



Economic & CRE Update Outlook
Zoom – Virtual
9:00am to 10:00am CT

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Culverhouse
College of Business

Alabama Center for Real Estate



CCIM Institute
Commercial Real Estate's

Global Standard for Professional Achievement

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Southeast Land Title Association (SLTA)

Economic & CRE Update Outlook – Virtual September 17, 2020

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ACRE Website, Accessing WIN, Research, and Presentations

<http://www.acre.culverhouse.ua.edu/explore>

<http://www.acre.culverhouse.ua.edu/win>

ACRE WIN WEDNESDAY INSIGHTS with K.C. Conway

ACRE WiRE WEEK IN REAL ESTATE

THE UNIVERSITY OF ALABAMA Culverhouse College of Business Alabama Center for Real Estate

EXPLOREACRE.COM

Explore ACRE

CORONAVIRUS [COVID-19]

explore Real Estate Today

CCAP Collegiate Career Assistance Program

The Housing Quartile Not Doing So Well During COVID-19

2020 TOP TEN ISSUES AFFECTING REAL ESTATE

Review by ACRE Director of Research KC Conway

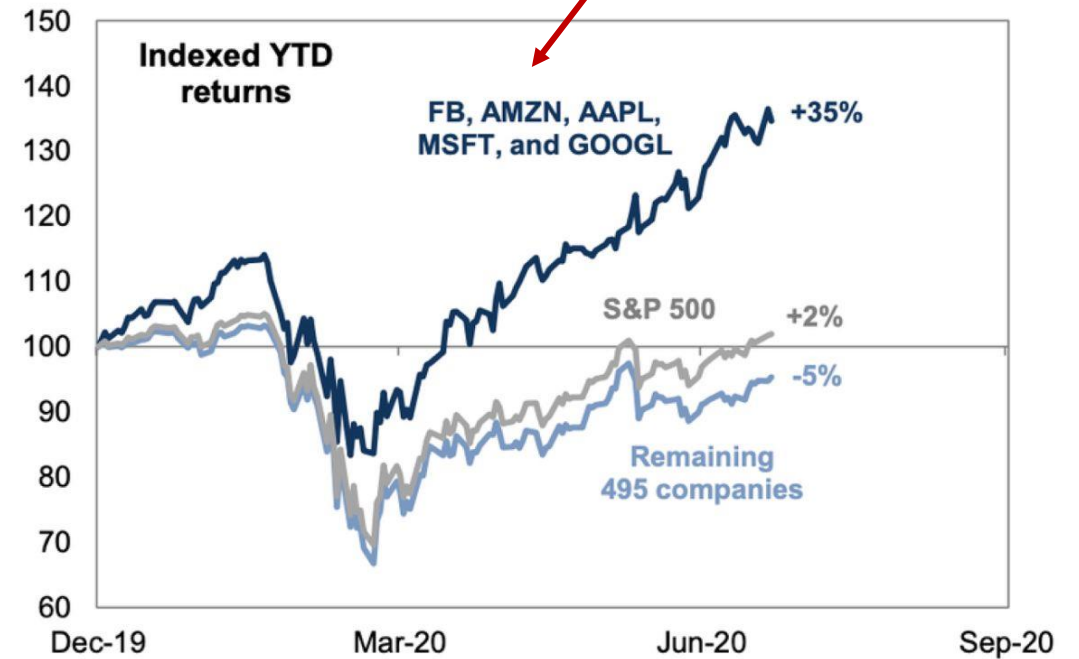
- September 9, 2020
Appraisal Concepts Refresher during COVID-19
- August 26, 2020
Measure Twice, Cut Once
- August 12, 2020
Small Business Update – Big Challenges
- August 5, 2020
Like Real Estate, it's all local when it comes to State Budgets
- July 22, 2020
The ADA turns 30 & It is Still Relevant
- July 15, 2020
It's a "W"
- May 27, 2020
The Other L&T Industry Impacted by COVID-19

The Economy and CRE during COVID

It Feels Like All the Shoes Are Dropping at Once, **except 5**



Exhibit 1: The five largest stocks have returned 35% YTD; the other 495 stocks have declined by 5%.

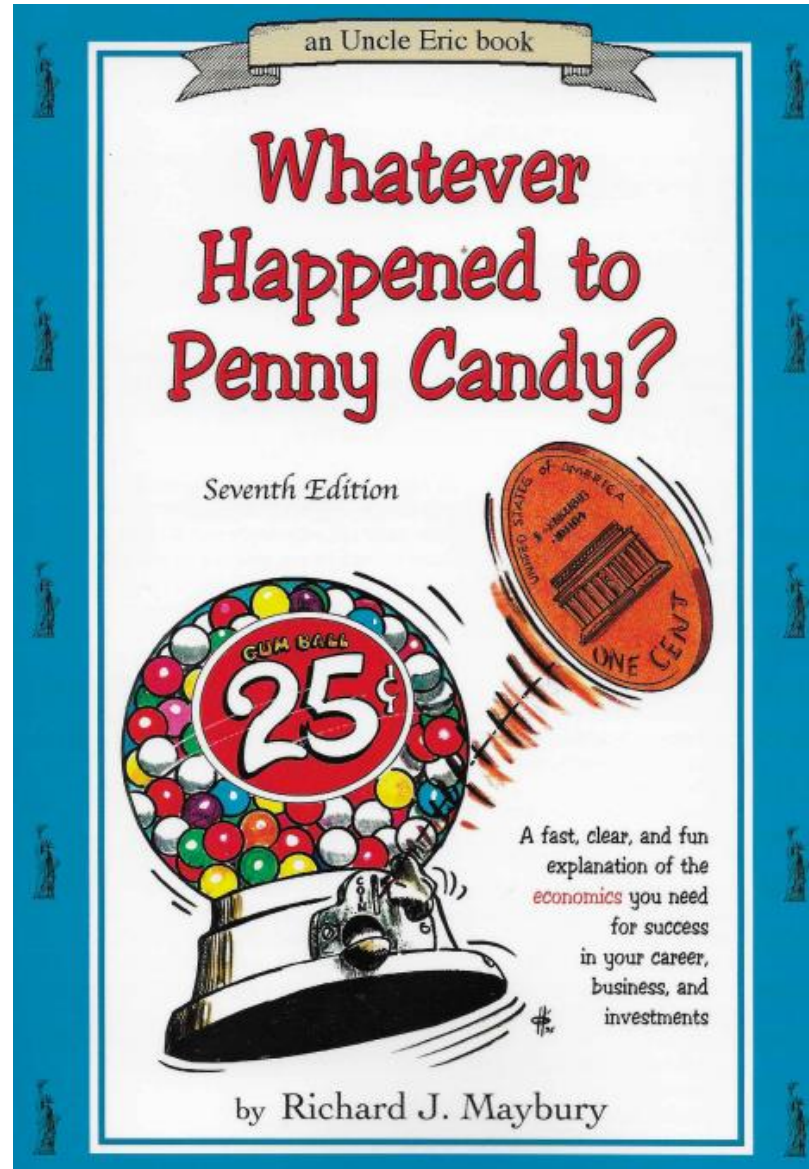


Source: FactSet, Goldman Sachs Global Investment Research

Reading Recommendation

***“Economics
you need for
success.”***

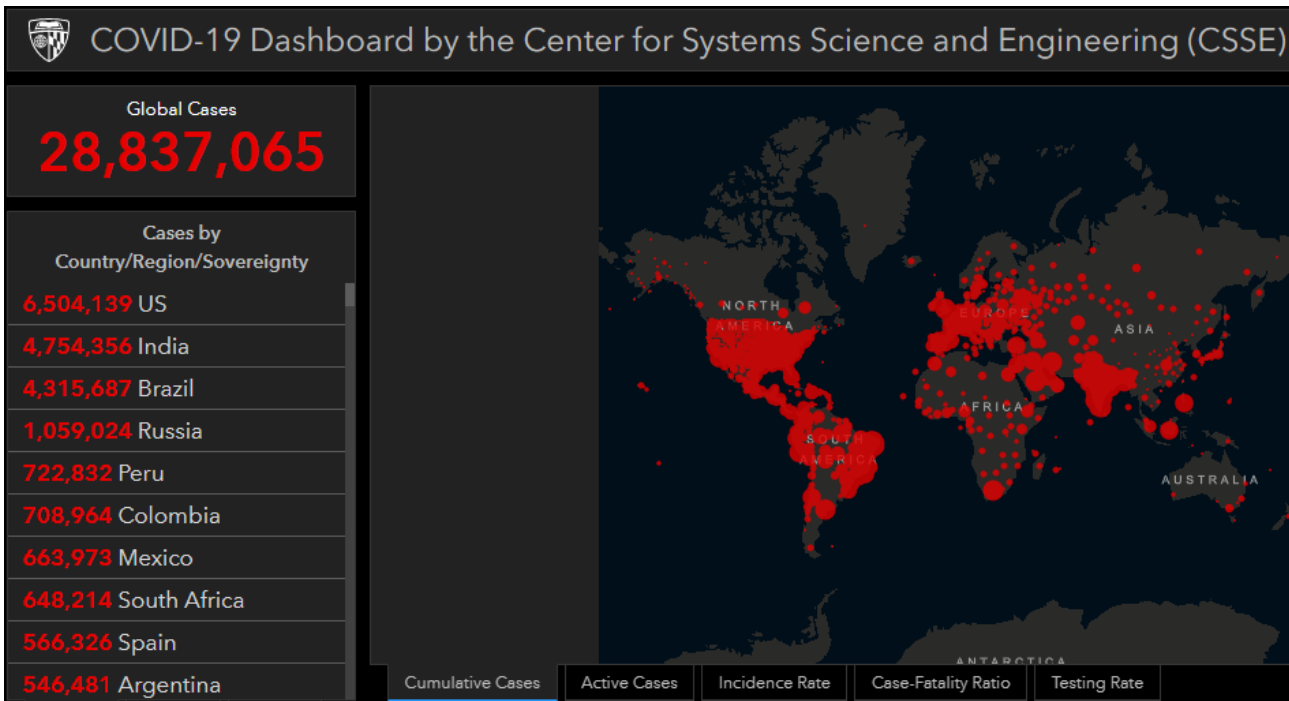
***In 2021,
all in our industry
will need an
economics tune-up.***



***Chapter 2:
TANSTAAFL***

***“There Ain’t No Such Thing
as a Free Lunch.”***

K.C.'s 7 Economic Metrics for the Economy: #1 COVID Cases



■ # Cases: Sept 13th = 28.9 (up 5.0m cases in Aug, up 3.0 million in 1st 2 weeks of Sept), 25X the <900k April 1st

US Share: Most in the World at 6.5m or >25%

Covid19 cases are connected to the Eco-Reopening bone is connected to the Stressed CRE bone.

Country/Region/Sovereignty	
6,504,139	US
4,754,356	India
4,315,687	Brazil
1,059,024	Russia
722,832	Peru

Top 5 Countries
No longer include one from EU or Mid-East.
India will surpass US!

<https://coronavirus.jhu.edu/map.html>

<https://coronavirus.jhu.edu/map.html>



GA is # 5
AL is # 13
MS is # 23

State Rankings:

Cases by Province/State/Region	
772,133 confirmed	California US
696,807 confirmed	Texas US
671,201 confirmed	Florida US
446,366 confirmed	New York US
299,056 confirmed	Georgia US

State & County Rankings:

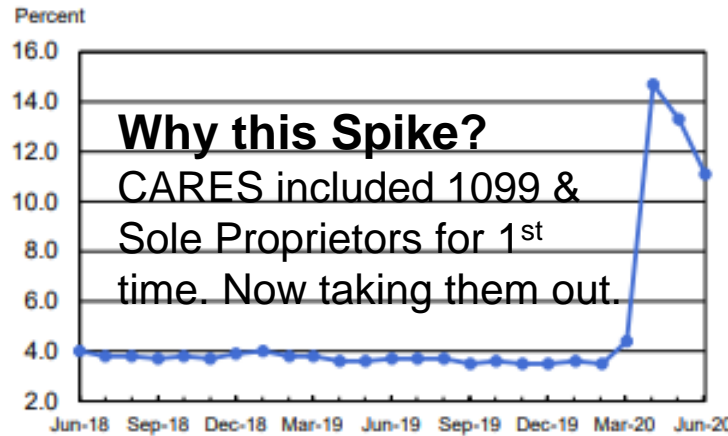
Rank	Confirmed Cases	County/State	Rank
#1	253,220 confirmed	Los Angeles California US	#8
#2	164,086 confirmed	Miami-Dade Florida US	#9
#3	137,507 confirmed	Maricopa Arizona US	#10
#5	115,149 confirmed	Harris Texas US	#14
	75,052 confirmed	Dallas Texas US	
	74,434 confirmed	Broward Florida US	
	71,111 confirmed	Queens New York US	
	66,197 confirmed	Kings New York US	
	62,650 confirmed	Clark Nevada US	
	55,073 confirmed	Riverside California US	
	52,235 confirmed	Bronx New York US	
	50,760 confirmed	Orange California US	
	50,699 confirmed	San Bernardino California US	

NY & NJ not #1/#2 by state, but 3 of top-15 counties with cases are NY. It's not over in NY

#2 Employment: Translate It Private and Local

BLS Aug Jobs Report

Chart 1. Unemployment rate, seasonally adjusted, June 2018 – June 2020



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

State and Local Government Employment (in thousands)



Source: Bureau of Labor Statistics
 Data Release Date: July 2, 2020

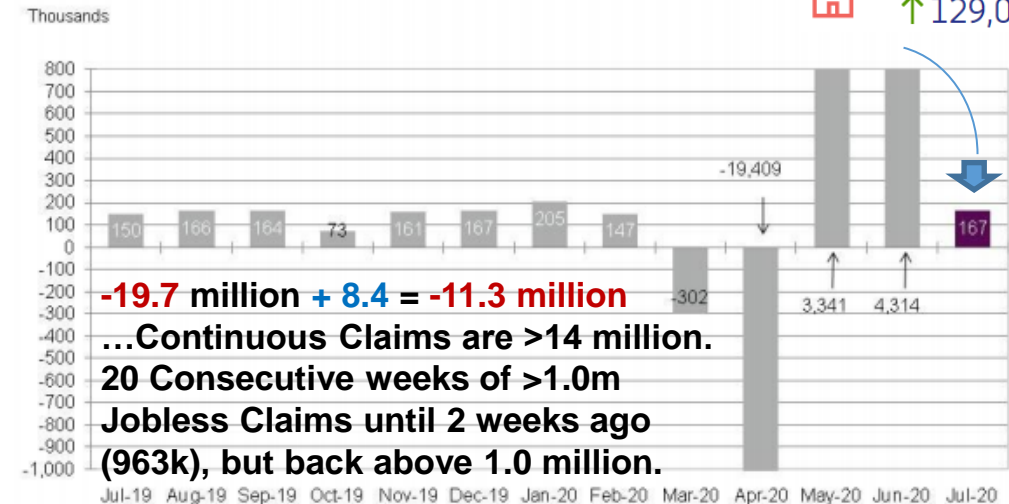


ADP Jobs Report Aug 5th

- Monthly avg job gain July '19 – Dec '19 was +160,000.
- March to July ADP jobs numbers were -302k (Mar), -19.4m (Apr), +3.3m (May), +4.3m (June), +167 (July) and +428 (Aug). In other words, we have brought back less than half of the 20 million jobs lost in Apr & May (7.9 million of 20 million lost). Not good!
- May & June +7.6 million jobs added back was due to states reopening and assumption COVID19 was contained.
- Aug top 2 categories need context

- Education & Health ↑100,000
- Leisure & Hospitality ↑129,000

Chart 1. Change in Total Nonfarm Private Employment



Sources: ADP Research Institute®

ALDOL's Labor Market Info (LMI) Newsletter

ISSUE
06
JUNE 2020 DATA

PUBLICATION OF THE
AL DEPARTMENT OF LABOR

AL LMI News

July 2020 Publication

Table of Contents

Economic Brief	1
LMI Definitions	2

Economic Brief
The State's seasonally adjusted unemployment rate **7.5** percent in June, down from the May revised rate of 9.6 percent, and above the 2.9 percent recorded a year ago. Alabama's employment level was 2,030,073 in June, greater than the 2,023,565 recorded in May, and fewer than the 2,171,639 recorded in June of 2019.



AL Jobless Claims are going in the right direction

March to April

3/14/2020	1,824
3/21/2020	10,982
3/28/2020	80,984
4/4/2020	106,739

(peak of 106k April to <10k Aug)

https://labor.alabama.gov/news_feed/News_Page.aspx?id=264

May (pre-reopening)

5/9/2020	26,666
5/16/2020	25,150
5/23/2020	27,920
5/30/2020	21,335

July (Covid Case Rise)

7/4/2020	19,058
7/11/2020	20,505
7/18/2020	23,678
7/25/2020	17,439

April to May

4/11/2020	77,515
4/18/2020	66,432
4/25/2020	74,966
5/2/2020	28,985

Auto PI Reopenings

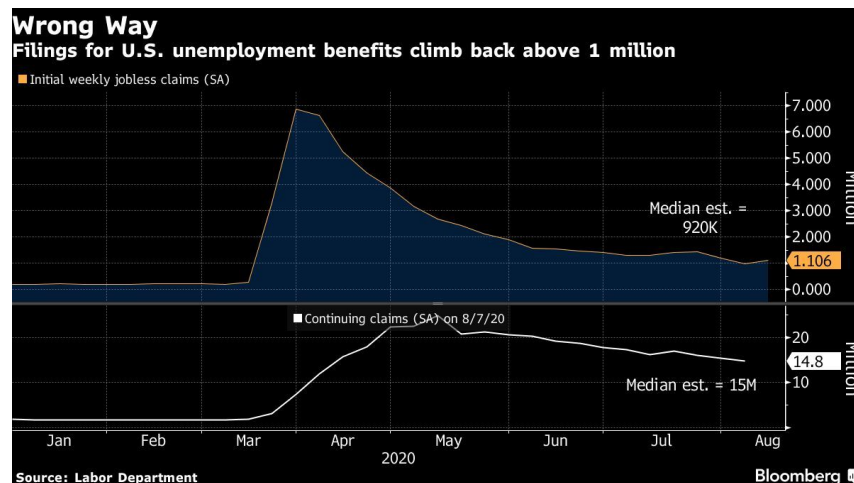
August (pre-School Reopen)

8/1/2020	11,692
8/8/2020	9,468

June (Reopening)

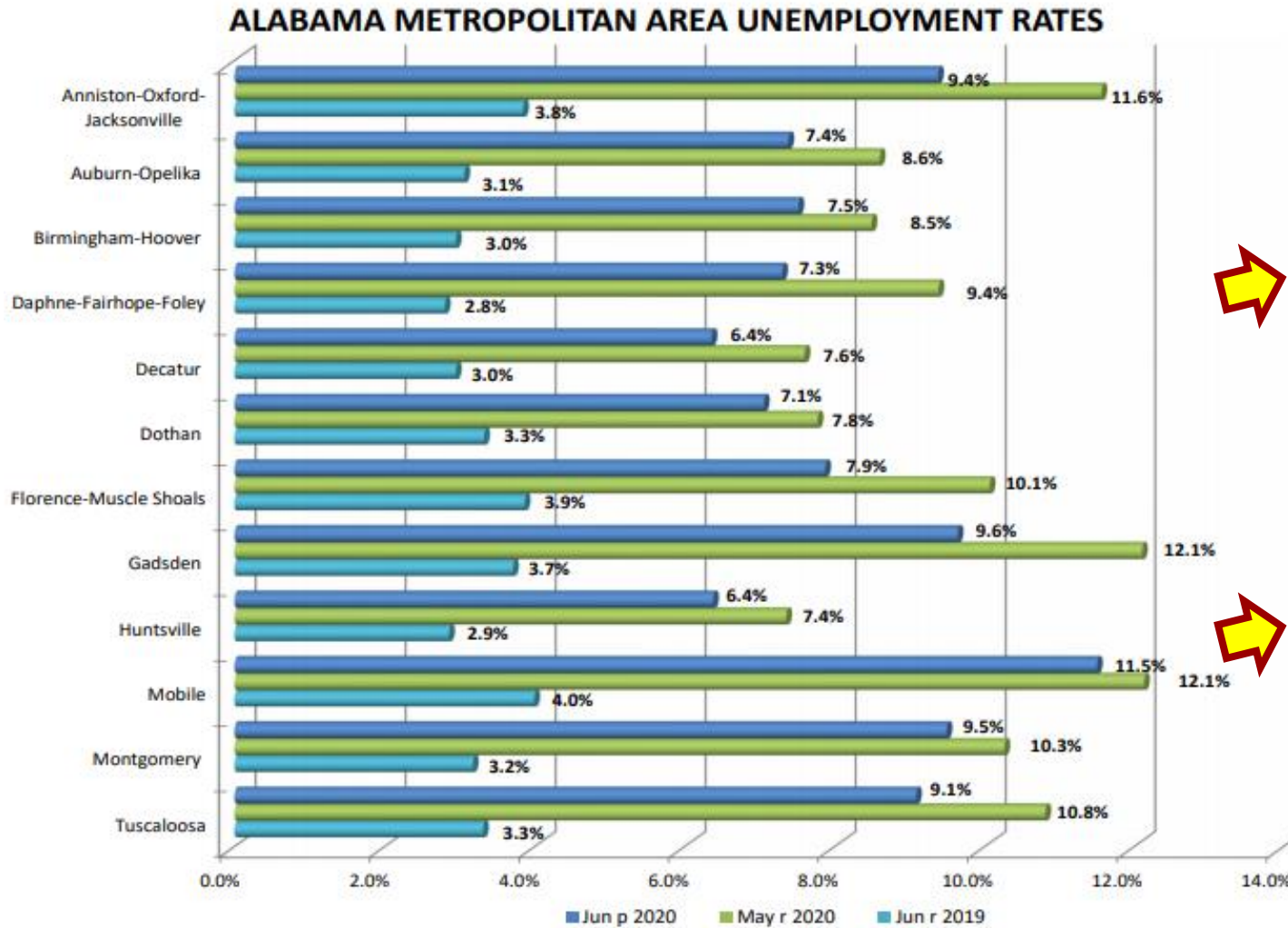
6/6/2020	19,950
6/13/2020	18,367
6/20/2020	18,671
6/27/2020	18,340

News Update: Alabama will submit its application to participate in the **Lost Wages Assistance (LWA)** Program which was created by President Donald Trump's Exec Order in response to the expiration of the Federal Pandemic Unemployment Compensation (FPUC) \$600 weekly benefit in July.



UPDATE: Initial jobless claims in regular state programs rose by 135,000 to more than 1.1 million in the week ended Aug. 15. That was up from 963k the prior week after 20 consecutive weeks of >1.0 million claims. Prior to COVID19, the all time high in Jobless Claims was 695k in 2009.

The AL Jobs Pie – Unemployment by MSA



UI Rate by MSA

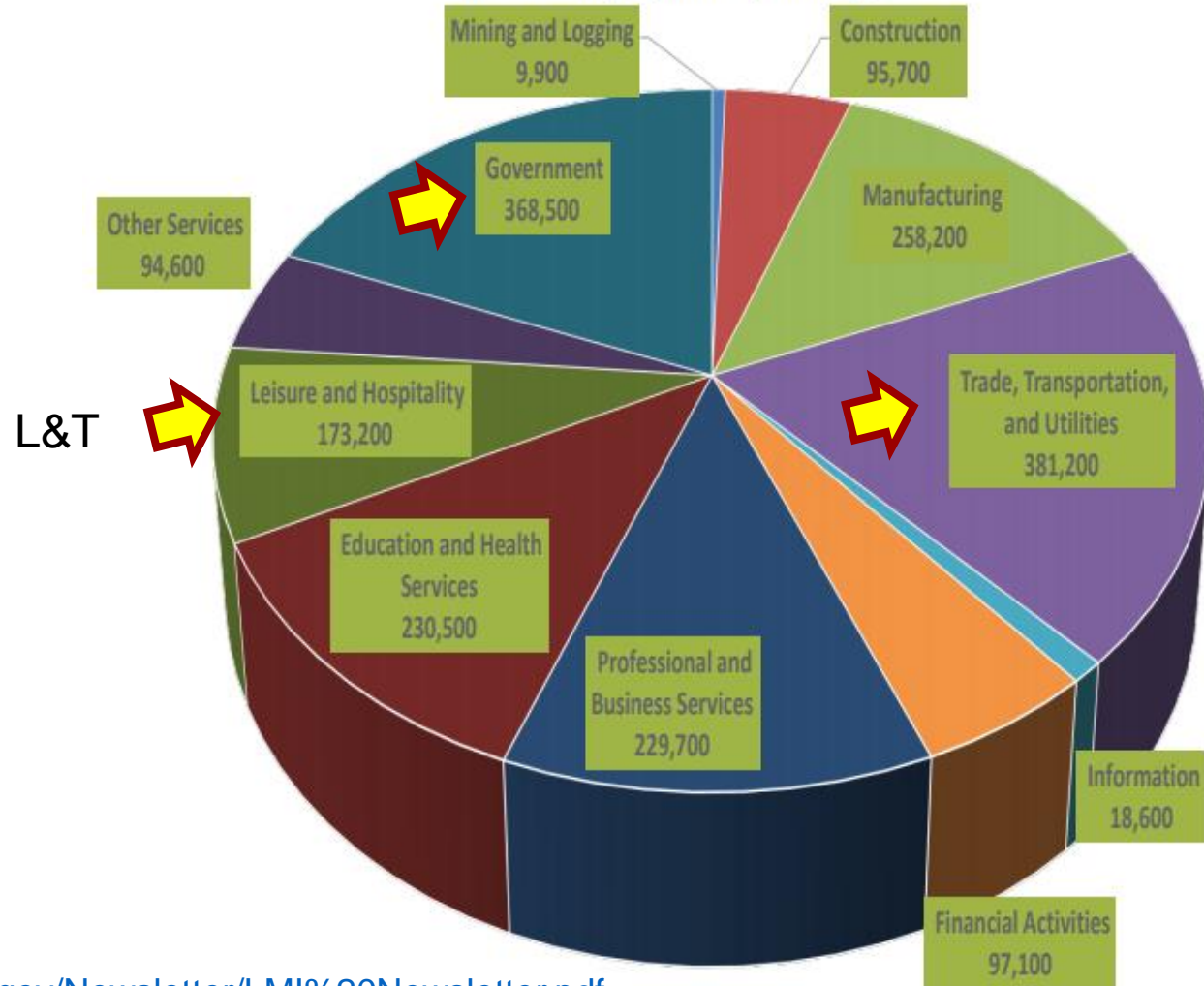
- ➔ <7% (Decatur & **Huntsville**)
- >7% to <9% (**Auburn, B'ham, Foley, Dothan, Florence**)
- >9% to <10% (**Montgomery, Tuscaloosa, Gadsden, Anniston**)
- ➔ >10% (**Mobile – 11.5%**)

Mobile Unempl. Will rise after Hurricane Sally. The Gulf region did not need an active hurricane season on heels of COVID.

<http://www2.labor.alabama.gov/Newsletter/LMI%20Newsletter.pdf>

The AL Jobs Pie – Employment by Industry Sector:

Alabama June 2020 Preliminary
Current Employment Statistics
Statewide Employment by Industry Sector



Ranking by MSA

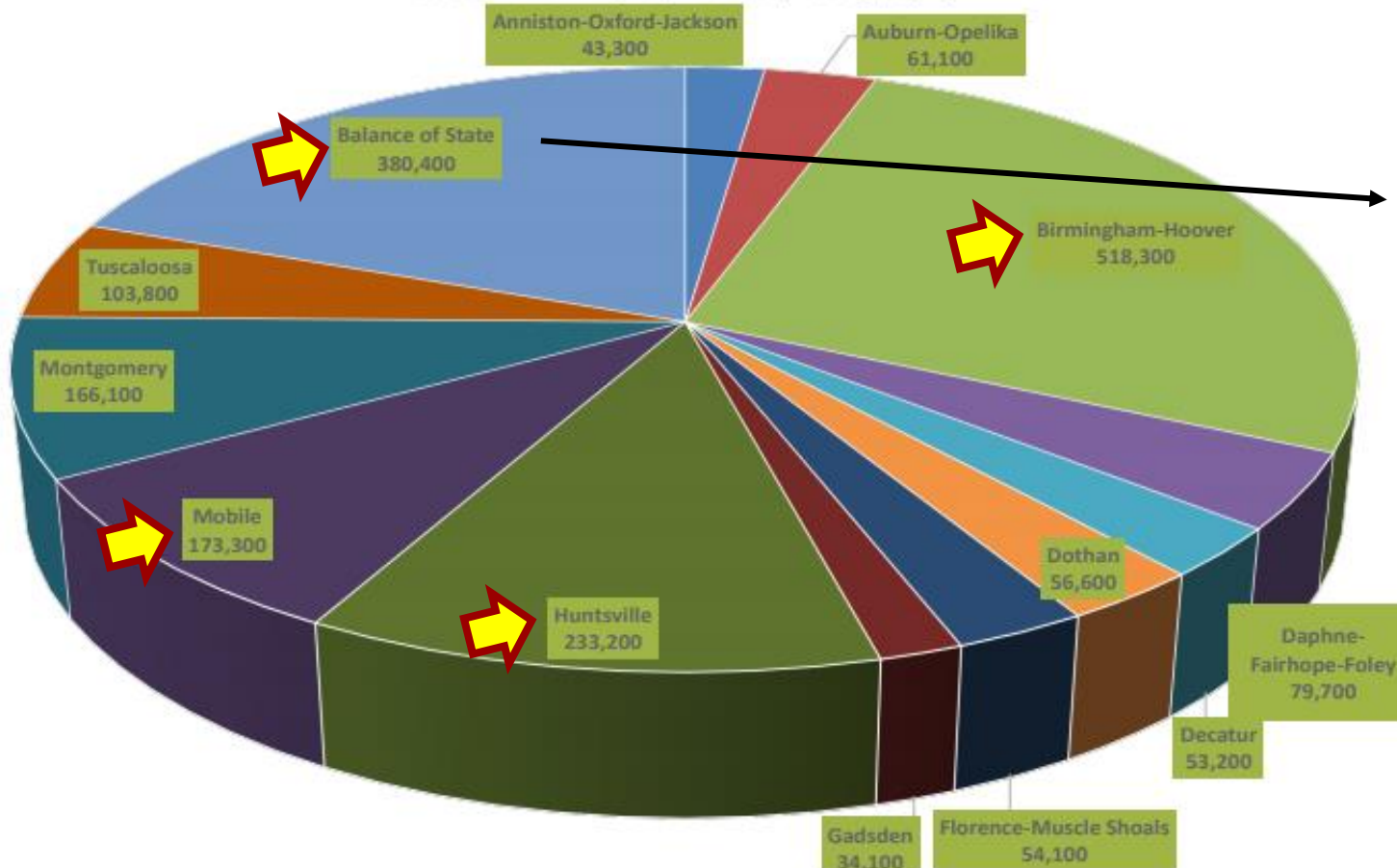
- #1 Trade/Trans: 381,200
- #2 Government: 368,500
- #3 Manufacturing: 258,200
- #4 Ed/Health: 230,500
- #5 Prof Bus Serv: 229,700
- #6 Leisure & Travel 173,200

The AL Jobs Pie – Employment by MSA:

AL LMI News

Issue 06 June 2020 Data

Alabama June 2020 Preliminary
Current Employment Statistics
Statewide Employment by Geography



Ranking by MSA

- #1 B'ham: 518,300
- #2 Other AL: 380,400
- #3 Huntsville: 233,200
- #4 Mobile: 173,300
- #5 Montgomery: 166,100

<http://www2.labor.alabama.gov/Newsletter/LMI%20Newsletter.pdf>

Note Largest Employer by State – Walmart #1 in 21 states

WALMART NATION

Walmart is the largest private employer in 21 states



- 21 ■ WALMART
- 16 ■ HEALTHCARE
- 8 ■ EDUCATION
- 5 ■ OTHER COMPANY

TOP PRIVATE EMPLOYERS IN EACH STATE



Walmart Nation

Walmart is the biggest company in the world by revenue, and there are over 3,500 Walmart Supercenters spread around the United States alone. It takes about 1% of private sector workforce in the United States to keep this massive fleet of big box stores running. In Arkansas, that figure jumps up to 4%, with about one-third of the total retail workforce employed at the retail giant.

State	◆	# of Walmart Employees
Texas		168,403
Florida		107,460
Georgia	State Ranking:	60,002
Illinois	• GA #3	53,687
Arkansas	• AL #11 (37k)	52,367
Ohio	• MS #16 (24k)	50,186
Virginia		43,623
Missouri		42,029
Tennessee		40,598
Indiana		39,875

U.S. WALMART EMPLOYEES
1.5 million

<https://www.visualcapitalist.com/walmart-nation-largest-employers/>

#2 Employment - Job Cuts: They Aren't in the BLS Count

**August Job Cuts Report;
Highest No. of Cuts in a
Single Year Ever Recorded**

**Challenger Gray
& Christmas, Inc.**
Guiding Change ... Getting Results

Job cuts announced by U.S.-based employers in August totaled 115,762, **116% higher than the August 2019 total of 53,480**, according to a monthly report released Thursday by global outplacement and business and executive coaching firm Challenger, Gray & Christmas, Inc.

August's total is 56% lower than the 262,649 job cuts announced in July. It is the highest total in August since 2002, when 118,067 job cuts were announced.

So far this year, employers have announced 1,963,458 cuts, 231% higher than the 592,556 cuts tracked in January-August of 2019. Announced job cuts in 2020 have surpassed the previous record annual total of 1,956,876 recorded in 2001.

"The leading sector for job cuts last month was Transportation, as airlines begin to make staffing decisions in the wake of decreased travel and uncertain federal intervention. An increasing number of companies that initially had temporary job cuts or furloughs are now making them permanent.

<http://www.challengergray.com/press/press-releases/115762-job-cuts-august-highest-number-cuts-tracked-single-year-record>

**Who is cutting in your Region, State, MSA? What's the CRE impact?
(Airlines – service being cut to Secondary & Tertiary MSAs, like Key West, FL)**

Challenger Gray Job Cuts Report - News **Update: Sept 3 release**



Struggling airlines lead U.S. planned job cuts in August: report

Reuters · 18 minutes ago

U.S. employers announced another 115,762 job cuts in August, led by struggling airlines as the...



US: Challenger Job Cuts decline by 56% to 115,762 in August

FXStreet · 25 minutes ago

Challenger Job Cuts in the US fell by 56% in August. US Dollar Index clings to daily gains around...

Year To Date

California	355,661
New York	215,251
Florida	183,532
Texas	150,842
Ohio	90,357

Cities push back as airlines seek dozens of new service cuts. Is your airport on the list?

<https://www.usatoday.com/story/travel/airline-news/2020/05/29/airlines-look-cut-service-these-cities-due-coronavirus/5281252002/>

#3 State Budgets: The next Shoe to Drop

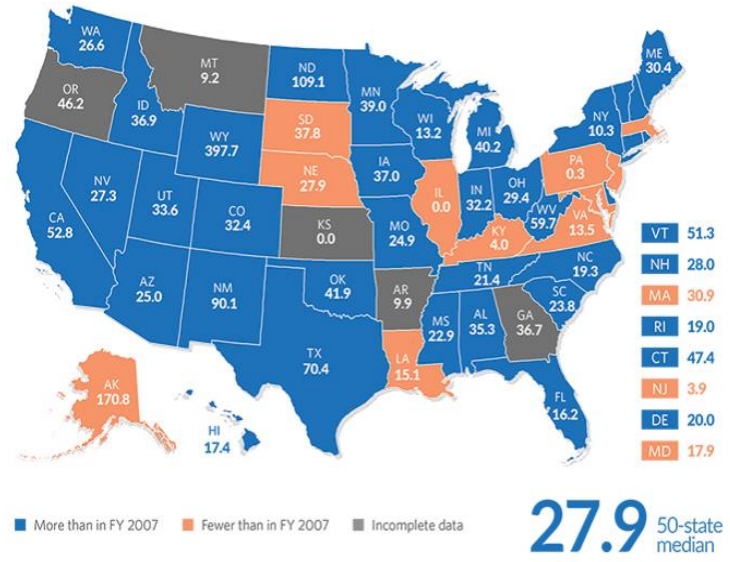


Like Real Estate, it's all local when it comes to State Budgets

<http://www.acre.culverhouse.ua.edu/win>

End of Q1, AL 2nd best in SE @ 35 days
National Avg. was 28 days

34 States' Rainy Day Funds Surpass Pre-Recession Levels
 Days each state could run on rainy day funds, FY 2019

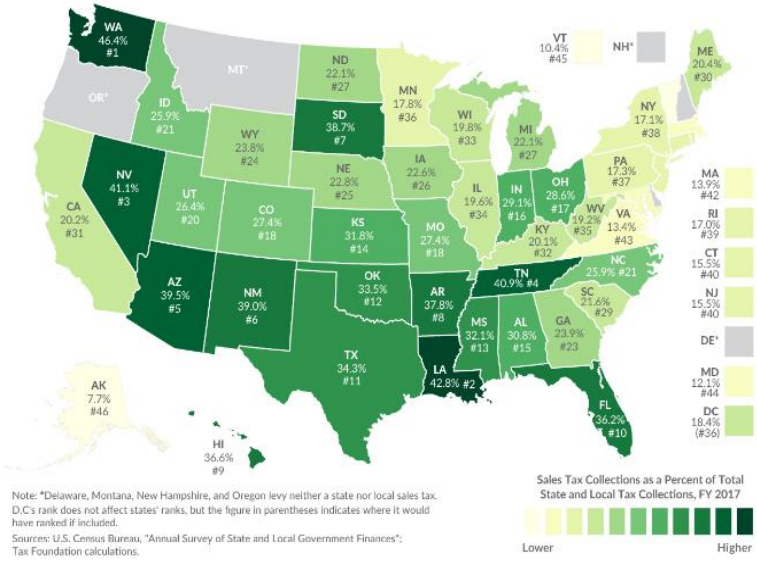


Source: Pew analysis of data from the National Association of State Budget Officers
 © 2020 The Pew Charitable Trusts

Sales Taxes as % of Revenue
TN & FL highest in SE (41%/36%)

How Much Does Your State Rely on Sales Taxes?

