

Multifamily Metro Outlook:

Cincinnati - Q2 2023

Overview:

- The recovery in the Cincinnati metro continues to move in the right direction and appears to have finally gotten the boost it needed. According to CoStar, the local job market expanded by nearly 2.2% compared to just 1.7% nationally. Much of the above-average growth in the metro can be attributed to the strong performance of the Manufacturing sector, specifically the performance of local aerospace employer General Electric (GE).
- The apartment market in the metro continues to perform well despite the current economic environment nationwide. Vacancies continue to improve and are closer to being full at 4.25% and rent growth remains positive and strong at 1.25% for the period ending Q2 2023.

Market Strengths:

- The Cincinnati metro has both business and living costs that are below the national averages. According to Moody's Analytics, both the cost of living and the costs of doing business in the metro are 92% and 91% which are approximately 8 and 9 percentage points lower than the national averages.
- Additionally, according to Moody's Analytics, the cost of office space within the metro is approximately 2/3 the price of the national average. The extremely lower business costs in the metro have helped lure Fifth Third Bank and Amazon to the metro as they look to take advantage of the low business costs.
- The dramatic rebound of the Manufacturing sector has been a boon for the local economy. According to CoStar, the local Manufacturing sector expanded by approximately 3.7% compared to just 0.5% nationally for the period ending Q2 2023. Furthermore, much of the growth during this period can be attributed to the success of one of the metro's top employers in General Electric (GE) but more specifically G.E. Aerospace. According to Moody's Analytics, G.E. Aerospace will maintain its presence of 9,000 employees in the metro and will be investing more than \$17 million locally.

Market Weaknesses:

- The current economic environment featuring high levels of inflation and elevated interest rates is having its toll on the local Logistics sector. According to Moody's Analytics, due to shifting consumer behaviors, payrolls in this sector are at their lowest point in nearly two years.
- The metro has a very average to below average demographic profile. Over the five-year forecast, the general population growth rate will be on par with the national average of nearly 0.4%, however the population growth prospects of the prime renting cohort, those who are aged 20-34 will not be nearly as rosy. Over the five-year forecast this cohort is expected to contract by nearly -0.3%.

Development:

- Since 2006, approximately 8,300 condo/townhome units have been completed. However, development is slowing. According to the Dodge Pipeline, there is hardly any supply in the pipeline through 2025.
- Apartment development in the metro has been moderate. Nearly 13,000 units have completed since 2017. Construction will continue to be reasonable with approximately 7,500 units underway.

Outlook:

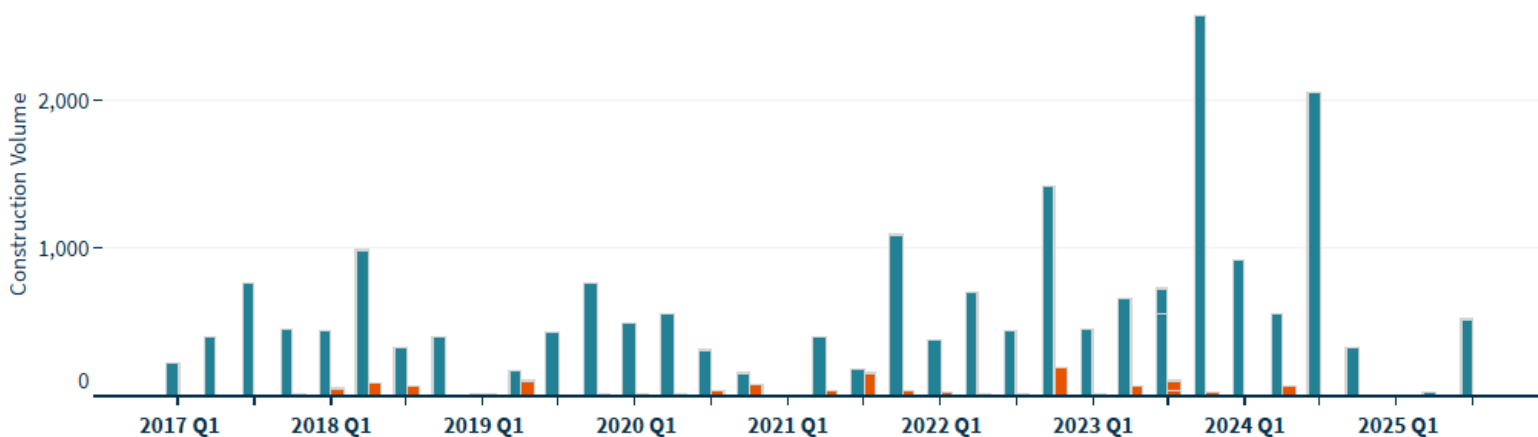
- The slight uptick in supply that was prevalent in previous quarters has subsided and has moderated. There is not a ton of supply in the pipeline, however all incoming supply should be easily absorbed by the those that will continue to be attracted to the metro for its higher paying white-collar jobs and lower costs of living.
- The local job market has fully recovered and is now in the expansion phase with above-average growth levels. Going forward, Cincinnati's recovery will continue to be on par the national average as the metro boasts a very diverse employment profile and low costs of business and living.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

