

# Room to Grow: Gulf Coast RE Outlook

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# Room to Grow: Overview and Drivers of the Industrial Footprint in Greater Houston

TRUMP TARIFFS AND RESINS—DRIVING GROWTH IN THE GULF COAST

By Curtis Spencer, President IMS Worldwide Inc.





**THE TARIFF SHERIFF.**

# What does the Trump Tariffs really mean for Global Shipping?

- Chinese companies are either shifting production from China to SE Asia or they are eating the costs for US-bound goods. Some additional costs (Tariffs) are affecting the US buyer.
- There will be shifts to Mexico, shifts to Canada, and Eastern Europe.
- Even our “exports” are shifting: Export Resins are now moving to Europe and S. America, while Asia is being sourced from other locations.....SAME SHIPPERS.
- Vietnam’s “Resin imports” is up over 30% from last year.....expect that to continue.

# How do we “insure” against trump tariffs?

- The FTZ Program is the only way to carry “insurance” against a Tariff World that changes daily.
- We are being asked daily to help customers “tariff engineer” their supply chains to mitigate these Trade Wars.
- It’s not going to get solved by June 1. I PROMISE
- By using the FTZ ,you can delay, avoid, and pre-empt Duty Changes in your Supply Chain.
- Companies must take a look at the FTZ Program, because now the duty rate average has risen from 2% into the USA to 25+%.

# FTZ Growth Areas in 2019

- Over 6,000 companies use FTZs: Target, Home Depot, Levi's, The Limited, Puma, Adidas and 1,000's of retailers use FTZs in their Supply Chains to Cut Costs!
- MPF Savings used to be the leading "rationale" for using FTZ's; (DCs and FCs) Now, it's avoiding, delaying or eliminating the Dreaded TRUMP TARIFFS!
- Manufacturers and Import Distributors are ALL looking at how they mitigate Section 201, 232, and 301 Tariffs. As low as 10% (Oops, that's now 25%!) on top of regular tariffs to as high as 55% for washers/dryers after mid-year.

# The Resin Boom is finally here!



- For 5 years, our firm and many others have predicted that this day would finally be upon us.
- The latest slide, updated as of Q1, 2019, shows that there is over 15 Million Metric Tons coming online between now and 2023. That's only 4 years.
- Producers are now planning well in advance for their packaging partners, routes, SIT spot vacancy and outside-the-box thinking.



	Update - May 2019			THREE TRANCHES OF RESIN PRODUCERS COMING ONLINE 2018-2025					
	Note 1: The purpose of this spreadsheet is to determine when producer rail car loads will be fully realized on the rail network in Houston, when other competing SIT spaces will be available, and when the deficit of SIT spaces available occurs.								
	Note 2: All Stated Dates/Events are expected not to produce the full volume of resins until a year after notified start date due to a 12-week delay due to Hurricane Charley								
				2018-2019	2018-2019	2020-2021	2020-2021	2022-2025	2022-2025
Producer	Online Schedule	When LBS hit RR Network	PLANNED Annual Metric Tons/Yr.	Effective Metric Tons on RR Network	Rail Cars	Metric Tons on RR Network; ANNUALIZED	Rail Cars ANNUALIZED	Metric Tons ANNUALIZED	Rail Cars ANNUALIZED
Total, Bayport	Q1 2018	Q1 2019	408,000	408,000	4,584.27	408,000	4,584.27	408,000	4,584.27
Ineos Sasol, Deer Park	Q1 2018	Q1 2019	470,000	470,000	5,280.90	470,000	5,280.90	470,000	5,280.90
Braskem, LaPorte	Q1 2018	Q1 2019	354,000	354,000	3,977.53	354,000	3,977.53	354,000	3,977.53
ExxonMobil, Mont Belvieu	Q1 2018	Q1 2019	1,300,000	1,300,000	14,606.74	1,300,000	14,606.74	1,300,000	14,606.74
ExxonMobil, Mont Belvieu	Q2 2018	Q2 2019	60,000	45,000	505.62	60,000	674.16	60,000	674.16
Chevron Phillips, Sweeny	Q3 2018	Q3 2019	1,000,000	500,000	5,617.98	1,000,000	11,235.96	1,000,000	11,235.96
ExxonMobil, Baytown	Q3 2018	Q3 2019	1,900,000	950,000	10,674.16	1,900,000	21,348.31	1,900,000	21,348.31
Enterprise, Mont Belvieu	Q4 2018	Q4 2019	425,000	106,250	1,193.82	425,000	4,775.28	425,000	4,775.28
Chevron Phillips, Cedar Bayou	Q4 2018	Q4 2019	1,500,000	375,000	4,213.48	1,500,000	16,853.93	1,500,000	16,853.93
Dow, Freeport	Q1 2019	Q1 2020	450,000		-	450,000	5,056.18	450,000	5,056.18
Formosa, Point Comfort	Q1 2019	Q1 2020	450,000		-	450,000	5,056.18	450,000	5,056.18
Ingleside/Occident., Ingleside	Q1 2019	Q1 2020	550,000		-	550,000	6,179.78	550,000	6,179.78
INEOS, Choc. Bayou	Q1 2019	Q1 2020	420,000		-	420,000	4,719.10	420,000	4,719.10
Dupont, Orange	Q2 2019	Q2 2020	91,000		-	79,625	894.66	91,000	1,022.47
Eastman, Longview	Q3 2019	Q3 2020	635,000		-	476,250	5,351.12	635,000	7,134.83
LyondellBasell, LaPorte	Q3 2019	Q3 2020	500,000		-	375,000	4,213.48	500,000	5,617.98
Formosa, Point Comfort	Q4 2019	Q4 2020	400,000		-	250,000	2,808.99	400,000	4,494.38
Exxon Mobil, Beaumont	Q4 2019	Q4 2020	650,000		-	406,250	4,564.61	650,000	7,303.37
Equistar, LaPorte	Q1 2020	Q1 2021	500,000		-	250,000	2,808.99	500,000	5,617.98
Braskem, LaPorte	Q1 2020	Q1 2021	450,000		-	225,000	2,528.09	450,000	5,056.18
Total, Port Arthur	Q1 2021	Q1 2022	1,000,000	-	-		-	1,000,000	11,235.96
Bayport Polymers (Total/Borealis), Bayport	Q2 2021	Q2 2022	625,000		-		-	625,000	7,022.47
GCGV (ExxonMobil/Sabir), Corpus Chr.	Q4 2022	Q4 2023	1,800,000	-	-	-	-	1,012,500	11,376.40
<b>TOTAL TONS/CARS/YEAR</b>			15,938,000	<b>4,508,250</b>	<b>50,654</b>	<b>11,349,125</b>	<b>127,518</b>	<b>15,150,500</b>	<b>170,230</b>
<b>CONSTANT CARS on Network per Year</b>					<b>14,473</b>		<b>36,434</b>		<b>48,637</b>



## LEGEND

Plants (in red)

1. Chevron Phillips, Sweeny, TX
2. Total, Bayport, TX
3. Ineos Sasol, Deer Park, TX
4. Braskem, LaPorte, TX
5. ExxonMobil (LLDPE), Mont Belvieu, TX
6. ExxonMobil (HDPE), Mont Belvieu, TX
7. Enterprise, Mont Belvieu, TX
8. Chevron Phillips, Cedar Bayou, TX
9. Dow, Freeport, TX
10. Formosa, Point Comfort, TX
11. Eastman, Longview, TX
12. ExxonMobil, Baytown, TX
13. Ingleside/Occident, Ingleside, TX
14. INEOS, Chocolate Bayou, TX
15. LyondellBasell, LaPorte, TX
16. Total, Port Arthur, TX
17. Formosa, Point Comfort, TX
18. Equistar, LaPorte, TX
19. ExxonMobil, Beaumont, TX
20. Dupont, Orange, TX
21. ExxonMobil/Sabic, Corpus Christi, TX

DFW AREA  
1,000 planned spots

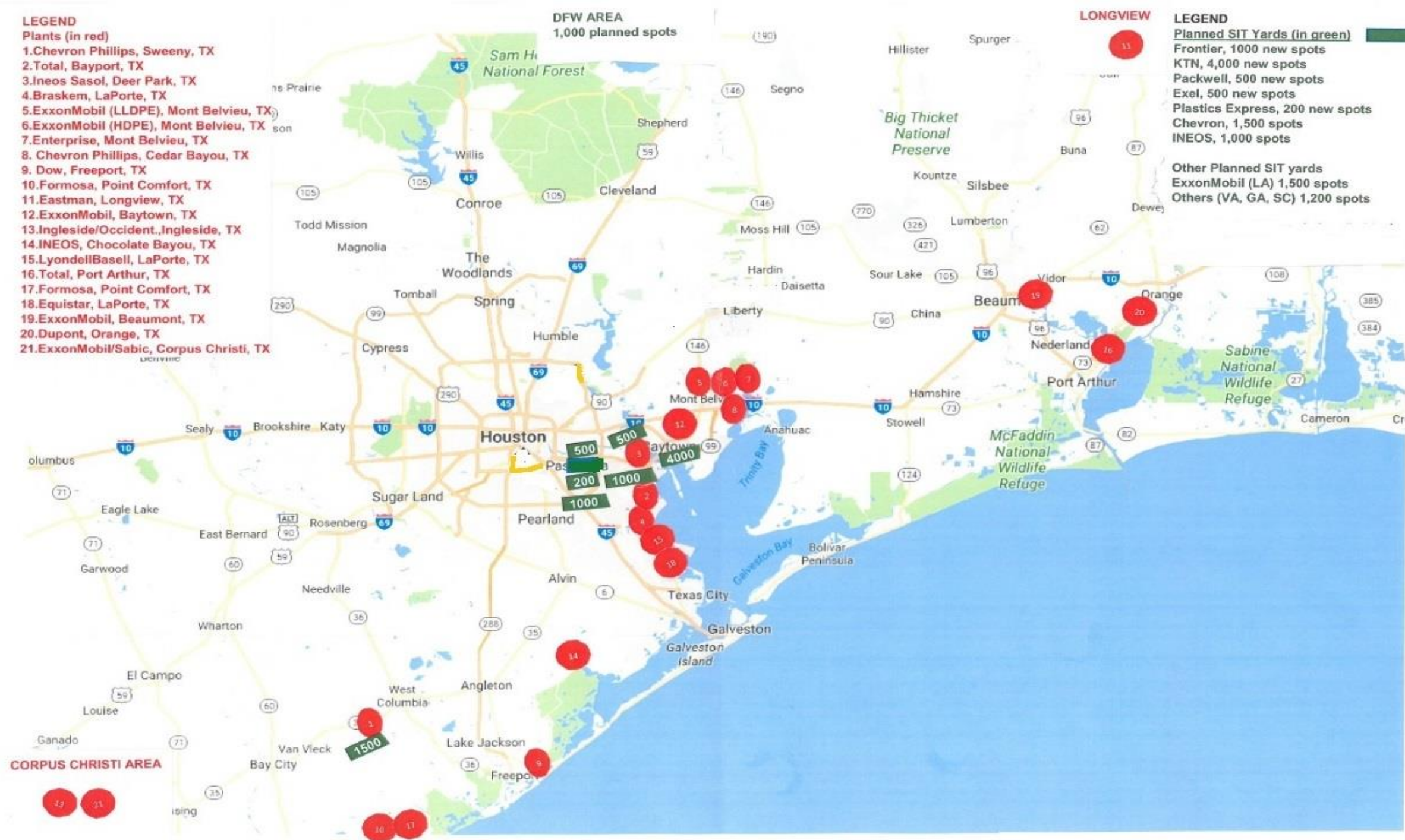
LONGVIEW

## LEGEND

Planned SIT Yards (in green)

- Frontier, 1000 new spots
- KTN, 4,000 new spots
- Packwell, 500 new spots
- Exel, 500 new spots
- Plastics Express, 200 new spots
- Chevron, 1,500 spots
- INEOS, 1,000 spots

Other Planned SIT yards  
ExxonMobil (LA) 1,500 spots  
Others (VA, GA, SC) 1,200 spots



