



Q4 2016 | GREATER CINCINNATI RETAIL MARKET REPORT

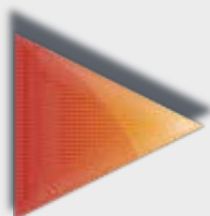
During fourth quarter 2016, the greater Cincinnati retail market posted over 7,700 square feet of positive net absorption. Cincinnati retail vacancy has remained in the 7th percentile from third quarter (at 7.7%). As the vacancy rate has stalled, the weighted average asking rates have experienced a slight dip from \$11.77 per square foot in the third quarter to \$11.40 per square foot for fourth quarter 2016. The East Submarket posted the highest net absorption with over 98,000 square feet. The Kenton County and West Submarkets both offset that positive absorption with nearly 110,000 square feet of negative absorption.

While neighborhood/community, lifestyle, power/regional and strip centers will generally fare better than mall properties (specifically Class B and C) in 2017, the combination of heightened closures and slowing growth in other categories will finally take its toll on vacancy levels. Class B and C properties will bear the brunt of impact as the divide between Class A and other asset types widens. Overall asking rents are already beginning to reflect the impact of these trends. There remains a wide variation in terms of shopping center demand at local levels based on class, type and size. Neighborhood/community centers, with their core tenancy rooted in grocery or drug store anchors and mostly food or service related inline users, are going to be far less impacted by 2017's wave of closures than will any other shopping center type. Unanchored strip centers may not feel much of the pain either, although this product type can be volatile, especially in less-than-premier locations.

The bulk of 2017's anticipated closures are likely to hit mall properties. Regardless of shopping center type, retailers that are reducing their store counts are generally closing class B and C locations. The landlords of class A properties will not experience the same impact from these consolidations. Regardless, just as a rising tide lifts all boats, the opposite holds true. A diminished pool of tenants is bound to impact even the strongest retail projects; however, these projects will still garner the most market demand in 2017 and beyond.

Source: [Xceligent®](#)

Q4 2016 | RETAIL MARKET AT-A-GLANCE



VACANCY RATES



NET ABSORPTION



CONSTRUCTION



ASKING RATES



U.S. ECONOMY | JOB GAINS PERSIST WHILE ONLINE SALES PRESENT CHALLENGES

Cincinnati, like much of the country, has experienced steady, consistent job growth with nonfarm employment growing at an annualized rate of 2.0% as of December. Sectors such as Leisure and Hospitality and Financial Activities are growing exceptionally fast with annualized rates of 7.5% and 6.9% respectively. Overall, these base conditions should bode well for local retail real estate, but the growing share of sales by online only retailers, and online sales by those with physical presences have kept absorption relatively low. Selectively, many properties should perform well in 2017 as overall economic optimism takes hold; small “mom and pop” retailers and restaurateurs are most likely to be in expansion mode and thus demand more space. Conversely, expect more traditional “big boxes” to close or reduce space. The net effect will be that the retail market will not appear as healthy statistically, as it actually is.

Nationally, retail spending has continued to set record highs and grow at ever increasing rates. In December of '16, year over year retail sales grew by 3.44%, this was only 2.13% in '15 for comparison. With the board equity markets moving up approximately 10% since the November election, many households are now experiencing classic “wealth effects.” This effect is when a consumer views their overall level of wealth rising (usually from increases in home and financial assets values) and increases spending as a result. This could see a compounding effect in 2017 if the trend of rises in home prices and stock values continues as forecast; Cincinnati retail is bound to see some direct benefits. Low interest rates have also benefited consumers in the past years, this may slowly revert given economic growth; luckily, real wage growth has also resumed and thus the net affect appears to be mostly positive at this point in time.

In summary, returns to many individual retail properties in Cincinnati should increase in 2017; especially if geographically well positioned. There is also risk of many older, traditional retailers “throwing in the towel” in 2017. Major brands like Sears, for example, do not appear to have had a very successful 2016 holiday season due to competition from entities like Amazon; this may be the year that investors force these firms to reevaluate strategy and close physical stores. It is important to view any such actions as structural shifts in the retail landscape; in reality, many landlords will actually benefit from recapturing space from failing retailers that can be modernized, released, and in some cases repurposed.

