

Industrial Market Update

Relevant information on the Greater Cincinnati industrial real estate market in a quick-read format.

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Sprinkler Systems Can Rain on Your Parade

It is time to open up a new distribution center. You complete your network study and home in on several potential locations. You determine the number of pallet positions required and translate it into square feet. You decide on the racking/storage system you will be using and calculate inbound and outbound truck traffic. You figure out the number of employees you will need and confirm the labor is available in the locations you desire. You are now ready to start the property search.

There's one more critical element to add to your checklist – determine your sprinkler system requirement. This will typically involve two entities: your insurance provider and the governing authority over your location. Often this is a combination of the building department and the fire department. This preparation can be fairly simple and straightforward, but then sometimes it gets a bit more complex. During the process, there are a few problems that may arise. Here are helpful hints on dealing with them.

Before looking at buildings, determine your general racking plan, aisle widths, stacking height, etc., at least on a preliminary level. The racking and floor storage plans will provide insight into the necessary column spacing, the desired ceiling height and the amount of space required for the project. This will make your site search much more efficient.

In addition to creating a preliminary rack layout, it is critical that you identify the commodity class you will be storing and whether or not it is considered "hazardous." You may have a product that is a Class I or Class II commodity, but suddenly find out it is labeled a Class III or

Class IV because the packaging material may contain a heavy concentration of plastic. A surprise like this can require a significant investment of cash to upgrade the sprinkler systems or install in-rack sprinklers. Plus it could delay occupancy and reduce stacking heights.

Additionally, if your products fall into the "hazardous" categories, more research will need to be done to determine if modifications to the building will be needed. These could include: explosion-proof lighting/electric; explosion relief panels; spill containment; special rooms or cages and special sprinkler/electrical systems. If these items are required, try searching for an H-class building with some or all of the components listed above to reduce your costs. However, know ahead of time that H-class buildings are not very common.

Once you have narrowed down the building list to a few top choices, it is absolutely imperative to meet with the local building and fire departments. Their representatives will be signing off on your Certificate of Occupancy. Also, you will want to make sure your insurance company approves your building choices and racking layout. It is highly recommended that you speak with both of these entities before signing a lease.

If your storage will be dense, you will have narrow aisle racking, and/or you will be storing commodities that are greater than Class II, meet with a sprinkler professional or consultant. This meeting should occur prior to issuing a request for proposal to determine the extent of tenant improvement dollars needed to upgrade/install emergency exit lighting,

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Market Moves

by Si Pitstick and Josh Young, Cincinnati's Large Industrial Building Experts



Si Pitstick and Josh Young listed this 99,000 square foot industrial building located in the central submarket of Cincinnati. Within two months, Si and Josh generated two offers to purchase and sold the building to Renewal by Andersen for a replacement window showroom and manufacturing facility.



Si and Josh listed this 145,000 square foot industrial building in Florence, KY and sold it to Rotek, an international manufacturer of brake components. ■



Si and Josh listed this 107,000 square foot industrial building in the central submarket of Cincinnati. The property had a tenant leasing 42,000 square feet, which helped pay the mortgage. Si and Josh sold the building to Wessels Workplace, which needed about 60,000 square feet.

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night lights and the sprinkler system. By going through the process early, you can minimize out-of-pocket expenses on improvements to sprinkler systems and emergency lighting by negotiating any modifications into the lease. This will also reduce the risk of delays in occupancy. Regardless, you will need to go through these steps before you get your Certificate of Occupancy.

No one likes unpleasant surprises, particularly if they could have been prevented. For more information, please contact Si Pitstick or Josh Young at (513) 241-2300. ■

Greater Cincinnati/Northern Kentucky Selected Market Industrial Transactions

First Quarter 2007

<u>Submarket</u>	<u>Size (SF)</u>	<u>Lease/Sale</u>	<u>Lease Rate/Sale Price (\$PSF)</u>
1. Central	99,000	Sale	\$1,800,000 (\$18.18/SF)
2. Northeast	78,000	Lease	\$3.42/SF Gross
3. Northern Kentucky	144,800	Sale	\$3,050,000 (\$21.06/SF)
4. Tri-County	82,000	Lease	\$4.30/SF NNN