,006	87,471	90,006	91,745	1.7%	2.9%	1.9%
Kentucky	117,246	120,615	123,097	126,192	2.9%	2.1%	2.5%
Louisiana	119,289	125,038	125,438	128,941	4.8%	0.3%	2.8%
Maine	24,213	25,644	24,691	25,160	5.9%	-3.7%	1.9%
Maryland	149,039	161,293	155,201	160,696	8.2%	-3.8%	3.5%
Massachusetts	114,133	135,559	119,095	127,043	18.8%	-12.1%	6.7%
Michigan	243,409	245,401	252,414	255,636	0.8%	2.9%	1.3%
Minnesota	151,025	152,751	152,010	152,605	1.1%	-0.5%	0.4%
Mississippi	73,823	77,329	77,839	80,461	4.7%	0.7%	3.4%
Missouri	161,623	169,026	169,603	174,243	4.6%	0.3%	2.7%
Montana	32,519	32,766	33,122	33,305	0.8%	1.1%	0.6%
Nebraska	66,165	65,999	69,379	69,923	-0.3%	5.1%	0.8%
Nevada	86,044	84,414	93,070	95,056	-1.9%	10.3%	2.1%
New Hampshire	31,679	34,798	32,588	33,744	9.8%	-6.4%	3.5%
New Jersey	199,088	226,303	205,046	216,982	13.7%	-9.4%	5.8%
New Mexico	50,565	51,738	53,065	53,913	2.3%	2.6%	1.6%
New York	288,206	319,673	293,914	304,351	10.9%	-8.1%	3.6%
North Carolina	288,397	307,354	306,959	318,710	6.6%	-0.1%	3.8%
North Dakota	24,900	26,130	25,092	25,553	4.9%	-4.0%	1.8%
Ohio	304,399	307,696	320,974	324,642	1.1%	4.3%	1.1%
Oklahoma	107,182	111,677	112,553	115,531	4.2%	0.8%	2.6%
Oregon	102,561	101,175	106,207	106,525	-1.4%	5.0%	0.3%
Pennsylvania	282,497	298,470	295,559	305,367	5.7%	-1.0%	3.3%
Rhode Island	21,291	24,098	22,432	23,562	13.2%	-6.9%	5.0%
South Carolina	154,501	167,605	167,517	175,925	8.5%	-0.1%	5.0%
South Dakota	28,777	30,446	29,406	30,038	5.8%	-3.4%	2.1%
Tennessee	197,656	209,417	213,041	221,584	5.9%	1.7%	4.0%
Texas	791,904	822,056	861,994	895,265	3.8%	4.9%	3.9%
Utah	91,028	93,172	99,389	103,041	2.4%	6.7%	3.7%
Vermont	11,133	11,707	11,017	11,167	5.2%	-5.9%	1.4%
Virginia	240,353	247,541	251,031	255,022	3.0%	1.4%	1.6%
Washington	175,830	168,828	181,388	180,618	-4.0%	7.4%	-0.4%
West Virginia	38,267	38,772	39,221	39,402	1.3%	1.2%	0.5%
Wisconsin	157,537	160,142	164,005	165,716	1.7%	2.4%	1.0%
Wyoming	19,840	20,141	20,777	21,135	1.5%	3.2%	1.7%
Total	**8,192,599**	**8,421,798**	**8,665,517**	**8,886,555**	**2.8%**	**2.9%**	**2.6%**

APPENDIX | Franchise Output (in million $)

