

MARKET REPORT

Retail
Cincinnati Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

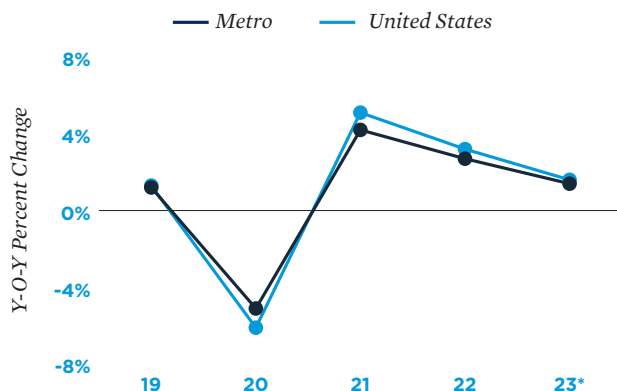
4Q/23

Market Splits as Multi- and Single-Tenant Performance Trends Take Divergent Paths

Multi-tenant space drives up vacancy. In Cincinnati, retail vacancy has held above 6 percent since at least 2007. The overall metro rate has largely been driven up by shopping center space as Cincinnati claims the highest multi-tenant vacancy among all major U.S. markets at 16.3 percent in June. However, underperforming properties are predominantly located in Western Cincinnati, where local vacancy was over double the market average. In recent months the sector has logged some improvement as six of the seven submarkets with more than 1 million square feet of multi-tenant space noted annual vacancy drops. Renewing demand, exhibited by several large-scale leases signed by retailers like Kohl's and Nova Trampoline Park, offers positive signs despite the sector's historical struggles.

Northern Kentucky leads positive single-tenant fundamentals. Single-tenant retail performance in Cincinnati starkly contrasts that of the multi-tenant sector. The metro claims the fourth-lowest, single-tenant vacancy rate among major Midwest markets at 3.6 percent. Four of the seven submarkets with more than 5 million square feet of single-tenant retail space have rates below 2 percent. Northern Kentucky reported the lowest sector rate at 1.3 percent, a record low for the submarket. Vacancy is likely to remain tight here long-term as numerous new experiential developments are planned, such as Newport on the Levee's Margaritaville. Other retail tenants seek to capitalize on growing foot traffic long-term.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2023 Outlook



**16,000
JOBS**

will be created

EMPLOYMENT:

Total employment in Cincinnati will expand by 1.4 percent by the end of 2023. Contrary to the overall metro trend, in the first eight months of the year, the retail trade sector contracted by roughly 2,000 roles.



**300,000
SQ. FT.**

will be completed

CONSTRUCTION:

Deliveries fall below 1 million square feet for the eighth consecutive year in 2023. Still, total inventory will expand by 0.3 percent, marking the largest annual stock increase since the onset of the pandemic.



**30
BASIS POINT**

decrease in vacancy

VACANCY:

Reaching its lowest year-end level since 2019, vacancy will close out 2023 at 6.8 percent. Despite this improvement, Cincinnati will still be tied for the highest retail vacancy rate among major U.S. markets.



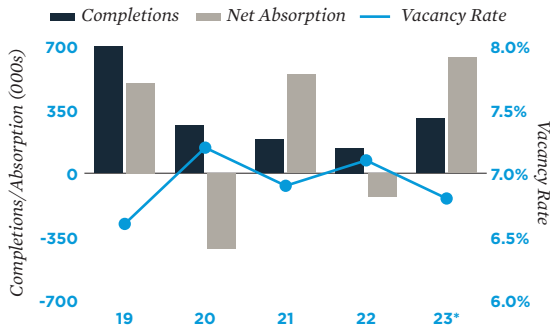
**2.0%
INCREASE**

in asking rent

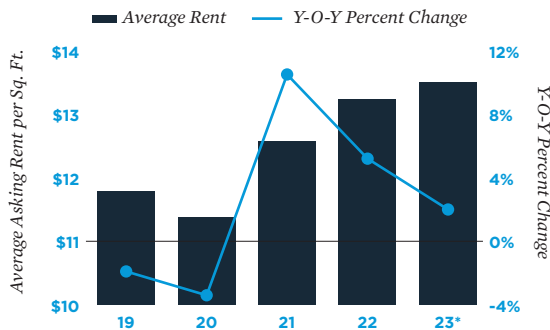
RENT:

The metro's average asking rent will elevate to \$13.50 per square foot, driven up by the multi-tenant sector. This gain will, however, be dwarfed by the respective 7.3 and 8.1 percent gains in Cleveland and Columbus.

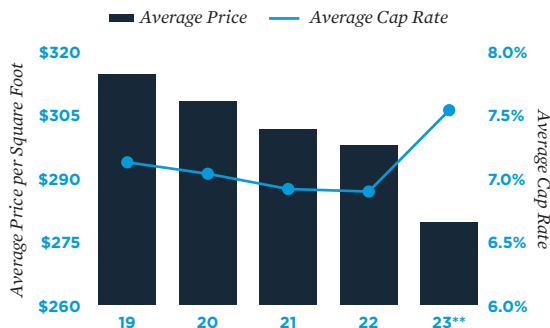
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q 2023 - 12-Month Period



CONSTRUCTION

250,000 sq. ft. completed

- During the trailing 12 months ended in June, inventory expanded by 0.3 percent. Butler County received the bulk of new space as a 150,000-square-foot Costco delivered here in the first quarter of 2023.
- Outside of Butler County, completions were well-dispersed. Franklin County had the largest increase in total inventory, growing by 1.9 percent.



VACANCY

30 basis point decrease in vacancy Y-O-Y

- For the first time in six quarters, vacancy fell below 7 percent, reaching 6.9 percent in June. Nine months of positive net absorption aided the metric.
- Multi-tenant vacancy dropped 70 basis points over the trailing year, but was still the highest rate among major U.S. markets at 16.3 percent in the second quarter. The single-tenant rate fell 20 basis points to 3.6 percent.



RENT

7.0% increase in the average asking rent Y-O-Y

- The average asking rent in Cincinnati rose to \$13.44 per square foot in June, but rent growth showed signs of easing entering the second half.
- Among submarkets with more than 10 million square feet of space, Northern Kentucky noted the greatest average rent gain at 17 percent as the submarket is home to the lowest vacancy rate in the metro at 2.6 percent.

Investment Highlights

- Single-tenant deal flow in Cincinnati reached a six-quarter high from April to June. However, the single-tenant assets changing hands over the trailing 12 months ended in June were generally lower-cost, higher-yield properties. This compressed the metro's mean price over the yearlong span to \$378 per square foot, and elevated the average cap rate to 6.8 percent. In-state investors seeking higher-yield, single-tenant options may be drawn to the metro as Cincinnati claimed the highest mean cap rate among the three major Ohio markets, paired with the second-lowest vacancy rate.
- Buyers willing to pay a premium for single-tenant space sought properties in Northern Kentucky. The submarket benefits from proximity to the airport, as well as rising commercial development and foot traffic in Newport.
- Multi-tenant transaction velocity was more muted than the level observed in the single-tenant sector. Trades typically involved highly-occupied, grocery-anchored assets. There were, however, several multi-tenant properties sold in Western Cincinnati for the purpose of redevelopment. These types of deals could become more prevalent in the area as the submarket continues a seven-year streak of multi-tenant vacancy over 30 percent.

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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