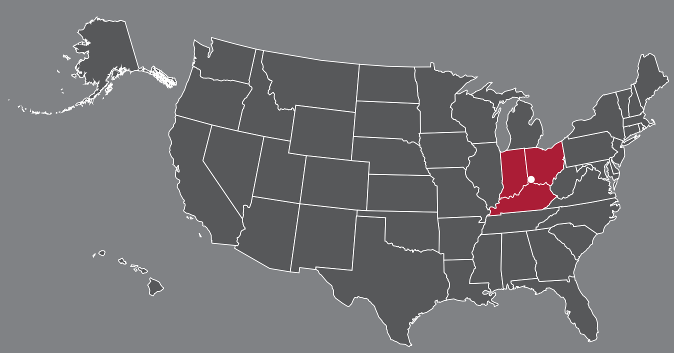
HUD PD&R **Housing Market Profiles**

Cincinnati, Ohio-Kentucky-Indiana

Quick Facts About Cincinnati

- **Current sales market conditions: balanced**
- **Current rental market conditions: balanced**
- **During 2019, eight companies with headquarters in the Cincinnati metropolitan area were in the Fortune 500, including The Kroger Co., a supermarket chain ranking 20th on the list with 21,250 employees in the metropolitan area.**



By Diana Villavicencio | As of November 1, 2019

Overview

The Cincinnati, OH-KY-IN Metropolitan Statistical Area (hereafter, the Cincinnati metropolitan area) is located along the Ohio River and is part of the tri-state area in southwestern Ohio, northern Kentucky, and southeast Indiana. The metropolitan area includes 15 counties: Brown, Butler, Clermont, Hamilton, and Warren Counties in Ohio; Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton Counties in Kentucky; and Dearborn, Ohio, and Union Counties in Indiana. The city of Cincinnati, in Hamilton County, is the economic center and the most populous city of the metropolitan area, with nearly 14 percent of the population. The metropolitan area is home to Cincinnati Children's Hospital Medical Center, which is ranked in the top five best Children's Hospitals in the nation, according to the annual U.S. News Best Children's Hospitals Honor Roll (*U.S. News and World Report* 2019–2020 Best Children's Hospitals).

- As of November 1, 2019, the estimated population of the Cincinnati metropolitan area was 2.02 million, representing an average increase of 10,550 people, or 0.5 percent, each year since 2016. During this period, net in-migration averaged 4,275 people a year, accounting for 40 percent of

continued on page 2

PD&R

continued from page 1

population growth, and net natural increase (resident births minus resident deaths) averaged 6,275 people annually.

- From 2011 to 2016, a period that included slower economic growth, net in-migration averaged only 900 people annually, or less than 10 percent of population growth because of the greater number of job opportunities outside the metropolitan area. At the same time, the higher average net natural increase of 8,250 people a year, resulted in an average population growth of 9,150 people, or 0.4 percent, annually.
- Net natural increase has slowed recently, in part, because of the growing proportion of people at retirement age, generally defined as residents age 65 and older. From 2013 to 2018, the retirement age cohort was the fastest growing, up an average 2.5 percent, or by 7,375 people, annually; the proportion of the population age 65 and older accounted for 15 percent of the population in 2018, up from 13 percent in 2013 (2013 and 2018 American Community Survey [ACS] 1-year estimates).

Economic Conditions

Following the economic downturn that occurred from 2008 through 2010 in the Cincinnati metropolitan area, nonfarm payrolls increased an average of 1.5 percent annually from 2011 through 2018, and job growth accelerated during the most recent 3 months. During the 3 months ending October 2019, nonfarm payrolls grew 2.3 percent, or by 25,200 jobs, to 1.14 million—a recent high compared with the 20,700 jobs lost annually from 2008 through 2010. By comparison, during the 3 months ending October 2019, nonfarm payrolls grew an average of 0.6 and 1.4 percent, respectively, in the Midwest region and the nation.

During the 3 months ending October 2019—

- The education and health services sector, which added 6,900 jobs, or 4.1 percent, to 173,900 jobs led nonfarm payroll growth in the Cincinnati metropolitan area. The $7.5 million Mercy Health–Cincinnati Medical Center in Liberty Township opened in October 2019, adding an undisclosed number of medical workers. The $650 million, 600,000-square-foot expansion of Cincinnati Children's Hospital Medical Center is currently under construction and is expected to be completed during the first quarter of 2022. An estimate of job additions as a result of the expansion has not yet been determined.
- The leisure and hospitality sector grew by 4,500 jobs, or 3.5 percent, from the previous year and has been the fastest growing sector since 2011. The FC Cincinnati soccer club of Major League Soccer debuted in the city of Cincinnati in 2016, and a $250 million stadium for the team, with approximately 26,000 seats, is expected to be completed in March 2021 and will add an unspecified number of jobs to the sector.

continued on page 3

The service-providing sectors accounted for 84 percent of job growth during the 3 months ending October 2019 in the Cincinnati metropolitan area, despite declines in three of the sectors.

