













REGIONAL ECONOMIC DIRECTIONS

4TH QUARTER 2021

REGIONAL TRENDS

Table I: Summary of Regional Trends

| | 12 Months | 1 Month | NWO | Ohio |
|----------------------------------|---|---|---------|-----------|
| Labor Force |  |  | 587,200 | 5,649,400 |
| Employed |  |  | 548,800 | 5,295,100 |
| Unemployed |  |  | 38,400 | 354,300 |
| Unemployment Rate |  |  | 6.5% | 6.3% |
| Labor Force Participation |  |  | 60.8% | 61.0% |

The employment indicators in Table I above depict mixed trends for the region – both for the year-over-year and the month-over-month trends. The year-over-year (Y/Y) data, from June 2020 to June 2021, indicate that the region's total labor force declined by 16,300 or 2.7%. However, the month-over-month (M/M) data from May 2021 to June 2021 show that the region's labor force grew by 11,700 or just over 2%.

Conversely, the number of employed persons grew for both periods: Y/Y grew by 1.5% or 8,200 jobs while M/M grew at about 1%, or 4,700 jobs. For those unemployed, which is also the available workforce, the Y/Y declined by 24,500 workers. The Y/Y unemployment rate dropped by about 4 percentage points, although the M/M unemployment rate crept up from 5.5% to 6.5%. The region's labor force participation (LFPR) rate declined Y/Y but rebounded between May and June of 2021 to just under 61%, putting it on par with the state of Ohio.

The increase in the M/M unemployment rate may not necessarily be bad news because the increase in the number of unemployed indicates a larger available workforce. This suggests that more people are entering the labor force and looking for jobs – a trend that is also supported by the above-mentioned LFPR increase between May and June of 2021 where more people are entering the labor force.

LABOR FORCE

The labor force is comprised of two components – those currently (as of this report date) working and those who are actively seeking employment. The long-run average (mean) for the labor force is about 614,000 workers. Currently, the labor market is at about 95.6% of the long-run trend. Similarly, the long-run trend for employed workers in the region is just over 572,000 and the region is currently just under 96% percent of trend (see Figure I below).

