



# "Are We There Yet?"

Join CCIM Institute Chief Economist K.C. Conway Economic Forecast

2020 Economic Update for Commercial Real Estate Professionals

Date & Time: Friday, May 08, 2020 | 12:00 PM- 1:30 PM PDT

Moderator: Sharon Carz, CCIM 2020 Region 2 RVP

Region: Hawaii, New Mexico, Central Arizona, Southern Arizona, Los Angeles, Northern California, Southern California, San Diego, Southern Nevada, Northern Nevada.

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## Region 2 CCIM Webinar

Are we there yet? Friday May 8th, 2020

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# Are we there yet?



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# Opening Quote to put **FORECASTING** in Perspective

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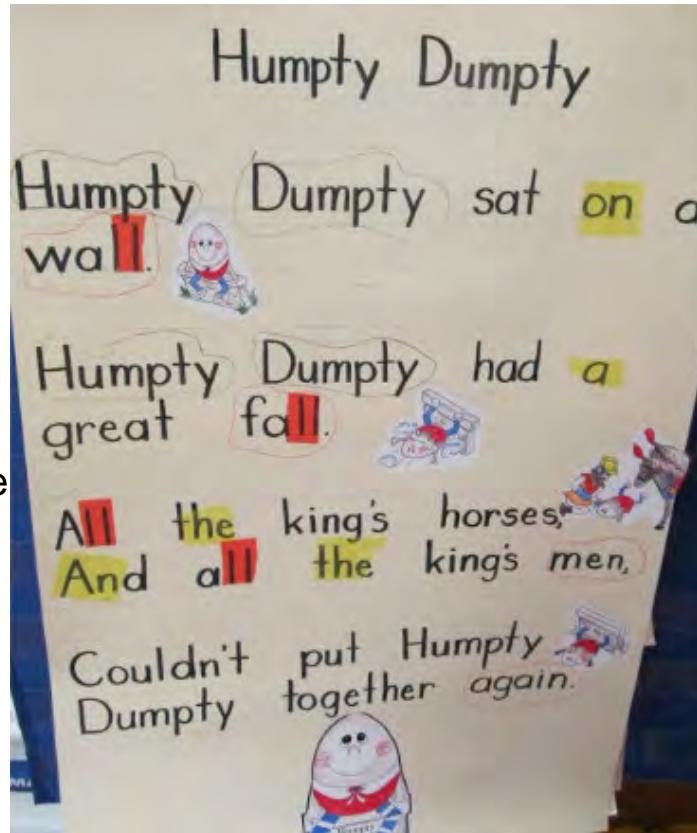
*"It is not given to human beings – happily for them, for otherwise life would be intolerable – to foresee or to predict to any large extent the unfolding course of events."*

# The Humpty Dumpty May 2020 Jobs Report

## Jobs had a great fall; Now can all the Feds-men & CEOs put Humpty Back Together?

**BLS Apr Jobs Report:** Total nonfarm payroll employment fell by 20.5 million in Apr after declining by 870,000 in March.

- **Unemployment rate rose to 14.7% - the highest & the largest over-the-month increase in the history** of the series (back to Jan 1948).
- The number of **unemployed rose by 15.9 million to 23.1 million** in April.
- **The labor force participation rate** decreased by 2.5 percentage points over the month to **60.2 percent**, the **lowest rate since January 1973** (when it was 60.0 percent).
- Employment in **leisure and hospitality plummeted by 7.7 million, or 47 percent**
- **Prof. & Bus services shed 2.1m jobs**
- **Retail trade declined by 2.1 million**



<https://www.bls.gov/news.release/empstat.nr0.htm>

### W-Shaped Recessions

W-shaped recessions are recessions that begin like V-shaped recessions but then end up turning back down again after showing false signs of recovery. W-shaped recessions are also called "double-dip recessions" because the economy drops twice before a full recovery is achieved.

A W-shaped recession is painful because many investors who jump back into the markets after they believe the economy has found a bottom end up getting burned twice. The recession of 1980 that double dipped in 1981 and 1982 is a great example of a W-shaped recession.

### U-Shaped Recessions

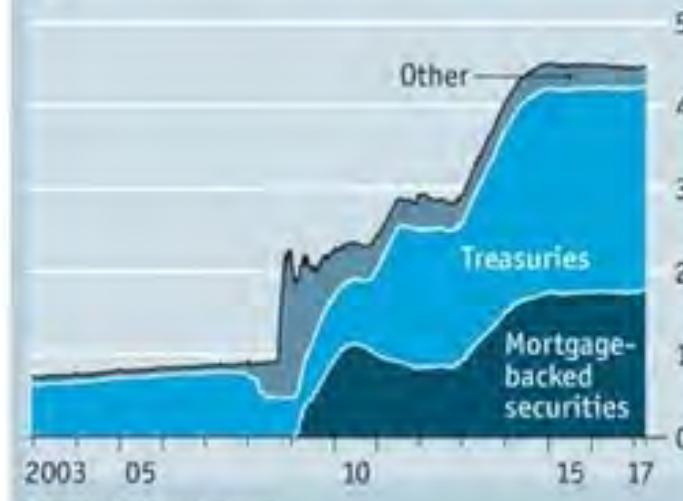
U-shaped recessions are recessions that begin with a slightly slower decline but then remain at the bottom for an extended period of time before turning around and moving higher again.

The recession from 1971 through 1978—when both unemployment and inflation were high for years—is considered a U-shaped recession.

# FED Intervention / U.S. Debt / Printing Money not a Good Prescription for COVID19

## FED Balance Sheet Expansion 2009 Fin Crisis \$4.3Tr Vs Phase 1 of COVID 19 Intervention April 2020 (6.62 trillion)

**The \$4.5trn question**  
Federal Reserve holdings, \$trn  
Assets



Source: Federal Reserve

### FEDERAL RESERVE statistical release

H.4.1  
Factors Affecting Reserve Balances of Depository Institutions and  
Condition Statement of Federal Reserve Banks

April 23, 2020

#### 1. Factors Affecting Reserve Balances of Depository Institutions

Reserve Bank credit, related items, and reserve balances of depository institutions at Federal Reserve Banks	Averages of daily figures			Wednesday Apr 22, 2020
	Week ended Apr 22, 2020	Change from week ended Apr 15, 2020	Apr 24, 2019	
Reserve Bank credit	6,451,203	+ 255,183	+2,559,091	6,524,516
Securities held outright <sup>1</sup>	5,451,772	+ 256,233	+1,705,340	5,524,186
U.S. Treasury securities	3,863,857	+ 146,143	+1,710,063	3,903,352
Bills <sup>2</sup>	326,044	0	+ 326,044	326,044
Notes and bonds, nominal <sup>2</sup>	9,273,073	+ 130,986	+1,259,059	9,328,044
Notes and bonds, inflation-indexed <sup>2</sup>	233,192	+ 13,986	+ 134,048	255,592
Inflation compensation <sup>2</sup>	34,763	+ 1,230	+ 32,872	34,972
Federal agency debt securities <sup>2</sup>	2,387	0	0	2,347
Mortgage-backed securities <sup>2</sup>	1,585,868	+ 110,692	- 122	1,622,487
Unamortized premiums on securities held outright <sup>2</sup>	271,013	+ 20,488	+ 138,334	278,637
Unamortized discounts on securities held outright <sup>2</sup>	-6,463	+ 886	+ 8,568	-8,128
Repurchase agreements <sup>2</sup>	173,506	- 30,088	+ 173,508	157,500
Foreign official	1	0	+ 1	0
Others	173,507	- 30,089	+ 173,507	157,500
Loans	118,941	- 8,763	+ 118,818	122,098
Primary credit	34,983	- 6,081	+ 34,946	33,742
Secondary credit	0	0	0	0
Seasonal credit	0	0	- 16	0
Primary Dealer Credit Facility	33,266	- 4,324	+ 33,266	31,526
Money Market Mutual Fund Liquidity Facility	49,646	- 2,295	+ 49,646	49,810
Paycheck Protection Program Liquidity Facility	2,977	+ 2,977	+ 2,977	0,009
Other credit extensions	0	0	0	0

