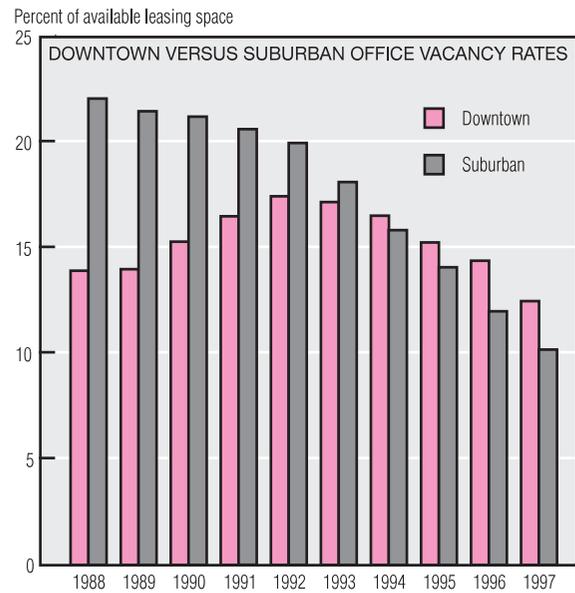
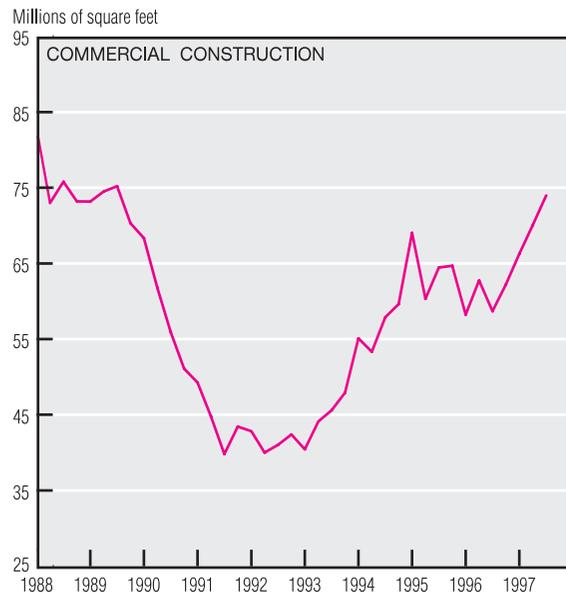
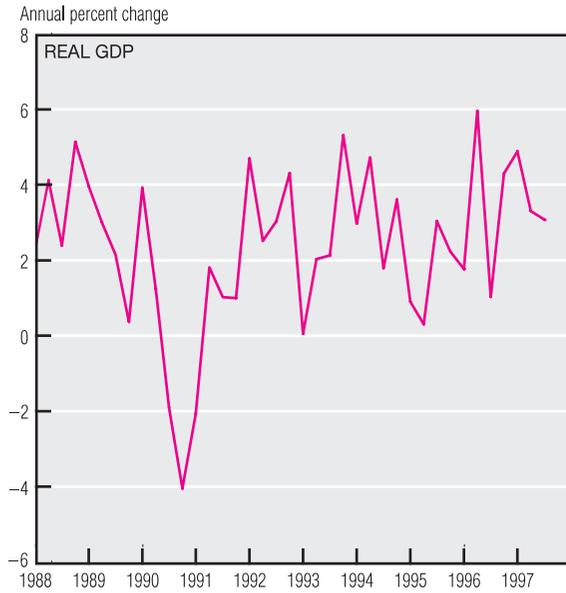


Office Vacancy Rates



NOTE: Real GDP and commercial construction are seasonally adjusted; remaining data are not.
 SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of the Census; and CB Commercial/Torto Wheaton Research.

As the current business expansion enters its eighth year of growth above the economy's long-term potential, capacity constraints are becoming an increasing concern. Office vacancy rates provide one early indicator of emerging growth limitations.

When economic activity slowed in the late 1980s and during the 1990-91 recession, vacancy rates remained high. Suburban rates hovered around 20%, and downtown

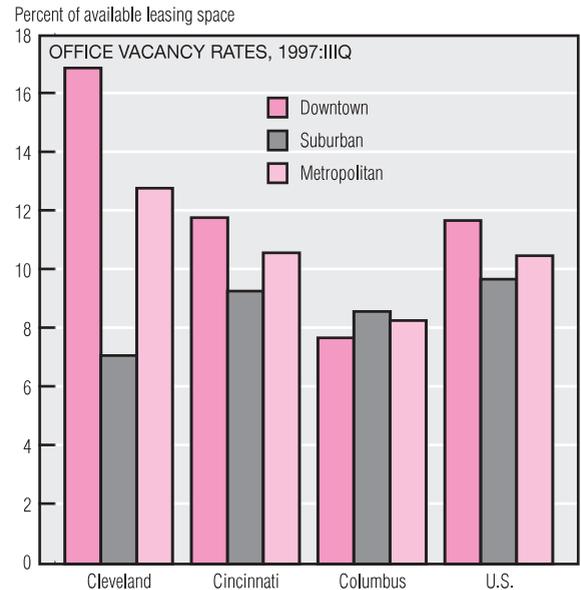
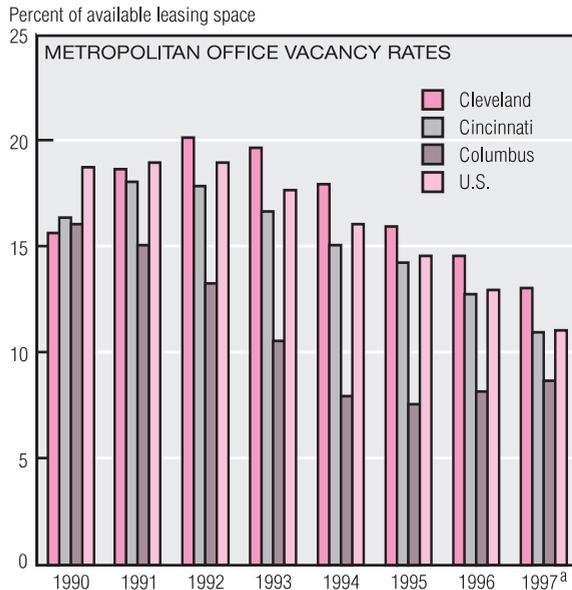
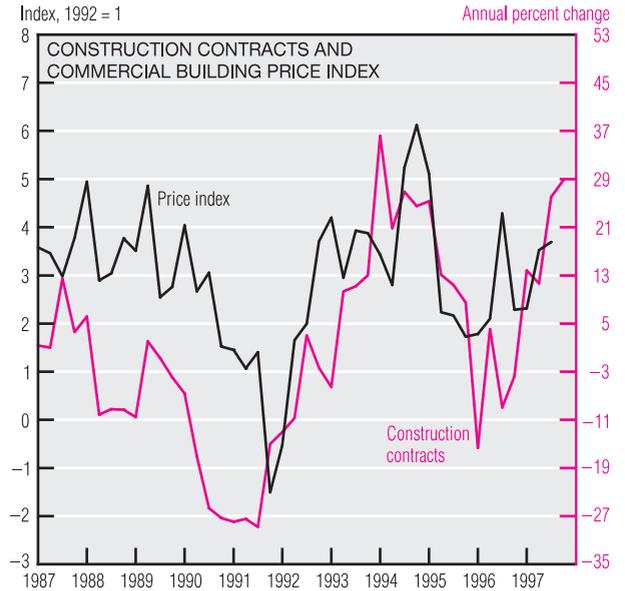
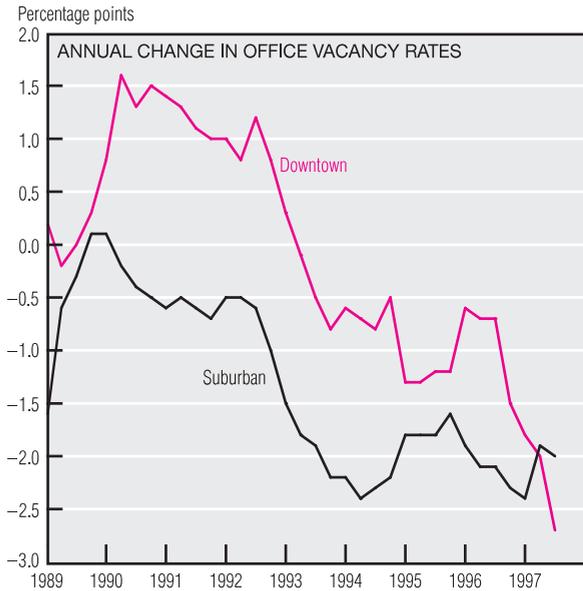
vacancies gradually rose to 17.6% in 1992. Since July 1992, total metropolitan office vacancy rates have fallen steadily because, despite expanding business activity, little new office space has become available. Both the downtown and the suburban indexes began to decline precipitously after 1993, with suburban rates dropping the fastest. By 1996, the suburban rate stood at 12.0%—a whopping 3.7 percentage points lower than in 1994. Over the same

two-year interval, downtown vacancy rates fell 1.9 percentage points to 14.4%.

The relatively stronger demand for suburban office space seems to reflect advances in telecommunications. New communications technology allows firms to move parts of their operations to distant locations offering higher worker productivity and lower costs.

Over the past year, however,
(continued on next page)

Office Vacancy Rates (cont.)



a. Average of first three quarters.
 NOTE: Construction contracts and commercial building price index are seasonally adjusted; remaining data are not.
 SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of the Census; and CB Commercial/Torto Wheaton Research.

downtown vacancy rates have fallen faster than suburban rates, suggesting that businesses' flight out of the central city may be slowing. Suburban space is becoming scarcer and more expensive, forcing some tenants back into the downtown area.

The rising price of office space has also piqued the interest of builders. In the second quarter of 1996, the index for commercial property began to approach levels that would turn a profit for developers. Since that time, new construc-

tion contracts have risen 36.6%, but for the most part, the rental space is not yet available.

Nationally, metropolitan vacancy rates stood at only 10.5% in 1997:IIIQ, 2.3 percentage points below 1996's level, and suburban vacancy rates dipped to 9.7%. Downtown vacancy rates fell to 11.7% for the quarter, the lowest posting in 12 years.

Vacancy rates in Ohio's three most heavily populated metropolitan areas have generally followed

national patterns. Columbus has the lowest overall vacancy rate (8.3%), with its downtown faring better than its suburbs. Cincinnati mirrors the national average. In Cleveland, the downtown rate has fallen faster than the suburban rate in recent months. Although the city's overall metropolitan vacancy rate is not out of line with the U.S. average, its downtown rate far surpasses the national rate as well as its own suburban rate.