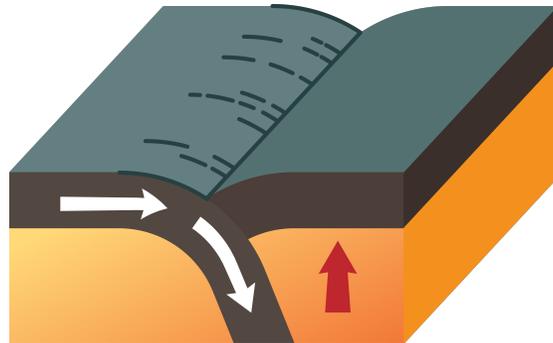




## Economic Tectonics: An Economic & CRE Conditions Outlook



**KC Conway, CCIM, CRE, MAI**  
CCIM Institute Chief Economist  
Principal & Co-Founder of  
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# Disclaimer: Not in the fine print...

## Fort Bend Economic Development Council Virtual Meeting

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

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# Economic Outlook for 2021

## 2021 Outlook: The Year of Yogi

- “The future ain't what it used to be.”
- “It ain't over till it's over.” } 2020 Elections – AZ ballot audit  
Crypto-currency debate  
Fed Monetary Policy uncertainty
-  “You've got to be very careful if you don't know where you are going, because you might not get there.” KSU CP or CN Rail Merger
- “You better cut the pizza in four pieces because I'm not hungry enough to eat six.”  
(And Yogi didn't even have an HP-12c)

# The U-Haul Report: Where did Americans move in 2020?



## 2020 Migration Trends: U-Haul Ranks 50 States by Migration Growth TX is typically ranked among top 2 states for inbound moves – Beat out FL

1. Tennessee (#12 2019)  
Amazon HQ2 kicking in
2. Texas (#2 - Steady)
3. Florida (1)
4. Ohio (7)
5. Arizona (20) AZ only state in Top-5 in BOTH United Van Lines & UHaul
6. Colorado (42)
7. Missouri (13)
8. Nevada (24)
9. North Carolina (3)
10. Georgia (16)

11. Arkansas (#23 2019)
12. Indiana (9)
13. Wisconsin (41)
14. Oklahoma (14)
15. South Carolina (4) (#2 by United Van Lines 2020)
16. West Virginia (22)
17. Utah (8) **Understated!**
18. Kentucky (37)
19. Montana (26)
20. Minnesota (15)

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

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

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

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

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

<https://www.uhaul.com/Articles/About/22746/2020-Migration-Trends-U-Haul-Ranks-50-States-By-Migration-Growth/>





- ➔ San Antonio – Navistar
- Springhill TN – Cadillac EV
- Huntsville – Space Command HQ
- ➔ MD – New Cash Printing Plant

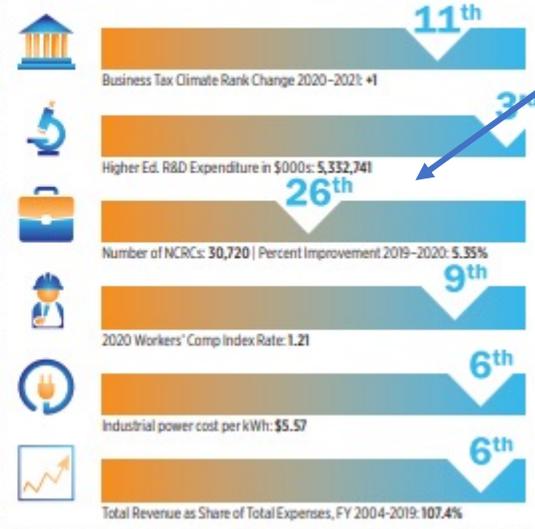
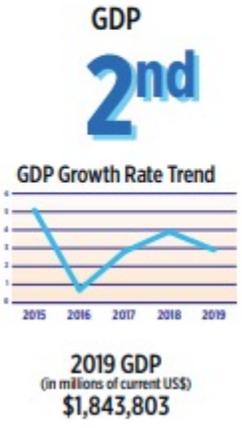
TX has 2<sup>nd</sup> largest GDP among all 50 states and **within top 10 among all key SS categories except 1: Career Readiness - really? Why a #26 ranking?**

# Texas

Pop. (2020): 29,806,340  
 Median household income (2020): \$60,820  
 Credit Rating: AAA/Stable  
 Pop. growth 2020-2025: 1.54%  
 Median age (2020): 35  
 Right-to-work state: Yes

## Legislative Update

- There was no regular legislative session in Texas in 2020. Among activity from Gov. Abbott's office: The first report from the Governor's Broadband Development Council recommends that the Texas Legislature create a state broadband plan, establish a broadband office and study the development of a state broadband funding program to incentivize deployment in unserved areas.
- Gov. Abbott and the Texas Department of Transportation announced that TxDOT has won a federal grant to help transform an intersection on I-20 to ease congestion and save lives in the busy Permian Basin area near Midland after several bridge strikes.
- Gov. Abbott in June announced the results of a study completed by the Texas Comptroller of Public Accounts that estimates the state's 15 military installations and the U.S. Army Futures Command contributed at least \$123.6 billion to the Texas economy in 2019 and supported more than 630,000 jobs in communities across the state.



- ➔ Rank in the Tax Foundation's 2021 State Business Tax Climate Index (Oct. 2020)
- ➔ Rank in 2019 Higher Education R&D Expenditure (Total in \$000s in parentheses)
- ➔ Rank in percent improvement in ACT National Career Readiness Certificates earned by working-age adults between Dec. 2019 and Dec. 2020 (total number and percent improvement shown below ranking bar)
- ➔ Rank in Workers' Compensation Premium Rate state rankings by the Oregon Department of Consumer and Business Services' IT and Research Division, October 2018
- ➔ Rank by Lowest Industrial Electric Power Cost (¢/kWh, EIA)
- ➔ Rank in Fiscal Health (based on data from Pew Center on the States' Fiscal 50, Dec. 2020)



# GDP: Ignore the Atlanta Fed's GDPNow

## Atlanta Fed GDPNow Estimate for 2021: Q2

<https://www.atlantafed.org/-/media/Documents/cqer/researchcq/gdpnow/RealGDPTrackingSlides.pdf>

Date	Major Releases	GDP*	
30-Apr	Initial nowcast	10.4	Maximum forecast of real GDP growth
3-May	ISM Manuf Index, Construction spending	13.2	International trade, M3-2 Manufacturing, Auto Sales
4-May	International trade, M3-2 Manufacturing, Auto Sales	13.6	4-May Auto Sales 13.6
			Minimum forecast of real GDP growth
			30-Apr Initial nowcast 10.4

“GDPNow is not an official forecast of the Atlanta Fed. Rather, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter. There are no subjective adjustments made to GDPNow—the estimate is based solely on the mathematical results of the model.

➔ In particular, it does not capture the impact of COVID-19 and social mobility beyond their impact on GDP source data and relevant economic reports that have already been released. It does not anticipate their impact on forthcoming economic reports beyond the standard internal dynamics of the model.”

Just don't partake in Atlanta Fed's GDP Now (aka GDP Wrong).

“Atlanta Fed's GDPNow rises to 34.6% for Q3 after US data” (Oct 2020)

And... Q2 2021 forecast at +13.3%

The Q1 2021 forecast “Now” was 5.7% with a Min/Max range of 4.5% to 10% (looks more like a Cap Rate Survey range)

Date	Major Releases	GDP
29-Jan	Initial nowcast	5.2
18-Feb	Housing Starts, Import/Export Prices	9.5
19-Feb	Existing-home sales	9.5
24-Feb	New-home sales	9.6
25-Feb	GDP, Advance durable manufacturing	9.6
26-Feb	Pers Inc/PCE, NIPA underlying detail	8.8
1-Mar	ISM Manuf Index, Constr spending	10.0
3-Mar	ISM Nonmanuf Index, Auto sales	9.1
4-Mar	M3-2 Manufacturing	9.0
5-Mar	Int trade, Employment situation	8.3
8-Mar	Wholesale trade	8.4
	Consumer Price Index, Monthly	
10-Mar	Treasury Statement	8.4
12-Mar	Producer Price Index	8.3
16-Mar	Retail Trade, Industrial Production,	5.9
17-Mar	Housing Starts	5.7

	Maximum forecast of real GDP growth	
1-Mar	ISM Manuf Index, Construction	10.0
	Minimum forecast of real GDP growth	
10-Feb	Wholesale trade, Consumer Price	4.5

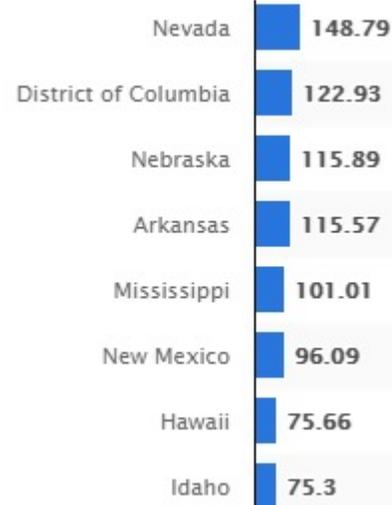
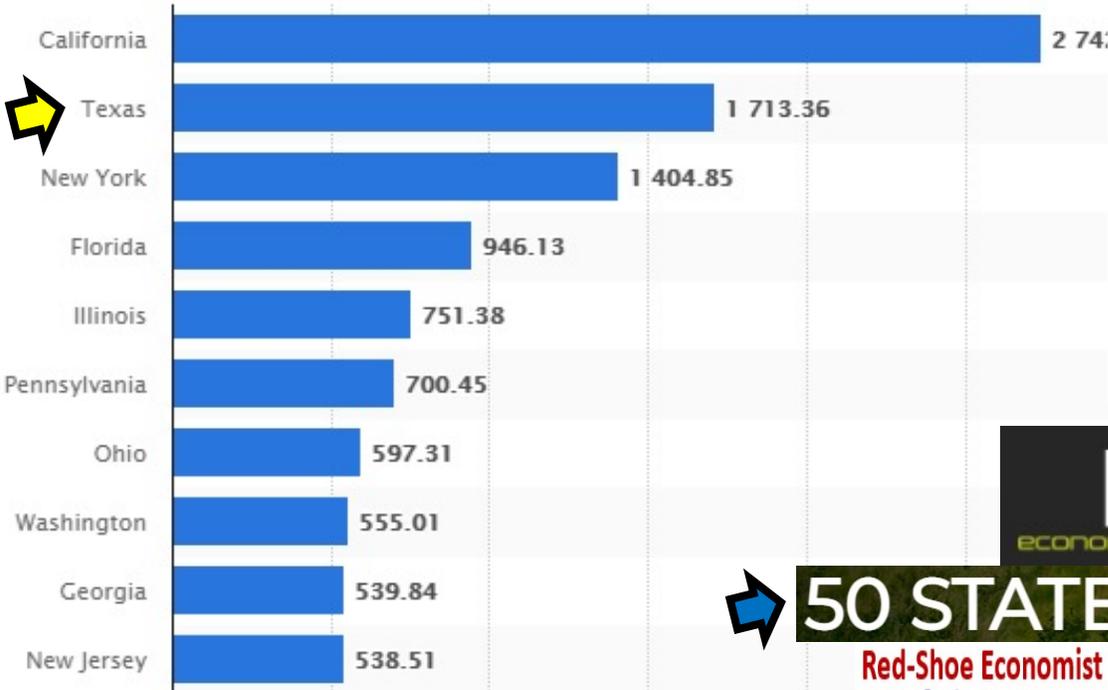
# GDP by State (2020 YOY): What's driving your State's Economy? FL in Top-5

TX Ranks #2 @ \$1.7trillion ahead of NY, FL and all in South.

