

THE ECONOMIC OUTLOOK

23RD ANNUAL GROWTH AND
REAL ESTATE SUMMIT
MARINA INN GRANDE DUNES

MARCH 18, 2022

ROBERT F. SALVINO, PH.D.



West Coast ports: LA's port congestion ...
joc.com



Ports of Los Angeles and Long Beach ...
westcoastarea.com



Long Beach ports delay container fees ...
dailybreeze.com



the Port of Los Angeles is Moving Cargo ...
lemag.com



Singapore port congestion pushing up ...
thelocaldata.com



Ports of Los Angeles, Long Beach taking ...
freightwires.com



Port of Los Angeles reports 36.8 ...
qjet.com



Congestion at Port of Rotterdam may ...
meridimagateway.com



Meerik diverts ships from UK due ...
shippingwatch.com



COVID-19 Continues to Damage Business ...
itnews.com



Western port elms ...

Europe stuck with port bottlenecks ...
joc.com

California ports ...
calmatters.org



Shipping container ...
thetraveltips.com



2 Family Homes for Sale in Queens NY

Shipping congestion at Los Angeles ...
qjet.com

Today's Pickup: Port of Los Angeles ...
freightwires.com



Shipping containers should keep moving ...
news.cn



Port of Los Angeles Sees Cargo Volumes ...
gogetin.com



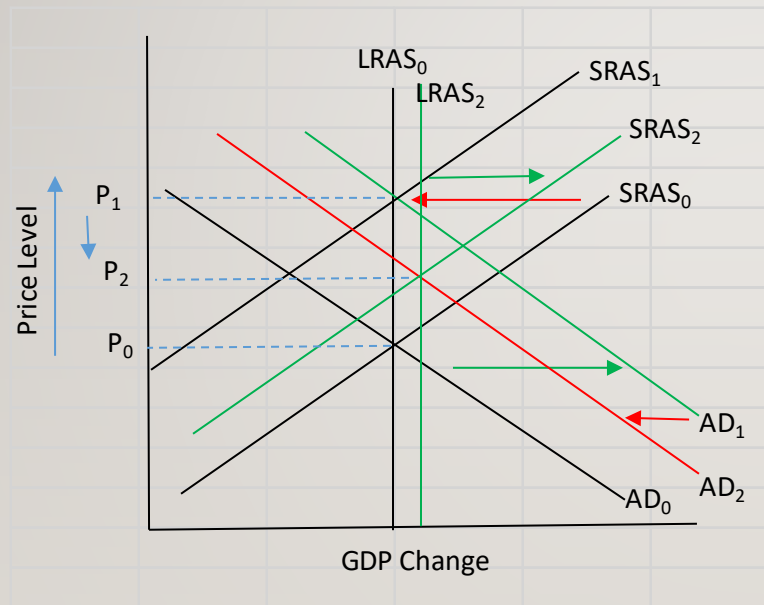
That's basically what's happening, economically-speaking.



-
- Thank you.



IT REALLY IS ALL ABOUT **SUPPLY AND DEMAND**



- But this time, the aggregate choice between Labor and Leisure defines the sub-market outcomes, and where and how people want to live and work.
- Housing
- Hotels
- Office
- Retail
- Industrial

Let me cover the macroeconomics quickly...



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SINCE 2012: FED'S INFLATION TARGET: ... 2%

- “What ... if inflation rises to and remains above a tolerable level?”
- “Federal Reserve may be compelled to cut back on its purchases of U.S. Treasury securities...put[ting] upward pressure on bond yields of all maturities.”
- “Higher interest rates would reduce private sector wealth and increase the cost of borrowing...reduce private sector spending, slowing economic growth.”
- “It would also serve to increase the government’s carry cost. This, in turn, could result in a set of government austerity measures, which could propel the economy into a deep recession.”

December 4, 2020 David Andolfatto, Senior VP at the St. Louis Fed

Source: <https://www.stlouisfed.org/publications/regional-economist/fourth-quarter-2020/does-national-debt-matter#authorbox>



QUESTION: IS 8% TOLERABLE?

- Apparently not.
- “Americans should prepare themselves for a temporary burst of inflation.
- “Should the inflation rate suddenly spike, this is not a signal to tighten monetary or fiscal policy, as long as the spike is temporary.
- *Apparently this inflation is not temporary either.*

OK, Back to the underlying microeconomics...

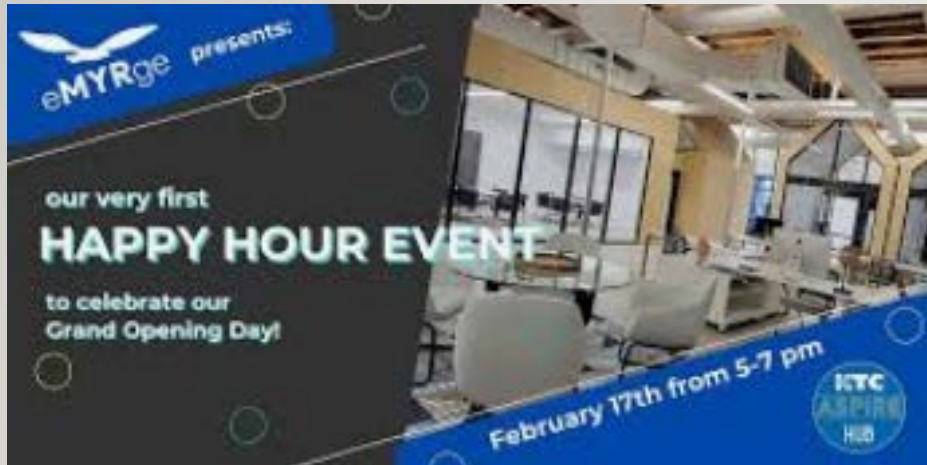


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PARADIGM SHIFT ALREADY UNDER WAY

- Migration to Sunbelt.
- Retirement of Boomers.
- E-commerce balance shift from brick & mortar. No surprise, nothing new.
- 1980's tech innovations started this shift.
- Pandemic simply catapulted the trajectory.

ANECDOTE: COWORKING SPACES



- CoworkMYR ahead of its time.
- eMYRge/HTC Aspire Hub may have the timing right.
- Consider MICROSOFT rumors and many other remoters.

ALL BODES WELL FOR GRAND STRAND IN THE LONG-RUN

- Consider each real estate sector.
- Almost a list of good luck happenings for MB.



INDUSTRIAL REAL ESTATE



- 90% of major markets are in expansion phase. No other sector is even close to this imbalance. (IRR – 2022)
- Is this over zealous? Will people significantly slow online purchasing?
- Only to the extent income constrains it.
- The habit is formed. (See the book, *Atomic Habits*)

HOUSING REAL ESTATE



- Migration to the Sunbelt.
- Also nothing new, just heightened.
- Is it sustainable?
- Will baby boomers change their preferences and habits?

Sectors affected:

Single-family

Multi-family

Senior housing



RETAIL REAL ESTATE



- Suburbs dominating the space, also nothing new but significantly heightened.
- Retail supports living – how do people want to spend their time and shop (the shopping not done through e-commerce)
- New retail desired over older retail.
- Experiential over necessities (Top Golf, Market Common-esq)
- Multiple entertainment options, outdoor seating, multi-purpose paths, attractiveness and attractions.
- Malls are largely out; still. (except in SoCal)



OFFICE REAL ESTATE



- MB was fortunate here - there wasn't much here – its balance is toward leisure.
- The office sector has suffered the biggest blow of c-19.
- *Memento mori*. Many people don't want to work in an office. Times have changed. It's not the escape it once was. You used to be able to smoke and drink in your office – that was awesome, but it is no more. (Don't look at me – you baby boomers)

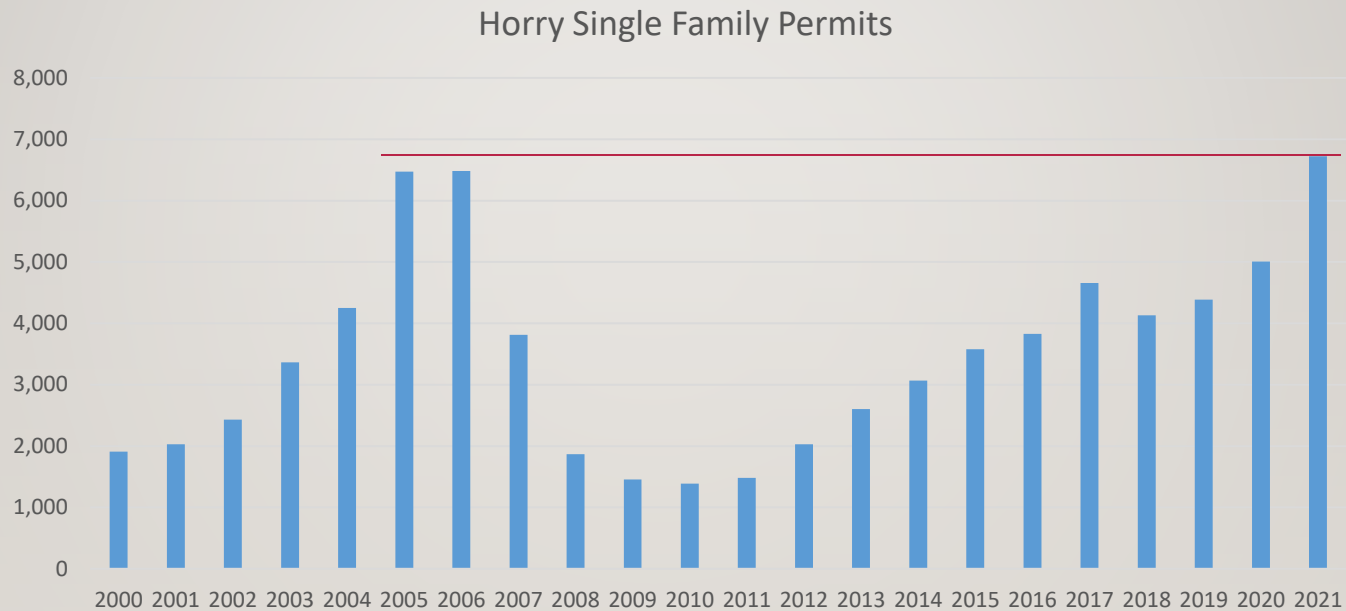


LEISURE AND HOSPITALITY REAL ESTATE



- Again, Myrtle Beach lucky here.
- Hotels in beach destinations are the few positives.
- Golf has experienced a return – labor/leisure tradeoff.
- If you're not at the office, you're golfing at the beach.

A CLOSER LOOK AT BUILDING AT THE BEACH



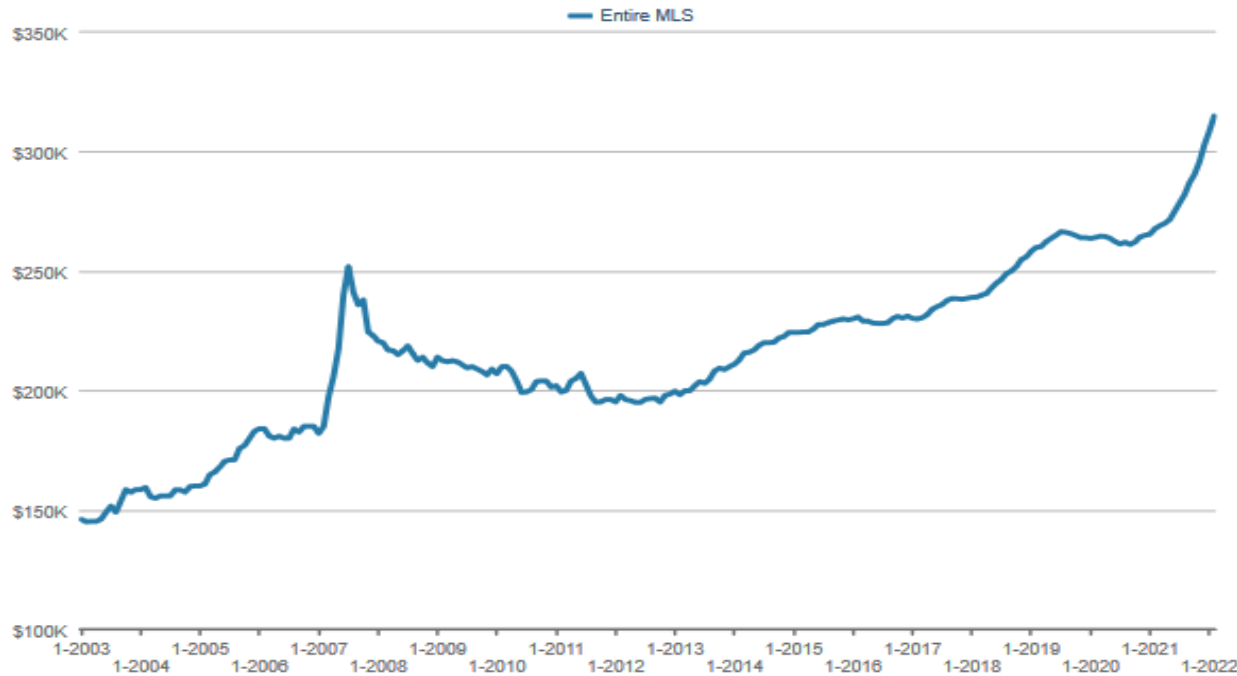
SINGLE FAMILY NEW-BUILD PRICES

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Median Sales Price



Each data point is 12 months of activity. Data is from March 11, 2022.

All data from the Coastal Carolinas Association of REALTORS®. InfoSparks® 2022 ShowingTime.



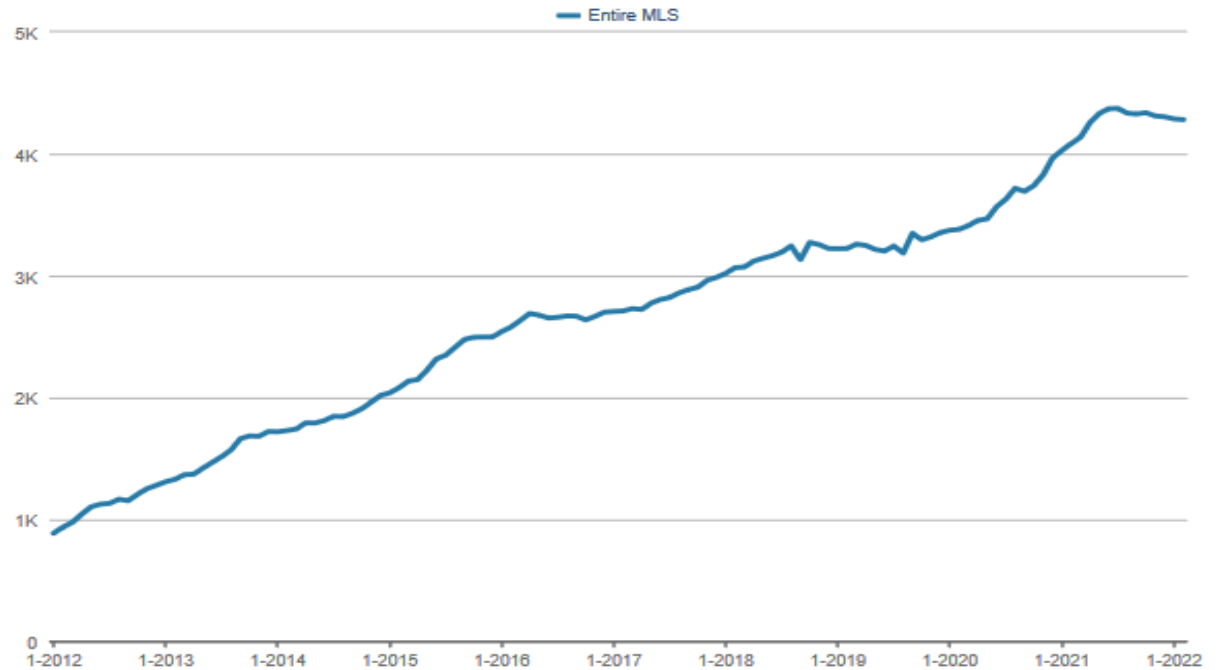
SF NEW-BUILD CLOSINGS

Robert Salvino
Coastal Carolina University

rsalvino@coastal.edu



Closed Sales



Entire MLS: New Construction, Single Family
Each data point is 12 months of activity. Data is from March 11, 2022.

All data from the Coastal Carolinas Association of REALTORS®. InfoSparks® 2022 ShowingTime.