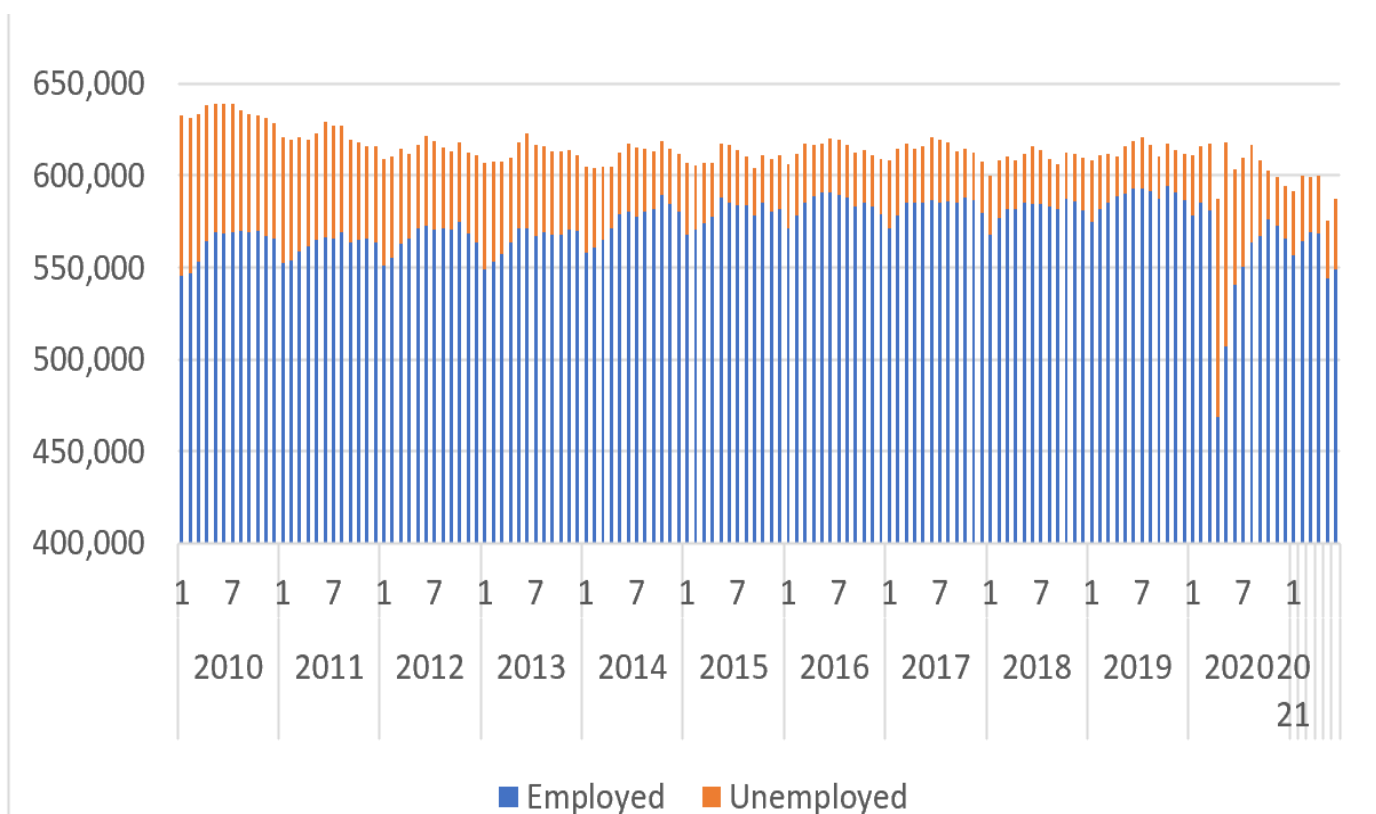


Figure I: Trends in regional labor force.

UNEMPLOYMENT

The average (mean) trend for unemployment in the region is estimated at 6.74%, using non-seasonally adjusted data (Figure 2). This includes during the time of the COVID Pandemic, like April 2021 when the rate was at 20.27%, and during the peak of the Great Recession (2010) when rates were above 13%. The 6.74% average rate, which is below the long-run trend, also includes more robust times when the regional unemployment rate was at or below the full employment rate.

