

Multifamily Metro Outlook:

Cincinnati - Q4 2021

Overview:

- Cincinnati's recovery has been modest, but the moderate rate of recovery is neither good nor bad. The metro was never severely impacted by the virus and as of Q4 2021 employment levels in the metro were only 0.4% short of pre-pandemic employment levels according to CoStar. However, as the recovery in the metro progresses, the same pre-pandemic trend of tepid growth persists as the metro's local economy expanded by 3.7% compared to 4.6% nationally as of Q4 2021.
- The apartment market has gone largely unscathed by the onset of COVID-19 in the metro area. Vacancies continue to improve and were approximately 3.5% and rent growth remains positive at 1.5% during the period ending Q4 2021. Cincinnati was one of the few metro areas that never experienced a precipitous decline in rent growth as rent growth has been positive since the virus' arrival.

Market Strengths:

- The Cincinnati metro has both business and living costs that are below the national averages. According to Moody's Analytics, the cost of living in the metro is 92% and the cost of doing business is 93%, which are approximately 8 and 7 percentage points lower than the national averages. Both below average costs have been beneficial to the metro's recovery from the virus as employers are looking for cheaper places to conduct business and residents look for cheaper places to live that offer more space for the money.
- The Healthcare industry will continue to be a major boon for the local economy in 2022 and beyond. According to Moody's Analytics, the metro's most populous county, Hamilton County will spur demand for healthcare services as the county ranks near the bottom half in the US regarding health quality. Furthermore, several large healthcare employers such as the Cincinnati Children's Medical Center are expanding with the plan to hire an additional 700 new employees including nurses, pharmacists, and physicians.
- The metro also has an above average amount of intellectual capital. Approximately 34% of the metro's residents have at least a bachelor's degree which is higher than both the national and state of Ohio averages. Furthermore, the metro will continue to be a place that top employers look to due to the metro's lower costs of doing business and the presence of intellectual capital that will be able to fulfill higher paying white-collar jobs.
- The manufacturing sector which was hit hard in 2020 but recovered at a torrid pace in 2021. According to Moody's Analytics, auto manufacturing employment has soared as the demand for cars has reached a historic level nationwide. As the supply chain disruptions ease throughout 2022, output will be ramped up and demand should be able to get on track with supply.

Market Weaknesses:

- Prior to the arrival of the virus, the metro was in a robust expansion however, there was increasing concern about the type of jobs being added. The metro had a need for highly skilled individuals in higher paying jobs, but employers are having difficulty filling those positions. Many of the jobs in the expansion were lower and middle paying jobs. As a result of the virus, finding more skilled individuals, especially candidates from abroad will become more difficult.
- Although job growth in the Manufacturing sector came back fast and furious, the short-term outlook is not completely rosy. Due to supply chain disruptions, demand for automobiles specifically has had a hard time keeping up with supply as the semiconductor shortage continues to persist. As a result of unprecedented levels of demand and scant supply, vehicle sales reached their lowest point since May 2020.

Development:

- Since 2006, approximately 8,300 condo/townhome units have been completed. However, development is slowing. According to the Dodge Pipeline, there is not a ton of supply currently in the pipeline through 2023.
- Apartment development in the metro has been limited. Nearly 7,800 units have completed since 2016. Construction has moderated with approximately 6,000 units underway and less than 5,300 more in the planning stages.

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 above average presence of the prime renter cohort that will continue to be attracted to the metro for its higher paying white-collar jobs.
- The arrival of the virus in the metro has not been as harmful to the local economy as other major metro areas around the country. Going forward, Cincinnati's recovery will continue to be tepid and lag the national average even though the metro boasts a very diverse employment profile and low costs of business and living.

Five Year Metro Area Growth Forecast

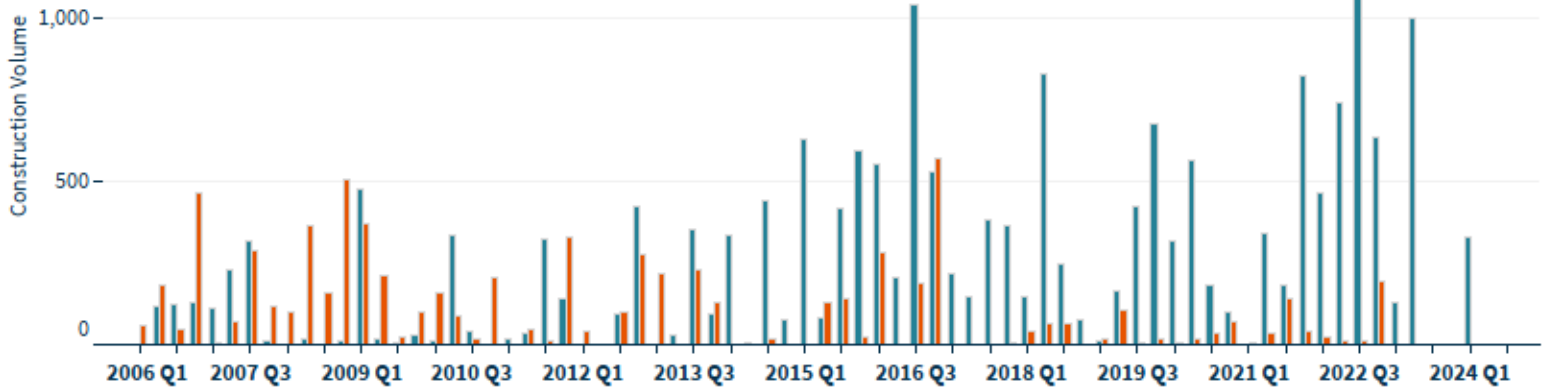
	Q4 2021	Q4 2026	Cincinnati (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,221	2,266	0.41%	0.47%
Households (000s)	877	905	0.62%	0.90%
Renting Cohort (Ages 20-34) (000s)	443	438	-0.25%	-0.30%
Total Employment (000s)	1,099	1,153	0.97%	1.08%
Median Household Income	\$64,624	\$76,360	3.39%	3.30%
Median SF Home Price	\$248,203	\$271,748	1.83%	1.93%
Net Migration	6,272	4,039		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



