

4Q24

Cincinnati Office Market Overview

NEWMARK



Market Observations

Economy

- Amid steady economic conditions and a declining pace of new construction, Cincinnati's office market shows signs of stabilization.
- Cincinnati ended Q4 2024 with a stable 4.0% unemployment rate, reflecting a strong and growing economy.
- Over the past 12 months, both the financial and information sectors faced significant job losses due to broader economic challenges, while most office-related sectors in Cincinnati struggled with negative performance, partly due to remote work trends.
- Cincinnati's office employment saw slight ups and throughout the year but kept a stable unemployment rate reflecting national trends.

Major Transactions

- Perfetti Van Melle signed a new lease for 50,540 SF at 4600 Houston Road in Northern Kentucky.
- THS Remote Support Services signed a new lease for 20,151 SF at 25 Merchant Street in Tri-County.
- ePremium Support Services signed a new lease for 13,727 SF at 4605 Duke Drive in Mason/Montgomery.
- Belcan sold 10200 Anderson Way, a 100,000 SF building in the Blue Ash submarket, to Cincinnati Classical Academy for \$10.9 million, or \$80/SF.
- Triage sold 5163 Wolfpen Pleasant Hill Road, 18,152 SF in the East submarket, to Blackout Tees for \$1.0M or, \$53/SF.

Leasing Market Fundamentals

- Leasing volume is slow relative to previous years, but tenant demand continues to persist which emphasizes a preference for flexible and efficient space.
- 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. Expected delivery early 2025.
- In Cincinnati, average office rental rates increased from \$22.04/SF in 2023 to \$22.94/SF in 2024 due to rising demand and limited quality space.
- With limited new construction, landlords are finding themselves in a favorable position where they can focus on improving their properties' value through strategic upgrades.
- With office rents rising year over year, businesses should prepare for a competitive leasing landscape, potentially seeking more flexible and efficient space solutions.

Outlook

- The office market is likely to maintain its stability as economic conditions strengthen, and hybrid work arrangements become commonplace.
- Vacancy rates are expected to decrease gradually, supported by consistent tenant demand, although remote work trends might still influence how space is utilized.
- Rent increases are projected, albeit at a measured rate, as landlords adapt to tenants' growth preferences for flexible and contemporary office settings.
- With limited new construction anticipated, the emphasis will likely shift to renovating and improving existing properties to attract and retain tenants.

1. Economy
2. Leasing Market Fundamentals

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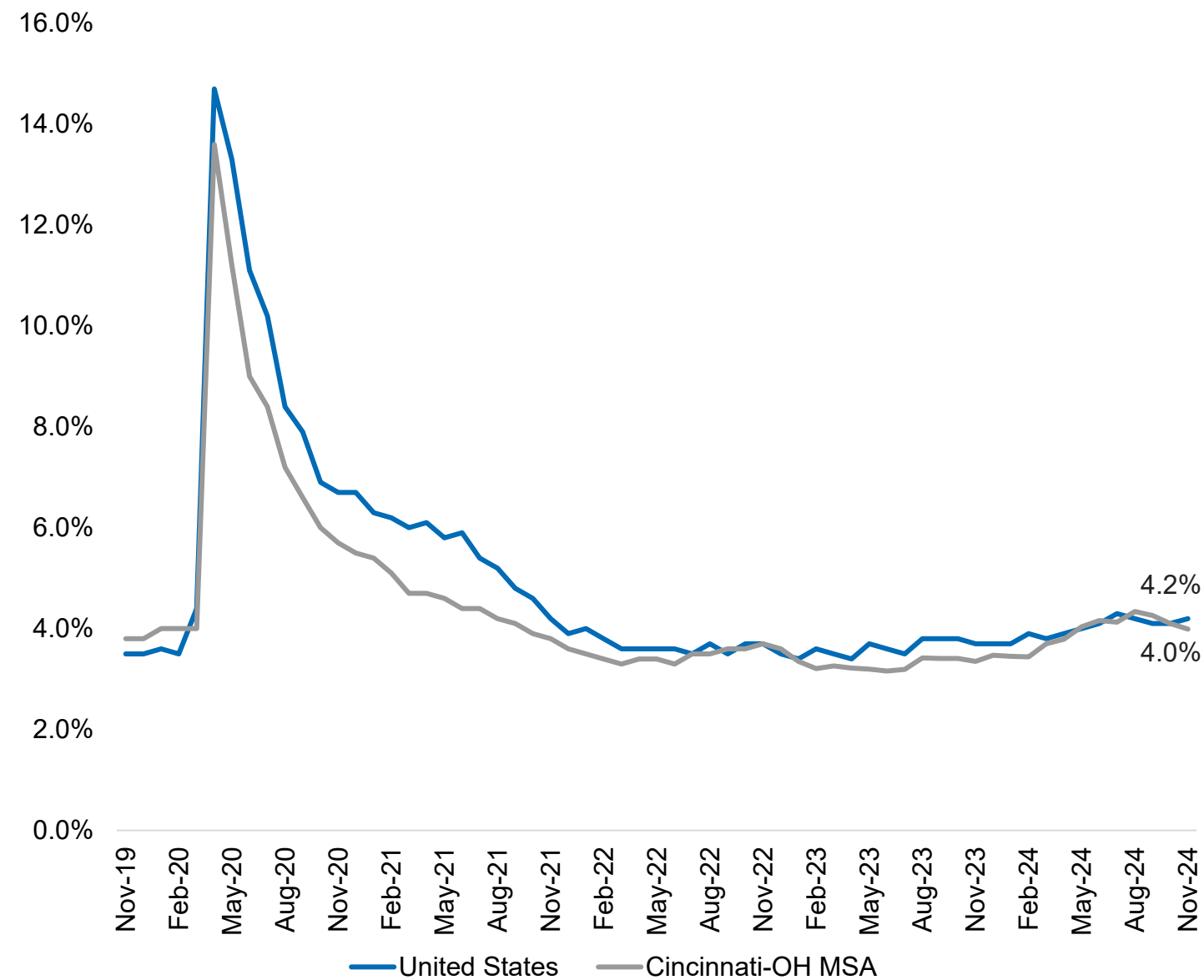
Economy



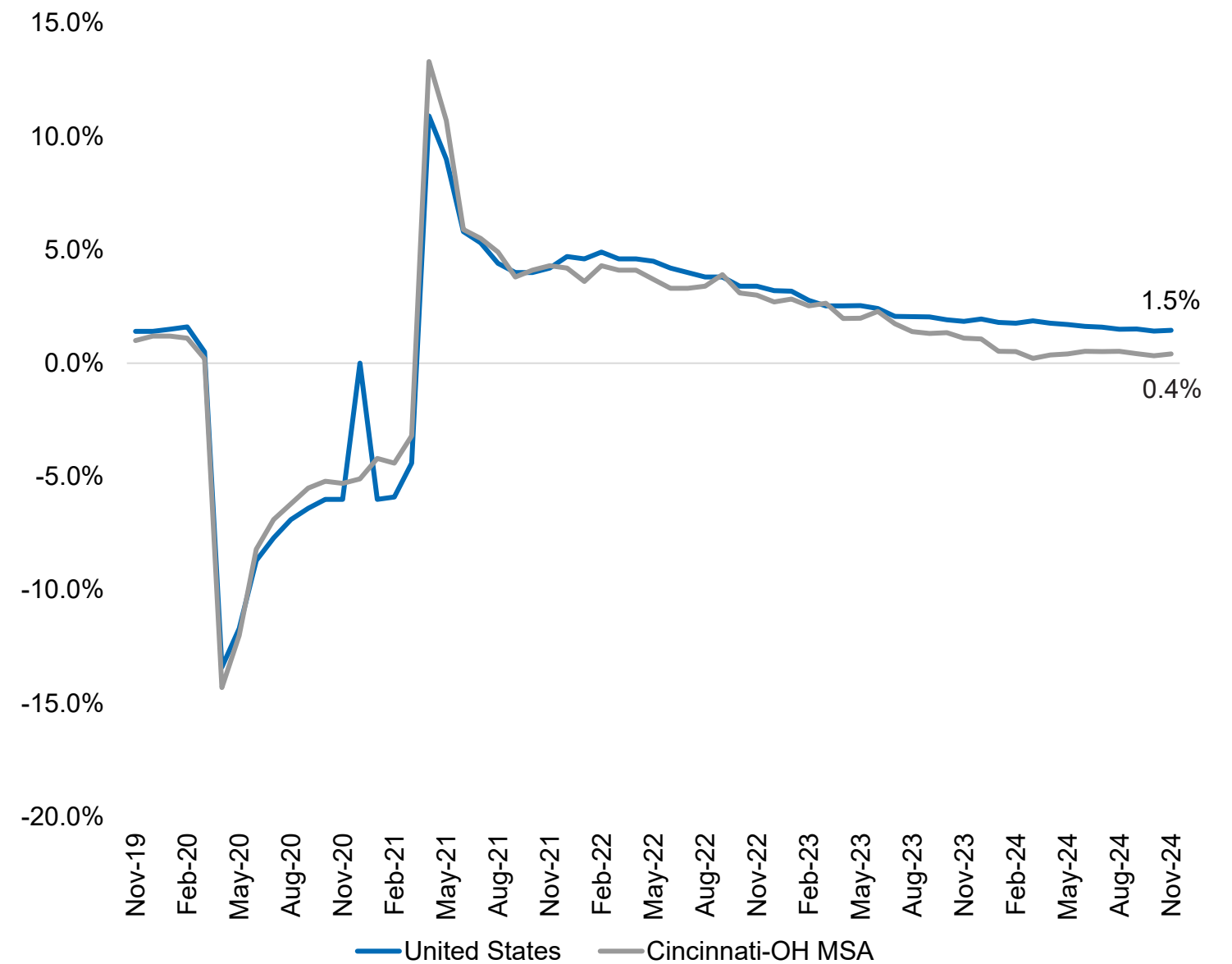
Cincinnati's Unemployment Rate Remains Steady

As the fourth quarter of 2024 came to an end, Cincinnati maintained a stable unemployment rate of 4.0%, indicating a healthy economic landscape amid continuous growth and development in the area.

Unemployment Rate, Seasonally Adjusted



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

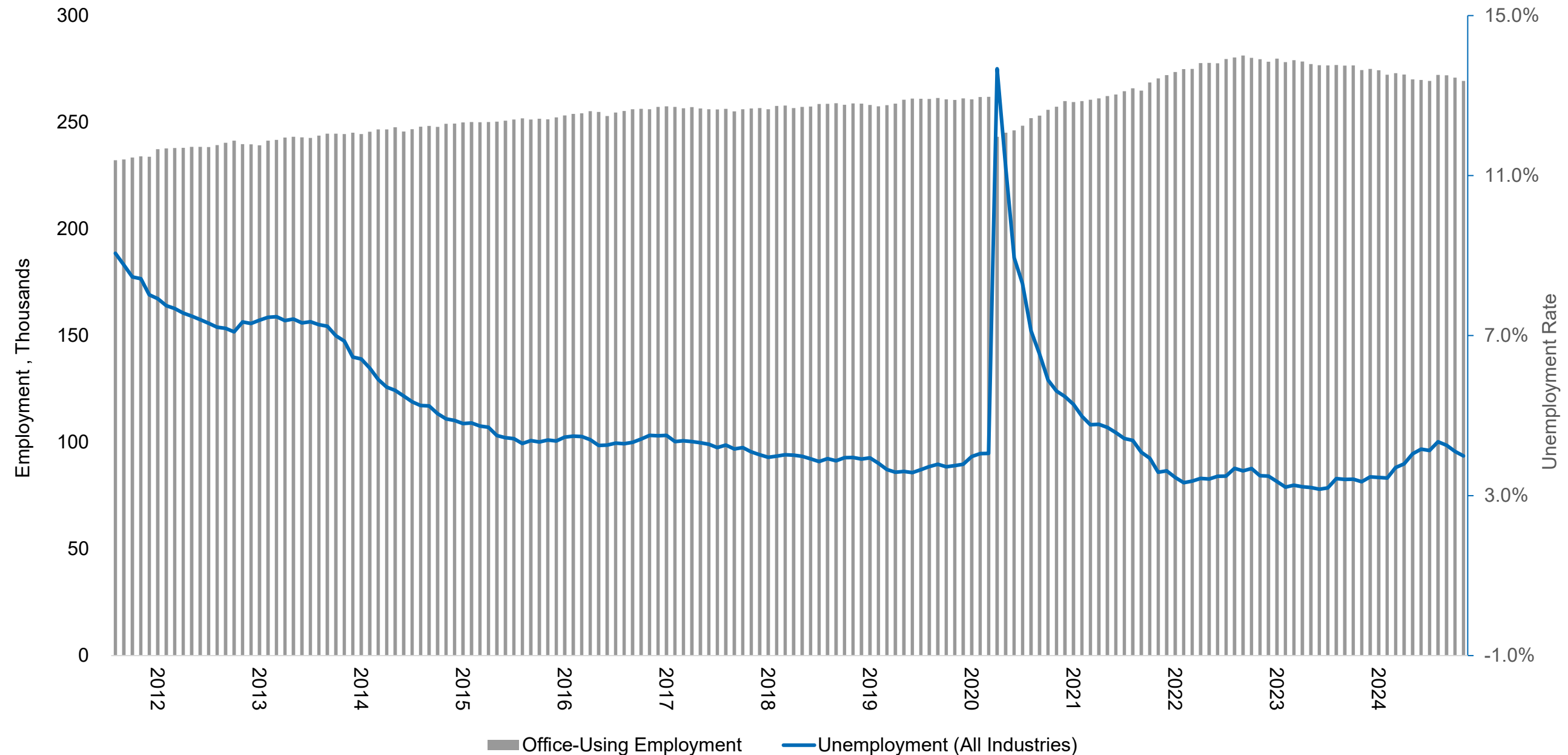


Source: U.S. Bureau of Labor Statistics, Cincinnati, OH-KY-IN

Cincinnati's Office-Using Employment Remained Robust in Q4

Cincinnati's office-using employment saw minor fluctuations throughout the year. Starting strong in January at 274,340, it experienced a gradual decline reaching 269,390 in July. A slight recovery occurred in late summer, but by November, employment dropped slightly to 269,380. The unemployment rate remained stable, aligning with national trends.

Office-Using Employment* and Unemployment Across All Industries



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

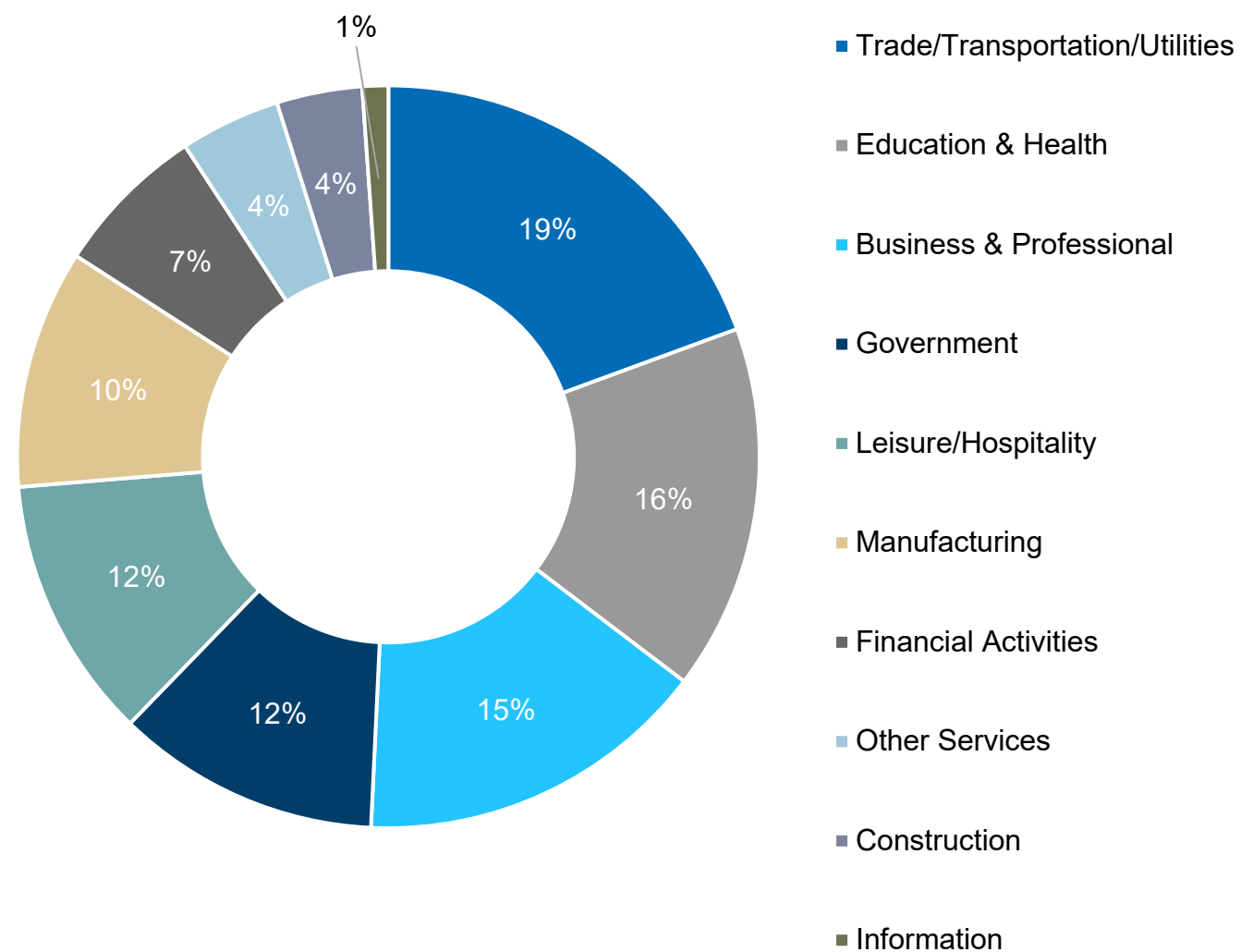
Note: August 2024 data is preliminary.

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

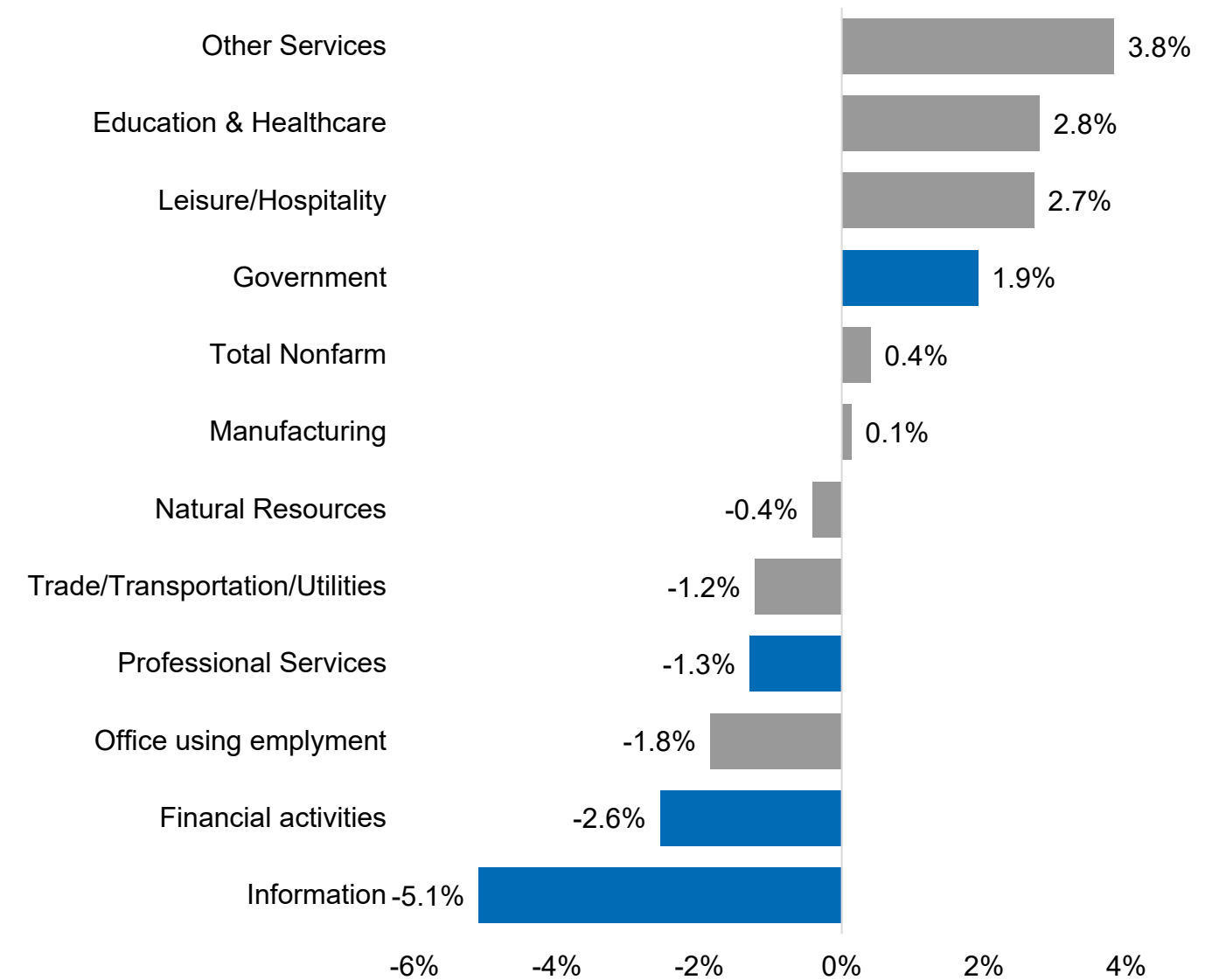
Cincinnati's Office Sectors Face Employment Challenges

The 12-month change in employment data highlights a challenging year for the financial and information sectors, which experienced the most significant losses in employment. This trend underscores the broader economic challenges and market uncertainties affecting these industries. Additionally, as the graphs indicate, most of the office-related sectors in Cincinnati faced a negative year-over-year performance. This suggests ongoing struggles in adapting to changes such as remote work trends and other economic factors that have influenced employment rates in the office-driven industries.

Employment by Industry, November 2024



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



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

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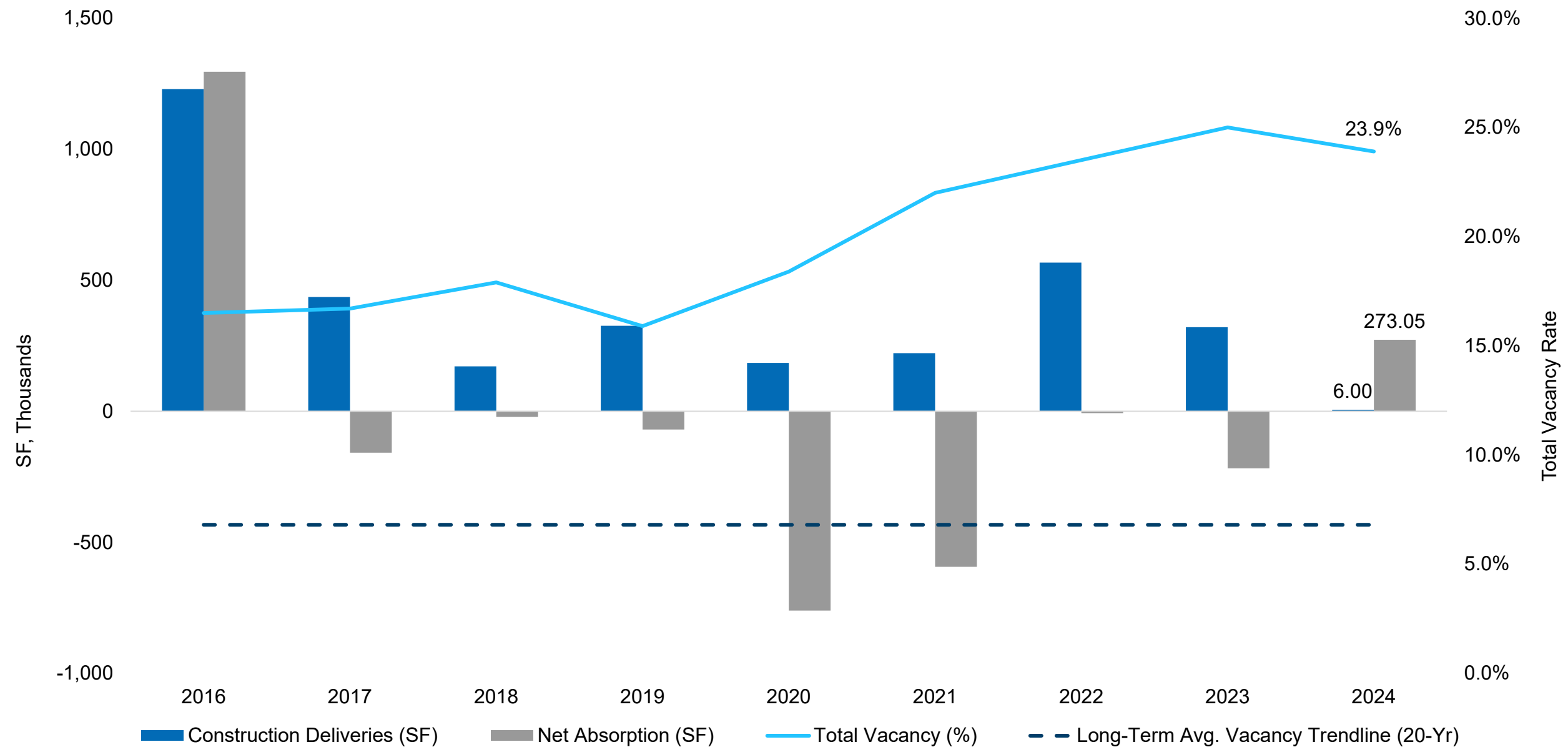
Leasing Market Fundamentals



Improved Annual Demand as Vacancy Rate Drops by 110 Basis Points

In the fourth quarter of 2024, there was negative absorption of 13,704 SF, indicating a temporary decline. However, the year saw a total absorption number of 273,029 SF, highlighting improved demand. The year 2024 marked a significant rebound for the office market, achieving its first positive year-end performance since 2016. Construction deliveries were scarce, which impacted market dynamics. This turnaround reflects heightened business confidence and successful adaptation to evolving market needs. The vacancy rate decreased by 110 basis points year-over-year, showing a tightening market. Looking ahead to 2025, expect a continued emphasis on optimizing existing spaces and selective developments, which could lead to further decreases in vacancy rates and strong absorption as the market shifts to meet evolving demands.

Historical Construction Deliveries, Net Absorption, and Vacancy

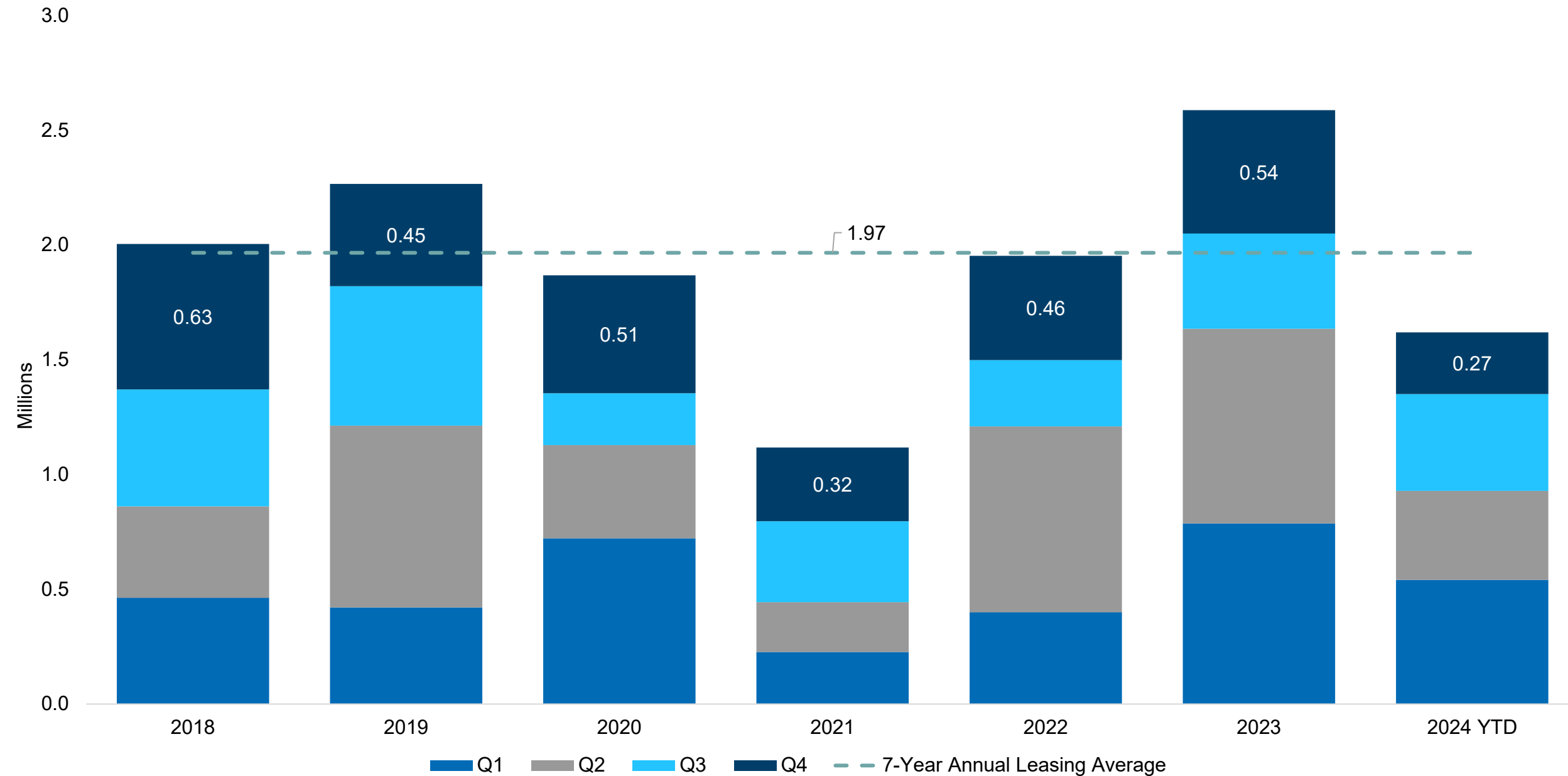


Source: Newmark Research

Cincinnati Leasing Slows in 2024 Amid National Trends

In 2024, leasing activity in Cincinnati slowed, failing to reach the levels observed in 2022 and 2023. Nationally, the real estate market faced similar challenges, with economic uncertainties and remote work trends affecting demand. Looking ahead to 2025, a moderate recovery is anticipated as companies better adapt to hybrid work models and economic conditions stabilize, potentially boosting leasing activity.

Total Leasing Activity (msf)

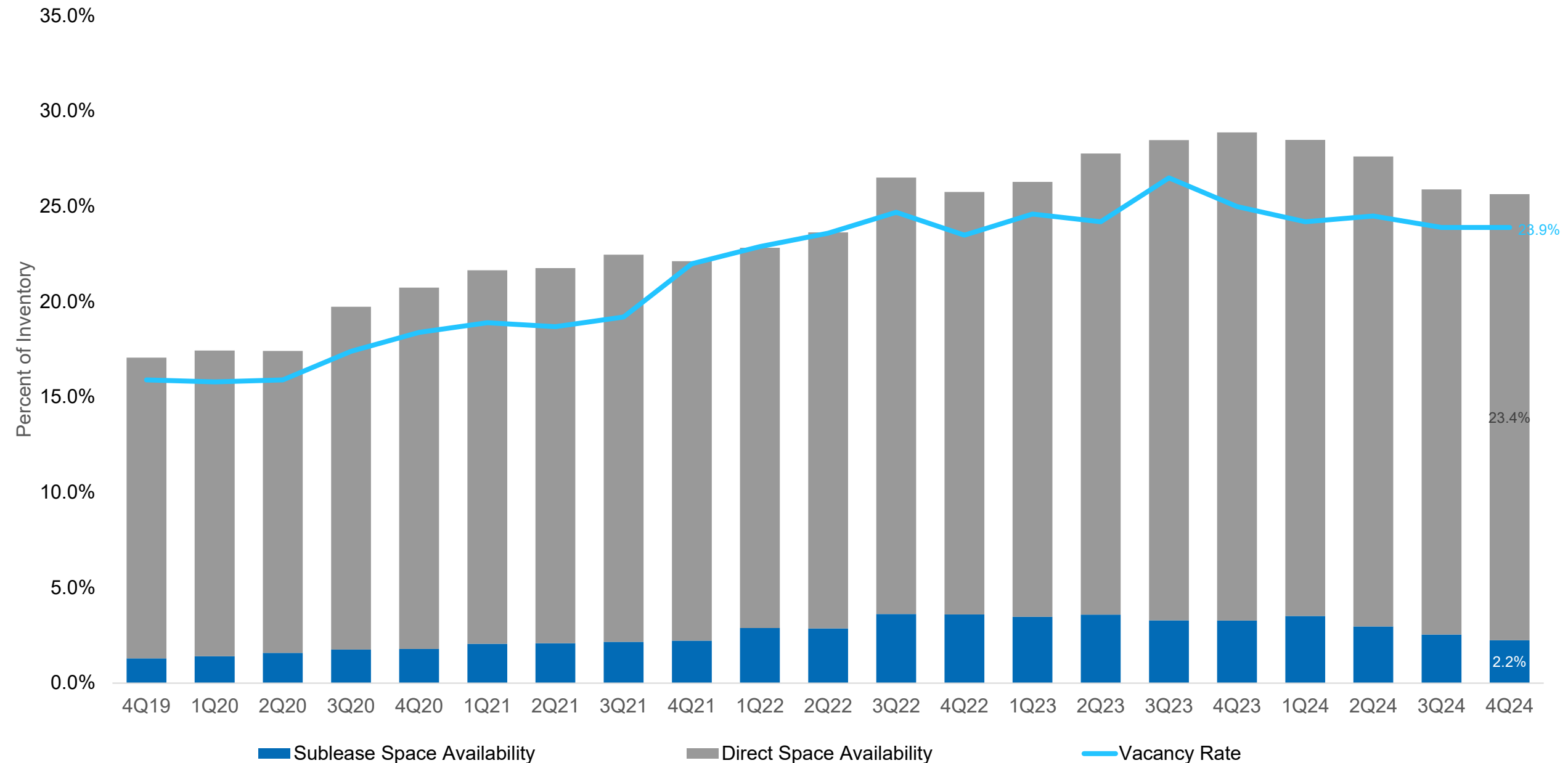


Source: Newmark Research, CoStar

Office Market Stability: Vacancy Rate Holds Steady Through 2024

Throughout 2024, sublease space available continually decreased by 140 basis points, from 3.5% in the first quarter to 2.2% by the fourth quarter. Direct space available dropped by 160 basis points, from 25.0% in the first quarter to 23.4% by year-end, with a slight rise in the fourth quarter. The vacancy rate showed minor fluctuations, ending the year steady at 23.9%, down 30 basis points from the first quarter.

Available Space and Tenant Demand as Percent of Overall Market

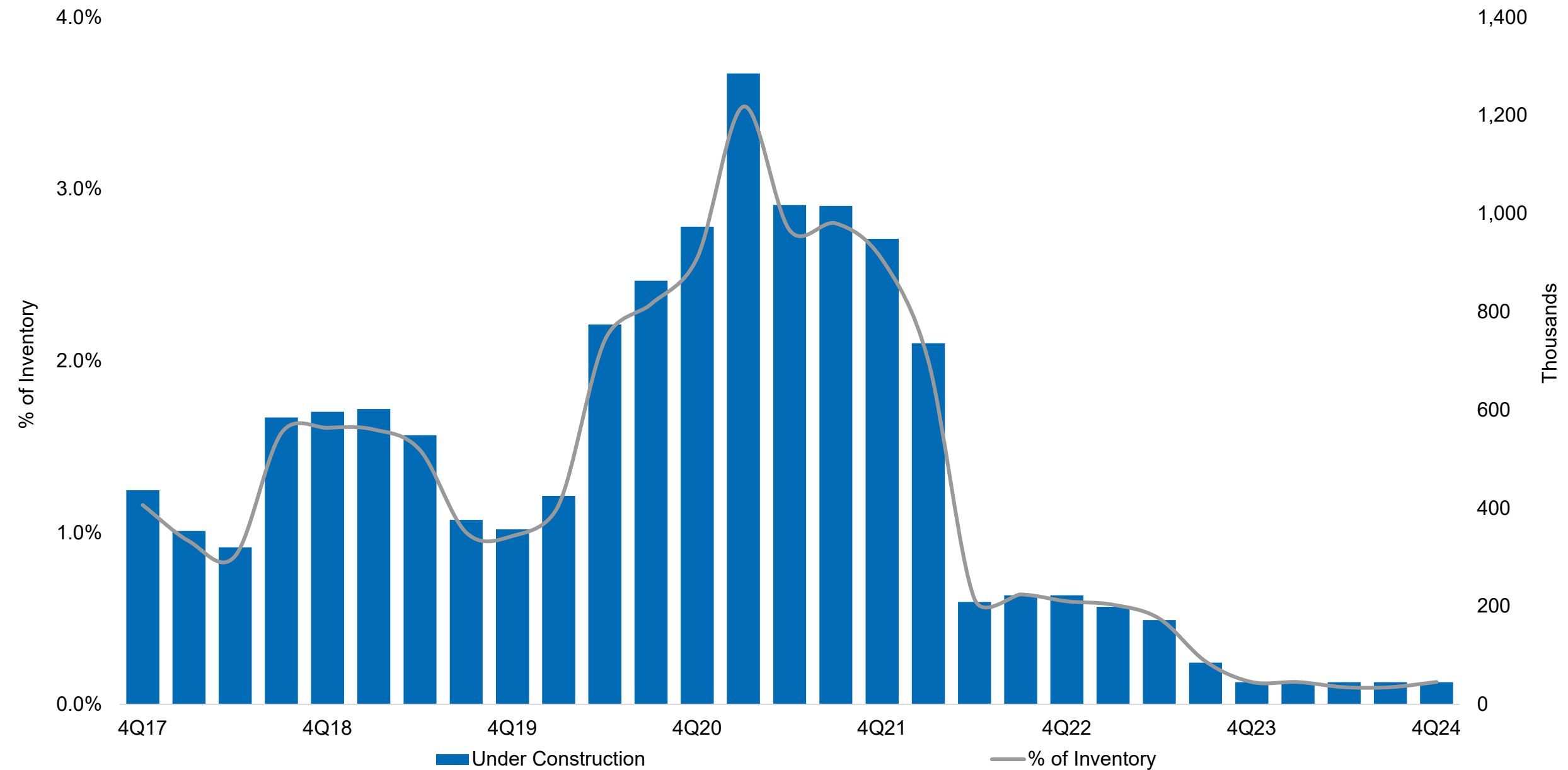


Source: Newmark Research

Stagnation in Cincinnati: No Growth in Construction Activity

Throughout the past year, construction activity in Cincinnati has remained stagnant. Construction on the OneNKY Center commenced in the third quarter of 2023 within Northern Kentucky's submarket. Situated at the base of the Roebling Suspension Bridge, this 45,000-square-foot facility will serve as the headquarters for multiple economic development agencies. The building is already fully leased and is projected to reach completion by early 2025.

Office Under Construction and % of Inventory

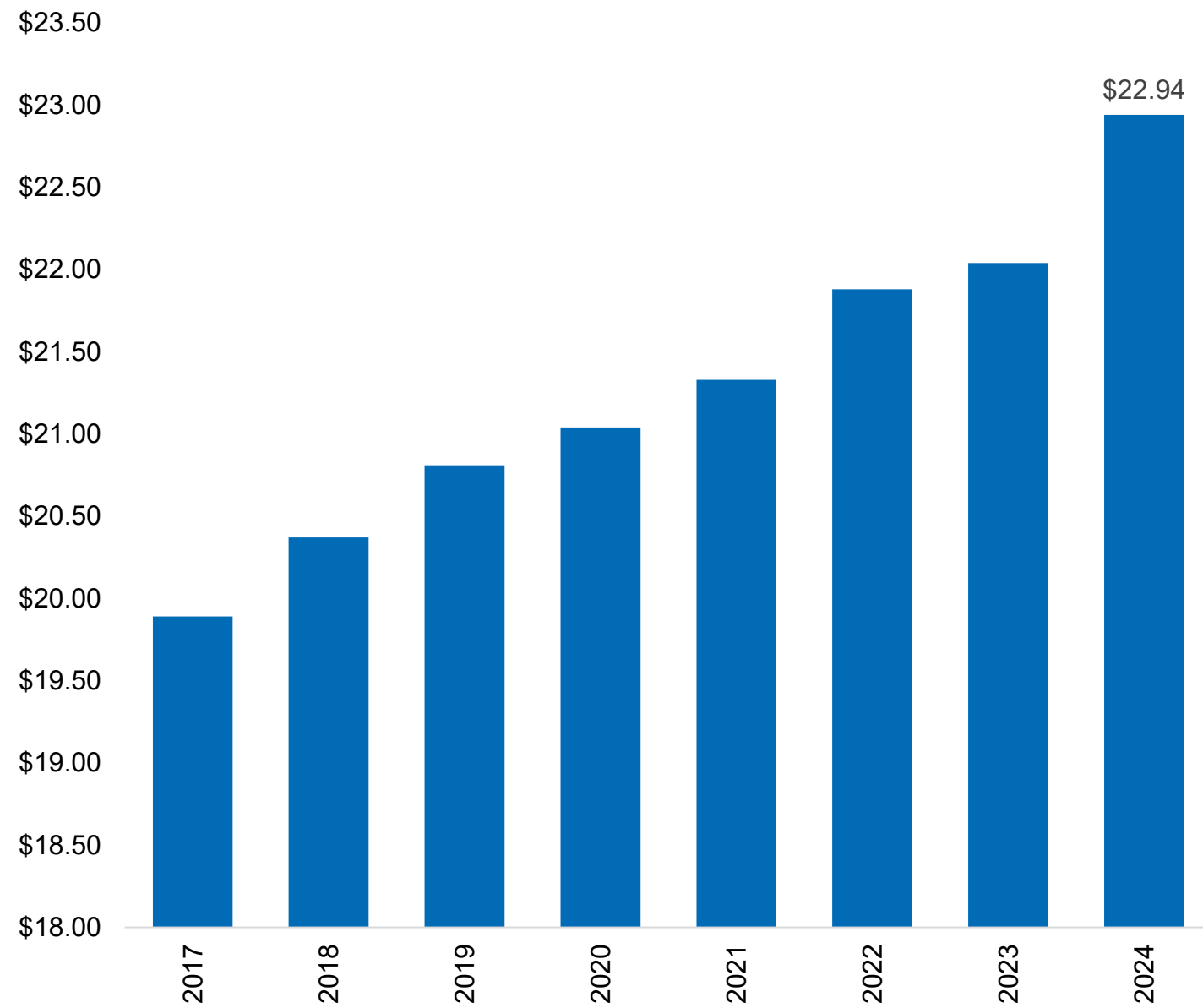


Source: Newmark Research, CoStar, City of Cincinnati

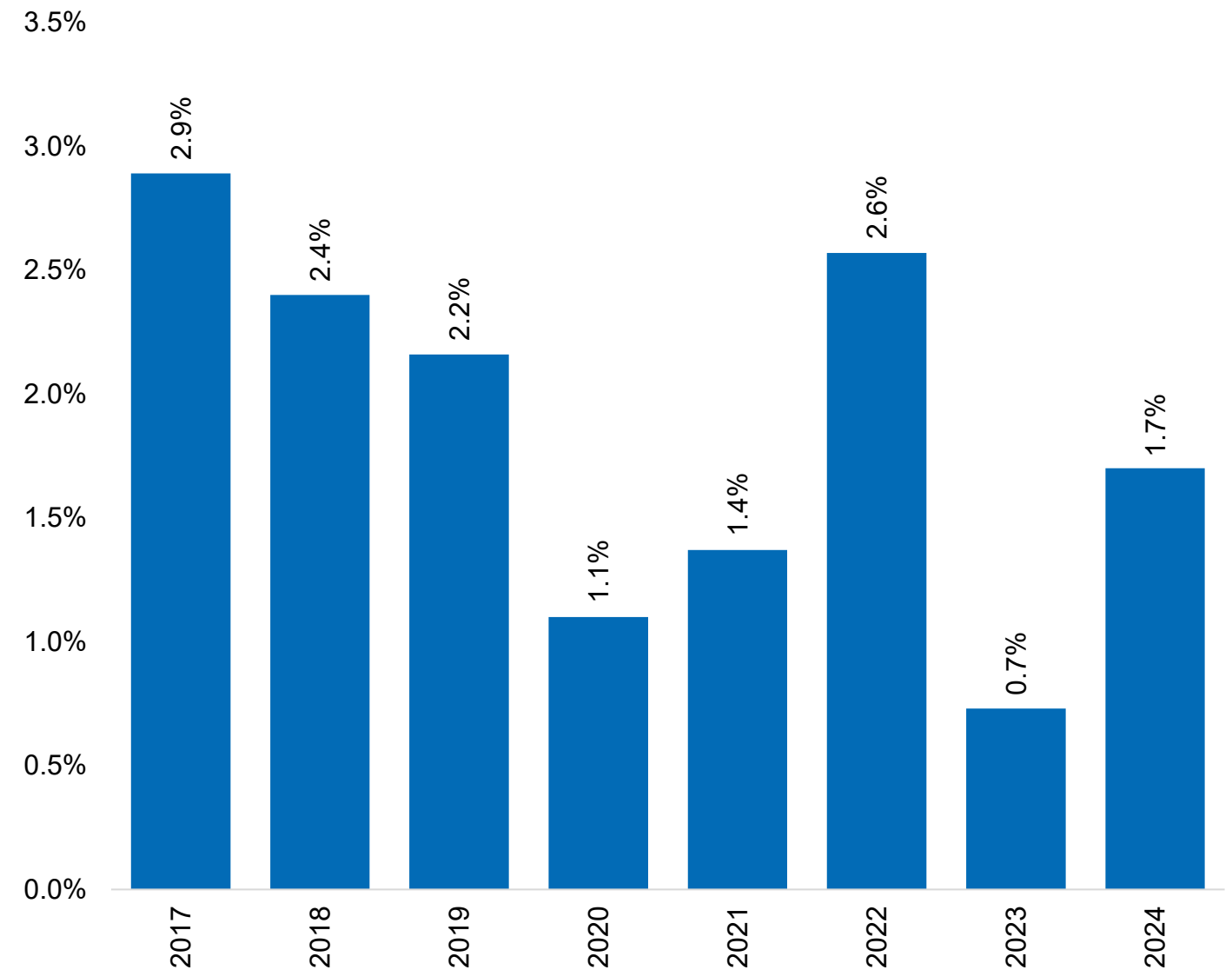
Rising Rents: Cincinnati's Office Market Sees Growth in 2024

In Cincinnati, average asking rental rates experienced a slight upward trend, rising from \$22.04/SF in 2023 to \$22.94/SF in 2024. This increase reflects a growing demand for office space, driven by enhanced economic activity and limited availability of quality properties.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

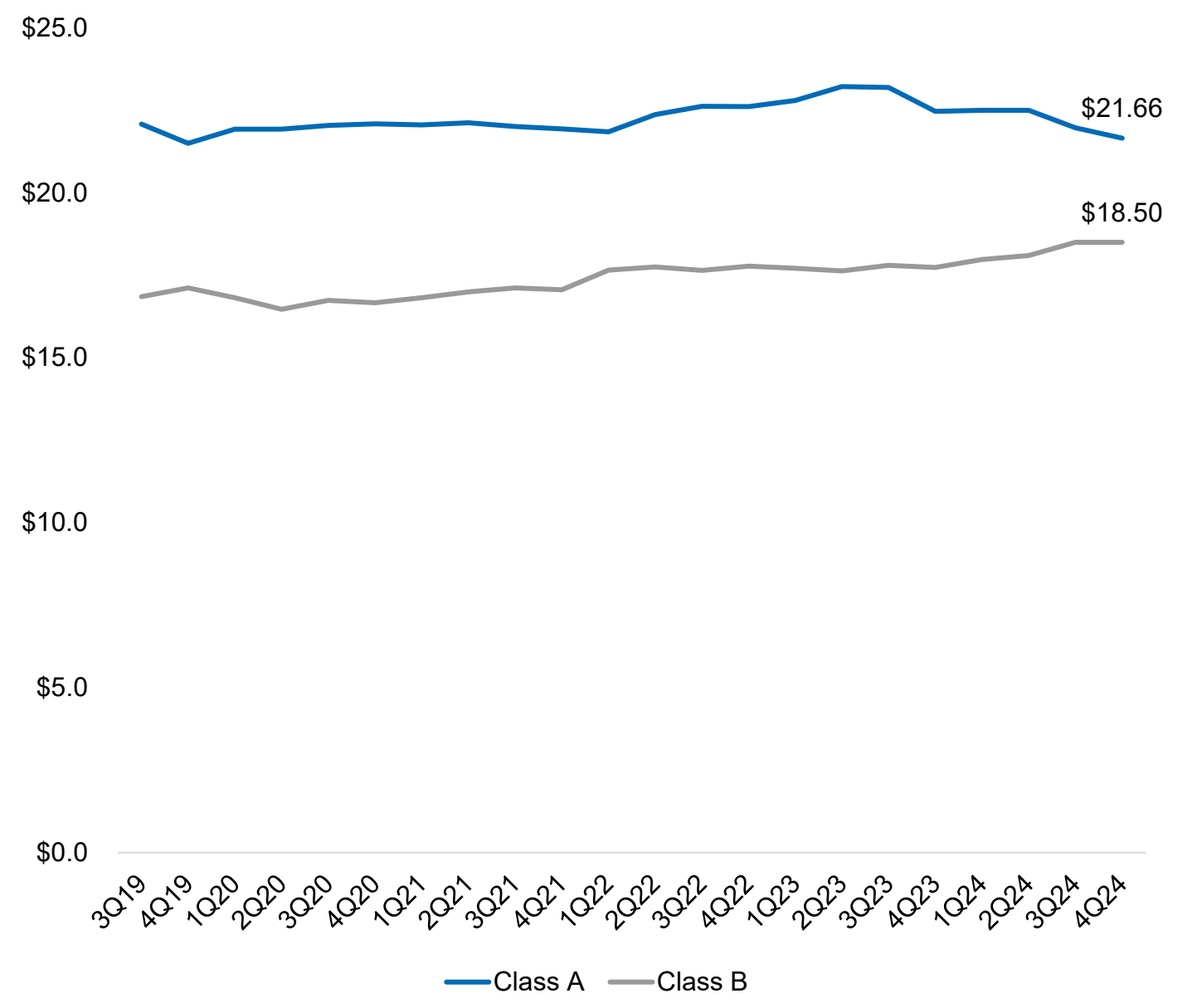


Source: Newmark Research, CoStar

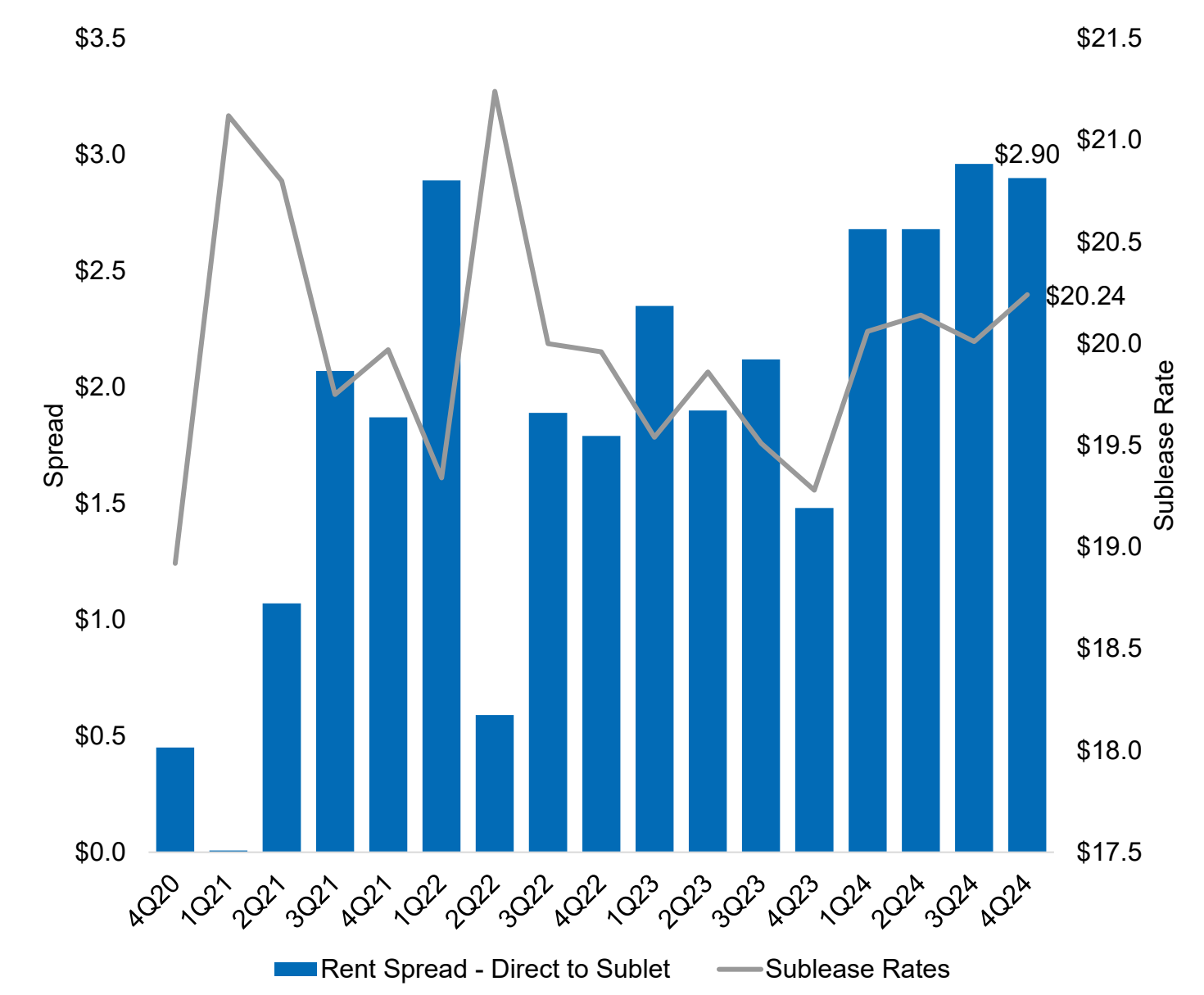
Expected Increase in Sublease Asking Rents for 2025

After a year of stability in 2024, sublease asking rents in Cincinnati are anticipated to experience modest growth in 2025. Factors such as improving economic conditions, increased business activity, and a potential decrease in available sublease space could drive prices upward. Additionally, as companies reassess their space needs, the demand for quality sublease locations may contribute to rent increases, although any significant market shifts or economic changes could alter this projection.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Notable 4Q24 Lease Transactions

Notable 4Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Perfetti Van Melle	4600 Houston Road	Northern Kentucky	Direct Lease	51,540
THS Remote Support Services LLC	25 Merchant Street	Tri-County	Direct Lease	20,151
ePremium Insurance Agency	4605 Duke Drive	Mason/Montgomery	Direct Lease	13,727
GM Financial Services	9075 Centre Pointe Drive	West Chester	Renewal	10,885
Omni Fiber	4680 Parkway Drive	Mason/Montgomery	Renewal & Expansion	9,147

Source: Newmark Research

Notable 4Q24 Sale Transactions

Notable 4Q24 Sale Transactions

Buyer	Seller	Address	Submarket	Square Feet	Price	Price/SF
Belcan	Cincinnati Classical Academy	10200 Anderson Way	Blue Ash	100,000	\$10,900,000	\$80.00
Triage	Blackout Tees	5163 Wolfpen Pleasant Hill Road	East	18,152	\$1,000,000	\$53.00
Copperwood Realty Group	Eggleston Incorporated	7505 Sussex Drive	Florence/Richwood	25,000	\$1,050,000	\$42.00

Source: Newmark Research

Submarket Overview (Class A)

Please reach out to your
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Submarket Overview (Class B)

Please reach out to your
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