Greater Cincinnati/Northern Kentucky

Overview

As our economy continues to recover from the worst financial downturn since World War II, the industrial real estate market has proven to be an accurate barometer of business and job losses. The vacancy rate has remained steady, at approximately 7%, during the first two (2) quarters of 2009. These numbers are a reflection of the restraint of industrial developers in the market, as opposed to transaction activity. New deliveries and pipeline projects have been halted due to a decrease in demand and more stringent financing criteria. These factors have caused developers and landlords to re-focus their efforts on their existing tenant base, creating a tenant's market not seen since the early 1990's. And with a still escalating unemployment rate in 2009, it is likely more industrial space will return to the market, further increasing the vacancy in the industrial property sector.

Market Trends

The industry hit hardest in the industrial real estate market has been automotive. Many firms have felt the pain of General Motors, Chrysler, and Ford adjusting their business model to the changing dynamics of a new economy. Toyota and Honda, though not in the exact same situation, have also made changes to their supply chain, and their vendors have felt the squeeze. Manufacturers and service-provider firms in research and development for the automotive industry have been both witness and victims of the changes in supply and demand of automobiles. But as is the norm in our economy, change has also created opportunity for businesses to reinvent themselves! The region is in the midst of a re-birth of a new economy based on advanced energy, propulsion technologies, and life-sciences. These industries, combined with the existing agricultural and still viable automotive business, will define the success of the transformation from "Rust Belt" to "Green Belt" economy.

Tenant's Perspective

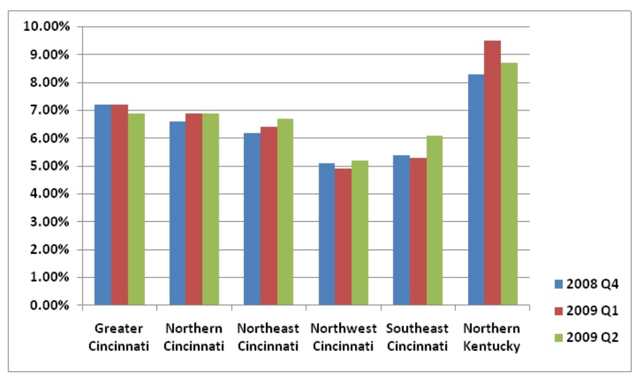
The market is ripe for tenants to expand, consolidate, or strike new deals which represent their best interest. DHL's closure of their Wilmington, Ohio location resulted in plans to hire almost 200 full-time associates and approximately 650 part-time workers for their 477,000 SF international sorting and distribution facility in Northern Kentucky. Other large deals in Northern Kentucky were leases by Genco of 354,000 SF and Levi Strauss of 151,000 SF. The Northwest and Northeast submarkets of Cincinnati also proved to be fertile ground for large deals, with FillTek in 304,000 SF, Fujitech America taking 116,000 SF, and Technology Recycling Group leasing 100,000 SF. Though quoted rates remained flat, actual deal terms reveal significant concessions to tenants in regards to lease rate, free rent, and tenant improvement allowance. These concessions are even more tenant favorable in flex properties, where the vacancy rates approach 11%. And as the office market occupancy continues to descend, some flex property users will find economically attractive deals to relocate to traditional office parks. This exodus creates more leverage for industrial tenants looking to make real estate decisions during the next 18 months.

Industrial Product Availability

PROPERTY TYPE	VACANCY RATE	TOTAL MARKET SF	SPACE AVAILABLE	QUOTED RENT PSF
Flex/R&D	10.3%	7,594,423	779,298	$7.49
Warehouse/ Distribution	6.8%	289,329,332	19,785,022	$3.65

SUBMARKET	VACANCY RATE	AVERAGE RENT PSF
Greater Cincinnati	6.9%	$3.40
Northern Cincinnati	6.9%	$3.79
Northeast Cincinnati	6.7%	$4.66
Northwest Cincinnati	5.2%	$3.36
Southeast Cincinnati	6.1%	$4.42
Northern Kentucky	8.7%	$3.55

Historical Industrial Vacancy



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