FORT BEND ECONOMIC DEVELOPMENT COUNCIL

THE ALLIANCE
Economic Development Alliance for Brazoria County

PORT FREEPORT

"What Happens When the FED Breaks the Economy?"

Thursday, May 18, 2023
Sugar Land, Fort Bend County, Texas

RED SHOE ECONOMICS

KC Conway, CCIM, CRE, MAI

Principal & Co-Founder of
Red Shoe Economics

KCMAICRE@gmail.com
KC@RedShoeEconomics.com

www.RedShoeEconomics.com

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Research Papers & Articles

Economic Updates & Presentations

2023
- CCIM St. Louis [April 2023]
- CCIM Mid-Year Governance Meetings

2022
- Economic Forecast & Commercial RE Outlook for 2023 [December 2022]
- FCL Builders Economic Update [October

Disclaimer: Not in the fine print…

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RedShoeEconomics.com

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US ECONOMY & MONETARY POLICY is "CRAYON -omics"

The FOMC, Congress & President have their own Crayon Strategy

and not one paints a pretty picture!

The FOMC
May, June, July Monetary Policy Outlook

A possible interpretation of the FOMC minutes from the March meeting:

*Each voting FOMC member **"may have" received a crayon** to draw upon:*

I. ***Inflation*** *(Was Jan or March data right?)*

II. ***Bank Failures*** *(SVB & Done, or 200+ more via TX Ratio)*

III. ***Commercial RE conditions***
(LTC / Capital Lock-up)

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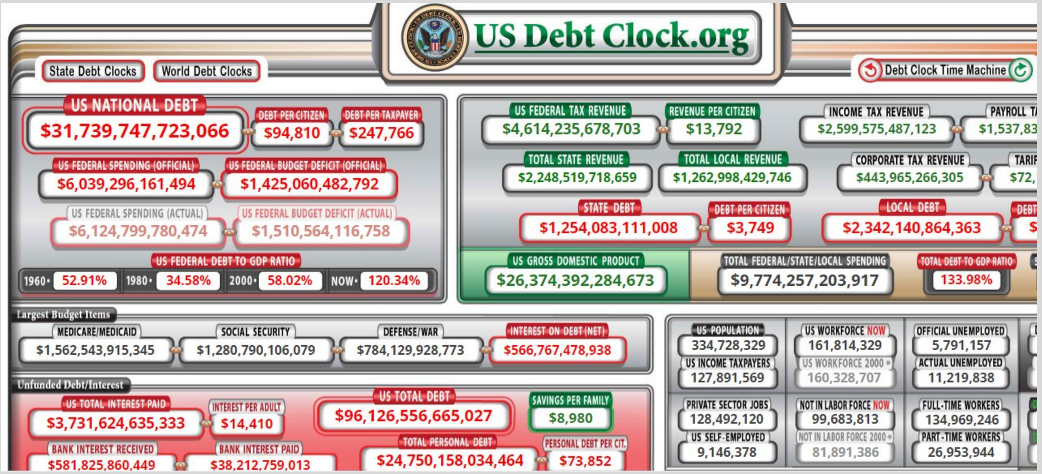
Bad Things Occur in 3's: Debt, Banking, & CRE Capital Crises

1-part 120% Debt to GDP
1-part TX Ratio Bank Failure Indicator
1-part CRE Capital Crisis

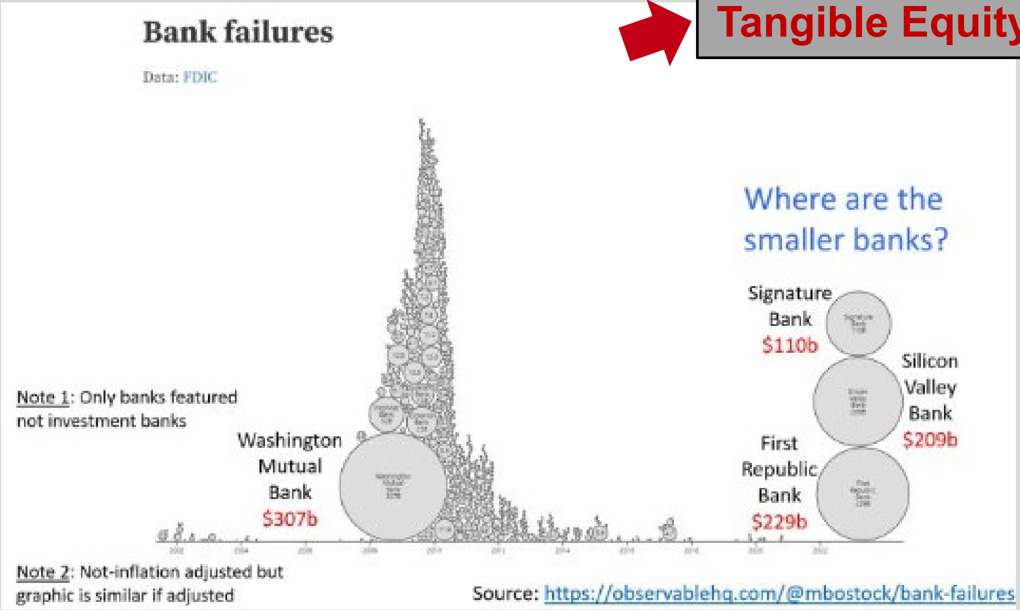


Debt Crisis:
- ➢ Debt to GDP: **120%**
- ➢ Debt to GDP 1980: **35%**
- ➢ Annual Interest on Debt **$570 Billion**

The Federal Reserve recently revealed **that 722 banks reported unrealized losses exceeding 50% of capital** in **the third quarter of 2022."**

And 30+ of those 722 banks **had "Negative Tangible Equity."**

Today's three are Congress, the Federal Reserve & the President!



[U.S. National Debt Clock : Real Time (usdebtclock.org)](https://usdebtclock.org)

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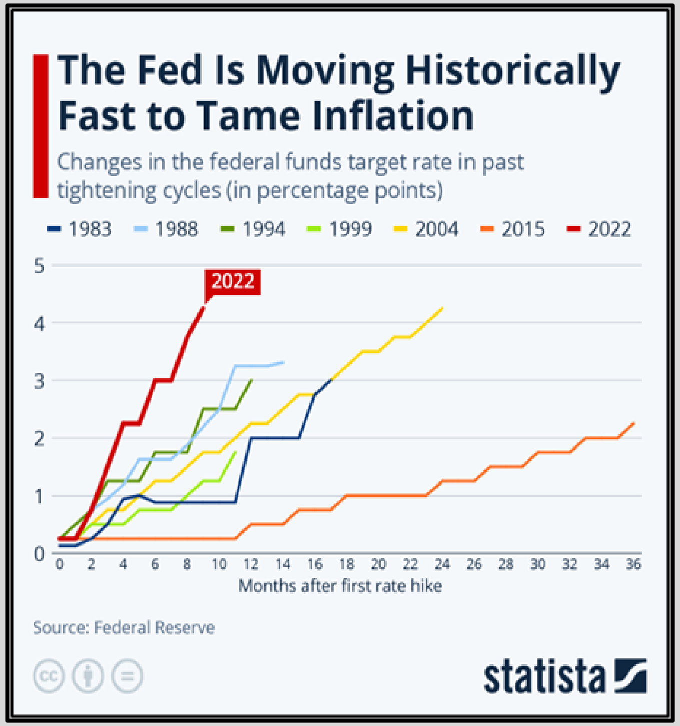
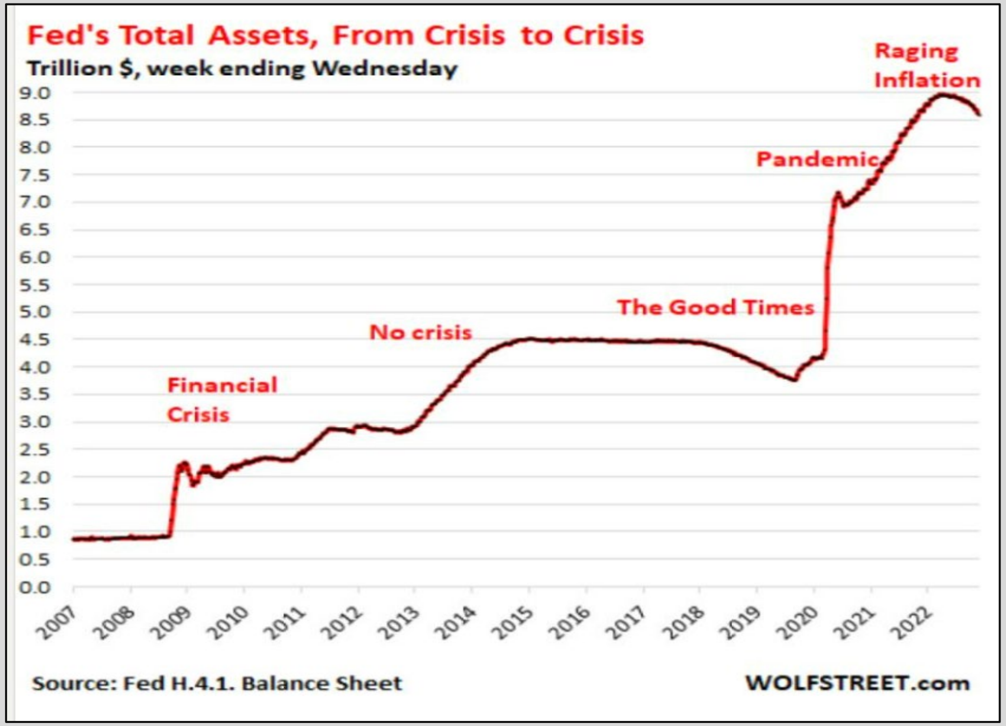
BAD #1: Inflation vs. Banking vs. Debt Ceiling Crisis = LTC, not LLL

(Forget Location X3 – THINK Location, Timing & Capital)





11. **What if the Bank runs out of money?**

Some players think the **Bank is bankrupt if it runs out of money**. The Bank never goes bankrupt.

The banker may issue "new" money on slips of ordinary paper.

History of the United States debt ceiling

Depending on who is doing the research, the **US has raised its debt ceiling (in some form or other) at least 90 times in the 20th century.**

The debt ceiling was raised 74 times from March 1962 to May 2011, including **18 times under Ronald Reagan, eight times under Bill Clinton, seven times under George W. Bush, and five times under Barack Obama.**

In practice, the debt ceiling has never been reduced, even though the public debt itself may have reduced.

Table of historical debt ceiling levels[31]

Date	Debt Ceiling (billions of dollars)	Change in Debt Ceiling (billions of dollars)
June 25, 1940	49[32]	
February 19, 1941	65	+16
March 28, 1942	125	+60
April 11, 1943	210	+85
June 9, 1944	260	+50
April 3, 1945	300	+40
June 26, 1946	275	−25

Debt Ceiling usage came into annual practice with WW II.
Note in 1946 the Debt Ceiling was DECREASED after end of WW II.

Debt Ceiling **SUSPENDED** twice since 2017 – and then back to record increases.

March 15, 2017	19,847 (de facto)	+1,734
September 30, 2017	Suspended	[n 2]
March 1, 2019	22,030 (de facto)	+2,183
August 2, 2019	Suspended	[n 3]
July 31, 2021	28,500 (de facto)	+6,470
October 14, 2021	28,900	+480
December 16, 2021	31,400	+2,500

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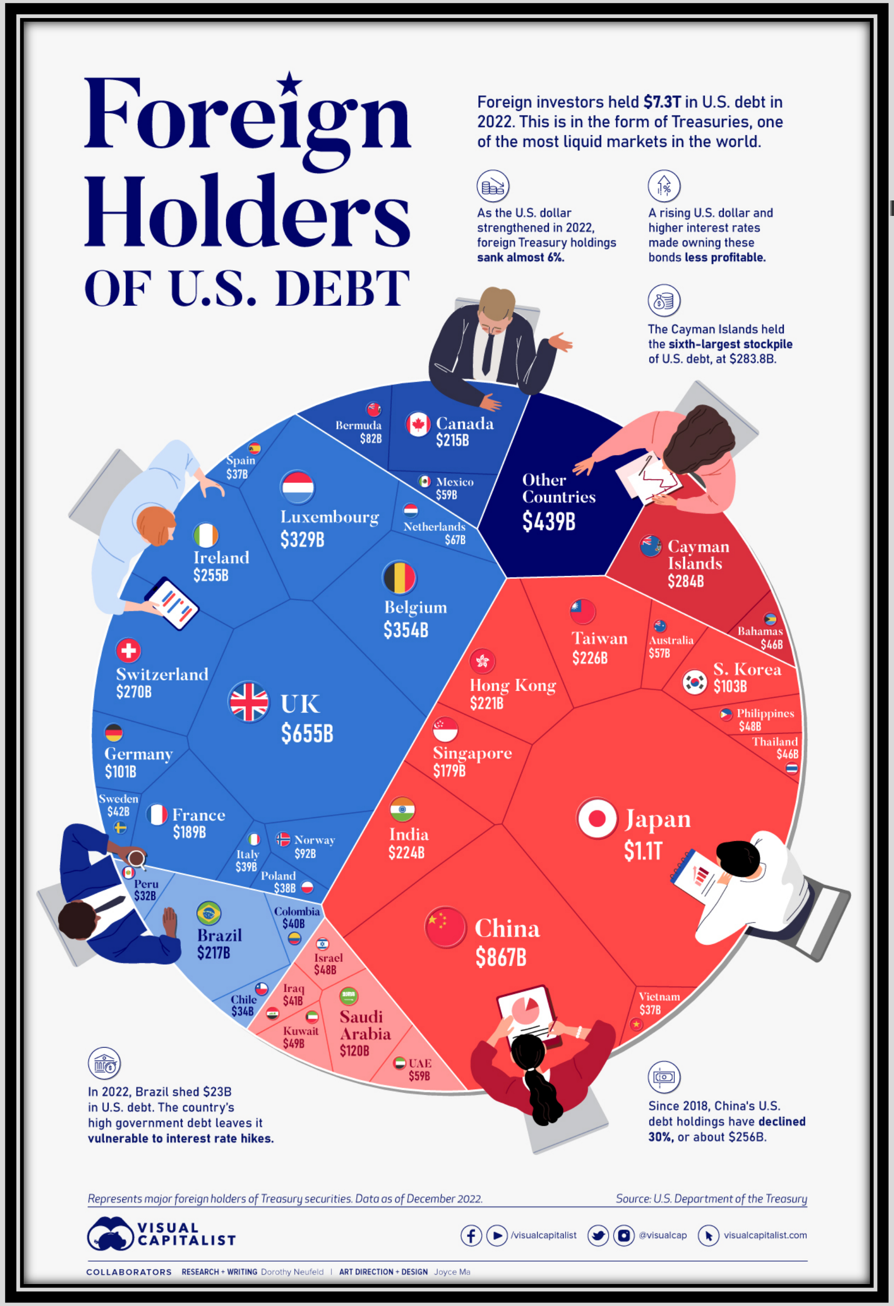
Which Countries Hold the Most U.S. Debt? (2022)

Of the $7.3T, Japan & UK hold 2x China's US Treasury Holdings



Here are the countries that hold the most U.S. debt:

Rank	Country	U.S. Treasury Holdings	Share of Total
1	Japan	$1,076B	14.7%
2	China	$867B	11.9%
3	United Kingdom	$655B	8.9%
4	Belgium	$354B	4.8%
5	Luxembourg	$329B	4.5%
6	Cayman Islands	$284B	3.9%
7	Switzerland	$270B	3.7%
8	Ireland	$255B	3.5%
9	Taiwan	$226B	3.1%
10	India	$224B	3.1%

[Which Countries Hold the Most U.S. Debt? (visualcapitalist.com)](https://www.visualcapitalist.com)

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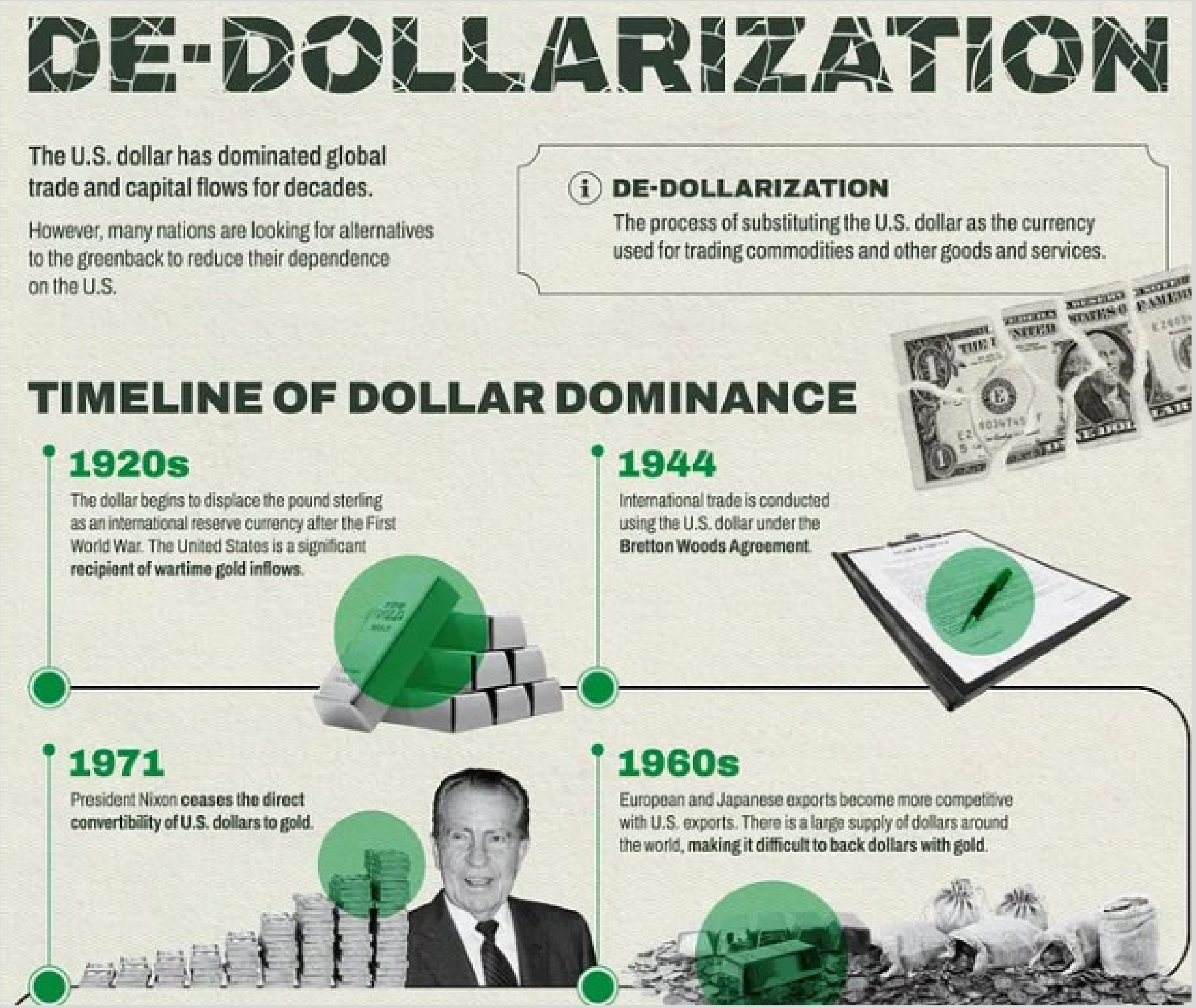

