



South Carolina

ULI South Carolina: 2021 Capital Markets Conference (13 Strong)

Dec 7-8, 2021

The Sanctuary at Kiawah
One Sanctuary Beach Drive
Kiawah Island, SC 29455



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2022 United States | Canada EMERGING TRENDS IN REAL ESTATE®



U.S. Markets to Watch Exhibit 2-3 Overall Real Estate Prospects

1 Nashville	40 Greenville, SC
2 Raleigh/Durham	41 Long Island
3 Phoenix	42 New York–Manhattan
4 Austin	43 Charleston
5 Tampa/St. Petersburg	44 Cape Coral/Fort Myers/Naples
6 Charlotte	45 San Francisco
7 Dallas/Fort Worth	
8 Atlanta	
9 Seattle	
10 Boston	
11 Salt Lake City	

NC & SC MSAs
rank among
Top-50
(Charleston #43)

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Disclaimer: Not in the fine print...

ULI SC Annual Capital Markets Conference

Dec 7- 8, 2021 – Kiawah Island, SC

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2022 Economic Influences: FOMC/FED, Inflation, Logistics & Black Swans

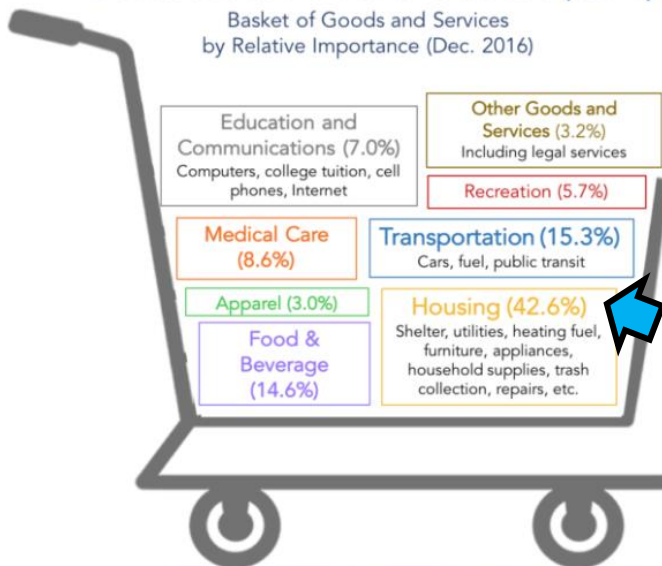


ATL Fed has most Ports
yet **NO Supply-Chain /
Ports Research.** NC &
SC in Richmond FED.



Consumer Price Index (CPI)

Basket of Goods and Services
by Relative Importance (Dec. 2016)



Source: Data from U.S. Bureau of Labor Statistics, graphic by Legal Evolution PBC



Black Swan events like Gov. Shut-Down, **Volatile Jobs Reports**, **Cyber attack** on infrastructure like Colonial Pipeline

Let's Start with a Black Swan event: **History of Government Shutdowns: 21 in Total** – The longest was 2018/2019 at 34 days.

Shutdowns have been getting longer (days 1981 to 1995 to weeks 2018-2019 5 weeks)

- **2018-2019 (President Donald Trump): December 22, 2018 to January 25, 2019 - 34 days**
- **2018** (President Donald Trump): January 20 to January 23 - 3 days
- **2018** (President Donald Trump): February 9 – 1 day.
- **2013 (President Barack Obama):** October 1 to October. 17 - 16 days
- **1995-1996 (President Bill Clinton):** December 16, 1995, to January 6, 1996, - 21 days
- **1995** (President Bill Clinton): Nov. 14 to 19 - 5 days
- **1990** (President George H.W. Bush): October 5 to 9 - 3 days
- **1987 (President Ronald Reagan):** December 18 to December 20 - 1 day
- **1986** (President Ronald Reagan): October 16 to October 18 - 1 day
- **1984** (President Ronald Reagan): October 3 to October 5 - 1 day
- **1984** (President Ronald Reagan): September 30 to October 3 - 2 days
- **1983** (President Ronald Reagan): November 10 to November 14 - 3 days
- **1982** (President Ronald Reagan): December 17 to December 21 - 3 days
- **1982** (President Ronald Reagan): September 30 to October 2 - 1 day
- **1981 (President Ronald Reagan):** November 20 to November 23 - 2 days
- **1979** (President Jimmy Carter): September 30 to October 12 - 11 days
- **1978 (President Jimmy Carter): September 30 to October 18 18 days**
- **1977** (President Jimmy Carter): November 30 to December 9 - 8 days
- **1977 (President Jimmy Carter):** October 31 to November 9 - 8 days
- **1977** (President Jimmy Carter): September 30 to October 13 - 12 days
- **1976 (President Gerald Ford):** September 30 to October 11 - 10 days

<https://www.thoughtco.com/government-shutdown-history-3368274>

Black Swan event: **Volatile Jobs Reports like last Fridays:** **ADP Nov Jobs +500k; BLS Nov Jobs a mere 212k – U3 now 4.2%.**

NEWS RELEASE
BUREAU OF LABOR STATISTICS
U. S. D E P A R T M E N T O F L A B O R



Transmission of material in this news release is embargoed until
8:30 a.m. (ET) Friday, December 3, 2021

USDL-21-2075



Jobs Report Confusion with Nov Jobs Reports - BLS showed just 210k jobs for November while ADP reported +534k earlier this week.

The Red Shoe Economist has always been in the camp that ADP gets it right over BLS as they actually count the new private payrolls formed. BLS is a Household Survey and the Establishment Survey fails to capture the new business formations that result coming out of a recession. Red-Shoe Economics was formed a year ago and we have yet to be picked up by the BLS. All that aside, the numbers to note adding to the confusion are the Unemployment Rate and Labor Participation Rate. **The U3 (headline rate) rate is now just 4.2%,** and the U-6 (real total unemployment rate) is now below 8% . **The Labor Participation Rate inched up to 61.8%, but is still an abysmal rate below 62%.**

The key takeaways from this weeks jobs reports are:

1. **ADP has it right with >500k jobs** (just look at the hirings in logistics and FedEx, Amazon, UPS, etc). This is the season we see hirings for the holidays. The BLS HH Survey of +212k will be massively revised up next month. All BLS reports in 2021 have had large 100k-200k upward revisions so expect this one revised up too.

2. **BLS Establishment Survey is NOT picking up new business formations** and JOLTS job quitters starting new businesses at home with Moms needing to work remote. Red-Shoe Economics formation has yet to be picked up by BLS. **It will in FEB report** which picks up Bus formations from state data.

3. **Unemployment at 4.2% is telling us we have wage inflation ahead for all of 2022.** As a small business, this Red-Shoe Economist is experiencing a tough time hiring and paying double-digit more than we budgeted 6 months ago. Wage Inflation is embedding into the economy.

4. **Labor Participation is telling us the end of Gov Benefits is forcing some back to work, but <62%% is atrocious.**

Join the confusion on jobs, **but don't ignore the wage inflation.**



INFLATION: The FED's Monetary Policy Roller-Coaster Ride:

Q3 2021 – FED position was: **“Transitory Longer”**

Q1 & Q2 2021 – FED position was:
“Transitory Inflation”



Q4 2021 – FED position was:
“Persistent Inflation”

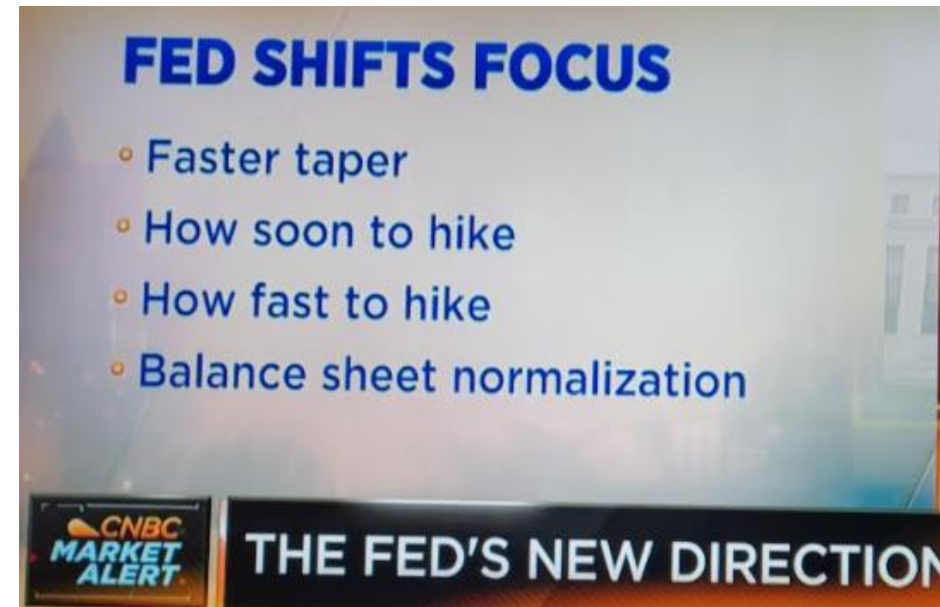
Powell: Fed 'not at all sure' inflation will fade next year

Chair Jerome Powell said Wednesday that the Federal Reserve can't be sure that inflation will fade in the second half of next year, as many economists expect, a fresh sign of the Fed's growing concern about rising prices

<https://abcnews.go.com/US/wireStory/powell-fed-inflation-fade-year-81495395>

Fed's Bostic weighs Omicron variant and two rate hikes

<https://www.foxbusiness.com/economy/federal-reserve-omicron-variant-bostic-rate-hikes-economy-taper>



FED SHIFTS FOCUS AS INFLATION CONCERNS TAKE CENTER STAGE

“Terminal Rate” – What is the FED’s end target on rate hikes once they start in 2022?

3% Taper-Tantrum – You ain’t seen anything yet! **Get ready for >3% if Inflation stays >6.2%**



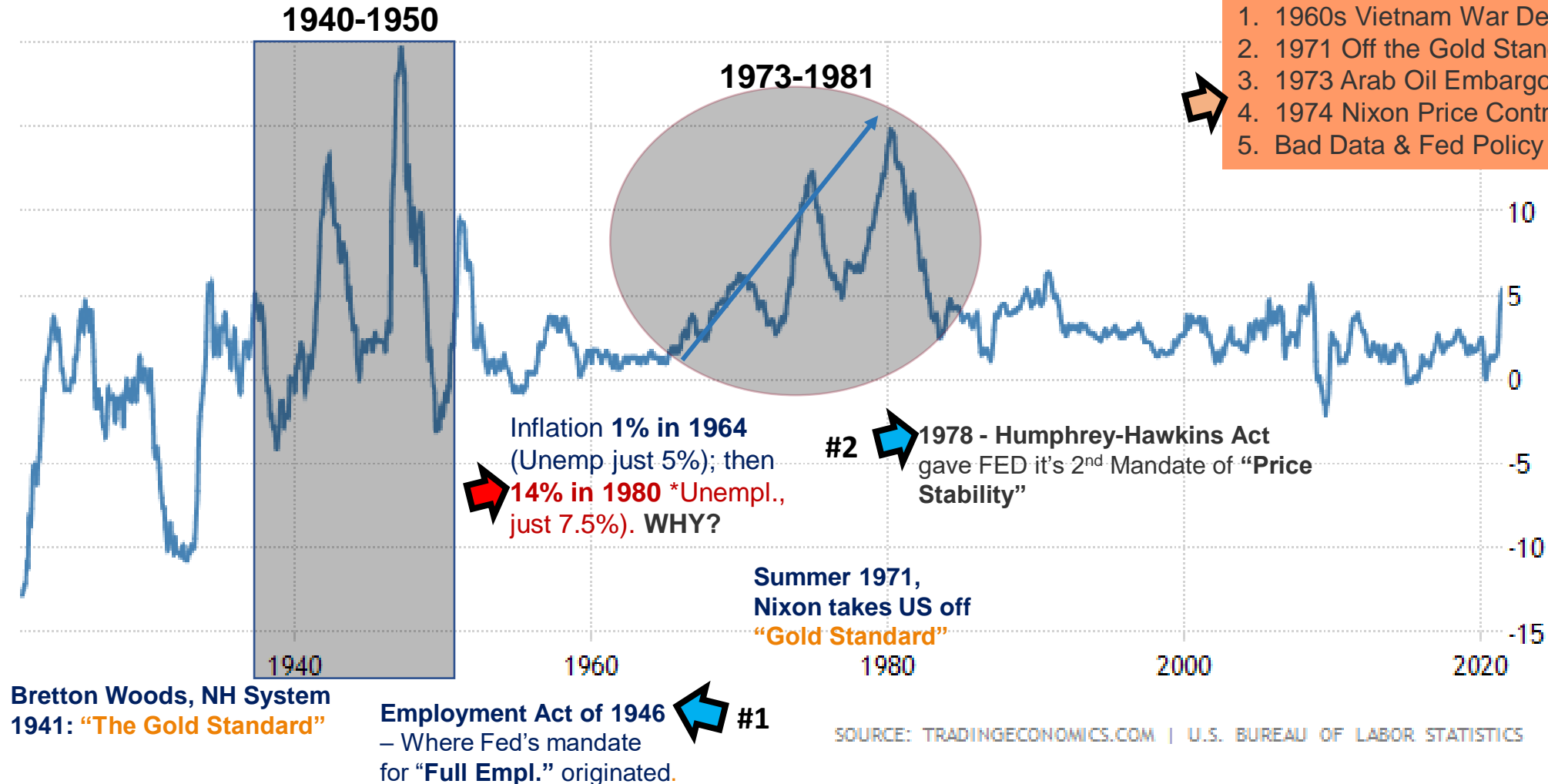
INFLATION: Historical Perspective – Can 1977-1981 be Repeated?

