



FEDERAL RESERVE BANK *of* KANSAS CITY

# **Economic and Commercial Real Estate Conditions and Outlook**

Kansas City Association of Realtors  
Commercial Division  
October 4, 2012

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Federal Reserve Bank of Kansas City

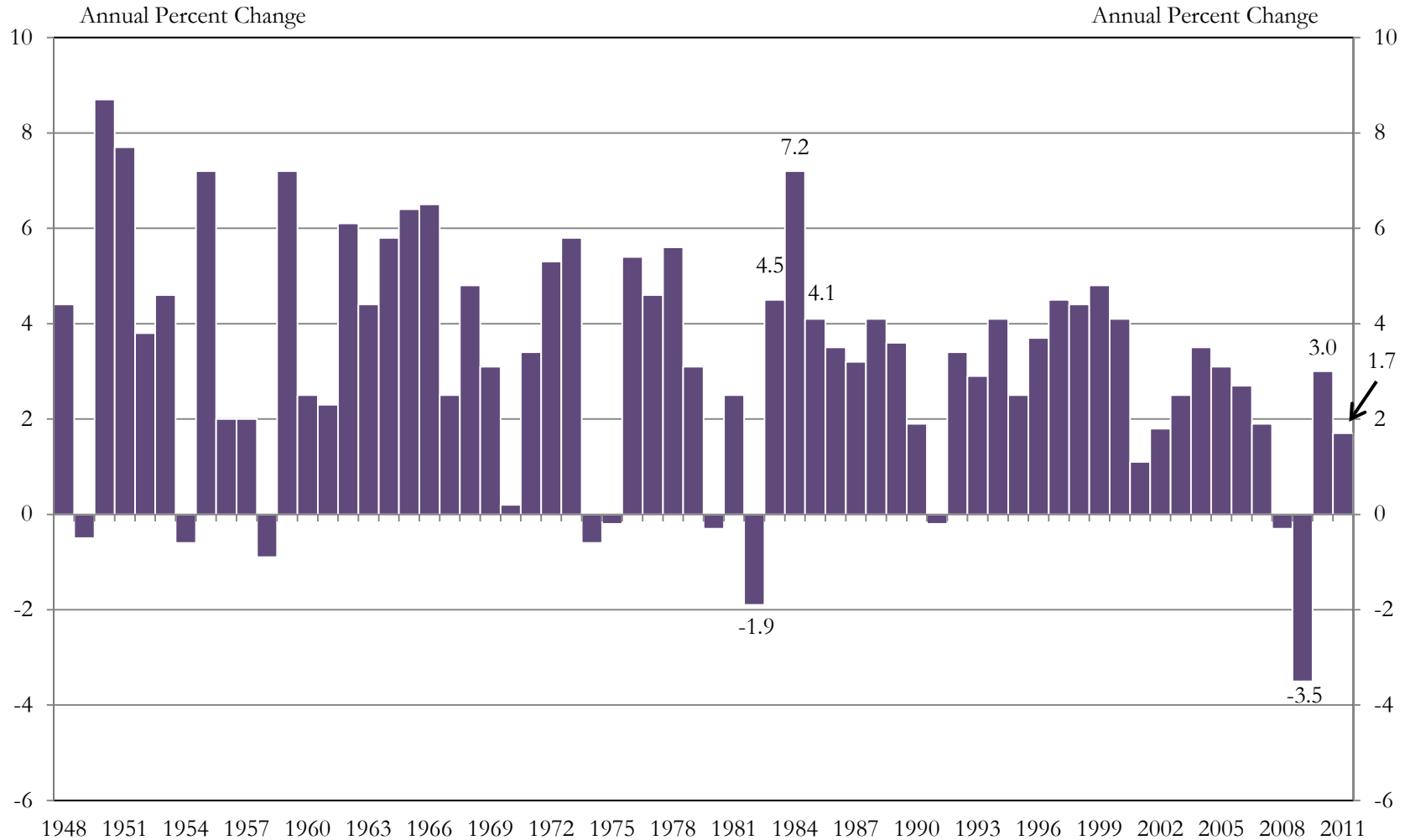
Economic and Commercial Real Estate Conditions and Outlook

# **ECONOMIC CONDITIONS**

# Overview

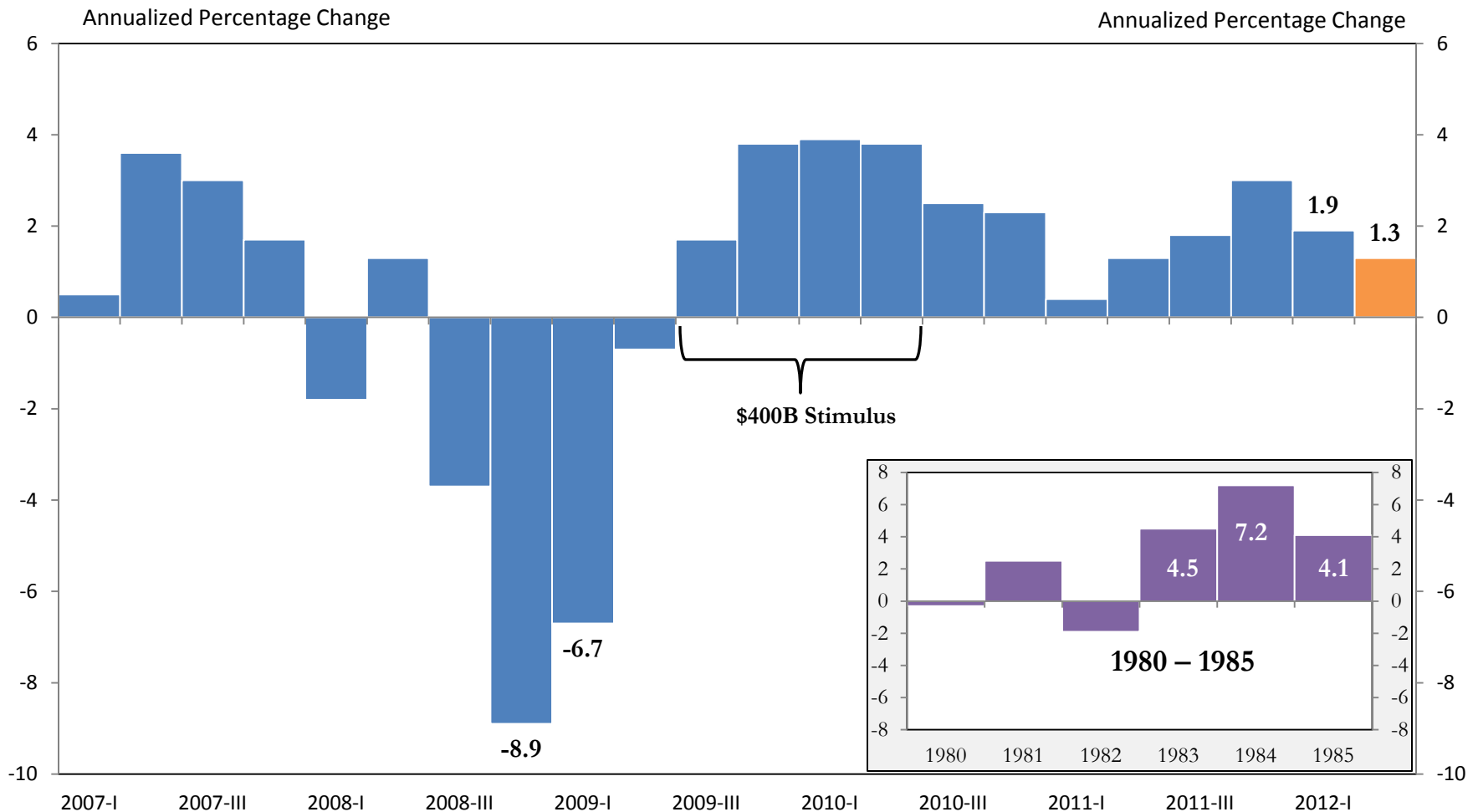
- The U.S. economy continues to recover, but at a very modest pace
  - But there remain considerable risks
- Employment growth is thin, in the U.S. and in the Kansas City Region
- Commercial real estate in KC and elsewhere seems remarkably stable compared to residential

