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The Great Cities

Economic Update - Special Focus on The Great Cities

Prepared and Presented by

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for the

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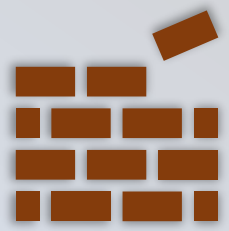
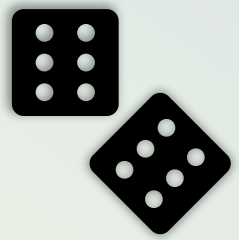


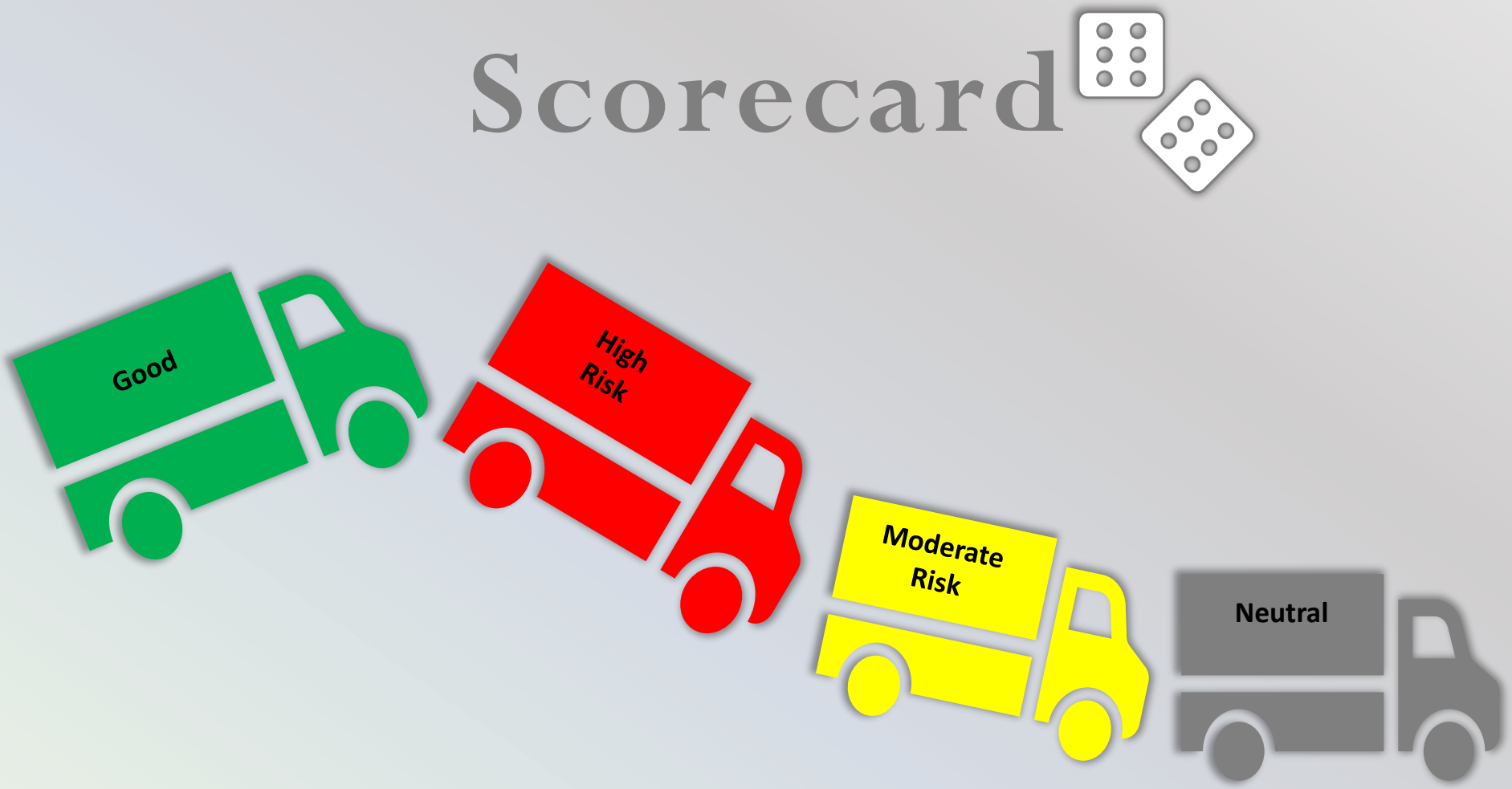
The residential housing market is slowly declining from its positive role in recent years. Reduced mobility, unaffordability, exposure to materials inflation are noted. The slowdown could extend to slower renovation/remodeling demand in 2024-2025. Advertiser credit risk is likely increasing.

A powerful set of interconnected forces – all derived from computational sciences and biology – are creating new, hyper-efficient energy sources, cancer treatments, and intellectual work resources. A growing divide has emerged between those who can – and cannot use these resources.



Powerful, idiosyncratic macro risks are numerous and varied by type. These risks represent threats to global trade stability. The longer-term outlook remains guarded, with a slight downside bias.

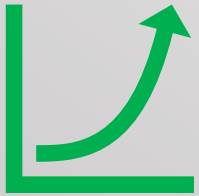
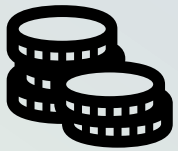
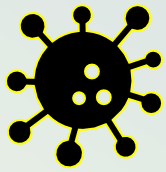
Scorecard



Systemic Risks	H2 2023	H1 2024	H2 2024
Russia-Ukraine escalation and spillover			
Climate (inflation, insurance effects)			
Budget, Debt Ceiling, US internal political decay and conflict			
China-US friction / Tech competition			
Housing unaffordability/reduced mobility			
Wholesale price inflation			
U.S. consumer slowdown, credit leverage			
Bank ratings, credit tightening, Non-SIB risk			
U.S. bankruptcies and layoffs			

Major Down Cycles

Genesis of Recent Cycles

Down Cycle	Root 1	Root 2	Root 3	Root 4	Root 5
1973 - 1975, 1980 - 1982					
1990 - 1991					
2000 - 2001					
2008 - 2011					
2020 - 2022					

Down Cycle	Root 1	Root 2	Root 3	Root 4	Root 5
1973 - 1975, 1980 - 1982	Oil-based economy. Gasoline and vehicle economy.	Mideast wars and oil embargoes	Wholesale price inflation	Inefficiency and bad data	Cold War and related costs
1990 - 1991	Mideast conflicts	Savings and Loan Bank Crisis	Leveraged Buyout Failures	Inefficiency and bad data	Corporate governance and fraud
2000 - 2001	Asian Currency Crisis	Stock Market Losses	Sept. 11 and Afghanistan	Corporate governance and fraud	Bad data and inefficiency
2008 - 2011	Credit collapse	Banking crisis and layoffs	Real estate crisis	Mideast crises and crude oil inflation	Corporate governance and fraud
2020 - 2022	COVID Pandemic	Russia Invasion Ukraine	Severe inflation	Return of Cold War and Cost	Climate and Weather

