

No Place But Up

Interest Rates

Rents, Prices

Real Estate

and the

Economy

But Not Oil

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Stewart Title Guaranty Company



stewart

Mega Themes

- **More Jobs Than Ever in History**
- **Retail Boom Just Starting**
- **Residential Renting vs. Owning**
- **Entry Level Homebuyers Returning**
- **Inflation Potential**
- **Overweight in Real Estate**
- **Terrorism is Here to Stay**

U.S. Property Returns

Q2 2015 - TTM

Property	12-Month Return
All	12.38%
Hotel	13.30%
Apartment	11.13%
Retail	12.93%
Industrial	14.04%
Office	12.28%

- Tax-Exempt Investments
- All Cash Purchase
- Cash Flow + Value Change
- Only Pay Property Taxes
- \$443 Billion of Properties
- 6,971 Properties

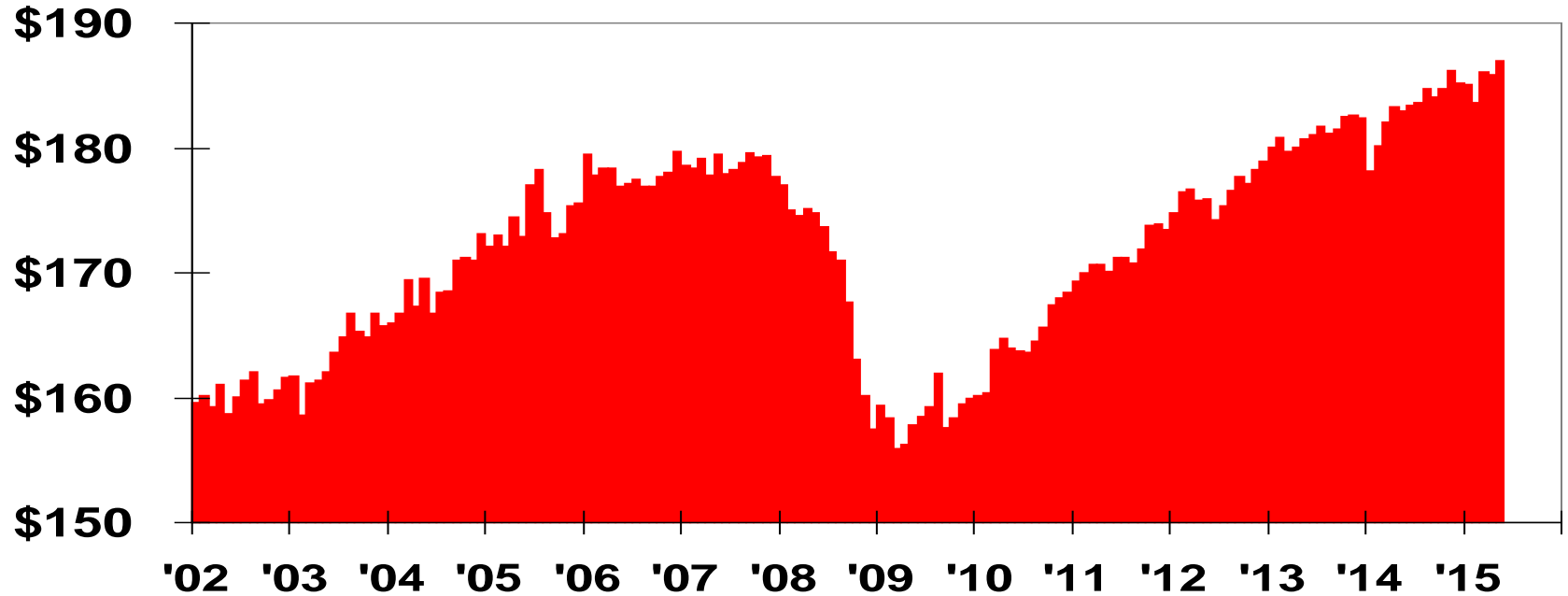
Source: NCREIF

<http://www.ncreif.org/property-index-returns.aspx?region=N>



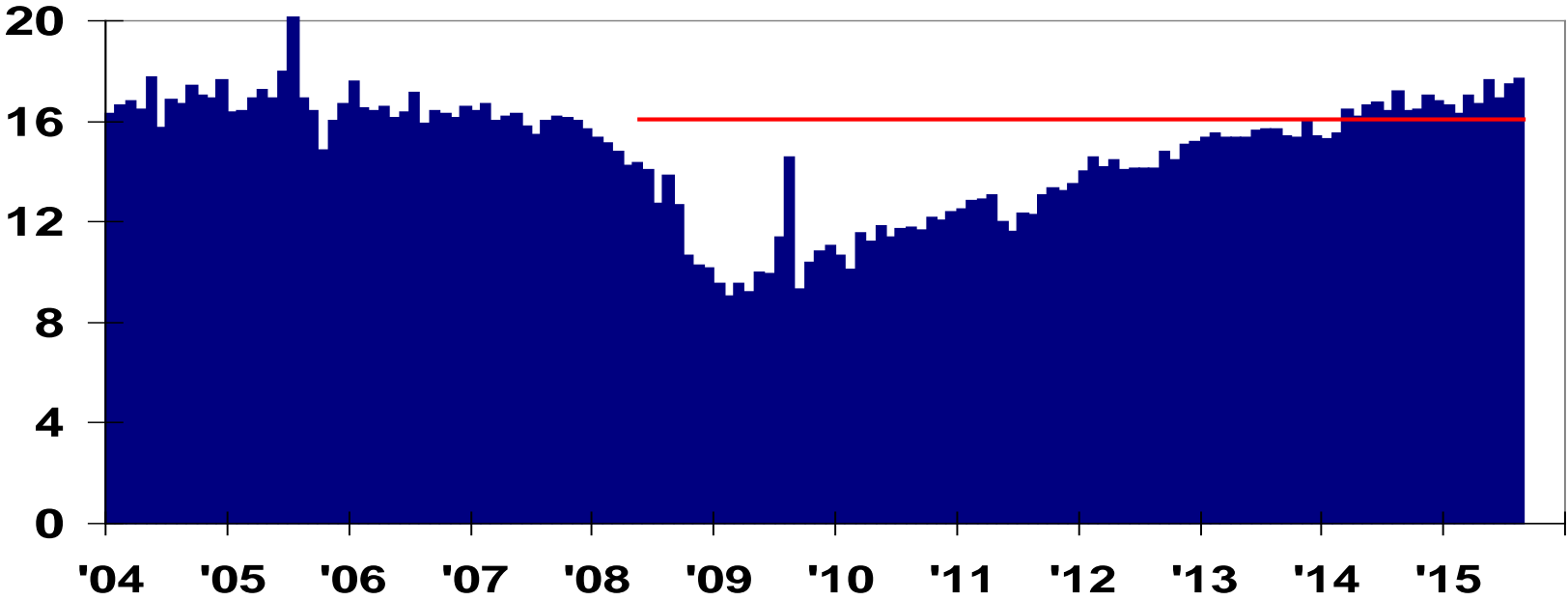
U.S. Real Retail & Food Service Sales

\$ Billions – Seasonally Adjusted

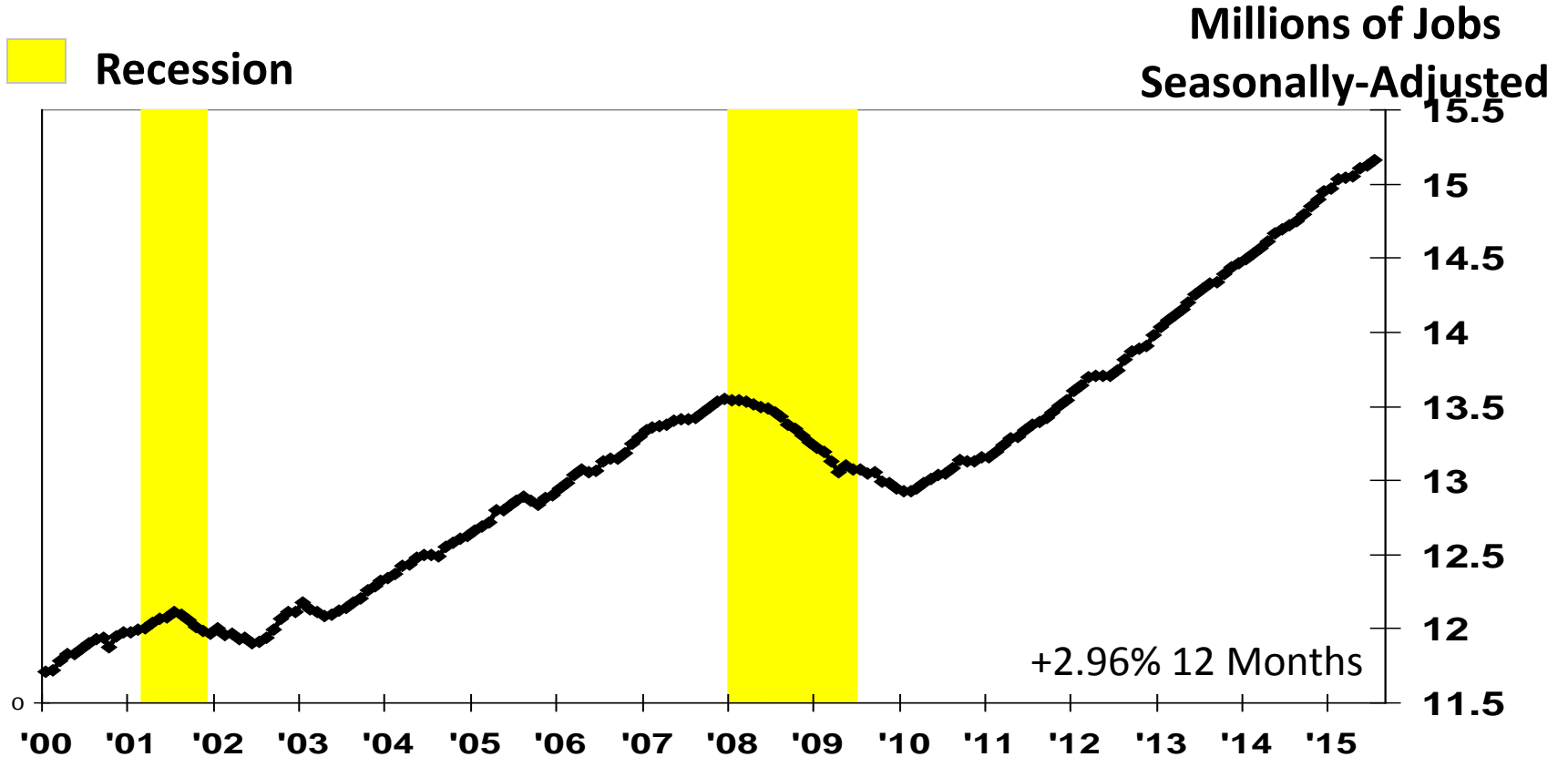


Light Weight Vehicle Sales

Millions – *Seasonally Adjusted Annual Rate*

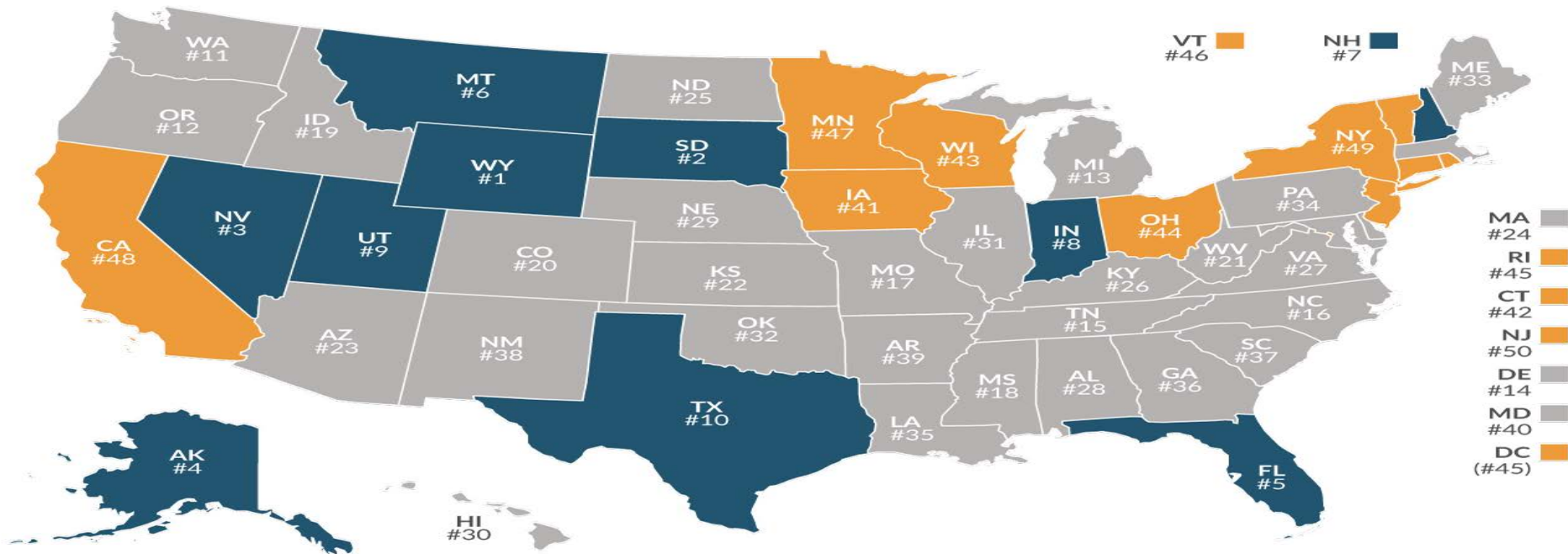


U.S. Leisure & Hospitality Jobs



2015 State Business Tax Climate Index

Which states have the most competitive business tax systems?



Note: Published October 28, 2014.

Source: State Business Tax Climate Index.

10 Best Business Tax Climates

10 Worst Business Tax Climates

Liquidity Has Returned to Commercial Real Estate

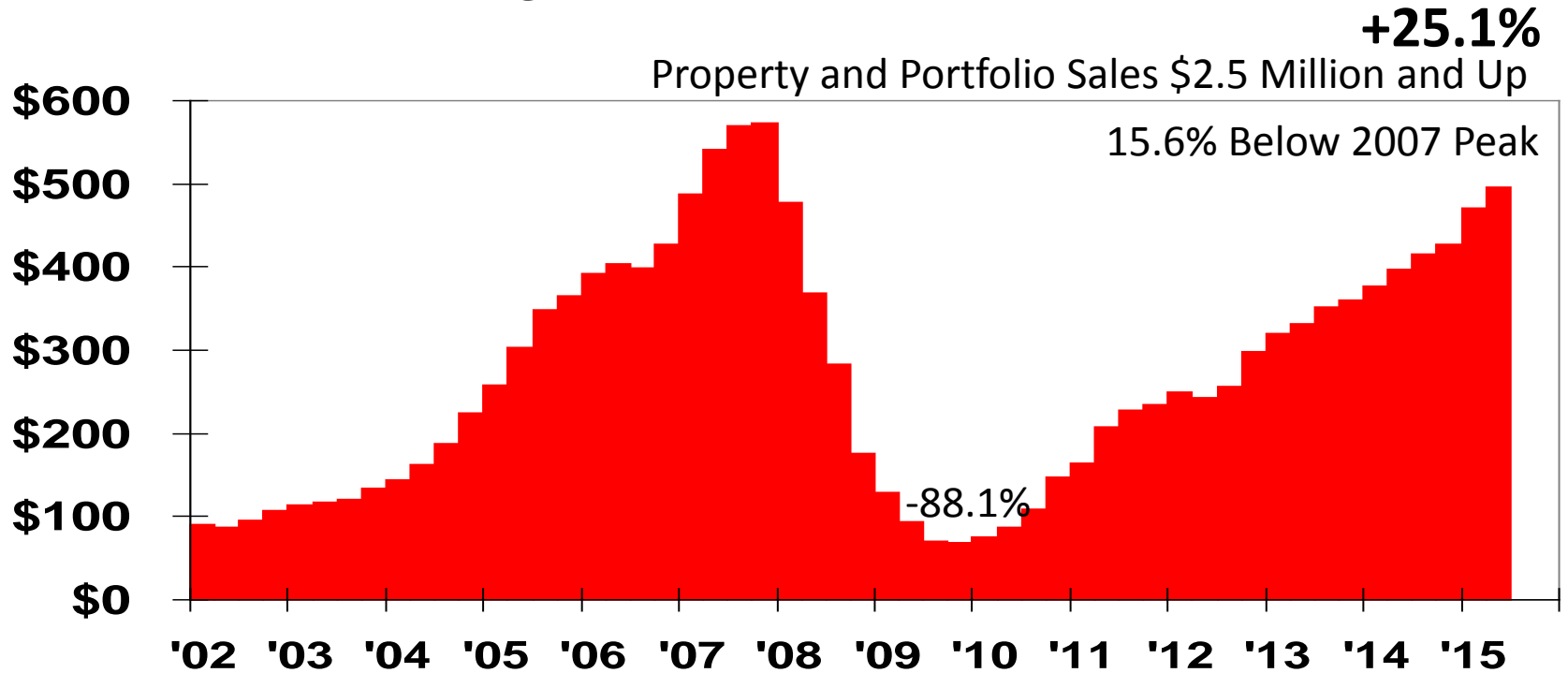
- * **30 to 35 Percent Equity**
- * **125 Percent Debt Coverage Ratio**
- * **Quality Tenant(s)**
- * **Longer-Term Lease**

Dichotomization of Commercial Real Estate Properties

- * **Those That Qualify**
- * **The Rest are Considered Distressed Real Estate**

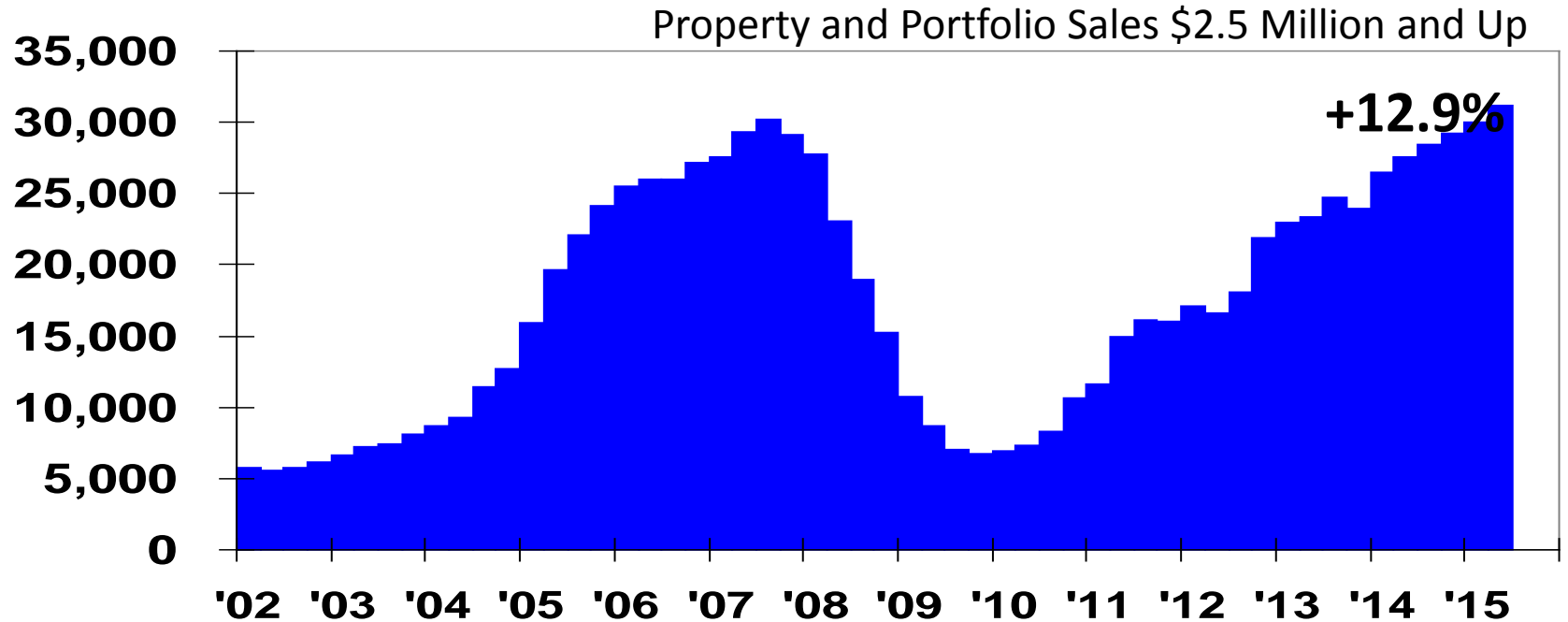
U.S. Commercial Real Estate Sales Volume

\$ Billions – *Trailing 12 Months*



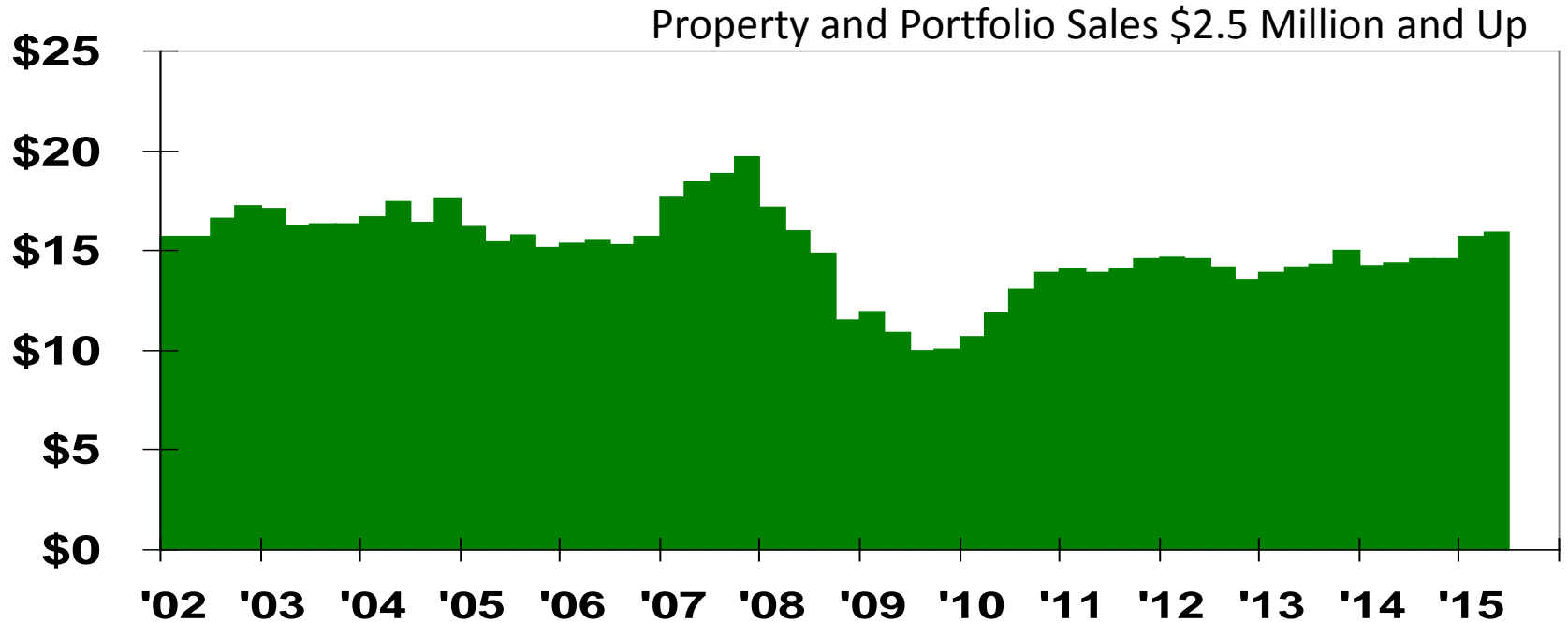
U.S. Commercial Real Estate Sales Volume