[https://www.federalreserve.gov/monetarypolicy/bst\\_recenttrends.htm](https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm)

# FIAT Currencies skip L, U, V, W shaped recessions and can Collapse



## Germany and War Reparations

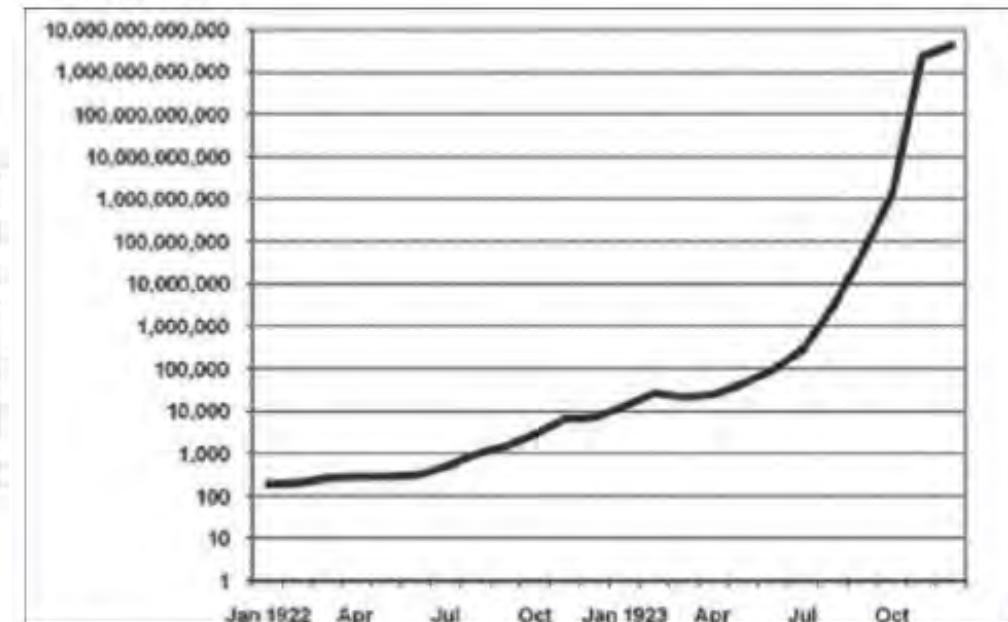
In the Weimar Republic after World War I, Germany was pressured by France and other countries to make war reparations, while at the same time the country was trying to rebuild. Hyperinflation resulted until the German mark became worthless. However, the war reparations could not be paid off with the inflated paper marks; instead, gold marks or foreign currencies were required, so the inflation did not alleviate the debt. But the reparation demands did add to the pressure on the devaluation of the paper marks. Their drop in value, as

**Table 1.** Value of German paper marks per U.S. dollar 1922–1923

Date	Value of German Paper Marks
April 1919	12
November 1921	263
January 1923	17,000
August 1923	4.621 million
October 1923	25.26 billion
December 1923	4.2 trillion

Source: Jones 2009

**Figure 2.** German paper marks per U.S. dollar 1922–1923: Logarithmic scale (base 10) monthly average



Source: Shadow Government Statistics 2011; courtesy of ShadowStats.com.

# COVID19 Intervention & Standing Back-up the Economy must CONNECT The Bones (Needs Vs Wants)

## Dem Bones – Dem Bones

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



AC RE WIN WEDNESDAY INSIGHTS Culverhouse College of Business THE UNIVERSITY OF ALABAMA® WEDNESDAY INSIGHTS April 1, 2020 f t in e COVID19 Feature – “The Hip Bone is Connected to the Leg Bone ...”

**Dem bones, dem bones, dem dry bones,  
Dem bones, dem bones, dem dry bones,  
Dem bones, dem bones, dem dry bones,  
Now shake dem skeleton bones!**

**The toe bone's connected to the foot bone,  
The foot bone's connected to the ankle bone,  
The ankle bone's connected to the leg bone,  
Now shake dem skeleton bones!**

**The leg bone's connected to the knee bone,  
The knee bone's connected to the thigh bone,  
The thigh bone's connected to the hip bone,  
Now shake dem skeleton bones!**



**The hip bone's connected to the back bone  
The back bone's connected to the neck bone,  
The neck bone's connected to the head bone,  
Now shake dem skeleton bones!**

**The finger bone's connected to the hand bone,  
The hand bone's connected to the arm bone,  
The arm bone's connected to the shoulder bone,  
Now shake dem skeleton bones!**

**Dem bones, dem bones gonna walk around  
Dem bones, dem bones, gonna walk around  
Dem bones, dem bones, gonna walk around  
Now shake dem skeleton bones!**



It is not just Americans and Alabamians that are anxious to reopen and get their economies restarted - **Asia and Europe are also reopening.**

This week, Disney announced that it will reopen its **Shanghai Disneyland park on May 11, 2020**, albeit with measures that severely limit the number of guests and enforce strict social distancing measures on rides and in restaurants. Could this mean Disney World in Orlando, Florida – or Disney Land in CA - will be opening by mid-summer?

**And, Germany is planning an almost complete return to normality in May**, with schools and shops reopening.

**What might NCAA Football this Fall look like if students not on campus or NOT all divisions play** – like Pac-10 or Big-10? Oh they will play in the SEC!

**AP May 7: Patchwork decisions throw wrinkle in college football plans**

There are **130 major college football teams, spread across 41 states** and competing in 10 conferences, save for a handful of independents.

The goal is to have all those teams start the upcoming season at the same time – but - With each passing day it is becoming apparent the COVID-19 pandemic is going to make that goal difficult to achieve. The possibility exists of college football being played in SEC country before it begins in Pac-12 territory

# What's Reopening and Why?

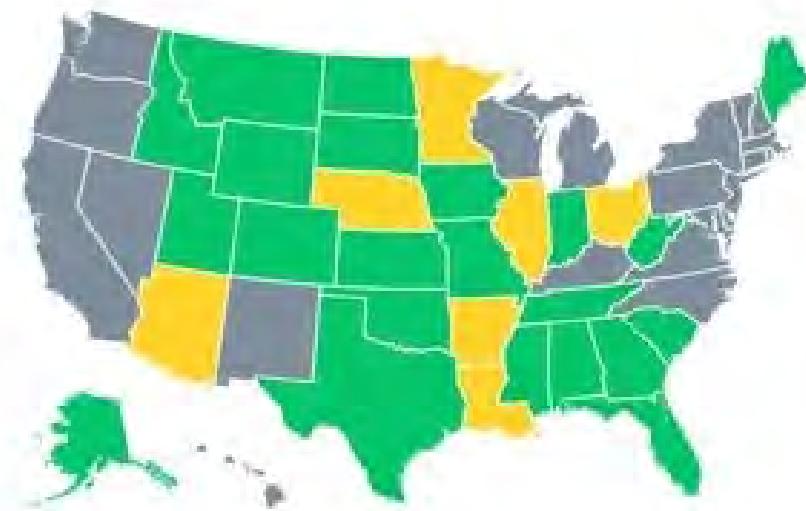
**May 6, 2020**

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

## STATE-BY-STATE BUSINESS REOPENING GUIDANCE

Click any state below to find guidelines, timelines, and other reopening information for employers

