

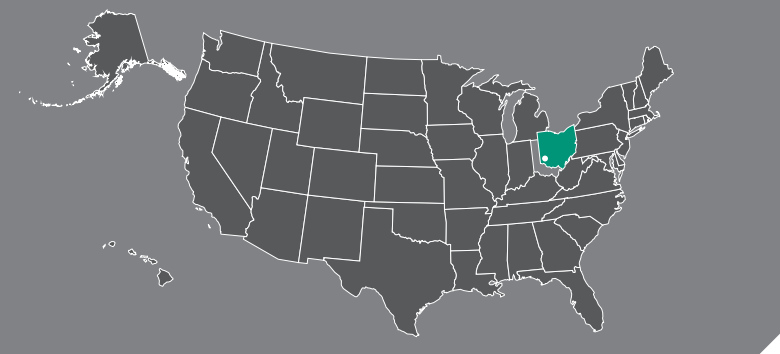
HUD PD&R Housing Market Profiles

Cincinnati, Ohio-Kentucky-Indiana



Quick Facts About Cincinnati

- **Current sales market conditions: slightly soft.**
- **Current apartment market conditions: slightly tight.**
- **The \$148 million Cincinnati Streetcar is a new, electric streetcar system that will include a 3.6-mile loop between 2nd Street, near the riverfront in downtown, and Henry Street in the Over-the-Rhine neighborhood. The streetcar system is estimated to produce a net economic benefit of more than \$315 million from when passenger service begins in September 2016 through 2042.**



By Gabriel A. Labovitz | As of January 1, 2016

Overview

The Cincinnati, OH-KY-IN Metropolitan Statistical Area (hereafter, the Cincinnati metropolitan area) includes 15 counties in Ohio, Kentucky, and Indiana. The two largest employment sectors in the Cincinnati metropolitan area are the professional and business services and the wholesale and retail trade sectors. They were also among the fastest-growing sectors during the fourth quarter of 2015, with gains of 7,400 and 5,400 jobs, or 4.3 and 3.2 percent, respectively. Liberty Center, a new mixed-use development in Liberty Township, Ohio, is a \$350 million lifestyle center that opened in the fall of 2015, with ongoing construction of 240 rental housing units, a hotel, and multiple retailers. It is estimated that retailers, restaurants, and other businesses at the development will create approximately 3,500 new jobs by 2018. The fastest-growing nonfarm payroll sector, on a percentage basis, during the fourth quarter of 2015 was the transportation and utilities sector, which increased by 4,200 jobs, or nearly 10 percent. Nearly all the growth, or 4,100 jobs, was in the transportation and warehousing industry. DHL has been expanding one of its three global “super hubs” in the metropolitan area, investing more than \$280 million and adding 900 jobs since 2009 at its Cincinnati/Northern Kentucky International Airport site. FedEx Corporation and Delta Cargo also maintain facilities at the airport, and, in late 2015, FedEx announced plans to expand its Northern Kentucky hub with a \$150 million investment and more than 60 new jobs.

continued on page 2



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continued from page 1

- As of January 1, 2016, the estimated population of the Cincinnati metropolitan area is 2.17 million, an average annual increase of 10,800, or 0.5 percent, since 2012. By comparison, the population increased at a lower average rate of 0.3 percent, or 6,750, annually from 2010 to 2012 as the local economy began to recover from the national recession.
- Recent migration increases contributed to the growth in population. Since July 1, 2012, the economy has strengthened and

net in-migration has averaged 4,775 people annually, reversing the previous trend. From April 1, 2010, to July 1, 2012, net out-migration averaged 2,825 people annually.

- Boone County, Kentucky, and Butler and Warren Counties, in Ohio, have been the primary recipients of the recent net in-migration to the metropolitan area.

Economic Conditions

Economic conditions have been improving in the Cincinnati metropolitan area since 2011, and during this time nonfarm payroll growth has averaged 1.9 percent annually, or 19,150 jobs. The current nonfarm payroll total of 1.08 million jobs exceeds the prerecession peak of 1.04 million jobs averaged during 2007. The impacts of the national recession, which occurred from late 2007 through 2009, continued through 2010 in the Cincinnati metropolitan area. From 2007 through 2010, nonfarm payrolls declined by 62,200 jobs, an average of 20,700 jobs, or 2.0 percent, annually. Declines peaked at 49,900 jobs, or 4.8 percent, during 2009, and the unemployment rate peaked at 9.9 percent during 2010. From 2007 through 2010, education and health services was the only sector to record net job growth, increasing by an average of 1,900 jobs annually. The

manufacturing sector recorded the largest decline during this period, averaging a loss of 5,900 jobs, or 5.1 percent, annually. Since 2011, nonfarm payroll growth has been led by the professional and business services sector, which has increased by an average of 6,300 jobs, or nearly 4 percent, annually. The transportation and utilities and the mining, logging, and construction sectors also added a significant number of jobs, growing by respective averages of 4.3 and 3.5 percent, or 1,800 and 1,400 jobs, annually.

During the fourth quarter of 2015—

- Nonfarm payrolls averaged 1.08 million, an increase of 20,400 jobs, or 1.9 percent, compared with a smaller increase of 17,900 jobs, or 1.7 percent, a year earlier.

continued on page 3

Nonfarm payrolls in the Cincinnati area increased in 8 of 11 sectors, led by growth in the professional and business services sector.

	3 Months Ending		Year-Over-Year Change	
	December 2014 (thousands)	December 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,056.9	1,077.3	20.4	1.9
Goods-producing sectors	151.9	157.1	5.2	3.4
Mining, logging, and construction	42.3	43.2	0.9	2.1
Manufacturing	109.6	113.8	4.2	3.8
Service-providing sectors	905.1	920.2	15.1	1.7
Wholesale and retail trade	167.0	172.4	5.4	3.2
Transportation and utilities	42.6	46.8	4.2	9.9
Information	13.5	13.7	0.2	1.5
Financial activities	67.2	68.1	0.9	1.3
Professional and business services	172.3	179.7	7.4	4.3
Education and health services	159.9	159.7	- 0.2	- 0.1
Leisure and hospitality	111.6	109.8	- 1.8	- 1.6
Other services	39.2	40.9	1.7	4.3
Government	131.7	129.1	- 2.6	- 2.0
	(percent)	(percent)		
Unemployment rate	4.5	4.1		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

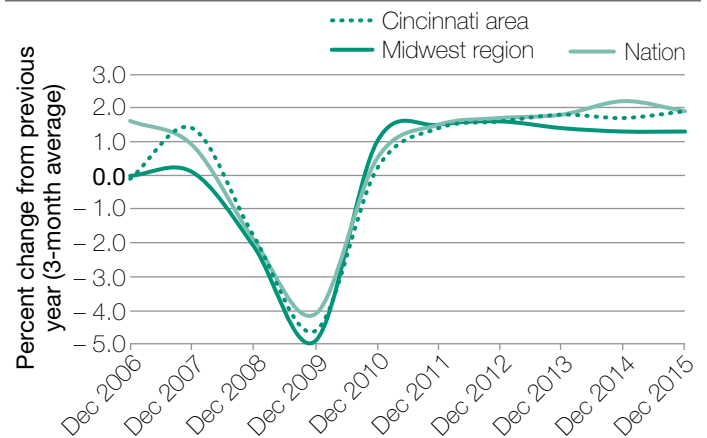


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- Of the 11 nonfarm payroll sectors, 8 added jobs, led by the professional and business services and the wholesale and retail trade sectors, which expanded by 7,400 and 5,400 jobs, or 4.3 and 3.2 percent, respectively. The Kroger Co., headquartered in the city of Cincinnati, is the largest private employer in the metropolitan area, with 20,950 employees.
- The largest nonfarm payroll declines were in the government and the leisure and hospitality sectors, which contracted by 2,600 and 1,800 jobs, or 2.0 and 1.6 percent, respectively. In the government sector, federal, state, and local government subsector payrolls declined by 600, 1,300, and 700 jobs, respectively. In the leisure and hospitality sector, a loss of 1,900 jobs within the arts, entertainment, and recreation industry was partially offset by growth of 100 jobs in the accommodation and food services industry.
- The unemployment rate declined from 4.5 percent during the fourth quarter of 2014 to 4.1 percent, the lowest unemployment rate in the Cincinnati metropolitan area since 2001.

Two historic neighborhoods in the city of Cincinnati—Over-the-Rhine and Pendleton, situated north of downtown Cincinnati—have been centers of redevelopment activity during the past 15 years. The renovation of Washington Park in 2012 and the mixed-use development of Mercer Commons during 2014 accelerated growth in these areas. During 2015, nearly 40 commercial tenants moved into these two neighborhoods, creating more than 640 jobs (*Cincinnati Business Courier*). Besides being a growing center of restaurants and bars in the city of Cincinnati, these areas include two business incubators, Cintrifuse and The Brandery, which encourage startup economic activity. When operational in the fall of 2016, the Cincinnati Streetcar will link these areas north of downtown Cincinnati with the

Nonfarm payroll growth in the Cincinnati area has been above the rate for the Midwest region since 2013.



Note: Nonfarm payroll jobs.

Source: U.S. Bureau of Labor Statistics

Largest employers in the Cincinnati area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Kroger Co.	Wholesale and retail trade	20,950
University of Cincinnati	Government	15,400
Cincinnati Children's Hospital Medical Center	Government	14,950

Note: Excludes local school districts.

Source: *Business Courier Book of Lists*, 2015

downtown riverfront, including the Great American Ballpark (home of the Major League Baseball Cincinnati Reds) and Paul Brown Stadium (home of the National Football League Cincinnati Bengals).

Sales Market Conditions

The sales housing market in the Cincinnati metropolitan area is currently slightly soft, with an estimated vacancy rate of 1.8 percent, down from 2.5 percent in April 2010. Single-family home construction has increased since 2011 but remains moderate compared with homebuilding activity during the mid-2000s. The lower level of development, combined with increased population growth since 2012, has led to a significant decline in the inventory of homes for sale, which totaled 7,450 during December 2015 compared with 12,300 during December 2010 (Yahoo!-Zillow Real Estate Network). During the 12 months ending November 2015, new home sales (including single-family homes, townhomes, and condominiums) totaled 2,475, down more than 13 percent compared with new home sales during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The average new home sales price was \$286,000 during the 12 months ending November 2015, slightly

more than 1 percent above the average price of \$282,100 recorded a year earlier. Existing home sales totaled 35,150 during the 12 months ending November 2015, nearly 2 percent higher than a year earlier, and regular resale home sales, which exclude short sales and real estate owned (REO) sales, rose nearly 5 percent, to 29,650. The average sales price for an existing home was \$159,600, nearly 4 percent higher than the average sales price recorded a year earlier, and, for a regular resale home, the average sales price was \$171,400, 3 percent higher than the average price during the previous year.

- An estimated 15.9 percent of existing home sales were distressed sales (REO and short sales) during the 12 months ending October 2015, down from 18.4 percent during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). The highest average rate of distressed sales was recorded during 2011,

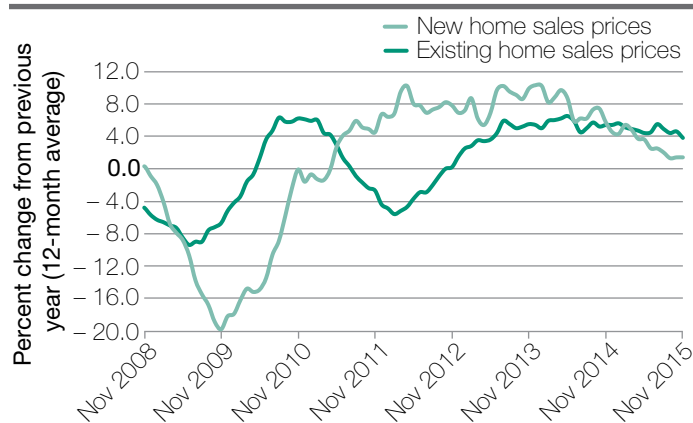
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when 28.9 percent of all existing home sales were distressed. During 2011, the average resale price was \$135,700, the second lowest annual average recently recorded and only slightly higher than the \$133,400 average sales price recorded during 2009, the peak of the recent economic downturn in the Cincinnati metropolitan area.

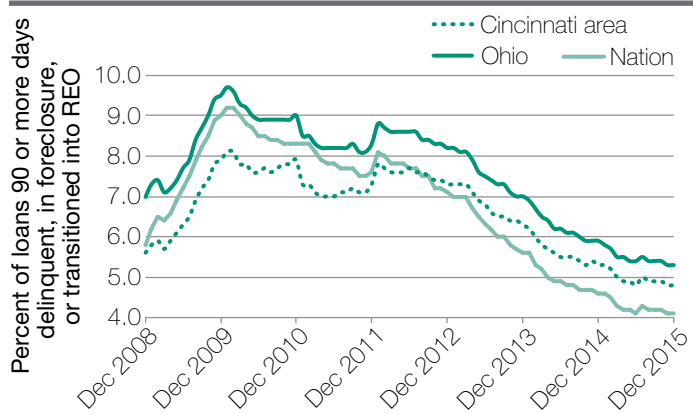
- In December 2015, 4.8 percent of mortgage loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 5.3 percent in December 2014. By comparison, the rates of seriously delinquent loans and REO properties for the state of Ohio and the nation were 5.3 and 4.1 percent, respectively, during December 2015 (Black Knight Financial Services, Inc.).

The rate of increase has begun to decline for new home sales prices but has remained stable for existing home sales prices in the Cincinnati area.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

The rate of seriously delinquent loans and REO properties in the Cincinnati area has been below the rate for Ohio since 2008 but above the national rate since 2012.



REO = real estate owned.
Source: Black Knight Financial Services, Inc.

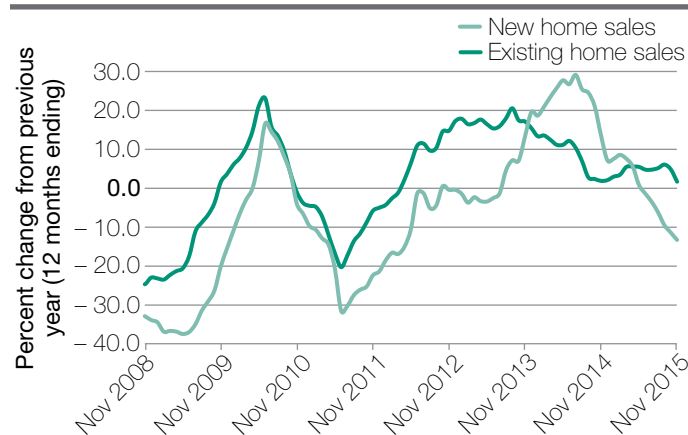
- Condominiums accounted for 10 percent of all home sales during 2015, down from 11 percent of all home sales during 2014. During 2015, approximately 44 percent of all condominium sales were in Hamilton County, Ohio, which includes the city of Cincinnati, a proportion that has remained stable since 2010 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

Because of strengthening economic conditions and population growth in the Cincinnati metropolitan area, home builders have increased new single-family home construction, as measured by the number of single-family homes permitted, from the average permitting levels recorded from 2010 to 2012.

- During 2015, the number of single-family homes permitted totaled 3,525 (preliminary data), up more than 8 percent from the 3,250 single-family homes permitted during 2014.

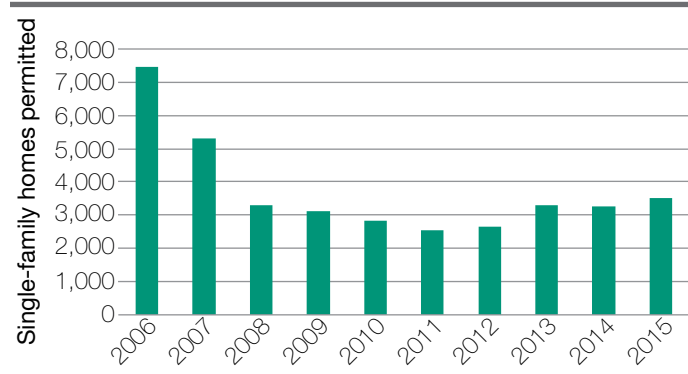
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Since late 2014, new home sales in the Cincinnati area have been declining but existing home sales have stabilized at a relatively low rate of growth.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

Single-family home permitting in the Cincinnati area has increased modestly after a recent low during 2011.



Note: Includes preliminary data from January 2015 through December 2015.
Source: U.S. Census Bureau, Building Permits Survey

continued from page 4

- Single-family homebuilding totaled 7,450 homes during 2006 and declined to 5,300 homes permitted during 2007 before declining again, to average 3,075 homes permitted annually from 2008 to 2010.
- Even as the economy in the Cincinnati metropolitan area recovered, single-family homebuilding activity remained low, averaging 2,600 homes built annually in 2011 and 2012 before increasing to 3,300 homes during 2013.

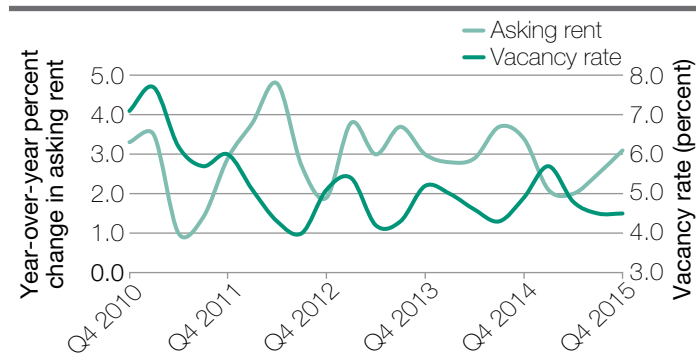
Apartment Market Conditions

Despite increasing levels of new apartment production since 2010, apartment market conditions remain slightly tight in the Cincinnati metropolitan area because the economic expansion led to population growth and an increase in renter households. An estimated 35 percent of all households in the metropolitan area were renters as of July 2014 compared with 31 percent in July 2010 (2010 and 2014 American Community Survey 1-year data).

During the fourth quarter of 2015—

- The apartment vacancy rate in the metropolitan area was 4.5 percent, down from 4.9 percent during the fourth quarter of 2014. The apartment market has been balanced to slightly tight in the Cincinnati metropolitan area, with vacancy rates of 6 percent or lower, since the third quarter of 2011.
- Apartment vacancy rates in the nine MPF Research-defined market areas (hereafter, areas) within the Cincinnati metropolitan area ranged from 2.8 percent in the Central Cincinnati area to 6.2 percent in the West Cincinnati area.
- The average asking rent was \$837, up 3 percent from the average rent reported a year earlier (MPF Research).

The apartment vacancy rate in the Cincinnati area has been 6 percent or less since the third quarter of 2011; annual rent increases have averaged 3 percent since 2010.



Source: MPF Research

- In Warren County, Ohio, The Falls of Landen has 59 sites in its first phase of construction for townhomes starting at \$180,000; as of January 1, 2016, more than one-third of all units are sold. In the Over-the-Rhine neighborhood of Cincinnati, the Cincinnati Center City Development Corporation, or 3CDC, is constructing 17 condominium units at its Race Street Condos development. Construction began in the fall of 2015, and one- and two-bedroom units ranging from 800 to 1,200 square feet will be available in the fall of 2016, with prices yet to be determined.

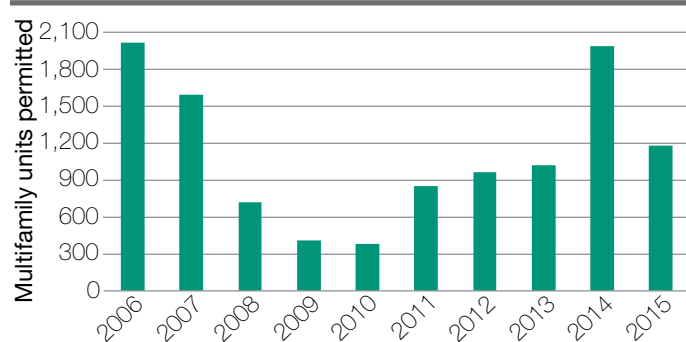
- The highest average rent, \$1,323, was reported in the Central Cincinnati area, which also registered the largest annual increase, nearly 7 percent, compared with the average rent a year earlier.

Multifamily construction activity, as measured by the number of units permitted, declined during 2015 compared with construction activity during 2014.

- During 2015, approximately 1,175 multifamily units were permitted (preliminary data), nearly 40 percent less than were permitted during 2014. The 1,975 units permitted in 2014 was the highest annual figure since 2006.
- From 2011 to 2013, multifamily production was generally stable, averaging 950 units annually. By comparison, an average of 2,125 units were permitted annually during 2005 and 2006 before permitting declined each year to a low of 380 units in 2010 as the national economy entered a recession and the economy in the Cincinnati metropolitan area began to contract.
- An estimated 2,900 apartment units are currently under construction in the metropolitan area, similar to the 3,000 units under construction during the fourth quarter of 2014 (MPF Research).

continued on page 6

Multifamily permitting in the Cincinnati area has increased from recent low levels during 2009 and 2010.



Note: Includes preliminary data from January 2015 through December 2015.
Source: U.S. Census Bureau, Building Permits Survey

continued from page 5

- Currently under construction at the Liberty Center development, in suburban Butler County, Ohio, are 240 units in twin apartment properties at The Grant and The Fillmore. These developments are nearing completion and are expected to open in the spring of 2016; one-, two-, and three-bedroom units are expected to start at \$1,050, \$1,400, and \$2,100, respectively.
- In Cincinnati's Over-the-Rhine neighborhood, Mercer Commons II opened during the summer of 2014, with 67 market-rate and affordable units, completing the 154-unit mixed-use property, which includes rental and owner units and commercial space.