Spring Forward or Fall Back? Economic & C-R.E. Outlook
Put your best Red Shoe Forward which ever way the market goes

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K.C. is a proud graduate of Emory University. Professionally, he has amassed more than 30 years of experience in commercial real estate as an appraiser, lender, credit officer and economist. He is recognized as a Counselor of Real Estate (CRE) and Member of the Appraisal Institute (MAI). Conway is also a prolific speaker, addressing more than 750 industry, regulatory and academic bodies in the last decade. Throughout his career, Conway has been recognized for accurately forecasting real estate trends and changing market conditions across the United States.

At the Alabama Center for Real Estate, Conway manages the research division’s market trends publications and creates new organic and collaborative research initiatives while also serving as its ambassador to corporate real estate entities. The heart of the center is advancing relationships by providing servant leadership with a passionate, adaptable and humble spirit. - K.C. Conway, MAI, CRE
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The Best Futurist/Economist Ever!

Yogi Berra had a Quote to put Anything in Perspective.

YOU'VE GOT TO BE VERY CAREFUL IF YOU DON'T KNOW WHERE YOU ARE GOING BECAUSE YOU MIGHT NOT GET THERE

Yogi Berra

celebquote.com

IT'S LIKE DÉJÀ VU ALL OVER AGAIN.

Yogi Berra
Baseball Manager (Born 1925)

QuoteHD.com
Global GDP Impacts CRE

**World GDP by Country**

**1969**
- U.S. #1 approaching $1.0 Trillion
- Japan a rising economic power
- Europe pre EU was strong
- Where was Germany?
- China – not even $100 billion

**1979**
- U.S. #1 but GDP explodes $2.6Tr
- Japan #2 but now > US in 1969
- Germany sprung to life displacing France (Pre-EU)
- China doubled but <$200 billion

**1989**
- U.S. #1 & Doubles AGAIN to $5.5Tr
- Japan & Germany strong #2 & #3
- What happened to China?

**1999**
- U.S. #1 & Doubles AGAIN to $10Tr
- France & Italy slowing
- China is back and grows 5X to >$1.0Tr in just a decade!
Global GDP Change

<table>
<thead>
<tr>
<th>World GDP by Country in Billions USD</th>
<th>World GDP by Country in Billions USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA 14588</td>
<td>USA 19035</td>
</tr>
<tr>
<td>Japan 5122</td>
<td>Japan</td>
</tr>
<tr>
<td>China 4821</td>
<td>Germany 3585</td>
</tr>
<tr>
<td>Germany 3607</td>
<td>France 2619</td>
</tr>
<tr>
<td>France 2819</td>
<td>Italy 2302</td>
</tr>
<tr>
<td>Italy 1643</td>
<td>Brazil 1890</td>
</tr>
<tr>
<td>Brazil 1576</td>
<td>Spain 1597</td>
</tr>
<tr>
<td>Spain 1576</td>
<td>UK 2670</td>
</tr>
<tr>
<td>UK 2670</td>
<td>China</td>
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<tr>
<td>China</td>
<td>China</td>
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<tr>
<td>China</td>
<td>China</td>
</tr>
</tbody>
</table>

- U.S #1 but only grew by 50% 1999-2009 vs doubling every decade 1969 to 1999
- China grows 5X AGAIN 1999 to 2009 surpassing Germany.
- UK falls from Top-5 behind France & Germany. Wonder why Brexit?

- U.S #1 but only grew by 33% 2009 to 2017 vs 50% 1999-2009 and doubling every decade 1969-1999
- China more than doubles AGAIN
- Germany, UK and France all contracted in GDP 2009-2017
- China must be Survived to Thrive in 2019-2029!

Change in GDP by Country 1962 to present.

https://mail.google.com/mail/u/0?ui=2&ik=2a73eaf0a0&attid=0.1&permmsgid=msg-f:1621388704591664730&th=1680546fb404565a&view=att&disp=safe

2019 update:
- China has caught Europe.
- Japan & Germany are contracting
Understand GDP Global, but Translate GDP Local

What a difference a Tax Act Made:

- Southern States GDP grew from +1.5% to +3% since Q1 2017 to 4% to 6% Q1 2018
  TX from <3% to 6%

- What happened? Tax Act and EXPORTS boomed … until we see impact of Tariffs in 6 months, or not at all if China deal before Summer, 2019
The Debt Clock – The Elephant in the Room!

http://www.usdebtclock.org/?mod=article_inline
Receipts up 3.1% / Outlays up 3.9% ... BUT Interest on Debt up 8.5% & Total Spending up 3.9%

Tax Inflows vs Spending – Yr 2018:
The 2017 Tax Act didn’t bust the Budget – The FED did!

Q1 2018 Vs Q1 2019: Yogi was right, déjà vu!

- **TRUMP** - Trump goes to the World Economic Forum in Davos, Switzerland. *He is praised for being “presidential” …*
- **Tax Act of Dec 2017** – *What does it mean?*
- **Amazon** [HQ2 Search](https://www.ccim.com/newscenter/commercial-real-estate-insights-report/amazon-hq2/?gmSsoPc=1) – *HQ2 Search*
- **The Wall**
- **Hurricanes** – Harvey, Irma, Maria / *Constr. Costs*
- **The Stock Market** – “Stock Market up 40% since the Election.” When the market hit a *record high on Aug. 25*, Trump tweeted
- **The FED** – Transitioning from Yellen and maybe 2 interest rate hikes. Who is this Jay Powell?
- **Economic Growth**: to “Infinity & Beyond”
- **Retail** – Store Closings (>8,000 in 2018)
- **TRUMP** – Not going to Davos: *Not Praised as being “Presidential”* by Pelosi/Schumer; *Trump still wants a Wall.*
- **Tax Act of Dec 2017** – *Opportunity Zones?*
- **Amazon** Divide by 2 Divorce Spouse & HQ2 Spit Decision that now divides by 2 & dumps NY
- **The Wall** – Democrats in Control. It’s like Dr. Seuss
- **Hurricanes** – Florence & Michael / *Constr. Costs*
- **The FED** – 4 Rate hikes; Invert the Yield Curve. *What’s this Balance Sheet reduction thing?*
- **Economic Volatility** - the “R” word (Recession)
- **Retail** – Store Closings – 5,000 more just in Q1 2019

“V” Volatility

“V” Volatility
Why no “R” in 2019 – but worry about 2020!

What is Still Going Right?

- Momentum: (GDP, <4% Unempl. JOLTS, etc.)

- GDP: Q4’18 was – well – Gosh Darn Perfect at +2.2% … Q1 will do its normal contraction to 1% to <2% range … Q2 is >2% due to housing … Q3 is typically best Qtr in CY above 3%. Q4 2019 is what I worry about. Q4 2019/Q1 2020 could contract or <1% (feels “R”) if no Trade

- Employment Metrics: JOLTS, Employment <4%, <200k Jobs/mo in Q1 – Monitor ADP & LinkedIn

- Corporate Earnings: The Q4 EPS were good (WalMart), and Q1 is off to a solid start with Banks, Railroads, PepsiCo and J&J. Guidance on Top-Line revenue is what to watch for both margin erosion/declining $/R from tariffs. Earnings are your best Eco Outlook gauge!