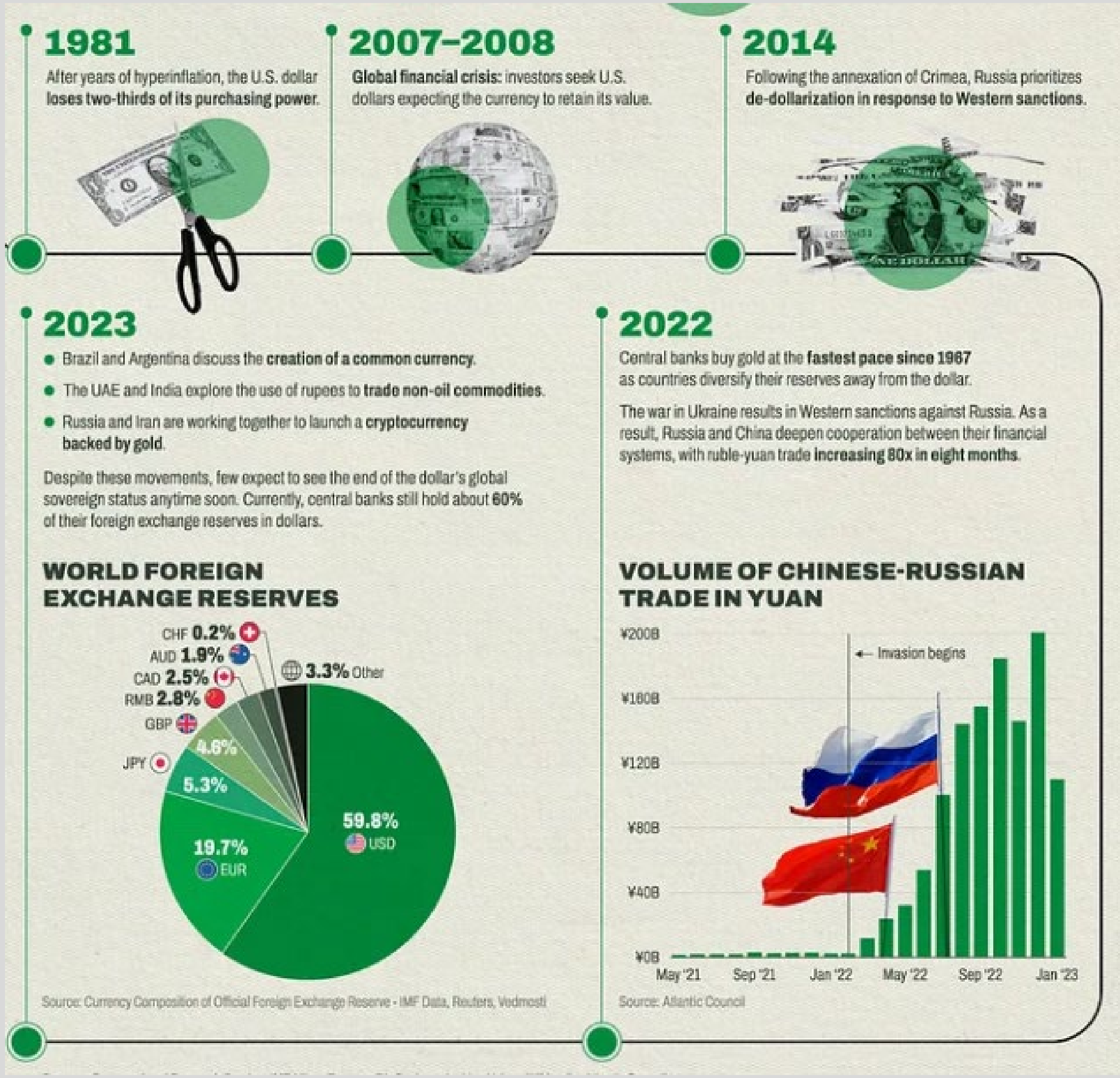

[The End Of The US Dollar | What You Must Know | Change Becomes You (medium.com)](medium.com)

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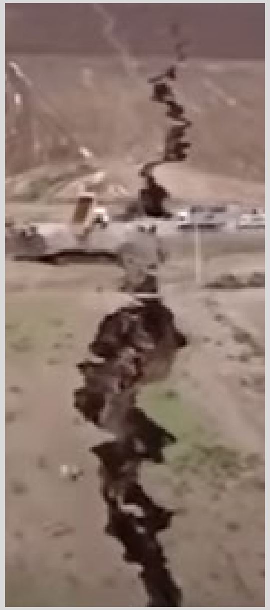
BRICS Challenging US Dollar as Reserve Currency!

De-Dollarization! Brazil, Russia, India, China, South Africa

(The African Continent is Splitting…)

BRICS aiming for financial independence.
Rousseff, who served as Brazil's president from 2011 until her impeachment in 2016 and took over the NDB leadership in March 2023, is convinced that **utilizing local currencies is essential in reducing dependency on the US dollar.** The use of local currencies will help the BRICS countries avoid foreign exchange risks and financial shortages that may hamper long-term investments.

- **The New Development Bank (NDB), established by the BRICS group, is moving away from the US dollar in international trade.**
- NDB President Dilma Rousseff confirmed that the bank **plans to provide 30% of loans in the local currencies of its member nations.**
- The move **aims to reduce dependency on the US dollar and help BRICS countries avoid foreign exchange risks and financial shortages**.



It's Finally Happening: Africa Is Splitting Into Two Continents (thearchaeologist.org)

BRICS New Development Bank breaks away from US dollar – Cryptopolitan

24 Nations Align Against US Dollar As BRICS Looks to Launch New Global Currency - The Daily Hodl

States Defaulting on their Debt
will Impact CRE Values and Finance!

California, NY, Colorado & Connecticut

California Defaults on $18.6 Billion Debt, Now Businesses Have to Pay

California borrowed approximately $20 billion from the federal government to cover unemployment benefits during the pandemic, and with **Gov. Gavin Newsom's recent decision to not pay it back, employers are now saddled with the expense, according to experts**.

"The state should have taken care of the loans with the COVID money it received from the government in 2021".

Twenty-two states borrowed money for unemployment insurance from the federal government during the pandemic, with all but four—California, Colorado, Connecticut, and New York—paying back their debts.

California owes the most, by far, with approximately $18.6 billion outstanding as of May 2, followed by New York's $8 billion, Connecticut's $187 million, and Colorado's $77 million, according to US Treasury Department data.

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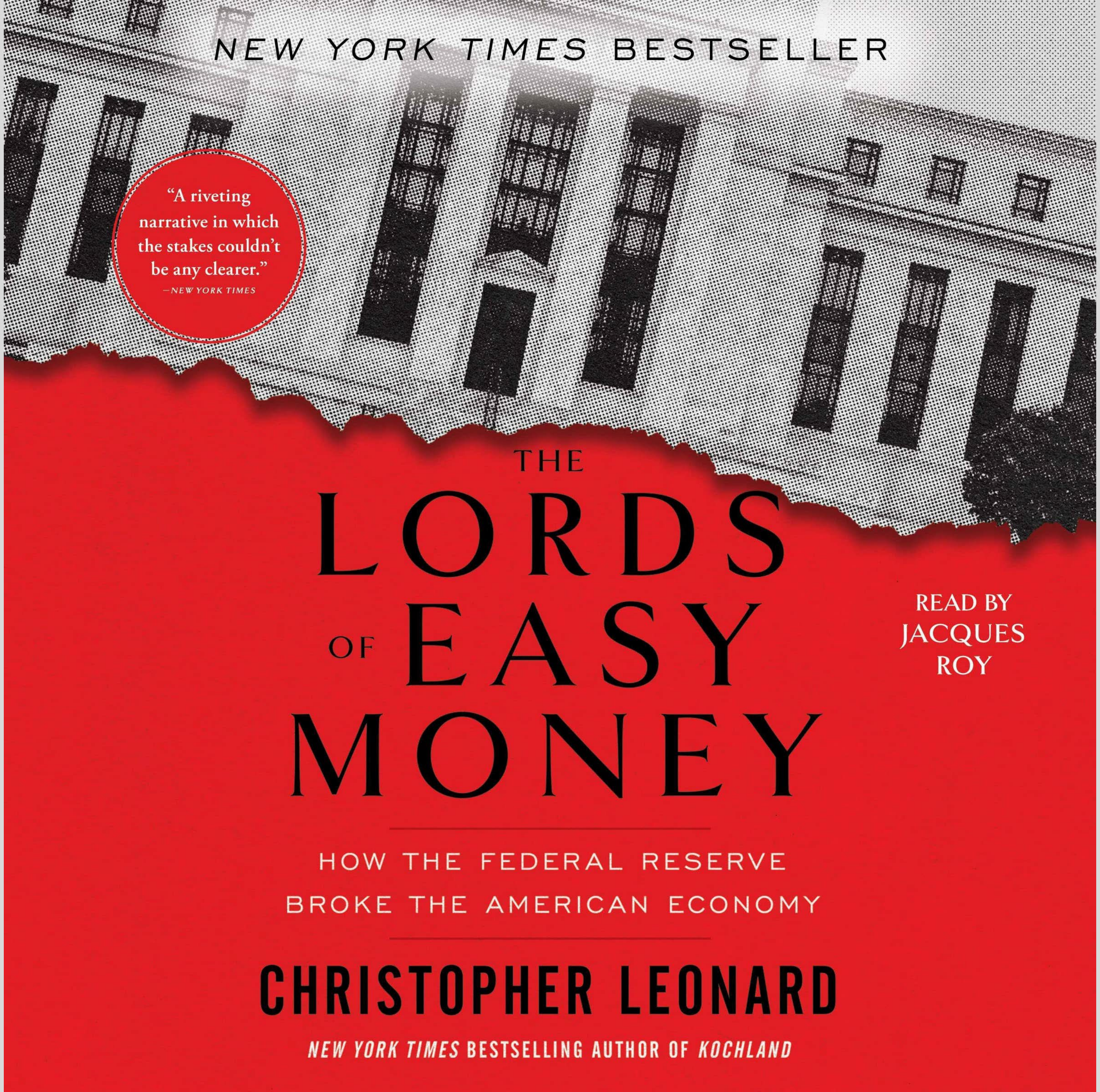
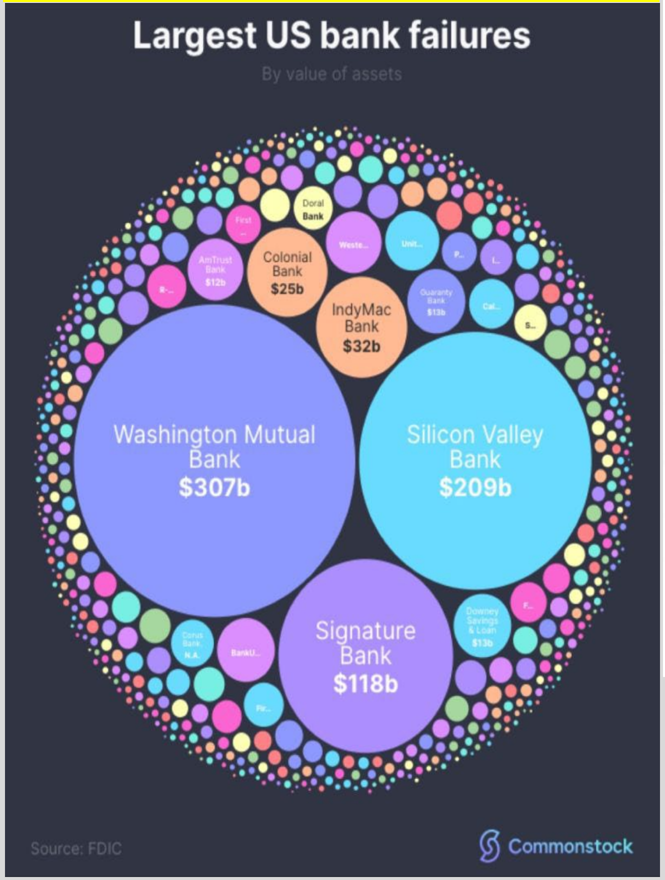
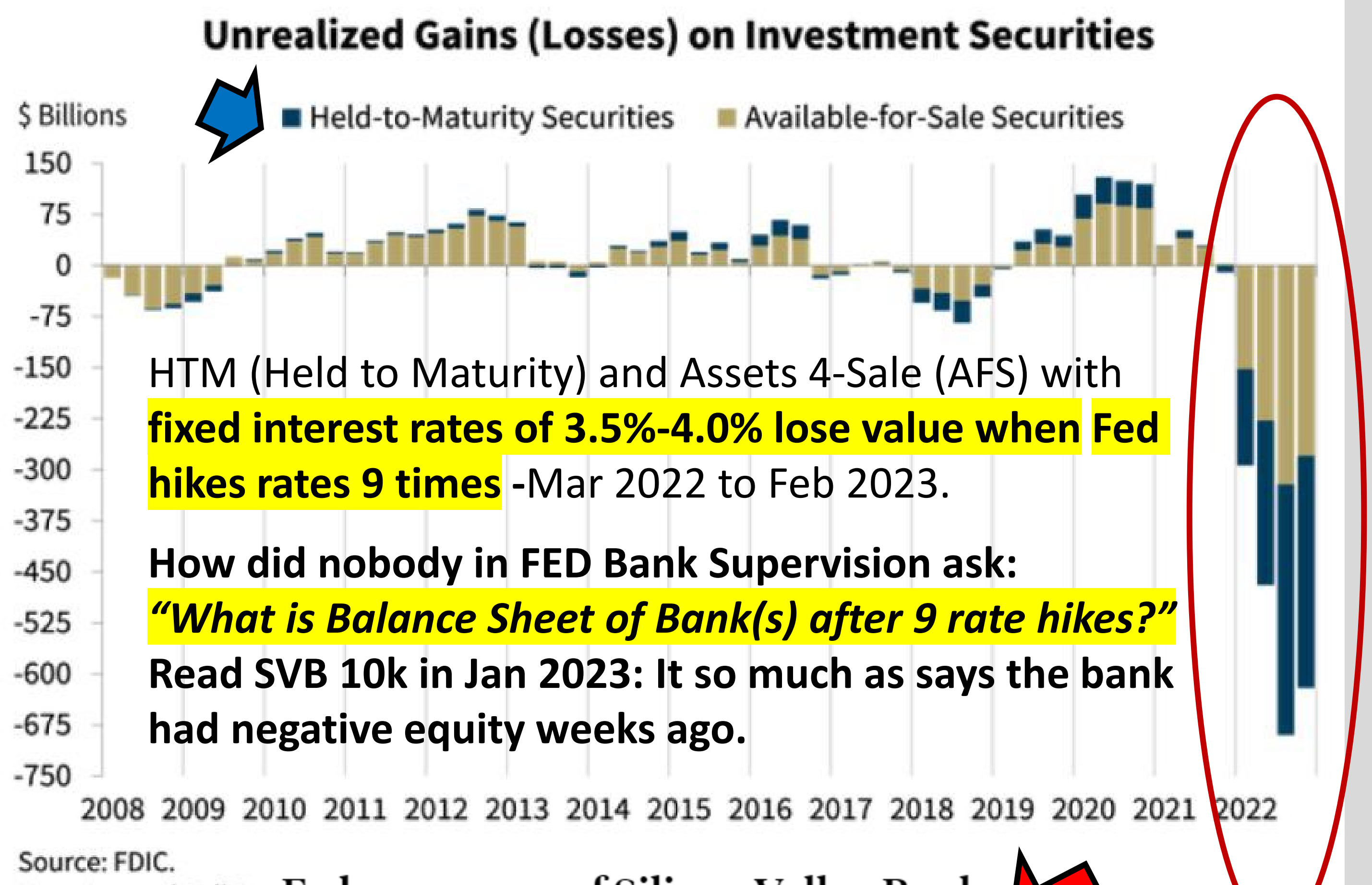

NEW YORK TIMES BESTSELLER
"A riveting narrative in which the stakes couldn't be any clearer."
—NEW YORK TIMES
THE LORDS OF EASY MONEY
READ BY JACQUES ROY
HOW THE FEDERAL RESERVE BROKE THE AMERICAN ECONOMY
CHRISTOPHER LEONARD
NEW YORK TIMES BESTSELLING AUTHOR OF KOCHLAND

BAD # 2: A Bank Crisis results from FED Rate Hikes

It all was foreseeable (Note FED report on Bank Supervision post SVB)

A complete failing by Bank Supervision & FED:
Déjà Vu on Bank Failures as Liabilities (Deposits) > Assets





HTM (Held to Maturity) and Assets 4-Sale (AFS) with **fixed interest rates of 3.5%-4.0% lose value when Fed hikes rates 9 times** -Mar 2022 to Feb 2023.

How did nobody in FED Bank Supervision ask:
"What is Balance Sheet of Bank(s) after 9 rate hikes?"
Read SVB 10k in Jan 2023: It so much as says the bank had negative equity weeks ago.

Until March 10, the Economy was all about Inflation.

Now it is about QT with backdrop of a Banking Crisis!

Fed was aware of Silicon Valley Bank problems more than a year before its collapse

The Fed cautioned the bank on multiple occasions, ABC News confirmed.

[Fed was aware of Silicon Valley Bank problems more than a year before its collapse - ABC News (go.com)](#)

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

April 28, 2023

Re: Review of the Federal Reserve's Supervision and Regulation of Silicon Valley

MICHAEL S. BARR
VICE CHAIR FOR SUPERVISION

"SVB's failure demonstrates that there are weaknesses in regulation and supervision that must be addressed.

