

Cincinnati Industrial Market

Strong Finish to 2022 for Industrial Absorption

The fourth quarter of 2022 was once again very active, posting positive net absorption of 2.9 million square feet. There were four deals in the 200,000-square-foot range and nothing larger. The Greater Cincinnati industrial market's absorption was significantly more than in the third quarter of 2022, bringing the overall year-to-date absorption to nearly 10-million-square-feet. The overall average vacancy rate remained at 2.7%. Rental rates have been on a consistent upward pace for the past five years, and that doesn't seem to be slowing down anytime soon. The overall average asking rental rate ended the fourth quarter of 2022 at \$5.86/SF.

The Florence/Richwood submarket led the way, with the most inventory under construction at over 3.6 million square feet. Overall, there is 13.2 million square feet of buildings under construction; 8.6 million square feet of the overall number consists of speculative buildings. The other 4.6 million square feet are all build-to-suits, with 2.0 million square feet coming from Phase II of Amazon's Prime Air Hub at the Cincinnati/ Northern Kentucky International Airport. Nestle Purina's new building is also under construction at South Afton Industrial Park, in the East submarket. This project is a 1.2-million-square-foot dry pet food manufacturing building and is projected to be delivered in early 2023. There were over 1.3 million square feet of deliveries in the fourth quarter of 2022, consisting of a 583,858-square-foot building, a 312,480-square-foot building, a 285,443-square-foot building, and a 156,000-square-foot building, all speculative.

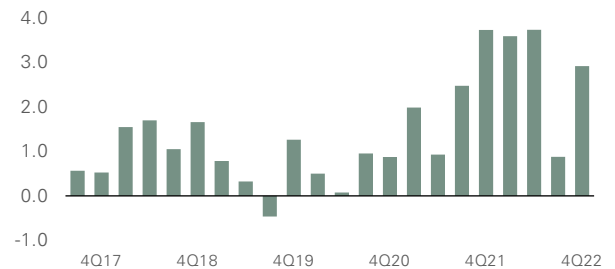
Although the Greater Cincinnati industrial market posted strong positive net absorption for the quarter, demand from new projects has slowed compared to the past year. The industrial market has slowed somewhat, primarily in the 400,000-square-foot range, but overall net absorption for 2022 still ended at just under 10 million square feet. Vacancy is expected to increase slightly as the construction pipeline delivers in the next 12 months. Lease rates continue to trend upward for two reasons. One- being due to higher construction costs; and two- from higher cap rates, which is a result of the higher interest rates.

Current Conditions

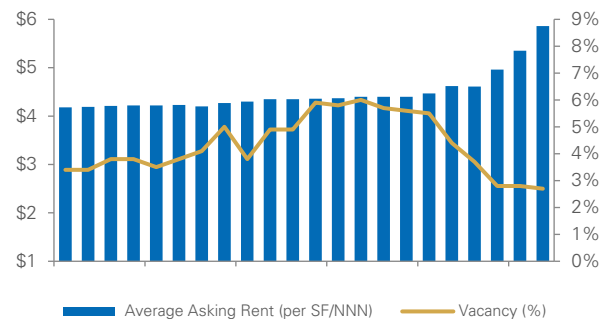
- The overall industrial market posted **2,923,862** square feet of positive net absorption in the fourth quarter.
- Construction activity was very brisk both for speculative buildings and build-to-suit projects.
- Over 13.2 million square feet is currently under construction in all submarket of which 8.6 million consists of speculative buildings.
- The Tri-County submarket boasted the highest net absorption figure for the fourth quarter with 1,258,924 square feet of positive absorption.

Market Analysis

NET ABSORPTION (SF, Millions)



ASKING RENT AND VACANCY RATE



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	298 MSF	297 MSF	295 MSF	↑
Availability Rate	3.4%	3.0%	5.1%	↑
Vacancy Rate	2.7%	2.8%	4.4%	↑
Average Asking Rent/SF	\$5.86	\$5.35	\$4.62	↑
Average Expenses	\$1.21	\$1.22	\$0.98	↑
Quarterly Net Absorption (SF)	2,923,862	878,997	3,739,409	↓
Under Construction (SF)	13,263,912	13,564,816	8,644,790	↓
Deliveries (SF)	1,337,781	700,789	696,650	↑