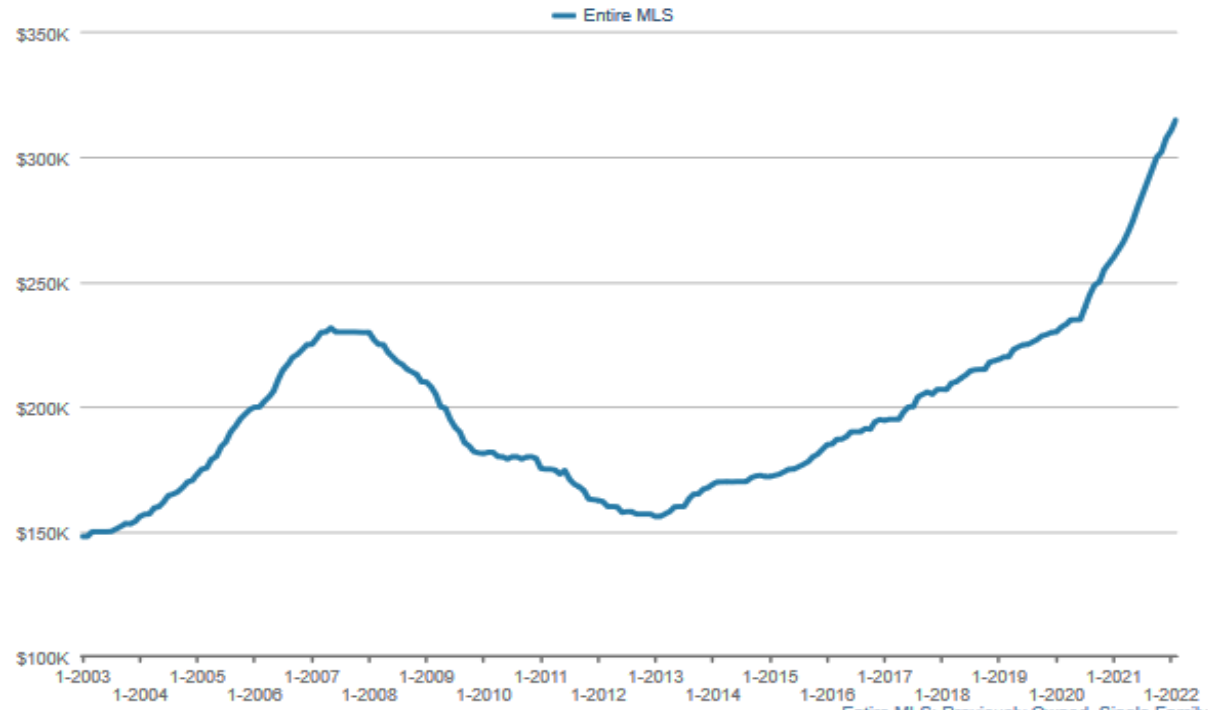
SINGLE FAMILY PRE-OWNED PRICES

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Median Sales Price



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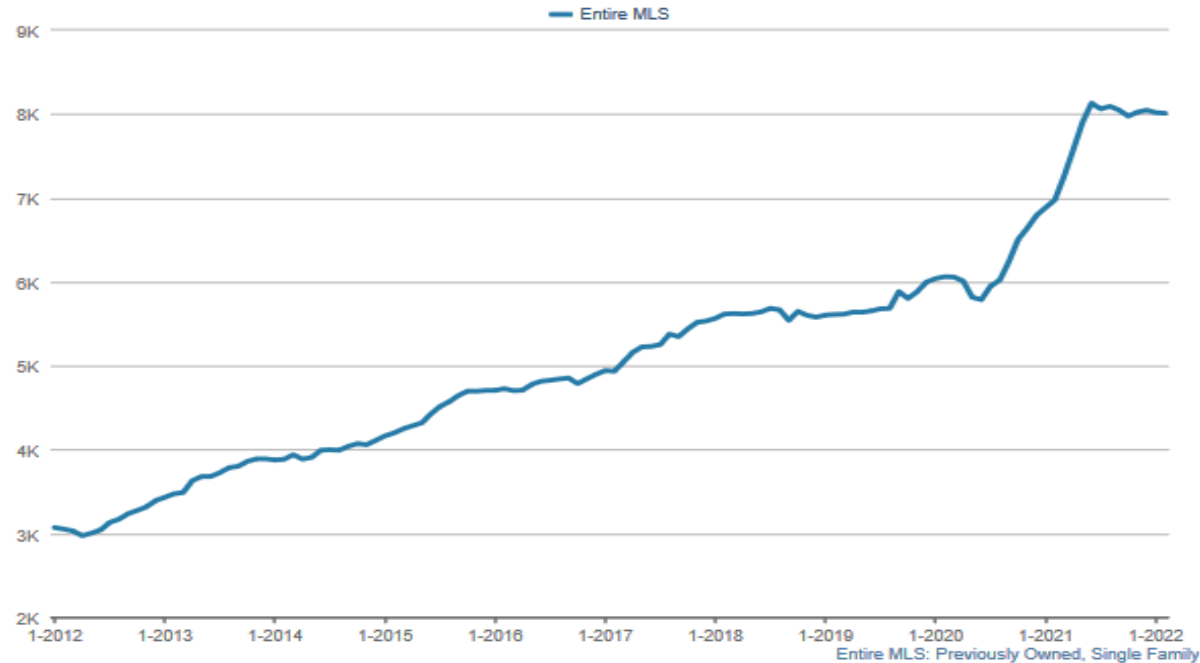
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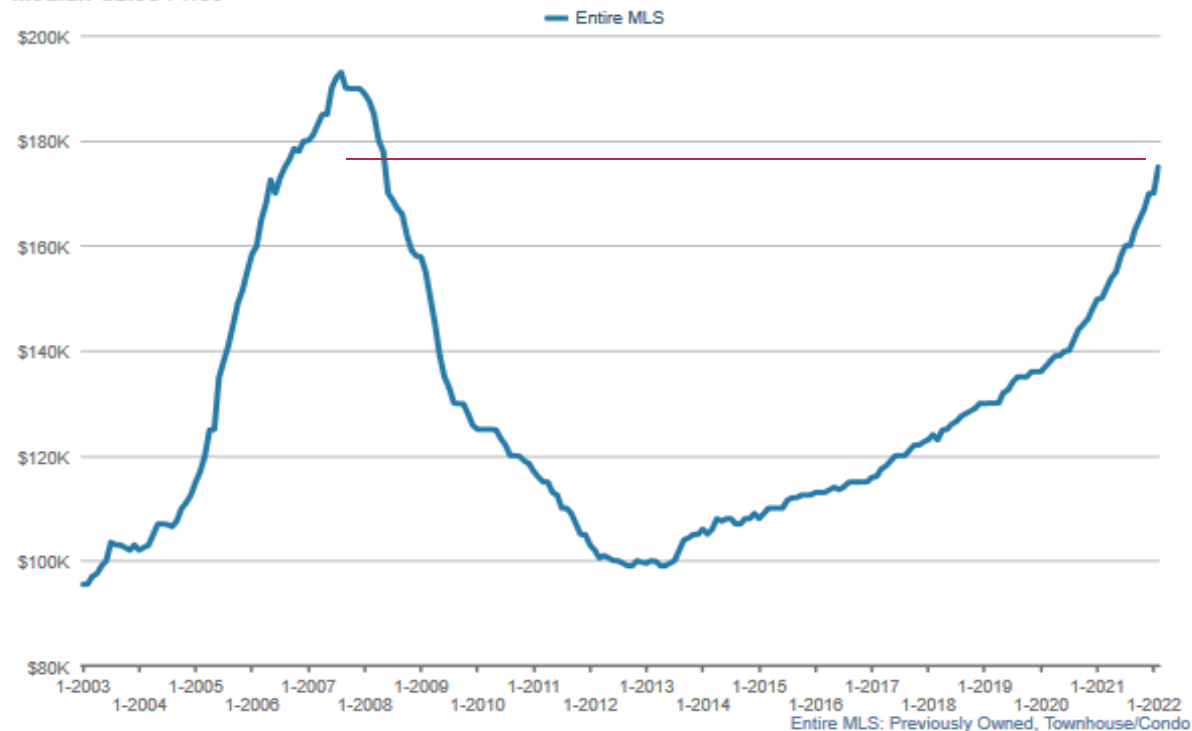
CONDO PRE-OWNED PRICES

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Coastal Carolinas
Association of REALTORS®

Median Sales Price



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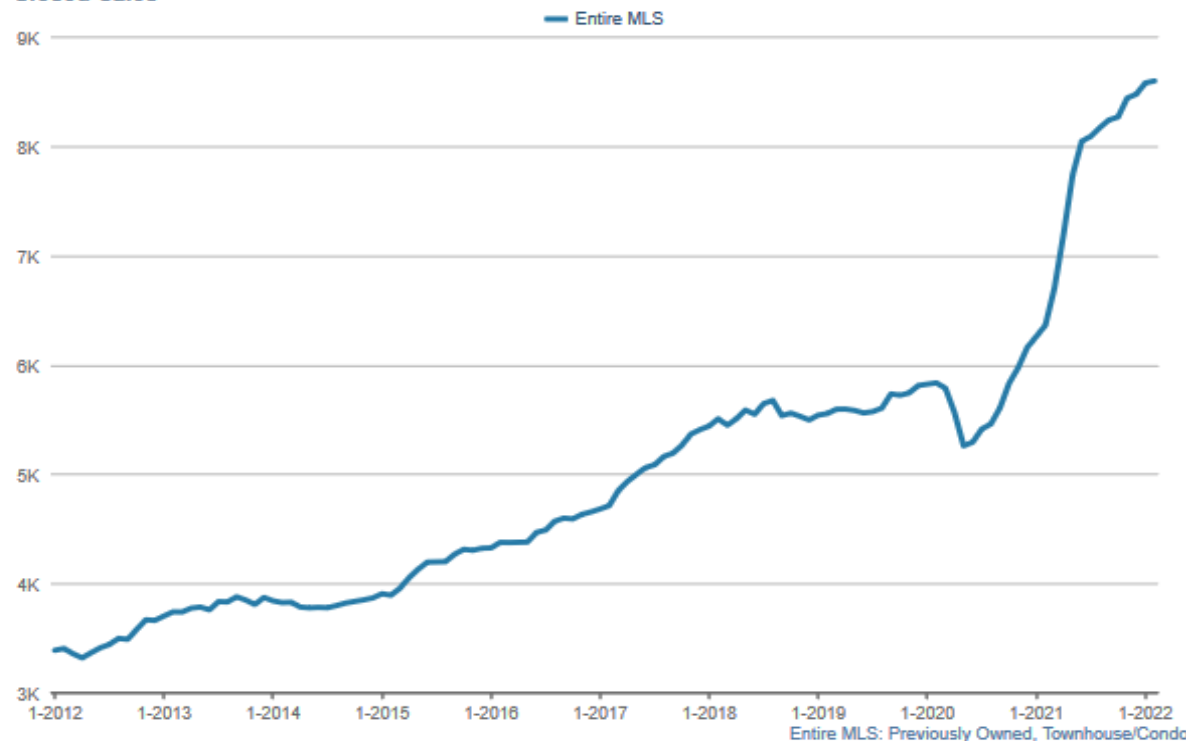
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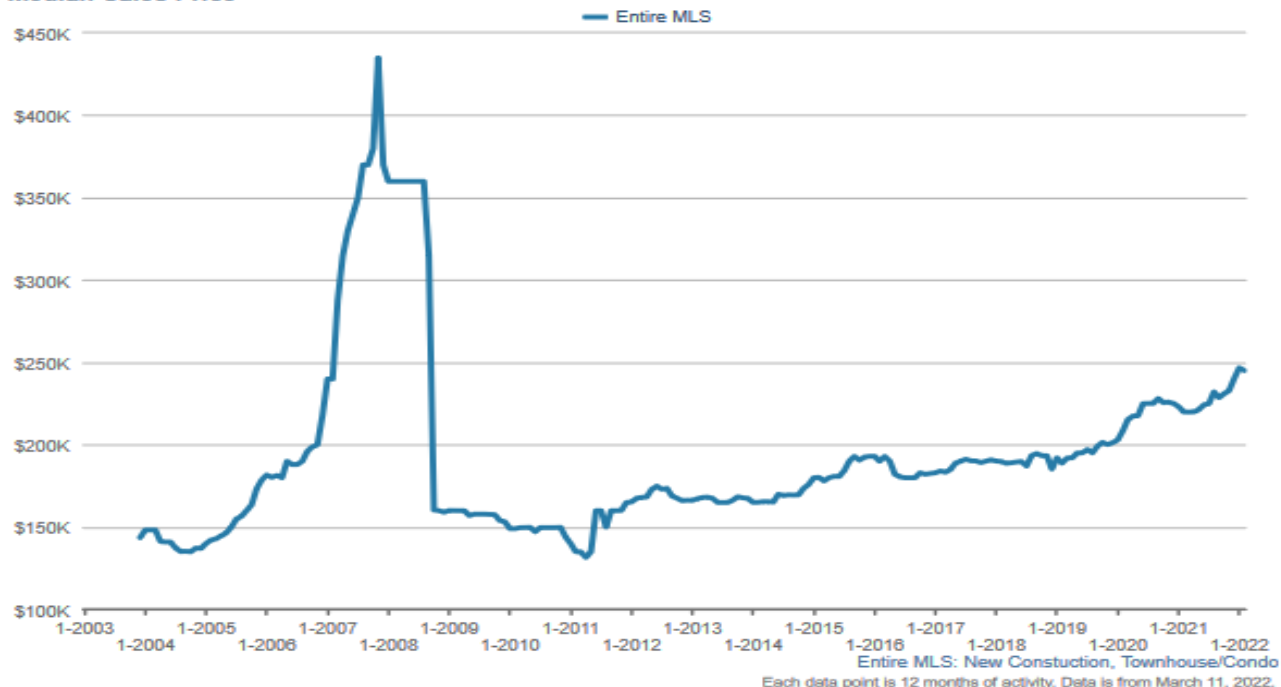
NEW CONDO PRICES

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Median Sales Price



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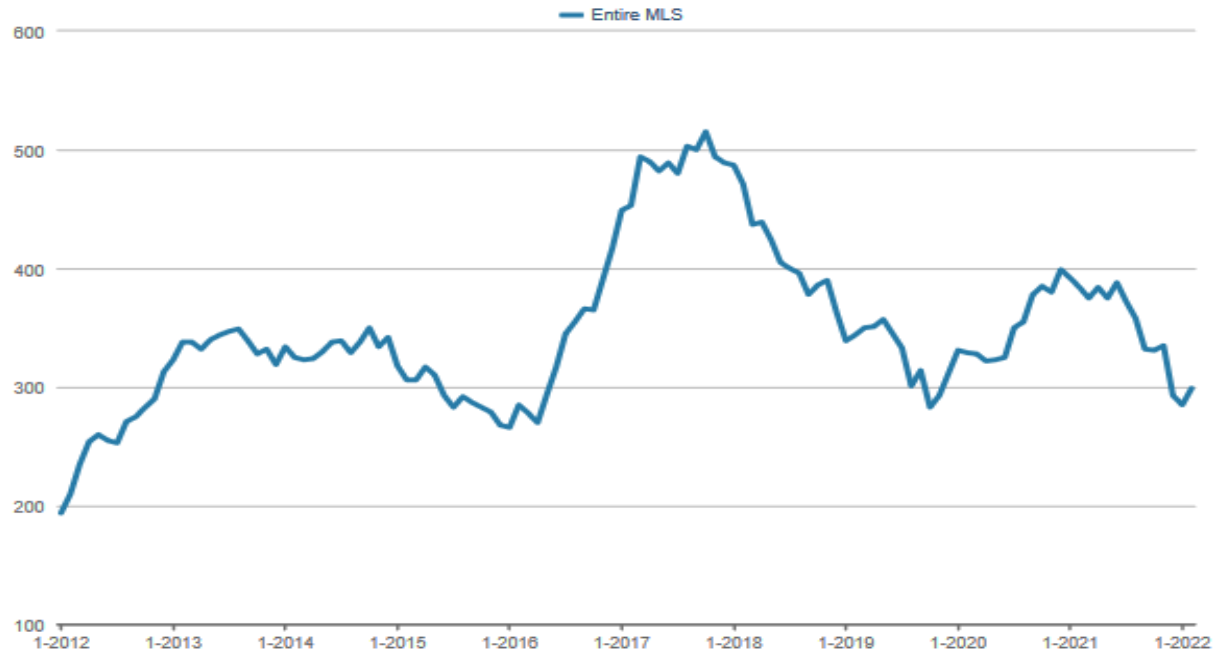
NEW CONDO CLOSINGS

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Closed Sales



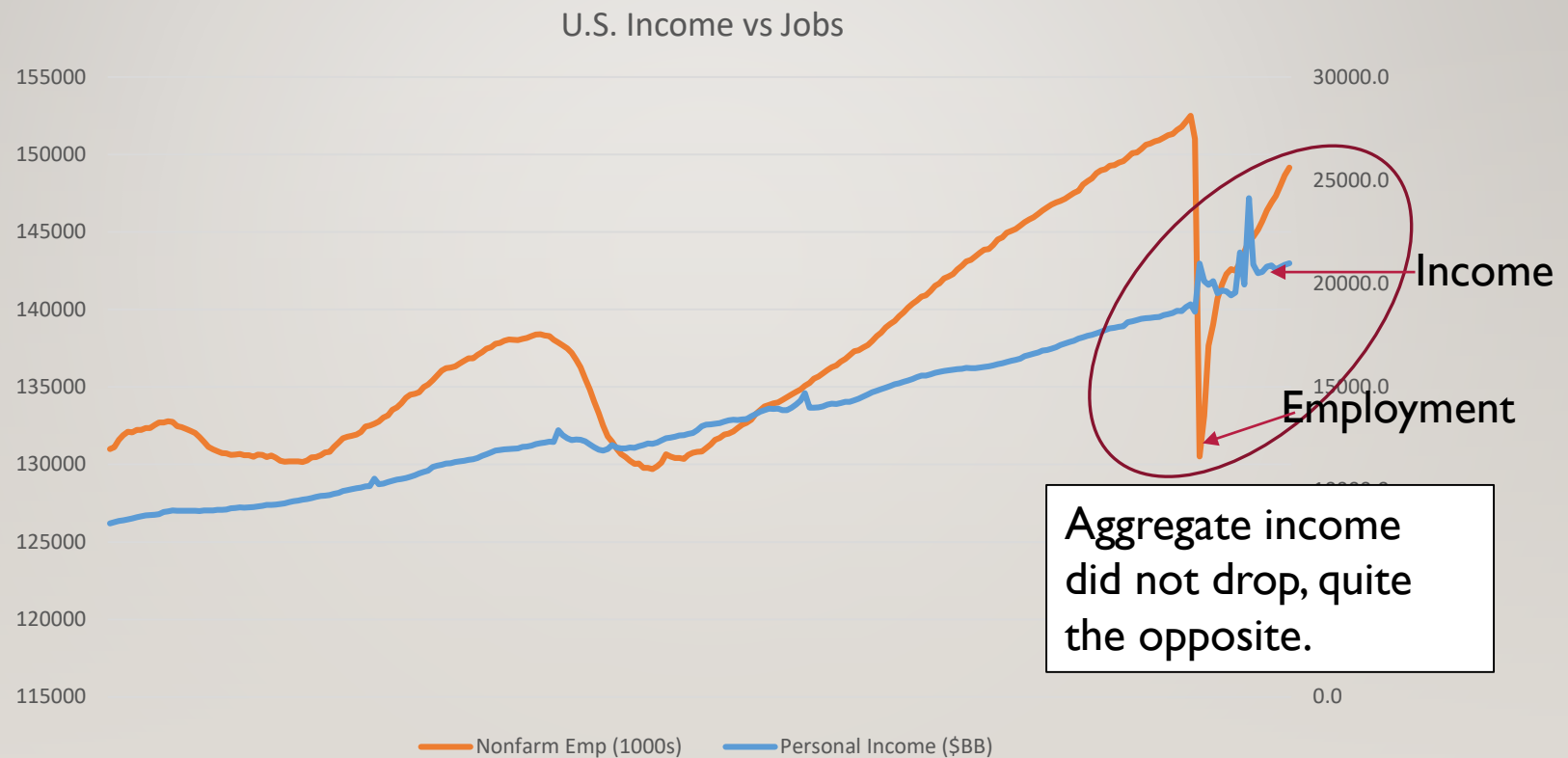
Entire MLS: New Construction, Townhouse/Condo
Each data point is 12 months of activity. Data is from March 11, 2022.

All data from the Coastal Carolinas Association of REALTORS®. InfoSparks® 2022 ShowingTime.



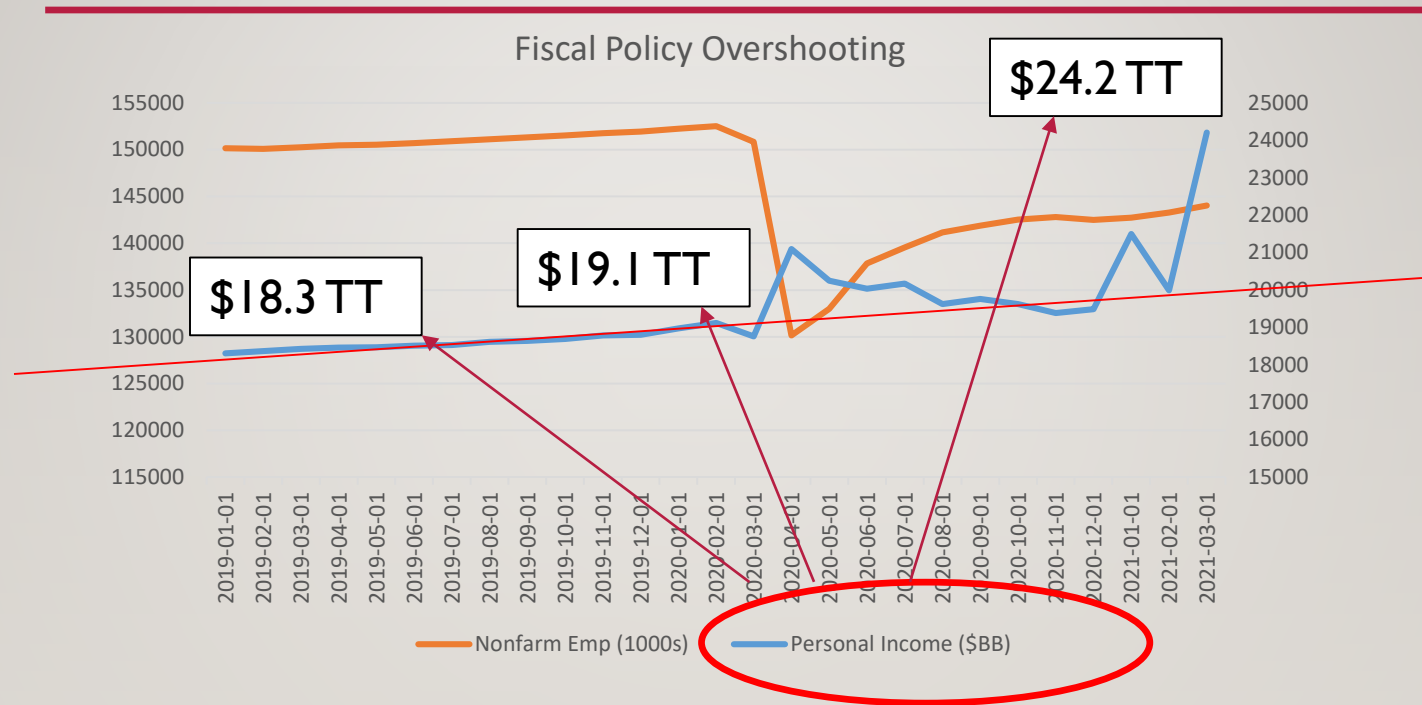
THIS WAS NOT YOUR ORDINARY BUSINESS CYCLE:

NOT THE RECESSION NOR THE EXPANSION!





WHY (HOW) \$5 TRILLION OF NEW GOV'T. TRANSFERS?



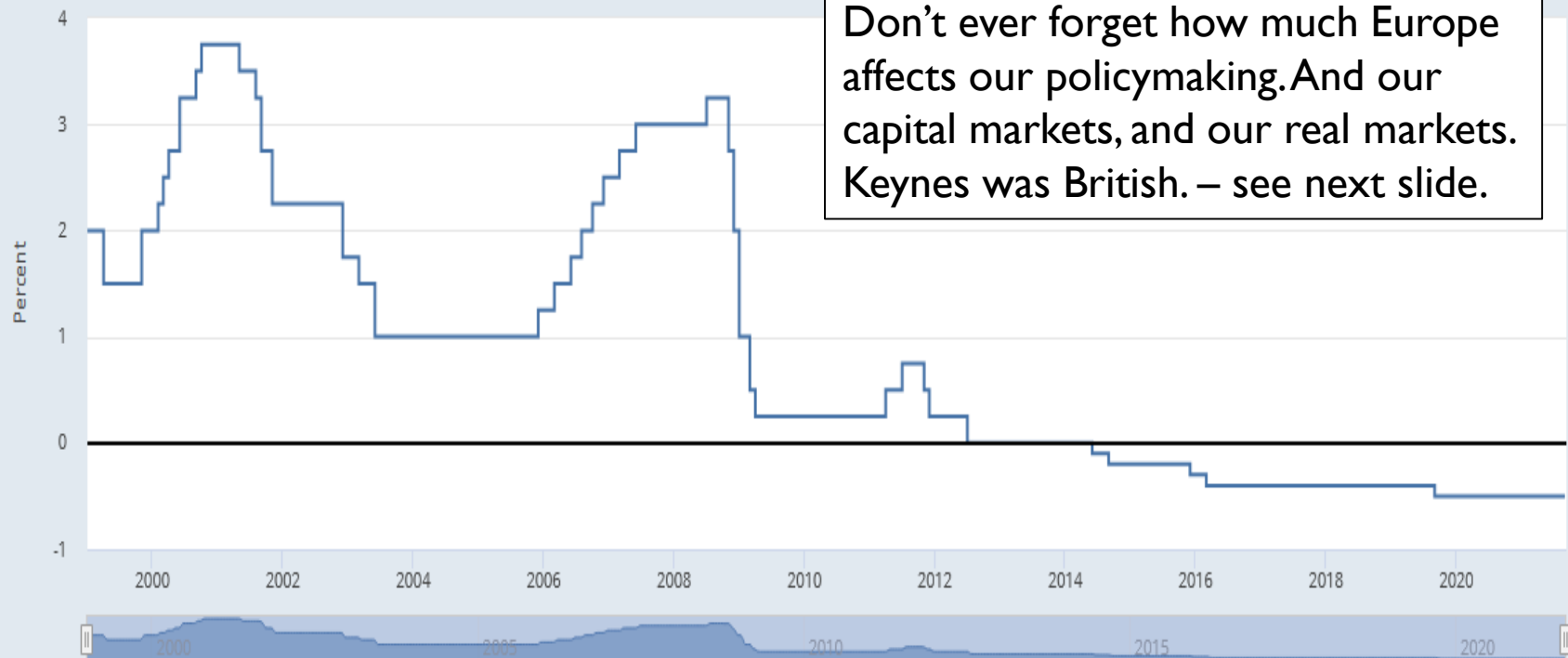
TRY TO PUT \$5 TRILLION IN PERSPECTIVE (CAUTION: THIS MATH WILL MAKE NO SENSE)

- \$5 Trillion is:
- If given to everyone in the U.S., \$15,000 extra per person, now! Not over time.
- On top of the \$57,000 per capita pre-Covid base.
- But it's not for everyone.
- If given to the 8.5 million lost jobs at the time of impact, that is \$580,000 per job.
- The point is, it helps explain the inflationary period immediately after collapse, combined with the fact so many fewer people were working.



GLOBAL PERSPECTIVE IS IMPORTANT

FRED — ECB Deposit Facility Rate for Euro Area



Don't ever forget how much Europe affects our policymaking. And our capital markets, and our real markets. Keynes was British. – see next slide.

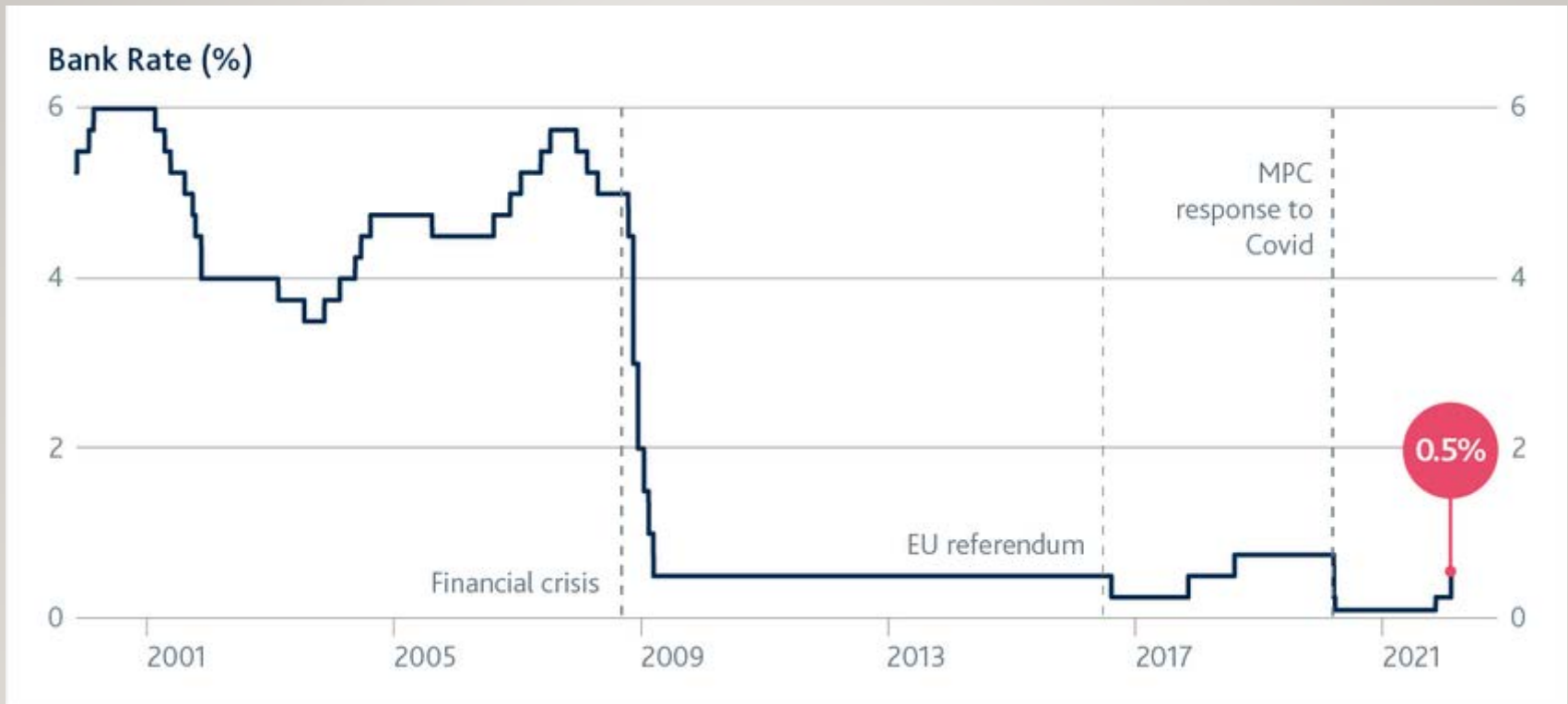
Source: European Central Bank

fred.stlouisfed.org





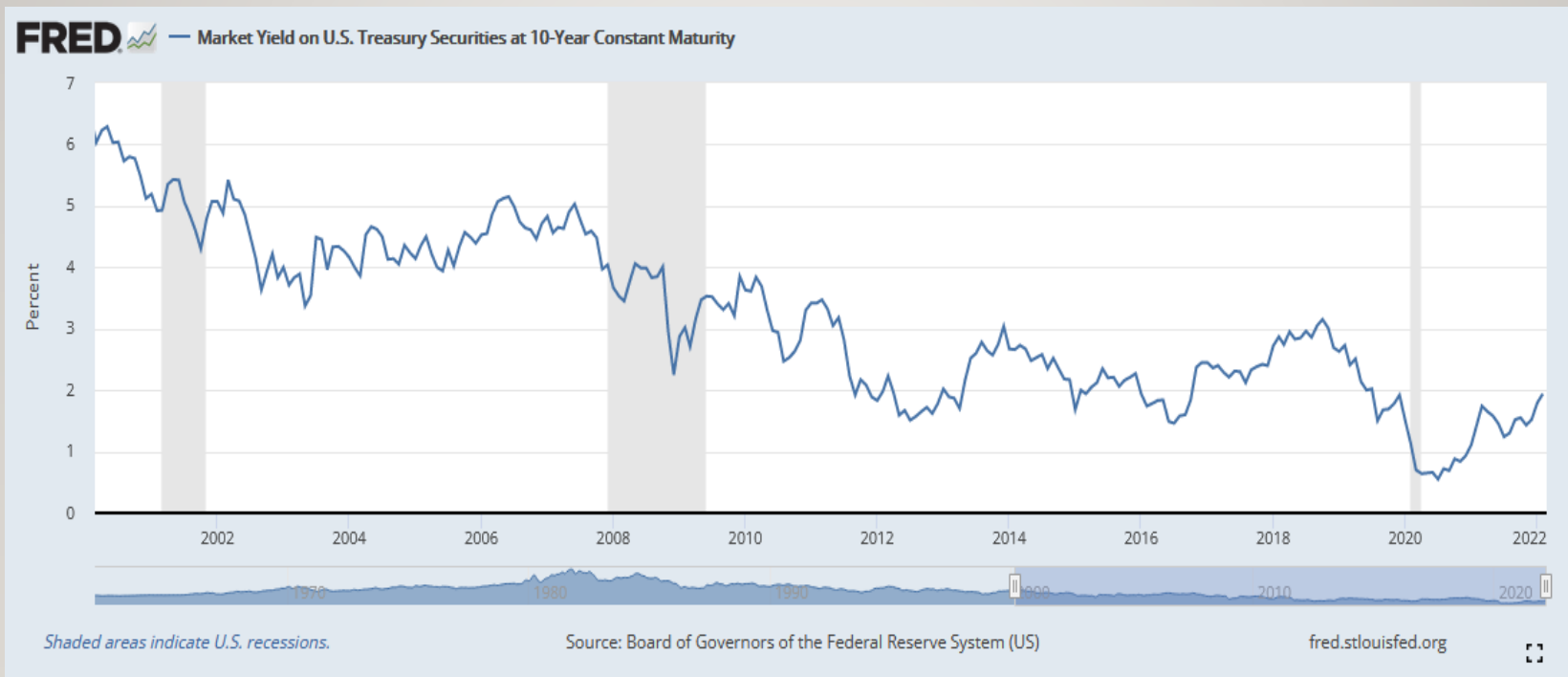
BANK OF ENGLAND RATE TREND



Source: Bank of England



U.S. 10-YEAR TREASURY CONSTANT MATURITY RATE



Source: Board of Governors of the Federal Reserve System

BEFORE COVID: THE U.S. WAS EXPERIENCING

- Longest U.S. economic expansion in modern history.
- But also the weakest (2% GDP per year max).
- Lower labor force participation throughout expansion.
- Residential investment strong.
- Low interest rates.
- Trade uncertainty, particularly with China.
- ... In 2022, Add Russia to the list.



COVID HIT

- The silence was deafening.
- The government-induced recession in the U.S. did not last long.
- The recovery has been bizarre; b/c policy has created perverse constraints and incentives.
- \$5 trillion of government transfer payments.
- Even lower labor force participation.
- Residential, and all other investment strong.
- Even lower interest rates. (Now rising slowly)
- Trade absurdity, with China and everyone else.

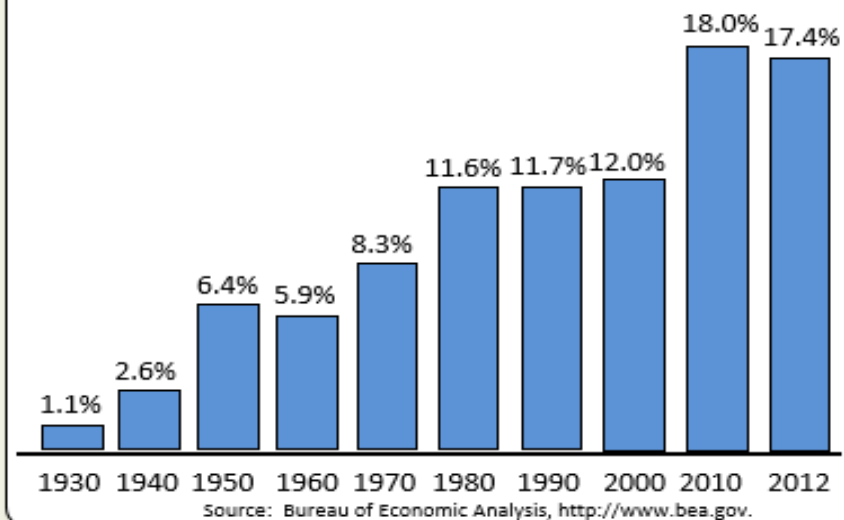


The Growth of Government Transfer Payments

15th
edition
Gwartney, Stroup
Sobel, Macpherson

- **Transfer payments** tax income from some and transfer it to others.
- As is illustrated here, government transfer payments have grown rapidly since 1930.

Transfer Payments as a % of National Income



2021

MARIOTT HAD 10,000 JOB OPENINGS IN SUMMER OF 2021

- July was best month ever for U.S. hotel industry (revenue and room rates – but mostly in the smaller and tourist areas, not the major cities.
- Even as hotels cut hours and services due to staff loss
- More evidence that leisure is winning against labor.

Source: Financial Times and P(Gain) newsletter

2022 TO 2019 REVPAR CHANGE

	Current Month - January 2022					
	Occ %		ADR		RevPAR	
	2022	2019	2022	2019	2022	2019
Atlanta, GA	52.8	65.2	106.16	124.44	56.05	81.08
Boston, MA	40.4	54.4	128.78	143.81	52.02	78.25
Chicago, IL	35.4	47.8	101.89	104.15	35.98	49.57
Dallas, TX	54.4	62.0	102.27	113.06	55.65	70.07
Denver, CO	51.9	59.8	108.25	116.41	56.21	69.56
Detroit, MI	44.6	53.1	94.57	109.00	42.21	57.92
Houston, TX	46.3	55.7	91.90	101.48	42.53	56.54
Los Angeles, CA	55.6	71.4	167.50	169.99	93.17	121.40
Miami, FL	68.2	78.4	277.70	231.40	189.52	181.38
Minneapolis, MN	38.1	51.2	100.77	105.00	38.33	53.73
Nashville, TN	47.8	56.9	129.42	128.37	61.84	73.09
New Orleans, LA	46.5	64.7	151.45	142.18	70.47	91.94
New York, NY	41.7	71.3	172.64	180.35	71.93	128.52
Norfolk/Virginia Beach, VA	42.9	43.3	86.37	77.48	37.01	33.57
Oahu Island, HI	66.5	82.4	241.64	239.79	158.26	197.70
Orlando, FL	52.1	68.6	155.68	153.54	81.13	105.40
Phoenix, AZ	50.1	74.4	135.01	130.77	79.67	97.30
Portland, ME	40.1	51.8	114.85	113.43	49.35	58.73
Portland, OR	40.1	73.7	158.94	148.80	97.00	109.65
San Francisco/Oakland/Marino, CA	38.1	46.1	94.88	93.39	38.01	43.09
San Jose, CA	38.1	69.1	143.80	149.21	76.84	103.10
San Francisco/Oakland/Marino, CA	38.1	72.8	155.48	298.63	60.86	217.54
Seattle, WA	43.6	61.2	114.51	136.62	49.94	83.66
Tampa, FL	66.7	70.8	147.63	130.45	98.44	92.40
Washington, DC	37.5	50.4	115.19	132.14	43.15	66.57
Top 25 Markets	49.0	62.7	138.24	146.55	67.70	91.95
All Other Markets	47.2	50.7	116.14	110.36	54.77	55.94
United States	47.8	54.6	123.51	123.90	58.98	67.67

The point:
 The closest to MB is Norfolk (fewest office)
 Almost even with 2019

Source: STR

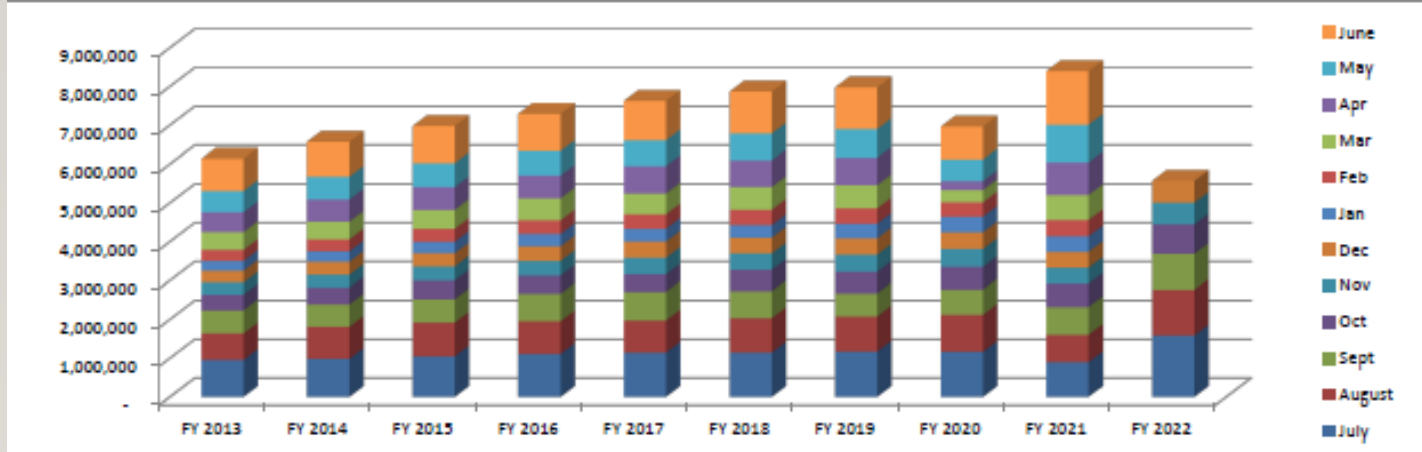
HORRY HOSPITALITY 1%

Hospitality 1% (Unincorporated Area Only)

Fees on Accommodations, Prepared Foods, Beverages, and Admissions (Unincorporated Area only) Shown by month in which the sale took place

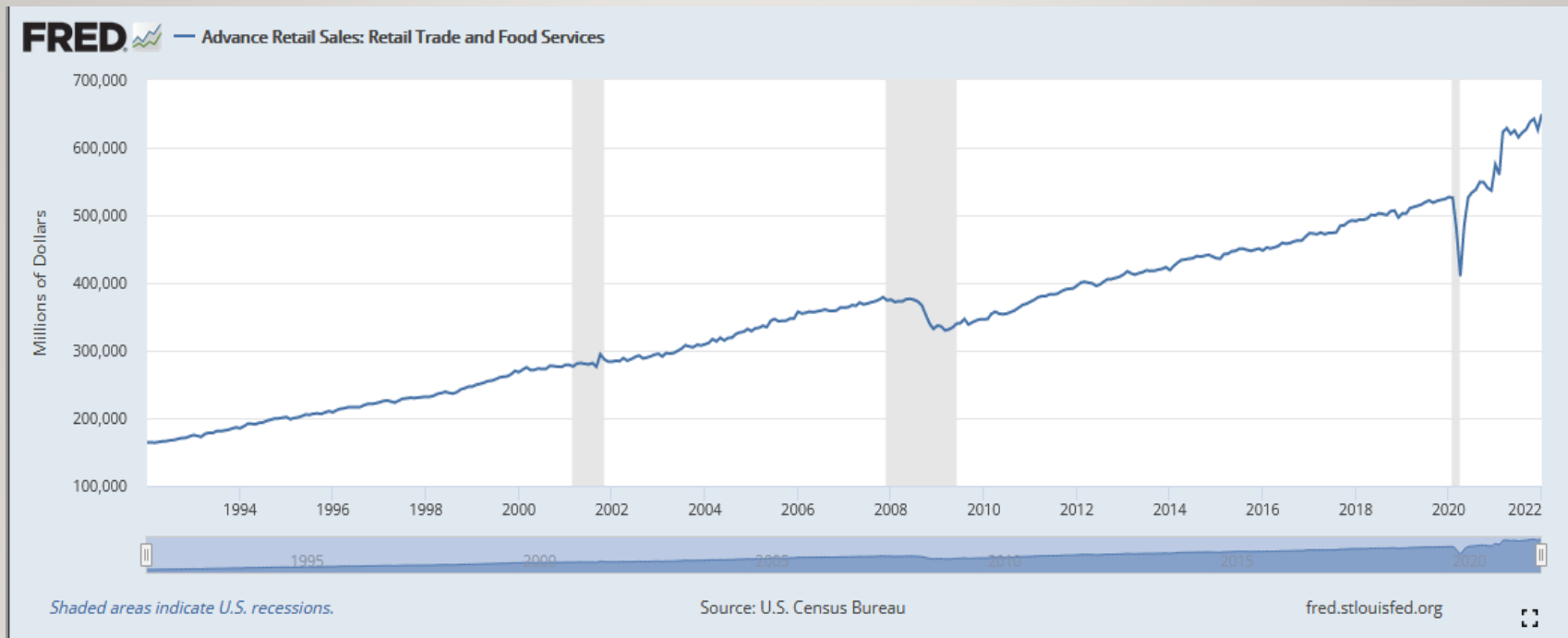
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
July	955,275	985,038	1,048,404	1,108,955	1,143,039	1,144,358	1,169,091	1,164,806	897,837	1,585,900	
August	684,783	826,709	871,787	844,871	827,716	887,910	907,240	954,582	703,761	1,174,243	
Sept	591,767	574,377	599,513	706,316	736,540	692,321	590,716	646,902	715,969	927,381	
Oct	404,677	434,470	479,206	465,121	453,098	549,633	556,725	584,801	600,371	755,898	
Nov	313,625	326,990	360,434	374,974	421,354	423,598	439,833	459,755	409,546	562,182	
Dec	299,958	333,666	341,751	378,790	418,325	403,956	419,685	427,941	406,874	565,549	
Jan	251,676	269,513	293,480	318,345	331,905	323,491	377,761	403,411	402,245		
Feb	285,636	307,125	335,571	352,143	372,770	396,045	396,198	372,489	420,350		
Mar	458,199	456,963	485,630	568,190	536,419	587,687	599,423	316,627	643,554		
Apr	511,823	573,483	591,915	587,077	705,706	684,139	705,072	230,482	841,457		
May	549,655	586,581	614,745	631,869	663,000	691,692	736,815	554,796	966,768		
June	831,630	894,504	954,964	953,182	1,016,330	1,084,467	1,078,415	848,118	1,386,364		
Total for the Year	6,138,703	6,569,420	6,977,400	7,289,832	7,626,202	7,869,298	7,976,975	6,964,709	8,395,097	5,571,154	
YTD Totals	3,250,085	3,481,250	3,701,095	3,879,027	4,000,072	4,101,777	4,083,290	4,238,787	3,734,359	5,571,154	
								Inception to Date	136,636,158	145,031,254	150,602,408