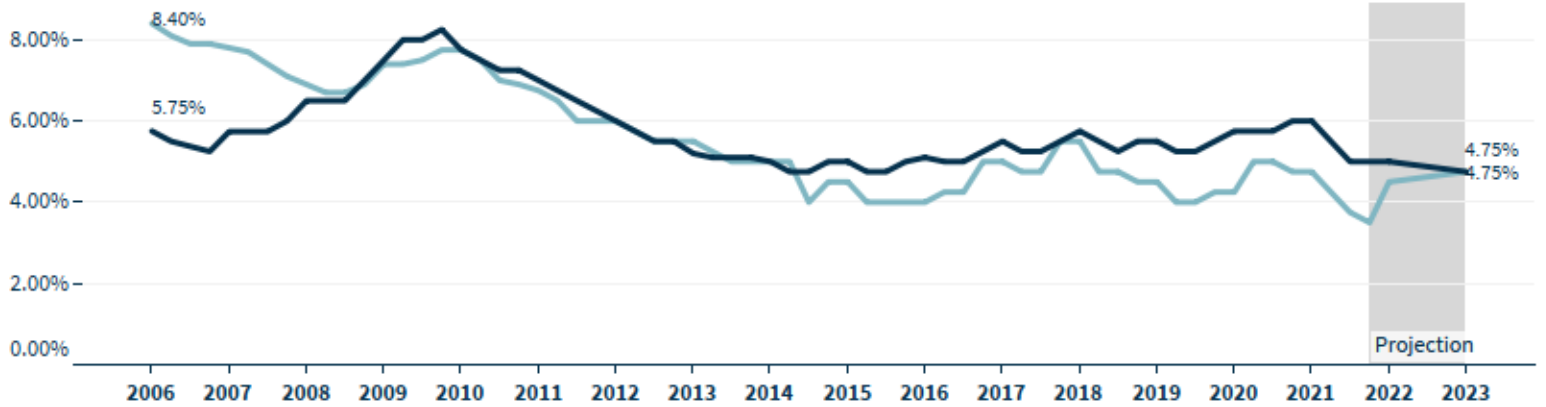
Vacancy & Rent Composite Estimates

Vacancy Rates

Cincinnati | National

Q4 2021 Vacancy Rate:

