INTERNATIONAL FRANCHISE ASSOCIATION

2022 FRANCHISING ECONOMIC OUTLOOK

Data provided by:

FRANdata
Franchise Business Intelligence

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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 775,000 franchise establishments that support nearly 8.2 million direct jobs, $787.7 billion of economic output for the U.S. economy, and almost 3 percent 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. We focus on delivering unparalleled insights and high-level strategic advice to a global franchise client base.

Author/Contributor

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FRANCHISING CONTINUES STRONG RECOVERY

2022 Economic Forecast for Franchising

Franchising had an exceptional year in 2021, and 2022 looks to be another strong year of recovery. Bolstered by both the strengthening labor market and steady consumer spending, franchising is expected to continue to expand, trending upwards with the United States' overall economic progression, but the pace of the growth in 2022 is most likely to moderate, due to the current headwinds in the economy. Some key predictions for 2022 include:

- Franchises' GDP contribution to the overall economy will remain stable at 3% in 2022, but the growth rate is likely to slow to 5.7%, still higher than the pre-pandemic level, to a total of $501 billion.
- Franchise employment is forecast to grow at a slightly lower rate of 3.1% to a total of 8.5 million jobs, a net gain of almost 257,000 jobs compared to 2021.
- The output of franchise businesses in nominal dollars is forecast to improve by 4.9% to $826.6 billion in 2022.
- We forecast that franchising will end the year with more than 792,000 establishments, adding a net gain of 17,000 new locations, with a marginally lower growth rate of 2.2%.

Franchise Business Economic Outlook: 2018-2022

	2018	2019	2020	2021 (Est.)	2022 (Proj.)
Establishments	760,476	773,603	753,770	774,965	792,014
Percentage change		1.7%	-2.6%	2.8%	2.2%
Employment	8,274,532	8,503,661	7,532,305	8,192,600	8,449,162
Percentage change		2.8%	-11.4%	8.8%	3.1%
Output ($ billions)	$767.1	$794.2	$677.2	$787.7	$826.6
Percentage change		3.5%	-14.7%	16.3%	4.9%
GDP ($ billions)	$452.1	$473.4	$446.3	$474.2	$501.0
Percentage change		4.7%	-5.7%	6.2%	5.7%

Industry Specific Forecast

Franchised establishments in the Personal Services sector are predicted to see the most growth in 2022, expanding at a rate of 3.1%. Sectors such as Table/Full-Service Restaurants, QSR, and Lodging are also expected to continue their upward trajectory, with these sectors improving by 2.5%, 2.1%, and 1.3%, respectively. Commercial & Residential Services sector will remain the second-fastest growing sector in 2022 because of the resiliency and strength of the U.S. housing market, in which the total number of establishments are anticipated to expand by 2.7%.

Franchise Establishments by Business Line

	2018	2019	2020	2021 (Est.)	2022 (Proj.)
Business Services	103,886	102,645	97,732	99,296	100,727
Percentage change		-1.2%	-4.8%	1.6%	1.4%
Commercial & Residential Services	66,495	67,226	73,116	75,678	77,708
Percentage change		1.1%	8.8%	3.5%	2.7%
Lodging	33,240	33,997	34,455	35,041	35,501
Percentage change		2.3%	1.3%	1.7%	1.3%
Personal Services	114,058	118,825	110,050	114,012	117,594
Percentage change		4.2%	-7.4%	3.6%	3.1%
Quick Service Restaurants	194,395	196,794	183,543	188,402	192,426
Percentage change		1.2%	-6.7%	2.6%	2.1%
Real Estate	64,170	65,307	66,332	67,929	69,284
Percentage change		1.8%	1.6%	2.4%	2.0%
Retail Food, Products & Services	151,390	155,649	157,538	162,579	165,955
Percentage change		2.8%	1.2%	3.2%	2.1%
Table/Full Service Restaurants	32,843	33,160	31,004	32,027	32,819
Percentage change		1.0%	-6.5%	3.3%	2.5%
Total	760,476	773,603	753,770	774,965	792,014
Percentage change		1.7%	-2.6%	2.8%	2.2%

Regional Trends

Franchising plays an important role not only on the national level, but also on the state level. National franchising activity largely rebounded to pre-pandemic levels in 2021, but states have experienced divergent economic recovery patterns because of disparities in business climates, migration trends, and changes in consumer preferences. FRANdata forecasts that states in the West and South will experience the fastest upward trajectory of franchise business growth in 2022. Franchises in all other states are also most likely going to ramp up in 2022, though at a slightly lower rate.

- The Southeast region has the largest franchise concentration in the United States, with an estimated 231,500 total establishments by 2022, employing 2.6 million workers and contributing $235.9 billion in output to the U.S. economy.
- The top 10 states for franchise growth in 2022 (in order) are projected to be Texas, Florida, Arizona, South Carolina, Idaho, Tennessee, North Carolina, Montana, Nebraska, and Nevada.

Top 10 States by Growth Rate

	Franchise Establishments				Franchise Employment				Franchise Output (in million $)			
States	2020	2021	2022	Growth Rate (21-22)	2020	2021	2022	Growth Rate (21-22)	2020	2021	2022	Growth Rate (21-22)
TX	71,419	75,435	78,250	3.7%	697,058	778,577	814,963	4.7%	$59,707	$71,354	$76,014	6.5%
FL	56,467	58,885	60,809	3.3%	587,814	648,554	675,827	4.2%	$52,208	$61,632	$65,363	6.1%
AZ	18,391	19,108	19,680	3.0%	185,035	203,396	211,391	3.9%	$16,663	$19,598	$20,730	5.8%
SC	14,352	14,829	15,273	3.0%	144,451	157,903	164,107	3.9%	$11,485	$13,433	$14,209	5.8%
ID	4,043	4,187	4,310	2.9%	37,249	40,815	42,393	3.9%	$2,712	$3,179	$3,361	5.7%
TN	18,263	18,924	19,468	2.9%	200,156	219,435	227,795	3.8%	$16,932	$19,861	$20,984	5.7%
NC	27,194	28,211	28,990	2.8%	307,075	337,038	349,487	3.7%	$25,714	$30,197	$31,868	5.5%
MT	2,692	2,770	2,840	2.5%	20,980	22,844	23,629	3.4%	$1,674	$1,950	$2,053	5.3%
NE	5,568	5,708	5,850	2.5%	51,756	56,134	58,055	3.4%	$4,472	$5,190	$5,463	5.3%
NV	8,182	8,418	8,625	2.5%	93,784	102,078	105,542	3.4%	$9,605	$11,185	$11,770	5.2%

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INTRODUCTION

Franchising helped lead the economic recovery in 2021. By providing advancement opportunities at all levels of the economic ladder, from entry-level to manager and from manager to owner, franchises across America aided not only large-scale reentry into the workforce, but also the possibility of coming back better than ever. The unique business model also put the overall economy on more solid ground, with steady growth on business openings and output contributions. Owing to pent-up demand and strong consumer spending, in 2021 total output generated by franchised establishments improved significantly by 16.3%, to $787.7 billion.

Much like the broader GDP growth trend, estimated nominal GDP growth contributed by franchising reached an all-time high of 6.2% in 2021. These figures have real impact, not just in benefitting the U.S. economy overall, but also down to the individual level. Across America, people are turning to franchises to strengthen their own financial outlook. Whatever fiscal challenges and headwinds remain in 2022, franchises continue to provide opportunity across the spectrum, from the newest entry-level employee, to an entrepreneur looking to get in to the business, to the long-time owner and operator.

Still, headwinds in the current economy will have an impact, with franchise growth in 2022 expected to stabilize. With robust sales growth, new unit development, and job creation, franchising is projected to expand by 2.2%, reaching 792,014 in franchise establishments, which is 17,000 higher than that of 2021. Franchise employment is forecasted to grow at a slightly lower rate of 3.1% to a total of 8.5 million jobs, but it is anticipated to recover to pre-pandemic levels following two years of COVID-era contraction. That is a net gain of almost 257,000 jobs compared to 2021. The output of franchise businesses in nominal dollars is forecast to improve by 4.9% to $826.6 billion in 2022. Franchises' GDP contribution to the overall economy will remain stable at 3% in 2022, but the growth rate is likely to slow to 5.7%, still higher than the pre-pandemic level, to a total of $501 billion.

In 2021, franchise establishments increased in number by 2.8% to 774,965, a net gain of 21,195 compared to 2020. Due to labor shortages, franchise owners had trouble finding qualified workers to fill job openings, but franchising still managed to hire 8.2 million employees by the end of 2021, adding a net 660,300 jobs. Current data show that labor shortages will not be going away anytime soon; accordingly, FRANdata has revised downward the number of establishments, employment, and output for 2021.

2022
FRANCHISING
+2.2%
EMPLOYMENT
+3.1%
OUTPUT
+4.9%

Franchise Business Economic Outlook: 2018-2022					
	2018	**2019**	**2020**	**2021 (Est.)**	**2022 (Proj.)**
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2022 will likely be a year of rebalancing and normalization. The U.S. economy has been on a roller coaster over the past two years, as COVID-19 and the corresponding emergency government response brought on both the shortest, sharpest recession in history as well as the fastest growth in nearly 40 years.[1]

However, the rapid spread of the Omicron variant and potential interest rate hikes by the Federal Reserve in response to inflationary pressures, along with labor concerns, could stifle economic growth.

GDP grew at an annualized rate of 5.7% in 2021, the strongest pace since 1984, and most economists predict GDP to expand by somewhere between 3.5% and 4% for 2022. This would represent a slowdown from 2021, but still an overall strong economy experiencing a faster rate of growth than pre-pandemic levels.

Franchising had an exceptional year in 2021, benefiting from the fast vaccine roll-out, extensive government stimulus, and favorable economic conditions. 2022 looks to be another strong year of recovery, bolstered by both a strengthening labor market and steady consumer spending. Franchising is expected to continue to expand at a moderate rate, trending upwards with the overall economic growth of the nation.

2022: A YEAR OF REBALANCING & NORMALIZATION

Federal and state lawmakers have had an integral role in ensuring local businesses continue to build and thrive in their communities. During the pandemic, Congress passed multiple relief bills consisting of over $5 trillion in emergency relief programs. The franchise sector received access to liquidity, tax incentives and credits, and other emergency components of COVID-19 relief totaling billions of dollars. This included much-needed access to the Paycheck Protection Program (PPP). Without this, franchise locations could have been discriminated against in the creation of the program, leaving over 700,000 franchise businesses to fend for themselves. FRANdata estimated that more than 75% of franchisees received federal pandemic relief funding through the PPP and other programs (Economic Injury Disaster Loans, Main Street Lending, etc.). Inclusion in the PPP alone provided nearly $16 billion to franchise businesses, impacting more than 2.5 million jobs. This advocacy resulted in the average franchise small business receiving $80,000.00 in loans saving more than 20,000 franchised small businesses from permanently closing, helping to preserve almost half-a-million jobs.

While PPP and EIDL were necessary lifelines for the franchise sector, some effects of the pandemic are still lingering. Particularly, businesses across the country continue to face hiring and recruitment challenges. As the nation battles labor shortages, lawmakers across the board should continue to advance policies that would accelerate growth and recovery and avoid policies such as the Protecting the Right to Organize Act, which would seek to diminish local franchise locations and their workers.

Similar to the Federal Government, state and local lawmakers play a key role in promoting continued growth across the franchise model through varying small business grants or fostering pro-growth policies. However, the inverse can also be true and those same lawmakers can act as a barrier to growth with policies such as the FAST Act in California, mandating a joint employer relationship between brands and franchisees. This type of legislating only serves to hamper future economic opportunities across franchising.

FRANCHISE ESTABLISHMENT GROWTH

FRANdata estimates total franchise establishments reached 774,965 in 2021, with a growth rate of 2.8%, faster than most years' historical growth. All franchises formats across eight industries achieved greater momentum on business expansion in 2021 as the economy rebounded strongly after the pandemic-induced recession in 2020. Recovery was driven by a strong labor market, increased consumer spending, government stimulus, and eased monetary policy. However, these positive trends for economic growth are being dampened by lingering supply-side constraints, labor shortages, and inflation surges dragging down consumer sentiment, and consequently, growth will likely moderate in 2022. We forecast that franchising will end the year with more than 792,000 establishments, adding a net gain of 17,000 new locations, resulting in a marginally lower growth rate of 2.2%.

