

1Q24

Cincinnati Office Market Overview

NEWMARK



Market Observations

Economy

- The region’s labor market remained strong amid shifting macroeconomic conditions. Cincinnati’s 3.5% unemployment rate was lower than the 3.9% United States average.
- Year-over-year, five sectors saw positive employment growth while six saw negative growth. Education & health led all sectors in job gains at 5.5% during the past 12 months.
- Locally, employment growth across all office-occupying sectors is down year-over-year from 278.2 thousand to 272.4 thousand in the first quarter of 2024. Numbers continue to improve for both office-using employment and unemployment.

Major Transactions

- Element Materials leased 31,585 SF at 9987 Carver Rd., located in the Blue Ash/Montgomery submarket.
- Principal Life Insurance Co., Aerotech Affiliated Services, & MRA Management Associates leased a combined 25,570 SF at 400 E Business Way, located in the Blue Ash/Montgomery submarket.
- Hamilton County Public Health Dept. leased 14,504 SF at 5050 Section Ave., located in the Midtown submarket.
- Veterans Affairs leased 13,152 SF at 615 Elsinore Pl., located in the CBD Peripheral submarket.

Leasing Market Fundamentals

- Absorption in the first quarter of 2024 totaled 41,821 SF. This is slightly less than the fourth quarter of 2023, when 61,537 SF was absorbed.
- The only office building currently under construction is located at OneNKY Center in the Northern Kentucky Submarket, where construction began in the third quarter of 2023.
- Vacancy decreased year-over-year while rents slightly increased. Vacancy decreased to 25.2% as deliveries modestly outpaced absorption. Asking rents slightly increased to \$22.18/SF.
- Sublease space continues to increase quarter-over-quarter.

Outlook

- Demand remains uncertain for owners and investors as employers grapple with determining optimal office size to accommodate changing hybrid and remote work schedules.
- Absorption will continue to be challenged as contractions offset expansion.
- Owners with maturing mortgages face financing challenges from increased interest rates and decreased NOI.
- Municipalities and school districts will be impacted by reduced real estate tax revenue as more office owners appeal valuations to reflect increased vacancy.
- Availability indicators signal continued increase in vacancy.

