

# CINCINNATI OFFICE MONITOR

4TH QUARTER 2009

INFORMATION COMPILED BY CCR

## SUBURBS

### GE and Procter & Gamble Vacating Large Blocks of Space in Tri-County and I-71/Warren County

#### IN THE WORKS

- Procter & Gamble will vacate 165,000 square feet at 8500 Governor's Hill, adding more vacancy to a sub-market with an already high vacancy rate of 21%.
- GE completed its relocation to West Chester from Executive Centre I and III, boosting Class A vacancy in the Tri-County sub-market to 30%.

#### NEW MARKET DEVELOPMENTS

- The Christ Hospital is scouting sites for a medical office building on the West Side.
- Olympic Corporate Center I in Erlanger is in receivership, the latest casualty of high vacancy impacting the landlord's ability to meet debt service.

#### MAJOR TRANSACTIONS

- Woolpert will relocate to Landings II in Blue Ash, where it leased 18,986 square feet.
- BAE Systems leased 12,500 square feet at Centre Pointe Office Park VI in West Chester.
- Duke sold Centre Pointe Office Park V to Franklin Street Properties Corp. for \$21 million (\$154/square foot), subject to a long-term lease with AK Steel.

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

In contrast with past recessions, the troubles in the office market are largely unrelated to oversupply and/or lack of demand. The key to commercial real estate's successful transition out of the recession will be (1) injecting sufficient private capital to deleverage existing properties and (2) securing new loans as existing debt matures. Fortunately, capital markets are beginning to thaw, institutional and private equity investors are returning to real estate, and many economists hold the opinion that the office market has or will soon bottom.

On a local note, Redstone @ Kenwood and Keystone Pointe are rapidly approaching fully leased status, strengthening the Midtown area. Duke Realty will largely exit the Downtown submarket with the sale of 312 Elm and 312 Plum, recently placed under contract. The large holes created by GE in Springdale, P&G in Mason and Frost Brown Todd and Great American downtown will provide attractive opportunities for large users.

### SUBURBAN VACANCY

	CLASS A	CLASS B
BLUE ASH	18% 535,312 SF	25% 279,296 SF
KENWOOD	12% 238,326 SF	10% 58,130 SF
MONTGOMERY /MILFORD	5% 45,700 SF	31% 243,756 SF
N. KENTUCKY	20% 711,075 SF	23% 104,556 SF
TRI-COUNTY	30% 854,462 SF	31% 531,764 SF
I-71/WARREN	21% 594,576 SF	48% 141,519 SF
<b>TOTAL</b>	<b>20% 2,979,451 SF</b>	<b>27% 1,359,021 SF</b>

#### RENTAL RATES & TERMS

Aggressive economic packages are the norm, particularly for tenants with strong balance sheets.

### SUBURBAN DEMAND

(NET ABSORPTION)

	4TH QTR	YEAR-END
CLASS A	35,568 SF	112,700 SF
CLASS B	(24,854) SF	21,068 SF
<b>TOTAL</b>	<b>10,714 SF</b>	<b>133,768 SF</b>

### SUBLEASE VACANCY

SUBURBAN	A	91,767 SF
	B	21,542 SF

**Vacancy/Demand:** Overall suburban vacancy increased from 18% to 20%, largely due to GE leaving Springdale. The expiration of P&G's Mason lease in May will bump it to 21%.

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## DOWNTOWN

### 312 Elm and 312 Plum Under Contract for Sale; Capital Markets Slowly Thawing

#### NEW MARKET DEVELOPMENTS

- First Financial signed a short-term lease for the top two floors of Atrium One. It remains to be seen how Downtown figures into the bank's long term plans.
- 125 E. Court St. is on the market for \$5.5M or \$55 per SF. The building is 47% vacant.

#### IN THE WORKS

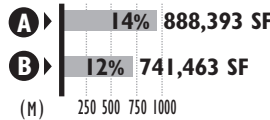
- Great American Tower at Queen City Square was topped off and is on schedule for completion in 2011. The 41-story building will be the tallest building in the Central Business District.
- Construction is underway on the privately financed portion of The Banks, with Alabama-based Brasfield & Gorrie LLC as the general contractor.

#### MAJOR TRANSACTIONS

- After expanding over the years to occupy most of the Flatiron Building, Directions Research purchased the property for \$2.4 million (\$52 per SF).
- Bridge Worldwide extended its lease for 41,708 square feet at 302 West Third Street, after subleasing 23,786 square feet from dunnhumby USA.

#### DOWNTOWN VACANCY

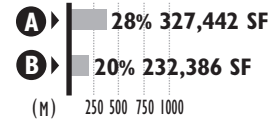
##### CENTRAL BUSINESS DISTRICT



**TOTAL 13% 1,629,856 SF**

#### DOWNTOWN VACANCY

##### PERIPHERAL



**TOTAL 24% 559,828 SF**

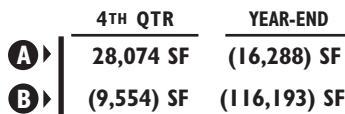
#### RENTAL RATES & TERMS

As in recent quarters, the rental rates quoted for public consumption are largely unchanged but tenants in the market will enjoy greater negotiating power and more attractive incentives compared to recent years.

#### DOWNTOWN DEMAND

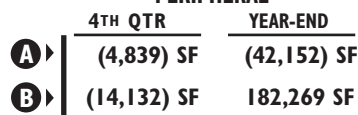
(NET ABSORPTION)

##### CENTRAL BUSINESS DISTRICT



**TOTAL 18,520 SF (132,481) SF**

##### PERIPHERAL



**TOTAL (18,971) SF 140,117 SF**

#### SUBLEASE VACANCY

**CENTRAL BUSINESS DISTRICT (A) 89,378 SF (B) 349,266 SF**

**PERIPHERAL (A) 4,636 SF (B) 16,976 SF**

#### Vacancy/Demand:

Net absorption was negligible in the fourth quarter and for the year. Class A sublease availability increased 27% in the fourth quarter, signaling negative demand in the population of tenants with lease term remaining.

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Please call for advice regarding the office real estate market.

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