

FIGURES | CINCINNATI INDUSTRIAL | Q4 2023

# Availability rises as more speculative projects deliver

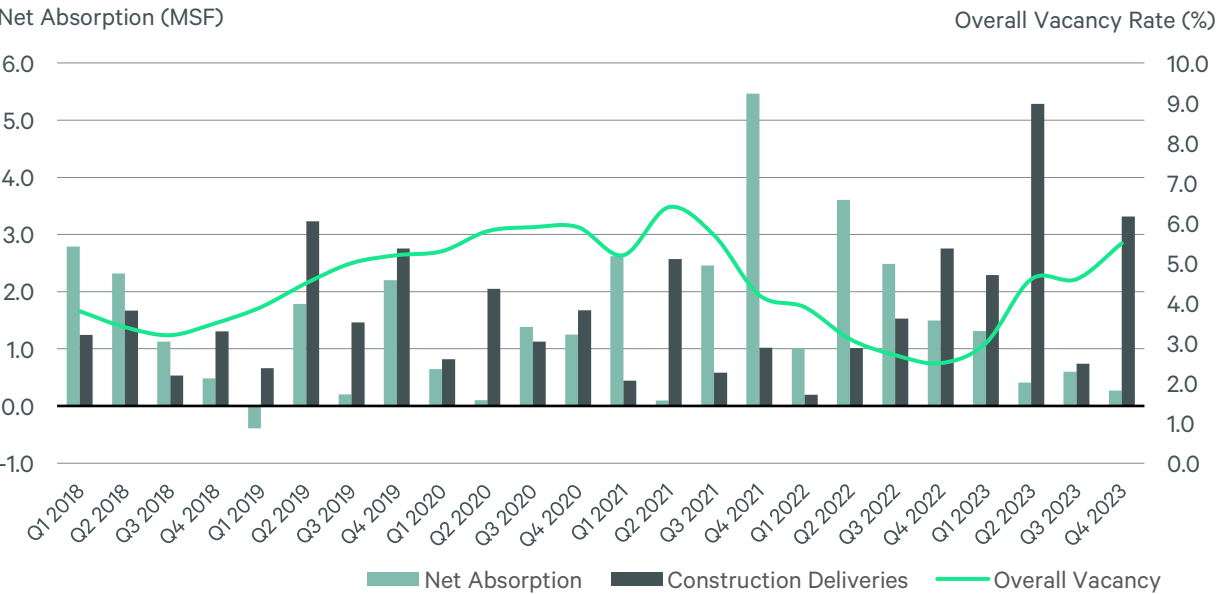


Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Over 3.3 million sq. ft. of construction was completed in the fourth quarter of 2023. Pre-leasing and construction starts have steadily declined since the beginning of the year amid rising debt costs and broader market volatility. There is just over 2.0 million sq. ft. of projects currently under construction.
- Nearly 270K sq. ft. of net absorption was recorded led by Allen Distribution’s 282K sq ft. new lease in the Northwest submarket. This was the nineteenth consecutive quarter of positive net absorption.
- Demand for the 500K – 1M sq. ft. range continued to dip while demand in the under 300K sq. ft. range remained consistent. This size imbalance matches the trend in construction deliveries the market has observed as of late.
- There was no change in asking rates from the previous quarter. Asking rates remain on solid footing.