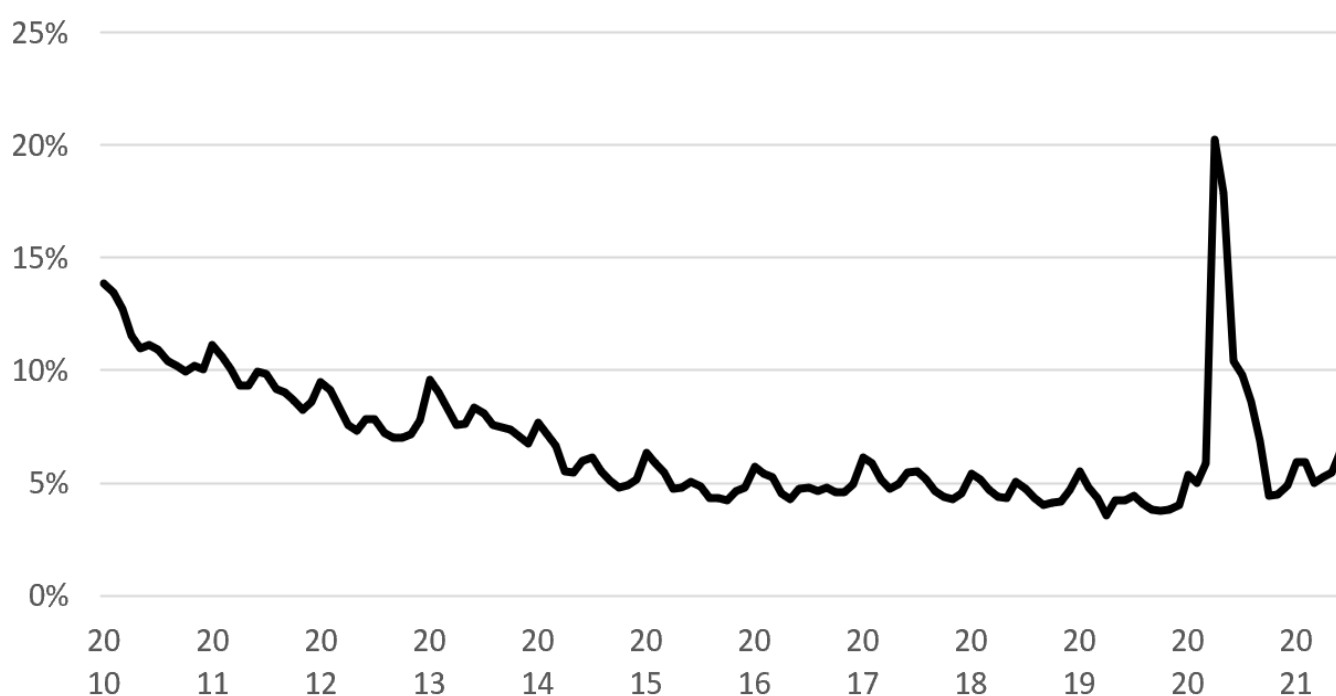


Figure 2: Trends in regional unemployment.

LABOR FORCE PARTICIPATION RATE

Historically the region's labor force participation rate has followed both that of Ohio and the nation. But recently the decline in the size of the region's labor force through the COVID period has the Northwest Ohio region underperforming, relatively speaking. The trend is about the same as the state of Ohio (61%) but lower than the nation (62.1%). See Figure 3 below.

