



Cincinnati Office Market

Market Hiatus

The Greater Cincinnati office market performed poorly compared to the third quarter of 2020. Tenants vacated space at a higher rate than the previous quarter, which resulted in 316,947 square feet of negative net absorption. Availability increased 20.5% from the third quarter to 21.4% in the fourth quarter. The fourth quarter's negative absorption is mainly attributable to the moveout of Fifth Third from the 580 Walnut building in Downtown Cincinnati and the move outs and sublease offerings which have increased in the past year. Sublease square footage alone has increased by over 170,000 square feet in the Cincinnati market. Some of the most notable subleases to come online during the pandemic are Governors Pointe for 127,416 square feet and North Mark 1 with 47,435 square feet. There has been little new leasing activity to offset these conditions.

Properties under construction included the Digital Futures Complex, a 189,000-square-foot building that will be 100% occupied by the University of Cincinnati. Furthermore, construction at Montgomery Quarter is expected to begin in earnest this year.

There were also major investments in the office market, the largest of which was the purchase of 4350 Malsbary Road in Blue Ash by TR Cincinnati MOB, LLC for \$16.5 million. The second-largest sale was the transfer of the 175,000 square-foot 55 Merchant Street property in the Tri-County submarket for \$8.75 million.

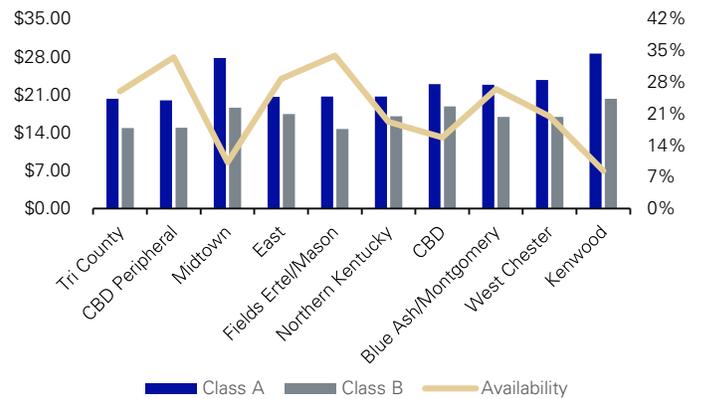
Economic conditions for Greater Cincinnati took a turn for the better since the start of COVID-19. The unemployment rate hit a historic high of 14.0% in second-quarter 2020 before bouncing back to 5.1% this quarter. The Consumer Price Index was 0.1% lower than the national average this past quarter, consistent with the lower cost of living in the Midwest.

The Greater Cincinnati population grew by 60 basis points in 2019. International migration and births were the primary drivers of the increase, which signaled the reversal of a five-year negative net migration trend.

Overall, the market was stagnant. Net absorption decreased immensely from the negative 25,324 square feet last quarter.

Market Analysis

ASKING RENT AND AVAILABILITY



Current Conditions

- The overall office market began a downturn this past quarter, as vacancy rose from 18.4% to 19.4%. Availability rose from 20.5% to 21.4%
- The bulk of activity occurred in the Blue Ash/ Montgomery submarket, which posted 51,490 SF of positive absorption
- Employment is rising significantly and offices are slowly starting to open up in the Cincinnati metro area, but many companies are still working remotely.

Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	36.9M	36.9M	36.2M	→
Availability Rate	21.4%	20.5%	19.9%	↑
Vacancy Rate	19.4%	18.4%	16.8%	↑
Average Asking Rent/SF	\$19.37	\$19.37	\$19.33	↓
Quarterly Net Absorption	(316,947)	(25,324)	(21,565)	↓

Lease Activity

Interact for Health leased 15,000-square-feet in Kenwood at 8230 Montgomery Road.

In the Central Business District submarket, Ulmer & Berne LLP law firm leased 30,800 square feet at Scripps Center. Also in the CBD submarket, the law firm Robbins, Kelly, Patterson & Tucker LPA signed a new lease for 15,100 square feet at 312 Elm Street.

Sale Activity

EC 2 Merchant, LLC acquired the 175,000-square-foot building at 55 Merchant Street. for \$8.75 million. This was the biggest sale in this quarter in terms of square footage.

In the Blue Ash submarket, TR Cincinnati MOB, LLC purchased the 32,000-square-foot property at 4350 Malsbary Road for \$16.5 million, or \$515/ SF. In the CBD submarket, Urban Sites purchased the 67,500-square-foot 530 Walnut Street. property for \$2.2 million.

Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Protective Life	Technology Tower 1	Northern Kentucky	New	67,000
Ulmer & Berne LLP	Scripps Center	CBD	New	30,800
ProLink Staffing	Central Parke 1 building	Midtown	New	19,400
Robbins, Kelly, Patterson & Tucker LPA	312 Elm St.	CBD	New	15,100
Interact for Health	8230 Montgomery Rd	Kenwood	New	15,000
Systems Evolution	One Northlake Place	Mason/Montgomery	New	12,000

Sale Transactions				
Buyer	Building	Submarket	Price	Square Feet
TR Cincinnati MOB, LLC	4350 Malsbary	Blue Ash	\$16,500,000	32,000
EC 2 Merchant, LLC	55 Merchant St.	Tri-County	\$8,750,000	175,000
Urban Sites	530 Walnut St.	CBD	\$2,200,000	67,500

RESEARCH Q4 2020

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	2,870,256	28.2%/16.8%	809,124	59,413	\$22.84	33,288	10,190
CBD	6,905,746	13.3%/14.4%	915,182	34,018	\$22.99	33,063	4,453
CBD Peripheral	849,963	45.3%/48.9%	385,273	0	\$20.00	0	5,848
East	332,087	8.0%/4.7%	26,587	3,087	\$20.64	0	(4,486)
Fields Ertel/ Mason	1,1743,593	39.5%/30.1%	688,097	131,104	\$20.64	(1,229)	(144,304)
Kenwood	996,623	5.1%/3.8%	51,216	5,000	\$28.64	0	74,394
Midtown	1,943,198	11.2%/6.7%	216,698	114,233	\$27.78	(6,651)	(20,403)
Northern Kentucky	3,007,065	23.8%/21.7%	714,250	122,027	\$20.70	(20,260)	(5,557)
Tri County	1,001,527	13.7%/13.0%	136,826	0	\$20.30	0	(38,228)
West Chester	1,404,626	18.3%/18.3%	256,777	0	\$23.74	(135,676)	(115,692)
Class A Total	21,054,729	19.9%/17.3%	4,200,030	468,882	\$22.09	(97,465)	(233,785)

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	2,634,245	24.7%/21.3%	651,858	54,649	\$16.90	18,652	254,347
CBD	4,770,149	19.6%/21.9%	933,005	52,935	\$18.89	(156,415)	(168,041)
CBD Peripheral	1,091,806	26.1%/23.2%	285,440	0	\$14.95	(21,624)	(73,646)
East	1,036,020	41.7%/38.0%	432,411	5,082	\$17.44	(3,863)	(17,000)
Fields Ertel/ Mason	952,080	23.8%/18.4%	226,804	0	\$14.68	(23,845)	(41,161)
Kenwood	383,803	16.9%/10.1%	64,874	0	\$20.26	(11,325)	(10,136)
Midtown	538,259	7.3%/6.6%	39,289	2,164	\$18.63	(3,735)	(4,345)
Northern Kentucky	1,438,310	9.6%/8.6%	137,952	0	\$14.85	(15,368)	(28,708)
Tri County	2,797,497	30.4%/29.3%	850,136	2,214	\$14.85	(15,368)	(28,708)
West Chester	197,409	35.3%/42.9%	69,672	0	\$16.93	(1,007)	(19,876)
Class B Total	15,869,614	23.3%/22.2%	3,696,888	117,044	\$16.67	(219,482)	(96,712)
Grand Total	36,924,343	21.4%/19.4%	7,896,918	585,926	\$19.37	(316,947)	(330,947)

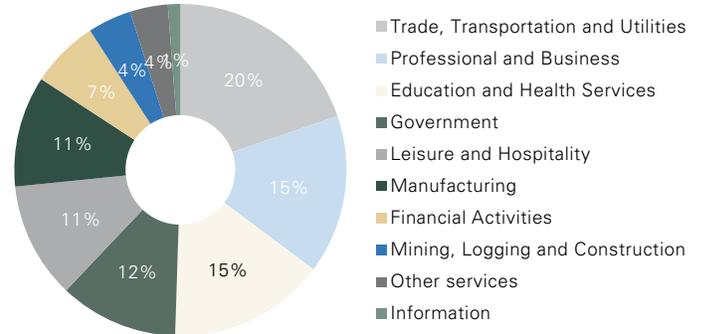
Economic Conditions

The Cincinnati office market slowed significantly in the fourth quarter. For most of 2020, local total nonfarm payroll employment numbers fell and appeared to mirror the national average. Office construction in Greater Cincinnati decelerated in the final quarter of the year. Nevertheless, the market is not geographically constrained and is far from its potential growth ceiling.

Fourth-quarter 2020 showed a large increase in job growth, continuing the trend from the third quarter after the big unemployment dip when COVID-19 started. Unemployment was on a downward slope and on a better pace than the national unemployment numbers at 7.6%.

Employment by Industry

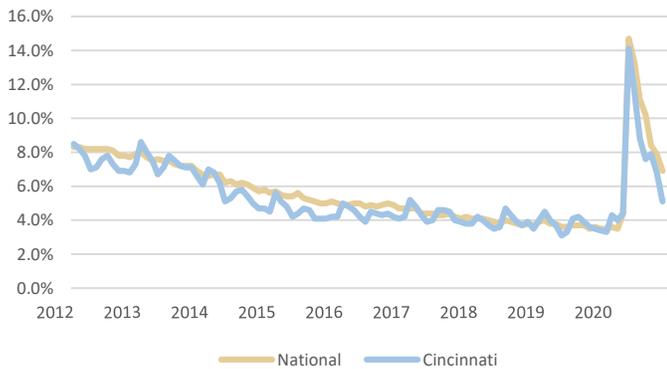
CINCINNATI – December, 2020



U.S. Bureau of Labor Statistics

Unemployment Rate

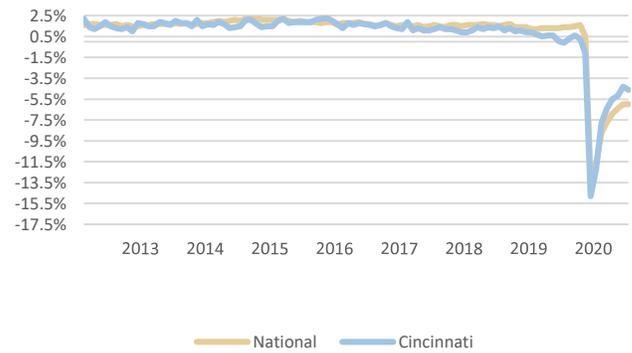
NOT SEASONALLY ADJUSTED



U.S. Bureau of Labor Statistics

Payroll Employment

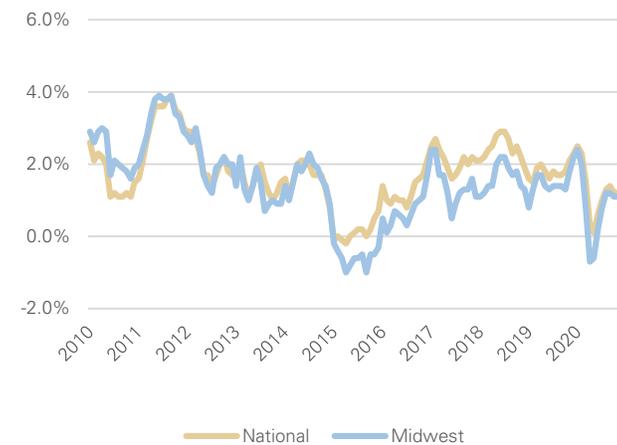
TOTAL NONFARM, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

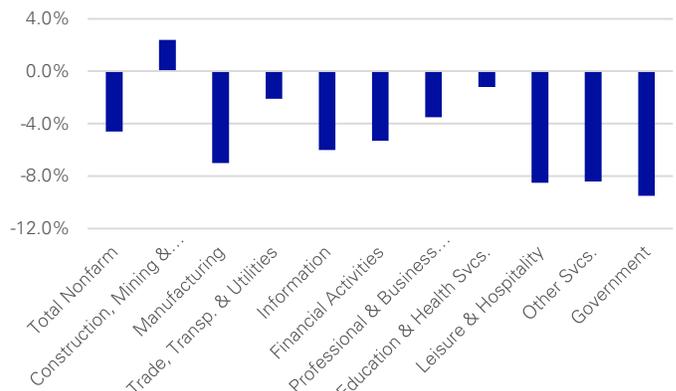
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



