



Office Q1 2023

	YoY Chg	12-Mo. Forecast
24.2% Vacancy Rate	▲	▼
-272K Net Absorption, SF	▲	▲
\$20.24 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
1.2M Cincinnati Employment	▲	▲
3.6% Cincinnati Unemployment Rate	▬	▲
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics

ECONOMY

The unemployment rate in Greater Cincinnati was unchanged from the prior year at 3.6% as of Q1 2023. Local unemployment was nearly identical to the national rate of 3.5%.

In March, *Site Selection Magazine* released its annual "Governor's Cup" rankings for economic development and new corporate facility projects. Greater Cincinnati again finished in the Top 10 U.S. metropolitan areas with more than 1 million residents. Over the past three years, Greater Cincinnati ranked ninth, seventh and ninth overall for major corporate capital investment / construction projects. On a per-capita basis, Cincinnati placed an impressive third in this year's survey only behind Austin and Dallas.

SUPPLY AND DEMAND: Vacancy rate reached a record high

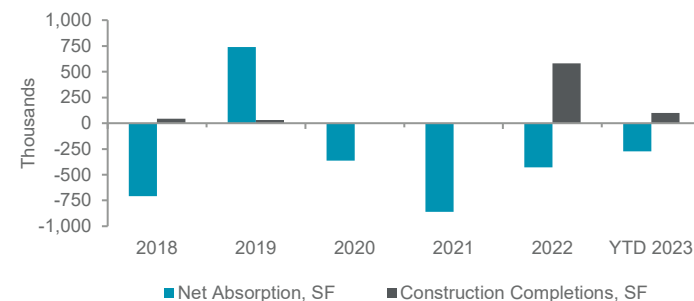
Following a year of fluctuating vacancy, 2023 in Greater Cincinnati began with a record-high overall vacancy rate of 24.2%. On a year-over-year (YOY) basis, Q1 2023 vacancy increased by nearly 200 basis points (bps). Both the Central Business District (CBD) and suburban submarkets saw yearly vacancy rate increases, although Class A suburban buildings accounted for the majority of new vacant square footage. Of the 8.3 million square feet (msf) vacant across the market, 982,000 square feet (sf) was available for sublease. Sublease vacancy also increased YOY by nearly 60,000 square feet (sf).

Overall net absorption has been negative in 10 of the past 12 quarters, including Q1 2023. Net absorption in Q1 was -272,000 sf, which was an increase over Q1 2022 net absorption of -389,000 sf. The largest contributor to negative quarterly absorption was the Cincinnati Enquirer/Cincinnati.com, which vacated over 100,000 sf of its longtime downtown headquarters at 312 Elm Street. The two largest sources of positive absorption in Q1 were in Northern Kentucky. In Newport, KY, the 100,000-sf Ovation Office Complex completed construction in the first quarter. MegaCorp Logistics pre-leased 40,000 sf of the building, which overlooks the Ohio River. Further south in Florence, KY, St. Elizabeth Physicians (Summit Medical Group) leased 37,000 sf at the Turfway Ridge I building. Apart from absorption, Q1 2023 leasing activity was 427,000 sf, which was lower YOY, but higher than leasing levels in both Q3 2022 and Q4 2022. Leasing activity is an indicator of future quarterly net absorption.

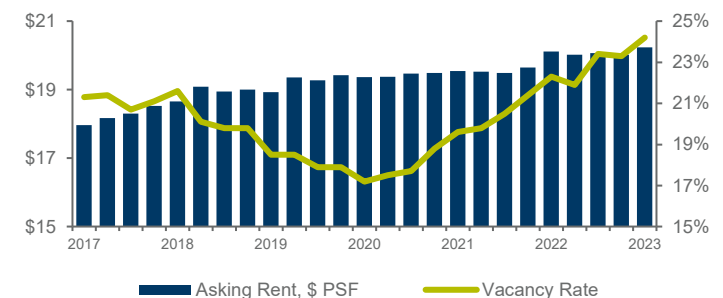
PRICING: Overall and Class A asking rents increased year-over-year

Across all categories, overall average asking rental rates were \$20.24 per square foot (psf) gross in Q1 2023, which was a 1.0% YOY increase. Class A asking rates were \$22.82 gross in Q1 2023, which represented a 2.5% annual increase.

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)**
CENTRAL BUSINESS DISTRICT	11,386,171	279,999	2,159,387	2,439,386	21.4%	-223,883	-223,883	110,783	0	\$21.21	\$22.59
CBD - CLASS A TOTAL	7,620,992	258,254	1,418,652	1,676,906	22.0%	-204,198	-204,198	76,803	0	\$22.59	\$22.59
CBD - CLASS B TOTAL	3,765,179	21,745	740,735	762,480	20.3%	-19,685	-19,685	33,980	0	\$18.22	N/A
Blue Ash	4,485,215	59,855	1,134,469	1,194,324	26.6%	-82,095	-82,095	84,935	0	\$21.54	\$24.49
Kenwood	1,355,616	35,862	138,812	174,674	12.9%	12,873	12,873	16,284	0	\$26.37	\$29.69
Mason/Montgomery	2,994,848	414,013	837,845	1,251,858	41.8%	44,840	44,840	92,574	0	\$19.96	\$20.47
Midtown	4,023,724	140,468	818,149	958,617	23.8%	-1,050	-1,050	32,058	0	\$21.02	\$27.94
Northern Kentucky	4,064,435	33,920	790,296	824,216	20.3%	48,929	48,929	24,536	0	\$21.09	\$23.74
Tri-County/Sharonville	2,595,966	15,861	764,529	780,390	30.1%	-76,107	-76,107	19,268	0	\$16.59	\$21.00
West Chester	1,506,083	3,000	167,085	170,085	11.3%	28,516	28,516	46,569	0	\$21.72	\$23.69
East	1,121,651	0	333,060	333,060	29.7%	-10,191	-10,191	0	0	\$13.32	\$20.25
West	816,558	0	179,652	179,652	22.0%	-13,436	-13,436	0	0	\$14.50	\$17.25
SUBURBAN TOTAL	22,964,096	702,979	5,163,897	5,866,876	25.5%	-47,721	-47,721	316,224	0	\$19.77	\$22.96
SUBURBAN - CLASS A TOTAL	14,169,174	602,360	3,033,202	3,635,562	25.7%	-64,286	-64,286	212,203	0	\$22.96	\$22.96
SUBURBAN - CLASS B TOTAL	8,794,922	100,619	2,130,695	2,231,314	25.4%	16,565	16,565	104,021	0	\$15.51	N/A
CINCINNATI - CLASS A TOTAL	21,790,166	860,614	4,451,854	5,312,468	24.4%	-268,484	-268,484	289,006	0	\$22.82	\$22.82
CINCINNATI - CLASS B TOTAL	12,560,101	122,364	2,871,430	2,993,794	23.8%	-3,120	-3,120	138,001	0	\$16.23	N/A
CINCINNATI TOTAL	34,350,267	982,978	7,323,284	8,306,262	24.2%	-271,604	-271,604	427,007	0	\$20.24	\$22.82

*Denotes new lease signed in a given year

**Rental rates reflect full service gross asking

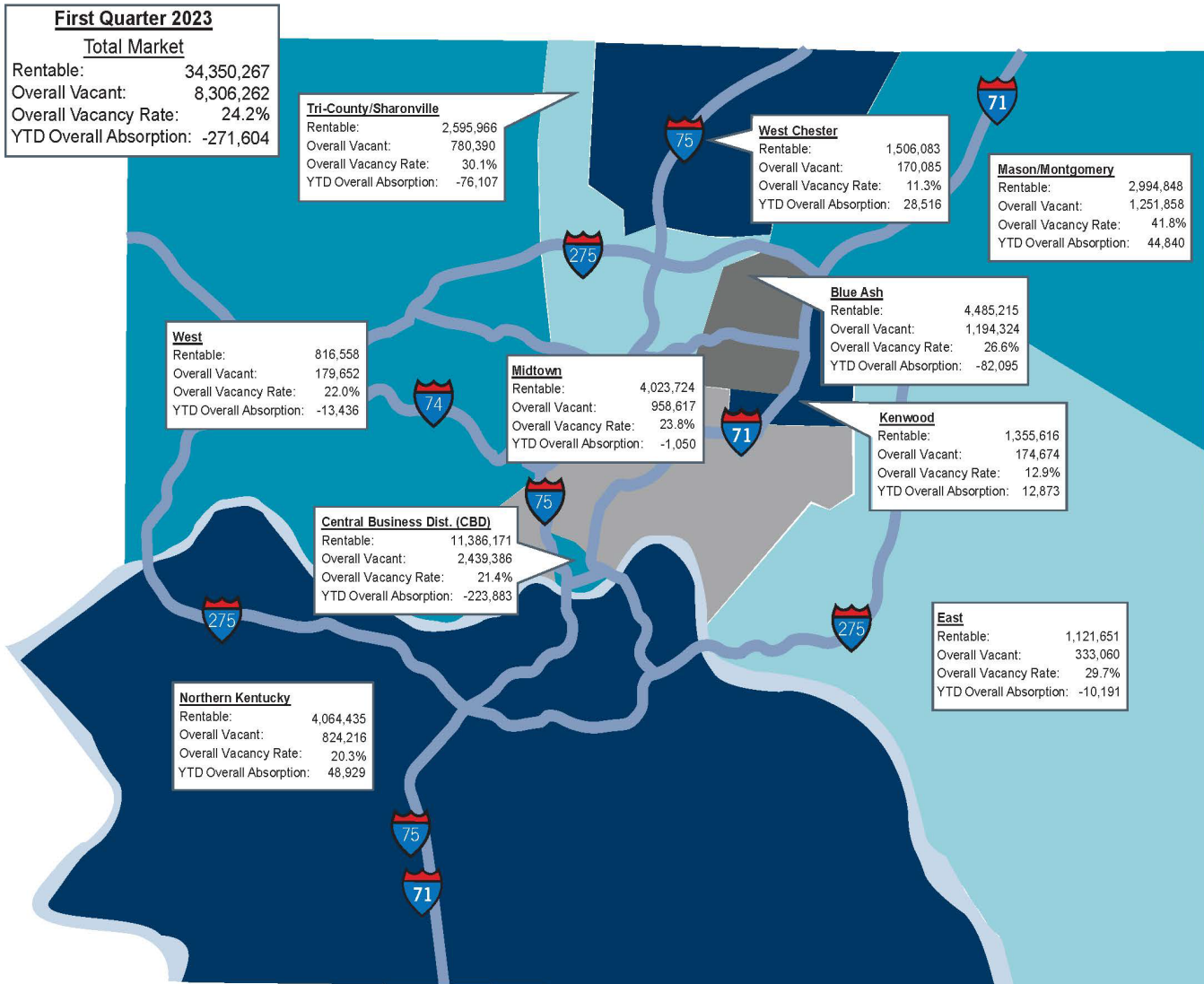
KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
7310 Turfway Road	Northern Kentucky	Central Bank & Trust Co.	26,458	Renewal
302 West 3 rd Street	Central Business District	BDHP Architecture	23,425	Renewal
9260 Montgomery Road	Kenwood	Unlimited Systems	18,812	New Lease

KEY SALE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
8600-8650 Governors Hill Drive	Mason/Montgomery	Smith/Halleman Partners / Ackermann Group	202,106	\$8.5M / \$42
2093 Medical Arts Drive	Northern Kentucky	McCloy Realty LLC / TED Holdings LLC	10,600	\$1.0M / \$97

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

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

Jarrett Hicks

Associate Director of Research
 +1 513 322-3802
jarrett.hicks@cushwake.com

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