



**2021**

# **The Greater Cincinnati Multifamily Market Overview**

Presented to Greater Cincinnati Northern Kentucky Apartment Association by:

Dave Lockard, CCIM | Senior Vice President

**CBRE**

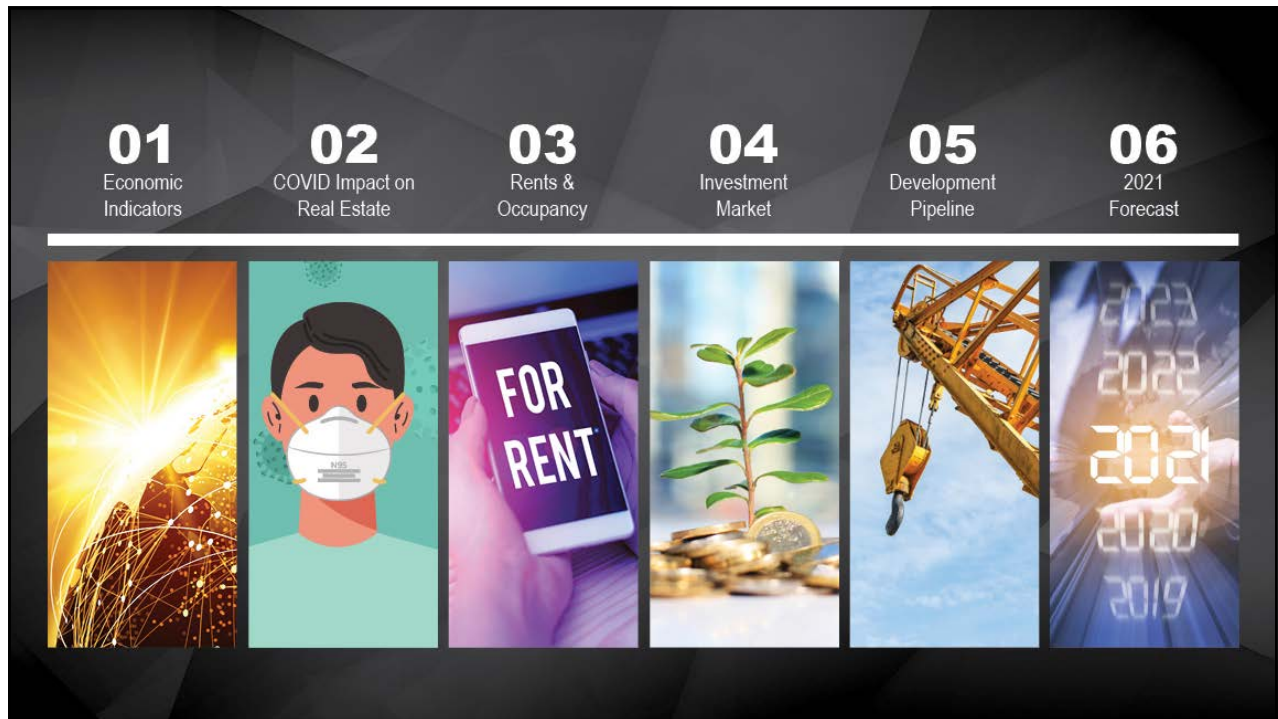




# CBRE

**Cincinnati Multifamily**  
[www.cbre.us/invcincinnati multifamily](http://www.cbre.us/invcincinnati multifamily)

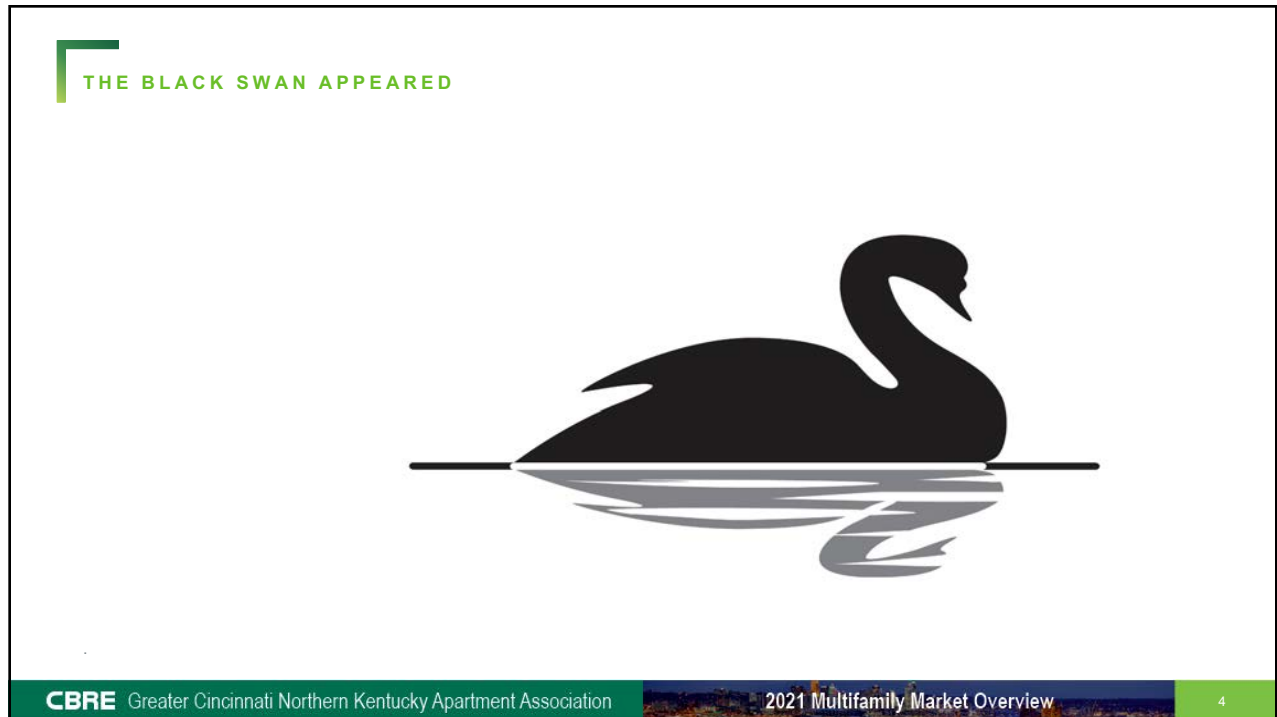




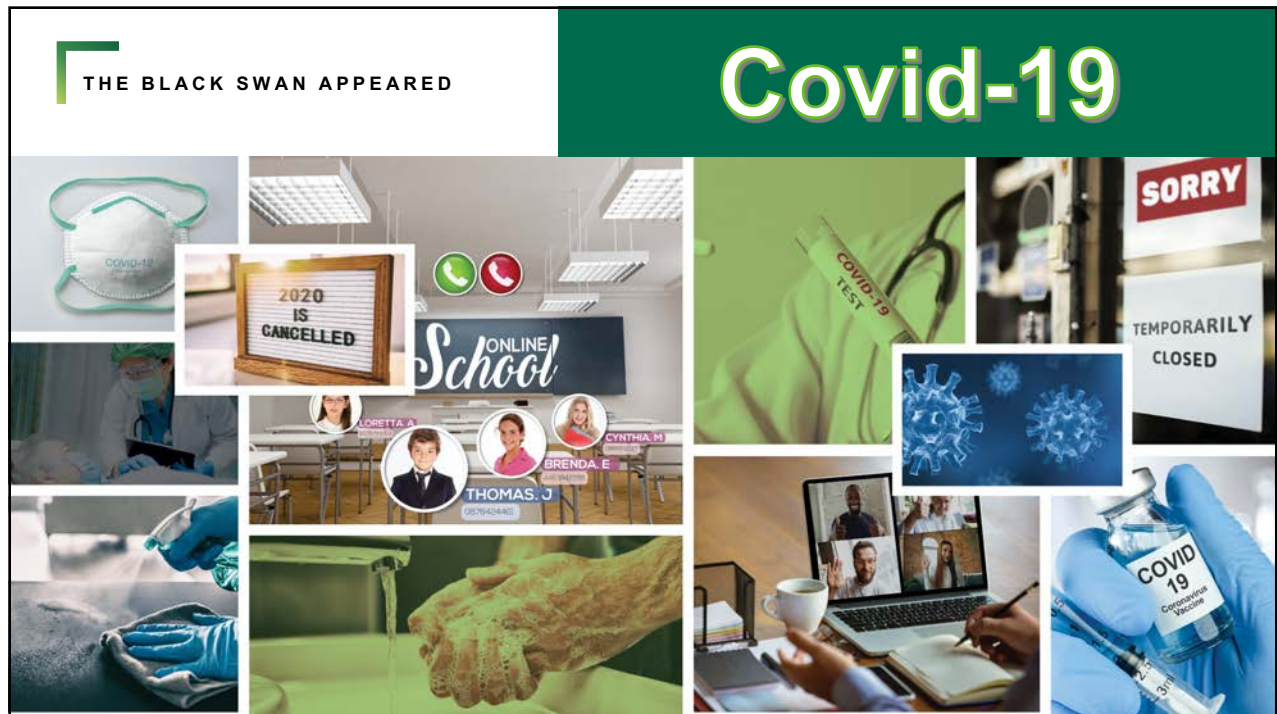
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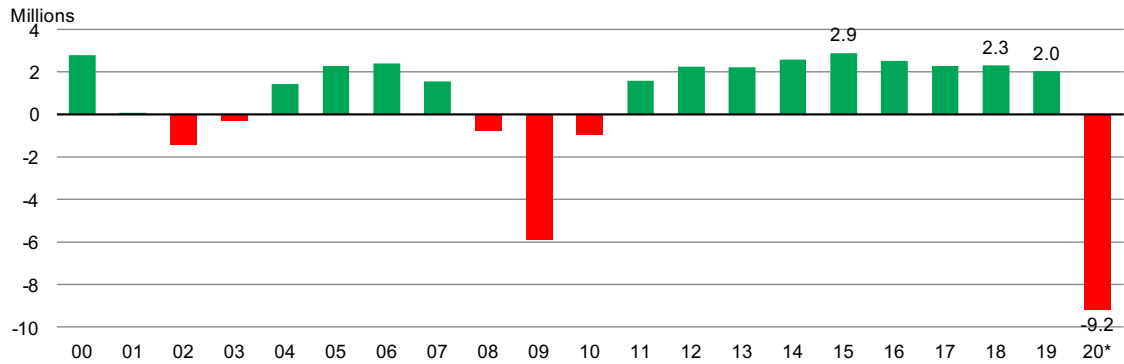


## CYCLICAL DEMAND DRIVERS – CHANGE IN # OF JOBS

2020 YOY employment down 9.2 million jobs



Annual Change in Total Nonfarm Employment

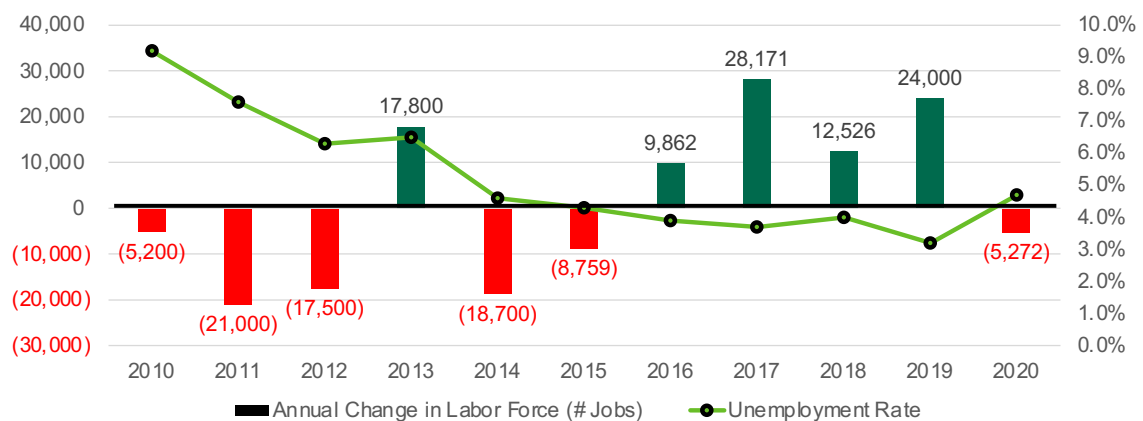


Source: CBRE Research, U.S. Bureau of Labor Statistics, Q4 2020. Net change based on annual averages. \*20 = YOY as of October.

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## CINCINNATI MSA EMPLOYMENT

2010-2020 - Change in # of Jobs/ Avg. Unemployment Rate

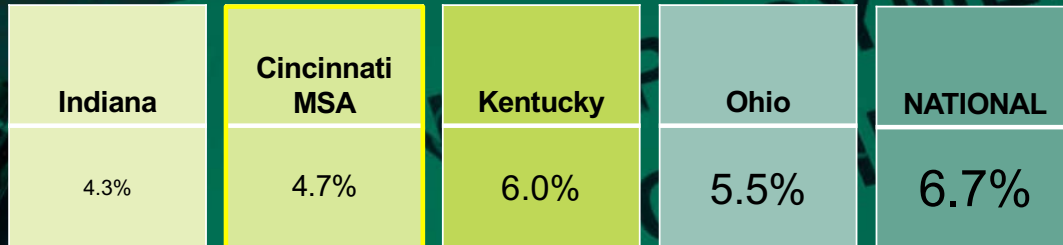


Source: Bureau of Labor Statistics

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## UNEMPLOYMENT

Seasonally Adjusted Rates as of December 2020

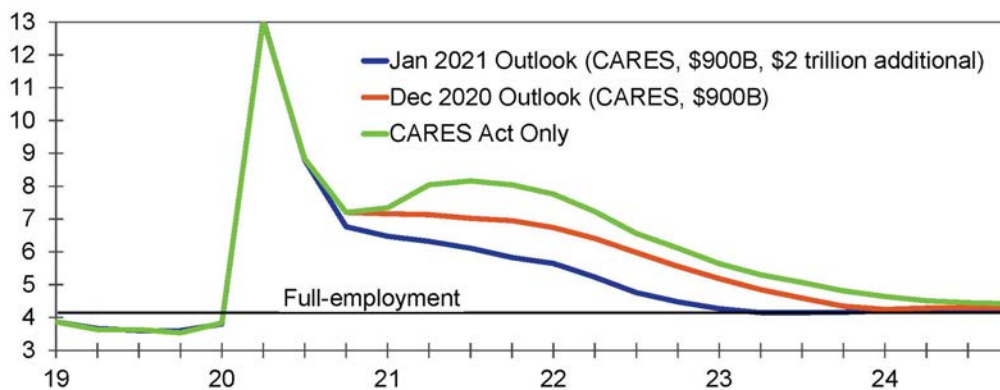


Source: Bureau of Labor Statistics, State rates are preliminary as of December 2020 and National rate is Actual December 2020

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## PROJECTED RECOVERY SCENARIOS

Unemployment rate, %



Source: BLS, Moody's Analytics

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## FEDERAL DEBT HELD BY THE PUBLIC, 1900 TO 2050 (% OF GDP)

U.S. Debt to GDP Ratio



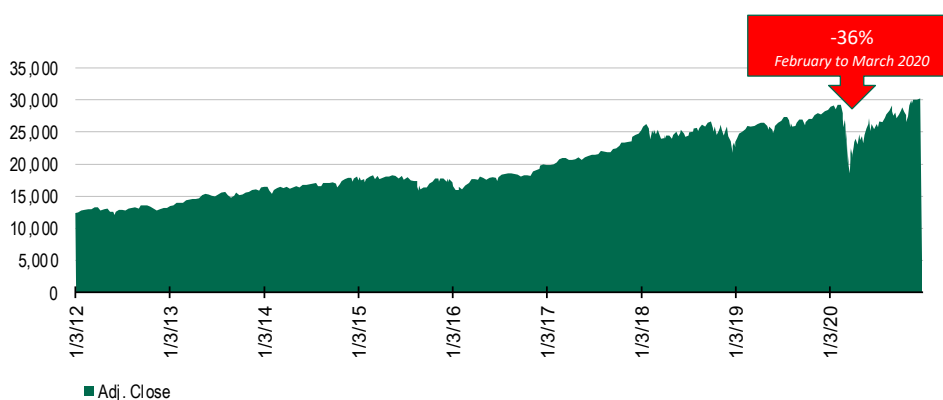
Source: U.S. Congressional Budget Office

- Government debts skyrocketed in 2020
- No immediate danger, but unsustainable long term

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## DOW JONES INDUSTRIAL AVERAGE

10-Year Daily Average | Adj. Close



Source: YahooFinance accessed on 12/30/2020

- Minimum: June 2012: 12,101
- Maximum: December 2020: 30,404

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### CYCLICAL DEMAND DRIVERS – GDP OUTLOOK

GDP declined 3.50% in 2020

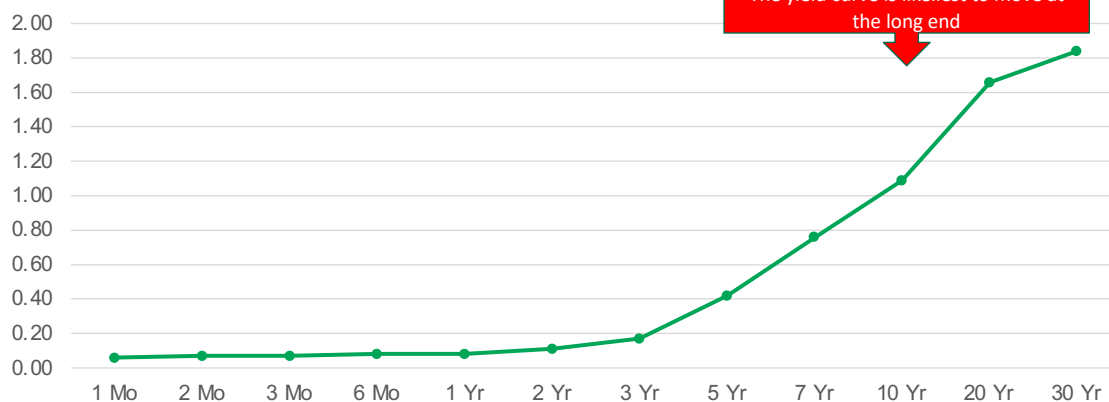
	2018	2019	2020	2021	2022
Actual	2.9	2.3	-3.5		
CBRE “House View”				4.5	
Oxford Economics				3.6	3.0

Source: CBRE Research; U.S. Bureau of Economic Analysis; CBRE Econometric Advisors, 10.20; Oxford Economics, 11.06.20.

