

The CRE Perspective

**Hurricane & Flu Season are upon us.
Will the FOMC mitigate both with
MORE rate cuts; or ...
Is stronger medicine required?**

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NEW ORLEANS: GROWTH, STABILIZATION, OR DISRUPTION?

Disclaimer: Not in the fine print...

14th Annual Economic & Real Estate Forecast Symposium

October 10, 2024

K.C. Conway, MAI, CRE, CCIM – Economic Outlook

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Charlie Beagle
Salutes our
Veterans and
First Responders



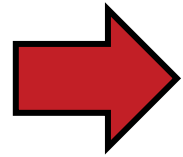
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Economic Cycles don't Die ... They are "Murdered."

Economist Rudi Dornbusch is known to have said that economic expansions do not die of old age; they are murdered.



This has been true for the last 50 years:

2020 was COVID

2008 was the Financial Crisis, \$145 crude oil

2001 was Tech crash/9/11

1991 was Iraq invaded Kuwait (400% rise in crude)

1982 was 200-year high in interest rates

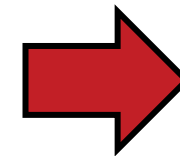
1980 100-year high in inflation

1974 was Arab Oil Embargo

Too many think the economy will either roll over or "pop." It does **NOT** work that way. **Cycles do NOT die of old age.**

How does one forecast a "Murder?"

If Rudi Dornbusch is correct, what Economic Navigation Signs should one pay attention to?



GDP, Jobs, CPI Inflation type metrics will be "late to the crime scene?"

Alternative Recession Indicators: SAHM Rule (40bps) & CAPE Ratio (34 S&P)

SAHM Rule:

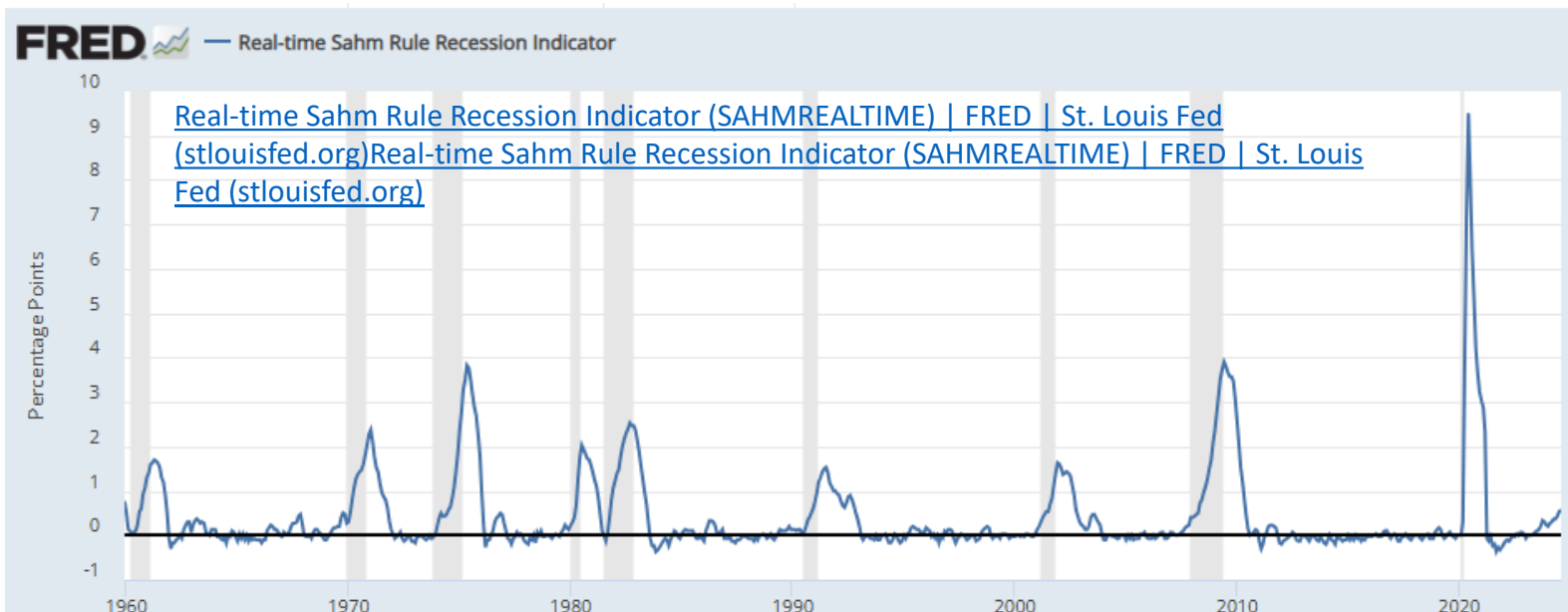
Economic rule of thumb created in early 2019 by economist Claudia Sahm.

What it says:

When the **rolling 3 month unemployment rate increases by 50+ bps vs. the trailing 12 month low**, the economy is in recession.

Why it's getting so much attention?

Since 1970, the Sahm Rule has **coincided with every recession without failure**



CAPE Ratio – Stock Market Crash Indicator

Formula for the CAPE Ratio

$$CAPE \text{ ratio} = \frac{\text{Share price}}{10\text{-year average, inflation-adjusted earnings}}$$

[CAPE Ratio \(Shiller P/E Ratio\): Definition, Formula, Uses, and Example \(investopedia.com\)](#)

The purpose of the CAPE ratio is to determine when a company or stock index is overvalued or undervalued. A high CAPE ratio indicates that the stock could be overvalued and in line for poor future returns. Conversely, a low CAPE indicates that the stock could be undervalued, potentially making it a **good buy**. Here's a quick rundown of different CAPE ratios and what they indicate:

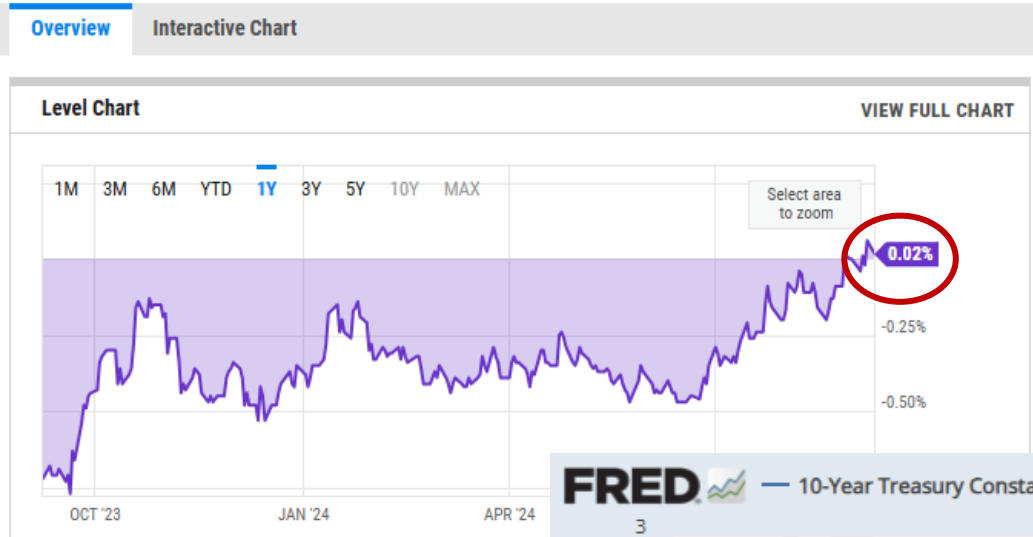
- **10 or less is a low CAPE ratio and could indicate good future performance.**
- **25 or more is a high CAPE ratio and could indicate a future crash.**
- **The historical median is a CAPE ratio of 16.**

The CAPE ratio for the **S&P 500** index is considered one potential indicator of a future [stock market crash](#).

