

# State of the Industry Report

**2023**

Presented to the GCNKAA

By Dave Lockard

CBRE, Inc.

# Agenda

- 01 Big Picture
- 02 Closer to Home
- 03 Rents
- 04 Sales
- 05 Building
- 06 Profit From Dave's Prophecy

# 1 Big Picture

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# Chat GPT





# Honda / LG EV Battery Plant

- 2,500 Jobs with s \$4 Billion manufacturing facility, second only to Intel for the largest project ever in Ohio
- Lithium-ion battery plant. \$200M additional investment in Anna Plant
- Location: Fayette County; Midwest Mega Commerce Center, east of Interstate 71, near Jeffersonville
- Construction Starts in 2023; Operational in 2025

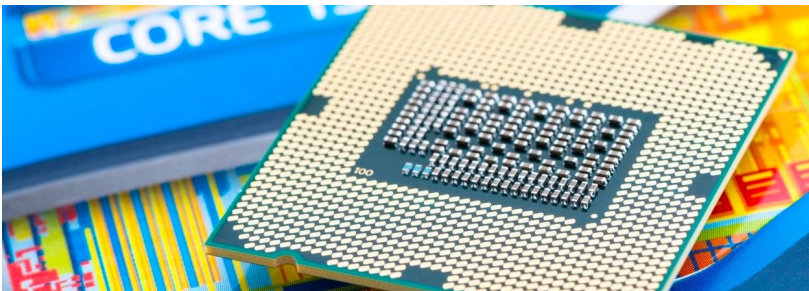




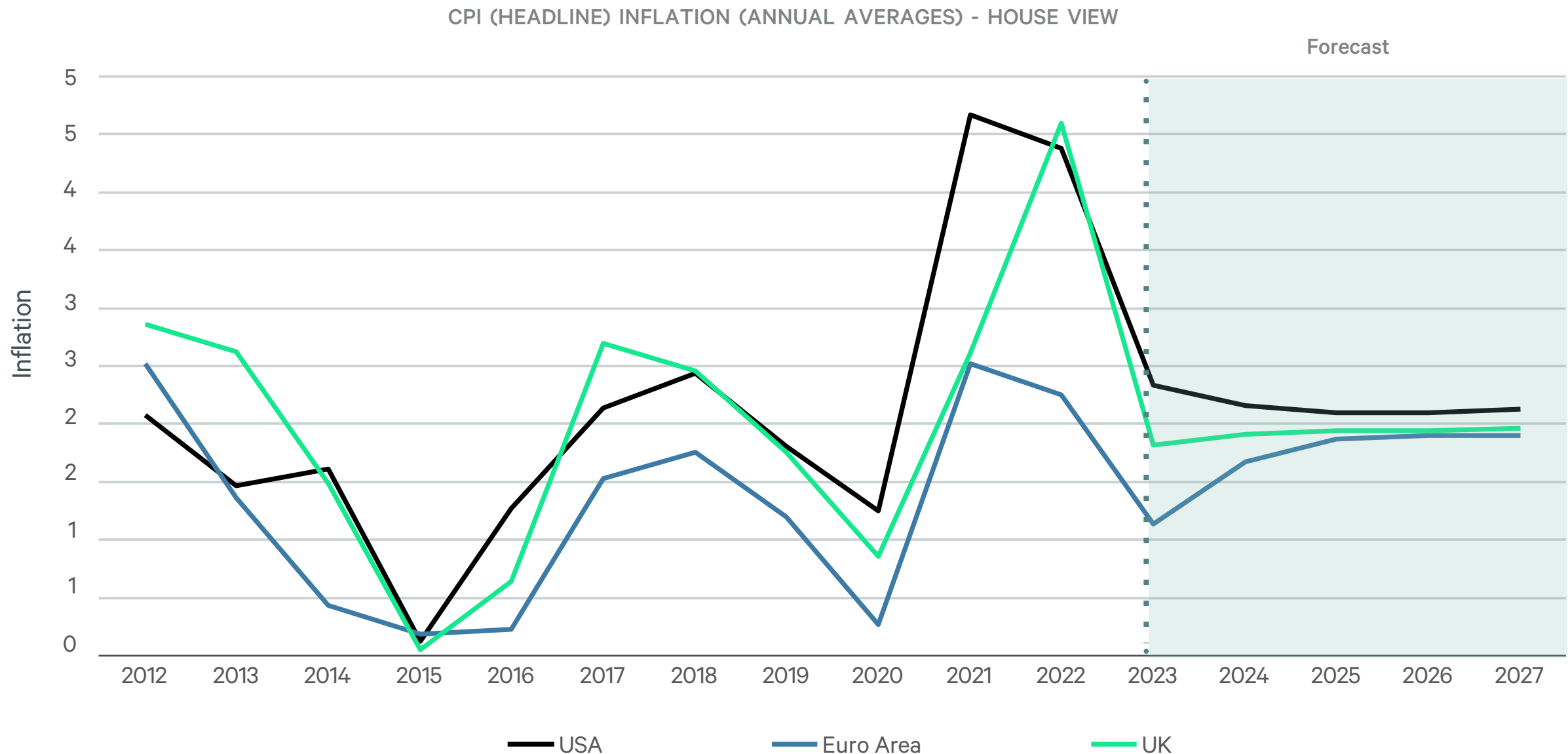
# Intel



- \$20 Billion Phase One investment
- 7,000 Construction Jobs
- 3,000+ Employees
- Future plans to invest \$100 billion into the project, expand the site to 2,000 acres, and eventually build a total of eight labs.
- Chip production beginning in 2025.



# Inflation

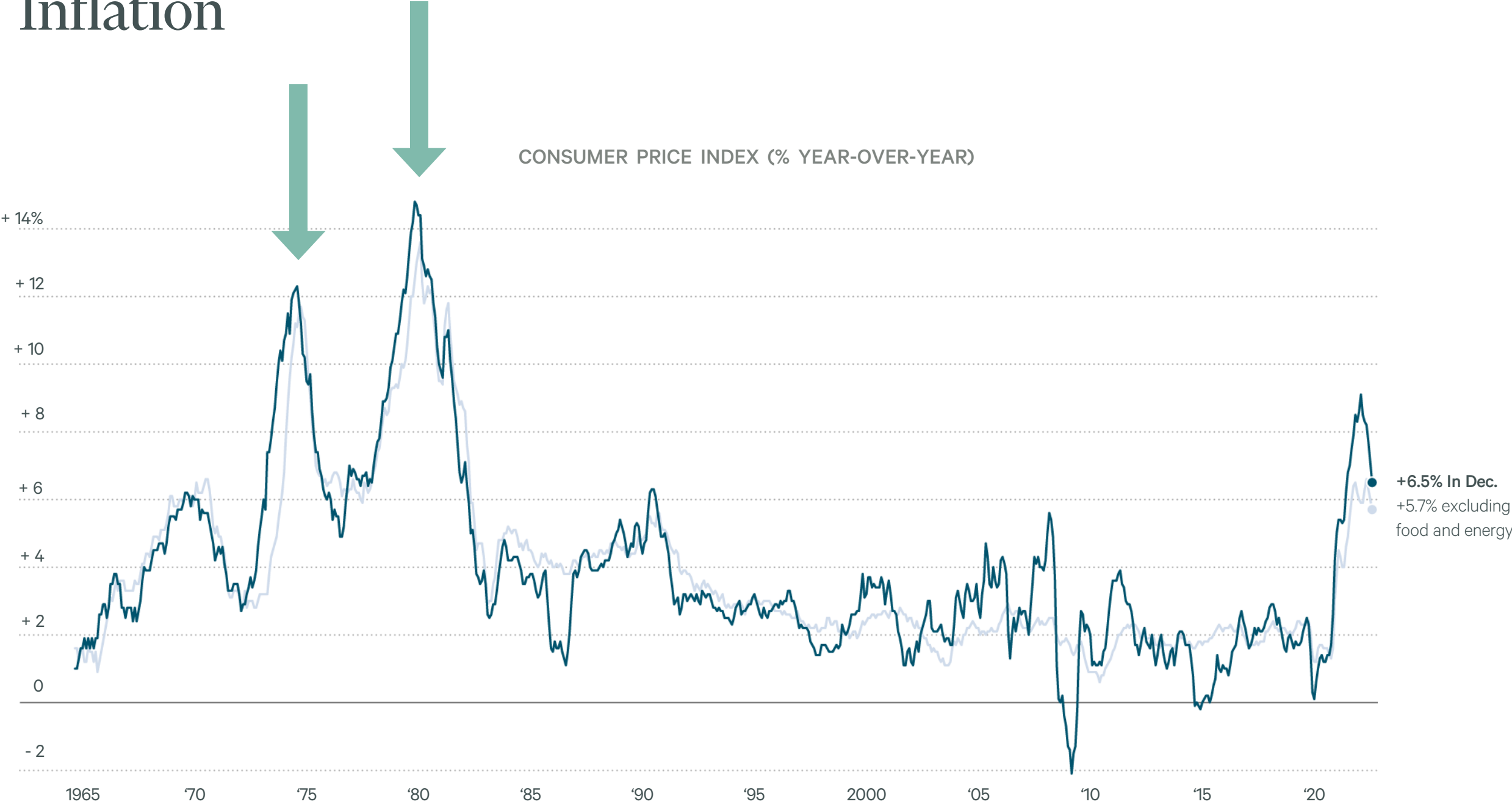




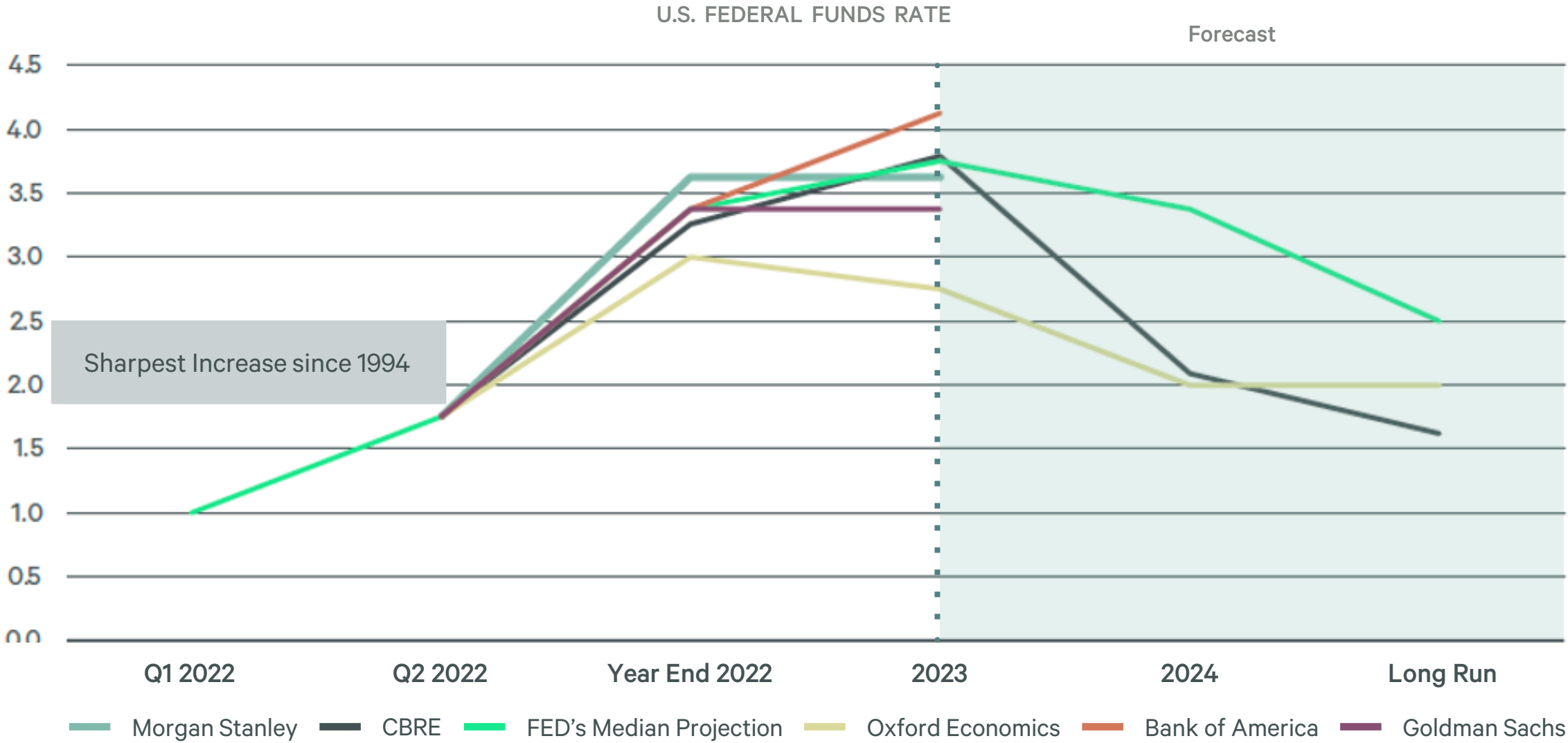
# Whip Inflation Now



# Inflation



# Fed Funds Rate

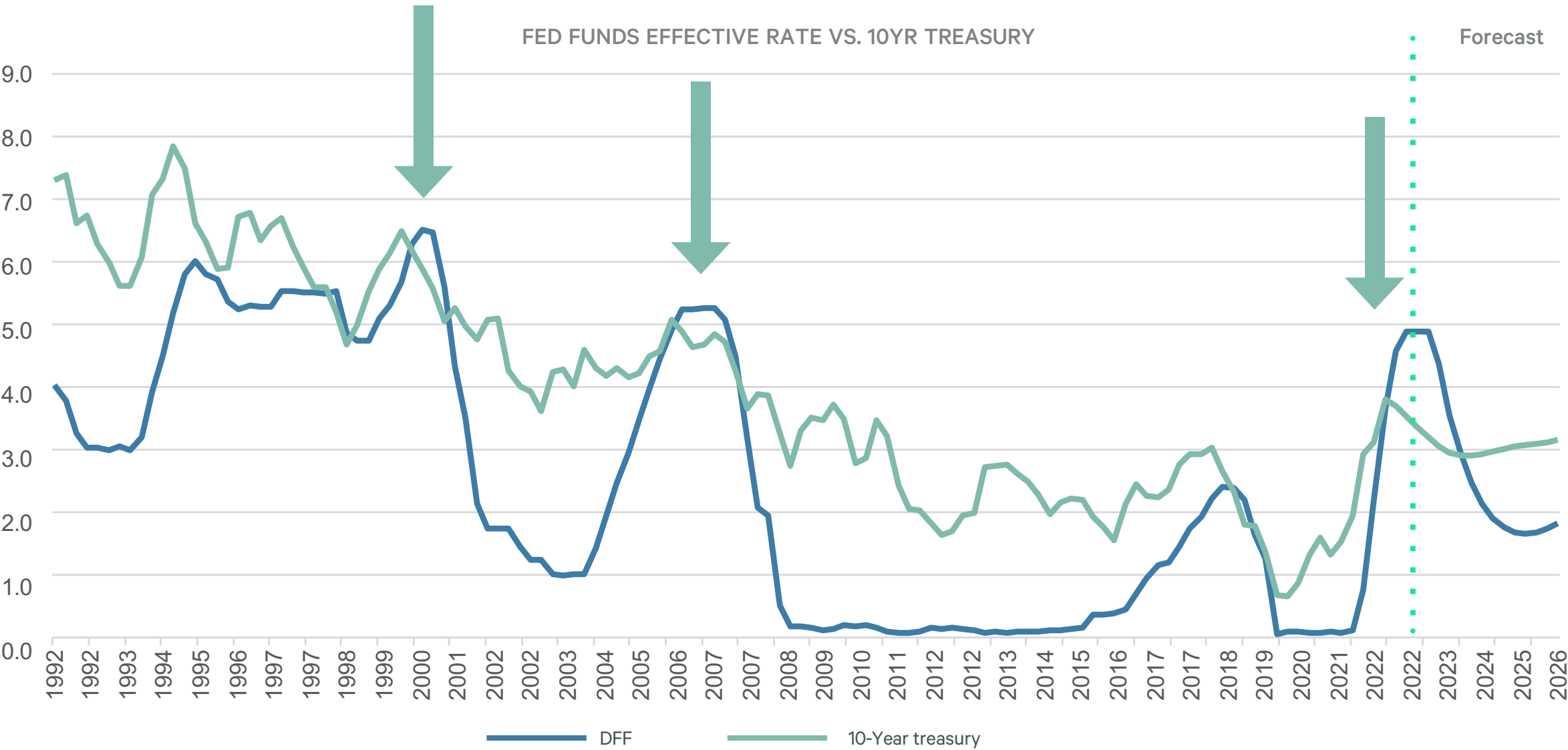


# 10-Year Treasury

From CBRE's view, the 10-year treasury yield will increase to around 3% from the 2.2% average over the past decade



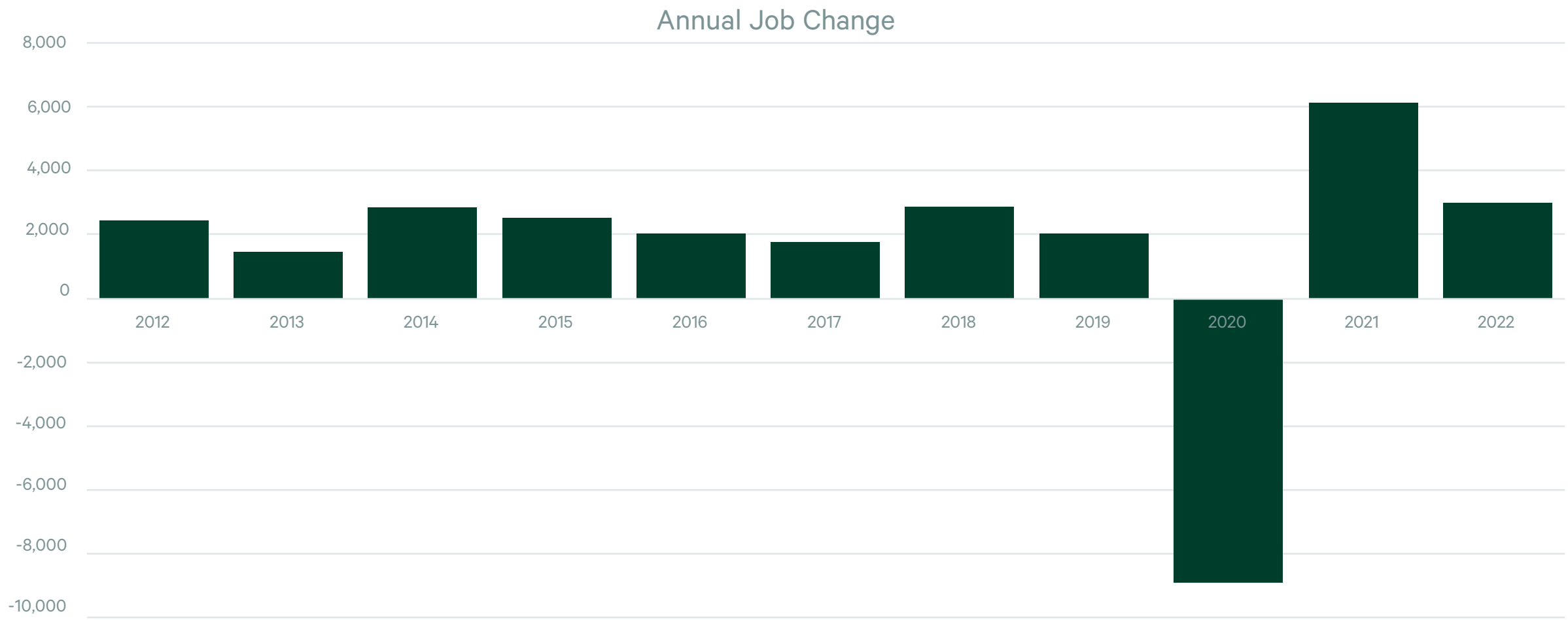
# Short vs. Long Term Rates





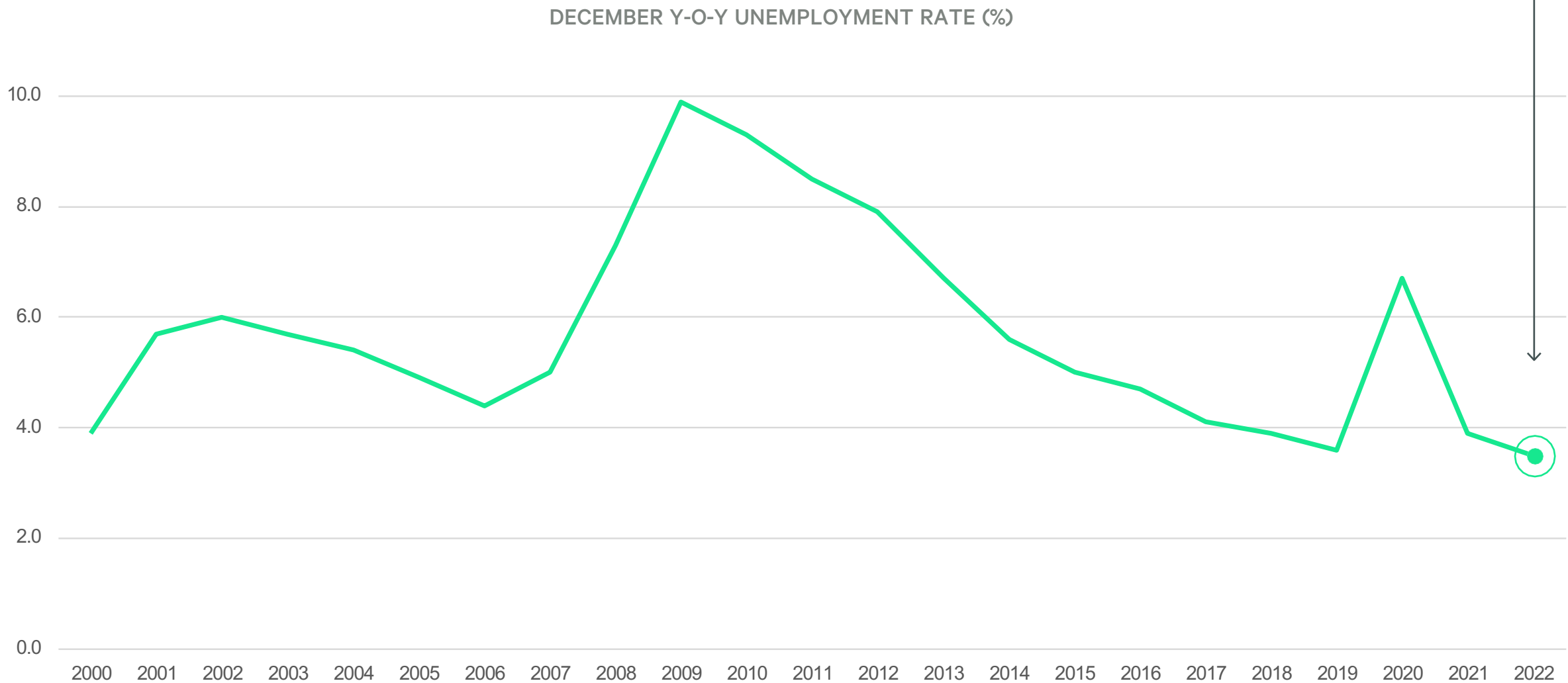
# U.S. Job Growth

- U.S. Yearly Job Growth over the last 10 years
- 4,500,000 jobs added in 2022
- 6,500,000 jobs added in 2021



# National Unemployment Rate

CURRENT RATE  
3.5%

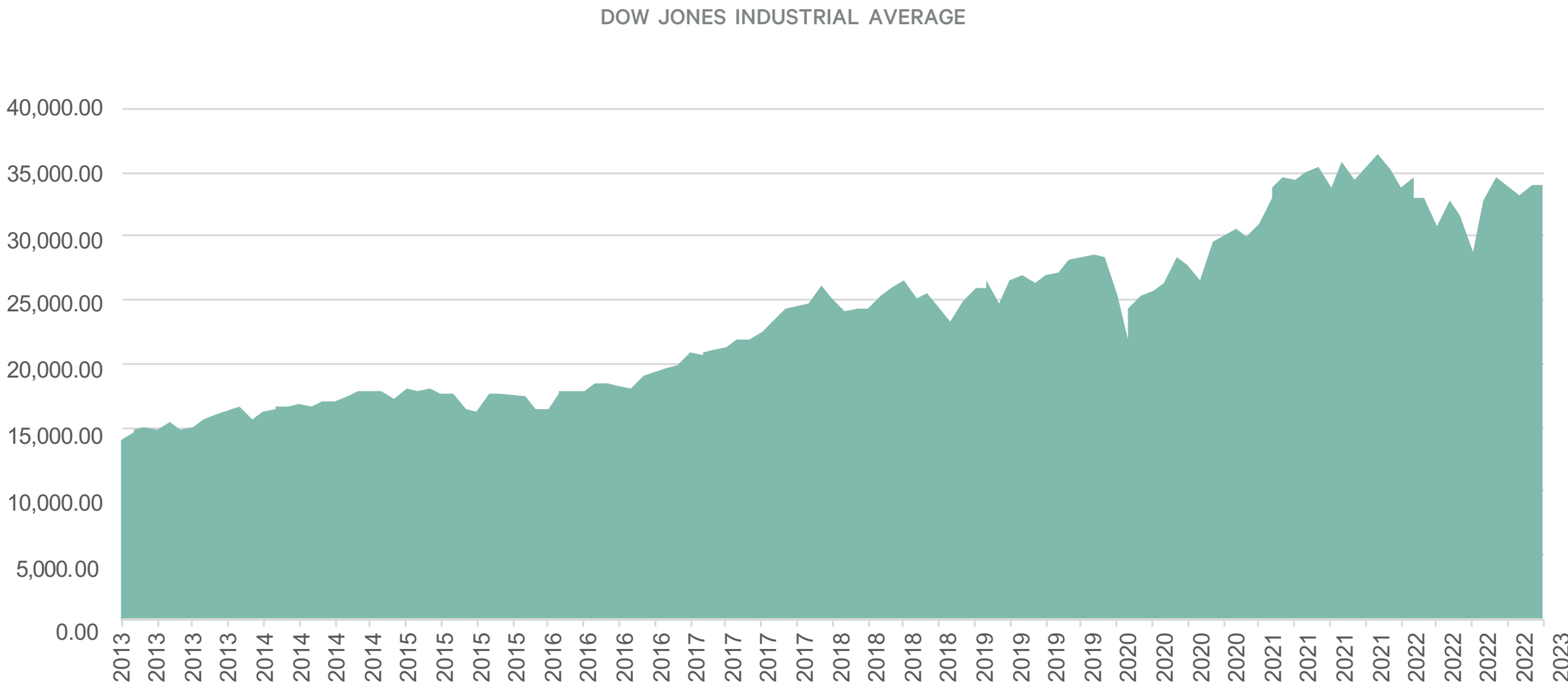


# Labor Participation Rate

In the last 20 years...less participation.



# The Stock Market



# 2 Closer to Home

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# Infrastructure







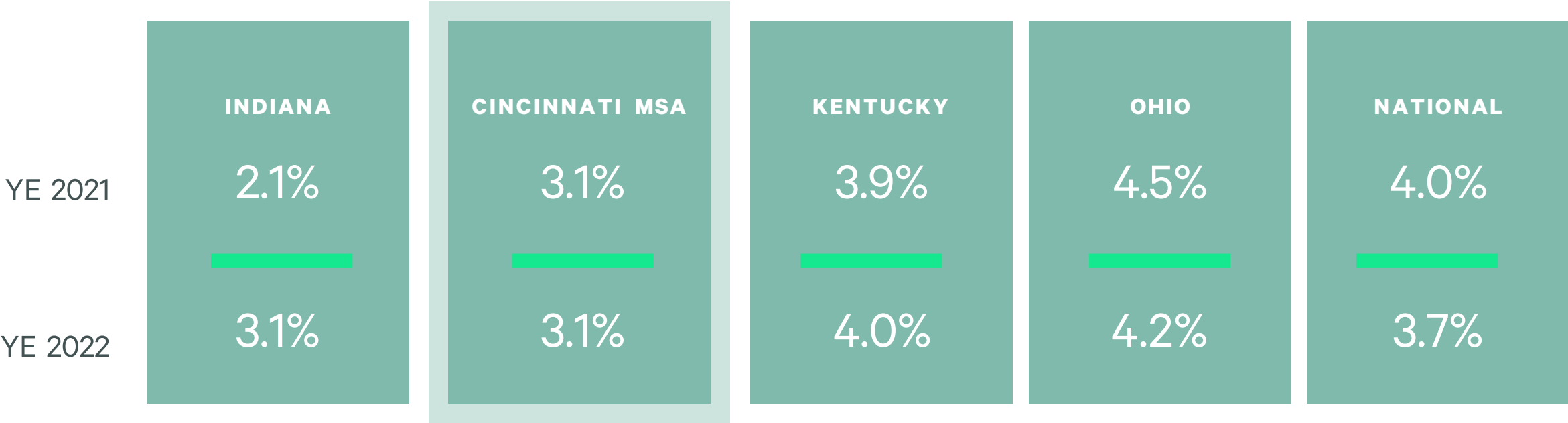
# Insurance

LLOYD'S  
LLOYDS OF LONDON

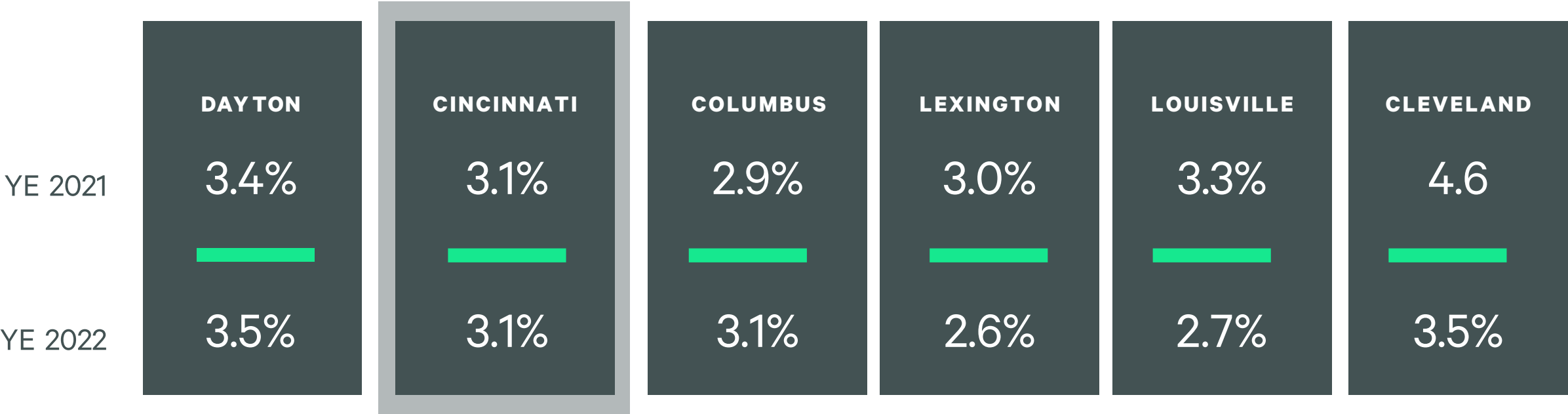




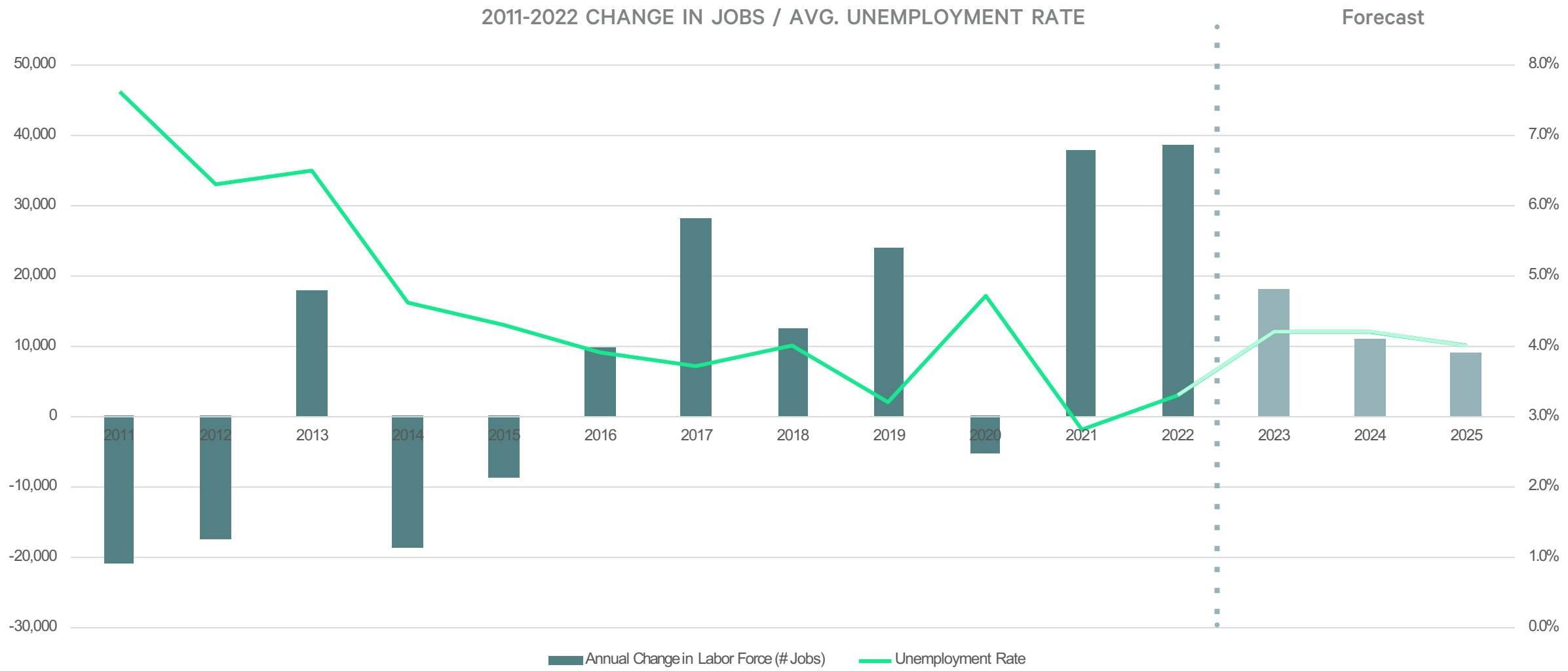
# Unemployment



# Unemployment



# Cincinnati MSA Employment



# Single Family Sales

2021 | 2022

SALES	YOY % CHANGE
27,747   24,830	-10.5%

AVERAGE SALE PRICE	YOY % CHANGE
\$281,015   \$290,190	+3.30%

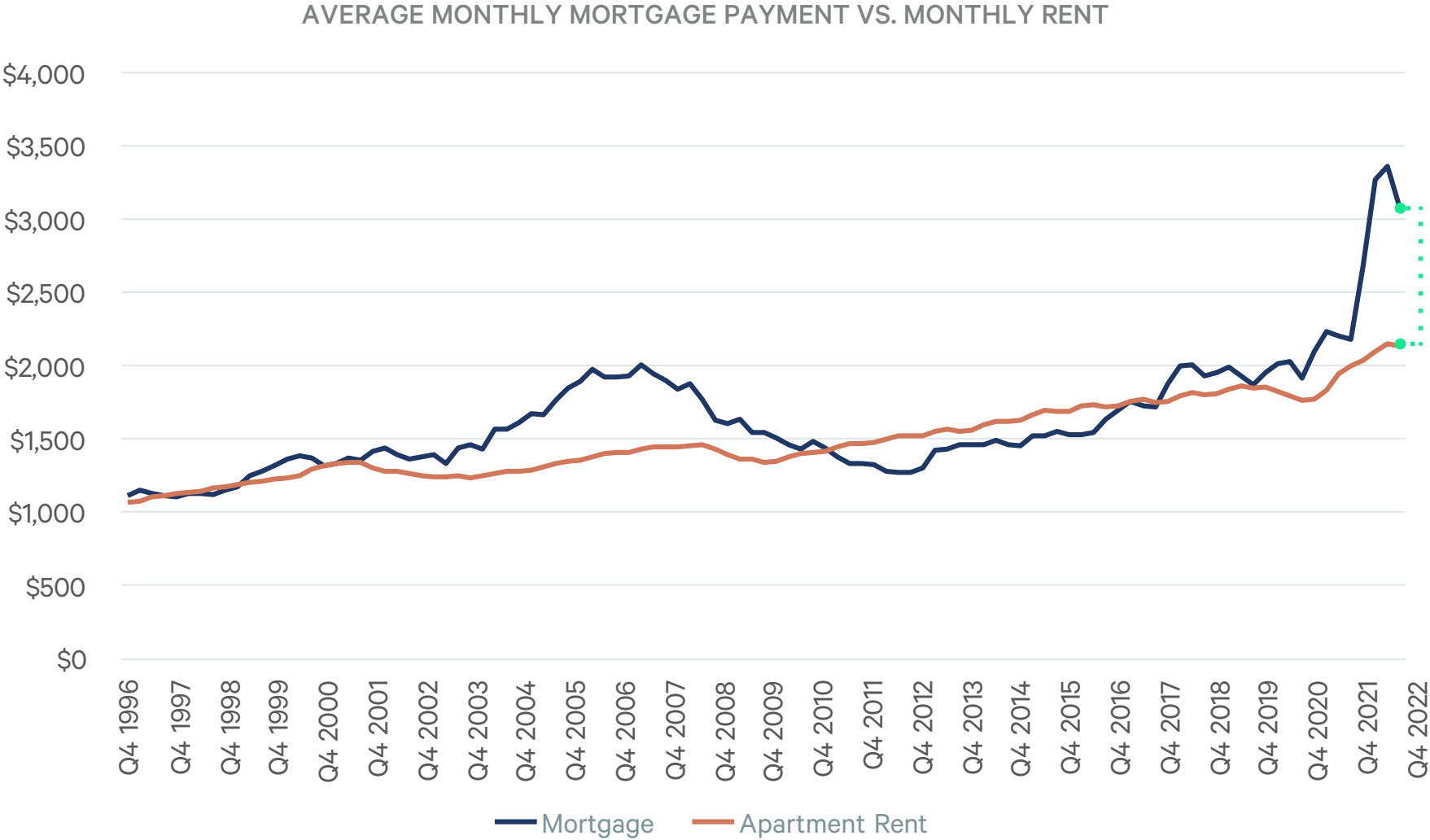
# 3 Rents

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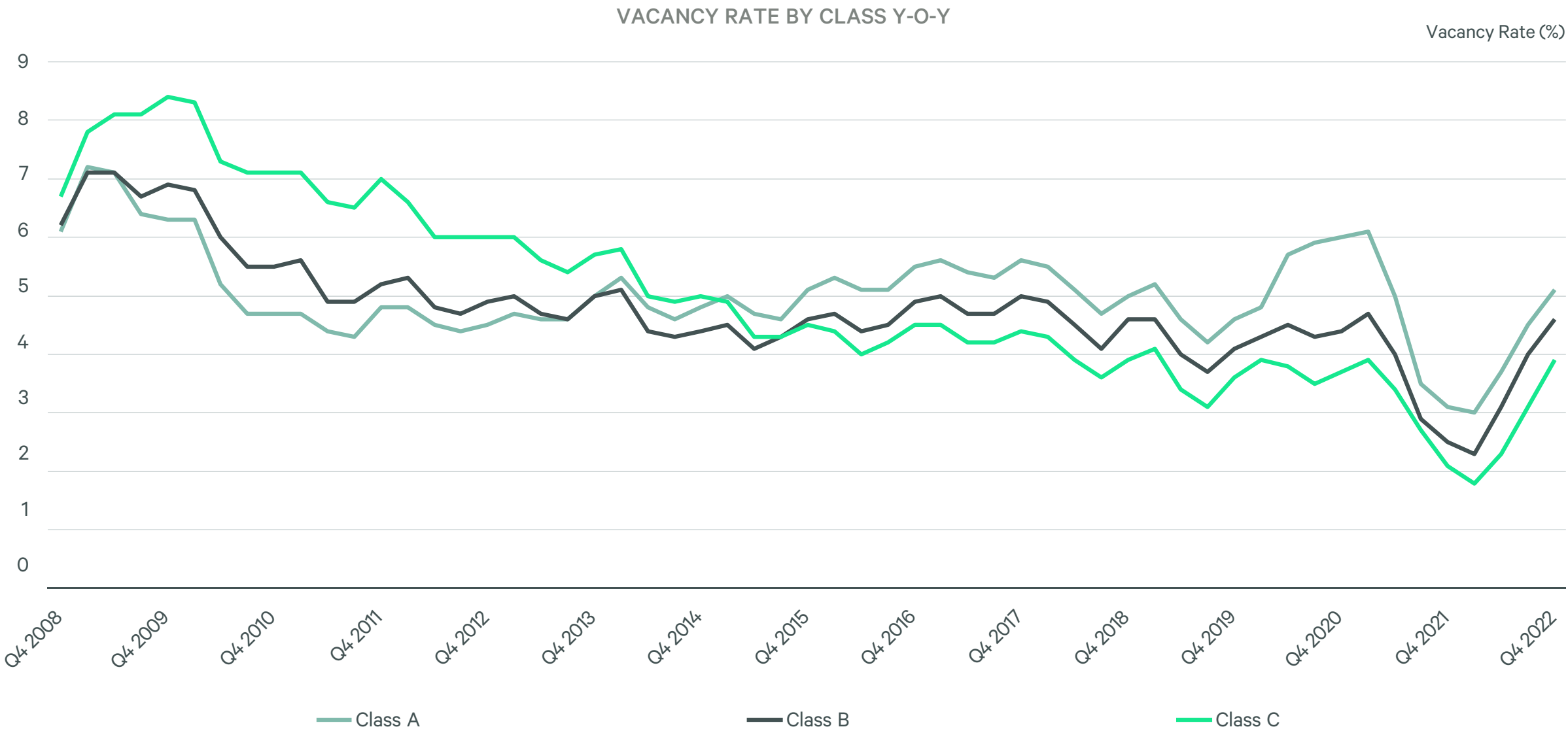
# Rent vs. Own

The gap between the cost to own vs. rent is higher than ever (but coming down).

This will continue driving renter demand and keep occupancy rates higher for longer.



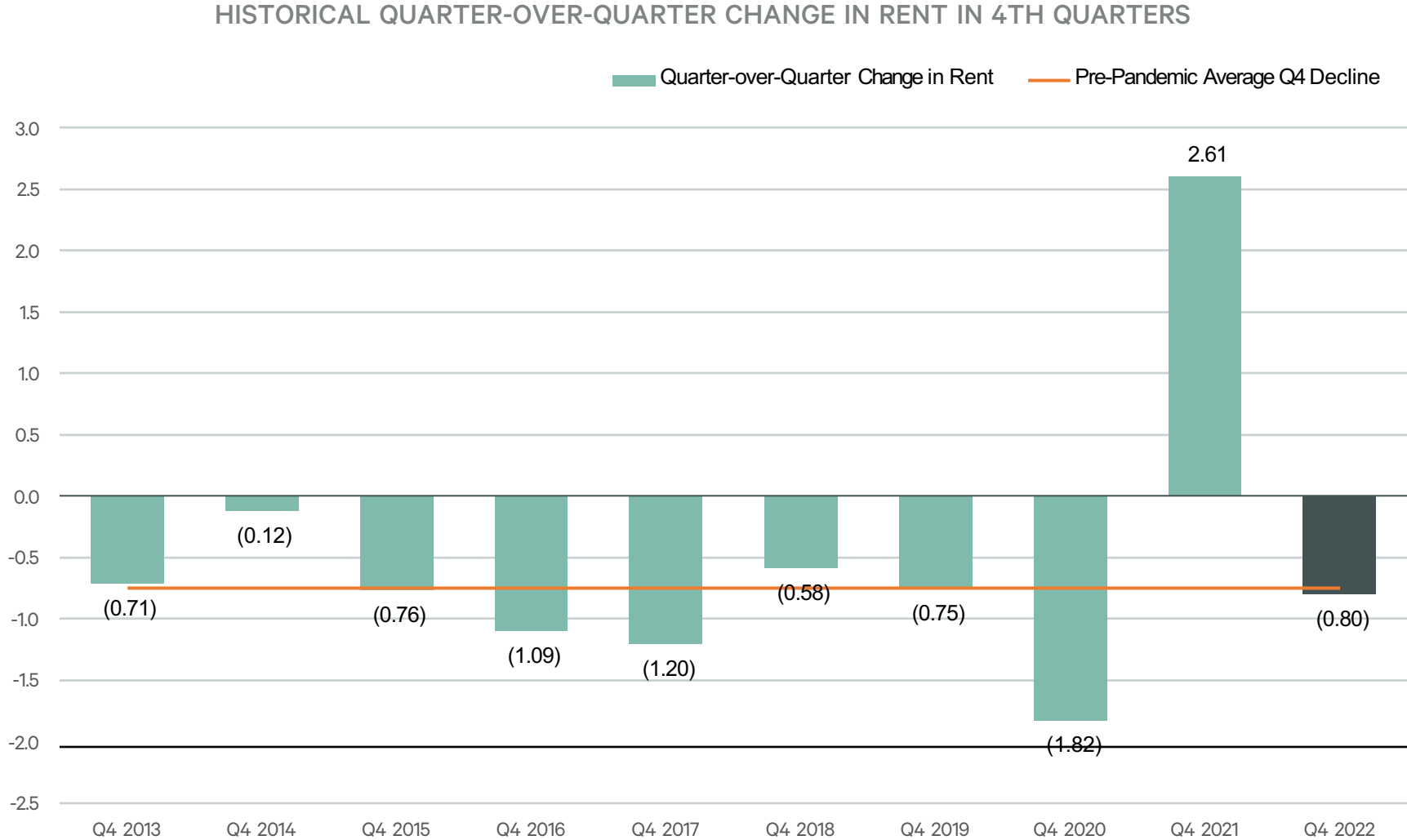
# U.S. Vacancy Rate by Class



# National Rents

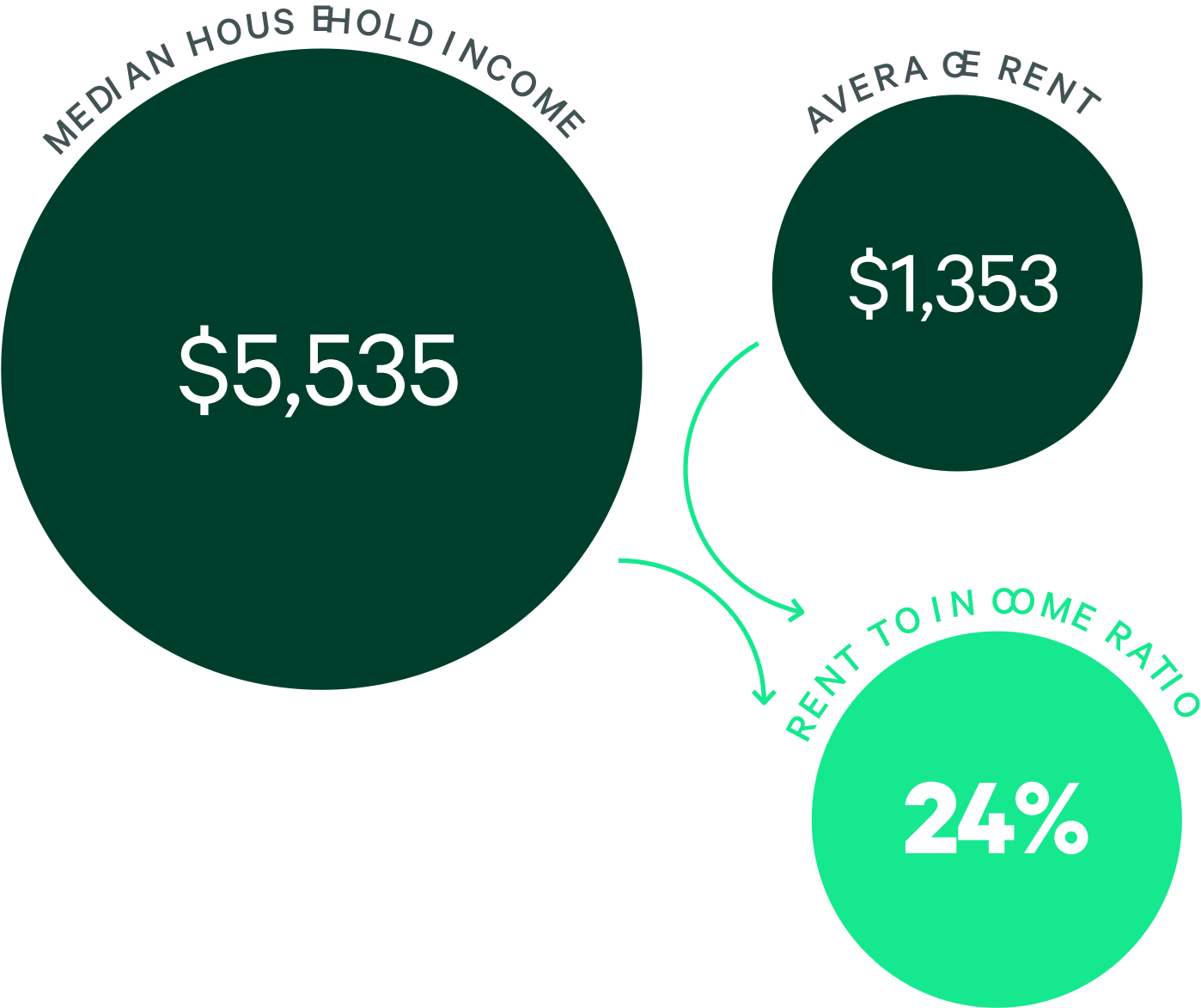
Q4 2022 marked the first quarterly decline in rent since 2020.

However, the most recent decline is in line with pre-pandemic declines typically seen from seasonal demand shifts.

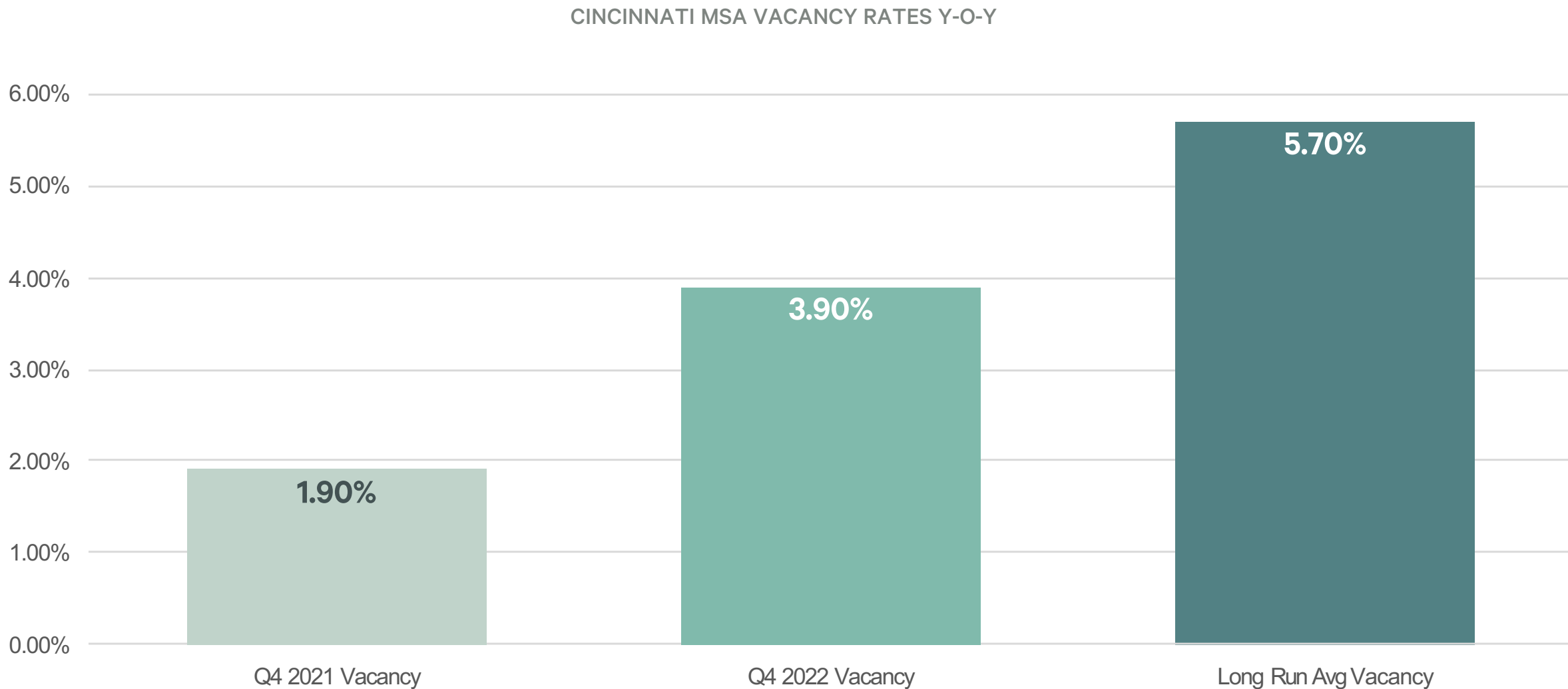




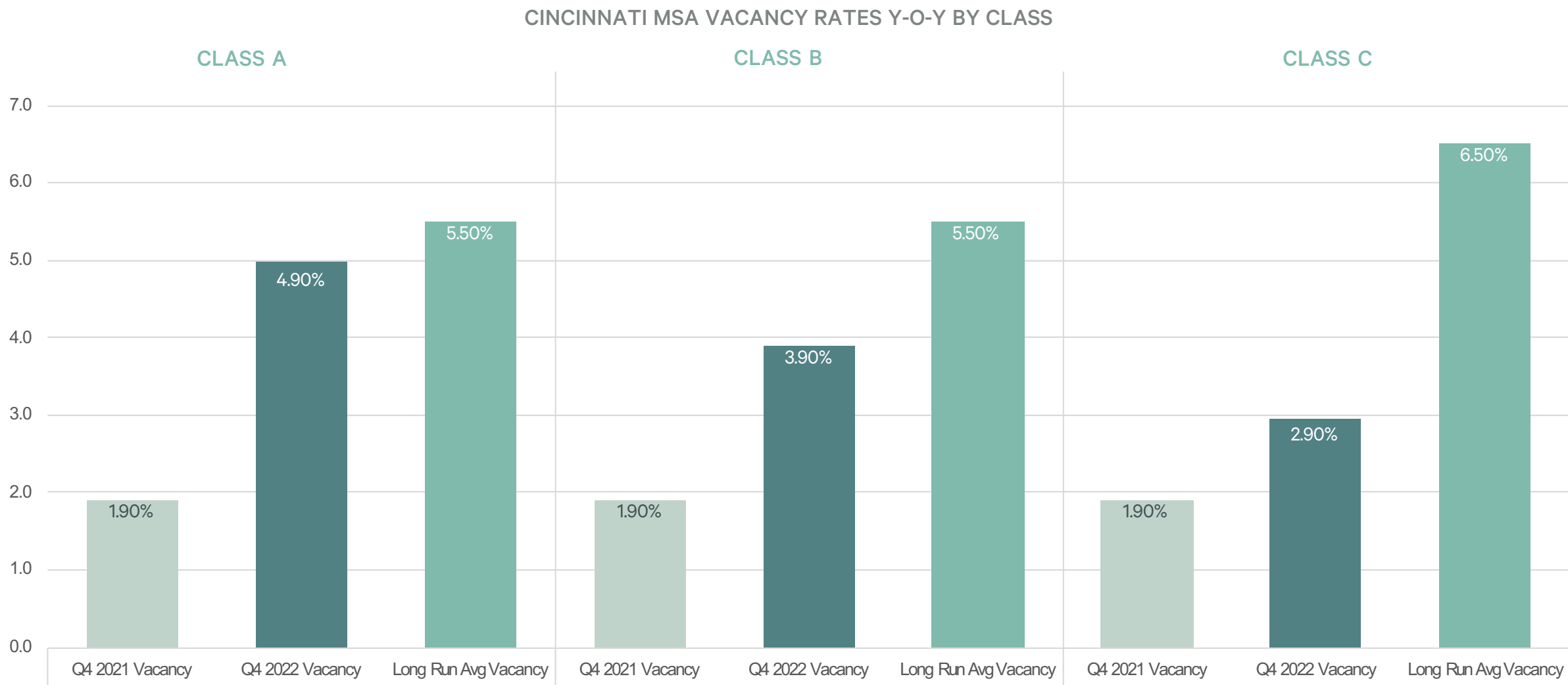
# Cincinnati Rent to Income Ratio



# Cincinnati MSA Overall Vacancy

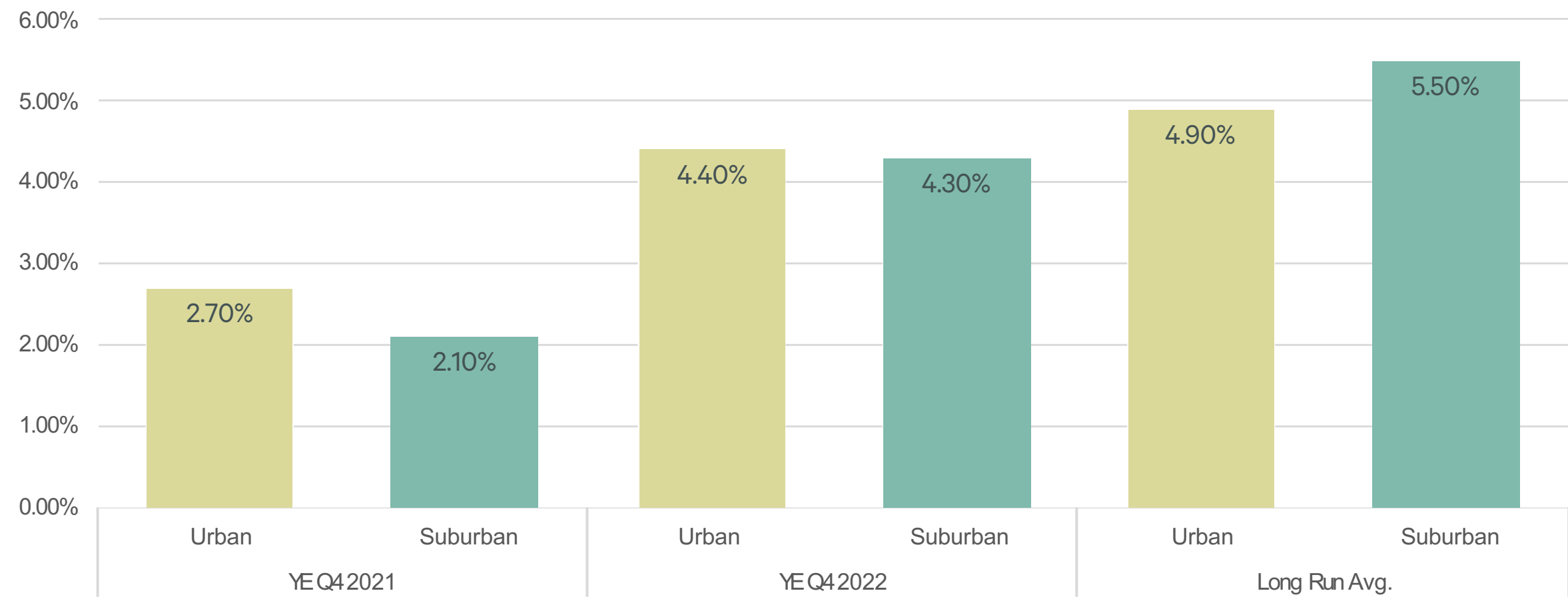


# Vacancy Rates by Class



# Urban vs. Suburban Vacancy

URBAN VS. SUBURBAN VACANCY RATES IN CINCINNATI MSA



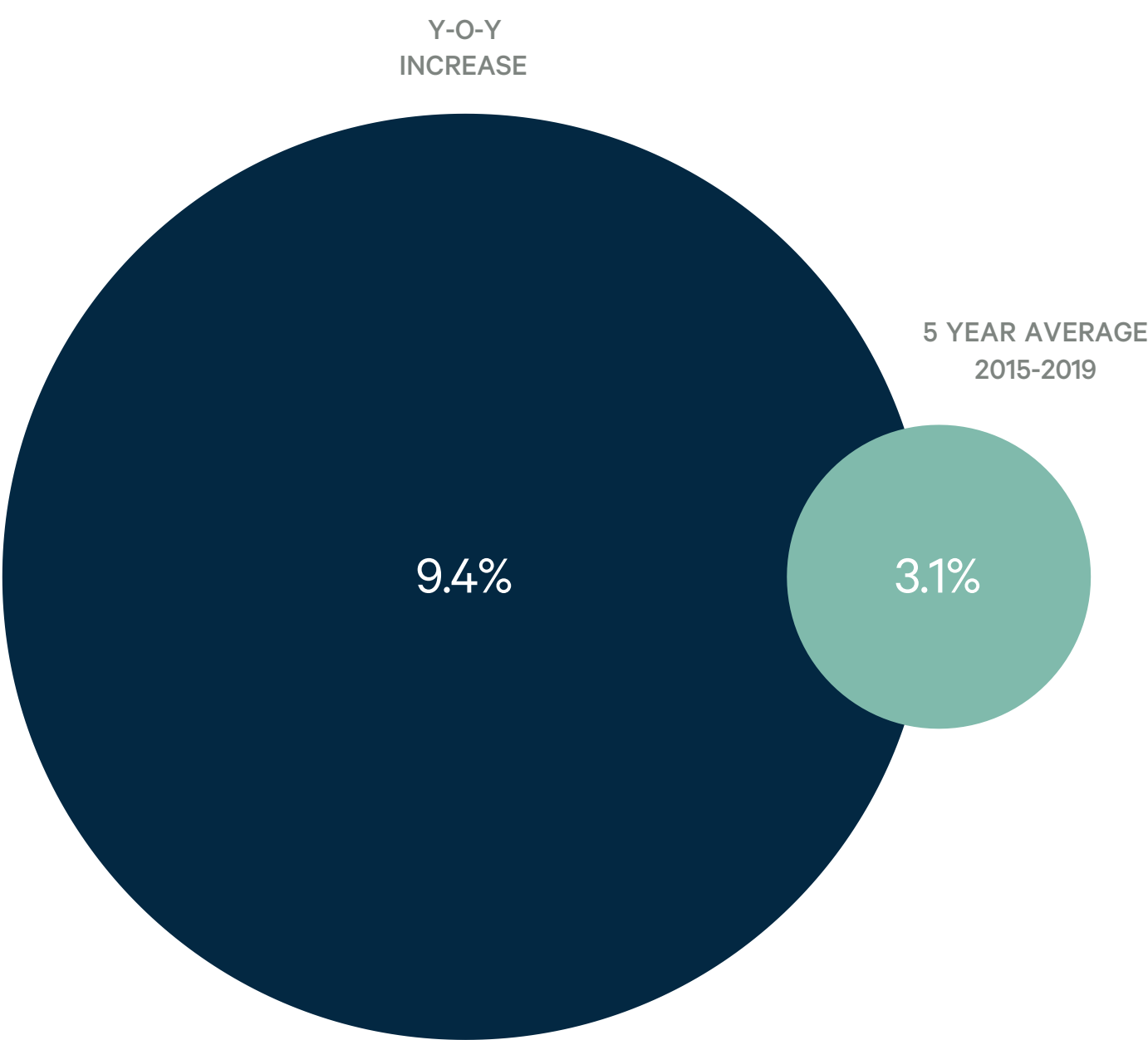
# Cincinnati MSA Survey Results

	OVERALL	CLASS A	CLASS B	CLASS C
YE 2022 Overall Average Effective Rent:	<div><div>\$1,333</div><div>\$1.42 /SF</div></div>	<div><div>\$1,697</div><div>\$1.66 /SF</div></div>	<div><div>\$1,337</div><div>\$1.38 /SF</div></div>	<div><div>\$994</div><div>\$1.23 /SF</div></div>

2022 Average Effective Rent By unit type

1 Bed / 1 Bath	\$1,143	\$1,473	\$1,148	\$860
2 Bed / 1 Bath	\$1,176	\$1,437	\$1,222	\$1,073
2 Bed / 2 Bath	\$1,583	\$1,846	\$1,440	\$1,024
3 Bed Avg.	\$1,859	\$2,117	\$1,701	\$1,323

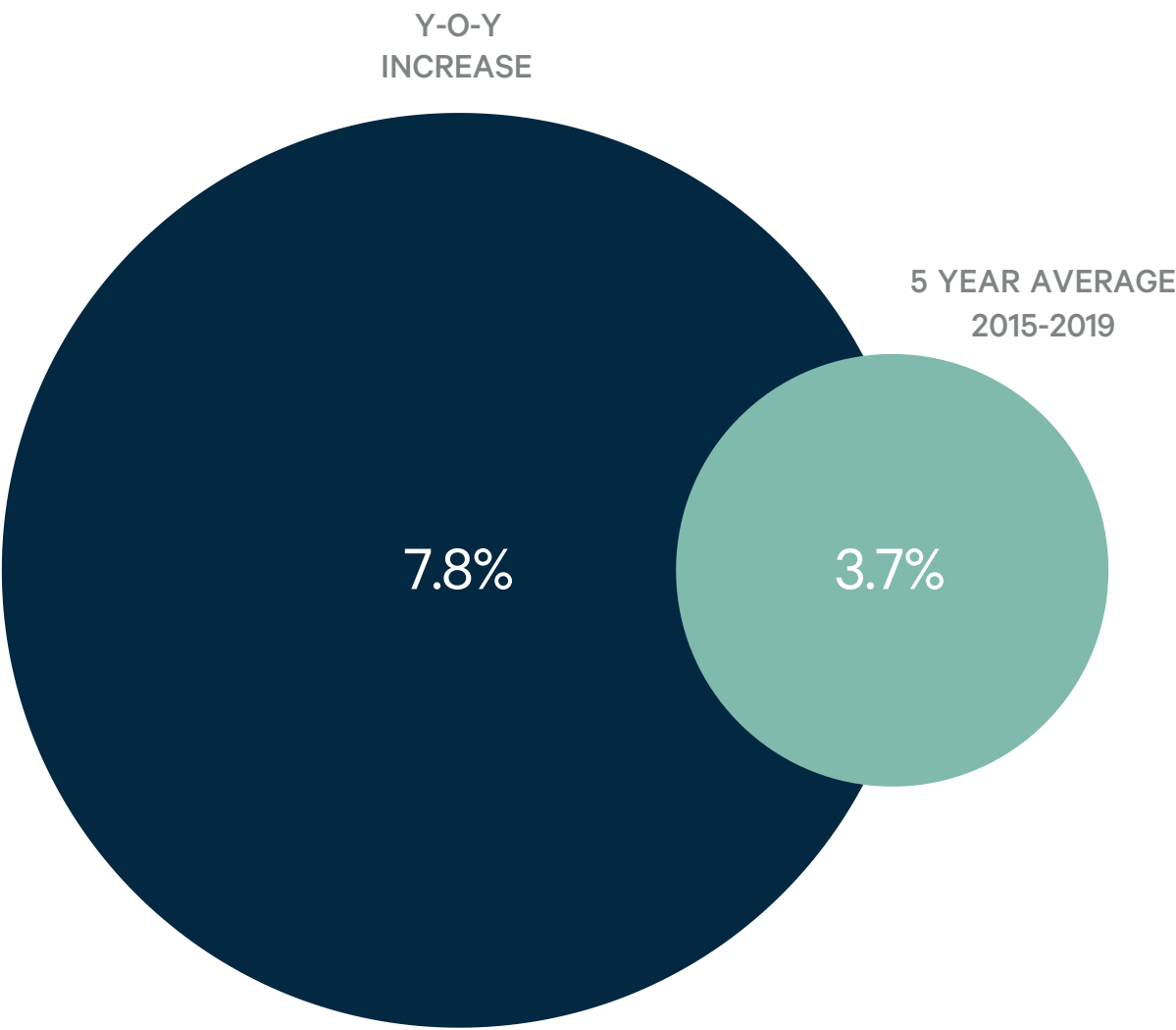
# Cincinnati MSA Overall Rent Increase



	Y-O-Y Change	5 Year Average
Cincinnati MSA	9.4%	3.1%

# Cincinnati MSA

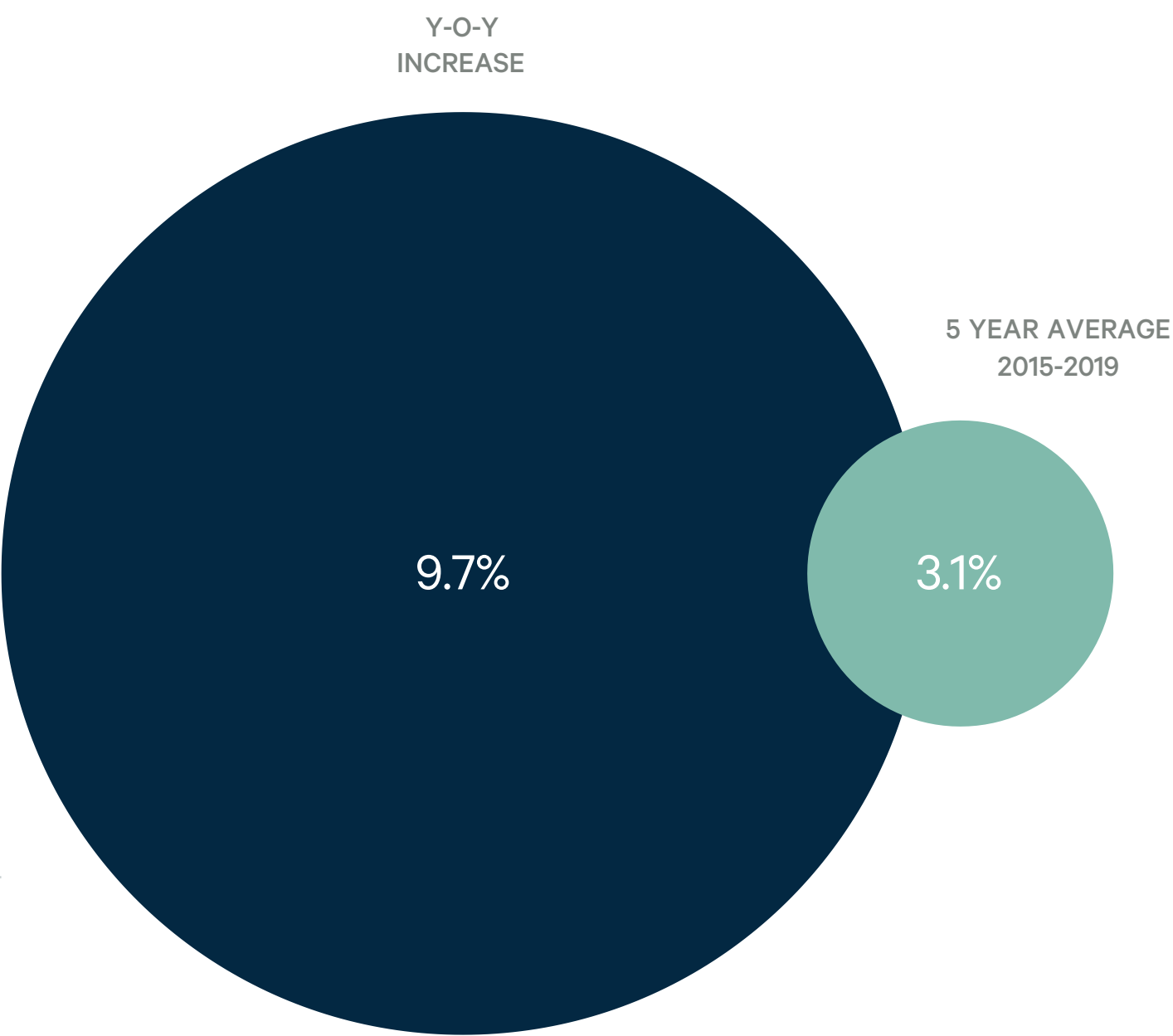
## Class A Overall Rent Increase



	Y-O-Y Change	5 Year Average
<b>Class A</b>	<b>7.8%</b>	<b>3.7%</b>
Cincinnati MSA	9.4%	3.1%

# Cincinnati MSA

## Class B Overall Rent Increase

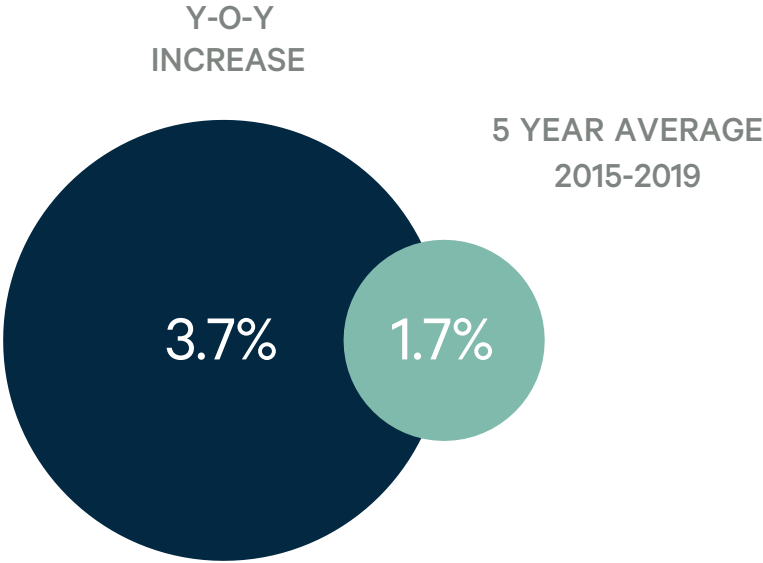


	Y-O-Y Change	5 Year Average
<b>Class B</b>	<b>9.7%</b>	<b>3.1%</b>
Cincinnati MSA	9.4%	3.1%



# Cincinnati MSA

## Class C Overall Rent Increase

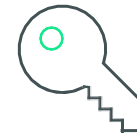


	Y-O-Y Change	5 Year Average
<b>Class C</b>	<b>3.7%</b>	<b>1.7%</b>
Cincinnati MSA	9.4%	3.1%

# Key Takeaways



Superb overall rent growth in 2022. Not sustainable at these levels in 2023, but will remain higher than long-term averages.



Slight uptick in vacancy at YE 2022 compared to 2021, but vacancies remain well below long-term averages. Expect a return to some level of leasing seasonality.



Class C rents and workforce housing show the greatest potential for rent increases due to supply/demand fundamentals.

# 4 Sales

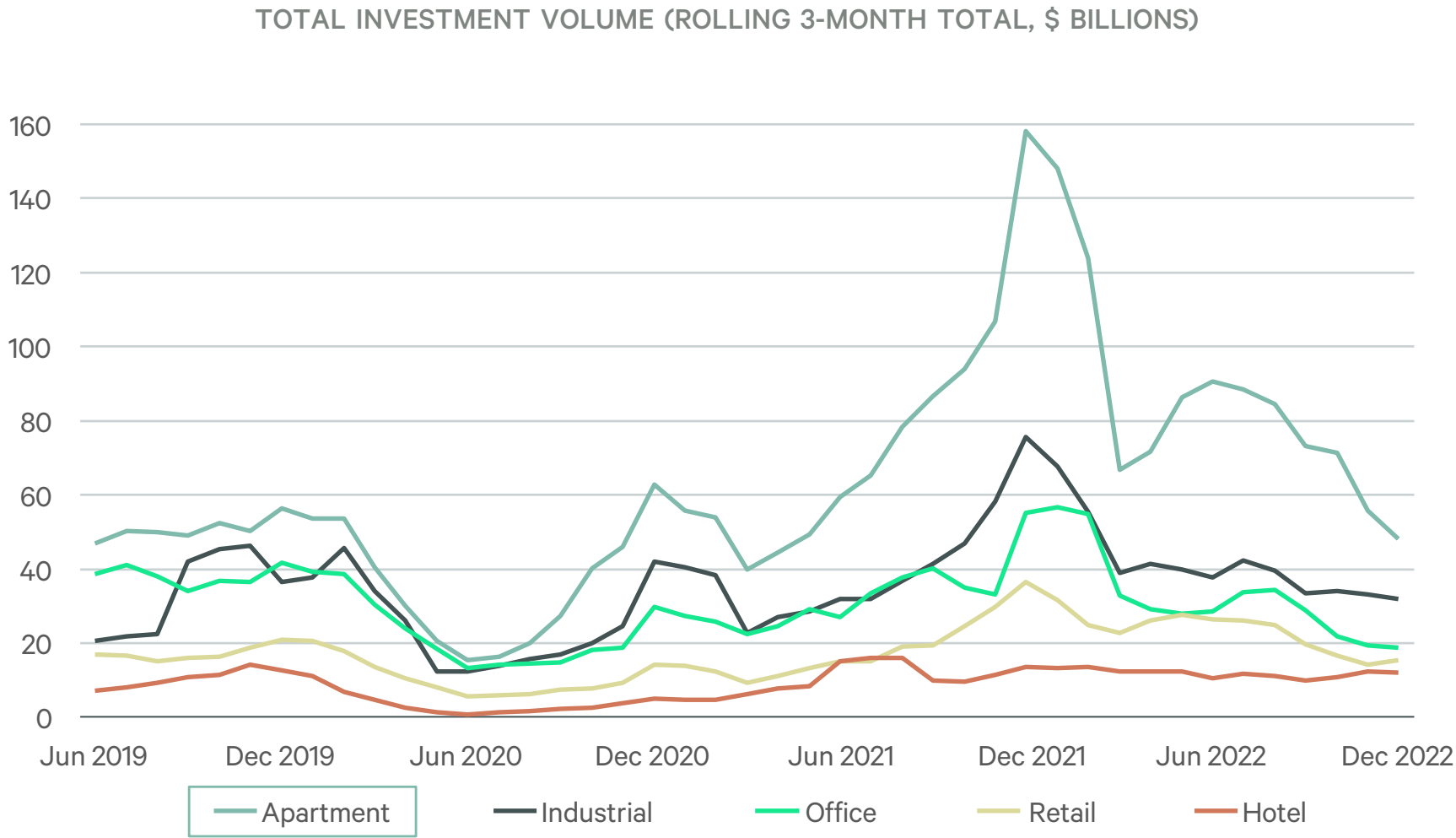
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# National Investment Volume

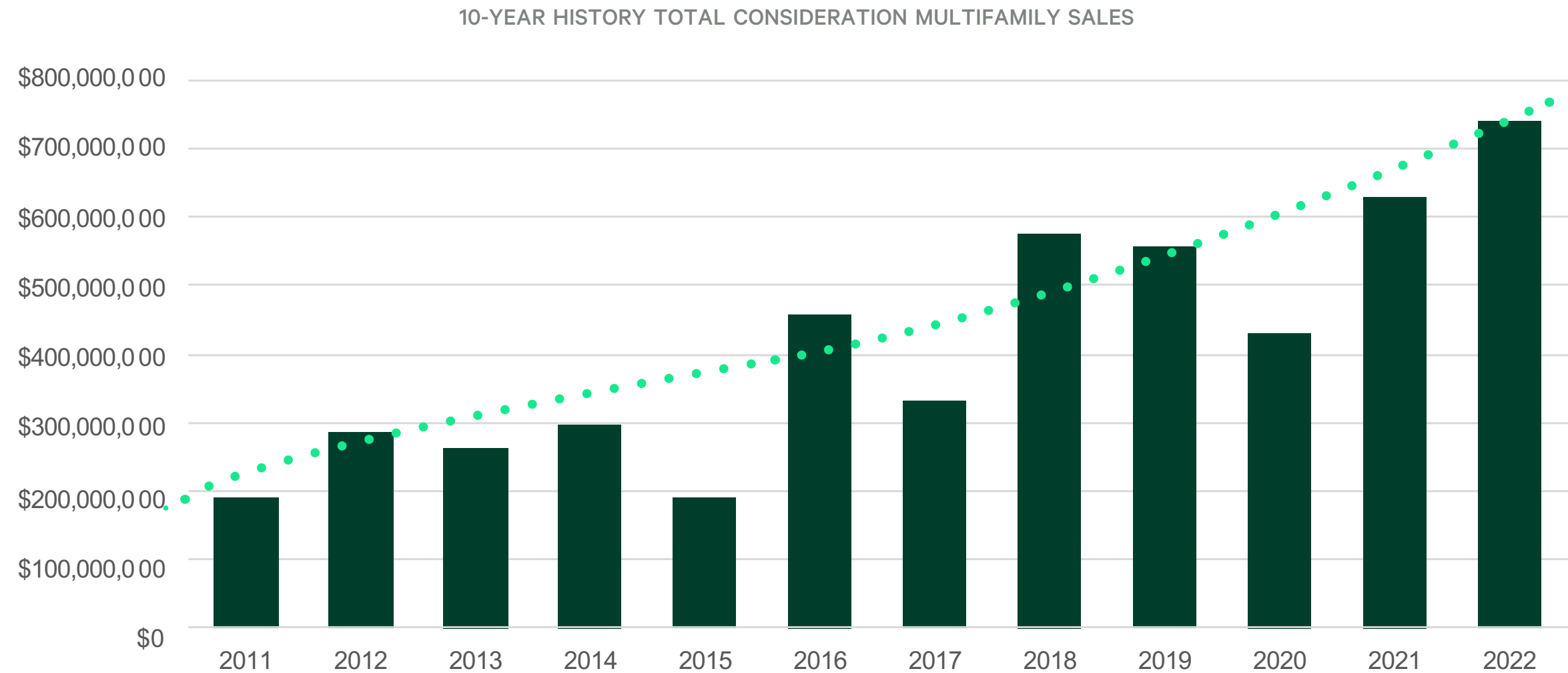
Investment volumes began declining in Q2

Multifamily still remains 50% more than Industrial.

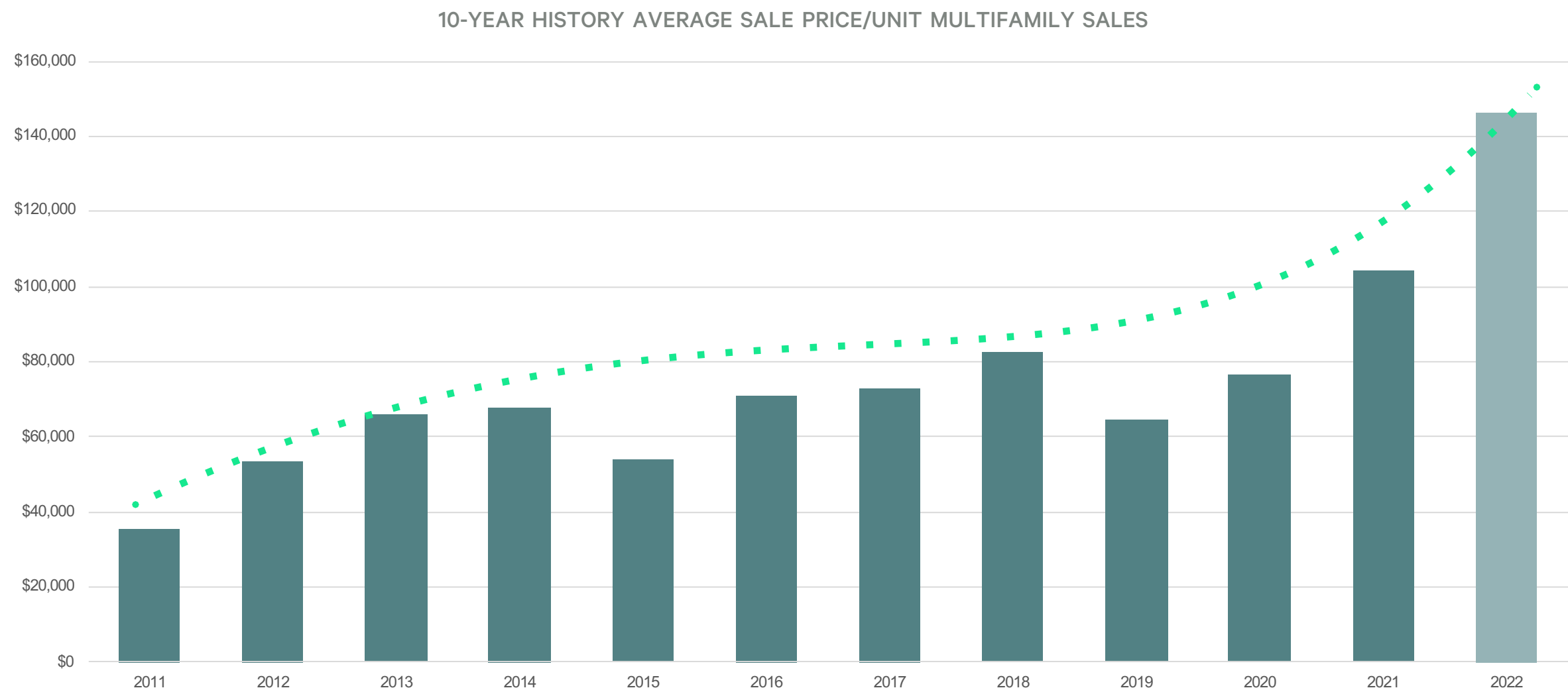
Agency lending is buoying multifamily investment.



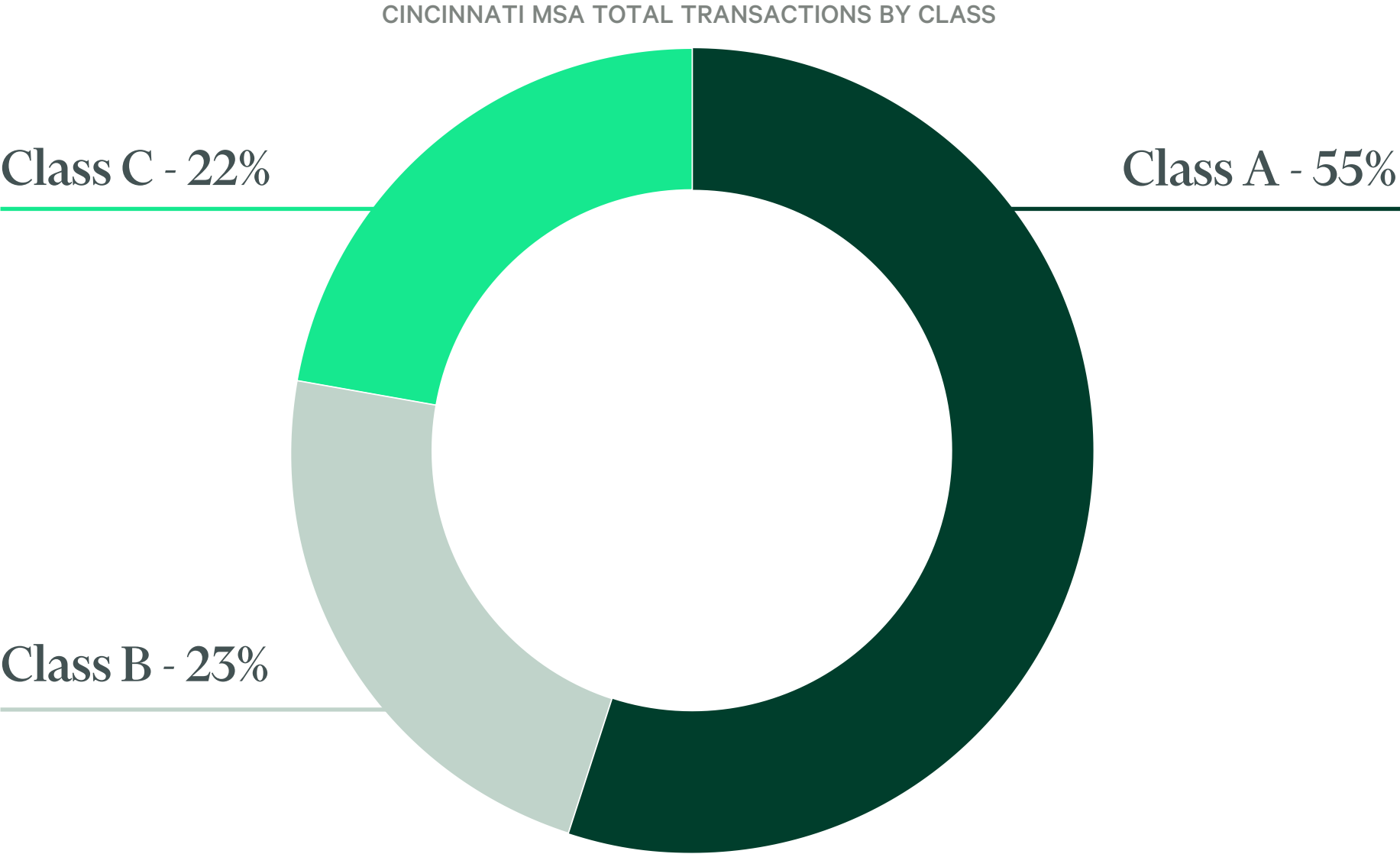
# Greater Cincinnati Multifamily Sale Volume



# Average Price Per Unit



# 2022 Multifamily Transaction Volume



# Cincinnati MSA Cap Rates

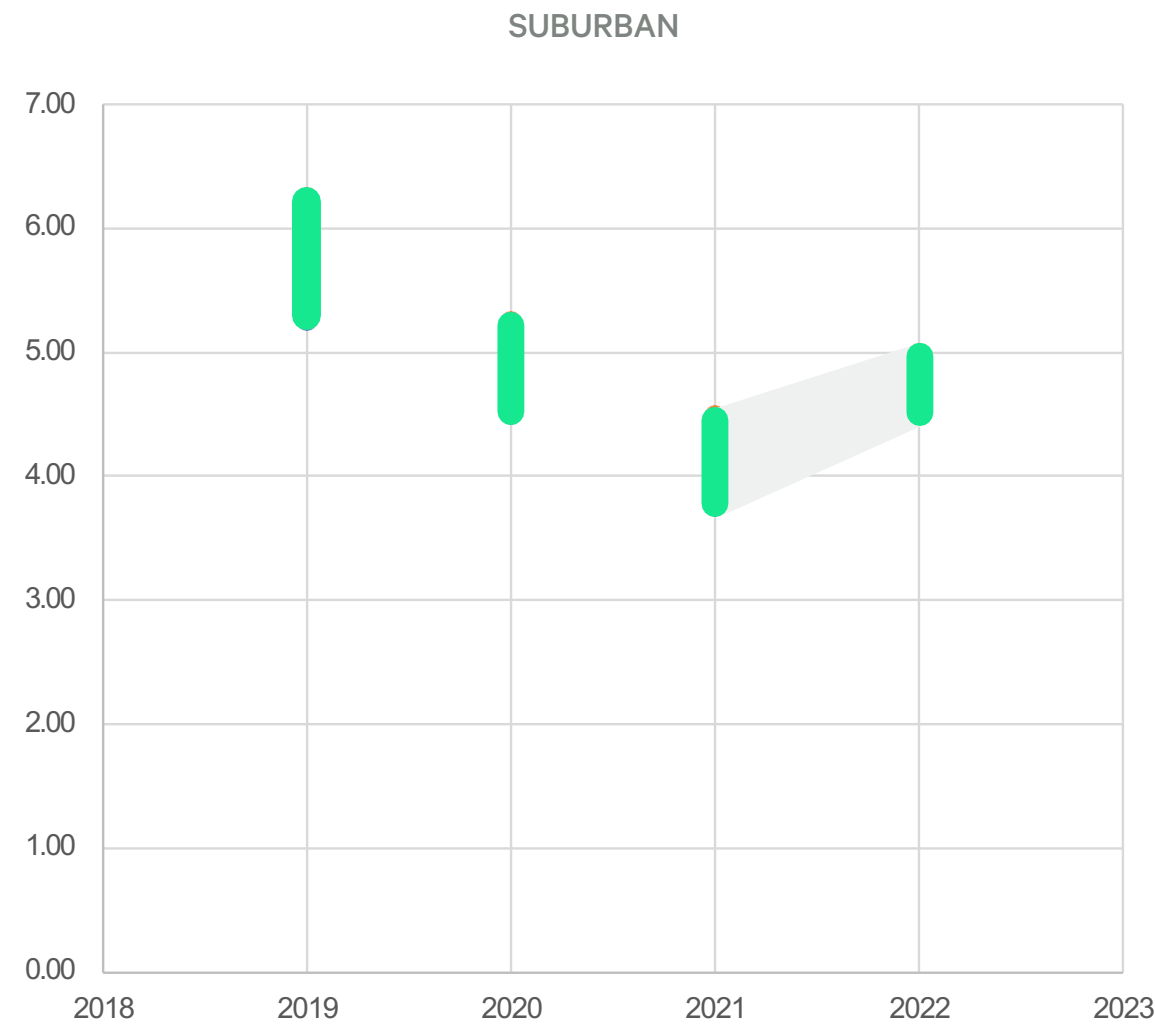
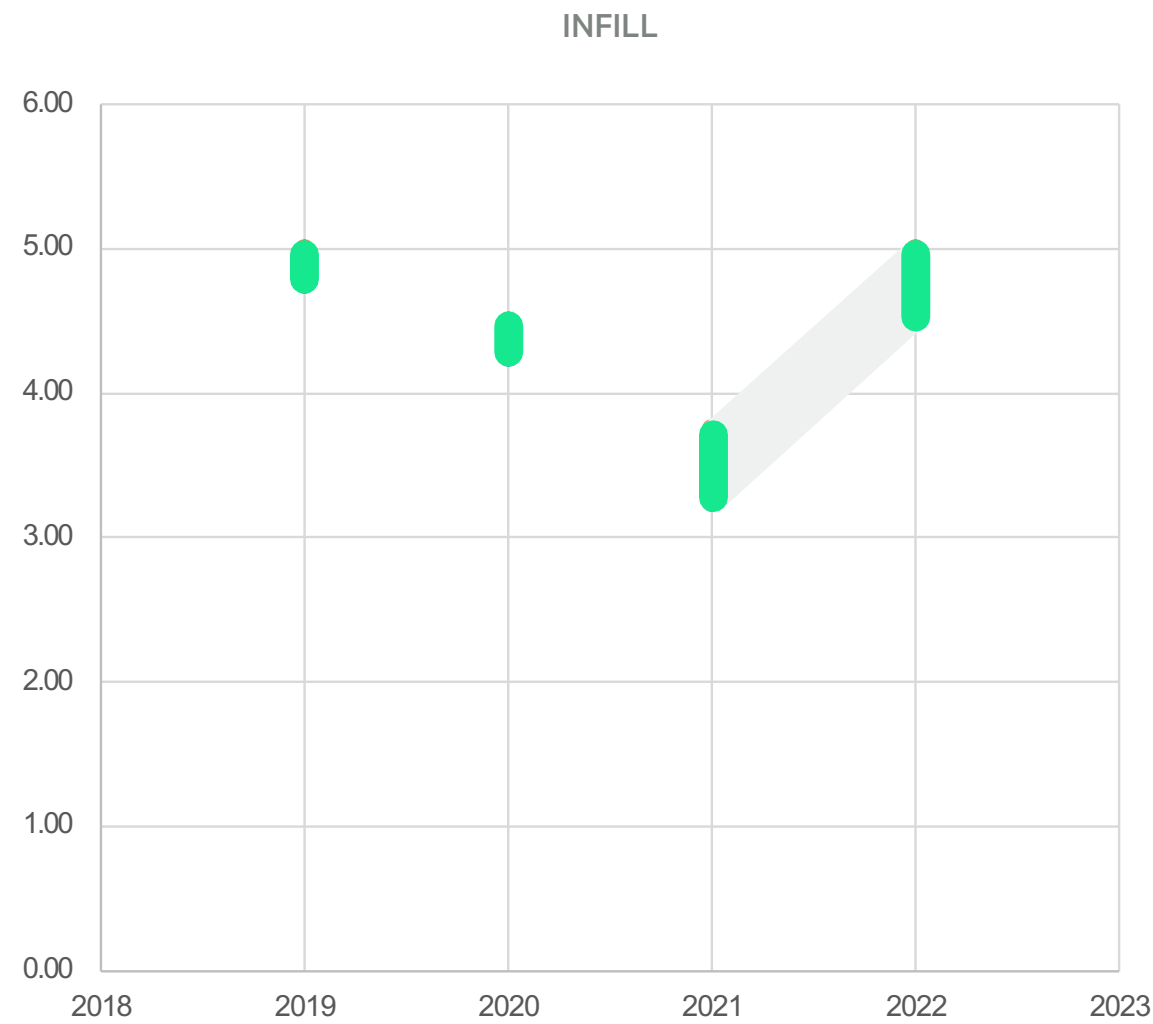
CAP RATES BY CLASS (%)

	Class A		Class B		Class C	
	Infill	Suburban	Infill	Suburban	Infill	Suburban
2nd Half 2019	4.75-5.00%	5.25-6.25%	5.25-6.25%	5.00-6.00%	6.00-7.50%	6.00-7.50%
2nd Half 2020	4.25-4.50%	4.50-5.00%	5.00-5.25%	4.75-5.25%	6.00-7.00%	5.50-6.50%
2nd Half 2021	3.25-3.75%	3.75-4.00%	4.00-4.50%	4.00-4.50%	5.25-5.75%	5.00-5.50%
2nd Half 2022	4.50-5.00%	4.50-5.00%	5.00-5.50%	5.25-5.75%	6.00-6.50%	6.00-6.50%



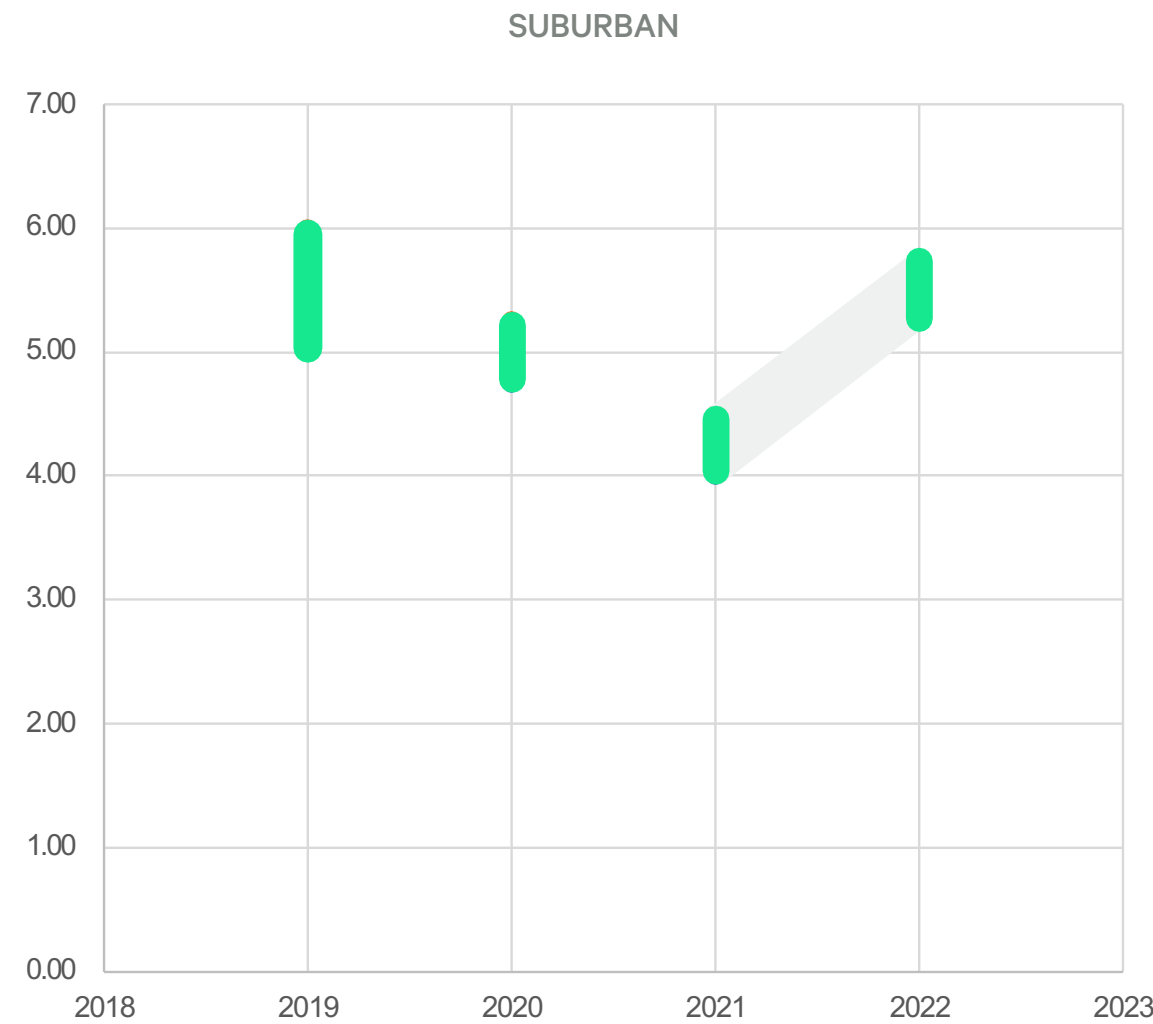
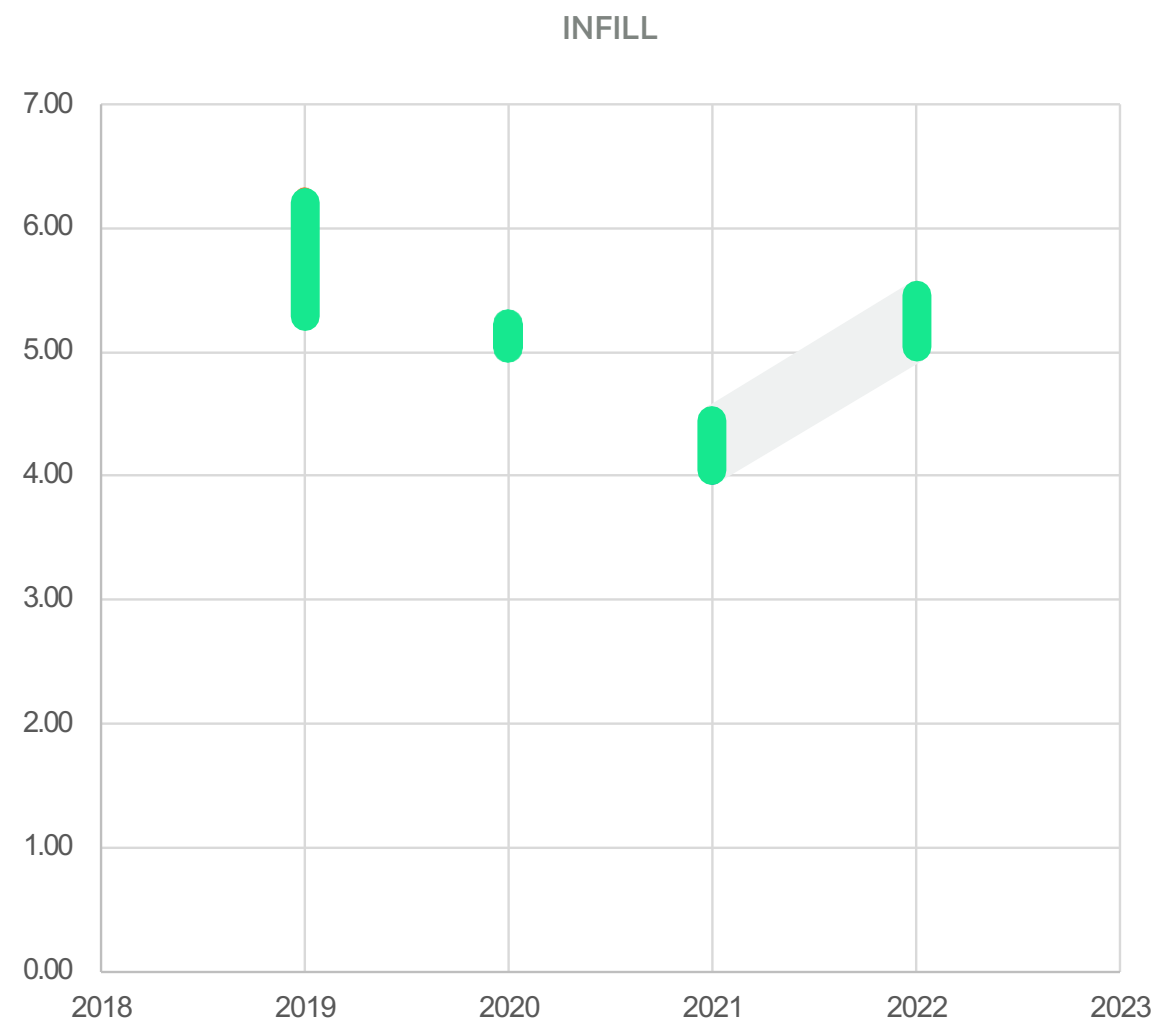
# Cincinnati MSA Cap Rates

## CLASS A



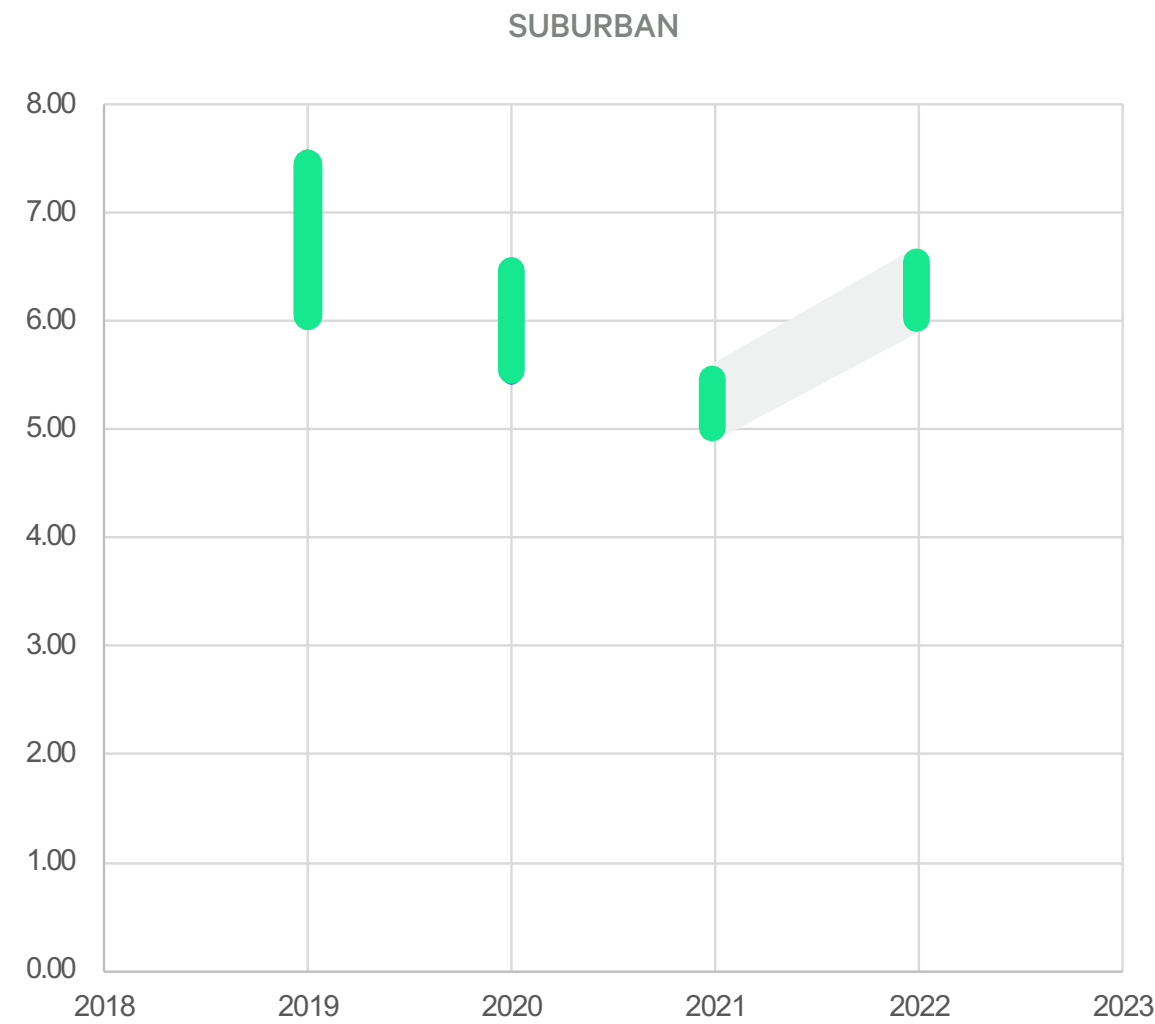
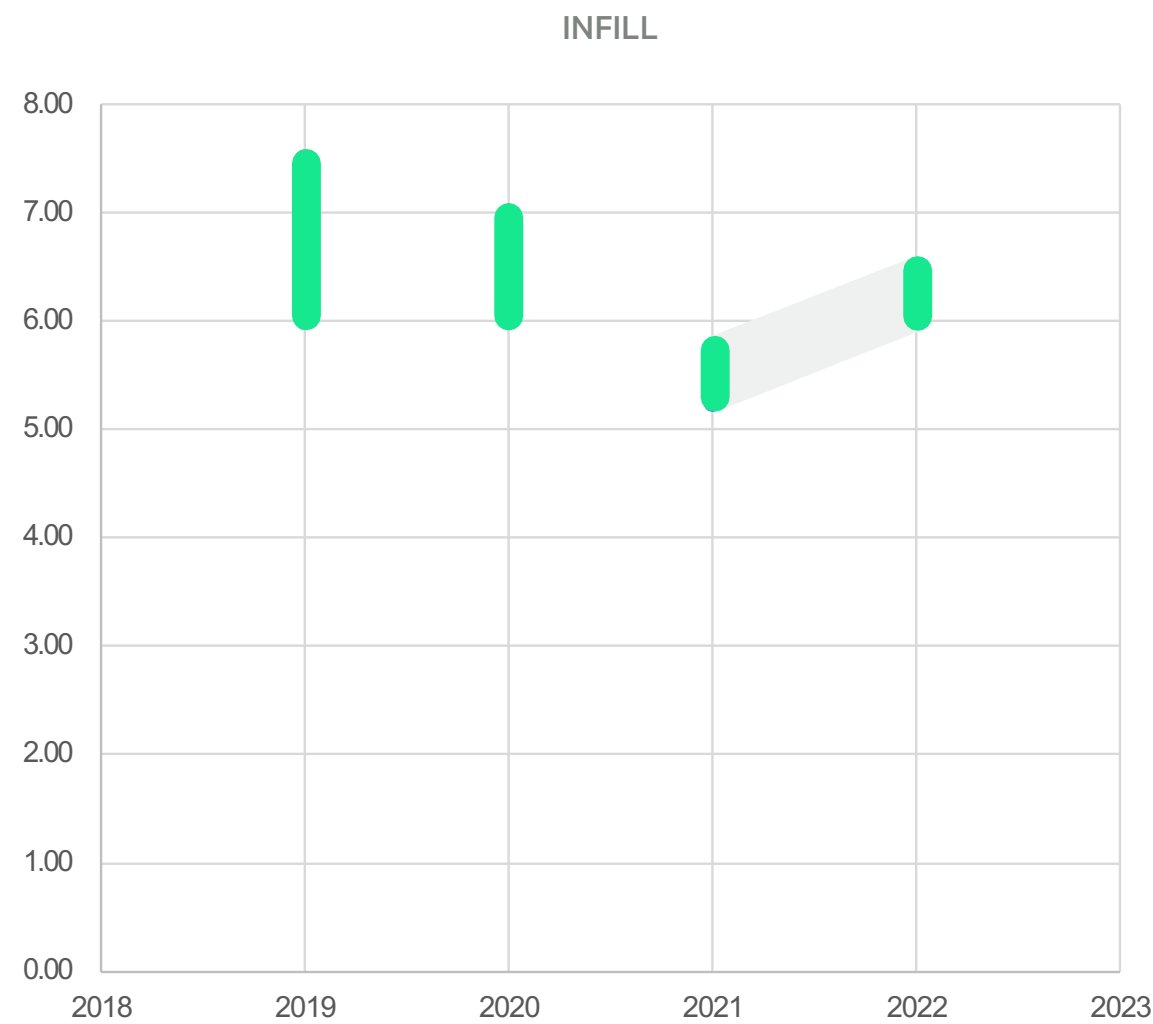
# Cincinnati MSA Cap Rates

## CLASS B



# Cincinnati MSA Cap Rates

## CLASS C



# John R. Green Lofts

COVINGTON, KY

437 W 6th Street  
Covington, KY 41011

178 Units  
Sold October 2022  
3,129 SF Retail

Cincinnati Recent Sales





# Stetson Square

CLIFTON, OH

3029 Eden Avenue  
Cincinnati, OH 45219

205 Units  
Sold November 2022  
959 SF Avg. Unit Size

## Cincinnati Recent Sales





# Current + Radius at The Banks

CINCINNATI, OH

44 W + 121 E, Freedom Way  
Cincinnati, OH 45202

592 Multifamily Units  
97,153 Retail SF

## Cincinnati Recent Sales



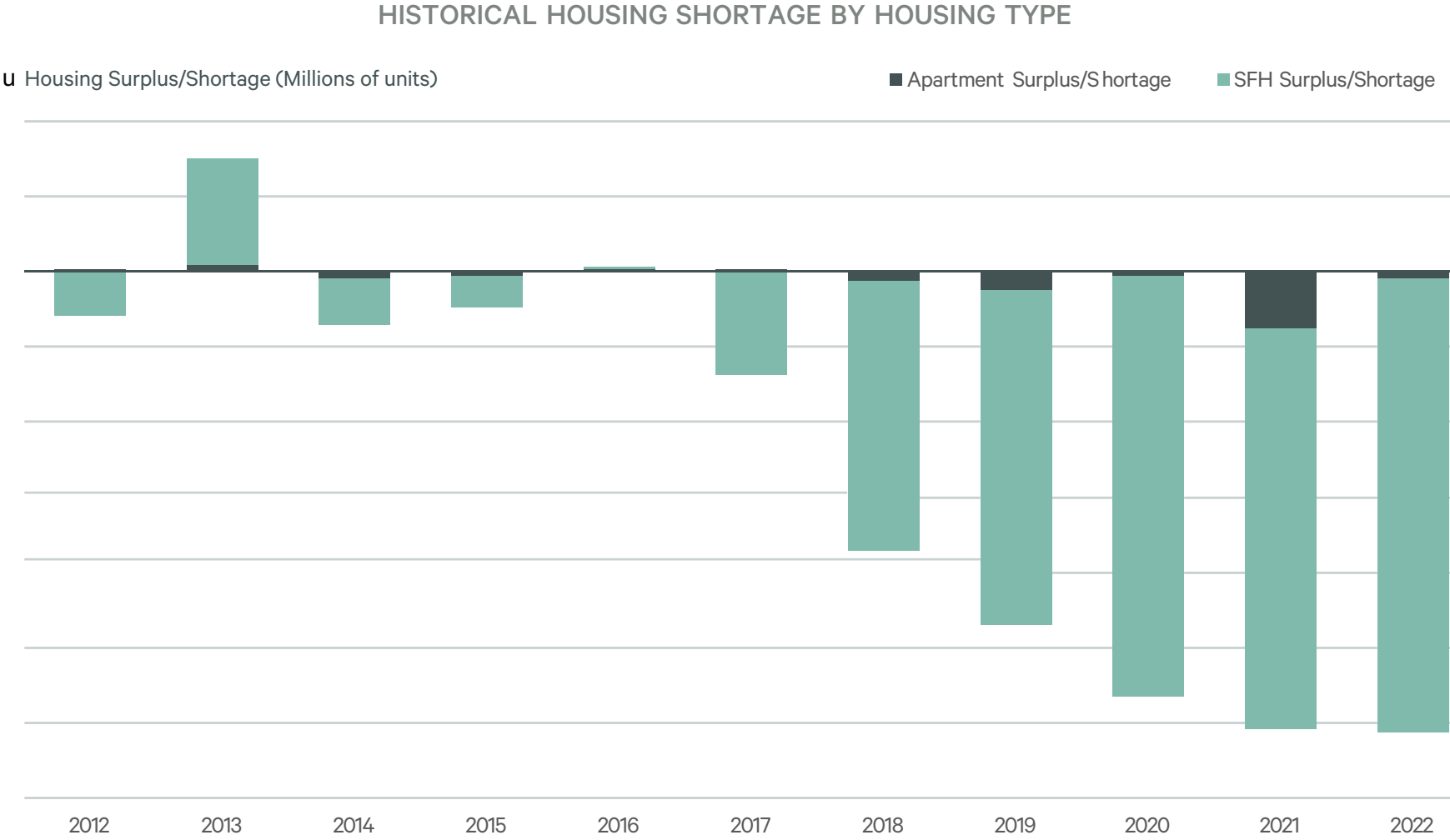
# 5 Building

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# National Housing Shortage

There is an estimated shortage of 3 million housing units.

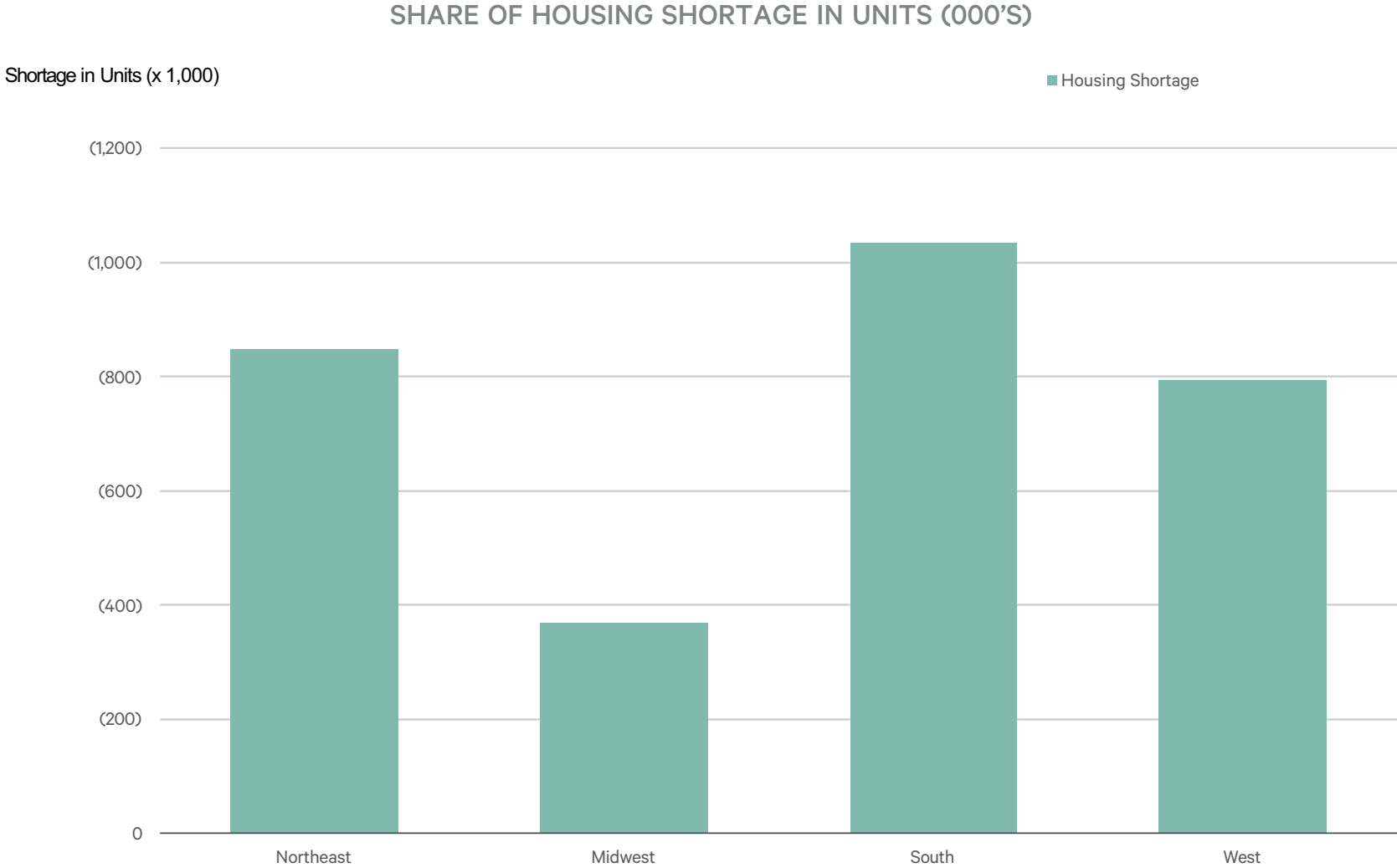
With multifamily vacancy nearly reaching the long-run average, implies the shortage is almost all single-family.





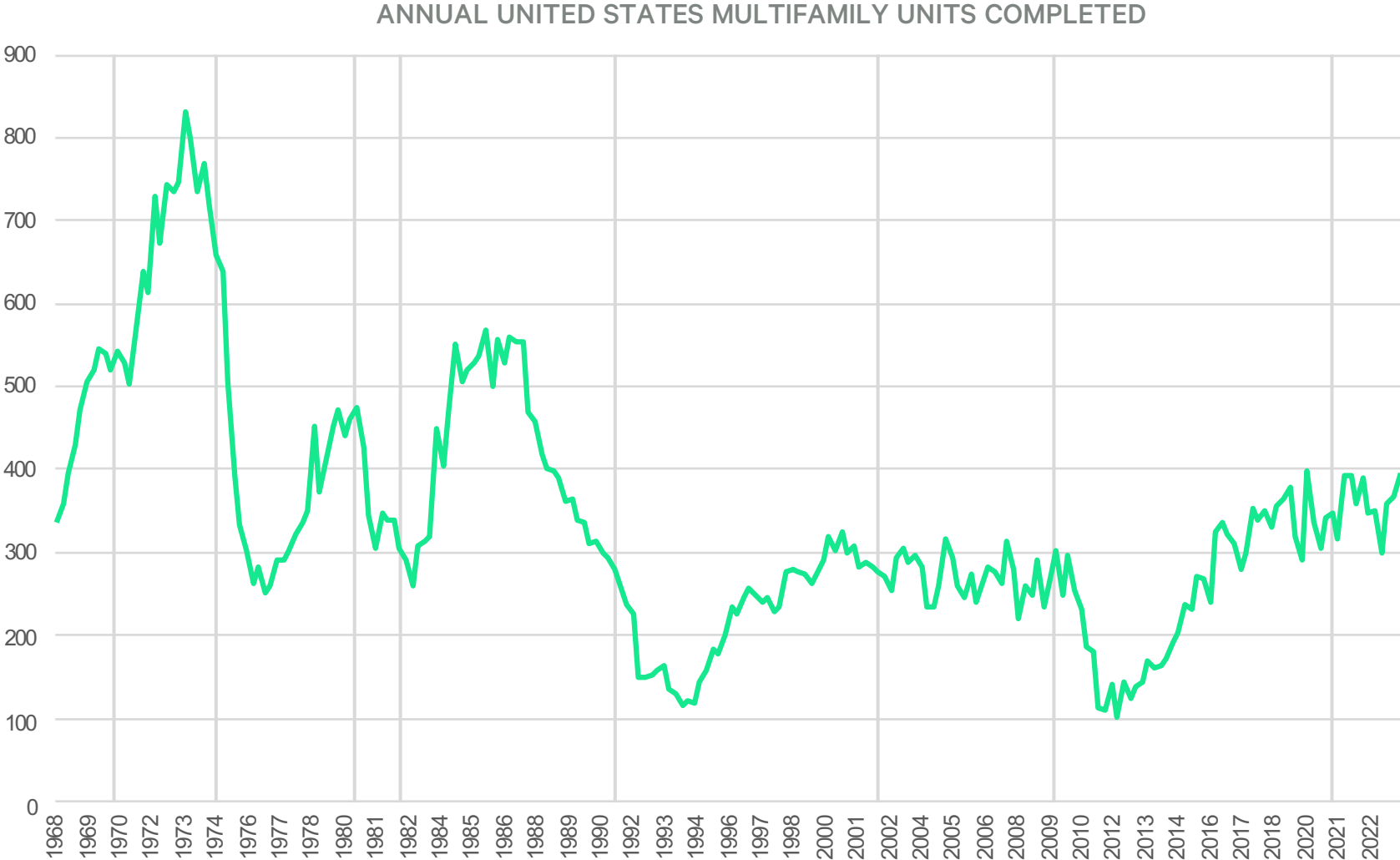
# National Housing Shortage

The shortage is most dramatic in the South region, but the West and Northeast are not far behind.



# National Multifamily Completions

With more than 800,000 units under construction, supply is still not at the level of the 1980's building boom!

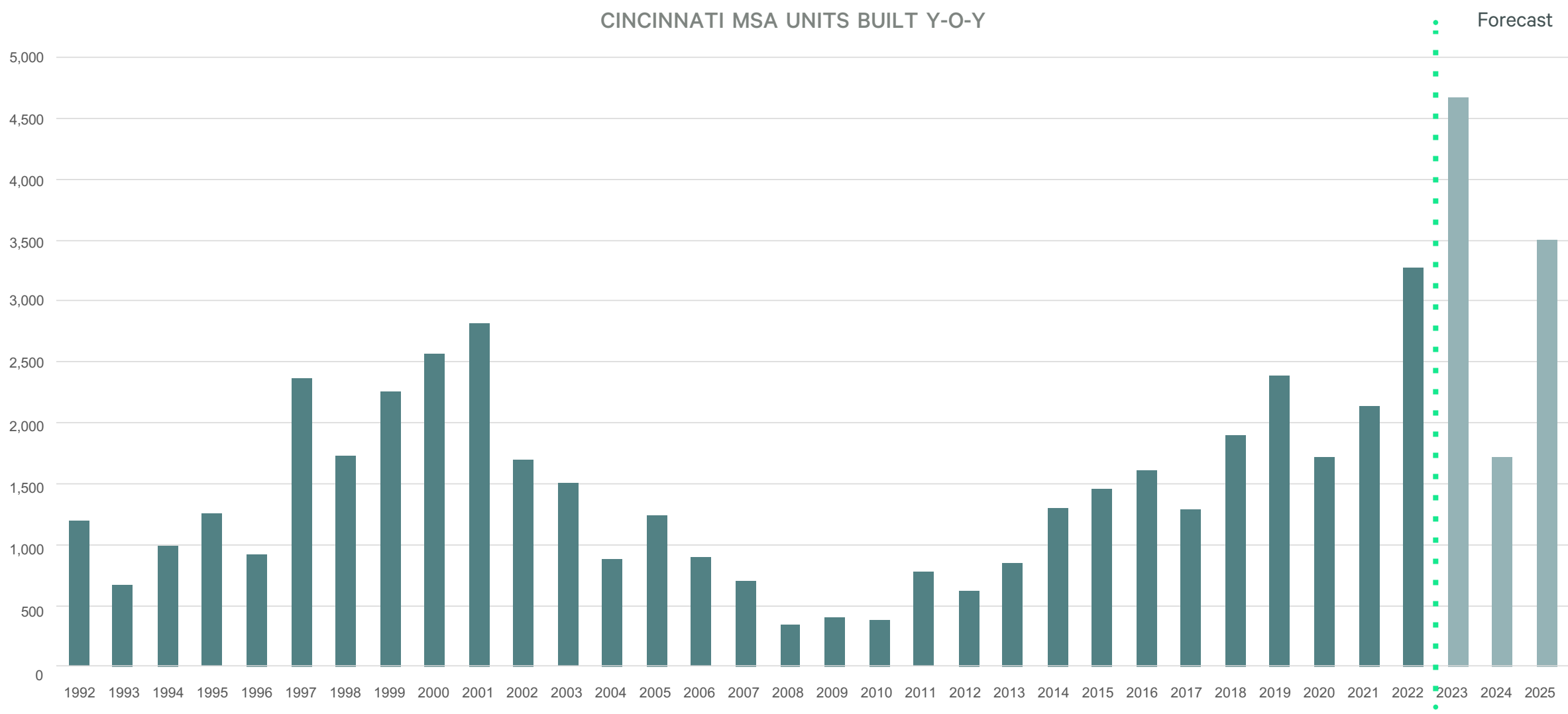


# Annual Permits Issued

Cincinnati MSA 2022

SINGLE FAMILY	MULTIFAMILY
2022 PERMITS ISSUED	
4,110	2,227
2021-2022 % CHANGE PERMITS ISSUED	
-23%	-30%
2014-2022 TOTAL PERMITS	
41,826	16,297
2014-2021 AVERAGE ANNUAL PERMITS	
4,647	1,811

# Greater Cincinnati Multifamily Deliveries



# Walnut Hills Redevelopment

Cincinnati MSA Development Pipeline

## MODEL GROUP

954 E McMillan Street  
Cincinnati, OH 45202

3.5 Acre Lot in Walnut Hills  
Business District- Former Kroger Site

### Building 1

4 Stories  
42 Units  
3,000 SF of Retail

### Building 2

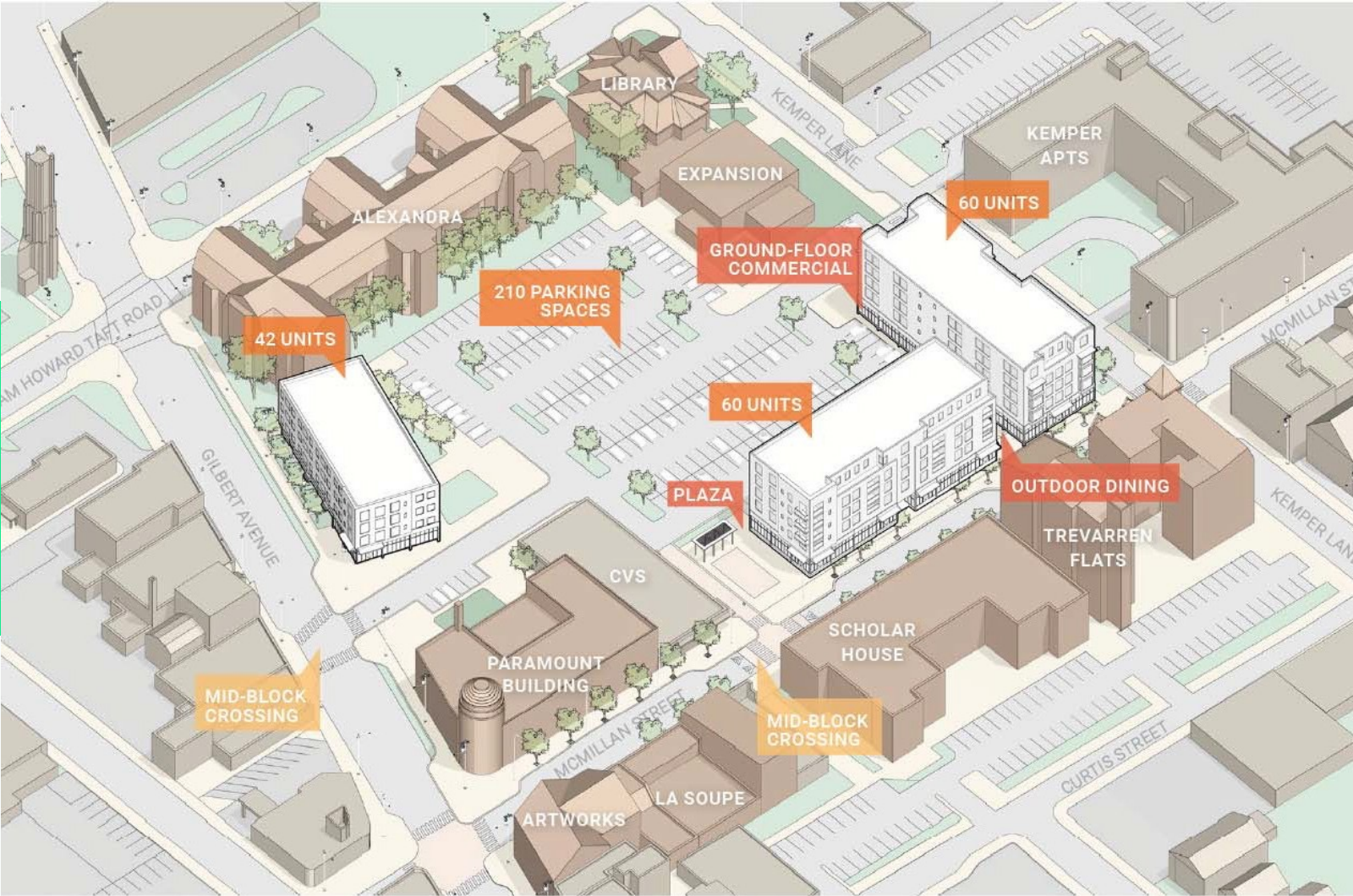
5 Stories  
60 Units  
11,700 SF of Retail

### Building 3

5 Stories  
60 Units  
11,700 SF of Retail

### Plaza (4)

5,00B SF  
210 Total Parking





Building 1

# Peebles Apartments

MODEL GROUP

2520 Gilbert Ave.  
Cincinnati, OH 45206

42 Affordable Units  
Mix of 1, 2, & 3 Bedroom units  
10,400 Rentable SF  
2,000 SF of Commercial

Cincinnati MSA Development Pipeline



Building 2

# Alexandra Apartments

MODEL GROUP

83 Senior Affordable Units  
Mix of 0, 1, & 2 Bedroom Units

Cincinnati MSA Development Pipeline





Plaza (4)

# Paramount Launch

## MODEL GROUP

3 Buildings:

- Paramount Launch (McMillan)
- Race Refrigeration
- Durner

33,000 SF of Commercial

56 Residential Units

## Cincinnati MSA Development Pipeline



### **SOUTH ELEVATION**

SCALE @ 1/8"=1'-0"



# Mercantile Building

## MODEL GROUP

414 Walnut Street  
Cincinnati, OH 45202

Mixed use redevelopment  
156 Residential Units  
76,000 SF of Commercial  
122,942 Total Rentable SF

## Cincinnati MSA Development Pipeline





# The Residences at MQ

CASTO COMMUNITIES

7920 Cameron Lane  
Montgomery, OH 45242

148 Units  
Delivery in June 2023  
Mixed use Development at the  
intersection of Montgomery Road  
and Cross County Highway in  
Montgomery, OH

Cincinnati MSA Development Pipeline





# Governors Hill

ACKERMAN GROUP

8600 Governors Hill Drive  
Cincinnati, OH 45249

Adaptive Re-use  
Office to Residential  
Symmes Township

10.87 Acres  
Built 1986  
201 Total Proposed Units  
160,000 Rentable SF

## Cincinnati MSA Development Pipeline



# Clocktower

## HILLS PROPERTIES

9360 Clocktower Square  
West Chester Township, OH 45069

327 Units  
West Chester  
Studio, 1 and 2 Bedrooms. Dens and Half  
Bath Options Available.  
Q4 2023 Delivery

In the middle of West Chester Town  
Square with Mid Pointe Library,  
Restaurants, Shopping, and Offices on  
Union Centre Boulevard all within walking  
distance.

In-Building Parking, Elevators, Activated  
Amenity Package including an Indoor/  
Outdoor Rooftop Terrace with Great  
Views of West Chester.

## Cincinnati MSA Development Pipeline





# Graphite

HILLS PROPERTIES

2940 Disney Street  
Cincinnati, OH 45209

316 Units  
Oakley  
Studio, 1, & 2 Bedrooms.  
Dens and Half Bath Options Available.  
Q3 2023 Delivery

All of the Conveniences of Living in  
Oakley Station combined with an  
Activated Amenity Package including a  
performance stage area. LEED Certified  
Project with In-Building Parking and  
Elevators.

## Cincinnati MSA Development Pipeline





# Vantage

## HILLS PROPERTIES

1435 Towne Center Way,  
Cincinnati, OH 45230

224 Units  
Anderson Township  
Studio, 1, and 2 Bedrooms.  
Dens and Half Bath Options Available.  
Fall 2023 Target First Delivery

Boutique Living in Anderson Township.  
Located at Anderson Towne Center  
this site will include a transportation  
component in the form of a new Bus  
Station located in the Community  
Parking Structure.

Building Parking, Elevators, and an  
elevated amenity package including a  
Wellness Center and Speakeasy Lounge

## Cincinnati MSA Development Pipeline





# Relay 129

## HILLS PROPERTIES

7912 Liberty Way,  
West Chester, OH 45069

402 Units  
Liberty Township  
1 & 2 Bedroom and 2 Bedroom  
Townhomes. Dens and Half Bath Options  
Available.  
Late 2024 Delivery

A mix of HILLS product types  
conveniently located near Voice of  
America Park, Liberty Center, and the  
new Costco at 129/75. Relay 129 will set a  
new standard for Luxury Living in Liberty  
Township. Elevators, Building Parking,  
and attached and detached Garages  
Available.

## Cincinnati MSA Development Pipeline





# Artisan Village

## MARKET SPACE CAPITAL

11700 Princeton Pike  
Cincinnati, OH 45246

Tri-County  
Entertainment, Retail, & Restaurant:  
600,000 SF  
Recreation, Office, & Culinary:  
750,000 SF  
Up to 2,600 Residential Units in  
phases

## Cincinnati MSA Development Pipeline





# The Alto

## UPTOWN RENTAL PROPERTIES

1901 Bigelow Street  
Cincinnati, OH 45219

185 Unit  
Mt Auburn  
Opening Summer 2023  
2 roof decks (one available only to certain units), pool, dog park, golf simulator, first-class fitness, clubroom  
Perfect location between the employment centers of Uptown & Downtown  
Upgraded finishes in some units

## Cincinnati MSA Development Pipeline



# 49 William H. Taft

## UPTOWN RENTAL PROPERTIES

49 William Howard Taft Rd  
Cincinnati, OH 45219

55 unit (285 bed) student housing  
Delivery in 2025  
Mix of studio, 2,3,4, & 5 Bedroom  
Units

Pedestrian access to Kroger, Short  
Vine entertainment district and 5  
minute walk to campus

Community will have fitness, study  
rooms and clubroom as well as a  
Superior Credit union on the ground  
floor

## Cincinnati MSA Development Pipeline



View from Taft and Auburn (looking west)



View from Taft (looking southeast)



# 305 Cayton

## UPTOWN RENTAL PROPERTIES

305 Cayton Road  
Florence, KY 41042

156 unit market-rate apartment in  
Florence KY on Cayton Road.  
Mix of studio, 1 and 2BR  
Building style brings first residential  
4-story elevator building to the  
market  
Pedestrian access to shopping &  
services and strong vehicular access  
to 71/75 and airport  
Community will have a dog park,  
pool, fitness, clubroom onsite leasing  
and premium finishes in the units  
Opens Spring 2024

## Cincinnati MSA Development Pipeline



# Meribel

PLK COMMUNITIES

Springboro, OH

168 Units

88 - 3 Bed 2 Ba

80 - 2 Bed 2 Ba

First Deliveries 3rd Quarter 2023

Completion by Summer of 2024

In-fill development which we modified the zoning for and we liked the market due to the high barriers to entry

## Cincinnati MSA Development Pipeline



# 6 Profit From Dave's Prophecy

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# Money In The Bank

## 2022

- Rent increases will average between 6.0 and 7.0%
- Occupancies will increase in the urban core as more attractions re-open.
- Sale market will set another record and eclipse \$700 Million
- Development pipeline will remain steady for the coming year will include adaptive re-use along with new construction.
- Cincinnati will experience the “brand-value” benefits of association with winning sports teams.
- “Amazon-effect” will take hold throughout the region.

## 2023

- Rents will increase between 5.00% and 6.00%
- Occupancies 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
- “When others are fearful, be greedy. when others are greedy, be fearful.”
- Be careful if flying your balloon at high altitude

# Thank You

## Capital Markets Multifamily team

2023



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Thank You

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