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Drugs, Crime, and Real Estate

by Lauren A. Kemp, Esq.

Ohio has seen a recent influx in drug usage over the past several years. Tune into the news and you're bound to hear a new story about a drug-related crime every morning, afternoon, and night. Call me sheltered, but when I first saw these news stories, the following thoughts came into my head: "This doesn't affect me," "I don't know anyone who would do this," and "People can be so stupid."

There is no escaping that Ohio is particularly troubled when it comes to drugs, especially heroin. According to preliminary statistics from the Ohio Department of Health, a record 2,482 Ohioans died of drug-related deaths in 2014, a 17.6 percent jump over 2013.¹ Nearly half of those deaths involved heroin. Ohio's heroin epidemic was even featured on a "60 Minutes" segment wherein Attorney General Mike DeWine said it was the worst drug epidemic he's seen in his lifetime. In talking about the use of drugs, DeWine said "There's no typical person. It just has permeated every segment of society in Ohio." The "60 Minutes" segment even features a female college student from Worthington who got addicted to heroin in high school after smoking it at parties.

It is clear that no one is immune from drug related incidents and/or the effects of drug use. What are the implications for real property owners and managers? The obvious answer is that drug usage leads to crime which leads to diminution in property values. This crime also means that homeowners, business owners, and landowners need to take extra precautions to protect property and to ensure safety.

What isn't so obvious is that Ohio law gives authority for courts to abate nuisances.² For example, a city prosecutor has the power to abate a nuisance and to perpetually enjoin property owners and managers from allowing the nuisance to continue. In doing so, the typical course is for the city prosecutor to file an injunction action. After the complaint is filed, a temporary injunction may be filed with the court. A hearing is held within 10 days after the filing of the application. If the hearing then is continued at the request of any defendant, the requested temporary injunction is immediately granted. If a hearing is held and the allegations of the complaint are sustained to the satisfaction of the court or judge, the court or judge is obligated to issue a temporary injunction restraining the defendant and any other person from continuing the nuisance. If, during

the temporary injunction period the property owner fails to show that he has taken necessary precautions and steps to fix the nuisance, the court can issue an order permanently closing the property.

From Columbus to Toledo to Cincinnati - cities all across Ohio are utilizing this process to abate nuisances. Property owners and property managers have started doing their homework upfront to combat abatement proceedings. This includes performing background checks on prospective tenants. These background checks encompass criminal reports, credit checks, verifying employment history, and checking with previous landlords. These precautionary measures require increased cost and more time up front, but may save you in the end.

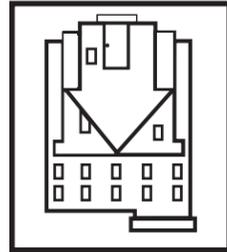
¹Available at <http://www.healthy.ohio.gov/-/media/HealthyOhio/ASSETS/Files/injury%20prevention/2014%20Ohio%20Preliminary%20Overdose%20Report.pdf>

²See R.C. §3767.01 through R.C. §3767.07

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Notable Quotables

The greatest deception men suffer is from their own opinions.

-Leonardo de Vinci

The best years of your life are the ones in which you decide your problems are your own. You do not blame them on your mother, the ecology, or the president. You control your own destiny.

-Albert Ellis

Motivation will almost always beat mere talent.

-Norman Ralph Augustine

Either you run the day or the day runs you.

-Jim Rohn

There is no explanation for evil. It must be looked upon as a necessary part of the order of the universe. To ignore it is childish, to bewail it senseless.

-W. Somerset Maugham

Our prime purpose in this life is to help others. And if you can't help them, at least don't hurt them.

-Dalai Lama

Transportation is Key for the Future of U.S. Agriculture

by Matt Reese

Agriculture in the United States has long benefitted from having the best transportation infrastructure in the world.

There are a number of key transportation projects going on right now that can help build upon and secure this advantage in the future. One important current transportation infrastructure measure is the Surface Transportation Reauthorization and Reform Act of 2015 that would extend federal highway funding for the next six years.

The House and Senate are working to send the bill to the White House for a signature before federal transportation funding expires on Nov. 20.

“Eighty percent of America’s corn crop is trucked to market, so this issue affects all of us,” said Chip Bowling, National Corn Growers Association president. “Safe roads and bridges allow us to get our products to market quickly, safely, and efficiently. When roads and bridges aren’t properly maintained, it’s not just a nuisance — it puts our safety at risk and hurts our bottom lines.”

The longer-term nature of the bill is very important for projects at the state level around the country, according to Mike Steenhoek, of the Soy Transportation Coalition.