Inflation 2021-2025

The climate connection

References

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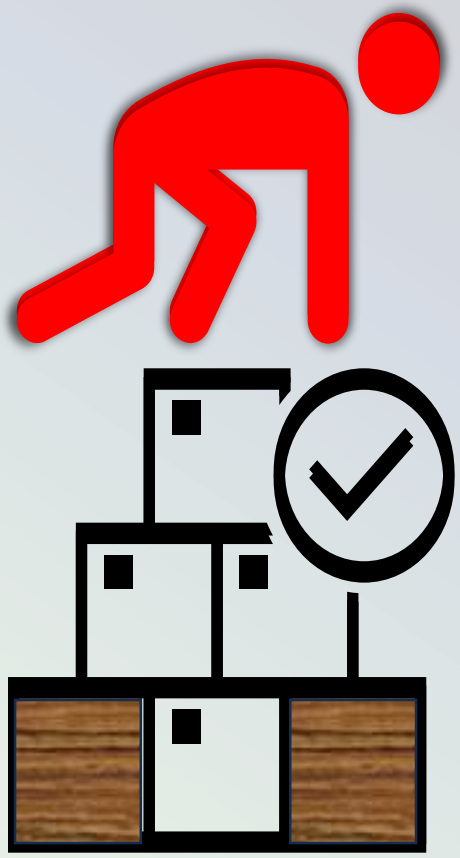
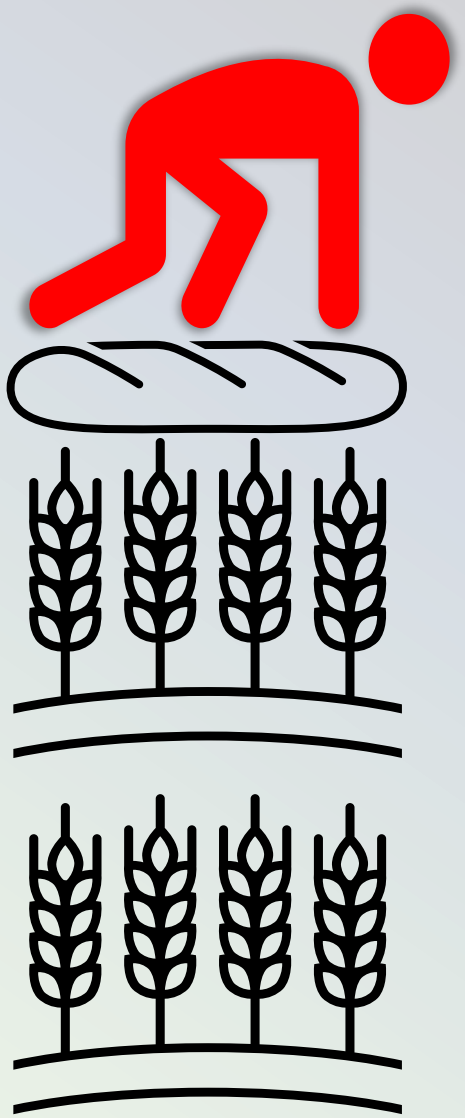
https://www.munichre.com/en/company/media-relations/media-information-and-corporate-news/media-information/2022/media-release-2022-10-20.html

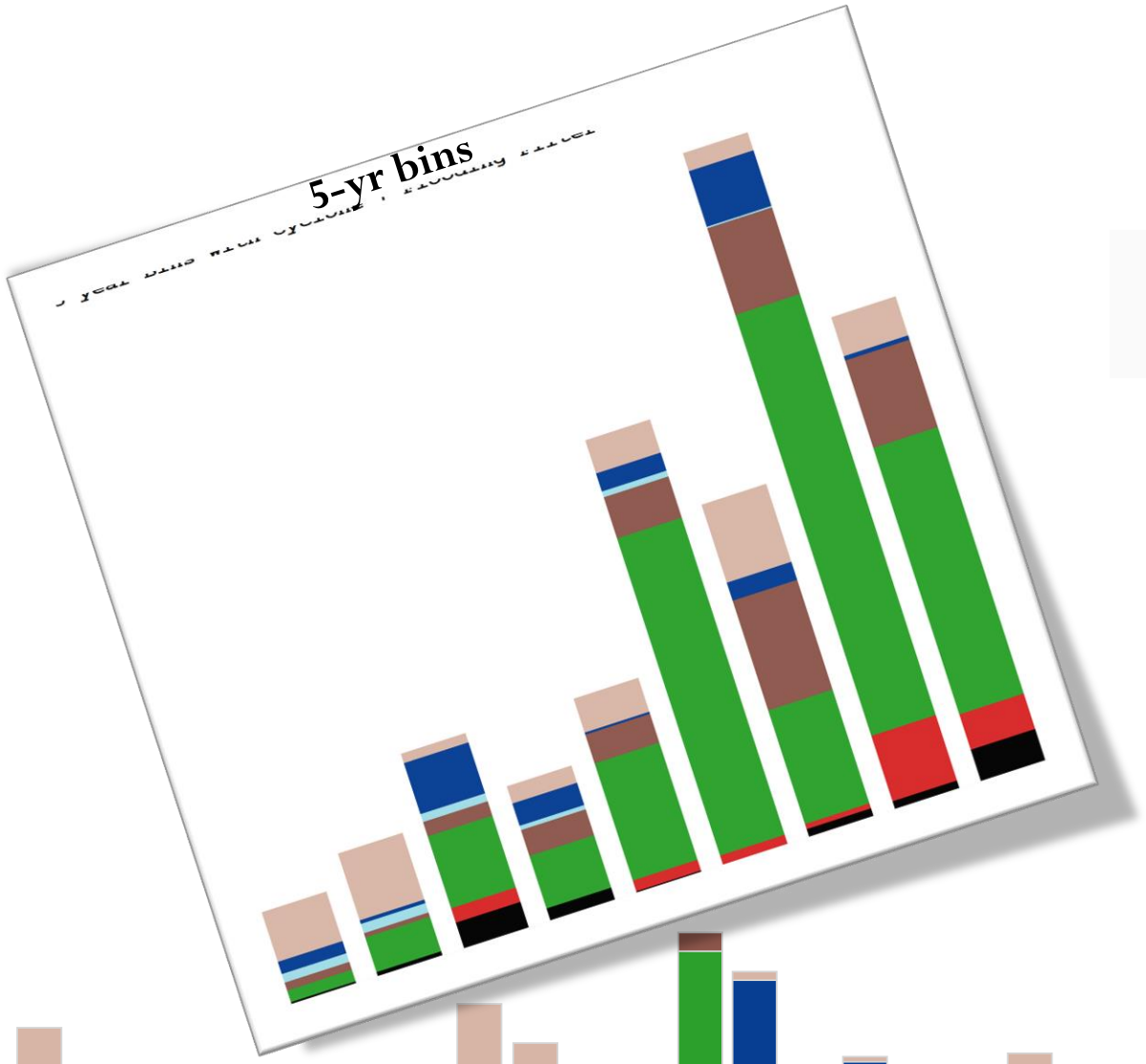


Supplier of Inventory	Reseller of Inventory	End-user of Inventory
Average climate situations, 1950 - 2002		
Has 50 boards	Has 200 boards	Needs 20 boards
Climate disaster pattern, 2002 – 2025+		
Has 40 boards	Has 180 boards	Needs 40 boards
Rationale		
Depletion of raw materials due to natural disasters and climate shift	Increased demand reduces inventory available for sale	100% increase in demand due to natural disasters and reconstruction



Supplier of Grain	Reseller of Grain	End-user of Grain
Average climate situations, 1950 - 2002		
Has 50 acres	Has 200 customers	Needs 20 bushels
Climate disaster pattern, 2002 – 2025+		
Has 40 acres	Has 100 customers	Needs 30 bushels
Rationale		
Productive acres diminished by climate, and Ukraine War	Global food demand(growth) is still growing	Buying more grain up-front due to shortages

Cost per year, by disaster type



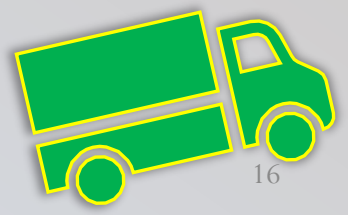
Total cost during 2017: $373,184.3 mln

Total cost during 2005: $253,530.3 mln

1980 1990 2000 2010 2020

Images: Billion-dollar Weather and Climate Disasters - NOAA Data – Tableau Public/Richard Hastings

Progress and the Great Cities

Systemic Positives Deep commonality	H2 2023	H1 2024	H2 2024
AI (optimization)			
Cancer treatment, neural prosthetics			
Electrification and renewable energy			
Home Office/WFH			
Learning and Skills			

Can we  get there?

Neuroprosthetics

Immunotherapies

WFH dynamics

AI optimization

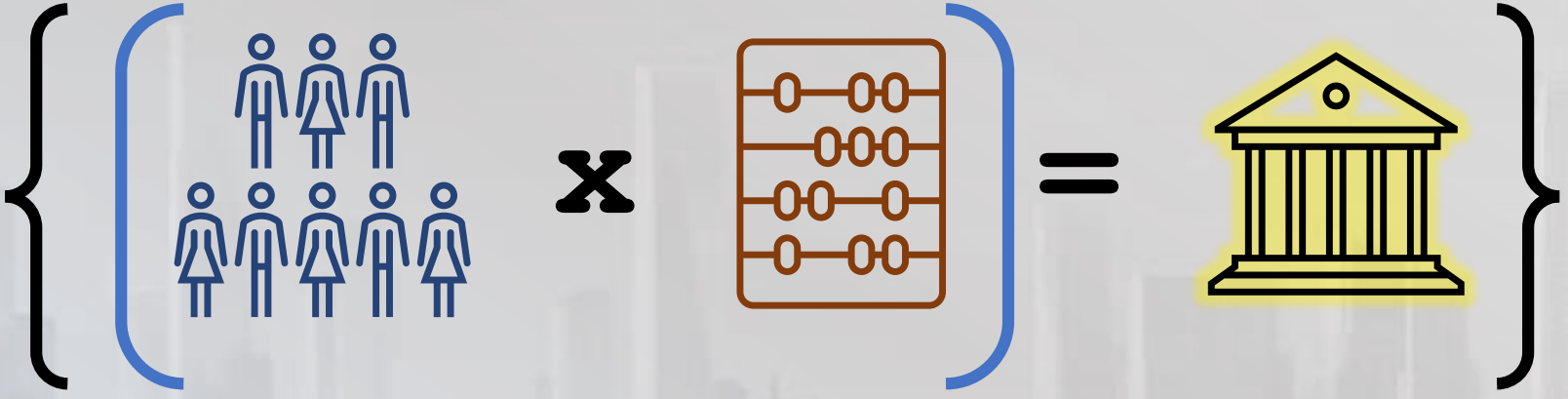
Faster learning

New energy

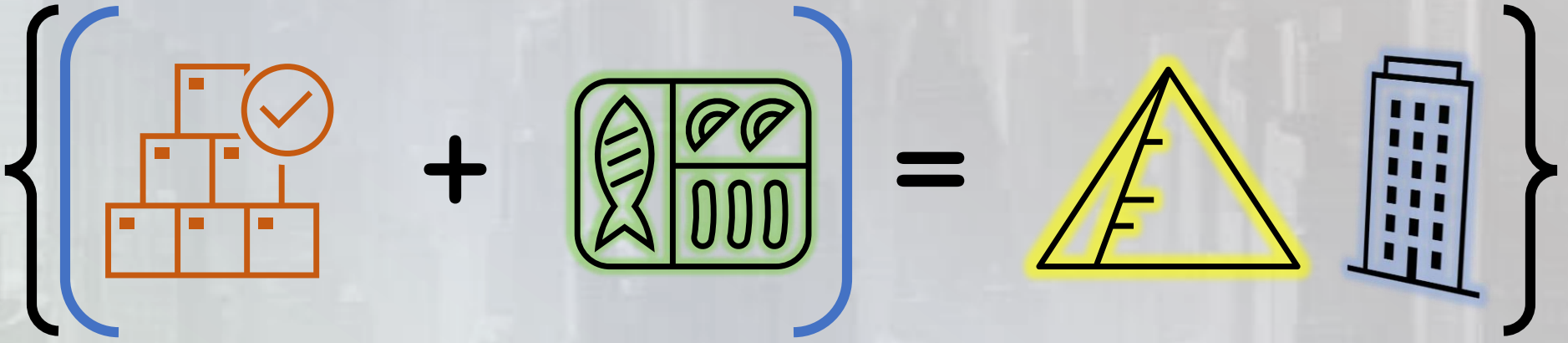
Cities: Centers of Gravity

- Imagination and history
- Density
- Proximity
- Micromobility
- Parks
- Diversity
- Peaceful conflict
- Vertical habitats
- Innovation
- Entrepreneurial
- Infrastructure
- Plentiful inventory
- Crisis prioritization
- Progress urgency
- More sources of capital
- Prioritized funding

IF



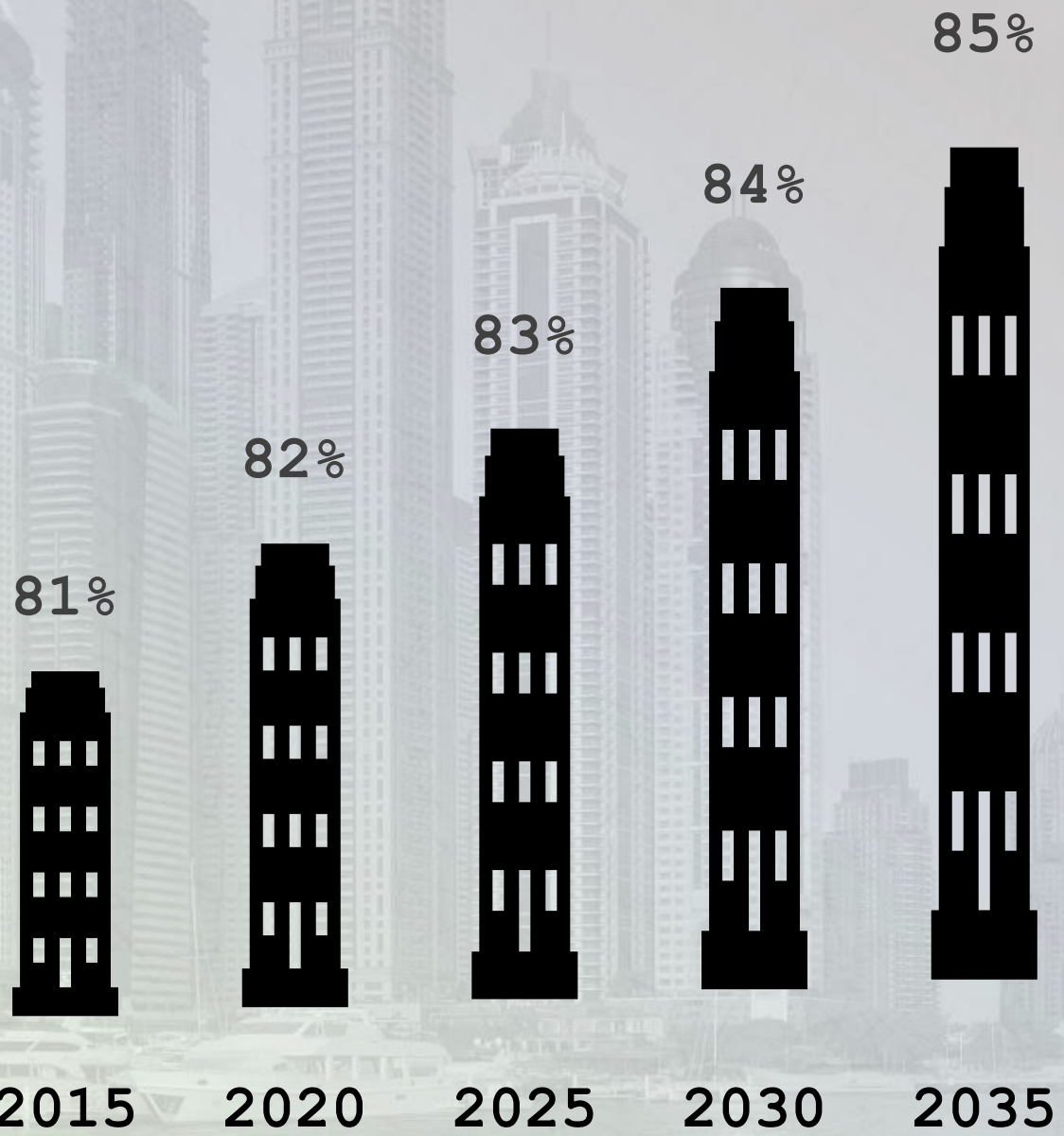
THEN



High-income countries

% living in urban areas

Data source: United Nations



- Visual and behavioral references to Centers of Gravity (CoG)
- Numerous CoGs = new, varied messaging
- Consumers in Lower-middle income countries show faster growth migrations to Cities
- Aspiration to higher income styles and behaviors
- Messaging reflects High-income-Urban culture

Links

Tableau:

The Great Cities 2023

Selected visualizations

Alternate link

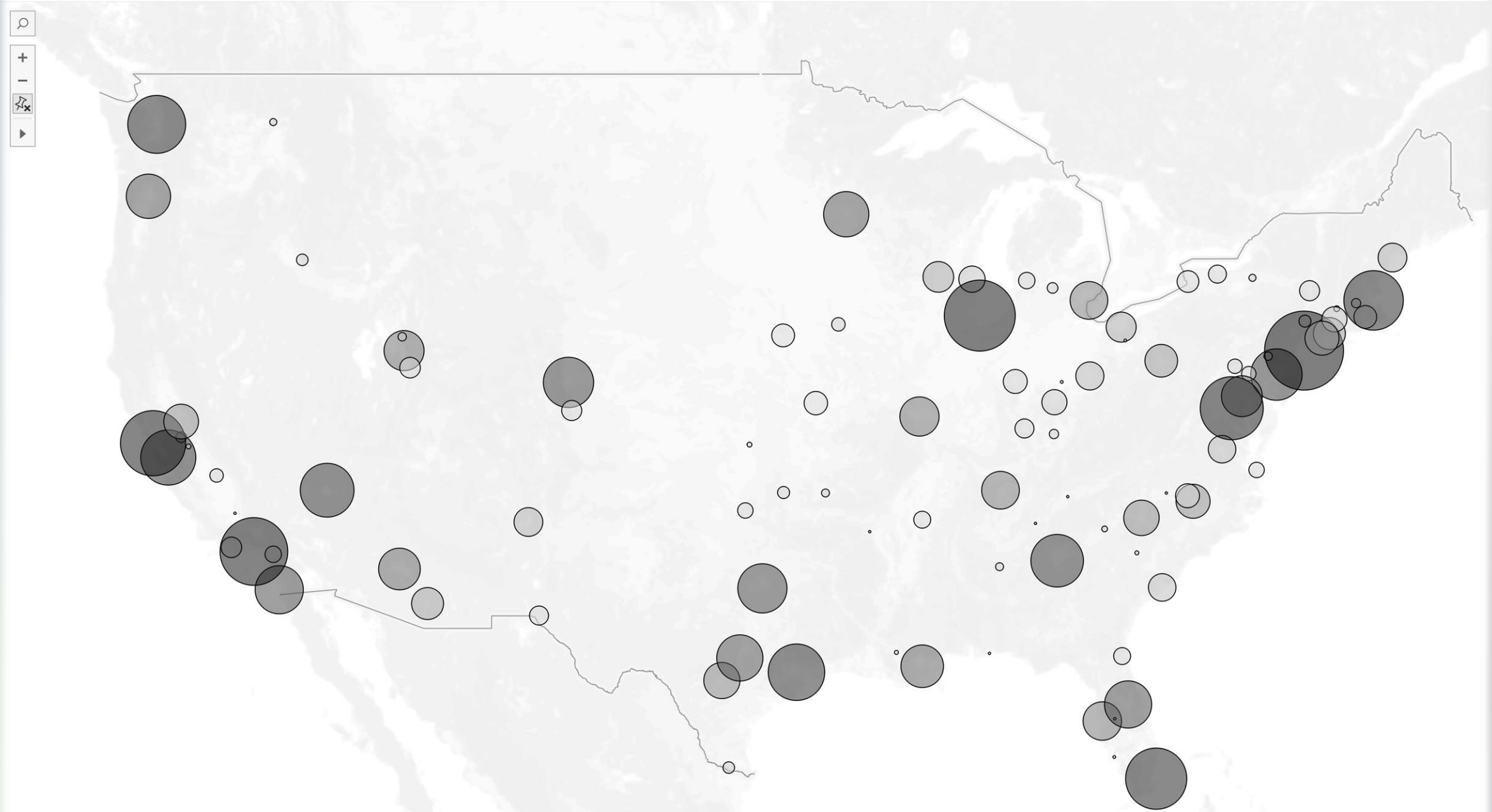
"Make your mark in New York and you are a made man"[1]

[1]Attributed to Mark Twain

Selected Images

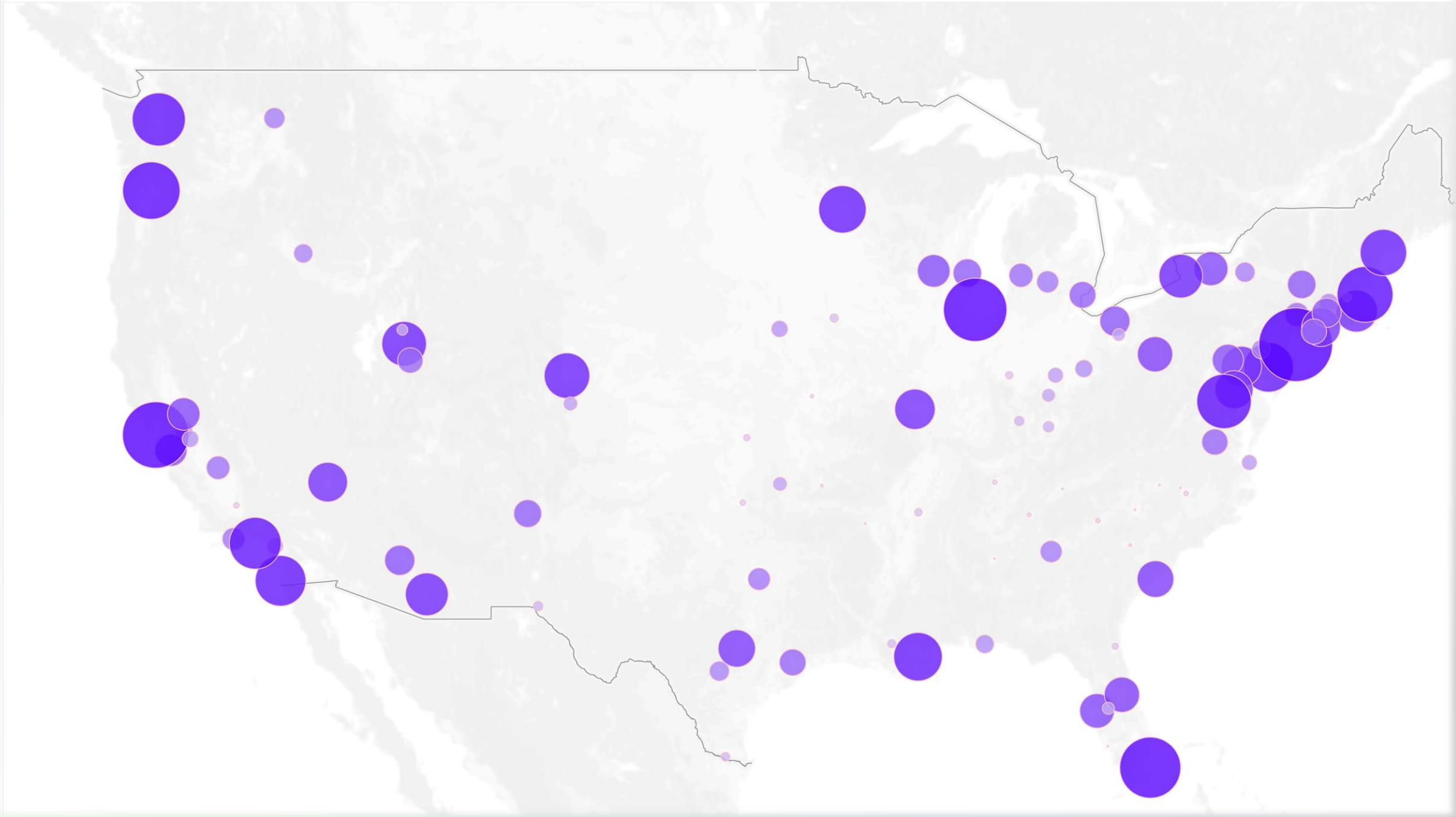
U.S. Cities, Overall Rankings

Data source: Resonance Consultancy, worldsbestcities.com



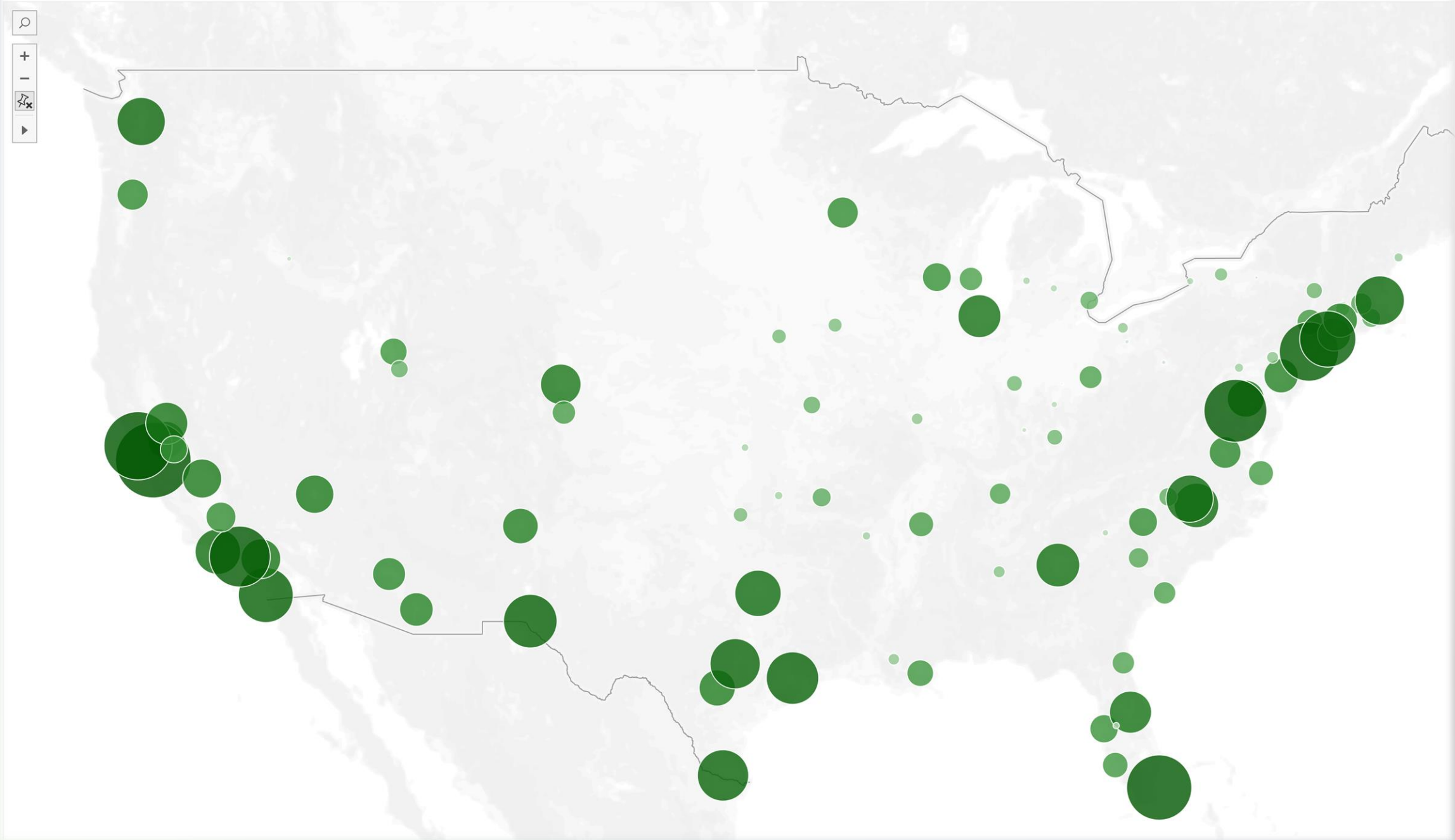
5. Cities by Place

A city's physical sense of place, its natural and built environments. (Resonance Consultancy, worldsbestcities.com)



6. Cities by People

Global ideas from diverse populations; human capital. (Resonance Consultancy, worldsbestcities.com)



Top 25 U.S. Cities

Source: Resonance Consultancy, worldsbestcities.com

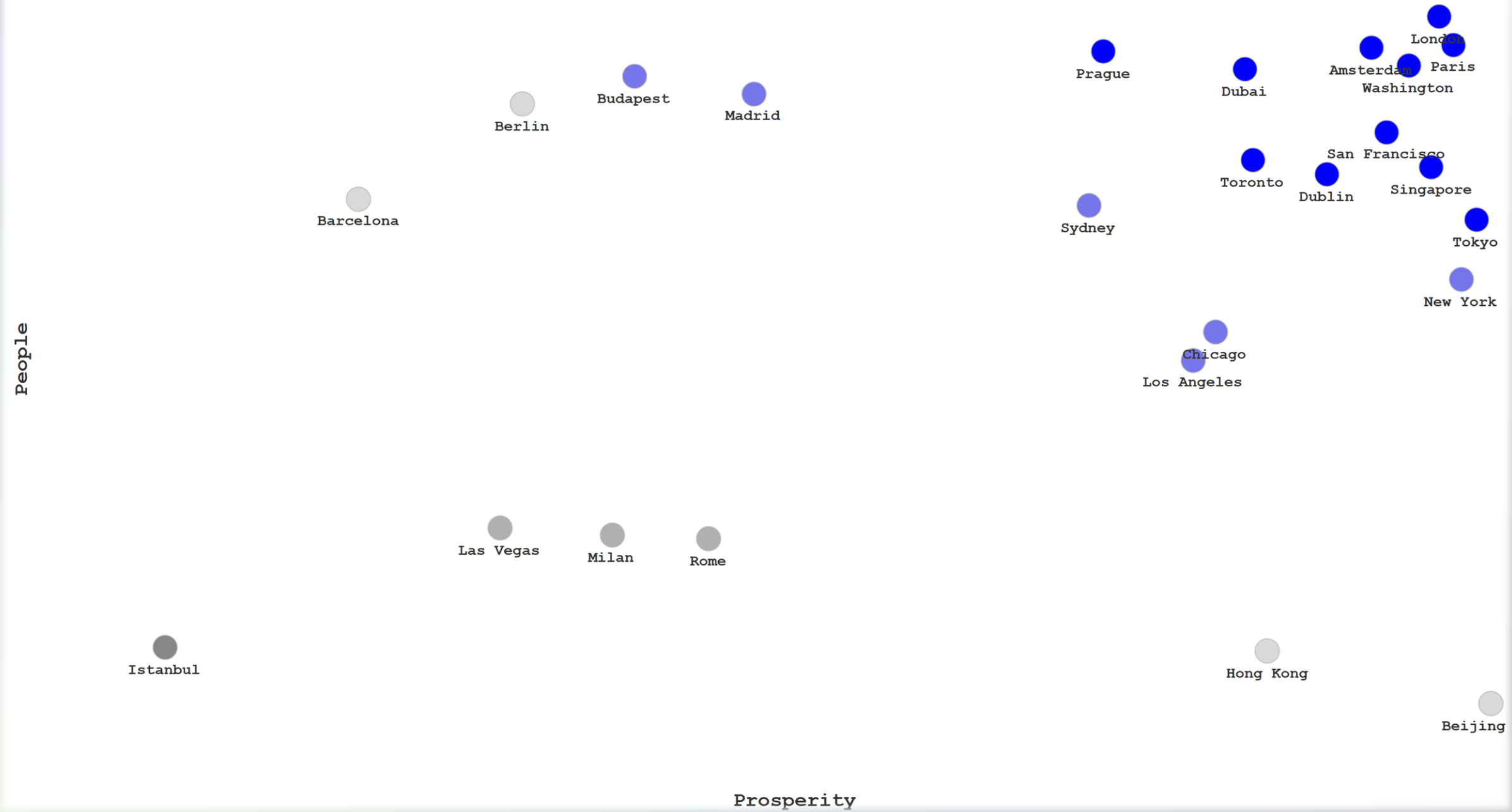
City	Rank	People	Place	Product	Programming	Promotion	Prosperity
New York	1	6	1	1	1	1	1
Chicago	2	21	3	2	4	4	4
Los Angeles	3	5	10	3	2	2	10
San Francisco	4	2	2	6	6	9	5
Washington	5	4	8	10	23	3	3
Miami	6	3	4	14	15	5	15
Boston	7	14	7	4	18	11	7
Seattle	8	15	9	15	10	14	6
Houston	9	11	43	5	7	8	11
San Jose	10	1	34	46	44	37	2
Las Vegas	11	27	23	11	3	6	79
Atlanta	12	20	53	8	17	7	13
Philadelphia	13	33	12	7	14	16	23
Denver	14	24	16	13	19	18	9
Dallas	15	17	51	9	20	12	8
San Diego	16	9	11	26	8	10	35
Orlando	17	22	28	12	5	13	54
Austin	18	13	26	29	11	15	14
Minneapolis	19	39	14	17	32	36	12
Portland	20	38	6	33	12	23	21
Honolulu	21	7	5	44	22	46	58
New Orleans	22	46	13	16	9	21	85
Phoenix	23	36	36	19	27	20	26
Baltimore	24	29	25	20	30	26	43
Salt Lake City	25	45	17	30	53	47	16

Top 25 Cities for Place (based upon rankings)

Data source: Resonance Consultancy, worldsbestcities.com

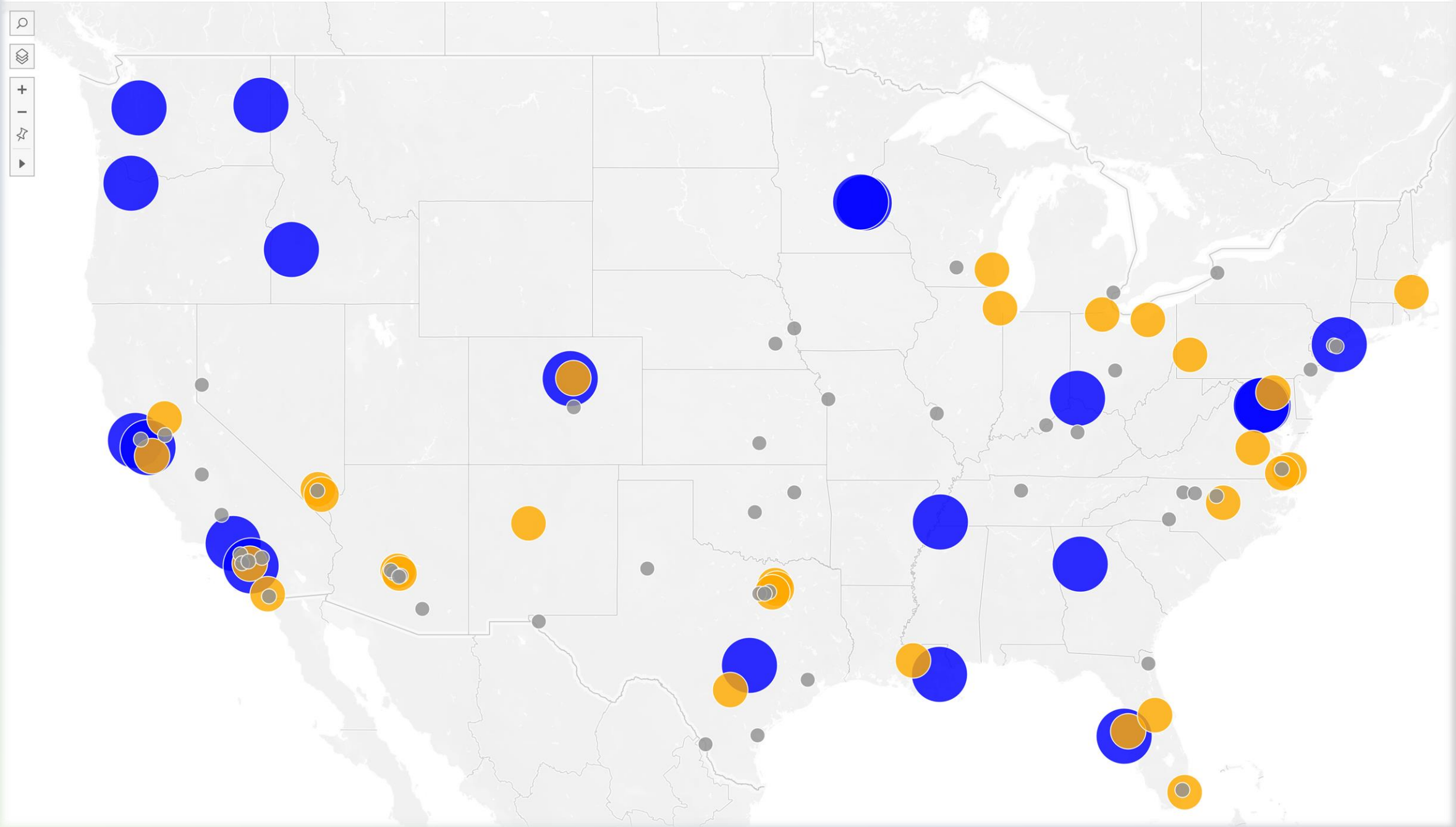
World Cities: Prosperity by People - Top 25

Data source: Resonance Consultancy, worldsbestcities.com



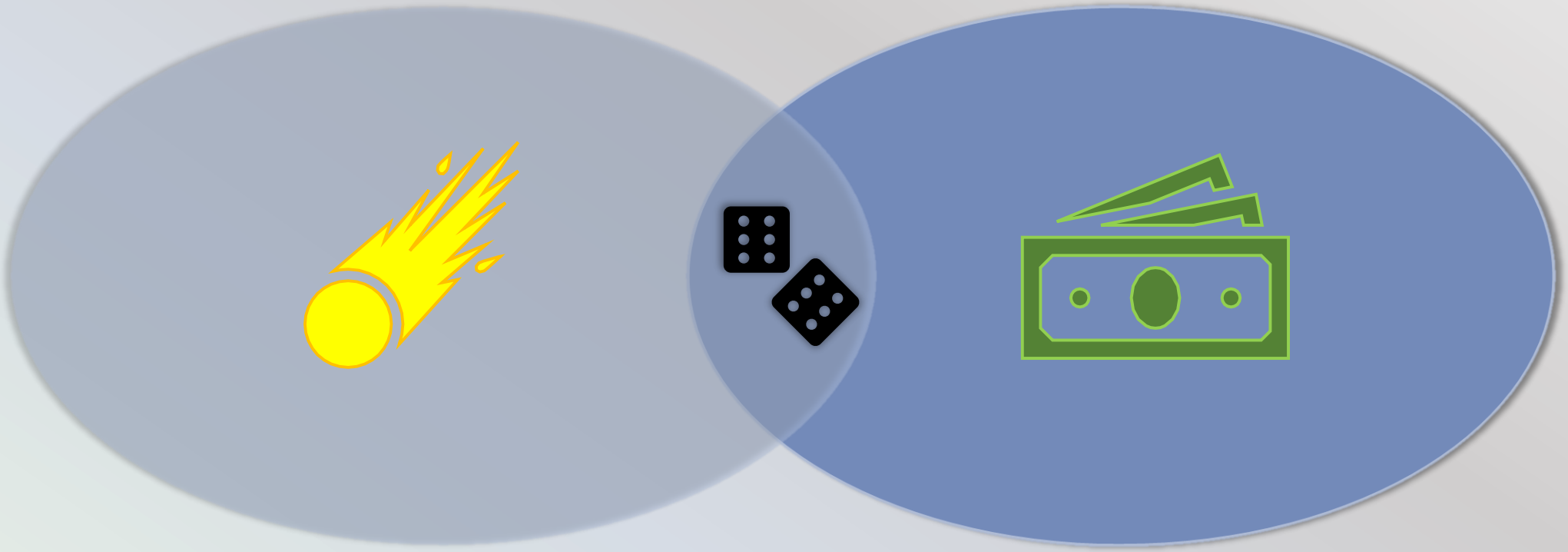
ParkScore: Cities Emphasis. Three Tiers.