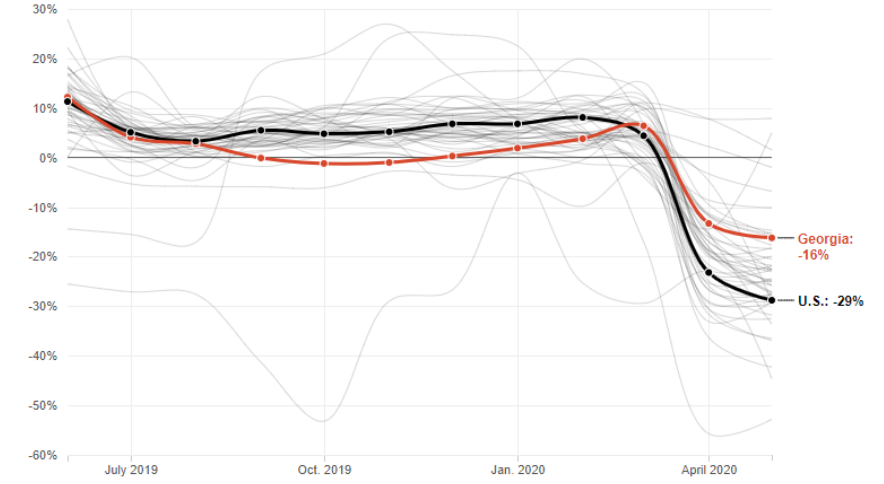
Sales Tax Collections as a Percent of Total State and Local Tax Collections, FY 2017



Note: *Delaware, Montana, New Hampshire, and Oregon levy neither a state nor local sales tax. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.
 Sources: U.S. Census Bureau, "Annual Survey of State and Local Government Finances"; Tax Foundation calculations.

AL & MS down 15%, GA – Drop of 16%
US avg Revenue drop for all states: -29%

CHANGE IN MONTHLY REVENUE VS. PREVIOUS YEAR (3-MONTH AVERAGE)



<https://www.npr.org/2020/08/03/895025401/alabama-budget-on-stronger-footing-than-other-states-during-covid-19>

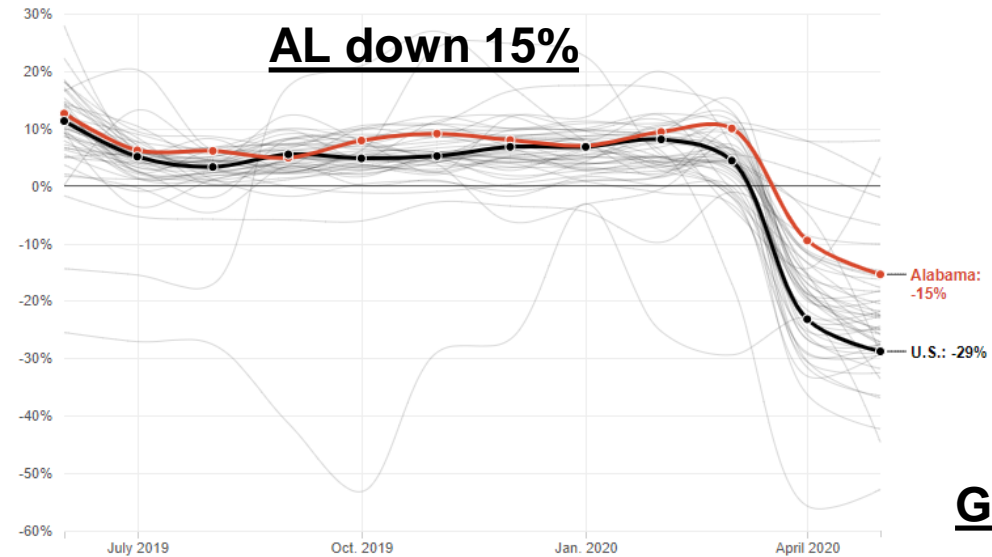
"With dwindling cash, cuts to education, health care and other areas are inevitable in many places. **State leaders have described the situation as unprecedented, horrifying and devastating.**" Maryland Governor Larry Hogan, a Republican, said, "Responding to this crisis has created a multiyear budget crisis unlike anything the state has ever faced before, **more than three times worse than the Great Recession.**"



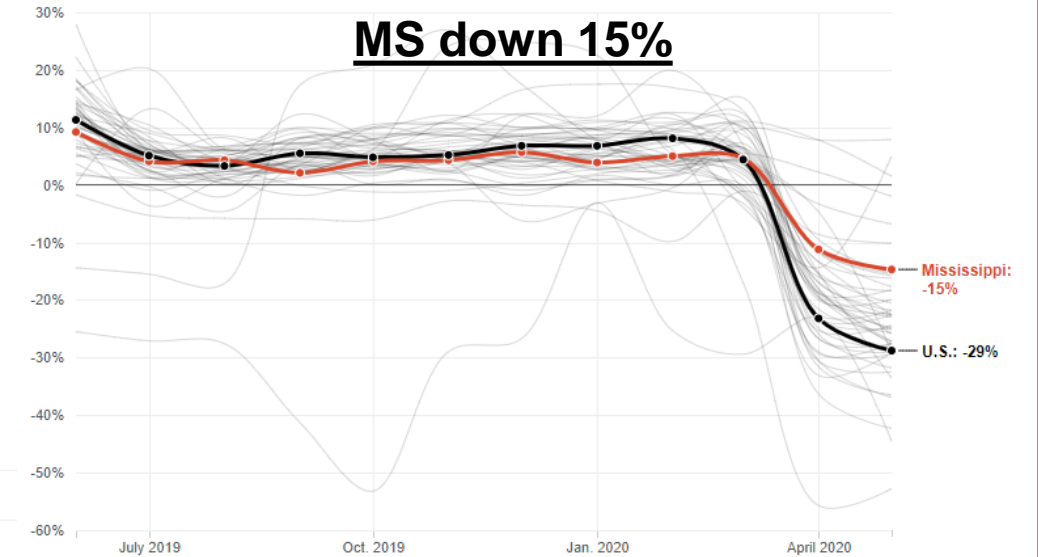
#3 State Budgets: YTD 2020 Revenue Decline

US down 29% - AL & MS down just 15% and down GA 16%

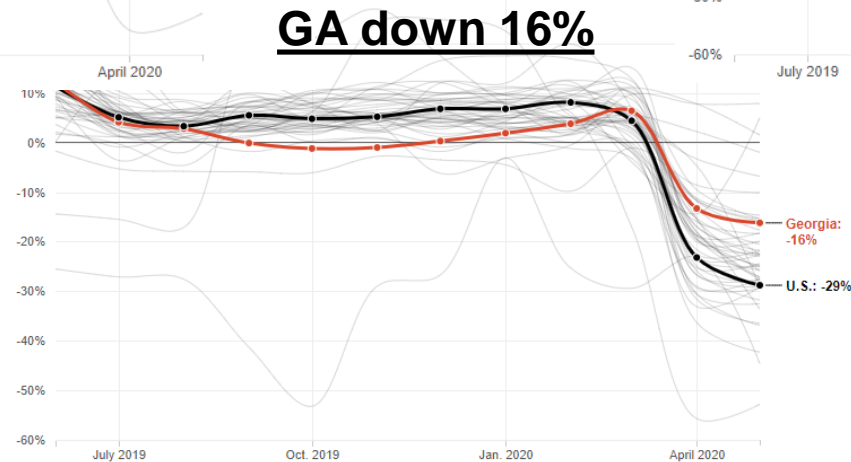
CHANGE IN MONTHLY REVENUE VS. PREVIOUS YEAR (3-MONTH AVERAGE)



CHANGE IN MONTHLY REVENUE VS. PREVIOUS YEAR (3-MONTH AVERAGE)



EAR (3-MONTH AVERAGE)



Revenue Needs Vs. Property, Sales, etc. Taxes

Tuscaloosa Public Library among area agencies facing City Hall budget cuts in fiscal 2021

Agencies funded by the city of Tuscaloosa face a 38% across-the-board cut in the city's fiscal 2021 budget.

City councilors are now reviewing the budget proposal put forth by Mayor Walt Maddox that contained a 38% cut for both agencies and city departments **as a means to offset the losses associated with the coronavirus response.**

Last week, **library executive director Rick Freemon explained to the council's finance committee just how devastating a 38% cut would be.**



KC Conway, MAI, CRE, CCIM

CCIM - Member at CCIM Institute

1h • <https://www.linkedin.com/feed/update/urn:li:activity:6711615370626641920>

State Budget Cuts and College Towns - AL was the 1st state during COVID19 to have a city file Chapter 9 bankruptcy (Fairfield). Tough choices are ahead for our 138 college towns that have seen their budgets impacted by COVID19 and universities closed, or students so isolated that they might have stayed at home for Fall semester. States have seen an average loss of 29% to inbound revenues YTD, and it's worse for local communities that surround colleges. As I prepare for life after the University of AL, this story about proposed library and recreation budget cuts in Tuscaloosa surrounding the University of AL reinforces the fiscal challenges our college towns face as Covid19 has yet to abate. I devoted one of my Weekly Insights this Summer to the severity of what lies ahead for state and local gov. leaders. You can read the August 5th WIN at: <https://lnkd.in/divUN2i>

College Football Timeout Penalizes Small-Town Merchants

<https://www.situsamc.com/insights/college-football-timeout-penalizes-small-town-merchants>

Ken Riggs, Vice Chair - Charles Ellis, Associate - RERC

Shutdown in March devastated merchants in small college towns. If football fans don't visit in the fall, economic pain will grow. Retail and hotel sectors will get tackled.

So far, 54 of the top 130 college football programs have opted out of play.

In many small towns across America, universities are the largest employer, and often the biggest economic driver is college football. Those towns were already devastated by the pandemic and its collateral economic damage when the schools shut down in the spring and sent their students home.

For commercial real estate, the retail and hotel sectors have already felt the crunch. Many merchants rely on seven weekends a year of customers coming back to their alma mater to patronize restaurants, caterers, stores and hotels. **The retail and hotel sectors were already in trouble; in many municipalities, a season without college football could be the final nail in the coffin for these sectors, especially if they lack diversified economies.**

The mayor of Tuscaloosa, AL, home of the Univ. of Alabama and its 101,000-seat stadium and population of about 211,000, estimates that dropping college football for a season **would have a \$200 million impact on the city's economy. Total 2019 revenue in the city, which has about 211,000 residents, was \$156 million, according to AL.com.** Tuscaloosa hemorrhaged jobs in the spring. Its **unemployment rate surged from 2.5% in Feb to 16.6% in April**



US Debt Clock.org

State Debt Clocks

World Debt Clocks

Debt Clock Time Machine

#1

US NATIONAL DEBT

\$26,604,119,800,821

DEBT PER CITIZEN
\$80,610

DEBT PER TAXPAYER
\$213,899

US FEDERAL SPENDING (OFFICIAL)
\$5,173,599,907,384

US FEDERAL BUDGET DEFICIT (OFFICIAL)
\$2,824,982,113,207

US FEDERAL SPENDING (ACTUAL)
\$6,148,218,738,581

US FEDERAL BUDGET DEFICIT (ACTUAL)
\$3,799,600,945,031

US FEDERAL DEBT TO GDP RATIO

1960 • **52.59%** 1980 • **34.63%** 2000 • **56.90%** NOW • **136.53%**

US FEDERAL TAX REVENUE

\$2,355,595,904,453

REVENUE PER CITIZEN

\$7,139

INCOME TAX REVENUE

\$1,184,474,295,694

PAYROLL TAX REVENUE

\$1,075,824,765,074

TOTAL STATE REVENUE

\$2,149,528,989,150

TOTAL LOCAL REVENUE

\$1,316,323,714,785

CORPORATE TAX REVENUE

\$123,086,723,829

TARIFF TAX REVENUE

\$66,100,178,849

STATE DEBT

\$1,187,599,284,623

DEBT PER CITIZEN

\$3,599

LOCAL DEBT

\$2,106,790,589,464

DEBT PER CITIZEN

\$6,384

#2

US GROSS DOMESTIC PRODUCT

\$19,485,390,205,545

TOTAL FEDERAL/STATE/LOCAL SPENDING

\$8,545,632,585,882

TOTAL DEBT TO GDP RATIO

153.44%

SPENDING TO GDP RATIO

43.86%

Largest Budget Items

MEDICARE/MEDICAID

\$1,295,323,871,674

SOCIAL SECURITY

\$1,088,019,446,283

DEFENSE/WAR

\$695,433,616,324

INTEREST ON DEBT (NET)

\$337,260,169,730

Unfunded Debt/Interest

US TOTAL INTEREST PAID

\$3,843,731,661,620

INTEREST PER ADULT

\$15,049

US TOTAL DEBT

\$80,712,691,507,073

SAVINGS PER FAMILY

\$24,208

BANK INTEREST RECEIVED

\$731,941,957,373

BANK INTEREST PAID

\$181,938,415,873

TOTAL PERSONAL DEBT

\$20,552,055,125,586

PERSONAL DEBT PER CIT.

\$62,277

STUDENT LOAN DEBT

\$1,714,831,082,958

PER STUDENT

\$38,783

CREDIT CARD DEBT

\$943,460,700,778

PER HOLDER

\$6,096

#3

Money Creation

US TREASURY DOLLARS NOW

\$786,502,225

US M2 MONEY SUPPLY NOW

\$18,655,266,715,480

CURRENCY AND CREDIT DERIVATIVES NOW

\$690,355,875,882,976

US POPULATION

329,998,599

US WORKFORCE NOW

142,338,820

OFFICIAL UNEMPLOYED

17,648,043

DOLLAR TO OIL RATIO NOW

\$107.72 PER BARREL

US INCOME TAXPAYERS

124,298,374

US WORKFORCE 2000 *

158,067,620

ACTUAL UNEMPLOYED

28,592,007

DOLLAR TO OIL RATIO 1913

\$2.05 PER BARREL

PRIVATE SECTOR JOBS

110,231,166

NOT IN LABOR FORCE NOW

100,486,042

FULL-TIME WORKERS

119,172,687

DOLLAR TO SILVER RATIO NOW

\$4,050 PER OUNCE

US SELF-EMPLOYED

8,393,090

NOT IN LABOR FORCE 2000 *

80,679,621

PART-TIME WORKERS

23,347,008

DOLLAR TO SILVER RATIO 1913

\$2.64 PER OUNCE

US UNION WORKERS

15,480,082

MEDIAN INCOME NOW

\$34,265

MEDIAN NEW HOME NOW

\$322,199

DOLLAR TO GOLD RATIO NOW

\$32,274 PER OUNCE

GOVERNMENT EMPLOYEES

23,893,300

MEDIAN INCOME 2000 *

\$30,751

MEDIAN NEW HOME 2000

\$165,766

DOLLAR TO GOLD RATIO 1913

\$29.01 PER OUNCE

MANUFACTURING JOBS NOW

12,104,321

US BANKRUPTCIES

846,564

LIVING IN POVERTY

35,865,974

PAPER TO SILVER RATIO NOW

171.09 to 1

<https://usdebtclock.org/>

#4 Small Businesses: As Go They, Goes >1/2 Our Economy

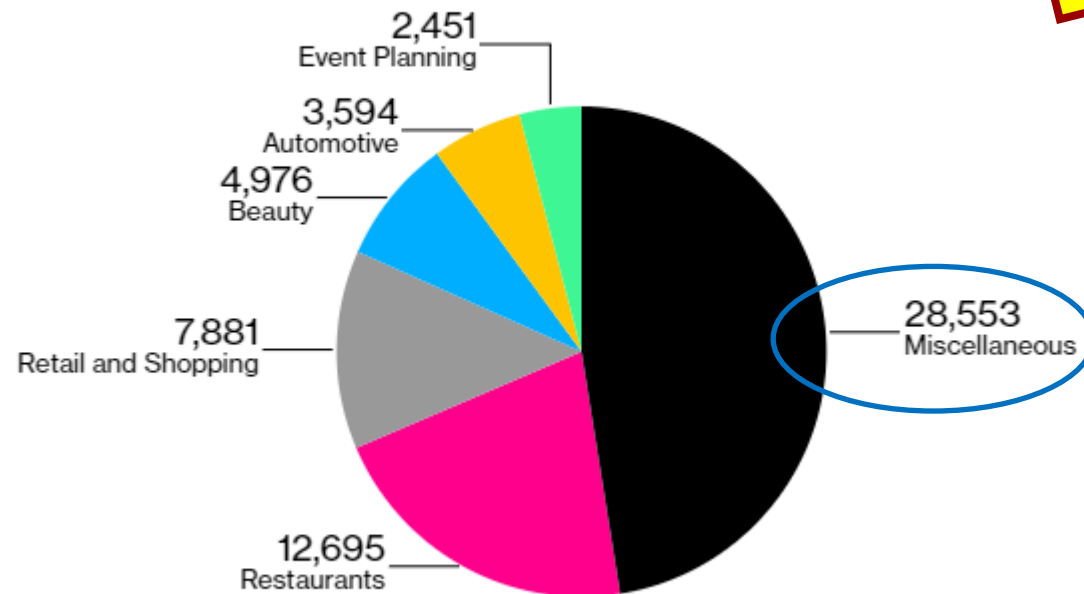
August 12, 2020

Small Businesses Are Dying by the Thousands — And No One Is Tracking the Carnage

Bloomberg - August 11, 2020

Business Busts

Restaurant industry leads with most local business closures



Yelp Inc.
Data from March 1 to July 25

https://www.bloomberg.com/news/articles/2020-08-11/small-firms-die-quietly-leaving-thousands-of-failures-uncounted?utm_campaign=news&utm_medium=bd&utm_source=applenews

Small Business Update - Big Challenges

<http://www.acre.culverhouse.ua.edu/win>

ACRE tracks the health of small businesses as part of a dashboard on the vitality of commercial real estate via a number of resources that go beyond the Census Bureau and Commerce Department. The five primary ones include: i) [ADP](#) Employment report (breaks out jobs by size of business); ii) [Paychex - Employment Watch](#) report that monitors a myriad of metrics on small business employment activity; iii) the National Federation of Independent Businesses ([NFIB - Small Business Optimism Report](#)); iv) National Center for Middle Market companies ([NCMM - Quarterly Market Indicators report](#)); and v) [American Bankruptcy Institute \(ABI - Bankruptcy Stats by State\)](#). Each of these are discussed below in context with a Bloomberg feature this week on small business failures titled "[Small Businesses are Dying by the Thousands ...](#)". The primary data for this Bloomberg spotlight on small business failures came from Yelp for the period March 1 - July 25, 2020.

[Yelp Inc.](#), the online reviewer, has data showing more than 80,000 permanently shuttered from March 1 to July 25. About 60,000 were local businesses, or firms with fewer than five locations. About 800 small businesses did indeed file for Chapter 11 bankruptcy from mid-February to July 31, according to the [American Bankruptcy Institute](#), and the trade group expects the 2020 total could be up 36% from last year.

#5 Transportation Metrics: TSA, Rail and Ports

TSA checkpoint travel numbers for 2020 and 2019

This page will be updated by 9 a.m. Monday - Friday. (Back to Coronavirus (COVID-19) information)

Date	Total Traveler Throughput	Total Traveler Throughput (1 Year Ago - Same Weekday)
8/11/2020	559,420	2,306,829
8/10/2020	761,861	2,567,986
8/9/2020	831,789	2,647,897
8/8/2020	683,212	2,290,340
8/7/2020	762,547	2,725,000
8/6/2020	743,599	2,707,986
8/5/2020	595,739	2,430,094
8/4/2020	543,601	2,387,115
8/3/2020	737,235	2,619,406
8/2/2020	799,861	2,688,640
8/1/2020	709,033	2,367,967
7/31/2020	767,320	2,730,936



What do airline bankruptcies mean in Oct after CARES Bill employee retention requirements end Sept. 30th?

Key West cut by American Airlines

UPDATE: Aug 20 - American Airlines will drop flights to 15 smaller U.S. cities in October when a federal requirement to serve those communities ends.

Airlines received money from CARES Bill - In return for taxpayer dollars, airlines were barred from furloughing workers and were required, in most cases, to continue serving destinations they had before the pandemic. Both of those conditions expire Sept. 30.



North American Freight Rail Traffic in June 2020
U.S. rail volumes in June weren't close to where they would have been absent the pandemic, but for the most part **they were better than in April and May, so at least they're heading in the right direction. Intermodal did relatively well in June.** Average weekly originations of 251,233 units were the most since November 2019. The 6.6% year-over-year monthly decline in June was the smallest since January 2020 and much better than the 17.2% and 13.0% declines in April and May, respectively.

Total U.S. carloads in June were down 22.4% from last year. **For all of Q2 2020, total carloads were down 25.1% - the biggest quarterly percentage decline for total carloads on record.**

	Feb. '20	Mar. '20	April '20	May '20	June '20
U.S. Total carloads					
Avg. per week	231,911	224,918	196,107	185,043	198,564
% change from prior year	-7.2%	-6.0%	-25.2%	-27.7%	-22.4%
Total carloads excl. coal					
Avg. per week	168,478	167,099	145,641	138,723	148,045
% change from prior year	-0.7%	-2.0%	-19.4%	-21.9%	-17.4%
Total intermodal					
Avg. per week	249,456	233,845	219,085	228,231	251,233
% change from prior year	-8.8%	-12.2%	-17.2%	-13.0%	-6.6%

#6 CRE Credit Metrics: LTSS, CMBS Dqt., Bank ALLL



LTSS

CMBS DQT

Aug Update – Calm during Eye or stabilizing?

CHART 2: OVERALL CMBS SPECIAL SERVICING RATE BY PROPERTY TYPE

	MAY-20	APR-20	MAR-20	3 MO.	6 MO.	1 YR.
Industrial	1.33%	1.56%	1.59%	1.61%	2.40%	2.54%
Lodging	16.21%	11.42%	2.27%	2.04%	2.07%	2.16%
Multifamily	1.89%	2.02%	2.03%	2.14%	2.50%	2.58%
Office	2.42%	2.37%	2.45%	2.37%	2.71%	3.71%
Retail	9.31%	6.09%	5.31%	4.96%	5.36%	5.52%

Source: Trepp

CHART 2: DELINQUENCY RATE BY PROPERTYTYPE (% 30 DAYS +)

	AUG-20	JUL-20	JUN-20	3 MO.	6 MO.	12 MO.
Industrial	1.20	1.24	1.57	1.82	1.45	1.75
Lodging	22.96	23.79	24.30	19.13	1.60	1.54
Multifamily	3.02	3.33	3.29	3.25	1.79	2.39
Office	2.32	2.40	2.66	2.40	1.72	2.83
Retail	14.88	16.10	18.07	10.14	3.62	4.07

Source: Trepp

<https://info.trepp.com/hubfs/Trepp%20August%202020%20CMBS%20Delinquency%20Report.pdf>

CMBS DQT and LTSS are a great proxy for what you are likely to experience in bank CRE.

CMBS is the Canary-in-the-Coal-Mine CRE indicator.



Historical CMBS Report:
An Update on Hotel Commercial Real Estate

<https://www.ahla.com/sites/default/files/Trepp%20Historical%20CMBS%20Report%20-%20Hotel%20Commercial%20Real%20Estate.pdf>

#7 CRE Transaction Activity: CBRE says it's Recovering



<https://www.cpexecutive.com/post/cre-transaction-activity-returning-cbre-reports/>

CRE Transaction Activity Returning, CBRE Reports

CBRE's new Deal Flow Indicator suggests a recovery from the low point of the pandemic as the number of signed confidentiality agreements increases.

AUG
17
2020

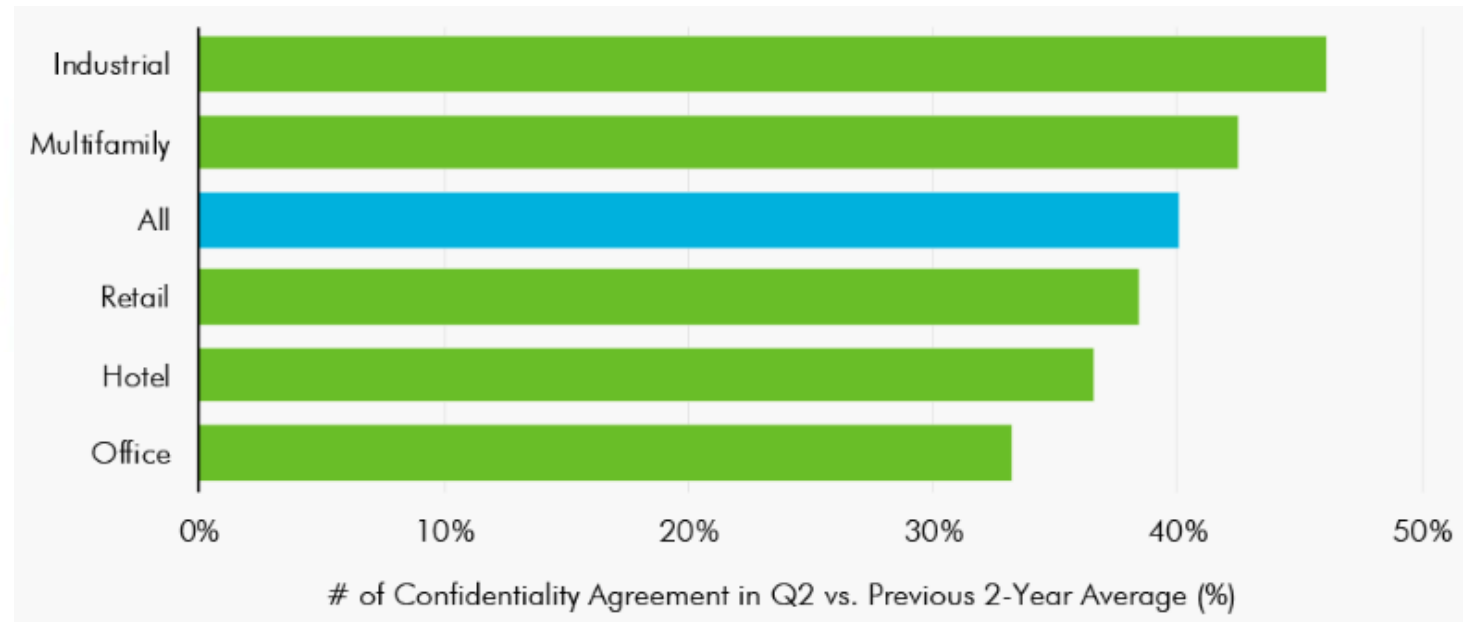
By Barbra Murray



National News Research Center

Even with the pandemic still underway, CBRE's latest Deal Flow Indicator signifies that **commercial real estate investor sentiment** and transaction activity have both begun to recover.

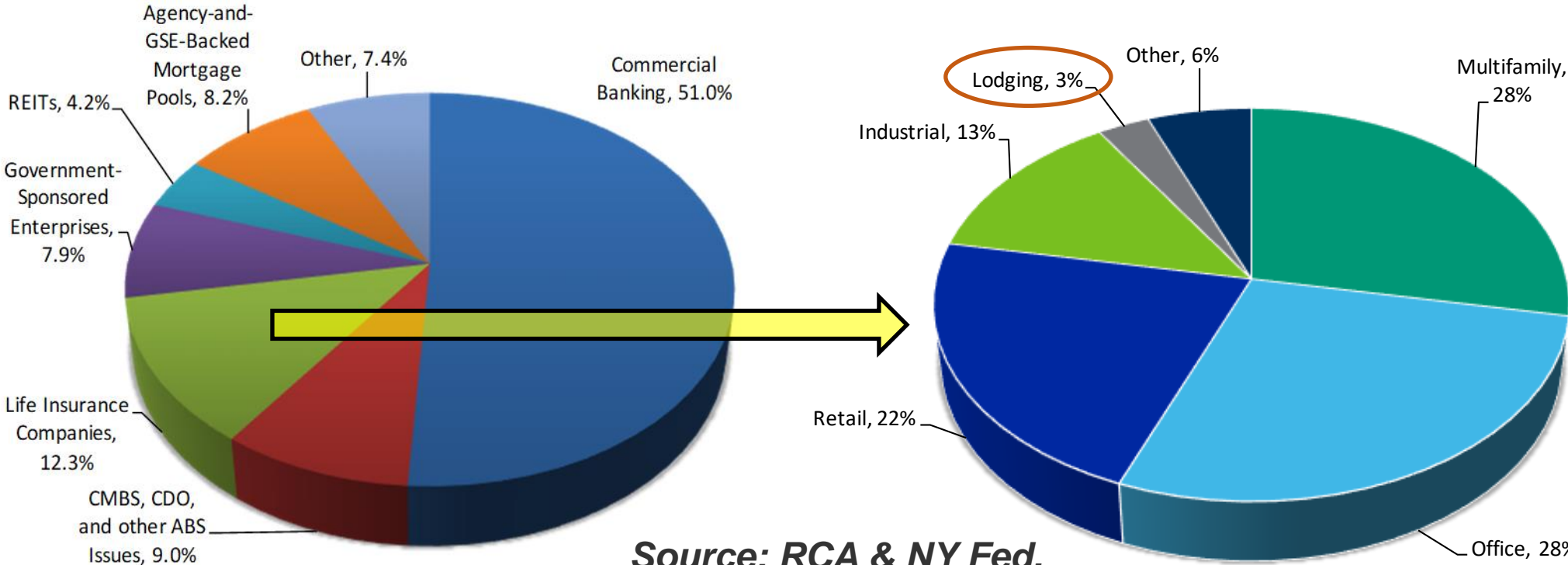
The report, which relies on data from the firm's digital listings platform for property sales, assesses the number of confidentiality agreements signed since the nadir of the COVID-19 crisis.



K.C.'s Top 7 CRE Issues to Monitor

#1 - Understanding the CRE Debt Pie:

i) Banks Hold >50%; ii) Life Cos Biggest Pieces Are MF and Office



Source: RCA & NY Fed.

Note 1:

>30% bank CRE loans on "Payment Deferral."
 Banks looking at CRE Loan Debt sales vs drawn out Workout & REO process over 2 yrs.

Note 2:

Life Cos. will need most help in MF, Office. However, these loans are much bigger \$ assets in urban areas.
 Hotel, not material.

Banks, Bulk Loan Vs REO Sales



Banks Facing Potentially Hefty Volume of Troubled CRE Loans

With forbearance periods still underway, visibility has not yet emerged on how much distress sits on bank balance sheets.

Beth Mattson-Teig | Jul 21, 2020

Snowballing distress in commercial real estate loans is threatening to become an avalanche that could overwhelm banks.

Getting a glimpse behind the curtain on how bank loans are performing isn't easy. **"It's amazing that we have gone from the great financial crisis to now and still have no better transparency into the banks at a granular level as we do with CMBS,"** says K.C. Conway, director of research and corporate engagement at the University of Alabama's Alabama Center for Real Estate (ACRE) and chief economist for the CCIM Institute. Some banks are more transparent than others **and there is definitely a lag in the data, he says.**

In addition, **the FDIC is allowing banks to forbear on loans and not have to report them as troubled loans for up to 180 days. "We're not going to see anything big show up in the numbers until this deferral period expires,"** says Johannes Moller, director in North American banks, at Fitch Ratings. The next big question is how the Federal Reserve is going to act and whether there will be further forbearance, which will help to determine when clarity on defaults on loans held by banks will be revealed, he says. (According to the Mortgage Bankers Association, commercial banks currently holding 39 percent of the \$3.7 trillion in commercial/multifamily outstanding mortgage debt outstanding in the U.S.)

The COVID-19 related economic downturn is widely expected to cause a surge in loan defaults and delinquencies in some property sectors, and there is some data emerging that is providing insight into the potential stress ahead. For example, **Trepp has analyzed a diverse portfolio of 13,000 commercial real estate balance sheet loans held by commercial banks. Trepp is forecasting that the cumulative default rate for that dataset will rise from its current 0.5 percent default rate to 6.5 percent. Notably, the hardest hit sectors are expected to be lodging, with a cumulative default rate of 21 percent and retail at 9 percent.** Other major real estate sectors analyzed will experience more moderate increases in distress with multifamily at 4.7 percent, office at 4.5 percent and industrial at 2.4 percent, according to Trepp.

https://www.nreionline.com/distressed/banks-facing-potentially-hefty-volume-troubled-cre-loans?NL=NREI-21&Issue=NREI-21_20200722_NREI-21_543&sfvc4enews=42&cl=article_2_b&utm_rid=CPG09000062692289&utm_campaign=28056&utm_medium=email&elq2=95ab1b38bc104db794b493c5f7b6ba26&oly_enc_id=

K.C.'s Top 9 CRE Issues to Monitor

#2 Bankruptcy Data by State – CA (#1), FL(#2), IL (#3), GA #4 & AL #8

State (including D.C. and Territories)	2020						
	Cumulative 2020 Filings	Total 7s	Total 13s	Rank Based on Greatest % Increase Current Month over Prior Month	Rank Based on Greatest % Increase Year to Date 2020 over Year to Date 2019	Filings Per Capita Based on Estimated July 1, 2009 Census (1000s)	
Alabama	#8	11,845	5,161	6,641	23	30	4.31
Alaska		195	165	26	2	16	0.48
Arizona		7,995	6,656	1,267	19	10	2.08
Arkansas		4,858	2,668	2,163	33	19	2.88
California	#1	31,125	25,436	5,380	9	27	1.44
Colorado		5,225	4,122	1,056	44	21	1.78
Connecticut		2,665	2,306	354	38	38	1.30
Delaware		1,911	697	290	50	1	3.70
District of Columbia		324	245	67	45	48	0.93
Florida	#2	22,282	16,120	5,866	41	12	2.06
Georgia	#4	17,908	8,678	9,123	16	39	3.12
Hawaii		915	685	225	40	3	1.21
Idaho		1,736	1,548	172	21	17	1.93
Illinois	#3	20,219	14,320	5,817	7	40	2.68
Indiana		10,501	7,423	3,051	12	24	2.80
Iowa		2,485	2,183	272	10	5	1.42
Kansas		2,678	1,576	1,064	25	45	1.63
Mississippi		5,772	3,248	2,478	37		
Missouri		7,989	5,419	2,502	42		
Montana		590	499	76	51		
Nebraska		2,007	1,497	490	35		
Nevada		4,533	3,892	574	8		
New Hampshire		714	589	124	46		
New Jersey		9,214	6,480	2,597	14		
New Mexico		1,572	1,383	176	43		
New York		13,302	9,599	2,917	4		
North Carolina		5,827	2,673	3,087	11		
North Dakota		427	380	45	48		
Ohio	#5	17,138	13,746	3,337	32		
Oklahoma		4,597	3,926	656	29		
Oregon		4,180	3,317	836	27		
Pennsylvania		8,759	5,727	2,957	24		
Rhode Island		850	708	141	3		
South Carolina		3,117	1,367	1,729	13		
South Dakota		492	447	33	5		
Tennessee		13,759	6,905	6,787	31		
Texas	#6	16,792	9,380	6,364	22		
Utah		4,682	3,095	1,574	18		
Vermont		243	183	51	47		
Virginia		10,686	6,727	3,796	1		
Washington		5,470	4,215	1,213	26		
West Virginia		1,470	1,290	161	15		
Wisconsin		7,368	5,346	1,953	6		
Wyoming		378	339	29	17		
Total States and DC		337,845	231,413	101,269			

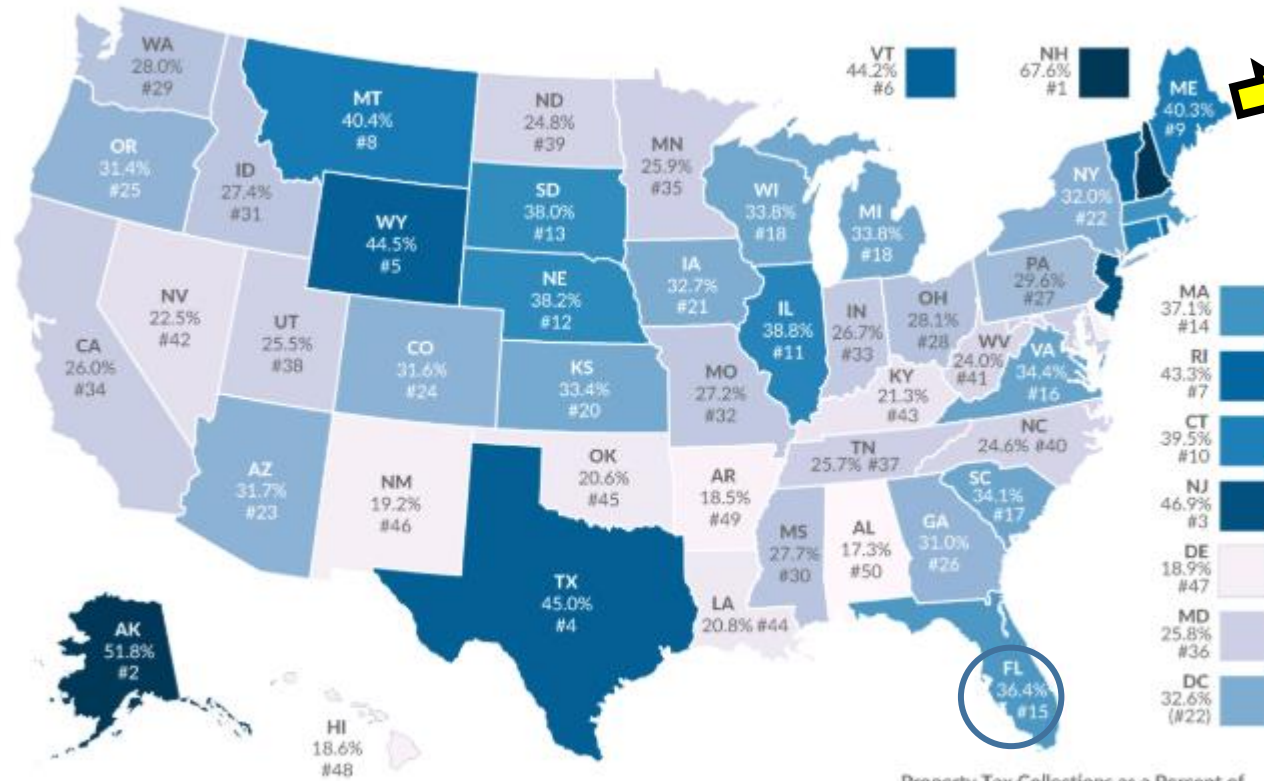
<https://www.abi.org/newsroom/bankruptcy-statistics>

#3 Property Taxes:



How Much Does Your State Rely on Property Taxes?

Property Tax Collections as a Percent of Total State and Local Tax Collections, FY 2017



- #1 – NH at 67.6%
- #2 – NJ at 47%
- #3 - TX at 45%
- #3 – WY at 44.5%
- #4 – VT at 44.2%
- #5 – RI at 43%

#6-10: MT, IL, NE, SD
 (38%-40%)

#11-15: FL, VA, SC, WI, MI
 (33%-36%)

Lowest: AL, AR, NM, DE
 17% 19%

Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would have ranked if included.

Sources: U.S. Census Bureau, "Annual Survey of State and Local Government Finances" Tax Foundation calculations.



#3 Other Property Tax Issues: LIHTC



A close call for Affordable Housing and the Federal LIHTC program in AL:
<http://www.acre.culverhouse.ua.edu/explore/stories/february-19-2020>

February 19, 2020


The parties involved in this litigation matter (CV-2017-900036) were the Alabama Affordable Housing Association (Plaintiff) versus the Alabama Department of Revenue and Jefferson County (Birmingham) Board of Equalization. **At issue was the methodology for property tax assessment of multifamily properties that had utilized the federal Low-Income-Housing-Tax-Credit program** enacted by Congress in 1986 (aka LIHTC). LIHTC is the largest federal program intended to assist in the provision of affordable housing.


The Property Tax Issue:

In this case, the Alabama Department of Revenue and Jefferson County (Birmingham) Board of Equalization had taken the position going back to 2017 that **the tax credits from the LIHTC program should be ignored and LIHTC multifamily properties have their fair market value for property tax assessment purposes be no different than a property that is able to collect market rents.**

LIHTC multifamily properties have a **“Land Use Restriction Agreement” (LURA)** that is a recorded document that restricts the rents that can be charged for 15-30 years - and well beyond the typical 10-year tax credit period.

- This case was **a wakeup call that intangibles exist in other property types like MF and the LIHTC program** to facilitate more affordable housing.

(ii) The Alabama Supreme Court has expressly held that tax assessors must  consider encumbrances when assessing the fair market value of real estate. See *Ex parte Lake Forest Prop. Owners Assoc., Inc.*, 659 So. 2d 607, 610 (Ala. 1995) (“We agree that a tax assessor must take into account the effect of encumbrances upon the value of parcels of land.”).

(iv) Alabama law requires ADOR and county taxing authorities to take into  account the negative impact of the rental rate, tenant eligibility, and other restrictions applicable to the affordable housing property when valuing it for ad valorem taxation purposes, because the valuation process must determine a real-world “fair and reasonable market value.” See *Lake Forest*; see also Ala. Code § 40-7-15.

#4 MF: We Don't Yet Know What We Don't Know

June 29, 2020

FHFA Provides Tenant Protections

Washington, D.C. – Today, to help renters in multifamily properties stay in their homes and to support multifamily property owners during the coronavi...

45.7 million households rent their home.

Millions of Rental Households



The Unanswered:

- **Urban MF vs Suburban MF?**
- 80% paying rent, but **20% in rent forbearance.**
- What is **“Market Value”** of MF when **20% in rent forbearance?** It gets tricky.
- What happens to MF if **GSEs** returned to private market?

[#JBRECDailyInsight John Burns Real Estate Consulting](#)



BREAKING DOWN \$1 DOLLAR OF RENT

There exists a misconception that rental housing owners enjoy large margins and can continue operating in the absence of rent payments.

With so much discussion around rent payments during COVID-19, the rental housing industry would like to explain the breakdown of \$1 dollar of rent.



Only **9 cents of every \$1** are returned to owners, including the many apartment owners who are themselves small businesses and rely on this revenue to make ends meet, and investors, which include public pensions and 401ks, on which many Americans rely—whether or not they reside in rental housing.

10 cents of every \$1 is spent on capital expenditures, including roof and HVAC replacement and other important repairs that help ensure quality housing for America's 40 million rental housing residents.

Approximately **39 cents of every \$1** pays for the mortgage on the property. Roughly two-thirds of the apartment industry has private lenders and are ineligible for federal mortgage forbearance via the CARES Act. This is a critical expense, as mortgage foreclosures put all residents at risk of losing their housing.

27 cents of every \$1 covers payroll expenses, including paying employees who operate and maintain the property, ongoing maintenance, utilities, insurance and the like.

14 cents of every \$1 goes to property taxes, which in turn supports the community through financing for schools, teachers, emergency services and other important local needs.

Between mortgage payments and investor returns, which help support many Americans' retirement plans, and dollars put back into the apartment community to ensure quality living for residents, a rent payment is much more important than one might otherwise realize.

Source: National Apartment Association 2019 Survey of Operating Income & Expenses in Rental Apartment Communities; U.S. Census Bureau 2015 Rental Housing Finance Survey; Redstone Residential

#5 Retail: A Changing of the Guard

- The Big Town Mall was for many years the largest mall in Texas, and today...



#5 Retail: A Changing of the Guard

- This large 65 acre parcel situated six miles east of downtown Dallas is now the site of Monmouth's new 352,000 sf FedEx facility.



#5 Retail & AdRu Skills (Get More Practical)

AH & Motels in Former Big-Box? Office in Malls? Housing in Retail?

<https://www.ccim.com/newscenter/commercial-real-estate-insights-report/adaptive-reuse/>



Andrew Shaw, CCIM

Executive Vice President at NAI Robert Lynn



Atlanta: Emory Univ & Northlake Mall: Emory Healthcare is injecting new energy into the revitalization of Atlanta's Northlake Mall. Emory will move into the project's former Sears building, bringing over 1,600 employees onto the mall's campus. Emory will also occupy an additional portion of the 1-million square foot retail center. Emory will lease 224,000 square feet at Northlake, with an option for more space.

#6 Office - Zoom/Remote work are new normal



Nearly 70% of CEOs expect to downsize offices: KPMG

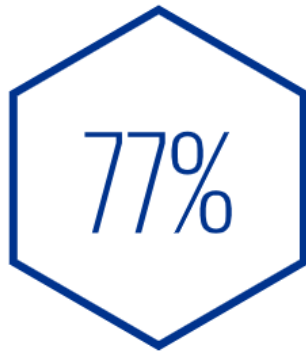
<https://therealdeal-com.cdn.ampproject.org/c/s/therealdeal.com/2020/09/03/nearly-70-of-ceos-expect-to-downsize-offices->

[SU](#) Out of 315 CEOs answering the survey published in [KPMG's](#) "2020 CEO Outlook: Covid-19 Special Edition," 69 percent checked the "We will be downsizing office space" box.

The rapid shift to working from home might have been rocky at the outset of the pandemic, but after months of overseeing their remote workforce, 77 percent of CEOs said they will increase their use of digital collaboration and communication tools, according to the survey conducted in July and early August.

Remote working has widened their available talent pool, said 73 percent of CEOs in the survey.

CEOs see the pandemic as an opportunity to rethink the way we work and communicate



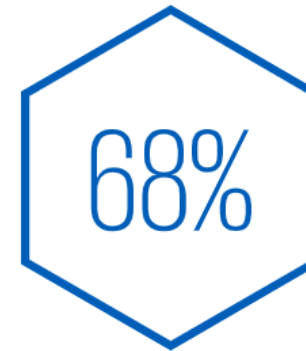
We will continue to build on our use of digital collaboration and communication tools.



Working remotely has widened our potential talent pool.



We will be downsizing office space.



My communications with employees have improved during the crisis.



<https://home.kpmg/xx/en/home/insights/2020/08/global-ceo-outlook-2020.html#:~:text=The%20agenda%20for%20the%20new,impact%2C%20both%20societal%20and%20economic>

Source: KPMG 2020 CEO Outlook COVID-19 Special Edition, KPMG International.

#6 Office - Zoom/Remote work are new normal

These companies are working from home until 2021 -- or forever

<https://www.cnn.com/2020/08/02/business/companies-work-from-home-2021/index.html>

These companies announced that employees won't be going back to the office until at least 2021:

- Google
- Universal Music Group
- Warner Music Group
- Sony Music
- Amazon corporate
- Viacom
- Scotiabank
- RBS (Royal Bank of Scotland)
- Group Nine Media
- Indeed

REI plans sale of HQ campus as the retailer embraces remote work

The retailer, which announced it was building the outdoor-friendly campus in 2016 and began construction in 2018, said in a statement that its headquarters would ultimately be made up of multiple “satellite” locations across the Seattle area and that it would “lean into remote working as an engrained, supported and normalized model” that could also allow employees to work outside the region.

These companies told their employees that they don't ever have to come [back to the office](#):

- Facebook
- Twitter
- Square
- Slack
- Shopify
- Zillow

Siemens to let staff 'Work From Anywhere' permanently

By [SightsIn Plus](#) - July 17, 2020



<https://sightsinplus.com/news/jobs-news/siemens-to-let-staff-work-from-anywhere-permanently/?amp>

<https://www.washingtonpost.com/business/2020/08/12/rei-seattle-headquarters-commercial-real-estate/>

#6: Office - What's a Corp. HQ worth?

