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# Outlook for the Ohio Economy and Multifamily Housing Markets

November 19, 2009

## **RED CAPITAL Research**

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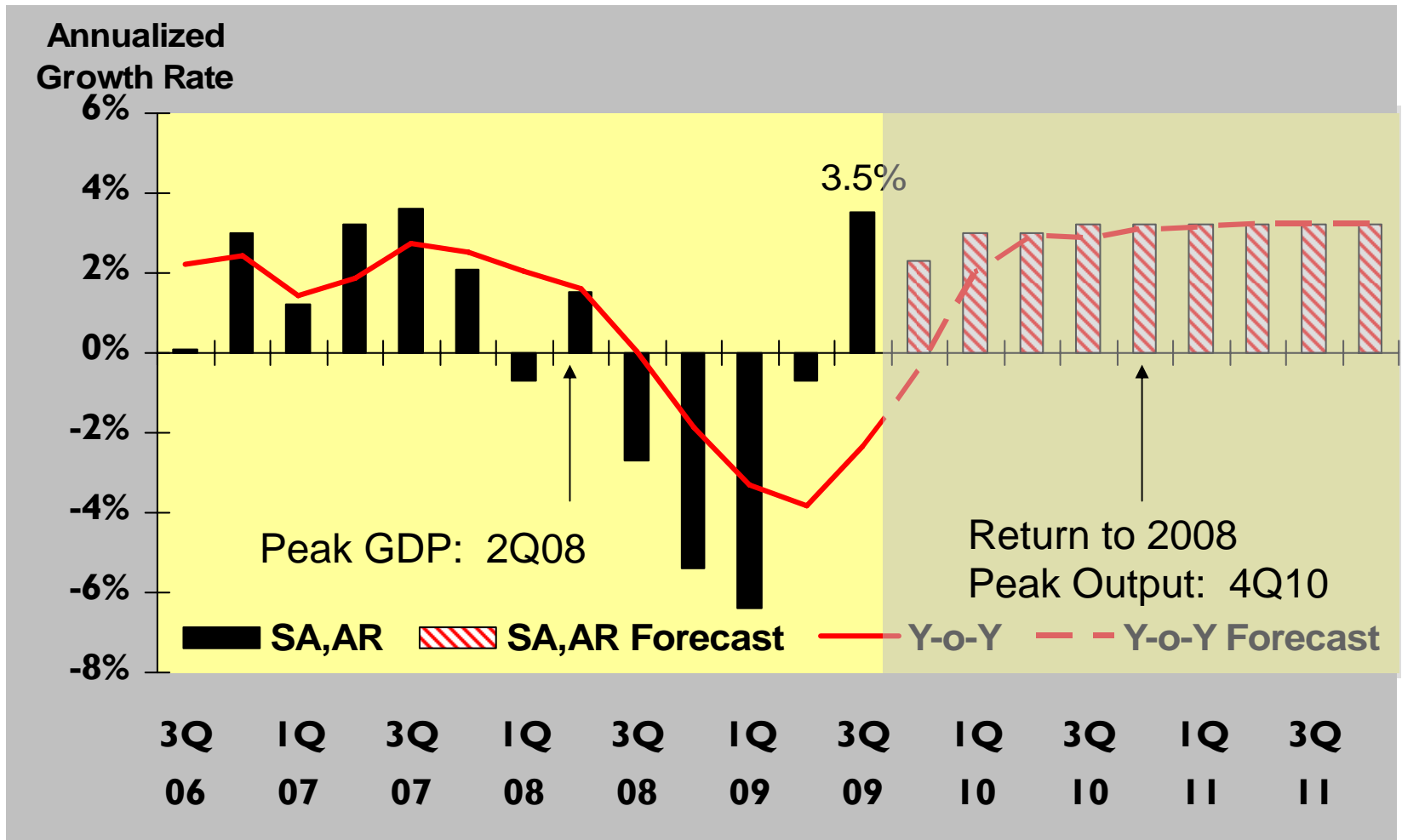


# AGENDA

- THE U.S. ECONOMY: Has the recovery begun? If so, how long will it last and strong will it be?
- THE OHIO ECONOMY: GSP, state payroll job forecasts and forecasts of payroll trends in key industries consistent with U.S. outlook.
- CINCINNATI, CLEVELAND & COLUMBUS: Metropolitan payroll forecasts 2009 - 2011.
- MULTIFAMILY MARKET PERFORMANCE: Statistical update and investment analysis from a relative value perspective

# QUARTERLY U.S. GDP GROWTH & FORECAST

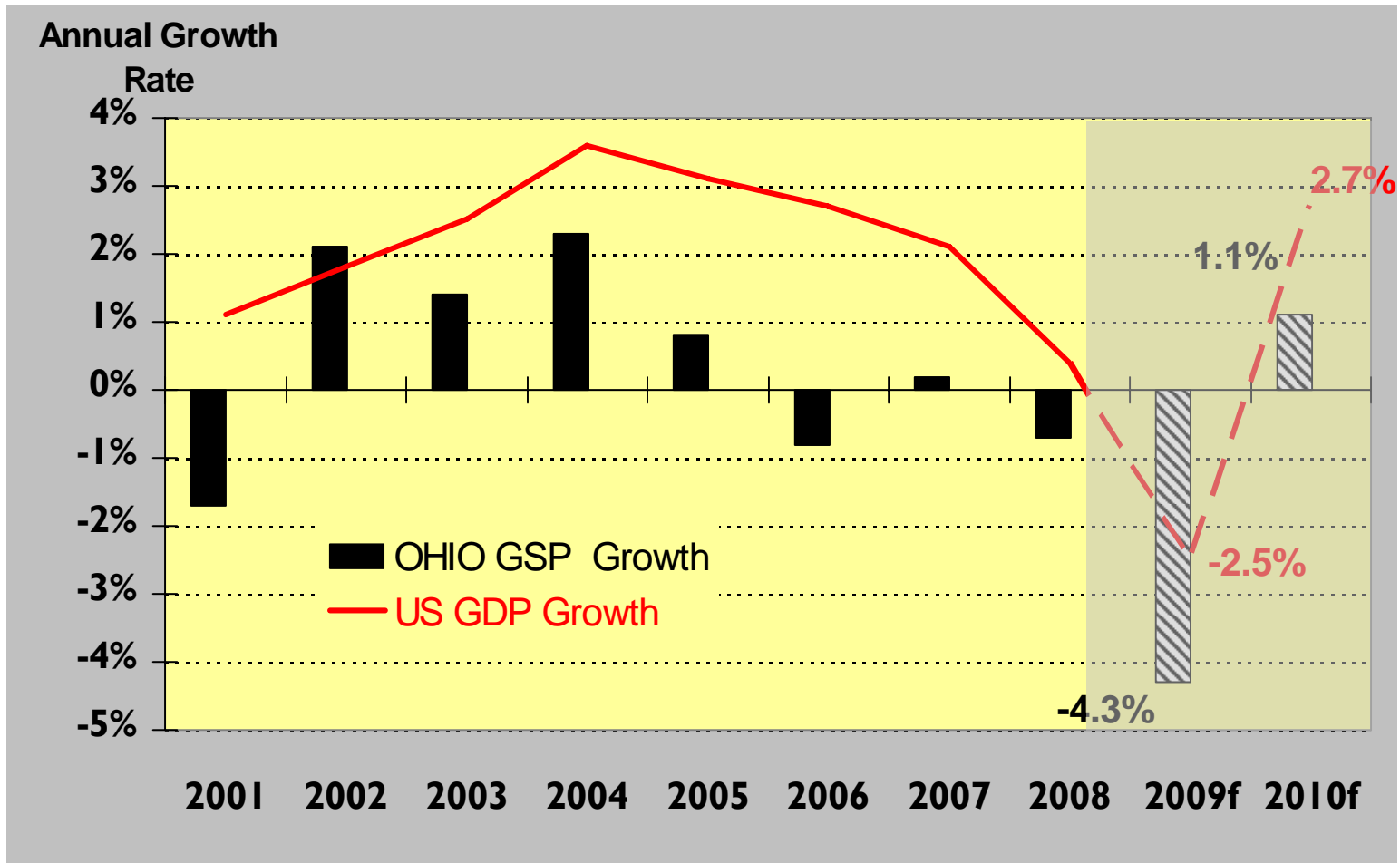
Seasonally-adjusted, Annual Rate, Constant Dollar  
 Sources: Bureau of Economic Analysis, PNC Economics



# U.S. AND OHIO OUTPUT GROWTH

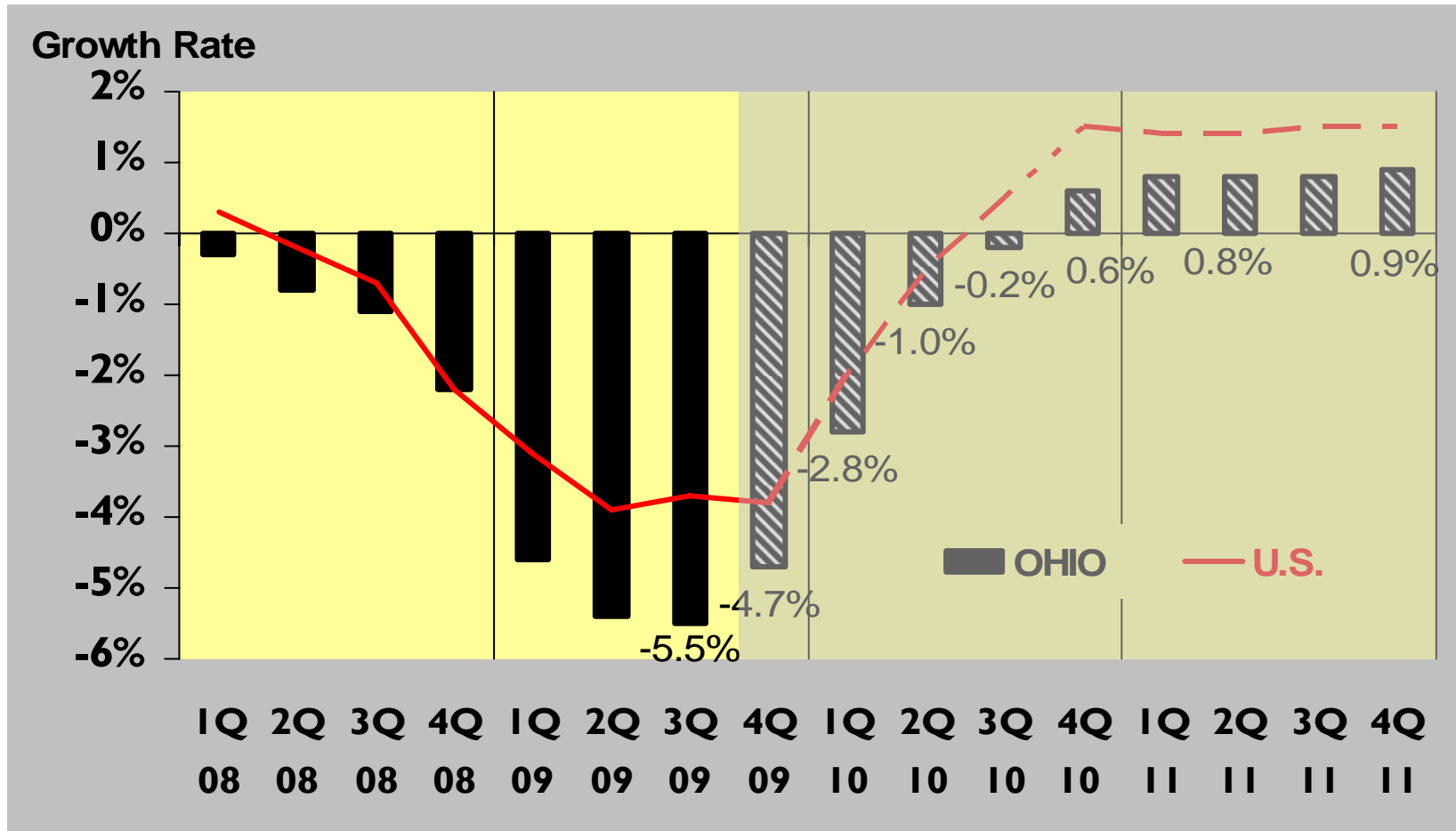
Annual Growth Rate, Constant Dollar Basis

Sources: Bureau of Economic Analysis, PNC Economics & RCG Research



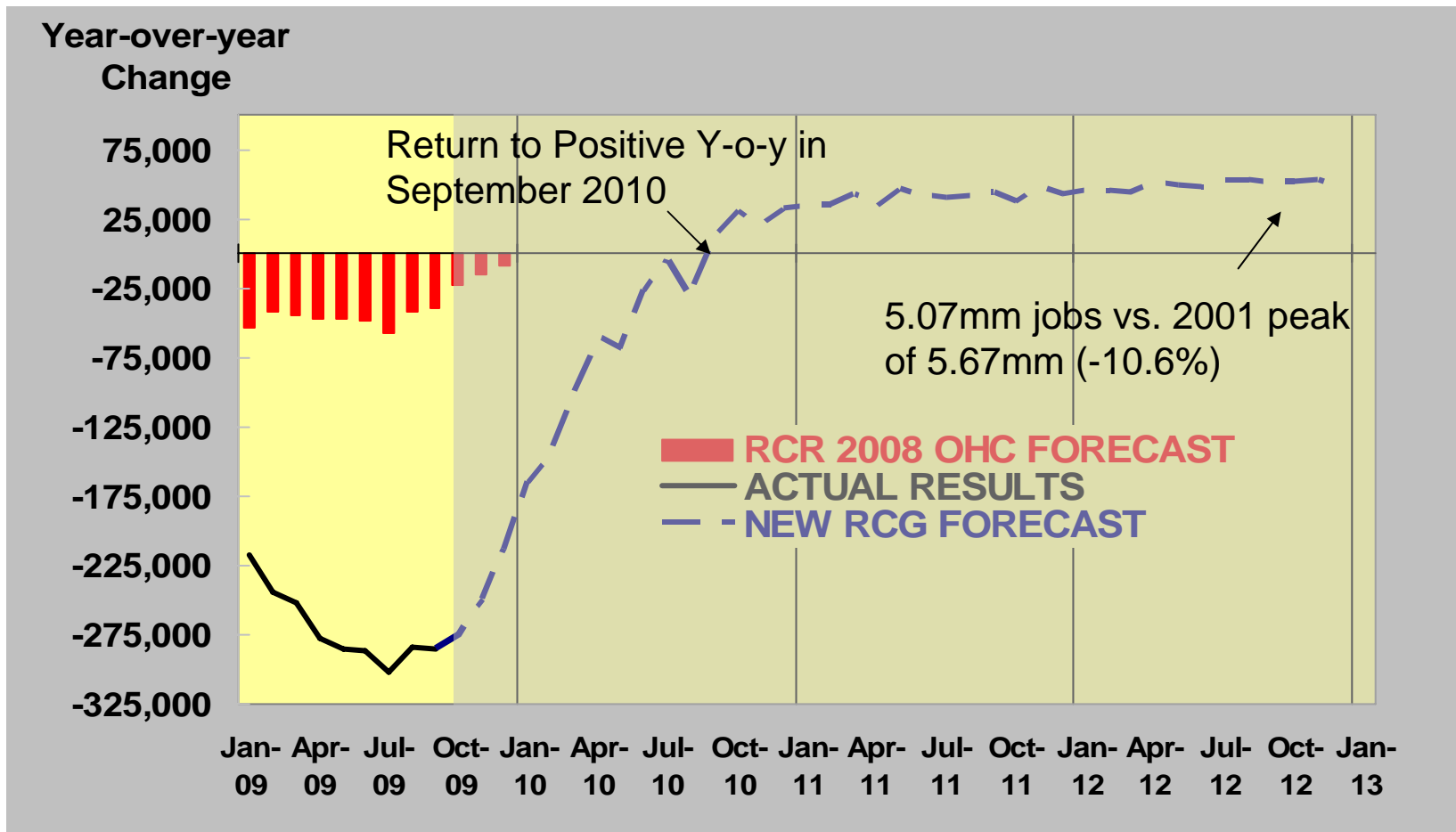
# U.S. AND OHIO PAYROLL JOB GROWTH FORECASTS (QUARTERLY)

Seasonally-adjusted Annual Rate  
Sources: BLS, PNC Economics & RCG Research



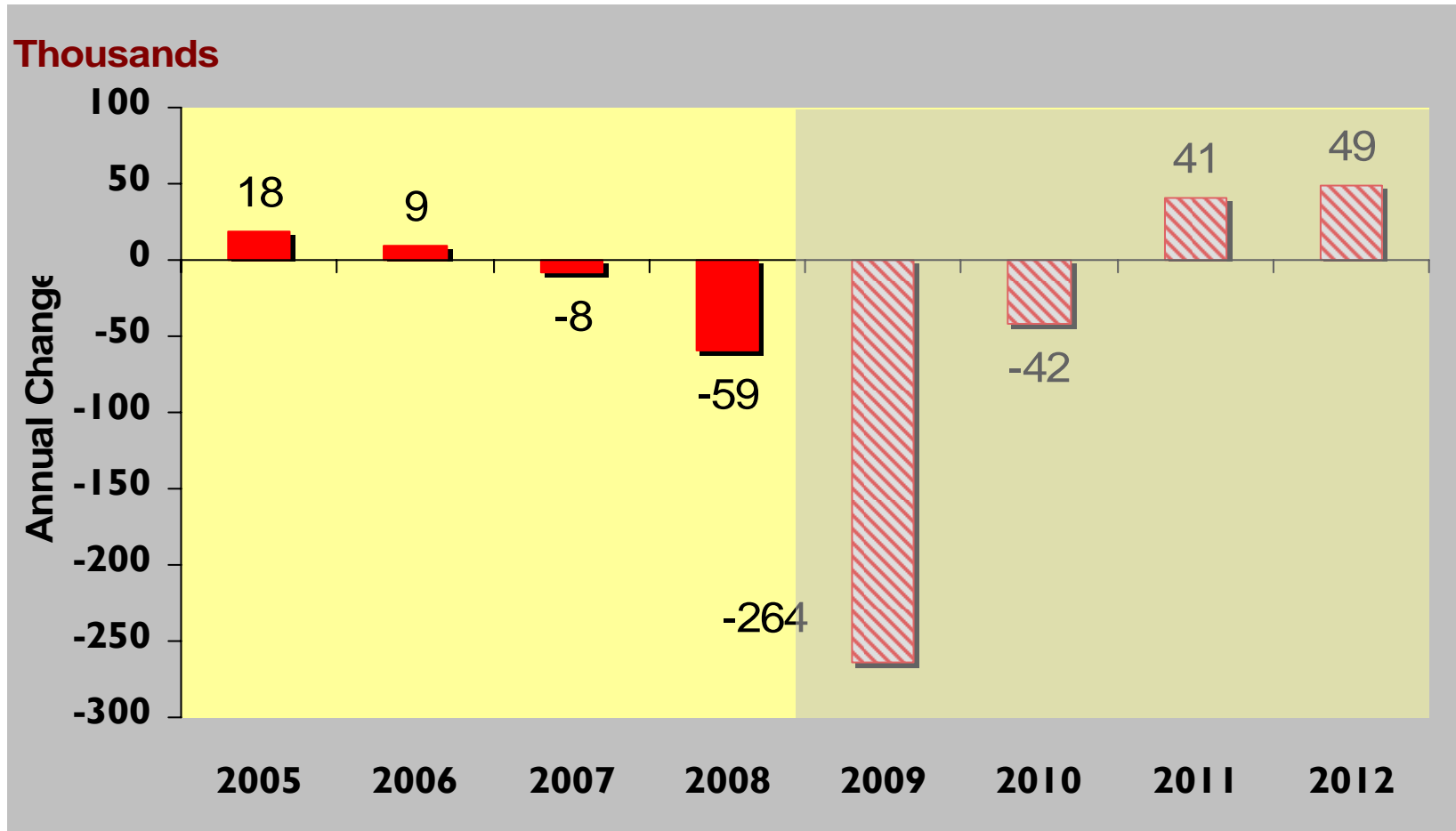
# U.S. AND OHIO PAYROLL JOB GROWTH FORECASTS (MONTHLY)

Year-over-year Growth Rate, Not Seasonally-adjusted  
Sources: Bureau of Labor Statistics & RCG Research



# ANNUAL OHIO PAYROLL JOB FORECAST

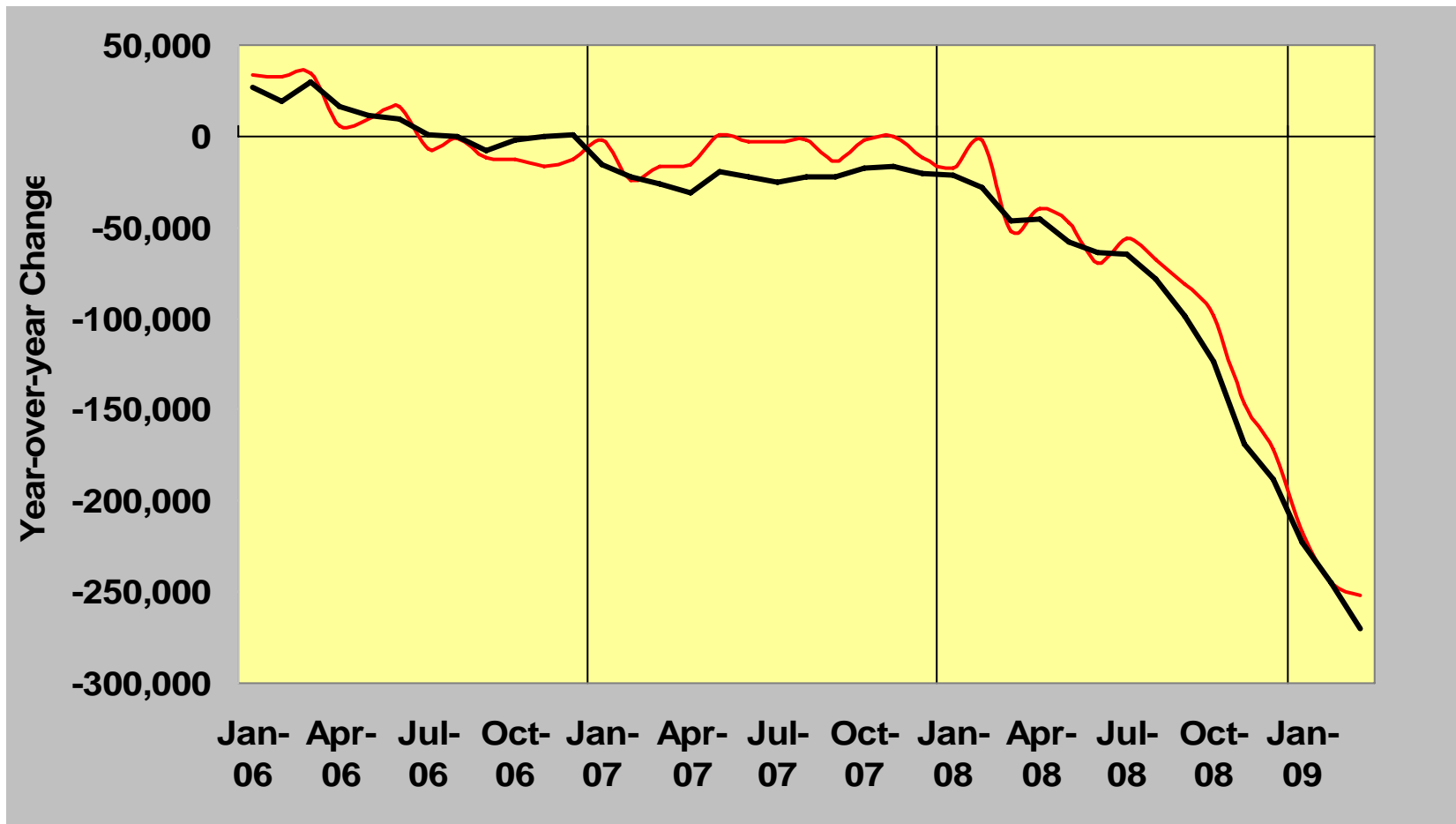
Sources: BLS, RED CAPITAL Research



# IN SAMPLE FORECAST: ACTUAL OHIO PAYROLLS vs. MODEL GENERATED

Year-over-year change using Census of Employment and Wages Data

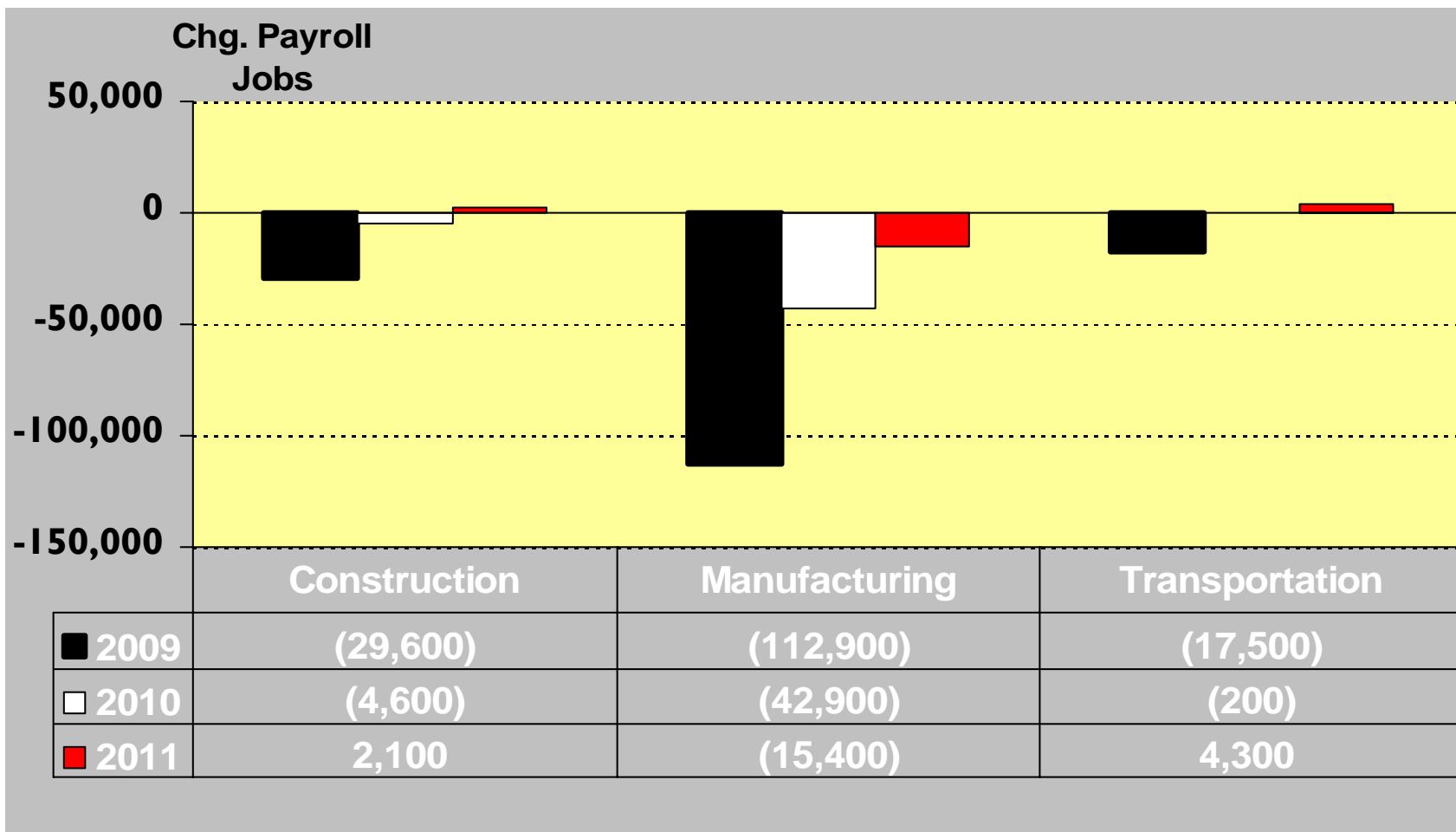
Sources: BLS, RED CAPITAL Research





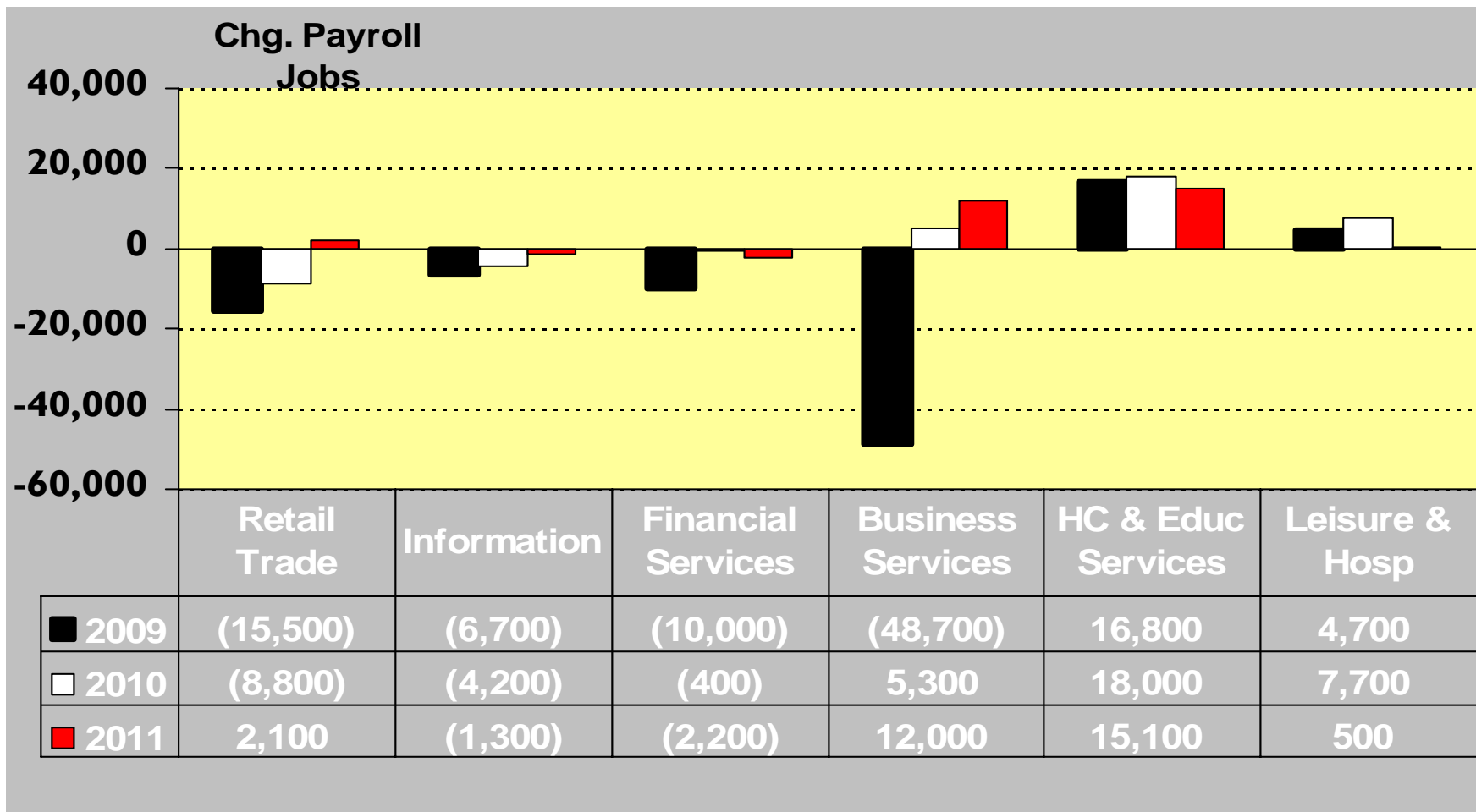
# OHIO SUPER-SECTOR FORECAST: GOODS PRODUCING AND RELATED INDUSTRIES

Sources: BLS, RED CAPITAL Research



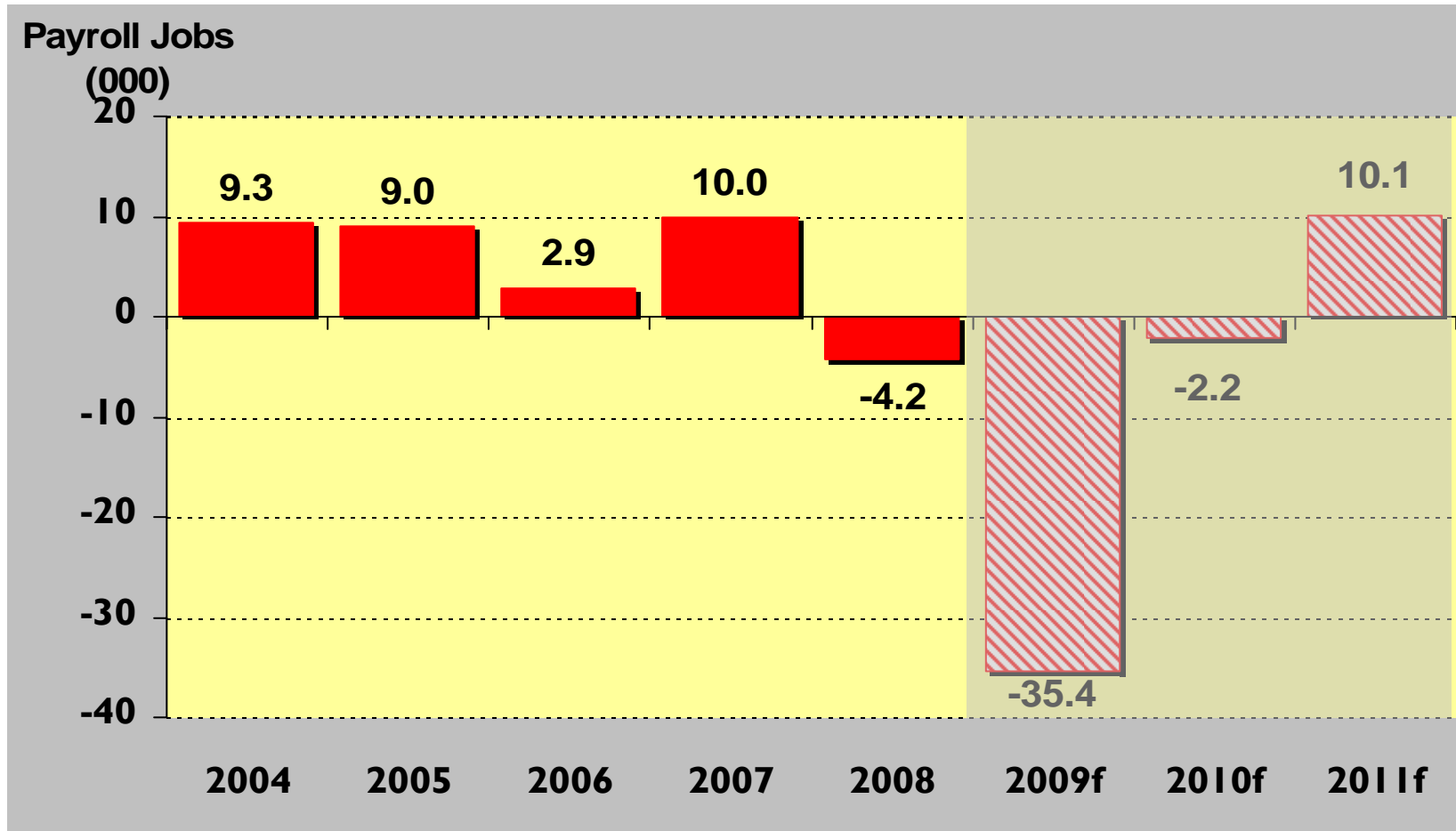
# OHIO SUPER-SECTOR FORECAST: SERVICE PRODUCING INDUSTRIES

Sources: BLS, RED CAPITAL Research



