3Q25

Cincinnati Office Market Overview

Market Observations

Economy

- Cincinnati's unemployment rate has climbed to its highest since May 2021 and remains above the U.S. rate, as local payrolls fell to negative 0.6% while national payrolls were steady.
- Employment growth in office-using sectors saw a mix of results with Information and Financial Activities achieving growth while Government and Professional & Business Services posted negative growth reflecting cost controls, budget constraints, and a productivity and automation focus.
- For the remainder of 2025, expect sideways-to-slightly higher unemployment with intermittent volatility; softer hiring and moderating wage growth; office-using headcounts drifting sideways to slightly lower with selective backfilling and longer time-to-hire.

Leasing Market Fundamentals

- Cincinnati's office market improved this quarter: year-to-date net absorption reached 213,000 SF; vacancy fell to 22.9% from 23.4%; and 209 Greenup St. was the year's first construction delivery.
- The third quarter had the slowest leasing activity since 2021 as occupiers favored renewals, extensions, and rightsizing amid hybrid-policy shifts.
- Supply tightened as sublease and direct availability fell with withdrawn listings, renewals, and second-gen absorption. With limited deliveries, selective conversions, and no new starts for a third straight quarter, availability should trend flat to lower and new builds will likely remain predominantly build-to-suit or heavily preleased.
- Rents are rising - $20.69/SF year-to-date (up 5.9%) - with further gains expected into the fourth quarter of 2025 as sublease rates near parity with direct rates and the quality gap widens (Class A $22.60/SF vs. Class B $18.60/SF), keeping pricing power with landlords.

Major Transactions

- Integrity Express Logistics signed a new lease for 18,938 SF at 300 Dave Cowens Dr. in the Covington/Newport submarket.
- KSM Business Services signed a new lease for 17,162 SF at 9987 Carver Rd. in the Blue Ash submarket.
- Waites Sensor Technologies signed a new lease for 16,000 SF at 1045 W. 8th St. in the CBD Peripheral submarket.
- Reading Investments LLC sold 7162 Reading Rd., a 134,000 SF building in the Reading/Roselawn submarket, to Tower Ventures Opp LLC for $3.04 million, or $22.68/SF.
- Genoa Property Group sold 10700 Montgomery Rd., a 68,200 SF building in the Kenwood submarket, to Grammas Investment for $2.75 million, or $10.32/SF.

Outlook

- Leasing momentum should remain steady but measured, led by flight-to-quality demand and a continued tilt toward renewals, extensions, and rightsizing.
- With limited new supply, selective conversions, and steady absorption of second-generation space, vacancy is expected to edge down and availability to trend flat to slightly lower.
- Asking rents should stabilize - especially in Class A – while concessions remain elevated to win commitments, and sublease pricing is likely to hold near parity with direct deals.
- New starts will stay scarce given financing and build-outs costs, keeping development largely build-to-suit or heavily preleased and reinforce landlords' pricing power through year-end.

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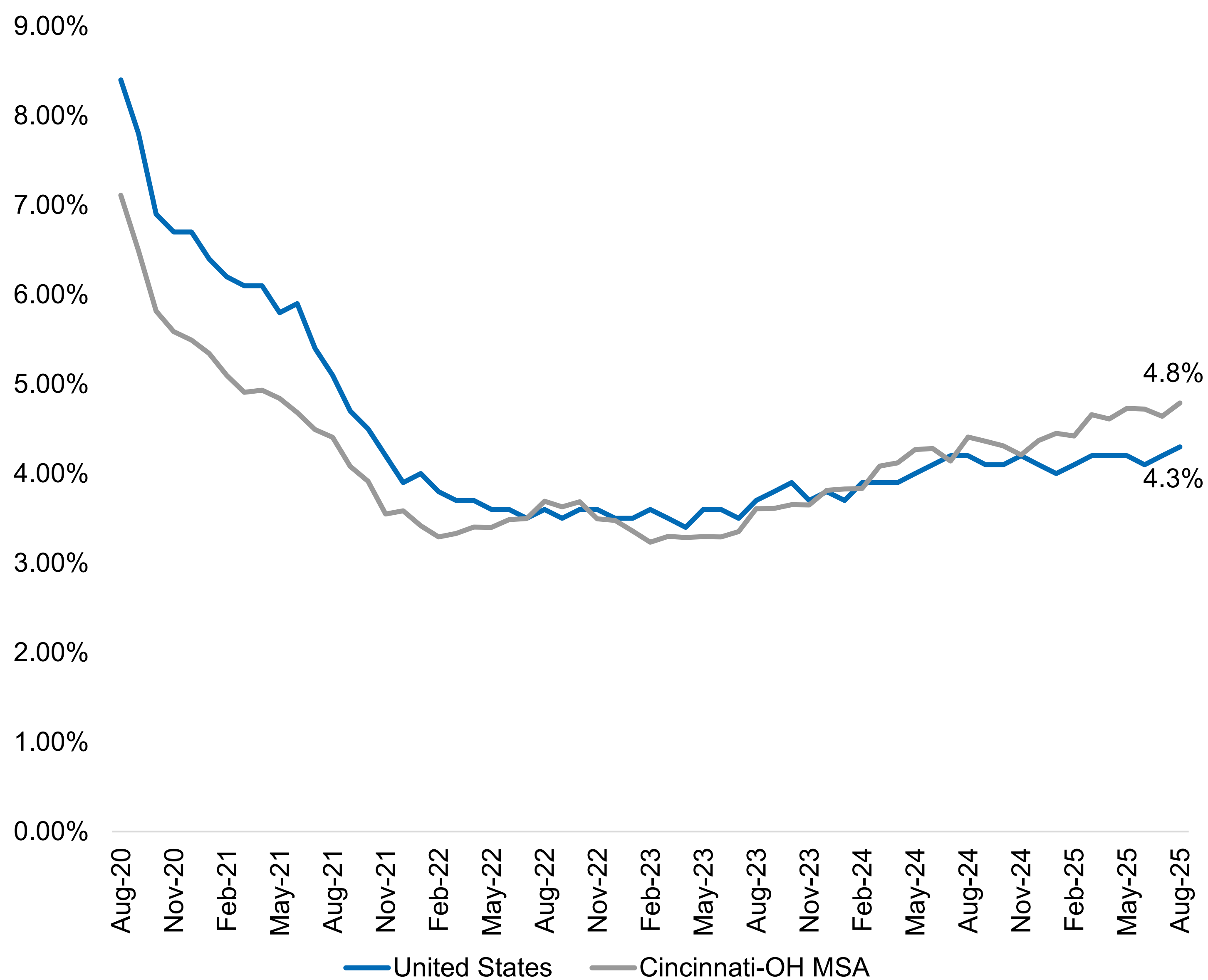
Economy

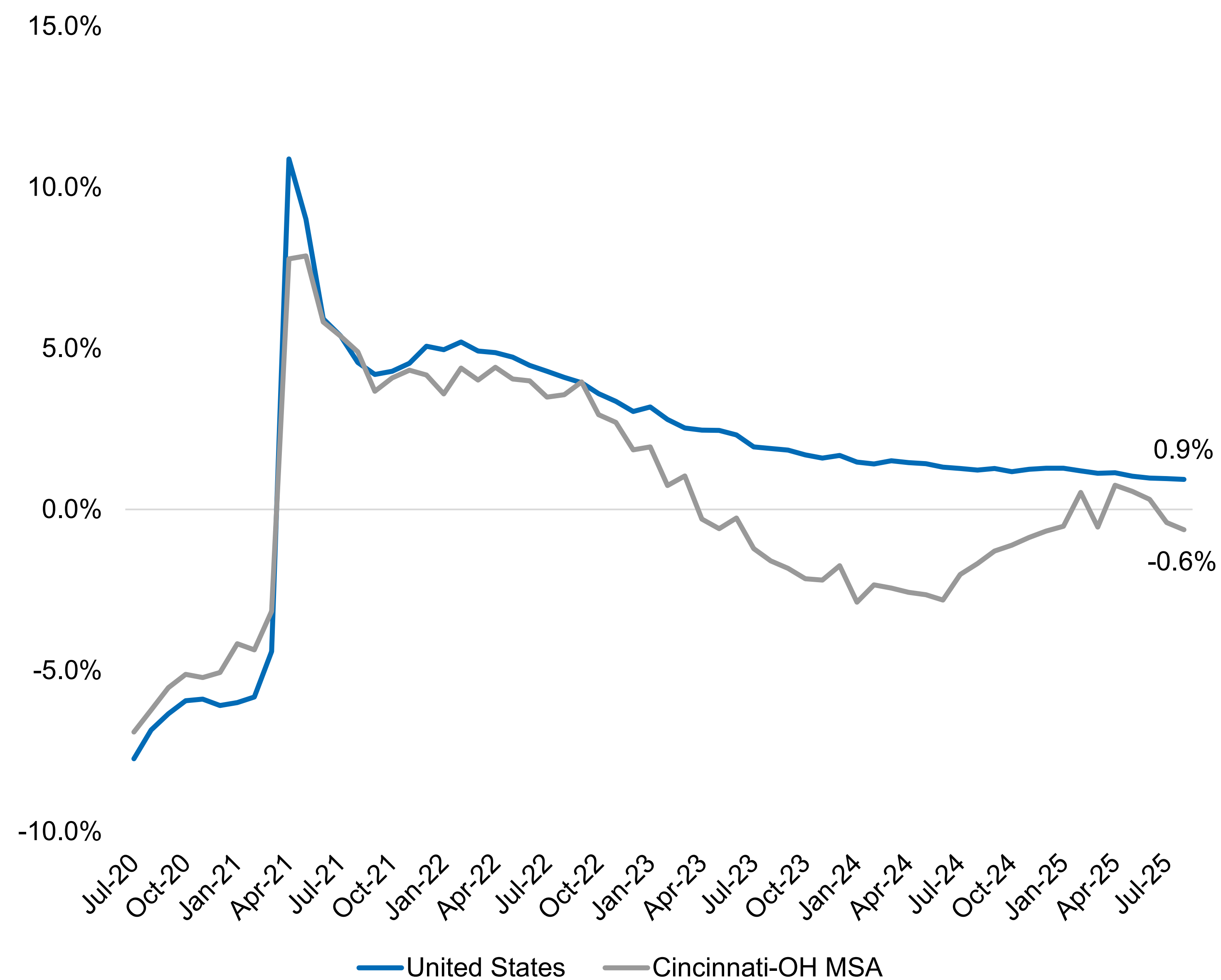
Cincinnati Unemployment Hits Highest Since 2021 as Payrolls Cool

In the third quarter of 2025, Cincinnati's unemployment rate rose to its highest level since May 2021, while the U.S. unemployment rate has not been this high since October 2021. Cincinnati's unemployment rate is above the national average because local hiring has cooled. Nonfarm payrolls slipped from positive 0.3% in June to negative 0.6% by late August even as U.S. payrolls showed little change and no comparable dip. With job growth softening against a steady labor force, more residents are between jobs, keeping Cincinnati's unemployment elevated relative to the nation's steadier backdrop. Looking ahead to the remainder of the year, Cincinnati's unemployment rate is likely to remain above the U.S. average and trend sideways with only modest relief from seasonal fourth quarter hiring.

Unemployment Rate, Seasonally Adjusted



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

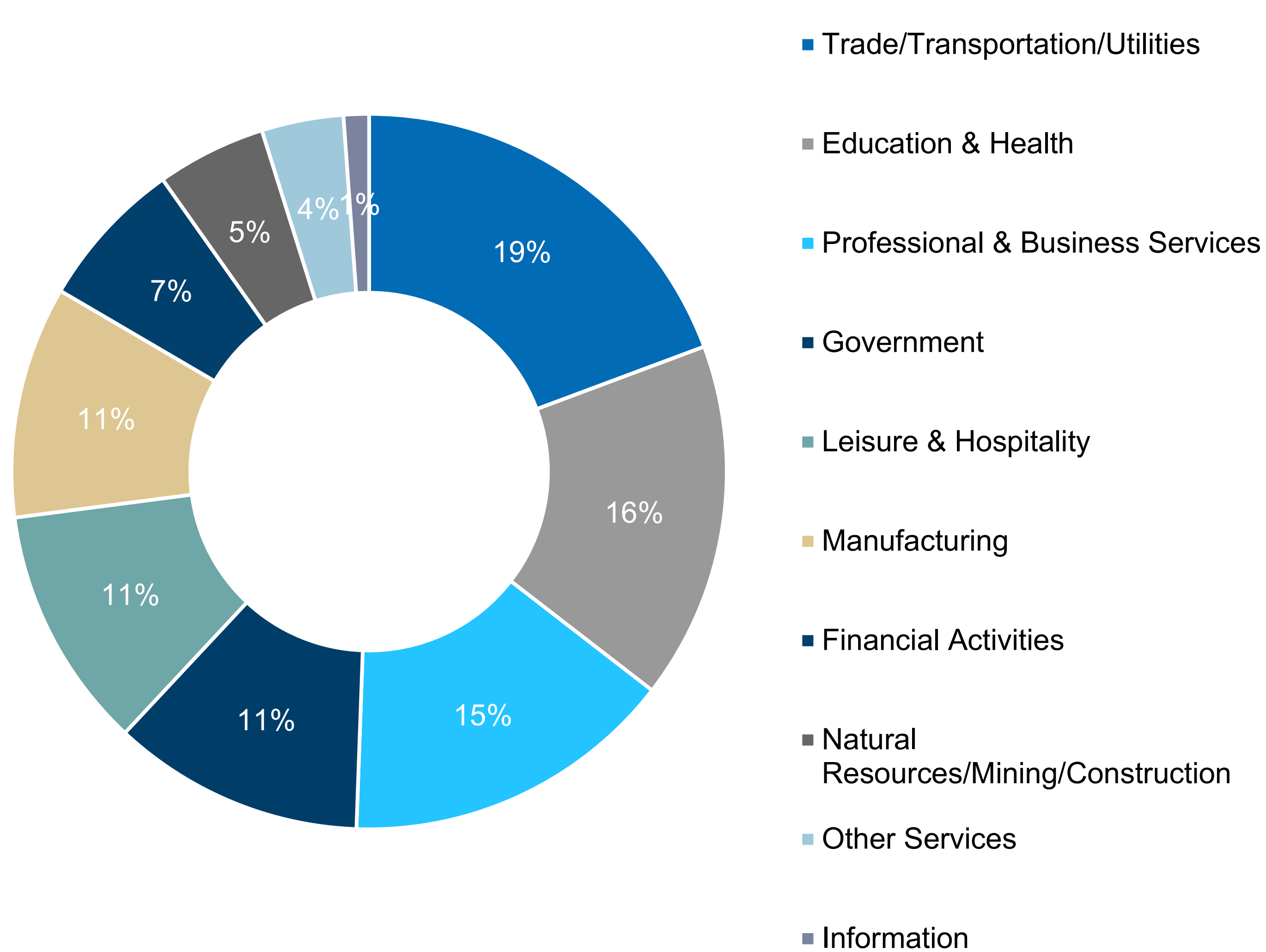


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

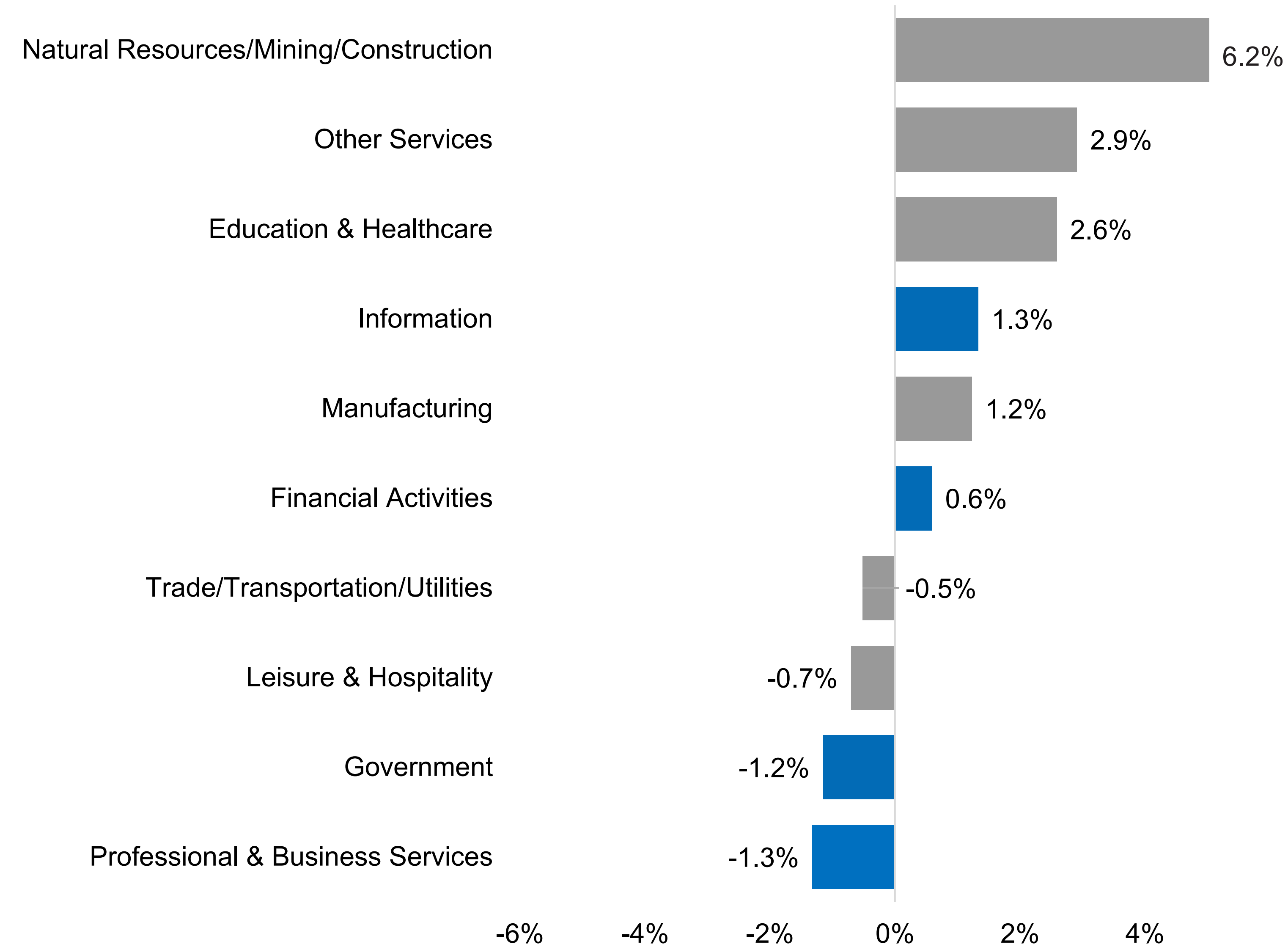
Office Sectors Diverge as Two Rise and Two Fall

Across office-using sectors, the 12-month figures point to a mixed and efficiency-focused labor backdrop: Information (+1.3%) is still adding headcount on the back of ongoing digital, cloud, data, and cybersecurity investment, though growth is selective. Financial Activities (+0.6%) is edging higher as wealth/insurance remain steady while lenders and fintechs keep tight cost controls. Government (-1.2%) is contracting amid budget constraints, hiring freezes, and attrition. Professional & Business Services (-1.3%) reflects cyclical pullbacks in consulting, temp help, and back-office roles as firms prioritize productivity and automation. For the remainder of the year, expect modest gains to persist in Information, flat-to-slight growth in Financial Activities, and continued softness in Government and Professional & Business Services, leaving overall office-using employment roughly sideways to slightly lower.

Employment by Industry, August 2025



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

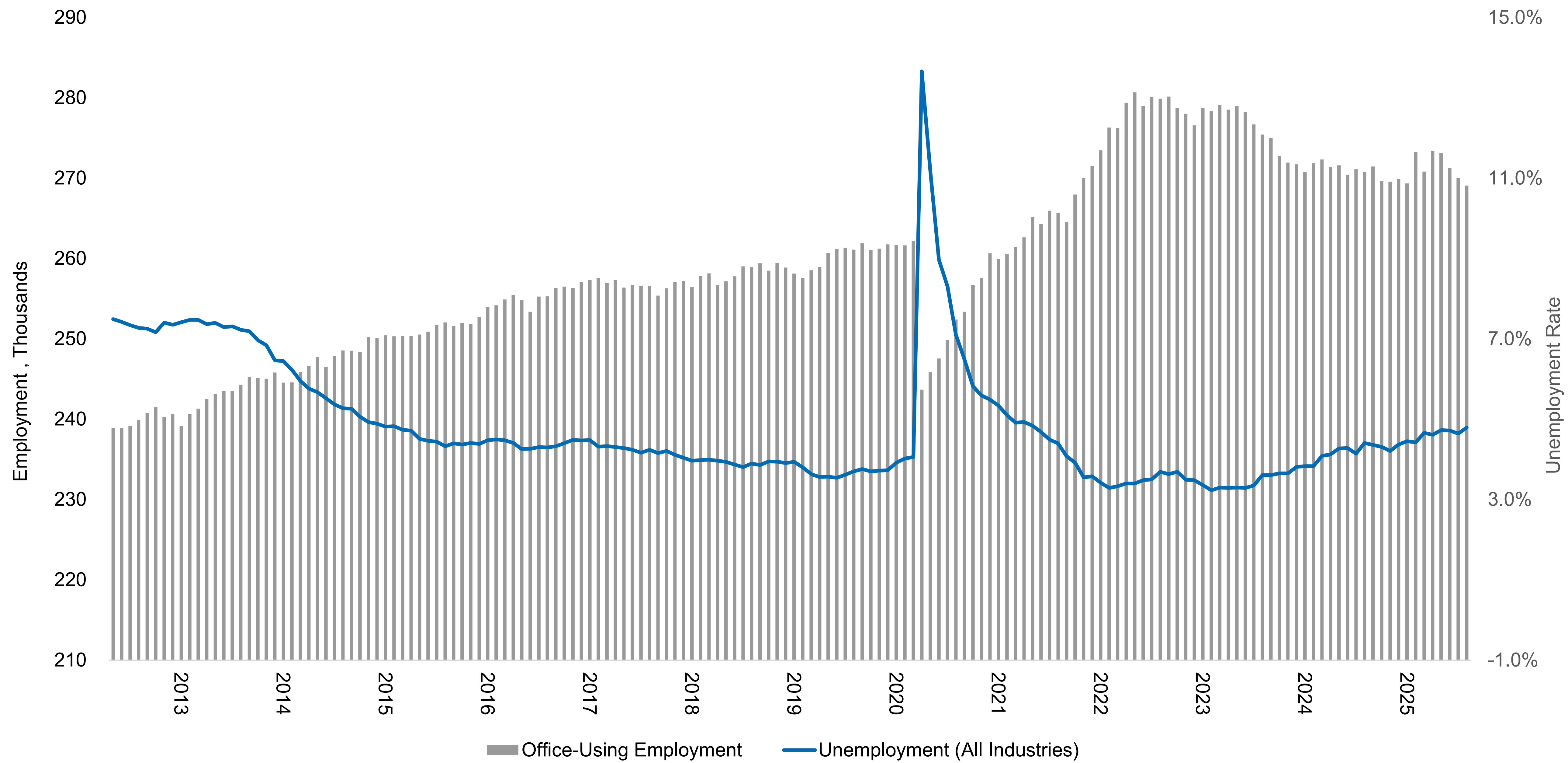


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

Office-Using Employment Softens and Unemployment Trends Stay Choppy

Office-using employment has been trending down since April as firms in professional and business services, finance, and information slow net hiring, trim contractors, and lean on productivity and automation to protect margins amid softer revenue growth and still-elevated borrowing costs. At the same time, unemployment across all industries has been volatile through 2025, reflecting uneven sector demand, shifting inventory, skill mismatches, and noisy seasonal effects and data revisions. For the remainder of 2025, expect office-using headcounts to drift sideways to slightly lower with selective backfilling and longer time-to-hire. The overall unemployment rate is likely to not improve, with occasional bumps and wage growth continuing to moderate as firms stay cautious until rate and earning visibility improve.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN
Note: September 2025 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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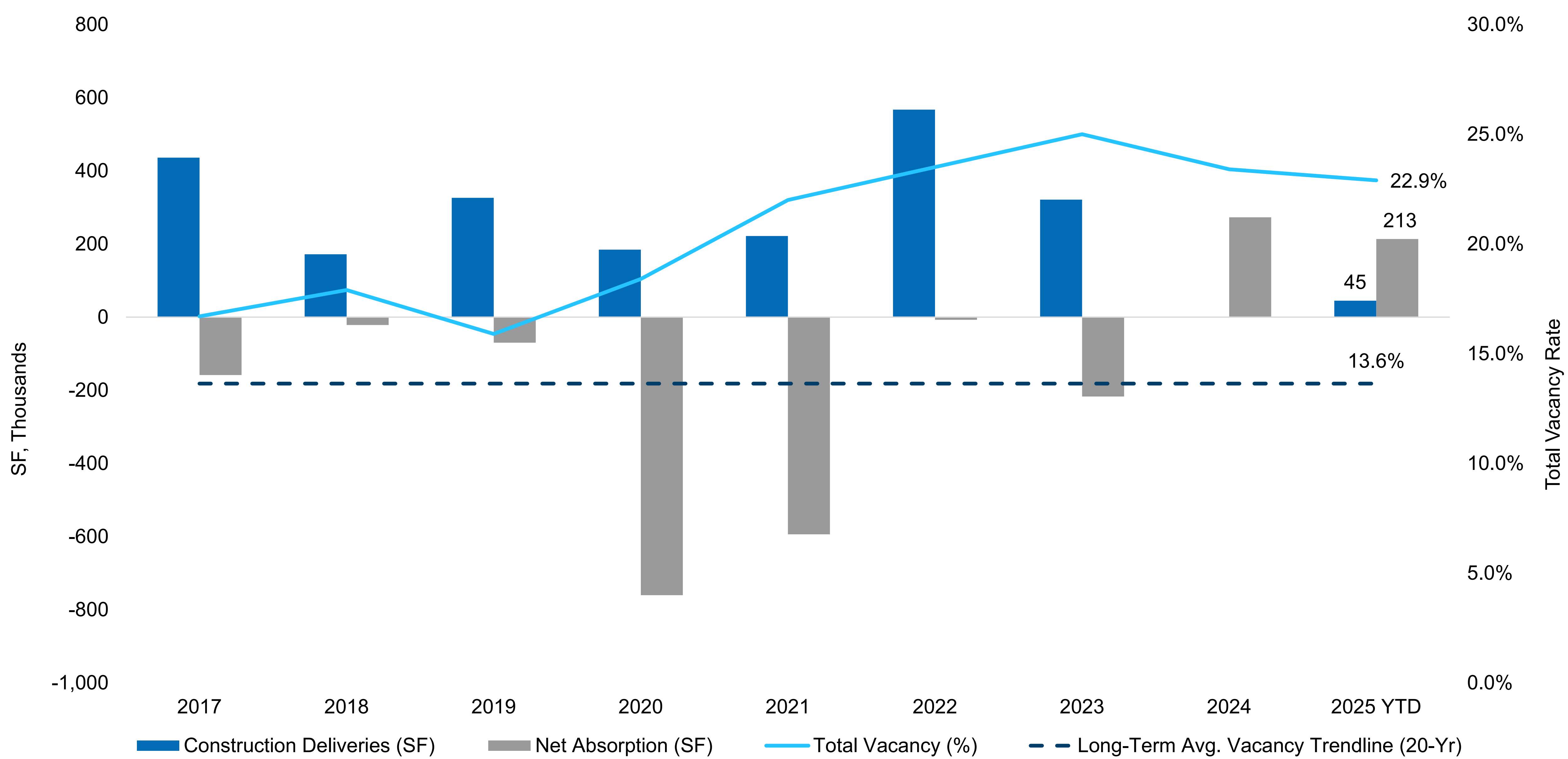
Leasing Market Fundamentals

Positive Absorption and First Delivery of the Year

Cincinnati's office market logged its first delivery of the year at 209 Greenup St., with year-to-date net absorption rising to 213,496 SF – an improvement versus the past few years and nearing 2024's pace – while vacancy declined to 22.9% from 23.4%. These trends point to gradual stabilization supported by limited new supply and selective flight-to-quality moves, but decision timelines remain cautious. Looking ahead to year-end, the Saks Fifth Avenue (101 W Fifth St. in CBD submarket) conversion is slated for completion, with Paycor relocating its headquarters to 40,000 SF of the 65,000 SF – an addition that should help sustain positive absorption and modestly tighten vacancy.

Historical Construction Deliveries, Net Absorption, and Vacancy

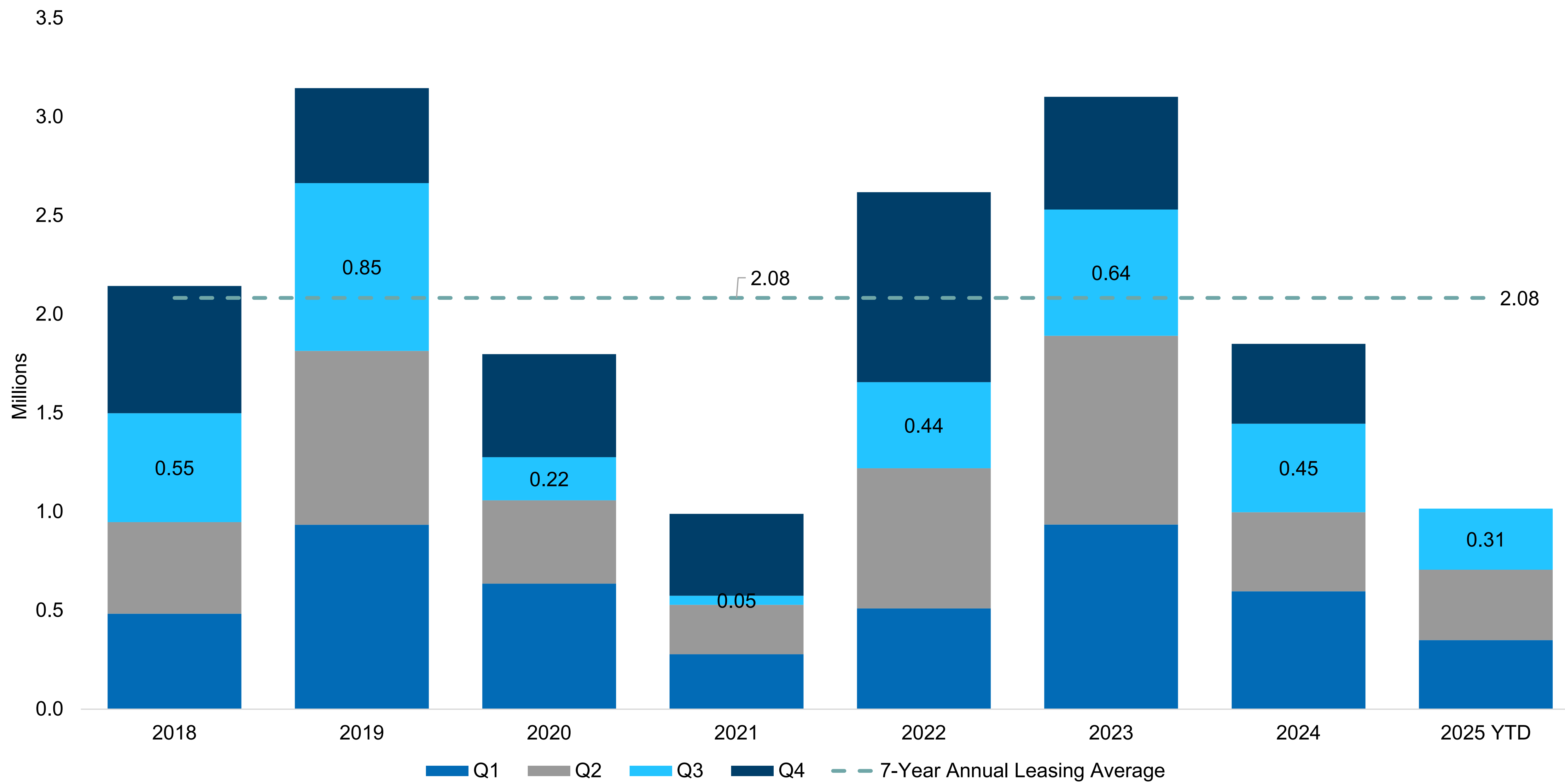


Source: Newmark Research

Flight-to-Quality Continues Amid Slower Leasing

In the third quarter, Cincinnati's office market recorded its lowest leasing volume since 2021. Longer decision-making timelines tied to hybrid policy updates, elevated build-out and financing costs, and a limited supply of turnkey, high-quality space all weighed on deal flow. For the remainder of the year, expect modest leasing velocity with smaller average deal sizes. Leasing activity will continue to tilt toward renewals and lease restructures. Concessions will remain elevated to win commitments in top-tier buildings. Interest should stay strong in prebuilt or speculative suites and sublease options that shorten timelines and reduce upfront costs.

Total Leasing Activity (msf)

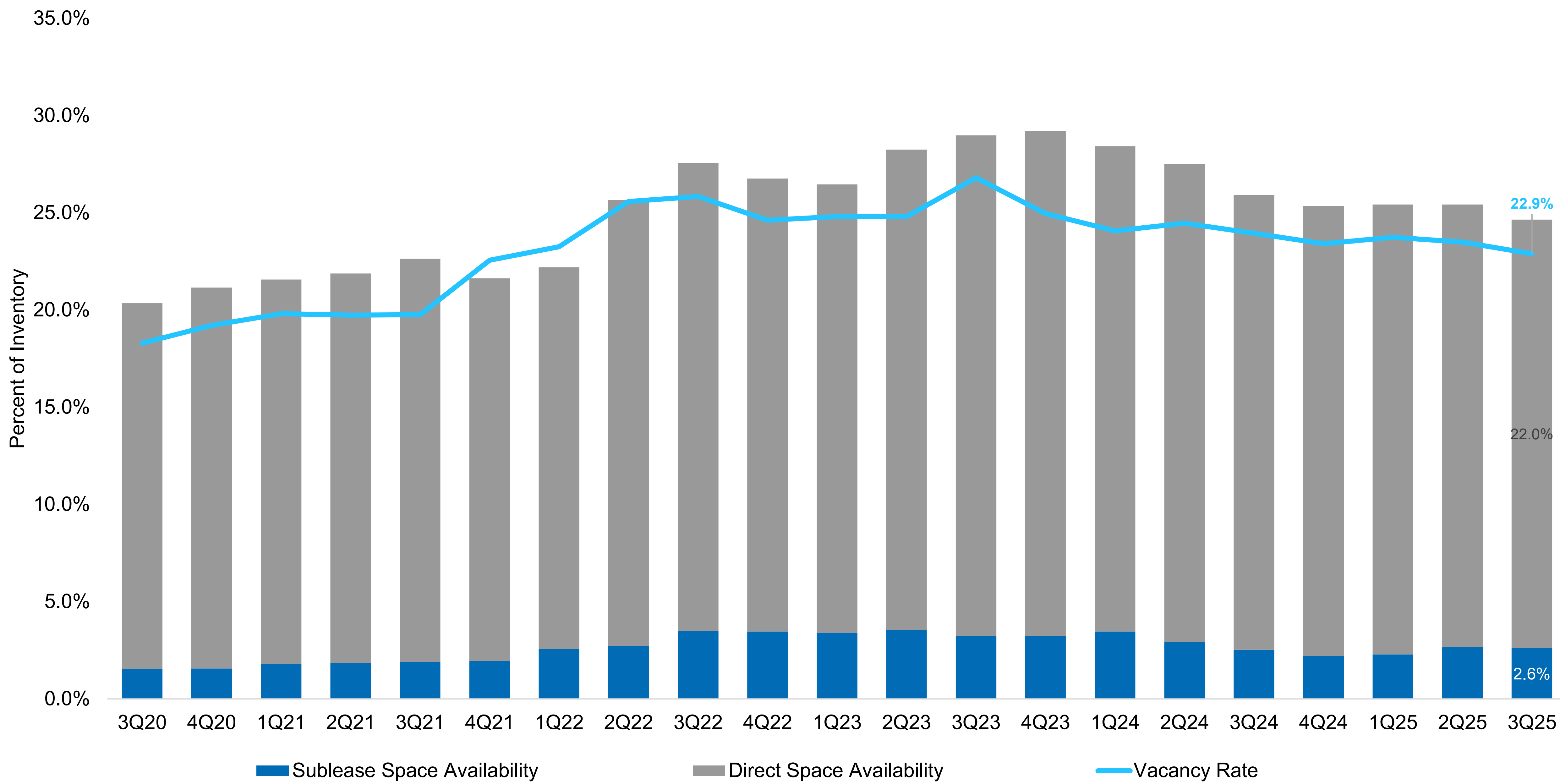


Source: Newmark Research, CoStar

Availability Down; Demand Concentrates on Smaller Footprints

Cincinnati's office market saw simultaneous declines in sublease and direct availability, along with lower vacancy, as tenants that had been marketing excess space completed renovations or chose to remain in place and pulled their sublease listings. At the same time, small-to-midsize users absorbed second-generation space, while limited new deliveries and selective office-to-alternative-use conversions kept inventory tight. For the remainder of 2025, expect availability to trend flat to slightly lower as sublease supply is worked down and the construction pipeline remains muted, with vacancy edging lower on steady smaller footprint deals and targeted flight-to-quality relocations.

Available Space and Tenant Demand as Percent of Overall Market

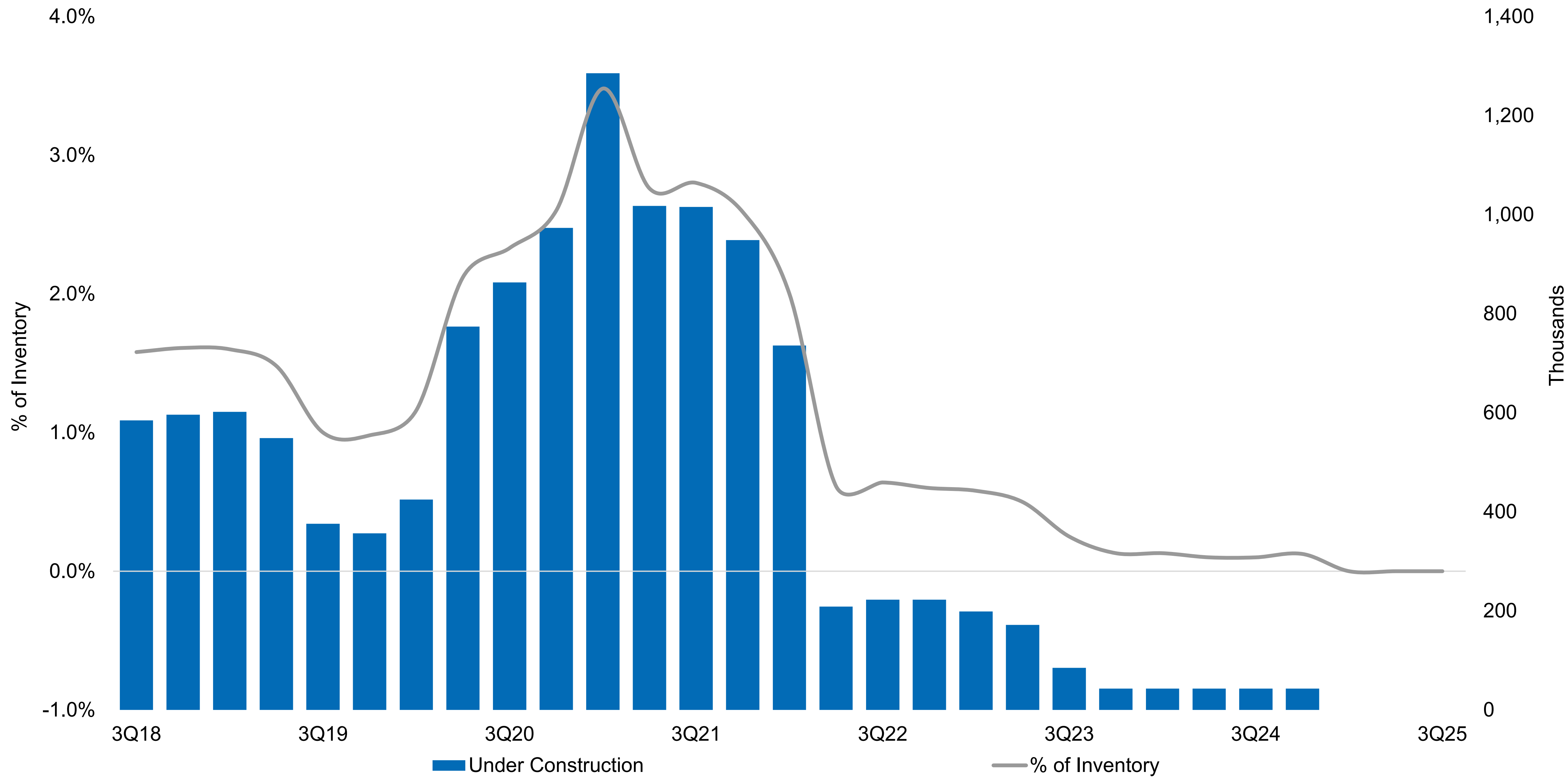


Source: Newmark Research

Third Straight Quarter with No New Starts

For the third straight quarter, no new office projects broke ground in Cincinnati. Developers remain on the sidelines because borrowing costs are high, construction and build-out costs are elevated, and companies are still figuring out how much space they need. The market will most likely see new projects start when borrowing costs come down, rents are strong enough to cover project costs, and developers can line up a solid share of tenants in advance. Until then, expect few new starts, mostly limited to build-to-suit or heavily preleased projects in top locations, while some older buildings may be converted to other uses.

Office Under Construction and % of Inventory

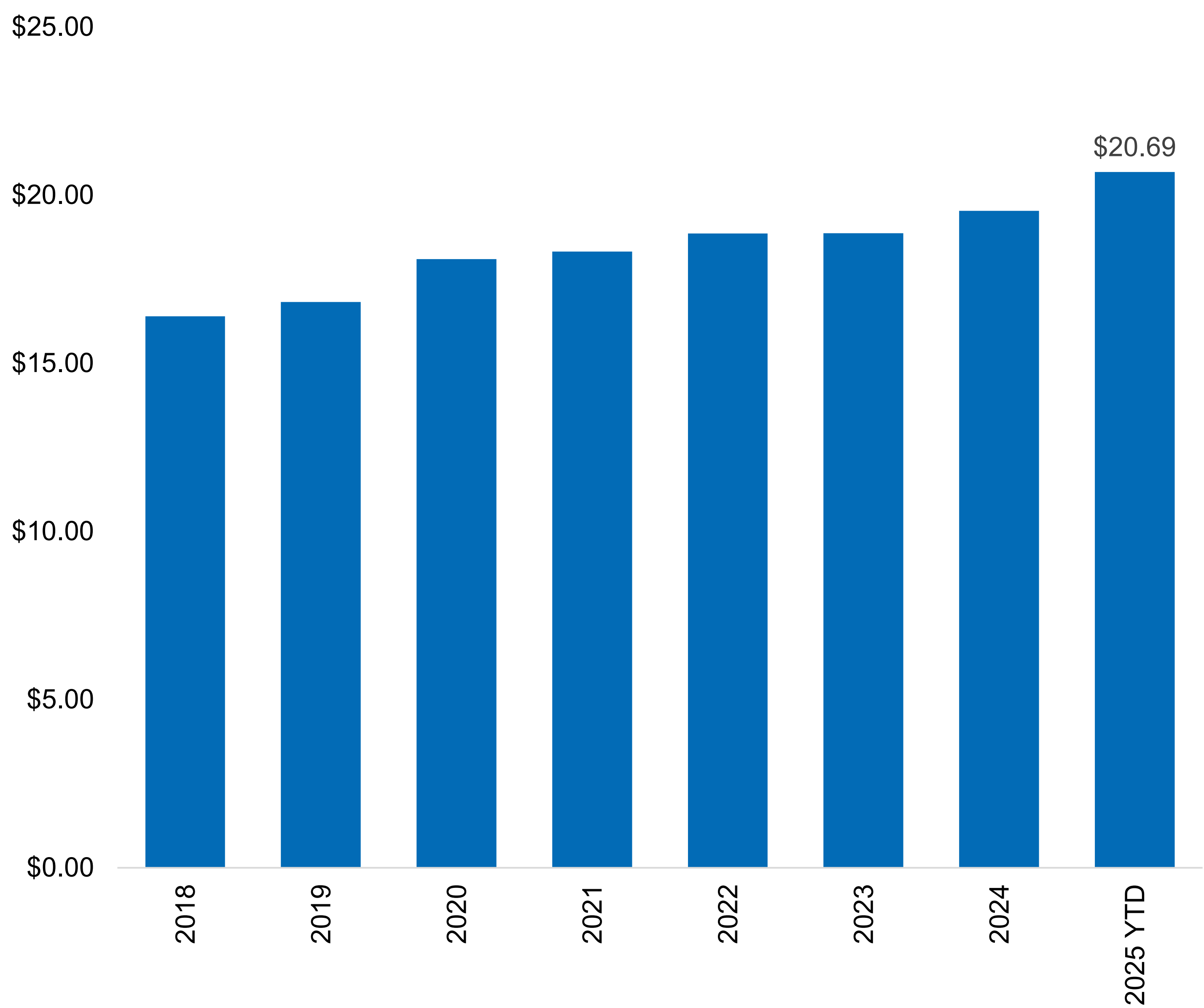


Source: Newmark Research, CoStar, City of Cincinnati

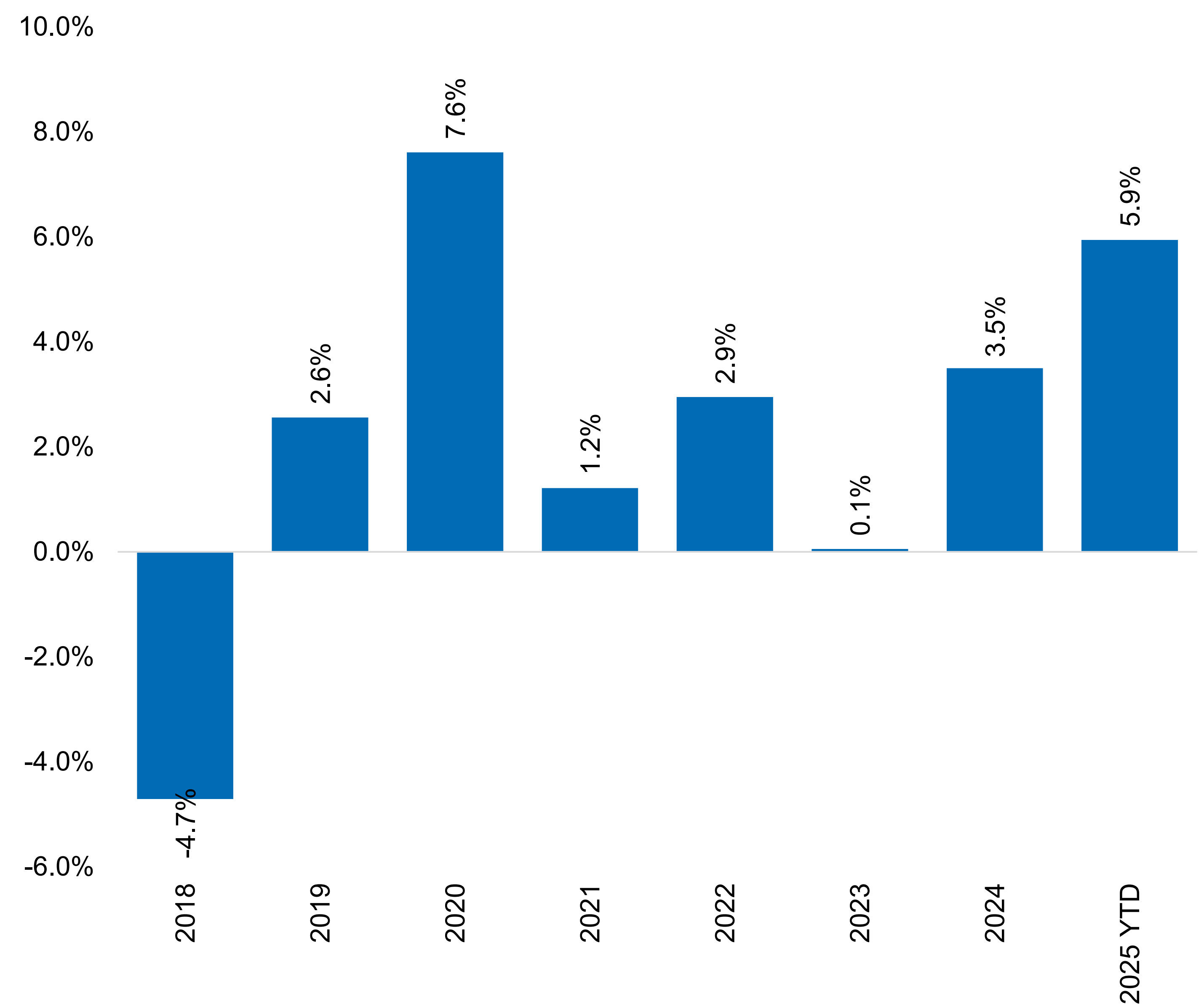
Steady Cincinnati Office Rent Gains

Cincinnati office rental rates have steadily increased from 2018 to 2025, reaching $20.69 per square foot year-to-date. Annual rent growth was inconsistent but turned positive in 2024 and 2025, with a 5.9% increase already recorded this year. However, overall demand remains soft with leasing activity subdued, deal sizes are smaller, and renewals and flight-to-quality moves account for much of the activity. Limited new construction and competition for a narrow band of turnkey Class A space are supporting headline asking rates. With a muted construction pipeline and selective tenant activity, asking rents are expected to be flat to slightly higher in the last quarter of 2025, while elevated concessions keep effective rents relatively stable.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

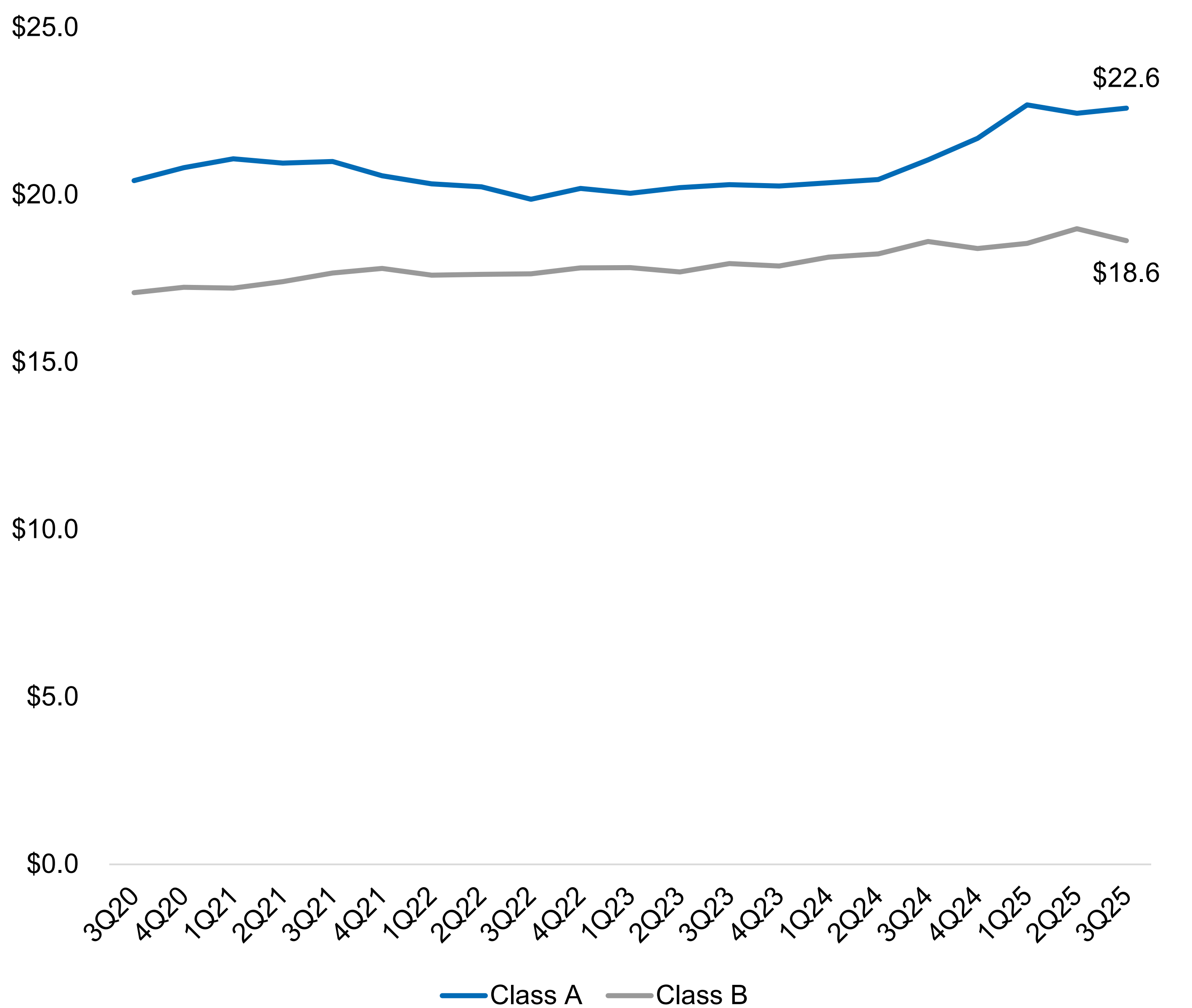


Source: Newmark Research, CoStar

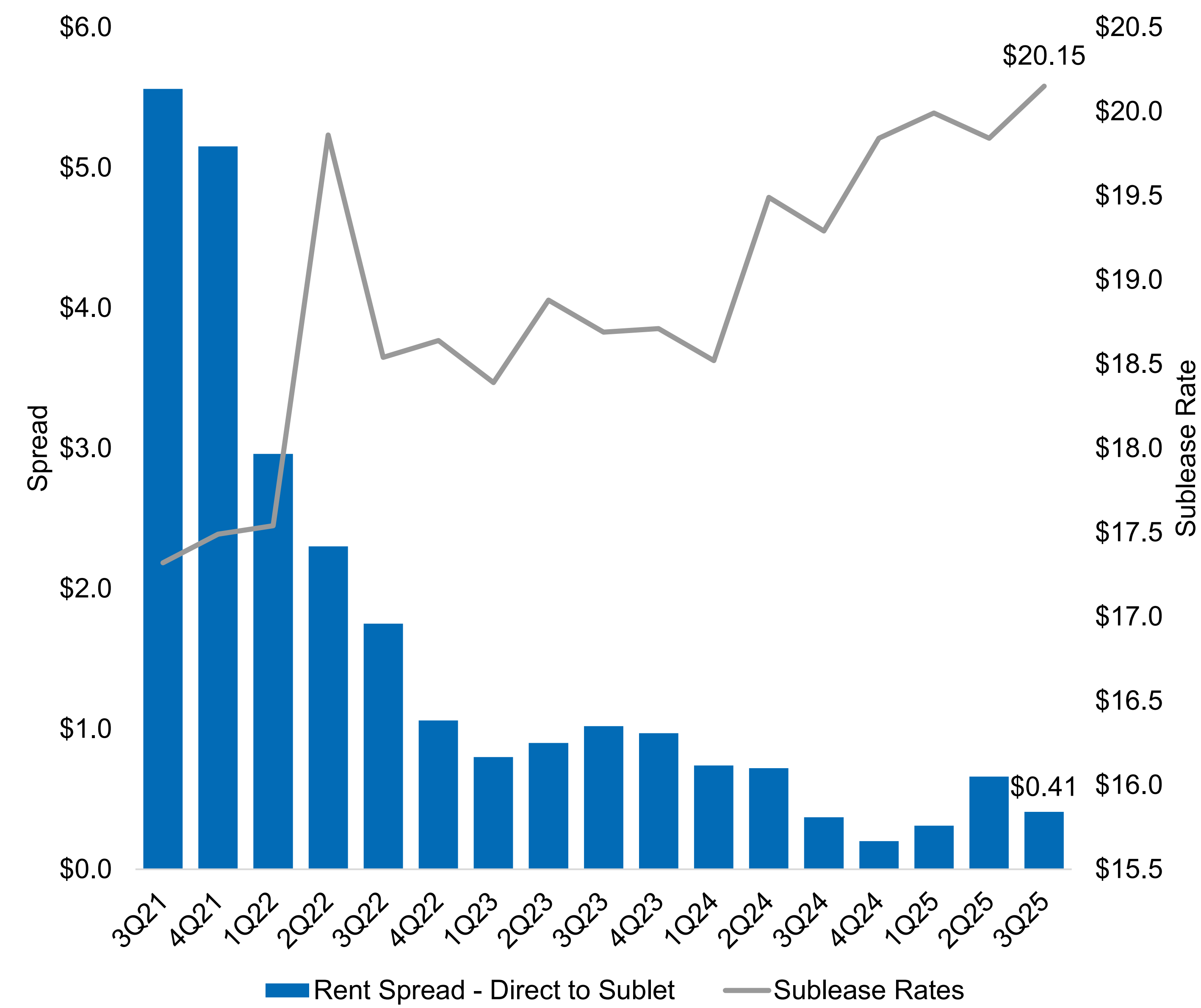
Cincinnati Sublease Rates Approaching Direct Deal Levels

Since late 2021, the spread between direct and sublet office rents in Cincinnati has narrowed significantly, with sublease rates rising sharply and now nearly matching direct lease rates. This means tenants can no longer expect deep discounts by searching the sublease market. Class A office rents have climbed to $22.60/SF, while Class B rents lag at $18.60/SF, signaling strong demand for higher-quality space and growing rent gaps by property class. The overall office market shows tight supply, positive absorption, and steadily rising rents, especially for renovated or well-located properties. For the remainder of 2025, expect landlords to maintain pricing power and both direct and sublease rents to stay elevated. Tenants will face a competitive leasing environment, regardless of whether they pursue direct or sublease deals.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Notable 3Q25 Lease Transactions

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Tenant	Building(s)	Submarket	Type	Square Feet
Integrity Express Logistics	300 Dave Cowens Dr.	Covington/Newport	Direct Lease	18,938
KSM Business Services	9987 Carver Rd.	Blue Ash	Direct Lease	17,162
Walsh Kokosing	700 W. Pete Rose Way	Queensgate	Direct Lease	8,400
Omnia360 Facility Solutions	4350 Glendale Milford Rd.	Blue Ash	Direct Lease	5,788

Source: Newmark Research

Notable 3Q25 Sale Transactions

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Buyer	Seller	Address	Submarket	Square Feet	Price	Price/SF
Tower Ventures Opp LLC	Reading Investments LLC	7162 Reading Rd.	Reading/Roselawn	134,000	$3,038,500	$22.68
IMC Real Estate	Apollo Management Holdings	5151 Pfeiffer Rd.	Blue Ash	115,730	$11,100,000	$95.91
Grammas Investments	Genoa Property Group	10700 Montgomery Rd.	Kenwood	68,200	$2,750,000	$40.32

Source: Newmark Research

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