Regulatory standards for SVB were too low, the supervision of SVB did not work with sufficient force and urgency, and contagion from the firm's failure posed systemic consequences not contemplated by the Federal Reserve's tailoring framework"

The four key takeaways of the report are:

1. Silicon Valley Bank's board of directors and management failed to manage their risks.
2. **Supervisors did not fully appreciate the extent of the vulnerabilities as Silicon Valley Bank grew in size and complexity.**
3. **When supervisors did identify vulnerabilities, they did not take sufficient steps to ensure that Silicon Valley Bank fixed those problems quickly enough.**
4. The Board's tailoring approach in response to the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) and a shift in the stance of supervisory policy impeded effective supervision by reducing standards, increasing complexity, and **promoting a less assertive supervisory approach.**

Stronger Regulatory Framework

It is appropriate to have stronger standards apply to a broader set of firms. As a result, we plan to revisit the tailoring framework, including to re-evaluate a range of rules for banks with $100 billion or more in assets.

We need to evaluate how we supervise and regulate a bank's management of interest rate risk. SVB did not appropriately manage its interest rate risk, **and supervisors did not force the bank to fix these issues quickly enough.**

In addition, we are also going to evaluate how we supervise and regulate liquidity risk, starting with the risks of uninsured deposits.

CDARS – No need for a SVB

Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank

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What is CDARS

CDARS is an acronym for the
Certificate of Deposit Account Registry Service.
In short, CDARS allows a business to invest in Certificates of Deposit [CDs] held by many different FDIC insured banking institutions, so it can achieve full FDIC coverage for the total sum. Member banks join the CDARS network and pay service fees on each CD purchased through CDARS.

What are the benefits of CDARS?
Prior to fintech, if a company wanted to secure FDIC coverage for a sum over $250k, they would need to manage relationships with multiple banks, multiple bank statements and multiple reconciliations. In addition, the business owner would need to monitor rates across the US to ensure they are getting a competitive return.

Now, the process of achieving full protection for business cash has been simplified. **Fintech allows for businesses to make a single deposit and have those funds automatically distributed to enough financial institutions different banks to achieve full FDIC / NCUA coverage.**

https://americandeposits.com/how-it-works/

IntraFi

The Federal Deposit Insurance Corporation (FDIC) insures bank deposits in the event that a bank fails. **The National Credit Union Association (NCUA) does the same for deposits at credit unions**. But this insurance only goes so far, as there are limits on the amount of money that's covered. **The Certificate of Deposit Account Registry Service or CDARS – which has been renamed IntraFi Network Deposits, or IntraFi – can help to close gaps in coverage for people who maintain higher bank account balances**. IntraFi allows you to spread out funds across multiple certificates of deposit (CD) accounts **at different banks, while managing them under a single umbrella**.

https://smartasset.com/financial-advisor/fdic-definition

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Jamie Dimon at JPM is wrong with
"It's all behind us."

Note: #1) FED report on Bank Supervision following SVB; #2) Banks Fall May 2nd

LTC vs. LLL

Location-Timing-Capital won't work for CRE under these interest rate & monetary conditions.

Capital is "Locking Up" and elevating Refinance Risk.

Property Owners and Borrowers with ReFi in 2023/24 face … "Maturity Defaults" with no Capital Options.

May 2 8:30am ET:
The banking crisis is over, according to Jamie Dimon: "The banking system is very stable."

By Noon ET (May 2), the CNBC Headline was calling JD's comment BBQ-Sauce:

May 11 Bank Decline - Deja vu

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TEXAS RATIO by Deposit Accounts: 50 with >10% Ratios

From CA to TX and through IL, MI & NY, Dozens more bank failures ahead!

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 to $72mm, which is 90.3%. This figure is approaching the 100% threshold, which is considered very risky.

Best and Worst Banks and Credit Unions by Texas Ratio

In addition to our proprietary health rating system that assigns an overall letter grade to financial institutions based on a number of factors, we recognize that ma also want to see the raw Texas Ratio figures for each financial institution. Use the filter options below to access our database and search by best/worst, institutio (banks/CUs), state, and asset size.

Show the riskiest | banks | in any state | with assets of $1 billion +

Bank or Credit Union	Headquarters	Texas Ratio	Assets
Nano Banc	Irvine, CA	24.81%	$1.03 billion
Patriot Bank (CT)	Stamford, CT	23.57%	$1.05 billion
Bank of Springfield	Springfield, IL	19.56%	$1.50 billion
CNB Bank and Trust, N.A.	Carlinville, IL	18.79%	$1.52 billion
Royal Banks of Missouri	University City, MO	17.14%	$1.04 billion
Emigrant Bank	New York, NY	16.67%	$5.61 billion
First National Bank of America	East Lansing, MI	15.2%	$3.82 billion
Beal Bank USA	Las Vegas, NV	14.74%	$14.62 billion
Alma Bank	Astoria, NY	14.61%	$1.30 billion
bankHometown	Oxford, MA	14.35%	$1.37 billion
Industrial and Commercial Bank of China (USA) N	New York, NY	14.22%	$2.78 billion
Hometown Community Banks	Morton, IL	13.96%	$5.02 billion
Hawthorn Bank	Jefferson City, MO	13.8%	$1.78 billion
The Moody National Bank	Galveston, TX	13.66%	$1.62 billion

Near or Above 10% TX% means RISK of failure

Above 5% TX% means "raise capital & check to see if also a CRE Concentrated Bank

Bank Financial Health Ratings, Trends and Texas Ratios | Check Your Bank (depositaccounts.com)

TOP 100 Texas Banks:

Houston under-represented

Top 100 Banks in Texas by Asset Size*
Information is as of December 31, 2022

Class: N = National, SM = State FRB Member - State Bank, NM = Non-FRB member State Bank
SI = State Savings Bank, SB - Federal Savings Bank
*Total assets (in thousands) for banks chartered out-of-state are dervied from the FDIC Summary of Deposit information.

	Bank Name	City	Class	Total Assets	Total Loans	Total Deposits	Total Capital	Net Income
1	CHARLES SCHWAB BANK, SSB	WESTLAKE	SI	348,731,000	40,903,000	325,993,000	7,664,000	3,145,000
2	JP Morgan Chase Bank	New York City, NY	N	316,987,769	NA	316,987,769	NA	NA
3	Bank of America	Charlotte, NC	N	189,871,886	NA	189,871,886	NA	NA
4	USAA FEDERAL SAVINGS BANK	SAN ANTONIO	SB	110,884,000	40,511,000	102,056,000	3,009,000	192,000
5	Wells Fargo Bank	San Francisco, CA	N	97,499,876	NA	97,499,876	NA	NA
6	COMERICA BANK	DALLAS	SM	85,531,000	53,401,000	73,391,000	4,808,000	1,145,000
7	FROST BANK	SAN ANTONIO	SM	52,953,767	17,154,785	44,359,079	3,058,430	590,118
8	PROSPERITY BANK	EL CAMPO	NM	37,695,970	18,839,273	28,579,730	6,683,154	536,313
9	CHARLES SCHWAB PREMIER BANK, SSB	WESTLAKE	SI	31,498,000	257,000	28,332,000	317,000	286,000
10	TEXAS CAPITAL BANK	DALLAS	NM	28,398,434	19,287,340	23,102,640	3,180,360	348,346
11	Citibank	Sioux, SD	N	24,579,000	NA	24,579,000	NA	NA
12	INDEPENDENT BANK	MCKINNEY	NM	18,252,788	13,909,363	15,127,420	2,700,494	223,294
13	Zions Bancoporation, N.A.	Salt Lake City, UT	N	15,957,261	NA	15,957,261	NA	NA
14	NEXBANK	DALLAS	NM	14,304,653	9,138,207	9,925,543	1,180,795	144,072
15	PLAINSCAPITAL BANK	UNIVERSITY PARK	SM	13,520,414	7,652,269	11,235,697	1,533,492	136,979
16	CHARLES SCHWAB TRUST BANK	WESTLAKE	SI	13,041,000	0	12,741,000	264,000	152,000
17	FIRST FINANCIAL BANK, NATIONAL ASSOCIATION	ABILENE	N	12,922,116	6,441,868	11,129,711	1,123,323	221,385
18	Cadence Bank, N.A.	Birmingham, AL	N	12,746,640	NA	12,746,640	NA	NA
19	Capital One	New Orleans, LA	N	12,353,537	NA	12,353,537	NA	NA
20	VERITEX COMMUNITY BANK	DALLAS	SM	12,148,275	9,482,651	9,141,932	1,649,709	156,350
21	STELLAR BANK	HOUSTON	NM	10,891,835	7,754,751	9,294,271	1,419,238	59,614
22	BOKF	Tulsa, OK	N	10,471,399	NA	10,471,399	NA	NA
23	WOODFOREST NATIONAL BANK	THE WOODLANDS	N	9,145,613	6,191,796	8,296,042	726,731	190,234
24	INTERNATIONAL BANK OF COMMERCE	LAREDO	NM	8,748,621	5,318,875	6,915,078	1,370,773	186,361
25	AMARILLO NATIONAL BANK	AMARILLO	N	8,454,890	6,778,794	7,465,642	805,416	147,321
26	Truist Bank	Charlotte, NC	NM	8,320,682	NA	8,320,682	NA	NA
27	SOUTHSIDE BANK	TYLER	NM	7,554,150	4,147,691	6,218,269	879,449	112,515
28	BEAL BANK	PLANO	NM	6,665,954	469,660	4,504,281	793,989	304,385
29	Regions Bank	Birmingham, AL	SM	6,589,580	NA	6,589,580	NA	NA
30	WELLS FARGO BANK SOUTH CENTRAL, NATIONAL AS	HOUSTON	N	5,769,427	2,831,526	4,942,883	743,433	10,458
31	THE AMERICAN NATIONAL BANK OF TEXAS	TERRELL	N	5,539,254	2,712,162	4,783,454	163,237	49,030
32	TBK BANK, SSB	DALLAS	SI	5,331,967	4,120,291	4,263,868	943,085	112,274
33	BROADWAY NATIONAL BANK	SAN ANTONIO	N	5,323,235	2,998,603	4,602,097	283,894	66,267
34	Centennial Bank	Conway, AR	SM	5,276,983	NA	5,276,983	NA	NA
35	First United Bank & Trust	Durant, OK	NM	5,096,753	NA	5,096,753	NA	NA

TEXAS DEPARTMENT OF BANKING
Commissioner Charles G. Cooper

Top 5 are NOT TX Banks & are $100b to $350b

	Bank Name	City	Class	Total Assets	Total Loans	Total Deposits
1	CHARLES SCHWAB BANK, SSB	WESTLAKE	SI	348,731,000	40,903,000	325,993,000
2	JP Morgan Chase Bank	New York City, NY	N	316,987,769	NA	316,987,769
3	Bank of America	Charlotte, NC	N	189,871,886	NA	189,871,886
4	USAA FEDERAL SAVINGS BANK	SAN ANTONIO	SB	110,884,000	40,511,000	102,056,000
5	Wells Fargo Bank	San Francisco, CA	N	97,499,876	NA	97,499,876

Note: Only 1 Houston HQ Bank among Top 50 (Woodlands). The Capital is controlled outside TX or in Dallas, San Antonio, LA, NC and a lot of NM banks.

Access to Bank Capital is NOT in Houston's control!

36	Simmons Bank	Pine Bluff, AR	SM	4,842,661	NA	4,842,661	NA	NA
37	INWOOD NATIONAL BANK	DALLAS	N	4,352,084	2,259,959	3,576,360	420,299	73,052
38	TEXAS BANK AND TRUST COMPANY	LONGVIEW	NM	4,142,065	3,186,775	3,421,806	395,104	56,559
39	VeraBank, National Association	HENDERSON	N	3,954,479	2,431,199	3,555,425	368,071	50,918
40	FIRST NATIONAL BANK TEXAS	KILLEEN	N	3,944,563	1,679,548	3,410,835	119,362	50,311
41	CITY BANK	LUBBOCK	NM	3,942,106	2,748,081	3,505,476	373,308	64,090
42	INTERNATIONAL BANK OF COMMERCE	BROWNSVILLE	NM	3,892,731	1,223,199	3,610,827	204,239	72,137
43	THIRD COAST BANK, SSB	HUMBLE	SI	3,768,484	3,107,551	3,244,898	482,933	22,709
44	VANTAGE BANK TEXAS	SAN ANTONIO	SM	3,354,633	2,700,195	2,930,725	342,268	61,055
45	GUARANTY BANK & TRUST, N.A.	MOUNT PLEASANT	N	3,350,152	2,376,219	2,688,002	339,168	43,244
46	LONE STAR NATIONAL BANK	PHARR	N	3,060,712	1,233,057	2,810,920	239,599	45,690
47	FIRST BANK & TRUST	LUBBOCK	NM	2,961,239	1,637,162	2,578,197	364,392	26,546
48	JEFFERSON BANK	SAN ANTONIO	NM	2,858,671	1,633,503	2,654,290	150,458	32,069
49	AMERICAN MOMENTUM BANK	COLLEGE STATION	NM	2,833,412	1,655,452	2,342,168	443,088	40,532
50	WESTSTAR BANK	EL PASO	SM	2,790,209	1,866,947	2,298,407	219,883	56,206

Money Services Businesses | Texas Department of Banking

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Texas Banks:
Small margin for error!

TEXAS DEPARTMENT OF BANKING
Commissioner Charles G. Cooper

Institution Type	All Insured Institutions	All Insured Institutions
Geographical Area	Texas	National
Report Date	December 31, 2022	December 31, 2021

	All Insured Institutions Texas December 31, 2022			All Insured Institutions National December 31, 2021		
	All Institutions	Assets Less Than $1 Billion	Assets Greater Than $1 Billion	All Institutions	Assets Less Than $1 Billion	Assets Greater Than $1 Billion
Number of Institutions	387	296	91	4,839	3,866	973
Number of Employees	88,571	14,787	73,784	2,069,043	199,704	1,869,339
AGGREGATE CONDITION AND INCOME DATA ($ in Millions)						
Total Assets	1,092,272	98,227	994,045	23,719,827	1,174,954	22,544,873
Earning Assets	1,029,489	92,395	937,095	21,767,776	1,104,772	20,663,004
Total Loans & Leases	426,314	56,624	369,690	11,246,976	689,502	10,557,474
Other Real Estate Owned	140	26	114	2,962	657	2,304
Total Deposits	965,578	87,964	877,614	19,701,959	1,008,946	18,693,014
Equity Capital	66,515	8,172	58,343	2,359,612	128,605	2,231,006

	All Insured Institutions Texas December 31, 2022			All Insured Institutions National December 31, 2021		
	All Institutions	Assets Less Than $1 Billion	Assets Greater Than $1 Billion	All Institutions	Assets Less Than $1 Billion	Assets Greater Than $1 Billion
CONDITION RATIOS (%)						
Net Loans & Leases to Total Assets	38.57	56.91	36.76	46.66	57.87	46.08
Loss Allowance to Loans & Leases	1.17	1.28	1.16	1.58	1.38	1.60
Equity Capital to Total Assets	6.09	8.32	5.87	9.94	10.94	9.89
Leverage (Core Capital) Ratio	8.83	10.79	8.64	8.73	10.75	8.63

[FDIC: State Tables]

RED SHOE ECONOMICS

Top US Banks with Uninsured Deposits:

3 TX Banks among Top 50

Obs	Bank Name	State	Total Assets	Uninsured Deposits
1	JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	OH	3,201,942,000	1,057,867,000
2	BANK OF AMERICA, NATIONAL ASSOCIATION	NC	2,418,508,000	909,261,000
3	WELLS FARGO BANK, NATIONAL ASSOCIATION	SD	1,717,531,000	721,102,000
4	CITIBANK, N.A.	SD	1,766,752,000	598,195,000
5	U.S. BANK NATIONAL ASSOCIATION	OH	585,135,605	234,335,742
6	PNC BANK, NATIONAL ASSOCIATION	DE	552,307,127	200,038,825
7	TRUIST BANK	NC	546,228,000	189,579,000
8	BANK OF NEW YORK MELLON, THE	NY	324,646,000	175,097,000
9	GOLDMAN SACHS BANK USA	NY	486,967,000	167,986,000
10	CAPITAL ONE, NATIONAL ASSOCIATION	VA	453,313,240	158,743,077
11	SILICON VALLEY BANK	CA	209,026,000	151,592,000
12	STATE STREET BANK AND TRUST COMPANY	MA	298,020,000	148,917,000
13	FIRST REPUBLIC BANK	CA	212,638,872	119,470,758
14	TD BANK, N.A.	DE	386,799,237	111,009,056
15	HSBC BANK USA, NATIONAL ASSOCIATION	VA	162,436,537	94,150,714
16	CITIZENS BANK, NATIONAL ASSOCIATION	RI	226,401,591	88,882,682
17	BMO HARRIS BANK NATIONAL ASSOCIATION	IL	176,980,258	88,596,417
18	FIFTH THIRD BANK, NATIONAL ASSOCIATION	OH	206,289,179	88,345,349
19	HUNTINGTON NATIONAL BANK, THE	OH	182,325,674	84,586,841
20	SIGNATURE BANK	NY	110,363,650	79,458,961
21	MANUFACTURERS AND TRADERS TRUST COMPANY	NY	200,262,969	79,357,151
22	KEYBANK NATIONAL ASSOCIATION	OH	187,590,465	75,563,348
23	CHARLES SCHWAB BANK, SSB	TX	348,731,000	67,216,000
24	MORGAN STANLEY PRIVATE BANK, NATIONAL ASSOCIATION	NY	209,664,000	57,280,000
25	MORGAN STANLEY BANK, N.A.	UT	201,363,000	54,005,000
26	CITY NATIONAL BANK	CA	96,504,709	53,145,530
27	REGIONS BANK	AL	154,203,000	49,317,000
28	COMERICA BANK	TX	85,531,000	45,492,000
29	MUFG UNION BANK, NATIONAL ASSOCIATION	CA	104,445,496	43,739,502
30	NORTHERN TRUST COMPANY, THE	IL	154,522,864	41,851,771
31	ZIONS BANCORPORATION, NATIONAL ASSOCIATION	UT	89,544,919	37,633,835
32	BANK OF THE WEST	CA	91,580,361	36,642,906
33	EAST WEST BANK	CA	64,087,895	35,051,904
34	WESTERN ALLIANCE BANK	AZ	67,683,841	31,088,835
35	FIRST HORIZON BANK	TN	78,672,073	30,304,499
36	CIBC BANK USA	IL	50,933,929	29,985,744
37	FIRST-CITIZENS BANK & TRUST COMPANY	NC	109,180,139	29,133,533
38	BANCO POPULAR DE PUERTO RICO	PR	56,050,000	28,091,000
39	SANTANDER BANK, NATIONAL ASSOCIATION	DE	99,105,686	27,873,261
40	UBS BANK USA	UT	120,987,397	27,451,199
41	DEUTSCHE BANK TRUST COMPANY AMERICAS	NY	39,192,000	26,064,000
42	SYNOVUS BANK	GA	59,629,623	25,077,980
43	UMB BANK, NATIONAL ASSOCIATION	MO	38,279,055	24,657,778
44	FROST BANK	TX	52,953,767	23,839,797
45	WEBSTER BANK, NATIONAL ASSOCIATION	CT	71,166,370	22,546,130
46	AMERICAN EXPRESS NATIONAL BANK	UT	155,378,079	21,662,662
47	BOKF, NATIONAL ASSOCIATION	OK	47,596,192	21,284,601
48	FLAGSTAR BANK, NATIONAL ASSOCIATION	NY	90,036,656	19,561,195
49	CADENCE BANK	MS	48,668,073	19,431,472
50	BANKUNITED, NATIONAL ASSOCIATION	FL	36,897,184	19,197,800

