

CINCINNATI'S REINVIGORATED RESIDENTIAL MARKET DRIVES RETAIL DEMAND



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For Cincinnati residents and businesses, the ongoing revitalization of the city's urban core is an exciting example of how the traditional live, work and play dynamic can set in motion a cycle of positive reinforcement whereby new housing spurs new commercial development, which in turn encourages additional residential growth.

While the Queen City's renewed civic connections and commercial synergies are making headlines and garnering justified attention, it is precisely this residential spark that has fanned the retail flame.

Like so much development — and redevelopment — it is all about “chasing rooftops,” responding to demographic shifts and finding new ways to meet the needs of a changing urban populous.

In today's rapidly evolving Cincinnati market, those changes are evident, and the resulting development is literally and figuratively altering the Cincinnati cityscape.

City Living

Cincinnati's recent urban residential development can be broken down into two categories: downtown development in and around the central business district (CBD), and the development in the first-ring communities just outside of that urban core. Both areas are seeing a great deal of high-end multifamily coming on line.

Typically, this new housing stock is amenity-driven and priced at a premium. The tight rental market for this product has driven rental rates into, and beyond, the rental range of \$1.50 to \$1.75 per square foot. New and redeveloped residences both downtown and along the riverfront are being snatched up almost as quickly as they can be built — and build them they will — with some reports indicating that as many as 1,500 new units may be added downtown over the next two to three years.

To date, much of the redevelopment downtown involves existing structures that were once office, manufacturing or warehouse buildings being reworked into open floor plans or loft-style housing units. This often includes adding a streetfront retail or restaurant component.

In the first-ring communities outside of the CBD, developers have a little more room to work. Unlike the



U Square @ the Loop, located next to the University of Cincinnati, includes 161 apartments, 80,000 square feet of retail space, 40,000 square feet of office space, a community green space and two parking garages containing more than 700 spaces. Towne Properties and Al Neyer are co-developers of the \$78 million U Square development.

downtown core, developers here are generally acquiring multiple properties in order to assemble larger sites where demolition and ground-up development can take place.

The focal points for this activity are the Uptown area around the University of Cincinnati, as well as in the Oakley and Hyde Park neighborhoods.

Critical Connections

In conjunction with the reinvigorated residential market, Cincinnati's newly upgraded transportation infrastructure is already having a profound impact on the development landscape. The recently completed Kennedy Connector roadway has improved the connectivity between several of the first-ring suburbs and provides easier access to I-71 and the urban core.

This \$30 million project has improved the circulation of traffic through several neighborhoods and opened up the possibility of not only additional residential projects, but also higher density commercial and mixed-use development.

Another high-profile infrastructure project, Cincinnati's new streetcar line, is currently under construction and is scheduled to open for regular service in 2016. The Cincinnati Streetcar will connect several neighborhoods throughout the city to the central business district, forging a critical link between the Uptown/Clifton market and the downtown core.

Several neighborhoods adjacent to the streetcar route are subsequently emerging as a burgeoning hub for new urban residents, who can now easily make their way to school or jobs at nearby hospitals and surrounding businesses.

By providing easy access to restaurant and entertainment options downtown, including the third phase of The Banks — a signature riverfront retail,

dining and entertainment destination — the Streetcar's promise of connectivity without congestion is likely to be fulfilled.

At a time when infrastructure development had been radiating further and further away from the urban core, both the Kennedy Connector and the new streetcar system are tremendously important for Cincinnati's development landscape.

Retail's Re-emergence

Needless to say, the resurgence in residential redevelopment that has been taking place (both downtown and in the first-ring suburbs), and the game-changing new infrastructure improvements in place and on tap have generated a great deal of interest among commercial and mixed-use developers — as well as retailers and restaurateurs.

As existing neighborhoods continue to evolve, and as new residential and mixed-use projects come on line, retailers are adjusting their strategies to accommodate changing demographics and new civic realities.

There will be opportunities for retailers and restaurateurs to make a move into downtown Cincinnati, but it is important to note that those opportunities will not necessarily be plentiful.

A competitive market with space and format constraints may require some flexibility, and we have yet to see the traditional big-box retailers adapt their footprint to move into downtown.

Where the city has experienced significant momentum already is in the grocery and restaurant sector, with several grocery operators exploring downtown opportunities and an explosion of new restaurants moving in to re-energized urban neighborhoods. The revitalization of some of

those historic neighborhoods — such as Over-the-Rhine and Corryville — is especially significant from a development standpoint.

Projects like Views on Vine, Oakley Station and U Square are emblematic of the kind of residential and mixed-use project that is leading the development charge. Views on Vine, the \$20 million project in the Corryville neighborhood, features 104 apartments over ground-floor retail and dining options, and the apartments are already fully leased.

U Square, a new LEED multi-use project between McMillan and Calhoun streets across from the University of Cincinnati's main campus, includes 161 upscale apartments, 80,000 square feet of retail space and 40,000 square feet of University of Cincinnati office space.

Overall, the Uptown/Clifton area has re-established itself as a tremendously popular and important community. The area includes six hospitals and the University of Cincinnati. The university is the largest employer in Greater Cincinnati, with more than 42,000 students enrolled annually and an estimated economic impact of approximately \$3 billion.

The development pattern currently emerging in Cincinnati highlights the symbiotic relationship of retail, residential and infrastructure/transportation. It seems clear that the city's shifting population will continue playing a significant and perhaps defining role in the planning and execution of successful retail projects and growth throughout Cincinnati's revitalized urban neighborhoods.