FIGURE 1: Net Absorption vs. Construction Deliveries vs. Overall Vacancy Rate

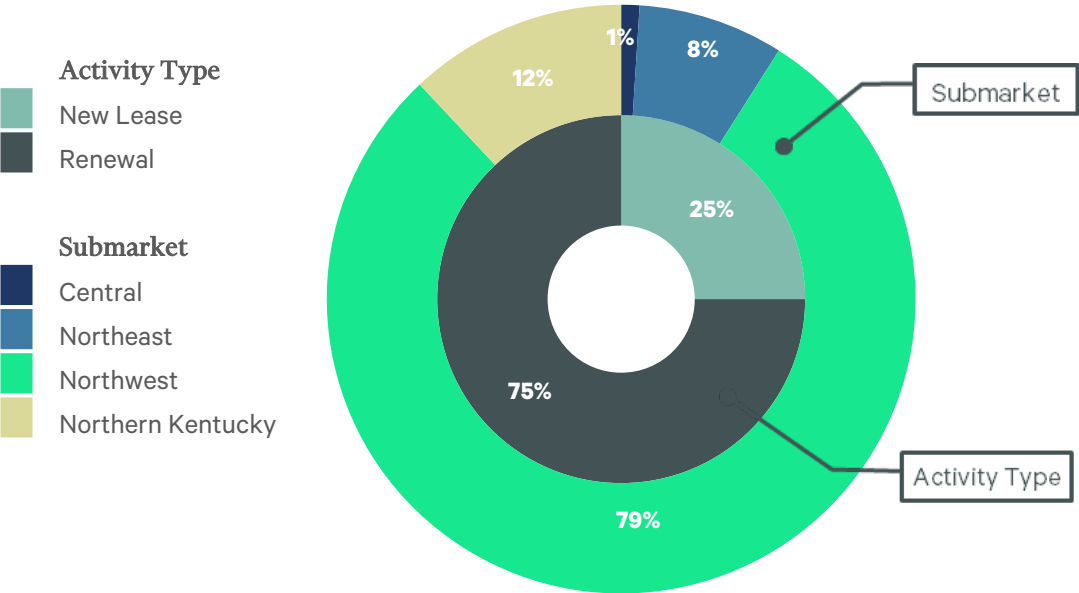


Source: CBRE Research, Q4 2023

## Leasing Activity Overview

Despite a myriad of external macroeconomic factors at play, leasing activity held steady in the fourth quarter of 2023. Demand for the 500K – 1M sq. ft. range continued to dip while demand in the under 300K sq ft. range remained consistent. This size imbalance matches the trend in construction deliveries the market has observed as of late. Nearly 3.6 million sq. ft. of transaction volume was recorded with 25.0% stemming from new deals, demonstrating the still evident demand for industrial space. The Northwest submarket dominated the activity with 79.0% respectively. A diverse pool of tenants continued to compete for the remaining industrial space. The logistics company, Allen Distribution, signed the largest new lease this quarter with a 282K sq. ft. space at Fairfield Logistics Center Building 1A. Other sizeable new leases signed this quarter include Valvoline with a 215K sq ft. space at 12110 Champion Way and Mattr with a 204K sq. ft. space at 9391 Seward Road. The largest renewal signed this quarter was Cornerstone Brands in their 970K sq. ft. space at 5568 West Chester Road.

FIGURE 2: Deal Activity Snapshot



Source: CBRE Research, Q4 2023

FIGURE 3: Leasing Activity

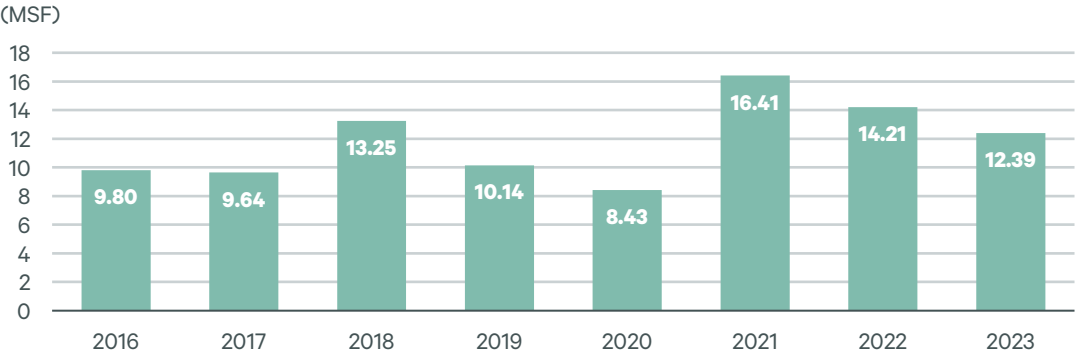


FIGURE 4: Key Transactions

Transaction Type	Tenant / Buyer	Sq. Ft.	Address	Submarket
Renewal	Cornerstone Brands	970,168	5568 West Chester Road	Northwest
Renewal	Tapestry	601,000	8741 Jacquemin Drive	Northwest
Renewal	Valvoline	321,464	9451 Meridian Way	Northwest
New Lease	Allen Distribution	282,595	8200 Seward Road	Northwest
New Lease	Valvoline	215,670	12110 Champion Way	Northwest
New Lease	Mattr	204,120	9391 Seward Road	Northwest
Renewal	Pac Worldwide	194,936	575 Gateway Boulevard	Northeast
Renewal	Metal Working Group	135,360	4400 Dixie Highway	Northwest
Renewal	Heidelberg Distibuting	118,629	2245 Progress Drive	Northern Kentucky
New Lease	Ray Hamilton	112,477	11700 Chesterdale Road	Northwest

Source: CBRE Research, Q4 2023

## Construction

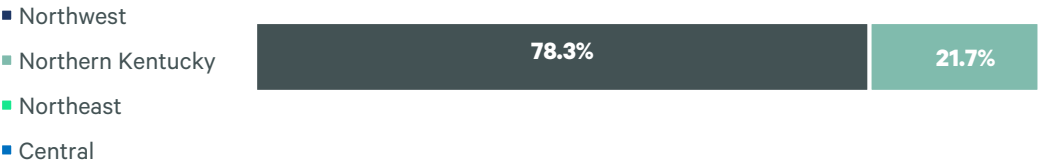
Over 3.3 million sq. ft. of construction was completed in the fourth quarter of 2023. Core5 Industrial Partners completed construction on the speculative C5 Encore Logistics Center Building 1 totaling 1,183,475 sq. ft. in Turtlecreek Township, Ohio. Hillwood completed construction on the speculative Richwood Commerce Center Building 1 and 2. Both projects are in Richwood, Kentucky totaling 744,888 sq. ft. and 522,870 sq. ft. respectively. Al Neyer, Inc. completed construction on the 232,693 sq. ft. speculative building at 1745 Arbor Tech Drive in Hebron, Kentucky. There were only a few new construction starts including Republic Wire’s 320,000 sq. ft. build-to-suit in the Northwest submarket and Northpoint Development’s speculative Fairfield Trade Center Building 1 and 2. Both projects are on Firebird Drive in Fairfield totaling 304,364 sq. ft. and 313,833 sq. ft. respectively. Of the 3.3 million sq. ft. of completions, only 13.1% was released., led by the Mattr and Ray Hamilton transactions. The 3.3 million sq. ft. of new deliveries was main reason for the increase in availability even though the market saw positive net absorption.

FIGURE 5: Under Construction vs. Construction Deliveries



Source: CBRE Research, Q4 2023

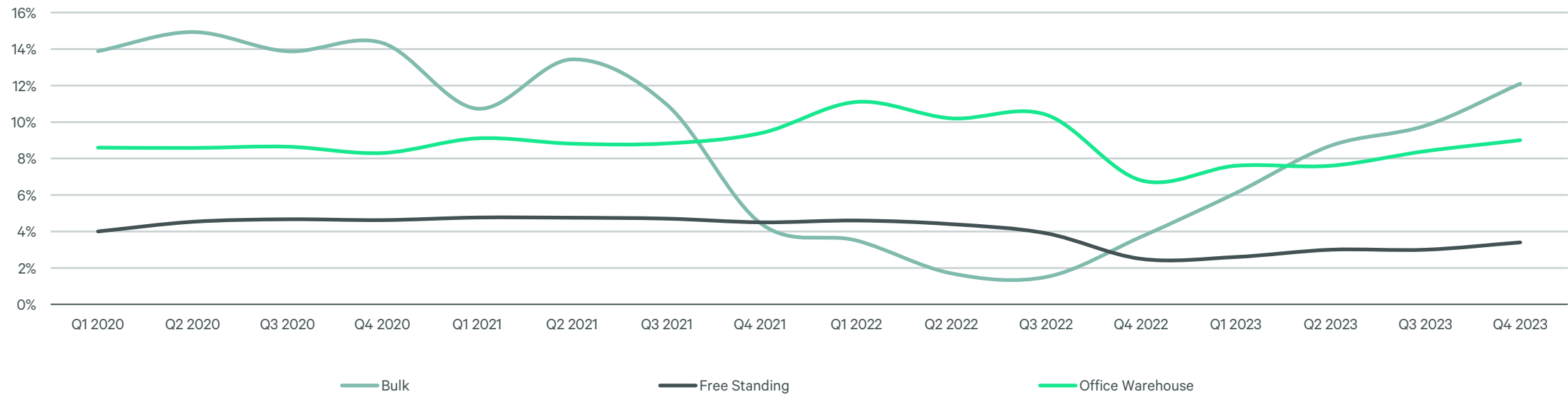
FIGURE 6: Under Construction by Submarket



## Lease Rates and Availability

The Greater Cincinnati industrial market is experiencing a noteworthy increase in bulk availability, registering a 360 bps increase from the previous quarter. This increase in availability is in large part due to the speculative developments that hit the market each quarter. Bulk warehouse recorded a 12.1% availability rate followed by office warehouse at 9.0% and free standing at 3.4%. Overall availability is 6.5% with a 110 bps increase this quarter. This metric is anticipated to balance out as tenants begin to occupy the record amount of stock delivered as of late. We do not anticipate any new speculative construction during the first half of 2024. There was no change in asking rates from the previous quarter. Almost all newly completed construction will likely be priced in the \$6.00 to \$7.00 per sq. ft. range moving forward. Office warehouse continues to lead other building types in asking rates at \$7.83 per sq. ft. This is followed by bulk warehouse at \$6.46 per sq. ft. and free standing at \$6.01 per sq. ft.

FIGURE 7: Availability Rate by Building Type



Source: CBRE Research, Q4 2023

FIGURE 8: Lease Rate by Building Type

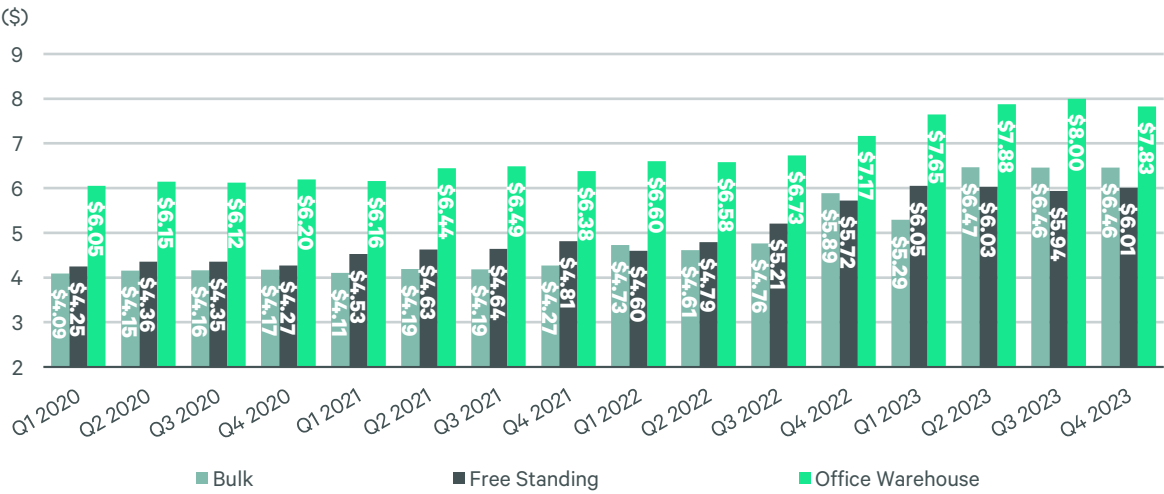


FIGURE 9: Market Statistics by Building Type

Building Type	Inventory (Sq Ft.)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (Sq Ft.)	Average Lease Rate (\$)
Freestanding	219,954,153	3.4	2.6	(505,251)	6.01
Bulk Warehouse	97,379,620	12.1	11.6	812,739	6.46
Office Warehouse	12,464,780	9.0	6.6	(38,150)	7.83
Metro Total	329,798,553	6.5	5.5	269,338	6.41

FIGURE 10: Market Statistics by Submarket

Submarket	Inventory (Sq Ft.)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (Sq Ft.)	Average Lease Rate (\$)
Central	83,945,490	4.1	3.8	(167,196)	5.57
Northeast	68,770,102	5.4	4.7	(299,316)	6.91
Northwest	90,263,034	5.5	3.3	930,629	6.64
Northern Kentucky	86,819,927	10.9	9.8	(194,779)	6.39
Metro Total	329,798,553	6.5	5.5	269,338	6.41

Source: CBRE Research, Q4 2023

## Economic Overview

The combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters. Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, whilst remaining elevated, is slowing. This nuance with wage growth is important. Higher wages is helping to maintain higher, albeit decelerating, core inflation. This backdrop will likely translate into the Fed only slowly lowering its target rate in 2024. (CBRE expects 75 – 100 basis points worth of rate cuts in 2024) This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

