

MARKET REPORT

Retail
Cincinnati Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

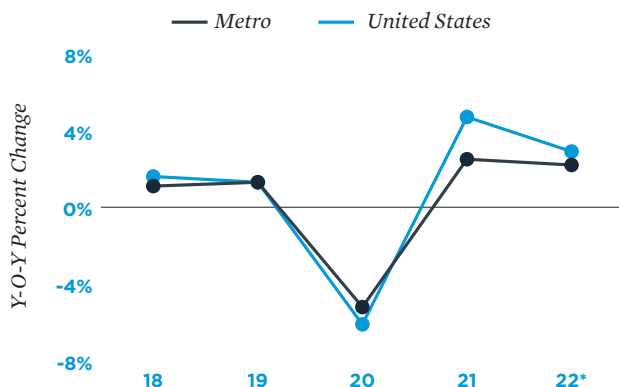
2Q/22

Foot Traffic Fueled by Strong Migration; Suburban Demand Set to Absorb Arrivals

Renewed demand for suburban space. As Cincinnati closes in on full pre-pandemic job recovery, it has continued to see upward trending net in-migration. The projected 6,600 new residents will be the highest recorded increase since 1993 and more than doubles 2019 move-ins. The growth coincides with affordable housing costs as the median home price is at least \$100,000 below the national level and rising at a slower pace. After suburban areas felt the impact of pandemic effects, most ended 2021 notably improved or stabilized from the divergent trends of 2020. With a moderate development pipeline focused outside of the core, suburban recovery is positioned to aid market absorption, while urban demand also remains healthy. This year opened with particularly strong leasing activity in Eastgate-Anderson Township and Forest Park-West.

CBD vacancy compressed by return-to-office movements. Procter & Gamble and American Financial Group, Inc., two major downtown employers, have initiated a return-to-office trend, highlighted by American Financial's complete reoccupation of the Great American Tower downtown. As employees go back to core offices and foot traffic improves, demand by tenants for proximate retail space will strengthen. This could push down on vacancy in the city of Cincinnati, where availability is already tight at 2.3 percent in March. As recovery continues in key areas and CBD construction tapers, overall market availability will decrease 40 basis points to 5.9 percent, dropping into the sub-6 percent area for the first time since 2007.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**24,500
JOBS**
will be created

EMPLOYMENT:

Employment gains this year will increase headcounts by 2.2 percent and come within 7,000 positions of the 2019 benchmark. Entering the second quarter, Cincinnati recorded an unemployment rate slightly below the national average at 3.5 percent.



**420,000
SQ. FT.**
will be completed

CONSTRUCTION:

Despite more new space arriving this year than in all of 2020 and 2021 combined, supply additions will remain below the 2015 to 2019 annual average of 765,000 square feet. Inventory will grow by 0.4 percent.



**40
BASIS POINT**
decrease in vacancy

VACANCY:

Limited construction is directing retailers to existing space, helping compress vacancy to 5.9 percent. Despite single-tenant properties comprising the majority of completions, vacancy in this segment should stay under 4.0 percent.

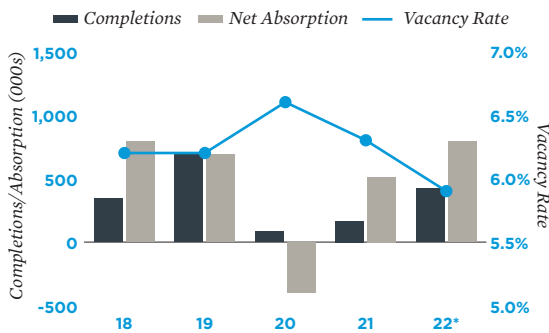


**3.4%
INCREASE**
in asking rent

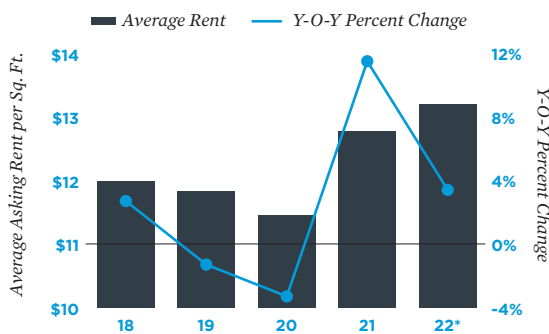
RENT:

As retailer demand remains high amid mild construction, the average asking rent reaches \$13.20 per square foot. After declining in 2019 and 2020, followed by a surge last year, rents increase in 2022 at a pace more consistent with the historic norm.

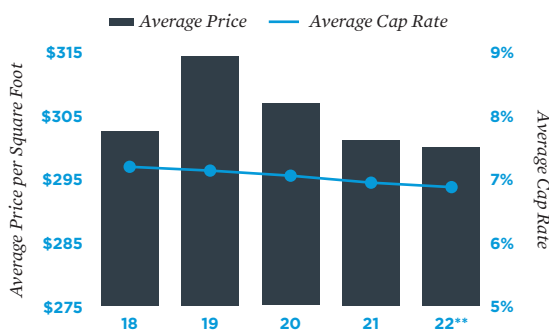
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

115,000 sq. ft. completed

- Additions over the past year ended in March came in slightly below the previous period's 142,000 square feet, as only 16,500 square feet came online in the first quarter of this year.
- Almost all of the deliveries made in the first quarter were in Butler County, and more than 40,500 square feet was absorbed here during that period.



VACANCY

50 basis point decrease in vacancy Y-O-Y

- Positive first quarter net absorption occurred for the first time since 2018 as a net of 45,400 square feet became newly occupied. This pushed metrowide vacancy down to 6.2 percent.
- The city of Cincinnati noted year-over-year compression of 120 basis points for an overall rate of 2.3 percent, one of the lowest in the metro.



RENT

9.1% increase in the average asking rent Y-O-Y

- The average asking rent rose to \$12.85 per square foot amid rising net absorption and tightening vacancy. Metro performance was driven by single-tenant properties, where rents increased by 11.2 percent.
- Multi-tenant marketed rents increased more than 3.0 percent over the 12-month period ended in March to \$12.08 per square foot on average.

Investment Highlights

- Deal flow nearly doubled in 2021 relative to the 2020 recording, as investors began to regain confidence in the metro. This came as the average sale price dipped for the second year in a row, falling 2 percent to a mean of \$300 per square foot. This compression comes from a shift in buyer preferences, with more investors targeting single-tenant assets in suburbs where prices tend to be lower. The average cap rate remained consistent, easing by 10 basis points to 6.9 percent, still one of the highest in the region.
- After the mean multi-tenant cap rate held firm at 7.8 percent for four years, it dipped slightly in the trailing 12-month period ended in March to 7.7 percent, even as the average price per square foot dipped to \$189. The mean single-tenant cap rate tightened by 20 basis points in the same period to 6.1 percent, with a mean sale price of \$396 per square foot.
- Last year, Butler County remained the top submarket for trades, followed by the Cincinnati International Airport area and Mason-Montgomery. All three submarkets posted increased activity compared to both 2020 and 2019. Forest Park posted a notable trade involving a lifestyle center spanning nearly 150,000 square feet, emphasizing the appeal of properties along Interstate 275 and at the crossroads of other state routes.

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. 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: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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