

# MARKETBEAT CINCINNATI



Office Q3 2022

	YoY Chg	12-Mo. Forecast
<b>23.8%</b> Vacancy Rate	▲	▼
<b>-236K</b> Net Absorption, SF	▼	▲
<b>\$19.98</b> Asking Rent, PSF	▲	▲

*(Overall, All Property Classes)*

## ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
<b>1.1M</b> Cincinnati Employment	▲	▲
<b>3.3%</b> Cincinnati Unemployment Rate	▼	▲
<b>3.5%</b> U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics

## ECONOMY

The unemployment rate in Greater Cincinnati fell by 100 basis points (bps) over the past year from 4.3% in Q3 2021 to just 3.3% as of Q3 2022. Local unemployment was even less than the national rate of 3.5%.

A long-planned transportation project in one of the area's largest office and industrial submarkets recently cleared a major hurdle as the Federal Highway Administration approved a new interchange along Interstate-75 in Liberty Township. With an estimated cost of \$40 million and a multi-year construction timeline, the new exit would be located halfway between Cincinnati and Dayton. The new Millikin Road exit would lighten congestion on the nearby Liberty Way/OH-129 and Monroe/OH-63 interchanges.

## SUPPLY AND DEMAND: Increased vacancy combined with significant negative net absorption

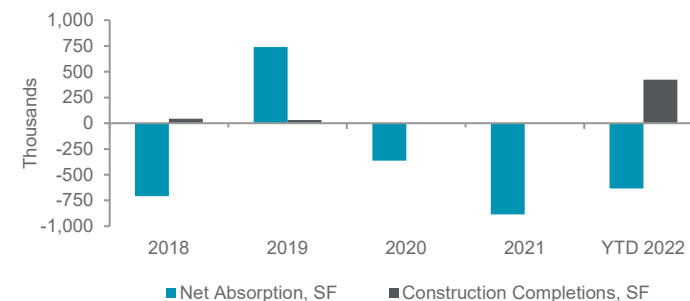
The vacancy rate in the Greater Cincinnati office market increased on a quarter-by-quarter basis in 10 of the last 11 periods. Following a slight vacancy decline between Q1 and Q2, vacancy dramatically increased in the third quarter of 2022 to 23.8%. Vacancy reached its highest point in eight years and was 350 bps basis points higher on a year-over-year (YOY) basis. Of the 8.2 million square feet (msf) vacant across the market, 980,000 square feet (sf) was available for sublease. As in prior quarters, the majority of vacant space was in Class A buildings (5.1 msf) versus Class B buildings (3.1 msf).

In parallel to the vacancy rate, overall net absorption was negative in 9 of the past 11 quarters. Net absorption in Q3 2022 was -236,000 sf, which helped to push 2022 year-to-date (YTD) absorption to -633,000 sf. Major new full-building vacancies in the third quarter included 86,000 sf by Concentrix (fka Convergys) in Northern Kentucky and 67,000 sf by Nelson Worldwide in the Central Business District. Construction also impacted Q3 absorption, as the 189,000-sf University of Cincinnati Digital Futures building was delivered in the Midtown submarket. The 180,000-sf Digital Futures II building also delivered in Q3, but without any pre-leasing. Apart from absorption, Q3 2022 leasing activity was 182,000 sf, which was less than half of the total registered YOY. Leasing activity is an indicator of future quarterly net absorption. The largest lease signing of the quarter was in Blue Ash, where financial technology firm Green Dot leased 20,000 sf at the Fountain Pointe II building on Cornell Road.

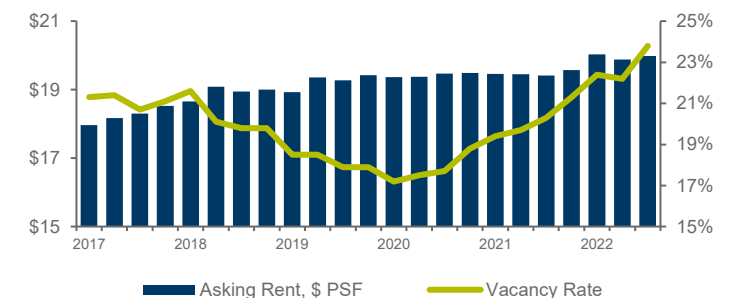
## PRICING: Asking rents increased year-over-year

Across all categories, overall average asking rental rates were \$19.98 per square foot (psf) gross in Q3 2022, which was a 3.0% YOY increase, as well as a slight increase over the prior quarter.

