



Q3 2018 | GREATER CINCINNATI INDUSTRIAL MARKET REPORT

The Cincinnati Industrial Market ended the second quarter of 2018 with a vacancy rate of 2.8% and positive net absorption of 1,720,800 square feet. That compares to positive 2,014,189 square feet in the first quarter, positive 1,260,610 square feet in the fourth quarter of 2017, and positive 1,396,277 square feet in the third quarter of 2017. Vacant sublease space decreased, ending the quarter at 28,296 square feet. Rental rates ended the quarter at \$4.30/SF per year, a slight increase over the previous quarter. Four industrial buildings were delivered to the market, totaling approximately 1,600,000 square feet, and over 4,000,00 square feet was still under construction at quarter-end.

The Industrial Flex market recorded negative net absorption of 101,665 square feet in the second quarter, compared to positive 522,740 square feet in the first quarter, and positive 60,799 in the fourth quarter of 2017. The Industrial Warehouse market recorded net absorption of positive 1,823,519 square feet in the second quarter, compared to positive 1,491,449 square feet in the first quarter and positive 1,199,811 in the fourth quarter of 2017.

Tenants moving out of large blocks of space include: Radial, moving out of 396,000 square feet at Airpark International Building 5, and Dedicated Logistics, LLC, moving out of 97,858 square feet at 6019 Union Centre Blvd. Tenants moving into large blocks of space include: Win.It America Inc., moving into 520,000 square feet at 2125 Gateway Blvd. and Verst Group Logistics, moving into 423,608 square feet at 3680 Langley Drive.

As more e-commerce and third-party logistics users enter the Cincinnati market, construction and leasing activity will likely remain active throughout 2018 and into 2019. Landlords will continue to have the upper hand in negotiations as rates are driven up by strong activity and tightening supply. The vast majority of activity in the industrial market has been in the big box/bulk warehouse and warehouse/distribution sectors as the region continues to be one of the nation's top markets for logistics operations. The majority of this activity has been concentrated in four submarkets that are all strategically located along the I-75 corridor, including Greater Cincinnati/International Airport, Florence/Richwood, Tri-County, and Monroe/Middletown.

Q3 2018 | INDUSTRIAL MARKET AT-A-GLANCE



VACANCY RATES



NET ABSORPTION



CONSTRUCTION



LEASE RATES

Source: CoStar Group®



Q3 2018 | ECONOMY & EMPLOYMENT

Under the Tax Cuts and Jobs Act, there has been an increase in consumer and investment spending, a tax change that reduced the corporate tax rate from 35 percent to 21 percent. Payroll employment is projected to increase 1.7 percent for the year, which would push the unemployment rate down to 3.8 percent. Inflation is expected to accelerate to 2.9 percent, as the economy continues to reach its full capacity and oil prices continue to recover. National Association of Realtors (NAR) forecasts the prime rate to hit 4.9 percent and the 30-year government bond rate to move up to 3.2 percent for the year. NAR expects monetary policy to continue to tighten in 2019, but at a cautious pace.

Real estate economists continue to have an overall positive outlook for the U.S. economy, capital markets, and real estate fundamentals. Expectations have improved since the prior forecast in March 2018, and the strong second-quarter gross domestic product (GDP) growth rate of 4.2 percent was fresh in forecasters' minds as they weighed in on future years. Based on this forecast, the U.S. economy will easily surpass the current record for length of expansion (120 months) in mid-2019. Consistent with a strong economy, key real estate metrics—such as NCREIF Property Index (NPI) returns and transaction volumes—moved moderately higher in this survey. While expectations have improved, the survey was completed prior to recently announced tariffs by the United States and China that could curtail growth in 2019 and possibly beyond. While there are many potential outcomes for the current trade dispute, escalated tariffs with China could dampen the next round of forecasts in April 2019.

Net job growth should average 1.77 million per year through 2020, compared with a long-term average of 1.15 million. Compared with the last forecast, expected job growth is up in 2018 and 2019 and slower in 2020. Job growth is forecast at 2.4 million in 2018, higher than the past two years but falls to 1 million in 2020, possibly due to concerns about labor availability. The national unemployment rate is forecast to drop to 3.8 percent in 2018 and 2019, the lowest rate since 1969.

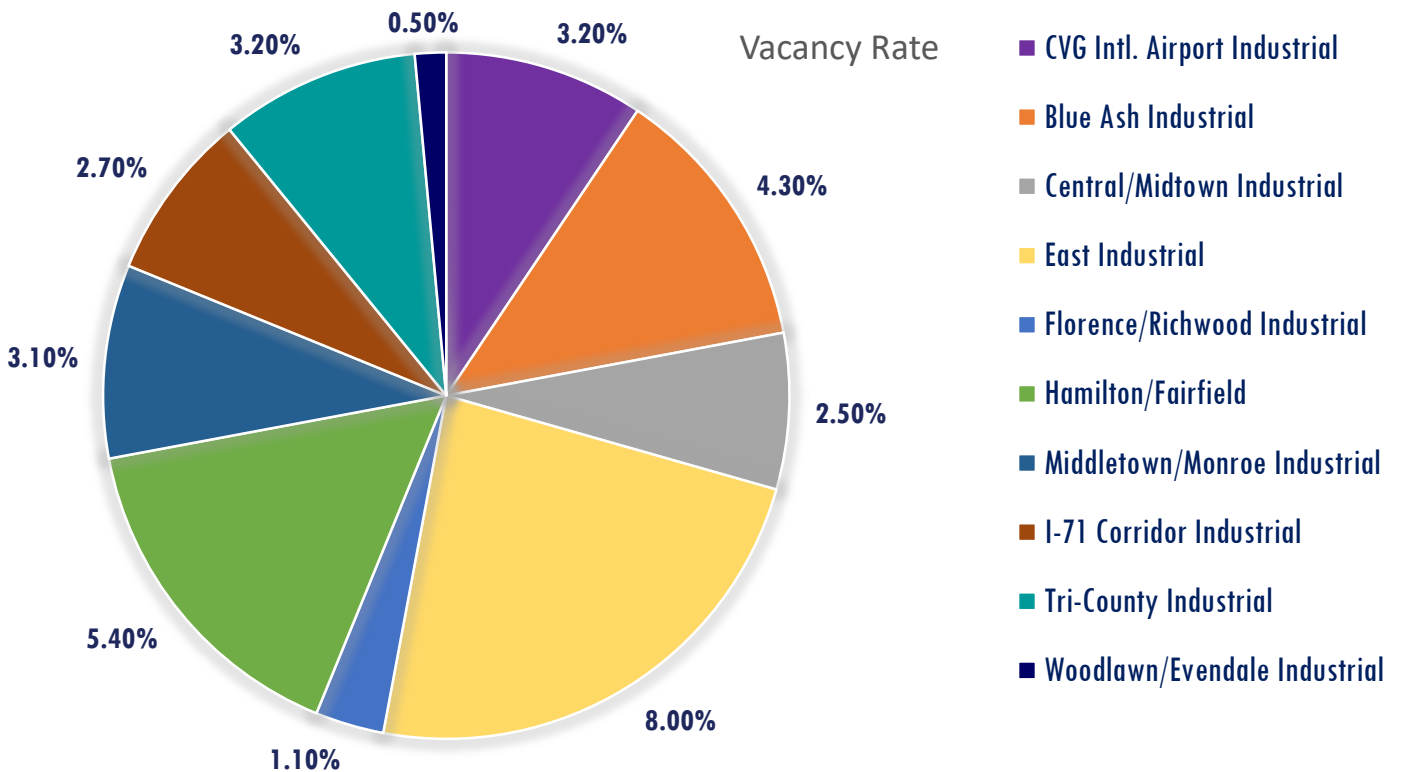
Strong GDP and job growth in 2018 have set the stage for solid real estate demand and absorption, particularly for the rest of 2018 and in 2019. Forecasters have signaled slowing—though still positive—growth in 2020, which could be due to a respite from the tax cut-led growth of the next 15 months, or concerns that the very long current expansion cannot last forever. Expectations for the real estate market are more tempered than for the overall economy, with rent growth and return forecasts below trend and surprisingly moderate for late in the cycle. That said, if forecasters are correct about growth continuing through 2020, the 11-year real estate expansion that started in 2010 will be one of the longest on record.

Source: National Association of Realtors



Q3 2018 | GREATER CINCINNATI INDUSTRIAL SUBMARKET SNAPSHOT

SUBMARKET	# BUILDINGS	TOTAL RBA	VACANT SF	VACANCY %	YTD NET ABSORPTION	DELIVERIES	UNDER CONSTRUCTION	LEASE RATES/SF
CVG Intl. Airport	366	35,204,654	1,268,459	3.6%	1,439,180	843,250	921,741	\$4.36
Blue Ash	380	14,192,701	711,242	5.0%	282,292	0	0	\$4.58
Central/Midtown	1,745	61,392,105	1,520,010	2.5%	170,886	180,000	103,500	\$4.19
East	521	15,294,909	1,302,366	8.5%	325,229	39,328	617,760	\$4.15
Florence/Richwood	332	25,413,722	268,360	1.1%	350,320	573,400	1,254,792	\$3.86
Hamilton/Fairfield	149	5,511,370	307,060	5.6%	(7,016)	0	0	\$3.12
Middletown/Monroe	484	29,138,416	1,147,348	3.9%	1,372,693	2,054,911	222,180	\$3.95
I-71 Corridor	270	12,719,116	319,608	2.5%	878,928	600,000	0	\$4.06
Tri-County	1,409	76,558,868	2,127,249	2.8%	925,279	664,674	1,547,775	\$4.49
Woodlawn/Evendale	410	21,221,478	200,859	0.9%	27,924	0	123,200	\$5.80

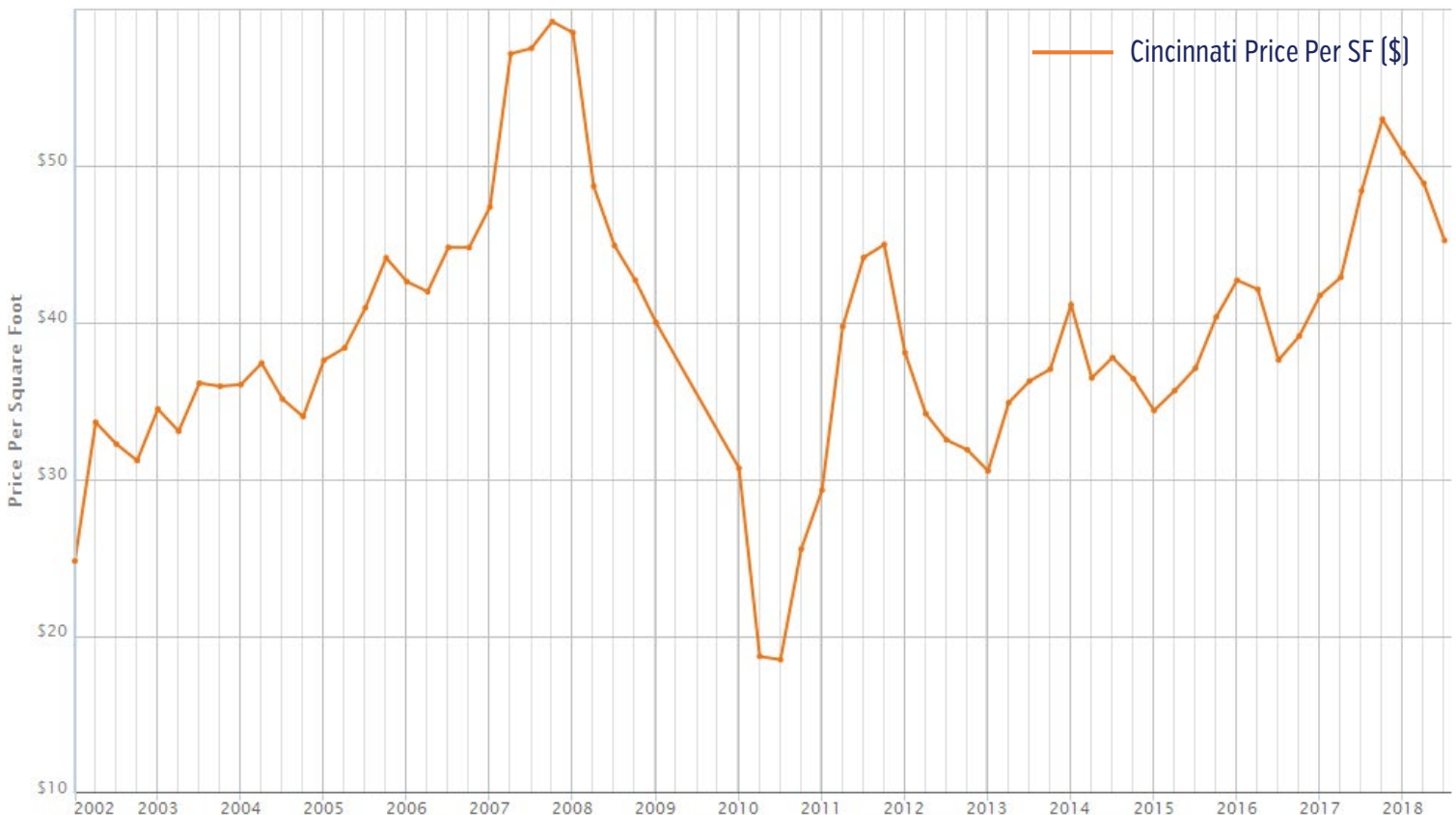


Source: CoStar Group®



Q3 2018 | CINCINNATI INDUSTRIAL SALE ACTIVITY

Tallying industrial building sales of 15,000 square feet or larger, Cincinnati industrial sales figures rose during the second quarter 2018 in terms of dollar volume compared to the first quarter of 2018. In the second quarter, 20 industrial transactions closed with a total volume of \$86,568,200. The 20 buildings totaled 2,856,544 square feet and the average price per square foot equated to \$30.31 per square foot. That compares to 15 transactions totaling \$71,000,000 in the first quarter. The total square footage was 1,695,922 for an average price per square foot of \$41.87. Total year-to-date industrial building sales activity in 2018 is down compared to the previous year. In the first six months of 2018, the market saw 35 industrial sales transactions with a total volume of \$157,568,200. The price per square foot has averaged \$34.61 this year. In the first six months of 2017, the market posted 50 transactions with a total volume of \$175,749,567. The price per square foot averaged \$38.55. Cap rates have been lower in 2018, averaging 7.87%, compared to the first six months of last year when they averaged 9.30%. One of the largest transactions that has occurred within the last four quarters in the Cincinnati market is the sale of Port Union Commerce Park in Fairfield. This 1,646,914-square-foot industrial building sold for \$102,100,000, or \$61.99 per square foot. The property sold on 7/20/2017, at a 5.55% cap rate.



Price floor selections do not apply to Indices or Fundamentals data. Volume displayed as 12 Month Totals. Cap rates and PPU displayed as a 12 Month Average. Includes property or portfolio sales \$2.5 million or greater.

Source: [Real Capital Analytics](#)