

MARKETBEAT CINCINNATI



Office Q1 2024

	YoY Chg	12-Mo. Forecast
25.2% Vacancy Rate	▲	▼
-78K Net Absorption, SF	▲	▲
\$20.47 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

	YoY Chg	12-Mo. Forecast
1.2M Cincinnati Employment	▲	▲
3.5% Cincinnati Unemployment Rate	▬	▲
3.8% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

ECONOMY

The unemployment rate in Greater Cincinnati was unchanged on a year-over-year (YOY) basis at 3.5% as of Q1 2024. As in prior quarters, local unemployment was lower than the national rate of 3.8%. Site Selection Magazine recently released its annual "Governor's Cup" rankings for economic development and new corporate capital investment projects. With 91 total projects, Greater Cincinnati finished among the Top 15 major U.S. metropolitan areas with more than 1 million residents. Peer regions like Indianapolis, Austin and Columbus had similar results in the latest rankings. On a per-capita basis, Cincinnati was eighth on this year's survey after a third-place finish last year.

SUPPLY AND DEMAND: Vacancy trend reversed slightly in Q1

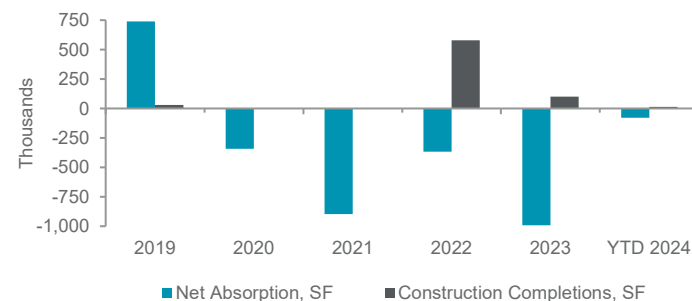
For the first time in six quarters, the overall office vacancy rate in the Greater Cincinnati market decreased on a quarter-by-quarter (QOQ) basis. In Q1 2024, the vacancy rate was 25.2%, which was a 100-basis point (bps) increase on a YOY basis, but a 20 bps decrease from the prior quarter. The YOY change was due to vacancy increases in Central Business District (CBD) buildings, while suburban vacancy went virtually unchanged. Of the 8.5 million square feet (msf) vacant across the market, nearly 1.1 msf was available for sublease. This represents an all-time high for sublease vacancy after hovering around 950,000 square feet (sf) in 2023.

Overall net absorption was negative in fourteen of the past sixteen quarters, including Q1 2024. However, the significant negative absorption trend changed in both Q4 2023 and Q1 2024, when absorption was less than negative 80,000 sf. In Q1, tenant move-ins concentrated in Blue Ash and Northern Kentucky were not enough to counteract large new vacancies in the Central Business District at Atrium Two and the former GE Operations Center at the Banks. Element Materials Technology Group moved into 22,000 sf at the Landings of Blue Ash – Building 2, while Civil & Environmental Consultants (CEC) moved into 18,000 sf nearby at 10300 Alliance Road. St. Elizabeth Healthcare took occupancy in Q1 of its 20,000-sf space at the new Ovation Office Complex in Northern Kentucky. Apart from absorption, Q1 2024 leasing activity was 183,000 sf, which was the lowest amount of quarterly activity since mid-2020. Leasing activity is an indicator of future quarterly net absorption.

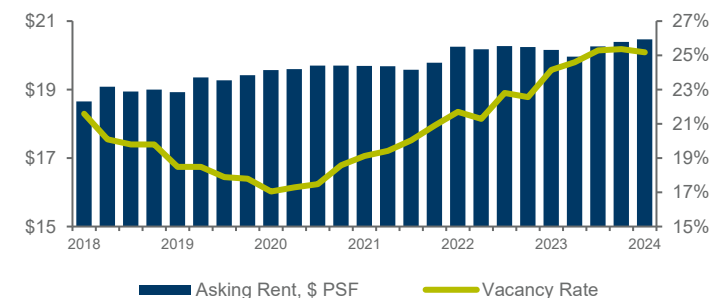
PRICING: Overall asking rents increased by nearly 2.0% year-over-year

