

Heartland Real Estate Business provides a look into the varying landscapes of midwestern office, industrial, retail and multifamily markets.

CINCINNATI

The Cincinnati office market mirrors national trends with increasing vacancy, slow absorption, declining rents and slowed development; however, all the effects are in moderation as the Midwest is less susceptible to the major peaks and valleys that are experienced elsewhere in the country.

Although occupancy is low, Cincinnati has seen a few recent developments in the office sector. St. Elizabeth's and Messer Construction delivered St. Elizabeth's Medical Center, a 118,000-square-foot medical office facility in Northern Kentucky; Cincinnati United Contractors completed the 100,000-square-foot 4270 Ivy Pointe in the Eastgate neighborhood; and Uptown Consortium Inc. delivered The Herald Building, a 46,000-square-foot property located in the Clifton/Midtown area. Projects that are currently under construction include Great American Tower, a 41-story, 825,000-square-foot office tower being developed by Eagle Realty Group; Duke Realty's General Electric Buildings One and Two, which offer 400,000 square feet in West Chester; and the 50,000-square-foot American Red Cross property being developed

by Neyer Properties.

Even though projects are being delivered through 2011, the new properties are mainly being filled by the relocations of existing Cincinnati area companies, which will result in more vacancies in the market rather than improved absorption rates.

The majority of the new development is concentrated in the northern suburbs of the greater Cincinnati area. West Chester and Liberty Township have shown strong growth recently, but projects have slowed or been halted due to the decline in the overall economy. Both townships have seen development of major hospital projects in the last 2 years, followed by strong growth in the medical office market. Miller Valentine's University Point complements the new West Chester Medical Center with 200,000 square feet of medical office buildings and office condominiums. Such developments have created somewhat of a medical office corridor along Interstate 75 from the northern suburbs of Cincinnati up to Dayton, Ohio.

A few new projects are planned or have come online recently in the Kenwood area, but absorption of the

new space has been slow. Currently, all eyes are on the 436,000-square-foot Kenwood Towne Place, a joint development by Neyer Holdings, Bear Creek Capital and DOV Limited, which is to include 270,000 square feet of Class A office space. Additionally, Kenwood Towers is a planned development located on a 15-acre mixed-use site in Kenwood. The plan calls for 250,000 square feet of new Class A office space, which will balance a new 100,000-square-foot FBI facility being developed by Neyer Properties.

The two largest tenants taking new space in the area are Great American Insurance and General Electric; however, these moves are, for the most part, relocations.

Major leases in the area include Cincom Systems' renewal of 131,439 square feet at Executive Center II in Tri-County; Frost Brown Todd's deal for 103,000 square feet at Great American Tower in the central business district (CBD); Huntington National Bank's renewal and expansion of 41,000 square feet at the Fourth & Walnut Center in the CBD; and Plante & Moran's lease of 24,000 square feet of space at The Midland Building.

Class A rental rates average \$16.43 per square foot in the CBD, ranging from \$12 to \$23 per square foot, and \$17.22 per square foot in the suburbs, ranging from \$10 to \$20 per square foot. The overall vacancy rate for the greater Cincinnati office market is estimated at 12.4 percent. Vacancy in the CBD is approximately 9.6 percent, compared to 13.3 percent for the suburban office markets. Overall vacancy for Class A, B and C space is reported at 15.1 percent, 14 percent and 8.1 percent, respectively.

Due to the new projects, the Kenwood submarket should stay on the radar for future growth. Additionally, the most interesting market segment may prove to be medical office. New hospitals have recently opened in the northern suburbs, and a new facility is planned on the west side. The three major hospital organizations are in a state of flux with several facilities changing hands and joining or leaving organizations. The national health-care plan is also bound to have some impact on medical office growth.

— *Christopher Vitori is vice president and partner at The Everest Group/TCN Worldwide in Cincinnati.*