

COMMUNIQUE

A PUBLICATION OF NAI OHIOEQUITIES, LLC | 605 S. FRONT STREET - SUITE 200 | COLUMBUS, OH 43215 | 2nd Quarter 2010
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Taking Stock of the Global Commercial Real Estate Market



When you look at the commercial real estate industry today, you see that we are in a far better place than we were a year ago, and certainly even six months ago. Last year at this time, the market was gripped in fear, and just six months ago there was caution in the air, with many questions about the fate of the economy and how banks would deal with the massive overhang of distressed debt.

When you look back at 2009, you will see a year of record lows. Yet it is a tale of two different years, as the first half of 2009 represented the absolute bottom, and the second half represented the beginning of the recovery. Starting in July, we saw an uptick in transaction activity here in the U.S. Today, with a strong recovery in Asia, led by a continued boom in China, and a rally in London beginning to pull the European market out of its malaise, the U.S. is showing marked improvement in activity. Values are bottoming, activity is picking up and optimism is returning to the market.

Though we are looking recovery in the face, the devastation left behind in the wake of the credit crisis cannot be overlooked. Millions of square feet remain vacant across markets. Development projects have either stalled or are awaiting funding. We have over \$1 trillion in underwater debt that is continuing to look for a new home as it comes due over the next three years. We expect to see a lot of product come to market at clearing prices, and bank owners seeking partners who will help get their property managed, taken care of and taken off the books. Even with the pickup we are starting to see in leasing activity, we are not seeing a fundamental turn yet.

Looking forward, global economies are beginning to grow again and massive amounts of capital have been amassed to focus on the property sector. In that window between when the recovery begins and when the market returns to a position of dominance, there is a unique window for both corporate users and long term investors to tap the tremendous investment and expansion opportunities abound around the globe.

Hardworking Management Team

The NAI Ohio Equities Management Team works hard for Owners and Tenants at properties they manage. In today's age of falling rents, higher expenses and challenging leasing market, it is extremely important to follow the correct procedures to increase the owners' net operating income.



Mac Tools Building

The NAI Ohio Equities' Management Team works closely with tenants to provide the most desirable working environment to increase tenant satisfaction while also working with ownership and building maintenance to reduce operating expenses. One area that Property Managers focus on is utility costs. Utility costs in a building can run as high as 25% of the building's operating expenses. Property Managers will benchmark current energy consumption in the quest to help track and compare the energy consumption to similar properties. One area of savings and a reasonably quick payback is in the area of lighting and electronic ballast upgrades.



ABB Building

Serving the Owners' and the Tenants' needs is a NAI Ohio Equities' Management Team of 20 Property Managers serving Office, Industrial, Retail, and Medical buildings and Residential Managers serving Condominium and Homeowner Associations, and Apartment complexes. The Commercial Managers participate in several organizations including Building Owners and Managers Association (BOMA) and the Institute of Real Estate Management (IREM) having obtained designations from both organizations.

Continued on page 3.



Charles "Chuck" Manofsky
VP Property Management Operations

Doing Business ... the market...

State of the Art "Green" Commercial Building

NAI Ohio Equities is proud to manage the Lazarus Building in downtown Columbus. The Columbus landmark which housed the Lazarus Department Store vacated its flagship building in 2004 after a century of business. The building's ownership was transferred to Columbus Downtown Development Corporation, who embarked on an innovative redevelopment plan to save the historic structure. Between 2005 and 2008 the building was strategically deconstructed and reconstructed into a premiere state of the art green commercial building. Located in the heart of downtown Columbus, the new Lazarus Building is once again a prominent structure of the Columbus skyline.



The renovation of the Lazarus Building set a standard for environmentally conscious renovation and achieved the "Gold" Certification with the Leadership in Energy and Environmental Design (LEED) following standards established by The United States Green Building Council.



The building features a 1/3 acre roof top garden with over 60 varieties of plants to help reduce heat load and provide storm water management.

The building harvests rainwater in water holding tanks both in the lower level and on the roof to use as gray water. Based on 2009 precipitation, an estimated 2.5 million gallons of water was saved utilizing the rain harvesting system. Low

flow fixtures have been installed throughout the building to save additional water expenses.

Robert Turrin, Sr. Property Manager, and his staff have taken a very aggressive lead in developing the building's recycling program. In addition to recycling fluorescent bulbs and ballasts, since January 2009, the building has recycled 29 tons of cardboard, 1 ton of plastic and aluminum each and 230 tons of paper.

The Lazarus Building is once again a prominent destination due to its innovative green redevelopment that all of Columbus can take pride in. This redevelopment is a cornerstone to the emerging River South neighborhood and a key anchor along High Street.



