



Overview

Overall, the Central Business District (CBD) experienced negative absorption of 252,918 square feet (SF) in the third quarter. The CBD class A market posted negative absorption of 228,872 SF, with vacancy increasing from 16% to 19%. The CBD class B market posted negative absorption of 24,046 SF, with vacancy increasing from 20% to 21%.

There was overall positive absorption in the Downtown Peripheral sub-market. The class A sub-market posted positive absorption of 14,213 SF, while the class B sub-market posted negative absorption of 11,332 sf. Downtown Peripheral class A vacancy remained steady, and class B vacancy increased slightly.

The suburban sub-markets posted positive absorption of 151,668 SF, the majority of which was associated with the class A market, including 180,357 SF in Tri-County and 15,158 SF in Blue Ash. Overall class A suburban vacancy decreased slightly from 19% to 18%, while class B vacancy remained unchanged at 28%.

Economic Indicators

Many area businesses seem to have the cash to increase spending and push the economy forward, as evidenced in commercial structures purchases. However, they are reluctant to spend in the area of job growth, due to diminished confidence in the business sector, as well as legislative activities over the past year. With high unemployment looming and causing consumers to spend less, in turn tightening the bottom line for local businesses, it is no surprise that businesses remain wary.

Major Users on the Move

Omnicare is leaving RiverCenter in Covington, Kentucky, for an 11-year lease of 150,000 SF at Atrium One in the CBD. The new headquarters will allow Omnicare to expand its employee base by 150 over the next few years. The move will begin in December and is expected to be completed by June 2012.

The Nielsen Company has also decided to move across the river. They will be leaving 150,000 SF at Madison Place in Covington for 80,000 SF at the Chiquita Center.

Vorys, Sater, Seymour & Pease LLP signed a long-term lease for 60,500 SF at Great American Tower at Queen City Square. Their move from Atrium Two is planned for early 2012.

After 65 years at Fourth & Vine Tower, Rendigs, Fry, Kiely & Dennis, LLP has decided to move and signed a 15-year lease for 25,897 SF at the Center at 600 Vine. The 65 employees will transition to their new space in July 2012.

Christ Hospital leased 17,213 SF at Liberty Commons Medical Center. They plan to move in January 2012. Christ Hospital also subleased an additional 36,215 SF from Kroger at 7545 Beechmont Avenue.

Humana's mail-order operation, RightSource, signed a lease for 173,397 SF at Executive Centre I, which will initially house 650 employees, with anticipated growth to 1,200 over the next few years.

Outlook

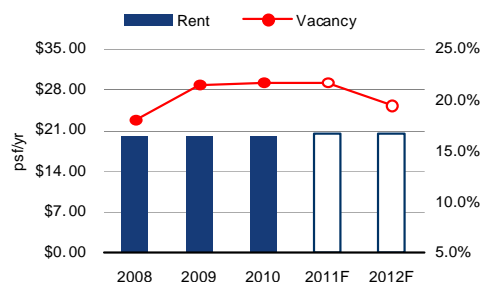
New speculative construction will remain non-existent during the next 12 to 18 months. Landlords of class B buildings continue to aggressively offer incentives and low rental rates to attract new tenants, as well as retain existing ones.

Continued improvement in the economy, especially employment, will be a key factor in the office market over the next year. We will see a tightening in portions of the office market due to leasing activity, which has left high vacancies in older buildings.

Stats on the Go

	3Q10	3Q11	Y-o-YChange	12 month Forecast
Overall Vacancy	22.5%	21.7%	-0.8 pp	▼
Direct Asking Rents	\$20.23	\$20.46	1.0%	◀▶
Overall Absorption (sf)	(249,018)	(73,198)	175,820	◀▶

