MARKETBEAT

CINCINNATI

Industrial Q2 2022

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
1.9% Vacancy Rate	▼	▲
4.0M Net Absorption, SF	▲	▼
$5.38 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

(NOTE: Remainder of this report cites Direct statistics and not Overall statistics, which includes sublease vacancy.)

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
1.1M Cincinnati Employment	▲	▲
3.4% Cincinnati Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics

ECONOMY

The unemployment rate in Greater Cincinnati fell over the past year from 4.7% in Q2 2021 to just 3.4% as of Q2 2022. Local unemployment was even less than the national rate of 3.6%.

Site Selection Magazine recently released its annual "Governor's Cup" rankings for economic development and new corporate facility projects. Among metropolitan areas with more than 1 million residents, Greater Cincinnati placed seventh overall for major corporate capital investment / construction projects, which was up from its previous year's ranking of ninth overall.

SUPPLY AND DEMAND: Vacancy at record low and absorption at record high

Despite reaching a three-year low in Q1 2022, direct vacancy (excluding vacant subleases) in Greater Cincinnati set a record low in Q2 2022, at just 1.8%. On a year-over-year (YOY) basis, vacancy fell by an astounding 285 basis points (bps). With 333,000 sf of sublease vacancies included, Q2 overall vacancy was 1.9%. Total bulk distribution vacancy (modern + traditional) also fell dramatically on a yearly basis from more than 10.0% to less than 2.0%.

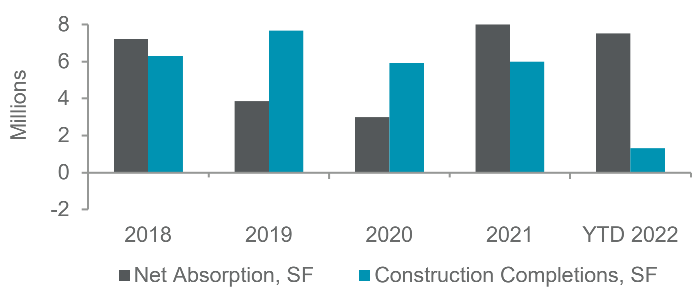
Greater Cincinnati experienced its 44th consecutive quarter of positive direct net absorption Q2 2022 at 3.9 million square feet (msf), which pushed 2022 year-to-date absorption to 7.5 msf. By comparison, full-year 2021 net absorption was 8.4 msf. Over 1.3 msf of new construction was delivered to the market in the first half of 2022, including the 616,000-sf modern bulk Fairfield Commerce Park – III located in the Northwest submarket. Apart from deliveries, 8.5 msf was under construction across the region.

The largest source of Q2 net absorption was the 1.1-msf lease of Park South at Richwood – Building B by Cincinnati-based 3PL Commonwealth, Inc. This was the largest single lease transaction in the Cincinnati market in the past five years. Levi-Strauss also moved into the entire 576,000-sf Erlanger Commerce Center #3, located at the intersection of I-75/71 and I-275 in Northern Kentucky. In the Northwest submarket, an international e-commerce tenant took occupancy of the 721,000-sf Monroe Logistics Center near State Route 63. After a strong first quarter of 3.6 msf, Q2 2022 new leasing activity set a near-record level of 4.2 msf. Leasing activity is comprised of new lease executions, indicating future positive net absorption once tenants take occupancy.

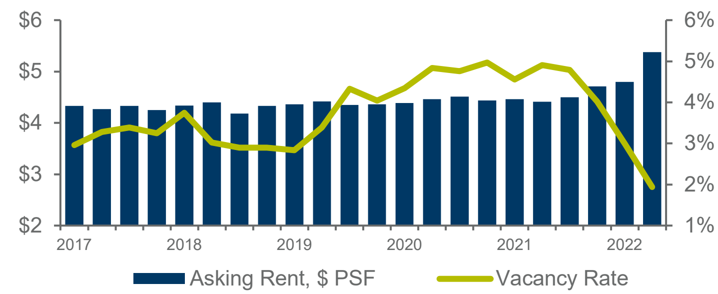
PRICING: Asking rents grew more than 10.0% yearly

Across all categories, direct average asking rates were $5.40 per square foot (psf) net in Q2 2021, which was a 12.0% increase year-over-year. The unusually high YOY asking rate increase could be attributed to extremely low vacant space in the market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT AVERAGE ASKING RENT*
BULK DISTRIBUTION (W/D)									
MODERN (CLASS A)									
Central	721,260	0	0.0%	0	0	0	533,676	0	N/A
Northeast	534,560	0	0.0%	0	0	0	0	0	N/A
Northern Kentucky	37,478,153	0	0.0%	2,245,648	4,056,646	3,325,805	3,951,909	195,954	N/A
Northwest	31,130,786	1,248,919	4.0%	1,010,053	1,154,702	1,444,397	1,817,119	615,600	$4.84
MODERN BULK TOTALS	**69,864,759**	**1,248,919**	**1.8%**	**3,255,701**	**5,211,348**	**4,770,202**	**6,302,704**	**811,554**	**$4.84**
TRADITIONAL (CLASS B)									
Central	1,790,402	0	0.0%	0	0	39,375	0	0	N/A
Northeast	2,762,230	0	0.0%	223,644	354,794	354,794	0	0	N/A
Northern Kentucky	8,907,004	73,019	0.8%	43,739	210,601	374,015	0	0	N/A
Northwest	13,357,049	267,209	2.0%	-22,600	119,027	396,473	0	0	$4.35
TRADITIONAL BULK TOTALS	**26,816,685**	**340,228**	**1.3%**	**244,783**	**684,422**	**1,164,657**	**0**	**0**	**$4.35**
BULK DISTRIBUTION (M+T) TOTALS	**96,681,444**	**1,516,128**	**1.6%**	**3,500,484**	**5,895,770**	**5,934,859**	**6,302,704**	**811,554**	**$4.75**
LIGHT INDUSTRIAL (W/D)									
Central	26,059,764	240,153	0.9%	15,224	179,793	148,361	195,000	60,000	$6.14
Northeast	10,643,735	49,088	0.5%	96,820	306,370	249,686	0	0	$8.26
Northern Kentucky	16,405,310	53,808	0.3%	70,956	301,127	242,806	0	26,800	$7.99
Northwest	34,535,613	471,641	1.4%	-185,465	-117,857	213,789	22,500	73,753	$7.71
LIGHT INDUSTRIAL TOTALS	**87,644,422**	**814,690**	**0.9%**	**-2,465**	**669,433**	**854,642**	**217,500**	**160,553**	**$7.20**
WAREHOUSE / DISTRIBUTION TOTALS	**184,332,151**	**3,319,965**	**1.8%**	**3,498,019**	**6,565,203**	**6,789,501**	**6,520,204**	**972,107**	**$5.43**

*Rental rates reflect weighted net asking $psf/year

STATISTICS CONTINUED ON THE NEXT PAGE

Explanation of Building Category Characteristics

- MODERN BULK DISTRIBUTION – Also known as “Class A.” Buildings generally constructed since 1994 which were designed for large-scale distributors, with ceiling clear heights of at least 28 feet.
- TRADITIONAL BULK DISTRIBUTION – Also known as “Class B.” Buildings generally constructed before 2000 which were designed for large-scale distributors, typically with ceiling clear heights of less than 28 feet.
- LIGHT INDUSTRIAL – Buildings constructed for warehousing, distribution or non-manufacturing uses, but cannot be classified as large-scale bulk distribution centers. Buildings vary greatly in size and age.
- WAREHOUSE / DISTRIBUTION (W/D) – Combined total of all Bulk Distribution and Light Industrial buildings.
- MANUFACTURING (MF) – Buildings constructed specifically for the production, research and development of goods. Buildings are typically single-tenant and vary greatly in size and age.
- OFFICE SERVICE (OS) – Also known as “flex” or “office warehouse.” Industrial buildings which are typically multi-tenant, with a heavy percentage of office space and ceiling clear heights of less than 22 feet.

MARKET STATISTICS - CONTINUED

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	DIRECT AVERAGE ASKING RENT*
MANUFACTURING									
Central	43,912,955	1,091,027	2.5%	224,494	210,316	226,928	1,250,000	32,000	$3.62
Northeast	15,284,321	12,709	0.1%	0	228,654	0	0	230,000	$8.72
Northern Kentucky	15,984,680	334,780	2.1%	210,000	223,940	101,250	0	0	$4.26
Northwest	33,663,237	121,682	0.4%	30,838	107,578	54,240	781,006	84,740	$5.40
MANUFACTURING TOTALS	**108,845,193**	**1,560,198**	**1.4%**	**465,332**	**770,488**	**382,418**	**2,031,006**	**346,740**	**$4.09**
OFFICE SERVICE (OFFICE WAREHOUSE)									
Central	1,094,936	115,940	10.6%	32,301	42,540	42,339	0	0	$8.55
Northeast	2,260,074	106,782	4.7%	-17,414	52,597	89,515	0	0	$7.98
Northern Kentucky	4,149,291	148,787	3.6%	-23,950	-19,754	149,943	0	0	$6.89
Northwest	6,814,616	392,337	5.8%	-50,316	105,317	320,620	0	0	$7.03
OFFICE SERVICE TOTALS	**14,318,917**	**763,846**	**5.3%**	**-59,379**	**180,700**	**602,417**	**0**	**0**	**$7.43**
SUBMARKET TOTALS									
Central	73,579,317	1,466,962	2.0%	272,019	432,649	457,003	1,978,676	92,000	$4.82
Northeast	31,484,920	168,579	0.5%	303,050	942,415	693,995	0	230,000	$8.10
Northern Kentucky	82,924,438	1,301,609	1.6%	2,546,393	4,772,560	4,193,819	3,951,909	222,754	$5.25
Northwest	119,507,586	2,706,859	2.3%	782,510	1,368,767	2,429,519	2,620,625	774,093	$5.50
CINCINNATI TOTALS	**307,496,261**	**5,644,009**	**1.8%**	**3,903,972**	**7,516,391**	**7,774,336**	**8,551,210**	**1,318,847**	**$5.40**

**Rental rates reflect weighted net asking $psf/year*

JARRETT HICKS
Associate Director of Research
+1 513 322-3802
jarrett.hicks@cushwake.com

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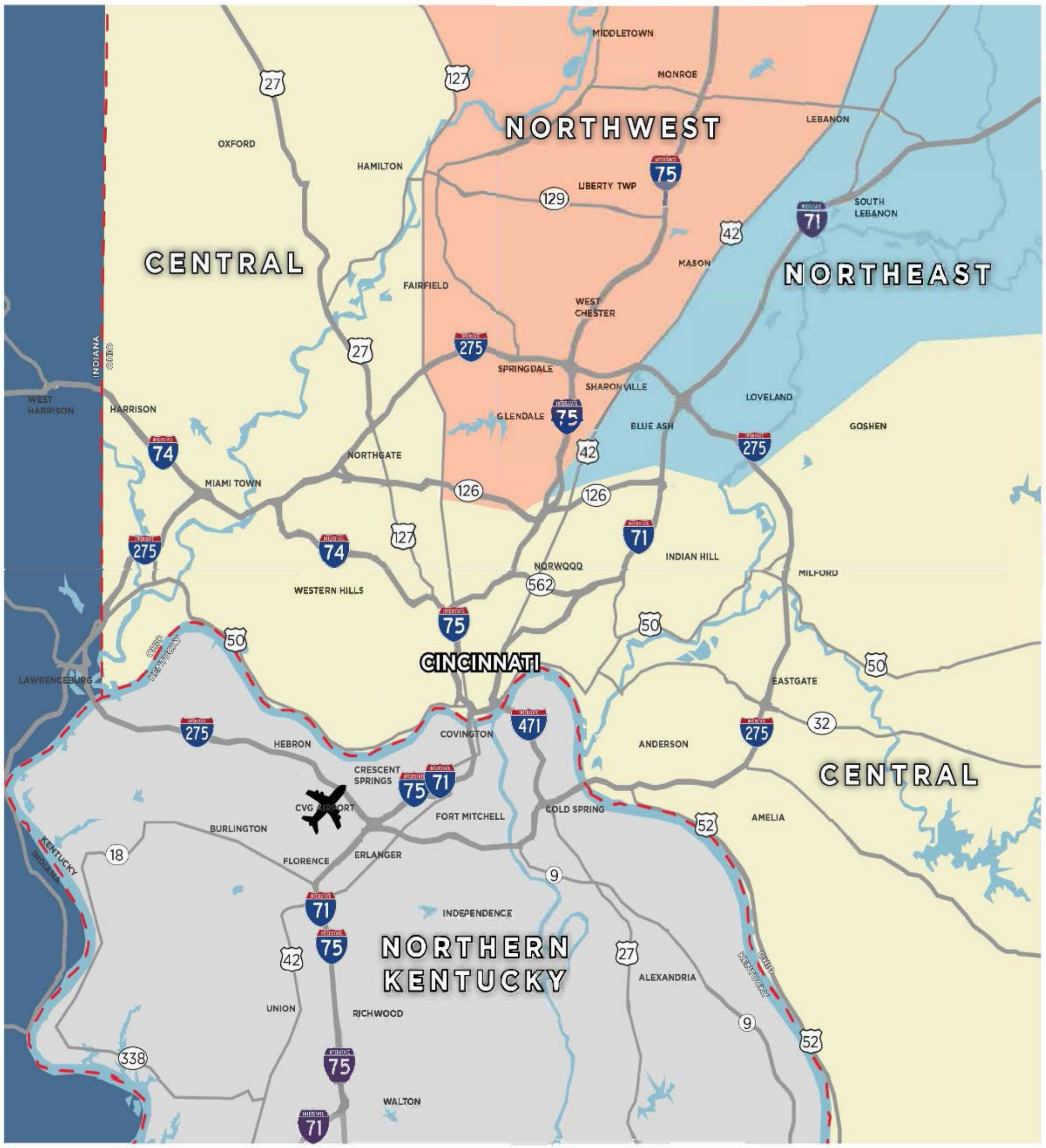
INDUSTRIAL SUBMARKETS



NORTHEAST SUBMARKET	
Total Size:	**31.5 MSF**
Vacancy Rate	0.5%
Under Construction (SF)	0
YTD Absorption (SF)	942,415
Direct Avg. Asking Rent	$8.10

NORTHWEST SUBMARKET	
Total Size:	**119.5 MSF**
Vacancy Rate	2.3%
Under Construction (SF)	2,620,625
YTD Absorption (SF)	1,368,767
Direct Avg. Asking Rent	$5.50

CENTRAL SUBMARKET	
Total Size:	**73.6 MSF**
Vacancy Rate	2.0%
Under Construction (SF)	1,978,676
YTD Absorption (SF)	432,649
Direct Avg. Asking Rent	$4.82

N. KENTUCKY SUBMARKET	
Total Size:	**82.9 MSF**
Vacancy Rate	1.6%
Under Construction (SF)	3,951,909
YTD Absorption (SF)	4,772,560
Direct Avg. Asking Rent	$5.25