3.50%

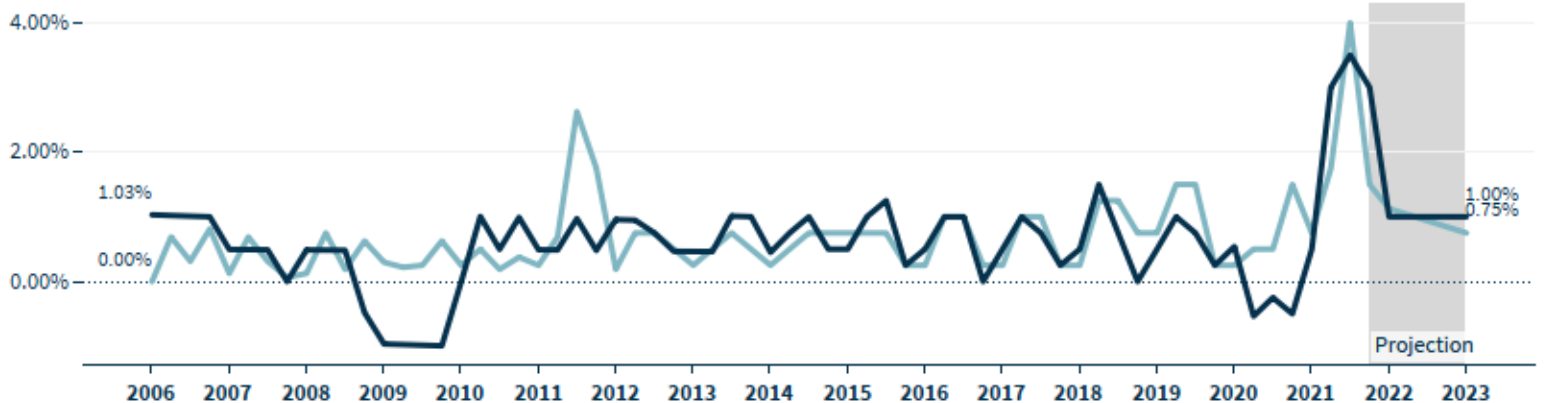


Asking Rent Growth

Cincinnati | National

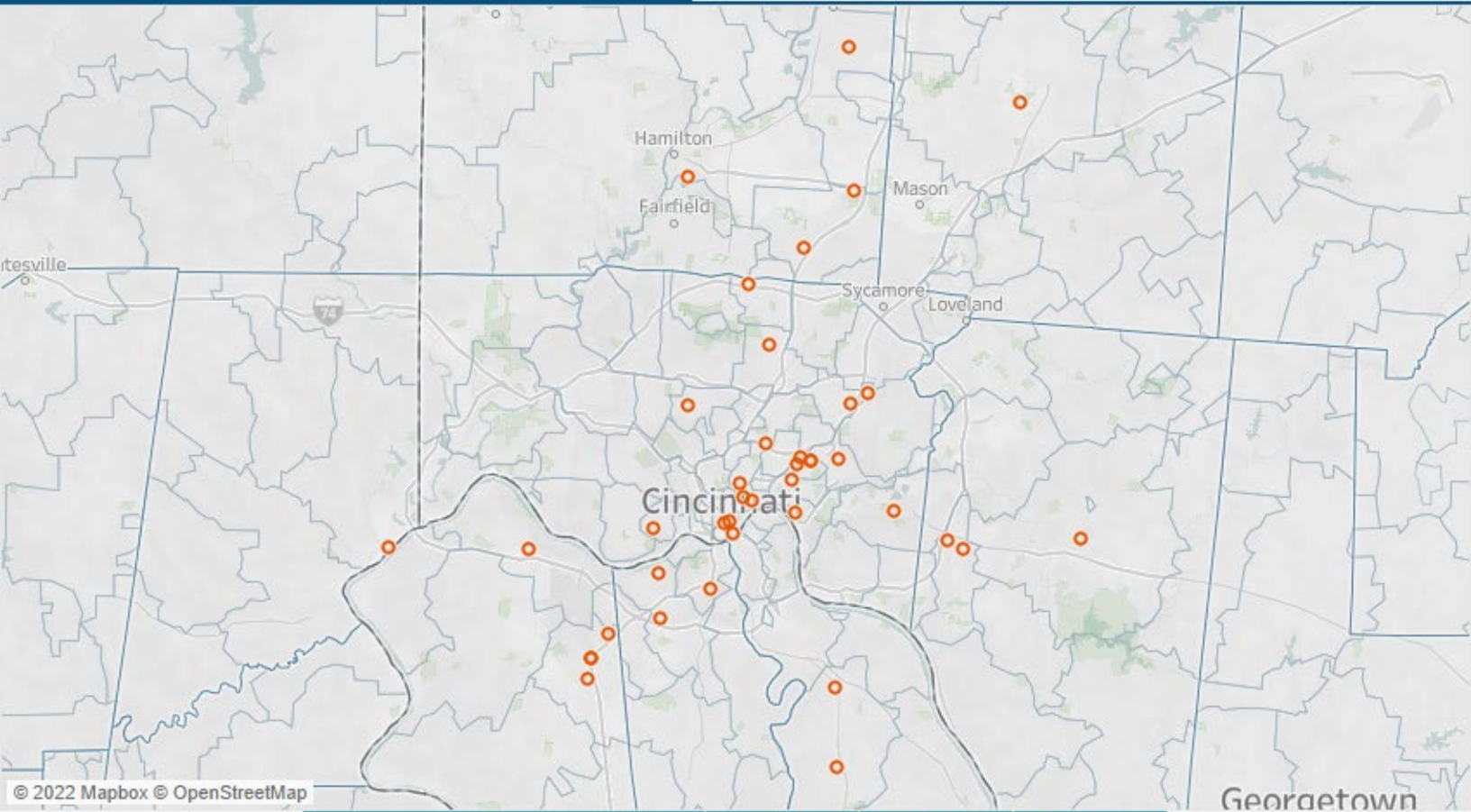
Q4 2021 Asking Rent:

\$1,090



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Projects</i>	<i>Building Units</i>	<i>Building Area SF</i>
Boone County/Erlanger	5	723	0.85M
Butler County	4	745	0.93M
Campbell/Kenton Counties	5	525	0.53M
Central Cincinnati	3	633	0.71M
North Central Cincinnati	11	1,628	2.23M
North Cincinnati	2	273	0.27M
Northeast Cincinnati/Warren County	3	622	0.81M
Southeast Cincinnati	8	245	0.26M
West Cincinnati	3	511	0.56M
Grand Total	44	5,905	7.15M

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

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

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