Last Updated: May 4, 2020



STAY-AT-HOME ORDER IN EFFECT

LIMITED REOPENING

REOPENING

# Reopening Economies by States

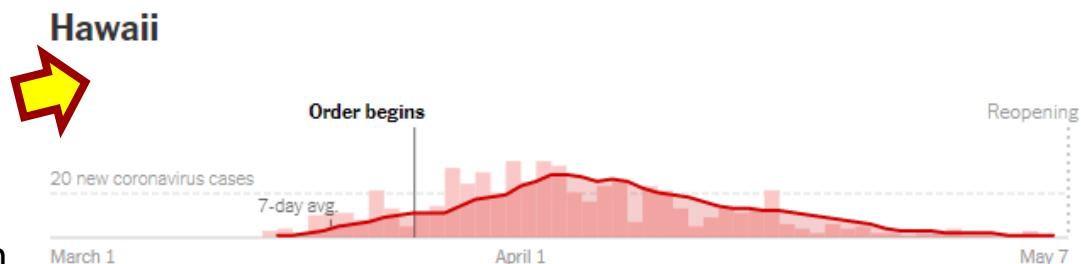


## **Key Notations:**

1. COVID 19 cases April 1 pre <900,000; May 1 >3.5 million; May 8<sup>th</sup> 3.87m
2. The U.S. has 1/3<sup>rd</sup> of global cases (most); 5x next highest (Spain at 200k)
3. Cases are not decreasing – just trajectory is less.
4. Testing is inadequate to “Know what we Don’t Know.”
5. **California has 5<sup>th</sup> most cases in U.S. but is reopening.**

## **The Issue: Reopening despite the data**

About half of the states have begun to reopen their economies and public life in some meaningful way, **though health experts have expressed concern that a premature opening could lead to a spike in coronavirus infections that would not be detected in official case counts for weeks.** Many areas are still seeing cases grow, and the number of known deaths related to coronavirus in the United States has passed 67,000.



**Stay-at-home order in effect since March 25 and set to expire May 31.**

Gov. David Ige, a Democrat, extended the state's stay-at-home order through May 31 but allowed some businesses, including retail stores and repair shops in certain parts of the state, to begin reopening May 7.

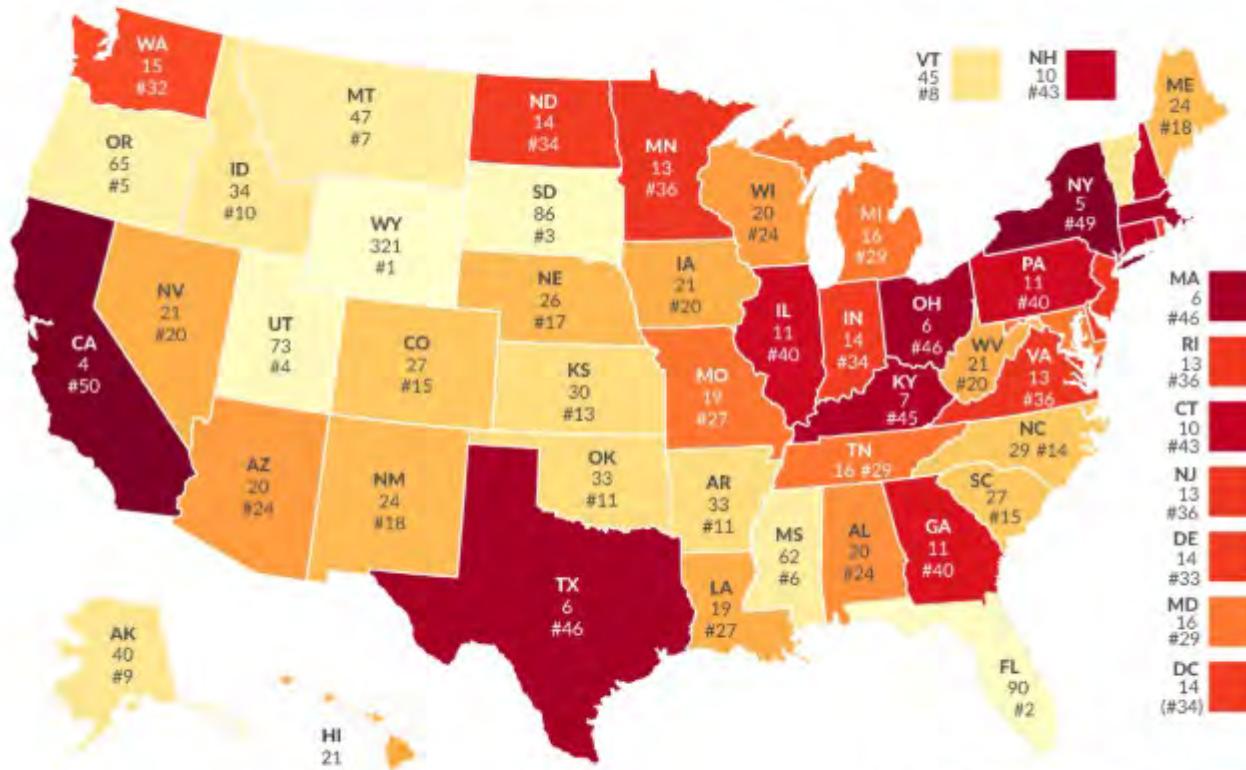
<https://www.nytimes.com/interactive/2020/us/states-reopen-map-coronavirus.html>

# States' Unemployment Compensation Trust Funds Could Run Out in Mere Weeks

<https://taxfoundation.org/state-unemployment-compensation-trust-funds-run-mere-weeks/>

## How Many Weeks of Unemployment Benefits Can States' Trust Funds Cover?

Based on 2020 fund solvency levels and initial and continuing claims as of April 4, 2020



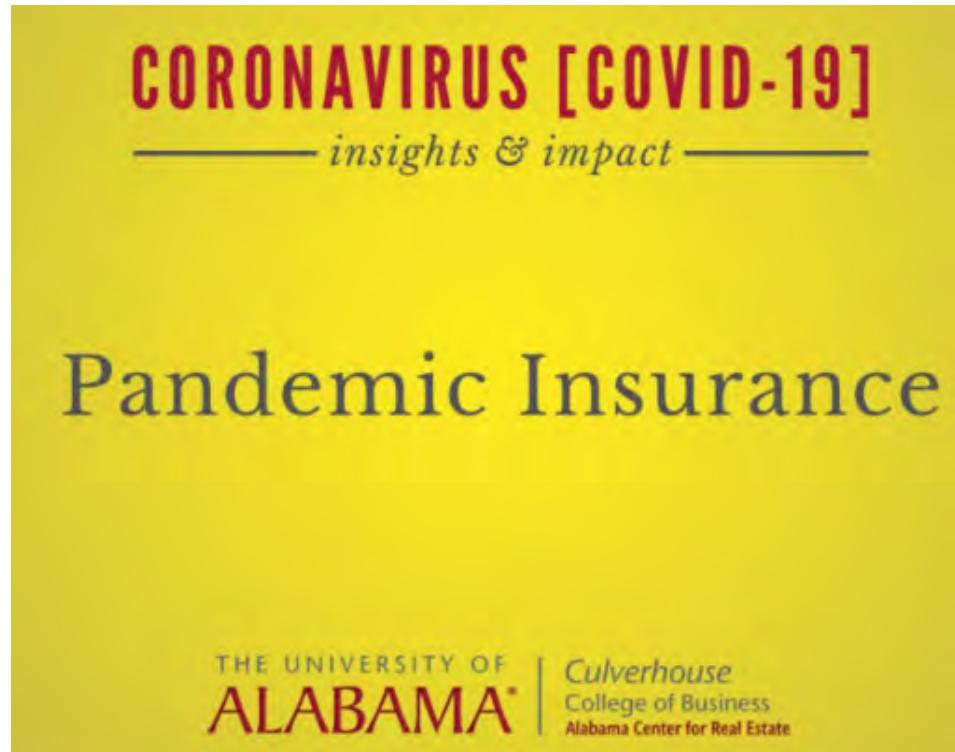
## How Many Weeks of Unemployment Benefits Can States' Trust Funds Cover?

Based on 2020 fund solvency levels and initial and continuing claims as of April 4, 2020

State	Weeks
Alabama	20
Alaska	40
Arizona	20
Arkansas	33
California	These #s were 5 weeks ago & didn't factor in 1099 and Sole Proprietor Workers (1 <sup>st</sup> time allowed UIB due to CARES Bill), so cut the # weeks in half. <b>BBQ-Sauce</b>
Colorado	27
Connecticut	10
Delaware	14
District of Columbia	14
Florida	90
Georgia	➤ CA more like 0 weeks
Hawaii	➤ AZ try 6 weeks
Idaho	➤ HI more like 7 weeks
Illinois	11
Indiana	14
Iowa	21
Kansas	30

Sources: U.S. Department of Labor; Tax Foundation calculations.

# State Reopening Connected to the Unemployment Insurance Bone Connected to BI & Liability Shield Bones ...



**CORONAVIRUS [COVID-19]**  
*insights & impact*

## Pandemic Insurance

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### President Trump Backs Liability Protection For Businesses That Reopen

TH, May 7<sup>th</sup> President Trump has announced he supports liability protection for businesses that choose to reopen in order to prevent lawsuits from piling up. This came after **House Speaker Nancy Pelosi (D-Calif) stated Democrats would not back these protections**. She has emphasized she is focused on the workers, not businesses.

<https://www.oann.com/president-trump-backs-liability-protection-for-businesses-that-reopen/>

The key takeaways regarding pandemic insurance at this stage in the COVID-19 outbreak are:

- TRIA created after the September 2001 terrorism attacks did not envision nor provide for pandemic risk.
- What we want to think of as Pandemic Insurance is really a "rider" under Business Interruption (BI) insurance.
- Those riders became more restrictive in coverage for virus and bacteria after the 2002-2003 SARS outbreak and most businesses do not have the coverage they may have thought.
- BI protects tenants and their businesses first and landlords second, depending on the leases. Check your leases to see if, like in property and casualty, the landlord and property owner are a "named insured" or partial payee. If not, there is no obligation for the tenant occupying your real estate to remit any proceeds for rent. This is not like the Paycheck Protection Plan (PPP) that requires the funds to go to certain things like payroll, rent and utilities.
- All is not lost. The MDL strategy may be a cost-effective way for businesses and property owners to consolidate and challenge the plethora of cases being summarily denied by insurers.
- And finally, we are early in this COVID-19 process. It is likely we will see "pandemic liability shield" legislation to address the current problem and protect businesses as states reopen their economies.

Friday, May 8, 2020

**Don't practice law,  
but know other potential  
measures to have clients  
explore with  
their legal counsel!**

### **Frustration of Purpose**

Parties that are looking for relief amid the pandemic could find help with frustration of purpose, a part of common law, although lawyers say there is a high bar to proving that in court.

Andrew Raines, a partner at Raines Feldman LLP, said case law on **frustration of purpose dates back to Prohibition era**. The law generally applies when an event upends the core purpose of a contract, and lawyers say the law may apply in the pandemic.

**"I signed the lease to open up a bar, Prohibition came in and I had no idea it would happen. I need to get out of the contract,"**

Law360 (May 7, 2020, 10:53 AM EDT) -- The COVID-19 pandemic has brought an unprecedented level of attention in the real estate community to force majeure, and while the contract clause will excuse some parties from certain obligations, lawyers say parties are increasingly looking beyond force majeure for other ways out of their obligations.

Force majeure clauses excuse a party from its obligations if certain circumstances — something largely unexpected or unpredictable — arise that make its participation impossible. Force majeure has its limits, particularly when it comes to disputes over payment of rent, but there are various aspects of common law that could help parties who are seeking to avoid an obligation.

"All is not lost if you are a party to a contract that doesn't have a force majeure provision," said Emil Petrossian, a partner at **Manatt Phelps & Phillips LLP**.

And lawyers also say contracts are now starting to include more extensive provisions to address some of the issues that COVID-19 has caused or brought to the surface.

### **Impracticability and Impossibility**

Impracticability and impossibility, **other common law doctrines with approaches similar to frustration of purpose, could also help when conditions change**, experts say.

Both **can provide the same kind of relief force majeure provisions in contracts might have provided**.

**"Impossibility is typically contrasted as objective impossibility. A hurricane comes in and wipes out the facility that was supposed to produce the widgets, and that's no longer possible,"** Petrossian said.

**"Impracticability is one small notch below impossibility. It's not objectively impossible but the perception is that it is so extremely burdensome or expensive ... the court is going to treat that as essentially impossible,"** Petrossian said. "That's a high bar to meet."

# What are the CRE Value Implications?

## The “What-If” NOI & Cap Rate Value Matrix

### WHAT WOULD IT TAKE TO SEE ASSET PRICES FALL?

The combination of cap rate and income changes that would drive a 22% price drop.

		Range of Apartment Cap Rates								
		5.5	5.7	5.9	6.1	6.3	6.5	6.7	6.9	7.1
Percent Change in NOI	0%	0%	-4%	-7%	-10%	-13%	-16%	-18%	-21%	-23%
	-2%	-2%	-6%	-9%	-12%	-15%	-17%	-20%	-22%	-24%
	-4%	-4%	-8%	-11%	-14%	-16%	-19%	-21%	-24%	-26%
	-6%	-6%	-10%	-13%	-16%	-18%	-21%	-23%	-25%	-27%
	-8%	-8%	-12%	-15%	-17%	-20%	-22%	-25%	-27%	-29%
	-10%	-10%	-13%	-16%	-19%	-22%	-24%	-26%	-29%	-31%
	-12%	-12%	-15%	-18%	-21%	-23%	-26%	-28%	-30%	-32%
	-14%	-14%	-17%	-20%	-23%	-25%	-27%	-30%	-32%	-34%
	-16%	-16%	-19%	-22%	-25%	-27%	-29%	-31%	-33%	-35%
	-18%	-18%	-21%	-24%	-26%	-29%	-31%	-33%	-35%	-37%
	-20%	-20%	-23%	-26%	-28%	-30%	-33%	-35%	-36%	-38%
	-22%	-22%	-25%	-28%	-30%	-32%	-34%	-36%	-38%	-40%

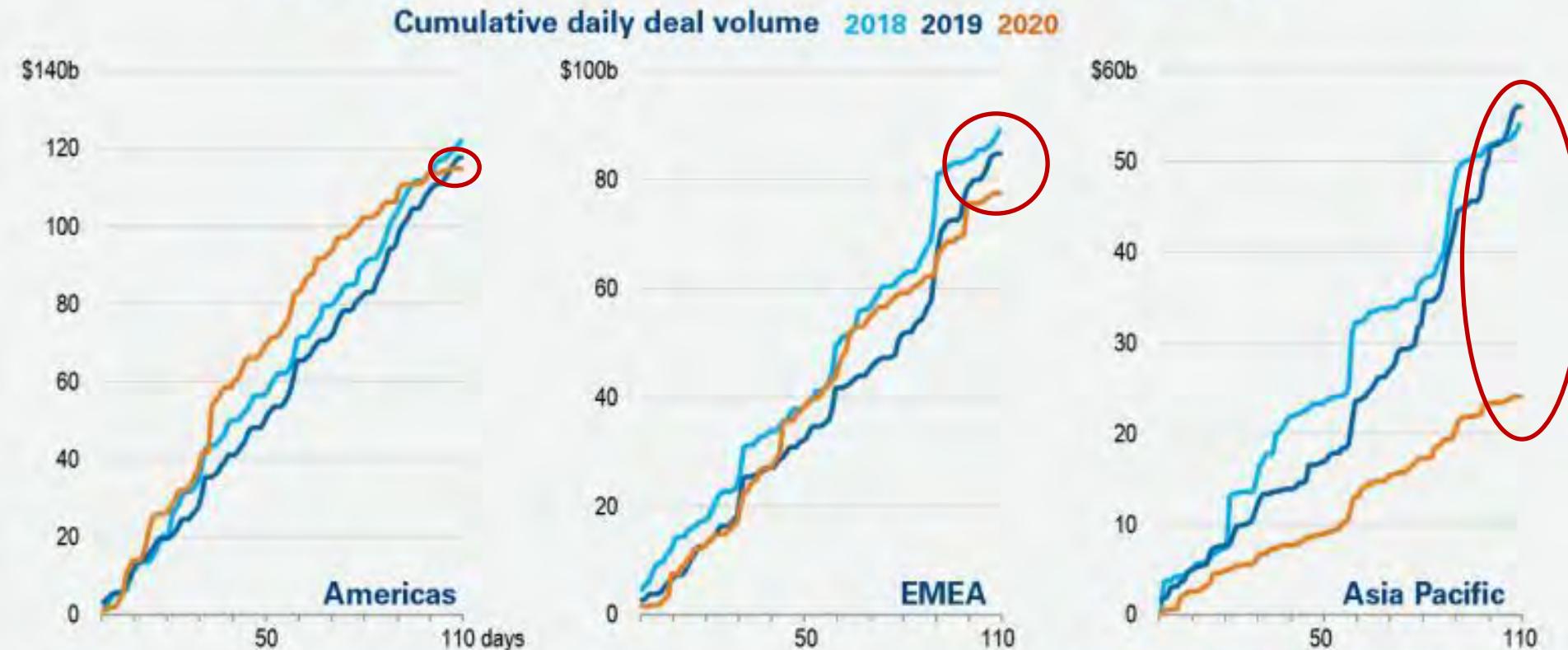
Areas in orange are those combinations needed to drive a 22% decline in asset values.

What would these changes look like historically?

# Global CRE Transaction Activity

## Is its disruption following the COVID Outbreak ... Or?

### Global Deal Activity: First 110 Days

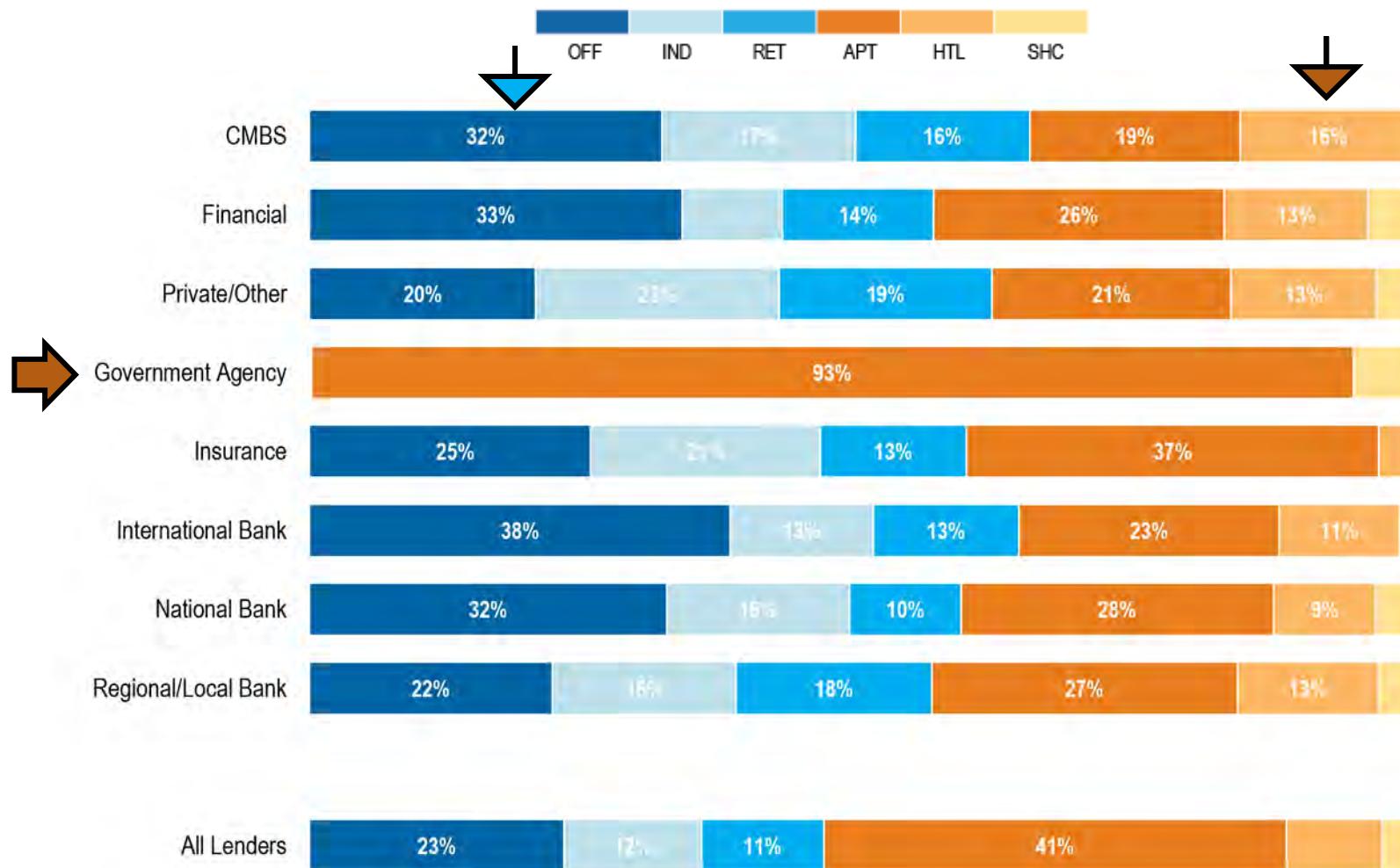


Deals \$10m and greater; all major property types excluding development sites  
Deal volume through April 19, 2020; April volume is preliminary

**REAL** CAPITAL ANALYTICS

# US PROPERTY DEBT SECTOR EXPOSURE BY PROPERTY TYPE

Note MF & GSEs (93%) vs Hotel & Retail Debt spread out among Lender Types!



# Trepp April CMBS Delinquency Rate: It's Time to Throw Out the Old Measurements

Most CMBS borrowers impacted by COVID-19 will not appear as "delinquent" until the May payment cycle. The reason for that is this: most borrowers made their March 1 payments as that payment was due before the COVID-19 headlines and shelter-at-home orders became widespread.

Many of these borrowers did not make their April 1 payments. But that did not make their loans delinquent. Instead – at that point – the loans were classified as either (A) "in grace period" or (B) "beyond grace period" in the servicer data, so we have included these figures in our delinquency report. Once borrowers miss their May 1 payment, they will become 30 days delinquent (unless the borrower is granted a forbearance).

The largest rate increase among property sectors in April belonged to the lodging sector

The Trepp CMBS Delinquency Rate saw its biggest jump in almost three years in April 2020. The April reading is 2.29%, a jump of 22 basis points from March's reading.

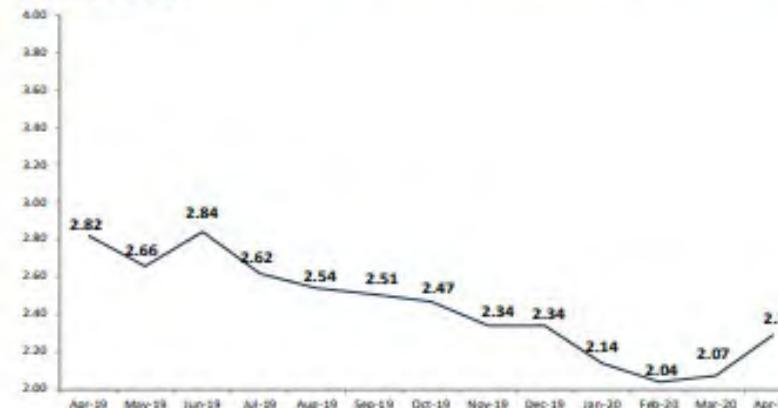
<https://info.trepp.com/hubfs/Trepp%20April%202020%20CMBS%20Delinquency%20Report.pdf>

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

	APR-20	MAR-20	FEB-20	3 MO.	6 MO.	12 MO.
Industrial	1.36	1.35	1.45	1.57	2.46	2.10
Lodging	2.71	1.53	1.60	1.49	1.49	1.55
Multifamily	1.92	1.63	1.79	2.02	2.07	1.99
Office	1.92	1.86	1.72	1.87	2.50	3.11
Retail	3.67	3.89	3.62	3.76	4.20	4.62

Source: Trepp

GRAPH 1: PERCENTAGE OF CMBS MARKED AS 30+ DAYS DELINQUENT



Source: Trepp

### The Good:

**Pepsi:** – Lots of Snacking at Home

- ✓ >7% Revenue Growth
- ✓ Affirming its Dividend & Stock Buybacks

**Pfizer:** – Beat Top/Bottom EPS & not backing away from providing 2020 Guidance

**Merck:** – Beat Top/Bottom EPS but backing away from providing 2020 Guidance

### The Less-Good:

**Southwest:** – Not as bad as expected ... BUT

- ✓ <7% Plane Load (94% not flying)
- ✓ Cancelling Boeing Orders for 737Max

# April 29, 2020

## Earnings! – The Companies in your Office Space

### Drinking from a Firehose - Q1 2020 Earnings continued

<http://www.acre.culverhouse.ua.edu/explore/stories/april-29-2020>

Here's how COVID-19 changed Miami's office and retail spaces

[www.miamiherald.com/news/business/real-estate...](http://www.miamiherald.com/news/business/real-estate...) ▾

COVID-19 is slowing activity in South Florida's office and retail markets, according to local brokers. And the impact may last beyond a few weeks. "There's more of a short-term effect,

### Banks & Financial Services tenants in LA/SF or Phx?

- \* Truist Bank new HQ?
- \* Wells Fargo & Bank of Am
- \* All the related FS companies?
- \* Urban Vs Suburban demand for Office Space?
- \* Airport Office submarket with Bus Travel and TSA Passenger Traffic down 95%

TSA checkpoint travel numbers for 2020 and 2019 <https://www.tsa.gov/coronavirus/passenger-throughput>

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

Date	Total Traveler Throughput	Total Traveler Throughput (1 Year Ago - Same Weekday)
4/15/2020	90,784	2,317,381
4/14/2020	87,534	2,208,688

## Property Types “What-If” Thinking: MF Breaking Down \$1 of Rent – What will it be post COVID19?

**How does FORBEARANCE play out (tenants think it's “Free-Rent”**

and

**MF Owners may find more of the \$1 of Rent needs to go to the Lender as all is added to the back-end of the mortgage.**



**Workforce MF  
Vs.  
Student Housing MF**

**Urban MF  
Vs.  
Return to the Suburbs**

Who says Suburbs vs Urban?  
DR Horton earnings.

An estimated 25% more Office Work proven to be done remote during COVID.

Big-office space using industries, like FinServ & FinTech, will go “Cubeless”

**Equifax warns of “Redundancy Costs” for Office-using companies**

# How Technology Could Help Alleviate The Fear Of Going Back To The Office

4 May 2020 | Mike Phillips, Bisnow London | [Email](#)

**“Hot-Desking” Out / Undo the Office Density ratio back toward 1:200 or higher?** This week the UK government is unveiling the measures it expects office occupiers to put in place so people can start to go back to work. Under new rules, **hot desking will be out, and the distance between workers required for social distancing could be measured out using tape.**

**Density** “When people start off going back to the office, they are going to want to know there is enough space for them to practice social distancing,” Lennox-King said. It is possible to **combine sensor technology with screens positioned around a workplace to show workers which areas are more or less densely populated, and even have a type of warning system if there are too many people in any one area.**



**The Office Tech Solution: Symbiosy** is the tech and sensory platform created by developer HB Reavis that allows occupiers to measure and control multiple facets of the space they occupy, including density, air quality and cleanliness.

**Cleanliness** Technology platforms that utilise sensors and screens can also give office occupiers important information about the cleanliness of their space, telling companies which areas have been cleaned, and when they were most recently cleaned.

**Touchpoints** We are all now a lot more wary about touching things. As a result, technology platforms that allow staff to access different parts of a building by tapping a phone rather than pushing buttons,

**Contact Tracing** A growing weight of evidence suggests that contact tracing — finding out whom someone with the coronavirus has met

[https://www.bisnow.com/london/news/office/how-technology-could-help-the-fear-of-going-back-to-the-office-104221?utm\\_source=outbound\\_pub\\_21&utm\\_campaign=outbound\\_issue\\_38437&utm\\_content=outbound\\_li nk\\_12&utm\\_medium=email](https://www.bisnow.com/london/news/office/how-technology-could-help-the-fear-of-going-back-to-the-office-104221?utm_source=outbound_pub_21&utm_campaign=outbound_issue_38437&utm_content=outbound_li nk_12&utm_medium=email)