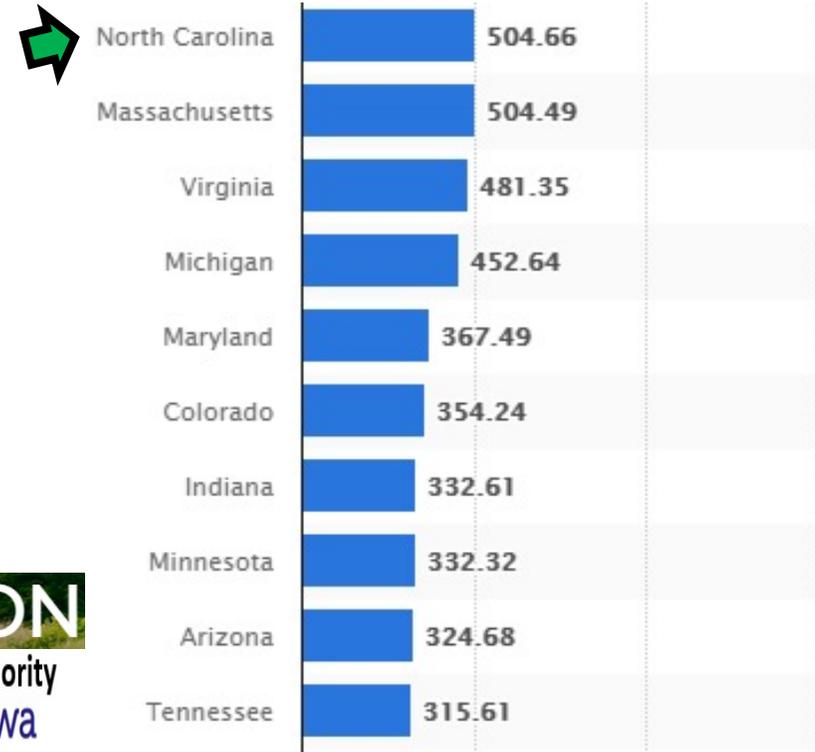
Most GDP Decline in 2020 was NV, TN & HI at >40%

Least GDP Decline in 2020 was UT & AZ <25%

Top 10 States with most \$ GDP  
TX > NY, FL > IL, GA > NJ, NC > MA & VA



#11 to #20 States NC >\$500b and MA, VA CO, AZ & TN are in a horse race to surpass \$400b



**IOWA**  
economic development

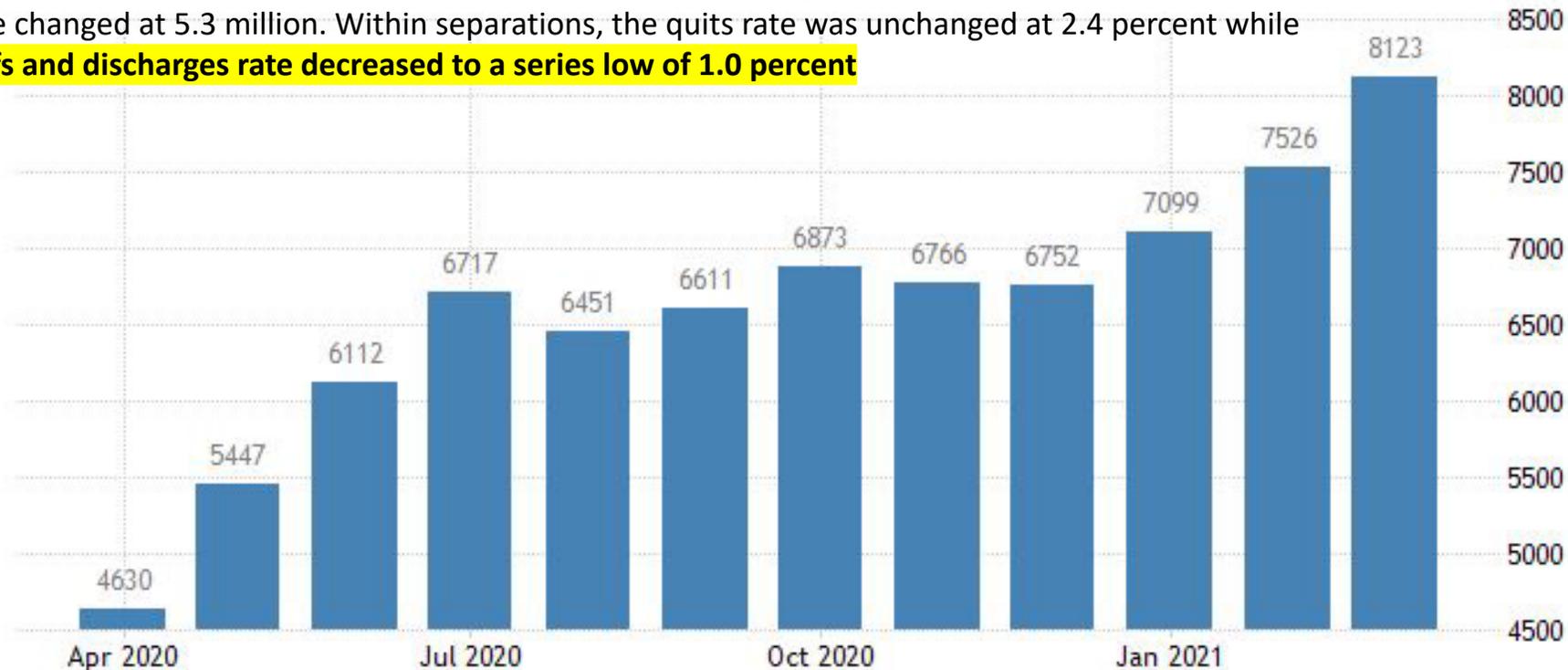
**50 STATE COMPARISON**  
Red-Shoe Economist "Best-Rated" interactive Eco. Dev Authority  
Select up to Four States to Compare to Iowa  
<https://www.iowaeda.com/50states/>

<https://www.statista.com/statistics/248053/us-real-gross-domestic-product-gdp-by-state/>

# Employment: A JOLTS picture reveals a key number, 8.1 million!

## JOB OPENINGS AND LABOR TURNOVER Report Released May 11 for March 2021 period:

The number of **job openings reached a series high of 8.1 million on the last business day of March**, the U.S. Bureau of Labor Statistics reported today. Hires were little changed at 6.0 million. Total separations were little changed at 5.3 million. Within separations, the quits rate was unchanged at 2.4 percent while **the layoffs and discharges rate decreased to a series low of 1.0 percent**



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

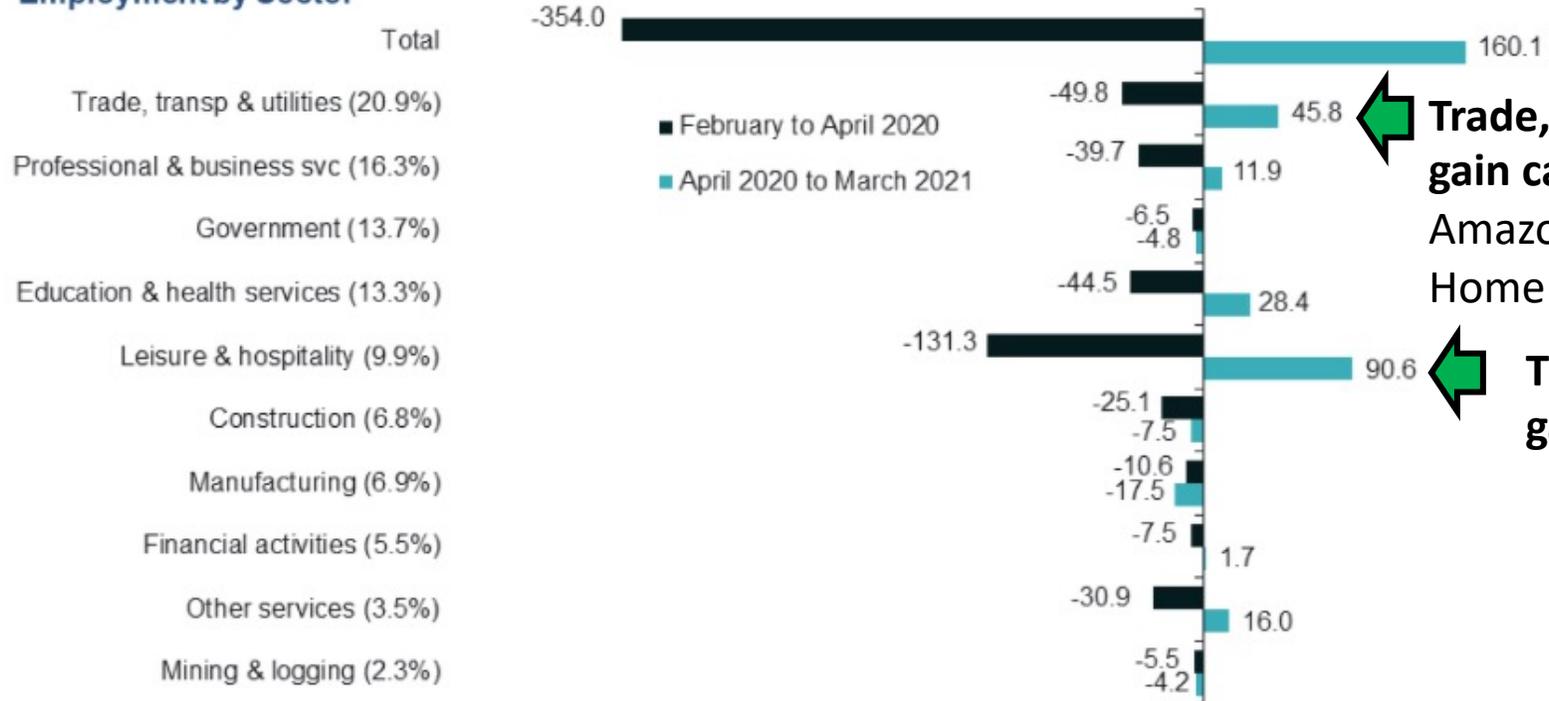
# Houston Employment: A gain of 160k jobs since April 2020.

## Employment

Houston metro area payrolls surged in March by 31,500, due in part to recovery from Winter Storm Uri in February and the lifting of pandemic restrictions on businesses March 10. February data were also revised from a slight decline to growth of nearly 5,700 jobs. That brought payroll job gains since April 2020 to 160,100—a recovery of over 45 percent of the jobs lost in the initial months of the pandemic (Chart 1).

**136k of the 160k YOY gain are in the 2 "L&T" categories.**

**Chart 1  
Employment by Sector**



**Trade, Transport & Utilities #2 job gain category** (Port, Logistics like Amazon, Dollar Tree, Aldi, FedEx, Home Depot, etc.)

**The "other L&T" is #1 job gain category**

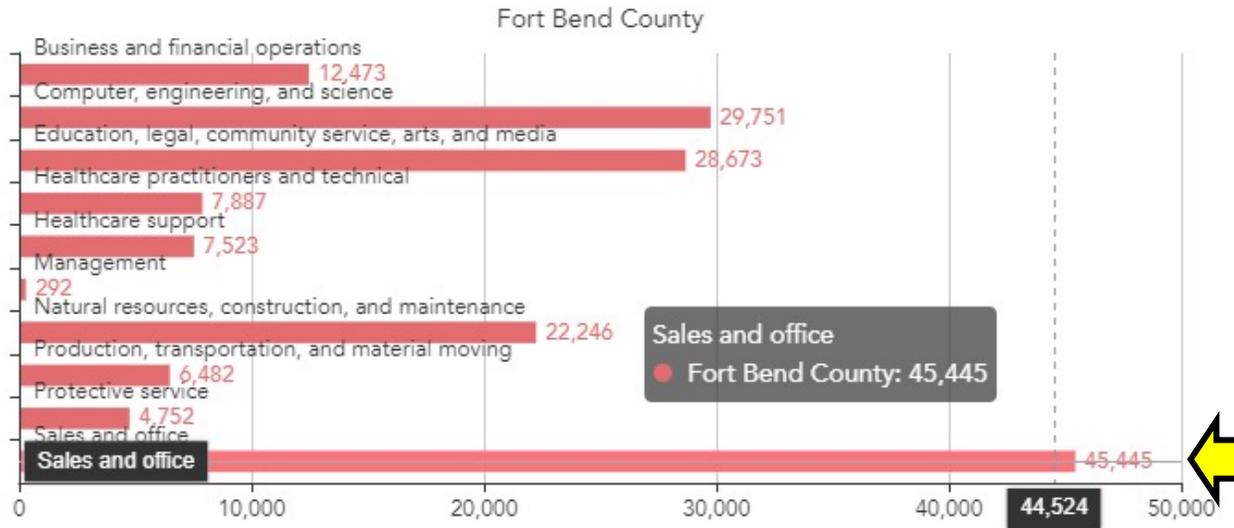
NOTE: Chart shows seasonally adjusted change in thousands of payroll jobs by sector. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

SOURCE: Bureau of Labor Statistics; adjustments by the Dallas Fed.



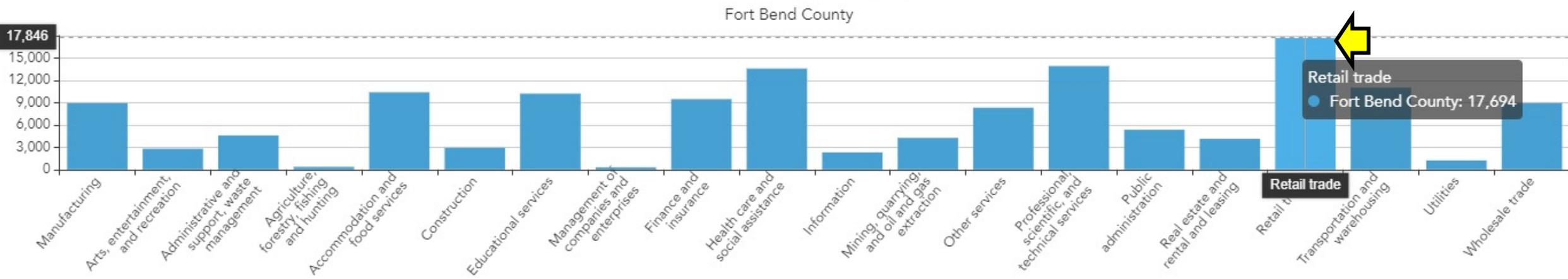
# Fort Bend Employment: It's not so much Energy?

Occupation of Residents



Fort Bend County website and information resources are as good as they get any where in the U.S. – Nice Job!

Residents' Industry of Employment



# Who now is Largest US Private Employer? **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



U.S. WALMART EMPLOYEES  
**1.5 million**

SOURCE: 24/7 Wall St, Walmart, Governing visualcapitalist.com

### 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.

### Top Walmart

#### States for Jobs:

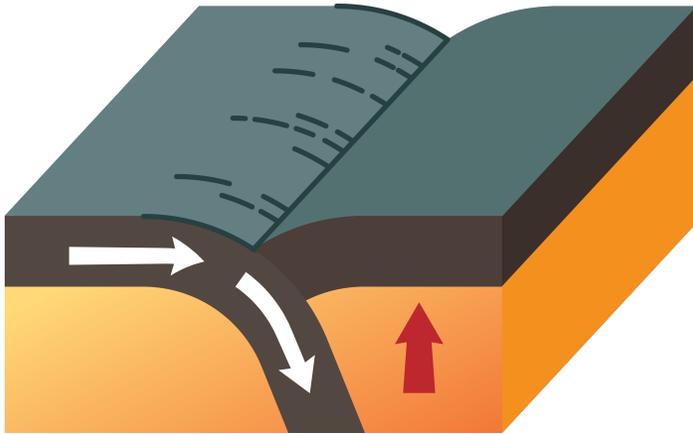
State	# of Walmart Employees
Texas	168,403
Florida	107,460
Georgia	60,002
Illinois	53,687
Arkansas	52,367
Ohio	50,186
Virginia	43,623
Missouri	42,029
Tennessee	40,598
Indiana	39,875

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



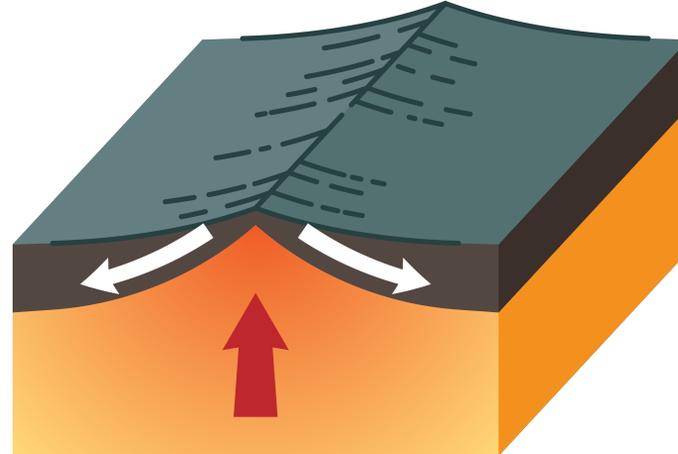
# 3 Types of Economic Tectonics:

## CONVERGENCE



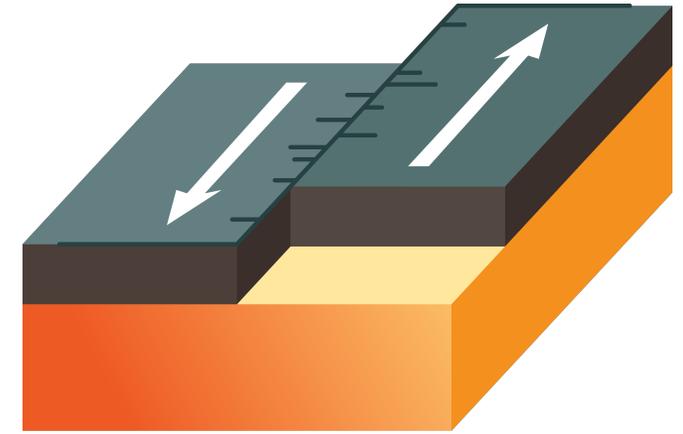
- **The FED & Monetary Policy**  
Underneath the surface are tools beyond interest rates (Asset Purchases to mitigate rise of 10-Yr Tr., Bank ALLL on lending, IOER, etc.)
- **Inflation:** Look beyond CPI & PPI to Construction-nomics, Energy, Home Prices
- **Supply-Chain:** Choke Points & re-shoring
- **Site-Selection** in a more influential **ESG environment (GA Election Law & DEI)**

## DIVERGENCE



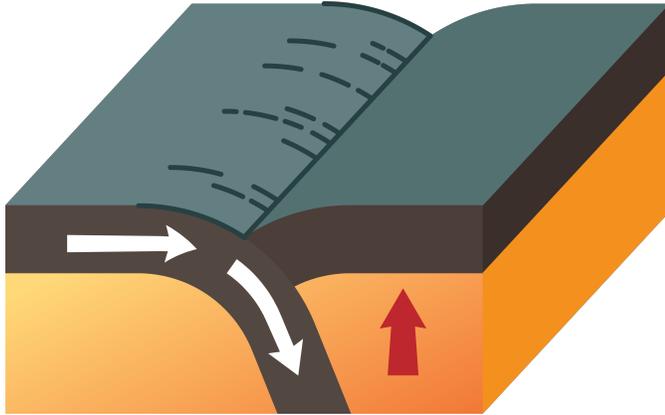
- **Housing:** MF in particular
- **State Taxes:** Mitigate anticipated higher Federal Taxes
- **Retail: Order online “& Deliver to me”**  
Groceries, Home Improvement, Sporting Goods, Health & Beauty shifting to **“Leisure & Travel” now vaccinated?**
- **Hotel:** Boom Leisure (not-so-much Bus.)
- **Earnings:** Away from Tech & “Stay-at-Home” economy.

## LATERAL SHIFT



- **Remote Work:** Population and Workforce migration (Urban to suburban and Secondary MSAs)
- **CRE Credit Metrics:** Hotel and Retail as most distressed could shift in a vaccinated economy as Leisure Travel rises and Retail reopens.
- **Capital Flows into CRE:** Watch Korea for more and ask: **Why are Banks doing loan sales Vs Workouts?**

# CONVERGENCE: What pressures lie beneath the surface?



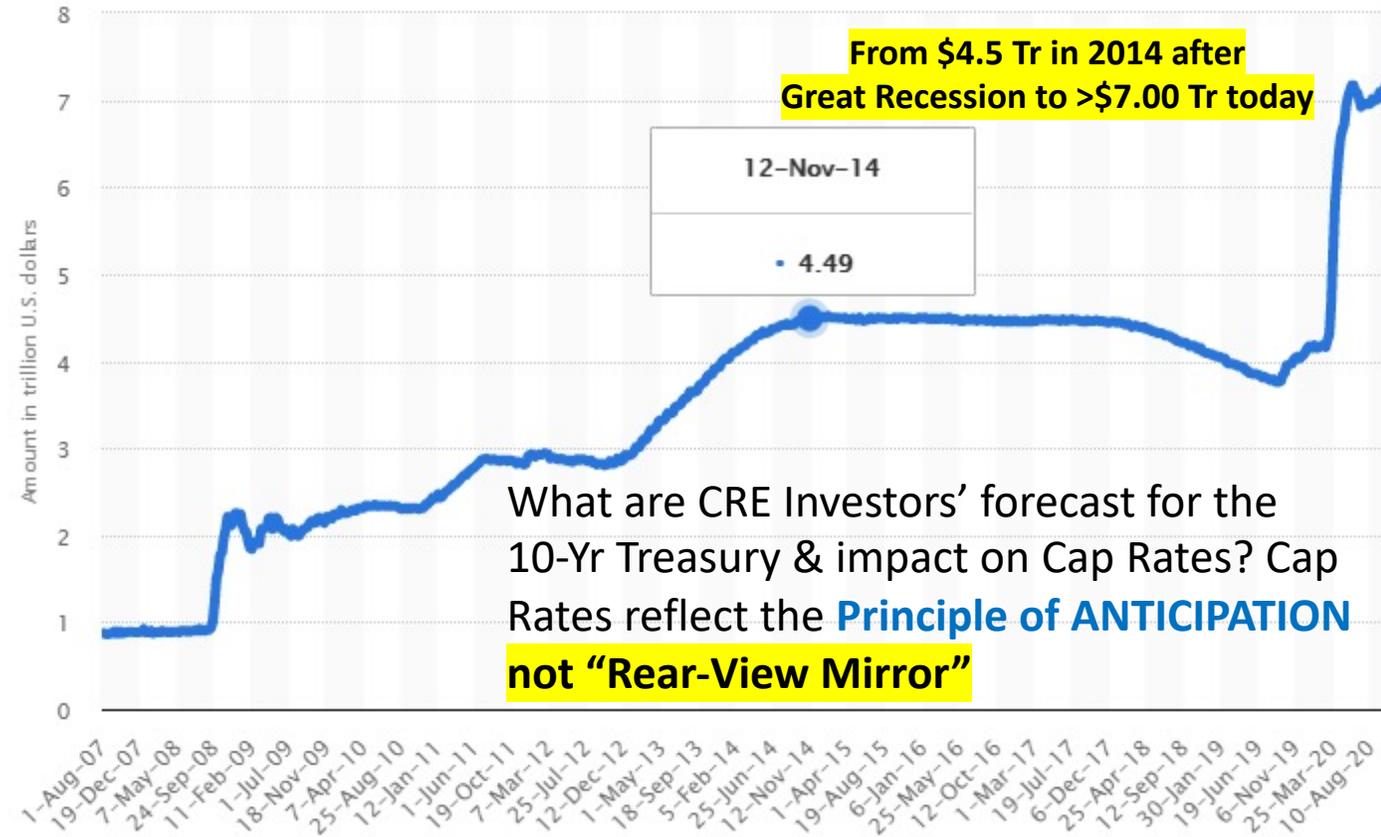
## ▪ The FED & Monetary Policy

Underneath the surface are tools beyond interest rates, such as, Asset Purchases to mitigate rise of 10-Yr Tr., Bank ALLL and **IOER** to accelerate or slow lending, etc..  
**Inflation is out of the bottle!**

There is a correlation to what is occurring with price of Bitcoin (>\$60k/coin to \$30k May 19) and value of the U.S. Dollar. And despite Fed Chair Powell's statement on 60 Minutes Apr 11<sup>th</sup>, **it's not that American like or dislike cash!** **What's the CRE impact?**

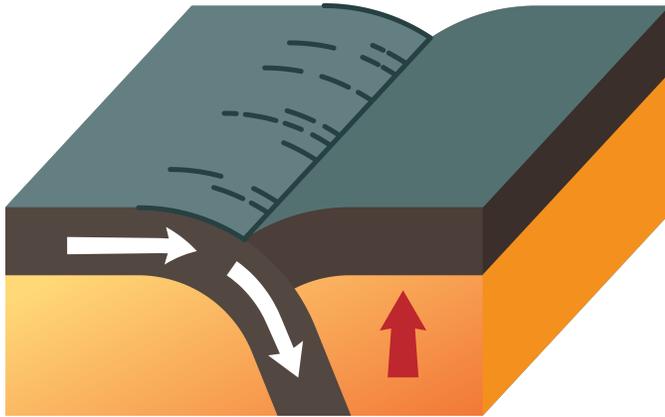
FED Balance Sheet from <\$1.0 Tr Spring 2008 to \$4.5Tr Fall 2014 to \$7.5 Tr Spring 2021.

Bernanke Apr '21 says it will never go back below \$5.0Tr.



<https://www.statista.com/statistics/1121448/fed-balance-sheet-timeline/>

# CONVERGENCE: FED Balance Sheet pressures!



## FEDERAL RESERVE statistical release

Release Date:  
Thursday, April 22, 2021

Millions of dollars Reserve Bank credit, related items, and reserve balances of depository institutions at Federal Reserve Banks	Averages of daily figures			Wednesday Apr 21, 2021
	Week ended Apr 21, 2021	Change from week ended		
		Apr 14, 2021	Apr 22, 2020	
Reserve Bank credit	7,761,821	+ 69,504	+1,310,612	7,781,505
Securities held outright <sup>1</sup>	7,232,329	+ 66,462	+1,780,557	7,249,642
U.S. Treasury securities	4,991,390	+ 21,745	+1,127,833	5,000,306
Bills <sup>2</sup>	326,044	0	0	326,044
Notes and bonds, nominal <sup>2</sup>	4,289,055	+ 29,353	+1,017,482	4,297,074
Notes and bonds, inflation-indexed <sup>2</sup>	329,530	- 7,285	+ 98,338	330,215
Inflation compensation <sup>3</sup>	46,761	- 323	+ 12,012	46,973
Federal agency debt securities <sup>2</sup>	2,347	0	0	2,347
Mortgage-backed securities <sup>4</sup>	2,238,592	+ 44,717	+ 652,724	2,246,989
Unamortized premiums on securities held outright <sup>5</sup>	351,442	+ 180	+ 80,429	351,274
Unamortized discounts on securities held outright <sup>5</sup>	-11,113	- 1,218	- 4,670	-11,267
Repurchase agreements <sup>6</sup>	0	0	- 171,508	0
Foreign official	0	0	- 1	0
Others	0	0	- 171,507	0
Loans	67,006	+ 3,002	- 51,835	69,296
Primary credit	869	+ 161	- 34,084	1,084
Secondary credit	0	0	0	0
Seasonal credit	0	0	0	0
Primary Dealer Credit Facility	4	- 21	- 31,262	0
Money Market Mutual Fund Liquidity Facility	0	0	- 49,646	0
Paycheck Protection Program Liquidity Facility	66,134	+ 2,862	+ 63,157	68,212
Other credit extensions	0	0	0	0
Net portfolio holdings of Commercial Paper Funding Facility II LLC <sup>7</sup>	8,556	0	+ 6,040	8,556
Net portfolio holdings of Corporate Credit Facilities LLC <sup>7</sup>	25,961	+ 21	+ 25,961	25,975
Net portfolio holdings of MS Facilities LLC (Main Street Lending Program) <sup>7</sup>	30,887	- 76	+ 30,887	30,892
Net portfolio holdings of Municipal Liquidity Facility LLC <sup>7</sup>	11,416	+ 2	+ 11,416	11,418
Net portfolio holdings of TALF II LLC <sup>7</sup>	5,283	0	+ 5,283	5,283
Float	-94	+ 140	+ 110	-101
Central bank liquidity swaps <sup>8</sup>	673	- 122	- 405,599	673
Other Federal Reserve assets <sup>9</sup>	39,474	+ 1,112	+ 3,539	39,863
Foreign currency denominated assets <sup>10</sup>	21,580	+ 163	+ 1,122	21,644
Gold stock	11,041	0	0	11,041
Special drawing rights certificate account	5,200	0	0	5,200
Treasury currency outstanding <sup>11</sup>	50,630	+ 14	+ 434	50,630
<b>Total factors supplying reserve funds</b>	<b>7,850,272</b>	<b>+ 69,681</b>	<b>+1,312,169</b>	<b>7,870,020</b>

Note: Components may not sum to totals because of rounding. Footnotes appear at the end of the table.

← **\$4.3 Tr in Corp Notes & Bonds, like Berkshire**

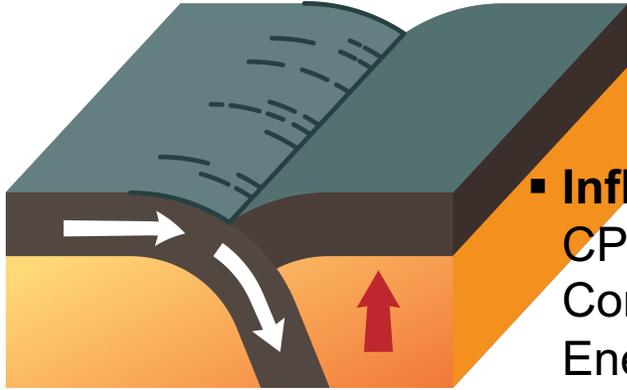
← **FED buying MBS prevented another Housing Crisis - From <\$700b to >2.2 Tr in 12 months**

← **Not much Gold or Crypto**

← **\$7.9 Tr**



# CONVERGENCE: What pressures for Inflation?



▪ **Inflation:** Look beyond CPI & PPI to Construction-nomics, Energy, Home Prices.

- Lumber: +265% ←
- West Texas Intermediate Crude: +210%
- Gasoline: +182% ←
- Brent Crude: +163%
- Heating oil: +107%
- Corn: +84%
- Copper: +83% ←
- Soybeans: +72%
- Silver: +65%
- Sugar: +59%
- Cotton: +54%

**Inflation Source:**  
 Bill Bonner, Editor, Bill Bonner's Diary – May 2021

Bill Bonner:  
**Yes, inflation is here.** It is showing up all over the place – in commodities, food, housing, and fuel.

## Inflation:

It's >4% for Food; >9% autos; >15% Housing & >6% for Building Materials

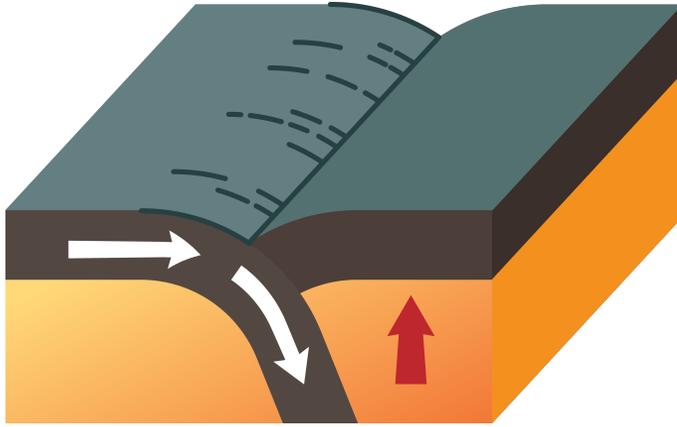
[https://www.enr.com/ext/resources/static\\_pages/Economics/2021/0412\\_CE\\_WK2.pdf?oly\\_enc\\_id=4591H9390467C1Y](https://www.enr.com/ext/resources/static_pages/Economics/2021/0412_CE_WK2.pdf?oly_enc_id=4591H9390467C1Y)

<b>Construction Cost Index</b>				<b>Building Cost Index</b>			
ANNUAL INFLATION RATE				ANNUAL INFLATION RATE			
<b>+3.8%</b>				<b>+6.1%</b>			
<b>APR. 2021</b>				<b>APR. 2021</b>			
1913=100	INDEX VALUE	MONTH	YEAR	1913=100	INDEX VALUE	MONTH	YEAR
CONSTRUCTION COST	11849.31	+0.8%	+3.8%	BUILDING COST	6612.50	+1.0%	+6.1%
COMMON LABOR	24253.88	+0.4%	+1.4%	SKILLED LABOR	10805.01	0.0%	+1.7%
WAGE \$/HR.	46.59	+0.4%	+1.4%	WAGE \$/HR.	59.73	0.0%	+1.7%

## ENR's Cost Indexes by City

1913=100 1967=100 R=REVISED	CONSTRUCTION COST		BUILDING COST	
	APR '21: 1913	% CHG. YEAR	APR '21: 1913	% CHG. YEAR
<b>ATLANTA</b>	7038.96	+4.4	4959.08	+7.8
<b>BALTIMORE</b>	9708.25	+6.5	6030.69	+12.4
<b>BIRMINGHAM</b>	7674.41	+2.5	4901.32	+4.3
<b>BOSTON</b>	15924.08	+7.8	8400.12	+6.1

# CONVERGENCE: What pressures in Supply-Chain?

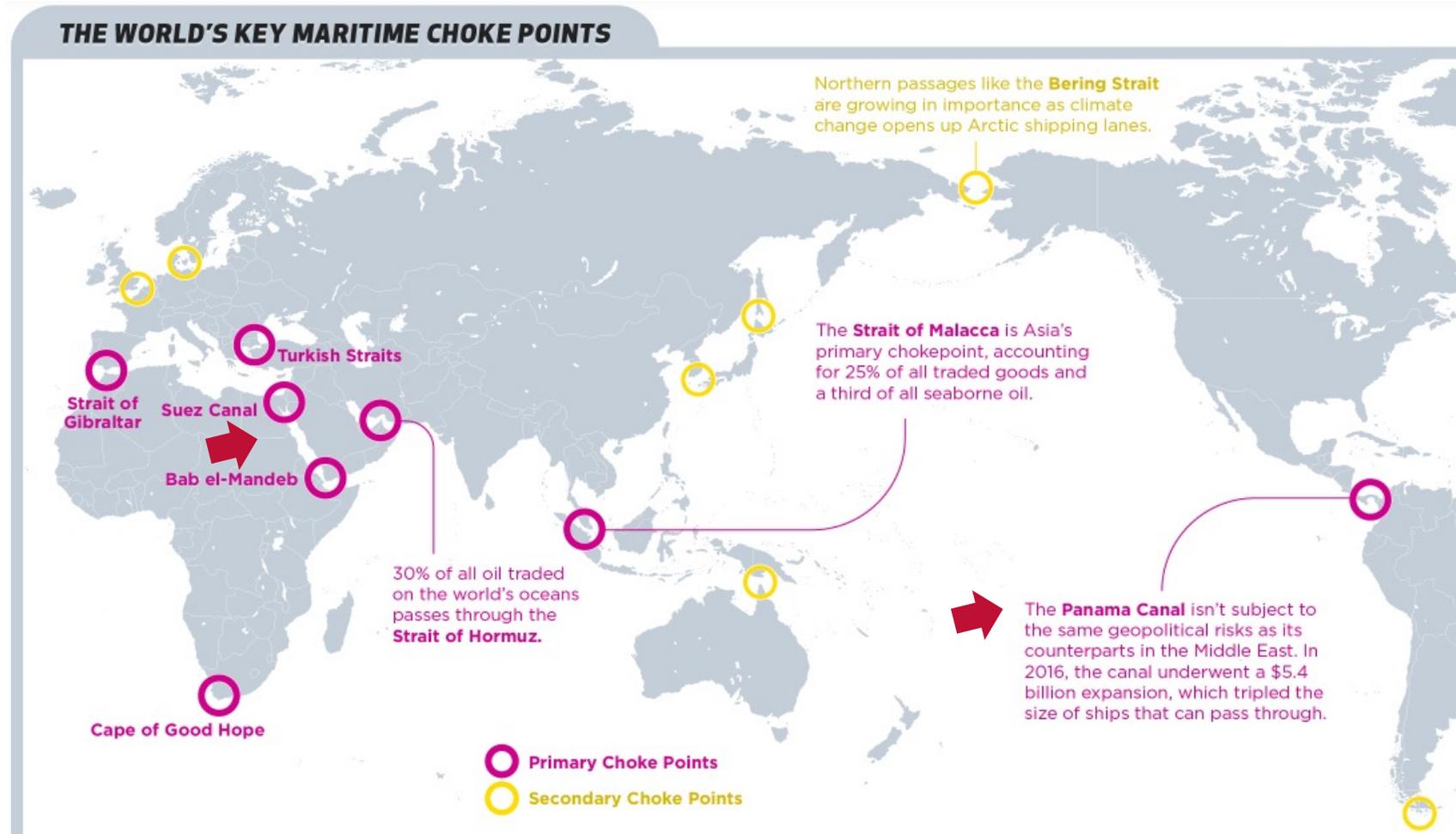


## Supply-Chain: Choke Points

### RISKS TO GLOBAL TRADE CHOKES

	Panama Canal	Suez Canal
Temperature extremes	Low Risk (Grey)	Low Risk (Grey)
Flood and drought	High Risk (Pink)	Low Risk (Grey)
Storms	Low Risk (Grey)	High Risk (Pink)
Haze and fog	Medium Risk (Yellow)	Medium Risk (Yellow)

● High Risk   
 ● Medium Risk   
 ● Low Risk



<https://www.visualcapitalist.com/mapping-the-worlds-key-maritime-choke-points/>



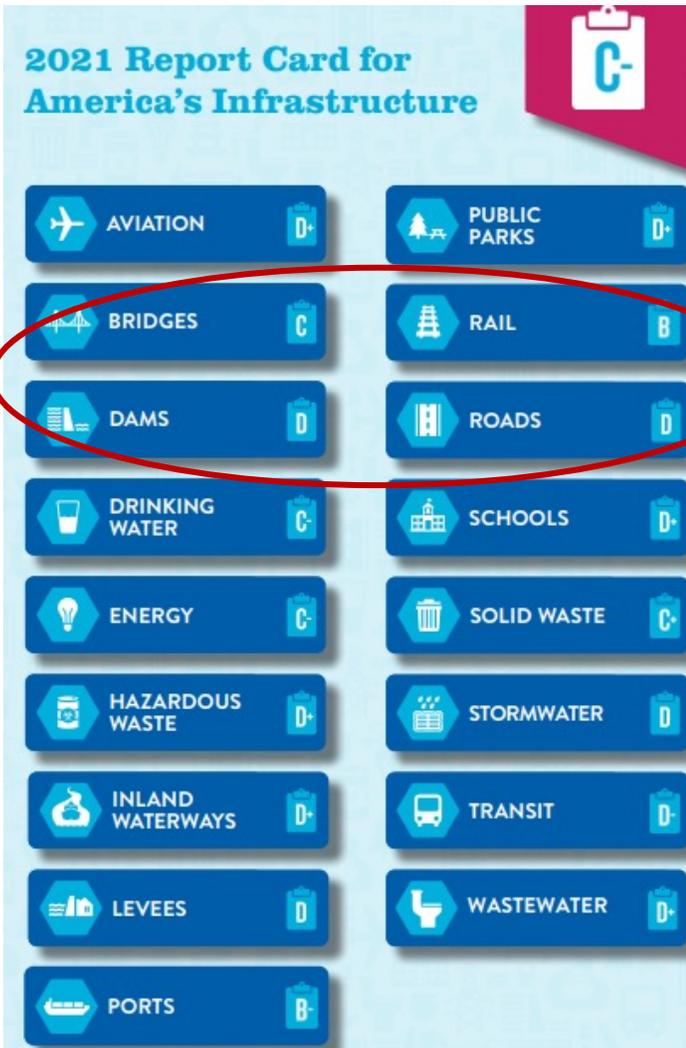
# Condition of Logistics Infrastructure: ASCE every 4-Year Report Card

For more than 20 years, the American Society of Civil Engineers (ASCE) has been releasing its quadrennial Report Card for America's Infrastructure.



