
2Q24

Cincinnati Office Market Overview



NEWMARK

Market Observations

Economy

- The region’s labor market remained strong amid shifting macroeconomic conditions. Cincinnati’s 4.1% unemployment rate was just greater than the 4.0% United States average.
- Year-over-year, seven sectors saw positive employment growth while four saw negative growth. Education & health led all sectors in job gains at 4.6% during the past 12 months.
- Locally, employment growth across all office-occupying sectors is down year-over-year from 282.2 thousand to 269.7 thousand in the second quarter of 2024.

Major Transactions

- Kroger subleased 82,789 SF at 221 E 4th St., located in the CBD submarket.
- 4MyBenefits leased 11,464 SF at 4600 McAuley Pl., located in the Blue Ash/Montgomery submarket.
- Katzen International leased 11,362 SF at 3805 Edwards Rd., located in the Midtown submarket.
- The Key leased 3,500 SF at 9999 Carver Rd., located in the Blue Ash/Montgomery submarket.
- IRS Vacated 9,964 SF at 7300 Turfway Rd., located in the Northern Kentucky submarket.

Leasing Market Fundamentals

- Absorption in the second quarter of 2024 totaled 47,372 SF. This is slightly greater than the first quarter of 2024, when 41,821 SF was absorbed.
- The only office building currently under construction is located at OneNKY Center in the Northern Kentucky Submarket, where construction began in the third quarter of 2023.
- Vacancy decreased year-over-year by 190 basis points, to 25.0%, while rents slightly increased year-over-year. Average asking rents quarter-over-quarter remained the same at \$22.18/SF.
- Sublease space availability decreased quarter-over-quarter.

Outlook

- Demand remains uncertain for owners and investors as employers grapple with determining optimal office size to accommodate changing hybrid and remote work schedules.
- Absorption will continue to be challenged as contractions offset expansion.
- Owners with maturing mortgages face financing challenges from increased interest rates and decreased NOI.
- Municipalities and school districts will be impacted by reduced real estate tax revenue as more office owners appeal valuations to reflect increased vacancy.
- There is currently more space available than is vacant. Vacancy is expected to increase unless demand offsets anticipated vacancy.
- As expirations for long term leases come up in Greater Cincinnati, this could contribute to an increase in future vacancy.

1. Economy
2. Leasing Market Fundamentals

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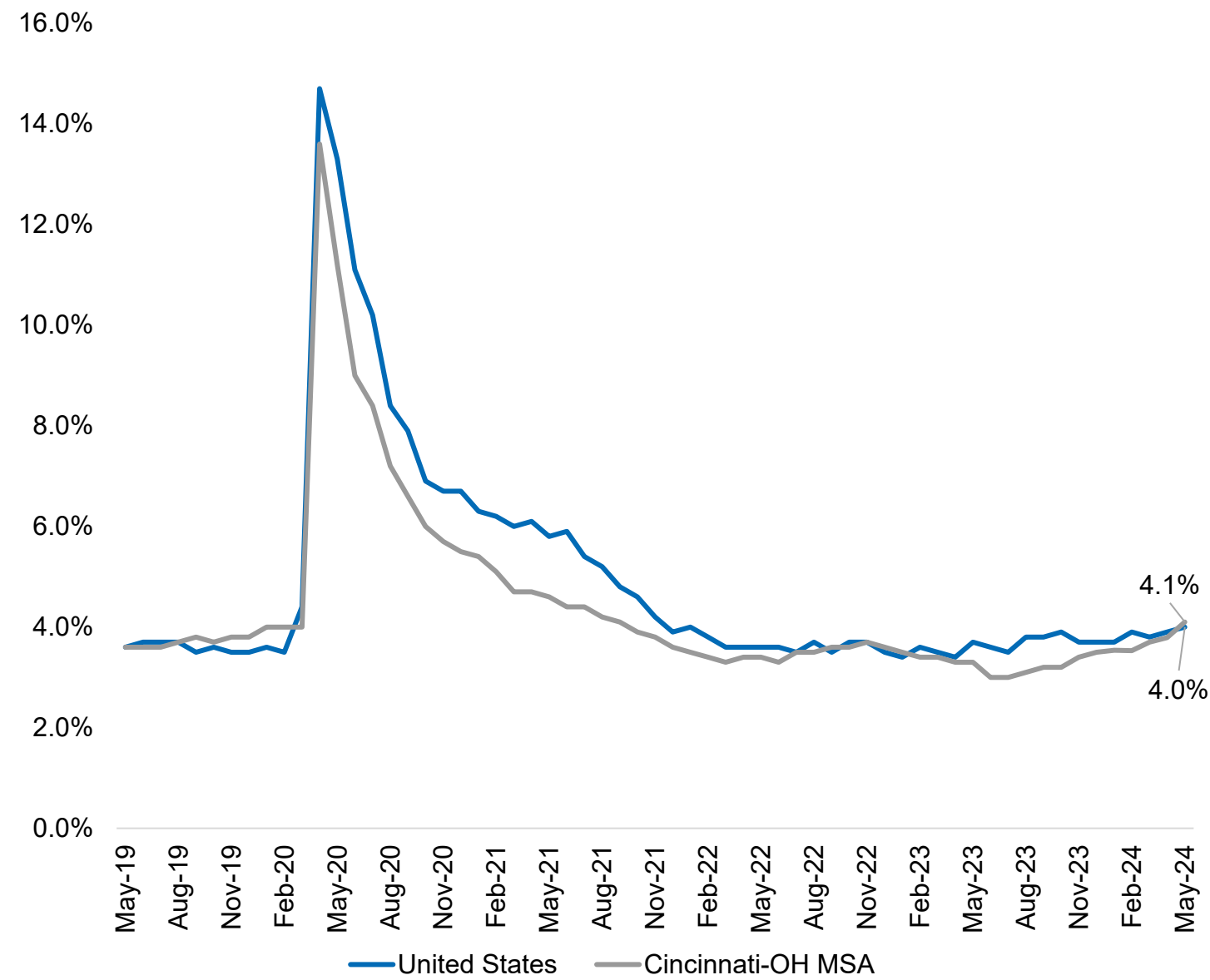
Economy



