

3rd Quarter 2014

Market Report

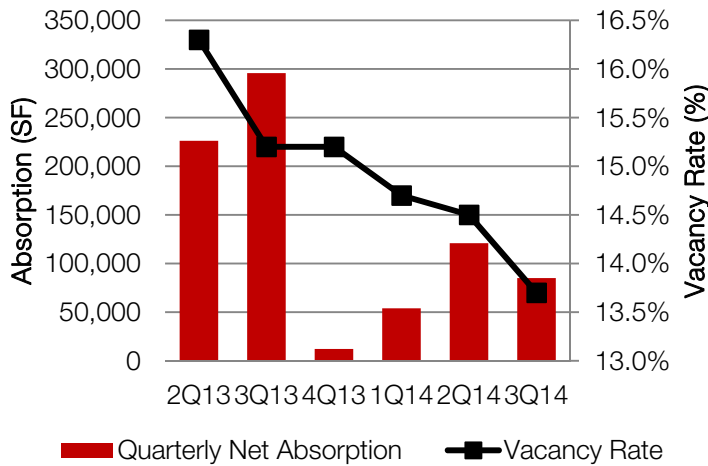




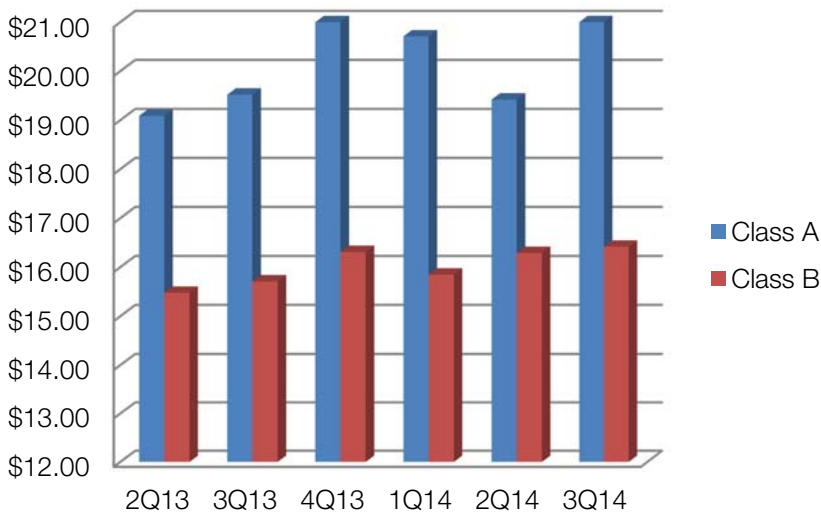
Office.

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	12,700,002	2,248,777	1,549,433	12.20%	304,112	70,797
B	232	18,041,911	3,568,796	2,671,983	14.80%	228,718	14,165
Grand Total	317	30,741,913	5,817,573	4,221,416	13.70%	532,830	84,962

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	570,320	479,765	12.71%	88,193	25,820
B	49	6,614,574	1,452,687	982,581	14.85%	121,901	25,962
Grand Total	67	10,388,022	39,136	1,462,346	14.10%	210,094	48,162

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	8,926,554	1,678,457	1,069,668	11.98%	215,919	44,977
B	183	11,427,337	2,116,109	1,689,402	14.78%	106,817	11,797
Grand Total	250	20,353,891	3,794,566	2,759,070	13.56%	322,736	33,180

3rd Quarter 2014 Office Market Update

The positive trend continued for leasing activity in the Columbus office market with net absorption totaling almost 85,000 SF in the 3rd quarter. Two of the more notable transactions consisted of Shremshock Architects leasing over 35,000 SF at 7400 W. Campus Rd. in New Albany, and 34,000 SF taken by Seattle based online retailer Zulily at 775 Taylor Rd in Gahanna (Techcenter III). That deal, while significant, is a temporary solution for the company as it looks for a long term location to meet the estimated 100,000 SF call center requirement, which will bring approximately 900 jobs to the region. In general, the Northeast submarket has been quite active over the past twelve months. The area's vacancy rate has decreased significantly to 13.7% from 17.0% in the 3rd quarter of last year. Downtown Columbus continues to see its share of activity as well. Red Capital secured nearly 29,000 SF at One Columbus after subleasing their 64,000 SF space at 2 Miranova Place to growing medical software company, CoverMyMeds.

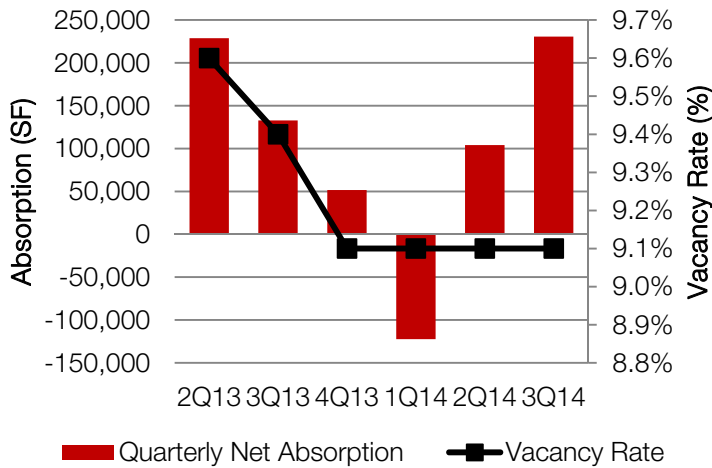
Sales activity remained steady in the 3rd quarter as well. One Mill Run, the 174,323 SF 9-story office tower fronting interstate 270 was bought by IMC Real Estate Management for \$18 million. This is the just the latest acquisition by the Canadian investor, which also purchased the 119,000 SF Northwoods One. IMC Real Estate Management, led by Tom Marmaros has made quite an impact in the Columbus market over the past two years having already purchased several large multi-tenant buildings on the north end, including 1103 & 1105 Schrock Rd, and Community Corporate Center. Other notable transactions include Alidade Capital's purchase of the 144,000 SF building at 9200 Worthington Rd in Westerville for \$12,040,000, and 75,000 SF at 505 N. Cleveland Ave acquired by American Realty Capital for \$10,350,000.



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Quarterly Absorption and Vacancy



Retail.

Market Statistics

Banking Industry Trends and Their Effect on Consumers and Retail

Regulatory Costs result in Consolidation

Since the Great Recession, the fees banks are required to pay regulators and auditors has more than doubled. The skyrocketing expense hits the small, community banks hardest. We have seen the result first hand in Columbus, with the recent announcement by First Financial Bank of their acquisition of Frist Bexley Bank, Insight Bank, and Guernsey Bank.

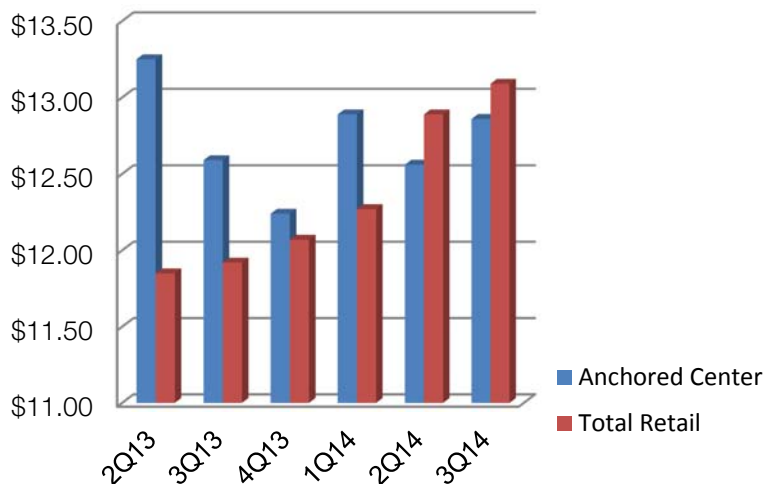
Lowest Number of Branches in 10 Years

The Fed is reporting the lowest number of bank branches in ten years. While metropolitan areas are actually seeing an increase in the number of branches, rural towns are losing branches. Communities with no banking services are creating opportunities for check cashers, payday lenders and pawnshops.

Banks are Retailers

In robust metropolitan markets such as Columbus, look for aggressive branch expansion, as banks continue to value the retail visibility afforded traditional brick and mortar locations in the communities they serve; it is a sign of a healthy economy, which is certainly the current state of affairs in central Ohio.

Historic Rental Rates



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Vacancy Rate ↔ Net Absorption ↑ Asking Rents ↑



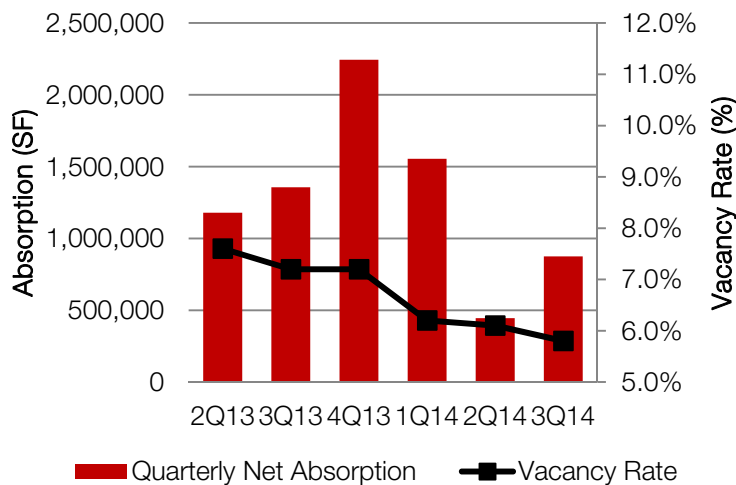
Submarket	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Qtrly Net Absorption (SF)
Southeast	58	6,552,407	1,065,809	1,029,229	15.70%	1,029,229	15.70%	11,378
Power Ctr	6	2,654,731	438,126	438,126	16.50%	438,126	16.50%	4,013
Anchored Strip Center	17	2,119,352	215,333	178,853	8.40%	178,853	8.40%	36,465
Community/Convenience	35	1,778,324	412,350	412,250	23.20%	412,250	23.20%	-29,100
Southwest	42	5,226,172	563,321	539,645	10.30%	539,645	10.30%	2,963
Power Ctr	7	2,323,478	182,253	173,773	7.50%	173,773	7.50%	0
Anchored Strip Center	9	1,390,570	151,178	146,178	10.50%	146,178	10.50%	1,200
Community/Convenience	26	1,512,124	229,890	219,694	14.50%	219,694	14.50%	1,763
North-Northeast	105	10,730,993	1,125,271	958,702	8.90%	957,501	8.90%	42,589
Power Ctr	11	4,021,529	325,375	272,404	6.80%	272,404	6.80%	9,497
Anchored Strip Center	22	3,022,570	373,791	339,169	11.20%	339,169	11.20%	-20,745
Community/Convenience	72	3,686,894	426,105	347,129	9.40%	345,928	9.40%	53,837
Northwest	86	9,393,377	609,418	551,744	5.90%	551,744	5.90%	126,251
Power Ctr	12	3,690,365	170,069	146,608	4.00%	146,608	4.00%	3,550
Anchored Strip Center	18	2,421,665	117,006	114,756	4.70%	114,756	4.70%	100,172
Community/Convenience	56	3,281,347	322,343	290,380	8.80%	290,380	8.80%	22,529
Outlying	85	8,134,676	725,660	565,038	0.00%	565,038	6.95%	47,546
Power Ctr	8	2,576,217	115,792	81,308	0.00%	81,308	3.16%	57,936
Anchored Strip Center	23	2,675,594	334,941	268,513	0.00%	268,513	10.04%	400
Community/Convenience	54	2,882,865	274,927	215,217	0.00%	215,217	7.47%	-10,790
Grand Total	376	40,037,625	4,089,479	3,644,358	9.10%	3,643,157	9.10%	16,201



