

Cincinnati Industrial Market

Staying Hot in the Winter Months

After an active third quarter of 2020 that posted positive net absorption of 956,049 square feet, the Greater Cincinnati industrial market stayed consistent in fourth-quarter 2020, with an overall positive net absorption of 876,020 square feet. The overall market's average vacancy rate remained considerably below the long-term average at 6.0%. Rental rates have been on a consistent upward pace coming into the fourth quarter at \$4.40/SF. The negative effects of COVID-19 on the Greater Cincinnati industrial market are starting to wear off. Demand was up for the latter part of the year as companies started to become more active in searches for space.

Developers added 547,000 square feet of new speculative construction to the current pipeline to keep up with the demand. In fourth-quarter 2020, 1.3 million square feet was delivered. Of the 3.3 million square feet of total speculative product underway as of the end of the fourth quarter, 2.6 million square feet of construction is ongoing in Northern Kentucky.

Notable owner-occupied buildings under construction include the first facility in the US for the Spanish recycling company Saica, which is building a 350,000 square-foot manufacturing plant in Hamilton, Ohio. Other notable owner-occupied buildings under construction are the Vega Americas building, with 230,000 square feet, and the Rhinestahl building, with 200,000 square feet being built in the Mason R & D Park in the I-71 Corridor submarket.

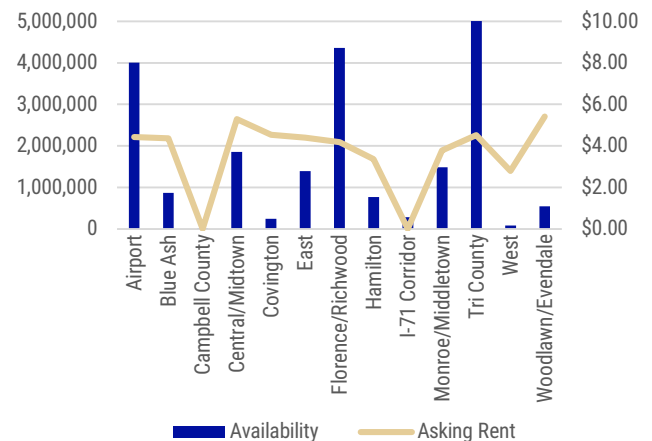
In the early months of the pandemic, leasing and investment sales activity slowed significantly. However, in the second half of 2020, leasing and investment sales have started to comeback and gain momentum. Leasing has been strongest from tenants in the e-commerce, food, third-party logistics, consumer; products,

and building material/home improvement businesses. While it was originally thought many tenants that had their businesses negatively affected would be in jeopardy of not paying rent, most of the landlords in the market say that this issue is not as serious as they feared. As for investment sales, prices have bounced back to pre-COVID-19 levels, with an emphasis on well-located, leased properties with good credit tenants.

The long-term outlook for industrial real estate remains positive. Companies have reevaluated supply chains and many desire more domestic inventory as they see the effects of a pandemic on operations. E-commerce sales and third-party logistics are also growing, resulting in a greater need for warehouse space.

Market Analysis

ASKING RENT AND AVAILABILITY



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	290 MSF	288 MSF	282 MSF	↑
Availability Rate	7.6%	7.8%	6.3%	↑
Vacancy Rate	6.0%	5.8%	4.9%	↑
Average Asking Rent/SF	\$4.40	\$4.38	\$4.30	→
Average Expenses	\$1.02	\$1.00	\$1.02	→
Quarterly Net Absorption (SF)	876,020	956,049	(463,587)	→
Under Construction (SF)	8,370,280	7,788,428	7,029,302	↓
Deliveries (SF)	1,379,748	264,140	3,240,341	↑

Current Conditions

- The overall industrial market stayed stable in the fourth quarter with 876,020 square feet of net absorption.
- Class A asking rates have increased year over year by \$0.10 to an average asking rate of \$4.40, driven by class A speculative construction.
- The Florence/Richwood submarket boasted the highest net absorption figure for the fourth quarter with 376,311 square feet of positive absorption.

RESEARCH Q4 2020

Sale and Lease Activity

In the Florence/Richwood submarket, Exeter Property Group purchased 201 Richard Knock Way. This was the biggest sale of the fourth quarter, in terms of square footage at 896,896 square feet. It sold for \$49.1 million. The biggest user sale was at 950 Wenstrup Lane, a 630,368 square-foot building, purchased by Dollar General for \$42.2 million from Core5. Capital markets activity has picked up during the fourth quarter, with investment sales on the rise.

Notable leases signed during the fourth quarter included the following:

- Innomark moved into Northpoint's 8531 Trade Center Drive in the Tri-County submarket, taking 212,000 square feet, the biggest lease in the fourth quarter.
- McNerney & Associates leased 129,800 square feet at 5265 Provident Drive in the Tri-County submarket.

New Construction

The market saw several big deliveries during the fourth quarter. The biggest deliveries this quarter were US Capital's Logistics Park 75 Building 3A which was 544,320 square feet, and Logistics Park 75 Building 3B which was 232,500 square feet. The next largest deliveries were from Northpoint, a 218,640-square-foot building and a 204,288-square-foot building in the Tri-County submarket. The 547,000 square feet of new speculative construction that began in the fourth quarter included two spec buildings spanning 300,560 square feet and 246,480 square feet on Seward Road in the Tri-County submarket. These new properties will also have a tax abatement, a rare incentive.

Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
201 Richard Knock Way	Florence/Richwood	\$49,100,000	\$55	896,896
950 Wenstrup Ln	Florence/Richwood	\$42,252,746	\$67	630,368
7950 Dixie Hwy	Florence/Richwood	\$10,600,000	\$32	327,511
1370 Aviation Blvd	Airport	\$16,800,000	\$105	160,984
1365 Aviation Blvd	Airport	\$13,400,000	\$94	142,021
3191 River Road	Central/Midtown	\$29,100,000	\$281	103,500

Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Innomark	8531 Trade Center Dr.	Tri-County	New Lease	212,000
McNerney & Associates	5265 Provident Dr.	Tri-County	New Lease	129,800
Republic Wire	4225 Dues Dr.	Tri-County	New Lease	122,860
Best Nest	4000 McMann Rd	East	New Lease	112,110
WorkHorse Group	119 Northeast Dr.	I-71 Corridor	New Lease	88,200
Team Industrial	2249 Seymour Ave	Central/Midtown	New Lease	73,342

New Deliveries

Developer	Building	Address	Submarket	Square Feet
US Capital	Logistics Park 75 Bldg 3B	300 Richard Knock Dr.	Florence/Richwood	544,320
US Capital	Logistics Park 75 Bldg 3A	200 Richard Knock Dr.	Florence/Richwood	232,500
Northpoint	West Chester Trade Center Bldg 6	4664 Brate Dr.	Tri-County	218,640
Northpoint	West Chester Trade Center Bldg 7	4600 Brate Dr.	Tri-County	204,288
Links Unlimited	-	1140 Regina Graeter Way	Central/Midtown	182,900

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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	37,309,095	10.7% / 7.6%	4,007,700	256,961	\$4.42	\$0.90	5,650,240	24,948	1,347,833	-	\$7.50	\$7.00	\$4.36
Blue Ash	12,907,051	6.8% / 6.9%	871,433	-	\$4.36	\$1.30	-	(98,964)	24,756	\$3.50	\$8.69	\$5.75	\$3.33
Campbell County	3,265,385	0.4% / 1.7%	14,070	-	-	-	-	-	-	-	-	-	-
Central/Midtown	48,660,845	3.8% / 2.3%	1,858,035	5,000	\$5.29	\$0.95	-	284,295	518,205	\$3.11	\$9.65	\$4.69	\$4.00
Covington	4,242,594	5.8% / 5.8%	246,400	-	\$4.54	-	-	(3,400)	70,121	-	-	\$4.54	-
East	14,064,273	9.9% / 5.6%	1,395,075	-	\$4.40	\$0.95	180,000	115,668	88,902	\$4.23	\$7.10	\$7.30	\$4.23
Florence/Richwood	28,405,584	15.4% / 12.3%	4,360,275	351,260	\$4.18	\$0.82	772,000	376,311	326,435	-	\$5.17	-	\$4.17
Hamilton	5,892,635	13.0% / 5.7%	765,100	-	\$3.36	-	-	(38,400)	(91,348)	\$3.18	-	\$3.73	-
I-71 Corridor	11,744,660	2.4% / 2.4%	283,509	12,670	-	-	430,000	66,536	(141,939)	-	-	-	-
Monroe/Middletown	24,180,670	6.1% / 5.8%	1,486,786	143,664	\$3.78	\$1.00	441,000	(24,000)	(534,420)	-	-	\$5.95	\$3.75
Tri County	73,047,173	8.5% / 7.3%	6,195,453	727,713	\$4.52	\$1.25	897,040	174,085	1,036,659	-	\$6.53	\$4.34	\$4.45
West	6,491,328	1.3% / 0.4%	84,411	-	\$2.80	-	-	(12,200)	7,902	-	-	\$2.80	-
Woodlawn/Evendale	19,813,994	2.7% / 2.4%	544,321	3,765	\$5.42	\$1.17	-	11,141	(105,037)	-	\$6.01	\$5.03	-
Greater Cincinnati	290,025,287	7.6% / 6.0%	22,112,568	1,501,033	\$4.40	\$1.02	8,370,280	876,020	2,548,068	\$3.87	\$7.45	\$4.58	\$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	28,131,486	13.1%/9.0%	3,690,139	256,961	\$4.36	\$0.89	2,317,240	(11,738)
Blue Ash	2,360,221	16.5%/15.0%	390,527	-	\$3.33	\$1.10	-	-
Campbell County	173,940	0.0%/0.0%	-	-	-	-	-	-
Central/Midtown	2,054,021	3.7%/3.7%	76,779	-	-	-	-	217,242
Covington	770,412	0.0%/0.0%	-	-	-	-	-	-
East	1,661,460	7.1%/7.1%	118,200	-	\$4.23	\$1.20	-	112,110
Florence/Richwood	13,417,246	25.4%/24.0%	3,404,321	177,000	\$4.17	\$0.82	772,000	422,271
I-71 Corridor	986,658	0.0%/0.0%	-	-	-	-	-	-
Monroe/Middletown	11,287,255	11.4%/12.3%	1,281,113	143,664	\$3.75	\$1.00	335,000	(24,000)
Tri County	31,125,218	14.9%/14.0%	4,645,159	632,089	\$4.45	\$1.22	547,040	(29,464)
West	1,290,049	0.0%/0.0%	-	-	-	-	-	-
Woodlawn/Evendale	1,126,151	0%/0%	-	-	-	-	-	-
Greater Cincinnati	94,517,317	14.4%/12.7%	13,606,238	1,209,714	\$4.30	\$0.99	3,971,280	686,421

RESEARCH Q4 2020

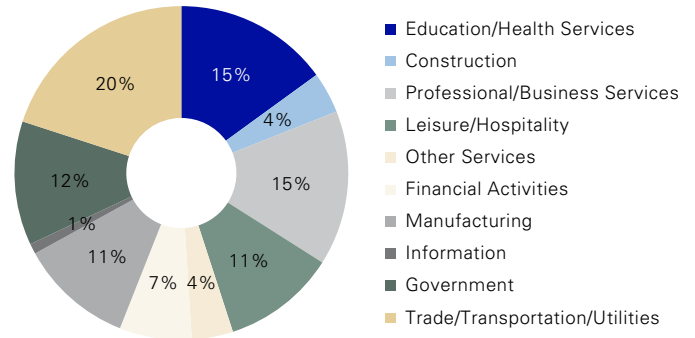
Economic Conditions

The Cincinnati Metro’s economic conditions started to pick up, along with the rest of the country, during the fourth quarter. The unemployment rate dropped to 5.1% after reaching a historic high in unemployment in the second quarter at 14.0%. The Consumer Price Index continued to track below the national average, consistent with the lower cost of living in the Midwest, at 0.1% lower than the national average of 1.2%.

