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# Outlook for the Ohio Economy and Multifamily Housing Markets

November 7, 2008

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## **RED CAPITAL Research**

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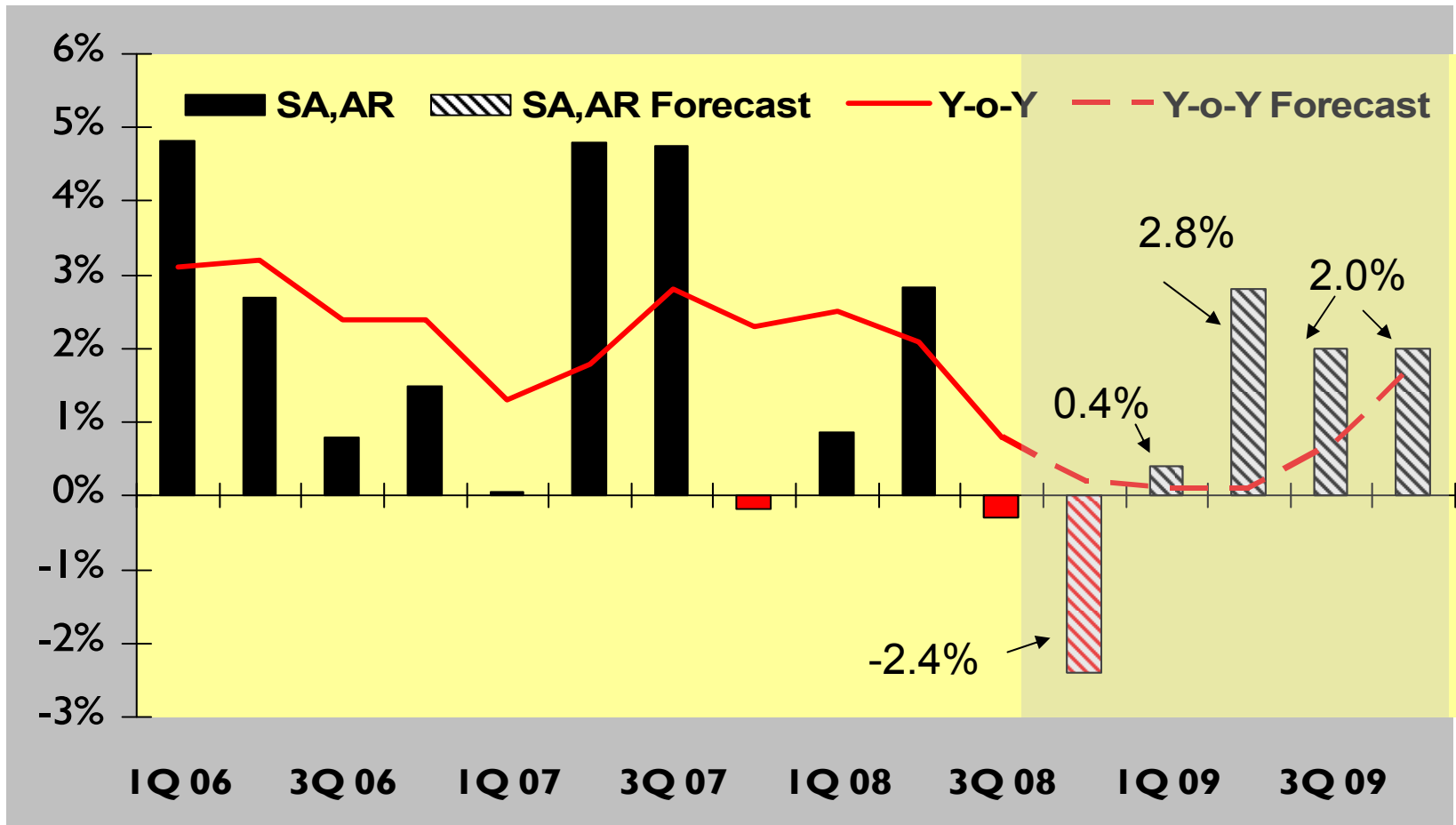


# Agenda

- The U.S. economy: how deep will the recession be? How long will it last?
- The Ohio economy: FY2008-2009 GSP, payroll job forecasts and forecasts of payroll trends in key industries
- Cincinnati, Cleveland and Columbus: payroll forecasts FY2008 and 2009.
- Three-C multifamily market performance and investment analysis from a relative value perspective

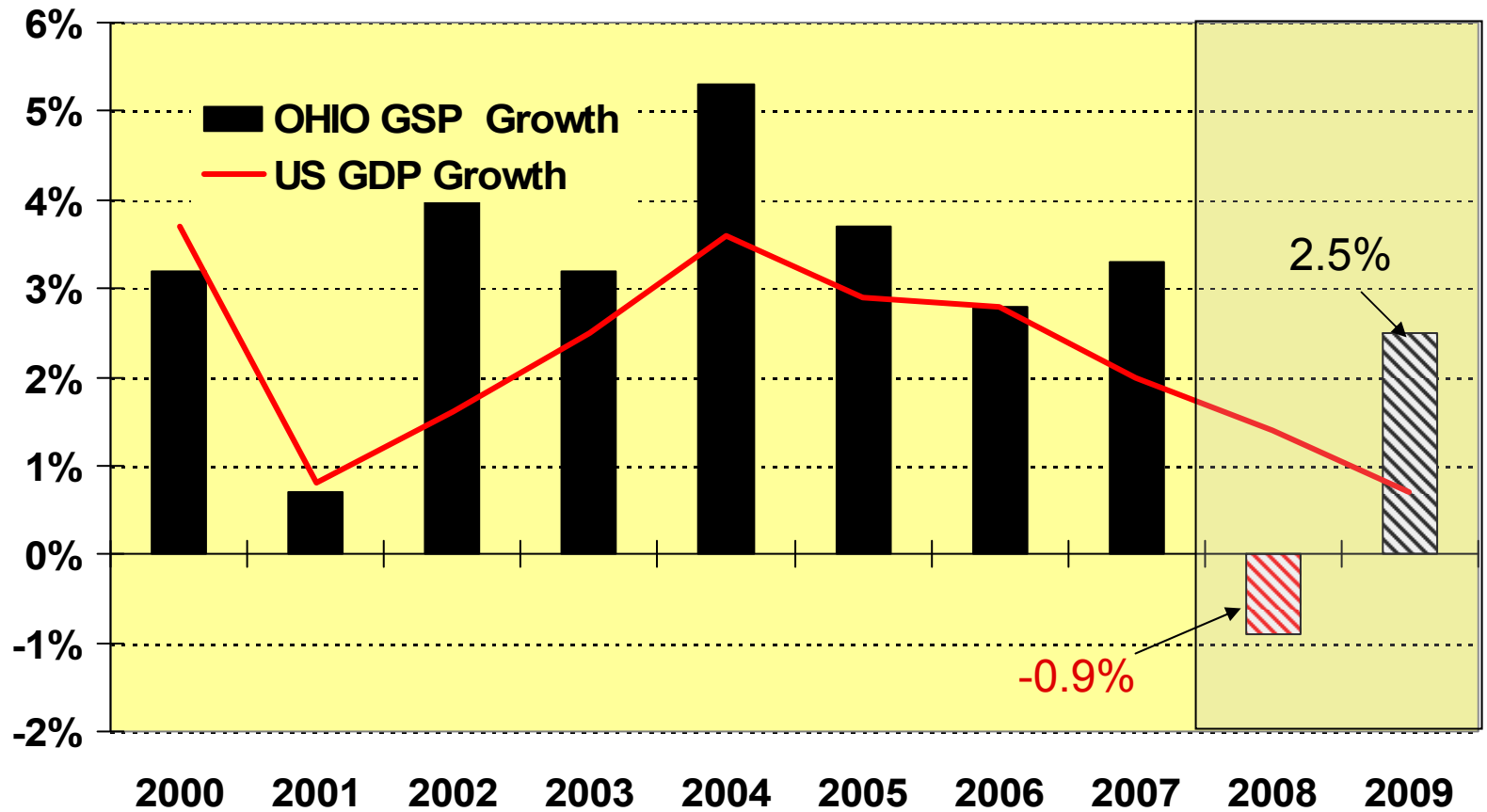
# QUARTERLY U.S. GDP GROWTH & FORECAST

Sources: Bureau of Economic Analysis, National City Bank Research



# U.S. GDP AND OHIO GSP GROWTH RATES & FORECASTS

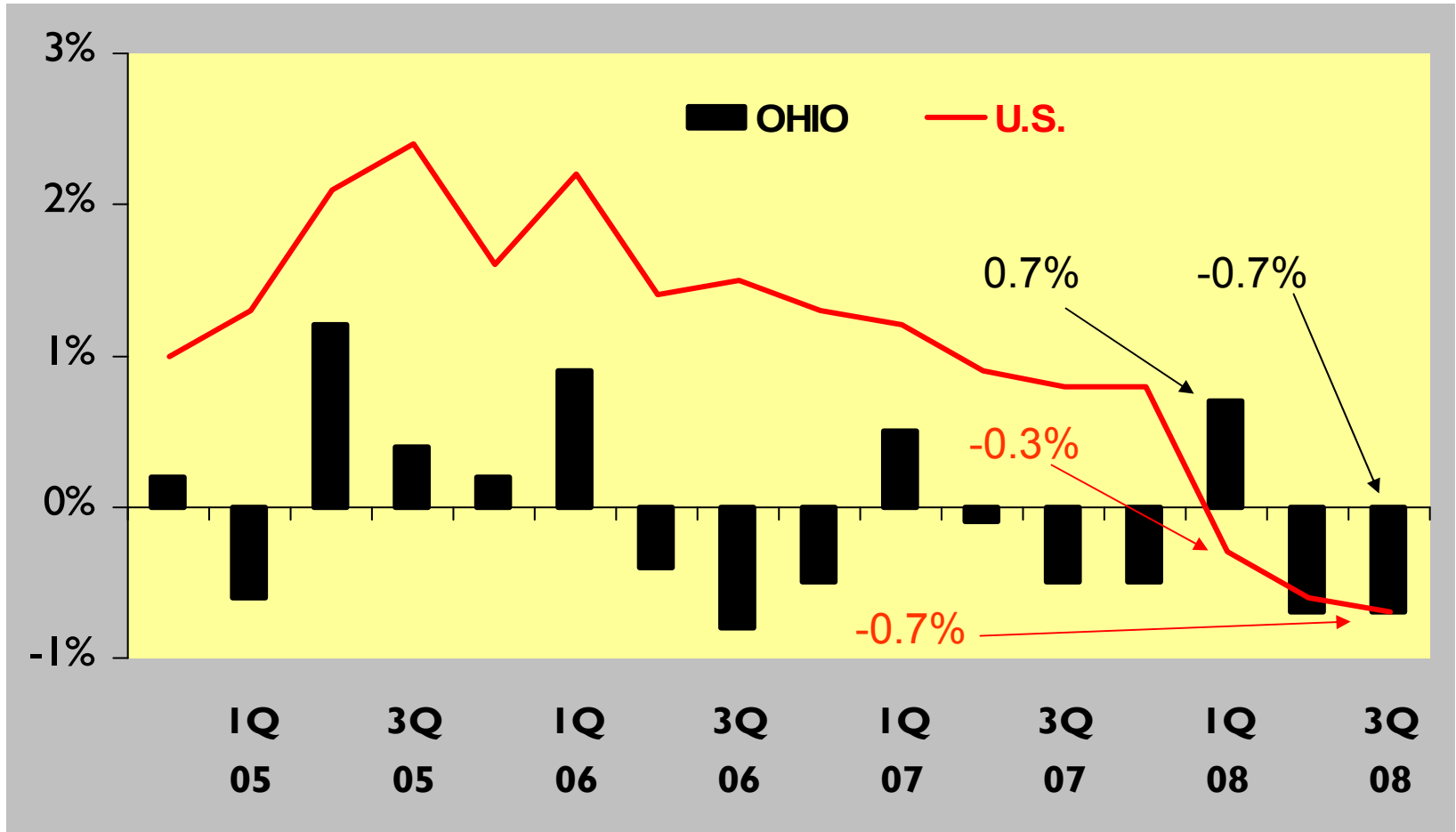
Sources: BEA, NCB Research & RED CAPITAL Research



# U.S. AND OHIO PAYROLL JOB GROWTH

Seasonally-adjusted Annual Growth Rate

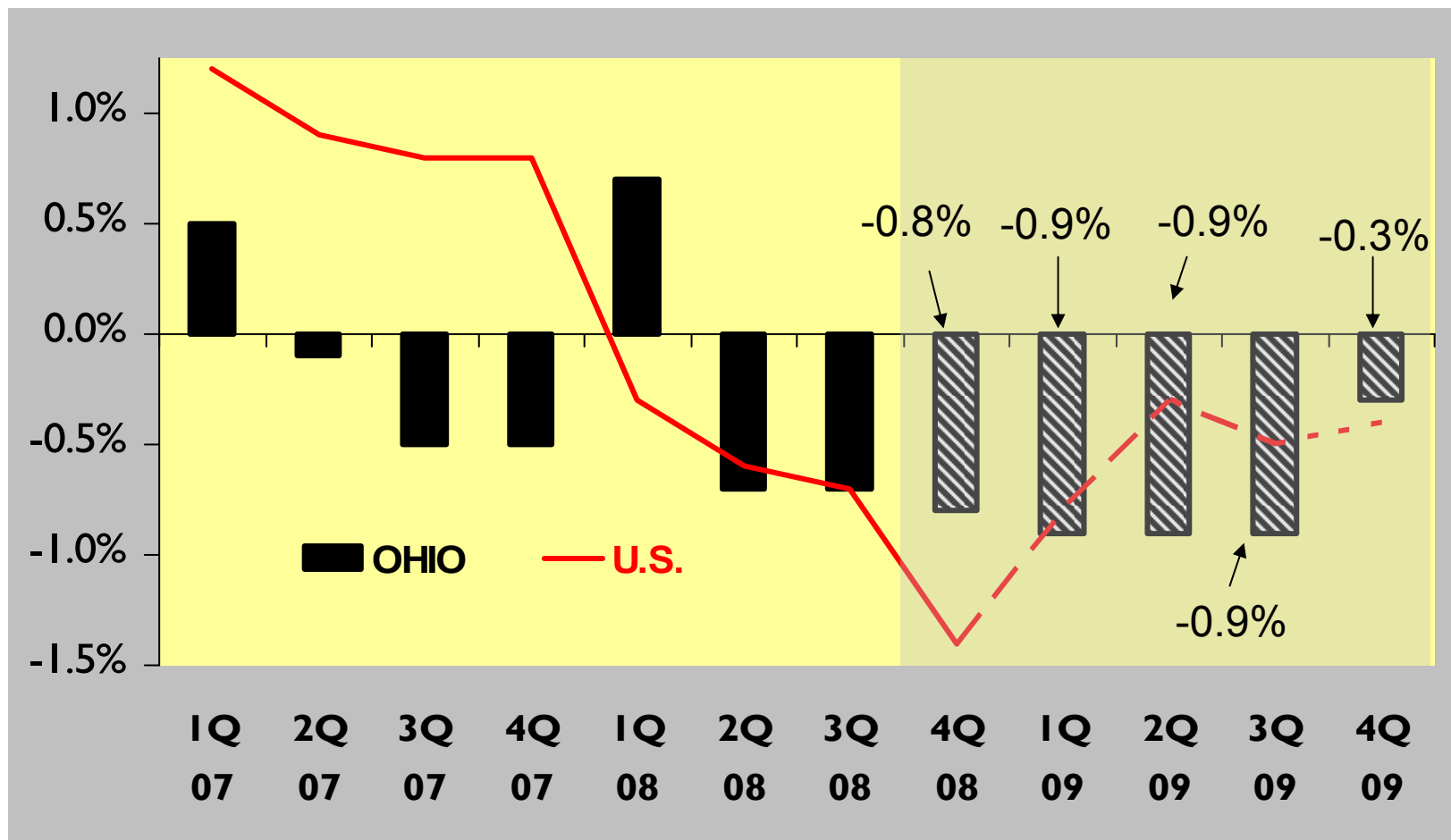
Sources: Bureau of Labor Statistics, NCB Research & RCG Research



# U.S. AND OHIO PAYROLL JOB GROWTH FORECASTS (QUARTERLY)

Seasonally-adjusted Annual Growth Rate

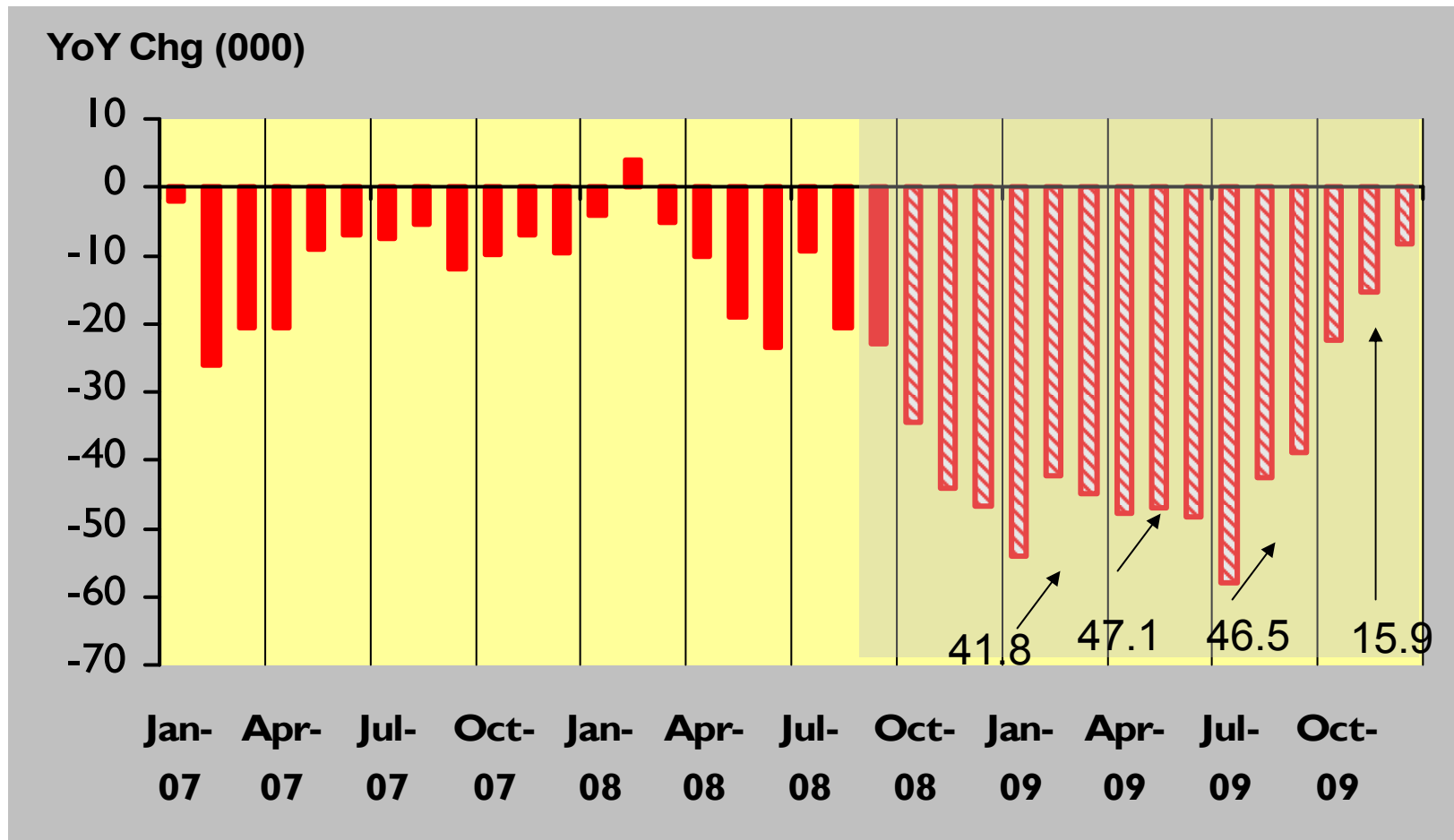
Sources: Bureau of Labor Statistics, NCB Research & RCG Research