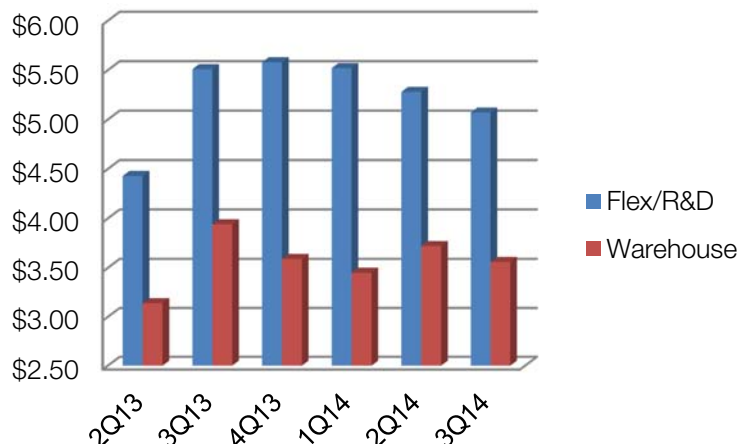
Industrial.

Market Statistics

Quarterly Absorption and Vacancy



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	102	47,418,767	6,218,660	1,529,797	1,416,595	3.00%	418,058
Bulk Warehouse	237	71,431,689	9,301,121	5,762,304	5,762,304	8.10%	317,314
Warehouse	538	20,791,301	2,400,820	1,439,960	1,363,760	6.60%	188,597
Truck Terminal	64	2,414,271	258,386	147,686	134,631	5.60%	2,868
Manufacturing	260	31,452,970	2,615,604	1,878,076	1,878,076	6.00%	128,825
Flex	554	20,202,424	2,410,975	1,897,672	1,883,585	9.30%	-87,008
Light Industrial	883	39,374,365	1,390,515	759,562	729,562	1.90%	-93,749
Grand Total	2,638	233,085,787	24,596,081	13,415,057	13,168,513	5.60%	874,905
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	129,872	43,772	43,772	1.60%	0
East	397	22,350,381	2,494,636	1,401,943	1,401,943	6.30%	132,917
North	341	18,838,583	1,837,616	1,223,472	1,209,385	6.40%	-70,255
Southeast	500	71,789,678	9,826,330	4,091,372	3,968,170	5.50%	290,513
Southwest	265	20,912,931	1,790,552	1,144,415	1,144,415	5.50%	-151,378
West	514	38,142,419	3,566,481	2,800,771	2,691,516	7.10%	92,370
Outlying	534	58,272,839	4,950,594	2,709,312	2,709,312	4.65%	580,738
Grand Total	2,638	233,085,787	24,596,081	13,415,057	13,168,513	5.60%	874,905

3rd Quarter 2014 Industrial Market Update

The Columbus industrial market remains tight with an overall vacancy rate of 5.8%. This rate was up slightly from last quarter but is still very low in historical terms. The positive absorption of 875,000 SF is somewhat misleading due to the completion of two fully occupied buildings totaling over one million SF which were added to the inventory. The vacancy rate for class "A" bulk warehouse remains very low at 3%. Lease rates were unchanged from the previous quarter.

The two buildings completed were 581,342 SF for Avnet and 534,040 SF for Ace Hardware. The two largest leases in existing buildings were Honeywell expanding by 160,000 SF and Huttig Building products leasing 125,000 SF.

There is some concern about a lack of availability of good quality product. However, with four speculative buildings totaling over two million SF being completed in the fourth quarter this year that situation should change.

There is also a lack of good product for smaller users. Much of this space has been absorbed in the previous two quarters. This has lead to a slow down of sales and leasing in smaller businesses.



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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.

