

# Cincinnati Industrial Market

## Strong Finish to 2021 Industrial Market

The Cincinnati Industrial market experienced continued growth during the fourth quarter of 2021, finishing with over 3.7 million square feet of positive net absorption and raising the year-to-date total to almost 9.2 million square feet. The vacancy rate fell 110 basis points, from 5.5% to 4.4% and the availability rate fell 130 basis points, from 6.4% to 5.1%. The overall size of the market increased slightly, to 295.0 million square feet. Asking rental rates across all submarkets and property types have continued to trend upward, ending the quarter at \$4.62/SF, up from \$4.47/SF at the end of the third quarter of 2021. That is a 3.4% increase quarter-over-quarter. When focusing specifically on the warehouse/distribution set of buildings, the growth in pricing is less dramatic, increasing from \$4.41/SF to \$4.47/SF, a 1.4% increase.

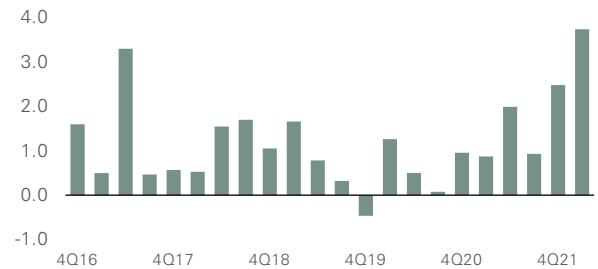
New construction continued its upward trajectory, with several projects delivered in the fourth quarter of 2021 and several breaking ground. There were over 8.6 million square-feet of spec and build-to-suit buildings under construction as the year ended. The Airport submarket led the way and had the most square feet under construction at over 4 million square feet. One of the biggest projects that is underway is Phase 2 of Amazon's Prime Air Hub at the Cincinnati/ Northern Kentucky International Airport. This project is over 2 million square feet and is projected to finish in 2022. Nestle Purina's new building was also under construction at South Afton Industrial Park, in the East submarket. This project is a 1.2-million-square-foot pet food manufacturing building and is projected to be delivered in the first quarter of 2023. There were several projects completed in the fourth quarter of 2021. A few notable ones were the Saica Group's build-to-suit on Hamilton Enterprise Drive, a 350,000-square-foot building located in the Hamilton submarket. Hamilton Security's build-to-suit was also completed at 1030 Round Bottom Rd. in the East submarket. This was 180,000 square feet. Additionally, Amazon's 143,000-square-foot build-to-suit was finished on Cincinnati Dayton Road in the Tri-County submarket.

### Current Conditions

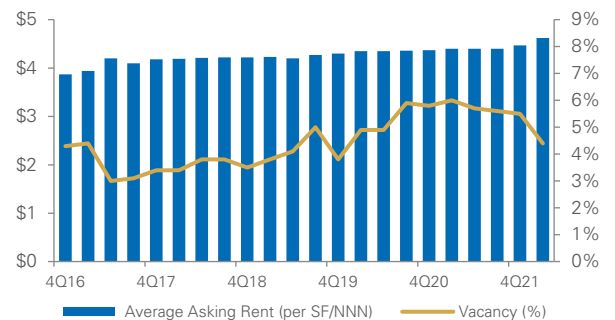
- The overall industrial market posted 3,739,409 square feet of positive net absorption in the fourth quarter.
- Construction activity has been very brisk both for speculative buildings and build-to-suit projects.
- Over 8.6 million square feet is currently under construction in all submarkets
- The Airport submarket boasted the highest net absorption figure for the fourth quarter with 1,264,517 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)	295 MSF	294 MSF	290 MSF	↕
Availability Rate	5.1%	6.4%	7.6%	↕
Vacancy Rate	4.4%	5.5%	6.0%	↕
Average Asking Rent/SF	\$4.62	\$4.47	\$4.40	↕
Average Expenses	\$0.98	\$1.02	\$1.02	↕
Quarterly Net Absorption (SF)	3,739,409	2,481,587	876,020	↕
Under Construction (SF)	8,644,790	9,318,012	8,370,280	↕
Deliveries (SF)	696,650	2,445,657	1,379,748	↕

## RESEARCH Q4 2021

With no new speculative deliveries, coupled with new positive net absorption of 3.7 million square feet for the quarter, the market has experienced a big drop in the vacancy rate and a general short supply of industrial space. Strong demand and absorption are anticipated in the first quarter of 2022. This trend, along with the lack of available industrial land sites and the challenge with getting sites entitled for industrial users, will continue to exacerbate the industrial space shortage in Greater Cincinnati. The coming year looks very promising for developers who can deliver warehouse distribution product to the market.

### Sales Activity

Sales activity in the fourth-quarter of 2021 was relatively light, a reflection of the overall lack of supply in the marketplace. There were two user sales and two investment sales of note. The two user sales include Kroger's purchase of the 755,160-square-foot Monroe Commerce Center building in the Monroe/Middletown submarket from Prologis. Additionally, Loroco Industries bought the 287,084-square-foot building at 10600 Evendale Dr in the Woodlawn/Evendale submarket from Vogt Warehouse. The two investment sales were Trade Lane's purchase of the empty 131,150-square-foot building on speculation at 2800 Henkle Dr. in the I-71 Corridor submarket from Becknell. Finally, Molto Industrial Properties sold off a portfolio of six properties to Ares Management Corp. that included the Hebron Distribution Center building in the Airport submarket, a 165,407-square-foot facility.

### Leasing Activity

The fourth-quarter of 2021 was very active for new industrial leases. There were four large leases that stood out during the quarter. UPS leased 448,098 square feet from IDI Logistics at Park South A in the Florence/Richwood submarket. Summit Packaging leased 276,000 square feet at Runway Logistics Center 1 from Clarion. Verst Logistics leased 225,200 square feet from Prologis at Park West International Building A, both in the Airport submarket. NFI also leased 205,760 square feet at 9250 Mercantile Way in the Tri-County submarket from Black Creek.

### New Construction

There were three sizeable deliveries that took place in the fourth-quarter of 2021. The 350,000-square-foot building for Saica Group was completed on Hamilton Enterprise Dr. in the Tri-County submarket, a project that started in the third quarter of 2020. Hamilton Security's new 180,000-square-foot building was delivered at 1030 Round Bottom Rd in the East submarket. That project started in the first quarter of 2021. The new Amazon Delivery Station building was also completed in the Tri-County submarket at 9309 Cincinnati Dayton Rd. That building measures 143,000 square feet and began construction in the second quarter of 2021.

### Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
3401 Salzman Rd.	Monroe/Middletown	\$44,554,440	\$59.00	755,160
2270 Litton Ln.	Airport	\$22,500,000	\$136.03	165,407
2800 Henkle Dr.	I-71 Corridor	\$5,901,750	\$45.00	131,150
10600 Evendale Dr.	Woodlawn/Evendale	\$5,600,000	\$19.51	287,084

### Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
UPS	41 Logistics Blvd.	Florence/Richwood	New Lease	448,098
Summit Packaging	Runway Logistics Center 1	Airport	New Lease	276,000
Verst Logistics	2100 Global Way	Airport	New Lease	225,200
NFI	9250 Mercantile Dr	Tri-County	New Lease	205,760

### New Deliveries

Developer	Building	Address	Submarket	Square Feet
N/A	Saica Group	Hamilton Enterprise Dr.	Tri-County	350,000
Cincinnati Commercial Contractors	Hamilton Security	1030 Round Bottom Rd.	East	180,000
Compass Commercial Construction	Amazon Delivery Station	9309 Cincinnati Dayton Rd.	Tri-County	143,000

RESEARCH Q4 2021

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	40,405,238	6.6% / 6.7%	2,658,864	0	\$4.67	\$0.97	3,825,086	1,264,517	3,562,592	-	\$6.62	\$4.46	\$4.59
Blue Ash	12,815,245	4.6% / 3.2%	583,307	0	\$5.03	\$1.45	0	197,494	500,881	\$3.50	\$8.74	-	\$3.50
Campbell County	3,265,385	0.0% / 1.3%	0	0	-	-	0	0	0	-	-	-	-
Central/Midtown	48,984,688	3.1% / 1.9%	1,517,246	5,000	\$5.40	\$0.84	224,000	123,713	459,190	\$3.75	\$9.66	\$4.13	-
Covington	4,252,603	0.0% / 0.0%	0	0	-	-	0	51,500	51,409	-	-	-	-
East	14,209,719	9.0% / 5.3%	1,276,775	15,175	\$4.81	\$0.81	1,200,000	44,770	293,830	\$4.72	\$7.31	\$4.20	\$6.68
Florence/Richwood	28,421,598	13.3% / 12.4%	3,766,518	98,115	\$4.30	\$0.87	1,078,000	487,625	(26,250)	\$4.39	\$6.00	\$3.56	\$4.37
Hamilton	5,867,135	11.7% / 5.8%	688,140	0	\$4.36	-	0	(1,700)	(24,300)	\$4.75	-	\$3.73	-
I-71 Corridor	11,782,246	0.8% / 0.8%	95,868	12,670	-	-	230,000	0	95,331	-	-	-	-
Monroe/Middletown	24,579,413	3.9% / 3.6%	960,755	0	\$4.33	\$0.57	255,000	822,120	958,688	-	-	\$5.32	\$4.25
Tri County	73,784,859	4.1% / 3.9%	3,005,553	281,892	\$4.87	\$1.34	1,560,550	622,438	3,132,593	-	\$6.14	\$4.91	\$4.64
West	6,523,906	1.7% / 0.4%	113,069	0	\$2.80	-	0	0	(175)	-	-	\$2.80	-
Woodlawn/Evendale	19,835,595	1.8% / 1.8%	352,722	0	\$4.91	\$1.00	77,000	126,932	153,032	\$3.95	\$5.25	\$4.95	-
<b>Greater Cincinnati</b>	<b>294,727,630</b>	<b>5.1% / 4.4%</b>	<b>15,018,817</b>	<b>412,852</b>	<b>\$4.62</b>	<b>\$0.98</b>	<b>8,644,790</b>	<b>3,739,409</b>	<b>9,156,821</b>	<b>\$4.57</b>	<b>\$7.26</b>	<b>\$4.33</b>	<b>\$4.47</b>

RESEARCH Q4 2021

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	31,328,757	7.9% / 8.1%	2,480,542	-	\$4.59	\$0.94	4,020,240	1,245,749
Blue Ash	2,362,369	13.8% / 8.7%	326,999	-	\$3.50	\$1.10	0	(200)
Campbell County	273,940	0.0% / 0.0%	0	-	-	-	0	0
Central/Midtown	1,971,242	0.0% / 0.0%	0	-	-	-	0	39,000
Covington	780,421	0.0% / 0.0%	0	-	-	-	0	0
East	1,661,460	3.3% / 3.3%	54,479	15,175	\$6.68	-	0	0
Florence/Richwood	13,300,716	19.4% / 17.7%	2,564,473	90,365	\$4.37	\$0.84	1,078,000	546,148
I-71 Corridor	986,658	0.0% / 0.0%	0	-	-	-	0	0
Monroe/Middletown	11,606,182	7.1% / 7.1%	823,415	-	\$4.25	\$0.57	0	755,160
Tri County	31,742,510	5.5% / 5.9%	1,761,081	211,908	\$4.64	\$1.27	916,600	511,225
West	1,322,627	0.0% / 0.0%	0	-	-	-	0	0
Woodlawn/Evendale	1,249,351	0.0% / 0.0%	0	-	-	-	0	0
<b>Greater Cincinnati</b>	<b>98,386,233</b>	<b>8.1% / 8.0%</b>	<b>8,010,989</b>	<b>317,488</b>	<b>\$4.47</b>	<b>\$0.93</b>	<b>6,214,440</b>	<b>3,097,082</b>

