

# MARKET REPORT

Retail  
Cincinnati Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

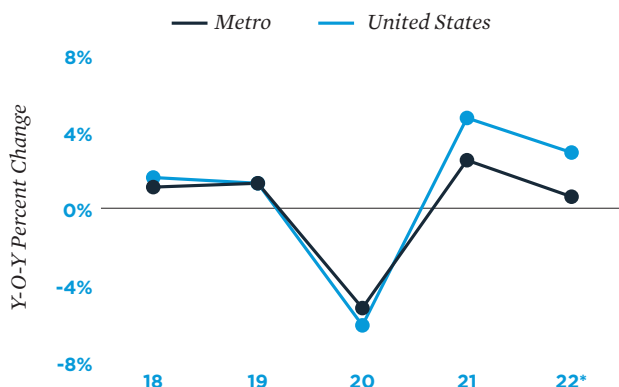
3Q/22

## Vacancy Lowers Across Store Types in the CBD; Discount Stores Target Multi-Tenant Space

**Retailers flock to the urban core.** In the yearlong span ended in June, the city of Cincinnati recorded a 970-basis-point drop in multi-tenant vacancy to 3.7 percent in the second quarter. This decrease was aided by elevated retailer demand for the limited multi-tenant stock in the area, as single-tenant vacancy sunk to 1.8 percent, following resilience to pandemic disruptions. This exhibits high tenant demand in the submarket across the retail spectrum. Construction has also been sparse here during the last 10 years, and developments are expected to remain low in the next two years. Limited deliveries and elevated leasing activity in the urban core facilitated strong rent growth, as the average asking rent in the locale reached \$16.76 per square foot in June. Renewed interest in the CBD comes as Cincinnati reports one of the tightest vacancy rates for downtown apartments at 3.2 percent. An expanding renter pool and employees returning to offices more days of the week will lift downtown foot traffic, providing a tailwind for retailers located here.

**Discount stores focus on suburban areas.** Leasing activity from January to June revolved around a bulk of discount stores entering or expanding in the market. Retailers signing notable leases include At Home — with the second-largest lease so far in 2022 — Ross Dress for Less and Burlington. These tenants have mainly targeted suburban areas with high multi-tenant stock, such as Northern and Western Cincinnati, as the current period of high inflation drives consumers to seek out bargains in neighborhood shopping centers.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Retail 2022 Outlook



**6,500  
JOBS**

*will be created*

### EMPLOYMENT:

The unemployment rate in Cincinnati continued to compress through July to 3.1 percent, the lowest rate on record since 1990. Historically tight unemployment will contribute to a modest 0.6 percent gain in total employment this year.



**167,000  
SQ. FT.**

*will be completed*

### CONSTRUCTION:

Deliveries in 2022 will remain well below the long-term average of 785,000 square feet, expanding inventory by only 0.2 percent. Completions this year will be concentrated in Northern Kentucky.



**20  
BASIS POINT**

*increase in vacancy*

### VACANCY:

Availability will inch up this year, ending December at 7.1 percent, only 30 basis points above the long-term average. This limited movement in vacancy will be supported by the mild construction pipeline.



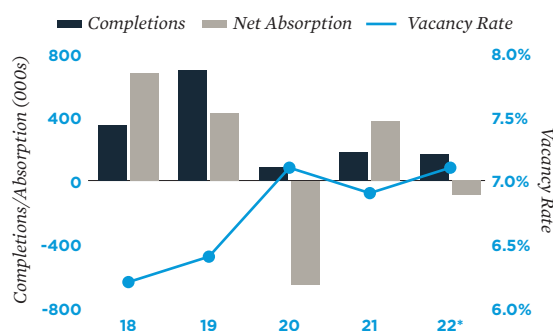
**2.0%  
INCREASE**

*in asking rent*

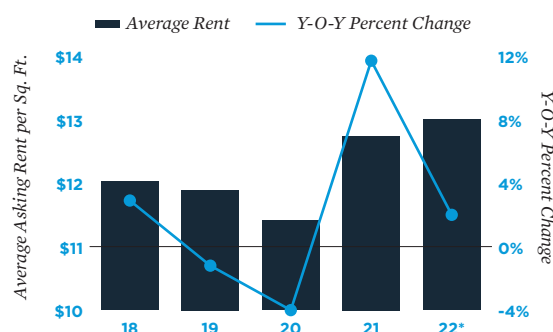
### RENT:

Following the double-digit increase in 2021, the mean asking rent will rise at a slower pace to \$13.00 per square foot by year-end. This is still nearly 10 percent higher than the average reported in the fourth quarter of 2019.

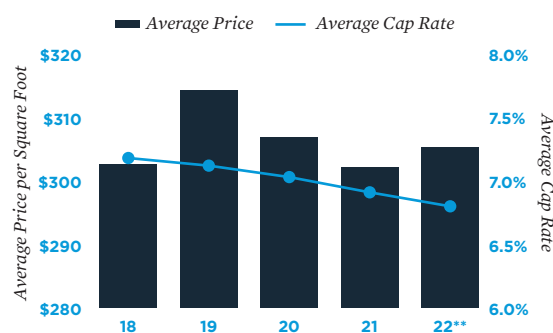
## Supply and Demand



## Rent Trends



## Sales Trends



\* Forecast \*\* Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

## 2Q 2022 - 12-Month Period



### CONSTRUCTION

**147,000 sq. ft. completed**

- Almost all of the space that came online in the past four quarters ended in June was classified as single-tenant. The Brown County and Northern Kentucky submarkets received 80 percent of these completions.
- As of August, over 75,400 square feet was underway in the metro, with one of the largest projects set to deliver in 2023.



### VACANCY

**10 basis point decrease in vacancy Y-O-Y**

- The city of Cincinnati reported the lowest vacancy in June among submarkets with more than 5 million square feet of retail space. Availability here compressed 150 basis points year-over-year to 2.1 percent.
- Single-tenant builds maintained a tight vacancy rate of 3.6 percent, driven by the city of Cincinnati, while multi-tenant vacancy remained elevated.



### RENT

**5.1% increase in the average asking rent Y-O-Y**

- Aided by stronger growth earlier in the year, the metro ended June with an average asking rent of \$12.80 per square foot.
- Multi-tenant centers led rent growth in the second quarter, with a 6.7 percent year-over-year gain on average. Comparatively, the mean asking rent growth for single-tenant properties was 4.5 percent.

## Investment Highlights

- The trailing 12 months ended in June noted the greatest number of deals in any yearlong span on record. Transaction velocity nearly doubled relative to the previous period as investors retained heightened interest in single-tenant builds. This property type accounted for over 60 percent of all retail trades conducted during the last four quarters, selling for \$400 per square foot on average with a mean cap rate of 6.0 percent.
- Among major Midwest markets, Cincinnati logged the lowest multi-tenant price point at \$190 per square foot on average. Out-of-state investors seeking regionally low entry costs have focused on properties in Butler County, Northern Kentucky and Western Cincinnati during the trailing 12-month period. In these areas, multi-tenant structures were traded in the low-\$80 to mid-\$100 per square foot range.
- In the first half of 2022, investors predominantly targeted dining establishments in downtown and in the adjacent Northern Kentucky submarket, as employees return to work in the CBD and demand remains high to eat out. Across the river, most trades of this nature took place surrounding the Cincinnati/Northern Kentucky International Airport, following the resurgence of business and leisure travel.

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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