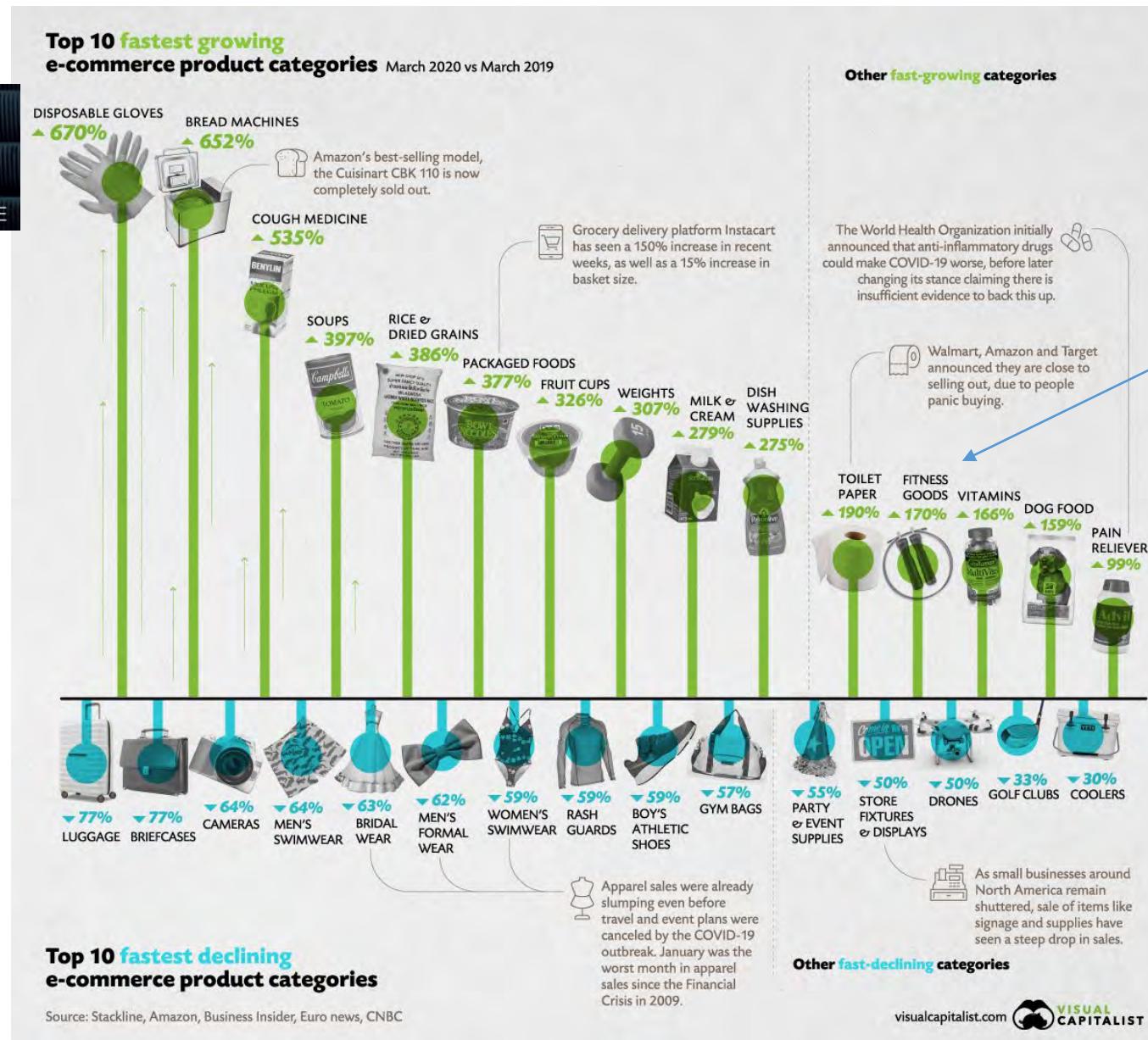
# Retail e-Volution? Does what we buy or not buy in COVID19 continue post COVID19?

## Retail e-Volution: Predictions for 2025

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

<https://www.ccim.com/newscenter/commercial-real-estate-insights-report/retail-e-volution--predictions-for-2025/?gmSsoPc=1>

<https://www.visualcapitalist.com/shoppers-buying-online-ecommerce-covid-19/>

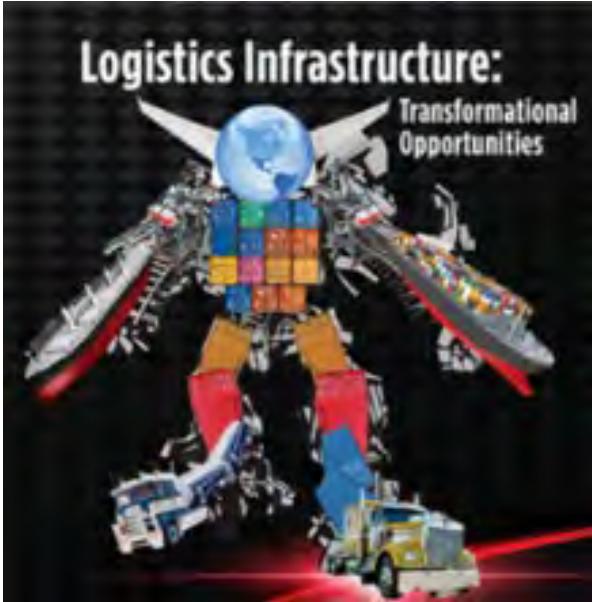


Reflect on  
Weight  
Watchers (WW)  
Earnings  
&  
Shopify

The Future Of Retail Is Now, And Shopify Has A Crystal Ball

May 7, 2020 6:46 PM ET | 58 comments | 17 Likes | About Shopify Inc. (SHOP)

Shopify Inc. receives a minimal amount of fanfare for a company **that finished behind only Amazon (NASDAQ:AMZN) in U.S. eCommerce market share for 2019. SHOP's market share was 5.9% in 2019, beating out the likes of eBay (NASDAQ:EBAY), Walmart (NYSE:WMT), and Apple (NASDAQ:AAPL).** 21



<http://www.acre.culverhouse.ua.edu/research/logistics-infrastructure-research>

**Changing from a:  
“Shop & Take Home” to “Order Online & Deliver” economy**

**Where we make things & Who owns the  
Companies that make what we need?**

**The COVID-19 outbreak is revealing the “where” things are made (maybe too much in China – and not just auto parts and items that go into a WalMart store, but pharmaceuticals and paper products like diapers and toilet paper that are made possible by “fluff pulp” via the port of Mobile). It’s also unveiling how things connect and maybe enable rapid transmission of a coronavirus. For example, China bought a number of luxury retail brand companies in Italy in recent years and then moved their workers to Italy to sustain a “made in Italy” manufacturing claim. That is now the hypothesis for how the coronavirus spread so quickly to Northern Italy - and then Spain and the rest of Europe.**

## Logistics & Industrial CRE

**Forbes**

### Port Laredo Again No. 1 As Coronavirus Sends Port Of Los Angeles Reeling

A [stunning development](#) the first time, the result of the impact of the U.S.-China trade war on the venerable California seaport, this time it's the one-two punch of the ongoing trade war and the [coronavirus pandemic](#) that has sent it, the U.S. economy and the global economy, reeling.

**This time, unlike last time, it is not likely to be a one-month aberration.**

That's because the most recent U.S. Census Bureau data is for February.

**Port Laredo passed the Port of Los Angeles before the full brunt of the impact of coronavirus would have even hit the Los Angeles seaport.**



<https://www-forbes-com.cdn.ampproject.org/c/s/www.forbes.com/sites/kenroberts/2020/04/07/port-laredo-again-no-1-as-coronavirus-sends-port-of-los-angeles-reeling/amp/>

# Forward Looking Transportation & Freight Measures

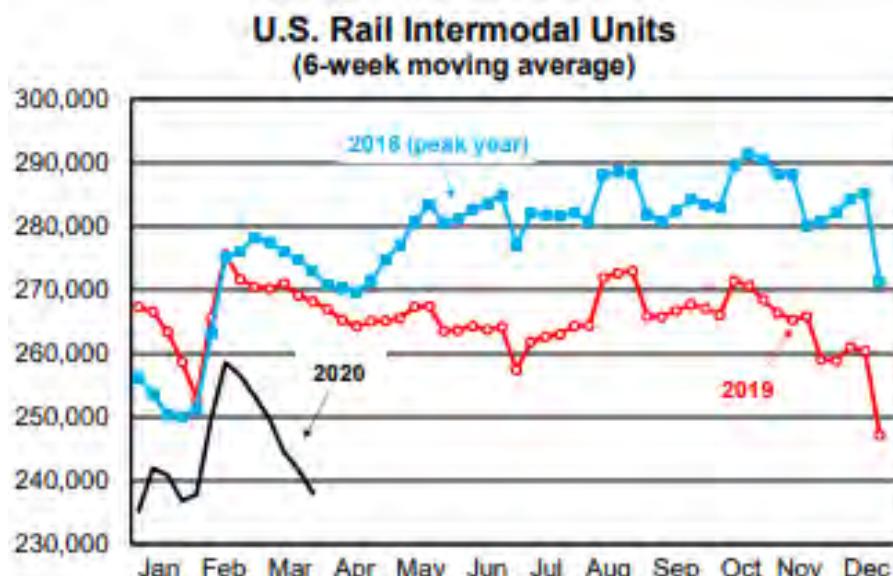


<https://www.aar.org/>

## North American Freight Rail Traffic Highlights For March 2020

A confluence of factors caused weekly average U.S. rail carloads in March 2020 to fall to their lowest level since sometime before January 1988, when our data begin. Total U.S. carloads in March 2020 were down 6.0% from March 2019 and down 3.0% from February 2020. Meanwhile, U.S. intermodal volume in March 2020 was down 12.2% from March 2019 (its biggest year-over-year percentage decline since September 2009) and down 6.3% from February 2020.