Alternative Recession Indicators: Inverted Yield Curve – 2/10 Yr Spread

10-2 Year Treasury Yield Spread (I:102YTYS)

0.02% for Sep 09 2024

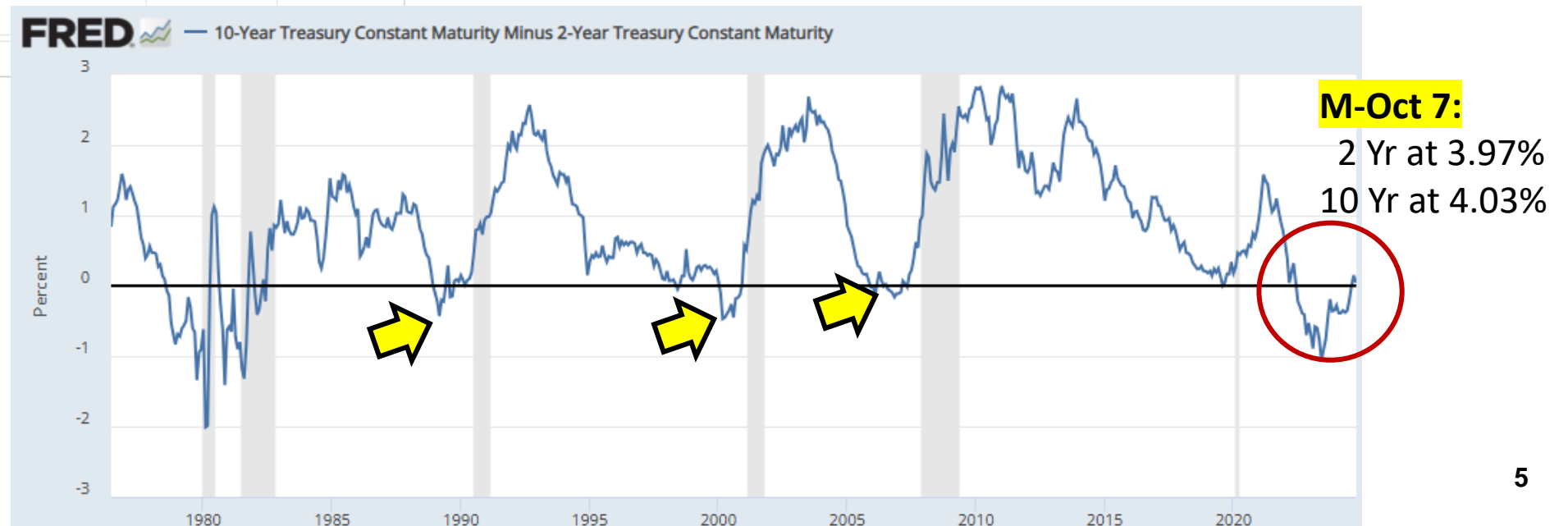


The start of the yield curve inversion combined with rising inflation are some warning signs for the next recession.

There were **six recessions between 1980 and 2020**. The recession duration in months ranged from a high of 18 to a low of two, **averaging nearly 10 months**.

The longer the yield curve is inverted the more of a drag on the economy.

When the Inversion reverts back to a normal rising slope, that's when the recession follows. We are there in a volatile market.



Small Business (NFIB) – Not all is Good – Uncertainty is at a RECORD!



[NEW NFIB SURVEY: Main Street Uncertainty Reaches All-Time High - NFIB](#)

National News Releases

NFIB & SMALL BUSINESS PRESS RELEASES



NEW NFIB SURVEY: MAIN STREET UNCERTAINTY REACHES ALL-TIME HIGH

“Small business owners are feeling more uncertain than ever,” said NFIB Chief Economist Bill Dunkelberg.

“Uncertainty makes owners hesitant to invest in capital spending and inventory, especially as inflation and financing costs continue to put pressure on their bottom lines. Although some hope lies ahead in the holiday sales season, many Main Street owners are left questioning whether future business conditions will improve.”

WASHINGTON, D.C. (Oct. 8, 2024) – The NFIB Small Business Optimism Index rose by 0.3 points in September to 91.5. This is the 33rd consecutive month below the 50-year average of 98. **The Uncertainty Index rose 11 points to 103, the highest reading recorded.**

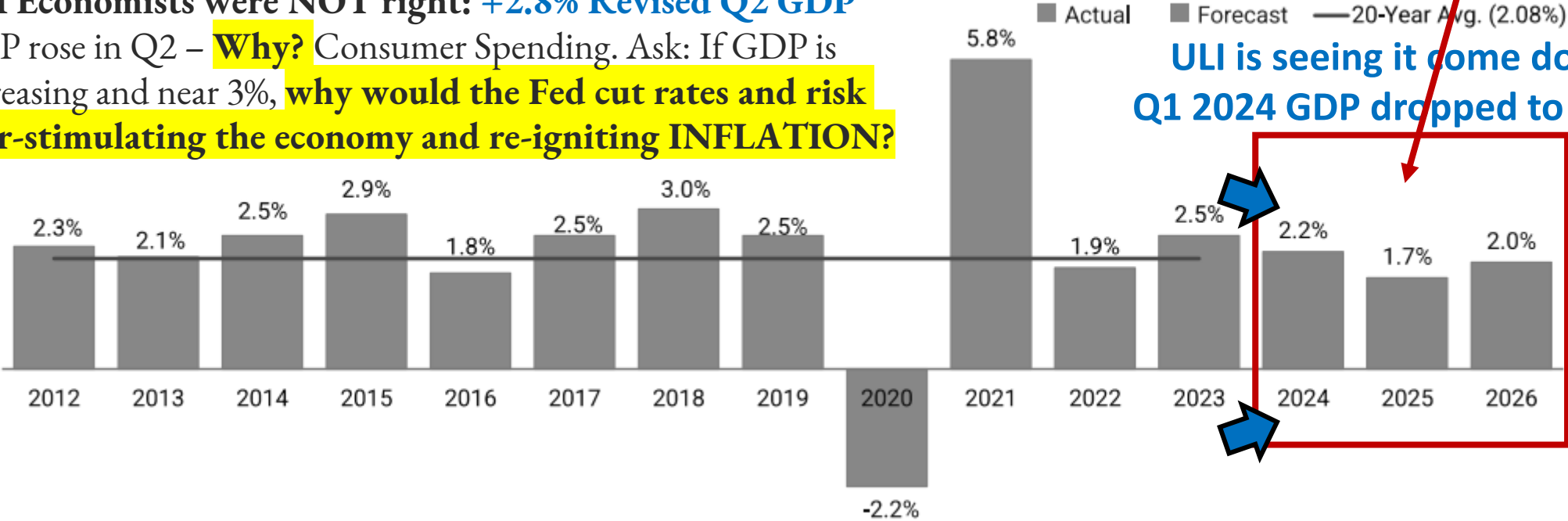
GDP Outlook: ULI NOT seeing 3%+ GDP growth; try +1.7% to 2.2%



» Real GDP Growth

ULI Economists were NOT right: +2.8% Revised Q2 GDP
GDP rose in Q2 – Why? Consumer Spending. Ask: If GDP is increasing and near 3%, why would the Fed cut rates and risk over-stimulating the economy and re-igniting INFLATION?

ULI is seeing it come down.
Q1 2024 GDP dropped to +1.3%



Sources: 2004-2023, Bureau of Economic Analysis; 2024-2026, ULI Real Estate Economic Forecast.

Why 50bp rate cut by FOMC? The FED is worried about “Full Empl.” Mandate

Why was there such a big revision to non-farm payroll growth?

Aug. 22, 2024 6:50 AM ET | By: Yoel Minkoff, SA News Editor

818,000 jobs were wiped out in the 12 months through March 2024 (or 68,000 per month), resulting in the biggest downward adjustment since the global financial crisis.

The Bureau of Labor Statistics usually surveys 100K-150K businesses each month, but the department then extrapolates from those surveys to get an estimate of how many jobs were created in the entire economy. **Later on, the quarterly re-estimation process looks at 60M business records**, many of which were not available at the time of the initial monthly payroll releases.

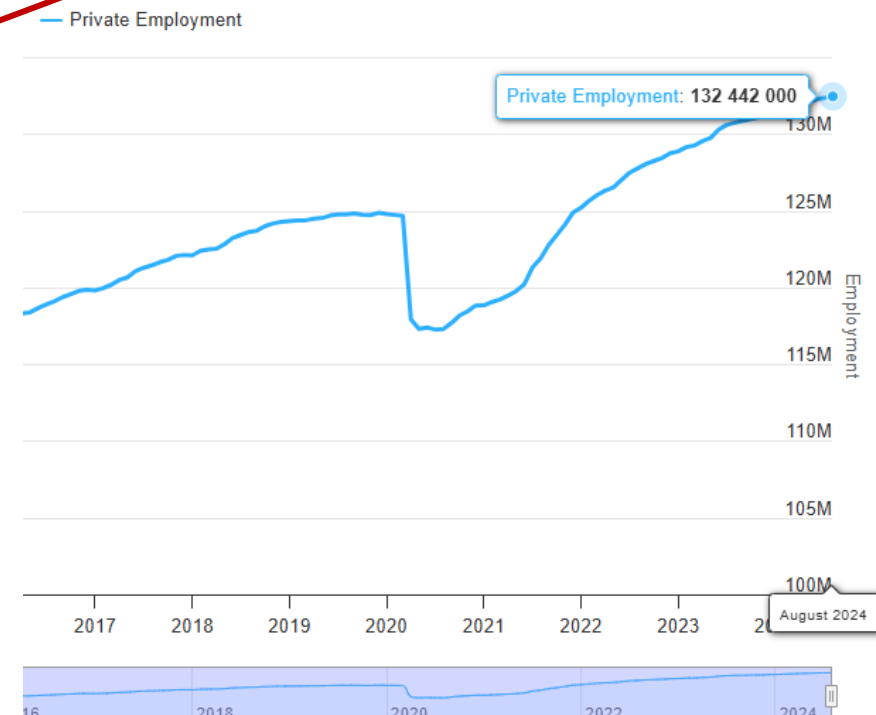
Here is an idea: The BLS could publish the data **once it has all the reports to avoid revisions.**

OR

Consult ADP – No SURVEY, but an actual count of Private Payrolls.

ADP vs BLS – Private Payrolls is what matters. And, **NO Survey**

[ADP® Employment Report \(adpemploymentreport.com\)](https://adpemploymentreport.com)



Inflation: Are we there yet? (Aug headline +0.2%, but CORE +0.3%)

Feb & Mar 2024 CPI +0.4% (+3.3% YOY) vs +0.3% Jan 2024. Where is the Inflation coming from (**SERVICES**)?

Where is Inflation relief coming from? “Goods” – CPI, *Super-Core*, *Sticky*, PCE, PPI all say INFLATION

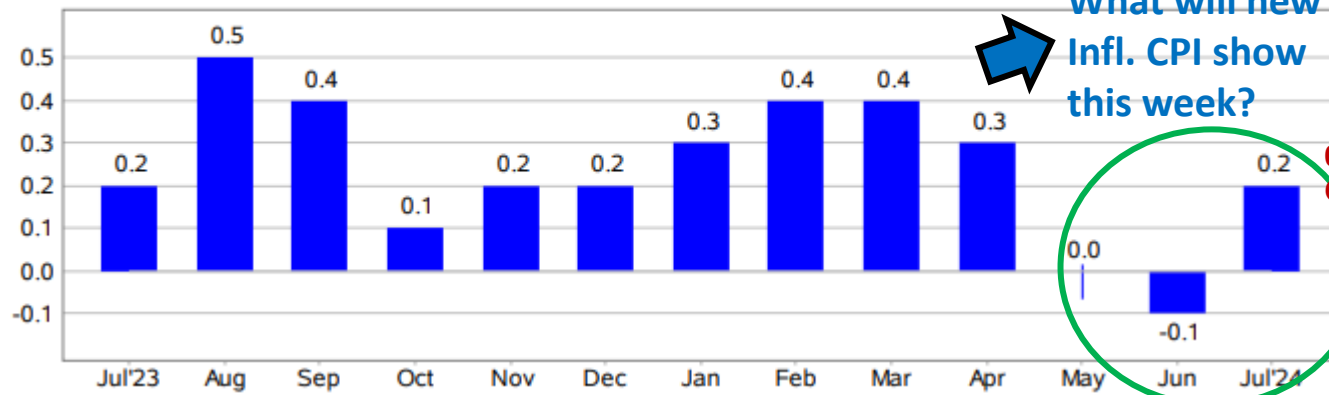
INFLATION (CPI & PPI) – The June report for CPI and PPI for the May period signaled a long-awaited first month of inflation relief giving renewed hope to the “Are we there yet?” inflation and interest rate cut questions. The latest June report revealed that the Consumer Price Index for All Urban Consumers (CPI-U) was unchanged in May on a seasonally adjusted basis, after rising 0.3 to 0.4 percent each month since the beginning of 2024

(Housing, Food, Energy, Wages – Still rising >4% - and, Services)

(Super-Core less Housing)

Energy & Services (Shelter, Trans. & Medical) remain elevated >3% to 8%!

Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, July 2023 - July 2024
Percent change



What will new Infl. CPI show this week?

Aug 0.3% Core

	Jul. 2024	Un-adjusted 12-mos. ended Jul. 2024
All items.....	0.2	2.9
Food.....	0.2	2.2
Food at home.....	0.1	1.1
Food away from home ¹	0.2	4.1
Energy.....	0.0	1.1
Energy commodities.....	0.1	-2.0
Gasoline (all types).....	0.0	-2.2
Fuel oil.....	0.0	0.3
Energy services.....	-0.1	4.2
Electricity.....	0.1	4.9
Utility (piped) gas service.....	-0.7	1.5
All items less food and energy.....	0.2	3.2
Commodities less food and energy commodities.....	-0.3	-1.9
New vehicles.....	-0.2	-1.0
Used cars and trucks.....	-2.3	-10.9
Apparel.....	-0.4	0.2
Medical care commodities ¹	0.2	2.8
Services less energy services.....	0.3	4.9
Shelter.....	0.4	5.1
Transportation services.....	0.4	8.8
Medical care services.....	-0.3	3.3

<https://www.bls.gov/news.release/pdf/cpi.pdf>



Inflation & Consumer Outlook – The Earnings Perspective

Consumers Paying MORE, but Buying Less

General Mills' Earnings: Earning Per Share Beat, Revenue Miss, and Dividend Increase
Earnings per share (EPS) came in slightly above the consensus \$0.99 estimate at \$1.01. The firm **missed revenue considerably**, coming in at \$4.71 billion versus \$4.85 billion expected. Over the full year, **net sales were down 1%**, but adjusted operating profit grew by 4% despite this. **An increase in net price realization and mix drove this. This means the company was able to charge higher prices for its products, net of any discounts provided. Although the firm sold at higher prices, lower sales volume offset this, resulting in a decrease in revenue in the end.** A \$241 million reduction in SG&A expenses boosted adjusted operating profit

General Mills lists four segments **in its annual report: North America Retail, International, Pet, and North America Foodservice.** The firm controls more than 100 unique brands, including Cheerios, Bisquick, and Häagen-Dazs, and operates in over 100 countries. **The North America Retail segment is by far the largest, accounting for 77% of operating profit. The company's Pet segment comes in at 12%**, North America Foodservice at 8%, and International at 3%.

General Mills Today



GIS
General Mills

\$63.58 +0.32 (+0.51%)
(As of 10:24 AM ET)

52-Week Range	\$60.33	▼	\$77.63
Dividend Yield	3.71%		
P/E Ratio	14.75		
Price Target	\$70.44		

Q: What is a hidden Inflation worse than Higher Rates?

BISNOW

A: Rising Property Insurance



‘It Shut Down The Deal’: High Multifamily Insurance Rates Threaten Transactions, Strain Budgets

[‘It Shut Down The Deal’: High Multifamily Insurance Rates Threaten Transactions, Strain Budgets \(bisnow.com\)](https://www.bisnow.com)

Insurance prices are growing faster for multifamily than any other commercial real estate asset class, with national operators reporting a 26% rise in insurance costs on average from 2022 to 2023 and some being hit with 300% and 400% increases.

The rise is most acute in catastrophe-prone regions, **especially Texas, Florida and Louisiana**. But multifamily owners and operators everywhere are feeling the **pain of high rates, limitations in coverage, hikes on deductibles and a shrinking private insurance market**.

That rapid ascent is expected to continue into 2024, and operators told Bisnow that **spiraling costs could kill deals, reduce returns on investments, force foreclosures and discourage investors** from even entering the multifamily space.

Q: What is to follow 2024 Hurricane season?

A: Not just even higher rates, but Insurers exiting states (CA too!)

State Farm Expects to Shed 1M Homeowner Policies

State Farm, California's largest home insurer, expects to cut 1 million stay financially solvent.

The Illinois-based firm, whose trademarked jingle is "Like a good neighbor, State Farm is there," expects it won't be here for a third of its statewide property insurance policyholders by the end of 2028, [the San Jose Mercury News reported](#).

In three years, the company projects its policies to fall to less than 2 million, from 3.1 million

In June, State Farm General, a California unit of the Illinois-based insurance giant, sought to hike homeowners insurance by a third or more to avoid going broke. This after raising customer rates 20 percent in March.

The firm has asked the Department of Insurance to allow the firm to raise homeowners insurance rates by an average of 30 percent for homeowners, 36 percent for condominium owners and 52 percent for renters.

Q: What is the next aspect of your life impacted by Property Insurance?

A: HOAs and BBQ Grills on your deck! **SECO Community Owners HOA Insurance**



More and more homeowners associations in Colorado's mountain communities are rewriting their policies **to ban the use of gas grills by residents as insurance companies increasingly say they won't insure HOAs that allow residents to use gas grills on their decks or balconies.**

"It is going to impact tens of thousands of people who live in condo associations," said David Firmin, an attorney whose law firm represents some 2,500 HOAs, primarily in the mountains.

He says the move began six to nine months ago **as insurance companies began to look for ways to reduce their risks, especially in high fire zones** like Colorado's mountains. The insurance industry has been reacting in part to the Marshall Fire and the massive losses caused by the fire, along with the Maui fire.

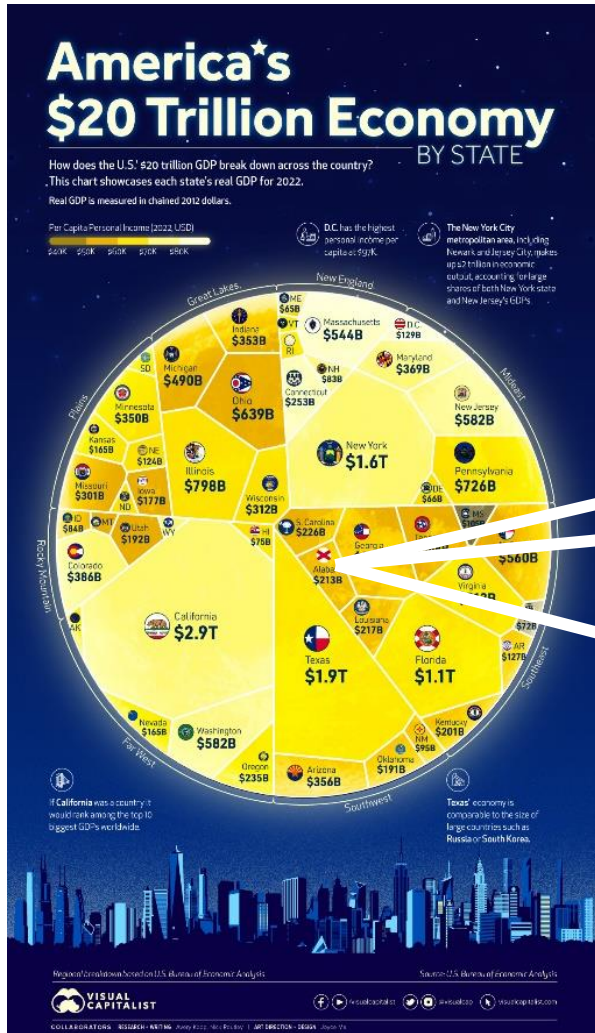
"The insurance is really driving this bus." They will either be required to remove gas grills or they will not get affordable insurance."

The insurance industry estimates that on a national basis, outdoor grills cause about 6,000 fires and \$35 million in damage every year. Farmers Insurance estimates that grill fires cost the company \$32 million in losses since 2020.



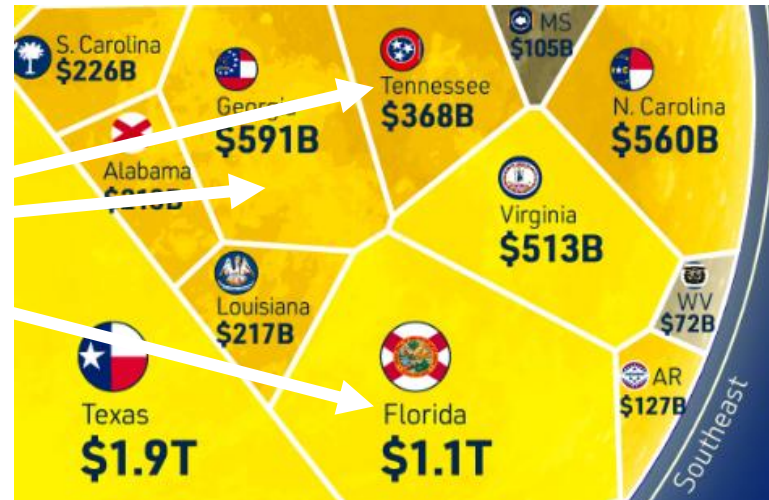
[Ban on gas grills rolling through Colorado mountain HOAs: "These changes affect all of us" - CBS Colorado \(cbsnews.com\)](https://www.cbsnews.com/news/ban-on-gas-grills-rolling-through-colorado-mountain-hoas/)

Look Deeper into Traditional Economic Metrics... **Translate Local**



Visualized: The U.S. \$20 Trillion Economy by State (visualcapitalist.com)

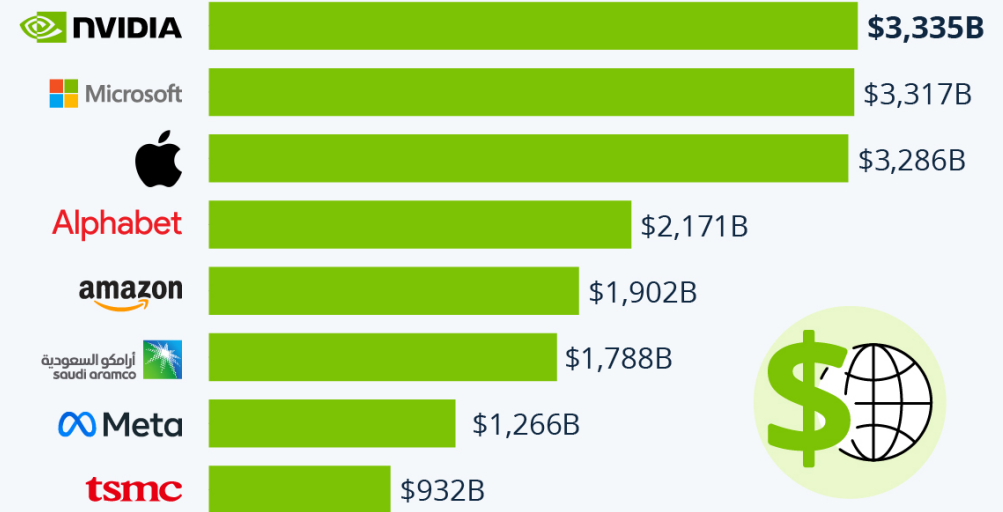
It's NOT all a "NVIDIA"/AI Economy?
AI-bots don't feed us, transport goods, etc.



What happened to the Energy, Auto, AG & Food-Supply and Transport companies (Chevron, GM, ADM, BNSF, etc.)

AI Boom: Nvidia Becomes Most Valuable Company in the World

Market capitalization of the highest-valued public companies in the world*



* As of market close on June 19, 2024
Source: Companiesmarketcap.com



Population Metrics – Navigating the Moves! 2020 Census Regions & States.

Annual Estimates of the Resident Population for the United States, Regions, States, District of Columbia, and Puerto Rico: April 1, 2020 to July 1, 2023					
Geographic Area	April 1, 2020 Estimates Base	Population Estimate (as of July 1)			
		2020	2021	2022	2023
United States	331,464,948	331,526,933	332,048,977	333,271,411	334,914,895
Northeast	57,614,141	57,430,477	57,243,423	57,026,847	56,983,517
Midwest	68,987,296	68,969,794	68,850,246	68,783,028	68,909,283
South	126,268,529	126,465,281	127,353,282	128,702,030	130,125,290
West	78,594,982	78,661,381	78,602,026	78,759,506	78,896,805
Alabama	5,024,294	5,031,864	5,050,380	5,073,903	5,108,468
Arizona	7,157,902	7,186,683	7,272,487	7,365,684	7,431,344
California	39,538,212	39,503,200	39,145,060	39,040,616	38,965,193
Colorado	5,773,707	5,785,219	5,811,596	5,841,039	5,877,610
Florida	21,538,216	21,591,299	21,830,708	22,245,521	22,610,726
Georgia	10,713,771	10,732,390	10,790,385	10,913,150	11,029,227
Illinois	12,813,469	12,790,357	12,690,341	12,582,515	12,549,689
Indiana	6,785,442	6,789,098	6,813,798	6,832,274	6,862,199
Iowa	3,190,427	3,190,904	3,197,944	3,199,693	3,207,004
Kansas	2,937,835	2,938,124	2,937,946	2,936,716	2,940,546
Michigan	10,077,674	10,070,627	10,038,117	10,033,281	10,037,261
Minnesota	5,706,804	5,710,578	5,717,968	5,714,300	5,737,915
Missouri	6,154,889	6,154,426	6,170,393	6,177,168	6,196,156
New York	20,202,320	20,104,710	19,854,526	19,673,200	19,571,216
North Carolina	10,439,459	10,453,812	10,567,100	10,695,965	10,835,491
Ohio	11,799,331	11,798,292	11,765,227	11,759,697	11,785,935
Pennsylvania	13,002,788	12,995,477	13,013,614	12,972,091	12,961,683
South Carolina	5,118,422	5,132,151	5,193,848	5,282,955	5,373,555
Tennessee	6,910,786	6,926,091	6,963,709	7,048,976	7,126,489



68.9 million
130.0 million

Industrial – An important driver of US Eco (Jan '25 Risk ahead)

Canadian Rail Strike AVERTED Aug 2024

CHI & Memphis would have been the 2 MSAs/Rail markets most impacted.

Canada Braces for a Railroad Strike;
U.S. Raising China Import Tariffs

By Paul Paee



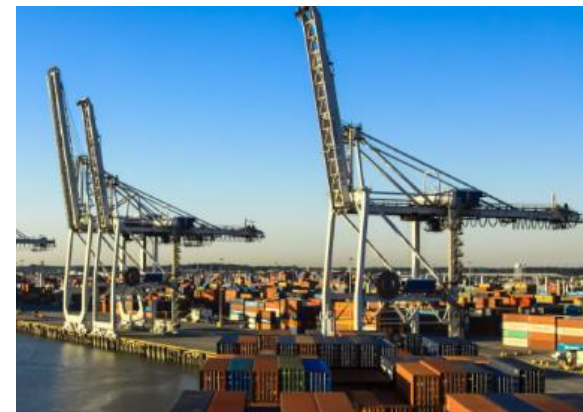
[Canada Seeks Ruling on Mandatory Shipments During Potential Railroad Strike - WSJ](#)

East-Coast ILA Ports workers Strike now January 2025

CHI & Memphis would have been the 2 MSAs/Rail markets most impacted. BIG impact to Gulf States with Ports!

