

Key Takeaways

- Quarterly net absorption decreased to 2.5 million square feet, a 48% quarterly decrease.
- The overall market vacancy rate decreased by 60 basis points to a record low of 1.7%
- Overall average asking rates increased by 2% this quarter resulting in a YOY increase of 16.7%.
- Construction activity rose to record levels with 12.8 million square feet of space under construction.

Vacancy Rate



1.7%

YOY | Forecast

Net Absorption



2.5M SF

YOY | Forecast

Under Construction



12.8M SF

YOY | Forecast

Market Asking Lease Rates (NNN)



\$5.24/SF

YOY | Forecast

Market Indicators



3.8%

Unemployment
Rate

2.57%

GDP - Quarterly
% change yr/yr

3.829%

U.S. 10 Year
Treasury Note

Market Graph



The first half of 2022 ended with historically low vacancy, raising questions as to how low it can go. Strong demand and market activity resulted in the overall vacancy rate dropping by 60 basis points to 1.7% from 2.3%. This continued quarter over quarter decrease is unheard of for the Cincinnati market as the overall vacancy rate was nearly double at year end 2021. New supply was relatively light again with 950,000 square feet of space being delivered. This was expected as most of the space under construction, currently totaling 12.8 million square feet, with 3.7 million to be delivered by year end and the balance of 7.6 million by end of second quarter 2023. Moreover, overall net absorption remained steady at 2.5 million square feet, bringing the YTD total to 9.3 million square feet resulting in the highest recorded at the end of 3rd quarter in market history.

Historic Comparison

	21Q3	22Q2	22Q3
Total Inventory (in Millions of SF)	276.3	278.0	279.0
New Supply (in Millions of SF)	1.1	0.87	0.95
Net Absorption (in Millions of SF)	1.6	3.6	2.5
Overall Vacancy	6.0%	2.3%	1.7%
Under Construction (in Millions of SF)	6.3	11.4	12.8
Overall Asking Lease Rates (NNN)	\$4.49	\$5.14	\$5.24

Recent Transactions



Lease

 Fairfield Commerce Park 4275 Thunderbird Ln
9260 Seward Rd
399K SF


Lease

206K SF



Lease

 Mill Creek II
8655 Jacquemin Dr
183K SF


Sale

 1441 Western Ave
\$80.95/SF


Sale

 6800 Industrial Rd
\$47.32/SF


Sale

 910 Lila Ave
\$40.78/SF

Activity Remains Steady as New Construction Approaches Completion

The Greater Cincinnati industrial market continues to remain quite active as we enter Q4. Though last quarter's growth wasn't as staggering as what we saw in 2021, activity shows no intention of letting up during the fourth quarter. The overall market vacancy rate fell by an additional 50 basis points to end the third quarter at 1.7%. The overall net absorption rose to 2.5 million SF. Furthermore, the market average asking rate reached a new high of \$5.24 per square foot. Current demand appears to have slowed slightly, and developers are finalizing a highly needed wave of supply coming available in the first half of 2023. The third quarter ended with 12.8 million SF of space currently under construction. Additionally, new deliveries resulted in 950,000 SF of supply hitting the market, most of which was absorbed upon completion. Third quarter results have never been better historically, but we anticipate that to flatten for the balance of the year. The decreased activity along with the 3.2 million SF of construction completions will make it challenging to surpass the final surge we saw in the record setting 2021.

While Cincinnati remains relatively diversified in terms of industrial users, a healthy share of activity continues to be attributed to bulk warehouse demand. Bulk quarterly net absorption gained 1.4 million SF, pushing YTD bulk net absorption up to 6.5 million SF. The Tri County/West Chester submarket recorded the highest quarterly net absorption amongst all submarkets in the Greater Cincinnati area. None of the three major markets exceeded one million square feet as we saw in the first two quarters, but that can be attributed to the limited supply of available space. The Tri County/West Chester submarket drove absorption by taking more than 800,000 SF alone with occupancies by Profill (399,000 SF) and Fed Ex (183,000 SF). Although this submarket saw the highest quarterly absorption, it is difficult to determine, overall, which submarkets are experiencing the most demand due to the lack of supply. These extreme supply constraints are visible within last quarter's availability rates. For example, the Monroe/Middletown and I-71 Corridor submarkets both have availability rates of 0.0%. The two major markets in Kentucky, The Airport Corridor and Florence/Richwood, only have availability rates of 0.7% and 1.3%, respectively. The Northern Kentucky market is currently experiencing a tremendous influx of new construction, all scheduled to be completed in the first half of 2023. We anticipate these vacancy rates rising in the Northern Kentucky market in 2023 due to not only the completion of these buildings, but also the upcoming availabilities of three second generation buildings, which total 1,750,000 SF.

Developers across the Greater Cincinnati market continue to remain in overdrive working to satisfy the insatiable demand for industrial space. The quarter ended with 12.8 million square feet of space under construction, which marks another record, despite activity appearing to level off. Of that, 3.2 million SF is projected to be completed by the end of the year, with 900,000 SF already being accounted for. The remaining 9.6 million SF is expected to hit the market in 2023. A large portion of the space under construction is speculative bulk space, which accounts for 7 million SF. However, manufacturing space shouldn't be overlooked, as industry heavyweights, such as Nestlé Purina, account for large swaths of space finalizing their construction. Additionally, average asking rates experienced quarterly increases of 2% overall and 1.5% for bulk space. With rates increasing to record levels and rent escalations following suit, potential tenants face the pressure to secure space while it is available. We anticipate a continued leasing pipeline into 2023 even with the appearance of a slowdown in market activity with new product becoming available.

Despite steady activity with no obvious signs of a downturn, the struggling economy has still plagued the Cincinnati industrial sector with its share of challenges. Growing inflation, interest rate uncertainty and continued supply-chain issues remain ongoing concerns. While upcoming supply availabilities appear to be the light at the end of the tunnel for a desperate Greater Cincinnati industrial market, aggressive interest rate hikes pose a threat to the future demand. While the effects of increasing interest rates remain uncertain, the market is more than likely going to be tested next year. As supply-chain issues still test the market, smaller build-to-suit construction activity (less than 100,000 SF) continues to be limited by long lead times and high construction costs. However, we are beginning to see these factors stabilize, and it's possible that the lead time period may be shortening soon. It's all still very difficult to predict. In the short term, we believe the market will remain strong for the remainder of the year. Overall, the market hasn't lost any strength which will likely remain in the second half of the year while strong headwinds pose challenges for the long term. However, the market is positioned well to handle the potential challenges ahead.

By:



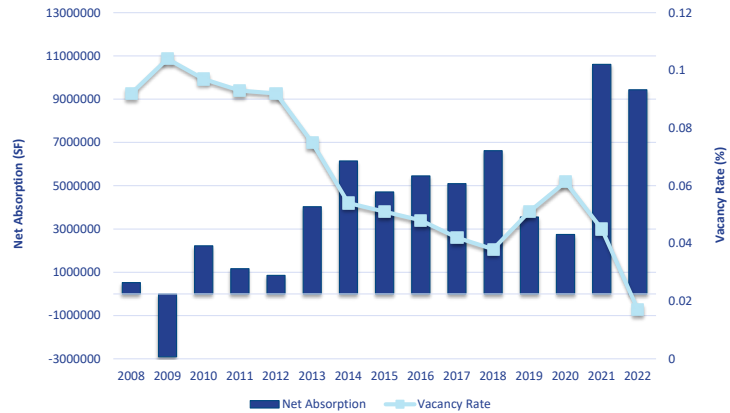
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Vacancy/Absorption

During the third quarter, the overall market vacancy rate declined by 60 basis points to 1.7%. Yet another record low for the Cincinnati industrial market. On a year-over-year basis, overall vacancy has declined by 4.3% which is a 72% decrease within a year. Additionally, overall net absorption remained positive at 2.5 million square feet. 31% decreases from the previous quarter's net absorption figure of 3.6 million square feet. Moreover, year-to-date net absorption increased to 9.4 million square feet.



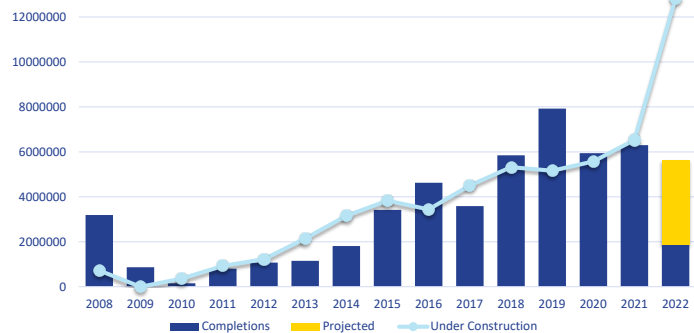
Employment

Total manufacturing employment has experienced a year-over-year increase of 5.2%. Total transportation and logistics employment has increased year-over-year by 3%. Lastly, the Cincinnati overall unemployment rate increased by 80 basis points on a quarterly basis and 20 basis points on a yearly basis.



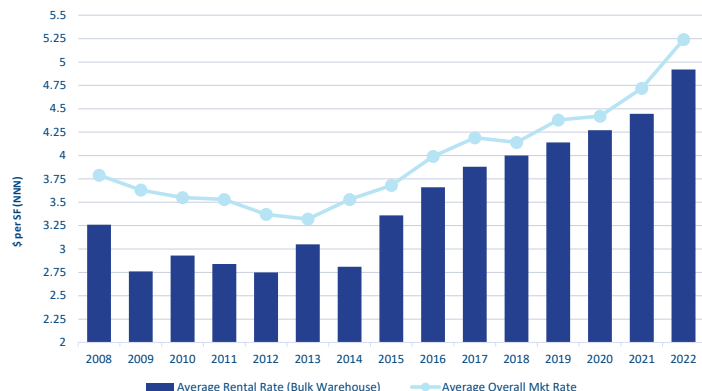
Construction History

Construction activity is currently at an all-time high with 12.8 million square feet of space being developed. Of this 12.8 million, 3.7 million square feet is forecasted to be completed by the end of 2022. Additionally, 10.8 million square feet of the total space under construction is speculative. Furthermore, 70% of all speculative space is forecasted to be completed in 2023.



Rental Rates

The average rental rate for bulk warehouse in Q3 of 2022 was \$4.92, which increased from \$4.85 in Q2. On a yearly basis, average bulk rental rates have increased by 13% since Q3 of 2021. Moreover, overall average rates have increased by 16.7% since the same time period last year. Lastly, the market average rental rate increased to a new market record of \$5.24 per square foot.



Notable Sale Activity

#	Address	Size	Buyer	Price	Submarket
1	1441 Western Ave	101,297	Viking Partners	\$8,200,000	Central/ Midtown
2	6800 Industrial Rd	168,000	Green Door Capital Inv.	\$7,950,000	Florence/ Richwood
3	East Fork Business Center 910 Lila Ave	122,603	The Gaietto Co	\$5,000,000	East
4	11755 Lebanon Rd	75,250	Brixey & Meyer Inc	\$4,500,000	I-71 Corridor
5	11959 Tramway Dr	25,000	Morsco Manufacturing	\$2,500,000	Tri-County

Notable Lease Activity

#	Address	Size	Tenant	Type	Submarket
1	Fairfield Commerce Park 9260 Seward Rd	399,964	ProFill	New	Tri-County
2	4275 Thunderbird Ln	206,448	Kable Product Services	New	Tri-County
3	Mill Creek II 8655 Jacquemin Dr	183,508	FedEx	New	Tri-County
5	Springdale Commerce Park Bldg 3 1145 Strategic Pkwy	133,057	Sugaright	New	Tri-County
6	Dues Drive Distribution Center 4225-4331 Dues Dr	122,860	Republic Wire	Renewal	Tri-County
7	Airpark International Distribution Center 1180 Elijah Creek Rd	101,234	Liquidity Services Operations	New	Airport
8	3024 Symmes Rd	95,000	Mean Green Mowers	New	Tri-County

Note: Bold/Blue indicates Colliers transactions

Notable Deal Activity



Cincinnati | 2022 Q3 | Industrial | Market Statistics

Colliers

Submarket/ Subtype	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (NNN)
Airport											
Bulk Warehouse	27,120,167	0.7%	0.0%	0.7%	0.0%	1.5%	408,600	1,804,062	1,202,451	-	\$4.15
Warehouse - Distribution	5,767,781	0.9%	0.0%	0.9%	0.4%	6.3%	341,446	325,194	-	-	\$6.45
Manufacturing	2,489,086	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	--
Flex/R&D	1,102,711	3.7%	0.0%	3.7%	3.3%	3.7%	5,094	53,814	-	-	\$6.69
Light Industrial	4,354,440	1.7%	0.0%	1.7%	1.7%	1.5%	(10,000)	(20,181)	-	-	\$6.61
Total	40,834,185	0.9%	0.0%	0.9%	0.3%	2.2%	745,140	2,162,889	1,202,451	-	\$5.18
Blue Ash											
Bulk Warehouse	1,340,075	4.0%	0.0%	4.0%	4.0%	0.0%	(53,760)	67,524	-	-	\$5.05
Warehouse - Distribution	1,061,046	0.0%	0.0%	0.0%	0.0%	7.5%	79,800	137,361	-	-	--
Manufacturing	2,494,888	0.4%	0.0%	0.4%	0.4%	0.4%	-	191,450	-	-	\$5.50
Flex/R&D	1,617,054	6.5%	0.0%	6.5%	5.8%	4.2%	(25,569)	401	-	-	\$8.80
Light Industrial	6,131,176	0.4%	0.0%	0.4%	0.2%	0.2%	716	32,220	-	-	\$5.00
Total	12,644,239	1.5%	0.0%	1.5%	1.3%	1.4%	1,187	428,956	-	-	\$7.18
Campbell County											
Warehouse - Distribution	173,940	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	
Manufacturing	1,045,402	1.7%	0.0%	1.7%	1.7%	0.0%	(17,367)	(17,367)	-	-	
Light Industrial	1,835,241	0.0%	0.8%	0.8%	0.8%	0.8%	-	(15,400)	-	-	--
Total	3,054,583	0.6%	0.5%	1.1%	1.1%	0.5%	(17,367)	(32,767)	-	-	--
Central/Midtown											
Bulk Warehouse	1,017,840	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	224,135	-	--
Warehouse - Distribution	1,197,502	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	--
Manufacturing	14,154,404	1.0%	0.0%	1.0%	0.1%	0.4%	39,900	218,028	-	-	\$3.49
Flex/R&D	631,679	8.1%	0.0%	8.1%	7.0%	8.5%	9,762	30,762	-	-	\$9.99
Light Industrial	26,699,674	1.5%	0.0%	1.5%	1.4%	2.0%	178,384	451,688	-	-	\$5.80
Total	43,701,099	1.4%	0.0%	1.4%	1.0%	1.5%	228,046	700,478	224,135	-	\$6.10
Covington											
Bulk Warehouse	379,600	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	
Warehouse - Distribution	112,000	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	
Manufacturing	756,462	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	--
Flex/R&D	60,000	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	--
Light Industrial	2,460,567	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	--
Total	3,768,629	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	--
East											
Bulk Warehouse	1,790,260	1.3%	0.8%	2.2%	2.2%	2.2%	-	(39,304)	-	-	\$3.50
Manufacturing	5,825,447	8.7%	0.0%	8.7%	8.7%	8.9%	10,000	(29,156)	1,232,000	-	\$3.25
Flex/R&D	1,215,361	6.6%	2.6%	9.3%	7.0%	4.3%	(32,120)	(22,332)	-	-	\$8.59
Light Industrial	3,629,961	0.7%	0.0%	0.7%	0.7%	1.9%	43,485	127,017	-	-	\$6.80
Total	12,461,029	5.1%	0.4%	5.5%	5.3%	5.4%	21,365	36,225	1,232,000	-	\$4.08
Florence/Richwood											
Bulk Warehouse	13,185,903	1.3%	0.0%	1.3%	0.0%	1.8%	232,500	2,393,094	4,779,989	-	--
Warehouse - Distribution	1,049,319	0.0%	0.0%	0.0%	0.0%	0.0%	-	90,365	123,760	-	--
Manufacturing	7,785,430	8.5%	0.0%	8.5%	8.5%	7.3%	(96,964)	159,880	-	-	\$4.50
Flex/R&D	795,699	1.8%	0.0%	1.8%	1.8%	1.5%	(2,270)	5,480	-	-	\$5.89
Light Industrial	4,847,877	0.1%	0.0%	0.1%	0.1%	0.8%	33,840	142,180	-	-	\$6.25
Total	27,664,228	3.1%	0.0%	3.1%	2.5%	3.1%	167,106	2,790,999	4,903,749	-	\$4.64
Hamilton											
Manufacturing	3,536,911	0.1%	0.0%	0.1%	0.0%	0.0%	-	-	-	-	\$4.00
Flex/R&D	249,734	10.2%	0.0%	10.2%	10.2%	10.2%	-	-	-	-	\$8.50
Light Industrial	3,750,967	10.1%	0.0%	10.1%	9.8%	8.6%	(46,200)	66,260	150,000	-	\$4.99
Total	7,537,612	5.4%	0.0%	5.4%	5.2%	4.6%	(46,200)	66,260	150,000	-	\$5.30

Submarkets by Type



Submarket/ Subtype	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (NNN)
I-71 Corridor											
Bulk Warehouse	622,000	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	1,722,000	-	
Warehouse - Distribution	672,241	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	--
Manufacturing	6,363,629	1.5%	0.0%	1.5%	0.0%	1.2%	75,000	58,254	-	-	\$4.50
Flex/R&D	584,271	5.2%	0.0%	5.2%	5.2%	6.2%	5,895	(712)	-	-	\$9.50
Light Industrial	4,079,874	0.1%	0.0%	0.1%	0.1%	0.7%	23,292	154,442	-	-	--
Total	12,322,015	1.0%	0.0%	1.0%	0.3%	1.1%	104,187	211,984	1,722,000	-	\$4.72
Monroe/Middletown											
Bulk Warehouse	10,158,755	0.0%	0.0%	0.0%	0.0%	0.0%	-	419,000	-	200,000	--
Warehouse - Distribution	1,331,009	0.0%	0.0%	0.0%	0.0%	0.0%	-	74,000	-	-	--
Manufacturing	6,927,977	0.0%	0.0%	0.0%	0.0%	0.0%	322,000	366,000	156,000	322,000	--
Flex/R&D	46,900	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	
Light Industrial	4,086,060	1.5%	0.0%	1.5%	1.5%	1.2%	(12,000)	19,000	-	65,000	\$8.00
Total	22,550,701	0.3%	0.0%	0.3%	0.3%	0.2%	310,000	878,000	156,000	587,000	\$8.00
Tri-County											
Bulk Warehouse	25,459,174	2.5%	1.4%	3.9%	5.0%	6.4%	833,679	1,923,716	1,920,870	1,115,572	\$5.09
Warehouse - Distribution	7,229,755	2.4%	1.2%	3.6%	3.6%	4.5%	64,670	(42,104)	531,788	-	\$5.72
Manufacturing	9,891,254	0.0%	0.0%	0.0%	0.0%	0.1%	10,000	46,576	122,366	-	--
Flex/R&D	4,087,159	5.3%	0.3%	5.6%	4.2%	7.9%	151,324	104,243	-	-	\$7.34
Light Industrial	20,844,183	2.6%	0.0%	2.6%	2.1%	1.1%	(133,579)	(127,791)	35,638	78,160	\$5.01
Total	67,511,525	2.3%	0.7%	3.0%	3.2%	3.7%	926,094	1,904,640	2,610,662	1,193,732	\$5.34
West											
Bulk Warehouse	887,684	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	533,676	-	
Warehouse - Distribution	149,760	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	
Manufacturing	758,242	0.0%	0.0%	0.0%	0.0%	0.0%	50,000	50,000	106,000	50,000	
Flex/R&D	313,780	1.6%	0.0%	1.6%	1.6%	1.6%	-	-	-	-	\$8.50
Light Industrial	2,501,876	0.9%	0.0%	0.9%	0.9%	0.2%	(17,344)	27,606	-	50,000	\$8.95
Total	4,611,342	0.6%	0.0%	0.6%	0.6%	0.2%	32,656	77,606	639,676	100,000	\$8.73
Woodlawn/Evendale											
Bulk Warehouse	716,400	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	
Warehouse - Distribution	232,951	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	-	--
Manufacturing	11,858,767	0.6%	0.0%	0.6%	0.6%	0.6%	-	84,394	-	-	\$4.50
Flex/R&D	563,868	2.7%	0.0%	2.7%	2.7%	3.9%	6,414	51,892	-	-	\$6.12
Light Industrial	6,966,374	0.7%	0.0%	0.8%	0.1%	0.4%	21,183	71,650	-	-	\$6.16
Total	20,338,360	0.7%	0.0%	0.7%	0.5%	0.6%	27,597	207,936	-	-	\$5.09
Grand Total											
Bulk Warehouse	82,677,858	1.3%	0.4%	1.8%	1.7%	2.8%	1,421,019	6,568,092	10,383,121	1,315,572	\$4.92
Warehouse - Distribution	18,977,304	1.2%	0.5%	1.7%	1.5%	4.1%	485,916	584,816	655,548	-	\$5.69
Manufacturing	73,887,899	2.0%	0.0%	2.0%	1.7%	1.8%	392,569	1,128,059	1,616,366	372,000	\$3.76
Flex/R&D	11,268,216	5.2%	0.4%	5.6%	4.6%	5.7%	118,530	223,548	-	-	\$8.09
Light Industrial	92,188,270	1.7%	0.0%	1.8%	1.5%	1.5%	81,777	928,691	185,638	193,160	\$5.38
Total	278,999,547	1.8%	0.2%	2.0%	1.7%	2.3%	2,499,811	9,433,206	12,840,673	1,880,732	\$5.24
Cincinnati Quarterly Comparisons and Totals											
Q3 2022	278,999,547	1.8%	0.2%	2.0%	1.7%	2.3%	2,499,811	9,433,206	12,840,673	1,880,732	\$5.24
Q2 2022	278,049,415	2.5%	0.1%	2.6%	2.3%	3.3%	3,635,179	6,933,395	11,485,257	930,600	\$5.14
Q1 2022	277,178,815	3.0%	0.2%	3.3%	3.3%	4.5%	3,298,216	3,298,216	10,366,286	60,000	\$4.91
Q4 2021	278,081,585	3.5%	0.2%	3.7%	4.5%	6.0%	5,688,348	10,608,647	6,529,316	6,296,234	\$4.72
Q3 2021	276,336,050	6.1%	0.2%	6.3%	6.0%	6.2%	1,576,019	4,920,299	6,268,302	4,550,699	\$4.49

"The statistics reported herein are calculated based on a standardized set of properties including industrial properties 10,000 square feet and greater; single, multi-tenant and owner-occupied buildings."

Industrial Market Experts

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