Robert Turrin, CPM
Sr. Property Manager
– Lazarus Building

2010 BOMA Medical Office Conference



The 2010 BOMA Medical Conference highlighted the recent changes in healthcare reform and their potential affect on medical office building development and performance over the next decade. Local and national leaders from the development, legal, management, insurance and healthcare provider fields were on hand and presented a wide range of theories and ideas over the affects of changes in federal regulations. Feelings were mixed when discussions turned to healthcare reform's affect on financial performance of specific types of medical office buildings, but overall the presenters and the audience alike were optimistic about continued conservative industry growth overall in this newest of recognized real estate asset classes. One area to monitor is the potential consolidation of physician owned buildings back into the hands of hospital groups as reimbursements available to physician groups will continue to be overshadowed by what can be achieved at the hospital level.

and much more...

6670 Perimeter



Operationally, MOB's continue to have increased exposure to regulatory bodies such as Accreditation Association for Ambulatory Health Care, States' Board of Health and the Joint Commission on Accreditation of Healthcare Organizations. Most at the conference agreed that this oversight will strengthen and most likely expand as the government develops tighter controls over the healthcare industry. There has never been a better time for medical office building owners to take advantage of the assurances provided by professional property managers to keep their buildings and tenant spaces in compliance from a facilities standpoint.

Devon Cotterman, RPA
Sr. Property Manager



The project has gained a tremendous amount of interest from both city officials and the private sector. "We want to serve as a model of cross-discipline collaboration," Brouillette said. "There are some models that do some of what we're doing, but not everything."

Merkle has known Lykens for a number of years and knew the underlying Real Estate would be appealing. He just needed a reason to buy it. The idea for the mixed-use arts project gave Lykens the impetuosity to do the deal.

As financing for the project became challenging and time waned on the contract, Merkle assisted in securing debt that consummated the transaction. Lykens and Schnetzler's real estate affiliate, LS Development Systems LLC, financed \$350,000 of the deal through Italian Village Breadbasket LLC, a consortium of other Columbus investors assembled by Merkle.

The buyers' ability to close the deal quickly gave them an edge. "I think they bought it well," Merkle said. "Kevin was able to put together a plan in such a way that satisfied the seller."

The new owners will keep the iconic Wonder Bread sign that towers over the building from its base in a parking lot off Warren Street.

"It's such a prominent sign," Lykens said. ("Keeping it) was part of the purchase contract."



Peter Merkle - Agent



Wonderland Baking Facility to be Reborn as "Wonderland Columbus"

NAI Ohio Equities, LLC agent Peter Merkle recently completed the sale of the landmark Wonder Bread baking facility in Columbus' Italian Village neighborhood. Real estate investors have joined with a new nonprofit organization to create an eclectic mix of arts-oriented retail, exhibition, office and rehearsal space at the facility that comprises 64,600 Square Feet on a little less than 2 acres. Merkle won the assignment to market the property on behalf of Interstate Brands Corp out of Kansas City, MO.

Kevin Lykens and Chris Schnetzler led the March purchase of the former bakery for \$800,000 or roughly \$12.50/SF. Arts entrepreneur Adam Brouillette formed Wonderland Columbus to serve as the master tenant that will go about filling the 64,600-square-foot building that was abandoned last year.

Hardworking Management Team (cont.)

The Residential Managers are very active within the communities they manage and participate in The Columbus Apartment Association The Community Association Institute (CAI), with several receiving the designations of Certified Manager of Community Association (CMCA) and Association Management Specialist (AMS). Working with the Property Managers is an extremely strong support team consisting of an in-house Accounting group, reporting to Mark Wengerd, CFO, that is responsible for all financial aspects of the properties, and a Maintenance group of 63 Maintenance Technicians supported by the Director of Operations, Don Baumann and our in-house Mechanical Engineer, Joe Kaiser.



Grant Oak Apartments Renews Management Contract

One major factor in the success of Grant Oak Apartments is the outstanding performance of the Property Manager, Roxanne Garcia.

Roxanne has been managing Grant Oak Apartments for the past 11 years and has taken the apartments to 99% to 100% occupancy on a consistent basis. NAI Ohio Equities has recently renewed the Management contract of The Grant Oak Apartments.

Roxanne Garcia has been with NAI Ohio Equities since 1999, as Sr. Property Manager of the Grant Oak Apartment Community. Roxanne is responsible for the day-to-day operations, including preparation of budgets, financial reporting, project coordination, tenant and vendor relations, contract negotiations, and oversight of an on-site staff of 3 which includes 2 maintenance technicians and a leasing associate.

On-going capital projects under Roxanne's direction include window replacement; apartment rehabilitation; furnace replacement; common area painting; and exterior landscaping and maintenance. Grant Oak's tenant base comes from students at the Columbus College of Art and Design; Capital Law School; Grant Medical Center; the State of Ohio; and employees in the Central Business District.



The Grant Oak Apartments

Roxanne Garcia, CAM
Sr. Property Manager
- Grant Oak Apartments