“It is very important for Congress to provide some kind of predictability of what their intentions and strategies will be for improving our nation’s surface

transportation system. Building bridges and roads and maintaining them is very capital intensive and requires years of planning, but unfortunately Congress has responded to that need with unpredictable short-term legislative actions. What the states are requiring is a federal partner that is predictable. I would rather have the federal government be predictably good than sporadically great,” Steenhoek said. “It is important for them to come along side the states in order to preserve, maintain and improve the surface transportation system. The fact that Congress is actually getting close to a multi-year bill is a step in the right direction.”

There was an effort to get the bipartisan Safe, Flexible and Efficient (SAFE) Trucking Act included in the bill that had broad support from agricultural organizations.

“Unfortunately there were some missed opportunities. This SAFE amendment would have offered some enhancement and benefits for agriculture but Congress failed to embrace that opportunity,” Steenhoek said. “The legislation would have allowed states to permit six-axle, 91,000-pound semis on their interstate system. On our side we had facts and data. The other side had the opportunity to confuse, marginalize and frighten — and they used that very effectively. They simply made the statement that increased weight limits equal a more dangerous

system. Unfortunately for many members of Congress that is all they needed in order to vote against that amendment.

“The facts are that if you increase the weights with that extra axle, the stopping distances are actually less. You also have a given amount of freight transported by fewer trucks and less congestion and less probability of accidents. Unfortunately this requires more explanation and conversation with members of Congress who are really not open to it. The amendment was defeated. This issue is not going away, though. The U.S. economy continues to demand more trucking — about a 50% increase between now and 2040 — and Congress needs to address how we are going to adjust to this increased demand and congestion in a safe responsible way. This amendment was a missed opportunity for agriculture and many other industries, but overall it is good to have a bill moving along.”

At the same time transportation is being discussed in Congress, the world is watching as the massive expansion of the Panama Canal is being completed.

“The Panama Canal expansion will be completed by the end of this calendar year and will open for business in April of 2016. This is one of the links in our logistics chain and as it gets stronger and more robust, it will provide opportunities to U.S. agriculture. With the expansion in the Panama Canal, we will be able to load ocean vessels that hold easily 500,000 more bushels of soybean per vessel. A typical ocean vessel today is loaded with 2.1 or 2.2 million bushels, so adding 500,000 bushels is substantial. This is just shaving cents off the eventual delivered price at a time when agriculture is facing some headwinds from a strengthening U.S. dollar, a devaluation of the Brazilian Real, and a softening economy in China. This is a wonderful opportunity to provide benefits to U.S. agriculture by making our transportation system more efficient and making ourselves more competitive in the international marketplace.”

Top Wells From All 22 Ohio Oil and Gas Drillers

by Tom Knox, *Columbus Business First*

Per usual, Rice Energy Inc. (NYSE:RICE) owns the top natural gas well in eastern Ohio’s Utica shale play.

The Pennsylvania driller had a bona-fide monster on its hand in the third quarter of 2015, with its Mohawk Warrior 8H well in Belmont County producing 1.8 billion cubic feet of gas. That amount builds on its top performance in the previous two quarters, and might be the biggest well so far in the Utica region that’s still in its infancy.

Twenty-two companies produced natural gas from July through September, according to the latest figures from the Ohio Department of Natural Resources. To date, oil and gas production has surpassed all of 2014, even as commodity prices continue to tank.

That’s because the wells that are producing have already been drilled; far fewer wells have been drilled this year compared to the past three years. Wells produce less oil and gas over time, so production numbers should drop soon.

Still, at 245.7 billion cubic feet of natural gas and 5.7 million barrels of oil, Ohio’s drillers outpaced production from the previous year and quarter.

Here’s a look at the top natural gas wells for each company. Three companies – Rice, Gulfport Energy Corp.

(NASDAQ:GPOR) and Ascent Resources – recorded a well with more than 1 billion cubic feet of production.

The average well produced 226 million cubic feet of natural gas in the third quarter.

Ascent Resources, Belmont County, Smith A 1H-12, 1.3 billion cubic feet

Antero Resources, Monroe County, DK Carpenter Unit 1H, 879.1 million cubic feet

Artex Oil Co., Noble County, Frec Nobl Olive A-1H, 104.3 million cubic feet

Atlas Noble, Columbiana County, Firestone Homestad Pad A 2H, 281.1 million cubic feet

Carrizo Oil, Guernsey County, Wagler 1H, 159.1 million cubic feet

Chesapeake Energy, Carroll County, Beadnell 12-13-4 3H, 608.2 million cubic feet

Chevron, Harrison County, E Clark South 5-25HD, 123.4 million cubic feet

Consol Energy, Noble County, Reserve Coal Properties Co. NBL19AHSU, 518.5 million cubic feet

