Fannie Mae

Multifamily Metro Outlook: Cincinnati Spring 2019

Overview

Job growth in the Cincinnati metro has gotten a slight jolt after a few quarters of tepid growth. During the first quarter of 2019, the job market in Cincinnati expanded by 1.9 percent, slightly above the national rate of 1.7 percent. The uptick in the metro's growth can be attributed to the improving performance in the manufacturing and professional/business services sectors.

Steady additions to the local apartment supply have allowed fundamentals to trend in the right direction. As of Q1 2019, vacancies in the metro area were approximately 4.50 percent and rent growth remained positive at 0.75 percent.

The Cincinnati metro is doubling down on the education and health services industry. According to Moody's Analytics, Cincinnati Children's Research Center is looking to fill 600 openings and investing more than $650 million to build new facilities. The added focus on education and health services is appropriate and necessary, as nearly 30 percent of the population is 55-plus and will create demand for healthcare services.

Cincinnati has begun to cultivate their own startup hub. Moody's Analytics reports that venture capital firms are flocking to the metro 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 2019, the population growth rate was 0.4 percent, slightly below the national rate of 0.8. Cincinnati is forecast to expand by 0.3 percent annually over the next 5 years, compared to 0.7 percent nationally, according to CoStar.

Even though the metro area has entered job market expansion, there is increasing concern about the type of jobs being added. The metro currently needs highly skilled individuals for higher paying jobs, but employers are having difficulty filling those positions. Many of the jobs in the expansion are lower and middle paying jobs.

Development

Since 2006, approximately 8,000 condo/townhome units have been completed. However, development is slowing. According to the Dodge Pipeline, there are only 190 condo units currently in the pipeline through 2020.

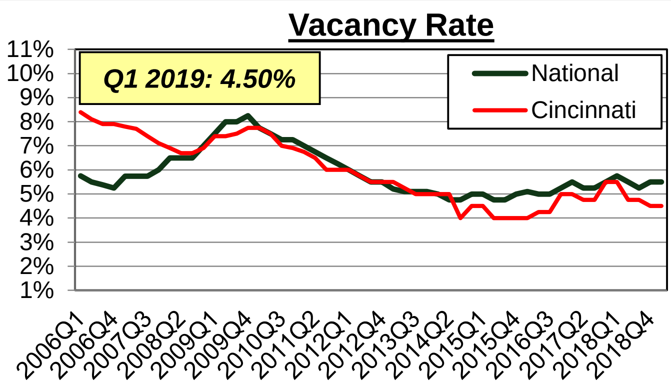
Apartment development in the metro has been limited. Nearly 12,400 units have completed since 2013. Construction is picking up with approximately 3,700 units underway and 7,600 more are in the planning stages.

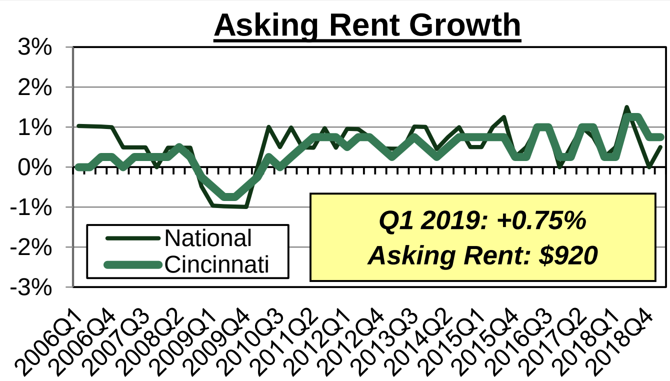
Outlook

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. Job growth is still positive and is expected to be level with the national rate in the coming years. The recent investment by Amazon, coupled with the fruition of a tech hub, will help the metro keep demand steady as supply ramps up.

Although there is an uptick in the number of units in the planning and underway stages for the metro, as long as new supply doesn't ramp up too quickly the metro will remain steady. Demand will 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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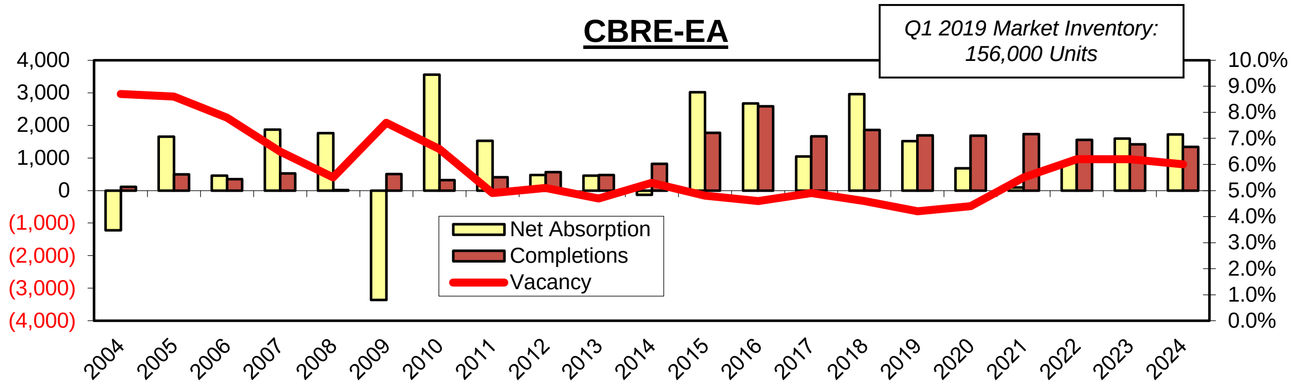

