

FIGURES | CINCINNATI INDUSTRIAL | Q2 2023

Availability rises as record number of projects deliver

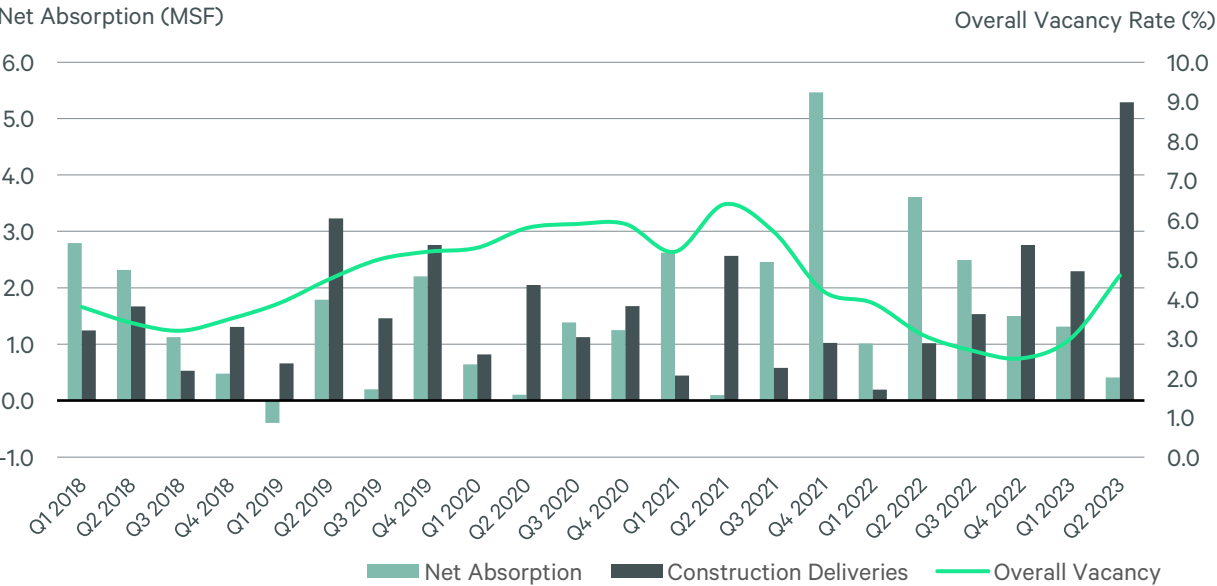


Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- A record 5.3 million sq. ft. of construction was completed in the second quarter of 2023. There is just over 4.2 million sq. ft. of projects currently under construction.
- Demand has remained consistent in the under 300K sq ft. range, but there has been a slowdown in the first half of the year on larger cross dock buildings.
- There was a \$0.48 per sq. ft. rise in asking rents in the second quarter of 2023, which can be attributed to price discovery in newly completed bulk buildings that weren't previously quoting asking rents.
- Over 411K sq. ft. of net absorption was recorded led by DHL's purchase of a 306K sq ft. building next to the Cincinnati Northern Kentucky International Airport. This was the seventeenth consecutive quarter of positive net absorption.

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

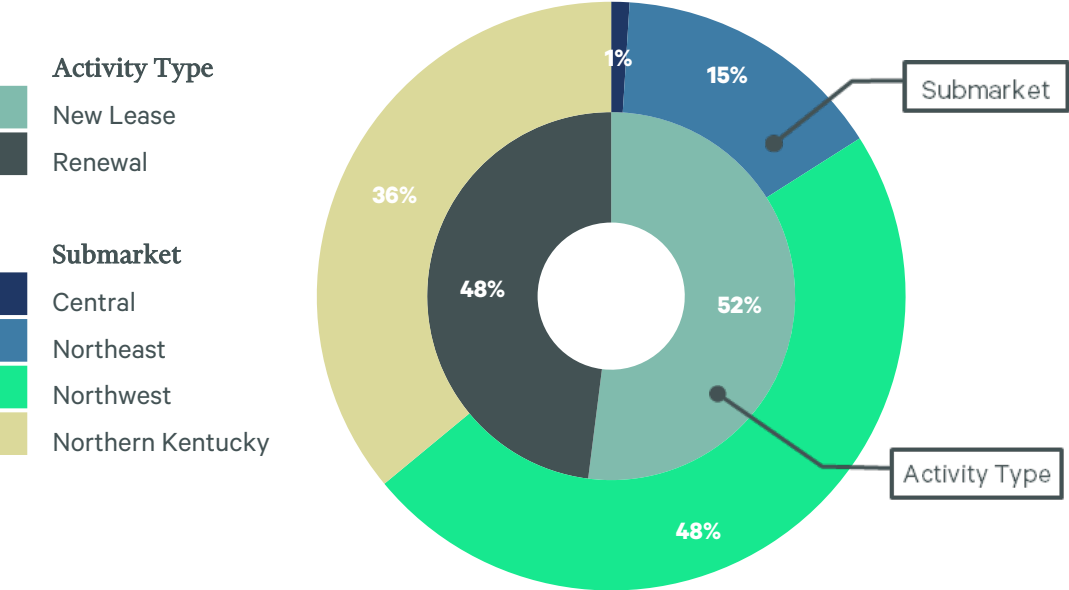


Source: CBRE Research, Q2 2023

Leasing Activity Overview

Notwithstanding the multitude of external macroeconomic factors at play, leasing activity held steady in the second quarter of 2023. While changes in global supply chain logistics and inflation have created investor uncertainty, leasing activity continues to prove the current strength of the industrial market. Over 3.0 million sq. ft. of transaction volume was recorded with 52.0% stemming from new deals, demonstrating the still evident demand for industrial space. The Northwest and Northern Kentucky submarkets recorded the most activity with 48.0% and 36.0% respectively. A diverse pool of tenants continued to compete for the submarket’s remaining industrial space. The 3PL company, Verst Logistics, signed the largest new lease this quarter with a 240K sq. ft. space at 7625 Empire Drive. Other sizeable new leases signed this quarter include Maersk with a 225K sq. ft. space at 7950 Seward Road, and Altium Packaging with a 112K sq. ft. space at 3780 Lake Park Drive. The largest renewal signed this quarter was Schenker Logistics in their 541K sq. ft. space at 2505 Ted Bushelman Boulevard.