Highest individual month since inception is highlighted in yellow





U.S. RETAIL SALES (\$MILLIONS/MONTH – SA)

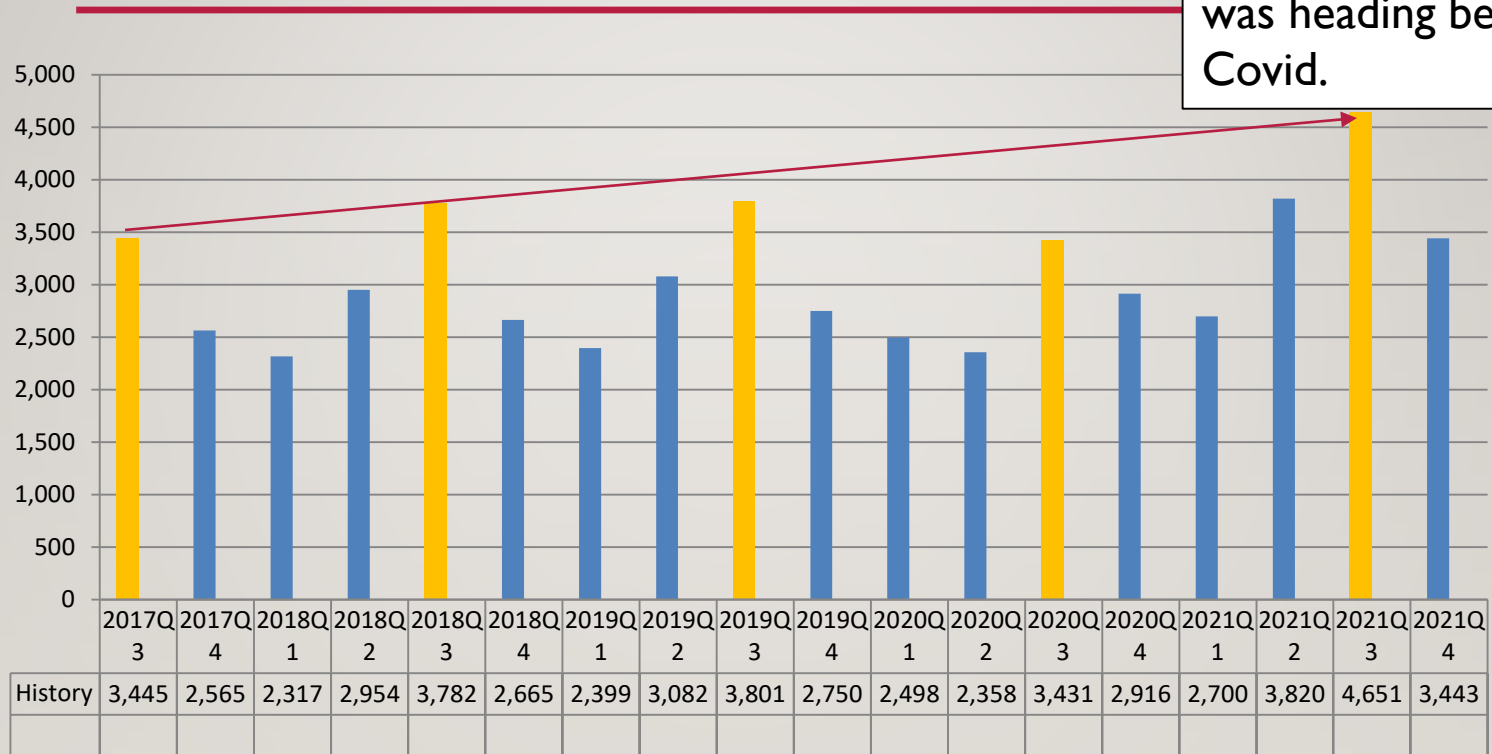


Source: U.S. Department of Commerce



HORRY RETAIL SALES

Summer 2021
about where it
was heading before
Covid.



Source: SC Department of Revenue

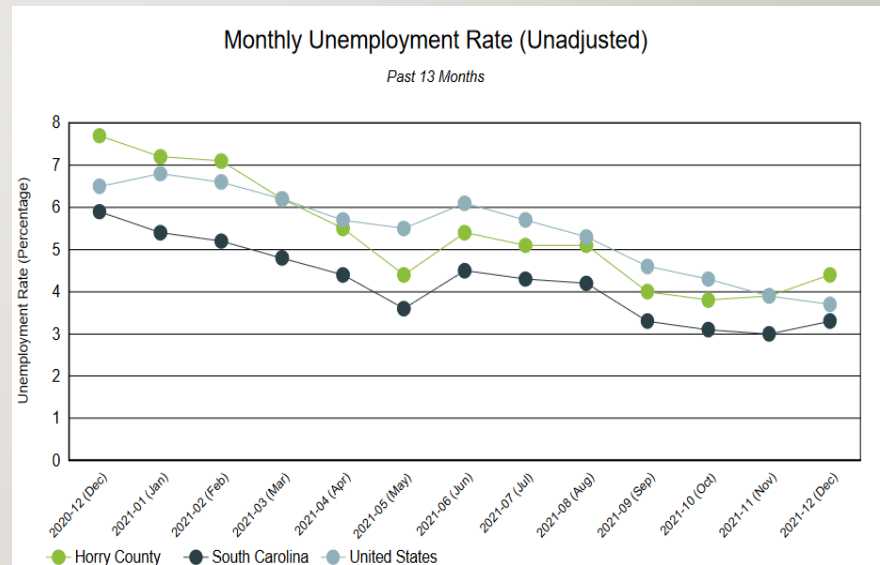
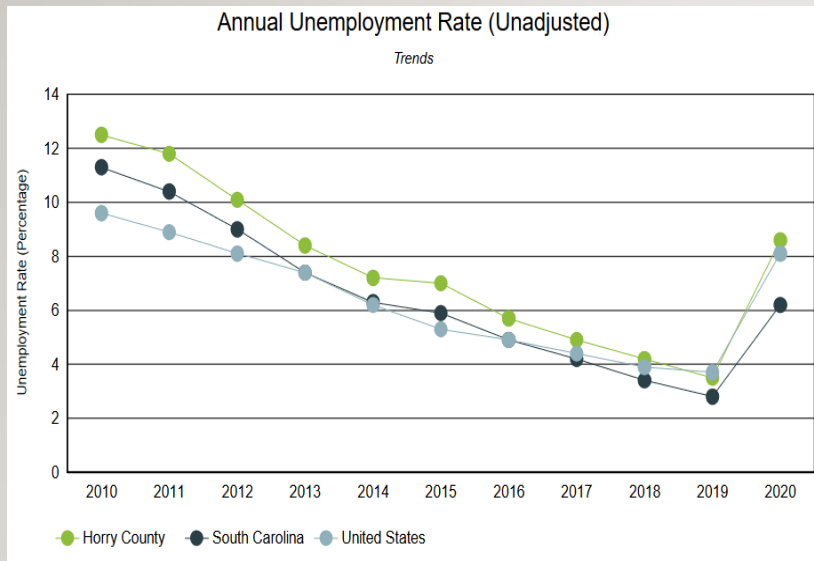


S&P 500 INDEX





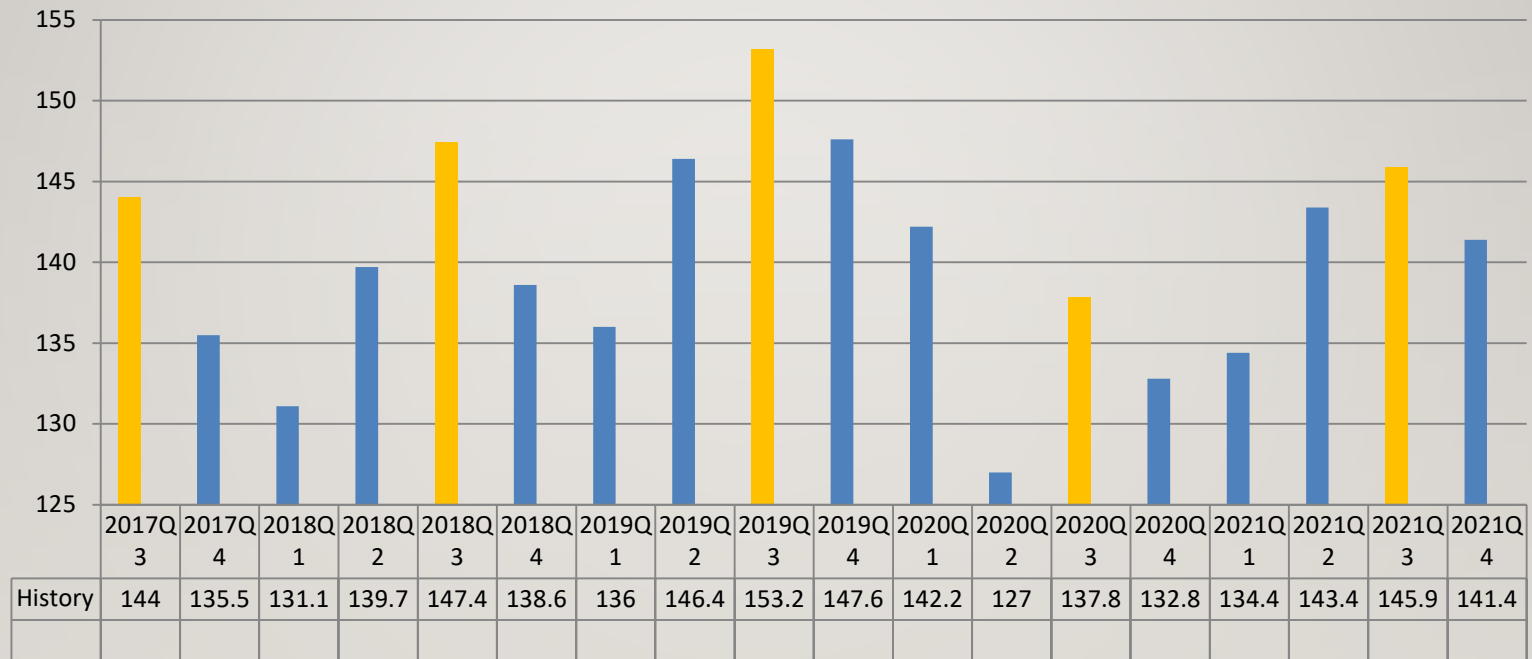
HORRY UNEMPLOYMENT RATE - PRIVATE NON-FARM (NSA)



Source: SC DEW



HORRY EMPLOYMENT- PRIVATE NON-FARM (NSA)



Source: SC DEW



U.S. PRIVATE NON-FARM EMPLOYMENT (UNADJUSTED)



I MILLION+ MSAS: PRINCIPLE OF LOCATION EQ

This means
things will
normalize.

