

FIGURES | CINCINNATI INDUSTRIAL | Q3 2024

Steady transaction activity continues despite negative net absorption

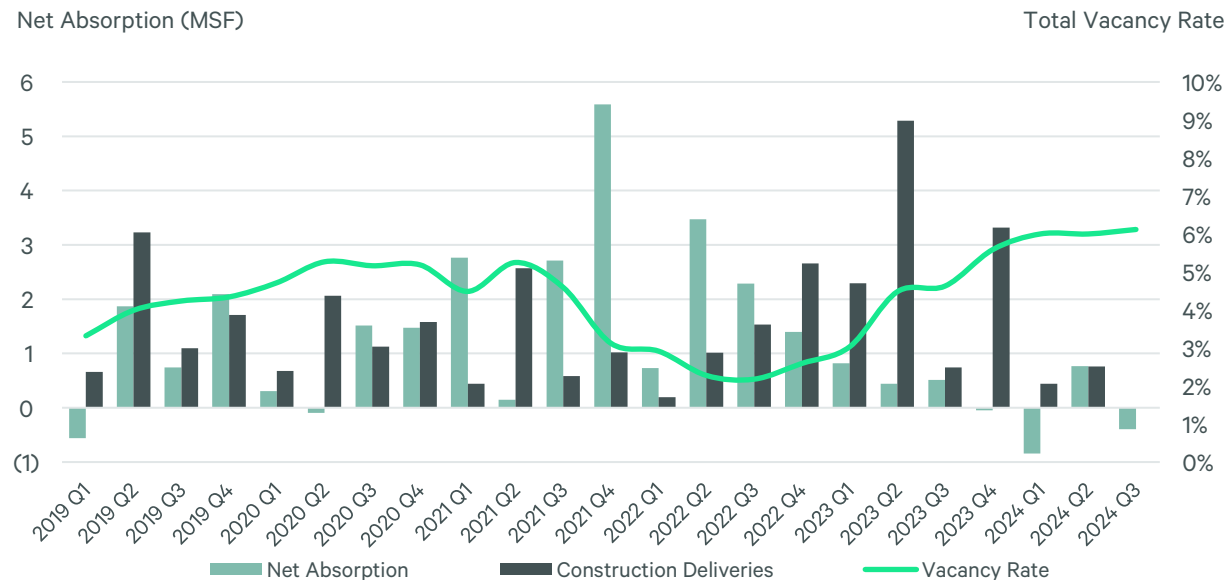


Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- 394K sq. ft. of negative net absorption was recorded in the third quarter of the year led by Verst Logistics' move out of 253K sq. ft. at 2030 Meridian Place, Vista Packaging's move out of 225K sq. ft. at 2100 Global Way, and Vintage Wine's 187K sq. ft. move out at 9933 Alliance Road.
- There were no construction completions in the third quarter of the year. Three new construction starts broke ground totaling 565K sq. ft. of speculative space. There is now over 1.4 million sq. ft. of projects currently under construction.
- Despite negative net absorption, the bulk market saw several large renewals in the over 100K sq. ft. range and Niagara Bottling announced a major land deal in Elsmere for a \$130 million manufacturing facility.

