RGP NORTHWEST OHIO

Regional Economic Directions

July 2022

Table1: Employment Indicators for the RGP Region

	12 Months	1 Month	NWO	Ohio
Labor Force	●	●	603,900[1]	5,763,400[2]
Employed	●	●	578,800	5,526,600
Unemployed	●	●	25,600	232,900
Unemployment Rate	●	●	4.2%	4.1%[3]
Employment to Population	●	●	63.1%	61.6%

The trends are positive this quarter for the 17 counties in the service delivery area of the Toledo Regional Growth Partnership (RGP). This is true for the year-over-year changes (Y/Y) in the measures in Table 1 as well as the month-over-month (M/M) changes for those same measures. While these data are reported for the first quarter of 2022 (22:Q1), the base data reported in the summary table are for March of 2022. All reported data are mostly publicly available from either Ohio Labor Market Information (LMI) or the U.S. Bureau of Labor Statistics (BLS).

The labor market consists of workers who are employed and those actively seeking employment. The region added 6,200 workers to the labor force between March 2021 and March 2022 – a growth rate of just over 1 percent. On a M/M basis, the region added about 2,800 workers to the labor force, which is about a one-half percent increase between February and March of 2022.

On a Y/Y basis, the number employed grew by 2.85 percent, with 16,000 workers added to payrolls in between March 2021 and 2022. On a M/M basis, the region added 5,900 workers to payrolls for a gain of just over 1 percent. The unemployed pool of workers declined significantly on a Y/Y basis. The number of unemployed workers between March 2021 and 2022 declined by more than 10,000 workers for a drop of about -28 percent. Similarly, the unemployed pool of workers for the RGP region decreased by -11.7 percent, or 3,400 workers.

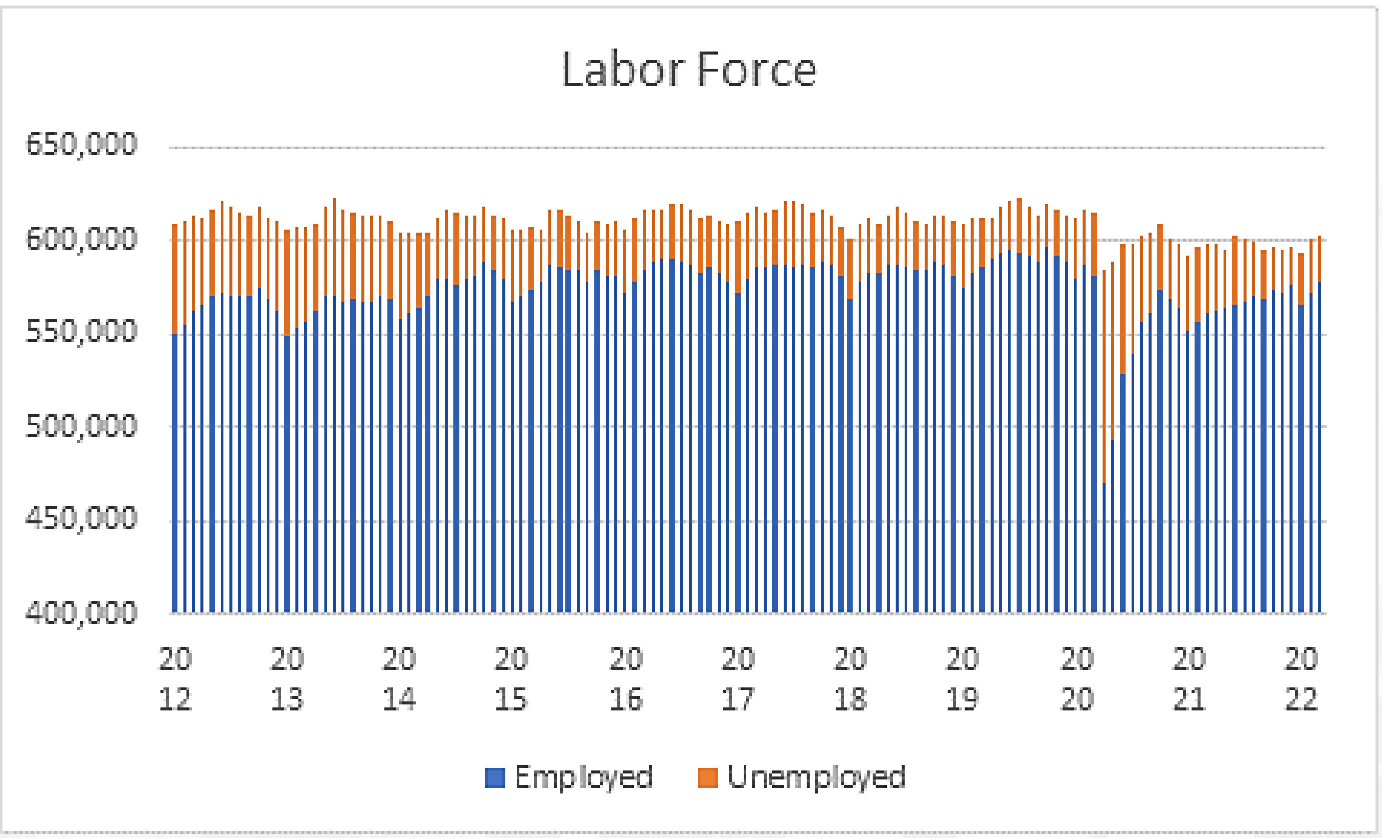
Consistent with the labor market trends, including increasing numbers of employed and few unemployed, the unemployment rate declined when compared to both the previous year and the previous month. Unemployment for the RGP service delivery area is estimated at 4.2% for March 2022. This rate shows the tightening in the regional labor market when compared to March 2021 and February 2022, when rates were at 6 percent and 4.8 percent, respectively.

Finally, using population estimates of the non-institutionalized population that is 16 and over for the region (and provided courtesy of JobsOhio), the labor force participation rate for the region is estimated at 63.1 percent. This rate is up from 62.5 percent Y/Y and from 62.8 percent from the previous month.

[1] March 2022 estimates from Ohio Labor Market Information
[2] March 20022 estimates for Ohio from U.S. Bureau of Labor Statistics
[3] March 2022 estimates from Ohio Jobs and Family Services (https://jfs.ohio.gov/RELEASES/unemp/202204/index.stm)

As noted earlier, the labor force, when compared to the prior month as well as March of 2021, has been growing. But as shown in Figure 1, the labor force has not fully recovered to pre-pandemic levels. If the regional employment condition is to return to the same level as reported in February 2020, the regional economy would need to add another 13,600 workers to return to the pre-COVID employment level of 617,600. As shown in Figure 1 (blue bars), there are about 9,700 fewer employed persons in RGP's service area. But interestingly, the number of unemployed workers, or the pool of available persons actively looking for work, is smaller now than in the first quarter of 2020. In February of 2020, the region's unemployed persons was reported at 29,900, while the number for March 2022 was 4,300 less at 25,600.

Figure 1: RGP Labor Force

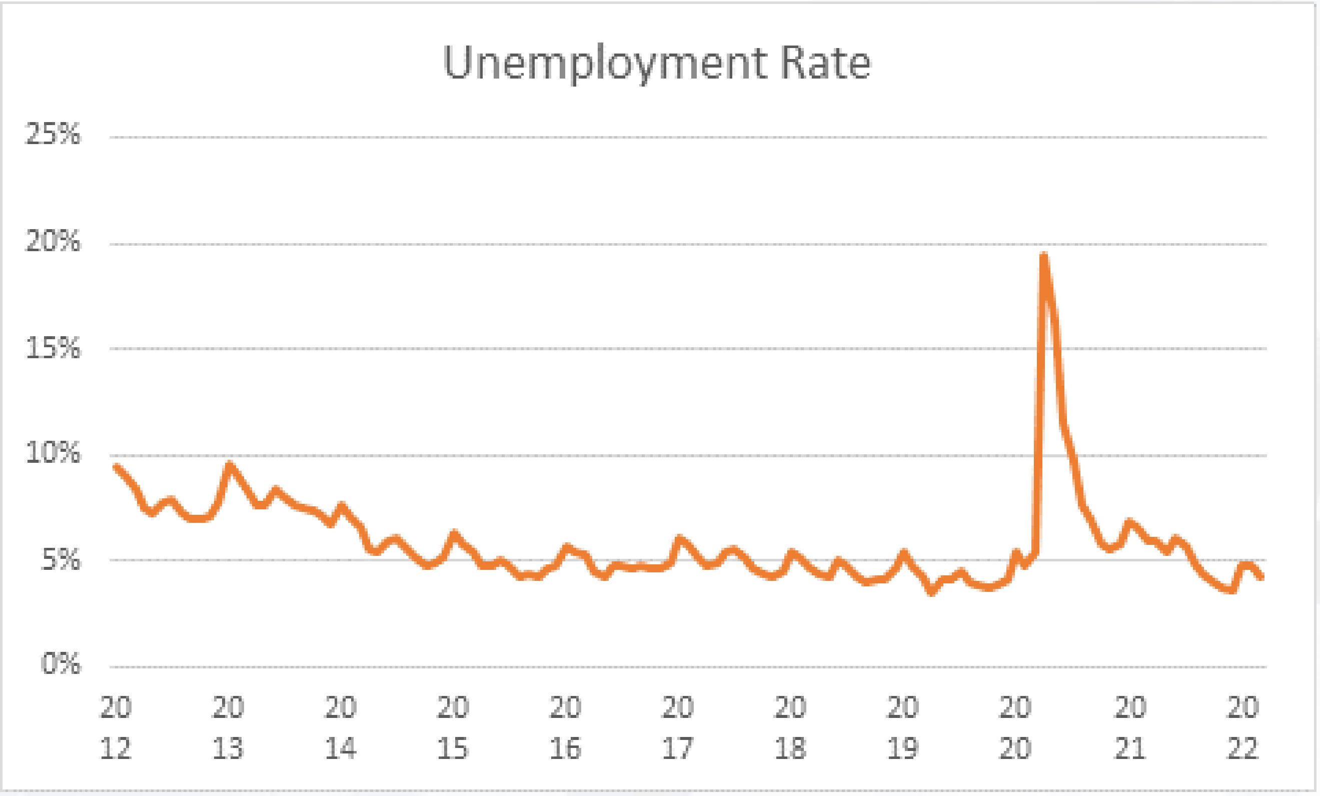


Source: https://ohiolmi.com/Home/LAUShome/index

The unemployment rate for the region has returned to pre-COVID-19 levels. The most recent unemployment rate is estimated at 4.2%, well below that of February 2020, when it was estimated at 4.8 percent (see Figure 2). In the lead up to the pandemic, the average unemployment rate for 2019 was 4.2 percent, with ranges for that year from 5.5 percent in January to 3.8 percent in April. In essence, the regional economy, at least from an unemployment rate perspective, has returned to trend, and is well below the long-run trend between the beginning of the recovery in 2012 through the end of 2019 at a rate of 5.6 percent.

As reported by Ohio Labor Market Information, the state's unemployment rate was 4.1 percent as of March 2022; thus about the same as the northwest region of the state. The Federal Reserve Bank of St Louis[1] reports the Noncyclical Rate of Unemployment (NROU). This data set was previously named Natural Rate of Unemployment (Long Term [NAIRU]) and is the closest measure published that provides an estimate of "full employment." In its May update, the published rate for NROU for the macroeconomy was 4.44 percent. A regional rate for full employment is not published, but the regional unemployment rate for March was at 4.2 percent, suggesting that the northwest Ohio economy is at or near full employment.

Figure 2: RGP Unemployment Rate



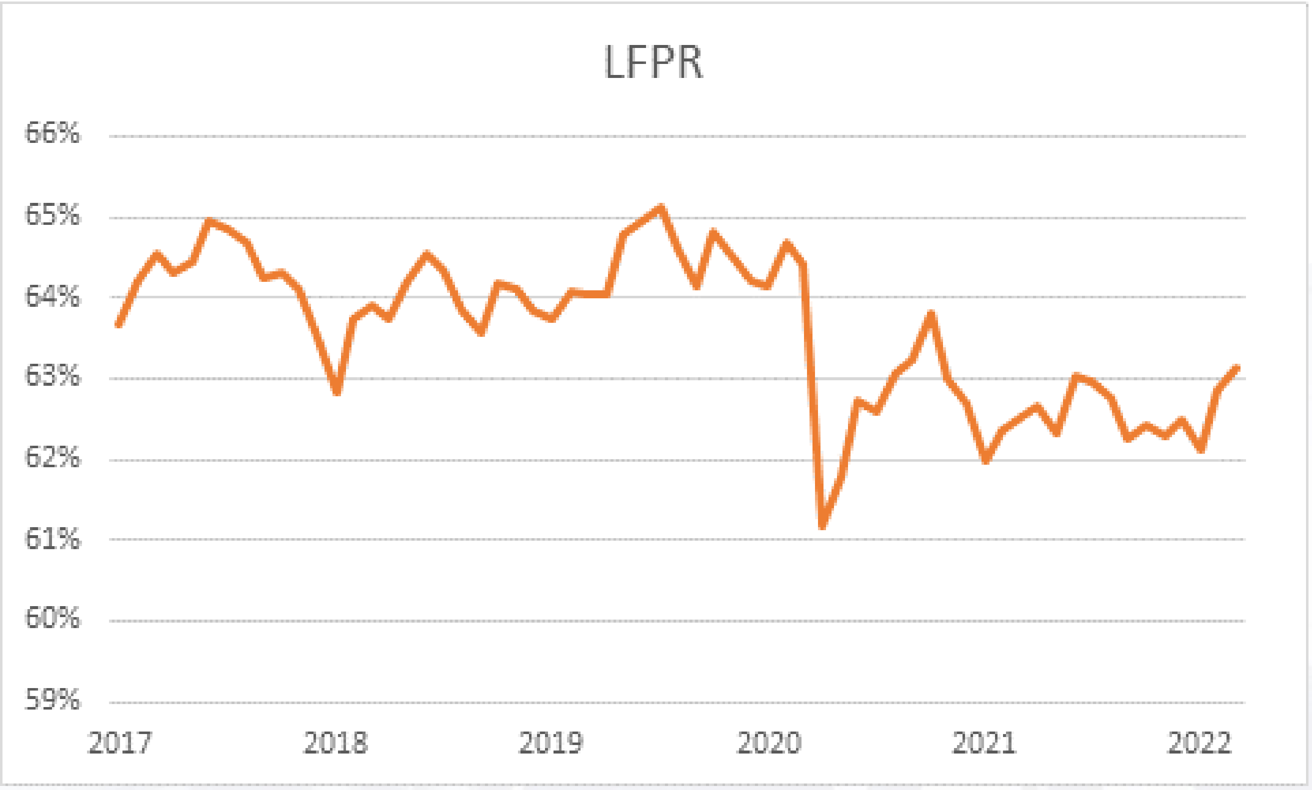
Source: https://ohiolmi.com/Home/LAUShome/index

[1]FRED: https://fred.stlouisfed.org/series/NROU

Labor Force Participation Rate

The labor force participation rate (LFPR) is the share of the region's population[1] that is in the labor force, either employed or actively looking for work. The population base for the age 16+ population was provided by the team at JobsOhio. Due to data limitations, the estimates of LFPR are only available back to the beginning of 2017. At this point the economy was in full recovery, and the current rate of 63.1 percent is moving back toward the regional trend (see Figure 3). The regional rate is well above the reported rate of 61.6 for the state of Ohio and better than the national rate at 62.4 percent.

Figure 3: Labor Force Participation Rate



Source: https://ohiolmi.com/Home/LAUShome/index

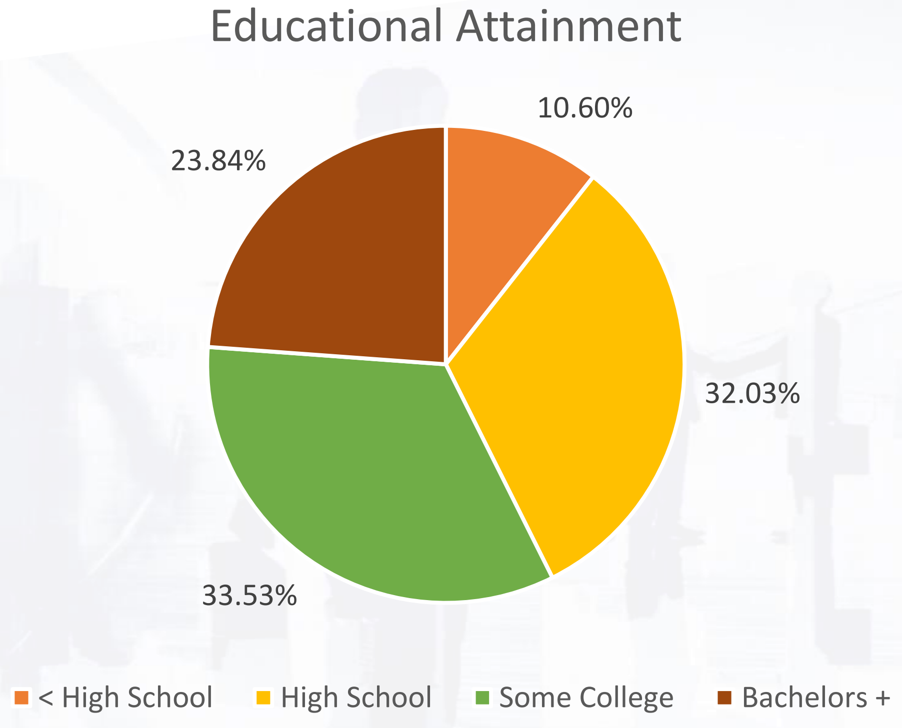
[1]The population referenced for this measure is 16+ non-institutional population in the RGP group of counties.

Educational Attainment

Table 2 contains the estimates of educational attainment provided by the U.S. Census Bureau[1] for the third quarter of 2021 (21:Q3) for the 17 counties included in the northwest Ohio region. The percentages in Table 2 show the share of the population by levels of attainment. When compared to the state of Ohio, the region does lag the state slightly in educational attainment. The high school completion rate is a bit above the state by just over a 2.3 percent. The RGP region does have slightly more (1.3 percent) of the population with some college or an associates degree. But when bachelor's degrees and advanced degrees are considered, the region lags the state by just over 3.5 percent.

Table 2: Educational Attainment in Northwest Ohio

Less than high school	High school	Some college	Bachelor's and higher
10.60%	32.02%	33.53%	23.84%



Source: Census: Quarterly Workforce Indicators

[1]qwiexplorer.ces.census.gov

Table 3: Regional Industry Sector Trends Year-over-Year

	2020:Q3	2021:Q3	2021:Q3 Share	Year/Year	Year/Year %
Natural Resources & Mining	4,519	4,416	0.8%	-103	-2.28%
Construction	24,084	25,053	4.8%	969	4.02%
Manufacturing	105,836	107,016	20.5%	1,180	1.12%
Trade Transportation, and Utilities	102,993	103,850	19.9%	857	0.83%
Information	4,547	4,570	0.9%	23	0.51%
Professional and Business Services	49,170	48,782	9.3%	-388	-0.79%
Financial Activities	16,821	17,014	3.3%	193	1.15%
Education and Health Services	122,773	122,689	23.5%	-84	-0.07%
Leisure and Hospitality	52,362	56,289	10.8%	3,927	7.50%
Other Services	14,615	15,504	3.0%	889	6.08%
Public Administration	17,298	16,823	3.2%	-475	-2.75%
Grand Total	515,018	522,005	100.0%	6,987	1.36%

This section examines employment changes, both by number and by percentage, of major industry sectors for the northwest Ohio economy for two time periods: first, between the third quarters of 2021 and 2022 or Y/Y, and second, between the second and third quarters of 2022 or quarter-over-quarter (Q/Q). These industry-level data, provided by the U.S. Bureau of Labor Statistics (BLS) lags slightly. The most recent data of this writing is for the third quarter of 2021.