## 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>11,653,128</b>	<b>302,127</b>	<b>2,103,648</b>	<b>2,405,775</b>	<b>20.6%</b>	<b>-182,510</b>	<b>-259,957</b>	<b>284,745</b>	<b>0</b>	<b>\$20.98</b>	<b>\$22.49</b>
<b>CBD - CLASS A TOTAL</b>	<b>7,637,918</b>	<b>280,382</b>	<b>1,375,206</b>	<b>1,655,588</b>	<b>21.7%</b>	<b>-35,899</b>	<b>-67,128</b>	<b>247,528</b>	<b>0</b>	<b>\$22.49</b>	<b>\$22.49</b>
<b>CBD - CLASS B TOTAL</b>	<b>4,015,210</b>	<b>21,745</b>	<b>728,442</b>	<b>750,187</b>	<b>18.7%</b>	<b>-146,611</b>	<b>-192,829</b>	<b>37,217</b>	<b>0</b>	<b>\$17.97</b>	<b>N/A</b>
Blue Ash	4,415,359	12,510	1,082,366	1,094,876	24.8%	-4,138	-59,118	245,144	0	\$21.55	\$24.63
Kenwood	1,355,616	36,262	114,926	151,188	11.2%	-40,401	-40,856	17,340	0	\$25.82	\$30.05
Mason/Montgomery	3,239,630	428,737	766,499	1,195,236	36.9%	-42,476	-271,410	68,781	0	\$19.75	\$20.40
Midtown	4,023,724	158,998	808,867	967,865	24.1%	237,045	278,861	151,954	0	\$21.01	\$27.50
Northern Kentucky	3,690,025	19,329	907,311	926,640	25.1%	-165,766	-227,087	135,267	100,000	\$19.97	\$21.44
Tri-County/Sharonville	2,614,896	15,861	709,396	725,257	27.7%	-38,649	-80,229	47,958	0	\$16.04	\$20.49
West Chester	1,506,083	9,114	194,776	203,890	13.5%	6,853	17,634	142,075	0	\$22.59	\$23.57
East	1,121,651	0	339,468	339,468	30.3%	-16,149	5,920	52,431	0	\$12.84	\$20.25
West	884,558	0	204,296	204,296	23.1%	10,587	3,201	11,897	0	\$14.94	\$17.25
<b>SUBURBAN TOTAL</b>	<b>22,851,542</b>	<b>680,811</b>	<b>5,127,905</b>	<b>5,808,716</b>	<b>25.4%</b>	<b>-53,094</b>	<b>-373,084</b>	<b>872,847</b>	<b>100,000</b>	<b>\$19.56</b>	<b>\$22.29</b>
<b>SUBURBAN - CLASS A TOTAL</b>	<b>14,011,620</b>	<b>585,070</b>	<b>2,817,960</b>	<b>3,403,030</b>	<b>24.3%</b>	<b>117,001</b>	<b>-190,510</b>	<b>516,470</b>	<b>100,000</b>	<b>\$22.29</b>	<b>\$22.29</b>
<b>SUBURBAN - CLASS B TOTAL</b>	<b>8,839,922</b>	<b>95,741</b>	<b>2,309,945</b>	<b>2,405,686</b>	<b>27.2%</b>	<b>-170,095</b>	<b>-182,574</b>	<b>356,377</b>	<b>0</b>	<b>\$15.87</b>	<b>N/A</b>
<b>CINCINNATI - CLASS A TOTAL</b>	<b>21,649,538</b>	<b>865,452</b>	<b>4,193,166</b>	<b>5,058,618</b>	<b>23.4%</b>	<b>81,102</b>	<b>-257,638</b>	<b>763,998</b>	<b>100,000</b>	<b>\$22.36</b>	<b>\$22.36</b>
<b>CINCINNATI - CLASS B TOTAL</b>	<b>12,855,132</b>	<b>117,486</b>	<b>3,038,387</b>	<b>3,155,873</b>	<b>24.5%</b>	<b>-316,706</b>	<b>-375,403</b>	<b>393,594</b>	<b>0</b>	<b>\$16.40</b>	<b>N/A</b>
<b>CINCINNATI TOTAL</b>	<b>34,504,670</b>	<b>982,938</b>	<b>7,231,553</b>	<b>8,214,491</b>	<b>23.8%</b>	<b>-235,604</b>	<b>-633,041</b>	<b>1,157,592</b>	<b>100,000</b>	<b>\$19.98</b>	<b>\$22.36</b>

\*Denotes new lease signed in a given year

\*\*Rental rates reflect full service gross asking

## KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4675 Cornell Road	Blue Ash	Green Dot	20,000	New Lease
2 Crowne Point Court	Tri-County/Sharonville	ATS Logistics	17,773	New Lease (Sublease)
500 Meijer Drive	Northern Kentucky	FYX Fleet	10,444	Renewal

## KEY SALE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
4241 / 4361 Irwin Simpson Road (portfolio)	Mason/Montgomery	Griffin Realty Trust / Galaxy Properties	466,603	\$20.4M / \$44
50 / 400 E-Business Way (portfolio)	Blue Ash	Equity Group, LLC / Shelbourne Global Solutions	212,000	\$22.0M / \$104

# CINCINNATI

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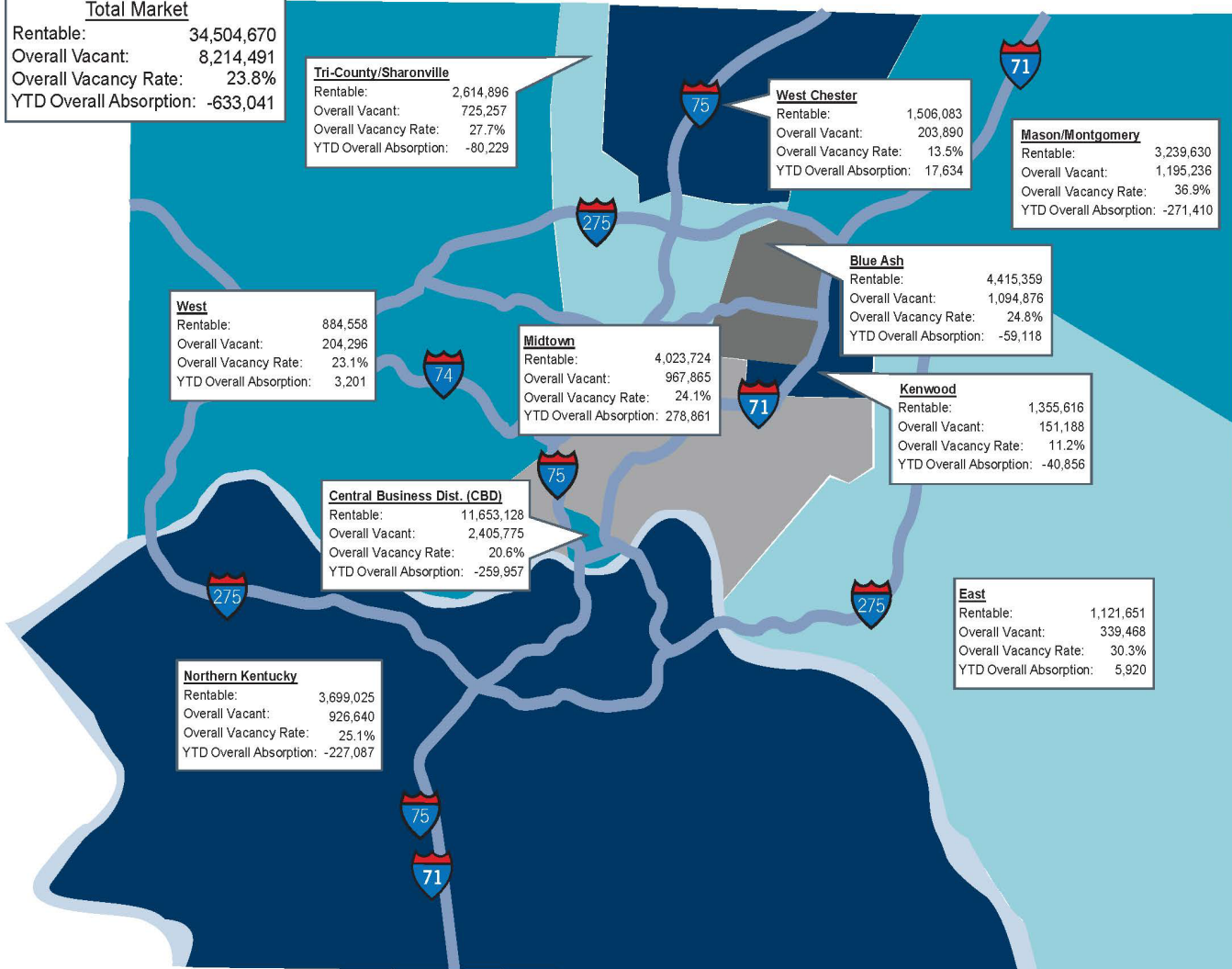


OFFICE SUBMARKETS

**Third Quarter 2022**

**Total Market**

Rentable:	34,504,670
Overall Vacant:	8,214,491
Overall Vacancy Rate:	23.8%
YTD Overall Absorption:	-633,041



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