Cincinnati has a diverse economy and has room to grow since it is not geographically constrained. Cincinnati is unique in the Midwest because it has a strong manufacturing base and an ideal location as a distribution hub, being able to reach 65.0% of the U.S. population in a one-day truck drive. In addition, the State of Ohio took sixth place in Site Selection 2020 Top State Business Climate Rankings. Cincinnati will be in a great position to get back on track with strong industrial growth as the country rebounds from the pandemic.

Employment by Industry

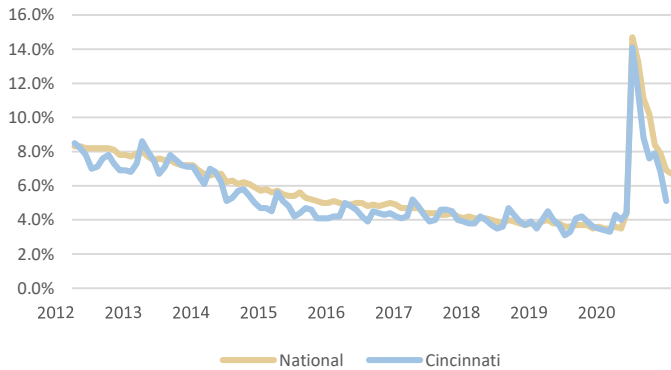
CINCINNATI – December, 2020



U.S. Bureau of Labor Statistics

Unemployment Rate

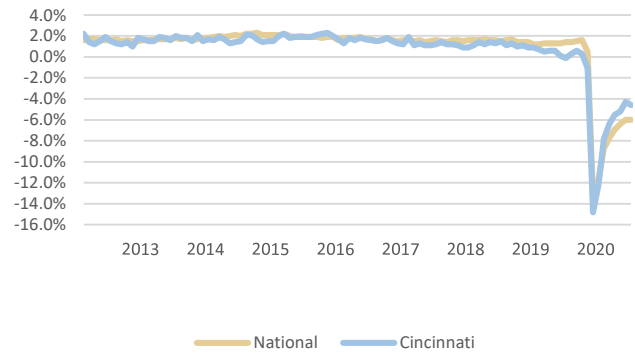
NOT SEASONALLY ADJUSTED



*U.S. Bureau of Labor Statistics

Payroll Employment

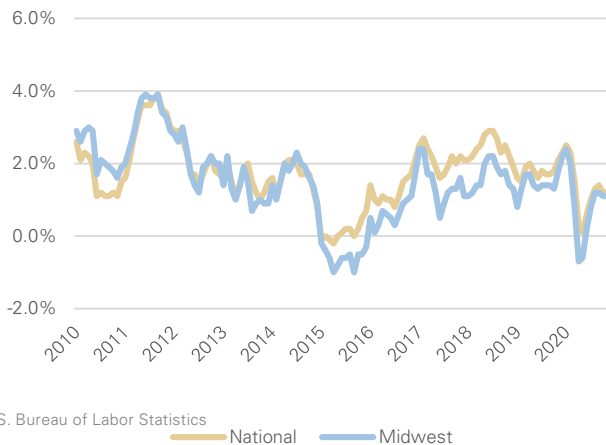
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

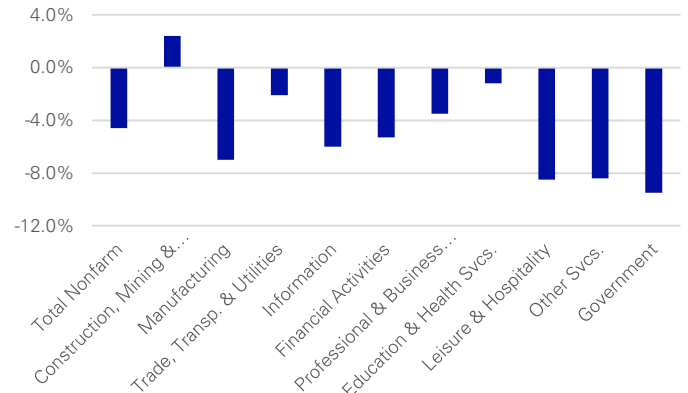
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