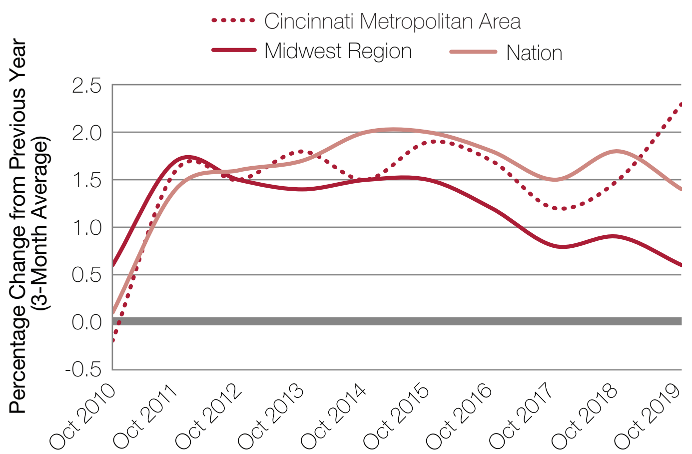
	3 Months Ending		Year-Over-Year Change	
	October 2018 (Thousands)	October 2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,116.8	1,142.0	25.2	2.3
Goods-Producing Sectors	168.7	172.9	4.2	2.5
Mining, Logging, & Construction	49.3	50.5	1.2	2.4
Manufacturing	119.4	122.4	3.0	2.5
Service-Providing Sectors	948.1	969.2	21.1	2.2
Wholesale & Retail Trade	168.6	168.1	-0.5	-0.3
Transportation & Utilities	51.7	53.3	1.6	3.1
Information	14.0	13.7	-0.3	-2.1
Financial Activities	74.2	78.3	4.1	5.5
Professional & Business Services	173.8	178.6	4.8	2.8
Education & Health Services	167.0	173.9	6.9	4.1
Leisure & Hospitality	128.2	132.7	4.5	3.5
Other Services	42.1	41.6	-0.5	-1.2
Government	128.6	129.0	0.4	0.3
	(Percent)	(Percent)		
Unemployment Rate	3.8	3.7		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

continued from page 2

- Partially offsetting job growth in the Cincinnati metropolitan area are decreases in the wholesale and retail trade, the other services, and the information sectors, which lost a combined 1,300 jobs. Job losses were highest in the retail trade subsector in the health and personal care, clothing and clothing accessories, and general merchandise stores industries.
- The unemployment rate in the Cincinnati metropolitan area decreased slightly to an average of 3.7 percent, down from 3.8 percent during the same period a year earlier. The current unemployment rate is significantly lower than the peak of 9.7 percent during the 3 months ending October 2009.

During the 3 months ending October 2019, the rate of job growth in the Cincinnati metropolitan area surpassed the national rate for the first time since 2013.



Note: Nonfarm payroll job growth.
Source: U.S. Bureau of Labor Statistics

The professional and business services sector began adding jobs in 2010, a year before overall nonfarm payroll growth in the Cincinnati metropolitan area resumed and has added a higher number of jobs than any other sector since. From 2010 through 2017, the sector added an average of 2,700 jobs, or 1.7 percent, annually. During the 3 months ending October 2019, the professional and business services sector expanded by 4,800 jobs, or 2.8 percent, to 178,600 jobs, compared with an increase of 4,200 jobs, or 2.5 percent, during the previous year. The current level of professional and business services jobs accounts for nearly 16 percent of total nonfarm payrolls in the metropolitan area, making it the largest payroll sector. During the most recent 3-month period, the professional, scientific, and technical services and the management of companies and enterprises industries, which includes headquarters operations, accounted for all the growth in the overall sector. In July 2018, The Kroger Co. opened a second headquarters in downtown Cincinnati moving 600 existing jobs from other parts of the metropolitan area; The Kroger Co. is expected to add approximately 400 new jobs through 2021. The Kroger Co. is the third largest retail company by sales in the United States, following Walmart Inc. and Amazon.com, Inc. (National Retail Federation, 2018).