For the first time in 20 years, our infrastructure GPA is a C-, up from a D+ in 2017. This is good news and an indication we're headed in the right direction, but a lot of work remains.

# Condition of Logistics Infrastructure: ASCE Vs. Biden Infrastructure Bill



## FACT SHEET: The American Jobs Plan

MARCH 31, 2021 • STATEMENTS AND RELEASES

<https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/>

The White House's fact sheet acknowledges that there are at least 173,000 miles of major U.S. highways and other heavily trafficked roads in disrepair, as well as an estimated 45,000 bridges in need of rebuilding. However, Biden proposed infrastructure spending bill would address a mere fraction of the current need – a mere 20,000 miles of roadways and only 10,000 bridges.

The Biden plan also intends to target roads and bridges in the nation's most populated states and MSAs, such as New York and California. Yet the ASCE report notes the need is great in states like Iowa (state with most bridges in need of repair), Missouri, and Louisiana. This proposed legislation will take many forms before it is voted upon in late summer or early fall 2021. For now, it is important for commercial real estate professionals to focus on the needs that are documented in the ASCE IRC report, and to recognize that the politics in this legislation are likely to dictate the amount that is directly allocated

<https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/>



# Last Mile Logistics: The Final and Most Expensive Link In the Supply Chain

Presented by

**KC Conway, CCIM, CRE, MAI**

CCIM Institute Chief Economist

[KC@RedShoeEconomics.com](mailto:KC@RedShoeEconomics.com)



# CONVERGENCE: Sam Zell just put his stamp on Logistics!



## Zell firm in \$3.4 billion deal for industrial property company

### Equity Commonwealth to Buy Industrial REIT Monmouth for \$3.4B

“The transaction provides Equity Commonwealth with **a high-quality, net-leased industrial business with stable cash flows**, says Chairman Sam Zell. By [Erika Morphy](#) | May 05, 2021

“Monmouth’s portfolio consists of 120 properties totaling 24.5 million square feet. In addition, Monmouth has 6 properties totaling 1.8 million square feet under contract and leased to investment grade tenants. Closings for these acquisitions are expected in 2021 and 2022.

The transaction is expected to close during the second half of 2021.”

**And all but 5 of the 120 Properties are in what KC Conway defined as the “Golden Triangle” back a decade ago. (KC is a Director on MNR Board).**

**The Golden Triangle:** Industrial and e-commerce investment is clustering around a region I have long defined as the “Golden Triangle”. The term describes **a geographic region that extends from the pinnacle at the Great Lakes southwest to Texas and the Gulf Coast to form one side and southeast through Tennessee, Alabama, Georgia, the Carolinas and Florida on the other.** This region is “golden” in large part because it encompasses five of the seven Class I railroads, more ports than any other two regions of the U.S. and 70 percent of the American population. In other words, the “Golden Triangle” is the epicenter of logistics infrastructure and where the dominant e-commerce, package delivery and retail companies are locating their “order online and deliver to me” warehouses.

In fact, the Golden Triangle now surpasses the West Coast market in virtually every metric, such as new construction, transaction activity, and pricing. So, it is no surprise that the Golden Triangle is increasingly on the radar for institutional investors.

# Convergence: Fort Bend Industrial – Monitor the New Supply



## Industrial Highlights

The Fort Bend/Sugar Land industrial submarket contains 33.4M SF of industrial space and currently has 5.6M SF of available space. The submarket recorded 331,999 SF of positive net absorption during Q1 2021, down from the 441,660 SF recorded in Q4 2020. Vacancy decreased from 8.7% to 7.9% over the quarter, and the average asking NNN rental rate for all property types rose from \$8.34 per SF to \$8.50 per SF. Bulk distribution represents 33% of the existing inventory and the average rental rate is \$6.55 per SF.

There are 21 buildings with 3,596,000 SF of industrial space under construction and an additional 3.9M SF of proposed development. Approximately 2.4M SF of the inventory under construction is bulk distribution. The largest building under construction is a 1.1M-SF Amazon fulfillment center located in the Fort Bend Business Park.

Amazon announces it plans to open its first fulfillment center in Missouri City, Texas, the second Amazon location in Fort Bend County. The new fulfillment center, which is anticipated to launch in 2021, will create over 500 new full-time jobs with industry-leading pay and comprehensive benefits starting on day one.

<https://fortbendcounty.com/projects-and-success/project-wins>

**BUT ... Be thoughtful with any incentives for Amazon.** They are coming to Fort Bend regardless of incentives as a lot of packages come to FB and they need to have fulfillment centers here!

## As Amazon Gobbles Up Warehouse Space, NYC's Suburbs Keep Giving It Tax Breaks (BizNow May 12, 2021 by Miriam Hall)

Multiple tax incentive deals for suburban e-commerce facilities in New York in recent months are raising questions as to how much taxes local counties should forgo in order to lure the warehouses to their jurisdictions.

Local officials argue the tax breaks are a small price to pay to lure well-capitalized employers that will make use of dead space. But critics claim companies like Amazon, run by the world's wealthiest man, **don't need tax breaks to develop warehouses they would likely build anyway.**

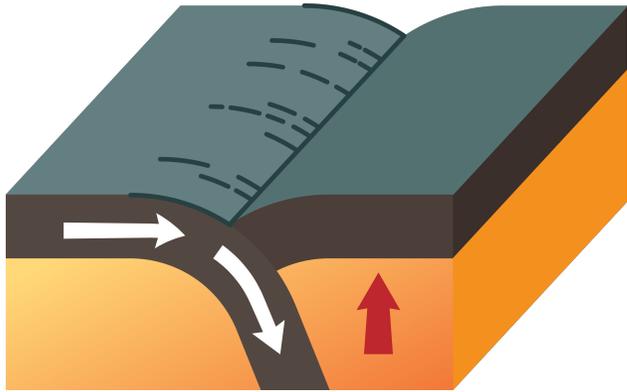
KC Conway, the chief economist for the CCIM Institute who specializes in industrial real estate, adaptive reuse and property tax, is urging local officials to tread carefully, and not undersell their assets.

“Amazon has huge datasets where they know where the packages are going. They know the density and the proximity to key infrastructure elements,” he said. “They're coming regardless of the incentive.”

He added that often Amazon and other manufacturing or logistics companies don't deliver on what they say they will do, “I would encourage more of these local governments to be thinking carefully about what Amazon's doing and how much more automated and robotic it's getting,” he said, noting the company's recent opening of a robotics-powered center in [Stone Mountain, Georgia](#).

<https://www.biznow.com/new-york/news/economic-development/amazon-suburban-warehouse-incentives-108868>

# CONVERGENCE: Logistics, Supply-Chain and Ports!



## Ports Gulf & East Coast Vs West

**Port Freeport and Mobile are the two ports to watch** to surpass Ports of SC and GA and dominate the Gulf-coast. **Port Freeport is becoming to Dallas what Port of Savannah became to Atlanta.**

**KSU & Canadian Rail merger is huge as well. CN is a win for TX while CP is win for AL.**



- Port Freeport is staying on solid financial ground. The port continues to garner excellent ratings. **Moody's Investor Service has maintained an Aa2 rating for Port Freeport while Standard & Poor's raised the port's rating from "A" to "A+".** 2020 was the port's busiest year yet.
- Activity in the Freeport Harbor Channel is bustling.** The Freeport Harbor Channel saw more sailings in 2020 than ever before as roll-on roll-off (ro-ro) cargo and LPG and LNG exports grew. Port Freeport saw 1,136 vessel calls during calendar year 2020, up 10.29% over CY 2019.
- It's a Go** - In February 2020, the U.S. Army Corps of Engineers (USACE) announced \$19 million in funding was included for the Freeport Harbor Channel Improvement Project in the USACE FY 2020 Work Plan. On June 25, 2020, a Project Partnership Agreement (PPA) was signed between Port Freeport and the USACE, officially moving the project into the construction phase

<https://www.portfreeport.com/about/annual-report>

**KSU merger: Kansas City Star May 13, 2021**

In a turnaround, Kansas City Southern board accepts Canadian National's buyout offer



# PORT FREEPORT

## Key Facts

### *The Freeport Harbor Channel*

*The Freeport Harbor Channel is a 7.5-mile deep-draft waterway that serves private and public facilities including the Strategic Petroleum Reserve.*

### *Vessel Activity*

*In 2020, the Freeport Harbor Channel received 1,136 vessel calls, up 10.29% over 2019, transporting approximately 25.1 million tons annually.*

### *Rankings*

*Port Freeport currently ranks 6<sup>th</sup> in chemicals, 17<sup>th</sup> in total foreign waterborne tonnage, and 26<sup>th</sup> in containers among all U.S. ports.*

### *Cargo*

*In addition to crude oil, natural gas liquids and chemicals, a variety of cargo is moved through Port Freeport including fresh fruit, steel products, bulk aggregate, rice, breakbulk, vehicles, and heavy machinery.*

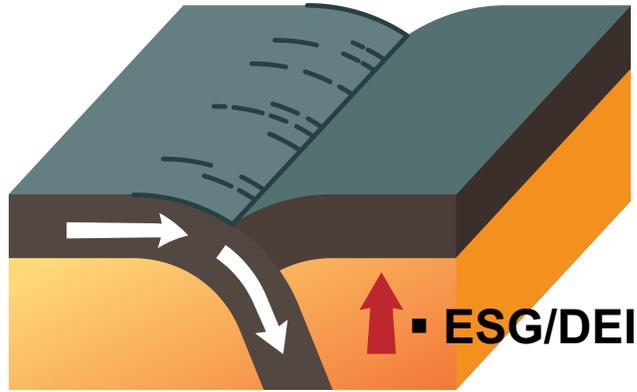
**Think 1-2 million TEUs  
Vs 100k 3-5 years out.**

Container Traffic Statistics<sup>®</sup>  
Twenty-Foot Equivalent Units (T.E.U.)  
for the Fiscal Years Ended September 30, 2011 through 2020

Fiscal Year	Inbound T.E.U.	Outbound T.E.U.	Total	Percent Growth/(Reduction) From Prior Year
2011	33,416	33,894	67,310	(6.67)
2012	35,052	35,528	70,580	4.86
2013	50,140	50,676	100,816	42.83
2014	48,733	49,317	98,050	(2.74)
2015	48,456	50,448	98,904	0.87
2016	49,595	50,971	100,566	1.68
2017	48,878	51,065	99,943	(0.62)
2018	43,886	43,992	87,878	(12.07)
2019	55,809	55,793	111,602	26.99
2020	56,515	55,876	112,391	0.71

**These rankings will skyrocket over the next 5 years along with Port of Mobile to rival those of Charleston SC today.**

# CONVERGENCE: What pressures for ESG/DEI?



**KBRA** KROLL BOND RATING AGENCY **PRESS RELEASE**

**KBRA Assigns Ratings to Hertz Vehicle Interim Financing LLC, Series 2020-1**

NEW YORK (November 25, 2020) – Kroll Bond Rating Agency (KBRA) assigns ratings to the two classes of notes issued by Hertz Vehicle Interim Financing LLC, Series 2020-1 (“HVIF 2020-1”), a delayed draw rental car ABS transaction.

Rated Notes					
Class	Maximum Aggregate Balance	Interest Rate*	Legal Final Maturity Date	Required Credit Enhancement (%)	KBRA Rating
Class A	\$3,500,000,000	3.00%	Nov 25, 2022	30.00%	A (sf)
Class B	\$500,000,000	3.75% + Supplemental Interest	Nov 25, 2022	20.00%	BB (sf)
<b>Total</b>	<b>\$4,000,000,000</b>				

\*Prior to Rapid Amortization the Class B interest rate is 9.00%

**ESG Considerations**

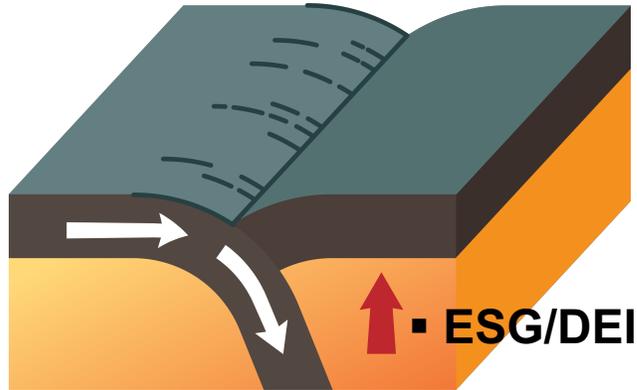
KBRA ratings incorporate relevant credit factors, including those that relate to Environmental Social Governance (ESG). Credit-relevant social and environmental factors related to transactions of this type include vehicle fuel efficiency and demographic trends that could impact the value of used vehicles and residual values of the collateral. Governance factors consider the transaction’s structural features such as adherence to representations and warranties, compliance with transfer standards, segregation and application of cashflows, and bankruptcy remoteness.



**ESG will become a CRE Value consideration just like it is now becoming in Debt Ratings!**



# CONVERGENCE: What pressures for ESG/DEI?



In case you missed this on CNBC April 14<sup>th</sup> ...

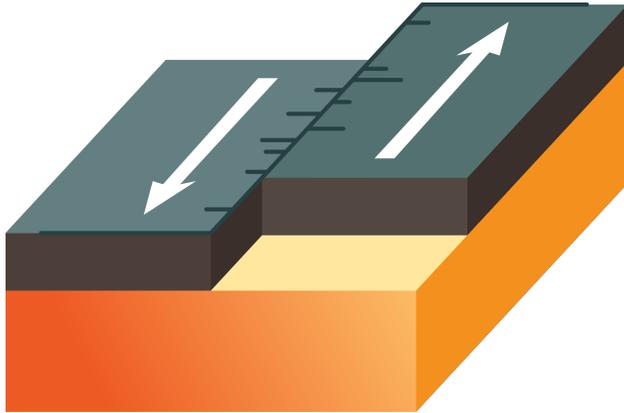
If anyone still thinks CRE is going to be unaffected by ESG or now DEI (Diversity, Equity and Inclusion), guess again. **It's more than Climate Change. It's more than having a woman or person of color on your Board.** Reflect on Corp Am. Response to GA new election legislation

**And just like the assigned ESG scores by the likes of ISS and Glass Lewis, this "Diversity, Equity and Inclusion" equity index on Corp America isn't always about getting the score or context right.**

If you don't know what's going on re ESG and DEI movement and become proactive in how your company is perceived, **your reality will be that you are not Diverse or Inclusive regardless of all the good you do in your Company & Community.**



# LATERAL SHIFT: Side-by-Side Transformation



**Remote Work:** Population and workforce migration (from urban to suburban and secondary MSAs)

**CRE Credit Metrics:** Hotel and retail as most distressed could shift in a vaccinated economy as leisure & travel rises and retail reopens

**Capital Flows into CRE:** Watch Korea for more and ask, **Why are banks doing loan sales vs. workouts?**

**Housing – Hottest MF MSAs include Littlerock AR**

## Remote Work: Salesforce to Let Its Employees Go Mostly Remote.

Salesforce, San Francisco's largest private employer, will allow a large portion of its workforce to work remotely several days a week and seek to shrink its real estate footprint.

“We’re not going back to the way things were,” Salesforce Chief People Officer Brent Hyder said in an interview with *The Wall Street Journal*. “I don’t believe that we’ll keep every space in every city that we’re in, including San Francisco.”

The new policy will apply to most of Salesforce's 54,000 worldwide employees — including more than 9,000 in San Francisco

## Top Country Sources of Capital Into the US in 2020



RCA US Cross-Border Investment Compendium, February 2021 edition



rcanalytics.com

REAL CAPITAL ANALYTICS

# LATERAL SHIFT: Office – Are we Returning to Work? **Sublet is a key metric**

## Office Sublease Continues to Rise

November 12, 2020

<https://view.usa.colliers.com/?qs=966a632e96b0d0f8e9800a1f1b4feeeea7fc525b662d562df57b43a3a555e2601b69ae7507c3043bba773f2dab5bb0bfd9784719fab04f926293d4db6a54290bddd16ae8858651d2>



TOP 10 OFFICE MARKETS | SUBLEASE DATA: Q3 2020

Market	Market Inventory (SF)	Class A Sublease CBD Rent Discount	Available Sublease (SF)	Sublease Avail. Rate (%)
Atlanta	225,837,422	24.4%	4,403,826	1.9%
Boston	220,716,735	14.3%	6,180,446	2.8%
Chicago	312,299,861	25.7%	8,044,889	2.6%
Dallas *	299,401,159	11.3%	8,565,953	2.9%
Houston	229,305,284	49.5%	5,695,339	2.5%
Los Angeles *	314,453,500	17.2%	9,879,816	3.1%
Manhattan	516,932,775	25.4%	15,036,450	2.9%
San Francisco	95,603,023	11.3%	7,440,182	7.8%
San Jose/Silicon Valley	107,178,603	26.6%	3,208,307	3.0%
Seattle	147,247,270	35.9%	5,041,545	3.4%
Washington DC	435,875,107	31.8%	8,056,152	1.8%

\* Leading, rather than CBD, markets used for Dallas (Uptown) and LA (West LA).

Source: Colliers International

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

Office fundamentals have softened rapidly in this cycle. Vacancies have moved quickly as sublease space has hit the market fast and furiously. Already 44.2 million SF of sublease space has appeared in the past six months, with a national average of 2.2% availability for multitenant office, per CoStar. Major markets are facing a disproportionate share of this space

Class A CBD **sublease discounts vary from 10%-15% in Dallas (11.3%) and Boston (14.3%), to 32% in Washington, D.C., to 50% in Houston.** Manhattan sublease space is 25.4% below direct rents. **With limited deal activity and still-high rates of remote work in many markets across the country, sublease space is expected to continue to increase in the quarters ahead.**



# LATERAL SHIFT: Office – Sugar Land metrics not trending post-Covid direction yet



## Key Takeaways

- Office vacancy increases, but so does leasing activity
- Medical Office vacancy increases and average rents drop
- Industrial vacancy drops and average rents increase
- Retail vacancy falls and net absorption increases



## Office Highlights

The E Fort Bend office submarket contains 5.8M SF of office space. The submarket posted 69,629 SF of negative net absorption in Q1 2021, down from the 17,898 SF of negative net absorption recorded in Q4. The average vacancy rate increased from 14.5% to 15.7% over the quarter. The average quoted rental rate decreased from \$22.14 to \$21.90 per SF, and leasing activity increased over the quarter by 22%. There are currently no buildings under construction in the submarket.

# Office CRE: The Other Metric



# Kastle Back to Work Barometer

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

### KASTLE BACK TO WORK BAROMETER

Weekly Occupancy Report from Kastle Access Control System Data

2.8.21

#### BAROMETER THIS WEEK

23.8%  
10 CITY AVERAGE  
OCCUPANCY



	Wed 1/27	Wed 2/3	% Change
Philadelphia metro	26.4%	23.6%	2.8% ▼
San Jose metro	14.2%	15.4%	1.2% ▲
New York metro	14.4%	13.3%	1.1% ▼
Austin metro	34.8%	34.0%	0.8% ▼
San Francisco metro	11.7%	12.5%	0.8% ▲
Washington D.C. metro	21.7%	21.0%	0.7% ▼
Dallas metro	37.3%	36.8%	0.5% ▼
Chicago metro	18.6%	19.1%	0.5% ▲
<b>Average of 10</b>	<b>24.2%</b>	<b>23.8%</b>	<b>0.3% ▼</b>
Houston metro	34.7%	34.9%	0.1% ▲
Los Angeles metro	27.8%	27.8%	0.0% ▲

<https://www.kastle.com/city-by-city-views-of-americas-office-use/>

### KASTLE BACK TO WORK BAROMETER

Weekly Occupancy Report from Kastle Access Control System Data

5.3.21

#### BAROMETER THIS WEEK

26.5%  
10 CITY AVERAGE  
OCCUPANCY



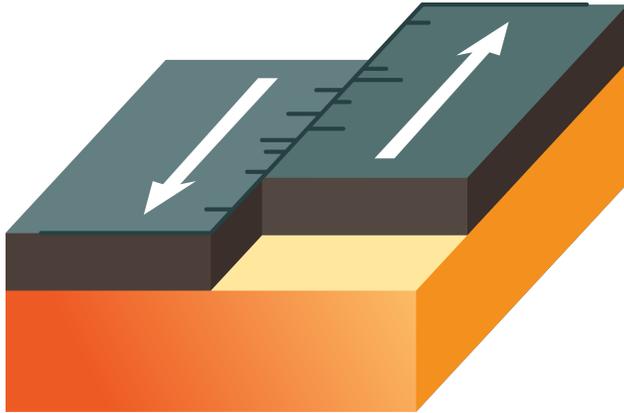
	Wed 4/21	Wed 4/28	% Change
Austin metro	38.8%	40.2%	1.4% ▲
San Jose metro	17.4%	18.0%	0.6% ▲
San Francisco metro	14.2%	14.8%	0.6% ▲
<b>Average of 10</b>	<b>26.1%</b>	<b>26.5%</b>	<b>0.5% ▲</b>
Chicago metro	21.2%	21.6%	0.5% ▲
Houston metro	39.3%	39.7%	0.4% ▲
Philadelphia metro	26.6%	27.1%	0.4% ▲
New York metro	15.8%	16.2%	0.4% ▲
Washington D.C. metro	22.4%	22.8%	0.3% ▲
Los Angeles metro	23.6%	23.4%	0.2% ▼
Dallas metro	41.2%	41.2%	0.1% ▲

<https://www.kastle.com/safety-wellness/getting-america-back-to-work/#workplace-barometer>

Despite vaccinations, still only 1 in 4  
of us returning to the office!



# LATERAL SHIFT: CRE Credit Metrics – Hotel as Proxy for a Shift



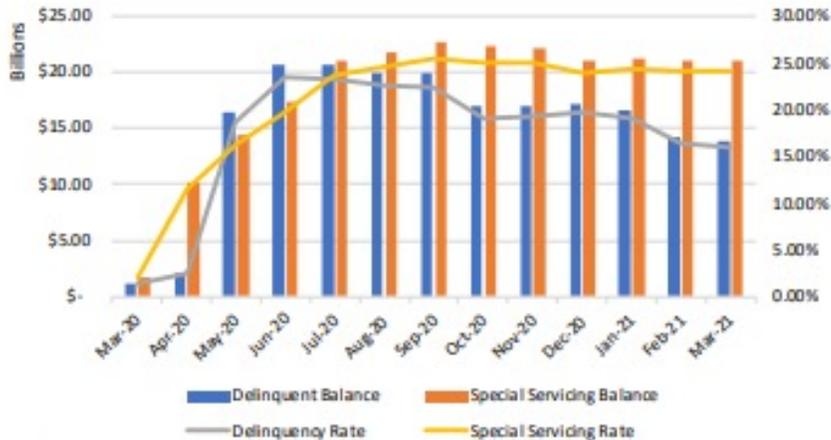
## CRE Credit Metrics

Hotel serves as a proxy for the shift underway.

Following the recent downward trend of the overall delinquency rate, the **lodging sector in February also posted its largest drop in the delinquency reading since October 2020, dropping 272 basis points to 16.38%**. The drop in the February rate was concentrated in the ‘other’ and full-service property subtypes, which saw declines of 705 and 169 basis back in November 2020.

This data from Trepp looks at the ten largest metropolitan statistical areas (MSAs) by delinquent balance. The list is largely unchanged apart from Philadelphia, which replaced Seattle as the MSA with the tenth-largest delinquent balance points. For March, the overall lodging rate fell even further, dropping 41 basis points to 15.95%.

**FIGURE 1: LODGING: DELINQUENCY AND SPECIAL SERVICING TRENDS (MARCH 2020 - PRESENT)**

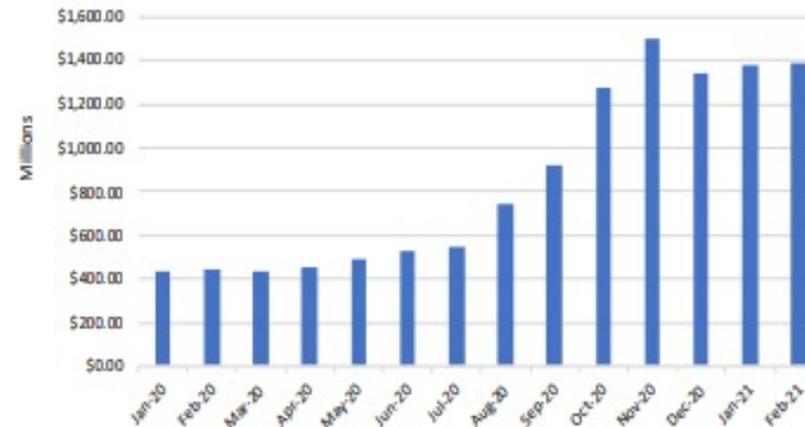


**Hotel Loan DQT and LTSS Are Both Flattening or Declining as Vaccination Rate Increases.**

Source: Trepp

## Appraisal Reduction Amounts Trending at Above \$1.2 Billion

**FIGURE 3: TOTAL ARA REDUCTIONS: 2020 - PRESENT**

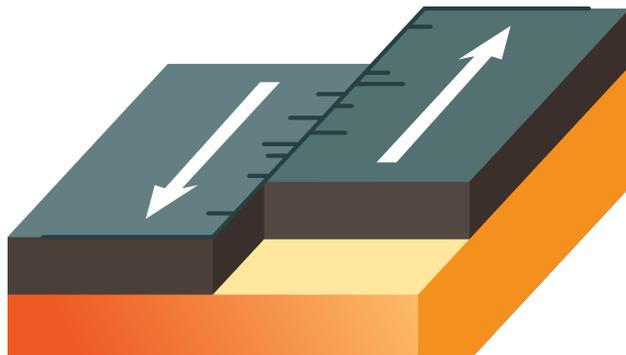


Source: Trepp

**Appraisal Reductions Are Still in a “Discovery Phase,” But Also Flattening.**



# LATERAL SHIFT: Housing – SF is move to Affordability; MF is too



## RENTCafé® Blog Only 1 TX Mid-Sized Hub made the list – El Paso The Hottest U.S. Rental Markets: Mid-sized Hubs Take the Lead in Competitiveness