# U.S. AND OHIO PAYROLL JOB GROWTH FORECASTS (MONTHLY)

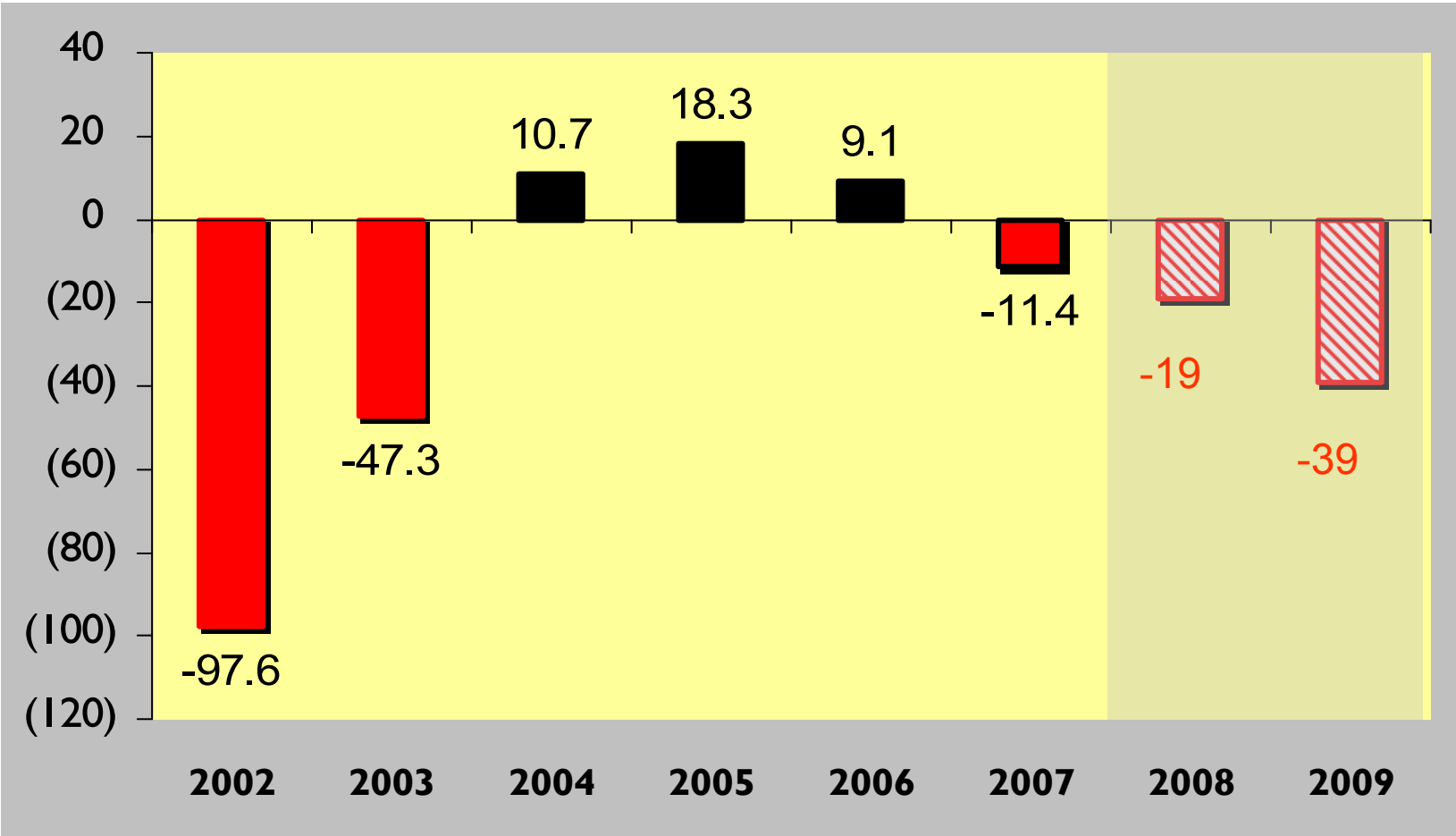
Seasonally-adjusted Annual Growth Rate

Sources: Bureau of Labor Statistics, NCB Research & RCG Research



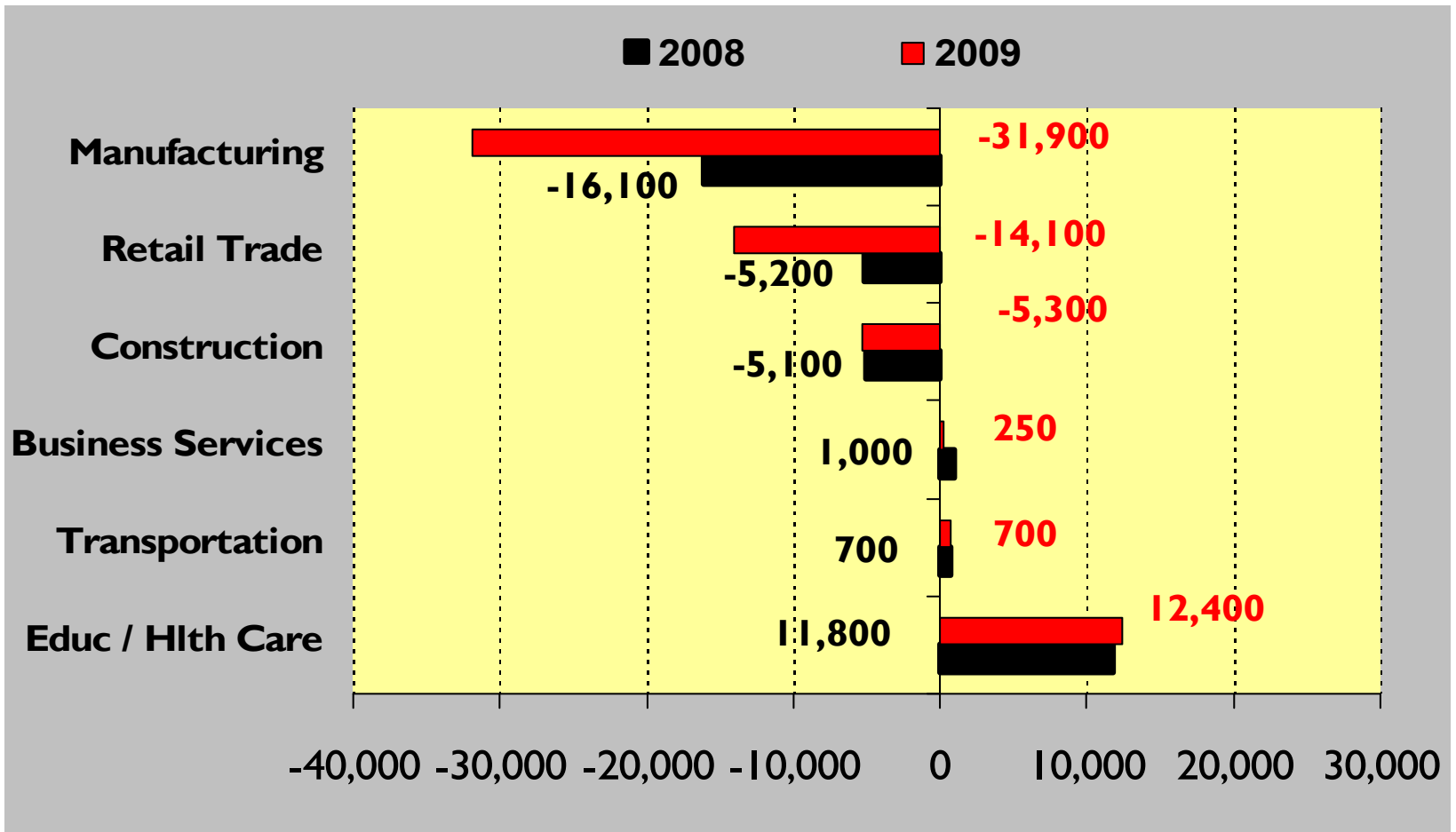
# ANNUAL OHIO PAYROLL JOB FORECAST

Source: RED CAPITAL Research



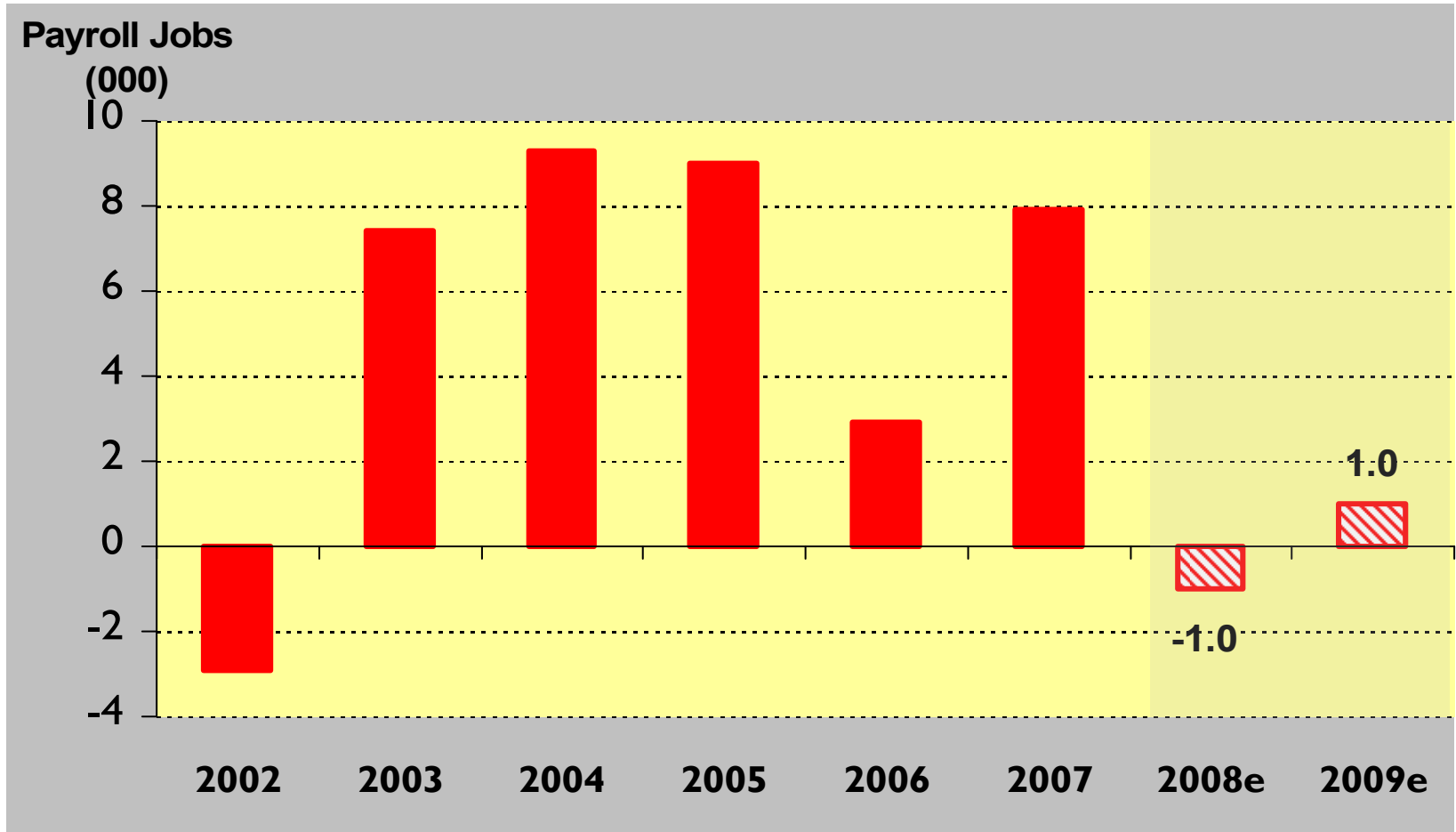
# OHIO EMPLOYMENT SUPER-SECTOR FORECAST

Source: BLS, RED CAPITAL Research



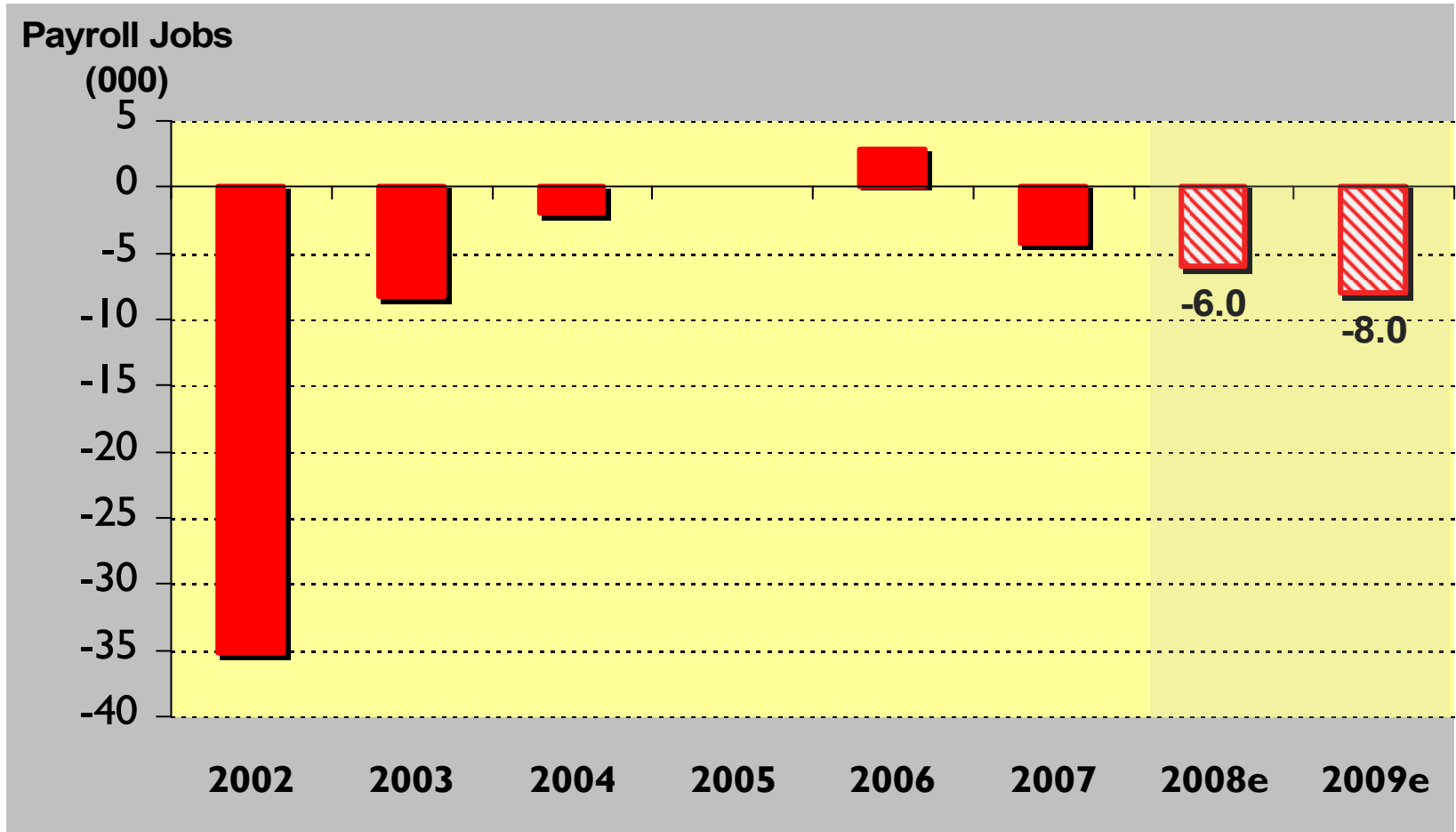
# METRO PAYROLL FORECAST: CINCINNATI-MIDDLETOWN, MSA

Source: BLS, RED CAPITAL Research



