

MARKETBEAT CINCINNATI



Office Q4 2023

	YoY Chg	12-Mo. Forecast
25.4% Vacancy Rate	▲	▼
-71K Net Absorption, SF	▼	▲
\$20.38 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
1.2M Cincinnati Employment	▲	▲
3.3% Cincinnati Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

ECONOMY

The unemployment rate in Greater Cincinnati decreased yearly from 3.6% to 3.3% as of Q4 2023. As in prior quarters, local unemployment was lower than the national rate of 3.7%. In November 2023, residents of the City of Cincinnati voted to approve the sale of the municipally-owned Cincinnati Southern Railway to Norfolk Southern Corp. for \$1.6 billion. Prior to the sale, the city was leasing the operation of the railroad to Norfolk Southern on a long-term basis for more than \$20 million per year. The total proceeds of the sale will not be spent immediately but will instead be put in an investment trust fund. A new five-member railroad board, appointed by the mayor of Cincinnati, will determine how much money will be allocated to the city's annual capital budget. The fund is expected to generate \$50 million or more on a yearly basis, which must be spent on infrastructure projects within the city.

SUPPLY AND DEMAND: Quarterly absorption improved, vacancy remained over 25.0%

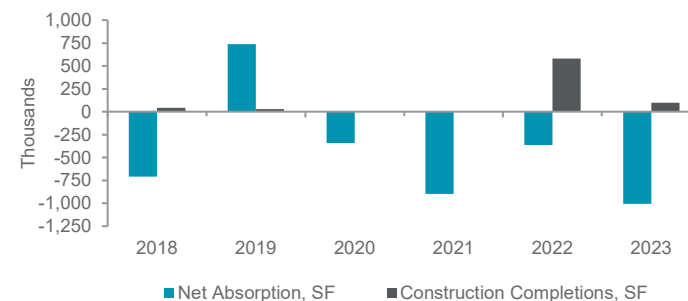
The overall office vacancy rate in the Greater Cincinnati market has increased continuously for past five quarters, passing the 25.0% threshold in the process. In Q4 2023, the vacancy rate was 25.4%, which was a 300-basis point (bps) jump on a year-over-year (YOY) basis. The YOY change was due almost entirely to vacancy increases in Class A buildings in both the Central Business District (CBD) and suburban submarkets such as Blue Ash and Tri County/Sharonville. Of the 8.8 million square feet (msf) vacant across the market, 951,000 square feet (sf) was available for sublease. This level of sublease vacancy has remained virtually unchanged throughout 2023.

Overall net absorption was been negative in ten of the past twelve quarters, including Q4 2023. Among the ten quarters of negative absorption, Q4 2023 net absorption was the least negative at only -71,000 sf. However, full-year net absorption set a new market record in 2023, with -1.0 msf in 2023. The largest source of Q4 positive absorption was the Landings of Blue Ash – Building 1. CEI Vision Partners moved into 37,000 sf on the second floor, while Eyecare Partners moved into 18,000 sf on the first floor. Next door at Landings - Building 2, Dermatologists of Central States leased 10,000 sf in Q4 and will occupy the space in Q2 2024. Apart from absorption, full-year 2023 leasing activity was greater than 1.3 msf, which was on pace with 2022 leasing activity of 1.6 msf. Leasing activity is an indicator of future quarterly net absorption.

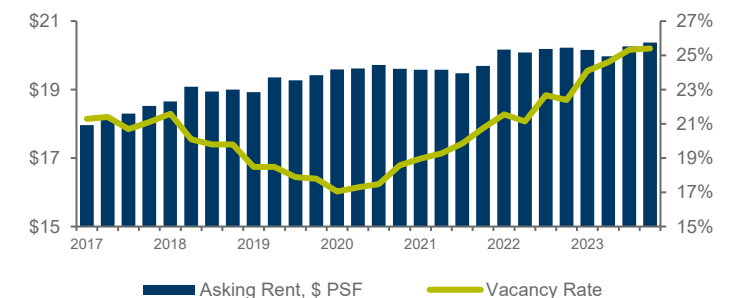
PRICING: Overall asking rents increased slightly year-over-year

Across all categories, overall average asking rental rates were \$20.38 per square foot (psf) gross in Q4 2023, which was less than a 1.0% increase from the prior year. Class A asking rates were \$22.56 gross in Q4 2023, which was virtually unchanged YOY.

