

4Q23

Cincinnati Office Market Overview

NEWMARK

Market Observations

Economy

- The region’s labor market remained strong amid shifting macroeconomic conditions. Cincinnati’s 3.4% unemployment rate was slightly lower than the 3.7% United States average.
- Year- over- year, seven sectors saw positive employment growth while three saw negative growth. Leisure/hospitality led all sectors in job gains at 8.2% during the past 12 months.
- Locally, employment growth across all office-occupying sectors is down year-over-year from 278.6 thousand to 274.5 thousand in the fourth quarter of 2023. Numbers continue to improve year- over- year for both office-using employment and unemployment.

Major Transactions

- There were several noteworthy leases that stood out in the fourth quarter of 2023.
- CEI Vision leased 55,000 SF at 9997 Carver Rd., located in the Blue Ash/Montgomery submarket.
- Azelis Americas and Crane 1 Services leased a combined 20,638 SF at 9075 Carver Rd., located in the West Chester submarket.
- Marque Engineering leased 14,000 SF at 4850 Smith Rd., located in the Midtown submarket.
- Barclaycard vacated 65,325 SF at 101 Knightsbridge Dr., located in the Tri-County submarket.

Leasing Market Fundamentals

- Absorption in the fourth quarter of 2023 totaled 61,537 SF. This brings year to date absorption to negative 294,886 SF.
- The only office building currently under construction is located at OneNKY Center in the Northern Kentucky submarket which began construction in the third quarter of 2023.
- Vacancy increased year-over-year while rents slightly decreased. Vacancy increased to 26.9% as deliveries modestly outpaced absorption. Asking rents slightly decreased to \$20.17/SF.
- Sublease space continues to increase quarter- over- quarter.

Outlook

- Demand remains uncertain for owners and investors as employers grapple with the right office size to accommodate changing hybrid and remote work schedules.
- Absorption will continue to be challenged as contractions offset expansion.
- Owners with maturing mortgages face financing challenges from increased interest rates and decreased NOI.
- Municipalities and school districts will be impacted by reduced real estate tax revenue as more office owners appeal valuations to reflect increased vacancy.
- Availability indicators signal continued increase in vacancy.

1. Economy
2. Leasing Market Fundamentals

4Q23

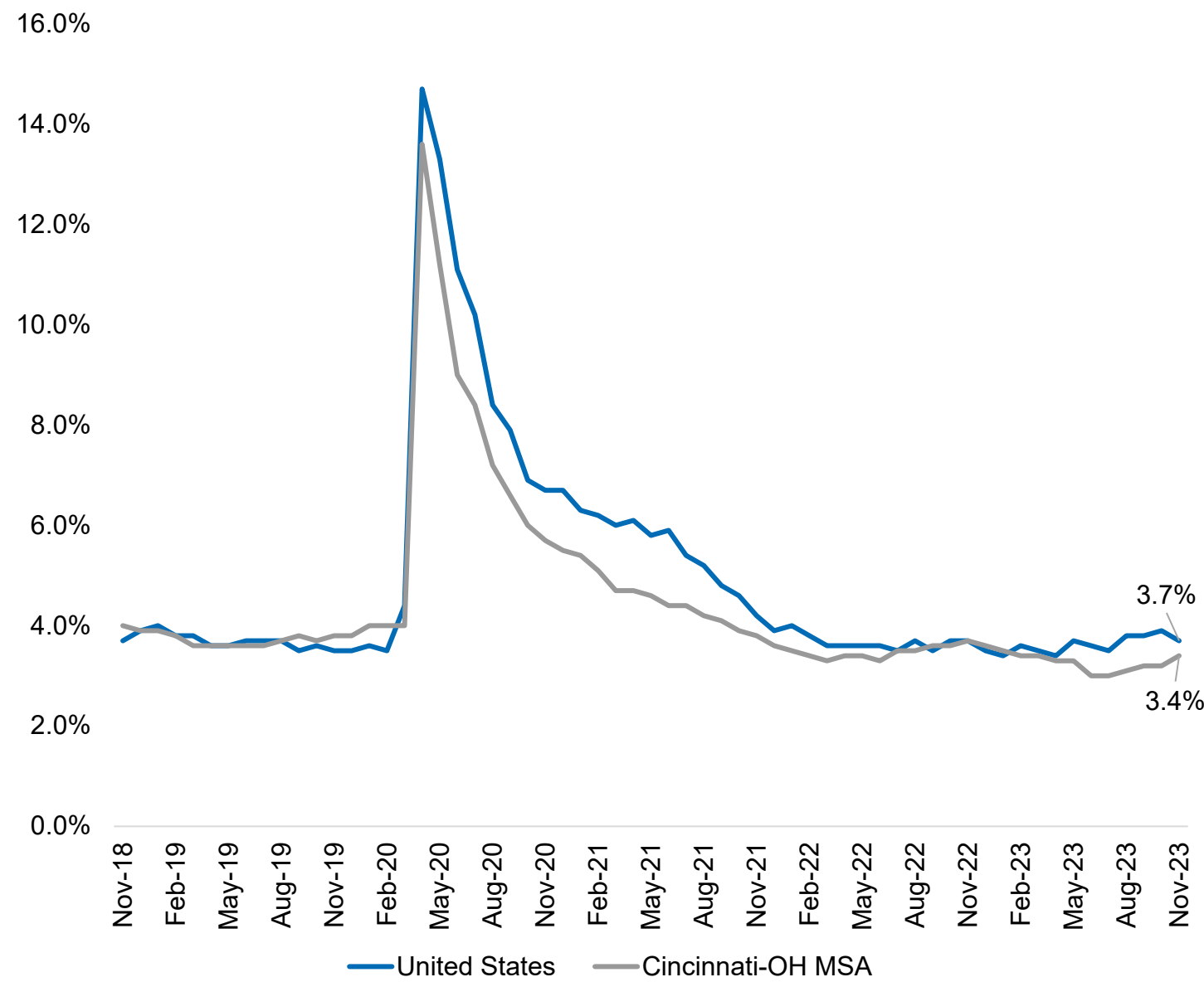
Economy



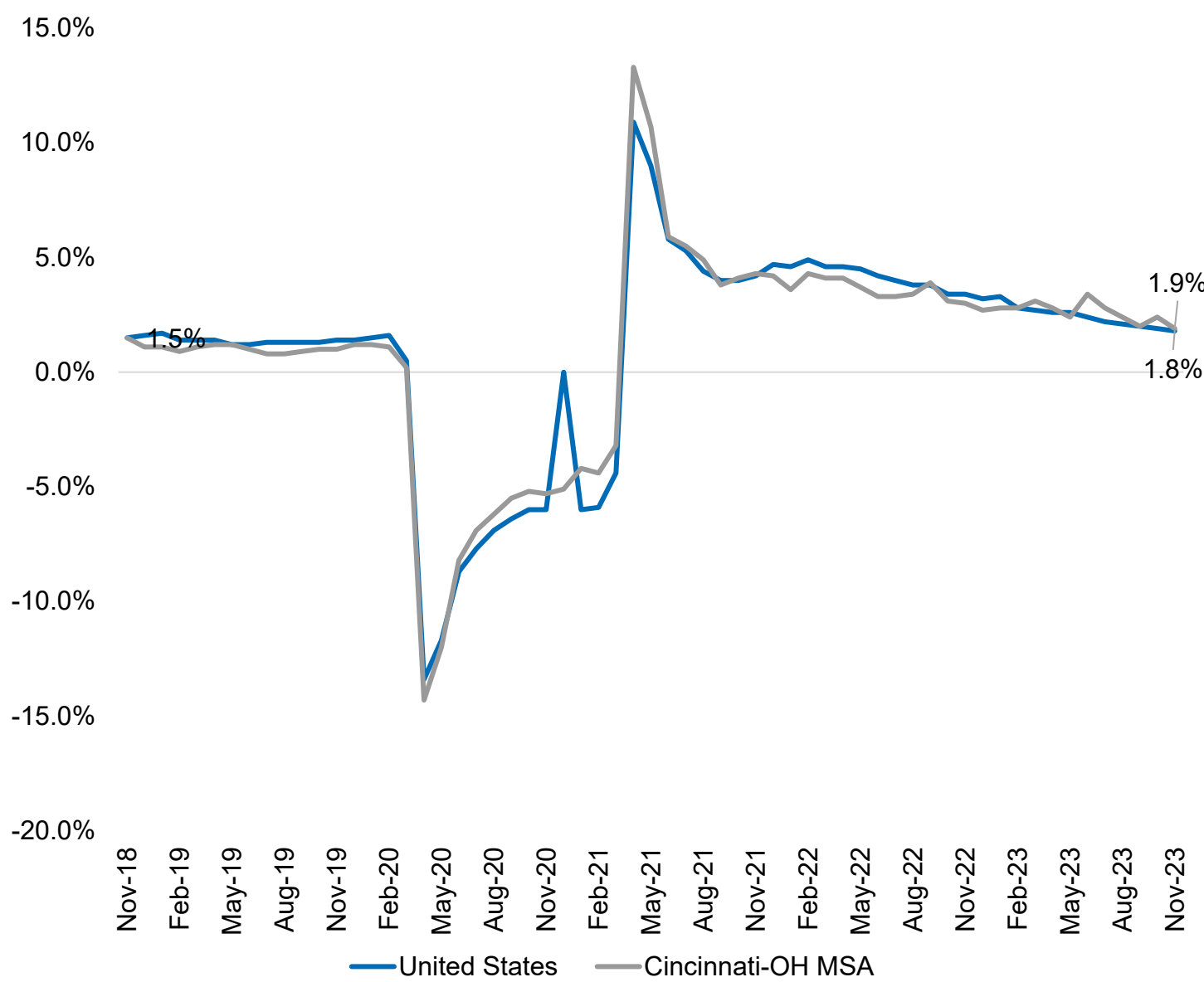
Unemployment Rate in Cincinnati Continues to Stay Consistent with the U.S. Average

The unemployment rate in Cincinnati is 3.4%, and the U.S. average is 3.7%, for the fourth quarter of 2023. Year-over-year, there was a 0.3% decrease for Cincinnati, and the United States remained the same. Nonfarm payroll employment decreased year-over-year from 3.0% to 1.9% in Cincinnati, while the United States average decreased from 3.4% to 1.8%.