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### TREASURY YIELD CURVE

Treasury Yield Curve as of February 1, 2021



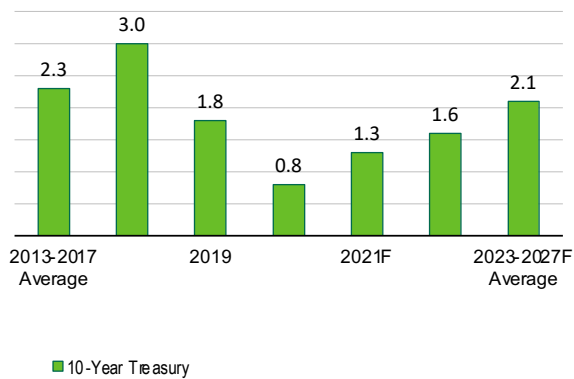
Source: <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/textview.aspx?data=yield>

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## 10-YEAR TREASURY, "LOWER-FOR-LONGER"

10-Year Treasury Forecast



- Fed likely takes a "lower-for-longer" rate environment as the economy recovers
- Greater downward pressure on long-term cap rates for commercial real estate

Source: CBRE Research, September 2020

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## FANNIE MAE & FREDDIE MAC



Source: CBRE Research

- \$158 Billion in multifamily lending in 2020, 7% increase from 2019
- \$140 Billion allocated for multifamily for 2021
- 50% must be "mission driven" (AKA "workforce housing") – up from 37.5% in 2020
- Privatization most likely now on hold

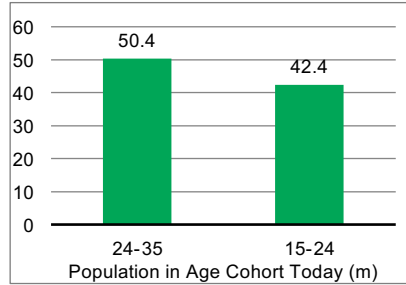
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## OUTLOOK – LONG-TERM DEMAND DRIVERS

Multifamily demand rose by 2.2 million or 16.4% in last decade; looking forward, similar total projected, but 11.9% gain

### Headwinds

1. Fewer young adults coming into sector (15.8% less)



2. Millennials aging – 68% in their 30s
3. Immigration trending down; 2019 lowest level in 30+ years

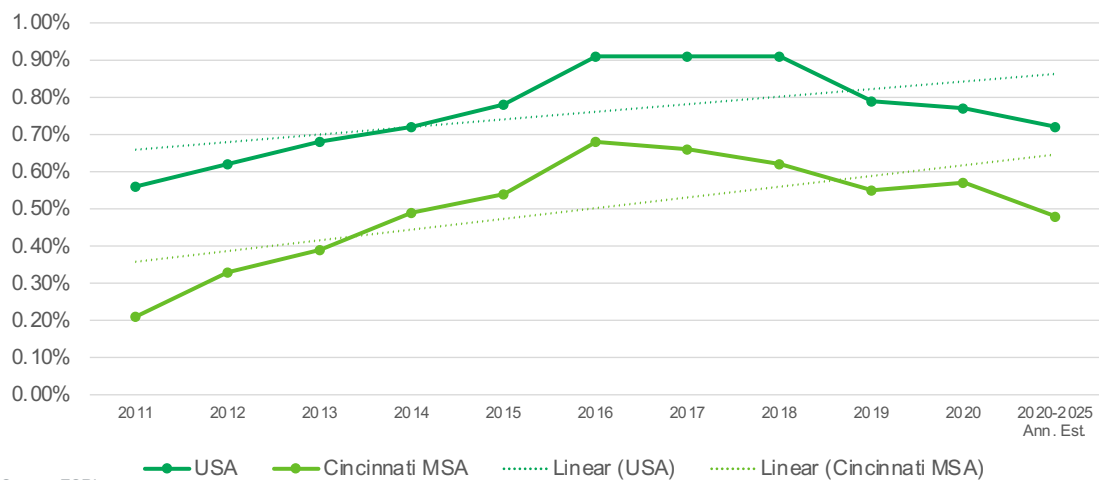
Source: CBRE Research, CBRE Q3 2020.

### Tailwinds

1. High housing costs – not going away
2. Small households prevailing
  - 1- and 2-person households – 63% of all households in 2019 and rising
  - No mini baby boom from millennials; birthrates declining, births declining
3. Rising number of baby boomers moving into rentals

## CINCINNATI POPULATION GROWTH

Cincinnati MSA lags behind the U.S. population growth rate...



Source: ESRI

LOCAL ECONOMY

Amazon Air CVG Hub Slated Opening 2021 with Completion 2026

{
The Most Significant Economic Event in the Region in the Last Two Decades
}

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COVID Impact on Real Estate

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## COVID-19 IMPACTS

### ACCELERATION OF TREND

- Enhanced technology adoption (have you heard of ZOOM?)
- Consumer economy – more contactless payment and even more e-commerce

### EDUCATION

- Adaptation to remote learning
- A coming shake-out in post-secondary education

### WORKPLACE

- Work from home
- Work from anywhere
- “Hub and spoke”

### IMPACT ON MULTIFAMILY INDUSTRY

- Packages, packages, and more packages
- Technology moves to the forefront: portals, apps, smart dwellings, touchless, keyless
- Electronic (the automobile is now a computerized entertainment center on wheels)
- Student housing – universities pressured for dollars
- The rise of secondary and tertiary cities – the next evolution in employee cost reduction
- Public/shared transit less desirable
- Housing and jobs need to be closer together

## CINCINNATI MSA

Local, State & Federal Government

### City Budget

- Fiscal 2021 Budget engineered to fill a \$73 million revenue gap
- Pension Fund issue not solved.

Source: WCPO.com

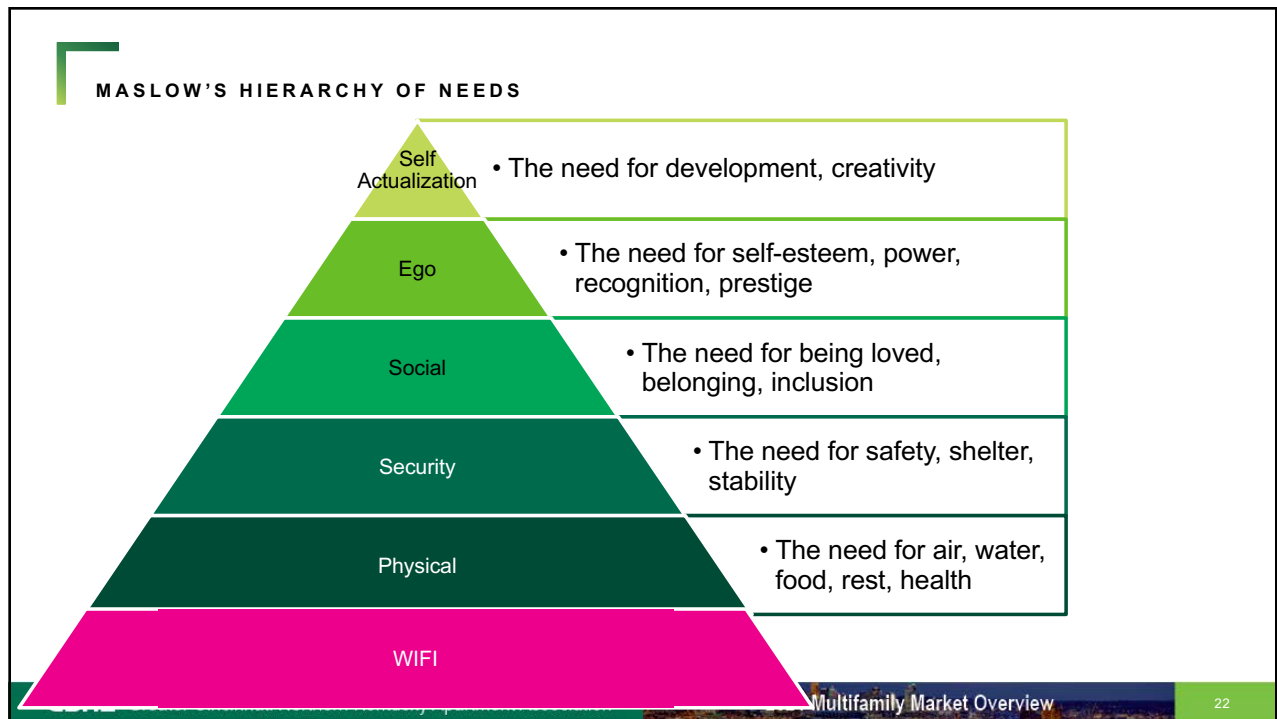
### State Budget

- Estimated \$2 billion shortfall
- Spending was cut \$870 million in 2020
- State tax revenues to be impacted through 2023-2024
- Rainy day fund? \$2.7 billion

### Gov't Stimulus

- \$3 trillion spent in 2020
- \$1.9 billion Biden proposal
- Dollars available to states and cities to help





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### COMMUTE TO WORK > IMPACT ON U.S.

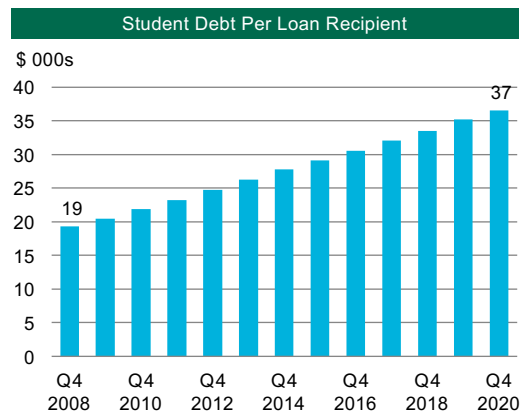
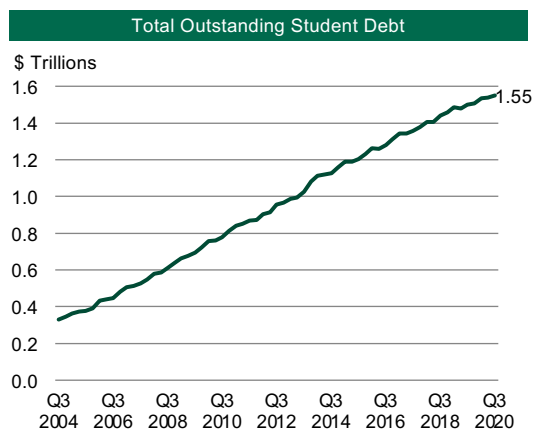


- Staying power of work from home: the commute will be better post-pandemic
- 300 North American employers polled in October 2020: 30% of employees work from home (up 5% from 3 years ago)
- U.S. daily work-from-home workers will more than DOUBLE to 18% over the 7% who did before COVID

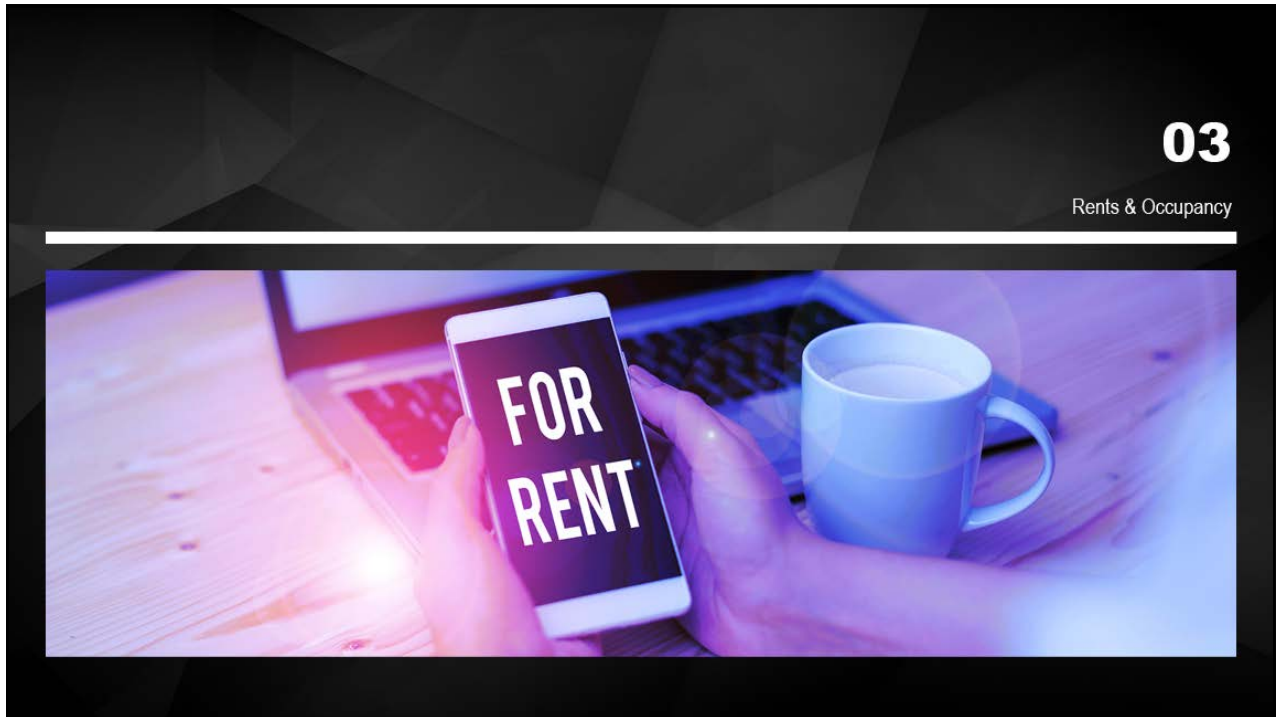
Source: Wall Street Journal, "Covid-19 Pandemic Likely Improved Your Commute to Work." January 3, 2021.

### SECULAR DEMAND DRIVERS – RISING STUDENT DEBT

Majority of college graduates have student debt (65% in 2018); necessity to make student loan payment serves as a financial deterrent to homebuying (and 40% of student-debt borrowers did not obtain a degree)



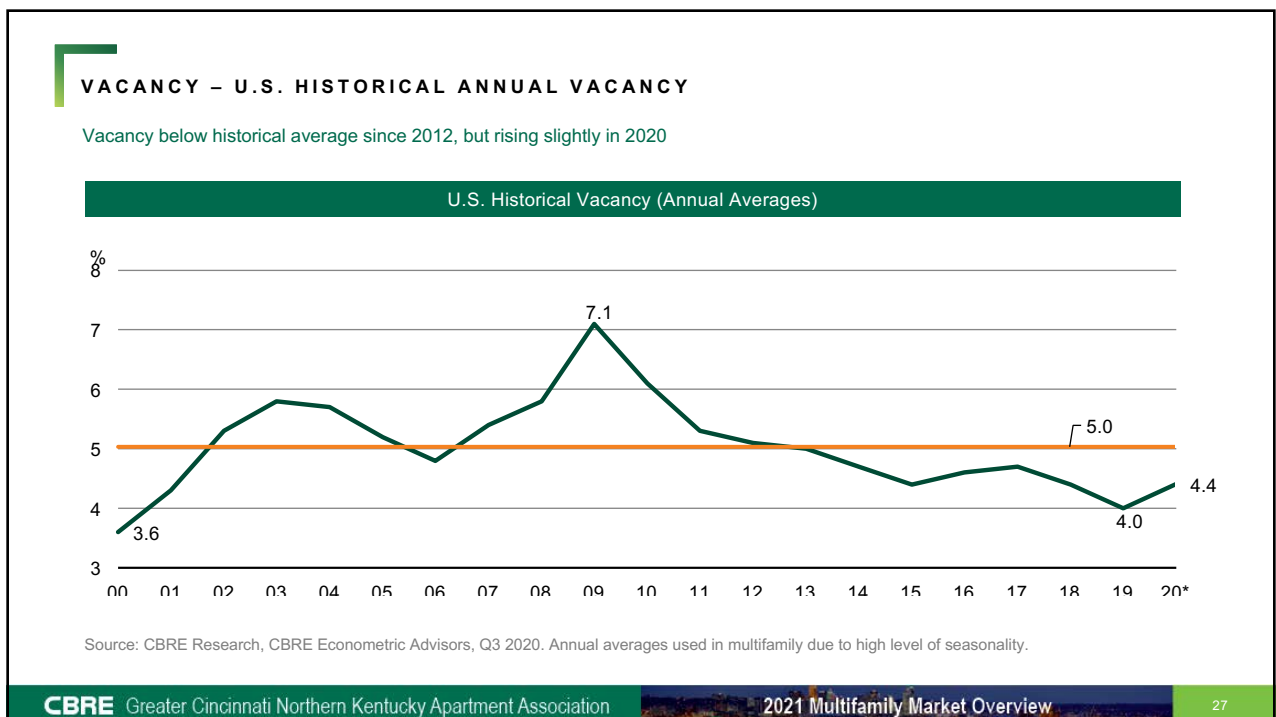
Source: CBRE Research, Federal Reserve Bank of New York, U.S. Department of Education, Q3 2020.



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Rents & Occupancy

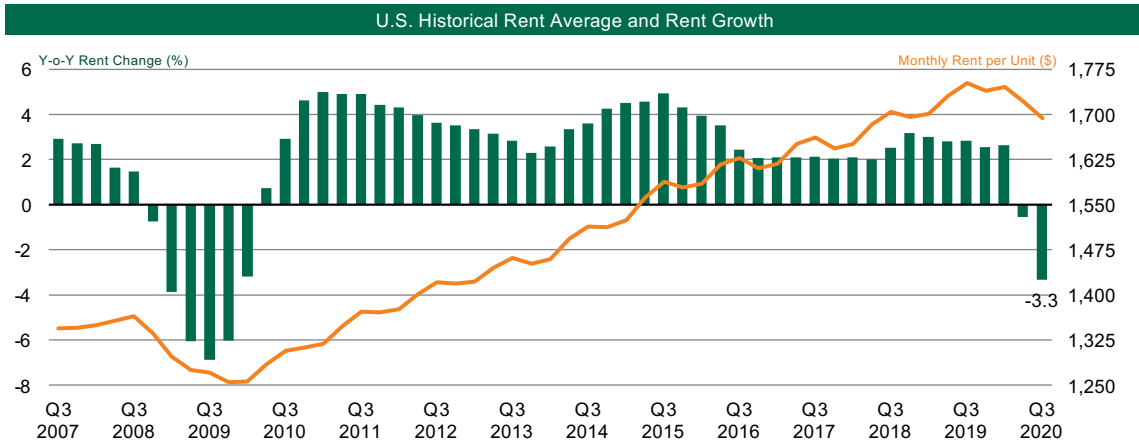
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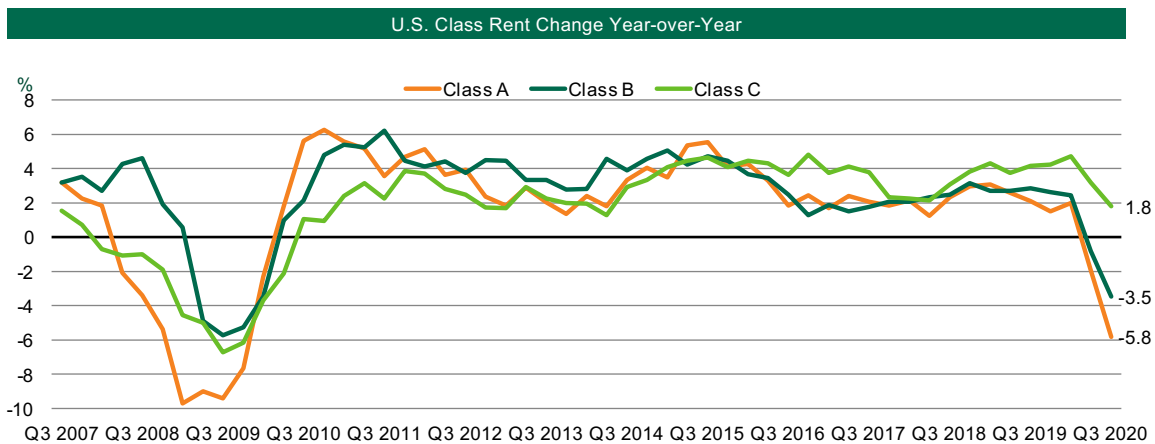
## RENT – U.S. HISTORICAL EFFECTIVE RENTS & RENT CHANGE

Year-over-Year, the average effective "same-store" rent fell 3.3%; quarter-over-quarter in Q3, rents fell 1.6% (normally Q3 is a quarter of strong rent growth)



## RENT – U.S. RENT CHANGE BY CLASS

Class C outperforming Class A & B so far in COVID-19 recession

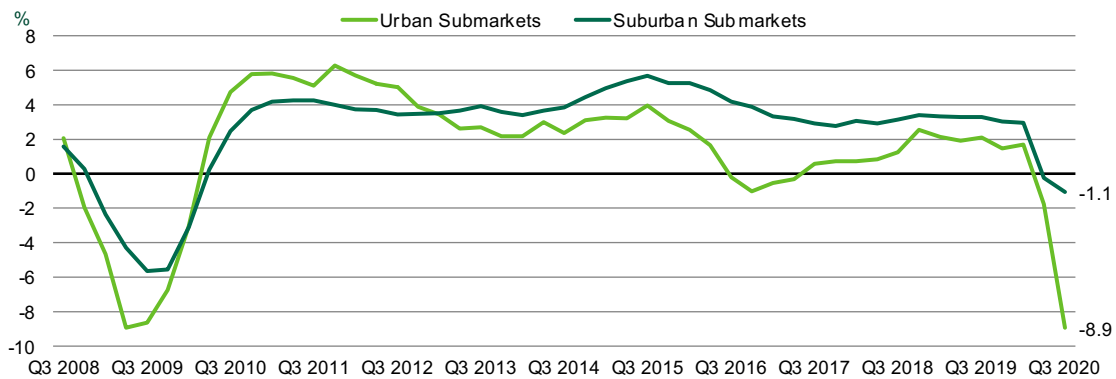




## RENT - U.S. URBAN VS. SUBURBAN RENT TRENDS

Suburban rent growth outpaced urban prior to COVID-19; in COVID-19 period, the gap has widened significantly

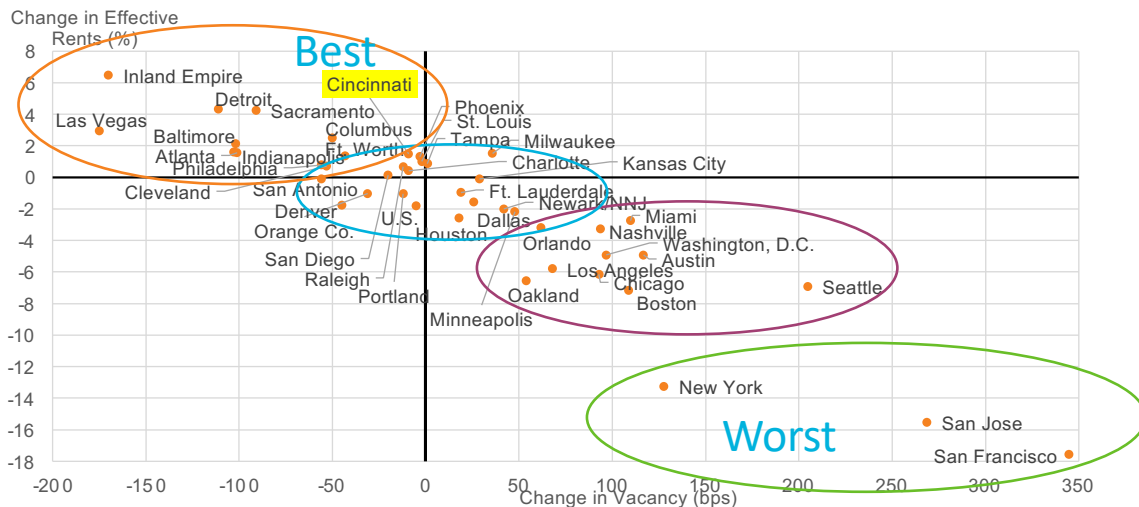
U.S. Urban vs. Suburban Submarkets - Rent Change Year-over-Year



Source: CBRE Research, CBRE Econometric Advisors, Q3 2020.

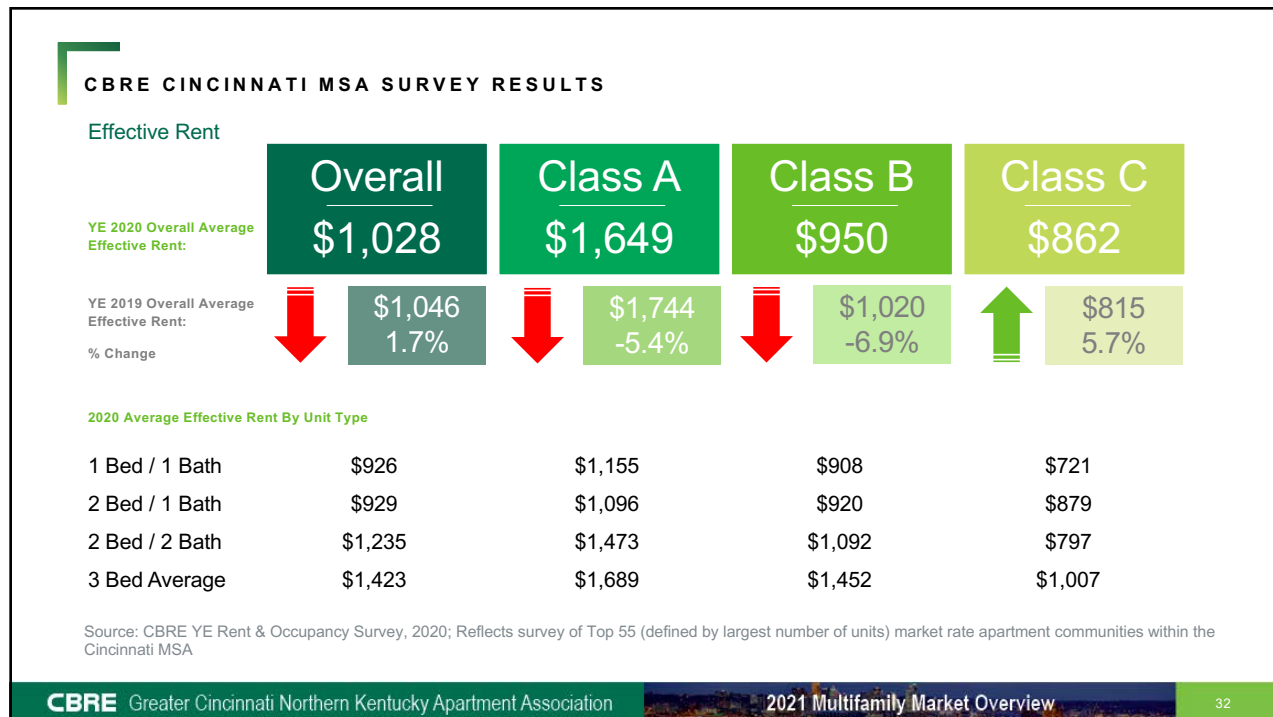
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## METROS - RENT & VACANCY CHANGE MARCH TO OCTOBER

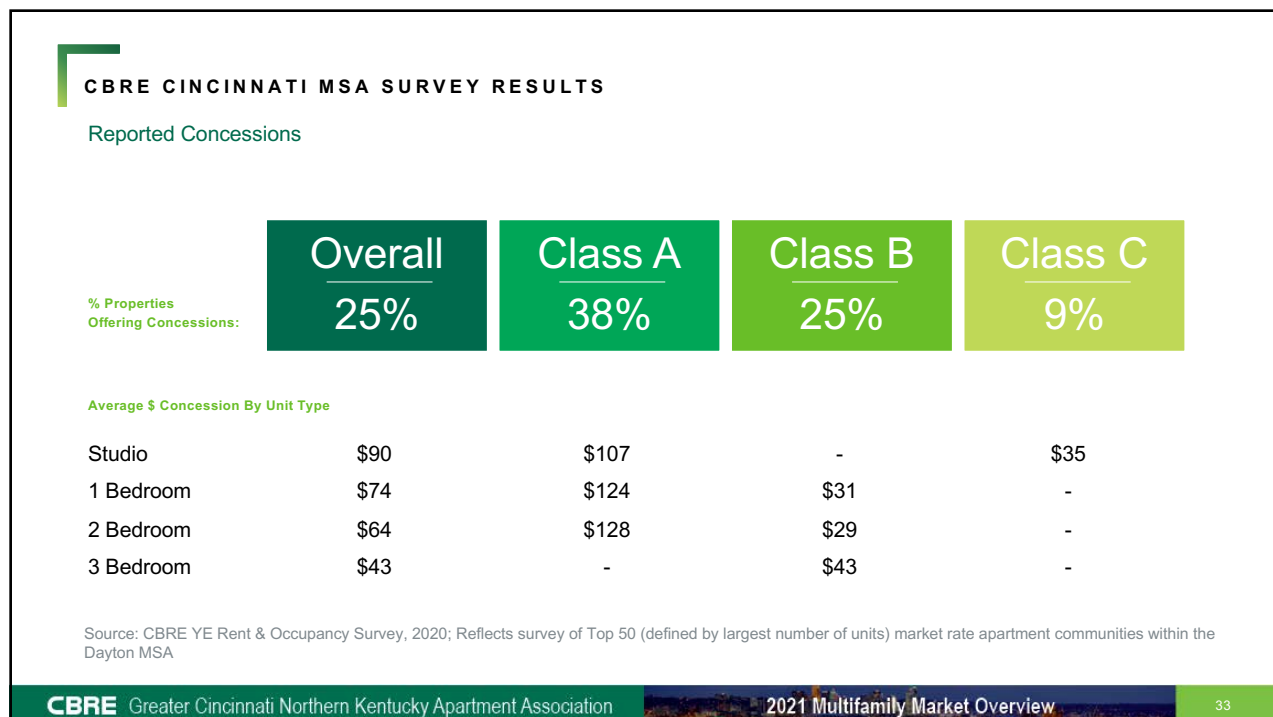


Source: CBRE Research, RealPage, Q4 2020. 44 metros with 150,000+ units..

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### CBRE YE RENT SURVEY – KEY TAKE AWAYS

- Overall effective rents increased during a pandemic – speaks to the strength of the market.
- Suburban assets significantly outperformed urban.
- Class C – workforce housing – held up the best in effective rents, but the question is for how long?
- Heavy concessions appeared for the first time in 10 years.



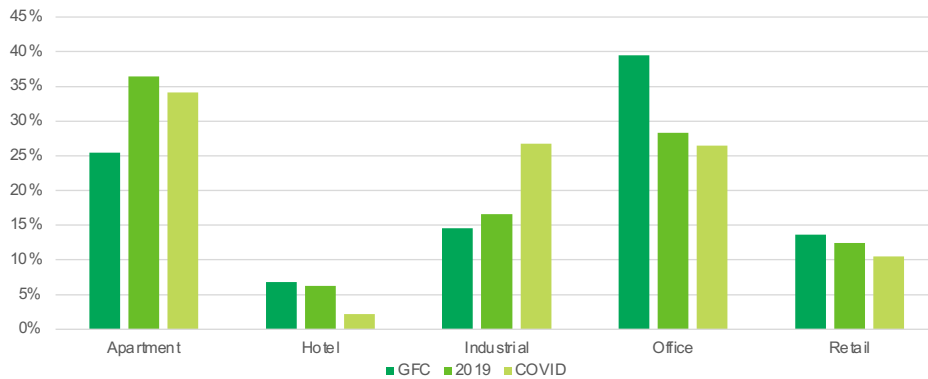
## 04

Investment Market



## INVESTOR PREFERENCES HAVE SHIFTED

Proportion of investment by property type during Global Financial Crisis (GFC), 2019 and COVID-19 era



- Multifamily and industrial/logistics are the preferred asset classes in COVID-era and beyond
- Office, retail, and hotel are all in question
- Still capital available, interest rates will stay low, investment demand will continue

Source: CBRE Research, Real Capital Analytics, Q3 2020

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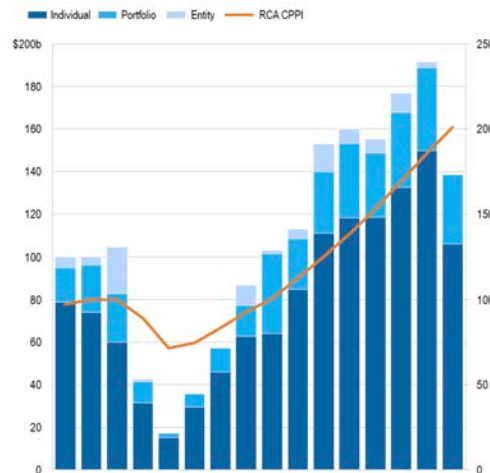
## 2020 MULTIFAMILY TRANSACTION VOLUME

United States

2020 Total Consideration

\$138.7B

YOY:  
-28%



Source: 2021 Real Capital Analytics

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## 2020 MULTIFAMILY TRANSACTION VOLUME

Cincinnati MSA



Out-of-State Buyers:  
**48%**

2020

Total Consideration

**\$430M**

Total # Units

**5,610**

Total Transactions

**42**

YOY Change

**-23%**

**-35%**

**--39%**

Source: CBRE

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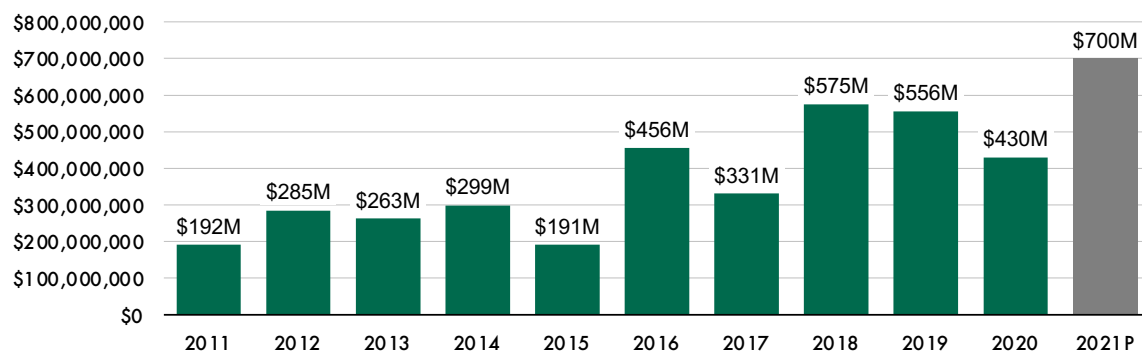
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## TRANSACTION VOLUME

10-year History Total Consideration Multifamily Sales

Greater Cincinnati MSA, Sales \$1M+



Source: CBRE

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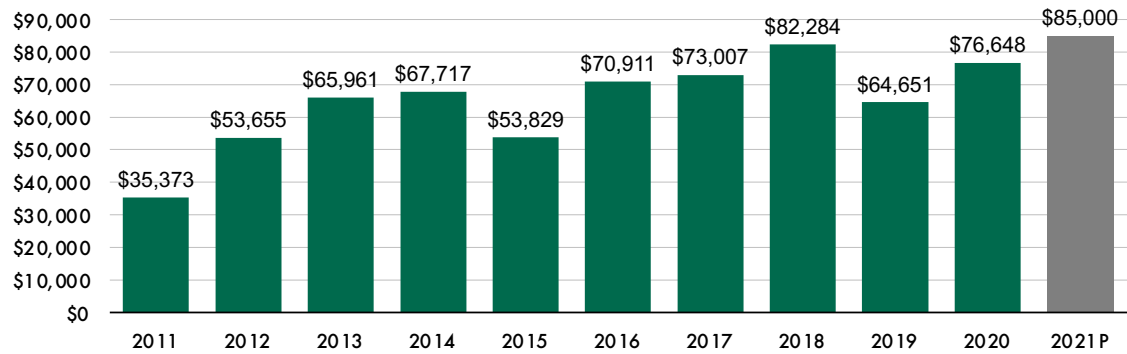
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## TRANSACTION VOLUME

10-year History Average Sale Price/Unit Multifamily Sales

Greater Cincinnati MSA, Sales \$1M+



Source: CBRE

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## 2020 MULTIFAMILY TRANSACTION VOLUME

Cincinnati MSA Total Transactions by Class

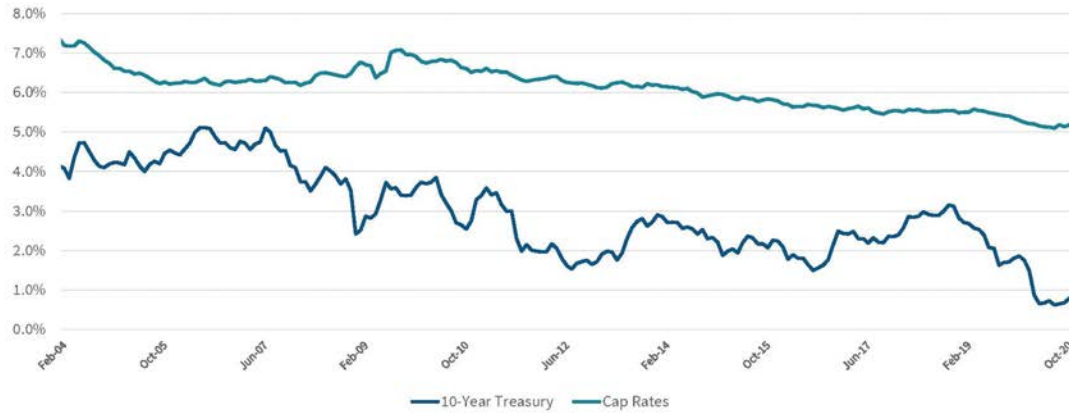


Source: CBRE

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### CAP RATE SPREAD TO TREASURIES

Comparing National Multifamily Cap Rates to 10-Year Treasury



Source: Federal Reserves, Real Capital Analytics

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### CINCINNATI MSA CAP RATES

CAP RATES COMPRESSED EVEN FURTHER IN 2020!

	Class A		Class B		Class C	
	Infill	Suburban	Infill	Suburban	Infill	Suburban
2 <sup>nd</sup> Half 2019	4.75-5.00	5.00-5.75	5.25-6.25	5.00-6.00	6.00-7.50	6.00-7.50
2 <sup>nd</sup> 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

Source: CBRE Research, 2<sup>nd</sup> Half 2019 National Cap Rate Survey Report

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## 05

Development Pipeline



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## CINCINNATI DEVELOPMENT PIPELINE

Annual Permits Issued (Preliminary Results, 2020)

Single Family	Multifamily
2020 Permits Issued	
5,372	1,732
2019-2020 % Change Permits Issued	
29%	11%
2014-2020 Total Permits	
31,102	11,184
2014-2020 Annual Average Permits	
4,443	1,598



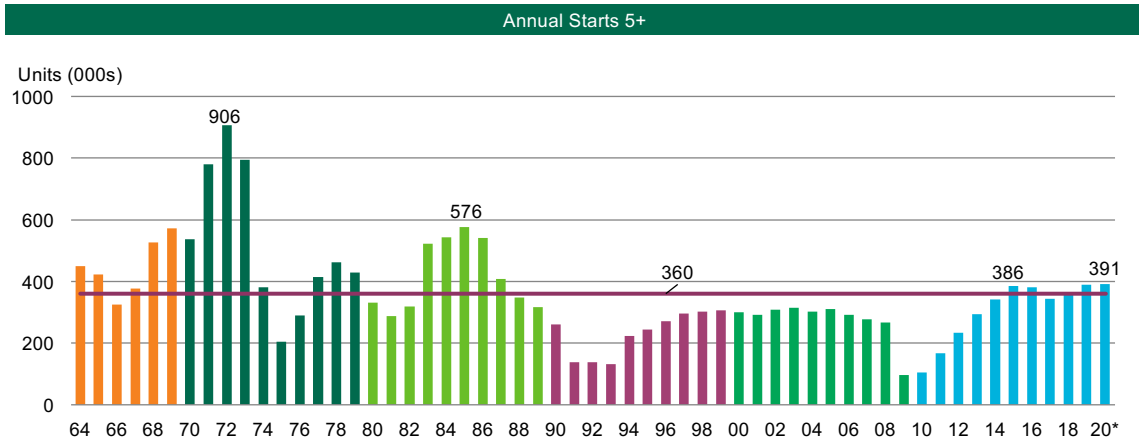
Source: United States Census Bureau &gt; Building Permits &gt; Permits by Metropolitan Area

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## SUPPLY – LONG-TERM HISTORY OF STARTS

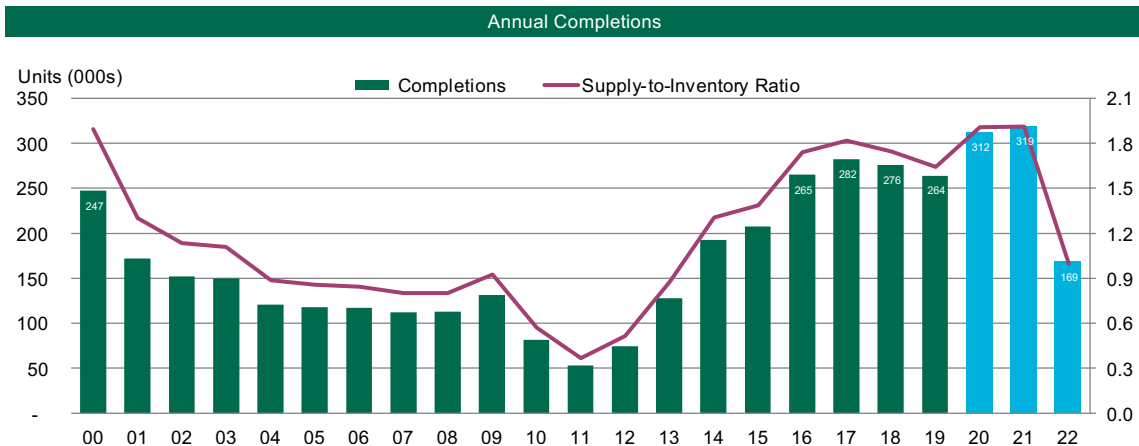
Despite large construction pipeline, current cycle does not rival 1970s or 1980s



Source: CBRE Research, U.S. Census Bureau, Q4 2020. Includes for-sale multifamily. \*2020 is based on January-October.

## SUPPLY – HISTORICAL ANNUAL COMPLETIONS

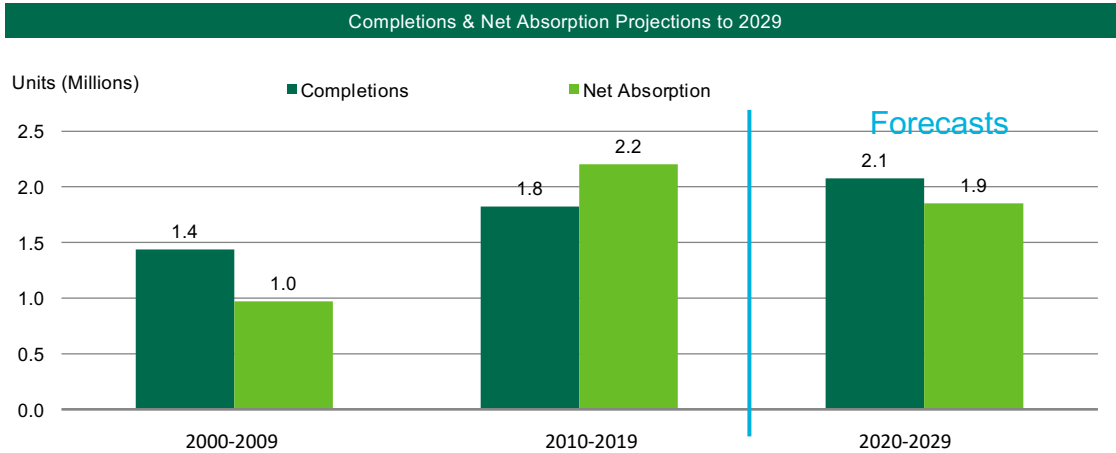
CBRE EA forecasts 2020 completions to rise 18% over last year and stay at cyclical peak in 2021; 2022 may be higher than EA forecasts



Source: CBRE Research, CBRE Econometric Advisors, Q3 2020. Total for 66 metro markets tracked by CBRE EA. Completed units are counted in the quarter in which property has stabilized. 2000 was peak of late 1990s/early 2000 expansion period.

