

MARKETBEAT

Retail Snapshot Q2 2017 Cincinnati/Dayton



ECONOMIC INDICATORS

National

	Q2 16	Q2 17	12 Month Forecast*
GDP Growth	1.3%	2.3%	▲
CPI Growth	1.1%	1.9%	▲
Consumer Spending Growth	2.7%	2.7%	▼
Retail Sales Growth	2.2%	4.0%	■

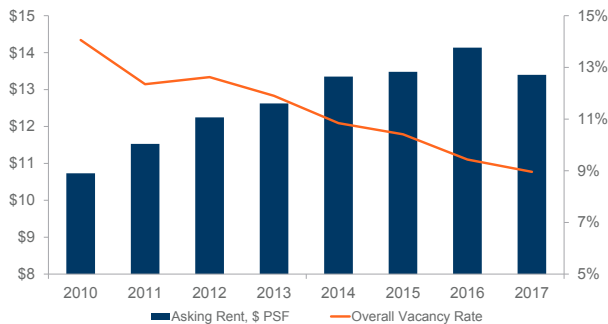
*Forecast by Cushman & Wakefield. Values represent year-over-year % change.

Regional

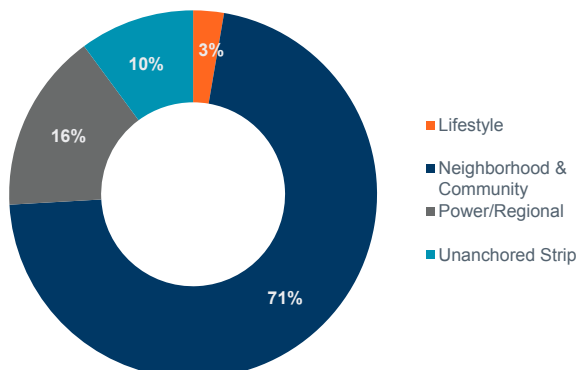
	Q2 16	Q2 17	12-Month Forecast
Household Income	\$55,258	\$57,190	▲
Population Growth (yr-over-yr)	0.4%	0.4%	▲
Unemployment	4.5%	4.4%	■

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Shopping center vacancy in the combined Cincinnati/Dayton market has remained stable over the past year and as of Q2 2017, is 9.0%. The current vacancy rate is equivalent to 6.3 million square feet (msf). By comparison, vacancy in this area ranged from 11% to 14% between 2009 and 2013.

Across the Great Lakes region, shopping center vacancy currently averages 9.1%, which is in-line well above the national average rate of 7.1%. Within the Great Lakes market, vacancy in the Chicago market is 10.3%, which is one of the highest vacancy rates nationwide. Similar to Cincinnati/Dayton, vacancy in the Cleveland, Detroit and Milwaukee markets is 9.0%. Vacancy in the Indianapolis market is 7.9%, while Columbus vacancy is 6.7%. Other nearby markets include Kansas City (8.0% vacancy), St. Louis (7.5% vacancy), Louisville (4.8% vacancy) and Nashville (4.7% vacancy). Much like Cincinnati/Dayton, vacancy rates in the majority of these markets decreased on a year-over-year basis.

Within Greater Cincinnati, there are 15 distinct submarkets, and overall vacancy is currently 7.9%. Vacancy varies greatly among the larger submarkets across the Cincinnati area, which include Butler County (10.8% vacancy), Forest Park/West (7.3% vacancy), Mason/Montgomery (4.5% vacancy) and Cincinnati Airport/Florence (2.3% vacancy).

Similarly, there are 9 distinct submarkets in Greater Dayton, and overall vacancy is currently 10.6%. Double-digit vacancy is common among the larger submarkets, including North Dayton/Miami County (14.0% vacancy), and South Dayton/Miamisburg (11.2% vacancy). However, vacancy is relatively low in South Central Dayton/Kettering/Beavercreek (7.4% vacancy) and Northeast Central Dayton/Springfield (4.9% vacancy).

Vacancy within the four types of shopping centers in the Cincinnati/Dayton market ranges from 4.0% to 10.0%. Among Neighborhood & Community Centers, which are typically anchored by supermarkets or discount stores, vacancy is 10.2%. By comparison, vacancy is 7.3% within Unanchored Strip Centers. Vacancy at Power/Regional Centers now stands at 7.7%, which is a year-to-year drop of over 100 basis points (bps). Year-over-year, vacancy increased by 80 bps in the Lifestyle Center category to 4.0%.

Overall, the shopping center asking rental rate for Cincinnati/Dayton is now \$13.40 NNN per square foot (psf), a decline of more than 500 bps since Q2 2016. Among the four shopping center categories, asking rates range from \$12.00 to \$13.00 NNN psf, with the exception of Unanchored Strip Centers, where the current asking rate averages \$16.94 NNN psf.

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Cincinnati / Dayton



So far in 2017, net absorption for area shopping centers is negative 136,000 square feet (sf). Positive absorption in Q2 2017 offset some of the negative 240,000 sf of absorption registered in Q1 2017. Negative absorption took place in each of the four shopping center categories in Q1 2017 and also occurred in the Neighborhood & Community Center category in Q2 2017.

It should be noted that negative net absorption is not common in the Cincinnati/Dayton market, as it has only occurred in two of past 12 quarters. 34,000 sf of new shopping center construction is currently underway across the region, which is a multi-year low.

The largest lease in the first half of 2017 took place in Pleasant Ridge, where Urban Air Trampoline & Adventure Park is opening a 65,000-sf location at Ridgewater Plaza. Pleasant Ridge will be the first Cincinnati location for this national family entertainment company.

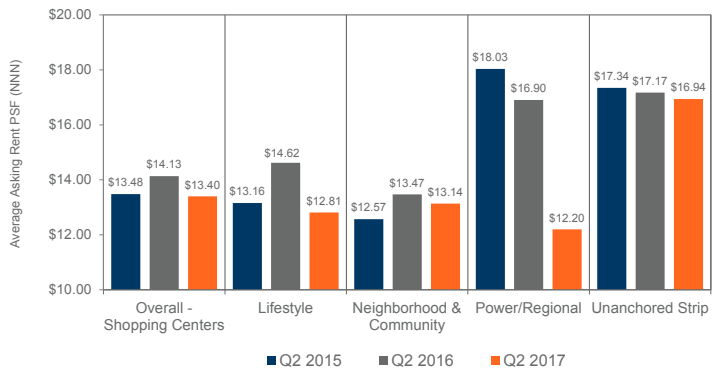
Off-price department store Marshalls is opening two new stores on the east side of Cincinnati. A combined Marshalls / Homegoods store will be 46,000 sf in the Kenwood Square shopping center near I-71. Further east in Milford, a 25,000-sf Marshalls store will open at the Mulberry Square Shopping Center on State Route 28.

Nashville-based discount retailer Bargain Hunt is opening its sixth area location within the past two years. The latest location is 34,000 sf and is located at the Town & Country Shopping Center in Hamilton.

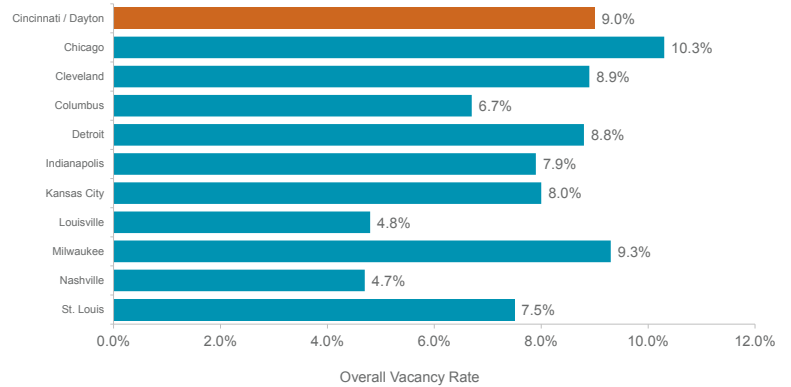
Investment sale activity in Cincinnati/Dayton was extremely strong in the first half of 2017. Ten transactions greater than \$5 million apiece took place in the past six months. The largest transaction by far involved Rookwood Commons and the nearby Rookwood Pavilion in Hyde Park. Hines Global REIT II purchased the combined 600,000-sf shopping center for \$190 million (\$320 psf).

For the remainder of 2017, vacancy changes and net absorption is likely to be modest for the Cincinnati/Dayton market. Despite consistent quarterly growth of discount retail, fitness centers and restaurants, shopping center owners will need to back-fill vacancies created by bankrupt chains like HH Gregg, Payless ShoeSource and Family Christian Stores.