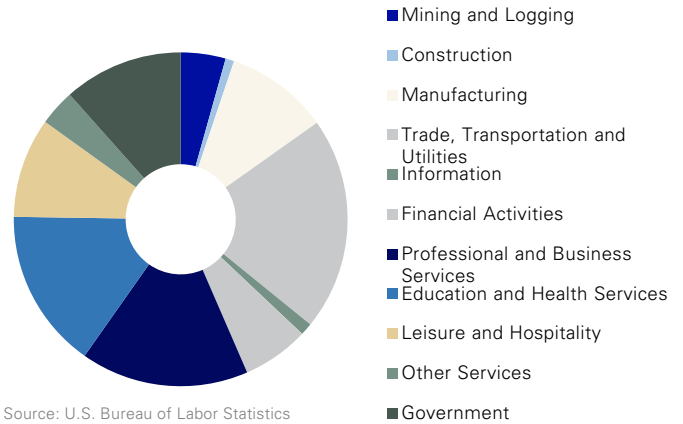
### Economic Conditions

The Cincinnati Metro’s economic conditions have continued to recover, along with the rest of the country. The change in employment rate continued to be positive after being negative since March 2020. The largest gains were made in leisure and hospitality, as well as other service industry classifications, as businesses rushed 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, with overwhelming demand and continued issues with the supply chain continuing.

### Employment by Industry

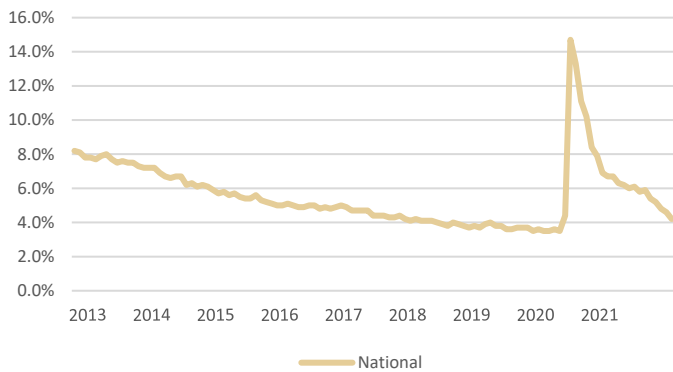
CINCINNATI – NOVEMBER 2021



Source: U.S. Bureau of Labor Statistics

### Unemployment Rate

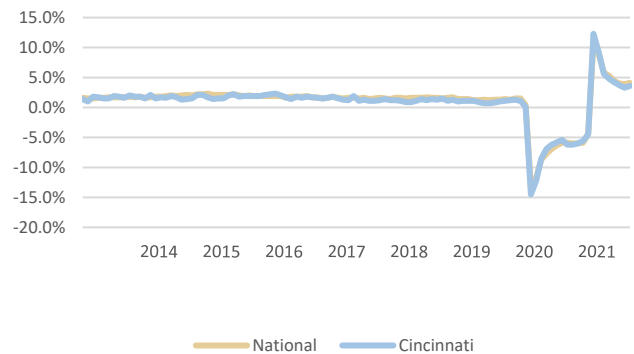
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

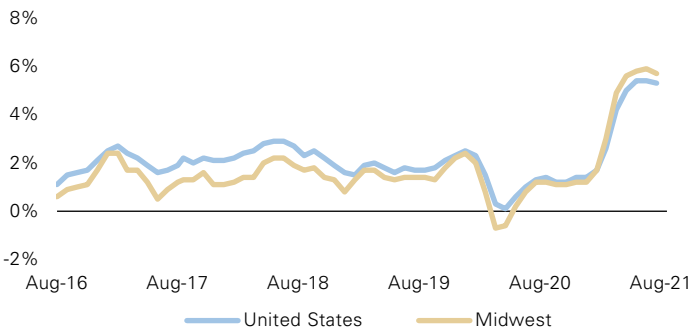
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

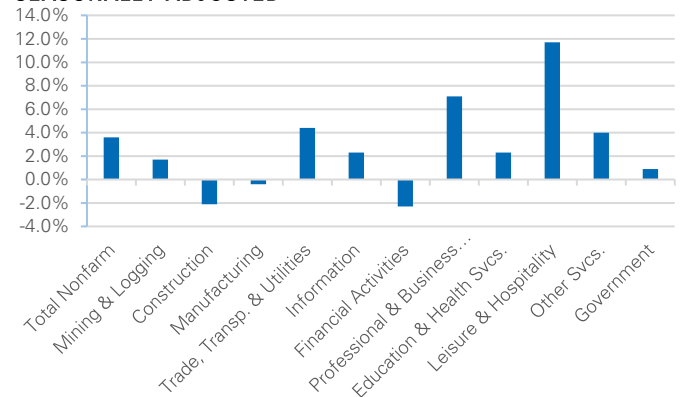
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