2021
TOTAL FRANCHISE ESTABLISHMENTS
774,965

2021
FRANCHISE GROWTH RATE
2.8%

Franchise Establishments by Business Line

	2018	2019	2020	2021 (Est.)	2022 (Proj.)
Business Services	103,886	102,645	97,732	99,296	100,727
Percentage change		-1.2%	-4.8%	1.6%	1.4%
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Lodging	33,240	33,997	34,455	35,041	35,501
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Personal Services	114,058	118,825	110,050	114,012	117,594
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Total	760,476	773,603	753,770	774,965	792,014
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Franchised establishments in the Personal Services sector are predicted to lead the growth in 2022, expanding at a rate of 3.1%, as consumers are expected to normalize buying patterns shifting by increasing spending on services, including travel, restaurants, healthcare, entertainment, and recreation. Sectors including Table/Full-Service Restaurant, Quick Service Restaurants (QSR), and Lodging are also expected to continue to resurge from the pandemic, with franchise establishments improving by 2.5%, 2.1%, and 1.3%, respectively. Commercial & Residential Services sector will remain the second-fastest growing sector in 2022 because of the strength of the U.S. housing market, in which the number of establishments is anticipated to expand by 2.7%.

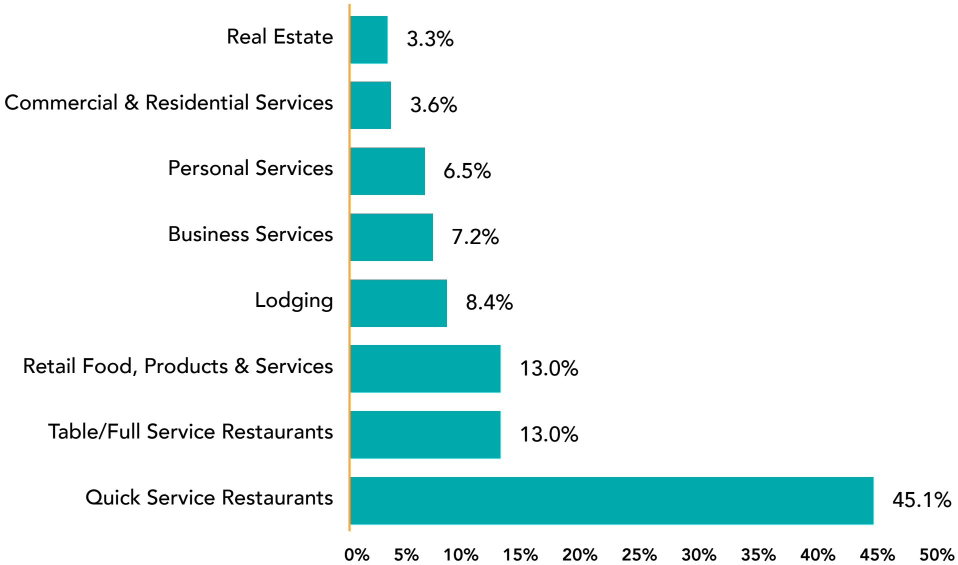
FRANCHISE EMPLOYMENT GROWTH

The labor market saw a robust recovery in 2021, with the unemployment rate dropping to 3.9% in December, down from a peak of 14.2% in April 2020. Franchising was essential to the job market's revival, as the U.S. gained an average of 46,400 franchise jobs per month in 2021, based on ADP's National Franchise Report. Overall, IFA estimates franchise employment increased by 8.8% in 2021 to 8.2 million, a net gain of 660,300 jobs from 2020. Most of these jobs were recovered in leisure and hospitality, as well as education and health, the sectors that have been largely impacted by the pandemic. As the job market began facing increasing pressure during the second half of 2021, overall growth slowed. Employers faced headwinds with hiring and retaining quality workers, driven in part by low labor participation rates and a record-high quit rate, fueled by employees pursuing higher pay due to wage growth across the economy.

Franchise Employment by Business Line

	2018	2019	2020	2021 (Est.)	2022 (Proj.)
Business Services	629,027	624,388	564,863	586,523	604,362
Percentage change		-0.7%	-9.5%	3.8%	3.0%
Commercial & Residential Services	250,318	252,803	253,682	288,542	303,096
Percentage change		1.0%	0.3%	13.7%	5.0%
Lodging	740,711	758,054	510,761	664,886	710,023
Percentage change		2.3%	-32.6%	30.2%	6.8%
Personal Services	519,369	547,094	475,580	527,718	552,692
Percentage change		5.3%	-13.1%	11.0%	4.7%
Quick Service Restaurants	3,770,426	3,880,612	3,544,759	3,728,402	3,810,044
Percentage change		2.9%	-8.7%	5.2%	2.2%
Real Estate	256,328	262,130	245,437	265,954	277,497
Percentage change		2.3%	-6.4%	8.4%	4.3%
Retail Food, Products & Services	1,020,002	1,061,686	1,014,127	1,069,837	1,095,301
Percentage change		4.1%	-4.5%	5.5%	2.4%
Table/Full Service Restaurants	1,088,352	1,116,894	923,097	1,060,736	1,096,149
Percentage change		2.6%	-17.4%	14.9%	3.3%
Total	8,274,532	8,503,661	7,532,305	8,192,600	8,449,162
Percentage change		2.8%	-11.4%	8.8%	3.1%

Franchise Employment Distribution by Sector



FRANCHISE EMPLOYMENT INCREASED TO 8.2 MILLION A NET GAIN OF 660,300 JOBS FROM 2020.

These problems are expected to linger into the beginning of 2022 but gradually ease thereafter as economic growth normalizes. Therefore, FRANdata forecasts that growth for franchise employment will expand by 3.1% in 2022 to a total of 8.5 million, back to the pre-pandemic level, a net gain of up to 300,000 jobs. Most jobs are expected to be generated from the leisure and hospitality, healthcare, and education sectors, as those sectors have the greatest number of jobs to fill in order to return to pre-pandemic levels. The Commercial & Residential Services and Real Estate sectors are also anticipated to continue to drive employment growth because of the aggravated housing market.

A combined 45.1% of employment is contributed by the QSR sector, followed by Retail Food and Table/Full-Service Restaurants sectors, which each hire 13% of workers. The Lodging sector accounts for 8.4% of total employment, and the remaining four sectors, ranked by number of employees, are Business Services, Personal Services, Commercial & Residential Services, and Real Estate.

Recovery has been the strongest for entry-level workers, who have experienced the highest wage growth during the pandemic. The franchise business model's contribution and resiliency in economic downturns has also notably impacted individuals of all levels of education, as the number of unemployed people without a high school diploma is now the lowest in recorded history.

Even with all this progress, this growth can be seriously undermined by impending policy proposals such as the FAST Recovery Act in California. While promoted as an effort to protect workers, the legislation would do the opposite by stifling economic growth and entrepreneurial opportunities. By attempting to mandate a joint employer model between brands and franchisees, the business model will suffer, and by extension, there will be less economic opportunity from the top down. Similarly, policies like California's AB5 have a similar chilling effect on franchise growth and opportunity by creating strict worker classifications tests with the potential to inappropriately ensnare the franchise relationship in its broad net.

FRANCHISE OUTPUT GROWTH

Along with continued alleviation of the pandemic and accelerated consumer spending, output generated by franchise businesses across all sectors is predicted to maintain its momentum of expanding at a rate of 4.9% to $826.6 billion in 2022, exceeding pre-pandemic sales levels. Franchise output recovered most of its losses from the pandemic in 2021 because of rising vaccination rates, a rebound of the labor market, government stimulus, and healthy household balance sheets. FRANdata estimates that total output across all franchise business lines grew 16.3% in 2021 to $787.7 billion, mainly due to output increases from the Lodging, Table/Full-Service Restaurants, and Personal Services sectors, as more people resumed business travel and personal vacation, restaurant dining, and other forms of entertainment.

Sectors that experienced strong growth in 2021 will continue their expansion in 2022. The Commercial & Residential Services sector is likely to maintain its compelling output growth, expanding by 5.9% due to sustained home construction and remodeling activities as well as increasing new home sales. Output generated from the QSR sector will likely remain substantial as well, with an expected surge of 5.8%.

Franchise Output by Business Line ($Billion)

	2018	2019	2020	2021 (Est.)	2022 (Proj.)
Business Services	$99.2	$101.7	$84.4	$95.3	$99.8
Percentage change		2.6%	-17.1%	13.0%	4.7%
Commercial & Residential Services	$45.5	$45.8	$49.3	$52.7	$55.9
Percentage change		0.7%	7.7%	6.9%	5.9%
Lodging	$86.4	$89.2	$52.0	$82.8	$87.1
Percentage change		3.2%	-41.8%	59.2%	5.2%
Personal Services	$37.9	$39.3	$26.0	$35.8	$39.6
Percentage change		3.8%	-34.0%	37.9%	10.5%
Quick Service Restaurants	$256.6	$267.9	$241.0	$261.2	$276.2
Percentage change		4.4%	-10.1%	8.4%	5.8%
Real Estate	$53.4	$55.3	$48.4	$60.2	$61.5
Percentage change		3.7%	-12.5%	24.3%	2.2%
Retail Food, Products & Services	$115.1	$118.3	$121.1	$127.0	$130.3
Percentage change		2.8%	2.3%	4.9%	2.5%
Table/Full Service Restaurants	$73.0	$76.5	$55.1	$72.8	$76.4
Percentage change		4.8%	-27.9%	31.9%	5.0%
Total	$767.1	$794.2	$677.2	$787.7	$826.6
Percentage change		3.5%	-14.7%	16.3%	4.9%

BUSINESS SERVICES

IFA projects franchise establishments in the Business Services sector will grow by 1.4% in 2022 to a total of 100,727 locations. Franchise employment is forecast to add a net gain of 17,838 jobs, increasing at a rate of 3% to more than 604,400 employees working in the sector. Franchised businesses in this segment are expected to contribute a total of $99.8 billion in output to the economy, an improvement of 4.7%.

The Business Services sector's performance was elevated in 2021, partially by overall macroeconomic growth. Adopting advanced technology for operational efficiency and offering seamless technology support for employees working remotely have become increasingly critical, and franchises that offer IT services in the sector have benefitted enormously. The mailing, packing, and shipping segment is expected to continue to expand, mirroring consumers' preferences for online ordering and delivery. In addition, because of the all-time-high resignation rate in the job market, with more people switching jobs for higher-paying positions, franchises that offer personnel services experienced growth by leveraging that trend. Accelerated growth was also seen from franchises that offer broker services, advertising, accounting and payroll services. However, companies that offer traditional commerce, such as direct mail advertising, publications, printing, and tax services, experienced weakening development, which was the primary reason for slackening overall sector growth.

FRANCHISES THAT OFFER SEAMLESS TECHNOLOGY SUPPORT FOR REMOTE WORK HAVE BENEFITTED ENORMOUSLY.

COMMERCIAL & RESIDENTIAL SERVICES

The Commercial & Residential Services sector is projected to reach 77,708 establishments in 2022, a continued advancement from last year's estimated number of businesses of 75,678. Employment in this sector is forecast to grow by 5% to more than 303,000, and output is expected to increase by 5.9% in 2022 to $55.9 billion.

Consumers' need for home services remains high as many people are still spending most of their time at home. Many companies are turning to fully or partially remote environments, especially as the Omicron variant has complicated a full return to the office. A recent study led by Slack showed that 58% of full-time office workers are working in hybrid work arrangements. On the other hand, the economy's continued recovery and an increasing vaccination rate also uplifted commercial and in-person activities, which bolstered commercial needs from retail, hospitality, and industrial and recreational facilities.

The Commercial & Residential Services sector's growth skyrocketed during the pandemic because of consumers' strong demand for home renovations and construction. Going into 2022, the sector is expected to continue to excel, owing to strengthened needs from both commercials and residentials.

REAL ESTATE

2021 was a historic year for real estate because remote work, low mortgage rates, a strong labor market and household balance sheets have opened home-buying opportunities to whole sectors of new Americans. Based on National Association of Realtors' data, first-time buyers increased to 34% in 2021, up from 31% in 2020, which was the largest jump since 2017. Although the mortgage rate is forecast to rise in 2022--pushed up by pressure from inflation--and the affordability issue will likely intensify because of supply shortages, the housing sector is expected to have another strong year in 2022 because of strong consumer demand. Therefore, driven by intensified needs from people looking for housing inspection services, real estate brokers, appraisers, and property management services, franchises in the sector are all expected to see further growth.

Overall, franchise establishments in the Real Estate sector are expected to grow at a rate of 2% in 2022 to approximately 69,300 units. Employment in this sector is forecast to grow by 4.3% to nearly 277,500 workers, an increase of more than 11,600 jobs, compared to last year. Franchise output is anticipated to grow by 2.2% in 2022 to $61.5 billion.

