

3Q24

# Cincinnati Office Market Overview

NEWMARK



# Market Observations

## Economy

- In August, the Cincinnati unemployment rate fell after a brief increase to 4.2%, matching the U.S. average. The nonfarm payroll employment remained steady, up 0.8% year-over-year in Cincinnati.
- Annual job growth fell significantly in two office using sectors, the information and financial sectors saw declines of 7.1% and 4.2%, respectively.
- The market has seen some layoffs such as Barclay's call center layoffs that support this decline in office using employment.

## Major Transactions

- Life Safer renewed its lease at 3600 Park 42 Drive for 27,000 SF.
- Carestar Holdings signed a new lease for 18,500 SFS at 4540 Cooper Road, the company also moved in this quarter.
- Campbell Sales leased close to 17,000 SF at 400 E Business Way.
- Healthpeak Properties sold 1945 CEI Drive to a joint venture between Varde Partners and Unity Investment Management for \$19.5M.

## Leasing Market Fundamentals

- Total vacancy fell 20 basis points to 25.0% with another quarter of low, but positive absorption of 73,459 SF, bringing YTD net absorption to 162,652 SF.
- 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.
- Leasing volume is down significantly in the market and like national trends it's the deal size that has fallen, averaging 5,800 SF in 2023 to 4,400 SF YTD.

## 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.
- The market will continue to benefit from the conversion of obsolete office properties into multifamily properties.
- 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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3Q24

# Economy

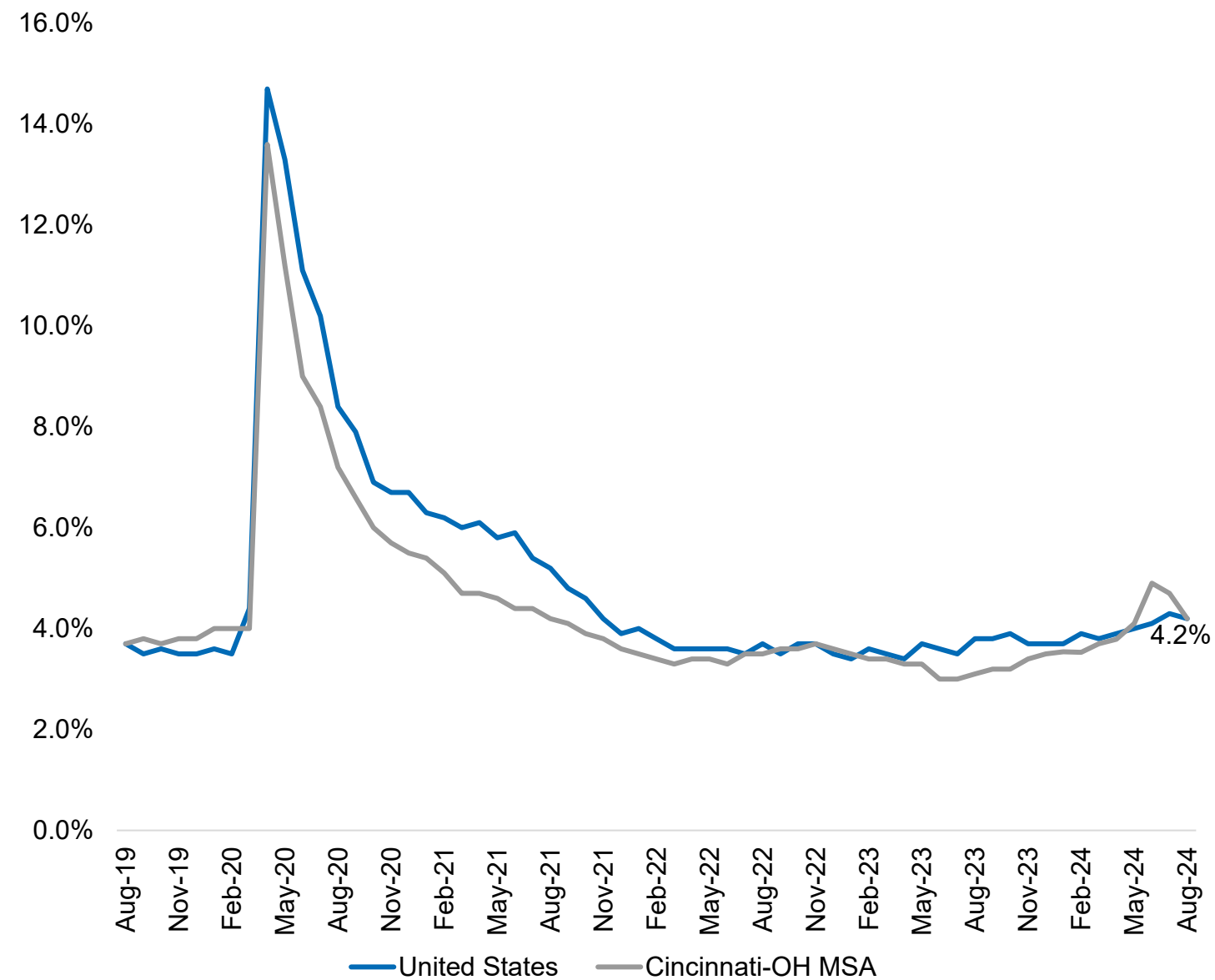




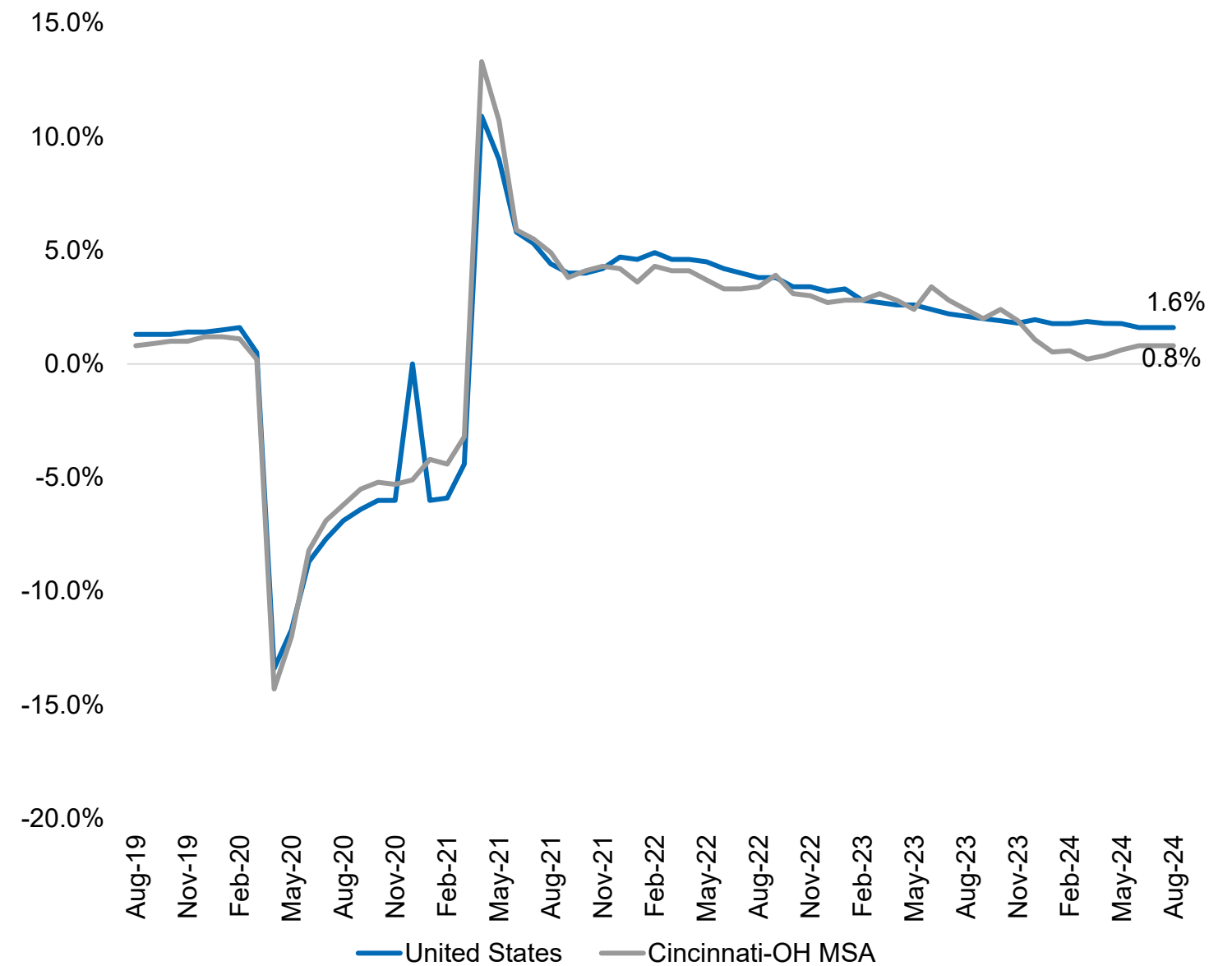
# Unemployment Rate in Cincinnati Consistent with the U.S. Average

In August, the Cincinnati unemployment rate fell after a brief increase to 4.2%, matching the U.S. average. The nonfarm payroll employment remained steady, up 0.8% year-over-year in Cincinnati.

Unemployment Rate, Seasonally Adjusted



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

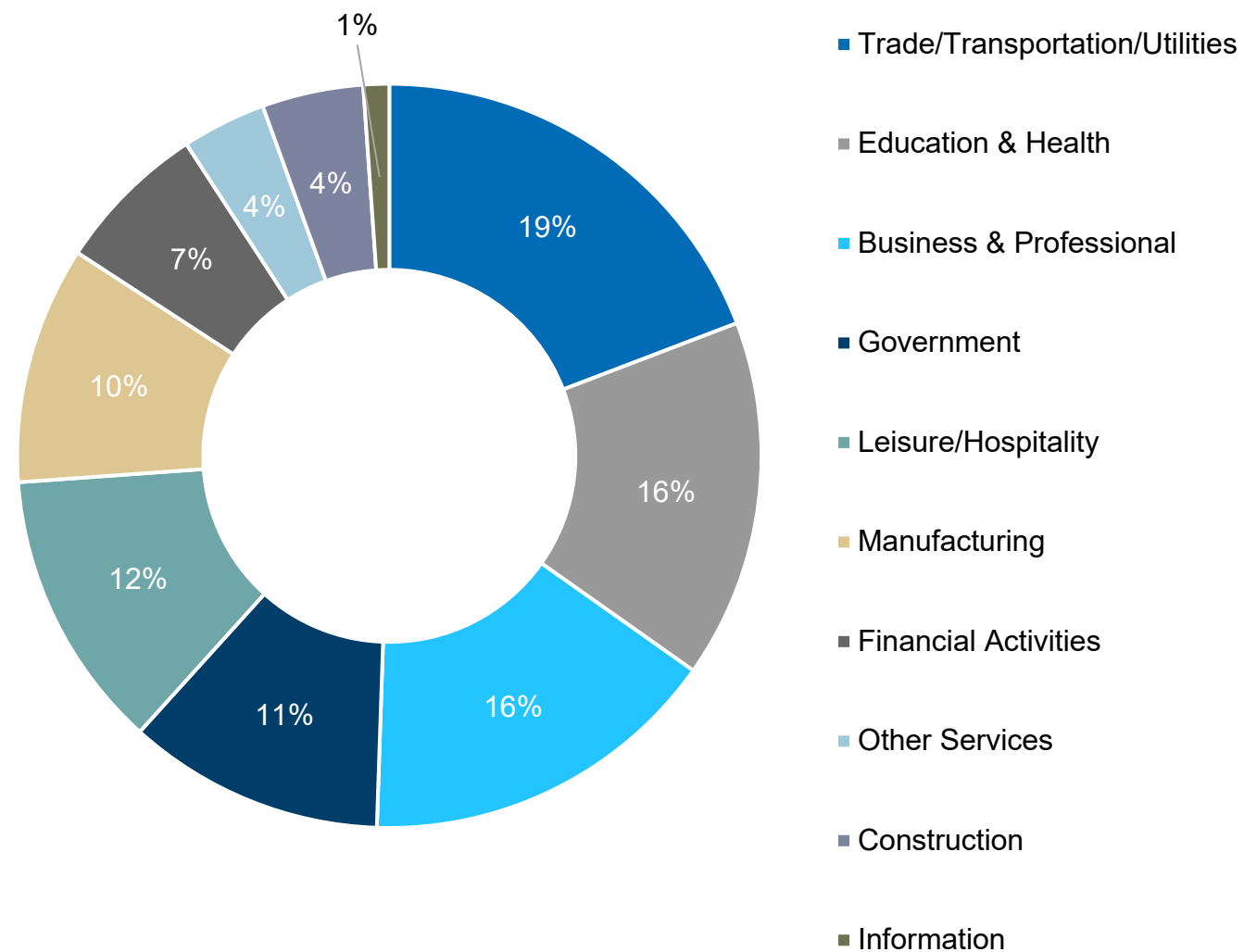


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

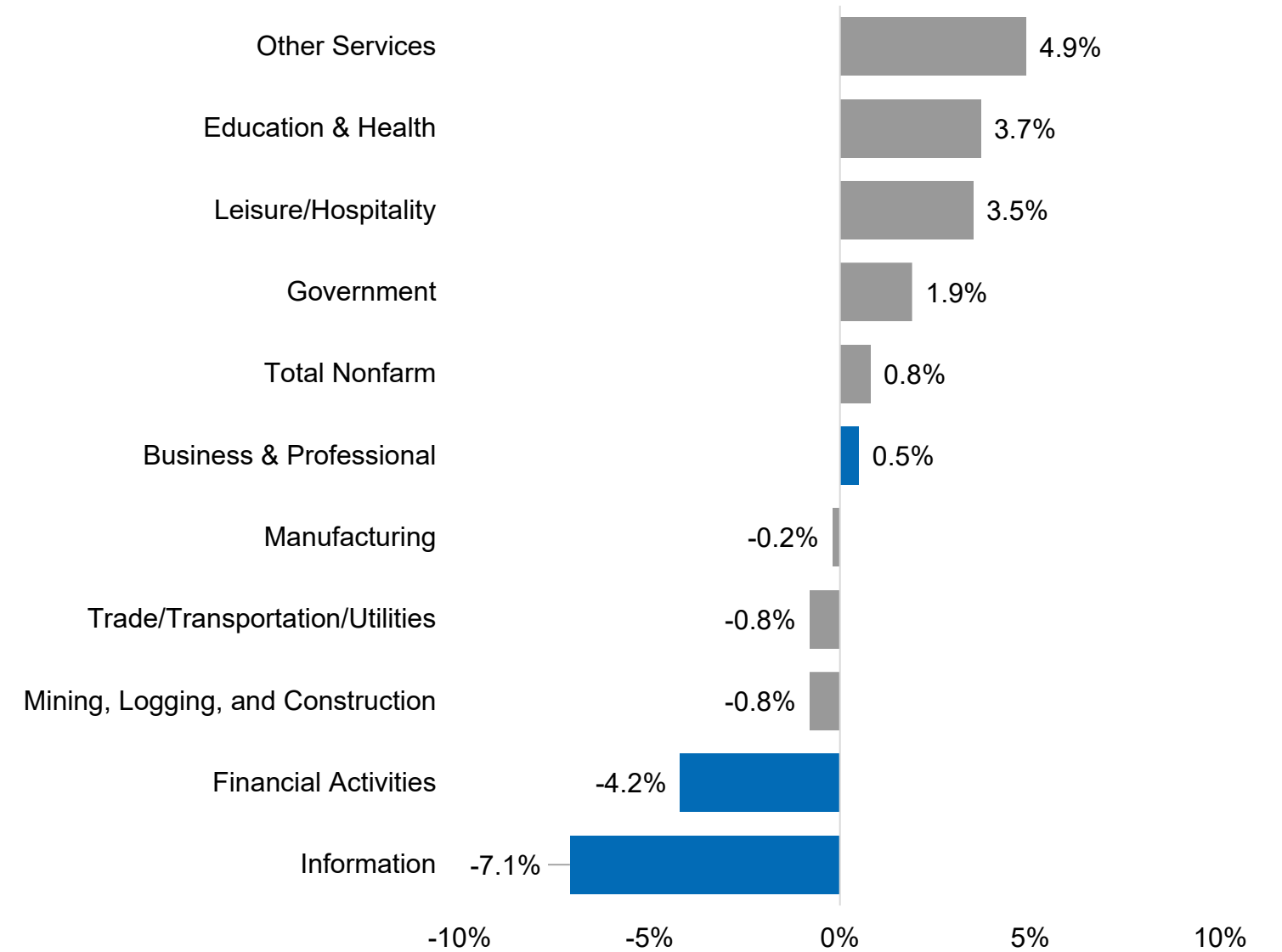
# Office Using Sectors See Significant Decline in Employment

Annual job growth fell significantly in two office using sectors, the information and financial activities sectors saw declines of 7.1% and 4.2% respectively. This tracks with layoffs the market has seen over the summer such as Barclay's laying off 252 people from its Cincinnati call center. The third office using sector, business and professional services saw a nominal annual gain of 0.5%.

Employment by Industry, August 2024



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

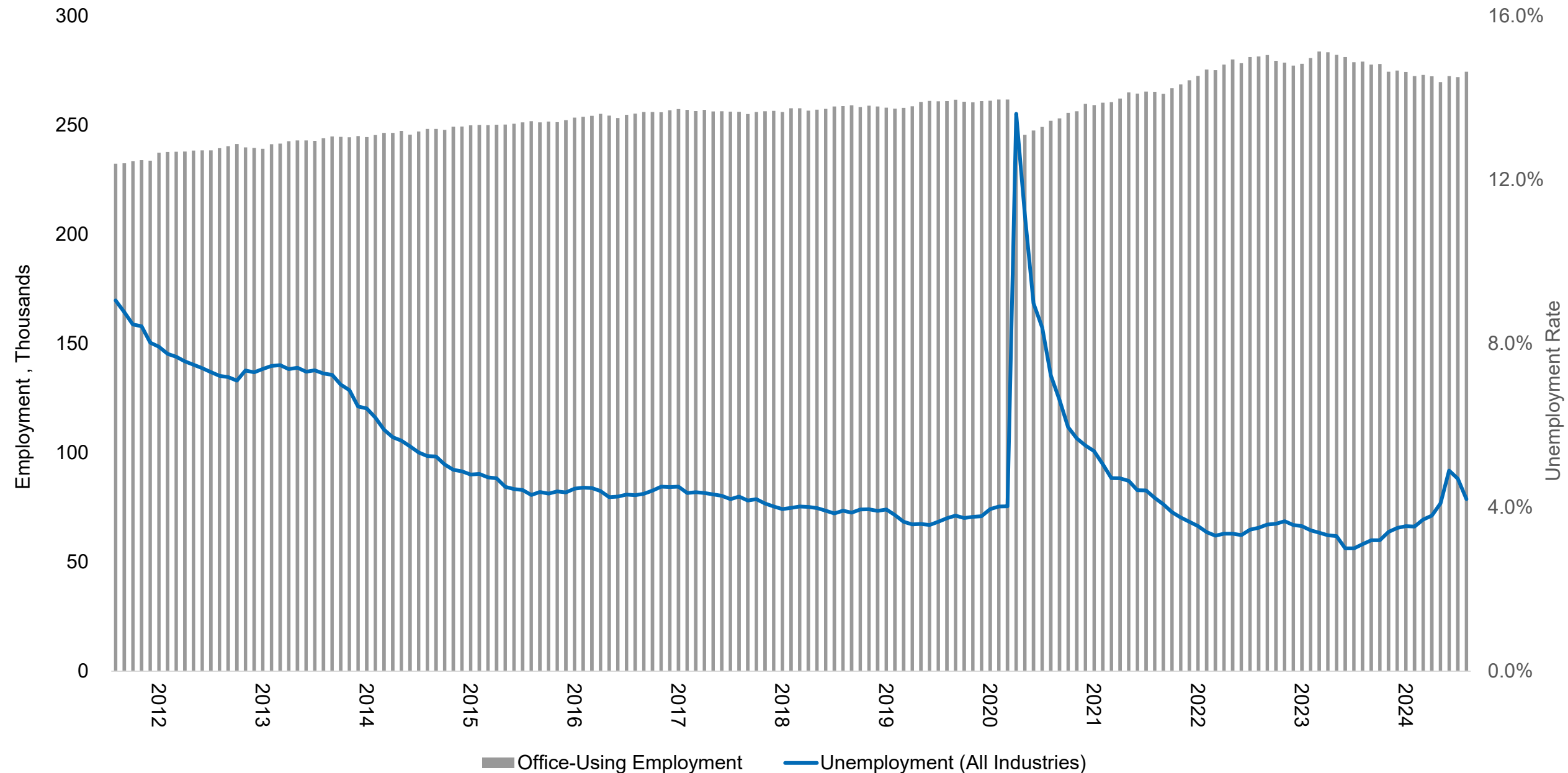


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

# Overall Office-Using Unemployment Rises Year-to-Date.

While year-over-year office using employment sectors saw a significant decline, the rate has reached its highest level for 2024 at 274.5.