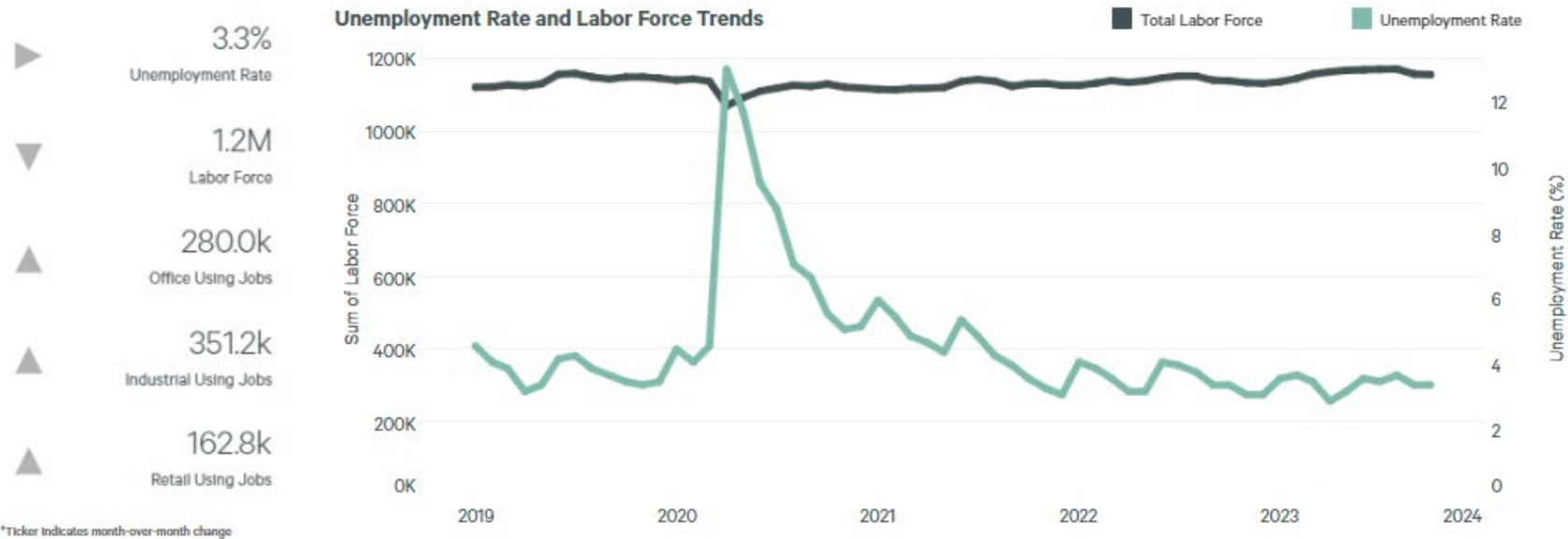
FIGURE 11: Construction Statistics

Submarket	Spec Under Construction (Sq. Ft.)	BTS Under Construction (Sq. Ft.)	Spec Completed (Sq. Ft.)	BTS Completed (Sq. Ft.)	Total Completed (Sq. Ft.)
Central	-	-	-	50,000	50,000
Northeast	-	-	1,183,475	36,000	1,219,475
Northwest	992,672	598,000	366,597	32,600	399,197
Northern Kentucky	-	439,677	1,646,451	-	1,646,451
Metro Total	992,672	1,037,677	3,196,523	118,600	3,315,123

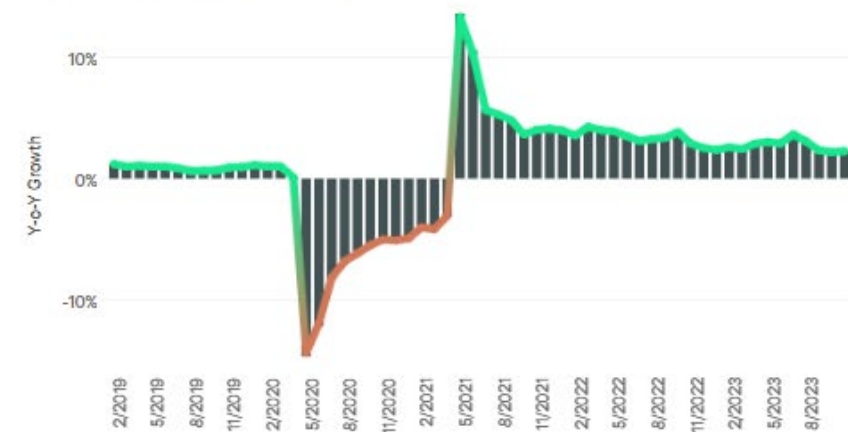
Source: CBRE Research, Q4 2023

FIGURES | MIDWEST U.S. | October 2023

# Employment Update - Cincinnati, OH



## Job Growth - Year over Year Trend



## Employment Change by Sector - Yearly & Monthly



A map of the Cincinnati area divided into four regions: Northwest (dark green), Northeast (medium green), Central (light green), and Northern Kentucky (yellow-green). The map shows major highways including I-75, I-74, I-275, and I-475. Key cities and towns labeled include Cincinnati, Hamilton, Dayton, and various suburbs like Northwood, Forest Park, and Blue Ash. The Ohio River is shown flowing through the region, separating Cincinnati from Northern Kentucky.

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Includes all industrial buildings 10,000 sq. ft. and greater in size in Greater Cincinnati.

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