Cincinnati, Ohio

Tenant's Guide ▪ North American Markets ▪ Second Quarter 2010

Overview

Overall there was not any significant movement, either positive or negative, in the last quarter as availability rates in the region crested 27.0%. Flight to quality product continues, and we believe class A space, especially the newer product, will begin to fill, reducing the currently high levels of availability. Kenwood and West Chester maintained their standing as the healthiest of the submarkets while Tri-County, Mason, and the Eastern suburbs continue to struggle with almost one-third of their office space available to lease. In addition, the amount of sublease space, now at 750,000 SF, continues to rise, with a 13% increase in the past quarter alone. Noteworthy deals include Devicor, the spin-off of from Ethicon, which leased 29,000 SF; Sunny D, which expanded from 22,500 to 36,000 SF; and Morgan Stanley's 23,000 SF in Kenwood.

Market Trends

- Companies are taking advantage of reduced real estate values to purchase and retrofit existing buildings for their own use, leaving behind space that will now need to be leased to others.
- Conversions of functionally obsolete downtown office buildings to apartments or condominiums can be much less expensive that new construction.
- Although real estate values have dropped precipitously, there have not been a significant number of foreclosures. Lenders, not anxious to foreclose, have taken an "extend and pretend" attitude, hoping for a stabilization to take place.
- According to Fitch Ratings, $9.6 billion in CMBS loans are due to mature by the end of the year. The jury's out as to how many borrowers in the current underwriting environment will be able to refinance and fend off foreclosure.
- The number of distressed assets being sold is less than what was originally anticipated. The challenge is the reluctance of sellers to let go at fire sale prices and the inability for buyer financing.
- Construction of speculative buildings remains at a standstill. There were no announcements for this quarter, and none are anticipated in the foreseeable future.

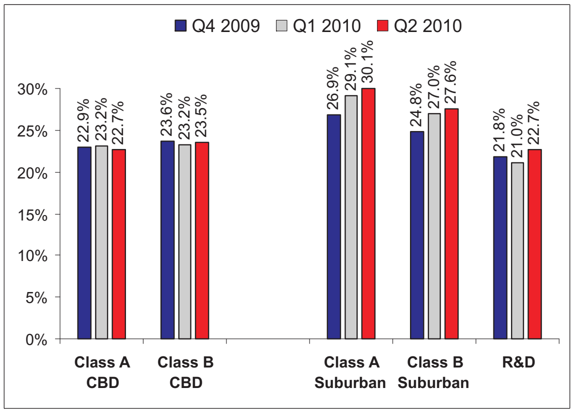
Tenant's Perspective

For those who are able to foresee their future more clearly, there are great deals available in virtually all submarkets. However, many landlords, due to stricter underwriting guidelines, are struggling to provide significant tenant improvement allowances. To counteract this, expect landlords to provide aggressive rental rates and terms.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Sunny Delight	36,146	Office	Lease
Devicor Medical	29,891	Office	Lease
Morgan Stanley	23,000	Office	Lease
Streamline Health	21,723	Office	Renewal
Porter Wright	19,780	Office	Renewal
Strayer University	15,832	Office	Lease
Atos Origin	14,000	Office	Renewal
Domtar Distribution	11,991	Office	Lease
Thinkvine	10,000	Office	Lease
Union Springs Pharma	9,126	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q4 2009	Q1 2010	Q2 2010
Class A Office	$22.98	$22.93	$22.85
Class B Office	$15.45	$15.45	$15.37

Suburban	Q4 2009	Q1 2010	Q2 2010
Class A Office	$20.78	$20.79	$20.65
Class B Office	$16.03	$16.16	$16.07
R&D	$6.85-12.20	$6.60-12.10	$6.40-11.90

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