

INDUSTRIAL MARKET UPDATE

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

Summer 2009

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Tough Market Calls For Ingenuity

As the economy slows and unemployment spikes, demand in the industrial real estate market drops sharply. Financing for deals remains elusive and lenders are not willing or unable to underwrite many transactions. Larger down payments and or personal guarantees are necessary.

None of these facts, however, needs to stand in the way of making deals. This economy just requires more creativity and a different way of thinking. When representing landlords/sellers, the way you structure the transaction allows you to attract the limited space users in the market and assist them in generating income.

In today's market, some users just cannot buy, end of story. This actually helps the leasing market. In the leasing arena, it is recommended that landlords be extremely aggressive in the initial years of a lease with gradually increasing rent over time to get space leased. Additionally, these days it is also more common for tenants to receive free rent at the beginning of leases. Depending upon the lease term, the free rent may be for three to 12 months. The goal is to maximize cash flow until recovery starts.

As vacancy rates continue to rise, competition within the market will increase as well. From all indications, it seems the market will get tougher before it starts to get better. Therefore, landlords will improve their current situation by getting extremely aggressive

now and landing the next tenant in the market. Their alternative is to hold onto vacant buildings for the next year or two and then applying those aggressive tactics.

For users who would like to purchase and owners who want to sell, there are several deal structures designed to provide win-win solutions:

- Seller financing/land contract, if the property is owned free and clear
- Lease with option to buy
- Lease with obligation to buy

All three of these methods have advantages and disadvantages. For example, although seller financing has some risk, it is also a way to sell a property, eliminate operating expenses and other ownership issues, while earning additional proceeds through the interest income. Leases with options to buy are usually fairly straight forward, however, the buyer may not choose to exercise the option. Also it can be a bit tricky to establish a price two or three years into the future given the recent decline in values. Finally, leasing with the obligation to buy is a creative choice in today's market, particularly if both parties really prefer a change in ownership.

Creativity and persistence lead to success in our current tough market. To learn more, please contact Si Pitstick at (513) 864-6600 or Josh Young at (513) 864-6602.

Marketing Industrial Properties • Tenant Representation
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MARKET MOVES

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



Si Pitstick and Josh Young worked with Brian Zurawski of Summit Realty, a member of the Cushman & Wakefield Alliance, in relocating Genco from a 166,400 sf distribution center to a 354,000 sf facility in Hebron, KY.



Si and Josh handled the negotiations for Miller-Valentine, the landlord, in renewing Macy's lease for its 100,000 sf office/warehouse facility located in Sharonville, OH.



Si and Josh represented Ampac in renewing its 60,000 sf manufacturing facility in Chicago, IL.



Si and Josh listed this 100,000 square foot industrial building after two other brokerages were unsuccessful. Within four months, they leased the entire building for 5 years to two separate tenants.

Greater Cincinnati/Northern Kentucky Selected Market Industrial Transactions First Quarter 2009

Submarket	Size (SF)	Lease/Sale	Lease Rate/Sale Price (\$PSF)
1. Central	50,000	Lease	\$2.25/SF Gross
2. Northeast	130,000	Lease	\$2.75/SF NNN
3. Northern Kentucky	320,000	Lease	\$3.15/SF NNN
4. Tri-County	80,000	Lease	\$3.20/SF NNN