- “[T]he downside of a nonurban world is so terrible that we are going to spend whatever it takes to prevent that.” – Ed Glaeser in NY Times

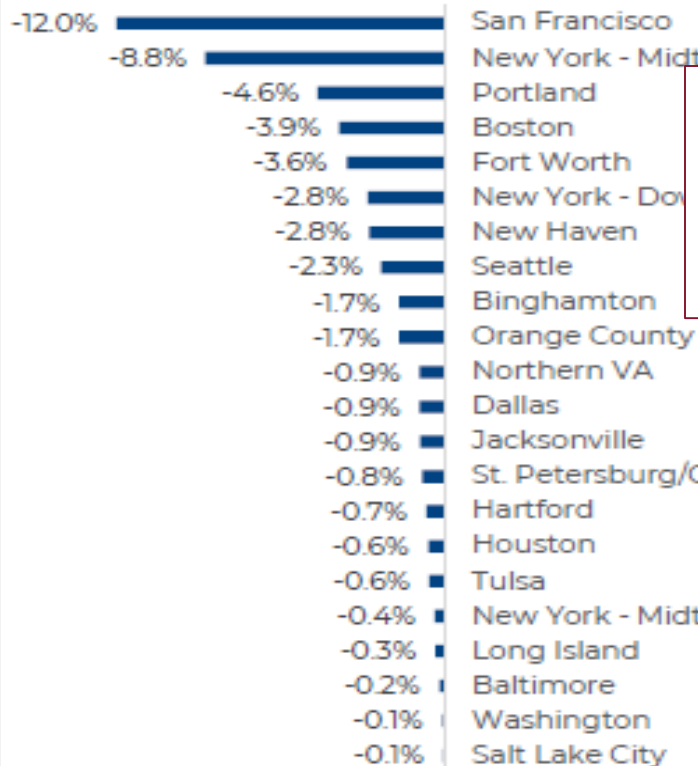
- Suburban large metro benefits regardless. Nashville, Charleston, Vista/San Diego, ..., Tucson/Phoenix, Even outskirts of NYC, San Fran, ...

- “Americans who live in metropolitan areas with more than **one million** residents are, on average, more than 50 percent more productive than [those in] smaller metropolitan areas (E.G. 2012, p. 6).



LUXURY IS TIME AND SPACE (CHIP WILSON OR HARMON OKINYO?)

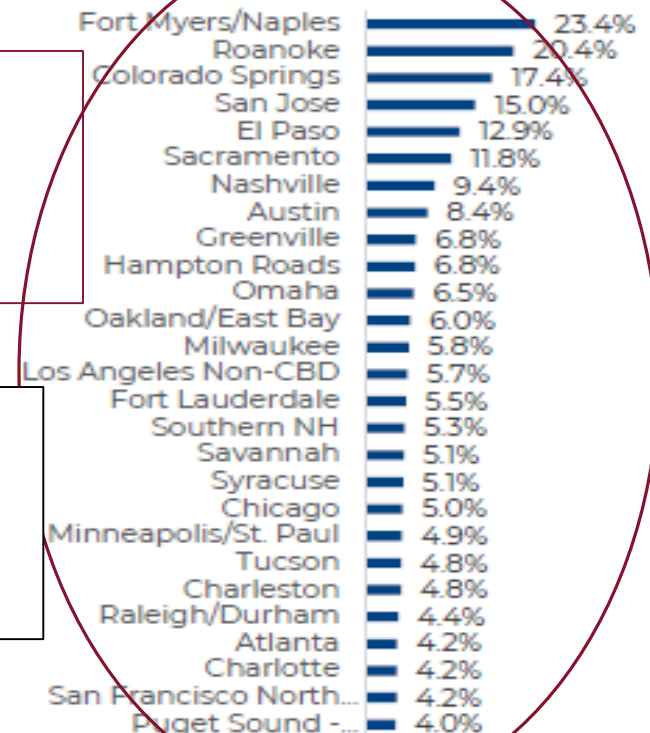
Year-over-year Percent Change in Office Asking Rent



The Sun Belt is welcoming! And suburbs more generally.

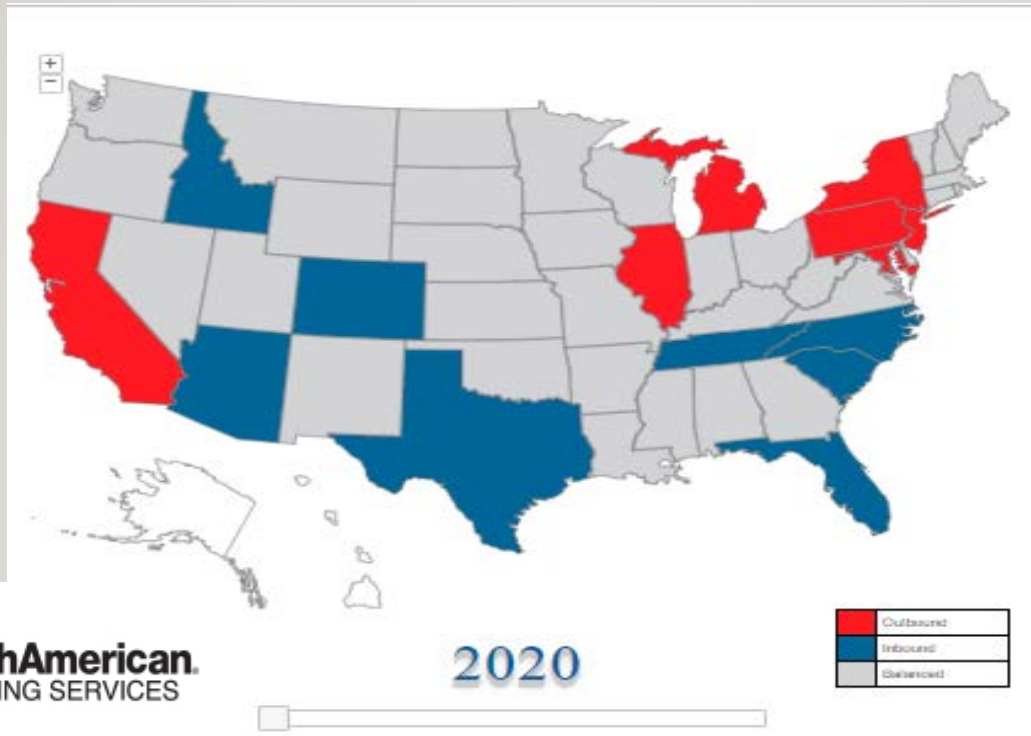
But other data suggests people are returning to big cities.

Year-over-year Percent Change in Office Rent





MOVING DATA 2020





2020 TOP AND BOTTOM: INBOUND AND OUTBOUND ACCORDING TO NORTHAMERICAN VAN LINES, INC.

Top inbound states

Idaho	70%
Arizona	64%
South Carolina	63%
Tennessee	63%
North Carolina	61%

Top outbound states

Illinois	69%
New York	65%
California	64%
New Jersey	64%
Maryland	61%



2020 TOP MOVING TO AND FROM MSA AREAS (NORTHAMERICAN VAN LINES, INC.)

Top MSAs Moving To

1. Phoenix, AZ
2. Houston, TX
3. Dallas, TX
4. Atlanta, GA
5. Denver, CO

Top MSAs Moving From

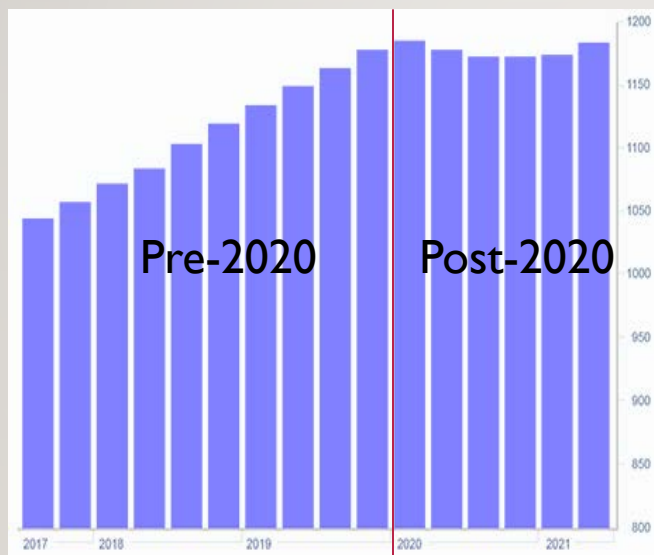
1. New York, NY
2. Anaheim, CA
3. San Diego, CA
4. Chicago, IL
5. Riverside, CA



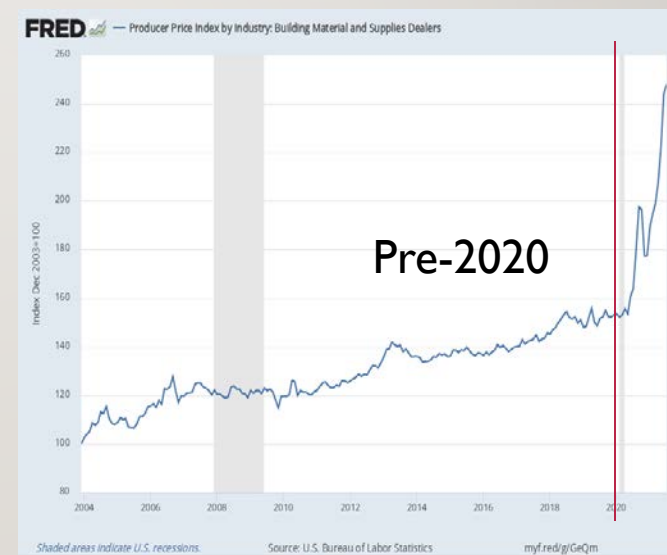


BUILDING MATERIALS IMPACTING NONRES AND RES DIFFERENTLY

TURNER BUILDING COST IX - NONRES



BLS PPI: MATLS & SUPPLIES



INFLATION AND ASSETS

POSITIVE

- U.S. Large Cap Stocks
- TIPS (Treas Infl-Prot Sec)
- Real Estate (var. rents)
- Commodities

NEGATIVE

- Med, Small, Foreign Stocks
- Investment Grade Bonds

Source: U.S. Bank Wealth Management



THANK YOU

- Expansion is slowing and moves to tame inflation have begun.
- Geopolitical risk is ever-present.
- Overheating and uncertainty are similar to pre-Covid period.
- Hedge, Budget conservatively, Stay focused on the long-run.
 - i.e. Buy and Hold Good Grand Strand Real Estate
- Thank You!