# Annual Growth in Real GDP



Source: U.S. Bureau of Economic Analysis

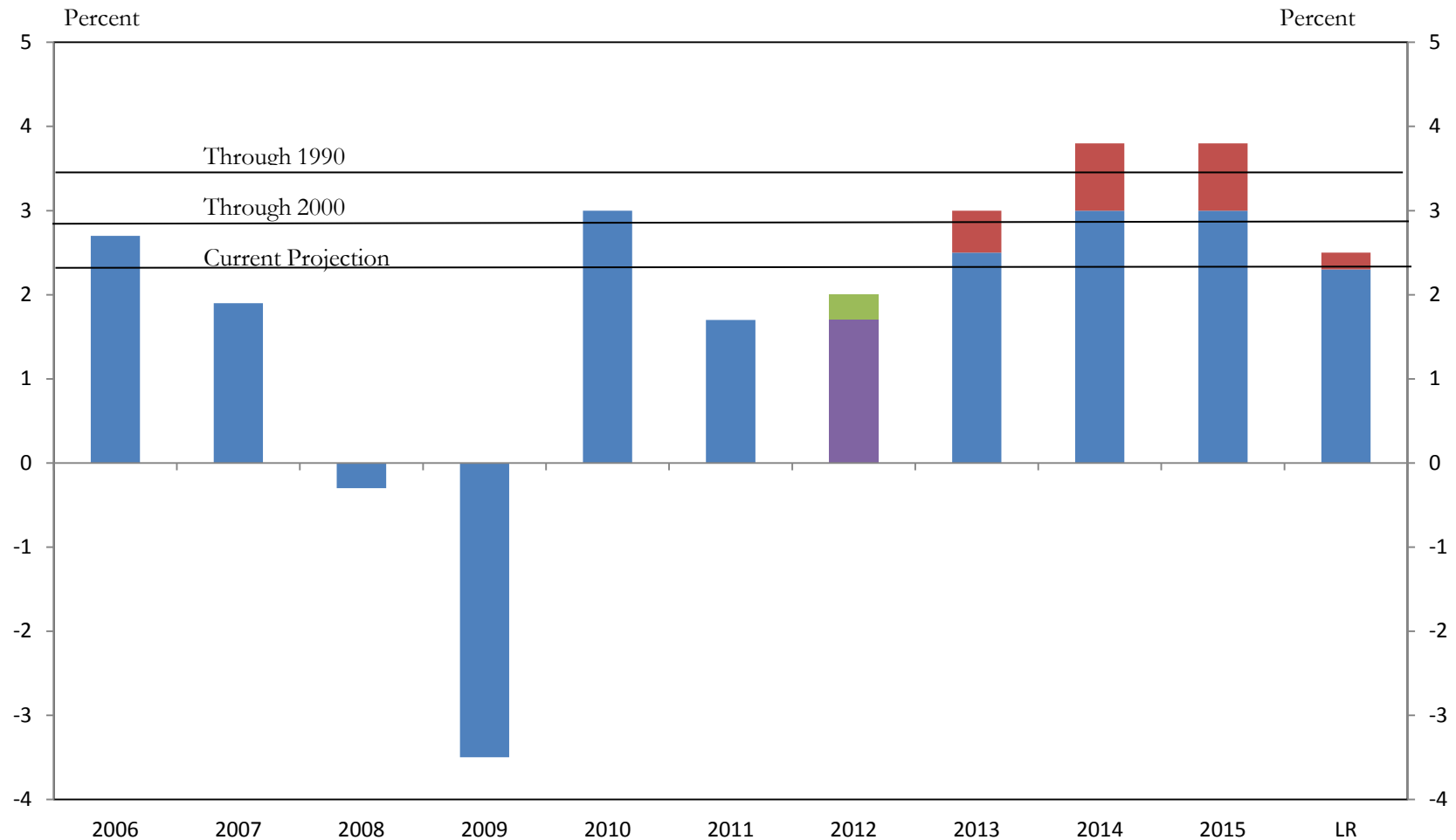
# Quarterly Real GDP Growth (Annualized)



Source: U.S. Bureau of Economic Analysis

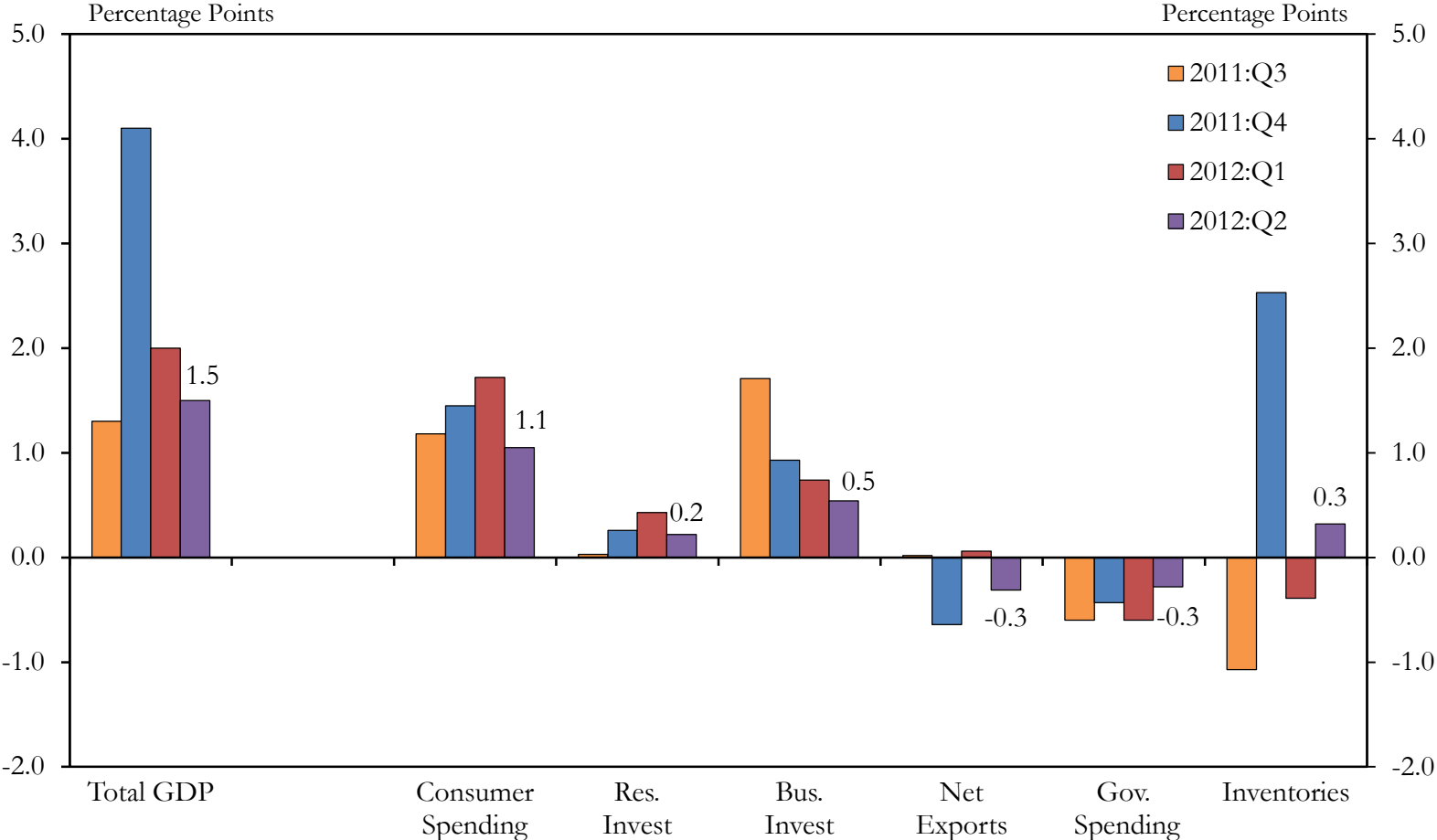
# FOMC Real GDP Growth Forecast

## (September, 2012)



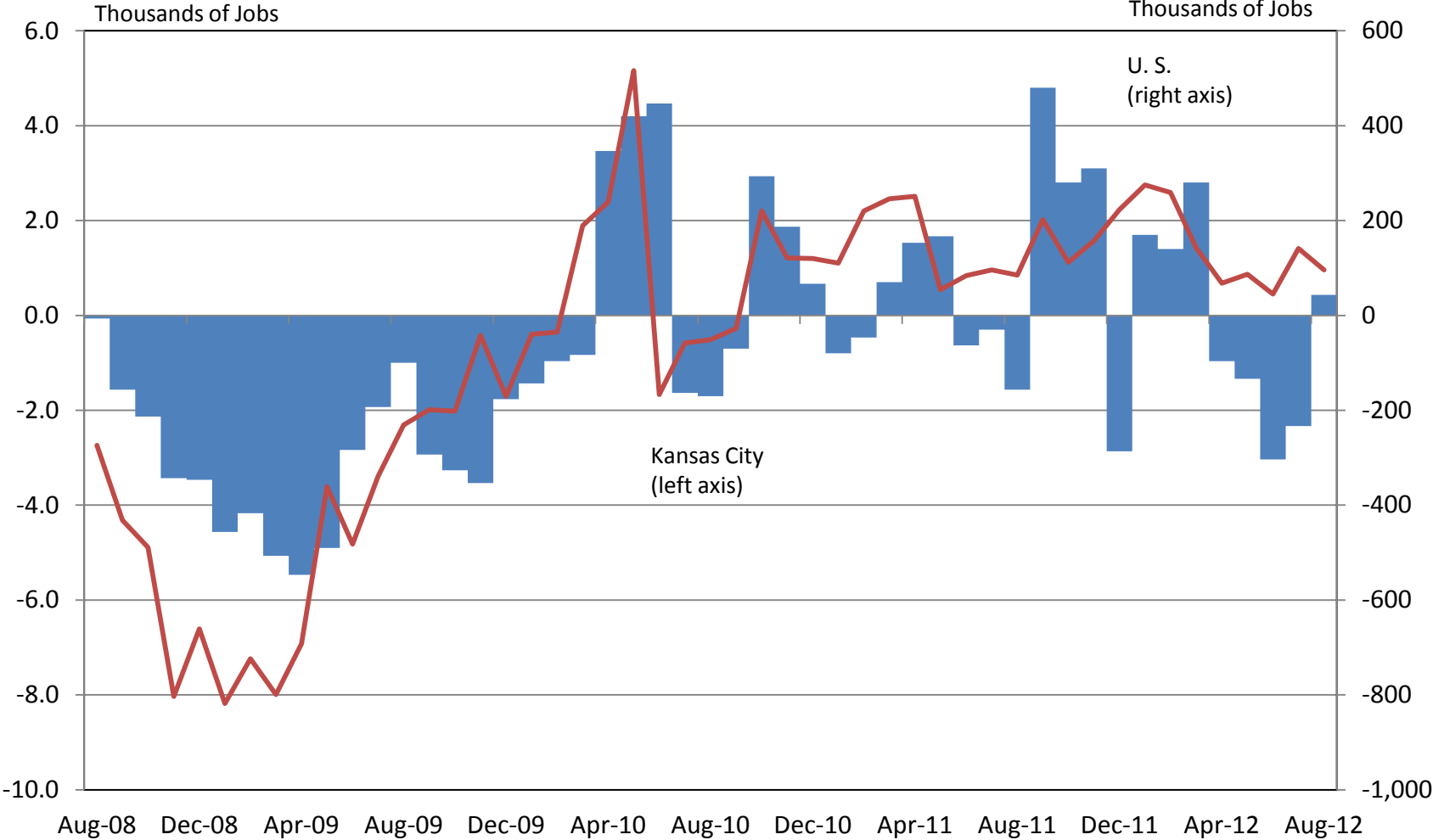
Sources: Bureau of Economic Analysis; FOMC

# Contributions to Percentage Change in Real GDP



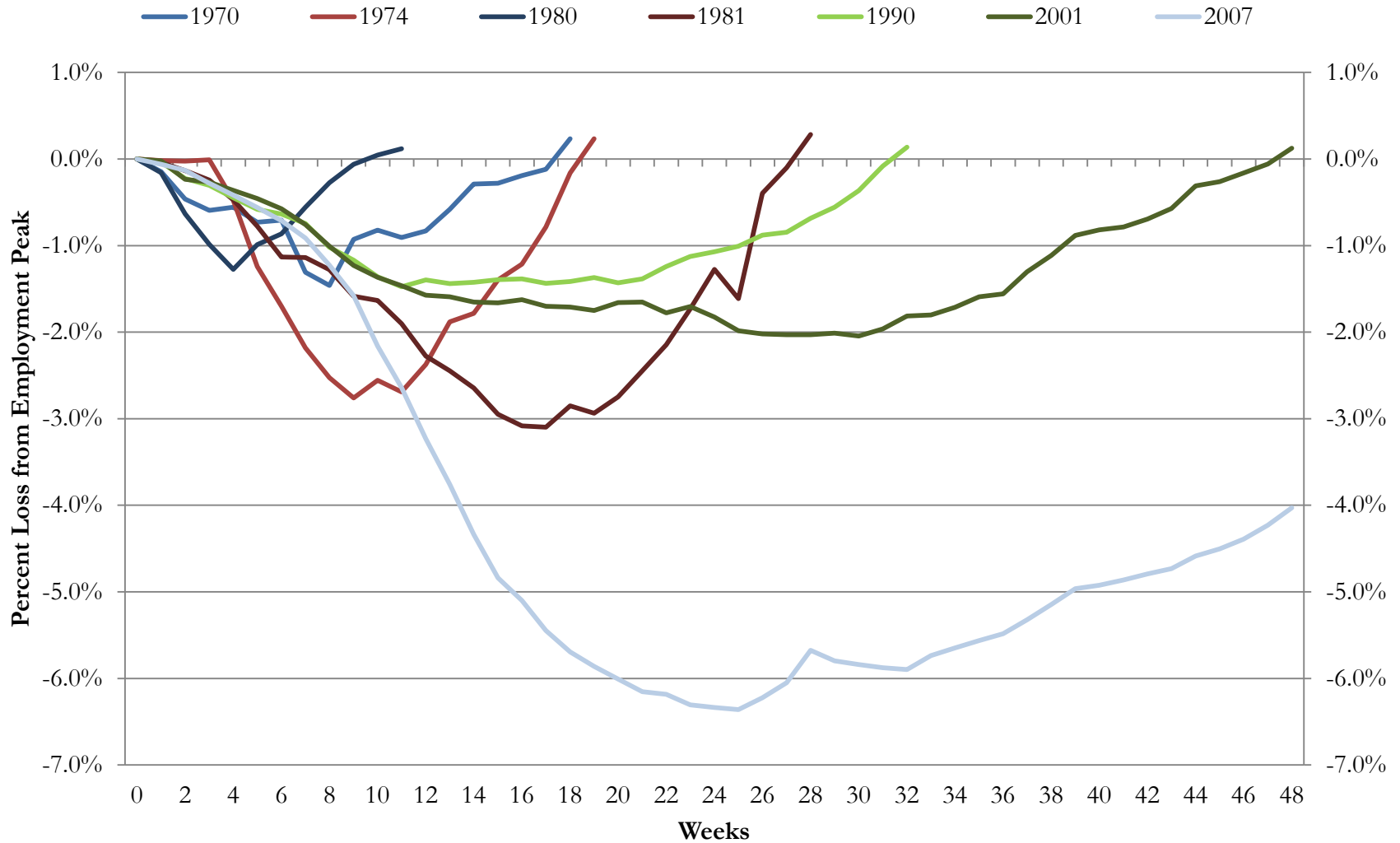
Source: Bureau of Economic Analysis

# Employment Growth in the U.S. and KC Metro

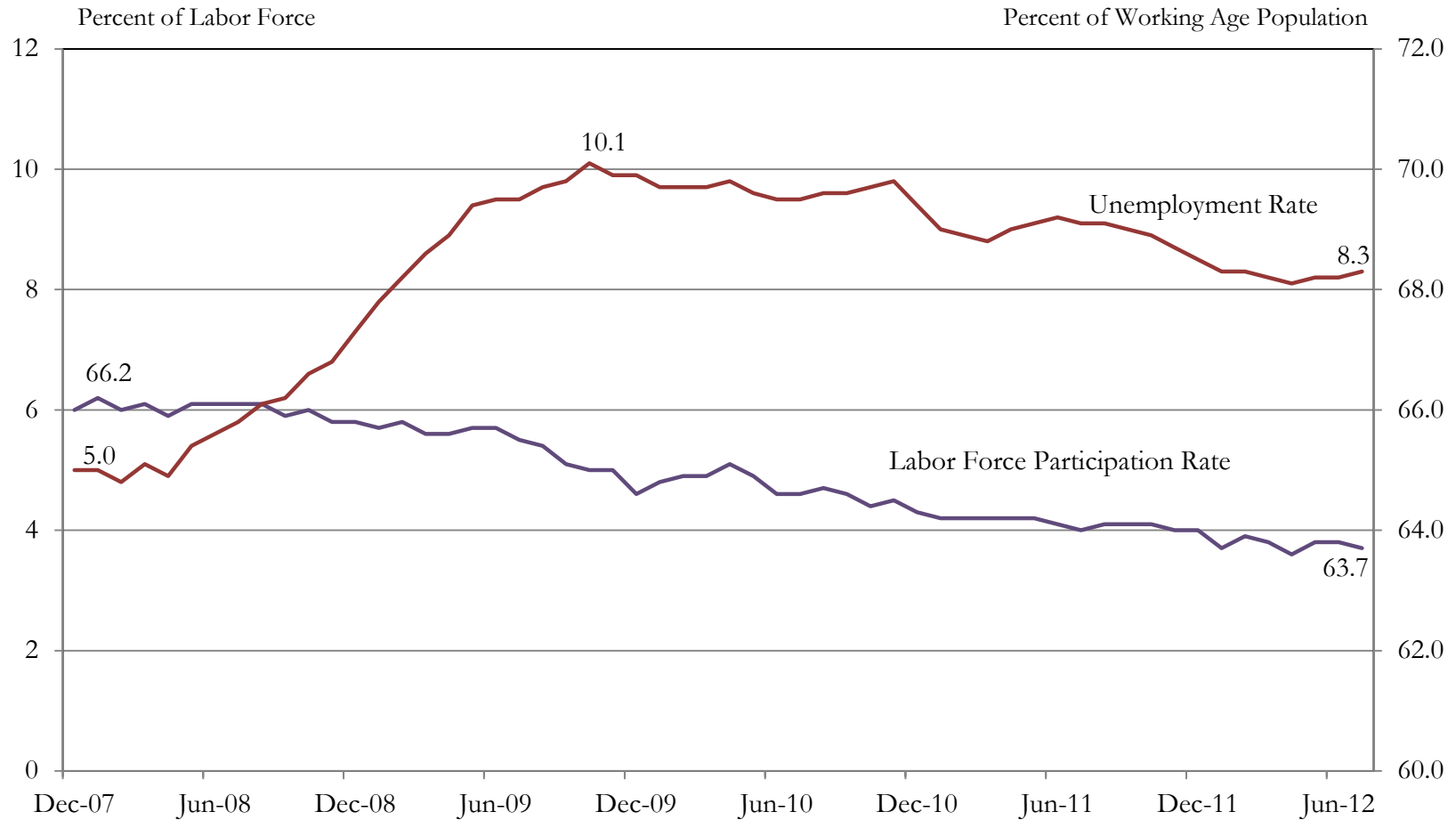




# Historical Recessions

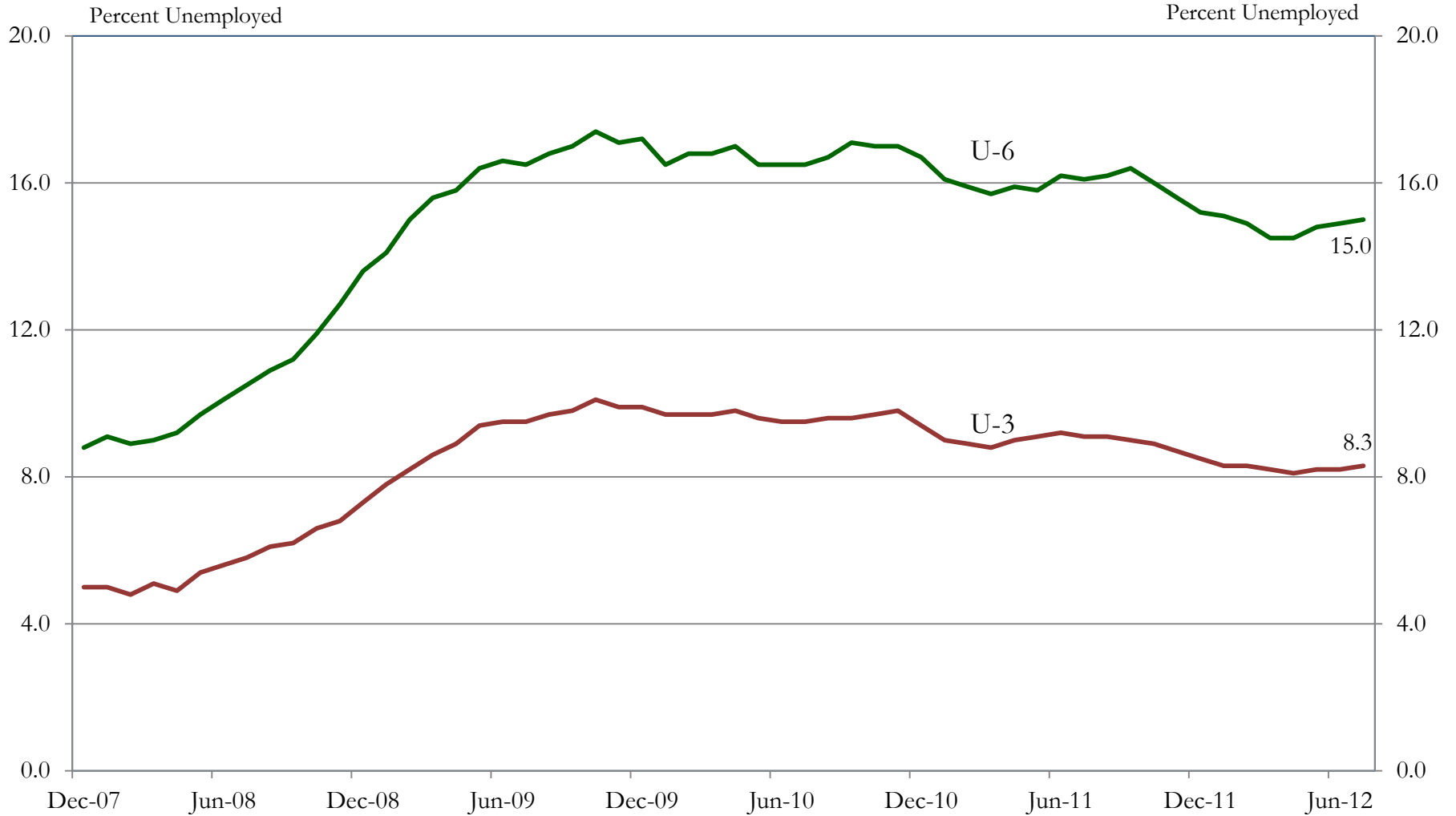


# Unemployment and Labor Force Participation Rates



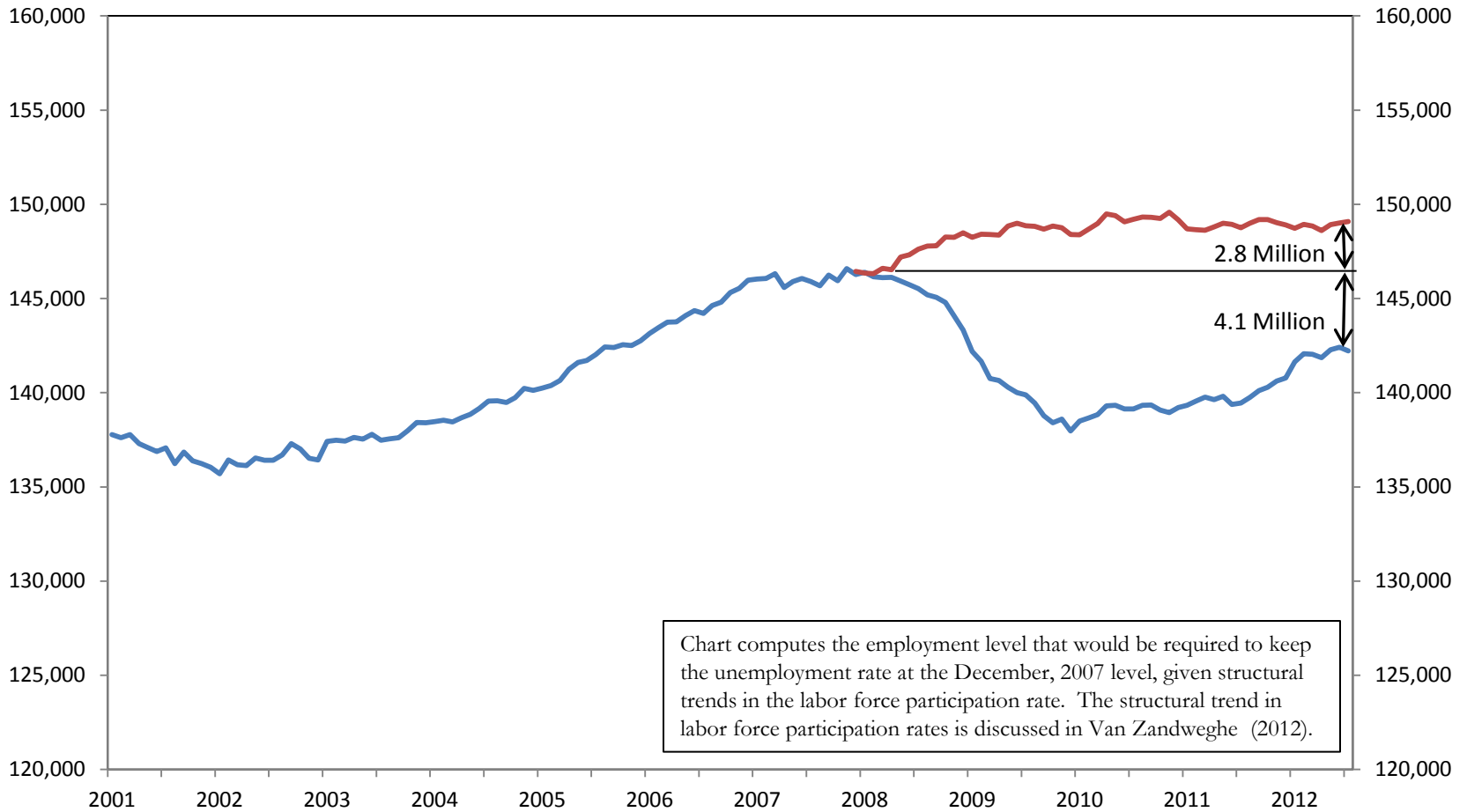
Source: U.S. Bureau of Labor Statistics

# Expanded Unemployment Rate



Source: U.S. Bureau of Labor Statistics

# Jobs Deficit



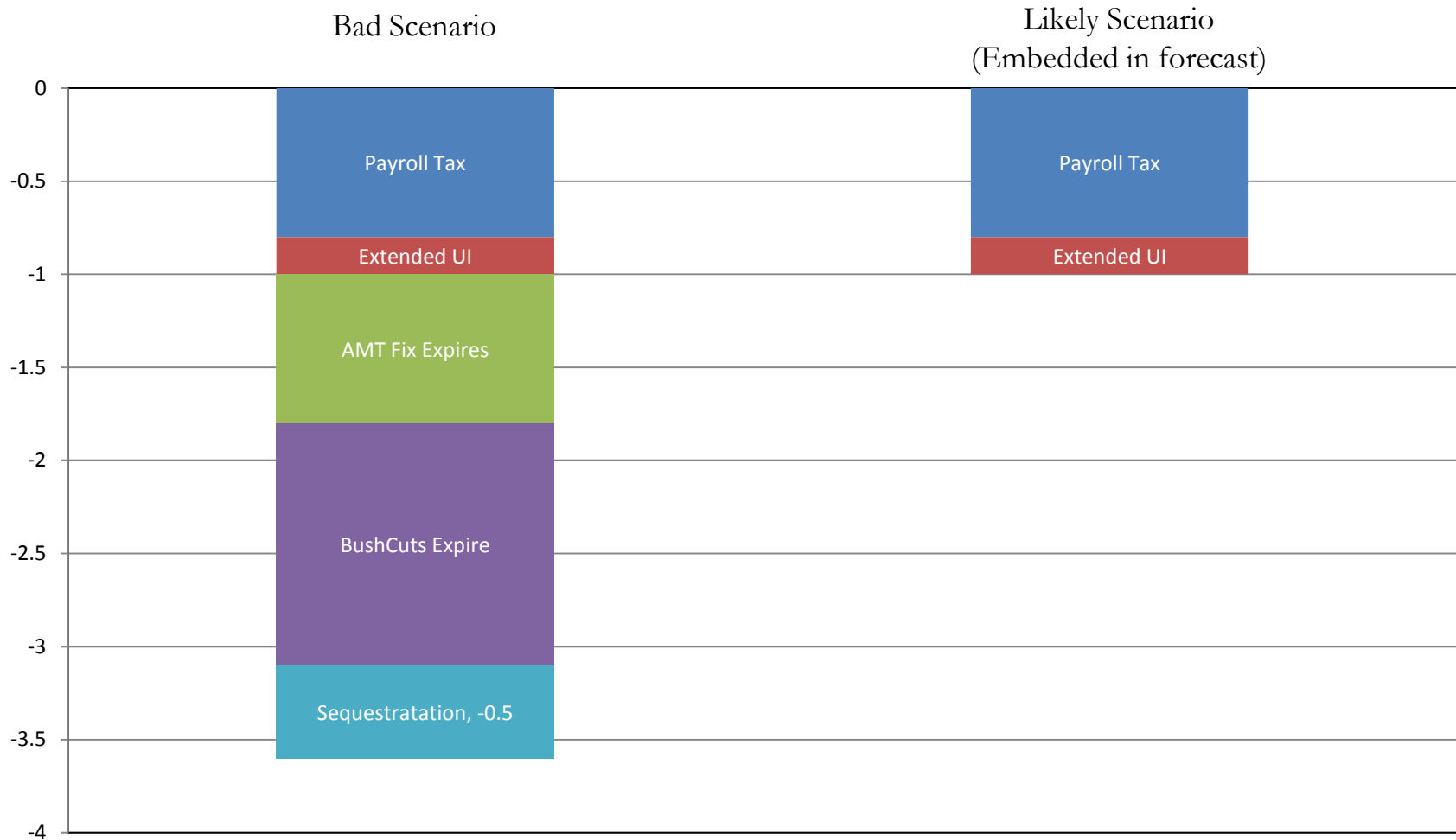
Source: Federal Reserve Bank of Kansas City  
Updated through July, 2012

## Economic and Commercial Real Estate Conditions and Outlook

# **RISKS**

# The Fiscal Cliff

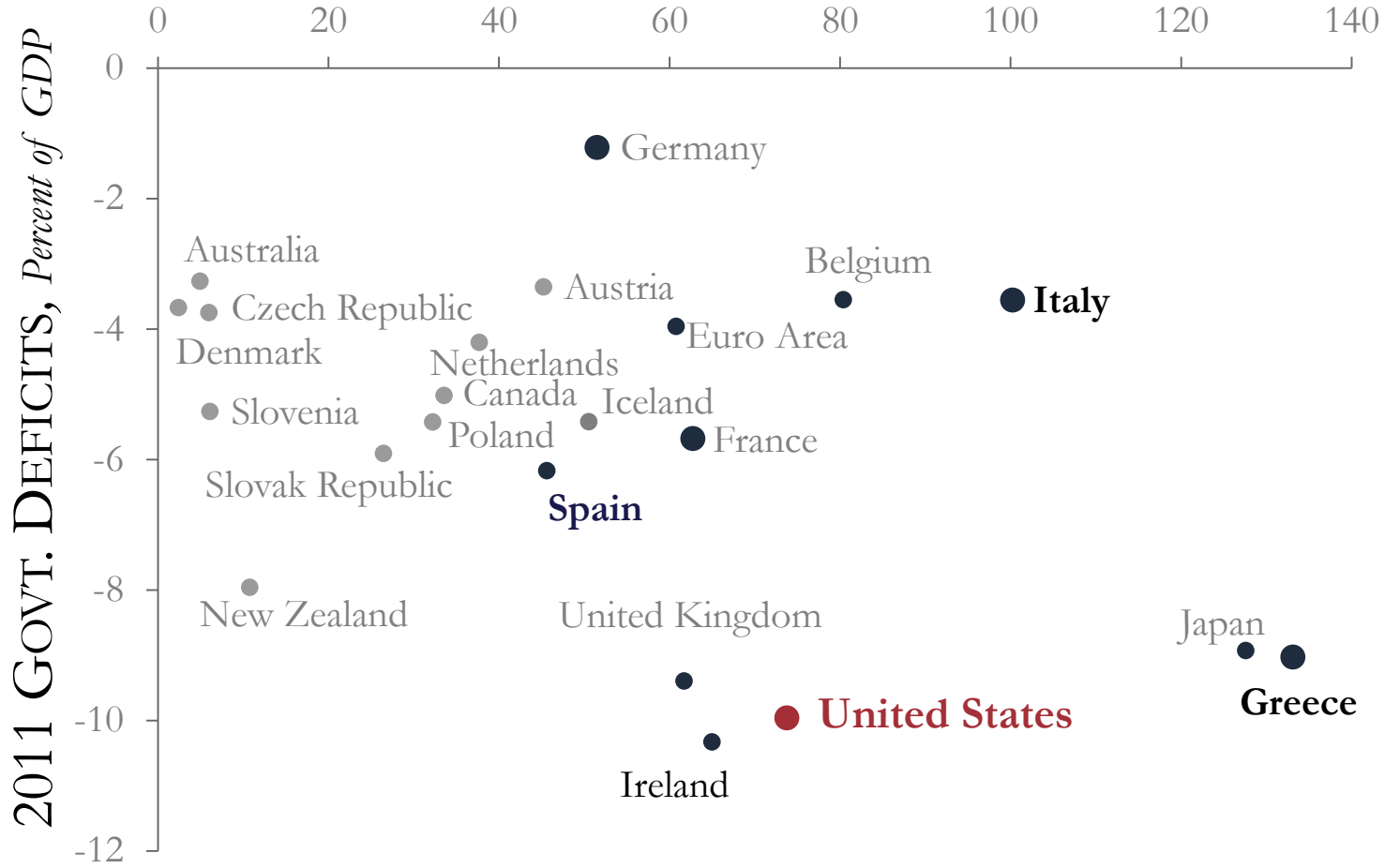
(Current Projection 2013 is 2.5% - 3.0%)



