

Cleveland Neighborhood Market DRILLDOWN

District 1 Narrative

SUMMARY

The District 1 DRILLDOWN reveals a series of highly diverse communities, all of which are larger and have dramatic growth/change in population figures from the 2000 Census and Census Trend Projection 2003 figures, 24.7% DRILLDOWN vs. -5.3% Census Trend Projection 2003.

The DRILLDOWN also uncovered a significant cash economy (\$173 million) which bolsters the District 1 economy's aggregate market income to \$1,821,107,667. With potential buying power exceeding gross retail sales, Cleveland's District 1 is home to a sizeable untapped market.

The DRILLDOWN communities are significantly more stable and are stronger than indicated by the commercial Census Trend Projections traditionally used by the private sector. Home values are 7.8% higher and real estate is appreciating at a greater rate – 29.3% increase over 1990 census estimates adjusted for inflation. Owner occupancy indicators are higher as well: 85.5% at a building level versus 65.2% at a unit level. Total crime is down to 31.39 incidents per 1,000, compared with 51.12 incidents per 1,000 in 1997. Additionally, property crime fell 38.6% from 43.33 incidents per 1,000 in 1997 to 26.63 incidents per 1,000 in 2003. There was a similar decline in incidents of violent crime per 1,000 from 7.79 to 4.77 incidents per 1,000.

Bottom line:

The DRILLDOWN reveals that District 1 neighborhood markets are robust, growing and increasingly stable communities, with a strong consumer and small-business base, and significant untapped market potential.

AGGREGATE MARKET OVERVIEW: KEY OBSERVATIONS REGARDING DISTRICT 1'S SEVEN SPAs

DRILLDOWN Neighborhoods Are Larger and Increasing in Population

The DRILLDOWN reveals markets far larger and with much greater change in population than indicated by Census 2000 and Census Trend Projection:

- **The residential population is 31.7% larger** than indicated by Census Trend Projection 2003. The 2003 DRILLDOWN population figure is 120,137 versus Census Trend Projection's 91,229 residential population. Broken out, this shows a positive 24.7% change in population over Census 2000 (96,322 total population) whereas Census Trend Projection indicates a negative 5.3% change from Census 2000.
- **The DRILLDOWN household count is 11.4% greater** than the Census Trend Projection figure (42,667 versus 38,296).
- **The residential population has increased** more than documented by Census 2000 or Census Trend Projection. The DRILLDOWN revealed a market 20.3% larger than Census 1990 figures whereas Census 2000 reflects a market 3.6% smaller and Census Trend Projection projects market constriction of 9.5%. It is stressed that the DRILLDOWN assumes that there was a substantial undercount in Census 1990 and thus the change in market size – Census 1990 to DRILLDOWN 2003 figure – cannot be equated directly with growth.

DRILLDOWN Neighborhoods Evidence Key Indicators of Change and Strength

The DRILLDOWN reveals markets with important indicators of change and strength, including:

Higher single-family home values, based on recent sales in the markets – by 7.8% – than indicated by a Census Trend Projection 2003 Census Trend Projection (median value of \$85,000 versus \$78,865)¹.

- **Appreciation in single-family real estate values** – based on recent sales – was 46.0% over the past three years (Census 2000 value: \$58,211) and 29.3% over Census 1990 figures when accounting for inflation.

¹ Based on an analysis of 1,525 single family unit sales in the district for the study period from March 2002 through August 2003

***DRILLDOWN Incomes Compared to Census 2000 Figures:
Slightly Lower Median, but Higher Average and Higher Aggregate Incomes***

- The DRILLDOWN revealed **2.5% lower median household income** figures than Census 2000 findings. The DRILLDOWN revealed median household income to be 2.5% lower than Census 2000 findings (\$35,236 versus \$36,155, respectively). But it is useful to examine the numbers at the SPA level, because differences in findings between the DRILLDOWN and Census 2000 at that level are significant. The variance ranged, for example, from 10.2% lower in Riverside (DRILLDOWN: \$36,337 versus Census: \$40,443) to 17.7% higher in Edgewater (DRILLDOWN: \$33,378 versus Census: \$28,356).
- The DRILLDOWN **found 3.3% higher average household income** than Census 2000 figures (\$42,682 versus \$41,331). The differences between DRILLDOWN and Census 2000 ranged from 17.0% lower in Cudell (\$29,780 versus \$35,860) to 31.9% higher in Puritas – Longmead (\$40,979 versus \$31,072).
- The DRILLDOWN **aggregate market income² is 9.4% higher** than Census 2000, at \$1,821,107,667 versus the Census 2000 figure of \$1,665,294,560.

***DRILLDOWN Incomes Compared to Census Trend Projection 2003 Figures:
Lower Median, Similar Aggregate and Significant Inter-District Variances***

- While the DRILLDOWN found **median household income figures 10.5% lower** than Census Trend Projection 2003 findings (\$35,236 versus \$39,361), variance among SPAs between DRILLDOWN and Census Trend Projection 2003 figures, was significant, ranging from 3.8% lower in Edgewater (DRILLDOWN: \$33,378; Census Trend Projection 2003: \$34,327) to 16.9% lower in Riverside (DRILLDOWN: \$36,337 versus Census Trend Projection 2003: \$43,701).
- The DRILLDOWN's **adjusted aggregate market income was just 0.3% lower** than Census Trend Projection 2003 findings (\$1,821,107,667 versus \$1,825,885,024).
- Four out of seven District 1 SPAs show higher aggregate DRILLDOWN income than Census Trend Projection 2003, ranging from 0.8% higher in Edgewater to 10.6% higher in Kamm's Corners; three exhibited aggregate income just below the Census Trend Projection 2003 figure.

DRILLDOWN Reveals Significant Cash Economy

- The DRILLDOWN revealed a **significant cash economy**, conservatively estimated at nearly \$173 million (equivalent to 10.5% of the DRILLDOWN aggregate market income). The DRILLDOWN determines the presence of a cash economy through a unique model examining a number of local factors, including bill payment patterns, banking relationships, and income.

² Adjusted aggregate income is inclusive of cash economy findings.

Substantial Concentrated Income

- **Substantial concentrated income** is a product of the DRILLDOWN's significant adjusted aggregate income findings. Adjusted aggregate income per acre is \$155,118, 0.3% less than Census Trend Projection 2003 and 9.4% more than Census 2000. Income per square mile, determined at \$99,275,385 by the DRILLDOWN, also reflects a -0.3% difference from Census Trend Projection 2003 and 9.4% from Census 2000.

DRILLDOWN Neighborhoods are Increasingly Safe and Stable

The DRILLDOWN reveals key indicators of increasing safety and stability:

- **Crime is down:** All reported incidents of crime are down 38.6% over 1997 figures. In 2003, on average, across all District 1 SPAs, the incidents of crime per 1000 persons was down to 31.39 as compared with 51.12 incidents per 1000 people for 1997³.
- **Owner Occupancy is far higher.** Owner occupancy – when measured at a building level – is up to 85.5%, compared with 65.2% at a unit level. The disparity between owner occupancy at a building level and owner occupancy at a unit level is attributed to District 1's housing stock which is 82.2% single family homes and two-unit structures.

The Market Opportunity

A Strong Business Market

- District 1's Neighborhoods are home to approximately **2,700 documented businesses** employing about 51,100 people. Challenging traditional stereotypes, these are relatively stable businesses, reflected by the fact that 1,700 or 62.2% of the businesses have overcome the three-year survival hurdle. The aggregate revenue for all businesses is \$9.467 billion.

The DRILLDOWN Finds Significant Untapped Local Buying Power

- The DRILLDOWN revealed **\$1,272,954,260 in potential, or untapped, local buying power** in District 1. With retail sales at \$1,175,000,000 there are \$97,954,260 potentially available in local buying power – a sizeable untapped market. This untapped buying power results from the difference between District 1's potential buying power and reported retail sales.

³ Crime definitions follow the standard set forth by the FBI Uniform Crime Reports and are classified as either Property (Burglary, Larceny-Theft, Motor Vehicle Theft) or Violent (Murder and Non Negligent Homicide, Forcible Rape, Robbery, Aggravated Assault). For purposes of comparison, 2000 Census population figures were used to calculate crime per person.