



GORDON T LONG

Advanced Technical Analysis



Gordon T Long
Global Macro Research |
Macro-Technical Analysis



Technical Analysis
Market Road Maps | HPTZ
Methodology



SII
Global Macro Research |
Market Road Maps

NOTE

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In Trouble!

The New
“Big Short”

“Expect the best. Prepare for the worst. Capitalize on what comes.”

IN TROUBLE! – The New Big Short?

AGENDA

A BANKING CRISIS

- CHICKEN & EGG?
- “SLOWLY, THEN ALL AT ONCE!”

WHAT WALL STREET SEES

- THE CRE ‘WATERFALL’,
- FINANCIAL STABILITY RISK,

OCCUPANCY THRESHOLD

CREDIT RISK

- THE CMBX MARKET,

DELINQUENCIES

CONCLUSIONS

- TWO ANALOGIES TO REMEMBER



WARNING

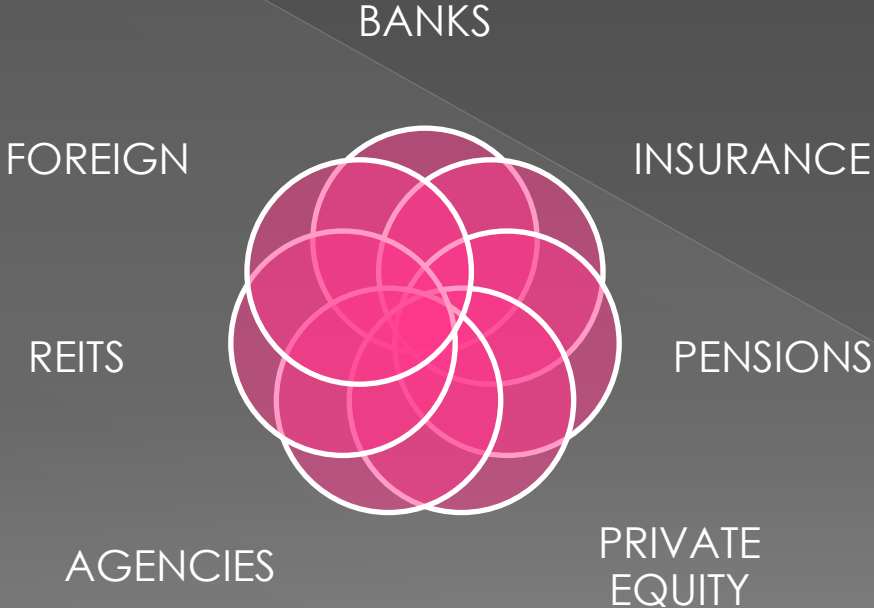
NEWSLETTER [LINK](#):

“The Next Financial Implosion Is Not Going To Be About The Banks!”

“The coming financial implosion is not going to be about the large international banks. It is going to be dominated by Insurance Companies, Pensions Plans, Trusts & Endowments and small banks & credit unions. These are the institutions with the bulk of their invested assets in some form of US commercial real estate! The potential for this Third Wave is much different and more profound than any previous financial crisis we have yet (or likely to ever) experience!”



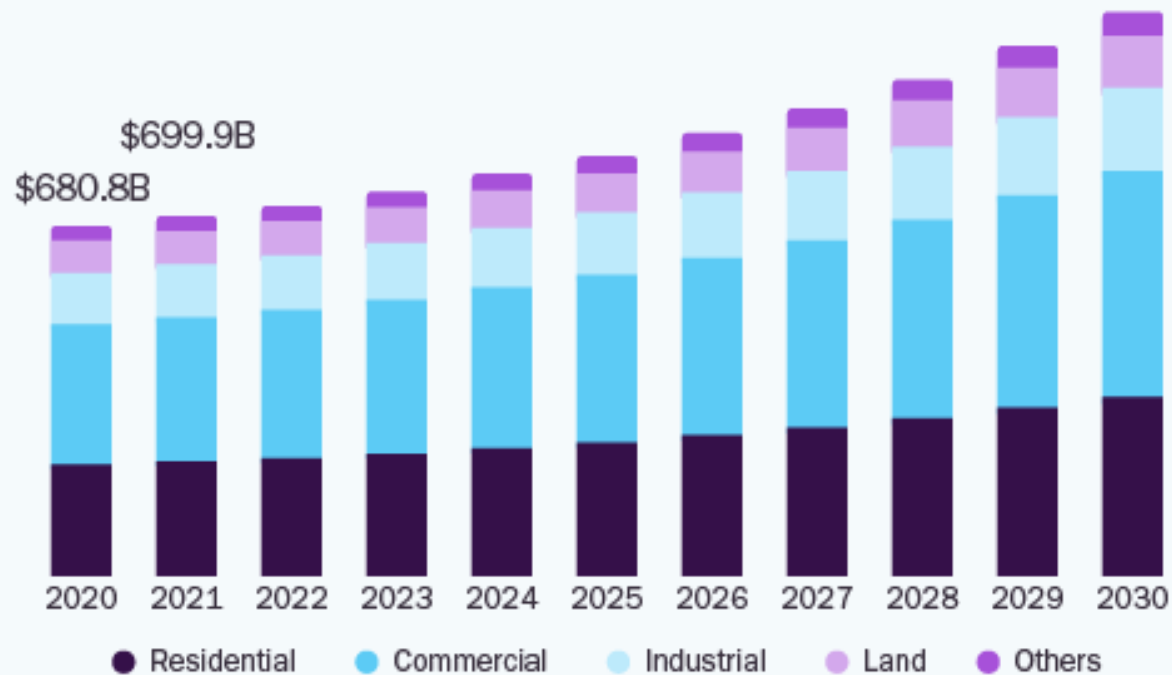
IT ISN'T A BANKING CRISIS – IT'S AN ASSET CRISIS



LIQUIDITY => CASHFLOW => SOLVENCY

U.S. Real Estate Market

size, by property, 2020 - 2030 (USD Billion)



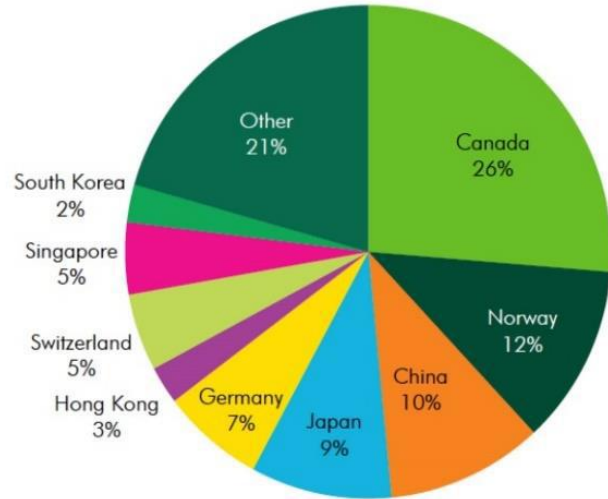
GRAND VIEW RESEARCH

5.2%

U.S. Market CAGR,
2022 - 2030

Source:
www.grandviewresearch.com

Top Countries for Foreign Investment in U.S. Commercial Real Estate, 2014



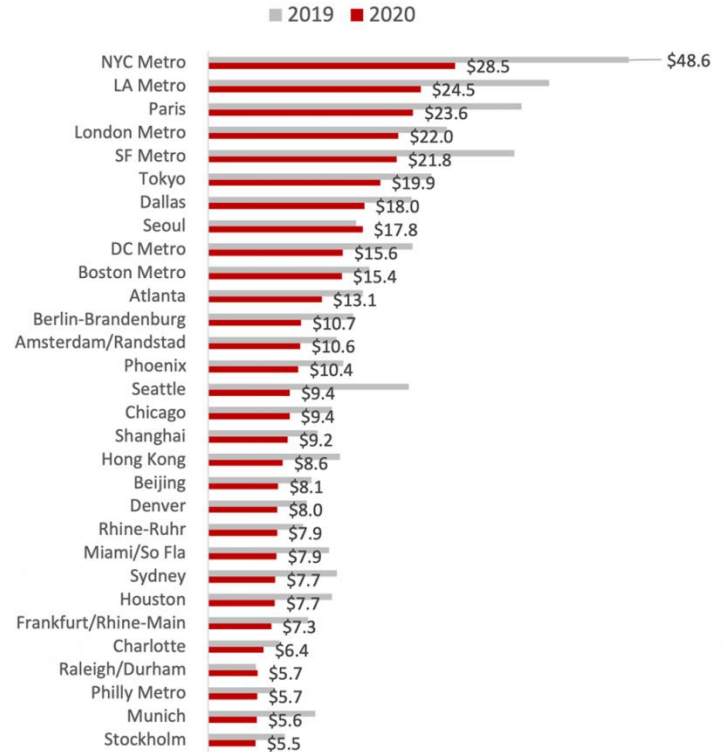
Sources: Real Capital Analytics, CBRE Research, 2014.