Unemployment Rate, Seasonally Adjusted



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



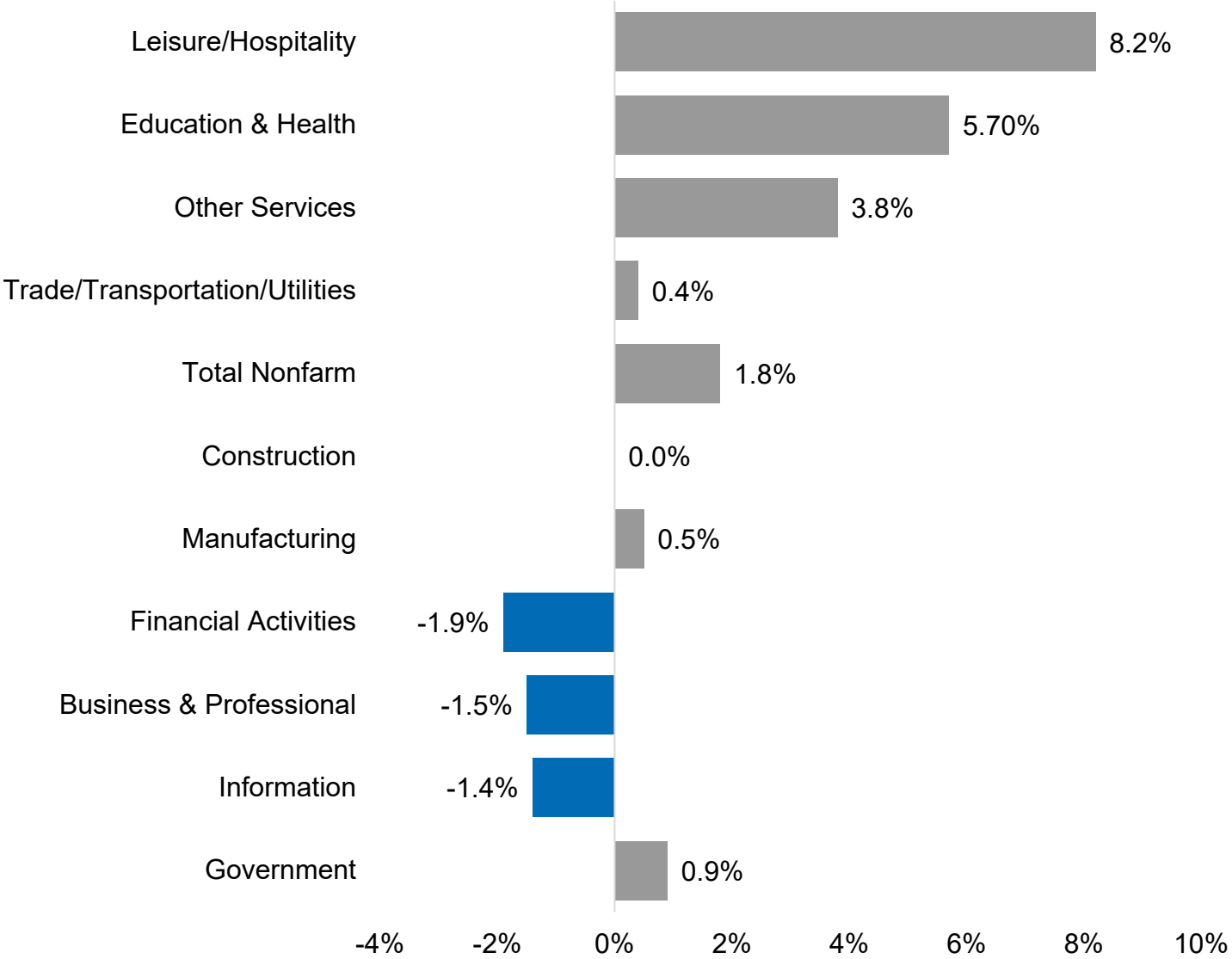
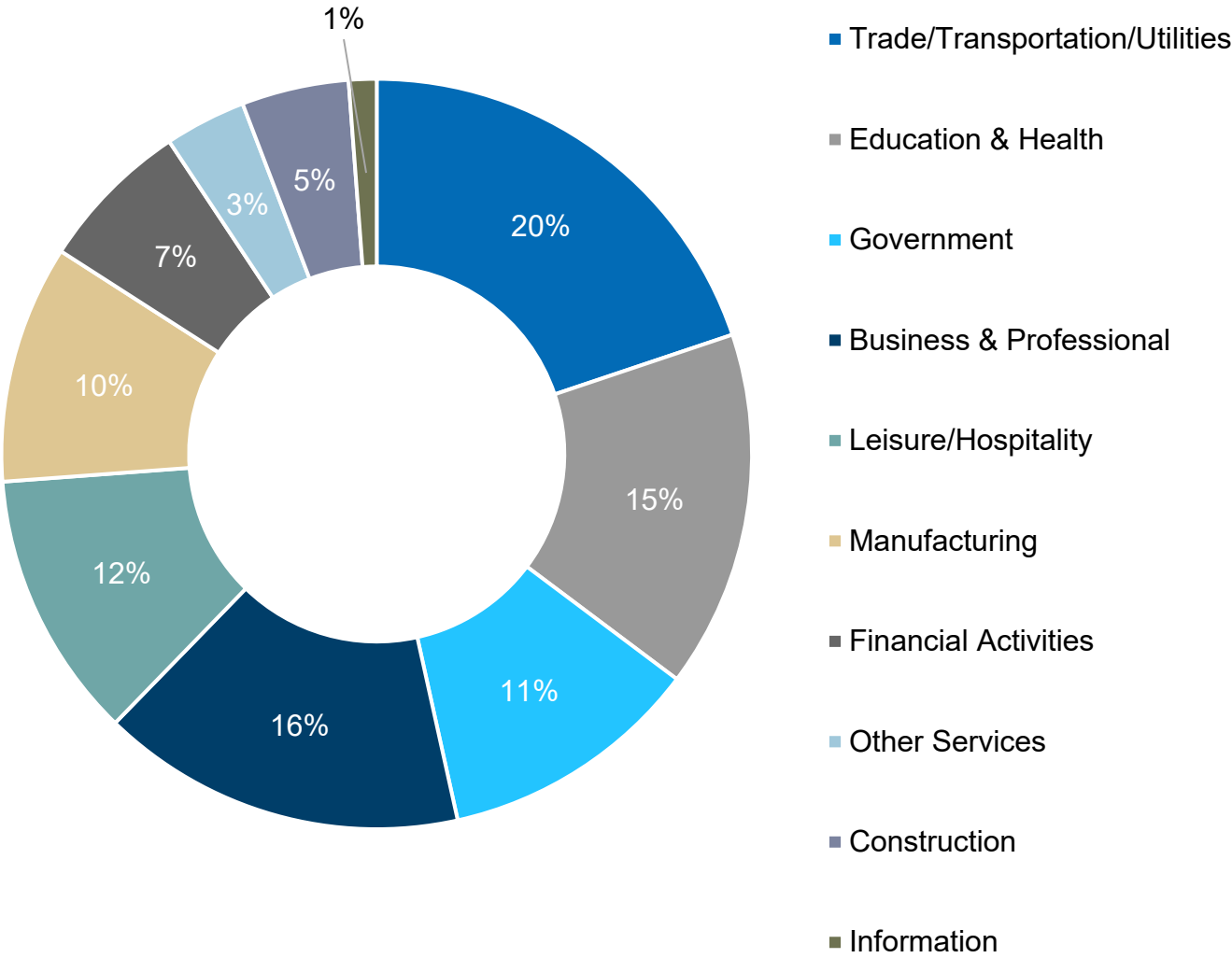
Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

All Three Office Using Sectors See a Decline in Employment Growth

The leisure/hospitality sector led all industries in regional annual job growth at 8.2%, while the education & health sector followed next behind at 5.7%. All three office using sectors saw a decline in the fourth quarter of 2023. The financial activities sector saw the greatest loss at -1.9%.

Employment by Industry, November 2023

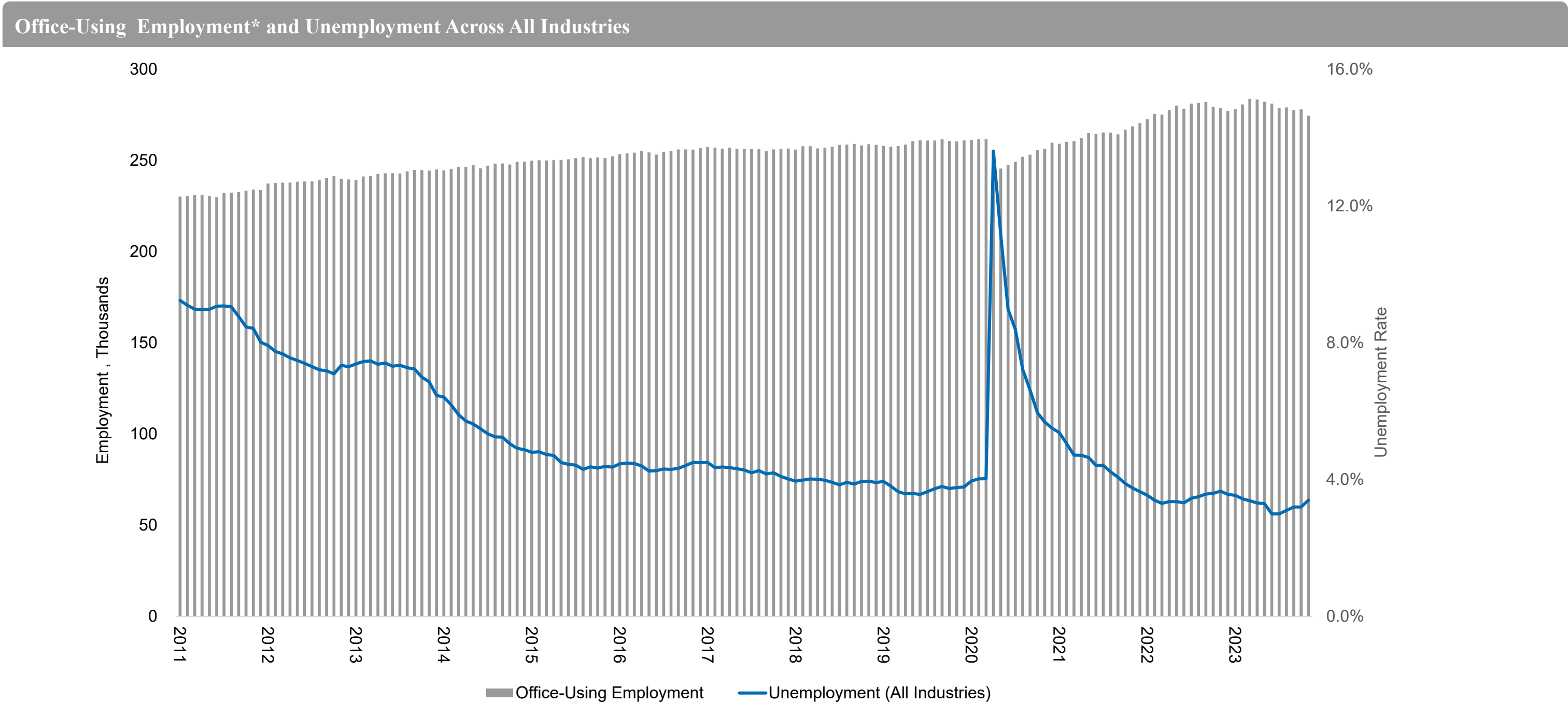
Employment Growth by Industry, 12-Month % Change, November 2023



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

Overall Office-Using Unemployment at 3.4%

The number of office jobs is up to 274.5 thousand. Unemployment for overall office-using across all industries is down to 3.4%. Numbers continue to improve year-over-year for both office-using employment and unemployment.



Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN
Note: November 2023 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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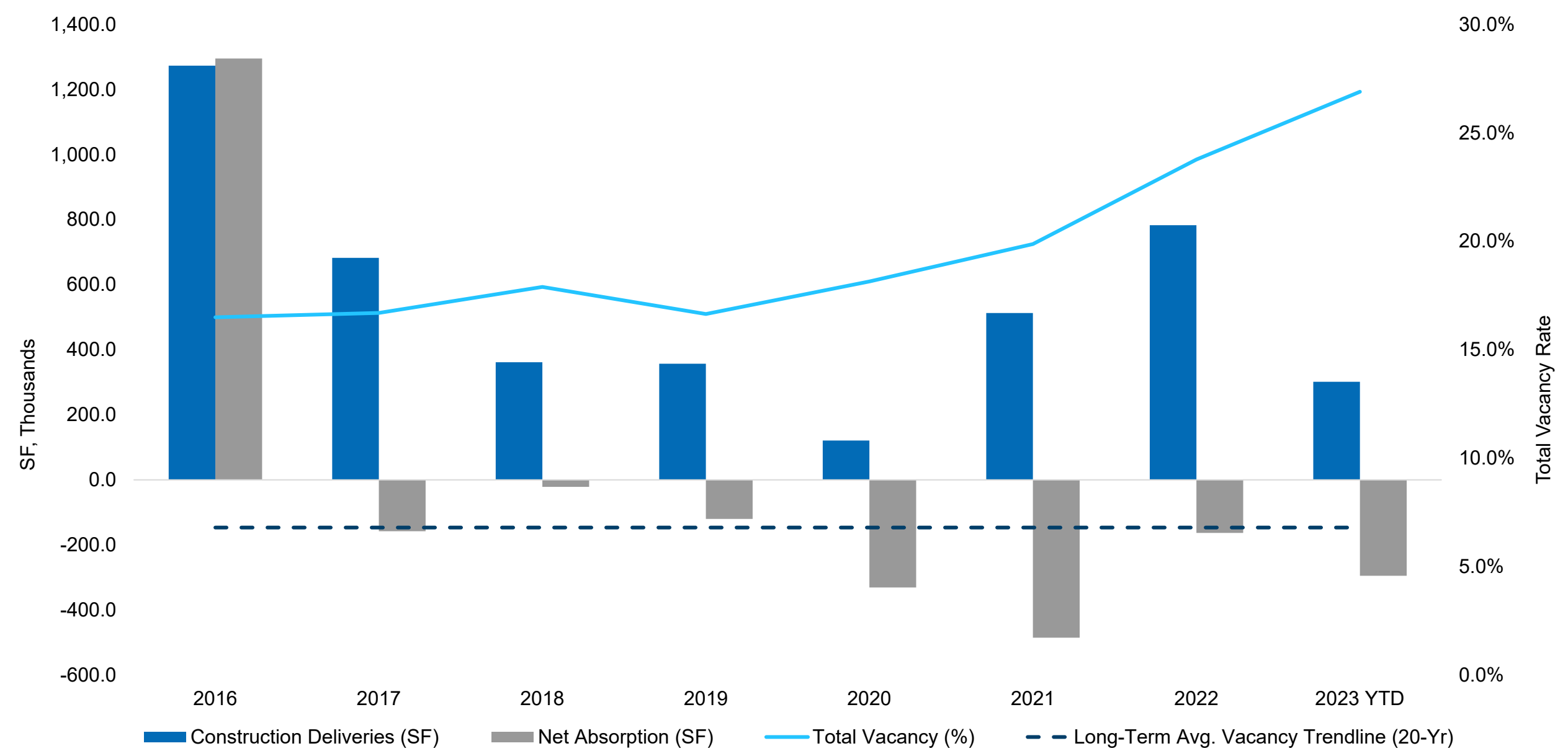
Leasing Market Fundamentals



Vacancy Slightly Rises as Construction Deliveries Outpace Net Absorption

The vacancy rate slightly increased from 26.0% in the third quarter of 2023 to 26.9% in the fourth quarter of 2023. Vacancy is expected to continue to rise over the next few quarters as the economy slows. Year-to-date absorption is currently at negative 294,886 SF in the fourth quarter of 2023.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Class A Submarket Statistics Overview

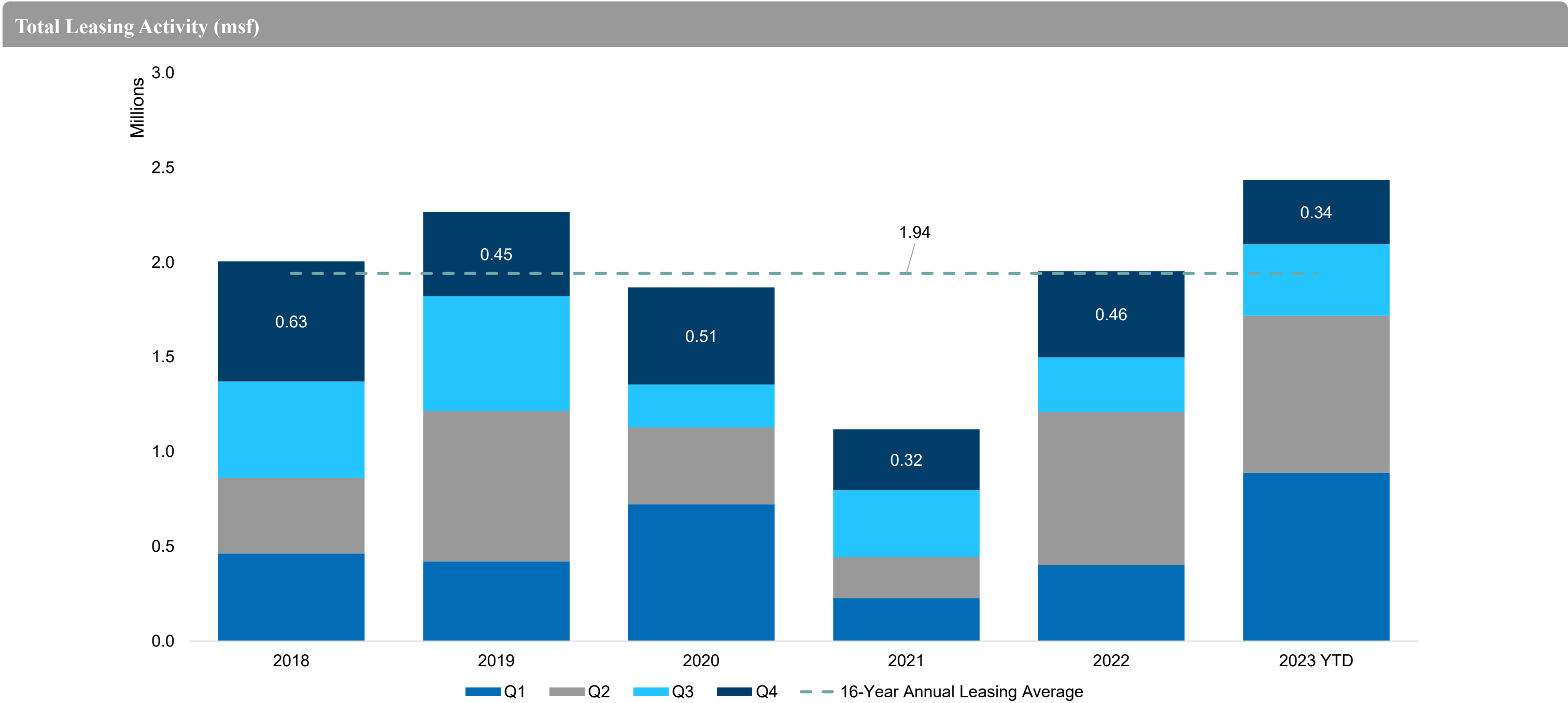
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Class B Submarket Statistics Overview

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Leasing Activity Slightly Lower in the 4Q23 than 3Q23

In the fourth quarter of 2023 there was 340,527 SF of leasing activity. This is slightly less than in third quarter of 2023 which had 378,036 SF of leasing activity.

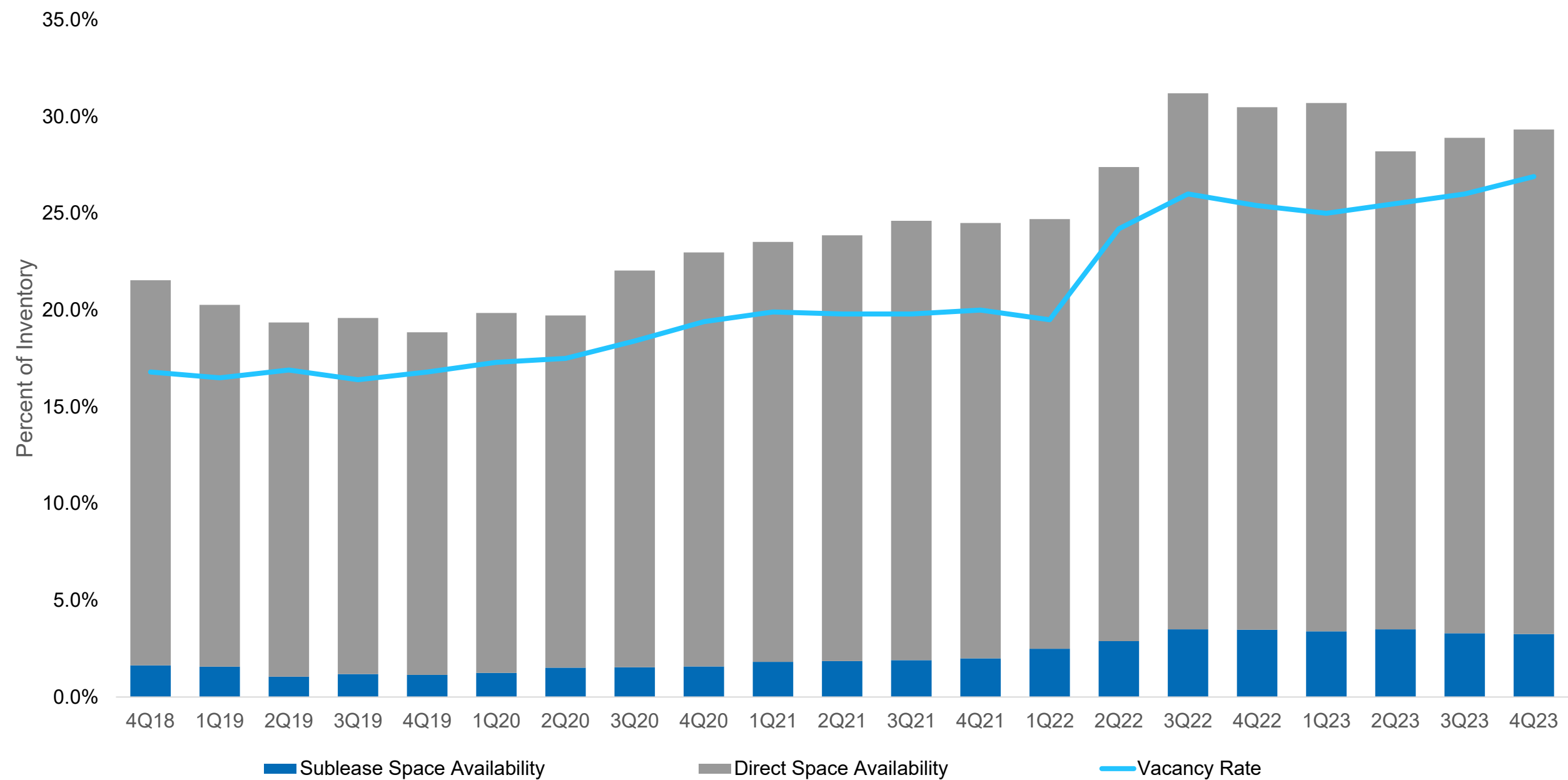


Source: Newmark Research, CoStar

Overall Availability and Vacancy Continue to Slightly Increase

Direct space availability increased from 25.6% in the third quarter of 2023 to 26.1% in the fourth quarter of 2023. Sublease space availability remained the same, staying at 3.3% in the fourth quarter of 2023.

Available Space and Tenant Demand as Percent of Overall Market

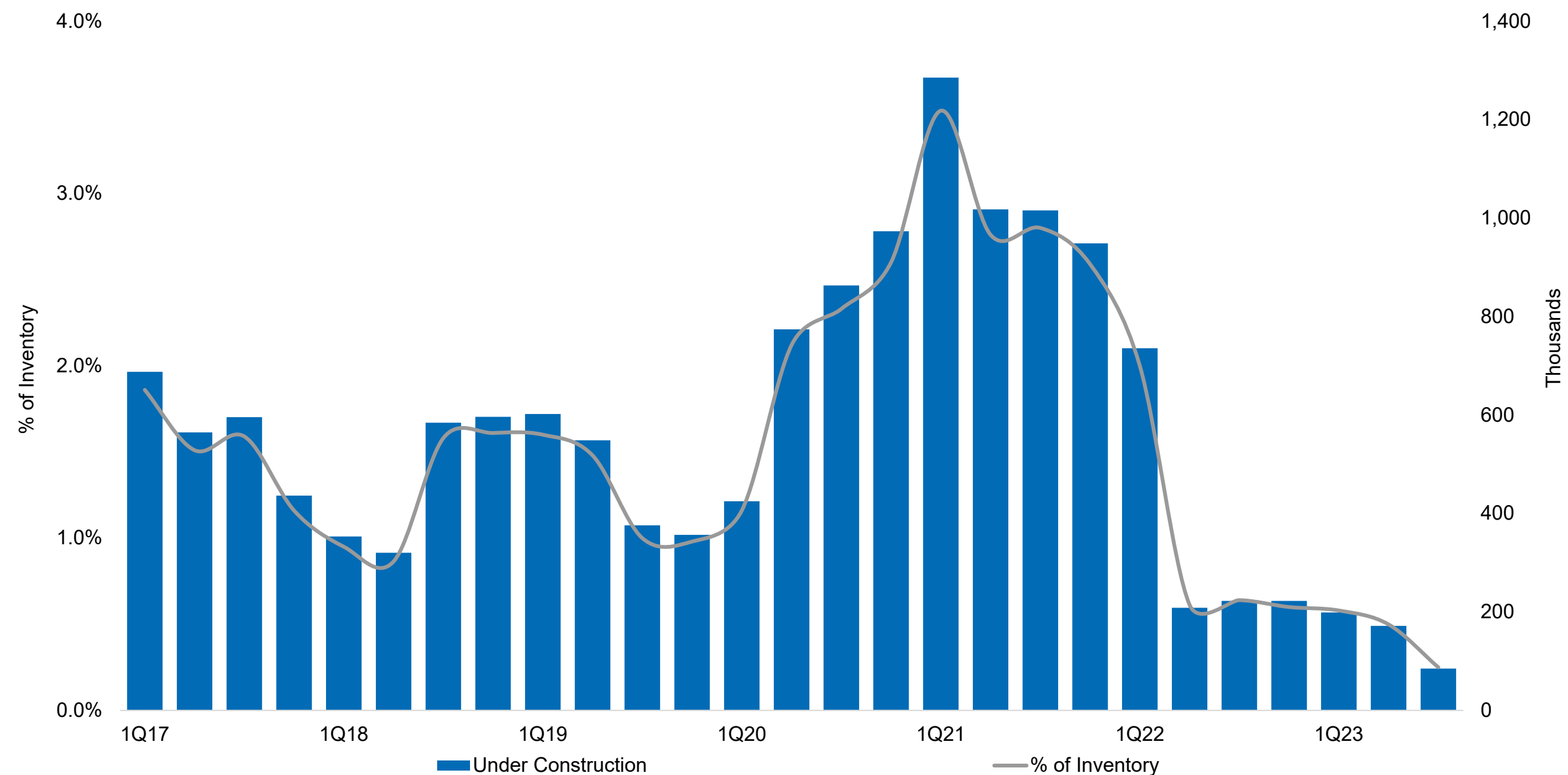


Source: Newmark Research

Minimal Overall Construction in Greater Cincinnati

There are only a small number of buildings under construction in Greater Cincinnati with most of the square footage coming from OneNKY Center which broke ground in the third quarter in the Northern Kentucky submarket. This is a 43,000-SF building located at the foot of the Roebling Suspension Bridge planning to house several economic development agencies.

Office Under Construction and % of Inventory

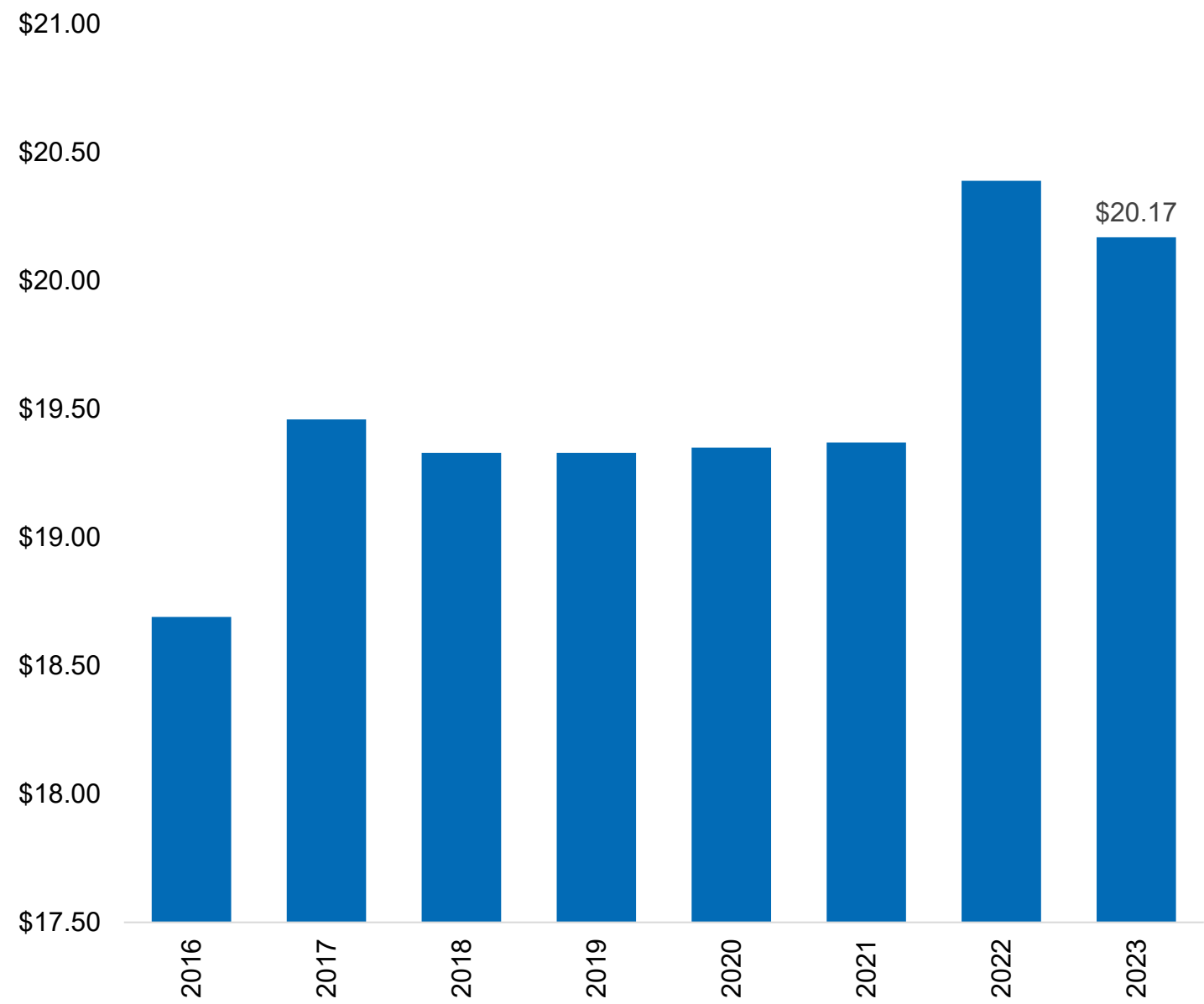


Source: Newmark Research, CoStar, City of Cincinnati

Asking Rents Decline Year-Over-Year

Overall asking rates decreased this quarter, putting the year-over-year rent growth rate at -1.1%. This is the first decline in asking rate year-over-year in the last five years.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

