

MARKETBEAT CINCINNATI



Office Q2 2021

	YoY Chg	12-Mo. Forecast
20.1% Vacancy Rate	▲	▲
-103K Net Absorption, SF	▼	▲
\$19.43 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
1.1M Cincinnati Employment	▲	▲
4.3% Cincinnati Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics

ECONOMY

The unemployment rate in Greater Cincinnati was greater than 11.0% in mid-2020 but fell to just 4.3% as of Q2 2021. Local unemployment was significantly below the national rate of 5.9%.

According to the annual study of major U.S. cities from finance website SmartAsset.com, Cincinnati was chosen as the best city for recent college graduates for the third consecutive year in 2021. Cincinnati scored particularly well in key categories such as cost of living, unemployment rate, job listings on Indeed.com and positive customer review scores for local restaurants and bars.

SUPPLY AND DEMAND: Positive absorption and slight vacancy decrease quarter-to-quarter

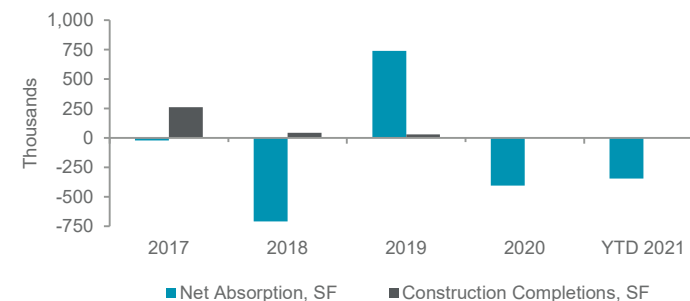
After reaching a two-year high in Q1 of 18.4%, direct vacancy (which excludes sublease vacancy) in the Greater Cincinnati office market decreased slightly to 18.2% in Q2 2021. While lower than the prior quarter, vacancy was still 120 basis points (bps) higher on a year-over-year (YOY) basis. This difference in vacant space was evenly distributed between the Central Business District (CBD) and Suburban submarkets. However, more new vacancy was created in Class B properties (+180 bps) than in Class A properties (+80 bps) over the past year. In addition to new direct vacant space, 150,000 square feet (sf) of new vacant sublease space was added to the market in Q2 2021. When combined, overall vacancy (direct plus sublease vacancy) grew from 17.7% in Q1 2020 to 20.1% in Q2 2021.

A four-quarter streak of negative net absorption came to an end in Q2 2021, when direct net absorption reached 54,000 sf. Despite this boost, cumulative direct net absorption was still -170,000 sf for the first half of 2021. Of ten total office submarkets, six experienced positive absorption in Q2. The most notable of these submarkets was Midtown, where the 74,000-sf Baldwin 500 building on Florence Avenue went from vacant to fully occupied in Q2. Union Institute & University and CTI Clinical Trials both moved into 37,000-sf spaces at Baldwin 500. While direct absorption was positive, new vacant subleases kept overall net absorption (direct plus sublease) negative in the second quarter (-103,000 sf). Apart from absorption, Q2 2021 leasing activity was 178,000 sf, which was on-pace with the prior quarter and ahead of the level registered in the prior year. Leasing activity is an indicator of future quarterly net absorption, which typically occurs one to three quarters after a lease is signed.

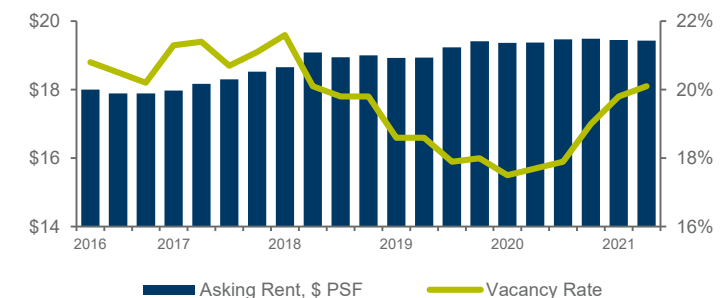
PRICING: Asking rents increased slightly over the prior year

Across all categories, direct average asking rental rates were \$19.56 per square foot (psf) gross in Q2 2021, which was a 0.8% increase over the prior year. Direct Class A asking rents also grew by a similar rate YOY to \$22.28 psf gross in Q2 2021.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT (ALL CLASSES)**	DIRECT AVG ASKING RENT (CLASS A)**
CENTRAL BUSINESS DISTRICT	12,114,552	164,366	1,734,905	14.3%	-31,471	-109,127	58,253	166,918	\$20.74	\$22.63
CBD - CLASS A TOTAL	7,464,342	151,853	1,057,440	14.2%	-28,615	-39,153	41,266	166,918	\$22.63	\$22.63
CBD - CLASS B TOTAL	4,650,210	12,513	677,465	14.6%	-2,856	-69,974	16,987	0	\$17.54	N/A
Blue Ash	4,410,359	65,988	980,768	22.2%	-49,293	-154,172	68,516	54,900	\$20.49	\$23.87
Kenwood	1,350,159	0	122,216	9.1%	3,206	-257	30,987	0	\$24.77	\$28.86
Mason/Montgomery	2,505,521	170,310	577,122	23.0%	9,659	-30,996	22,746	0	\$19.30	\$20.87
Midtown	3,633,124	151,161	578,859	15.9%	101,522	117,638	132,328	364,000	\$19.27	\$27.70
Northern Kentucky	3,473,507	47,290	694,098	20.0%	-6,487	-15,258	17,456	0	\$20.51	\$21.25
Tri-County/Sharonville	2,794,355	18,075	724,409	25.9%	-14,296	-16,877	17,345	0	\$15.89	\$18.85
West Chester	1,504,065	0	242,421	16.1%	2,353	14,713	16,739	0	\$23.07	\$23.58
East	1,124,218	11,063	278,713	24.8%	38,856	37,807	0	0	\$14.12	\$20.25
West	884,558	0	217,521	24.6%	335	-13,192	1,021	0	\$14.47	\$17.25
SUBURBAN TOTAL	21,679,866	463,887	4,416,127	20.4%	85,855	-60,594	307,138	418,900	\$19.07	\$22.11
SUBURBAN - CLASS A TOTAL	12,803,165	241,048	2,394,378	18.7%	56,681	-41,172	179,769	418,900	\$22.11	\$22.11
SUBURBAN - CLASS B TOTAL	8,876,701	222,839	2,021,749	22.8%	29,174	-19,422	127,369	0	\$15.60	N/A
CINCINNATI - CLASS A TOTAL	20,267,507	392,901	3,451,818	17.0%	28,066	-80,325	221,035	585,818	\$22.28	\$22.28
CINCINNATI - CLASS B TOTAL	13,526,911	235,352	2,699,214	20.0%	26,318	-89,396	144,356	0	\$16.08	N/A
CINCINNATI TOTAL	33,794,418	628,253	6,151,032	18.2%	54,384	-169,721	365,391	585,818	\$19.56	\$22.28

*Denotes new lease signed in a given year

**Rental rates reflect full service gross asking

KEY LEASE TRANSACTIONS Q2 2021

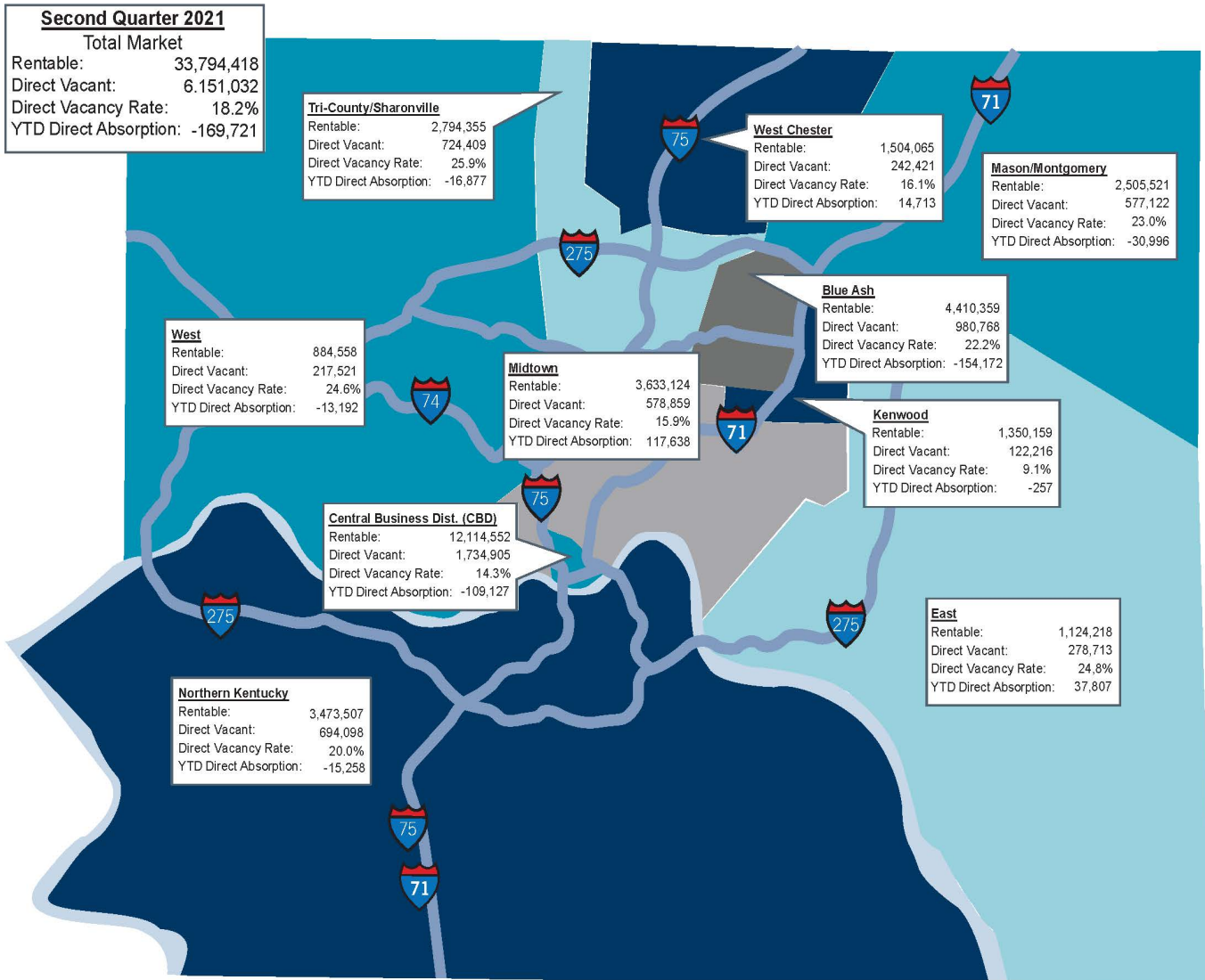
PROPERTY	SUBMARKET	TENANT	SF	TYPE
2090 Florence Ave.	Midtown	Union Institute & University	37,413	New Lease
125 Court St. E	Central Business District	State of Ohio - Industrial Commission	24,000	Renewal*
7870 Kemper Rd. E	Blue Ash	Hazen & Sawyer	16,081	Renewal*

*Renewals not included in leasing activity statistics

KEY SALE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
7288-7312 Central Parke Boulevard	Mason/Montgomery	Fountains of Mason LLC / Red Devil Investments Kenwood LLC	60,000	\$3.10M / \$51
4601 Malsbary Road	Blue Ash	Slats Enterprise LLC / Council on Aging of Southwestern Ohio	23,915	\$2.45M / \$102

OFFICE SUBMARKETS



Scott Abernethy, SIOR, CCIM
 Senior Director
 +1 513 763 3013
scott.abernethy@cushwake.com

Digger Daley
 Senior Director
 +1 513 763 3028
digger.daley@cushwake.com

Joe Janszen
 Director
 +1 513 763 3011
joe.janszen@cushwake.com

Jarrett Hicks
 Director of Research
 +1 513 322-3802 /
jarrett.hicks@cushwake.com

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