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	11,374,766	285,478	2,287,345	2,572,823	22.6%	383	-377,420	407,054	0	\$21.71	\$23.05
CBD - CLASS A TOTAL	7,609,587	285,478	1,535,315	1,820,793	23.9%	-9,766	-323,602	353,253	0	\$23.05	\$23.05
CBD - CLASS B TOTAL	3,765,179	0	752,030	752,030	20.0%	10,149	-53,818	53,801	0	\$18.30	N/A
Blue Ash	4,485,215	67,121	1,149,835	1,216,956	27.1%	29,959	-129,627	286,701	0	\$21.96	\$24.58
Kenwood	1,410,516	36,262	185,263	221,525	15.7%	-4,145	-1,575	96,042	15,000	\$27.33	\$30.87
Mason/Montgomery	2,939,948	400,274	885,305	1,285,579	43.7%	-8,943	-69,987	116,616	0	\$18.96	\$19.36
Midtown	4,023,724	105,760	870,720	976,480	24.3%	-6,061	-14,197	137,029	0	\$20.15	\$28.09
Northern Kentucky	4,004,690	46,012	741,156	787,168	19.7%	-19,275	10,260	93,460	0	\$21.48	\$23.50
Tri-County/Sharonville	2,595,966	3,950	963,449	967,399	37.3%	-1,999	-320,921	54,641	0	\$16.46	\$20.15
West Chester	1,506,083	0	162,288	162,288	10.8%	5,491	36,049	93,001	0	\$19.79	\$21.76
East	1,121,651	6,087	289,231	295,318	26.3%	-10,842	-82,816	21,887	0	\$14.06	\$19.27
West	816,558	0	222,233	222,233	27.2%	-55,090	-56,017	22,744	0	\$15.43	\$17.25
SUBURBAN TOTAL	22,904,351	665,466	5,469,480	6,134,946	26.8%	-70,905	-628,831	922,121	15,000	\$19.65	\$22.23
SUBURBAN - CLASS A TOTAL	14,169,174	510,198	3,445,129	3,955,327	27.9%	-23,388	-472,464	595,836	15,000	\$22.23	\$22.23
SUBURBAN - CLASS B TOTAL	8,735,177	155,268	2,024,351	2,179,619	25.0%	-47,517	-156,367	326,285	0	\$16.18	N/A
CINCINNATI - CLASS A TOTAL	21,778,761	795,676	4,980,444	5,776,120	26.5%	-33,154	-796,066	949,089	15,000	\$22.56	\$22.56
CINCINNATI - CLASS B TOTAL	12,500,356	155,268	2,776,381	2,931,649	23.5%	-37,368	-210,185	380,086	0	\$16.74	N/A
CINCINNATI TOTAL	34,279,117	950,944	7,756,825	8,707,769	25.4%	-70,522	-1,006,251	1,329,175	15,000	\$20.38	\$22.56

