



Cincinnati Industrial Market

Continued Positive Trends

While not as impressive as the nearly 2 million square feet absorbed in the first quarter of 2021, the total of 930,575 square feet for the second quarter is very welcome, especially considering there were some large move-outs that occurred. This leasing activity lowered the vacancy rate 10 basis points, from 5.7% to 5.6%. Large warehouse/distribution buildings continue to be the dominant force in the market as bulk warehouse users continue to lease large blocks of space. There are very few buildings available for sale either for users or for investors, even though demand is extremely high. This lack of supply and strong demand has created upward momentum on the sale prices of buildings, both leased and vacant.

New construction continues to move forward on many projects regionally, but there were no significant deliveries in the second quarter. There is currently 4.2 million square feet of speculative building space under construction and another nearly 4.5 million square feet being developed as build to suit space. In the third quarter, there will likely be a large influx of speculative space brought online which may cause the vacancy rate to trend upwards slightly. Demand for land suitable for industrial development has been intense as finding sites becomes more and more challenging. There are 17 major industrial sites totaling over 1,600 acres that are under contract, with most scheduled to close before the end of the year. Most of these sites are being purchased by developers that will begin construction as soon as they are acquired in order to deliver the finished buildings while activity is at such an elevated pace. This demand has caused land prices to increase, which will in turn drive rental rates higher. Supply-chain challenges continue to drive construction costs higher, which will also cause rental rates to increase. Local governments have taken notice, as well, increasing developed property valuations, which in turn increases real estate taxes that then get passed through to the occupiers as operating expenses.

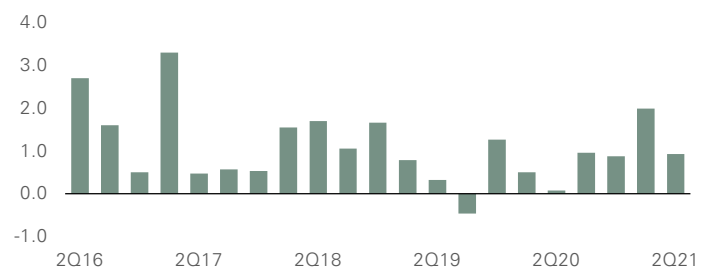
Construction of the new interchange on I-275 at Graves Road in the Airport submarket has greatly increased access to the nearby industrial parks and opened up hundreds of acres for new development. Developers have been buying the surrounding properties for future development as industrial and mixed commercial uses. This should greatly improve traffic flow in the surrounding areas that have been burdened with heavy truck traffic, with previously only one option for interstate access.

Current Conditions

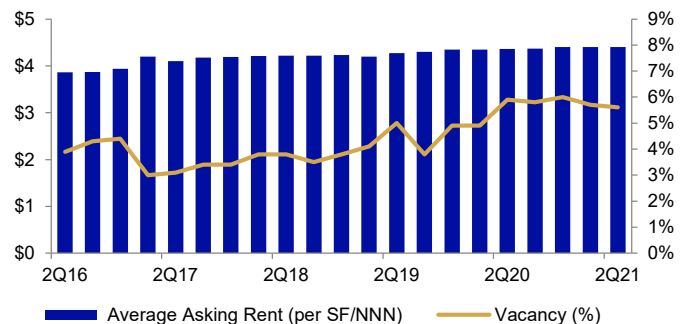
- The overall industrial market posted 930,575 square feet of net absorption in the second quarter.
- Nearly all the activity is in the warehouse/distribution sector, as bulk warehouse users continue to lease large blocks of space. There are very few buildings available for sale.
- The Tri-County submarket boasted the highest net absorption figure for the first quarter with 1,188,967 square feet of positive absorption.

Market Analysis

NET ABSORPTION (SF, Millions)



ASKING RENT AND VACANCY RATE



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	292 MSF	291 MSF	288 MSF	↑
Availability Rate	7.1%	6.9%	7.5%	↑
Vacancy Rate	5.6%	5.7%	5.9%	↑
Average Asking Rent/SF	\$4.40	\$4.40	\$4.37	↑
Average Expenses	\$1.02	\$1.02	\$1.00	↑
Quarterly Net Absorption (SF)	930,575	1,991,514	75,930	↑
Under Construction (SF)	8,526,721	8,426,449	7,469,128	↑
Deliveries (SF)	46,004	985,400	2,310,067	↑

Sales Activity

Sales activity in second-quarter 2021 was relatively light, a reflection of the overall lack of supply in the marketplace. There is an extremely strong demand for buildings that can be purchased by users or investors, yet there is extremely limited supply. Of the three sales reported in the chart below, only 2875 Sharon Road was an investment sale. The seller completed a sale-leaseback with Neyer Properties, and this was just one of a four-property portfolio across multiple markets. The other two buildings were vacant properties sold to users who will occupy them as their businesses expand and they require more space.

Leasing Activity

Second-quarter 2021 was very active for new industrial leases. Saddle Creek Logistics took the entire 544,320 square-foot building at Logistics Park 75 3B, a brand-new building in Walton, Kentucky developed by Stonemont Financial and US Capital Development. Up in Monroe, Ohio, the entire 611,061 square-foot 75 Logistics Center that Opus developed was leased to DHL (356,761 square feet) and Cintas (254,300 square feet).

New Construction

There was only one delivery in the second quarter, the 46,004 square-foot building developed by Al. Neyer for the relocation of the Powell Valves headquarters. Development has proceeded on many other buildings around Greater Cincinnati, with many on schedule to be delivered in third-quarter 2021. Land is rapidly being acquired in a bid to get projects going while there is still strong demand for new industrial buildings.

Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
2875 Sharon Rd.	Woodlawn/Evendale	\$9,800,000	\$37	266,500
237 Beaver Rd.	Florence/Richwood	\$5,100,000	\$31	162,950
10132 Business Center Dr.	Tri-County	\$6,070,000	\$58	104,468

Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Saddle Creek Logistics	300 Richard Knock Way	Florence/Richwood	New Lease	544,320
DHL	2 Todhunter Rd.	Monroe/Middletown	New Lease	356,761
Cintas	2 Todhunter Rd.	Monroe/Middletown	New Lease	254,300
TREW	5855 Union Centre Blvd.	Tri-County	Sublease	235,056
KDM Associates	12000 Mosteller Rd.	Tri-County	Lease Extension	110,000

New Deliveries

Developer	Building	Address	Submarket	Square Feet
Al Neyer	Powell Valves	3261 Spring Grove Ave.	Central/Midtown	46,004

Submarket Statistics (Overall)													
Submarket	Total Inventory (SF)	Availability Rate / Vacancy Rate	Total Available	Sublease Available	Average Net Asking Rent (Price/SF)	Net Operating Expenses (OpEx/SF)	Under Construction	Quarterly Net Absorption	YTD Absorption	Direct Weighted Average Net Asking Rent			
										M	OS	GEN	W/D
Airport	38,019,231	9.5% / 8.3%	3,615,231	64,961	\$4.50	\$0.96	5,095,161	(669,359)	626,489	-	\$6.94	\$6.36	\$4.46
Blue Ash	12,968,945	7.5% / 6.1%	977,334	0	\$4.17	\$1.14	0	3,880	114,914	\$3.50	\$8.70	\$5.75	\$3.57
Campbell County	3,265,385	1.3% / 1.3%	42,450	0	-	-	0	0	0	-	-	-	-
Central/Midtown	48,982,820	3.3% / 2.0%	1,620,730	20,000	\$5.19	\$0.78	0	124,775	396,503	\$3.75	\$9.35	\$4.29	-
Covington	4,242,594	1.2% / 1.2%	51,500	0	-	-	0	8,000	(10,100)	-	-	-	-
East	14,191,117	12.1% / 6.4%	1,712,241	0	\$4.35	\$0.85	180,000	48,168	(55,726)	\$4.27	\$7.31	\$3.70	\$5.08
Florence/Richwood	28,418,218	15.0% / 12.2%	3,926,579	347,375	\$4.35	\$0.86	772,000	407,625	17,974	-	\$6.00	\$3.64	\$4.36
Hamilton	5,892,635	11.9% / 6.1%	704,140	0	\$4.36	-	0	(1,000)	(21,300)	\$4.75	-	\$3.73	-
I-71 Corridor	11,745,078	2.7% / 1.9%	302,658	12,670	\$4.15	\$1.07	430,000	15,000	51,215	-	-	\$4.15	-
Monroe/Middletown	24,521,728	8.5% / 6.7%	1,930,788	143,664	\$3.90	\$0.88	106,000	(192,786)	94,579	-	-	\$5.95	\$3.89
Tri County	73,237,883	6.4% / 5.6%	4,253,150	513,919	\$4.59	\$1.37	2,013,560	1,188,967	1,606,883	-	\$6.07	\$5.23	\$4.41
West	6,491,328	0.9% / 0.5%	57,470	0	\$2.80	-	0	(6,570)	(4,410)	-	-	\$2.80	-
Woodlawn/Evendale	19,812,633	2.6% / 2.6%	505,658	3,765	\$4.60	\$1.02	0	3,875	(26,749)	\$3.95	\$5.83	\$4.95	-
Greater Cincinnati	291,789,595	7.1% / 5.6%	19,592,518	1,106,354	\$4.40	\$1.02	8,596,721	930,575	2,790,352	\$4.20	\$7.02	\$4.39	\$4.30

Submarket Statistics (Warehouse/Distribution)

Submarket	Total Inventory (SF)	Availability Rate/ Vacancy Rate	Total Available	Sublease Available	Net Asking Rent (Price/SF)	Net Operating Expenses (OpEx/SF)	Under Construction	Quarterly Net Absorption
Airport	28,942,750	11.9%/10.1%	3,446,115	64,961	\$4.46	\$0.95	1,762,161	(628,804)
Blue Ash	2,362,369	23.8%/17.1%	562,711	0	\$3.57	\$1.10	0	0
Campbell County	173,940	0.0%/0.0%	0	0	-	-	0	0
Central/Midtown	2,054,021	1.9%/1.9%	39,026	0	\$4.00	\$0.68	0	0
Covington	770,412	0.0%/0.0%	0	0	-	-	0	0
East	1,661,460	11.6%/7.1%	102,000	0	\$5.08	\$0.86	0	91,200
Florence/Richwood	13,425,667	25.1%/23.9%	3,281,777	90,365	\$4.36	\$0.86	772,000	371,310
I-71 Corridor	986,658	0.0%/0.0%	0	0	-	-	0	0
Monroe/Middletown	11,605,313	16.2%/13.6%	1,885,167	143,664	\$3.89	\$0.89	0	(186,826)
Tri County	31,171,590	10.3%/9.6%	3,206,794	444,795	\$4.41	\$1.35	1,9663,560	1,246,809
West	1,290,049	0.0%/0.0%	0	0	-	-	0	0
Woodlawn/Evendale	1,249,351	0.0%/0.0%	0	0	-	-	0	0
Greater Cincinnati	95,693,580	13.1%/11.7%	12,574,929	743,785	\$4.30	\$1.02	4,197,721	893,689

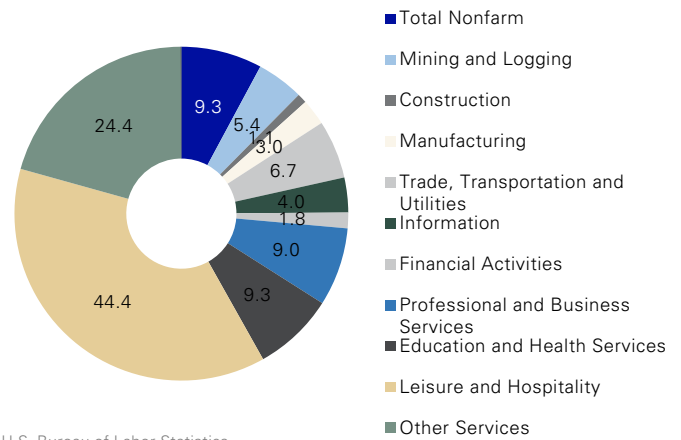
Economic Conditions

The Cincinnati Metro's economic conditions began a massive swing to recovery, along with the rest of the country, in April and May of 2021. The rate of change in employment has finally swung back to positive after being negative since March 2020. The largest gains were made in the leisure and hospitality, as well as other service industry classifications, as businesses rush to reopen and provide food, lodging and entertainment-related services to the travel industry, which is poised to make a massive recovery this summer.

