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Cleveland Plus® Economic Review

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Diversifying Industries Positively Impacting Cleveland Plus Economy

The Cleveland Plus® Economy Through Two Recessions

The U.S. has experienced two major recessions in the last 30 years: one beginning in 1981, and the current recession, which began in 2007. In the 1981 recession, the Cleveland Plus region saw declines in employment and Gross Regional Product (GRP) much greater than for the U.S. as a whole.

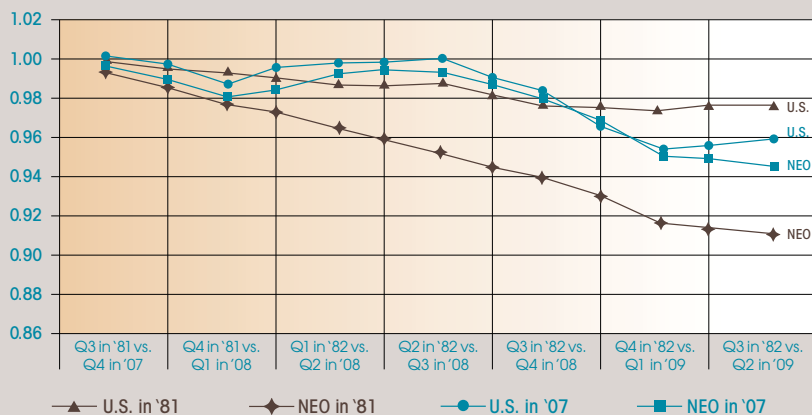
Therefore, today it is important to know how we are doing in comparison – both to the 1981 recession and to the nation. To evaluate this, the following report evaluates the Cleveland Plus region’s performance through the first seven quarters of each recession.

Current Recession Trending Closer to U.S.

An indicator of regional economic strength is the comparison of employment and GRP indexes. During the 1981 recession, Cleveland Plus employment and GRP rate dropped more sharply than the U.S. During the current recession, employment and GRP are only now approaching the decline experienced in 1981. And, the change in Cleveland Plus employment and GRP is tracking much closer to the changes for the U.S. **In this recession, Northeast Ohio is performing more in line with the U.S. average.**

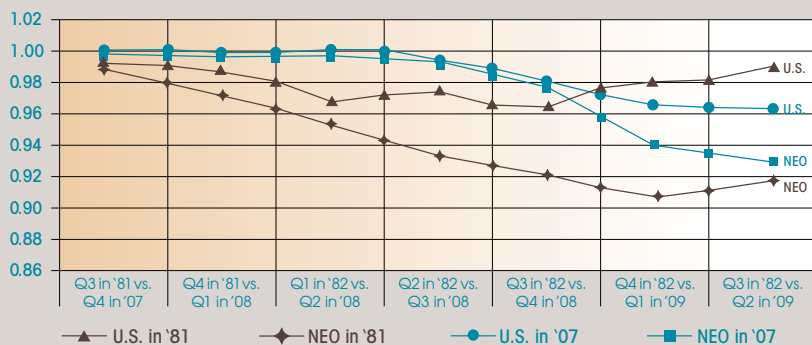
All data are for seven quarters of each respective recession and does not project future performance.

