TRANSWESTERN

REAL ESTATE SERVICES

From COVID to RECESSION

Chris Simmons | Transwestern

WHAT REALLY HAPPENED

- Government sent $15T thru economy
- PPP
- PPP #2
- Restaurant Revitalization Fund
- Suspending Student Loan Dept
- Unemployment benefits extended

- Reduced interest rates
- Housing demand supply increased
- 2 Consecutive quarters of Negative GDP (gross domestic product)

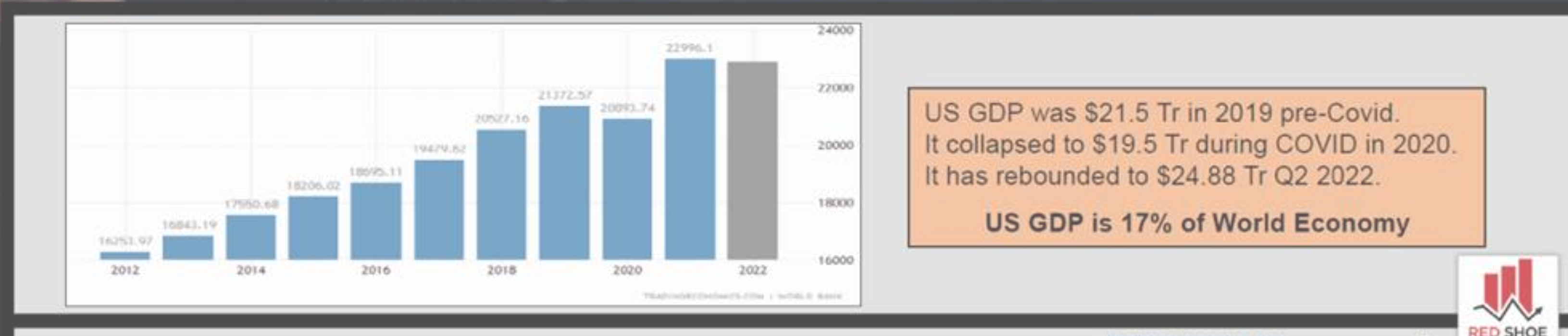
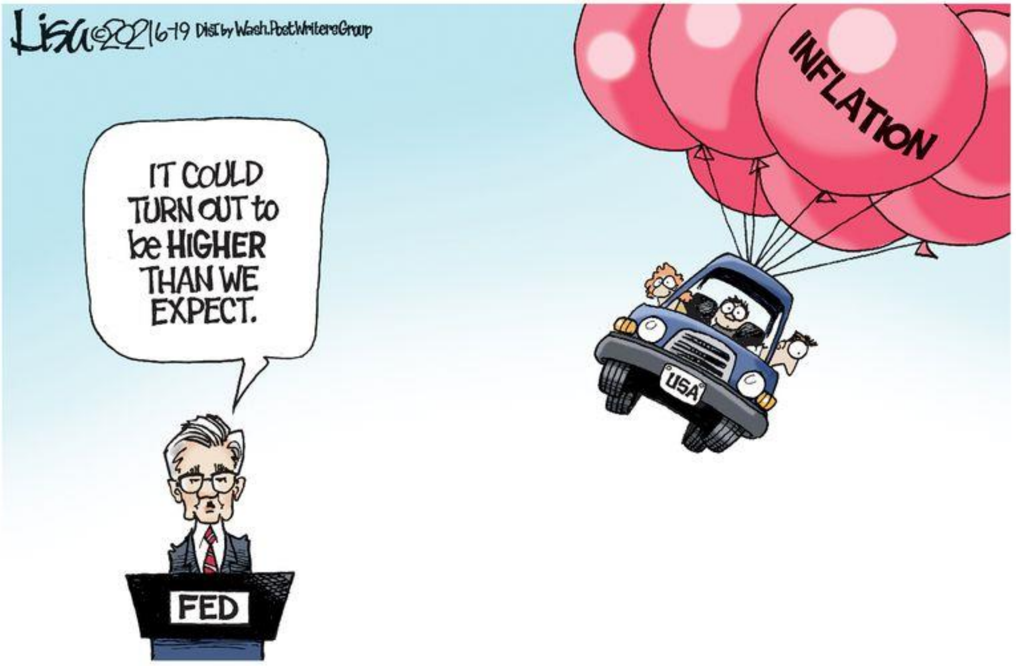
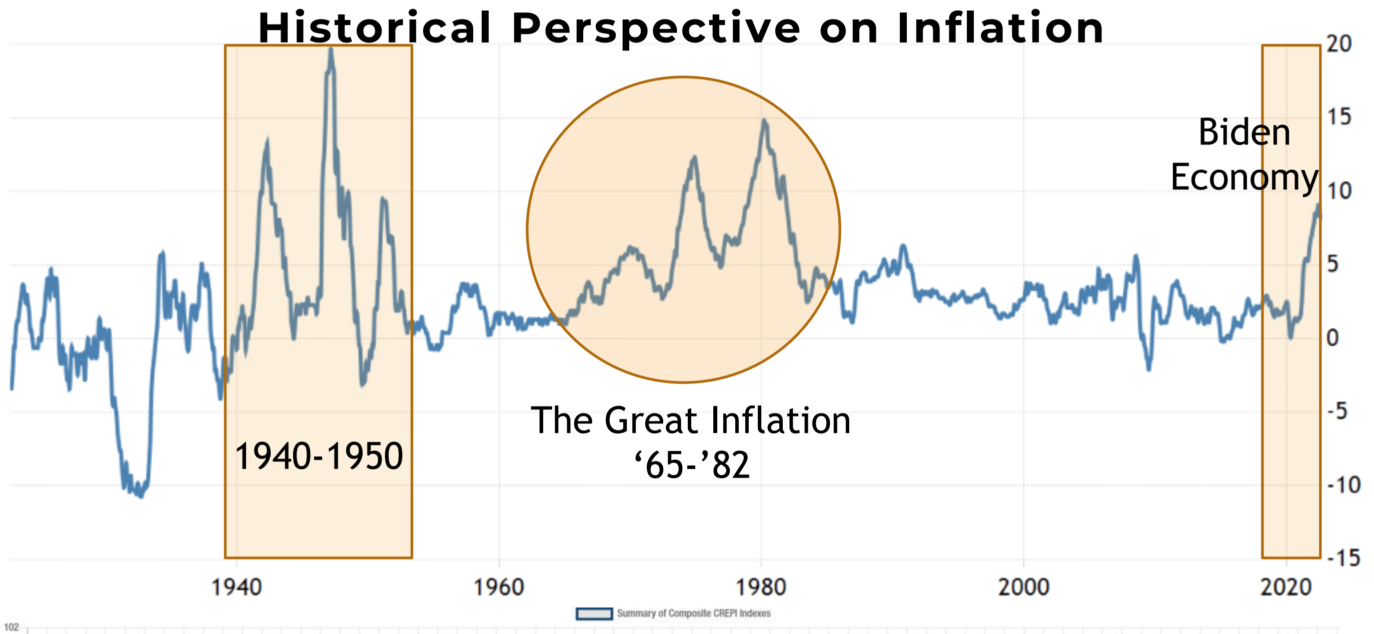
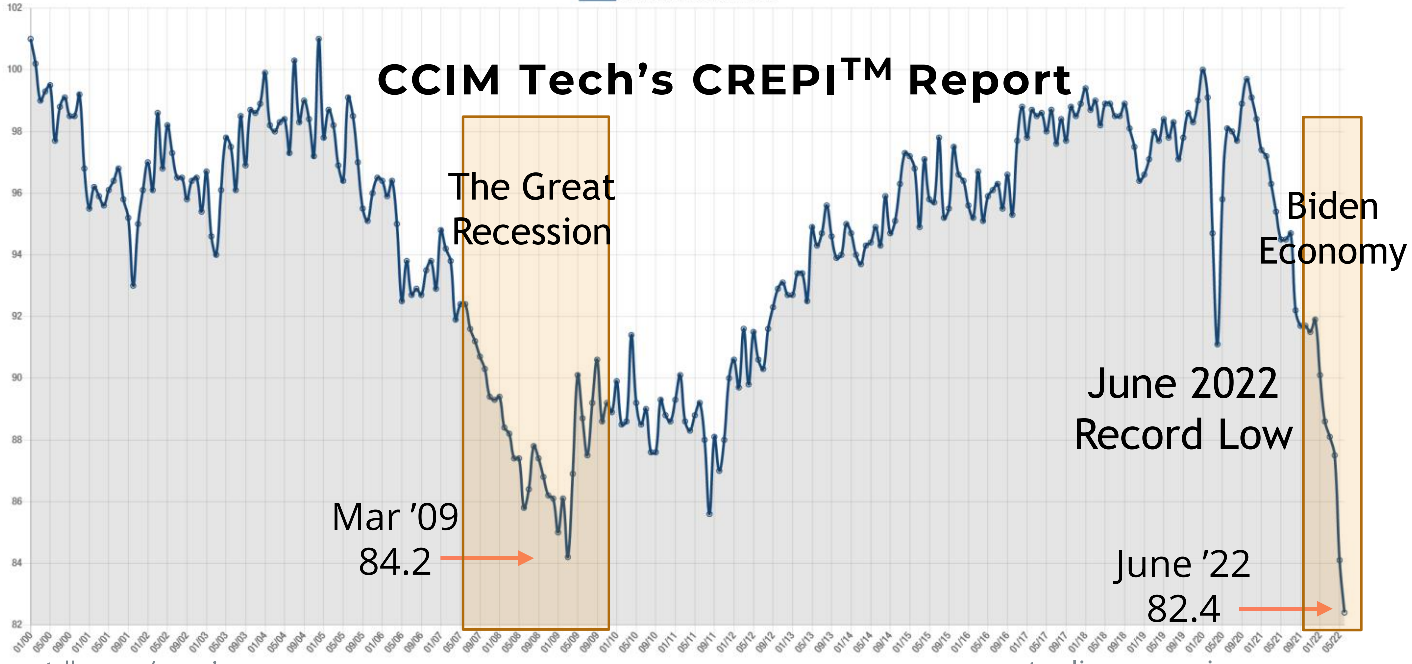


Photo credit: freepik





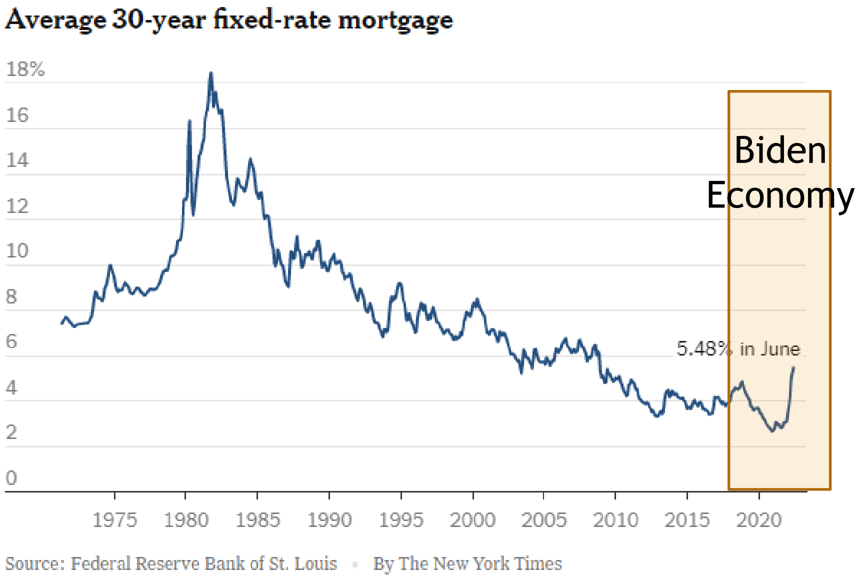


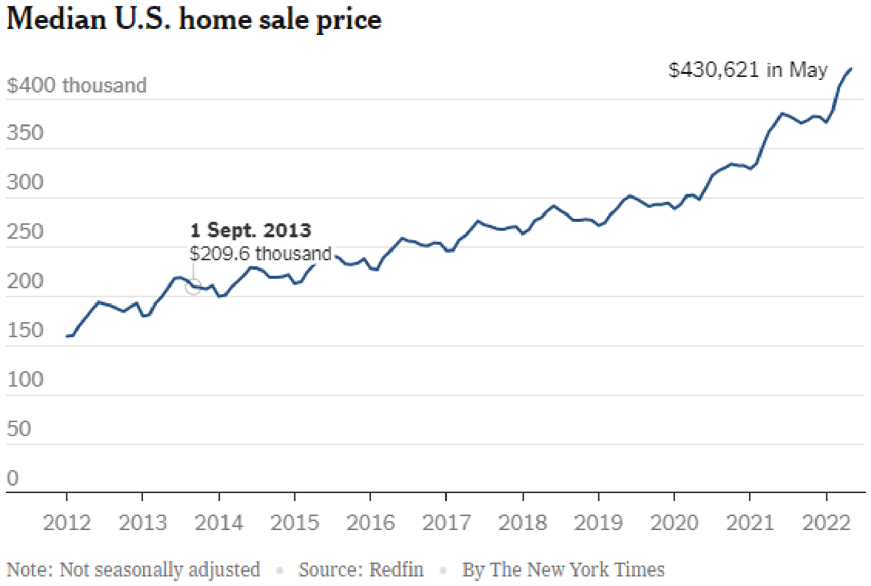
stdb.com/crepi tradingeconomics.com

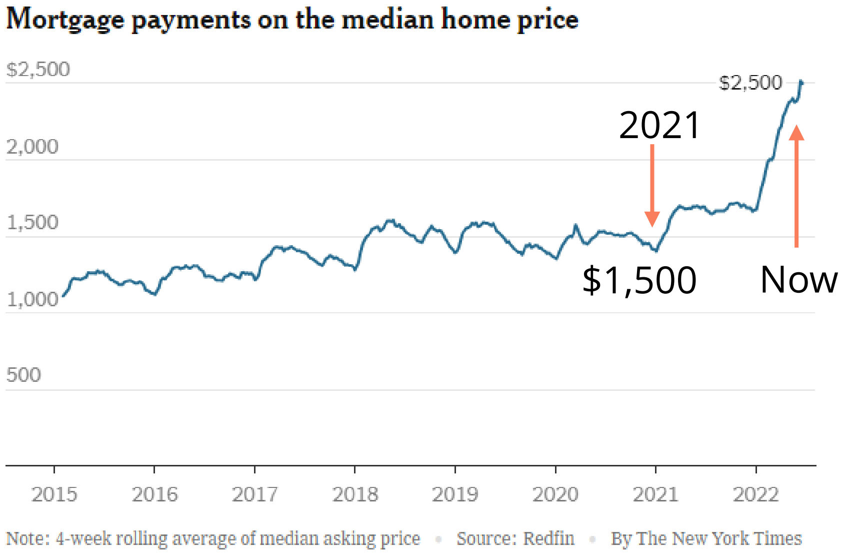
CREPI™ Data Components

1. University of Michigan Consumer Sentiment Index
2. NFIB Business Confidence Index
3. Yield Curve Spread between 10-Year & 2-Year Treasuries
4. NAHB / Wells Fargo Housing Market Index
5. BEA Personal Consumption Expenditures Price Index
6. BLS Producer Price Index
7. BLS Job Openings and Labor Turnover Survey
8. BLS Civilian Labor Force Participation Rate
9. S&P 500 Index
10. Green Street Commercial Property Price Index

