

Multifamily Metro Outlook:

Cincinnati - Q4 2020

Overview:

- Cincinnati has been one of the few major metros to escape more severe impacts from the onset of COVID-19. The metro has a Moody's industrial diversity score of 81 meaning that there is not one employment sector that the local economy relies on for growth. As the virus continues to linger, this is a positive for the metro as it has been able to mitigate the economic devastation from the virus by not relying on the vulnerable employment sectors of Leisure/Hospitality and Retail trade.
- The apartment market has gone largely unscathed by the onset of COVID-19 in the metro area. Vacancies continue to improve and were approximately 4.75 percent and rent growth was positive at 1.50 percent during Q4 2020. Cincinnati remains one of the few metro areas experiencing positive rent growth and besting the national rate of -0.50 percent during the same period.

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 percent and the cost of doing business is 93 percent, which are approximately 8 and 7 percentage points lower than the national averages. Both below average costs will be beneficial to the metro's recovery from the virus as employers will look 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 be a major boon for the local economy in 2021. According to Moody's Analytics, many of the delayed procedures, treatments, and surgeries from 2020 will occur throughout 2021. Furthermore, the local Healthcare industry has been able to recoup most of the jobs lost in 2020 and 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 percent 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.

Market Weaknesses:

- The Manufacturing sector, which accounts for approximately 11 percent of the local economy in the metro is poised for a bumpy recovery. GE Aviation, one of the metro's top employers, saw their profits contract by -82 percent in 2020. As a result, the company was forced to make significant job cuts and as air travel slowly returns, 2021 could be another rough year as it will take time for travel and commercial airline demand to reach pre-pandemic levels
- 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 was expanding in the metro prior to the onset of the virus, job growth had been very tepid for consecutive quarters. According to Moody's Analytics, job growth is on par with the national average, but after years of lagging behind the national average, a full recovery will take a bit longer.

Development:

- Since 2006, approximately 8,300 condo/townhome units have been completed. However, development is slowing. According to the Dodge Pipeline, there are less than 400 condo units currently in the pipeline through the first half of 2022.
- Apartment development in the metro has been limited. Nearly 9,900 units have completed since 2014. Construction has moderated with approximately 2,800 units underway and 6,000 more are 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 should be relatively smooth as the metro boasts a very diverse employment profile and low costs of business and living that could lead to a quicker and more robust recovery.

Five Year Metro Area Growth Forecast

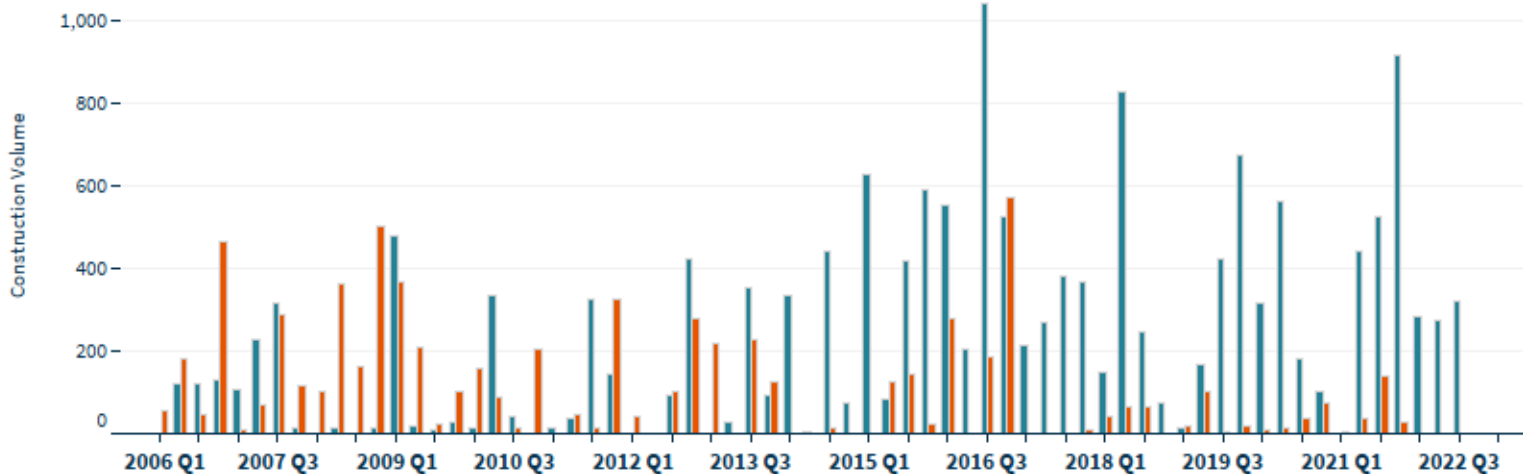
	Q4 2020	Q4 2025	Cincinnati (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,217	2,274	0.51%	0.52%
Households (000s)	862	914	1.17%	1.41%
Renting Cohort (Ages 20-34) (000s)	444	443	0.00%	-0.26%
Total Employment (000s)	1,068	1,162	1.71%	1.71%
Median Household Income	\$70,364	\$81,243	2.92%	2.83%
Median SF Home Price	\$224,414	\$271,768	3.90%	4.30%
Net Migration	6,857	4,654		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



