Overview
The Cincinnati metro area is continuing to build upon the momentum reached when the metro entered job market expansion earlier this year. Year over year as of June 2017, the job market in Cincinnati expanded by 2.4 percent, significantly above the national rate of 1.5 percent.

Limited additions to apartment supply have allowed vacancies to trend in the right direction. As of Q2 2017, vacancies in the metro area were approximately 4.75 percent and rent growth remained positive at 1.0. Similarly, concessions, which had been at -6.2 percent of asking rent as of Q1 2010, have decreased to -0.4 percent as of Q2 2017, firmly below the national average of -0.8 percent.

The metro’s cost of doing business is 6.0 percent lower than the nation rate. Amazon is one of the many employers that is taking advantage of the lower business costs in the area. According to Moody’s Analytics, Amazon is in the process of constructing a $1.5 billion, 3 million square foot shipping center that will bring many logistic and service jobs to the metro area.

The Professional/Business services sector is emerging as an economic crutch for the local economy. Many employers are attracted to the metro’s high intellectual capital and cheaper business costs. Fortune 500 employers such as Kroger and Proctor & Gamble are just two of the metro’s top employers headquartered here.

However, tepid population growth and weak demographics are continuing to hamper economic expansion in the metro. During Q2 2017, the population growth rate was 0.5 percent compared with 0.8 percent nationally. Cincinnati is forecast to expand by 0.4 percent annually over the next five years compared with 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 has the 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 lower and middle paying jobs.

Development
Since 2006, approximately 7,500 condo/townhome units have been completed. However, development is slowing. According to the Dodge Pipeline, there are only 120 condo units currently in the pipeline through 2018.

Apartment development in the metro has been limited. Nearly 9,800 units have completed since 2012. Construction is picking up with approximately 2,600 units underway and an additional 7,300 are in the planning stages.

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

Although there is an uptick in the number of units in the planning and underway stages, the Cincinnati metro will likely remain steady – as long as new supply doesn’t ramp up too quickly. Job growth has been gaining momentum and is expected to be level with the national rate in the coming years. Demand will likely 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
Multifamily Metro Outlook: Cincinnati Fall 2017

Q2 2017 Market Inventory: Units 152,000

Q2 2017 Market Inventory: Units 106,000

Q2 2017 Market Inventory: Units 118,000

Annual Rent Growth
Multifamily Metro Outlook: Cincinnati Fall 2017

Construction Bidding/Underway
(23 projects/2,600 Units/2.4 M Sq. Feet)

<table>
<thead>
<tr>
<th>CBRE-EA Submarket</th>
<th>Number of Projects</th>
<th>Total Sq Ft (000's)</th>
<th>Total Units</th>
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<tr>
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<td>Central Dayton</td>
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<td>Highway 27/127</td>
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</table>
Multifamily Metro Outlook: Cincinnati Fall 2017

Fannie Mae Multifamily Economics and Market Research

Francisco Nicco-Annan, Economist

Sources Used

- 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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