

2<sup>nd</sup> Quarter 2014

# Market Report

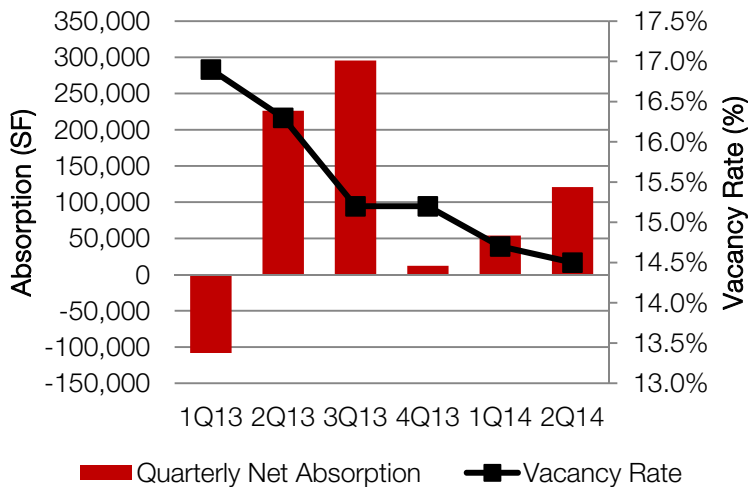




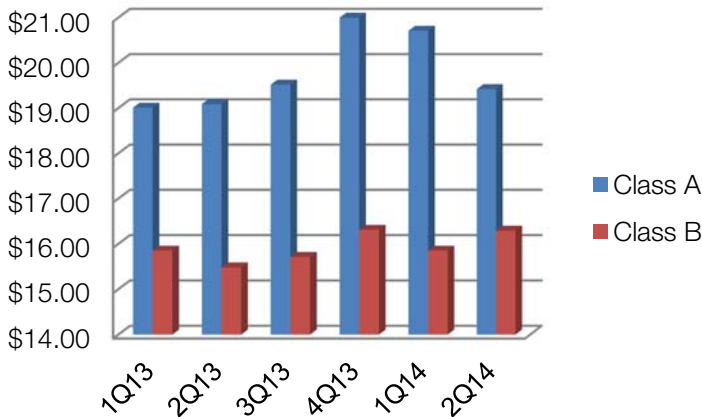
# Office.

## Market Statistics

### Quarterly Absorption and Vacancy



### Historic Rental Rates (FSG)



Vacancy Rate ↓ Net Absorption ↑ Asking Rents ↑

#### OVERALL MARKET

Building Class	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Sublease Available (SF)	Qtrly Net Absorption (SF)
A	85	12,699,359	2,335,183	1,681,927	13.20%	288,580	55,640
B	232	18,046,900	3,540,796	2,766,509	15.30%	234,489	65,155
<b>Grand Total</b>	<b>317</b>	<b>30,746,259</b>	<b>5,875,979</b>	<b>4,448,436</b>	<b>14.50%</b>	<b>523,069</b>	<b>120,795</b>

#### CENTRAL BUSINESS DISTRICT MARKET

Building Class	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Sublease Available (SF)	Qtrly Net Absorption (SF)
A	18	3,773,448	577,091	499,516	13.20%	75,213	39,100
B	49	6,618,259	1,462,692	1,024,360	15.50%	116,629	9,649
<b>Grand Total</b>	<b>67</b>	<b>10,391,707</b>	<b>2,039,783</b>	<b>1,523,876</b>	<b>14.70%</b>	<b>191,842</b>	<b>48,749</b>

#### SUBURBAN MARKETS

Building Class	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Sublease Available (SF)	Qtrly Net Absorption (SF)
A	67	8,925,911	1,758,092	1,182,411	13.20%	213,367	16,540
B	183	11,428,641	2,078,104	1,742,149	15.20%	117,860	55,506
<b>Grand Total</b>	<b>250</b>	<b>20,354,552</b>	<b>3,836,196</b>	<b>2,924,560</b>	<b>14.40%</b>	<b>331,227</b>	<b>72,046</b>