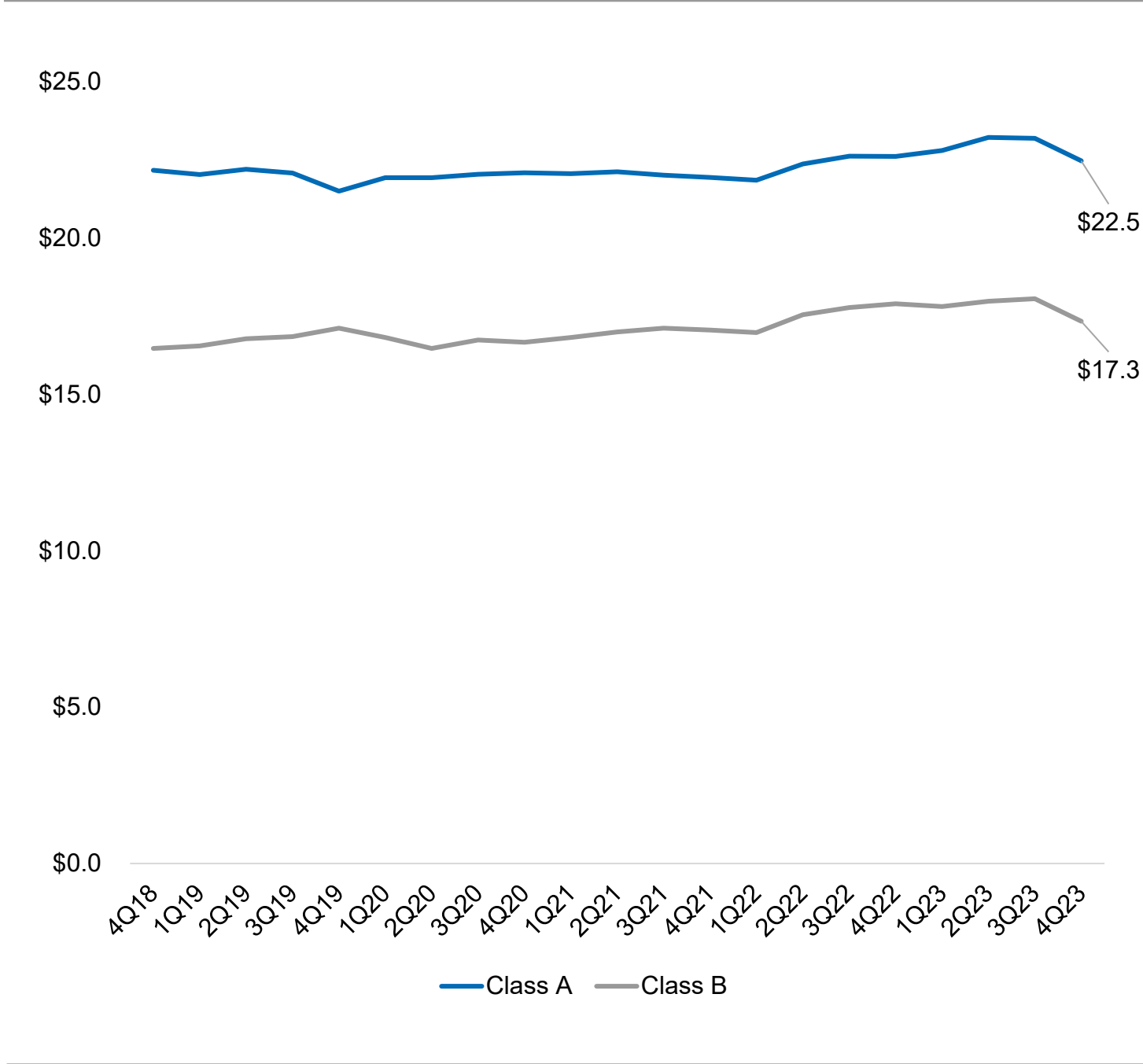


Source: Newmark Research, CoStar

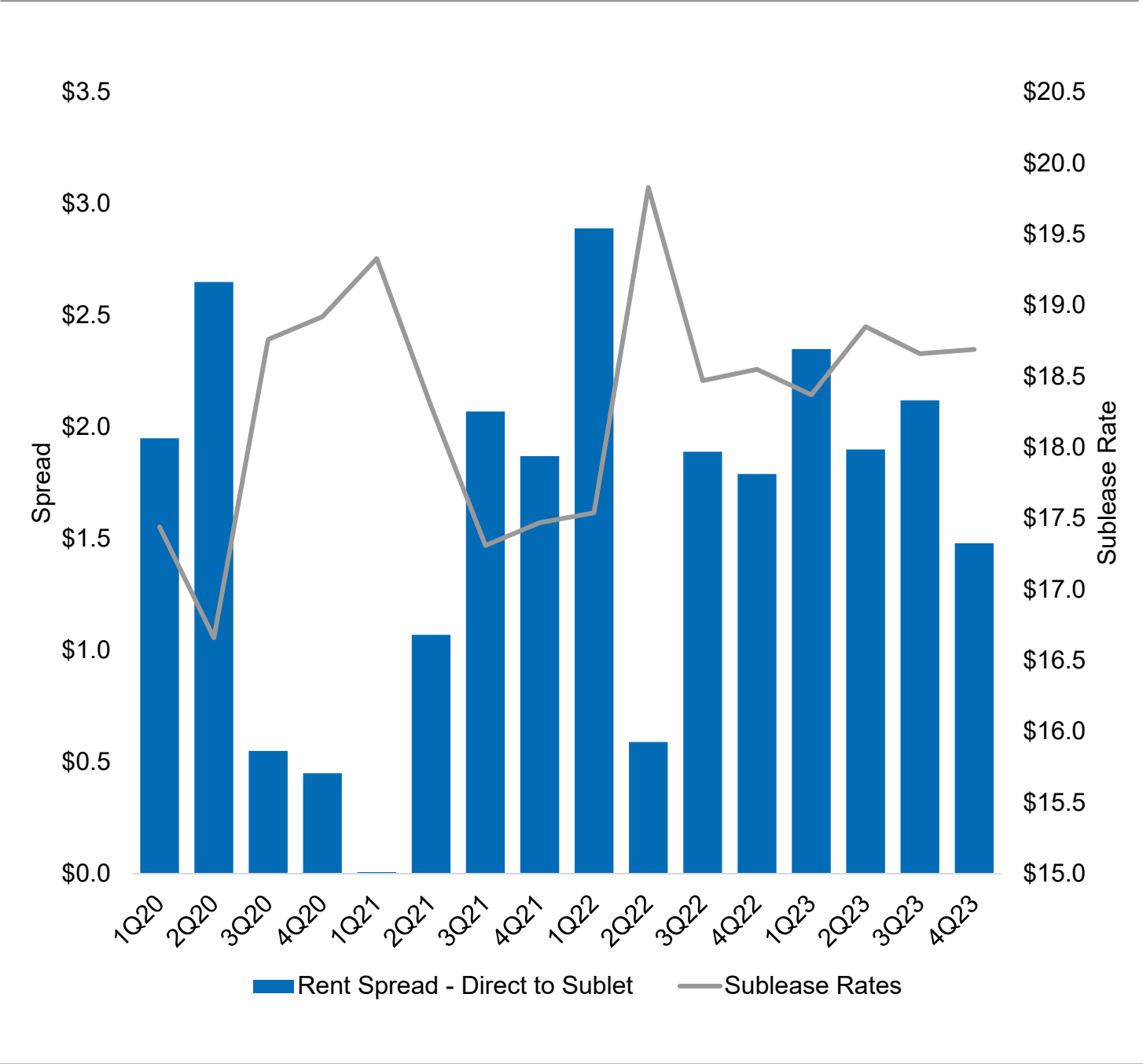
Class A and B Asking Rents See Decline in 2023

Class A and Class B asking rates both declined year-over-year. Sublease rates increased slightly from \$18.6/SF to \$18.7/SF quarter- over- quarter.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Leasing Activity Continues to Slow

There were several noteworthy leases that stood out this past quarter as well as a large move-out. The Greater Cincinnati market leasing activity continued to slow in the fourth quarter of 2023, posting 61,537 SF of absorption.

| Notable 2Q23 Lease Transactions | | | | |
|---------------------------------|-----------------------|---------------------|--------------|-------------|
| Tenant | Building(s) | Submarket | Type | Square Feet |
| CEI Vision | 9997 Carver Rd | Blue Ash/Montgomery | Direct Lease | 55,000 |
| Marque Engineering | 4850 Smith Rd | Midtown | Direct Lease | 14,000 |
| Azelis Americas | 9075 Centre Pointe Dr | West Chester | Direct Lease | 12,638 |
| Crane 1 Services | 9075 Centre Pointe Dr | West Chester | Direct Lease | 8,000 |
| Sunset Properties | 3505 Columbia Pkwy | Midtown | Direct Lease | 6,724 |

Source: Newmark Research

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