



Cincinnati Office Market

Back-to-Back Quarters Showing Positive Absorption

The Cincinnati office market's statistics in the third quarter of 2022 continued to reflect the lack of space needed, but numbers have continued to improve from recent previous quarters. Class A absorption was 98,005 square feet for the third quarter of 2022, compared to negative 23,509 square feet for Class B buildings.

The Midtown Class A submarket posted the biggest gains in absorption at 184,000 square feet, up from 0 square feet absorbed in the second quarter of 2022. This is due to the Digital Futures I building being completed this quarter, with the University of Cincinnati occupying the full amount of space. The biggest loss in absorption for Class A buildings was posted by the Central Business District submarket, at negative 81,056 square feet. This is much more than the negative 13,979 square feet absorbed in the CBD submarket in the second quarter of 2022.

The overall availability rate was 27.7%, up some from 24.5% at the end of the first quarter of 2022. The vacancy rate increased from 24.2% to 26.0% this past quarter; however, the average asking rent slightly increased from \$20.08/SF to \$20.35/SF.

There were several buildings that completed construction this past quarter. Digital Futures Buildings I and II both finished in the third quarter of 2022. These buildings are both located in the Midtown submarket, near the University of Cincinnati medical campus. Building I consists of 184,000 square feet; the University of Cincinnati moved into all of the space. Building II consists of 180,000 square feet and is still vacant. Montgomery Quarter II also completed this quarter in the Blue/Ash Montgomery submarket, which consists of 54,900 square feet. There is still 36,088 square feet of space available here.

Despite ongoing economic uncertainty, the Cincinnati office market continued to show positive signs for growth as lease rates, absorption and vacancy looked up. Absorption was up year-over-year, with many large leases still being completed. Inventory continued to grow, with new projects like the Foundry, Digital Futures and Montgomery Quarter being completed. Companies continue to evaluate their footprints as they figure out what the future of the workspace will look like.

Current Conditions

- Overall absorption is 74,496 square feet for the third quarter.
- CBD Class A buildings had the most negative absorption out of any submarket, with -81,056 square feet for the quarter.
- Average asking rents for Class A & B are \$20.35/SF.
- The overall vacancy rate increased from 24.2 to 26.0%.

Market Analysis

ASKING RENT AND AVAILABILITY



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	34.5M	34.0M	36.9M	↑
Availability Rate	27.7%	24.5%	22.7%	↑
Vacancy Rate	26.0%	24.2%	19.8%	↑
Average Asking Rent/SF	\$20.35	\$20.08	\$19.30	↑
Quarterly Net Absorption	74,496	123,361	(22,010)	↑

RESEARCH Q3 2022

Lease Activity

There were several noteworthy leases that stood out this past quarter. University of Cincinnati moved into 184,000 square feet at 3080 Exploration Ave. in the Midtown submarket. Quest Defense took 24,507 square feet at 10300 Alliance Rd. in the Blue Ash/Montgomery submarket. Fifth Third Bank moved into 18,812 square feet at 9280 Montgomery Rd. in the Blue Ash/Montgomery submarket. Interim Healthcare took 5,417 square feet at 8035 Hosbrook Rd. in the Kenwood submarket. There were also several smaller deals that commenced this past quarter.

Sale Activity

Sale activity was once again light for the quarter. There were a few deals that stood out. Carew Tower, or 495 Vine St., sold as an investment sale for \$18.0 million, located in the CBD submarket. The Macy's Building, located at 7 W 7th Street, sold for \$6.3 million (\$22.91/SF) as an investment sale in the third quarter of 2022. Koch Foods bought 9450 Seward Rd. in August, which was part of a two-property portfolio for \$8.4 million. Lee & Associates purchased Columbia Square, located at 3505 Columbia Pkwy. In the Midtown submarket, for \$12.7 million.

Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
University of Cincinnati	Digital Futures I	Midtown	Direct Lease	184,000
Quest Defense	10300 Alliance Rd.	Blue Ash/Montgomery	Direct Lease	24,507
Fifth Third Bank	Montgomery Quarter II	Blue Ash/Montgomery	Direct Lease	18,812
Interim Healthcare	8035 Hosbrook Rd.	Kenwood	Direct Lease	5,417

Sale Transactions

Buyer	Building	Submarket	Price	Square Feet
Victrix LLC	495 Vine St	CBD	\$18,000,000	699,762
PILOT Real Estate Group	7 W 7 th St	CBD	\$6,300,000	275,000
Koch Foods	9450 Seward Rd	Fairfield/Hamilton	\$8,400,000	270,506
Lee & Associates	3505 Columbia Pkwy	Midtown	\$12,700,000	48,100

RESEARCH Q3 2022

Class A Submarket Statistics							
Submarket	Total Inventory (SF)	Availability Rate / Vacancy Rate	Total Available (SF)	Sublease Available (SF)	Asking Rent (SF)	Net Absorption	YTD Absorption
Blue Ash/Montgomery	2,594,040	31.2% / 29.4%	808,052	60,814	\$24.58	45,228	58,306
CBD	7,120,746	22.0% / 21.8%	1,569,637	243,393	\$23.41	(81,056)	(243,914)
CBD Peripheral	819,889	38.5% / 38.5%	315,403	16,959	\$19.70	1,496	(4,178)
East	412,087	28.4% / 28.4%	116,889	0	\$20.90	(6,542)	15
Fields Ertel/ Mason	1,665,969	51.8% / 54.9%	862,518	367,943	\$21.63	(21,060)	(90,858)
Kenwood	996,623	8.5% / 4.6%	84,746	38,955	\$29.74	784	(10,365)
Midtown	2,307,198	20.2% / 20.2%	466,546	185,667	\$22.93	184,000	193,420
Northern Kentucky	3,078,336	23.2% / 23.3%	714,654	15,636	\$21.52	(15,731)	(97,095)
Tri County	1,000,862	33.6% / 32.8%	336,055	0	\$19.33	0	(118,051)
West Chester	1,409,498	12.4% / 12.4%	175,156	9,114	\$23.72	(9,114)	115,196
Class A Total	21,448,084	25.4% / 25.2%	5,449,656	938,481	\$22.62	98,005	(197,524)

Class B Submarket Statistics							
Submarket	Total Inventory (SF)	Availability Rate / Vacancy Rate	Total Available (SF)	Sublease Available (SF)	Asking Rent (SF)	Net Absorption	YTD Absorption
Blue Ash/Montgomery	1,917,321	39.5% / 35.0%	757,690	6,400	\$17.82	9,480	(149,787)
CBD	2,951,258	37.2% / 30.8%	1,098,450	21,745	\$19.36	(1,109)	73,825
CBD Peripheral	824,554	29.7% / 29.6%	245,034	0	\$15.78	2,730	19,566
East	1,037,617	43.1% / 38.0%	447,353	0	\$17.39	(2,478)	104,349
Fields Ertel/ Mason	952,080	33.1% / 19.6%	315,584	78,240	\$17.98	(1,246)	18,901
Kenwood	340,476	20.6% / 24.2%	70,044	3,856	\$20.46	3,697	(2,443)
Midtown	491,981	10.3% / 10.3%	50,660	0	\$21.96	(1,311)	(18,849)
Northern Kentucky	1,814,579	22.2% / 23.3%	402,698	147,858	\$20.64	(554)	(13,825)
Tri County	2,489,739	27.1% / 21.9%	674,914	17,773	\$14.34	(38,128)	(25,888)
West Chester	197,409	23.6% / 23.6%	46,648	0	\$13.98	5,410	(5,556)
Class B Total	13,047,050	31.6% / 27.3%	4,121,563	275,872	\$17.78	(23,509)	(12,195)
Grand Total	34,495,134	27.7% / 26.0%	9,571,219	1,214,353	\$20.35	74,496	(209,719)

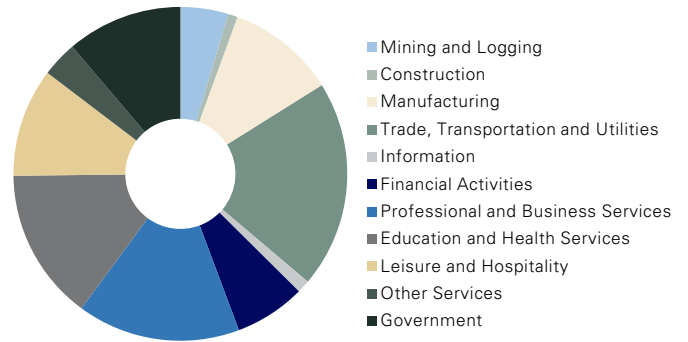
Economic Conditions

The Cincinnati Metro’s economic conditions have continued to recover, along with the rest of the country. The rate of change in employment continues to be positive after being negative since March 2020. The largest gains were made in information, as well as the mining and logging and manufacturing industry classifications, as businesses rush to reopen and provide food, lodging and entertainment-related services to the travel industry.

The Consumer Price Index has begun to reflect the influx of cash into the economy as prices start to increase rapidly, due to overwhelming demand and continued issues with the supply chain.

Employment by Industry

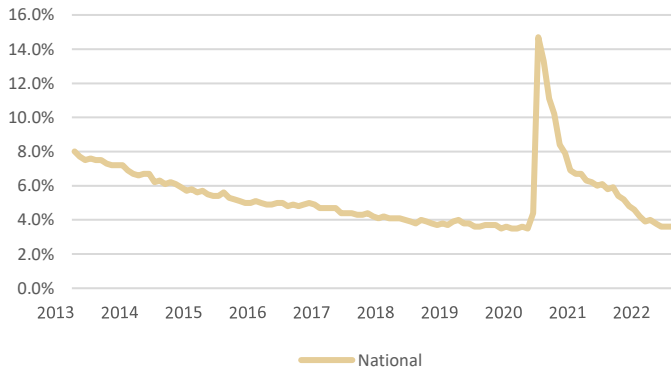
CINCINNATI – MAY 2022



U.S. Bureau of Labor Statistics

Unemployment Rate

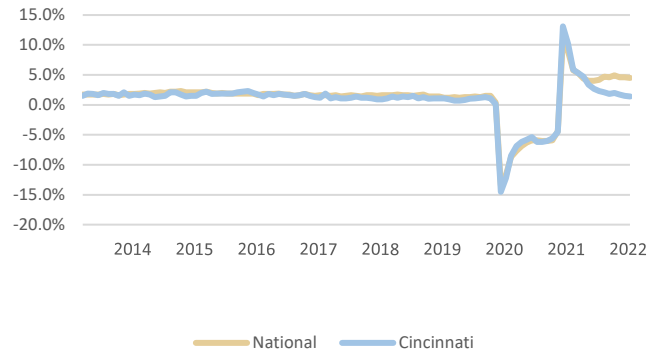
NOT SEASONALLY ADJUSTED



*U.S. Bureau of Labor Statistics

Payroll Employment

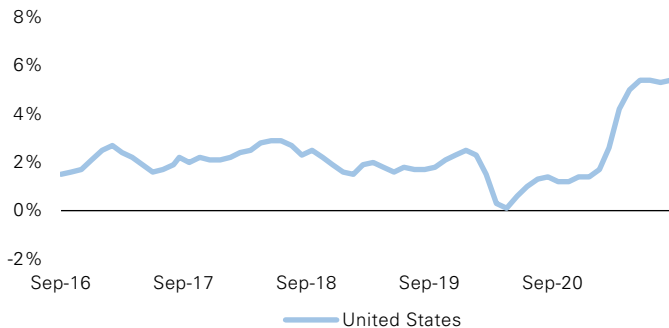
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

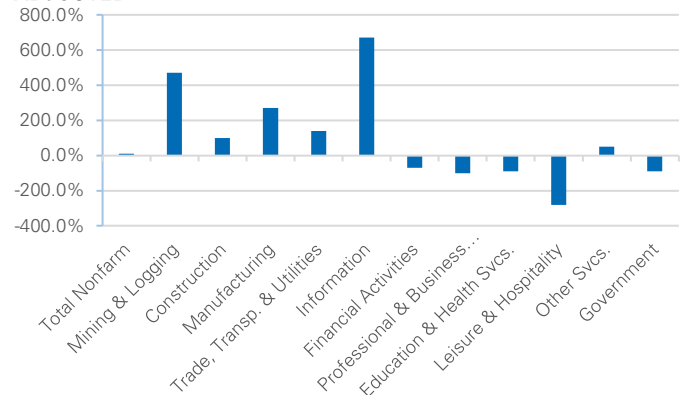
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