STATE	2021	2022	2023 (Est.)	2024 (Proj.)	Growth Rate (21-22)	Growth Rate (22-23)	Growth Rate (23-24)
Alabama	13,194	13,774	14,200	14,780	4.4%	3.1%	4.1%
Alaska	1,261	1,252	1,271	1,250	-0.7%	1.5%	-1.6%
Arizona	17,524	18,377	19,000	20,000	4.9%	3.4%	5.3%
Arkansas	7,721	8,418	8,794	9,230	9.0%	4.5%	5.0%
California	82,679	78,015	80,500	81,300	-5.6%	3.2%	1.0%
Colorado	17,241	18,050	19,028	19,650	4.7%	5.4%	3.3%
Connecticut	7,175	8,358	8,500	9,000	16.5%	1.7%	5.9%
Delaware	2,436	2,684	2,817	2,980	10.2%	5.0%	5.8%
District of Columbia	1,148	1,256	1,261	1,310	9.4%	0.4%	3.9%
Florida	57,789	62,417	64,400	69,050	8.0%	3.2%	7.2%
Georgia	29,172	31,926	33,000	35,370	9.4%	3.4%	7.2%
Hawaii	3,094	2,915	2,968	2,830	-5.8%	1.8%	-4.7%
Idaho	4,632	4,802	5,180	5,300	3.7%	7.9%	2.3%
Illinois	32,787	30,109	35,600	36,060	-8.2%	18.2%	1.3%
Indiana	17,461	18,106	19,000	19,600	3.7%	4.9%	3.2%
Iowa	8,576	8,569	8,907	8,930	-0.1%	3.9%	0.3%
Kansas	8,270	8,555	8,933	9,170	3.5%	4.4%	2.6%
Kentucky	11,274	11,797	12,200	12,610	4.6%	3.4%	3.4%
Louisiana	11,470	12,230	12,597	13,030	6.6%	3.0%	3.4%
Maine	2,328	2,508	2,567	2,650	7.7%	2.3%	3.2%
Maryland	14,331	15,776	16,200	17,150	10.1%	2.7%	5.9%
Massachusetts	10,974	13,259	13,633	14,600	20.8%	2.8%	7.1%
Michigan	23,405	24,002	24,800	25,320	2.6%	3.3%	2.1%
Minnesota	14,522	14,940	15,230	15,420	2.9%	1.9%	1.2%
Mississippi	7,098	7,563	7,889	8,210	6.6%	4.3%	4.1%
Missouri	15,541	16,532	17,100	17,820	6.4%	3.4%	4.2%
Montana	3,127	3,205	3,294	3,340	2.5%	2.8%	1.4%
Nebraska	6,362	6,455	6,700	6,800	1.5%	3.8%	1.5%
Nevada	8,273	8,256	8,700	8,800	-0.2%	5.4%	1.1%
New Hampshire	3,046	3,404	3,494	3,700	11.7%	2.7%	5.9%
New Jersey	19,143	22,134	22,740	24,470	15.6%	2.7%	7.6%
New Mexico	4,862	5,060	5,200	5,370	4.1%	2.8%	3.3%
New York	27,712	31,267	31,800	33,990	12.8%	1.7%	6.9%
North Carolina	27,730	30,062	31,400	33,700	8.4%	4.5%	7.3%
North Dakota	2,394	2,556	2,610	2,690	6.7%	2.1%	3.1%
Ohio	29,269	30,095	31,400	32,100	2.8%	4.3%	2.2%
Oklahoma	10,306	10,923	11,300	11,780	6.0%	3.5%	4.2%
Oregon	9,862	9,896	10,200	10,280	0.3%	3.1%	0.8%
Pennsylvania	27,163	29,193	30,328	31,570	7.5%	3.9%	4.1%
Rhode Island	2,047	2,357	2,444	2,600	15.1%	3.7%	6.4%
South Carolina	14,856	16,393	17,200	18,900	10.3%	4.9%	9.9%
South Dakota	2,767	2,978	3,000	3,170	7.6%	0.7%	5.7%
Tennessee	19,005	20,483	21,333	22,500	7.8%	4.2%	5.5%
Texas	76,144	80,404	84,900	89,200	5.6%	5.6%	5.1%
Utah	8,753	9,113	9,803	10,170	4.1%	7.6%	3.7%
Vermont	1,070	1,145	1,156	1,190	7.0%	0.9%	3.0%
Virginia	23,111	24,212	24,900	25,580	4.8%	2.8%	2.7%
Washington	16,907	16,513	17,122	16,880	-2.3%	3.7%	-1.4%
West Virginia	3,680	3,792	3,887	3,930	3.1%	2.5%	1.1%
Wisconsin	15,148	15,663	16,000	16,480	3.4%	2.2%	3.0%
Wyoming	1,908	1,970	2,056	2,100	3.3%	4.4%	2.1%
Total	**787,746**	**823,720**	**858,544**	**893,910**	**4.6%**	**4.2%**	**4.1%**

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