Source: Goldman Sachs

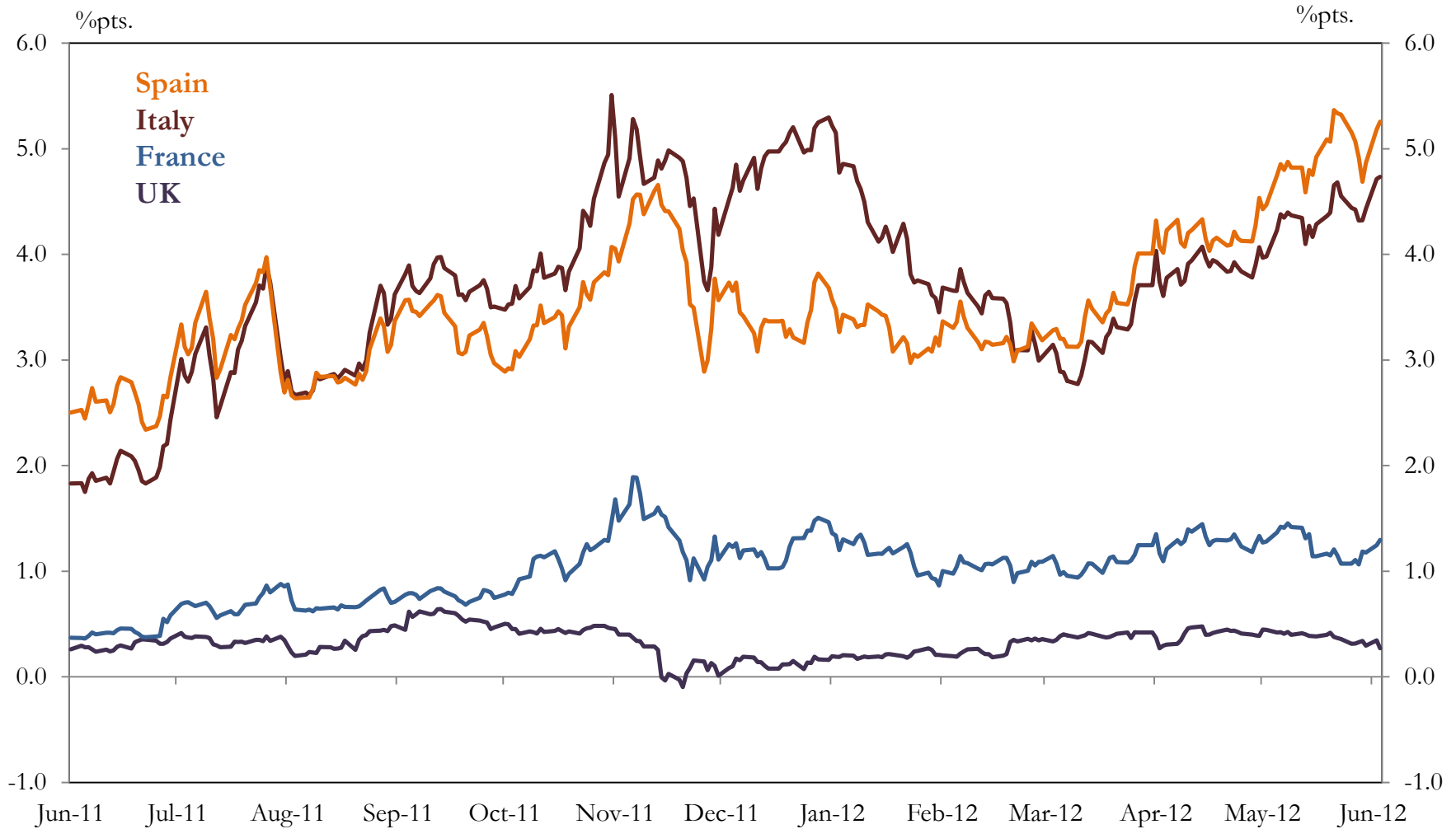
# European Debt Crisis

2011 NET GOVT. DEBT, *Percent of GDP*



Source: Organization for Economic Co-operation & Development

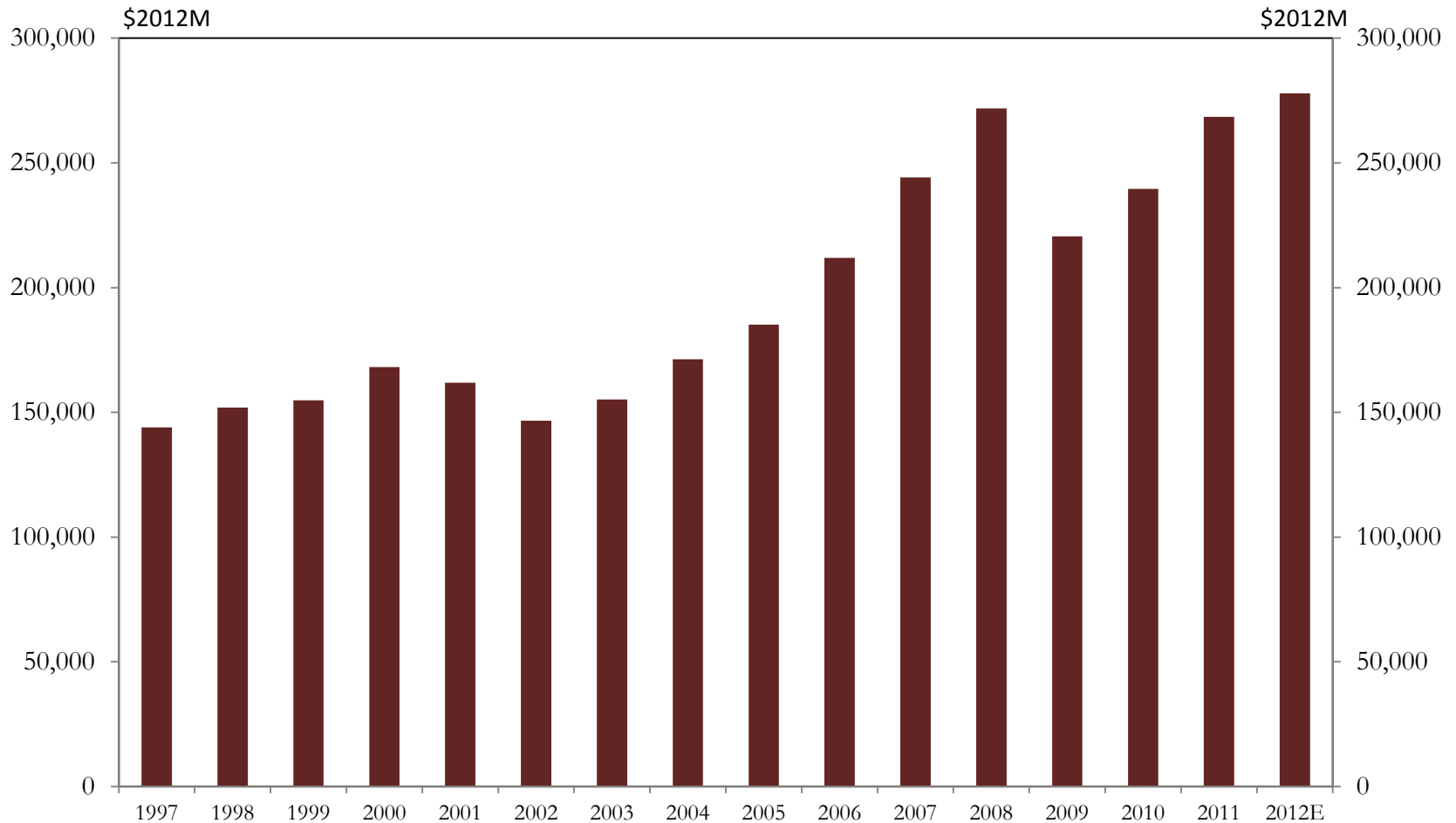
# European Interest Rate Spreads



Source: Bloomberg



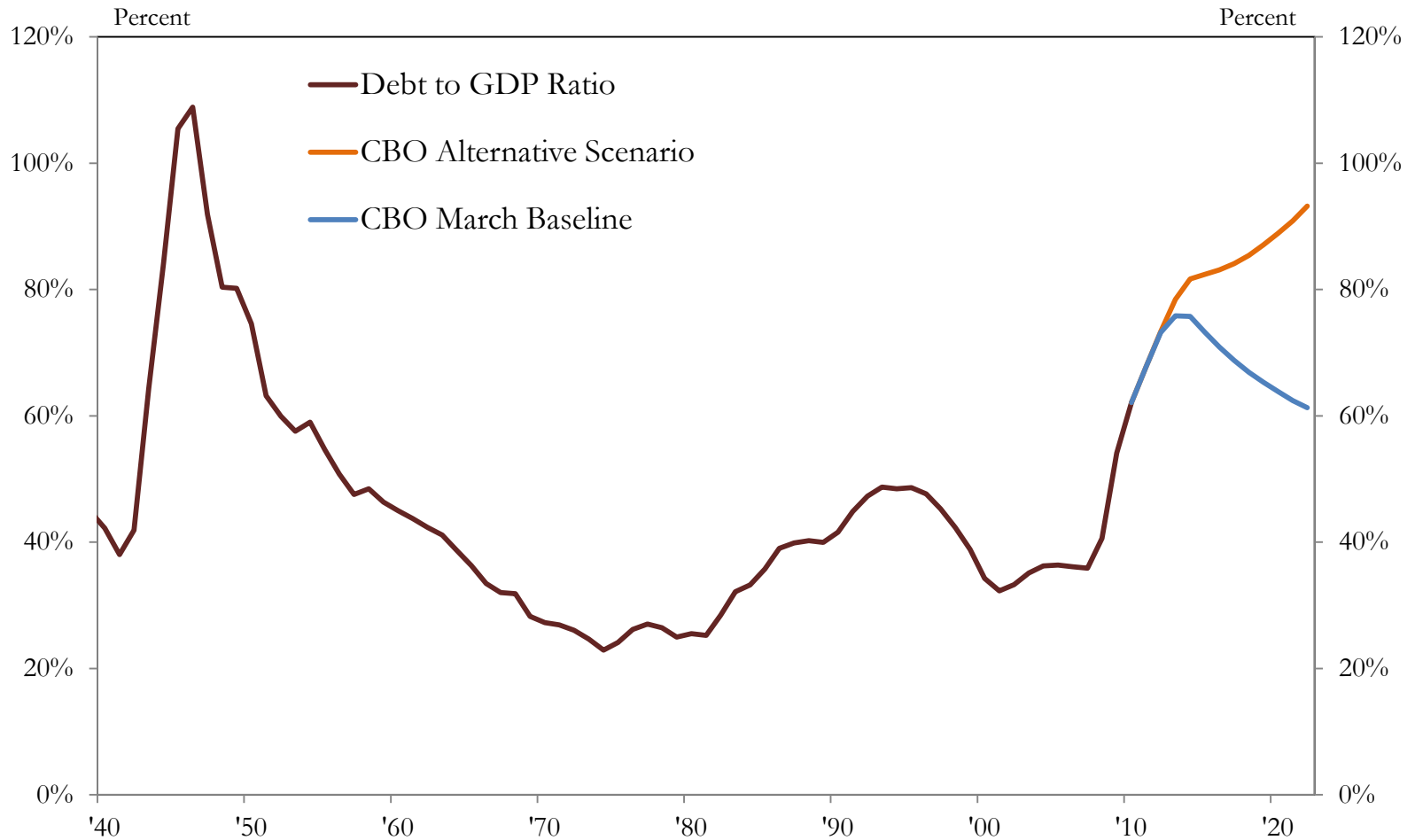
# U.S. Exports to the EU (Goods Only)



