

# CINCINNATI OFFICE MONITOR

2<sup>ND</sup> QUARTER 2009

INFORMATION COMPILED BY CCR

## SUBURBS

### Still No Recovery of Demand on the Horizon

**WAYNE MARC HACH SEBENS**  
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*Working in Your Best Interest*

Wall Street is forecasting a recovery in late 2009 or early 2010, but the commercial real estate market will trail the overall economy. The second straight quarter of negative net absorption is in the books for both Downtown and Suburban Cincinnati, and there is no reason to believe the third quarter will be significantly different.

In the suburbs, plentiful supply and limited demand are making landlords nervous and resulting in compelling incentives for those tenants that are in the market.

Downtown is bracing for the impact that will be felt when Great American Tower at Queen City Square opens, creating large vacancies in at least three major office towers. Kroger and related company dunnhumby USA are in select company as they continue to grow.

Recovery will not occur in the third quarter. The fourth quarter may bring stabilization, but true recovery in the office market will likely wait for 2010. In the meantime, tenants will continue to enjoy the clear advantage.

#### IN THE WORKS

- The FBI is planning a new ±109,000 square foot building to be built on a site that would also include a hotel and office tower adjacent to the Towers of Kenwood.
- Bank of America is seeking foreclosure against Kenwood Towne Place, the yet-to-be-completed retail and office project adjacent to the Kenwood Towne Center.

#### NEW MARKET DEVELOPMENTS

- Medpace plans to develop the former NuTone site at Red Bank and Madison for its headquarters campus.
- ASTAR Air Cargo will open an office in Turfway Ridge Office Park in Florence, Kentucky, in connection with DHL's relocation from Wilmington, Ohio, to CVG.

#### MAJOR TRANSACTIONS

- Kroger is expanding its Blue Ash presence with the purchase of Cornell Plaza, an 86,000 square foot office building, next door to the building Kroger purchased in 2002. Kroger will occupy the top two floors.
- Strayer University will open its second Greater Cincinnati campus at Turfway Ridge Office Park, where it leased 13,918 square feet.
- Thinkronize will relocate to 15,029 square feet in Park 42.

### SUBURBAN VACANCY

	CLASS A	CLASS B
BLUE ASH	15% 443,542 SF	25% 280,470 SF
KENWOOD	15% 296,235 SF	6% 37,445 SF
MONTGOMERY /MILFORD	4% 34,622 SF	31% 224,107 SF
N. KENTUCKY	23% 746,475 SF	30% 120,907 SF
TRI-COUNTY	21% 512,685 SF	28% 484,165 SF
I-71/WARREN	19% 537,769 SF	45% 133,269 SF
<b>TOTAL</b>	<b>18% 2,571,328 SF</b>	<b>26% 1,280,363 SF</b>

#### RENTAL RATES & TERMS

Quoted rental rates are stable, but significant discounts and incentives are available.

### SUBURBAN DEMAND

(NET ABSORPTION)

	2 <sup>ND</sup> QTR	YEAR-TO-DATE
CLASS A	(85,394) SF	16,540 SF
CLASS B	37,701 SF	(29,204) SF
<b>TOTAL</b>	<b>(47,693) SF</b>	<b>(12,664) SF</b>

### SUBLEASE VACANCY

SUBURBAN A | 126,790 SF

Vacancy/Demand: Overall suburban absorption is negative for the second consecutive quarter.

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## DOWNTOWN

### Queen City Square and The Banks Construction Are an Anomaly, Given State of Market

#### NEW MARKET DEVELOPMENTS

- Kroger is growing at its namesake headquarters building, taking over 19,000 square feet vacated by Metro.
- FirstGroup terminated its lease on 30,000 square feet in One Centennial Plaza, leaving the building largely vacant and on the market for sale with sister property Three Centennial Plaza.

#### IN THE WORKS

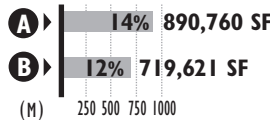
- The bankruptcy trustee for the Bartlett Building has evicted the last remaining tenants and is entertaining offers from hotel and office developers.
- Despite the sluggish economy, new construction at Queen City Square and The Banks provide welcome jobs to the local building trades.

#### MAJOR TRANSACTIONS

- Standard Insurance leased 14,424 square feet in 312 Elm.
- Humana expanded by an additional 15,000 square feet at the Grand Baldwin Building.
- Thompson Hine extended its lease at Scripps Center.
- Huntington Bank extended its lease at Fourth & Walnut Centre by five years.

#### DOWNTOWN VACANCY

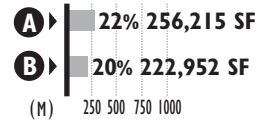
##### CENTRAL BUSINESS DISTRICT



**TOTAL 13% 1,610,381 SF**

#### DOWNTOWN VACANCY

##### PERIPHERAL

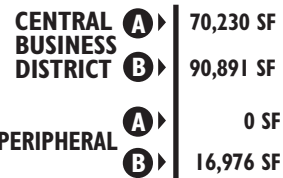


**TOTAL 21% 479,167 SF**

#### RENTAL RATES & TERMS

Highly attractive economic packages are being offered to tenants, often including significant periods of free rent.

#### SUBLEASE VACANCY



#### DOWNTOWN DEMAND

(NET ABSORPTION)

##### CENTRAL BUSINESS DISTRICT

	2ND QTR	YEAR-TO-DATE
(A)	(2,638) SF	(18,655) SF
(B)	(84,077) SF	(94,351) SF

**TOTAL (86,715) SF (113,006) SF**

##### PERIPHERAL

	2ND QTR	YEAR-TO-DATE
(A)	15,917 SF	29,075 SF
(B)	3,247 SF	191,703 SF

**TOTAL 19,164 SF 220,778 SF**

#### Vacancy/Demand:

Downtown absorption remains in the negative column for the second quarter in a row.

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Please call for advice regarding the office real estate market.

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