RCA data cover transactions of \$2.5 million +. Pending sales and entity-level purchases not included.

Statistics are preliminary and will be revised slightly as final December sales are reported.

Top 30 Global Commercial Real Estate Markets

Commercial Real Estate Sales Transactions of \$2.5 Million or Over in 2020 (in Billion Dollars)



Source: Real Capital Analytics

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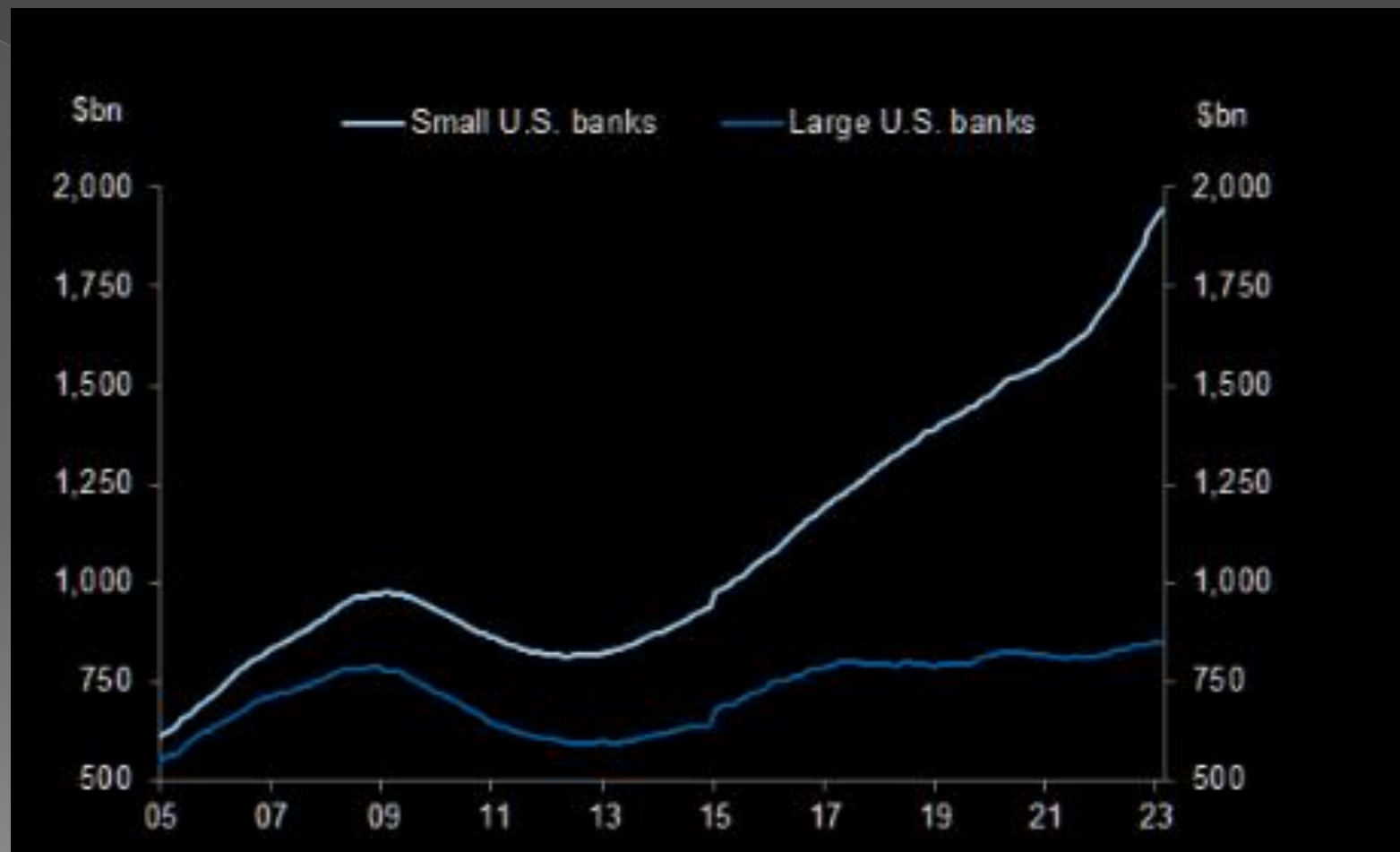
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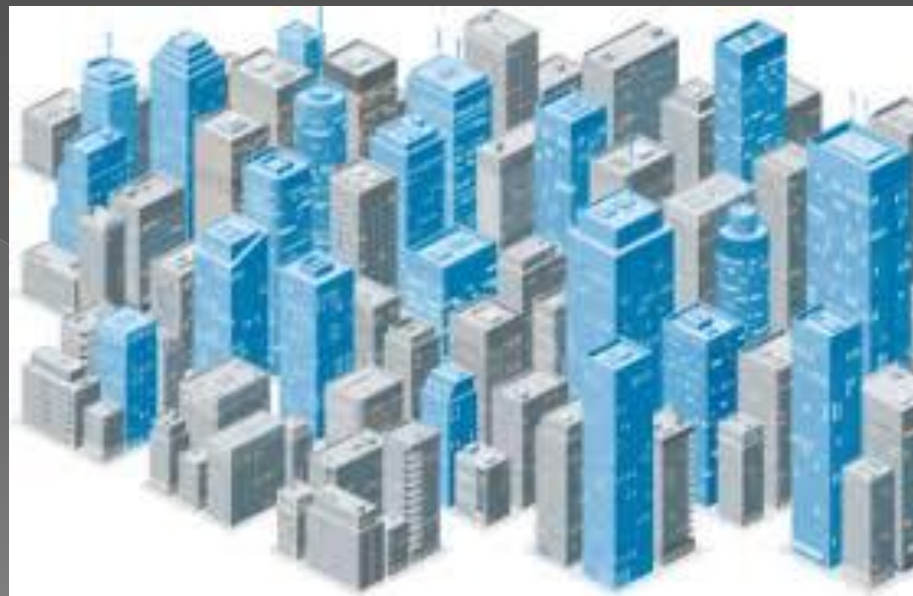
CREDIT RISK