Source: U.S. Census Bureau

Note: Inflation adjusted with BEA implicit GDP deflator

# Federal Debt (% of GDP)

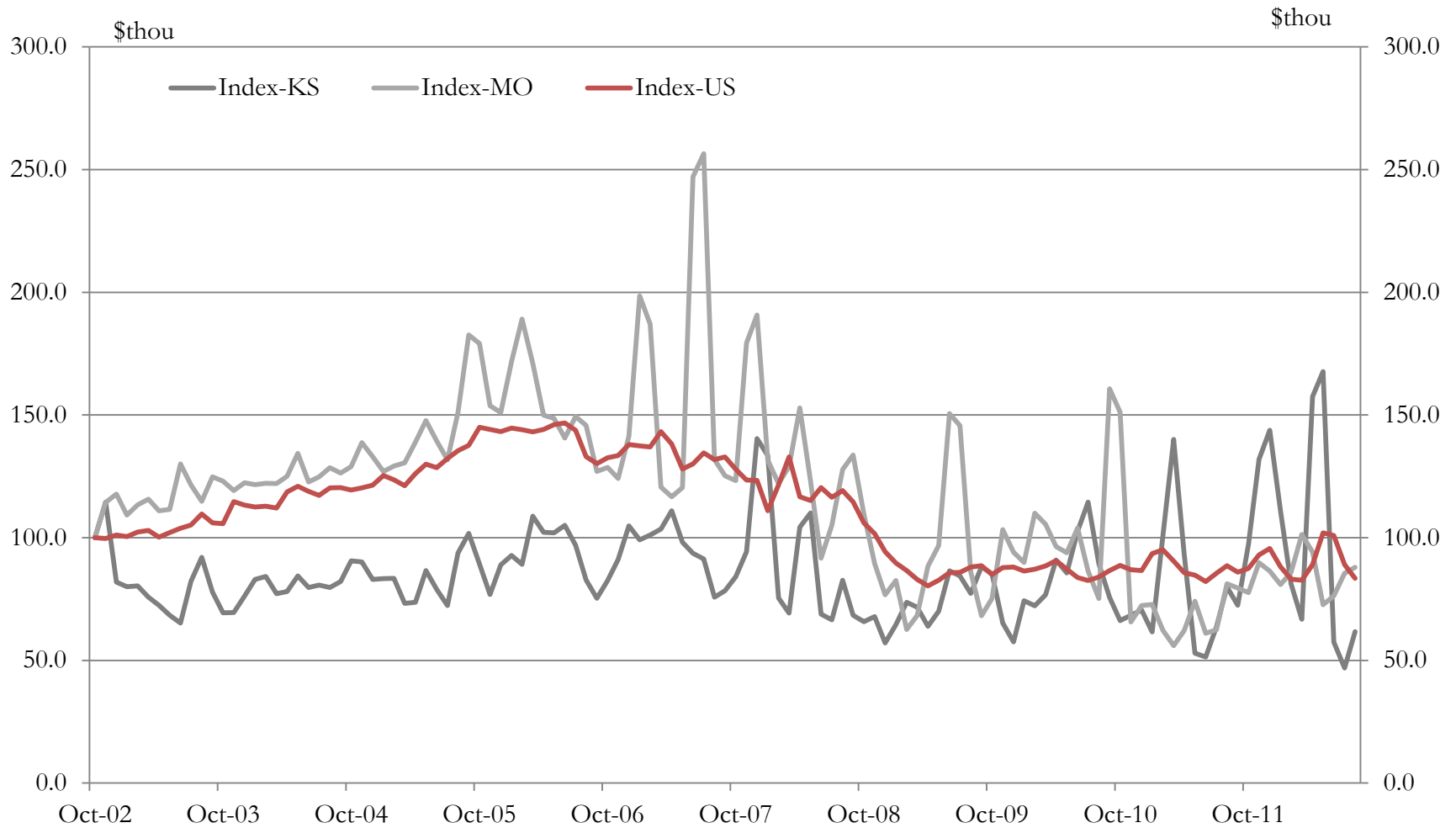


Source: Congressional Budget Office

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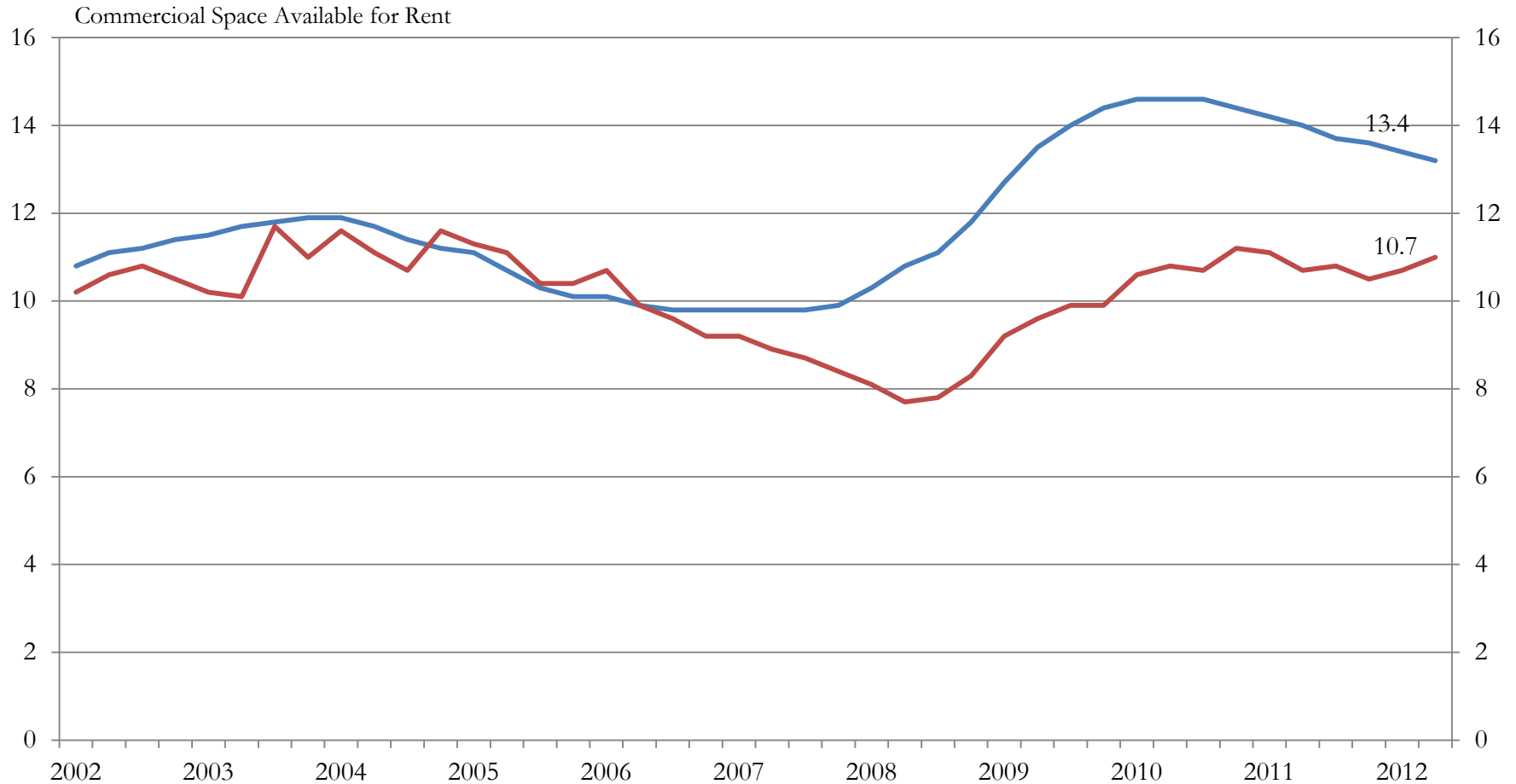
# **COMMERCIAL REAL ESTATE**

# Value of Commercial Construction Contracts



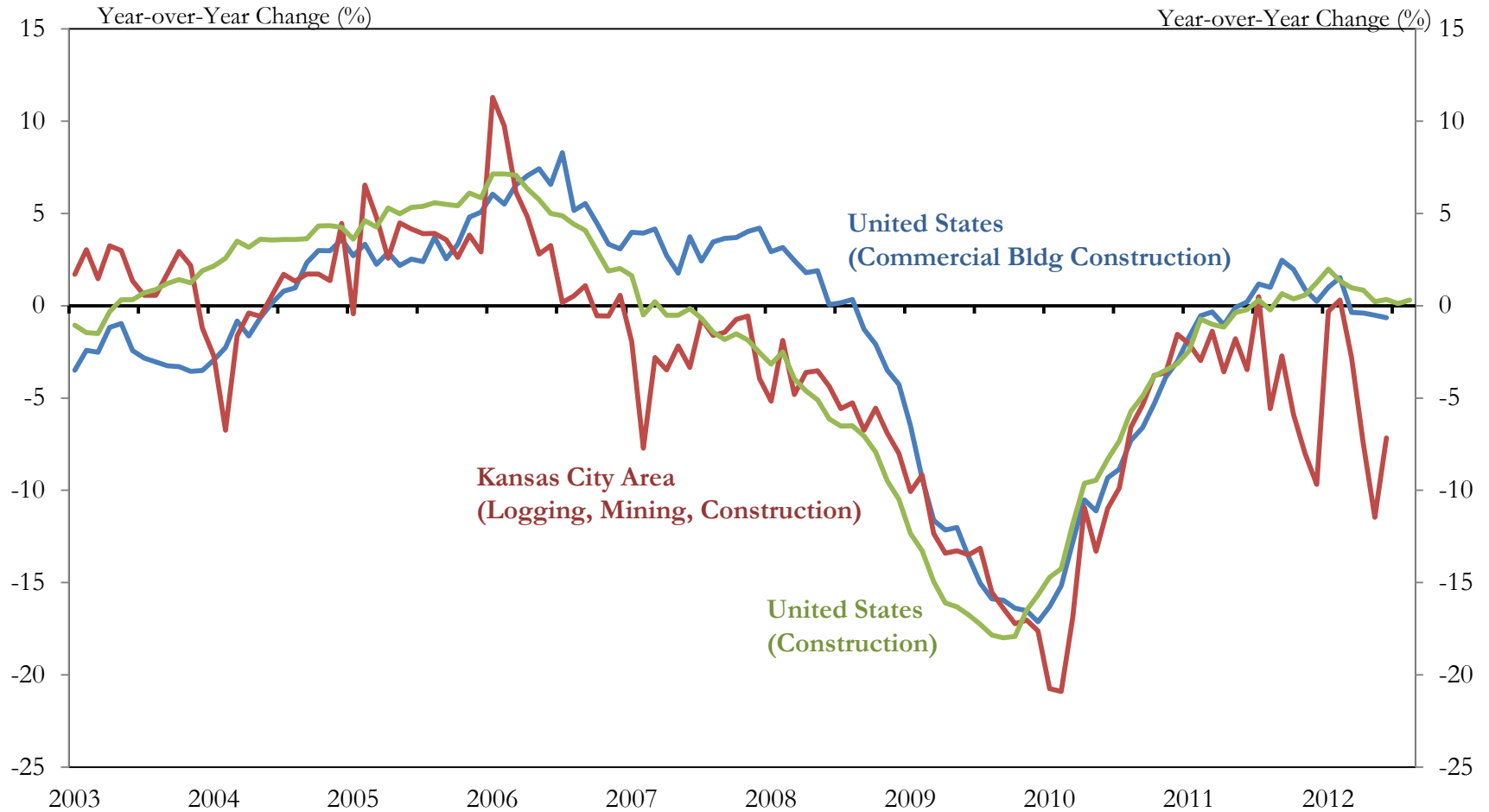
Source: Dodge Construction Reports

# Commercial Office Vacancies (%)



Source: Torto-Wheaton Research

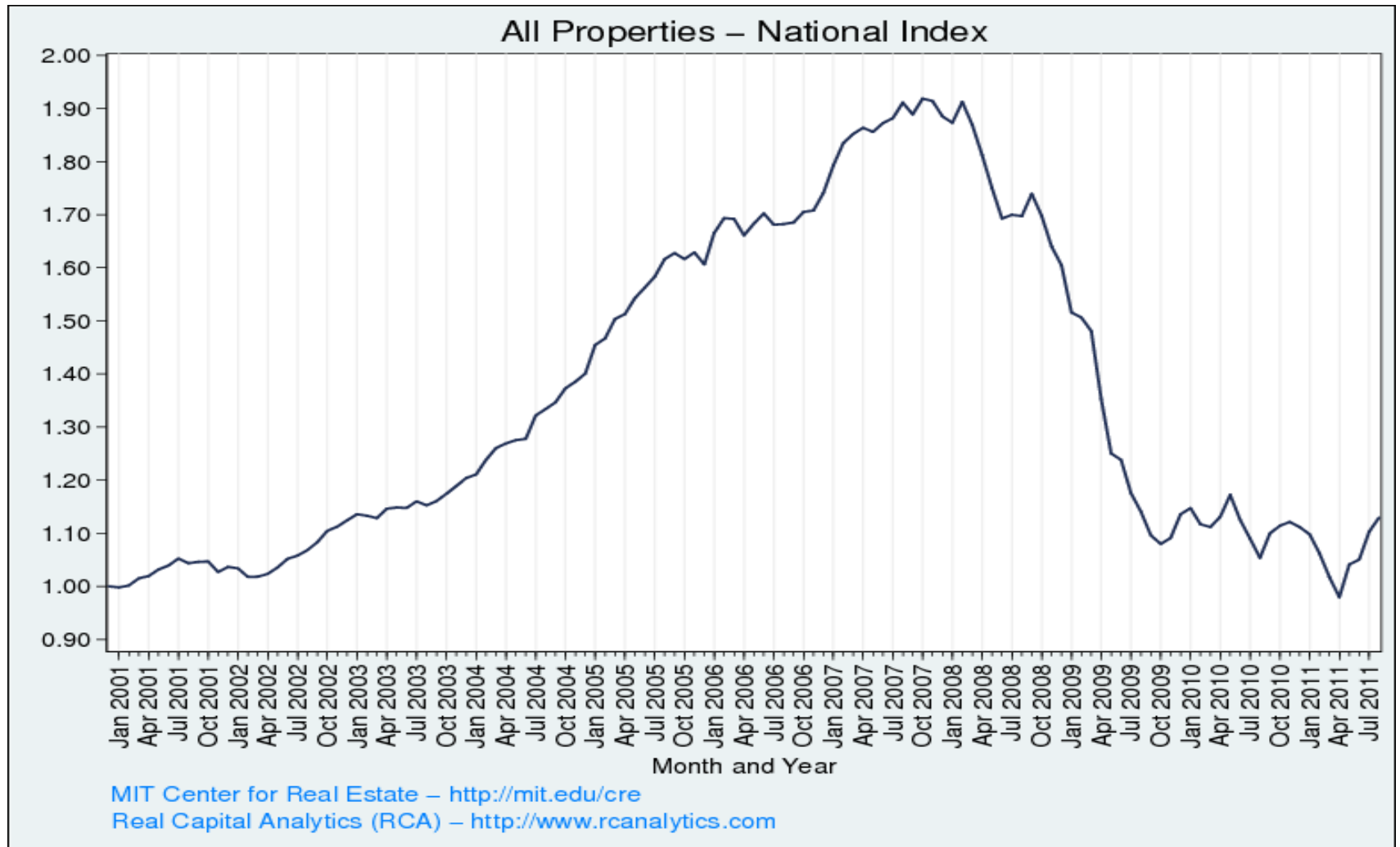
# Construction Employment



Source: Haver Analytics

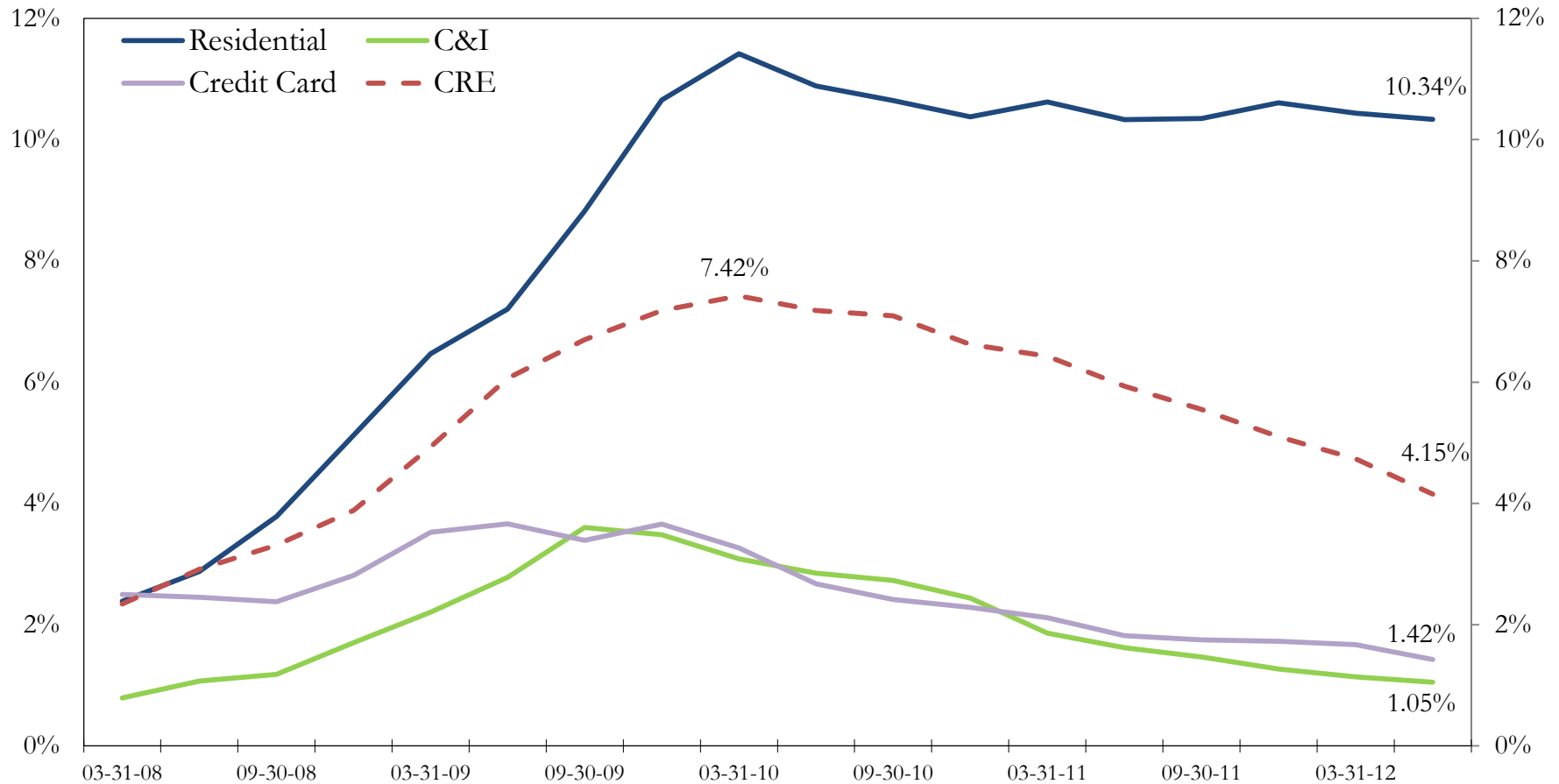
# Commercial Real Estate Prices

(Index: Jan 2001 = 1)



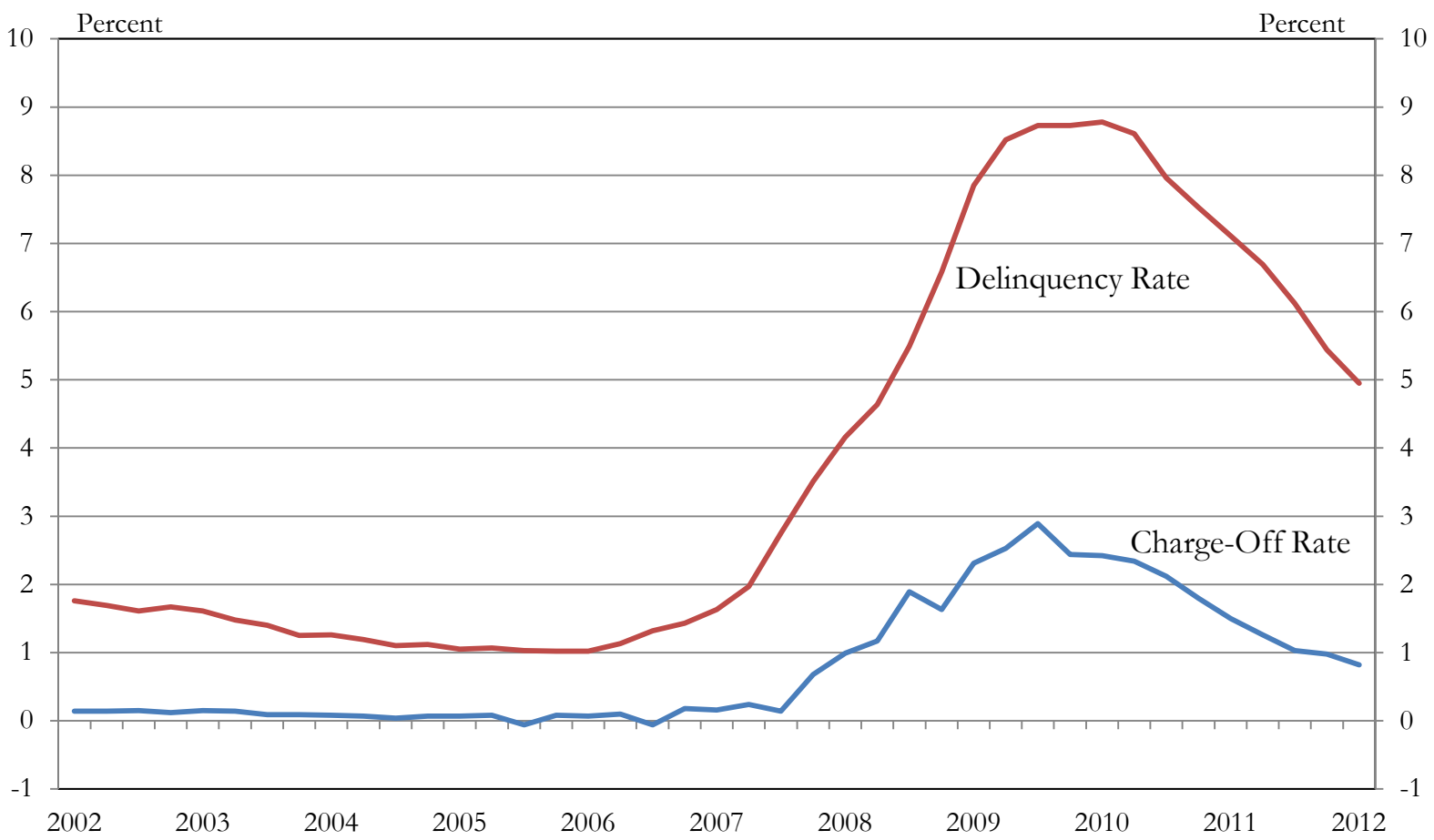
# Noncurrent Loans

(90+ days past due, not in foreclosure)





# Delinquencies and Charge-Offs for CRE Loans



Source: Federal Reserve Board



FEDERAL RESERVE BANK *of* KANSAS CITY

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