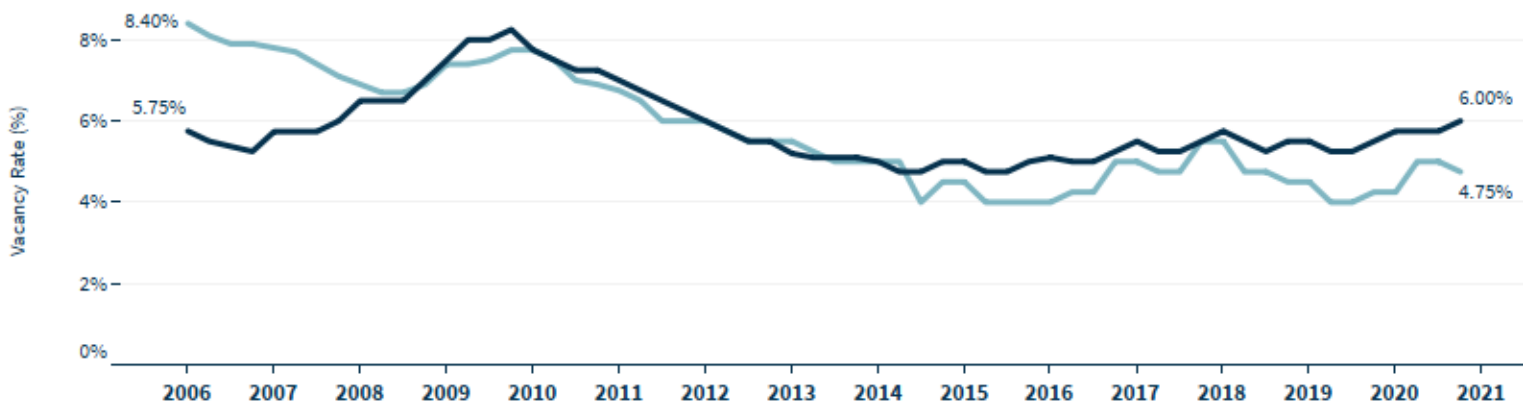
Vacancy & Rent Composite Estimates

Vacancy Rates

Cincinnati | National

Q4 2020 Vacancy Rate:

