

3Q23

# Cincinnati Industrial Market Overview



NEWMARK

# Market Observations

## Economy

- The region’s labor market remained strong amid shifting macroeconomic conditions. Cincinnati’s 3.1% unemployment rate was slightly lower than the 3.8% United States average.
- Year- over- year, 8 sectors saw positive employment growth while 3 saw negative growth. Leisure/hospitality led all sectors in job gains at 10.8% during the past 12 months.
- Locally, employment growth for the trade/transportation/utilities sector decreased year- over- year from 5.4% to 0.08%. Employment growth for the manufacturing sector also decreased year- over- year from 3.2% to 2.6%.

## Major Transactions

- NR Group leased 111,730 SF at 246 Circle Freeway Dr from Westmount Realty Capital located in the Tri County submarket
- Lasership leased 97,470 SF from Ares at Fairfield Commerce Park Bldg. IV located in the Tri County submarket.
- Honeywell moved out of 896,896 SF at 201 Richard Knock Way owned by Exeter and is located in the Florence/Richwood submarket.
- Protective Industrial Products moved out of 176,800 SF at 630 Commerce Center Dr. owned by Becknell Industrial and is located in the Tri County submarket.

## Leasing Market Fundamentals

- Absorption in the third quarter of 2023 totaled negative 510,125 SF. This was a large decrease from the second quarter of 2023, which totaled 368,772 SF. This was a 238.33% decline quarter- over- quarter.
- The construction pipeline is now at 7.0 million SF, after 1.52 million SF of buildings were delivered during the third quarter of 2023. There were two speculative buildings and one build-to-suit that completed.
- Vacancy increased year over year, growing slightly from 4.4% to 5.1%, while deliveries outpaced absorption in the third quarter of 2023.
- Rent growth slightly increased by 2.2% quarter- over- quarter.

## Outlook

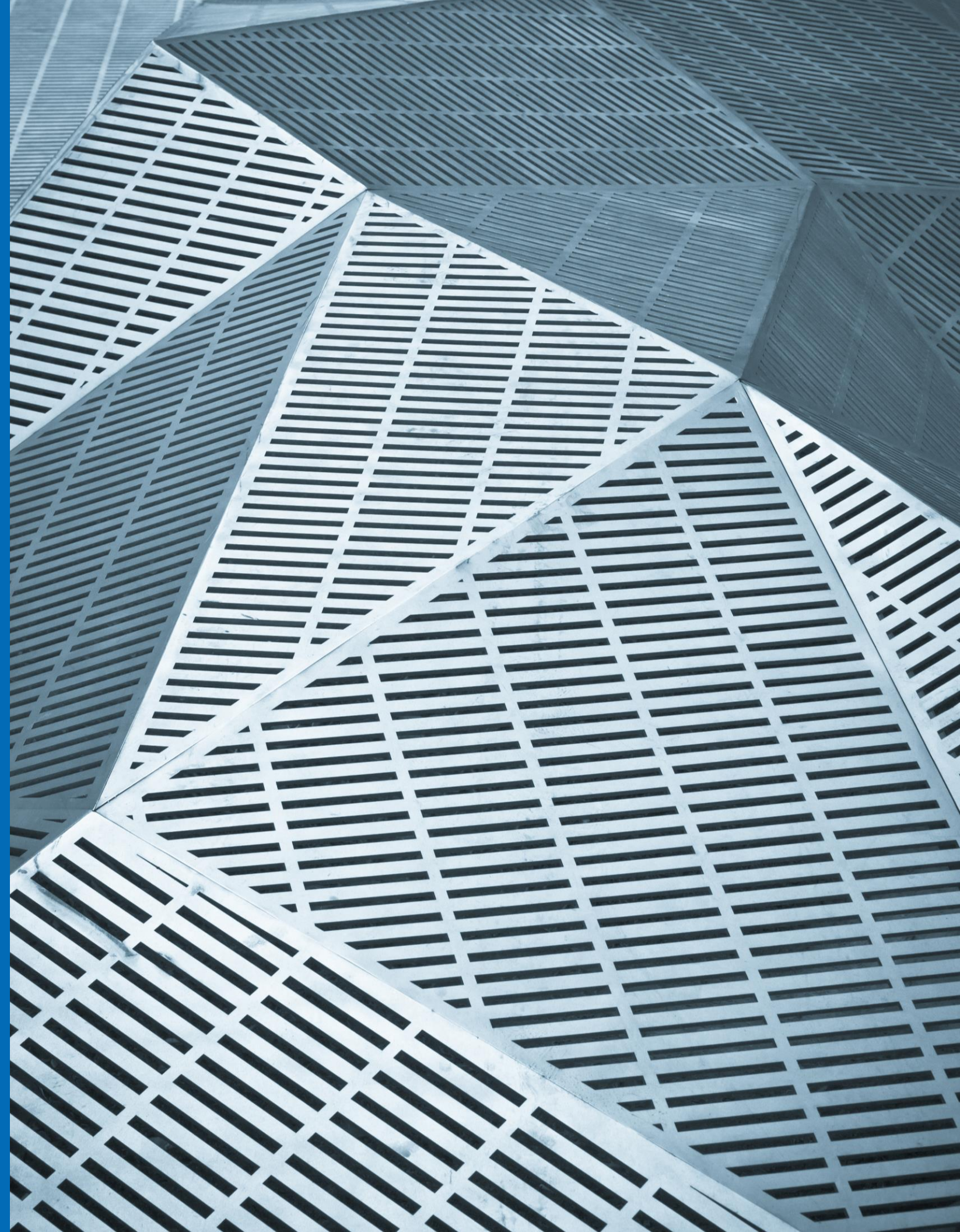
- Uncertainty reigns in the macroeconomic outlook. Occupiers and investors alike will approach deals with greater caution as a result, which will impact leasing and investment activity.
- Market vacancy will increase further as record volumes of new construction deliver this year and leasing activity has slowed considerably.
- Rent growth, aggressive through all of 2022, has decelerated and will continue to cool throughout the year.