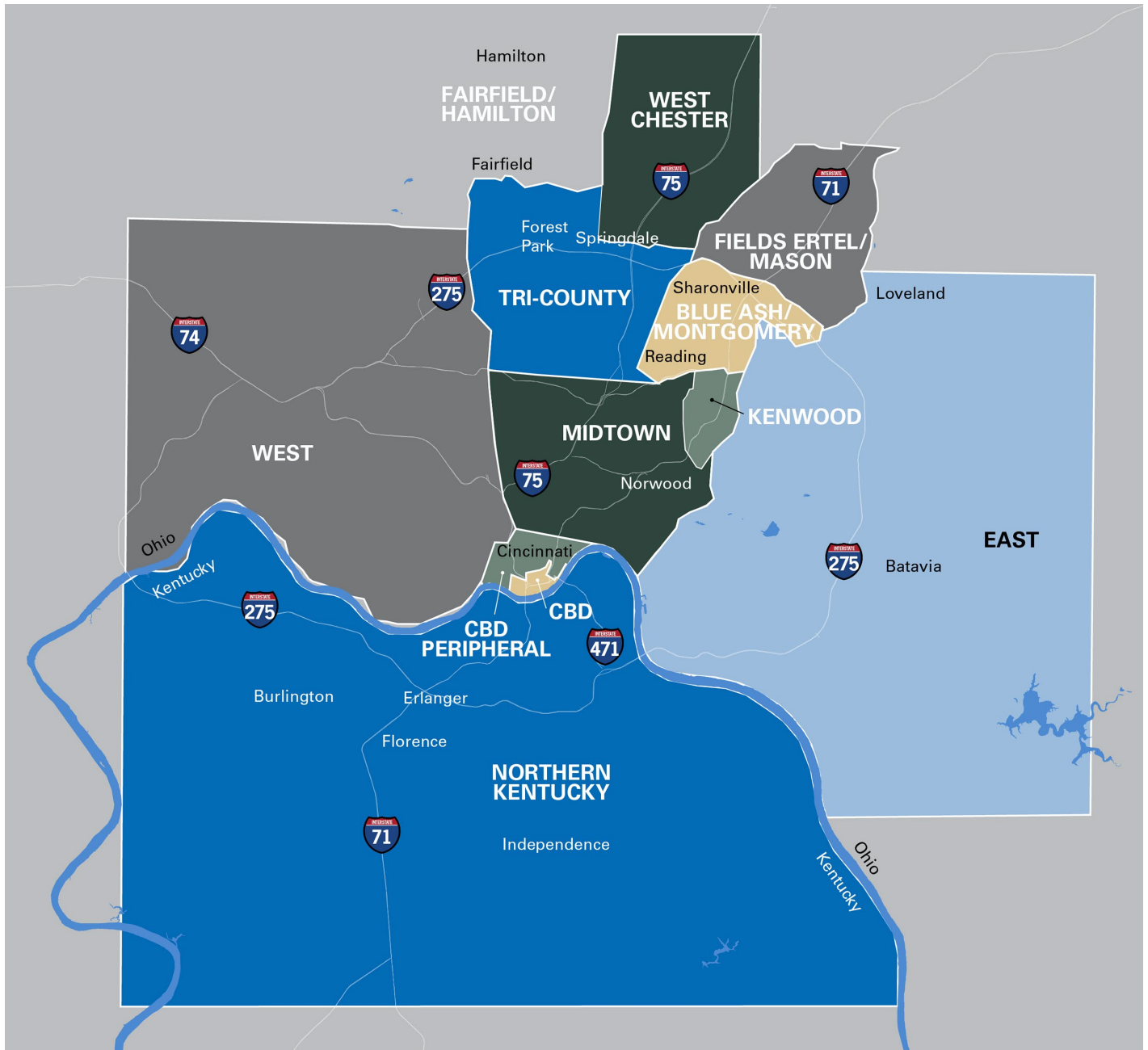
Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

CINCINNATI, MAY 2022, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



U.S. Bureau of Labor Statistics



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