

From the Cincinnati Business Courier:

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Cover Story

## Cincinnati's apartment boom shows no signs of slowing (Video)

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Kendall Kadish really wants an apartment in downtown Cincinnati.

A student at Ohio State University Moritz College of Law, Kadish, 25, will move back to Cincinnati after he graduates this spring. To get an apartment at downtown's Seven at Broadway, he paid to be put on a priority wait list back in October.

"By the time I move back, hopefully something should open up," Kadish said.

He's looking forward to walking to work and hot spots in Over-the-Rhine. After he's had a few years to save up money, Kadish plans to find a home to buy.



CORRIE SCHAFFELD | COURIER

Kadish is hardly alone. Across Greater Cincinnati, apartment occupancy rates are above 94 percent, the highest they've been since 1999. That puts Cincinnati in line with the rest of the country. At the end of 2015, the national occupancy rate was 95 percent for the first time since 2000, according to real estate research firm Axiometrics Inc.

Locally, more than 3,000 units are expected to be delivered in 2016, according to an analysis of apartment development data from CBRE and *Courier* research. Click on the image above to take a look at some of the projects that have been proposed or are in progress.

The last time more units were built in a year, Bill Clinton was president. Construction of additional class A apartments – which are typically high-end units with top-of-the-line materials and upscale amenities – isn't expected to slow in 2017. Another 2,900 units are expected to be completed next year, followed by at least 650 in 2018.

Dave Lockard, senior vice president and leader for CBRE's Central Midwest Multifamily team, said the local multi-family market is nearing the top of the development cycle. He places it between "thrill" and the peak, "euphoria." But Lockard believes the thrill will last for at least two to three years in Cincinnati.

"Our peer cities are building much more aggressively than us," Lockard said. "I don't think we're going to have an oversupply problem."

Compared with peer cities, Cincinnati's development pipeline looks conservative. In total, the region is expected to gain 6,600 apartments by the end of 2018. In Columbus, a metro area that has 140,000 fewer people, developers are building about 12,000 apartments in the next three years. The same goes for Indianapolis, which will add more than 11,000 apartments by 2018.

All of this development is a huge boost to the Cincinnati economy. The apartments under construction represent more than \$370 million in investment. The projects that have been proposed or are in development total about \$500 million. That means hundreds of millions of dollars in construction wages, as well as millions spent with local engineering and architecture firms, additional full-time jobs and higher property values.

### Downtown leads the way

Downtown has the most units under construction (665) and proposed or in development (1,084), but other parts of the

region are seeing an influx of apartments. More than 500 apartments are being built in Liberty Township and more than 300 are in the works across Walnut Hills.

There are a number of reasons why it can be argued that Cincinnati's apartment building boom is just getting started. For apartment developers to keep building, they need to see five things:

- Job growth
- Population growth
- New household formations
- High occupancy rates
- Real rent growth

Cincinnati has all five of those measures moving in the right direction.

The Greater Cincinnati area is expected to add more than 20,000 jobs per year for the next three years, according to data from CBRE Econometric Advisors. The Cincinnati metropolitan statistical area is expected to see its total population grow by more than 1.5 percent by 2020. Plus, millennials are finally coming to the apartment market.

After spending time out of college either at home with their parents or renting with other friends, millennials have the jobs and income to get their own places. But millennials aren't choosing to buy for a couple of reasons. One, they want to be mobile. Two, they grew up watching their parents get hammered by the housing bubble bursting in 2007.

The region also posted strong numbers for occupancy rates and rent growth.

Overall occupancy rose to 94.2 percent last year, the sixth straight year of gains. And between 2012 and 2015, average rent climbed more than 13 percent to \$844 per month from \$746 per month. The biggest increase came last year, when average rents jumped 5 percent. That's ahead of the national average increase of 4.7 percent last year but outside of the top 25 markets for rental growth.

And finally, there just haven't been many apartments built in Cincinnati in the last two decades. The five-year average for apartments built is 1,074. The 10-year average is even lower, 914. With a total apartment inventory of 160,000 units, Cincinnati has been seeing a 0.6 percent increase on average for the past decade.

Another way to look at it: about 9,100 new class A apartments have been built in the last 10 years. If a renter wants an apartment built in the last decade, only 5.7 percent of the inventory is worth looking at.

"Cincinnati should have more run left in it," said Jim Crossin, vice president of development with Indianapolis-based Flaherty & Collins. "The demand will be there for the foreseeable future."

Flaherty & Collins is getting ready to break ground on a 150-unit expansion at its Boulevard at Oakley Station community. It's also working to build a \$70 million, more than 200-unit apartment tower at the northwest corner of Fourth and Race streets.

### **Behind the demand**

Aside from the health of the local apartment market, a number of macro trends are driving demand for new apartments. Dan Schimberg, president of Uptown Rental Properties, said millennials and baby boomers are both flocking to urban apartments in higher numbers, pushing demand.

The majority of apartments being built in the Cincinnati region are in-fill developments in established neighborhoods, part of larger mixed-use developments or connected to an area's main amenities, whether it's a shopping center, bars and restaurants, or bike paths and rivers. Of the 18 apartment projects under construction in the region, four do not fit those criteria.

Chad Munitz, vice president of development for Towne Properties, said renters are choosing apartments based on where they want to be, whether that's within walking distance of a neighborhood coffee shop or a close drive to the grocery store.

"You need to build a neighborhood and community around it," Munitz said.

Not everyone in the local apartment industry is convinced the development boom still has room to run. Gregg Fusaro, partner with downtown-based Capital Investment Group Inc., said his company is looking at the market with caution. He sees the market headed to the point where there is going to be more supply than demand.

"Somebody is going to be left without a chair when the music stops," Fusaro said.

Tony Hobson, partner with North American Properties, said he sees enough demand to continue developing apartments. North American Properties is partnering with NorthPointe Group to build 133 apartments at Eighth and Sycamore streets as well as partnering with Uptown Rental Properties on the 116-unit 101 Corry project in Corryville.

But just because the demand is there doesn't mean developers can get lazy. "It has to be in the right place, the right design, with the right features," Hobson said.

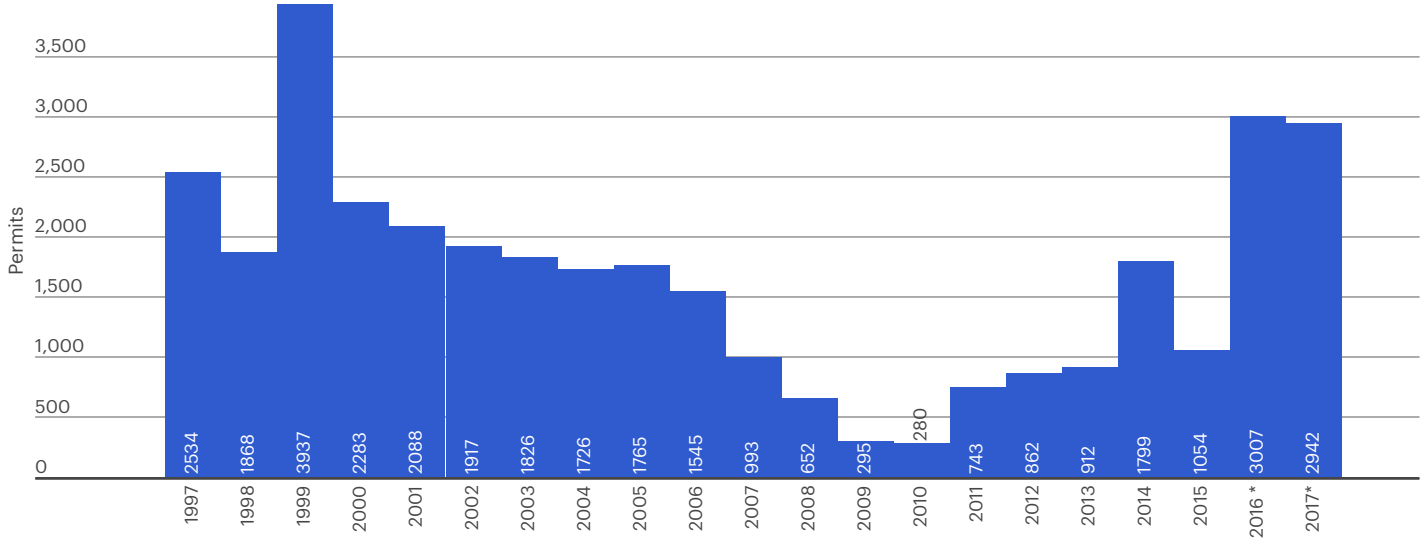
Expect more apartment developments to be announced in the near future. Flaherty & Collins, North American Properties, Towne Properties and others are looking across the region for suitable sites.

For Kadish, he has the luxury of being able to stay with his parents until the apartment he wants opens up. But like everyone else, he'll have to wait for more apartments to open their doors.

"There are a lot of options, but there is huge demand from people my age," Kadish said. "Cincinnati is pretty packed right now."

# Most units since 1999

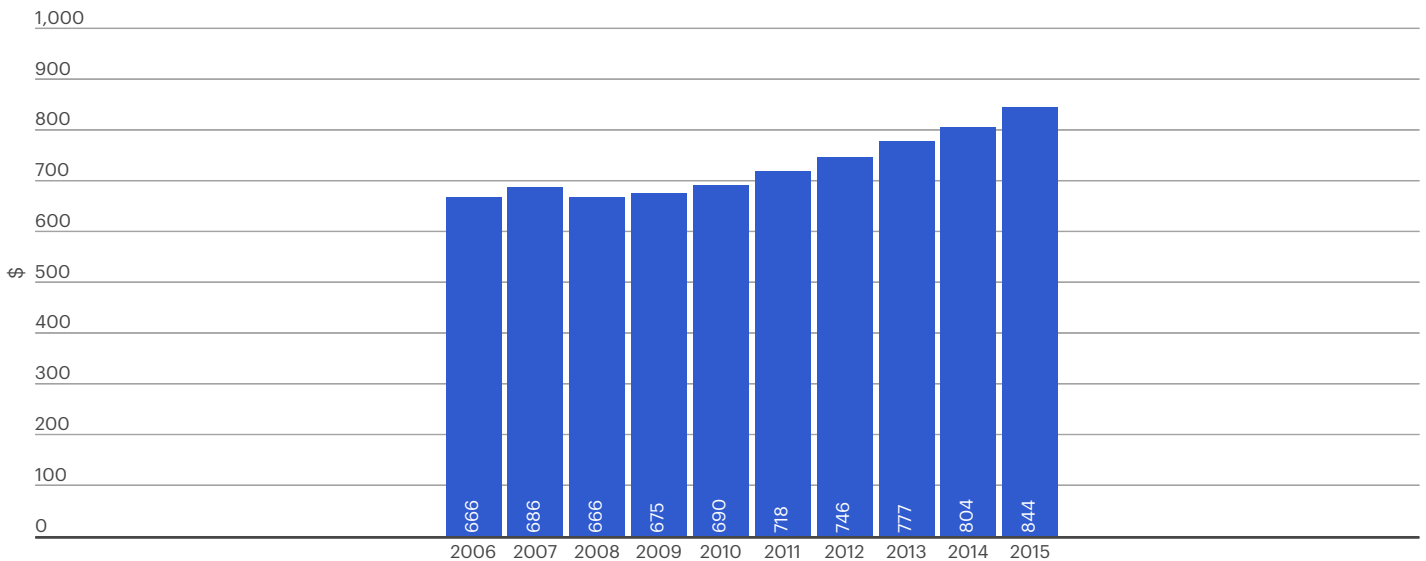
Multifamily building permits in Greater Cincinnati



\* Project completion  
Source: CBRE



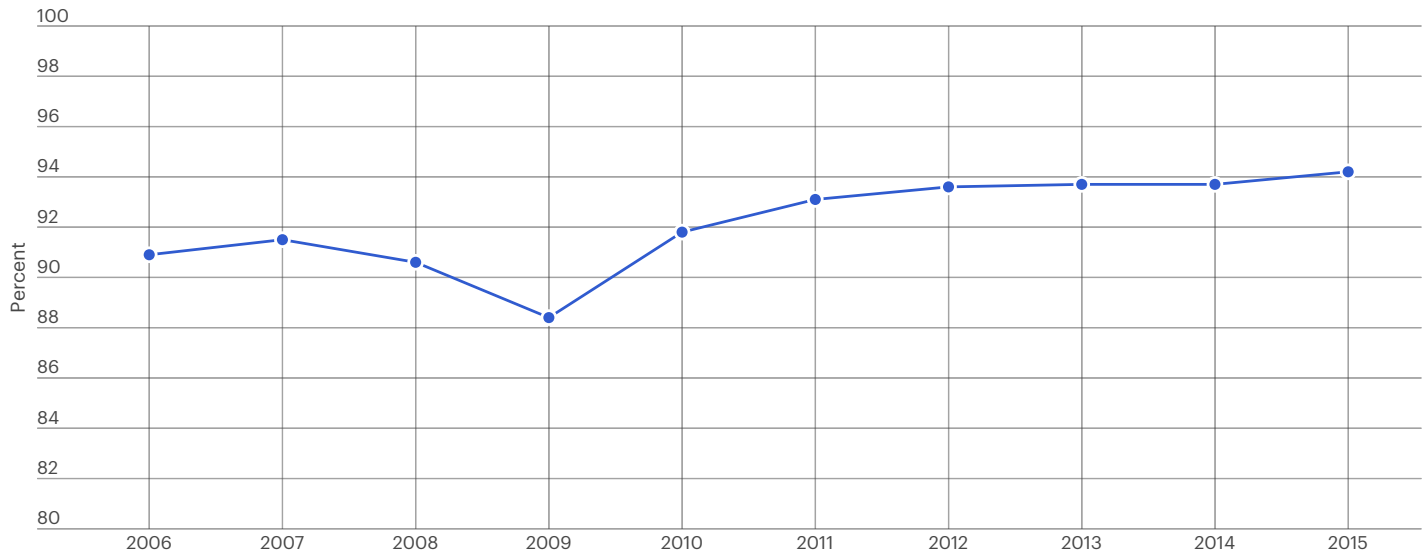
# Average rent rates



As of December each year.  
Source: CBRE



# Overall occupancy



As of December each year.  
Source: CBRE



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