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Multifamily Metro Outlook: Cincinnati Summer 2018

Overview

Job growth in the Cincinnati metro is continuing at a tepid pace. As of Q1 2018, the job market in Cincinnati expanded by 1.0 percent, just below the national rate of 1.3 percent. Without an economic crutch to lead the metro, job growth will likely continue to be at or below the national average in the forecast.

Steady additions to the local apartment supply have allowed vacancies to trend in the right direction. As of Q1 2017, vacancies in the metro area were approximately 5.5 percent, and rent growth remained positive at 0.75 percent. Similarly, concessions, which had been at -6.2 percent of asking rent as of Q1 2010, have decreased to -0.6 percent as of Q1 2018, below the national average of -0.7 percent.

The aerospace and aircraft manufacturing industries are poised to be economic leaders for the local economy in 2018. During 2017, the industry expanded by 1.2 percent; this compares to a national rate that contracted by 0.4 percent. According to Moody's Analytics, 2017 was a record year for local top employer, GE Aviation, and 2018 looks to be promising, too, as the company will be the lead manufacturer of the world's largest engine in the GE9x.
Cincinnati has begun to cultivate its own startup hub. Moody's Analytics reports that venture capital firms are flocking to the metro in order to fund local startups. The establishment of a startup culture in the metro is encouraging as venture capitalists are drawn to the high amount of intellectual capital that the metro boasts.

Tepid population growth and weak demographics are continuing to hamper economic expansion in the metro. During Q1 2018, the population growth rate was 0.6 percent, on par with the national rate of 0.7 percent. Cincinnati is forecast to expand by 0.4 percent annually over the next 5 years, compared to the national average of 0.7, according to CoStar.

Even though the metro area has entered job market expansion, there is increasing concern about the types of jobs being added. The metro currently has 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 are low- and middle-paying jobs.

Development

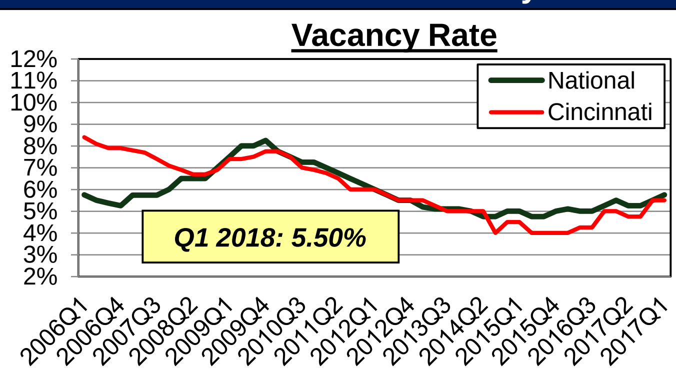
Since 2006, approximately 7,800 condo/townhome units have been completed. However, development is slowing. According to the Dodge Pipeline, there are only 300 condo units currently in the pipeline through 2019.
Apartment development in the metro has been limited. Nearly 9,900 units have completed since 2013. Construction is picking up with 3,300 units underway and an additional 8,500 in the planning stages.

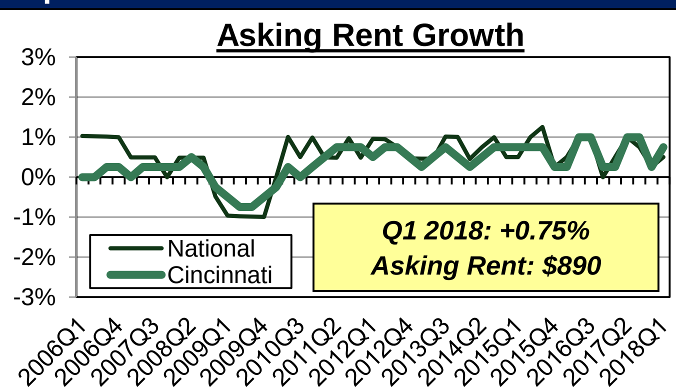
Outlook

Limited amounts of new supply, coupled with average employment growth, have allowed vacancies and rents to return to pre-recession levels, leaving the metro stable. The recent investment by Amazon, along with the fruition of a tech hub should help the metro keep demand steady as supply ramps up.

Although there has been an uptick in the number of units in the planning and underway stages, as long as new supply doesn't ramp up too quickly the metro will likely remain steady. Job growth has been gaining momentum and is expected to be level with the national rate in the coming years. Demand should be sufficient as more employers look to bring business due to the presence of other Fortune 500 companies and cheaper business costs.

Vacancy and Rent Composite Estimates





Source: Fannie Mae Multifamily and Economics Research

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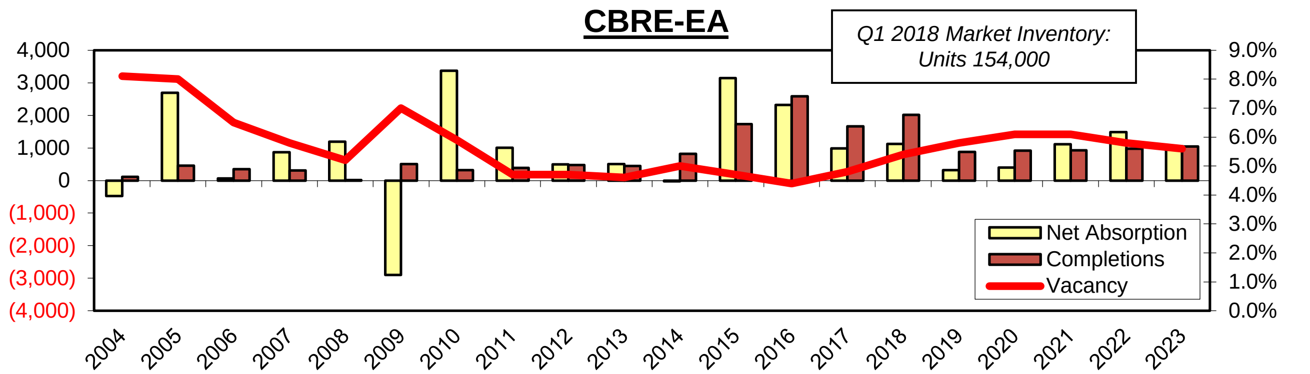
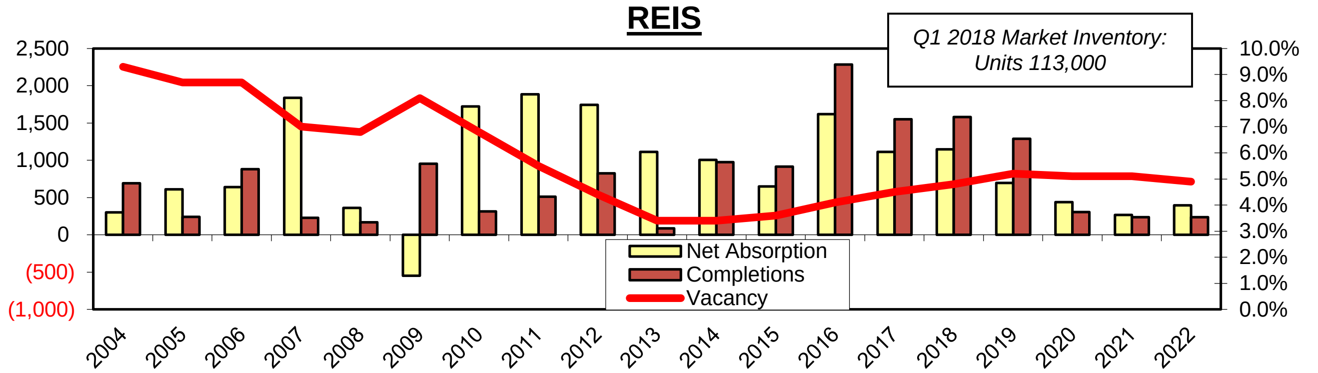
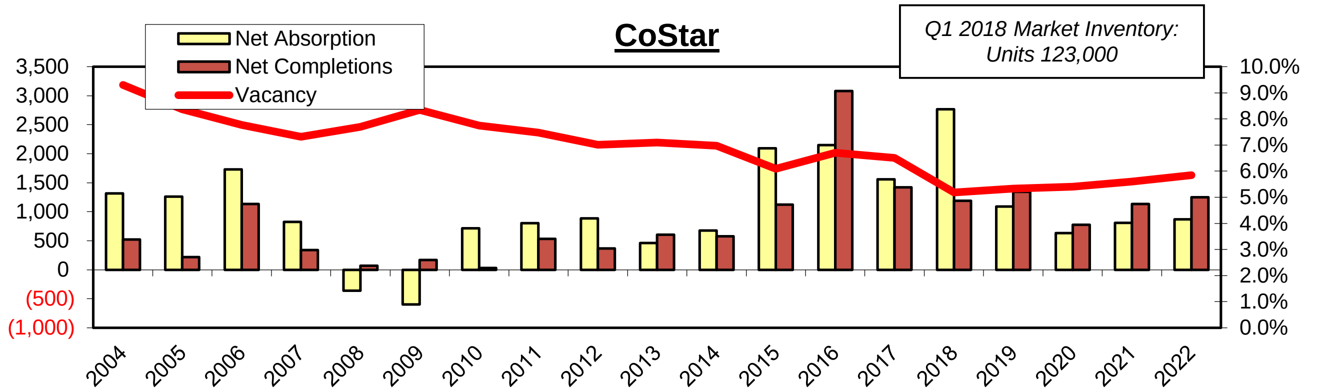
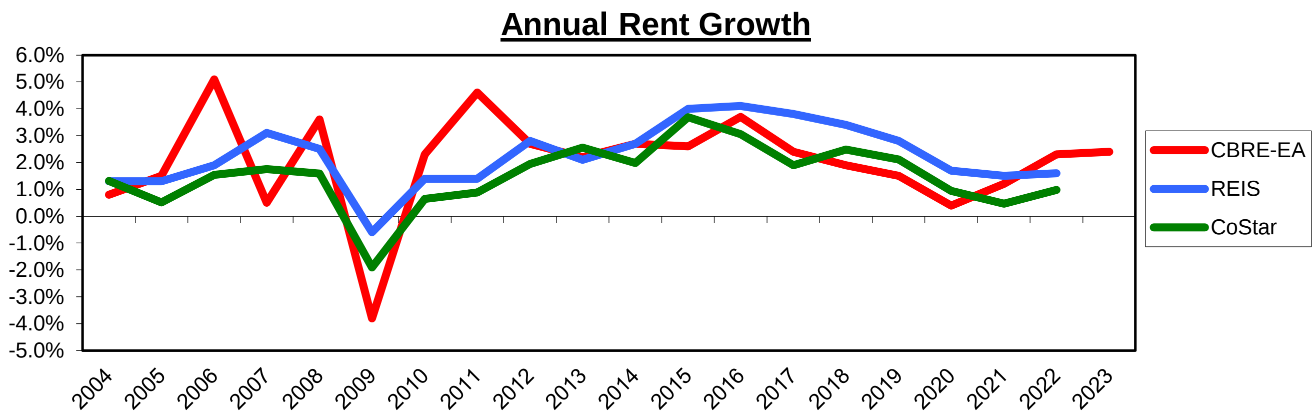


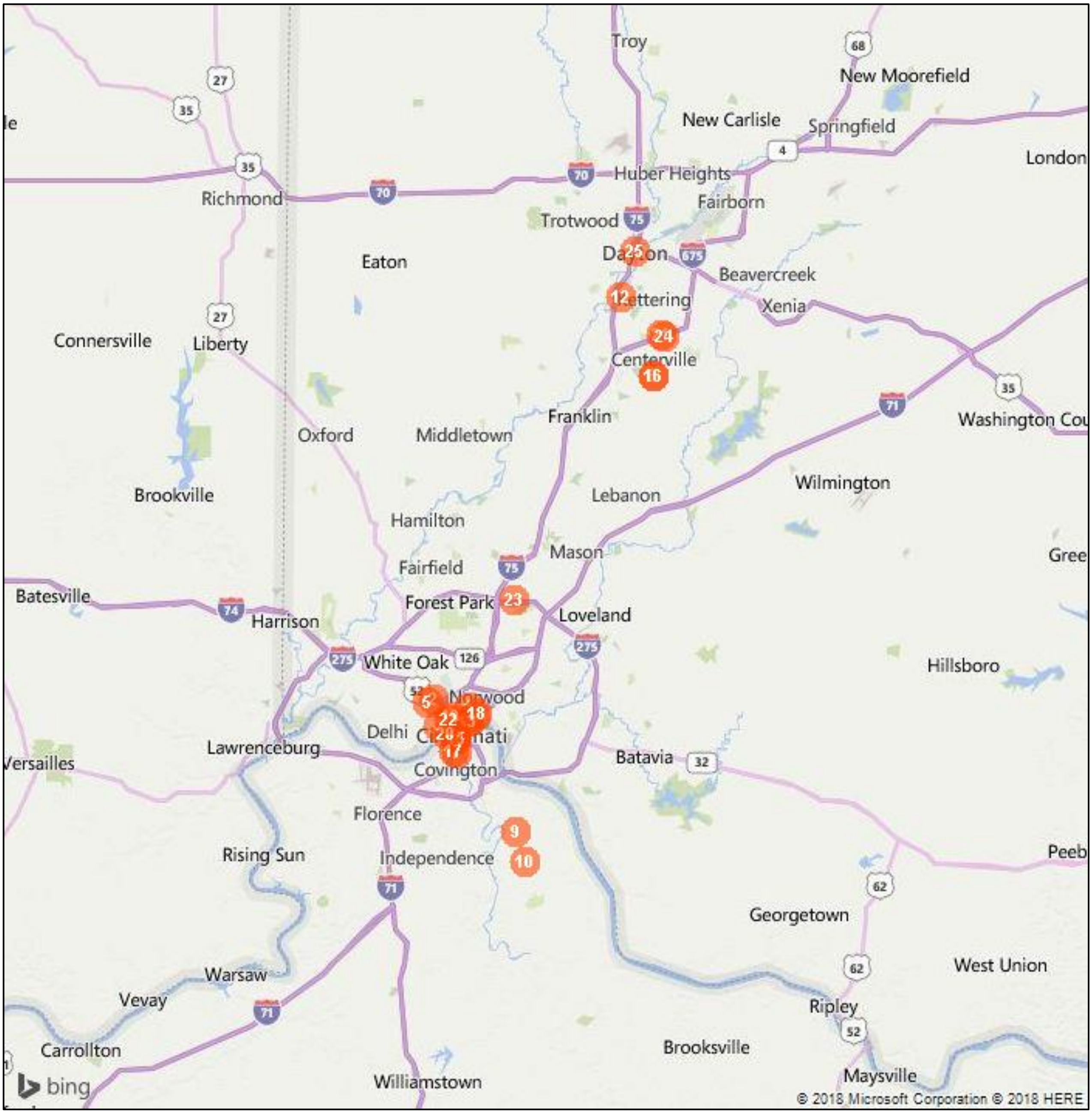






Multifamily Metro Outlook: Cincinnati Spring 2018

Construction Bidding/Underway
(25 projects/3,100 Units/2.6 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Central Dayton	1	107	65
Downtown	11	1721	1288
Northeast	1	17	14
Northern Kentucky	4	321	289
South Dayton	5	855	886
Southwest	3	60	80

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Fannie Mae Multifamily Economics and Market Research

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<u>Sources Used</u>

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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