NEO vs U.S. Employment
1981 vs. 2007 Recession



Source : Economy.com and Ohio LMI

NEO vs U.S. GRP
1981 vs. 2007 Recession



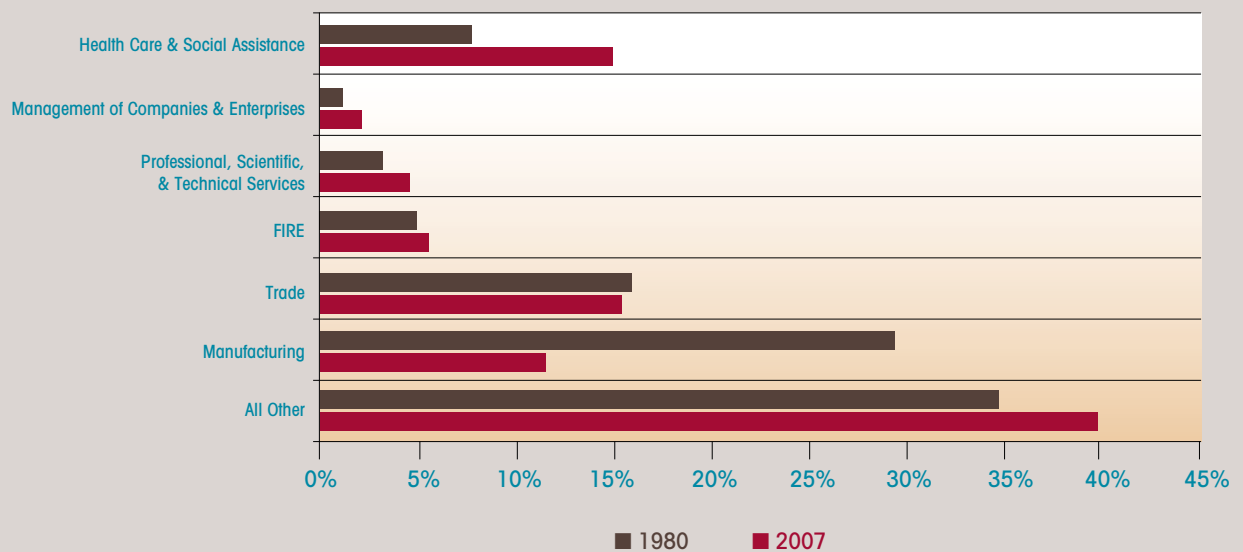
Source : Economy.com

Industry Mix Impacts GRP and Employment

Because GRP represents the economic activity of Northeast Ohio's industries, changes in industry mix will affect total GRP and employment trends. In reviewing GRP and employment during both recessions, Manufacturing accounted for a significantly higher percentage of GRP and employment in 1981 than today. Meanwhile, higher growth industries such as Finance, Insurance and Real Estate (FIRE), Healthcare, and Professional, Scientific & Technical Services have become larger segments of NEO's industrial mix. **This more diversified NEO industry mix may account for NEO's closer alignment with U.S. employment and GRP rate trends during the current recession.**

For example, in the current recession, U.S. Manufacturing employment has declined nearly 14%, while Professional, Scientific and Technical Services is essentially unchanged. Finance, Insurance and Real Estate, while suffering, is down only half as much as Manufacturing. Healthcare employment is actually up almost 5%. The shift in the Northeast Ohio economy to these more stable industries is having a beneficial effect in this recession.

Employment as Percent of NEO Economy by Industry
1980 vs. 2007 Recession



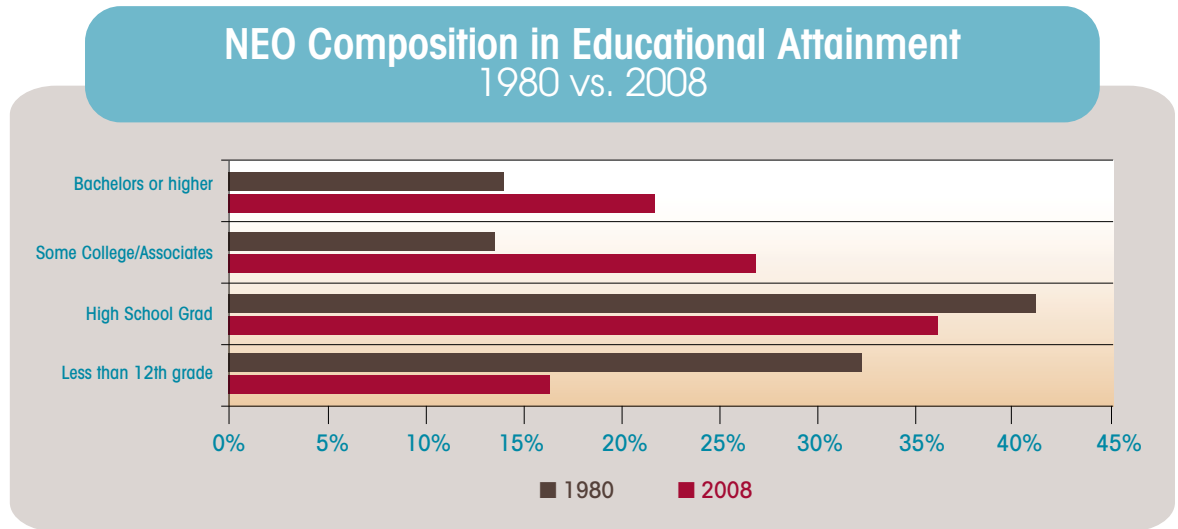
Source : Economy.com

“The growing correspondence of Northeast Ohio’s economic performance measured by both employment and GRP with that of the national economy in the recession offers a glimmer of the promise of the ongoing industrial restructuring of the region’s economy. The trend toward higher levels of education in the Northeast Ohio workforce is an encouraging reflection of the changing industrial composition and a foundation for future growth.”

Dr. Larry Ledebur,
Cleveland State University Economist and Professor

NEO Workforce with Higher Education Doubles

In line with the structural changes in the economy, Northeast Ohio's workforce has also transitioned to accommodate higher skilled industries. **Individuals with some college education have increased about 120%, while individuals with a bachelor's or an advanced degree have increased by nearly 75%.** The increasing share of workforce with higher education is fueling Cleveland Plus region's economic transformation.



Source : US Census Bureau

Industry Diversification Benefits Economy

Cleveland Plus Economic Reviews provide an aggregate view of long-term trends in Northeast Ohio's economy. In 2009, we reported growth of specific sectors - Biomedical, Professional, Scientific and Technical services, and Aerospace-Related - and how they are diversifying the region's economy. **In this final report of 2009, we see that the diversification of industries has led to closer tracking to the U.S. during this recession as compared to the 1981 recession.**

BIOMEDICAL : With billions of dollars in private and public investment, world-renowned healthcare institutions and clinical trial leadership, Northeast Ohio's Biomedical industry has outpaced U.S. growth. In particular, our region's strength in Imaging, Orthopedics and Cardiovascular, plus our transitioning manufacturing workforce have led to growth in the Medical Device manufacturing sector.

PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES : Similarly, 79% growth in the Professional, Scientific and Technical Services sector from 1992-2007, with Scientific Research and Development doubling U.S. growth, has further diversified the region's economy.

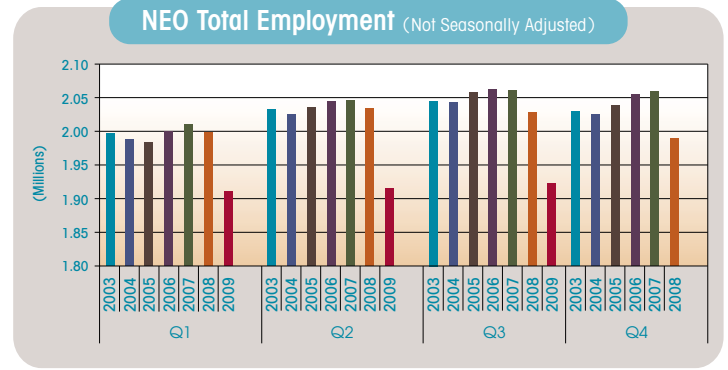
AEROSPACE-RELATED : Moreover, strength in the \$8 billion Aerospace-Related sector continues to play an important role in diversifying Northeast Ohio's economy. With 59% GRP growth in the last 15 years, more sophisticated products are being manufactured in Cleveland Plus.

HEADQUARTERS : Finally, Northeast Ohio remains in the nation's top 4 regions for Headquarters employment share, ensuring a strong management base for our region's growing companies and industries.

With the Cleveland Plus region's strong heritage of invention, a strong base of significant research institutions and a growing entrepreneurial sector, Northeast Ohio has diversified our economy, and employment and therefore, remains relatively strong through this recession. **ALL OF THIS ADDS UP FOR BUSINESS.**

NEO Employment Up Slightly in Q3

This chart shows total employment year over year for comparison of seasonal patterns. There is typically incremental job growth between Q2 and Q3, and Northeast Ohio saw employment increase by approximately 3,000 jobs in the third quarter. Employment is down approximately 5% from Q3 2008.

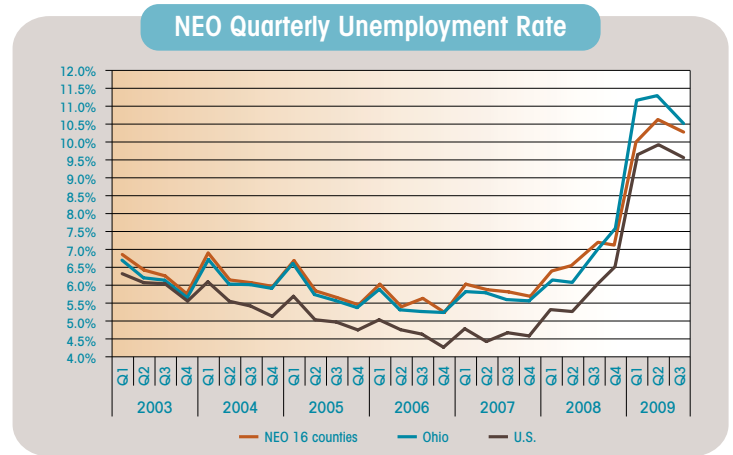


Source : Ohio Labor Market Information (LAUS Data)

NEO Unemployment Rate Declines Slightly

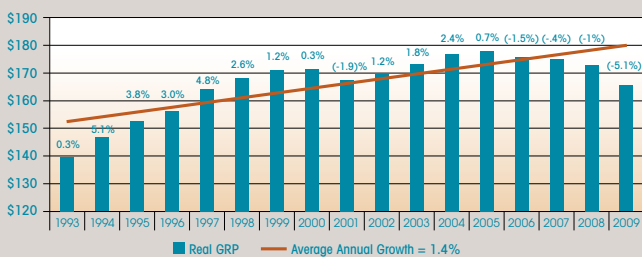
The Northeast Ohio unadjusted unemployment rate declined slightly in the 3rd quarter, following the trend of the overall U.S. economy. The rate dipped to 10.3% in Q3 2009, with the U.S. at 9.6% and the state of Ohio is at 10.5%.

This decline is a result of both an increase in total employment, as well as a drop in the overall size of the workforce.



Source : Ohio Labor Market Information (LAUS Data)

NEO Real GRP Billions (2008 Dollars)



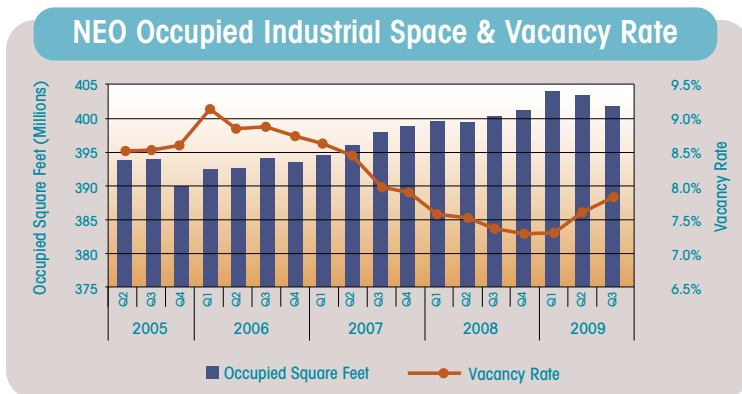
Source : Moody's Economy.com

GRP Estimates Continue to be Adjusted for Recession

The most recent estimates from economy.com show Northeast Ohio's GRP contracting by approximately 5% in 2009. This decline reflects the ongoing recession in the U.S. economy. Data from economy.com is continuously updated and are subject to revisions.