Office-Using Employment\* and Unemployment Across All Industries



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

Note: August 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

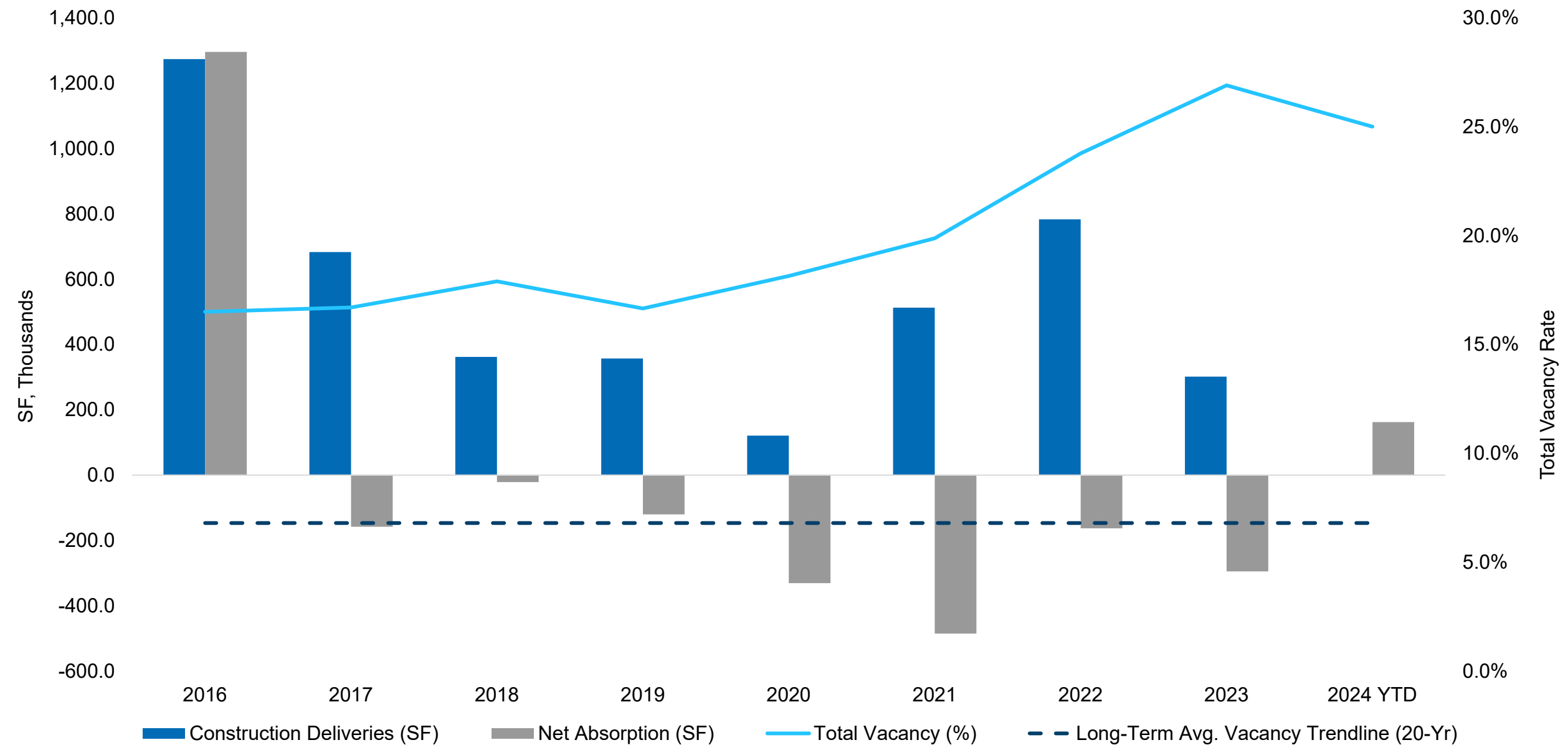




# Vacancy Falls With Fourth Consecutive Quarter of Positive Absorption

Total vacancy fell 20 basis points to 25.0% with another quarter of low, but positive absorption of 73,459 SF, bringing YTD net absorption to 162,652 SF. This is the fourth consecutive quarter of positive absorption coming off five years of negative annual absorption. With no new construction scheduled to deliver for the remainder of 2024, we expect continued positive movement.

## Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

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## Submarket Overview (Class A)

Please reach out to your  
Newmark business contact for this information



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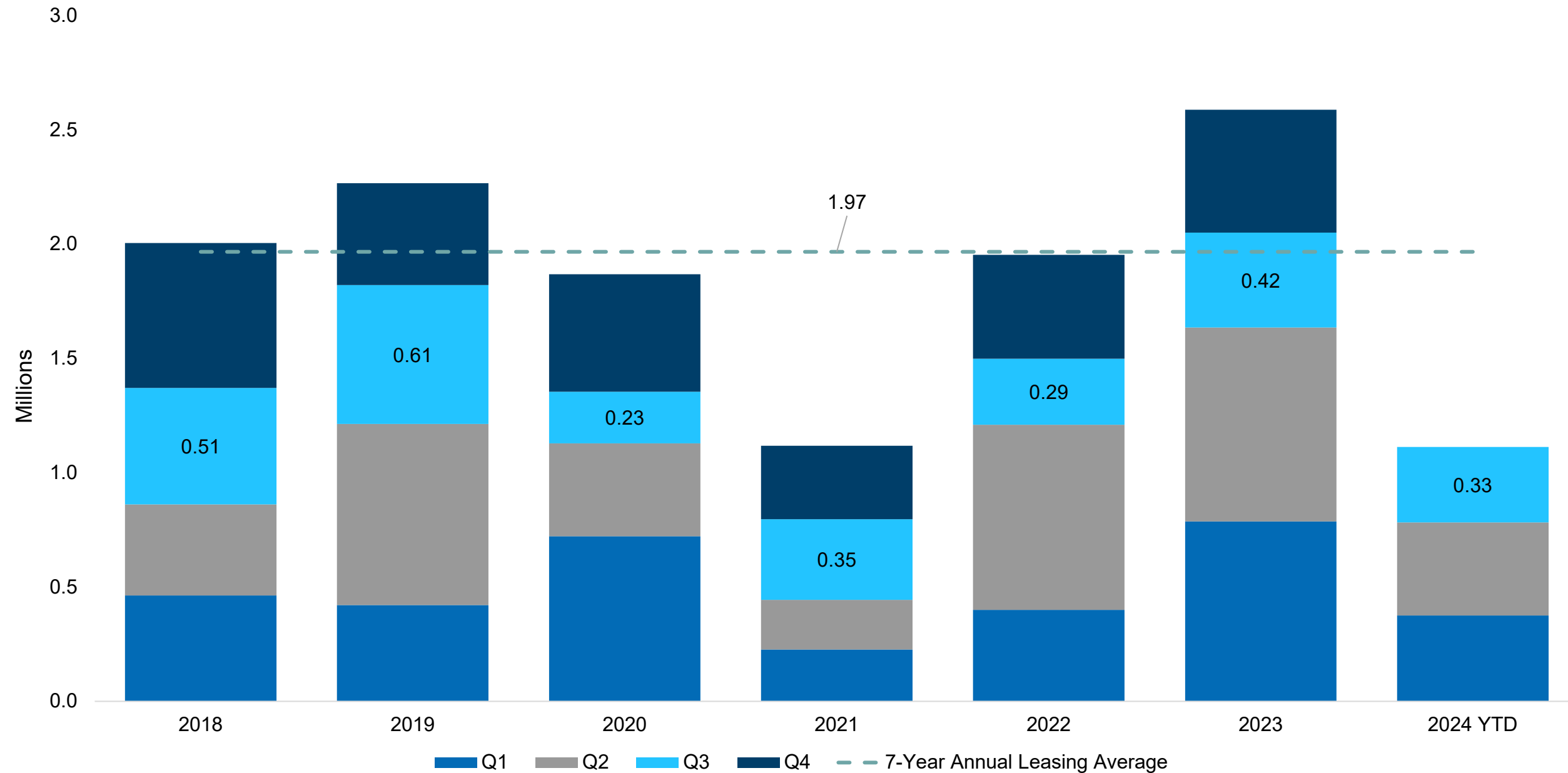
## Submarket Overview (Class B)

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# Leasing Activity Slows

Third quarter leasing activity fell to the lowest levels the market has seen since 3Q22 at 330,000 SF. At 1.1 MSF YTD leasing volume is at almost half of the volume reached in the first three quarters of 2023, leaving a substantial amount of leasing to be done in the fourth quarter to reach 2022 and 2023 levels. Like national trends, transaction volume hasn't fallen dramatically but deal size has declined, averaging 4,390 SF YTD vs. 5,800 SF in 2023.

**Total Leasing Activity (msf)**



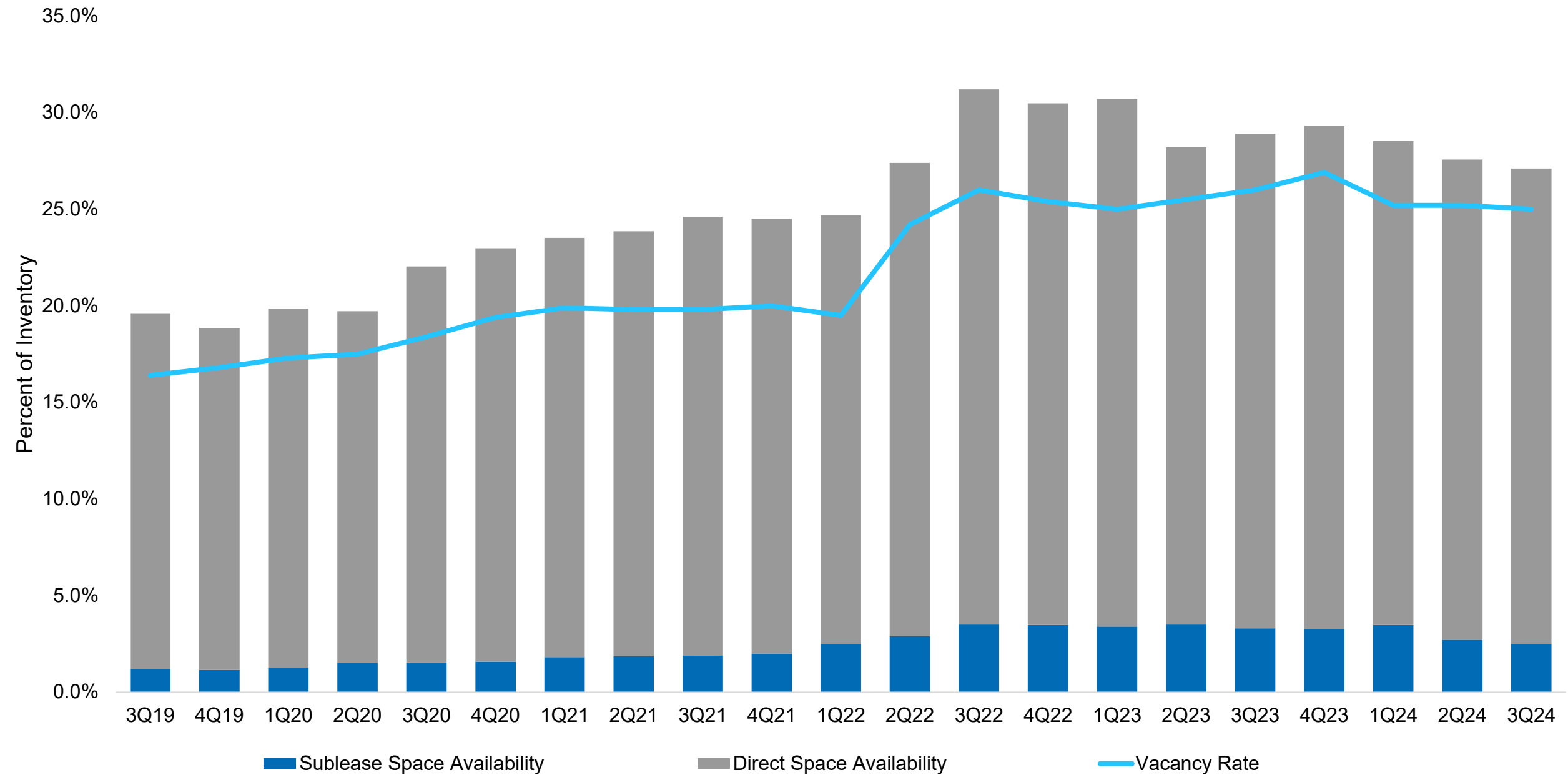
Source: Newmark Research, CoStar



# Availability Falls Alongside Vacancy

Total market availability fell across the board this quarter with both direct and sublease availabilities being taken off the market. Total availability decreased 60 basis points to 27.1%, the lowest total availability has been since 1Q23. While availability in both building classes fell, tenants continued to show a greater preference for Class A properties as 2/3 of the leases signed this quarter were in Class A buildings, pushing Class A availability down 60 basis points to 23.0%.