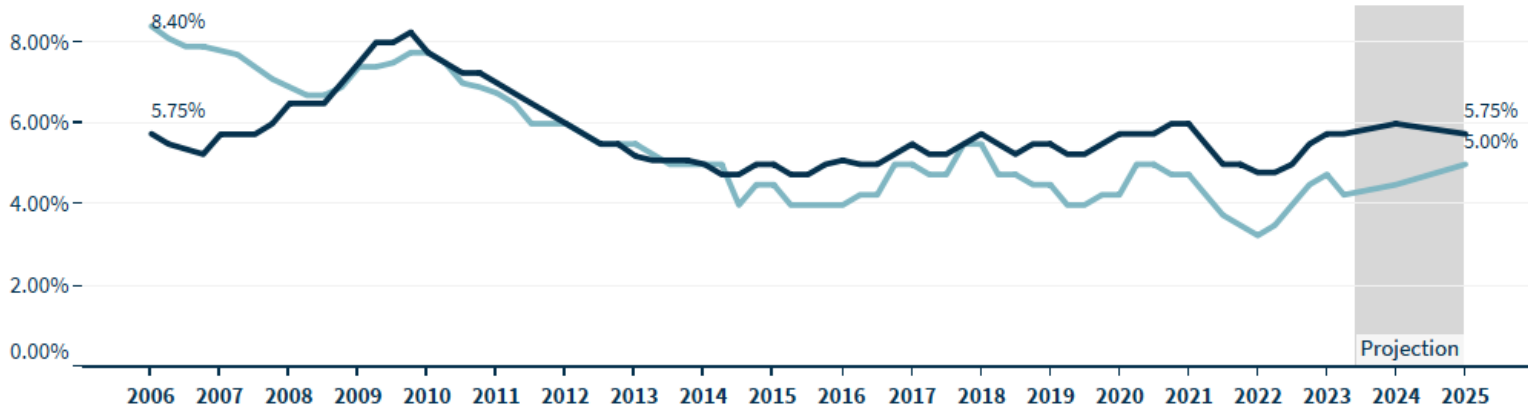
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Cincinnati | National

Q2 2023 Vacancy Rate:

4.25%

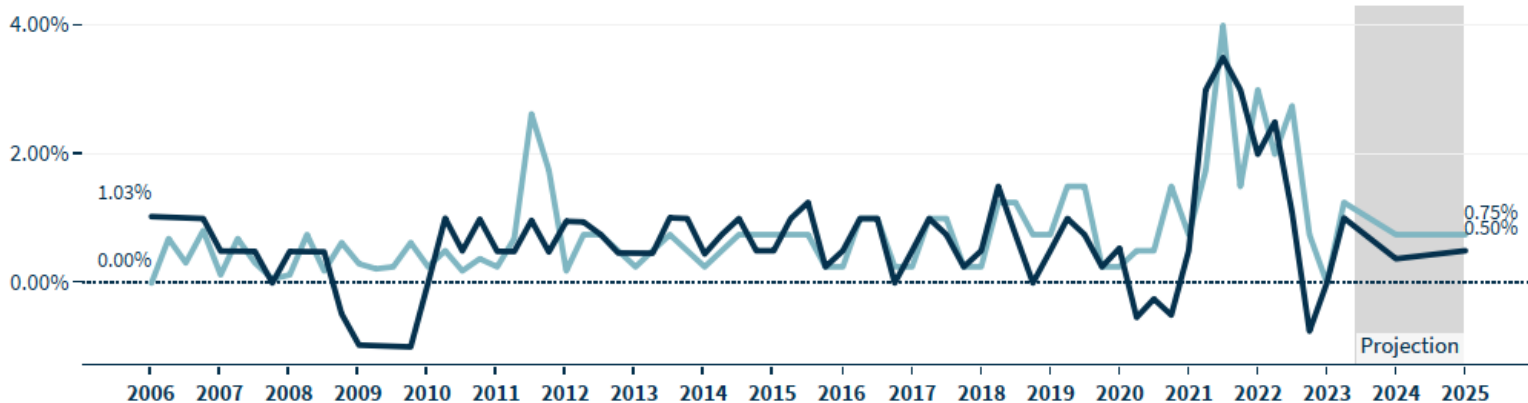


Asking Rent Growth

Cincinnati | National

Q2 2023 Asking Rent:

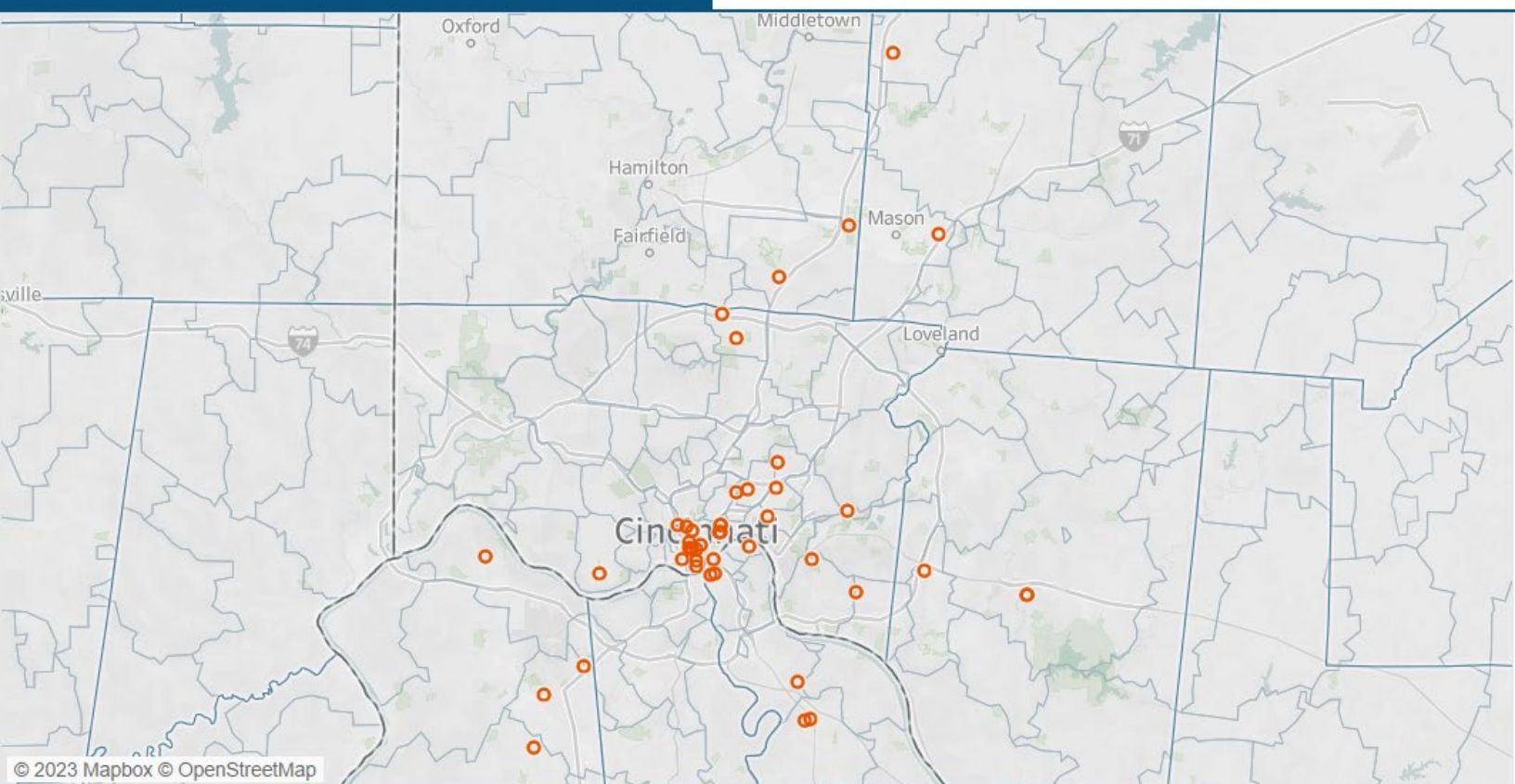
\$1,240



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Boone County/Erlanger	4	932
Butler County	2	728
Campbell/Kenton Counties	8	1,235
Central Cincinnati	12	1,797
North Central Cincinnati	10	730
North Cincinnati	2	443
Northeast Cincinnati/Warren County	2	542
Southeast Cincinnati	5	805
West Cincinnati	2	316
Grand Total	47	7,528

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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