Baffling Housing Market





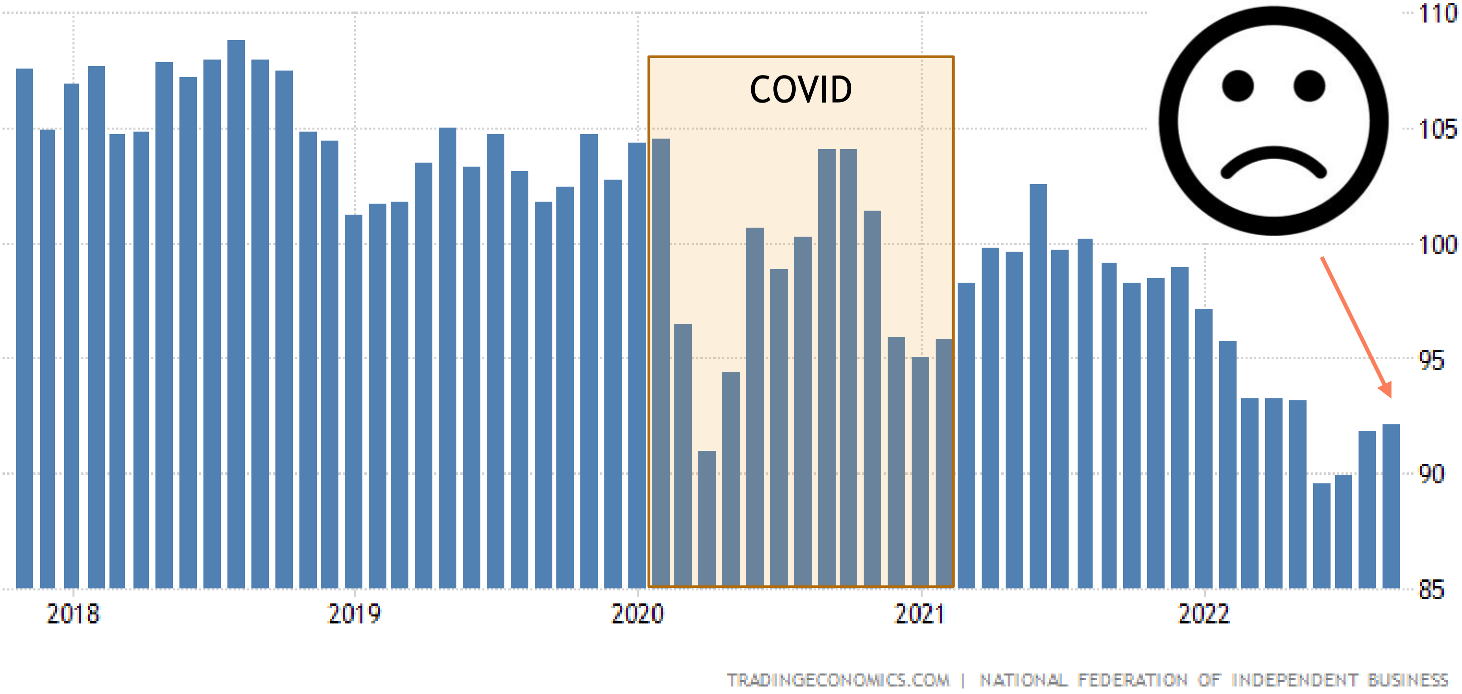


nytimes.com

NFIB Small Business Optimism Index

Confidence up as energy cost decline

- 29% of owners reported inflation was their most important problem in operating their business
  - Down 8 points from July, which was the highest since Q4 of 1979.
- The share of owners expecting better business conditions over the next six months increased 10 points to -42%.
  - **The NFIB Small Business Optimism Index is still well below the historical average of 98.37%.**



RED SHOE ECONOMICS

TOP BUSINESS LEADERS' PREDICTIONS

"There's more deflation than inflation." "The Fed's decisions make sense if you're looking through the rearview mirror, but not if you look out the front windshield."

- Elon Musk, Tesla CEO

"We're barreling toward a "worldwide recession"

- Raj Subramaniam, Fedex CEO

"Anybody who thinks we're not in a recession is crazy"

- Gary Friedman, Restoration Hardware

"Reasonably good chance" the economy will have "soft-to-bumpy landing"

- Chris Nassetta, Hilton CEO

The nation is the "least prepared" to face a recession than he's ever seen

- Robert Nardelli, Former Home Depot and Chrysler CEO

"Everybody likes to forecast recessions, and there will be one," noting that he thinks inflation has peaked. "It's just a question of when, and frankly, how hard. Is it possible at the end of '23 we have a hard landing? Absolutely."

- Ken Griffin, Citadel CEO

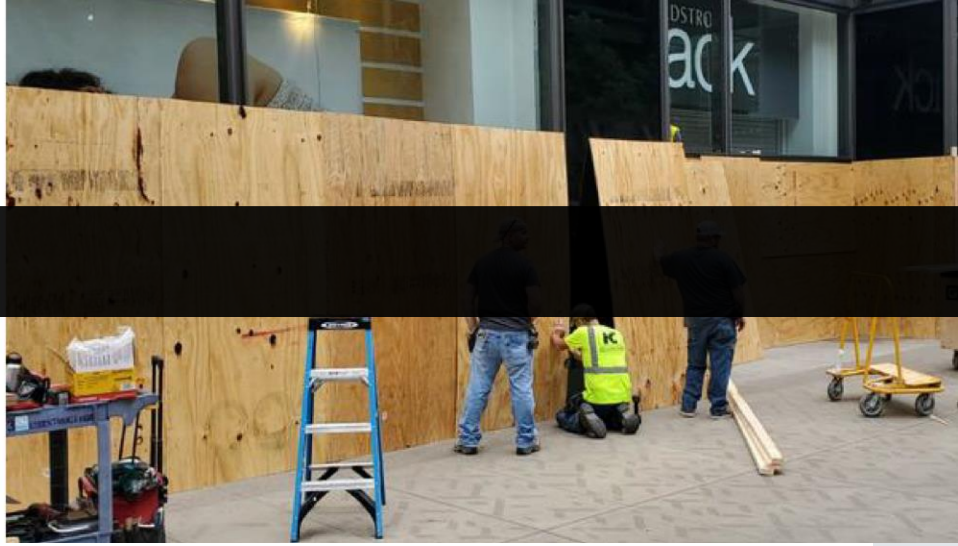
"The economy is "Strong as hell"

- President Joe Biden…

businessinsider.com


2020 FLASHBACK
CHALLENGES & CHANGE

MINNEAPOLIS 2020

- May 2020 (George Floyd Riots)
- 218,000 day-time workers in Minneapolis (51,000 live)
- 10% of office occupancy currently (6% hotels)…ugly for retail & restaurants
- Apartment “X” occupancy dropped from 93% to 76% since May
  - Occupants feel like “birds in a cage”
  - Lack of amenities open (gym, pool, common area)
  - No restaurants, sports, theaters, etc.
  - Defund the police, riots, high crime could hollow out apartments fast
  - Heavy concessions (free rent, cheaper parking)
  - “Value proposition” is dried up

MINNEAPOLIS 2022

- 35-45% Office Occupancy
- 5 Office Buildings back to lender this month!!!
- Record high crime
- Empty Skyways
- Lack of police
  - 626 sworn officers (as of June 2022)
  - Minneapolis Charter requires minimum of <u>731</u> !!!
- Response time
  - 911 response time – 8 ½ minutes avg – Now 16 minutes avg if at all

THRIVING SUBURBS

- Q3 VACANCY
  - Big Box – 3.3%
  - Small Shop – 7.6%

- Lack of new construction + economy driving demand

- 5 Junior Boxes
  - Can’t find space in Roseville

Suburban Submarket – Q3 2022

Type	Bldg	Inventory	Available	Vacant	Absorption	Rate
Big Box	570	37,792,435	906,495	1,248,786	10,238	3.3%
Small Shop	1,087	33,438,045	2,730,873	2,553,617	91,788	7.6%

