Washington, D.C. Metro Area News Briefing

July 1, 2022 as of 4:00 AM

Top Industry News Summary

The Associated Press reported that the average 30-year mortgage rate eased to 5.70% this week from 5.81% last week. *MeriTalk* reported that a bipartisan group of lawmakers in the House of Representatives introduced the "CHIPPING IN" Act to address the nation's semiconductor shortage by attempting to grow the sector's workforce. *Turner & Townsend* reported that global construction costs have soared over the past six months, with 30.7 percent of city markets reporting construction inflation of 10 percent or more, with no correction or fall in costs expected soon.

Top Local News Summary

WUSA-CBS reported that some D.C. city leaders are concerned that a standoff between Mayor Muriel Bowser and the D.C. Council could prevent the city from reacquiring the site of RFK Stadium from the federal government. *The Washington Post* reported that the D.C. Health Department has terminated its COVID-19 contact tracing program.

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Earlier this year, the U.S. Cybersecurity and Infrastructure Security Agency issued a warning about malware tied to Russia, called WhisperGate. A few days later, evidence of that malware was found in the building of a mid-size REIT's automation system, according to smart-buildings advisory firm Intelligent Buildings LLC.

(The New York Times, June 30, Gregory Schmidt)

Roughly one in 10 U.S. homes sold during the first quarter of 2022 was flipped, as investors responded to strong demand from buyers. But the profits on those deals fell to a 13-year low, a new report shows.

(Forbes, June 30, Bob Mangat)

Which is the better real estate investment: a single family home or a multifamily property? It's a question that pops up frequently in the real estate investing world, with a somewhat surprising answer. Investing in a single-family home—buying it and then renting it out—is a common practice. It's a pretty straightforward concept and easy to execute. But in many cases, investing in a multifamily property might actually be more reliable and profitable.

(Washington Business Journal, June 30, Daniel J. Sernovitz)

Edens has landed an anchor grocer tenant for a long-awaited revitalization of its Burtonsville Crossing retail center in eastern Montgomery County.

(Commercial Observer, June 30, Keith Loria)

Law firms Dentons and Dechert have both renewed their leases at Nuveen Real Estate's 1900 K Street, a 361,200-square-foot office building in Washington, D.C.

(CoStar Group, June 30, Staff Writer)

A new commercial real estate investment firm out of Los Angeles has closed on its first acquisition in the Washington, D.C., market, with plans to build up its multifamily portfolio in the region.

(Turner & Townsend, June 30, Alice Grocott)

Our International construction market survey shows record cost escalation across global real estate. On the back of rising demand and the release of pent-up investment, 30.7 percent of city markets are reporting construction inflation for 2022 of 10 percent or more, with no correction or fall in costs expected soon.

(Business Insider, June 30, Matthew Fox)

There is growing concern among some D.C. leaders that a standoff between Mayor Muriel Bowser and the DC Council could cost the city one of the most valuable undeveloped pieces of land in the District.

(The Washington Post, June 30, Michael Brice-Saddler)

The D.C. Health Department has terminated 131 members of its coronavirus contact tracing program, a spokesperson confirmed Thursday, marking the official end of a city program started more than two years ago to curtail the virus's spread.

(ARLnow.com, June 30, Staff Writer)

A tow truck driver helped to defuse a tense situation in Crystal City yesterday (Wednesday) morning. Police were dispatched to the area for a man standing on the edge of a Route 1 overpass. It was unclear why the man was standing there, but there was concern that he might jump to the roadway below.

(WTTG-FOX (DC), June 30, Staff Writer)

A large pile of trash caught fire at a waste disposal center in Northeast D.C. Thursday sending large plumes of smoke over the District.

(The Washington Post, July 1, Gaya Gupta)

Since the start of the pandemic, Americans and residents in the Washington region have shifted the ways they travel and commute. But even as coronavirus restrictions have mostly lifted, ridership has not returned to pre-pandemic levels for many transit systems amid a shift to telework.

(Bloomberg, June 30, Nancy Cook and Jordan Fabian)

US President Joe Biden said Americans will have to stomach high gas prices "as long as it takes" to beat back Russian President Vladimir Putin's invasion of Ukraine.

(The Associated Press, June 30, Alex Veiga and Stan Choe)

Americans with stock portfolios or retirement investment plans would likely prefer to forget the last six months. The S&P 500, Wall Street's broad benchmark for many stock funds, closed the first half of 2022 with a loss of more than 20% after starting the year at an all-time high. It's the worst start to a year since 1970, when Apple and Microsoft had yet to be founded.

NATIONAL REAL ESTATE NEWS:

1. TOP STORY: Average long-term U.S. mortgage rates ease to 5.7%

(The Associated Press, June 30, Matt Ott)

Average long-term U.S. mortgage rates eased back this week after shooting up nearly three-quarters of a point in recent weeks. Mortgage buyer Freddie Mac reported Thursday that the 30-year rate fell to 5.70% this week from 5.81% last week. One year ago, however, the average 30-year rate was 2.98%.

The average rate on 15-year, fixed-rate mortgages, popular among those refinancing their homes, fell to 4.83% from 4.92% last week. A year ago, the rate was 2.26%.

The Federal Reserve raised its benchmark rate this month by three-quarters of a point, the biggest single hike since 1994.

The Fed's unusually large rate hike came after government data showed U.S. inflation rose in May to a four-decade high of 8.6%. The Fed's benchmark short-term rate, which affects many consumer and business loans, will now be pegged to a range of 1.5% to 1.75% — and Fed policymakers forecast a doubling of that range by year's end.

Higher borrowing rates have pumped the brakes on the housing market, one of the most important sectors of the economy.

Sales of previously occupied U.S. homes slowed for the fourth consecutive month in May as climbing mortgage rates and record high prices discouraged house hunters. Existing home sales fell 3.4% last month from April, the National Association of Realtors reported earlier in June.

Home prices kept climbing in May, even as sales slowed. The national median home price jumped 14.8% in May from a year earlier to $407,600 — an all-time high according to NAR data going back to 1999.

The brisk jump in rates and sharp increase in home prices have forced potential homebuyers to the sidelines. Mortgage applications have declined 20% from last year and refinancings are down 80%, according to the Mortgage Bankers Association.

Those figures aren't likely to improve with more Fed rate increases a near certainty.

Layoffs in the housing sector have already begun. Just this month, the online real estate broker Redfin said it was laying off 8% of its workers and Compass said it was letting go of 450 employees.

The nation's largest bank by assets, JPMorgan Chase, is laying off hundreds from its mortgage unit and has reassigned hundreds of others to jobs elsewhere in the firm. A bank spokesperson cited "cyclical changes in the mortgage market" as the impetus for the cuts.

Higher rates are hitting retailers that thrived during the low mortgage era. Luxury furniture store chain RH, formerly know as Restoration Hardware, cut its sales expectations, blaming rising mortgage rates and worsening macro-economic conditions.

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2. Pandemic created new opportunities for commercial real estate sector
(Albany Times-Union (NY), June 30, Larry Rulison)

The stock market may be in a free fall, and the housing market may be losing a bit of its luster as mortgage rates rise amid efforts by the Federal Reserve Board to tame inflation and avoid a recession.

But when it comes to the commercial real estate market - minus the office space sector - there appears to be no indication that things are slowing down.

In fact, as the COVID-19 pandemic has rapidly reshaped how people work, live and play, the commercial real estate market has swiftly adapted.

What's hot? Warehouses, apartment complexes and medical offices.

What's not? Office space, although that trend can vary based on the size and affordability of different metro areas and the ability of companies to offer their workers a "hybrid" environment that allows them to work either from home or in the office.

Although it was a tough transition when the pandemic first forced workers home at the beginning of the pandemic in 2020, many workers have realized the benefits of remote work and never want to go back to the 9-to-5 grind at the office in favor of life-work balance.

"Obviously, office space has been a big topic, and it's interesting to see how companies are responding," said Jesse Tomczak, the chief banking officer of Colonie-based Pioneer Bank, which goes by just Pioneer these days. "I don't think we know where the numbers will end up with office space. A lot of jobs are being done (in hybrid environments), so they'll probably need a little less office space in the future."

While office space demand may be down about 10 percent as people spend less time in the office, other segments of the commercial real estate market are thriving - even those that may have seemed plain vanilla and uninspiring in the past.

"The medical office space market is really hot now," Tomczak said.

We are, after all, still in the middle of a global pandemic that has pushed the health care industry to its limits, especially hospitals.

And with people being forced to stay at home and cancel elective surgeries the past two years, there has been a trend to "decentralize" hospitals, most of which are located in cities, and bring care closer to patients, Tomczak said.

And that has led to a surge in new medical office buildings, urgent care offices and dental offices. OrthoNY, the orthopedic medical practice, now has four urgent care locations in the Capital Region that specialize in seeing patients quickly without an appointment. In the past, those same patients may have opted to go to a hospital emergency room. In the post-COVID era, an ER visit means hours of waiting and waiting without seeing a doctor and more chances to be exposed to COVID.

"You're seeing a lot of medical office space that's being distributed around," Tomczak said. He also said that warehouse space is in high demand as consumers shifted almost entirely to online shopping during the pandemic, even buying their groceries online.

"The pandemic forced them to learn new behaviors on how to shop," Tomczak said.

But commercial real estate brokers aren't giving up on the office space market just yet. As they see it, the market for office space is evolving into something new - which will provide new opportunities. And the industry isn't giving up on it just yet because there are indications that workers are continuing to return to the office even now in 2022 and more are expected to follow.

"Initially, there was a feeling that the traditional office environment was forever changed," said Peter Struzzi, president of Pyramid Brokerage Co. in Latham. "While we have some substantial blocks of office for sublease, we are seeing a slow but steady return to the work place. I'm not saying it will go back to the way it was, but it's trending that way."

Things aren't so fuzzy when it comes to warehouse space.

Struzzi said a while back, his office had listed a 140,000-square-foot warehouse in Johnstown for $3.50 a square foot for a so-called triple-net lease where the tenant pays for all expenses, including taxes.

Today, that same building is all leased out for $5.50 per square foot, an increase of 60 percent. Newly constructed warehouse space is going for $9.50 a square foot.

"Industrial is insane," Struzzi said.

But Struzzi says the thirst for warehouse space isn't totally tied to the move by consumers to shop online after the pandemic hit. It's also about technology.

Amazon and other companies have dramatically upgraded their ability to get products to consumers faster than ever, and that is requiring new, custom-built facilities with robotics.

"I would not put it all on online shopping," Struzzi said. "Automation is making the older (warehouse) stock obsolete."

Those trends match up with what national real estate experts are saying as well.

At a legislative forum held in May in Washington, D.C., the top economist for the National Realtors Association said the commercial real estate market was expected to be strong for the time being, despite the headwinds against it from COVID and rising interest rates.

"Outside of the office sector, which is lagging behind as employers allow increased remote work flexibility to keep and attract talent, commercial real estate continues to strengthen," Lawrence Yun, the chief economist at the National Realtors Association told the gathering. "The industrial sector is booming, retail is turning positive, the hotel industry is recovering, apartments are doing very well, and rents are rising in all commercial sectors."

Office space demand really depends on the type of business you are. Banks, for instance, still require a lot of in-person meetings with customers to sign loan documents and other verifications, and people still like going to the bank branch.

And companies in many cases have to spread employees out more now due to COVID precautions, so they need just as much space as ever while still being able to have their people work from home when the need arises. Many workers now see that flexibility as a mainstream benefit.

"In some cases, we reconfigured the workplace environment to support and enhance employee health and safety, which has been, and remains, an organizational imperative," said Susan Hollister, chief human resources officer at Pioneer, which has 22 branches. "And, when necessitated by regional rises in COVID-19 cases, we instituted hybrid schedules to further safeguard our employees."

And there are other benefits that have come about due to the pandemic and the dramatic shifts in workplace behavior and expectations.

"I haven't had a tie on in months, and I'm not missing it," Struzzi, from Pyramid said.

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3. America's Real Estate Market May Be Finally Recovering From the Pandemic—Here's Proof
(Realtor.com, June 30, Margaret Heidenry)

America's housing market has undergone some wild swings during the coronavirus pandemic, but at long last, it appears to be recovering.

In June, the number of real estate listings rose by 18.7% compared with a year earlier, according to a new report by Realtor.com. That's the second straight month of growth, and the fastest rise on record since July 2017, when this data was first collected. All told, this amounts to 98,000 more homes for sale every day compared with the same time last year.

Granted, this record-setting growth has a long way to go before boosting the nation's housing inventory levels back to where they were before COVID-19. Three years ago, in June 2019, there were 53.2% more homes on the market—more than double what's available today.

Nonetheless, the latest numbers suggest that America's housing shortage woes might be seeing a glimmer of light at the end of the tunnel.

This gush of new sellers is likely motivated by the desire to cash in, as their profits continue to skyrocket. In June, median home prices hit another record high of $450,000—up 16.9% compared with last year and a whopping 31.4% compared with June 2020.

Meanwhile, weary buyers face not only sky-high home prices but also rising mortgage rates that now hover at 5.8%. And that financial double whammy is hitting homebuyers hard: Compared with just a year ago, the cost of financing 80% of a typical home rose 57.6%, amounting to an extra $745 per month.

Yet there is some relief in sight for home shoppers: The flood of new homes on the market likely means they'll have more leverage when it comes to negotiating down the asking price. This, in turn, could help temper the raging seller's market of the past two years and begin to balance the highly lopsided negotiating dynamics.

"The increase in the number of homes for sale in June is due to a couple of key factors: Namely, sellers are putting more homes up for sale than last year. In fact, we're back to about as many sellers as we saw in a typical pre-pandemic market," explains Realtor.com Chief Economist Danielle Hale.

"At the same time, buyers have grown pickier as home prices and, more importantly, their monthly payment costs skyrocketed as mortgage rates surge," says Hale. "We're getting more supply of homes for sale just as demand is reaching a breaking point for many buyers, and this has led to a rapid rebalancing or reset of the housing market."

One city that illustrates the changes afoot is Austin, TX, which was one of the hottest markets during the height of the early pandemic real estate frenzy. In June, Austin's active listings shot up 144.5% compared with last year.

"Prices are definitely starting to go down again, and the competition is slowing," says Ryan Rodenbeck, owner and broker at Spyglass Realty in Austin. "Last Friday, an Austin home was listed at $825,000. The next day, at the open house, no one came. A few months ago, there would have been 20 or more buyers showing up. The sellers didn't want to test the market, so on Sunday, they dropped it to $790,000. It sold for $760,000."

Other hot spots, including Raleigh, NC, and Phoenix, also saw their inventory levels increase by more than 100% year over year.

"These markets are undergoing rapid adjustments and are great examples of the nationwide trend we're seeing," says Hale. "Sellers in these areas are jumping into the market while buyers are growing more selective."

How quickly are homes selling today?

Despite skyrocketing listings, home prices, and mortgage rates, many buyers continue to waste no time making an offer. In June 2019, listings remained active for 59 days on average. Today, that window has shrunk to a mere 32 days. This time crunch is tied with last month's record low, the shortest time on record since 2016.

Desperate home shoppers likely still jump at the chance to land a home because they see the writing on the wall: Interest rates are likely to continue to climb.

"Surveys showed that shoppers generally expected higher mortgage rates throughout the course of the year," says Hale. "Concern that mortgage rates could continue to trend even higher is going to keep home shoppers motivated through summer and likely all throughout 2022."

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4. Smart-building skepticism pervades for some CRE owners as cybersecurity, flight-to-quality become bigger factors
(Washington Business Journal, June 30, Ashley Fahey)

Earlier this year, the U.S. Cybersecurity and Infrastructure Security Agency issued a warning about malware tied to Russia, called WhisperGate. A few days later, evidence of that malware was found in the building of a mid-size REIT's automation system, according to smart-buildings advisory firm Intelligent Buildings LLC.

"Usually, contractor error or ransomware for profit has been the problem," said Tom Shircliff, principal of Intelligent Buildings. Now, "we're in the middle of a spy novel."

Cybersecurity threats, amplified in the wake of geopolitical issues like the war in Ukraine, are but one issue commercial real estate owners are now having to consider when looking at digital infrastructure investments across their portfolios.

While savvier, well-capitalized owners may have the latest and greatest in building technology, not to mention a team of in-house experts or third parties that advise on such investments, other landlords aren't sure how or where to spend capital on tech infrastructure within their buildings.

In the past two years, owners have collectively spent an unknown sum of money upgrading buildings, largely in response to the Covid-19 pandemic. Upgrading air filters to a higher MERV rating was the start, but landlords and tenants have since also installed new technologies to monitor air quality, energy efficiency, even how often a space or room is used as hybrid work becomes companies' new norm. Data monitoring has become, for many, a "must have."

Chris McLaughlin, vice president of offerings management at Honeywell International Inc.'s (NYSE: HON) building technology division, said the need for owners, tenants and operators to connect data — around usage, security, building access, lighting and HVAC — and apply automation to it is becoming especially urgent in the face of what are sometimes competing outcomes.

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5. House-Flipping Rate Rises, but Investors' Profits Are Falling
(The New York Times, June 30, Gregory Schmidt)

Roughly one in 10 U.S. homes sold during the first quarter of 2022 was flipped, as investors responded to strong demand from buyers. But the profits on those deals fell to a 13-year low, a new report shows.

The report, published by the real estate data analytics firm Attom, showed that 114,706 single-family houses and condos were flipped during the first quarter of the year, representing 9.6 percent of all transactions in that period. That's up from 6.9 percent in the fourth quarter of 2021 and 4.9 percent in the first quarter of 2021.

To determine the number of homes flipped, Attom examined sales data on all arm's length transactions — those in which the buyer and seller are unaffiliated — on properties sold in the previous 12 months and again in the first quarter of 2022.

Despite the increase in the flip rate, the return on investment for these deals fell to 25.8 percent, its lowest level since the first quarter of 2009 and down from 38.9 percent a year ago.

The shrinking profit margin for "fix-and-flip" investors can be traced to a lack of inventory, said Rick Sharga, the executive vice president of market intelligence at Attom, caused in part by rising mortgage rates. "People are staying in their current house because they don't want to trade a 3 percent mortgage for a 6 percent mortgage," he said.

The swelling costs of goods and materials amid supply-chain disruptions are also cutting into the profits. "The other practical reason," Mr. Sharga said, "is that foreclosure activity has been way down because of government intervention."

House flippers do not compete with would-be home buyers, he said, but instead play a crucial role in the housing ecosystem by buying and fixing up distressed homes. "Most flippers are professionals who do this for a living and can do the repairs more cost-effectively and better than the buyer," he said.

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6. Opinion: Why Multifamily Investing May Be Your Best Investment Bet During The Recession

(Forbes, June 30, Bob Mangat)

Which is the better real estate investment: a single family home or a multifamily property? It's a question that pops up frequently in the real estate investing world, with a somewhat surprising answer. Investing in a single-family home—buying it and then renting it out—is a common practice. It's a pretty straightforward concept and easy to execute. But in many cases, investing in a multifamily property might actually be more reliable and profitable.

