

# 2020 North America Industrial Big Box

Review & Outlook

CBRE RESEARCH



CBRE

# Cincinnati



Cincinnati is among the top-performing markets in the Midwest. The scarcity of readily developable industrial sites dictates a limited supply of new speculative deliveries to the market, while fostering steadily increasing rental rates and enhanced long-term building values. The diversified local economy driving industrial demand includes e-commerce, manufacturing, consumer packaging, automotive, food and 3PL fulfillment. Strong demand and development is expected to continue for years to come.”

– Mike Lowe, Senior Vice President





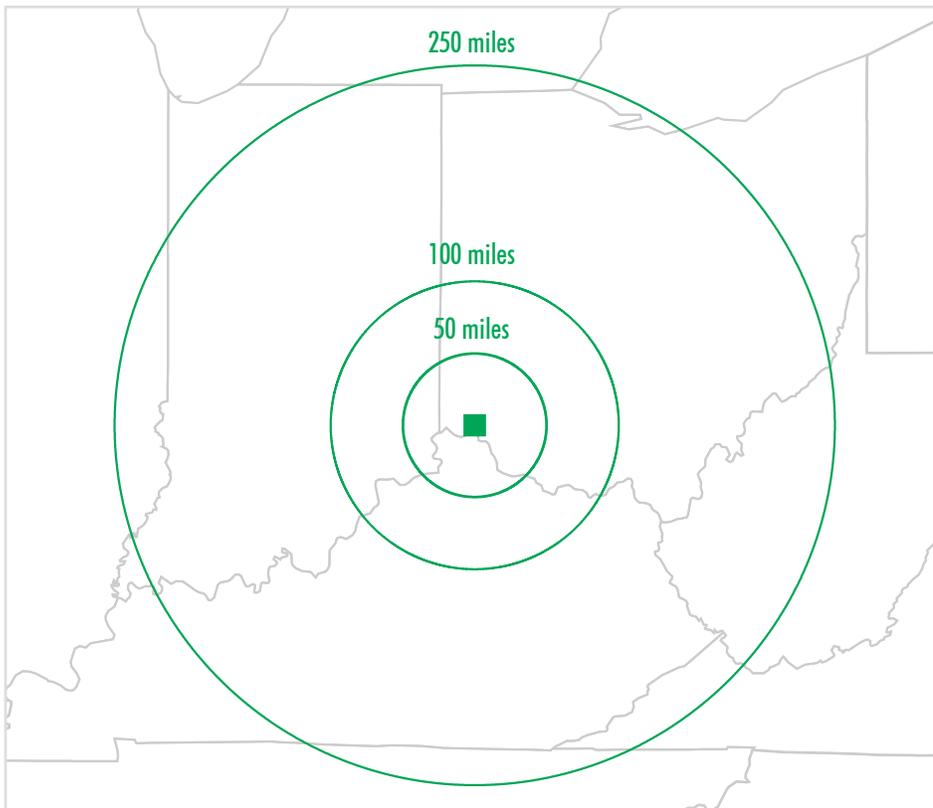
# Cincinnati

## Demographics

Cincinnati’s central location makes it an ideal market for big-box occupiers. More than 2.8 million people live within 50 miles of the market core, while 36.7 million or 14.5 million households are within 250 miles.

According to [CBRE Labor Analytics](#), the local warehouse labor force of just over 41,000 is expected to grow by 9.1% over the next decade. The average wage for a non-supervisory employee is \$13.78 per hour, 2.1% lower than the national average.

**Figure 1: Cincinnati Population Analysis**



Distance from Downtown Cincinnati	2020 Total Population	5 Year Growth
50 miles	2,844,970	2.0%
100 miles	8,141,813	2.5%
250 miles	36,777,631	1.7%

Source: CBRE Location Intelligence.

**Figure 2: Cincinnati Warehouse & Storage Labor Fundamentals**



**Total Warehouse & Storage Employment**

41,269



**10-Year Total Warehouse & Storage Projected Employment**

45,029



**Hourly Wage\***

\$13.78

Source: CBRE Labor Analytics.

\*Median Wage (1 year experience); Non-Supervisory Warehouse Workers (forklift, warehouse workers).

## Location Incentives

Over the past five years, there have been 174 economic incentives deals totaling more than \$212 million at an average of \$10,000 per new job in the Cincinnati metropolitan area, according to Wavteq.

According to [CBRE's Location Incentives Group](#), among Ohio's top incentive programs is the Job Creation Tax Credit (JCTC) program, which provides a refundable and performance-based tax credit that is calculated as a percent of created payroll and is applied toward a company's commercial activity tax liability. JCTC was designed to create a more competitive business climate in Ohio by incentivizing companies that are considering doing business elsewhere.

Among nearby Kentucky's top incentive programs is the Kentucky Business Investment (KBI) Program, which provides income tax credits or payroll refunds to businesses engaged in manufacturing, agribusiness, headquarter operations, alternative fuel, renewable energy or carbon dioxide transmission pipelines.

The Kentucky Enterprise Initiative Act provides companies with a sales and use tax refund for building and construction materials that are intended to improve real property value. This refund is also available to companies for equipment used for research & development, data processing equipment or flight simulation equipment.

**Figure 3: Cincinnati Top Incentive Programs**

Program (Ohio)	Description
Job Creation Tax Credit	Tax credit (refundable) equal to up to 1% to 2.5% of gross payroll for up to eight years
Economic Development Grant	Discretionary cash grant program
JobsOhio Workforce Grant	Workforce training grant that is reimbursement-based for up to \$5,000 per new job
Sales Tax Exemptions	Discretionary sales tax exemption for construction; Statutory exemption for warehouse/distribution
Local Payroll Tax Refund	Discretionary refund of local payroll taxes
Property Tax Abatement	Discretionary abatement of real estate taxes; Personal property is exempt
Program (Kentucky)	Description
Kentucky Business Investment (KBI) Program	Income tax credits or wage assessments up to 4% of gross payroll for up to 10 years
Kentucky Enterprise Initiative Act (KEIA) Program	Refund of sales and use tax paid for construction and building materials
Bluegrass State Skills Corporation (BSSC) Program	Job training grant up to 50% reimbursement for eligible training activities
Kentucky Industrial Development Act (KIDA)	Tax credit equal to 100% of state corporate income tax liability or retention of 3% of gross wages of new employment; limited to manufacturers and state-only assistance
Property Tax Abatement	Discretionary abatement of real estate taxes and personal property taxes

Source: CBRE Location Incentives Group.

Note: The extent, if any, of state and local offerings depends on location and scope of the operation.

# Cincinnati

## Logistics Driver

Cincinnati's air freight capabilities separate the region from other major big-box markets. The region is home to two large freight airports: [Cincinnati-Northern Kentucky International Airport \(CVG\)](#) and [Louisville Muhammad Ali International Airport](#).

DHL, FedEx and Amazon all have air cargo facilities at CVG. Air Cargo World recently ranked it the top

cargo airport in the world based on a composite score of customer service, performance and value.

Ali International was recently named the world's fourth busiest air cargo hub by Airport Councils International and is home to UPS World Port, one of the largest package-handling facilities in the world. E-commerce is significantly increasing cargo flights in and out of the airport, where air-package volume grew by 22% year-over-year in 2019.

## Capital Markets



There is a deep buyer pool, both foreign and domestic, targeting Cincinnati but a lack of industrial investment opportunities has driven pricing to new records. Cincinnati's topography limits the amount of available developable land. Core Class A cap rates are sub-5% with a premium for aggregated assets. There are strong expectations for increased sales volume in 2021."

– Zachary Graham, Executive Vice President

Figure 4: Cap Rate Comparison

	Class A	Class B
2020	4.95% - 5.25%	6.00% - 6.25%
2019	4.95% - 5.25%	6.00% - 6.25%

Source: CBRE Research.

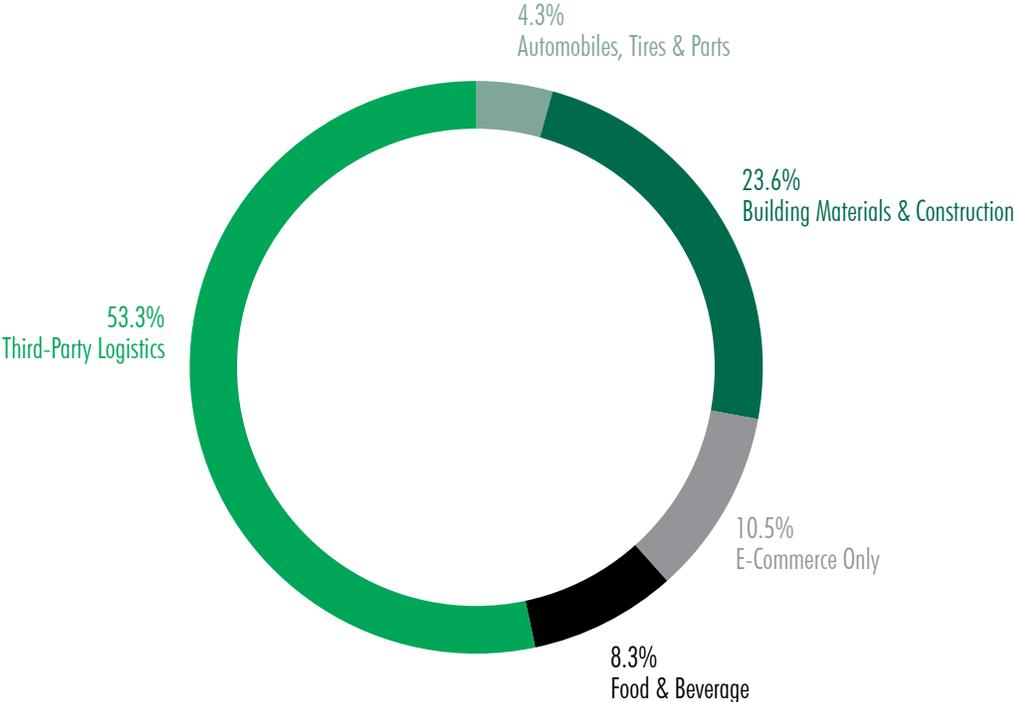
### Supply & Demand

Total transaction volume fell by 25% year-over-year in 2020 to 6.5 million sq. ft., largely because there were no large deals of 750,000 sq. ft. or more. Despite the drop, net absorption was on par with 2019 at 3.2 million sq. ft.

First-year taking rents increased by 8.7% year-over-year to \$4.26 per sq. ft. despite 4.6 million sq. ft of

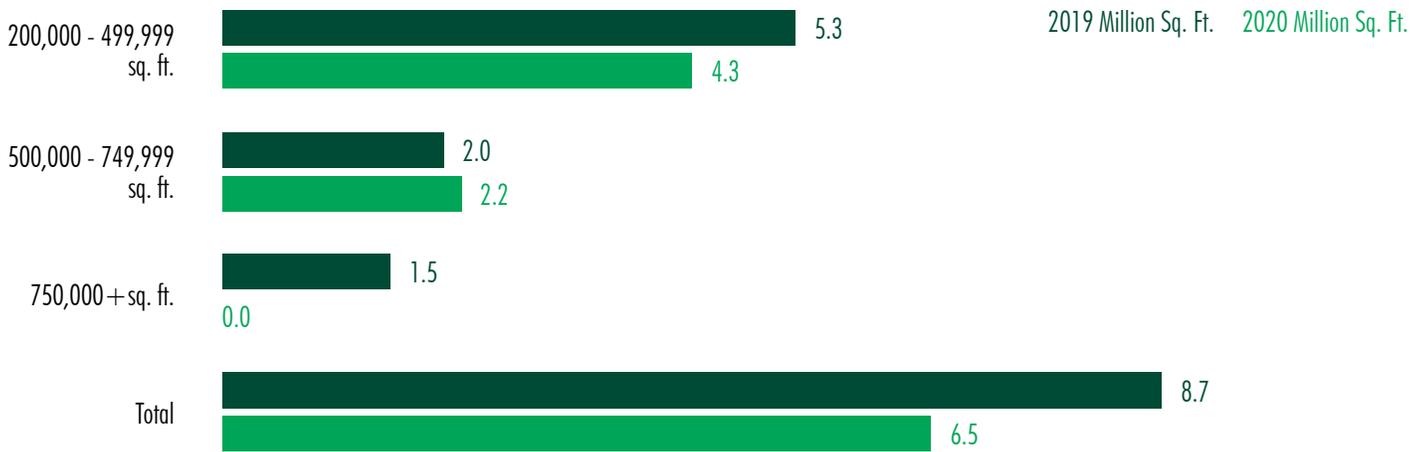
new construction and a 1-percentage-point increase in the direct vacancy rate. 3PLs accounted for more than 50% of total transaction volume. Cincinnati’s central location will continue to attract occupiers. With nearly 4 million sq. ft. currently under construction, taking rents are expected to stabilize.

Figure 5: 2020 Occupier Transaction Market Share



Source: CBRE Research.

**Figure 6: Transaction Volume**



Note: Includes new leases, renewals, and user sales transactions 200,000 sq. ft. and above.  
Source: CBRE Research.

**Figure 7: Big Box Year-Over-Year Data Comparison**

2020						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	259	75,679,534	6.0%	202,118	1,758,810	\$4.17
500,000-749,999 SF	59	34,872,938	3.6%	2,374,579	1,760,480	\$4.45
750,000+ SF	32	41,450,851	8.3%	654,649	1,070,157	N/A
<b>Total</b>	<b>350</b>	<b>152,003,323</b>	<b>6.1%</b>	<b>3,231,346</b>	<b>4,589,447</b>	<b>\$4.26</b>
2019						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	252	73,833,994	3.6%	541,389	2,004,470	\$4.08
500,000-749,999 SF	55	32,587,458	5.7%	445,997	1,806,190	\$3.54
750,000+ SF	31	40,381,152	7.5%	2,058,843	2,749,056	\$3.95
<b>Total</b>	<b>338</b>	<b>146,802,604</b>	<b>5.1%</b>	<b>3,046,229</b>	<b>6,559,716</b>	<b>\$3.92</b>

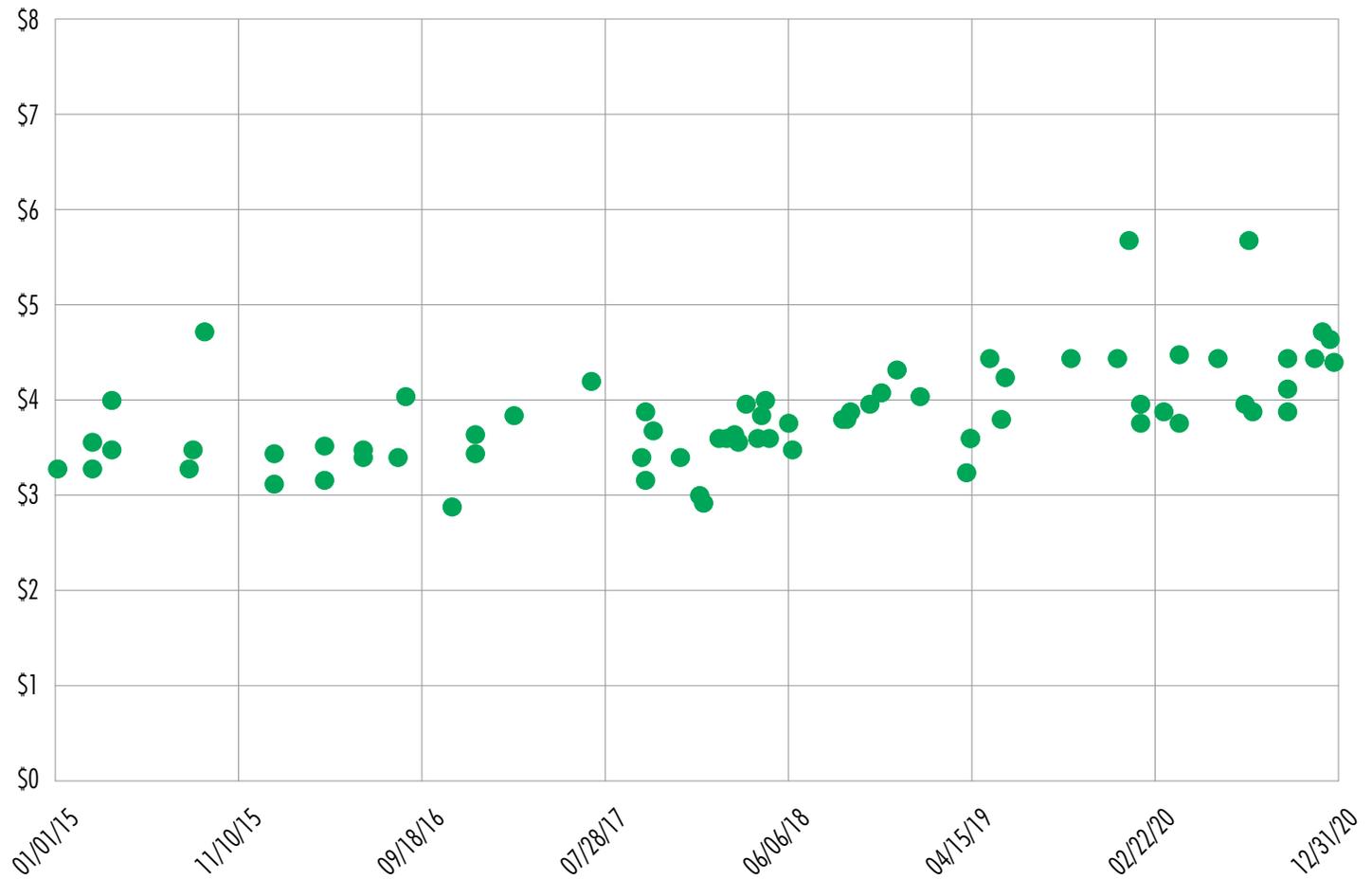
Source: CBRE Research.

**Figure 8: Under Construction & Percentage Released**

	2020 Under Construction Sq. Ft.	% Released
200,000-499,999 sq. ft.	1,791,880	51.1%
500,000-749,999 sq. ft.	584,400	0.0%
750,000+ sq. ft.	1,589,200	0.0%
Total	3,965,480	23.1%

Source: CBRE Research.

**Figure 9: First Year Taking Rents (psf/yr)**



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.  
Source: CBRE Research.

## Contacts

### **James Breeze**

*Senior Director Research  
Head of Industrial & Logistics  
Research, Global*  
+1 602 735 1939  
james.breeze@cbre.com

### **Matthew Walaszek**

*Director of Research  
Industrial & Logistics Research,  
Global*  
+1 312 297 7686  
matthew.walaszek@cbre.com

### **John Morris**

*Executive Managing Director,  
Americas Industrial & Logistics and  
Retail Leader*  
+1 630 573 7000  
john.morris1@cbre.com

### **Richard Barkham, Ph.D.**

*Global Chief Economist &  
Head of Americas Research*  
+1 617 912 5215  
richard.barkham@cbre.com  
@RichardJBarkham

### **Spencer Levy**

*Chairman Americas Research &  
Senior Economic Advisor*  
+1 617 912 5236  
spencer.levy@cbre.com  
@SpencerGLevy

## Contributors

### **Susan Kitzmiller**

*Divisional Research Director*  
+1 513 369 1355  
susan.kitzmiller@cbre.com

### **Kristin Sexton**

*Senior Managing Director,  
Consulting Practice*  
+1 602 735 5247  
kristin.sexton@cbre.com

### **Tyler Heard**

*GIS Specialist 2*  
+1 602 627 7539  
tyler.heard@cbre.com

### **John Lenio**

*Executive Vice President,  
Economist*  
+1 602 735 5514  
john.lenio@cbre.com

### **Marc Meehan**

*Director, Canada Research*  
+1 647 943 4205  
marc.meehan@cbre.com

Disclaimer: The Location Incentive text and charts are intended for general informational purposes only and should not be interpreted as legal advice. This information is not intended to create, and receipt of it does not constitute, an attorney-client relationship. You should accept legal advice only from a licensed legal professional with whom you have an attorney-client relationship. We make no representations or warranties regarding the accuracy or completeness of this material.