Largest Employers in the Cincinnati Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Kroger Co.	Wholesale & Retail Trade	21,250
University of Cincinnati	Government	16,000
Cincinnati Children's Hospital Medical Center	Education & Health Services	15,300

Note: Excludes local school districts.
Source: Moody's Analytics

Sales Market Conditions

The sales housing market in the Cincinnati metropolitan area is currently balanced with an estimated sales vacancy rate of 1.5 percent as of November 1, 2019, down from 2.5 percent during April 2010. Market conditions have improved since the 2007-through-2011 housing market downturn because much of the excess inventory that resulted from the foreclosure crisis has been absorbed. During October 2019, the metropolitan area had 1.9 months of available for-sale inventory, down from 2.4 months a year earlier, and down from a recent high of 9.5 months during October 2011 (CoreLogic, Inc.). Although the housing market downturn resulted in a lower percentage of seriously delinquent mortgage loans and real estate owned (REO) properties than in the nation overall, the metropolitan-wide rate is currently higher than the national rate. The rate peaked at 6.5 percent in the metropolitan area during January and February 2010, compared with 8.6 percent in the nation during the same months (CoreLogic, Inc.). As of September 2019, the rate of seriously delinquent mortgage loans and REO properties in the metropolitan area was 1.6 percent, down from 1.8 percent a year ago; that proportion is above the 1.4 percent rate for the nation, however.

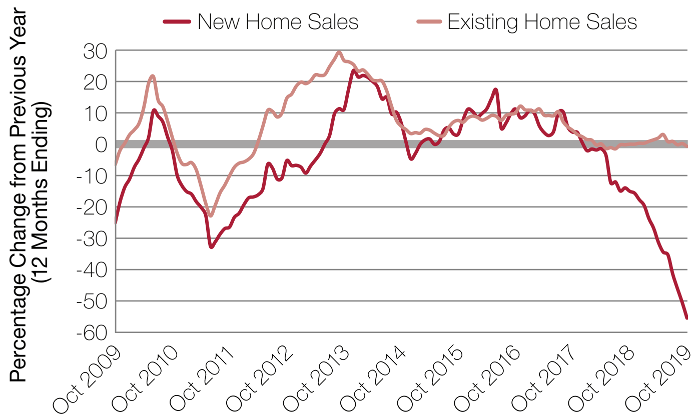
During the 12 months ending October 2019—

- Approximately 37,650 existing homes (including single-family homes, townhomes, and condominiums) sold in the metropolitan area, less than 1 percent fewer than those sold during the same period a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst), but up

continued on page 4

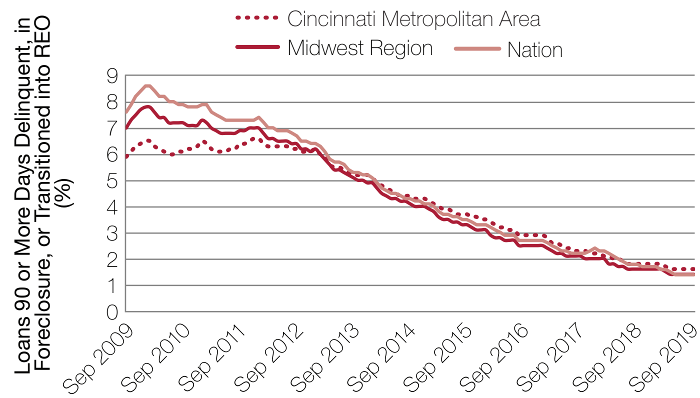
continued from page 3

New home sales in the Cincinnati metropolitan area shifted from growth to a decline since January 2018, and existing home sales began decreasing in October 2019.



Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

The rate of seriously delinquent mortgages and REO properties has declined significantly in the Cincinnati metropolitan area since the early 2010s but is currently above the rate for the Midwest region and the nation.

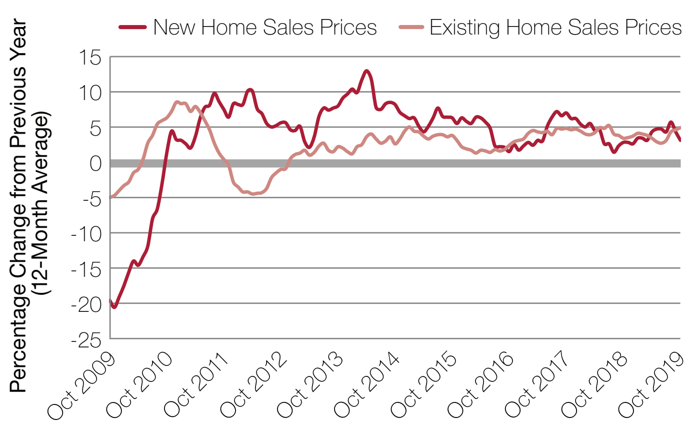


REO = real estate owned.
Source: CoreLogic, Inc.

89 percent from a low of 19,950 homes sold in 2011 around the time of the local housing market downturn. Since 2012, increases in regular resales were the foundation of existing home sales, increasing by an average of 2,675, or 12 percent, annually, while REO sales decreased by an average of 430 homes, also 12 percent, a year.

- The existing home sales price averaged $197,700, nearly 5 percent higher than the average existing home sales price a year earlier, and approximately 27 percent higher than the average $156,000 price in 2011 when an elevated level of REO sales negatively affected the average sales price. By comparison, the average price for existing home sales increased an average of 3 percent annually from 2012 through 2017.

New and existing home sales prices in the Cincinnati metropolitan area have increased every year since 2013.



Note: New and existing home sales prices include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

- New home sales (including single-family homes, townhomes, and condominiums) totaled approximately 1,075, down 55 percent from the 2,400 a year earlier, and down 56 percent from the average of 2,450 homes sold annually from 2012 through 2017. New home sales have been constrained recently partly because of a shortage in skilled construction workers that has resulted in low for-sale inventory.
- The average sales price of a new home increased 3 percent, to $354,000, slower than the average annual growth of 6 percent from 2012 through 2017.

After reaching a recent low in 2011, new single-family home construction, as measured by the number of homes permitted, has increased nearly every year to a peak in 2017. Recently, however, rising costs of labor, land, and materials and the shortage of skilled construction workers have suppressed growth in new home construction and slowed the level of permitting since 2018.

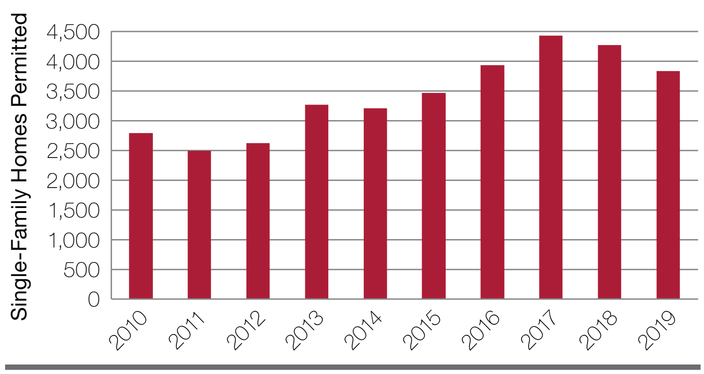
- During the 12 months ending October 2019, the number of single-family homes permitted totaled 4,350, relatively unchanged from the 4,300 homes permitted during the same period a year earlier (preliminary data). The number of single-family homes permitted increased an average of 10 percent annually, from 2,500 homes in 2011 to 4,450 homes permitted in 2017.

continued on page 5

continued from page 4

- More than one-fourth of the recent single-family home permitting in the metropolitan area has occurred in Warren County, much of which is occurring in the city of Lebanon, at the Shaker Run community. This site is located midway between the cities of Cincinnati and Dayton, both in Ohio. Since construction began in 2005, approximately 700 homes have been sold. A total of 1,300 homes are expected at the development on completion, and prices start at approximately $279,900 for a two- or three-bedroom home.
- The first phase of the Union Village, a "New Urban" planned community in the city of Lebanon, is also currently under construction and will increase walkability with a wide range of housing types and nearby jobs. The first phase includes 89 single-family homes with 4,500 homes expected at buildout during the next 20 to 30 years; prices have not been published.

Single-family home permitting in the Cincinnati metropolitan area increased nearly every year from 2012 through 2017, but permitting slowed in the most recent 24 months.



Note: Includes preliminary data from January 2019 through October 2019.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Rental Market Conditions

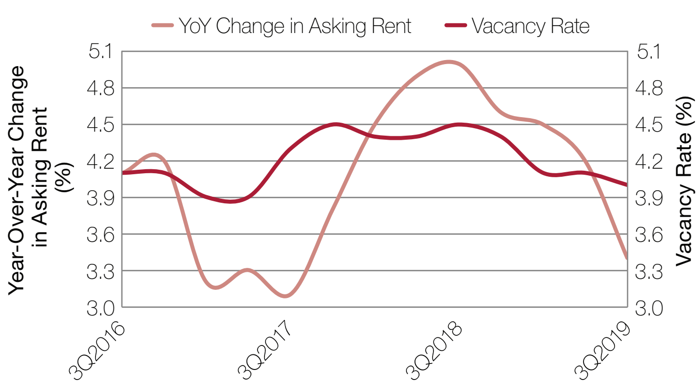
The overall rental housing market (including single-family homes, townhomes, mobile homes, and apartments) is currently balanced in the Cincinnati metropolitan area, with an estimated 7.0-percent vacancy rate, down from 11.8 percent in April 2010. The vacancy rate declined partly because of a shift from homeownership to renting that began during the housing crisis. Renter households currently account for 35.5 percent of all households in the metropolitan area, up from 32.7 percent in 2010. Approximately 33 percent of renter households in the metropolitan area live in single-family homes, 19 percent live in buildings with two to four units, and 46 percent live in multifamily buildings with five or more units, typically apartments (2018 ACS 1-year estimates).

During the third quarter of 2019—

- The apartment market was slightly tight, with a vacancy rate of 4.0 percent, down from 4.5 percent during the third quarter of 2018, and down from 6.8 percent during 2010 (Reis, Inc.). The metropolitan area includes 10 Reis, Inc.-defined market areas (hereafter "market area"); the apartment vacancy rate fell in 7 of those market areas and remained unchanged or increased in 3 market areas.
- The largest decline in the apartment vacancy rate, of 1.9 percentage points to 5.6 percent, occurred in the Downtown Cincinnati market area, where renter housing demand is particularly strong. Despite the decline, the vacancy rate is the highest of market areas in the metropolitan area partly because of a recent increase in new apartment construction.
- The average apartment rent increased more than 3 percent to $942 in the Cincinnati metropolitan area from the same quarter in 2018, and the same rate of average annual rent growth from 2010 through 2017. Average rents in the metropolitan area ranged from $649 in the Southwest market area to $1,258 in the Northeast market area; generally, areas to the east of the Downtown Cincinnati market area tend to have higher rents, whereas areas to the west and directly north are less expensive.
- The average rent in the Downtown Cincinnati market area was the second highest in the metropolitan area at $1,235, reflecting a 3-percent increase from the previous year, and a 6-percent average annual increase from 2012 through 2017, when more new apartment units were constructed.

continued on page 6

Renter household growth has contributed to declining vacancy rates and increasing rents in the Cincinnati metropolitan area since 2016.



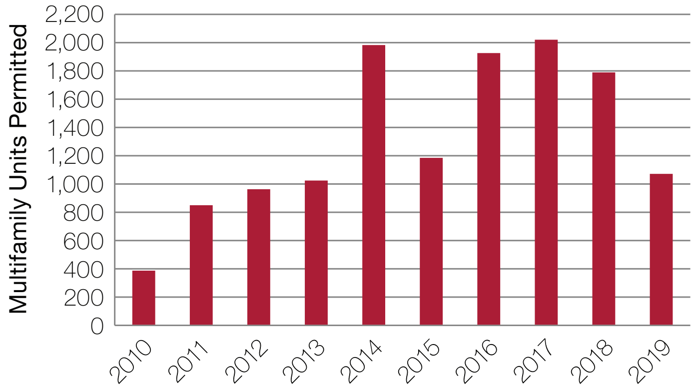
3Q = third quarter. YoY = year-over-year.
Source: Reis, Inc.

continued from page 5

After 4 years of relatively low multifamily construction from 2010 through 2013, as measured by the number of multifamily units permitted, multifamily construction has been higher since 2014 because of increased population growth and a shift in tenure preference toward renting. Construction activity has moderated since 2018, however, to allow for the absorption of recently completed units.

- During the 12 months ending October 2019, approximately 1,375 multifamily units were permitted, down 28 percent from the 1,900 units permitted during the previous 12-month period (preliminary data).
- From 2010 through 2013, an average of 800 multifamily units were permitted, and permitting increased to an average of 1,775 units a year from 2014 through 2017.
- Nearly 60 percent of rental units currently under construction in the Cincinnati metropolitan area are in Hamilton County, including the 4th and Race Apartments, a 264-unit mixed-use tower in downtown Cincinnati. The development is expected to be completed by September 2020 and offer studio, one-, and two-bedroom units with monthly rents starting at $1,512, $1,620, and $2,670, respectively.
- The Provident Apartments is also currently under construction in downtown Cincinnati. The 165-unit property, located in a former bank building, is expected to be completed by June 2020, with rents for studios, one-, and two-bedroom units starting at $1,037, $1,117, and $2,117, respectively.
- Developers have responded to increased demand from the growing proportion of the retirement age population, with approximately 520 housing units in six apartment properties currently under way that are designed for occupancy by residents age 55 years and older throughout the metropolitan area.

Recent multifamily construction activity has moderated since 2018 in the Cincinnati metropolitan area but is generally higher than the low levels from 2010 through 2013.



Note: Includes preliminary data from January 2019 through October 2019.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst