

# OHIO VALLEY

Q1 2020

## CINCINNATI, OHIO

CINCINNATI IS OHIO'S LARGEST METROPOLITAN AREA WITH A POPULATION OF OVER 2.2 MILLION REPRESENTED BY SIXTEEN COUNTIES; FOUR OF WHICH ARE LOCATED IN INDIANA AND SEVEN THAT ARE LOCATED IN NORTHERN KENTUCKY. THE AREA IS ALSO LISTED AMONG THE TOP FIVE FASTEST GROWING CITIES IN THE MIDWEST.<sup>1</sup>

Home to three major sports teams and the University of Cincinnati, the city has several significant companies headquartered there such as Proctor & Gamble (10,000), The Kroger Company (21,263) which is the largest employer in the city. Other major employers include: General Electric (10,500), University of Cincinnati (10,551), and Fifth Third Bank (7,496). Cincinnati also has 63,376 healthcare workers across six health networks, including Cincinnati Children's Hospital which ranks as the third best children's hospital by U.S. News & World Report 2019-20. According to REDI Cincinnati, the city also has more Fortune 500 companies per capita than New York, Los Angeles or Chicago and boasts the lowest business operating costs among US metro areas.<sup>2</sup>

Since the beginning of Q1 2010, the average growth rate for office-using employment in Cincinnati has been 1.4% per year, representing the average annual addition of 4,500 jobs. During January, leasing activity generated 10,000 square feet of absorption<sup>3</sup>. Over the next eight quarters, an additional 287,000 square feet of space is expected to be introduced to the metro inventory. Office employment growth at the metro level over the same period is expected to average 0.4% annually, enough to facilitate an absorption rate averaging 160,000 square feet per year. According to REIS' forecast, on an annualized basis through 2020, rents are expected to increase by 1.3%. However, there continues to be a gap between Class A and Class B office product with Class A rates rising and Class B holding static. As of December 2019, the average Class A asking rent was \$23 per square foot for triple-net leases. The Cincinnati / Northern Kentucky International Airport (CVG) in Hebron, Kentucky is also a major employer within the area and a "super-hub" for DHL, the only one in the United States. Amazon also broke ground on a new hub at the airport in May 2019 and is anticipated to be complete sometime in 2021. Amazon will employ 2,000 people and be able to accommodate up to 100 aircraft.

Cincinnati continues to see a steady increase in industrial growth and leasing with several projects under construction. The addition of the Amazon air hub has spurred additional interest from logistics, shipping, and bulk needs. Through the end of 2019, the industrial market saw absorption of over 668,000 square-feet, average asking rents of \$4.40/sf NNN, and a vacancy rate of approximately 4.4%.

As it relates to the retail sector, the Cincinnati market is trending along the same path as the national market with large box bankruptcy and closures affecting suburban big box stores. For the year ending 2019, the market saw absorption of 205,000 square feet of space and a median asking rent of \$13.12 per square foot (blended across types).<sup>3</sup> The closure of Macy's headquarters in 1Q 2020 is also expected to have a significant impact on the city. Leasing activity generated 57,000 square feet of absorption during January 2020. Over the next eight quarters, construction activity under surveillance is projected to deliver a total of 54,000 square with the primary focus being on the Innovation District developments as well as managing the influx of companies doing business with Amazon.<sup>3</sup>

### CINCINNATI METRO

2019 Total Population	2,219,679
2024 Total Population	2,276,266
2019-2024 Pop Growth	0.50%
2019 Median Age	38.5
2019 Households	866,185
2024 Households	888,600
2019 Median HH Income	\$63,132
2019 Average HH Income	\$86,148

Source: Esri

### OFFICE ASKING RENT & VACANCY TRENDS



### 2020 FORECAST

- New construction of office properties in Cincinnati is expected to be limited in 2020 given the relatively high vacancy rate.
- It is anticipated that Cincinnati will continue to see a steady increase in industrial growth and leasing in 2020 as several projects are currently under construction.

1. <https://www.bizjournals.com/cincinnati/news/2019/12/13/how-does-greater-cincinnati-s-economic-growth.html>
2. [https://en.wikipedia.org/wiki/List\\_of\\_companies\\_in\\_Greater\\_Cincinnati](https://en.wikipedia.org/wiki/List_of_companies_in_Greater_Cincinnati)
3. REIS Executive Briefing, January 2020

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## COLUMBUS, OHIO

COLUMBUS IS THE STATE CAPITAL OF OHIO. WITH A COMBINED POPULATION OF OVER 2.1 MILLION, IT IS THE SECOND LARGEST METROPOLITAN AREA IN THE STATE.

Columbus boasts a diversified economy and major employment sectors that include education, insurance, banking, retail, defense, aviation, logistics, steel, energy, medical research, healthcare, hospitality, and technology. Several firms headquartered in the area include Nationwide (12,862), L Brands (7,662), Honda (11,077), DHL (2,192), and Big Lots (1,133) Wendy's, White Castle, Alliance Data, American Electric Power, and Huntington Bancshares.

The healthcare industry plays a significant part in Columbus' economy with major employers such Cardinal Health, the Ohio State University Medical Center, Nationwide's Children's Hospital, Chemical Abstracts Service, the world's largest clearinghouse of chemical information, and Battelle Memorial Institute the world's largest private research and development foundation.

Given the variety of industries and businesses requiring space in Columbus, the office market has been relatively stable, experiencing positive absorption and steady asking rents. As of the end of 2019, the vacancy rate was 20.1% and is forecast to stay relatively flat throughout 2020. Average asking rents in the metro area rose in January 2020 resulting in three consecutive monthly gains in asking rent. Positive movement in asking rent was recorded in eight of the metro's ten submarkets over the past 12 months. The market is also anticipating a delivery of approximately 200,000 square feet in new office space between now and year-end 2021. Office employment growth at the metro level over the same period is anticipated to average 0.6% annually, enough to facilitate an absorption rate averaging 145,000 square feet per year.<sup>1</sup>

The industrial sector continues to boom in Columbus with a positive absorption of an estimated 1.6 million square feet. Construction of new projects was also significant in 2019 and continues to grow in 2020 with an additional 9 million square feet under construction. Logistics and bulk distribution needs are the primary drivers behind this demand. Asking rents in 2019 were \$3.75/sf NNN.

RETAIL ASKING RENTS BY YEAR PER SF



Source: Reis

Growth in the retail sector was primarily limited to the suburban markets for soft goods and services while restaurant and services comprised the CBD growth. Vacancy rates ended 2019 at around 10.9% and are expected to remain flat through 2020. Asking rents in the metro averaged \$13.96 as of January 2020. On an annualized basis, asking and effective rents are projected to advance at a rate of 0.1% through year end 2021, reaching average rates of \$14.00 and \$11.82 per square foot, respectively.<sup>1</sup> Over the next eight quarters, developers are expected to deliver a total of 63,000 square feet but given current economic fundamentals and concerns about the impact of COVID-19 on small businesses, slower absorption is expected.

### COLUMBUS METRO

2019 Total Population	2,109,197
2024 Total Population	2,223,587
2019-2024 Pop Growth	1.06%
2019 Median Age	36.8
2019 Households	828,316
2024 Households	873,741
2019 Median HH Income	\$63,076
2019 Average HH Income	\$85,341

Source: Esri

### 2020 FORECAST

- Over the next eight quarters, developers are expected to deliver a total of 63,000 square-feet of retail space in the Columbus market but given current economic fundamentals and concerns about the impact of COVID-19 on small businesses, slower absorption is expected.
- Office employment growth in the Columbus market is expected to be enough to facilitate a positive rate over the next twelve months.

1. REIS Executive Briefing, January 2020

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## LOUISVILLE, KENTUCKY

LOUISVILLE IS THE LARGEST CITY IN THE STATE WITH A POPULATION OF OVER 1.3 MILLION WITHIN AN ELEVEN COUNTY METRO AREA, FOUR OF WHICH ARE LOCATED IN INDIANA.

While the city is most commonly known as the home of the University of Louisville and the Kentucky Derby, because of its location along the river and intersection between three major interstates, the shipping and distribution industries are a significant part of the area's economy. Major employers in the area include: UPS (21,333), Ford Motor Company (12,600), Jefferson County Public Schools (14,476), Norton Healthcare (12,247), Humana (12,000), University of Louisville (6,933), Amazon (6,500), Baptist Healthcare Systems (6,159), GE Appliances (6,000), KentuckyOne Health (6,000), Yum! Brands (800), Kentucky Fried Chicken, and Kindred Healthcare.

In 2019, Louisville and the greater metropolitan area saw slow but steady growth/absorption in the office market. Development projects located in the northeast of town for both retail and medical use has been a key driver for office properties. In fact, according to data from REIS, through January 2020, the market has experienced ten consecutive monthly gains in asking rent, for a cumulative total of 2.3%. As of the end of 2019, the average asking rental rate was \$17.72 per square-foot and is forecast to continue to grow slightly into 2020. During the past 12 months, positive movement in asking rent was recorded in all six of the metro's submarkets.

The Louisville Airport houses UPS' Worldport which is the largest automated package handling facility in the world. Because of this hub and the interchange point for logistics trucking and air shipping of goods along I-75 north and south, industrial demand was strong in 2019 and is expected to continue. Asking rents for warehouse / distribution space ended 2019 at \$4.30 per square foot and are expected to remain flat through 2020. Current assumptions are that an additional 2.0 million square feet of competitive warehouse/distribution stock will be introduced to the metro which may slightly increase vacancy rates over the next twelve months. However, as demand for "last mile" distribution centers are anticipated to increase, on an annualized basis, asking rents are forecast to rise to approximately \$4.47 per square foot by 2021.<sup>1</sup>

WAREHOUSE / DISTRIBUTION ASKING RENT BY YEAR PER SF



In addition to a strong industrial market, available retail space is also expected to increase in 2020 once approvals are obtained and new development projects are under way. Currently however, approvals and zoning has held up the large planned retail development that includes Top Golf and a full offering of entertainment and hospitality retail space. After registering mixed movement in November and October, average asking rents remained flat in December, limiting the fourth quarter gain to 0.3%. Asking rents in the metro area finished January flat at an average of \$17.46 and are expected to remain flat in 2020. Vacancy rates are also expected to remain relatively flat at around 9.8% even as new construction projects are expected to deliver a total of 79,000 square feet through 2021.<sup>1</sup>

### LOUISVILLE METRO

2019 Total Population	1,314,144
2024 Total Population	1,359,434
2019-2024 Pop Growth	0.68%
2019 Median Age	39.9
2019 Households	525,588
2024 Households	543,374
2019 Median HH Income	\$57,939
2019 Average HH Income	\$80,917

Source: Esri

### 2020 FORECAST

- Asking rents for retail space in the Louisville metro area are expected to remain flat in 2020.
- The Louisville office market has experienced ten consecutive monthly gains in asking rent and is forecast to continue to grow slightly into 2020.



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1. REIS Executive Briefing, January 2020