Available Space and Tenant Demand as Percent of Overall Market

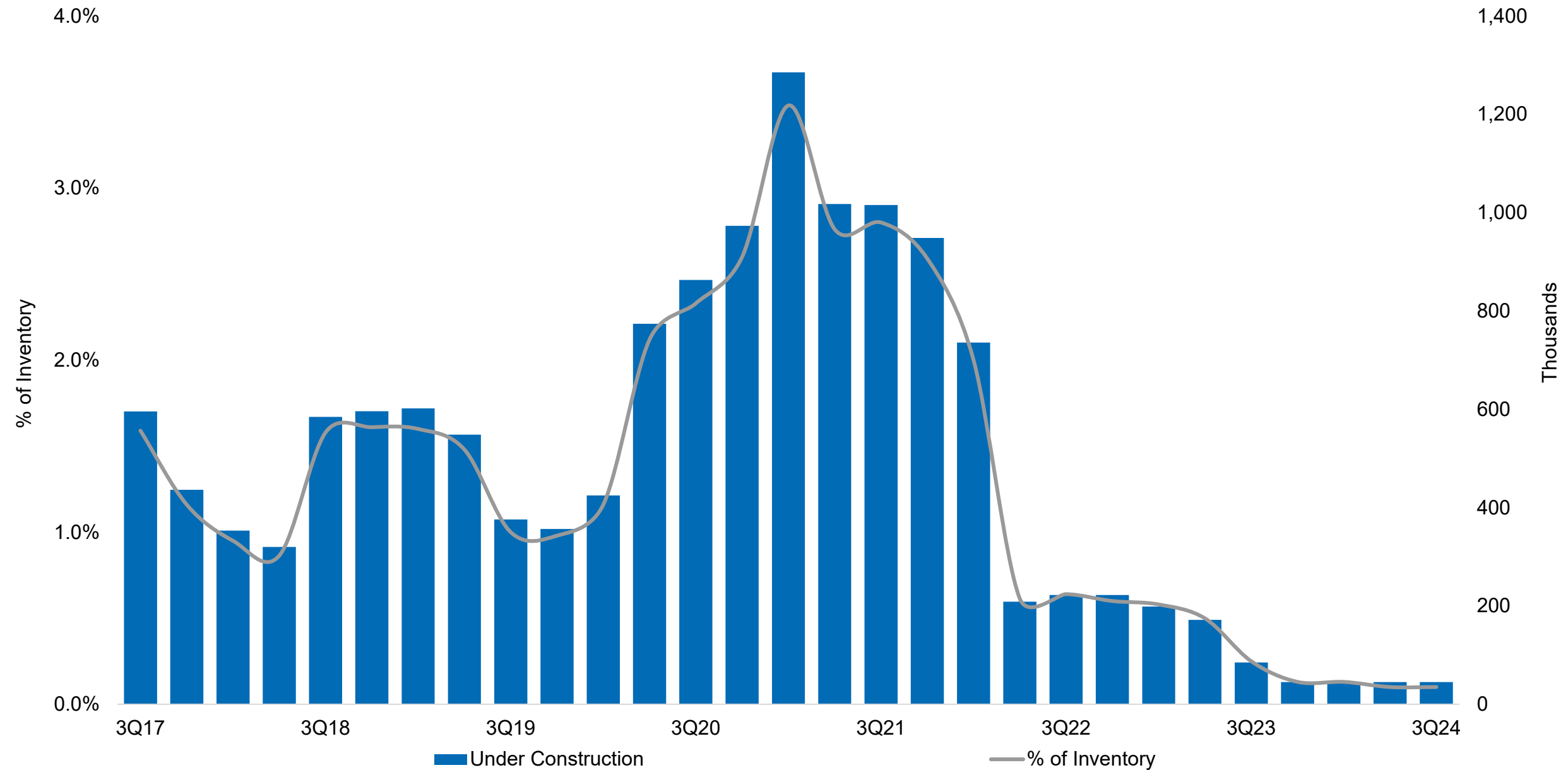


Source: Newmark Research

# 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 in early 2025.

## Office Under Construction and % of Inventory



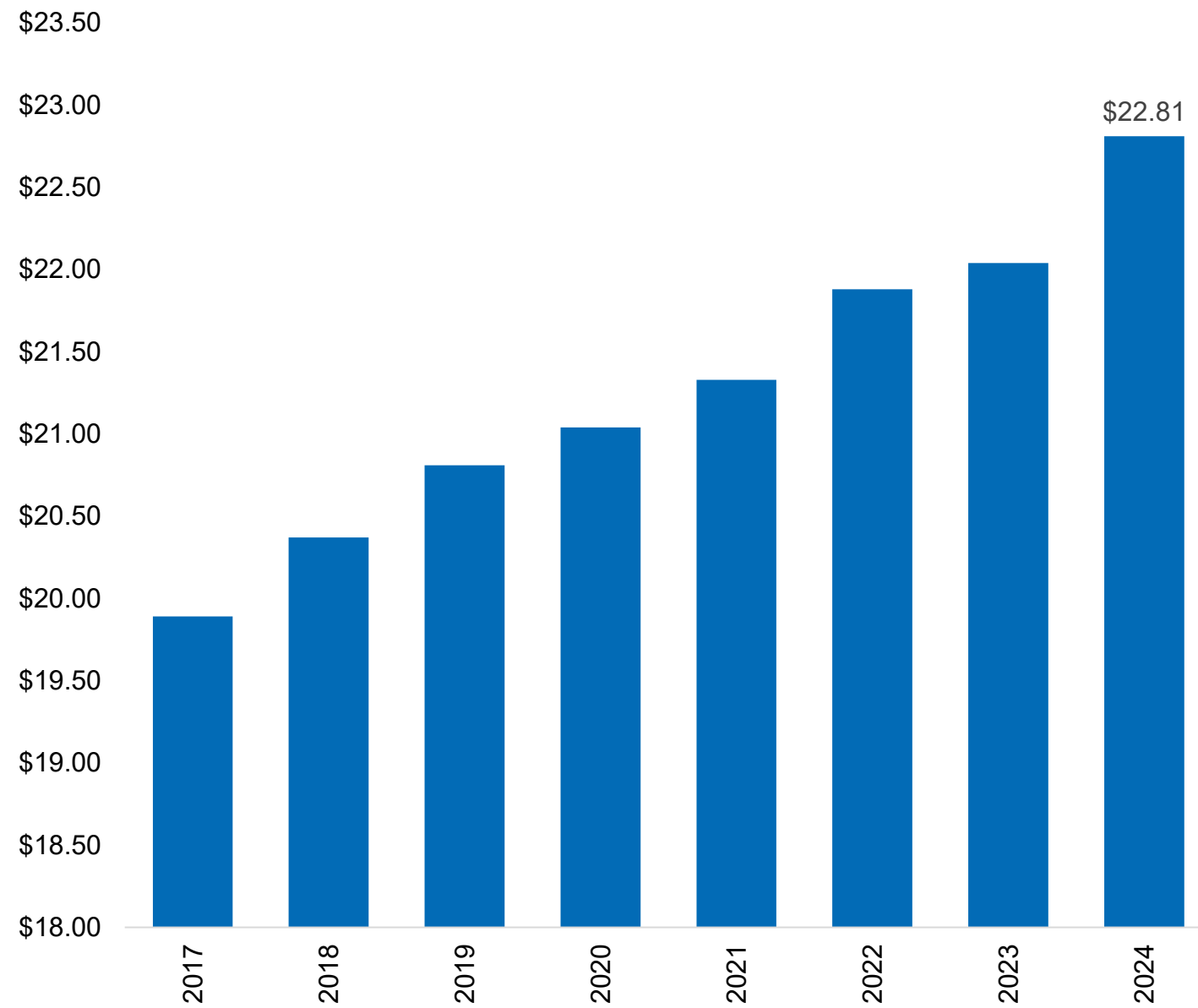
Source: Newmark Research, CoStar, City of Cincinnati



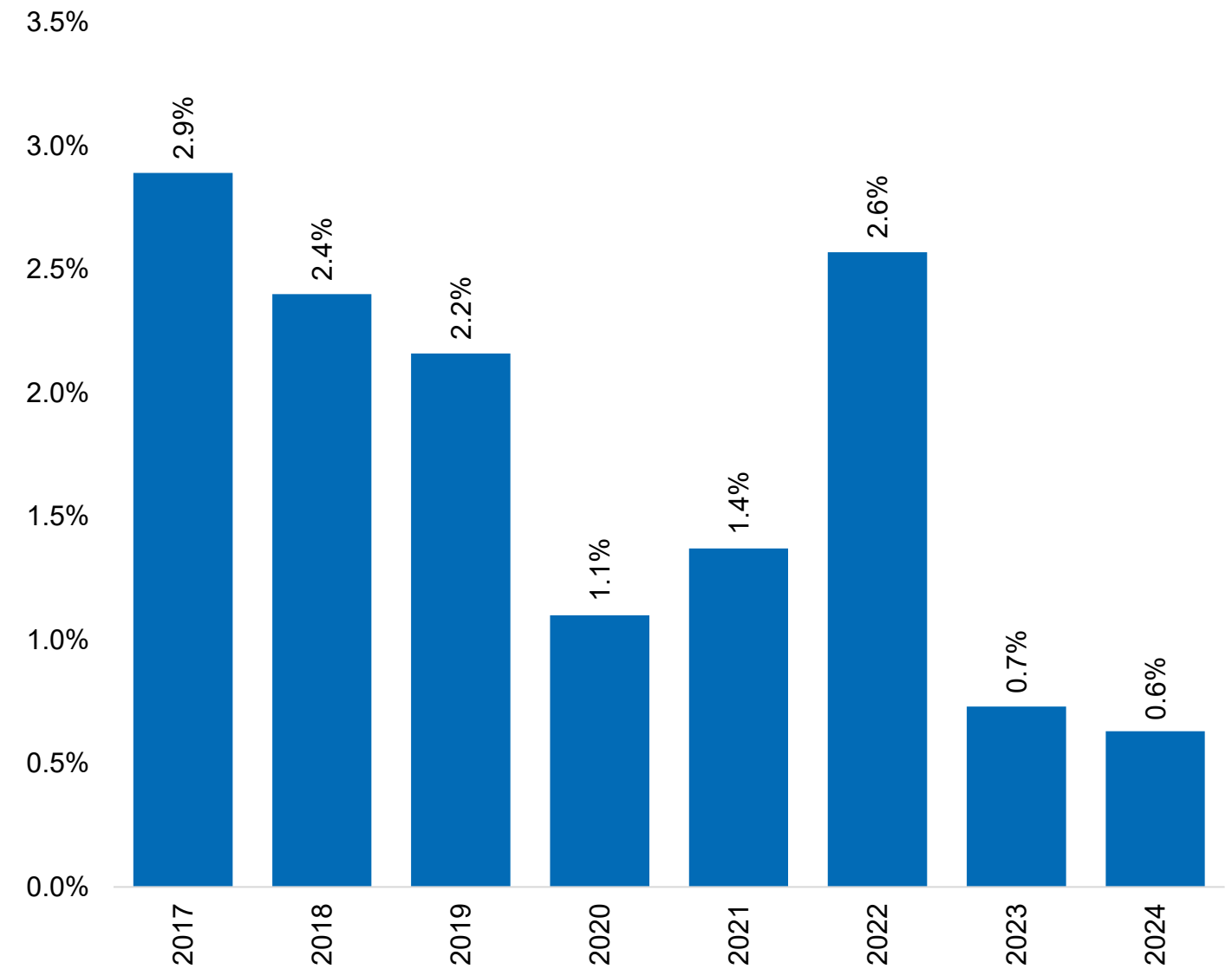
# Asking Rents Increase Year-Over-Year

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

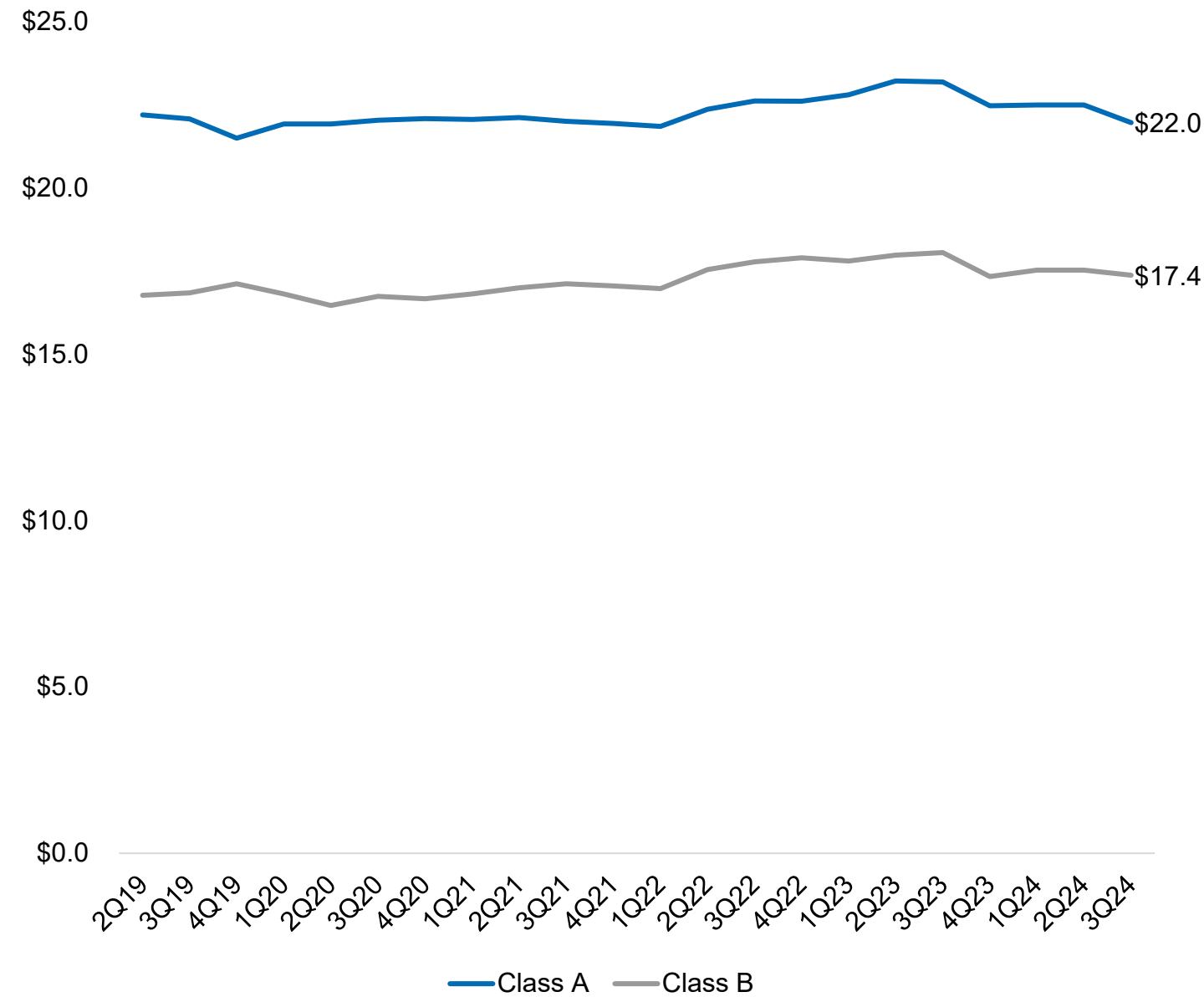


Source: Newmark Research, CoStar

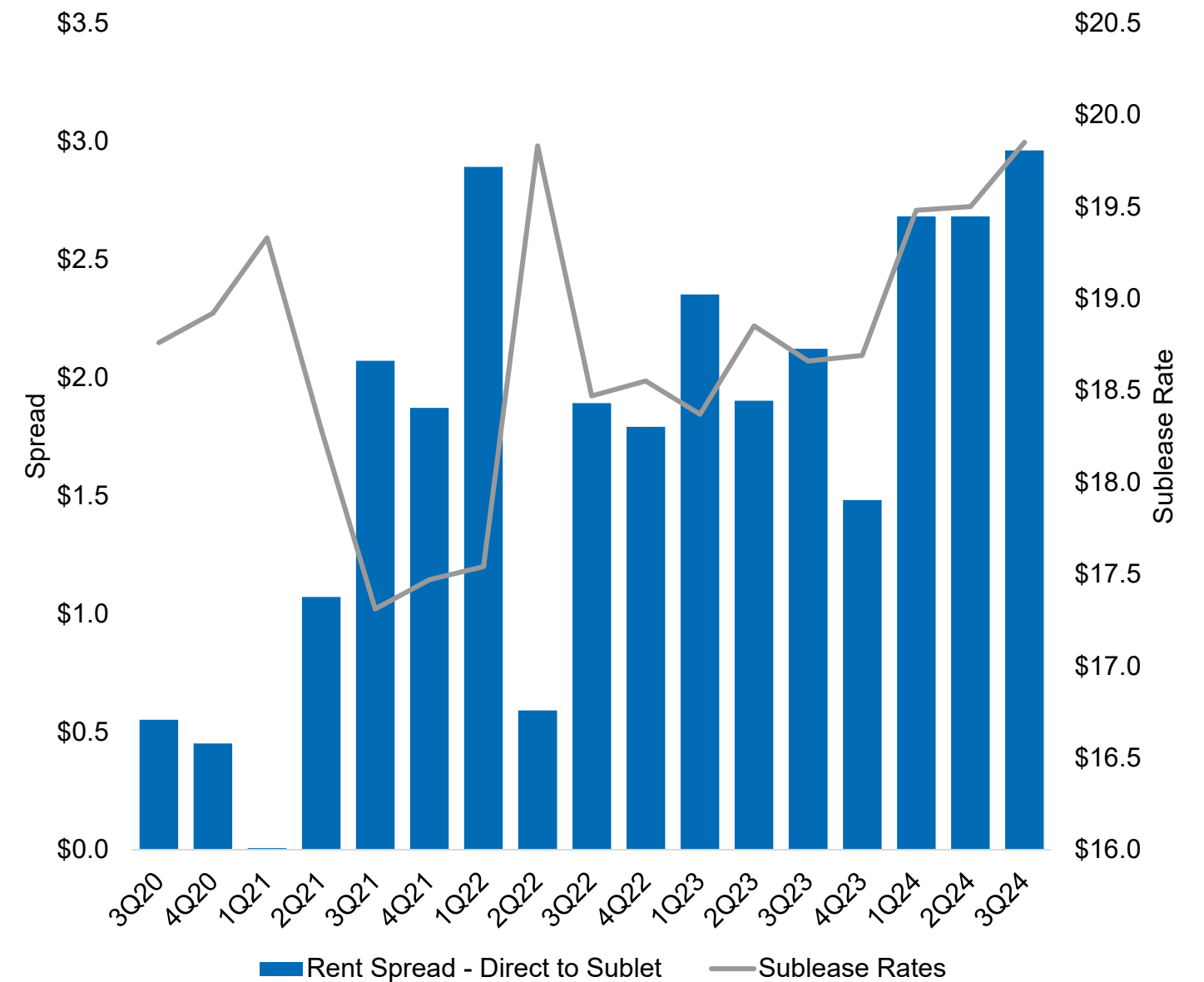
# Sublease Rates Slightly Increase Quarter-Over-Quarter

Direct rents have shown little movement while sublease rates have increased slightly pushing the spreads between direct and sublease even higher. With demand showing a slight increase we expect to see minimal change in average asking rates through the end of 2024.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

# Notable 3Q24 Lease Transactions

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Tenant	Building(s)	Submarket	Type	Square Feet
Life Safer	3600 Park 42 Dr	Tri County	Direct Lease	27,144
Carestar Holdings	4540 Cooper Rd	Blue Ash/Montgomery	Direct Lease	18,538
Campbell Sales	400 E Business Way	Blue Ash/Montgomery	Direct Lease	16,598
The Key	9999 Carver Rd	Blue Ash/Montgomery	Direct Lease	3,500

Source: Newmark Research



# Notable 3Q24 Sale Transactions

## Notable 3Q24 Sale Transactions

Buyer	Seller	Address	Submarket	Square Feet	Price	Price/SF
Varde Partners & Unity Investment Management	Healthpeak Properties Inc	1945 CEI Dr	Blue Ash	109,224	\$19,556,210	\$179
Kenneth Naim	Hills Communities	9403 Kenwood Rd	Blue Ash	71,328	\$2,500,000	\$35
Kenneth Naim	Kenwood Corporate Centre	9395 Kenwood Rd	Blue Ash	40,000	\$2,500,000	\$63

Source: Newmark Research

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