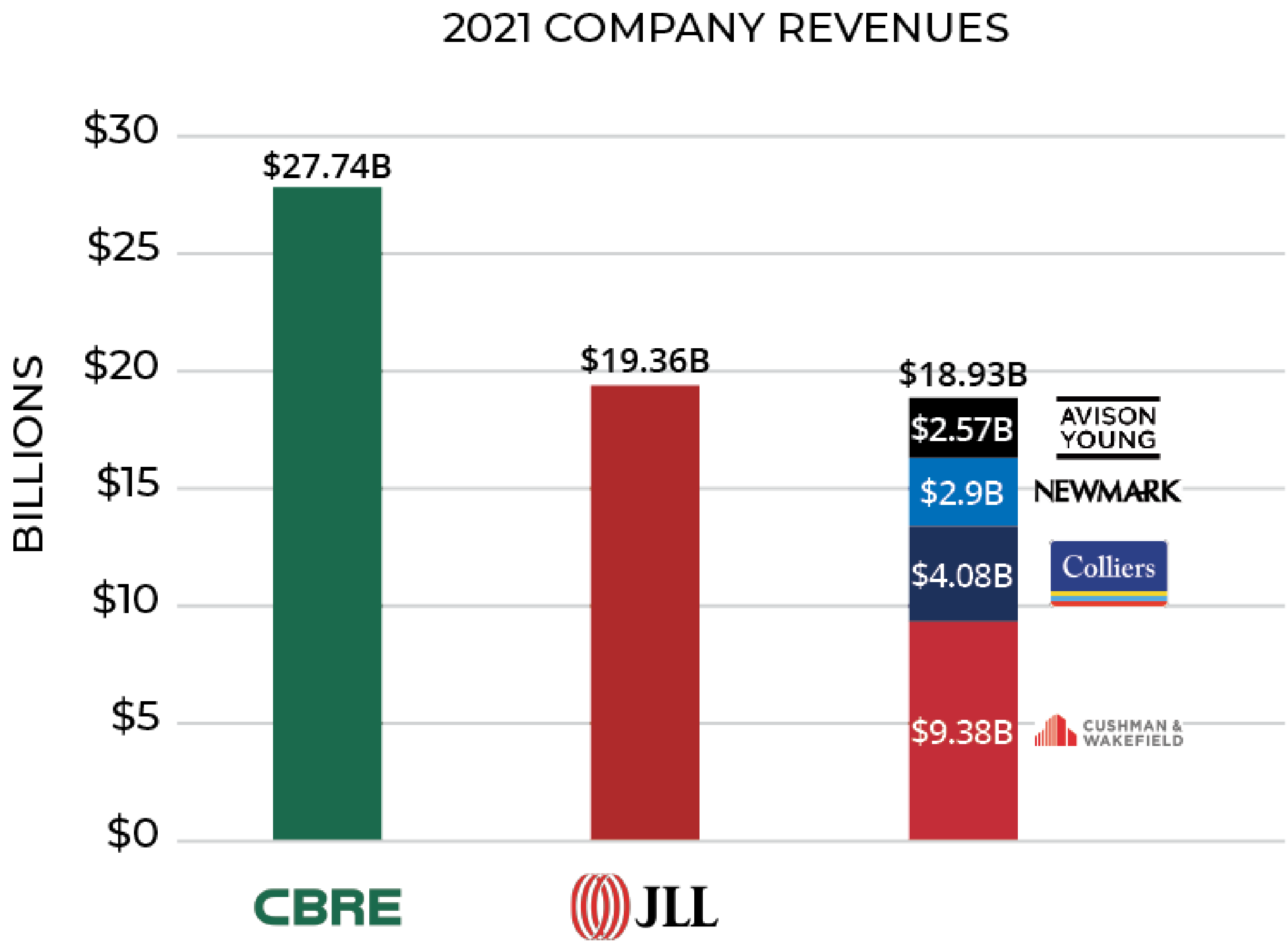
Small Shops - Mixed Use, Neighborhood Center, Strip Centers


SIMMONS 2024 PREDICTIONS

- Market drastically worse in 6 months

- REITs + Large Retail Shopping Center Co. will control most of Class A Retail (Sterling, Pine Tree Phillip Edison)
  - Impacting bottom line especially for retail only brokerage houses around the country
  - Local client relationships will become key to survive
  - National landlord clients will compensate local brokers tenant rep less moving forward
  - Less and less local exposure
    - ie Crossroads, Har Mar, Centennial Lakes
    - 6 leasing signs in Roseville. . . 2 or 3 in 2024
  - CBRE/JLL will continue to gain market share on investment sales of Class A centers
  - Upland, Transwestern and others will do well on NNN Sales
  - Yes, there is a bright side for brokers. . .
Small Vacancies = Transactions/Income

INVESTMENT SALES



RocketReach

DEVELOPMENT

Central Park Commons | Eagan
Built 2016
CSM/John Johannson

CityPlace | Woodbury
Built 2015
Elion / Kraus-Anderson

no new power centers built since


SALES
what my friends think I do
what my mom thinks I do
what society thinks I do
what customers think I do
what I think I do
what I really do

THANK YOU!

CHRIS SIMMONS

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