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OH + LEX MULTIFAMILY

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2024

# State of the Industry

PRESENTED TO THE GCNCAA

CBRE



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01

# Economic Indications

# Employment Snapshot

## NATIONAL

### UNEMPLOYMENT RATE

3.6%

U.S. 2023  
Average

2.9%

Cincinnati 2023  
Average

### LABOR PARTICIPATION

64.6%

2023 Average

### JOB OPENINGS

8.8M

Job Openings Nov.  
2023

-2.5M

Down from peak in  
2022

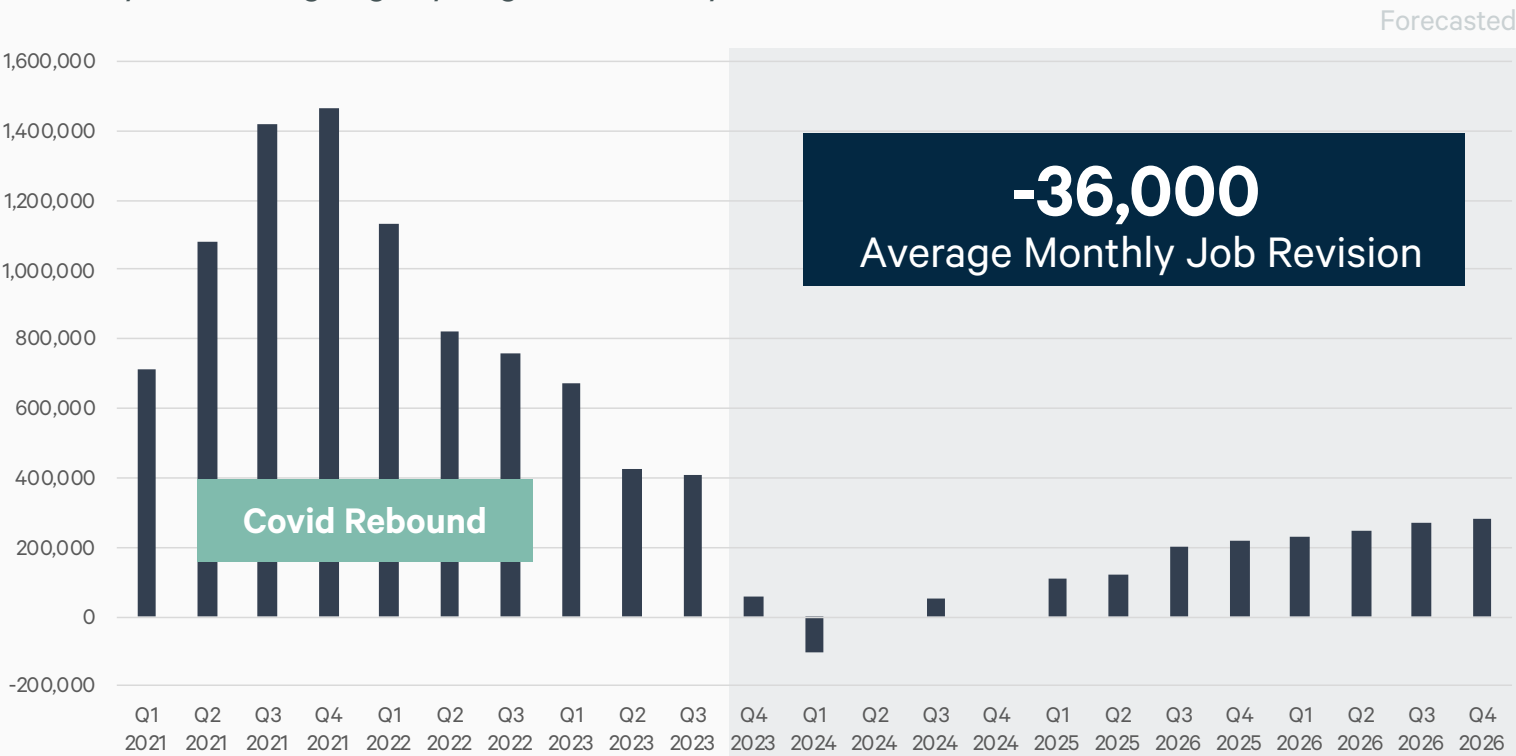


4.4%

Projected 2024  
Unemployment

## NEW JOBS SLOWING

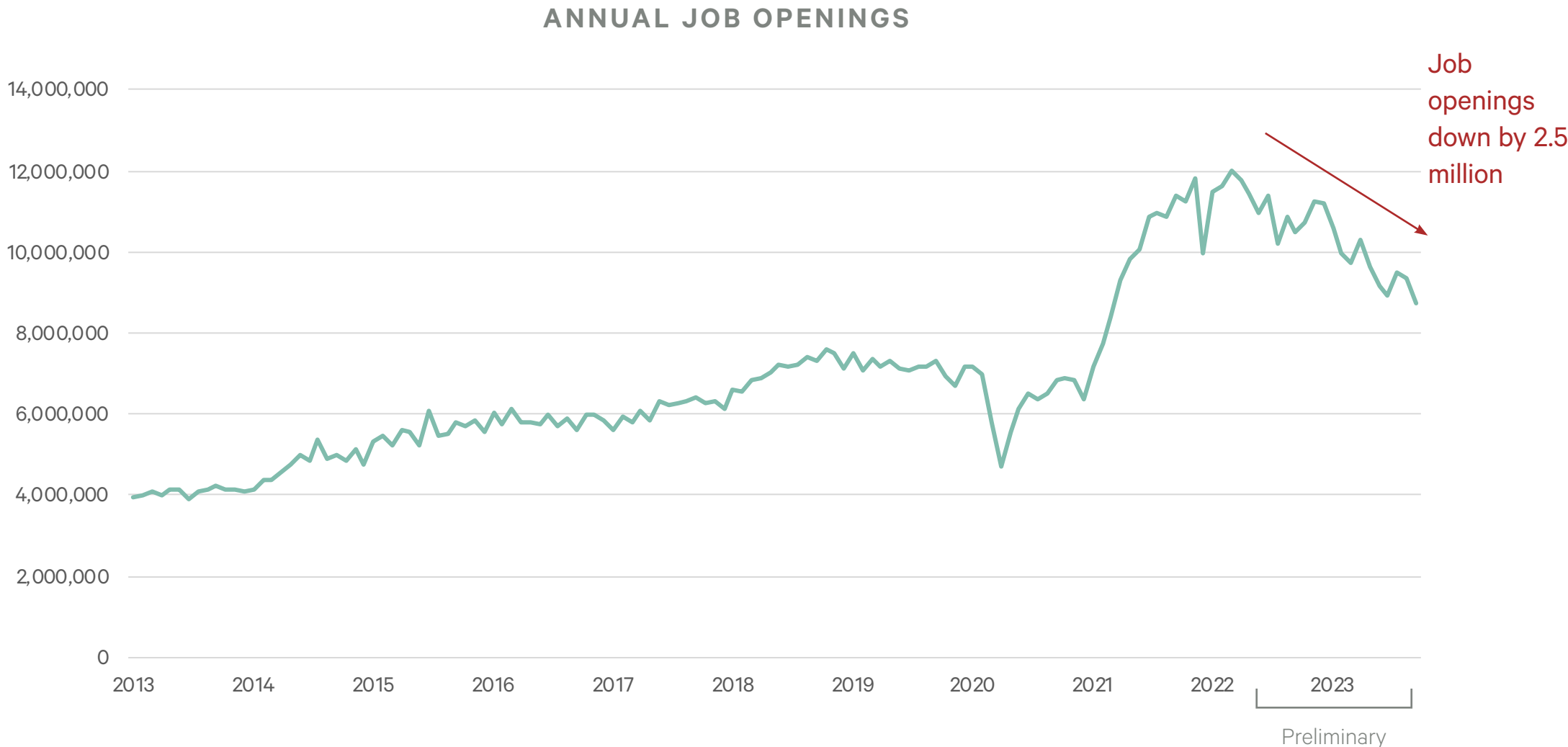
Job creation expected to continue cooling in the new year, turning slightly negative in early 2024.



Source: CBRE Research, U.S. Bureau Of Labor Statistics, Morningstar, Q3 2023

# U.S. Job Growth

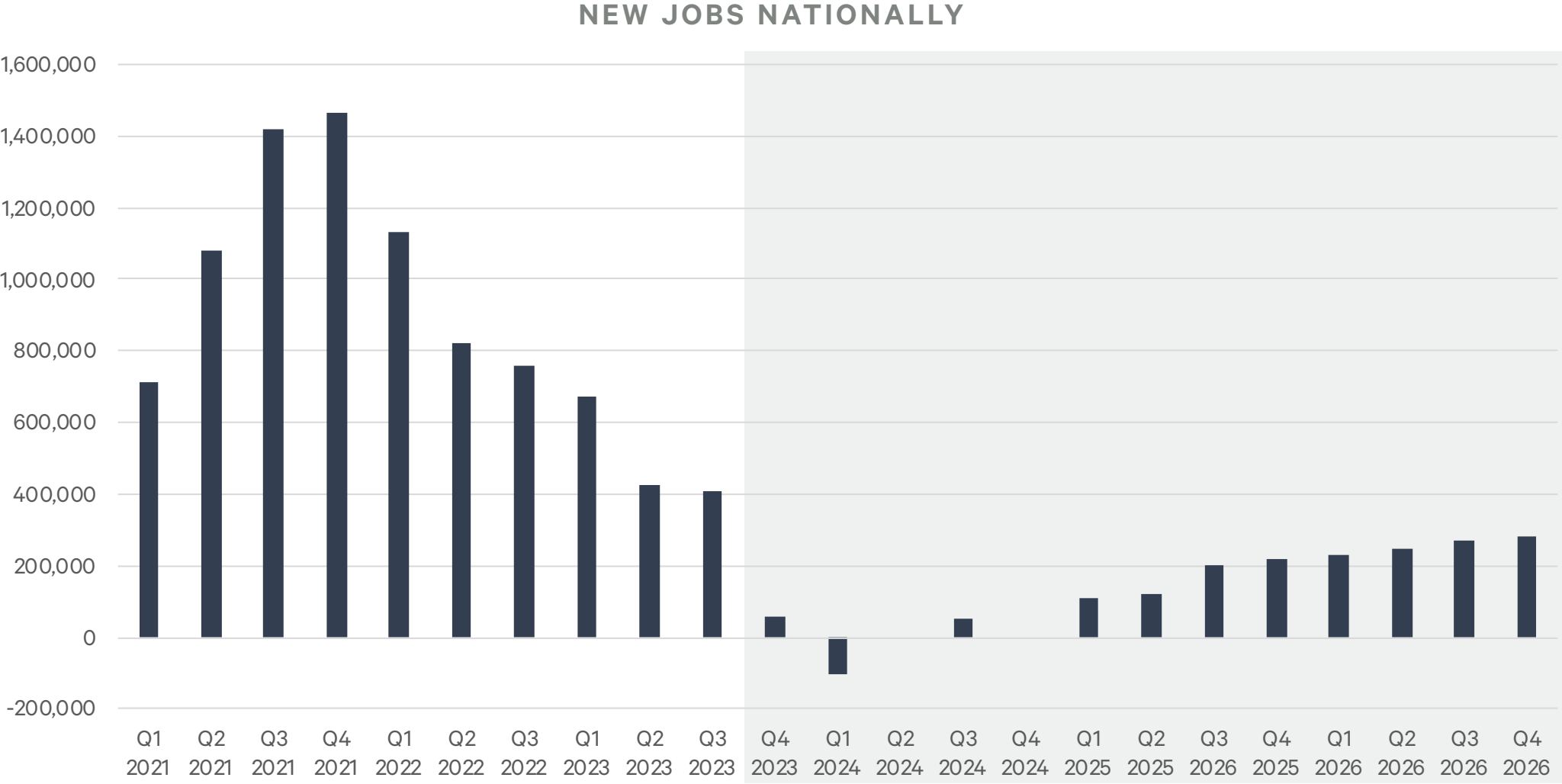
Job openings remain elevated but are trending down as the economy slows.



Source: U.S. Bureau Of Labor Statistics

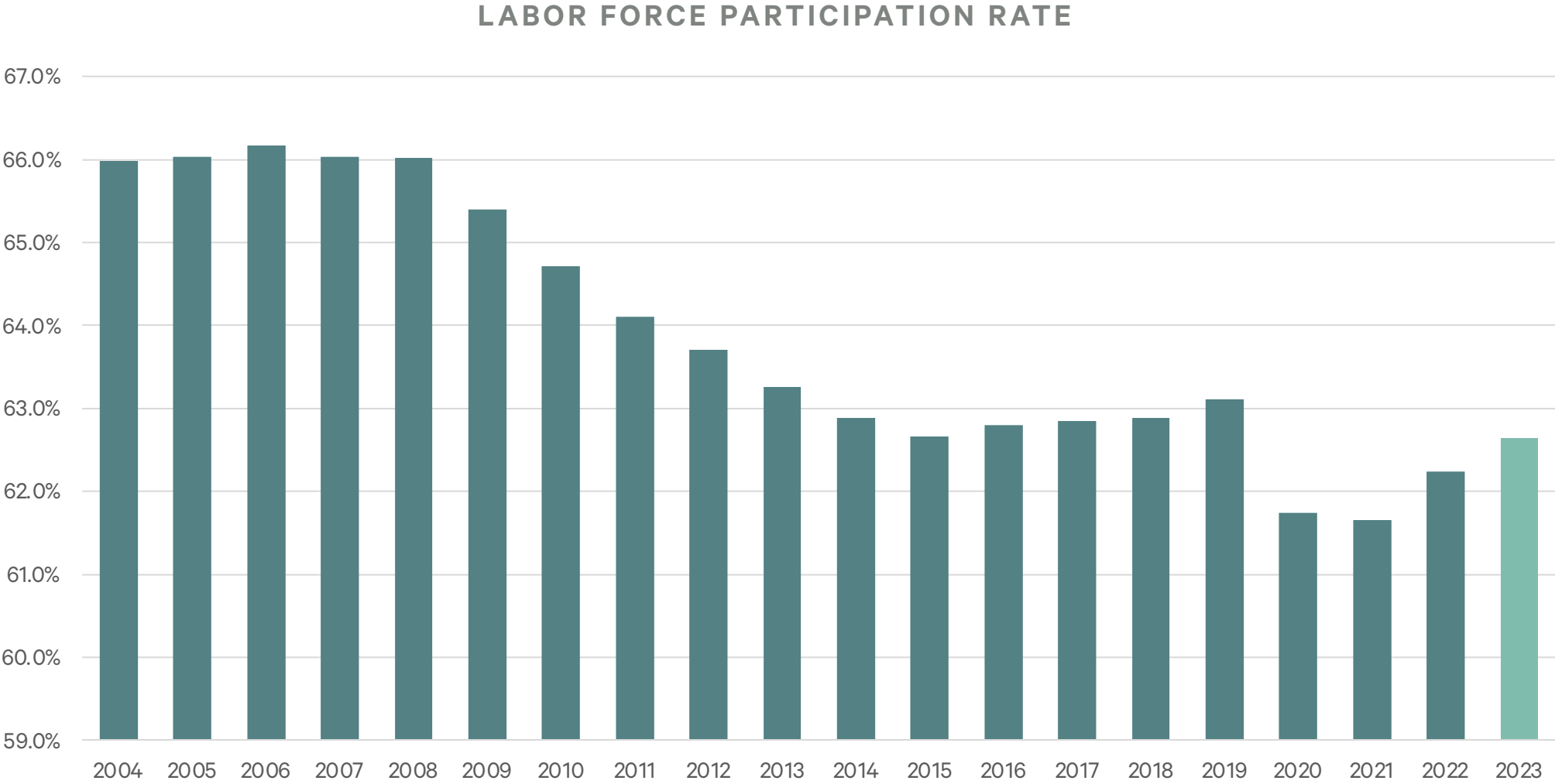
# U.S. Job Growth

Job creation expected to continue cooling in the new year, turning slightly negative in early 2024.