Facebook buys from REI for \$367.6M

Facebook Inc. has agreed to [pay \\$367.6 million for three-quarters of an 8-acre campus](#) in Bellevue, Washington, where REI Co-op had planned a new headquarters operation before [deciding last month to sell the property](#). Facebook plans to have 2,300 people working across the site. The acquisition gives the company 3 million square feet of space on both sides of Lake Washington in the Seattle area. The Puget Sound region is the company's largest engineering center outside of its headquarters in Menlo Park, California.



<https://www.geekwire.com/2020/facebook-buys-reis-new-hq-367m-expanding-seattle-area-footprint-3m-square-feet/>

Facebook paid \$367.6 million to purchase a brand new 6-acre, 400,000 square-foot complex from REI at the new Spring District development in Bellevue, Wash., just east of Seattle.



Note: That's \$919/sf for a HQ building that cost \$1,100/sf +- to build

The expansion comes despite Facebook's embrace of remote work amid the pandemic. Facebook says it will maintain its current offices in Seattle.

REI looks to sell brand new Seattle-area HQ as pandemic forces retailer to rethink remote work

REI was set to move from its Kent, Wash., HQ into the property this summer, with plans for green space, open-air meeting locations, and more. **But the outdoor retailer decided in August to sell the buildings and land due to the pandemic and shift to remote work.**



Why did Facebook pay so much? Facebook was seen as a potential buyer, given that it already signed leases for more than 800,000 square feet of office space across three buildings being developed at the Spring District: Blocks 6, 16, and 24.

#6: Office - Single-Story & Sub. vs. H-R Urban



David P. Ellermann, CCIM, CIPS • 1st
Managing Director, Founder at SperryCGA-Ellermann Brokerage
2d • 🌐



Single story suburban assets are gaining the preference of office users, and investors alike. Large corporations formerly requiring Class A multi-story footprints; may matriculate from downtown high-rise offices laced with amenities, and/or create additional suburban satellite locations.



Single-story office might be about to have its day in the sun



#7: Hotel – Occupancy Restrictions



The Other L&T Industry Impacted by COVID-19 <http://www.acre.culverhouse.ua.edu/explore/stories/may-27-2020>

WEDNESDAY INSIGHTS

May 27, 2020

Report: Hotel Industry Faces Historic Wave of Foreclosures - August 19, 2020

The hotel industry is facing a historic wave of foreclosures due to the ongoing COVID-19 pandemic, according to a recent report commissioned by the American Hotel & Lodging Association (AHLA).

Since the start of the pandemic, the hotel sector has faced a historic number of delinquencies and is the most heavily hit sector of the commercial mortgage-backed securities (CMBS) market. The report, which was compiled by Trepp, showed that the percentage of loans that are 30 days or more delinquent is 23.4% as of July. That number is the **highest percentage on record**. For comparison, the percentage of hotel loans that were 30 days or more delinquent at the end of 2019 was 1.3%.

?

Do these new Gov. Imposed Occupancy Restrictions represent a type of Eminent Domain (A taking without compensation) and permanent value diminution?

- **Smaller * Less Dense Hotel Properties:** One major change travelers might see in hotels in the future is a change in design. "I think that people are going to migrate towards smaller properties, or perhaps migrate to properties that have larger open spaces and are not as high-volume," Mark Durliat, CEO and cofounder of Grace Bay Resorts in Turks and Caicos. Carolynne Doyon, CEO and President of Club Med North America believes **"there will be increased demand for resort options that are less dense ... resorts that are integrated with their surrounding natural environments and are spread out across larger areas."** Visually, she predicts a big change to the design of resorts too, with **a pivot to "low-rise buildings that blend in rather than traditional concrete high-rises."**
- **Back to the Future to Motels and Exterior Entries?** Wyndham Hotels and Resorts, which has adopted the AHLA's Safe Stay protocols and owns brands like Super 8 and Days Inn, is already seeing rising demand for its **properties with exterior corridors** — also known as motels.
- **Contactless Everything:** Can you imagine "contactless check-in and temperature screenings upon arrival?" **Hotels that didn't already have contactless check-in are now offering it via smartphone app** to cut down on person-to-person interaction. At Hilton, for example, guests can check in using its Digital Key system, which opens any door a guest would normally access with a key card. That includes guest rooms, elevators, side doors, and fitness centers.
- **How does a 50% ADO (Average Daily Occupancy) price in terms of Rate and Hotel Profitability?** No more noisy neighbors: **Some hotels will only fill 50% of their rooms.** Contactless check-in isn't the only way your next





Leisure & Travel / Hotel Impact on AL Economy

REAL ESTATE

Robert Trent Jones Golf Trail
Alabama Resort Collection
Montgomery Performing Arts Centre
Office Building Portfolio

ECONOMIC IMPACT ALABAMA TRAVEL INDUSTRY 2019

EXECUTIVE SUMMARY

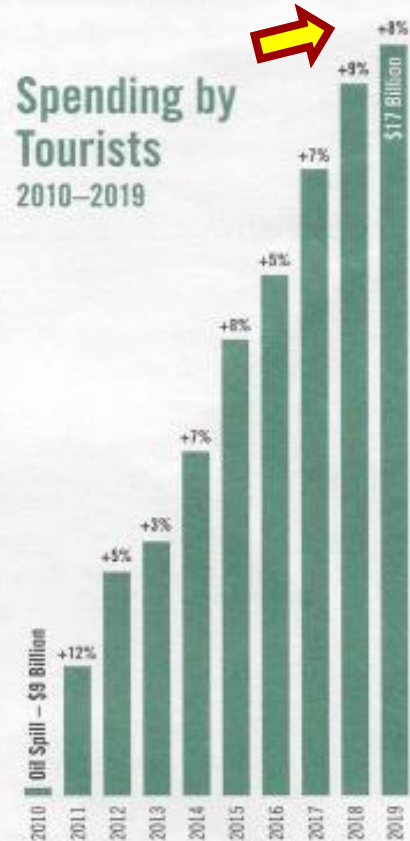
SOURCE: ALABAMA TOURISM DEPARTMENT

- Travelers are estimated to have spent \$16.8 billion in Alabama in 2019. This represents an increase of 7.8 percent as compared to 2018 spending.
- Based on the primary and secondary data, it is estimated that more than 28.7 million people visited the state of Alabama during 2019.
- In 2019, more than \$1 billion of state and local tax revenues were generated by travel and tourism activities. Without those taxes, each household in Alabama would have had to pay \$537 in additional taxes to maintain current service levels.
- Travel industry expenditures represent 7.5 percent of Alabama's Gross Domestic Product - overall production - in 2019.
- An estimated 208,623 jobs - 10.1 percent of non-agricultural employment in Alabama - were directly or indirectly attributable to the travel and tourism industry.

- The total impact of the travel and tourism industry on Alabama's earnings in 2019 is estimated to be \$5.7 billion.
- Every \$119,237 of travel-related expenditures creates one direct job in Alabama.
- For every \$1 in Alabama's travel-related expenditures, the state retains a total of \$0.34.
- The most visited counties in the state were Baldwin, Jefferson, Madison, Mobile, and Montgomery, accounting for 67 percent of the total number of visitors to the state.

YEAR	EXPENDITURE AMOUNTS (\$)
2003	6,827,262,068
2004	7,351,692,906
2005	7,508,600,725
2006	8,464,797,584
2007	9,333,356,043
2008	9,599,370,556
2009	9,303,501,738
2010	9,074,704,379
2011	10,156,511,225
2012	10,666,782,091
2013	10,992,687,443
2014	11,790,985,168
2015	12,696,882,066
2016	13,387,327,118
2017	14,334,047,620
2018	15,558,256,428
2019	16,777,421,546

Spending by Tourists 2010-2019





Historical CMBS Report: An Update on Hotel Commercial Real Estate

**Surprisingly,
no FL markets in Top-10 list
of Most DQT Hotel Loans**

HOTEL CMBS DELINQUENCY STATISTICS

- The percentage of loans that are 30 or more days delinquent is 23.4% as of July 2020. This is the highest percentage on record.

HOTEL CMBS SPECIAL SERVICING STATISTICS

- The percentage of loans that are with the special servicer is 24.0% as of July 2020.
- The percentage of loans that were with the special servicer at the end of 2019 was 1.81%.
- \$21.0 billion in hotel CMBS loans were with the special servicer as of July. That compares to \$1.6 billion as of December 2019.
- The highest volume of loans in special servicing during the Great Financial Crisis was \$17.6 billion. That peak did not come until about two years after the beginning of the GFC.

HOTEL CMBS SERVICER WATCHLIST STATISTICS

- The percentage of loans that are on servicer watchlist is 35.3% as of July 2020.

MSA ANALYSIS

Hotel CMBS Loans in the Top 100 Largest U.S. MSAs by Population Size

MSAs with Highest (\$) of Delinquent Loans

MSA Name	Delinquent Balance	Delinquent Count	Delinquency %
New York-Newark-Jersey City, NY-NJ-PA	1,475,707,235	53	38.72
Houston-The Woodlands-Sugar Land, TX	664,229,480	40	66.18
Chicago-Naperville-Elgin, IL-IN-WI	976,297,753	28	53.84
Dallas-Fort Worth-Arlington, TX	289,455,307	24	18.88
Los Angeles-Long Beach-Anaheim, CA	523,022,978	23	13.74
Atlanta-Sandy Springs-Roswell, GA	169,521,960	19	11.73
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	278,303,629	18	33.11
Seattle-Tacoma-Bellevue, WA	378,409,088	16	36.14
Nashville-Davidson--Murfreesboro--Franklin, TN	347,227,542	16	32.28
Austin-Round Rock, TX	316,969,519	13	35.73

MSAs with Highest % of Delinquent Loans

MSA Name	Delinquency %	Delinquent Balance	Delinquent Count
New York-Newark-Jersey City, NY-NJ-PA	38.72	1,475,707,235	53
Houston-The Woodlands-Sugar Land, TX	66.18	664,229,480	40
Chicago-Naperville-Elgin, IL-IN-WI	53.84	976,297,753	28
Dallas-Fort Worth-Arlington, TX	18.88	289,455,307	24
Los Angeles-Long Beach-Anaheim, CA	13.74	523,022,978	23
Atlanta-Sandy Springs-Roswell, GA	11.73	169,521,960	19
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	33.11	278,303,629	18
Seattle-Tacoma-Bellevue, WA	36.14	378,409,088	16
Nashville-Davidson--Murfreesboro--Franklin, TN	32.28	347,227,542	16
Austin-Round Rock, TX	35.73	316,969,519	13

<https://www.ahla.com/sites/default/files/Trepp%20Historical%20CMBS%20Report%20-%20Hotel%20Commercial%20Real%20Estate.pdf>

ESG: FedEx Releases 2020 Global Citizenship Report

ESG – Environmental, Social, Governance: **Logistics Is Not “BAD – ESG”**



FedEx Releases 2020 Global Citizenship Report
May 7, 2020

<https://newsroom.fedex.com/newsroom/fedex-releases-2020-global-citizenship-report/>



KC Conway, MAI, CRE, CCIM

ACRE - Alabama Center for Real Estate / CCIM Chief Economist / kcmaicre@gm...

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FedEx & Good ESG - While many talk "E" & "S" in their ESG profiles, FedEx walks the walk. Covid19 analyses for our CRE industry caused me to miss FedEx's release of their 2020 Global Citizenship report. It's worth a read. Note for example the following "E" & "S" stats:

* **"E" - Grow by 96% but cut CO2 emissions by 40%:** FedEx sustainability efforts contributed to a 40% reduction in CO2 emissions across the enterprise from FY09 to FY19, a period in which revenue grew by 96%.

Or, how about this "S" stat:

* **"S" Diversity - The FedEx Board of Directors includes 13 directors, four of whom are women and three of whom are ethnically diverse. Women represent 23% of FedEx management employees globally, while minorities comprise 37% of management employees in the U.S.**

FedEx is a leader in e-Commerce, Supply-Chain and it does it with good ESG. This is one of those "must-read" report recommendations by the Red-Shoe Economist that is chock-full of information and stats. If you touch supply-chain, e-Commerce, Logistics or ESG, read this 2020 report!

We Have Arrived at the End



Forecasting the
Economy
during COVID
will be messy;

But ...

I may have discovered
a recipe to combat
COVID19.

I just can't seem to
get beyond
Phase 1 trials
for some reason.

**Any volunteers for
Phase II & III trials?**