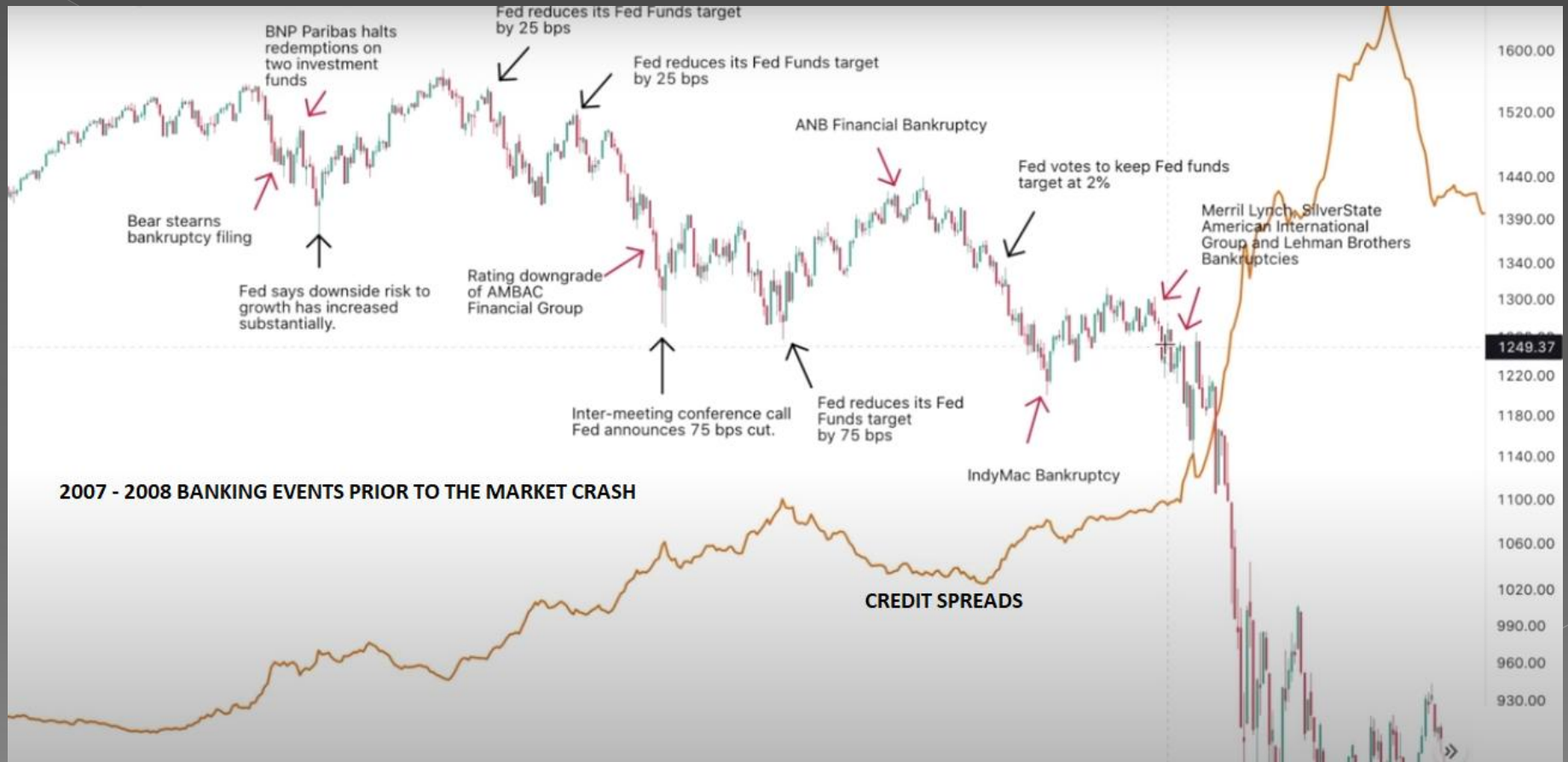
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THE CRE WATERFALL

Occupancy Falls,



Square Foot Rental Price Falls,



Rent Roll Falls,



Building Value Falls,



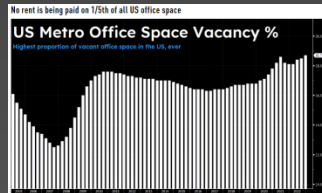
Reserves Consumed.



Lender Seeks More Equity to Restore 50% LTV.



Equity Walk Away



Occupancy Falls,

Square Foot Rental Price Falls,

Rent Roll Falls,

Building Value Falls,

Reserves Consumed.

Lender Seeks More Equity to Restore 50% LTV.

Equity Walk Away

WE ARE HERE

THE CRE WATERFALL

BLACKSTONE:

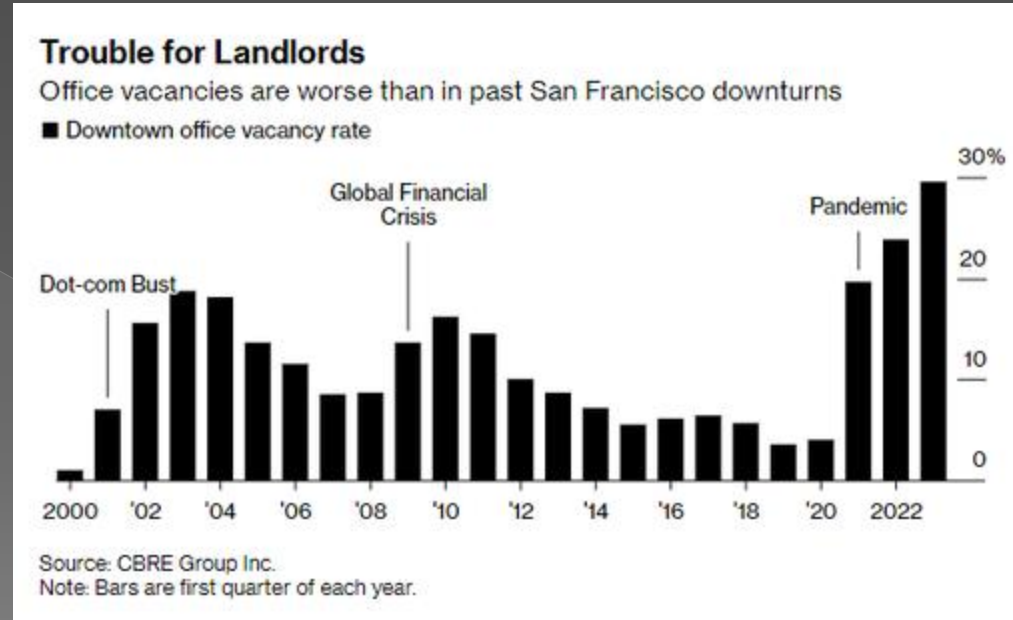
- BREIT Redemption Requests Surge To \$4.5 Billion, Only \$666 Million Granted,
- For the fifth consecutive month, Blackstone's \$71 billion real estate income trust (BREIT) has restricted redemption withdrawal requests.
- Investment advisors of high-net-worth individuals asked Blackstone to redeem \$4.5 billion from BREIT, but the PE firm only allowed \$666 million to be withdrawn, or about 15% of what was requested. In February, advisors tried to pull out \$3.9 billion.



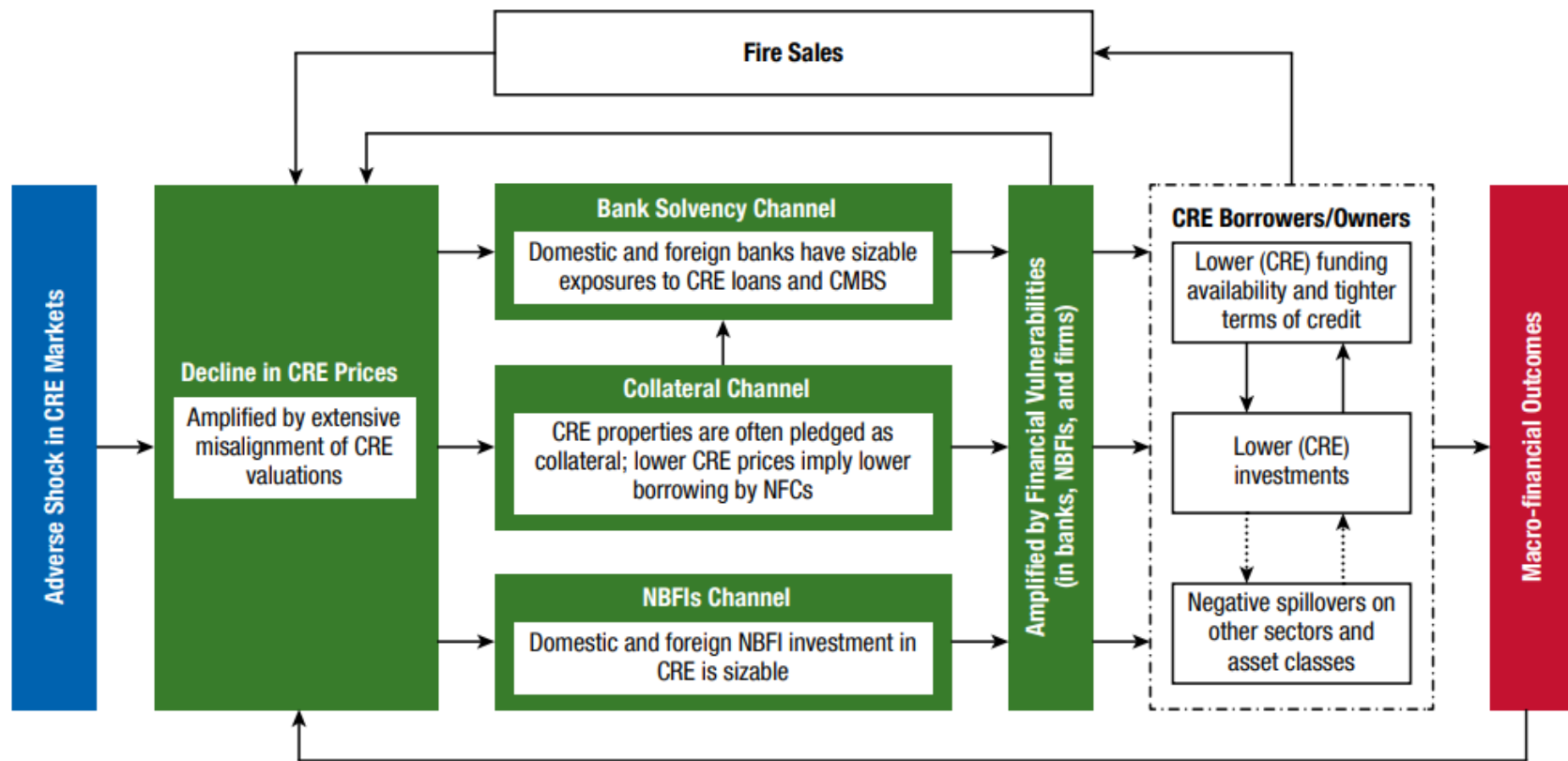
BREIT is a huge player in the real estate industry, acquiring properties from student housing to apartment complexes and warehouses. The trust was first hit with [redemptions limits last December](#).

SAN FRANCISCO:

- In Q1, the city's office-vacancy rate soared to a record 29.5%. This number stood at just 4% prior to the pandemic.
- *We've never had this much vacancy in downtown San Francisco*
- *We used to have a morning rush, a lunch rush and a closing rush. Now it's a mini rush, and we're lucky if we even get it*



Commercial Real Estate Markets and Financial Stability: Channels of Transmission



Source: IMF staff.

Note: CMBS = commercial mortgage-backed securities; CRE = commercial real estate; NBFIs = nonbank financial institutions; NFCs = nonfinancial corporations.

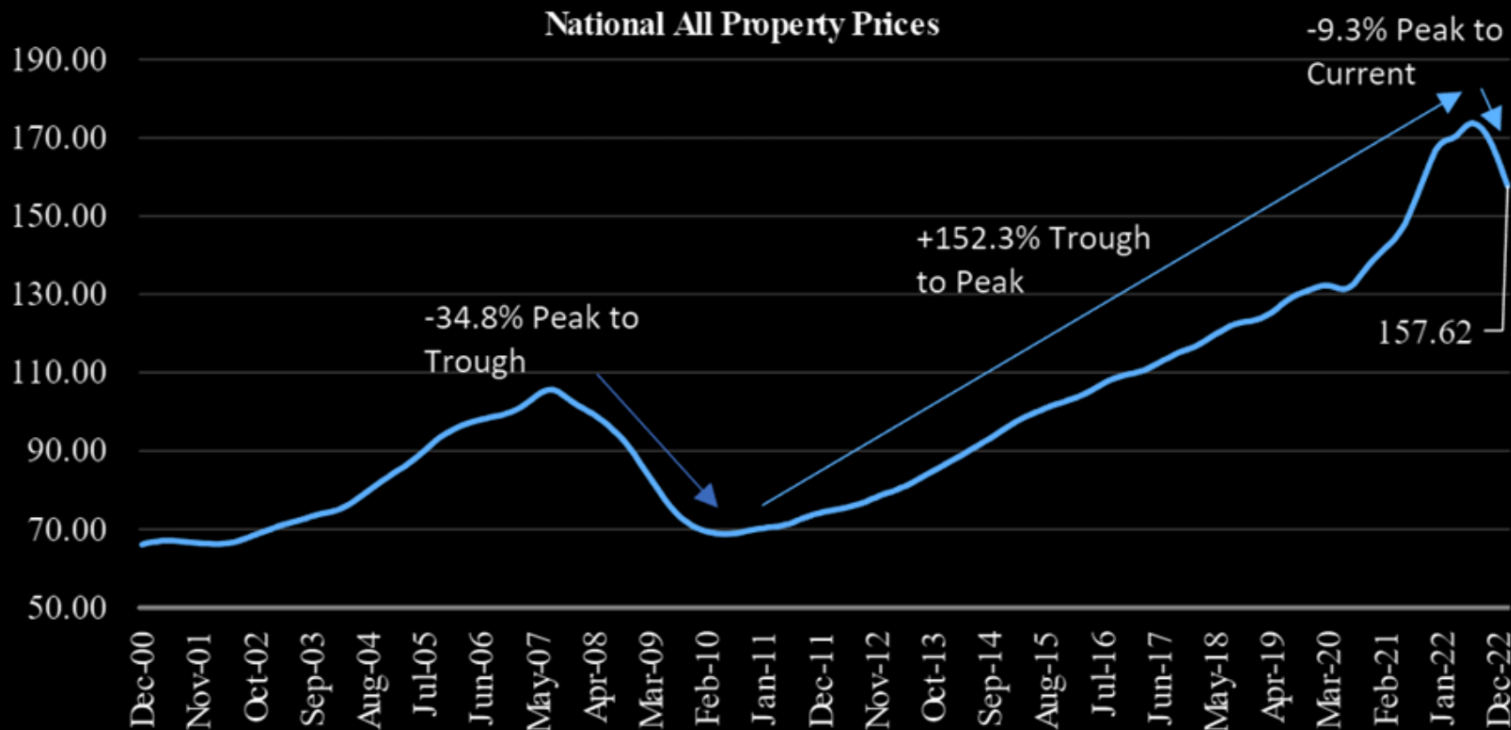
CRE PERFORMANCE





Property price decline; worse than GFC

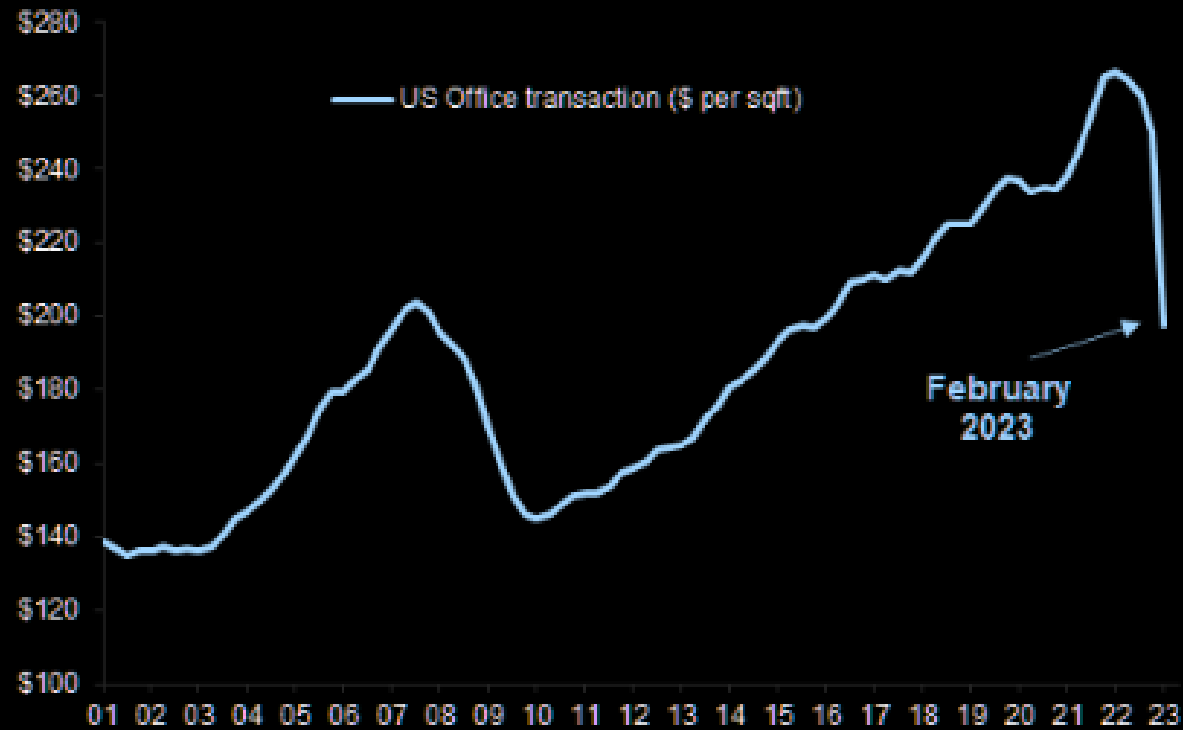
Exhibit 1: CRE Property Prices - All Property Sectors



The real estate long



US office real estate \$ per sqft



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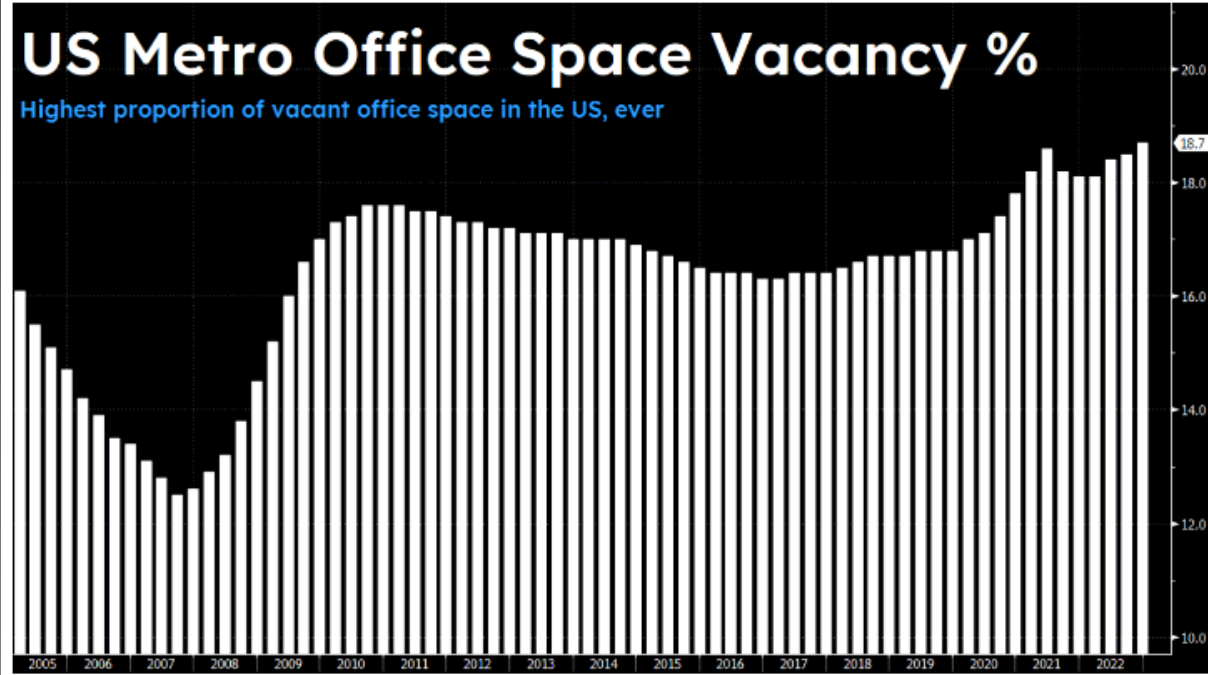
- TWO ANALOGIES TO REMEMBER



No rent is being paid on 1/5th of all US office space

US Metro Office Space Vacancy %

Highest proportion of vacant office space in the US, ever



National average office occupancy level

Weekly average of 10 select metro areas with highest occupancy rates; Feb. 12, 2020, to Jan. 25, 2023



Data: Kastle Systems; Chart: Axios Visuals

50% US Office Occupancy appears to be a Ceiling

BAROMETER THIS WEEK

48.4%

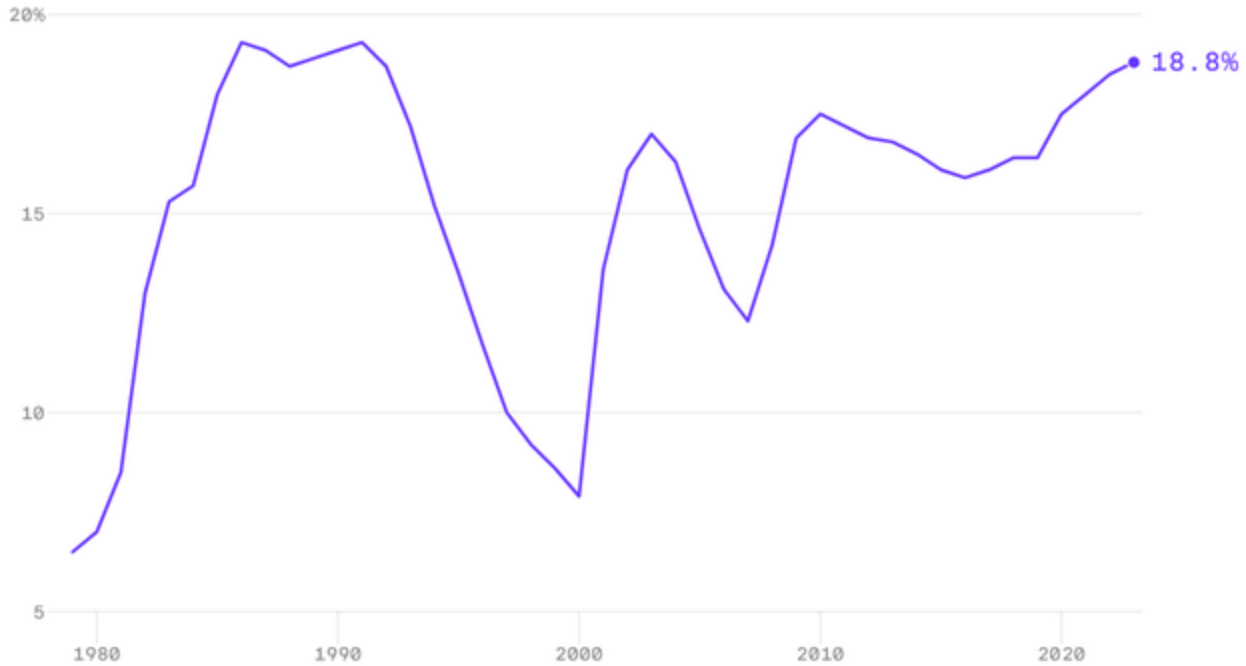
10 CITY AVERAGE OCCUPANCY



	Wed 3/15	Wed 3/22	% Change
Austin metro	55.5%	58.0%	2.5% ▲
Houston metro	55.9%	57.6%	1.8% ▲
Dallas metro	49.9%	51.5%	1.6% ▲
New York metro	45.5%	47.0%	1.5% ▲
San Jose metro	38.4%	39.7%	1.3% ▲
San Francisco metro	42.1%	43.3%	1.2% ▲
Average of 10	47.3%	48.4%	1.1% ▲
Los Angeles metro	47.1%	47.8%	0.7% ▲
Philadelphia metro	42.2%	42.9%	0.7% ▲
Washington D.C. metro	46.2%	45.8%	0.3% ▼
Chicago metro	50.7%	50.8%	0.1% ▲

Share of U.S. office space that is vacant in 50 largest metro areas

Annually; 1979–2023 (projected)



