

INVESTMENT FORECAST

Office
Cincinnati Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Heightened Cap Rates Boost Smaller Transactions; Cincinnati's Value-Add Prospects Draw Private Buyers

Retail fundamentals stay on strong footing in 2025. Overall vacancy fell below 6 percent last year – the lowest level observed since mid-2016 – spurred by tenant demand in Outlying Warren County, where availability contracted by 230 basis points to 2.5 percent. This contrasts starkly with Western Cincinnati, which is grappling with nearly 40 percent multi-tenant vacancy entering 2025. Single-tenant performance is noticeably healthier, especially in Northern Kentucky, where sub-3 percent vacancy was sustained by experiential projects and steady foot traffic. Retailers are expanding omnichannel operations, adding designated pickup zones and interactive spaces that resonate with evolving consumer needs. Though current development remains modest at 296,000 square feet – much of it pre-leased – major openings like Bass Pro Shop and Aldi's recent expansions highlight corporate confidence. Inflationary pressures and potential store closures pose risks, yet Cincinnati's balanced supply-side fundamentals and steady population gains are set to support a stable outlook for 2025.

Investors pivot retail strategies this year. While having slowed over the last three years, retail property transactions are on the uptick; sub-\$5 million trades in 2024 drove a return to the 2015-2019 average, as debt costs hindered bigger deals. Private buyers focused on single-tenant net-leased quick-service restaurants and drugstores, pushing the average cap rate to about 7.5 percent – among the top 10 U.S. metros for mean yield. Cincinnati's sale price, the second lowest of major Midwest metros, enhances value-add potential, especially in suburban nodes where vacant parcels invite redevelopment. Overall, the region's diverse economy – spanning health care, logistics and consumer goods – continues to bolster investor sentiment in 2025.

2025 MARKET FORECAST

+0.3%



EMPLOYMENT: The drop in hiring observed last year will carry into 2025, as just 3,500 positions are added. This will be Cincinnati's slowest year of employment growth since 2020.

296,000
sq. ft.



CONSTRUCTION: Deliveries in 2025 will fall below 300,000 square feet for just the third time since 2007. Mason expects the only single completion over 50,000 square feet this year.

-10 bps



VACANCY: Reaching 5.7 percent in 2025, this marks the third consecutive year of vacancy decline and sits 150 basis points below Cincinnati's long-term average.

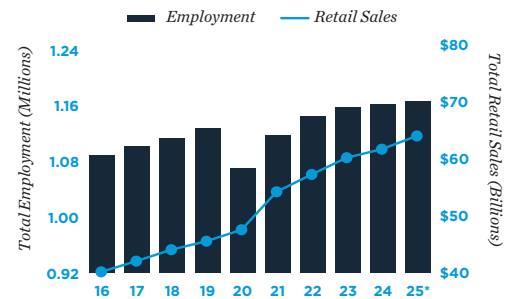
+1.6%



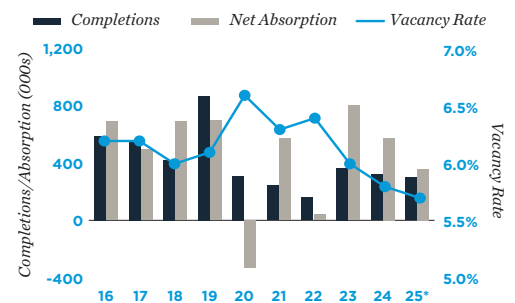
RENT: Despite decelerating rent growth last year, the measure in 2025 matches its 1.8 percent long-term average. As such, the mean marketed rate rises to \$14.90 per square foot.

INVESTMENT: Investors may look to North Cincinnati, where multifamily vacancy was the lowest among submarkets. Strong retail rent growth, which led the metro in 2024, will likely continue driving interest in the area.

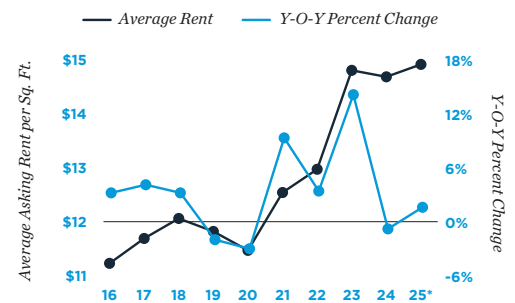
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.