

MARKETBEAT CINCINNATI



CUSHMAN &
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Office Q4 2019

18.0%

Vacancy Rate*

YoY
Chg



12-Mo.
Forecast



10.7K

Net Absorption, SF*



\$19.41

Asking Rent, PSF*



(*Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

1.1M

Cincinnati
Employment

YoY
Chg



12-Mo.
Forecast



3.7%

Cincinnati
Unemployment Rate



3.6%

U.S.
Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

According to a recent study published by the U.S. Bureau of Economic Analysis, Greater Cincinnati's Gross Domestic Product (GDP) has grown at a faster rate than other Midwest peer cities. Between 2014 and 2018, the average annual GDP growth rate for Cincinnati was 2.0%, which placed it in the top half of U.S. metro areas. Cincinnati's GDP growth was also higher than Columbus (1.9%), Louisville (1.7%), Indianapolis (1.2%) and St. Louis (0.7%). As of 2018, the Cincinnati GDP was \$141 billion, making it the 28th-largest regional economy in the country. The unemployment rate in Greater Cincinnati has been at or below 4.0% for more than a year, and was 3.7% at the end of 2019.

SUPPLY AND DEMAND

While every quarter in 2019 saw direct positive net absorption, the pace of absorption steadily declined during the course of the year, ending with just 3,000 square feet (sf) of net absorption in Q4 2019. However, absorption for all of 2019 was greater than 330,000 sf.

In Q4, much of the absorption activity centered around the Class A Columbia Plaza building in the Central Business District (CBD). Western & Southern Financial Group moved into more than 126,000 sf on the upper floors of the building in what was one of the largest lease transactions in recent history. However, the expiration of a 66,000-sf Columbia Plaza lease by the U.S. Department of Energy significantly offset the level of positive absorption. From a macro perspective in Q4, negative net absorption in Class B and suburban buildings neutralized the positive absorption seen in the CBD and Class A buildings like Columbia Plaza.

The 30,000-sf Sycamore Executive Center (Phase II) in Kenwood was completed in Q4, making it the only speculative office construction completion in the area for all of 2019. Two 180,000-sf buildings are now under construction in the new "Uptown Gateway" corridor of the Midtown submarket located near I-71 and the University of Cincinnati.

PRICING

In Q4 2019, the total (direct) average asking lease rate reached an all-time high of \$19.39 psf gross. In a region where office asking rate growth has historically been modest, asking rates grew by 1.9% on a year-over-year basis. Rent growth was also similar in the Class A category, where the average asking rate reached \$22.12 psf gross in Q4 2019. Class A asking rates exceeded \$22.00 psf for the first time in the past seven quarters.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





VACANCY

Direct vacancy (which does not include sublease vacancy) in the Greater Cincinnati office market was 17.4% in Q4 2019. While vacancy rose slightly from the prior quarter, vacancy fell by 180 basis points (bps) on a year-over-year basis. Vacancy was under 18.0% for all of 2019.

Class B vacancy (18.9%) was higher than Class A vacancy (16.5%) in Q4, due to significant Class B vacancy in suburban submarkets Tri-County and Blue Ash. Conversely, the conversion of older buildings has led CBD Class B vacancy (12.3%) to be lower than CBD Class A vacancy (14.4%). However, the Class A vacancy rate in the CBD fell by nearly 300 bps over the past year due to new lease transactions.

LEASING ACTIVITY

While quarterly net absorption was extremely small, nearly 240,000 sf of new leases were signed in Q4 2019. The majority of this leasing took place in suburban submarkets. For all of 2019, more than 1.6 million square feet (msf) of leasing activating took place in Greater Cincinnati. Leasing activity is an indicator of future net absorption, most of which takes place three to nine months after a lease is first signed.

The largest new lease of the quarter took place in the CBD, where the Southwest Ohio Regional Transit Authority (SORTA) will move its headquarters to 23,000 sf at the Class A Huntington Center on Vine Street.

In the Ohio suburbs, River City Mortgage leased 7,300 sf at the Westlake Center in Blue Ash and NorthPoint Development leased 4,800 sf at the Linden Pointe at the Lateral I building, located in the Midtown submarket. In Northern Kentucky, Orion Portfolio Solutions renewed 13,000 sf and expanded by another 10,000 sf at the Airport Center West building in Hebron. Nearby, Payroll Partners Inc. leased 5,800 sf at Wright's Summit III in Fort Wright.

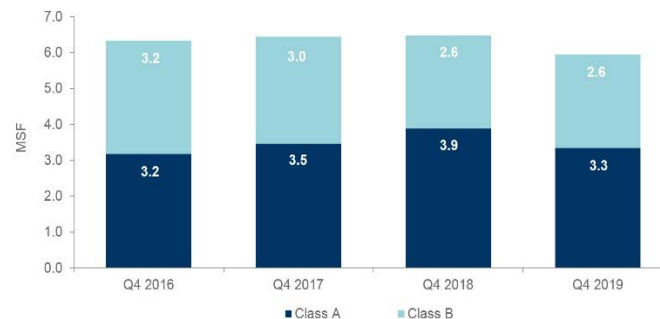
OUTLOOK

- If leasing trends continue from 2019, direct vacancy will approach 16.5% in 2020, which is the lowest vacancy rate for Greater Cincinnati in more than 15 years.
- 2019 leasing activity was strong and many of those leases will commence in 2020. As those leases commence, 2020 will have a solid base of positive net absorption. While net absorption is not likely to set records in 2020, it should exceed the 330,000 sf seen in 2019.
- Average asking rates reached a record-level \$19.39 psf gross in Q4 2019. New records will continue to be set as asking rates continue to slowly increase in 2020.

VACANCY RATE COMPARISON



VACANT SPACE BY CLASS



ASKING RENT BY SUBMARKET (Q4 2019)





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT (ALL CLASSES)**	DIRECT AVG ASKING RENT (CLASS A)**
CENTRAL BUSINESS DISTRICT	12,429,817	22,257	1,687,507	13.6%	28,197	61,422	457,977	0	\$21.26	\$22.66
Blue Ash	4,406,228	80,659	810,712	18.4%	-29,714	53,568	381,858	0	\$20.50	\$23.98
Kenwood	1,350,159	10,955	166,474	12.3%	-27,339	-63,982	22,644	0	\$24.28	\$28.91
Mason/Montgomery	2,505,521	21,482	494,164	19.7%	57,184	53,599	148,574	0	\$18.63	\$20.10
Midtown	3,639,230	22,030	695,133	19.1%	-6,516	96,734	204,992	360,000	\$18.12	\$26.06
Northern Kentucky	3,473,507	16,747	721,090	20.8%	-26,951	65,132	137,393	0	\$20.58	\$21.56
Tri-County/Sharonville	2,794,103	0	736,861	26.4%	15,577	37,585	171,354	0	\$15.13	\$16.90
West Chester	1,504,065	0	154,292	10.3%	7,246	60,597	83,385	0	\$22.85	\$23.33
East	1,124,218	0	270,100	24.0%	-8,002	-19,083	24,400	0	\$14.63	\$20.38
West	884,558	0	215,893	24.4%	-6,398	-13,628	0	0	\$13.94	\$17.25
SUBURBAN TOTALS	21,681,589	151,873	4,264,719	19.7%	-24,913	270,522	1,174,600	0	\$18.63	\$21.80
CLASS A TOTALS	20,273,361	141,023	3,342,164	16.5%	67,574	225,621	1,079,520	360,000	\$22.12	\$22.12
CLASS B TOTALS	13,838,045	33,107	2,610,062	18.9%	-64,290	106,323	553,057	0	\$15.77	N/A
CINCINNATI TOTALS	34,111,406	174,130	5,952,226	17.4%	3,284	331,944	1,632,577	360,000	\$19.39	\$22.12

*Denotes new lease signed in a given year

**Rental rates reflect full service gross asking

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
101-151 West Seventh Street	Central Business District	Young & Rubicam (Landor)	40,778	Renewal*
2300 Litton Lane	Northern Kentucky	Orion Portfolio Solutions	23,408	Renewal & Exp.
302 West Third Street	Central Business District	EG Retail America LLC	23,330	Renewal*
525 Vine Street	Central Business District	Southwest Ohio Regional Transit Auth. (SORTA)	22,555	New Lease
4680 Parkway Drive	Mason/Montgomery	Summit Funding Group	21,792	Renewal*
4623 Wesley Avenue	Midtown	Down Syndrome Association	7,926	Renewal & Exp.
4555 Lake Forest Drive	Blue Ash	River City Mortgage	7,329	New Lease
809 Wright's Summit Parkway	Northern Kentucky	Indiana Institute of Technology	6,195	Renewal*

*Renewals not included in leasing activity statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
300 Main Street	Central Business District	300 Main Ltd. / CLC 300 Main Street LLC	25,000	\$1.4M / \$56
10641-10653 Techwoods Circle	Blue Ash	Woodtech Circle Ltd. / TIA Holdings Blue Ash	17,633	\$3.4M / \$195

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A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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OFFICE SUBMARKETS

Fourth Quarter 2019**Total Market**

Rentable: 34,111,406
 Direct Vacant: 5,952,226
 Direct Vacancy Rate: 17.4%
 YTD Direct Absorption: 331,944

Tri-County/Sharonville

Rentable: 2,794,103
 Direct Vacant: 736,861
 Direct Vacancy Rate: 26.4%
 YTD Direct Absorption: 37,585

West Chester

Rentable: 1,504,065
 Direct Vacant: 154,292
 Direct Vacancy Rate: 10.3%
 YTD Direct Absorption: 60,597

Mason/Montgomery

Rentable: 2,505,521
 Direct Vacant: 494,164
 Direct Vacancy Rate: 19.7%
 YTD Direct Absorption: 53,599

West

Rentable: 884,558
 Direct Vacant: 215,893
 Direct Vacancy Rate: 24.4%
 YTD Direct Absorption: -13,628

Midtown

Rentable: 3,639,230
 Direct Vacant: 695,133
 Direct Vacancy Rate: 19.1%
 YTD Direct Absorption: 96,734

Blue Ash

Rentable: 4,406,228
 Direct Vacant: 810,712
 Direct Vacancy Rate: 18.4%
 YTD Direct Absorption: 53,568

Kenwood

Rentable: 1,350,159
 Direct Vacant: 166,474
 Direct Vacancy Rate: 12.3%
 YTD Direct Absorption: -63,982

Central Business Dist. (CBD)

Rentable: 12,429,817
 Direct Vacant: 1,687,507
 Direct Vacancy Rate: 13.6%
 YTD Direct Absorption: 61,422

Northern Kentucky

Rentable: 3,473,507
 Direct Vacant: 721,090
 Direct Vacancy Rate: 20.8%
 YTD Direct Absorption: 65,132

East

Rentable: 1,124,218
 Direct Vacant: 270,100
 Direct Vacancy Rate: 24.0%
 YTD Direct Absorption: -19,083

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