RED SHOE ECONOMICS

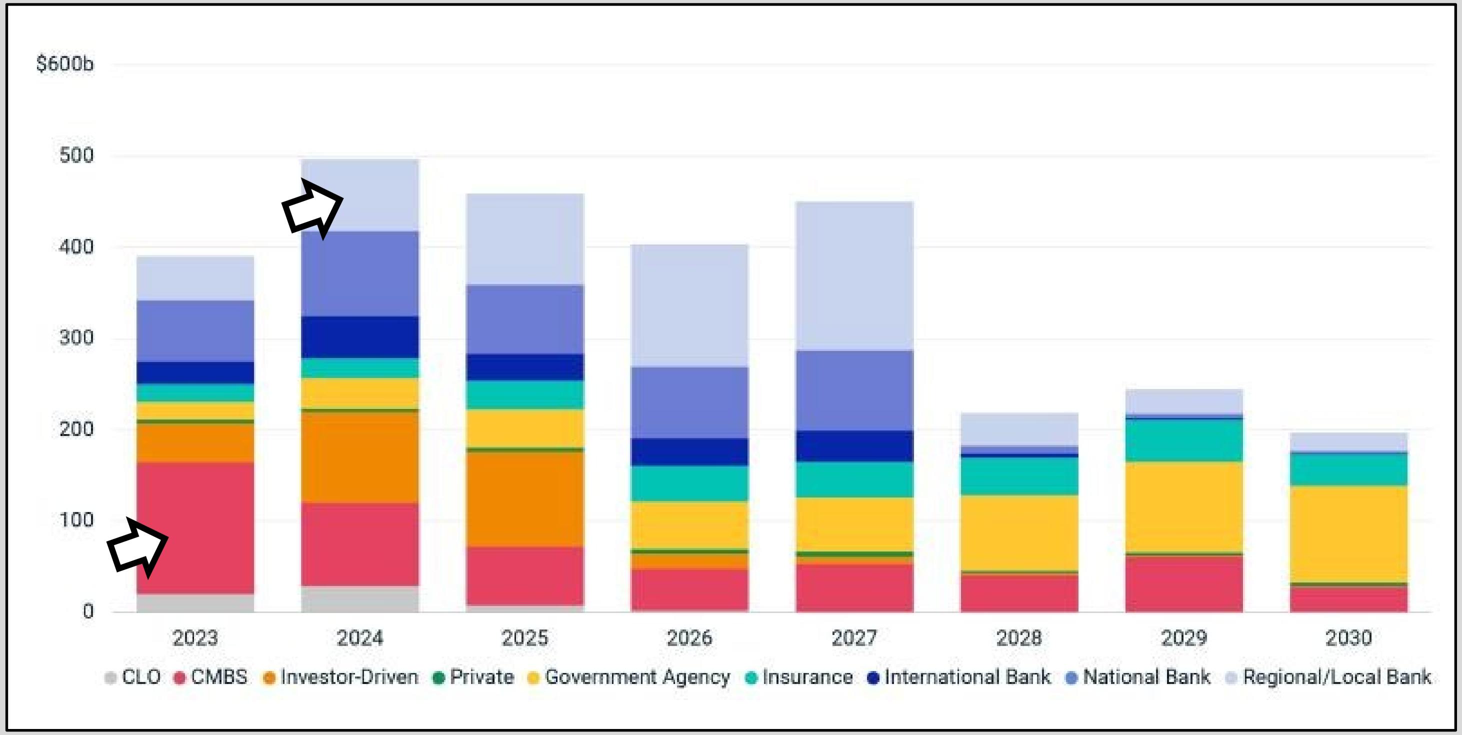
BAD #3 - Next Leg on Bank Crisis is CRE LOSSES:

Next item to hit Banks post SVB & First Republic Failures

RED SHOE ECONOMICS

SLOWING TRANSACTION ACTIVITY
Volume Decreases by Lender Price

Volume of Maturing
Commercial Property Loans by Lender Type



The lifeblood of the commercial real estate industry is under threat as regional banks reel from the recent marquee failures of two of their own.

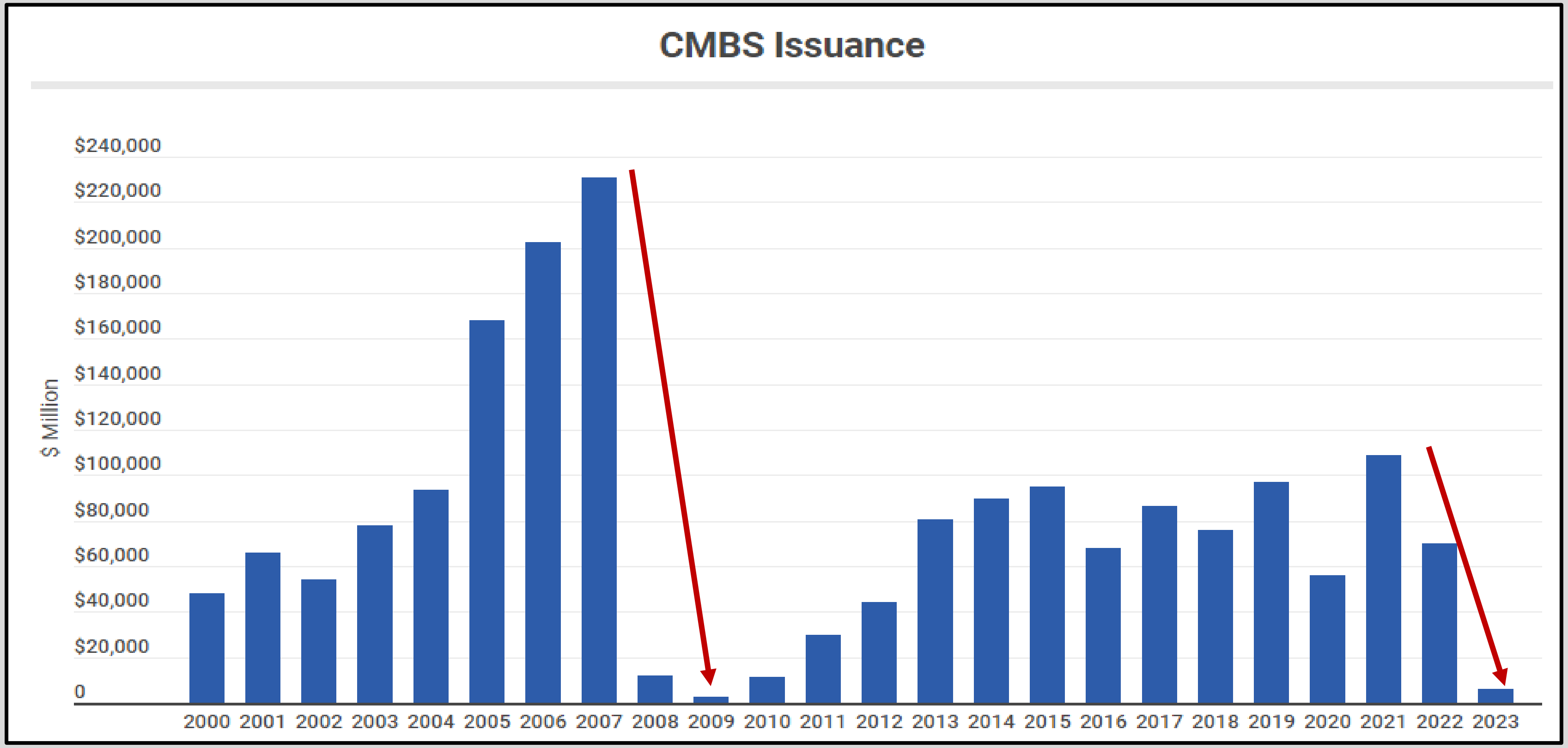
Roughly 80% of US commercial real estate lending is provided by banks that have assets of less than $250b, Goldman Sachs economists wrote in a recent report. Increasingly those loans — worth a combined $2.3T, according to Trepp — are being looked at as another source of stress for small and regional banks.

https://www.msci.com/www/quick-take/cmbs-dominates-first-wave-of/03740236548?utm_medium=social&utm_term=Real+estate&utm_content=100003970138087

RED SHOE ECONOMICS

SLOWING TRANSACTION ACTIVITY

The Debt Piece LTC – No Available Capital



Domestic, private-label CMBS issuance during the first quarter of 2023 totaled a mere $5.98 billion – 12% less than the fourth quarter and **down more than 79% from the same period a year ago.**

The last time quarterly volume was as low was in 2012, following the Global Financial Crisis.

[CMBS Issuance During Q1 2023 Drops to Levels Not Seen Since 2012 (trepp.com)](trepp.com)

CRE VALUES CPPI

MSCI

February 2023

RCA CPPI™ US

Commercial property price indexes

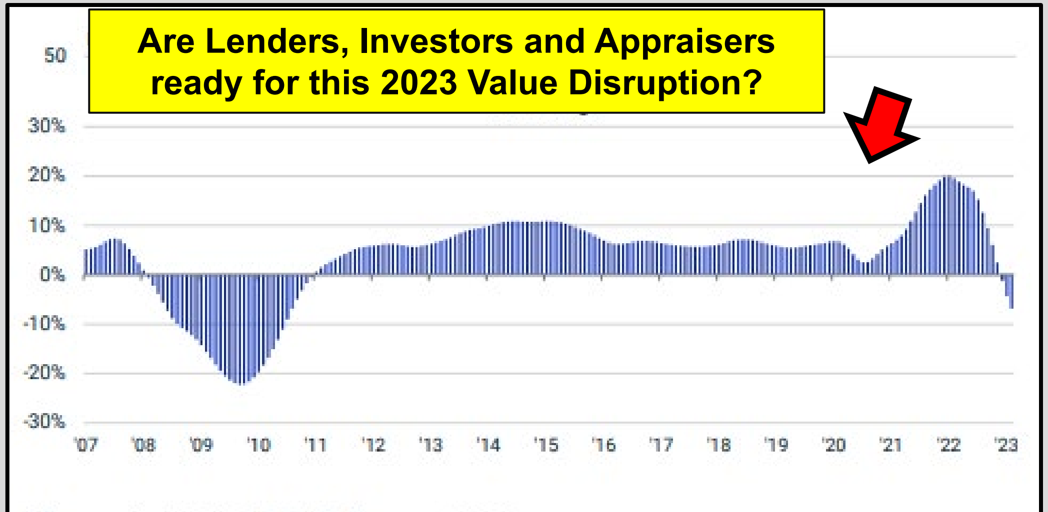
-6.9% Change past year

-2.2% Change past month

Change in RCA CPPI February 2023

	1-mth	3-mth	1-yr	3-yr
Office	-0.6%	-2.0%	-2.2%	14.6%
Office - CBD	-0.2%	-0.9%	-3.6%	1.5%
Office - Sub	-0.7%	-2.3%	-1.5%	16.2%
Industrial	-0.4%	-1.0%	3.6%	45.3%
Retail	-1.0%	-2.8%	-2.2%	17.7%
Commercial	-0.8%	-2.1%	-2.3%	21.6%
Apartment	-2.7%	-8.2%	-8.7%	21.6%
All Types	-2.2%	-6.2%	-6.9%	19.2%
6 Major Metros All Types	-1.0%	-3.2%	-7.1%	10.3%
Non-Major Metros All Types	-2.0%	-5.7%	-5.4%	24.5%

- 3-Month 2023 - All Property down -6.2% YOY (MF worst 8.2%).
- Non-Major Metros now down more than top-6 MSAs – Why?
- RSE disagrees Sub Office down worse than CBD Office



Change in RCA CPPI February 2023

https://www.msci.com/eqb/pressreleases/archive/MSCI_Feb23_QIRPR.pdf

RED SHOE ECONOMICS

Interest Rate Change on CRE Values (Cap Rate is Inverse of a Stock Multiple)

Band of Investment to Derive Cap Rate: What is ahead (25% decline Cap Rates Rise)

HAUTE. COMMERCIAL REAL ESTATE

CAPITALIZATION RATE COMPARISON

As of January 20th, 2021

INITIAL CAP RATE VIA BAND-OF-INVESTMENT (BOI)	
Mortgage Rate Index: 10-Year Treasury Yield	1.10%
PLUS: Mortgage Rate Spread:	2.25%
Mortgage Interest Rate:	3.35%
Mortgage Term, in Years (Amortization Period):	30 Years
Loan-To-Value Ratio:	75.00%
Equity Ratio:	25.00%
Number of Payments per Year:	12 Pmts./Yr.
Periodic Mortgage Constant	0.004407
Annual Mortgage Constant:	0.052886
Equity Dividend Rate (Re, or "Cash-on-Cash" Rate):	5.75%

Mortgage Component:	75.00%	X	0.052886	=	0.039664
Equity Component:	25.00%	X	0.057500	=	0.014375
Total Property:	100.00%		0.05403922		0.054039
Indicated Capitalization Rate via Band-Of-Investment:					5.40%

As of October 21th, 2022

SUBSEQUENT CAP RATE VIA BAND-OF-INVESTMENT (BOI)		
Mortgage Rate Index: 10-Year Treasury Yield		4.21%
PLUS: Mortgage Rate Spread:	1	2.75%
Mortgage Interest Rate:		6.96%
Mortgage Term, in Years (Amortization Period):		30 Years
Loan-To-Value Ratio:	2	70.00%
Equity Ratio:		30.00%
Number of Payments per Year:		12 Pmts./Yr.
Periodic Mortgage Constant		0.006626
Annual Mortgage Constant:	3	0.079514
Equity Dividend Rate (Re, or "Cash-on-Cash" Rate):		7.25%

Mortgage Component:	70.00%	X	0.079514	=	0.055660
Equity Component:	30.00%	X	0.072500	=	0.021750
Total Property:	100.00%		0.07740994		0.077410
Indicated Capitalization Rate via Band-Of-Investment:					7.74%

Gregory Laskody, CCIM
(greg@hautecre.com)

NOTES:

1 - Index increases, but soes the lender spread to address the increase in market risk.

2 - Leverage goes down, as capital sources tighten underwriting and debt risk exposure.

3 - The investor's Cash-on-Cash (Equity Cap Rate, Equity Dividend Rate) also has to go up as well (while avoiding negative leverage).

IMPACT ON VALUE	
First Net Cash Flow:	$1,000,000
Estimated Rate of Change (Total):	8.00%
Next Year Cash Flow:	$1,080,000
January 20th, 2021 Value:	$18,505,000
October 21st, 2022 Value:	$13,951,697
Total Change in Value:	-24.61%

KC Twist:
Now layer in that **NOI went down due to Expenses growing faster than Rents** and the Impact on Value is **down an additional 15% for a total decline of 40%.**

On January 20th, 2021, the 10-Year Treasury Yield was 1.10%, and with spreads hovering around 225 BPS, the rate on a CRE loan was around 3.35%. Leverage was easily attainable at 75%. If you bought right, you could get a 240 BPS spread to your Equity Dividend Rate - 5.75%.

On Friday, October 21st, 2022, that 10-Year Treasury index increased to 4.21%, which always portends a commensurate spread increase (let's assume 275 BPS), rendering an interest rate of 6.96% (probably light in today's market).

This spreadsheet shows the effect this has over an estimated NOI and given a two-year (roughly) time period.

Bottom line? A 24.61% value diminution. Perhaps now would be a good time to buckle in.

https://www.linkedin.com/posts/greglaskodyccim_some-fun-with-cap-rates-on-january-20th-activity-6990179378861088768-cggy/?utm_source=share&utm_medium=member_android

RED SHOE ECONOMICS

CRE VALUES – Trepp on latest Bank Stress Tests

"CRE Prices are expected to DROP 40%"

Trepp, Inc.
23,721 followers
1w • Edited •

The Fed's latest stress test scenarios are out and CRE prices are expected to drop 40% in the severely adverse scenario. 🚨 This Thursday, February 16th, Trepp, Inc. is hosting a 'Fed Scenario Webinar' to dive into the release and the impact on banks' portfolios using our proprietary models and data.

Join Head Modeling Architect, Matt Anderson, and Director of Product Development, Benqing Shen, CFA, FRM, as they cover topics including:

- In-depth analysis of the latest stress scenarios and comparison to years past
- Impact on bank CRE portfolios using our proprietary bank portfolio data from bank consortia
- How Trepp can help supercharge benchmarking efforts as you head into this year's scenario exercise

Don't miss the event, register here: https://hubs.li/Q01ChF9b0

HOUSING CRISIS:

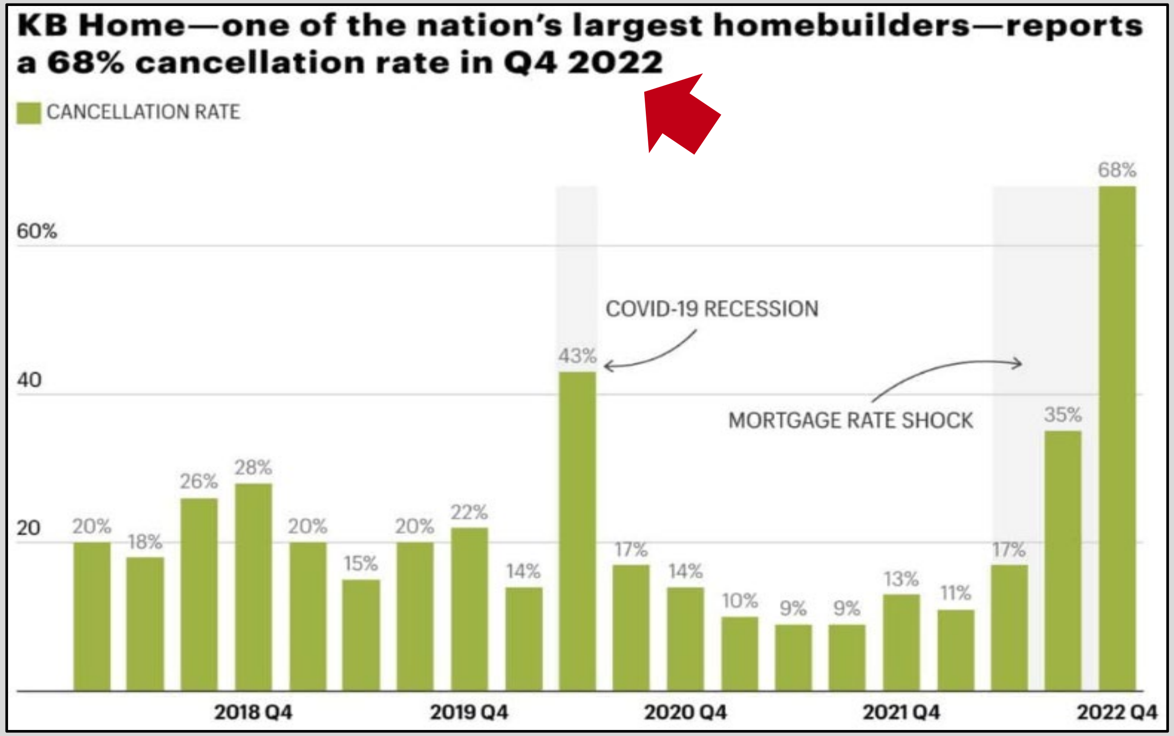
The most concerning "Forward-Looking" Housing Metric is Buyer Cancellation Rates

As the health of the economy fluctuates, more and more homebuyers are changing their minds about purchases they have in the works. **In fact, buyers are backing out of home-purchase deals at the highest rate since the early days of the COVID-19 pandemic.**

Why are homebuyers canceling deals?
Cancellation rates among homebuyers are the highest they have been in several years. According to data from the National Association of Realtors (NAR), about 7 percent of contracts were terminated between March and May of 2022, up from 5 percent in April 2021.