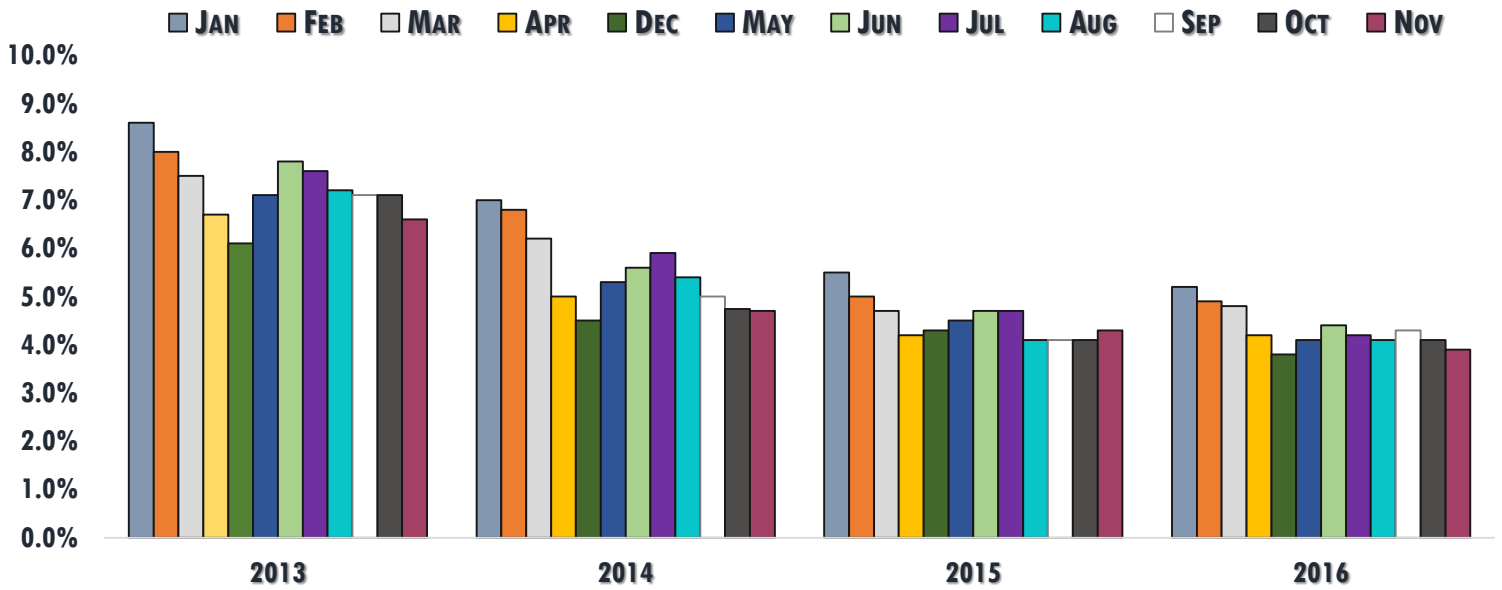
Source: Joshua A. Harris, Ph. D., CRE, CAIA | Managing Partner | [Lakemont Group](#)

“There are now reasons to believe the US will grow near or above 3% in GDP in 2017. If so, demand for space both nationally and locally will expand in the coming years.”
— Joshua A. Harris, Ph.D., CRE, CAIA | Managing Partner at Lakemont Group