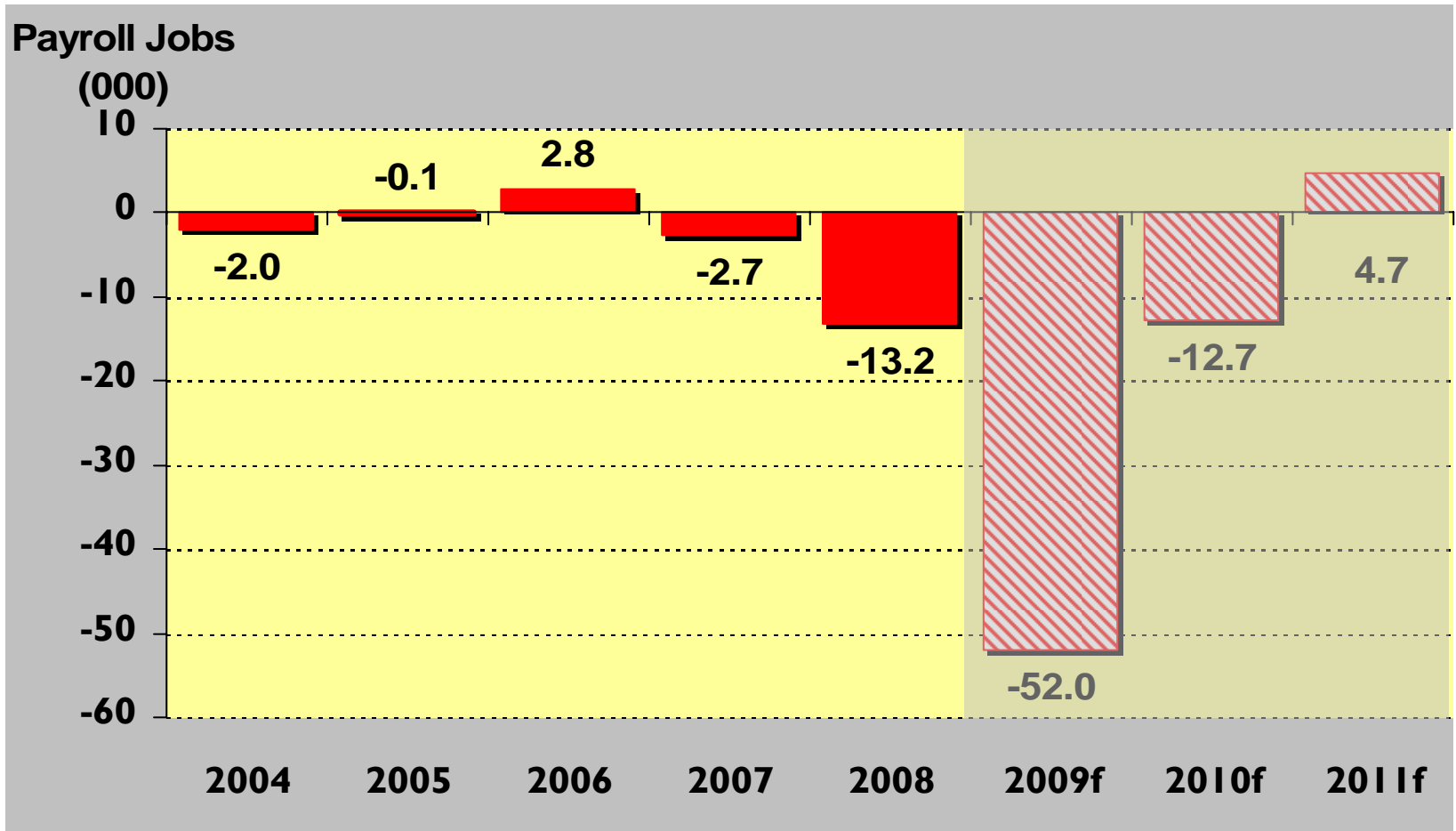
# METRO PAYROLL FORECAST: CINCINNATI-MIDDLETOWN, OH-KY-IN MSA

Sources: BLS, RED CAPITAL Research



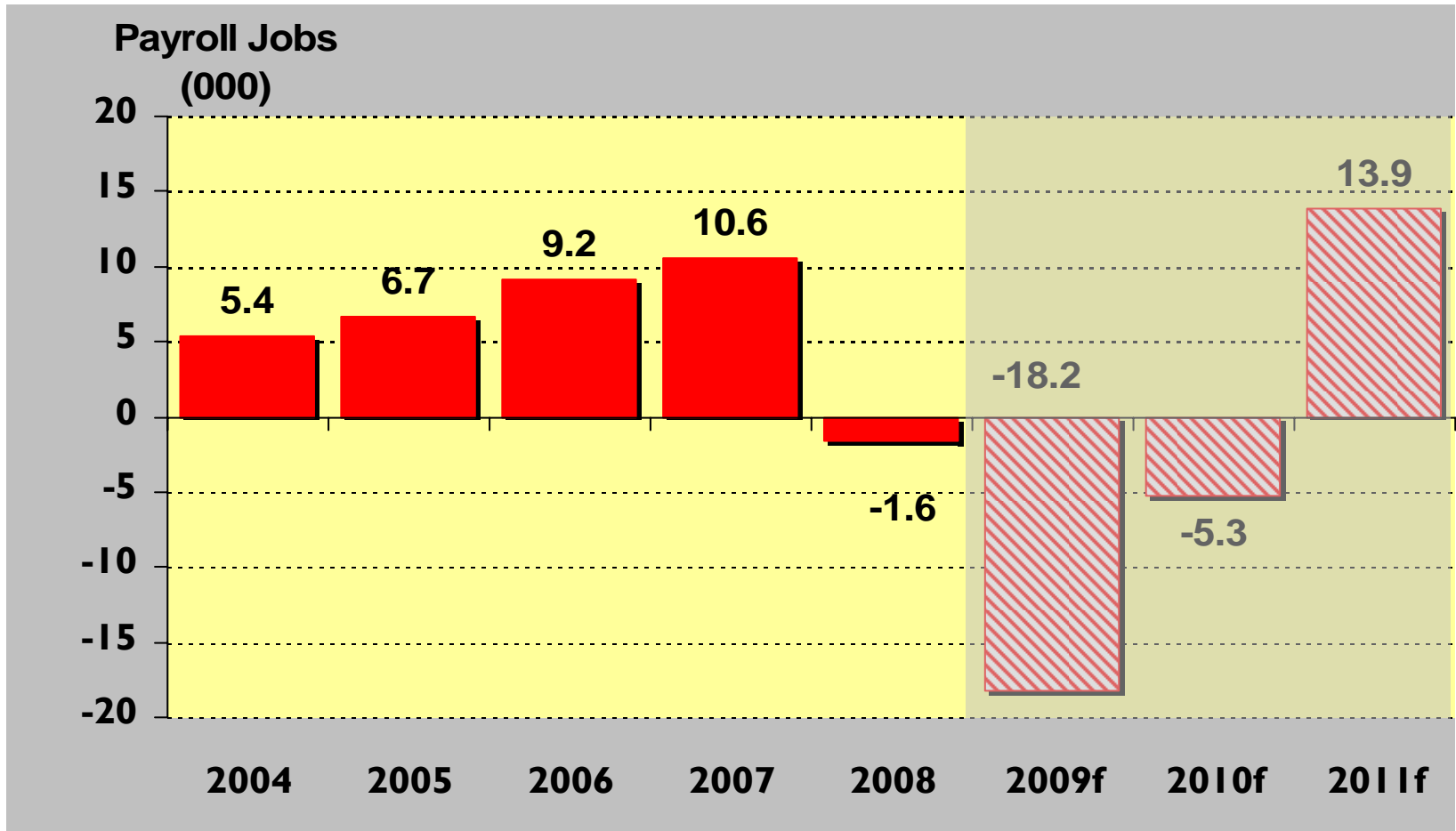
# METRO PAYROLL FORECAST: CLEVELAND-ELYRIA-MENTOR, OH MSA

Sources: BLS, RED CAPITAL Research



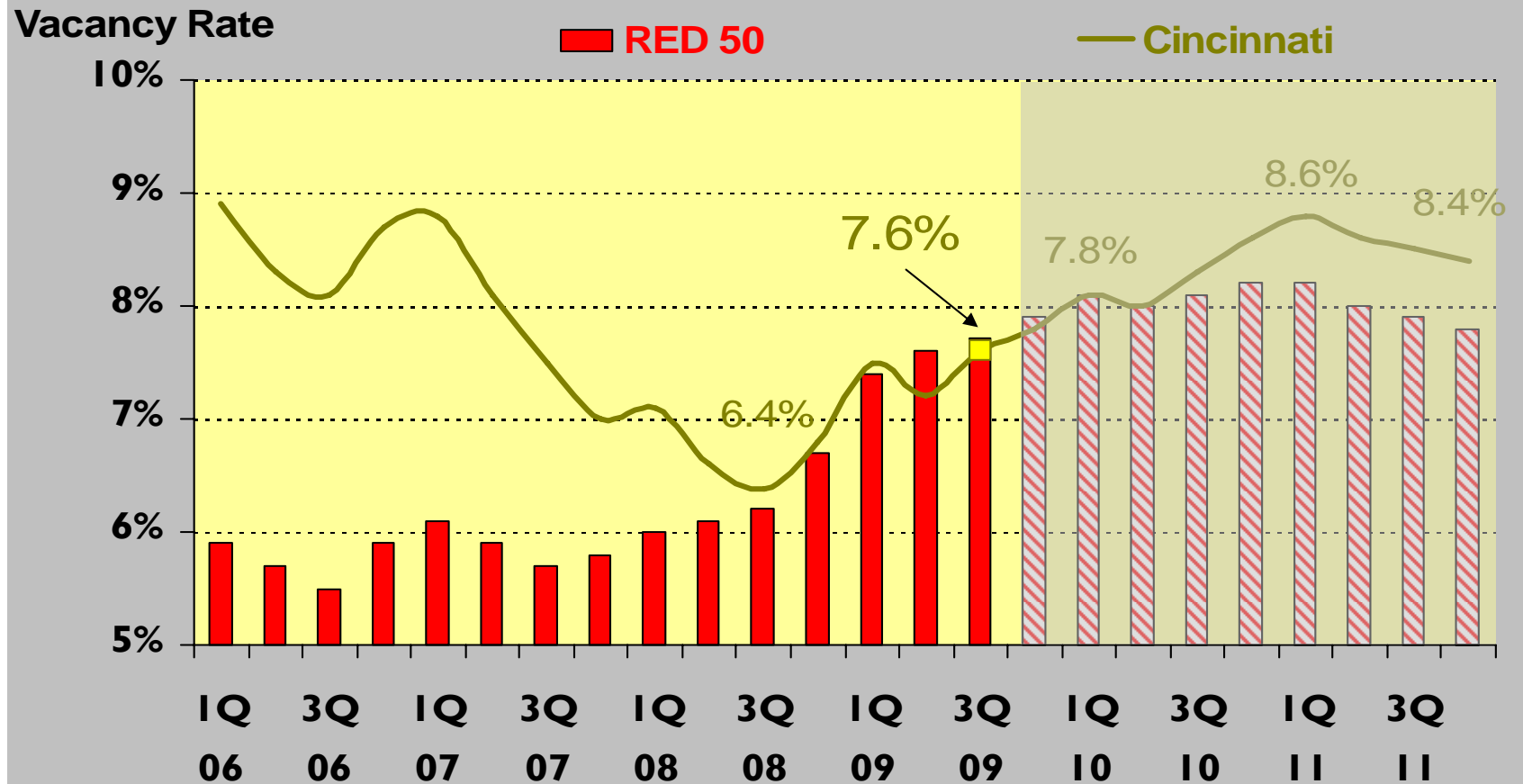
# METRO PAYROLL FORECAST: COLUMBUS, OHIO MSA