What can go WRONG?

- The FED: It’s not just rate hikes, but Balance Sheet reduction. Initially, $40-$45 billion a month was hardly noticeable. It now tallies almost $1/2 Trillion - and if left on pace - drops to $3.5 trillion end of 2019. KC forecasts a rate hike in 2019 if we get Trade Deals. No rate cuts in 2019. Max 2 hikes in 2019 (1 late Spring/early Summer and 1 Fall or Q4)

- Ground Hog Day: Fortunately on a Saturday in 2019 (Feb 2nd) Vs a Friday and Jobs report day as in 2018. Recall “V” started Ground Hog Day 2018 with Jobs report (10-Yr Tr. moved to 3%).

- Gov. Shutdown: Unresolved or leads to a Constitutional Crisis over “Declared National Emergency.” This one was the 19th (35 days surpassing 21 days (Clinton 1995/1996)

- NAFTA 2.0 / USMCA not passed in Spring

- NFIB Business, NAHB Homebuilder, and Consumer confidence tank. NFIB 108 record Q3 2018. If <100 (http://www.nfib-sbet.org/)

- The Wildcards: 1 or more Cat-3/4 Hurricanes / Lease Accounting
CRE depends on Jobs & Workforce: ADP & LinkedIn Vs. BLS-L=BS

2018 was the 8th consecutive year in which the economy creates over 2 million jobs. Will 2019? If Small Biz can find the Workforce.

LinkedIn Workforce: 190m / 3m / 50k / Q1 18 hiring 20% > Q1 17

What is different between ADP and BLS March jobs reports is:
✓ There is much more volatility to the BLS numbers bouncing around from +312k jobs in January to just +33k in February and then back up to +196k in March. My take is that a combination of the Government Shutdown along with season gyrations after the holidays and severe Winter weather are playing havoc with Government survey data. I place more emphasis on ADP private payrolls data as it is not a survey and it reflects what the largest sector of our economy is doing – the private sector.
✓ Small and Medium sized businesses are still the hiring engine. 69,000 of the 129,000 private sector jobs created in March were by companies with less than 500 employees. Large companies – especially in retail and manufacturing – have pulled back due to a combination of factors

Walmart's Q4 smashes expectations: U.S. online sales jump 43%

Walmart (WMT), the world’s largest retailer, reported stronger-than-expected fourth-quarter results on Tuesday. Fourth-quarter adjusted earnings per share came in at $1.41, surpassing analysts’ estimates of $1.33.

One of the main drivers of its e-commerce success has been its grocery pickup and delivery, which is now available in more than 2,100 and nearly 800 stores, respectively. By the end of fiscal 2020, Walmart expects to include grocery pickup in 3,100 locations and delivery in 1,600 stores.
Big Railroads Don’t See Slowdown on Horizon for U.S. Economy

Union Pacific, CSX chiefs say customers are shipping more grains and chemicals, despite worries over trade policies.
Rail Traffic “No sky is Falling” … It’s Weather not Tariffs

Total U.S. rail carloads in March 2019 were down 8.9% (93,616 carloads) from March 2018. That’s the biggest percentage decline for total carloads for any month since May 2016. Just 4 of the 20 carload commodity categories the AAR tracks saw carload gains in March, the fewest since July 2016. In addition, U.S. intermodal originations were down 1.5% (16,387 containers and trailers) in March 2019 from March 2018. Combined with a 0.9% decline in February, this marks the first two-month decline for intermodal since October 2016.

A slowing economy may be having an impact on rail traffic, but bad weather is a more likely culprit. March had bad weather events in many places, but the worst was the horrendous flooding in Nebraska and Iowa caused by melting snow and heavy rain. The western carriers accounted for the vast majority of the decline in carloads in March. Moreover, more than 80% of the decline in carloads in March were in coal and grain, which are not terribly sensitive to what’s going on in the general economy.

### Total U.S. Carloads

<table>
<thead>
<tr>
<th>Month</th>
<th>Oct.'18</th>
<th>Nov.'18</th>
<th>Dec.'18</th>
<th>Jan.'19</th>
<th>Feb.'19</th>
<th>Mar.'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average per week</td>
<td>267,607</td>
<td>258,017</td>
<td>255,495</td>
<td>247,697</td>
<td>249,995</td>
<td>239,286</td>
</tr>
<tr>
<td>% chg same month prior year</td>
<td>1.0%</td>
<td>-0.2%</td>
<td>2.9%</td>
<td>1.7%</td>
<td>-2.7%</td>
<td>-8.9%</td>
</tr>
</tbody>
</table>

### U.S. Intermodal

<table>
<thead>
<tr>
<th>Month</th>
<th>Oct.'18</th>
<th>Nov.'18</th>
<th>Dec.'18</th>
<th>Jan.'19</th>
<th>Feb.'19</th>
<th>Mar.'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average per week</td>
<td>260,783</td>
<td>275,204</td>
<td>274,029</td>
<td>263,234</td>
<td>273,625</td>
<td>266,449</td>
</tr>
<tr>
<td>% chg same month prior year</td>
<td>4.2%</td>
<td>2.5%</td>
<td>5.0%</td>
<td>0.5%</td>
<td>-0.9%</td>
<td>-1.5%</td>
</tr>
</tbody>
</table>
Earnings ... RailRoads “No sky is Falling” ...

First Quarter Results

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<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q1 2018</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carloads/Units (in thousands)</td>
<td>539.6</td>
<td>547.3</td>
<td>(1%)</td>
</tr>
<tr>
<td>Revenues (in millions)</td>
<td>$674.8</td>
<td>$638.6</td>
<td>6%</td>
</tr>
<tr>
<td>Operating Ratio</td>
<td>76.2%</td>
<td>65.8%</td>
<td>10.4 points</td>
</tr>
<tr>
<td>Adjusted Operating Ratio *</td>
<td>64.2%</td>
<td>65.8%</td>
<td>(1.6) points</td>
</tr>
<tr>
<td>Reported Diluted Earnings per Share</td>
<td>$1.02</td>
<td>$1.40</td>
<td>(27%)</td>
</tr>
<tr>
<td>Adjusted Diluted Earnings per Share *</td>
<td>$1.54</td>
<td>$1.30</td>
<td>18%</td>
</tr>
</tbody>
</table>

Looking Ahead

<table>
<thead>
<tr>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume Growth</td>
</tr>
<tr>
<td>Revenue Growth</td>
</tr>
<tr>
<td>Operating Ratio</td>
</tr>
<tr>
<td>Earnings per Share</td>
</tr>
<tr>
<td>Capital Expenditures</td>
</tr>
</tbody>
</table>
Why no “R” in 2019 – but worry about 2020!

