

InDevelopment 2021:
Economic Update &
Development Trends:
Context Matters



CENTER FOR
BUSINESS & ECONOMIC
ANALYSIS

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Overview

Economic Update

Labor Markets

Inflation

GDP

Development Trends

Office Market

Industrial Market

Retail Market

Multi-family Market

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Let's eat, Grandma.

Let's eat, Grandma.

Let's eat Grandma.

Let's eat, Grandma.

Let's eat Grandma.

Context Matters!

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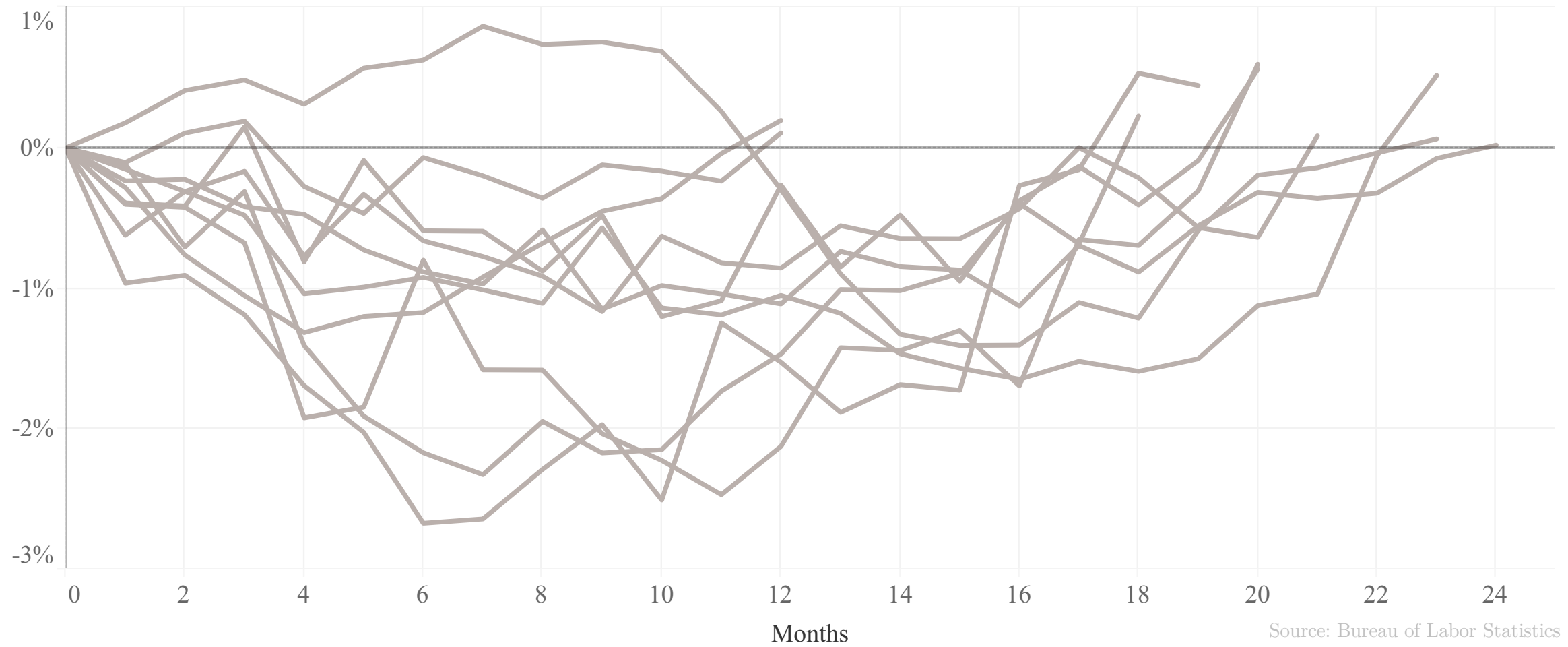
Retail Market

Multi-family Market

A look at recessions and job recovery...

Job Losses during post-WWII Recessions

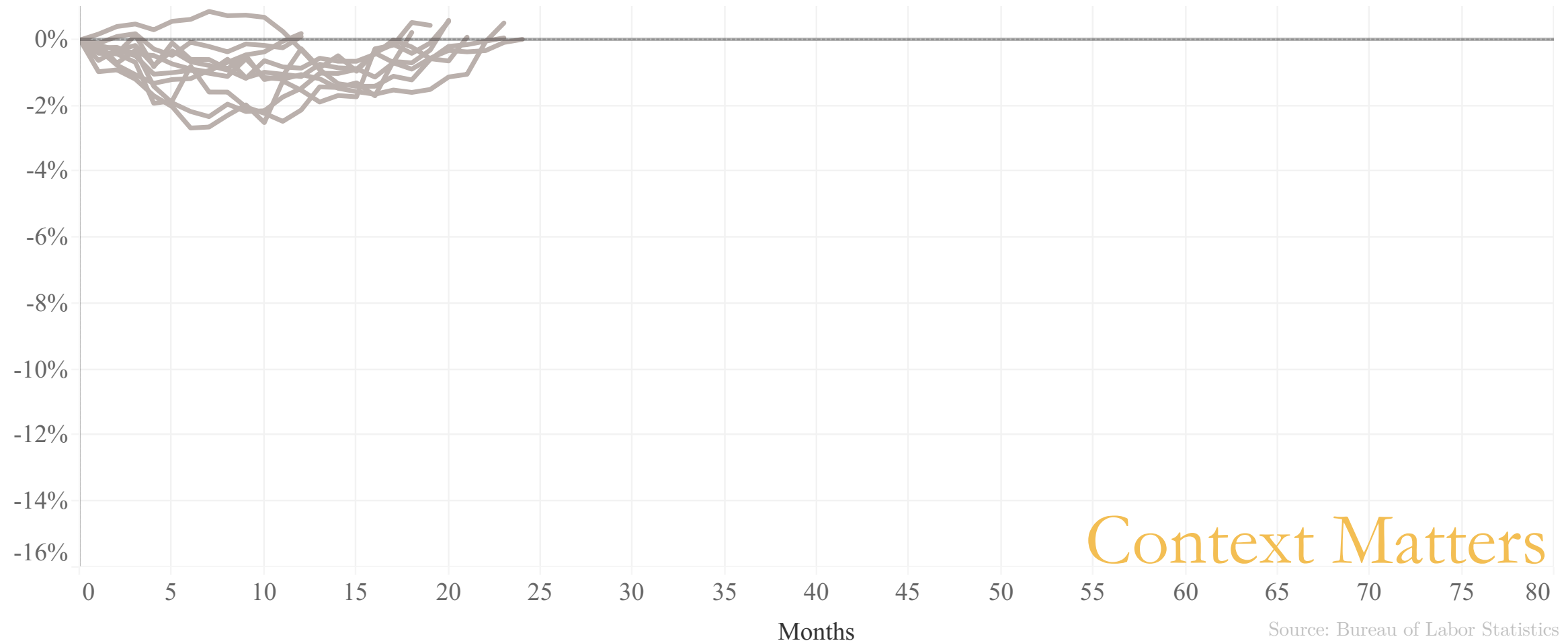
Percent change relative to first month of a recession through the beginning of positive trend (updated through July 2021)



What happens when we add our last two recessions?

Job Losses during post-WWII Recessions

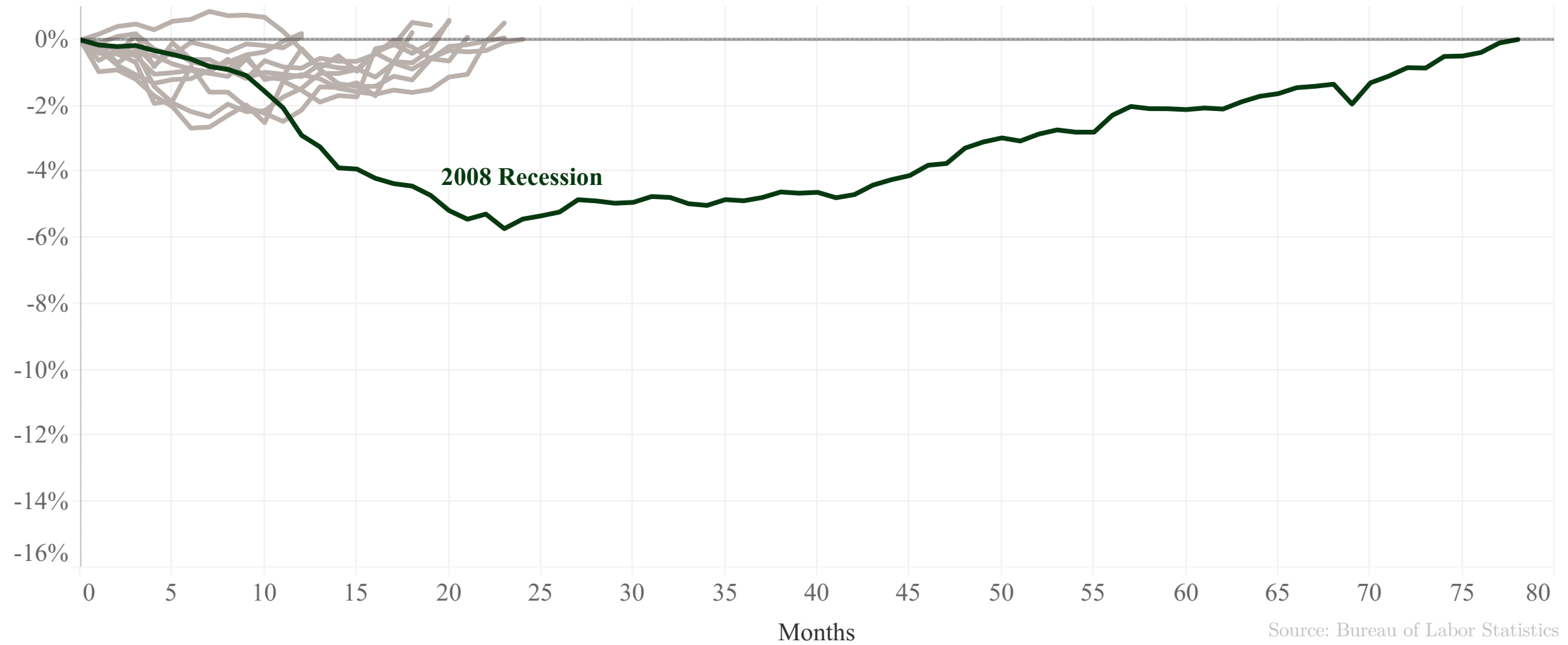
Percent change relative to first month of a recession through the beginning of positive trend (updated through July 2021)



The 2008 recession added length...

Job Losses during post-WWII Recessions

Percent change relative to first month of a recession through the beginning of positive trend (updated through July 2021)

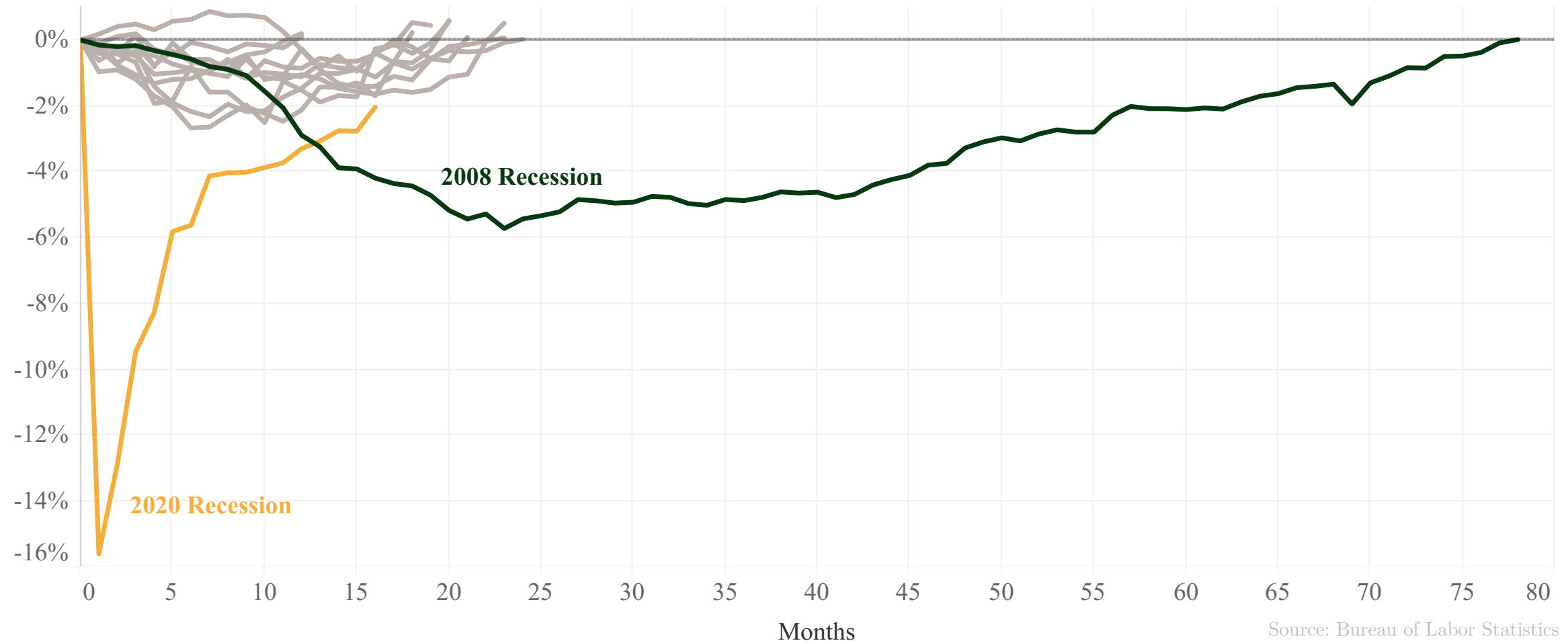


Source: Bureau of Labor Statistics

While the 2020 recession added depth, job recovery is trending towards “normal” length time frames

Job Losses during post-WWII Recessions

Percent change relative to first month of a recession through the beginning of positive trend (updated through July 2021)



Unemployment rates have fallen from the peak with WI and the New North showing strong relative performance

Unemployment Rate

July 2021

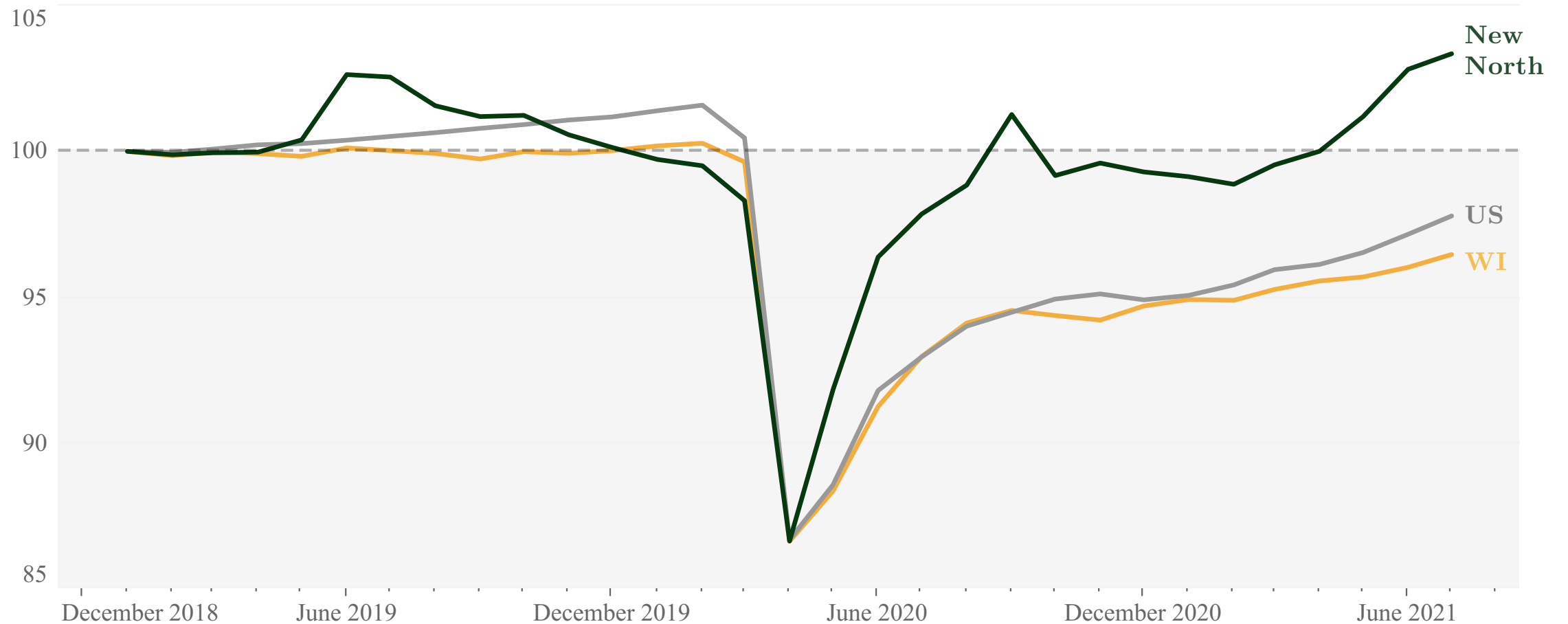


Source: Bureau of Labor Statistics

Another perspective indicates strong New North performance in employment growth aided by industry sector advantages

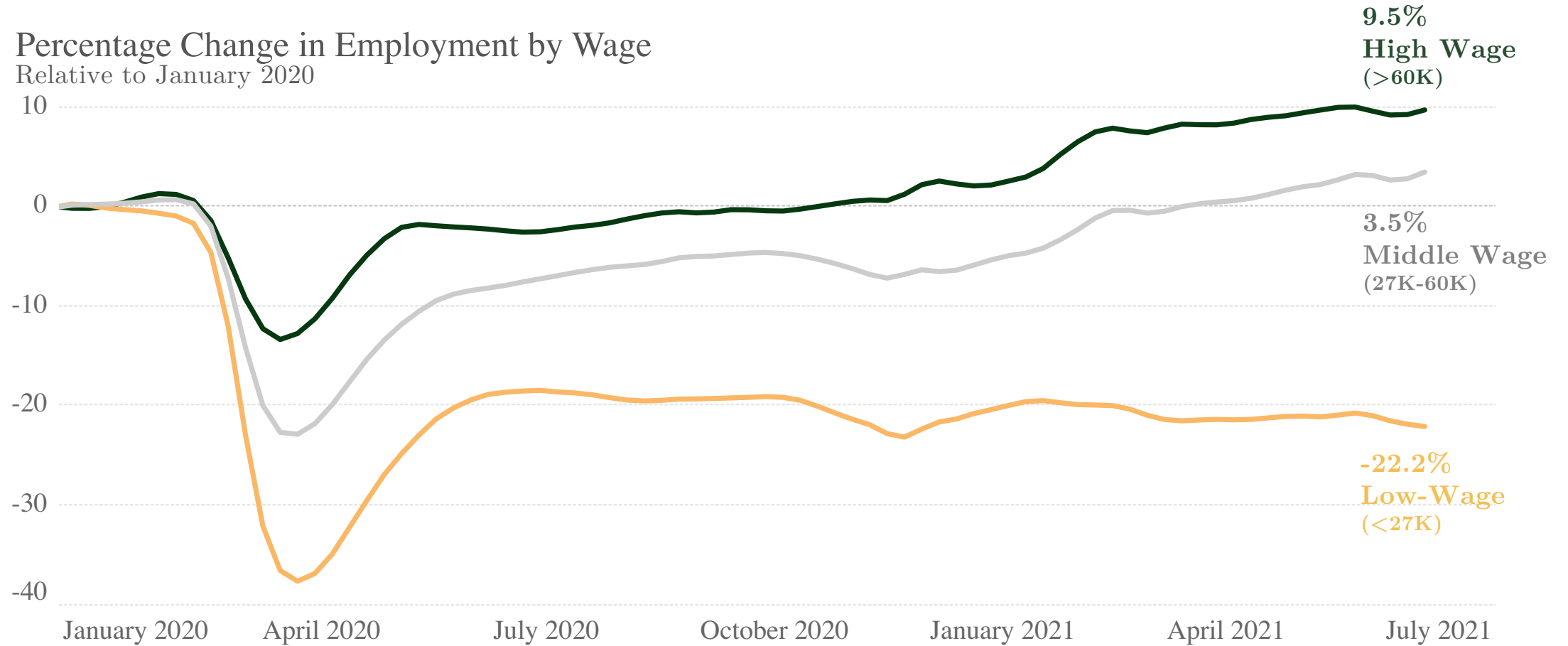
The Path to Recovery | Employment Growth

Growth relative to January 2019 (Jan. 2019 = 100)



Source: Department of Workforce Development, , Local Area Unemployment Statistics, Author Calculations

The recovery in the labor market is very fractured with varying household experiences



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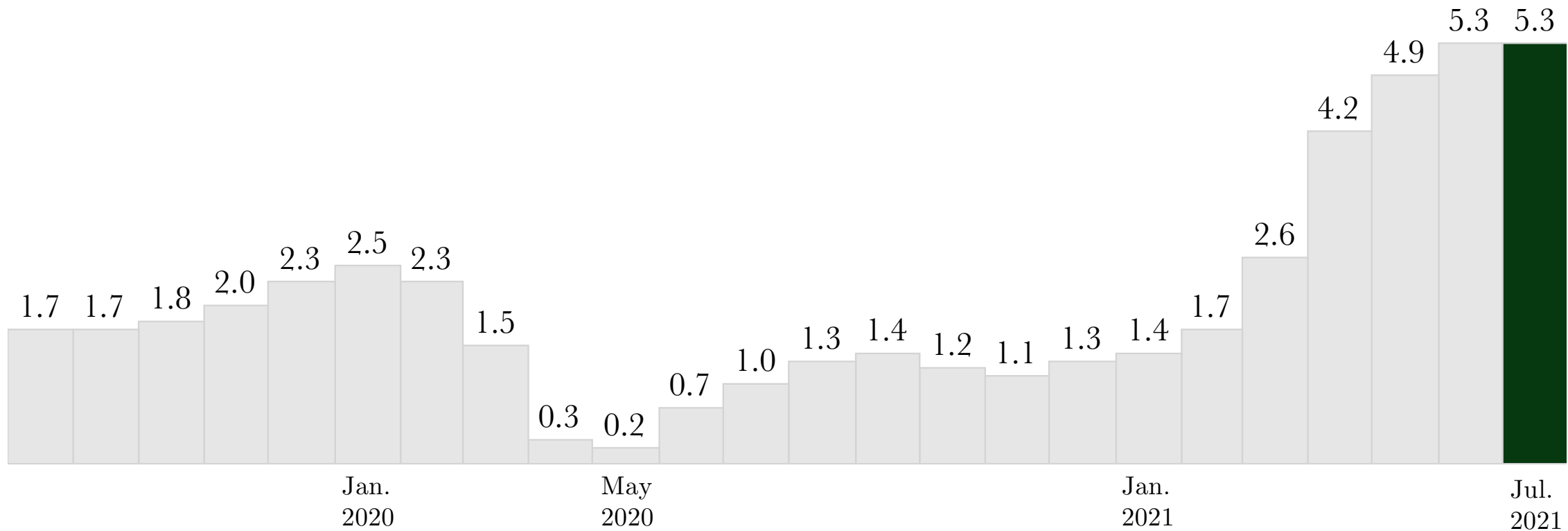
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Inflation is a hot topic at the moment...pay attention to year-over-year data...context matters

Monthly U.S. Inflation

annual percentage change (%)



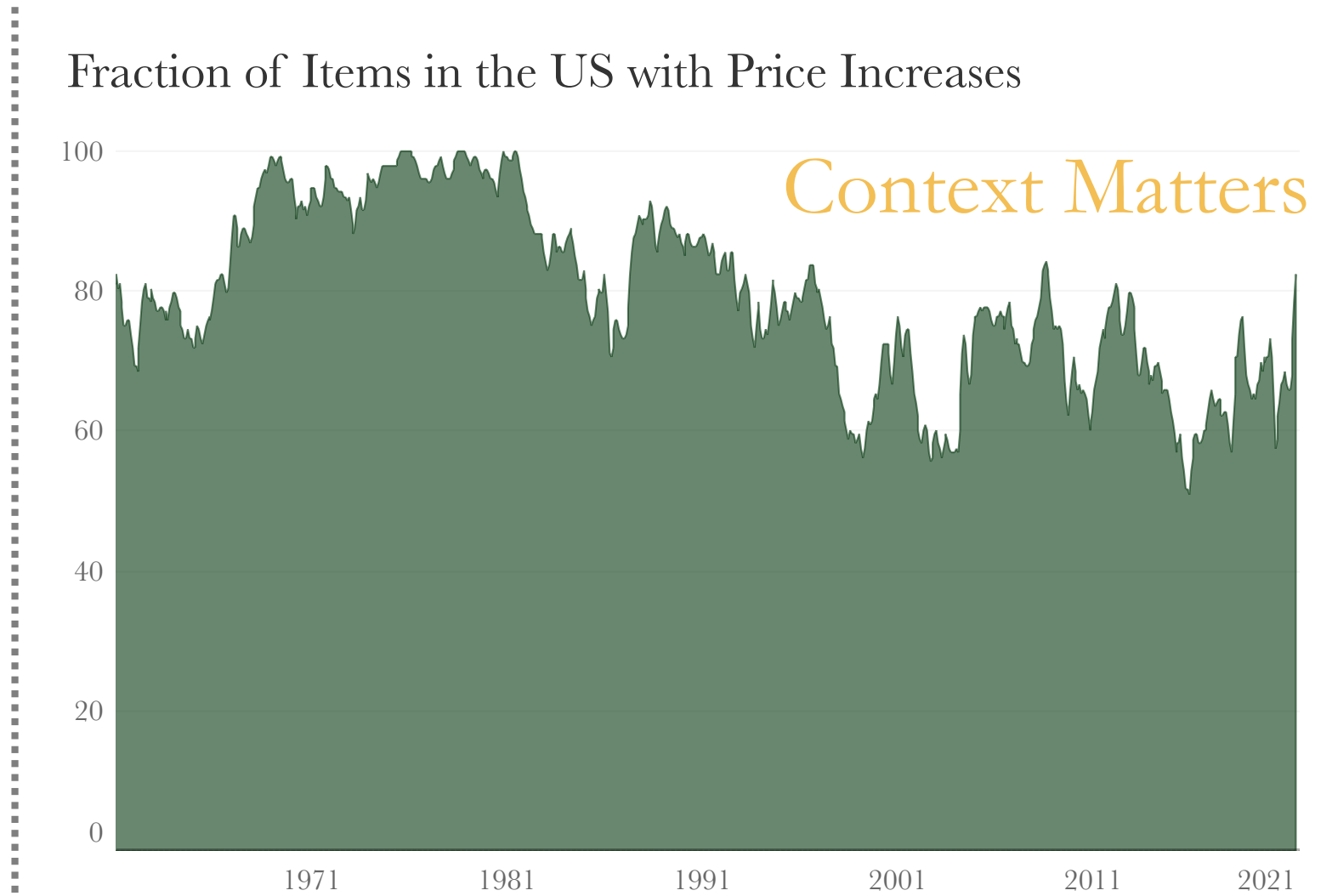
Source: Bureau of Labor Statistics

June 2021

82.4%

Fraction of Items in
the US with Price
Increases

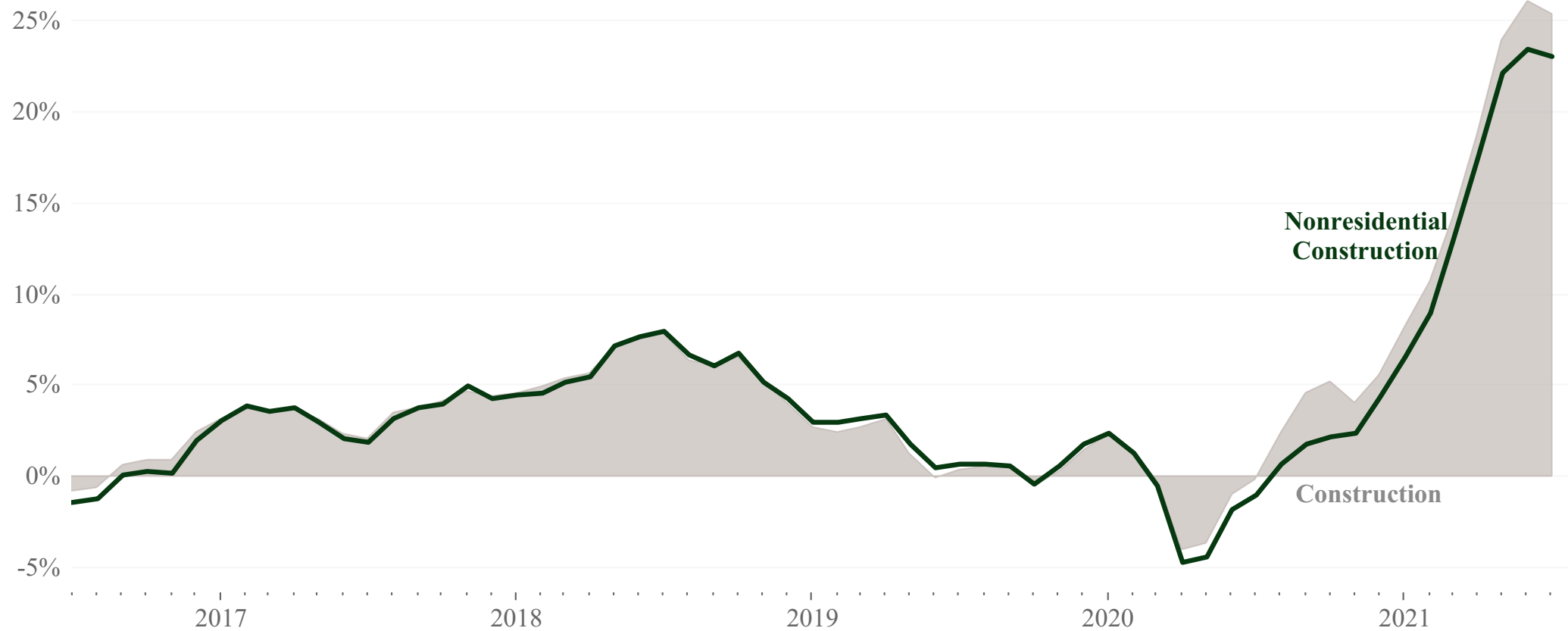
June 2021
82.4%
Fraction of Items in
the US with Price
Increases



Construction costs have experienced the price pressures as well

Producer Price Index | Inputs to New Construction

year-over-year percentage change

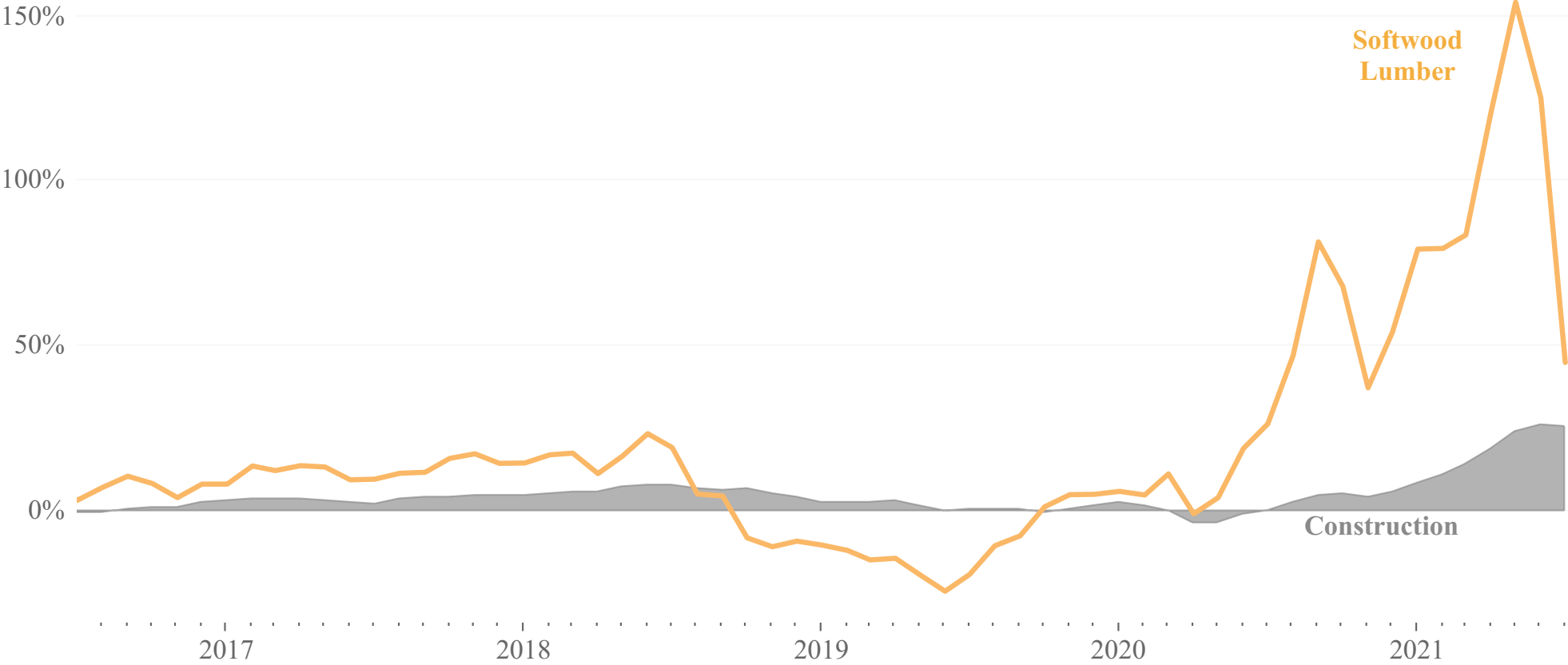


Source: Bureau of Labor Statistics

Hopefully, a trend reversal is underway

Producer Price Index | Inputs to New Construction + Softwood Lumber

year-over-year percentage change

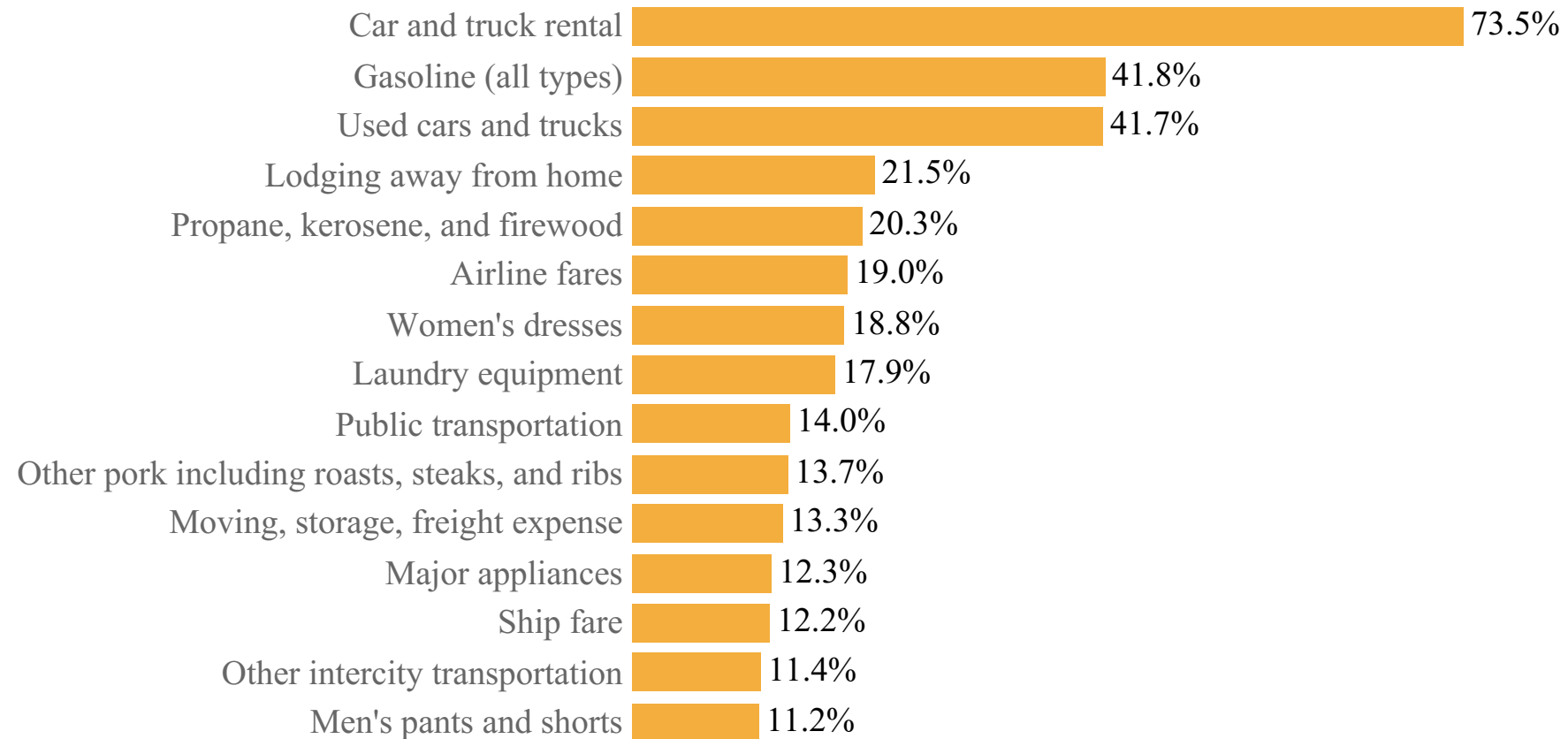


Source: Bureau of Labor Statistics

The key inflation question: transitory or permanent inflation?

Inflation: Selected Subcategory Drivers

Annual % Change: July 2021



Source: Bureau of Labor Statistics

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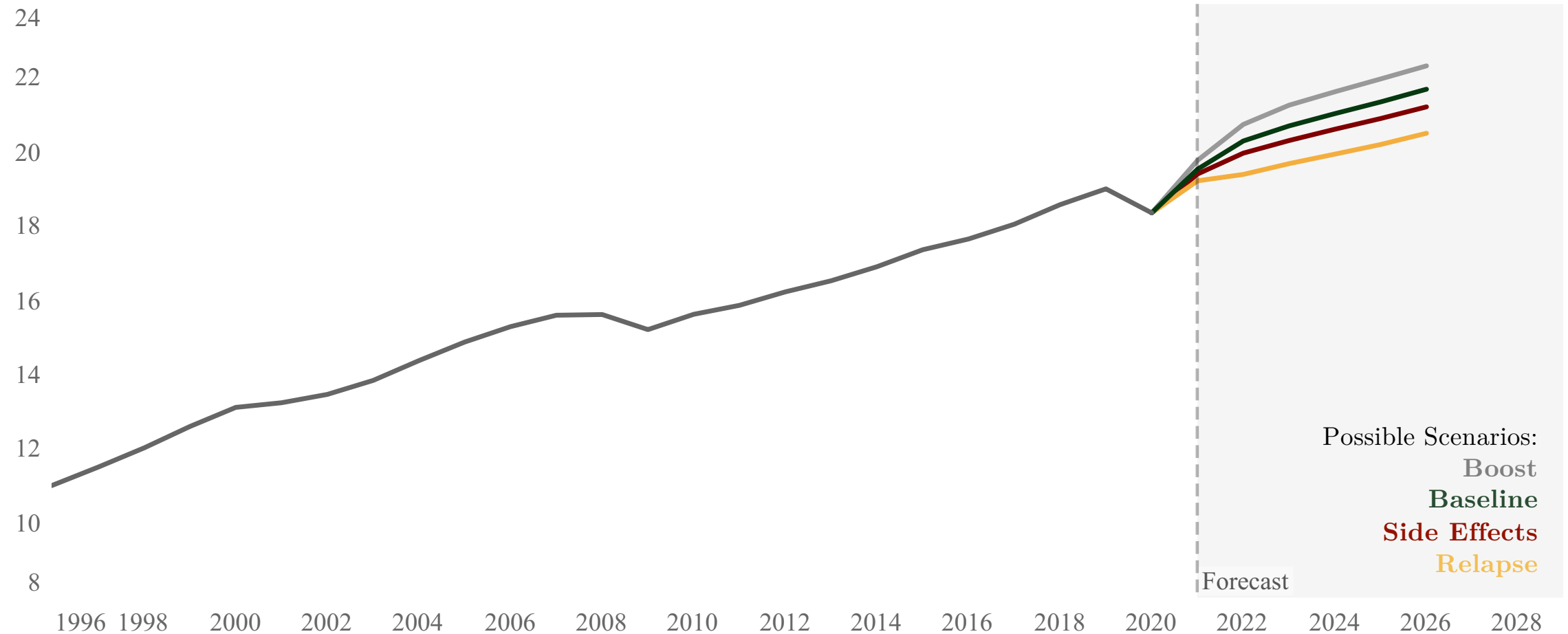
Retail Market

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The future of GDP...optimism + uncertainty

US Real GDP | Forecasts

\$ Trillions, Chained 2012 Prices

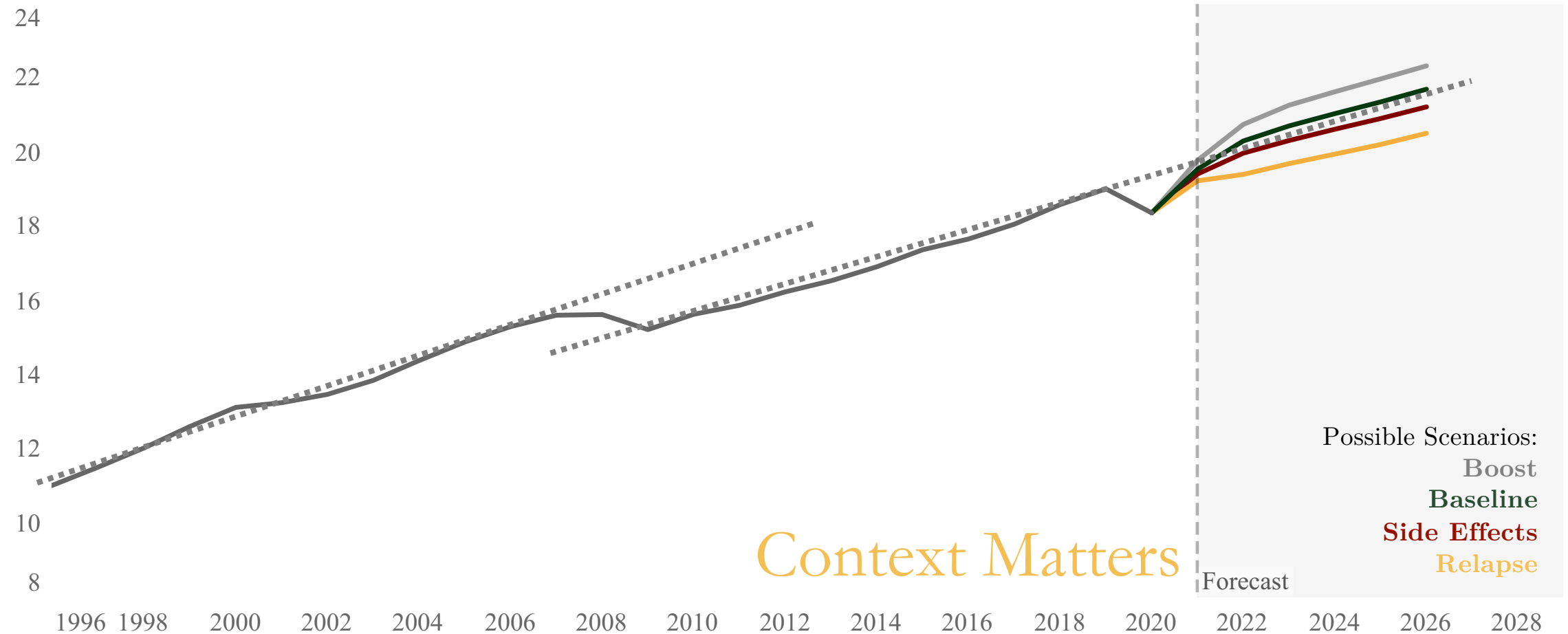


Source: Bureau of Economic Analysis, Deloitte Forecasts

The future of GDP...optimism + uncertainty

US Real GDP | Forecasts

\$ Trillions, Chained 2012 Prices



Context Matters

Possible Scenarios:
Boost
Baseline
Side Effects
Relapse

Source: Bureau of Economic Analysis, Deloitte Forecasts

Uncertainty +
the Economy
Headwinds

Global Supply Chain Challenges

Labor Market Challenges

Government Spending

Inflation + the Fed

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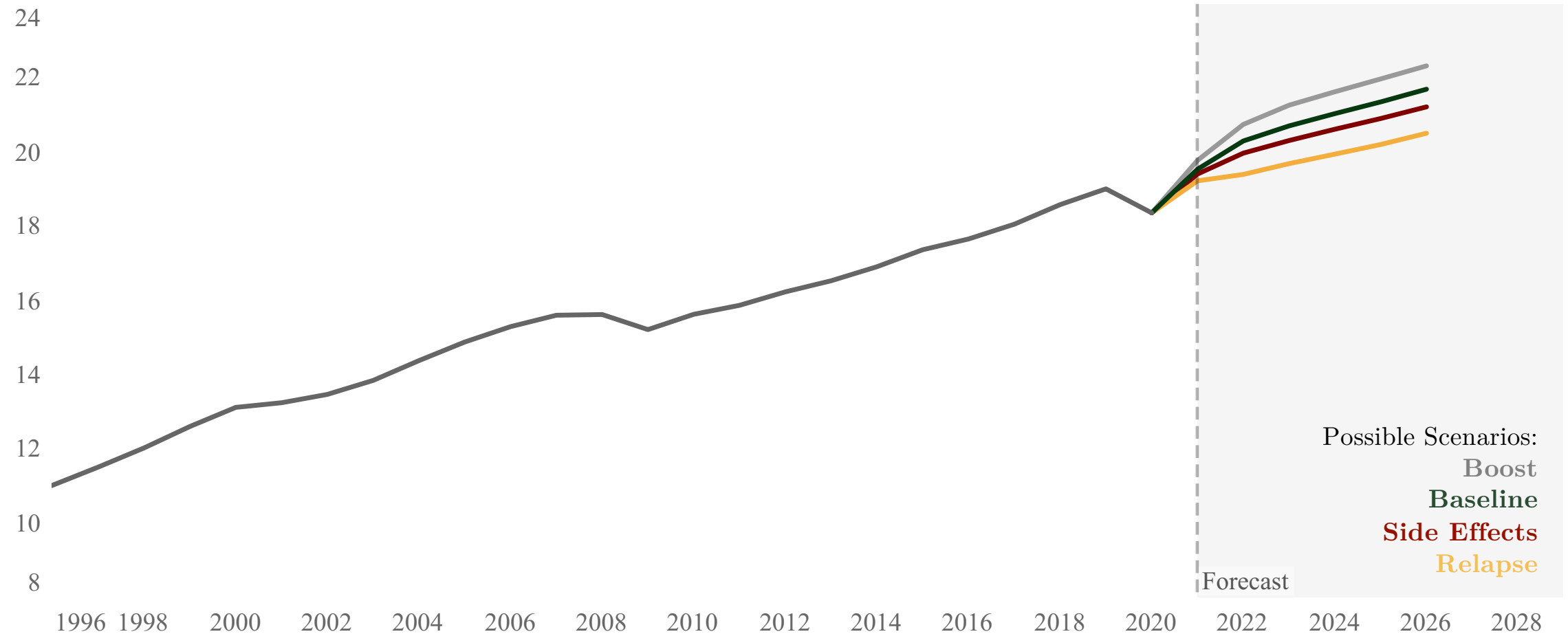
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Local
Office Market
KPIs



Inventory
10.1M | -0.1%



Vacancy
10.6% | +3.6%



Market Rent
\$16.94/sf | +0.5%



Market Sales Price
\$104/sf | +0.1%

Office Market Trends

- 1 Vacancy rates currently the rise
- 2 Supply currently exceeds demand, but reasons for optimistic future
- 3 Future office dynamics | work-from-home + office design



What does the future of the work-from-home trend look like?

Workforce with Remote Work Potential in the US

% of 2018 Workforce



The future of remote work in a post-COVID world...

Estimates from a new University of Chicago Working Paper at the Becker Friedman Institute concluded the following based on monthly survey estimates:

20%

Of full workdays will take place in a work from home structure compared to only 5% prior to the pandemic.

The future of remote work in a post-COVID world...

Estimates from a new University of Chicago Working Paper at the Becker Friedman Institute concluded the following based on monthly survey estimates:

20% Of full workdays will take place in a work from home structure compared to only 5% prior to the pandemic.

Reasons behind this trend?

1. Better-than-expected work from home experiences in the pandemic
2. New investments in physical and human capital that enable WFH
3. Diminished stigma associated with WFH
4. Lingering pandemic concerns
5. Pandemic-driven surge in technological innovations to support WFH

The future of remote work in a post-COVID world...

Estimates from a new University of Chicago Working Paper at the Becker Friedman Institute concluded the following based on monthly survey estimates:

20% Of full workdays will take place in a work from home structure compared to only 5% prior to the pandemic.

Potential consequences of this trend?

1. Employees experience large benefits from WFH, with a skew towards high income earners
2. An estimated 5-10% decrease in spending in large metro cities relative to pre-pandemic environment
3. Re-optimized working environment should lead to a relative 5% increase in productivity

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Inventory
44.1M | +0.0%



Vacancy
2.4% | +0.3%



Market Rent
\$4.62/sf | +0.0%



Market Sales Price
\$44/sf | -4.8%

Industrial Market Trends

- 1 Labor availability & transportation infrastructure driving site selection
- 2 Continued growth of e-commerce pressing on demand
- 3 Rising construction costs challenging newer development



Inventory
44.1M | +0.0%



Vacancy
2.4% | +0.3%



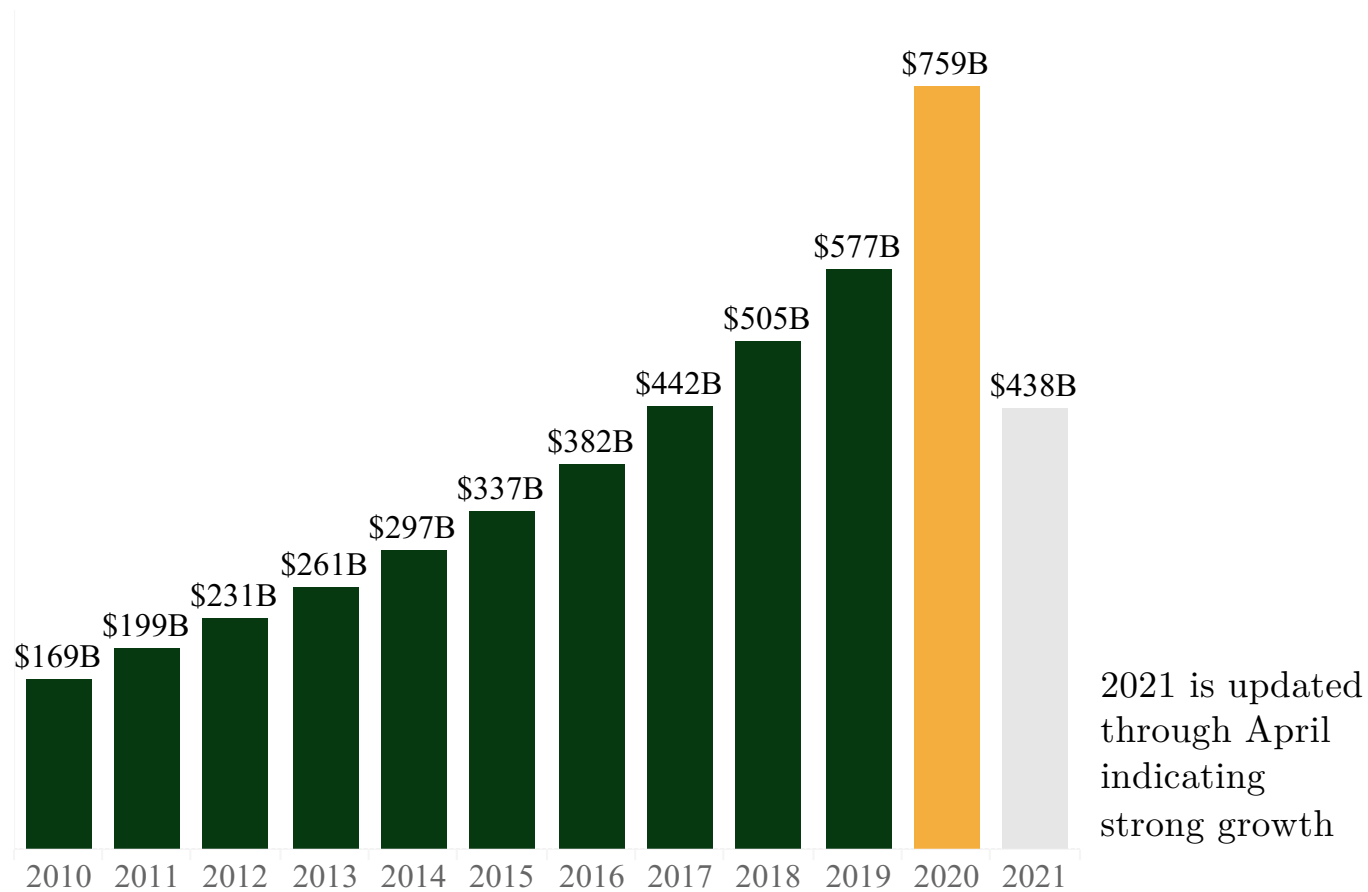
Market Rent
\$4.62/sf | +0.0%



Market Sales Price
\$44/sf | -4.8%

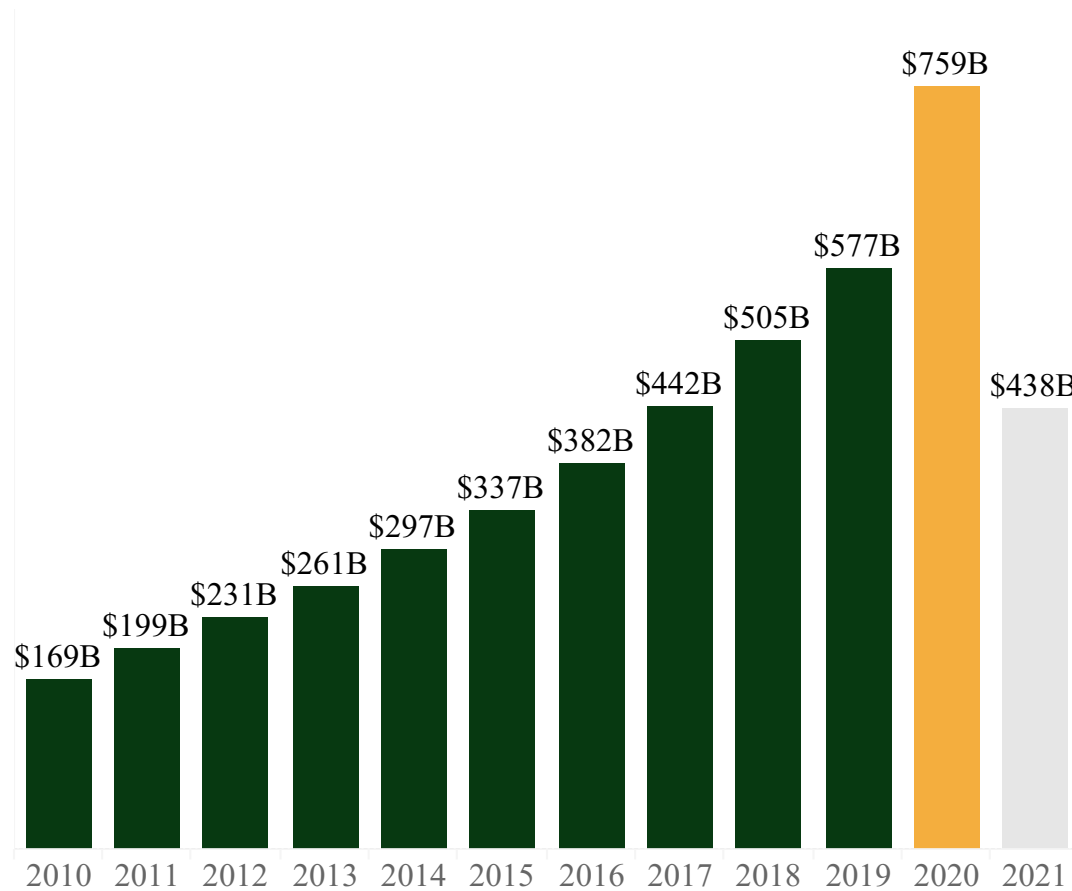
Unsurprisingly, e-commerce sales have continued to run with a boost due to the pandemic

E-Commerce Retail Sales

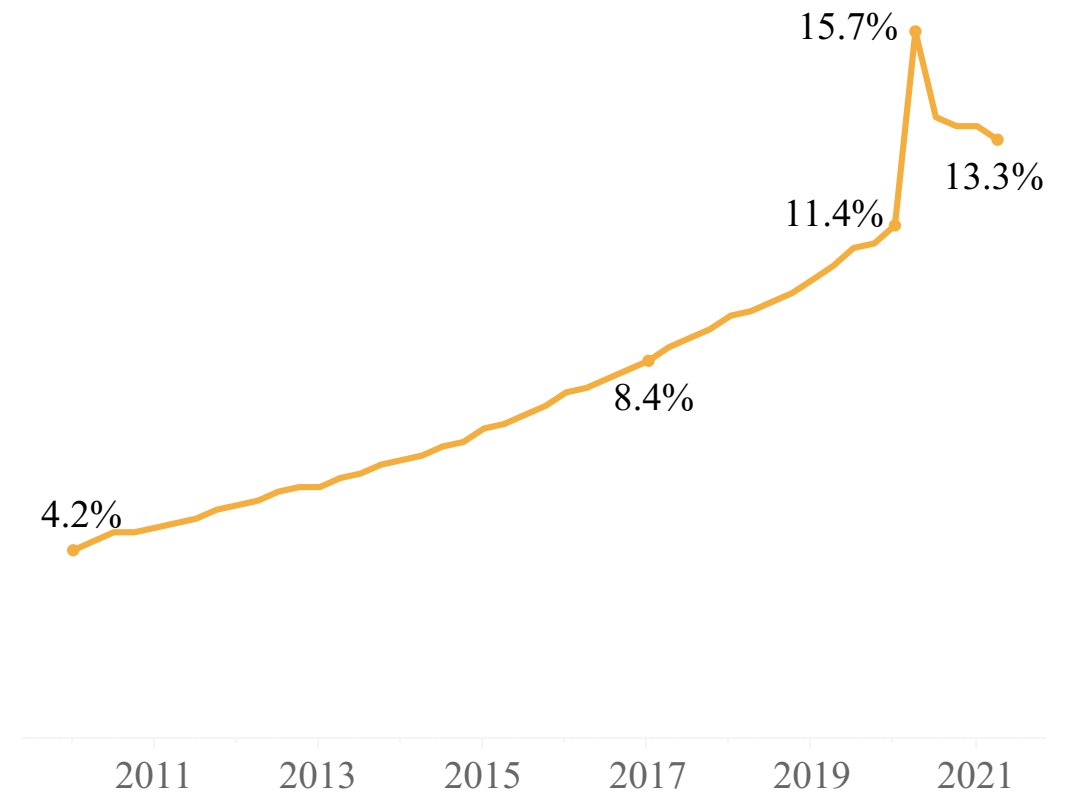


Unsurprisingly, e-commerce sales have continued to run with a boost due to the pandemic...especially as a percentage of all sales

E-Commerce Retail Sales



E-Commerce as a Percentage of Retail Sales



Source: US Census Bureau

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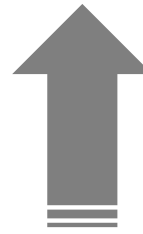
Industrial Market

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Local Retail Market

KPIs



Inventory
17.5M | +0.3%



Vacancy
5.3% | +0.3%



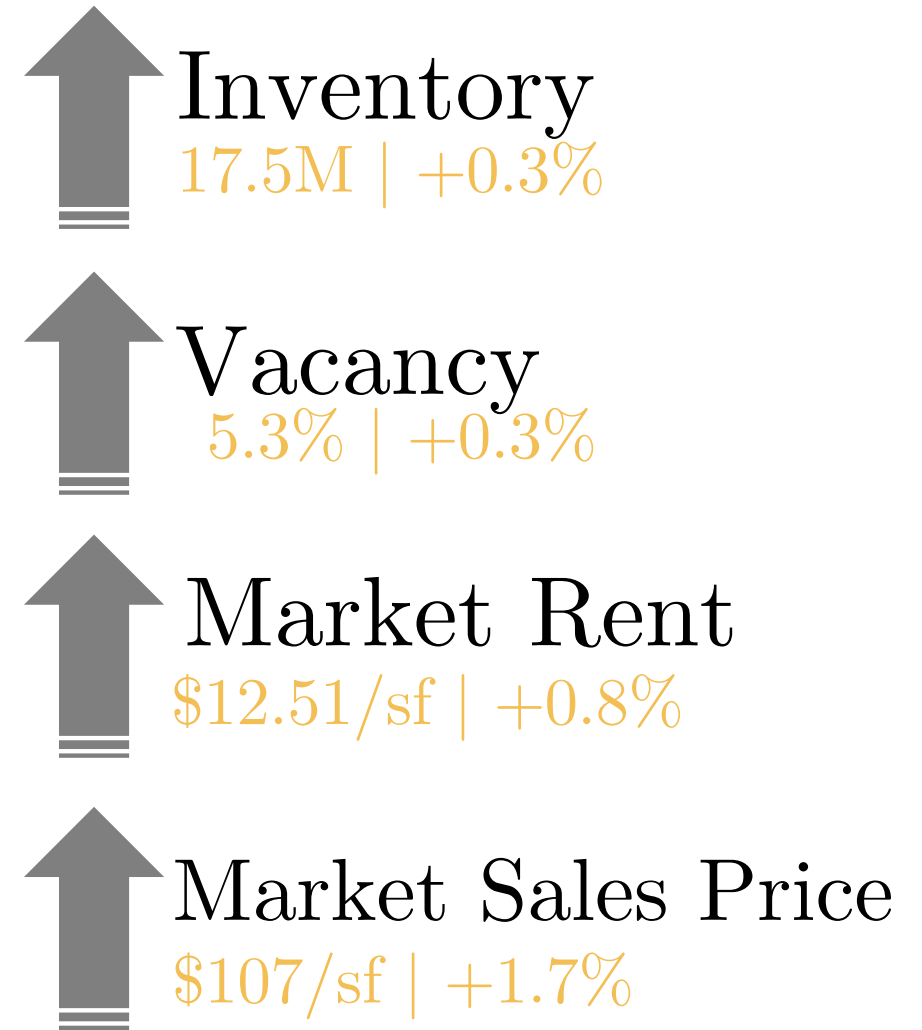
Market Rent
\$12.51/sf | +0.8%



Market Sales Price
\$107/sf | +1.7%

Retail Market Trends

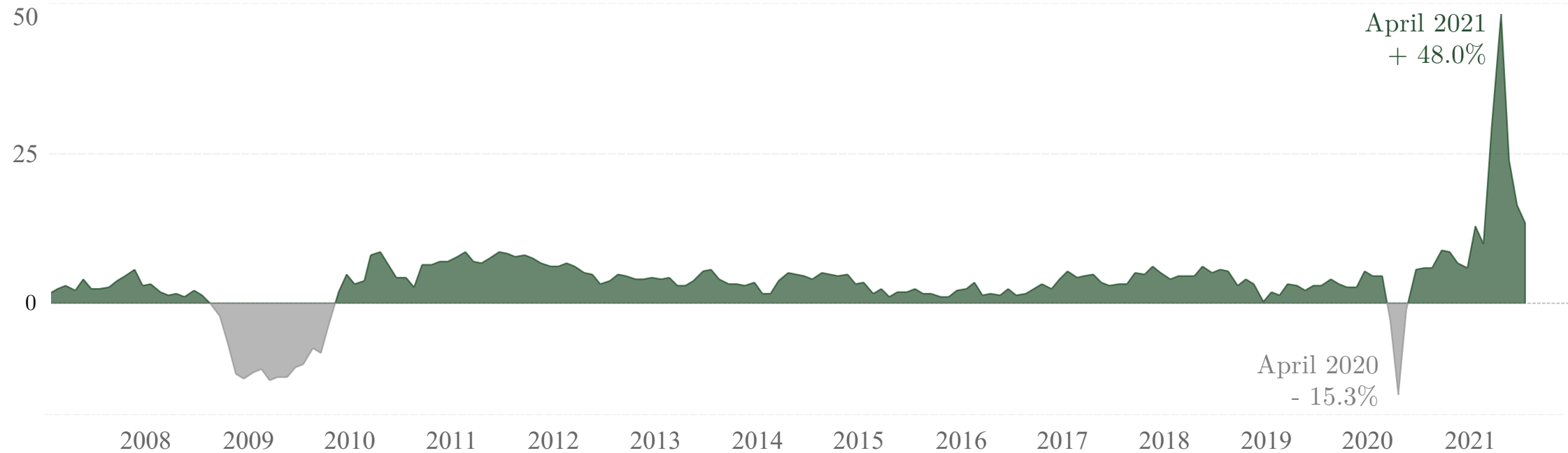
- 1 Continued growth of e-commerce challenging brick & mortar retail
- 2 Mixed-use development trend + creativity
- 3 Retail sales pandemic roller coaster with ups and downs
(with notable sector variation)



Retail sales have experienced pandemic volatility with some summer softening...

Advanced Retail Sales: Retail Trade

annual % change



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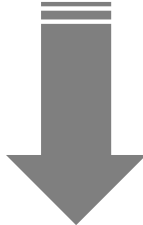
Multi-family Market

Local
KPIs



Inventory

430 Properties | 18,000 units



Vacancy

3.52%



Average Asking

Rent per unit

\$828/mo | + 1.8% 5yr average growth



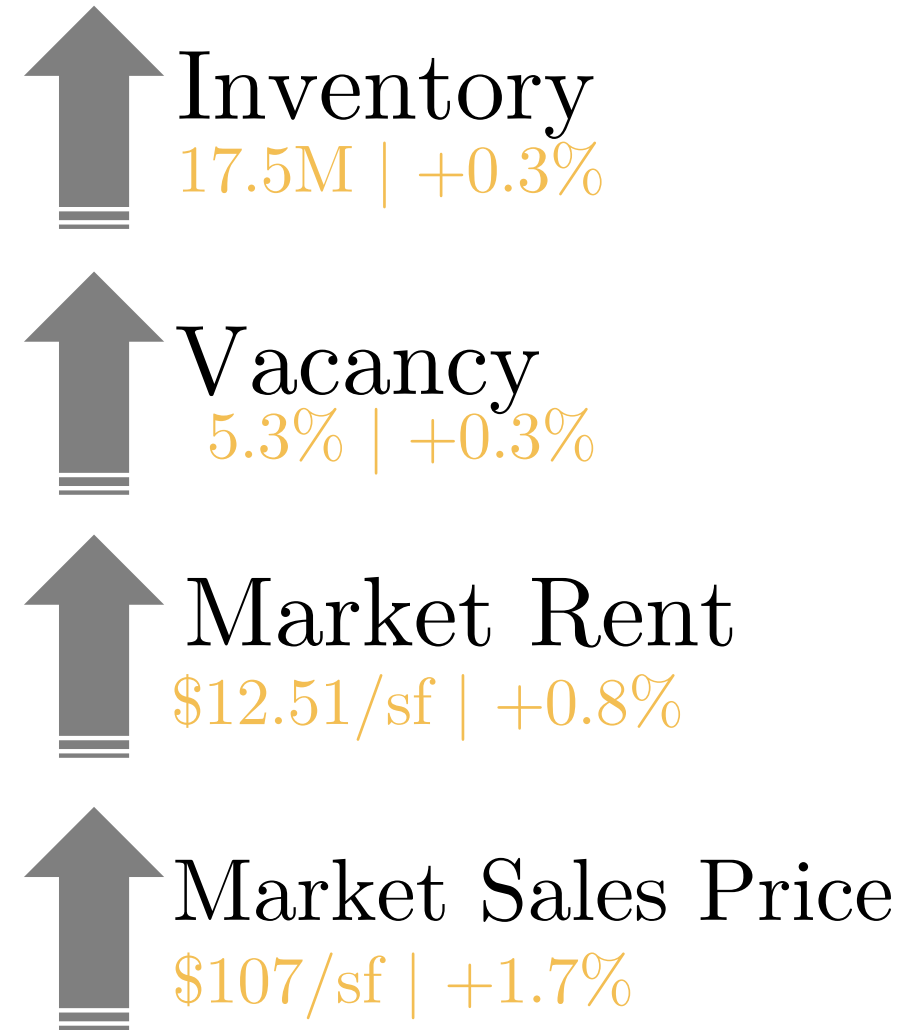
Market Sales Price

\$64,380/unit | Highest in History

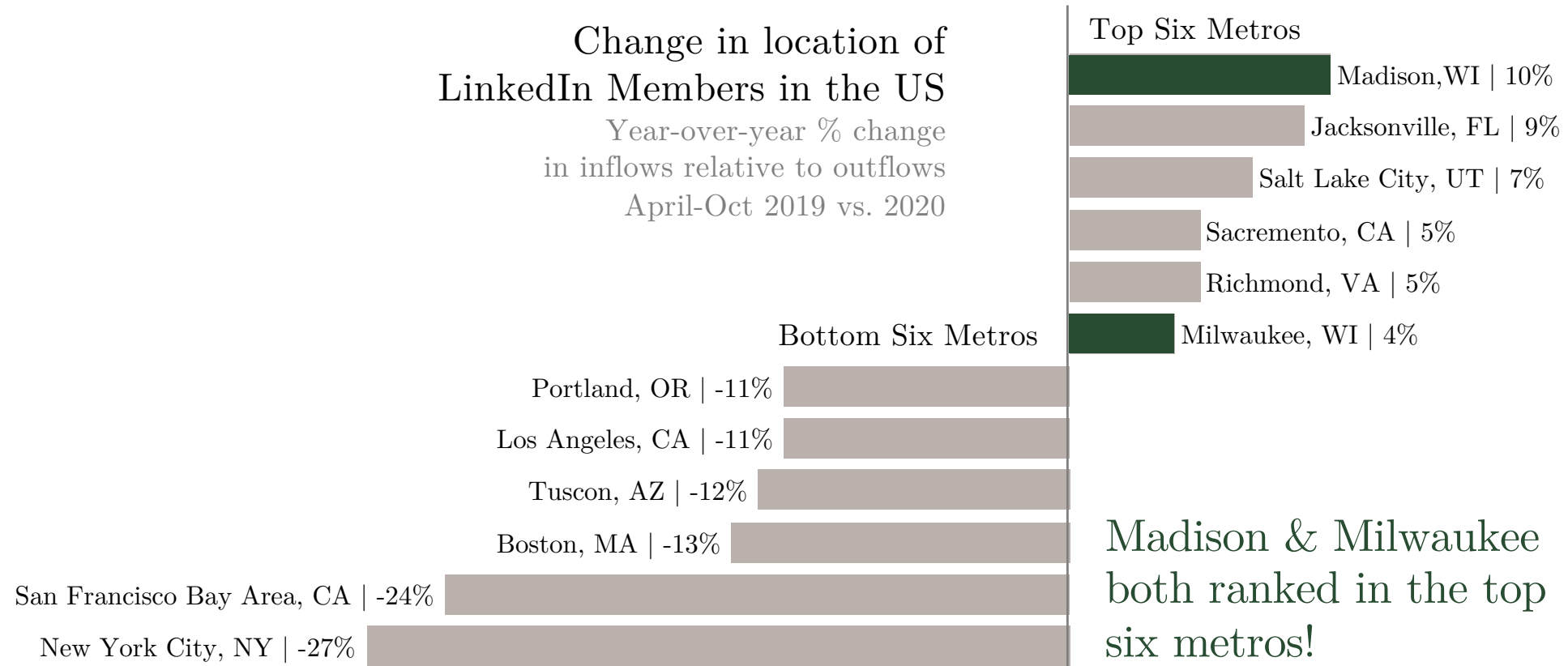
Green Bay Metro + submarket data
Percentage changes for 2021Q1 relative to previous quarter
Source: CoStar | NAIPfefferle

Multi-family Market Trends

- 1 Smaller markets likely to see more attention
- 2 Local market experience | falling vacancy, rising rents & sales prices
- 3 Affordable housing shortage for certain market segments



Mid-to-smaller sized metros are poised to benefit in the current environment of migration and remote work



Economic Update | Takeaways...

- 1** Unemployment is trending down from 2020 peak, job losses are trending towards recovery, but still a way to go with the New North faring well compared to state and national data
- 2** Inflation is running high at the moment with key question surrounding transitory vs. permanent behavior, the next several months will be informative
- 3** GDP baseline projections are optimistic for the coming year, but uncertainty weighs heavy on reality in the wake of COVID-19

Development Update | Takeaways...

- 1** Office Market Trends | vacancy rates on the rise, supply exceeds demand, future office dynamics such as WFH are important for the future
- 2** Industrial Market Trends | labor availability and transportation important for site selection, e-commerce growth is driving the market + rising construction costs have presented challenges
- 3** Retail Market Trends | e-commerce challenging traditional retail, mixed-use development, pandemic-driven volatility in retail sales
- 4** Multi-family Market Trends | mid-to-small markets getting more attention, local market experiencing falling vacancy, rising rents and prices, affordable housing is a growth concern

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