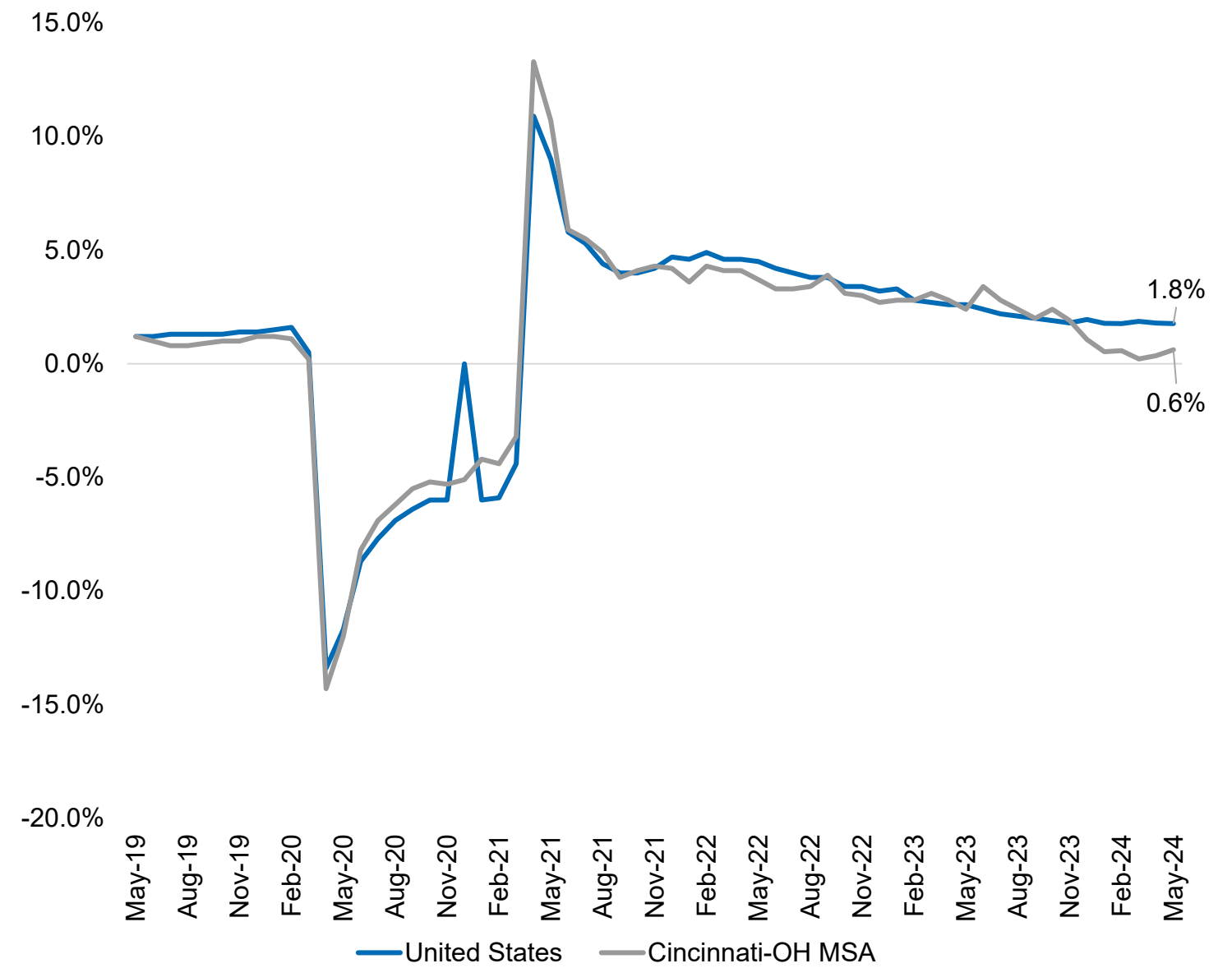
Unemployment Rate in Cincinnati Consistent with the U.S. Average

As of May 2024, the unemployment rate in Cincinnati is 4.1%, compared to 4.0% nationally. Since May of 2023, the unemployment rate increased by 80 basis points in Cincinnati and by 30 basis points nationally. The pace of Nonfarm payroll employment has slowed, decreasing year-over-year from 2.4% to 0.6% in Cincinnati, while the United States average decreased from 2.6% to 1.8%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