1. Economy
2. Leasing Market Fundamentals

1Q24

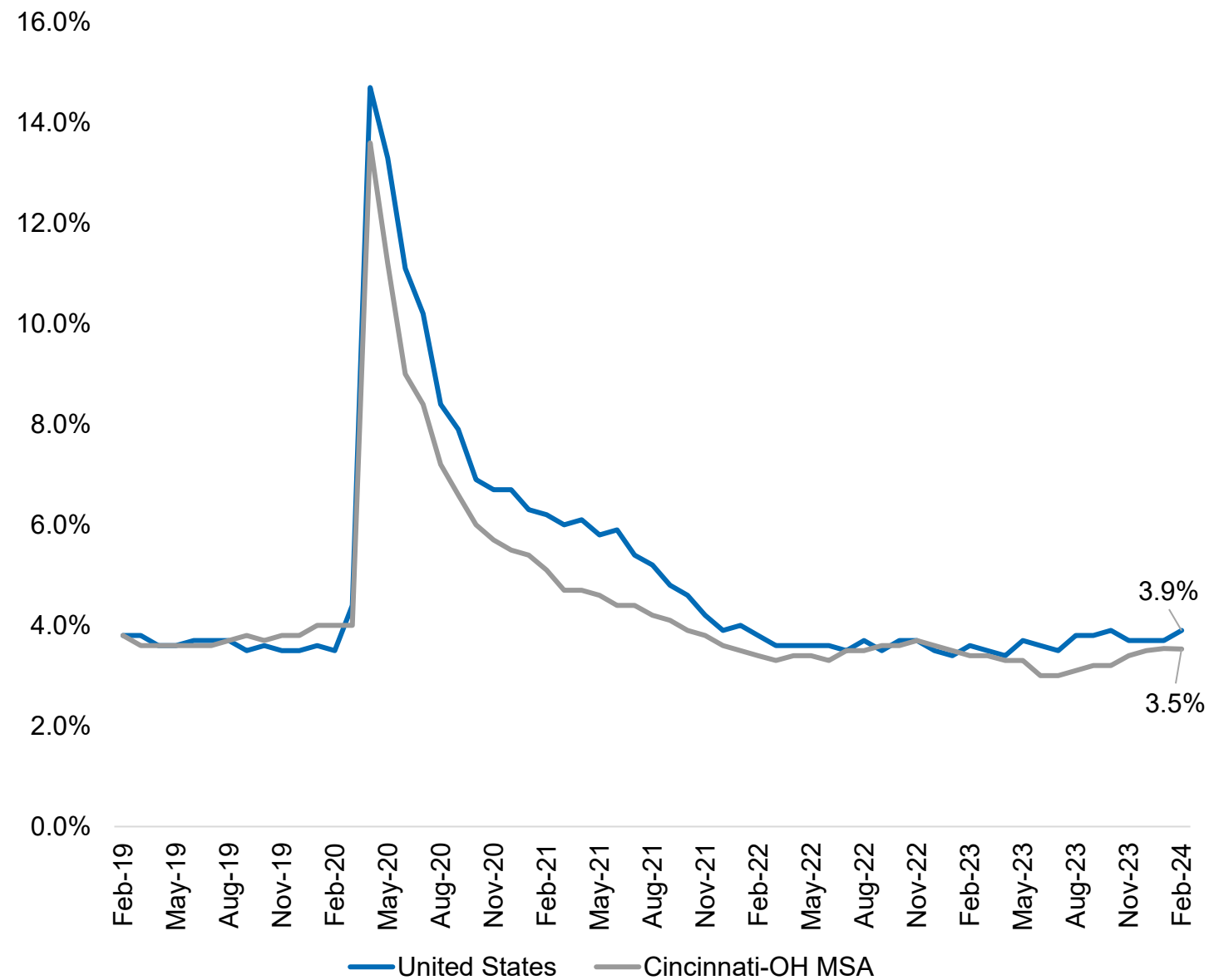
Economy



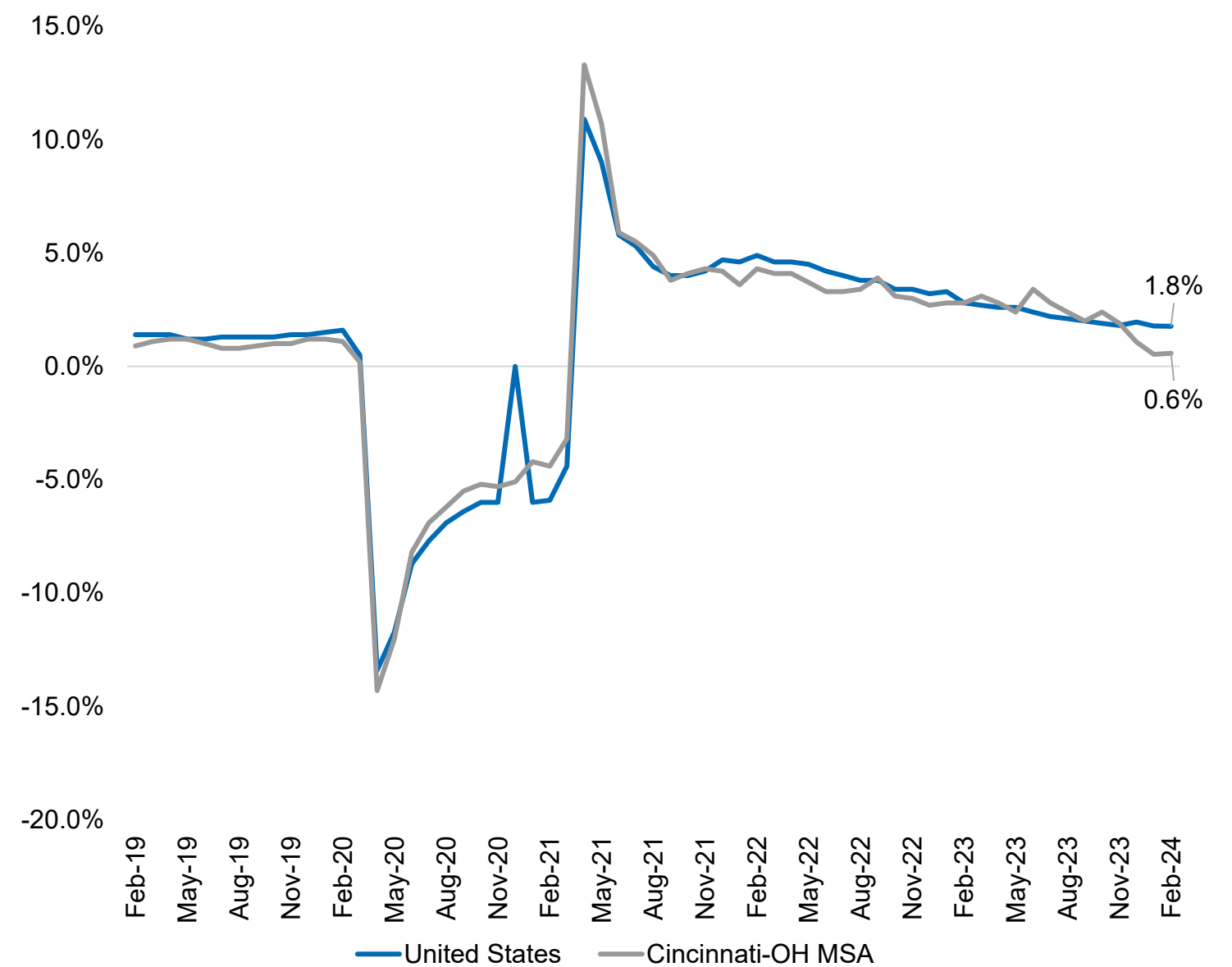
Unemployment Rate in Cincinnati Continues to Stay Consistent with the U.S. Average

The unemployment rate in Cincinnati is 3.5%, and the U.S. average is 3.9%, for the first quarter of 2024. Year-over-year, there was a 0.1% increase for Cincinnati, and the United States increased by 0.3%. Nonfarm payroll employment decreased year-over-year from 2.8% to 0.6% in Cincinnati, while the United States average decreased from 2.8% to 1.8%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