REAL ESTATE EMPLOYMENT IS FORECAST TO GROW BY 4.3% - AN INCREASE OF 11,600+ JOBS

LODGING

The lodging sector has been one of the hardest-hit during the pandemic, but it showed great resiliency after vaccinations become largely available to travelers. Lodging has maintained a robust recovery, mainly driven by pent-up leisure demand, fiscal stimulus, and elevated savings. In 2022, we expect to see corporate travel and group travel accelerate, which will be the leading source of the sector's continued growth, as trips to visit clients and network at conferences will likely rebound beyond even pre-pandemic levels. However, while travel demand maintains its upward trajectory, challenges such as labor shortages and unremitting health concerns of COVID-19 will continuously disrupt the sector, and travel will likely be one of the last sectors to see demand return at full strength.[2]

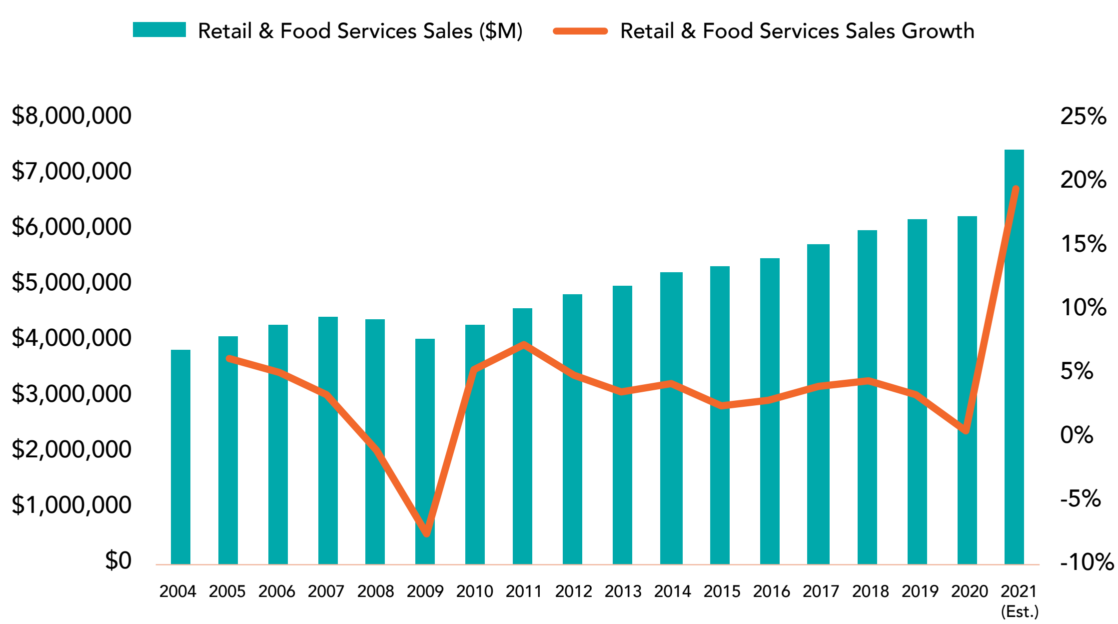
Based on Lodging Analytics Research and Consulting (LARC)'s newly released Market Intelligence Report, U.S. RevPAR is expected to increase by 56.2% in 2021 and 20.2% in 2022, and the 5-year outlook from 2020 to 2025 is expected to increase at a 17.1% CAGR. LARC also anticipates ADR to recover to 2019 levels by 2022, while RevPAR and Hotel EBITDA reach 2019 levels in 2023 and occupancy stabilizes just below 2019 levels by 2025. The Lodging sector is the primary force for franchise employment and output recovery in 2021, growing at the fastest rate in both measures. The positive trajectory is likely to continue in 2022. IFA projects that the number of franchise establishments in the Lodging sector will increase by 1.3% in 2022 to a total of 35,501 locations. Franchise employment is forecast to increase at a rate of 6.8% to more than 710,000 employees, a net of gain 45,000 compared to 2021. Franchised businesses in the segment are expected to contribute a total of $87.1 billion in output to the economy, improving by 5.2% compared to 2021 levels.

RETAIL FOOD, PRODUCTS & SERVICES

Based on data released in the Monthly Retail Trade Report by U.S. Census Bureau, estimated U.S. retail and food services sales increased at a record-high growth rate of 19.3% compared to 2020 levels, indicating a strong year of resurgence due to an uptick in consumer spending. Clothing and accessory stores contributed the most sales growth in 2021, which increased at a rate of 48.4%, reflecting demands from consumers preparing for more out-of-home activities. Other sectors that experienced strong growth in 2021, following the ranks, are sporting goods; hobbies, musical instruments, and bookstores; furniture and home furniture stores; electronics and appliance stores as well as motor vehicle and parts dealers, which grew at rates of 28.6%, 26.4%, 25.2%, and 23.6%, respectively. Retail sales growth mostly came from in-person shopping; while ecommerce remained strong, sales grew at a slightly lower rate, accounting for 15% of retail sales as buying habits continue to normalize. The number of physical stores also continues to grow, at least partially because they fulfill a significant proportion of ecommerce orders. [3]

IFA expects 2022 will be another strong year of retail growth, but it will also be a year of change as retailers are facing challenges from shifts in consumer behavior, supply chain issues, labor shortages, and inflation. In fact, the next 12 months offer retailers some opportunities to restructure outmoded supply chains, resize inventory management, review pricing, recalibrate promotional cadences, and reinvent the physical store for the digital age.[4] Based on a survey conducted by Deloitte, up to 80% of retail executives plan to make moderate-to-

U.S. Retail & Food Service Sales



major investments in digital and supply chain improvements. A survey from National Retail Federation (NRF) also shows that over 50% of retailers currently offer, or plan to offer, ship-from-store capabilities, and almost two-thirds of retailers currently offer or plan to offer "buy online, pick up in store" (BOPIS). Therefore, for franchising, if operators can take the opportunity for a fresh retail realignment, it could help them achieve an even more stable and profitable position coming out of the pandemic.

IFA estimates that franchise establishments in the Retail Food, Products, and Services will grow at a rate of 2.1% in 2022 to a total of 165,955 businesses. Franchise employment in 2022 is projected to grow at 2.4% to approximately 1.1 million employees working in the sector. 2022 will also see continuing improvement on franchise output, which is expected to expand by 2.5% to a total of $130.3 billion.

80% OF RETAIL EXECUTIVES PLAN TO MAKE MODERATE-TO-MAJOR INVESTMENTS IN DIGITAL & SUPPLY CHAIN IMPROVEMENTS.

PERSONAL SERVICES

After a drastic decline in 2020, the Personal Services sector quickly rebounded in 2021, thanks to strong consumer spending, a strong labor market, and the fast roll-out of COVID vaccines. Fitness centers, entertainment and recreation facilities, spa and massage centers, and beauty-related studios all saw steady increases in foot traffic because of the strong rebound in-person activities, such as event celebrations, returns to the office, and the pursuit of long-overdue leisure experiences, as well as the extra focus on health and wellness. Innovation has become critical for businesses in these sectors as the pandemic has harshly disrupted businesses' traditional operations, forcing them to pivot to new strategies. For fitness studios, live and on-demand virtual classes, personal training, and small group training sessions have become the new normal. Telemedicine for healthcare centers, online classes for education centers, virtual entertainment programs, and podcasts and video shows offered by wellness studios are all new arrangements that achieved great success during the pandemic and will likely continue in popularity in 2022.

Experts forecast real Personal Consumer Spending (PCE) will continue to expand through 2022, and recent consumer data suggests that consumers are rethinking priorities, with one-third saying they are spending more on experiences than possessions compared to a year ago.[5] This shift will even further benefit franchises in the Personal Services sector to outgrow previous rates in 2022. Therefore, IFA forecasts that the Personal Services sector is going to be the head of franchising expansion in 2022, experiencing the highest growth both in number of establishments and in output. More specifically, in 2022, the number of establishments in the sector is predicted to increase by 3.1% to approximately 117,600, and employment in the sector is expected to contribute 552,700 jobs. The output is anticipated to increase by 10.5% to $39.6 billion, slightly outpacing the pre-pandemic level.

QUICK SERVICE RESTAURANTS & TABLE/FULL-SERVICE RESTAURANTS

IFA estimates that franchise establishments in the QSR industry increased by 2.6% in 2021 and will continue to grow at a rate of 2.1% in 2022 to a total of 192,426 businesses. QSR franchise employment in 2022 is projected to grow at 2.2% to approximately 3.8 million employees working in the sector. 2022 will also see a 5.8% increase in franchise output to a total of $276 billion.

2022
EXPECTED GROWTH:
$76.4 BILLION
5% INCREASE

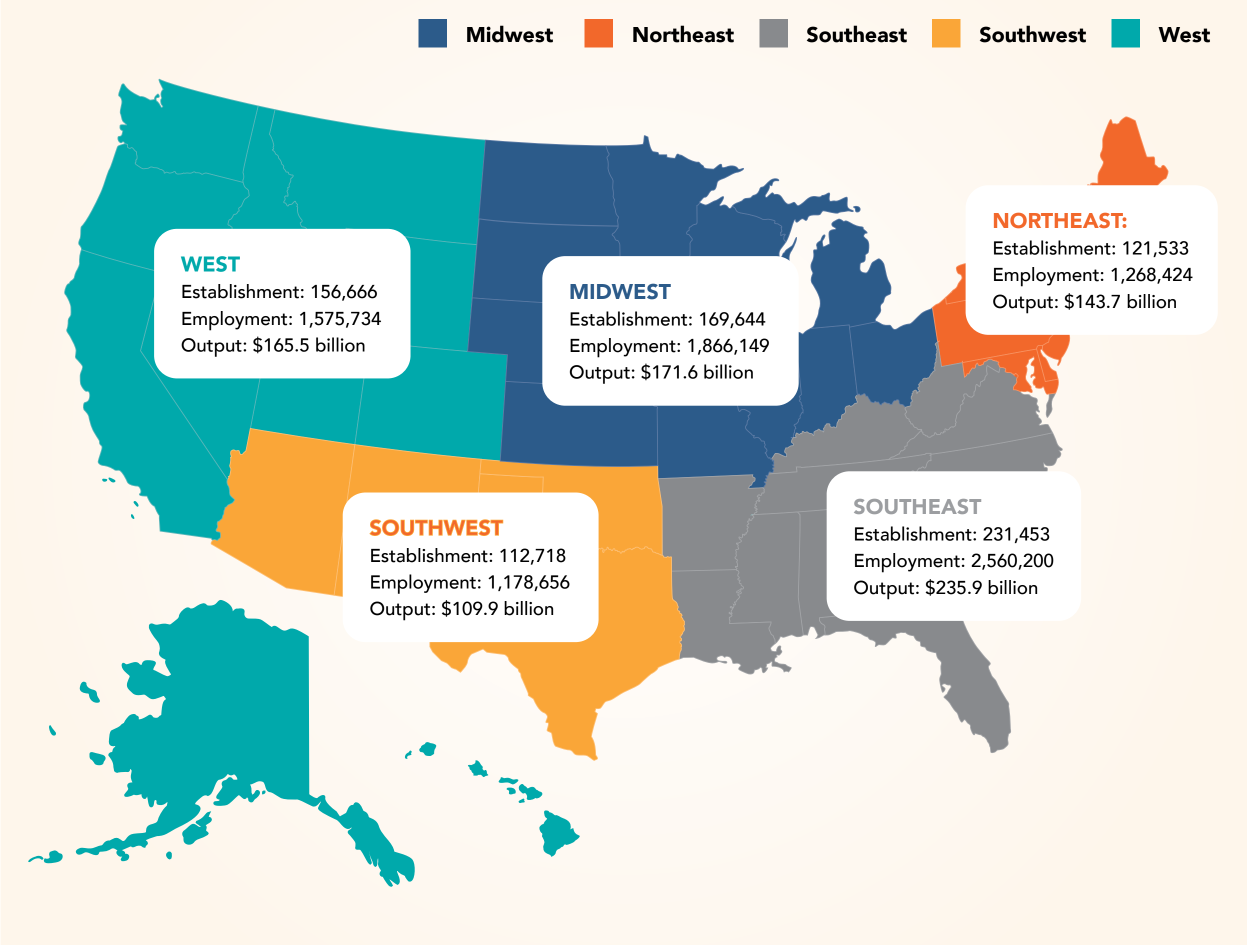
Franchise establishments in the Table/Full-Service Restaurant sector are expected to grow by 2.5% in 2022 to 32,819 locations, supporting up to 1.1 million workers. Franchise output is forecast to improve by 5% in 2022 to a total of $76.4 billion.