WW II War-Time & then
Peace-Time Economy

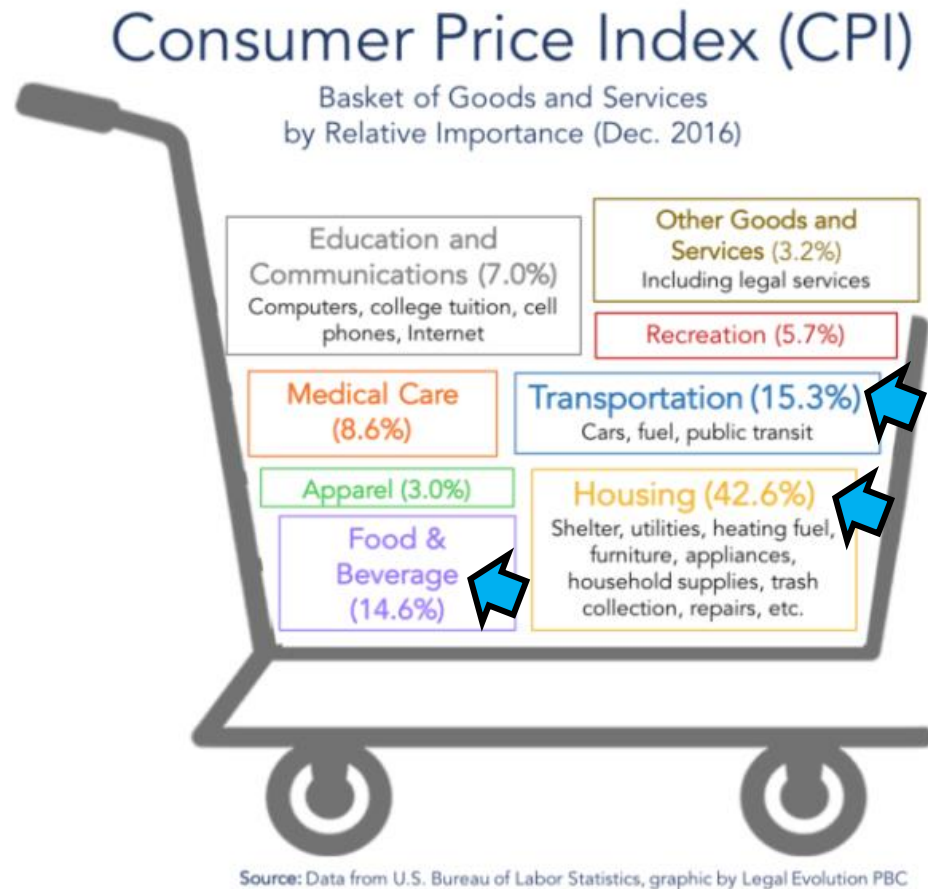
The Great Inflation (1965-1982) was the
defining macroeconomic period of the
second half of the twentieth century.

What caused 1% to 14%?

1. 1960s Vietnam War Deficit spending
2. 1971 Off the Gold Standard
3. 1973 Arab Oil Embargo / Supply-Chain
4. 1974 Nixon Price Controls / FED's Balance Sheet
5. Bad Data & Fed Policy / Unchanged

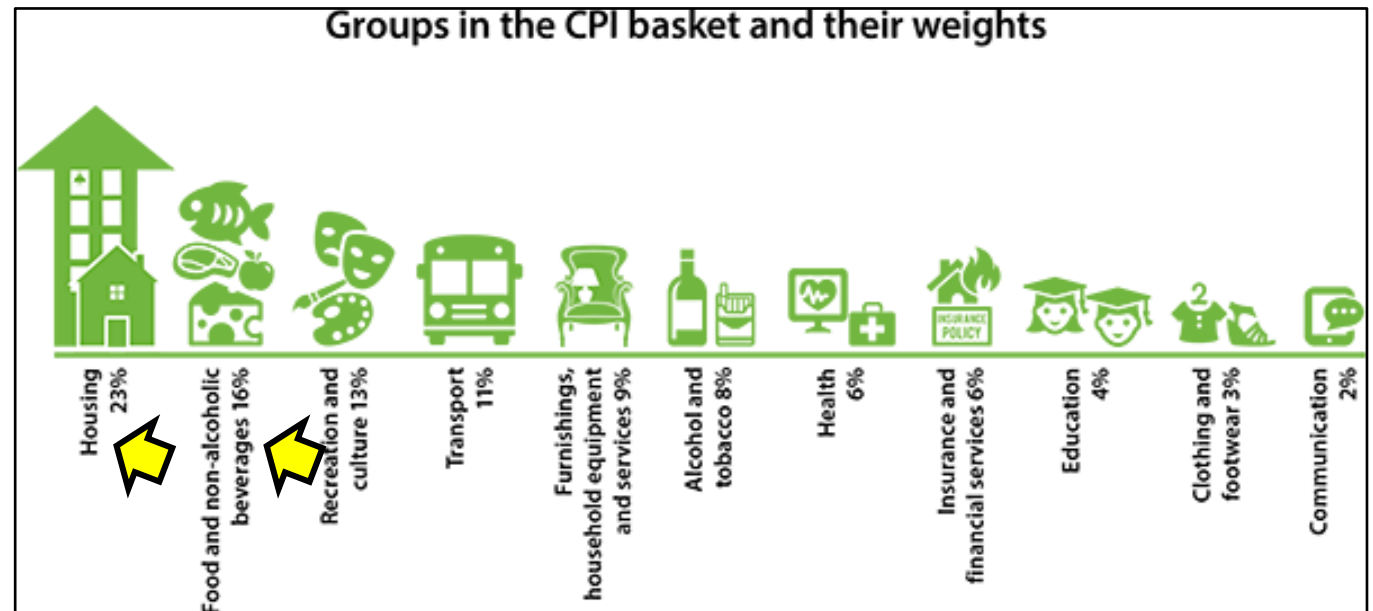


INFLATION: It's all about the "CPI Basket" – and it gets manipulated!



Housing: **2010-2012 period** it's weight was lowered to 23% - Why?

Housing: **2016-2019 period** it's weight increased to 42% - Why?



Inflation will swing into focus for Wednesday Nov 10th. **Annual CPI is expected to climb 5.8%, the highest level in 30 years. UPDATE – The Actual was:** The consumer price index rose 0.9% last month after gaining 0.4% in September, the Labor Department said on Wednesday. **In the 12 months through October, the CPI accelerated 6.2%.**

That was the largest year-on-year advance since November 1990 and followed a 5.4% jump in September.

INFLATION: The Inflation Impact is broad-based and embedded in Housing

up **25% to 200%** May 2020 to May 2021

Average Price		
	May 2020	May 2021
Gasoline	\$1.77/gallon	\$3/gallon
Lumber	\$332/mfbm	\$1,570/mfbm
Home Sales	\$283,500	\$329,100
Coffee	\$0.96/lbs	\$1.50lbs
Wheat	\$5/bushel	\$7.42bushel
Corn	\$3.19/bushel	\$7.22/bushel
Copper	\$2.33/lbs	\$4.76/lbs

Home Price Growth and CPI inflation by Decades

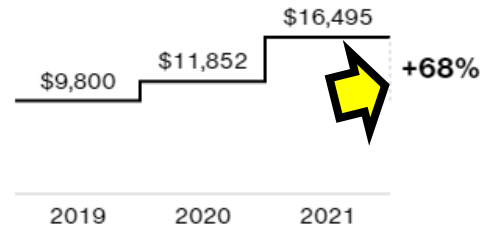
Decade	Average Annual	Average Annual
1970s	9.9%	7.1%
1980s	5.5%	5.6%
1990s	4.1%	3.0%
2000s	2.3%	2.6%
2010s	4.9%	1.8%
2020 + 2021	12%	3%

Biggest Disparity Ever
12% vs 6.2% Oct CPI

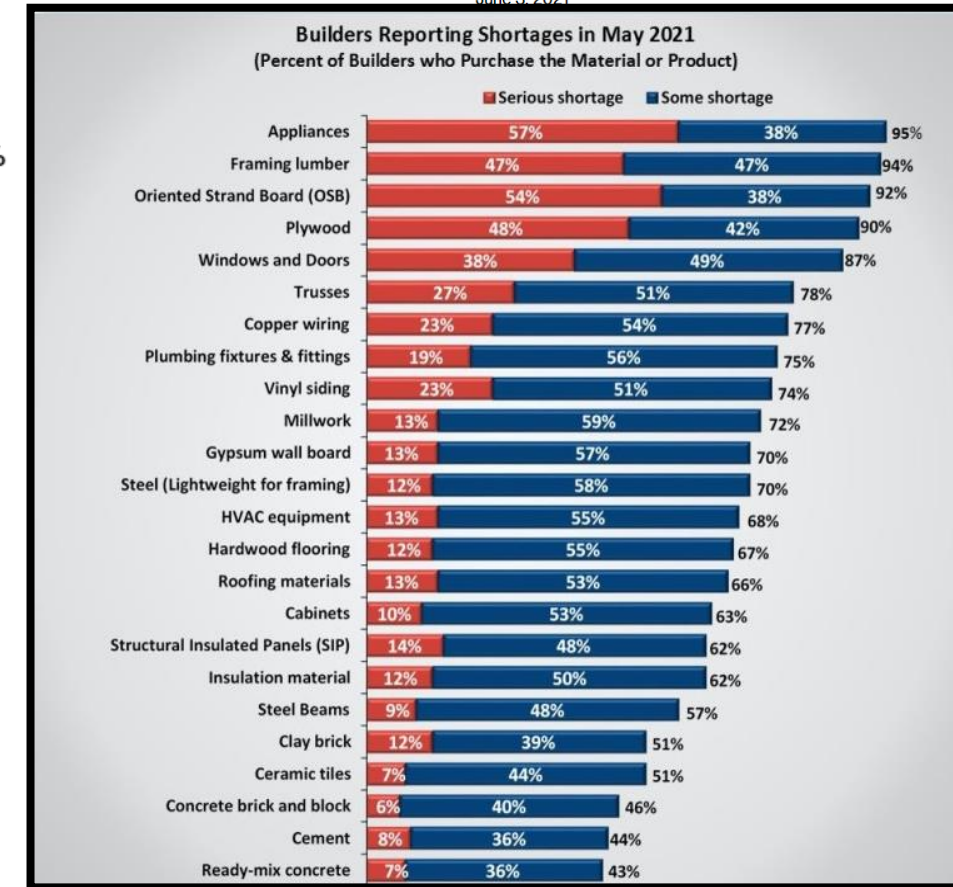
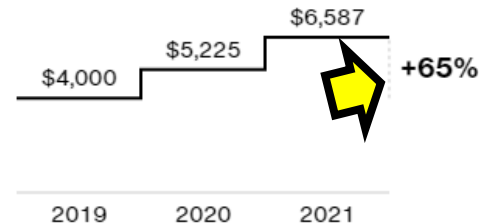
Building a Home in the U.S. Has Never Been More Expensive

By Marcy Nicholson, Dave Merrill and Cedric Sam
June 3, 2021

Paint



Appliances



HOUSING INFLATION: Case-Shiller – All 20-City Composite up 14% to 33%)

The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index seeks to measure the value of residential real estate in 20 major U.S. metropolitan areas: Atlanta, Boston, Charlotte, Chicago, Cleveland, Dallas, Denver, Detroit, Las Vegas, Los Angeles, Miami, Minneapolis, New York, Phoenix, Portland, San Diego, San Francisco, Seattle, Tampa and Washington, D.C.

YEAR-OVER-YEAR The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a **19.8% annual gain in August, remaining the same as the previous month. The 10-City Composite annual increase came in at 18.6%, down from 19.2% in the previous month.**

The 20-City Composite posted a 19.7% year-over-year gain, down from 20.0% in the previous month. **Phoenix, San Diego, and Tampa reported the highest year-over-year gains among the 20 cities in August. Phoenix led the way with a 33.3%** year-over-year price increase, followed by San Diego with a 26.2% increase and Tampa with a 25.9% increase. Eight of the 20 cities reported higher price increases in the year ending August 2021 versus the year ending July 2021.

S&P Dow Jones Indices

A Division of **S&P Global**

**Phoenix AZ has the highest HPA increase YOY at +33%.
Charlotte has 6th highest (+21.7%)**

Metropolitan Area	August 2021 Level	August/July Change (%)	July/June Change (%)	1-Year Change (%)
Atlanta	194.24	1.9%	2.2%	20.2%
Boston	279.48	0.5%	1.2%	17.7%
Charlotte	214.78	1.5%	2.2%	21.7%
Chicago	169.48	1.0%	1.1%	12.7%
Cleveland	157.62	0.8%	1.2%	15.5%
Dallas	250.20	1.8%	2.4%	24.6%
Denver	285.65	0.9%	1.8%	21.5%
Detroit	157.42	0.7%	1.3%	15.7%
Las Vegas	251.87	2.2%	2.8%	23.8%
Los Angeles	361.54	0.9%	1.4%	18.4%
Miami	317.83	2.3%	2.3%	23.8%
Minneapolis	217.54	0.3%	1.1%	14.0%
New York	244.05	0.5%	1.0%	17.2%
Phoenix	286.74	2.2%	3.3%	33.3%
Portland	305.22	0.8%	1.5%	19.2%
San Diego	357.11	0.5%	1.6%	26.2%
San Francisco	339.94	0.4%	1.1%	21.2%
Seattle	344.46	0.2%	0.9%	24.3%
Tampa	296.71	2.5%	2.9%	25.9%
Washington	284.92	0.6%	0.9%	15.1%
Composite-10	287.17	0.8%	1.3%	18.6%
Composite-20	274.99	0.9%	1.5%	19.7%
U.S. National	268.62	1.2%	1.7%	19.8%

Sources: S&P Dow Jones Indices and CoreLogic
Data through August 2021

HOUSING: Great if you already OWN

October 2021 Monthly Housing Market Trends Report

- The national inventory of **active listings declined by 21.9% over last year**,
- While the **total inventory of unsold homes, including pending listings, declined by 14.8%**. The inventory of active listings is down 51.9% compared to 2019.
- The October national **median listing price for active listings was \$380,000, up 8.6% compared to last year and up 21.8% compared to 2019**. In large metros, median listing prices grew by 5.2% compared to last year, on average.
- Nationally, the typical home spent **45 days on the market in October, down 8 days from the same time last year and down 21 days from 2019**.

➤ Listings Down 21.9%

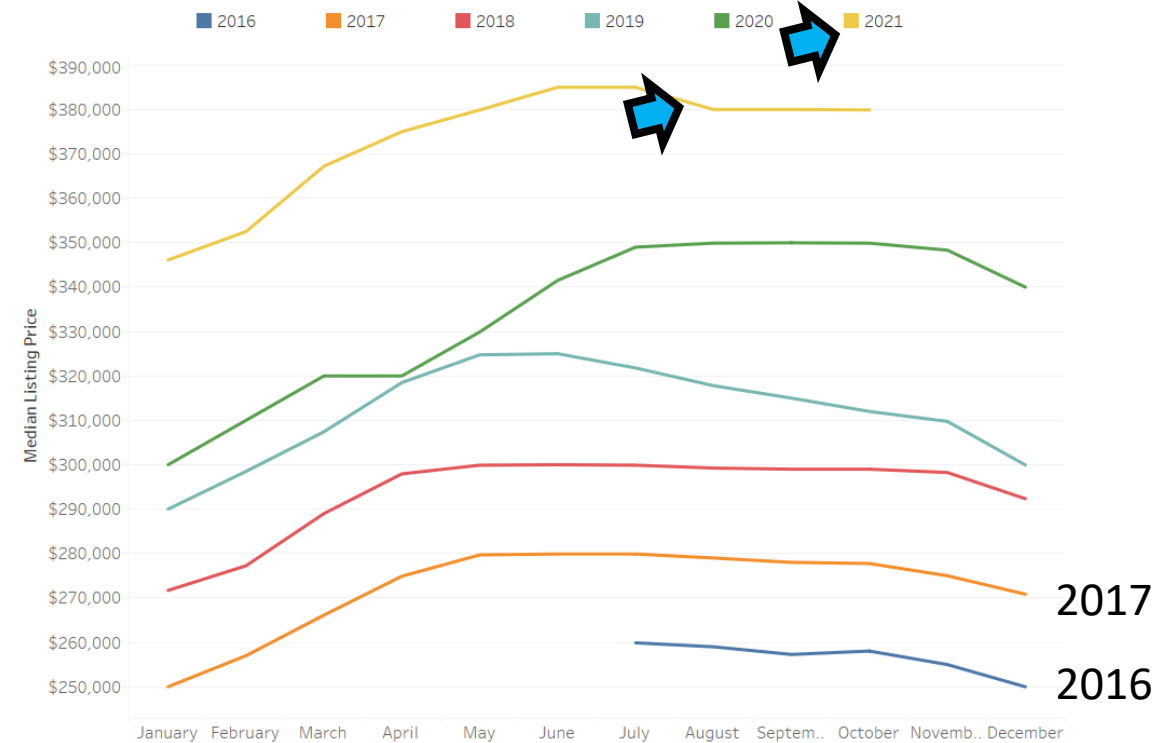
➤ List Price UP (+8.6%)

➤ DOM down 21 Days from 2019/pre-Covid



Median Listing Price

Up 8.6% Y/Y in October 2021



HOUSING: The Cost to Build **NOT** getting Better

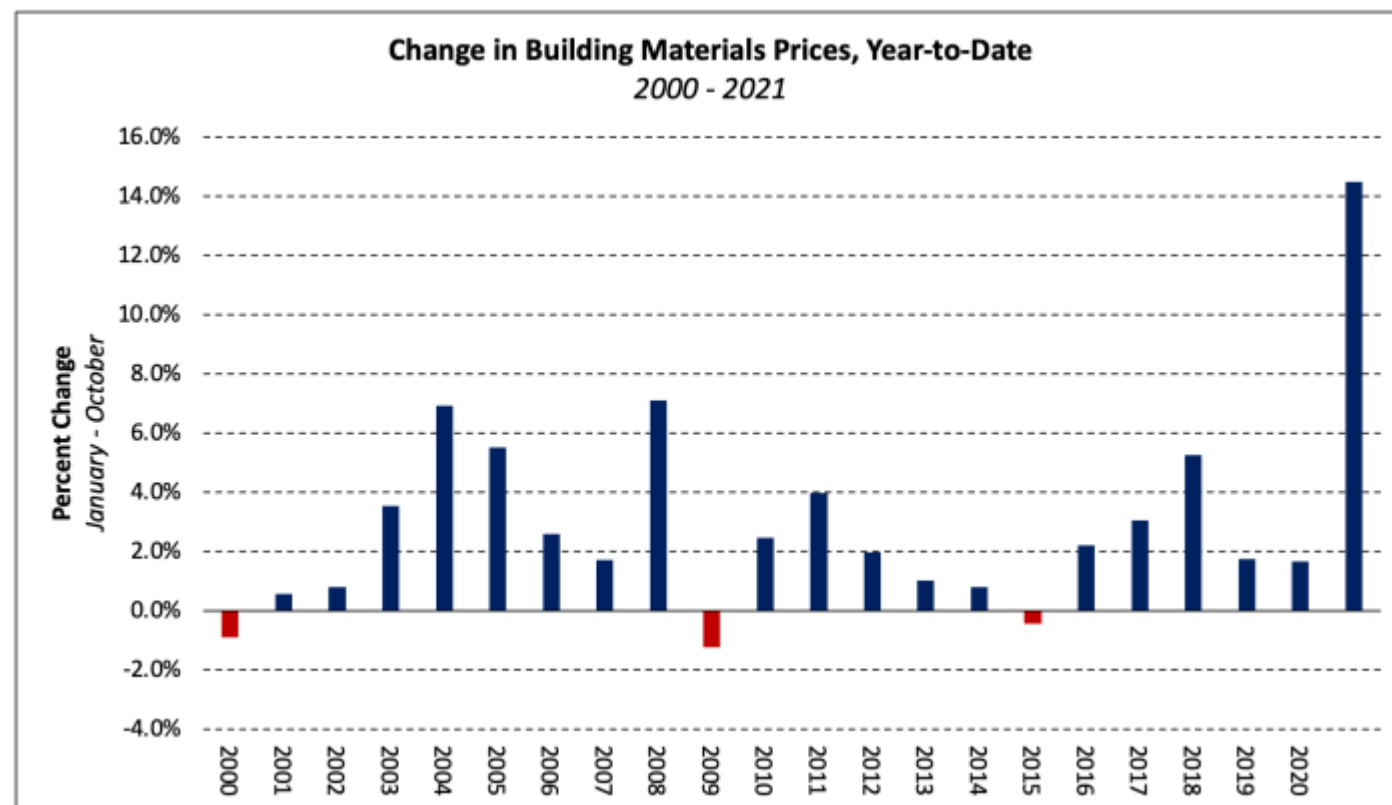


Building Materials Prices Post Record Year-To-Date Increase through October

BY DAVID LOGAN on NOVEMBER 9, 2021 • (0)

The prices of goods used in residential construction ex-energy climbed 0.8% in October (not seasonally adjusted), according to the latest **Producer Price Index (PPI) report** released by the Bureau of Labor Statistics. The increase comes on the heels of two consecutive monthly declines largely driven by steep declines in lumber and plywood prices.

Building materials prices have increased **12.2%** year-to-date after climbing 4.5% over the same period in 2020.



INFLATION: CPI Aside – How Does Inflation Impact RE; NOLA, ATL & Dallas highest

CONSTRUCTION ECONOMICS

Construction Cost Index

+7.7%
NOV. 2021

ANNUAL
INFLATION RATE

1913=100	INDEX VALUE	MONTH	YEAR
CONSTRUCTION COST	12467.32	0.0%	+7.7%
COMMON LABOR	24355.78	0.0%	+1.3%
WAGE \$/HR.	46.80	0.0%	+1.3%

The Construction Cost Index's annual escalation rose 7.7%, while the monthly component stayed flat.

Construction Cost Index

+8.0%
OCT. 2021

ANNUAL
INFLATION RATE

1913=100	INDEX VALUE	MONTH	YEAR
CONSTRUCTION COST	12464.94	0.0%	+8.0%
COMMON LABOR	24355.78	0.0%	+1.3%
WAGE \$/HR.	46.80	0.0%	+1.3%

Construction Cost Index

+3.8%
APR. 2021

ANNUAL
INFLATION RATE

1913=100	INDEX VALUE	MONTH	YEAR
CONSTRUCTION COST	11849.31	+0.8%	+3.8%
COMMON LABOR	24253.88	+0.4%	+1.4%
WAGE \$/HR.	46.59	+0.4%	+1.4%

Building Cost Index

+13.5%
NOV. 2021

ANNUAL
INFLATION RATE

1913=100	INDEX VALUE	MONTH	YEAR
BUILDING COST	7255.67	+0.1%	+13.5%
SKILLED LABOR	11000.72	+0.2%	+2.6%
WAGE \$/HR.	60.71	+0.2%	+2.6%

The Building Cost Index was up 13.5% on an annual basis, while the monthly component increased 0.1%.

Building Cost Index

+14.2%
OCT. 2021

ANNUAL
INFLATION RATE

1913=100	INDEX VALUE	MONTH	YEAR
BUILDING COST	7244.90	+0.4%	+14.2%
SKILLED LABOR	10978.76	+0.9%	+2.6%
WAGE \$/HR.	60.58	+0.9%	+2.6%

Building Cost Index

+6.1%
APR. 2021

ANNUAL
INFLATION RATE

1913=100	INDEX VALUE	MONTH	YEAR
BUILDING COST	6612.50	+1.0%	+6.1%
SKILLED LABOR	10805.01	0.0%	+1.7%
WAGE \$/HR.	59.73	0.0%	+1.7%

ENR's Cost Indexes by City

1913=100
1967=100
R=REVISED

	CONSTRUCTION COST		BUILDING COST	
	OCT '21: 1913	% CHG. YEAR	OCT '21: 1913	% CHG. YEAR
ATLANTA	7854.89	+16.3	5775.01	+25.2
BALTIMORE	10083.51	+9.2	6465.20	+17.0
BIRMINGHAM	8251.55	+10.0	5478.40	+16.3
BOSTON	16651.90	+12.2	9166.21	+13.7
CHICAGO	17766.90	+4.9	8982.55	+11.9
CINCINNATI	11340.82	+11.1	6182.33	+13.7
CLEVELAND	13140.66	+4.9	6877.33	+14.1
DALLAS	7034.69	+16.6	5643.98	+21.6
DENVER	8227.84	+8.5	5830.22	+12.4
DETROIT	12905.26	+6.0	7211.41	+11.9
KANSAS CITY	12551.09	+6.3	7185.04	+10.5
LOS ANGELES	12704.21	+5.3	7001.54	+10.0
MINNEAPOLIS	13762.94	+4.7	7499.66	+12.9
NEW ORLEANS	7388.80	+15.2	5810.16	+32.9
NEW YORK CITY	21250.15	+4.1	10477.01	+7.9
PHILADELPHIA	14903.63	+8.5	8243.67	+9.5
PITTSBURGH	12291.56	+12.3	7282.75	+16.8
ST. LOUIS	13162.54	+5.1	7127.43	+11.4
SAN FRANCISCO	14451.91	+9.8	9158.49	+16.3
SEATTLE	13573.94	+6.2	7499.63	+14.0

INFLATION & CRE Values

Are these type increases sustainable?

Green Street CPPI Past 12 Mos (Q4 2020-Q3 2020)

	Index Value	Change in Commercial Property Values		
		Past Month	Past 12 Mos	From Pre Covid
All Property	147.0	0%	20%	9%
Core Sector	150.1	0%	20%	11%
Apartment	183.3	0%	28%	18%
Industrial	234.0	0%	33%	41%
Mall	83.9	0%	9%	-13%
Office	111.4	0%	4%	-6%
Strip Retail	119.3	0%	25%	6%
Health Care	150.1	3%	13%	5%
Lodging	104.4	0%	28%	-4%
Manufactured Home Park	317.4	0%	28%	31%
Net Lease	115.2	0%	25%	16%
Self-Storage	260.0	0%	47%	40%
Student Housing	168.7	0%	22%	9%

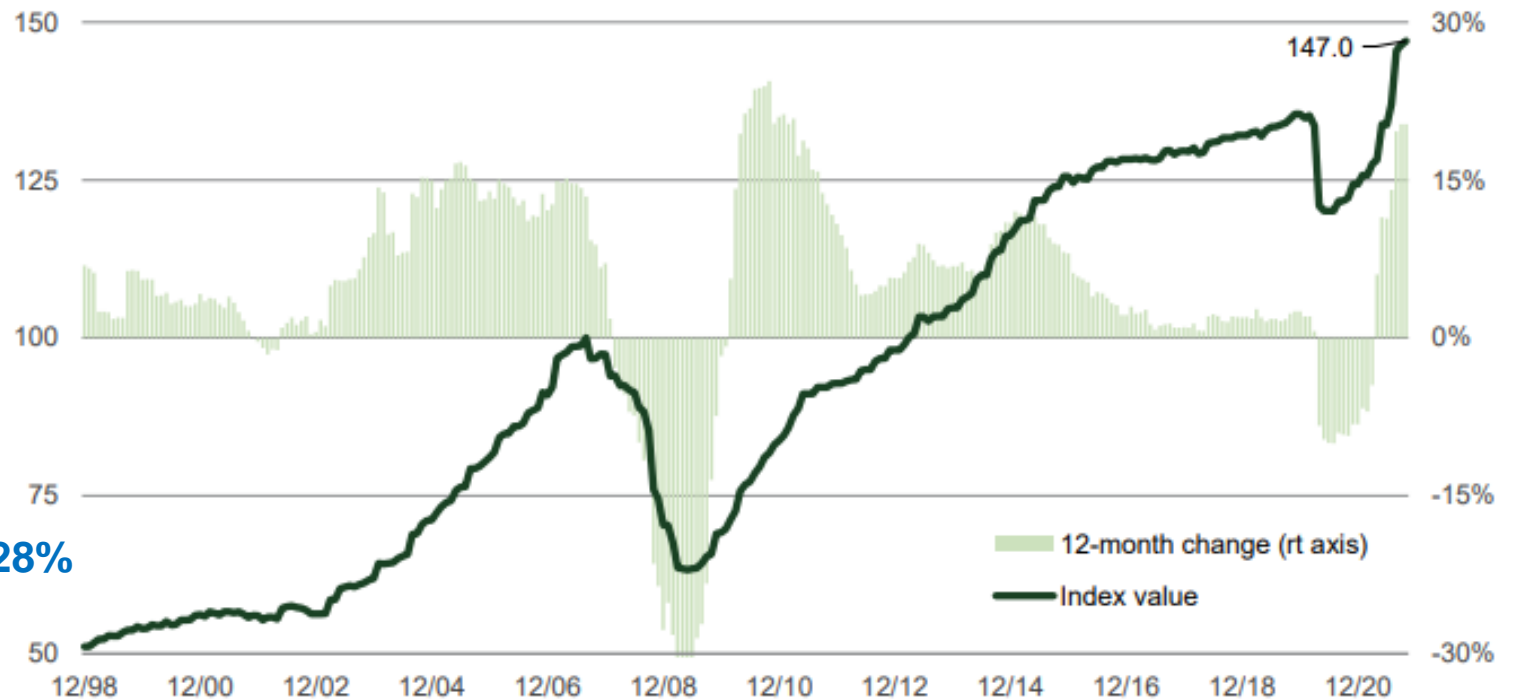
- #1 – Self Storage **+47%**
- #2 – Industrial **+33%**
- #3 #4 #5 TIE – MF, Mfg Home, Lodging **+28%**
- Surprise – Strip Retail +25%**

Green Street CPPI®: All-Property Index

Medical Office Drives Health Care Values Higher

The Green Street Commercial Property Price Index® increased 0.4% in October. The all-property index has increased 18% this year and is **9% higher than it was before the coronavirus pandemic began.**

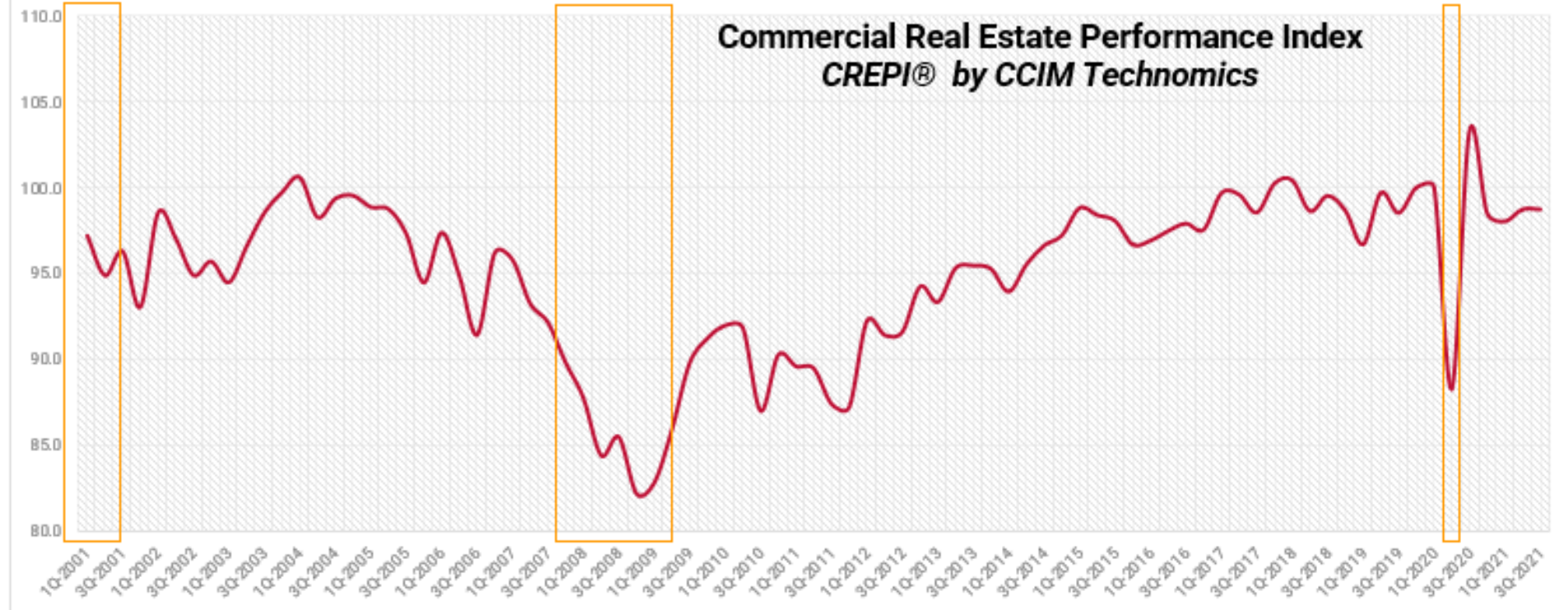
Green Street Commercial Property Price Index®



CCIM-TECH & Red Shoe Economics new CREPI:

A Broader Measure of Economy

This will be free to anyone by CCIM Q4 2021 & **Red Shoe Economist** will be writing the narrative context.



CREPI® Source: **CCIM Technomics**

CREPI® Chart:

4Q 2019 Index = 100

Highlighted areas represent U.S. economic recessions

Current data as of 3Q-2021

CREPI® Data Components:

1. University of Michigan Consumer Sentiment Index
2. NFIB Business Confidence Index
3. Yield Curve Spread between 10-Year and 2-Year Treasuries
4. NAHB / Wells Fargo Housing Market Index
5. BEA Personal Consumption Expenditures Price Index
6. BLS Producer Price Index
7. BLS Job Openings and Labor Turnover Survey
8. BLS Civilian Labor Force Participation Rate
9. S&P 500 Index
10. Green Street Commercial Property Price Index

Population Migration: Q: Where can you “Out-run” Inflation? A: So, MW, Mtn

U-HAUL® 2020 Migration Trends: U-Haul Ranks 50 States by Migration Growth

- | | |
|--|---------------------------|
| 1. Tennessee (#12 2019)
Amazon HQ2 kicking in | 11. Arkansas (#23 2019) |
| 2. Texas (#2 - Steady) | 12. Indiana (9) |
| 3. Florida (1) | 13. Wisconsin (41) |
| 4. Ohio (7) | 14. Oklahoma (14) |
| 5. Arizona (20) | 15. South Carolina (4) |
| 6. Colorado (42) | 16. West Virginia (22) |
| 7. Missouri (13) | 17. Utah (8) Understated! |
| 8. Nevada (24) - Another understated story | 18. Kentucky (37) |
| 9. North Carolina (3) | 19. Montana (26) |
| 10. Georgia (16) | 20. Minnesota (15) |

5 of Top-10 = South / SC #15 was #4 in 2019

Note: Hurricanes impacted Louisiana!

U-Haul customers made Texas and Florida their top two destinations from 2016-19. Texas had the largest net gain of one-way U-Haul trucks for three consecutive years before Florida flipped the order and became No. 1 last year. Texas is second for growth, and Florida third, for 2020.

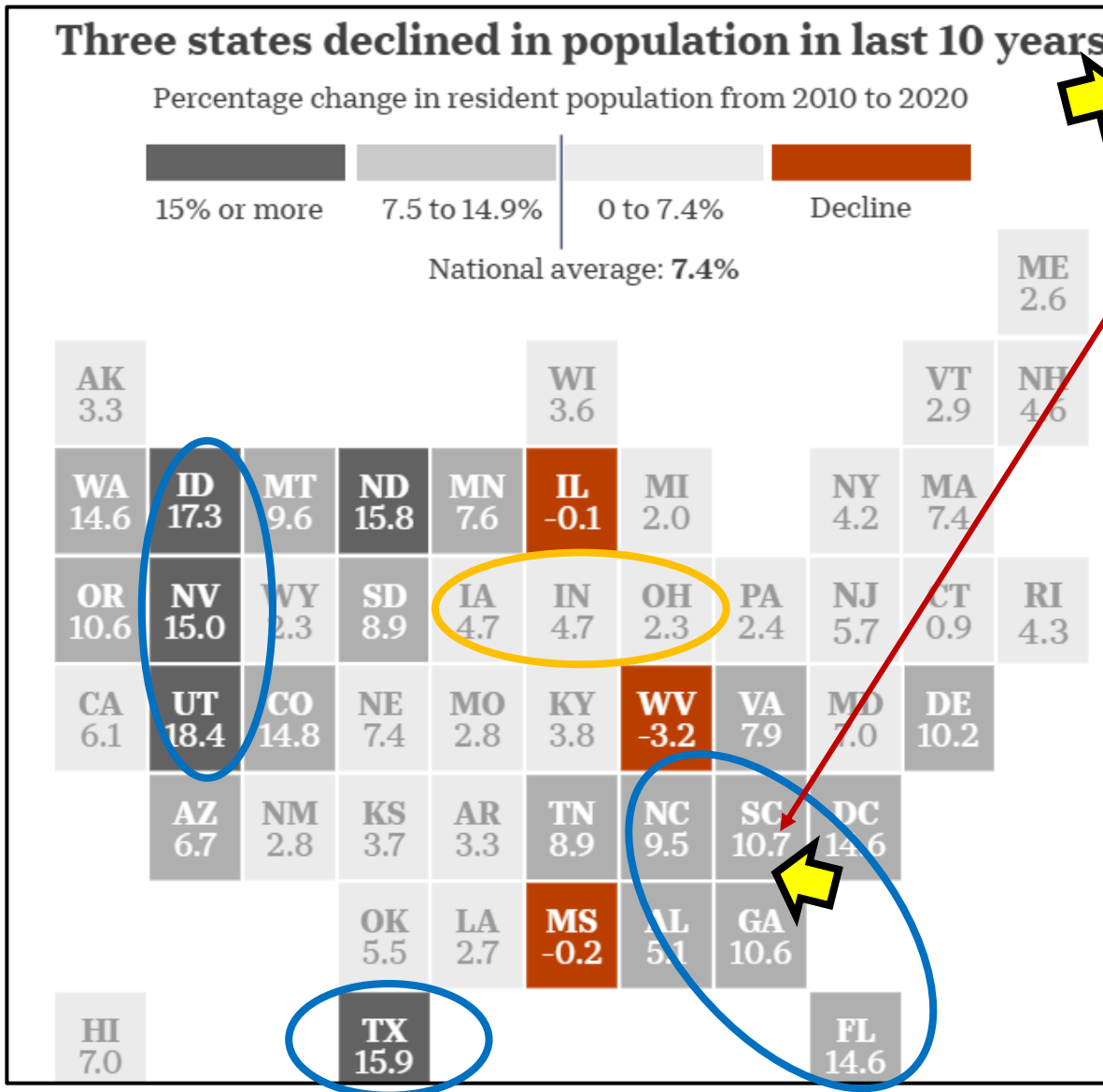
Ohio, Arizona, Colorado, Missouri, Nevada, North Carolina and Georgia round out the top 10 states for 2020 growth as self-movers continue to migrate to the Southeast, as well as markets in the Southwest, Midwest and Rocky Mountain regions.

California ranks last by a wide margin, supplanting Illinois as the state with the greatest net loss of U-Haul trucks. California has ranked 48th or lower since 2016. Illinois has been 49th or 50th since 2015, when U-Haul began ranking states based on annual net gain.

- | |
|--------------------------------|
| 40. Michigan (48) Moving Up |
| 41. Pennsylvania (46) |
| 42. New York (43) |
| 43. Connecticut (34) |
| 44. Louisiana (40) Hurricanes? |
| 45. Oregon (29) |
| 46. Maryland (45) The EXIT |
| 47. Massachusetts (47) |
| 48. New Jersey (44) |
| 49. Illinois (50) |
| 50. California (49) |

Methodology: Growth states are calculated by the net gain of one-way U-Haul trucks entering a state versus leaving that state in a calendar year. Migration trends data is compiled from more than 2 million one-way U-Haul truck customer transactions that occur annually.

Pop. Migration 2020 Census: MTN (UT +18.4%); So (TX +15.9%, FL +14.6%), GA, NC, SC (+10)



Q. What SE State has more Pop Growth than GA, NC & TN?

A. South Carolina

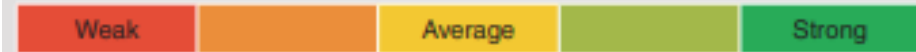
What's going on nationally?

The U.S. population increased by 7.4% since the last census **from about 309 million to 331 million – the slowest growth rate the nation has seen since 1940.**

Regionally, the South saw more than 10% increase in population, followed by the West, Northeast and Midwest. Jarmin said the numbers reflect an ongoing trend of growth shifting to the South and West: Since 1940, there's been a combined net shift of 84 House seats to the South and West regions.

EMERGING TRENDS IN REAL ESTATE®

Exhibit 2-7 Local Market Perspective Investor Demand



Nashville	4.73
Austin	4.73
Boston	4.59
Charlotte	4.57
Raleigh/Durham	4.53
Inland Empire	4.50
Denver	4.48
Salt Lake City	4.46
Dallas/Fort Worth	4.44
Phoenix	4.43
Tampa/St. Petersburg	4.42
Boise	4.41
Atlanta	4.40
Seattle	4.39

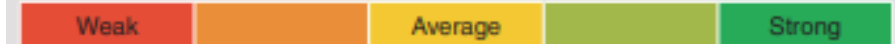
Charlotte & Raleigh Rank Top 5 in all 3 extracts.

Charleston SC & Greenville SC rank 43 and 40, respectively.

Exhibit 2-3 Overall Real Estate Prospects

1	Nashville
2	Raleigh/Durham
3	Phoenix
4	Austin
5	Tampa/St. Petersburg
6	Charlotte
7	Dallas/Fort Worth
8	Atlanta
9	Seattle
10	Boston
11	Salt Lake City
12	Denver
13	San Diego
14	Washington, DC–Northern VA
15	Miami
40	Greenville, SC
43	Charleston

Exhibit 2-8 Local Market Perspective Development/Redevelopment Opportunities



Tampa/St. Petersburg	4.35
Nashville	4.27
Raleigh/Durham	4.24
Charlotte	4.18
Phoenix	4.15
Dallas/Fort Worth	4.12
Atlanta	4.08
Denver	4.04
Austin	4.04
Salt Lake City	4.04
Fort Lauderdale	3.94
Seattle	3.93
Boise	3.92
Inland Empire	3.92
Washington, DC–Northern VA	3.90

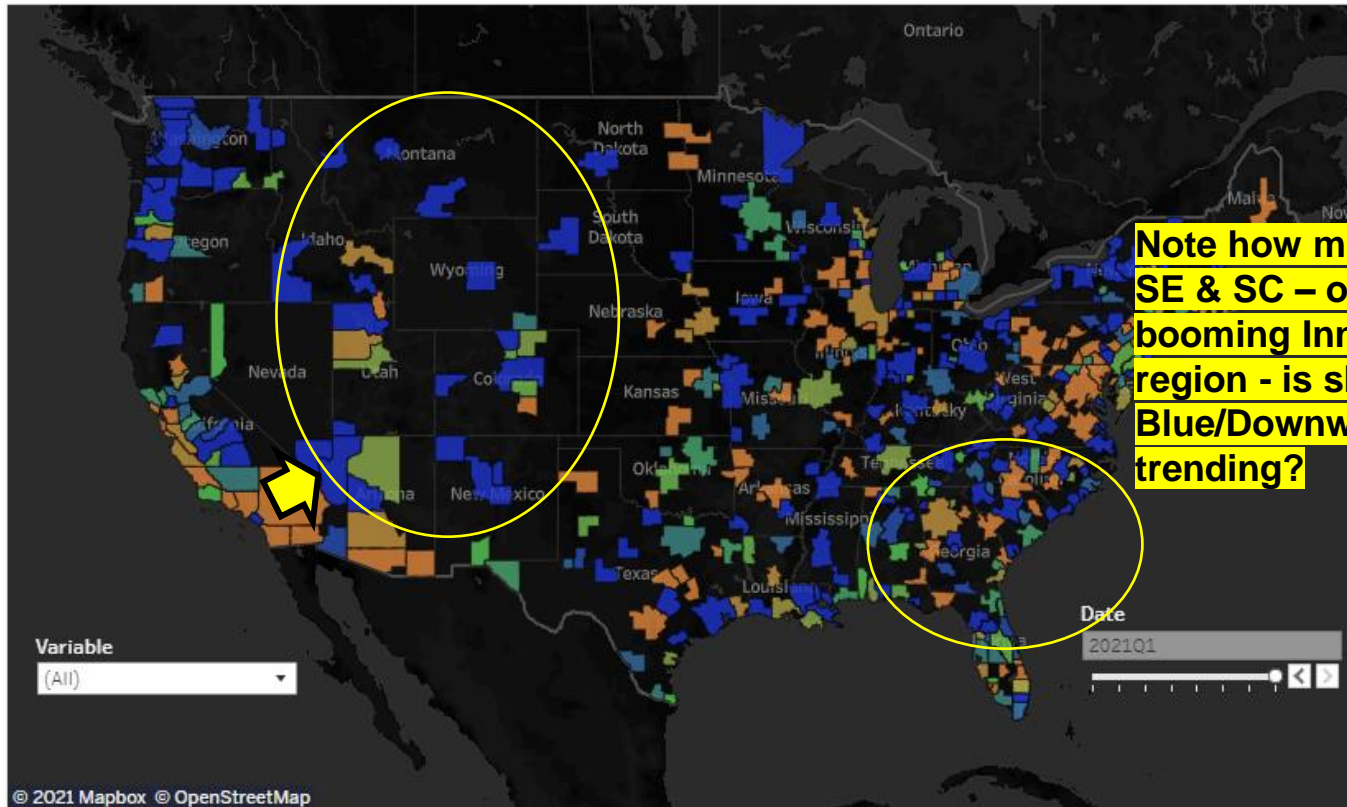
Note:
NO “Strong” Development Opportunity MSAs. WHY?

CREMI – Be Careful using the ATL FED’s “CRE Momentum Index”

 Federal Reserve Bank of Atlanta

Commercial Real Estate (CRE) Momentum Index

 CRE Momentum Index - Retail - 2021Q1




Note how much of SE & SC – or booming Inner-MTN region - is shaded Blue/Downward trending?

 CREMI is counter-intuitive to CRE Industry

There are two key pieces to the index:

- **Color:** A color of a particular variable is determined by its relation to the long-term average of that variable. **Orange hues indicate a value above the average ("upward")** and **blue hues indicate a value below the average ("downward")**. Green hues reflect data that are in line with the long-term average. This shows the **direction of momentum**.
- **Shade:** The deepness of the color (darker versus lighter hues of a color) represents the variable's fluctuation, as measured by deviation in the variable over time. **Deeper colors reflect higher deviation and, therefore, greater market volatility**. This shows the **strength of momentum**.

 It's a Black-Box (Good luck using in litigation of Bank Appraisal work where you can't explain it.)

CREMI FAQ :

Q. What are the numeric values of the data? Why can't I see them?

A: "Due to contractual obligations with our data providers, we are not able to share the underlying data." It's CoStar & Moody's. **Go direct to CoStar & Moody's!**

 Blue & Green are "Downward Trending / Bad; Orange & Yellow are "Upward/Good? 

BBQ-Sauce is “Southern Polite” for “BS” on Misleading Info.



So where does the Red Shoe Economist turn for intel on State Economies & CRE conditions?

STATE OF SC ANNOUNCES 2020 INDUSTRY RECRUITMENT RESULTS

In total, **the state won 126 economic development projects**, accounting for \$4 billion in capital investment and **11,147 new jobs**. And, it's a domestic/American-recruitment Story in SC – **China & EU only 10%**

<https://www.scommerce.com/news/state-south-carolina-announces-2020-industry-recruitment-results>



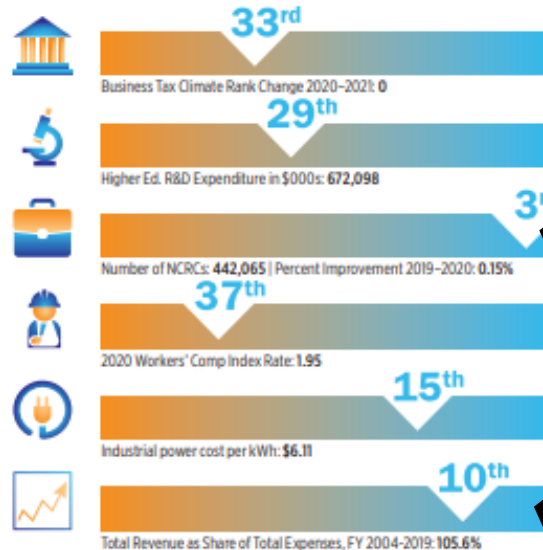
South Carolina

Pop. (2020): 5,282,232
Median household income (2020): \$53,366
Credit Rating: AA+/Stable

Pop. growth 2020–2025: 1.28%
Median age (2020): 40
Right-to-work state: Yes

Legislative Update

- A measure to expand broadband was passed in September, when officials said up to 650,000 of the state's 5 million residents don't have broadband access. Utilities will have access to incentives for allowing high-speed internet service providers to use their electric line corridors. The Office of Broadband Development was established.
- Local license rules were overhauled to allow contractors and other firms to apply for licenses at one portal.
- Gov. McMaster in December signed a bill creating the Governor's School for Agriculture at John De La Howe in McCormick. The school — the first of its kind in the country — is a public residential high school that provides an agriculture education program for students in grades 10 through 12.
- Several tax breaks that expired in 2019 were reinstated, including a tax exemption for energy-efficient mobile homes, and a large credit for angel investors who invest in certain South Carolina-based small businesses.



Rank in the Tax Foundation's 2021 State Business Tax Climate Index (Oct. 2020)

Rank in 2019 Higher Education R&D Expenditure (Total in \$000s in parentheses)

Rank in percent improvement in ACT National Career Readiness Certificates earned by working-age adults between Dec. 2019 and Dec. 2020 (total number and percent improvement shown below ranking bar)

Rank in Workers' Compensation Premium Rate state rankings by the Oregon Department of Consumer and Business Services' IT and Research Division, October 2018

Rank by Lowest Industrial Electric Power Cost (¢/kWh, EIA)

Rank in Fiscal Health (based on data from Pew Center on the States' Fiscal 50, Dec. 2020)

SC Economic View: Any SC Review has to start with the Port

SC PORT-DEPENDENT

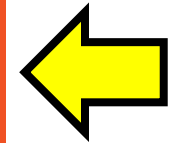
INDUSTRIES



<http://scspa.com/wp-content/uploads/sc-ports-2020-annual-report.pdf>

HARBOR DEEPENING FY2020 UPDATE

The **Charleston Harbor Deepening Project** is fully funded and on schedule, putting Charleston Harbor on track to be the deepest East Coast harbor in 2021.



Manufacturing: SC is tied for #1



Best States for Manufacturing in 2020

Josh Bays | August 19, 2020

- SC and TN are ranked #1 and #2.
- TX, AL, GA, MS, and NC rank #3 to #7
- Utah is among the top 10 states (#8, 9, 10 = UT, ID, SD)

U.S. Durable-Goods Orders Rose for Fifth Consecutive Month in September

Orders for long-lasting factory goods increased for the fifth consecutive month in September,...

New orders for durable goods — products designed to last at least three years — rose 1.9% in September compared with August, the Commerce Department said Tuesday, Oct. 27. This is their last report before Nov 3.

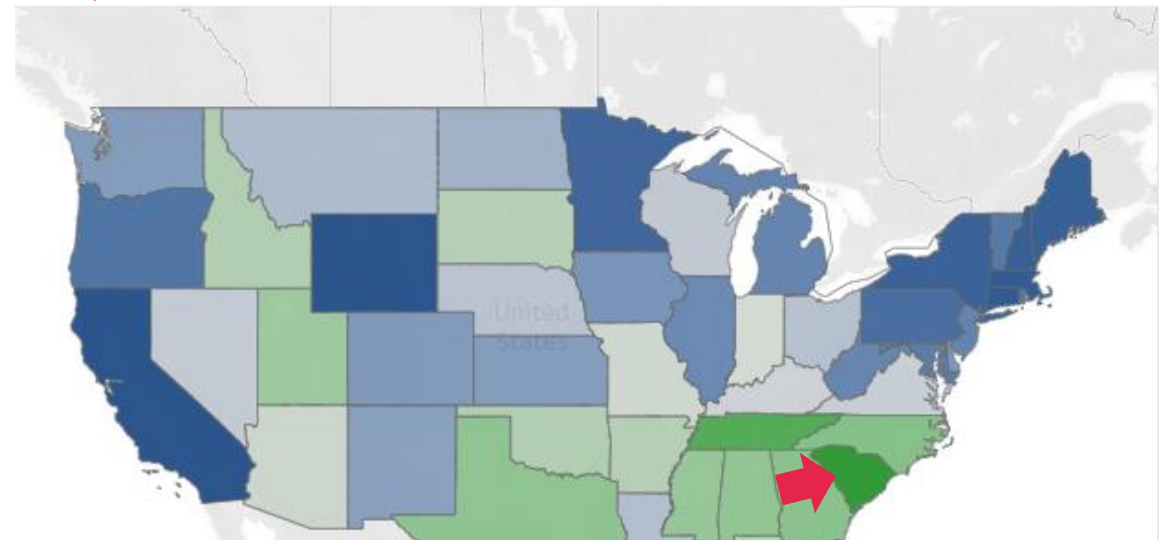
Best States for Manufacturing

Min. Total Index

86.80% 142.78%



<https://info.siteselectiongroup.com/blog/best-states-for-manufacturing-in-2020>



Overall and Category Scores

State	Total	Metric	Labor S.	Target	Labor D.	Operati.	Organiz.	Accessi.
South Carolina	1.428		1.119	1.546	1.104	1.477	1.750	1.464
Tennessee	1.350		1.092	1.451	1.101	1.360	1.750	1.291
North Carolina	1.264		1.363	1.168	0.904	1.388	1.750	1.318
Georgia	1.259		1.159	1.473	0.916	1.094	1.750	1.459

SC Ports achieves highest fiscal year on record for containers handled

Port of Charleston handles 2.55 million containers in FY21

- SC Ports **two rail-served inland ports** set cargo records in fiscal year 2021, with a combined 192,844 rail moves recorded, **up 11.7% from a year ago**.
- **Inland Port Greer** moved 157,842 rail moves in fiscal year 2021, **up 12.6%**, while **Inland Port Dillon** had 35,002 rail moves, **up nearly 7.9%**.
- **About South Carolina Ports Authority** – It was established by the state's General Assembly in **1942**. **As an economic development engine for the state**, Port operations **facilitate 225,000 statewide jobs and generate nearly \$63.4 billion in annual economic activity**. SC Ports is **soon to be home to the deepest harbor on the U.S. East Coast at 52 feet**.



- **SC Ports handled 2.55 million twenty-foot equivalent units (TEUs)** at Wando Welch Terminal, North Charleston Terminal and Hugh K. Leatherman Terminal in fiscal year 2021, ended June 30 — **a 9.6% increase from fiscal year 2020**.
- **Vehicles** remained a strong business segment, with 253,981 vehicles rolling across the docks of Columbus Street Terminal in fiscal year 2021, **up 27.0% compared to the year prior**.

<http://scspa.com/news/sc-ports-achieves-highest-fiscal-year-on-record-for-containers-handled/>

<http://scspa.com/wp-content/uploads/sc-ports-2020-annual-report.pdf>



**SOUTH
CAROLINA
PORTS**

SC Ports CEO inducted into International Maritime Hall of Fame



CHARLESTON, SC — OCT. 5, 2021 — South Carolina Ports President and CEO Jim Newsome is being inducted into the prestigious International Maritime Hall of Fame in recognition of his impressive career in the maritime industry.

Upsized

IN THE NEW POST-PANAMAX ERA, EVERYTHING PORT-RELATED IS BEING SUPERSIZED, SAYS COLLIERS INTERNATIONAL'S CHIEF ECONOMIST, KC CONWAY.

BY SHEILA MICKOOL

Hagood Morrison, SIOR, principal for Colliers International in Charleston, South Carolina, explains that the Port of Virginia was the flagship for blending coastal ports with an inland port at Front Royal and intermodal distribution. Now Charleston, with its Norfolk Southern (NS) rail link to Greer, is doing the same, and will link to the expanded NS intermodal facility in Charlotte. This will take advantage of the railroad's Crescent Corridor project, intended to enhance the railroad's north-south shipping and distribution capabilities with upgraded tracks between New Jersey and Louisiana.

"In addition to the enhanced NS link, this connection extends the reach of the Port of Charleston inland by more than 200 miles and gives shippers access to more than 94 million consumers within a one-day drive, ensuring super reliability of daily deliveries. The inland port will also improve the match-back of inland-bound containers, which builds exports and thereby attracts larger vessels," Morrison says.

As with past reports, Conway highlights the changing ports landscape with his North American Port Awards. F

DECEMBER 2013

North American Port Analysis

BIGGIE-SIZE IT

K.C. CONWAY, MAE, CRE Chief Economist | USA



CHIEF ECONOMIST KC CONWAY'S latest Ports Analysis report is out, and its main theme, he says, is that everything is getting bigger in preparation for a post-Panamax world: deeper ports, larger cranes, higher bridges, bigger ships and even more massive capital expenditure (CapEx) spending.

Supersizing port infrastructure is the most visible sign of Panamax preparedness projects. Just as important are the shifts in the trade routes, as well as in the competition occurring in anticipation of the first post-Panamax decade (2015–2025). Inland ports are becoming increasingly important, and a potential labor strife in 2014 could have a significant negative impact on West Coast ports. In the latest report, Conway also examines the implications of the Suez Canal's growth in container shipping (in the last three years, it's grown at a faster rate than the Panama Canal) and the emergence of dual-fuel post-Panamax vessels (which use diesel while at sea and natural gas when docked to minimize environmental impact).

According to Conway, expected winners and losers are already identifiable, and the emergence of intermodal and inland distribution as the real beneficiaries of the Panama Canal expansion is now clear. "These capabilities will differentiate winners in the new world of trade," Conway says. Southeast ports are especially good at this—the report recognized the South Carolina Ports Authority for opening its new inland port in Greer in October 2013, which links to the Port of Charleston.

COLLIERS 2H 2013 NORTH AMERICAN PORT AWARDS:

➤ **SIGN OF THE TIMES**
NOAA, for discontinuing printed navigational charts.

➤ **"A-RATED" PORT**
Port of Los Angeles: For maintaining "AA" rating with S&P since 1995—longer than any other U.S. port authority.

➤ **GDP (GULF'S DARN PROFITABLE) PORT**
Port of Houston: This kind of stellar operational performance will enable the port to obtain funding for remaining post-Panamax readiness (mainly dredging).

➤ **THE NEWEST "SHORE" THING**
South Carolina Ports Authority: For flawless execution of its new inland port in Greer, SC.

The Newest 'Shore' Thing: South Carolina Ports Authority

This was awarded for the authority's flawless execution of the new inland port in Greer. The Port of Charleston will use Greer to offer cost-effective intermodal shipping to protect existing business and grab market share from competitors.



North American Port Analysis

BIGGIE-SIZE IT

K.C. CONWAY, MAE, CRE Chief Economist | USA

THE HEALTHIEST PORTS

The Port of Baltimore is excelling in the area of auto imports and exports in its first year as a PPMX port—to the detriment of New York. The Port of Tacoma is now a PPMX-ready port handling more than 1 million container units. The Port of Virginia is the original deep-water port on the East Coast, and has no physical, port leadership or business strategy deficiencies. The Port of Cleveland is a new port award honoree for recognition of its new express freight service to Europe, which gives Midwest and Ohio Valley manufacturers and producers an alternative supply route to ship their goods and commodities to Europe, instead of sending first by truck and rail to New Jersey or New York for export. Finally, the South Carolina and Georgia Port Authorities have taken a cue from Virginia and are both developing inland ports. Colliers recognizes the development of these new inland ports as the “Newest ‘Shore’ Thing” in port infrastructure development with one of its 10 new port awards.



The ports of Charleston and Savannah will duel it out along the banks of the Savannah River for status as the East Coast’s Long Beach.

The **Red Shoe Economist** recognized **back in 2013-2014** what **Jim Newsome** was creating at **SCSPA** with Inland Port Greer; and noted Inland Ports would put **GA & SC ports on a path to duel it out for title of LA & LB equivalents on East Coast.**

Significant Announcements:
 Remington Firearms HQ – LaGrange
 Hyundai EV Plant (SK Battery)
 Gainesville Inland Port (104 acres) - I-985
 Intuitive Surgical Robot Manufacturer – Gwinnett County

Georgia

Pop. (2020): 10,746,984

Median household income (2020): \$59,084

Credit Rating: AAA/Stable

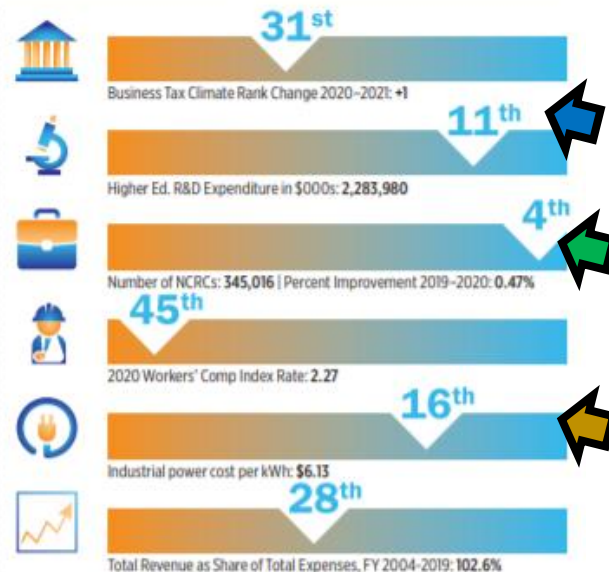
Pop. growth 2020–2025: 1.07%

Median age (2020): 37

Right-to-work state: Yes

Legislative Update

- COVID-related cuts to the state budget totaling nearly \$2 billion included \$1 billion stripped from K-12 and higher education. Originally targeted for cuts totaling about 14%, state expenditures dropped by 10% as Georgia drew from its Rainy Day Fund to help avoid deeper spending reductions.
- Georgia added mandatory audits for companies that benefit from the state's film tax credits, among the most generous in the country. The new stipulation is intended to ensure that companies are using the credits properly. The Georgia General Assembly put down calls to place an annual cap on film tax credits.
- Passed on July 29, 2020, Georgia House Bill 781 eliminates the existing requirement of notification of a bond cancellation by mail. Mortgage loan originators, brokers, or lenders can now inform the state of a bond cancellation electronically through the Nationwide Multistate Licensing System and Registry.
- The General Assembly approved a bill to impose a 50-cent fee on for-hire ground transportation trips and 25-cents upon any shared for-hire ground transport trip. Providers received an exemption from state sales and use taxes.



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Rank in Workers' Compensation Premium Rate state rankings by the Oregon Department of Consumer and Business Services' IT and Research Division, October 2018



Rank by Lowest Industrial Electric Power Cost (¢/kWh, EIA)



Rank in Fiscal Health (based on data from Pew Center on the States' Fiscal 50, Dec. 2020)

GDP

9th

GDP Growth Rate Trend



2019 GDP
(in millions of current US\$)
\$625,714

EV Auto Manufacturing to Explode in the Southeast!

Automotive News

May 17, 2021



Hyundai Motor Group ready to spend big in the U.S.

The South Korean automaker will invest \$7.4 billion in the U.S. by 2025 as it seeks to become the third-largest maker of eco-friendly vehicles.

The South Korean automaker said it will invest \$7.4 billion in the U.S. by 2025 to produce a "suite" of electric vehicles, upgrade factories and develop smart mobility technologies.

Hyundai Motor Group, which includes Hyundai, Kia and Genesis, aspires to sell 1 million electric vehicles globally and take a 10 percent market share to leapfrog to the front of the EV field by mid-decade. Hyundai is launching a global battery-electric brand that uses the Ioniq name from its current hybrid and EV hatchbacks.

The new investment plans — although Hyundai has not yet spelled them out — illustrate a significant new issue for the industry as it rushes to electrify: **Importing vehicles into the U.S. is a passing luxury.** Automakers must consider local production for vehicles and batteries as they turn to EVs, and that will come with vast new capital investment. **Shipping the heavy and technologically advanced vehicles from overseas factories appears to be a nonstarter.**

The automaker did not say which of its U.S. plants will receive the investments, or if it plans to build factories. **Hyundai operates one assembly plant in Montgomery, Ala., while Kia operates a factory in West Point, Ga., and another in Mexico.**

<https://www.autonews.com/manufacturing/hyundai-motor-group-ready-spend-big->

I-85 Corridor:

- Charlotte to Atlanta
- SK Batteries - Commerce GA
- KIA in WestPoint GA
- Hyundai in AL & GA
- Port of Mobile



SK Innovation to expand Georgia electric vehicle battery plant

SK Innovation is planning a \$940 million expansion of its electric **vehicle lithium-ion battery plant in Commerce, Ga.,** that would create 600 jobs, according to a press release from Gov. Brian Kemp's office. The expansion would bring the company's total investment in the state for EV battery production to more than \$2.6 billion.

SK Innovation is part of SK Group, one of the largest conglomerates in South Korea. The company broke ground on its first phase of its Georgia manufacturing plant at Commerce 85 Business Park in Jackson County in March 2019.

Plans are to break ground in July on its second facility that is reported to cost \$727 million and will have an annual capacity of 11.7 gigawatt-hours of **batteries with production aimed for 2023, according to Reuters.**

The two facilities were part of a \$1.67 billion investment in the state with the promise to create 2,000 jobs in Jackson County, located about **70 miles north of Atlanta.** When both facilities are complete in 2023, SK innovation will have the **capacity to produce batteries for 310,000 electric vehicles per year,** according to the governor's office.





10 consecutive months of positive year-over-year growth in Savannah

Port of Savannah - TEU Total for All Terminals.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2021	459,608	390,804	498,064	466,633	478,620	446,815	449,916	485,595	472,062	504,347			4,652,463
2020	377,671	364,405	335,789	337,890	337,359	338,287	360,697	441,596	412,138	464,095	464,804	447,525	4,682,255
2019	430,079	312,042	410,326	364,481	373,394	361,906	387,022	437,747	369,999	428,381	362,964	360,834	4,599,172
2018	338,793	341,094	355,208	356,717	361,029	370,726	378,767	375,844	364,150	413,778	344,506	351,366	4,351,976
2017	331,468	330,539	311,770	333,006	350,104	337,711	336,099	348,297	325,141	409,814	309,147	323,117	4,046,212
2016	285,301	307,035	295,149	298,040	313,485	288,364	314,714	330,846	308,348	310,393	300,671	292,173	3,644,519
2015	293,654	284,037	333,056	335,907	338,207	330,420	324,242	315,175	317,417	321,094	284,146	260,074	3,737,427
2014	259,091	248,750	260,559	266,935	290,436	268,119	293,889	301,822	295,698	311,760	271,357	277,634	3,346,048
2013	230,372	242,425	232,545	258,951	261,520	265,787	246,652	280,813	261,821	274,327	243,215	235,300	3,033,727
2012	247,102	237,076	259,795	248,911	256,530	258,950	252,130	270,610	257,159	230,640	228,184	219,128	2,966,213
2011	236,981	235,643	238,013	260,063	254,330	245,544	262,723	237,792	269,856	255,116	234,150	214,472	2,944,681
2010	225,837	202,568	227,860	239,742	231,762	240,734	251,128	248,471	242,994	273,277	222,281	218,522	2,825,178
2009	188,109	167,970	171,987	193,839	185,917	179,451	208,087	207,259	202,911	234,084	199,314	217,585	2,356,511
2008	223,717	214,386	218,209	218,469	213,979	209,674	220,797	228,543	240,140	230,253	213,763	184,197	2,616,125
2007	177,388	189,036	207,989	204,733	220,806	215,200	231,691	236,009	250,551	249,501	218,391	203,016	2,604,310
2006	177,539	160,792	172,193	173,389	177,743	175,411	182,432	181,419	193,611	207,624	180,292	177,752	2,160,196
2005	150,841	144,958	148,992	153,911	148,791	149,232	162,095	166,856	169,756	191,112	161,789	153,174	1,901,506

SAVANNAH, Ga., July 26, 2021 — For the first time in its history, the Port of Savannah has **moved 5.3 million twenty-foot equivalent units, growing cargo volumes by 20 percent in Fiscal Year 2021**, or nearly 900,000 TEUs compared to the previous year. The Port of Savannah was the first container terminal in the Southeast or Gulf Coast to move 5 million twenty-foot equivalent container units in a fiscal year.

A **14% increase in total rail volumes** at Garden City Terminal, up 68,000 lifts to a total of nearly 550,000 rail lifts on the year. At the Appalachian Regional Port, **rail lifts grew by nearly 26 percent**, an increase of 7,000, for an annual total of more than 34,000 lifts.



The Largest U.S. East Coast Containerport

The Port of New York and New Jersey offers numerous options to move your cargo, providing unmatched access to one of the largest and most concentrated consumer market in the world, as well as fast access to key inland and northern markets.




Monthly Cargo Volumes



2021

Source: PONYNJ Terminal Operator and Facility Rail Data

Year-to-Date

YTD	Import TEUs		Export TEUs		Total TEUs		
	Loads	Empties	Loads	Empties	Loads	Empties	Total
 YTD June 2021	2,241,180	12,848	699,251	1,441,793	2,940,431	1,454,641	 4,395,072
YTD June 2020	1,708,731	10,227	659,212	987,055	2,368,343	997,282	3,965,625
% Change	31.2%	25.6%	6.0%	46.1%	24.2%	45.9%	 30.6%

Significant Announcements:

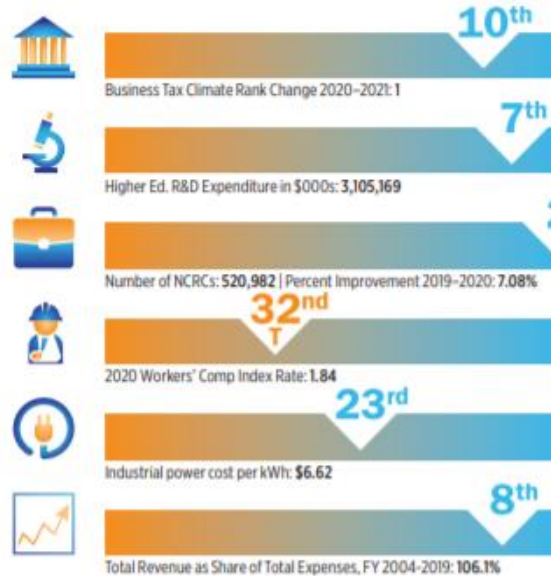
NC is deserving of a #2 ranking – arguably #1 over VA
 Apple HQ – Research Triangle Park
 Google Cloud Engineering Hub - Durham
 Red Bull Distribution Facility – Cabarrus County
 Fujifilm Diosynth Biotech Facility – Holly Springs

North Carolina

Pop. (2020): 10,736,879
 Median household income (2020): \$54,889
 Credit Rating: AAA/Stable
 Pop. growth 2020–2025: 1.13%
 Median age (2020): 39
 Right-to-work state: Yes

Legislative Update

- House Bill 1080 extends the sunset of the state's Jobs Development Investment Grant Program until January 1, 2030. From JDIG's first award in 2003 through June 2019, NC Commerce had disbursed \$338,564,372 to companies for creation of 47,793 new jobs and retention of 93,052 jobs, with grantees investing nearly \$8.4 billion.
- The Championship NC Act that became law in September modifies the Site Infrastructure Development Fund (SIDF) to allow businesses to be eligible for a site development award so long as they met certain very detailed criteria that were targeted to attract a project named a week later: The United States Golf Association announced it will establish "Golf House Pinehurst" in North Carolina, to include a new equipment-testing facility, innovation hub, museum/visitor center and offices by 2023, and host five U.S. Open Championships by 2047. An initial \$25 million will back construction of two buildings at Pinehurst where 50 USGA staff members will work.



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Rank in Workers' Compensation Premium Rate state rankings by the Oregon Department of Consumer and Business Services' IT and Research Division, October 2018

Rank by Lowest Industrial Electric Power Cost (¢/kWh, EIA)

Rank in Fiscal Health (based on data from Pew Center on the States' Fiscal 50, Dec. 2020)



Significant Announcements:

Mercedes EV parts facility – Vance
FedEx Ground Logistics Facility – Jefferson County
Mazda-Toyota Manufacturing Plant – Huntsville
Hyundai Manufacturing Plant – Montgomery
Port of Mobile (Airbus, Wal-Mart + more)



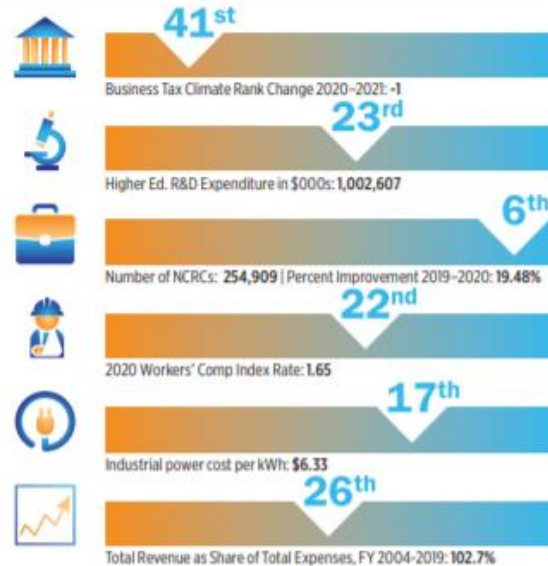
Alabama

Pop. (2020): 5,028,316
Median household income (2020): \$50,554
Credit Rating: AA/Stable

Pop. growth 2020–2025: 0.46%
Median age (2020): 40
Right-to-work state: Yes

Legislative Update

- Gov. Ivey, in mid-December, extended the sunset dates for the Alabama Jobs Act and Growing Alabama tax credits. The Alabama Jobs credit, which was instrumental in recruiting Huntsville's \$2.3 billion Mazda Toyota project, had been set to expire Dec. 31 due to COVID-related inaction on the part of the Alabama legislature. Ivey's declaration extends the programs until the legislature can act to address them, which it intends to do when it meets in February.
- Lawmakers approved, and the Governor signed, a \$7.2 billion Education Trust Fund budget for the Fiscal Year that began in October. The education budget represents an increase of \$91 million over FY 2020, about \$300 million less than what was proposed at the beginning of the legislation session prior to the coronavirus onslaught. Gov. Ivey also signed legislation authorizing a \$1.25 billion bond issue for capital improvement projects for K-12 and higher education.
- A law that took effect in March 2020 prevents private, for-profit auditors from recovering costs associated with completing a tax audit directly from a taxpayer. The law prohibits such firms from recovering professional service fees, travel costs, salary-related expenses and auditing or collecting related costs. The impetus for the law was a case in which a taxpayer was charged more than \$35,000 in expenses that private auditors would normally charge to the government.



Rank in the Tax Foundation's 2021 State Business Tax Climate Index (Oct. 2020)



Rank in 2019 Higher Education R&D Expenditure (Total in \$000s in parentheses)



Rank in percent improvement in ACT National Career Readiness Certificates earned by working-age adults between Dec. 2019 and Dec. 2020 (total number and percent improvement shown below ranking bar)



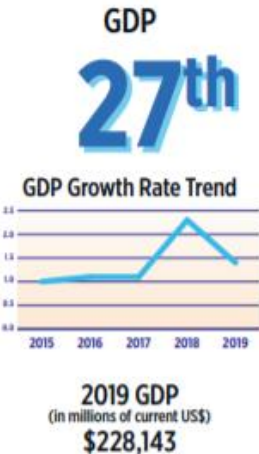
Rank in Workers' Compensation Premium Rate state rankings by the Oregon Department of Consumer and Business Services' IT and Research Division, October 2018



Rank by Lowest Industrial Electric Power Cost (¢/kWh, EIA)



Rank in Fiscal Health (based on data from Pew Center on the States' Fiscal 50, Dec. 2020)



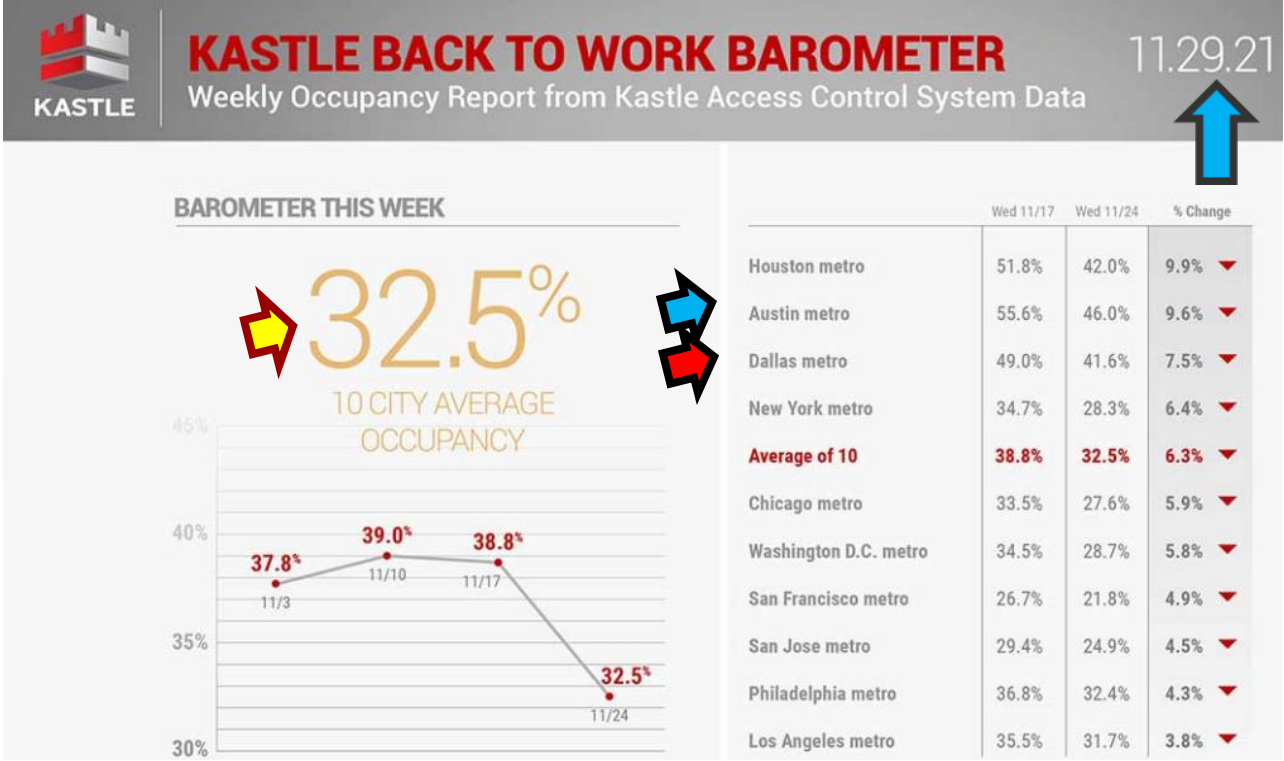
Office and Remote Work?

Kastle Back to Work Barometer

City-by-City Views of America's Office Use



	Wed 11/17	Wed 11/24	% Change
Houston metro	51.8%	42.0%	9.9% ▼
Austin metro	55.6%	46.0%	9.6% ▼
Dallas metro	49.0%	41.6%	7.5% ▼
New York metro	34.7%	28.3%	6.4% ▼
Average of 10	38.8%	32.5%	6.3% ▼
Chicago metro	33.5%	27.6%	5.9% ▼
Washington D.C. metro	34.5%	28.7%	5.8% ▼
San Francisco metro	26.7%	21.8%	4.9% ▼
San Jose metro	29.4%	24.9%	4.5% ▼
Philadelphia metro	36.8%	32.4%	4.3% ▼
Los Angeles metro	35.5%	31.7%	3.8% ▼



Austin has highest “Return-to-Office” ratio at 46%. Austin, Dallas & Houston are the only MSAs with >40% ratio.

➡ **Despite vaccinations, <1/3rd of us are returning to the office!**



Office CRE: The Rest of the Story Is Still Being Written

By CCIM Institute Chief Economist K.C. Conway, CCIM, MAI, CRE

Office Sublet Vacancy

CRE brokerage companies such as Colliers have led the charge on this data during COVID-19. In November 2020, Colliers again began tracking sublet vacancies in their quarterly Office Market Outlook reports. The 2Q21 edition showed the U.S. had more sublet office vacancy than at any point since data began being tracked in 1990 — and a shocking 30 msf more than at the peak of the Great Recession.⁹ Colliers tracks this data at an MSA level and reports across most major markets (excluding the San Francisco, Houston, New York, Chicago, and Washington, D.C., elevated outliers) that sublet vacancy now adds approximately 2 percent to the overall vacancy rate compared to pre-COVID-19. The report also cites that sublet vacant space rents are anywhere from 25 percent to 50 percent below market asking rents.

OFFICE SUBLEASE CONTINUES TO RISE

Top 10 Office Markets: 3Q20 Sublease Data

- Nationally, **44.2 million sf of sublease space has been added** in the past six months.
- Sublease space is 30 million sf higher** than it was at the peak of the Great Financial Crisis. The national sublease availability rate on multi-tenant space is 2.2%.
- But nearly all **top 10 markets have a higher sublease rate** than that, indicating pressure on the major markets.
- San Francisco leads with a sublease availability rate of 7.8%.** Seattle, Los Angeles, and San Jose/Silicon Valley are all at or above 3%.
- CBD Class A sublease rental discounts are highest in Houston (49.5%), Seattle (35.9%), and Washington, D.C. (31.8%).

MARKET	MARKET INVENTORY (SF)	CLASS A SUBLEASE RENT DISCOUNT	AVAILABLE SUBLEASE (SF)	SUBLEASE AVAIL. RATE
Atlanta	225,837,422	24.4%	4,403,826	1.9%
Boston	220,716,735	14.3%	6,180,446	2.8%
Chicago	312,299,861	25.7%	8,044,889	2.6%
Dallas*	299,401,159	11.3%	8,565,953	2.9%
Houston	229,305,284	49.5%	5,695,339	2.5%

Office Asset Prices: CBD Declines, **SUB Rises**

CPPI (Commercial Property Price Indices)



CRE Asset types had Positive CPPI every period past decade, except Office past 1Yr.

RCA CPPI™ US
Commercial Property Price Indices

August 2021

Change in RCA CPPI August 2021

	1-mth	3-mth	1-yr	3-yr	5-yr	10-yr
Office	1.3%	2.6%	11.2%	14.1%	29.9%	82.6%
Office - CBD	0.0%	-0.1%	-3.7%	0.6%	10.4%	77.2%
Office - Sub	1.6%	3.3%	14.8%	15.7%	33.9%	85.7%
Industrial	1.3%	2.7%	13.6%	37.7%	60.4%	130.7%
Retail	1.9%	3.7%	12.1%	10.7%	13.9%	58.3%
Commercial	1.3%	2.5%	11.3%	19.8%	32.5%	87.3%
Apartment	1.6%	3.2%	14.7%	33.4%	62.9%	172.0%
All Types	1.5%	3.0%	13.5%	25.0%	43.5%	116.6%
6 Major Metros All Types	1.1%	2.3%	9.9%	19.2%	35.0%	107.3%
Non-Major Metros All Types	1.4%	2.7%	13.9%	26.8%	46.5%	121.5%

RETAIL Headlines: It's a mixed bag of Good and Not-So-Good

MarketWatch

U.S. retail sales still strong but ...

... higher prices, or inflation, is exaggerating some of the increase

\$700 million



Note: Seasonally adjusted.

Source: U.S. Census Bureau via St. Louis Fed

Is the fun ever coming back to holiday shopping?

The joy of the season wasn't as prevalent last year. With the continued threat of the pandemic and rise of e-commerce, it hasn't fully returned this year either.

17 retailers have filed for IPOs in 2021. What does that say about the industry?

From Warby Parker and Allbirds to Claire's and Mattress Firm, companies across sectors are seizing the opportunity to enter the public markets.

The war for retail talent: Breaking down the search for workers

Oracle Retail addresses the war for talent by sharing strategies and technology for recruiting and retention.

To woo workers, Macy's boosts hourly pay to \$15, introduces education benefits

The retailer is investing in efforts to attract and retain talent as it accelerates its Polaris growth strategy, which was delayed by the pandemic.

SQUAWK BOX | **DREXLER ON THE SHOPPING SEASON**
"RETAIL IS NOT FULLY BACK"



CRE Performance: Strip Retail a Plus Surprise

ULI 2022 Emerging Trends

Table 1.1: REIT Returns During the Pandemic

Exhibit 1-19 Change in Share of All CRE Transactions, 1H 2021 versus 1H 2019

Sector	Change
Apartments	-8%
Hotel*	23%
Industrial	12%
Office	-49%
Retail	-33%
Total conventional	-17%
Development sites	-30%
Total alternative**	11%
Total, all sectors	-14%

Source: Real Capital Analytics; compiled by Nelson Economics.

Industrial and Hotel only
2 CORE Property Types
to see **Increased CRE Transactions** 1H2021 vs
1H2019

Until Rate hikes and
Mtg. Forbearance ends

Index / Property Sector	Constituents	Market Cap (\$B)	Total Return (%)			
			Feb 21, 2020 - Mar 23 2020	Mar 23, 2020 - Nov 8, 2020	Nov 8, 2020 - May 21, 2021	Feb 21, 2020 - May 21, 2021
All Equity REITs	158	1,319	(41.9)	41.6	24.1	2.2
Equity REITs	150	1,059	(44.4)	40.9	28.3	0.6
Hardest-hit sectors:						
Retail	32	154.8	(54.6)	25.9	63.5	(6.5)
Shopping Centers	18	55.2	(52.0)	11.0	94.3	3.6
Regional Malls	4	42.8	(62.3)	21.8	99.6	(8.2)
Free Standing	10	56.7	(50.3)	41.9	24.9	(12.0)
Diversified	16	51.2	(53.1)	33.0	39.8	(12.8)
Lodging/Resorts	13	37.3	(56.5)	25.2	70.3	(7.2)
Health Care	17	116.6	(50.6)	43.8	25.6	(10.8)
Digital Economy real estate sectors:						
Industrial	13	151.8	(34.5)	58.6	13.8	18.2
Infrastructure	4	223.4	(28.5)	39.7	6.5	6.4
Data Centers	5	123.9	(24.8)	53.5	(2.8)	12.2
Other sectors:						
Office	19	91.7	(43.8)	12.7	39.4	(11.7)
Residential	20	196.1	(44.1)	35.4	31.1	(0.8)
Apartments	15	135.8	(44.7)	27.5	36.2	(4.0)
Manufactured Homes	3	30.4	(40.9)	40.0	17.8	(2.6)
Single Family Homes	2	29.9	(44.4)	75.6	24.2	21.2
Self Storage	5	78.4	(30.9)	52.0	25.8	32.1

Influence
Density



RETAIL CRE & Adaptive Reuse: AdRu 1.0 / 2018 Paper

3Q18 Commercial Real Estate Insights Report

“Adaptive Reuse: **Turning Blight into Bright**” represents the first step to redefine and quantify the adaptation of obsolete commercial properties for new uses as an institutional-grade product category. Highlighting projects from across the country, the 3Q18 report explores the opportunities and challenges of the new era of adaptive reuse.

Adaptive Reuse: Turning Blight into Bright



Adaptive Reuse 2.0

Highlighting South Florida as a shining example of Adaptive Reuse 2.0



Prepared By:

KC Conway, CCIM, CRE, MAI

Red Shoe Economics, LLC

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WHAT IS A BUSINESS IMPROVEMENT DISTRICT (BID)?

A BID establishes a geographically defined area where a special assessment is charged to property owners in the district to provide special services, programs, and/or improvements within the district above and beyond what the local government provides. It typically has an entity that oversees the district and implementation of initiatives and projects, such as a non-profit organization with a Board of Directors and committees.



Figure E-2: Business Improvement District

2021-22 Top Ten Issues Affecting Real Estate®

LOGISTICS & INDUSTRIAL WAREHOUSES

TOP TEN ISSUES AFFECTING REAL ESTATE®

The Counselors of Real Estate®

10. Bifurcation of Capital Markets

9. Adaptive Reuse 2.0

8. Economic Structural Change

7. Political Polarization

6. Housing Supply and Affordability

5. Infrastructure: New Imperatives Emerge

➔ 4. **Logistics** KC Conway, CRE, CCIM, MAI authored this Top-10 Issue

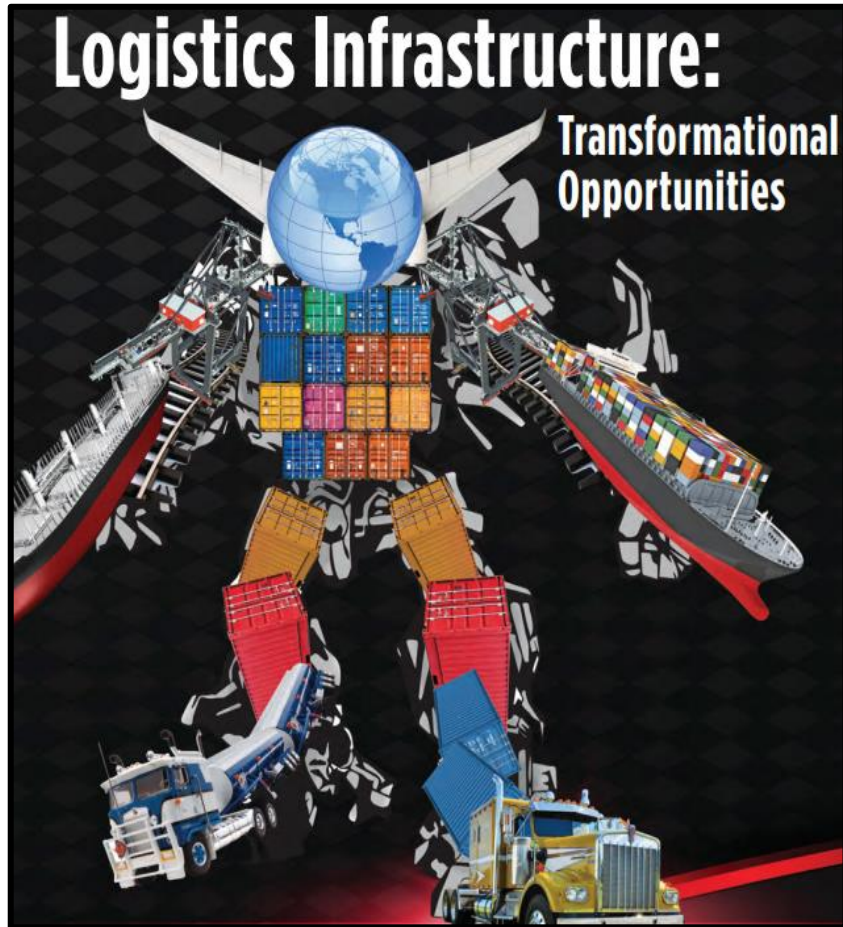
3. ESG at a Tipping Point

2. Technology Acceleration and Innovation

1. Remote Work & Mobility

Logistics Infrastructure:

Retail/Big-Box Appeals - It's all about “Order Online & Deliver”



“Build the Logistics Infrastructure and Development will come”
is not a cliché – it is Transformational Logistics in action.



The shift from **SHOP-AND-TAKE-HOME** to **ONLINE-ORDER-AND-DELIVER** will result in less retail store square footage, but the tradeoff will be many new fulfillment centers and warehouses aligned with new LI.



LI is driving the “WHY” and “WHERE” decisions for CRE development

Examples of this transformation in action are the locations of new **AMAZON** and **WALMART** fulfillment centers developing near **Intermodal**.

Just as the steel and textile industries left the US in the 1970's & 1980's in pursuit of cheap labor abroad; retail, distribution, and **manufacturing businesses are at risk of leaving cities and states that DO NOT invest in LI and update aging infrastructure.**

Last-Mile Logistics: Commercial Real Estate's Growth Engine

By CCIM Institute Chief Economist K.C. Conway, CCIM, MAI, CRE

*2Q21 Commercial Real
Estate Insights Report*

Middle Mile Capacity: Houston, Phoenix, TX, etc., We have a Problem!

OnTrac to stop accepting new peak business on Sept. 1

Last-Mile Site Selection Tip: Know where these RPDCs are located!

Regional carrier already maxed out its current capacity by early August, executive said

Regional parcel delivery carrier OnTrac, which serves eight western states including every zip code in California, will not take on any new fourth-quarter business after Sept. 1, a company executive confirmed Wednesday.

Businesses will need to be fully onboarded with the Phoenix-based carrier as of that date for their parcels to be moved during the peak holiday shipping season, Mark Magill, OnTrac's vice president of business development, told FreightWaves in e-mailed comments.

OnTrac effectively reached peak fourth-quarter capacity earlier this month, Magill said. As a result, the carrier will have its hands full even accommodating those customers who get in under the deadline, he added.

OnTrac is also capping volumes of existing customers largely due to an ongoing driver shortage that has severely constrained its capacity, Magill said.

Magill said that all regional carriers are about to close their doors on new fourth-quarter business, and that any customers onboarded after the carriers' respective deadlines will have to wait until the first quarter of 2022 to be serviced. On Tuesday, Richard M. Metzler, CEO of Austin, Texas-based regional delivery carrier LSO, which serves every zip code in Texas and operates in nine other states, said his carrier is just about maxed out on fourth-quarter volumes from existing customers.

Adding to the high stakes is the recently emerging consensus that daily peak demand will exceed available capacity by approximately 5 million parcels. The capacity shortfall underscores big shippers' concerns that FedEx and UPS will be unwilling or unable to handle the expected volume spikes, even though both have enhanced their respective networks to improve throughput.



OnTrac: Phx HQ
LSO: Austin TX

Valuation of Last Mile and eCommerce Warehouses

Prices of US Warehouses with FedEx, Amazon as Tenants

By Wyatt Avery on August 7th, 2020



Distribution warehouses continued to be a target for investors in the second quarter of 2020 amid heightened attention on the backbone of logistics infrastructure.

While sales activity in the U.S. industrial sector dropped during the quarter, buffeted by lockdown restrictions and economic uncertainties, the sector's decline was the smallest of any major property type. And, of the \$11.1 billion in industrial transaction volume, around one-third came from sales of distribution warehouses.

In the table below we show a selection of second quarter property deals with Amazon or FedEx – two delivery behemoths that have benefited from the surge in online shopping during the pandemic – as the sole tenant.

Selected US Warehouse Transactions Q2 2020

Property	Location	Size (sf)	\$/sf	Vol (\$m)
Kenosha Enterprise Park (Amazon)	Kenosha, WI	1,531,890	114.9	176.0
Amazon Shakopee	Shakopee, MN	820,000	144.8	118.7
Amazon Distribution Center	North Las Vegas, NV	855,000	128.7	110.0
Amazon CLT3	Concord, NC	1,015,740	82.7	84.0
Florida Crossroads Logistics Center (Amazon)	Ocala, FL	617,055	94.6	58.4
FedEx Ground Distribution Center	Whitsett, NC	270,000	176.3	47.6
FedEx Freight	Fremont, IN	118,000	170.2	20.1
FedEx Distribution	Ogden, UT	69,734	185.0	12.9

The “New Big-Box”
is changing:

- 10:1 Land to Bldg Ratio
- Alt. Refueling on-site
- More Tech in the Box
- Operate 24/7
- Rent NOT #1 concern



The Changing Industrial Box – Pioneering a New Path



No more room at the logistics warehouse inn, Prologis says
Space in its markets 'effectively sold out,' CEO says



Prologis Inc. ([NYSE:PLD](https://www.nyse.com/quote/NYSE:PLD)) Chairman and CEO Hamid R. Moghadam said in the San Francisco-based third-quarter earnings report that **"space in our markets is effectively sold out."** Prologis operates **995 million square feet** of logistics warehouse space in **19 countries**.

<https://www.freightwaves.com/news/no-more-room-at-the-logistics-warehouse-inn-prologis-says>

Cap Rate Survey

FIRST HALF 2021

Industrial

Every industrial market reported lower cap rates than in H2 2019. This reflects strong investor appetite for the property type, which benefited from strong e-commerce demand during the pandemic.

CBRE

Industrial – South

4.25% to 6%

CLASS A INDUSTRIAL
CAP RATES (%) STABILIZED

MARKET	H2 2019	H1 2021
Atlanta	4.50 – 5.00	3.25 – 3.75
Dallas/Ft. Worth	4.50 – 5.00	3.90 – 4.30
Houston	4.50 – 5.00	3.90 – 4.50
S. FL: Miami	4.25 – 4.75	3.50 – 3.75
Austin	5.25 – 6.00	3.50 – 4.25
El Paso	6.50 – 7.25	6.00 – 6.75
Jacksonville	5.25 – 5.75	4.00 – 4.50
Louisville	5.25 – 5.75	4.25 – 4.50
Memphis	5.50 – 6.00	4.50 – 5.00
Nashville	5.00 – 5.50	4.00 – 4.50
Oklahoma City	6.00 – 7.00	5.00 – 5.75
Orlando	4.75 – 5.25	3.75 – 4.00
San Antonio	5.25 – 6.00	4.75 – 5.25
Tampa	5.25 – 5.75	3.85 – 4.25
Tulsa	6.25 – 7.00	5.00 – 5.75
Savannah	5.15 – 5.50	4.00 – 4.25

Industrial – East

CLASS A INDUSTRIAL
CAP RATES (%) STABILIZED

MARKET	H2 2019	H1 2021
NY: N. New Jersey	3.75 – 4.00	2.90 – 3.25
NY: Fairfield County, CT	5.75 – 6.25	4.25 – 4.75
Baltimore	4.50 – 4.65	4.00 – 4.40
Boston	4.75 – 5.25	3.00 – 3.35
PA I-78/81 Corridor	4.25 – 5.00	3.75 – 4.10
Philadelphia	4.50 – 5.00	3.00 – 3.35
Washington, D.C.	4.50 – 4.65	4.00 – 4.40
Charlotte	4.90 – 5.25	3.75 – 4.25
Pittsburgh	5.00 – 5.75	4.00 – 4.50
Raleigh-Durham	5.50 – 6.00	3.75 – 4.25

Industrial – Midwest

CLASS A INDUSTRIAL
CAP RATES (%) STABILIZED

MARKET	H2 2019	H1 2021
Chicago	4.50 – 5.00	4.00 – 4.25
Columbus	5.00 – 5.25	3.70 – 3.95
Indianapolis	5.00 – 5.25	4.25 – 4.50
Minneapolis/St. Paul	5.25 – 5.50	4.75 – 5.00
Cincinnati	4.95 – 5.25	4.25 – 4.50
Cleveland	6.25 – 6.75	5.50 – 5.75
Detroit	6.00 – 6.25	5.00 – 5.25
Kansas City	5.75 – 6.00	5.00 – 5.25
St. Louis	5.75 – 6.00	5.00 – 5.25
SE Wisconsin	5.50 – 5.75	4.75 – 5.00

The Importance of Rail

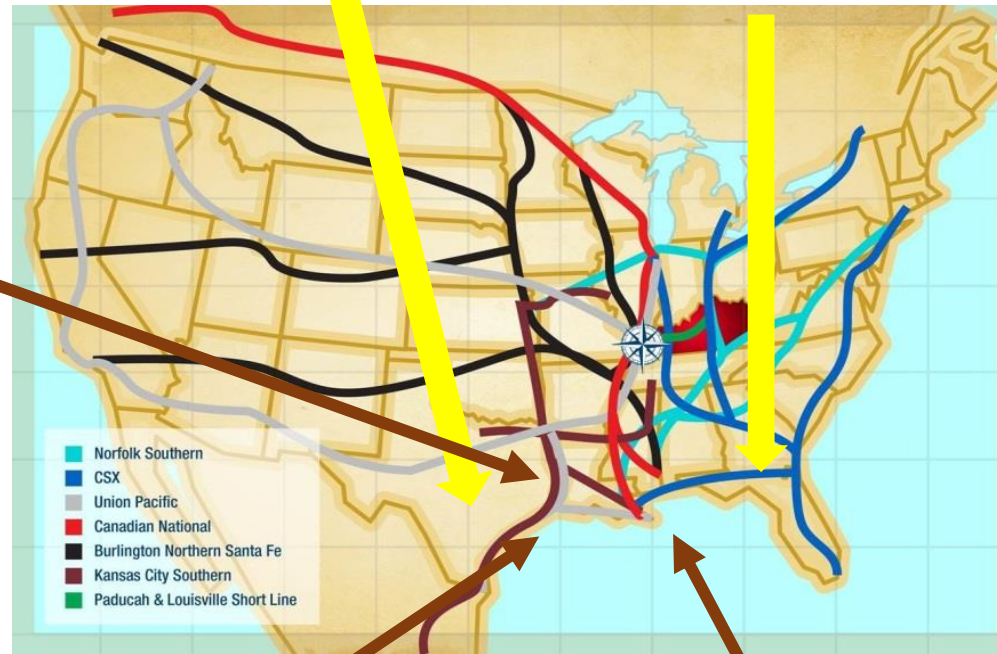
Last Mile MUST include Rail Connectivity (Inland Port, Intermodal, etc.)

Rail Time Indicators

KC Southern:

- Only direct route to all of Mexico.
- Link KCS with BNSF or CSX to create a mega RR/E-commerce power!

The 7- Class I RRs (Note CN (red) & KCS (brown))



Port Freeport:

- + 3 Class 1 RR connections;
- + 'Saudi Arabia' of Natural Gas;
- + The 'Port of Savannah' for Dallas.

Port of Mobile:

- + 5 Class 1 RR connections;
- + Only CN to Gulf RR connection;
- + New WalMart Container Terminal;
- + Airbus + auto mfg. state (Mercedes);
- + New RoRo by 2022 / Rebuild AL Bill to fund.

CSX:

- The East coast RR line serving East coast ports.
- CSX and NFS are to SE & Mid-Atlantic what UP is to CA & West-coast.
- Rail mergers are ahead post COVID (Financially weak merge with strong that need deeper SE & Gulf reach)

LOGISTICS: The Supply-Chain & Rail Story! **KSU & Canadian Rail Merger!**

The long-standing negotiation pertaining to the takeover of the Kansas, MO-based railroad operator **Kansas City Southern** **KSU finally came to a conclusion.**

Per **Canadian National Railway Company** **CNI**, the company will not upgrade its **\$33.6-billion** (inclusive of **\$3.8-billion** outstanding debt) offer to purchase **Kansas City Southern**.

A Brief Flashback to the Takeover Drama
In March 2021, Canadian Pacific reached a merger agreement with Kansas City Southern, under which the former agreed to acquire the latter for approximately \$29 billion.

KSU initially turned down the CP offer as it preferred the Canadian National offer. However, in a twist to the events, **Canadian National suffered a regulatory setback**. On **Aug 31**, the **U.S. Surface Transportation Board (STB)** gave its **verdict against CNI's proposal** to set up a voting trust.

Following this sentence, advisors, decided earlier this month that **Canadian Pacific's proposal constitutes a "Company Superior Proposal"**



KSU & Canadian Rail merger is huge.

CN is a win for TX while CP is win for AL.

CONCLUSION: Take Luke's Advice!

It's Kiawah, SC ... Enjoy a Cold Root Beer; and
One Last Cruise before Winter. There will be PLENTY to worry about in 2022!



Red Shoe Economics is an independent research firm exclusively serving today's commercial real estate community providing organic research initiatives, reports and insights on the impact of applied Economics on our industry. The company's four pillars include Economics, Forecasting, Valuation and Consulting.

Our promise is to deliver unique content providing the most comprehensive, concise and cutting-edge information on the economic impacts on commercial investments, trends and transactions - eight days a week! As a WOSB, Red Shoe Economics is dedicated to giving back to the industry we serve by furthering the advancement of women in commercial real estate.



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Economics

- Macro and Micro Analysis
- **Rezoning Impact Analysis**
- Corporate Earnings Analysis
- Ports & Logistics Industry Trends
- **Housing Economics**
- Commercial Real Estate Impacts
- State & Local Government Taxation
- Current CRE Conditions

Forecasting

- **Association Presentations**
- Red Shoe Review
- Industry/Corporate Webinars
- Podcasts/Articles/SME Interviews
- Real Estate Finance reports
- **Special Projects (LIHTC or NIMBY)**

Valuation

- USPAP Appraisal Review
- Bank Regulatory Compliance
- **Valuation Analysis**
- Highest & Best Use Advisory
- **Property Tax Expert Witness**

Consulting

- **Adaptive Reuse Advisory**
- Site Selection Validation
- **Financing Feasibility**
- Market & Feasibility Studies
- **Ports & Logistics Advisory**
- Retail Industry Insights
- ESG / DEI Advisory at CRE level
- **Story-Map Building**