The Consumer Price Index has begun to reflect the influx of cash into the economy with prices beginning to rise rapidly due to overwhelming demand and continued issues with the supply chain keeping up.

Employment by Industry

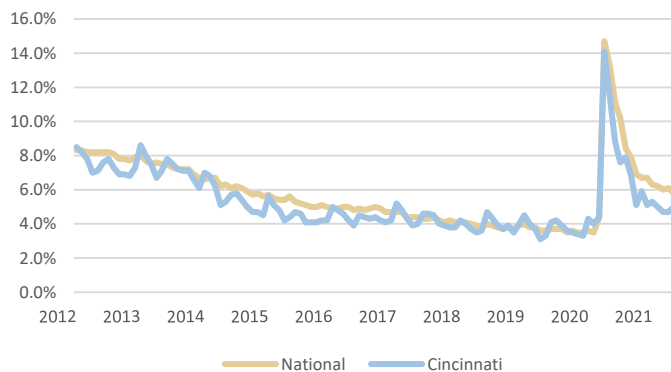
CINCINNATI – May ,2021



U.S. Bureau of Labor Statistics

Unemployment Rate

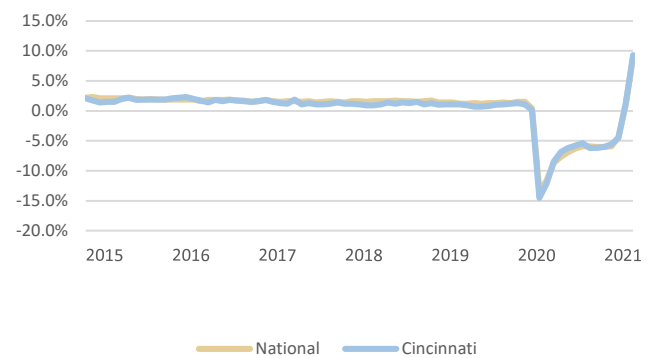
NOT SEASONALLY ADJUSTED



*U.S. Bureau of Labor Statistics

Payroll Employment

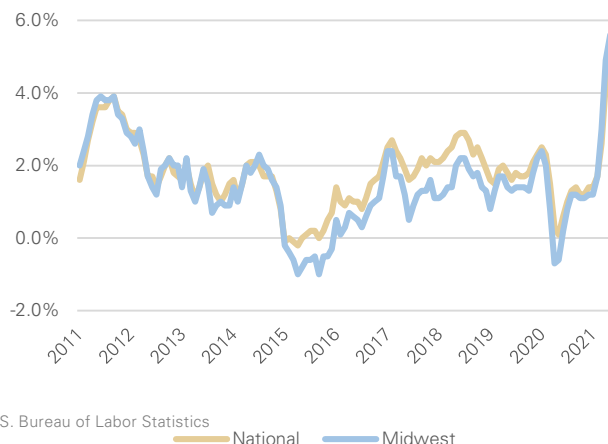
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

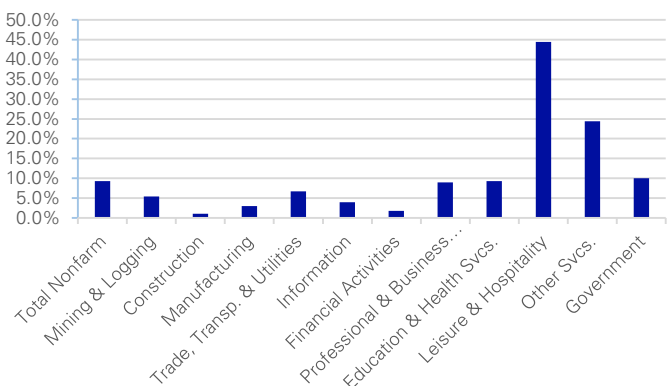
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



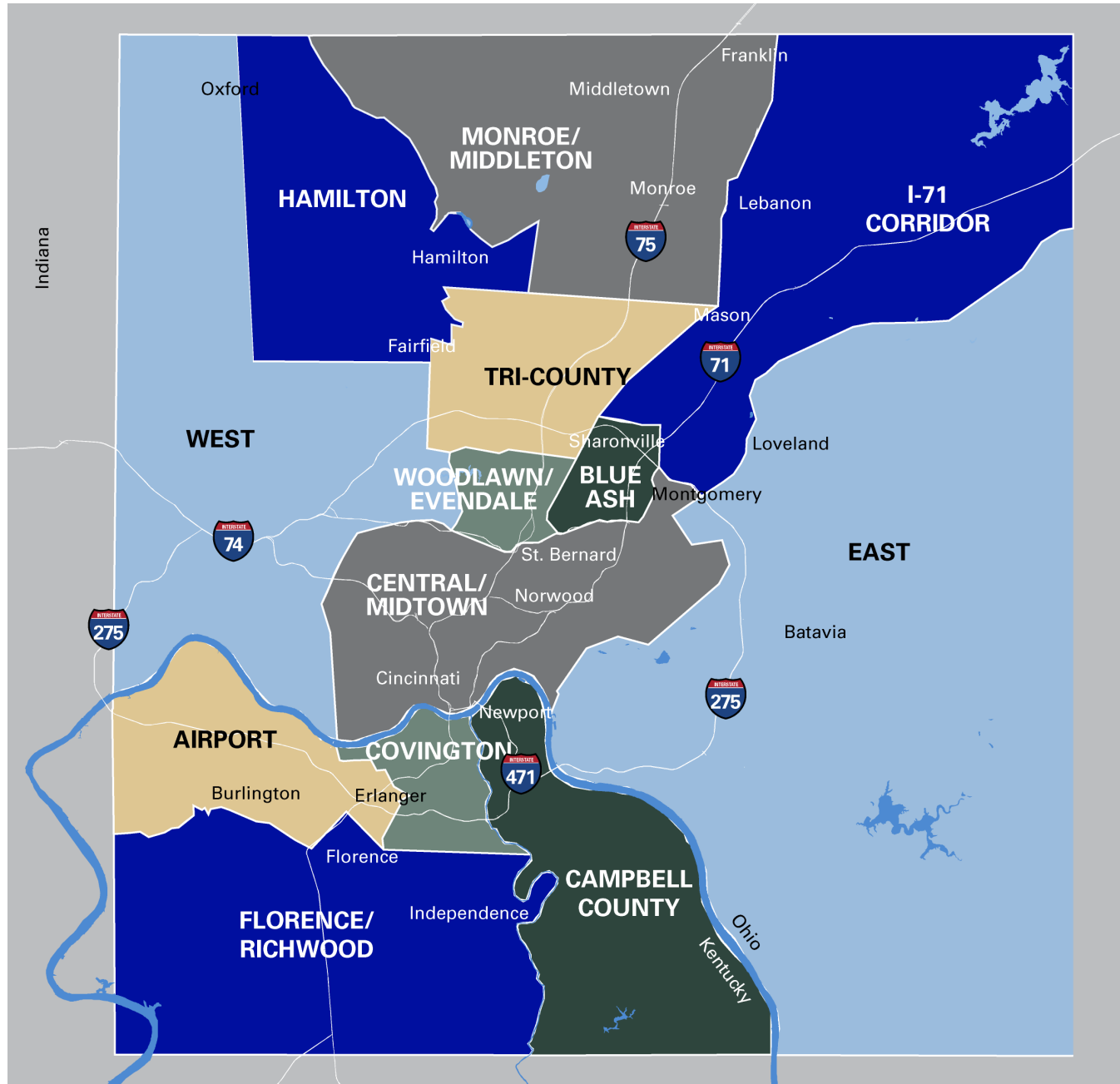
*U.S. Bureau of Labor Statistics

Employment Growth By Industry

CINCINNATI, MAY 2021, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



U.S. Bureau of Labor Statistics



For more information:

New York Headquarters

125 Park Ave.
New York, NY 10017
t 212-372-2000

Cincinnati

One East Fourth St., Suite 500
Cincinnati, OH 45202
t 513-241-2300

Connor Dougherty

Research Analyst
Connor.dougherty@nmrk.com
nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

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