What can go WRONG?

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  **KC forecasts no rate hikes in Q1 2019. No rate cuts in 2019. Max 2 hikes in 2019** (1 late Spring/early Summer and 1 Fall or Q4)

- **NAFTA 2.0 / USMCA not passed** in Spring

- **NFIB Business, NAHB Homebuilder, and Consumer confidence tank** in Spring 2019. NFIB hit 108 record in 2018. If goes <100 …

- **The Wildcards:**
  
  1 or more Cat-3/4 Hurricanes / Lease Accounting / Bank Merger
Kansas City Fed’s Esther George Says Central Bank Can Pause Rate Increases (Jan 15, 2019)

A chorus of Fed officials have said in recent weeks there is no urgency to raise rates

▪ One of the Federal Reserve’s **most consistent supporters of raising interest rates** said the central bank could refrain from more increases for the time being while it studies the effects of its previous steps to withdraw economic stimulus.


▪ **Ms. George is a voting member** of the interest-rate setting Federal Open Market Committee this year.

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**2019 FOMC Meeting Schedule**

- January 29-30 (Tuesday-Wednesday)
- March 19-20 (Tuesday-Wednesday)
- April 30-May 1 (Tuesday-Wednesday)
- June 18-19 (Tuesday-Wednesday)
- July 30-31 (Tuesday-Wednesday)
- September 17-18 (Tuesday-Wednesday)
- October 29-30 (Tuesday-Wednesday)
- December 10-11 (Tuesday-Wednesday)
- January 28-29, 2020 (Tuesday-Wednesday)

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**Federal Reserve Bank Rotation on the FOMC**
Committee membership changes at the first regularly scheduled meeting

**2019**
- New York
- Chicago
- Boston
- St. Louis
- Kansas City

**2020**
- New York
- Cleveland
- Philadelphia
- Dallas
- Minneapolis

**2021**
- New York
- Chicago
- Richmond
- Atlanta
- San Francisco

https://www.federalreserve.gov/monetarypolicy/fomc.htm
Historic Spread between 2-Yr and 10-Yr Treasuries:
Widest spread Feb 2010 @ 2.83bps. What is it in March 2019? Approx. 15bps. Pay attention to Yield Curve!

The spread between the 10- and 2-year has **averaged about 120 basis points since 1998**, with the 10-year rate typically higher than the 2-year rate as investors are compensated for the higher risk of holding a longer-term bond.

Over the past two years, this spread **has dropped, reaching a mere 15 basis points in December 2018**.

Source: Fed Reserve and TREPP
The FED might find Tooth-Fairy Inflation mid-2019

I found the Inflation that the FED has been looking for. $5.00 for a useless tooth?

**NAR, CCIM and Dean Saunders** will agree that an Investment in Real Estate is a much better investment!
USMCA Timeline

A look at the planning and implementation of the new North American Free Trade Agreement

Canada is in agreement and joins in on the U.S. - Mexico trade deal. The new deal is called USMCA and contains modifications of its predecessor, NAFTA.

10/2018

Canada is in agreement and joins in on the U.S. - Mexico trade deal. The new deal is called USMCA and contains modifications of its predecessor, NAFTA.

If signed, the USMCA provisions won’t go into effect until 2020 and will take 3 years to allow countries to fully adhere to the trade policies.

2020

If passed, 2026 will hold the first review and revision of USMCA with a possibility of extending the sunset clause.

2026

8/2018

A year of proposed tariffs, real tariffs, and renegotiation comes to a close as Mexico and The U.S. agree on trade negotiations.

2019

USMCA must pass the U.S. Congress to become a legitimate trade agreement. If passed all three countries should sign and USMCA trade can take place.

2023

By 2023 The U.S. Mexico and Canada must enforce the full USMCA stipulations.

THE OFFSHORE GROUP

You Manufacture... We Do The Rest

ACRE
Construction Costs Rising >10%/yr (5 Hurricanes Impacting)

79% of Contractors Expect to Hire in 2019

What percentage change do you expect in your headcount in 2019?

- Increase: 45%
- No change: 19%
- Decrease: 7%
- Other: 2%

78% of Contractors say its hard finding labor

How would you describe your current situation in filling salaried and hourly craft positions?

- We are having a hard time filling some or all positions: 78%
- We are having no difficulty filling any positions: 11%
- We have no openings for positions: 11%

59% of Contractors Expect to pay more for labor in 2019

67% of Contractors project costs are higher than budgeted and taking longer

Verizon sees no increase in 2019 profit, misses fourth-quarter revenue estimate

Verizon Stock: Low Single-Digit Revenue Growth Seen

Verizon forecast low single-digit revenue growth in 2019 and profit similar to last year.

For fiscal 2019, Verizon said it expects: "low single-digit percentage growth" and "adjusted EPS excluding the impact of the new lease accounting standard to be similar to 2018."

A "new lease accounting standard is expected to have an approximately 1 to 2 cent per quarter headwind impact on EPS for full-year 2019," the company added.

A change in accounting standards is prompting tenants and appraisers to take a hard look at leases

by Peter Haapaniemi

A decade ago, the Financial Accounting Standards Board started looking into how companies handle leases in their financial reporting, and determined change was in order. After years of deliberation, the board came up with a new standard that takes effect in less than a year — and will dramatically alter the way businesses account for their leases.

By Jan. 1, 2019, the new FASB standard, Leases (ASC 842), will require

**Shorter leases on the horizon?**

Just how this change will affect the real estate valuation process depends on how lessors respond — and at this point, they

However, Andersen points out that this may not happen as often as one might think because of the FASB standard’s language. “It is very prescriptive in the way the asset is calculated,” he says. That is, it takes a formulaic approach that may not require the use of a licensed appraiser.

Under the new standard, public companies will need to separately recognize right-of-use assets and corresponding lease obligations. “The goal here is more transparency for investors and greater comparability across firms,” says Marius W. Andersen, MAI, senior managing director and national practice leader of the Valuation & Advisory Financial Reporting Practice at Cushman & Wakefield in Chicago.

“Now, if one company decides to buy a property and finance it, while another one decides to do a long-term operating lease, there will be a degree of balance sheet comparability between those two firms,” he explains. “Before, the firm that decided to lease wouldn’t have that liability reflected on the face of the balance sheet. All that is going away. Those liabilities won’t be lurking in the footnotes anymore.”

The FASB standard covers a range of lease types, including equipment leases, but real estate accounts for a significant proportion of the total — and that total is huge. Estimates vary, but Moody’s Investors Service projected that the change will add about $1 trillion in liabilities to corporate balance sheets. And existing leases
What to Keep an Eye on – 2019 CRE Influencers?