With new contract talks between the International Longshoremen's Association (ILA) and employers the United States Maritime Alliance (USMX) stymied, a strike, or other industrial action, in October seems increasingly likely.

This would put severe pressure on Asia-US west coast terminal capacity, with spot rates expected to surge on the tradelane, unless there is a breakthrough in the ILA/USMX contract negotiations.



[Transpacific Spot Rates Rise Amid Looming U.S. Port Strike Threat \(gcaptain.com\)](#)

PORTS & ILA Strike – Oct Risk pushed to Jan 2025 – Why?

Port worker strike: Which ports are affected?

While any port can handle any type of goods, some ports specialize in handling goods for a particular industry.



• **New Orleans**, which handles coffee, mainly from South America and Southeast Asia, various chemicals from Mexico and North Europe, and wood products such as plywood from Asia and South America.

Hurricane Milton impacting Tamp, JAX, Savannah, Charleston.



Industrial – Rail Connectivity in South is a big deal (BNSF & CSX in TN)

CSX is critical to our SE Economy and Supply-Chain?

CSX (NASDAQ:[CSX](#)), a major railroad, seems poised for growth, both short-term and long-term. This is our first writing on the railroad, but one of others written about U.S. Class 1s. The railroad comes with a rich and long history, a storied one, beginning as America's first railroad, the Baltimore & Ohio (B&O).

A look at the map for CSX easily outlines the importance of several major service regions including Chicago, Baltimore, the Southeast and New England. A significant portion of upgrades in the works are expensive short in length projects. One, the Howard Street tunnel, 1.7 miles in length under the City of Baltimore, when finished, opens doors for double stack freight reaching the Port of Baltimore.

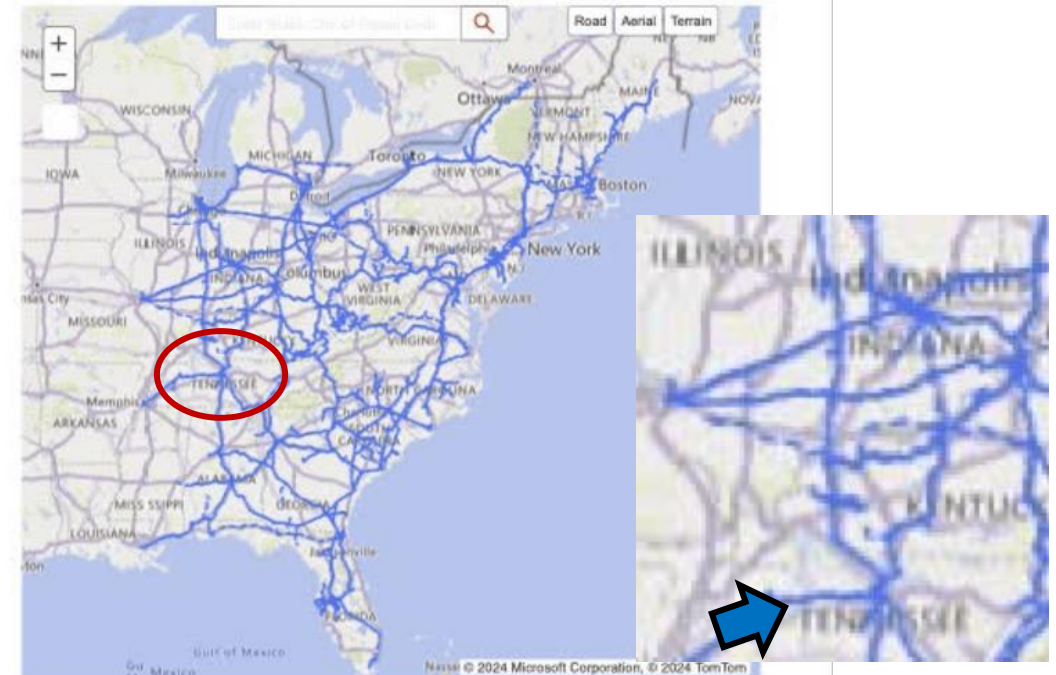
[CSX Stock: Expect Short And Long-Term Growth \(NASDAQ:CSX\) | Seeking Alpha](#)

CSX System Map

When it comes to the business of shipping, CSX can move you in the right direction. In fact, you don't even have to be located on railroad track for us to help you. With approximately 20,000 miles of track, access to over 70 ports and nationwide transloading and warehousing services, we've got what it takes to move your business. Check our system map and see for yourself.

[Printable System Map](#) (PDF)

Use the on-map search feature to locate a particular state, city or postal code.

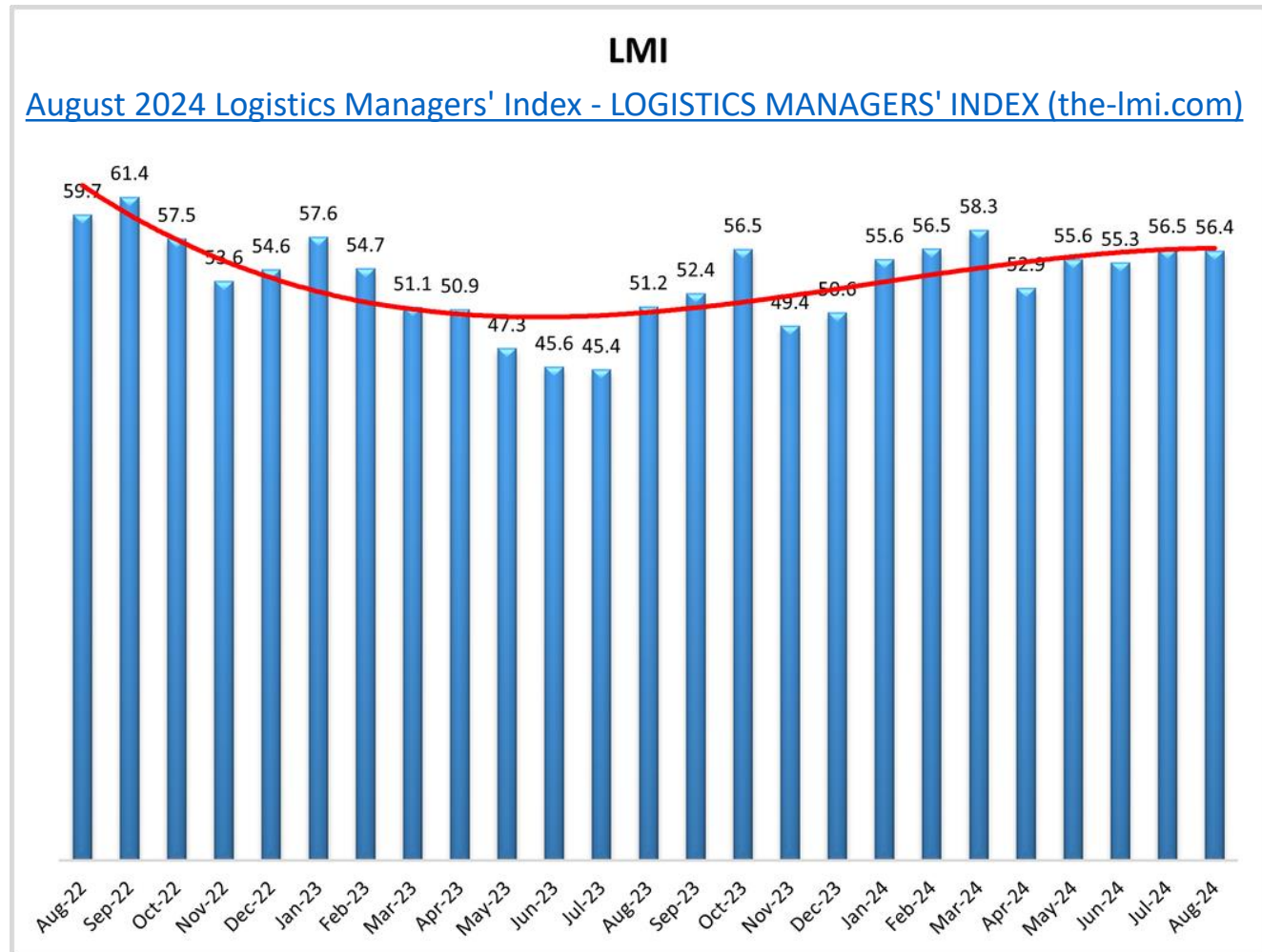


LMI (Best Logistics Metric): LMI = Logistics Managers Index

Fort Collins, CO:

The Logistics Manager's Index reads in at 56.4, down slightly (-0.1) from July's reading of 56.5. The overall index has now increased for nine consecutive months. The index has been remarkably consistent, reading in at 55.6, 55.3, 56.5, and 56.4 over the last four months as the logistics industry has continued its slow, steady expansion. The major move of the August report are Inventory Levels, which are up (+6.1) to 55.7. **This suggests that after running inventories down, firms are building them back up again in anticipation of Q4**

