

CLEVELAND METRO AREA OHIO MARKET

This survey includes the Cleveland Metropolitan area, which is the largest city in Cuyahoga County, and also includes the surrounding suburbs. Ohio and other key midwestern states are part of many national discussions concerning the state of the economy and talks concerning the housing market. Recent information provided a decline in population in the city of Cleveland and a loss of employment. The following is a result of analysis of data sources regarding current trends of the residential housing market in the Cleveland Metropolitan area and Cuyahoga County overall. The chart below shows the population decline.

	2008	2000	1990
Population	1,283,925	1,393,978	1,412,140

Source: U.S. Census Bureau, 2008 Population Estimates, Census 2000, 1990 Census

Cuyahoga County Selected Housing Characteristics 2005-2007 - Survey 3-year Estimates

Selected Housing Characteristics	Estimate	Margin of Error	Percent	Margin of Error
Total housing units	620,837	+/- 301	100 %	N/A
Occupied housing units	542,856	+/- 2,672	87.4 %	+/- 0.4
Vacant housing units	77,981	+/- 2,689	12.6 %	+/- 0.4
Homeowner vacancy rate	3.5	+/- 0.3	N/A	N/A
Rental vacancy rate	12.1	+/- 0.8	N/A	N/A

Source: U.S. Census Bureau, 2005-2007 American Community Survey

Data are based on a sample and are subject to sampling variability. The degree of uncertainty for an estimate arising from sampling variability is represented through the use of a margin of error. The value shown here is the 90 percent margin of error. The margin of error can be interpreted roughly as providing a 90 percent probability that the interval defined by the estimate minus the margin of error and the estimate plus the margin of error (the lower and upper confidence bounds) contains the true value. In addition to sampling variability, the ACS estimates are subject to non-sampling error.

The above graphic represents 2005 to 2007. The 2007 to 2009 information has not yet been compiled by the Census Bureau. A reasonable indicator of decline might be that in 2008 there were approximately 14,000 foreclosures filed in Cuyahoga County. During the first quarter of 2009, there have been approximately 2,800 foreclosures filed. This is reflective of all categories. This translates into 16,000 to 17,000 foreclosure filing for the year 2008 and first quarter of 2009 in Cuyahoga County. This represents a huge inventory of properties in all categories. As of the date of this market summary, the current number of active listings in Cuyahoga County is 12,152. There are 1,355 pending sales and 13,943 solds in the last 12 month. This translates into an approximate 11 month supply of properties. If all foreclosure activity ceased immediately, it would take approximately one year to potentially absorb the inventory. This apparently is overly optimistic. NEOHREX (Multiple Listing Service) and the local newspaper indicated that 45% of active listings are either potential short sales or foreclosures. This paints a somewhat dim picture of this overall market place.

CLEVELAND METRO AREA OHIO MARKET continued

The U.S. economy continues to bleed jobs. Non farm payrolls were cut by 524,000 in December 2008, and November 2008 job loss figure was revised upward to 584,000. The unemployment rate rose to 7.2% in December of 2008 - its highest level in 16 years, and is continuing to rise. The economic momentum and the fall in average work hours per employee suggest another one million jobs could easily be lost in the upcoming months. Existing Home Sales declined 8.6% in November of 2008 to a seasonally adjusted annualized rate of 4.49 million units. The median sales price for an existing home also declined - to \$181,300, 13.2 percent below the price posted in November of 2007. Housing inventory continues at very elevated levels, with 4.2 million existing homes available for sale at the end of November- an 11.2 month supply at November's sales pace for the overall U.S. economy.

Sources: NAR, Bureau of the Census, Bureau of Labor Statistics, Freddie Mac, and the Mortgage Bankers Association.

The Cuyahoga County Metropolitan area appears to be mirroring the national trends. The Ohio market rates within the top markets for foreclosures in the United States. Until this trend is stopped, economic recovery will be difficult.

The positive news in this market place is that the Downtown Cleveland area has numerous new condo and urban development projects. The Euclid Ave. Corridor is completed, which expands approximately 4 miles through the heart of the city. This Euclid Corridor project is projected to bring in 3.5 to 4 billion in investments to the city of Cleveland. The proposed medical mart, if completed, will also greatly aid in the economic recovery. This will help place Cleveland as the leader in the medical fields. This will further enhance the reputation of the Cleveland Clinic.

Without home price stabilization, economic recovery will be very difficult. As home prices decline, so does consumer spending. As consumer spending declines, so does the employment rate. When home prices and values decline, there will be increased reports of mortgage defaults and rising foreclosures as property owners realize that they can no longer afford the mortgage or that they owe more than the property is worth. If we have a properly structured stimulus plan, home sales might increase nationwide. Housing inventory levels might lower, and in return stabilize home prices. This might give us the basis for a recovery in housing. With all factors taken into consideration, 2009's forecast appears to be uncertain, unless very strong economic factors are implemented.



For additional or more current information on the residential market in the Cleveland Metro area, visit www.rac.net and select "The RAC Report," or contact the following RAC member:

John J. Rusnov, SRA, ASA, Rusnov Appraisals, Inc.

Phone: (440) 238.1201 ♦ Fax: (440) 238.1202 ♦ jrusnov@msn.com ♦ www.rusnovappraisals.com