1. Economy
2. Leasing Market Fundamentals

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3Q23

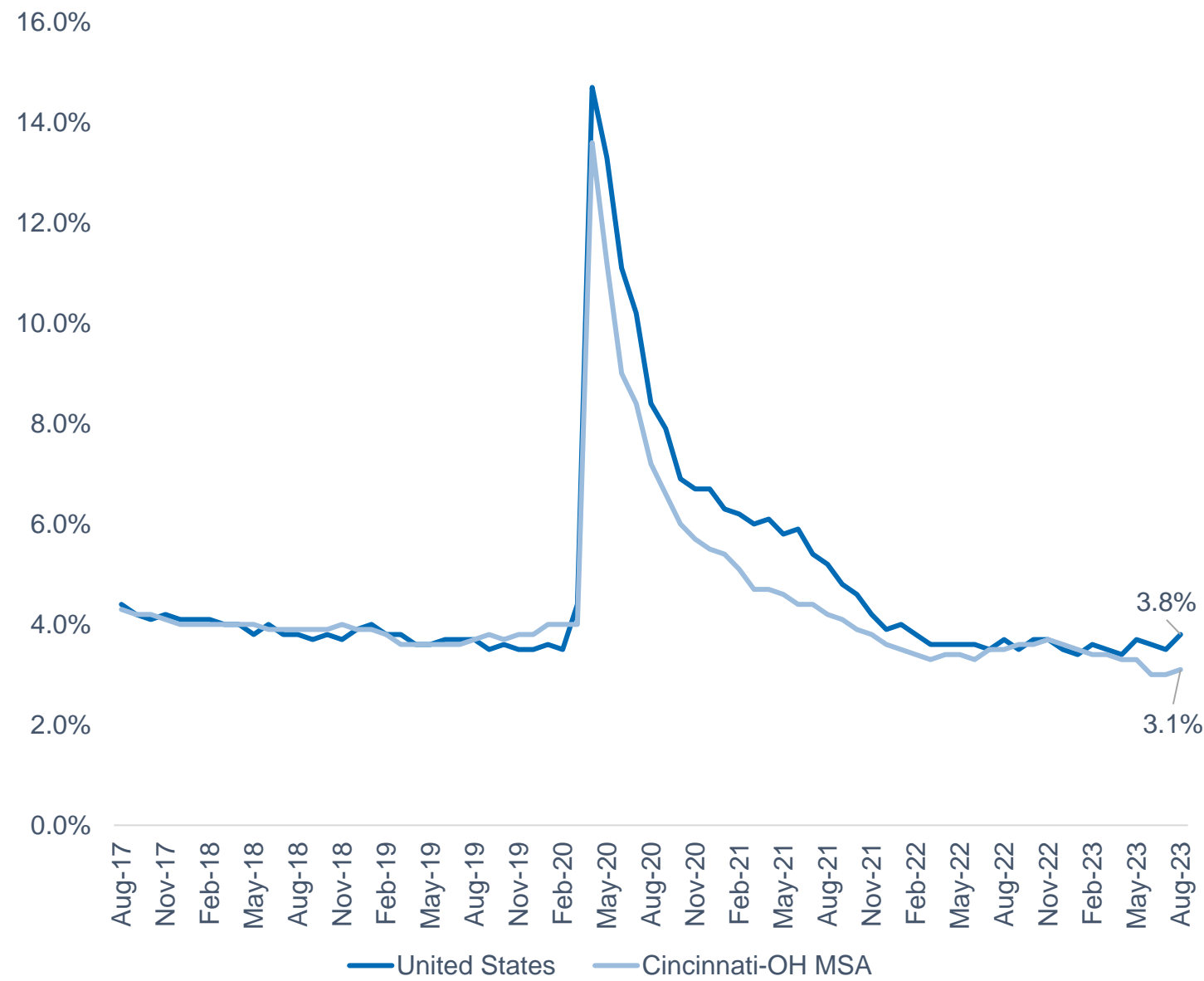
# Economy



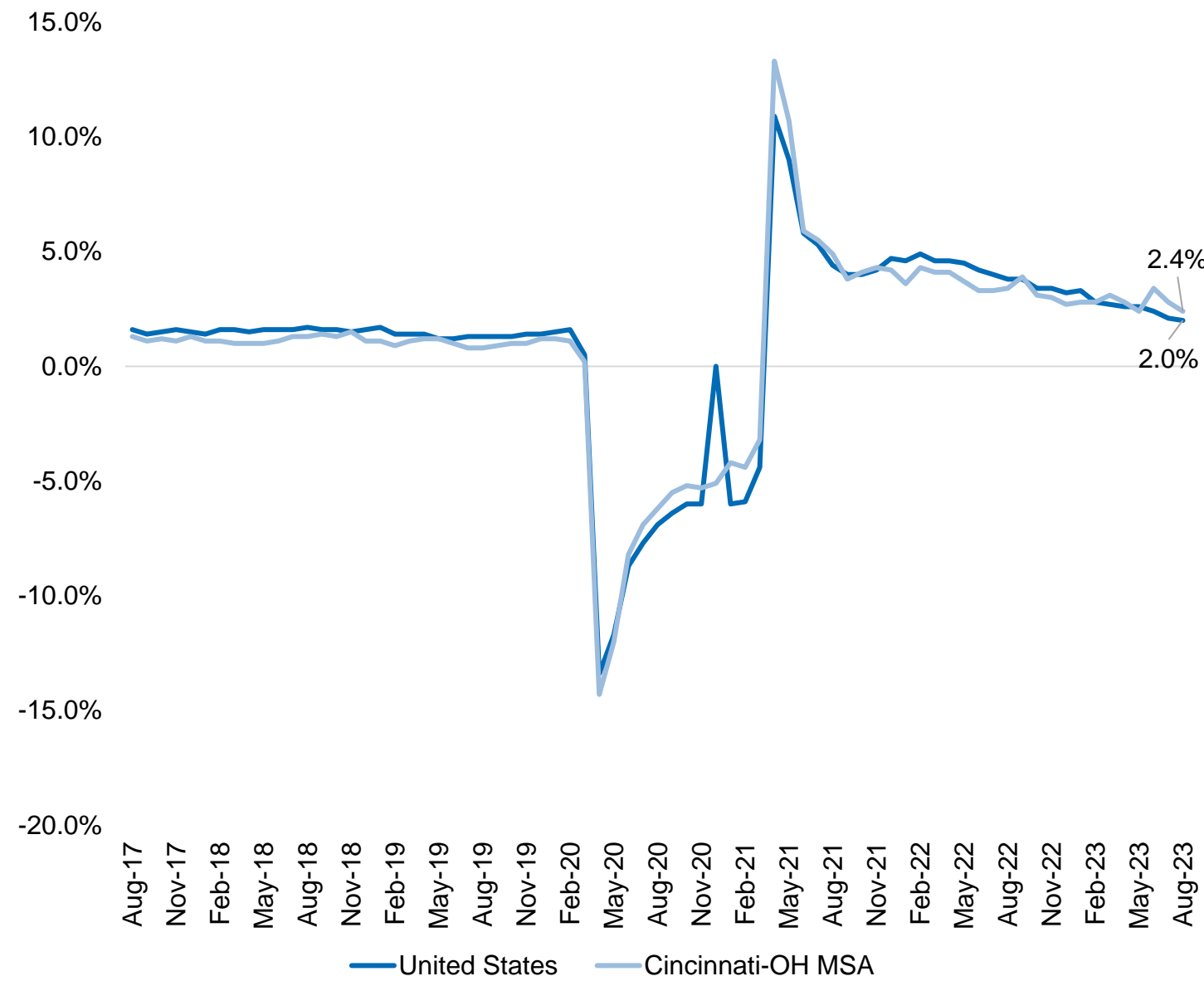
# Unemployment Rate in Cincinnati Continues to Stay Consistent with the U.S. Average

The unemployment rate in Cincinnati is 3.1%, and the U.S. average is 3.8%, for the third quarter of 2023. Year-over-year, there was a 0.4% decrease for Cincinnati, and the United States average increased by 0.1%. Nonfarm payroll employment decreased year-over-year from 3.4% to 2.4% in Cincinnati, while the United States average decreased from 3.8% to 2.0%.

Unemployment Rate, Seasonally Adjusted



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



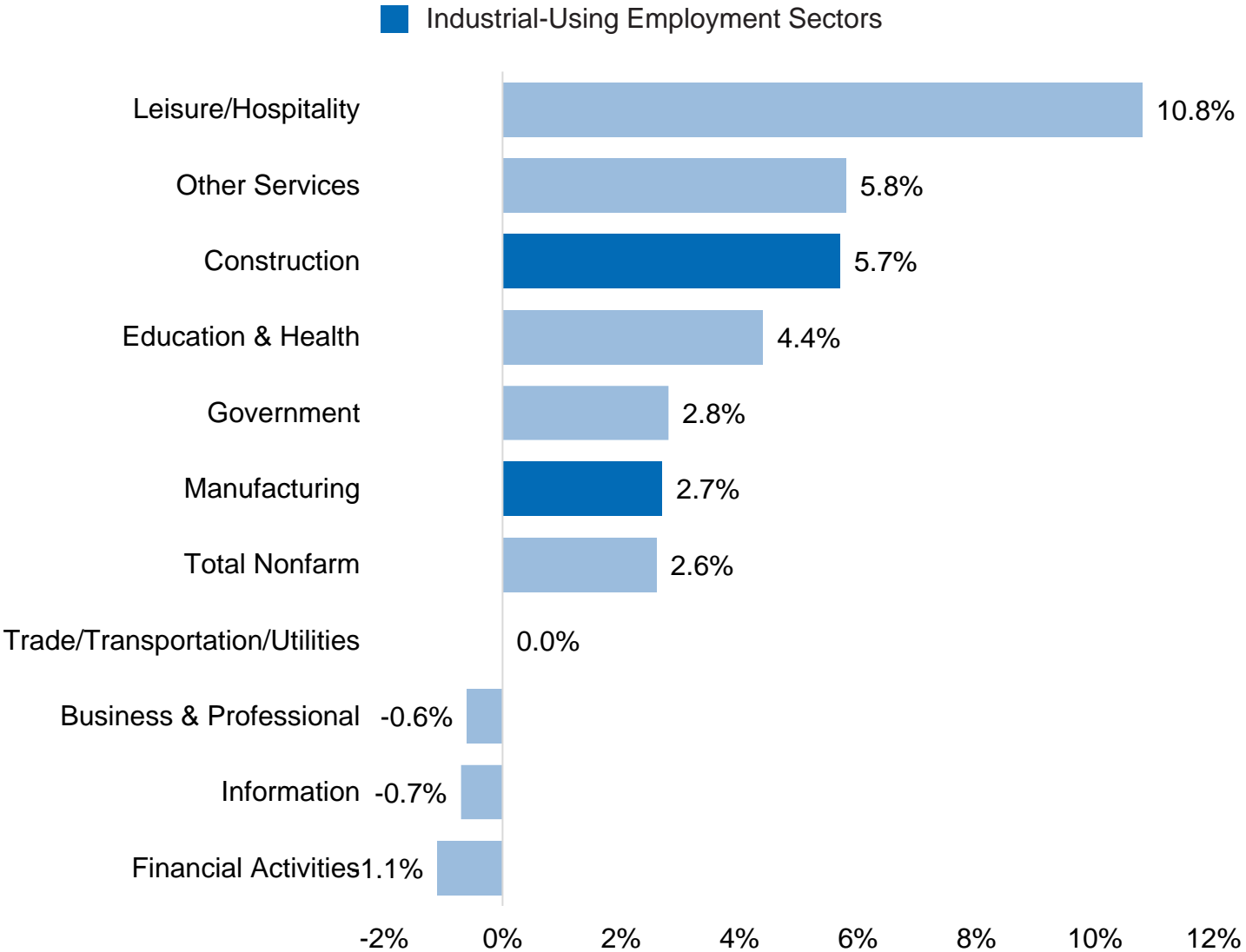
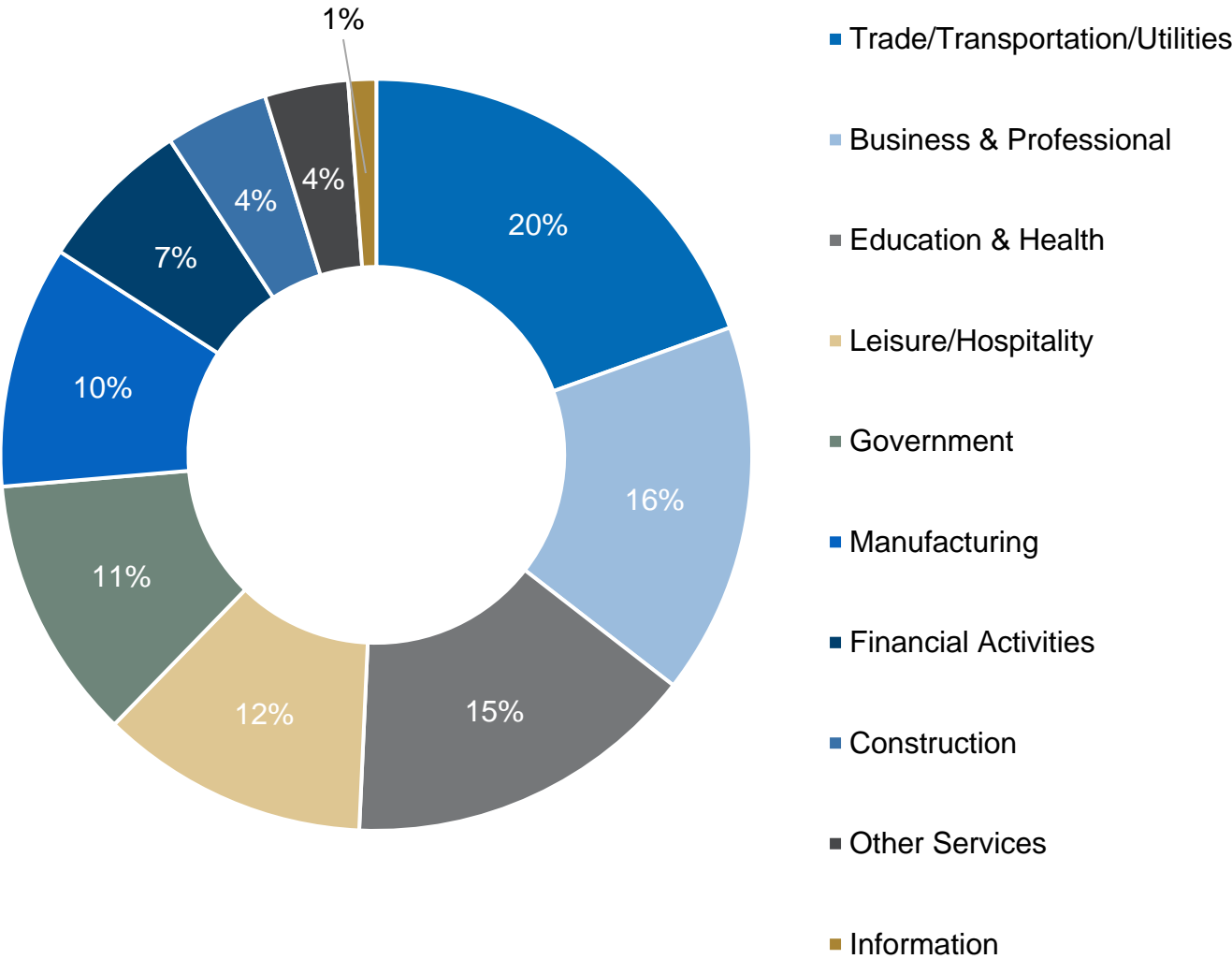
Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

# Trade/Transportation/Utilities Leading Employment Sector

The leisure/hospitality sector led all industries in regional annual job growth at 10.8%, while the other services sector followed next behind at 5.8%. The financial activities sector saw the greatest loss at -1.1%.