If it's a better investment opportunity, why aren't more people taking advantage? Many times investors see the idea of owning an apartment building as overwhelming, or too foreign a concept to even investigate. But with the potential for security and steady income, multifamily investing has grown in popularity over the last few years.

Here are four reasons multifamily is the investment of choice in 2022.

Stability, Stability, Stability

As the market remains unpredictable, investors are looking for something that provides consistent income. If you're renting out a single-family home and the tenants suddenly aren't able to pay their rent anymore, you're still on the hook for the mortgage as the owner of the house.

But in a multifamily property, there will always be income. Rocket Mortgage captures it well: "Multifamily properties offer multiple rental units to rent out [and thus] can also generate several multiples' worth of additional income in the end. Likewise, having the ability to rent out several units versus a single unit also provides real estate investors with multiple opportunities to reduce vacancy rate, allay their expenses and offset general risk." With reliable and ongoing income—such as regular cash flow, appreciation, mortgage pay down, and annual tax advantages—this investment is notably less risky.

The pandemic has only accentuated this stability. While COVID-19 shook the economy to its core, one thing remained strong: investments in the basic need of shelter.

It's Easier To Build A Portfolio

Which makes more sense logistically: buying 20 single-family homes or one 20-unit apartment building? It's certainly easier to secure one loan, oversee one inspection, and work with one seller. The alternative is working with 20 different sellers, with 20 different loans, and managing 20 different properties at multiple addresses. It's significantly simpler to buy one property with 20 units.

This strategy is also much easier to scale. Twenty properties is a great start, but if the eventual goal is 100 or 500 units, it's close to impossible to manage that number individually. But managing 5 buildings of 100 units each is actually doable.

You Don't Have To Be The Property Manager

When you're managing a handful of rental properties, many times it's cost-prohibitive to hire a property management company to handle day-to-day operations. But with an apartment building, the stakes are different. As Investopedia states: "The amount of money that multifamily properties produce each month gives their owners room to take advantage of property management services without the need to significantly cut into their margins."

It's More Affordable Than You Think

Buying and owning an apartment building might sound cost prohibitive, but in reality, multifamily property investments are quite attainable for many individual investors. Many apartment and office buildings are owned by a group of individuals, thus opening up the opportunity. Usually, there is one general partner (GP) that manages all aspects, from finding the building to maintaining it. The GP then finds limited partners to join the investment who write a check to join the limited partnership and then watch it (hopefully) appreciate.

Best part? This can be done with relatively modest investment amounts. Many limited partnership investments have minimums around $25,000, a pretty attainable number for those looking to dip their toe into the multifamily investment pool.

As we continue to emerge from the pandemic and anxiously wait to see how the economy will shake out, it's a good time for investors seeking security and scalability to look into multifamily real estate investments.

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LOCAL REAL ESTATE NEWS:

7. Edens lands grocery anchor for Burtonsville Crossing redevelopment
(Washington Business Journal, June 30, Daniel J. Sernovitz)

Edens has landed an anchor grocer tenant for a long-awaited revitalization of its Burtonsville Crossing retail center in eastern Montgomery County.

Sprouts Farmers Market plans to open a 23,000-square-foot store in the retail center by Old Columbia Pike and National Drive, filling a void created when Giant Food relocated to the Burtonsville Town Square Shopping Center a dozen years ago.

The lease for Sprouts, its first in suburban Maryland, is part of a growing local footprint for the Phoenix-based chain, which also plans to open in Manassas and has a third store in Herndon. More significantly for Edens, Sprouts should help draw other retailers to the roughly 130,000-square-foot property at 15791 Columbia Pike.

"Today marks a long-awaited phase for the property and an invitation for new retail partners to work with us," David Germakian, managing director at Edens, said in a statement. "We are thankful for the support we have received so far and look forward to welcoming back the community once our renovations are complete."

Revitalizing the center has been a major economic development aim for Montgomery County officials, and the county planning department kicked off a placemaking effort last June in collaboration with other partners. The 13-acre Burtonsville Crossing factored heavily into that effort. At the same time, the county rejected earlier pleas from the center's owner for assistance, taking the position it needed a new anchor tenant before it would consider offering financial incentives to aid the property.

Edens was in talks with a number of prospective anchors heading into the Covid-19 pandemic, which threw a big wrench into that effort, Germakian said in an interview. Sprouts emerged as a prospect during the public health crisis, and Edens viewed it as the ideal fit.

"They have a unique and elevated offering that, I think, will resonate with the community," he said. "We're a food-and-grocery-centric owner, operator and developer at our places, so finding the right grocery partner to kick things off was certainly an important milestone for us."

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8. Two Prominent Law Firms Re-Up in DC Office Building
(Commercial Observer, June 30, Keith Loria)

Law firms Dentons and Dechert have both renewed their leases at Nuveen Real Estate's 1900 K Street, a 361,200-square-foot office building in Washington, D.C.

Dentons will remain in its 150,000 square feet, while Dechert will stay put in its approximately 70,000-square-foot space. Together, the two law firms occupy almost two-thirds of the trophy office building. Both extensions were for at least 10 years.

Built in 1997, the 13-story office building in D.C.'s central business district features a distinctive exterior curtain wall system, a semicircular corner entrance that leads to a glass-walled rotunda, and a three-story lobby atrium, all designed by acclaimed architect Cesar Pelli.

In 2017, Nuveen embarked on a renovation of the building, which included the addition of a rooftop terrace with an indoor/outdoor conference room, a bike facility and an expanded fitness center.

"The long-term commitments from two very discerning tenants are true validation of Nuveen's great vision and execution of our proactive, unprompted building renovation," Evan Behr, executive managing director for JLL, who was part of the team handling leasing on the property, told Commercial Observer. "Being proactive was key at 1900 K."

Nuveen and the JLL team looked at the rooftop terrace as an amazing blank canvas to work from because it had a lot of surface area to work with, and a very large indoor area that was underutilized.

"We now have what is easily one of the coolest rooftop experiences in D.C. — an enormous outdoor area now complemented by awesome features like fire pits, a gigantic all-weather TV, custom-built state-of-the-art umbrellas, and the icing on the cake is the newly created interior space boasting an entertainment foyer and executive-style boardroom," Behr said.

Joining Behr on representing Nuveen were JLL's Thomas Myers and Doug Mueller. CBRE's Lou Christopher, Stuart Eisenkraft and Andrew Sussman represented Dentons, while Cushman & Wakefield's Malcolm Marshall represented Dechert.

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9. Los Angeles Firm Enters DC Region With Purchase of Affordable Housing Complex
(CoStar Group, June 30, Staff Writer)

A new commercial real estate investment firm out of Los Angeles has closed on its first acquisition in the Washington, D.C., market, with plans to build up its multifamily portfolio in the region.

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CONSTRUCTION INDUSTRY & PRICING NEWS:

10. TOP STORY: Construction costs soar as markets balance demand with supply chain disruption
(Turner & Townsend, June 30, Alice Grocott)

Our International construction market survey shows record cost escalation across global real estate. On the back of rising demand and the release of pent-up investment, 30.7 percent of city markets are reporting construction inflation for 2022 of 10 percent or more, with no correction or fall in costs expected soon.

San Francisco has become the most expensive city in the world to build, at an average cost of $4,729 per sqm – with the US accounting for four of the top ten most expensive markets and nine of the top twenty. The high US costs reflect the impact of significant ongoing supply chain disruption and labour shortages meeting a surge in demand, especially for residential construction.

Japan and Switzerland also feature prominently. Tokyo ($4,665 per sqm) and Osaka ($4,559 per sqm) place second and third, respectively, with New York in fourth ($4,517 per sqm). Geneva ($4,332 per sqm) and Zurich ($4,286 per sqm) sit at fifth and sixth.

Market 'temperatures' – which measure pressure on local supply chains based on the volume of demand and tendering conditions – also reflect an industry facing tough challenges. For example, 38.6 percent of markets surveyed were classified as 'hot' or 'overheating' – where conditions are deemed at risk of acting as a brake on development. This is up from just 10.0 percent in 2021, while the number of 'cold' markets fell from six to only one.

North America – where no markets were hot or overheating in 2021 – has seen the most marked rebound. Now there are seven overheating markets: Austin, Houston, Phoenix, San Francisco, Montreal, Ottawa and Toronto.

Neil Bullen, Global Managing Director, Real Estate, said:

"We face headwinds on multiple fronts across the global construction sector and the broader international economy. The continued interconnectivity of markets is more apparent now than ever. We see near-universal inflationary trends founded on construction labour shortages, demand exceeding supply, and disruption in supply chains hitting costs and programmes.

"Companies must adopt a wider, global view of their construction supply chains to manage the uncertainty as we brace for further challenging months.

"Alongside this, clients must manage other key priorities such as the push to net zero as we look ahead to tightening expectations and requirements for green skills and sustainably sourced materials. Such moves risk exacerbating pressures if not planned for and carefully managed. Success in tackling all these global challenges will come down to enhancing performance – companies finding ways to innovate in the procurement, delivery and management of their projects."

Super sectors lead post-pandemic growth

Our report points to several key sectors driving growth and costs across global real estate. The top-performing sectors for 2022 are the industrial, manufacturing and distribution spaces, led by the vast increase in e-commerce and pharmaceuticals manufacturing.

In second and third places are residential and social housing, and transport (road rail and ports) – which placed fourth and second respectively, last year. Housing has benefited from a period of historically low-interest rates, though. Moreover, as central banks now act to curb inflation, a softening in the market is predicted.

A notable jump has been seen in commercial office development, which rose from fifteenth place in 2021 to fifth this year – an indicator of the returning demand for office space post-pandemic.

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11. Lumber prices surge 7% as mortgage rates fall for the first time in 4 weeks
(Business Insider, June 30, Matthew Fox)

Lumber prices surged more than 7% on Thursday to $638 per thousand board feet, representing the biggest daily gain for the essential building commodity in months.

The rally in lumber prices came as mortgage rates fell for the first time in four weeks, according to data from Freddie Mac. The average 30-year fixed mortgage rate fell 11 basis points to 5.70% over the past week, while the average 15-year fixed mortgage rate fell 9 basis points to 4.83%.

"The rapid rise in mortgage rates has finally paused, largely due to the countervailing forces of high inflation and the increasing possibility of an economic
recession
. This pause in rate activity should help the housing market rebalance from the breakneck growth of a seller's market to a more normal pace of home price appreciation," Freddie Mac said.

If the decline in interest rates continues, it could help reverse the recent slowdown in the home builders market and spark more demand for lumber as April and May saw a noticeable decline in building activity due to restrictive mortgage rates.

One home builder in Denver summarized the driving force behind the housing slowdown as "higher rates are definitely bringing a chill to the market," according to a survey from John Burns Real Estate Consulting.

A positive sign on Thursday that suggested mortgage rates could extend their downtrend next week was the decline in the 10-year US treasury yield, which briefly dipped below 3% and fell 9 basis points. That's a big drop from the 10-year's cycle-high yield of 3.50% reached earlier this month.

The flipside to fast-falling interest rates is that it signals an economic recession could be imminent, which is a big enough factor to grind the housing market to a halt and lower demand for new homes. If that's the case, then lumber's recent price rise may be short-lived, and its longer-term downtrend should resume.

Lumber prices are down 63% from their May 2021 high of $1,733 per thousand board feet, and are down 43% year-to-date.

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12. Opinion: What the Housing Supply Action Plan Means for Nomadic Workforces
(Newsweek, June 30, Carlos Abisambra)

In May, President Biden announced his administration's Housing Supply Action Plan, which aims to ease the effects of market instability and housing costs on the American people over the next five years.

The plan outlines steps such as improving forms of federal funding through loans for projects like multi-family developments, as well as measures to resolve supply chain disruptions that have slowed the rate of construction.

The story of housing in America has long been complex, at times in crisis, and most recently unpredictable. Mortgage rates have gone up in recent months from historic lows, and national conversations seem to be stalled on bubbles, gas pumps and getting back to work.

Any effort to mitigate the extreme effects seen in the housing market currently should be applauded, but an integral and overlooked element of this issue is those whose jobs aren't dependent on an office, home or screen. Navigating the housing rental market as it stands now is stressful if you have to move, but what about those who have to do so again and again? Construction crews, travel nurses, service members and their families, disaster response teams and nomadic workers in many other industries travel from job site to job site in order to bring home their paycheck and do invaluable work that only their essential skills can do.

Ultimately, a significant portion of the nomadic specialist workforce is left out of this plan — a portion that deserves the same level of support as their stationary counterparts. If not, those same communities may suffer from a shortfall of much-needed health care and infrastructure services.

Unintended Consequences

A number of measures outlined in the plan aim to accelerate the rate of home construction. Specifically, the administration hopes its actions will aid the completion of more homes by the end of the year than in any other since 2006. However, it's important to consider how more homes help nomadic workers.

An increase in housing inventory would in theory provide more options for traveling workforces to choose from, but it could also increase pressure to use more supplemental construction crews on the ground.

While that specific goal points to working with the private sector to resolve issues along the supply chain and improve building techniques, it presents a potential temporary housing paradox. A national push to increase construction creates the possibility that travel crews may be deployed in areas that are not capable of housing them in any reasonably accommodating way.

The housing needs of these construction crews and other workforces always vary by project and location, but in the current housing market and without additional resources to address those unique housing needs, many nomadic professionals will be underserved.

Looking Forward

It's important we think about the potential future of housing, but with a plan this large, there is no guarantee of plan implementation based on its proposed timeline. Services exist now such as workforce housing on-demand, which is already supporting nomadic workers and should be supported in future housing plans. With a focus on both immediate and long-term actions, the administration's plan sets a time frame for the next five years overall. If current trends hold, and inventory continues to lag demand, what supplemental measures may come down the pipeline?

Additionally, some aspects of the proposal are stalled in Congress, with many originating from the House-passed budget reconciliation bill. If passed, funding would increase to support construction apprenticeship and pre-apprenticeship programs to expand the workforce the industry has to draw upon.

While all of these potential workers won't end up a part of the nomadic workforce, a percentage of them will. Looking ahead, programming that focuses on the specifics of the nomadic work lifestyle would better inform incoming professionals.

The Growth of Rural Housing

On a more positive note, while the plan may lack specifics for nomadic workers, it does detail support for the construction of 8,000 rural multi-family housing units. It may not seem like much in the grand scheme of things, but it is a marked improvement to rural housing inventory, which traditionally has been less abundant. Any increase in that inventory is a win for travel workers placed outside metropolitan areas, as well as current residents.

A concerning trend has seen large investors hoarding properties in small towns across the country, which has only further exacerbated unavailability and makes it difficult for those in rural areas to secure due housing.

At the halfway point, 2022 has proven to be as intricate as the years that precede it. Optimism within the housing market is great, but we can't ignore the years-long impact these crises can have. The housing bubble and subsequent crash of the late 2000s continue to play out today despite the fact nearly fifteen years have passed.

In the coming months, nomadic workers will continue to support crucial work like the pandemic response, infrastructure improvements and housing construction, to name just a few. In that time, the President's plan will start to settle into effect, and, hopefully, bring stability and relief to those struggling right now. What I hope to see, moving forward, are expanded opportunities and support for the nomadic workforce providing integral services across the country.

SUPPLY CHAIN:

13. TOP STORY: House Lawmakers Debut Bill to Boost U.S. Semiconductor Workforce
(MeriTalk, June 30, Lisbeth Perez)

Rep. Haley Stevens, D-Mich. – joined by Reps. Dan Kildee, D-Mich., Mike Waltz, R-Fl., and Anthony Gonzalez, R-Ohio – introduced legislation on June 29 to address the nation's semiconductor shortage by attempting to grow the sector's workforce.

The Creating Helpful Initiatives to Produce Personnel in Needed Growth Industries (CHIPPING IN) Act of 2022 would support the growth, retention, and development of a diverse, flexible, and sustainable chips workforce that meets the evolving needs of the microelectronics industry, academia, and government, the sponsors said.

"We invented and innovated the semiconductor chip in the United States but are currently only manufacturing 12% of the global supply," said Rep. Stevens in a press release. "Solving the semiconductor chips shortage and investing in the semiconductor workforce is essential to our country's success as we re-shore American manufacturing and lead the world in innovation."

According to Rep. Stevens, the CHIPPING IN Act will help the U.S. develop a diverse and sustainable semiconductor workforce that meets the evolving needs of universities, community colleges, national laboratories, and companies across the microelectronics supply chain.

"The United States, and particularly my home state of Ohio, is at a critical point to re-shore microelectronics manufacturing," said Rep. Gonzalez. "It is important to ensure that the next generation of workers are equipped with the skills needed to compete."

The measure takes a three-pronged approach to "raising awareness, increasing opportunities for students to pursue degrees at all levels, and providing hands-on opportunities in microelectronics for students who will be the future of this growing and critical workforce," Rep. Stevens said.

First, the bill would create National Science Foundation awards for higher education institutions, non-profit organizations, and consortia to advance innovative approaches to developing, improving, and expanding evidence-based microelectronics education and workforce development activities.

Second, the bill would establish traineeship programs to fund research for students who pursue microelectronics secondary degrees. The program prioritizes proposals led by Historically Black Colleges and Universities, Tribal Colleges or Universities, or Minority Serving Institutions to increase the recruitment of students from historically underrepresented groups.

Lastly, the bill would create a national network for microelectronic education. This national network of partnerships for microelectronics ensures organizations coordinate activities, best practice sharing, and access to facilities across the partnerships.

"Everything we touch from our phones to our cars, TVs, navigation systems, and so much more need microelectronics to function," said Rep. Waltz. "But right now, the United States does not have the available, capable workforce here at home to manufacture the microelectronics that Americans rely on. Instead, we have almost completely outsourced our semiconductor manufacturing to other countries over the last few decades, including our greatest adversary today, China. To remain competitive on the global stage, we must meet the demands of this growing industry by investing in a technical workforce at our colleges and universities. STEM education is the future."

The COMPETES Act – which would provide $52 billion of Federal funding to help rebuild the U.S. semiconductor sector – currently remains the subject of House-Senate conference committee negotiations.

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14. McConnell threatens semiconductor bill, prompting White House rebuke
(The Hill, June 30, Morgan Chalfant)

A partisan fight erupted over bipartisan legislation aimed at boosting the domestic semiconductor industry on Thursday, as Senate Minority Leader Mitch McConnell (R-Ky.) threatened Republican support for the bill if Democrats move forward with a separate reconciliation package.

"Let me be perfectly clear: there will be no bipartisan USICA as long as Democrats are pursuing a partisan reconciliation bill," McConnell tweeted on Thursday afternoon, referring to the Senate-passed version of the semiconductor bill called the United States Innovation and Competition Act (USICA).

The White House fired back hours later, accusing McConnell of "holding hostage" legislation designed to make the U.S. more competitive against China by investing in the chip industry. The legislation includes about $50 billion for the semiconductor industry in the U.S.

A version of the semiconductor bill passed the Senate more than a year ago with bipartisan support and the House followed suit with their own version earlier this year. The bill has been subject to bipartisan negotiations for the past several weeks.

The legislation is a top priority of the Biden administration, which has billed it as a way to make the U.S. more competitive against China while helping to ease supply chain woes by investing in a critical American industry.

McConnell's tweet followed reports this week about Democrats working on revised plans for a package that they aim to pass with only Democratic votes in the Senate through a process known as budget reconciliation.

The Hill reported Thursday that Senate Democrats are planning to submit a revised proposal to lower prescription drug prices to the Senate parliamentarian in the coming days, which they hope to include in a larger reconciliation package.

It's unclear if Democrats will succeed this time in successfully passing parts of Biden's domestic policy agenda through reconciliation; a past effort to do so was torpedoed by Sen. Joe Manchin (D-W.Va.) in December. Republicans have stood uniformly against Biden's domestic agenda proposal, taking issue with the price tag and arguing it could contribute to inflation.

If McConnell follows through on his threat, Democrats could fold the China competition bill into a reconciliation package.

"Senate Republicans are literally choosing to help China out compete the U.S. in order to protect big drug companies," White House press secretary Karine Jean-Pierre said in the statement responding to McConnell's tweet. "This takes loyalty to special interests over working Americans to a new and shocking height. We are not going to back down in the face of this outrageous threat."

Senate Majority Leader Charles Schumer (D-N.Y.) spokesman Justin Goodman echoed that message, tweeting: "Sen. McConnell is so beholden to PhRMA that he's willing to help China, hurt American manufacturing, and screw over Americans with outrageously high Rx prices."

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15. Can the U.S. Supply Chain Withstand New Disruptions?
(Wealth Management, June 30, Patricia Kirk)

After more than two years of pandemic-related disruptions the U.S. supply chain is facing new challenges, keeping availability tight in the industrial market.

Although most of the world has shed COVID-19 restrictions (China remains an exception), both domestic and global supply chains continue to be challenged by the looming threat of new variants and the war in Ukraine. These issues have manifested in high fuel costs and unpredictability in freight flows, as well as uncertainty about how and when the global economy will return to some level of stability, says Kelvin Sakai, senior director, supply chain consulting, with commercial real estate services firm CBRE.

In addition, a labor shortage, wage inflation impacting hourly workers and limited warehouse capacity continue to pose challenges for the U.S. logistics sector, according to Los Angeles-based Brewster Smith, senior vice president, supply chain solutions, with Colliers International.

Signs of improvement

To an extent, the availability and flow of goods domestically is beginning to normalize, Smith notes. Vessel backlogs at the ports of Los Angeles and Long Beach, for example, are down roughly 70 percent from January. However, Sakai stresses that the supply chain continues to face shocks in different areas at different times. So, while some industries and businesses are seeing things ease, others are not.

For example, the situation with the backlog at the ports could reverse its current course when the peak season arrives in a few months, especially if contract negotiations between the ports and dockworkers become contentious and fuel prices continue to rise, Sakai warns.

“Supply-chain volatility has, indeed, made life challenging for manufacturers, distributors and consumers, and real estate is just one component of this complex web spanning across the globe,” says Chicago-based Matt Walaszek, director of research with CBRE specializing in industrial and logistics.

Last year set a record for U.S. industrial demand and rent growth, with a momentum that has carried into 2022, he notes. In the first quarter of the year, industrial vacancy averaged just 3.1 percent nationally. Still, Walaszek notes that leasing activity is down slightly from last year—net absorption went down by 10.4 percent compared to the first quarter of 2021, CBRE found. This is partly a function of moderating demand, but it is also due to a comparison to extremely strong statistics in 2021, according to Walaszek. Overall, industrial net absorption in the first quarter was still above a 10-year average.

The pandemic has created what logistics practitioners call an “inventory bullwhip effect,” when products become scarce and organizations tend to panic and over-purchase merchandise to avoid future stock shortages, according to Smith. All of that pent-up demand in the spring/summer of 2021 created more inventory deliveries than U.S. ports and warehouses could handle and escalated demand for warehousing space, he says.

Today, as overall logistics costs rise, they are fueling additional demand for warehouse space as large companies increase inventory stock in anticipation of potential future price increases and supply chain disruptions, according to Walaszek. As a result, there is still a dire shortage of warehouse and distribution space in most U.S. markets, he says.

But while vacancy remains tight, the competition for space isn’t as fierce as it had been last year due to greater economic uncertainty.

“Occupiers are having to pay more to lease space, and finding available space has been extremely difficult in supply-constrained markets,” Walaszek says. (U.S. taking rents for industrial space have risen by 16 percent year-over-year, he notes. Asking rents, according to CBRE, have risen by 11.8 percent, to a record-breaking $8.94 per sq. ft.)

The rent growth has been especially strong around the country's biggest ports, where industrial availability is very scarce, including the Port of Los Angeles, the Port of Long Beach and the Port of New York/New Jersey, according to Smith. In the Los Angeles market, for example, industrial vacancy is around 0.5 percent. Near the Port of New York/New Jersey it's at 1.8 percent.

Walaszek's data shows that rents at properties located in the Inland Empire rose by 74 percent year-over-year, in Los Angeles by 54 percent and in Orange County, Calif. by 39 percent.

In Smith's view, it will take six to 18 months for the Fed's interest rate hikes to start easing inflation and bring down fuel costs. When combined with new industrial deliveries, that should moderate growth in industrial rents.

Globally, however, "the supply-chain situation is much more precarious and difficult to predict," he adds. "The military conflict can create geopolitical tensions in other parts of the world that disrupt supply chains, which is one reason we're seeing a trend toward manufacturing re-shoring to the U.S., Mexico and South America."

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16. Amazon cancels, delays wave of warehouse plans as e-commerce demand cools
(Supply Chain Dive, June 30, Max Garland)

After nearly doubling its operations capacity over the past two years to keep up with a pandemic-fueled demand surge, Amazon is pumping the brakes on its expansion plans.

CFO Brian Olsavsky said in April that the company built more fulfillment network capacity with "the high end of a very volatile demand outlook" in mind. The approach contributed to the $6 billion in added Q1 costs, as a slowdown in online shopping activity left the company with excess capacity.

"For the consumer business, as I said earlier, we currently have some excess capacity in the network that we need to grow into," Olsavsky said. "So, we've brought down our build expectations. Note again that many of the build decisions were made 18 to 24 months ago, so there are limitations on what we can adjust midyear."

Amazon typically pushes to get its fulfillment centers running as soon as possible, as a wider warehouse footprint helps the company cut down on shipping costs, Wulfraat said. However, several of the company's larger facilities expected to open in the second half of 2022 will be delayed by at least a year to avoid adding further labor expenses, he added. Lower productivity from overstaffing in the company's fulfillment network made up about one-third of Amazon's added Q1 costs.

"It will take some time to iron out the wrinkles but they will get through it," Wulfraat said.

Amazon did not respond to requests for comment from Supply Chain Dive on the reported warehouse delays and cancellations. The delay of the company's Davenport, Iowa, facility to early 2024 was due to supply chain challenges, according to a statement from the Quad Cities Chamber, which is based in the city.

"It is common for developments of this size to have situations that impact their timeline along the way," according to the statement. "It's our understanding that Amazon is experiencing supply chain issues, just like many of our local employers are experiencing. We're pleased that Amazon is committed to opening the facility, even if the project is delayed due to unforeseen circumstances."

Amazon still has a U.S. warehouse footprint few companies can rival, according to MWPVL data. The company has nearly 1,200 active distribution facilities totaling nearly 376 million in ground-level square feet. Walmart has 197 active facilities totaling about 145 million square feet, while Target has 52 facilities with nearly 58 million square feet of space, per MWPVL.

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17. Opinion: US still lagging in delivering on chip ambitions
(Financial Times, June 30, Richard Waters)

For the US, which has been trying to reverse its long slide in global chip production, the discouraging answer is: a lot longer than you might think. And even if recent attempts to create a handful of world-class chip plants on American soil eventually bears fruit, that won't resolve wider questions about the country's continued leadership in other parts of the chip industry.

The latest cloud over US chip manufacturing comes from the political foot-dragging in Washington over legislation that would provide up to $52bn in subsidies to back new chip plants and support for research and development.

Intel chief executive Pat Gelsinger this week vented his frustration over the delay. He warned that unless Congress acts before the summer recess, Intel might have to hold back construction of an advanced $20bn chip fabrication plant in Ohio.

By contrast, Intel has already received commitments of €6.8bn to back a similar project that was recently announced for Germany, even though the EU came to the idea of chip subsidies later than the US. No wonder Gelsinger was hinting none too subtly that the focus of Intel's most advanced manufacturing efforts could start to shift to Europe.

Taiwanese chip manufacturing giant TSMC and South Korea's Samsung — both a step ahead of Intel in advanced chip making — are among those lining up for the US handouts. Congress has already voted for subsidies, but follow-on legislation to actually fund the plan has stalled. With the summer recess and midterm elections looming, the chances of anything happening before late this year may be fading.

But even if the political roadblock is cleared soon, bigger challenges loom. Morris Chang, founder of TSMC and godfather to Taiwan's world-leading chip manufacturing sector, says $52bn is simply "not enough". In a recent interview with the Brookings Institution and Center for Strategic and International Studies, Chang called the subsidies "a very expensive exercise in futility".

Chang's main point is that US manufacturing expertise has been eroded over the last 40 years, making it unlikely the country will be able to match its Asian competitors. That was one of the "ugly surprises" for TSMC when it set up its first US plant a quarter of a century ago, the company's founder said. Even now, after many years of improvements, chips from its US plant cost 50 per cent more than those produced in Taiwan.

Until recently, these weren't issues that raised too much concern in Washington or Silicon Valley. For years, US chip companies have been happy to focus their efforts on those parts of the complex global industry that require the least capital investment and promise the highest profit margins. The result has been a strong global position in areas like chip design (through companies like Nvidia and Qualcomm), chip manufacturing equipment (Applied Materials and Lam Research) and the complex software needed to design chips (Cadence and Synopsys).

Two things have made this strategy look less tenable. The first has been the threat to national and economic security from the overconcentration in Asia of chip manufacturing. That dependency has been brought home by the post-pandemic supply chain crisis. If China's designs on Taiwan tipped over into military conflict, today's supply crisis would pale into insignificance.

The other difference now is that, while specialisation in the highest value parts of a complex, globally interdependent chip supply chain has served the US well, it may leave the country exposed strategically as China comes to play a bigger role.

China's lack of leading-edge chip manufacturing has left it well behind Taiwan. But it has long played an important part in other areas of the sector, such as supplying materials vital to chip production. China is now making big investments in manufacturing capacity that will soon turn it into one of the world's biggest chip producers, even if catching TSMC in advanced chipmaking is still years away. And its chip design companies have already shown they can match some of the best in the US.

For the US, as a result, a stronger national presence across the entire chip supply chain is starting to look like a priority. That will require deeper investment in technical skills and R&D — and it could make the $52bn seem little more than a downpayment.

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18. Opinion: Biden's Uphill Battle to Restructure the Global Semiconductor Sector
(The Diplomat, July 1, Tian He and Anton Malkin)

Securing the United States' strong position in the semiconductor sector has been at the center of U.S. President Joe Biden's policy agenda. The country's strategic attention in the area is not new, but the challenges facing the Biden administration are unprecedented.

An understanding of the extent of these challenges requires reviewing the history of U.S. dominance in semiconductors. The United States has led the development and manufacturing of semiconductors, which has proven vital to its national security, throughout the post-war period. U.S. leadership was challenged only briefly in the late 1980s by the rise of Japanese semiconductor firms. U.S. chip producers quickly won out by relying on innovation rather than protectionism, solidifying U.S. dominance in the sector by the early 1990s.

Central to this dominance was the formation of a global value chain (GVC) for the semiconductor sector. Technological development, particularly in electronic design automation (EDA) software and chip design automation, led to the emergence of fabless manufacturing that focused on design and sales, while outsourcing actual production of semiconductors. The rapid emergence of East Asian semiconductor manufacturing firms that provide chip production services has allowed advanced U.S. firms to focus on chip design while taking advantage of relatively low-cost skilled labor in Asia.

Through a strong national innovation system, U.S. chipmakers (including Broadcom, Qualcomm, Nvidia, and AMD) quickly entered the top end of the value chain. With the growing value accruing to semiconductor design, chip industry innovation, and the importance of IP and intangible assets in the global ICT ecosystem, U.S. firms quickly became the dominant players in the semiconductor sector.

Meanwhile, East Asian and European semiconductor companies, which occupied the middle segment of the GVC, became suppliers to U.S. semiconductor companies.

U.S. dominance in the semiconductor sector is clearly reflected in a monopoly on semiconductor design software. EDA tools come mainly from three U.S. companies: Cadence Design Systems, Synopsys, and Mentor Graphics (acquired by Siemens in 2017). Without these U.S.-made tools, it would not be possible to develop modern chips, which explains why the Biden administration's latest export control policy vis-à-vis China is so effective.

It is clear that U.S. dominance of the global semiconductor sector was built on its strength in occupying the higher end of the GVC. However, what the Biden administration is seeking to achieve is far more ambitious than what the U.S. previously accomplished.

The United States is determined to defend its absolute dominance at the top of the semiconductor GVC, and there is growing momentum for industrial policy to support the domestic chip industry. Industrial policy proposals have been emerging in Congress since the end of the Trump administration, and in mid-2020 several bills were proposed to provide financial incentives to stimulate the semiconductor industry. The U.S. Innovation and Competition Act, which includes $52 billion in federal investments for domestic semiconductor research, design, and manufacturing provisions in the CHIPS for America Fund, is regarded as the first step in preventing Chinese dominance.

However, Biden seeks more than just retaining leadership in the high end of the GVC. Since taking office in January 2021, he has prioritized both the competitiveness and security of the country's semiconductor sector. A 100-day comprehensive supply chain review released by the White House in June 2021 outlined a vision for the U.S. to achieve both "leadership" and "resilience" in the global semiconductor value chain.

Biden's plan necessitates the U.S. to pay attention to the middle and lower ends of the GVC. This strategy is currently being pursued in two ways. The first is to ally with global semiconductor firms to re-shore production by building domestic manufacturing facilities. Intel announced a bold "IDM 2.0" strategy to regain its ability in advanced manufacturing and offer foundry services to other companies. At the urging of the U.S. government, both Taiwan Semiconductor Manufacturing Co. (TSMC) and Samsung have also announced plans to expand manufacturing facilities in the United States.

The second is the Biden administration's intention to work with "like-minded" countries to build a more reliable semiconductor supply chain that does not involve China. Developing the resiliency of the U.S. semiconductor supply chain is a major component of the recently announced Indo-Pacific Economic Framework (IPEF), an initiative designed to promote economic cooperation with Washington's Asian allies.

Despite its significance for national security, the United States' ambitious plan to address the supply chain crisis is likely to disrupt its current high-end dominance in the GVC. Specifically, there are two major challenges facing the Biden administration. First, a security-oriented "self-reliance" policy that focuses on the entire value chain would inevitably disrupt the current global semiconductor production system by incurring significant economic costs and diverting economic resources that could be used to strengthen the U.S. position at the top end.

To onshore semiconductor manufacturing, the Biden administration will first have to address the problems associated with a manufacturing workforce that no longer exists in the United States and the lack of infrastructure that is essential for rebuilding its manufacturing capacities.

Perhaps an even more critical challenge is production cost. The formation of the semiconductor GVC has enabled U.S. companies at the higher end of the value chain to obtain the best production capacity at the lowest economic cost, thus driving a virtuous cycle of technological breakthroughs and innovation. This will no longer be the case when Biden sets out to bring manufacturing back. A report by the Boston Consulting Group shows that the costs associated with operating a fab in the U.S. for 10 years will be about 30 percent higher than in Taiwan, South Korea, or Singapore, and about 37 percent to 50 percent higher than in China. Given the tremendous economic costs, bringing manufacturing back to the United States is easier said than done.

Second, the U.S. strategy of supplementing domestic production through cooperation with its technological allies could further disrupt the operation of the semiconductor GVC. Biden has looked to form techno-alliances with East Asian powerhouses to strengthen supply chain resiliency. The effectiveness of this security-centered strategy, which runs counter to economic rationales, is predicated on Washington’s diplomatic ties with its allies. Biden’s security-first supply chain restructuring efforts could affect the relationship between U.S. companies at the top end of the value chain and their suppliers at the middle and lower ends.

The uneasiness of government and capital is increasingly evident in East Asia. The Japanese government, for example, is concerned that the return of U.S. manufacturing could hollow out manufacturing in East Asia as a whole, making Japan’s ambitions to regain its semiconductor industry dominance by 2030 unlikely. In Taiwan, TSMC founder Morris Chang has also expressed skepticism about the U.S. onshoring efforts.

In short, the supply chain issue is forcing the Biden administration to overstretch U.S. capacity in semiconductors. The ambitious project to reshape the global semiconductor sector will require national mobilization and a series of diplomatic actions that will surely take a long time to materialize.

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TOP LOCAL STORIES:

19. TOP STORY: 'No Commanders Clause' could threaten DC's push to gain control of RFK site
(WUSA-CBS (DC), June 30, Eric Flack)

There is growing concern among some D.C. leaders that a standoff between Mayor Muriel Bowser and the DC Council could cost the city one of the most valuable undeveloped pieces of land in the District.

The dispute is over keeping the dream of a Commanders return to D.C. alive.

You wouldn’t think it by looking at them, but a group of locked languishing parking lots in the heart of the city have untapped potential.

“A stadium that's falling apart, that can be redeveloped for other uses to reactivate and reinvigorate that part of town, especially on the riverfront,” At-Large Councilmember Christina Henderson said of the 200-acre RFK stadium site in Southeast.

The site is owned by the federal government and leased to D.C. solely for use of the stadium. But the District cannot do anything to redevelop the RFK site, which has sat mostly unused since 2017, without Congress passing legislation to hand over the federally controlled land.

Henderson said with Democrats in danger of losing control of one or both houses in Congress during the midterm elections, time is running out for the District to get the bill passed.

“But frankly, this is the easiest time for us to get this land,” Henderson said. “And so, time is of the essence.”

Del. Eleanor Holmes Norton told WUSA9 she is waiting for city leaders to come to an agreement on the terms of the legislation before she introduces it. Without an agreement, Norton said she will not introduce a bill.

WUSA9 obtained a letter from Council Chair Phil Mendelson to Bowser demanding the legislation include a rider stating: “the land not be used for a professional sports stadium.” That would include a stadium for the Washington Commanders, which Mendelson, and at least seven other council members, including Henderson and Councilmember Charles Allen, oppose.

But the mayor has refused to agree to the no Commanders clause, as she continues to hold out hope for the team's return to D.C. At a press conference Thursday, Bowser said she’s not going to let Congress, or anyone else, dictate what the city can or cannot do with the land.

“What I am unwilling to do is include the Mendelson rider that says to Congress you decide what’s good for the District of Columbia,” Bowser said. “I am the Mayor of D.C. The Council is the elected legislature of D.C. And we should decide what’s good for us.”

Because of the ongoing House Oversight investigation into sexual harassment and financial impropriates by Commanders owner Dan Snyder, Norton said she is already having trouble, even within her own party, gathering support for an agreement to return the land to the District, mostly due to concerns it could benefit Snyder.

Henderson said she agrees with the principle of not allowing Congress to dictate terms to the District, but believes gaining control of the land is essential, regardless of the conditions.

“My preference is that we just have no restrictions and just get the land,” Henderson said. “And that would allow for D.C. leaders and D.C. government to have conversations with the community to negotiate in terms of what we want to see, what the neighborhood wants to see, what the community wants to see on that land. I am of the belief that Congress shouldn't be dictating that for us. But I recognize that [Norton] probably has some particular politics at play might make it more palatable for the to be restriction use language.”

Allen said the mayor’s hard line could cost the city any chance at regaining control of the land, and allowing it to remain, a wasteland.

“I think that the longer we hold out this idea that it maybe if we just wait long enough, there will be an NFL stadium...it's just not going to happen,” Allen said. “And I think that it would be a really wasted opportunity for us to pass this to just take a hard pass on not getting the land.”

Del. Norton said any legislation to give control of the RFK site to D.C. would be more likely to pass if it included guarantees it would not result in a new stadium for Snyder. She has the right to introduce legislation without a consensus from city leaders, she just is choosing not to when it comes to that RFK Site thus far.

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20. TOP STORY: D.C. ends coronavirus contact tracing effort, laying off 131 workers
(The Washington Post, June 30, Michael Brice-Saddler)

The D.C. Health Department has terminated 131 members of its coronavirus contact tracing program, a spokesperson confirmed Thursday, marking the official end of a city program started more than two years ago to curtail the virus's spread.

Mayor Muriel E. Bowser (D) launched the "D.C. Contact Trace Force" in April 2020, with a mandate to interview residents who had tested positive for the virus and learn the severity of their symptoms, potential close contacts and places they visited while infectious. Then, through phone calls and home visits, members of the force sought to advise people who might have been exposed to quarantine and seek testing.

The city employed about 65 contact tracers at the start of the pandemic to help stop community spread, but Bowser routed $2.3 million of the city's contingency cash reserves to the program a month later to bolster staffing. At its peak, the force included 430 contact tracers, said D.C. Health's director of emergency response Patrick Ashley — a mix of individuals with public health credentials and others who were trained on the job.

The team was down to 153 members at the beginning of June, Ashley said.

James Tyll, a spokesperson for the department, said 131 of those 153 tracers were laid off Thursday, 19 were hired into vacant positions, and three others were detailed to another District agency.

Despite the staffing reduction, Ashley said contact tracing remains a core duty of the health department: Epidemiologists and disease investigators have long monitored the spread of hepatitis, HIV and sexually transmitted diseases in the District. More recently, they've focused on outbreaks related to monkeypox.

"The reality is that while we've built tremendous resources in the health department as part of the pandemic, many of these systems existed before covid and aren't going away," Ashley said in an interview. "We've also demonstrated during covid we can rapidly scale up, and the systems are in place to do that."

The city will still offer coronavirus exposure alerts for residents who have signed up for the service on their cellphones, he added.

The reduction in coronavirus contact tracing accelerated this spring as cases caused by the highly infectious omicron variant began to wane. Ashley said the omicron wave, which hit over the winter, presented fresh challenges for contact tracers because of the rapid spread and volume of new cases.

"Omicron becomes contagious much faster — the time from exposure to testing positive is much faster, and the recovery time is much quicker [than previous variants]," Ashley said. "That was part of the reason [for] contact tracing shifting; by the time the call came, people were already showing symptoms or said they tested positive already. The value was not the same."

In recent months, trace force members were often given other public-health-related roles: Bowser asked them in early June to call families with children who were not up to date with routine youth immunizations. In May, tracers were instructed to contact residents who were eligible for a coronavirus booster shot.

Those on the force who were still tasked with regular contact tracing duties were focused on the D.C. jail, nursing homes and health-care facilities — environments at high risk for outbreaks that the department will continue to monitor, Ashley said.

New coronavirus cases in the District have trended downward since a brief spike in May, according to city data, with a weekly rate of about 196 cases per 100,000 residents. In comparison, D.C. reported 866 new coronavirus cases per 100,000 residents in mid-January. In March, D.C. discontinued its daily coronavirus case reporting, which included data on outbreaks, switching instead to a once-weekly update on the number of new cases with a focus on metrics such as hospitalizations.

Neil J. Sehgal, an assistant professor of health policy at the University of Maryland, noted that these newly reported cases — which mirror numbers D.C. reported at some points during the delta variant surge in late summer and early fall 2021 — don't account for many unreported rapid tests people can take at home. He said it's prudent for residents to stay vigilant, particularly as researchers are still trying to learn more about the long-lasting effects of coronavirus infection.

"What this means is the responsibility has shifted more to individuals to test themselves and be cautious, and for infected individuals to contact the people they've been around," Sehgal said. "But do I understand why this is happening? Certainly."

Sehgal noted that other jurisdictions have also reduced contact tracing operations: Maryland and Virginia's health departments have shifted contact tracing efforts from all cases to a targeted approach focusing on high-risk people, such as those older than 65 and those with comorbidities, and people in congregate settings such as nursing homes, schools and state prisons.

Virginia stepped away from investigating all cases in January, while Maryland made the change in April. A spokeswoman for the Virginia Department of Health could not provide details about the size of its contact tracing team.

Maryland keeps tabs on infected people through text, email and other digital means to help quickly identify outbreaks. During the January 2021 peak, when vaccines were not yet widely available, approximately 1,500 contact tracers were in place in Maryland; now there are about 500, according to Maryland Department of Health spokesman Chase Cook.

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21. Tow truck driver helps to talk down man standing on edge of overpass
(ARLnow.com, June 30, Staff Writer)

A tow truck driver helped to defuse a tense situation in Crystal City yesterday (Wednesday) morning. Police were dispatched to the area for a man standing on the edge of a Route 1 overpass. It was unclear why the man was standing there, but there was concern that he might jump to the roadway below.

Video shared with ARLnow, below, shows the shirtless man gesticulating wildly while standing above 15th Street S. A police source told ARLnow that a driver with Advanced Towing stopped and "talked this guy down."

Reached via email, Advanced owner John O'Neill confirmed the report.

"One of my drivers… noticed a man [who] walked out on an overpass," he said. "Ryan called 911 but approached the man and talked him into not doing anything dumb."

Police were later able to catch up with the man and get him help. A police spokeswoman described the incident as a "mental health call for service."

"At approximately 9:26 a.m. on June 29, an off-duty officer observed a man walking along northbound Richmond Highway," Arlington County Police Department Public Information Officer Ashley Savage tells ARLnow. "Additional calls to the Emergency Communications Center stated the man was standing near the edge of the overpass in the area of 15th St. S. and S. Eads St. The individual subsequently left the area and was located by responding officers in the Crystal City Shops."

Advanced Towing is arguably the most frequently criticized local business in Arlington, earning the ire of locals for its ruthless efficiency in towing unauthorized vehicles in private parking lots (and, occasionally — allegedly — damaging vehicles in the process). An incident with then-ESPN reporter Britt McHenry made national news and there's even a website devoted to calling the company a "fraud."

A lawsuit by former Virginia Attorney General Mark Herring called Advanced "predatory" and accused it of "illegal" tows. O'Neill later told ARLnow that he felt "vindicated" when the case only resulted in a $750 fine, asserting that Advanced only tows vehicles that are parked illegally.

O'Neill said Wednesday's incident shows that Advanced's reputation does not match its true character.

"We are always cast in a negative light but if my driver had not been doing his job this man may have hurt himself," he said. "I'm really proud of my employee for intervening."

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22. Large trash fire at waste disposal station sends large plumes of smoke over DC
(WTTG-FOX (DC), June 30, Staff Writer)

A large pile of trash caught fire at a waste disposal center in Northeast D.C. Thursday sending large plumes of smoke over the District.

The fire was reported around 10:30 a.m. in the 4900 block of Bates Road at the Fort Totten Solid Waste Disposal Transfer Station.

Firefighters were able to get the fire under control quickly and spent additional time saturating the pile of trash with water.

No injuries were reported.

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23. The uneven recovery of transportation modes in the D.C. region
(The Washington Post, July 1, Gaya Gupta)

Since the start of the pandemic, Americans and residents in the Washington region have shifted the ways they travel and commute. But even as coronavirus restrictions have mostly lifted, ridership has not returned to pre-pandemic levels for many transit systems amid a shift to telework.

For roads, airports and bike-share programs, meanwhile, usage is approaching normal.

Metrorail was at about 38 percent of pre-pandemic levels in June, the lowest of all modes of transportation included in this analysis.

Ridership fell to 5 percent in April 2020, compared to a year earlier, before slowly rebounding amid a more widespread return to offices this spring. In addition to increased telework, many riders have cited a train shortage — and subsequent lengthy waits for trains — for not using the system after a federal safety investigation led to 60 percent of rail cars being removed.

Metrobus ridership has consistently remained higher than Metrorail during the pandemic, despite historically serving about half the ridership of Metrorail. The bus system is approaching 90 percent of pre-pandemic ridership levels.

With the rise of telework, many commuters have opted out of their daily commute in favor of working from home — or are coming into offices less frequently. The decline also comes as federal workers, Metro's largest customer base, are being offered more flexibility to work from home.

Metro has struggled with the financial repercussions of losing passengers. Federal pandemic aid is set to expire next summer, which means Metro will need to boost ridership significantly or face service cuts. Metro has proposed fare cuts to focus more on tourists and leisure passengers as it seeks to bring back riders.

Capital Bikeshare returns to normal

Capital Bikeshare surpassed its pre-pandemic levels in November 2021. The week of June 13, the service reported its highest weekly ridership since 2018, with more than 94,000 trips taken. Ridership had dipped to about 20 percent of pre-pandemic levels in April 2020 but quickly rebounded.

The Bikeshare system has served as a form of alternative transportation as other systems have struggled during the pandemic.

Bike-share systems across the country also are reporting elevated ridership.

Air travel makes a resurgence

The Washington region's three major airports — Dulles International, Baltimore-Washington International Marshall and Reagan National — have largely rebounded, with all three returning to at least 80 percent of pre-pandemic levels.

Monthly passenger totals dipped to as little as 4 percent of pre-pandemic levels in April 2020. Travel held steady between roughly 20 and 40 percent of pre-pandemic levels between June 2020 and February 2021 before surging in March 2021 as the introduction of vaccines reduced the risk of air travel. Passenger counts also approached pre-pandemic levels during holidays such as Fourth of July and Thanksgiving.

Reagan National, with its heavy reliance on domestic travelers, has been quickest to bounce back. Dulles, which relies more on international travel, has been slowest to return among the region's airports.

Suburban transit ridership sees gains

The Washington region's suburban public transit systems, such as Fairfax Connector, Alexandria's DASH, Arlington Transit (ART) and Montgomery County's Ride On have struggled to return to pre-pandemic levels, but they have made gains since late last year.

DASH ridership jumped after the system announced it would go fare-free in August 2021, attaining about 64 percent of its pre-pandemic ridership by September that year — up from about 40 percent a month earlier. Since then, the system has rebounded to higher levels than Fairfax Connector or ART. Officials with TheBus in Prince George's County didn't make ridership numbers available by Thursday afternoon.

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TOP NATIONAL STORIES:

24. US Will Face High Gas Prices 'as Long as It Takes,' Biden Says
(Bloomberg, June 30, Nancy Cook and Jordan Fabian)

US President Joe Biden said Americans will have to stomach high gas prices "as long as it takes" to beat back Russian President Vladimir Putin's invasion of Ukraine.

"As long as it takes, so Russia cannot in fact defeat Ukraine and move beyond Ukraine," Biden told reporters Thursday in Madrid, in response to a question about how long high gas prices might persist. His comments echoes those of U.K. Prime Minister Boris Johnson, his closest geopolitical ally and one who is facing similar pressures back home about the cost-of-living crisis.

The national average gasoline price hit a record this month above $5 a gallon, even after Biden ordered a historic release from US reserves earlier this year. Prices at the pump have been a main driver of inflation, which has been a major political headache for the Biden administration.

Biden said he'll ask allies in the Persian Gulf region to boost oil production when he meets with them during a trip to Saudi Arabia next month, though he pointedly refrained to say he'd ask the country's de-facto leader to directly when he meets de-facto ruler, Crown Prince Mohammed Bin Salman, in person next month.

Biden's latest comments about inflation -- which amount to telling voters that they need to brace themselves for the long haul -- are unlikely to play well.

Americans have cited inflation -- which hit a four-decade high this spring -- as their primary concern heading into November midterms. Democrats will likely lose control of Congress. That worst-case scenario will become even likelier if the US. goes into recession. Concerns about such a downturn are growing daily.

An Associated Press-NORC Center for Public Affairs Research poll released Wednesday found that 85% of adults said the country was on the wrong track, with 79% describing the economy as "poor."

In that same poll, 67% of Democrats deemed economic conditions as bad.

The White House has taken pains to show it is trying to solve the inflation quandary -- by tackling supply chain snarls, releasing extra barrels of oil from the strategic petroleum reserve and lifting the ban of E15 gas during the summer.

Biden has called on Congress to suspend the federal gas tax for three months, but that proposal was met with resistance from key Democratic lawmakers.

Biden aides have tried to point to the strong labor market and low unemployment rate as the major bright spot of the economy -- and evidence of their strong stewardship of the U.S. during Covid.

So far, that hasn't worked.

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25. From stocks to crypto, a punishing six months for investors
(The Associated Press, June 30, Alex Veiga and Stan Choe)

Americans with stock portfolios or retirement investment plans would likely prefer to forget the last six months. The S&P 500, Wall Street's broad benchmark for many stock funds, closed the first half of 2022 with a loss of more than 20% after starting the year at an all-time high. It's the worst start to a year since 1970, when Apple and Microsoft had yet to be founded.

Investors have been grappling with uncertainty and fear this year following a sharp rise in interest rates as the Federal Reserve and other central banks scrambled to tame the highest inflation in more than 40 years. Higher rates can bring down inflation, but they also slow the economy, raising the risk of a recession. That's helped drag down the value of stocks, bonds, cryptocurrencies and other investments.

On June 13, the S&P 500 tumbled into a bear market, dropping more than 20% below the record high it set in early this year. It's now 21.1% below that Jan. 3 all-time high, back to where it was in early March of last year.

The Fed has been at the center of the market's downturn, raising its key short-term interest rates three time this year. Its most recent increase earlier this month was triple the usual amount and its biggest hike since 1994. More outsized increases are almost certain.

"You can argue that they're just playing the hand they were dealt, but the reality is they got caught a little bit behind the curve and their pivot toward a much more aggressive policy stance has been the reason the market has sold off," said Ross Mayfield, investment strategist at Baird.

ONE WINNER, MANY LOSERS

Technology companies, retailers and other stocks that were big winners during the pandemic have been among the biggest losers this year. That includes a more than 36% tumble for Tesla, a 71% nosedive for Netflix and a more than 50% plunge for Facebook parent Meta.

Rising bond yields have made these stocks look overpriced relative to less-risky corners of the market, such as utilities, household goods makers and health care firms. These are often called "value" stocks to distinguish them from stocks of high-growth companies.

Energy is the lone gainer this year among the 11 sectors in the S&P 500. The sector is up more than 29% so far, buoyed by surging oil and gasoline prices.

Of the 21 stocks in the index that have risen more than 20% this year, all but seven are energy companies.

PUMP PAIN, ENERGY’S GAIN

The soaring prices at the pump are the result of a classic squeeze.

Demand surged for gasoline and other oil products after the economy roared out of the cavern created by the coronavirus. At the same time, supplies for crude oil and gasoline have remained tight. The invasion of Ukraine upset a key energy-producing region of the world, with sanctions blocking oil from Russia, which ranked third in the world for oil production at the end of last year.

Meanwhile, refineries have less ability to turn oil into gasoline in the U.S. after several shut down during the pandemic. U.S. refining capacity has dropped for two straight years, according to the U.S. Energy Information Administration.

As a result, gasoline prices have shot to records this year, with the national average for a gallon of regular topping $5 per gallon earlier this month, according to AAA.

That’s meant misery for many drivers, but a nice payoff for investors who bet on energy stocks.

For such strength to continue, though, worries about a recession would have to abate. Recessions have historically led to drops in oil prices by destroying demand. And over the last week, stocks of energy companies have dropped even more than oil prices as some investors grew more fearful of just such a scenario, according to strategists at Barclays.

BUSTED BONDS

Sometimes even the calm one in the group loses their cool.

Bonds are supposed to be the steadier, more reliable part of a portfolio. But they not only slammed investors with losses in the first half of this year, they’re on pace for one of their worst performances in history.

High-quality, investment-grade bonds were down 11.3% for the first six months of 2022, as of Monday. Any down year is a notable thing for bonds. The Bloomberg US Aggregate index, which many bond fund use as their benchmark, has had just four losing years on records going back to 1976.

This year’s losses are entirely the result of high inflation and the Fed’s response to it. Inflation is generally anathema to investors because it erodes the purchasing value of the fixed payments bonds will make in the future.

The yield on the 10-year Treasury has already more than doubled this year. It stood at 2.97% Thursday. More pressure may be on the way as the Fed keeps raising rates, though some analysts say the worst of the damage may have passed.

Strategists at the Wells Fargo Investment Institute recently hiked their forecast for where the 10-year Treasury will end this year to a range of 3.25% to 3.75%. But they also see it moderating the next year to a range of 2.75% to 3.25%.

CRYPTO CRASH

Supporters of cryptocurrencies have touted them as, among other things, a good hedge against inflation and a safe haven when the stock market slumps. They've been neither of those things this year.

Bitcoin sank from nearly $69,000 in November to below $20,000 this month, partly due to the same forces that pummeled stocks: inflation and higher interest rates.

Some events unique to the cryptocurrency industry also factored in and eroded investors' confidence. A so-called stablecoin collapsed, costing investors around $40 billion. A hedge fund dedicated to digital assets was reportedly facing liquidation. And some bank-like companies, which take cryptocurrencies as deposits and then lend them out, suspended withdrawals as they scrambled to shore up their finances.

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