FIGURE 2: Deal Activity Snapshot



Source: CBRE Research, Q2 2023

FIGURE 3: Leasing Activity

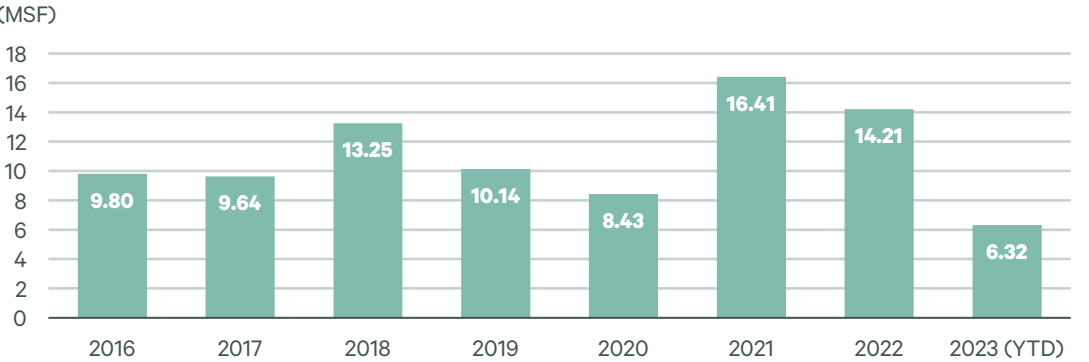


FIGURE 4: Key Transactions

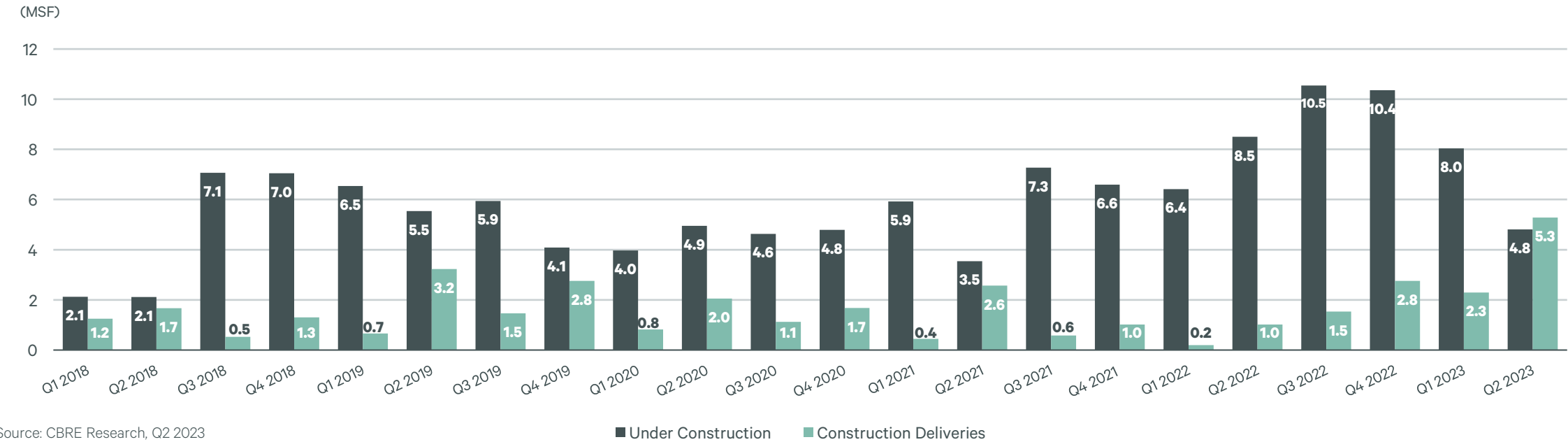
Transaction Type	Tenant / Buyer	Sq. Ft.	Address	Submarket
Renewal	Schenker Logistics	541,250	2505 Ted Bushelman Boulevard	Northern Kentucky
User Sale	DHL	306,761	2300 Airport North Drive	Northern Kentucky
Renewal	Verst Group Logistics	269,869	9696 International Boulevard	Northwest
New Lease	Verst Group Logistics	240,392	7625 Empire Drive	Northern Kentucky
New Lease	Maersk	225,668	7950 Seward Road	Northeast
Renewal	Itelligrated Systems	204,800	9842 International Boulevard	Northwest
New Lease	Altium Packaging	112,000	3780 Lake Park Drive	Northern Kentucky
New Lease	NR Group	111,730	246-256 Circle Freeway	Northwest
New Lease	AFC Industries	95,756	9030 Port Union Rialto	Northwest
Renewal	TAGG Logistics	78,000	8580 Seward Road	Northwest
New Lease	Crown Packaging	72,053	4583 Brate Drive	Northwest

Source: CBRE Research, Q2 2023

Construction

Nearly 5.3 million sq. ft. of construction was completed in the second quarter of 2023. Core5 Industrial Partners completed construction on two speculative buildings. One in Richwood, KY totaling 891,314 sq. ft. and another in Turtlecreek Township in the Northwest submarket totaling 538,525 sq. ft. Brennan completed construction on the 575,000 sq. ft. speculative building in Walton, KY. In the Northwest submarket, Al Neyer, Inc. completed construction on the 501,350 sq. ft. speculative building on Seward Road in Fairfield. There were only a few new construction starts including a 146,000 sq. ft. building at 135 W 38th Street in Covington, KY and a 112,000 sq. ft. building at 11700 Chesterdale Road in Sharonville, OH. Additionally, Ambrose broke ground on a 204,000 sq. ft. on Seward Road in Fairfield and it's 100% preleased. Of the 5.3 million sq. ft. of completions, less than 10% was preleased or purchased by a user. That was the main reason for the increase in vacancy even though the market saw positive net absorption.

FIGURE 5: Under Construction vs. Construction Deliveries



Source: CBRE Research, Q2 2023

FIGURE 6: Under Construction by Submarket



Lease Rates and Availability

There was a \$0.48 per sq. ft. rise in asking rents in the second quarter of 2023, which can be attributed to price discovery in newly completed bulk buildings that weren't previously quoting asking rents. Almost all newly completed construction and some existing bulk buildings 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 \$7.88 followed by bulk warehouse at \$6.47 and free standing at \$6.03. Overall availability remains low, although the market did record a surge in availability this quarter as a wave of projects delivered. Bulk warehouse recorded an 8.7% availability rate followed by office warehouse at 7.6% and free standing at 3.0%. Overall availability increased 160 bps to 5.4% quarter-over-quarter and is anticipated to balance out as tenants begin to occupy the record amount of stock delivered this quarter.

FIGURE 7: Availability Rate by Building Type



Source: CBRE Research, Q2 2023

FIGURE 8: Lease Rate by Building Type

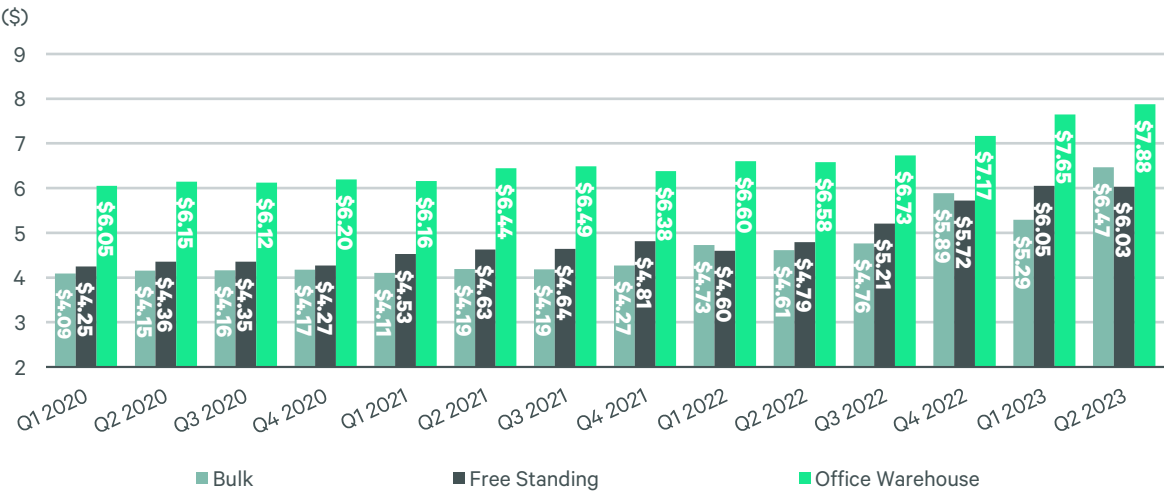


FIGURE 9: Market Statistics by Building Type

Building Type	Inventory (Sq Ft.)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (Sq Ft.)	Average Lease Rate (\$)
Freestanding	217,685,437	3.0	2.4	96,670	6.03
Bulk Warehouse	94,089,489	8.7	8.3	289,728	6.47
Office Warehouse	12,510,030	7.6	6.2	24,782	7.88
Metro Total	324,284,956	5.4	4.6	411,180	6.43

Job Growth - Year over Year Trend

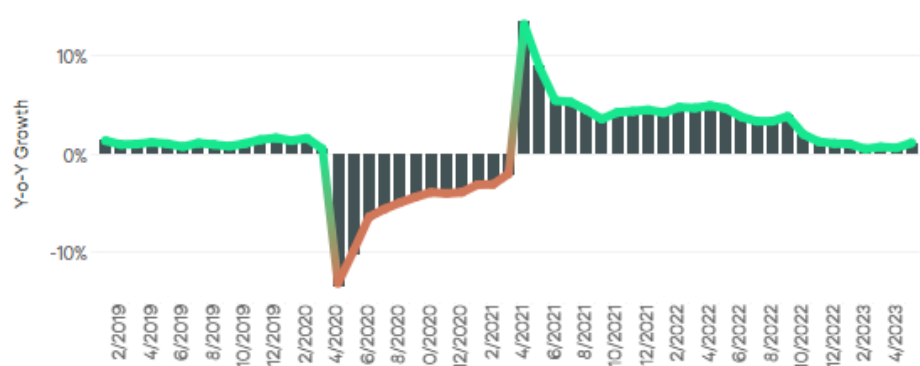


FIGURE 10: Market Statistics by Submarket

Submarket	Inventory (Sq Ft.)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (Sq Ft.)	Average Lease Rate (\$)
Central	83,947,292	3.9	3.7	13,654	5.71
Northeast	67,224,136	2.8	2.4	87,924	7.11
Northwest	87,961,064	5.9	3.9	502,263	6.56
Northern Kentucky	85,152,464	8.5	7.9	(192,661)	6.38
Metro Total	324,284,956	5.4	4.6	411,180	6.43

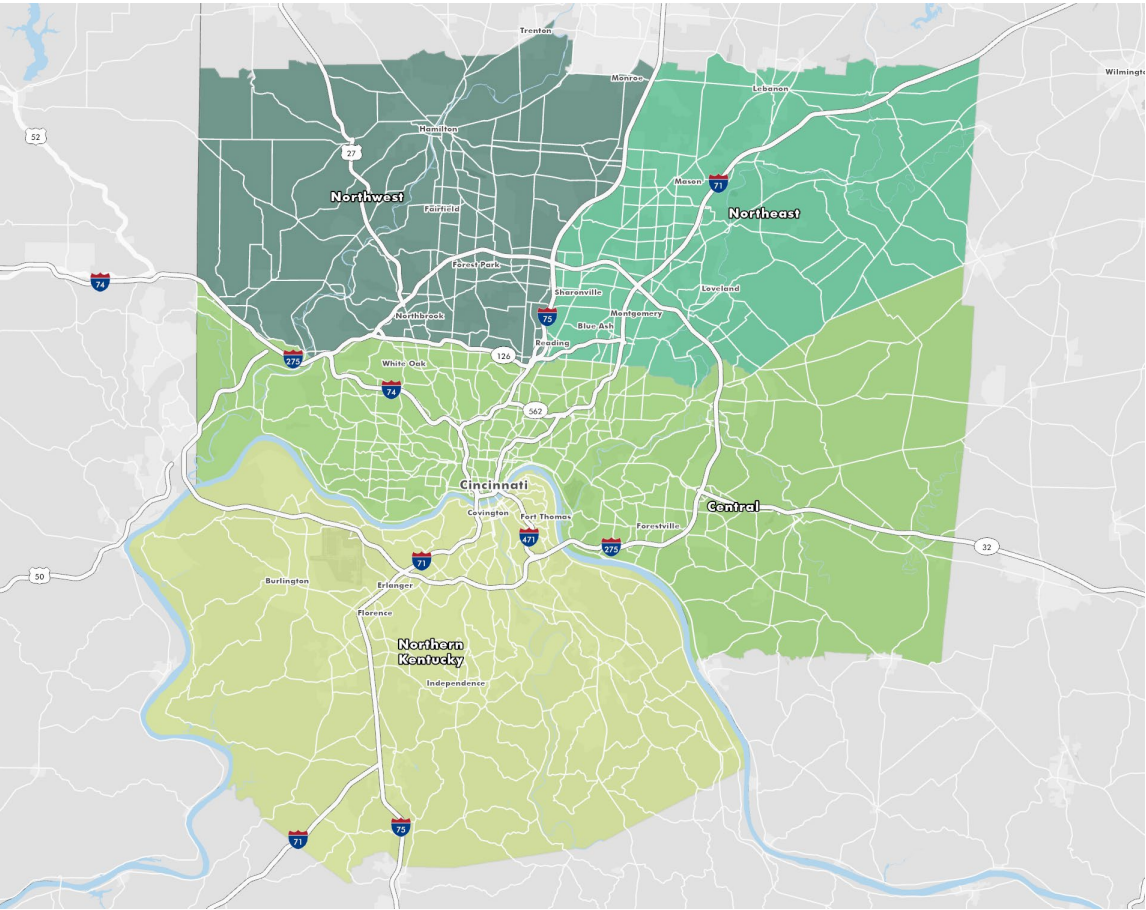
FIGURE 11: Construction Statistics

Submarket	Spec Under Construction (Sq. Ft.)	BTS Under Construction (Sq. Ft.)	Spec Completed (Sq. Ft.)	BTS Completed (Sq. Ft.)	Total Completed (Sq. Ft.)
Central	-	146,000	-	-	-
Northeast	1,183,475	58,429	538,525	-	538,525
Northwest	921,175	245,918	1,537,567	67,000	1,604,567
Northern Kentucky	1,648,765	55,000	3,142,463	-	3,142,463
Metro Total	3,753,415	505,347	5,218,555	67,000	5,285,555

Source: CBRE Research, Q2 2023

Source: CBRE Research, Q2 2023

Market Area Overview



Definitions

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.

Survey Criteria

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

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