

FIGURES | CINCINNATI INDUSTRIAL | Q1 2023

New groundbreakings decline as backlog of projects continue to deliver

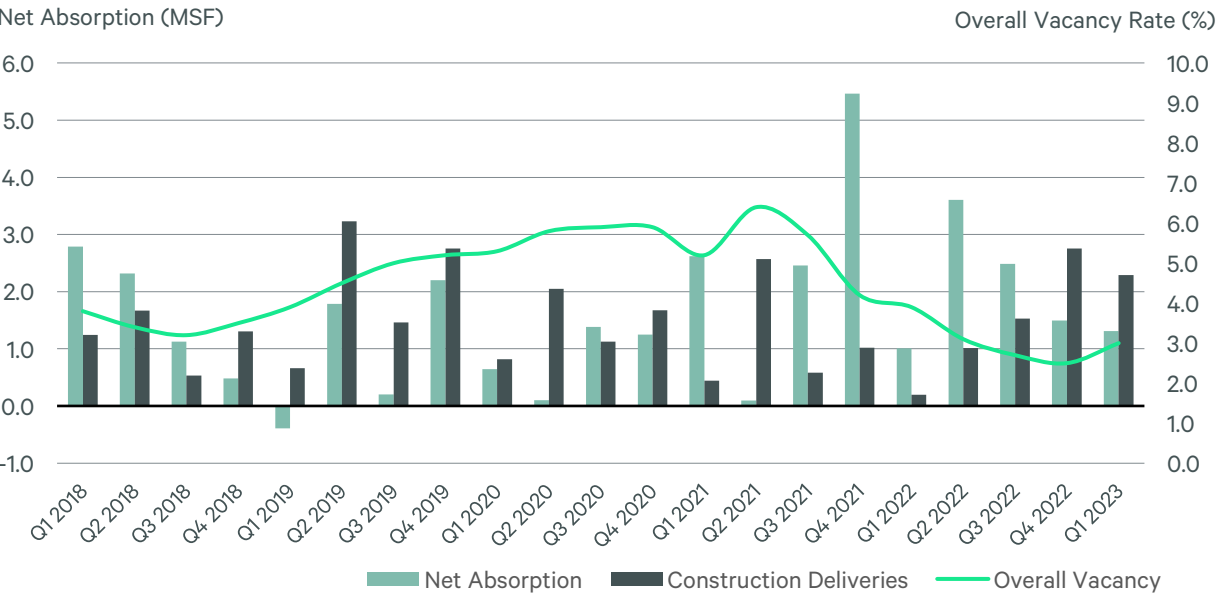


Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Demand in the Greater Cincinnati industrial market can be illustrated by the consistent leasing volume quarter over quarter.
- There was a \$0.10 per sq. ft. drop in asking rents in the first quarter of 2023, which can be attributed to newly completed construction and some existing bulk buildings that aren't quoting asking rents yet.
- Over 1.3 million sq. ft. of net absorption was recorded led by Nestle's 1.2 million sq. ft. build-to-suit completion in the Central submarket. This was the sixteenth consecutive quarter of positive net absorption.
- Nearly 2.3 million sq. ft. of construction was completed in the first quarter of 2023. There is just over 8.0 million sq. ft. of projects currently under construction with no new starts to begin the year.

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

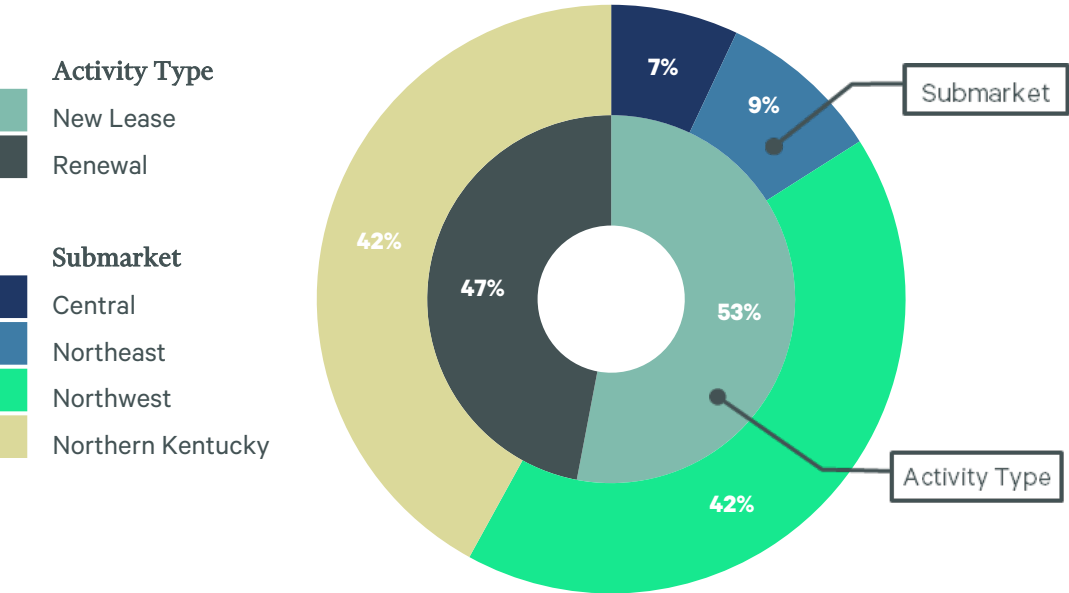


Source: CBRE Research, Q1 2023

Leasing Activity Overview

Notwithstanding the multitude of external macroeconomic factors at play, leasing activity held steady in the first 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. Nearly 3.3 million sq. ft. of transaction volume was recorded with 53.0% stemming from new deals, demonstrating the still evident demand for industrial space. The Northern Kentucky and Northwest submarkets recorded the most activity with 42.0% and 42.0% respectively. A diverse pool of tenants continued to compete for the submarket’s remaining industrial space. The costume distributor, Fun.com, signed the largest new lease this quarter with a 285K sq. ft. space at 1780 Garvey Avenue. Other sizeable new leases signed this quarter include FastTrack Auctions with a 173K sq. ft. space at 7405 Industrial Road, and Piqua Steel with a 103K sq ft. space at 11019 Kenwood Road. The largest renewal signed this quarter was Verst Group in their 396K sq. ft. space at 1226 Aviation Boulevard.

FIGURE 2: Deal Activity Snapshot



Source: CBRE Research, Q1 2023

FIGURE 3: Leasing Activity

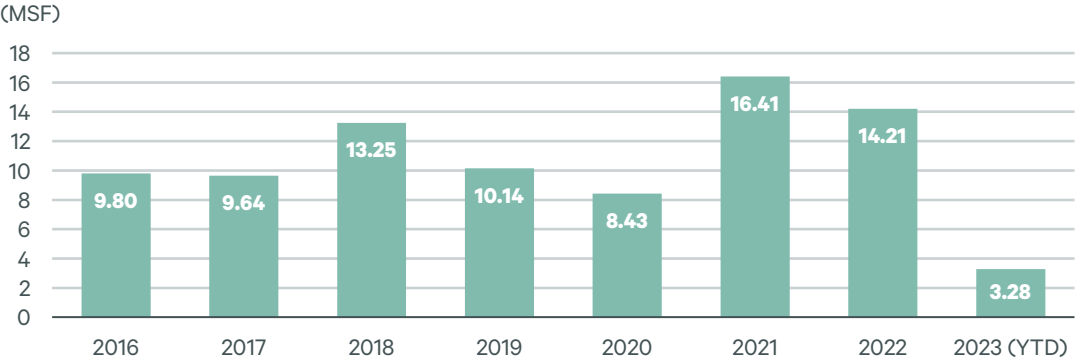


FIGURE 4: Key Transactions

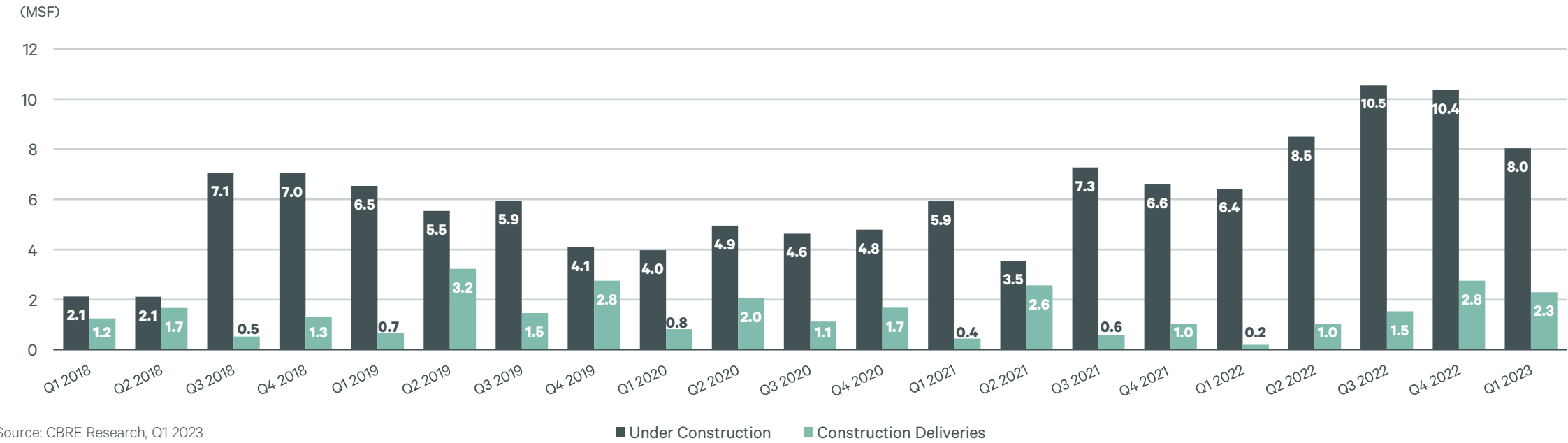
Transaction Type	Tenant / Buyer	Sq. Ft.	Address	Submarket
Renewal	Verst Group	396,000	1226 Aviation Boulevard	Northern Kentucky
New Lease	Fun.com	285,433	1780 Garvey Avenue	Northern Kentucky
New Lease	FastTrack Auctions	173,900	7405 Industrial Road	Northern Kentucky
Renewal	Sandvik, Inc.	160,497	2300 Worldwide Boulevard	Northern Kentucky
New Lease	Piqua Steel, Co.	103,415	11019 Kenwood Road	Northeast
New Lease	Richards Electric	102,000	1250 Tennessee Avenue	Central
New Lease	Encore Technologies	101,297	1441 Western Avenue	Central
New Lease	Lasership, Inc.	97,470	105 Mercantile Drive	Northwest
Renewal	Dollar General Partners	90,365	7585 Empire Drive	Northern Kentucky
Renewal	S&S Firestone	78,398	4250 Port Union Road	Northwest
New Lease	Dealer Tire	72,373	3680 Port Union Road	Northwest

Source: CBRE Research, Q1 2023

Construction

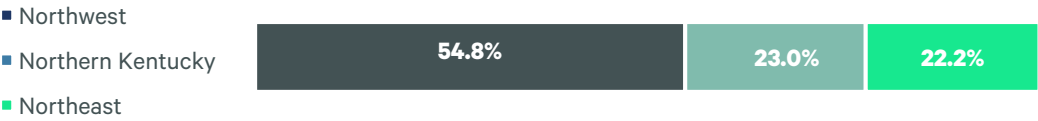
Nearly 2.3 million sq. ft. of construction was completed in the first quarter of 2023. Nestle Purina Petcare and Freestore Foodbank completed construction on their build-to-suit projects totaling 1,424,135 sq. ft. in the Central submarket. Koch Foods and the Aluminum Center of Excellence completed construction on their build-to-suit projects totaling 724,140 sq. ft. in the Northwest submarket. ProLogis completed construction on Fairfield Crossing totaling 144,746 sq. ft. in the Northwest submarket. There were no new groundbreakings in the first quarter of 2023 due to continued construction financing challenges and economic uncertainty. A backlog of forecasted deliveries should continue to balance the curbed demand created during the pandemic. Projects under construction are almost all speculative. There are projects under construction in three of four submarkets, most notably Core5 Industrial Partner’s 1.2 million sq ft. C5 Encore Logistics Center Building 1.

FIGURE 5: Under Construction vs. Construction Deliveries



Source: CBRE Research, Q1 2023

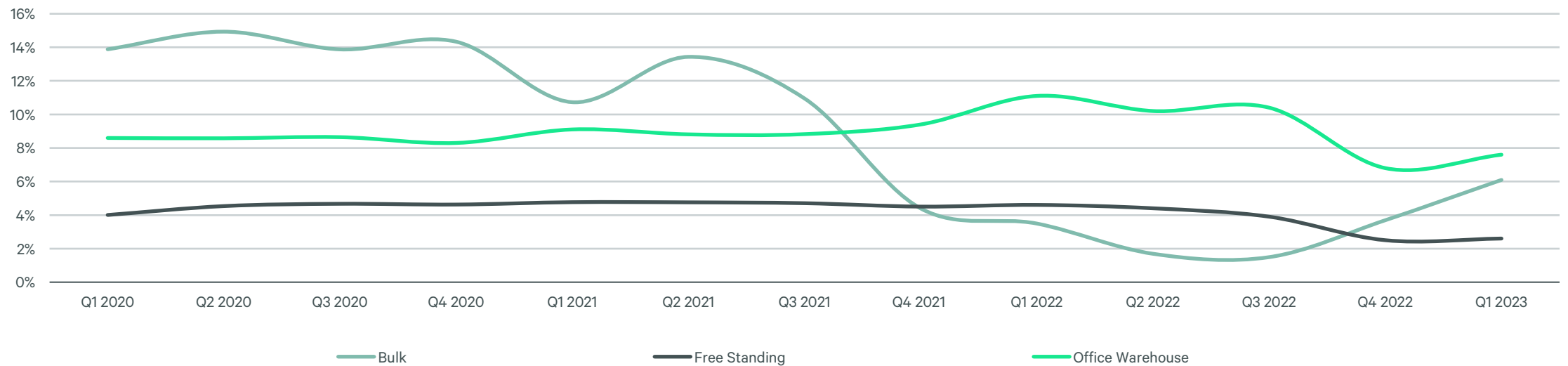
FIGURE 6: Under Construction by Submarket



Lease Rates and Availability

Asking rents plateaued during the first quarter of 2023, with a \$0.10 per sq. ft. drop from the previous quarter. Newly completed construction projects that aren't quoting asking rents yet help clarify the marginal decline seen in asking rents this quarter. 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 \$7.65 followed by free standing at \$6.05 and bulk warehouse at \$5.29. Overall availability remains near historic lows, although new supply and less demand may continue to chip away at the metric. Office warehouse recorded a 6.4% vacancy rate followed by bulk warehouse at 4.2% and free standing at 2.2%. Overall availability increased 80 bps to 3.8% quarter-over-quarter and is anticipated to increase further as demand may not be able to keep pace with new stock being delivered.

FIGURE 7: Availability Rate by Building Type



Source: CBRE Research, Q1 2023

FIGURE 8: Lease Rate by Building Type

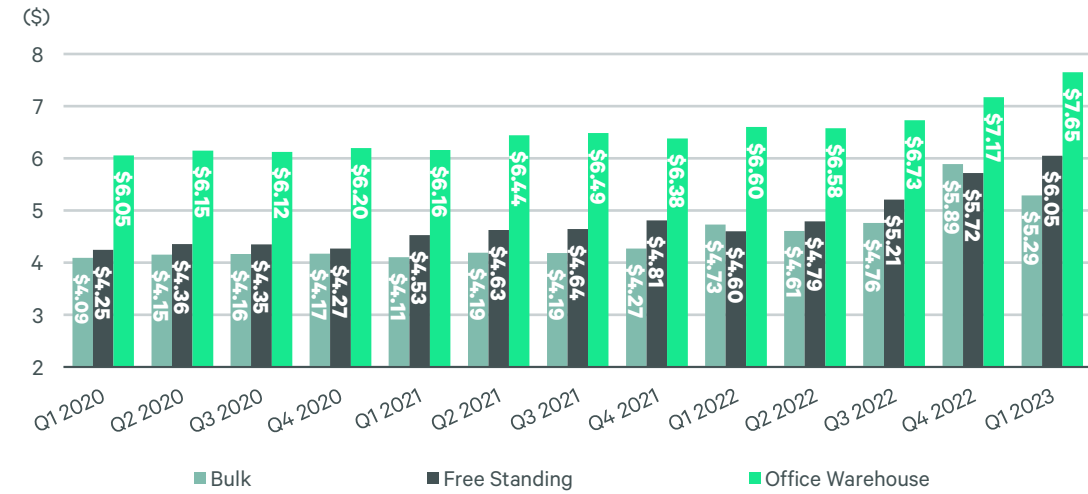


FIGURE 9: Market Statistics by Building Type

Building Type	Inventory (Sq Ft.)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (Sq Ft.)	Average Lease Rate (\$)
Freestanding	217,619,523	2.6	2.2	2,107,097	6.05
Bulk Warehouse	89,098,456	6.1	4.2	(673,401)	5.29
Office Warehouse	12,591,030	7.6	6.4	(121,833)	7.65
Metro Total	319,309,009	3.8	3.0	1,311,863	5.95

Job Growth - Year over Year Trend

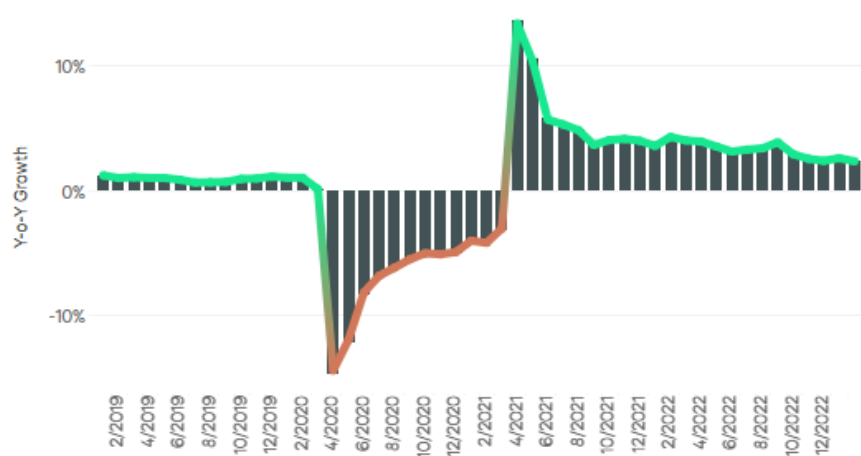


FIGURE 10: Market Statistics by Submarket

Submarket	Inventory (Sq Ft.)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (Sq Ft.)	Average Lease Rate (\$)
Central	83,773,706	3.8	3.6	1,435,340	5.92
Northeast	67,227,470	2.3	2.0	1,270	6.36
Northwest	86,456,446	4.1	2.3	773,248	6.43
Northern Kentucky	81,851,387	4.7	3.7	(897,995)	5.52
Metro Total	319,309,009	3.8	3.0	1,311,863	5.95

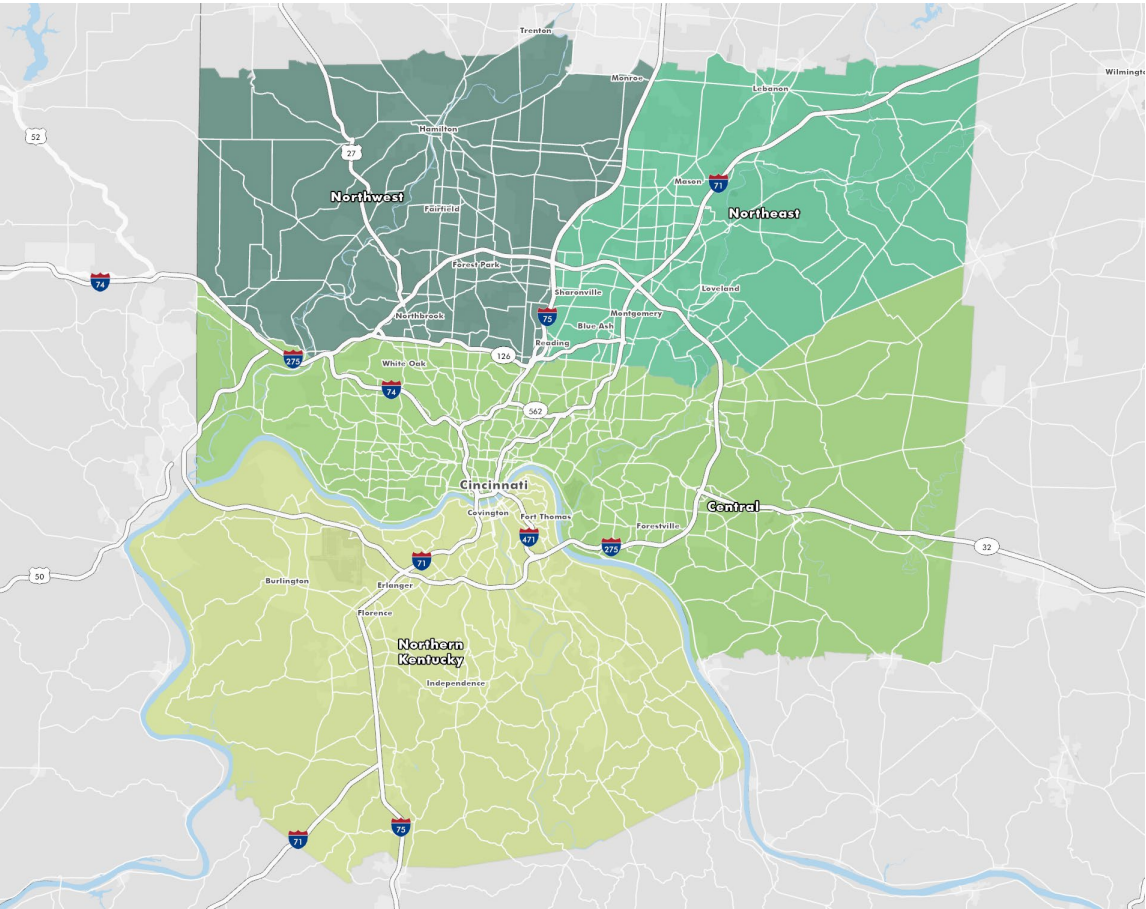
FIGURE 11: Construction Statistics

Submarket	Spec Under Construction (Sq. Ft.)	BTS Under Construction (Sq. Ft.)	Spec Completed (Sq. Ft.)	BTS Completed (Sq. Ft.)	Total Completed (Sq. Ft.)
Central	-	-	-	1,424,135	1,424,135
Northeast	1,722,000	58,429	-	-	-
Northwest	1,537,567	312,918	144,746	724,140	868,886
Northern Kentucky	4,406,754	-	-	-	-
Metro Total	7,666,321	371,347	144,746	2,148,275	2,293,021

Source: CBRE Research, Q1 2023

Source: CBRE Research, Q1 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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