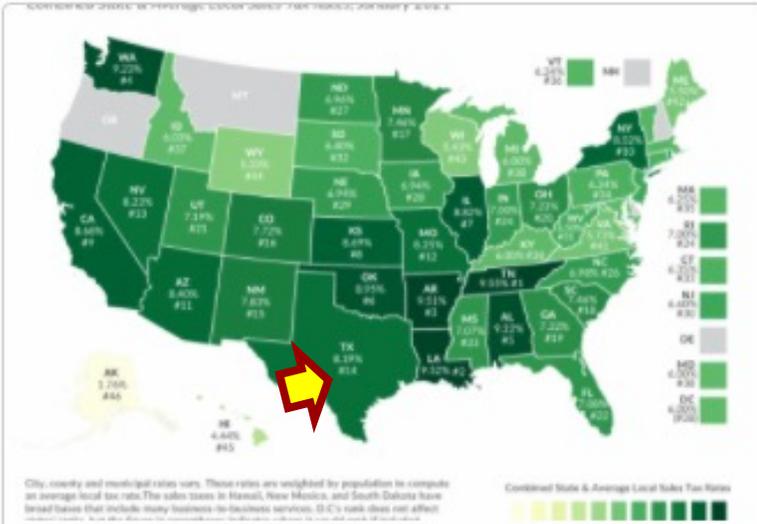
<https://www.rentcafe.com/blog/rental-market/market-snapshots/rentcafe-market-competitiveness-report-april-2021/>

**Top 30 Hottest Rental Markets**  
Q1 2021

Rank	Market	Competitive Score	Average Vacancy Days	Occupied Apartments	Prospective Renters	Rent Trend Score
1	Central Valley	5.5	30	98%	25	78
2	Spokane	10	31	97%	32	77
3	Boise	12.25	30	97%	31	76
4	Sacramento	13	31	97%	24	77
5	Inland Empire	13.75	28	98%	32	74
6	Eugene	14.5	29	97%	23	75.33
7	Lehigh Valley	17.25	33	97%	32	76
8	Albuquerque	23.75	28	96%	17	73.33
9	Knoxville	24	29	97%	24	69
10	Eastern Virginia	24.75	31	96%	15	77.67
10	Huntsville	24.75	27	97%	12	77
11	Tacoma	25	31	97%	19	70.67
12	Colorado Springs	26.75	31	96%	17	74.67

12	Portland ME	26.75	36	98%	36	71
13	Harrisburg	29	40	96%	18	78
14	El Paso	29.5	34	96%	13	78
15	Tucson	30	31	96%	14	75.33
16	Tri-Cities	30.75	35	97%	18	71.33
17	Grand Rapids	31.25	37	96%	16	76
18	Providence	31.5	36	97%	19	70.33
18	Macon	31.5	26	95%	15	75.33
19	Little Rock	34	21	96%	11	74.67
20	Pensacola	35.25	26	96%	16	65.33
21	Central Coast	38.5	32	97%	16	50.33
21	Reno	38.5	35	97%	18	61.67
22	Phoenix	39.5	33	96%	19	61.67
23	Jacksonville	40.25	32	96%	15	67.33
24	Tampa	40.5	33	96%	18	61.67
25	Memphis	40.75	34	95%	11	78

# DIVERGENCE: State & Local Gov. Fiscal Health – Composition of State Revenue



## State and Local Sales Tax Rates, 2021

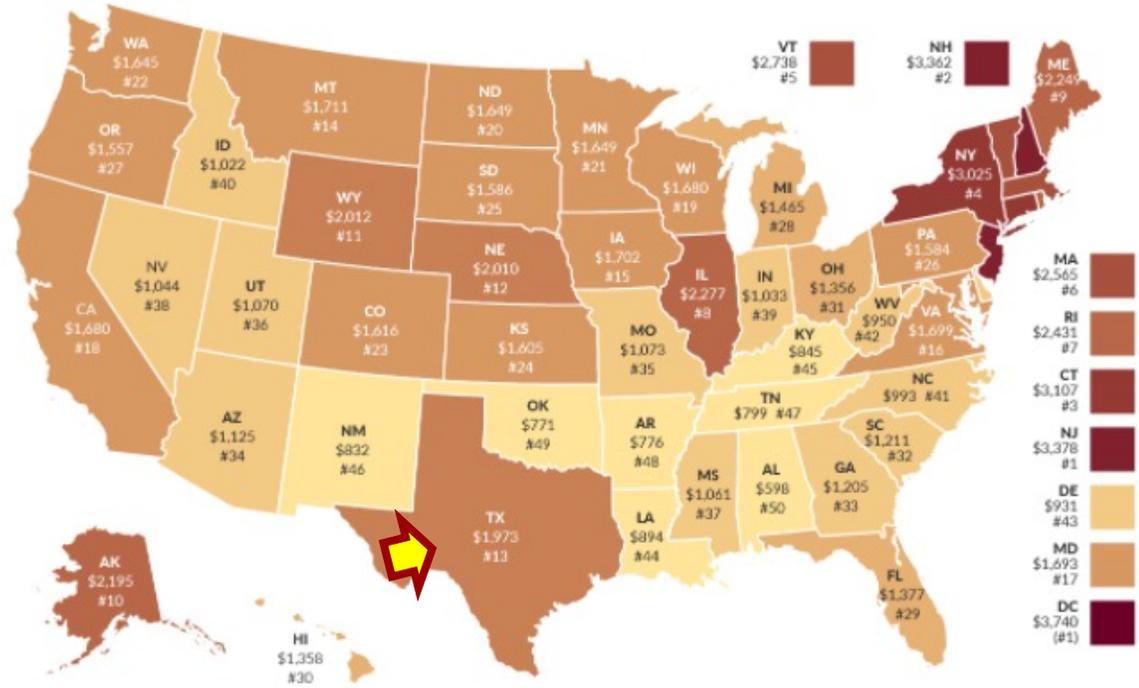
January 6, 2021

The five states with the highest average combined state and local sales tax rates are Tennessee (9.55 percent), Louisiana (9.52 percent), Arkansas (9.51 percent), Washington (9.23 percent), and Alabama (9.22 percent).

The five states with the lowest average combined rates are Alaska (1.76 percent), Hawaii (4.44 percent), Wyoming (5.33 percent), Wisconsin (5.43 percent), and Maine (5.50 percent).

## How Much Does Your State Collect in Property Taxes per Capita?

State & Local Property Tax Collections per Capita, Fiscal Year 2018



Note: D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.  
Sources: U.S. Census Bureau, "Annual Survey of State and Local Government Finances"; Tax Foundation calculations.

On average, state and local governments collected \$1,675 per capita in property taxes nationwide in FY 2018, but collections vary widely from state to state.

The highest state and local property tax collections per capita are found in the District of Columbia (\$3,740), followed by New Jersey (\$3,378), New Hampshire (\$3,362), Connecticut (\$3,107), New York (\$3,025), and Vermont (\$2,738).

The lowest collections per capita are found in Alabama (\$598), Oklahoma (\$771), Arkansas (\$776), Tennessee (\$799), and New Mexico (\$832).

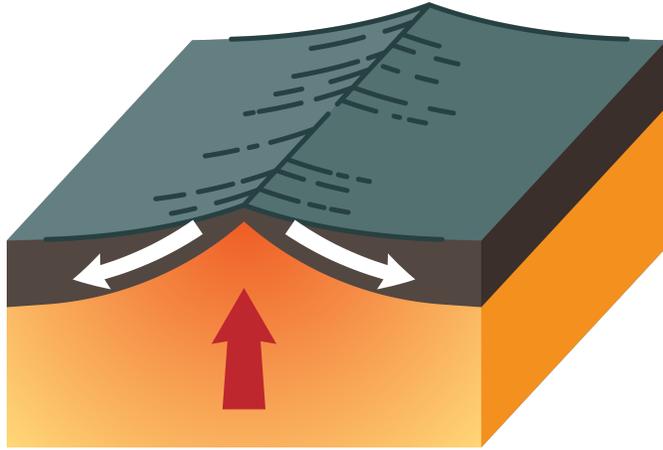
TAX FOUNDATION

@TaxFoundation

<https://taxfoundation.org/state-property-taxes-reliance-2021/>



# DIVERGENCE: Retail during Covid Vs. post-Vaccination?

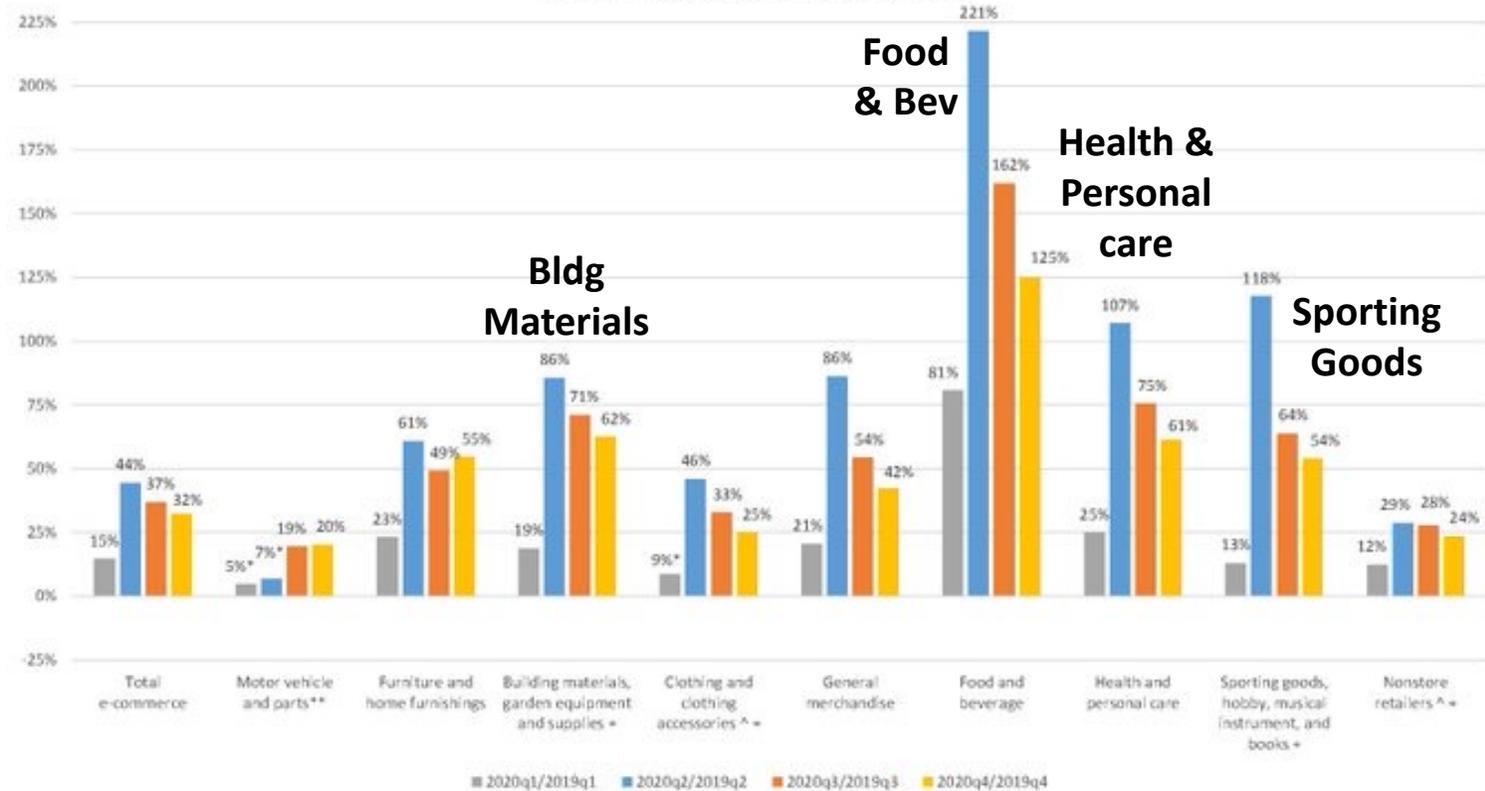


- ➔ **Retail: Order online “& Deliver to me”** Groceries, Home Improvement, Sporting Goods, Health & Beauty shifting to **“Leisure & Travel”** now vaccinated?

