

FIGURES | CINCINNATI INDUSTRIAL | Q4 2022

# Leasing activity holds steady despite continued macroeconomic headwinds

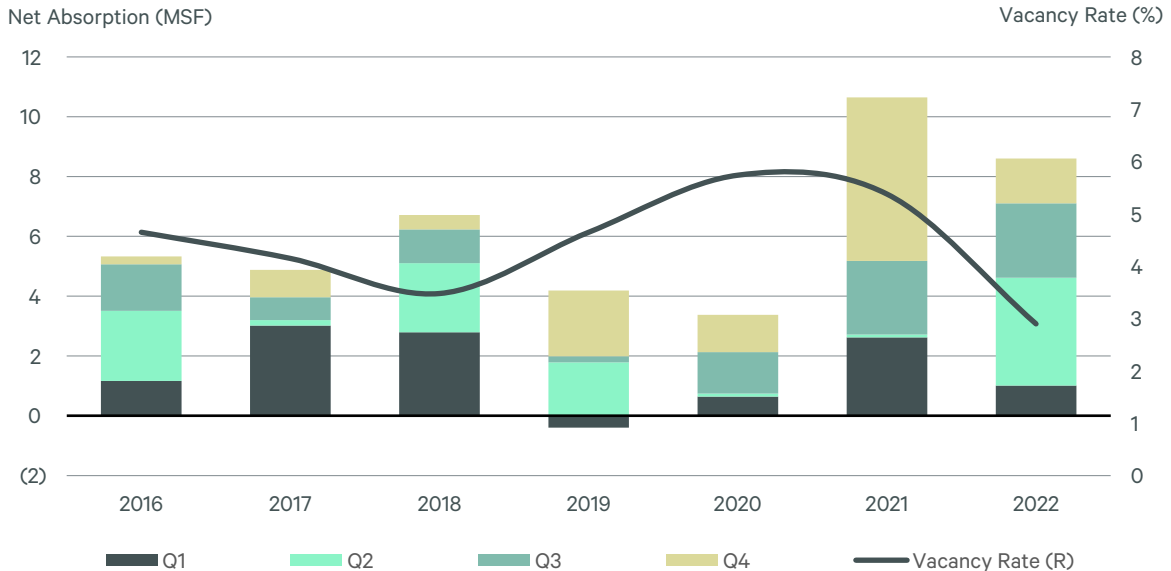


Note: Arrows indicate change from previous quarter.

## MARKET OVERVIEW

- Demand in the Greater Cincinnati industrial market can be illustrated by the consistent leasing volume quarter over quarter. Leasing activity in the fourth quarter surpassed 2.4 million sq. ft. of transaction volume proving industrial product is still a hot commodity.
- Vacancy is down 20 bps quarter-over-quarter in the Greater Cincinnati industrial market, with a lean 2.5% overall vacancy rate in the fourth quarter of 2022.
- Nearly 1.5 million sq. ft. of net absorption was recorded led by the SanMar Corporation's 234K sq. ft. deal in the Northeast submarket. This was the fifteenth consecutive quarter of positive net absorption.
- Over 2.7 million sq. ft. of construction was completed in Q4 2022. There is still nearly 10.4 million sq. ft. of projects currently under construction that are expected to be completed in the following quarters.

FIGURE 1: Net Absorption vs. Vacancy Rates

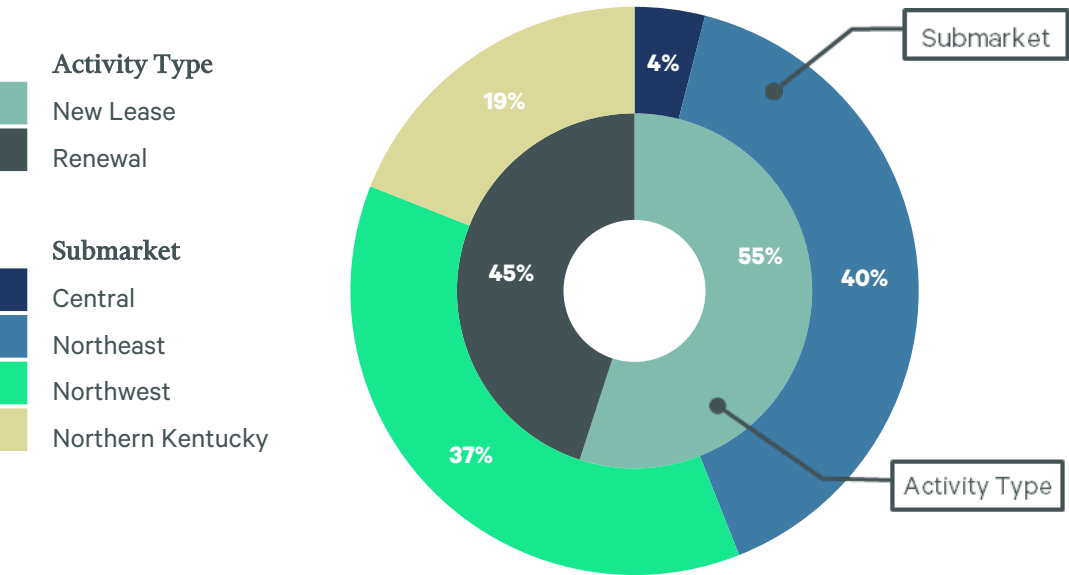


Source: CBRE Research, Q4 2022

## Leasing Activity Overview

Notwithstanding the multitude of external macroeconomic factors at play, leasing activity held steady in the fourth quarter of 2022. 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 2.4 million sq. ft. of lease transactions were recorded with 55.0% stemming from new deals, demonstrating the still evident demand for industrial space. The Northeast, Northwest and Northern Kentucky submarkets recorded the most activity with approximately 40.0%, 37.0% and 19.0% respectively. A diverse pool of tenants continued to compete for the submarket’s remaining industrial space. The apparel distributor, SanMar Corporation, signed the largest new lease this quarter with a 234K sq. ft. space at 2939 E. Crescentville Boulevard. Other sizeable new leases signed this quarter include Levi Strauss & Company with a 194K sq. ft. space at 2250 Progress Drive and SAF Holland with a 135K sq. ft. space at the recently completed 105 Mercantile Drive. The largest renewal signed this quarter was Cornerstone Brands with a monstrous 651K sq. ft. space at 535 Gateway Boulevard.

FIGURE 2: Deal Activity Snapshot



Source: CBRE Research, Q4 2022

FIGURE 3: Leasing Activity

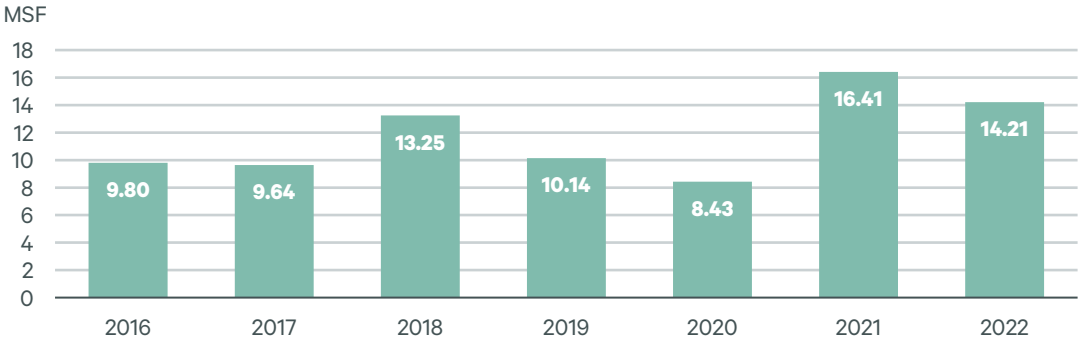


FIGURE 4: Key Transactions

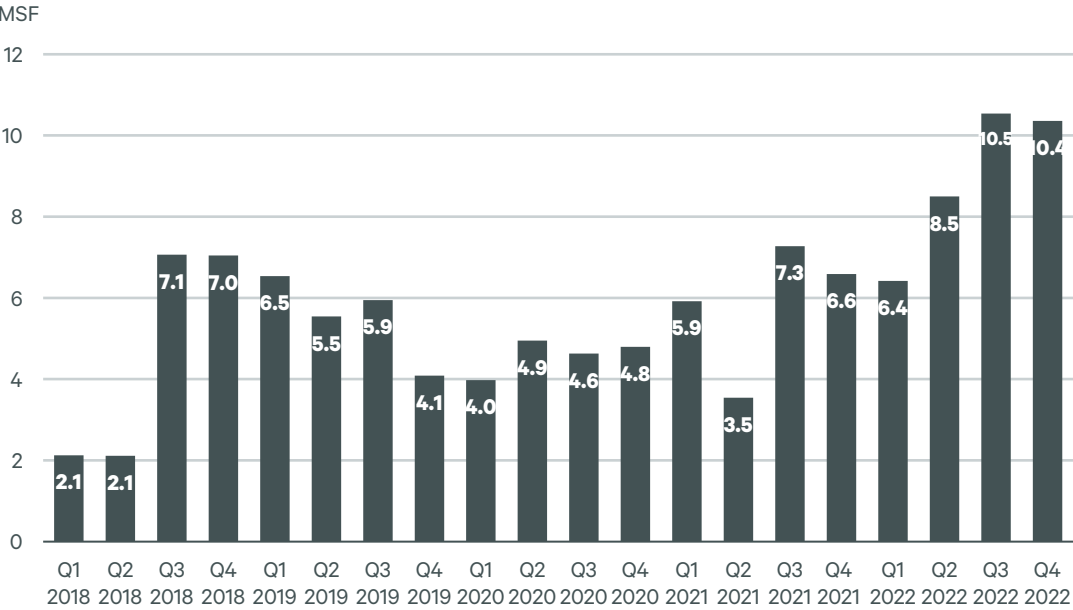
Transaction Type	Tenant / Buyer	Sq. Ft.	Address	Submarket
Renewal	Cornerstone Brands	651,492	535 Gateway Boulevard	Northeast
New Lease	SanMar Corporation	234,000	2939 E. Crescentville Boulevard	Northeast
New Lease	Levi Strauss & Company	194,100	2250 Progress Drive	Northern Kentucky
Renewal	PJ McNerney	166,400	5444 Duff Drive	Northwest
New Lease	SAF Holland	135,490	105 Mercantile Drive	Northwest
Renewal	Takeda Pharmaceuticals	96,000	9200 Brookfield Court	Northern Kentucky
New Lease	Gardens Alive	96,000	4400 Dixie Highway	Northwest
New Lease	PJ McNerney	93,600	5462 Duff Drive	Northwest
New Lease	HealthPro Brands	85,194	8509 Bilstein Boulevard	Northwest
New Lease	G3 Packaging	78,410	4273 Salzman Road	Northwest
New Lease	Haverty Furniture	71,878	4664 Brate Drive	Northwest
Renewal	Pacific Rim	70,000	7500 Empire Drive	Northern Kentucky

Source: CBRE Research, Q4 2022

## Construction

Over 2.7 million sq. ft. of construction was completed in Q4 2022. Core5 Industrial Partners completed construction on C5 Airport East Logistics Center Building's 2 and 3 totaling 869,291 sq. ft. Hillwood completed construction on Harrison Commerce Center totaling 533,676 sq. ft. in the Central submarket. Al Neyer completed construction on Fairfield Logistics Building 2 and Port Union Industrial Building totaling 512,397 sq. ft. in the Northwest submarket. Other large completions include Ambrose's Fairfield Commerce Park Building 4, Plymouth REIT's Fisher Industrial Park Building, and Amazon's build-to-suit project. Projects under construction are partial towards speculative, with about one-fourth being build-to-suit. There are projects under construction in each submarket, most notably Nestle's 1.2 million sq ft. build-to-suit and Core5 Industrial Partner's 1.2 million sq ft. C5 Encore Logistics Center Building 1.

FIGURE 5: Under Construction



Source: CBRE Research, Q4 2022

FIGURE 6: Construction by Submarket

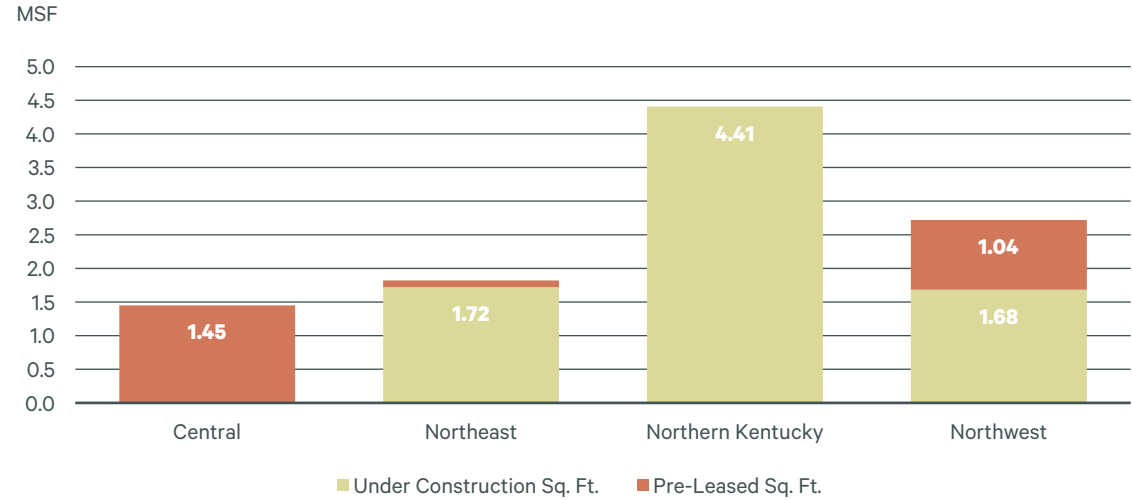
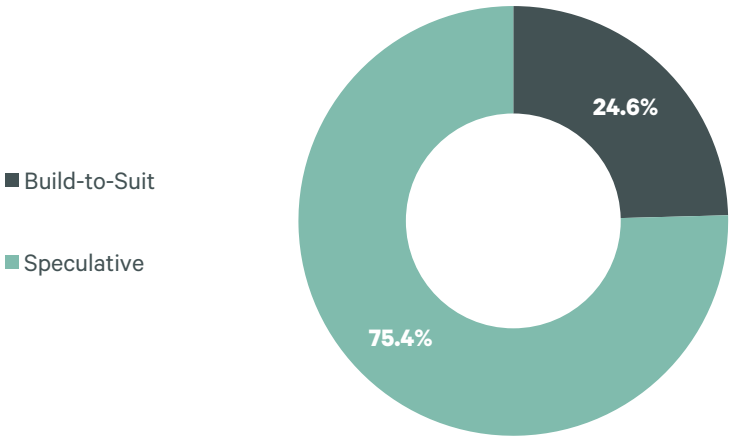


FIGURE 7: Under Construction Type

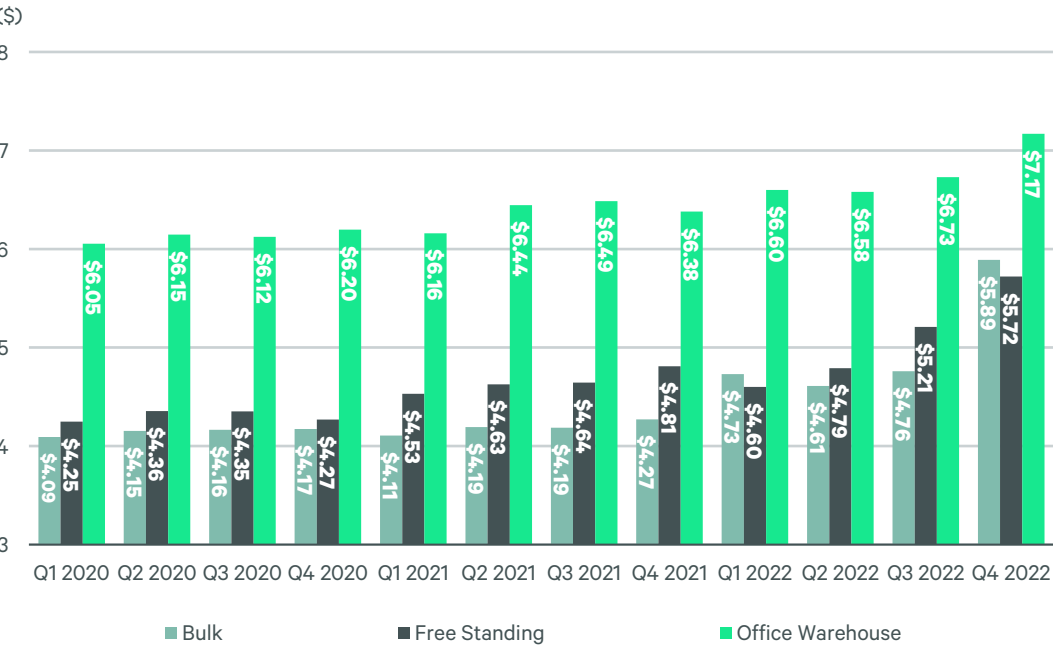


Source: CBRE Research, Q4 2022

## Lease Rates and Availability

Unsurprisingly, asking rents continued to increase in the Greater Cincinnati industrial market, with a quarter-over-quarter uptick of \$0.61 per sq ft. In the last year, the overall market has yet to see a decrease in rents quarter-over-quarter. With overall market availability remaining low, it's clear that the tight supply of industrial assets is fundamentally pushing rents to historic highs. Overall availability in the Greater Cincinnati industrial market dropped to 3.0% in the fourth quarter, down 50 bps quarter-over-quarter. Although waves of new supply are being added to the market, asking rates continue to rise given strong market fundamentals.. In addition to this, if cap rates continue to move upwards with interest rates, spec developers will continue to move asking rates upwards in hopes of a profitable exit.

FIGURE 8: Average Lease Rate by Building Type



Source: CBRE Research, Q4 2022

FIGURE 9: Availability Rates by Building Type

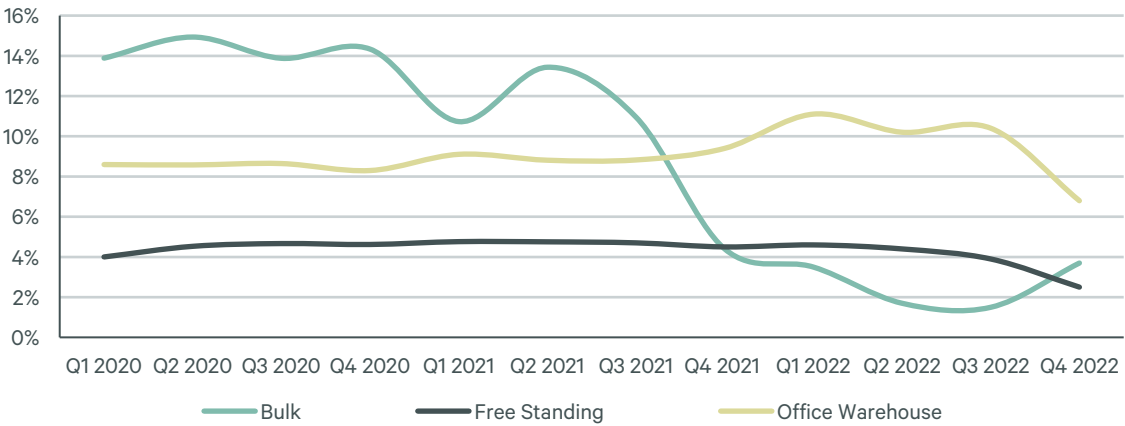


FIGURE 10: Overall Availability Rate vs. Average Lease Rate



Source: CBRE Research, Q4 2022

## Economic Overview

Everyone has been laser focused on inflation during the past year. Thankfully, the increase in the CPI has been decelerating due to improved supply chains, lower energy prices, and higher interest rates. Despite this good news, inflation remains a menace. Food and shelter prices are heightened, and fears persist that inflation is embedded in the labor market.

Consequently, the Federal Reserve continues its aggressive tightening program. The pace of recent rate hikes has been the most dramatic in decades and has increased volatility in the financial markets. Sharply reduced expectations of earnings growth in 2023, means that firms are looking to cut costs, helping to fulfill recessionary forecasts.

Some positive signals can be found in monthly payroll gains, but other labor market metrics are not so optimistic. Data from Challenger, Gray & Christmas, Inc. shows that the current level of layoff announcements is consistent with past recessions. This is paired with business surveys exhibiting deteriorating activity and consumers grappling with eroding savings. The upshot is we believe the economy will face a moderate recession in the first half of 2023.

FIGURE 11: Market Statistics by Submarket

Submarket	Inventory (Sq Ft.)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (Sq Ft.)	Average Lease Rate (\$)
Central	82,361,415	3.6	3.3	270,353	5.42
Northeast	67,156,693	2.2	1.9	187,911	7.10
Northwest	85,587,560	3.4	2.2	737,134	6.36
Northern Kentucky	81,851,387	2.7	2.4	301,742	5.27
Metro Total	316,957,055	3.0	2.5	1,497,140	5.99

Source: CBRE Research, Q4 2022

FIGURE 12: Market Statistics by Building Type

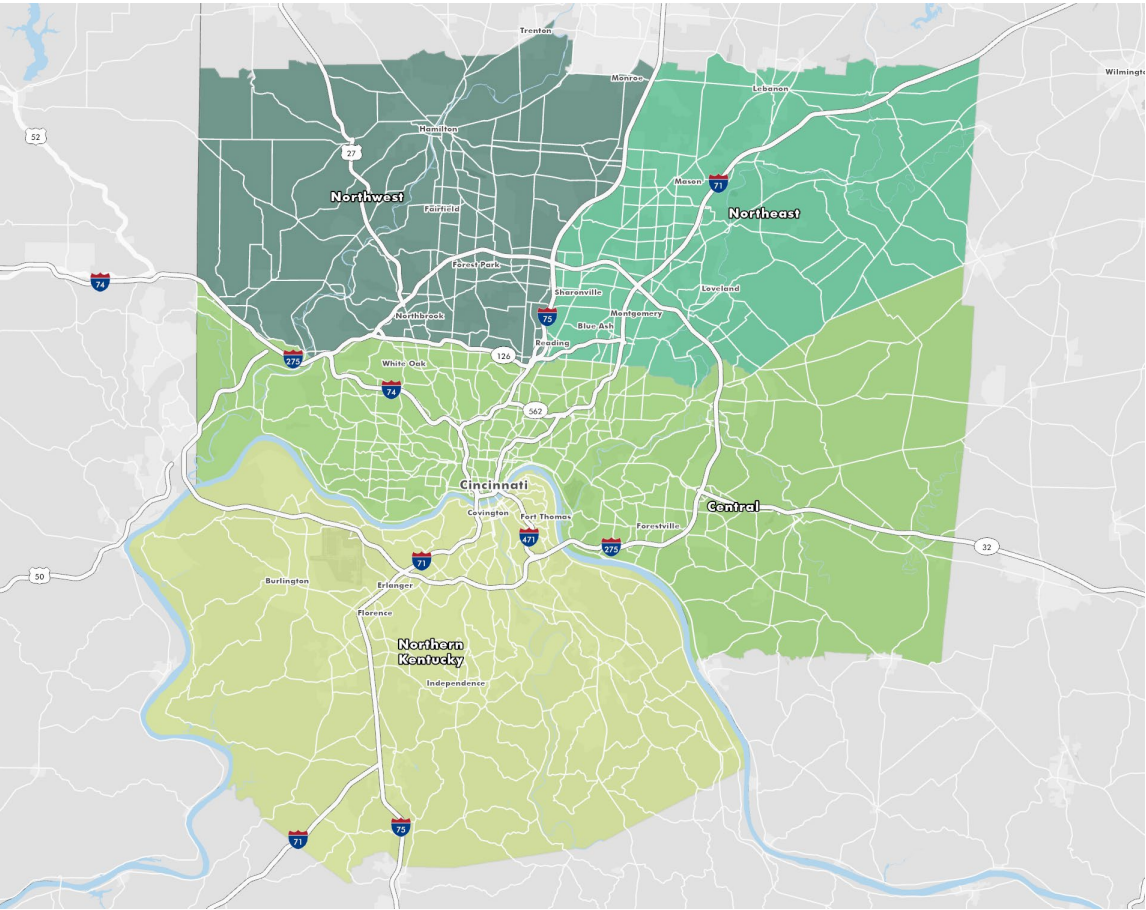
Building Type	Inventory (Sq Ft.)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (Sq Ft.)	Average Lease Rate (\$)
Freestanding	215,412,315	2.5	2.0	537,379	5.72
Bulk Warehouse	88,953,710	3.7	3.1	949,757	5.89
Office Warehouse	12,591,030	6.8	5.3	10,004	7.17
Metro Total	316,957,055	3.0	2.5	1,497,140	5.99

FIGURE 13: 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	-	1,450,000	533,676	50,000	583,676
Northeast	1,722,000	58,429	312,480	35,638	348,118
Northwest	1,682,313	1,037,058	588,877	228,681	817,558
Northern Kentucky	4,406,754	-	869,291	138,760	1,008,051
Metro Total	7,811,067	2,545,487	2,304,324	453,079	2,757,403

Source: CBRE Research, Q4 2022

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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