



Commercial market holding steady in Northern Kentucky

Covington, surrounding areas, an alternative to downtown Cincinnati

By Dan Rafter, Editor

The list is impressive: Fidelity Investments; diversified chemical company Ashland Inc.; Huntington Bank; pharmaceutical firm Omnicare; marketing giant ACNielsen-Bases; and the Internal Revenue Service.

They all have headquarters or significant presences in the Ohio River town of Covington, Ken. And they've all helped make this city of more than 43,000 just across the river from Cincinnati into a hub

of commercial activity in Northern Kentucky.

The best news? Commercial pros say they expect Covington to continue its commercial growth - even if it might be at a slower pace - in the years to come.

Travis Likes, office advisor with the downtown Cincinnati location of Grubb & Ellis/West Shell, can see the Covington skyline from his office window. To him, there's no mystery as to why Covington has grown so quickly into a commercial

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hub.

"It's simple: You have good views of downtown Cincinnati. The cost of doing business in Covington is cheaper in general than it is in Cincinnati. And when businesses are looking for new homes, the product is there. You have between the buildings of RiverCenter I and RiverCenter II top-of-the-line buildings in Covington, right on the riverfront," Likes said.

The pair of RiverCenter office towers have long played an important role in the commercial development of Covington. Developer Corporex, based in Covington, helped spur the city's commercial rebirth in 1990, when it developed the \$110 million 18-story RiverCenter I office building. In 1997, it developed the sequel, RiverCenter II. In between, Embassy Suites built a 230-room hotel in the area. The company's third office building, Madison Place, completes its three-tower RiverCenter development.

Corporex and Embassy Suites, though, weren't alone in fueling Covington's growth. Some city officials place the start of the city's commercial importance as far back as 1984, when developer David Herriman built the 34-unit Riverside Terrace condominium complex for \$4.4 million. Two years later, Herriman added the 43-unit Riverside Plaza condominium complex for \$7.5 million.

And Fidelity Investments certainly didn't hurt when in 1994 it created a 188-acre campus in Covington, building three office buildings totaling about 780,000 square feet. During this same period, Wessels Construction built the IRS Gateway Center in the city.

Jeffrey Bender, principal and senior vice president with the Cincinnati office of Colliers Turley Martin Tucker, deals with the industrial market. While this market remains strong in the Northern Kentucky region - including Covington - it does face its own challenges, he said. First, demand for industrial space here, following a strong four- to five-year run, has softened slightly.

Secondly, that long run of prosperity has helped dry up the labor pool slightly in the region.

"There is not, of course, zero unemployment here. But when you are talking about the site selectors that brokers are looking for, one of them is that they tend to lean toward a place where there is clearly an abundance of labor," Bender said. "All other things being equal with the many factors that go into a site selection - transportation costs, quality of life issues, labor costs, tax structures, the availability of labor, these go on and on - the shortage of labor is probably the biggest challenge that market has right now."

Overall, though, the industrial market in Northern Kentucky is one of the two strongest of the submarkets in the Cincinnati region, Bender said, the other being the northwest section of the city of Cincinnati itself.

Transportation is key for industrial success, and the Covington/Northern Kentucky market is blessed to be located along Interstate-75, the highway that runs from

Detroit all the way to Florida, one of the main North-South corridors in the eastern half of the United States.

"This has historically been a strong submarket," Bender said. "For the last 20 years, it's become an even stronger submarket because of the improvements to the Greater Cincinnati/Northern Kentucky International Airport, as well as infrastructure improvements by local municipalities."

The other challenges that Covington - and the region of Northern Kentucky face - include low velocity and almost no rent growth in the office market, Likes said.

"That's a challenge that almost all the submarkets in the greater Cincinnati region, including Northern Kentucky, face," Likes said. "Over the last several years, we've seen very nominal rent growth from year to year. We've seen low velocity. There are not that many tenants floating around Northern Kentucky. When they are, Covington is a great option for them. We just need to see more of these tenants coming to the area."