*Denotes new lease signed in a given year

**Rental rates reflect full service gross asking

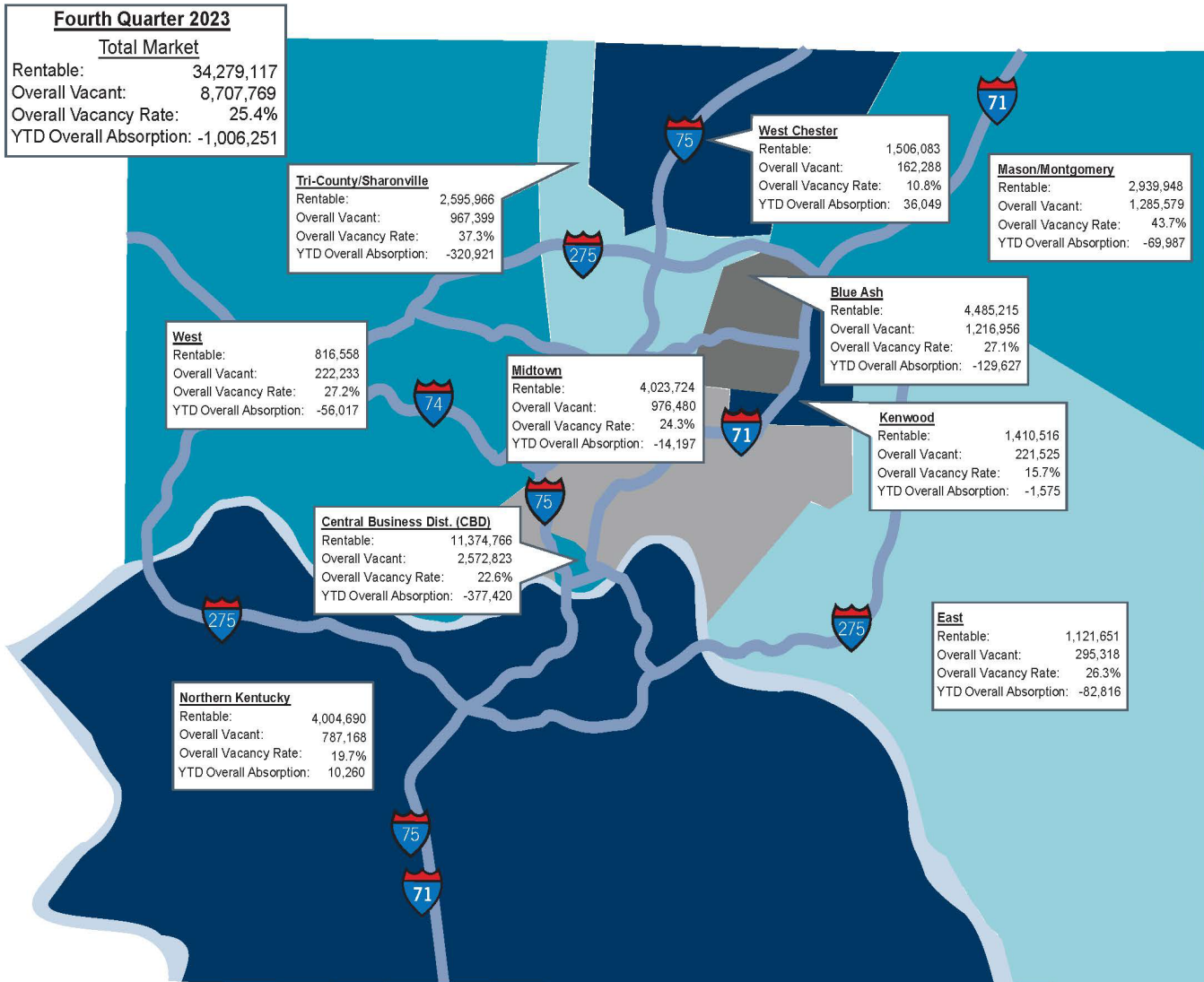
KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2300 Litton Lane	Northern Kentucky	Zwicker & Associates	22,735	Renewal
4850 Smith Road	Midtown	Marquis Engineering	14,000	New Lease (sublease)
9075 Centre Pointe Drive	West Chester	Azelis	12,638	New Lease

KEY SALE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
3962 Red Bank Road	Midtown	Reisenfeld Enterprises LLC / E Paul Corp.	38,000	\$3.4M / \$89
100 Crowne Point Drive	Tri-County/Sharonville	DCP Holding Co. / Crowne Point Holding LLC	26,000	\$1.0M / \$38

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