Q4 2016 | CINCINNATI MSA UNEMPLOYMENT RATES



US RETAIL SALES

(Ex. Motor Vehicle); Source: U.S. Census Bureau



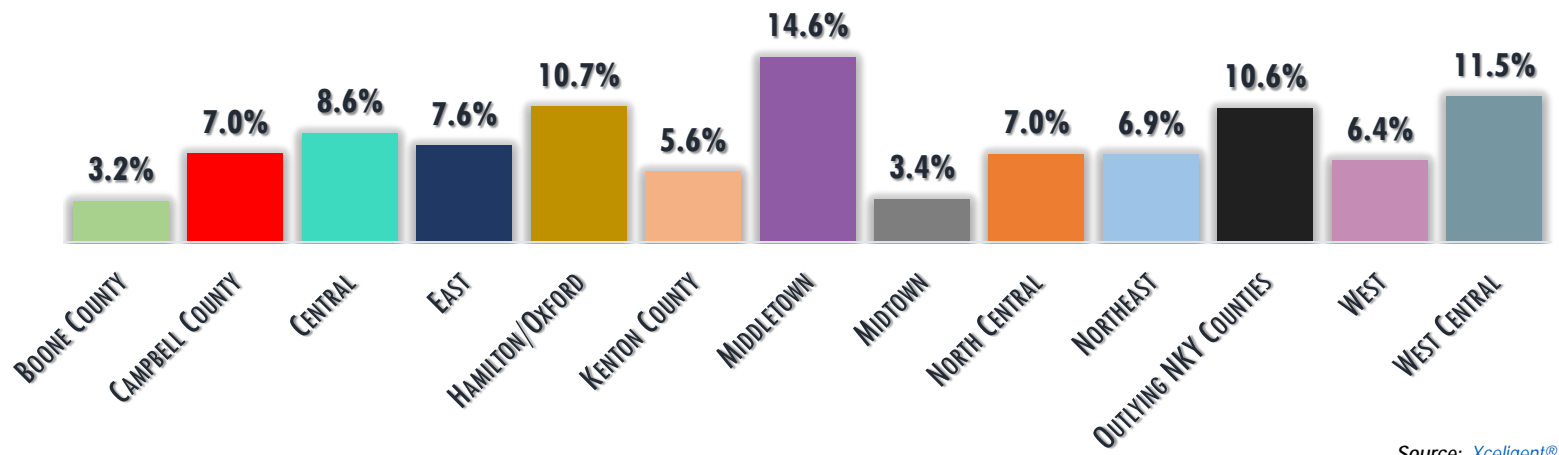


Q4 2016 | RETAIL SUBMARKET OVERVIEW

SUBMARKET TYPE	# OF BUILDINGS	TOTAL SF	VACANT SF	VACANCY RATE	QTRLY NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)
Central	70	4,057,063	348,638	8.6%	-37,344	-113,627
Conv/Strip Center	8	897,092	73,941	8.2%	1,092	5,320
Neighborhood Center	1	390,957	77,270	19.8%	-41,684	-41,684
Freestanding	12	907,967	12,000	1.3%	-	-
Community Center	3	736,335	121,763	16.5%	3,548	-68,652
Regional Center	46	1,124,712	63,664	5.7%	-300	-8,611
East	118	7,113,268	542,946	7.6%	98,233	17,876
Conv/Strip Center	14	1,703,003	275,691	16.2%	-1,635	-944
Neighborhood Center	3	864,238	37,083	4.3%	87,193	55,613
Freestanding	25	2,579,869	44,911	1.7%	-	-34,911
Community Center	3	510,759	22,706	4.4%	10,500	8,877
Regional Center	73	1,455,399	162,555	11.2%	2,175	-10,759
Midtown	37	2,882,326	97,729	3.4%	-4,735	7,306
Conv/Strip Center	8	520,393	37,528	7.2%	2,250	2,878
Neighborhood Center	4	736,115	13,503	1.8%	-	7,917
Freestanding	10	792,730	21,561	2.7%	-	5,041
Community Center	2	551,072	12,324	2.2%	-9,744	-10,111
Regional Center	13	282,016	12,813	4.5%	2,759	1,581
Northeast	91	6,368,464	440,263	6.9%	60,196	105,503
Conv/Strip Center	17	1,826,942	203,373	11.1%	5,185	-10,090
Neighborhood Center	3	715,439	32,444	4.5%	-	16,900
Freestanding	18	1,985,158	43,846	2.2%	41,930	41,930
Community Center	4	757,831	58,586	7.7%	-	43,689
Regional Center	49	1,083,094	102,014	9.4%	13,081	13,074
West	78	4,925,354	317,065	6.4%	-47,956	-3,388
Conv/Strip Center	43	788,632	33,603	4.3%	494	-702
Neighborhood Center	16	1,917,576	239,429	12.5%	-48,450	-33,161
Freestanding	17	1,661,658	-	0.0%	-	-
Middletown	59	3,087,018	451,768	14.6%	-43,884	-63,010
Conv/Strip Center	9	731,209	274,513	37.5%	-25,544	-48,885
Neighborhood Center	11	1,280,740	90,386	7.1%	-	-
Freestanding	2	374,779	7,300	1.9%	-	-
Community Center	37	700,290	79,569	11.4%	-18,340	-14,125

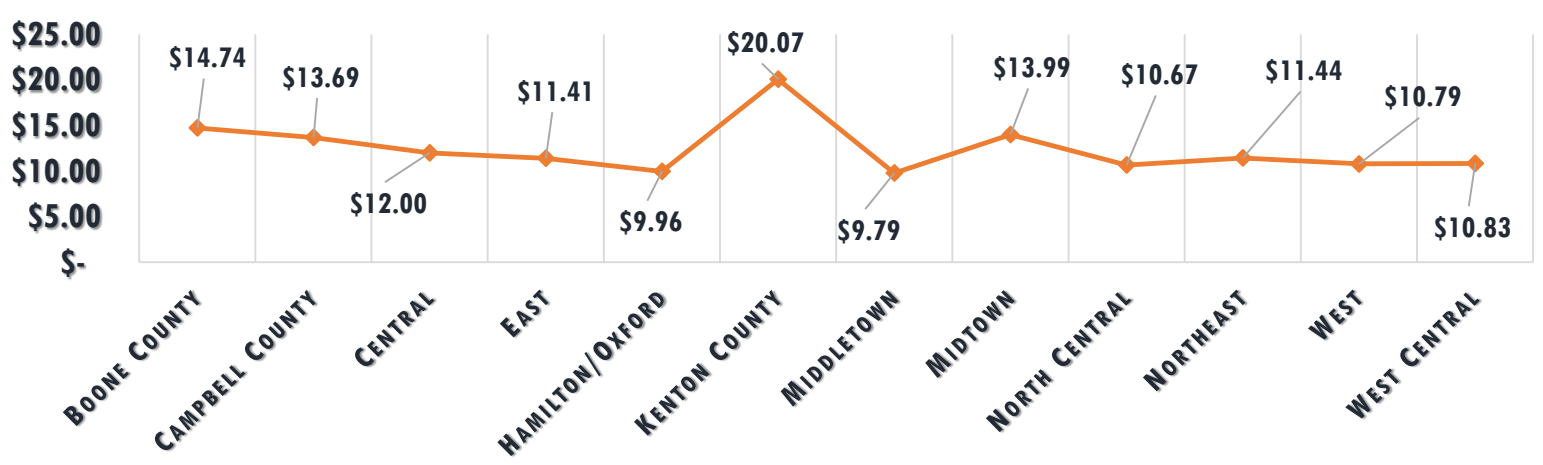


Q4 2016 | VACANCY RATE BY SUBMARKET



Source: [Xceligent®](#)

Q4 2016 | AVERAGE WEIGHTED ASKING RATE BY SUBMARKET (FSG)



Source: [Xceligent®](#)