4.75%

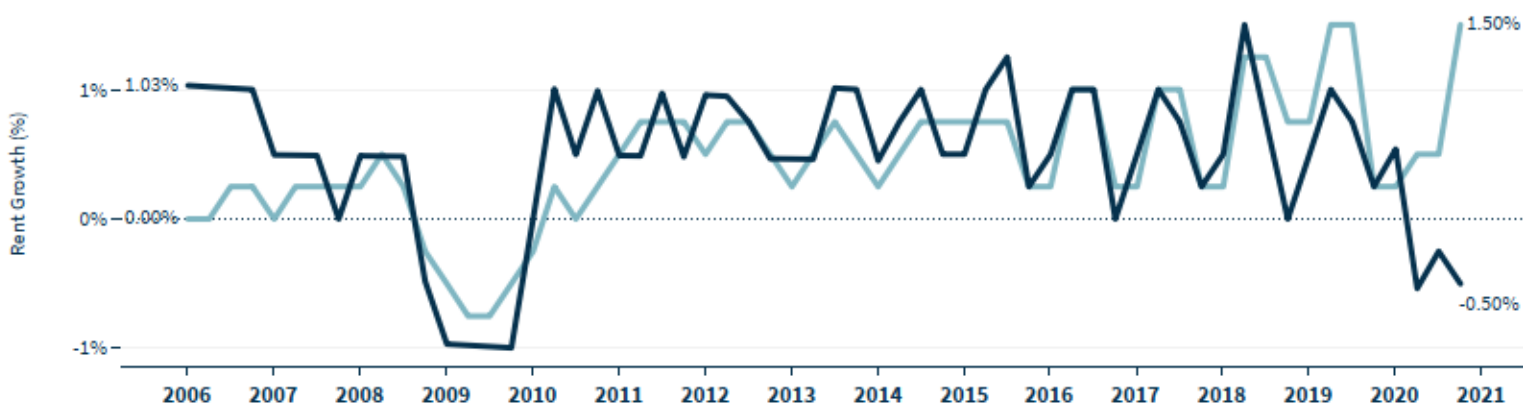


Asking Rent Growth

Cincinnati | National

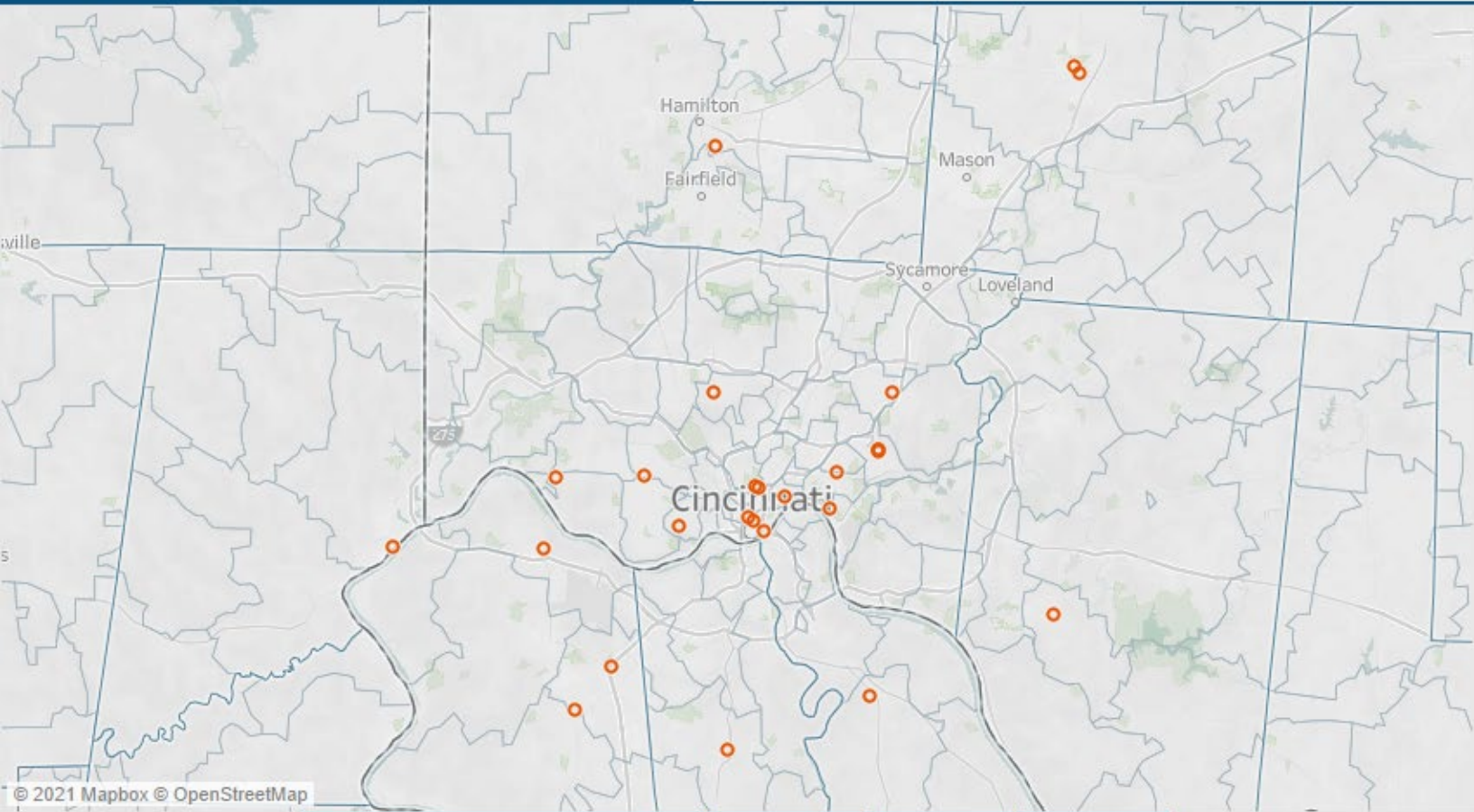
Q4 2020 Asking Rent:

\$950



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Boone County/Erlanger	3	167	0.23M
Butler County	1	60	0.05M
Campbell/Kenton Counties	2	66	0.06M
Central Cincinnati	5	838	0.86M
North Central Cincinnati	6	602	0.63M
Northeast Cincinnati/Warren County	3	503	0.61M
Southeast Cincinnati	1	5	0.01M
West Cincinnati	5	517	0.59M
Grand Total	26	2,758	3.02M

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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