As shown in Table 3, on a Y/Y basis, the economy for the RGP area grew by nearly 7,000 jobs. Most of the growth was focused on three industry sectors – Construction, Manufacturing, and Leisure and Hospitality. On a Y/Y basis, these three sectors added 6,076 jobs or about 87 percent of all net new jobs. On a Y/Y basis, Construction added an estimated 969 new jobs, while Manufacturing added 1,180 and Leisure and Hospitality added 3,927 new jobs.

Conversely, some industry sectors saw jobs losses. These included Natural Resources and Mining (-103), Professional and Business Services (-388), Education and Health Services (-84), and Public Administration (-475).

The industry sectors employing at least 10 percent of regional employment in the third quarter of 2021 include Manufacturing (20.5%); Trade, Transportation, and Utilities (19.9%); Education and Health Services (23.5%); and Leisure and Hospitality (10.8%).

Regional Industry Sector Trends: Year Over Year

Figure 4 shows the industry sector trends by the change in number of jobs between the second quarters of 2020 and 2021. Figure 5 shows the same trends for industry sectors as a percent change in jobs and for the same period.

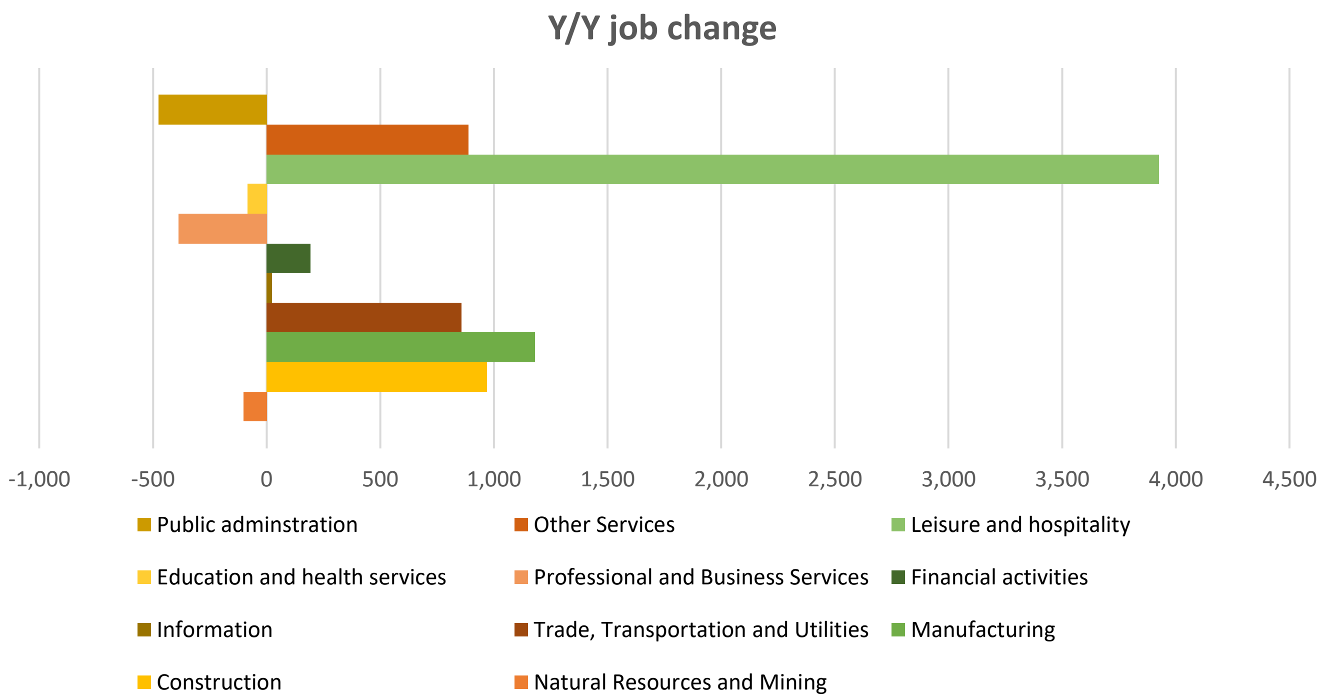


Figure 4: Employment trends between Q3 2020 and Q3 2021 in terms of jobs
https://www.bls.gov/cew/