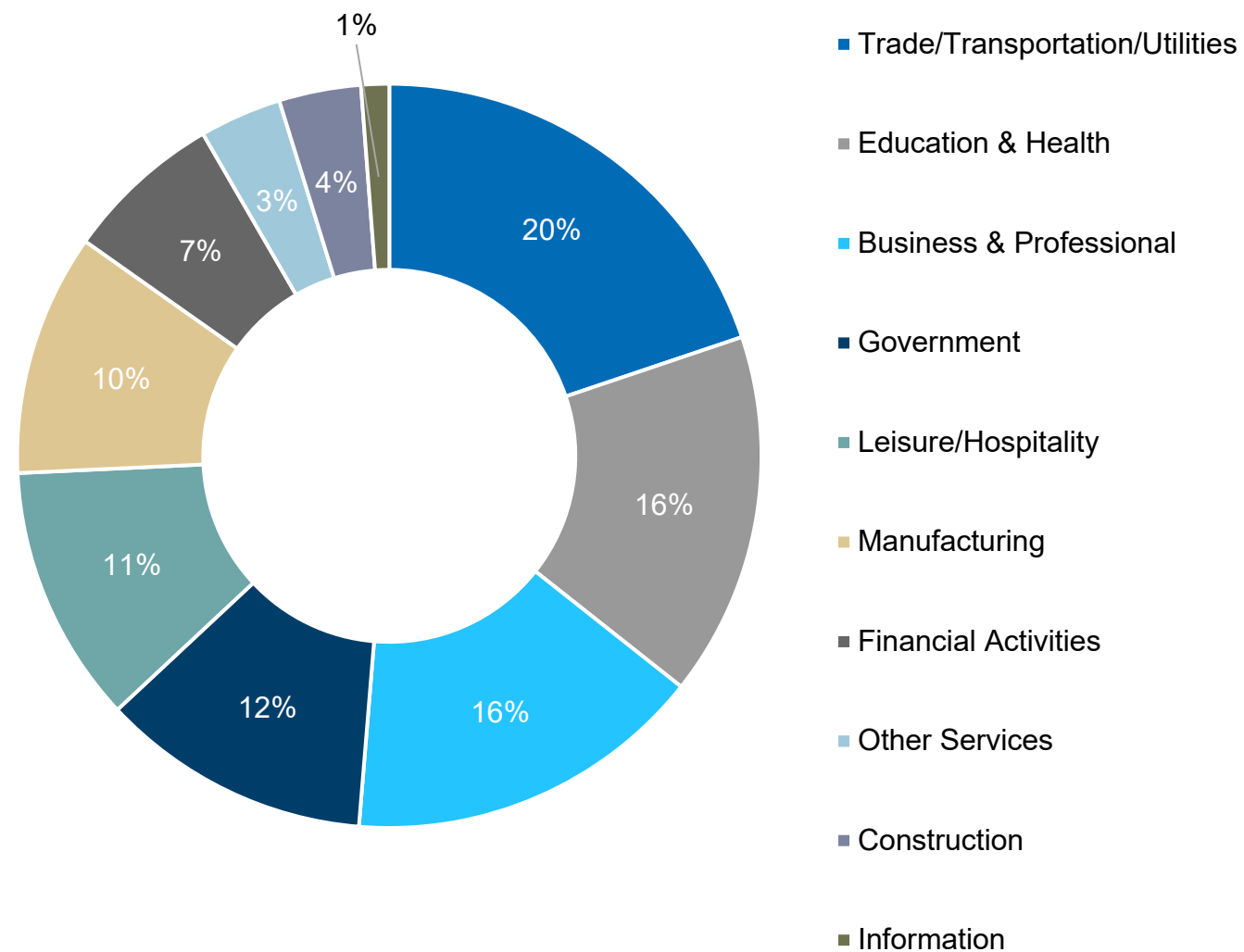


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

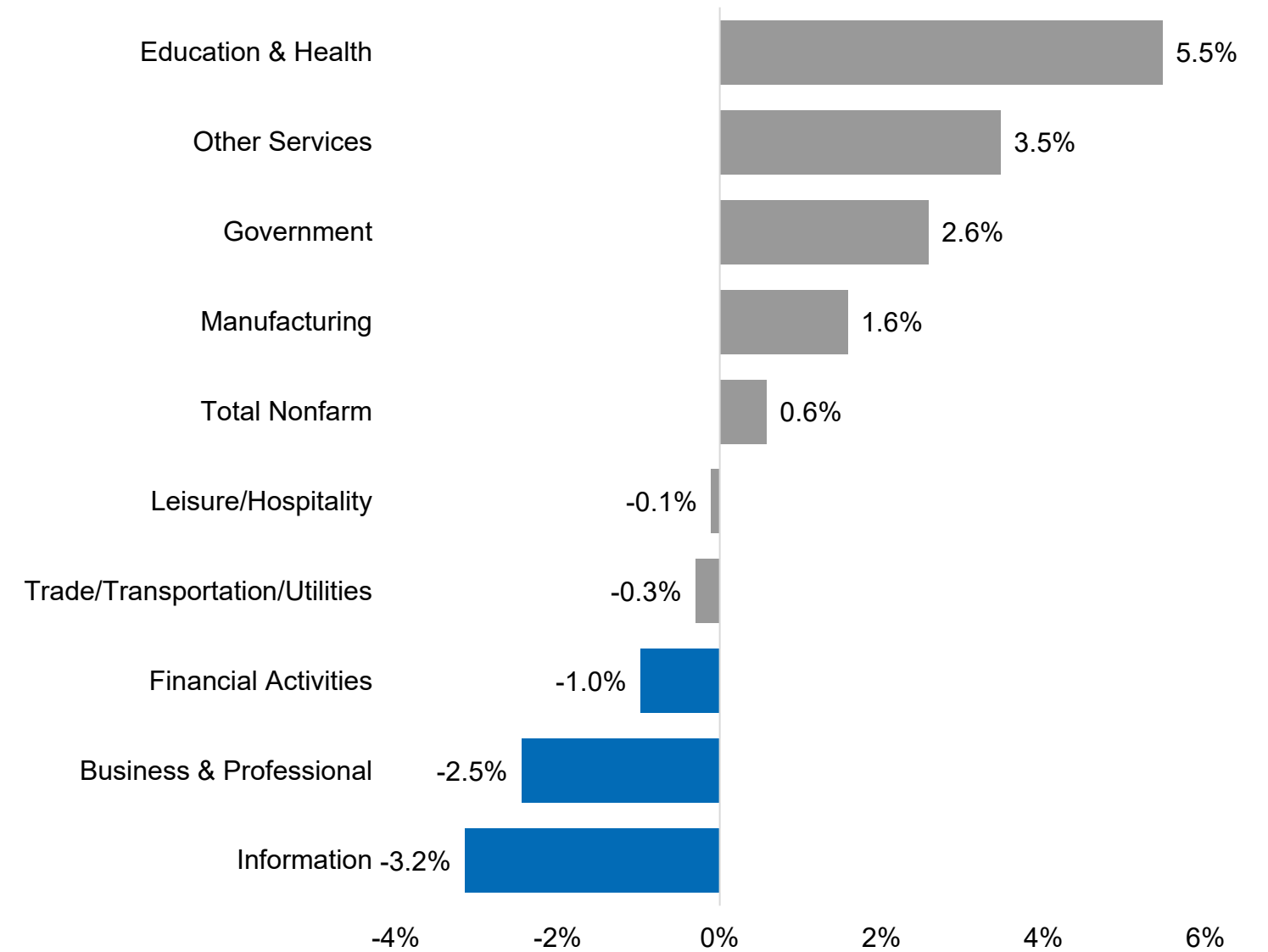
All Three Office Using Sectors See a Decline in Employment Growth

The education & health sector led all industries in regional annual job growth at 5.5%, while the other services sector followed next behind at 3.5%. All three office using sectors saw a decline in the first quarter of 2024. The information sector saw the greatest loss at -3.2%.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