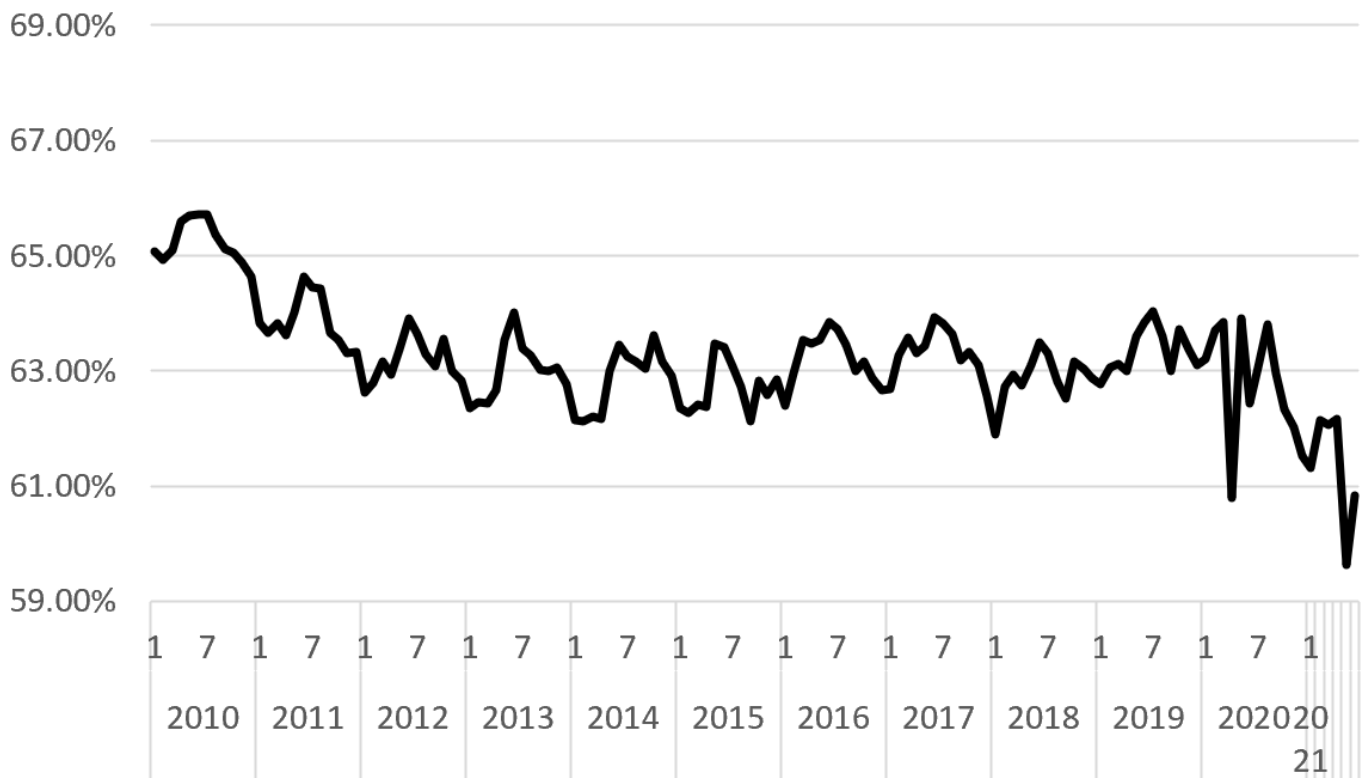


Figure 3: Trends in regional labor force participation.

Educational attainment in the region demonstrates a workforce with a strong potential “for making things.” High school graduates and those who attended college for some period of time are two groups that are ideal targets for increasing the supply of “middle-skilled” workers (see Table 2).

Table 2: Educational Attainment.

| Less than High School | High School | Some College | Bachelor's and Higher |
|-----------------------|-------------|--------------|-----------------------|
| 9.89% | 33.57% | 33.75% | 22.79% |

Source: U.S. Census Bureau – Quarterly Workforce Indicators

REGIONAL INDUSTRY SECTOR TRENDS: YEAR OVER YEAR

Table 3: Sector Employment Trends:Year Over Year

| | 2019:4 | 2020:4 | Year/Year | Year/Year % |
|-------------------------------------|---------|---------|-----------|-------------|
| Construction | 25,243 | 22,937 | -2,305 | -9.13% |
| Education and Health Services | 134,123 | 127,722 | -6,401 | -4.77% |
| Financial Services | 17,356 | 16,825 | -531 | -3.06% |
| Information | 5,139 | 4,621 | -518 | -10.08% |
| Leisure and Hospitality | 57,578 | 49,813 | -7,765 | -13.49% |
| Manufacturing | 111,835 | 108,414 | -3,421 | -3.06% |
| Natural Resources and Mining | 4,463 | 4,328 | -135 | -3.03% |
| Other Services | 16,392 | 14,622 | -1,770 | -10.80% |
| Professional and Business Services | 54,419 | 51,517 | -2,902 | -5.33% |
| Public Administration | 16,999 | 16,741 | -258 | -1.52% |
| Trade, Transportation and Utilities | 106,876 | 105,664 | -1,212 | -1.13% |
| Unclassified | 159 | 224 | 65 | 41.18% |
| Grand Total | 550,581 | 523,428 | -27,153 | -4.93% |

As shown in Table 3, all the region's industry sectors lost employment between the fourth quarter of 2019 and the fourth quarter of 2020. In Q4 of 2020, parts of the economy, notably in the Leisure and Hospitality sector, were in either a full or partial lockdown or had restricted service hours and capacities. Not surprisingly employment in the Construction sector was down, likely due to some seasonal variation and the availability of both workers and materials. Other Services is a catch-all category of mostly personal services. While this sector generally had smaller employment, the year-over-year losses were some of the largest in the region.

Figure 4 below shows the industry sector trends by number of jobs displaced between Q4 2019 and Q4 2020. Figure 5 below shows the trends as a share of jobs displaced for the same time period.

REGIONAL INDUSTRY SECTOR TRENDS: YEAR OVER YEAR

Y/Y Employment Change

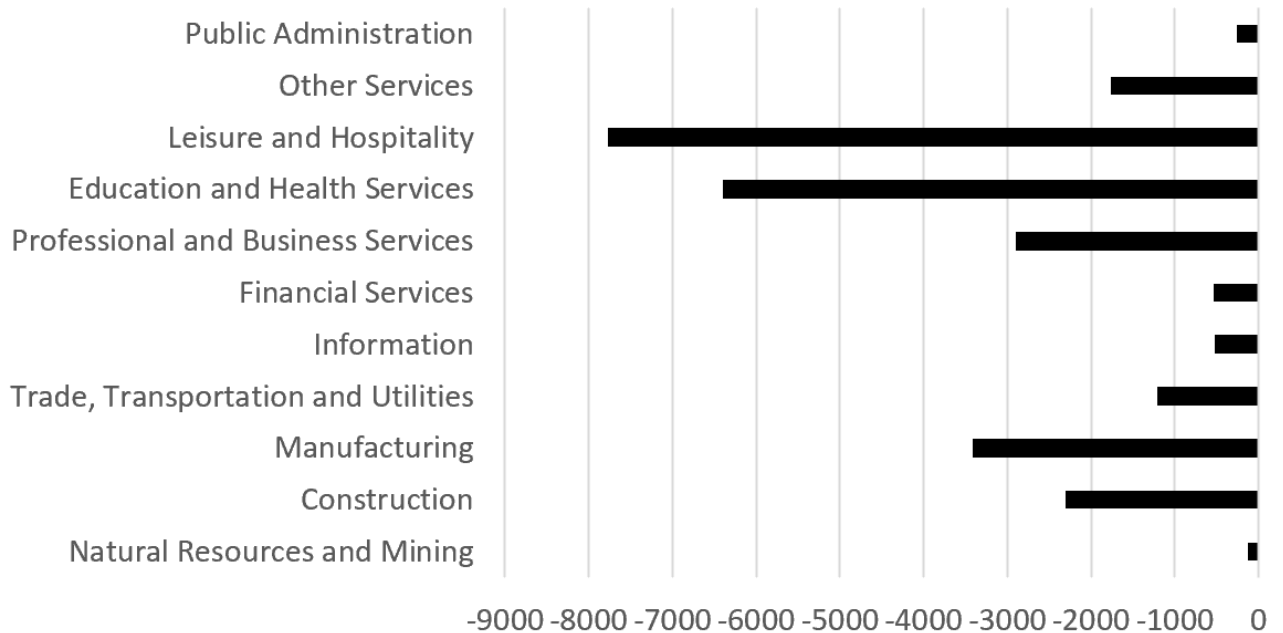


Figure 4: Employment trends between Q4 2019 and Q4 2020 in terms of jobs
https://ohiolmi.com/Home/DS_Results_QCEW