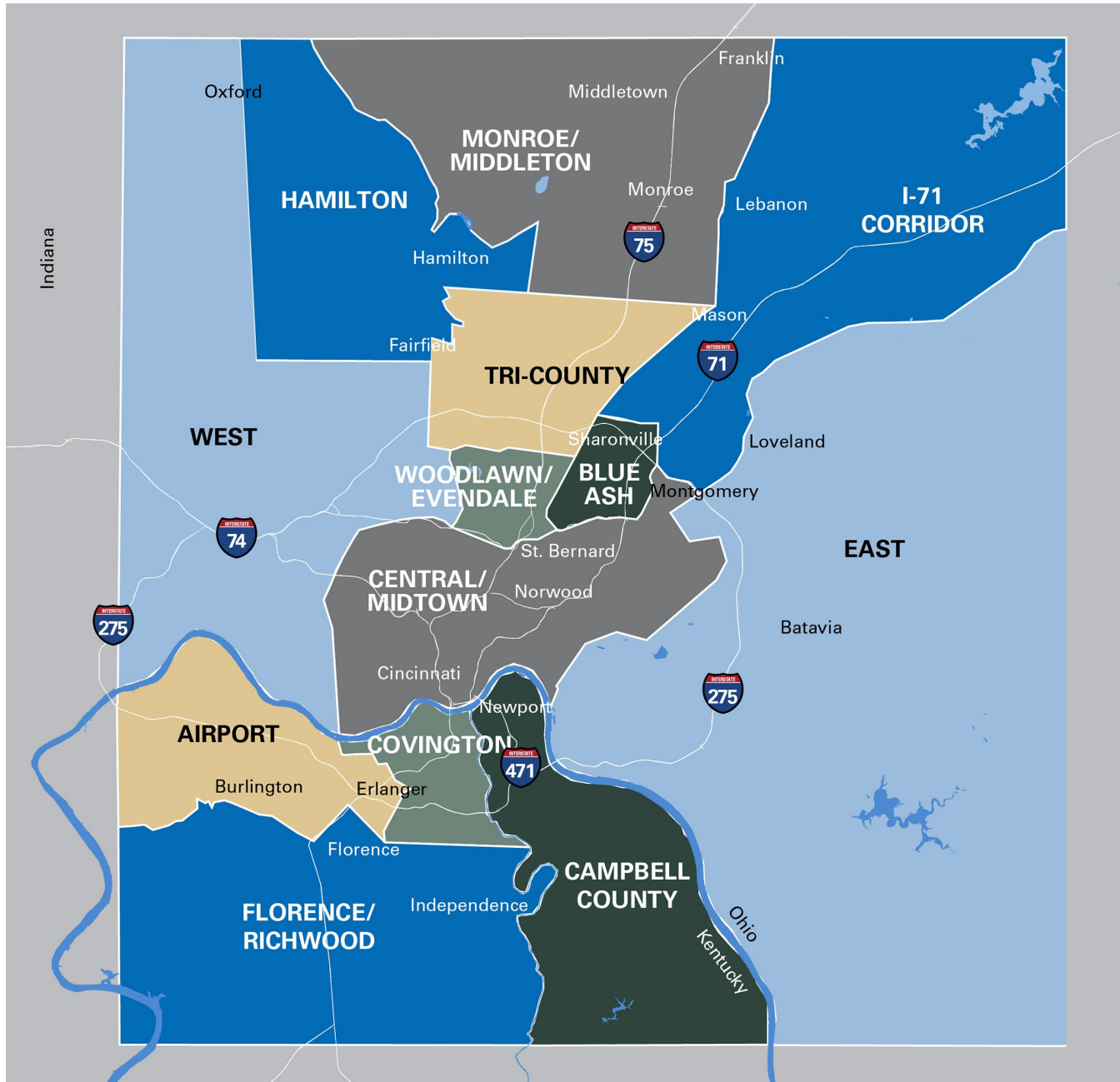
Source: U.S. Bureau of Labor Statistics

### Employment Growth By Industry

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



Source: U.S. Bureau of Labor Statistics



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