Across all categories, overall gross average asking rental rates were \$20.47 per square foot (psf) in Q1 2024, which was a 1.6% increase over the prior year. Class A asking rates were \$22.83 in Q1 2024, which was 1.8% higher 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	11,075,266	407,807	2,195,639	2,603,446	23.5%	-199,631	-199,631	38,698	0	\$21.61	\$23.19
CBD - CLASS A TOTAL	6,840,381	402,807	1,335,987	1,738,794	25.4%	-182,977	-182,977	29,581	0	\$23.19	\$23.19
CBD - CLASS B TOTAL	4,234,885	5,000	859,652	864,652	20.4%	-16,654	-16,654	9,117	0	\$18.49	N/A
Blue Ash	4,432,215	67,121	1,101,555	1,168,676	26.4%	47,878	47,878	30,706	0	\$21.86	\$24.33
Kenwood	1,425,516	36,262	169,980	206,242	14.5%	29,675	29,675	1,342	0	\$27.36	\$31.01
Mason/Montgomery	2,939,948	419,646	884,994	1,304,640	44.4%	-32,377	-32,377	34,996	0	\$19.00	\$19.32
Midtown	4,023,724	99,760	864,108	963,868	24.0%	12,612	12,612	5,911	0	\$20.24	\$28.57
Northern Kentucky	4,004,690	28,607	685,397	714,004	17.8%	73,390	73,390	57,635	0	\$21.44	\$23.14
Tri-County/Sharonville	2,595,966	0	985,023	985,023	37.9%	-17,624	-17,624	2,552	0	\$16.56	\$20.15
West Chester	1,506,083	0	152,210	152,210	10.1%	10,078	10,078	4,552	0	\$22.25	\$23.19
East	1,121,651	6,087	290,695	296,782	26.5%	-2,464	-2,464	6,110	0	\$13.93	\$19.30
West	436,929	0	55,853	55,853	12.8%	0	0	0	0	\$10.01	N/A
SUBURBAN TOTAL	22,486,722	657,483	5,189,815	5,847,298	26.0%	121,168	121,168	143,804	0	\$19.82	\$22.58
SUBURBAN - CLASS A TOTAL	13,804,545	535,573	3,139,228	3,674,801	26.6%	129,372	129,372	113,554	0	\$22.58	\$22.58
SUBURBAN - CLASS B TOTAL	8,682,177	121,910	2,050,587	2,172,497	25.0%	-8,204	-8,204	30,250	0	\$16.28	N/A
CINCINNATI - CLASS A TOTAL	20,644,926	938,380	4,475,215	5,413,595	26.2%	-53,605	-53,605	143,135	0	\$22.83	\$22.83
CINCINNATI - CLASS B TOTAL	12,917,062	126,910	2,910,239	3,037,149	23.5%	-24,858	-24,858	39,367	0	\$16.95	N/A
CINCINNATI TOTAL	33,561,988	1,065,290	7,385,454	8,450,744	25.2%	-78,463	-78,463	182,502	0	\$20.47	\$22.83

*Denotes new lease signed in a given year

**Rental rates reflect full service gross asking

KEY LEASE TRANSACTIONS Q1 2024

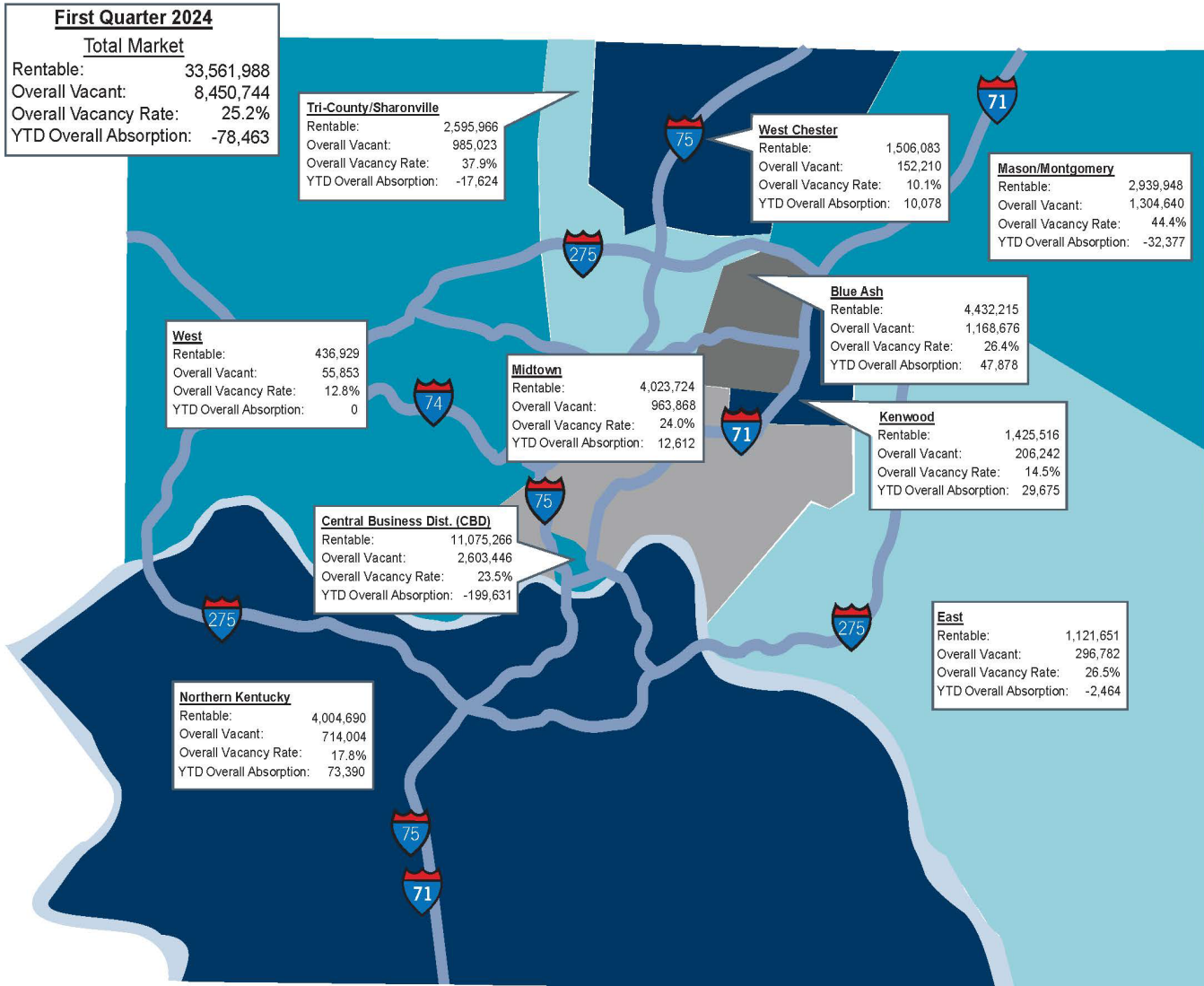
PROPERTY	SUBMARKET	TENANT	SF	TYPE
221 East Fourth Street	Central Business District	THP Limited	18,400	New Lease
231-235 West 12 th Street	Central Business District	Saatchi & Saatchi	15,202	Renewal*
100 East Rivercenter Boulevard	Northern Kentucky	Ascend Partners	9,846	New Lease

*Renewals not included in leasing activity statistics

KEY SALE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
36 East Seventh Street	Central Business District	Neyer Properties / CIG Communities	200,800	\$3.7M / \$18
1 Sheakley Way	Tri-County/Sharonville	SheakleyHR / E.V. Bishoff Co.	98,000	\$1.2M / \$12

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