

# OHIO VALLEY

Q2 2021

## MARKET OVERVIEW

The Cincinnati metropolitan area includes parts of southwest Ohio, southeast Indiana, and Northern Kentucky. This region is known for its tourism, agriculture, manufacturing, and healthcare industries.

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.

Cincinnati is home to three major sports teams and the University of Cincinnati, Xavier University and Northern Kentucky University. The city has several significant companies headquartered there, such as Procter & Gamble (10,000) and Kroger (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). The most recent addition is the Amazon Air Hub at Cincinnati/Northern Kentucky International Airport (CVG) located in Hebron Kentucky. 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.

The city made it to the top 10 category of The New York Times list of 52 Best Places to Go. This list considers destinations around the world, making it a prestigious list to be a part of. The city has a host of amenities, including five entertainment districts. These districts include: Over-the-Rhine, The Banks Entertainment District, Fountain Square, Arts & Backstage District, and JACK Casino. Multiple award-winning hotels. The 21c Museum Hotel was listed as the #1 Hotel in America in Condé Nast Traveler's "Reader's Choice Awards" and The Cincinnati Hotel was ranked as Travel + Leisure's World's Best Business Hotel with a AAA 4 diamond rating (Cincinnati USA). The city's 5,000 acres of parkland and 16 scenic overlooks add to its enchantment along with its hiking and bridle trails comprising 65 miles (Cincinnati USA). Cincinnati is also home to multiple museums, including the Cincinnati Museum Center at Union Terminal. The Center houses the Cincinnati History Museum, Museum of Natural History & Science, Due Energy Children's Museum, Robert D. Lindner Family OMNIMAX Theater, and Nancy and David Wolf Holocaust and Humanity Center.

According to REIS, like other cities such as Cleveland, Detroit and Chicago, Cincinnati was among the top ten places losing residents due to COVID. Cincinnati lost close to 180,000 jobs at the beginning of the pandemic which were primarily within the leisure and hospitality sector. Job growth improved in Q4 2020 by 1.9% compared to 1.4% nationwide and has gained back roughly 120,000 jobs. Looking forward, Moody's Analytics forecast anticipates a 2% increase in jobs in 2021 and 2.3% into 2022. Household income is also forecasted to grow by 1.79% in 2021 and 3.93% in 2022 which is on trend with the national average.

## DEMOGRAPHICS

2,254,459



Population

882,335



Households

\$66,754



Median Household Income

27%

29%

35%

High School

Some College

Bach/ Grad+



Education

71,094



Total Businesses

1,139,411



Total Employees

Source: Esri 2021

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### INDUSTRIAL OVERVIEW

**INDUSTRIAL PROPERTIES ARE IN HIGH DEMAND AND SPECULATIVE BUILDINGS ARE BEING FILLED AS FAST AS THEY'RE BUILT**

Cincinnati's industrial sector continues to thrive with most of the industrial activity being focused around the Cincinnati/Northern Kentucky International Airport (CVG). Other popular markets for industrial product or for land on which to build are Mason, West Chester, and Tri County. Developers continue to find land and develop it for industrial use due to high demand for the product.

Vacancy rates remain low in industrial buildings. If developers build it, it gets filled. The product that remains vacant usually doesn't meet current industrial needs, such as ceiling height and an adequate number of docks. Bulk distribution and light industrial, including flex space, have the lowest vacancy rates while traditional industrial product is seeing the highest vacancy rates in the market. The average asking rent in Cincinnati was \$4.06 per square-foot.<sup>1</sup> The average free rent is 1.5 months and average lease terms are 7 years and 3 months.<sup>1</sup>

Large leases executed in Q2 2021 include:

Company	Location	Type	Square Feet
Ampac	12025 Tricon Rd. Springdale, OH	Renewal	200-250k s.f.
BakeMark	9250 Commerc Center Dr. Fairfield, OH	New	90-100k s.f.
Leslie's Poolmart	1231 Aviation Blvd. Hebron, Ky	Extension	100-150k s.f.
Fast Track	4000 McMann Rd. Cincinnati, OH	New	70-80k s.f.

Large sales completed in Q2 2021 include:

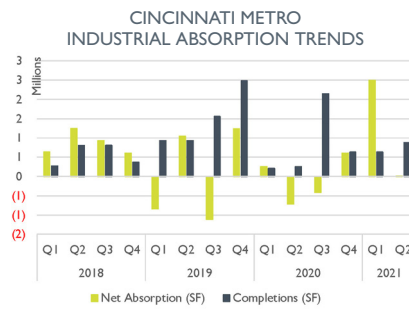
Square Feet	Address	Price
37,779	697 Wilmer Ave., Cincinnati, OH	\$1,300,000
120,493	9180-9194 Le Saint Dr. West Chester, OH	\$6,711,000
39,942	8070 Production Dr., Florence, KY	\$1,675,311

Significant projects in the works:

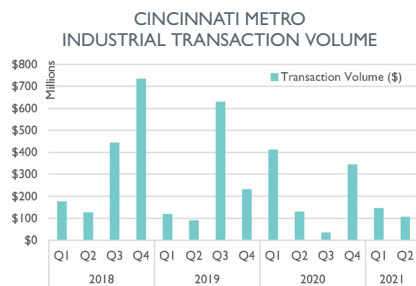
- The Sam Adams Brewery Expansion at 1625 Central Parkway, Cincinnati has an estimated completion in Q3 2021. The project will quadruple production with two new canning lines and equipment for packaging. This expansion will add 107 new jobs.<sup>4</sup>
- Freestore Foodbank Community Resource and Distribution Center at 3401 River Road, Cincinnati has an estimated completion in Q4 2022. The Freestore Foodbank raised the money to purchase 23 acres of land and build a 195,000 square-foot center for food distribution and workforce training.<sup>4</sup>
- Al Neyer has proposed two spec buildings near the CVG airport in Northern Kentucky. The buildings include 925,000 square feet on 71 acres located on Elijah Creek Road. The project is estimated for completion in Q1 2022.<sup>4</sup>



Source: Moody's Analytics / Reis & CoStar



Source: CoStar



Source: Real Capital Analytics

### FORECAST

- Cincinnati continues to see high demand for industrial product. The lack of supply is driving prices up and causing the vacancy rate to remain historically low.
- Properties in Northern Kentucky close to the Cincinnati / Northern Kentucky International Airport (CVG) remain in high demand.
- Speculative industrial buildings continue to be filled as fast as they can be built.

1. Moody's Analytics / Reis  
2. CompStak  
3. Reonomy  
4. Cincinnati Business Courier: <https://www.bizjournals.com/cincinnati/maps/cincinnati-crane-watch>

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## Q2 2021

### OFFICE OVERVIEW

**OFFICE CONTINUES TO STRUGGLE WITH HIGH VACANCY RATES WITH THE CBD HAVING LOWER VACANCIES THAN THE SUBURBS**

The Cincinnati office market is still in the recovery phase as indicated by a decreasing number of subleases but a relatively high vacancy rate. The subleases that were on the market due to the uncertainty of the pandemic and work-from-home policies are going off the market as companies return to their offices.

The Central Business District (CBD) has a generally lower vacancy rate than the suburbs and absorption is ramping back up. There are fewer large blocks of vacant space downtown as more workers are returning and new office leases are getting signed. Some office buildings are being converted to hospitality or multifamily product.

The suburbs have a higher vacancy rate than the CBD. Northern Kentucky is seeing stagnant demand. Blue Ash, Mason, and West Chester are also seeing lower volumes of deal activity. Kenwood is the most sought-after location outside of the CBD.

Short-term leases are the norm with five-year leases being the general maximum due to the uncertainty caused by the pandemic. The industry that's leasing the most office space in the U.S. is the tech industry.<sup>1</sup> Many tech companies are growing and need the space to train their new employees and share their company culture. The advertising, media, and information industries are also taking up a decent percentage of all office leases.<sup>2</sup>

Some former retail spaces are being converted into office. The Foundry is a conversion of a Macy's department store downtown at 505 Vine Street into 150,000 square feet of office and includes 35,000 square feet of retail. The \$51 million project is expected to complete in the first quarter of 2022 and has already lined up two new tenants. Deloitte will take space on the second floor with a view of Fountain Square.<sup>3</sup> Turner Construction has signed a lease for a 27,000 square-foot space also on the second floor.<sup>4</sup>

A large sale completed in Q2 2021 included:

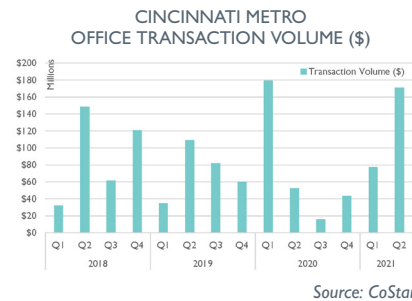
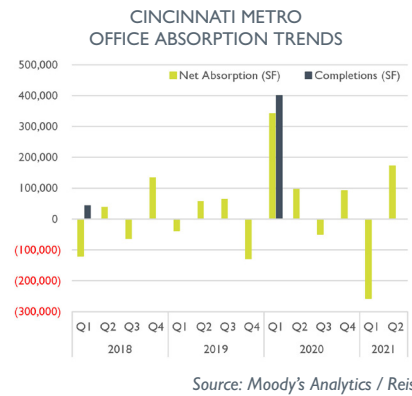
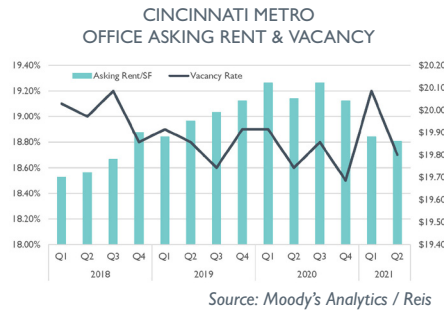
- The Bon Secours Mercy Health Headquarters sold for \$100 million in June.

Significant Projects in the works:

- **The Mercantile Library Building** - Nine floors of office space in the Mercantile Library Building are being converted into apartments while the library doubles in size.<sup>5</sup>
- **Kenton County Administration Building** - Developers are planning on converting the former office and jail into a mixed-use apartment and retail building.<sup>6</sup>
- **The Foundry** - Located at 530 Walnut Street is being renovated into a multi-tenant office building with retail on the the first floor. It is estimated to complete in Q3 2021.<sup>7</sup>

### FORECAST

- The office market in Cincinnati is slowly recovering with companies returning to the office.
- Lease term length is hovering at a relatively short maximum of five years, with any longer term being the exception.



1. Cincinnati Business Courier: <https://www.bizjournals.com/cincinnati/news/2021/07/27/tech-office-leasing-activity-q2-2021.html>
2. Cincinnati Business Courier: <https://www.bizjournals.com/cincinnati/news/2021/07/27/tech-office-leasing-activity-q2-2021.html>
3. Cincinnati.com: <https://www.bizjournals.com/cincinnati/news/2021/07/27/tech-office-leasing-activity-q2-2021.html>
4. Cincinnati.com: <https://www.cincinnati.com/story/news/2021/07/12/foundry-building-cincinnati-turner-construction-signs-lease/7935875002/>
5. Cincinnati Business Courier: <https://www.bizjournals.com/cincinnati/news/2021/05/19/mercantile-library-to-double.html>
6. WCPO.com: <https://www.wcpo.com/news/local-news/kenton-county/covington/developers-ask-covington-to-help-close-funding-gap-for-luxury-apartments-at-former-kenton-co-building>
7. Cincinnati Business Courier: <https://www.bizjournals.com/cincinnati/maps/cincinnati-crane-watch>



### RETAIL OVERVIEW

LOCATION IS KEY TO RETAIL PROPERTY HEALTH AND THE BEST LOCATIONS ARE IN THE OVER-THE-RHINE DISTRICT

Retail properties, in general, are still struggling in Cincinnati due to low demand and high supply. Unanchored strip centers are seeing the highest vacancy rates and lifestyle centers are seeing the lowest vacancy rates.