Data source: ParkScore, The Trust for Public Land

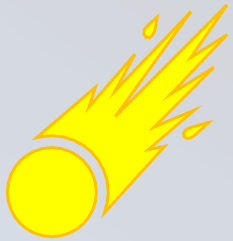


Appendix

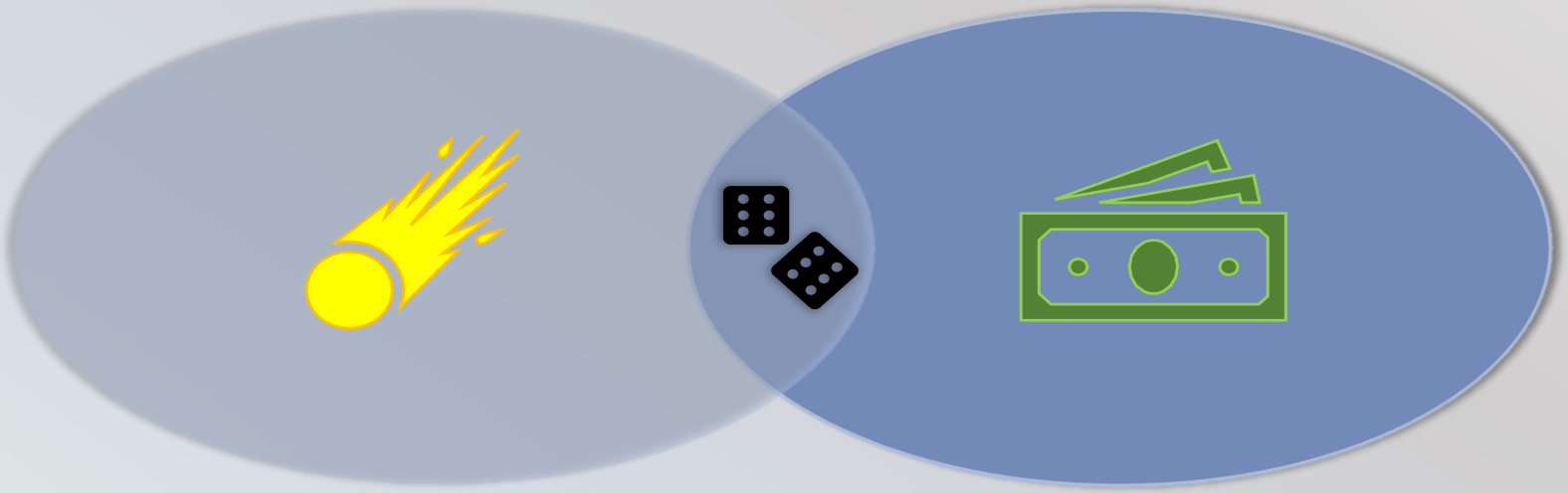
Economics perspectives and commercial credit risk overlap only slightly.
The relationship between the two perspectives should be understood carefully.

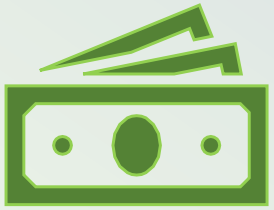


Economics is efficient at determining systemic and systematic risks.
Commercial credit risk is efficient with specific and idiosyncratic risks.



Risk Type	Description
Systemic	Affecting the whole, instead of parts of the whole
Systematic	Affecting parts, including whole portfolios

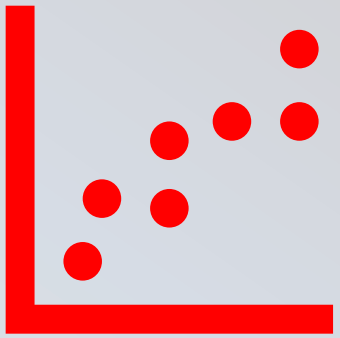




Risk Type	Description
Idiosyncratic	Risk that is not obviously related to a portfolio or market
Specific	Risk at the company – counterparty – customer level

Climate Change will maintain the Energy Crisis, triggering petrochemicals and specialty chemicals inflation – globally. Everything will be affected.

Scenarios	# Summer Days	Avg.Temp(F)	Area, mi^2	Aggregate	Energy for Cooling
Old Fashioned Base Case	100	80	100	800,000	No Change for 72°F
New Fashioned – Moderately Warmer	105	82.5	105	909,563	+13.70%
New Fashioned – Much Warmer	115	85	110	1,075,250	+34.41%

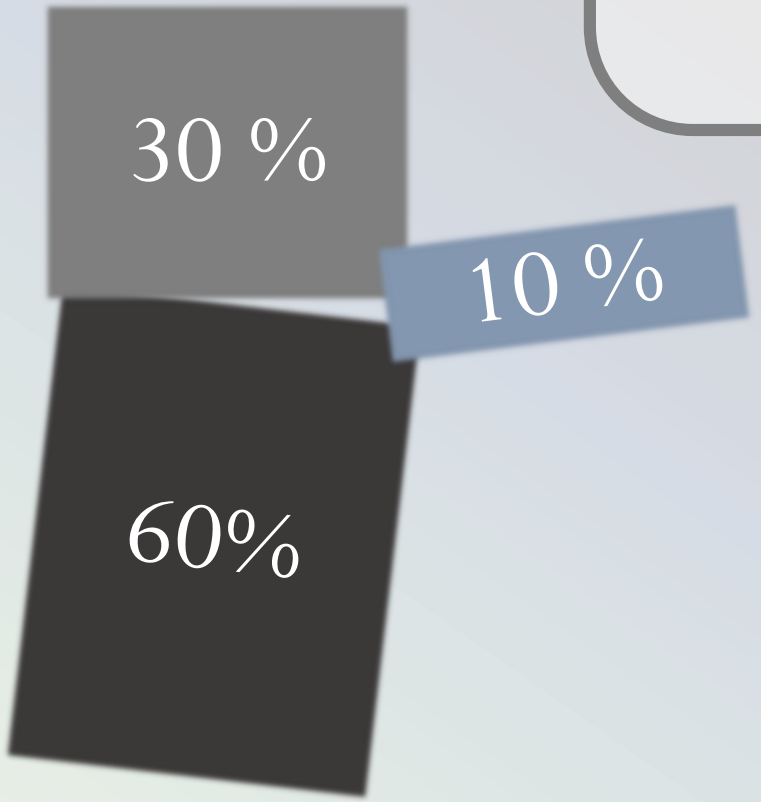


Warmer temperatures are expanding into more global geography, pulling more population into the warmer geography.

Cooling requirements are going to up, or populations will be forced, by regulations, to reduce maximum cooling from 72° to 75°, and in some situations, to 80° during some of the longer, and hotter summers.

Scenarios	# Summer Days	Avg. Temp(°F)	Area, mi^2	People	Aggregate	Cooling Energy Req'ment
Old Fashioned Base Case	100	80	100	50	40,000,000	
New Fashioned – Mild Scenario	110	82.5	105	55	52,408,125	+31.02%
New Fashioned – Strong Scenario	125	85	120	65	82,875,000	+107.19%

Is the 30% chunk from the Fed or from the war…totally forgot…and I don't get the 10% for uncertainty idea totally bizarre what is that anyway . . .



30 %

10 %

60%

In any order, from top to bottom.

Monetary factors (Treasury and Fed) are responsible for only part of today's inflation.

The energy and commodities components of inflation are influenced by global, civilization-level factors.

Uncertainty adds another level of inflation within supply chains.

5 %

I will see you a bond worth $1,000 and pay you 5% interest to wait for me to pay you the $1,000.

6 %

Meanwhile, the buyer suffers inflation of 6%. Maybe more next year, who knows!

-1 %

My bond customer wants to sell the bond now. They can only get $900. The buyers are worried about inflation.

10 %

Not taking any chances next time. I'll give them 10% to wait for their money.

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