LOGISTICS MANAGERS' INDEX



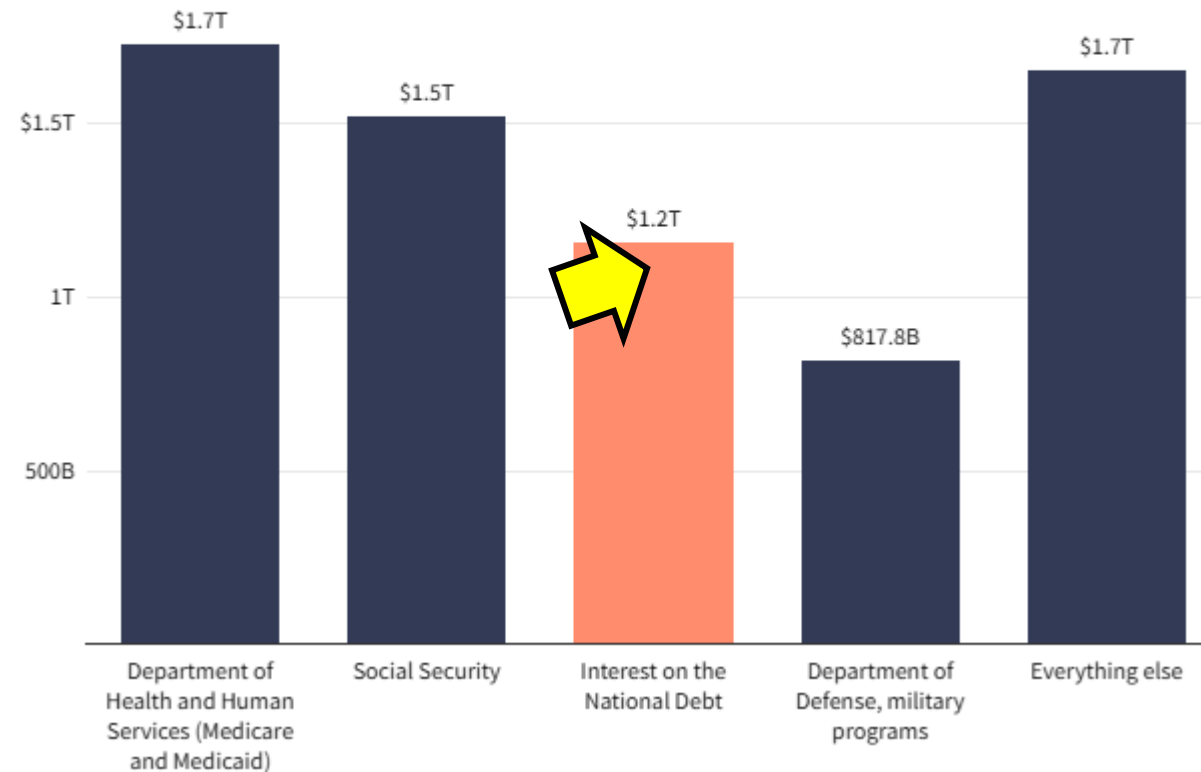
What to Worry About? US Deficit Spending update – Interest on debt doubles in FY 2024

A Record \$1.2 Trillion Interest Payments Are Blowing Up The Federal Budget



Federal Budget: Where Does The Money Go?

In the government's fiscal 2024 ending in October, the U.S. will spend more than a trillion dollars on interest payments on the national debt, as larger budget deficits and rising interest rates make interest payments more burdensome. The majority of the government's expenditures are on healthcare, Social Security benefits, and the military in a distant fourth.



[A Record \\$1.2 Trillion Interest Payments Are Blowing Up The Federal Budget \(investopedia.com\)](https://www.investopedia.com)

Household Debt – like US Deficit Spending, it's Unsustainable!

HOUSEHOLD DEBT AND CREDIT

2024:Q1 (RELEASED MAY 2024)

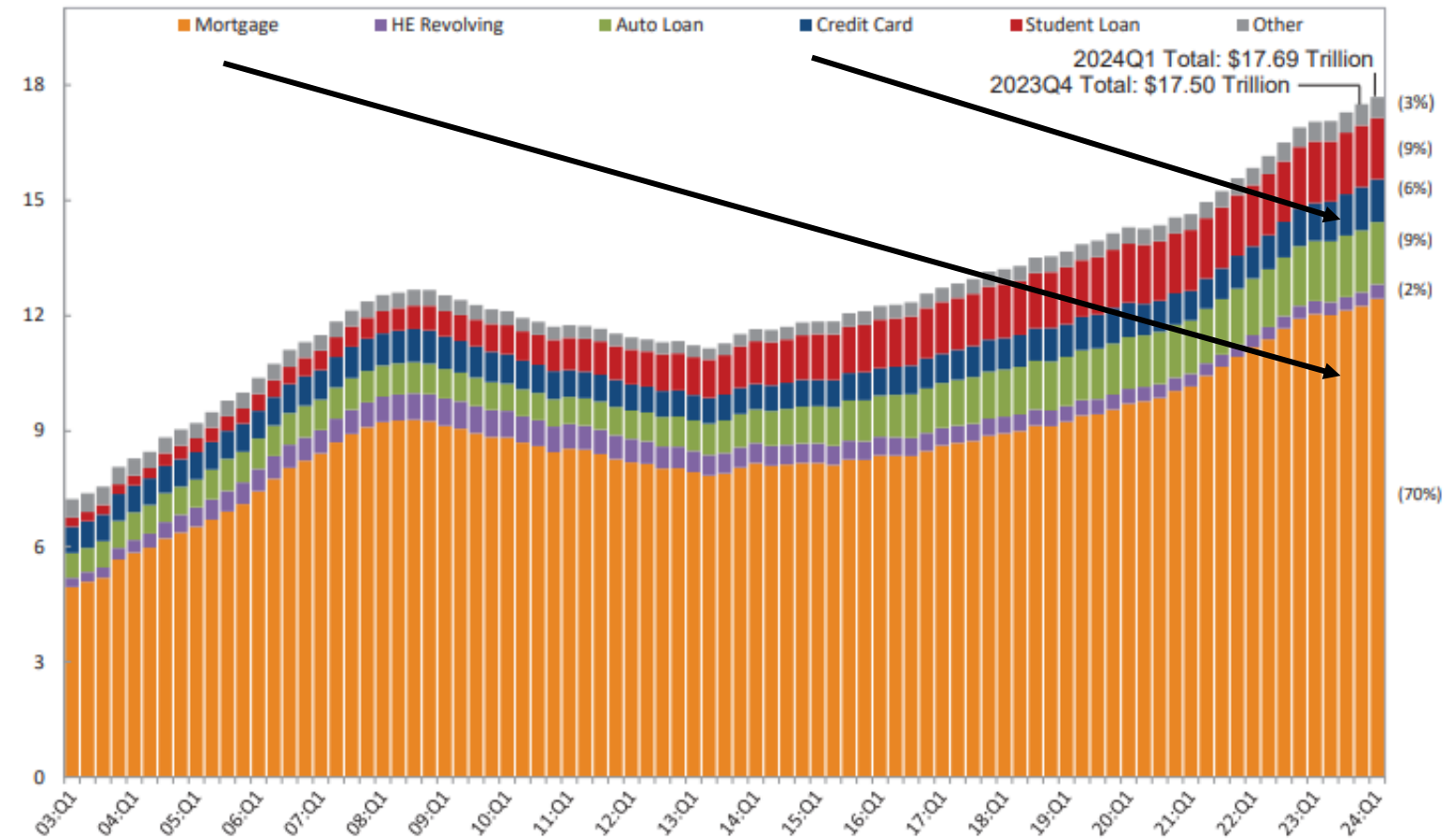
FEDERAL RESERVE BANK of NEW YORK
RESEARCH AND STATISTICS GROUP

Aggregate household debt balances increased by \$184 billion in the first quarter of 2024, a 1.1% rise from 2023Q4. **Balances now stand at \$17.69 trillion and have increased by \$3.5 trillion since the end of 2019.**

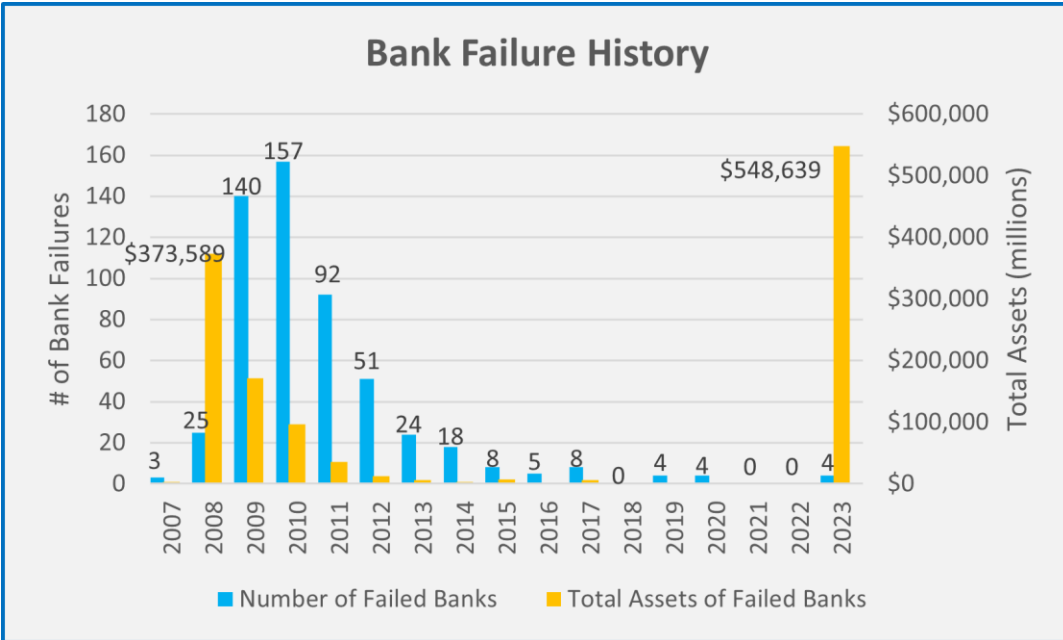
Mortgage balances increased by \$190 billion during the first quarter of 2024 and stood at \$12.44 trillion at the end of March. **Balances on home equity lines of credit (HELOC) increased by \$16 billion, the eighth consecutive** quarterly increase after 2022Q1. Credit card balances are now at \$1.12 trillion outstanding and remain 13.1% above the level a year ago. **Auto loan balances increased by \$9 billion, continuing the upward trajectory** that has been in place since 2020Q2, and now stand at \$1.62 trillion.

Total Debt Balance and its Composition

Trillions of Dollars



Source: New York Fed Consumer Credit Panel/Equifax



Texas Ratio

Developed at RBC Capital Markets, the Texas Ratio is a straightforward and effective way to determine the overall credit troubles experienced by financial institutions. It is determined by **comparing the total value of at risk loans to the total value of funds the bank has on hand to cover these loans..**

For example, a bank with \$65 million in at risk loans and \$72 million in cash on hand to cover those loans would have a Texas Ratio of \$65mm / \$72mm, which is 90.3%. This figure is approaching the 100% threshold, which is considered very risky.

Best and Worst Banks and Credit Unions by Texas Ratio

Show the banks in with assets of

Bank or Credit Union	Headquarters	Texas Ratio	Assets
Carter Bank & Trust	Martinsville, VA	68.55%	\$4.55 billion
Citizens Bank and Trust (FL)	Frostproof, FL	53.26%	\$1.31 billion
Summit State Bank	Santa Rosa, CA	30.52%	\$1.08 billion
Patriot Bank (CT)	Stamford, CT	25.78%	\$1.07 billion
Century Bank (NM)	Santa Fe, NM	22.72%	\$1.43 billion
Blue Ridge Bank	Martinsville, VA	22.07%	\$3.05 billion
Bank of Washington	Washington, MO	22.02%	\$1.07 billion
Pioneer Bank (NM)	Roswell, NM	21.89%	\$1.03 billion
Citizens Bank (WI)	Mukwonago, WI	17.94%	\$1.09 billion
First Bankers Trust Company	Quincy, IL	17.9%	\$1.11 billion
Liberty Savings Bank	Wilmington, OH	17.55%	\$1.23 billion
Meridian Bank	Paoli, PA	17.26%	\$2.29 billion
CB&S Bank	Russellville, AL	16.61%	\$2.65 billion
Emigrant Bank (FL)	Miami, FL	16.07%	\$6.24 billion
PeoplesSouth Bank	Colquitt, GA	15.96%	\$1.10 billion
United Texas Bank	Dallas, TX	15.91%	\$1.12 billion
Cross River Bank	Fort Lee, NJ	15.78%	\$8.91 billion
Gulf Coast Bank & Trust Co.	New Orleans, LA	15.45%	\$3.21 billion
First Western Trust Bank	Denver, CO	15.43%	\$2.93 billion
TAB Bank	Ogden, UT	15.38%	\$1.51 billion
Woodforest National Bank	The Woodlands, TX	15.33%	\$9.18 billion

The FED and bank regulators are trying to orchestrate a **“slow burn”** on CRE to avoid a repeat of 2008-2012 with 485 bank failures.

CRE Loan Delinquency & Loss-Given-Default are Concerning – Office 11.8% / 64%!

Trepp Aug 2024 Loan Workout ratio by Property Type - Office highest at 11.8% vs <5% 2022

TABLE 2: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS 2.0+

PROPTYPE	AUG-24	JUL-24	JUN-24	3 MO.	6 MO.	1 YR.
Industrial	0.30%	0.30%	0.33%	0.31%	0.31%	0.22%
Lodging	7.36%	7.27%	7.22%	7.76%	6.82%	6.95%
Multifamily	5.71%	5.11%	5.17%	5.43%	2.22%	3.55%
Office	11.88%	11.21%	10.74%	10.47%	9.97%	7.43%
Mixed-Use	9.79%	9.12%	9.53%	9.12%	8.56%	7.03%
Retail	10.40%	10.35%	10.23%	10.28%	9.36%	9.46%
Overall	8.34%	8.18%	8.10%	8.08%	7.03%	6.44%

Source: Trepp

Industrial has lowest rate of loans in “Special Servicing”/Workout at 0.30% vs Office at highest (11.8%); Industrial has lowest losses when a loan goes bad with a LGD of 37.63% vs Office now at 63.69%.

Trepp Year-End 2023 LGD by CRE Property Type - Office 63.69%

CMBS Loan Loss Severities by Property Type - YTD Nov. 2023*

	#Loans	Bal \$mln	Last App Val \$mln	Proceeds \$mln	Loss \$mln	Loss Severity %
Retail	55	1,424.21	2,906.85	798.49	722.83	50.75
Hotel	33	318.89	364.66	254.06	158.51	49.71
Office	21	265.59	228.43	153.40	169.16	63.69
Multifamily	8	47.71	55.68	47.00	16.72	35.04
Mixed Use	7	60.66	53.07	41.67	50.46	83.18
Industrial	2	20.00	27.10	15.19	7.53	37.63
TOTALS	126	2,137.06	3,635.79	1,309.81	1,125.21	52.65

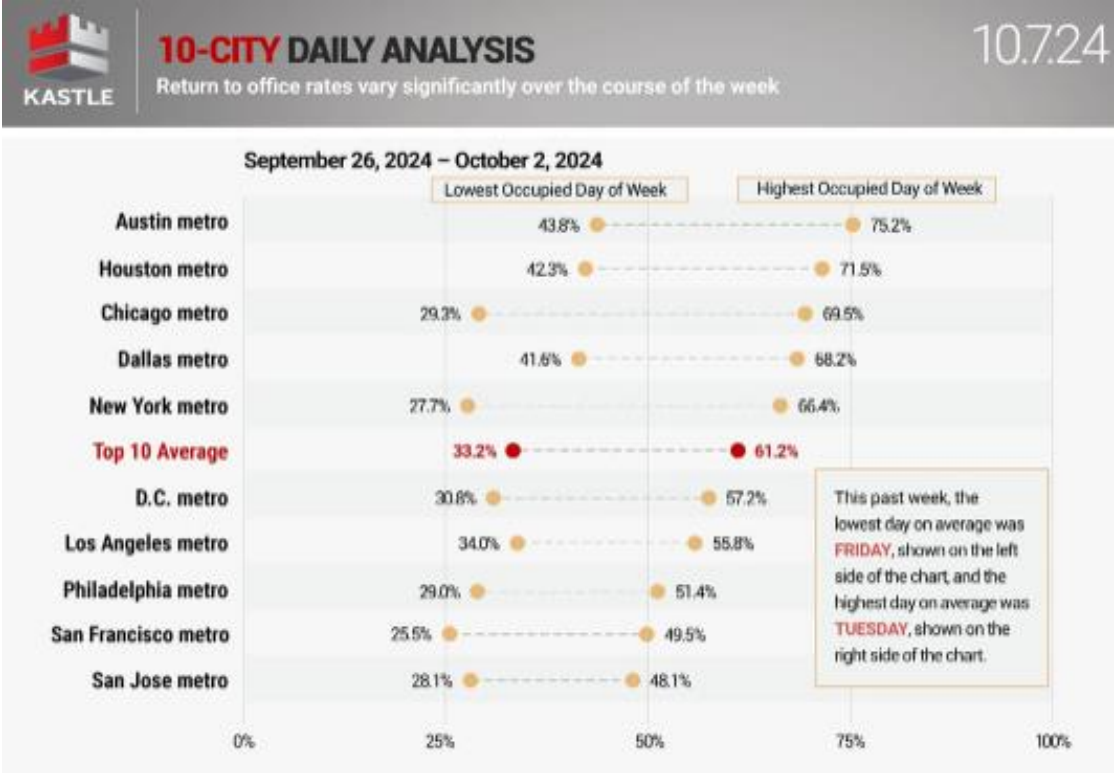
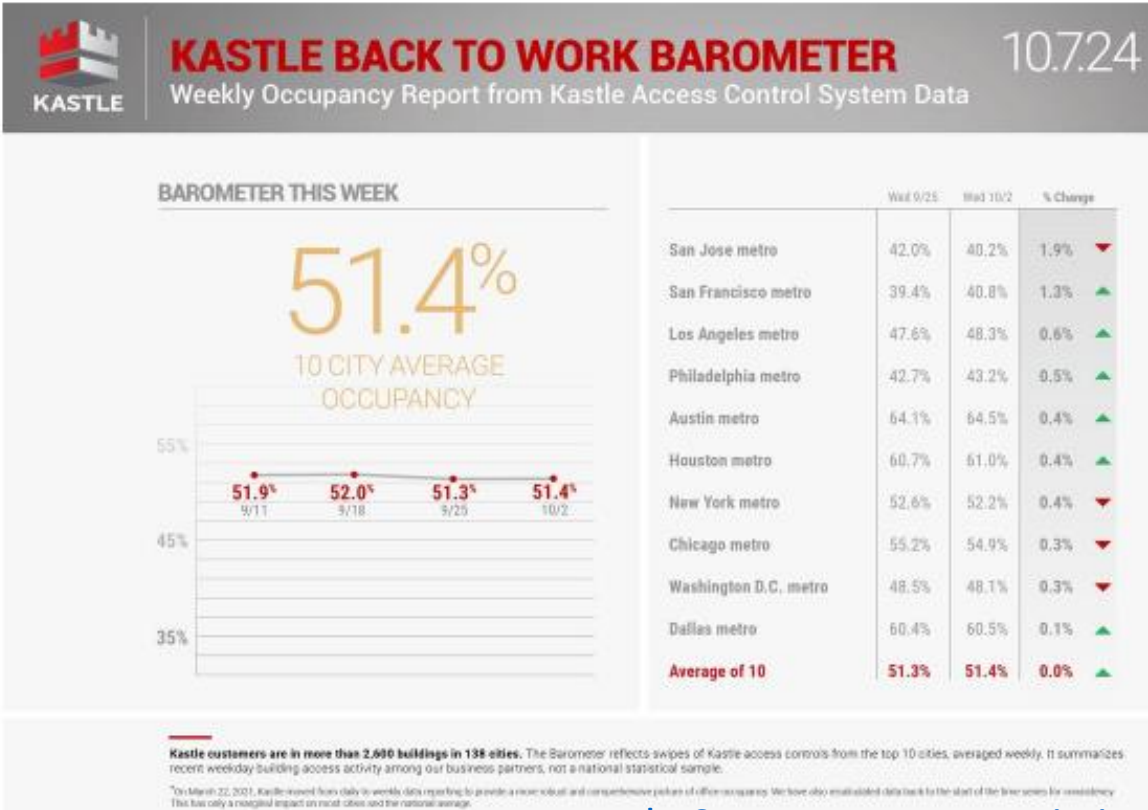
* Only loans with losses > 2%