Overall Rental vs. Vacancy Rates





Third Quarter Office Sale Transactions

- **Midland National Life Insurance** purchased Summit Woods I at 100 E-Business Way (75,000 SF) in Sharonville from Summit Woods I, LLC on 6/30/11 for \$5.5 million (\$73.33/SF).
- **032811 Holdings, LLC** purchased 1801 Dalton Avenue (19,911 SF) in the CBD Periphery from Bruce A. Cook, Inc. on 7/19/11 for \$900,000 (\$45.20/SF).
- **Girl Scouts of Western Ohio** purchased 11223 Cornell Park Drive (17,000 SF) in Blue Ash from DBJ Properties, LLC on 7/21/11 for \$825,000 (\$48.53/SF).
- **Adam Harvey** purchased the Milford Professional Building at 741 Milford Hills Drive (10,414 SF) from Betsy J. Hall on 7/21/11 for \$291,500 (\$27.99/SF).
- **Kenton County Airport Board** purchased the former Comair headquarters at 77 Comair Drive (183,396 SF) in Erlanger from Delta Airlines on 8/1/11 for \$4 million (\$21.81/SF).
- **Cornell Park Drive, LLC** purchased 11333 Cornell Park Road (28,998 SF) in Blue Ash from State Automobile Mutual Insurance on 8/11/11 for \$1,400,000 (\$48.28/SF).
- **WXIX Broadcast Plaza, LLC** purchased 635 West Seventh Street (88,422 SF) in the CBD Periphery from Tappan Properties Limited Partnership on 9/1/11 for \$3,600,000 (\$40.71/SF).
- **E Paul Corp** purchased 813 Broadway Street (19,184 SF) in the CBD from Laura W. Arington on 9/20/11 for \$670,000 (\$34.92/SF).

Third Quarter Office Lease Transactions

CBD

- **US Digital Partners** leased 3,676 SF at 311 Elm Street, and will be relocating from 317 E. Eighth Street in November.
- **Rendigs, Fry, Kiely & Dennis LLP** leased 25,897 SF at the Center at 600 Vine. They will be relocating next July, moving out of 38,000 SF at Fourth & Vine Tower – a location they have had since 1946.
- **MCI Metro (Verizon)** renewed its 17,205 SF lease at 312 Plum.
- **Vorys, Sater, Seymour and Pease LLP** leased 60,500 SF at Great American Tower (301 E. Fourth Street). They will be vacating 38,328 SF at Atrium II (221 E. Fourth Street) at the end of the first quarter next year.

Class	Total Rentable SF	Net Absorption 2011 Q3	Net Absorption 2011 Q2	% Vacant 2011 Q3	% Vacant 2011 Q2
A	7,202,681	(228,872)	1,357	19%	16%
B	6,063,939	(24,046)	(315,897)	21%	20%
Total	13,266,620	(252,918)	(314,540)	20%	18%

- **DuCharme, McMillen and Associates, Inc.** renewed its 6,164 SF lease at 312 Plum.
- The **National Infectious Disease Program** leased 5,264 SF at the Textile Building (205 – 209 E. Fourth Street).
- **Securitas** leased 5,572 SF at 655 Plum Street, and will be relocating from Holiday Office Park (644 Linn Street) in Queensgate.
- **Greenebaum, Doll & McDonald, PLLC** expanded into an additional 12,021 SF at Chemed Center (255 E. Fifth Street).
- **Omnicare** leased 150,000 SF at Atrium One (201 E. Fourth Street). The Fortune-500 company will be moving its headquarters from RiverCenter II (100 E. RiverCenter Boulevard) in Covington, KY. Omnicare will receive job creation tax credits from Ohio worth \$6 million over seven years and will receive an income tax break from Cincinnati worth \$2.4 million over seven years. In exchange, Omnicare agreed to move 484 jobs to Cincinnati and agreed to expand to 630 jobs in Cincinnati over 10 years.
- **Hines Interests** subleased 15,825 SF from Formica Corporation at the Chemed Center (255 E. Fifth Street).
- **TSC Apparel** leased 11,191 SF at Centennial Plaza III (895 Central Avenue).
- **K Force** leased 3,037 SF at Centennial Plaza III.
- **The Nielsen Company** leased 80,000 SF at Chiquita Center (250 E. Fifth Street). Nielsen will be vacating 150,000 SF at Madison Place (50 W. RiverCenter Boulevard) in Covington.
- **General Services Administration** renewed its 35,000 SF lease at Atrium Two (221 E. Fourth Street).
- **PNC Bank** renewed its 130,000 SF lease at the PNC Center (201 E. Fifth Street).

CBD Periphery

- **The Christ Hospital Foundation** leased 5,500 SF at 200 Baldwin Center (625 Eden Park Drive).
- **Smuckers Sales & Distribution** leased 6,000 SF at 200 Baldwin Center (625 Eden Park Drive).
- **Leshner & Associates** leased 2,623 SF at 200 Baldwin Center (625 Eden Park Drive).
- **Travelers Insurance** renewed its 20,000 SF lease at 200 Baldwin Center (625 Eden Park Drive).
- **Allstate – Legal** leased 2,000 SF at 200 Baldwin Center (625 Eden Park Drive).

Class	Total Rentable SF	Net Absorption 2011 Q3	Net Absorption 2011 Q2	% Vacant 2011 Q3	% Vacant 2011 Q2
A	1,178,852	14,213	16,115	31%	30%
B	1,311,877	(11,332)	148,031	25%	24%
Total	2,490,729	2,881	164,146	28%	27%



Mid-Town/Kenwood

- **Cincinnati Eye Institute** renewed its 4,570 SF lease at 4760 Red Bank Expressway.
- **Impact Academy** occupied 9,000 SF at 2601 Melrose Avenue in Walnut Hills.
- **Clear Wireless** leased 3,150 SF and **Chase Bank** leased 3,500 SF at Linden Pointe (4805 Montgomery Road) in Norwood.
- **ESD Pediatric Group** leased 2,984 SF at Cornerstone @ Norwood II (4000 Smith Road). They will be relocating from 2713 Madison Road in January.
- **Peter Miccoli, Jr. and Barry Ahr** leased 2,748 SF at Towers of Kenwood (8044 Montgomery Road).

Class	Total Rentable SF	Net Absorption 2011 Q3	Net Absorption 2011 Q2	% Vacant 2011 Q3	% Vacant 2011 Q2
A	1,923,826	2,479	(2,906)	11%	11%
B	406,907	(924)	3,396	15%	15%
Total	2,330,733	1,555	490	11%	12%

Blue Ash

- **Truepoint Incorporated** expanded to 11,000 SF at the Hills Corporate Center (4901 Hunt Road).
- **Catholic Health Partners** leased an additional 20,902 SF at McCauley Place (4600 McCauley Place).
- **Environmental Resources Management** subleased 3,563 SF at the Landings II (9987 Carver Road).
- **Ohio Farmer's Insurance Agency** renewed its lease and expanded by 3,802 SF at Pfeiffer Place (10300 Alliance Drive). They now have 13,147 SF.
- **Round Tower Technologies** leased 7,000 SF at Westlake Center (4555 Lake Forest Drive), and will be relocating from Kemper Pointe (7850 E. Kemper Road).
- **Mammotome** expanded by 10,800 SF at Summit Woods II (300 E-Business Way).

Class	Total Rentable SF	Net Absorption 2011 Q3	Net Absorption 2011 Q2	% Vacant 2011 Q3	% Vacant 2011 Q2
A	2,803,012	15,158	79,834	17%	17%
B	1,112,050	(42,414)	(3,287)	28%	24%
Total	3,915,062	(27,256)	75,603	20%	19%

I-71/Warren County

- **Waterstone Investment Counsel** renewed its 2,494 SF lease at One Waterstone Place (9435 Waterstone Boulevard) in Deerfield Township.
- **Camp Dresser & McKee** renewed its lease and expanded to 10,500 SF at 8805 Governor's Hill Drive in Symmes Township.
- **Software Information Systems, LLC** leased 3,593 SF at 8805 Governor's Hill Drive, relocating from Kemper Pointe (7870 E. Kemper Road).

Class	Total Rentable SF	Net Absorption 2011 Q3	Net Absorption 2011 Q2	% Vacant 2011 Q3	% Vacant 2011 Q2
A	3,028,870	(9,773)	(64,162)	24%	23%
B	296,021	1,495	55,177	28%	28%
Total	3,324,891	(8,278)	(8,985)	24%	24%



- **Dassault Systemes Simulia Corporation** relocated from 3,905 SF at Centre Pointe III in West Chester into 12,949 SF at Deerfield Crossing I (5181 Natorp Boulevard) in Deerfield Township.
- **Georgia-Pacific Consumer Products** relocated from 8600 Governor’s Hill Drive into 5,659 SF at Deerfield Crossing I.
- **Cornerstone Academy** leased 5,000 SF at Deerfield Crossing I.
- **Cintas** renewed its 34,000 SF lease at 6847 Cintas Boulevard in Mason.
- **Vitas** renewed its 20,000 SF lease at One Northlake Place (11500 One Northlake Drive) in Symmes Township.