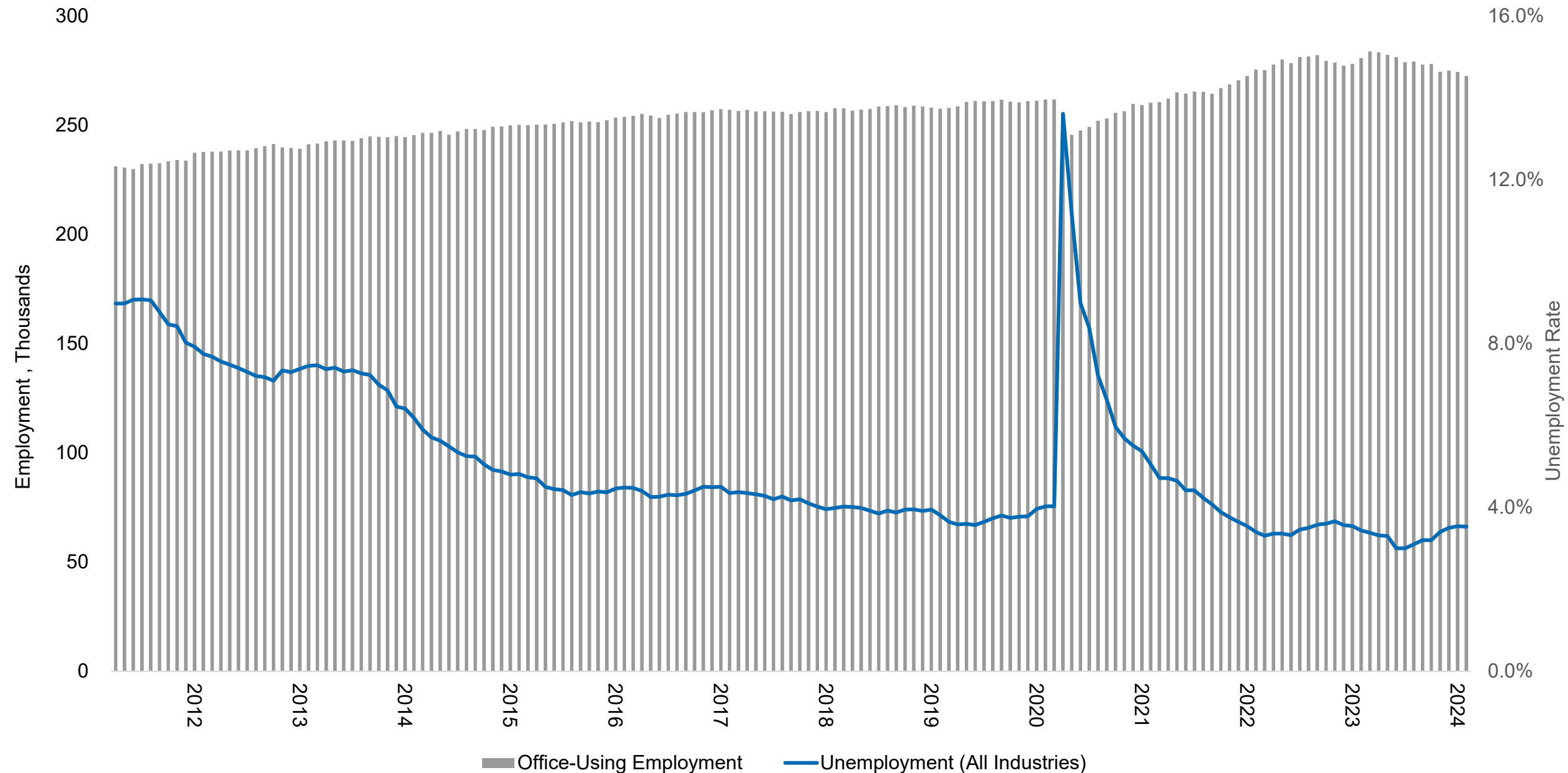


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

Overall Office-Using Unemployment at 3.5%

The number of office jobs is up to 272.4 thousand. Unemployment for overall office-using across all industries is down to 3.5%. Numbers continue to improve year-over-year for both office-using employment and unemployment.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

Note: February 2024 data is preliminary.

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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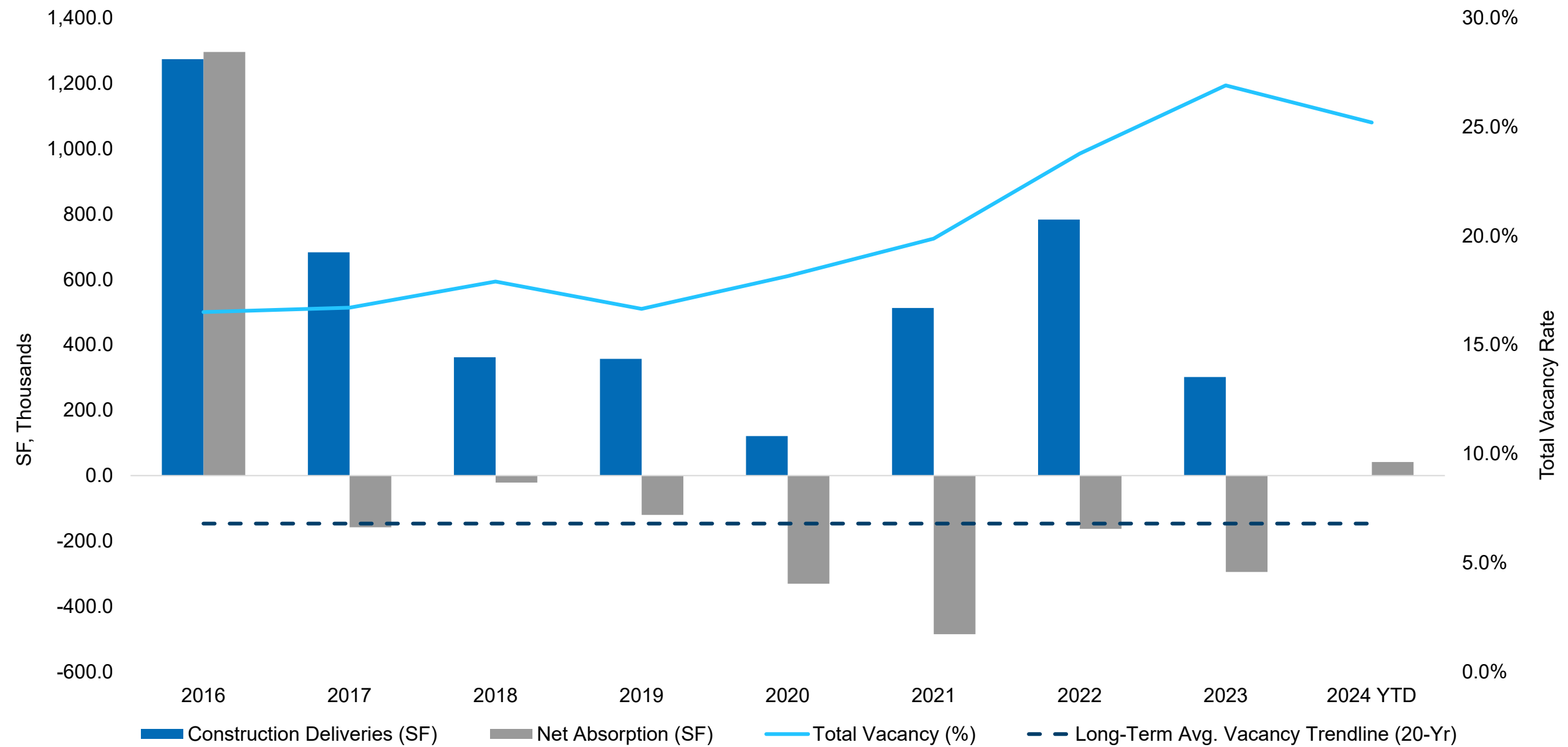
Leasing Market Fundamentals



Vacancy Decreases Slightly With No New Construction

The vacancy rate slightly decreased from 26.9% in the fourth quarter of 2023 to 25.2% in the first quarter of 2024. Year-to-date absorption is 41,821 SF.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Class A Submarket Statistics Overview

Please reach out to your
Newmark business contact for this information

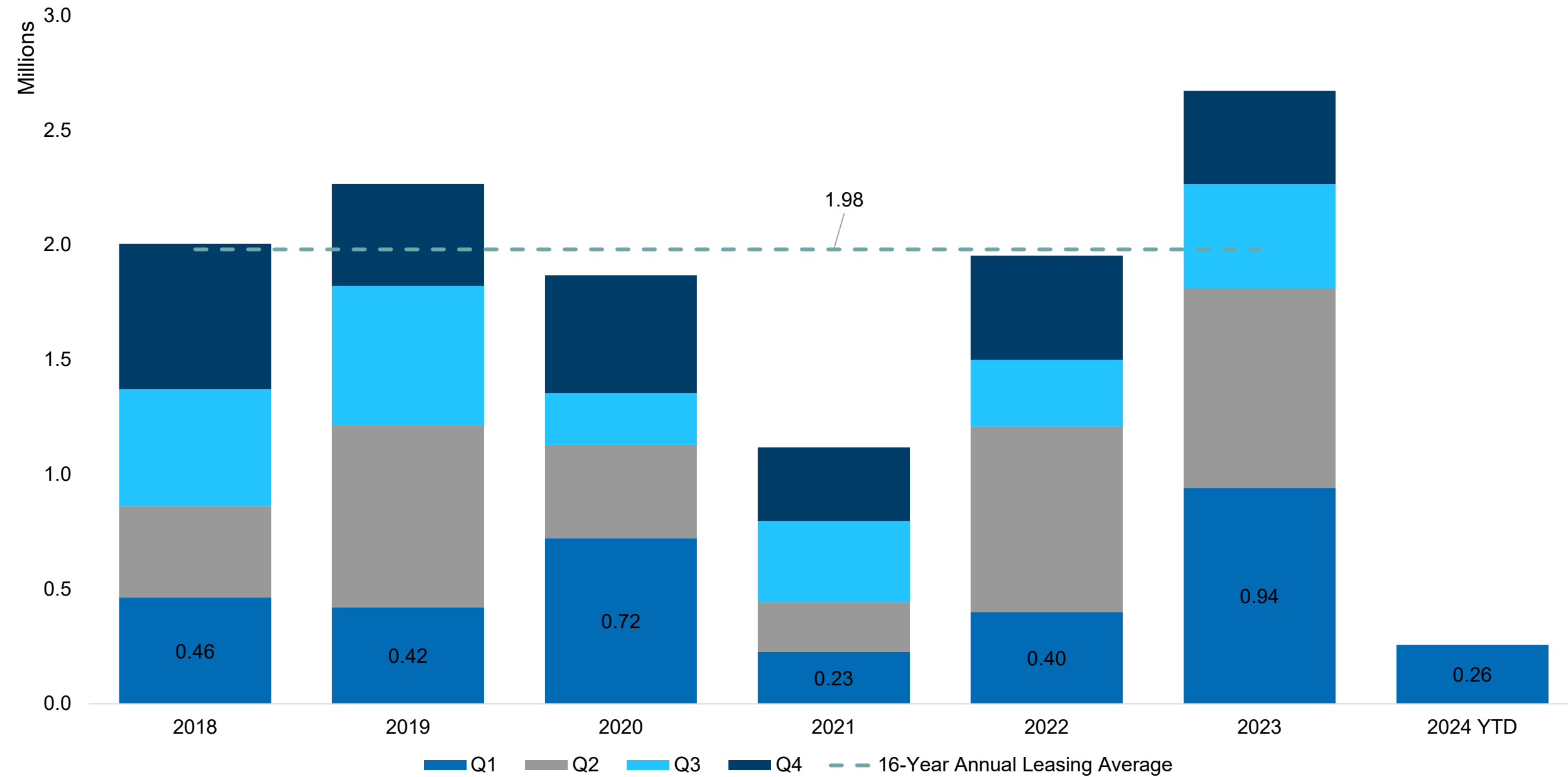
Class B Submarket Statistics Overview

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Leasing Activity Slows

Leasing activity slowed in the first quarter to 256,291 SF, nearly half of the fourth quarter's total of 405,873 SF.

Total Leasing Activity (msf)

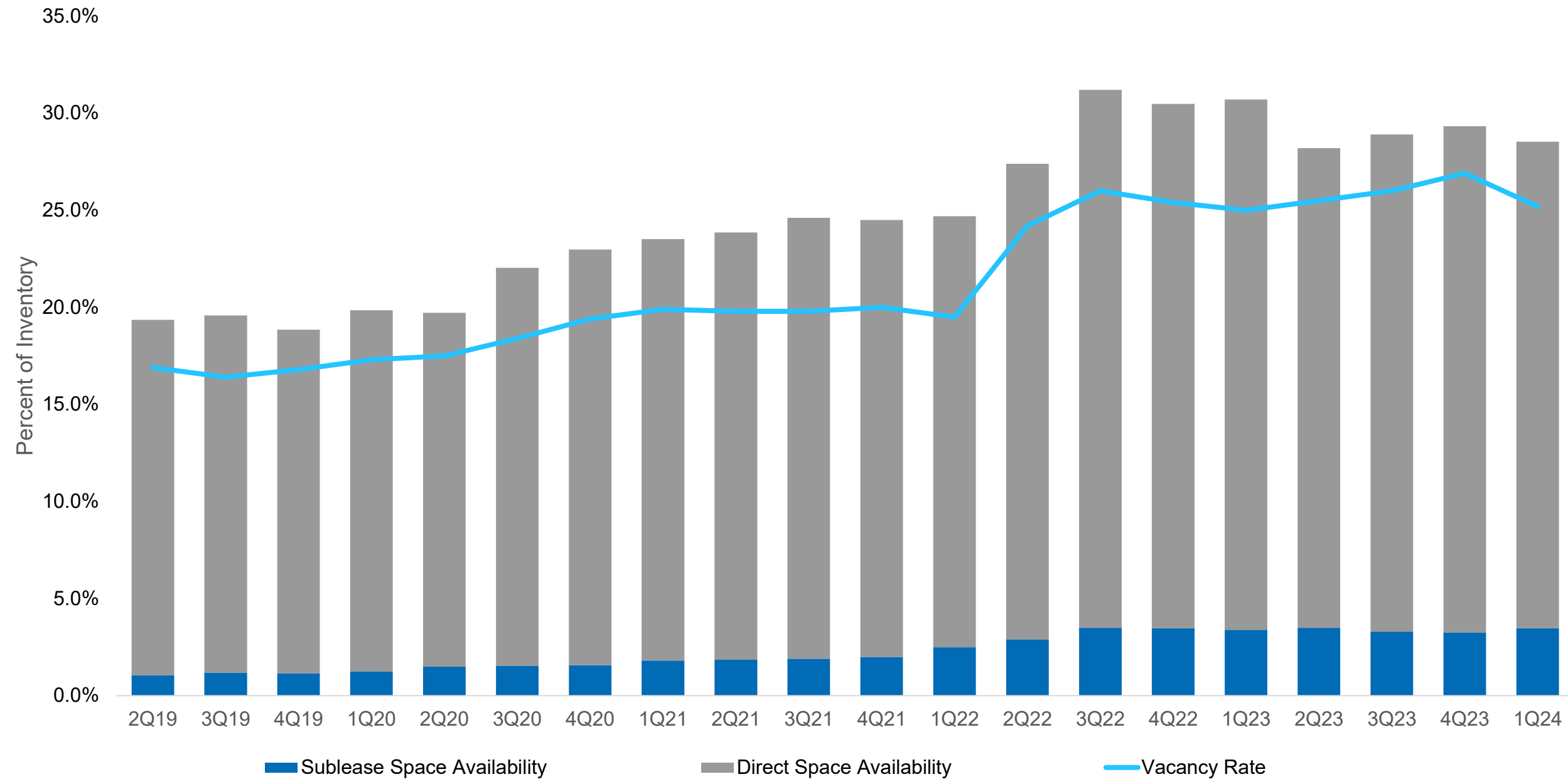


Source: Newmark Research, CoStar

Sublease Availability Up; Direct Space Availability Decreases Slightly

Direct space availability decreased from 26.1% in the fourth quarter of 2023 to 25.1% in the first quarter of 2024. Sublease availability increased from 3.26% in the fourth quarter of 2023 to 3.48%.

Available Space and Tenant Demand as Percent of Overall Market

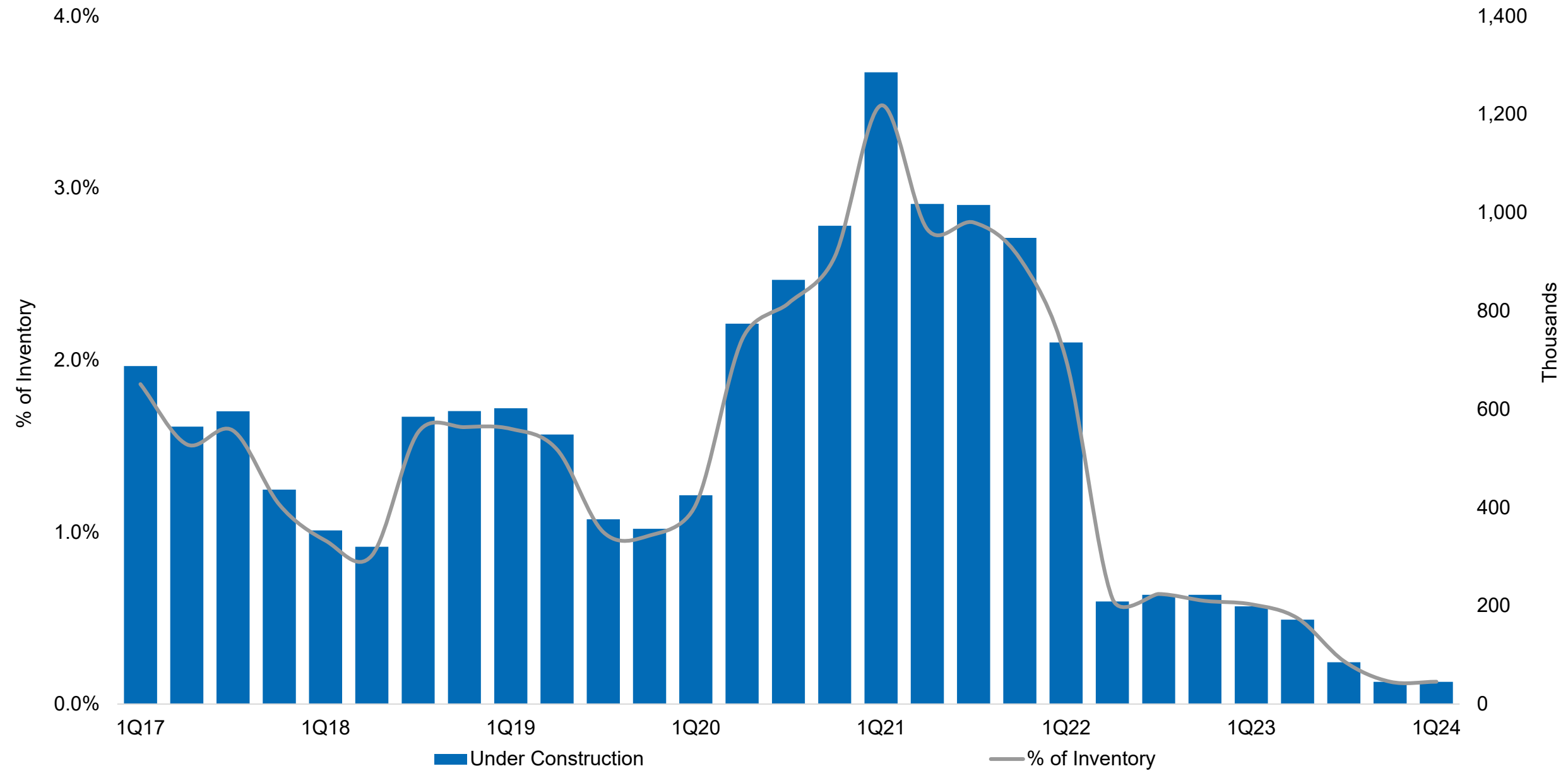


Source: Newmark Research

Minimal Construction in Greater Cincinnati

OneNKY Center which broke ground in the third quarter of 2023 in the Northern Kentucky submarket. This 43,000-SF building is located at the foot of the Roebling Suspension Bridge and will house several economic development agencies.