Number of Transactions – *Trailing 12 Months*



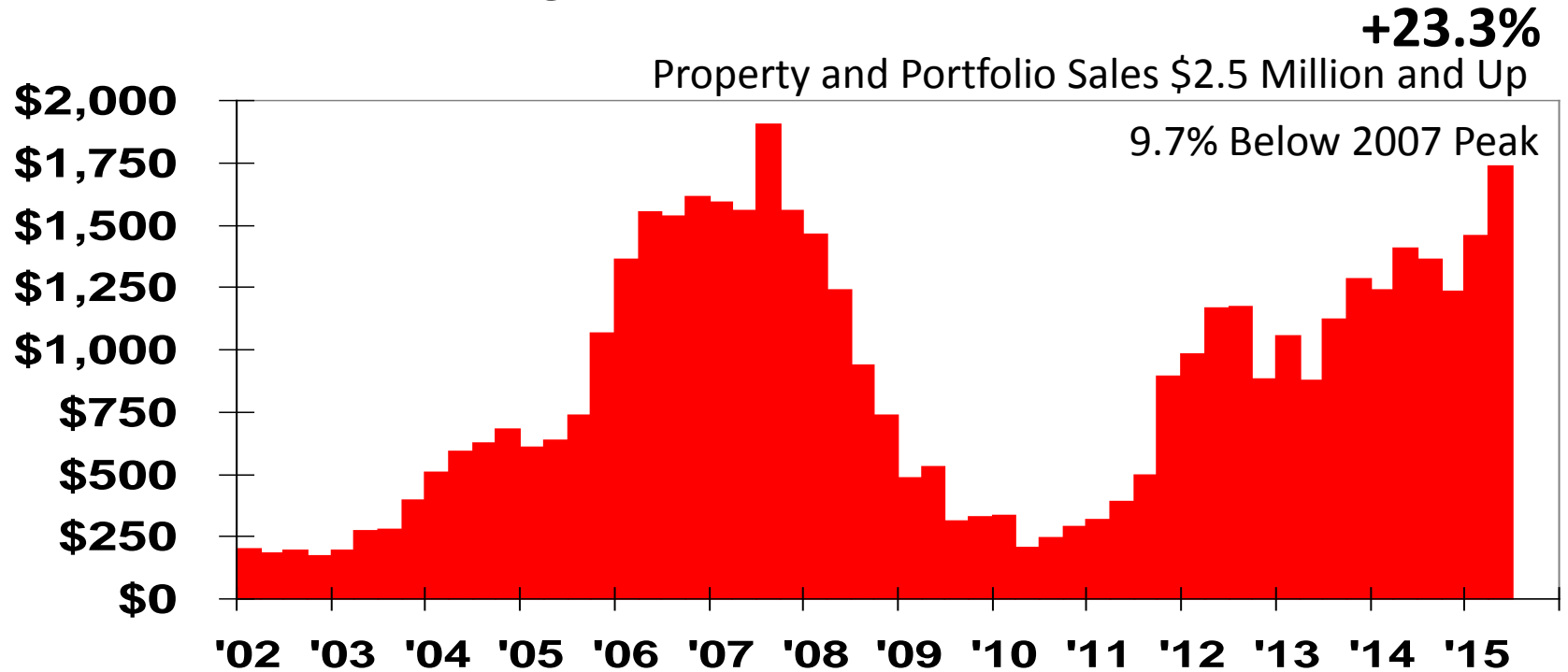
U.S. Commercial Real Estate Sales Volume

Average Per Transaction – \$ Millions TTM



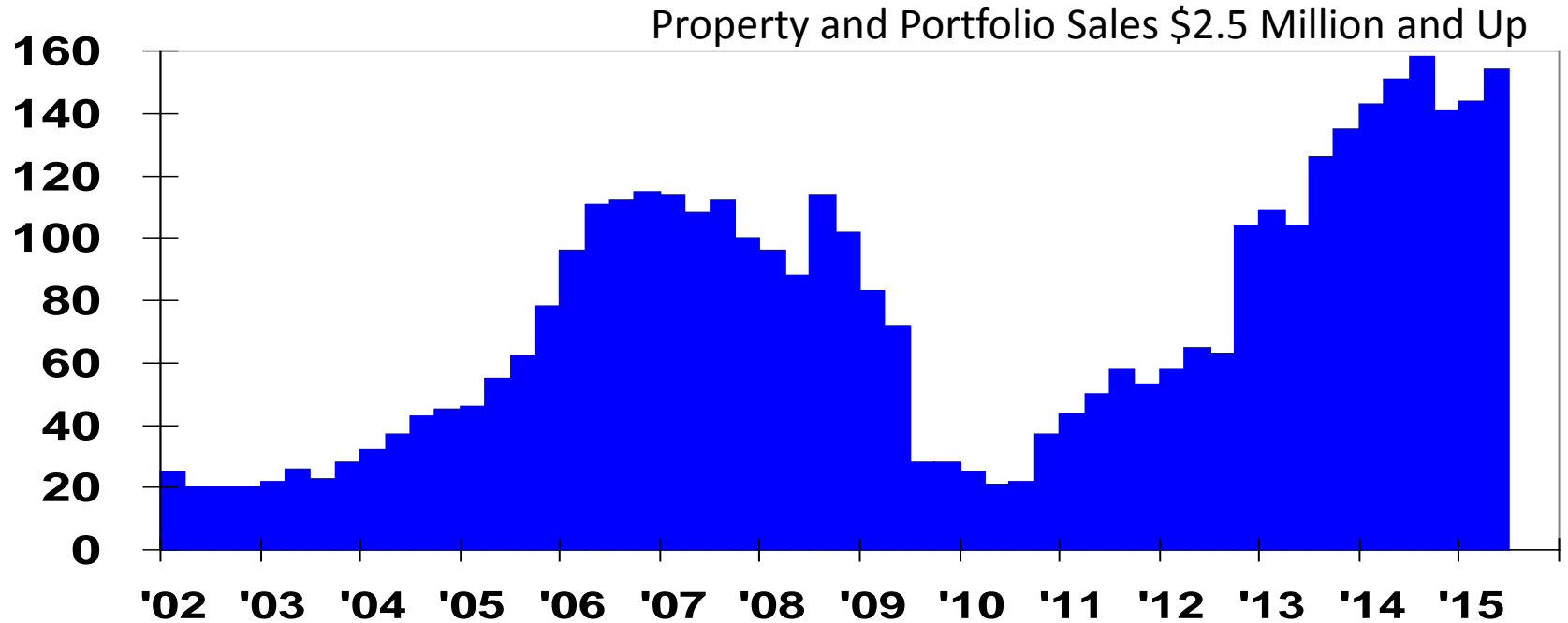
Kansas Commercial Real Estate Sales Volume

\$ Millions – *Trailing 12 Months*



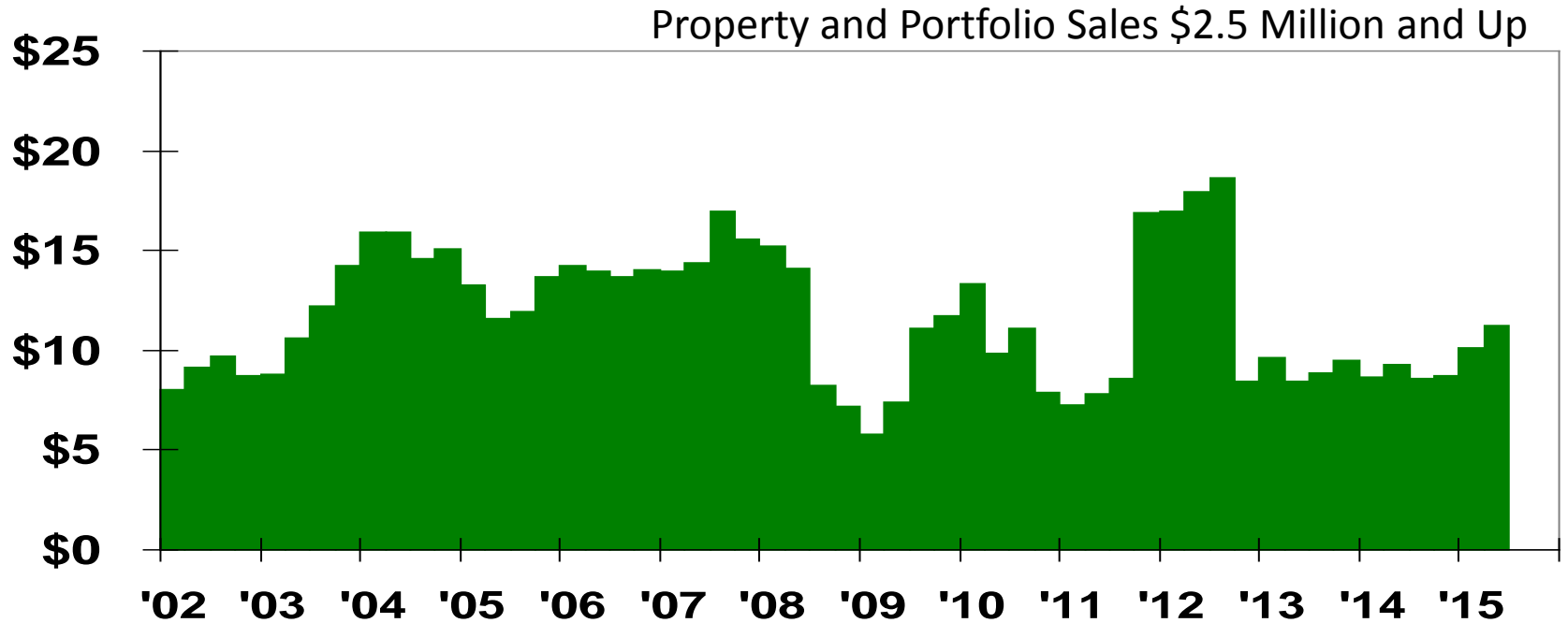
Kansas Commercial Real Estate Sales Volume

Number of Transactions – *Trailing 12 Months*



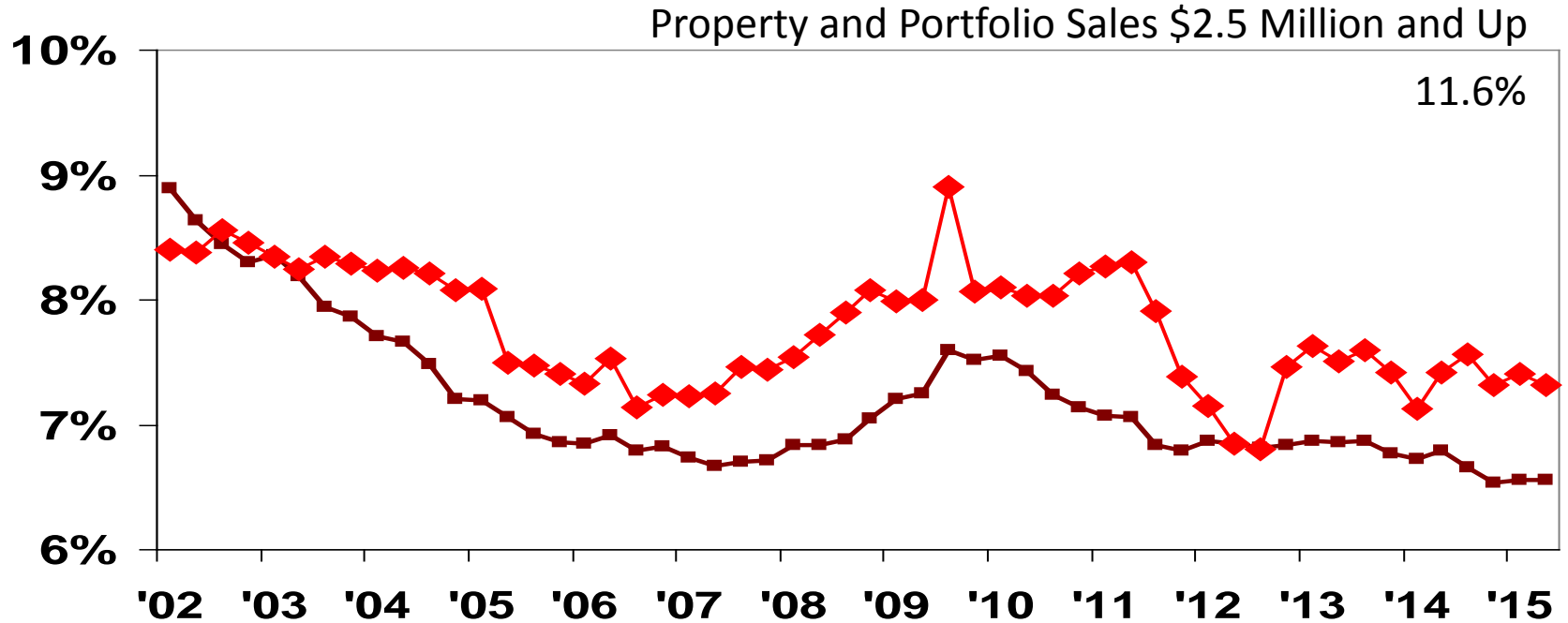
Kansas Commercial Real Estate Sales Volume

Average Per Transaction – \$ Millions TTM



U.S. & Kansas Commercial Real Estate Cap Rates

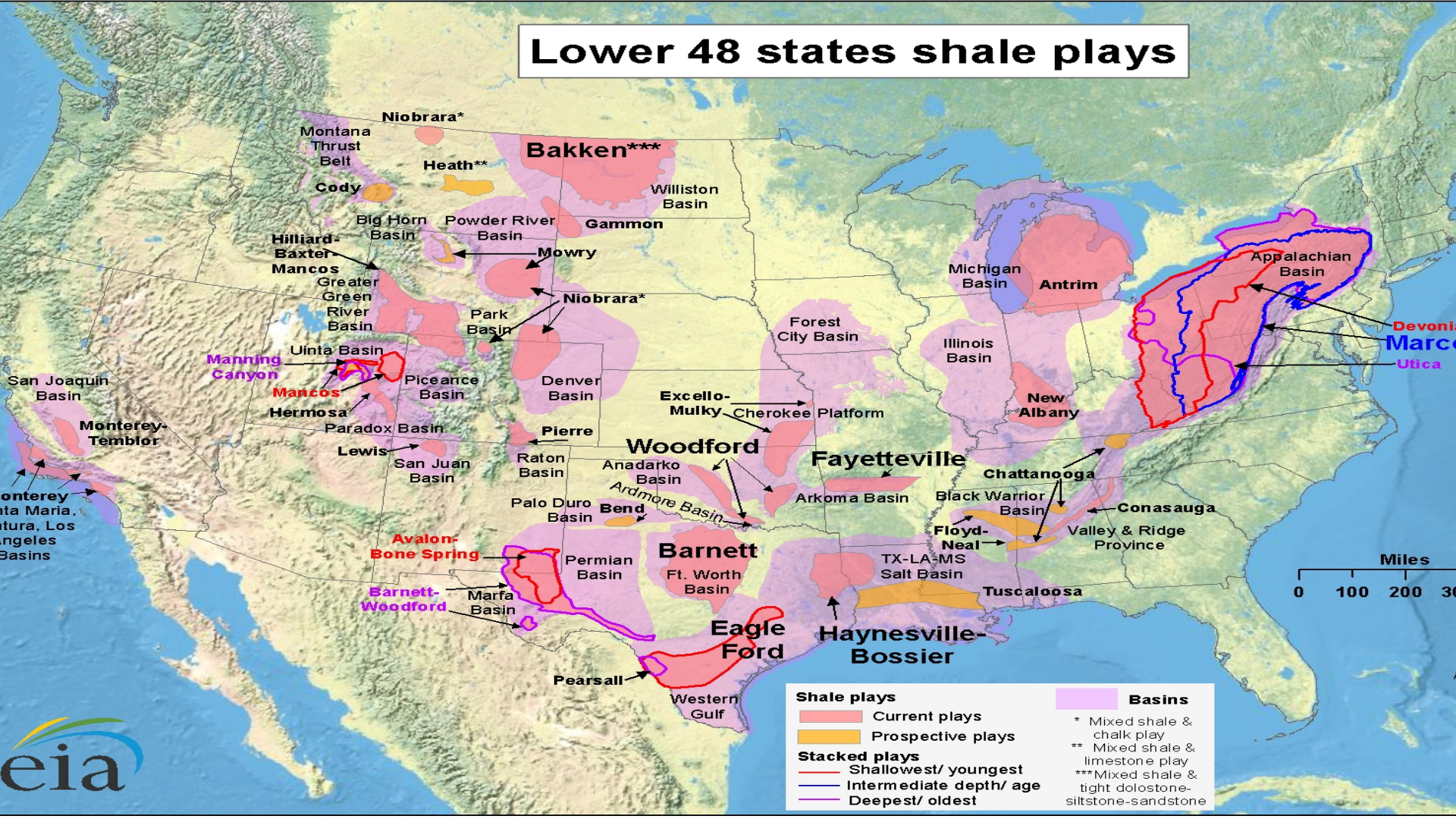
Percent – All Property Types



60

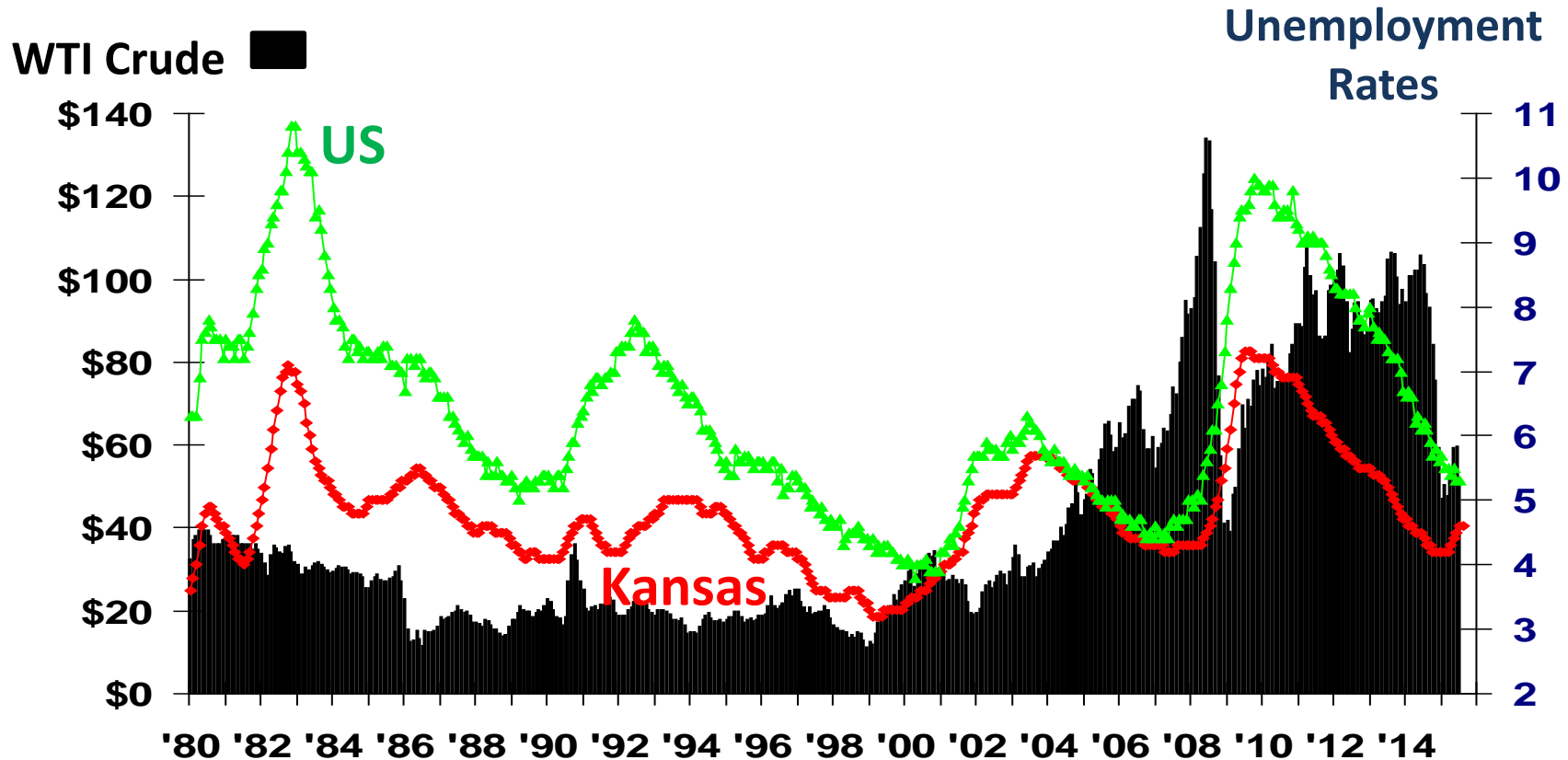
\$60 OIL

Lower 48 states shale plays

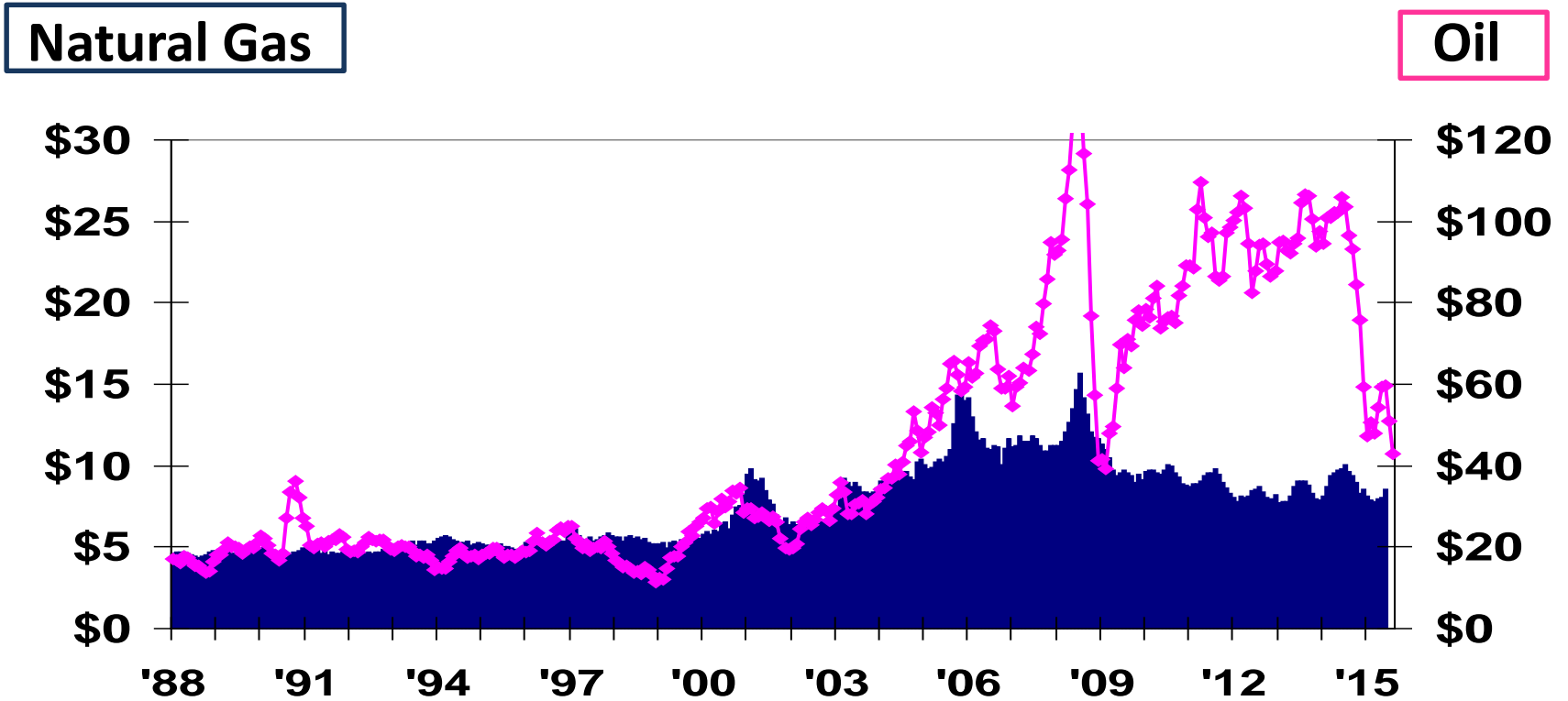


Shale plays	Basins
█ Current plays	* Mixed shale & chalk play
█ Prospective plays	** Mixed shale & limestone play
Stacked plays	*** Mixed shale & tight dolomite-siltstone-sandstone
▬ Shallowest/ youngest	
▬ Intermediate depth/ age	
▬ Deepest/ oldest	

Oil Prices & Unemployment Rates



Natural Gas Price Delivered to Commercial Customers vs. WTI Crude Oil -- Gas Per 1,000 Cubic Feet, Oil Per Barrel



U.S. China Trade

U.S. Dollars - Millions

Month	Exports	Imports	Balance
Jan-15	9,552.0	38,158.4	-28,606.4
Feb-15	8,699.8	31,240.1	-22,540.3
Mar-15	9,887.2	41,121.9	-31,234.7
Apr-15	9,316.8	35,795.1	-26,478.3
May-15	8,758.8	39,211.2	-30,452.4
Jun-15	9,687.8	41,145.1	-31,457.3
TOTAL 2015	55,902.5	226,671.8	-170,769.3
Annualized	\$ 111,805	\$ 453,344	\$ (341,539)

Source: U.S. Census Bureau

China Impact on U.S. Economy

**U.S. 2015 GDP \$17.84 Trillion
(Q2 2015 Annualized Rate)**

**Purchases by China of U.S. Goods
\$111.8 Billion (2015 est)**

Impact = 6/10ths of 1 Percent of U.S. GDP

Telling It Like It Is Ted

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It is What it Is

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