Data: Moody's Analytics; Chart: Axios Visuals

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CMBX 15 BBB-

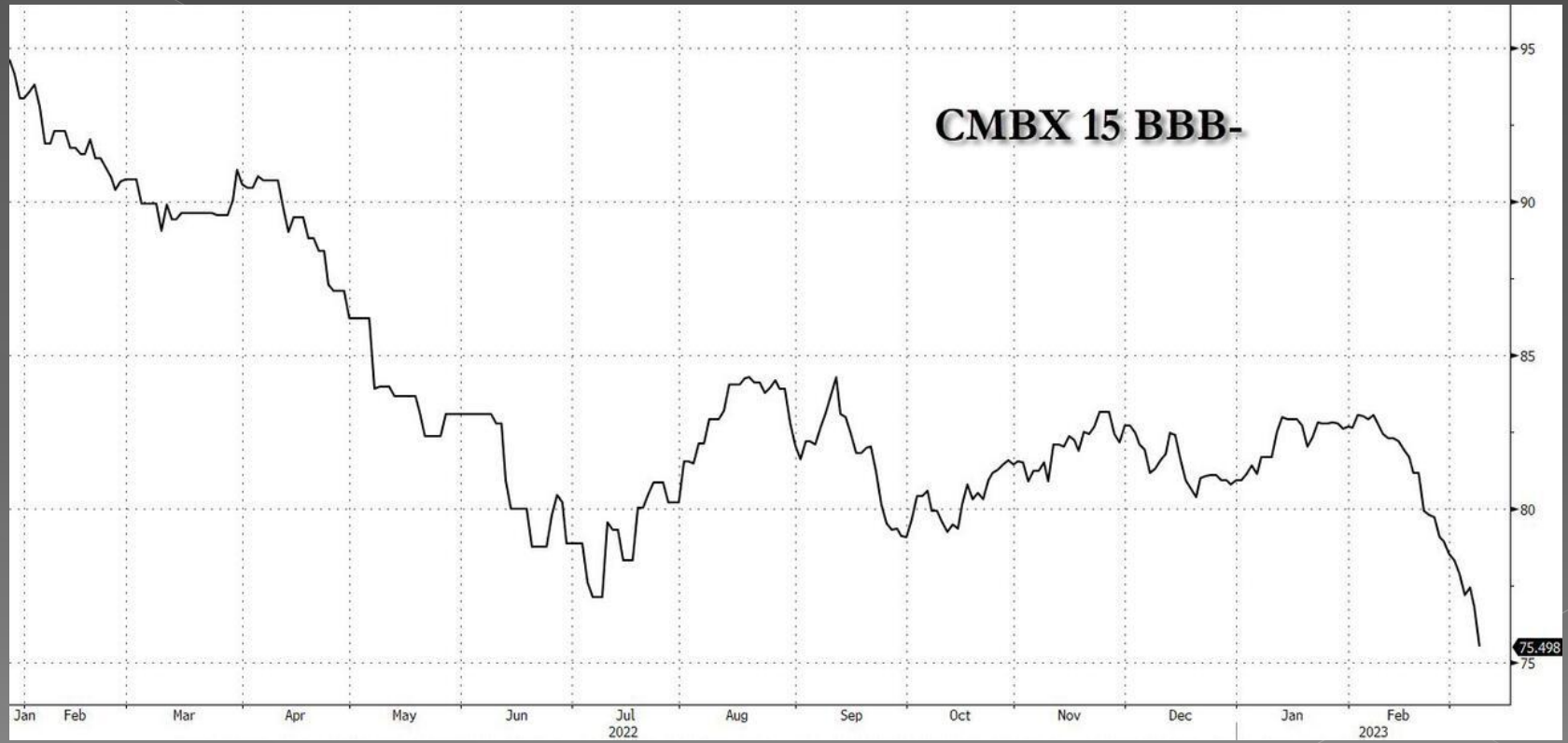


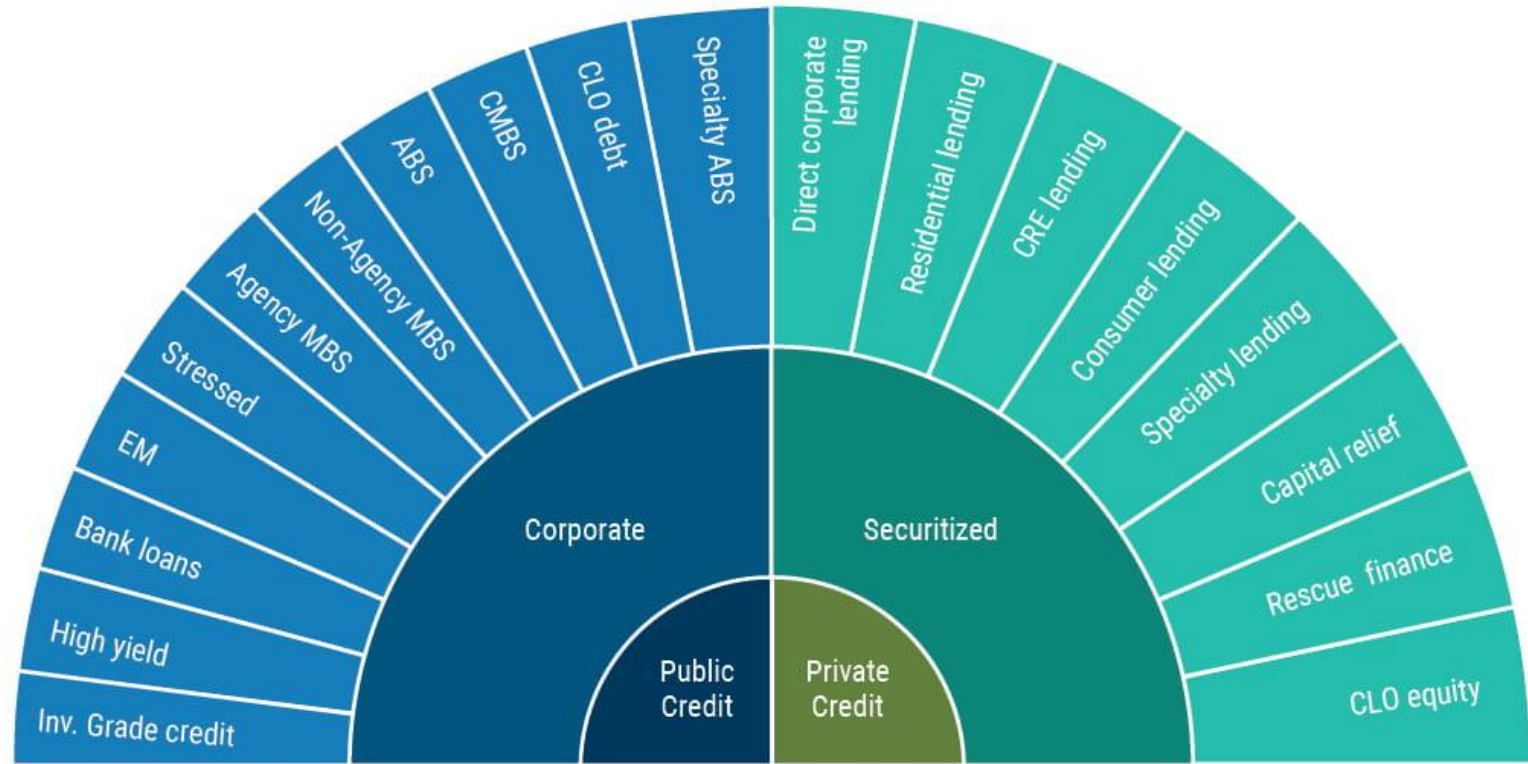
Exhibit 3: CMBX 14 has relatively high multifamily exposure and low hotel and retail exposure

Share of reference loan balance by property type

Series	Office (%)	Retail (%)	MF (%)	Hotel (%)	Industrial (%)	Mixed-Use (%)	Other (%)
6	24	43	5	11	4	5	7
7	18	36	13	13	4	7	10
8	25	30	13	14	3	8	7
9	24	26	15	16	5	6	8
10	28	32	7	14	5	7	7
11	31	22	8	16	6	11	6
12	32	25	11	14	7	5	6
13	30	21	15	12	7	7	8
14	30	16	18	9	8	11	7
15	33	19	15	4	13	7	10

Source: Intex, Goldman Sachs Global Investment Research

Spectrum of Public and Private Credit



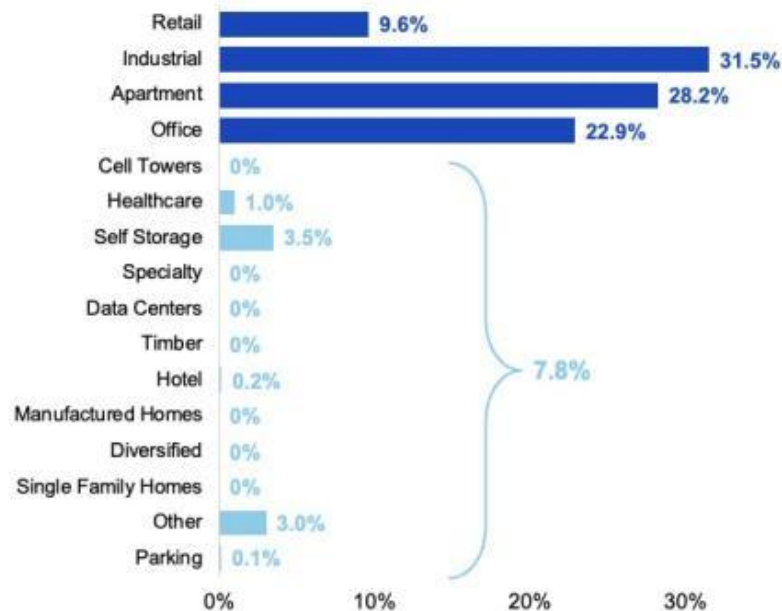
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PIMCO