# The Resin Boom is showing up in the numbers

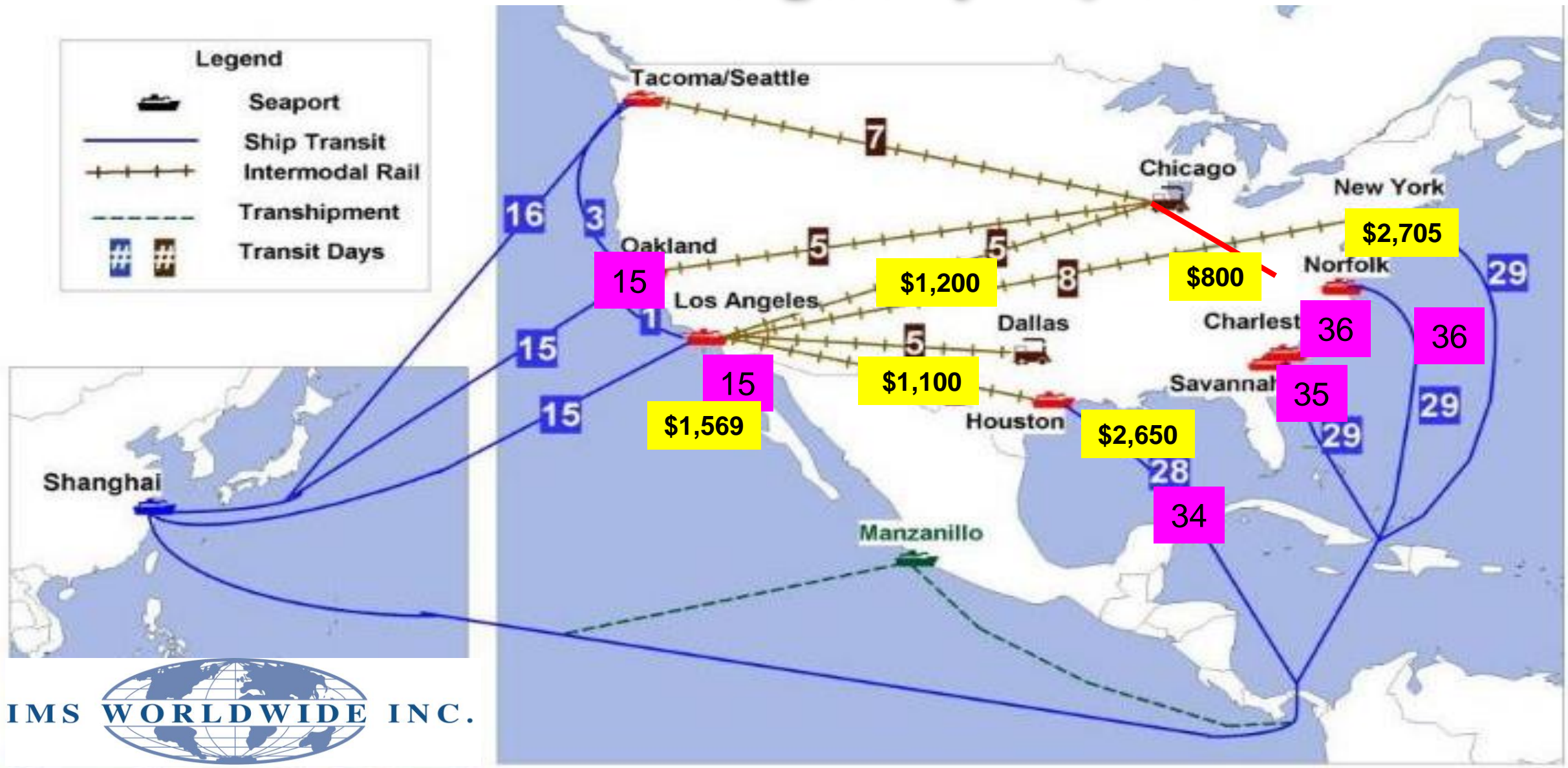
- Evidence has shown up in the Port of Houston's Port rankings--moving up 2 spots for American Ports in 2018
- The IHS Prediction of 100,000's additional TEU's being processed into and out of the Gulf Port has come alive.
- Producers are asking Carriers to provide fully integrated supply chains—complete with drop-pull yards, overweight capabilities, surge flow controls and more export slots.
- Many of the carriers are planning for more capacity in the Gulf!

## 2018 US Port Ranking By Total TEU

Port of Entry	2018 TEU Volume
LA/LB (Nov)	16,808,125
NY/NJ (Nov)	7,349,377
Savannah (Nov)	4,000,613
Seattle/Tacoma	3,389,392
<b>Houston (Moved up 2 spots)</b>	<b>2,699,850</b>
Norfolk VA	2,614,788
Oakland	2,546,355
Charleston	2,316,255



# Shanghai to North American Ports: 2000 & 2019 Pricing as of April 26, 2019



# How does All this affect industrial real estate?

- We will continue to see “Tariff Stress” on all importer/retailers and manufacturers.
- This will cause them to front-load inventory in advance of higher tariffs....this equals MORE SQ. FOOTAGE IN THE USA.
- E-commerce is moving along faster than anyone has yet to forecast, and the demand for big box, infill box, last mile centers and the like is still growing at a robust rate. More Imports = More Boxes.
- In the Gulf Coast specifically, we predicted the “Resin Boom” would yield 12-15 Million more square feet to package just 65%....that is just now getting built and the planned deficit is still 6-8 Million feet.