In downtown Cincinnati, retail located between the Ohio River and 10th Street is not doing well. This includes the Central Business District (CBD). The CBD is struggling more than the suburban areas due to lack of office workers generating demand. With more office workers potentially returning to the CBD, retail should see increased activity.

From 10th Street to Liberty Street, retail is more active. This section of Cincinnati is part of the vibrant Over-the-Rhine (OTR) district. It has many historic breweries and restaurants, the Cincinnati Music Hall, and Washington Park. On the west side of OTR is the popular West End neighborhood which is home to the new TQR Stadium for FC Cincinnati. The stadium is an economic driver as multiple businesses have opened nearby.

Retail properties are continuing to be purchased and repurposed for a new use.

- **Latonia Plaza Tech Hub** - Local investors are transforming a former Value City Furniture and Burlington Coat Factory into a tech hub at the former Latonia Plaza shopping center in Covington. Blair Technology and ReGadget will take significant portions of space in the hub.<sup>1</sup>
- **Trader Joe's** - Cincinnati's greatly anticipated second Trader Joe's location opened on July 16th. It is the first Trader Joe's in Northern Kentucky. The company transformed a former Joseph-Beth Booksellers store into its new location.<sup>2</sup>

Other notable projects in the works:

- **Freedom Pointe** - a mixed-use development with 265,529 total square feet of retail is planned for 88 acres in Liberty Township at the intersection of Cox Road and Liberty Way. Costco will anchor the development with a 160,529 square-foot store. The property will also have 416 apartment units, 100,000 square feet of medical and general office space, and 105,000 square feet of space for retail and restaurants. The developer wants to have it open by Q4 2022.<sup>3</sup>
- **Mike Castrucci Jeep Chrysler Dodge Ram** - The 40,000 square-foot car dealership is under construction and is expected to be open by Q3 2022.<sup>4</sup>

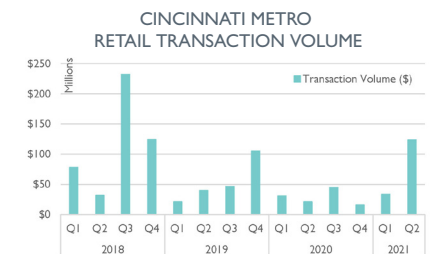
Retail is continuing its historical change due to the shifts in consumer habits accelerated by the COVID-19 pandemic. The market will continue to see changes in how retail spaces are utilized.



Source: Moody's Analytics / Reis



Source: Moody's Analytics / Reis



Source: Real Capital Analytics

### TRENDS

- Retail properties continue to be converted for new uses such as medical office, last-mile retail, or auto dealership.
- The Central Business District is expected to continue to see high vacancy rates until more office workers return to downtown.
- Investors are looking to acquire last-mile fulfillment properties close to populated areas due to the increased use of online shopping. Faropoint, an international real estate investment firm, is purchasing such properties.<sup>5</sup> Investors may look toward purchasing retail centers that could be repurposed for last-mile fulfillment due to the general characteristic of retail properties being located in or near populated areas.

1. Soapbox Cincinnati: <https://www.soapboxmedia.com/devnews/latonia-plaza-gets-new-owner.aspx>
2. Cincinnati Business Courier: <https://www.bizjournals.com/cincinnati/news/2021/07/16/northern-kentucky-first-trader-joes-opens-today.html>
3. Cincinnati Business Courier: <https://www.bizjournals.com/cincinnati/news/2021/06/09/150m-mixed-use-development-anchored-by-costco-pla.html>
4. Cincinnati Business Courier: <https://www.bizjournals.com/cincinnati/maps/cincinnati-crane-watch>
5. Cincinnati Business Courier: <https://www.bizjournals.com/cincinnati/news/2021/07/26/faropoint-buys-west-chester-building.html>

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