



# Market Report



INDUSTRIAL | FIRST QUARTER | 2009

## MARKET INDICATORS

Q1 '09 Q2 '09



## Subdued Market Reacts to the Economy

The Greater Cincinnati industrial market is sharing the challenges experienced due to the contracting economy. The unemployment rate (not seasonally adjusted) for the Cincinnati MSA was 8.9% in February 2009 which is a significant increase from the 5.3% just a year ago. The decline in manufacturing, the decrease in new orders along with companies drawing down existing inventories are contributing factors to the upward trend in the vacancy rate for the industrial market. The overall vacancy rate crept up to 8.7% in first quarter 2009 from 8.2% at the end of 2008. The net absorption is a negative 1.2 million SF. While pricing for both materials and labor are down, the construction pipeline has slowed to a trickle.

The good news for this region is there are companies expanding in the face of a weakened economy. The Ohio Tax Credit Authority awarded tax credits to Kao Brands Co., H. J. Heinz Co. and St. Bernard Soap Co. for facility improvements and job creation. Locally owned Graeter's Ice Cream is building a 28,000 SF plant on Paddock Road in Bond Hill because of its expansion into new markets. DHL Express Inc. is exploring the possibility of bringing its package sorting operations back to its hub at the Cincinnati/Northern Kentucky International Airport and received approval for incentives by the state of Kentucky.

Some economists postulate that the velocity of the downward spiral of the economy may be slowing. How deeply it cuts into the commercial industrial market, as well as how long the recovery takes, remains to be seen. The recession is expected to continue, however, well into 2010. In the long term, as the economy recovers and there is continued growth in foreign trade, both in the number of overseas markets and demand, the greater Cincinnati market remains attractive because of its strong logistics fundamentals.

## Bulk Warehouse

Bulk vacancy is 14.8% at the end of the first quarter of 2009. This continues the upward trend from the vacancy rate of 11.9% of a year ago and 14.6% at the end of 2008. Bulk net absorption for first quarter 2009 is negative 132,000 SF. Gross absorption in first quarter 2009 is 1.7 million SF. The vacancy rate in the NE quadrant is 3.0%, the lowest in the region. Of the 3.7 million SF of bulk product delivered in 2008, 60% of it remains vacant. The 721,000 SF building on Logistics Way in the Monroe Logistics Center will deliver Q2 2009 completely empty. Future speculative construction is not expected in this product type.

### UPDATE

FIRST QUARTER 2009 GREATER CINCINNATI INDUSTRIAL MARKET STATISTICS

| QUADRANT     | INVENTORY          | VACANCY      | NET ABSORPTION YTD | NEW DELIVERIES YTD | PROJECTED CONSTRUCTION 2009 |
|--------------|--------------------|--------------|--------------------|--------------------|-----------------------------|
| CENTRAL      | 78,300,000         | 9.24%        | (542,000)          | 0                  | 20,000                      |
| NORTHEAST    | 29,000,000         | 7.30%        | 125,000            | 0                  | 50,000                      |
| NORTHWEST    | 103,000,000        | 9.16%        | (706,000)          | 163,000            | 1,039,000                   |
| NORTHERN KY  | 60,700,000         | 7.88%        | (46,000)           | 50,000             | 60,800                      |
| <b>TOTAL</b> | <b>271,000,000</b> | <b>8.70%</b> | <b>(1,169,000)</b> | <b>213,000</b>     | <b>1,169,800</b>            |



Commercial Real Estate Services

# Market Report

INDUSTRIAL MARKET

FIRST QUARTER 2009



### Park South

L'Oreal leased the entire 678,000 SF bulk building, Park South at Richwood - E.



### Airpark Business Park

The 78,000 SF office/warehouse, Airpark Business Center II D, on Aviation Boulevard in Hebron has added NEU to its tenant roster.

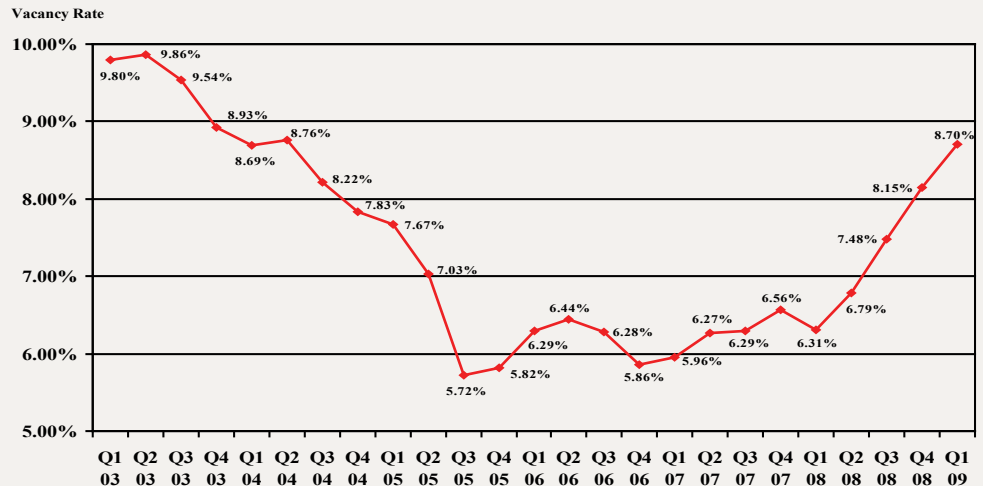


### 651 Garver Road

Fleetchem exercised its purchase option to acquire the 40,000 SF freestanding building at 651 Garver Road in Monroe.

## UPDATE

Greater Cincinnati Overall Historical Industrial Vacancy Rates



### Some significant deals in the first quarter of 2009 include:

- L'Oreal relocating from 340,000 SF in West Chester's World Park at Union Centre #6 into the 678,000 SF Park South at Richwood E building in Kentucky.
- Genco vacating 166,400 SF at SouthPark 5 on International Way and leasing 355,000 SF in Skyport 3 on Progress Drive in Hebron.
- Levi Strauss leasing 151,000 SF in the 414,090 SF building at 3720 Langley Drive in Hebron. The building which was completed in May 2008 is now at 37% occupancy.
- Technology Recycling Group leasing 100,000 SF in the 772,000 SF Blue Ash Distribution Center on Kenwood Road in Blue Ash.
- MTI Andrews leasing 73,500 SF in the 426,420 SF building at 2265 Progress Drive in Hebron.
- Buckeye Skateboard renewing its lease on the 59,000 SF Dixie Distribution II building at 8171 Dixie Highway in Florence.
- CAMCO leasing 48,176 SF in the 232,400

SF facility at 7130 New Buffington Road in Florence. The building is now fully occupied.

Net effective rates in the bulk sector currently are around \$2.70/SF/NNN. These rates are a reduction of 10% from the \$3.00/SF/NNN seen last year. (Note: Rates are based on a small sample of comparable data gathered by Colliers Turley Martin Tucker. Renewals are not included in the analysis.)

### Office/Warehouse

The vacancy rate for the office/warehouse sector bounced up to 17.3% at the end of first quarter of 2009 from 15.1% at the end of 2008. There is a negative net absorption of 302,030 SF in first quarter of 2009. The NKY quadrant vacancy rate is 20.6%, while the CEN quadrant vacancy rate is 13.9%. Overall gross absorption for the first quarter 2009 is 233,000 SF.



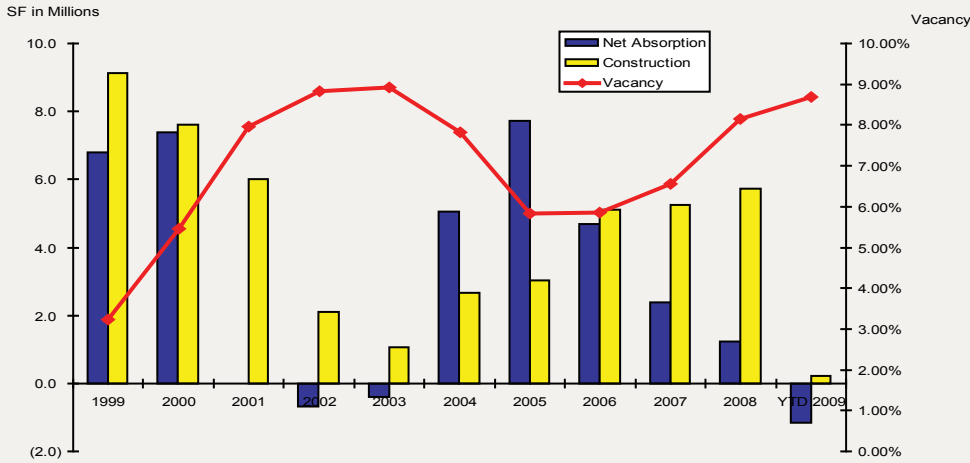
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INDUSTRIAL MARKET

FIRST QUARTER 2009

**UPDATE**

Greater Cincinnati Industrial Vacancy In Square Feet



**Some significant deals in the first quarter of 2009 include:**

- Meritor WABCO downsizing to 84,500 SF and renewing at Airpark Business Center III at 845 Lindbergh Court in Hebron.
- NEU leasing 16,800 SF in the 78,000 SF Airpark Business Center II D facility at 1301 Aviation Boulevard in Hebron.
- A.M. Todd leasing 16,000 SF in the 49,000 SF Union Circle Center II at 18-74 Carnegie Way in West Chester.
- Hardy Machine & Design renewing its 14,000 SF space in the 44,000 SF Kentucky Drive Business Park #3 facility at 7964 Kentucky Drive.
- Wolfe & Sons Vending taking 11,200 SF in the 61,000 SF Kentucky Drive Business Park #2 building at 7960 Kentucky Drive in Florence.
- BDP International, Inc. leasing 10,000 SF in the 66,000 SF Airport Exchange Business Park G1 facility at 1810 Airport Exchange Boulevard in Erlanger.

The first 15,000 SF building in the

Venture Corporate Center at 8750 Duke Boulevard in Mason should be finished in July. The 40,000 SF building for JTF has been put on indefinite hold.

Net effective lease rates for the office/warehouse sector have decreased to \$4.75/SF/NNN. (Note: Rates are based on a sample of comparable data gathered by Colliers Turley Martin Tucker. Renewals are not included in the analysis.)

**Freestanding**

The vacancy rate edged upward from 5.6% at the end of 2008 to 6.1% at the end of first quarter 2009. There is a negative net absorption of 735,000 SF for the first quarter.

Iwata Bolt USA completed its 117,300 SF building at 102 Iwata Drive in Hamilton. Star Moving & Storage moved into its newly built 40,000 SF facility at 2701 Bobmeyer Road in Hamilton. The 50,000 SF expansion of the Mazak building at 6850 Industrial Road to a total of 412,000 SF was also completed. Next quarter

should see the 60,800 SF Wagstaff expansion at 46576 North Bend Road in Hebron as well as the 140,000 SF plant for Takumi Stamping at 8585 Seward Road in Hamilton finished.

On the other hand, Weyerhaeuser Co. plans to close the 41,460 SF building at 11807 Enterprise Avenue in Sharonville.

**Some significant deals in the first quarter of 2009 include:**

- BestNest planning to relocate from Blue Ash to 51,000 SF in the 248,000 SF facility at 4000 McMann Road in Batavia.
- Fletchem acquiring the 40,000 SF building it had been leasing at 651 Garver Road in Monroe.
- Equipment Care Center of Cincinnati purchasing the 32,000 SF building at 2481 Glendale-Milford Road in Evendale.
- Patriot Industrial Contracting Services purchasing the 32,000 SF facility at 200 Olympic Boulevard in Milford.
- Environmental Air Protection acquiring the 20,000 SF building at 3930 Virginia Avenue in Fairfax.
- Stuebing Machine leasing the 15,686 SF facility at 10400 Taconic Terrace in Woodlawn.
- Diversified Supply leasing the entire 10,000 SF building at 1384 Tennessee Avenue in Norwood.

**Land**

The \$33 million greater Cincinnati will receive in stimulus funds for infrastructure repairs will only make more valuable the land that is ripe for development once the economic recovery begins.

On the north side of the region, there is Corridor 75 in Monroe. It contains the largest tract of land undergoing



# Market Report

## INDUSTRIAL MARKET

FIRST QUARTER 2009

### CORRIDOR 75

Corridor 75 in Monroe is poised to become a major distribution hub midway between Cincinnati and Dayton.



development as a distribution hub. There are 429 acres that can support over 6.2 million SF of industrial space. Corridor 75 also offers a 15-year 100% tax abatement to users in addition to its strategic location on I-75 between Cincinnati and Dayton.

In northern Kentucky, Riverview Business Park, Park South and Circleport Business Park have sites available for development.

### Outlook

• The economic contraction will spur re-evaluation of supply and demand needs and inventory-related space requirements and negatively impact absorption this year. Continued downsizing and closures will add to the increasing vacancy rates and mounting negative net absorption.

• Landlords will offer favorable leasing concessions to new and, more importantly, current tenants in an effort to keep occupancy levels as high as possible.

• For the first time in many years, tenants will more closely scrutinize the financial soundness of building owners. Changes in ownership and heavy debt loads of Landlords could impact security deposits,

ongoing maintenance of buildings and the amount of funds available for Tenant Improvements.

• Investment sales will remain stalled due to stringent lending requirements and the belief by most investors (local and national) that property values have not reached bottom. Building Owners will continue to look at sale-leaseback as a financial vehicle to generate cash and move real estate off their books. Values will remain well below peak values as investors focus on the asset value after the lease expires, as opposed to the annual return from the contracted rents during the lease term.

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**293 OFFICES IN 61 COUNTRIES  
ON 6 CONTINENTS**

**136 (United States, Canada, Latin America)**

**95 EMEA**

**62 Greater Asia**

**\$73 billion in transactions**

**868 million SF under management**

**11,048 professionals**

## CONTACT INFORMATION

**221 East Fourth Street**

**26th Floor**

**Cincinnati, Ohio 45202**

**Tel: (513) 421-4884**

**Fax: (513) 421-1215**

**www.ctmt.com**

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