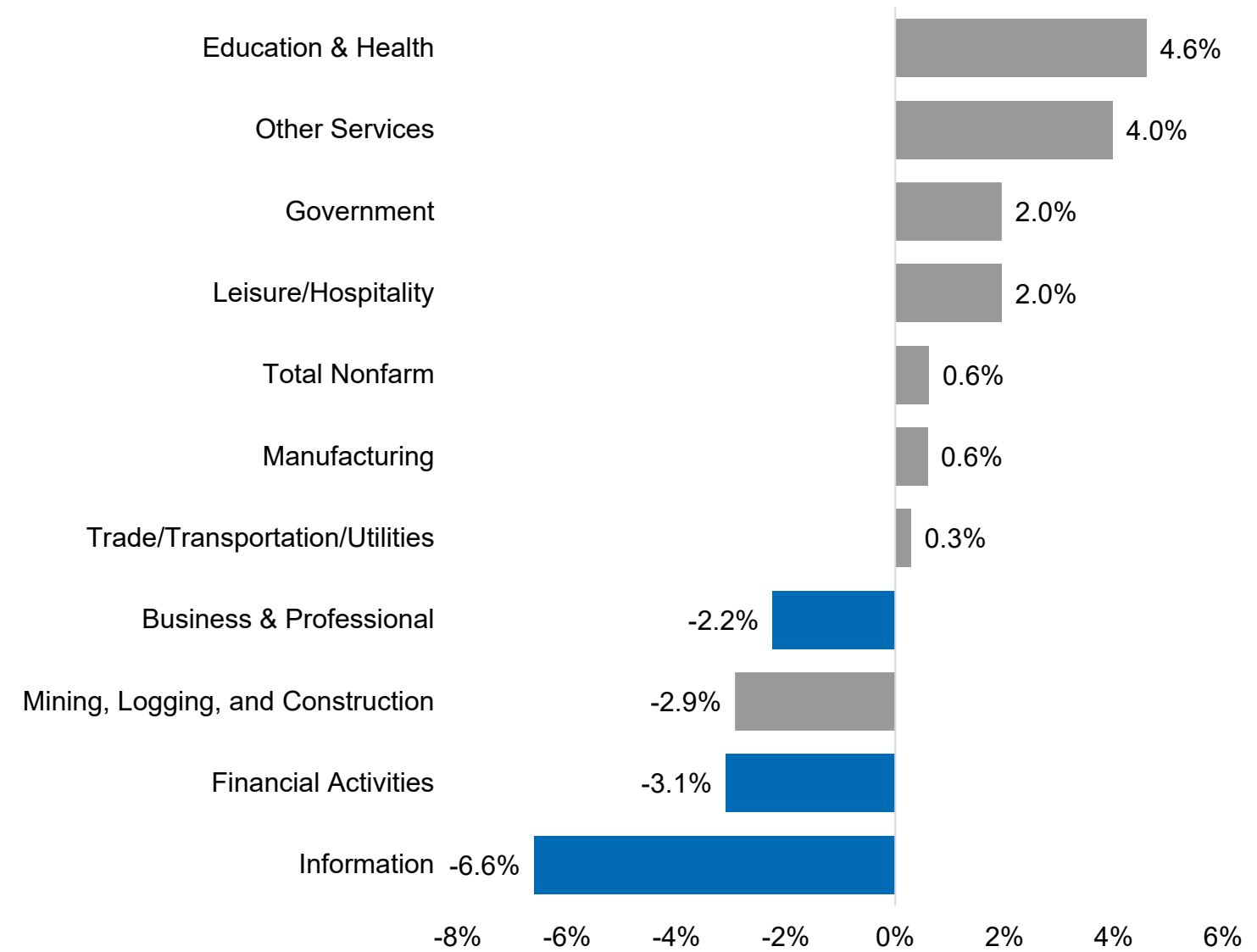
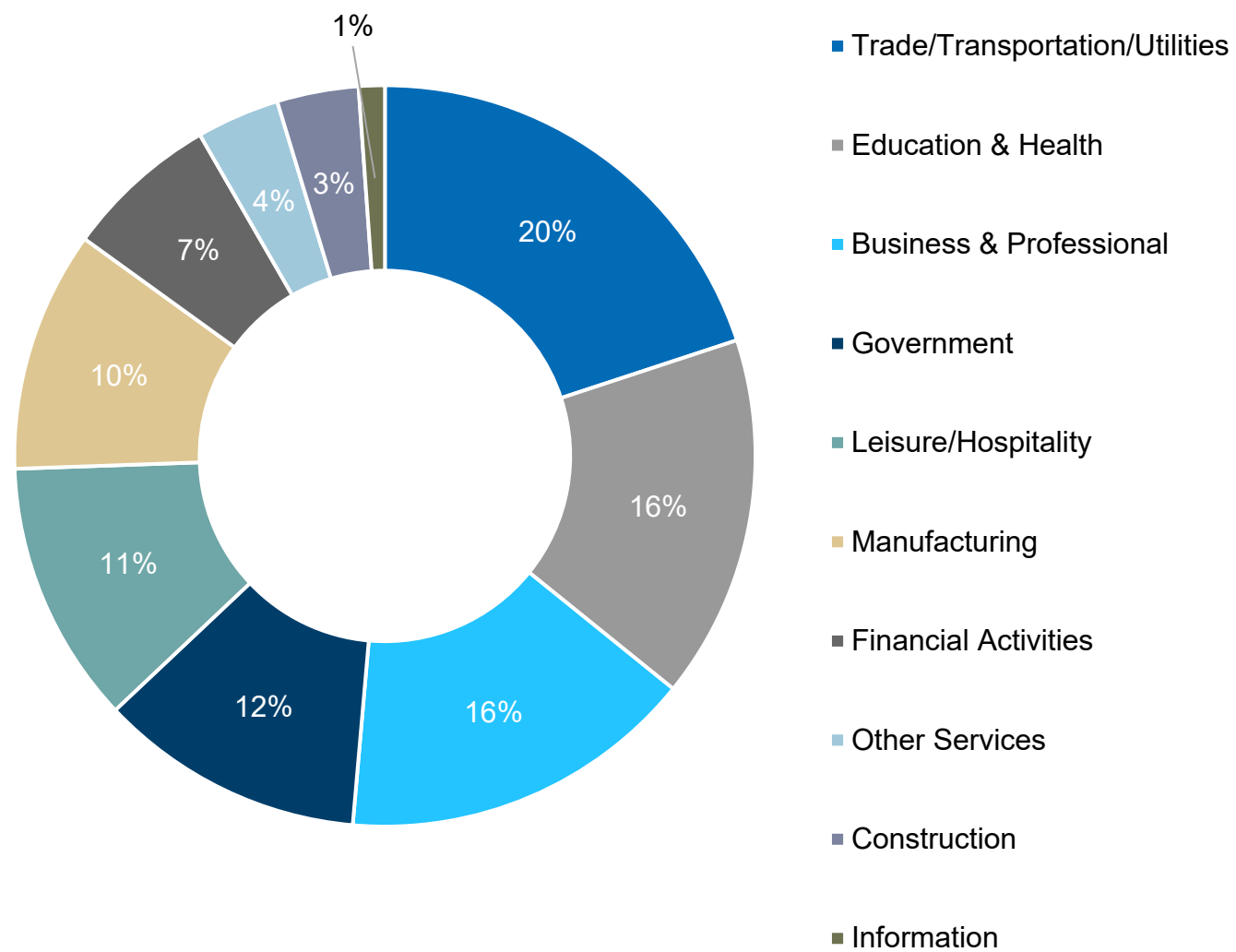
Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

All Three Office Using Sectors See a Decline in Employment Growth

The education & health sector led all industries in regional annual job growth at 4.6%, while the other services sector followed next behind at 4.0%. All three office using sectors saw a decline in the second quarter of 2024. The information sector saw the greatest loss at -6.6%.

Employment by Industry, May 2024

Employment Growth by Industry, 12-Month % Change, May 2024

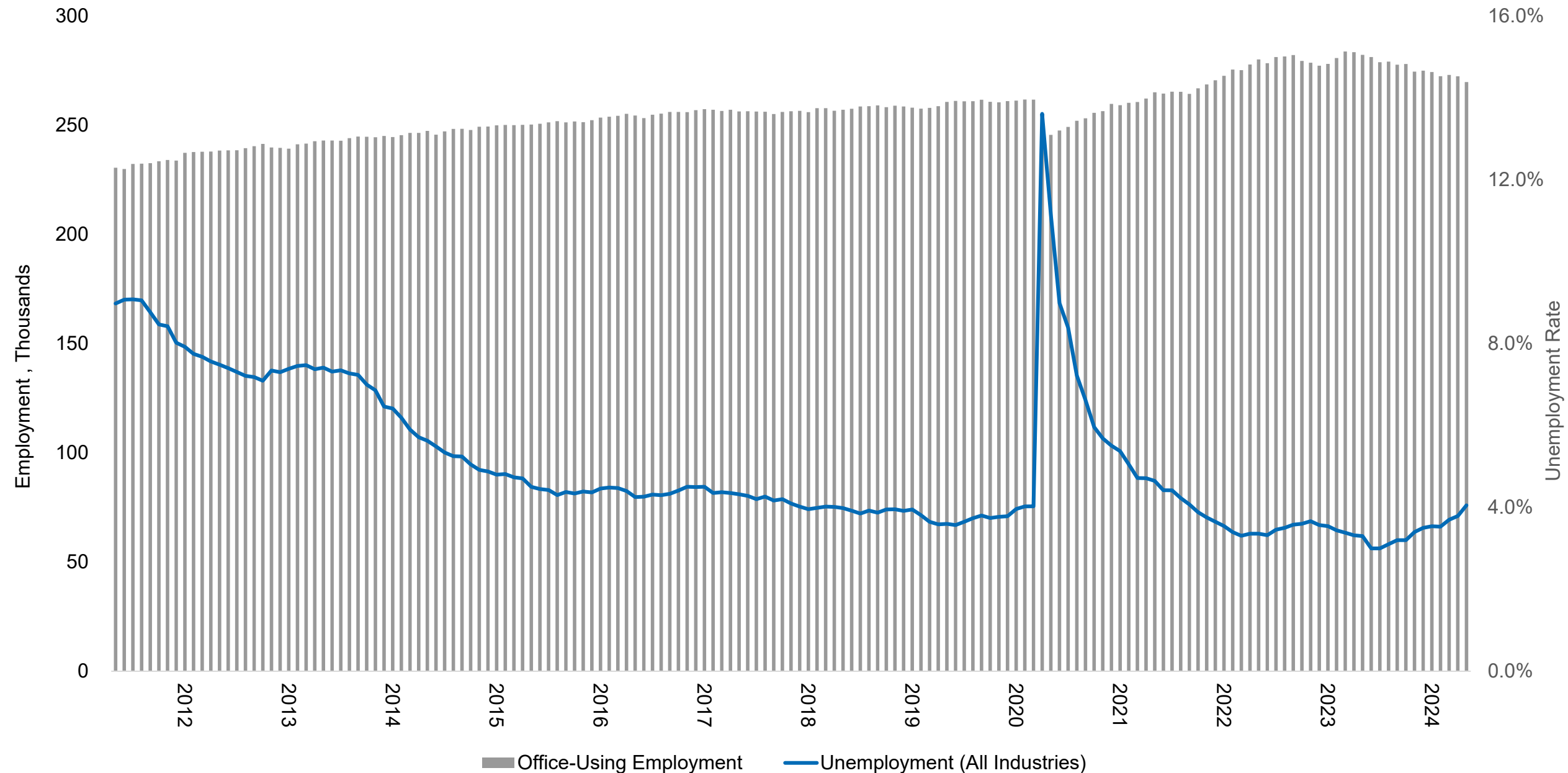


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

Overall Office-Using Unemployment Rises to 4.1%

The number of office jobs is down to 269.7 thousand. Unemployment for overall office-using sectors across all industries is up to 4.1%. Numbers continue to improve year-over-year for both office-using sectors employment and unemployment.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

Note: May 2024 data is preliminary.

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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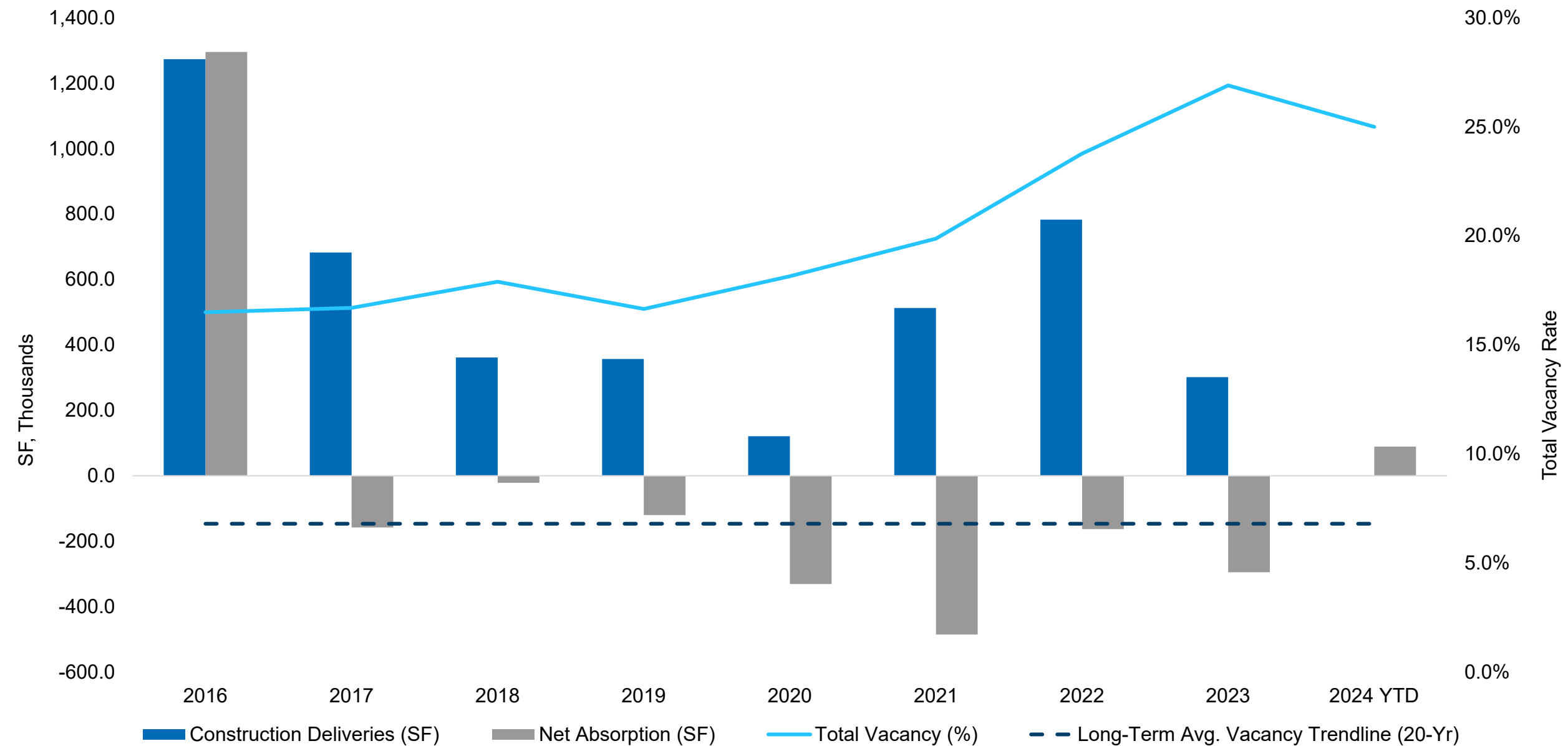
Leasing Market Fundamentals



Vacancy Decreases Slightly With No New Construction

The vacancy rate slightly decreased from 25.2% in the first quarter of 2024 to 25.0% in the second quarter of 2024. Year-to-date absorption is 89,193 SF. With absorptions' recent signs of positivity, we expect vacancy to decline as absorption losses slow for the second half of 2024.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Class A Submarket Statistics Overview

Please reach out to your
Newmark business contact for this information

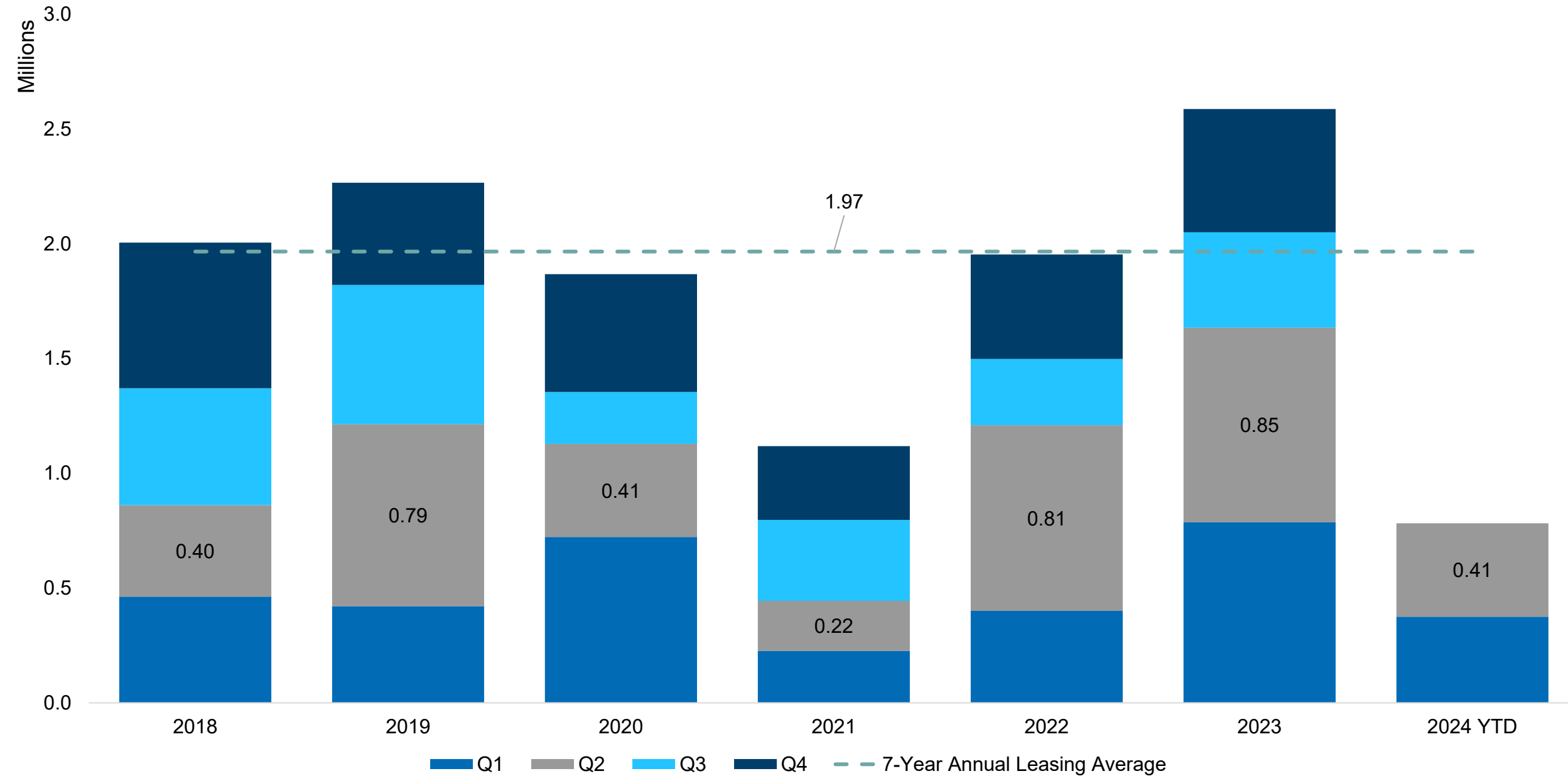
Class B Submarket Statistics Overview

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Leasing Activity Slightly Greater in 2Q than 1Q

In the second quarter of 2024, there was 406,996 SF of leasing activity. This is slightly greater than in the first quarter of 2024, which had 375,427 SF of leasing activity. Although we are expecting leasing activity to continue to improve quarter-over-quarter, it is going to take a significant amount of leasing activity in the second half of 2024 to catch the market up to year end totals of the prior two years.

Total Leasing Activity (msf)

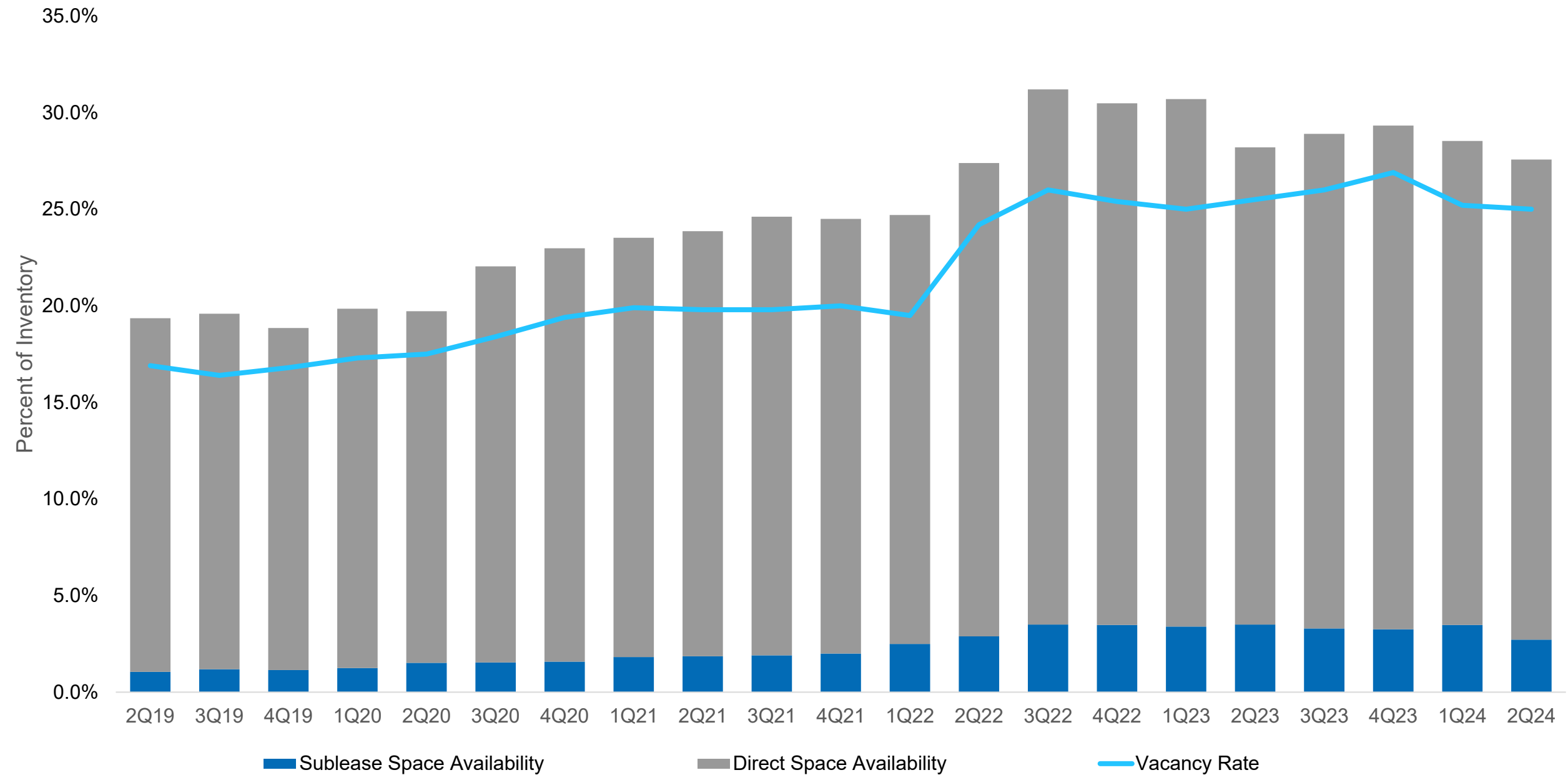


Source: Newmark Research, CoStar

Sublease Availability Down; Direct Space Availability Decreases Slightly

Direct space availability decreased by 20 basis points, from 25.1% in the first quarter of 2024, to 24.9% in the second quarter of 2024. Sublease availability decreased from 3.5% in the first quarter of 2024 to 2.7%, down 80 basis points. This is due to Kroger's 82,789 SF sublease at Atrium 2.

Available Space and Tenant Demand as Percent of Overall Market

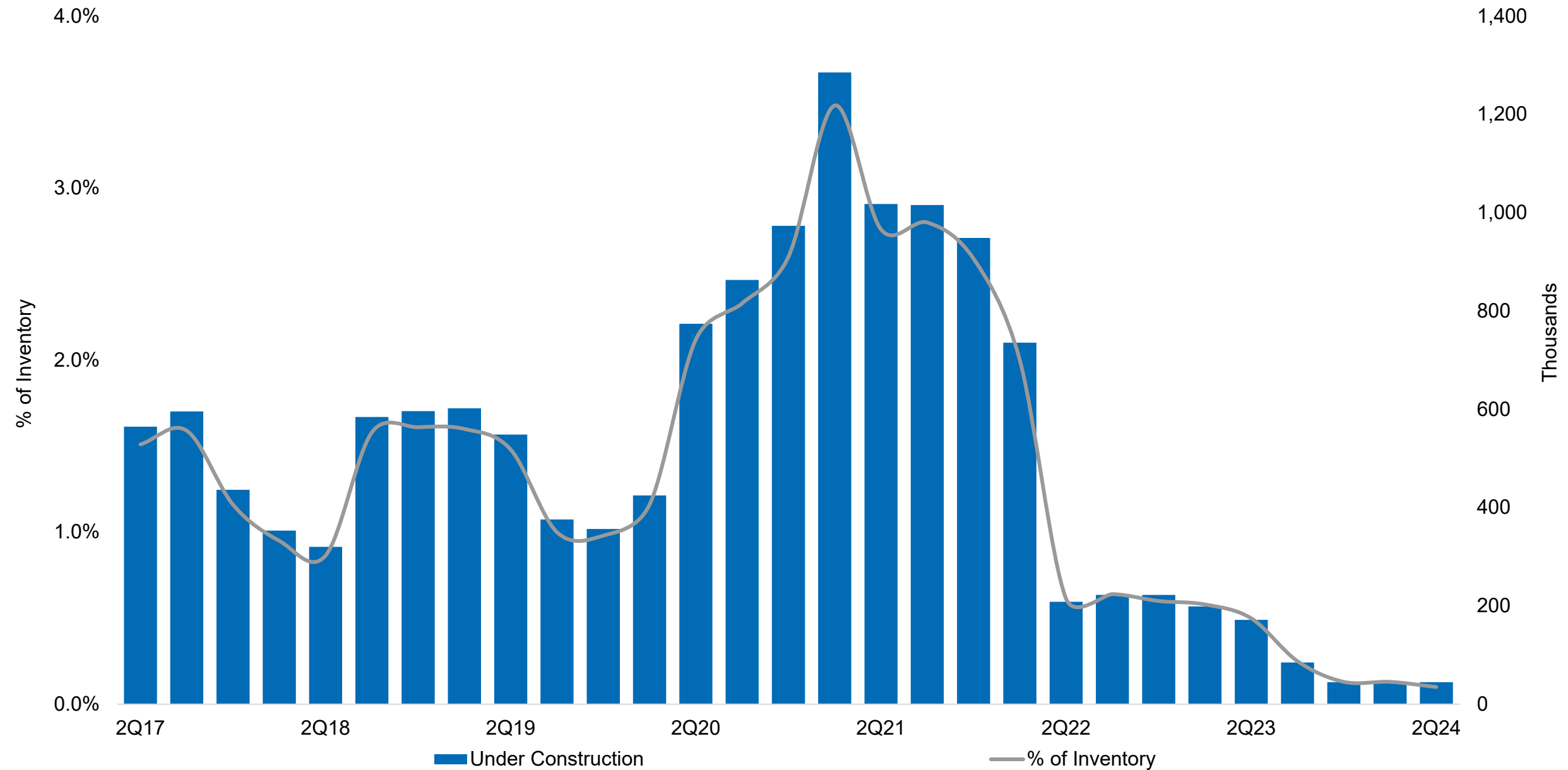


Source: Newmark Research

Minimal Construction in Greater Cincinnati

Office construction in Greater Cincinnati has been almost non-existent in the past four quarters. OneNKY Center broke ground in the third quarter of 2023 in the Northern Kentucky submarket. This 45,000-SF building is located at the foot of the Roebling Suspension Bridge and will house several economic development agencies. The building is fully leased and is expected to be completed soon.

Office Under Construction and % of Inventory

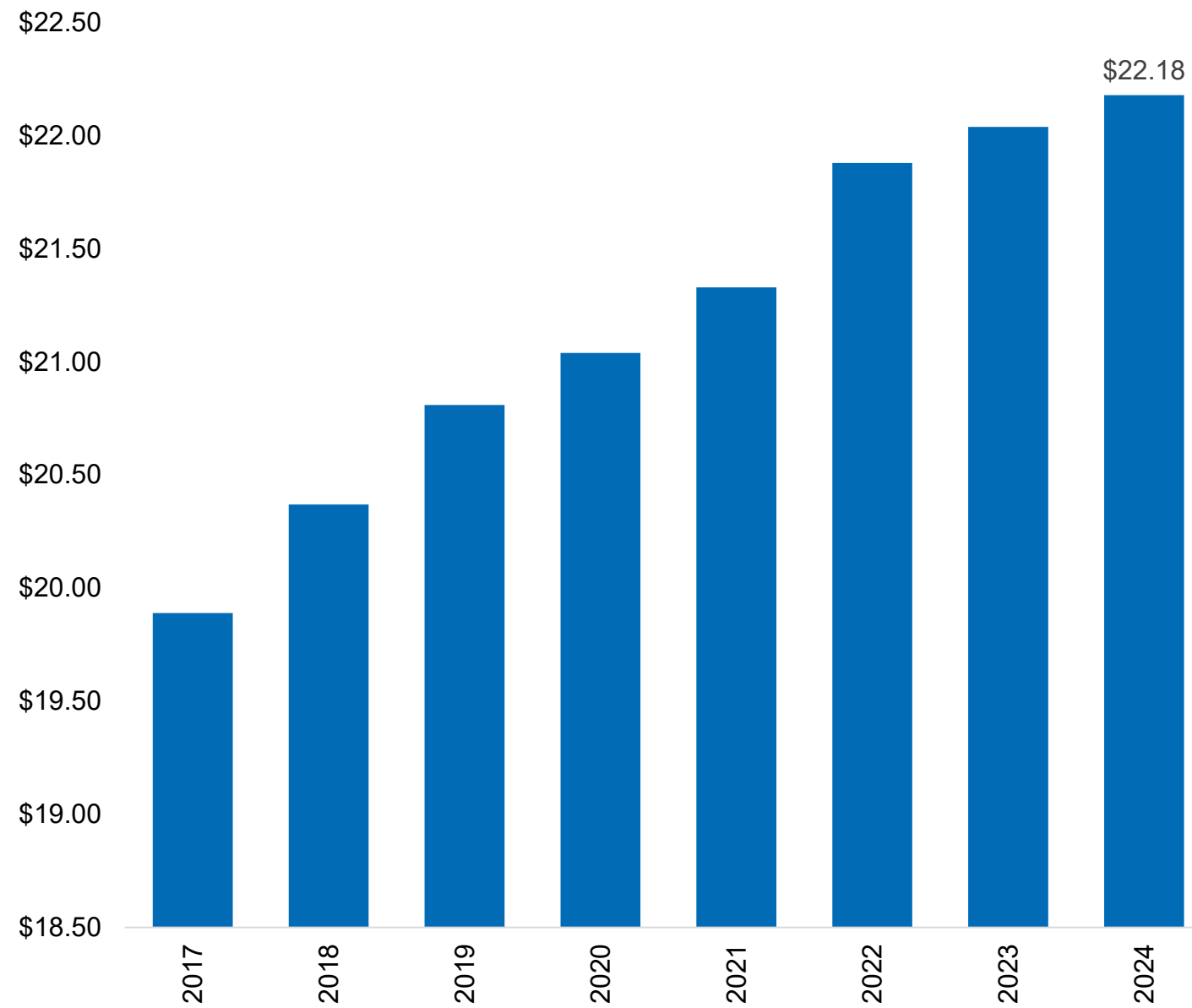


Source: Newmark Research, CoStar, City of Cincinnati

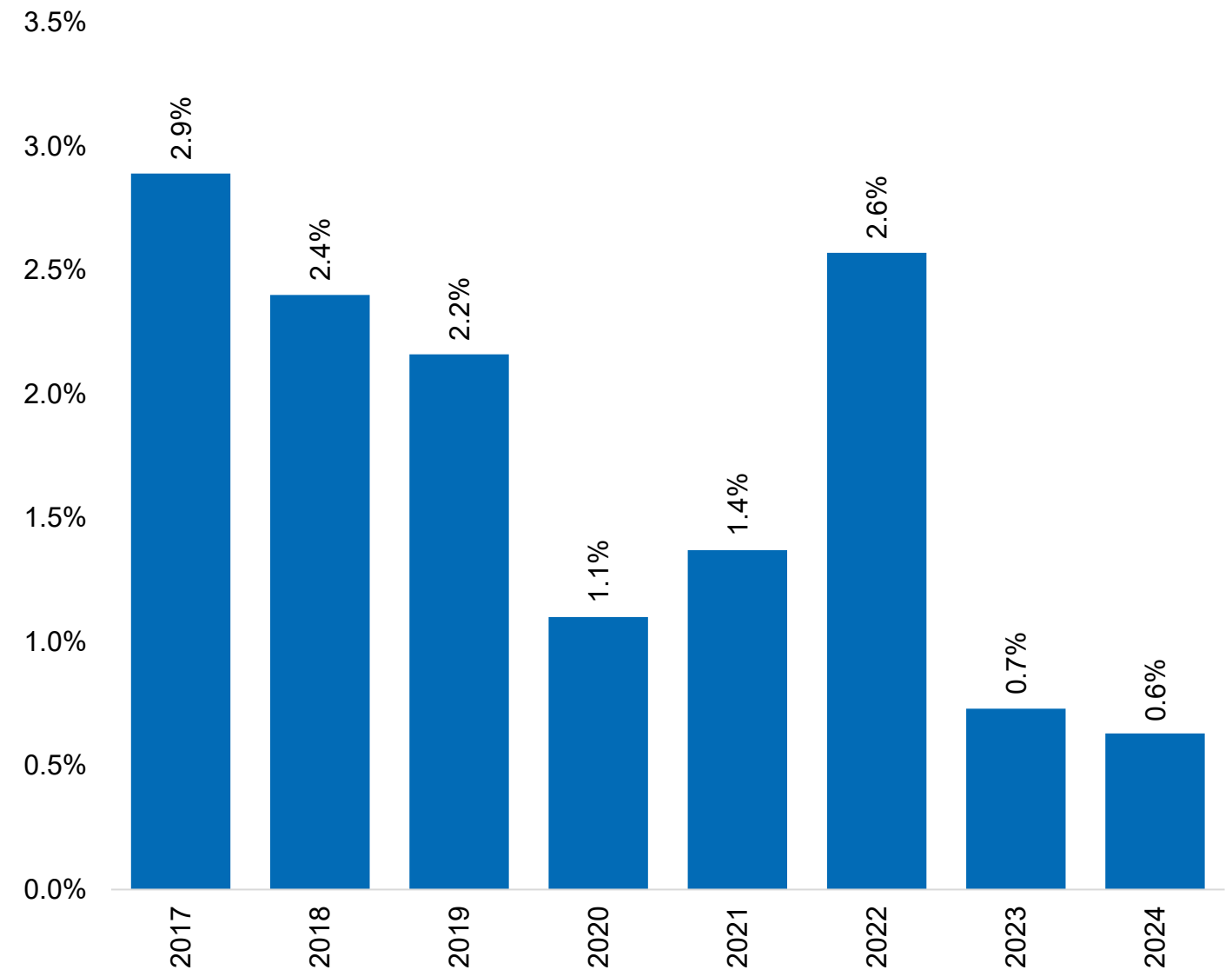
Asking Rents Increase Year-Over-Year

Overall asking rates remained the same this quarter. Year-over-year rent growth rate is at 0.6%. Rents are projected to stay relatively flat for the foreseeable future.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

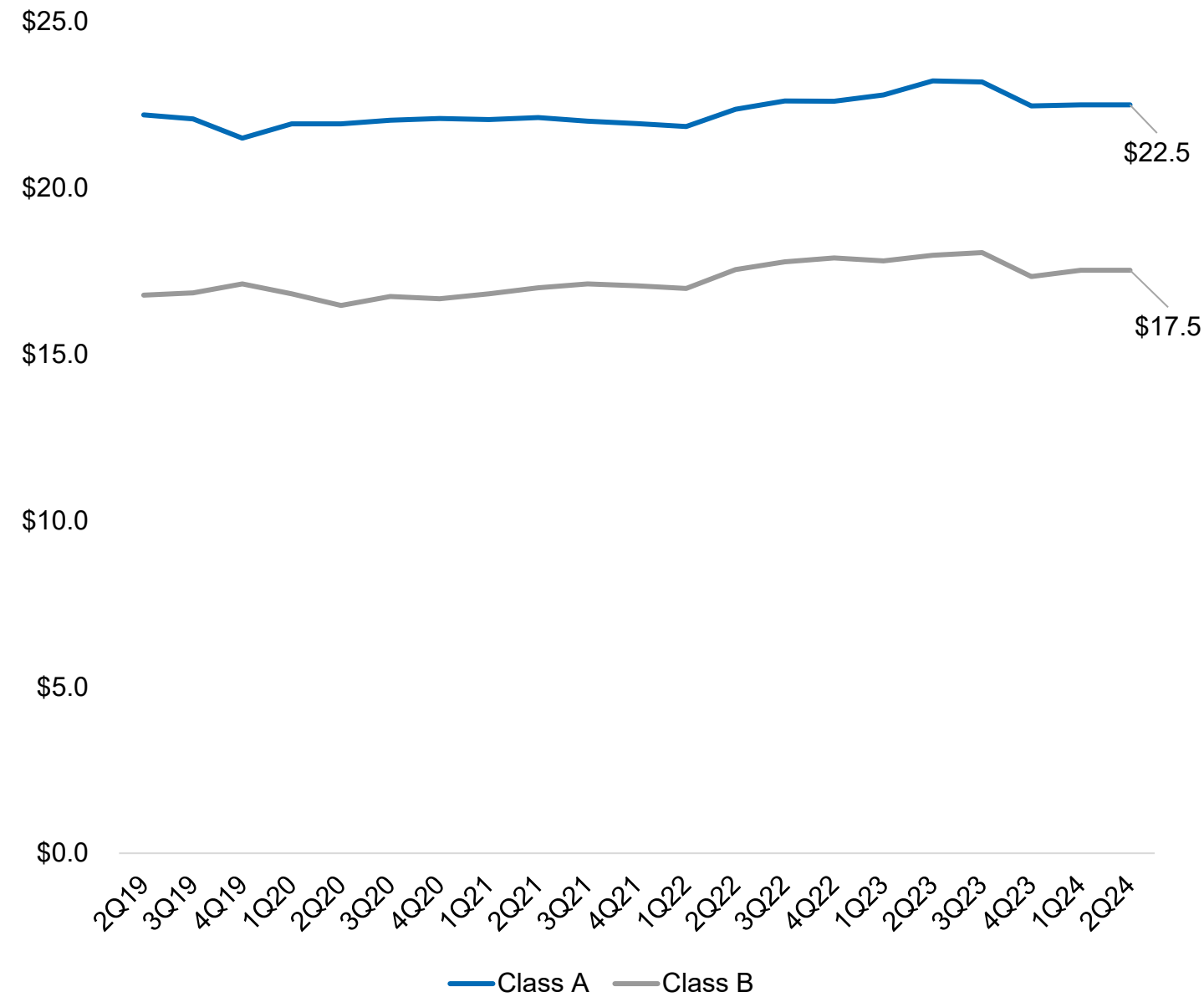


Source: Newmark Research, CoStar

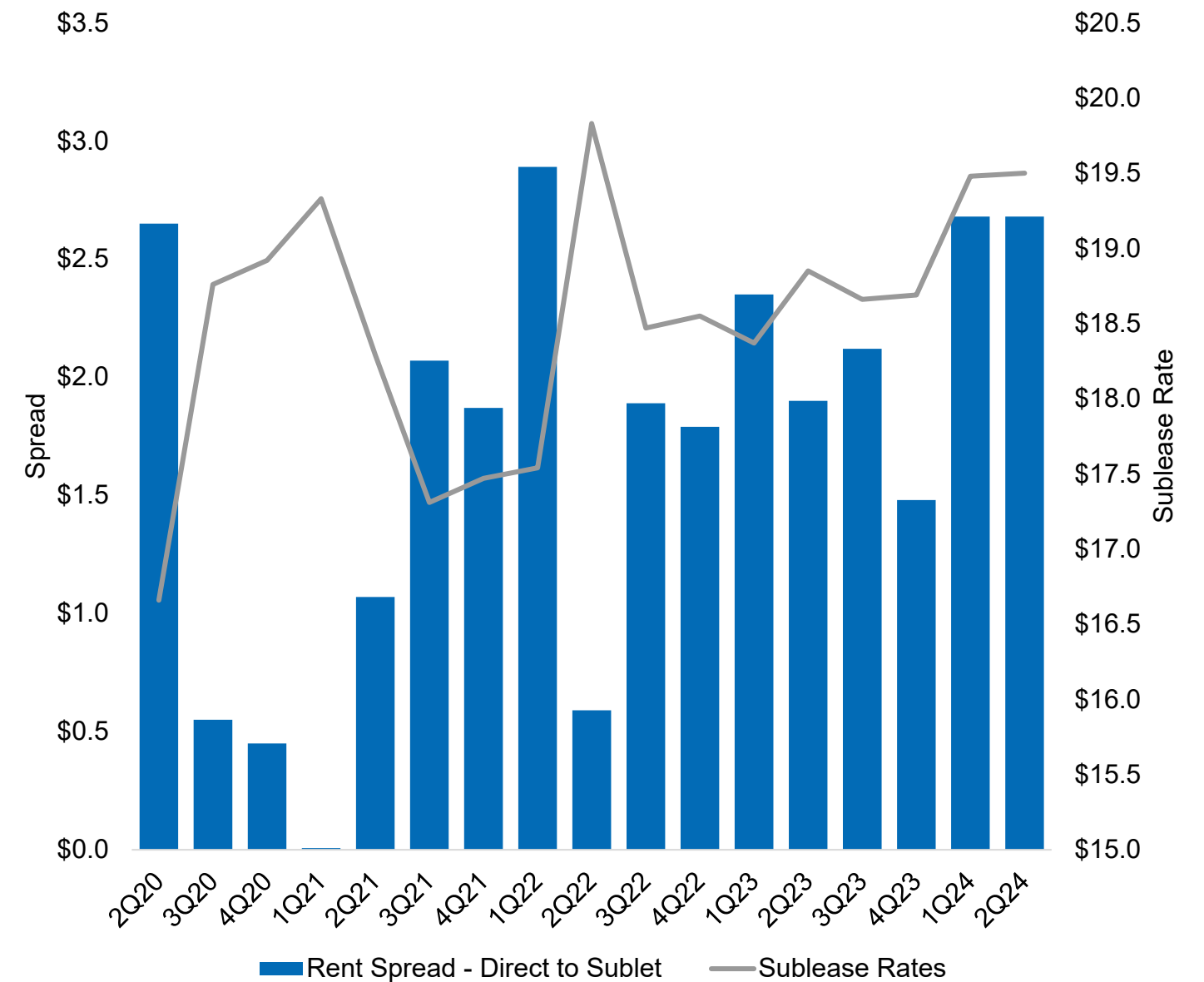
Sublease Rates Slightly Increase Quarter-Over-Quarter

Class A and B rates remained the same in the second quarter of 2024. Sublease rates increased from \$19.48/SF to \$19.50/SF quarter-over-quarter.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Notable 2Q24 Lease Transactions

Notable 2Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Kroger	221 E 4 th Street	CBD	Sublease	82,789
<i>*Kroger is subleasing from Altafiber</i>				
4MyBenefits	4600 McAuley Pl	Blue Ash/Montgomery	Direct Lease	11,464
Katzen International	3805 Edwards Rd	Midtown	Direct Lease	11,362
The Key	9999 Carver Rd	Blue Ash/Montgomery	Direct Lease	3,500

Source: Newmark Research

Notable 2Q24 Sale Transactions

Please reach out to your
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