Sources: BLS, RED CAPITAL Research



# VACANCY RATE HISTORY & FORECAST: CINCINNATI-MIDDLETOWN, OH-KY-IN MSA

Sources: Reis, RED CAPITAL Research

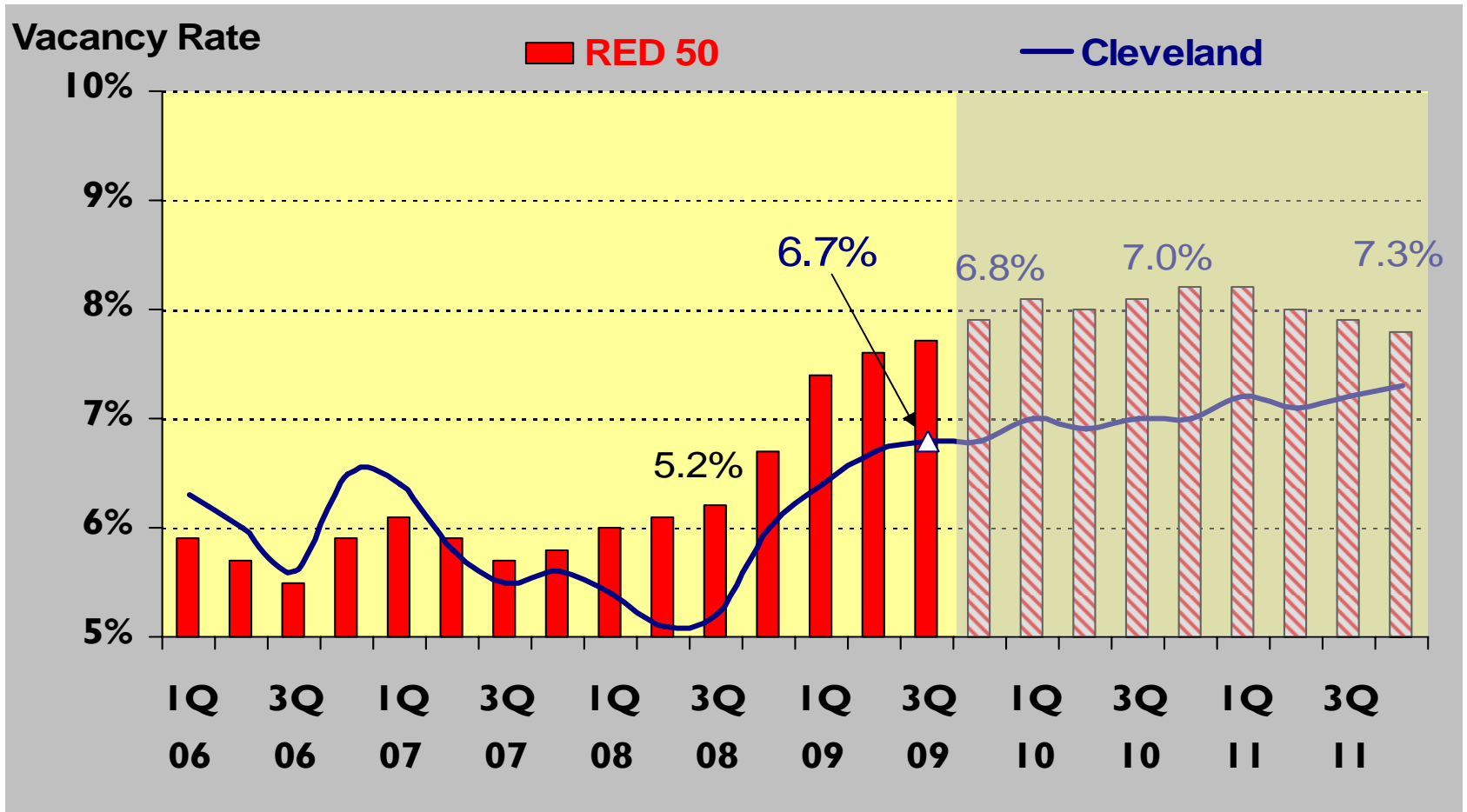


[http://www.redcapitalgroup.com/Research/Reports/RCH-OH-001\\_Cincinnati\\_3Q09.pdf](http://www.redcapitalgroup.com/Research/Reports/RCH-OH-001_Cincinnati_3Q09.pdf)



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

Sources: Reis, RED CAPITAL Research

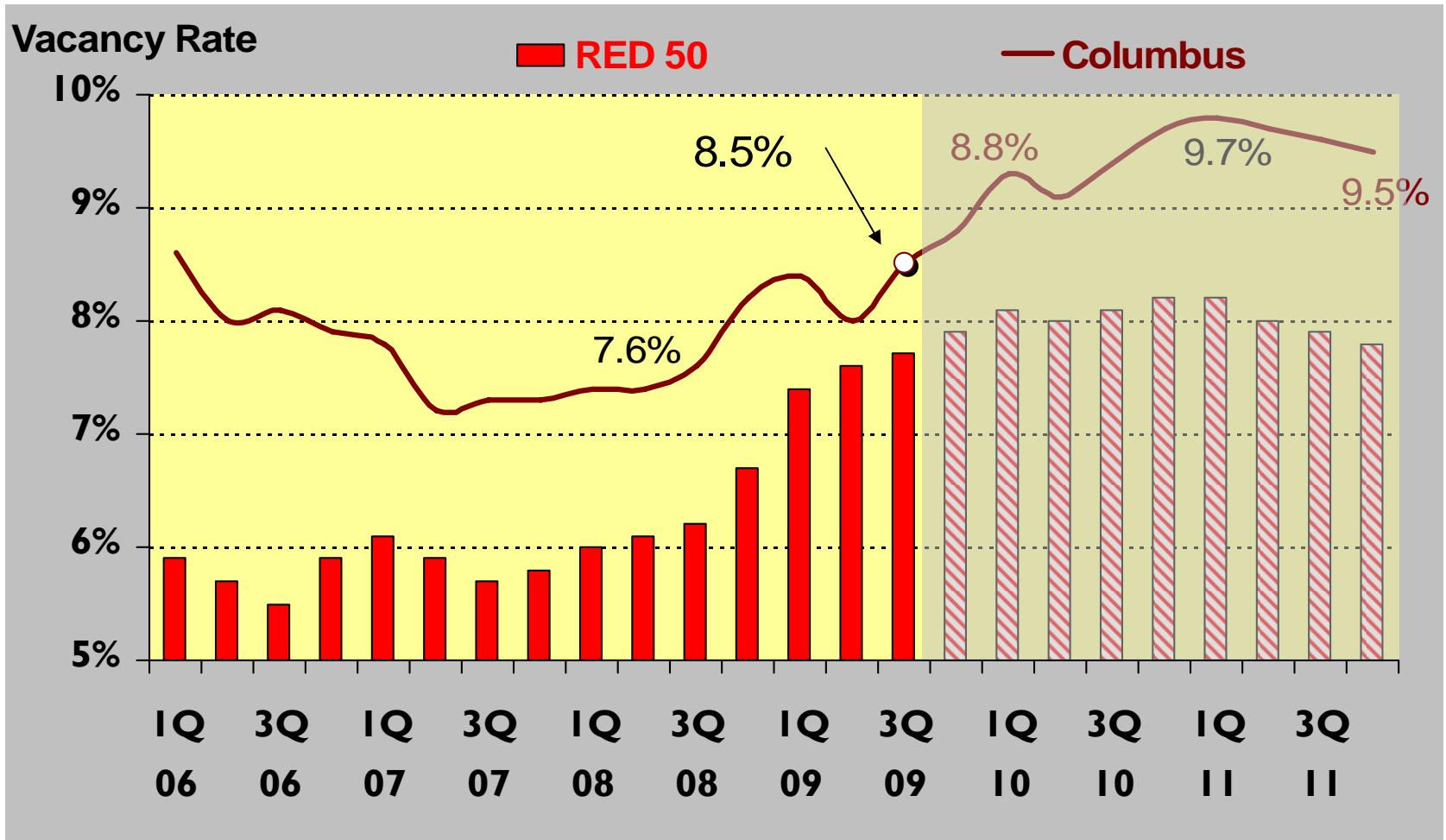


[http://www.redcapitalgroup.com/Research/Reports/RCH-OH-002\\_Cleveland\\_3Q09.pdf](http://www.redcapitalgroup.com/Research/Reports/RCH-OH-002_Cleveland_3Q09.pdf)



# VACANCY RATE HISTORY & FORECAST: COLUMBUS, OH MSA

Sources: Reis, RED CAPITAL Research



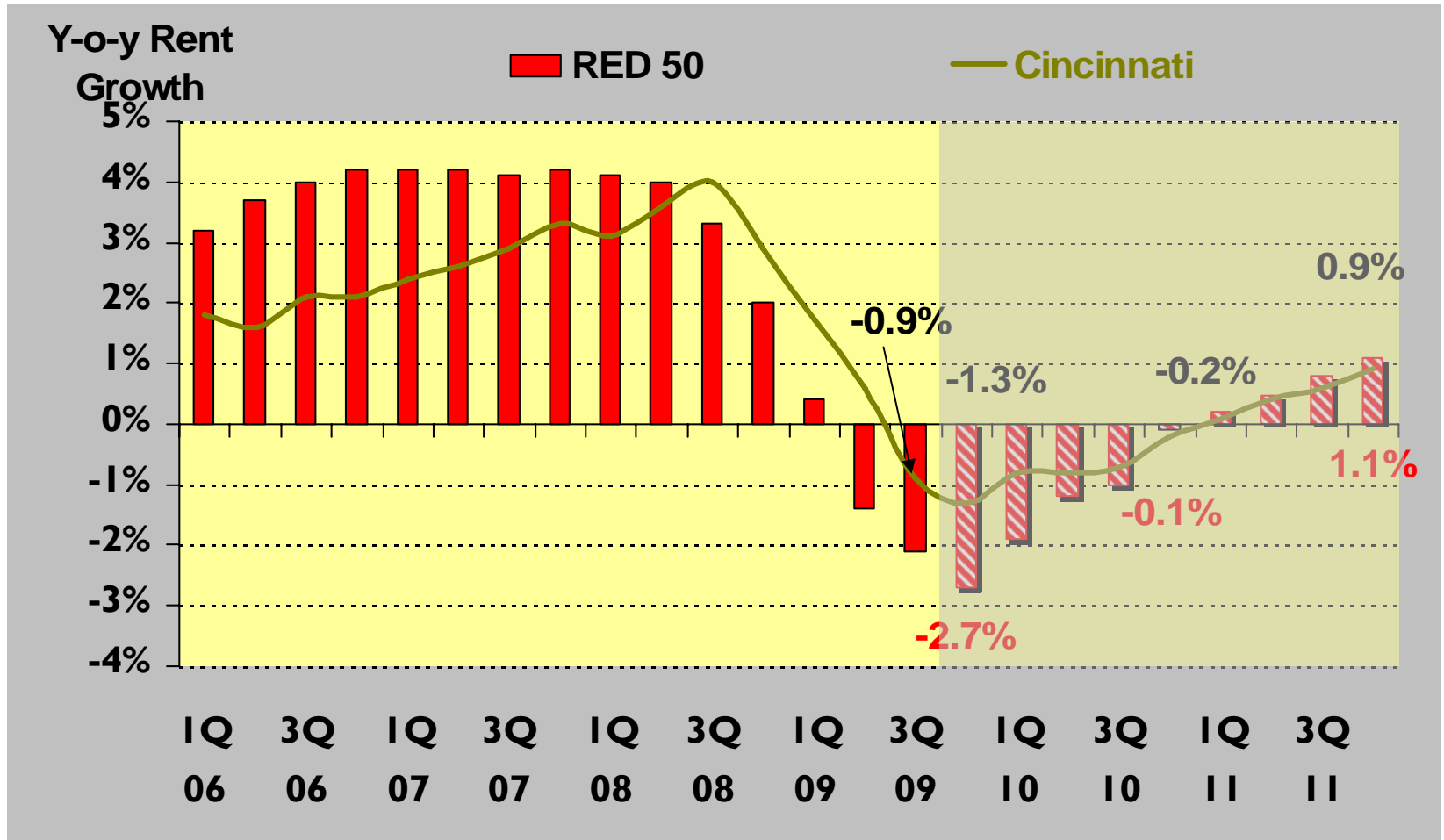
[http://www.redcapitalgroup.com/Research/Reports/RCH-OH-003\\_Columbus\\_3Q09.pdf](http://www.redcapitalgroup.com/Research/Reports/RCH-OH-003_Columbus_3Q09.pdf)





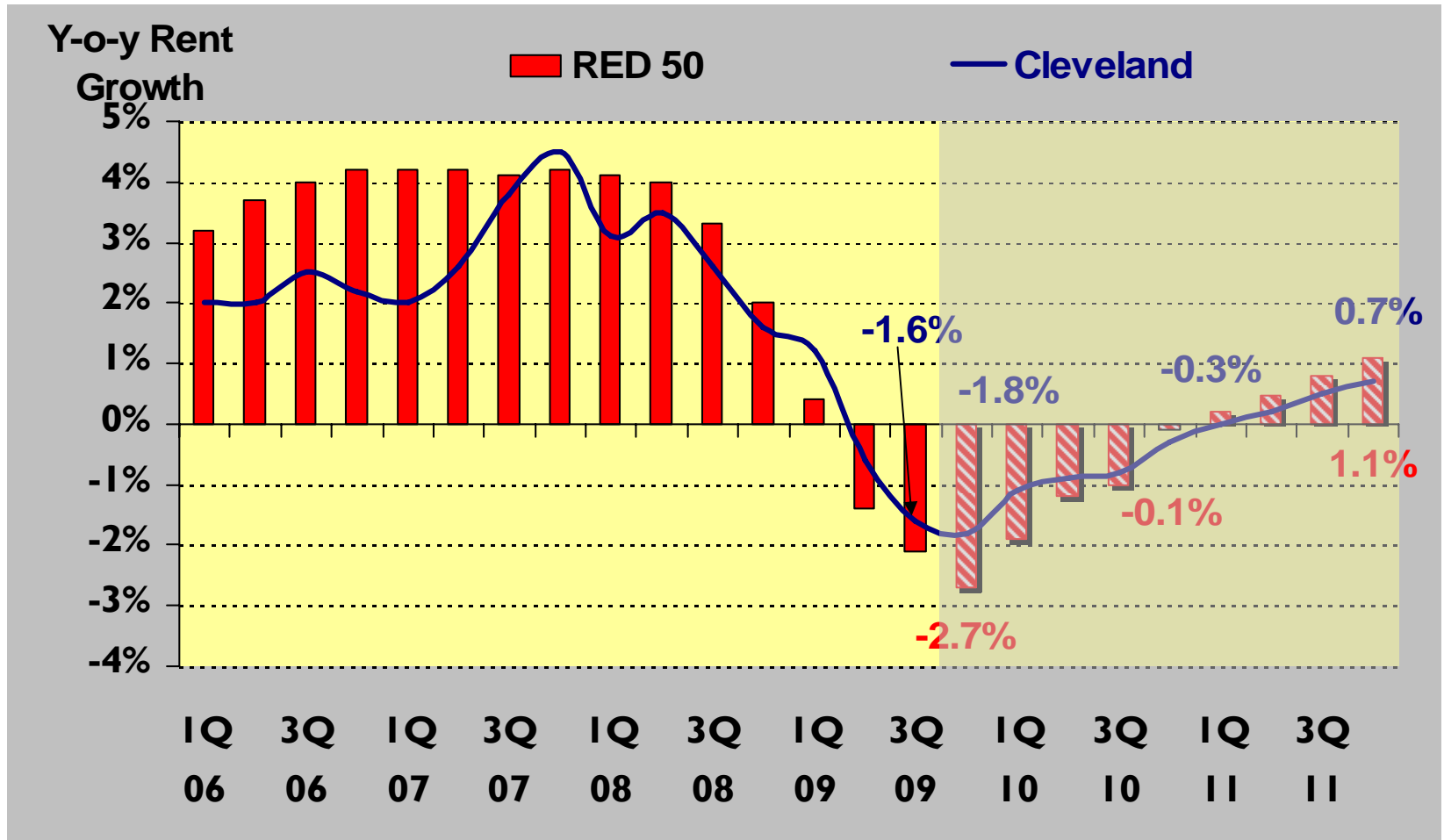
# METRO EFFECTIVE RENT FORECAST: CINCINNATI-MIDDLETOWN, OH-KY-IN MSA

Sources: Reis, RED CAPITAL Research



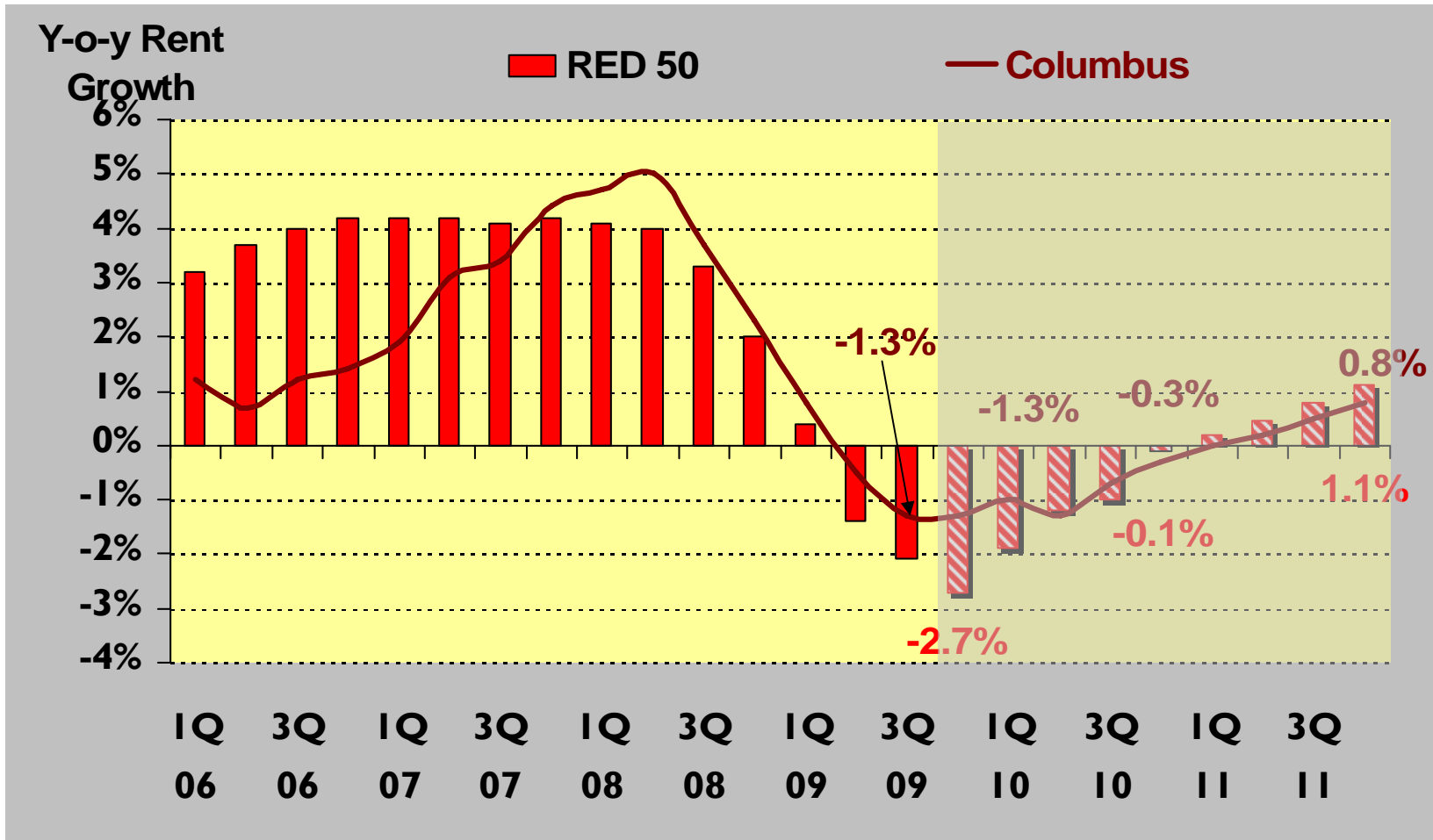
# METRO EFFECTIVE RENT FORECAST: CLEVELAND-ELYRIA-MENTOR, OH MSA

Sources: Reis, RED CAPITAL Research



# METRO EFFECTIVE RENT FORECAST: COLUMBUS, OH MSA

Sources: Reis, RED CAPITAL Research



# METRO TOTAL RETURN ESTIMATES: KEY ASSUMPTIONS

Sources: Reis, RED CAPITAL Research

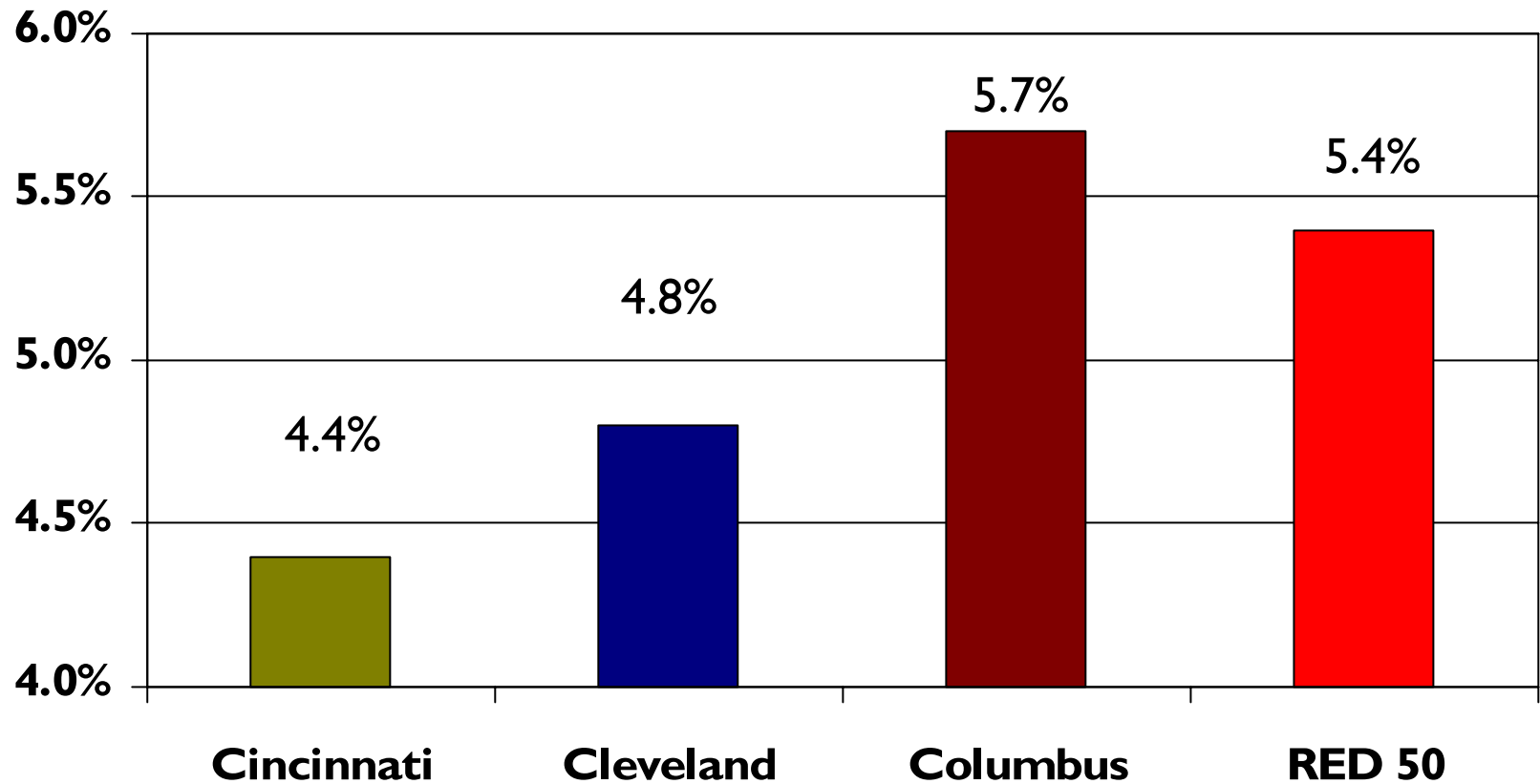
Metro Area	Generic Purchase Cap Rate	5-Yr Rent Growth Forecast (2009 – 13)	Occupancy Rate Chg Forecast by Year-5 (2013)	Historical Rent Volatility (STD Ann. Change)
Cincinnati	7.3%	1.2%	-100 bps	1.3%
Cleveland	8.3%	1.1%	-40 bps	1.5%
Columbus	8.5%	1.0%	-30 bps	1.9%
<b>RED 50</b>	<b>6.9%</b>	<b>1.4%</b>	<b>+60 bps</b>	<b>3.1%</b>



# METRO TOTAL RETURN ESTIMATES

(Expected Un-levered Five-year Holding-period Total Returns)

Source: RED CAPITAL Research



# METRO TOTAL RETURNS: PERFORMANCE PROFILES

Source: RED CAPITAL Research

Metro Area / Risk-adj. Index	Probability of Achieving Stated Return or Greater				
	90%	70%	50%	30%	10%
<b>Cincinnati</b> (2.61)	2.2%	3.5%	4.4%	5.2%	6.5%
<b>Cleveland</b> (2.22)	1.9%	3.7%	4.8%	5.9%	7.5%
<b>Columbus</b> (2.55)	2.7%	4.5%	5.7%	6.8%	8.4%
<b>RED 50</b> (2.03)	1.2%	3.7%	5.3%	6.9%	9.1%



# METRO TOTAL RETURNS: RANKINGS

Source: Reis, RED CAPITAL Research

Metro Area / RAI	RANKINGS AND RECOMMENDATIONS			
	Expected Total Return	Risk-adjusted Index	Downside Return	One-year NOI Growth
<b>Cincinnati (2.61)</b>	46	18	27	14
<b>Cleveland (2.22)</b>	37	26	31	37
<b>Columbus (2.55)</b>	25	20	19	18



# The End of the Presentation

We would be very pleased to entertain your questions when the formal presentations are complete.