Y/Y Percent Employment Change

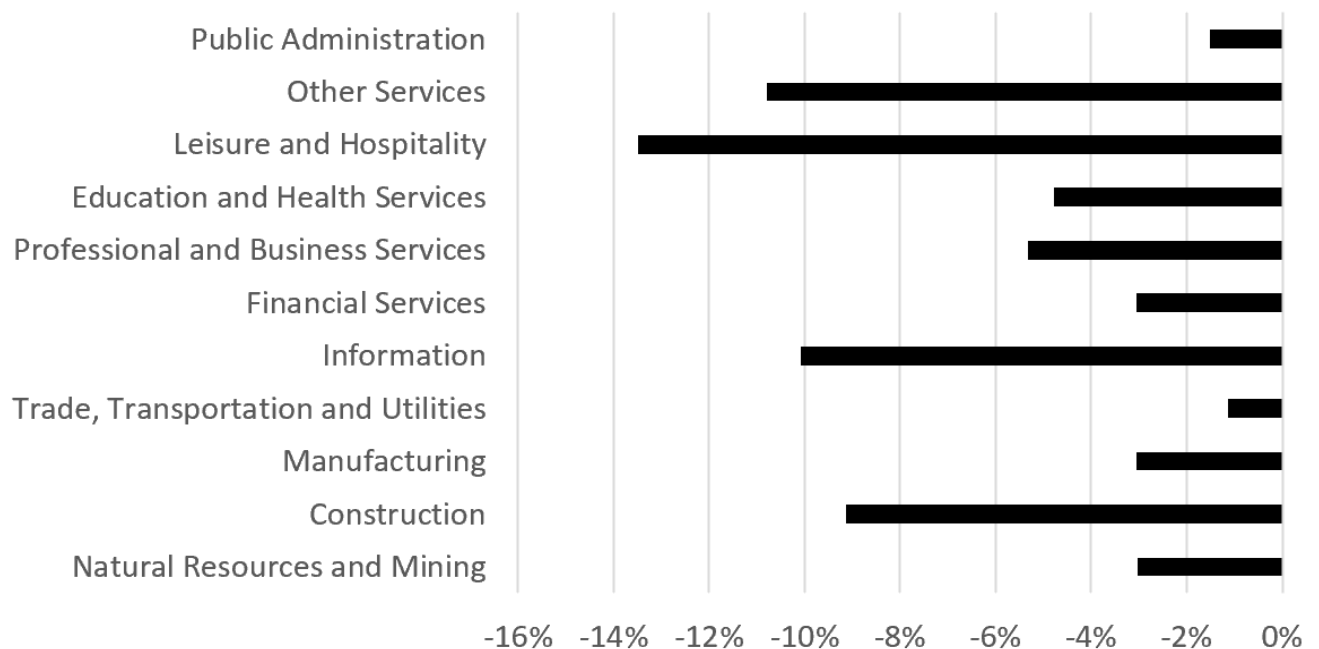


Figure 5: Employment trends between Q4 2019 and Q4 2020 in terms of share of jobs
https://ohiolmi.com/Home/DS_Results_QCEW

REGIONAL INDUSTRY SECTOR TRENDS: QUARTER OVER QUARTER

The second half of 2020 saw more of a renewal in the Regional Growth Partnership region as the economy continued to rebound. Table 4 contains the region's employment trends in major industry sectors between Q3 and Q4 of 2020.

Table 4: Sector Employment Trends: Month Over Month

| | 2020:3 | 2020:4 | QTR/QTR | QTR/QTR % |
|-------------------------------------|----------------|----------------|--------------|--------------|
| Construction | 24,386 | 22,937 | -1,448 | -5.94% |
| Education and Health Services | 122,740 | 127,722 | 4,982 | 4.06% |
| Financial Services | 16,832 | 16,825 | -7 | -0.04% |
| Information | 4,552 | 4,621 | 69 | 1.52% |
| Leisure and Hospitality | 52,334 | 49,813 | -2,521 | -4.82% |
| Manufacturing | 105,866 | 108,414 | 2,548 | 2.41% |
| Natural Resources and Mining | 4,514 | 4,328 | -186 | -4.13% |
| Other Services | 14,564 | 14,622 | 59 | 0.40% |
| Professional and Business Services | 49,193 | 51,517 | 2,324 | 4.72% |
| Public Administration | 17,278 | 16,741 | -537 | -3.11% |
| Trade, Transportation and Utilities | 102,931 | 105,664 | 2,733 | 2.66% |
| Unclassified | 211 | 224 | 13 | 6.33% |
| Grand Total | 515,400 | 523,428 | 8,028 | 1.56% |

Source: https://ohiolmi.com/Home/DS_Results_QCEW

The region saw some overall growth quarter over quarter at just over 1.5%; however, some industry sectors lagged – particularly Construction. This sector may have slowed for a combination of reasons, including (but not limited to) seasonality as northwest Ohio headed into winter and the availability and increased costs of materials, most notably lumber. Some reductions in the Public Administration sector were not totally unexpected, as local governments felt the strain of lower revenues. On a more positive note, there were sectors in the regional economy that saw growth: Professional and Business Services (4.72%), Manufacturing (2.41%), and Education and Health Services (4.06%).

REGIONAL INDUSTRY SECTOR TRENDS: QUARTER OVER QUARTER

2020 Q3 to Q4 Employment Change

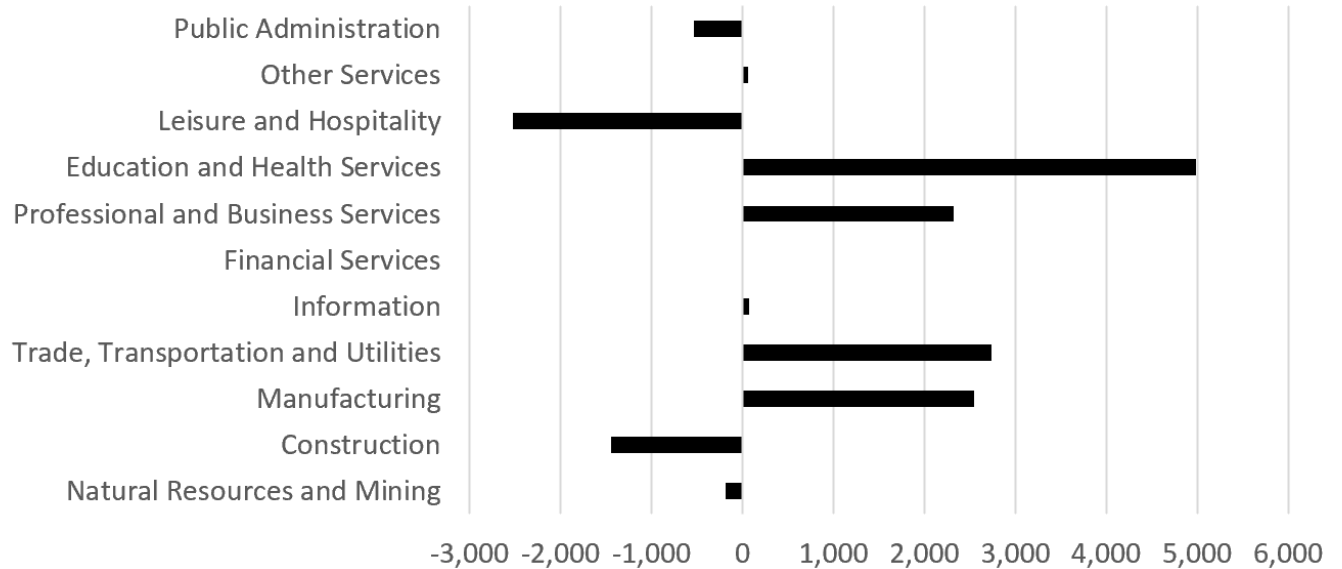


Figure 6: Employment trends between Q3 2020 and Q4 2020 in terms of jobs
https://ohiolmi.com/Home/DS_Results_QCEV