### Office Market Becoming A Standard Headliner

Don't blink; you just might miss the next big news flash as the Columbus office market continues to make headlines in the 2nd Quarter of 2014. Topping it all was Nationwide Mutual Insurance Co.'s announcement to move 3,000 workers from Dublin to a new 500,000 SF corporate campus to be built in their Grandview Yard development, which will also spur a second hotel and a conference center. The estimated completion date will be sometime in 2016. This relocation follows Nationwide's 1,200 jobs it relocated out of the suburbs to 10 W. Nationwide Blvd 2 years ago. Nationwide Realty Investors announced its plan to renovate 400 W. Nationwide Blvd. better known as "Buggyworks" into 108,000 SF creative loft-style offices to be completed in mid-2015. As NRI proactively enhances their current projects, they also continue to scout new development sites as they recently took control of the 8-acre Buyers Chevy site at 555 W. Broad St. in East Franklinton. Some local companies are already jumping at Franklinton's hopeful future; at 250 N. Hartford Ave Orange Barrel Media is constructing a \$7 million, 20,000-square-foot office building and billboard for their new headquarters.

With all of the downtown activity, the suburban market can sometimes be overshadowed; however there is still plenty of activity and opportunities around the beltway. Most notably during the 2nd quarter, in Easton, Alliance Data Retail Services announced its plan to consolidate and expand its offices with an \$80 million, 550,000-square-foot, 40 acre office campus on Stelzer Rd. that is scheduled to be completed in 2018. In Polaris, Texas investor HPI Real Estate Services who also owns Rockmill Commerce Center on City Gate Drive purchased 8415 & 8425 Pulsar Place out of receivership for \$55.00/SF. The two Class B office building's total 202,500 square feet and will have upwards of 100,000 SF available with 75,000 SF being contiguous.

The Columbus Office Market continues to gain momentum and improve. Downtown vacancy rates hold steady averaging 14.6%. Downtown class A office lease rates are averaging \$21.18/SF with class B at \$16.72/SF on a gross basis. As for the suburbs vacancy is at 13.8% with Easton winning out at 11.3%. Suburban class A office lease rates are averaging \$18.87/SF with class B at \$16.02/SF on a gross basis.

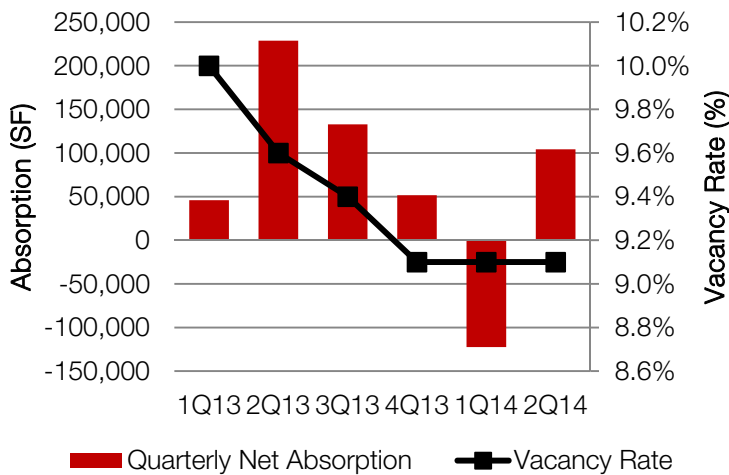
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## Quarterly Absorption and Vacancy



## Retail.

## Market Statistics

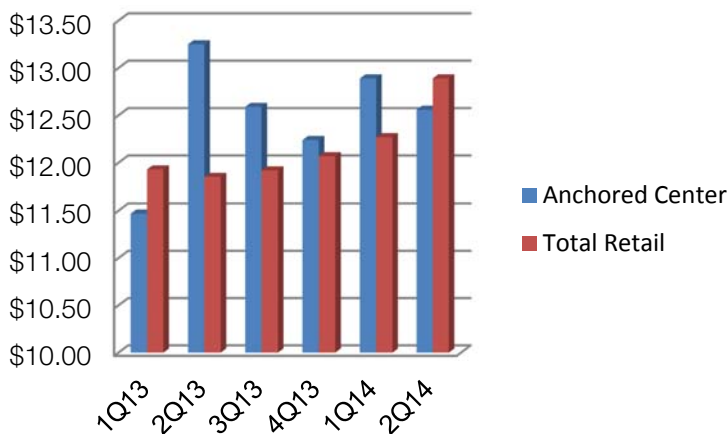
### 2<sup>nd</sup> Quarter 2014 Retail Market Update

Unlike the office and industrial market, the health of the local retail market is not always reflected in vacancy and absorption rates. With asking rates remaining stagnant for existing product, and very little absorption, is the local retail market really at a standstill? Hardly. New retail projects continue to be announced, and constructed. In fact, once the dust settles, we predict a look back at 2013 and 2014 will be referred to as a real boom time for local retail development. Who are the tenants? Of the 120 new lease deals completed in the second quarter, 2/3 were tenants occupying 3,000 square feet or less, and 20 of those were restaurants or pubs. Big box power centers and grocery anchored centers, which used to be the standard new retail, are few and far between.

Small retail has learned how to compete with the big box power stores and the internet by offering what they don't; a personalized shopping experience and access to specialty products that Wal-Mart and Target cannot afford to stock.

The bottom line, local retail developments are relying more than ever on small, specialty retail.

## Historic Rental Rates



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Vacancy Rate ↔ Net Absorption ↑ Asking Rents ↑



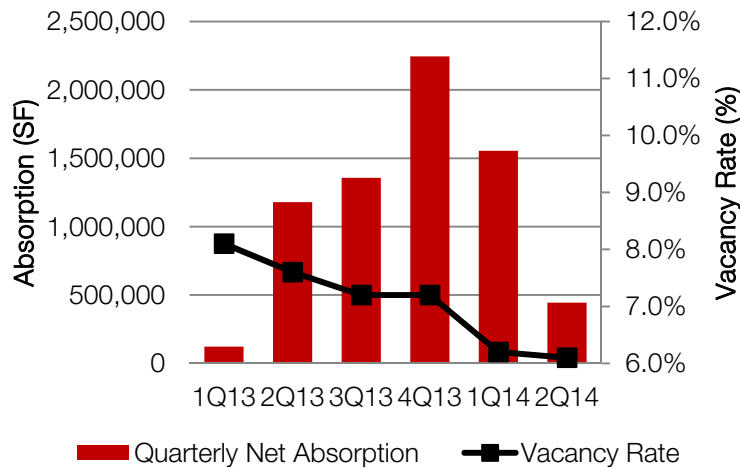
Submarket	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Qtrly Net Absorption (SF)
<b>Southeast</b>	<b>58</b>	<b>6,552,407</b>	<b>1,103,212</b>	<b>992,083</b>	<b>15.10%</b>	<b>992,083</b>	<b>15.10%</b>	<b>3,294</b>
Power Ctr	6	2,654,731	442,139	442,139	16.70%	442,139	16.70%	-5,570
Anchored Strip Center	17	2,119,352	251,798	166,794	7.90%	166,794	7.90%	3,835
Community/ Convenience	35	1,778,324	409,275	383,150	21.50%	383,150	21.50%	5,029
<b>Southwest</b>	<b>43</b>	<b>5,289,532</b>	<b>571,330</b>	<b>547,758</b>	<b>10.40%</b>	<b>547,758</b>	<b>10.40%</b>	<b>-19,241</b>
Power Ctr	7	2,323,478	182,253	173,773	7.50%	173,773	7.50%	-6,685
Anchored Strip Center	9	1,390,570	152,378	147,378	10.60%	147,378	10.60%	-18,798
Community/ Convenience	27	1,575,484	236,699	226,607	14.40%	226,607	14.40%	6,242
<b>North-Northeast</b>	<b>104</b>	<b>10,688,899</b>	<b>1,209,807</b>	<b>972,487</b>	<b>9.10%</b>	<b>968,991</b>	<b>9.10%</b>	<b>33,060</b>
Power Ctr	11	4,021,529	367,645	281,901	7.00%	281,901	7.00%	5,705
Anchored Strip Center	22	3,022,570	388,824	317,024	10.50%	317,024	10.50%	6,710
Community/ Convenience	71	3,644,800	453,338	373,562	10.20%	370,066	10.20%	20,645
<b>Northwest</b>	<b>84</b>	<b>9,287,155</b>	<b>630,462</b>	<b>570,973</b>	<b>6.10%</b>	<b>570,973</b>	<b>6.10%</b>	<b>23,570</b>
Power Ctr	12	3,690,365	177,628	150,158	4.10%	150,158	4.10%	-3,088
Anchored Strip Center	17	2,329,043	126,641	122,306	5.30%	122,306	5.30%	19,933
Community/ Convenience	55	3,267,747	326,193	298,509	9.10%	298,509	9.10%	6,725
<b>Outlying</b>	<b>86</b>	<b>8,261,806</b>	<b>649,683</b>	<b>554,648</b>	<b>0.00%</b>	<b>554,648</b>	<b>6.71%</b>	<b>63,421</b>
Power Ctr	10	2,955,488	91,626	81,308	0.00%	81,308	2.75%	12,415
Anchored Strip Center	31	3,016,294	350,078	290,049	0.00%	290,049	9.62%	56,528
Community/ Convenience	66	4,953,812	381,877	342,927	0.00%	342,927	6.92%	11,015
<b>Grand Total</b>	<b>375</b>	<b>40,079,799</b>	<b>4,164,494</b>	<b>3,637,949</b>	<b>9.10%</b>	<b>3,634,453</b>	<b>9.10%</b>	<b>104,104</b>



# Industrial.

## Market Statistics

### Quarterly Absorption and Vacancy



### 2<sup>nd</sup> Quarter 2014 Industrial Market Update

The industrial sector in Columbus is holding strong. The second quarter vacancy rate stayed the same as the previous quarter at 6.5%; a drop of over 2% over one year ago. Landlords are starting to see the results of low vacancy as rental rates are on the rise.

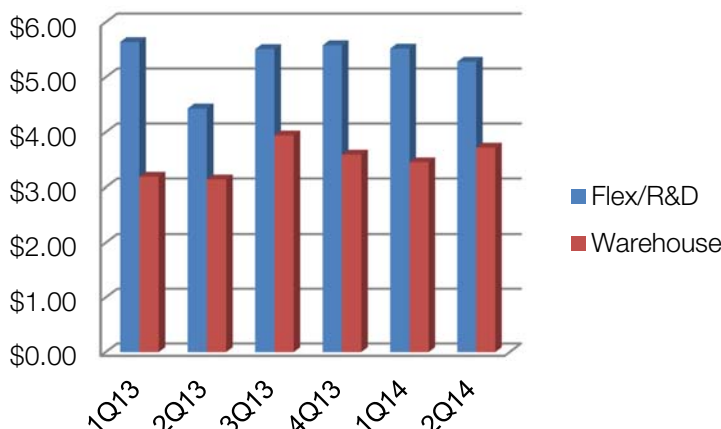
But this effect may be temporary, as speculative construction begins to come on line and several existing, large units will be coming back to market. We expect to see an increase in the vacancy rate and better rates and incentives for tenants.

While new properties are being developed and some tenants are downsizing or vacating, there are several large tenants that are helping with the current low vacancy rates. A total of 444,562 SF was absorbed this quarter, bringing the total available space to 14 million square feet, compared to the overall 230 million total square feet existing in Central Ohio.

Grove City has been the beneficiary of new tenants; South Korean based S & T Automotive Co. recently leased 3900 Gantz Rd at 175,512 square feet. A handful of other transactions brought the Southwest vacancy rate down to 3.5%, which was second only to the Columbus Business District at a stunning 1.9%.

The current state of the industrial market is very optimistic. Rates are on the rise and landlords are very happy. However, this small window of opportunity for landlords may soon come to an end and put some of the power back into the tenant's hands.

### Historic Rental Rates



Vacancy Rate ↓ Net Absorption ↓ Asking Rents ↑

Property Type	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Qtrly Net Absorption (SF)
Investment Grade	100	46,359,573	4,852,551	1,110,188	1,110,188	2.4%	-195,736
Bulk Warehouse	237	71,361,197	10,454,438	6,773,544	6,773,544	9.5%	510,622
Warehouse	538	20,794,611	2,460,038	1,544,521	1,468,321	7.1%	54,541
Truck Terminal	64	2,414,271	261,254	142,082	129,027	5.3%	25,000
Manufacturing	262	28,790,766	2,821,719	2,019,118	2,019,118	7.0%	-88,540
Flex	557	20,288,648	2,037,547	1,787,533	1,773,446	8.7%	64,129
Light Industrial	883	39,336,810	1,069,414	677,582	647,582	1.6%	74,547
<b>Grand Total</b>	<b>2,641</b>	<b>229,345,876</b>	<b>23,956,961</b>	<b>14,054,568</b>	<b>13,921,226</b>	<b>6.10%</b>	<b>444,563</b>
Submarket	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Qtrly Net Absorption (SF)
CBD	87	2,778,956	179,718	43,772	43,772	1.60%	304
East	395	22,127,199	2,631,988	1,530,858	1,530,858	6.90%	17,448
North	344	18,924,487	2,112,671	1,162,558	1,148,471	6.10%	17,657
Southeast	499	71,148,971	7,708,727	3,834,466	3,824,466	5.40%	161,184
Southwest	267	20,941,192	1,744,476	730,839	730,839	3.50%	187,070
West	514	38,156,463	4,657,874	3,991,229	3,881,974	10.20%	-17,724
Outlying	535	55,268,608	4,921,507	2,760,846	2,760,846	5.00%	78,624
<b>Grand Total</b>	<b>2,641</b>	<b>229,345,876</b>	<b>23,956,961</b>	<b>14,054,568</b>	<b>13,921,226</b>	<b>6.10%</b>	<b>444,563</b>

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# Market Report

# Terminology.

## **Absorption (Net)**

The change in occupied space in a given time period.

## **Available Square Footage**

Net rentable area considered available for lease; excludes sublease space.

## **Average Asking Rental Rate**

Rental rate as quoted from each building's owner/management company. For office space, a full service rate was requested; for retail, a triple net rate requested; for industrial, a NNN basis.

## **Building Class**

Class A product is office space of steel and concrete construction, built after 1980, quality tenants, excellent amenities & premium rates. Class B product is office space built after 1980, fair to good finishes & wide range of tenants.

## **Direct Vacancy**

Space currently available for lease directly with the landlord or building owner.

## **Market Size**

Includes all existing and under construction office buildings (office, office condo, office loft, office medical, all classes and all sizes, both multi-tenant and single-tenant, including owner-occupied buildings) within each market.

## **Overall Vacancy**

All unoccupied lease space, either direct or sublease.

## **RBA**

Rentable building area.

## **SF/PSF**

Square foot / per square foot, used as a unit of measurement.

## **Sublease**

Arrangement in which a tenant leases rental property to another, and the tenant becomes the landlord to the subtenant.

## **Sublease Space**

Total square footage being marketed for lease by the tenant. Sublease space is not considered in the overall occupancy or absorption numbers – only direct leases are included.

## **Sublease Vacancy**

Space currently available in the market for sublease with an existing tenant within a building acting as the landlord.