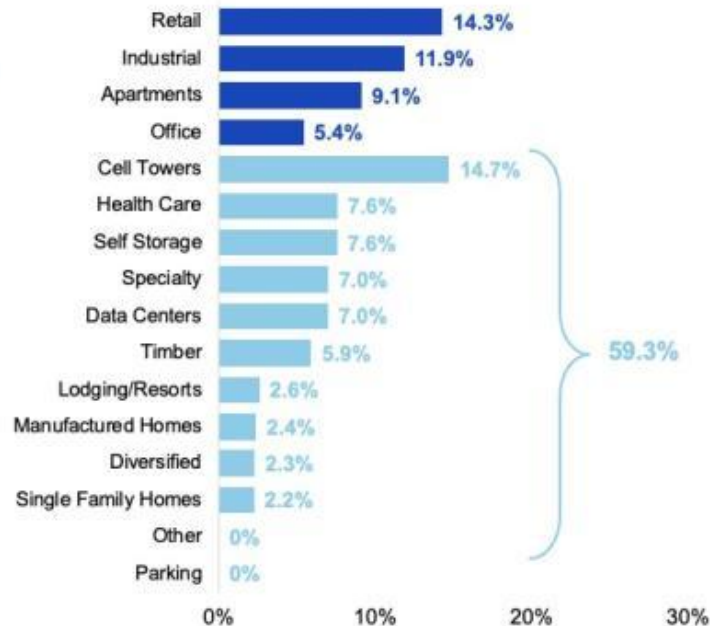
Property Sector Diversification

Comparing U.S. Private and Public Real Estate 2022Q4

Private Real Estate



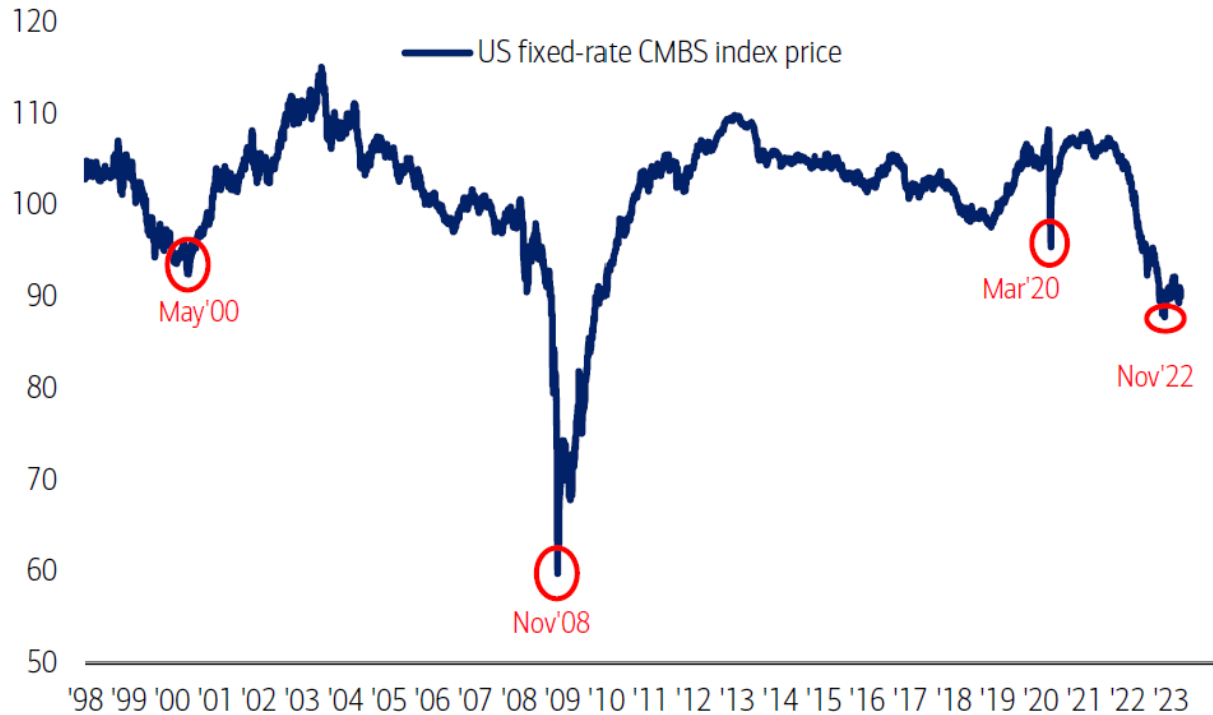
REITs



Source: NCREIF Open End Diversified Core Equity ending market value as of Q4 2022 via NCREIF; FTSE Nareit All Equity Index, equity market capitalization as of December 31, 2022 via Factset.

Chart 3: CMBS prices lowest since Oct'09

US fixed rate CMBS index price



Source: BofA Global Investment Strategy, Bloomberg

PROPERTY TYPE & MIX

Office (%)	Retail (%)	MF (%)	Hotel (%)	Industrial (%)	Mixed-Use (%)	Other (%)
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AVOID: High Office, Retail & Hotel percentages,

WANT: Higher Relative Multi-Family, Mixed-Use

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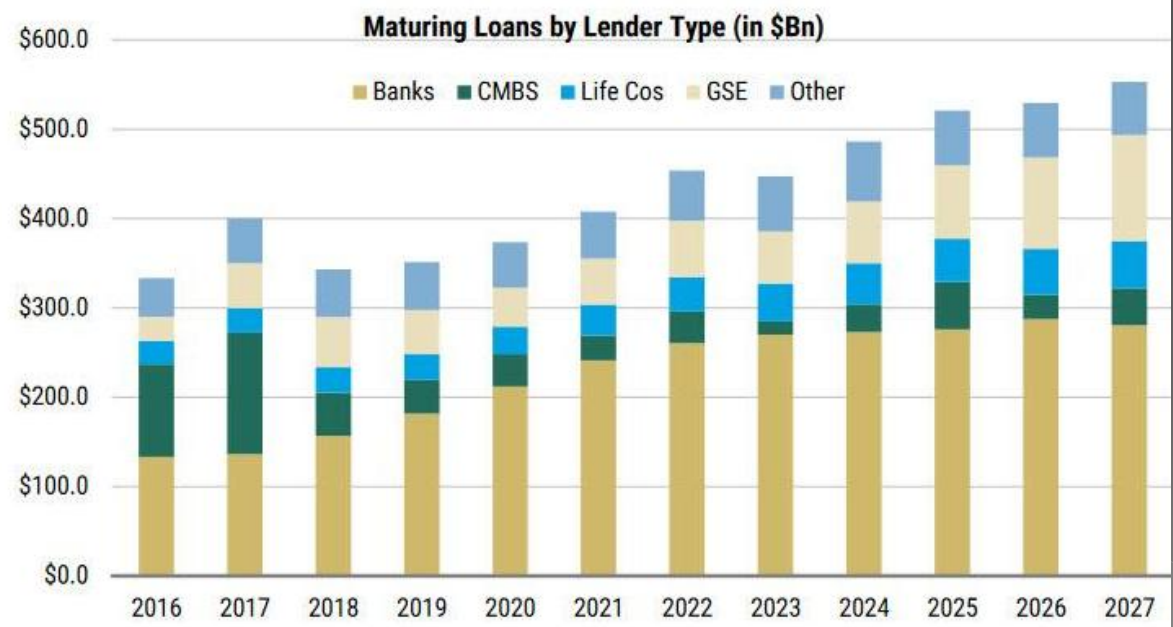
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Exhibit 8: CRE Debt Maturities: \$2.5tn in next 5 years



Source: Trepp, Morgan Stanley Research

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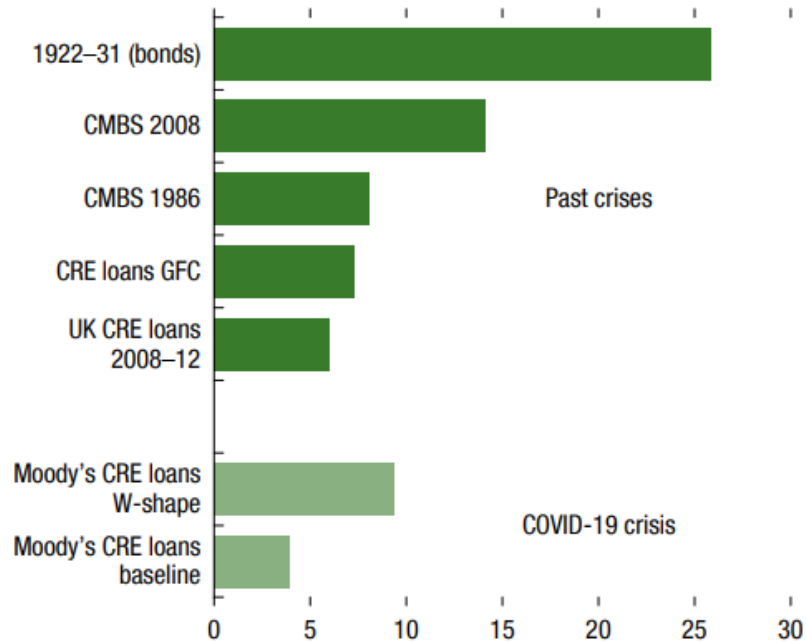


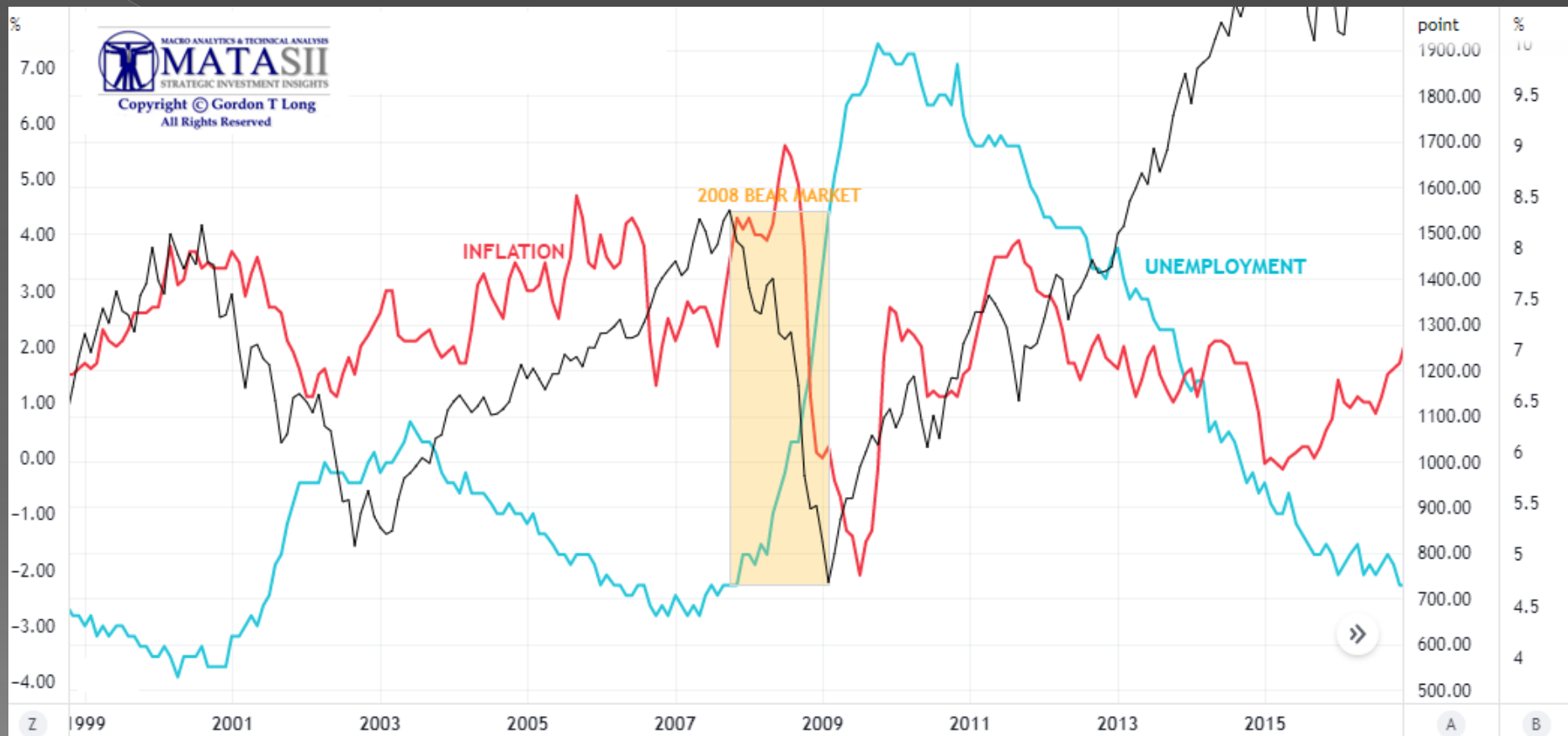
Corporate Real Estate Losses in Past Crises

Commercial real estate debt losses have been substantial in past crises.

1. Commercial Property Loss Rate Estimates

(Percent, cumulative loss rate, for the United States unless stated otherwise)







MACRO ANALYTICS & TECHNICAL ANALYSIS
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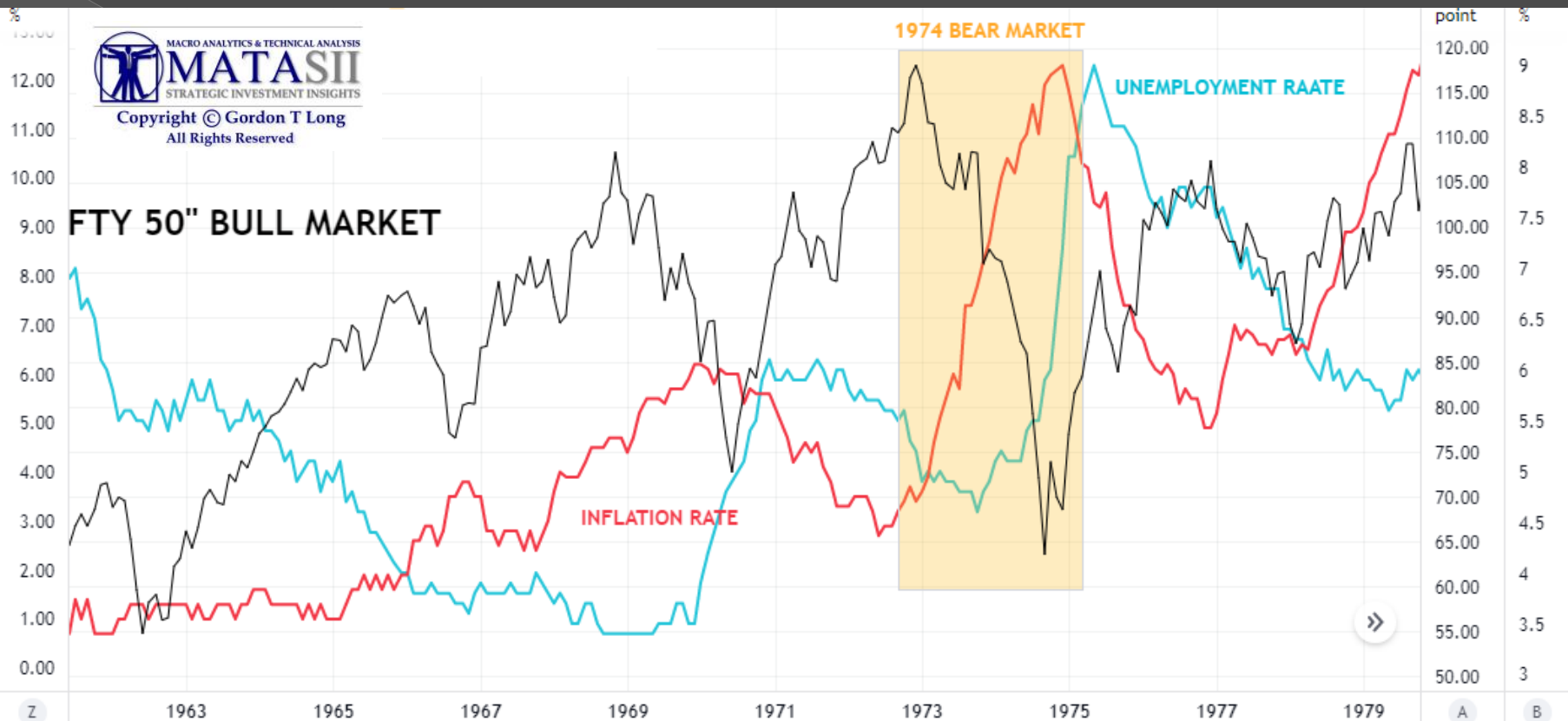
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FTY 50" BULL MARKET

1974 BEAR MARKET

UNEMPLOYMENT RATE

INFLATION RATE



ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES ...

DON'T WORRY, THEY WILL PRINT THE MONEY!

EVERYONE IS NOW IN PLACE & READY!!



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