Restaurants managed to adapt relatively quickly to the pandemic-era challenges of 2020, and they rebounded in 2021. Labor market recovery was mainly led by jobs added in the restaurant space. Because of improving vaccination rates, government fiscal stimulus, and improved household balance sheets, more people are going out for on-premise restaurant experiences. Sales from off-premise services are still a sweet spot and have increased rapidly. According to Boston Consulting Group, "Across the restaurant industry, digital ordering now represents 28% of all orders compared with 10% before the pandemic, with most brands showing increases." Based on data released by National Restaurant Association (NRA), food and beverage sales in the restaurant and foodservice industry are projected to total $789 billion in 2021, up 19.7% from 2020.

Some consumer trends that began during the pandemic may stay with us in the long term. Expected to persist or emerge in 2022 are:

- Higher menu prices due to higher food and labor costs.
- Continuing challenges in hiring and retaining restaurant employees due to labor shortages, driven in part by employees quitting their jobs at unprecedented levels.
- A continuing rise in sales of digital/online orders through take-out, delivery, and curbside pickup.
- Broader distribution of digital menus and table-ordering options for costumers.
- Changing restaurant layouts for operational efficiency due to the changing business model. More restaurants are rolling out "ghost kitchens"—kitchens without a storefront, intended to sell food for take-out, pick-up, or through online delivery services—or are building smaller physical footprints, allocating less space for indoor seating while providing more outdoor space, in line with customer preferences (weather permitting). Full-service restaurants are now offering drive-thrus and establishing designated areas for online order pick-up.
- More advanced technology and digital solutions, such as touchless payment systems, contactless in-store ordering options, using AI systems for drive-thru orders, and other innovations, which could all help restaurant businesses increase efficiency and control costs. Looking ahead, automation will make its way into restaurant operations, with robot and drone delivery services becoming more common and robots conducting routine kitchen tasks.[6]

2022 Franchising Outlook by Region

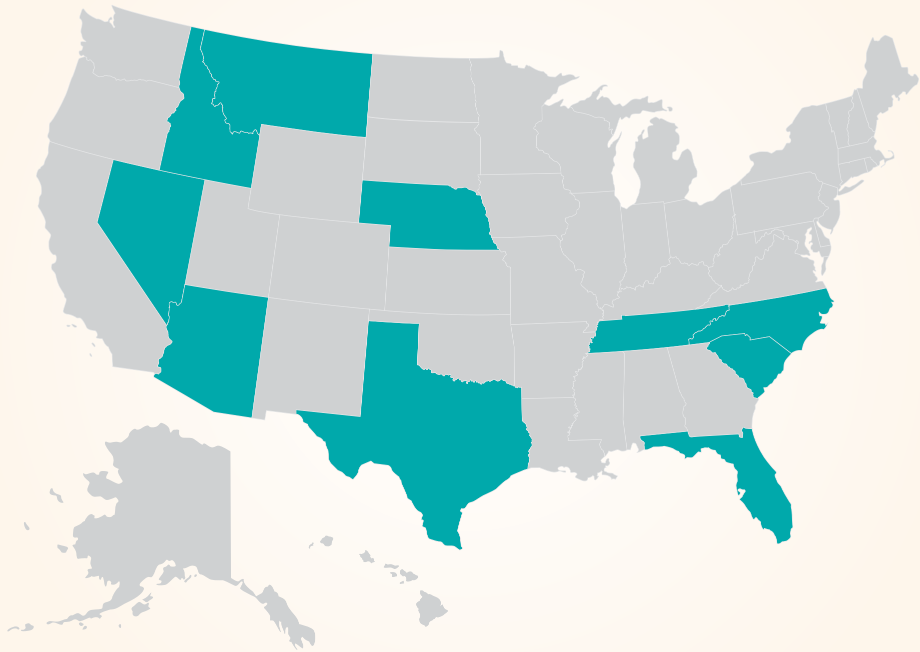


Franchising plays an important role not only on the national level but also for the states. Through business formations and promotion of output, job creation, and GDP contribution, franchising is critical to state economic growth.

Based on IFA's estimation, the Southeast has the largest franchise concentration compared to other regions, which is expected to have approximately 231,500 establishments by 2022, hiring 2.6 million workers and contributing $235.9 billion in output to the U.S. economy. The Midwest is the second-largest region in terms of franchise establishments, followed by the Western, Northeast, and Southwestern regions.

National franchising activity largely bounced back to the pre-pandemic level in 2021, but states have experienced different levels of economic recovery because of states' disparities in business climates, migration trends, and change of consumer preferences, among others. IFA forecasts that states such as Texas, Florida, Georgia, Arizona, Tennessee, South Carolina, Ohio, Colorado, Nevada, Idaho, and Indiana are seeing a faster return to normalcy as they have adapted relatively well to these changes.

Top 10 States for Franchise Growth in 2022



Meanwhile, states such as California, New York, Illinois, Pennsylvania, Massachusetts, Connecticut, New Jersey, Louisiana, and Hawaii will take a longer time to achieve full recovery, as these states were impacted by the pandemic the hardest, with some states even experiencing loss of population.

During the pandemic, franchise brands were faced with shutdowns, reduced capacity restrictions, and decreased customer demand for their products and services – especially as local and state government mandates caused additional and unexpected closures and restrictions due to periodic increases in COVID-19 cases. Coupled with challenges caused by the labor shortage, local franchised locations showed the power of the franchise business model in their ability to persevere through these obstacles and remain on solid footing. As local and state governments continue to ease restrictions, franchises stand to benefit.

THE TOP 10 STATES FOR FRANCHISE GROWTH IN 2022

1. TEXAS
2. FLORIDA
3. ARIZONA
4. SOUTH CAROLINA
5. IDAHO
6. TENNESSEE
7. NORTH CAROLINA
8. MONTANA
9. NEBRASKA
10. NEVADA

The top 10 states for franchise growth in 2022 (in order) are projected to be Texas, Florida, Arizona, South Carolina, Idaho, Tennessee, North Carolina, Montana, Nebraska, and Nevada.

Trends on population migrations have reflected and even driven states' franchise growth. We have seen an increasing number of people move from California and the Northeast to the mountainous West and South. According to the U.S. Census Bureau's Population Estimates, between 2020 and 2021, Texas, Florida, Arizona, and North Carolina saw the greatest numerical population growth, and Idaho, Utah, Montana, Arizona, and South Carolina saw the greatest percentage population growth.

The explosion of remote and hybrid work was a key contributor to this shift. Working from home has allowed people to relocate to states with affordable housing and low cost of living, searching for a better quality of life. Therefore, these states are expected to lead franchise expansion in 2022 because of increasing consumer demand and spending facilitated by population growth, as well as a strengthened labor market with increasing job opportunities.

As of December 2021, Nebraska achieved the lowest unemployment rate across all 50 states and Washington, D.C. It also had the highest job openings per unemployed person at a rate of 4, compared to the national average of 1.5, reflecting the state's strong labor demand and accelerated economic growth. Montana has also established a sturdy labor market, with the fifth-lowest unemployment rate in the nation and the third-highest number of job openings per unemployed person at a rate of 2.7. Tennessee and South Carolina are two of the five states that do not have state minimum wage requirements but follow the federal minimum wage guidelines, which allow small businesses, like franchises, to hit the ground running; this could help explain why franchises in these states have quickly rebounded. North Carolina has maintained its reputation as a top location for business investment, with a combination of quality infrastructure, a top-notch education system, a skilled workforce, and a business-friendly environment.[7]

Minimum wage laws that would increase the minimum wage threshold for local franchise small businesses would place an enormous financial burden on these businesses who have already been battered by the economic fallout of the pandemic. As we emerge from the pandemic, any wage laws should ensure that all businesses are treated equally with regard to minimum wage policy, preventing ordinances from requiring independently owned franchise businesses to implement new minimum wage levels at a faster pace than non-franchised businesses.

IFA forecasts that states in the West and South will experience the fastest upward trajectory of franchise business growth in 2022. Franchises in all other states are also most likely going to ramp up in 2022, though at a slightly lower rate, continuing to propel the economy to convalesce from the pandemic-induced economic downturn.

INTRODUCTION

The strong bounce back in overall economic growth seen in 2021 was higher than expected because of consumers' pent-up demand, but side effects from the heated expansion posed challenges to the positive trends, including labor shortages, surging inflation, and disruptions in supply chains. These are now the major headwinds the economy is currently facing. The Omicron variant of COVID-19 brought a record high infection rate, which could dampen further economic growth, at least for the first quarter of 2022.

The government's financial support for the economy is also projected to slow sharply in 2022. While providing nearly $6 trillion in COVID relief during the first two years of the pandemic were critical for franchise brands, new COVID variants have posed additional challenges for these businesses. Unforeseen closures coupled with the hiring and labor challenges have caused uncertainty for local franchise business owners. There is still a need for industry-specific relief, particularly for gyms and fitness facilities, and restaurants which have been not been able to recover at the same pace as other industries.

All this considered, economists expect 2022 economic growth to moderate after the rapid increases seen in 2021; however, it is still forecast to exceed pre-pandemic levels, as there is plenty of cash on household and corporate balance sheets, access to inexpensive credit, and powerful positive wealth effects.[8]

2022 INFLATION IS LIKELY TO DECELERATE... SUPPLY BOTTLENECKS AND LABOR SHORTAGES [WILL] GRADUALLY DISSIPATE.

As 2022 unfolds, inflation is likely to decelerate as consumers shift back their normal buying patterns to services from goods and the Fed likely raises interest rates. There is also evidence to suggest housing prices, another driver of inflation, will not be as hot as they were in 2021.[9] A National Association of Realtors survey of more than 20 leading economists and housing experts projected median home prices will normalize in 2022.

Changing consumer habits could well be a lasting legacy of the pandemic, which is something that businesses and economic forecasters will have to grapple with in 2022 and beyond.[10] However, in one silver lining, the World Bank forecasted supply bottlenecks and labor shortages would gradually dissipate throughout 2022, and in the second half of the year, inflation and commodity prices would also gradually decline. The underlying demand for durable goods--one force placing so much strain on supply chains--will likely moderate along with the slowing economy.[11]

EMPLOYMENT AND WAGES

The U.S. labor market had an extraordinary year in 2021. With 6.4 million new jobs, more than any other year in history, the unemployment rate dropped to 3.9% in December of 2021, down significantly from the December 2020 rate of 6.7%, a trend likely to continue in the new year. Experts predict an unemployment rate of approximately 3.5% in 2022, back to pre-pandemic levels.

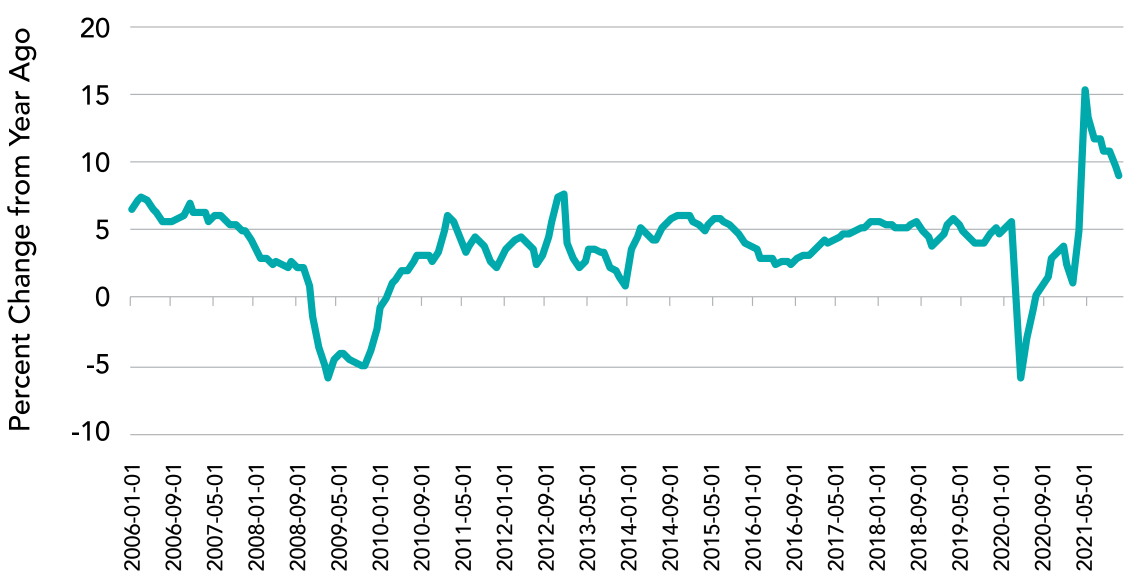
However, the total employment is still 3.6 million jobs short of the pre-pandemic level, as recovery of the labor force participation rate has been sluggish. This has partially been driven by people quitting their jobs en masse ("Great Resignation") and partially by an inability to return to work because of pandemic-induced reasons, such as childcare responsibilities or health concerns. The rapid spread of the Omicron variant also further worsened labor shortages as workers called out sick or postponed reentering the workforce. Job openings remain at near record highs, but employers are struggling to find qualified workers, which is one of the major challenges clouding the economic outlook.

