

INVESTMENT FORECAST

Multifamily
Cincinnati

IPA


INSTITUTIONAL
PROPERTY
ADVISORS


2020

Entertainment Drives Renters Downtown; Lack of Listings Holding Back Transactions

Thriving apartment demand in city's cultural hub. Households are expected to rise by 7,700 this year, building on 2019's similar gain. This trend is creating strong leasing momentum in downtown Cincinnati, as the area's amenities appeal to renters. Arts events at Music Hall, cultural programs at Washington Park, and new trendy restaurants aid in the livability of downtown, as residents can efficiently access these retail and entertainment venues. Just south, in northern Kentucky, Newport on the Levy will be getting millions of dollars in renovation this year to its 360,000-square-foot mixed-use entertainment district. An upgrade to this area will also appeal to renters seeking living accommodations in Cincinnati's metro core. In 2020, apartment demand overall continues to grow, supporting the need for the 2,000-unit construction pipeline in Cincinnati this year. The influx of inventory will tick up vacancy though the rate will remain tight in the mid-3 percent area, allowing the average effective rent to rise to a new high.

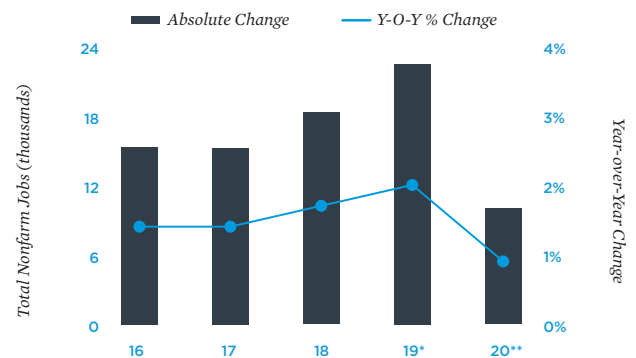
Limited disposition opportunities leaving capital on the sidelines. Eager investors interested in deploying capital into the Cincinnati metro will continue to be hindered due to limited properties coming to market. The flight to secondary markets for yield and stable market performance has investors circling. Furthermore, as many markets have witnessed rising supply additions as a threat to rent growth, Cincinnati's muted construction pipeline adds another strong argument for capital deployment by supporting consistent revenue growth projections. The downside of the lack of new deliveries, however, can be seen in further limiting the potential pool of disposition properties. Regional private capital sources will remain the major buyer profile in the current conditions as they will leverage their local knowledge and contacts searching for potential acquisition targets. Suburban garden properties just off major interstates will be the most sought assets until any of the recently completed projects in the urban core or close in neighborhoods come to market.

20.0%  2019 share of local population between 20 and 34 years old

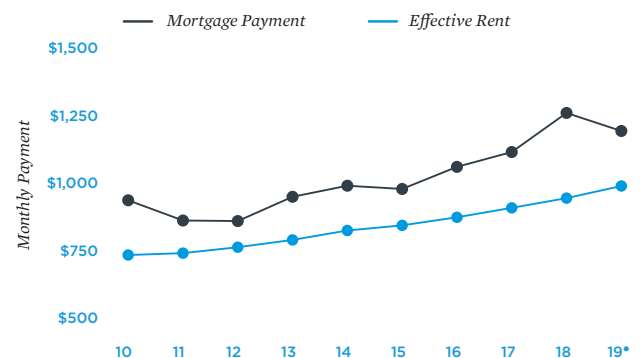
31.6%  of local population hold bachelor's degree or higher*

\$183,168  2019 median home price

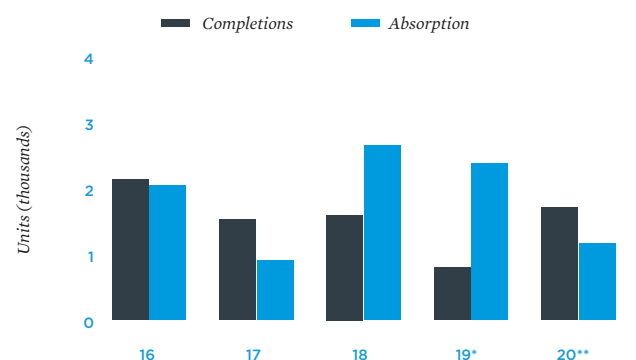
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast * Through 3Q
* 2019: 25+ years old

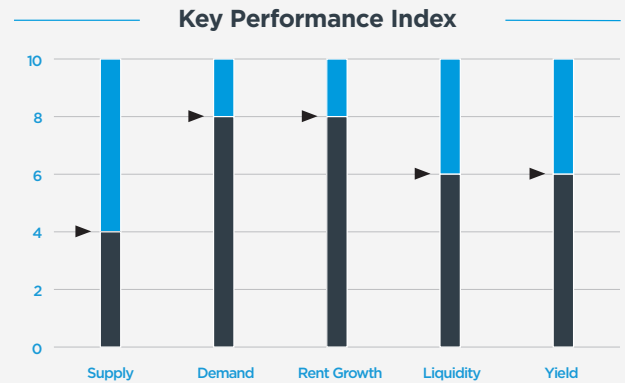
Sources: Marcus & Millichap Research Services; RealPage, Inc.

2020 Investment Outlook

The Cincinnati's Key Performance Index has one of the best demand and rent growth combinations in the nation with both at 8 despite a one-point drop in demand. Supply saw downward movement but sits well positioned for favorable fundamentals to drive rents.

The past six months caused no movement in either liquidity or yield as reduced properties on the market for disposition kept capital inflows limited. Nonetheless, Cincinnati's yield index sits at 6, which is the highest number nationally and will keep capital actively searching for acquisitions.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2020 Market Forecast

Employment
10,000 jobs



Metro **0.9%**
U.S. **1.0%**

Construction
as % of inventory*



Metro **1.1%**
U.S. **1.7%**

Class A Vacancy
Down 20 bps



Metro **6.0%**
U.S. **5.3%**

Class A Rent
\$1,568 per month

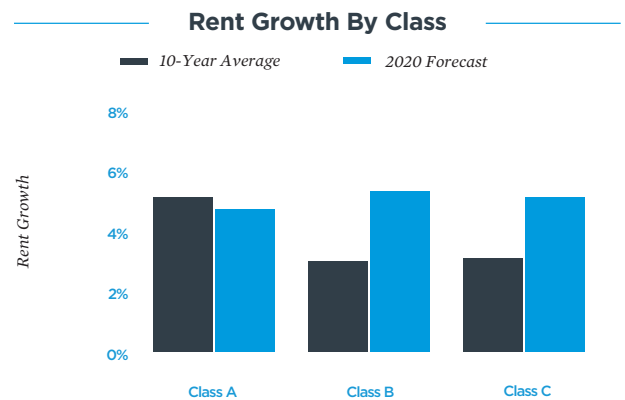
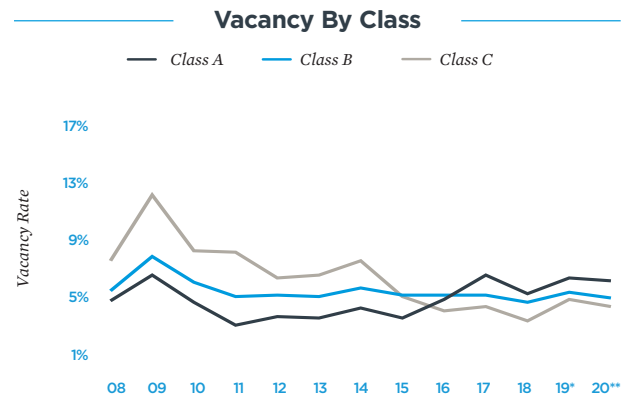


Metro **4.7%**
U.S. **3.3%**

Investment
3-yr. avg. activity
\$20+ million



Deals: **7**
Volume: **\$282 million**



Jeffery J. Daniels

Senior Vice President
National Director IPA Multifamily
(212) 430-6127 | jdaniels@ipausa.com

* Estimate ** Forecast
* Arrow reflects completions trend compared with 2019
Sources: Marcus & Millichap Research Services;
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics