

# GREATER CINCINNATI NORTHERN KENTUCKY APARTMENT ASSOCIATION

2017 Multifamily Market Overview

**PRESENTED BY: DAVE LOCKARD**  
CBRE Central Midwest Multifamily

# Cincinnati





## 2017 MULTIFAMILY MARKET

### Agenda

- Interesting and Relevant Information
- Economic Data Points
- The Biggest, Best, Most Amazing Rent & Occupancy Survey
- The Sale Market was Smoking Hot
- Developers are Developing
- Our ~~Success~~ Predictions for 2017

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## 2017 MULTIFAMILY MARKET

### Amazon to create \$1.5B air hub at CVG



Source: Wetterich, Chris and Caproni, Erin. (2017, January 31). Amazon to create \$1.5B air hub at CVG. *Cincinnati Business Courier*. Retrieved from [www.bizjournals.com/cincinnati](http://www.bizjournals.com/cincinnati)



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## 2017 MULTIFAMILY MARKET

### Southwest lands in Cincinnati



# SOUTHWEST.COM<sup>®</sup>

Source: Williams, Jason. (2017, January 4). Long-time coming: Southwest lands in Cincinnati. *The Cincinnati Enquirer*. Retrieved from [www.Cincinnati.com](http://www.Cincinnati.com)

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## 2017 MULTIFAMILY MARKET

### FC Cincinnati



Source: Image: WLWT-TV

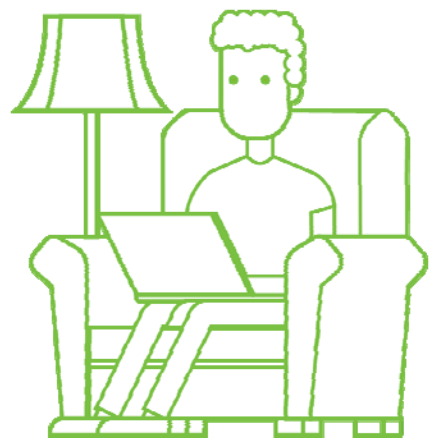
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# 2017 MULTIFAMILY MARKET

## The Millennial Generation



Source: CBRE Millennials: Myths and Realities

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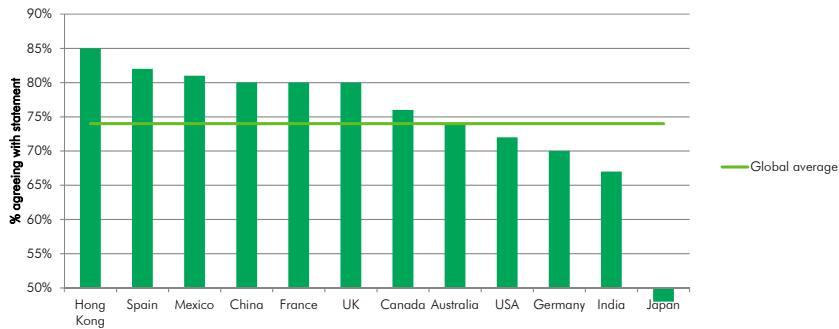
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# 2017 MULTIFAMILY MARKET

## The Millennial Generation

*"I think property prices are rising faster than wages"*



Source: CBRE Millennials: Myths and Realities

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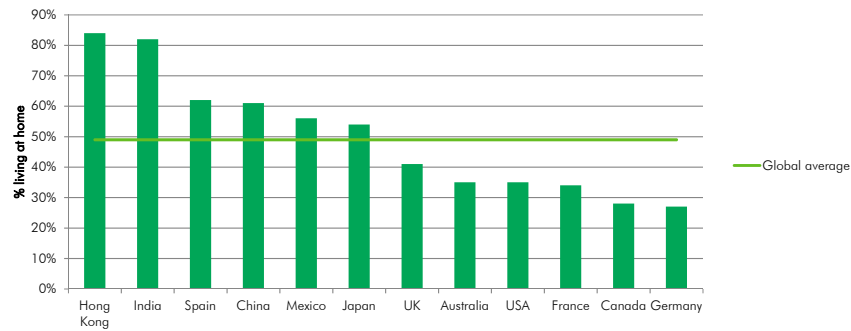
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## 2017 MULTIFAMILY MARKET

### The Millennial Generation: Living with Parents

*Affordability of housing has led to a boomerang generation*



Source: CBRE Millennials: Myths and Realities

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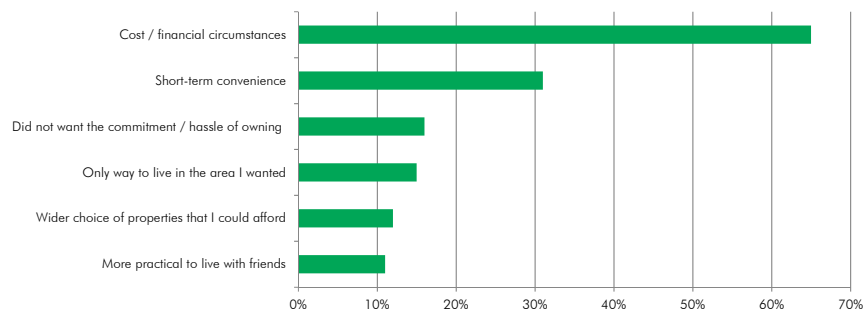
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## 2017 MULTIFAMILY MARKET

### Top Reasons Millennials are Renting

*Choice of accommodation is mainly dictated by cost*



Source: CBRE Millennials: Myths and Realities

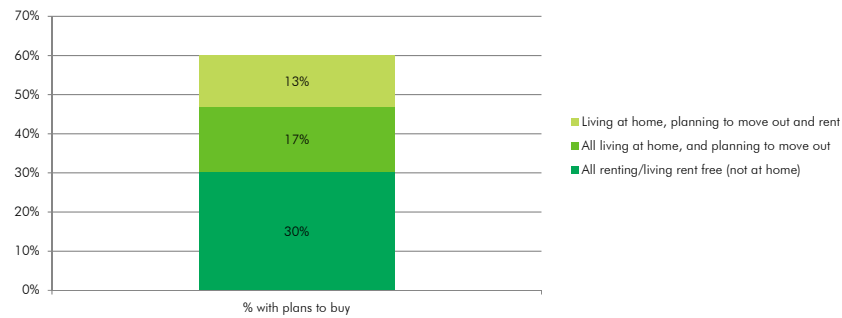
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## 2017 MULTIFAMILY MARKET

### Most Millennials still plan to Buy



Source: CBRE Millennials: Myths and Realities

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## 2017 MULTIFAMILY MARKET

### Student Loan Debt



\$1.3 Trillion in Student Loan Debt



44.2 Million Borrowers



11.2% Student Loan Delinquency Rate

Source: studentloanhero.com

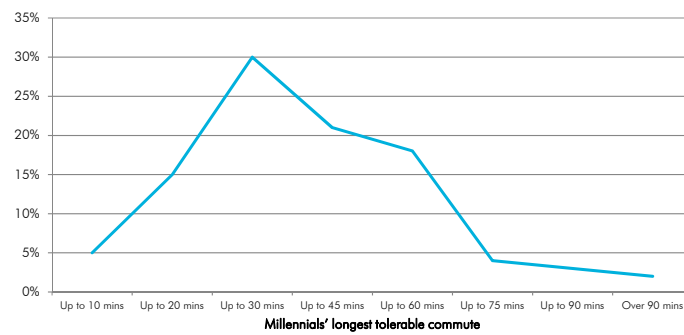
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## 2017 MULTIFAMILY MARKET

Commute Times: In general, Millennials prefer a relatively short commute



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## 2017 MULTIFAMILY MARKET

### Key Rates – Current & Historical

	1/2010	1/2011	1/2012	1/2013	1/2014	1/2015	1/2016	Key Metrics 2017*
Prime Rate	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.50%	3.75%
5-Year Treasuries	2.63%	2.13%	0.88%	0.89%	1.55%	1.33%	1.45%	1.94%
10-Year Treasuries	3.38%	3.41%	2.00%	2.00%	2.73%	1.80%	2.02%	2.45%
LIBOR (3-mo)	0.25%	0.30%	0.56%	0.30%	0.24%	0.26%	0.61%	1.04%

Source: \*Bloomberg.com as of 02/21/2017 @ 9:35 AM and Bankrate.com

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## 2017 MULTIFAMILY MARKET

### Historical 10-Year Treasury



Source: <http://www.multpl.com/10-year-treasury-rate>; Information as of Market close Friday February 17, 2017

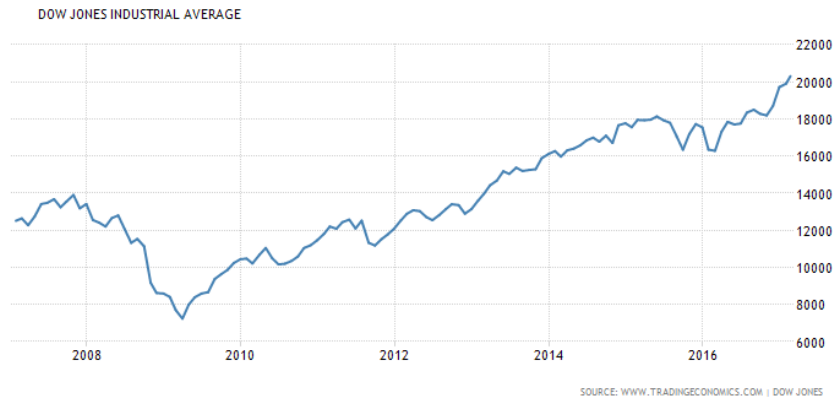
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## 2017 MULTIFAMILY MARKET

### Dow Jones Industrial Average



Source: [www.tradingeconomics.com/united-states/stock-market](http://www.tradingeconomics.com/united-states/stock-market)

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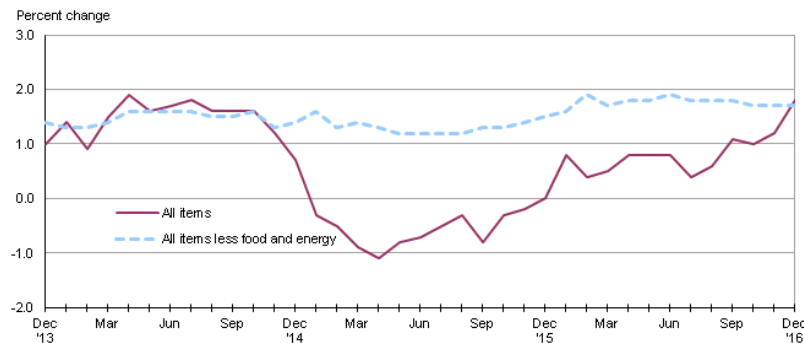
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## 2017 MULTIFAMILY MARKET

### Midwest Region Consumer Price Index

Over-the-Year percent change in CPI-U, Midwest region, December 2013-December 2016

**Chart 1. Over-the-year percent change in CPI-U, Midwest region, December 2013–December 2016**



Source: Bureau of Labor Statistics, [https://www.bls.gov/regions/mountain-plains/news-release/consumerpriceindex\\_midwest.htm](https://www.bls.gov/regions/mountain-plains/news-release/consumerpriceindex_midwest.htm)

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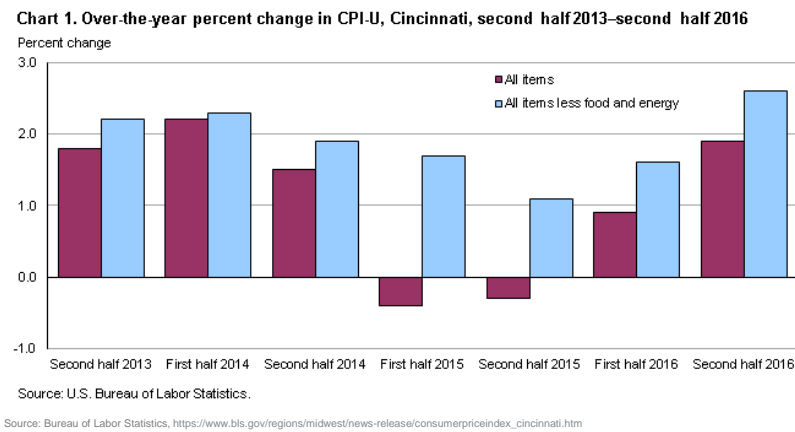
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# 2017 MULTIFAMILY MARKET

## Cincinnati-Hamilton Consumer Price Index

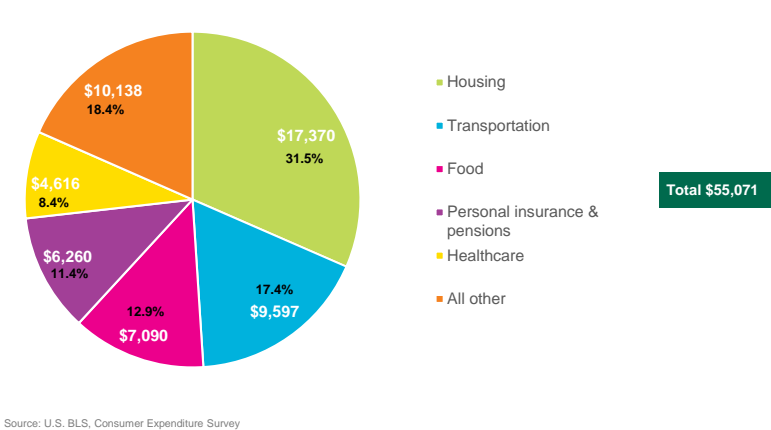
Over-the-Year percent change in CPI-U, Cincinnati, second half 2013-second half 2016



# 2017 MULTIFAMILY MARKET

## Average Annual Spending

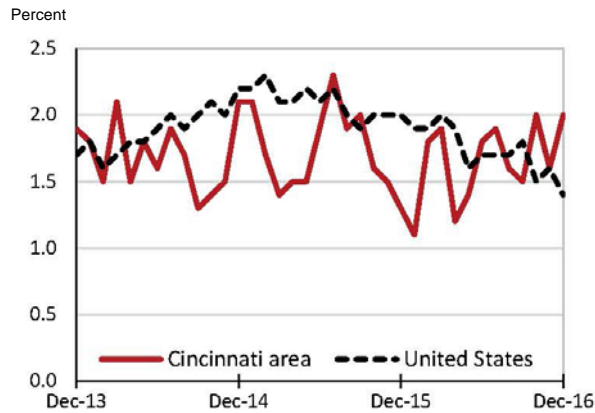
Midwest Region average annual expenditures 2015



## 2017 MULTIFAMILY MARKET

### Over-the-year Changes in Employment, Non-Farm Payroll

#### 12-month percent changes in employment



Source: U.S. BLS, Current Employment Statistics.