Montgomery/Milford

- **Healthcare Regional Marketing** leased 13,500 SF at Ivy Pointe II (4270 Ivy Pointe Boulevard) in Eastgate.
- **The Christ Hospital** subleased an additional 36,215 SF from Kroger at 7545 Beechmont Avenue in Anderson. They are not subleasing the entire 70,100 SF building.

Class	Total Rentable SF	Net Absorption 2011 Q3	Net Absorption 2011 Q2	% Vacant 2011 Q3	% Vacant 2011 Q2
A	1,000,511	6,044	3,901	22%	23%
B	794,635	(1,073)	4,868	28%	28%
Total	1,795,146	4,971	8,769	25%	25%

Tri-County/West Chester

- **Humana** leased the entire Executive Centre I building (173,397 SF at 111 Merchant Street) in Springdale. The largest new lease transaction of 2011, this lease is a result of Humana’s growing RightSource mail-order and special pharmacy operations. Humana will house 650 employees at this site, which could grow to 1,200 employees over the next two years.
- **MTCI** renewed and expanded its lease at Spectrum Office Tower (11260 Chester Road). They will now occupy the entire seventh floor (13,400 SF).
- **ComDoc** occupied 2,913 SF at 9270 Centre Pointe Drive in West Chester.
- **OfficeKey** subleased 12,661 SF from BAE Systems at Centre Pointe VI (9277 Centre Pointe Drive).

Class	Total Rentable SF	Net Absorption 2011 Q3	Net Absorption 2011 Q2	% Vacant 2011 Q3	% Vacant 2011 Q2
A	2,808,980	180,357	50,517	13%	20%
B	1,711,481	2,176	(47,724)	34%	34%
Total	4,520,461	182,533	2,793	20%	21%



Northern Kentucky

- **Catholic Health Initiatives** renewed its 75,000 SF lease at Olympic Corporate Center II (3900 Olympic Boulevard) in Erlanger.
- **Valley Forge** renewed its 3,000 SF lease at RiverCenter I (50 E. RiverCenter Boulevard) in Covington.
- **TT Network Integrations** leased 2,200 SF at Lookout Corporate Center (1717 Dixie Highway) in Ft. Wright.

Class	Total Rentable SF	Net Absorption 2011 Q3	Net Absorption 2011 Q2	% Vacant 2011 Q3	% Vacant 2011 Q2
A	3,783,087	9,941	66,369	21%	21%
B	457,369	11,866	5,685	20%	23%
Total	4,240,456	21,807	72,054	21%	21%

Third Quarter Construction Completions

- Duke Realty’s **Western Ridge Medical Office Building Two** (6909 Good Samaritan Drive) opened in July. This single-story, 29,700 SF building has 6,280 SF available. **Wellington Orthopaedics & Sports Medicine** has leased 18,920 SF and **Tri-State Centers for Sight** has leased 4,520 SF.

Projects Under Construction

- **TriHealth** broke ground in January on a new 65,000 SF medical office building at Good Samaritan Hospital. The building is being built on the parking lot behind the existing 61,000 SF medical office building. Group Health Associates will occupy the building and relocate from its existing facility at 2915 Clifton Avenue. The anticipated completion date is summer 2012.
- Construction commenced in February on **Mercy Health Partners’** new West Side hospital, Mercy Hospital West. Located near I-74 off the North Bend Road exit, the facility will encompass 550,000 SF and have 250 beds. The \$200 million hospital is scheduled to open in fall-2013. Services will include heart care, a cancer center, an orthopedics center, a women’s health center, neurology service, and obstetrics/maternity care.
- **The Christ Hospital** broke ground in March on a three-story, 68,000 SF outpatient center at Harrison Avenue and Filview Circle in Green Township. This building is scheduled for completion in the first quarter of 2012. The outpatient center will offer a wide range of services including cardiovascular, orthopaedic and primary care physician offices; a full-service imaging center; physical and occupational therapy; a wound healing center; and a testing center for diagnostic and pre-surgery lab work. This 11.3 acre site also includes room for future expansion.
- **The Urology Group’s** 55,000 SF, three-story building, at Section Road in Norwood will be completed in June 2012. This new building will house administrative offices and an ambulatory surgery center that will include labs, surgical rooms, seven operating rooms, and radiology facilities. The Urology Group will relocate from 38,000 SF at 4700 Smith Road (Central Parke).
- The new 109,000 SF **FBI** campus at Montgomery Road and I-71 in Kenwood is on schedule for a November 2011 completion. The **FBI** will be relocating from the CBD when their four-story building is completed. The FBI signed a twenty year lease on this \$50 million building, where it will house its Special Weapons and Tactics and Hazardous