- **Economic Metrics:**
  1. ADP & LinkedIn Workforce on jobs
  2. NFIB Small Biz Optimism. Still >100, but if drops below 100 …
  3. Earnings: Read the Guidance!!! (Verizon)
  4. Rail Traffic – AAR.org RailTime Indicators

- **CRE Industry Metrics:**
  1. MF Starts & Permits rise over SF Starts/Permits
  2. Absorption: Industrial is strongest and Hotel ADO and RevPar are proxy for Bus./Consumer
  3. Retail – Get used to more store closings. It’s the convergence with Industrial, Logistics, Online $
  4. Opportunity Zones: Only 5-10% viable of 8,700
  6. Construction Costs: >80% LTV Constr. Loans

NFIB Small Business Optimism Index dropped to 101.2 in January 2019 from 104.4 in December and compared with market expectations of 103.2. It is the lowest reading since November of 2016, when President Trump was elected. Half of the decrease in the index came from softer expectations for real sales growth and business conditions.
## 2019 CRE Influencers: Small Business Optimism!

### Small Business Optimism Index Components

<table>
<thead>
<tr>
<th>Index Component</th>
<th>Seasonally Adjusted Level</th>
<th>Change from Last Month</th>
<th>Contribution to Index Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plans to Increase Employment</td>
<td>16%</td>
<td>-2</td>
<td>%</td>
</tr>
<tr>
<td>Plans to Make Capital Outlays</td>
<td>27%</td>
<td>2</td>
<td>%</td>
</tr>
<tr>
<td>Plans to Increase Inventories</td>
<td>11%</td>
<td>5</td>
<td>%</td>
</tr>
<tr>
<td>Expect Economy to Improve</td>
<td>16%</td>
<td>6</td>
<td>%</td>
</tr>
<tr>
<td>Current Inventory</td>
<td>-2%</td>
<td>1</td>
<td>%</td>
</tr>
<tr>
<td>Current Job Openings</td>
<td>37%</td>
<td>2</td>
<td>%</td>
</tr>
<tr>
<td>Expected Credit Conditions</td>
<td>5%</td>
<td>0</td>
<td>%</td>
</tr>
<tr>
<td>Now a Good Time to Expand</td>
<td>22%</td>
<td>2</td>
<td>%</td>
</tr>
<tr>
<td>Earnings Trends</td>
<td>-2%</td>
<td>4</td>
<td>%</td>
</tr>
<tr>
<td><strong>Total Change</strong></td>
<td></td>
<td>5</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Small Business Outlook

**Outlook**

Good time to expand and expected general business conditions

*January 1966 to February 2019 (Seasonally Adjusted)*

**Optimism Index**

Based on ten survey indicators (Seasonally Adjusted 1966=100)

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
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<tbody>
<tr>
<td>2014</td>
<td>94.0</td>
<td>91.6</td>
<td>94.0</td>
<td>94.8</td>
<td>96.2</td>
<td>95.4</td>
<td>96.0</td>
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<td>2017</td>
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<td>104.7</td>
<td>104.5</td>
<td>104.5</td>
<td>103.6</td>
<td>105.2</td>
<td>105.5</td>
<td>103.0</td>
<td>103.8</td>
<td>107.5</td>
</tr>
<tr>
<td>2018</td>
<td>106.9</td>
<td>107.6</td>
<td>104.7</td>
<td>104.8</td>
<td>107.8</td>
<td>107.2</td>
<td>107.9</td>
<td>108.2</td>
<td>107.9</td>
<td>107.4</td>
<td>104.8</td>
</tr>
<tr>
<td>2019</td>
<td>101.2</td>
<td>101.7</td>
<td>101.2</td>
<td>101.7</td>
<td>101.2</td>
<td>101.7</td>
<td>101.2</td>
<td>101.7</td>
<td>101.2</td>
<td>101.7</td>
<td>101.2</td>
</tr>
</tbody>
</table>

Nov ‘16 Elections

Gov Shutdown & Tariffs

Summer 2018 Peak

4Q Middle Market Indicator Reports 7.9% Revenue Growth

In the fourth quarter of 2018, middle market companies report a strong annualized revenue growth rate of 7.9%. At 5.4%, year-over-year employment growth remains steady and is similar to the close of 2017 and 2016. While confidence in Global, U.S., and local economies is down slightly, all three metrics remain above the historical average reported by the MMA over the past seven years.

**Revenue Growth Remains Strong; Employment Growth Moderates**
Best Opportunity Zone Resource – OZ Index!
Of the 8,700 Ozs, less than 10% will be viable – Not all are created equal!

http://www.developadvisors.com/opportunity-zones-index/
CMBS Opportunity Zone Properties Exceed $65B, So Far

February 19, 2019

Since the Opportunity Zone program was enacted though the Tax Cuts and Jobs Act of 2017, more than $65 billion in properties have emerged with CMBS backing, according to research by Trepp. Currently, there are 8,700 opportunity zones across the U.S., which were created to encourage investment and thus improve the economic conditions of low-income areas.

Trepp research from January 2019 shows 5,842 properties in opportunity zones are underlying collateral on CMBS loans. The states with the greatest number of CMBS properties in opportunity zones include:

California – 887 properties
New York – 506 properties
Florida – 403 properties
Texas – 372 properties
Illinois – 294 properties

Looking at property sectors, Trepp research analyst Dylan Wall writes, “the multifamily CMBS space will receive the greatest benefits from the new tax law, since the number of apartments in eligible opportunity zones far exceeds all other property types.”

https://www.connect.media/cmbs-opportunity-zone-properties-exceed-65b-so-far/?platform=hootsuite
Commercial Real Estate Performance: Green Street CPPI

Property Price Appreciation is flattening.

Manufactured Housing and Industrial lead CPPI, while Retail and Office are still contracting.

How does this data and CPPI trend with appraisals in banks?
Institutional Capital is bringing more investment, metrics & analysis!

https://www.ncreif.org/data-products/farmland/

NCREIF Farmland Property Index Released

The Fourth Quarter 2018 NCREIF Farmland Property Index was released.

**4th Quarter 2018**

NACREIF Estimate of Mkt Value for all Cropland = 2.5X the Fed’s Balance Sheet & 2.5X all CRE debt in Banks

Total Market Value: $10,169,500,380.00

<table>
<thead>
<tr>
<th>1Q2018</th>
<th>2Q2018</th>
<th>3Q2018</th>
<th>4Q2018</th>
<th>2018 Annual Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.32%</td>
<td>1.13%</td>
<td>1.29%</td>
<td>2.85%</td>
<td><strong>6.74%</strong></td>
</tr>
</tbody>
</table>

NCREIF Timberland Property Index Released

The Fourth Quarter 2018 NCREIF Timberland Property Index was released.

Timberland Quarterly Total Return Trends by Region
R.E. Outlook – The Land Piece

Notes:
- TX <$3,000 avg/acre is 50%> US avg of $4,100/acre
- 2018 FL Cropland up 1% over 2017 avg of $6,700/acre
- FL Cropland surpassed only by CA, AZ, Iowa & Illinois at $7,500 - $11,750/acre

https://www.nass.usda.gov/Charts_and_Maps/Land_Values/
TX is among 10-worst in the nation for affordable housing

What is Driving Housing?
Affordable, but ... NOT quite quality of a Tract-Home

Affordability gone too far, but not far-fetched 😊
RETAIL CRE

It’s all about Store Closings – right? **NO?** It’s about growth of Online Sales

---

**Year-Over-Year Growth in Traditional Retail and E-Commerce Sales**

<table>
<thead>
<tr>
<th></th>
<th>In Store</th>
<th>E-Commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3.4%</td>
<td>16.0%</td>
</tr>
<tr>
<td>2016</td>
<td>1.9%</td>
<td>14.9%</td>
</tr>
<tr>
<td>2015</td>
<td>1.1%</td>
<td>14.0%</td>
</tr>
<tr>
<td>2014</td>
<td>3.4%</td>
<td>14.5%</td>
</tr>
<tr>
<td>2013</td>
<td>3.1%</td>
<td>13.7%</td>
</tr>
<tr>
<td>2012</td>
<td>4.3%</td>
<td>14.9%</td>
</tr>
<tr>
<td>2011</td>
<td>7.0%</td>
<td>17.5%</td>
</tr>
<tr>
<td>2010</td>
<td>5.2%</td>
<td>16.8%</td>
</tr>
</tbody>
</table>

*Source: FRED Economic Data*

---

**Top U.S. Companies by Percentage of Total E-Commerce Sales**

<table>
<thead>
<tr>
<th>Company</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon*</td>
<td>38.10%</td>
<td>43.50%</td>
</tr>
<tr>
<td>eBay</td>
<td>7.80%</td>
<td>6.80%</td>
</tr>
<tr>
<td>Walmart</td>
<td>2.80%</td>
<td>3.60%</td>
</tr>
<tr>
<td>Apple</td>
<td>3.20%</td>
<td>3.60%</td>
</tr>
<tr>
<td>Home Depot</td>
<td>1.40%</td>
<td>1.50%</td>
</tr>
</tbody>
</table>

*Amazon accounted for approximately 4 percent of total retail sales in 2017

*Source: Digital Commerce 360*

---

WHERE DO APPAREL RETAILERS MAKE THE LARGEST PROFIT?

- **In Store**: Profit Margin 32%
- **Online in Store Pick-Up**: Profit Margin 30%
- **Online Ship from Store**: Profit Margin 23%
- **Online**: Profit Margin 12%

*Source: April '19, 2017 CNBC Feature: Think-running-retail-stores-is-more-expensive-than-selling-online-think-again*

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http://www.acre.culverhouse.ua.edu/research/logistics-infrastructure-research
American retailers already announced 6,000 store closures this year. That's more than all of last year

By Nathaniel Meyersohn, CNN Business
Updated 1:27 PM ET, Tue April 16, 2019

America has too many stores.

This year, US retailers have announced that 5,994 stores will close. That number already exceeds last year's total of 5,864 closure announcements, according to a recent report from Coresight Research. Bankruptcies in the retail sector are piling up and chains have aggressively closed under-performing stores.

Payless, Gymboree, Charlotte Russe and Shopko have all filed for bankruptcy this year and will close a combined 3,720 stores, according to the report. Other retailers, such as Family Dollar, GNC (GNC), Walgreens (WBA), Signet Jewelers (SIG), Victoria's Secret and JCPenney (JCP), are struggling and are shrinking their store footprints to save money.

Online sales make up around 16% of retail sales today, but they will rise to 25% by 2026, UBS analysts estimated in a research report last week. That could force up to 75,000 stores to close by 2026, including more than 20,000 clothing stores and about 10,000 consumer electronics stores, UBS estimates. Thousands of home furnishings and sporting goods stores will also need to close as online shopping grows rapidly.

Some retailers are opening stores, though. The Coresight report noted that this year, retailers have announced they will open 2,641 stores. The discount sector in particular is growing: Dollar General announced it will open 975 stores this year.
What is Outlook for Malls going Dark?
Malls go Warehouse – Mesquite TX

The Best Place for a New Warehouse? An Old Mall

With wide-open spaces and central locations, dead malls are coming back to life as logistics centers for online shopping facilities.

The dramatic shift in the retail industry and growth of e-commerce have led some analysts to estimate that 400 or so of the roughly 1,100 malls in the U.S. will close in the coming years.

Meanwhile, the appetite for industrial space continues unabated. Roughly 247 million square feet of industrial space is expected to be delivered this year, JLL

In North Randall, Ohio, Amazon.com Inc. is considering the site of the former Randall Park Mall as a fulfillment center, according to Port of Cleveland, a local government agency focused on spurring job creation and economic growth in Cuyahoga County.

In Mesquite, Texas, FedEx Corp. next month will open a 340,000 square-foot distribution facility on what once was the site of the former Big Town Mall. Located along U.S. Highway 80

https://www.wsj.com/articles/the-best-place-for-a-new-warehouse-an-old-mall-1502190001
A Dallas-based company is under contract to purchase the indoor retail portion of Gwinnett Place Mall for an undisclosed sum, with plans to transform the 1.2M SF regional mall into a cricket stadium, Global Sports Ventures Chairman Jignesh “Jay” Pandya confirmed to Bisnow. The current owner of Gwinnett Place Mall's main retail complex, Las Vegas-based Moonbeam Capital Partners, is joining forces with Pandya and Texas-based Thakkar Developers in an organization called CricRealty Co.

Among all forms of shopping centers, neighborhood strips anchored by grocery stores are considered a far safer investment than malls or power centers anchored by department stores. But they are beginning to feel similar pressures.

A few regional brands have already reorganized through bankruptcy and closed stores to stay alive. Southeastern Grocers, the parent company of Southern grocery chain, filed for and subsequently emerged from bankruptcy last year with fewer stores. Catch-all retailer Shopko, which has some grocery elements, filed for Chapter 11 bankruptcy protection earlier this month, and its restructuring plan includes closing over 100 stores to stay viable.

“You’re going to see a lot of pressure on grocery-anchored shopping centers with second-tier brands, and that’s a concern for a lot of landlords,” SRS Real Estate Partners Managing Principal Kyle Stonis said. “If there’s a struggling grocery store anchoring your center and it goes out, it kills your shopping center because it can’t survive without something in that spot.” Grocery anchors average 50% of neighborhood centers’ square footage, according to Green Street’s report. If they go dark, even temporarily, it could be devastating. Green Street estimates that vacant big-boxes take an average of 18 months to go back online. If a box needs to be carved into multiple smaller spaces for the next wave of tenants, that becomes very expensive very quickly.