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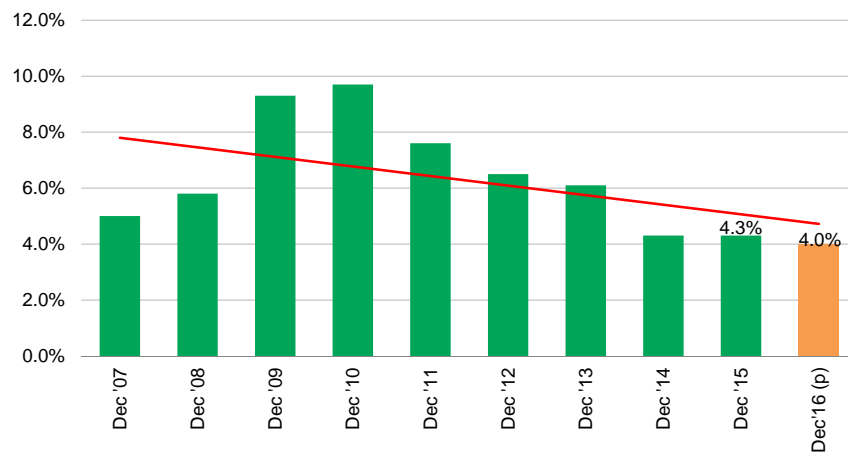
#### Ohio 2016 Job Growth Ranking- by County

<b>Franklin County</b>	<b>#1</b>
Butler County	#2
Lucas County	#3
Warren County	#4
Hamilton County	#5

## 2017 MULTIFAMILY MARKET

### Jobs – Cincinnati MSA Unemployment Rate

#### Not Seasonally Adjusted



Source: Bureau of Labor Statistics, "Civilian labor force and unemployment by state and metropolitan area"

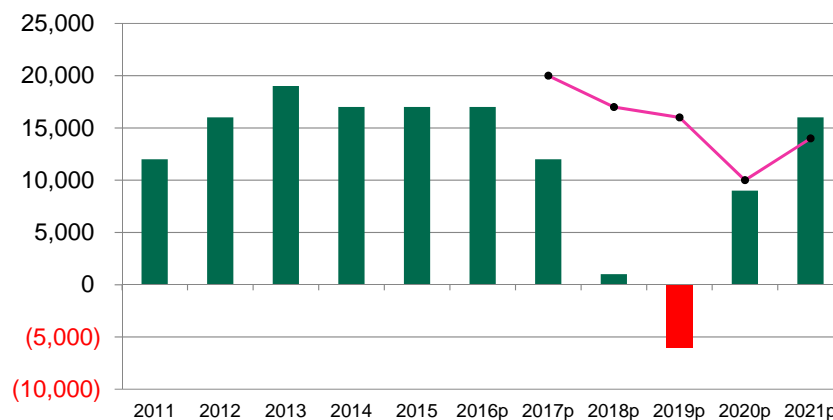
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## 2017 MULTIFAMILY MARKET

### Greater Cincinnati Net Job Growth



Source: CBRE Econometric Advisors / Moody's Econometric

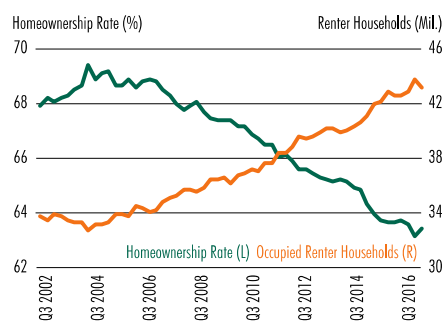
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## 2017 MULTIFAMILY MARKET

### U.S. Homeownership Rates and Renter Households



- As of Q3, the national homeownership rate was 63.4%
- The recent figure likely indicates that the 12-year decline in homeownership rates has stabilized
- Home buying activity is rising, and the National Association of Realtors (NAR) attributes the higher velocity of existing home purchases to first-time homebuyers..

Source: U.S. Census Bureau (CPS/HVS), Q3 2016. Homeownership rates are seasonally adjusted. Renter households is based on data for occupied renter housing units.

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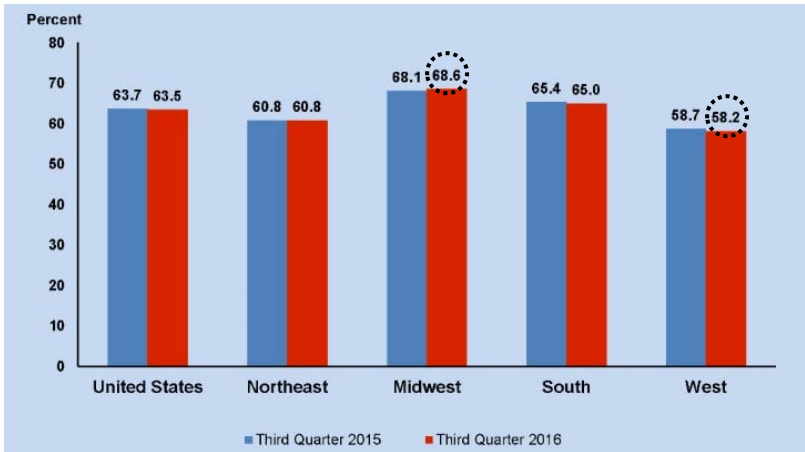
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# 2017 MULTIFAMILY MARKET

## U.S. Homeownership Rates by Region



Source: Current Population Survey/Housing Vacancy Survey, Series H-111, U.S. Census Bureau, Washington DC 20233

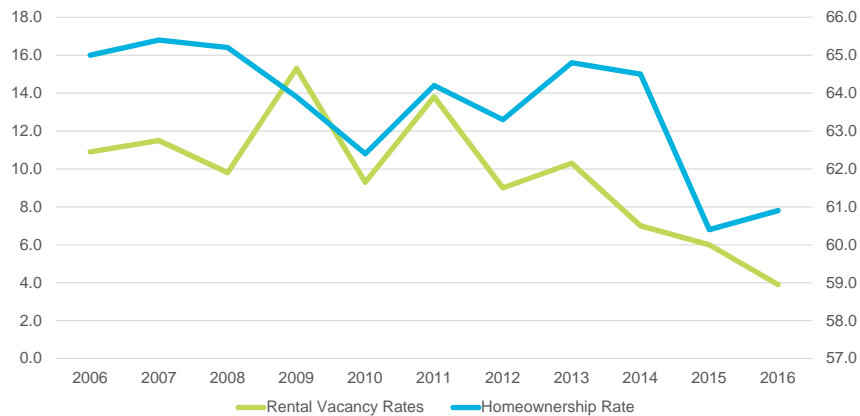
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# 2017 MULTIFAMILY MARKET

## Cincinnati MSA Homeownership Rate vs. Rental Vacancy Rates



Source: U.S. Bureau of the Census, Q4 data

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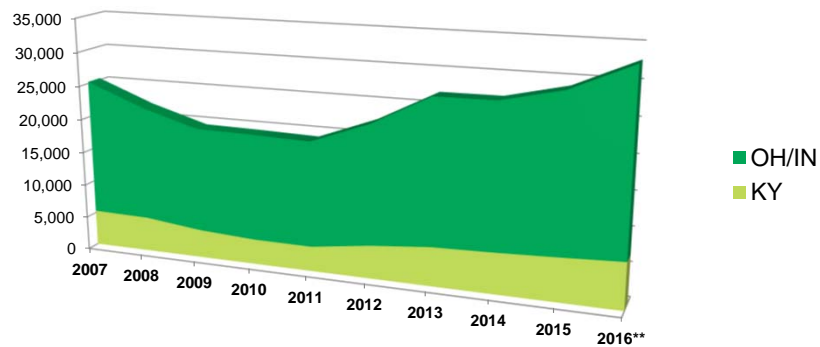
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## 2017 MULTIFAMILY MARKET

### Cincinnati MSA Single Family Sales

Number of Single Family Sales\*



\*OH/IN Counties include: IN (Dearborn, Franklin, and Ohio), OH (Clermont, Hamilton, Warren, and Brown)  
KY Counties include: KY (Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton)

Source: Cincinnati Board of Realtors & Northern Kentucky Association of Realtors; \*\*2016 KY sales estimated at 7% above 2015 actuals

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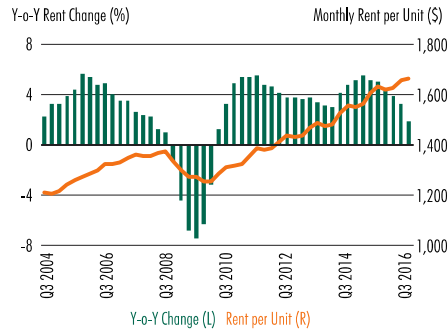
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## 2017 MULTIFAMILY MARKET

### Historical U.S. Rental Rates and Change



- Rent growth continued to moderate in Q3 2016 from its 2015 peak. The weighted-average lease rate across the tracked markets increased by 2% year-over-year, and 5.2% a year ago.
- Suburban rent growth is clearly outpacing urban. The share of CBRE-tracked markets in which the suburbs posted higher annual rent growth than their respective urban cores has increased consistently from 27% in Q2 2012 to 71% in Q3 2016.

Source: CBRE Research, Econometric Advisors, Axiometrics Inc., Q3 2016

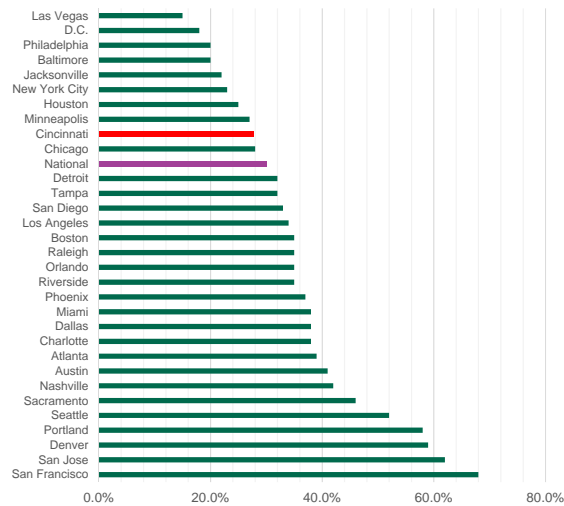
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## 2017 MULTIFAMILY MARKET

### How do today's rent levels compare to September 2009?



- On average, rents are 30% higher than seven years ago (peak U.S. rent prior to downturn).
- SF Bay Area, Denver and Portland show the largest increases.

Source: Axiometrics Q3 2016

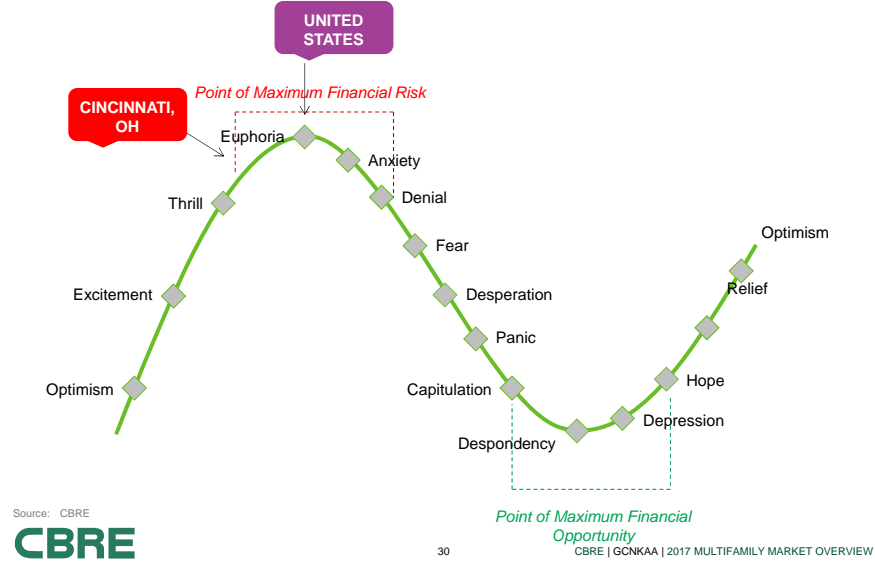
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## 2017 MULTIFAMILY MARKET

### Real Estate Investment Cycle: Plateau not a Peak



## 2017 MULTIFAMILY MARKET

### Year-over-Year Vacancy by Market

Market	Vacancy Rate, %		
	Q3 2016	Q3 2015	Change, bps
Atlanta, GA	5.2	5.2	0
Austin, TX	4.6	4.3	30
Baltimore, MD	5.3	4.7	60
Boston, MA	4.0	3.7	30
Charlotte, NC	4.3	4.3	0
Chicago, IL	5.0	4.2	80
<b>Cincinnati, OH</b>	<b>4.3</b>	<b>4.3</b>	<b>0</b>
Cleveland, OH	3.9	4.5	-60
Dallas, TX	4.4	4.3	10
Denver, CO	5.2	4.2	100
Detroit, MI	3.1	3.5	-40
Houston, TX	7.0	5.4	160
Indianapolis, IN	6.3	6.5	-20
Jacksonville, FL	5.4	4.8	60
Kansas City, MO	4.2	4.2	0
Las Vegas, NV	5.7	6.1	-40
Los Angeles, CA	4.1	3.8	30
Miami, FL	4.1	3.2	90
Minneapolis, MN	2.8	3.4	-60
Nashville, TN	4.1	3.7	40

Source: CBRE Econometric Advisors

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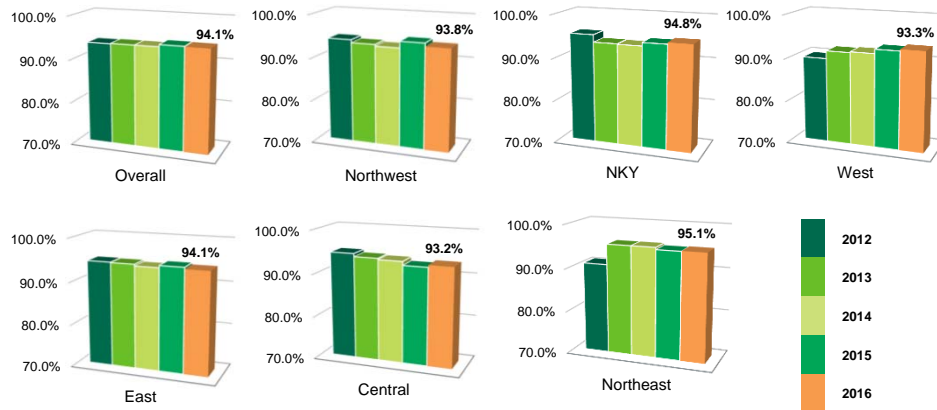
Market	Vacancy Rate, %		
	Q3 2016	Q3 2015	Change, bps
New York, NY	3.1	3.0	10
Newark, NJ	3.0	2.5	50
Orange County, CA	3.9	4.2	-30
Orlando, FL	4.1	4.0	10
Philadelphia, PA	4.8	4.5	30
Phoenix, AZ	5.4	5.4	0
Portland, OR	4.5	3.6	90
Raleigh, NC	4.8	5.0	-20
Riverside, CA	4.4	4.7	-30
Sacramento, CA	4.2	4.0	20
Salt Lake City, UT	4.2	3.9	30
San Antonio, TX	5.6	5.5	10
San Diego, CA	3.9	4.4	-50
San Francisco, CA	4.4	3.5	90
San Jose, CA	4.6	3.9	70
Seattle, WA	4.4	4.2	20
St. Louis, MO	6.6	6.0	60
Tampa, FL	4.4	4.2	20
Washington, DC	4.4	4.4	0
<b>Sum of Markets</b>	<b>4.6</b>	<b>4.3</b>	<b>30</b>

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## 2017 MULTIFAMILY MARKET

### Rents & Occupancy

5-Year Occupancy History by Submarket



Source: CBRE Annual Rent and Occupancy Survey, YE2012-YE2016 (Not including new construction delivered during 2016)

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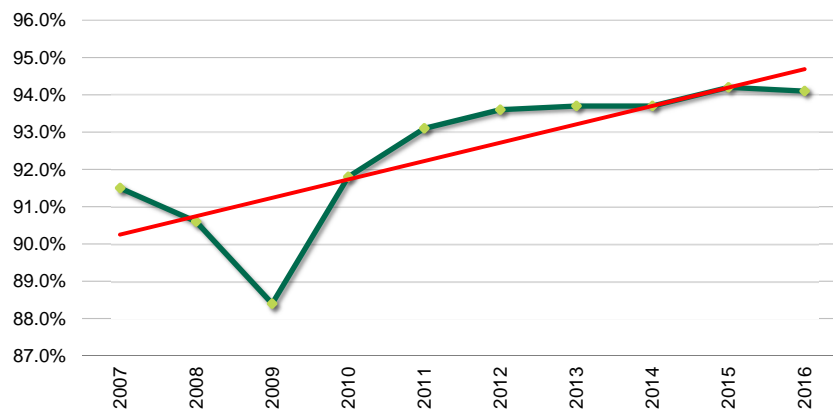
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## 2017 MULTIFAMILY MARKET

### Rents & Occupancy

10-Year Greater Cincinnati Overall Occupancy History



Source: CBRE Annual Rent & Occupancy Survey, YE2007-YE2016 (Not including new construction delivered during 2016)

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## 2017 MULTIFAMILY MARKET

### Rents & Occupancy

#### Average Effective Rent Per Square Foot

	December 2013	December 2014	December 2015	December 2016
Overall	\$0.86	\$0.89	\$0.92	\$0.95
Northwest	\$0.78	\$0.80	\$0.83	\$0.86
Northeast	\$0.96	\$0.99	\$1.01	\$1.04
West	\$0.74	\$0.77	\$0.76	\$0.79
East	\$0.89	\$0.89	\$0.94	\$0.99
NKY	\$0.78	\$0.79	\$0.85	\$0.89
Central	\$1.01	\$1.07	\$1.09	\$1.08

#### Overall Average Effective Rent with Year over Year % Change



Source: CBRE Annual Rent and Occupancy Survey, YE2013-YE2016 (Not including new construction delivered during 2016)

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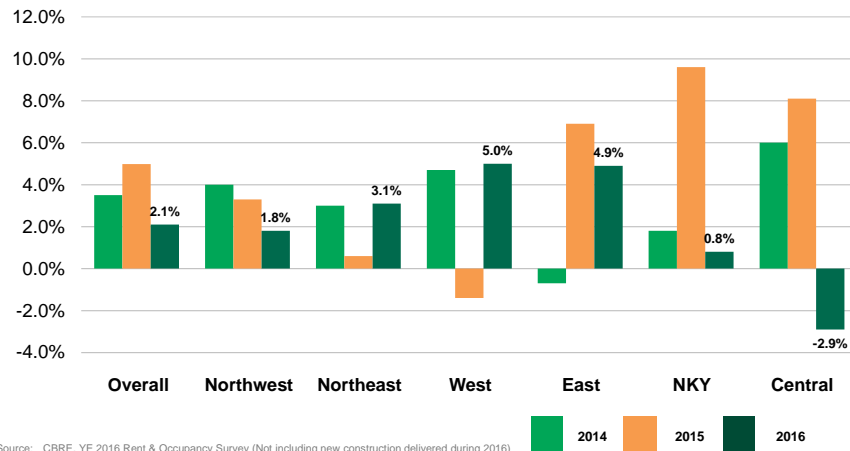
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## 2017 MULTIFAMILY MARKET

### Rents & Occupancy

#### 2014-2016 Rent Increases by Submarket



Source: CBRE, YE 2016 Rent & Occupancy Survey (Not including new construction delivered during 2016)

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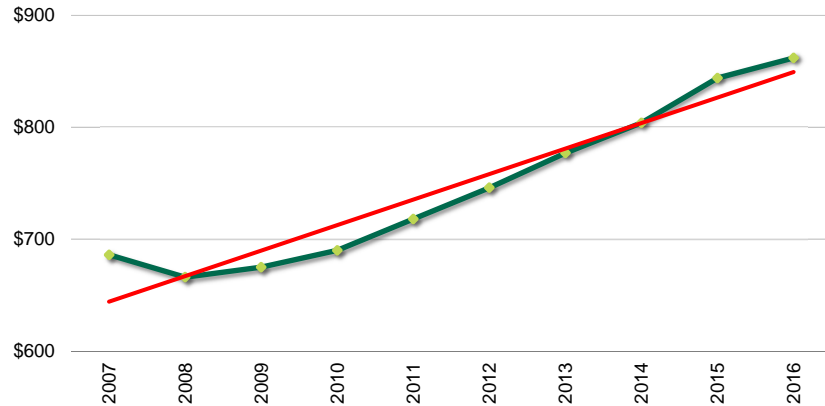
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## 2017 MULTIFAMILY MARKET

### Rents & Occupancy

10-Year Greater Cincinnati Overall Effective Rent History



Source: CBRE Annual Rent & Occupancy Survey, YE2007-YE2016 (Not including new construction delivered during 2016)

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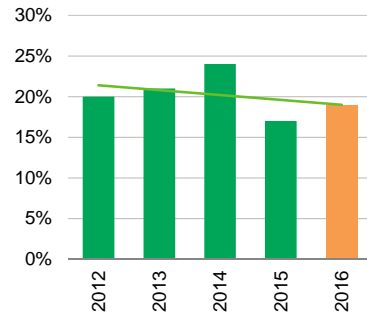
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## 2017 MULTIFAMILY MARKET

### Rents & Occupancy

Concession Summary

#### Percentage of Properties Offering Concessions



Source: CBRE Annual Rent & Occupancy Survey, YE2012-YE2016 (Not including new construction delivered during 2016)

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#### Average Monthly Concessions by Style:

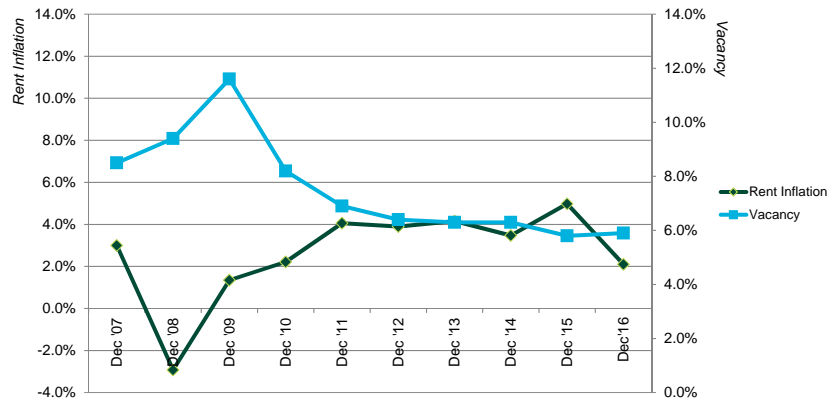


	2015	2016
Studio	\$47	\$30
1 Bedroom	\$38	\$30
2 Bedroom	\$43	\$36
3 Bedroom	\$66	\$47

## 2017 MULTIFAMILY MARKET

### Rents & Occupancy

Vacancy vs. Rent Inflation



Source: CBRE Annual Rent & Occupancy Survey, YE2007-YE2016 (Not including new construction delivered during 2016)

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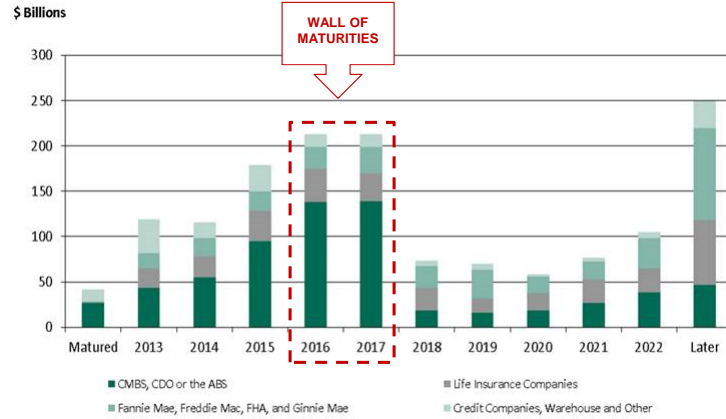
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## 2017 MULTIFAMILY MARKET

### Investment Market – Multifamily Loan Maturities



Source: Mortgage Bankers Association

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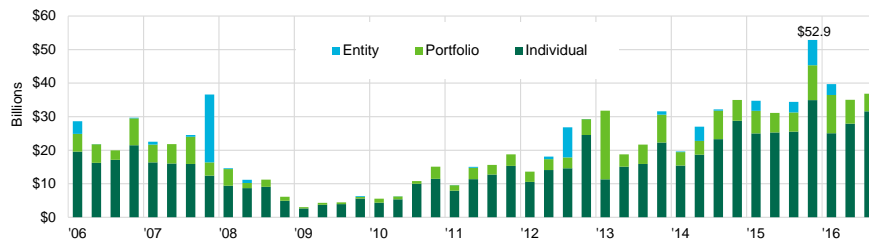
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## 2017 MULTIFAMILY MARKET

### 2016 Q1-Q3 National Apartment Sales in Review

- \$111.5 billion in Q1-Q3 2016 sales volume
- \$75.8 billion of sales volume in secondary and tertiary markets
  - \$35.5 billion of sales volume in the 6 major markets
- Apartments were the only property type to experience positive year-over-year growth in the first 3 quarters of 2016



Source: Real Capital Analytics

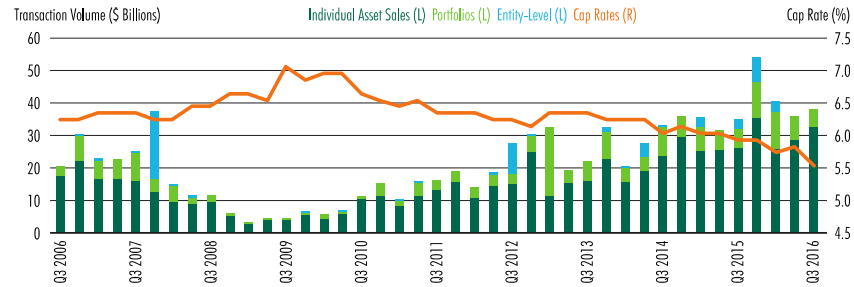
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## 2017 MULTIFAMILY MARKET

### U.S. Multifamily Investment Sales Volume and Cap Rates



Source: CBRE Research, Real Capital Analytics, Q3 2016

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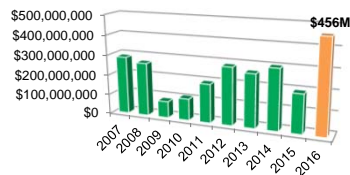
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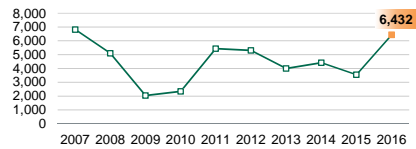
## 2017 MULTIFAMILY MARKET

### Investment Market – Cincinnati Multifamily Sales\*

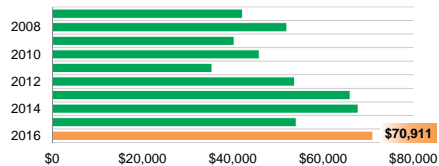
Transaction Sales Volume



Number of Apartment Units Sold



Average Apartment Price per Unit



Source: CBRE; Sales over \$1 Million or 100+ Units

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## 2017 MULTIFAMILY MARKET

### Investment Market – 2016 Sales\*



**The Vineyard**

Sale Date	9/2016
No. Units	216
Price per Unit	\$69,907
Year Built	1987
Submarket	NKY



**Windridge Townhomes**

Sale Date	9/2016
No. Units	144
Price per Unit	\$89,583
Year Built	1988
Submarket	NKY



**Allen Creek**

Sale Date	11/2016
No. Units	117
Price per Unit	\$46,368
Year Built	1973
Submarket	NKY

Source: CBRE; \*Sales over \$1 Million or 100+ Units



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## 2017 MULTIFAMILY MARKET

### Investment Market – 2016 Sales\*



**Renaissance at the Power Building**

Sale Date	9/2016
No. Units	117
Price per Unit	\$217,094
Year Built	2002
Submarket	Central CBD



**Vue 180**

Sale Date	11/2016
No. Units	92
Price per Unit	\$238,043
Year Built	2013
Submarket	NKY



**Slopes of Aspen**

Sale Date	3/2016
No. Units	96
Price per Unit	\$20,833
Year Built	1968
Submarket	West

Source: CBRE; \*Sales over \$1 Million or 100+ Units



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## 2017 MULTIFAMILY MARKET

### Investment Market – 2016 Sales\*



**Washington Bluffs**

Sale Date	10/2016
No. Units	52
Price per Unit	\$36,058
Year Built	1967
Submarket	East



**Whispering Pines**

Sale Date	10/2016
No. Units	123
Price per Unit	\$35,569
Year Built	1972
Submarket	East



**Magnolia Pointe**

Sale Date	12/2016
No. Units	110
Price per Unit	\$42,727
Year Built	1969
Submarket	Northeast

Source: CBRE; \*Sales over \$1 Million or 100+ Units



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## 2017 MULTIFAMILY MARKET

### Investment Market – 2016 Sales\*



**Eastgate Garden Apartments**

Sale Date	12/2016
No. Units	60
Price per Unit	\$52,133
Year Built	1969
Submarket	East



**River Bend**

Sale Date	11/2016
No. Units	120
Price per Unit	\$35,000
Year Built	1972
Submarket	West

Source: CBRE; \*Sales over \$1 Million or 100+ Units



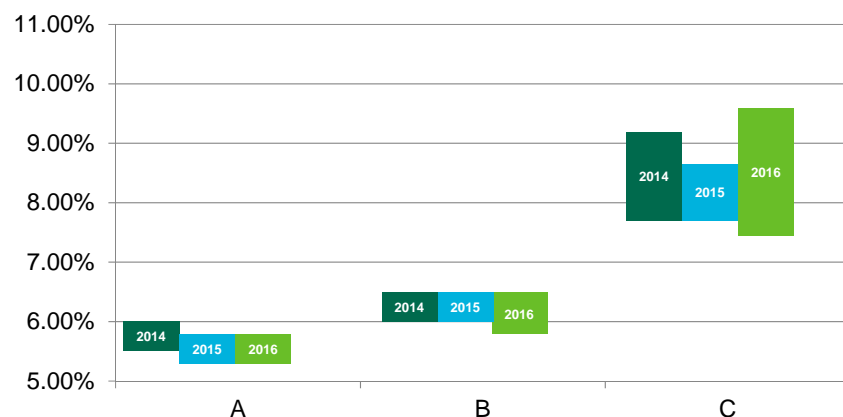
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## 2017 MULTIFAMILY MARKET

### Investment Market

Greater Cincinnati MSA Cap Rate Trends | Stabilized, Suburban Assets



Source: CBRE

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## 2017 MULTIFAMILY MARKET

### Central & Midwest Multifamily Infill Stabilized Cap Rates

(Cap Rates provided from an informal survey of CBRE professionals in the respective markets. Rates are approximations as of July 2016.)



Source: CBRE H1 2016 Cap Rate Survey

**CBRE**

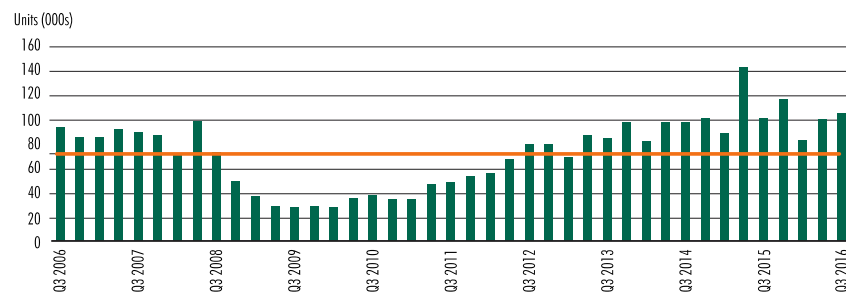
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## 2017 MULTIFAMILY MARKET

### Historical U.S. Multifamily Permits



- There was a small uptick in multifamily units permitted in Q3 from the prior quarters. The Q3 total increased modestly to 106,500, up by 3.6% from Q3 2015's level.
- The more general trend over the past year and a half, however, is a moderation in permitting activity. Construction starts have also begun to drop.

Source: CBRE Research, U.S. Census Bureau, Q3 2016. For buildings with 5+ units including for-sale product. Line represents historical average for period displayed (73,900).

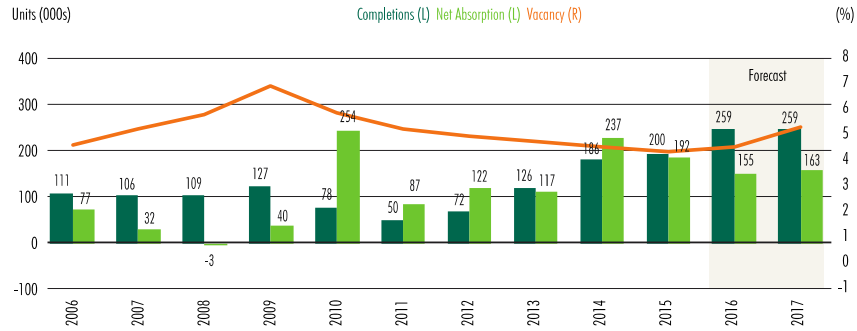
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## 2017 MULTIFAMILY MARKET

### U.S. Multifamily Supply and Demand Outlook



Source: CBRE Research, CBRE Econometric Advisors, Q3 2016

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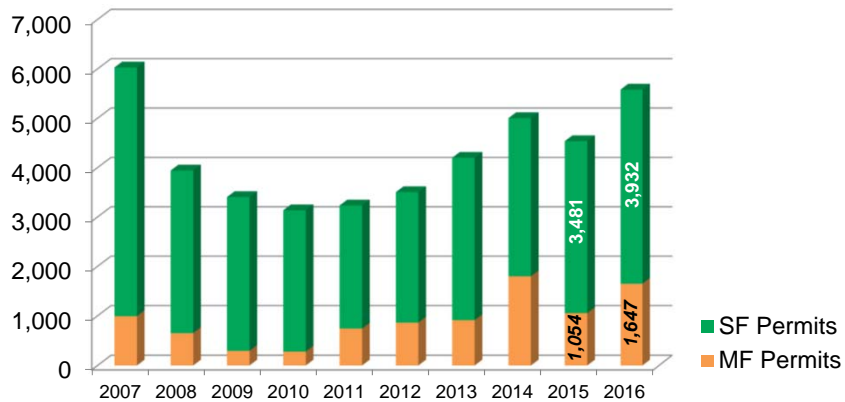
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## 2017 MULTIFAMILY MARKET

### Development Pipeline

Cincinnati MSA Multifamily and Single Family Permits Issued (MF defined as 5+ units)



Source: US Census Bureau > Permits by Metropolitan Area

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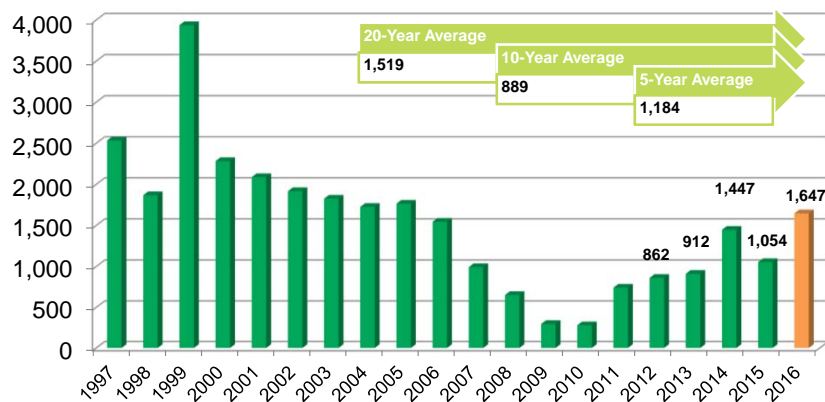
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## 2017 MULTIFAMILY MARKET

### Development Pipeline

Cincinnati MSA Multifamily Permits Issued (MF defined as 5+ units)



Source: US Census

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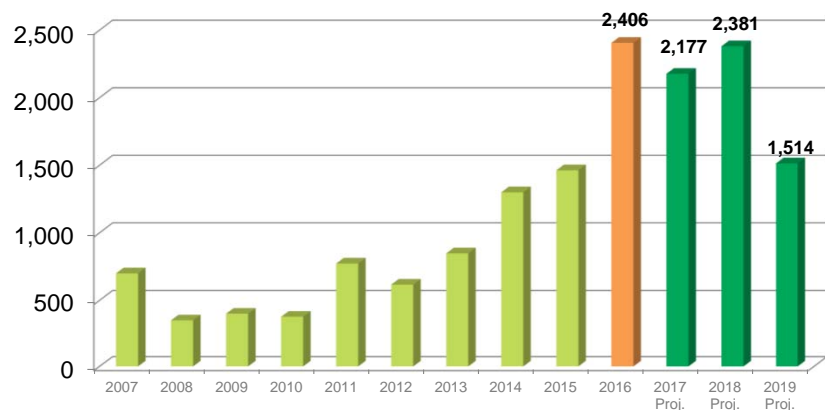
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## 2017 MULTIFAMILY MARKET

