MARKET REPORT

Multifamily

Cincinnati Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

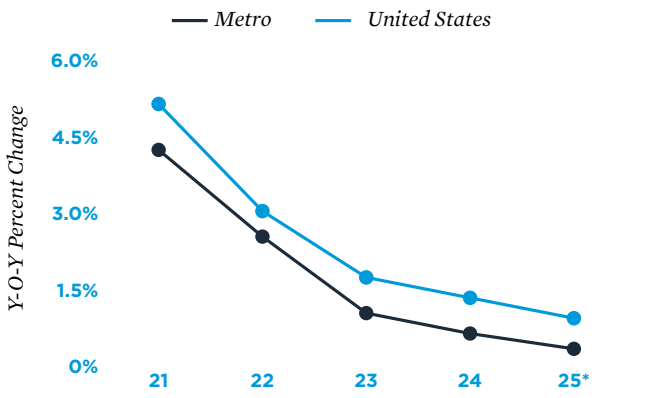
2Q/25

Office-to-Residential Conversions Highlight Openings as CBD Lags Suburbs in Some Respects

Metro sustaining strong footing through 2025. Renter demand continued to improve across most of the market in the first quarter, with vacancy falling by over 100 basis points year over year in seven of nine submarkets. Northeast and Southeast Cincinnati, in particular, registered the largest compressions, placing vacancy at 3.0 percent. These metro-low levels reflect demand across classes and correlate with local median household income levels that are above other areas of the market. Even in Northeast Cincinnati, where new supply is more prevalent, vacancy remained tight as projects were still fairly dispersed. While lower paces of job and population growth will temper metrowide net absorption in the coming quarters, the number of occupied rentals is still expected to climb this year.

Cincinnati's CBD-suburban divide widening. In contrast to other submarkets in March, the central business district saw vacancy rise over the past year. A 7 percent expansion to the CBD's rental stock over the past 24 months aligned with a 400-basis-point lift to the local vacancy rate to 8.8 percent — more than double the suburban reading. This pressure will linger, as more openings are expected in the urban core this year than in 2024. More than 300 of those arriving units will stem from the redevelopment of Macy's former headquarters, which is one of two office-to-multifamily conversions finalizing this year. How these projects fare in lease-up could influence other developers at a time when replacement costs are elevated.

Employment Trends



** Forecast*

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2025 Outlook

3,500 JOBS
will be created

EMPLOYMENT:

Job losses in sectors such as warehousing and transportation earlier in the year set the stage for muted overall employment growth in 2025. Net hiring may slow to the lowest level since 2010.

2,500 UNITS
will be completed

CONSTRUCTION:

Approximately 500 fewer units will open across the metro this year than in 2024, with scheduled deliveries concentrated in Central and Northeast Cincinnati, and to a lesser extent in Boone and Butler counties.

30 BASIS POINT
increase in vacancy

VACANCY:

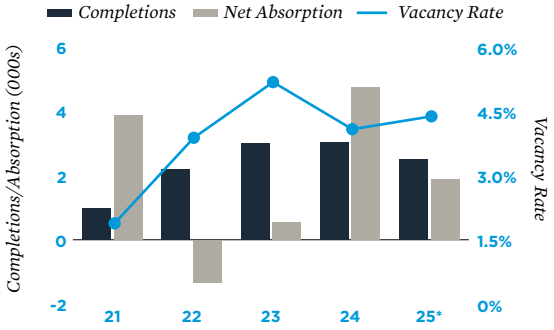
A moderation in net absorption following a surge in 2024 will translate into a small increase in metrowide vacancy, placing the year-end rate at 4.4 percent. This measure is 10 basis points above the 2015-2024 average.

2.6% INCREASE
in effective rent

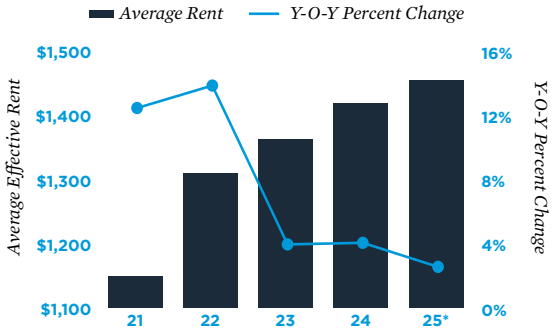
RENT:

While rent growth eases to the slowest pace since 2020, the average effective rate will still end 2025 at $1,455 per month — up 46 percent from the year-end 2019 mark. Only four other major metros have noted larger gains.

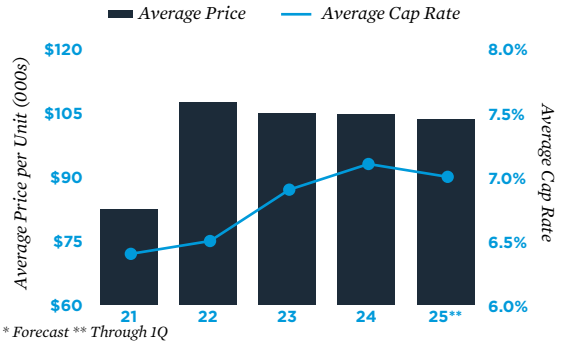
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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1Q 2025 — 12-Month Period

CONSTRUCTION

2,821 units completed

- Deliveries over the past four quarters ended in March fell approximately 16 percent short of total openings from the prior yearlong span.
- The Boone County-Erlanger area led in completions over the last year with over 600 new units, followed by Central Cincinnati, where nearly 500 apartments opened between April 2024 and March 2025.

VACANCY

120 basis point decrease in vacancy Y-O-Y

- Metro vacancy rate fell 80 basis points in the fourth quarter of 2024 before inching up 10 basis points in the subsequent three months to 4.2 percent.
- All submarkets outside of the urban core recorded year-over-year vacancy declines. Five of these suburban areas entered April with local rates in the 3.0 percent to 3.9 percent range.

RENT

4.1% increase in the average effective rent Y-O-Y

- Rent grew by a similar margin over the past 12 months as during the prior yearlong span, placing the average effective rate at $1,432 per month.
- Between April 2024 and March 2025, the average effective rent improved the most across submarkets on the northern and eastern sides of the metro, corresponding with sub-4.0 percent vacancy rates.

Investment Highlights

- The number of trades completed over the year ended in March increased about 10 percent over the prior 12-month span to lie nearly 20 percent above the 2014-2019 annual average. This gain corresponded with a shorter time to market. Meanwhile, a drop in the average unit count per trade and a higher share of Class B and C deals align with a greater focus by private investors on smaller, non-top-tier assets. This shift likely contributed to a slight 1.0 percent decline in the average sale price to $103,400 per unit.
- Despite ongoing supply-side pressure downtown, investors seeking older sub-$5 million deals looked in that area over the past four quarters. Trades downtown frequently involved pre-1970-built Class C properties with fewer than 20 units. Investors targeting a similar asset profile were also active in East Cincinnati, including around Kennedy Heights and Pleasant Ridge. Both neighborhoods recorded increased trading activity.
- Investors targeting post-2000 builds, including assets still under development, found opportunities over the past year in submarkets such as Downtown and Northeast Cincinnati, as well as Covington. Trades were Class A and B-focused, but some pre-2010 Class C assets also changed hands.