Data from Redfin, meanwhile, shows an even higher cancellation rate of 15 percent, up from 11 percent year-over-year.

https://www.bankrate.com/real-estate/homebuyer-cancellations/#:~:text=Cancellation%20rates%20among%20homebuyers%20are%20the%20highest%20they,2022%2C%20up%20from%205%20percent%20in%20April%202021.

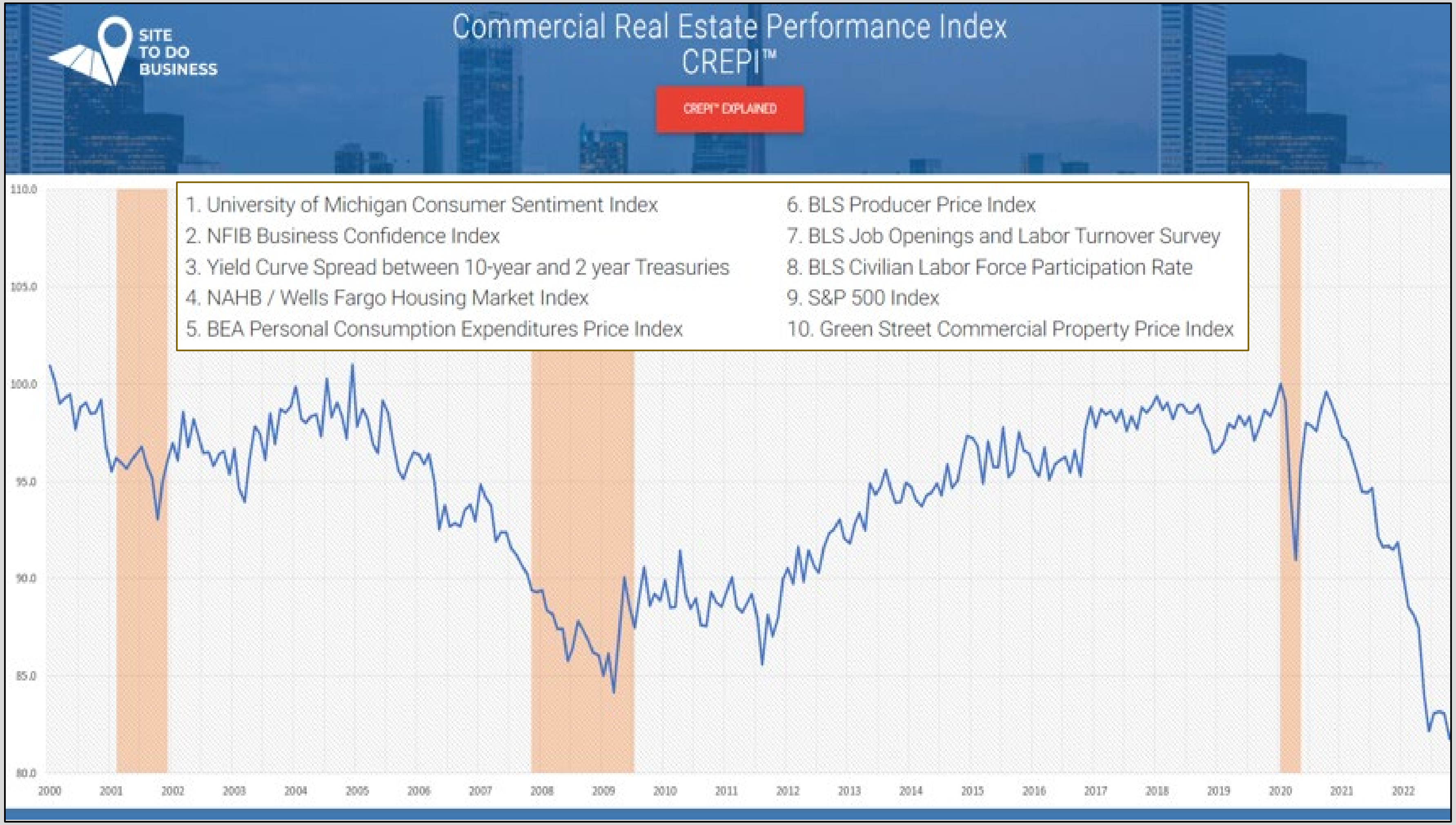


Cancellation Reasons: The most common reasons are built right into standard purchase contracts. Many include: i) contingencies in case unexpected problems arise during the transactions. These contingency clauses can kick in if, for example, ii) **home inspection** reveals an unexpected major issue, or iii) **a home appraisal determines that a property is worth significantly less** than the buyer agreed to pay for it.

RED SHOE ECONOMICS

CREPI™ from CCIMTECH

A Most Predictable CRE Index



www.stdb.com/crepi to view **CREPI™**

CREPI History:

Peak: 100 - Jan 2020 (pre-Covid)

Lows: 84.2 – Mar 2009 (GrRec)

Pre-COVID: 98 (Apr 2020).

COVID LD Oct 2022 81.8

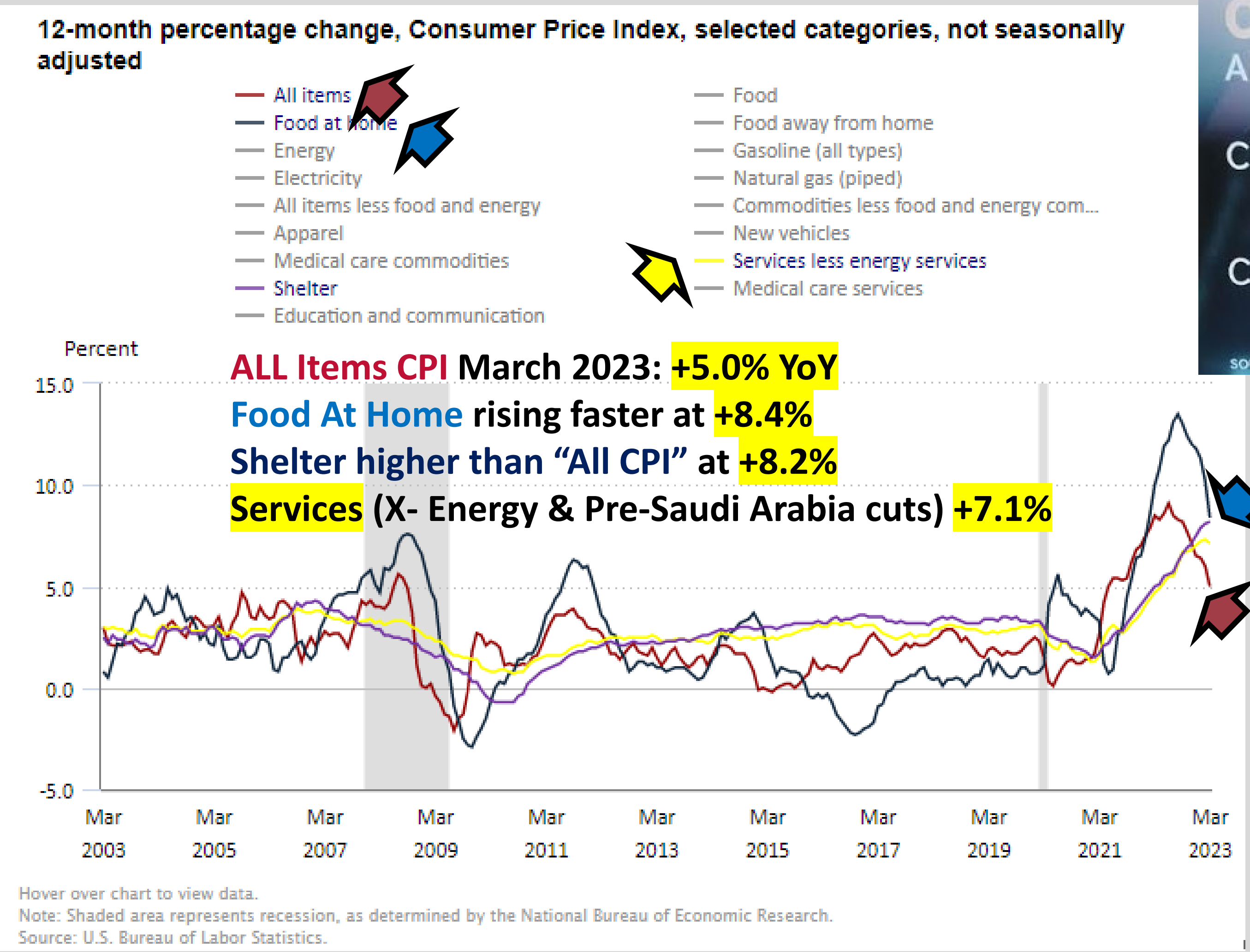
Jan 2022: 91.9 (pre-Fed Rate Hikes OBLR 0.25bps to 4.25%)

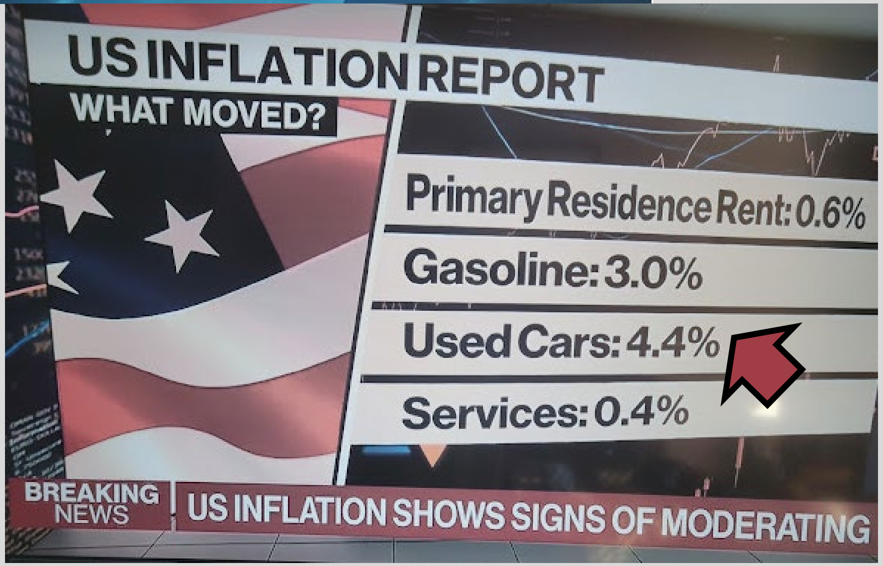
Summary of Composite CREPI Indexes	
9/1/2022	83.2
10/1/2022	81.5
11/1/2022	83.1
12/1/2022	83.2
1/1/2023	83.2
Pre-SVB	Expect <80 Mar
If FED raises rates in May, June & July, expect CREF to fall into Mid or low 70s	

RED SHOE ECONOMICS

INFLATION: Red Shoe Economist's "Super-Core" CPI (WFSS)

Wages, Services, Shelter, Food are all running **+7 to +8%**





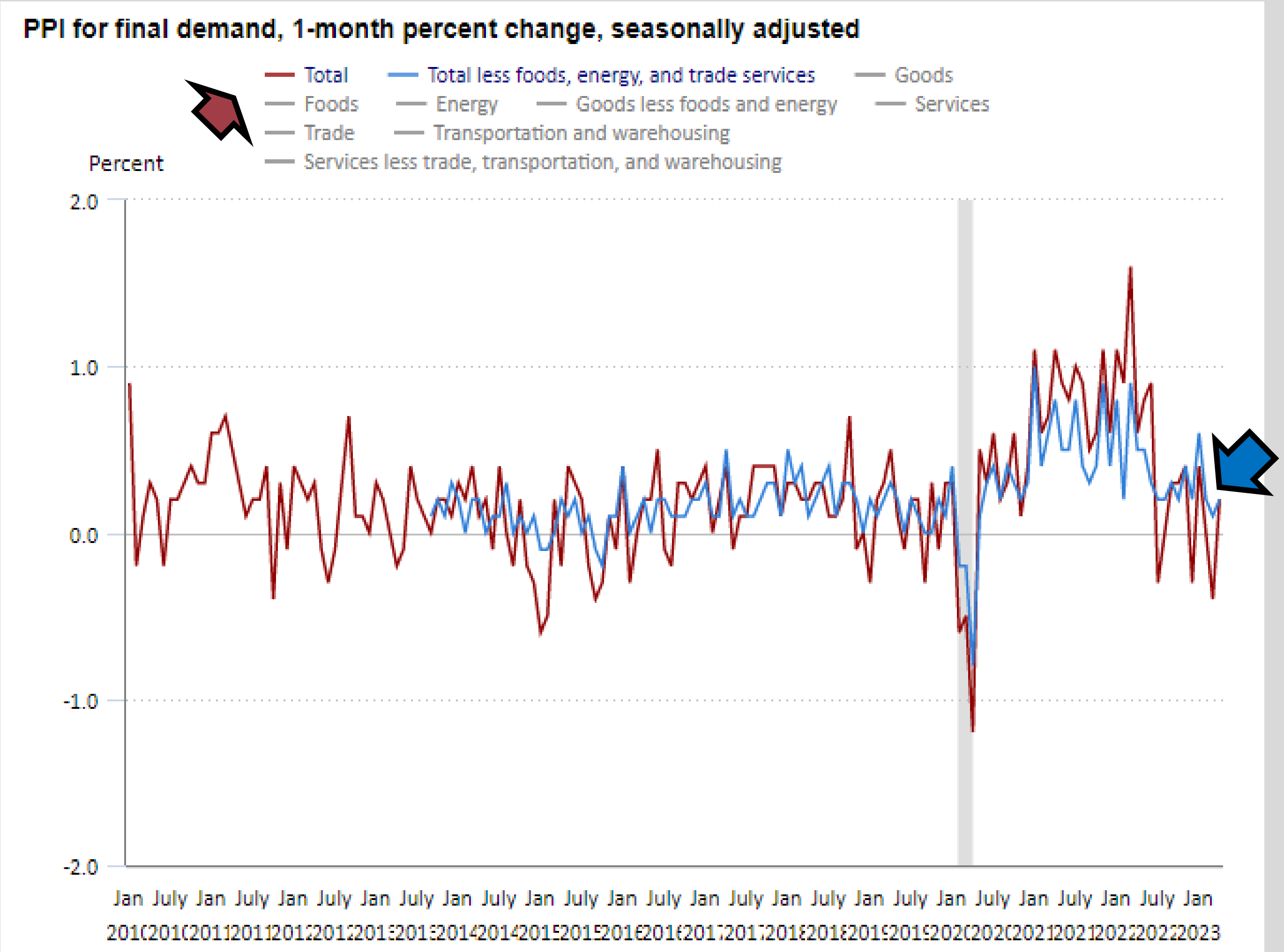
[12-month percentage change, Consumer Price Index, selected categories (bls.gov)]

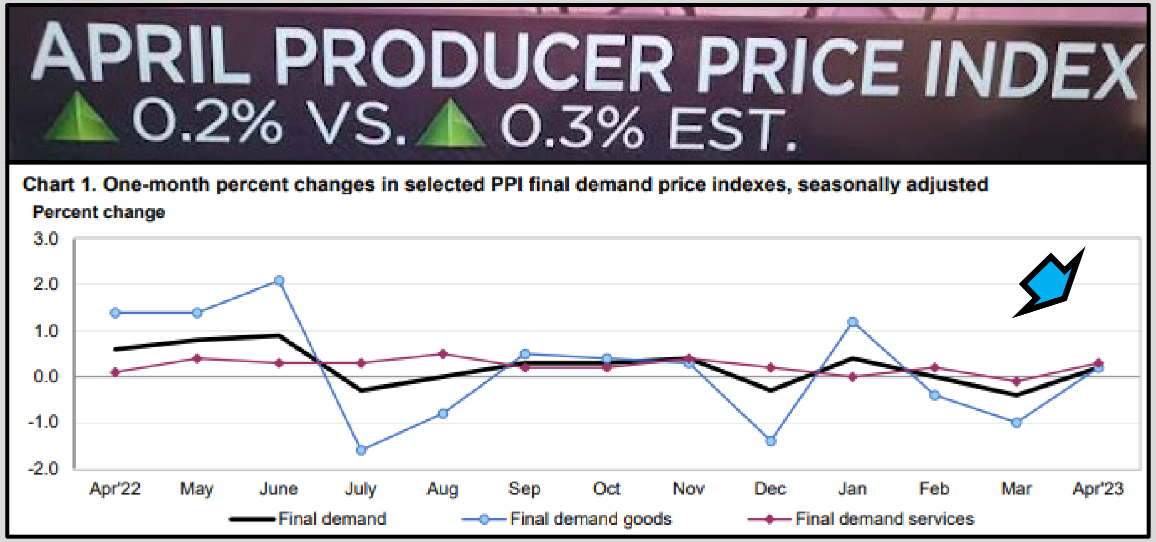
RED SHOE ECONOMICS

INFLATION PPI: Food Rising & Energy pre-Saudi Arabia cuts

Wages, Services, Shelter, Food are all running **+7 to +8%**

Energy drop "BBQ-Sauce"





ALL Items PPI March 2023: -5.0% YoY

Food – like CPI - Mar was faster at +0.6% MoM

Energy – pre-Saudi Arabia cuts -6.4%, Apr +3%

Shelter – Up +0.6% in April (>7% YoY)

[Producer Price Indexes for final demand, 12-month percent change, not seasonally adjusted (bls.gov)]

RED SHOE ECONOMICS

CONSUMER CONFIDENCE MEASURES:
U-MI, NFIB, & Small Business

University of Michigan: Consumer Sentiment (UMCSENT)

Observation:	Units:	Frequency:
Dec 2022: 59.7 (+ more) Updated: Jan 27, 2023	Index 1966:Q1=100, Not Seasonally Adjusted	Monthly

Peak (post 2009): 101 (Feb 2020)
Lows: 55.3 Nov 2008 (Why Up? Energy $/SPR)
50.0 June 2022
Current: March 2023 – back to 2008-2009

Surveys of Consumers (umich.edu)

Record Household Debt affects Consumer
Mortgage Rates affect Housing
Small Biz debt is Variable Rate

UNIVERSITY OF MICHIGAN

Consumer sentiment tumbled 9% amid renewed concerns about the trajectory of the economy, erasing over half of the gains achieved after the all-time historic low from last June.