Source: Trepp Inc.

Office & Remote Work - Office will need to RESET Occupancy and NOI Assumptions

Peak day office occupancy on Tuesday rose six tenths of a point last week to 61.2%. The average low was on Friday at 33.2%, the same as last week.

The weekly average occupancy held steady at 51.4%, up less than one tenth of a point from last week, according to the 10-city Back to Work Barometer.



Small-Box Retail Apocalypse – Drug Stores, Branch Banks, Dollar Tree

Walgreens Cut to Junk By Moody's

Walgreens downgraded two notches to second-highest junk rank

The Dow is weighted based on the share prices of its components, not on each company's overall market value.

Walgreens joined the Dow in 2018, replacing industrial conglomerate General Electric. Since then, **the stock has lost about 65% of its value.**

Walgreens has appointed new top executives, **shuttered unprofitable stores** and unveiled the dividend cut in January as it deals with low consumer spending, a drop in COVID-19 product sales.

Shares of Walgreens trade at a forward price-to-earnings ratio of 6.54, compared with 9 for larger rival CVS Health ([CVS.N](#)), [opens new tab](#).

A 6.54 PE translates to a 15% Cap Rate

[Walgreens \(WBA\) Credit Rating Cut to Junk By Moody's on Healthcare Strategy Push - Bloomberg](#)

"Small-Box" Apocalypse.

Why Walgreens Boots Alliance Fell Another 22% in August

By Billy Duberstein – Sep 5, 2024 at 6:30AM

KEY POINTS

- 📌 Walgreens had to refinance debt at much higher interest rates.
- 📌 The company also divested a large asset.
- 📌 More precarious was news of more drug companies going direct-to-consumer.

Dollar Tree to Close 1,000 Stores in Bid to Shore Up Profits



[Dollar Tree \(DLTR\) to Close 1,000 Stores in Bid to Shore Up Profits - Bloomberg](#)

(Reuters) -Dollar Tree swung to a quarterly loss on Wednesday after **the retailer took an over \$1 billion goodwill impairment charge, as it plans to shut nearly 1,000 stores.**

The impairment charge translates to **\$1,000,000 per store or \$125/sf for average store size.**

[Dollar Tree posts quarterly loss, incurs over \\$1 billion in charges on store closure plans \(msn.com\)](#)

CONCLUSION: Forecast the Unexpected

Look Beneath the Surface of Traditional Eco. Metrics:

- GDP – **Translate Local**
- Inflation – **NOT CPI** but **Earnings reports** (10q)
- Jobs – **ADP & JOLTS** vs BLS for early signs of Job Weakening

Expect and Plan for the **UNEXPECTED – Have a Plan B!**

- **ILA Port Strike deferred to January**
- **Supply-Chain Passage Disruption** – Suez Canal, Panama Canal, etc.
- **Transportation hick-ups** Mid-East is blowing up impacting Suez Canal. East-coast Labor Union Strike ahead, Port of Baltimore disaster.
What is your Plan B?
- **Elections – US in Nov 2024**
- **Capital & Debt Markets Dysfunction**
- What if fewer rate cuts & only 1 in Sept. **ReFi Risk at Maturity? What's the value of the Office Bldg. or Retail Box?**

KCnomics Recommended Economic Navigation Signs.

- **US Deficit and Household Debt** – Unsustainable and fueling BRICS
- **NOT the Nvidia Economy** – We do more than AI. **Food, transportation, housing, etc. needs drive > \$3 Trillion Nvidia economy.**
- **Population Migration** UHaul, PODS. MW and South.
- **SAHM Rule & CAPE Ratio**
- **ABI** – Architects Billing Index
- **SOFR** – Overnight Borrowing Rate vs 10-Yr Tr. It's >5.3%. **SOFR drives Construction Loans & Lending!**
- **LMI** – Logistics Mangers Index.

KC Conway, CCIM, CRE, MAI



- ❖ 35 years commercial real estate experience (30 private industry; 5 within Federal Reserve system 2005-2010). currently available for consulting, speaking & litigation support.
- ❖ MAI since 1989; Counselor of Real Estate (CRE designation) since 2009, and CCIM designee in 2020.
- ❖ Founder and Principal of KCNomics (October 2023 to present). KC@kcnomicsllc.com with company profile at www.kcnomicsllc.com
- ❖ OCIM Institute Chief Economist (2017 to 2023).
- ❖ Independent Director, Monmouth MREIC (Sept 2018 to present). MREIC.com is a top performing industrial REIT specializing in Logistics HQ in Holmdel, NJ - check out Fall 2020 REIT magazine for Monmouth MREIC profile and history).
- ❖ Prior - Director of Research and Corporate Engagement at AL Center for Real Estate (ACRE) at Culverhouse College of Business, University of AL (Oct 2017 - Oct 2020).
- ❖ Chief Appraiser & Sr. Market Intelligence Officer SunTrust Bank 2014-2017.
- ❖ Chief Economist Colliers | United States 2010-2014 and author of North American Port, Industrial and Office Outlook reports 2012-2014.
- ❖ 2007 recipient of the Appraisal Institute's President's Award.

- ❖ 2009 recipient of "Key Player" Award from the Atlanta Federal Reserve.
- ❖ 2010 recipient of "Superior Contributions" Award by the FFIEC - Federal Financial Institutions Examination Council.
- ❖ CRE Risk Specialty Officer - NY FED during Financial Crisis 2009-2010.
- ❖ Briefed Federal Reserve's Board of Governors & Chairman Bernanke in June 2007 on the coming real estate crisis.
- ❖ Nationally recognized expert and speaker on a wide range of commercial real estate topics ranging from appraisal and bank regulation to ports and securitization.
- ❖ Expert witness in prominent cases.
- ❖ Instructor and frequently requested speaker to bank regulatory entities, academic, professional organizations and industry associations, such as the Appraisal Institute, Counselors of Real Estate, CCIM, APFC, ICSC, NAIOP, NAR, RLI, RMA, SIOR, ULI, as well as bank regulatory agencies.
- ❖ Specialties: Economic Forecasting, Real Estate Consulting and CRE Valuations, Market Studies and Research Analyses, Ports & Logistics expertise - available for speaking or presentations at industry conferences.
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