Shipping, storing and packing perishable goods is a much more complex and capital-intensive proposition than it is for apparel and electronics. Large players, especially Kroger and Walmart, are taking proactive steps to address the market’s changes, which Sears and its counterparts largely failed to do. Most of all, grocery stores' advantage is that people need their products more frequently than they need soft goods.

**Grocery Retail: Kroger + Walgreens = Kroger Express**

First-of-its-kind Kroger Express location at a Walgreens in Florence, Kentucky. 12 additional locations will follow in the Cincinnati area, opening early 2019, in an effort that is sure to blur the lines between traditional grocery and drug store formats.

This latest shop-in-shop is an evolution of the partnership between Walgreens and Kroger which started in October of 2018 with Kroger’s ClickList pickup being offered at the same 13 locations. Also announced is a further partnership focused on having Kroger’s Home Chef meal kits at 65 Chicago-area Walgreens locations. So, if you like the idea of shopping online for groceries but still want to pick your tomatoes, you have that opportunity. **You can utilize the Kroger app for ordering, select this Walgreens location for pickup, and walk inside to grab your produce while your groceries are loaded in your trunk** [remember: you won’t care about picking your tomato in three years, but for now you want it, so here it is].

When two of the nation’s largest retailers get together, there’s a lot of opportunities. With Walgreen’s 10,000 locations and Kroger’s 2,800 locations, there’s much that can be gained with partnerships. It’s easy to imagine how Kroger’s footprint could expand through infill and quick-trip locations throughout the Walgreens footprint and it’s also possible to consider opportunities for Walgreens to impact the Kroger footprint.

https://weinpl.us/2018/12/31/kroger-walgreens/
“FREIGHTWAYS” Define the Eco. Outlook
Freightways are CORRIDORS of Eco Growth - sea-land-air.

65%-70% of Population East of Line

Where is the RR, Intermodal, e-Commerce fulfillment infrastructure in the West?

America’s 4th Coast
28% of GDP
Or 33.5% for TrustBelt

Who will be East Coast’s LA & LB?

The Gulf Coast:
Houston & Mobile
Industrial – Remaking the U.S. Supply-Chain:
The new CORE for Industrial will be in new markets aligned with Rail

Rail Time Indicators  AAR.org – American Assoc. of RR
The 7- Class I RR (Note CN (red) & KCS (brown)

http://www.intermodal.org/
“All that happens on the ports, doesn’t stay on the ports” – Rail, Intermodal!
Remaking the Supply-Chain

The GDP Golden Triangle

The Golden Mfg & Logistics Triangle:
SE + SW + Great lakes
47% US GDP

BEA Regional GDP Rankings - Q1 '2-17
US GDP Q1 '17 = $18.9 Tr. Vs. $18.17 Q1 '16

Region | Ranking | $/Yr
Southeast | #1 | $4.05 (Tr)
Far West | #2 | 3.675
Mid-East | #3 | 3.40
Great Lakes | #4 | 2.60
SouthWest | #5 | 2.30
The Big Story 2019 and Beyond will be Logistics & Convergence of Retail & Industrial R.E.

http://www.acre.culverhouse.ua.edu/research/logistics-infrastructure-research - Feb 8, 2019 Publication
The Big Story 2019 and Beyond will be Logistics & Convergence of Retail & Industrial R.E.

http://www.acre.culverhouse.ua.edu/research/logistics-infrastructure-research - Feb 8, 2019 Publication
The Key Takeaways

Key Takeaway #2

A horseless-carriage, supply-chain from the 1950s cannot support a modern E-commerce Supply-Chain that is growing 25-30 percent per year.

According to the Verizon Tracking-Digital-Commerce-Retail-Index, average e-commerce retail traffic for the Monday before Thanksgiving through Black Friday 2018 period was up nearly one-third (31.6%) over the same period in 2017. The demands on supply-chain infrastructure from a rapidly growing e-commerce economy only increase over the next decade. The pot-hole in our supply-chain is reconciling how the largest economy in the world is so far behind regarding infrastructure. The United States is the largest economy globally at $20 trillion dollars (2nd is Europe and 3rd is China with $12.5 trillion annual GDP), yet the American Society of Civil Engineers gives our Nation’s infrastructure a cumulative grade of “D-” in its latest report covering the 2013-2017 period. The age and state of our vintage infrastructure is not just inhibiting future economic and real estate development, it is forcing existing industry to relocate toward destinations

http://www.acre.culverhouse.ua.edu/research/explore-research
Feb 11, 2019 Publication

Key Takeaway #7

Today the margins for On-line-Shop-and Deliver do not beat Shop-and-Take-Home, but retailers will not reverse course from E-commerce. Retailers will double-down on technology and LI to get the margins right.

The conventional assumption by manufacturers and retailers alike that on-line retail is more cost effective than traditional brick-and-mortar store retailing is not proven by the numbers. Alix Partners crunched the numbers for CNBC in 2017 and found that for apparel retailers the net margin from merchandise sold at brick-and-mortar stores was 32 percent compared to 30 percent for on-line apparel sales. How can this be? It’s because the cost to build the retail Omnichannel systems, operate last-mile delivery reliant upon an inefficient 1950s to 1970s infrastructure utilizing congested highways and roadways, and the volume of returned on-line merchandise (now an estimated 30% of all merchandise sold online), are much more capital intensive than leasing, stocking, and staffing brick & mortar retail stores.
### Top 20 North American Ports Ranked by Total Tonnage (2017)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Port</th>
<th>Total Tonnage 2017</th>
<th>Total Tonnage 2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>South Louisiana, LA</td>
<td>275,064,082</td>
<td>261,898,079</td>
<td>5.03%</td>
</tr>
<tr>
<td>2</td>
<td>Houston, TX</td>
<td>260,070,837</td>
<td>247,981,663</td>
<td>4.88%</td>
</tr>
<tr>
<td>3</td>
<td>New York / New Jersey</td>
<td>135,874,693</td>
<td>133,396,832</td>
<td>1.86%</td>
</tr>
<tr>
<td>4</td>
<td>New Orleans, LA</td>
<td>96,341,576</td>
<td>90,270,859</td>
<td>6.73%</td>
</tr>
<tr>
<td>5</td>
<td>Beaumont, TX</td>
<td>89,437,326</td>
<td>84,528,063</td>
<td>5.8%</td>
</tr>
<tr>
<td>6</td>
<td>Corpus Christi, TX</td>
<td>87,322,735</td>
<td>81,981,061</td>
<td>6.52%</td>
</tr>
<tr>
<td>7</td>
<td>Long Beach, CA</td>
<td>85,997,092</td>
<td>77,813,233</td>
<td>10.52%</td>
</tr>
<tr>
<td>8</td>
<td>Baton Rouge, LA</td>
<td>77,013,042</td>
<td>72,998,561</td>
<td>5.50%</td>
</tr>
<tr>
<td>9</td>
<td>Virginia, VA</td>
<td>67,251,530</td>
<td>54,047,937</td>
<td>24.43%</td>
</tr>
<tr>
<td>10</td>
<td>Los Angeles, CA</td>
<td>65,826,557</td>
<td>62,615,644</td>
<td>5.13%</td>
</tr>
<tr>
<td>11</td>
<td>Mobile, AL</td>
<td>58,157,248</td>
<td>58,024,317</td>
<td>0.23%</td>
</tr>
<tr>
<td>12</td>
<td>Plaquemines, LA</td>
<td>54,465,907</td>
<td>56,780,632</td>
<td>-4.08%</td>
</tr>
<tr>
<td>13</td>
<td>Lake Charles, LA</td>
<td>54,316,852</td>
<td>56,045,838</td>
<td>-3.08%</td>
</tr>
<tr>
<td>14</td>
<td>Baltimore, MD</td>
<td>45,474,946</td>
<td>38,837,979</td>
<td>17.09%</td>
</tr>
<tr>
<td>15</td>
<td>Cincinnati-Northern, KY</td>
<td>42,676,566</td>
<td>43,050,399</td>
<td>-0.87%</td>
</tr>
<tr>
<td>16</td>
<td>Savannah, GA</td>
<td>39,885,610</td>
<td>36,443,795</td>
<td>9.39%</td>
</tr>
<tr>
<td>17</td>
<td>Port Arthur, TX</td>
<td>39,203,245</td>
<td>35,198,425</td>
<td>11.38%</td>
</tr>
<tr>
<td>18</td>
<td>Texas City, TX</td>
<td>37,751,062</td>
<td>41,260,475</td>
<td>-8.51%</td>
</tr>
<tr>
<td>19</td>
<td>Duluth-Superior, MN and WI</td>
<td>34,783,190</td>
<td>30,277,995</td>
<td>14.88%</td>
</tr>
<tr>
<td>20</td>
<td>Huntington - Tristate</td>
<td>34,151,107</td>
<td>37,401,755</td>
<td>-8.69%</td>
</tr>
</tbody>
</table>

### Top 20 North American Ports Ranked by Total TEUs (2017)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Port</th>
<th>Total TEUs 2017</th>
<th>Total TEUs 2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Los Angeles, CA</td>
<td>9,343,192</td>
<td>8,856,783</td>
<td>5.5%</td>
</tr>
<tr>
<td>2</td>
<td>Long Beach, CA</td>
<td>7,544,507</td>
<td>6,775,170</td>
<td>11.4%</td>
</tr>
<tr>
<td>3</td>
<td>New York / New Jersey</td>
<td>6,710,817</td>
<td>6,251,953</td>
<td>7.3%</td>
</tr>
<tr>
<td>4</td>
<td>Savannah, GA</td>
<td>4,046,212</td>
<td>3,644,521</td>
<td>11.0%</td>
</tr>
<tr>
<td>5</td>
<td>Seattle / Tacoma, WA</td>
<td>3,665,329</td>
<td>3,615,752</td>
<td>1.4%</td>
</tr>
<tr>
<td>6</td>
<td>Vancouver, Canada</td>
<td>3,252,223</td>
<td>2,929,585</td>
<td>11.0%</td>
</tr>
<tr>
<td>7</td>
<td>Hampton Roads, VA</td>
<td>2,841,016</td>
<td>2,655,707</td>
<td>7.0%</td>
</tr>
<tr>
<td>8</td>
<td>Manzanillo, Mexico</td>
<td>2,830,370</td>
<td>2,578,822</td>
<td>9.8%</td>
</tr>
<tr>
<td>9</td>
<td>Houston, TX</td>
<td>2,459,107</td>
<td>2,182,894</td>
<td>12.7%</td>
</tr>
<tr>
<td>10</td>
<td>Oakland, CA</td>
<td>2,420,837</td>
<td>2,369,641</td>
<td>2.2%</td>
</tr>
<tr>
<td>11</td>
<td>Charleston, SC</td>
<td>2,177,550</td>
<td>1,996,276</td>
<td>9.1%</td>
</tr>
<tr>
<td>12</td>
<td>Montreal, Canada</td>
<td>1,537,669</td>
<td>1,447,566</td>
<td>6.2%</td>
</tr>
<tr>
<td>13</td>
<td>San Juan, Puerto Rico</td>
<td>1,319,572</td>
<td>1,084,374</td>
<td>21.7%</td>
</tr>
<tr>
<td>14</td>
<td>Honolulu, HI</td>
<td>1,204,568</td>
<td>1,211,997</td>
<td>-0.6%</td>
</tr>
<tr>
<td>15</td>
<td>Lazaro Cardenas, Mexico</td>
<td>1,149,079</td>
<td>1,115,452</td>
<td>3.0%</td>
</tr>
<tr>
<td>16</td>
<td>Veracruz, Mexico</td>
<td>1,117,304</td>
<td>965,294</td>
<td>15.7%</td>
</tr>
<tr>
<td>17</td>
<td>Port Everglades, FL</td>
<td>1,076,893</td>
<td>1,037,226</td>
<td>3.8%</td>
</tr>
<tr>
<td>18</td>
<td>Jacksonville, FL</td>
<td>1,033,068</td>
<td>968,279</td>
<td>6.7%</td>
</tr>
<tr>
<td>19</td>
<td>Miami, FL</td>
<td>1,024,338</td>
<td>1,028,156</td>
<td>-0.4%</td>
</tr>
<tr>
<td>20</td>
<td>Baltimore, MD</td>
<td>962,484</td>
<td>869,485</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