RESEARCH Q4 2022

Leasing Activity

The fourth quarter of 2022 was very active for new industrial leases. San Mar Corporation- leased just over 234,000 square feet from Prologis at Sharonville 2 in the Tri-County submarket. Saddle Creek Corporation moved into 232,500 square feet this quarter, at Logistics Park 75 Bldg. 3A, from LXP Industrial Trust, which is located in the Florence/Richwood submarket. Diehl Steel leased a 226,928-square-foot crane-served steel distribution center from MRL Capital at 3475 Spring Grove Ave. in the Central/Midtown submarket. Herman Miller subleased 220,000 square feet in a Prologis building at 5389 E. Provident Dr., in the Tri-County submarket. Levi Strauss took 194,100 square feet from Prologis at 2300 Progress Dr. in the Airport submarket.

New Construction

There were four sizeable deliveries that took place in the fourth-quarter of 2022. C5 Airport East Logistics Buildings 2 and 3 were completed. These were 583,858-square-foot and 285,443-square-foot speculative buildings located in the Florence/Richwood submarket. Core5 is the developer for this project. Fairfield Logistics Center Bldg. 2 finished construction on Seward Road, located in the Tri-County submarket. This is a 312,480-square-foot speculative building developed by Al. Neyer. Plymouth's building at 4000 Dixie Hwy. was completed in the fourth quarter of 2022.

This is a 156,000-square-foot warehouse/distribution speculative building on land already owned by Plymouth. It's part of its Fisher Industrial Park complex, located in the Tri-County submarket.

Sales Activity

There were only a few notable investment sales that happened during the fourth quarter of 2022, along with a large portfolio acquisition that took place. Over the last few months, Prologis bought Duke Realty for \$26.0 billion. Prologis and Duke were the two largest landlords in Greater Cincinnati before the merger. In Cincinnati, Prologis owned 11.8- million- square- feet and Duke owned 8.9 million- square- feet before the merger. Prologis now has more than 20.7- million- square- feet of property in its local portfolio. Hillwood Development Corporation sold 660 Erlanger Rd. to LBA Logistics. This was a single-building investment sale located in the Airport submarket. Hills Communities Inc. sold three different assets comprised of six buildings to Viking Partners. This included 10800 Kenwood Rd which sold for over \$13 million. 621 Wilmer Ave was also purchased for about \$4.2 million, along with several other properties. This was all part of a portfolio sale in the Blue Ash submarket.

Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
San Mar Corporation	2939 Crescentville Rd	Tri-County	Direct Lease	234,400
Saddle Creek Corporation	200 Richard Knock Way	Florence/Richwood	Direct Lease	232,500
Diehl Steel	3475 Spring Grove Ave	Central/Midtown	Direct Lease	226,928
Herman Miller	5389 E. Provident Dr	Tri-County	Sublease	220,000
Levi Strauss	2250-2300 Progress Dr	Airport	Direct Lease	194,100

Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
660 Erlanger Rd	Airport	NA	NA	575,700
10800 Kenwood Rd	Blue Ash	\$13,027,103	\$90.00	145,000

New Deliveries

Developer	Building	Address	Submarket	Square Feet
Core5	C5 Airport East Logistics 2	New Buffington & Fuchs	Florence/Richwood	583,858
Al. Neyer	Fairfield Logistics Center Bldg. 2	Seward Rd	Tri-County	312,480
Core5	C5 Airport East Logistics 3	1780 Garvey Rd	Florence/Richwood	285,443
Plymouth REIT	Fisher Industrial Park	4000 Dixie Hwy	Tri-County	156,000

RESEARCH Q4 2022

Submarket Statistics (Overall)													
Submarket	Total Inventory (SF)	Availability Rate / Vacancy Rate	Total Available	Sublease Available	Average Net Asking Rent (Price/SF)	Net Operating Expenses (OpEx/SF)	Under Construction	Quarterly Net Absorption	YTD Absorption	Direct Weighted Average Net Asking Rent			
										M	OS	GEN	W/D
Airport	41,376,878	4.7% / 2.8%	1,949,327	0	\$6.63	\$1.01	2,633,760	634,530	2,373,617	-	\$6.58	\$8.82	\$6.31
Blue Ash	12,815,245	4.4% / 5.1%	566,969	0	\$5.66	\$1.53	37,000	7,006	(80,748)	\$3.50	\$8.46	\$7.50	\$5.34
Campbell County	3,265,385	0.5% / 1.8%	17,367	0	-	-	0	(17,367)	(17,367)	-	-	-	-
Central/Midtown	49,017,806	2.6% / 2.0%	1,281,851	0	\$5.59	\$0.94	224,000	334,164	201,234	\$9.75	\$10.84	\$4.43	-
Covington	4,252,603	2.6% / 0.0%	112,000	0	\$5.75	\$0.75	0	0	0	-	-	-	\$5.75
East	14,754,973	3.4% / 4.1%	508,528	3,560	\$3.79	\$1.02	1,200,000	198,309	502,892	\$2.99	\$9.32	\$3.10	-
Florence/Richwood	28,422,218	6.4% / 2.3%	1,823,221	0	\$4.73	\$0.82	3,625,334	415,070	3,302,581	\$4.50	\$6.00	\$7.50	-
Hamilton	5,867,343	4.1% / 4.5%	242,779	0	\$4.95	-	0	127,300	72,108	\$4.75	-	\$6.75	-
I-71 Corridor	11,781,829	1.7% / 1.9%	204,625	12,670	\$8.88	-	0	(15,800)	(237)	-	-	\$8.88	-
Monroe/Middletown	24,634,413	0.4% / 0.3%	107,595	0	-	-	2,097,475	8,840	936,824	-	-	-	-
Tri County	75,978,597	3.7% / 3.8%	2,841,435	439,368	\$6.47	\$1.71	2,640,667	1,258,924	2,615,222	-	\$7.36	\$6.40	\$6.38
West	6,523,906	0.8% / 0.6%	55,055	0	-	-	779,676	(4,881)	(23,529)	-	-	-	-
Woodlawn/Evendale	19,839,133	1.6% / 1.8%	320,389	2,500	\$5.27	\$0.85	26,000	(22,234)	30,503	\$4.50	-	\$7.05	-
Greater Cincinnati	298,530,329	3.4% / 2.7%	10,031,141	458,098	\$5.86	\$1.21	13,263,912	2,923,862	9,913,100	\$3.87	\$8.28	\$5.95	\$6.23

Submarket Statistics (Warehouse/Distribution)								
Submarket	Total Inventory (SF)	Availability Rate/ Vacancy Rate	Total Available	Sublease Available	Net Asking Rent (Price/SF)	Net Operating Expenses (OpEx/SF)	Under Construction	Quarterly Net Absorption
Airport	32,198,783	5.6% / 3.2%	1,808,176	0	\$6.31	\$0.97	2,633,760	616,479
Blue Ash	2,362,369	6.7% / 8.2%	157,175	0	\$5.34	\$1.19	0	102,400
Campbell County	173,940	0.0% / 0.0%	0	0	-	-	0	0
Central/Midtown	1,971,242	0.0% / 0.0%	0	0	-	-	0	39,375
Covington	780,421	14.4% / 0.0%	112,000	0	\$5.75	\$0.75	0	0
East	1,661,460	0.0% / 0.0%	0	0	-	-	0	54,479
Florence/Richwood	13,200,716	8.0% / 0.0%	1,062,136	0	-	\$0.83	3,625,334	333,750
I-71 Corridor	986,658	0.0% / 0.0%	0	0	-	-	0	0
Monroe/Middletown	11,606,182	0.0% / 0.0%	0	0	-	-	1,720,475	0
Tri County	33,939,782	4.8% / 5.7%	1,629,952	202,675	\$6.38	\$1.63	2,468,817	1,114,888
West	1,322,627	0.0% / 0.0%	0	0	-	-	533,676	0
Woodlawn/Evendale	1,249,351	0.0% / 0.0%	0	0	-	-	0	0
Greater Cincinnati	101,453,531	4.7% / 3.1%	4,769,439	202,675	\$6.23	\$1.16	10,982,062	2,261,371

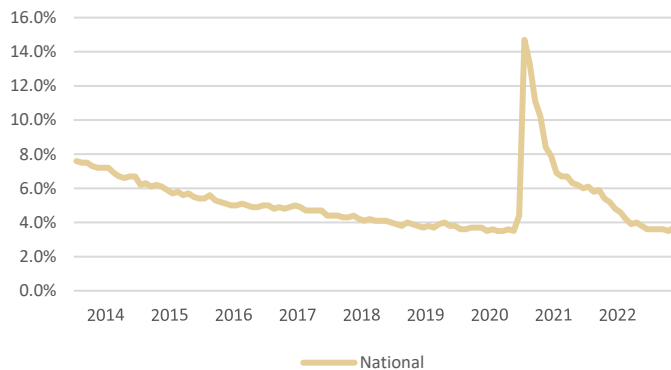
Economic Conditions

The Greater Cincinnati economy gained back jobs in the fourth quarter of 2022, despite inflation and interest rates going up, as total payroll employment increased in August by 1.4% year-over-year. The Consumer Price Index nationally was up 3.0% year-over-year in August.

Only one industry sector in the Cincinnati market saw employment loss, according to preliminary numbers from the Bureau of Labor Statistics, from August 2021 to August 2022: financial activities at negative 3.4%. All other sectors saw an increase from the past year. The information industry gained the most, by 9.0%; followed by construction at 5.0%; mining and logging at 3.4%; manufacturing at 3.0%; government at 2.2%; leisure and hospitality at 1.5%; total nonfarm at 1.2%; trade, transportation, and utilities at 0.9%; professional and business services at 0.8%; education and health services at 0.5%; and other services at 0.3%.

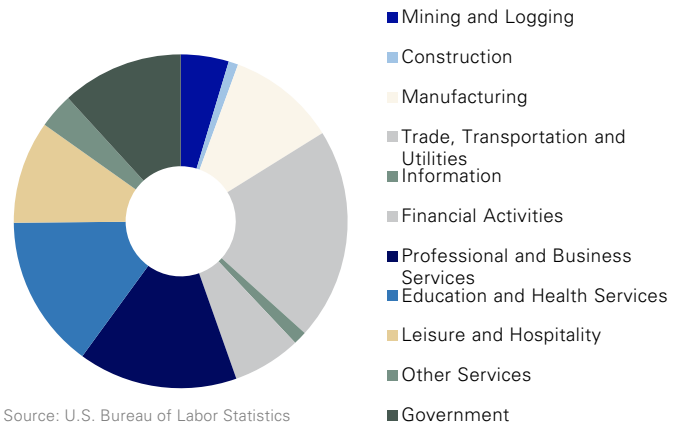
Unemployment Rate

NOT SEASONALLY ADJUSTED



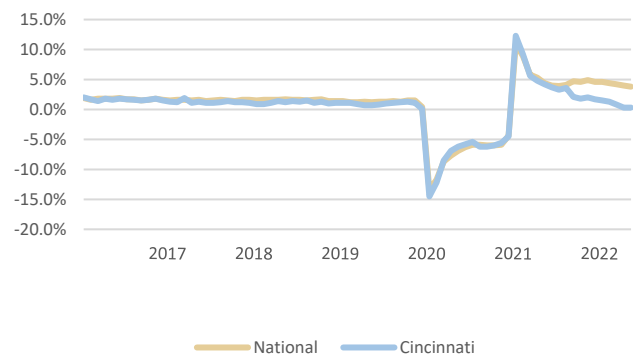
Employment by Industry

CINCINNATI – AUGUST 2022



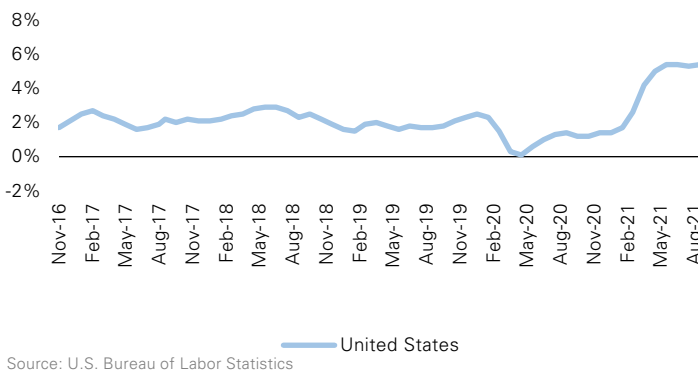
Payroll Employment

TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



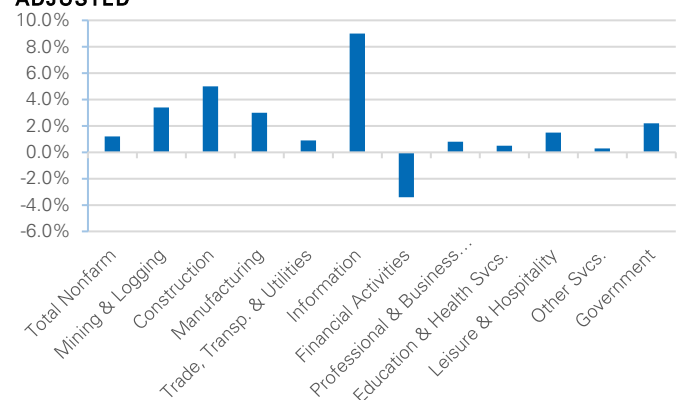
Consumer Price Index (CPI)

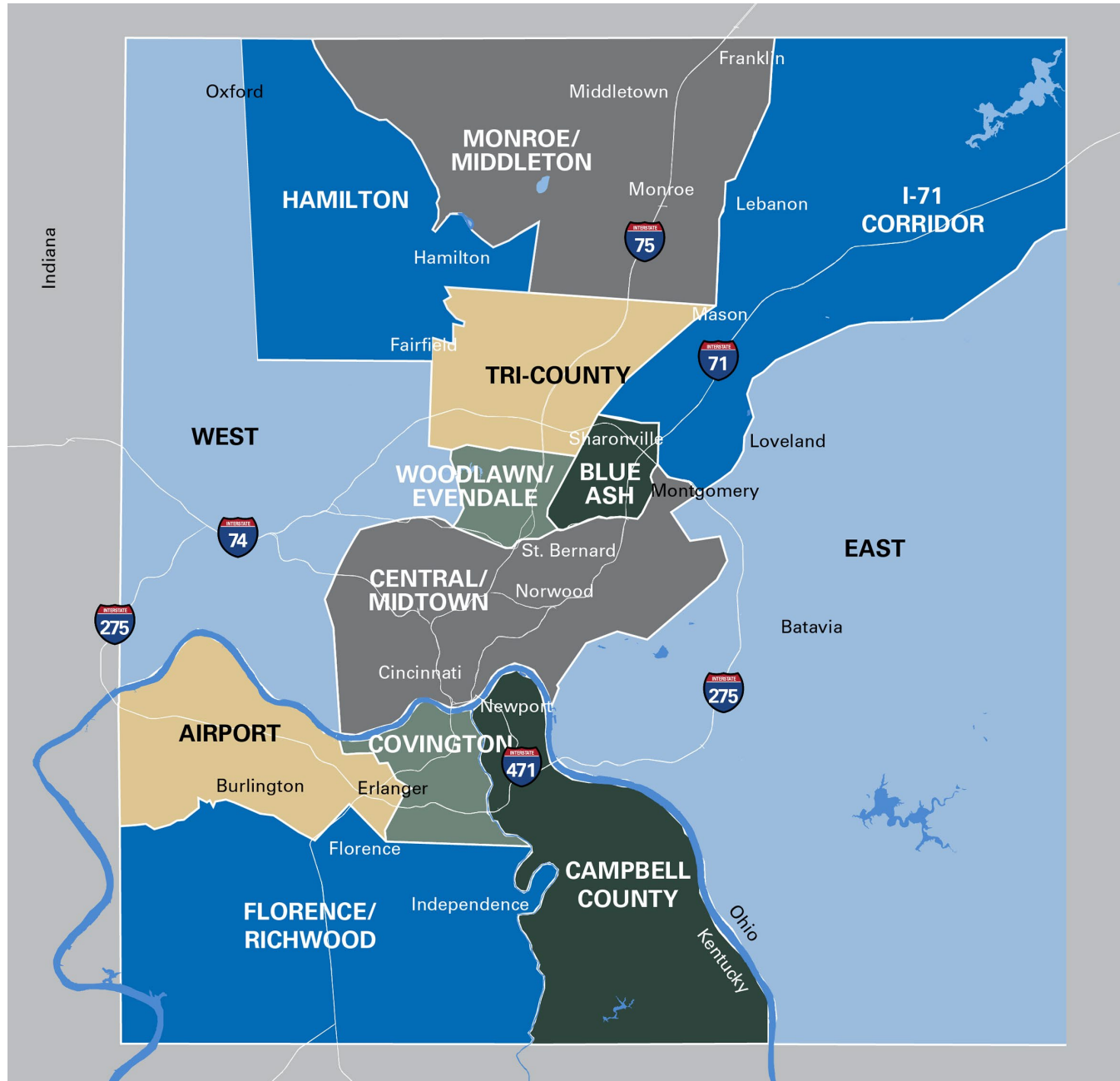
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Employment Growth By Industry

CINCINNATI, AUGUST 2022, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED





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