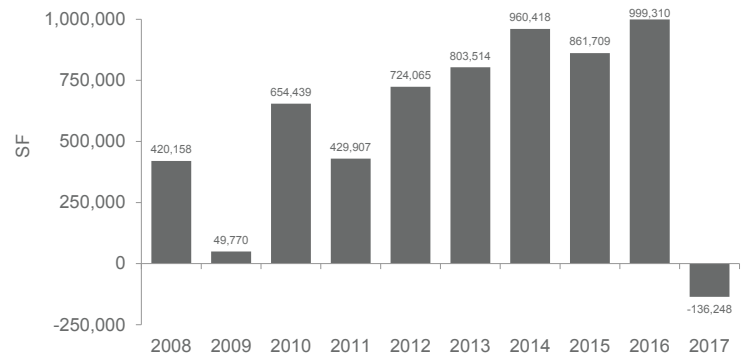
Three-year asking rate trend



Vacancy comparison to peer cities



Net Absorption



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Cincinnati/Dayton



Q2 2017 Statistic Summary

Shopping Center Type	Inventory (SF)	Direct Vacant SF	Sublet Vacant SF	Total Vacant SF	Vacancy Rate	Q2 2017 Net Absorption	FY 2017 Net Absorption	Average Asking Rent PSF (NNN)
Lifestyle	4,067,489	162,267	0	162,267	4.0%	23,367	-56,379	\$12.81
Neighborhood & Community	43,427,199	4,301,602	105,554	4,407,156	10.1%	-52,573	-110,334	\$13.14
Power/Regional	14,396,736	954,777	158,782	1,113,559	7.7%	133,385	47,905	\$12.20
Unanchored Strip	8,414,615	606,020	8,497	614,517	7.3%	-849	-17,440	\$16.94
Shopping Center Total	70,306,039	6,024,666	272,833	6,297,499	9.0%	103,330	-136,248	\$13.40

(All Types, Excluding Malls & Outlet)

Sources: Cushman & Wakefield Research, CoStar

Notable Lease Transactions - Q1 / Q2

PROPERTY	SQUARE FEET	TENANT	CENTER TYPE	CITY
Ridgewater Plaza	65,000	Urban Air Trampoline & Adventure Park	Neighborhood & Community	Pleasant Ridge
Harrison Retail Center	55,500	Family Farm & Home	Neighborhood & Community	Harrison
Kenwood Square	46,000	Marshalls/Homegoods	Power/Regional	Kenwood
Town & Country Shopping Center	34,000	Bargain Hunt	Neighborhood & Community	Hamilton
Northmont Plaza	30,500	Planet Fitness	Neighborhood & Community	Englewood
Pfeiffer Commons	30,294	Run Jump-n-Play	Neighborhood & Community	Blue Ash
Mulberry Square Shopping Center	25,000	Marshalls	Neighborhood & Community	Milford
Wilmington Plaza	20,000	One Dollar Book Swap	Neighborhood & Community	Oakwood
Tri-County Towne Center	20,000	Discount Fashion Warehouse	Neighborhood & Community	Springdale
Delhi Shopping Center	17,000	Aspire Fitness	Neighborhood & Community	Delhi

Sources: Cushman & Wakefield Research, CoStar, Xceligent

Notable Sales Transactions - Q1 / Q2

PROPERTY	SF	SELLER	BUYER	PURCHASE PRICE	PRICE PSF	CITY
Rookwood Commons / Pavilion	600,000	Casto / JP Morgan Capital Ptnrs.	Hines Global REIT II	\$190,000,000	\$320	Cincinnati
Bob Evans (Portfolio)	47,000	Bob Evans Farms	Broadstone Net Lease / Cole Credit	\$20,000,000	\$428	N/A
Walmart - Western Hills Square	150,000	CW Capital Asset Mgmt.	Maple Leaf Capital LLC	\$14,700,000	\$98	Cincinnati
Dave & Busters	35,000	Dave & Busters Inc	National Retail Properties	\$12,300,000	\$351	Florence
QuickStop (Portfolio)	14,000	Jeffrey Simmons	Driven Brands	\$10,500,000	\$750	N/A
Burlington Coat / Gabe's - Towne Mall	116,000	SA Mary Ohio LLC	Phoenicia Development LLC	\$8,250,000	\$71	Middletown
Indian Springs Market Center	146,000	DDR Corp.	PMAT Real Estate Inv.	\$7,300,000	\$50	Hamilton
Corners at the Mall	152,000	LNR Partners	Corners Mall X LLC	\$5,500,000	\$36	West Carrollton
Sears - Eastgate Mall	169,000	Sears Roebuck & Co	CBL & Associates	\$5,000,000	\$30	Batavia
Cheddar's - Northgate	7,400	Greer Companies	Louis Wintermeyer	\$5,000,000	\$676	Cincinnati

Sources: Cushman & Wakefield Research, CoStar, Real Capital Analytics

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