Source: American Association of Port Authorities (AAPA)
<table>
<thead>
<tr>
<th>Port</th>
<th>2017 Total Autos</th>
<th>2016 Total Autos</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Veracruz, Mexico</td>
<td>1,041,692</td>
<td>770,729</td>
<td>35.2%</td>
</tr>
<tr>
<td>2. Baltimore, MD</td>
<td>807,194</td>
<td>731,750</td>
<td>10.3%</td>
</tr>
<tr>
<td>3. Jacksonville, FL</td>
<td>693,248</td>
<td>652,265</td>
<td>6.3%</td>
</tr>
<tr>
<td>4. Brunswick, GA</td>
<td>629,420</td>
<td>631,713</td>
<td>-0.4%</td>
</tr>
<tr>
<td>5. New York / New Jersey</td>
<td>577,223</td>
<td>505,151</td>
<td>14.3%</td>
</tr>
<tr>
<td>6. Lazaro Cardenas, Mexico</td>
<td>442,869</td>
<td>311,774</td>
<td>42.1%</td>
</tr>
<tr>
<td>7. Vancouver, Canada</td>
<td>429,875</td>
<td>393,280</td>
<td>9.3%</td>
</tr>
<tr>
<td>8. San Diego, CA</td>
<td>371,827</td>
<td>390,954</td>
<td>-4.9%</td>
</tr>
<tr>
<td>9. Hueneme, CA</td>
<td>318,576</td>
<td>306,816</td>
<td>3.8%</td>
</tr>
<tr>
<td>10. Portland, OR</td>
<td>314,000</td>
<td>291,242</td>
<td>7.8%</td>
</tr>
<tr>
<td>11. Long Beach, CA</td>
<td>313,226</td>
<td>263,994</td>
<td>18.7%</td>
</tr>
<tr>
<td>12. Houston, TX</td>
<td>276,338</td>
<td>85,499</td>
<td>223.3%</td>
</tr>
<tr>
<td>13. Los Angeles, CA</td>
<td>236,956</td>
<td>199,027</td>
<td>19.1%</td>
</tr>
<tr>
<td>14. Charleston, SC</td>
<td>234,253</td>
<td>265,017</td>
<td>-11.6%</td>
</tr>
<tr>
<td>15. Davisville, RI</td>
<td>222,521</td>
<td>214,189</td>
<td>3.9%</td>
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<tr>
<td>16. Altamira, Mexico</td>
<td>197,032</td>
<td>111,934</td>
<td>76.0%</td>
</tr>
<tr>
<td>17. Halifax, Canada</td>
<td>170,000</td>
<td>142,420</td>
<td>19.4%</td>
</tr>
<tr>
<td>18. Philadelphia, PA</td>
<td>164,901</td>
<td>138,872</td>
<td>18.7%</td>
</tr>
<tr>
<td>19. Tacoma, WA</td>
<td>146,885</td>
<td>165,687</td>
<td>-11.4%</td>
</tr>
<tr>
<td>20. Vancouver, WA</td>
<td>87,978</td>
<td>87,600</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: Automotive Logistics: North American Light Vehicle Ports Survey

<table>
<thead>
<tr>
<th>Port</th>
<th>Panamax Cranes</th>
<th>Post-Panamax Cranes</th>
<th>Super-Post-Panamax Cranes</th>
<th>Total Cranes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Los Angeles, CA</td>
<td>-</td>
<td>38</td>
<td>45</td>
<td>83</td>
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<tr>
<td>2. Long Beach, CA</td>
<td>2</td>
<td>25</td>
<td>45</td>
<td>72</td>
</tr>
<tr>
<td>3. New York / New Jersey</td>
<td>9</td>
<td>44</td>
<td>17</td>
<td>70</td>
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<tr>
<td>4. Norfolk, VA</td>
<td>-</td>
<td>6</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>5. Savannah, GA</td>
<td>-</td>
<td>6</td>
<td>20</td>
<td>26</td>
</tr>
<tr>
<td>6. Tacoma, WA</td>
<td>5</td>
<td>12</td>
<td>9</td>
<td>26</td>
</tr>
<tr>
<td>7. Oakland, CA</td>
<td>-</td>
<td>10</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>8. Houston, TX</td>
<td>5</td>
<td>11</td>
<td>7</td>
<td>23</td>
</tr>
<tr>
<td>9. Seattle, WA</td>
<td>3</td>
<td>6</td>
<td>13</td>
<td>22</td>
</tr>
<tr>
<td>10. Jacksonville, FL</td>
<td>-</td>
<td>10</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>11. Charleston, SC</td>
<td>-</td>
<td>8</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>12. Baltimore, MD</td>
<td>4</td>
<td>7</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>13. Miami, FL</td>
<td>-</td>
<td>7</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>14. Port Everglades, FL</td>
<td>1</td>
<td>8</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>15. New Orleans, LA</td>
<td>2</td>
<td>4</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>16. Boston, MA</td>
<td>2</td>
<td>4</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>17. Wilmington, NC</td>
<td>2</td>
<td>4</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>18. Philadelphia PA</td>
<td>4</td>
<td>2</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>19. Tampa, FL</td>
<td>3</td>
<td>2</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>20. Mobile, AL</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Bureau of Transportation Statistics, Port Performance Profiles
Port Freeport, Texas

Vital Statistics
2017 Total Tonnage: 24,484,399 (24.69%)  
2017 Total TEUs: 85,540 (-6.42%)  
2017 Total Autos: 74,000 (39.62%)  
Total Number of Post Panamax Cranes: 2  
Current Channel Depth: 45  
Number of Class I Railroads: 1

Summary of Strategic Plan:
Port Freeport has several strategic initiatives in place to facilitate the growth of the port. A $295 million harbor improvement project plans to deepen the channel from 46 to 53 feet, making it the deepest port in Texas once completed. This will allow Port Freeport to accommodate New Panamax ships which require at least 50 feet of water to operate. Other planned improvements include expansion of the port's container handling facilities by purchasing five additional STS Post-Panamax Gantry cranes by 2021. Port Freeport also plans to develop rail-served warehouses and distribution facilities with the ultimate goal of creating a rail and highway transportation corridor linking Freeport to Rosenberg.

Five Facts to Know About the Port Freeport, Texas
- The port plans to install five additional Post-Panamax Gantry cranes by 2021
- It will be the deepest port in Texas (53 feet) after a $295 million harbor improvement project is completed
- Vessel calls are forecasted to increase by approximately 25 percent over the next four years
- It is ranked 26th in international tonnage and occupies approximately 8,000 acres on deep water
- The port's new container terminal is the deepest container berth on the Gulf of Mexico, and the new, deeper main channel of 55 feet will offer the fastest transit time in the U.S. at one hour
The Changing Design for an Industrial Warehouse

Think of an Amazon “Tent Warehouse” pioneered by Iowa Company

Real Estate Design – It is a Changin! Building design is adapting to meet with the challenges of rising construction costs while simultaneously evolving to meet e-Commerce’s need for more efficiency.


Amazon’s development of a warehouse made of a taut fabric supported by steel-tube trusses and cables with no columns is underway in Memphis. The design, engineering and construction is not too dissimilar to that used to construct the Denver International airport main terminal. This first-of-its-kind warehouse for Memphis, TN (home to FedEx) and the building’s tenant (Amazon - the world’s largest retailer and likely next trillion dollar company) is going to be a disruptor for industrial warehouse space.

The building design and components are being provided by ClearSpan Fabric Structures HQ in Dyersville, Iowa for a cost of $595,000 - or just under $36 per SF
Conclusion

Long May You Run – in your career – If you stay Tuned-up!

Long May You Run: An Essential Commercial Real Estate Tuneup

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

Top 10 “Long May You Run” Commercial Real Estate Resources

1. Trading Economics
2. Rail Time Indicators by the Association of American Railroads
3. Trading Economics and Rail Time Indicators
4. Calculated Risk
5. LinkedIn Workforce Report with Skills-Gap Analysis
6. NFIB’s Small Business Optimism Index
7. Verizon Retail Index
9. Association of General Contractors and Engineering News-Record
10. Trepp on CMBS and real estate finance trends and knowledge like commercial real estate defaults