**Will we spend as much on F&B, H&PC, Home-Impr. & Sporting Goods post vaccination as during Covid in CY 2020?**

**Amazon vs Walmart Vs Alibaba models and growth?**

E-commerce year-to-year percent changes by industry  
(Based on not seasonally adjusted estimates)



\* - Year-to-year percent change estimate is not statistically different from zero at the 90% confidence level.  
 \*\* - Year-to-year percent change comparisons are not significantly different at the 90% confidence level.  
 ^ - Year-to-year percent change comparisons between 2020q2 and 2020q3 are not significantly different at the 90% confidence level.  
 + - Year-to-year percent change comparisons between 2020q3 and 2020q4 are not significantly different at the 90% confidence level.  
 Note: Comparisons of year-to-year percent changes across industries have not been tested for significance.



# DIVERGENCE: Fort Bend Retail – on a path to recovery, but don't add “Spec.”



## Retail Highlights

The Fort Bend retail submarket contains 15.8M SF of retail space and currently has 1.2M SF of available space. The submarket recorded 39,007 SF of positive net absorption in Q1 2021, and the vacancy rate dropped from 7.1% in Q4 2020 to 6.9% in Q1 2021. The average asking rental rate for this retail submarket decreased from \$23.78 per SF in Q4 2020 to \$22.90 per SF in Q1 2021. Four retail properties totaling 99,148 SF are currently under construction, and an additional 352,638 SF is proposed.

- **Net Retail Absorption is Positive** (+39k in Q1 2021)
- **Vacancy is trending down** (6.9% in Q1 2021 vs >7% Q4 2020)
- **BUT ...**
- **Rents are NOT yet increasing.** “Fill up before Price Up”

# Adaptive Reuse: “Changing of the Guard”

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

Before



Adaptive Reuse:  
Turning Blight into Bright

3Q18 Commercial Real Estate  
Insights Report

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

<https://www.cim.com/insights/>

# Evolve Thinking for Mall AdRu

## Office in Malls? Universities in Malls (Emory/Northlake & 100 Oaks in N'ville)



**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.

## Lost Nashville: Original Hundred Oaks Mall was a retail mecca with concerts, car shows and more

**Mike Organ** The Tennessean

Published 5:00 a.m. CT Oct. 29, 2019 | Updated 11:57 a.m. CT Nov. 18, 2019

[View Comments](#)



[Before the Mall AdRu](#)

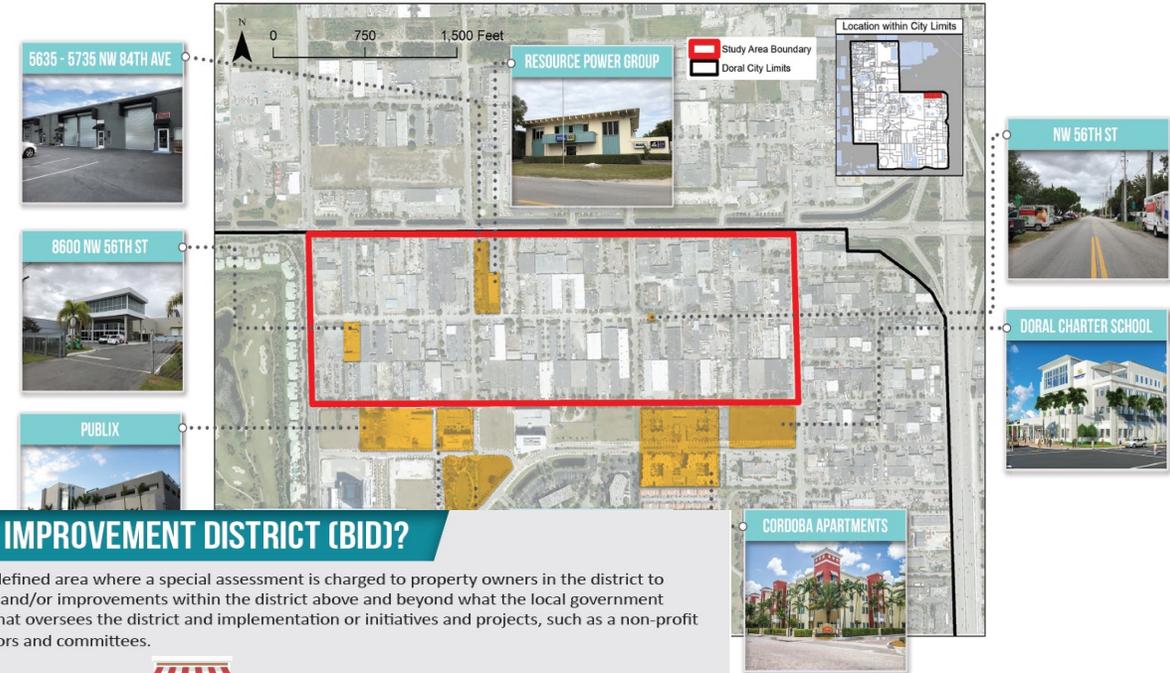


# Adaptive Reuse 2.0: Making Bright Brighter Again!

Highlighting South Florida as a shining example of Adaptive Reuse 2.0



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## WHAT IS A BUSINESS IMPROVEMENT DISTRICT (BID)?

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



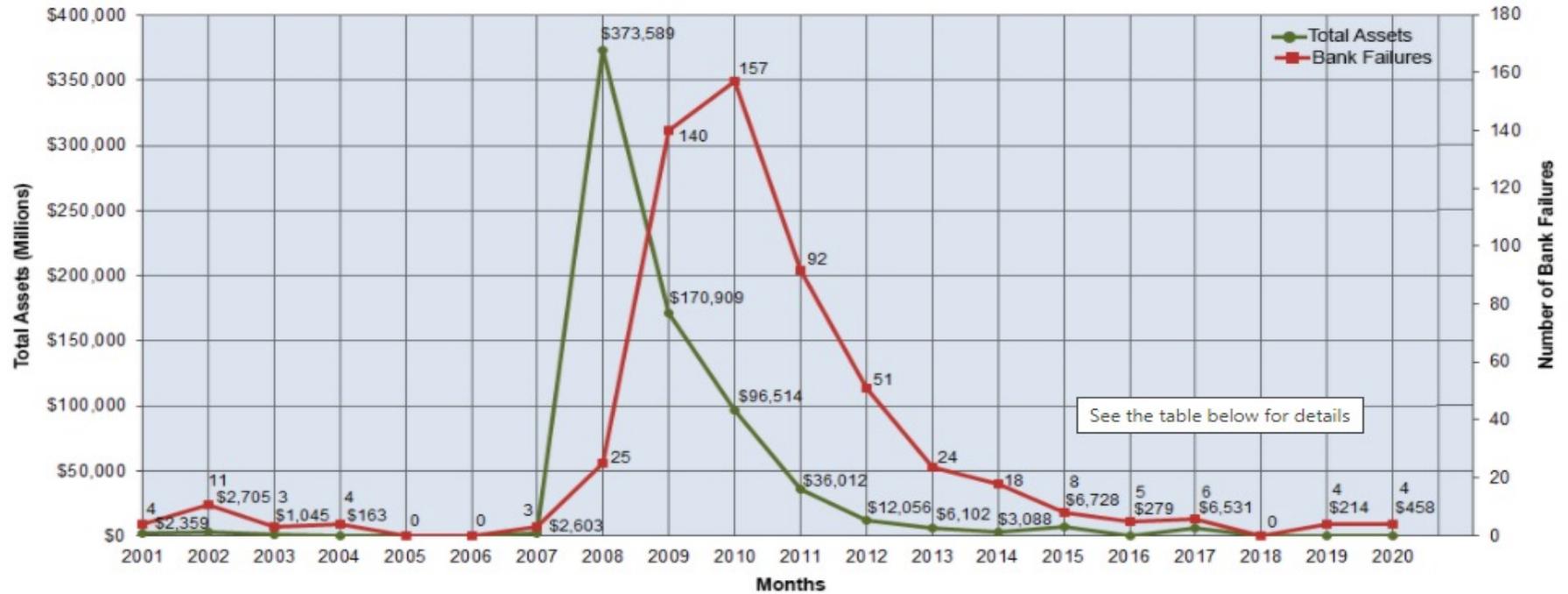
Figure E-4: Business Improvement District



# DIVERGENCE Bank Failures: They're back! Where is the Risk/Opportunity?

## Bank Failures in Brief – Summary 2001 through 2020

There were 561 bank failures from 2001 through 2020. Please select the year buttons below for more information.



Summary by Year  
(Approximate asset dollar volume based on figures from the press releases)

Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Bank Failures	4	11	3	4	0	0	3	25	140	157	92	51	24	18	8	5	8	0	4	4
Total Assets (Millions)	2,358.6	2,705.4	1,045.2	163.1	0	0	2,602.5	373,588.8	170,867.0	96,514.0	36,012.2	12,055.8	6,101.7	3,088.4	6,727.5	278.8	6,530.7	0	214.1	458.0

# Where are the Healthiest Banks & Credit Unions?

## Texas Ratio

Developed at RBC Capital Markets, the Texas Ratio is a relatively straightforward and effective way to determine the overall credit troubles experienced by financial institutions. **It is determined by comparing the total value of at risk loans to the total value of funds the bank has on hand to cover these loans. At risk loans are any loans that are more than 90 days past due and are not backed by the government.** The amount of funds on hand consists of the loan loss allowance that the bank has set aside plus any equity capital.

For example, a bank with \$65 million in at risk loans and \$72 million in cash on hand to cover those loans would have a **Texas Ratio of \$65mm / \$72mm, which is 90.3%. This figure is approaching the 100% threshold, which is considered very risky.** You can also look at the trend in this Texas Ratio as an additional factor to tell if the bank's financial health is heading in the right direction.

<https://www.depositaccounts.com/banks/health.aspx>

- A TX Ratio of 5% or below is considered healthy; above 10%-20% is concerning.

Show the **riskiest** banks in TX with assets of \$1 billion +

Bank or Credit Union	Headquarters	Texas Ratio	Assets
Beal Bank	Plano, TX	19.62%	\$1.75 billion
BTH Bank	Quitman, TX	16.56%	\$1.97 billion
American Momentum Bank	College Station, TX	13.74%	\$2.59 billion
Lone Star National Bank	Pharr, TX	12.51%	\$2.56 billion
TBK Bank	Dallas, TX	11.9%	\$5.92 billion
The Moody National Bank	Galveston, TX	10.21%	\$1.40 billion
NexBank	Dallas, TX	9.53%	\$9.15 billion
Citizens National Bank of Texas	Waxahachie, TX	8.08%	\$1.58 billion
Woodforest National Bank	The Woodlands, TX	7.83%	\$8.24 billion
Community National Bank (24897)	Midland, TX	7.25%	\$1.39 billion
American National Bank & Trust	Wichita Falls, TX	6.95%	\$1.08 billion
Third Coast Bank, SSB	Humble, TX	6.88%	\$1.86 billion
Veritex Community Bank	Dallas, TX	6.69%	\$8.82 billion

**Woodforest National Bank: Founded in 1980 in Houston, Texas, is a privately-owned bank now headquartered in The Woodlands, Texas. It operates well over 700 branch locations in several different states and offers both personal and business depository banking products.**



## A Red Shoe Economics Webinar Series

**Title:** Covid19 as a “Material Change” Impacting Banks, CRE Lenders, REITS, Investors, and Real Estate Assets

**Scope:** A 2021 Road Map for CRE Lenders on CRE Asset Impairment, ALLL, Reappraisals, Regulatory Compliance & Underwriting Covid19-era CRE loans.

The webinar series, in 3-parts over 1Q21 to 3Q21 identifies and confronts pertinent CRE impairment, valuation, ALLL, and regulatory compliance topics as they unfold. Other questions answered in the series include:

- **Will there be lasting NOI and valuation implications** for MF (rent forbearance), office (remote work), Leisure & Travel assets (hotels), and retail property (eCommerce)?
- **Are there forward-looking resources** to aid in measuring whether this “Material Change” will be temporary or systemic?
- **What do -and more importantly - should appraisals measure** during periods of “Material Change?”;
- **What are quarterly 10(q) earnings’ reports foretelling** about anticipated performance of CRE)? and
- **What are the most relevant sections in USPAP, IAG, and FILS** to aid banks and CRE lenders with value impairment and mark-to-market adjustments?



23  
MAR

### Red Shoe Economics 1Q21 Banking Briefing

Virtual Webinar 10:30am to Noon

**Q2 is June 22, 2021**

Join KC Conway, CCIM, CRE, MAI as he conveys the material presented at the March 1 FDIC/FFEIC bank briefing. In his very unique way, KC will present the most important topics of discussion for Regional Banks and Federal Credit Unions as they move into annual audits.

Email [info@redshoeeconomics.com](mailto:info@redshoeeconomics.com) for details and to register for this one-of-a-kind event.

<http://www.redshoeeconomics.com/news-events>

**Red Shoe Economics** is a private research firm exclusively supporting today's Commercial Real Estate industry in the areas of economics, forecasting, and consulting. **Our promise is to deliver unique views “eight days a week” connecting the dots** of all the daily market chatter to provide the most concise and up to date information for successful CRE investments and strategic outcomes. **RSE is a majority woman owned minority business.**



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*Principal, Business Strategist*

**Caylinn Peterson**  
*Research Analyst*

**Stacy Barrington**  
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