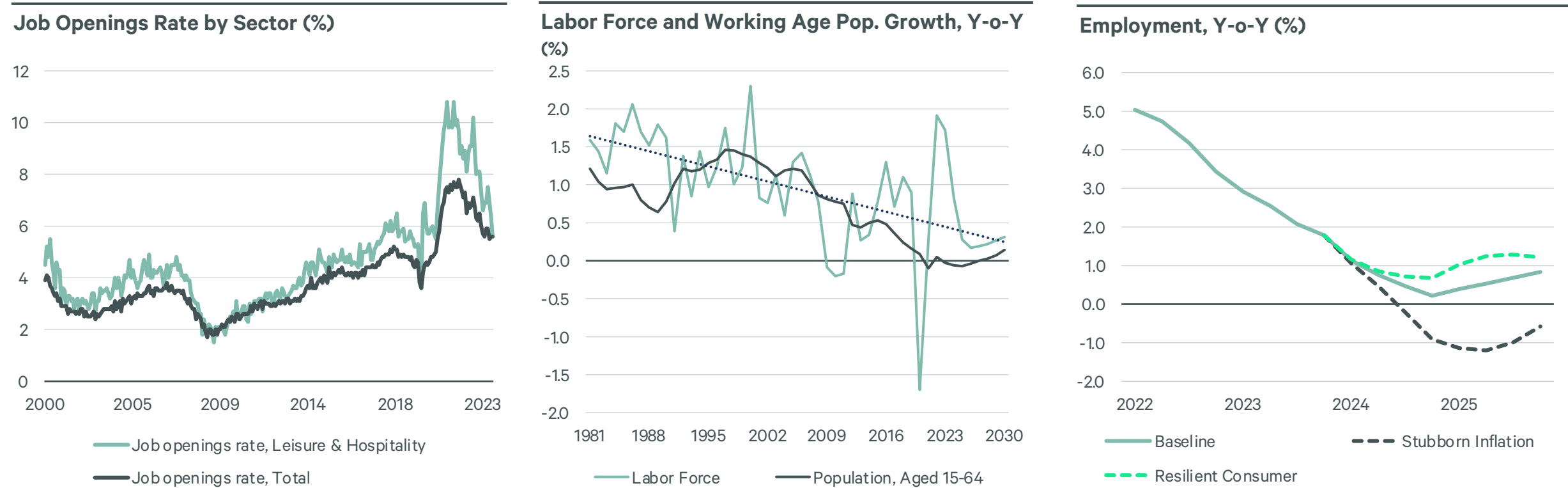
Source: CBRE Research, CBRE Econometric Advisors, Q3 2023

# Labor Participation



Source: U.S. Bureau Of Labor Statistics

# Demand For Labor is Moderating But Remains Healthy



- The job openings rate continues to fall. Interestingly, openings within the once over-heated hospitality sector are now on a par with the broader labor market.
- Future hiring will be constrained by limited labor force growth, as the growth of the working-age population is expected to stall in coming years.
- Because the surplus supply of labor is already so thin, job growth would only be marginally better within our Upside, or ‘Resilient Consumer’ scenario. There is much more room to fall should stubborn inflation keep interest rates elevated long enough that growth eventually stalls.

Source: U.S. Bureau Of Labor Statistics, U.S. Census Oxford Economics, CBRE Econometric Advisors

# Interest Rates

KEY INDICATORS EXPECTED TO STABILIZE

2023

10 YEAR TREASURY

5.0% | 3.25%

High | Low

53.8%

High | Low % Change

4.25%

Current Rate

5.87%

Historic Long Term Avg.

FEDERAL FUNDS RATE

5.33% | 4.33%

High | Low

23%

High | Low % Change

5.33% | 1.23%

Current Rate

2018-2022 Avg.

4.60%

Historic Long Term Avg.

## Year End 2023 & Forward Looking Predictions

(Q4)

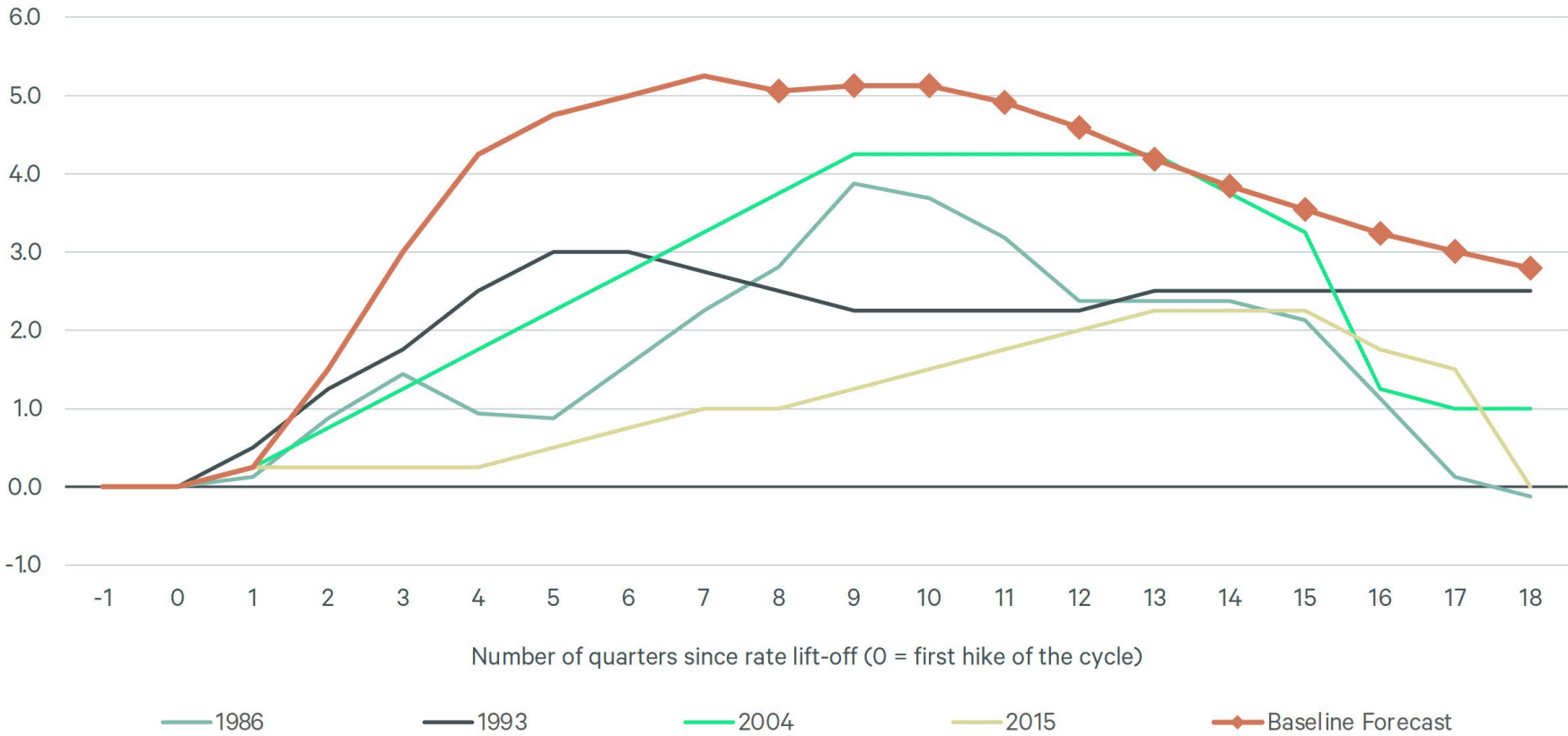
KEY METRICS	2023	2024	2025-2028
Fed Funds Rate	5.25% - 5.50%	4.50% - 4.75%	2.75% - 3.00%
10-Year Treasury	4.6%	4.0%	3.5%
GDP	1.7%	1.1%	2.3%
CPI	3.5%	2.4%	2.3%

Source: Bureau of Labor Statistics, CBRE Research, 2023

# Policy Rates are Likely to Stay Higher Than Past Cycles

- Easing Y-o-Y inflation suggests the Federal Reserve will take a pause on future hikes. But they are also unlikely to make significant cuts in the very near term. Rather, the Committee will wait until inflation shows clear signs of progressing toward its 2% target. We believe the first cut will occur in May 2024.
- CBRE EA expects that the Fed Funds Rate will remain relatively heightened compared with previous tightening cycles. This ‘higher-for-longer’ outlook will have implications for CBRE EA’s cap rate and value growth forecast. Presently, the conviction that rates have peaked has sparked a spirit of cautious optimism across real estate capital markets.

Change In Fed Funds Rate From Beginning of Each Tightening Cycle (Percentage Points)



Source: The Federal Reserve, CBRE Econometric Advisors

# Inflation

EXPECTED TO EASE

5.6%

2023 HIGH RATE OF INFLATION (%)

4.0% → 2.7%

CONSUMER PRICE INDEX RATE

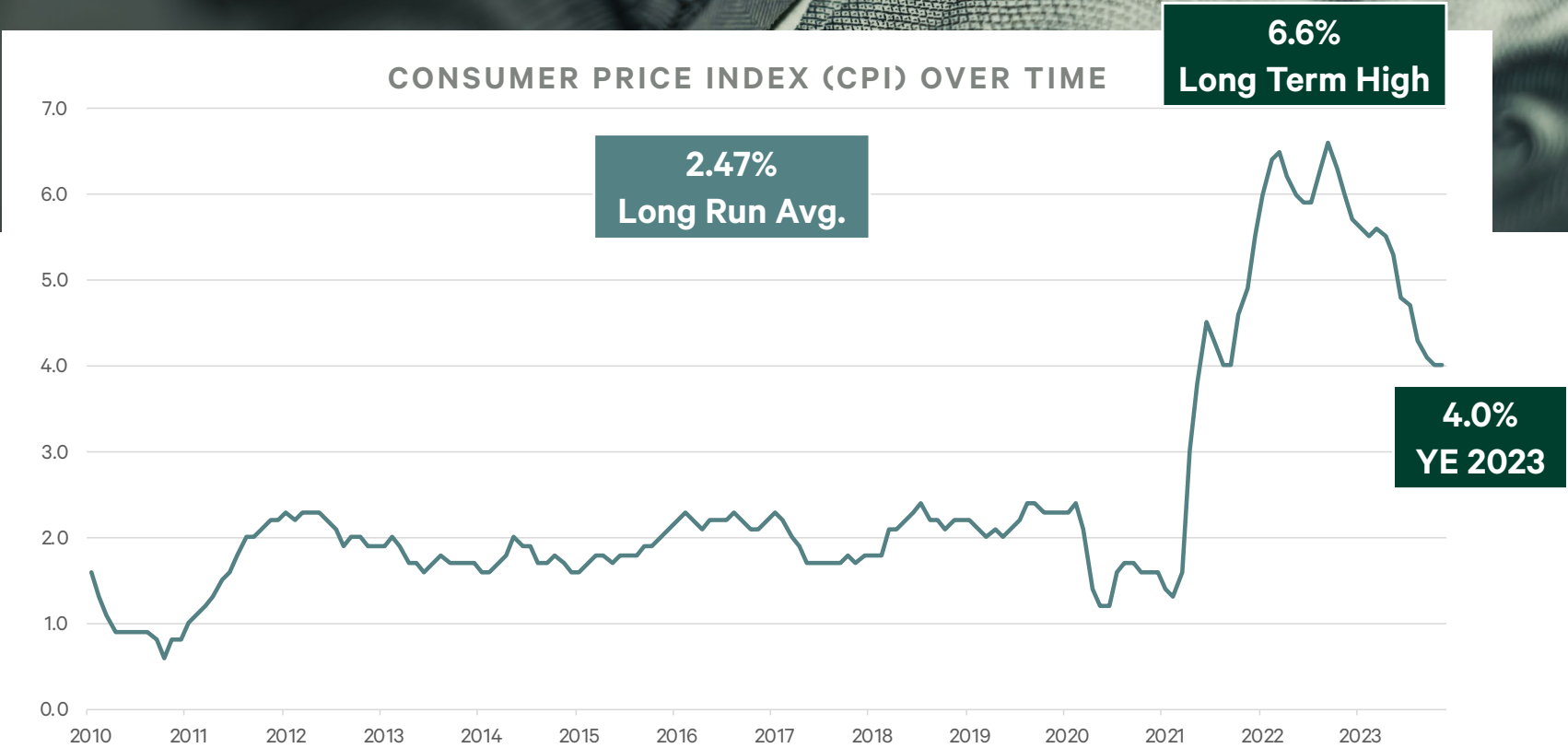
The inflation rate will start 2024 at around 4% but is expected to fall to around 2.7% by year-end.

34%

RENT'S SHARE OF TOTAL CPI

Rent accounts for 34% of Total CPI and 43% of Core CPL.

Source: CBRE Research, CBRE Econometric Advisors, BLS, Q3 2023



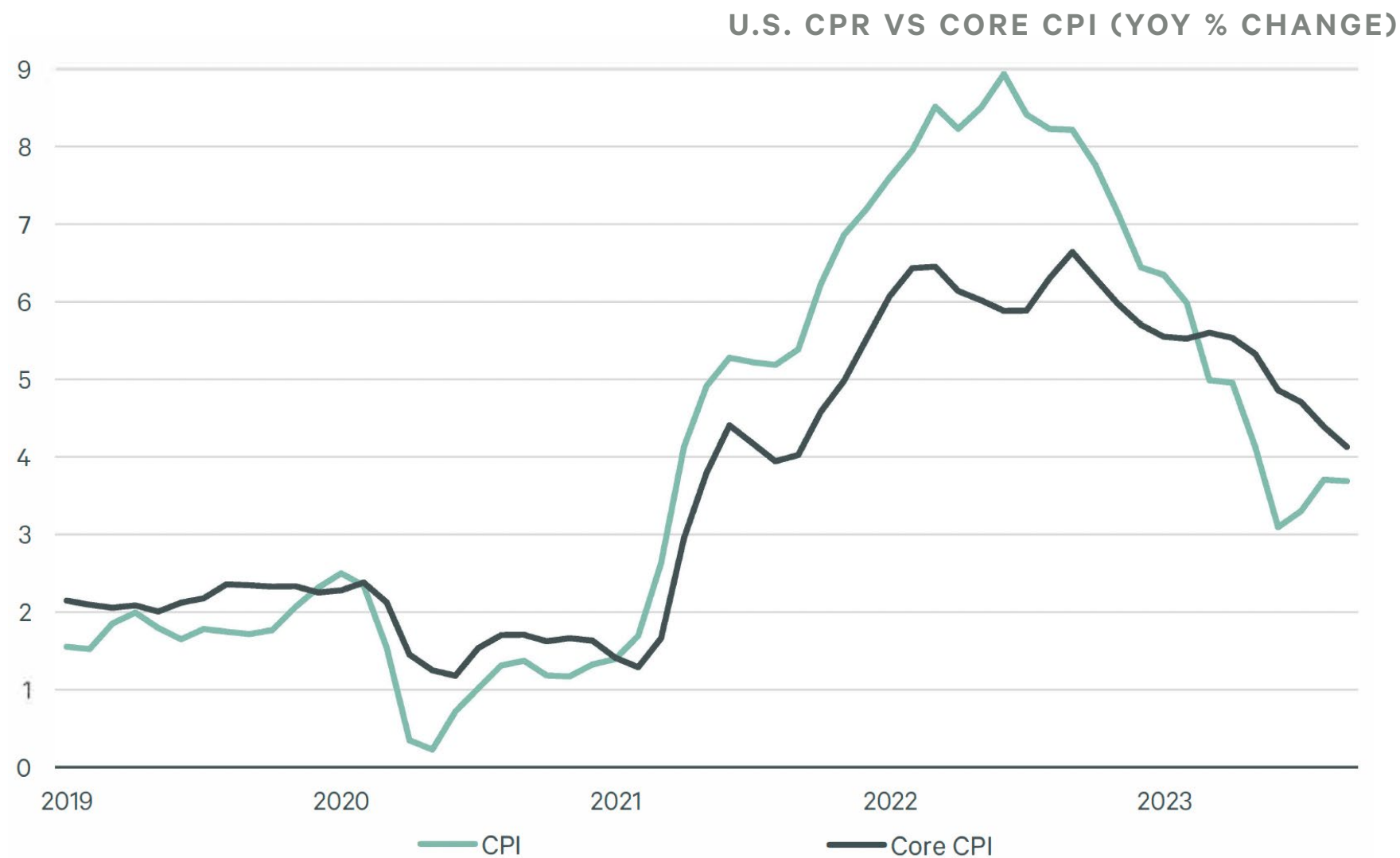
LAGGING DATA

2% TARGET

SUPPLY CHAIN LOG JAM - NO MORE!

# Core Inflation

- As expected, core inflation-which strips out the more volatile prices of food and energy- is finally trending down.
- This is important because the Fed watches core inflation more closely than total CPL.

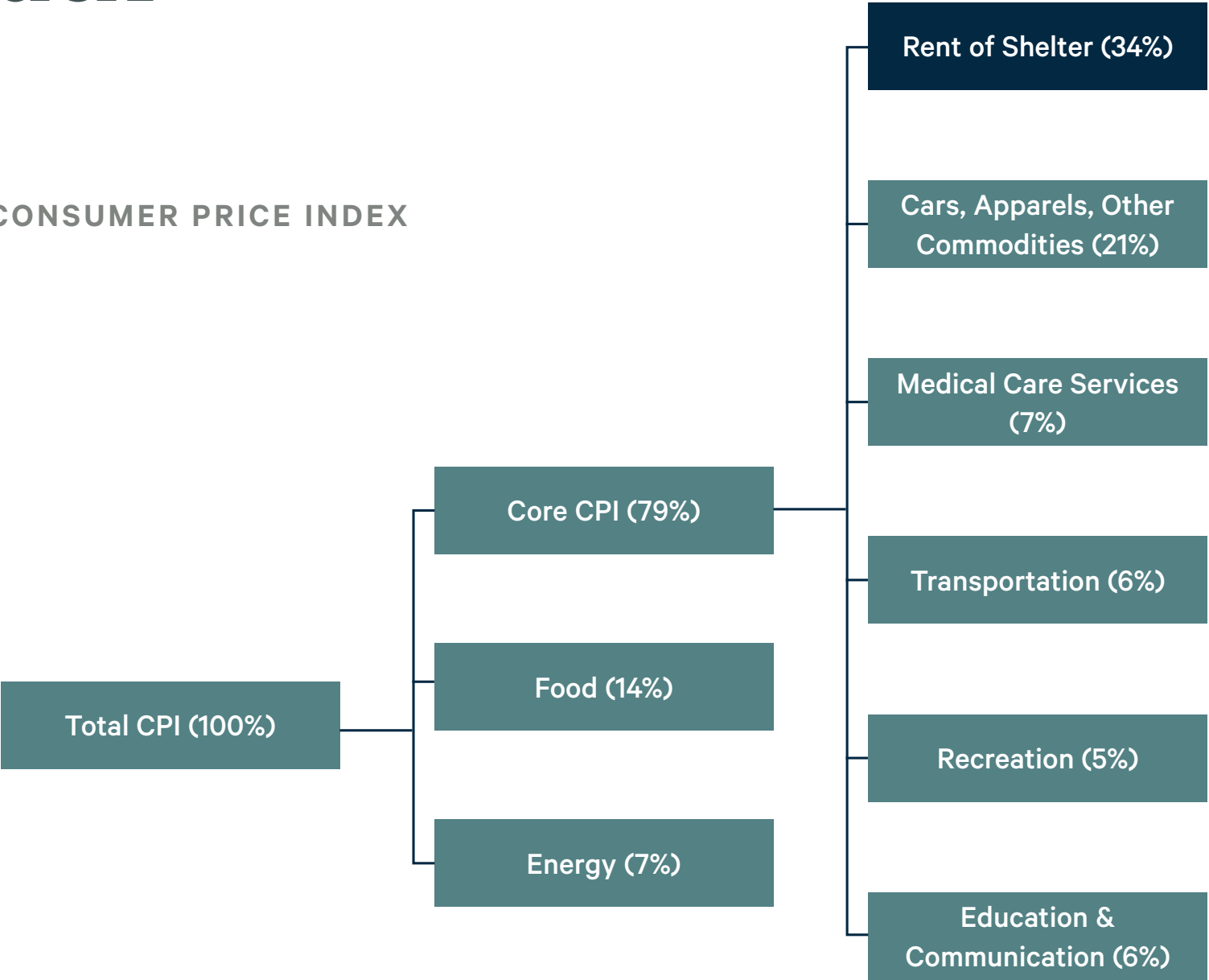


Source: CBRE Research, CBRE Econometric Advisors, BLS, Q3 2023

# Consumer Price Index

- Deconstructing Inflation and the Role of Shelter; Rent growth accounts for 34% of Total CPI and 43% of Core CPL.
- Because the Fed is watching inflation most closely, rent growth is critical in developing interest rate expectations.

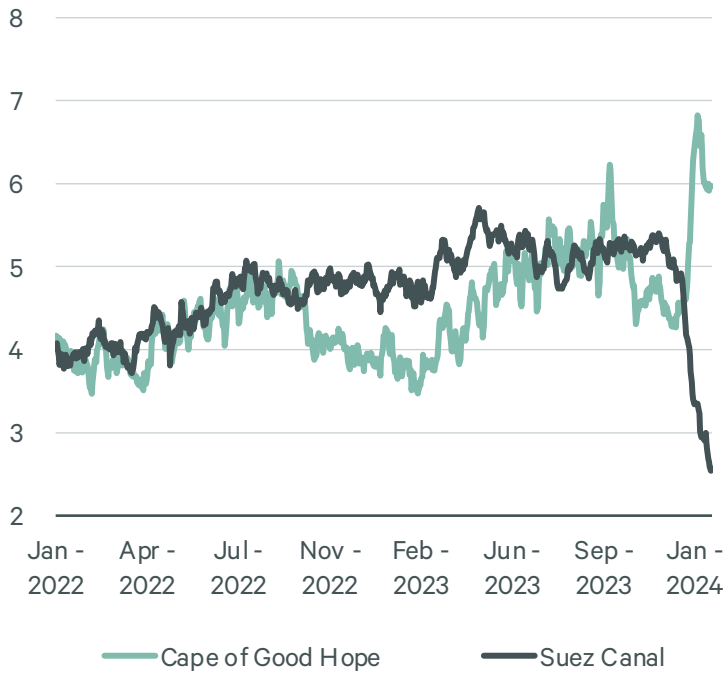
## CONSUMER PRICE INDEX



Source: CBRE Research, CBRE Econometric Advisors, BLS, Q3 2023

# Conflicts & Politics Could Impact U.S. Inflation

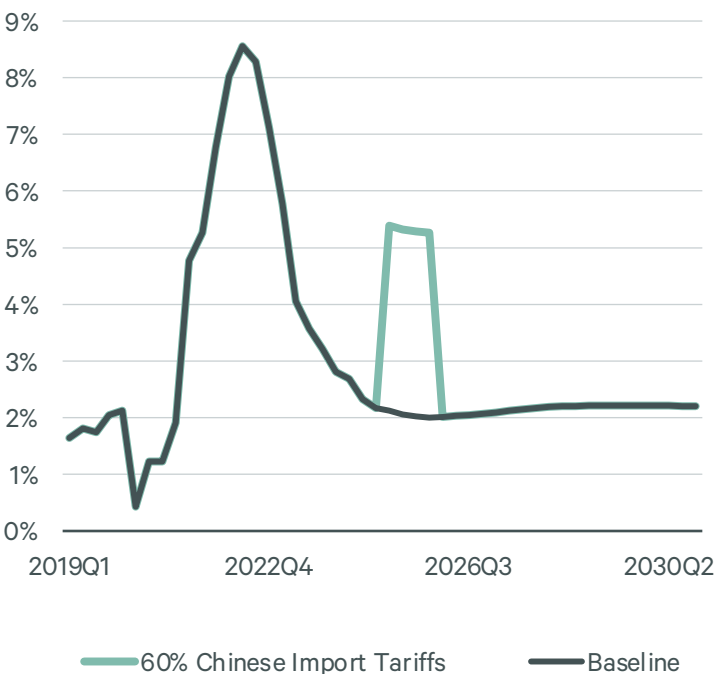
Trade Capacity by Key Chokepoint



Shanghai Export Containerized Freight Index



Inflation Forecast With Proposed Chinese Tariffs\*

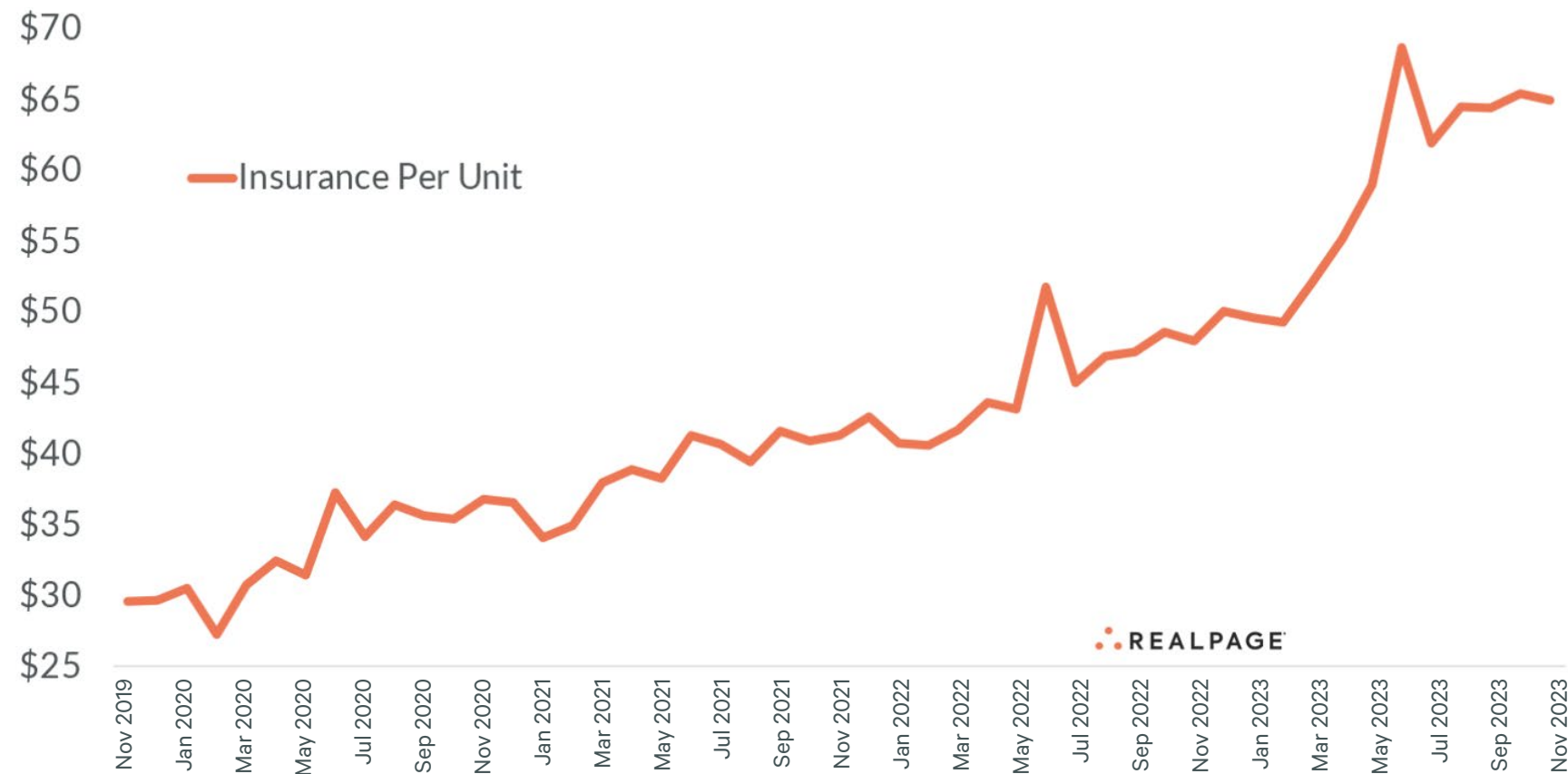


- Shelling of commercial ships in the Red Sea is forcing trade to divert away from the Suez Canal and travel around Africa. This has the effect of putting upward pressure on shipping costs, as shown by Shanghai Freight Index. Presently, the risk to the U.S. economy is manageable but the backdrop is a cause for concern.
- There are some domestic policy risks for U.S. inflation in the medium term. Presently, both leading 2024 U.S. Presidential candidates support more trade barriers. Donald Trump is considering a 60% tariff on all imports from China. Reportedly, these goods account for just 2% of the CPI index; however, such a dramatic tariff could have a significant one-off impact on U.S. inflation.

Source: Port Watch/IMF, Shanghai Shipping Exchange, Peterson Institute for International Economics, CBRE Econometric Advisors

# Insurance Costs Have More Than Doubled in the Apartment Sector

- Apartment operators are now paying more than double the price of insurance than they were before the COVID-19 pandemic.



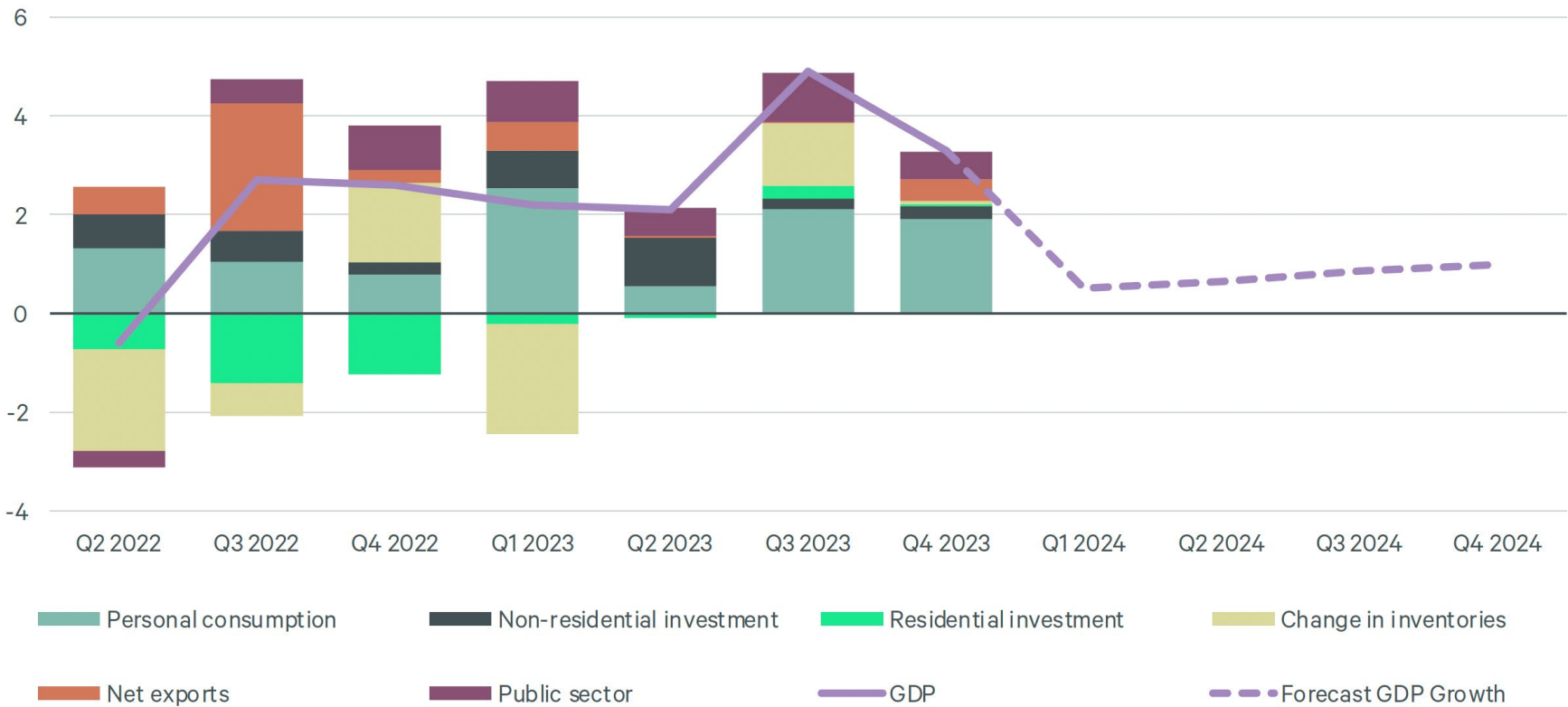
Source: RealPage Market Analytics, December 2023

# What Will Drive the Slowdown in Growth?

Most key economic indicators suggest that the U.S. economy is on the path for a ‘soft landing’ rather than a very moderate recession. We do expect that the pace of economic growth will slow this year relative to 2023. Key reasons include:

- The U.S. consumer was a key factor in 2023’s sturdy performance but we doubt there is enough spending power, especially amongst lower-income households, to drive outsized growth.
- Inventory growth contributed to GDP during H2 2023, but their cyclical nature suggests they will likely be a drag on growth in H1 2024.
- Perhaps the most uncertain component of growth is the public sector. Government stimulus continues to circulate throughout the economy and has contributed to growth during the past six quarters.

Annualized Quarterly GDP Growth (%)

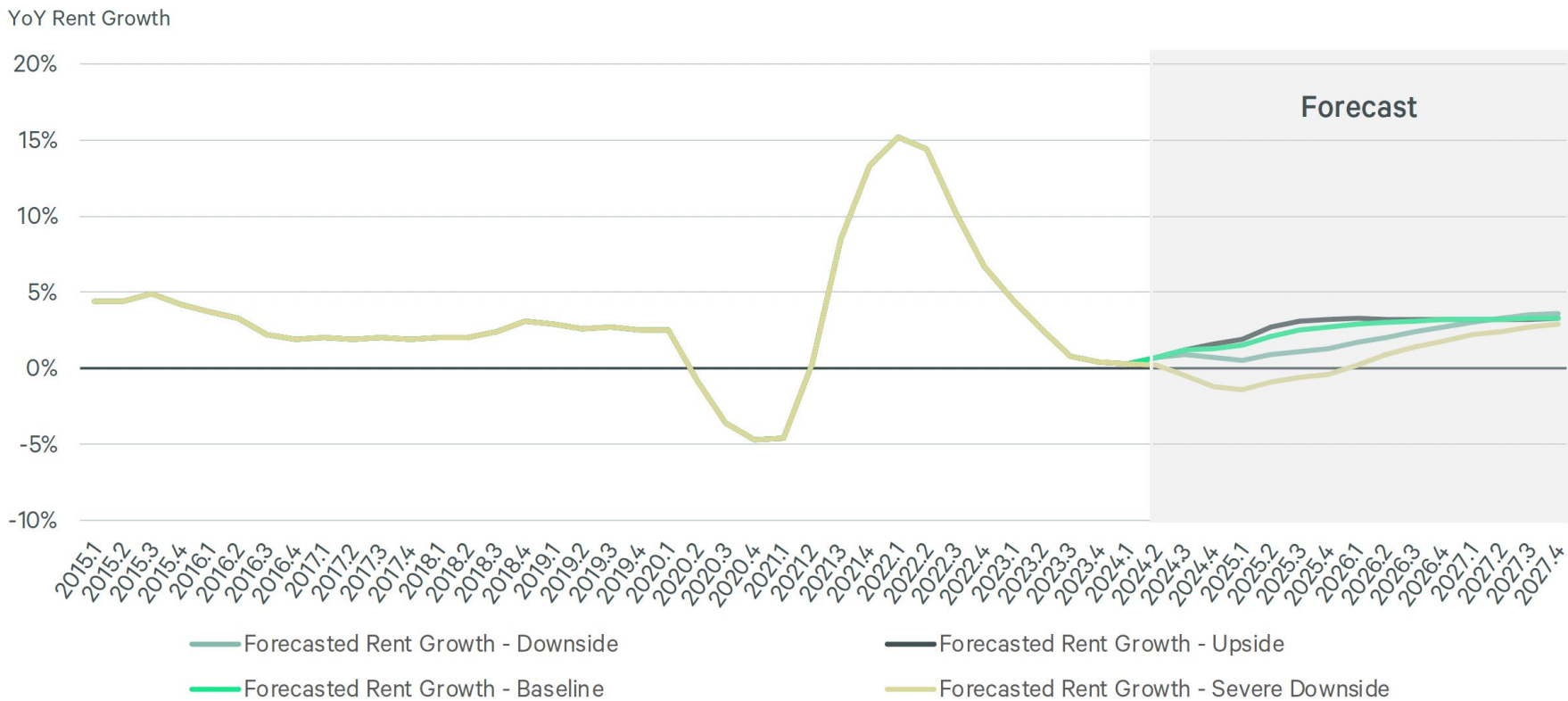


Source: Bureau of Economic Analysis, CBRE Econometric Advisors

# Macroeconomic Scenarios & Multifamily Performance

- The Baseline Scenario is very similar to the Upside Scenario, reflecting strong employment and consumer spending data, and a path toward a macroeconomic ‘soft landing.’
- In the Downside Scenario, sticky inflation keeps credit tight and the macroeconomic situation soft. Y-o-Y rent growth takes another four quarters, until the end of 2027, to reach historical averages.

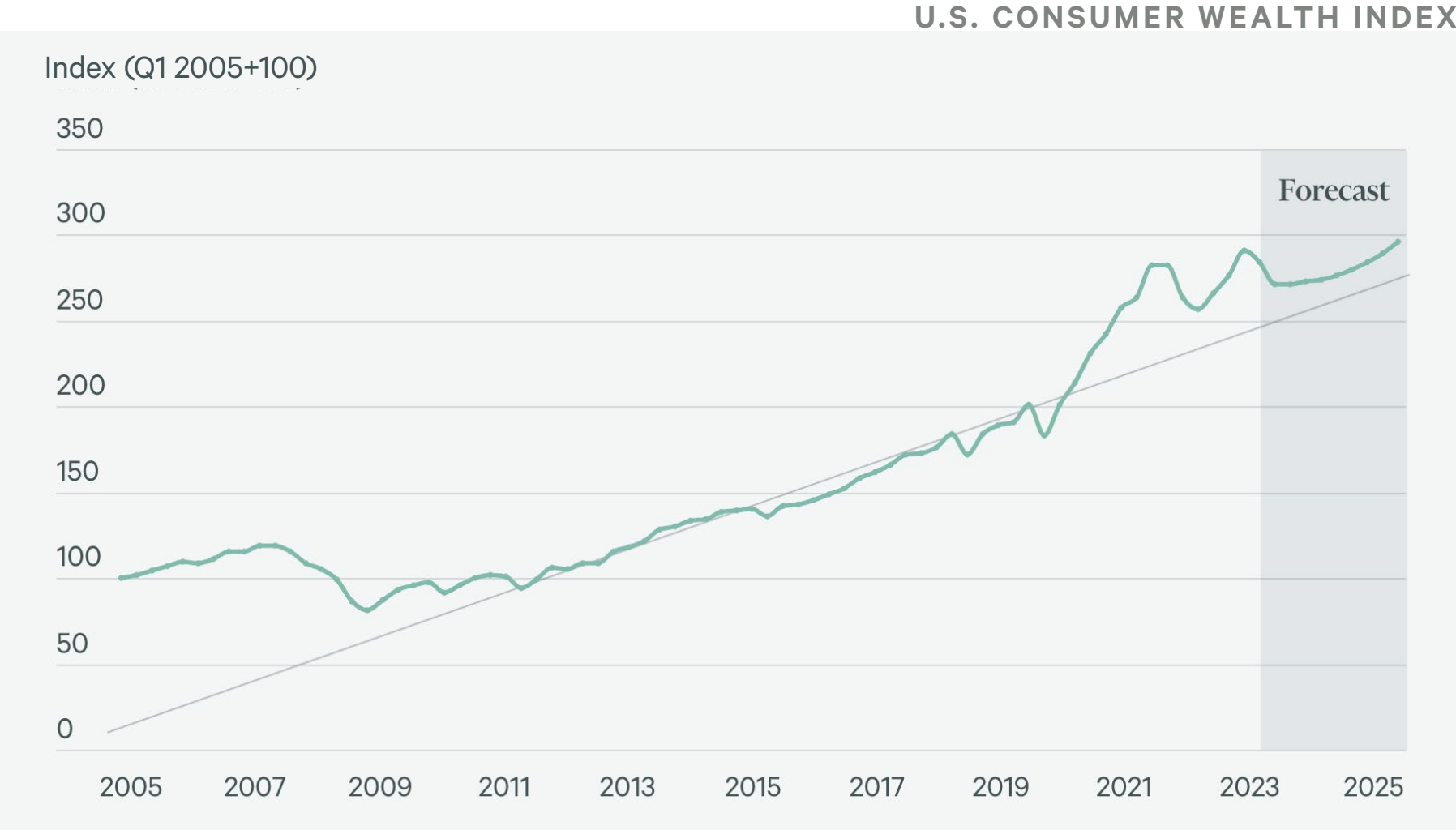
Multifamily Forecasts by Macroeconomic Scenario



Source: CBRE Econometric Advisors

# Despite Certain Downside Risks, U.S. Will Avoid Recession

- Despite easing inflation, the U.S. economy will face certain headwinds in early 2024, including relatively high interest rates, a strong dollar, near recessions in Europe and China, and continued geopolitical conflicts.



Note: The model assumes 50% stock and 50% home.  
Source: Oxford Economics, Federal Housing Finance Agency, Standard & Poor's, Haver Analytics, CBRE Research Q3 2023.

# Key Trends

## OVERVIEW OF THE ECONOMY

### What You Need To Know



Despite certain downside risks, U.S. will avoid recession



High interest rates and a strong dollar are expected in early 2024



The unemployment rate is expected to rise to around 4.5%, which won't materially weaken real estate fundamentals

### Insurance Costs



Since the pandemic, insurance costs rose 119%.



The average multifamily expense per unit rose 9.3% on a trailing 12-month basis through mid-year 2023.

### Property Taxes



In Hamilton County, property owners saw an average property value increase of 34%. Estimates are that overall taxes will only increase by 15%.



Nationally, property taxes continue to rise along with higher property values.

### The Stock Market



After a volatile year, mostly in the red, the market ended 2023 on a high note at 10% higher than 2022.



Most are predicting markets to continue stabilizing, with net positive earnings in 2024. As rates potentially decrease, this will help smaller, higher leveraged firms grow.

### Government, Student, & Consumer Debt



The U.S. has \$34 Trillion in debt, which continues to grow.



Credit Card debt in the US is at a record high with over \$1 Trillion outstanding.

Source: Yardi Matrix, RealPage Market Analytics. BLS, CBRE Research, Q3 2023

# Cincinnati Highlights

2.26M±  
Cincinnati Population 2023

\$102,822  
Average Cincinnati HH Income 2023



## Duke Energy Convention Center

The Redevelopment of the Convention District includes a new 800 room hotel, a redesign of the Duke Energy Convention Center, and an outdoor civic space component.

\$680M+  
Total Projected Investment  
  
2024  
Estimated Construction Start

## Medpace HQ Expansion

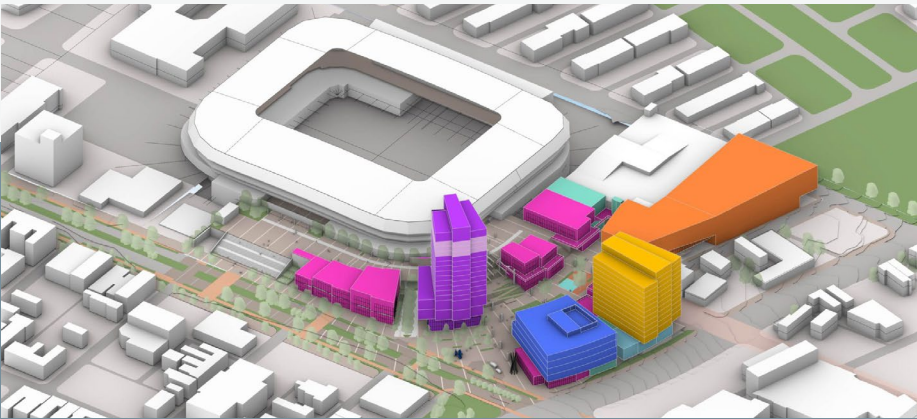
Medpace is planning to build a new office tower, clinical trial site, and structured parking on its Madisonville campus.

- 9- Story Office Tower
- 2-Story Clinical Trial Site
- 1,300 Space Parking Garage

\$230M+  
Investment

2,300  
New Jobs

500K+  
Additional Square Foot



## FC Cincinnati

- 19-Story Hotel
- 14-Story Apartment Tower
- 150 Units
- 12 Condos
- 100,000 SF Office Space
- 1,500 Seat Venue
- Parking And Public Plaza

2026  
Est. Completion  
  
\$300M  
Investment

Source: CBRE Research, Cincinnati Courier, 2024



02

# Rents & Occupancy

# Rent Growth & Vacancy

## U.S. YE 2023



## U.S. 2024 (EXPECTED)



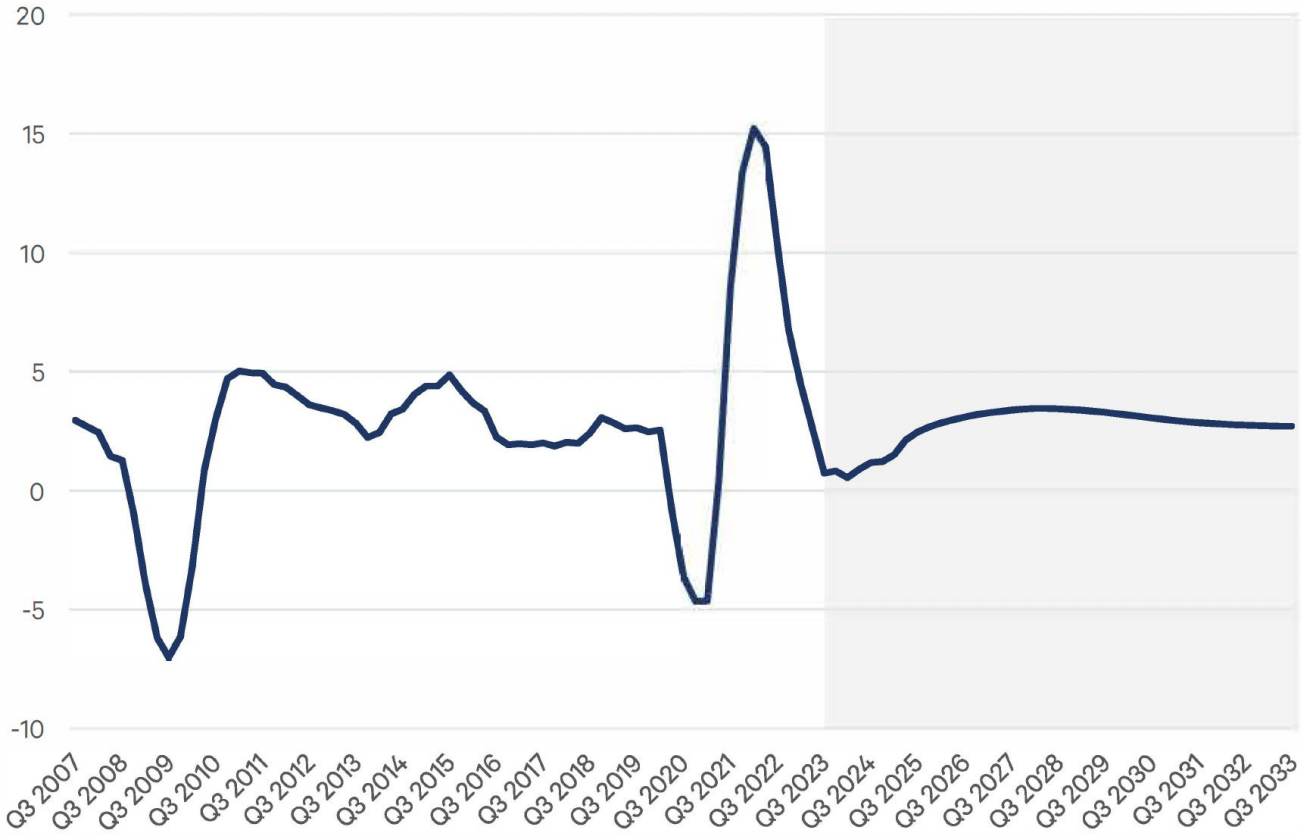
## THE '24 FORECAST

Overall vacancy rate is expected to rise and rent growth is expected to slightly increase.

Source: CBRE Research, Yardi Matrix, CBRE Econometric Advisors



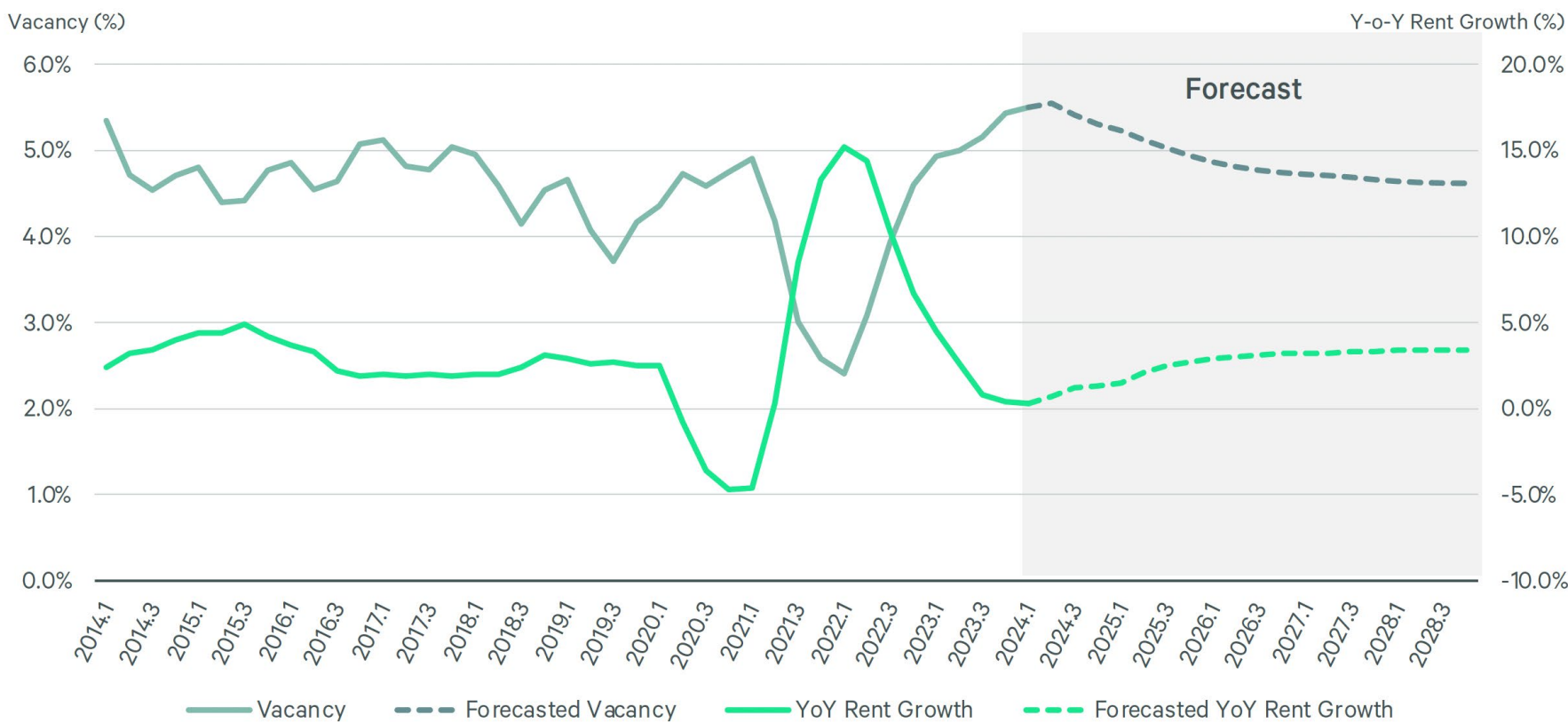
U.S. EFFECTIVE RENT GROWTH  
PRELIMINARY FORECAST (%)



# Rent & Vacancy Trends Are Turning Nationally

- Vacancy was 5.4% in Q4 2023, up 80 bps Y-o-Y, and up 20 bps Q-o-Q. The modest rise in vacancy observed in Q4 2023 was in line with our expectations given the large amount of supply currently being delivered.
- Effective rent growth decelerated to a slow but positive 0.4% Y-o-Y rate in Q4 2023. The deceleration points to a trend change that would bring vacancy and rent growth in line with longer-term averages by the end of 2026.
- The forecasted five-year CAGR of rent is 2.8% through Q4 2028.

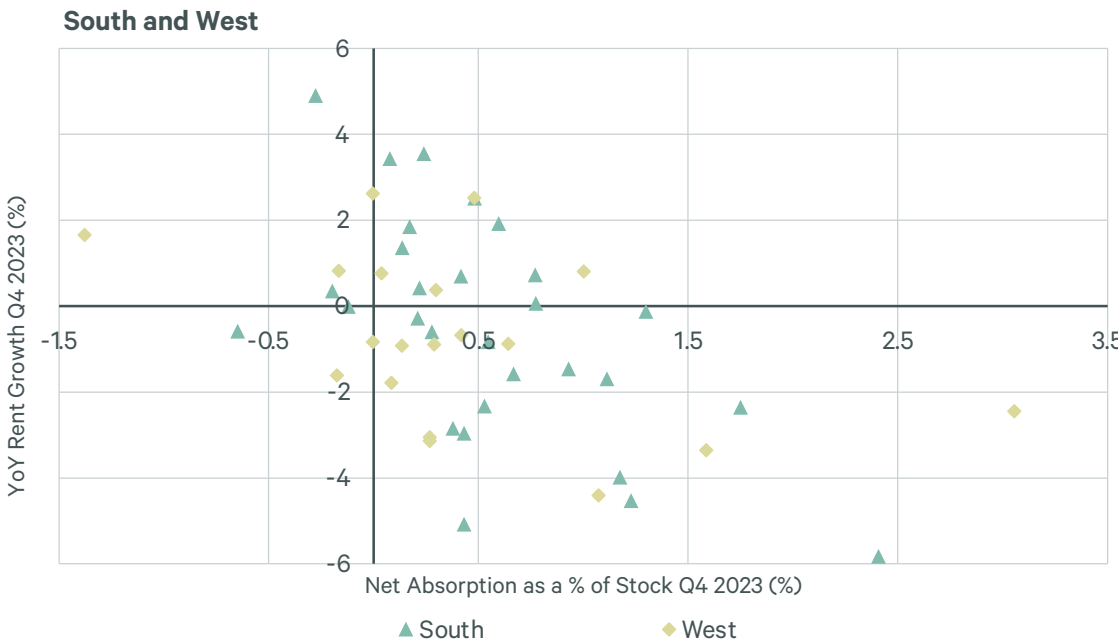
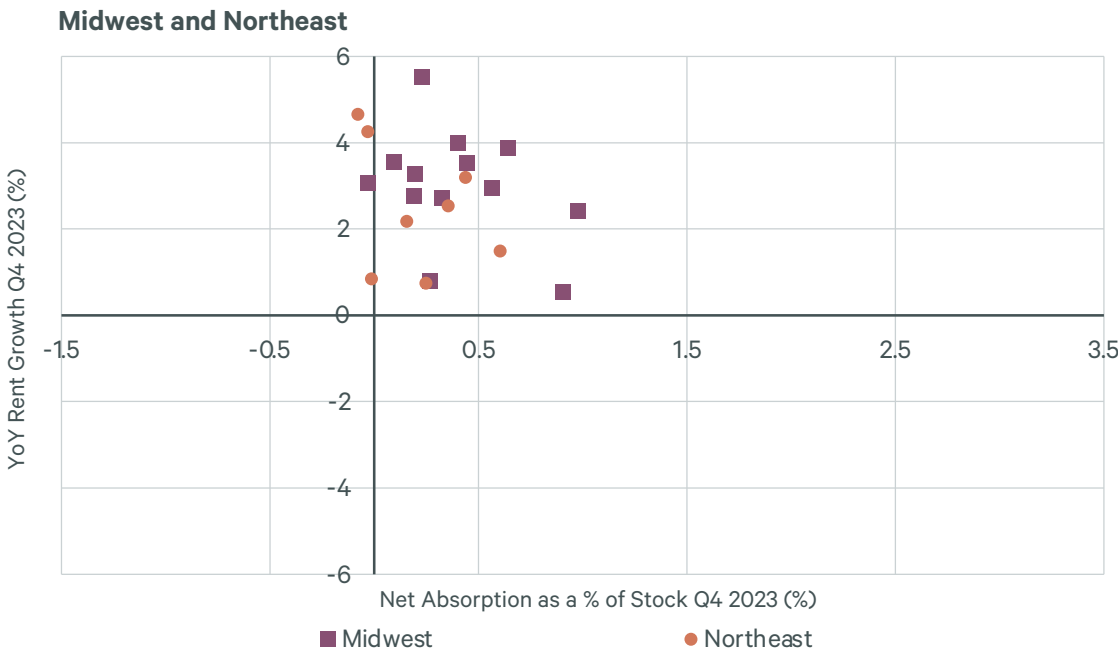
The Baseline Multifamily Forecast



Source: CBRE Econometric Advisors, RealPage Inc.

# The Midwest & Northeast Have Been Growing and Consistent

Net Absorption vs. Rent Growth in Q4 2023



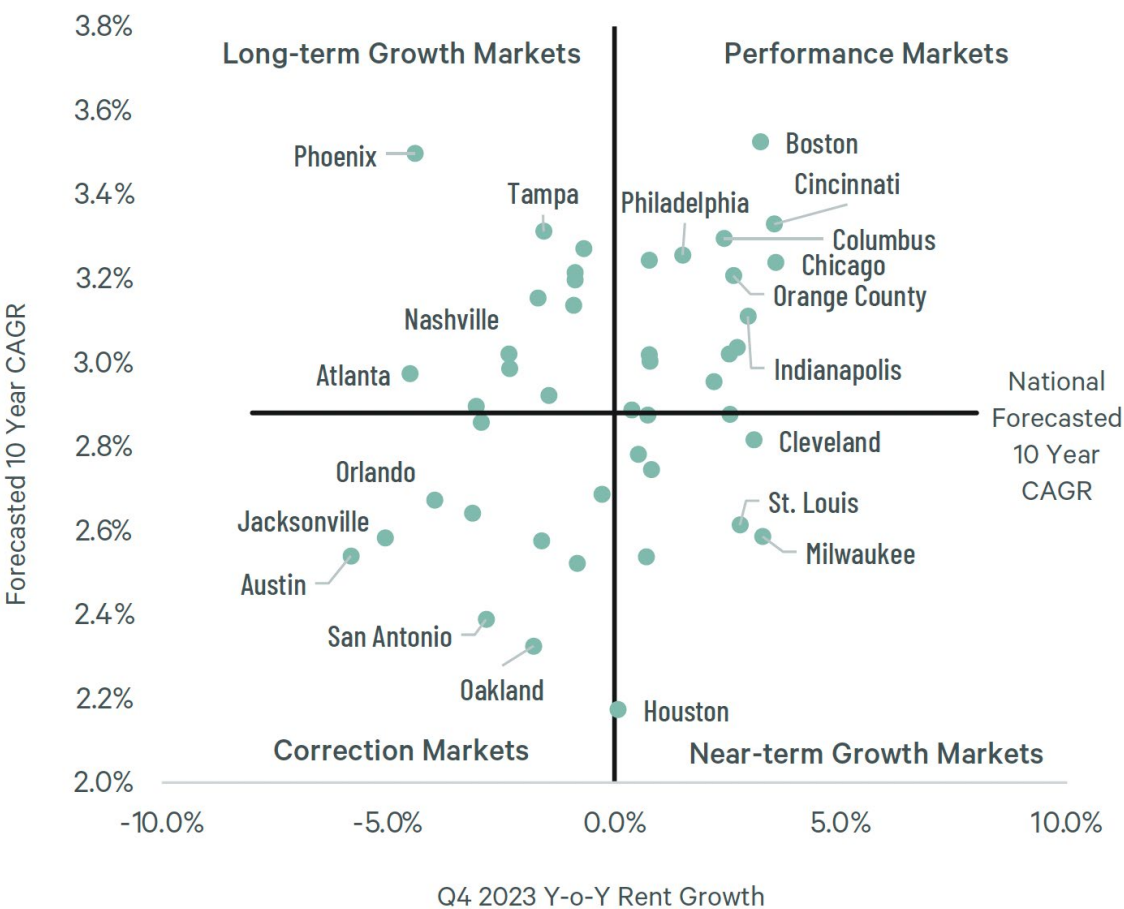
- The Midwest and Northeast had remarkable consistency in positive rent growth and positive net absorption in Q4 2023. Only four markets had slightly negative net absorption, and all markets had positive Y-o-Y rent growth.
- This contrasts with the South and West, where many markets had some combination of positive and negative net absorption and/or Y-o-Y rent growth. The South and West are much less monolithic in their recent performance, indicating that market-specific factors are more salient.

Source: CBRE Econometric Advisors, RealPage Inc.

# Recent Performance is Not Indicative of Long Run Potential

- The correlation between Q4 Y-o-Y rent growth and long-run (10-year) forecasted CAGR of rent is only 27%, leaving lots of room for reversion in both directions.
- The relationship of recent performance and long-run potential can be broken into four broad categories:
  - Long-term growth markets, that had negative Y-o-Y rent growth in Q4 2023 but are forecasted for above average rent growth in the long term.
  - Near-term growth markets, that had positive Y-o-Y rent growth in Q4 2023 but are forecasted for below average rent growth in the long term.
  - Correction markets, that had negative Y-o-Y rent growth in Q4 2023 and are forecasted for below average rent growth in the long term.
  - Performance markets, that had positive Y-o-Y rent growth in Q4 2023 and are forecasted for above average rent growth in the long term

Long-term Growth Markets:
1. Phoenix
2. Tampa
3. Atlanta
Near-term Growth Markets:
1. Milwaukee
2. St. Louis
3. Cleveland
Performance Markets:
1. Boston
2. Cincinnati
3. Chicago
Correction Markets:
1. Austin
2. Jacksonville
3. Orlando



Source: CBRE Econometric Advisors, RealPage Inc.

# Cincinnati's Rent & Occupancy

RENT GROWTH & VACANCY

	CLASS A	CLASS B	CLASS C
EFFECTIVE RENT YE 2023  YE 2022	\$1,764 \$1,697	\$1,390 \$1,337	\$1,033 \$994
RENT GROWTH YOY 2023  2022 Rent Growth	+3.9% +7.8%	+3.9% +9.7%	+3.9% +3.7%
REPORTED 2023 CONCESSIONS % Of properties surveyed  2022 Concessions	13.3% 6.25%	10.7% 10.7%	9% 18.2%

## 2023 AT A GLANCE

\$1,381

Overall Average Cincinnati Rent

3.5%

Overall Average Cincinnati  
Rent Growth

11.1%

Of Overall Cincinnati Properties  
Offered Concessions

4.8%

Cincinnati Vacancy Rate Q4



Source: CBRE Research, CBRE Econometric Advisors, CBRE Cincinnati Rent Survey, January 2024

# Cincinnati Rent by Bedroom

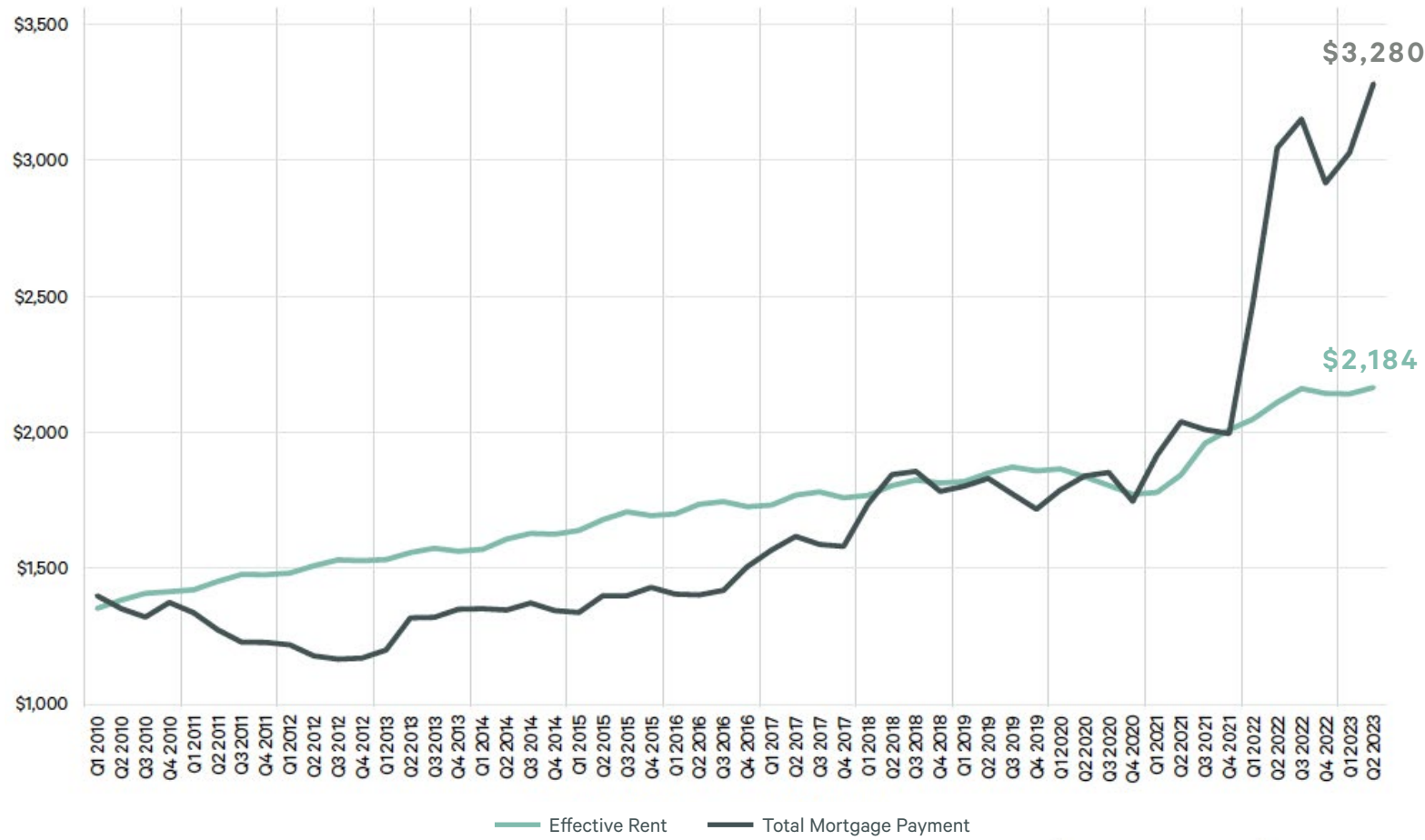
EFFECTIVE RENT	OVERALL	CLASS A	CLASS B	CLASS C
1 BED 1 BATH YE 2023 YE 2022	\$1,170 \$1,143	\$1,512 \$1,473	\$1,172 \$1,148	\$893 \$860
2 BED 1 BATH YE 2023 YE 2022	\$1,246 \$1,176	\$1,509 \$1,437	\$1,314 \$1,222	\$1,124 \$1,073
2 BED 2 BATH YE 2023 YE 2022	\$1,644 \$1,583	\$1,957 \$1,846	\$1,498 \$1,440	\$975 \$1,024
3 BED AVG. YE 2023 YE 2022	\$1,890 \$1,859	\$2,332 \$2,117	\$1,713 \$1,701	\$1,368 \$1,323

Source: CBRE Research, CBRE Econometric Advisors, CBRE Cincinnati Rent Survey, January 2024

# Multifamily Affordability

RENTING VS. BUYING IN THE U.S.

U.S. AVERAGE RENT VS. NEW MORTGAGE PAYMENT



Source: CBRE Research, CBRE Econometric Advisors, Oxford Economics, Yardi Matrix, Census Bureau, Q2-Q3 2023,

## National

Q2 2023

\$3,280

AVERAGE NEW MORTGAGE PAYMENT

\$2,184

AVERAGE EFFECTIVE MONTHLY RENT

50%

THE DIFFERENCE BETWEEN AN AVERAGE NEW MORTGAGE AND RENT PAYMENT

29.6%

RENT-TO-INCOME RATIO  
IN THE U.S.

16.1%

RENT-TO-INCOME RATIO  
IN CINCINNATI

# Trends

## RENT & OCCUPANCY AT A GLANCE

### What You Need To Know

\$2,254  
U.S. 2025 Rent Forecast

\$1,447  
Cincinnati 2025 Rent Forecast

5.4%  
2024 Forecast U.S. Vacancy

7.28%  
Long Term Average U.S. Vacancy

### Future Rent Growth



Rent growth in the Midwest is expected to outpace the other U.S. regions.



Some markets stagnant, if not negative.

### Occupancy & Absorption



Occupancy is expected to stay high throughout 2024.



Supply-and-demand dynamics across the Midwest are expected to remain balanced in 2024. This will support absorption throughout the year.

### Single Family Home Sales



As U.S. mortgage rates approach 8%, renting is more affordable than owning.



Although U.S. job growth has slowed, it is still driving household formation and residential demand.

Source: CBRE Research, CBRE Econometric Advisors, Oxford Economics, Yardi Matrix, & Yahoo Finance



03

# Investment Sales

# U.S. Multifamily Sales

SALES VOLUME & 2024 PREDICTIONS



\$282B

YE 2022

\$117.5B

YE 2023

U.S. MULTIFAMILY SALES VOLUME



30% Share

IN US COMMERCIAL REAL ESTATE

Multifamily has become the largest share of total investment into U.S. real estate.



\$725B | \$348B

TOTAL CRE SALES VOLUME

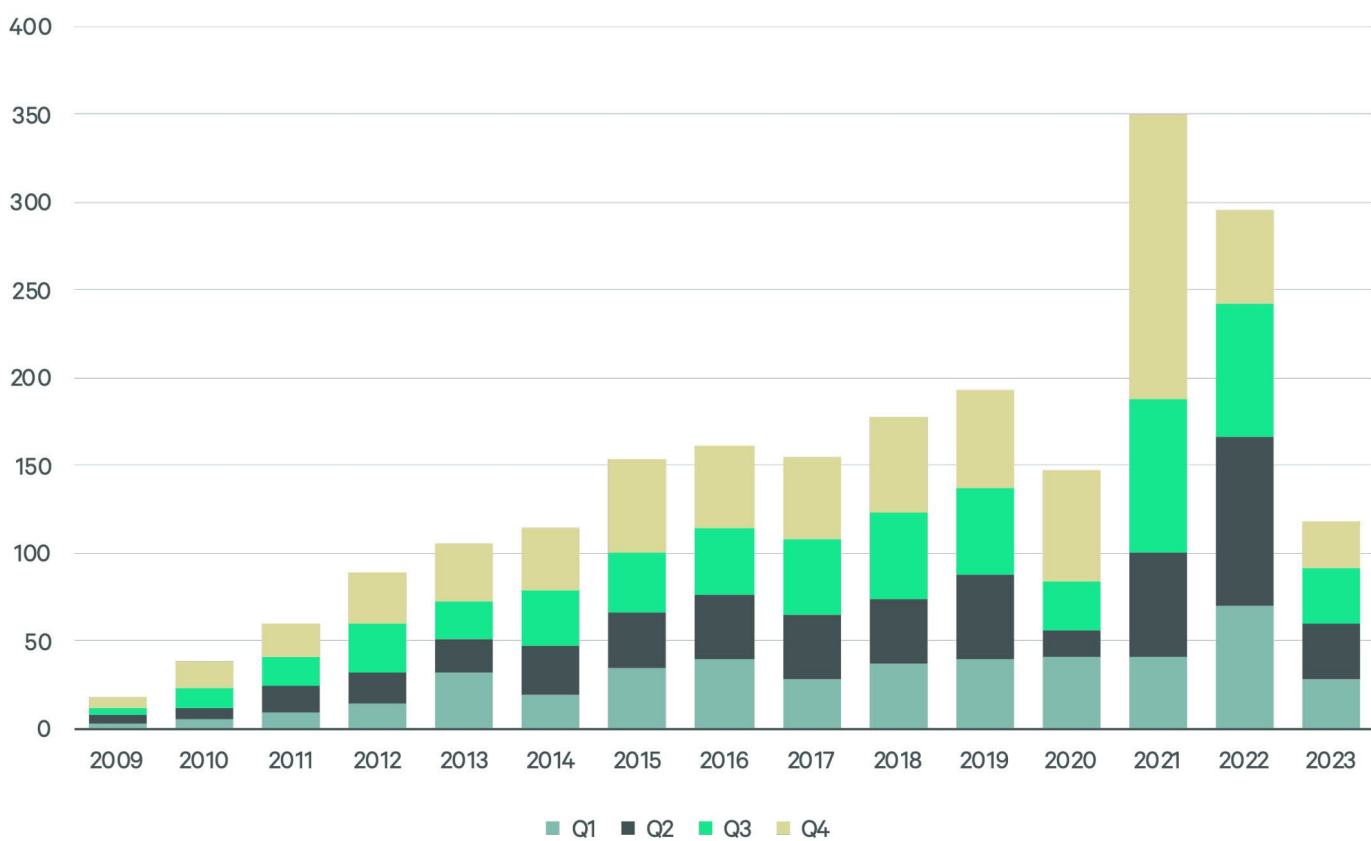


+218%

ESTIMATED INCREASE IN UNITS SOLD IN 2024 FROM 2023

U.S. MULTIFAMILY SALES VOLUME

Investment Volume (\$ Billions)



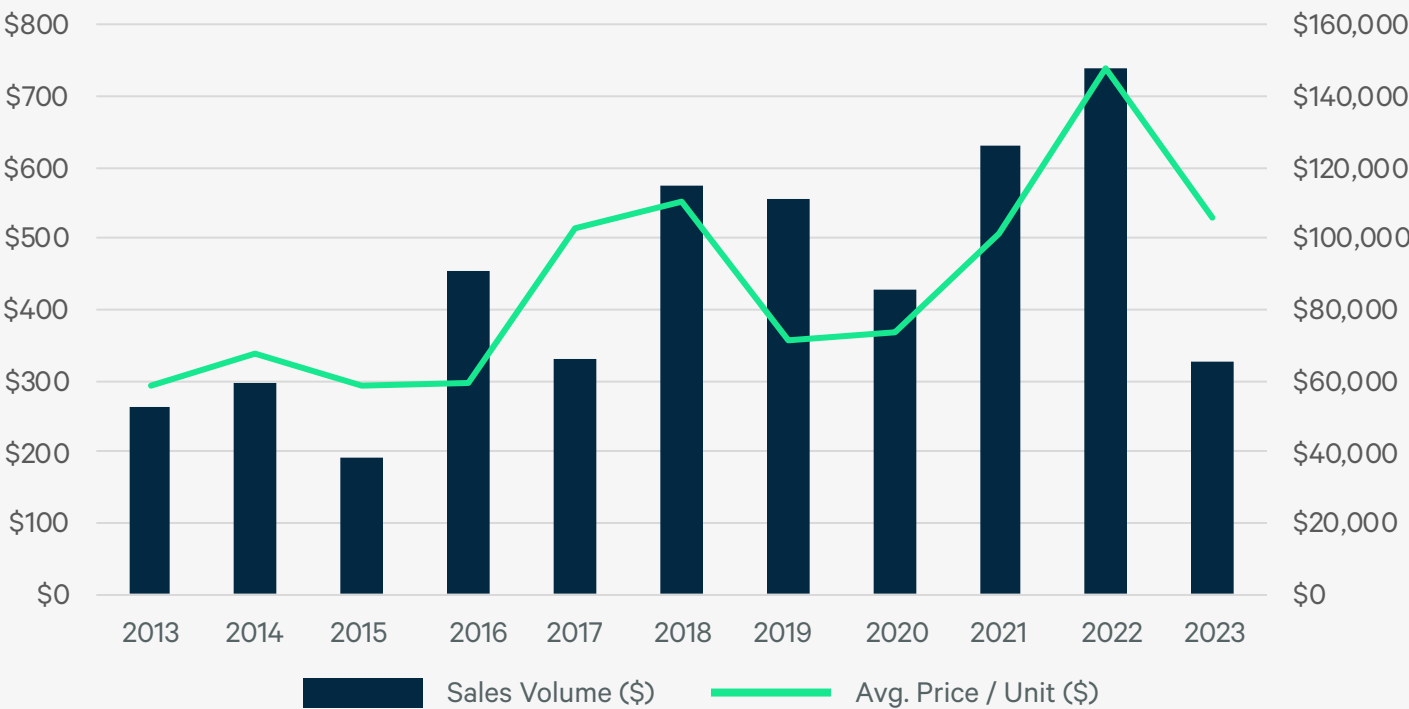
# Cincinnati Multifamily Sales

YE 2022	% CHANGE	YE 2023
5,103	-39%	3,115
TOTAL UNITS		TOTAL UNITS
\$740M	-55%	\$329.1M
TOTAL SALES VOLUME		TOTAL SALES VOLUME
5.0%	+20%	6.0%
AVG. CAP RATE		AVG. CAP RATE
\$145,000	-27%	\$105,657
AVG. PRICE / UNIT		AVG. PRICE / UNIT

Source: CBRE Research, CBRE Econometrics, Q3 2023



Cincinnati Sales Volume vs. Average Price Per Unit  
(Millions)



# Trends

## INVESTMENT SALES OVERVIEW

### What You Need To Know

\$117.5B

Multifamily Sales Volume  
2023

6%+

Average Cap Rate YE  
2023

6%

Projected Cap Rates  
2024

### High Liquidity



Investment sale volume is down, but not because a lack of liquidity, which remains at an all-time high.



Both Fannie and Freddie still have allocations of \$70B and are ready and willing to lend, albeit at lower leverage. There is still capital available.

### Troubled Assets



We expect notable debt funding gaps for some multifamily assets.



We will begin to see distress come to the surface in late 2024.

### Cap Rates



Cap rates will compress, as the Fed is expected to cut rates by 1% in 2024.



Industrial and Multifamily assets will likely remain most favored by investors due to relatively strong fundamentals.



04

# Supply & Construction

NATIONAL

# Deliveries & Demolitions

3.1 Million

SHORTAGE OF HOMES

252K

NET ABSORPTION  
(UNITS) YE 2023

416.4K

NET ABSORPTION  
(UNITS) EST. 2024

417K

NEW UNITS  
YE 2023

443K

NEW UNITS  
EST. IN 2024

20

2023 AVG.

16

10YR AVG.

MONTHS OF CONSTRUCTION

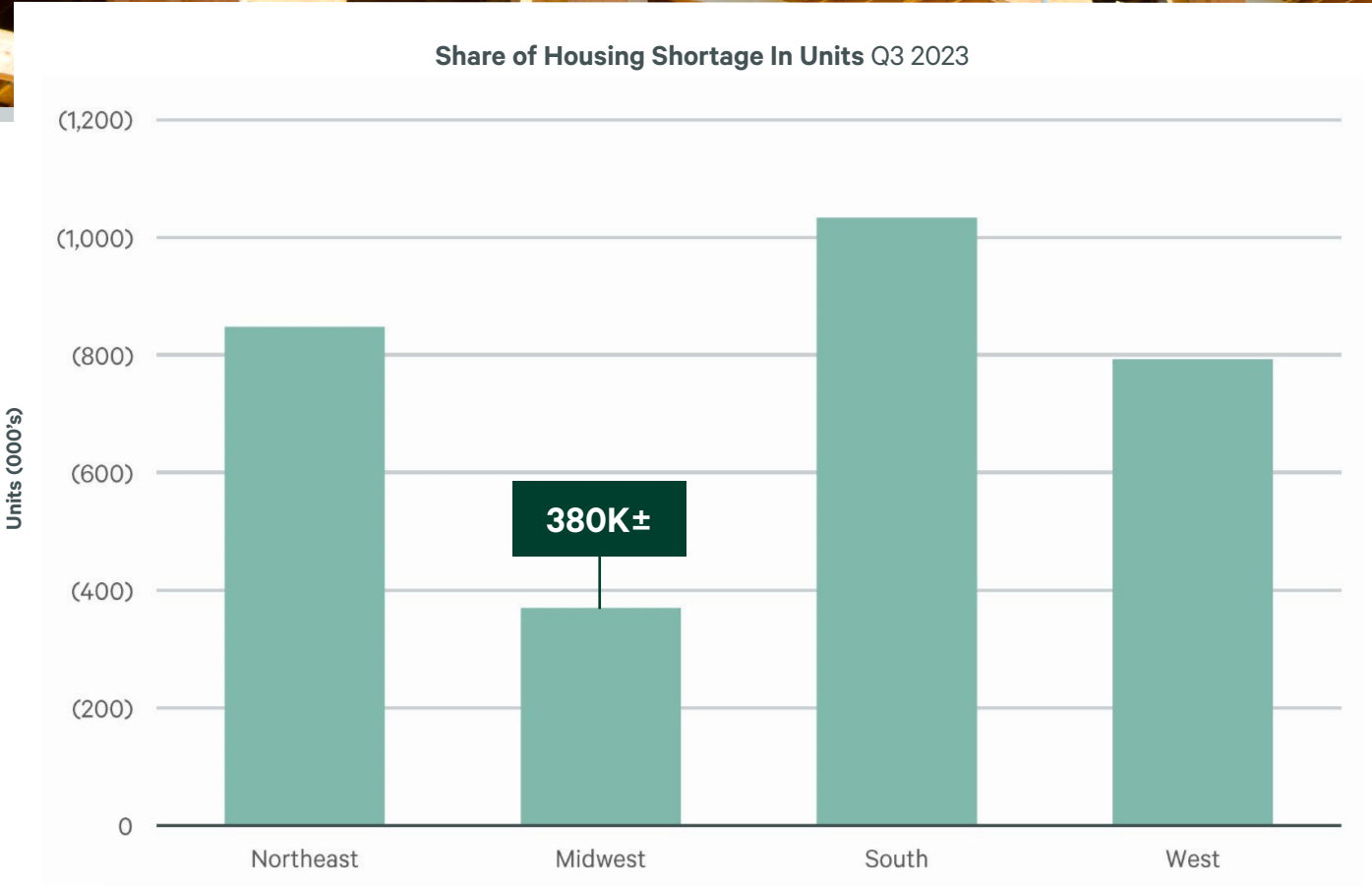
-45%

CONSTRUCTION  
STARTS IN 2024

-54%

2026 DELIVERIES  
FROM PEAK SUPPLY

THE MIDWEST BOASTS THE LOWEST  
HOUSING SHORTAGE BY VOLUME.

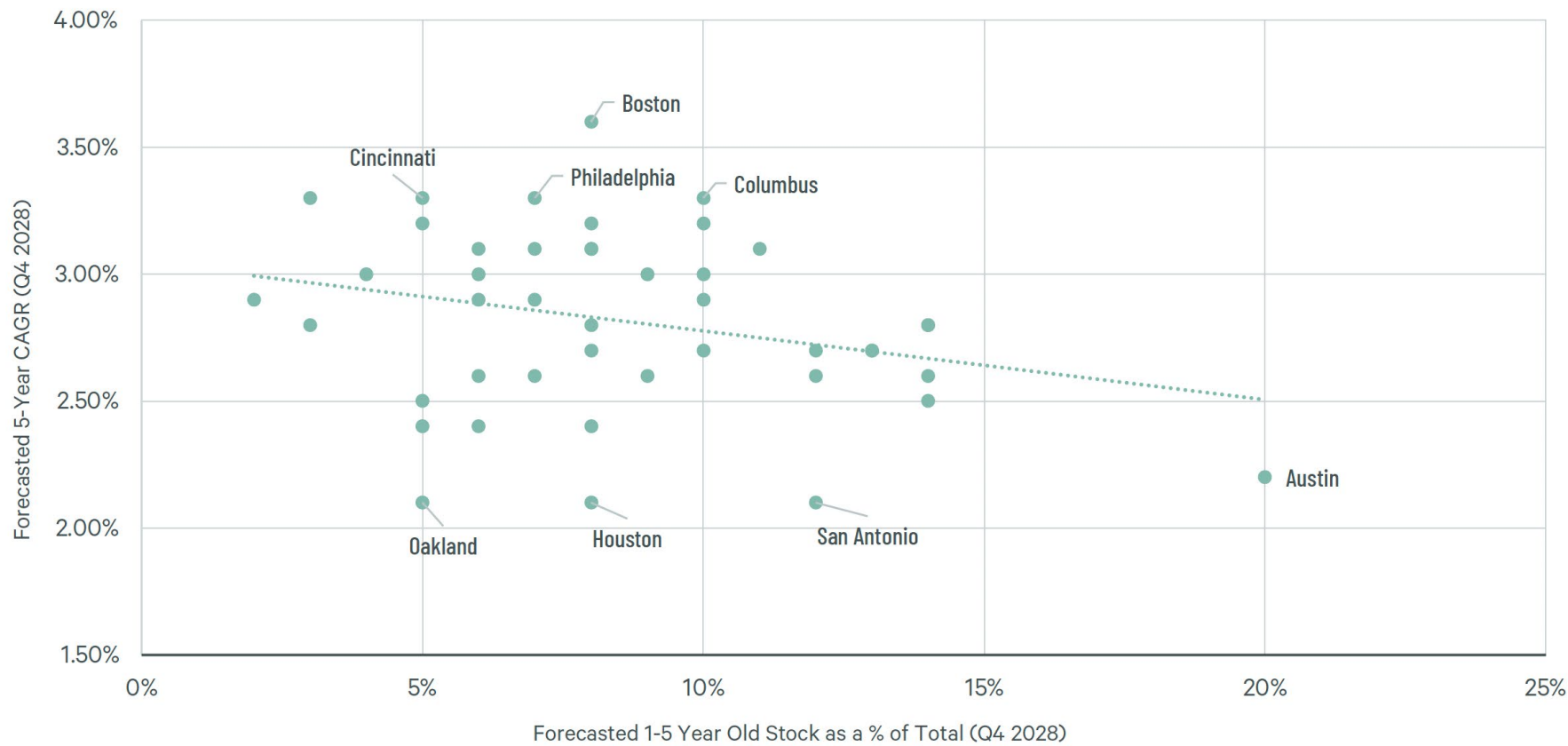


Source: CBRE Research, CBRE Econometric Advisors, RealPage Market, U.S. Census Bureau Analytics

# Competition From New Supply Is Depressing Rent Growth

- The under-construction pipeline is a key driver of near-term rent forecasts. For high-supply markets like Austin, this puts downward pressure on our five-year rent growth projection.
- Every extra 10 percentage points of forecasted five-year supply (as % of stock) is associated on average with 30 bps lower forecasted five-year CAGR through Q4 2028.
- Recent rent growth in Midwestern and Northeastern markets opens the opportunity to outperform relative to supply. Oakland, Houston and San Antonio are forecasted to have lower rent growth relative to their supply forecasts.

5-Year Forecasted Supply vs. 5-Year CAGR for Large Markets

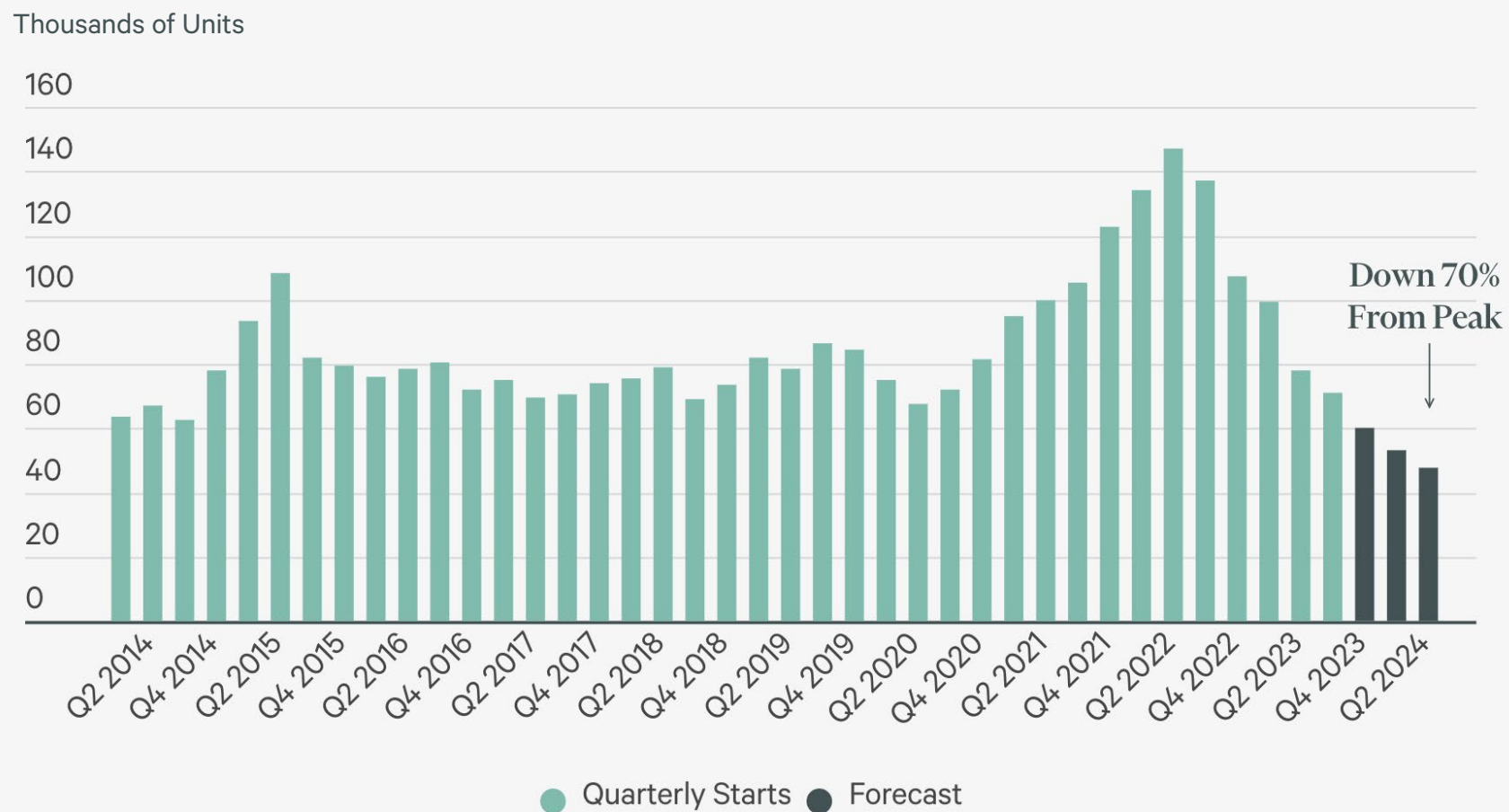


Source: CBRE Econometric Advisors

# Multifamily Starts

- Due to the rapid increase in the cost of construction financing (as well as softening fundamentals), construction starts are down significantly. In 2024, starts expected to be down 45% from their pre-pandemic average, 70% from their peak.

## HISTORICAL & FORECAST MULTIFAMILY CONSTRUCTION STARTS

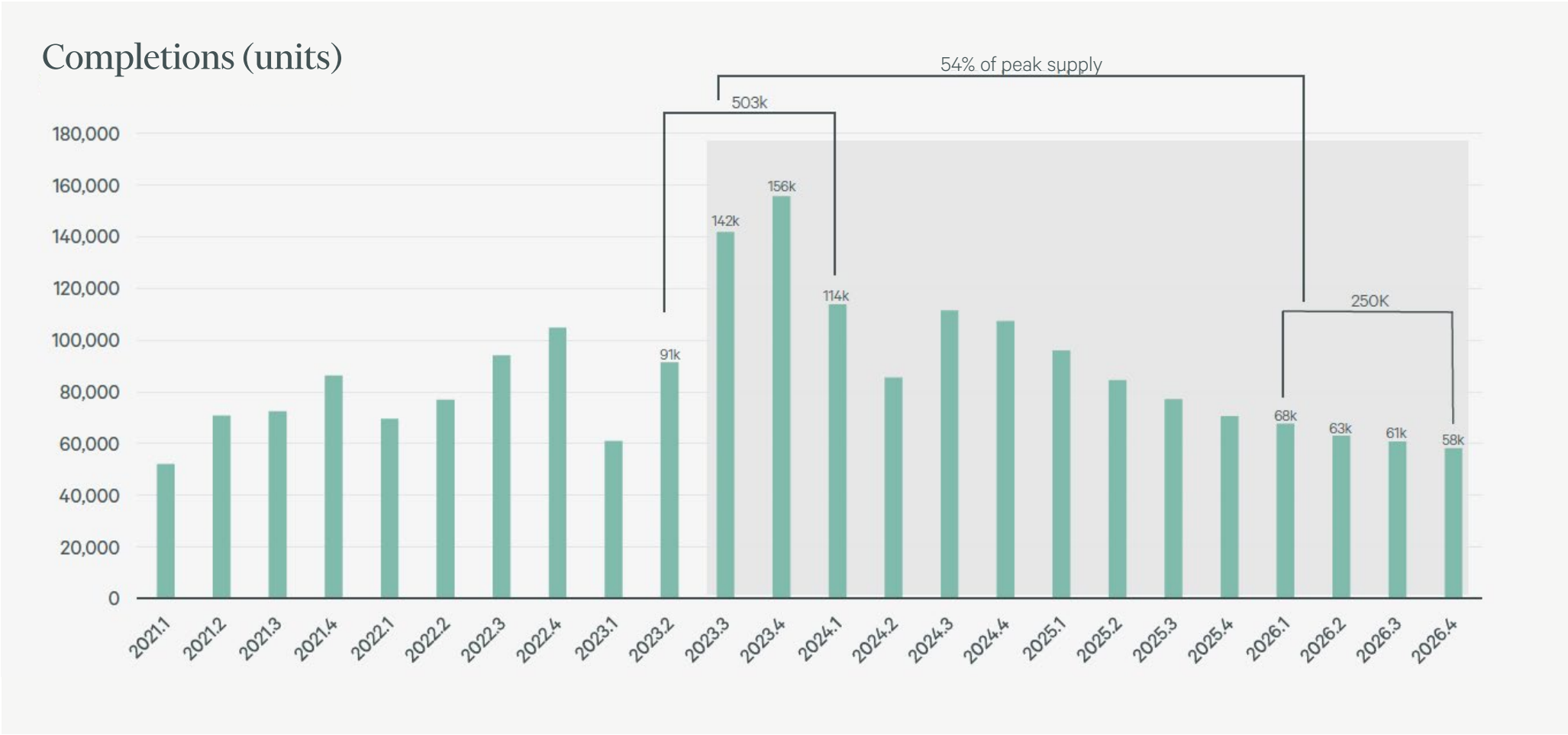


Source: CBRE Research, Q3 2023

# New Deliveries to Fall Considerably

2026 deliveries represent 54% of the four quarters of deliveries  
(Q2,3,4 2023; Q1 2024)

U.S. COMPLETIONS (UNITS)



Source: CBRE Research, CBRE Econometric Advisors, Q2 2023

# Cincinnati Developments

3,881 UNITS  
COMPLETED YE 2023

4,007 UNITS  
2024 PROJECTED COMPLETIONS

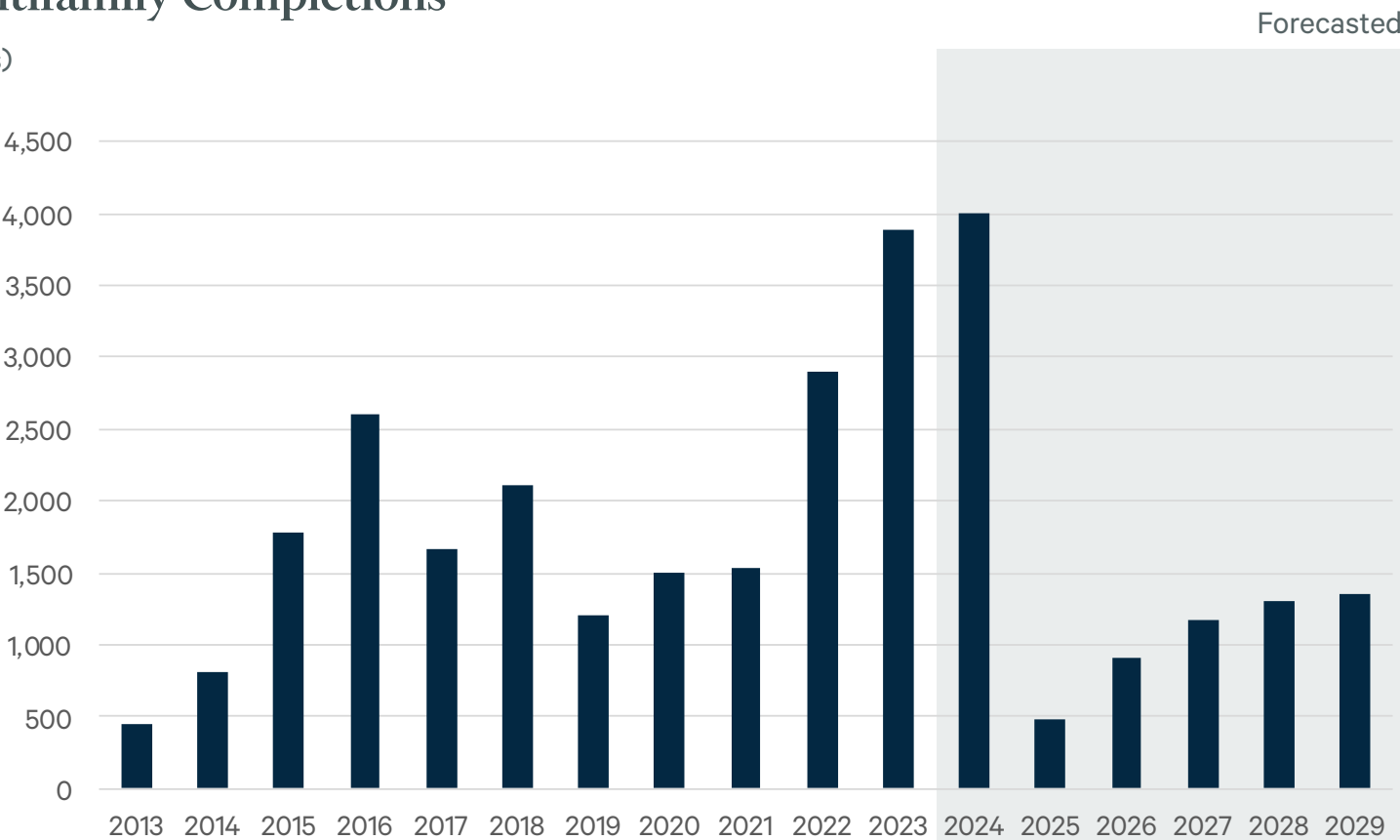
491 UNITS  
2025 PROJECTED COMPLETIONS

1,195 UNITS  
LONG TERM ANNUAL AVERAGE  
(SINCE 2000)



## Multifamily Completions

(Units)



# Hills Properties



GRAPHITE OAKLEY

Oakley

316 Units

Spring 2024 First Delivery



CLOCKTOWER

West Chester

327 Units

Summer 2024 First Delivery

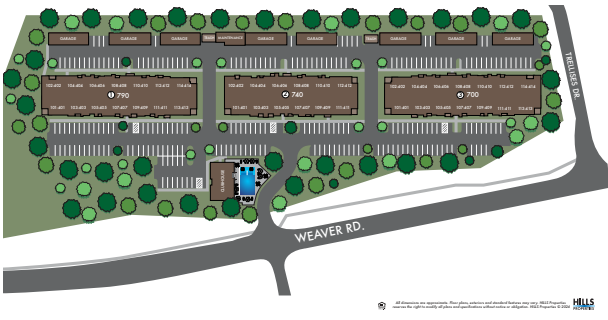


VANTAGE

Anderson Township

224 Units

Fall 2024 First Delivery



ALTAIR

Boone County

160 Units

Q4 2024 Targeted First Delivery

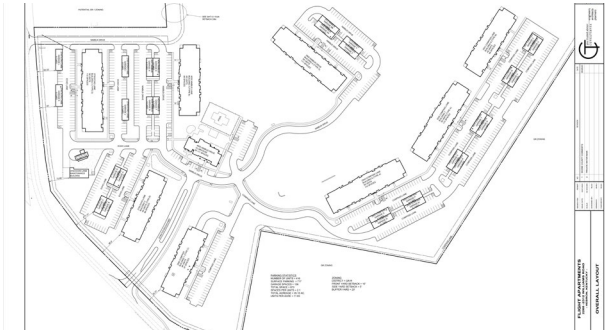


RELAY 129

Liberty Township

402 Units

TBD First Delivery



FLIGHT

Boone County

~400 Units

TBD First Delivery

# Uptown Rentals



FLORENCE HALL

Florence, KY

156 Units

Estimated Completion May 2024



UNION ON TAFT

Cincinnati, OH

103 Units (293 Beds)

Estimated Completion July 2024



THE POINT

Cincinnati, OH

55 Units (190 Beds)

Estimated Completion July 2025

# Silverman & Co.



DISTRICT AT DEERFIELD

Deerfield, OH

120 Units

Estimated Completion Q1 2025



PIMLICO POINTE

Deerfield, OH

245 Units

Estimated Completion Q3 2024

# Model Group



PEEBLES APARTMENTS

Walnut Hills

42 Units

Estimated Completion June 2024



PARAMOUNT LAUNCH

Walnut Hills

56 Units

Estimated Completion June 2024



ALEXANDRA APARTMENTS

Walnut Hills

83 Senior Living Units

Estimated Construction Start Spring 2024



FINDLAY MARKET PHASE 3

46 Units

9 Storefronts

Fully Leased



FINDLAY MARKET PHASE 4

51 Units

16,500 SF Commercial

Estimated Completion YE 2024



HISTORIC MERCANTILE BUILDING

172 Units

60,000 SF Amenity + Commercial Space

Est. Completion Summer 2024 & Winter 2025



REMINGTON LAKE

Hamilton, OH

272 Units

Estimated Completion Q1 2026



VERIDIAN AT DELHI TOWN SQUARE

Delhi Township, OH

180 Units

Estimated Completion Q3 2024



MERIBEL APARTMENTS

Springboro, OH

168 Units

Estimated Completion Summer 2024



ILA

Hyde Park

51 Units

Completed August 2023



FACTORY 52 - PHASE 1

Norwood, OH

306 Units

Completed 2023



FACTORY 52 - PHASE IB

Power Plant

Kenilworth East

8 Townhome Units

128 Units

Completion April 2024

Completion May 2025

# Dial Residential



TRIBUTARY 50

Mariemont

27 Units

Spring 2024 First Delivery



EVA HALL

O'Bryonsville / Hyde Park

19 Units

Summer 2024 First Delivery



VENTURE ON VICTORY

Walnut Hills

35 Units

Fall 2024 First Delivery

# Arlington Properties



TAPESTRY MINEOLA PIKE

Erlanger, KY

233 Units

Estimated Completion YE 2025



VELO RIVERSIDE

Dayton, KY

265 Units

Completed 2024

# Kendall Property Group



ELEVATION

Alexandria, KY

327 Units

Completed 2023



ECHO RIDGE

Middletown, OH

245 Units

Estimated Completion Summer 2025



FOUNDERS LANDING

Lebanon, OH

248 Units

Estimated Completion Fall 2026

# Adaptive Reuse

## Victrix



**MACY'S**

Cincinnati, OH

341 Units

Estimated Completion YE 2025



**CAREW TOWER**

Cincinnati, OH

385 Units

Estimated Completion YE 2025

## CIG



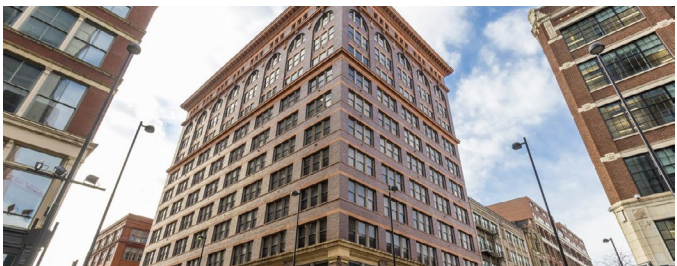
**JASPER**

Linwood, OH

271 Units

Estimated Completion 2026

## Bernstein Companies



**TEXTILE BUILDING**

Cincinnati, OH

282 Units

In Lease Up

## Ackermann



**GOVERNOR'S HILL**

Symmes Township, OH

201 Units

205,000 SF

## Vandercar, NorthPoint, & WP Land



**ROW ON MERCHANT**

Springdale, OH

228 Units

Completed July 2023

# Trends

## SUPPLY AND CONSTRUCTION

### What You Need To Know

3.1M

Shortage in U.S. supply of homes

416K

U.S. Estimate 2024 Net Absorption (Units)

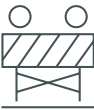
900K

New units currently under construction in the U.S.

440K

U.S. estimated unit completions in 2024

### Construction Costs



We expect multifamily construction starts to fall by 45% in 2024 from their pre-pandemic average and by 70% from their 2022 peak.



The rapid increase in the cost of construction, the increase in interest rates, and softening fundamentals are deterrents for new construction.

### Incentives



Due to the high costs of owning a home, individuals are forced to remain as renters.



Due to a \$3.1M shortage of supply in housing, there is a high demand for multifamily units.

### Pipeline Thinning



By 2026, new supply is expected to fall to less than half of current levels.



The biggest wave of new apartment supply in decades will temper rent growth and improve affordability for renters in 2024.

### BTR / SFR



This is a huge trend across the U.S., as developers are responding to renter demand for a home-feel.



Empty nesters are drawn to this concept, as they can move to a ranch and do not have to do the maintenance.

Source: CBRE Research, CBRE Econometric Advisors, Oxford Economics, Yardi Matrix



05

2024

Predictions

# Predictions

COMPARATIVE INSIGHTS ON 2023 & 2024

## 2023 Predictions

Rents will increase between 5.00% and 6.00%.

Occupancy will decline by 150 basis points.

Sale market velocity will recover by mid-year and \$500M will trade in 2023.

Trend toward adaptive re-use will accelerate even further.

“Intel-effect” will begin to be felt in Ohio.

## 2024 Predictions



Sales volume will increase, but will not hit \$400M in Cincinnati.



Rent growth will moderate to normalized levels in the 2-3% range.



2024 Will see another large year of deliveries, to then sharply drop in 2025 and on.



Distress will find its way to the surface in late 2024.

# The Team

## OH + LEX MULTIFAMILY

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