IN 2021 FRANCHISE WORKERS

+9.2%
WAGE & SALARY

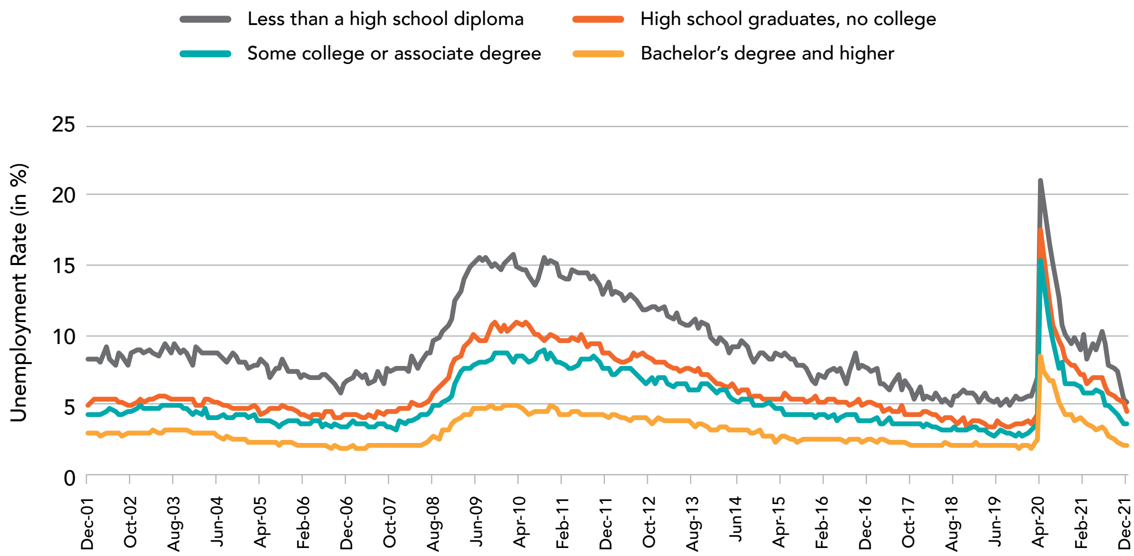
+4.7%
HOURLY EARNINGS

Wage and Salary Growth



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

Unemployment Rate by Educational Attainment



Source: Bureau of Labor Statisics

Correspondingly, strong demand for workers, coupled with low supply, fueled strong wage increases in 2021. Total compensation received by employees on wage and salary disbursements increased by an average of 9.2% in 2021 compared to 2020. Average hourly earnings increased by 4.7% in 2021, a trend that is expected to continue in 2022 but at a slightly lower rate of 4.5%.[12] Therefore, labor turnover is exceptionally high as employees change jobs for higher pay.

However, barring further disruptions from COVID-19, economists expect the labor shortage problem to edge off in 2022 and labor supply to begin normalizing in the second half of 2022 as more workers return to the workforce. Benefits from government assistance, such as stimulus checks, child tax credits, and unemployment insurance, continue to fade, and coupled with dwindling household savings, this will likely contribute to sidelined workers seeking employment.

Unlike historical recoveries, those poised to gain the most from an increasing economic recovery in 2022 are those towards the lower end of the economic spectrum, driven in part by franchises hiring many of these entry-level employees. Median hourly wage increased the fastest for low-skill workers in 2021, compared to mid-skill and high-skill workers, and was mostly seen on lower-tier jobs in the healthcare, leisure and hospitality, and restaurant industries.

Strong labor demand has also alleviated the unemployment rate for workers with less than a high school diploma, which dropped to its lowest level since July 2019. Franchising is most likely the driving force behind such strong job creation, as franchising is an important source of low-skilled employment that does not require a college degree, exactly the sector of the population that received the most labor improvement during the recovery.

The Great Resignation added more fuel to the fire for the franchising industry.[13] Pandemic-induced aspirations for self-determination and financial independence raised the tide of franchise interest as the franchise business model offers workers the opportunity to control their own local businesses.

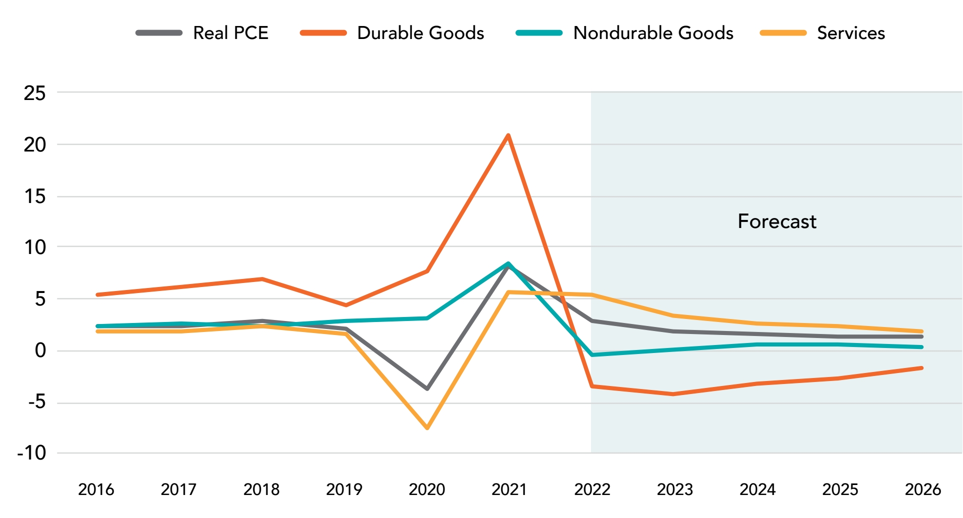
An expansive joint employer rule, as proposed in some states and potentially on the federal level, would undermine the ability for workers to become franchise business owners. Due to the highly ambiguous nature of an expanded joint employer standard, it impacts the entire supply chain. As a result, a standard like this incentivizes companies across the economy to perform more tasks in-house rather than outsource them to another firm. The sheer size of the supply chain and the characteristics of its workers suggest that a reduction in franchising due to an expansive new joint employer standard could displace tens of millions of highly paid, highly productive workers, increase average operating costs, and reduce productivity across the economy. Consequently, the broadened standard risks slowing economic growth in order to benefit workers who already earn high wages.

Going into 2022, the biggest challenge for franchise employment is the labor shortage, which has been most acute for low-paying, in-person jobs, such as restaurant, recreation and hotel positions in the leisure and hospitality sector. Franchises should prepare themselves for hiring competition in the labor market by building competitive advantage and utilizing accessible technology to manage potential increases on labor costs. Businesses that can maintain a healthy bottom line while improving operational efficiency could come out of the post-pandemic period stronger than ever before.

CONSUMER SPENDING AND CONFIDENCE

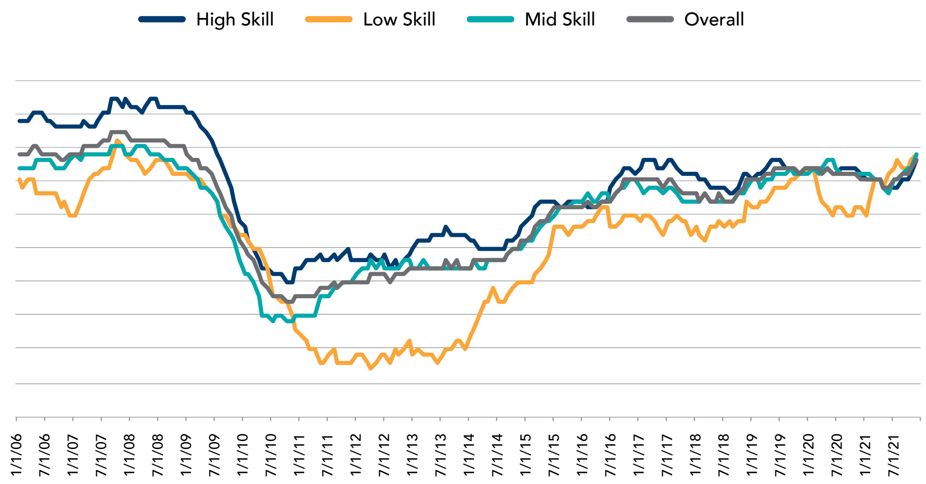
The robust recovery in 2021 was largely driven by consumer spending due to pent-up demand, massive household savings, and nationwide vaccine deployments underpinning the economy. The pandemic sparked a remarkable change in consumer spending patterns. Durable goods were the largest beneficiary of consumer spending during the

Growth in Real PCE and Components (%)



Source: Deloitte US

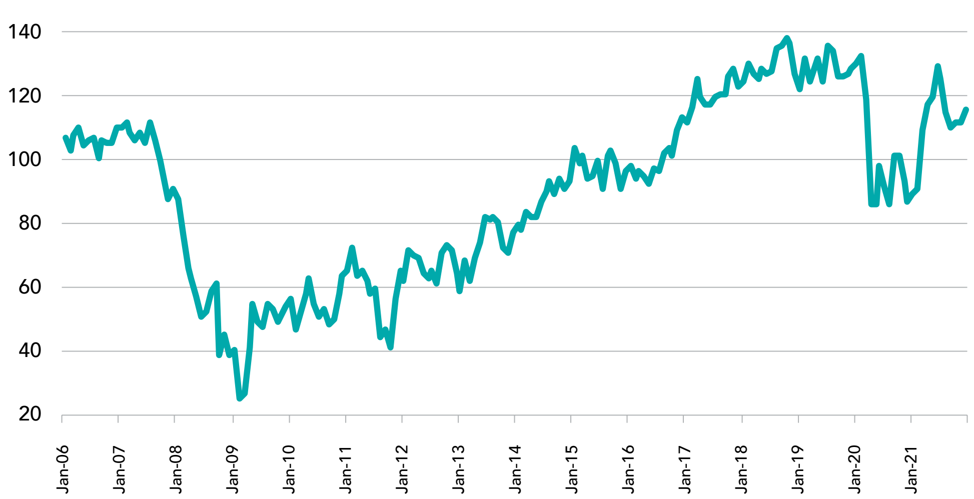
Median Hourly Wage Growth by Occupation



Source: Current Population Survey, Bureau of Labor Statistics, and Federal Reservce Bank of Atlanta Calculations

pandemic, and the PCE for this category is up by nearly 29%, compared to the end of 2019. Within durable goods, spending on vehicles and recreational goods spiked the most, as households substituted bicycles, gym equipment, and electronics for restaurants, entertainment, and travel. Once the health concerns from COVID-19 are fully alleviated, households are again expected to purchase services, while spending on durable goods is anticipated to slowly fall in 2022 and beyond as consumer spending renormalizes. Deloitte forecasts consumer spending to expand by 8.1% in 2021 and by 3% in 2022, after a sharp contraction of 3.9% in 2020. More specifically, PCE on services is expected to increase by 6.9% in 2022, far outpacing spending on durable and nondurable goods.[14]

Consumer Confidence Index



Source: The Conference Board

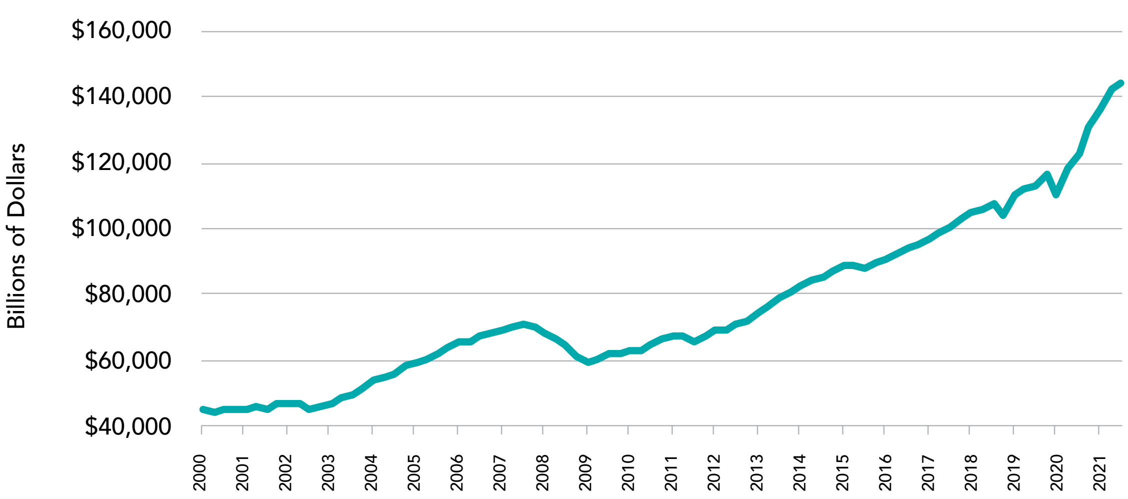
Therefore, IFA expects franchises in the Personal Services, QSR, Lodging, and Table/Full-Service Restaurant sectors to continue to flourish in 2022 as consumers spend more money on in-person leisure activities and no longer need to acquire durable goods.

Conference Board's Consumer Confidence Index increased in December of 2021 to 115.8, up from a revised 111.9 in November, indicating consumers ended the year well-positioned to enter 2022 confident in gradually decreasing unemployment and higher wage growth. However, looking ahead to 2022, both confidence and consumer spending will continue to face headwinds as federal stimulus winds down and the Federal Reserve is set to trim its support for the economy and raise interest rates thereafter to control inflation.

HOUSEHOLD WEALTH SURGE

Total U.S. household net worth increased by $2.4 trillion to $144.7 trillion in the third quarter of 2021, compared to the pre-pandemic level of $116.8 trillion in the fourth quarter of 2019. These figures have been on the rise for six consecutive quarters, mainly boosted by government assistance during the pandemic. Although the personal saving rate has already dropped to the pre-pandemic level of 6.9% after a surge to above 30% in April 2020, and the U.S. economic recovery faces other major roadblocks, the well-accumulated household wealth and healthy balance sheets will be sources of strong reassurance picking up the slack.

U.S. Household Wealth



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

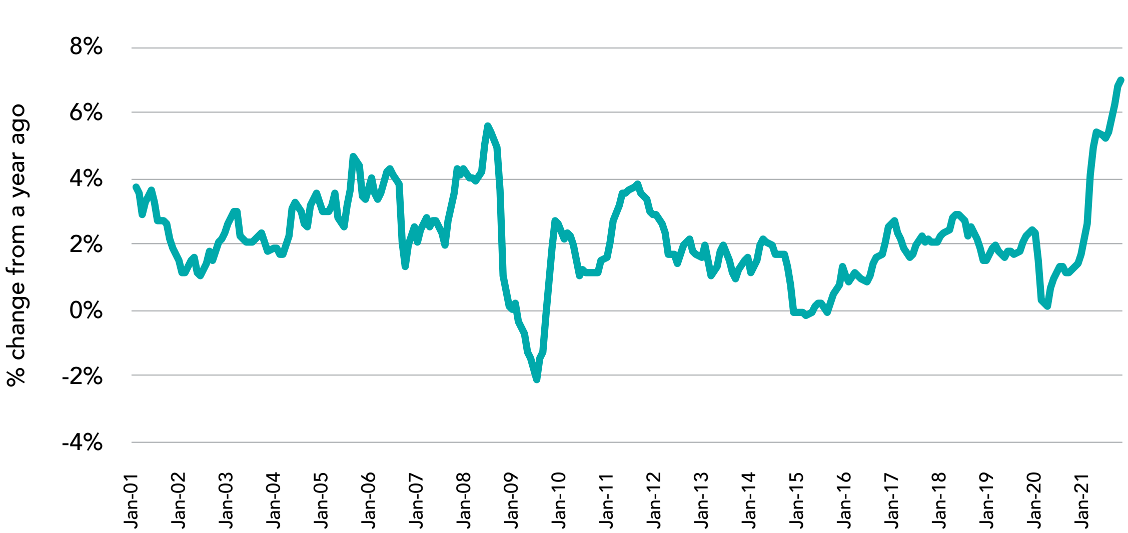
INTEREST RATES AND SMALL BUSINESS LENDING

Inflation rose 7% during the last month of 2021 to the highest level in four decades because of the imbalances between constrained supply, labor shortages, and booming demand. Gas prices are up 50% from a year ago, while the prices of meat, fish and eggs are up nearly 13%, according to the U.S. consumer price index.[15] The Omicron spread has been aggravating price increases, and economists estimate the inflation rate will peak in February of 2022. Labor cost rise is another cause of high inflation, as businesses end up passing along higher costs to consumers.

The Federal Reserve is under great pressure from businesses and consumers to control an inflation surge. Economists forecast that the accelerated inflation could even cause the Federal Reserve to tighten monetary policy at a much faster pace and handle more aggressively the rising interest rate, which is now viewed as the biggest threat to the U.S. economy over the coming year.[16] Goldman Sachs expects the Federal Reserve to enact four interest rate hikes this year but thinks more are possible due to the surge in inflation.

Raising interest rates would be a way to head off spiking inflation and push the economy back into some version of normalcy. However, interest rate increases are a double-edged sword that often leaves some negative economic effects. Economic growth will slow down as consumers are more likely to save money instead of investing and spending. Too much of a rate increase could also lead to recession if the market loses control. Franchise operators should closely monitor how interest rates would react in 2022 as interest rate hikes could exacerbate borrowing costs and tighten lender credit boxes, which in turn would limit franchise operators' access to lending and financing.

Inflation Rate (Consumer Price Index for All Urban Consumers)

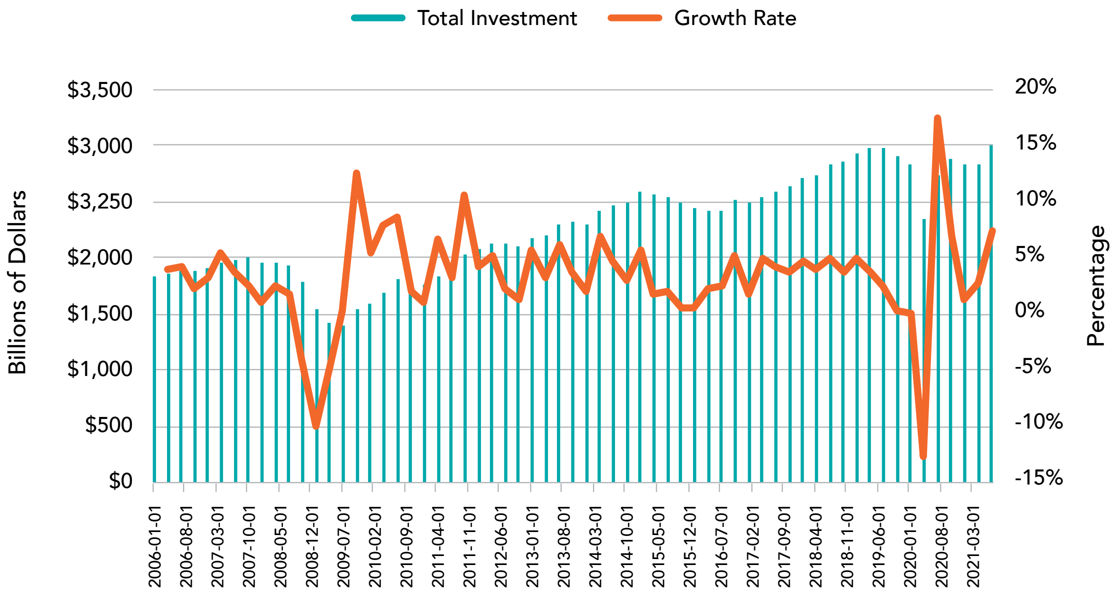


Source: Bureau of Labor Statistics

BUSINESS INVESTMENT AND SMALL BUSINESS OPTIMISM INDEX

The U.S. Census Bureau's Business Formation Statistics reports the weekly number of actual and predicted business formations based on the number of applications for Employer Identification Numbers (EINs) filed with the Internal Revenue Service. We have found that applications for new businesses plunged in the early months of the pandemic-induced recession but rebounded quickly thereafter. In July 2020, applications surged to a historical high and have remained strong since, despite some fluctuations during winter season COVID-19 waves. More specifically, the estimated number of business formations in 2021 increased by 23.5% to 383,350, three times faster than 2020's growth rate of 7.7%, and new start-ups mostly came from personal, professional, and food service industries. This has proven that despite the recession, business formations, such as openings of franchises, are even more preferrable than in normal times, which are leading to economic recovery, contributing to job creation, and further stimulating economic growth.

Gross Private Domestic Business Investment

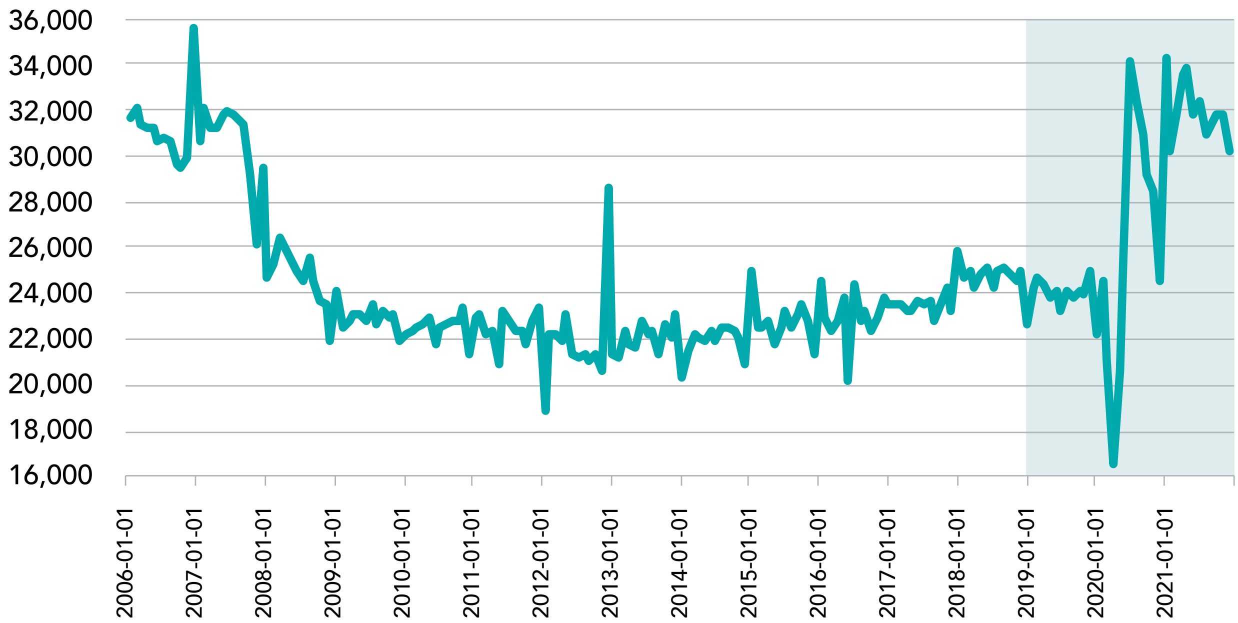


Source: U.S. Bureau of Economic Analysis

Similarly, business investment activities dipped at the beginning of the pandemic but quickly rebounded in the summer of 2020, and 2021 saw even stronger expansion due to pent-up demand, favorable economic conditions, and higher vaccination rates, driving investment to peak at $3 trillion in Q3 of 2021.

The National Federation of Independent Business (NFIB)'s U.S. Small Business Optimism Index increased modestly by 0.5 point to 98.9 in December, amid growing concerns about inflation and worker shortages.

Monthly Total Business Formations – Actual and Projections



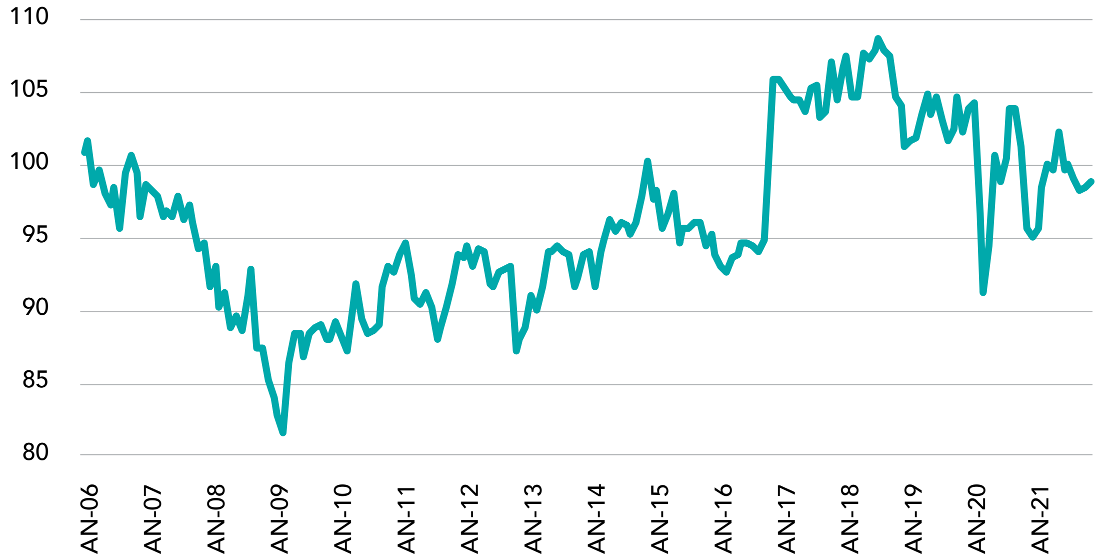
Source: Business Formation Statistics, a weekly report from the US Census Bureau based on the number of applications for Employer Identification Numbers (EINs) filed with the Internal Revenue Service.

Projected Business Formations within 4 Quarters — The projected number of employer businesses that originate from Business Applications (BA) within four quarters from the quarter of application.

U.S. HOUSING MARKET

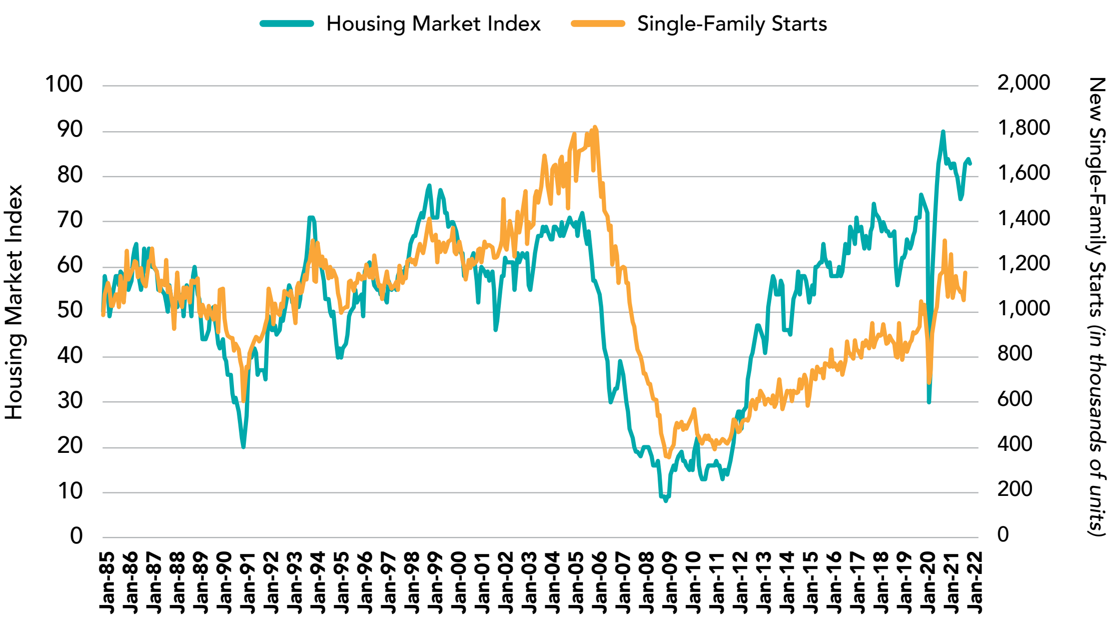
The pandemic ignited a home-buying frenzy as the decade-long housing shortage converged with historically low mortgage rates, shifting workplace dynamics and new opportunities for younger buyers to purchase their first homes.[17] Though the U.S. housing market moved at an accelerated pace during 2021, we expect to see signs of cooling trends as the Fed plans to end its bond-buying programs and increase interest rates in 2022 to soften inflation. Bearing this out, on January 20th this year, the average rate for a 30-year fixed mortgage loan rose above the 3.5% threshold for the first time in nearly two years, and Freddie Mac expects 30-year-fixed mortgage rates to slowly rise from around 3% in 2021 to around 3.6% by the end of the year, mostly attributed to the pandemic subsiding as well as lingering inflation.

U.S. Small Business Optimism Index



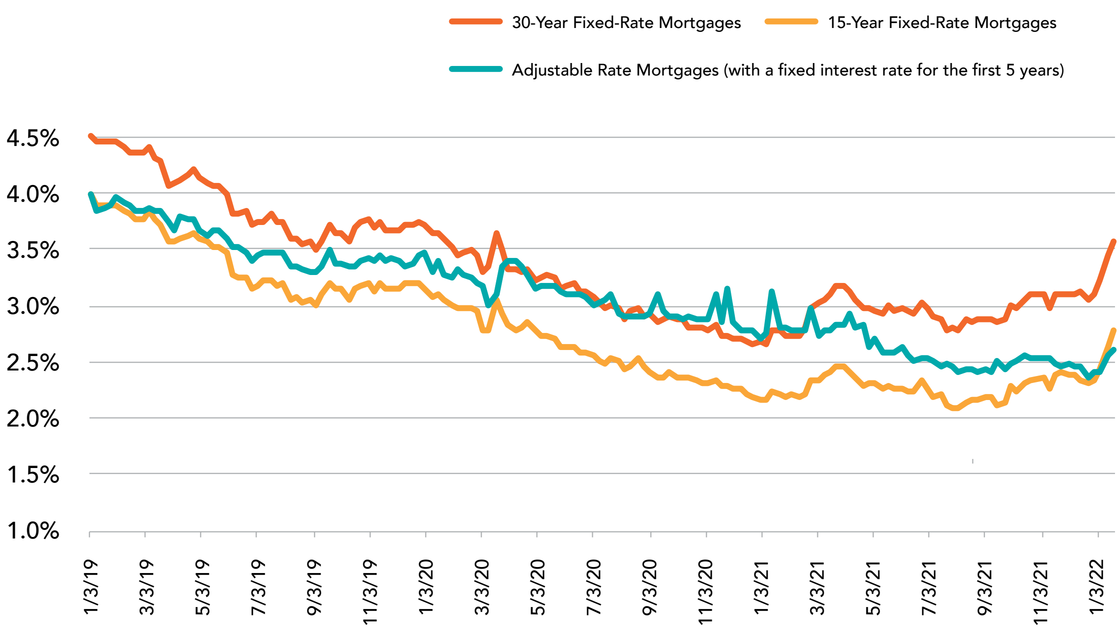
Source: The National Federation of Independent Business (NFIB)

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



Source: NAHB/Wells Fargo Housing Market Index. U.S. Census Bureau.

U.S. Weekly Average Mortgage Rates as of 01/20/2022



Source: Freddie Mac

Home sales in 2022 should be solid overall, but high home prices will likely be joined by higher mortgage rates, which will exacerbate affordability issues and likely dampen demand from homebuyers on the margins of the housing market. Thus, home sales in 2022 will likely be tempered compared to 2021. Freddie Mac forecasts home price hikes to decrease from 15.9% in 2021 to 6.2% in 2022 and to cool further to 2.5% in 2023. Home sales are forecast to remain stable at 2021 levels at 6.9 million, with a slight increase to 7.0 million in 2023.

According to the NAHB/Wells Fargo Housing Market Index (HMI), in January 2022, single-family builder confidence decreased one point to 83 on strong buyer demand, after peaking at 90 in November 2020, reflecting builders' concerns about increasing construction costs, especially on lumber; supply constraints; labor shortages; and longer than usual construction times. indicating ongoing stabilization. However, housing starts have continuously increased as housing demand remained strong. Given wealth gains for homeowners due to rising home values, the remodeling sector will also realize strong growth in 2022 as homeowners seek to add space, improve energy efficiency, and increase resiliency of an aging existing housing stock.[18]

Overall, 2022 should be another competitive year for the U.S. real estate market, which will drive continued growth for franchises in the Commercial and Residential Services sector and Real Estate sector.

APPENDIX | Franchise Establishments

State	2019	2020	2021 (Est.)	2022 (Proj.)	Growth Rate (19-20)	Growth Rate (20-21)	Growth Rate (21-22)
ALABAMA	12,756	12,377	12,650	12,889	-3.0%	2.2%	1.9%
ALASKA	1,219	1,166	1,180	1,184	-4.3%	1.2%	0.3%
ARIZONA	18,567	18,391	19,108	19,680	-0.9%	3.9%	3.0%
ARKANSAS	6,985	6,877	7,097	7,267	-1.6%	3.2%	2.4%
CALIFORNIA	82,051	79,021	81,255	83,150	-3.7%	2.8%	2.3%
COLORADO	17,044	16,664	17,305	17,723	-2.2%	3.8%	2.4%
CONNECTICUT	7,866	7,542	7,568	7,589	-4.1%	0.3%	0.3%
DELAWARE	2,317	2,254	2,292	2,321	-2.7%	1.7%	1.3%
DISTRICT OF COLUMBIA	1,366	1,349	1,379	1,406	-1.2%	2.2%	1.9%
FLORIDA	57,971	56,467	58,885	60,809	-2.6%	4.3%	3.3%
GEORGIA	27,952	27,683	28,500	29,182	-1.0%	2.9%	2.4%
HAWAII	2,928	2,841	2,858	2,870	-3.0%	0.6%	0.4%
IDAHO	4,089	4,043	4,187	4,310	-1.1%	3.6%	2.9%
ILLINOIS	29,967	29,058	29,492	30,121	-3.0%	1.5%	2.1%
INDIANA	16,654	16,400	16,798	17,171	-1.5%	2.4%	2.2%
IOWA	7,843	7,606	7,777	7,791	-3.0%	2.2%	0.2%
KANSAS	7,744	7,521	7,669	7,782	-2.9%	2.0%	1.5%
KENTUCKY	10,844	10,613	10,791	10,963	-2.1%	1.7%	1.6%
LOUISIANA	11,663	11,337	11,737	11,980	-2.8%	3.5%	2.1%
MAINE	2,722	2,592	2,641	2,693	-4.8%	1.9%	2.0%
MARYLAND	14,120	13,729	13,815	13,886	-2.8%	0.6%	0.5%
MASSACHUSETTS	12,658	12,209	12,286	12,333	-3.5%	0.6%	0.4%
MICHIGAN	22,267	21,633	22,029	22,168	-2.8%	1.8%	0.6%
MINNESOTA	14,426	13,798	13,916	14,010	-4.4%	0.9%	0.7%
MISSISSIPPI	6,654	6,533	6,627	6,718	-1.8%	1.4%	1.4%
MISSOURI	15,516	14,994	15,466	15,801	-3.4%	3.1%	2.2%
MONTANA	2,732	2,692	2,770	2,840	-1.4%	2.9%	2.5%
NEBRASKA	5,652	5,568	5,708	5,850	-1.5%	2.5%	2.5%
NEVADA	8,261	8,182	8,418	8,625	-1.0%	2.9%	2.5%
NEW HAMPSHIRE	3,357	3,283	3,327	3,366	-2.2%	1.3%	1.2%
NEW JERSEY	19,879	19,308	19,768	19,881	-2.9%	2.4%	0.6%
NEW MEXICO	4,851	4,758	4,824	4,896	-1.9%	1.4%	1.5%
NEW YORK	30,042	28,525	28,946	29,582	-5.0%	1.5%	2.2%
NORTH CAROLINA	28,070	27,194	28,211	28,990	-3.1%	3.7%	2.8%
NORTH DAKOTA	2,180	2,124	2,158	2,186	-2.6%	1.6%	1.3%
OHIO	29,104	28,733	29,384	30,022	-1.3%	2.3%	2.2%
OKLAHOMA	9,670	9,604	9,676	9,892	-0.7%	0.7%	2.2%
OREGON	9,464	9,244	9,446	9,617	-2.3%	2.2%	1.8%
PENNSYLVANIA	26,644	25,890	26,258	26,527	-2.8%	1.4%	1.0%
RHODE ISLAND	2,283	2,202	2,235	2,257	-3.5%	1.5%	1.0%
SOUTH CAROLINA	14,511	14,352	14,829	15,273	-1.1%	3.3%	3.0%
SOUTH DAKOTA	2,483	2,391	2,434	2,471	-3.7%	1.8%	1.5%
TENNESSEE	18,515	18,263	18,924	19,468	-1.4%	3.6%	2.9%
TEXAS	72,300	71,419	75,435	78,250	-1.2%	5.6%	3.7%
UTAH	7,988	7,650	7,932	8,131	-4.2%	3.7%	2.5%
VERMONT	1,149	1,085	1,093	1,098	-5.6%	0.7%	0.5%
VIRGINIA	22,509	21,863	22,474	23,001	-2.9%	2.8%	2.3%
WASHINGTON	16,257	15,778	16,196	16,583	-2.9%	2.6%	2.4%
WEST VIRGINIA	3,614	3,457	3,491	3,506	-4.3%	1.0%	0.4%
WISCONSIN	14,236	13,886	14,095	14,272	-2.5%	1.5%	1.3%
WYOMING	1,663	1,621	1,626	1,633	-2.5%	0.3%	0.4%
TOTAL	773,603	753,770	774,965	792,014	-2.6%	2.8%	2.2%

