

# MARKETBEAT CINCINNATI



Office Q3 2021

	YoY Chg	12-Mo. Forecast
<b>20.7%</b> Vacancy Rate	▲	▲
<b>-267K</b> Net Absorption, SF	▼	▲
<b>\$19.40</b> Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
<b>1.1M</b> Cincinnati Employment	▲	▲
<b>4.7%</b> Cincinnati Unemployment Rate	▼	▼
<b>5.2%</b> U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics

## ECONOMY

The unemployment rate in Greater Cincinnati shifted significantly from 7.6% in Q3 2020 to just 4.7% as of Q3 2021. Local unemployment remained below the national rate of 5.2%.

According to the annual ranking by airline industry consultant Skytrax, the Cincinnati / Northern Kentucky International Airport (CVG) was recently named the Best Regional Airport in North America for 2021. The award is based on worldwide passenger satisfaction surveys over the past year and CVG received particularly high marks for cleanliness and airport staff.

## SUPPLY AND DEMAND: Vacancy continuously increased since early 2020

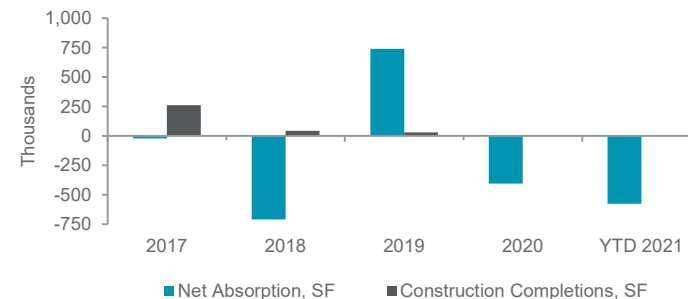
After reaching a ten-year low level before the start of the pandemic, overall vacancy in the Greater Cincinnati office market has risen in each of the past seven quarters to 20.7% vacancy in Q3 2021. On a year-over-year (YOY) basis, vacancy increased by nearly 300 basis points (bps). While vacancy rates substantially increased YOY in both the Central Business District (CBD) and Suburban submarkets, the largest amount of vacant square footage was in Class A suburban buildings. Of the 7.0 million square feet (msf) of vacant space, over 600,000 square feet (sf) was available for sublease, mostly located in suburban submarkets. Vacant sublease space was evenly distributed between Class A and Class B suburban buildings in Q3 2021.

The third quarter of 2021 marked not only the seventh consecutive quarter of increasing vacancy, but also the sixth consecutive quarter of negative overall net absorption. Of ten total office submarkets, only five experienced positive net absorption in Q3 and total quarterly absorption was -267,000 sf. A major driver of net absorption was Protective Life Corp., which moved into a new 67,000-sf office at the RiverCenter I complex in Northern Kentucky in Q3 2021. Among notable lease signings in the quarter, Horan Associates leased 34,000 sf at 8044 Montgomery Road in Kenwood. In the CBD, Turner Construction will occupy 31,500 sf at The Foundry, a repurposed Macy's department store on Vine Street. Nearby, Nelson Worldwide signed a 23,000-sf lease at the Omnicare Center. Apart from absorption, Q3 2021 leasing activity was 323,000 sf and nearly eclipsed leasing activity recorded in the first half of the year. Leasing activity is an indicator of future quarterly net absorption, which typically occurs one to three quarters after a lease is signed.

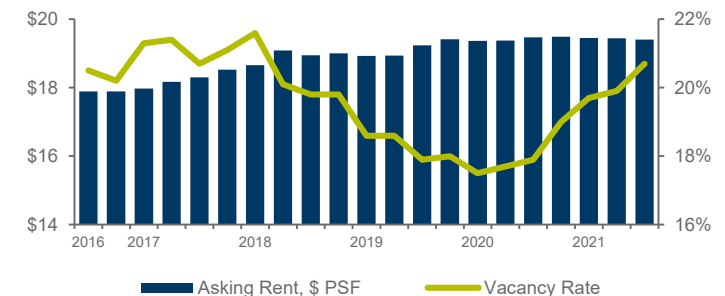
## PRICING: Asking rents decreased slightly over the prior year

Across all categories, overall average asking rental rates were \$19.40 per square foot (psf) gross in Q3 2021, which was a slight decrease over the prior year. Direct Class A asking rents also decreased by 1.0% YOY to \$21.82 psf gross in Q3 2021.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)**	OVERALL AVG ASKING RENT (CLASS A)**
<b>CENTRAL BUSINESS DISTRICT</b>	<b>12,114,552</b>	<b>159,386</b>	<b>1,779,000</b>	<b>1,938,386</b>	<b>16.0%</b>	<b>-44,003</b>	<b>-261,041</b>	<b>184,512</b>	<b>166,918</b>	<b>\$20.26</b>	<b>\$21.79</b>
<b>CBD - CLASS A TOTAL</b>	<b>7,464,342</b>	<b>146,873</b>	<b>1,080,547</b>	<b>1,227,420</b>	<b>16.4%</b>	<b>-23,015</b>	<b>-170,079</b>	<b>167,525</b>	<b>166,918</b>	<b>\$21.79</b>	<b>\$21.79</b>
<b>CBD - CLASS B TOTAL</b>	<b>4,650,210</b>	<b>12,513</b>	<b>698,453</b>	<b>710,966</b>	<b>15.3%</b>	<b>-20,988</b>	<b>-90,962</b>	<b>16,987</b>	<b>0</b>	<b>\$17.41</b>	<b>N/A</b>
Blue Ash	4,415,359	65,988	951,916	1,017,904	23.1%	9,241	-123,227	101,248	54,900	\$20.35	\$23.65
Kenwood	1,350,159	3,856	104,287	108,143	8.0%	13,648	13,816	67,201	0	\$24.49	\$28.86
Mason/Montgomery	2,505,521	163,263	691,906	855,169	34.1%	-105,345	-180,548	66,486	0	\$19.61	\$20.88
Midtown	3,633,124	154,559	636,356	790,915	21.8%	-81,765	56,743	152,298	364,000	\$20.29	\$28.33
Northern Kentucky	3,473,507	27,313	703,627	730,940	21.0%	627	-8,426	46,900	100,000	\$20.12	\$20.77
Tri-County/Sharonville	2,794,355	33,634	785,619	819,253	29.3%	-76,765	-109,507	45,674	0	\$15.58	\$18.33
West Chester	1,504,065	0	237,013	237,013	15.8%	21,647	19,621	39,103	0	\$23.23	\$23.78
East	1,124,218	7,976	284,256	292,232	26.0%	-5,543	29,370	3,394	0	\$14.00	\$19.88
West	884,558	0	216,362	216,362	24.5%	1,159	-12,033	2,180	0	\$14.46	\$17.25
<b>SUBURBAN TOTAL</b>	<b>21,684,866</b>	<b>456,589</b>	<b>4,611,342</b>	<b>5,067,931</b>	<b>23.4%</b>	<b>-223,096</b>	<b>-314,191</b>	<b>524,484</b>	<b>518,900</b>	<b>\$19.06</b>	<b>\$21.83</b>
<b>SUBURBAN - CLASS A TOTAL</b>	<b>12,808,165</b>	<b>210,937</b>	<b>2,504,552</b>	<b>2,715,489</b>	<b>21.2%</b>	<b>-109,289</b>	<b>-168,115</b>	<b>339,057</b>	<b>518,900</b>	<b>\$21.83</b>	<b>\$21.83</b>
<b>SUBURBAN - CLASS B TOTAL</b>	<b>8,876,701</b>	<b>245,652</b>	<b>2,106,790</b>	<b>2,352,442</b>	<b>26.5%</b>	<b>-113,807</b>	<b>-146,076</b>	<b>185,427</b>	<b>0</b>	<b>\$16.04</b>	<b>N/A</b>
<b>CINCINNATI - CLASS A TOTAL</b>	<b>20,272,507</b>	<b>357,810</b>	<b>3,585,099</b>	<b>3,942,909</b>	<b>19.4%</b>	<b>-132,304</b>	<b>-338,194</b>	<b>506,582</b>	<b>685,818</b>	<b>\$21.82</b>	<b>\$21.82</b>
<b>CINCINNATI - CLASS B TOTAL</b>	<b>13,526,911</b>	<b>258,165</b>	<b>2,805,243</b>	<b>3,063,408</b>	<b>22.6%</b>	<b>-134,795</b>	<b>-237,038</b>	<b>202,414</b>	<b>0</b>	<b>\$16.36</b>	<b>N/A</b>
<b>CINCINNATI TOTAL</b>	<b>33,799,418</b>	<b>615,975</b>	<b>6,390,342</b>	<b>7,006,317</b>	<b>20.7%</b>	<b>-267,099</b>	<b>-575,232</b>	<b>708,996</b>	<b>685,818</b>	<b>\$19.40</b>	<b>\$21.82</b>

\*Denotes new lease signed in a given year

\*\*Rental rates reflect full service gross asking

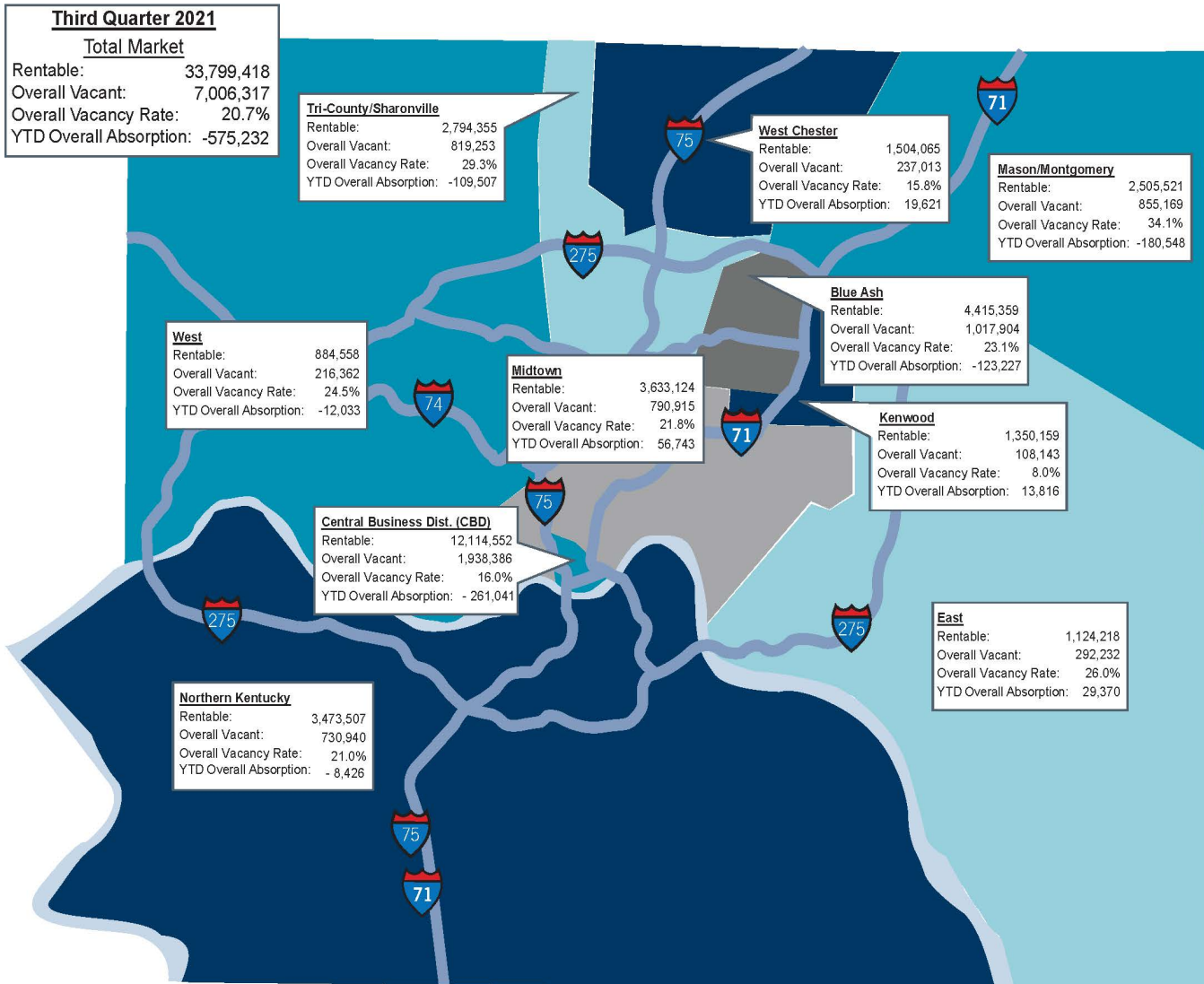
## KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
8044 Montgomery Road	Kenwood	Horan Associates	33,800	New Lease
505 Vine Street	Central Business District	Turner Construction	31,543	New Lease
201 East 4 <sup>th</sup> Street	Central Business District	Nelson Worldwide (FRCH)	23,000	New Lease

## KEY SALE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
25 Merchant Street	Tri-County/Sharonville	Neyer Properties / Acabay, Inc.	139,000	\$9.1M / \$65
8700 Governors Hill Drive	Mason/Montgomery	Carter Validus Mission Critical REIT II / Mapletree US Management	65,000	\$13.0M / \$200

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