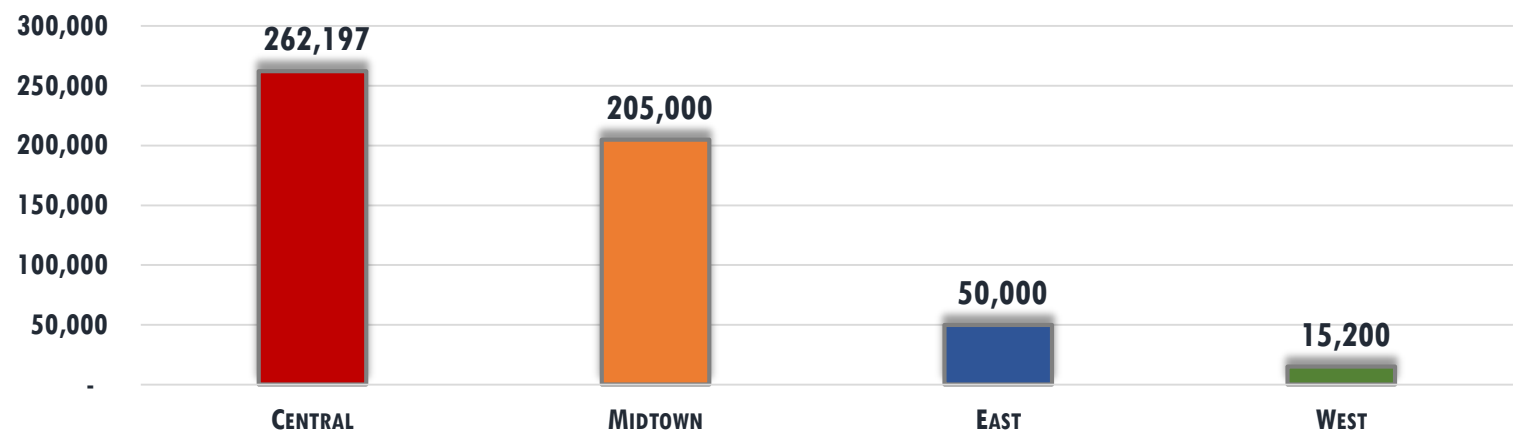


Both private and institutional investment in the greater Cincinnati market will increase as returns in tier one markets decrease. - John Rickert, CCIM | Executive Managing Director at SVN | RICORE





Q4 2016 | CONSTRUCTION ACTIVITY (SF) BY SUBMARKET



Source: Xceligent®

Q4 2016 | SELECT TRANSACTIONS

SUBMARKET	PROPERTY NAME ADDRESS	SF OCCUPIED/VACATED	TENANT	BUILDING USE
East	Jungle Jim's - Eastgate	55,680	Crossroads Church	Regional Ctr
Northeast	Anthony's Furniture	41,930	Anthony's Furniture	Freestanding
West Central	Brentwood Plaza	23,500	Mattress & Furniture Express	Community Ctr
East	Eastgate Square	10,500	Rent-N-Roll ; Sally Beauty	Community Ctr
East	Cherry Grove Plaza	-15,000	Hancock Fabrics	Neighborhood Ctr
West Central	9455-9459 Colerain Ave	-21,175	Tuesday Morning	Conv/Strip Ctr
Central	Sycamore Plaza	-41,684	Dick's Sporting Goods	Regional Ctr
West	Harrison Retail Center	-55,500	Roses	Neighborhood Ctr
Kenton County	Latonia Plaza	-71,350	Value City Furniture	Community Ctr

SUBMARKET	PROPERTY NAME	SALE PRICE	SF SOLD	BUYER	SELLER	BUILDING USE
West Central	Panera Bread	\$2,950,000	5,135	The Shin Family Revocable Trust	Bow Colerain LLC	Fast Food
Midtown	3433 Michigan Ave	\$1,407,668	4,650	CV Michigan Properties LLC	Grandin Company Ltd	General
Hamilton	Marathon Gas	\$1,050,000	1,850	Om Sai Marathon LLC	Ram Gopal Inc	Gas Station/Conv
Northeast	Marathon Gas Stations	\$1,000,000	2,184	GOC Realco LLC	Flagship Ventures Inc	Gas Station/Conv
North Central	Monroe Center	\$870,000	17,184	MKJAS Properties LLC	Adventure Properties	Conv/Strip Ctr
Northeast	2629 Water Park Dr	\$700,000	9,323	Masake Properties LLC	Bob Evans Holdings	Restaurant