

FIGURES | CINCINNATI INDUSTRIAL | Q1 2024

# Cincinnati experiences it's first slowdown in nearly five years

▲ 5.8%

Vacancy Rate

▼ (530,610)

SF Net Absorption

▼ 1.6M

SF Under Construction

▼ \$6.31

NNN / Lease Rate

▲ 6.7%

Availability Rate

▼ 443,475

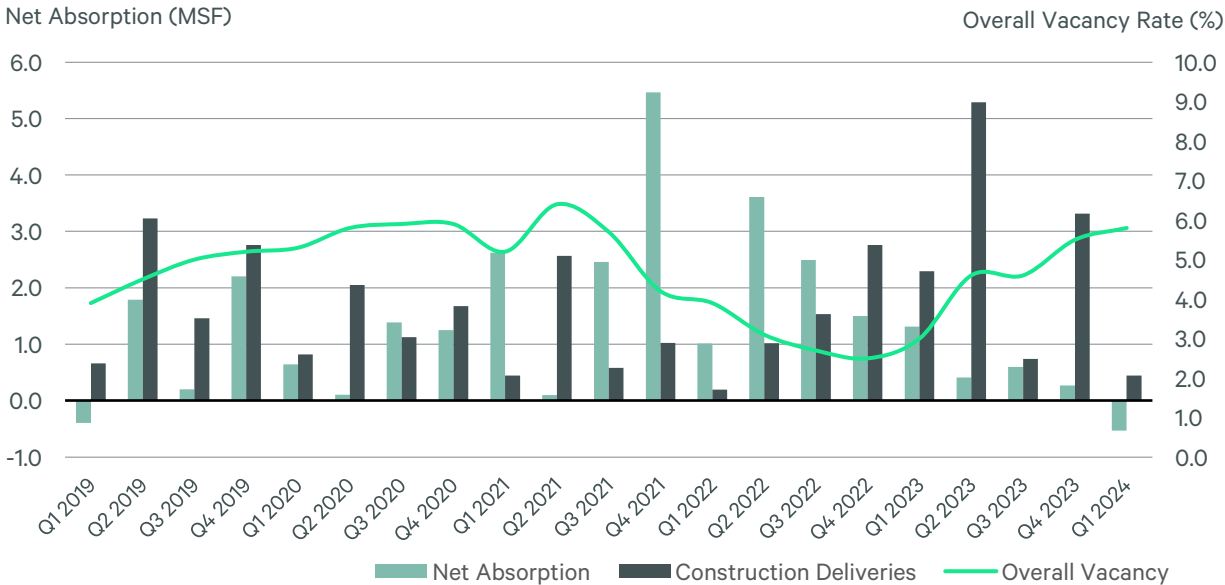
SF Construction Completed

Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- 530K sq. ft. of negative net absorption was recorded to begin the year led by Wayfair’s move out of 525K sq ft. at 1405 Worldwide Boulevard. Nineteen consecutive quarters of positive net absorption comes to an end.
- 443K sq. ft. of construction was completed in the first quarter of 2024. Pre-leasing and construction starts have steadily declined as of late amid rising debt costs and broader market volatility. There is just over 1.6 million sq. ft. of projects currently under construction.
- 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 a \$0.10 decline in asking rates from the previous quarter. Despite this marginal move, asking rates are on solid footing.

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

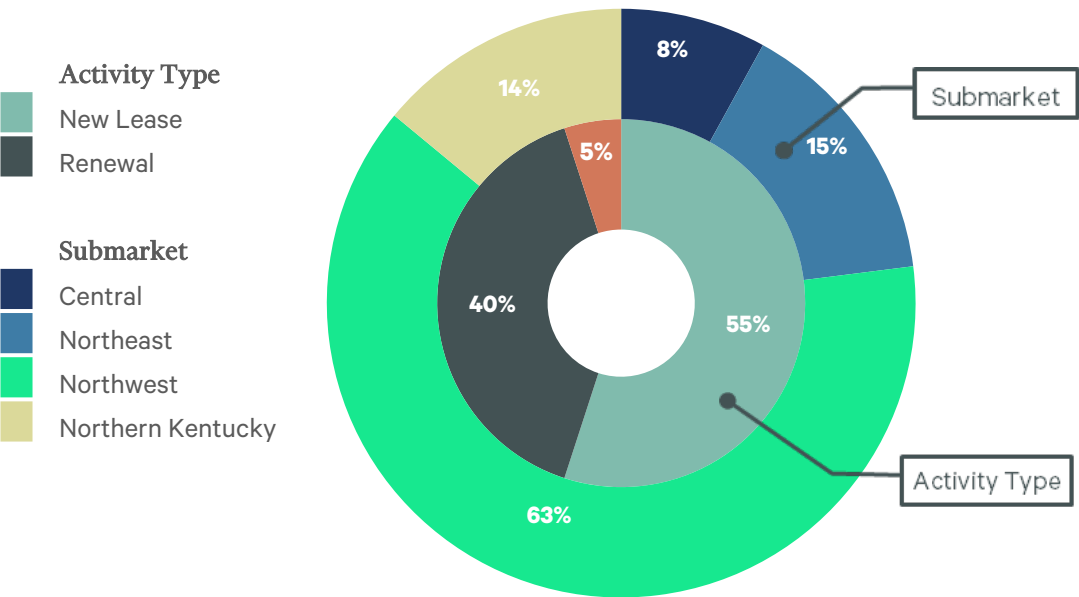


Source: CBRE Research, Q1 2024

## Leasing Activity Overview

Despite the first quarter of negative net absorption in nearly five years, leasing activity was strong to begin the year. Over 2.8 million sq. ft. of transaction volume was recorded with 55.0% stemming from new deals, demonstrating the still evident demand for industrial space. The Northwest submarket dominated the activity with 63.0% respectively. A diverse pool of tenants continued to compete for the remaining industrial space. The material handling solutions provider, TREW Automation, signed the largest new lease this quarter in Honeywell Automation’s former 263K sq. ft. space at 10045 International Boulevard. Other sizeable new leases signed this quarter include LPS Fulfillment with a 131K sq. ft. space at 2800 Henkle Drive and ProAmpac with a 79K sq. ft. space at 9220 Glades Drive. The largest renewal signed this quarter was the pet food brand, Blue Buffalo Enterprises, in their 553K sq. ft. space at 1201 Logistics Way. Other notable activity includes the full leasing of 1201 Aviation Boulevard to Mila International and Randy’s Worldwide who took 56K sq. ft. and 51K sq. ft. respectively. Two new tenants also signed the first leases at Seward Pointe Commerce Park Building 1. Cincinnati Radiator took 75K sq. ft. and Bodycote took 52K sq. ft.

FIGURE 2: Deal Activity Snapshot



Source: CBRE Research, Q1 2024

FIGURE 3: Leasing Activity

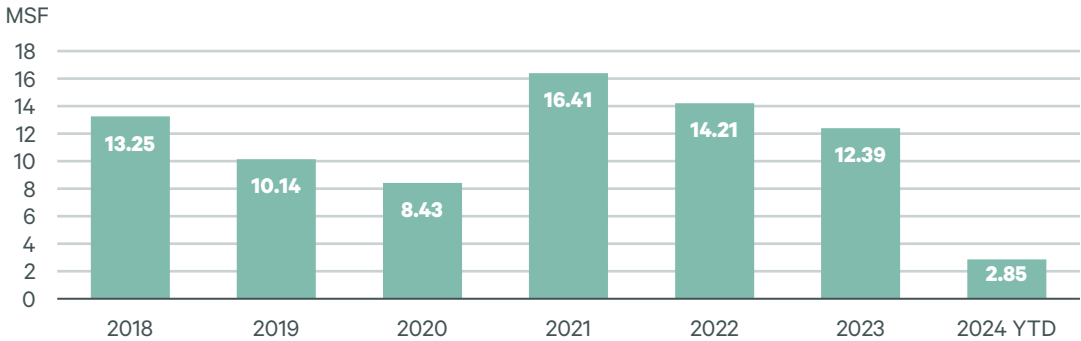


FIGURE 4: Key Transactions

Transaction Type	Tenant / Buyer	Sq. Ft.	Address	Submarket
Renewal	Blue Buffalo Enterprises	553,694	1201 Logistics Way	Northwest
New Lease	TREW Automation	263,000	10045 International Boulevard	Northwest
User Sale	Gold Medal Products	195,700	10975 Medallion Drive	Northeast
Sublease	Mako / CHEP	176,800	630 Commerce Center Drive	Northwest
New Lease	LPS Fulfillment	131,150	2800 Henkle Drive	Northeast
Renewal	Michelman, Inc.	121,200	3023 E Kemper Road	Northeast
User Sale	Cincinnati Children's Hospital	111,078	10995 Canal Road	Northeast
Renewal	ZF Group Wabco	101,460	845 Lindbergh Court	Northern Kentucky
Expansion	Verst Group	99,142	1981 James E Sauls Drive	Central
New Lease	ProAmpac	79,329	9220 Glades Drive	Northwest

Source: CBRE Research, Q1 2024

## Construction

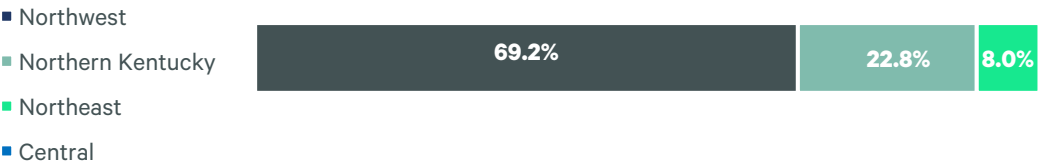
443K sq. ft. of construction was completed in the first quarter of 2024. Strategic Capital Partners completed construction on the speculative Springdale Commerce Park Building 4 totaling 374,475 sq. ft. in Springdale, Ohio. Italvibras completed construction on their 30K sq. ft. build to suit on Wright Boulevard in Hebron, Kentucky. Cincinnati Test Systems completed construction on their 27K sq. ft. addition at 10100 Progress Way in Harrison, Ohio. Suburban Steel Supply completed construction on the 12K sq. ft. speculative warehouse at 3020 Symmes Road in Hamilton, Ohio. There were only a couple new construction starts this quarter including Vega America’s 120K sq. ft. addition in Mason, Ohio. The most notable projects under construction include 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.

FIGURE 5: Under Construction vs. Construction Deliveries



Source: CBRE Research, Q1 2024

FIGURE 6: Under Construction by Submarket



## Lease Rates and Availability

The Cincinnati industrial market is experiencing a noteworthy increase in bulk availability, registering a 170 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 13.8% availability rate followed by office warehouse at 9.4% and free standing at 3.4%. Overall availability is 6.7% with a 20 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 a lot of speculative construction during the first half of 2024. There was a \$0.10 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 \$7.81 per sq. ft. This is followed by bulk warehouse at \$6.45 per sq. ft. and free standing at \$5.74 per sq. ft.

FIGURE 7: Availability Rate by Building Type



Source: CBRE Research, Q1 2024

FIGURE 8: Lease Rate by Building Type

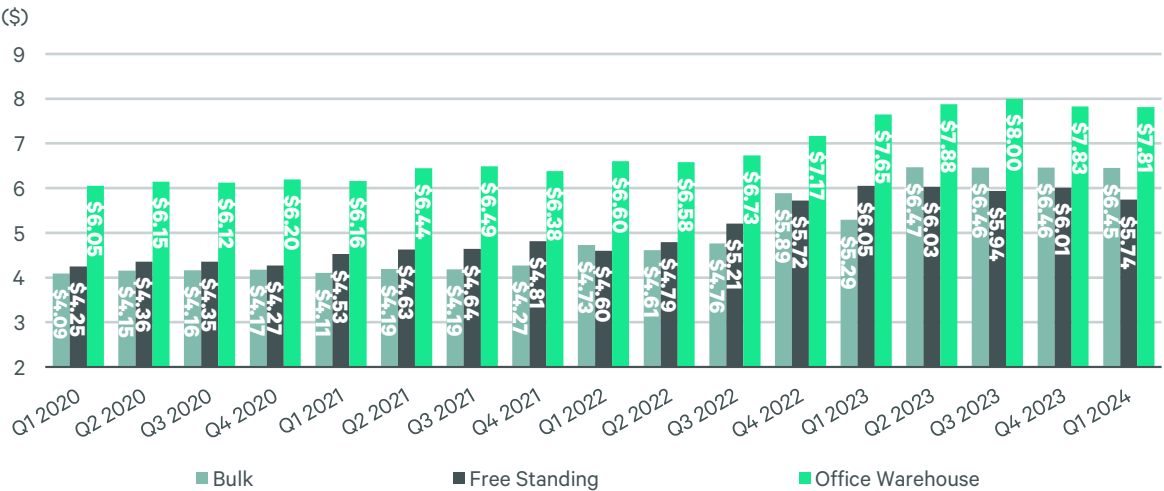


FIGURE 9: Market Statistics by Building Type

Building Type	Inventory (Sq Ft.)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (Sq Ft.)	Average Lease Rate (\$)
Freestanding	219,989,405	3.4	2.7	117,944	5.74
Bulk Warehouse	97,754,095	13.8	12.7	(589,284)	6.45
Office Warehouse	12,464,780	9.3	7.0	(59,270)	7.81
Metro Total	330,208,280	6.7	5.8	(530,610)	6.31

FIGURE 10: Market Statistics by Submarket

Submarket	Inventory (Sq Ft.)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (Sq Ft.)	Average Lease Rate (\$)
Central	83,768,100	4.4	3.8	26,773	5.48
Northeast	68,770,102	5.5	4.9	(65,542)	6.63
Northwest	90,820,151	5.4	4.0	(6,338)	6.69
Northern Kentucky	86,849,927	11.2	10.4	(485,503)	6.31
Metro Total	330,208,280	6.7	5.8	(530,610)	6.31

Source: CBRE Research, Q1 2024

## Economic Overview

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity. More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025. The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

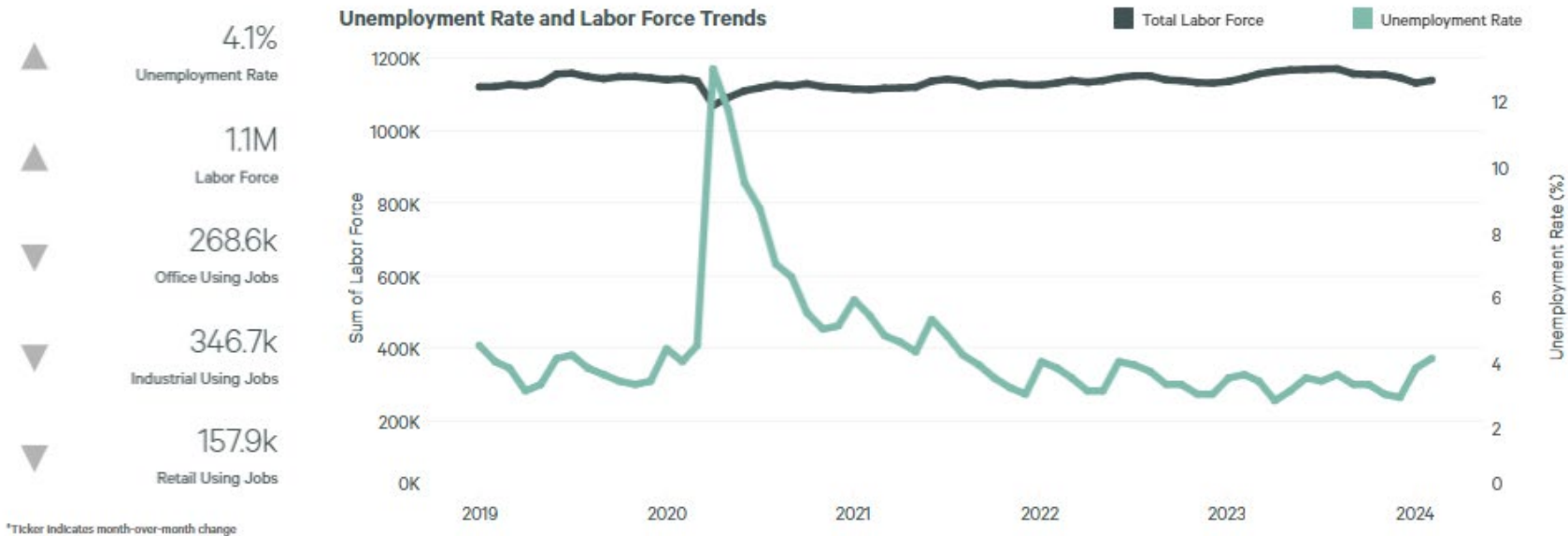
FIGURE 11: Construction Statistics

Submarket	Spec Under Construction (Sq. Ft.)	BTS Under Construction (Sq. Ft.)	Spec Completed (Sq. Ft.)	BTS Completed (Sq. Ft.)	Total Completed (Sq. Ft.)
Central	-	-	-	-	-
Northeast	-	133,315	-	-	-
Northwest	618,197	526,000	386,475	27,000	413,475
Northern Kentucky	-	378,430	-	30,000	30,000
Metro Total	618,197	1,037,745	386,475	57,000	443,475

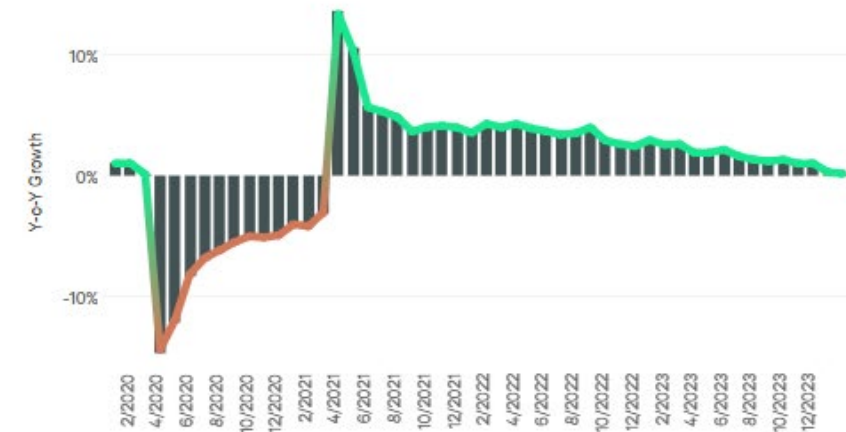
Source: CBRE Research, Q1 2024

FIGURES | MIDWEST U.S. | February 2024

# Employment Update - Cincinnati, OH



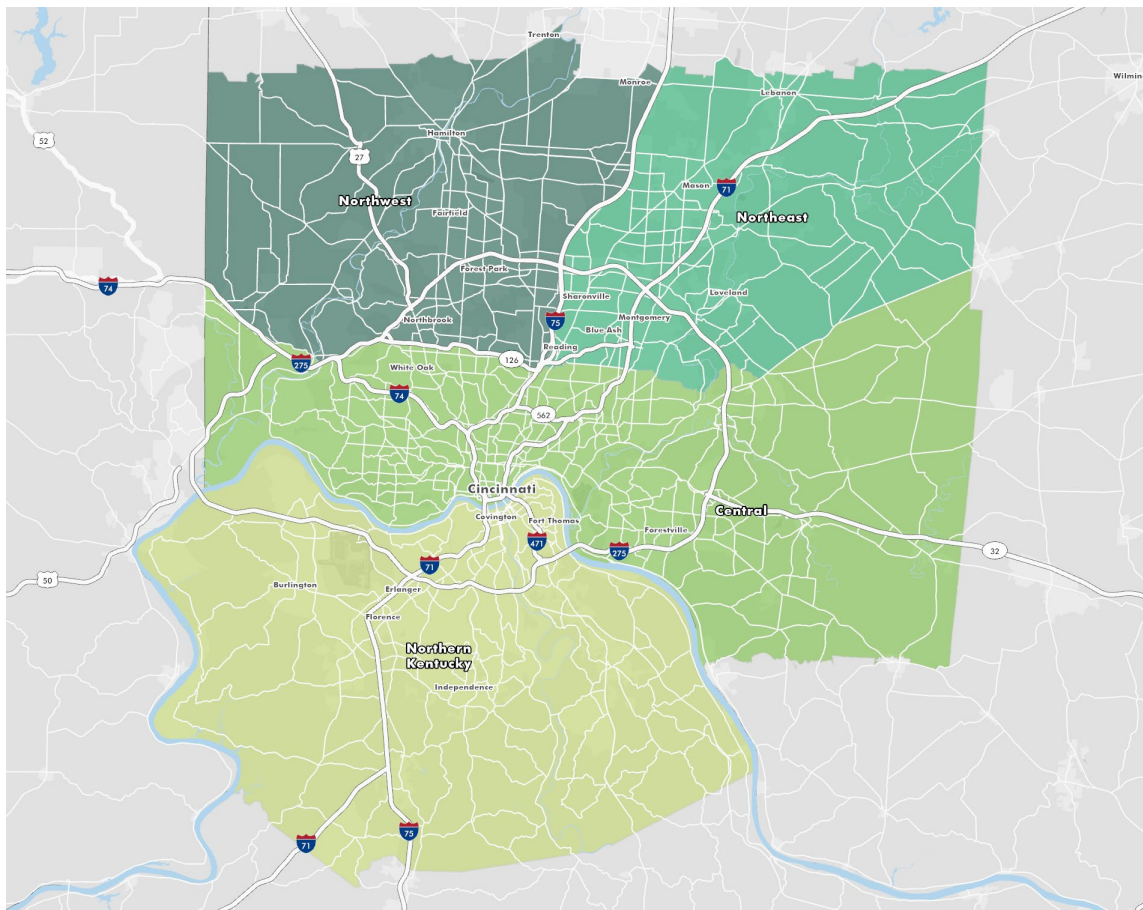
## Job Growth - Year over Year Trend



## Employment Change by Sector - Yearly & Monthly



## 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.

## Contacts

Parker Gilmore

Field Research Analyst  
+1 513 369 1620  
parker.gilmore@cbre.com

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