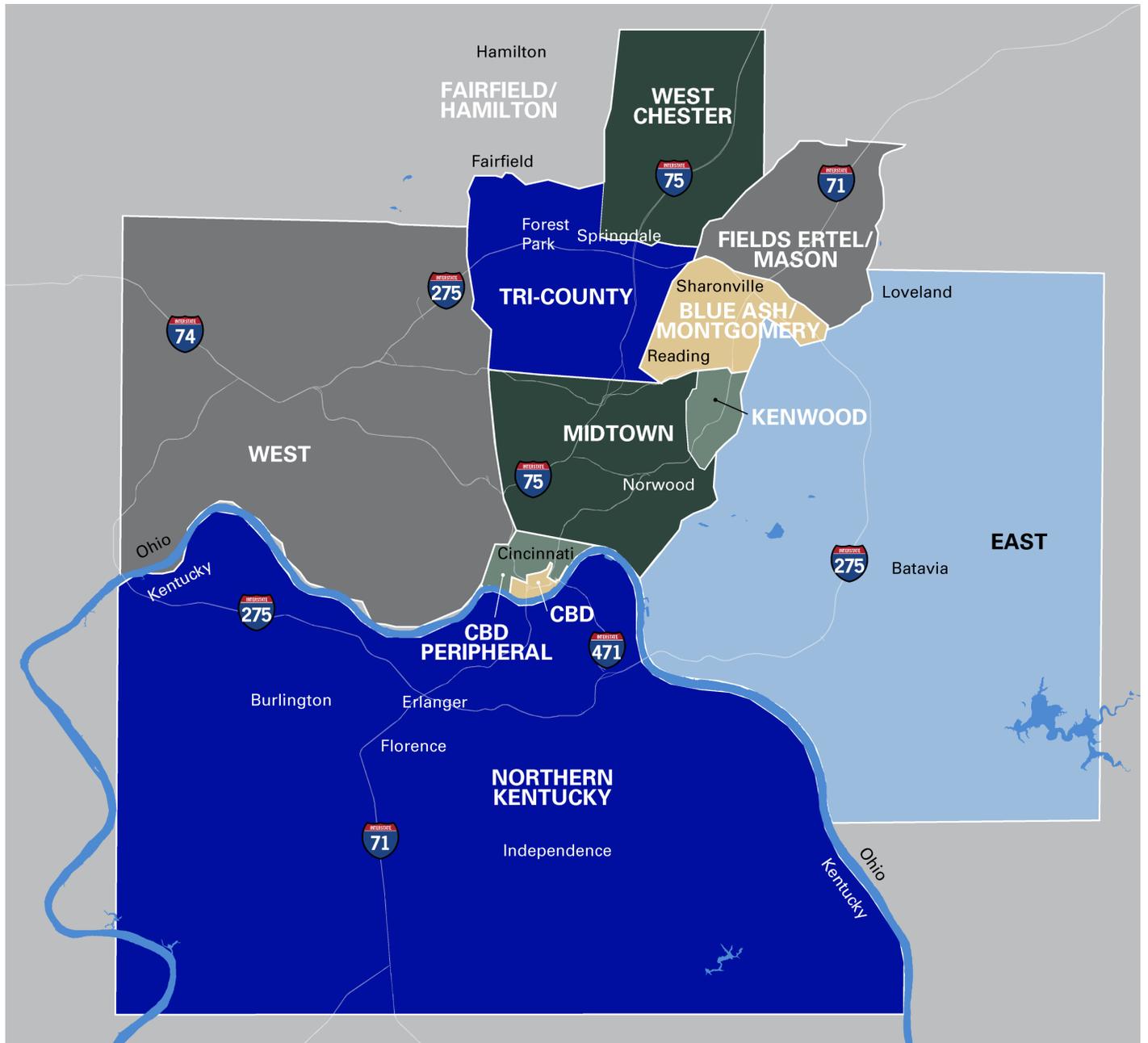
U.S. Bureau of Labor Statistics

Employment Growth By Industry

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



U.S. Bureau of Labor Statistics



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