## 2020 NET ABSORPTION & NEW SUPPLY

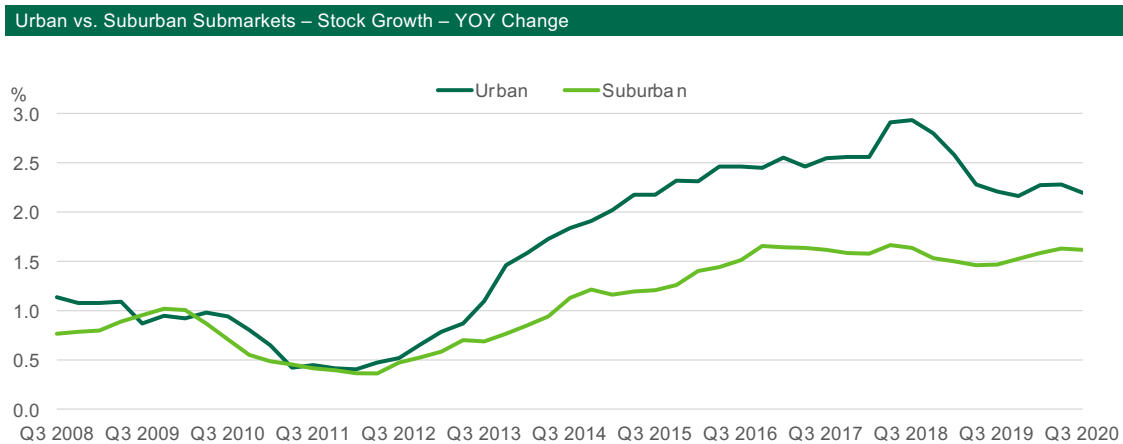
Multifamily demand is projected to total 1.9 million in 2020s decade



Source: CBRE Research, CBRE Econometric Advisors, Q3 2020. Baseline forecasts.

## SUPPLY – URBAN VS. SUBURBAN

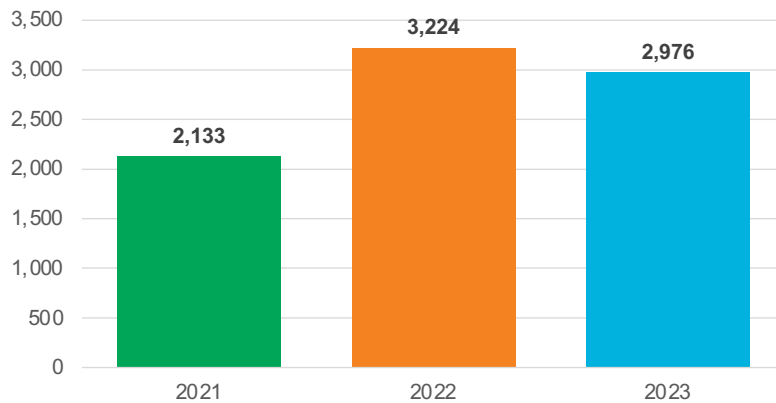
Construction in urban submarkets moderating, but still higher than suburbs



Source: CBRE Research, CBRE Econometric Advisors, Q3 2020.

## CINCINNATI MSA PROJECTED DEVELOPMENT PIPELINE

Three-Year Projected Multifamily Deliveries (# Total Units)



Source: CBRE

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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Lebanon
- One- and two-bedroom garden-style units + three-bedroom townhome-style units
- 1<sup>st</sup> deliveries Spring 2022
- Retail space (Catch-a-Fire Pizza)
- Elevators in all buildings, fitness center, and onsite office

Source: CMC Properties

## 511 N° Broadway

± 65 Units | CMC Properties



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Maineville
- Two- and three-bedroom unit styles
- COMPLETE December 2020
- Upscale, open concept apartments
  - Granite prep islands and vanities, stainless appliances, wood-grain flooring, 9-foot ceilings, and full-size washer/dryer connections
  - Detached garages available

Source: PLK Communities

# Alexander Pointe

144 Units | PLK Communities



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – West Chester
- Studio, one-, and two-bedroom unit styles with den and powder room options
- 1<sup>st</sup> deliveries Q3 2022
- Walkable to local businesses, restaurants, shopping, Mid Pointe Library, and West Chester Town Square
- In-building parking, elevators, expansive amenities, including rooftop terrace

Source: Hills Properties

# Clocktower

326 Units | Hills Properties



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Anderson Township
- One- and two-bedroom unit styles with den and powder room options
- 1<sup>st</sup> deliveries Q1 2024
- Located at Anderson Towne Center for the active, renter-by-choice
- In-building parking, park and ride for commuters, state-of-the-art fitness center, yoga studio, and infinity pool

Source: Hills Properties

## Vantage at ATC

224 Units | Hills Properties



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Union Township
- 48 3-Bedrooms and 48 2-Bedrooms
- Completion December 2021
- Sitework underway

Source: PLK Communities

## Gentry East

96 Units | PLK Communities



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Madisonville
- One-bedroom garden, one-bedroom carriage house, and two-bedroom townhome units
- 1<sup>st</sup> deliveries in March 2021; Full delivery December 2021

Source: PLK Communities

# The Jameson

151 Units | PLK Communities



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Norwood
- Former US Playing Card headquarters and manufacturing
- 1<sup>st</sup> deliveries 2022
- Phase I of mixed-use will have brewery food innovation hall and other retailers

Source: PLK Communities

# Factory 52

475 Units | PLK Communities



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Oakley
- Studio, one-, and two-bedroom unit styles with den and powder room options
- 1<sup>st</sup> deliveries Q1 2023
- Underbuilding garage with elevator access and tailored community amenities for the modern renter-by-choice

Source: Hills Properties

# Graphite Oakley

316 Units | Hills Properties



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Columbia Tusculum
- 62 luxury units
- Walkable neighborhood to bars and restaurants, including The Precinct, Pearls, Alan's Café, Starbucks, and Streetside Brewery
- Secure, covered parking, private courtyard with outdoor kitchen, heated swimming pool/spa, fitness center, and clubhouse

Source: R2 Properties

# 423 HOGE STREET

62 Units | R2 Partners



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Northside
- Two developments for a combined 94 units
- Completion Summer 2022
- One new building will be integrated into an existing structure overlooking Hofner Park

Source: PLK Communities

# Vandalia & Cooper

94 Units | PLK Communities



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Mt. Auburn
- Studio, one-, and two-bedroom units
- ± 12 larger, luxury units
- Delivery spring 2023
- 3.5-acre site with panoramic views
- Structured parking, swimming pool, clubroom, fitness center, and roof deck atop Prospect Hill in Mt. Auburn

Source: Uptown Rental Properties

# Bigelow Street

185 Units | Uptown Rental Properties



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Cincinnati CBD (Riverfront)
- Studio, one-, two-, and three-bedroom units
- 1<sup>st</sup> units Q1 2022; Full delivery June 2022
- Luxury living + appreciation for the arts
  - 1,500 SF art gallery (permanent and rotating pieces) & sculptures, murals, and paintings throughout interior/exterior amenity spaces
  - Two-story fitness center (5,000 SF), maker's space and artist studios, rooftop pool deck, and two courtyards

Source: Milhaus

## Artistry Cincy

344 Units | Milhaus



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Covington/Mainstrasse
- Studios to three-bedroom townhomes
- 1<sup>st</sup> deliveries spring 2021
- Approximately 7,500 SF retail + three-level parking deck
- Premium living experience with five amenity decks, including an oversized kitchen and living room event space, swimming pool, greenspace, and more.
- Optional: Mirror fitness in units

Source: EB Capital Partners

## John R. Green Lofts

177 Units | RealtyLink & EB Capital Partners



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood - Burlington
- One- and two-bedroom, garden-style units
- Breaking ground spring 2021
- 11-acre site at intersection of Burlington Pike and Aero Parkway, near airport and Amazon

Source: BRG Realty Group

# Parkway Trails

240 Units | BRG Realty Group



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## CINCINNATI MSA DEVELOPMENT PIPELINE

- Neighborhood – Park Hills, KY
- Unique living experience with views of Northern Kentucky and Cincinnati.
- One-, two-, and three-bedroom unit styles (267 units)
- Amenity rich: Two clubhouses (lower and upper pads), pavilion with 300 degree views, expansive pool deck, trails and sidewalks connecting property to surrounding community, pocket grill and picnic areas, outdoor cabanas and fire pit, sports pub and billiards, fitness studio, indoor/outdoor exercise area, yoga and spin room, “we work” space, and more!

Source: Arlington Properties

# Tapestry Ridge at NKU

267 Units | Arlington Properties



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2021 Forecast



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## REMARKABLY ACCURATE PROGNOSTICATIONS

### 2020

- Rent increases will average between 3% and 3.5%
- Occupancies will remain between 94% and 95%
- Sale market will again trade over \$500 million
- Development pipeline will slow slightly due to increased cost to build
- Cincinnati Reds will win the Central Division
- Cincinnati Bengals will again win a game in 2020
- Global pandemic underway and the whole world shuts down in a month

### 2021

- Suburban rents projected to increase at 2.5%
- Urban rents projected to be flat
- Suburban occupancies will range between 92%-94%
- Urban occupancies will range between 88%-90%
- Investment sale market will set a new record for volume
- Absorption of new development projects will be slow in the first half of the year
- Gradual reopening of offices will improve urban market performance
- Ratio of ZOOM calls to in-person meetings will dramatically decrease by Labor Day

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