

## *Airpark West II Hebron, KY (Cincinnati, OH)*



*Investment Date: July 2000  
Capitalized Cost: \$6,500,000  
Sales Date: January 2017  
Sales Price: \$7,700,000 \**

*\*Sales price excludes the benefit of operating cash flows.*

Airpark West II was the ground-up development of two office/warehouse buildings comprising 140,000 square feet in Hebron, Kentucky, the location of the Cincinnati/Northern Kentucky International Airport (CVG). The buildings contained 20% office and 80% warehouse space and benefited from a favorable proximity to the airport, Interstate-275, and other industrial parks.

We began construction on the first building in July 2000 and the second in July 2002. Following completion, we experienced steady leasing progress, and the project began making monthly cash distributions in 2004.

Delta Airlines, whose second largest hub was at CVG, unexpectedly filed for bankruptcy in September 2005. As a result, the total number of passengers at CVG fell from an annual peak of 22.7 million in 2005 to just 6 million in 2013. This development created a significant strain on the region's economy and commercial real estate market.

We felt the impact of Delta's bankruptcy immediately; but through persistence and hard work, we slowly returned to stabilized operations over the following years. In 2011, we entered into a contract to sell the property; however, at the 11<sup>th</sup> hour, the buyer attempted to renegotiate a lower sales price because of lingering concerns about the market. We terminated the sale agreement.

For the next five years, we held the property and focused on operations as local market conditions improved, and then we entered a new sale agreement in 2016. We ultimately sold the asset in January 2017 at a price that was 54% higher than the offer we turned down six years prior.

This case study demonstrates two key points: first, patience and perseverance MUST be accompanied by a realistic assessment of the market and the value of an asset. Second, you should never buy a property you don't want to own. In other words, be prepared to hold an investment while the local or regional economy recovers from a downturn.

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