

1Q25

# Cincinnati Office Market Overview

**NEWMARK**



# Market Observations

## Economy

- Nonfarm payroll employment in Cincinnati increased by 30 basis points, signaling a strengthening local job market and broader economic improvements.
- Office-using employment in Cincinnati grew modestly from 269,576 in December of 2021 to 273,648 in March, indicating a positive trend in office jobs despite a slight overall increase in unemployment across all industries.
- Financial activities and natural resources/mining/construction industries experiences significant growth at the start of the new year, driven by a strengthening economy and rising consumer demand for financial services.
- This rise in infrastructure projects and sustainable energy initiatives in the natural resources/mining and construction industries has created job opportunities, with technological advancements further opening new opportunities for skilled workers.

## Major Transactions

- Champlin Architecture signed a new lease for 24,013 square feet at 201 E 4th St. in CBD.
- TruStaff Management signed a new lease for 20,601 square feet at 9997 Carver Rd. in Blue Ash.
- KSM Business Services signed a new lease for 17,162 square feet at 9987 Carver Rd. in Blue Ash.
- Top Gun Sales Performance sold 5155 Financial Way, a 67,000 square foot building in the Mason/Montgomery submarket, to Mira Precision Health for \$6.0 million, or \$90/SF.
- Neyer Properties sold 4380 Malsbary Rd., a 40,265 square foot building in the Blue Ash submarket, to Soccer Village for \$2.95 million, or \$73/SF.

## Leasing Market Fundamentals

- During the first quarter, the Cincinnati office market witnessed minimal activity. The vacancy rate held steady, despite a slight negative absorption.
- The period was the slowest for leasing activity since 2021, attributed to economic uncertainties such as interest rates, inflation, and tariffs, coupled with the ongoing shift to remote and hybrid work models, prompting businesses to reassess their real estate needs.
- The absence of new office construction led to a strategic focus on renovating and repurposing existing spaces, emphasizing the creation of flexible workspaces and enhanced technological infrastructure to match evolving workplace needs without expanding physical footprints.
- Rental rates in Cincinnati maintained stability. This stability can attract businesses looking for predictable costs, while Class A spaces saw increases in rates due to heightened demand.

## Outlook

- The Cincinnati office market is expected to remain steady for the remainder of the year, with a focus on adapting existing spaces to meet modern workplace demands, such as flexible work environments and enhanced technological capabilities.
- Leasing activity may remain slow as companies weigh their options amidst economic uncertainties, including interest rates and inflation, which could impact business expansion and leasing decisions.
- There is likely to be an increased emphasis on renovating and repurposing office spaces rather than new construction.
- Demand for Class A office spaces may see a gradual increase due to businesses seeking high-end environments to enhance employee attraction and retention.

1. Economy
2. Leasing Market Fundamentals

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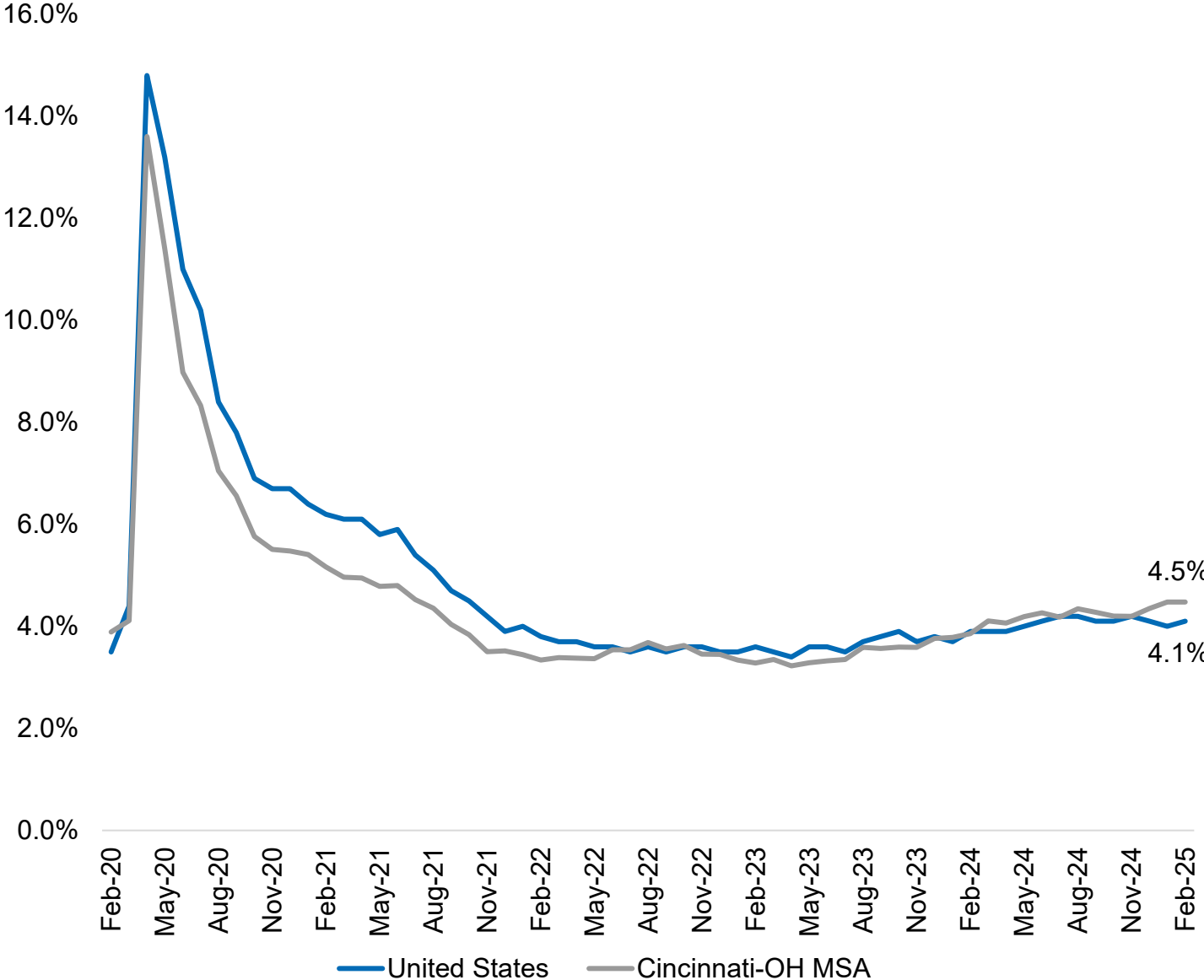
# Economy