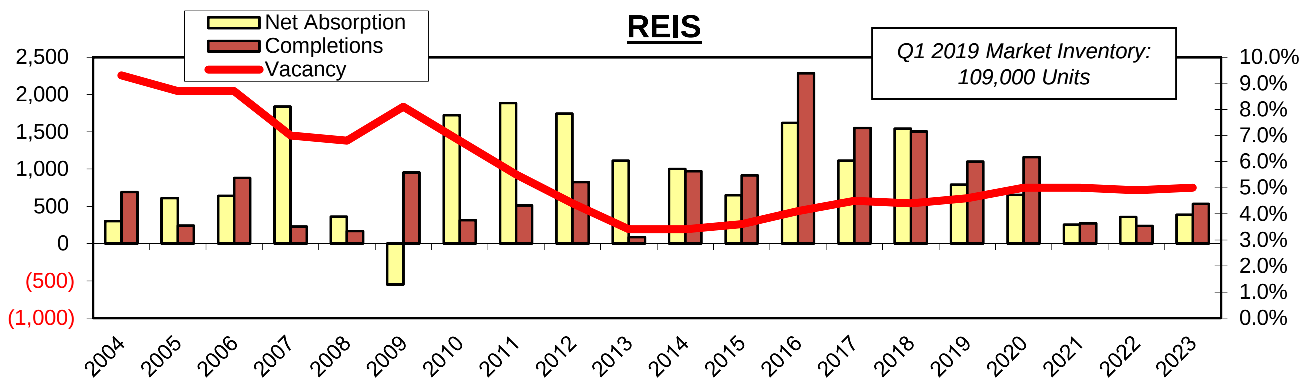

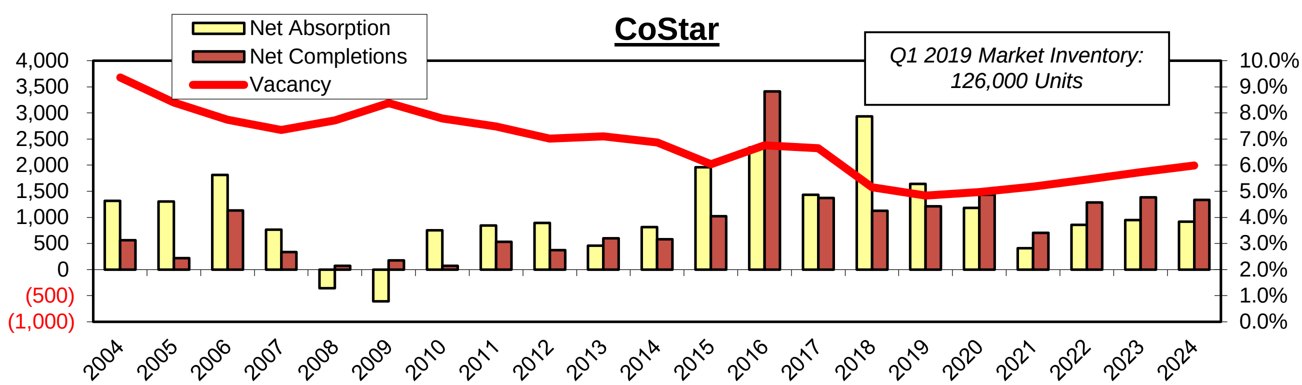

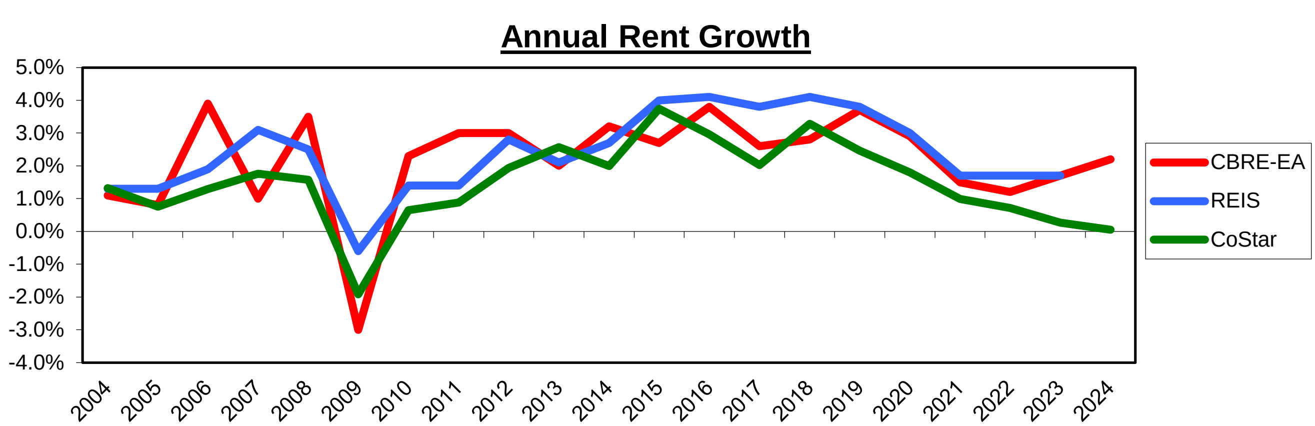

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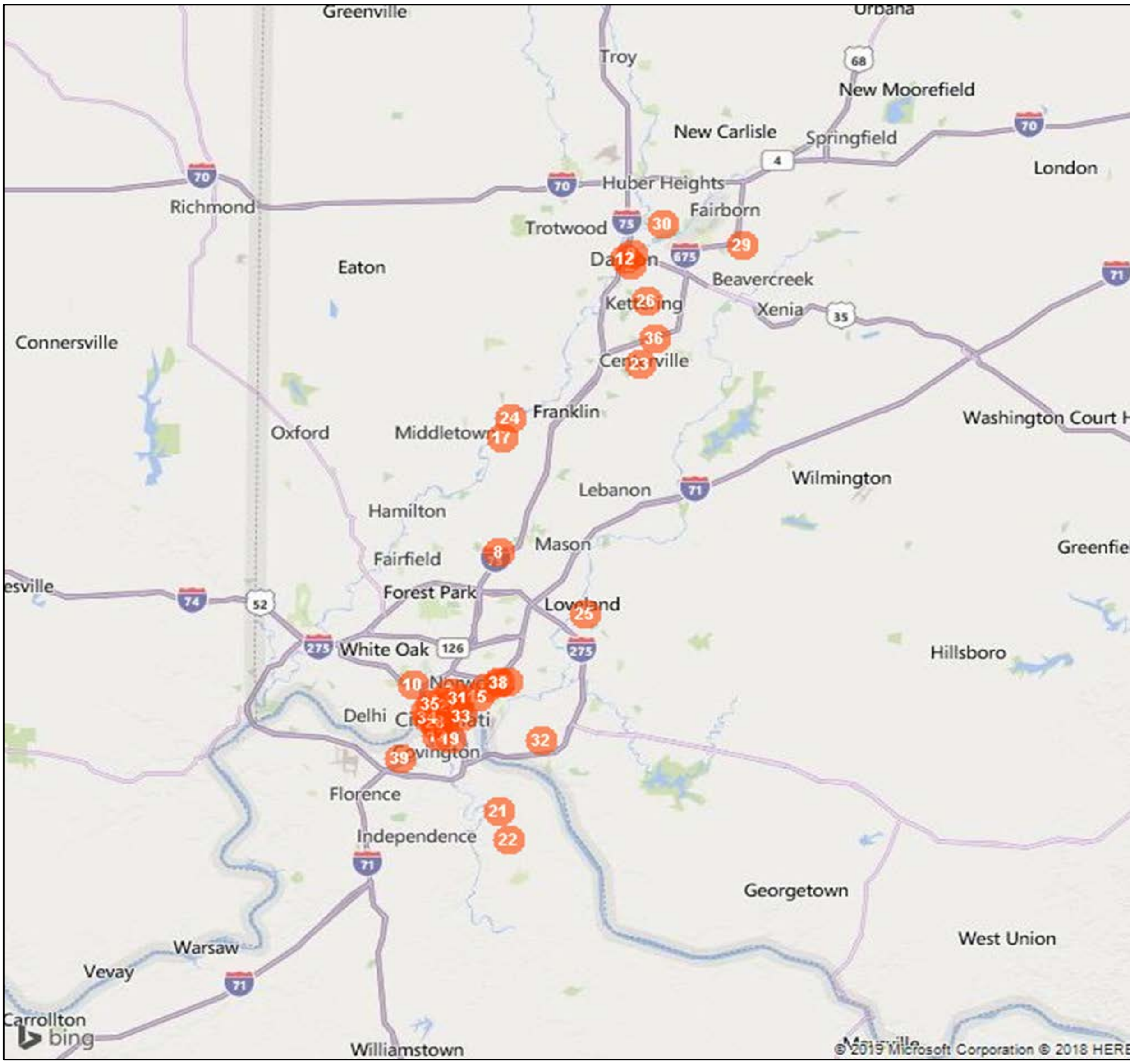
Construction Bidding/Underway
39 projects/3,800 Units/4.8 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Butler/Warren Counties	3	104	90
Central Dayton	4	565	297
Clermont County	1	134	122
Downtown	15	2460	1932
Northeast Dayton	1	133	68
Northern Kentucky	6	572	466
South Dayton	3	346	380
Southeast	5	454	387
Southwest	1	60	80

Source: Dodge Data & Analytics SupplyTrack

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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 SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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