Year-ahead expectations for the economy plummeted 23% from last month. Long-run expectations slid by 16% as well, indicating that consumers are worried that any economic downturn will not be brief.

Preliminary Results for May 2023

	May 2023	Apr 2023
Index of Consumer Sentiment	57.7	63.5
Current Economic Conditions	64.5	68.2
Index of Consumer Expectations	53.4	60.5

RED SHOE ECONOMICS

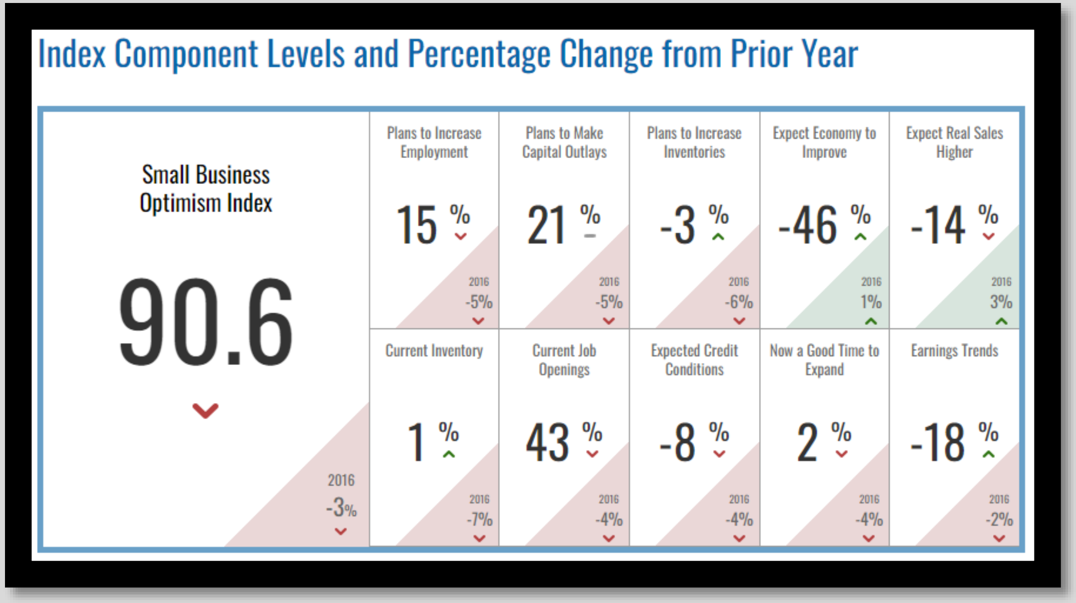
NFIB Research Foundation
The Voice of Small Business.

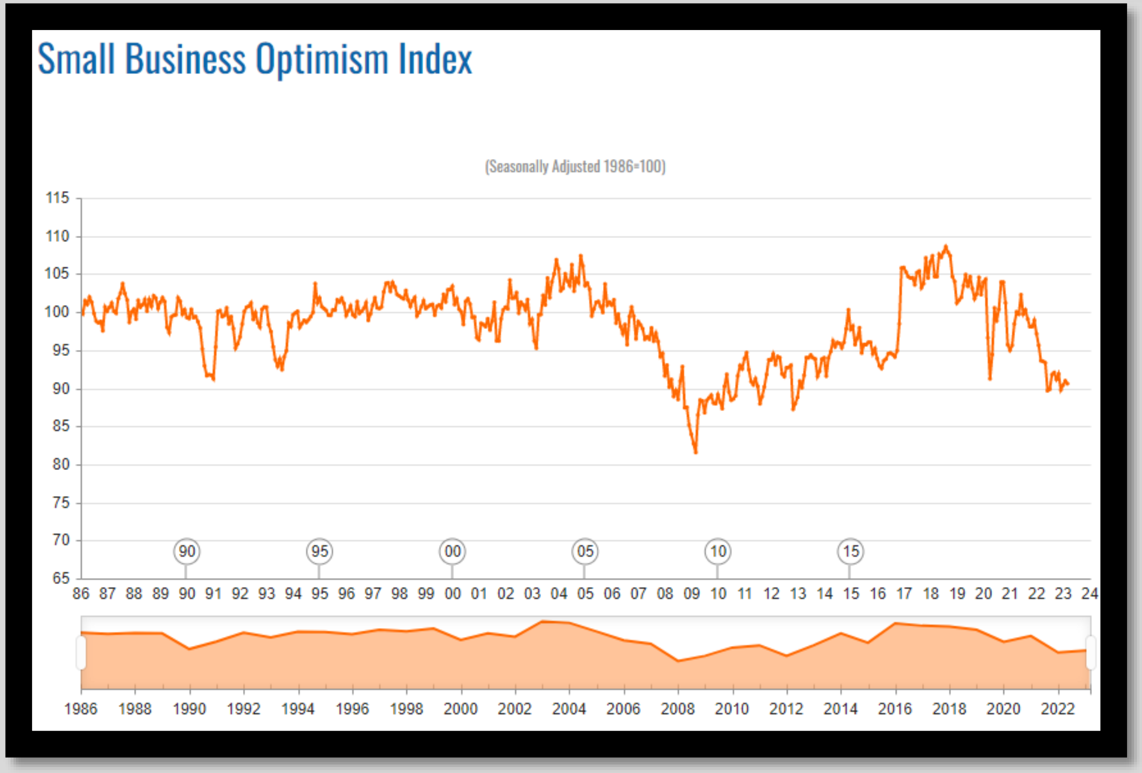
NFIB's Small Business Optimism Index **decreased 0.8 points in March to 90.1, marking the 15th consecutive month below the 49-year average of 98.**

Twenty-four percent of owners reported inflation as their single most important business problem.

As an example:
Iowa's Component Index is BELOW the National 90.6 at 89.5

Why? AG, Manufacturing, and Commodities future outlook.





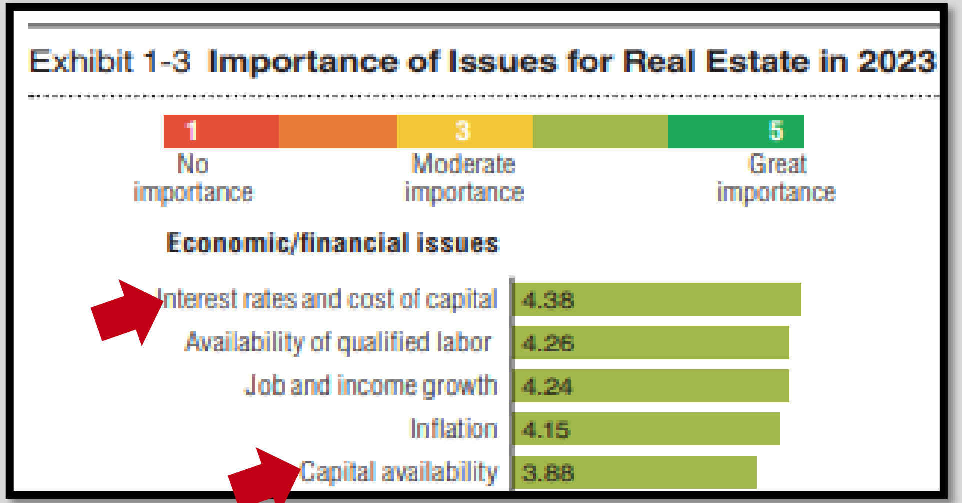
NFIB (nfib-sbet.org)

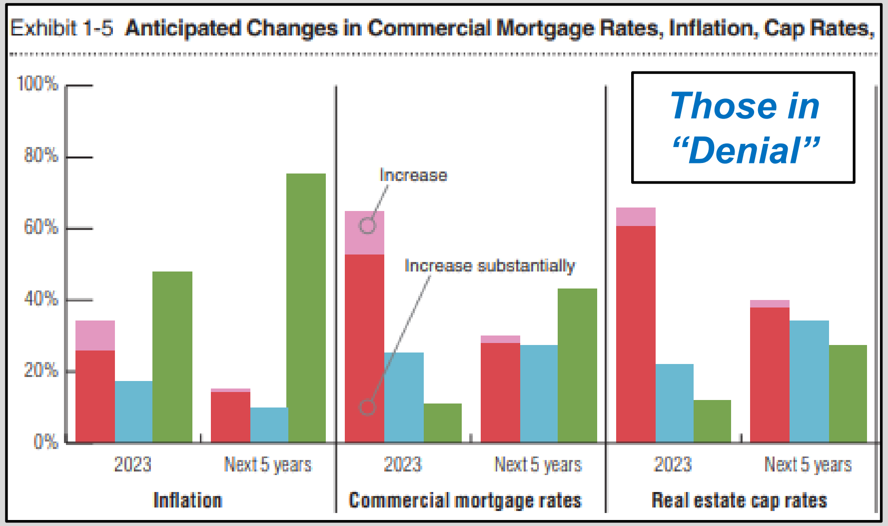
RED SHOE ECONOMICS

CRE TRENDS - ULI 2023 Emerging Trends

"Pricing Disconnect" & "Values Primed for Reset"

- **Interest rates are rising, economic clouds** are darkening, and real estate deal flows are sinking because **buyers and sellers cannot agree on pricing**.
- **The one issue ULI interviewees agree:** "The existential risk for the real estate economy right now is that Fed action in response to persistent inflation will tip us into a recession," **Can the Federal Reserve Bank tame inflation without breaking the economy?**
- **The "Amazon Pause:"** Growth in e-commerce is slowing and giving back some of the market share it captured from physical retailers during the pandemic. **Amazon, the largest warehouse user in the United States, has delayed occupying numerous completed projects. Amazon to layoff 10k employees.**
- **Reversion UP to the Mean:** Property **fundamentals have been improving for the battered hotel sector, especially hotels serving leisure traveler.**
- **The "Sugar Rush" Is Over: Property returns are primed for reset.**



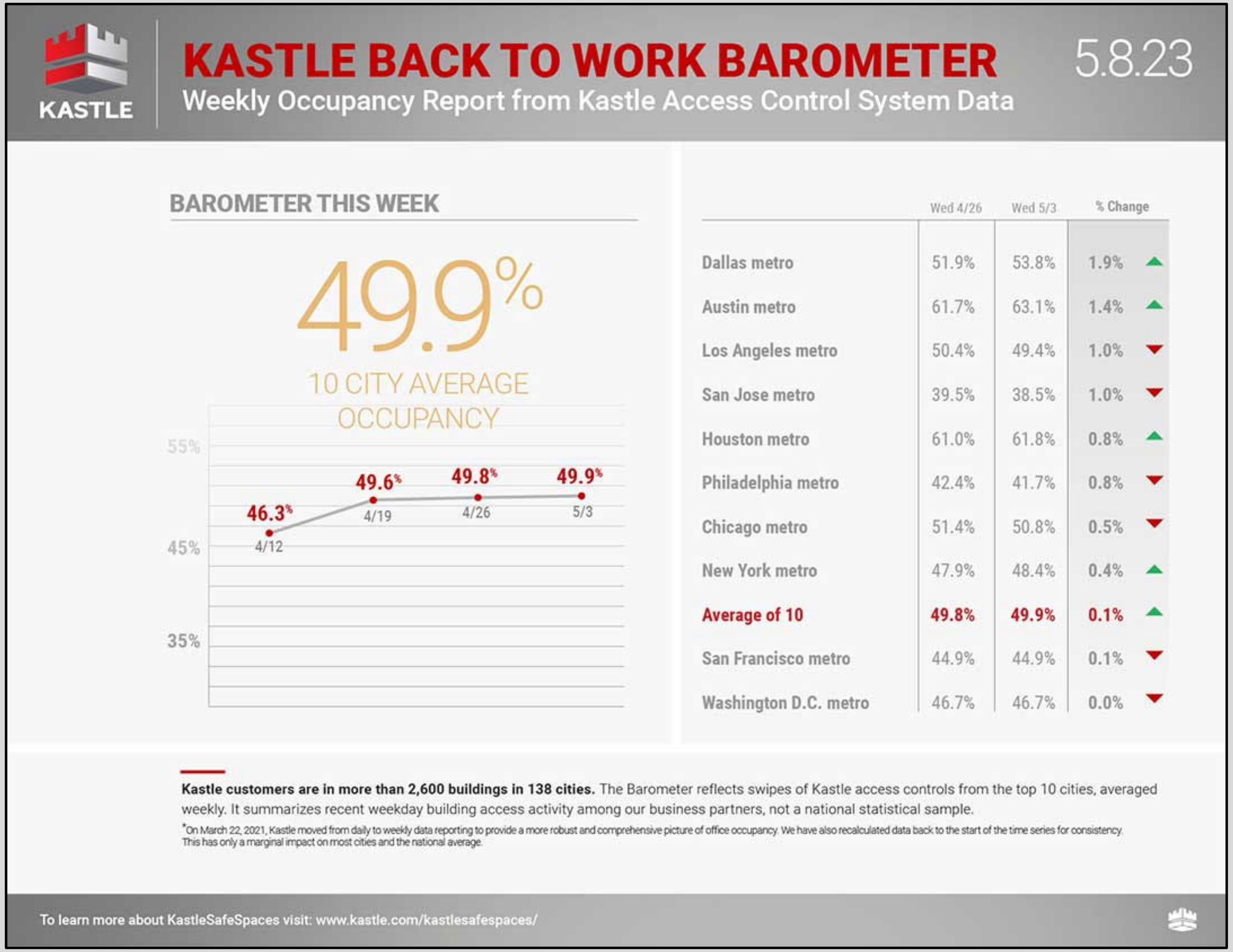


https://knowledge.uli.org/-/media/files/emerging-trends/2023/emerging-trends_uscanada-2023.pdf

RED SHOE ECONOMICS

OFFICE CRE & REMOTE WORK

"Remote Work will be to Office CRE $
What eCommerce was to Big-Box Retail $"



KASTLE BACK TO WORK BAROMETER

KASTLE

5.8.23

Weekly Occupancy Report from Kastle Access Control System Data

BAROMETER THIS WEEK

49.9%

10 CITY AVERAGE OCCUPANCY

	Wed 4/26	Wed 5/3	% Change
Dallas metro	51.9%	53.8%	1.9% ▲
Austin metro	61.7%	63.1%	1.4% ▲
Los Angeles metro	50.4%	49.4%	1.0% ▼
San Jose metro	39.5%	38.5%	1.0% ▼
Houston metro	61.0%	61.8%	0.8% ▲
Philadelphia metro	42.4%	41.7%	0.8% ▼
Chicago metro	51.4%	50.8%	0.5% ▼
New York metro	47.9%	48.4%	0.4% ▲
Average of 10	**49.8%**	**49.9%**	**0.1%** ▲
San Francisco metro	44.9%	44.9%	0.1% ▼
Washington D.C. metro	46.7%	46.7%	0.0% ▼

Kastle customers are in more than 2,600 buildings in 138 cities. The Barometer reflects swipes of Kastle access controls from the top 10 cities, averaged weekly. It summarizes recent weekday building access activity among our business partners, not a national statistical sample.

*On March 22, 2021, Kastle moved from daily to weekly data reporting to provide a more robust and comprehensive picture of office occupancy. We have also recalculated data back to the start of the time series for consistency. This has only a marginal impact on most cities and the national average.

To learn more about KastleSafeSpaces visit: www.kastle.com/kastlesafespaces/

Remote work is here to stay. And it's killing big offices and their ecosystems.

The trend is [most pronounced] in New York, where workers are spending at least $12.4 billion less a year near their offices due to about 30% [fewer days] in them.

- **TEXAS has the highest percentages with Dallas at 53.8%, Austin at 63.1%, and Houston at 61.8%**
- Chicago metro is falling at 50.8%.
- The 10 City Average Occupancy remains BELOW the 50.4% high on January 25, 2023.

We are FAR from Pre-Covid Office Occupancy.

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

OFFICE CRE:

$300 million SF Office Tower drops to $60 million

Before the pandemic, San Francisco's California Street was home to some of the world's most valuable commercial real estate. The corridor runs through the heart of the city's financial district and is lined with offices for banks and other companies that help fuel the global tech economy.

One building, a 22-story glass and stone tower at 350 California Street, was worth around $300 million in 2019, according to office broker estimates.

That building now is for sale, with bids due soon. They are expected to come in at about $60 million, commercial real-estate brokers say. That's an 80% decline in value in just four years.

This is how dire things have become in San Francisco, an extreme form of a challenge nationwide. **Nearly every large US city is struggling, to some degree, with reduced office-worker turnout since the pandemic spurred remote work.**

No market was hit harder than San Francisco, for reasons including its high costs, reliance on a tech industry quick to embrace hybrid work, and quality-of-life issues such as crime and homelessness.

Fire Sale: $300 Million San Francisco Office Tower, Mostly Empty. Open to Offers. - WSJ

RED SHOE ECONOMICS

Pimco-Owned Office Landlord Defaults on $1.7 Billion Mortgage

The office properties owned by Pimco's Columbia Property Trust range from New York to San Francisco.

An office landlord controlled by **Pacific Investment Management Co. has defaulted on about $1.7 billion of mortgage notes on seven buildings**, a sign of widening pain for the industry as property values fall and rising interest rates squeeze borrowers.

The buildings — in San Francisco, New York, Boston and Jersey City, New Jersey — are owned by Columbia Property Trust, which was acquired in 2021 for $3.9 billion by funds managed by Pimco. **The mortgages have floating-rate debt, which led to rising monthly payments as interest rates soared last year.**

US offices, particularly **older buildings with fewer amenities, have struggled in recent years with the rise of remote work during the pandemic and recent layoffs. Values of those properties have fallen 20% since the onset of the pandemic in March 2020, according to Green Street.**

Landlords including Brookfield Corp. have defaulted on office mortgage payments.

[Pimco-Owned Office Landlord Defaults on $1.7 Billion Mortgage - Bloomberg]

OFFICE CRE: What is Working & Why?

1-part Community Bank; 1-part Proven Local Investor;
1-part Stable Market !

connectcre

The PGA of America building spans two stories and 42,090 square feet.

Cushman & Wakefield has arranged **an $8.6 million acquisition loan** on behalf of Blue Water Advisors LP for the purpose of **acquiring and re-tenanting the former PGA of America headquarters office building** located at 100 Avenue of Champions in Palm Beach Gardens, FL.

Jason Hochman and Ron Granite of commercial real estate services firm Cushman & Wakefield … 1) **secured the loan through a local bank**

… 2) for Blue Water Advisors LP, a private equity firm focused on acquiring and developing **real asset-based businesses and has been focused and active in the Palm Beach market.**

… 3) **"Blue Water Advisors is an experienced operator in the Palm Beach market and has a successful track record** of recognizing and executing on value-add opportunities

… 4) **in one of the country's strongest office markets," said Granite.**

"The lender's facility will allow the sponsor to multi-tenant a modernized office building after … 5) **a partial sale leaseback and capitalize on the strong office real estate fundamentals present in this corridor."**

This loan is for an amazing $204/sf implying a >$300/sf value at 65% LTV

[Cushman & Wakefield Arranges $9M Acquisition Financing for PGA of America Building (connectcre.com)](connectcre.com)

RED SHOE ECONOMICS

RETAIL #1 HEADWIND: How do Households and Small Businesses with Variable Debt financing function with Already High - and going Higher interest rates?

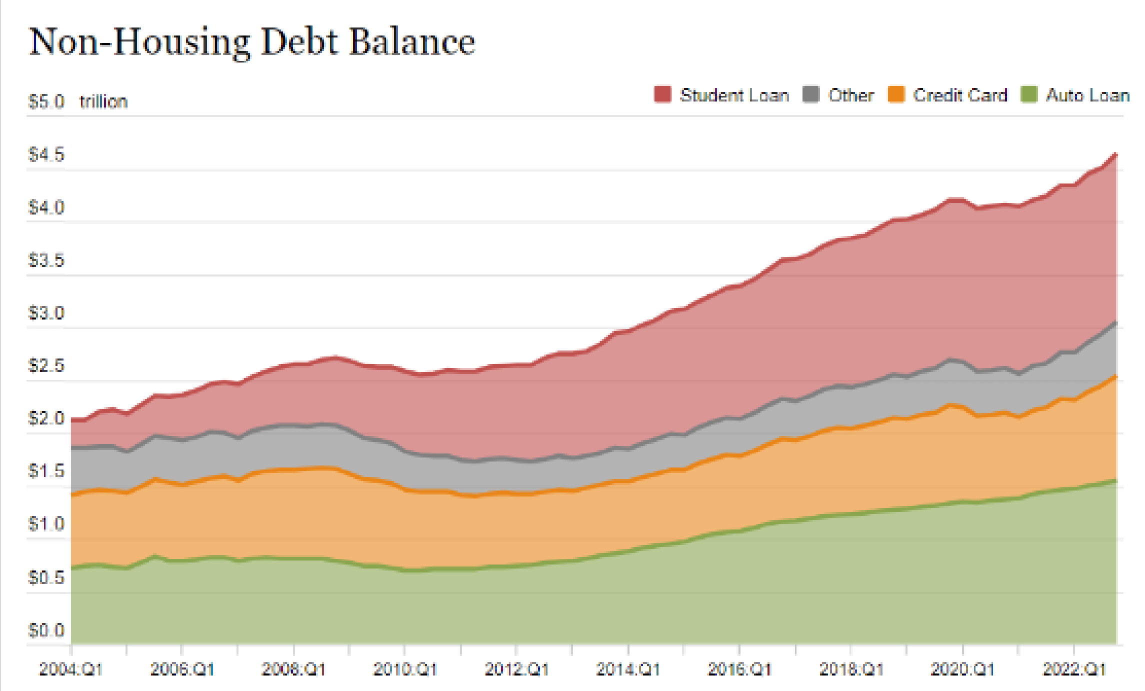
The sum of money owed by U.S. households mounted during the fourth quarter, climbing $394B to $16.90T. That's the largest Q/Q increase in household debt in 20 years, taking balances $2.75T higher than at the end of 2019, before the pandemic, according to the Federal Reserve Bank of New York's Household Debt and Credit Report published Thursday.

Mortgage balances accounted for roughly 65% of the overall increase, standing at $11.92T at the end of December. **Credit card balances jumped by $61B to $986B, marking a new series high.**

Ted Rossman, senior industry analyst at Bankrate, cited **the combination of strong consumer spending, persistent inflation and elevated credit card rates as the main drivers behind record high credit card balances.**

"It's triple trouble for credit card borrowers. Balances are up, rates are up, and *more people are carrying credit card debt* (46 percent of credit cardholders, up from 39 percent a year ago)," he added. Auto loan balances increased by $28B during Q4, and student loan balances accelerated by $21B to $1.60T.

U.S. household debt climbs by $394B in Q4, largest increase in two decades: NY Fed



https://seekingalpha.com/news/3937286-us-household-debt-climbs-by-394b-in-q4-largest-increase-in-two-decades-ny-fed

RED SHOE ECONOMICS

WHAT IS WORKING IN RETAIL?

Look at the Top-100 Retail List

NRF National Retail Federation

Grocery, Small-Store Concepts & Opti-Channel utilizing former Big-Box

Rank	Company	2021 U.S. retail sales (billions)
1	Walmart	$459.51
2	Amazon.com	$217.79
3	Costco Wholesale	$140.41
4	The Home Depot	$140.06
5	The Kroger Co.	$136.49
6	Walgreens Boots Alliance	$108.34
7	Target	$104.62
8	CVS Health Corporation	$93.36
9	Lowe's Companies	$87.73
10	Albertsons Companies	$71.87
11	Apple Stores / iTunes	$64.84
12	Royal Ahold Delhaize USA	$53.66
13	Publix Super Markets	$48.00
14	Best Buy	$47.76
15	TJX Companies	$38.08
16	Aldi	$37.01
17	Dollar General	$34.23
18	H.E. Butt Grocery	$31.00
19	Dollar Tree	$25.93
20	Ace Hardware	$24.67

NRF | Top 100 Retailers 2022 List

RED SHOE ECONOMICS

Amid food inflation, more shoppers turn to dollar stores for groceries

PUBLISHED SUN, FEB 5 2023 8:30 AM EST

A man looks at frozen foods for sale at a Dollar Store in Alhambra, California on August 23,

Dollar stores are pulling in more grocery shoppers
Slowly but surely, discount dollar stores' share of total grocery spending has been creeping up, according to [a recent report] from Coresight Research. **Already, more than 1 in 5 consumers buy groceries at dollar stores, according to Coresight's weekly U.S. Consumer Tracker.**

A separate study published in the American Journal of Public Health also found that dollar stores were the fastest-growing food retailers, in part because they are expanding at an unmatched pace, especially in rural areas.

Amid food inflation, more shoppers turn to dollar stores for groceries (ampproject.org)

RED SHOE ECONOMICS

RETAIL STORE STRATEGIES

Smaller and Stronger

National Retail Federation

Macy's And Nordstrom Make Push For Small-Store Strategies As Sales Flag

March 3, 2023 | Taylor Driscoll, Bisnow Boston (https://www.bisnow.com/author/taylor-driscoll-574145) (mailto:taylor.driscoll@bisnow.com)

Big retailers have begun shrinking in size, hoping to curb the pullback in retail spending in the past year and bring stores closer to shoppers. Retailers like Macy's & Kohl's saw declines in consumer spending in recent earnings calls, with executives noting they'd had to rely on discounts to sell inventory at big mall locations, The Wall Street Journal reported.
https://www.wsj.com/articles/department-stores-new-lookgoing-small-1de55463?mod=rss_markets_main

The retailers are now ushering in smaller store concepts in local shopping centers, which have outperformed larger mall locations in the past couple of years.

Macy's And Nordstrom Make Push For Small-Store Strategies As Sales Flag (1).pdf

Macy's announced its rollout of smaller stores in suburban shopping centers and strip centers in after some locations outperformed Q4 2021 expectations. **The retailer has closed 80 mall locations, with another five on the chopping block**, Retail Dive reported https://www.retaildive.com/news/macys-small-format-off-mall-storesacceleration/643988/

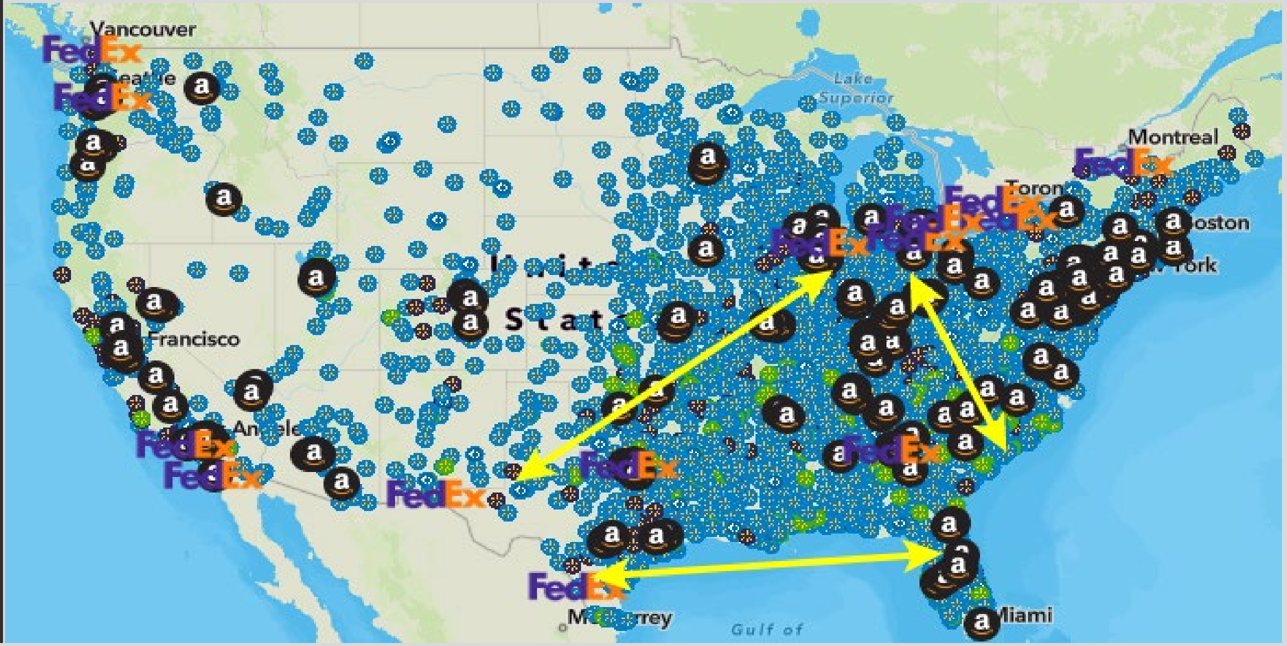
Macy's already operates 10 smaller stores: eight Market by Macy's and two Bloomie's stores, per Retail Dive.

Each store averages 30K to 40K SF, and, of the four locations that opened in the last year, fourth-quarter comps rose 8%. The retailer plans to open five more small-format stores this year.

RED SHOE ECONOMICS

INDUSTRIAL CRE:

The "Golden Triangle" and the NEW Supply Chain.



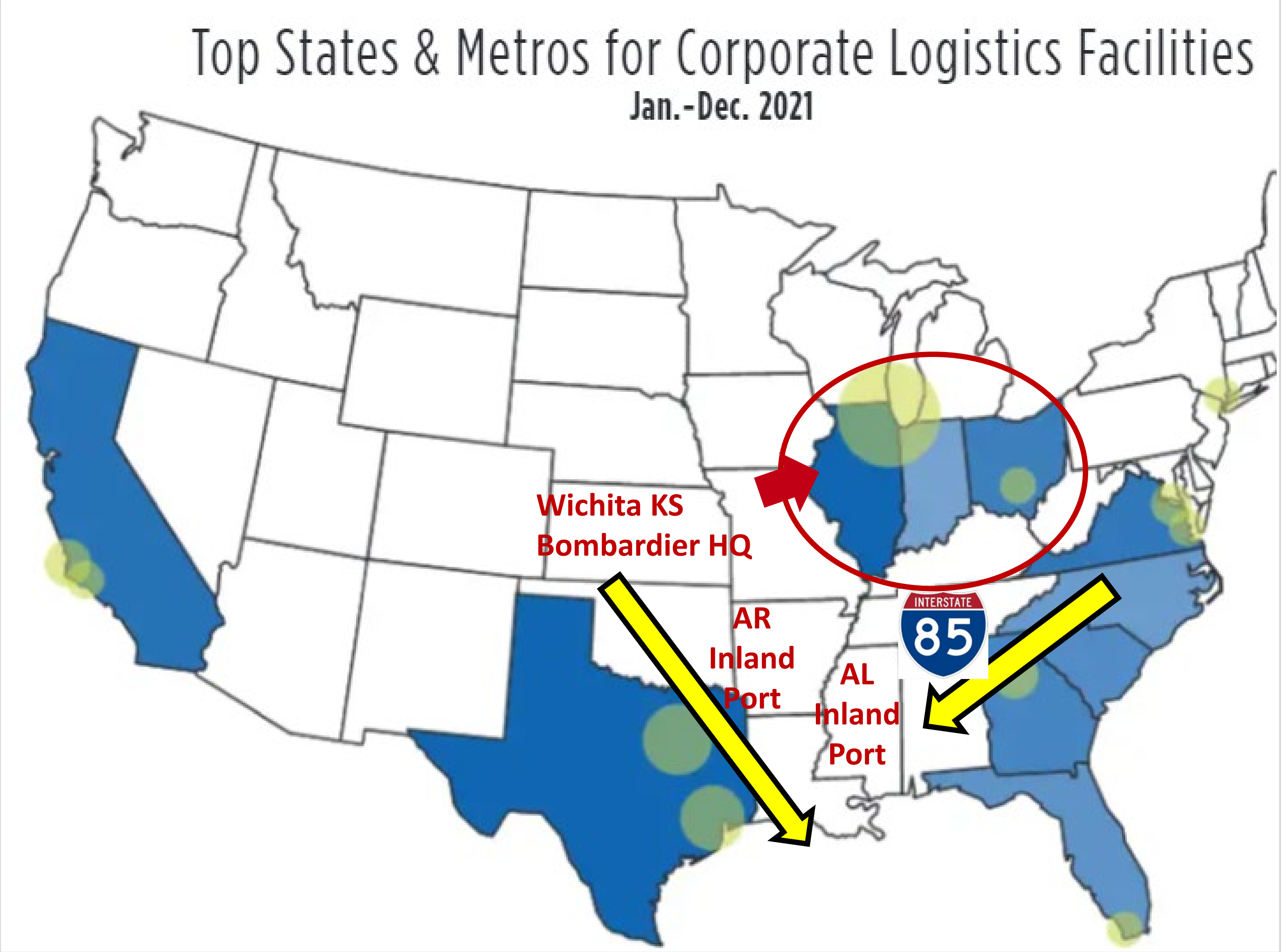
The **"Golden Triangle"** was defined by KC Conway in 2014 as the area in the US from the Great Lakes south to the Gulf and Atlantic coast ports.

- **It produces 50% US GDP and can serve 90% of US Households within 1 day.**
- **It is also where 80% of manufacturing occurs and most new Supply Chain is being built.**

Last-Mile Logistics: Commercial Real Estate's Growth Engine | CCIM Institute

INDUSTRIAL CRE

Remaking US Supply Chain and Implications for Warehouse & eCommerce Growth



Top 10 States by project

Texas	237
Illinois	222
California	129
Virginia	92
Ohio	86
Georgia	79
South Carolina	66
Florida	65
North Carolina	57
Indiana	54

Source: Conway Projects Database

https://siteselection.com/issues/2019/sep/logistics-grading-the-states-on-logistics-health.cfm

RED SHOE ECONOMICS

Q - What is working in Industrial?

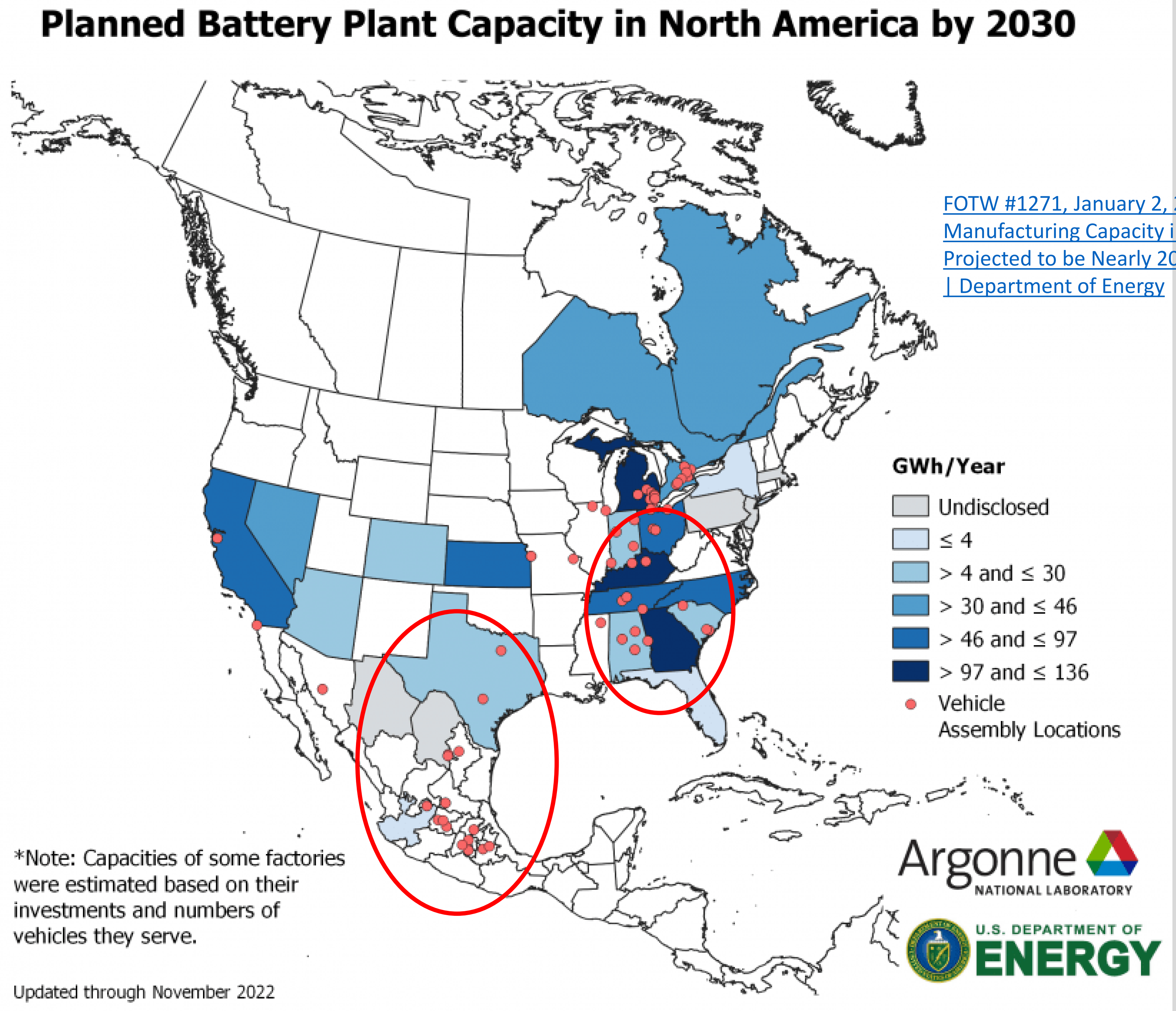
A – eCommerce is Risk Averse & Going Smaller for 2023

connectcre

Joint venture 1014 NP Venture LLC, owned by an affiliate of North Signal Capital LLC and a private family office, has executed four leases at 1014 Northpointe Industrial Boulevard in Hanahan, SC. The new tenants in the Class A facility are Concept Packaging, Bulldog HI way Express, C&C Warehouse, and Bedra.

