

# Hotel Demand Drivers in Cincinnati

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Founded in 1790, Cincinnati’s identity has been forged by more than two centuries of struggle and success, and we still see signs of these cycles in the city’s more recent past. Though Cincinnati’s population waned between 1960 and 2000, an estimated 332,458 residents in 2007 marks a 0.4% increase since 2000. Cincinnati is currently the third-largest city in Ohio, behind Columbus and Cleveland; however, with over 2.1 million people, the Cincinnati MSA is Ohio’s second-largest and is on pace to out-rank the Cleveland MSA by

2010.<sup>1</sup> In 2002, the city’s unemployment rate spiked in line with the depressed national economic climate during that period. Nonetheless, Cincinnati’s recovery continued into June of 2008, when the present fiscal crisis began to negatively affect local employment numbers.<sup>2</sup>

These ebbs and flows affect the performance of area hotels, which depend on an influx of demand from a diverse set of travelers to the city. The following sections describe the dynamics and highlight the strengths of Cincinnati’s major lodging market segments: commercial, meeting and group, and leisure.

## Commercial

While other Rust Belt cities have fallen victim to the decline in U.S. manufacturing, many of the features that brought Cincinnati into early prosperity have helped the city bolster its diverse economy. Top firms in Cincinnati represent key industries such as aerospace, automotive, biotechnology, brand design, creative services, chemistry, financial services, IT services, and consumer goods.<sup>3</sup> Together, these have helped fortify the city’s economic position in recent years.

Cincinnati is home to nine Fortune 500 company headquarters, and an additional 360 Fortune 500 companies maintain operations in the metro area.<sup>4</sup> The city has been successful at not only retaining area businesses, but also at attracting new shops. The area’s low cost of living, aggressive development incentives, and excellent accessibility through multiple transportation routes have brought national recognition to the MSA. *Site Selection* magazine ranked Cincinnati as the number two city in America for new and expanding businesses in 2007.

In addition, the presence of nearly one million college students within a 200-mile radius of Cincinnati provides more than 100,000 graduates to the workforce annually.<sup>5</sup> The area’s major academic institutions include the University of Cincinnati, Xavier, Miami University, Northern Kentucky University, and Cincinnati State Technical and Community College.

### Local Fortune 500 Companies

	2008 Rank
Procter & Gamble	23
The Kroger Company	26
Macy’s Inc.	91
Fifth Third Bancorp	307
Ashland Inc.	322
AK Steel Holding	351
Omnicare	386
Western & Southern Financial	480
Chiquita Brands International	491

Source: Cincinnati USA

## Summary

A mix of cultural and commercial projects continues to steer businesspeople, tourists, and conventioners toward Cincinnati, giving area hoteliers some hope in the tough economy.

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Downtown development has been a priority as well, with the city's riverfront topping the list of potential development sites. The past several years have seen investments in sports and cultural facilities along with The Banks, a \$1-billion project covering eight city blocks along the Ohio River. The mixed-use development calls for retail, restaurant, residential, office, and entertainment outlets set in a pedestrian-friendly urban atmosphere. The project broke ground in 2008 and its last phases are set for completion in 2018.<sup>6</sup> The Great American Insurance Building at Queen City Square broke ground in 2008 and, upon its completion in 2011, will overtake Cleveland's Key Tower as the state's tallest structure.<sup>7</sup>

### **Meeting and Group**

The Cincinnati Metropolitan Statistical Area, which includes fifteen counties in Ohio, Kentucky, and Indiana, is marketed as "Cincinnati USA." The area features three major convention facilities: the Duke Energy Center in Downtown Cincinnati; the Northern Kentucky Convention Center, located on the southern banks of the Ohio River in Covington, Kentucky; and the Sharonville Convention Center, which is located in the northern suburb of Sharonville.

The Duke Energy Center underwent a \$160-million renovation in 2006<sup>8</sup> and subsequently experienced a major jump in convention activity. The Greater Cincinnati Convention and Visitors Bureau recently released a report stating that the convention center has exceeded its operational projections for 2008, solidifying its position as one of the premier convention facilities in the Midwest.

Built in 1998, the Northern Kentucky Convention Center features a total of 204,000 square feet of meeting, exhibition, and social-function space. Based on information provided by the Northern Kentucky Convention and Visitors Bureau, a majority of the room nights generated by the center have historically been absorbed by two adjacent hotels: the 321-unit Marriott RiverCenter and the 226-unit Embassy Suites RiverCenter.