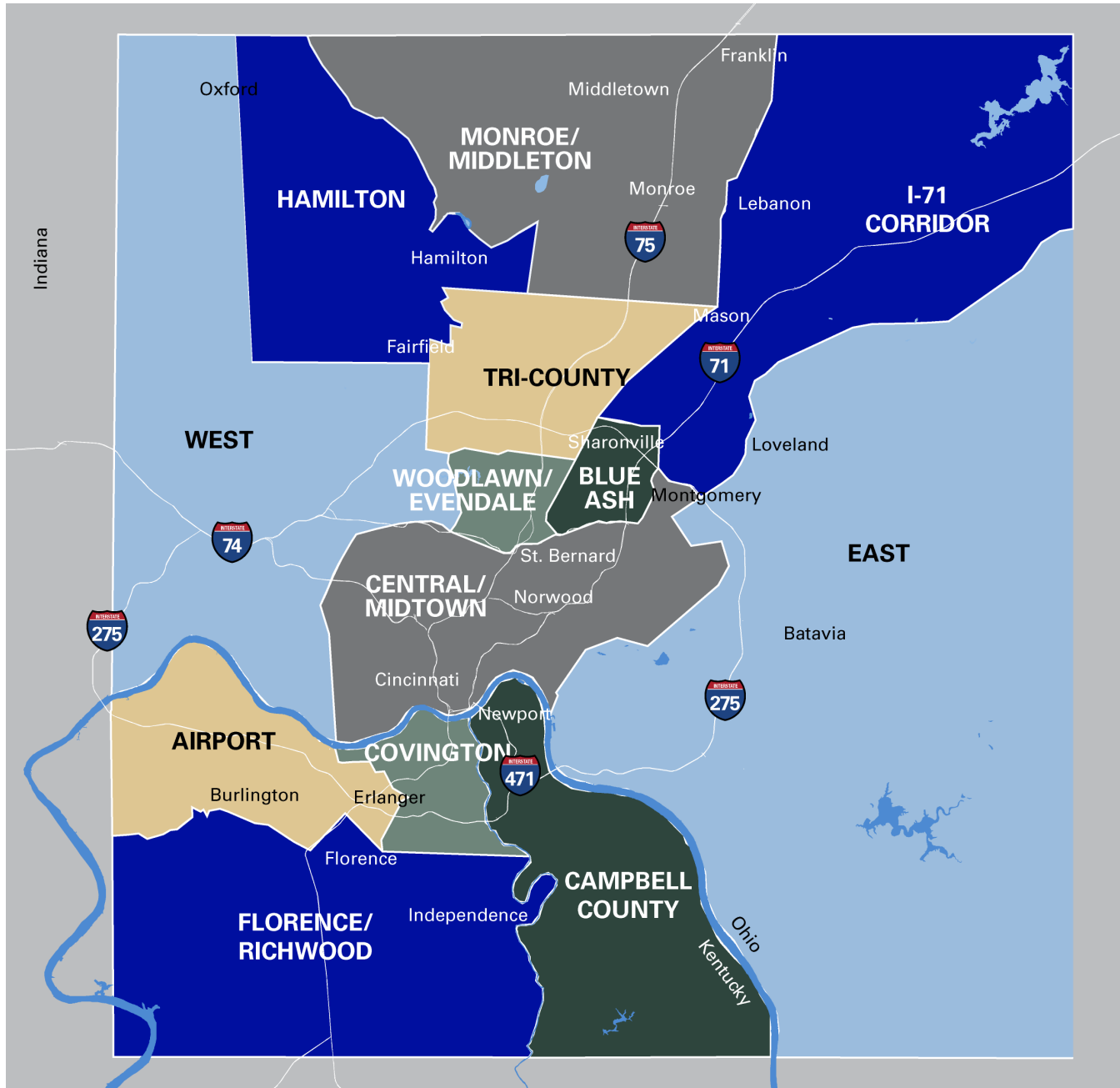
*U.S. Bureau of Labor Statistics

Employment Growth By Industry

CINCINNATI, DECEMBER 2020, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



U.S. Bureau of Labor Statistics



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