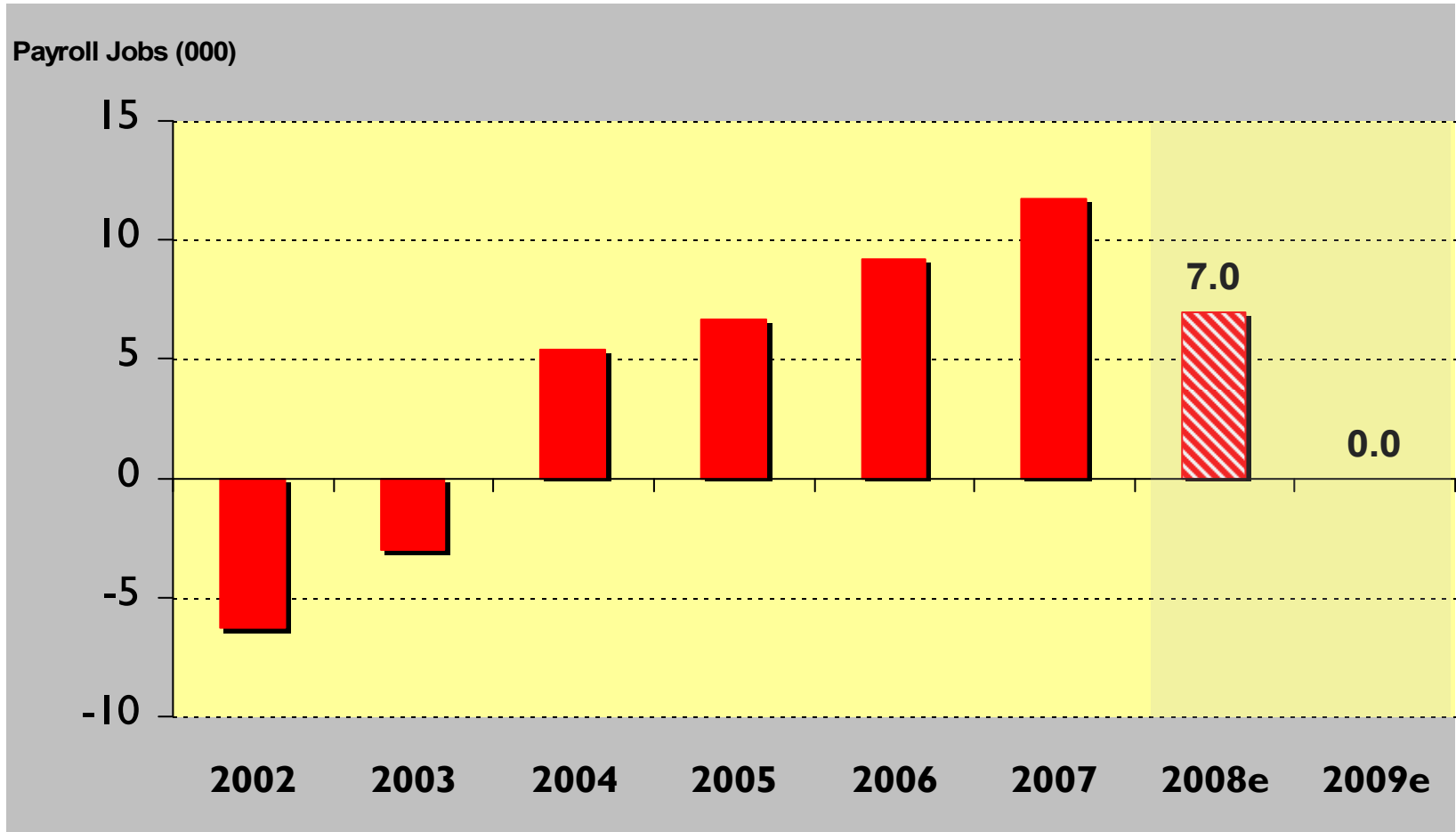
# METRO PAYROLL FORECAST: CLEVELAND-LORAIN-ELYRIA MSA

Source: BLS, RED CAPITAL Research



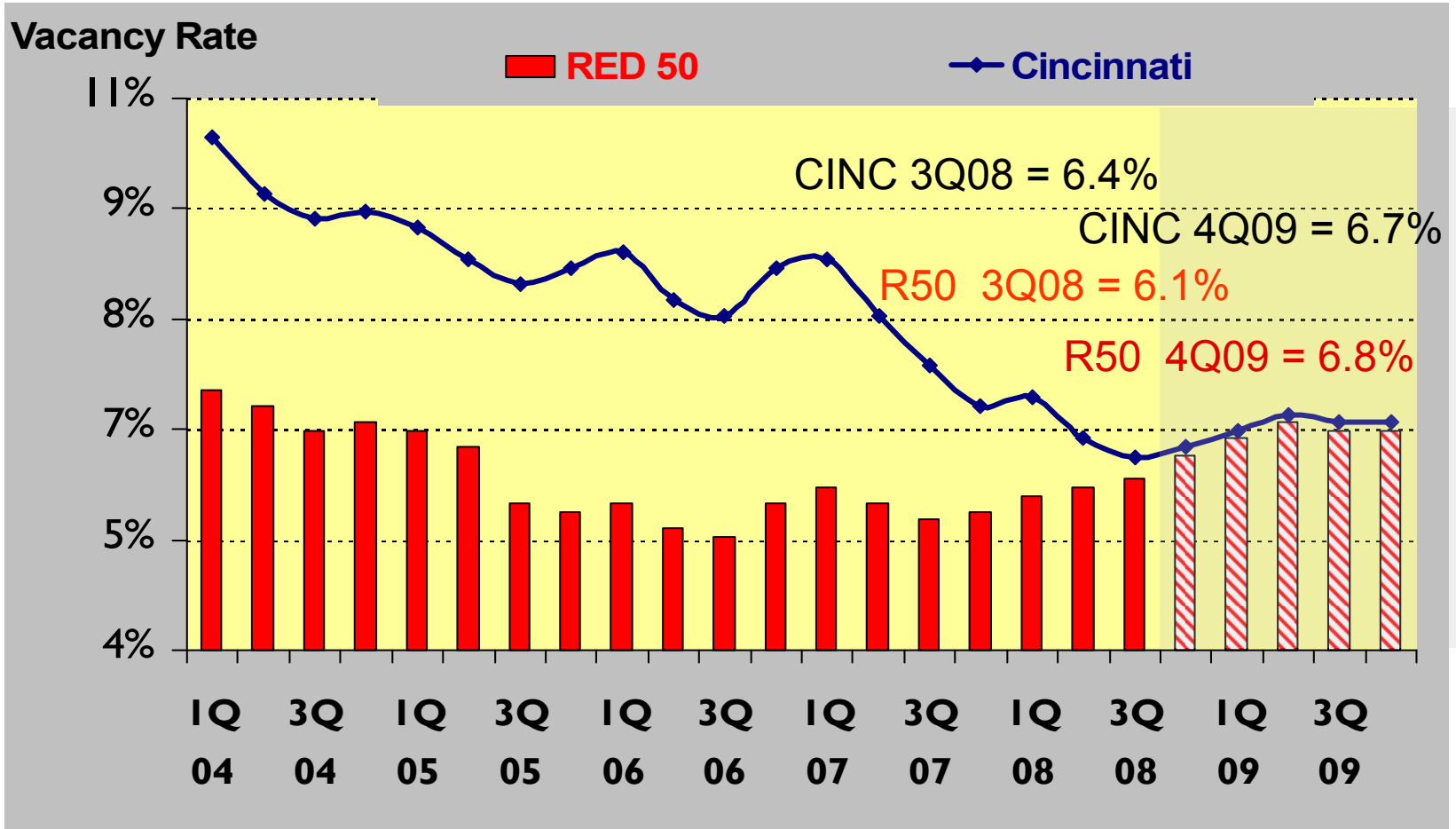
# METRO PAYROLL FORECAST: COLUMBUS MSA

Source: BLS, RED CAPITAL Research



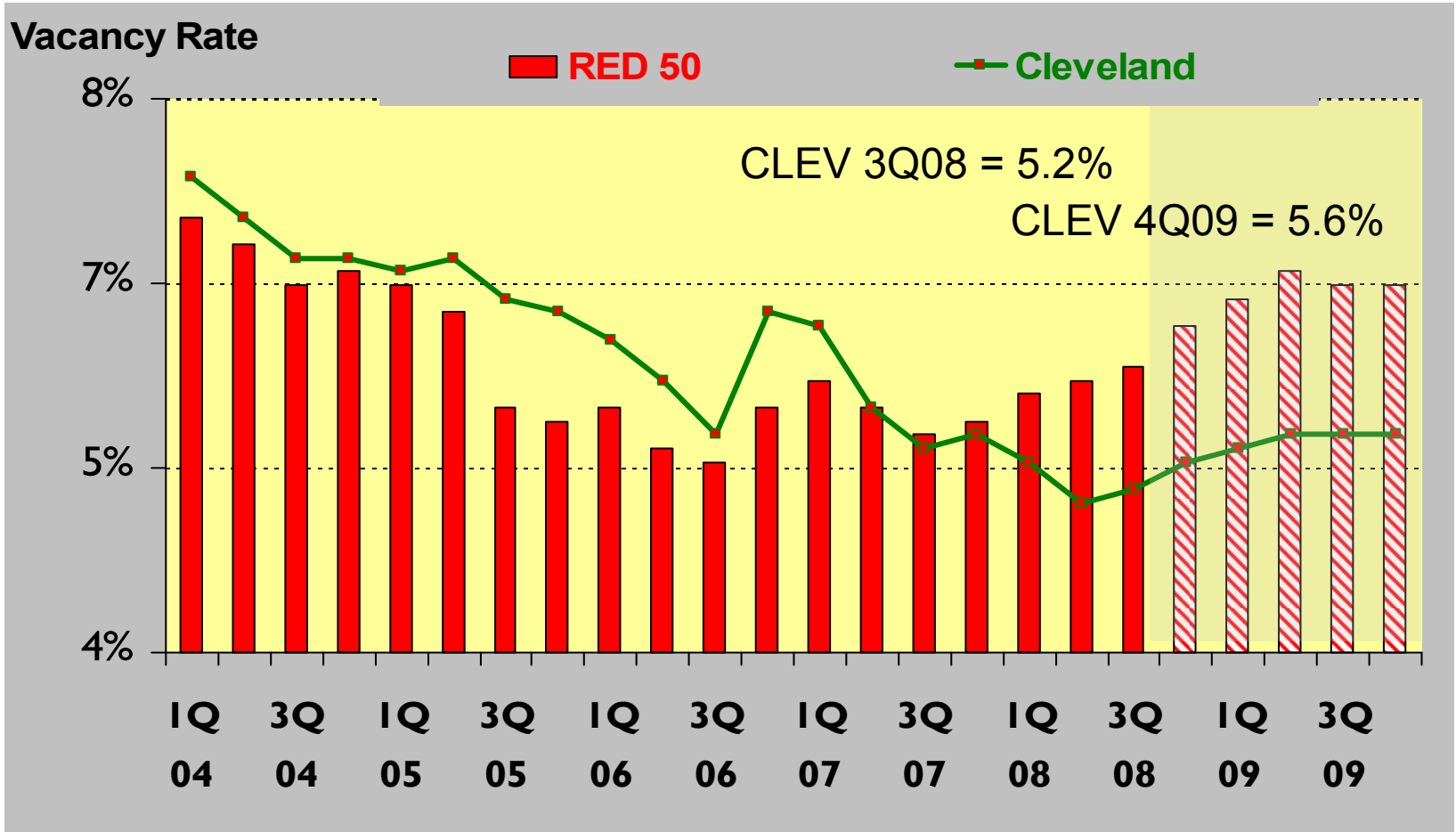
# VACANCY RATE HISTORY & FORECAST: CINCINNATI-MIDDLETOWN MSA

Source: Reis, RED CAPITAL Research



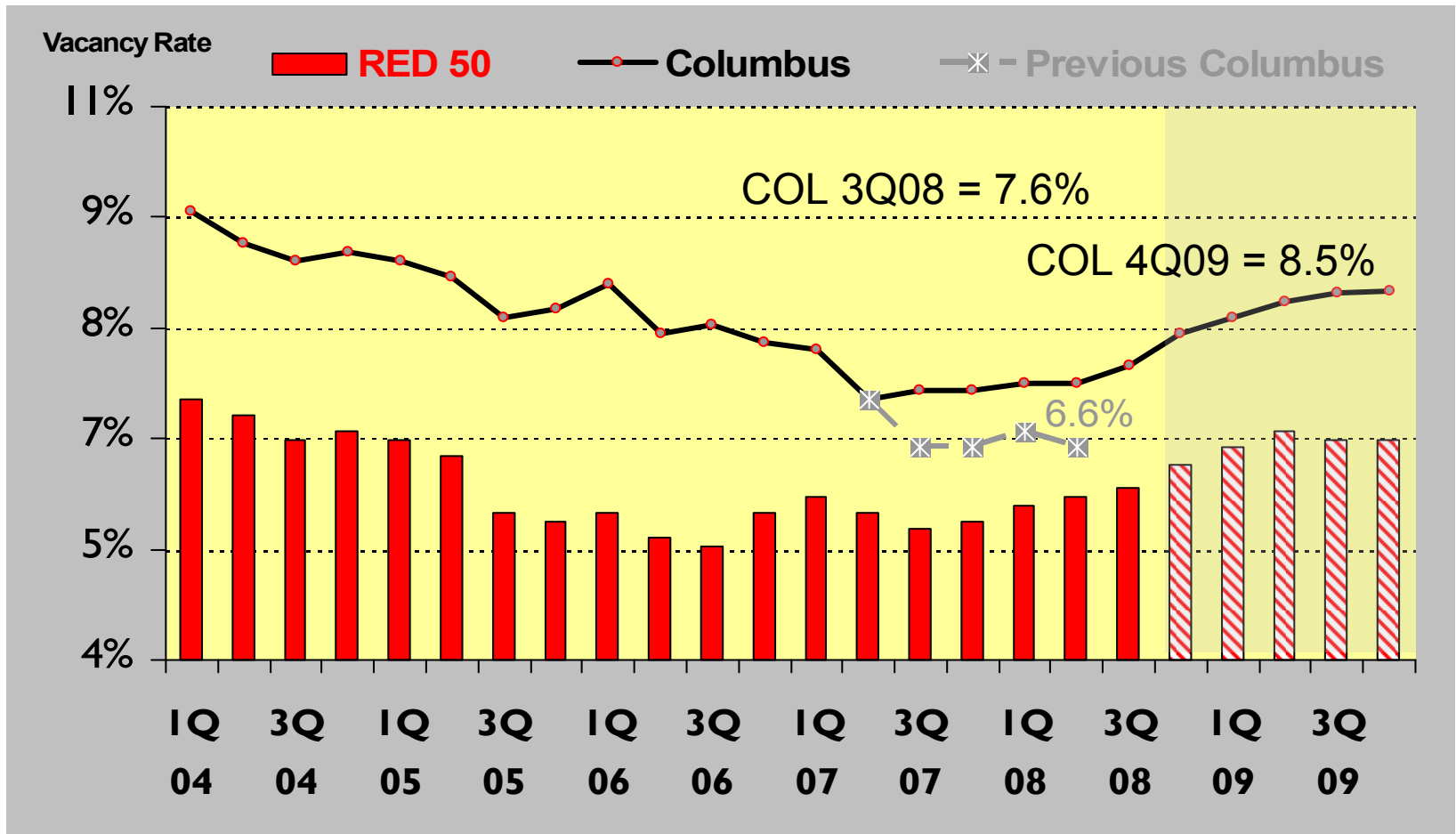
# VACANCY RATE HISTORY & FORECAST: CLEVELAND-ELYRIA-MENTOR MSA

Source: Reis, RED CAPITAL Research