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

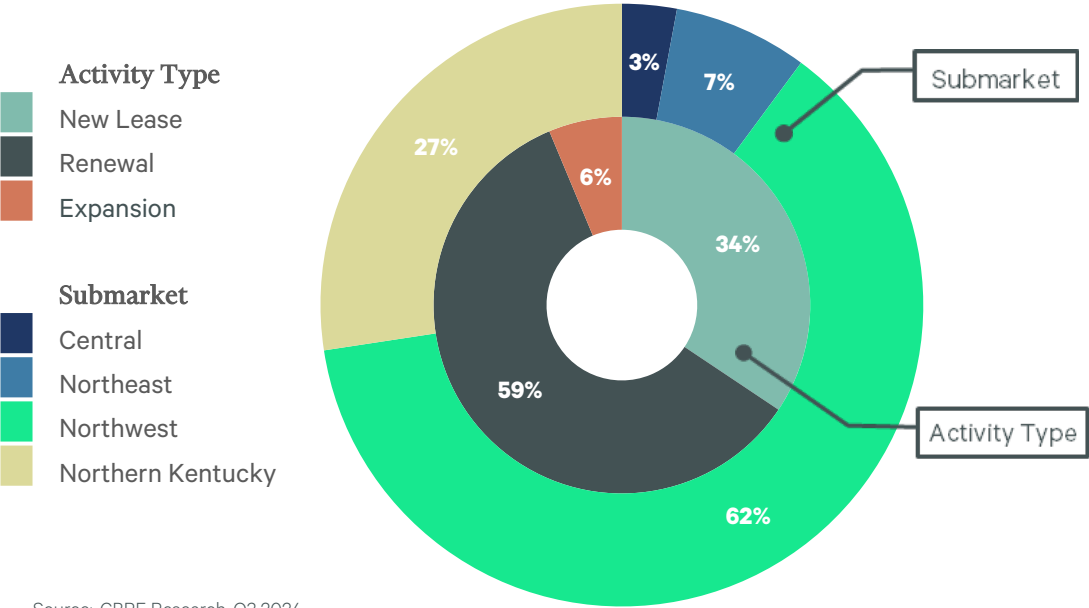


Source: CBRE Research, Q3 2024

Leasing Activity Overview

Although market fundamentals are correcting from their pandemic peak more quickly than anticipated, a strong 3.9 million sq. ft. of transaction volume was recorded this quarter. The information technology company, WinIt America, signed the largest new lease this quarter with a 194K sq. ft. space at 2060 Progress Drive in the Northern Kentucky submarket. On a submarket level, more than half of leasing activity was recorded in the Northwest submarket. Other sizeable new leases signed this quarter include E-Recycling Solutions with a 177K sq. ft. space at 630 Commerce Center Drive in the Northwest submarket and Oats Overnight with a 135K sq. ft. expansion at 7753 Union Center Boulevard in the Northwest submarket. The largest renewal signed this quarter was WestRock in their 321K sq. ft. space at 9266 Meridian Way in the Northwest submarket. Other notable activity includes the 283K sq. ft. user sale of 4219 State Route 42 to Voyage Foods in the Northeast submarket.

FIGURE 2: Deal Activity Snapshot



Source: CBRE Research, Q3 2024

FIGURE 3: Leasing Activity

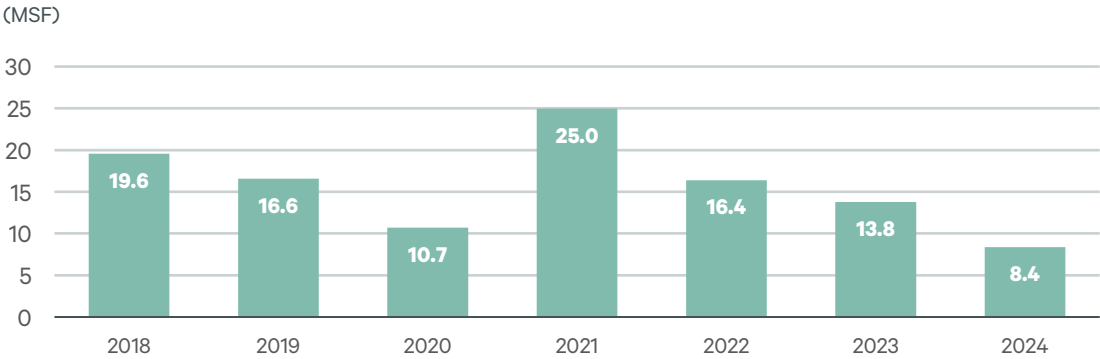


FIGURE 4: Key Transactions

Transaction Type	Tenant / Buyer	Sq. Ft.	Address	Submarket
Renewal	WestRock	321,200	9266 Meridian Way	Northwest
User Sale	Voyage Foods	283,932	4219 State Route 42	Northeast
Renewal	Polar Air Cargo Worldwide	264,000	1107 Aviation Boulevard	Northern Kentucky
Renewal	Honeywell International	204,800	9842 International Boulevard	Northwest
Renewal	S&S Activewear	195,866	8586 Trade Center Drive	Northwest
New Lease	WinIt America	194,100	2060 Progress Drive	Northern Kentucky
New Lease	E-Recycling Solutions	177,088	630 Commerce Center Drive	Northwest
Renewal	Graham Packaging	153,249	226 Circle Freeway Drive	Northwest
Expansion	Oats Overnight	135,378	7753 Union Center Boulevard	Northwest
Renewal	Octal Corporation	130,720	5399 E Provident Drive	Northwest

Source: CBRE Research, Q3 2024

Construction

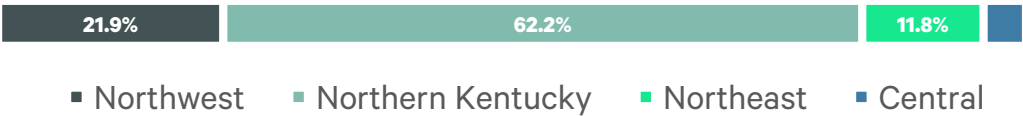
The market continue to grapple with high levels of completions from the past couple years. Consequently, there has been a slowdown in new deliveries, with this quarter's figures showing the lowest levels in at least the last six years. Interestingly, there were three new speculative construction starts this quarter including Ambrose's Logistics Park Airport West buildings I and II totaling 505K sq. ft. in the Northern Kentucky submarket. Cincinnati Commercial Contracting also started a 60K sq. ft. speculative project in the Central submarket. These new starts are the only speculative projects in the construction pipeline with the remining 895K sq. ft. consisting of build-to-suits and additions including Republic Wire's 320K sq. ft. project in the Northwest submarket and Chick-fil-a's 208K sq. ft. project in the Northern Kentucky submarket.

FIGURE 5: Under Construction vs. Construction Deliveries



Source: CBRE Research, Q3 2024

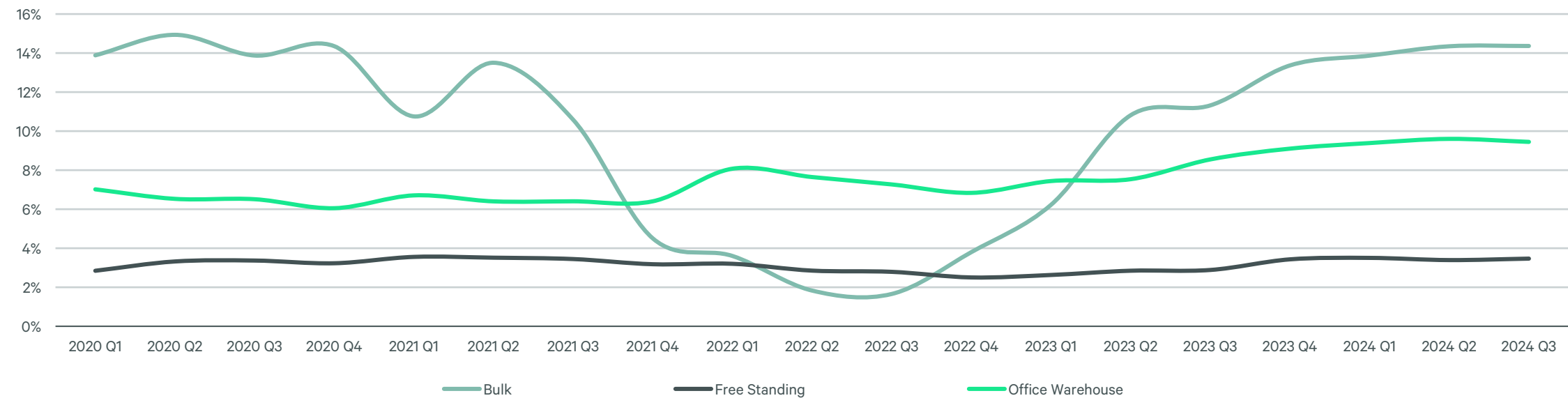
FIGURE 6: Under Construction by Submarket



Lease Rates and Availability

The Cincinnati industrial market’s noteworthy increase in bulk availability seems to have plateaued after only registering a 10 bps increase from the previous quarter. The increase in availability is in large part due to the speculative developments that have hit the market each quarter. Bulk warehouse recorded a 14.4% availability rate, office warehouse at 9.4% and freestanding at 3.5%. Overall availability is 6.9% with a 10 bps increase this quarter. With no new speculative construction deliveries imminent, we expect vacancy to reduce over the next year as tenants occupy the newly developed space. There was a \$0.04 decline in asking rates from the previous quarter. Almost all newly completed construction will likely be priced in the over \$7.00 per sq. ft. range moving forward. Office warehouse continues to lead other building types in asking rates at \$7.33 per sq. ft. This is followed by bulk warehouse at \$6.42 per sq. ft. and freestanding at \$5.60 per sq. ft.

FIGURE 7: Availability Rate by Building Type



Source: CBRE Research, Q3 2024

FIGURE 8: Lease Rate by Building Type

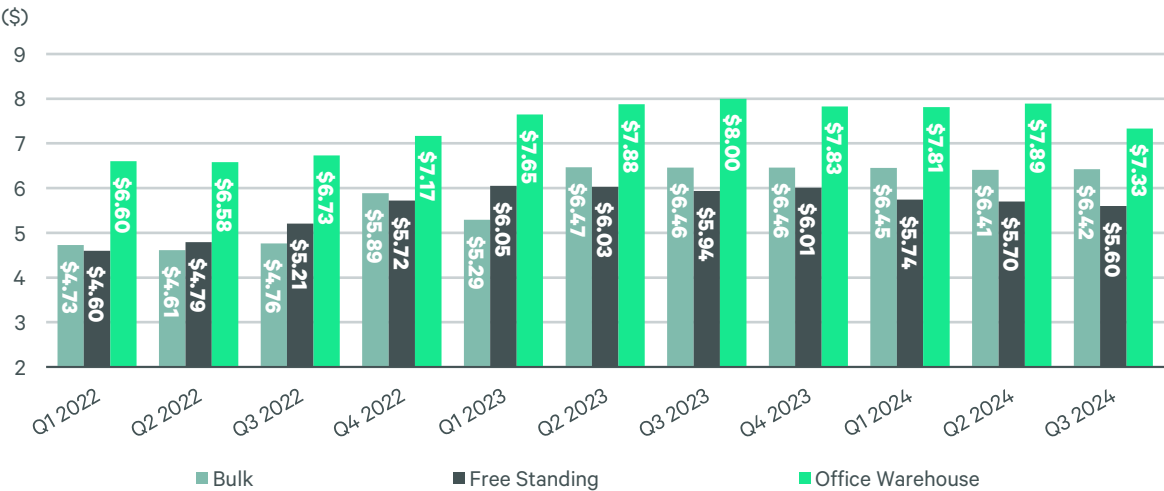


FIGURE 9: Market Statistics by Building Type

Subtype	Market Size (SF)	Vacancy Rate	Availability Rate	Net Absorption	Asking Lease Rate (NNN)
Bulk	98,700,292	13.2%	14.4%	2,013	\$6.42
Free Standing	220,869,019	2.9%	3.5%	(357,752)	\$5.60
Office Warehouse	12,407,280	7.1%	9.4%	(39,241)	\$7.33
Metro Total	331,976,591	6.1%	6.9%	(394,980)	\$6.23

FIGURE 10: Market Statistics by Submarket

Submarket	Market Size (SF)	Vacancy Rate	Availability Rate	Net Absorption	Asking Lease Rate (NNN)
Central	83,869,839	4.0%	4.5%	(228,479)	\$5.33
Northeast	68,483,747	5.0%	5.9%	134,599	\$6.56
Northern Kentucky	87,017,087	10.8%	11.3%	(517,735)	\$6.13
Northwest	92,605,918	4.4%	5.7%	216,635	\$6.83
Metro Total	331,976,591	6.1%	6.9%	(394,980)	\$6.23

Source: CBRE Research, Q3 2024

FIGURE 11: Construction Statistics

Submarket	Spec Under Construction	BTS Under Construction	Spec Completed	BTS Completed	Total Completed
Central	60,000	-	-	-	-
Northeast	-	172,450	-	-	-
Northern Kentucky	505,000	403,180	-	-	-
Northwest	-	320,000	-	-	-
Metro Total	565,000	895,630	-	-	-

Source: CBRE Research, Q3 2024

National Economic Outlook

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is steady and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a downturn in the labor market, although the recent bump in unemployment appears mainly driven by an increase in participation.

One reason for concern is the decline in the share of private industries that are creating jobs. The labor market has slowed but it is not slumping, and companies are not letting workers go at a particularly high rate.

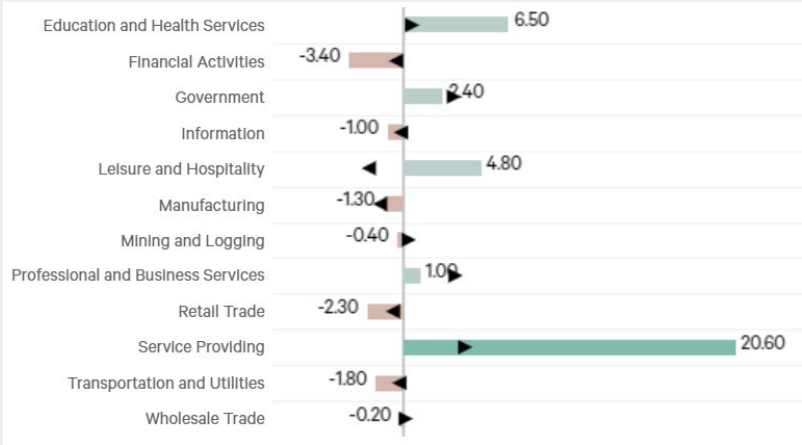
While many are focused on November’s election, the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

Source: CBRE Research

Cincinnati, OH Employment Update

- 4.2% Unemployment Rate
- 1.2M Labor Force
- 274.5k Office Using Jobs
- 345.0k Industrial Using Jobs
- 159.1k Retail Using Jobs

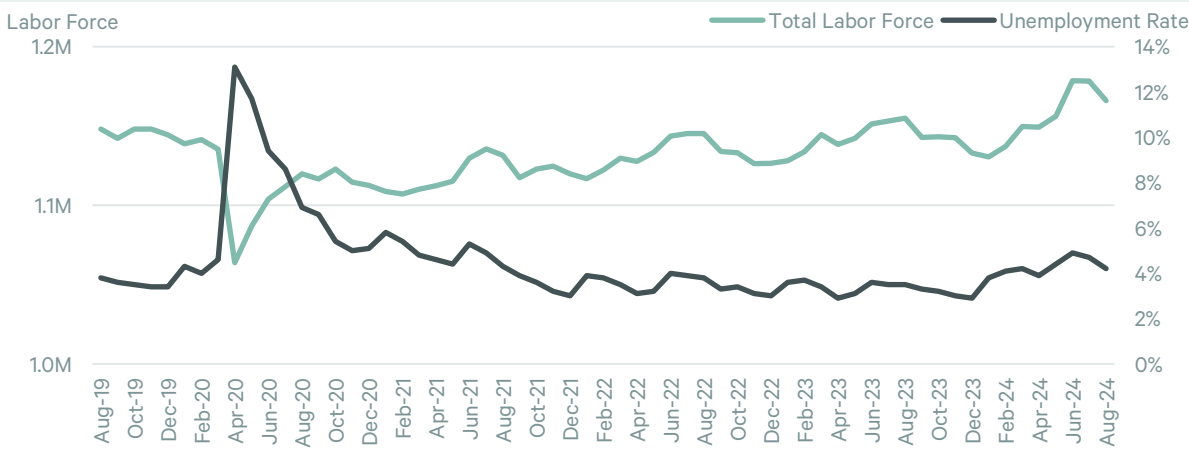
Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend



Note: Arrows indicate month-over-month change.

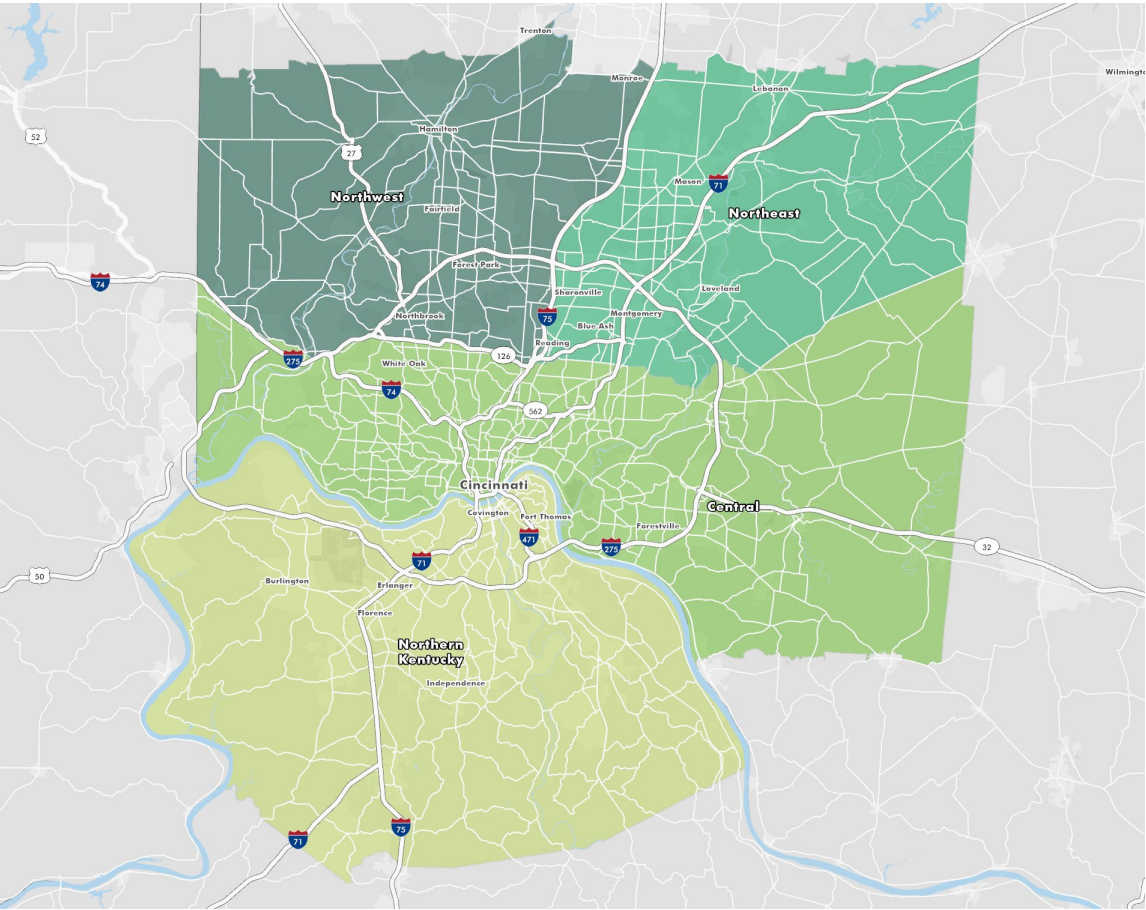
Source: US BLS, August 2024

Cincinnati, OH Unemployment Rate and Labor Force Trends



Source: US BLS, August 2024

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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