2020 Q3 to Q4 Percent Change

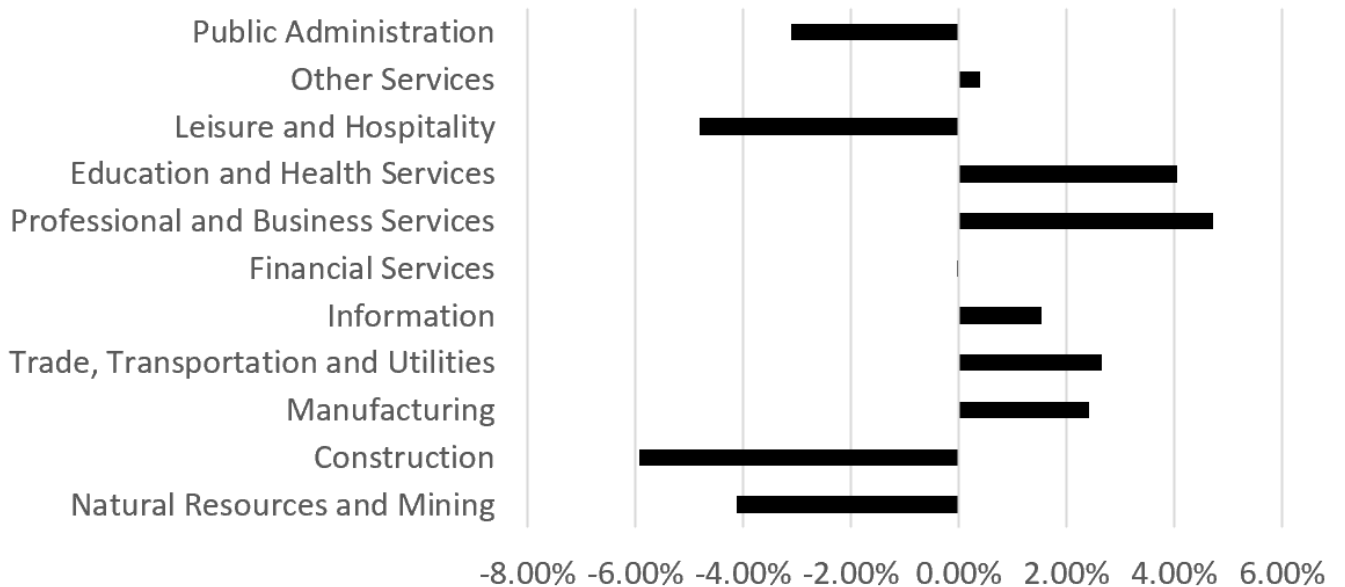


Figure 7: Employment trends between Q3 2020 and Q4 2020 in terms of share of jobs
https://ohiolmi.com/Home/DS_Results_QCEV

NOTE: Figures 6 and 7 contain the industry sector trends by jobs and by share of changes in the jobs.

INDUSTRIAL REAL ESTATE MARKET CONDITIONS

12 Mo Deliveries in SF

2M

12 Mo Net Absorption in SF

906K

Vacancy Rate

2.5%

12 Mo Rent Growth

5.3%

Industrial rents in the Toledo market were rising at a 5.3% annual rate during the fourth quarter of 2021 and have posted an average annual gain of 3.6% over the past 3 years. There is 2.0 million square footage currently under construction, representing the largest new square footage in the pipeline in over 3 years. Over the past 3 years, 3.0 million square footage has been delivered, for a cumulative inventory expansion of 3.0%. Vacancies in the region were somewhat below the 10-year average as of the fourth quarter of 2021 but have increased slightly over the past four quarters.

What's on the horizon? The demand for industrial real estate is expected to increase significantly over the next 2 to 3 years. The industrial market has been one of the most resilient real estate sectors amid the COVID-19 pandemic, buoyed by rising e-commerce demand. Double-digit growth in e-commerce sales will drive demand for distribution space. There is also strong demand for infill warehouse space in urban cores, but land constraints and high costs have limited new development. Adaptive reuse of retail buildings for industrial occupiers is also expected to accelerate in 2022. For uses other than distribution, the availability of small to mid-sized buildings (50,000sf to 100,000sf) will continue to be a challenge for manufacturers and similar types of occupiers.

KEY INDICATORS

| Current Quarter | RBA | Vacancy Rate | Market Rent | Availability Rate | Net Absorption SF | Deliveries SF | Under Construction |
|------------------------|--------------------|--------------------|------------------|-------------------|-------------------|---------------|--------------------|
| Logistics | 51,420,273 | 3.0% | \$4.44 | 8.5% | (8,100) | 0 | 1,038,000 |
| Specialized Industrial | 46,750,442 | 1.9% | \$4.53 | 6.4% | 0 | 0 | 1,000,000 |
| Flex | 6,003,033 | 3.4% | \$7.94 | 7.1% | 8,750 | 0 | 0 |
| Market | 104,173,748 | 2.5% | \$4.68 | 7.5% | 650 | 0 | 2,038,000 |
| Annual Trends | 12 Month | Historical Average | Forecast Average | Peak | When | Trough | When |
| Vacancy Change (YOY) | 1.0% | 5.0% | 2.1% | 8.3% | 2007 Q1 | 1.1% | 2020 Q1 |
| Net Absorption SF | 906K | 578,827 | 1,177,990 | 2,471,725 | 2015 Q2 | (823,093) | 2007 Q3 |
| Deliveries SF | 2M | 474,501 | 1,416,588 | 2,038,000 | 2021 Q2 | 9,502 | 2014 Q3 |
| Rent Growth | 5.3% | 1.6% | 3.3% | 5.6% | 2021 Q3 | -2.2% | 2010 Q2 |
| Sales Volume | \$74.4M | \$52.7M | N/A | \$141.7M | 2015 Q4 | \$14.8M | 2007 Q3 |

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