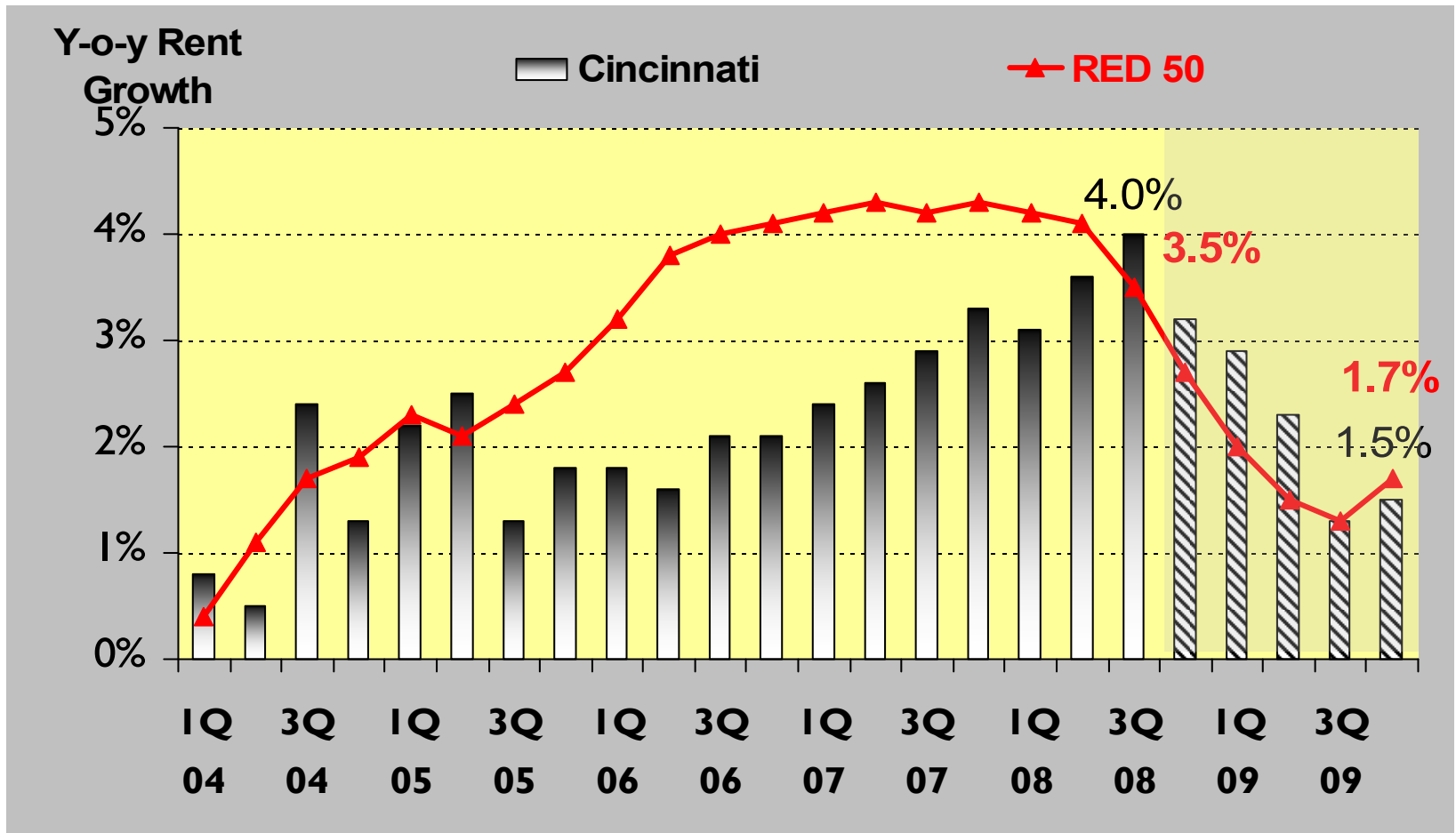
# VACANCY RATE HISTORY & FORECAST: COLUMBUS MSA

Source: Reis, RED CAPITAL Research



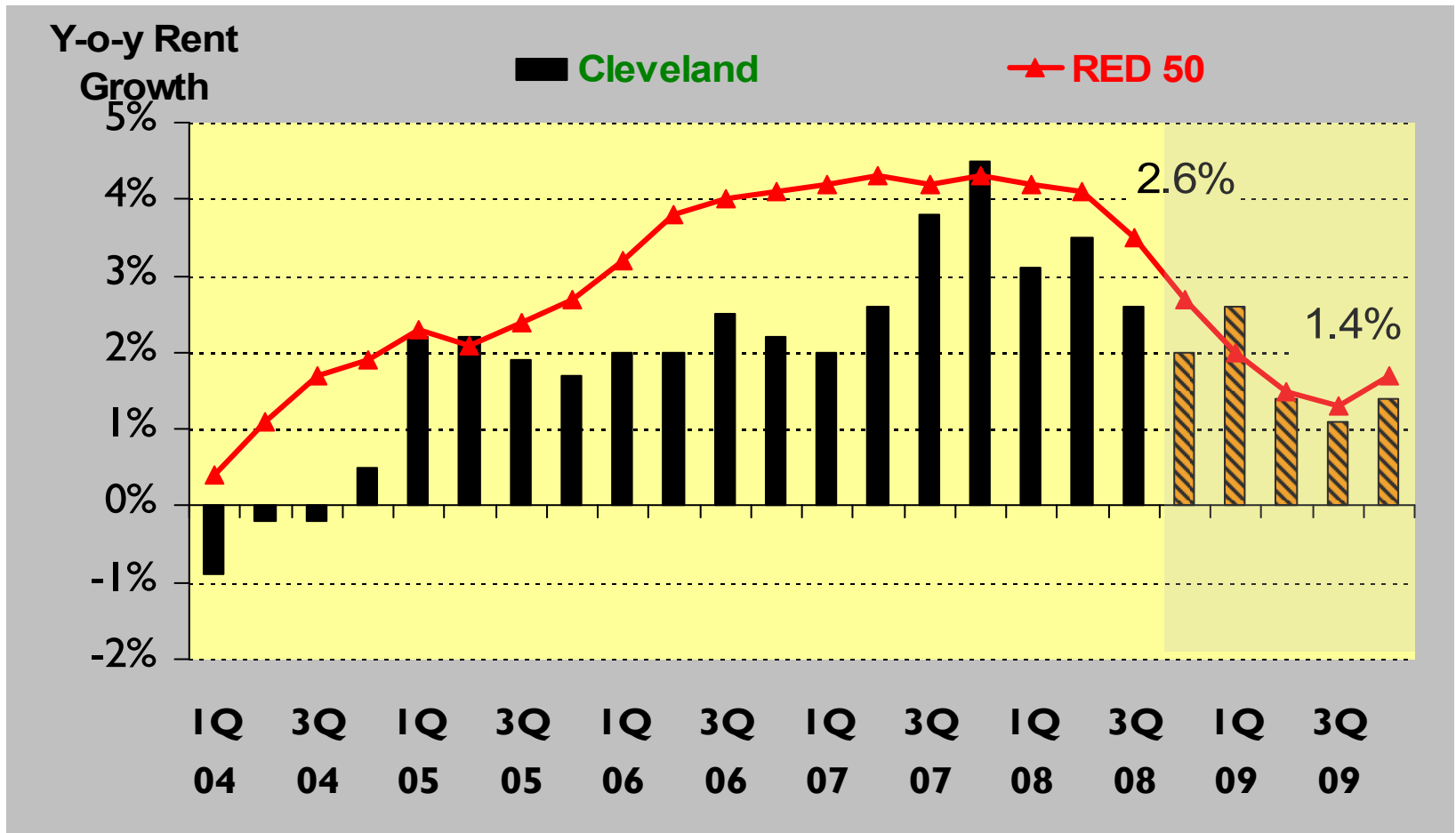
# METRO EFFECTIVE RENT FORECAST: CINCINNATI-MIDDLETOWN MSA

Source: Reis, RED CAPITAL Research



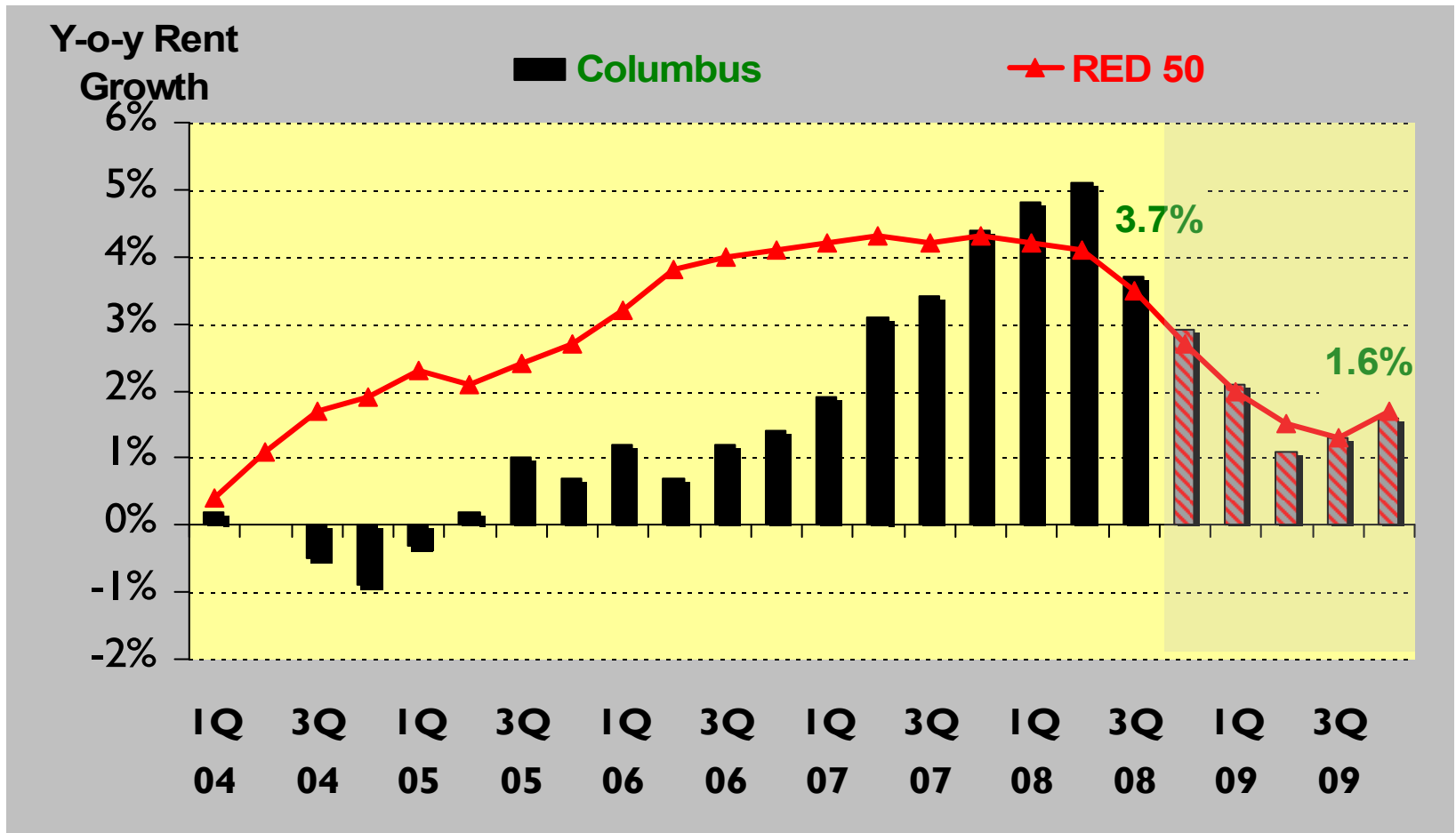
# METRO EFFECTIVE RENT FORECAST: CLEVELAND MSA

Source: Reis, RED CAPITAL Research



# METRO EFFECTIVE RENT FORECAST: COLUMBUS MSA

Source: Reis, RED CAPITAL Research



# METRO TOTAL RETURN ESTIMATES: KEY ASSUMPTIONS

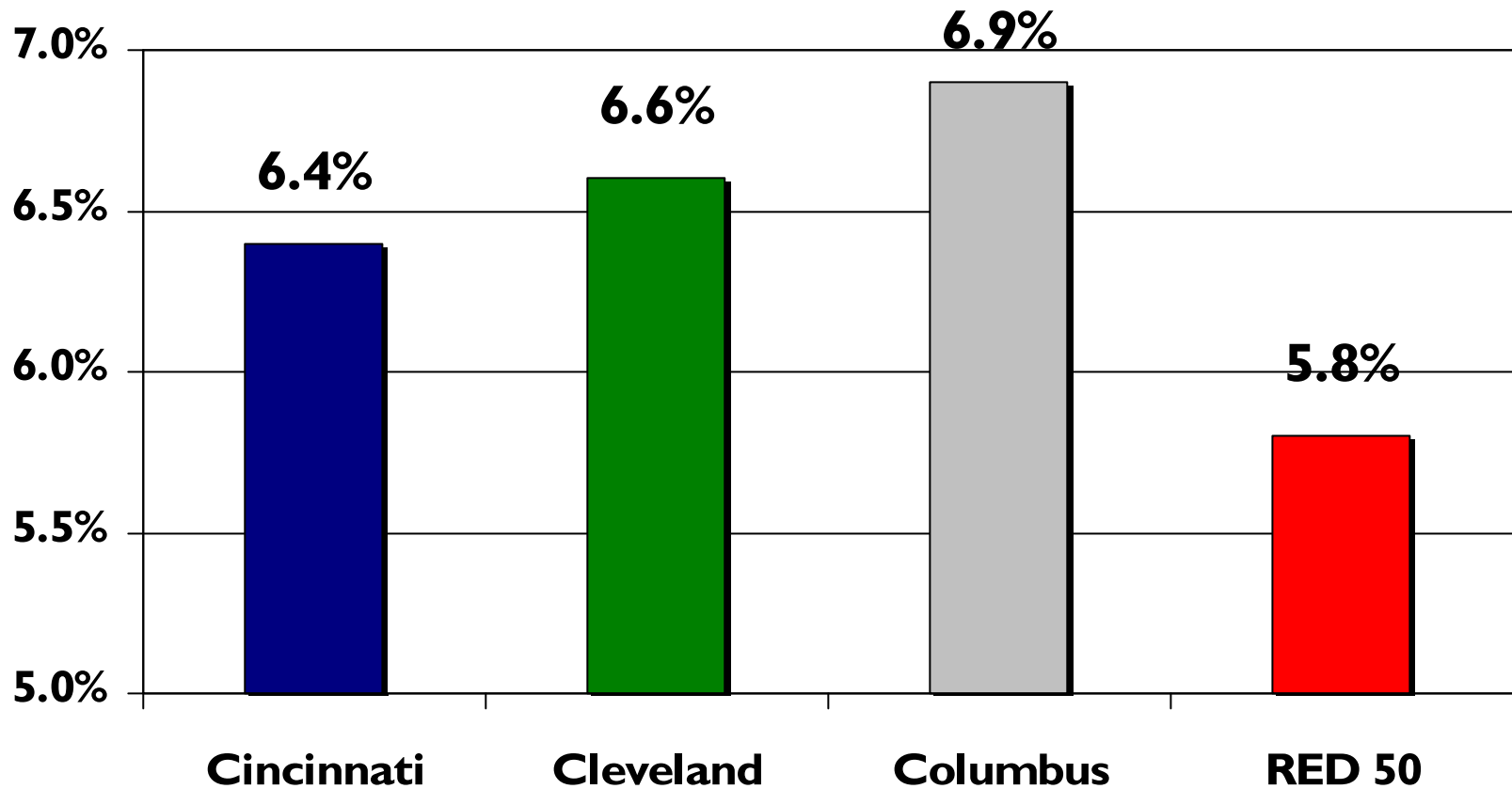
