

# CINCINNATI OFFICE MONITOR

4TH QUARTER 2008

INFORMATION COMPILED BY CCR

## SUBURBS

### Tri-County Gearing Up for Impact of GE's Relocation to West Chester

**WAYNE MARC HACH SEBENS**  
CORPORATE REAL ESTATE ADVOCATES  
*Working in Your Best Interest*

**Scarce capital and scarcer demand** are stirring up black clouds for the Cincinnati office market.

Even the strongest of landlords are minimizing capital expenditures for tenant improvements. Some developers simply cannot finance their projects, even with significant preleasing. Stable tenants with strong balance sheets will have unprecedented leverage in negotiating lease rates and terms.

Suburban absorption was negligible for the fourth quarter but reasonably positive for the year. New sublease space is appearing regularly but attracting little interest.

Downtown is seeing activity but little growth. On a positive note, dunnhumby will anchor the renovation of 444 West Third Street. Most of the active projects are driven by approaching expirations, and many tenants are simply choosing to wait out the storm.

2009 will bring little relief. When demand is revived, there will be substantial supply across all price points and geographies. The tenant holds a firm advantage for the foreseeable future.

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#### MAJOR TRANSACTIONS

- Humana leased 140,000 sq. ft. at Park 75 in West Chester for a pharmacy fulfillment operation.
- Strayer University is coming to town and signed leases for 16,068 sq. ft. at 410 Meijer Drive in Florence and 16,128 sq. ft. at 4605 Duke Drive in Deerfield Township.
- Cumulus Media will relocate from Downtown to Linden Pointe in Norwood, leasing 16,288 sq. ft.

#### NEW MARKET DEVELOPMENTS

- Crate & Barrel and Kroger opened in time for the holidays, but completion of the balance of Kenwood Towne Place, including the office tower, is being delayed due to financing issues.
- The bankruptcy filing by major TIC player DBSI has put all leasing decisions at Summit Woods I and II at a standstill.

#### IN THE WORKS

- Northstar Realty Finance is gearing up the marketing of Executive Centre in Tri-County in anticipation of GE vacating 300,000 sq. ft. at the end of 2009.
- Cincom, the other major tenant in Executive Centre, is in the market evaluating its options.

#### RENTAL RATES & TERMS

As Springdale prepares for the vacuum that will be left by GE's relocation and Kenwood/Midtown sees new construction being delivered with significant vacancy, landlords will be extremely aggressive in granting concessions to attract tenants.

#### SUBURBAN VACANCY

	CLASS A	CLASS B
BLUE ASH	15% 437,765 SF	23% 252,772 SF
KENWOOD	18% 348,658 SF	6% 33,170 SF
MONTGOMERY /MILFORD	5% 34,917 SF	27% 191,077 SF
N. KENTUCKY	21% 668,561 SF	28% 109,992 SF
TRI-COUNTY	19% 467,924 SF	26% 436,605 SF
I-71/WARREN	13% 372,406 SF	46% 136,601 SF
<b>TOTAL</b>	<b>17% 2,330,231 SF</b>	<b>24% 1,160,217 SF</b>

#### SUBLEASE VACANCY

SUBURBAN A | 111,623 SF

**Vacancy/Demand:**  
Absorption was positive but not significant for the quarter and the year. Economic turmoil is creating caution in most tenants' decision process. Demand is virtually nonexistent.

#### SUBURBAN DEMAND

(NET ABSORPTION)

	4TH QTR	YEAR-END
CLASS A	21,075 SF	276,348 SF
CLASS B	22,447 SF	20,213 SF
<b>TOTAL</b>	<b>43,522 SF</b>	<b>296,561 SF</b>

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## NEW MARKET DEVELOPMENTS

- KZF will renovate and relocate from the Grand Baldwin Building to the former ST Media Group building at 700 Broadway.
- Fourth and Walnut Centre, now in receivership, is the latest local casualty of inflated values and loose credit.

## IN THE WORKS

- Burke purchased 500 West Seventh Street from ADP and will renovate the building for its corporate headquarters.
- It is still unclear what impact the merger of PNC and National City will have on the downtown office market, where both banks combined lease over 700,000 square feet, a significant portion of which is already unoccupied.

## MAJOR TRANSACTIONS

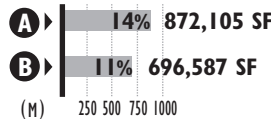
- CBS Personnel renewed and expanded its offices at 435 Elm Street following the acquisition of Little Rock, Arkansas-based Staffmark.
- Al. Neyer, Inc. will renovate 444 West Third Street for rapidly expanding dunnhumby, which signed a lease for 100,000 square feet for its U.S. headquarters.
- Humana will retain 60,000 square feet in Grand Baldwin.

## DOWNTOWN

# 444 West Third Street to be Renovated for dunnhumby

### DOWNTOWN VACANCY

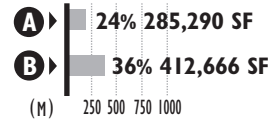
#### CENTRAL BUSINESS DISTRICT



**TOTAL 12% 1,568,692 SF**

### DOWNTOWN VACANCY

#### PERIPHERAL



**TOTAL 30% 697,956 SF**

### RENTAL RATES & TERMS

Quoted rental rates are unchanged; however, demand is minimal, and landlords are being aggressive to attract and retain tenants.

### SUBLEASE VACANCY

CENTRAL BUSINESS DISTRICT	A	94,072 SF
	B	109,689 SF
PERIPHERAL	B	16,976 SF

### DOWNTOWN DEMAND

(NET ABSORPTION)

#### CENTRAL BUSINESS DISTRICT

	4TH QTR	YEAR-END
A	(8,386) SF	25,983 SF
B	23,980 SF	(37,729) SF

**TOTAL 15,594 SF (11,746) SF**

#### PERIPHERAL

	4TH QTR	YEAR-END
A	159,682 SF	141,094 SF
B	(16,714) SF	(23,461) SF

**TOTAL 142,968 SF 117,633 SF**

#### Vacancy/Demand:

The only absorption of consequence this quarter is attributable to the completion of Humana's new building at Baldwin Center.

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Please call for advice regarding the office real estate market.

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