Office Under Construction and % of Inventory

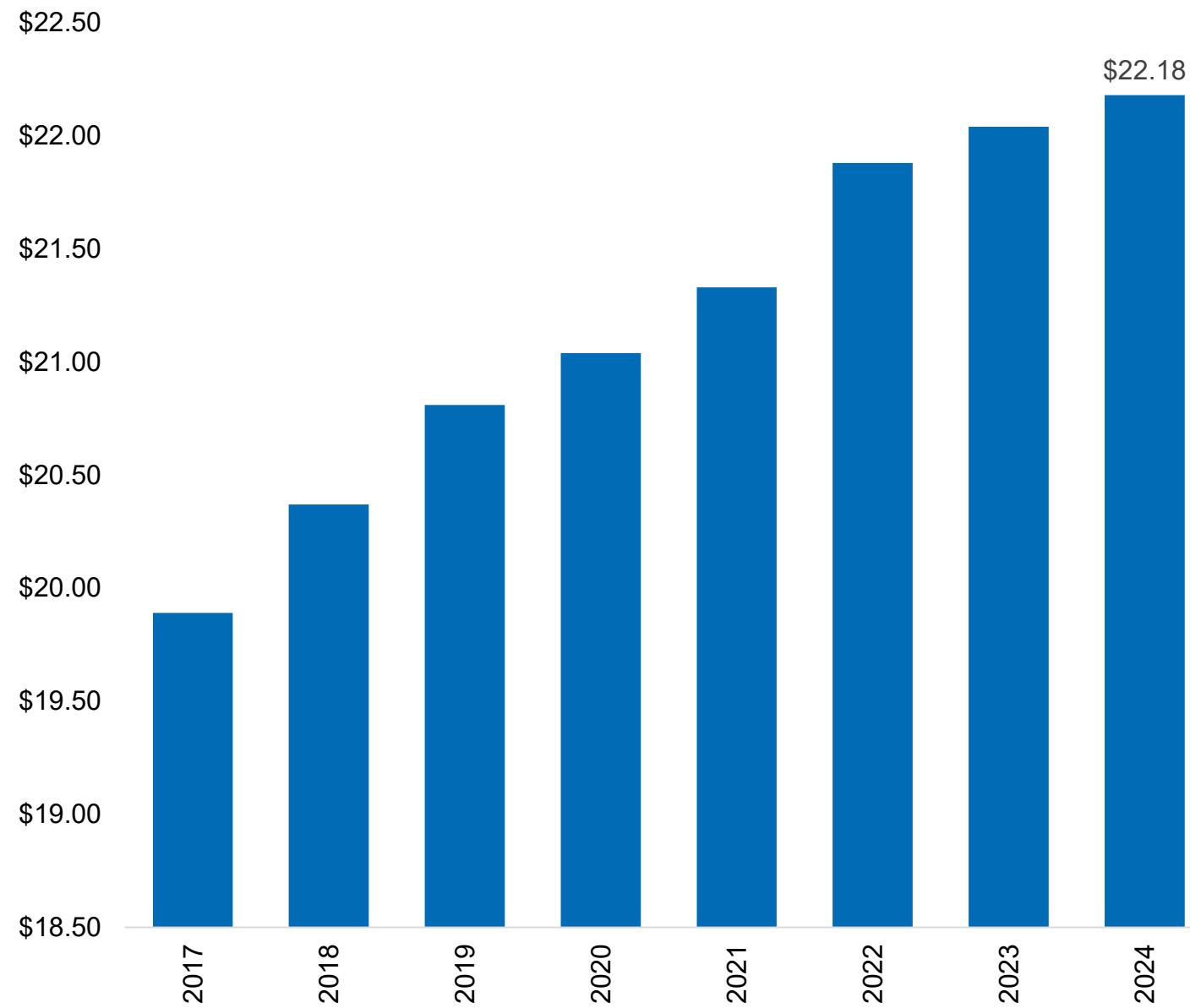


Source: Newmark Research, CoStar, City of Cincinnati

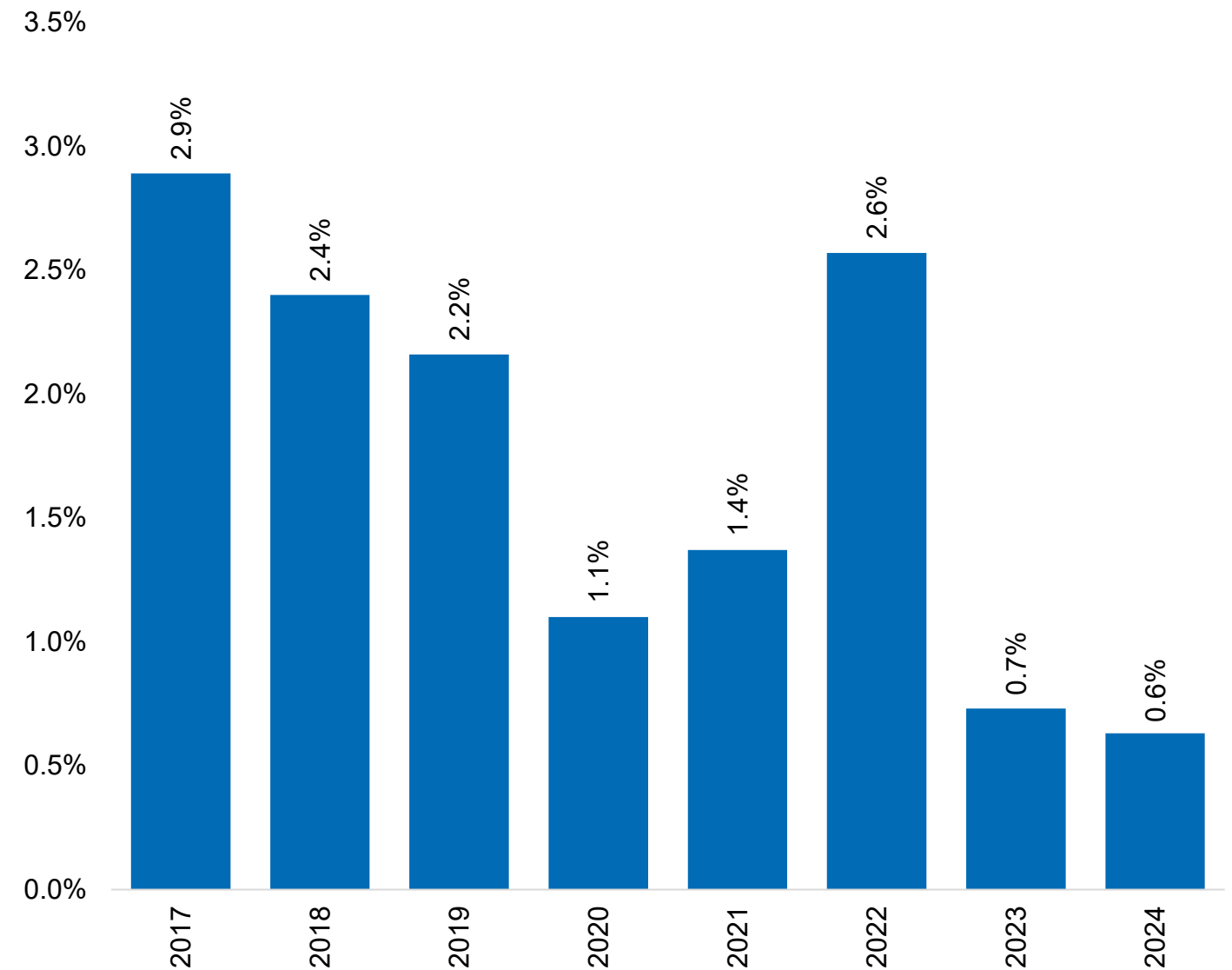
Asking Rents Increase Year-Over-Year

Overall asking rates increased slightly this quarter, putting the year-over-year rent growth rate at 0.6%. Rents are projected to stay relatively flat for the foreseeable future.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

