INVESTMENT FORECAST

Multifamily

Cincinnati

IPA INSTITUTIONAL PROPERTY ADVISORS

2022

Strong Pillars of Local Economy Altering Institutional Perception

Major employment sectors in a position of strength. Cincinnati enters 2022 following a year highlighted by economic resiliency and stout renter demand for Class A and B apartments. The performance of the professional and business services and education and health services industries are largely responsible for fueling these conditions as both sectors saw headcounts exceed pre-pandemic peaks during the third quarter of last year. Moving forward, these employment segments are poised for continual growth, backed by numerous medical centers and a collection of locally based Fortune 500 companies that have pledged to bolster staffs. Expansions by these organizations will support demand for higher-priced units at a time when apartment deliveries are slated to elevate, namely in the Northern Kentucky and Northwest Cincinnati neighborhoods. While supply additions may place some upward pressure on overall unit availability, vacancy rates in both the upper- and mid-tier rental sectors will hold well below their long-term historical averages this year.

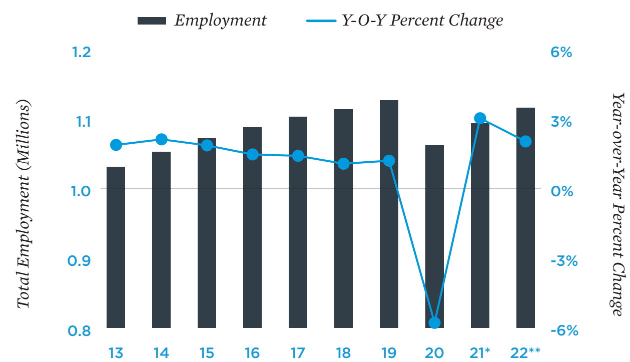
High yields and strong fundamentals catch institutional attention. Investors focused on consistent cash flow-producing assets in Midwest markets are pursuing opportunities in Cincinnati. Home to an average cap rate significantly above the national mean, the metro is positioned to record a rise in institutional activity this year, especially if the number of listings that feature upward of 100 units elevates. Historically, available properties that fit this description are 1980s- to post-2000-built Class B complexes in Cincinnati suburbs and Northern Kentucky. In these submarkets, 6 percent to 7 percent first-year returns are obtainable for assets of this vintage. Demand among out-of-state equity and select REITs may also heat up for what is historically a sparse number of Class A acquisition opportunities. The significant drop in luxury vacancy over the past year and the return of positive rent growth have the potential to increase these properties' near-term valuations. Additionally, efforts to create an uptown district near the University of Cincinnati and adjacent medical centers may spark ground-up and redevelopment opportunities for institutions with construction experience.

20.0% *2021 share of local population between 20 and 34 years old*

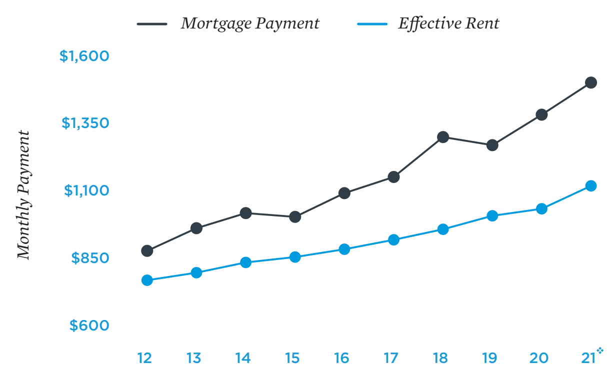
31.1% *of local population hold bachelor's degree or higher*❖

$242,200 *2021 median home price*

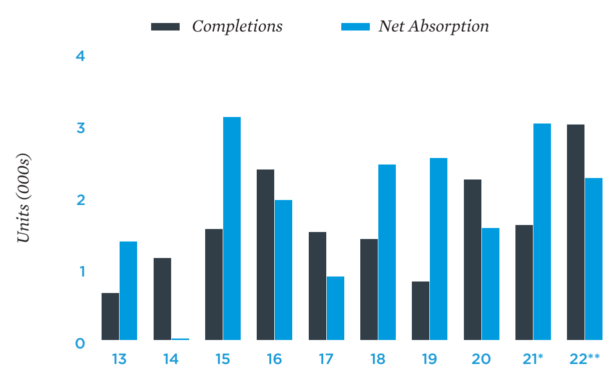
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast ✦ Through 3Q
❖2021: 25+ years old
Sources: Marcus & Millichap Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

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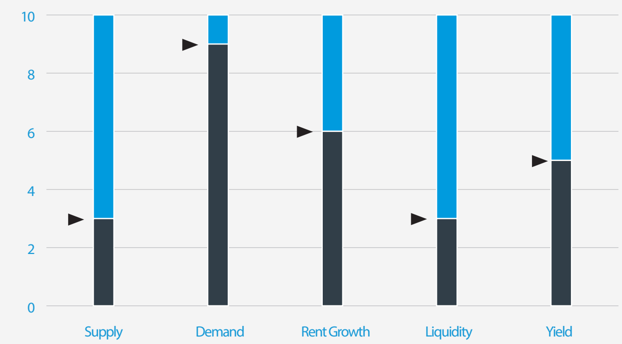
2022 Investment Outlook

Strong demand as shown by the 9 on that section of the Key Performance Index is driving absorption and providing a tailwind for rent growth. Cincinatti's score on the rent growth portion has climbed relative to the pre-pandemic Index, although the supply measure has declined.

Cincinnati ranks near the top of the pack in the 2022 Index with a yield score of 5. Investors seeking higher first-year returns find opportunities in the market. Overall, though, deal flow is relatively moderate, as indicated by the low liquidity metric.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2022 Market Forecast

Employment
22,000 jobs
Metro **2.0%**
U.S. **2.5%**

Construction
as % of inventory[ᵛ]
Metro **1.8%**
U.S. **2.2%**

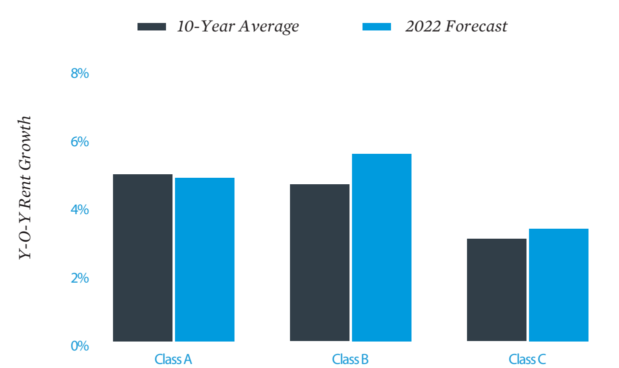
Class A Vacancy
Up 40 bps
Metro **3.7%**
U.S. **3.6%**

Class A Rent
$1,658 per month
Metro **4.8%**
U.S. **7.5%**

Investment
3-yr. avg. activity $20+ million
Deals: **4**
Volume: **$117 Million**

Vacancy By Class

Rent Growth By Class



John Sebree
Senior Vice President
Director IPA Multifamily
(312) 327-5400 | jsebree@ipausa.com

** Estimate ** Forecast*
ᵛ Arrow reflects completions trend compared with 2021
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics