

FIGURES | CINCINNATI OFFICE | Q4 2022

Vacancy settles as users solidify their workplace strategy

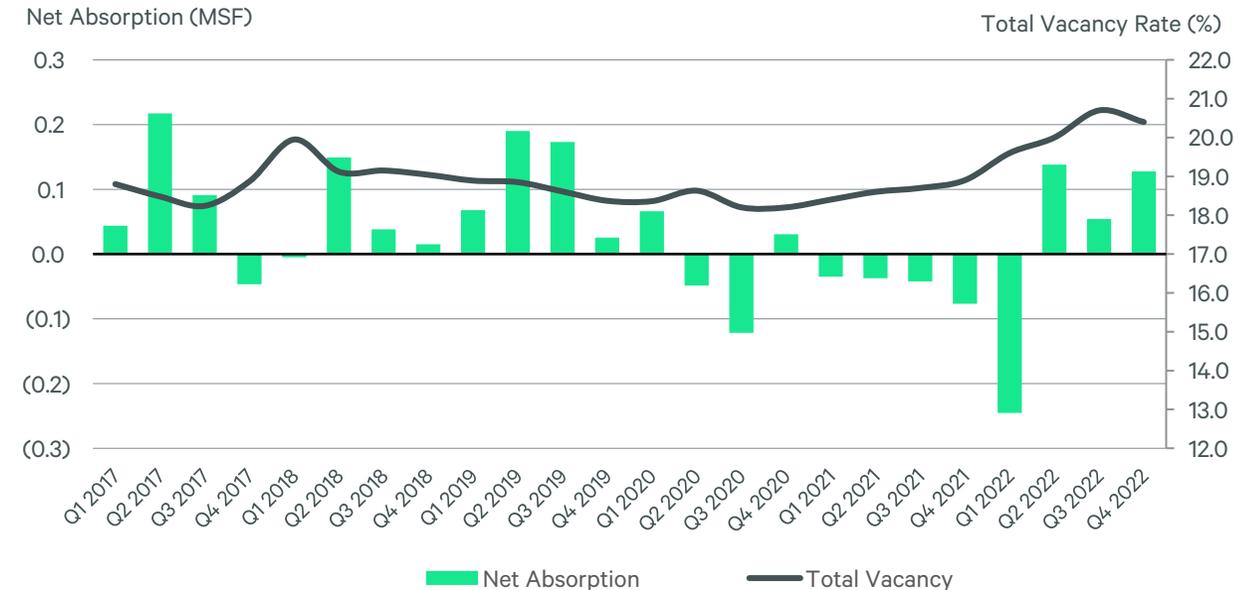
- ▼ **20.4%**
 Vacancy Rate
- ▲ **127,650**
 SF Net Absorption
- ▶ **50,000**
 SF Under Construction
- ▲ **\$20.65**
 Gross / Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- The Greater Cincinnati office market experienced another strong quarter, showing signs that a return to normalcy is on the horizon. This was the third consecutive quarter of positive net absorption.
- Leasing activity held steady with over 348K sq. ft. of transaction volume in the fourth quarter of 2022. Class A office space across the region accounted for 84.5% of all sq. ft leased this quarter.
- Vacancy declined 30 bps to 20.4% quarter-over-quarter and availability declined 20 bps to 25.8% quarter-over-quarter.
- There were no construction completions in the fourth quarter of 2022. The only project currently under construction is Corporex’s Ovation that will be anchored by MegaCorp Logistics. This development in the Northern Kentucky will offer 50K sq. ft. of Class A office space.

FIGURE 1: Net Absorption vs. Vacancy

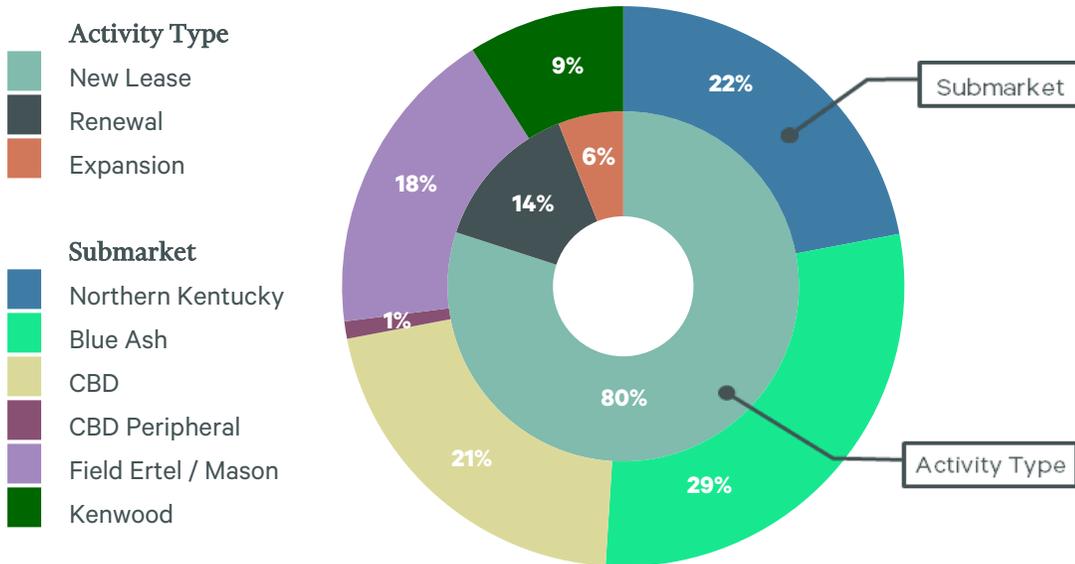


Source: CBRE Research, Q4 2022

Leasing Activity Overview

Leasing activity held steady with over 348K sq. ft. of transaction volume in the fourth quarter of 2022. Users continued to gravitate towards prime office space as part of their strategy to bring employees back to a collaborative work environment. Class A office space across the region accounted for 84.5% of all sq. ft. leased this quarter. On a submarket level, leasing activity was well balanced, but generally leaned towards the suburban index with a broader view. The downtown index accounted for 21.0% with the suburban index making up 79.0% respectively. The healthcare provider, St. Elizabeth’s signed the largest new lease this quarter with a 37K sq ft. space at 7300 Turfway Road. Other sizeable new leased signed this quarter include CEI Vision with a 36K sq ft. space at 9997 Carver Road, ICR, Inc. with a 20K sq. ft. space at 4690 Parkway Drive, and the Department of Veterans Affairs with a 19K sq. ft. space at 4605 Duke Drive.

FIGURE 2: Deal Activity Snapshot



Source: CBRE Research, Q4 2022

FIGURE 3: Leasing Breakdown by Class

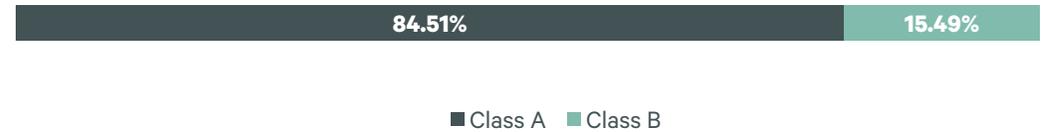


FIGURE 4: Key Transactions

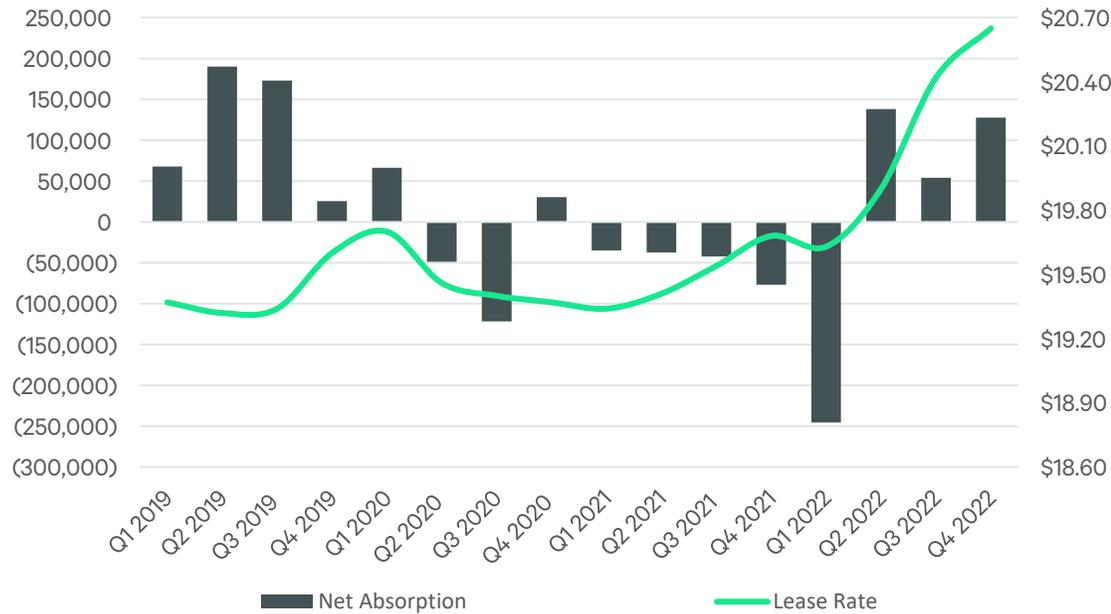
Transaction Type	Tenant / Buyer	Sq. Ft.	Address	Submarket
New Lease	St. Elizabeth Healthcare	37,026	7300 Turfway Road	Northern Kentucky
New Lease	CEI Vision	36,173	9997 Carver Road	Blue Ash
Sublease	FFE, Inc.	24,117	4445 Lake Forest Drive	Blue Ash
New Lease	ICR, Inc.	20,682	4690 Parkway Drive	Fields Ertel / Mason
New Lease	Department of Veterans Affairs	19,412	4605 Duke Drive	Fields Ertel / Mason
New Lease	Uber Freight	19,268	1 Levee Way	Northern Kentucky
New Lease	Shared Services	18,812	9280 Montgomery Road	Kenwood
Renewal / Expansion	Blue and Company	16,462	720 E Pete Rose Way	CBD
New Lease	St. Elizabeth Healthcare	14,647	47 Cavalier Boulevard	Northern Kentucky
Renewal	Arthur J. Gallagher	12,169	201 E Fourth Street	CBD
New Lease	Benchmark Digital Partners	11,289	5181 Natorp Boulevard	Fields Ertel / Mason
Expansion	Core Specialty Insurance	10,997	201 E Fifth Street	CBD

Source: CBRE Research, Q4 2022

Net Absorption and Lease Rates

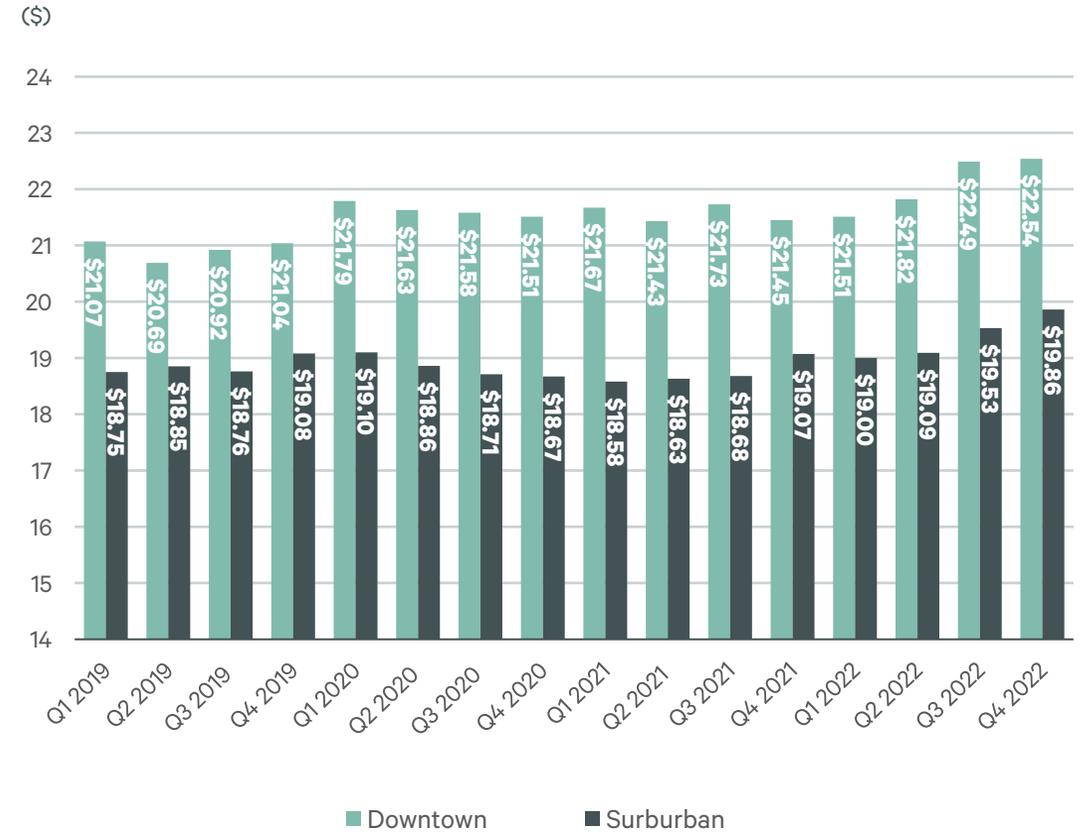
The Greater Cincinnati office recorded over 127K sq. ft. of positive net absorption in the fourth quarter of 2022. The suburban index continued to lead the way with 84K sq. ft. while the downtown index totaled a solid 43K sq. ft. This is now the third consecutive quarter of positive net absorption proving the overall office market’s recovery from the large blocks of vacancy that hit during the pandemic. Lease rates increased by \$0.23 to an overall average of \$20.65 per sq. ft. Downtown average lease rates increased \$0.05 per sq. ft. while suburban lease rates went up \$0.33 per sq. ft. The Kenwood submarket continues to lead other submarkets in asking rates at \$26.69 followed by the West Chester submarket at \$22.71 and the CBD submarket at \$22.54. Tenant demand for amenity-rich space explain the lease rate increase seen in the market as of late.

FIGURE 5: Net Absorption vs. Average Lease Rates



Source: CBRE Research, Q4 2022

FIGURE 6: Downtown and Suburban Average Lease Rates

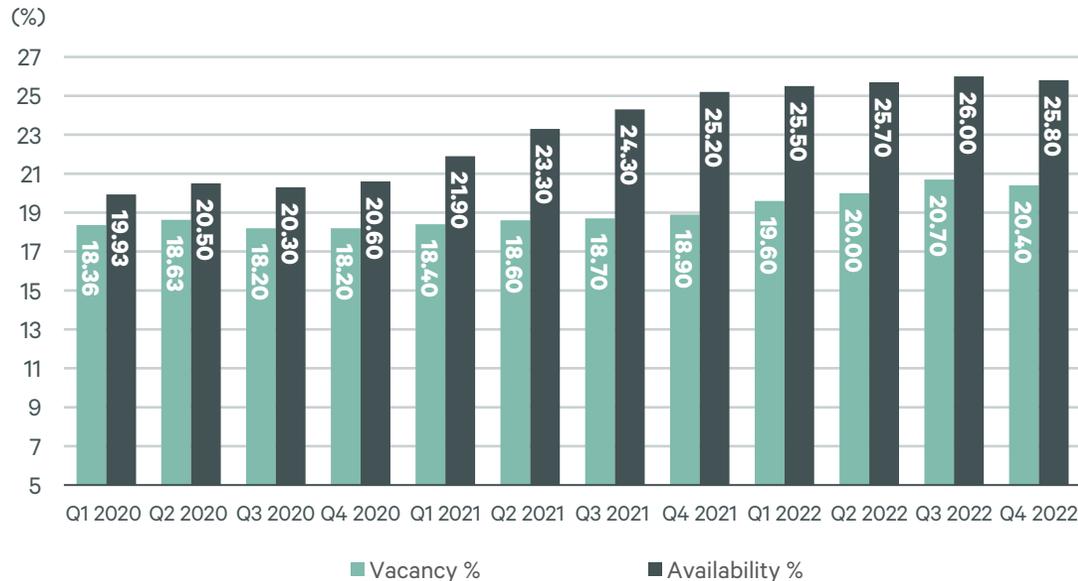


Source: CBRE Research, Q4 2022

Vacancy and Availability Rates

As users continue to solidify their workplace strategy, vacancy and availability rates finally settle after a long period of consecutive increases. Vacancy declined 30 bps to 20.4% quarter-over-quarter and availability declined 20 bps to 25.8% quarter-over-quarter. The amount of sublease space available decreased quarter-over-quarter while the amount of direct space available grew incrementally. Sublease availability has remained relatively in sync with direct availability over last few years. This demonstrates that sublease opportunities are not sitting on the market for an extended period. Owners with upgraded space continue to benefit the most as there seems to be an appetite for blocks of premium space that hit the market. The downtown index's overall vacancy rate decreased 20 bps to 22.2% while the suburban index's overall vacancy rate decreased 60 bps to 16.2%. The Tri-County submarket houses the highest vacancy rate at 32.4% followed by the CBD Peripheral at 31.0%.

FIGURE 7: Overall Vacancy vs. Overall Availability



Source: CBRE Research, Q4 2022

FIGURE 8: Direct vs. Sublease Available Sq. Ft.

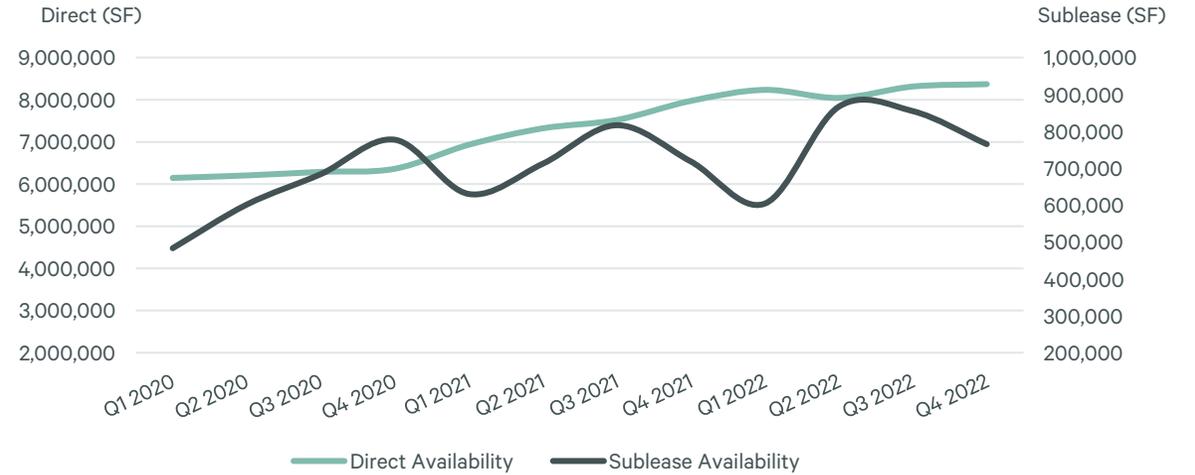
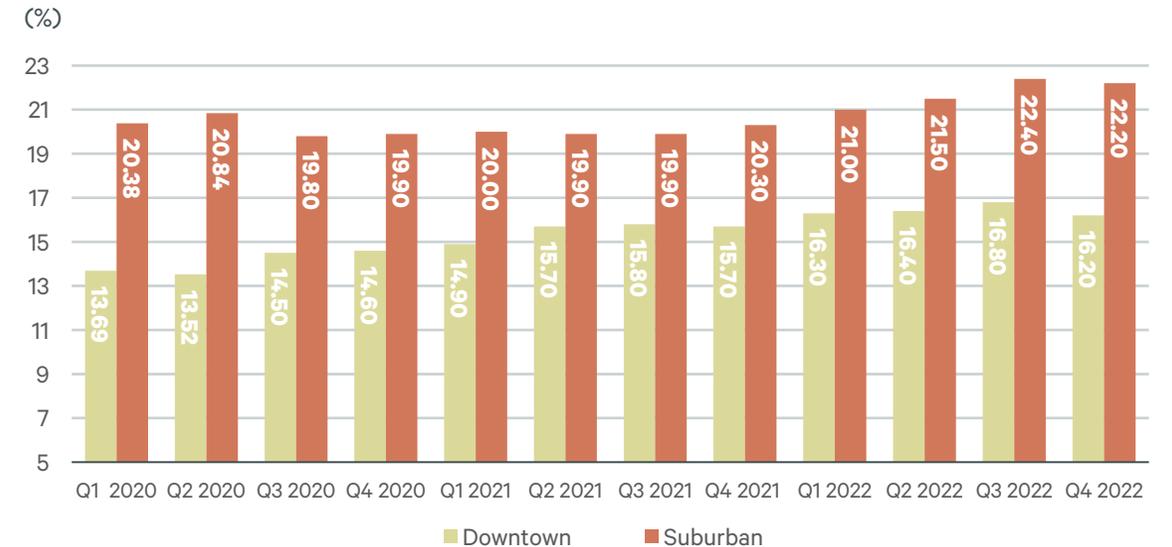


FIGURE 9: Downtown and Suburban Vacancy Rates



Source: CBRE Research, Q4 2022

Economic Overview

Everyone has been laser focused on inflation during the past year. Thankfully, the increase in the CPI has been decelerating due to improved supply chains, lower energy prices, and higher interest rates. Despite this good news, inflation remains a menace. Food and shelter prices are heightened, and fears persist that inflation is embedded in the labor market.

Consequently, the Federal Reserve continues its aggressive tightening program. The pace of recent rate hikes has been the most dramatic in decades and has increased volatility in the financial markets. Sharply reduced expectations of earnings growth in 2023, means that firms are looking to cut costs, helping to fulfill recessionary forecasts.

Some positive signals can be found in monthly payroll gains, but other labor market metrics are not so optimistic. Data from Challenger, Gray & Christmas, Inc. shows that the current level of layoff announcements is consistent with past recessions. This is paired with business surveys exhibiting deteriorating activity and consumers grappling with eroding savings. The upshot is we believe the economy will face a moderate recession in the first half of 2023.

FIGURE 10: Market Statistics by Submarket

Submarket	Inventory (Sq. Ft.)	Vacancy Rate (%)	Net Absorption (Sq. Ft.)	Under Construction (Sq. Ft.)	Average Lease Rate (\$)	Availability Rate (%)
Blue Ash	4,547,999	23.9	50,493	-	20.72	30.0
CBD	10,814,713	16.2	43,552	-	22.54	22.2
CBD Peripheral	1,955,977	31.0	(3,313)	-	15.61	32.8
Central	2,974,147	15.1	(7,244)	-	22.18	19.0
East	1,433,284	20.0	1,680	-	13.88	25.3
Fields Ertel / Mason	2,879,695	21.9	48,077	-	20.35	34.1
Kenwood	1,481,722	15.4	(30,842)	50,000	26.69	19.7
Northern Kentucky	4,134,484	19.8	45,697	-	20.67	23.6
Tri-County	3,728,000	32.4	(20,450)	-	17.95	36.5
West Chester	1,510,703	11.3	-	-	22.71	12.2
Total	35,460,724	20.4	127,650	50,000	20.65	25.8

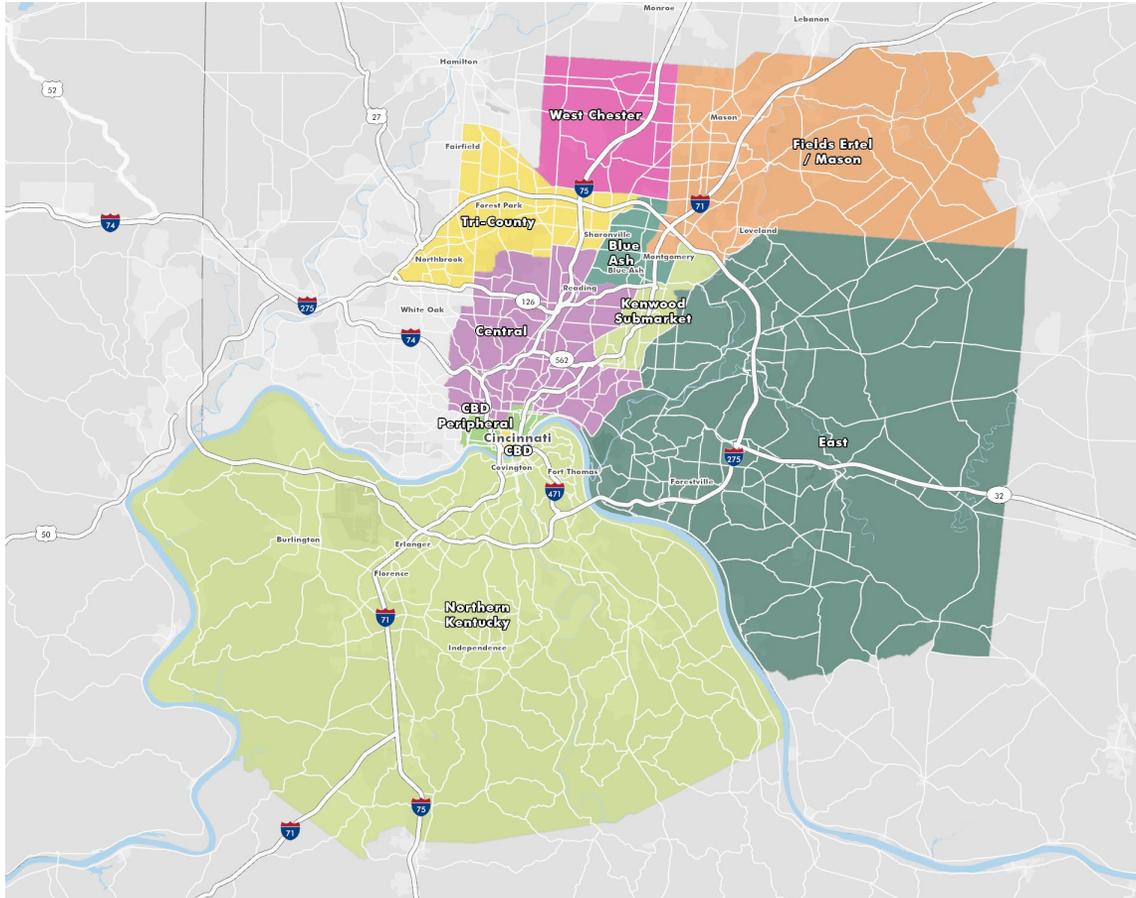
Source: CBRE Research, Q4 2022

FIGURE 11: Market Statistics by Index and Class

Index and Class	Inventory (Sq. Ft.)	Vacancy Rate (%)	Net Absorption (Sq. Ft.)	Average Lease Rate (\$)	Availability Rate (%)
Downtown Class A	7,389,139	15.7	39,749	24.50	21.1
Downtown Class B	2,775,715	20.4	3,803	19.32	29.2
Downtown Class C	649,859	4.7	-	15.01	5.4
Total Downtown	10,814,713	16.2	43,552	22.54	22.2
Suburban Class A	14,206,384	20.7	60,349	23.22	26.9
Suburban Class B	8,743,563	24.7	23,393	15.74	28.0
Suburban Class C	1,696,064	22.1	356	14.15	26.5
Total Suburban	24,646,011	22.2	84,098	19.86	27.3

Source: CBRE Research, Q4 2022

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. **Availability Rate:** Total Available Sq. Ft. divided by the total building Area. **Average Asking Lease Rate:** A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. **Building Area:** The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. **Gross Activity:** All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. **Gross Lease Rate:** Rent typically includes real property taxes, building insurance, and major maintenance. **Net Absorption:** The change in Occupied Sq. Ft. from one period to the next. **Net Lease Rate:** Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. **Occupied Sq. Ft.:** Building Area not considered vacant. **Vacancy Rate:** Total Vacant Sq. Ft. divided by the total Building Area. **Vacant Sq. Ft.:** Space that can be occupied within 30 days.

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in Greater Cincinnati. Buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Parker Gilmore

Field Research Analyst
 +1 513 369 1620
 parker.gilmore@cbre.com

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