Employment by Industry, August 2023

Employment Growth by Industry, 12-Month % Change, August 2023

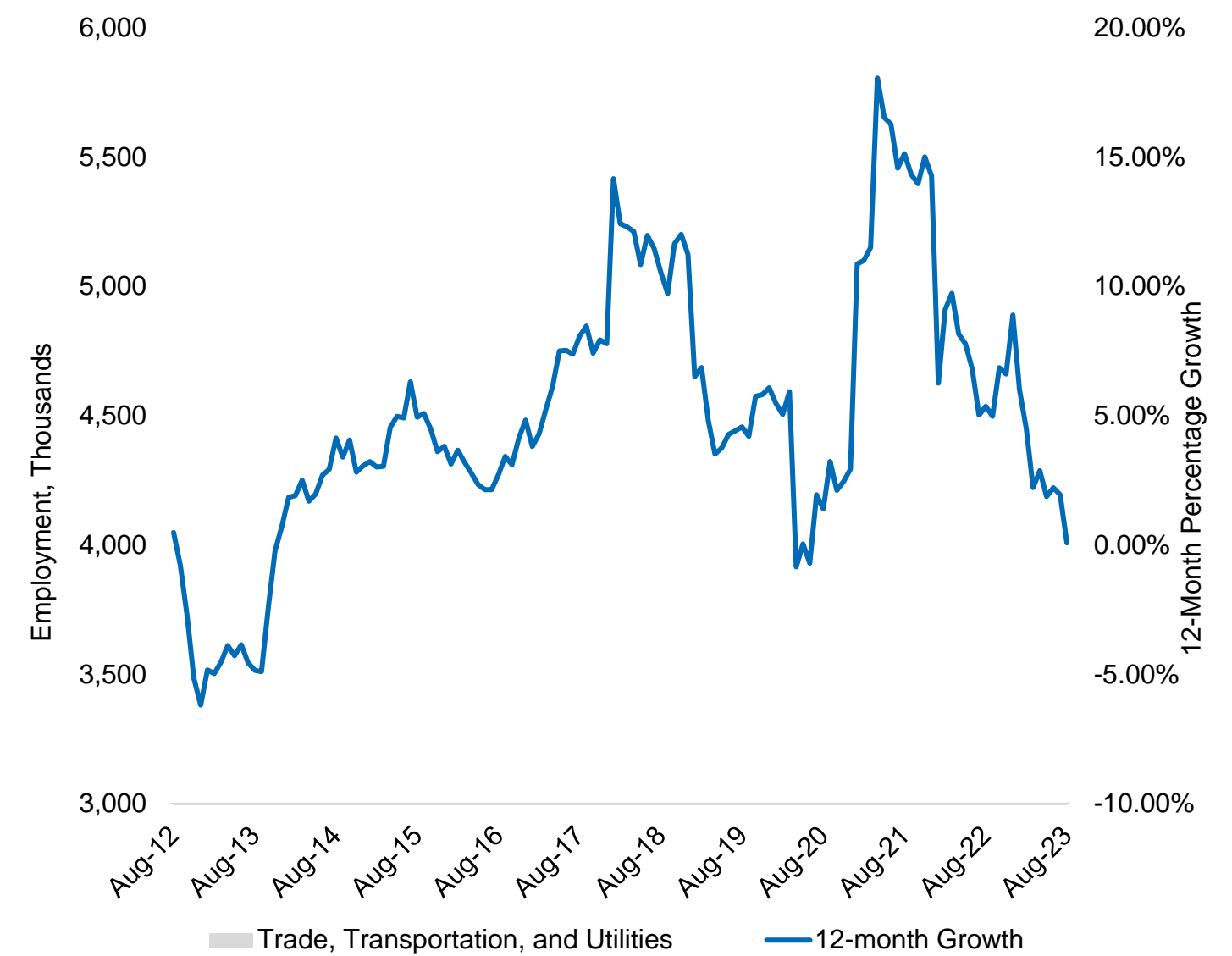


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

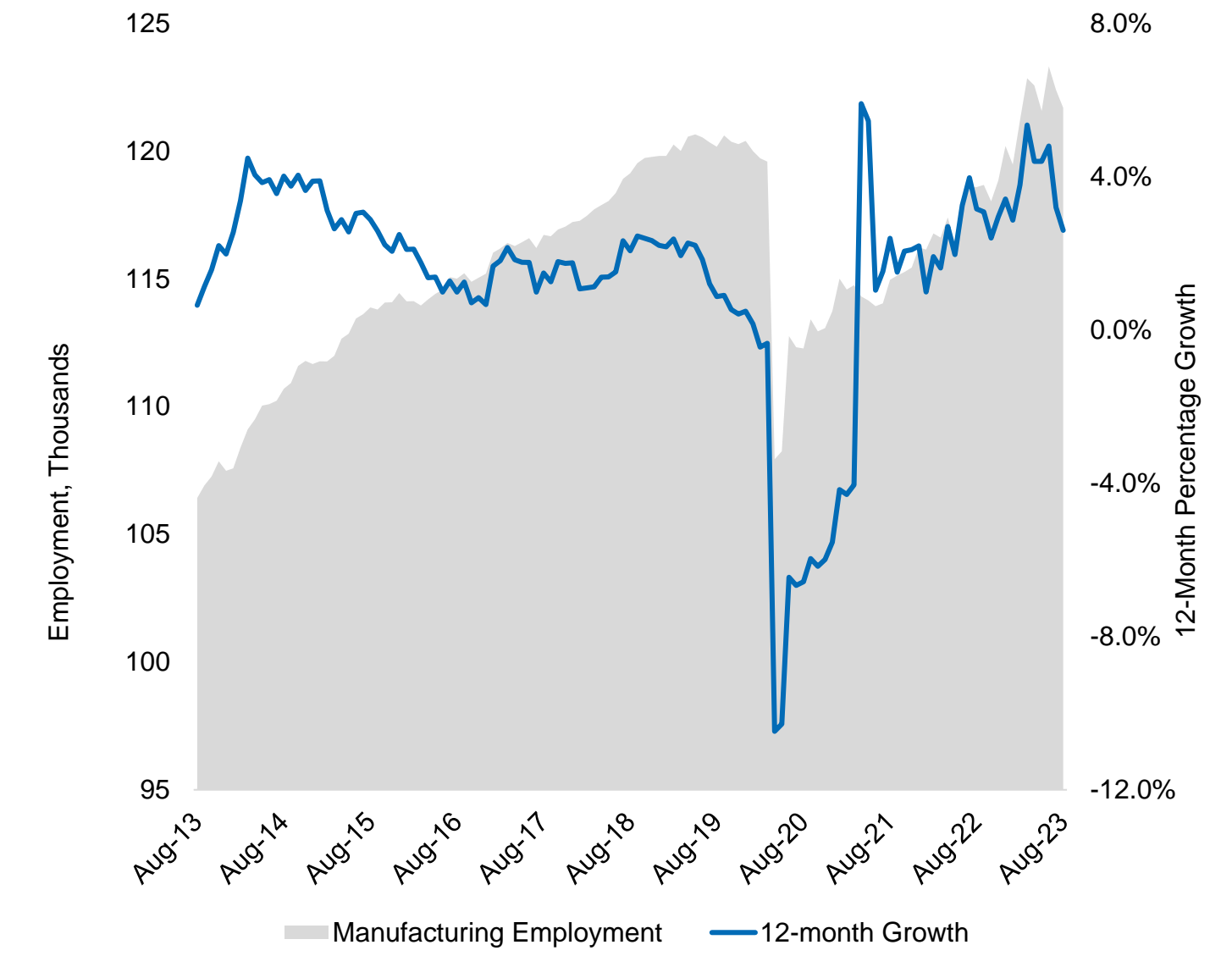
# Industrial Employment for Trade/Transportation/Utilities & Manufacturing Sees Decrease

Trade/transportation/utilities saw a decrease in employment growth in August year- over- year, going from 5.4% to 0.08%. Manufacturing employment also decreased year- over- year in August from 3.2% to 2.6% in Greater Cincinnati.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing

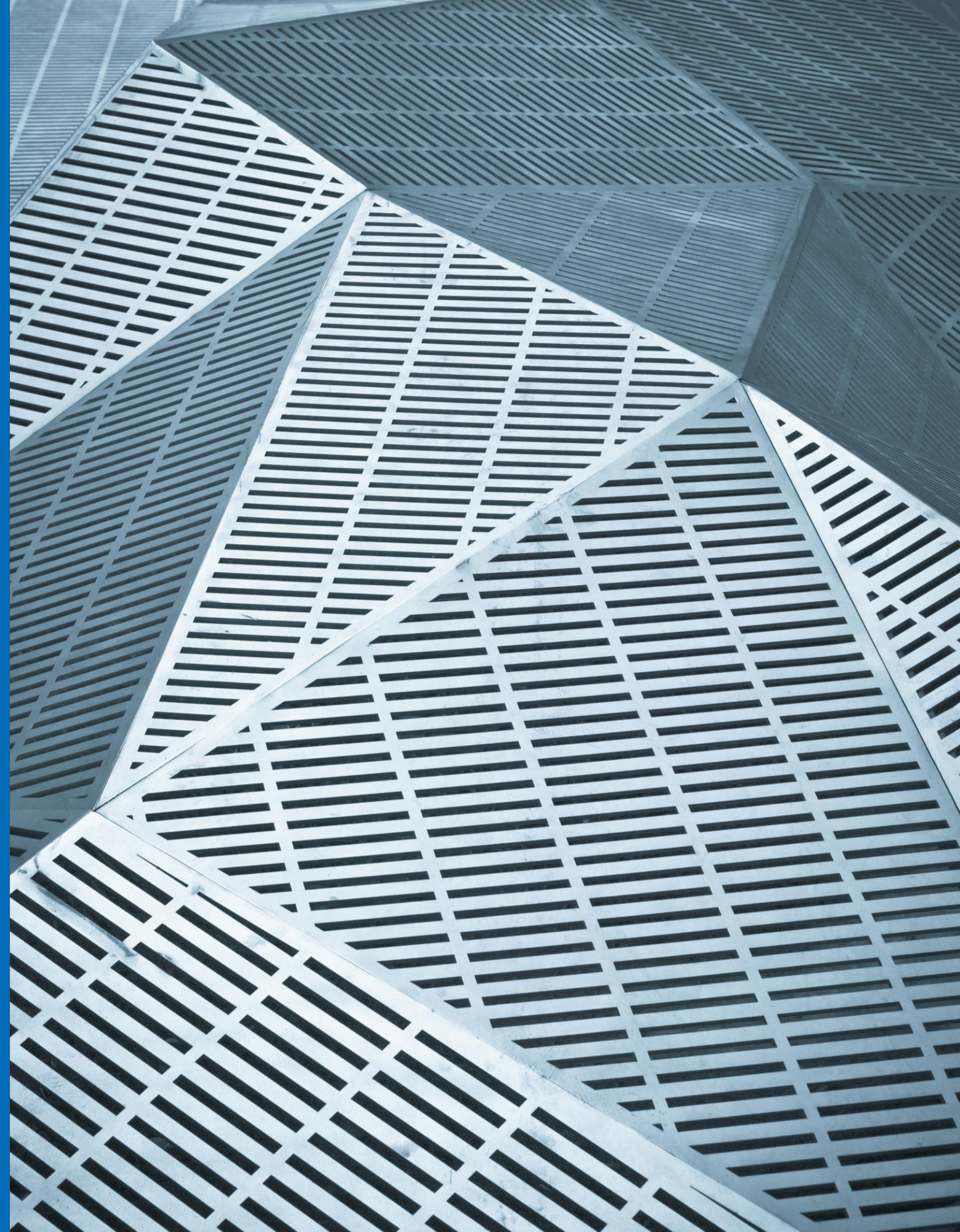


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

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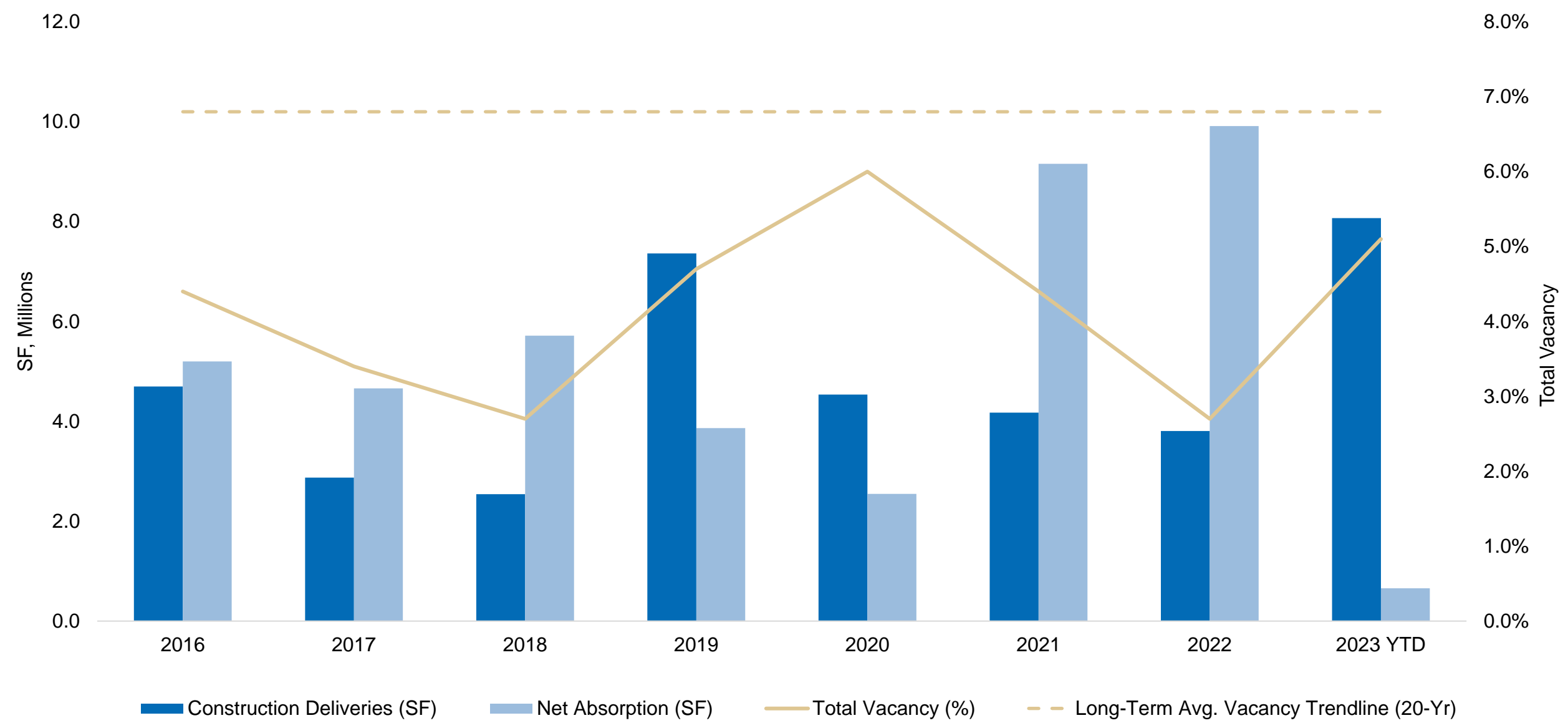
# Leasing Market Fundamentals



# Vacancy on the Rise as Construction Deliveries Outpace Net Absorption in 3Q23

The vacancy rate increased from 4.4% in the second quarter of 2023 to 5.1% in the third quarter of 2023. Vacancy is expected to continue to slowly rise over the next 12 months as the construction pipeline delivers. Year-to-date absorption is currently at 658,004 SF at the end of the third quarter of 2023.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

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## Submarket Statistics Overview

Please reach out to your  
Newmark business contact for this information

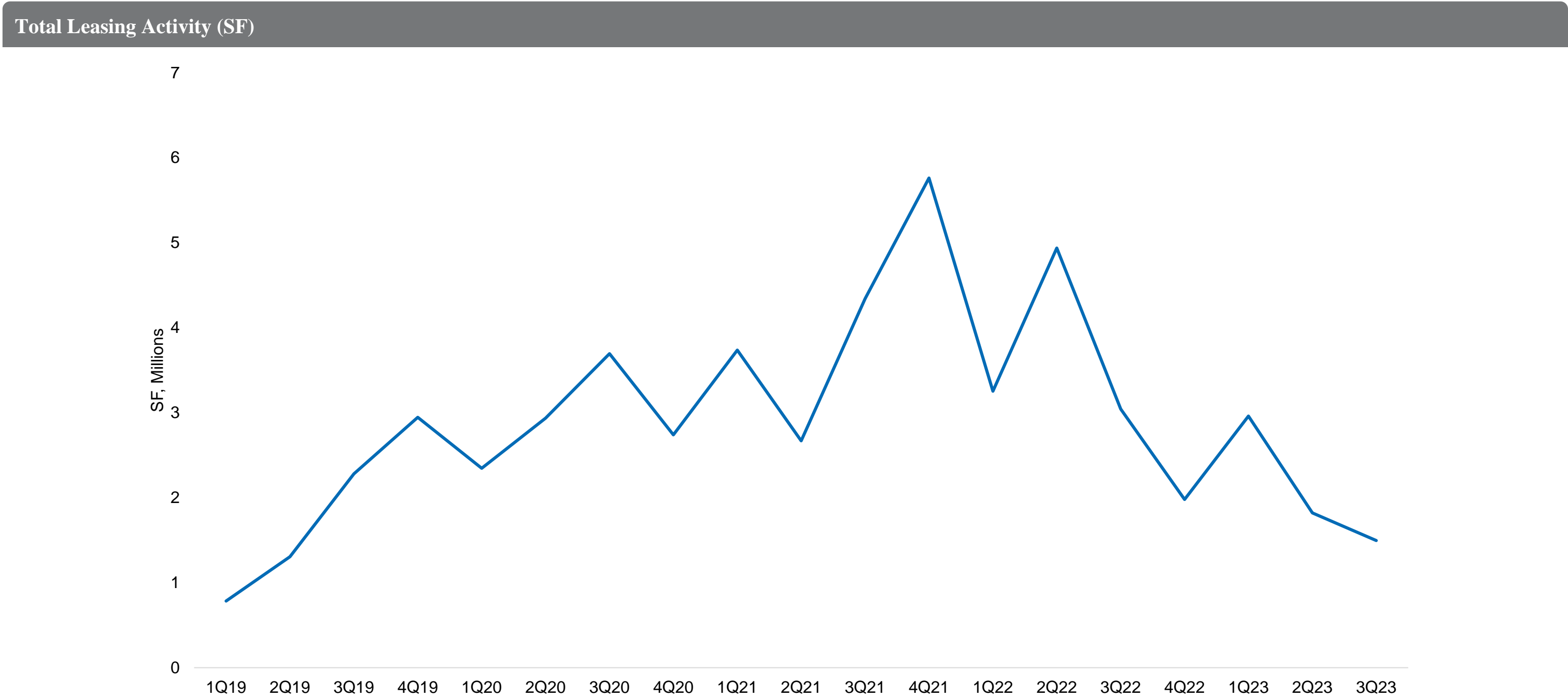
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## Submarket Statistics Overview (Warehouse/Distribution)

Please reach out to your  
Newmark business contact for this information

# Industrial Leasing Activity in 3Q23 Considerably Lower than 3Q23

In the third quarter of 2023, there was 1.4 million SF of leasing activity. This is considerably lower than in the second quarter of 2023, which had 1.8 million SF of leasing activity.

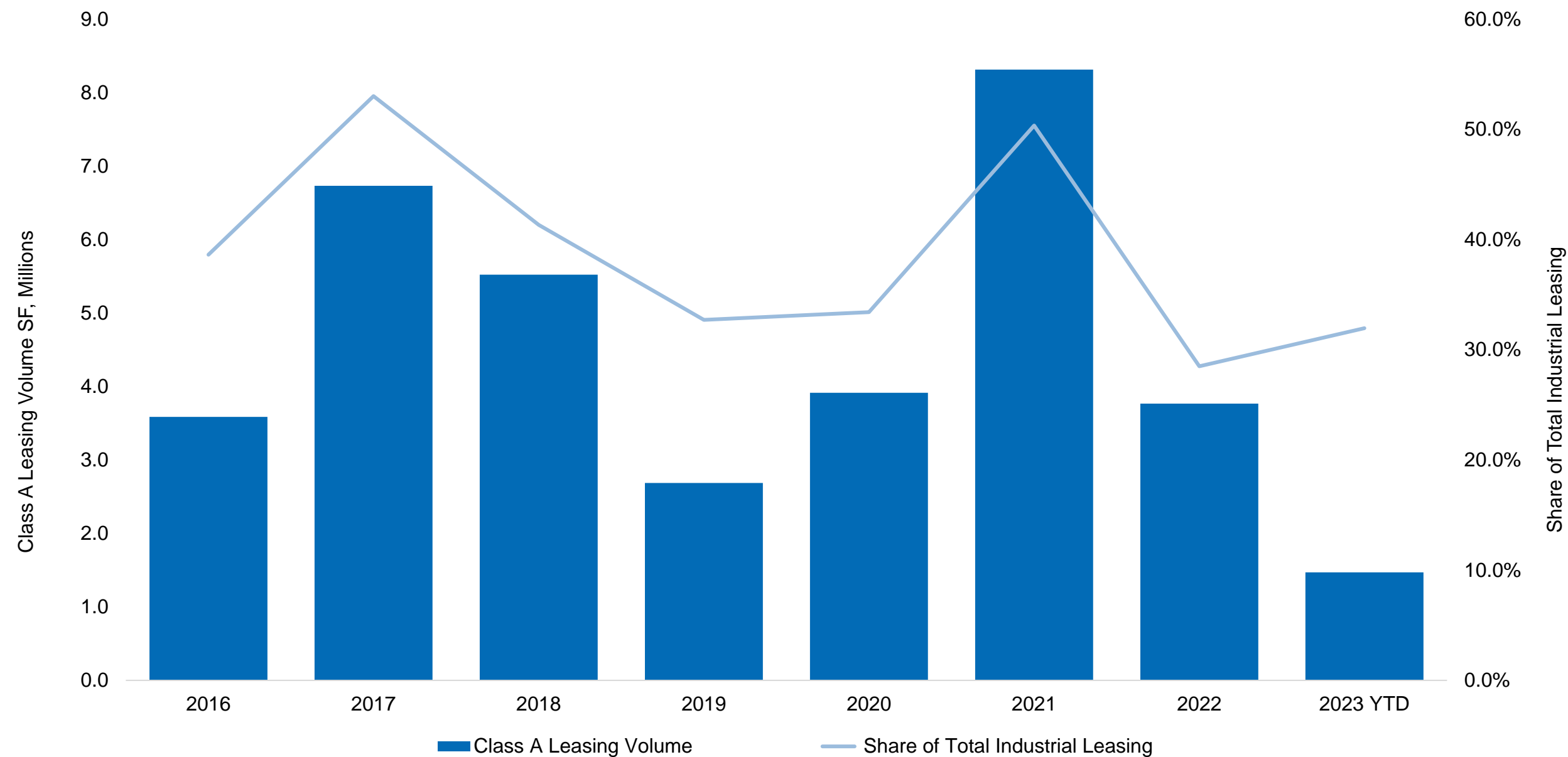


Source: Newmark Research, CoStar

# Class A Warehouse Leasing Activity Lowest Since 2019

For the first three quarters of 2023, 1.4 million SF of Class A warehouse space have been leased, compared to 3.7 million SF total for 2022. Class A warehouse leasing represented 32.0% of overall leasing activity for 2023 year- to- date, up from 28.5% in 2022.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