The Sharonville Convention Center offers 16,500 square feet of exhibition space, as well as nine meeting and breakout rooms, mainly to local corporate and leisure groups. The hotel demand generated by this facility is absorbed principally within the Sharonville submarket, located at the convergence of Interstates 75 and 275. The Sharonville facility, which currently receives over 200,000 event attendees per year, will reportedly undergo a major expansion in 2009, doubling the amount of function space on offer.<sup>9</sup>

### **Leisure**

Cincinnati's rich history provides the backdrop for many of its leisure and tourist attractions. Riverboats along the Ohio River provide a glimpse into Cincinnati's past, offering historic tours and hosting events such as weddings, reunions, and parties. Although riverboat gambling is not legal in Ohio, the boats docked in Indiana ports are very popular with residents throughout the region.

The Great American Ballpark, home to the Cincinnati Reds, opened in 2003 on the Cincinnati riverfront, replacing Cinergy Field, which the Reds had previously called home. The \$290-million project joined Paul Brown Field, which debuted on the riverfront in 2000 as host to the Cincinnati Bengals. Taking full advantage of the potential for riverfront development, the Cincinnati Riverfront Park will form part of The Banks project described above. This 45-acre development will stretch from Paul Brown Stadium to the Great American Ballpark along the Ohio River, and area officials estimate the park will generate 1.1 million new visitors annually upon its completion in 2010.<sup>10</sup>

Cincinnati's arts-and-culture scene sets the city apart from many of its Midwestern counterparts. The city's investment in maintaining and building new arts centers has been evident in recent years with the ongoing renovations of the Cincinnati Art Museum and the Cincinnati Music Hall, two of the city's prized centers. The Contemporary Arts Center received a new \$34-million home in 2003,<sup>11</sup> and the National Underground Railroad Freedom Center opened in Cincinnati in 2004.<sup>12</sup> The freedom center chronicles the history of the Underground Railroad and the importance of Cincinnati's location along the route that many escaped slaves followed to freedom.

### **Wrap-up**

Cincinnati has been aggressive with reinvestment throughout the metro area, refusing to succumb to the effects of a declining national economy. The efforts of the Cincinnati USA partnership have been monumental for the tri-state region of Indiana, Ohio, and Kentucky. In 2007, the year of its inception, the partnership attracted \$2.71

billion in capital investments, creating a total economic impact of over \$5.7 billion.<sup>13</sup> Cincinnati has also invested in its cultural and leisure attractions, adding to the already favorable quality-of-life standards in this area. As business and leisure travel slows around the country, new city projects, a proactive economic development team, and the diverse cross-section of Cincinnati's lodging market should help keep statistics relatively healthy at area hotels.

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<sup>1</sup> U.S. Census Bureau

<sup>2</sup> U.S. Department of Labor

<sup>3</sup> Cincinnati USA Regional Chamber

<sup>4</sup> [http://www.cincinnatiusa.org/pdf/bus\\_lists/fortune\\_1000.pdf](http://www.cincinnatiusa.org/pdf/bus_lists/fortune_1000.pdf)

<sup>5</sup> Cincinnati USA Partnership for Economic Development

<sup>6</sup> [http://www.cincinnatiport.org/pa\\_pg5A.html](http://www.cincinnatiport.org/pa_pg5A.html)

<sup>7</sup> <http://www.westernsouthern.com/pdf/QCSNewsRelease.pdf>

<sup>8</sup> <http://www.duke-energycenter.com/700/Default.asp>

<sup>9</sup> <http://www.cincynorth.com/conventioncenter.php>

<sup>10</sup> [http://www.crpark.org/why\\_cincinnati\\_riverfront\\_park.htm](http://www.crpark.org/why_cincinnati_riverfront_park.htm)

<sup>11</sup> <http://www.contemporaryartscenter.org/history>

<sup>12</sup> <http://www.freedomcenter.org/>

<sup>13</sup> <http://www.siteselection.com/issues/2008/may/topGroups/>

## About **Stacey E. Nadolny**



Stacey Nadolny, MAI, an HVS Managing Director and Senior Partner, leads the firm's consulting and valuation practice in Chicago. Chicago is one of over 30 cities across North America where HVS has experts living and working, providing insights and solutions to clients. In the Midwest, HVS leaders are located in St. Louis, Detroit, Minneapolis, Nashville, Cincinnati, and Omaha, in addition to Chicago. Stacey's extensive experience ranges across hundreds of appraisals and feasibility studies for full-service hotels in the Midwest, including convention headquarter hotels and portfolio

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