Eclipse Resources, Monroe County, Shroyer Unit 2H, 952.1 million cubic feet

EdgeMarc Energy Ohio, Washington County, Merlin 10PPH, 260.3 million cubic feet

EnerVest Operating, Carroll County, Cairns 5H, 24.3 million cubic feet

Exxon Mobil, Belmont County, Schnegg Unit B 3H, 876 million cubic feet

Gulfport Energy, Belmont County, Stronz 210170 1C, 1.24 billion cubic feet

Halcon Operating, Trumbull County, Kibler 2-3H, 50.8 million cubic feet

Hess Ohio, Harrison County, Cadiz D 1H ST-8 930.4 million cubic feet

Hilcorp Energy, Mahoning County, Poland-CLL2 6H, 209 million cubic feet

Magnum Hunter Resources Corp., Monroe County, Stalder Unit C 7UH, 588.4 million cubic feet

NGO Development, Coshocton County, Cosh Mill Creek A-1H, 12.1 million

PDC Energy, Guernsey County, Cole 2H, 108.6 million cubic feet

Rex Energy, Guernsey County, J Hall Unit 2H, 318.6 million cubic feet

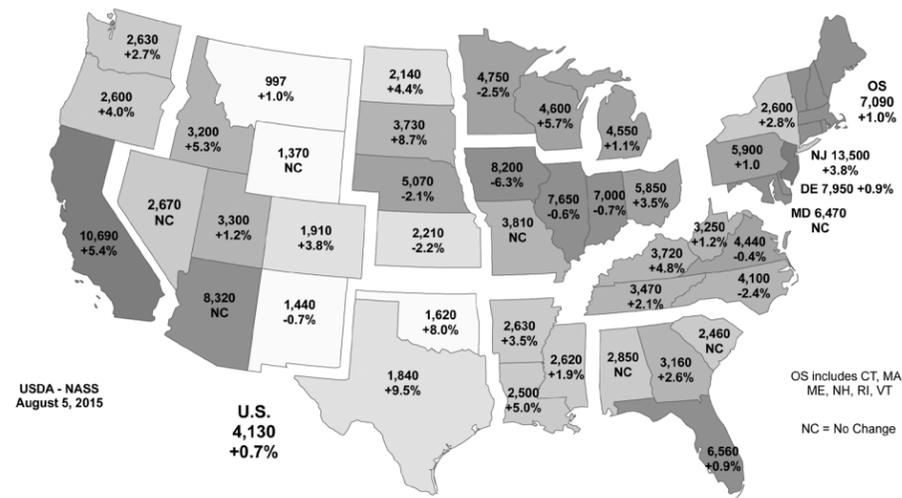
Rice Energy, Belmont County, Mohawk Warrior 8H, 1.8 billion cubic feet (the top well of the third quarter)

Statoil USA, Monroe County, Weffler N U 1H, 780.6 million cubic feet



2015 Cropland Value by State

Dollars per Acre and Percent Change from 2014



Residents’ Credit Scores May Be Plateauing, Transunion Finds

TransUnion’s Rental Screening Solutions recently found that credit scores on new rental applications improved only marginally this year after seeing greater improvements in previous years, suggesting a plateau is in sight.

Between Q2 2014 and Q2 2015, the average ResidentScore increased by only 0.2%, whereas the year prior saw a 0.9% rise. In dense urban locations, the increase was 0.41% in Q2 2015, after it had been 1.42% in Q2 2014, a 101 basis point drop.

“I wouldn’t say we’re seeing deterioration in the economy, but I would make guesses [that] what we’re seeing is the economy reaching this point where we’re starting to plateau,” says Mike Doherty, vice president of TransUnion’s Rental Screening Solutions.

Since the Great Recession, Americans have worked hard to repair their balance sheets from home foreclosures and loss of income. Since 2012, when TransUnion started reporting ResidentScores, the rise in credit scores on rental applications had increased 0.6% from 2012 to 2013 and 0.9% from 2013 to 2014.

Dense urban locations are faring better than both suburban and rural locations, with a 0.4% year-over-year change from Q2 2014 to Q2 2015, compared with 0.3% and 0.2%, respectively. TransUnion broke out select MSAs in different geographic regions to show that some cities are still doing well overall: Dallas, Los Angeles, and Washington, D.C., all saw a 0.6% increase.

However, TransUnion also observed that average rental prices during the period were the highest in five years, with a 4.6% increase this year alone.

“It’s probably not a bad time to stop and [ask], Are we seeing some sort of peak in the economy, and do I need to start thinking about that coming down the road?” says Doherty. “Though, there is an opportunity to help individuals continue to improve their credit scores through rental payment reporting.”