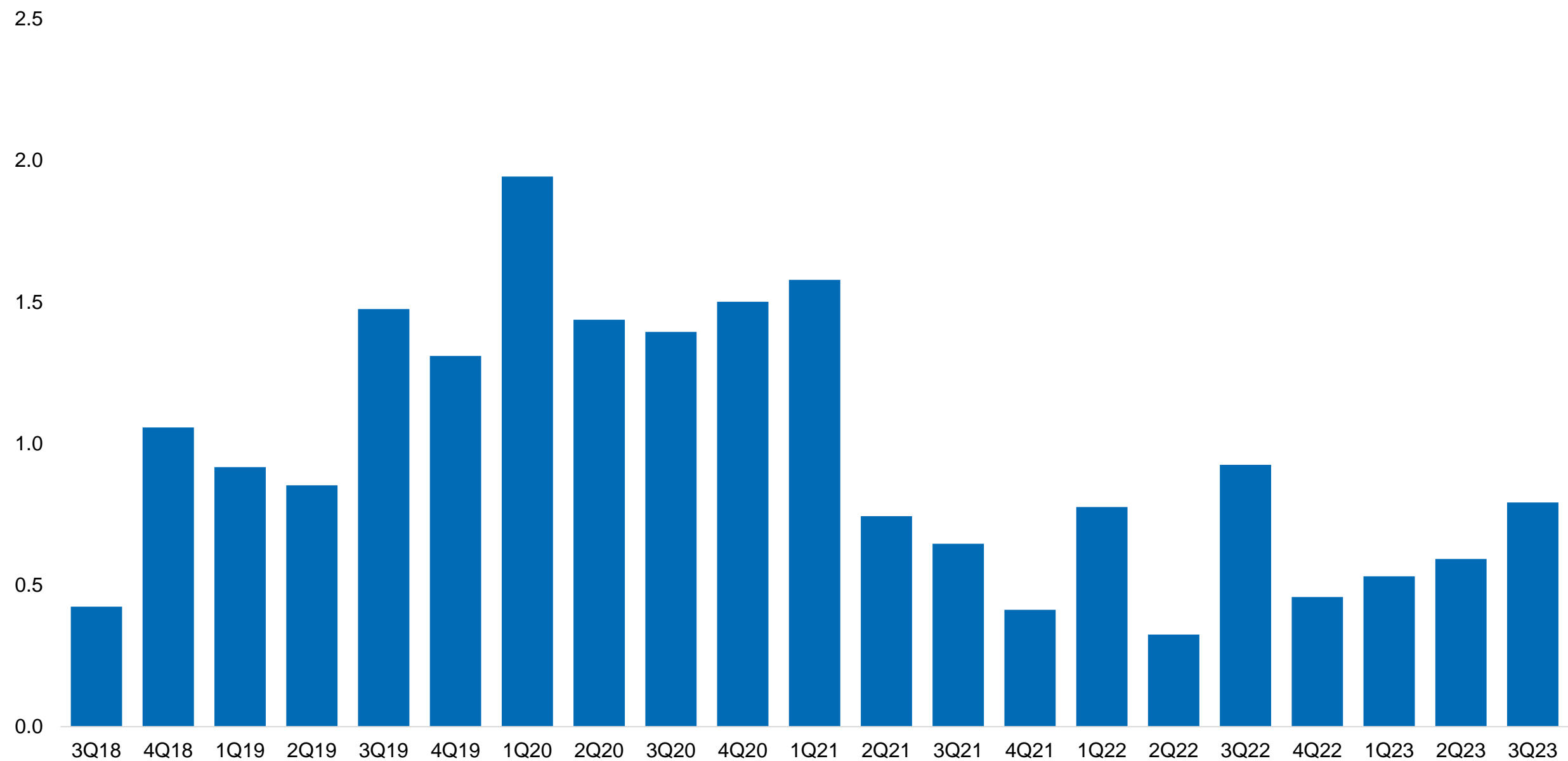


Source: Newmark Research, CoStar

# Industrial Sublease Availability Increases Quarter- over- Quarter

Sublease space in Greater Cincinnati saw an increase quarter- over- quarter from 592,216 SF to 792,007 SF. Year- over- year this number has slightly decreased, lowering from 925,003 SF during the third quarter of 2022.

Available Industrial Sublease Volume (msf)

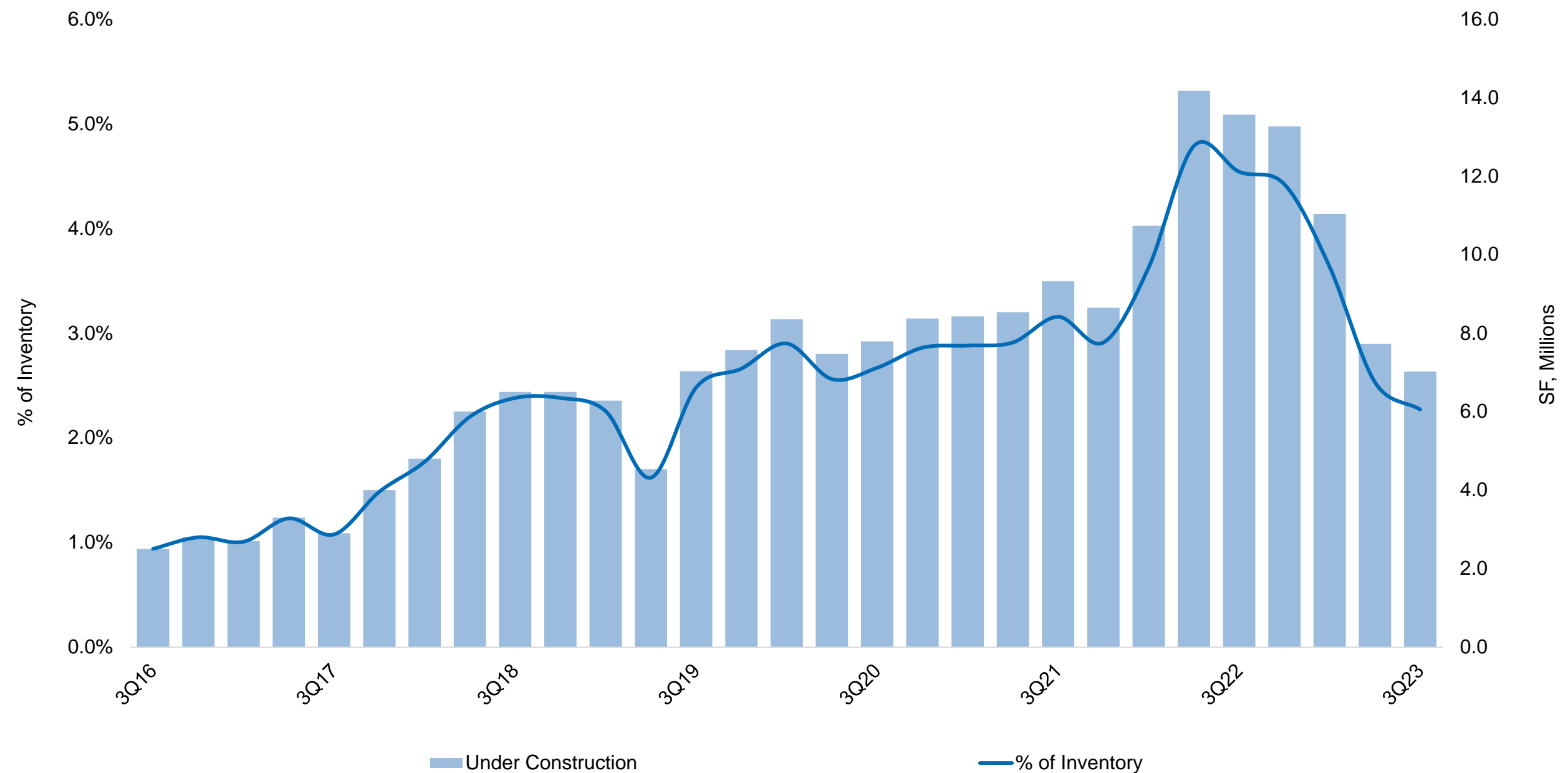


Source: Newmark Research, CoStar

# Construction Numbers Decrease as Pipeline Continues to Deliver

The construction pipeline in Greater Cincinnati continues to deliver quarter- over- quarter. After 1.5 million SF of buildings delivered in the third quarter of 2023, there is now 7.0 million SF still currently under construction. The 7.0-million SF make up 2.3% of the total inventory in the Greater Cincinnati industrial market. Of that total number still under construction, 92.6% consists of Class A warehouse space for both speculative and built-to-suit. 61.7% consists of just speculative Class A warehouse space. The remaining 7.4% represents all other subtypes that are not warehouse space.

Industrial Under Construction and % of Inventory

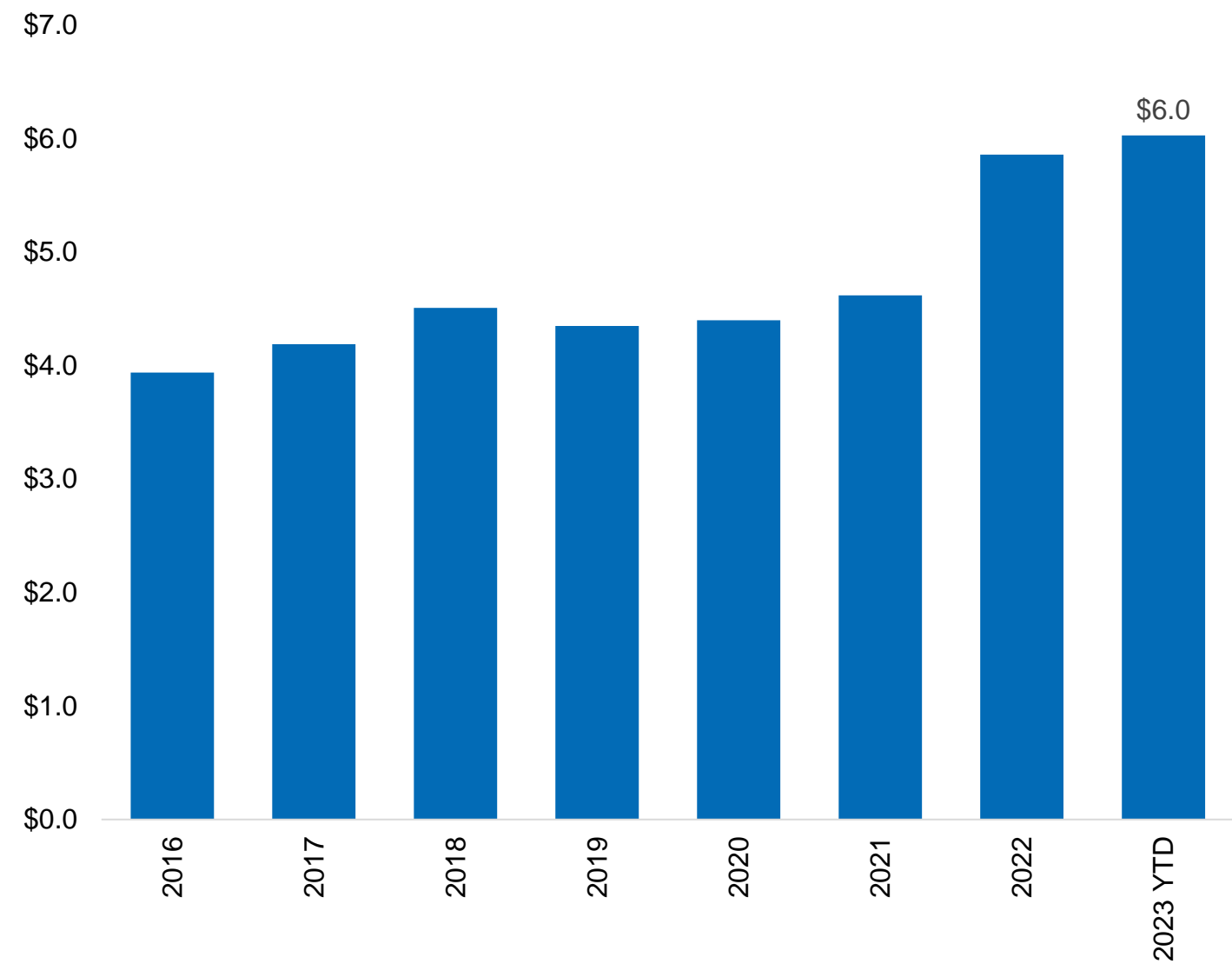


Source: Newmark Research, CoStar

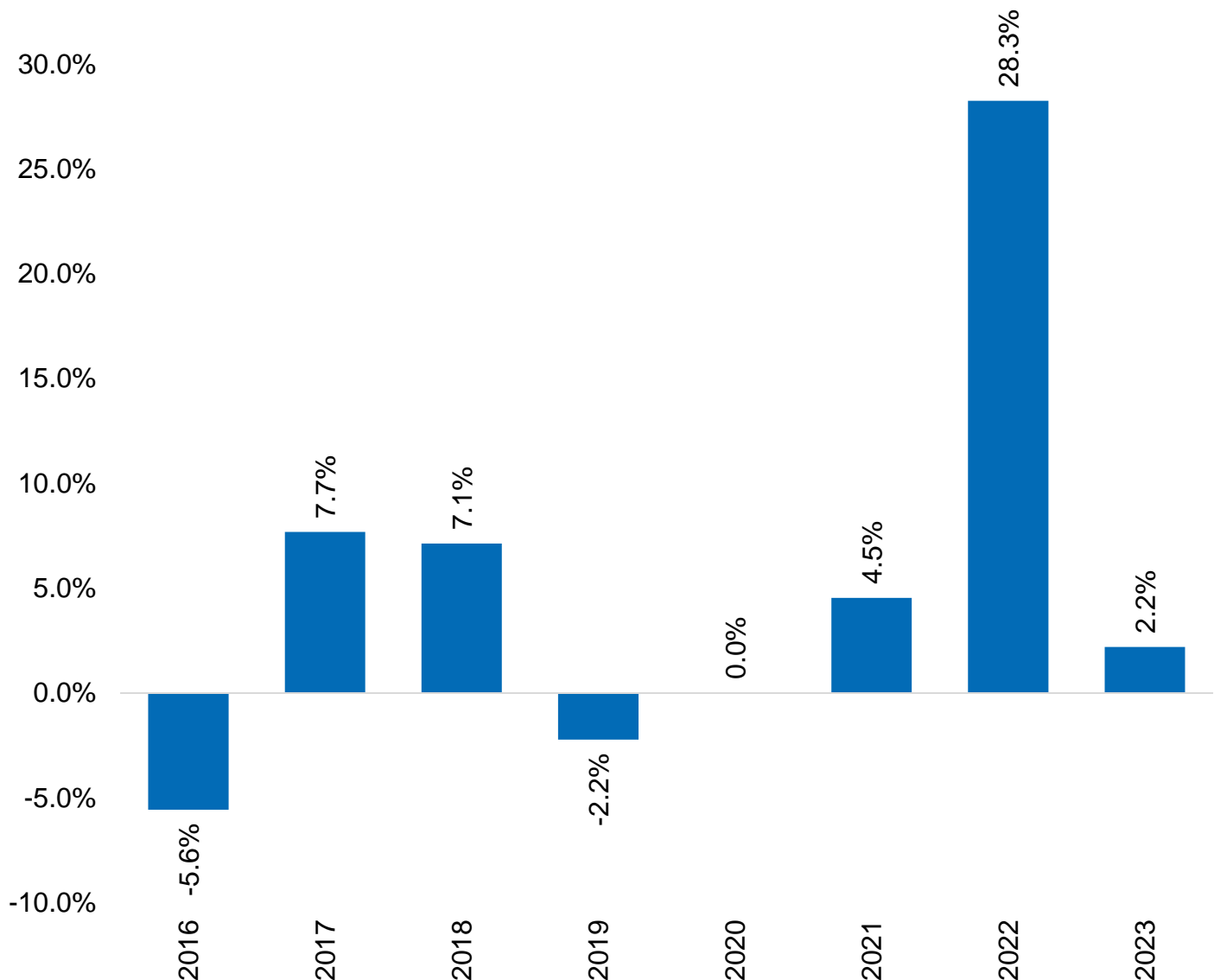
# Asking Rent During 3Q23 Shows a Slight Increase

Overall asking rates increased from \$6.02/SF to \$6.03/SF, which is the highest ever recorded. This puts the year-over-year rent growth rate at 2.2% for the quarter.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

# Notable 3Q23 Lease Transactions

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
NR Group	246 Circle Freeway Dr.	Tri County	Direct Lease	111,730
Lasership	Fairfield Commerce Park Bldg. IV	Tri County	Direct Lease	97,470
Unilock Oil (BTS)	8600 Southwest Pkwy.	West	Direct Lease	96,000
AFC Industries	9030 Port Union Rd.	Tri County	Direct Lease	95,756
Crown Packaging	4583 Brate Dr.	Tri County	Direct Lease	72,053

Source: Newmark Research

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## Notable 3Q23 Sale Transactions

Please reach out to your  
Newmark business contact for this information

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