Materials units. Plans for the western part of the site include a 160-room hotel and a nine-story, 266,000 SF office tower. The total size of the entire site is 6.26 acres.

- **itelligence, Inc.** is building an 85,000 SF, headquarters and data center on an 8.1 acre site at Reed Hartman Highway and Osborne Boulevard in Blue Ash. itelligence will be relocating from 25,000 SF at Kemper Pointe (7870 E. Kemper Road) in Symmes Township.
- **Medpace, Inc.** is expanding its Madisonville headquarters by 200,000 SF. Medpace's first building (132,000 SF) was completed last December. One building will be a four-story 140,000 SF facility, and the other will be two stories totaling 60,000 SF. The additional space will allow Medpace to consolidate all of its 575 Cincinnati employees at the former 29 acre NuTone site on Red Bank Road.
- The future of **Kenwood Towne Place**, comprising 270,000 SF, remains uncertain.

Planned Construction Projects

- **Phase II of The Banks** will comprise 250,000 SF of Class A office space, but the timing of this project remains uncertain due to its 60% pre-leasing requirement.
- **Neyer Properties** plans to build 40,000 SF of Class A medical office space at 5655 Harrison Avenue. Located at Harrison Avenue and Westwood Northern Boulevard on a 5 acre site, this new building will be built to LEED Silver standards. Planet Fitness has signed a letter-of-intent to lease 20,000 SF adjacent to the new building. The timing of this project will depend upon obtaining the necessary pre-leasing requirements.
- Demolition of **Oakley Station** (a 74 acre mixed use site at Disney and Forrer Streets and Marburg Avenue in Oakley) continues. **Cinemark NextGen** will have a 55,000 SF, 16-screen movie theater. Additional plans include 350,000 SF of retail space, 200 apartments, and 300,000 SF of office space built to LEED standards.
- **St. Elizabeth Healthcare** will construct a single-story, 25,000 SF medical complex at the site of the former Mildred Dean Elementary School in Newport. The school closed in June 2010 and St. Elizabeth purchased the property for \$1.9 million. St. Elizabeth will demolish the building this quarter, with construction of the new facility commencing in the next year.
- **Cincinnati Children's Hospital Medical Center** will build a 60,000 SF facility in Green Township, 1.9 miles south of the I-74/Harrison-Rybolt Road exit. CCHMC purchased 8.3 acres of land and the facility will house pediatric subspecialty clinics, therapies, urgent care, and laboratory and radiology services. Construction will begin by October, and the building will open in early 2013.
- **Mercy Health Partners** announced it will spend as much as \$165 million to build a new patient tower at its Anderson campus, expand Jewish Hospital in Kenwood, and renovate Mercy Fairfield. Construction at Anderson will cost \$50-\$75 million and is likely to begin next year, although the final design for the building is yet to be finalized. At the 209-bed Jewish Hospital in Kenwood, Mercy will invest \$50-\$75 million to add private rooms, expand the emergency department, and possibly combine several intensive care units into one area. Mercy Fairfield will be a \$15 million renovation project to take advantage of unused space.

Greater Cincinnati Office Space Sub-Market Overview



Bradley J. Ruther, SIOR, Vice President
 Cincinnati Commercial, REALTORS
 625 Eden Park Drive, Suite 750 ♦ Cincinnati, OH 45202
 PH: 513.864.6606 ♦ FX: 513.864.6607
 www.bradruther.com

