

MARKET REPORT

RETAIL

Cincinnati Metro Area

IPA INSTITUTIONAL
PROPERTY
ADVISORS

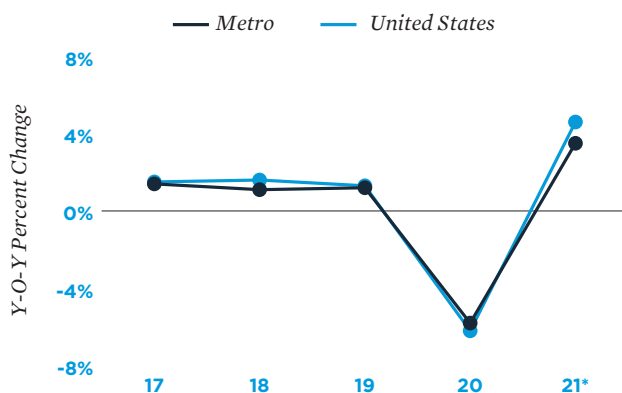
3Q/21

Vacancy Stability and Job Creation Among Larger Employers Poised to Attract More Investors

Positive absorption returns to largest submarkets. Cincinnati's economy has exhibited resiliency over the past year ended in June with unemployment holding below the U.S. average. Entering the second half, the number of professional and business services jobs exceeded the pre-pandemic level by 4,400, with the volume of education and health services workers also above the tally recorded in February 2020. The performance of these sectors has sustained consumer spending and retailer demand. Vacancy reflects this, as availability over the last 12 months hovered in the high-4 to low-5 percent band, a range that was maintained during the prior 16 quarters. With minimal supply additions on the horizon and three of the metro's four largest submarkets recording positive absorption during the past year, vacancy is positioned to adjust nominally in the second half.

Catalysts for retail spending boost line up. A group of Cincinnati's largest firms may bolster payrolls in the coming quarters, lifting midweek foot traffic downtown and increasing households' disposable incomes. Fifth Third Bank, Deloitte and Turner Construction have each recorded corporate growth during the pandemic or recently inked leases for CBD office space, suggesting an increase in staff counts is upcoming for these major employers. The metro's second-largest employer, the University of Cincinnati, will welcome students back for in-person learning this fall. The influx of undergraduates should uplift spending at nearby bars, restaurants and necessity retailers.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2021 Outlook



**37,000
JOBS**

will be created

EMPLOYMENT:

The employment count will expand by 3.5 percent in 2021, as the metro recaptures nearly 60 percent of the 65,500 jobs lost last year. At 4.3 percent in July, the local unemployment rate is positioned to remain below the national average through this year.



**100,000
SQ. FT.**

will be completed

CONSTRUCTION:

Retail inventory expands by just 0.1 percent for a second consecutive year. The city of Cincinnati lacks supply additions in 2021. Instead, most deliveries are in Western Kentucky or Butler County.



**0
BASIS POINT**

change in vacancy

VACANCY:

Positive absorption across most of the metro's largest submarkets will enable overall vacancy to hold at 5.0 percent in 2021, a rate 10 basis points above the previous five-year average.



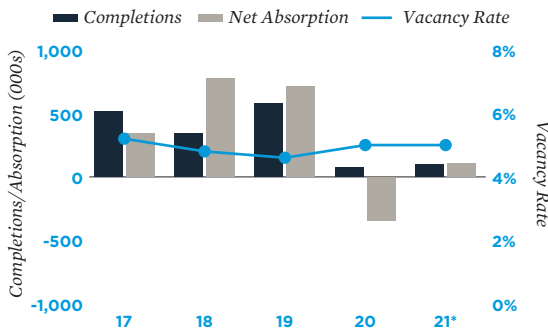
**4.5%
INCREASE**

in asking rent

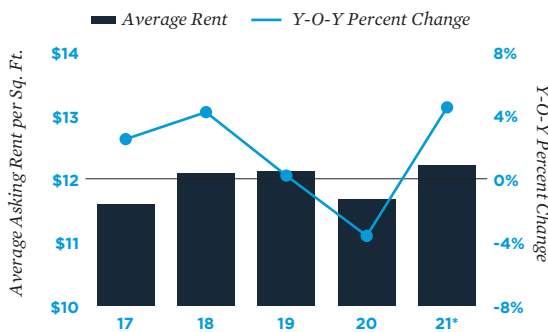
RENT:

Historically tight multi-tenant vacancy and a limited volume of available single-tenant space will contribute to a rise in market rates this year. The average asking rent will elevate to \$12.21 per square foot, the highest year-end mark since 2008.

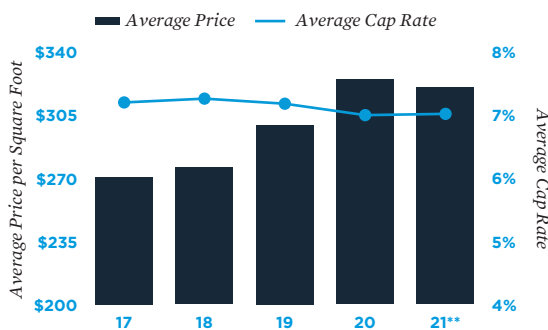
Supply and Demand



Rent Trends



Sales Trends



* Forecast; ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q21 – 12-Month Period



CONSTRUCTION

100,000 square feet completed

- Developers expanded Cincinnati's retail inventory by just 0.1 percent during the 12-month span ending in June. The Western Cincinnati area had the largest share of new supply at 53,000 square feet.
- Construction was underway on 145,000 square feet of space as of late August with deliveries extending into 2022.



VACANCY

30 basis point increase in vacancy Y-O-Y

- Negative absorption over the past year increased the metro's available stock by 252,000 square feet, lifting vacancy to 5.1 percent. This rate is 20 basis points above the prior five-year average.
- Despite the overall increase in vacancy, multi-tenant availability fell 30 basis points to 7.7 percent on net absorption of 141,000 square feet.



RENT

1.9% increase in the average asking rent Y-O-Y

- Average asking rent reached \$12.27 per square foot in June, the highest marketed rate since early 2009. The recent increase built on the 1.3 percent rise registered during the prior yearlong period.
- The multi-tenant segment recorded a more pronounced growth rate as the mean marketed rent climbed 3 percent to \$11.83 per square foot.

Investment Highlights

- Investors have come off the sidelines following a drastic pause in trading during the second and third quarters of last year, yet deal flow has not returned to a pre-pandemic pace. Instead, a 40 percent decline in sales activity was registered over the past 12 months ended in June, underscored by a larger decline in multi-tenant transactions.
- Mean pricing declined by nearly 2 percent across both the single and multi-tenant segments, with properties trading for an average of \$362 and \$196 per square foot, respectively. The mean single-tenant cap rate, however, was unchanged at 6.6 percent while the average multi-tenant return rose 10 basis points to 8.1 percent.
- Transactions involving sub-\$3 million fast-food properties and restaurants have accounted for approximately 30 percent of total deal flow since last July. Western Cincinnati and northern suburbs have accounted for the most executions, with buyers obtaining first-year returns in the 5 to low-6 percent range.
- Another 20 percent of recent sales activity has been supported by higher-yielding, mixed-use property trades. Assets with a blend of retail and multifamily have sold most frequently in Clifton-Midtown.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Note: Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics