

Industrial Market Snapshot

Cincinnati • Fourth Quarter • 2013



CINCINNATI INDUSTRIAL

Economic Indicators

	Q4 12	Q4 13
Cincinnati MSA Employment	1012.7	1021.5
Cincinnati MSA Unemployment	6.5%	7.0%
U.S. Unemployment	7.8%	7.2%
U.S. CCI	70.4	74.2

Net Absorption



Vacancy Rate



Industrial Demand Strongest Since 2005

At 6.35%, the overall vacancy rate for the Cincinnati Industrial market continues to fall below prerecession levels. Quarter-to-quarter vacancy rates dropped nearly a quarter of a percent from 6.55% (revised) in Q3, to 6.35%. The majority of that vacancy change can be attributed to Class B Bulk Warehouse and Freestanding leases in the Northwest submarket.

The Cincinnati Industrial market was extremely active in 2013, with net absorption totaling 5.16 million SF for the year, the largest amount of net absorption since 2005. At over 615,000 SF, the fourth quarter also marked the tenth consecutive quarter of positive net absorption, due primarily to new leases in the Northwest submarket. Overall average asking rents stand at \$3.63 per SF.

Three building projects comprising 215,000 SF were delivered to the market for the quarter. Nearly 2.2 million SF of space remains under construction across the Cincinnati Industrial market.

Bulk Warehouse

Market Tracker

*Arrows = Current Qtr Trend

Vacancy
7.08%

Net Absorption
319,019 SF

Deliveries
0 SF

Asking Rent
\$2.88 NNN

In the fourth quarter, overall bulk vacancy dropped to 7.1%, compared to the third quarter mark of 7.7%. Submarket vacancy levels also continue to fall, with NW Cincinnati bulk vacancy at 11.3% and Northern Kentucky bulk vacancy at a mere 2.0%. Class A Bulk space is in short supply, with 6.9% vacancy in the fourth quarter.

Bulk Warehouses accounted for 8 of the 10 largest industrial lease transactions in the fourth quarter. Highlights of bulk activity include:

- Noram International Partners expanded by 88,000 SF to occupy a total of 175,000 SF at Prologis Airpark 1&2 in Hebron.
- West Chester Holdings leased 260,000 SF at Gateway 75 on Kemper Road in Sharonville.
- UPS leased the entire 151,200 SF Park West International L2 warehouse in Hebron.
- Commonwealth, Inc. leased 84,000 SF at 375 Distribution Circle in Fairfield.

Flex Office/Warehouse



While overall net absorption was negative in the office/warehouse market in fourth quarter, three of the four area submarkets showed slight positive absorption in Q4. The largest sales transaction of the fourth quarter was the two-building Governors Pointe office/warehouse portfolio sale in Mason for \$9 million (\$58/SF). The largest office/warehouse lease of the quarter was 27,040 SF at the Cox Business Center in Erlanger by Industrial Sorting Services.

Freestanding



Freestanding buildings accounted for 11 of the 12 largest industrial sales transactions in the fourth quarter of 2013, as well as two of the five largest leasing transactions. Highlights of this activity include:

- Mane Inc. acquired two buildings totaling 65,810 SF on Chester Road in Woodlawn for \$4.3 million (\$66/SF)
- Campbell Hausfeld/Scott Fetzer renewed its lease for 300,000 SF building at 100 Production Drive in Harrison.
- IMFLUX leased 204,000 SF at 3550 Symmes Road in Hamilton.

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QUADRANT	INVENTORY	VACANT SPACE	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RENT
	ass A						
Northern Kentucky	19,596,737	118,669	0.6 %	(29,200)	362,038	631,448	\$3.34
Northwest	17,632,823	1,222,598	6.9 %	26,809	2,183,669	649,116	\$3.21
Class A Total:	37,229,560	1,341,267	6.9 %	26,809	2,183,669	1,280,564	\$3.21
Bulk Warehouse Cl	ass B						
Central	2,487,902	472,694	19.0 %	0	379,033	0	\$2.20
Northeast	3,001,665	87,630	2.9 %	0	193,164	0	\$3.19
Northern Kentucky	9,286,174	447,995	4.8 %	0	128,823	0	\$2.93
Northwest	13,458,094	2,282,191	17.0 %	321,410	488,423	0	\$2.73
Class B Total:	28,233,835	3,290,510	17.0 %	321,410	488,423	0	\$2.73
Bulk Warehouse	65,463,395	4,631,777	7.1 %	319,019	3,735,150	1,280,564	\$2.88
Freestanding							
Central	70,872,912	5,207,790	7.3 %	(65,830)	677,472	119,000	\$3.67
Northeast	24,247,380	1,335,169	5.5 %	48,892	223,870	303,800	\$4.52
Northern Kentucky	30,119,300	712,481	2.4 %	48,790	434,215	264,000	\$5.30
Northwest	68,777,454	3,140,315	4.6 %	329,195	324,940	232,526	\$2.99
Freestanding	194,017,046	10,395,755	5.4 %	361,047	1,660,497	919,326	\$3.60
Office/Warehouse							
Central	1,332,612	252,529	18.9 %	4,506	(9,348)	0	\$8.38
Northeast	2,303,347	296,865	12.9 %	9,213	55,182	0	\$7.86
Northern Kentucky	4,088,968	617,921	15.1 %	7,548	(162,244)	0	\$4.45
Northwest	6,915,780	1,218,539	17.6 %	(84,205)	(123,663)	0	\$5.14
Flex Office/Warehouse	14,640,707	2,385,854	16.3 %	(62,938)	(240,073)	0	\$5.62
By Quadrant							
Central	74,693,426	5,933,013	7.9 %	(61,324)	1,047,157	119,000	\$3.79
Northeast	29,552,392	1,719,664	5.8 %	58,105	472,216	303,800	\$5.07
Northern Kentucky	63,091,179	1,897,066	3.0 %	27,138	762,832	895,448	\$4.02
Northwest	106,784,151	7,863,643	7.4 %	593,209	2,873,369	881,642	\$3.25
TOTAL INDUSTRIAL	274,121,148	17,413,386	6.4 %	617,128	5,155,574	2,199,890	\$3.63

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Notable Lease Transactions Q4 13

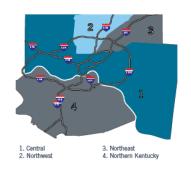
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Campbell Hausfeld	308,880	Campbell Hausfeld/Scott Fetzer Co	Renewal	CEN
Gateway 75	260,000	West Chester Holdings LLC	New	NW
3550 Symmes Road	204,399	IMFLUX	New	NW
Park West International L2	151,200	UPS	New	NKY
Prologis Park Airpark #1 & #2	87,853	Noram International Partners	Expansion	NKY
375 Distribution Circle	83,760	Commonwealth, Inc.	New	NW
Fairfield Distribution Center	79,976	Midwest Specialty Products Co.	Renewal	NW
World Park at Union Centre #9	42,065	CFM Religious Publications	New	NW
Dixie Distribution I	40,000	Right Way Supply Chain Solutions	Renewal	NKY
World Park II	33,621	Intelligrated	Renewal	NW

Notable Sales Transactions Q4 13

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
Governors Pointe Flex Portfolio	154,052	CORE Realty Holdings / 4700 Duke Drive Holdings	\$9,000,000	NE
Chester Road Portfolio Sale	65,810	Alex Fries & Bros Inc. / Mane, Inc.	\$4,316,430	CEN
ARI Metal Systems Inc.	50,580	Automotive Resources Inc. / Binion Way LLC	\$2,200,000	NE
Butternut Bread Building	87,134	National Bakery Industrial / Interstate Holdings LLC	\$1,850,000	CEN
Meta Manufacturing	53,287	McSwain Family Ltd Partnership / EKM Properties LLC	\$1,040,000	NE

Industrial Quadrants

Greater Cincinnati



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