Industrial Space Strong Despite Economic Downturn

This graph shows the total amount of industrial space occupied by quarter between the first quarter of 2005 and the third quarter of 2009. The vacancy rate for industrial space in Northeast Ohio rose slightly to 7.6% in Q3 2009, while occupied space continues to remain fairly stable.



Source : CoStar Industrial Data

About Team NEO

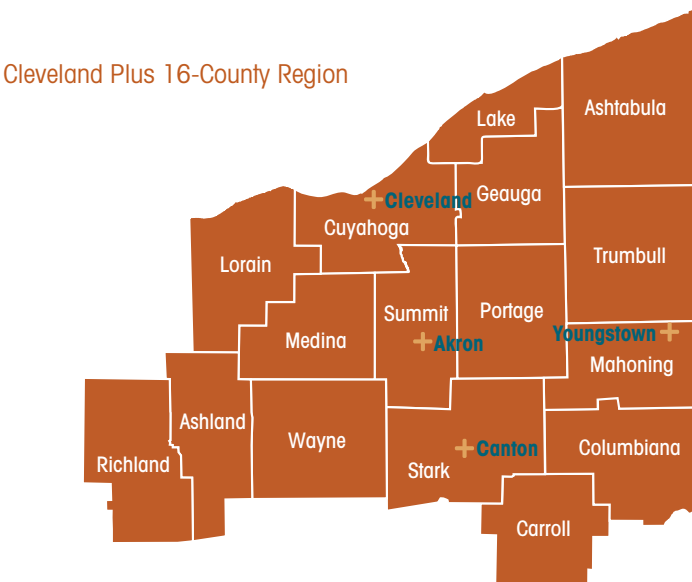
Team NEO advances Northeast Ohio's economy by attracting businesses worldwide to the 16-county Cleveland Plus region. The organization is a joint venture of the region's largest metro chambers of commerce. Since 2007, the organization has attracted 29 new companies, 3,100 new jobs and more than \$95M in annual payroll to Northeast Ohio, leading to a total regional annual payroll impact of more than \$260M. For more information, visit www.clevelandplusbusiness.com.

Data Sources: Team Northeast Ohio uses a number of data sources for the Regional Economic Review. One of the primary sources is the Moody's Economy.com (www.economy.com) Northeast Ohio modeling system. This firm is the leading independent provider of economic, financial and industry research and data that specializes in national and metropolitan economic growth forecasts. Moody's Economy.com county level output, employment and payroll historical data are estimated from several publicly available sources and are summarized into the Team NEO regional footprint. It is important to understand data provided by Economy.com are estimates of economic activity.

Team NEO also uses data from federal and state sources as part of the report. As with Economy.com, the information for the Team NEO footprint is derived from data reported at either the county or metropolitan level. We rely heavily on data from the U.S. Bureau of Labor Statistics (www.bls.gov) and Ohio's Labor Market Information (www.lmi.state.oh.us) for information on wages, unemployment and both general and industry-specific employment. In addition, Team NEO uses data from the Census (www.census.gov) to track housing-related activity including the number of single and multifamily permits, as well as their values.

Industrial real estate data for this edition was derived from the CoStar Group. The CoStar Group is a leading provider of commercial real estate data throughout the United States, covering more than 58 billion square feet of property throughout the country.

Due to market limits within the CoStar database, historic trend data for the Team NEO region is defined as 10 of the 16 counties forming the regional footprint. These counties include Ashtabula, Cuyahoga, Geauga, Lake, Lorain, Medina, Portage, Richland, Stark and Summit.



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