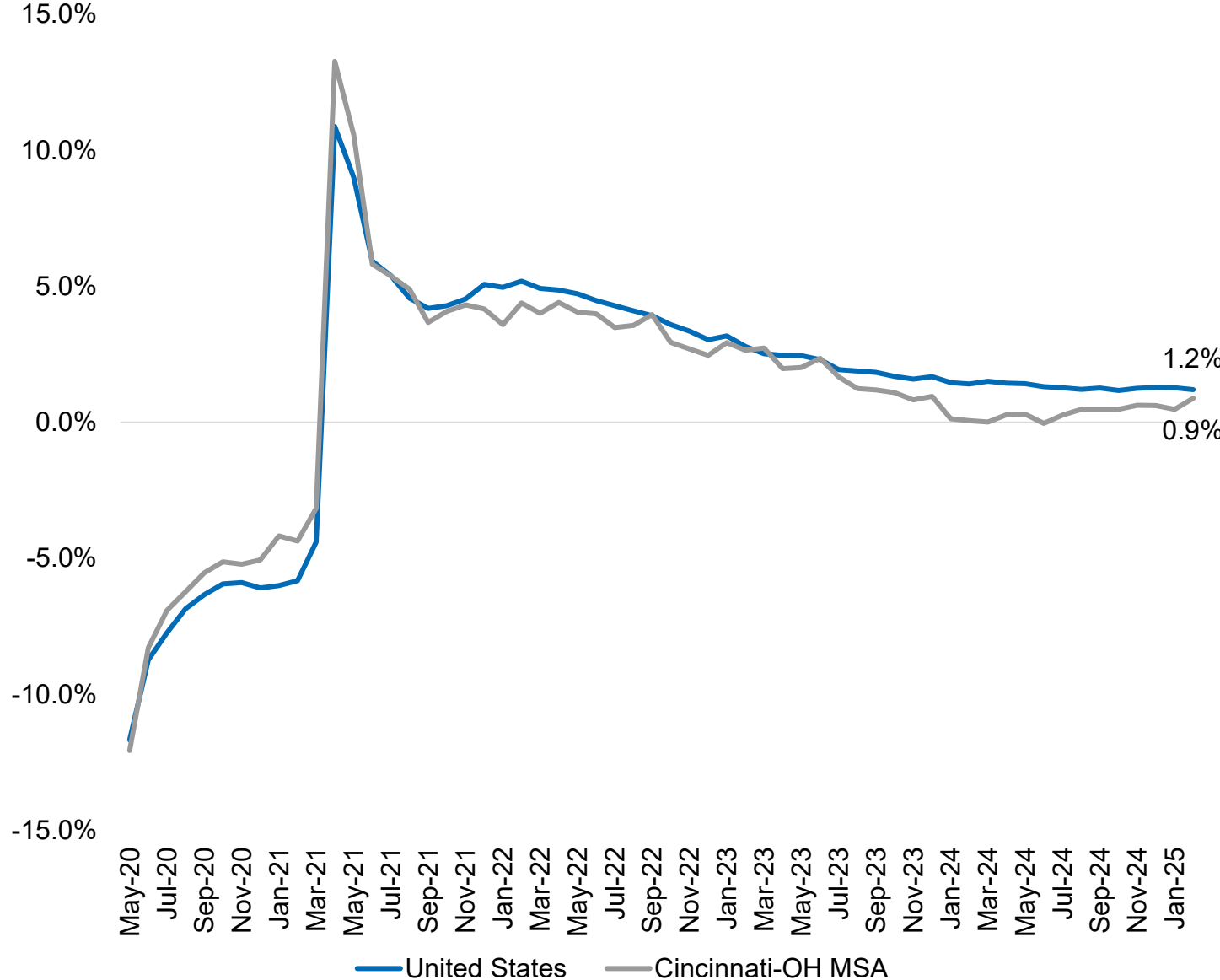
# Slight Uptick in Cincinnati's Job Market: Nonfarm Increase

In Cincinnati, nonfarm payroll employment saw an increase of 30 basis points, rising from 60 basis points in December to 90 basis points in February. This growth highlights a strengthening local job market, reflecting broader economic improvements in the region. The rise in employment can boost confidence among employers and support increased consumers spending. This positive trend serves as an encouraging sign for local policymakers and businesses focusing on further economic developments.

**Unemployment Rate, Seasonally Adjusted**



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

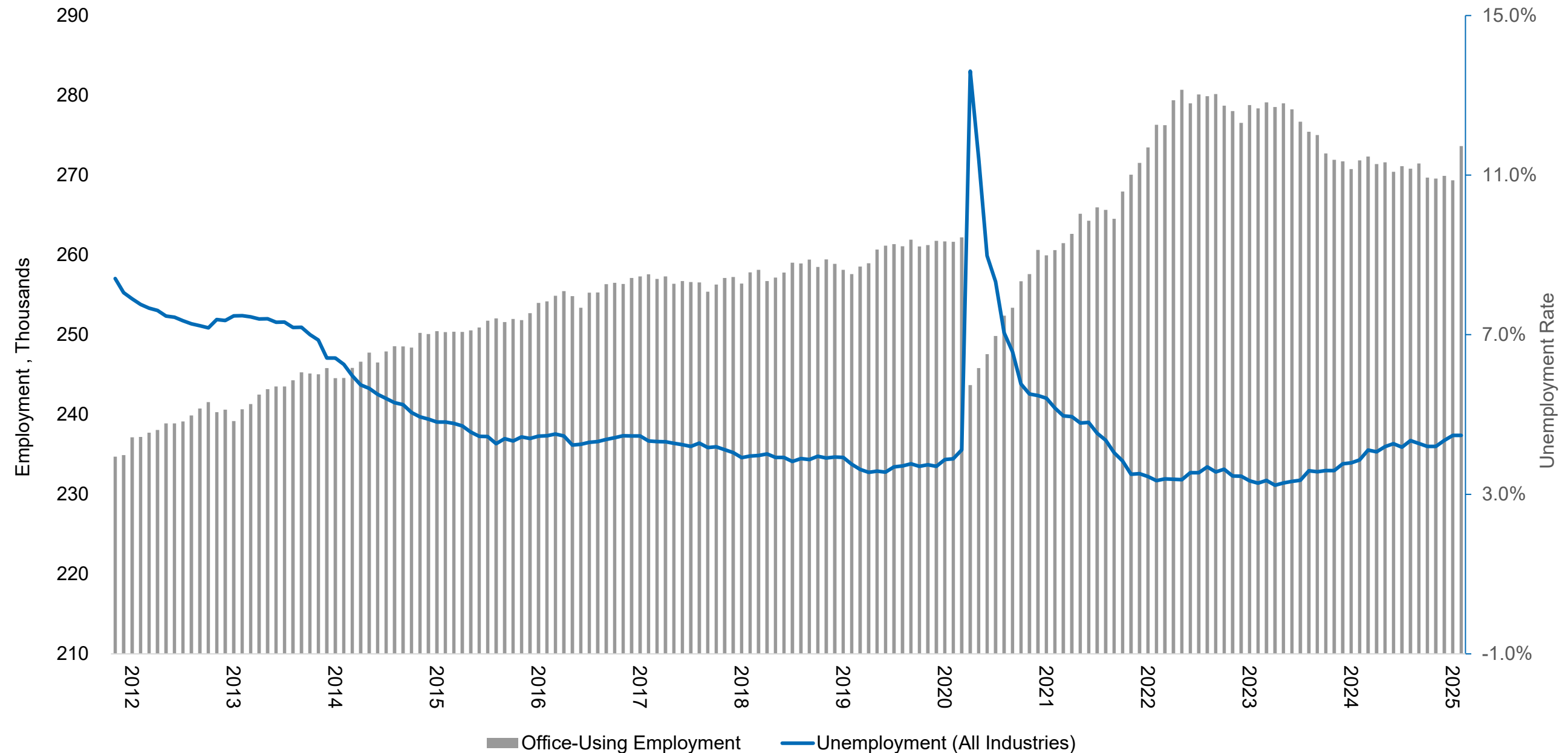


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

# Cincinnati's Office Employment Rises Amid Industry Challenges

Cincinnati's office-using employment experienced a modest increase, rising from 269,576 in December to 273,648 in March. This growth reflects a positive trend in office-related jobs despite the broader context where unemployment across all industries experienced a slight uptick in the new year. This suggests that while the office-using sectors are expanding, there are still challenges in other areas of the job market.

