



Cincinnati, Ohio

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

The Greater Cincinnati market continues to struggle to gain momentum as final quarterly results show a virtually unchanged availability rate of 26%. Neither the CBD nor the suburbs showed any significant activity, and there were a minimal number of major deals closed. The largest transaction was GE who leased 54,000 square feet in Blue Ash. Both the CBD and suburban markets are similar in availability, coming in at 24.8% and 26.9% respectively. West Chester continues to be the healthiest submarket with only 7% availability. The area offers some newer product and continues to experience vast medical expansion as the development of the I-75 corridor continues to advance northward towards Dayton. On the other hand, Tri-County, which is looking to rebound from GE's mass exodus, and the CBD Periphery, with heavy vacancies at the Baldwin Complex, are the weakest markets at around 35% available.

Market Trends

- The medical sector remains the most active, led by Christ Hospital who is moving into the Northern Kentucky market.
- Cincinnati CMBS (commercial mortgage-backed securities) loan delinquencies are at a four-year high, which may place downward pressure on lease rates if buildings are acquired at below market prices.
- The CBD retail sector continues to shine, with the redevelopment of the Maisonette site and the announcement of new tenants at The Banks.
- Local and State authorities continue to offer incentives for those companies adding new jobs or wishing to relocate.
- Construction of speculative space remains non-existent which may eventually lead to a tightening in the class A markets. We don't expect that to happen in any significant way until the later part of the year.

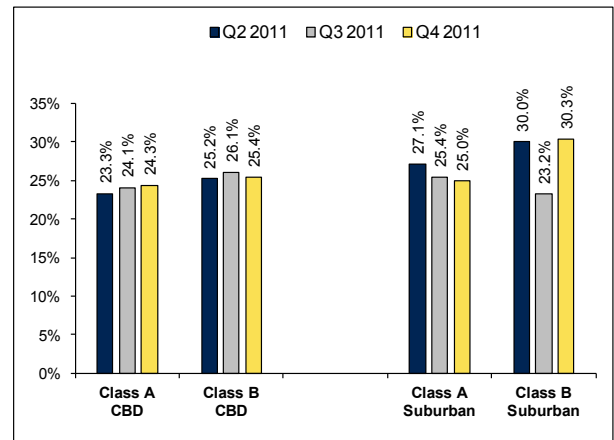
Tenant's Perspective

Landlords are actively pursuing early lease renewals and are offering reduced rental rates and free rent for existing tenants. Even with those kinds of offers on the table, better deals are available, so tenants should do their homework and consider relocating as well. Dealings should definitely be done with a financially sound landlord as there are a number of them currently in default. Ending up with a court ordered receiver that's managing your property may result in limited maintenance and, in the worst case, allow the landlord / lender to cancel your lease.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
GE	54,000	Office	Lease
Christ Hospital	44,000	Medical	Lease
Strauss & Troy	37,000	Office	Lease
Advantech	17,000	Office	Lease
Sunoco	12,099	Office	Lease
TSC Apparel	11,191	Office	Lease
Bioformix	10,650	Office	Lease
Verst Logistics	290,000	Industrial	Lease
Univ. of Cincinnati	210,000	Industrial	Sale
Quality Associates	204,800	Industrial	Sale

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$24.74	\$24.75	\$24.75
Class B Office	\$15.93	\$15.60	\$15.98
Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$20.68	\$20.70	\$20.60
Class B Office	\$16.01	\$16.00	\$15.99