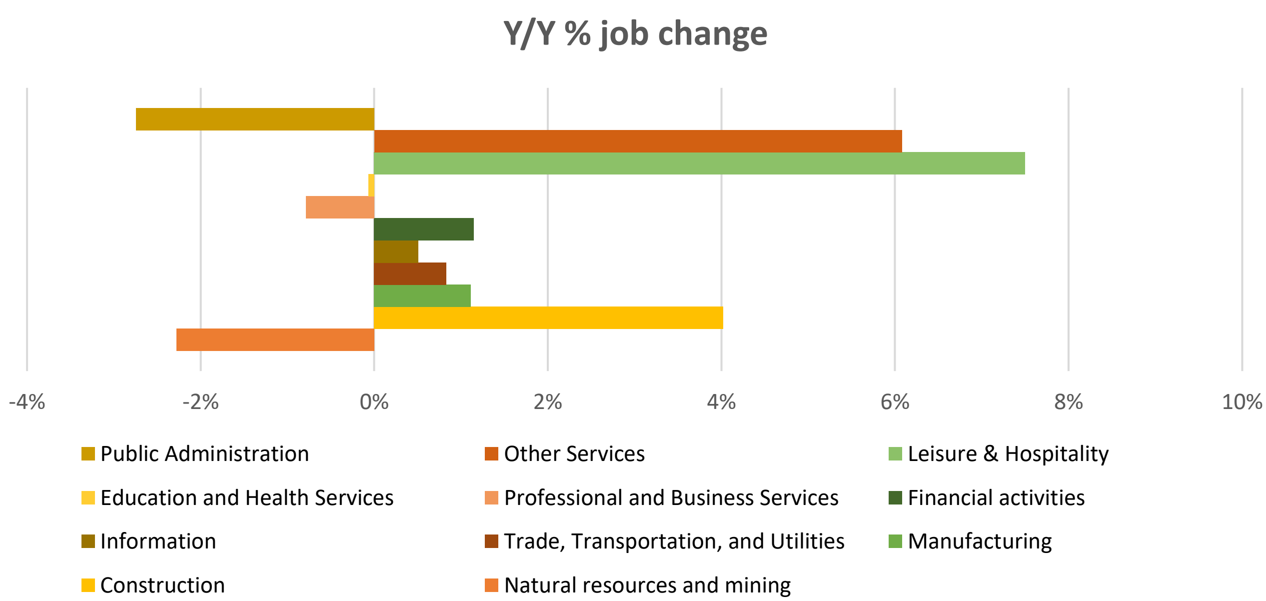


Figure 5: Employment trends between Q3 2020 and Q3 2021 in terms of share of jobs
https://www.bls.gov/cew/

REGIONAL INDUSTRY SECTOR TRENDS: QUARTER OVER QUARTER

The regional economy continued to add jobs between the second and third quarter of 2021. As with the Y/Y data, the trends between Q2 and Q3 have some sectors with increased employment and some with employment losses. On the plus side, Construction added more than 1,200 jobs and Manufacturing added nearly 800 jobs. Leisure and Hospitality added more than 2,200 jobs between the quarters. As shown in Table 4, Natural Resources and Mining and Professional and Business Services lost jobs, -94 and -484, respectively. The Education and Health Services sector appears to have lost a significant number of jobs, at -3,386 between the quarters. A note of caution here: These losses may be due more to seasonality than true job losses.

Table 4: Regional Sector Trends: Quarter over Quarter

	2021:Q2	2021:Q3	2021: Q3 Share	QTR/QTR	QTR/QTR %
Natural Resources and Mining	4,510	4,416	0.8%	-94	-2.09%
Construction	23,849	25,053	4.8%	1,204	5.05%
Manufacturing	106,225	107,016	20.5%	791	0.74%
Trade, Transportation, and Utilities	103,562	103,850	19.9%	288	0.28%
Information	4,515	4,570	0.9%	55	1.21%
Professional and Business Services	49,265	48,782	9.3%	-484	-0.98%
Financial Activities	16,924	17,014	3.3%	90	0.53%
Education and Health Services	126,075	122,689	23.5%	-3,386	-2.69%
Leisure and Hospitality	54,052	56,289	10.8%	2,237	4.14%
Other Services	15,396	15,504	3.0%	108	0.70%
Public Administration	16,614	16,823	3.2%	209	1.26%

Source: https://www.bls.gov/cew/

Q2 includes April, May, and June when (generally) schools, both K-12 and higher education, are fully in operation. Conversely Q3 includes July, August, and September when most education-related activity is on hiatus. When looking at the Y/Y Q3 data for both 2020 and 2021, the employment numbers are very similar, supporting the hypothesis that the Q/Q changes are seasonal and not structural.

Figures 6 and 7 on the following page depict the industry-sector changes between the current quarter, Q2 of 2021, and the prior quarter. Figure 6 reports employment change by number of jobs and Figure 7 depicts employment change in terms of share of jobs.

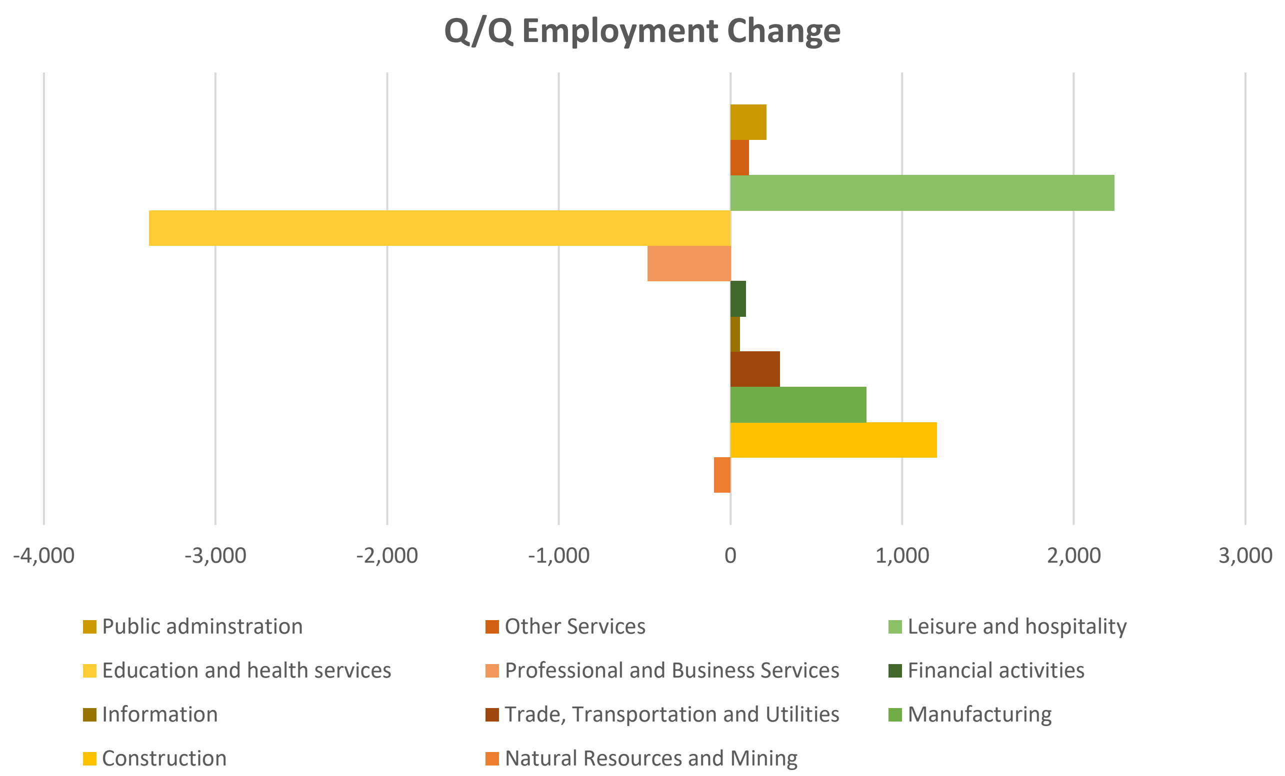


Figure 6: Employment trends between Q2 2021 and Q3 2021 in terms of jobs
https://www.bls.gov/cew/

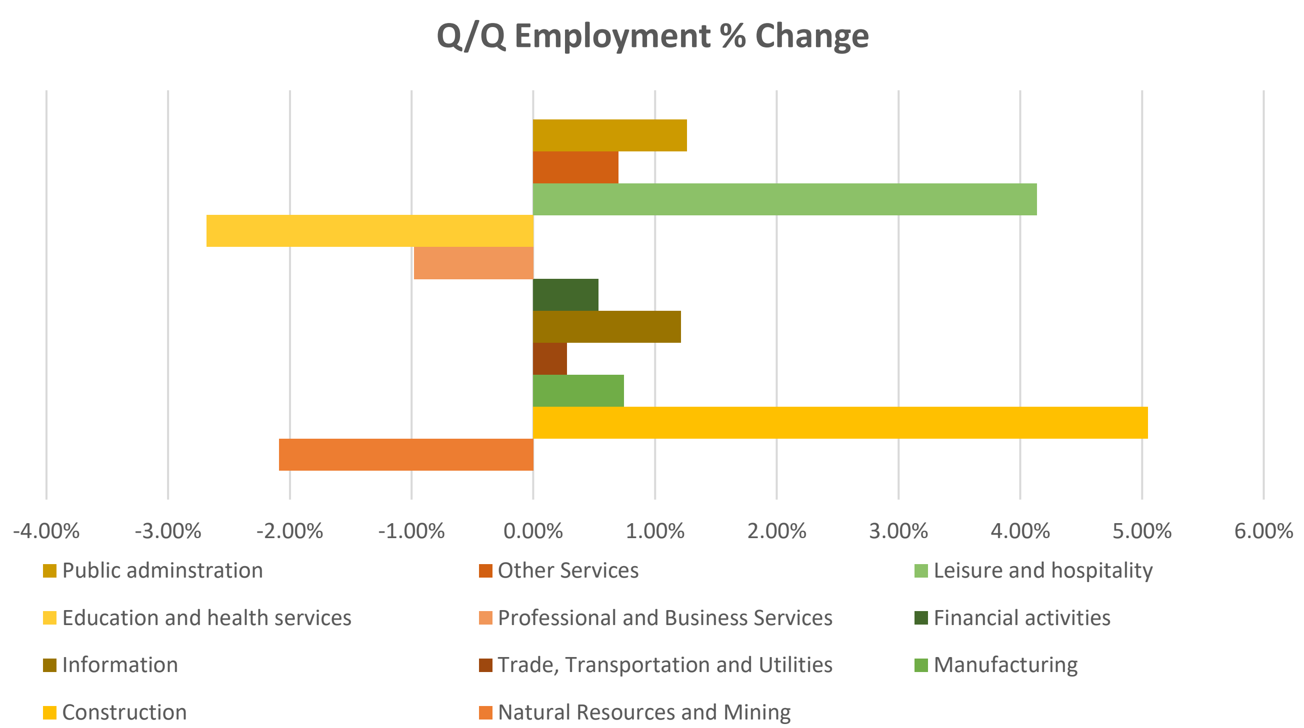


Figure 7: Employment trends between Q2 2021 and Q3 2021 in terms of share of jobs
https://www.bls.gov/cew/

MULTIFAMILY REAL ESTATE MARKET CONDITIONS

12 Mo Delivered Units	12 Mo. Absorption Units	Vacancy Rate	12 Mo. Asking Rent Growth
143	334	4.0%	8.2%

Toledo's apartment market held up well amid the pandemic, with the vacancy rate falling steadily since early 2020. Annual net absorption set a record in 2020 and totaled nearly 1,000 units. This momentum continued in 2021 with another 900 units absorbed. This easily outpaced a healthy rate of deliveries over the past two years, and vacancy fell around 250 basis points since early 2020. At 4.0%, vacancies sit well below the national average and are among the lowest in the region.

The development pipeline in Toledo has maintained healthy levels over recent years and 710 units are currently under construction, representing 1.8% of inventory which is a modest figure relative to larger markets in the region. The largest project underway is Carr Apartments in Sylvania. The property will add 252 units to the market this summer, with units ranging from one- to two-bedrooms. Another 216 units are slated to deliver in 22Q3. Management Resources Development, the same developer for Carr Apartments, is behind Fuller Apartments in Perrysburg. Units here also include one- and two-bedrooms, with asking rents well above the market average at nearly $1,300/month. With new supply entering the market just as demand is moderating, vacancy rates tick higher over the next few quarters but remain below 5%.

Rents in Toledo are some of the most affordable in the region and average $880/month, about 20% below those in neighboring Detroit and Cleveland. Like overall trends in the multifamily sector, rent growth sits at record levels and year-over-year gains sit at 8.1% in Toledo, which is mid-range among peer markets in the region. Annual gains are highest in sought-after suburban areas such as Perrysburg and Sylvania where growth is close to 10%. In the Base Case forecast, rent growth decelerates, but remains above average over the next four quarters.

After a notable deceleration in investor activity in 2020, sales volume in Toledo rebounded and sits near record level with $146M trading hands over the trailing 12-month period. Smaller Class B and C assets tend to represent the bulk of trades in Toledo, which weighs on the overall transaction volume.

KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Stars	51,625,207	1.8%	$4.77	6.6%	(9,485)	0	1,246,000
3 Star	47,970,651	2.2%	$4.90	7.5%	(3,300)	0	1,638,965
1 & 2 Stars	5,987,985	2.4%	$8.40	4.9%	5,759	0	22,400
Market	105,583,843	2.0%	$5.03	6.9%	(7,026)	0	2,907,365

Source: CoStar Market Research

INDUSTRIAL REAL ESTATE MARKET CONDITIONS

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	12 Mo Rent Growth
41.3K	706K	2.0%	8.7%

While the industrial sector has proven resilient amid the pandemic, some industrial users have fared better than others. Market penetration of e-commerce accelerated as consumers increasingly shop from home. This has driven leasing activity to all-time highs as tenants seek to expand their distribution networks to fulfill a surge of online orders. However, disrupted supply chains, reduced export growth, and labor shortages present headwinds for the industrial market, and specifically the manufacturing sector.

Toledo's outsized exposure to the manufacturing sector is visible in the market's demand trends. After falling negative in 21Q1, industrial demand in Toledo returned to positive territory but annual net absorption totaled just under 60,000 SF, the lowest figure in ten years. At just 2.0%, the vacancy rate in Toledo sits well below neighboring markets and the national average. Vacancy has steadily fallen in Toledo over the past decade amid demolished, limited new supply, and consistent demand. Construction activity is increasing and sits at record level with 2.9M SF underway. The share of speculative development is limited, however, and vacancy rises slightly over the coming quarters.

In line with the national trend, industrial rent growth in Toledo saw a sharp increase in 2021 and year-over-year gains as of 22Q1 8.7%, an all-time high for the market. Investment activity is also elevated and sales volume over the past 12 months totals $116M, the highest level recorded since 2015. Deal volume in 21Q3 was particularly strong at over $40M, which is the highest quarterly total on record in recent years.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	51,625,207	1.8%	$4.77	6.6%	(9,485)	0	1,246,000
Specialized Industrial	47,970,651	2.2%	$4.90	7.5%	(3,300)	0	1,638,965
Flex	5,987,985	2.4%	$8.40	4.9%	5,759	0	22,400
Market	105,583,843	2.0%	$5.03	6.9%	(7,026)	0	2,907,365

Source: CoStar Market Research

For questions or information, contact:
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