APPENDIX | Franchise Employment

State	2019	2020	2021 (Est.)	2022 (Proj.)	Growth Rate (19-20)	Growth Rate (20-21)	Growth Rate (21-22)
ALABAMA	136,804	120,639	130,457	134,128	-11.8%	8.1%	2.8%
ALASKA	10,224	8,890	9,522	9,640	-13.0%	7.1%	1.2%
ARIZONA	205,538	185,035	203,396	211,391	-10.0%	9.9%	3.9%
ARKANSAS	74,120	66,318	72,413	74,823	-10.5%	9.2%	3.3%
CALIFORNIA	827,463	724,268	787,948	813,645	-12.5%	8.8%	3.3%
COLORADO	172,369	153,170	168,284	173,917	-11.1%	9.9%	3.3%
CONNECTICUT	96,887	84,434	89,636	90,704	-12.9%	6.2%	1.2%
DELAWARE	26,293	23,244	25,010	25,556	-11.6%	7.6%	2.2%
DISTRICT OF COLUMBIA	22,589	20,281	21,937	22,563	-10.2%	8.2%	2.9%
FLORIDA	663,991	587,814	648,554	675,827	-11.5%	10.3%	4.2%
GEORGIA	304,735	274,297	298,772	308,703	-10.0%	8.9%	3.3%
HAWAII	50,869	44,851	47,745	48,384	-11.8%	6.5%	1.3%
IDAHO	41,448	37,249	40,815	42,393	-10.1%	9.6%	3.9%
ILLINOIS	354,249	312,193	335,233	345,501	-11.9%	7.4%	3.1%
INDIANA	200,075	179,066	194,052	200,161	-10.5%	8.4%	3.1%
IOWA	79,238	69,841	75,554	76,375	-11.9%	8.2%	1.1%
KANSAS	79,386	70,068	75,596	77,400	-11.7%	7.9%	2.4%
KENTUCKY	130,853	116,390	125,203	128,362	-11.1%	7.6%	2.5%
LOUISIANA	124,280	109,793	120,262	123,870	-11.7%	9.5%	3.0%
MAINE	27,211	23,552	25,393	26,125	-13.4%	7.8%	2.9%
MARYLAND	164,906	145,725	155,144	157,351	-11.6%	6.5%	1.4%
MASSACHUSETTS	124,262	108,929	115,979	117,481	-12.3%	6.5%	1.3%
MICHIGAN	247,356	218,406	235,303	238,937	-11.7%	7.7%	1.5%
MINNESOTA	152,148	132,262	141,124	143,371	-13.1%	6.7%	1.6%
MISSISSIPPI	68,388	61,023	65,486	66,997	-10.8%	7.3%	2.3%
MISSOURI	172,045	151,099	164,893	169,996	-12.2%	9.1%	3.1%
MONTANA	23,423	20,980	22,844	23,629	-10.4%	8.9%	3.4%
NEBRASKA	57,810	51,756	56,134	58,055	-10.5%	8.5%	3.4%
NEVADA	104,185	93,784	102,078	105,542	-10.0%	8.8%	3.4%
NEW HAMPSHIRE	30,771	27,350	29,326	29,943	-11.1%	7.2%	2.1%
NEW JERSEY	209,157	184,633	199,996	202,965	-11.7%	8.3%	1.5%
NEW MEXICO	57,276	51,059	54,770	56,086	-10.9%	7.3%	2.4%
NEW YORK	330,614	285,307	306,312	315,881	-13.7%	7.4%	3.1%
NORTH CAROLINA	348,755	307,075	337,038	349,487	-12.0%	9.8%	3.7%
NORTH DAKOTA	25,601	22,669	24,369	24,911	-11.5%	7.5%	2.2%
OHIO	358,156	321,364	347,713	358,492	-10.3%	8.2%	3.1%
OKLAHOMA	96,940	87,499	93,268	96,216	-9.7%	6.6%	3.2%
OREGON	90,174	80,047	86,546	88,908	-11.2%	8.1%	2.7%
PENNSYLVANIA	283,770	250,607	268,924	274,144	-11.7%	7.3%	1.9%
RHODE ISLAND	20,733	18,176	19,525	19,891	-12.3%	7.4%	1.9%
SOUTH CAROLINA	160,699	144,451	157,903	164,107	-10.1%	9.3%	3.9%
SOUTH DAKOTA	22,204	19,431	20,929	21,437	-12.5%	7.7%	2.4%
TENNESSEE	223,273	200,156	219,435	227,795	-10.4%	9.6%	3.8%
TEXAS	776,036	697,058	778,577	814,963	-10.2%	11.7%	4.7%
UTAH	81,550	70,973	77,862	80,541	-13.0%	9.7%	3.4%
VERMONT	9,041	7,760	8,266	8,381	-14.2%	6.5%	1.4%
VIRGINIA	252,162	222,610	242,101	250,033	-11.7%	8.8%	3.3%
WASHINGTON	160,847	141,881	154,083	159,202	-11.8%	8.6%	3.3%
WEST VIRGINIA	35,589	30,939	33,062	33,504	-13.1%	6.9%	1.3%
WISCONSIN	155,752	138,078	148,287	151,513	-11.3%	7.4%	2.2%
WYOMING	31,417	27,827	29,542	29,932	-11.4%	6.2%	1.3%
TOTAL	8,503,661	7,532,305	8,192,600	8,449,162	-11.4%	8.8%	3.1%

APPENDIX | Franchise Output (in million $)

State	2019	2020	2021 (Est.)	2022 (Proj.)	Growth Rate (19-20)	Growth Rate (20-21)	Growth Rate (21-22)
ALABAMA	$11,033	$9,374	$10,845	$11,349	-15.0%	15.7%	4.6%
ALASKA	$1,105	$926	$1,061	$1,093	-16.2%	14.6%	3.0%
ARIZONA	$19,213	$16,663	$19,598	$20,730	-13.3%	17.6%	5.8%
ARKANSAS	$5,890	$5,078	$5,932	$6,238	-13.8%	16.8%	5.2%
CALIFORNIA	$83,064	$70,044	$81,533	$85,686	-15.7%	16.4%	5.1%
COLORADO	$16,149	$13,825	$16,252	$17,094	-14.4%	17.6%	5.2%
CONNECTICUT	$11,236	$9,434	$10,715	$11,035	-16.0%	13.6%	3.0%
DELAWARE	$2,862	$2,437	$2,806	$2,918	-14.8%	15.1%	4.0%
DISTRICT OF COLUMBIA	$3,411	$2,950	$3,414	$3,574	-13.5%	15.7%	4.7%
FLORIDA	$61,214	$52,208	$61,632	$65,363	-14.7%	18.1%	6.1%
GEORGIA	$26,113	$22,644	$26,390	$27,751	-13.3%	16.5%	5.2%
HAWAII	$5,966	$5,068	$5,772	$5,953	-15.1%	13.9%	3.1%
IDAHO	$3,132	$2,712	$3,179	$3,361	-13.4%	17.2%	5.7%
ILLINOIS	$36,278	$30,801	$35,388	$37,119	-15.1%	14.9%	4.9%
INDIANA	$15,910	$13,718	$15,906	$16,698	-13.8%	15.9%	5.0%
IOWA	$6,674	$5,667	$6,560	$6,749	-15.1%	15.7%	2.9%
KANSAS	$6,668	$5,670	$6,546	$6,821	-15.0%	15.4%	4.2%
KENTUCKY	$9,907	$8,489	$9,771	$10,195	-14.3%	15.1%	4.3%
LOUISIANA	$11,064	$9,417	$11,036	$11,569	-14.9%	17.2%	4.8%
MAINE	$2,459	$2,051	$2,366	$2,477	-16.6%	15.4%	4.7%
MARYLAND	$16,643	$14,169	$16,140	$16,660	-14.9%	13.9%	3.2%
MASSACHUSETTS	$13,444	$11,353	$12,934	$13,334	-15.5%	13.9%	3.1%
MICHIGAN	$19,951	$16,972	$19,564	$20,218	-14.9%	15.3%	3.3%
MINNESOTA	$14,004	$11,728	$13,390	$13,844	-16.3%	14.2%	3.4%
MISSISSIPPI	$5,564	$4,783	$5,492	$5,718	-14.0%	14.8%	4.1%
MISSOURI	$15,001	$12,693	$14,821	$15,550	-15.4%	16.8%	4.9%
MONTANA	$1,939	$1,674	$1,950	$2,053	-13.7%	16.5%	5.3%
NEBRASKA	$5,185	$4,472	$5,190	$5,463	-13.7%	16.0%	5.3%
NEVADA	$11,075	$9,605	$11,185	$11,770	-13.3%	16.5%	5.2%
NEW HAMPSHIRE	$3,105	$2,659	$3,051	$3,170	-14.4%	14.7%	3.9%
NEW JERSEY	$23,258	$19,779	$22,924	$23,677	-15.0%	15.9%	3.3%
NEW MEXICO	$4,682	$4,021	$4,615	$4,810	-14.1%	14.8%	4.2%
NEW YORK	$39,886	$33,160	$38,092	$39,979	-16.9%	14.9%	5.0%
NORTH CAROLINA	$30,313	$25,714	$30,197	$31,868	-15.2%	17.4%	5.5%
NORTH DAKOTA	$2,916	$2,488	$2,861	$2,977	-14.7%	15.0%	4.0%
OHIO	$29,476	$25,480	$29,497	$30,952	-13.6%	15.8%	4.9%
OKLAHOMA	$8,036	$6,988	$7,970	$8,367	-13.0%	14.0%	5.0%
OREGON	$8,356	$7,146	$8,266	$8,643	-14.5%	15.7%	4.6%
PENNSYLVANIA	$27,015	$22,985	$26,390	$27,379	-14.9%	14.8%	3.8%
RHODE ISLAND	$2,222	$1,876	$2,156	$2,236	-15.5%	14.9%	3.7%
SOUTH CAROLINA	$13,263	$11,485	$13,433	$14,209	-13.4%	17.0%	5.8%
SOUTH DAKOTA	$1,866	$1,573	$1,813	$1,890	-15.7%	15.2%	4.2%
TENNESSEE	$19,605	$16,932	$19,861	$20,984	-13.6%	17.3%	5.7%
TEXAS	$68,997	$59,707	$71,354	$76,014	-13.5%	19.5%	6.5%
UTAH	$6,862	$5,754	$6,754	$7,110	-16.2%	17.4%	5.3%
VERMONT	$889	$735	$837	$864	-17.3%	14.0%	3.2%
VIRGINIA	$23,382	$19,886	$23,140	$24,323	-15.0%	16.4%	5.1%
WASHINGTON	$17,161	$14,584	$16,946	$17,819	-15.0%	16.2%	5.2%
WEST VIRGINIA	$2,798	$2,343	$2,679	$2,763	-16.2%	14.3%	3.1%
WISCONSIN	$13,045	$11,141	$12,802	$13,313	-14.6%	14.9%	4.0%
WYOMING	$4,893	$4,175	$4,742	$4,890	-14.7%	13.6%	3.1%
TOTAL	$794,184	$ 677,236	$787,746	$826,620	-14.7%	16.3%	4.9%

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