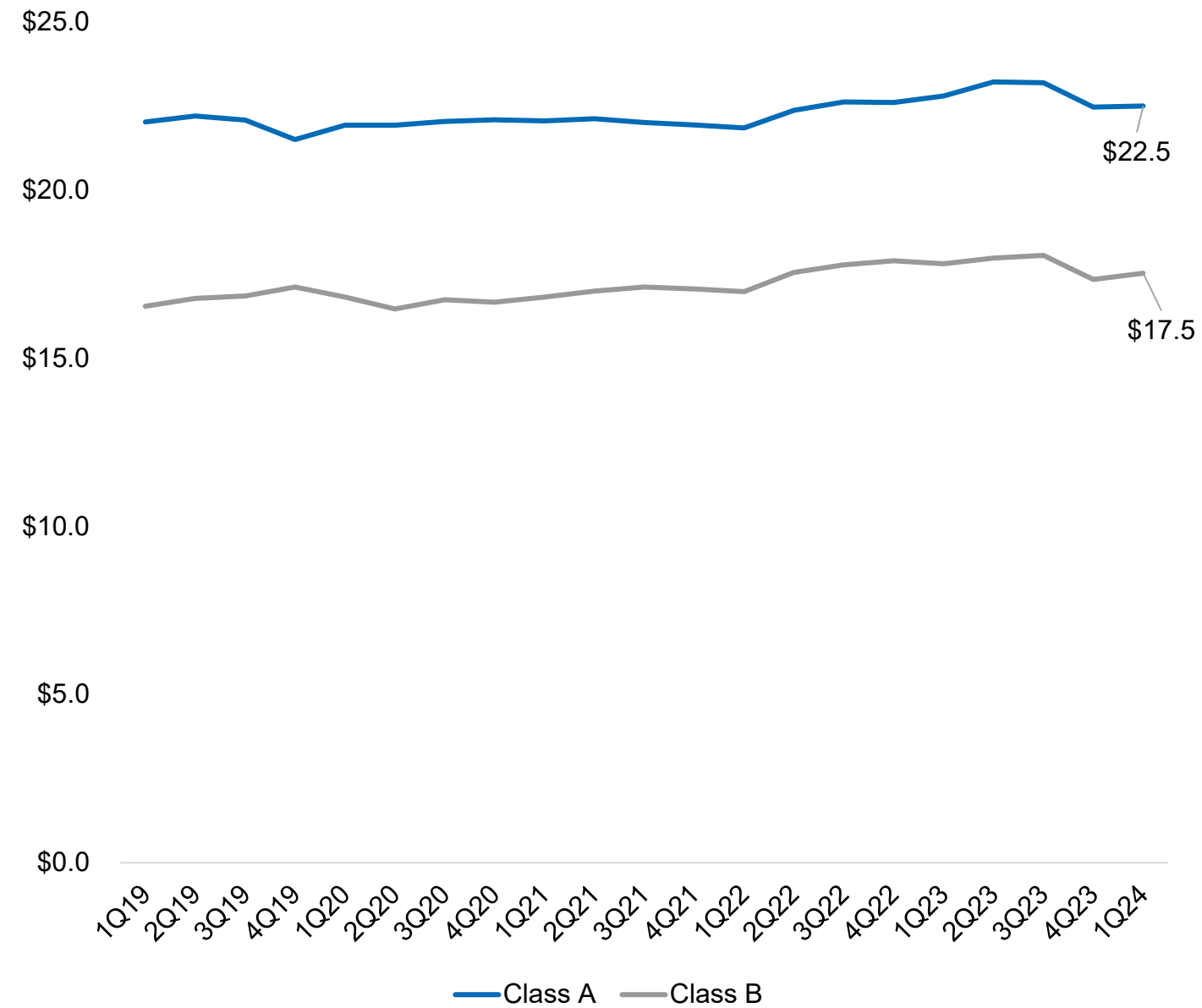


Source: Newmark Research, CoStar

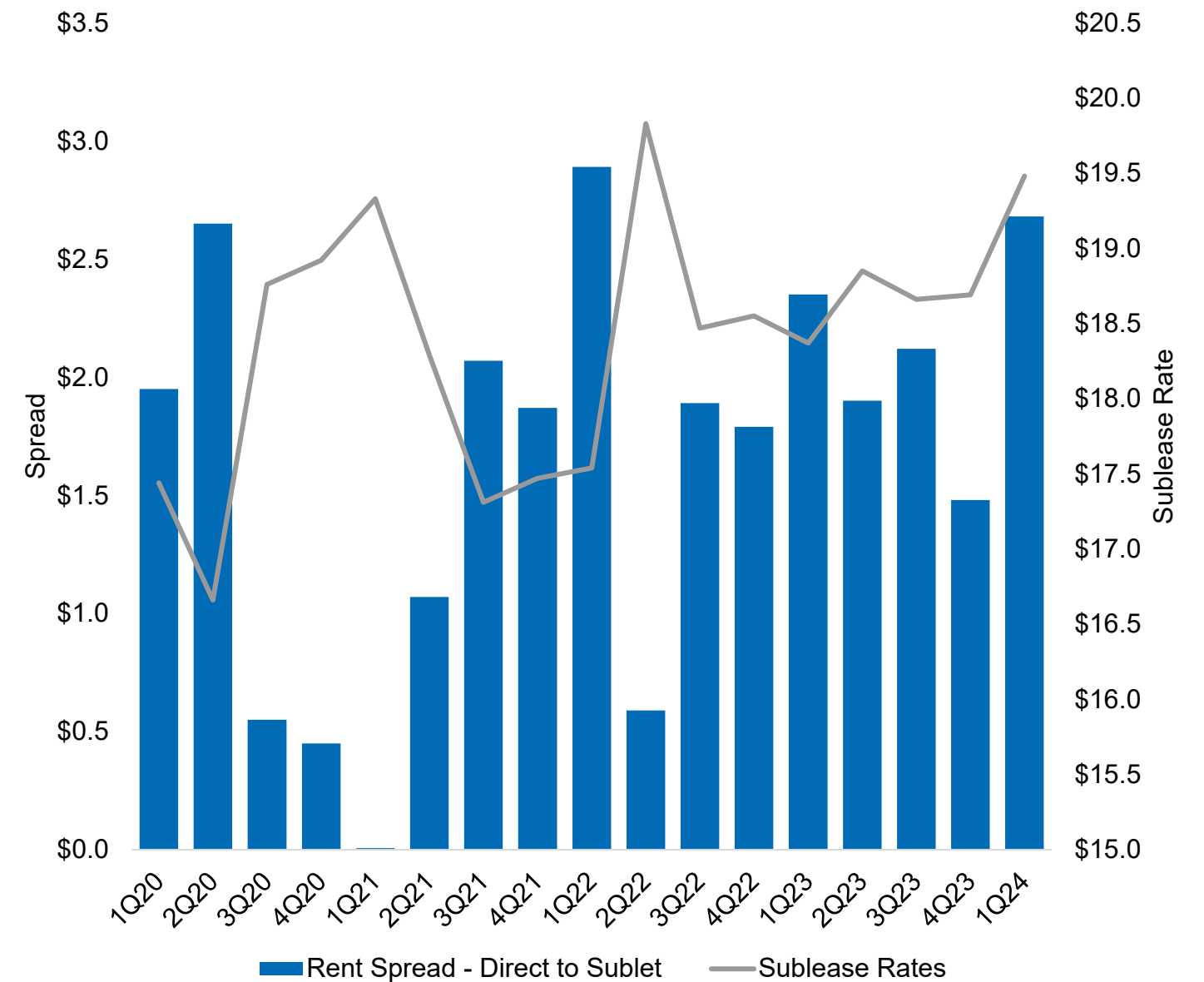
Sublease Rates Increase Quarter-Over-Quarter

Class A rates remained the same while Class B asking rates increased quarter-over-quarter by 0.2%. Sublease rates increased from \$18.7/SF to \$19.5/SF quarter-over-quarter.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Notable 1Q24 Lease Transactions

Notable 1Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Element Materials	9987 Carver Rd	Blue Ash/Montgomery	Direct Lease	31,585
Hamilton County Public Health Dept.	5050 Section Ave	Midtown	Direct Lease	14,504
Veterans Affairs	615 Elsinore Pl	CBD Peripheral	Direct Lease	13,152
Aerotech Affiliated Services	400 E Business Way	Blue Ash/Montgomery	Direct Lease	12,079
IMEG Consultant Firm	10300 Alliance Rd	Blue Ash/Montgomery	Direct Lease	9,500

Source: Newmark Research

Notable 1Q24 Sale Transactions

Please reach out to your
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