### Development Pipeline

Greater Cincinnati MF Units Built & Projected



Source: CBRE

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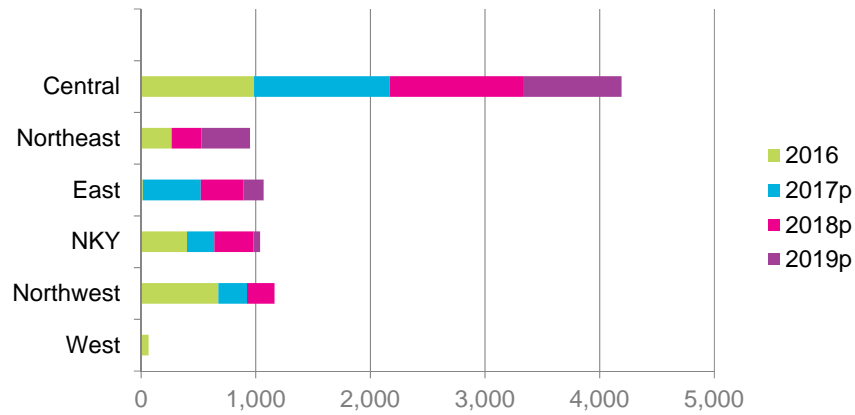
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## 2017 MULTIFAMILY MARKET

### Development Pipeline

Greater Cincinnati MF Units Built and Projected by Submarket per Year



Source: CBRE

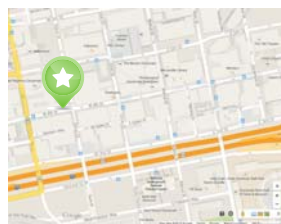


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## 2017 MULTIFAMILY MARKET

### Development Pipeline



#### 4th & Race

Location	Downtown Cincinnati
Submarket	Central CBD
Detail	225 units in residential tower above a 700-space parking garage and 22,000 SF street-level commercial space
Delivery Date	Summer 2018



#### Flaherty & Collins

#### Phase II: The Boulevard at Oakley Station

Location	Oakley
Submarket	East
Detail	150 units with full amenity package; Finish similar to Phase I
Delivery Date	4Q 2016 – 2Q 2017



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## 2017 MULTIFAMILY MARKET

### Development Pipeline



#### Alumni Lofts

Location	Pendleton
Submarket	Central
Detail	142 market rate units adjacent soon-to-be rehabbed Ziegler Park and 3CDC-built 400-space parking garage
Delivery Date	Spring, 2017



#### Windsor Flats

Location	Walnut Hills
Submarket	Central
Detail	41 units in rehab of existing school building and additional 50 units of new construction
Delivery Date	3Q2016 - Mid-2017

#### Core Redevelopment



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## 2017 MULTIFAMILY MARKET

### Development Pipeline



#### Freeport Row

Location	Over-the-Rhine
Submarket	Central - CBD
Detail	Preservation of 4 historical buildings + new mixed-use building. 110 market rate apartments, 17k SF retail/restaurant, on Streetcar Line.
Delivery Date	1Q 2018

#### Source 3 Development



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## 2017 MULTIFAMILY MARKET

### Development Pipeline



#### Market Square

Location	Surrounding Findlay Market
Submarket	Central - CBD
Detail	\$55 million development surrounding Findlay Market aimed at creating a 24-hour market district. Includes 121 apartments, 11 for-sale condos, 41k SF office, and 32k SF retail



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## 2017 MULTIFAMILY MARKET

### Development Pipeline



#### 8th & Sycamore

Location	Downtown Cincinnati
Submarket	Central CBD
Detail	Mixed-use with 133-unit residential tower above the garage and ± 7,000 SF street-level commercial space
Delivery Date	Late 2017



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## 2017 MULTIFAMILY MARKET

### Development Pipeline



#### 111 Wellington

Location Mt. Auburn

Submarket Central

Detail \$44m development at prime Mt. Auburn location. 259 one- and two-bedroom units in four building. Amenity rich and walkable to neighborhood amenities.

Delivery Date 1<sup>st</sup> deliveries Spring 2018



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## 2017 MULTIFAMILY MARKET

### Development Pipeline



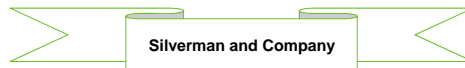
#### District at Deerfield

Location Deerfield Township

Submarket Northeast

Detail Mixed-use featuring 362 apartments, ± 100,000 SF retail/restaurant space, a hotel, and a 120,000 SF medical office building. Walkable internally and externally via pedestrian connections to neighboring developments.

Delivery Date 2018



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## 2017 MULTIFAMILY MARKET

### Development Pipeline



#### Phase II – DeSales Flats

Location	Walnut Hills
Submarket	Central
Detail	93 units; Phase II to original 76 units
Delivery Date	Spring, 2017

Towne Properties

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## 2017 MULTIFAMILY MARKET

### Development Pipeline



#### Ag47

Location	Silverton
Submarket	Northeast
Detail	\$40m mixed-use with 205 luxury apartments (garden- and townhome-style) and 60,000 square feet of commercial space
Delivery Date	2018

Miller-Valentine Group &  
Jeffrey R. Anderson Real  
Estate

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## 2017 MULTIFAMILY MARKET

### Development Pipeline



**The Marcum**

Location	Downtown Hamilton
Submarket	Northwest
Detail	103 luxury apartments in a mixed-use building above 15,000 SF retail
Delivery Date	1 <sup>st</sup> deliveries Spring, 2018

CMC Properties

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## 2017 MULTIFAMILY MARKET

### Development Pipeline



**Springs at West Chester**

Location	West Chester
Submarket	Northwest
Detail	308 units. Gated, luxury community. Multi-story urban design with lofted apartment homes. Walkable to West Chester Town Centre.
Delivery Date	March 2017 – first building



**Springs at Liberty**

Location	Liberty Township
Submarket	Northwest
Detail	288 units. Gated community catering to young professionals. Amenity-rich.
Delivery Date	Stabilization 2Q 2017

Continental Properties

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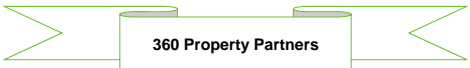
# 2017 MULTIFAMILY MARKET

## Development Pipeline



Echelon

Location	Eastgate
Submarket	East
Detail	187 luxury units within a four-story midrise. Two elevators, 4,200-SF interior amenity space, outdoor courtyard, and private exterior porches/balconies.
Delivery Date	4Q 2017





## 2017 MULTIFAMILY MARKET

### Forecasts

#### Recap, 2016 Forecast

- Rent increases moderating to 3.0%
- Sale market over \$400 million
- Development pipeline will moderate locally
- More attention paid to market-rate workforce housing
- \_\_\_\_\_ will be elected President of the United States

#### 2017 Forecast

- Rent increases projected at 2.0%
- Occupancy dips from 94.0% to 93.0%
- Sale market between \$300 million and \$350 million
- Development pipeline levels off
- The local Cincinnati economy will show higher job growth than 2016
- FC Cincinnati invited into the MLS



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## 2017 MULTIFAMILY MARKET

### CBRE Central Midwest Multifamily | Cincinnati/Dayton



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# CENTRAL MIDWEST MULTIFAMILY *CINCINNATI MSA*



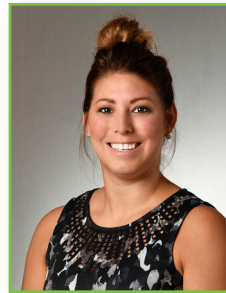
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