

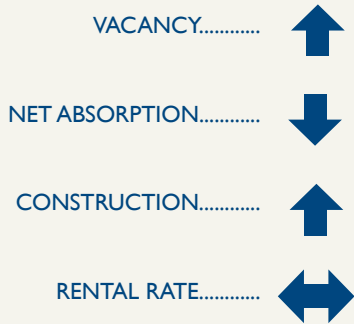
Market Research

INDUSTRIAL | MID-YEAR | 2007



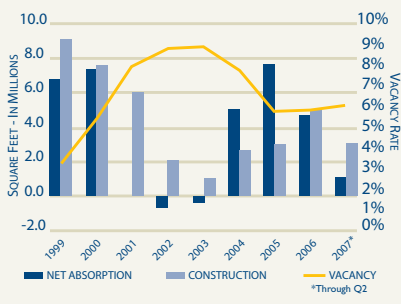
MARKET INDICATORS

TREND SINCE LAST QUARTER



UPDATE

GREATER CINCINNATI ABSORPTION, CONSTRUCTION AND VACANCY RATES



Industrial Market Healthy, Poised for Strong Second Half

The Greater Cincinnati industrial market remains in a healthy state at the midpoint of 2007. Total industrial vacancy did increase slightly and activity is somewhat down from certain points over the past few years. At the same time, the market is experiencing activity and growth and with certain deals in the pipeline for the second half of the year, 2007 looks to be another strong year for the industrial sector in Greater Cincinnati.

Cincinnati industrial vacancy has nudged up and down over the past 12 months with no drastic changes in either direction. Overall vacancy is 6.27% at the halfway point of 2007, which is a slight increase from 5.85% at the end of 2006, however still lower than it was a year ago at mid-year 2006 (6.44%). The Cincinnati industrial market recorded roughly 1.2 million SF of net absorption and 4.3 million SF of gross absorption through the first half of the year. This illustrates that the market is experiencing positive activity, however space is being vacated in the process. Companies are growing and building, expanding, or moving to larger spaces, but leaving some sizeable spaces behind.

More than 2.5 million SF of new industrial construction was delivered to the market through the first half of the year, compared to 1.65 million SF completed at this time last year. Of the 2.5 million SF of new construction, approximately 1.3 million SF were speculative projects and 1.2 million SF were build-to-suit projects, showing that there is good balance in the new space added to the market. More than 3 million SF of new construction could be delivered in the second half of the year. The total amount of new construction in 2007 should exceed the previous year's total for the fourth consecutive year.

BULK WAREHOUSE

Bulk warehouse vacancy in Greater Cincinnati remains strong at 9.47%, down from 10.30% at year-end 2006 and 12.12% at mid-year 2006. The bulk market recorded more than 1.5 million SF of net absorption and 2.1 million SF of gross absorption

UPDATE SECOND QUARTER 2007 GREATER CINCINNATI INDUSTRIAL MARKET STATISTICS

TYPE	INVENTORY	VACANCY	NET ABSORPTION YTD	NEW DELIVERIES YTD	UNDER CONSTRUCTION
CENTRAL	77,000,000	8.07%	(1,230,000)	43,000	0
NORTHEAST	28,300,000	4.99%	(110,000)	155,000	0
NORTHWEST	97,000,000	5.42%	1,400,000	1,045,000	800,000
NORTHERN KY	58,200,000	5.93%	1,130,000	1,287,000	1,500,000
TOTAL	260,500,000	6.27%	1,190,000	2,530,000	2,300,000



PROLOGIS PARK 275

Safeway leased 423,000 SF in a new facility in the Northern Kentucky Airport Quadrant.



WORLD PARK

Aero Fulfillment relocated from Lebanon to 144,900 SF in West Chester.

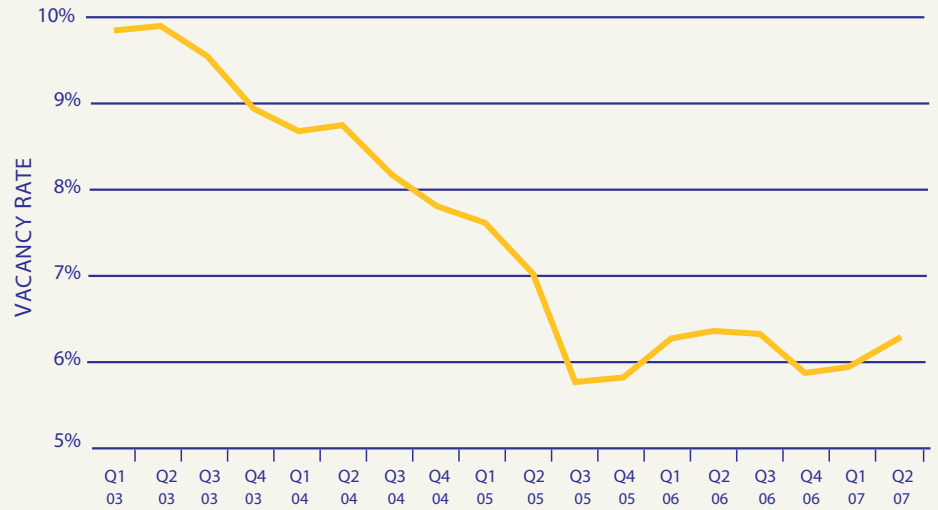


THE POINTE AT UNION CENTRE

This two-building office/warehouse facility totaling 146,800 SF was completed in Northwest Cincinnati.

UPDATE

GREATER CINCINNATI HISTORICAL INDUSTRIAL VACANCY RATES



through the first half of the year, both higher totals than at mid-year last year. Demand and activity have remained very strong in the bulk sector and continue to trigger new construction projects. Of the 5.3 million SF of vacant bulk space on the market, only 1.6 million SF (30%) is first-generation space completed in the last five years. Of that space, there is 750,000 SF that is expected to be absorbed in the second half of the year. This continues to leave the market with a shortage of premium modern space. Only one new speculative bulk building was delivered to the market in the first half of 2007 – ProLogis Park 275 (737,200 SF) in Hebron – and it was more than 50% leased by the time it was completed. However, six speculative bulk projects totaling more than 2.6 million SF are under construction or ready to start construction. Numerous others are in the planning stage. At some point, the market will reach the point in the cycle where supply is in excess of activity and demand, but given the success of the newer buildings delivered the past few years, the development activity will continue.

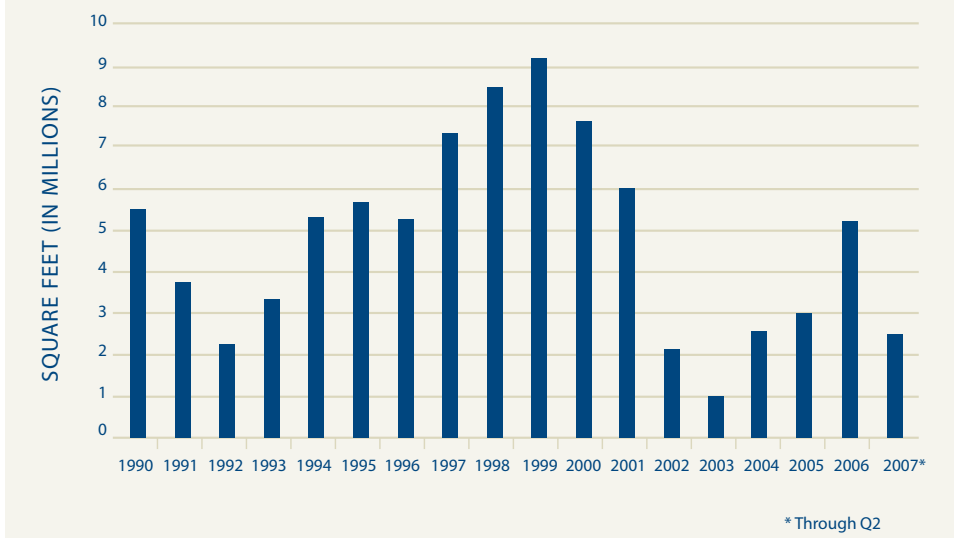
Notable bulk transactions for the first half of the year include:

- Kohl's adding 500,000 SF to its distribution facility in Monroe.
- Safeway leasing 423,000 SF at ProLogis Park 275 in Northern Kentucky.
- Aero Fulfillment leasing 144,900 SF at World Park at Union Centre in West Chester.
- Eagle Global Logistics leasing 132,000 SF on Earhart Court in Northern Kentucky.
- Anixter leasing 60,000 SF at NorthPark on Muhlhauser Road.
- KAO Brands expanding into 54,000 SF at Port Union Distribution Center F in West Chester.

Effective bulk lease rates remain healthy, though they did have a slight down turn in the second quarter. Effective lease rates for 2007 through the middle of the year averaged \$2.89/SF/NNN (through the first quarter the average rate was \$2.97/SF/NNN). This is down from the 2006 average of \$2.94/SF/NNN. However, it should be pointed out that in the Northern Kentucky and Northwest Cincinnati quadrants, the average bulk rates are higher than the overall average

UPDATE

GREATER CINCINNATI HISTORICAL INDUSTRIAL CONSTRUCTION



through mid-year. The average rate is \$2.97/SF/NNN in Northern Kentucky and \$3.11/SF/NNN in the Northwest Cincinnati quadrant for year-to-date bulk leases. (Note: These rates are based on a sample of comparable data gathered by Colliers Turley Martin Tucker. Renewals are not included in the sample.)

OFFICE WAREHOUSE

Vacancy in the Greater Cincinnati office/warehouse market has increased to 16.68% at the mid-point of 2007, its highest level in three years. That does not mean the market is performing poorly – there is positive net absorption of 96,000 SF and year-to-date gross absorption in excess of 790,000 SF (higher than mid-year 2006). The main cause for the substantial increase in vacancy is speculative construction added to the market. Six new office/warehouse buildings totaling 531,200 SF were added in the first half of 2007. This is the most new office/warehouse construction in Cincinnati since 1999. These new developments include:

- The Pointe at Union Centre, a two-building development on Muhlhauser Road in West Chester

totaling 146,800 SF. Building A (70,000 SF) is more than 40% leased.

- Crescent Centre C, a 49,600 SF building on Crescentville Road. Nearly 40% of the building is leased.
- Donaldson Road Center, a two-building development in Erlanger totaling 259,800 SF. Building A (102,600 SF) is nearly 50% leased.
- Liberty Office/Warehouse, a 75,000 SF building on Hamilton-Mason Road.

In addition to strong demand and activity, effective lease rates are strong in the office/warehouse sector as well. Effective lease rates for 2007 through the middle of the year average \$5.50/SF/NNN. This is up from \$5.05/SF/NNN in 2006. (Note: These rates are based on a sample of comparable data gathered by Colliers Turley Martin Tucker. Renewals are not included in the sample.)

FREESTANDING

The freestanding sector of the market accounts for almost three-fourths of the entire industrial market and consists of mostly single-user owner-occupied

buildings. The freestanding sector has struggled the most in 2007. Vacancy increased to 4.56% at mid-year, up from 3.97% at the end of 2006 and 4.24% at this time last year. Year-to-date net absorption at mid-year 2007 in this sector is negative 457,000 SF. There is, however, activity in this market as evidenced by nearly 1.4 million SF of gross absorption and new construction of 760,000 SF in the first half of the year. New freestanding construction for the entire year in 2006 was 800,000 SF. Included in the new construction are both additions to existing facilities, such as LaFarge (143,000 SF) and M.A. Folkes (100,000 SF) as well as build-to-suit projects for new facilities. Examples of build-to-suit projects completed thus far in 2007 include Bonfiglioli (83,000 SF), Prasco (80,000 SF), and Skilled Care Pharmacy (50,000 SF).

The freestanding sector tends to have more space left behind due to the premium on good functional space. An industrial user may elect to build a new facility rather than buy an older, less functional building. These buildings tend to sit on the market longer. However, available industrial land close to the beltway remains in short supply. Therefore, users who prefer to be closer to the city with quality access may give these buildings a little bit more consideration over moving further out in the area.

Among the notable activity thus far in 2007 in the freestanding/user market:

- Victory Industrial Products purchased a 107,000 SF building on Half Acre Road in Batavia (and then subsequently added 12,000 SF to the facility).
- Vineyard Community Church acquired the former Service Parts Supply building (106,000 SF) on Century Circle in Springdale.

- Bluegrass Building Products leased 101,250 SF on Empire Drive in Florence.
- The Fortress leased 90,000 SF on Crescentville Road in Springdale.
- Bramkamp Printing leased 60,000 SF on Alliance Road in Blue Ash.
- Clossman Catering purchased a 51,750 SF building on Symmes Road in Hamilton.

Freestanding user sales through the first half of 2007 averaged about \$26.00/SF. This is slightly up from approximately \$25.00/SF in 2006. (Note: Prices are based on a sample of comparable data gathered by Colliers Turley Martin Tucker.)

LAND

One of the defining stories of the Greater Cincinnati industrial market continues to be the shrinking supply of available land in the Airport and West Chester submarkets. Challenges are abundant in finding available zoned and utility-served vacant land with good access for industrial development in these areas.

In the Northern Kentucky quadrant, the airport corridor has been running out of good available land for some time. IDI has nearly built out its Park West development. Duke purchased nearly 30 acres on Litton Lane last year and has started a new 598,000 SF spec building. ProLogis purchased 32 acres earlier this year in Airpark West for future development in its Park 275 project. In addition, industrial users have taken down some of the smaller parcels for build-to-suit projects. Such companies include Bonfiglioli, Tenryu, Mauer USA, and Psion Teklogix.

A little further south in Richwood, IDI, experiencing tremendous success with its Park South development, acquired 97 adjacent acres from Hemmer that was originally proposed

as Southpoint. IDI now controls more than 275 acres and will likely develop an industrial park that mirrors the Park West development in Hebron.

The West Chester submarket in Northern Cincinnati is experiencing a similar shortage. Very little land near the interstate is available in this corridor. Opus is nearing completion on its second building at the Union Centre interchange with frontage on I-75. Duke purchased 57 acres last year further east on Union Centre for future development. Industrial users are taking down land in this market as well, such as Amylin Pharmaceuticals, which acquired land near its current location on Tradeport Boulevard for future expansion.

The next major development area to the north will likely be Monroe. Monroe has great interstate access and visibility from I-75 and developers are taking land positions in that area in anticipation that it will be an area of industrial development as the West Chester area tightens.

OUTLOOK

- Continued activity in the bulk market. Several large blocks of space to be absorbed by year-end.
- Continued speculative bulk development and construction.
- Office/warehouse development to slow down for the market to catch up with the supply.
- Lease rates continuing to slowly move in the landlords favor.
- Total industrial construction exceeding previous year's total for fourth consecutive year.
- Will development begin in Monroe?

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