The 127,199-square-foot rentable area is now fully leased. The building includes tilt-up concrete construction, 32-foot clear height, ESFR sprinkler systems, and LED lighting.

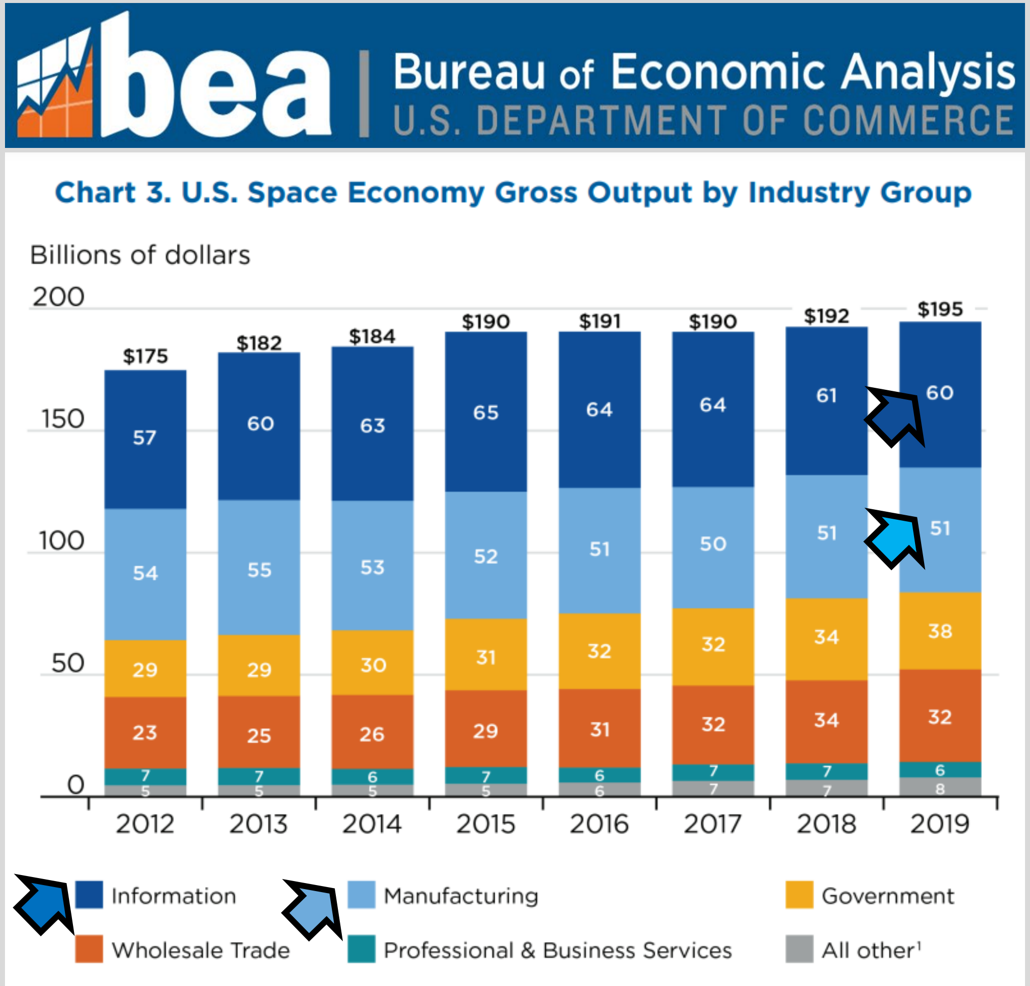
"1014 Northpointe is a great example of the type of building most in demand right now in Charleston as well as other **Southeast markets; Class-A; in-fill; catering to tenants in need of smaller spaces.**



[FOTW #1271, January 2, 2023: Electric Vehicle Battery Manufacturing Capacity in North America in 2030 is Projected to be Nearly 20 Times Greater than in 2021 | Department of Energy]

SpacE-nomics®

The Next CRE Industry Sector – like Integra Technologies in Wichita



BEA announced price-adjusted estimates ("chained-dollar" or "real" estimates) of gross output and gross domestic product (GDP), of the space economy's contribution to overall U.S. current-dollar and chained-dollar gross output and GDP by industry, as well as private employment and compensation statistics.

In 2019, the U.S. space economy accounted for:

- $194.4 billion of real gross output,
- $125.9 billion of real GDP *(translating to 0.6 percent of U.S. GDP),*
- $42.4 billion of private industry compensation, and
- 354,000 private sector jobs
- **A record 90 private Satellite launches from FL in 2023**

https://www.bea.gov/data/special-topics/space-economy

RED SHOE ECONOMICS

CCIM

CCIM Institute
Commercial Real Estate's
Global Standard for Professional Achievement

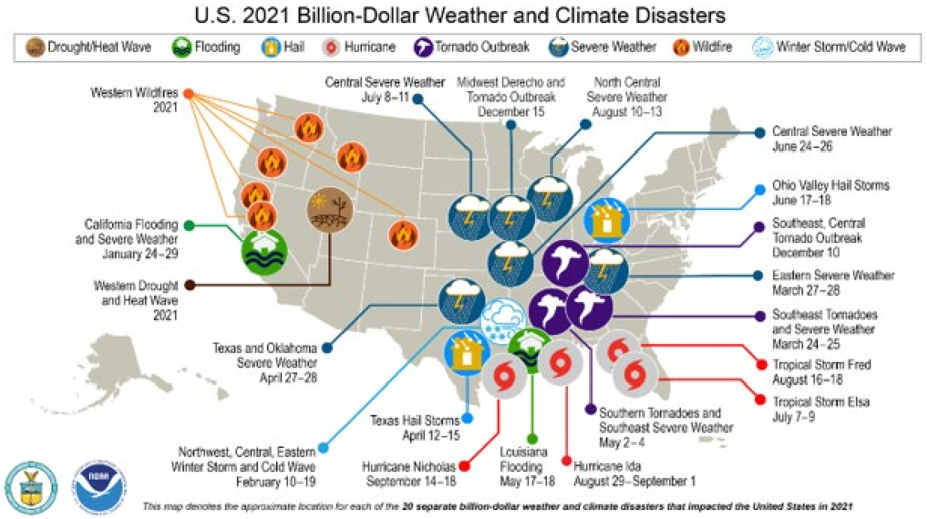
ter Preparation, Response, and Recovery

Disaster Preparation, Response, and Recovery

By K.C. Conway, CCIM, MAI, CRE

4Q22 *Commercial Real Estate Insights* Report

Communities across North America are impacted annually by a broad range of disasters that displace millions of people, disrupt economies, and disturb real estate conditions — totaling $2.275 trillion in recovery costs since 1980. These catastrophic events span hurricanes along the Gulf and Atlantic coasts, wildfires in drought-stricken Western states, and storms through Tornado Alley extending from Texas through South Dakota. They also include flooding in the upper Midwest down through the South, ice storms, utility infrastructure outages such as the February 2021 storm that knocked out electric service in Texas for more than a week,[1] and terrorism, such as the shutdown of the Colonial Pipeline from a ransomware attack in May 2021.[2] These events supercharge supply chain disruptions of centers of manufacturing and industry from Texas to Illinois and Arizona to Ohio.[3] Earthquakes, while less frequent, pose a risk for not just California, but also the New Madrid Seismic Zone running through the Central U.S. and into vital economic centers of the South, including Memphis, Tenn., where FedEx headquarters are located. Volcanic eruptions are another infrequent disaster consideration that present risks extending far beyond their immediate geography — recall the 1980 eruption of Mount St. Helens[4] in Washington as well as the existence of the Yellowstone National Park super volcano.



4Q22 Commercial Real Estate Insights Report

Catastrophic events — ranging from natural disasters like hurricanes and forest fires to human-caused disruptions like terrorist attacks or computer hacking — are problems that require extensive planning, communication, and cooperation. In this *Commercial Real Estate Insights* report, "Disaster Preparation, Response, and Recovery," CCIM Institute Chief Economist K.C. Conway, CCIM, CRE, MAI, discusses how industry professionals can best prepare for unexpected disasters and what needs to happen in the wake of such events.

READ THE 4Q22 REPORT

https://www.ccim.com/newscenter/commercial-real-estate-insights-report/disaster-preparation-response-and-recovery/

TOP 3 PLAN: Who is Doing What?

How does each entity collaborate 1 step at a time?

A look at some of the roughly 11 tornadoes that touched down in central Iowa Saturday May 13, 2023.

Commnuity Leaders	Local (City & County)	Businesses	Religious & Not-for-Profit	State Gov	Federal Gov.
First Week Top 3 Tasks:	**#1 - Assess** what is working #2 - Deploy 1st Responders **#3 - Commuicate**	**#1 - Assess** if can open #2 - Damage Control **#3 - Communicate** (Employees - 1st Responders Local Gov. to add Layer #2 to Damage Control)	**#1 - Assess** Community Needs #2 - Communicate the Needs **#3 - Coordinate** with Local & RC	**#1 - Communicate** **#2 - Start the Block & Tackle** **#3 - Coordinate vs Dominate**	**#1 - Communicate** #2 - Coordinate **#3 - Engage FEMA**
	Key Notes: **Assess is Job 1 at Local Level**; **Communicate and Coordinate** is the key **as you move up the Gov levels!**				
First 30-90 Days Top 3	**#1 - Constantly Reassess** #2 - Clear access and Search **#3 - Team Build with Key Partners**	#1 - Open, Shift Work, etc. **#2 - Know what you need ASAP** **#3 - Know your Eco. Impact to** employees, community, vendors customers, etc.	**#1 - Collaborate Relief vs just SEND** **#2 - Consider ADOPT a ??? Approach** #3 - Have thick skin and Coordinate	**#1 - Actions Vs Words** #2 - Don't worry who gets credit **#3 - Establish Open Channels**	#1 - Halt the Beaurocracy #2 - Action over Visitation **#3 - Assess the GAPS**
After 90 Days	It all becomes about **Logisitics & Supply-Chain and Economic Impact Analysis**. **What happened to you revenue (Local Gov., Utilities & Businesses)** **This is the point you are approaching.** **Do you know your numbers (population, businesses and sales taxes, property tax hit, etc.**) **Who are your long-term partners to rebuild physcially & economically?** **Are WORDS being followed up with ACTIONS?** Where is the ACCOUNTABILITY?				

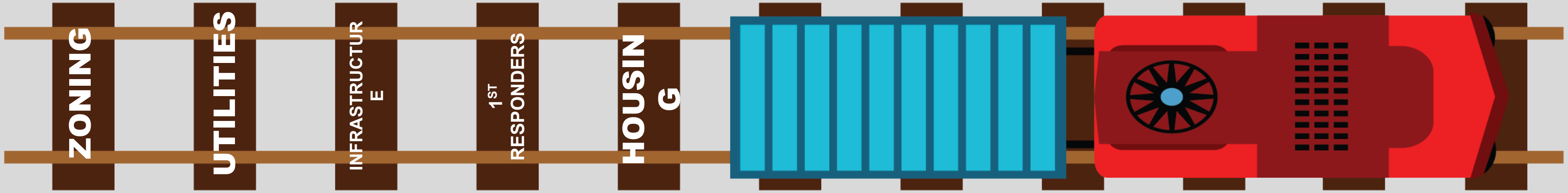
RED SHOE ECONOMICS

REBUILDING IS A RAIL LINE

Rails & Ties Together Provide the Strength that Binds

- ✓ **Who has which Rail Tie to connect Physical with Economic?**
- ✓ **What are each entities TOP 3 tasks** that require constant RE-ASSESSMENT?
- ✓ **Who do each Local, State and Federal entity need to be Communicating and Collaborating with** in the rebuilding process?

PHYSICAL REBUILDING RAIL



ECONOMIC REBUILDING RAIL

It all becomes about **Logisitics & Supply-Chain and Economic Impact Analysis**. **What happened to you revenue (Local Gov., Utilities & Businesses)**

This is the point you are approaching. **Do you know your numbers (population, businesses and sales taxes, property tax hit, etc.)**

Who are your long-term partners to rebuild physcially & economically? **Are WORDS being followed up with ACTIONS?** Where is the ACCOUNTABILITY?

RED SHOE ECONOMICS

HELP exists within the CRE Industry – without consulting Fees or Profiting from any Disaster

CRE
Consulting
Corps

The Counselors of Real Estate

Making a Difference

The CRE Consulting Corps

The Counselors of Real Estate® (CRE)

Organization of commercial property professionals known for creative problem solving

- Affiliate of National Association of REALTORS®
- Founded in 1953
- 1,000 thought leaders
- Membership extended by invitation
- High-level expertise across many specialties
- 50+ Real Estate Disciplines
- Objective real estate advice and counsel
- CRE® credential = Real Estate Problem Solvers

RED SHOE ECONOMICS

We Have Arrived at the End

Forecasting the Economy with these LOOMING:

i) Debt Ceiling;
ii) Banking; &
iii) CRE Capital crises

IS messy, but I may have the recipe/formula for combatting the Predicaments.

1-Part Ice-Cream Cone with Luke;

1-Part Bourbon Index

Whiskystats Whisky Index | Whiskystats

1-Part Lipstick Index

https://hbw.pharmaintelligence.informa.com/RS153438/Lipstick-Effect-Holding-In-2023-Despite-Continuing-Price-Escalation--Catalina-Marketing

NEW IN 2023: Educational Coursework focused on Commercial Real Estate!

Red Shoe Economics is an independent research and consulting firm exclusively serving today's commercial real estate community providing organic research initiatives, reports and insights on the impact of Applied Economics on our industry. The company's four pillars include Economics, Forecasting, Valuation and Consulting.

Our promise is to deliver unique content providing the most comprehensive, concise and cutting-edge information of the economic impacts on commercial investments, trends and transactions. As a WOSB, Red Shoe Economics is dedicated to giving back to the industry we serve by furthering the advancement of women in commercial real estate.

Economics

- Macro and Micro Analysis
- Rezoning Impact Study
- Corporate Earnings Analysis
- Ports & Logistics Trends
- Housing Economics
- Commercial Real Estate Impacts
- State & Local Government Taxation
- Current CRE Conditions

Forecasting

- Association Presentations
- Industry & Corporate Webinars
- Podcasts/Articles/ SME Interviews
- Real Estate Finance reports
- Special Projects across all industry sectors

Valuation

- USPAP Appraisal Review
- Bank Regulatory Compliance
- Valuation Analysis
- Highest & Best Use Advisory
- Property Tax Expert Witness

Consulting

- Adaptive Reuse Advisory
- Site Selection Validation
- Financing Feasibility
- Market & Feasibility Studies
- Ports & Logistics Advisory
- Retail Industry Insights
- ESG / DEI Advisory at CRE level
- Corporate Strategic Planning

RedShoeEconomics.com

KC Conway, CCIM, CRE, MAI
Co-Founder, Principal, Futurist

Beverly Keith, CCIM, CRE, CRX
Co-Founder, Principal, Business Strategist

Callan Roe
Project Research Strategist

Stacy Barrington
Corporate Operations Strategist

KC Conway, CCIM, CRE, MAI

Professional Roles:

- **Chief Economist for CCIM Institute** (since 2018)
- **Co-Founder and Principal of Red Shoe Economics** – a research and consulting company serving the CRE industry
- **FFIEC Instructor** (Federal Financial Institutions Exam Council) – Under FDIC, FFIEC provides Bank Regulatory Education
- **UMH (Manufactured Housing REIT)** – Board of Director member

Education & Professional Credentials:

- Emory University Business School – Graduated with Honors, 1985
- MAI Designation from the Appraisal Institute, 1989 (*achieved at 27 years old – 33 years experience with appraisals*).
- CRE - Counselor of Real Estate Designation, 2009
- Honorary CCIM Designee, 2019

Experience:

- 37 Years experience as an Appraiser, Bank Regulator, CRE Underwriter and Credit Officer, Economist, Investor, and Expert Witness (*has not lost an expert witness case in more than 26 years*).
- Specialize in Adaptive Reuse, Affordable Housing and Housing Economics, Manufactured Housing, Site Selection and Land Use, Rezoning, Economic Impact Studies, Capital Markets and CRE Finance, and Ports & Logistics
- Advisor to US Bank Regulatory Community (FDIC and Federal Reserve) Since 2005 - **Briefed former FED Chair Bernanke**
- Chief Senior Appraiser for Wells Fargo Bank, Legacy SouthTrust Bank, Legacy SunTrust Bank
- **Independent Director to Monmouth MREIC (50+ year old Industrial REIT Sold to ILPT February 2022)**
- Published in Numerous Periodicals, Real Estate Journals and social media including Wall Street Journal, NY Times, FreightWaves, Globe Street, BizNow, CIRE, Real Estate Issues, Realtors Connections, and Counselors of Real Estate Annual Top-10 CRE Issues
- Presented more than 1,000 individual talks to CRE Industry Groups including The Appraisal Institute, Am. Bankers Assoc., Am. Property Tax Counsel, Counselors of Real Estate, ICSC, MBA, NAHB, NAIOP, RMA, SIOR, CREW, and ULI
- **Specialty Areas Include: i) Adaptive Reuse; ii) Ports & Logistics/Supply-Chain; iii) Affordable Housing – specifically Manufactured Housing; iv) Property Tax Appeal; v) CRE Finance; vi) Expert Witness Appraisal/Valuation**

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