The clearest example so far of the impact of the coronavirus on rail volumes involves autos and auto parts: combined U.S., Canadian, and Mexican carloads were 25,518 in the third week of March, but only 9,745 carloads — a 62% decline — the following week, thanks to widespread auto plant shutdowns. Intermodal also suffered from fewer containers of auto parts. March 2020 was the worst month for coal since before 1988, as the price of natural gas fell to multi-year lows. Carloads of petroleum products rose slightly in March 2020 over last year, but by the end of March carloads had begun to fall.



Data are 6-week moving average originations and do not include the U.S. operations of CN, CP, and GMXT. Source: AAR Rail Time Indicators

Finally, U.S. **intermodal** originations fell 12.2% in March 2020 from March 2019, their biggest year-over-year percentage decline since September 2009. Weekly average intermodal volume in March 2020 (233,845 units) was the lowest for March since 2013. What happens at Western ports will have a big impact on intermodal. Some say China is returning to normal, removing a supply shock that reduced sailings to the U.S. and related intermodal shipments. However, some analysts fear that a demand shock is coming as U.S. importers cancel shipments because they don't think they'll be able to sell them. The only sure thing is that nobody knows for sure what's going to happen.

Rail Time Indicators - April 3, 2020

Page 5 of 19

Beware of a **“Demand-Shock”** – orders cancelled as businesses not confident they can stay open or even sell new inventory.

# Forward Looking Transportation & Freight Measures

## Am. Trucking Assoc & Trucking Tonnage Index



## TSA Passenger Count & Air-Cargo piece of L&T

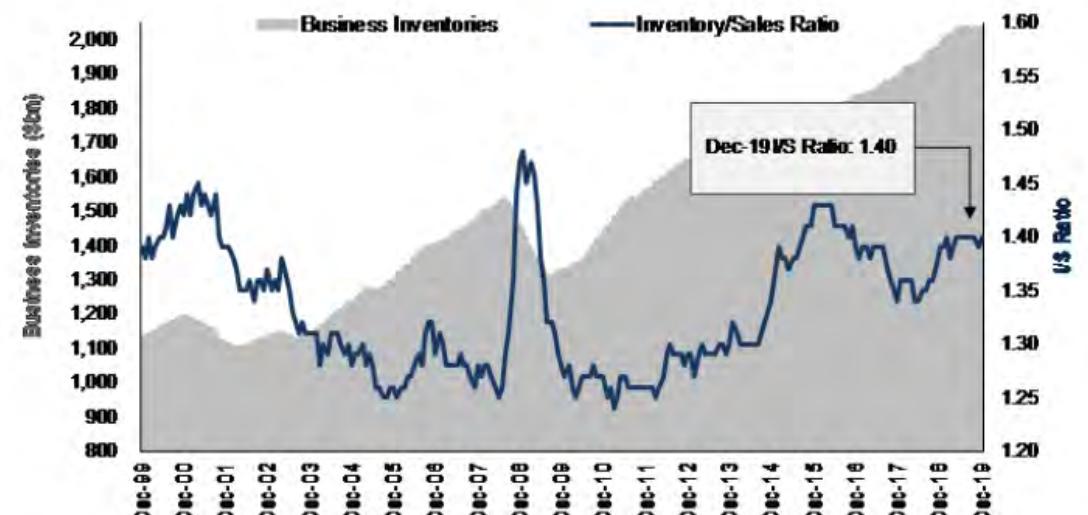
TSA checkpoint travel numbers for 2020 and 2019 <https://www.tsa.gov/coronavirus/passenger-throughput>

Date	Total Traveler Throughput	Total Traveler Throughput (1 Year Ago - Same Weekday)
4/15/2020	90,784	2,317,381
4/14/2020	87,534	2,208,688

## Cass Freight Index



Chart 3: Inventories should come down in 1Q20, as goods are held up in China



<https://www.cassinfo.com/freight-audit-payment/cass-transportation-indexes/cass-freight-index>

When exports do bounce again, we're looking to the airfreight market (Chart 4) for the first signs of the demand rebound, as retailers and manufacturers need to play catch-up. The airfreight market has been hurting for some time, but we expect at least a short period of large yield spikes for cargo capacity, especially with belly space limited. Today, though, we're hearing airfreight yields spiking due more to the lack of available capacity rather than any surge in demand. The

# Wrap up with Red-Shoe Economist's 5 quick "Look up & Forward" perspectives:

## How Will things change as we restart the economy post Shelter-In-Place?

KC's Final 5 closing "Look Up & Forward Perspectives:

1. **We see a "W" shaped (double dip) recession** as we discover the holes not plugged after we reopen the economy
2. Like we had to create CMBS 2.0 after 2009 Fin Crisis, **we will create Logistics 2.0 post COVID19.** Think about smaller e-commerce fulfillment centers or **new dominant ports like Port Laredo.**
3. **Retail e-Volution will be accelerated by 5+ years** and what happens to "Experiential Retail." Reread the Retail e-Volution paper from last Fall
4. **Adaptive Reuse will become your most important skill to fine-tune** as we figure out how to repurpose retail, hotels and cruise ships, and where do we put new uses like telemedicine.
5. **What we are going through is going to be tougher to get through than we can imagine.** Whether its deficit spending, loss of wealth, acceleration of e-commerce, reshoring of manufacturing, integration of public health into Risk Mgmt planning, remaking density and rent equations in all CRE types (more space with less rent), etc. **Engage in daily "What-If" thinking!**

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Start counting occupancy today, with no hardware required! Automate your counting by upgrading to smart video sensors.



Ensure you are complying with Occupancy regulations put in place as a result of the ongoing COVID-19 pandemic.

- No hardware required
- Use any smart device
- Multi-entrance occupancy status
- Count in and out foot traffic
- Real-time occupancy status
- Custom capacity setting
- Display interface for TV
- Reporting tools

Think "What-If" we have ...

- **Immunity Passports**
- Health Certifications on your phone that operate like TSA Pre-check or CLEAR at airports
- **Occupancy Monitoring Tech at retail, office buildings, restaurants, etc.**

<https://mail.google.com/mail/u/1/#inbox/ FMfcgxwHMjwVWjrcCBxgPsKINnxXNRQX>

# We have Arrived at the END

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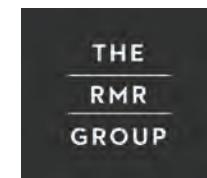
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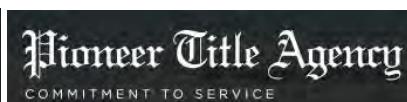
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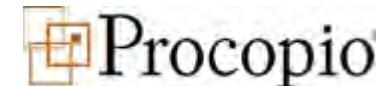


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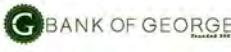
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