Office-Using Employment\* and Unemployment Across All Industries



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

Note: February 2025 data is preliminary.

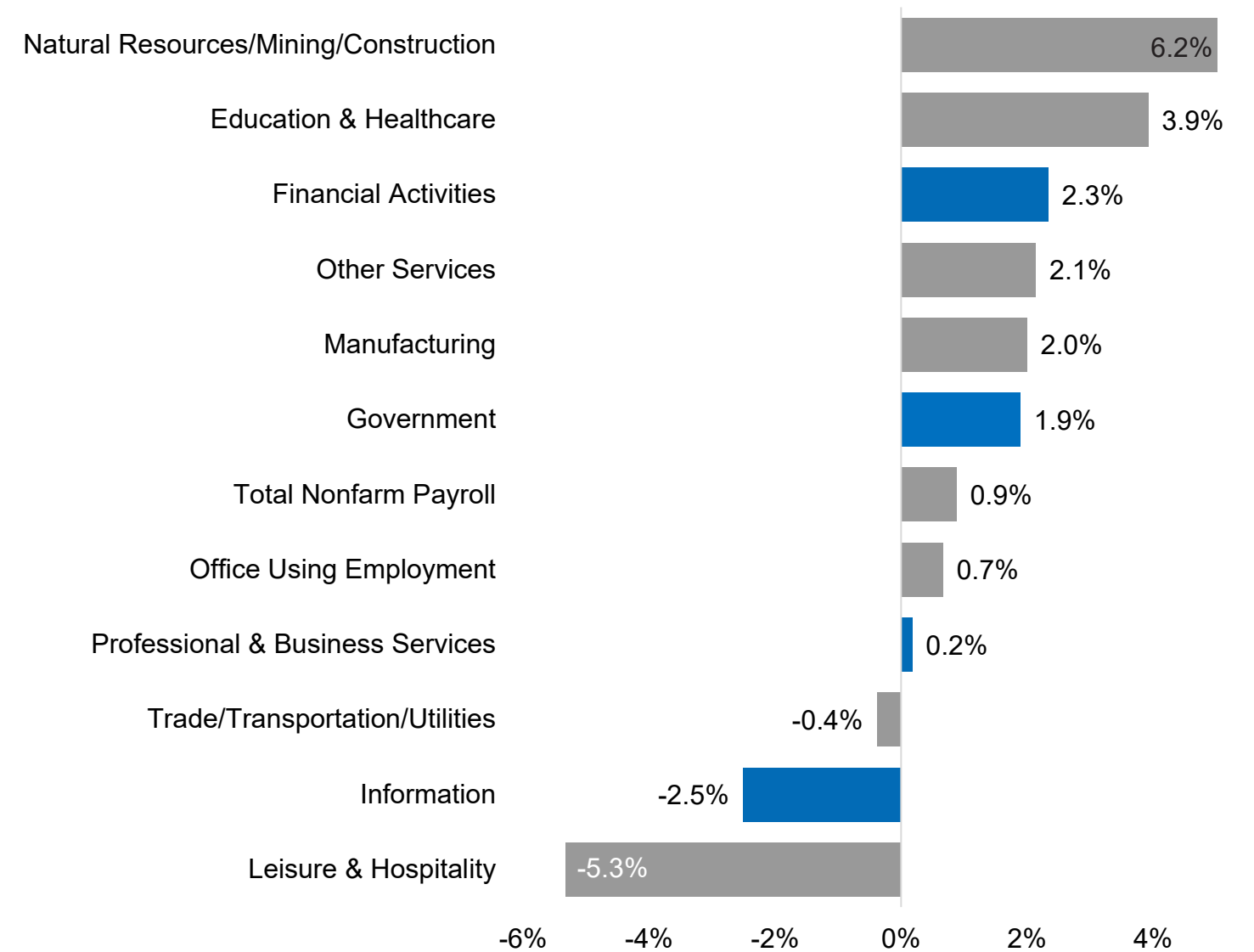
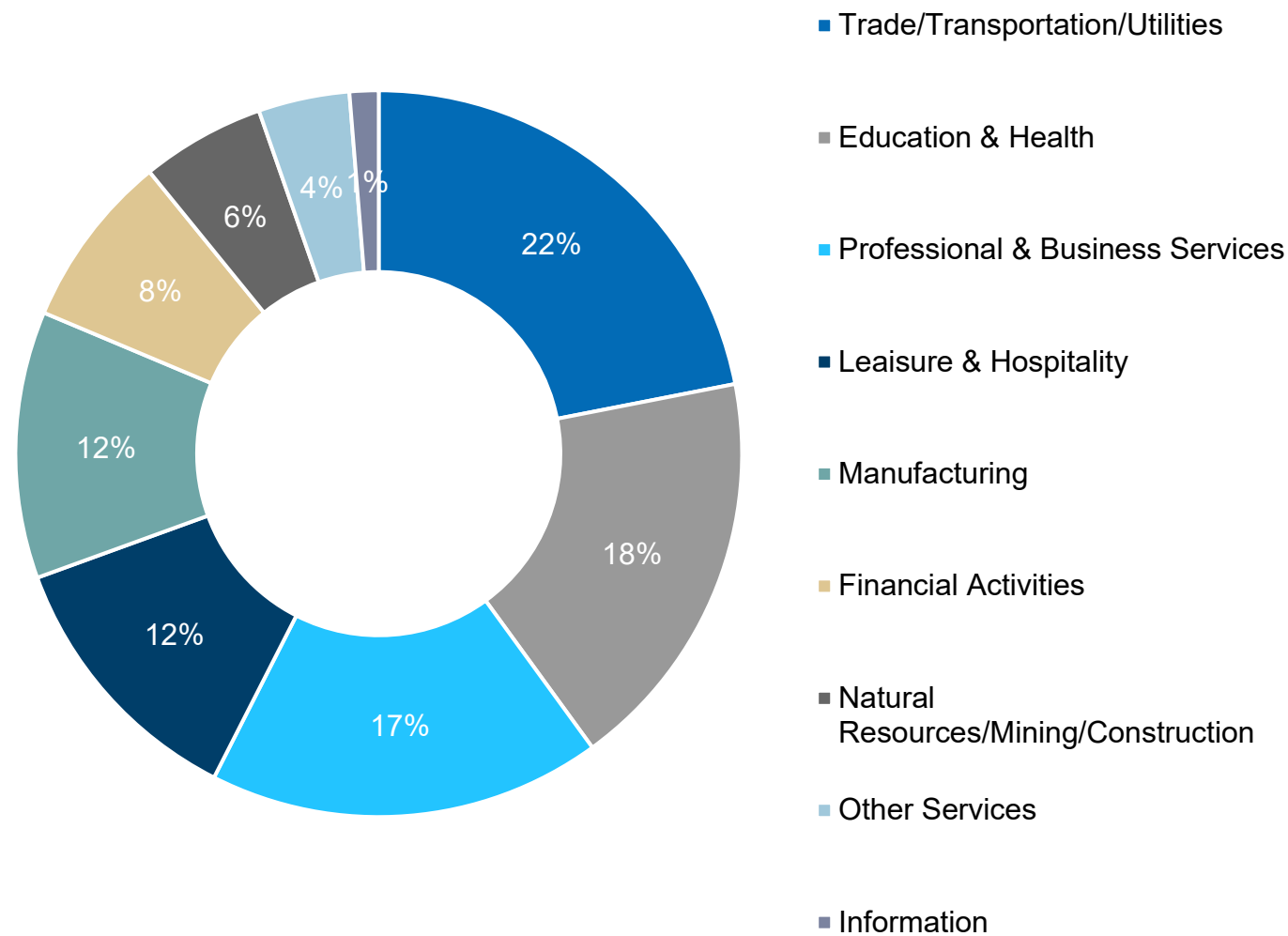
\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

# Financial and Construction Industries Lead in Early Year Job Gains

At the beginning of the new year, the financial activities and natural resources/mining/construction industries experienced significant growth in employment. This increase can largely be attributed to a strengthening economy and rising consumer demand for financial services, leading firms to expand their workforce. In the natural resources/mining/construction industry, a rise in infrastructure projects and sustainable energy initiatives has fueled job creation. Additionally, advancements in technology and construction methods have opened up new opportunities for skilled workers, contributing to the employment surge in these sectors.

Employment by Industry, February 2025

Employment Growth by Industry, 12-Month % Change, February 2025



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

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# Leasing Market Fundamentals

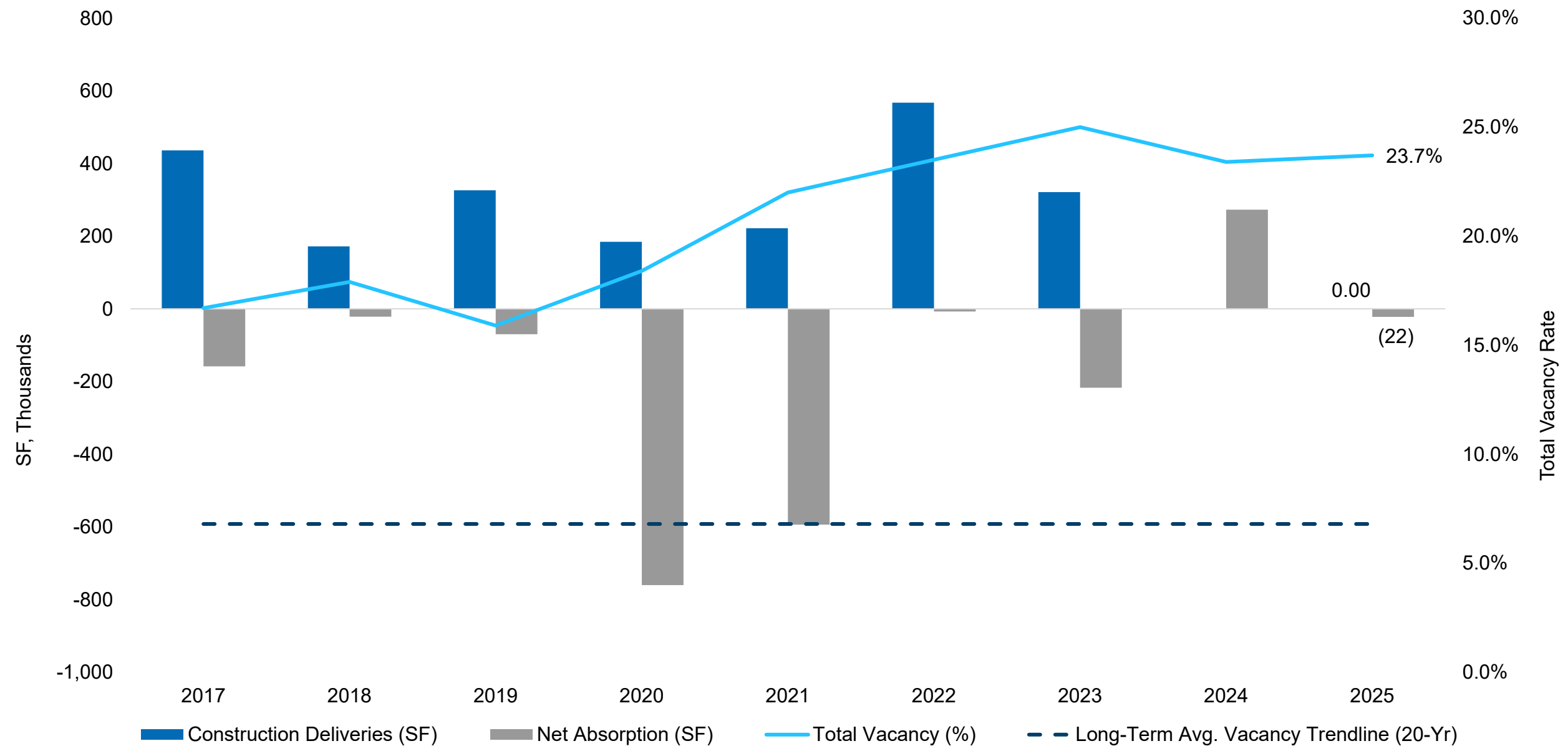




# Minimal Movement in Cincinnati's Office Market

During the first quarter, the Cincinnati office market experienced minimal activity, reflecting a largely stagnant environment. The absence of new construction deliveries suggests a period of cautious restraint among developers. Although there was slight negative absorption, the vacancy rate held steady. This consistency in vacancy suggests a balance in supply and demand, even as the market navigates a period of limited growth and adjustment. Overall, the office sector appears to be in a holding pattern, awaiting a potential shifts in demand or economic conditions to reignite momentum.

Historical Construction Deliveries, Net Absorption, and Vacancy

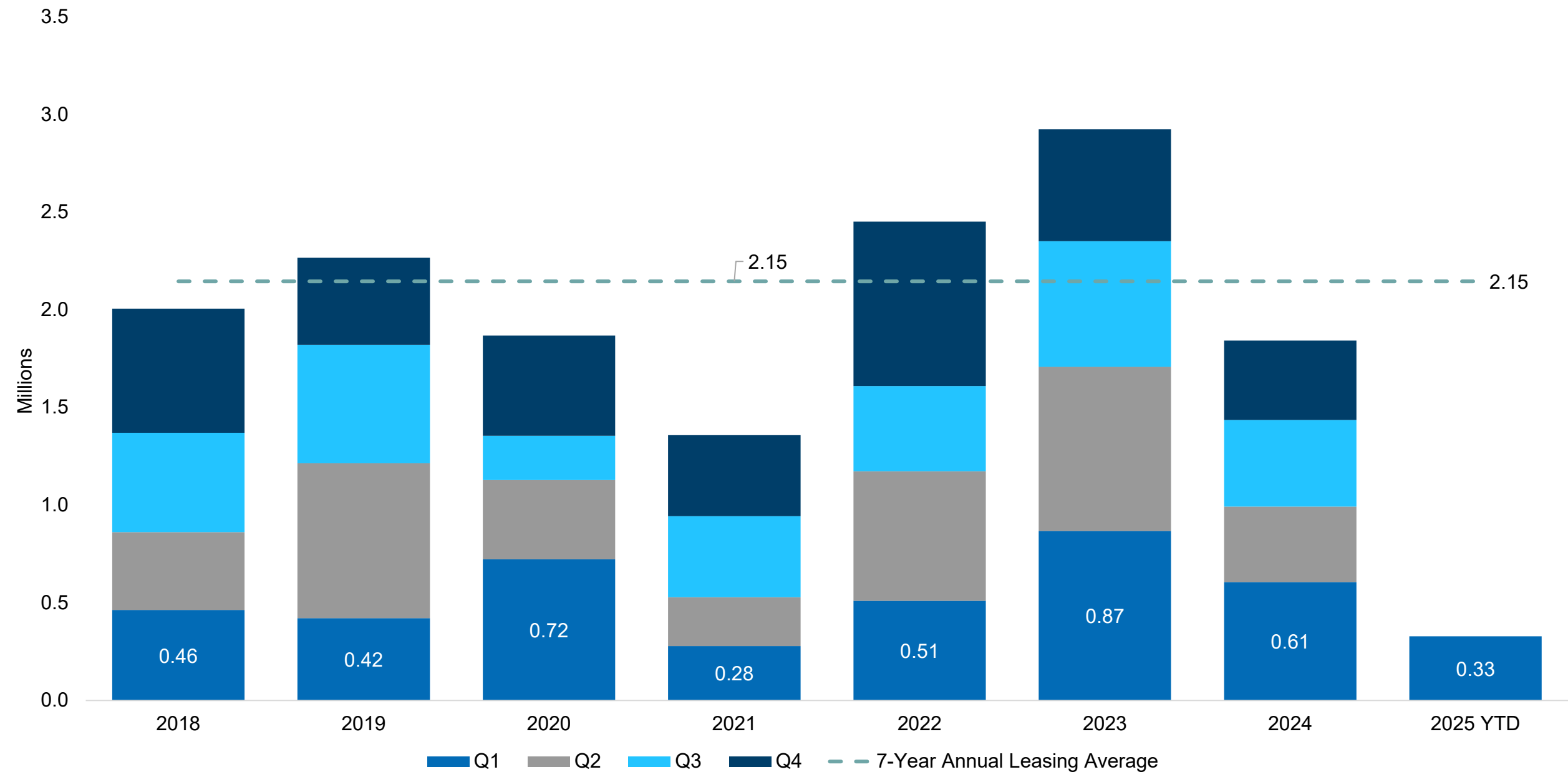


Source: Newmark Research

# Cincinnati Sees Slowest Q1 Leasing Activity Since 2021

The first quarter marked the slowest period for leasing activity in Cincinnati since 2021, reflecting a cautious approach in the office market. Contributing factors include uncertainty surrounding economic conditions, such as interest rates, inflation, and tariffs, which make businesses hesitant to commit to new leases. Additionally, the shift toward remote and hybrid work continues to influence demand for office space, as companies reassess their real estate needs. This pause in activity highlights a market in transition, balancing existing space requirements with evolving workplace trends and economic challenges.

**Total Leasing Activity (msf)**

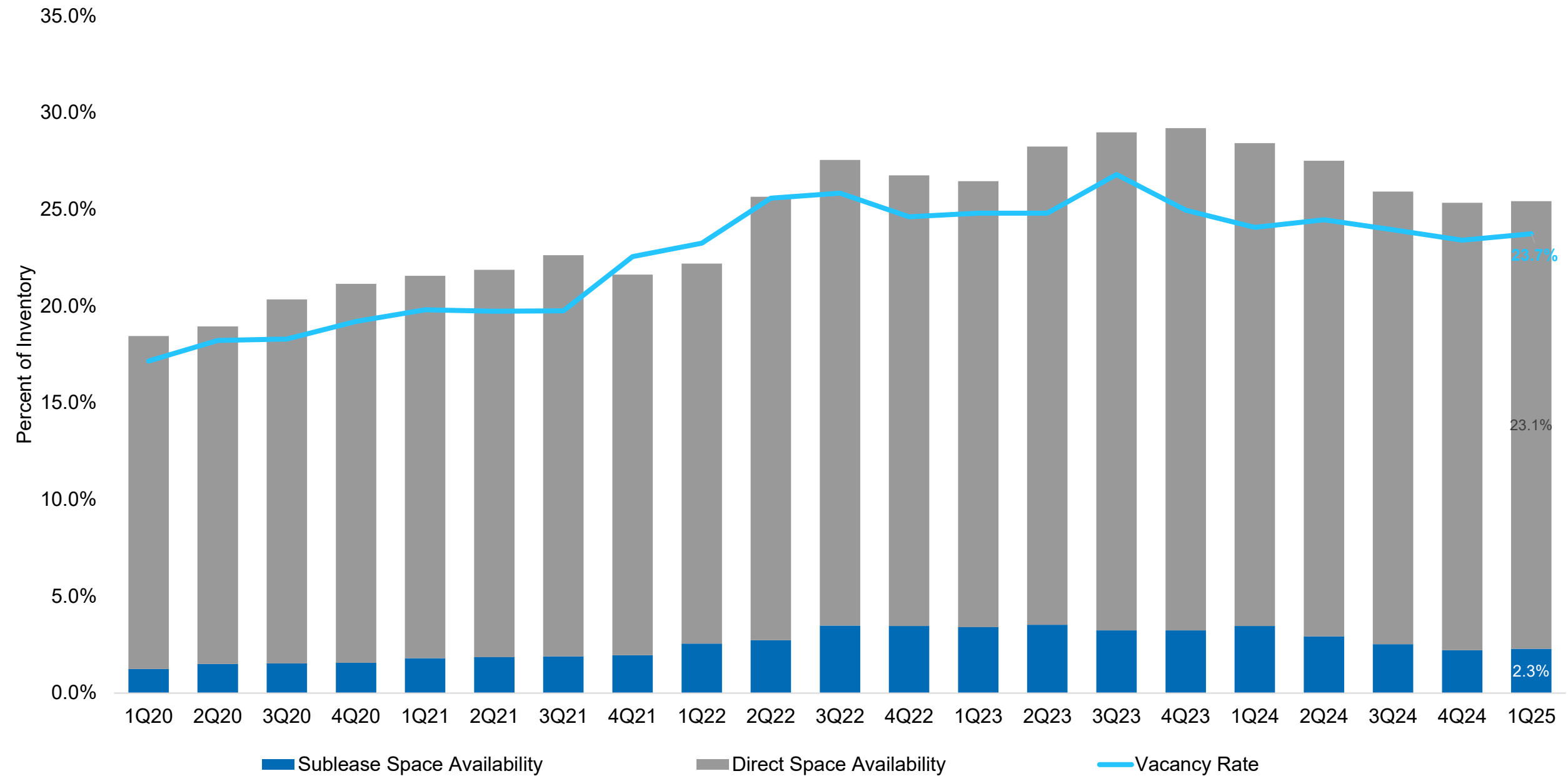


Source: Newmark Research, CoStar

# Steady Office Space Availability in Cincinnati

In the Cincinnati office sector, there was minimal change of both direct and sublease availabilities. The overall market preserved stability, evidenced by a slight increase in the vacancy rate. This suggests that tenant activity is relatively quiet, with most businesses choosing to stick with their existing spaces rather than expanding or moving. The nominal change in vacancy could be due to prevailing economic uncertainties and the ongoing shift towards remote work models.

Available Space and Tenant Demand as Percent of Overall Market

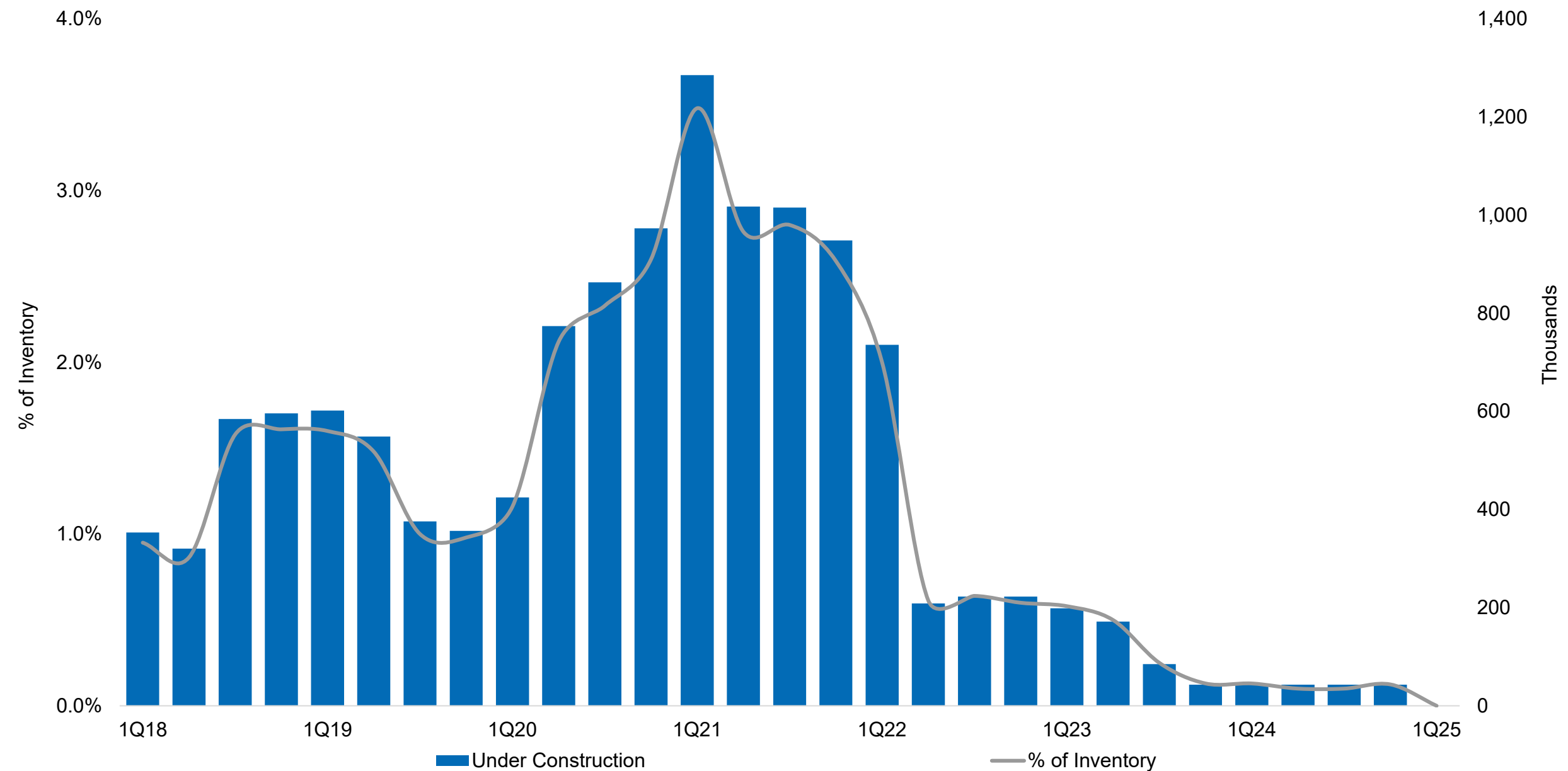


Source: Newmark Research

# Cincinnati Office Market Focuses on Renovation Over New Builds

In the Cincinnati office market, there has been no new construction activity, instead, there has been a strategic shift towards renovating and repurposing existing office spaces. This trend aims to adapt to modern needs, including the creation of flexible workspaces and the enhancement of technological infrastructure. By focusing on upgrading current properties, the market is responding to evolving workplace preferences without expanding its physical footprint. This approach allows businesses to optimize their work environments for efficiency and innovation while navigating current economic conditions.

## Office Under Construction and % of Inventory

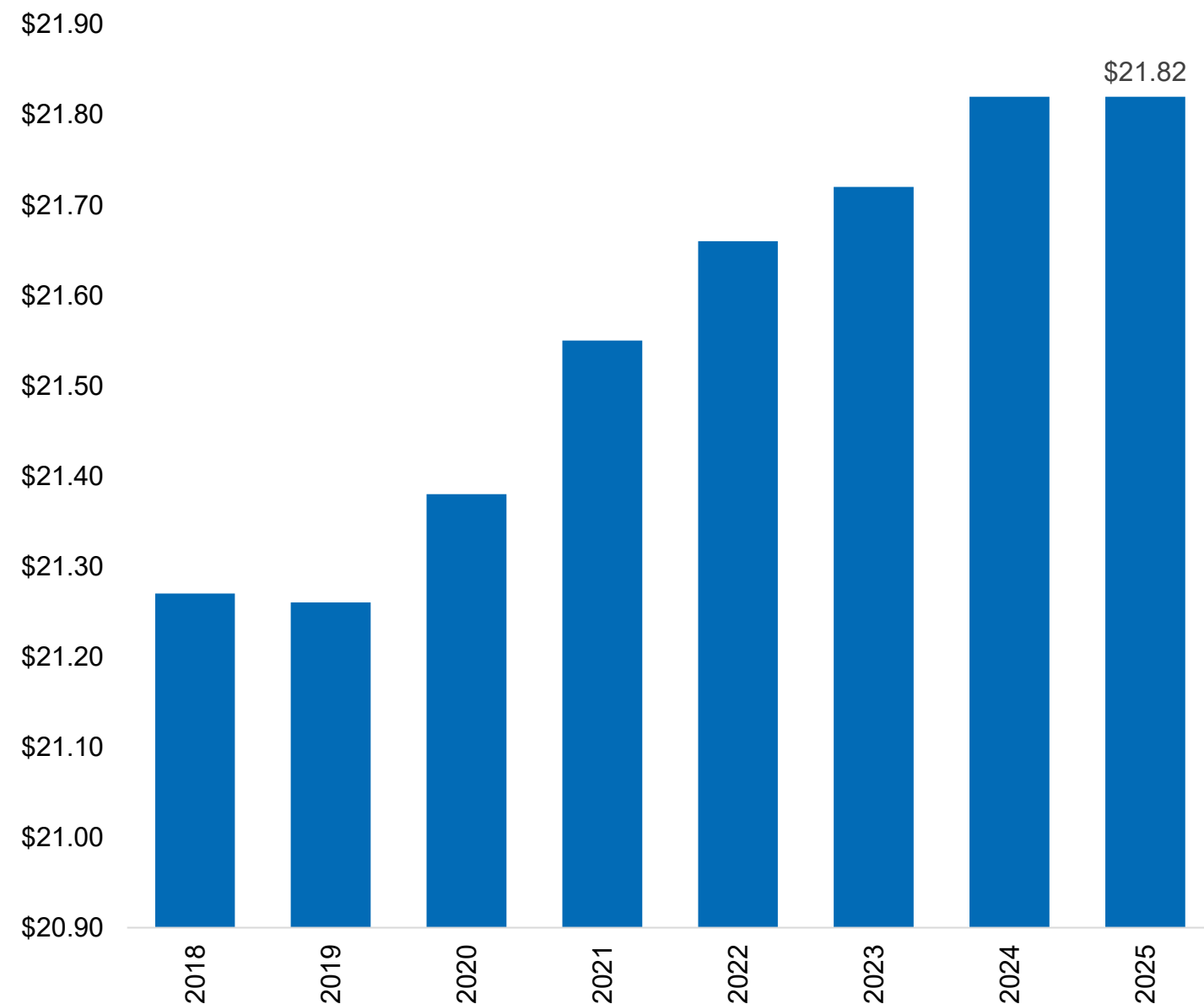


Source: Newmark Research, CoStar, City of Cincinnati

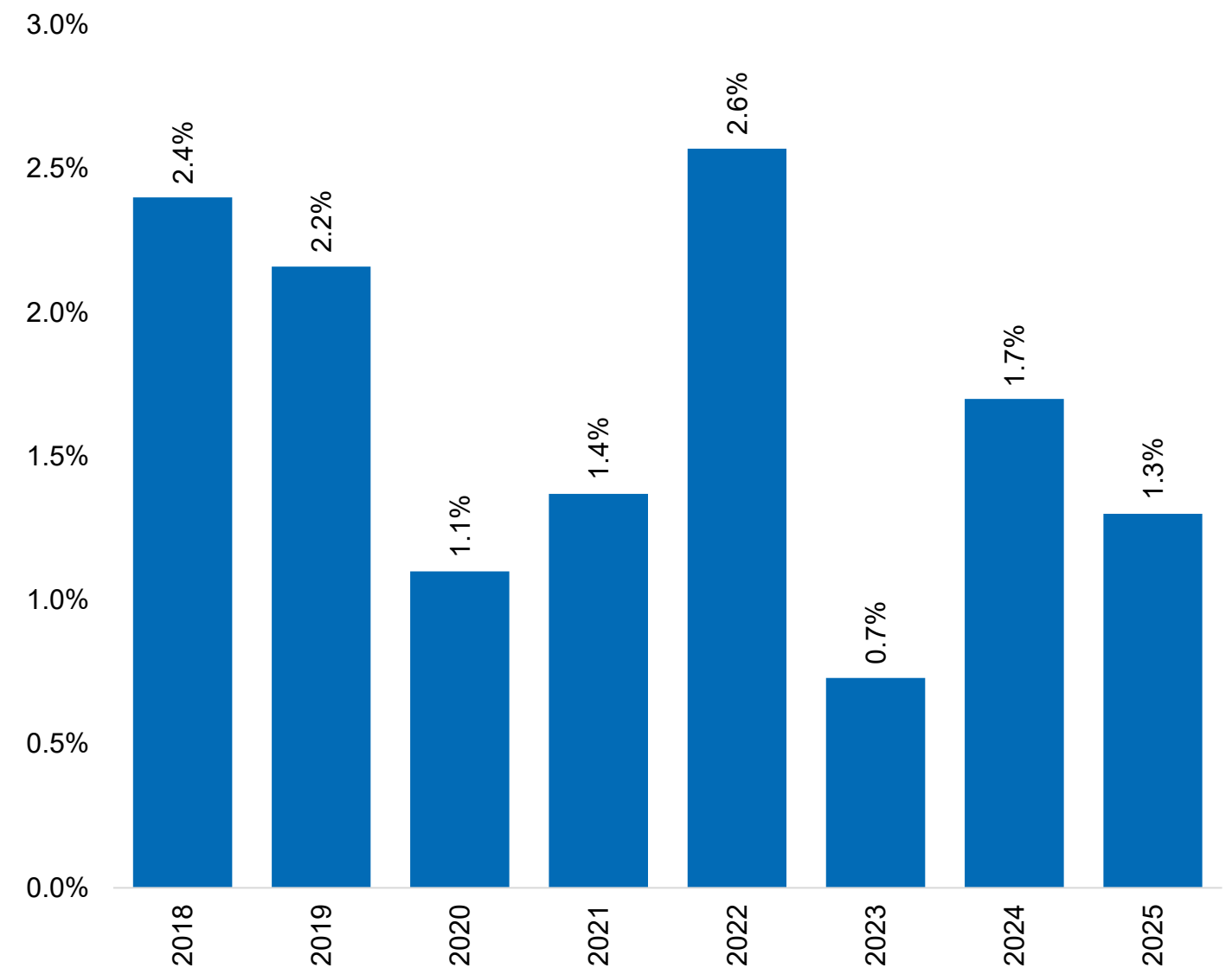
# Predictable Costs: Steady Office Rents in Cincinnati

In Cincinnati, rental rates have remained stagnant, indicating a period of steady economic conditions and market equilibrium. This stagnation suggests that the supply and demand for office space are balanced, preventing significant fluctuations in pricing. Existing tenants may be negotiating lease renewals with terms that maintain current rent levels, particularly if they are uncertain about future space needs. Additionally, stable rental rates can be appealing to companies seeking predictable operating costs, potentially attracting new businesses to the area. This steady state offers a reliable environment for both tenants and landlords, providing a foundation for potential future market shifts.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

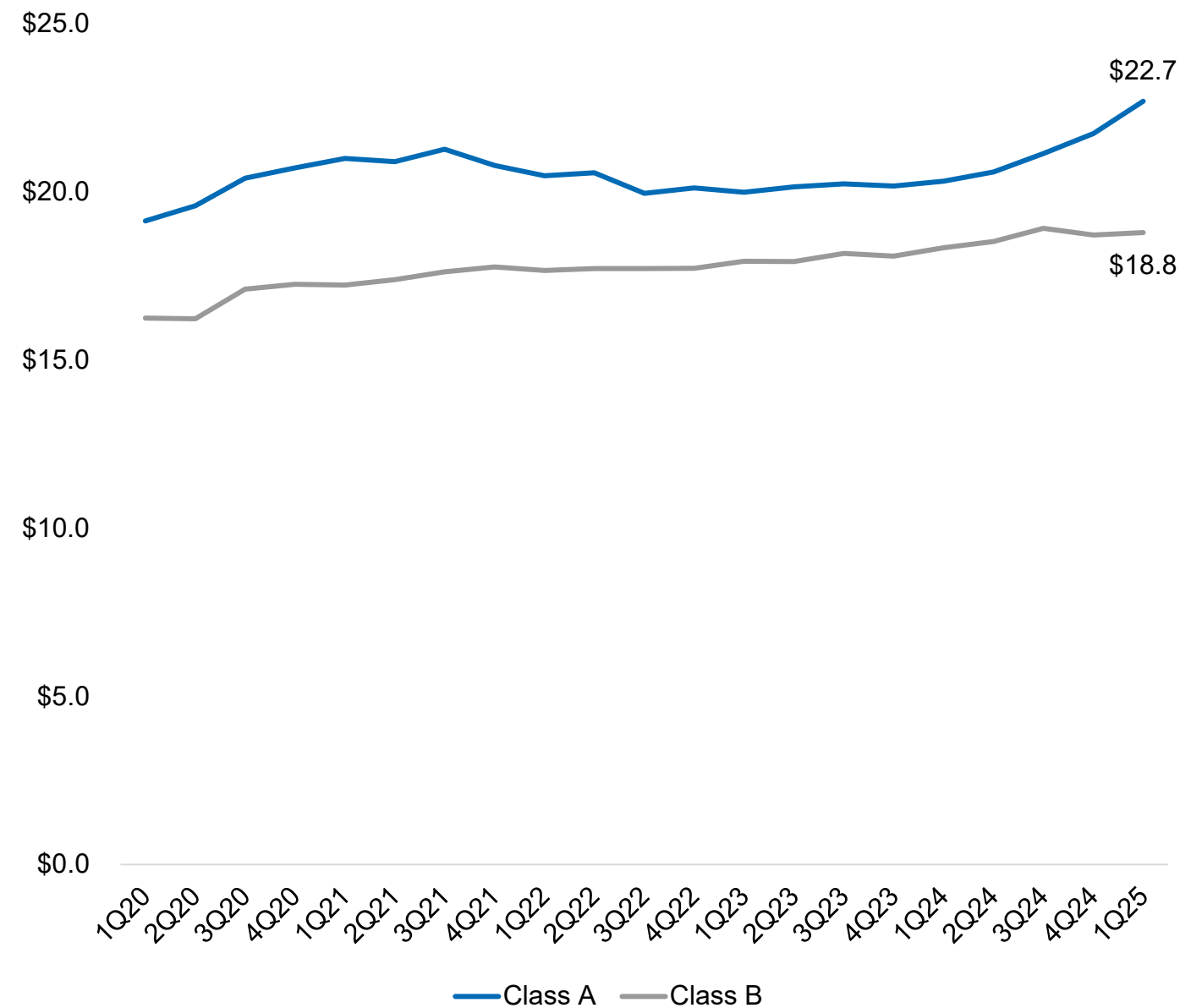


Source: Newmark Research, CoStar

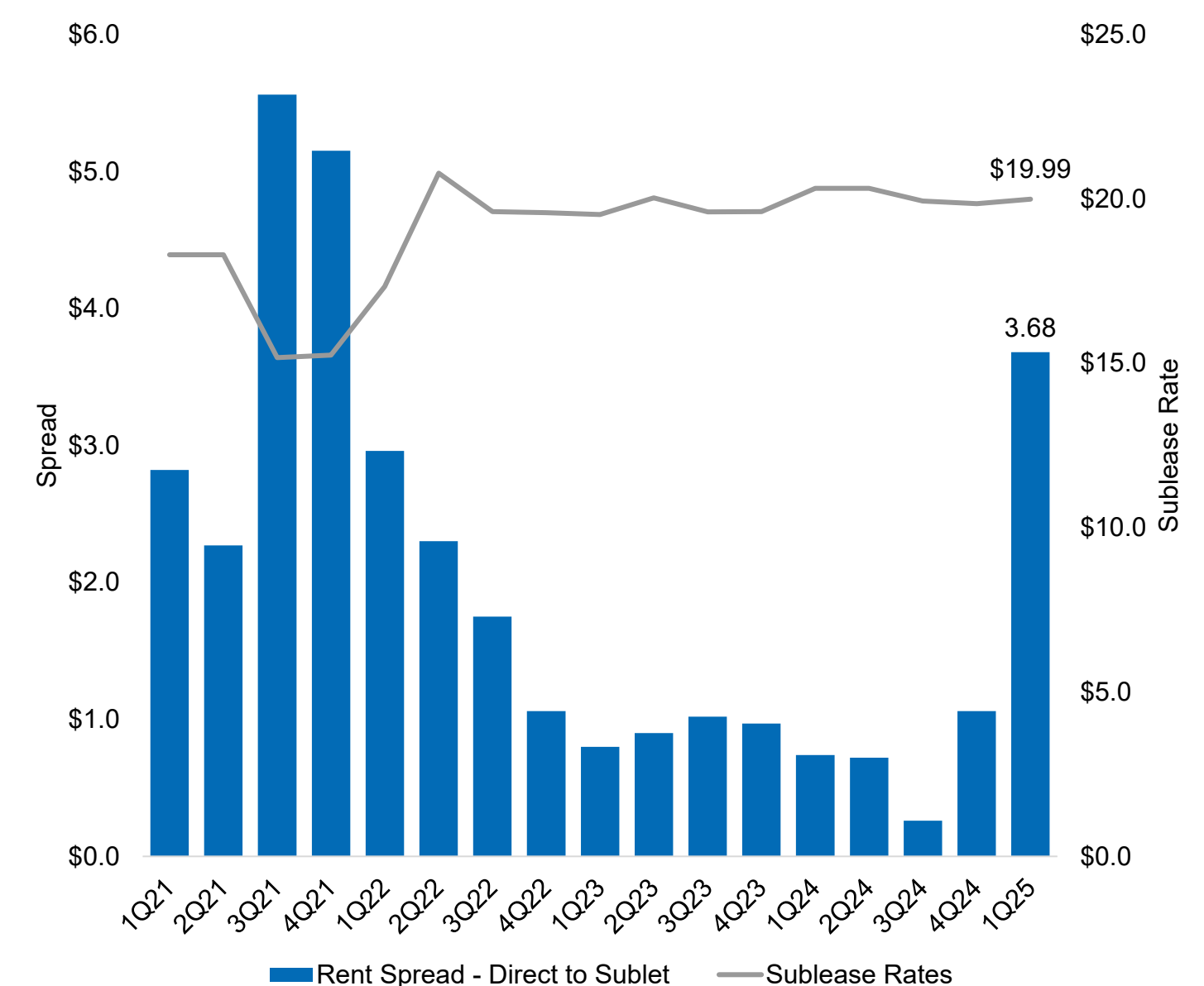
# Rising Demand for Premium Office Space in Cincinnati

Cincinnati's office market has seen a rise in rental rates for Class A spaces from the fourth quarter of 2024 to the first quarter of 2025, reflecting increased demand for these premium locations. This trend is referred to as a flight to quality, where tenants prioritize high-quality spaces due to their superior amenities and prime locations, making them attractive in competitive markets. Meanwhile sublease spaces have experienced modest rate increases but remain steady, indicating a balanced demand and cost-conscious appeal. The slight uptick in sublease rates points a shift towards flexible office solutions. Overall, this growth suggests economic optimism and investment in Cincinnati's infrastructure, making it an appealing business destination.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

# Notable 1Q25 Lease Transactions

## Notable 1Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Champlin Architecture	201 E 4 <sup>th</sup> St.	CBD	Direct Lease	24,013
TruStaff Management	9997 Carver Rd.	Blue Ash	Direct Lease	20,601
KSM Business Services	9987 Carver Rd.	Blue Ash	Direct Lease	17,162
Port of Greater Cincinnati Development Authority	221 E 4 <sup>th</sup> St.	CBD	Direct Lease	15,000

Source: Newmark Research

# Notable 1Q25 Sale Transactions

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Buyer	Seller	Address	Submarket	Square Feet	Price	Price/SF
Mira Precision Health	Top Gun Sales Performance	5155 Financial Way	Mason/Montgomery	67,000	\$6,000,000	\$89.55
Soccer Village	Neyer Properties	4380 Malsbary Rd.	Blue Ash	40,265	\$2,950,000	\$73.26
Volunteers of America	Northern Kentucky Health Department	2002 Madison Ave.	Northern Kentucky	11,774	\$925,000	\$78.56

Source: Newmark Research



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