Source: Reis, RED CAPITAL Research

Metro Area	Generic Cap Rate	5-Yr Rent Growth Forecast	Occupancy Rate Chg Forecast by Year-5	Historical Rent Volatility (STD Ann. Change)
Cincinnati	6.1%	2.7%	-160 bps	1.3%
Cleveland	6.7%	2.4%	-110 bps	1.5%
Columbus	6.5%	2.5%	-60 bps	1.9%
<b>RED 50</b>	<b>5.2%</b>	<b>3.3%</b>	<b>-50 bps</b>	<b>3.1%</b>



# METRO TOTAL RETURN ESTIMATES

Source: RED CAPITAL Research



# METRO TOTAL RETURNS: PERFORMANCE PROFILES

Source: Reis, RED CAPITAL Research

Metro Area / RAI	Probability of Stated Return or Higher				
	90%	70%	50%	30%	10%
<b>Cincinnati (4.20)</b>	4.4%	5.6%	6.4%	7.2%	8.4%
<b>Cleveland (3.41)</b>	4.1%	5.5%	6.6%	7.5%	9.0%
<b>Columbus (3.47)</b>	4.3%	5.5%	6.9%	7.9%	9.4%
<b>RED 50 (2.82)</b>	1.9%	4.2%	5.7%	7.1%	9.2%



# METRO TOTAL RETURNS: RANKINGS

Source: Reis, RED CAPITAL Research

Metro Area / RAI	RANKINGS AND RECOMMENDATIONS			
	Expected Total Return	Risk-adjusted Index	Downside Return	Rating
<b>Cincinnati (4.20)</b>	15	3	2	Cautious Accumulate
<b>Cleveland (3.41)</b>	10	8	7	Opportunistic
<b>Columbus (3.47)</b>	19	6	6	Accumulate

