

Columbus Real Estate Market Review

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Roadmap

Property Types Reviewed:

Office
Medical
Multi Unit Residential
Single Unit Residential
Retail
Industrial
Other Points of Interest

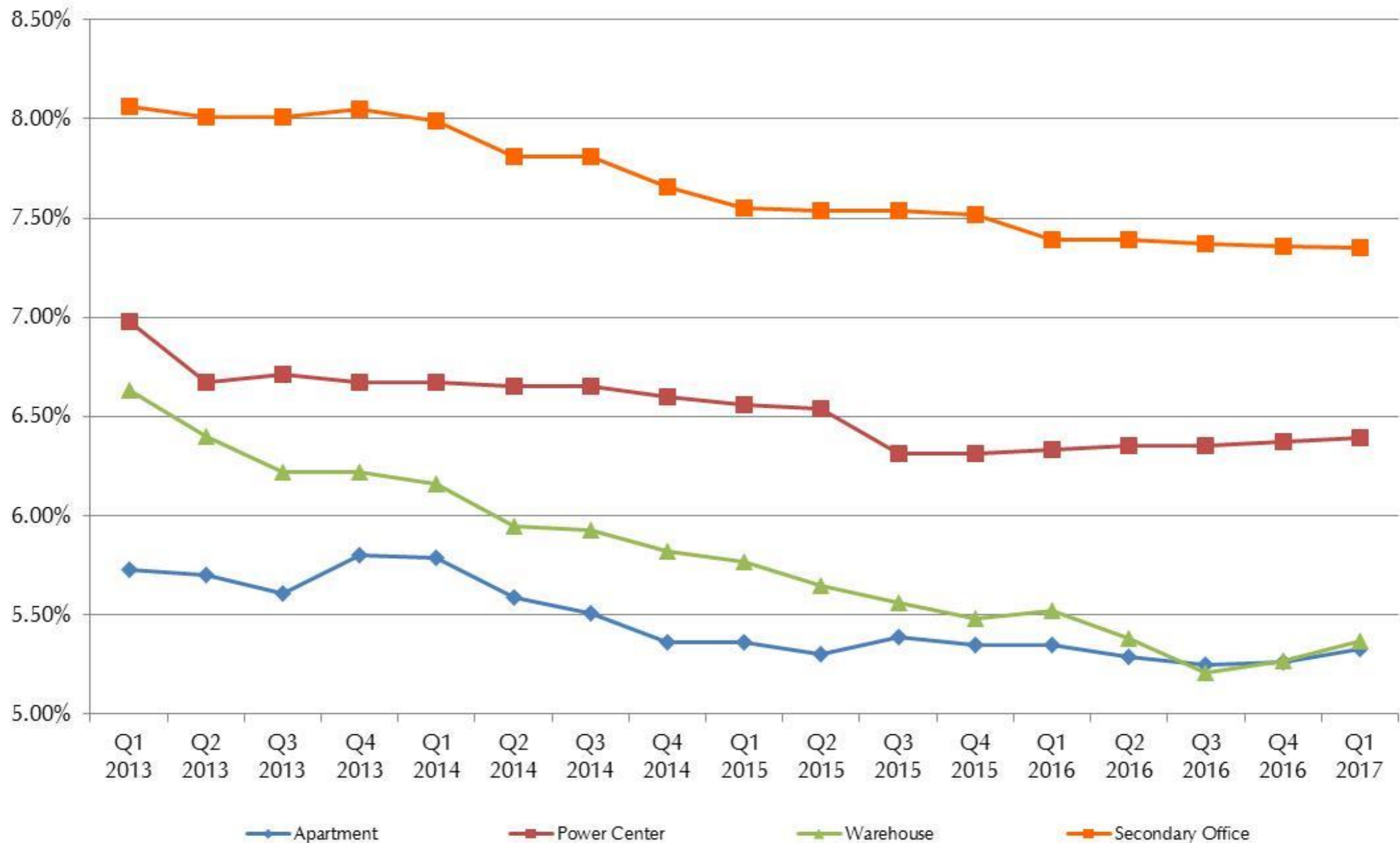
Income Approach:

Market Rent
Market Occupancy/Vacancy
Capitalization Rate
Recent Transactions
Ongoing Development

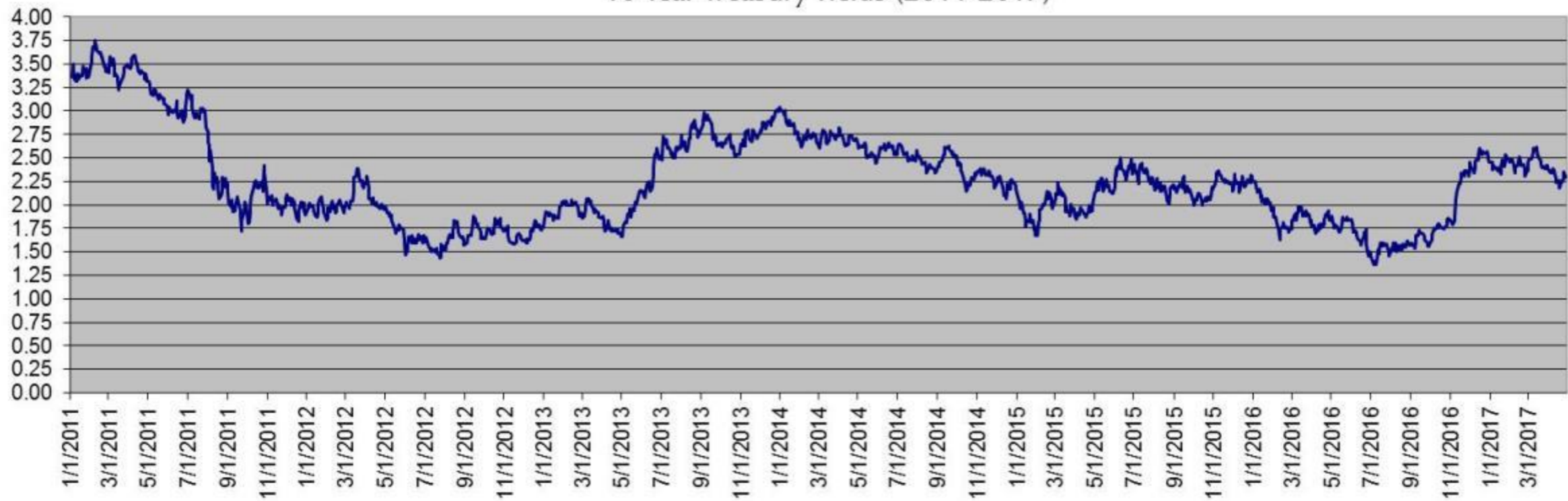
Questions – Anytime!

The Big Picture on Capitalization Rates

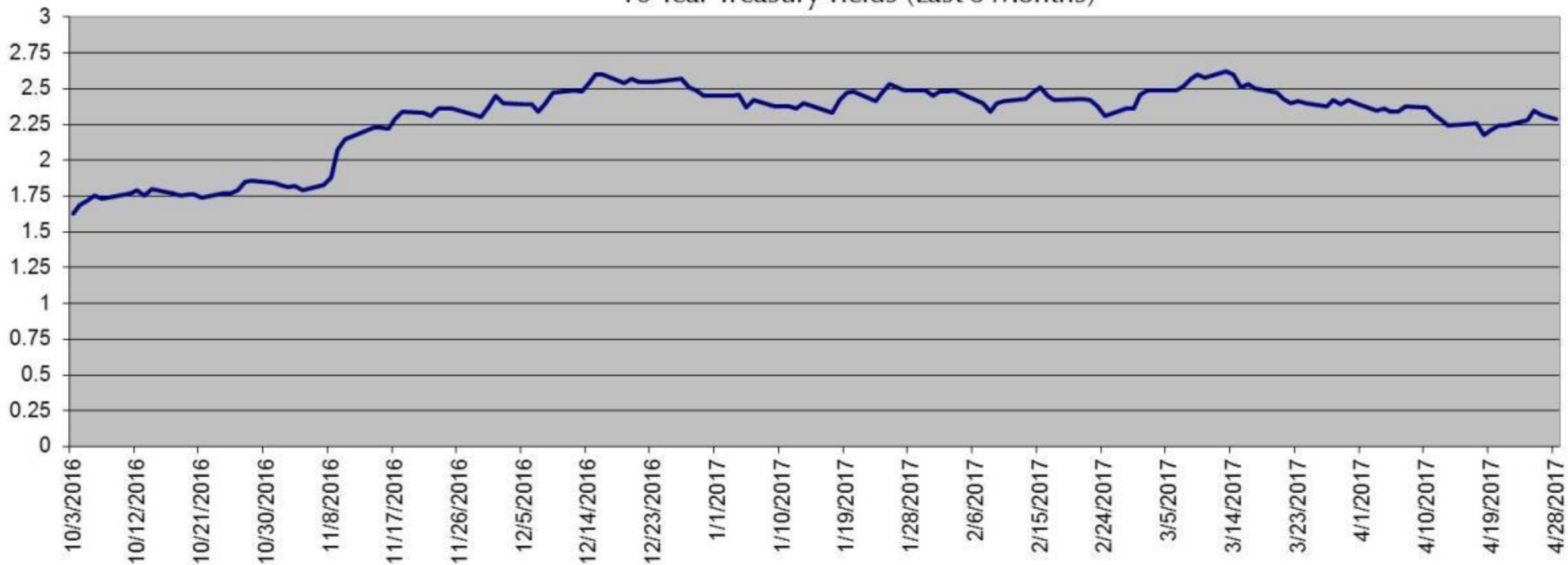
Korpacz Average Overall Rates



10 Year Treasury Yields (2011-2017)

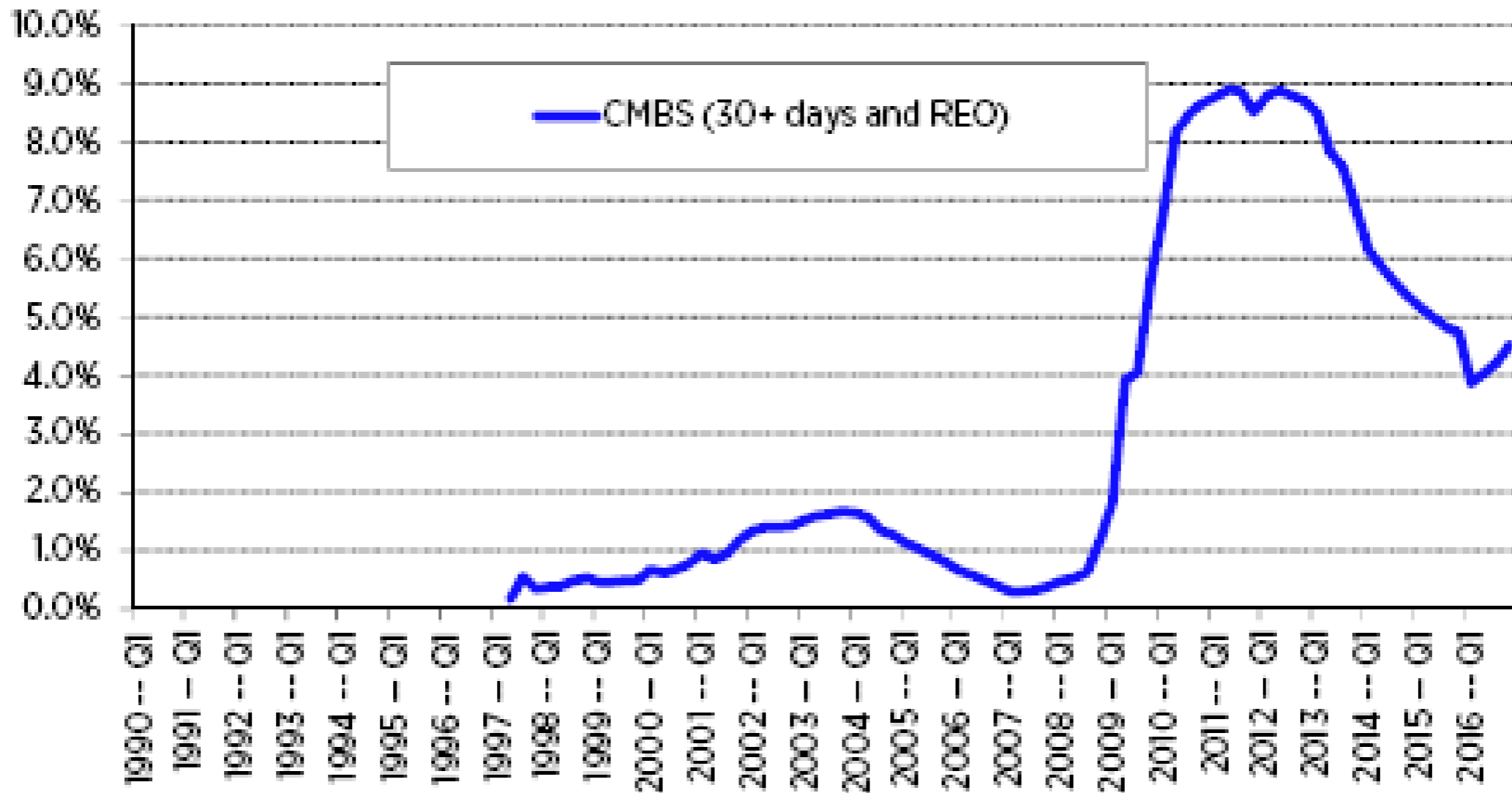


10 Year Treasury Yields (Last 6 Months)

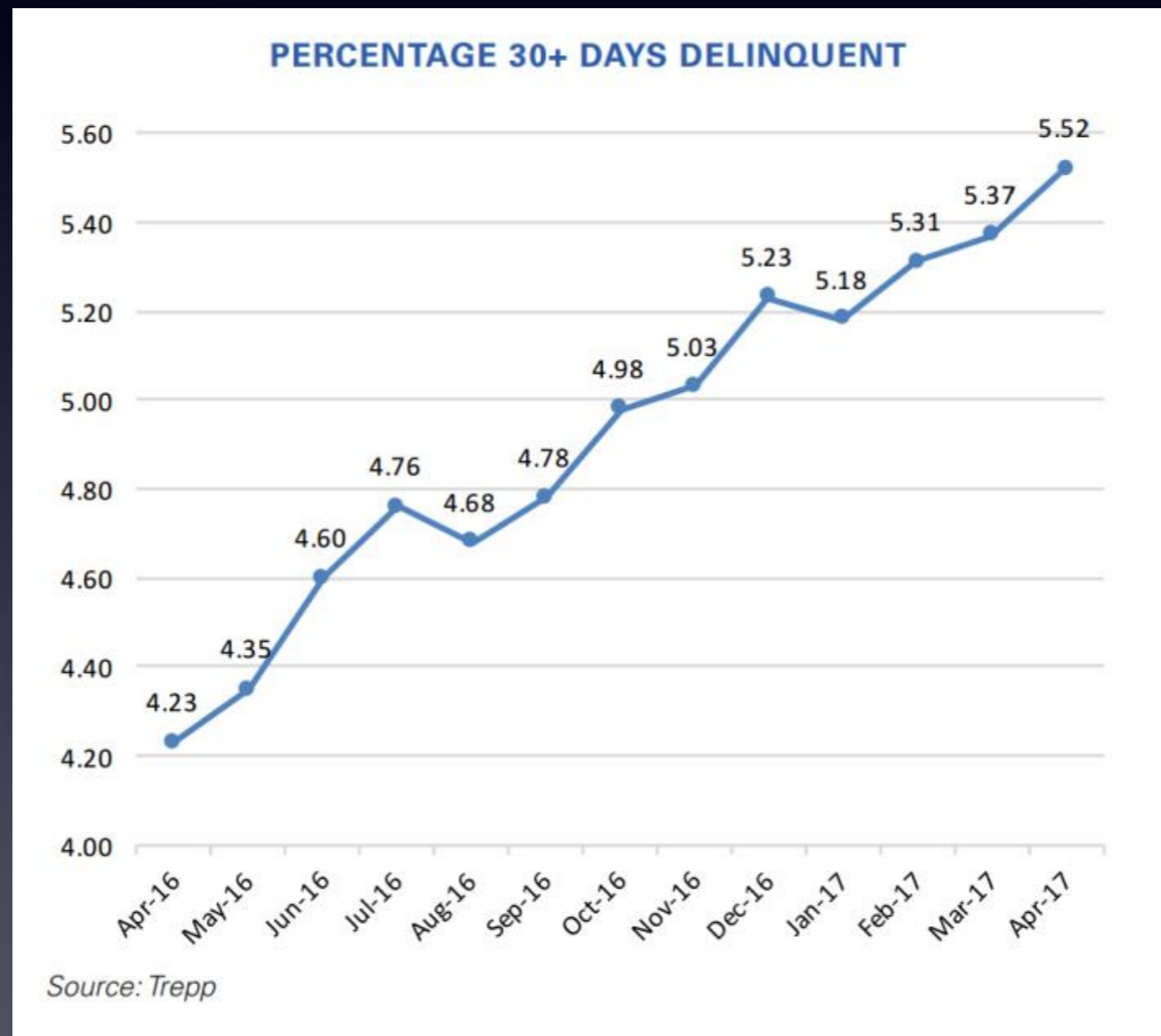


Mortgage Delinquency Rates (CMBS)

1990-2016



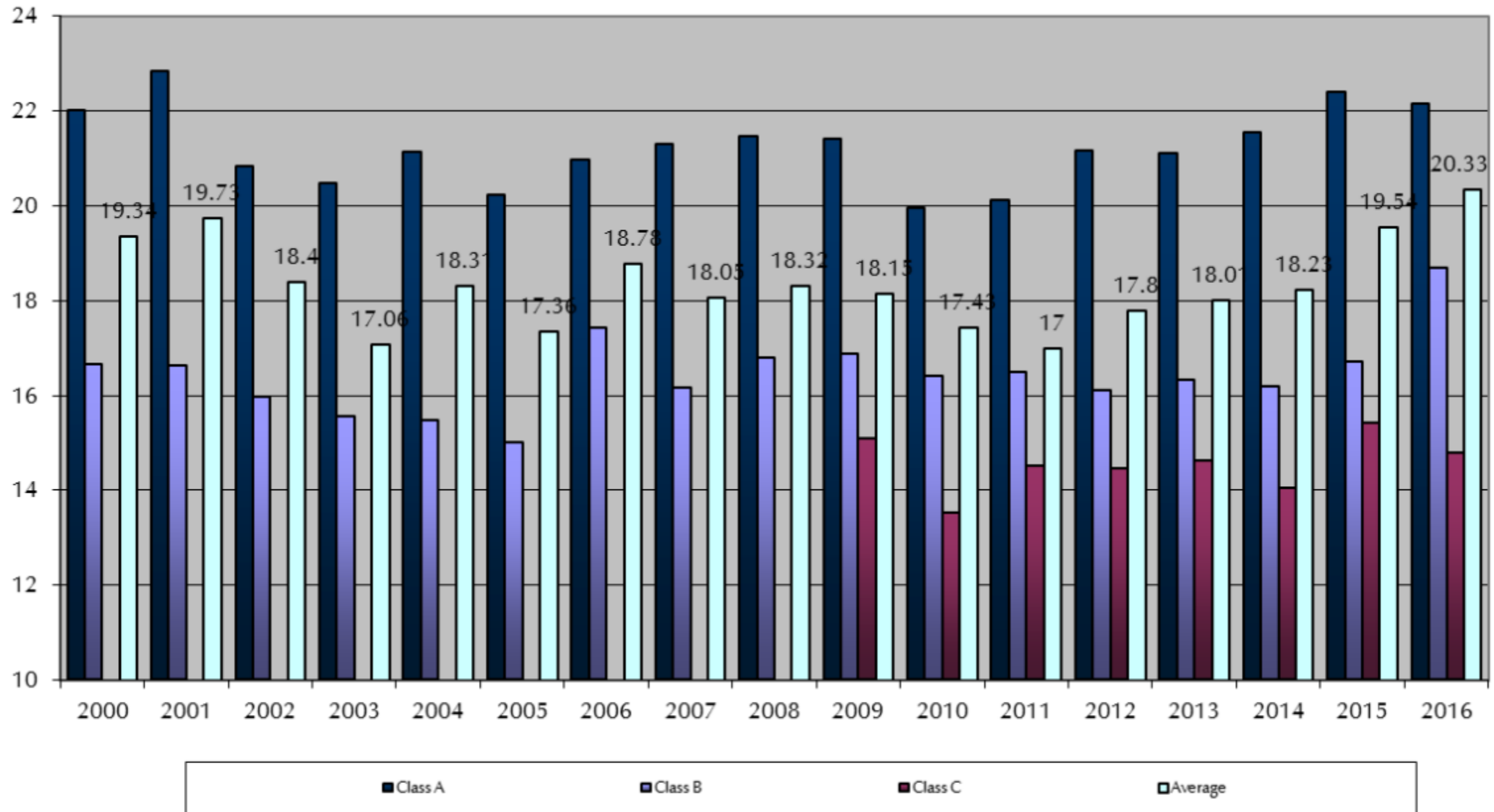
CMBS Delinquency Rates Since 2016



Office Markets

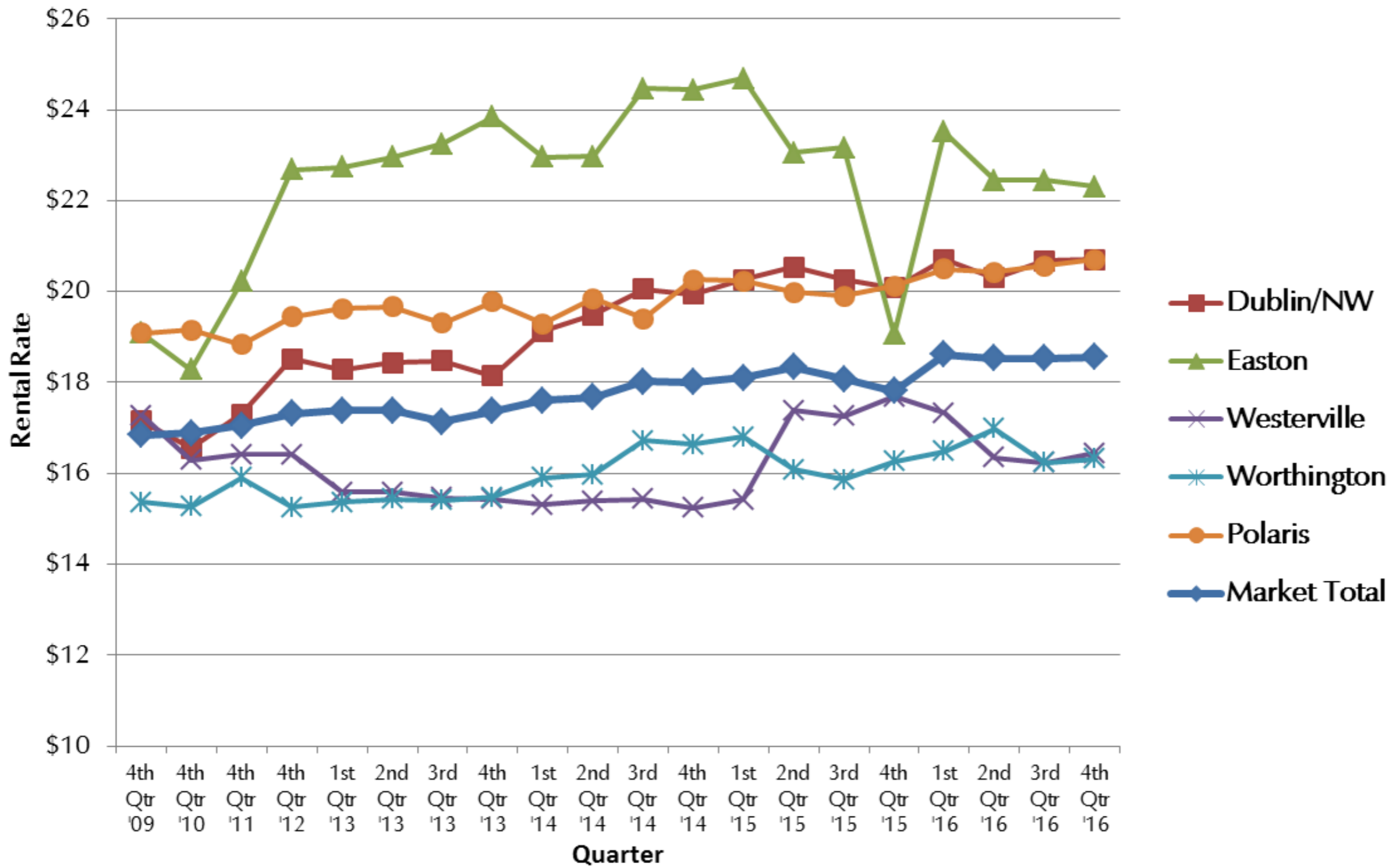
Columbus CBD Office Rental Rates

Full Service Gross Basis



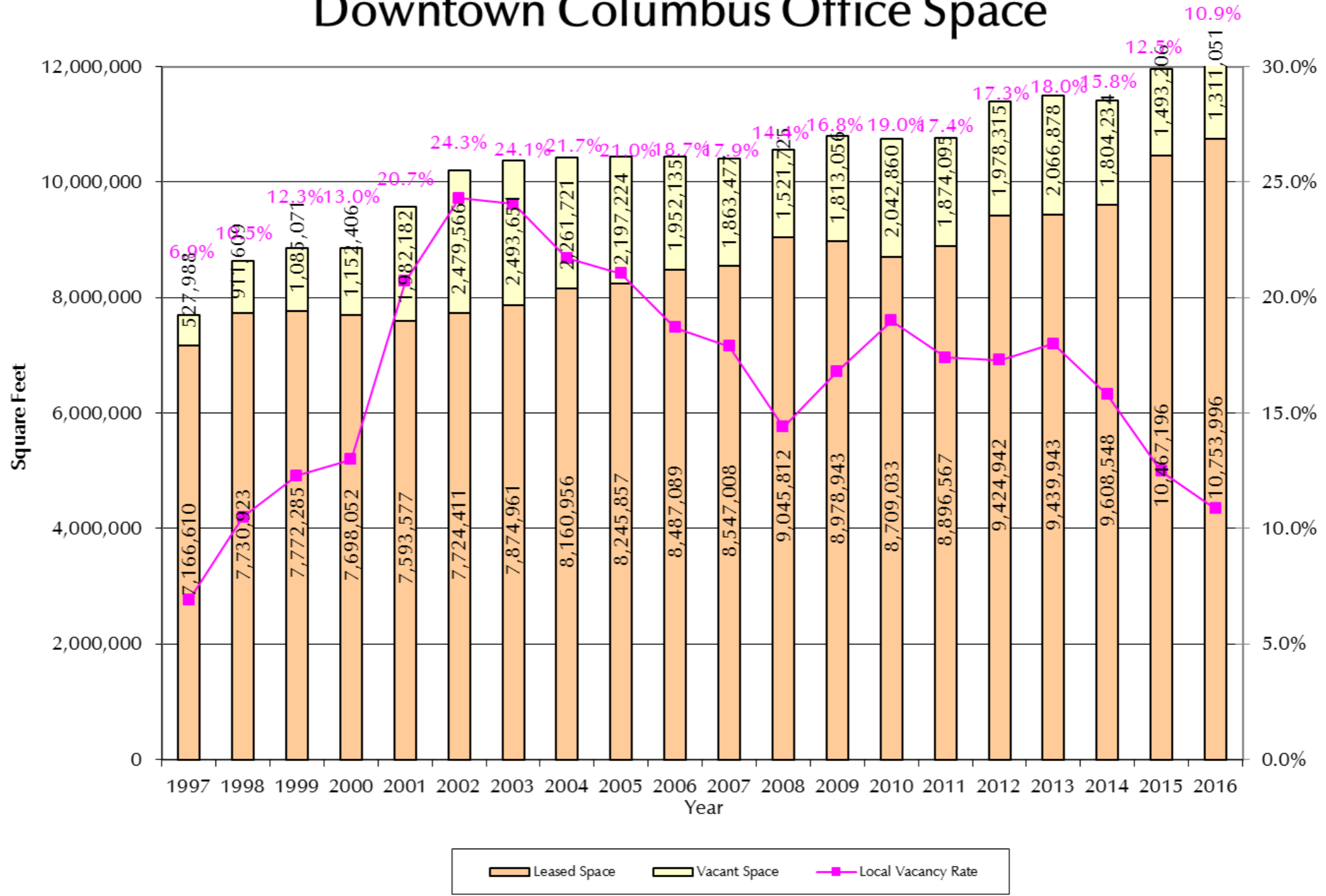
Suburban Office Rental Rate Trends

Source: CBRE Marketview



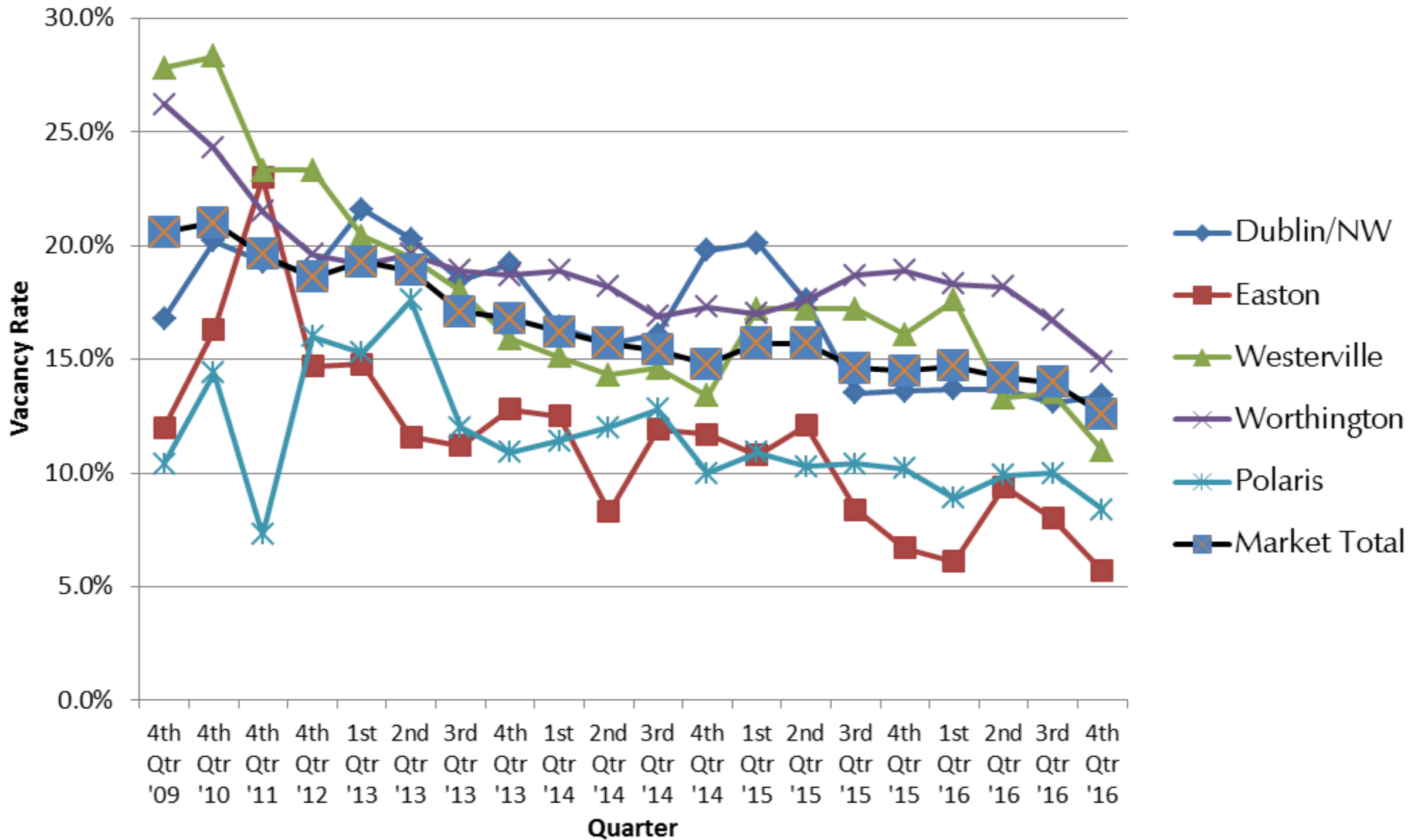
Vacancy and Absorption

Downtown Columbus Office Space



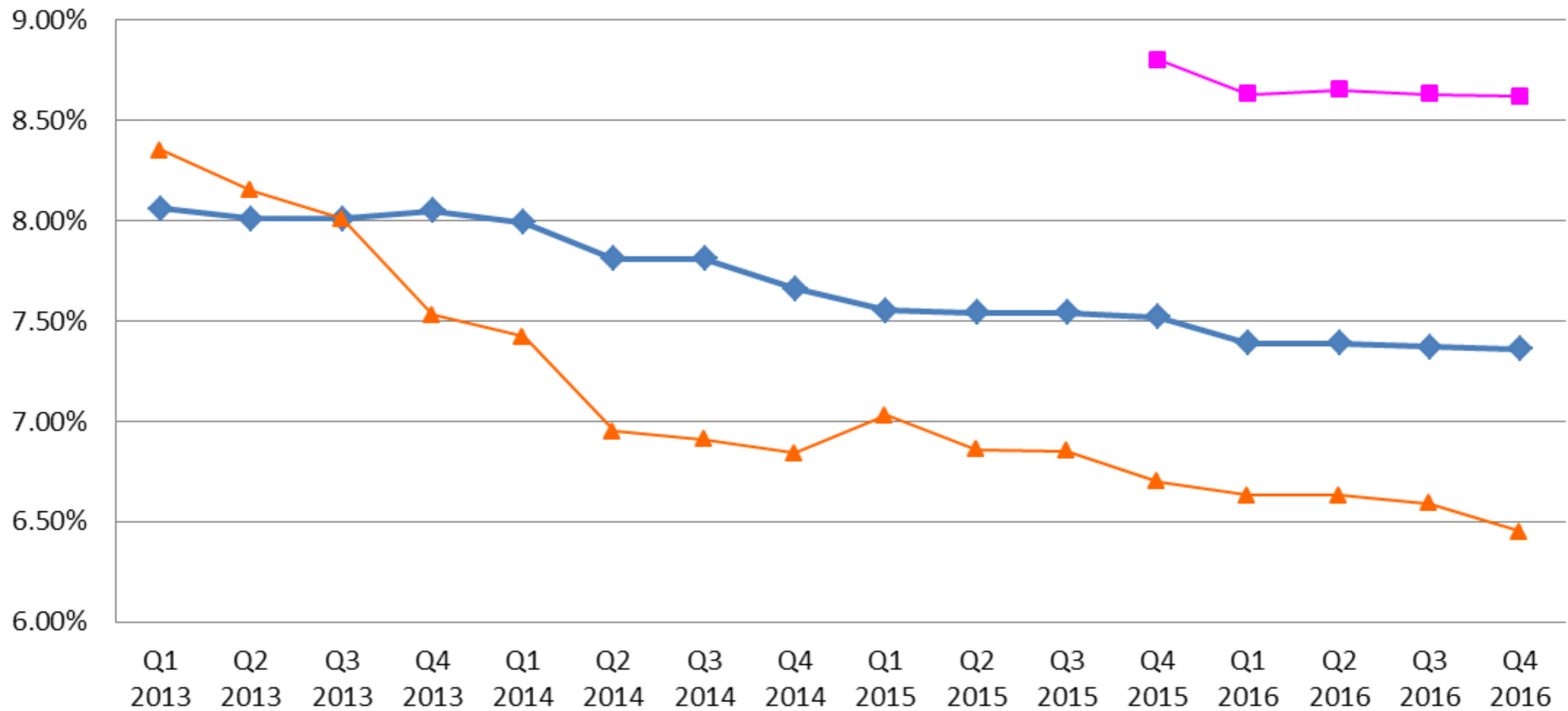
Suburban Office Vacancy

Source: CBRE Marketview

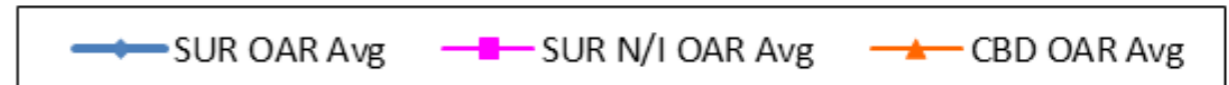


Capitalization Rates

Korpacz National Secondary Office Market: Average OAR



source: Korpacz Investor Survey



Under Construction: Two25 Commons

- Daimler/Kaufman Partnership
- NWC of Third and Rich Streets
- \$60 million
- 12-stories: 6 floors of residential on top; 5 floors of office above ground floor retail
- 145,000 SF of office and retail
- Residential component will be a market-driven combination of condominiums and apartments
- Expected completion: End of 2018



Image: *Columbus Business First*

Grandview Yard: Planned/Completed



Planned

- 1.2 million square feet (Class A Commercial including office, restaurants, grocery, and hospitality)
- 1,300 residential units

Completed

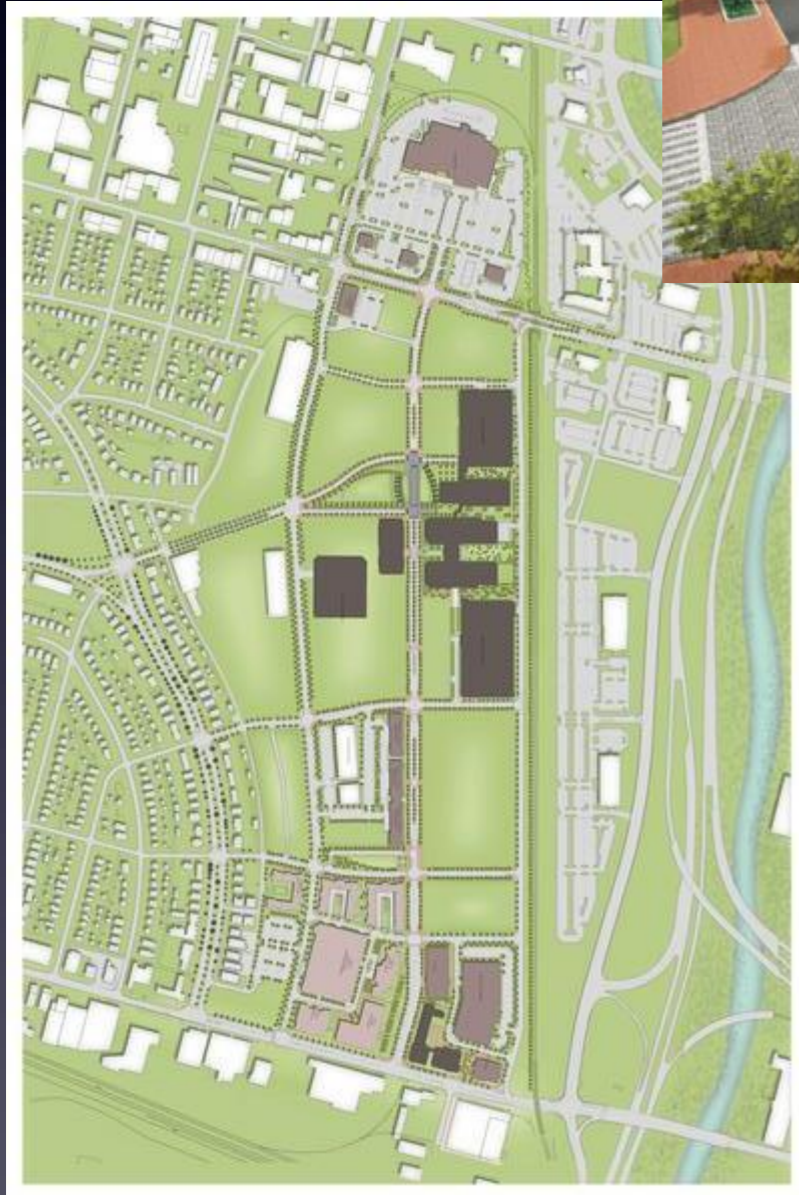
- 680,000 square feet of commercial space
- 274 residential units
- 126 room hotel

Grandview Yard: Under Development



- 187,000 square feet of commercial space
- 286 apartments and 13,000 square feet of amenity space
- 80 townhomes and condos
- 135 room hotel and 13,000 square foot event center

Grandview Yard: Nationwide Corporate Progress



- 320,000 square feet of office is open with 160,000 to open in 2017 and another 160,000 in 2019
- Approximately 2,500 employees are currently housed in Grandview Yard

New Construction: Arena District



- New 149-room AC Hotel
- 80,000 SF office building
- Redevelopment of several former one-three story buildings



New Construction: Hamilton Quarter

- Office Development Anchor: Big Lots HQ (300,000 SF)
- 320 Acre development
- Casto, Daimler, and The New Albany Company
- 700,000 sf of Office
- 1,000,000 sf of Retail
- 800 Multi-family units
- 130 Senior Living units
- Cost: More than \$250 million



New Corporate Headquarters



- OhioHealth
- SEQ of SR 315 and North Broad
- 315 interchange update could cost \$40+ million



- Biglots ???

Medical Real Estate and Hospital System Activity

- Practice Acquisition
- Affordable Care Act
- Freestanding Outpatient & Emergency
Department Services
- Hospital Mergers/Acquisitions
- Wellness Facilities

CBD: Nationwide Children's Phase II: Hospital Expansion

- \$730 million, 11 project campus expansion
- \$158 million Behavioral Health Pavilion
- \$130 million toward Research Space
- All projects are to be completed by the end of 2021



- Additional new office (north of I-70), data, infrastructure

Nationwide Children's Hospital: More Expansion



Livingston Ambulatory Center:

- NEC of Grant & Livingston
- \$85 Million
- Six stories, 200,000 sf
- Opened in Spring 2017
- 1,000+ parking spaces



Faculty Office Building:

- SEC of Livingston & Parsons
- \$45 Million
- Six stories, 150,000 sf
- Opened in Spring 2016
- Includes tunnel under Livingston to Main Campus

Nationwide Children's Hospital: Behavioral Health Pavilion

- Western half of enlarged Children's campus
- \$158 million
- Nine stories, 385,000 sf
- Expected to open in 2020
- \$28 million parking garage to be added



[Additional Images](#)

Ohio State University Medical Center Updates

- Investing \$55 million building out two remaining unfinished floors
- Creating 72 new rooms
- Balance of facility open
- Former James Cancer Hospital converted to Brain and Spine Institute
- Additional \$4.6 million to create 29 private rooms on the 7th floor of former James



OhioHealth: Westerville Medical Campus

- Two-story medical office building
- New Emergency Department
- \$20 million cost
- Est. 20,000 annual ED patient visits
- Adds 48,000 sf to existing 175,000 sf facility



NORTHWEST ENTRY - PERSPECTIVE



ENTRY FROM POLARIS PARKWAY - PERSPECTIVE

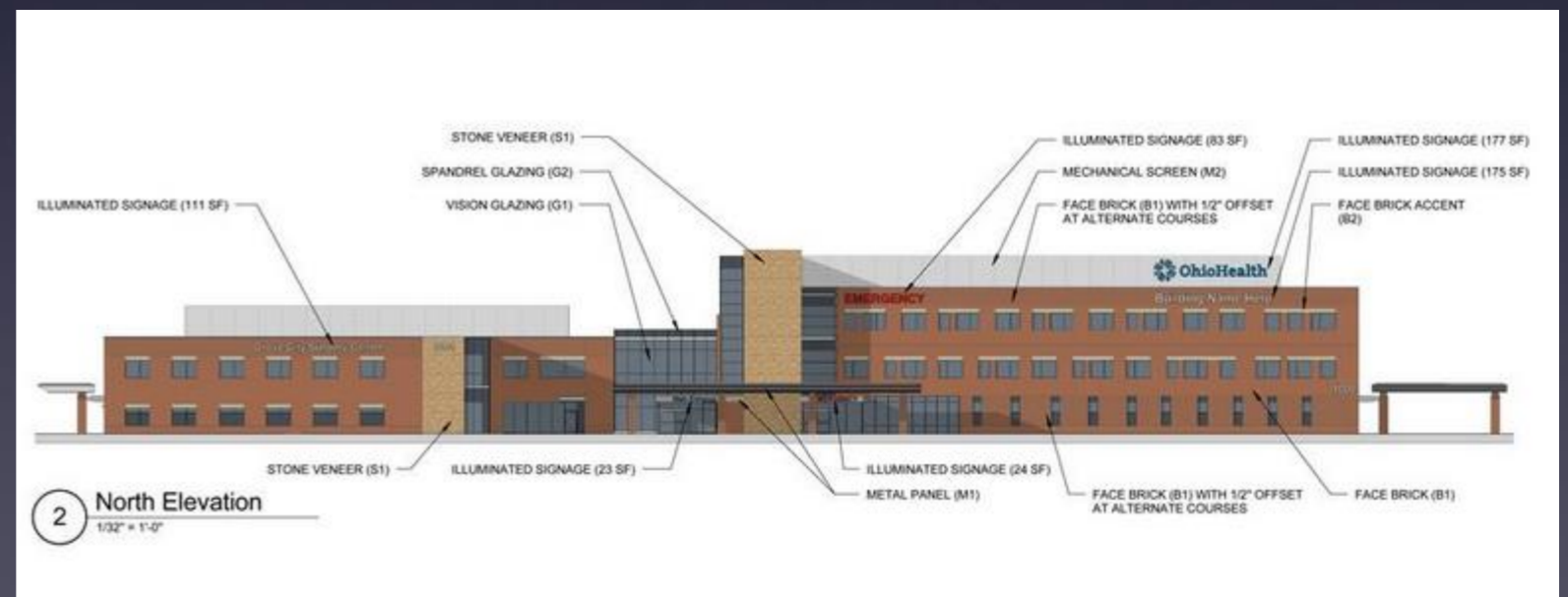
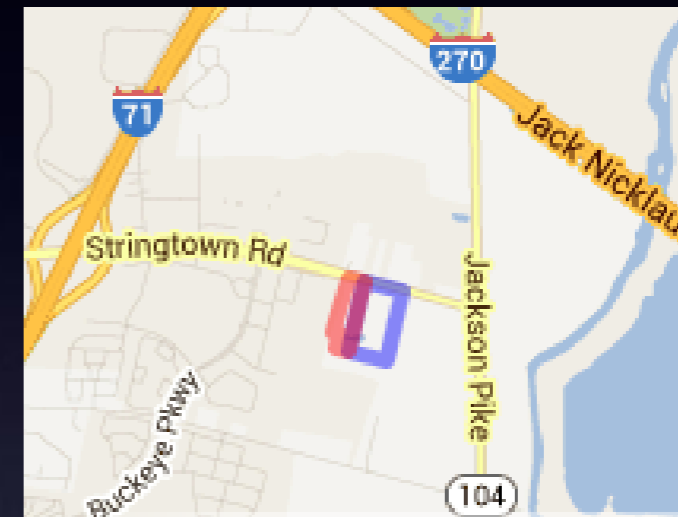
Pickerington OhioHealth Expansion

- 150,000 sf campus on 61 acres
- North side of Refugee Road at S.R. 256
- \$42 million project by Daimler Group
- Opened Mid 2015
- 180 Full Time Employees



Southwest: OhioHealth Stringtown Road Surgery Center

- 22 acres acquired in SW quadrant of Stringtown Road and Jackson Pike
- Planned facility to correspond to Westerville Medical Campus
- 79,000 square foot hospital plus 40,000 square foot office building
- 20 inpatient rooms
- 3 operating rooms
- \$46.5 million



Mount Carmel & OhioHealth

- Both networks are competing to be the first to expand into new markets with freestanding ERs
- Hilliard is the current location both health systems are targeting
- OhioHealth is also looking at Mansfield and Worthington as possible locations



North: OhioHealth and Children's Hospital Outpatient Care Center

- Orange Township:
US 23 and Gooding
Boulevard
- Three-story medical
office building
- \$16.5 million cost
- Opening February
15, 2017
- 70,000 sf on 5 acre
site



Southwest: Mount Carmel Grove City Medical Center Expansion

- Mount Carmel West Will go to emergency outpatient only
- \$355 million expansion
- 500,000 square feet
- 210 new rooms
- New 120,000 square foot office building
- Opening 2018



East: Mount Carmel East Expansion

- Announced Early 2015
- New 284,000 sf, five-story patient tower
- 381 beds after conversion and expansion
- New 439-space, two-story parking garage
- \$310 million



Psychiatric Hospital Acquires Former Nursing Home

- Former Franklin County Home for the Aged
- \$17 million anticipated cost
- 50,000 sf facility in the heart of Village Center
- Addiction and Mental Health treatment center



New Hospital Affiliation



- Born of a history of shared medical students, OB-GYN training, and service to low-income communities
- Designed to control costs
- Mirrors similar partnership between Trinity Health and University of Michigan
- Creates a larger accountable care organization under the Affordable Care Act

Midwest Health Collaborative

- Collaboration of six systems: ProMedica (Toledo), Aultman (Akron), Cleveland Clinic, OhioHealth (Columbus), Premier Health (Dayton), Trihealth (Cincinnati)
- Clinical integration while remaining separate entities with no common control
- Intended to share best practices, purchasing, and marketing agreement ultimately creating an ACO (accountable care organization) – working toward serving a single “population”

Multi Unit Housing Markets

2014

“The estimated number of new apartment units delivered in the past 12 months rose over 80 percent to 168,000.”

-Marcus & Millichap National Apartment Report Q1 2014

2015

“The number of new units delivered in 2014 totaled 238,000, marking a 14-year high... Supply totaling 210,000 units in 2015 will likely surpass demand for 186,000 rentals, increasing vacancy to 4.8%, nationwide”

-Marcus & Millichap National Apartment Report Q1 2015

2016

“New rentals were absorbed in substantial numbers last year, contributing to a decline in national vacancy to 4.2%... Developers will complete 285,000 units in 2016, surpassing last year’s total of 250,000 rentals.”

-Marcus & Millichap National Apartment Report Q1 2016

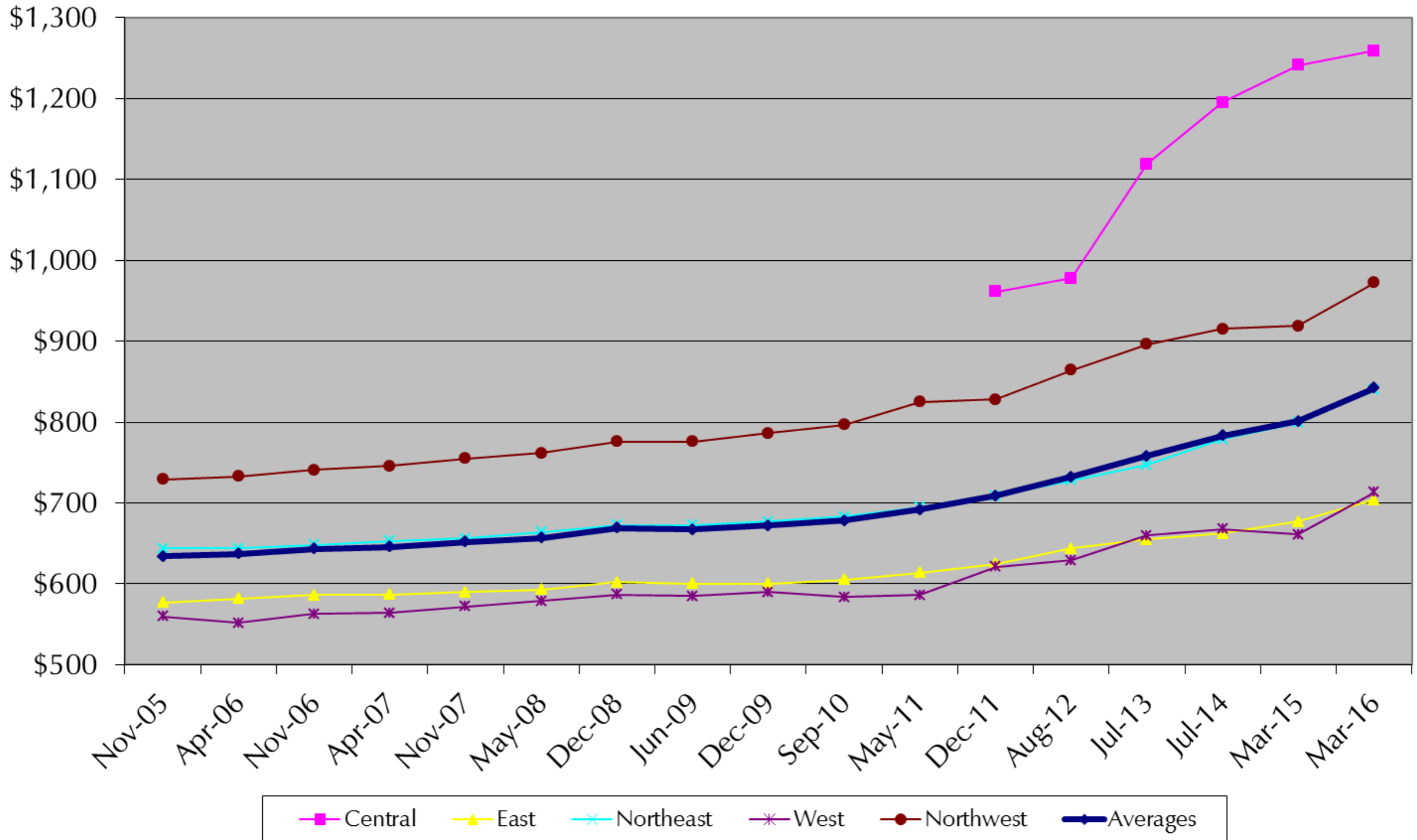
2017

“Developers will bring 371,000 units to market in 2017... National Apartment vacancy will end 2017 at 4.0%, as robust net absorption supports a 3.8% rise in average effective rent. Class A vacancy rates will climb in many markets where substantial supply influxes are on tap.”

-Marcus & Millichap National Apartment Report Q1 2017

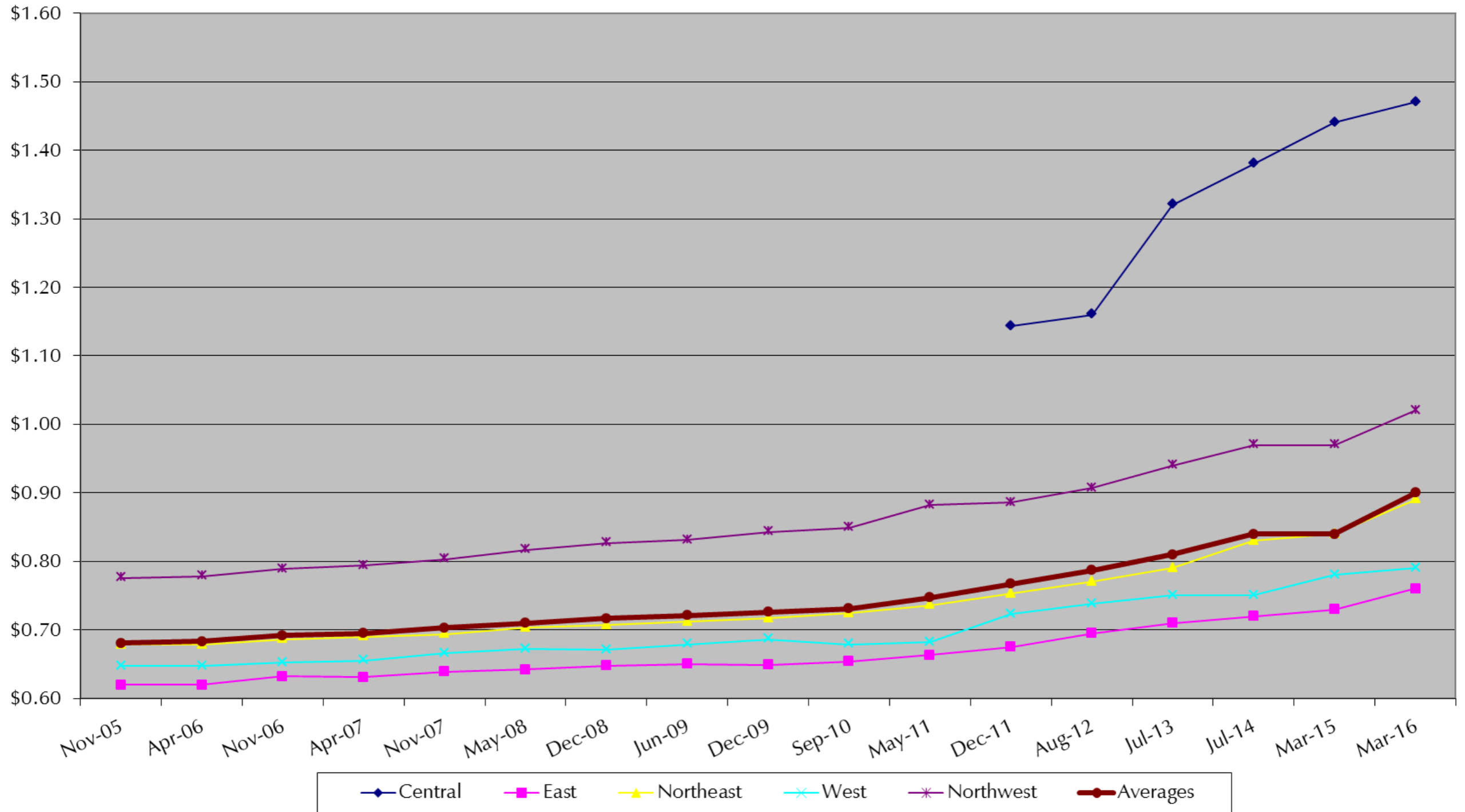
Columbus Apartment Monthly Rental Rates

Source: ARA Columbus Survey



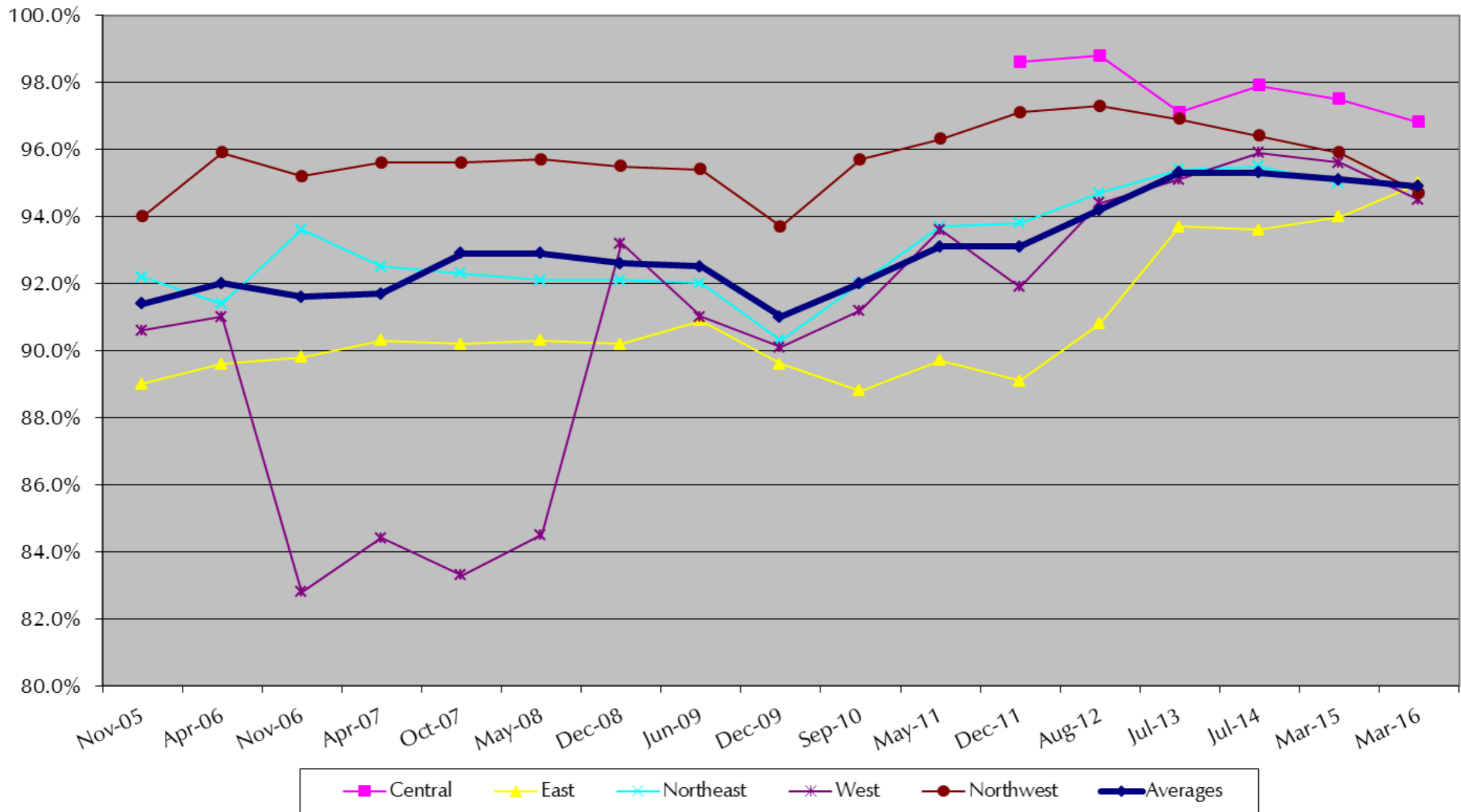
Columbus Apartment Rents per Square Foot

Source: ARA Columbus Survey



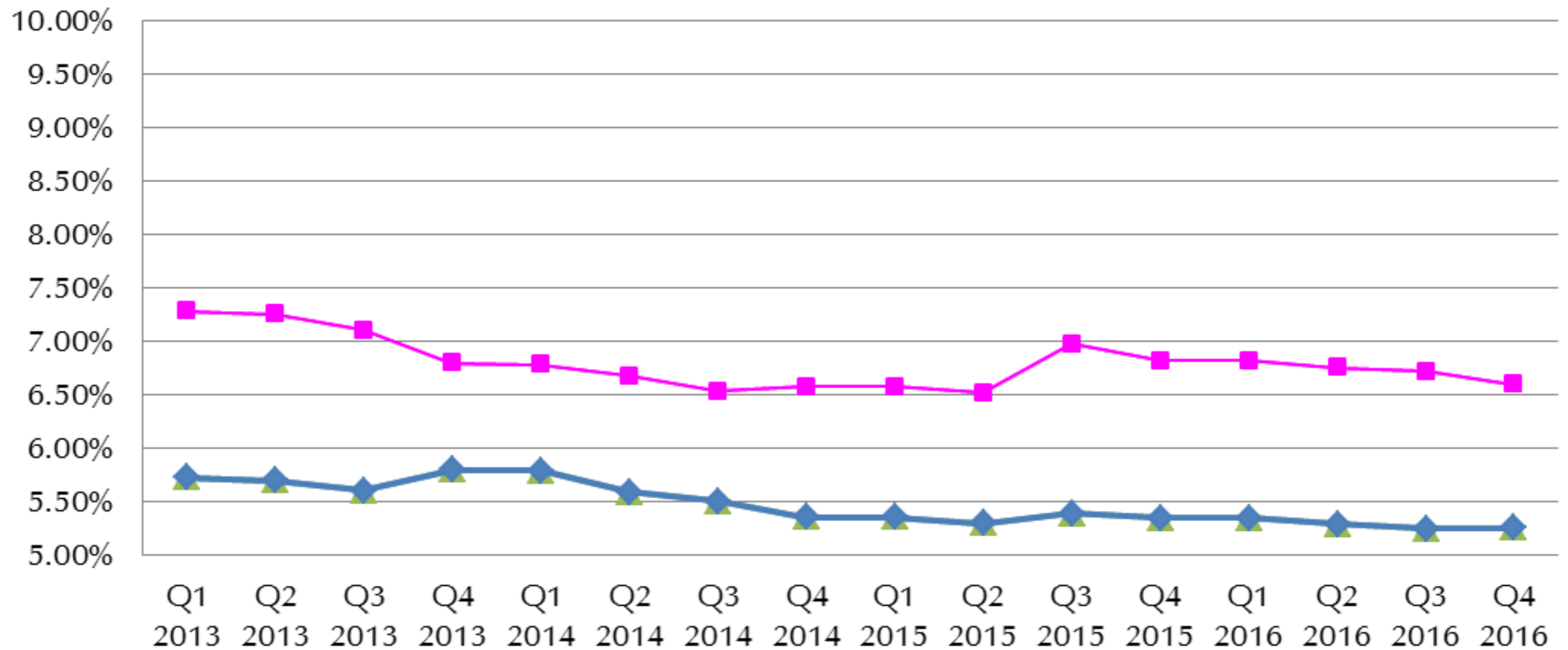
Columbus Apartment Occupancy

Source: ARA Columbus Survey



Multifamily Capitalization Rates

Korpacz National Apartment Market: Average OAR

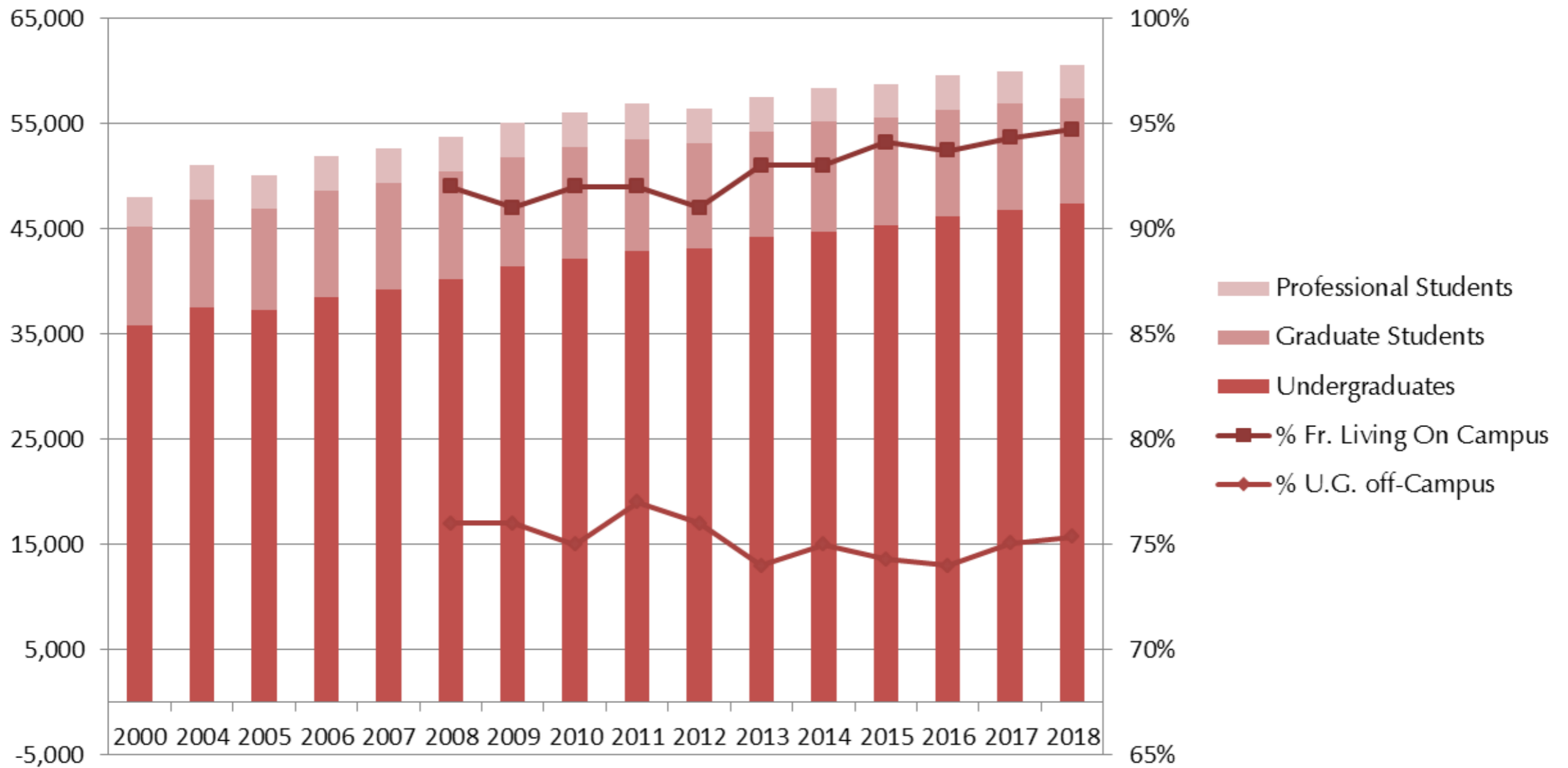


source: Korpacz Investor



OSU STUDENT HOUSING

The Ohio State University Enrollment



OSU Framework 2.0



- Much added greenspace on the east side of the Olentangy
- Cannon Road to be raised and straightened
- New research hub in the midwest part of campus
- Greenway along the Olentangy
- West campus surface parking lots replaced by so called innovation districts
- Possible 1 million new square feet

North Residential District

Ohio State Lane & High Dorm Project



- \$400M Project Cost
- 3,200 New Beds
- 8/9 New Residence Halls now open
- 2 New Dining Halls
- Retail Pavilion
- Demolished: Blackburn, Haverfield, Nosker, and Scott

OSU 15th and High

- Anchored by a new 30,000 SF Urban Target store
- New hotel
- Most buildings will have new first floor retail
- Expanded Mershon Auditorium and Wexner Center for the Arts



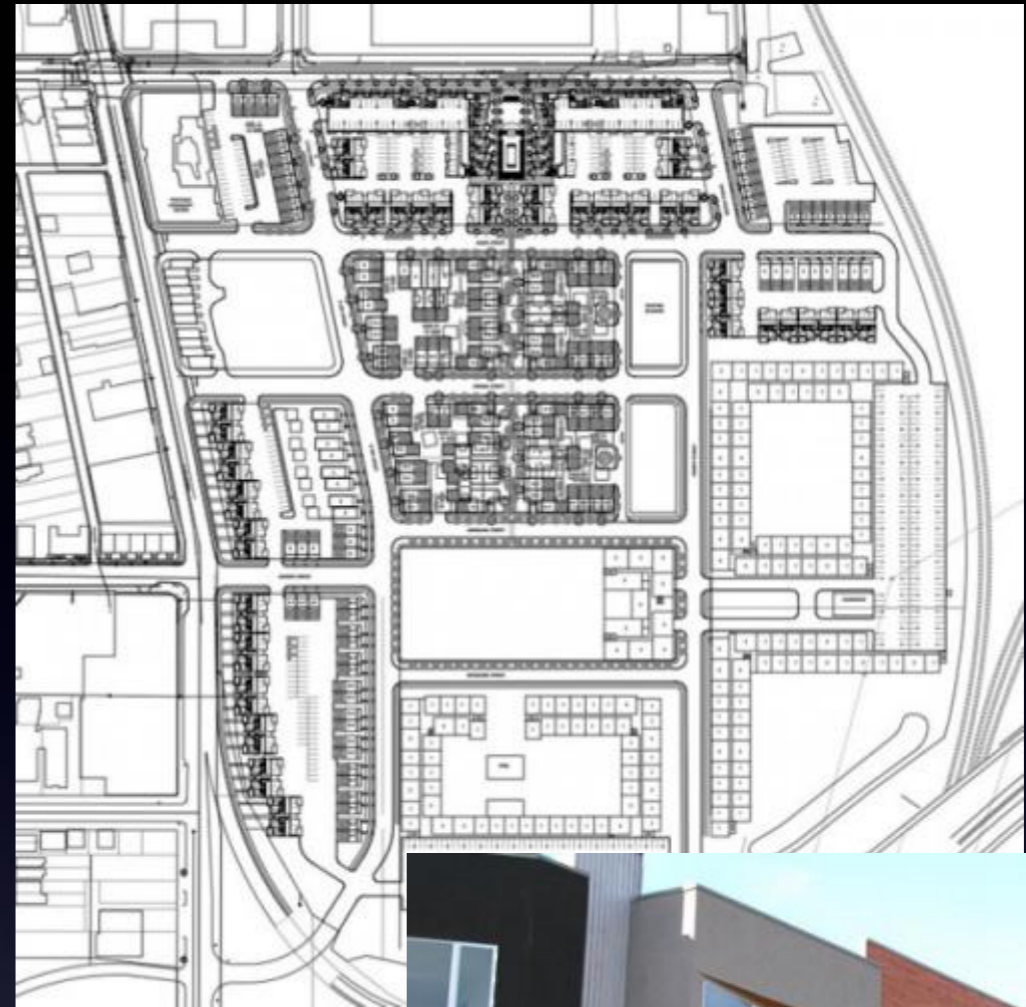
OSU: South Campus Gateway Expansion

- Phase I: Mixed Use
- Approximately 250 new housing units
- New CHN Building
- Three-story structured parking
- New first floor retail along High Street



Jeffrey Park

- Wagenbrenner Dev. Inc.
- Approximately 40 acre site
 - 276 new apartments, recently completed
 - 92 new townhomes
 - Community Center
- Recently Announced:
 - 258 new apartments under construction
 - New 2,872 sf clubhouse
 - New 4-level parking (452 spaces)



Harrison West

- Wagenbrenner Dev. and others in process of purchasing 20 acres from Battelle
- Purchase should be complete by year end with construction beginning early next year
- 500 apartments & 50 single-family residences
- Retail/office space
- 128 room hotel



Scioto Peninsula (Ongoing)

- COSI parking lot relocated under a new park
- Vets Memorial to be completed this year
- Land west of the new park to be sold or leased for mixed use to a master developer



Scioto Peninsula

- Anticipated \$500 million plan to completely develop the remaining acreage of peninsula
- 3.1 million square feet of commercial and residential development
- Anticipated start as early as 2018 and would continue for 10 to 15 years
- Almost 200 developers have been approached including many from the Columbus area
- Responses are due on March 27
- Final agreement expected in July



Scioto Peninsula

- 30 – 35-story residential towers to bookend the development
- Totaling 1,575 to 1,800 units
- 240 room hotel
- 560,000 to 840,000 square feet of office space
- 180,000 square feet of retail, restaurant and entertainment uses
- City considering a 15 year tax abatement for developers



Franklinton

- Kaufman Development
- 241 apartments
- 50,000 sf of office
- 30,000 sf of retail and restaurants
- Located on the site of the former Phillips Coney Island and National Office Warehouse



Dublin: Bridge Street Mixed Use, Phase I

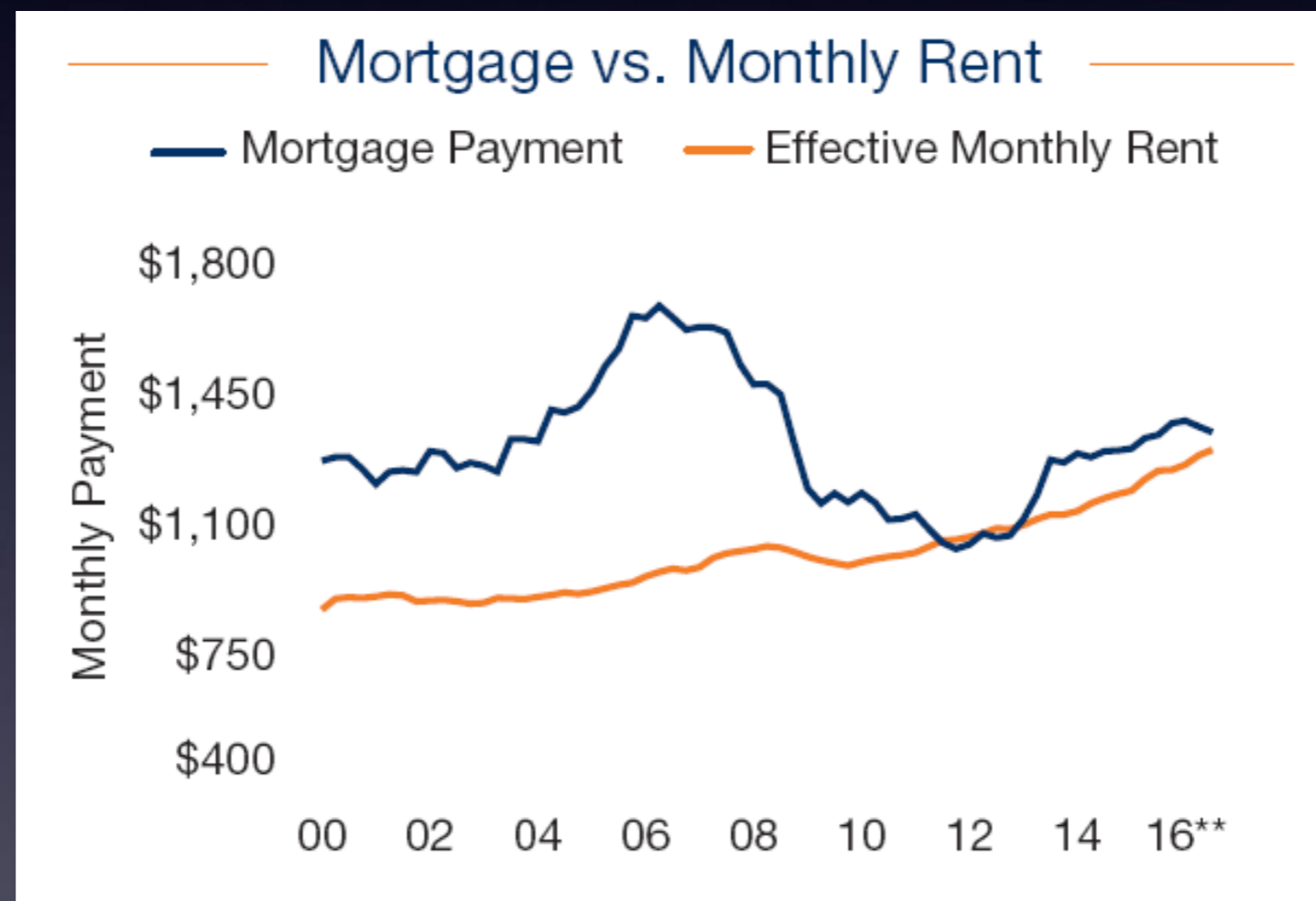
- NEQ of State Route 161 and Dublin Road
- 8 mixed use buildings
- 371 housing units
- 169,000 square feet of office space
- 87,000 square feet of retail space
- 1,868 garage spaces



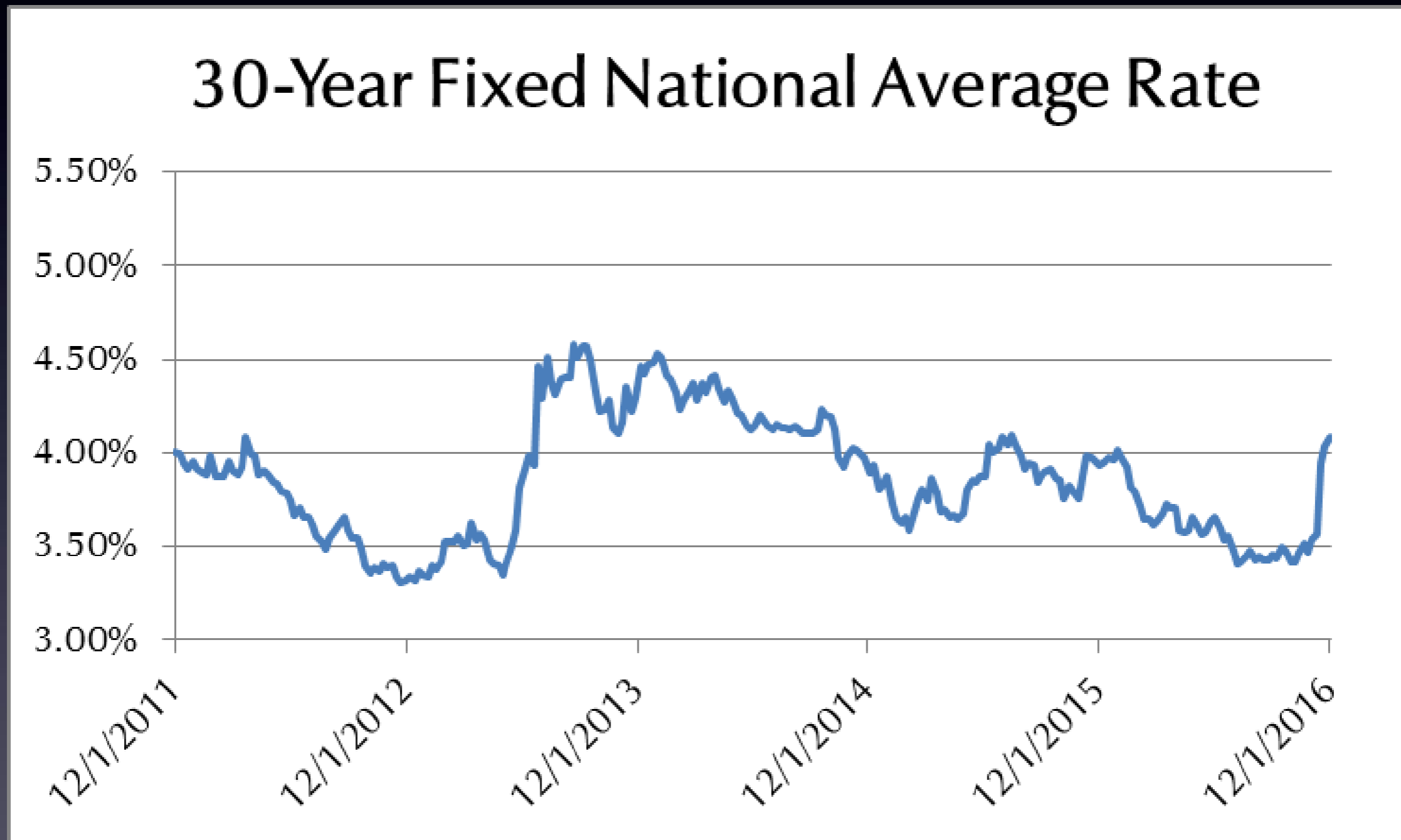
Single Unit Housing Markets

The Tell-Tale Chart

2017



Mortgage Rate Trends 2011-Present



Single Family New Construction

Privately Owned Housing Starts Authorized by Building Permits: 1-Unit Structures for Columbus, OH (MSA)

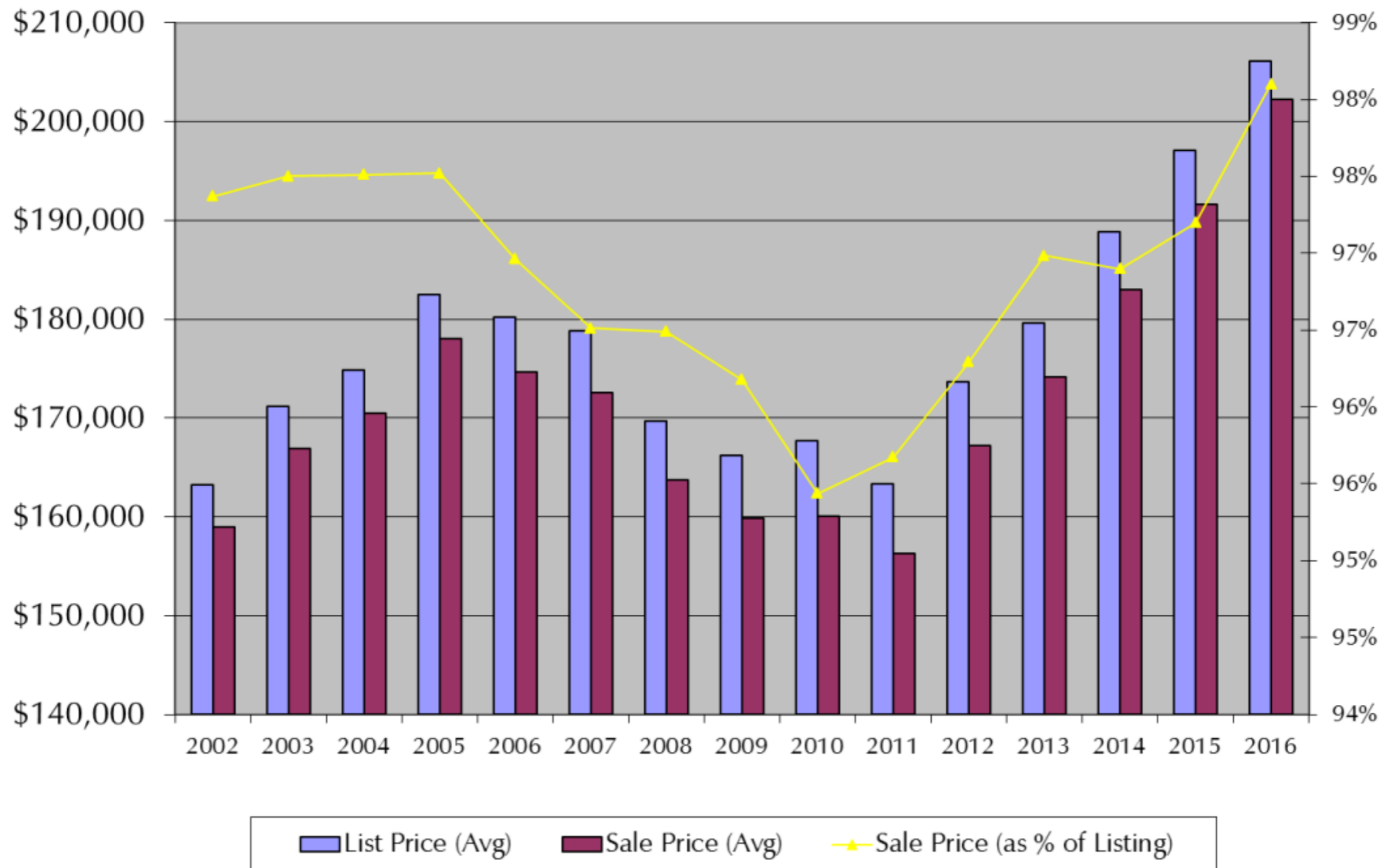


Source: Federal Reserve Bank of St. Louis/FRED

Single Family Home Price Trends

SFR: Average List Price vs. Average Sale Price

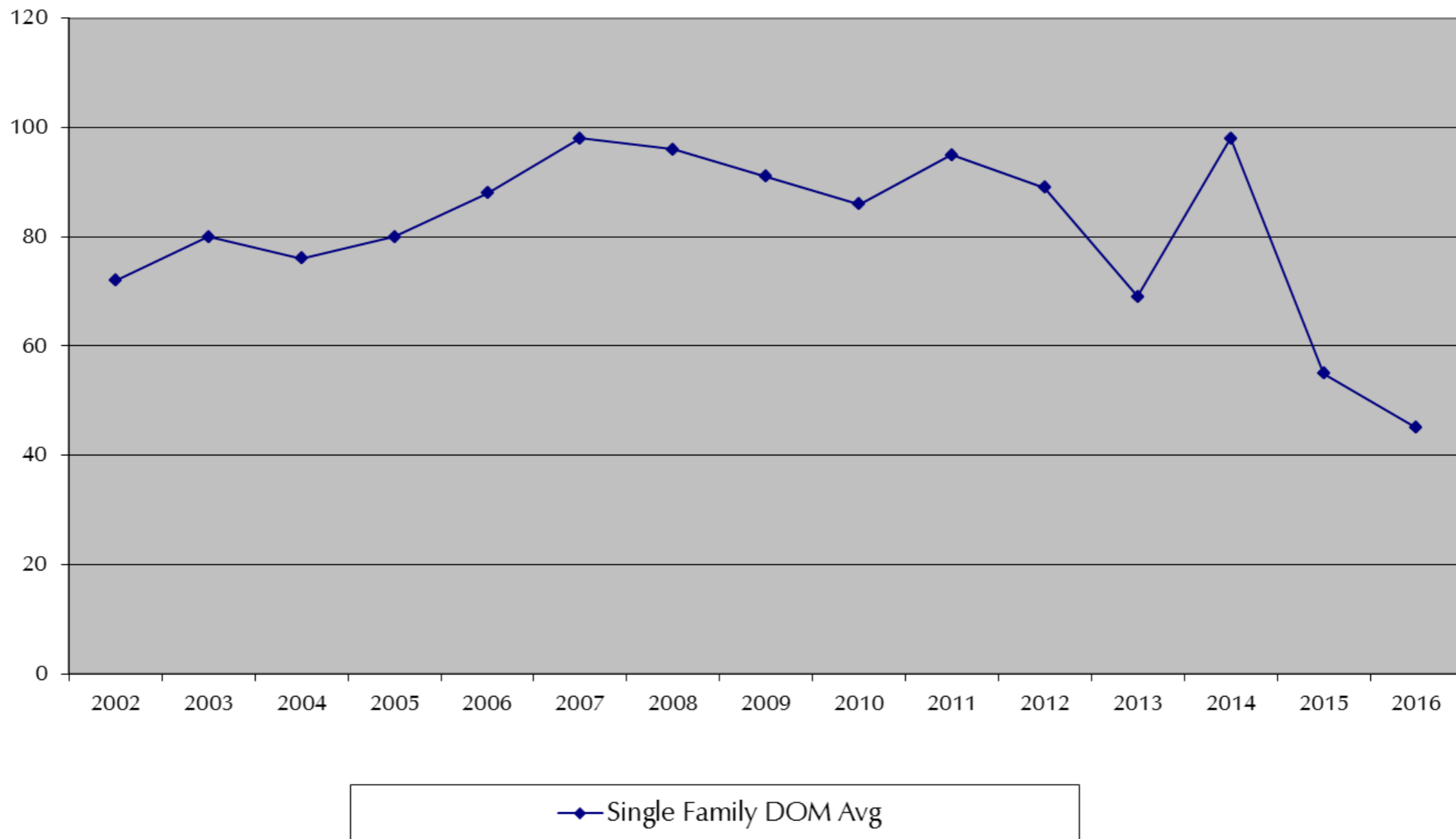
Source: Columbus MLS/Columbus Board of Realtors, 2016



Residential Marketing Period

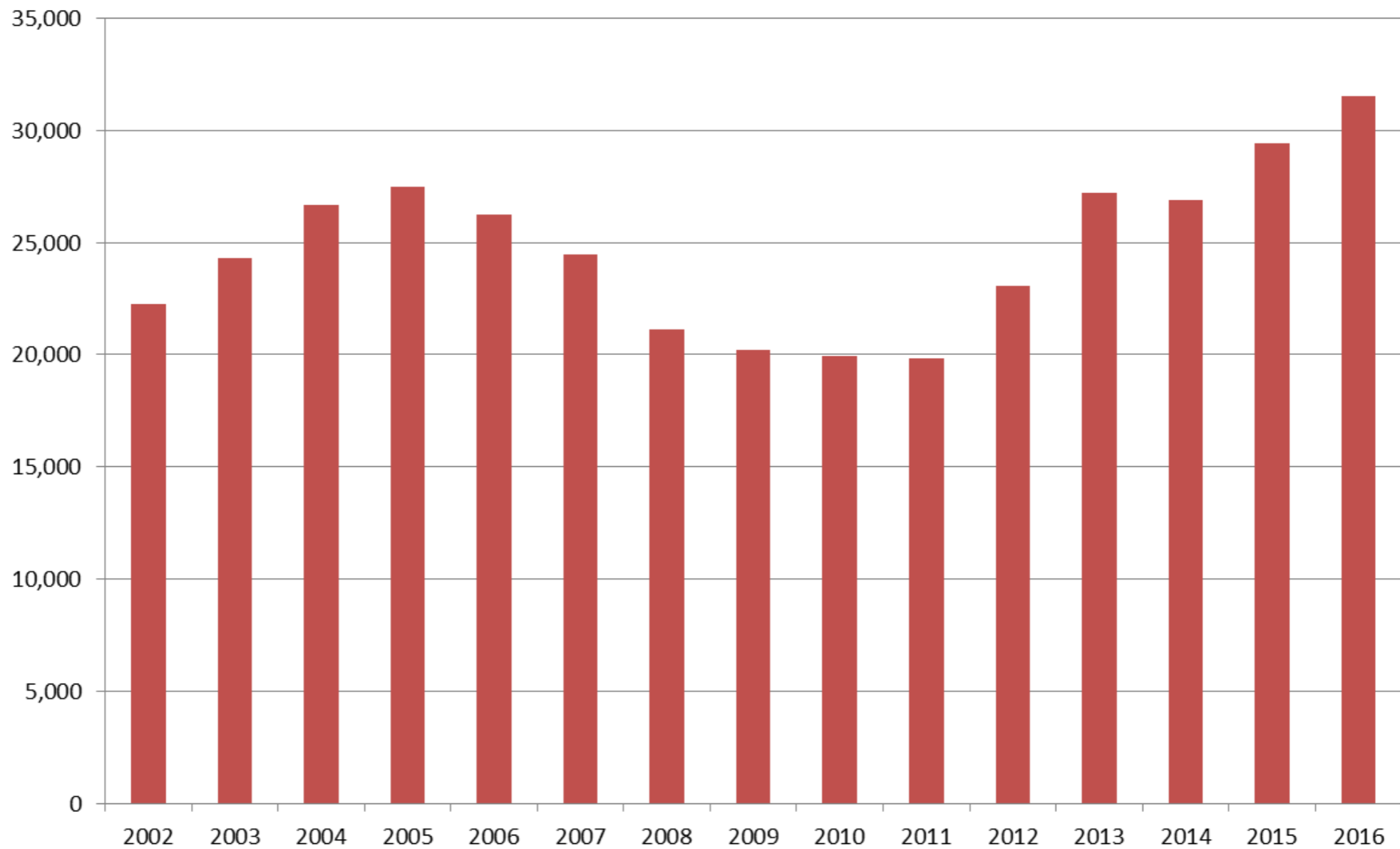
Average Days on Market

Source: Columbus MLS/Columbus Board of Realtors, 2014

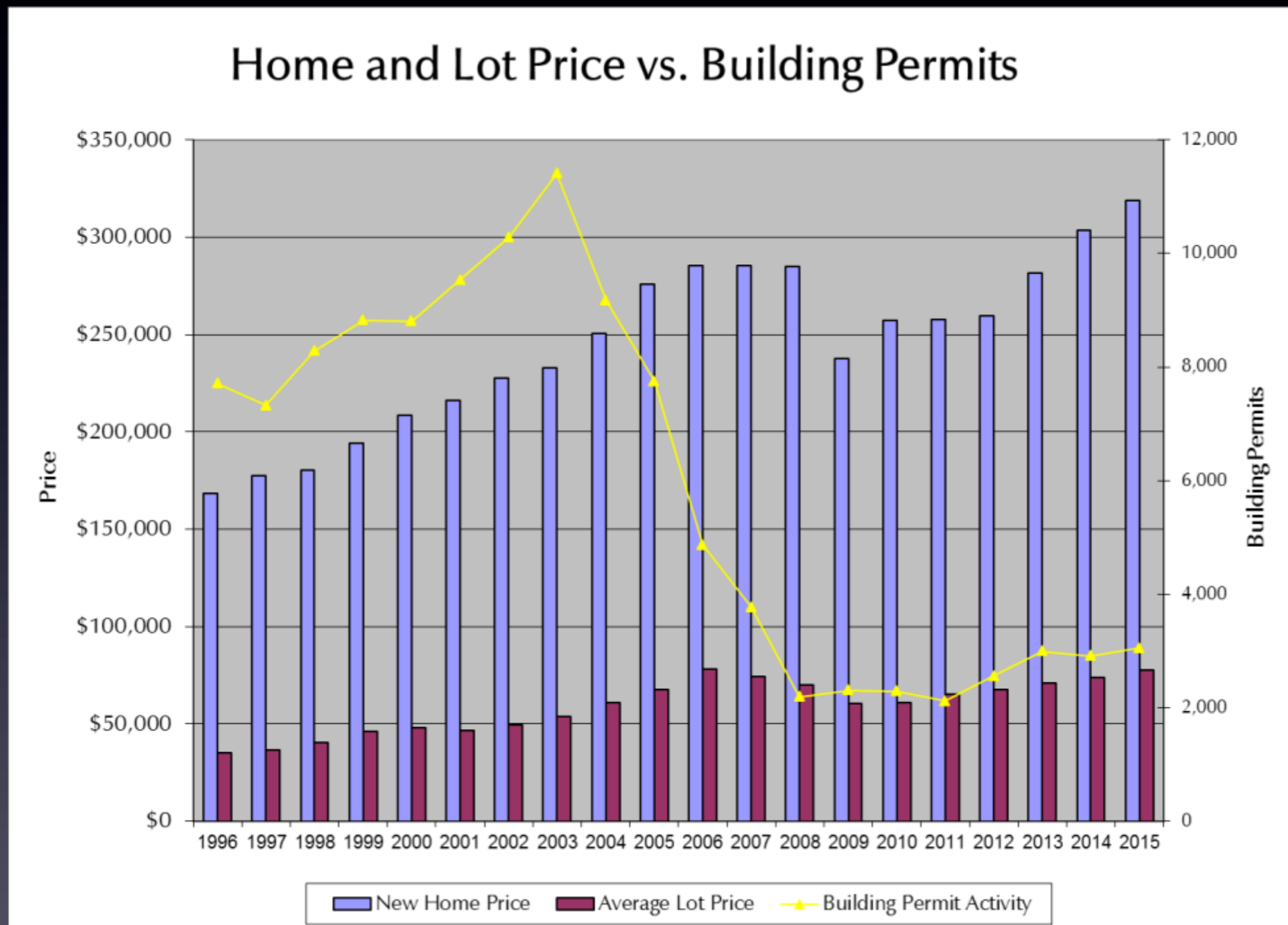


Single Family Home Sales

Total Single Family Listings Sold (Columbus MSA)



Columbus New Single Family Construction



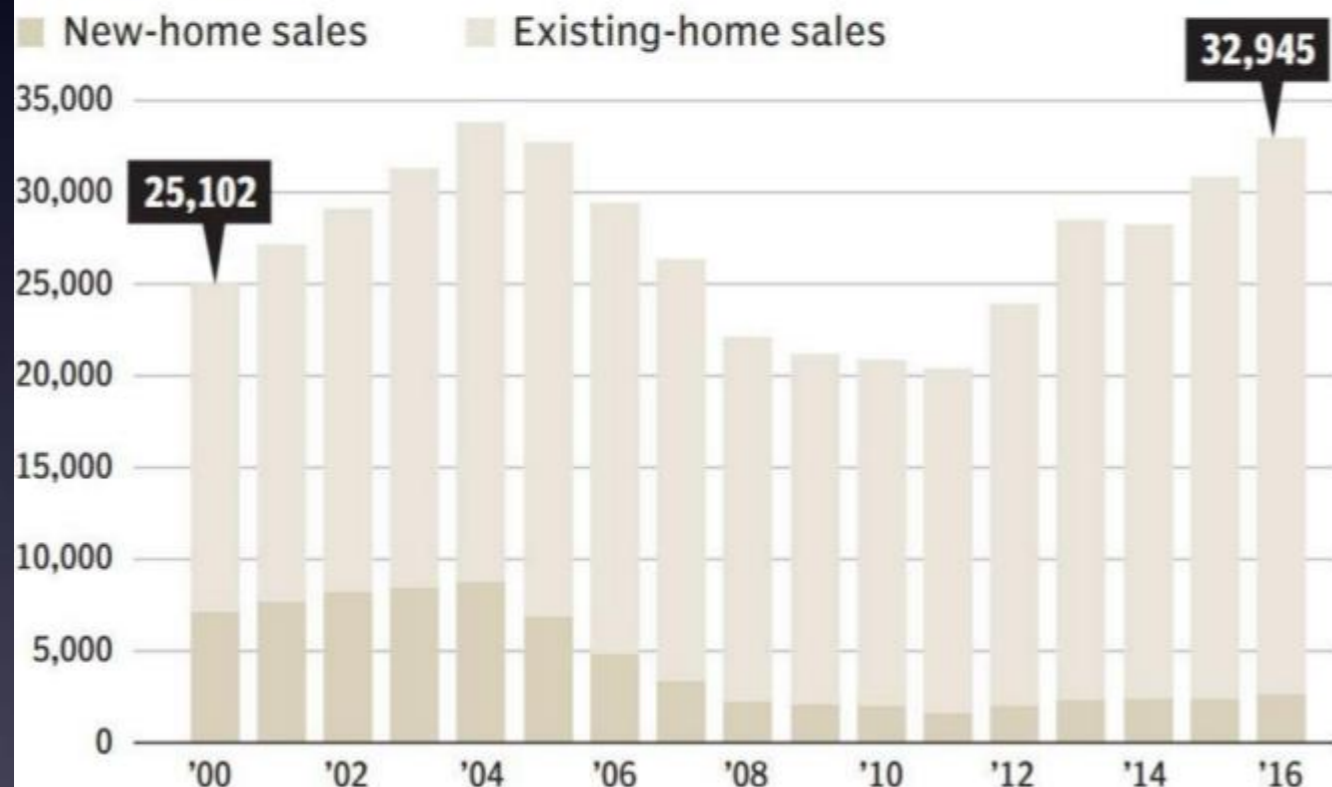
Source: Binns Real Estate Services Annual Reports

Central Ohio Single Family New vs. Existing Home Sales Volume

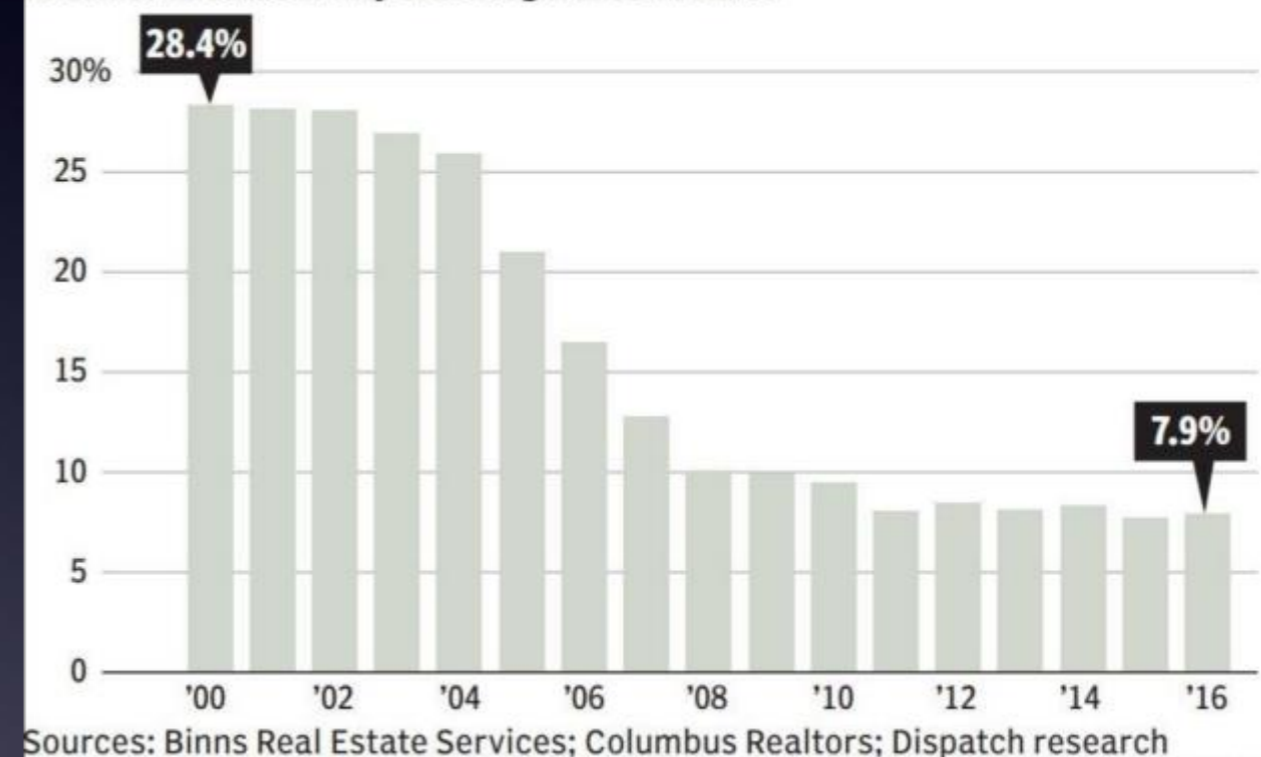
Builders' challenge

The central Ohio housing market has recovered since the Great Recession, but sales of new homes have lagged.

Total home sales



New-home sales as a percentage of total sales



Retail Markets



Image: *Columbus Business First*

POLARIS IKEA OPENING SUMMER 2017

Columbus MSA

Retail Overview

- Peak vacancy rate during recession: 13.2%
 - Q4, 2016 vacancy was 5.8% , down 50 basis points from Q3
- 19 straight quarters of positive rental absorption:
 - 2014 total: +602,640 square feet
 - 2015 total: +778,539 square feet
 - 2016 Total: +1,167,788 square feet
- Over 4.5 million SF of new retail construction since 2010 (CoStar)
 - Primarily consisting of large format retail/grocery and anchored shopping centers in NW and NE areas
 - 799,634 SF currently under construction
 - Over 500,000 SF completed in Q3 & Q4, 2016

Columbus - Retail Property Types

- Over 61 million SF of total retail in Columbus MSA
- Highest vacancies = Community & Neighborhood Centers, Anchored Strip Centers
- Lowest vacancies = Regional & Super Regional Centers, Urban Retail, Big Box, Outlet Center

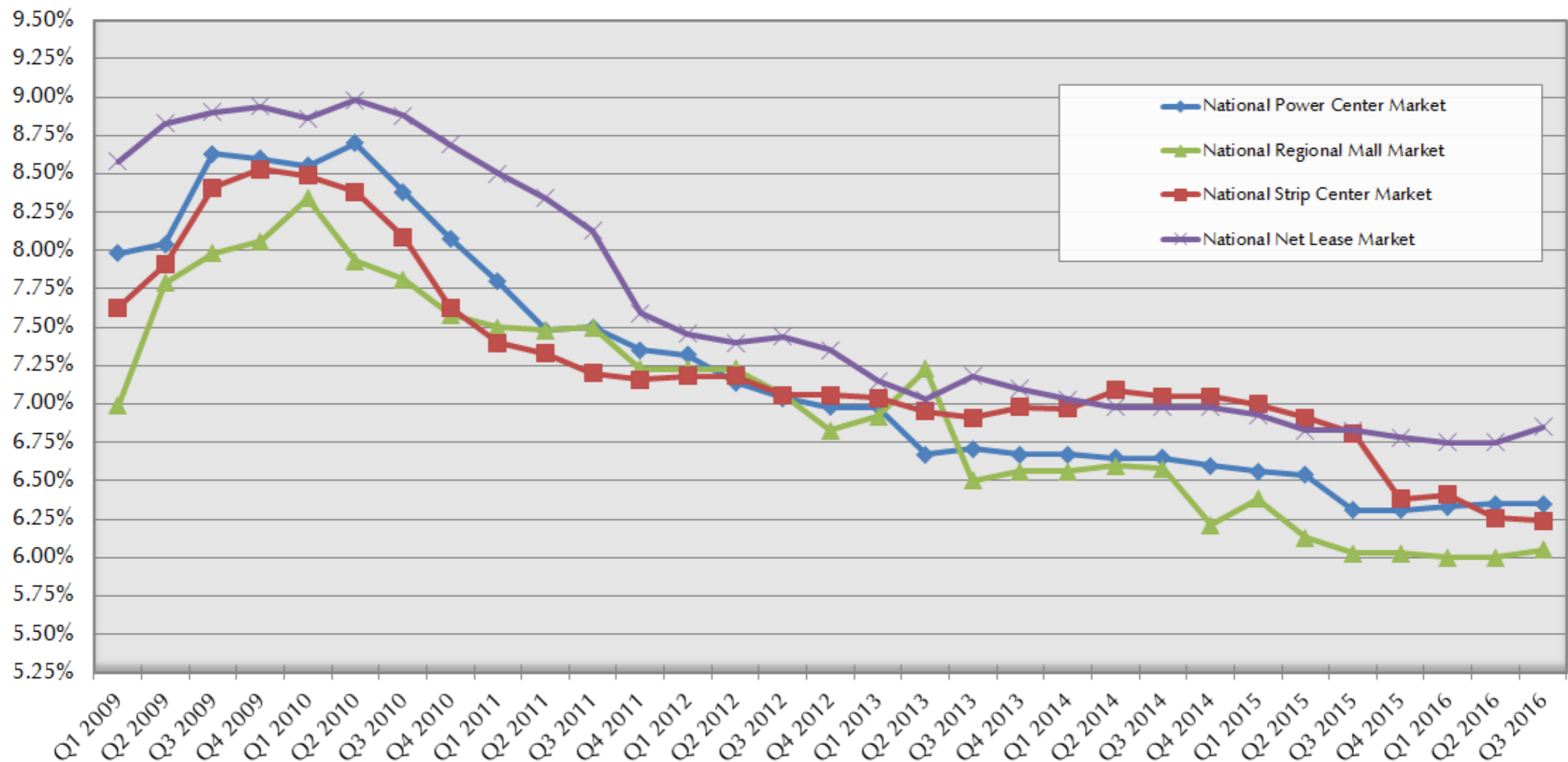
PROPERTY TYPE	TOTAL SF	VACANT SF	VACANCY %	ABSORPTION		CONSTRUCTION		ASKING RATES
				CURRENT	YTD	CURRENT	COMPLETED	
Anchored Strip Center	12,097,254	958,250	7.9%	(45,547)	122,649	90,640	124,000	\$11.36
Big Box	8,449,668	313,959	3.7%	124,280	348,686	391,500	126,000	\$6.82
Community	4,207,873	339,983	8.1%	26,515	54,121	167,000	-	\$12.45
Conv/Strip Ctr	3,713,037	220,622	5.9%	6,582	31,217	89,464	17,500	\$10.89
Freestanding	4,201,613	266,724	6.3%	67,212	110,246	61,030	108,000	\$18.35
Neighborhood	5,644,492	473,666	8.4%	(47,362)	87,829	-	-	\$11.09
Outlet Ctr	350,000	-	0.0%	-	350,000	-	-	-
Power	15,632,997	973,435	6.2%	27,263	44,940	-	-	\$11.45
Regional Ctr	663,236	-	0.0%	-	-	-	-	-
Street Retail	12,310	-	0.0%	4,000	4,000	-	12,310	-
Strip Ctr	155,558	-	0.0%	-	14,100	-	-	\$14.00
Supr Reg Ctr	5,791,480	-	0.0%	-	-	-	-	-
Urban Retail	545,249	-	0.0%	-	-	-	-	\$12.00
Grant Total	61,464,767	3,546,639	5.8%	162,943	1,167,788	799,634	387,810	

Source: Colliers International, Columbus Retail Knowledge Report, 4th Quarter 2016

NATIONAL RETAIL MARKETS

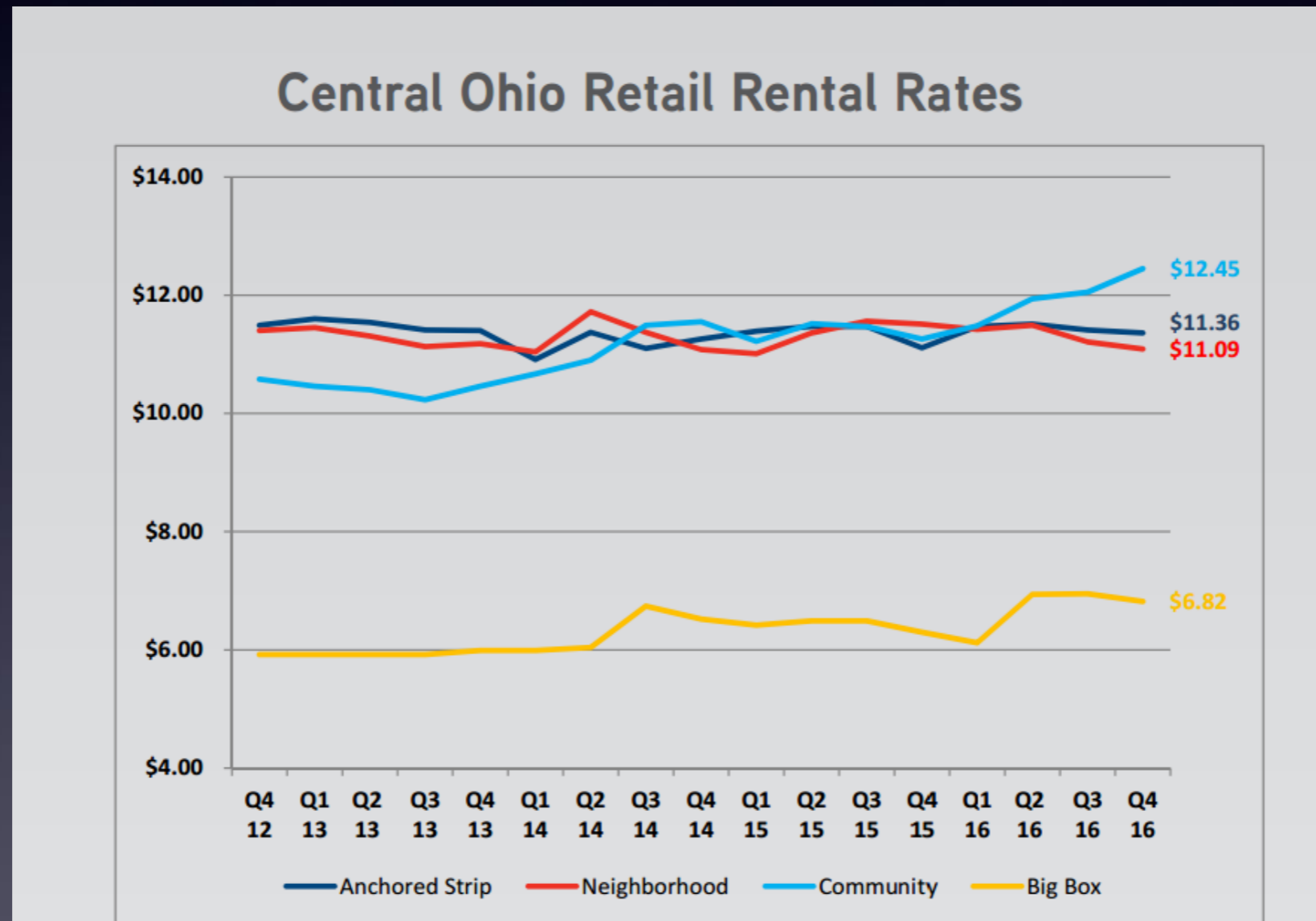
Cap Rates by Property Type since 2009

National Retail Submarkets:
Average Capitalization Rates (OAR) Since 2009



LOCAL LEASE RATE TRENDS

- Net rental rates were mostly stagnant between 2012 – 2015
- Slight increases for some submarkets in 2016
- Average asking rates dropped 1.3% in Q4 2016 to \$11.34/SF, but were up 3.0% since end of 2015
- Rising occupancy costs (taxes, utilities, build out) have limited rent inflation



Massive Store Closures

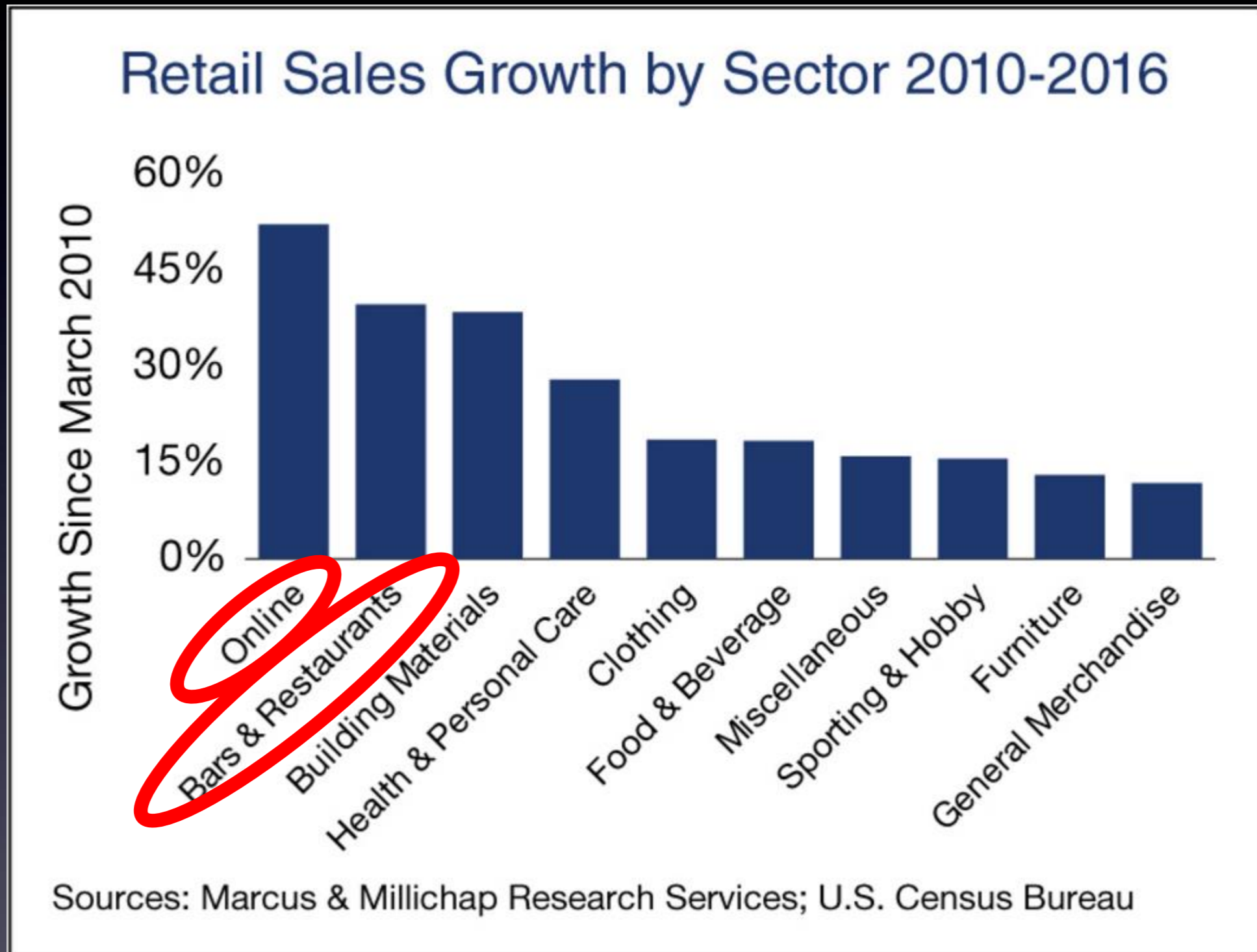
“2017 is going to be the year of massive store closings.” – Lee Peterson, Executive VP for Dublin retail-consulting group, WD Partners
(*The Columbus Dispatch*, Jan. 5, 2017)



2017 Massive Retail Extinctions

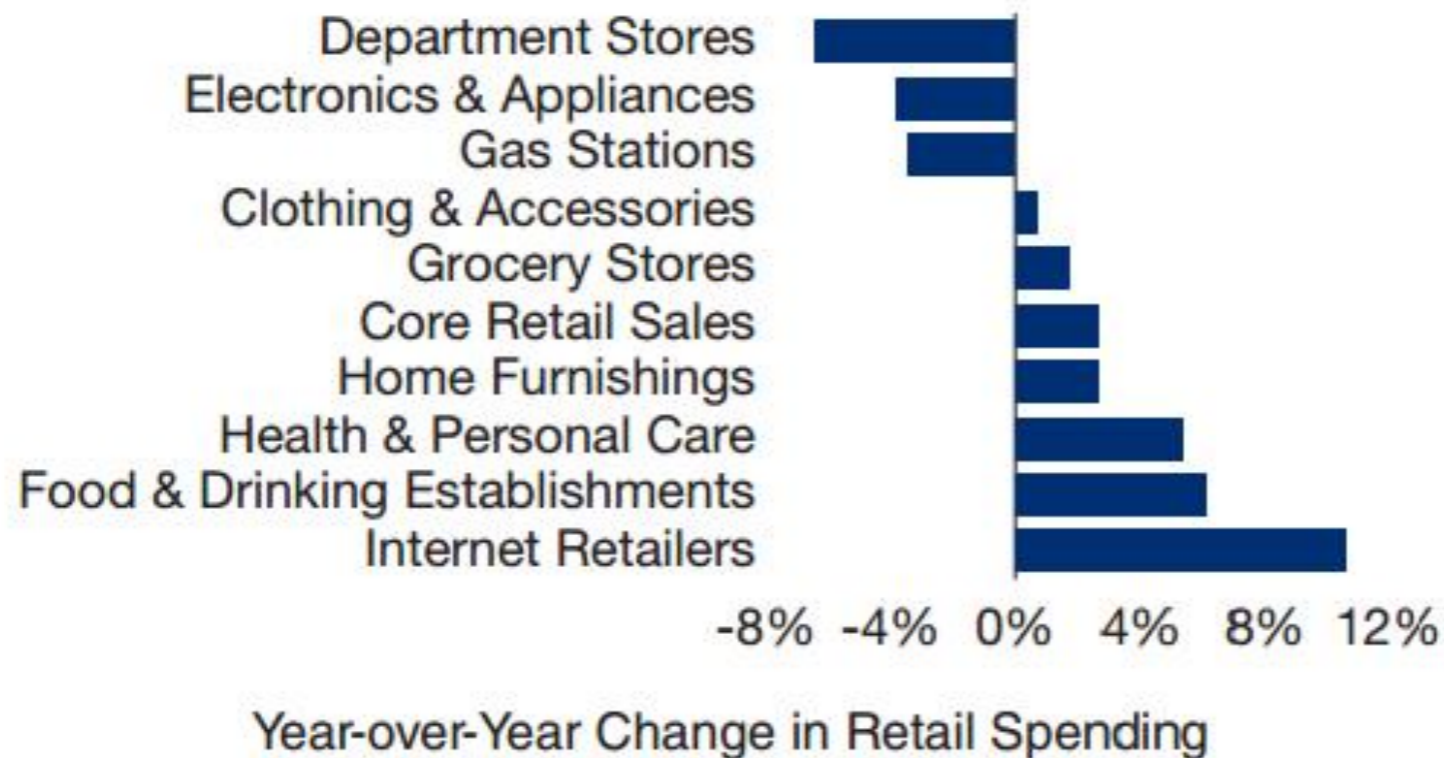
- JCPenney will close ~140 stores, 2 distribution centers in early 2017
- Macy's will close 15% of stores (~68 locations, 2 in Central Ohio: Tuttle & Eastland), citing poor performance and changing market dynamics
- The Andersons: Closed all stores (two Central Ohio locations)
- Sears & Kmart: Closing 150 stores (At least 6 in Central Ohio)
- The Limited: Closed all stores in January (~250 locations), will continue as online only store
- HHGregg: Closing 88 stores in 2017 that were no longer profitable
- Mall store closings: Abercrombie & Fitch (60 stores nationwide), Crocs (160), The Limited (250), Wet Seal (171), American Apparel (110), etc.
- Giant Eagle: Closed 3 Columbus area locations

Retail Sales Growth Trends



Sales Growth & e-Commerce

Restaurant Spending Outstripping Numerous Consumer Segments

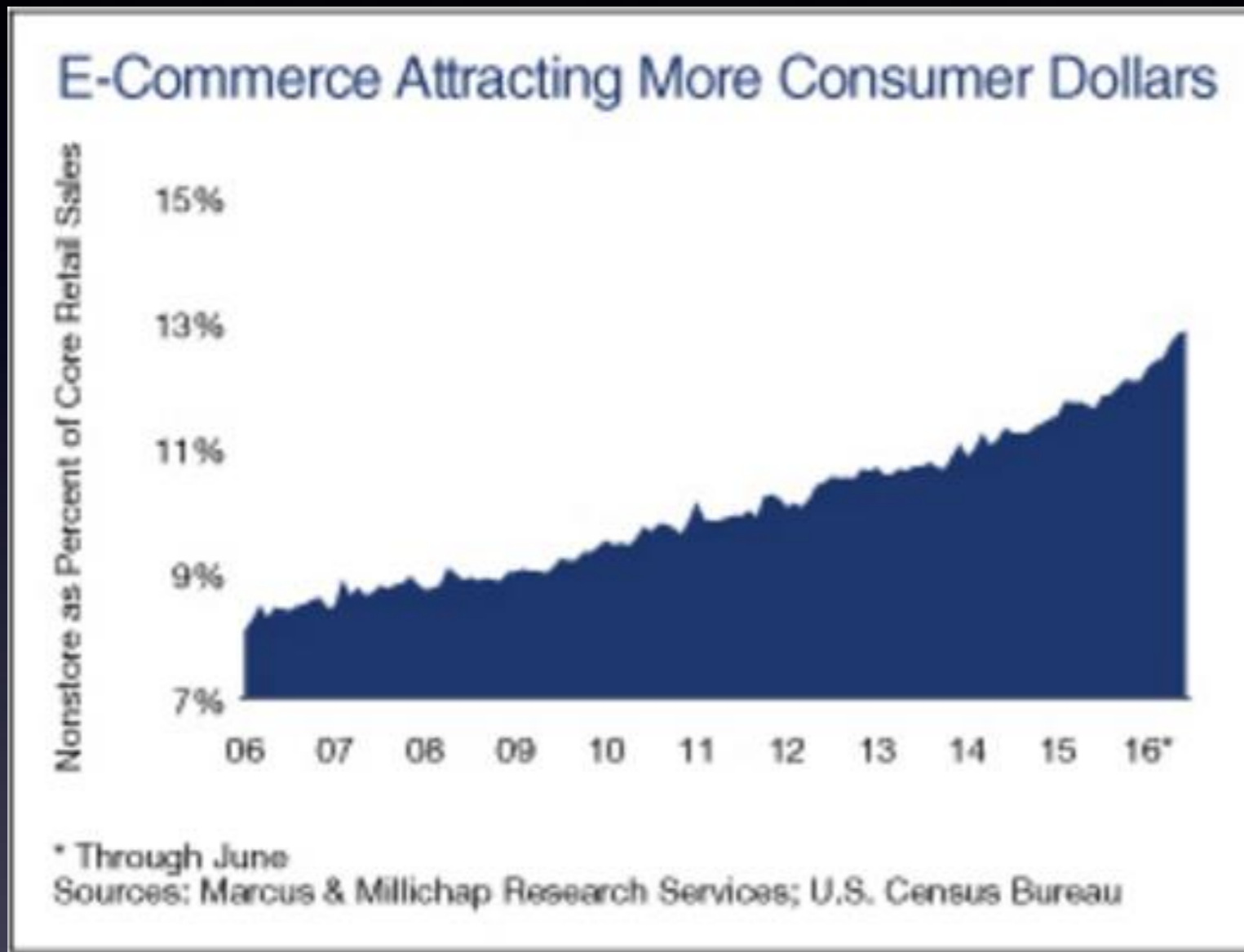


* Through September

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Moody's Analytics

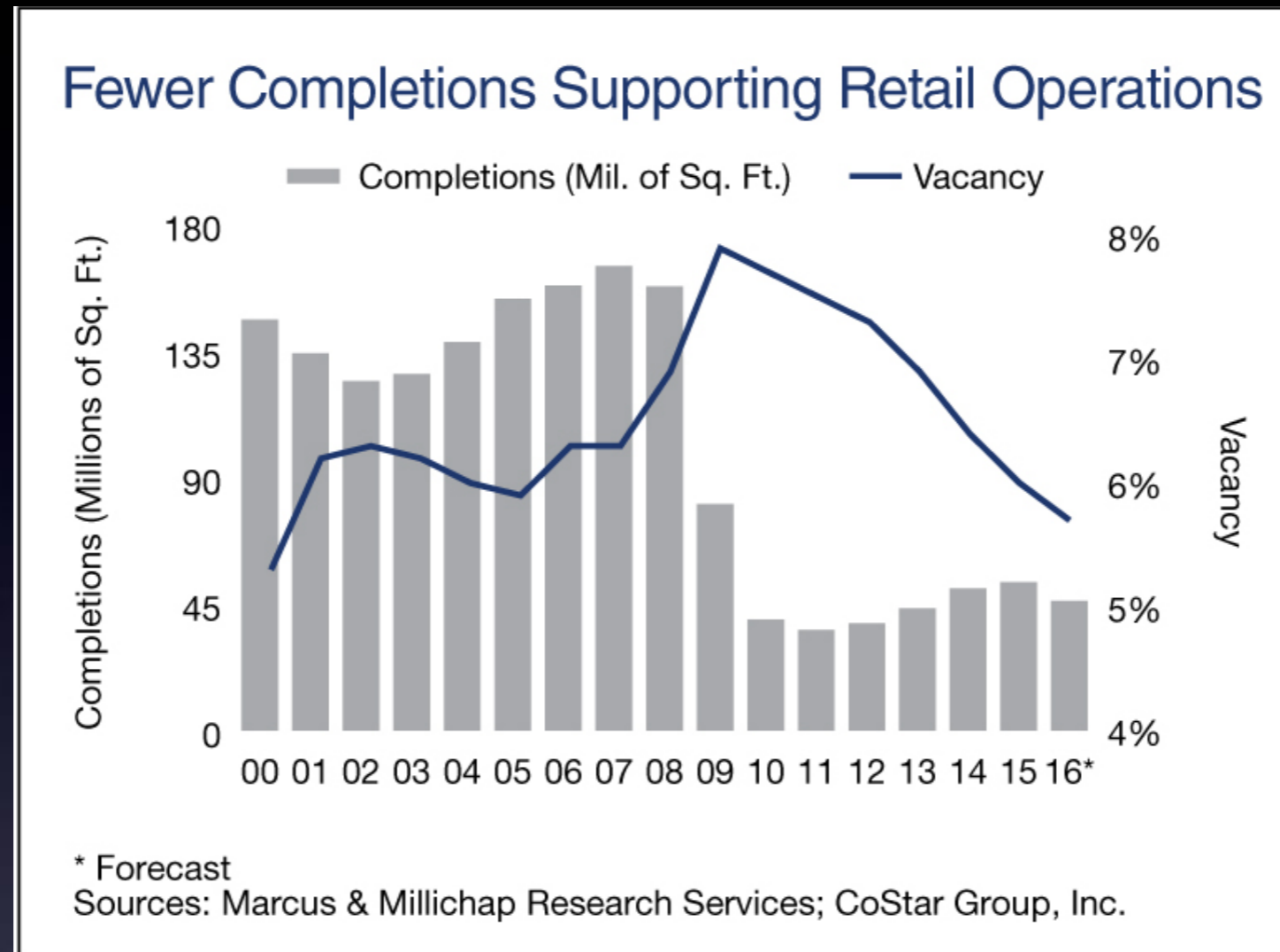
- Restaurants/bars and health & personal care segments are seeing highest in-store sales growth
- less affected by e-Commerce

E-Commerce Trends



- E-commerce now accounts for nearly 13% of core retail sales
- June 2015 to June 2016, non-store retail sales jumped 14.2%

National Retail Construction Trends



“The continuing migration of sales online and shrinking footprints of many retailers are encouraging efforts to not only backfill vacant spaces but also to identify new traffic drivers and reimagine tenant mixes. Retail property developers also continue to respond, eschewing the large multi-tenant formats of the past in favor of single-tenant and mixed-use concepts.”

– Marcus & Millichap, Research Brief: “Shopping Centers Repurpose for Digital Age; Evolving Landscape Spawns Development Showdown”, August 18, 2016

(Graph: Marcus & Millichap)

Local Retail Construction Trends

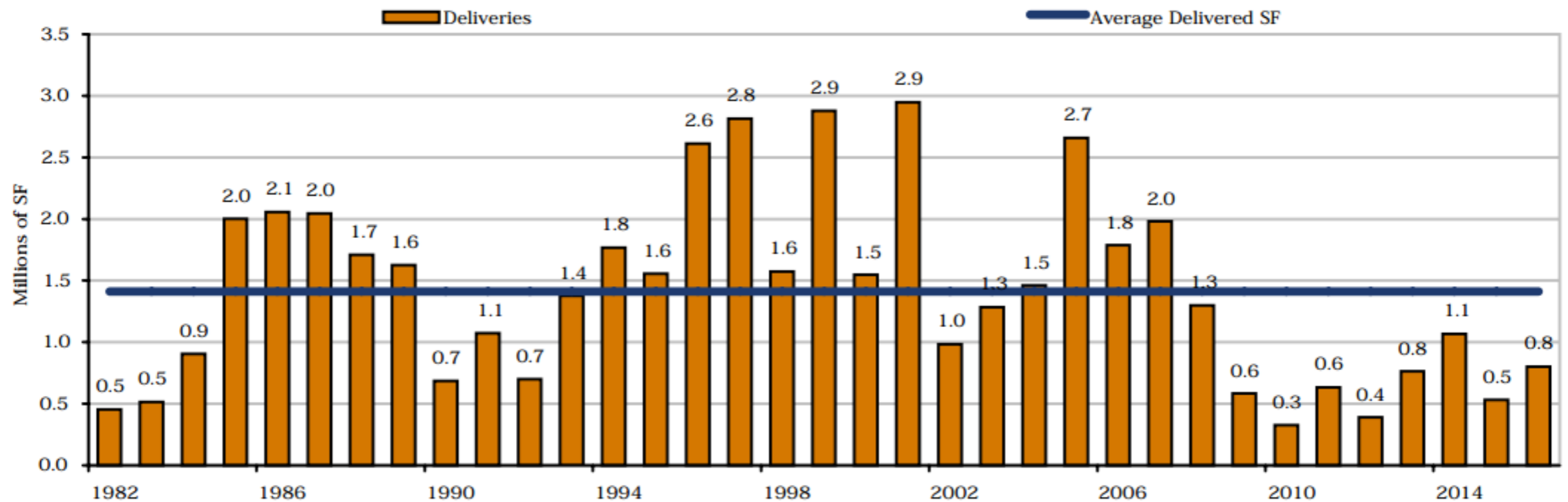
Third Quarter 2016 – Columbus

Columbus Retail Market



Inventory & development

Historical Deliveries 1982 - 2016



Source: CoStar Property®

* Future deliveries based on current under construction buildings.

- Most new construction is occurring in NE, NW, and East submarkets
- Mostly an even mix of single and multi-tenant projects, with emphasis on big box retail and grocery anchored shopping centers

RETAIL: Geographic Submarkets

4th Quarter 2016



SUBMARKET	TOTAL SF	VACANT SF	VACANCY %	ABSORPTION		CONSTRUCTION		ASKING PRICE	
				CURRENT	YTD	CURRENT	COMPLETED	NEIGHBORHOOD	POWER
CBD	1,129,426	38,299	3.4%	-	20,329	15,000	-	\$12.00	\$27.50
Fairfield	3,960,854	217,513	5.5%	5,275	20,831	-	-	\$18.32	\$13.84
Licking	3,964,649	92,915	2.3%	(2,470)	73,180	-	-	\$9.77	\$14.50
Madison	214,406	20,643	9.6%	-	(11,783)	-	-	-	-
North Delaware	2,637,806	163,012	6.2%	7,740	322,655	-	-	-	\$14.00
Northeast	16,946,921	765,423	4.5%	51,282	166,012	621,190	110,000	\$12.92	\$11.12
Northwest	13,655,451	375,136	2.7%	169,819	236,114	164,414	168,000	\$12.85	\$14.54
Pickaway	656,177	20,724	3.2%	-	-	-	-	-	-
Southeast	10,149,885	1,092,316	10.8%	144,406	132,0325	99,030	140,000	\$7.90	\$8.56
Southwest	6,560,179	511,061	7.8%	3,643	(44,783)	-	-	\$12.92	\$11.42
Union	1,201,203	25,020	2.1%	-	90,265	123,000	39,700	-	\$23.00
Grand Total	61,076,957	3,322,062	5.4%	379,965	1,004,845	1,022,634	347,700	\$11.21	\$11.53

(Source: Colliers International)

Strong Submarkets: Polaris



- Dick's Sporting Goods and Field & Stream opened new stores in 2015 at Polaris Town Centre within 135,000 SF former Great Indoors anchor store that closed in 2012 (redeveloped by Glimcher)
- IKEA broke ground in 2016 on its 354,000 SF store scheduled to open in Summer 2017
- New inline development east of I-71 on Polaris Parkway

Photos: *Columbus Business First* (left) and *Columbus Underground*

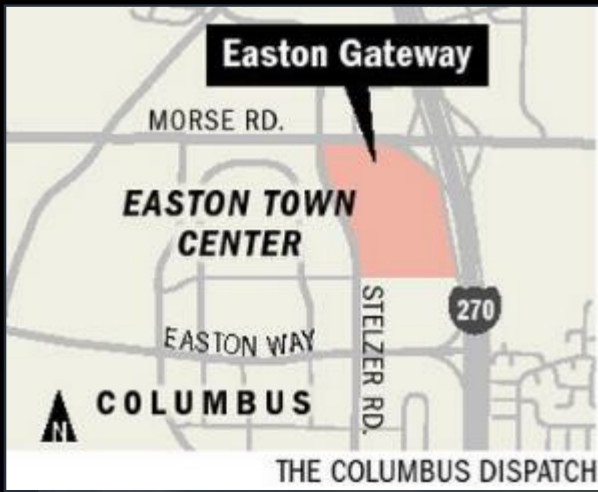
Strong Submarkets: Easton

- Easton Town Center: still thriving after 17+ years
- 50+ new stores/tenants introduced since mid-2013
- Easton Gateway Expansion
- City of Columbus: new abatements



"[Easton] is still going strong, at a point where a lot of malls are going downhill. I think the reason why Easton is still so successful is it constantly fine-tunes its tenant mix. It's to the point where it's adding in niche categories."

– Chris Boring, Boulevard Strategies,
2014



Easton Gateway



PHASE I: Completed 2015

- 54 acre expansion
- 540,000+ SF of new retail
- Costco (148,000 SF) – Opened 2013
- Whole Foods (45,000 SF) - May 2015
- Field & Stream (50,000 SF) –
Opened Sept 2014
- REI (23,400 SF) – Opened May 2014
- Dick’s Sporting Goods (80,000 SF) –
2 stories; Opened July 2014
- Saks Off 5th (28,000 SF) –
Opened Sept 2014
- Parking for 3,000 vehicles

Image: Columbus Underground

Aladdin Shrine sells to Easton

- Easton developers buy 18.7 acre site for \$13,000,000
- Aladdin Shrine Temple has 4 years to secure a new location
- No immediate redevelopment plans
- Purchased for future flexibility for Easton Gateway and Town Center
- Easton developers had been interested in site for 10+ years



Weak Retail Submarkets

- Brice Road corridor
- South Hamilton Road
- West Broad Street



Recent Completion

The Shoppes at East Broad Street, Reynoldsburg



- 195,000 shopping center developed by Glitz & Associates
- Completed in Q3 2016 on one of the last remaining retail parcels available in Reynoldsburg
- South side of east Broad Street in Reynoldsburg, west of Lowe's and across from Target and Meijer
- Tenants: TJ Maxx, Hobby Lobby, Half Price Books, Dollar Tree, Maurices, Sally Beauty, Pearl Vision, Petsmart, and Encore Shoes



Grocery and Big Box-Driven Development

- Post-recession: freestanding stores & anchored centers are driving suburban retail development
- Investor premiums for grocery-anchored centers
- Urban/infill redevelopment: retailers chasing population growth in urban neighborhoods and inner suburbs
- Adapting to evolving shopping habits / millennials' lifestyle preferences (experiments with small format stores)



- Costco – Easton Gateway (2013)
- Whole Foods – Easton Gateway (2015)
- Lucky's Farmers Market - Clintonville (2013)
- Fresh Thyme Farmers Market – Worthington (2015)
- Walmart, Sawmill Square – Dublin (Completed 2014)
- Meijer Supercenter, Coleman's Crossing – Marysville (2014)
- Costco, Dublin Green – Dublin (2016)
- Kroger, Northland Village – Columbus (Under Development)
- Giant Eagle Express – Bexley (2016)
- Giant Eagle, Britton Parkway – Hilliard (2015)
- Giant Eagle Market District – Grandview Yard (2014)
- Fresh Thyme Farmer's Market – Westerville/Polaris (2016)
- And many more...

Giant Eagle – Grandview Yard



- 100,000 SF, upscale Market Place store
- Pub area: beer/wine bar, TVs, happy hours and tastings
- Chefs' stations with live demos
- Emphasis on local, natural, and specialty foods
- Mezzanine with seating, hot and cold foods, Wi-Fi
- Starbucks, liquor store, Huntington branch, etc
- Dry cleaning, dietitian, health/wellness, and other services



Giant Eagle Market District Express – Downtown Bexley

- Two-story, 30,000 SF store on Main Street, opened in the Fall of 2016
- Smaller version of upscale Market District store
- Former site of Bexley City Hall
- \$7.5m project (Continental Realty)
- Part of Bexley's focus to open more revenue-generating development space
- Urban grocery adaptation



Kroger – East Submarket Activity



REYNOLDSBURG SITE PURCHASE (DEC-2016)

- Kroger buys ~16 acre former trailer park on East Main Street in Reynoldsburg
- \$2,400,000 (\$150,000 per acre)
- 100,000 SF new store
- Closing its 40,000 SF store ½ mile to the east



TOWN & COUNTRY PURCHASE (MAR-2017)

- Kroger buys at Town and Country Shopping Center in Whitehall
- \$4,240,000 site purchase (~10 acres) for new 100,000+ SF store
- \$424,000 per acre (plus demolition costs for existing 78,000 SF former Big Bear store)
- Kroger relocating its current 65,000 SF store across East Broad Street



Other Retail Trends

Restaurants, Bars, and Breweries

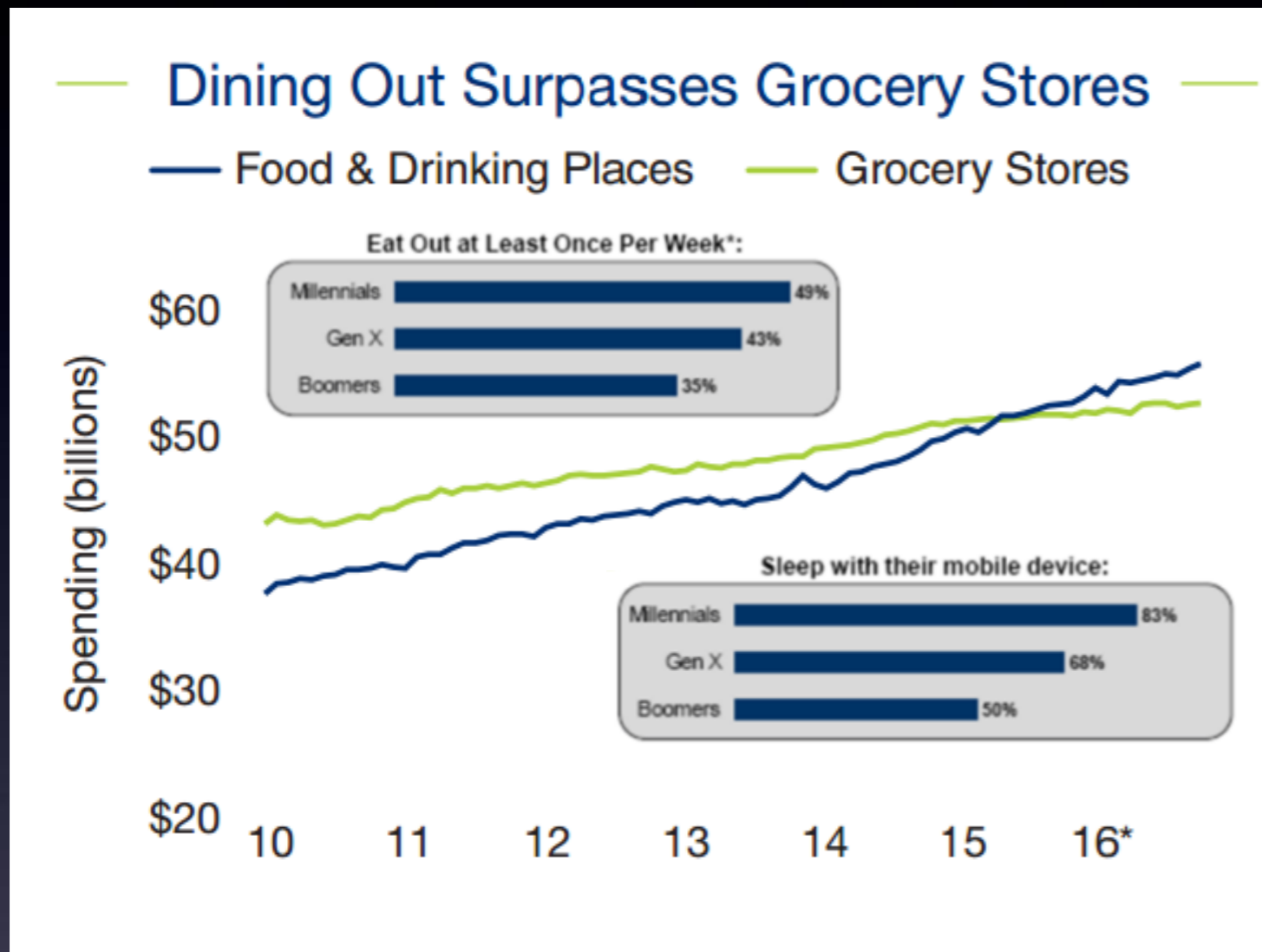


Hofbrauhaus, Grandview Yard



Land-Grant Brewing Company, Franklinton

Grocers: Losing Ground to Restaurants and Bars



“ Restaurants are gobbling up space in many areas. I'd estimate food-related spaces take up 25-30 percent more square footage in retail centers than 10 years ago. ”

- [Daniel Ortega](#), Vice President
Phoenix, AZ

- In 2015, restaurant and bar sales exceeded grocery sales for the first time ever.
- Trend continued in 2016:
 - From Sept 2015 to Sept 2016, restaurant and bar sales (\$55 billion) exceeded grocery sales (\$52 billion)
- Grocers also losing ground to grocery-delivery services from Amazon.com and others

Other Development Trends

Ground Floor Retail/Restaurants

- Mixed-use & apartment buildings
- CBD, Short North and surrounding neighborhoods
- Clintonville, Grandview, and other areas with walkable neighborhoods



The View on Fifth, Grandview



Planned Whitecastle redevelopment, Short North

Ground Floor Retail

Fireproof Records Building – Short North



Pies & Pints, Chipotle, Wight-Patt Credit Union, and Tai Tiki in 1st floor of Fireproof Records Building

Ground Floor Retail

Le Méridien Columbus, The Joseph – Short North



Anthropologie, 1st floor of Le Méridien,
Short North



The Guild House, 1st floor of The Joseph,
Short North

Ground Floor Retail

The Hub – Short North



Melt, Huntington Bank, Snap Fitness, Salon Lofts, etc. in 1st floor of The Hub



Ground Floor Retail 250 South High Street – CBD



Salt & Pine, 1st floor of 250 S. High St.
(Closed in Feb 2017)

Ground Floor Retail

High Point at Columbus Commons – CBD



Condado, 1st floor of High Point



de Novo Bistro, 1st floor of High Point

Ground Floor Retail

The Wellington – OSU Student Housing



- Developer = Edwards Cos.
- Six story apartment complex at High Street and 16th Avenue, across from The Ohio State University
- Total first floor retail = 46,000 SF
- First floor will include a small, Urban-format Target store (28,000 SF), CVS, Starbucks, and a Huntington National Bank branch office
- 165 unit, 448-bed apartment complex estimated completion: August 2018

Retail Under Development

Dublin Green Shopping Center (Jerome Twp)

- Developer Joseph Skilken Organization
- Costco (148,000 SF) anchor, opened in 2016
- 38 acre site at NW corner of Industrial Pkwy and SR-161
- Western edge of Dublin's border with Jerome Twp.
- Other tenants: Wendy's, Tim Hortons, Bibibop
- Phase II: Additional 100,000 to 150,000 SF of retail planned



Dublin Bridge Park

- Developer = Crawford Hoying
- 2.5 million SF mixed-use development planned for downtown Dublin
- Office, retail, conference center, hotel, apartments, and condos
- \$300 million planned investment
- Broke ground in 2015
- New Retail:
 - Restaurants - 115,000 SF
 - Grocery – 76,000 SF
 - General retail – 48,000



COLUMBUS INDUSTRIAL MARKETS



Amazon's new 1 million SF fulfillment center in Rickenbacker Global Logistics Park in Obetz, completed by Duke Realty in 2016.

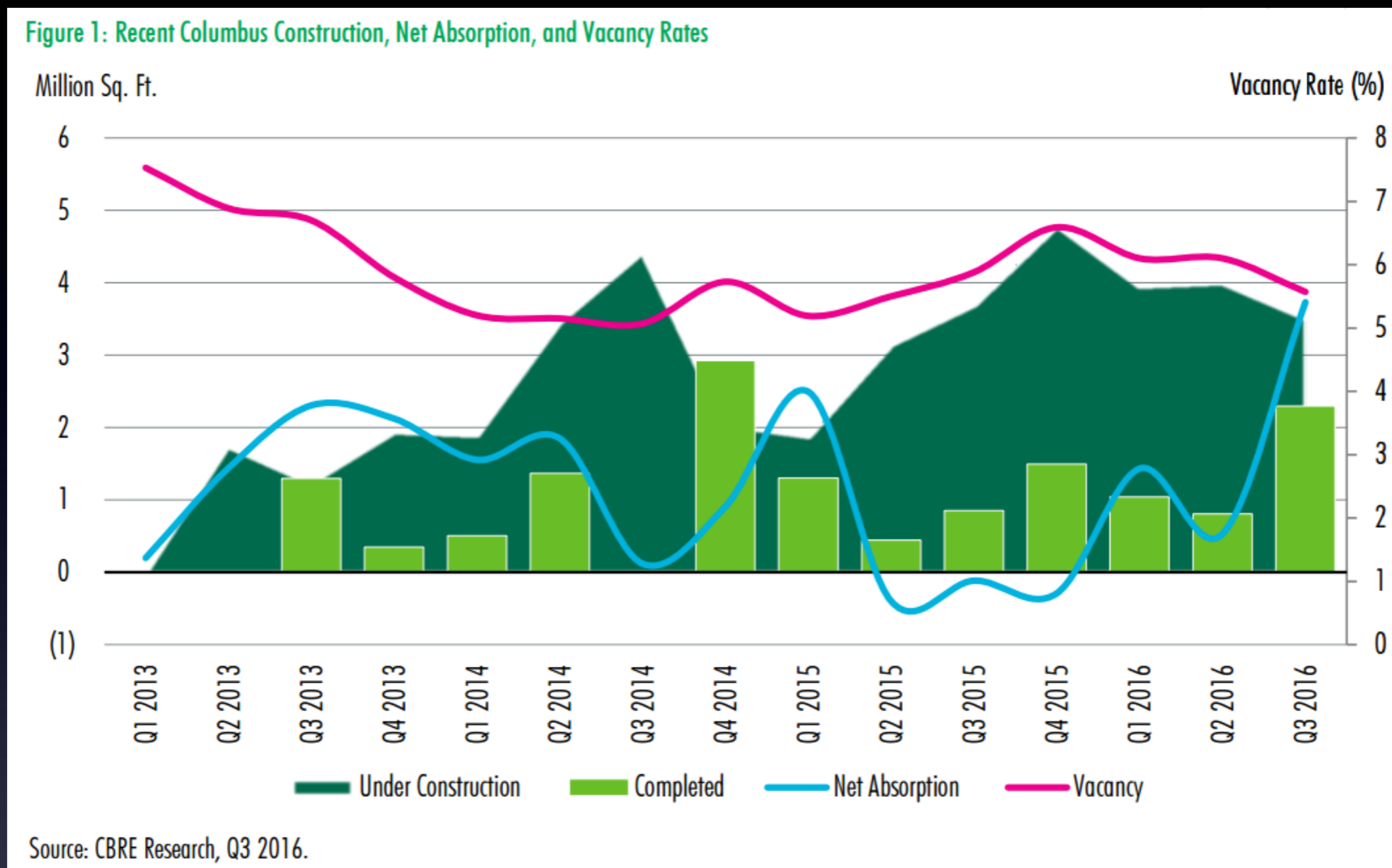
INDUSTRIAL SUBMARKETS

OVERVIEW

PROPERTY TYPE	TOTAL SF	VACANT SF	VACANCY %	ABSORPTION		CONSTRUCTION		ASKING PRICE
				CURRENT	YTD	CURRENT	COMPLETED	BY PRODUCT TYPE
Flex/R&D	20,529,697	1,162,821	5.7%	1,785	144,376	28,000	70,000	\$6.40
General Industrial	71,759,439	2,577,457	3.6%	1,242,272	1,309,002	2,062,000	991,992	\$3.54
Warehouse - Distribution	140,054,901	8,757,964	6.3%	2,664,609	7,307,482	264,000	1,373,769	\$2.97
Grand Total	232,344,037	12,498,242	5.4%	3,908,666	8,760,860	2,354,000	2,435,761	\$3.34

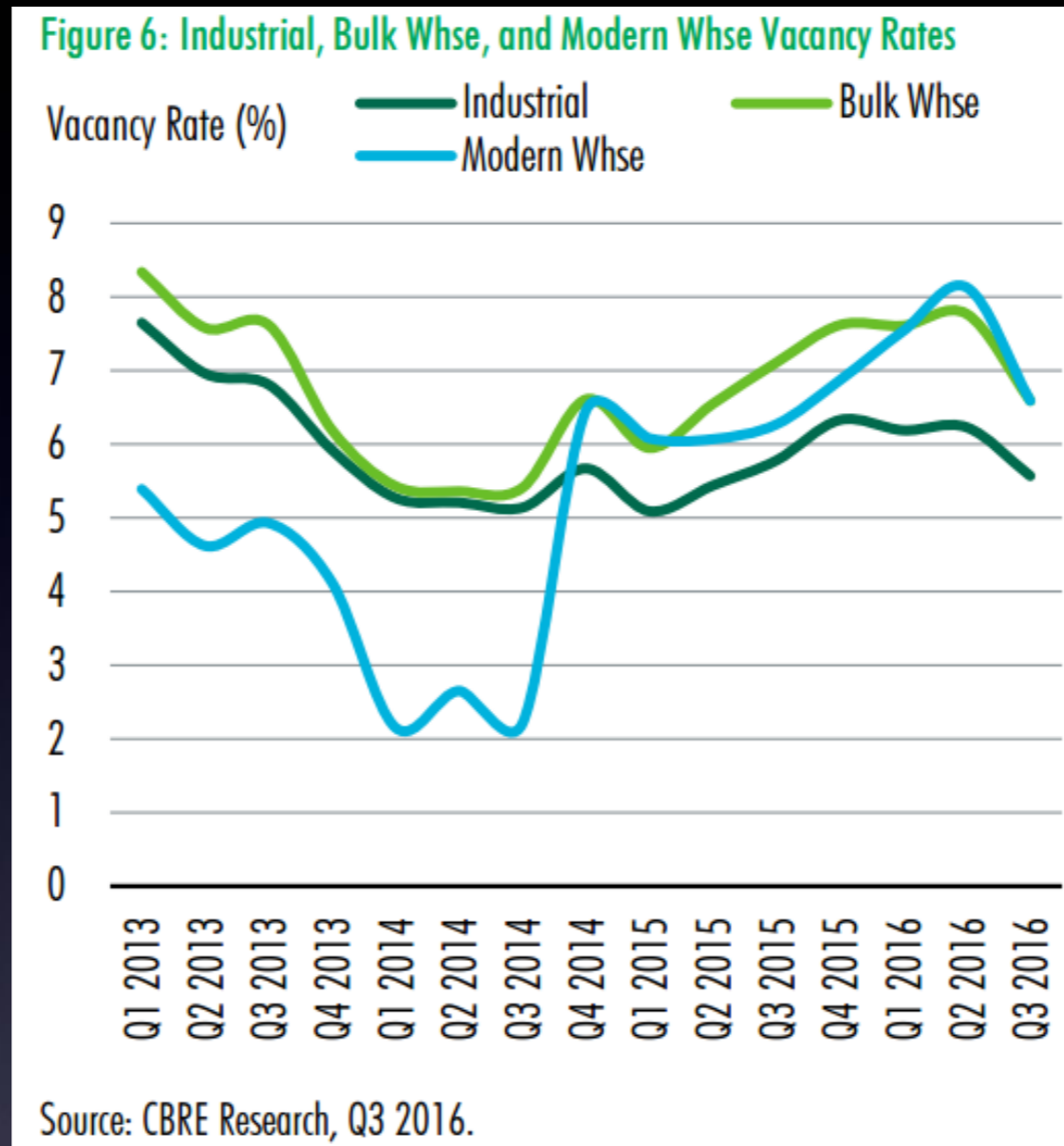
- Overall vacancy rate in Columbus market is 5.4% as of Q4 2016 (Colliers)
- Vacancy rates for Columbus market fell 100 basis points since 2015, returning to near historic lows of 2014
- Colliers International reports U.S. national industrial market average vacancy to be 6.0% (lowest rate ever) , as year end 2016

CONSTRUCTION & ABSORPTION



- 3.7 million SF of positive net absorption in Q3 2016 (record high)
 - Includes Amazon's 2 fulfillment centers totaling 1.9 million SF
- Low vacancy rates during 2014 fueled the development of 10+ million SF of new construction since Q4, 2014 (primarily modern bulk warehouse)

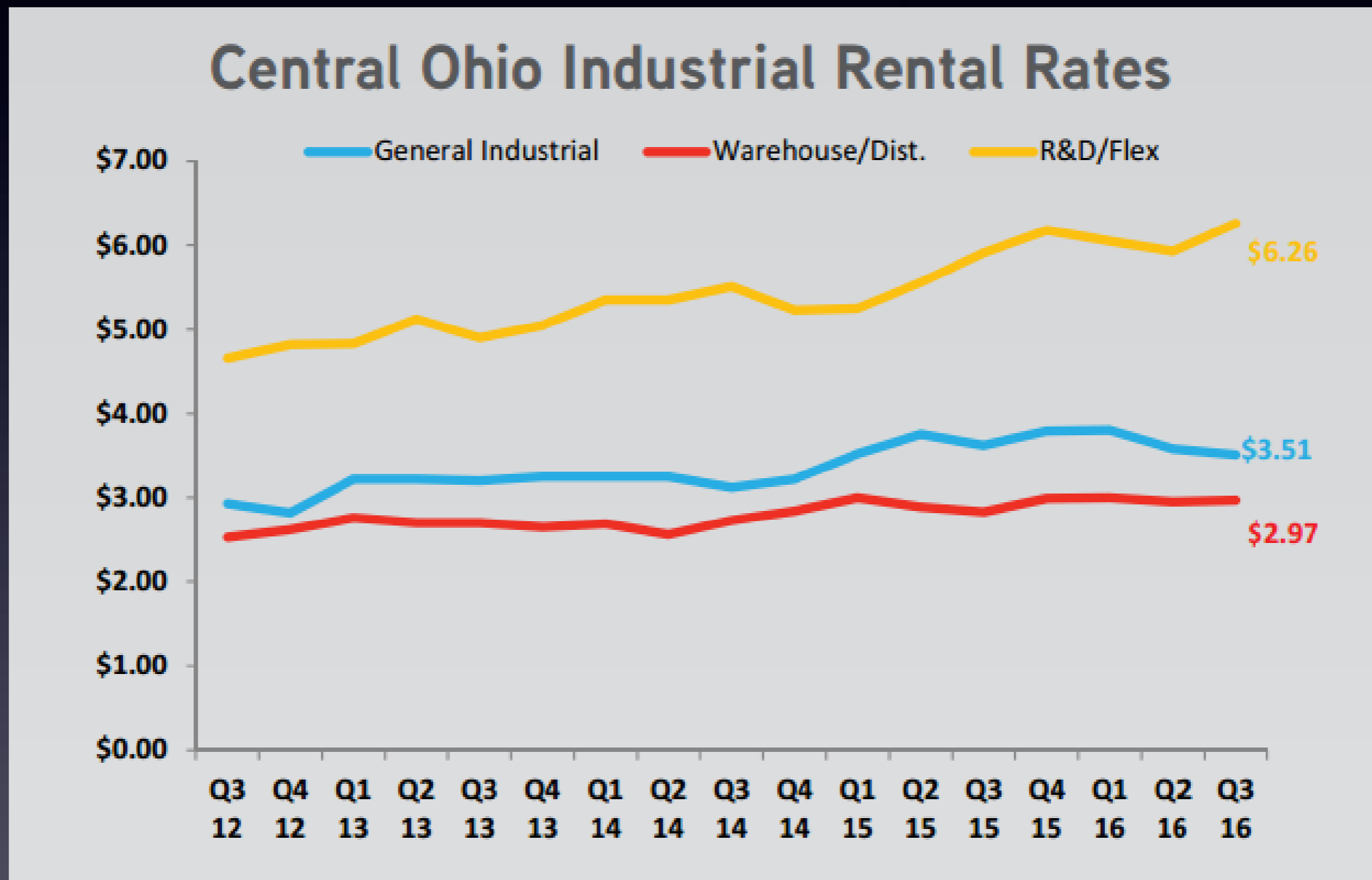
INDUSTRIAL VACANCY



- CBRE: “Modern warehouse vacancy hit record lows in 2014. As new speculative modern warehouse product has been delivered, vacancy has increased in 2015-2016 but strong leasing activity & limited new construction deliveries have kept vacancy rates in check.”

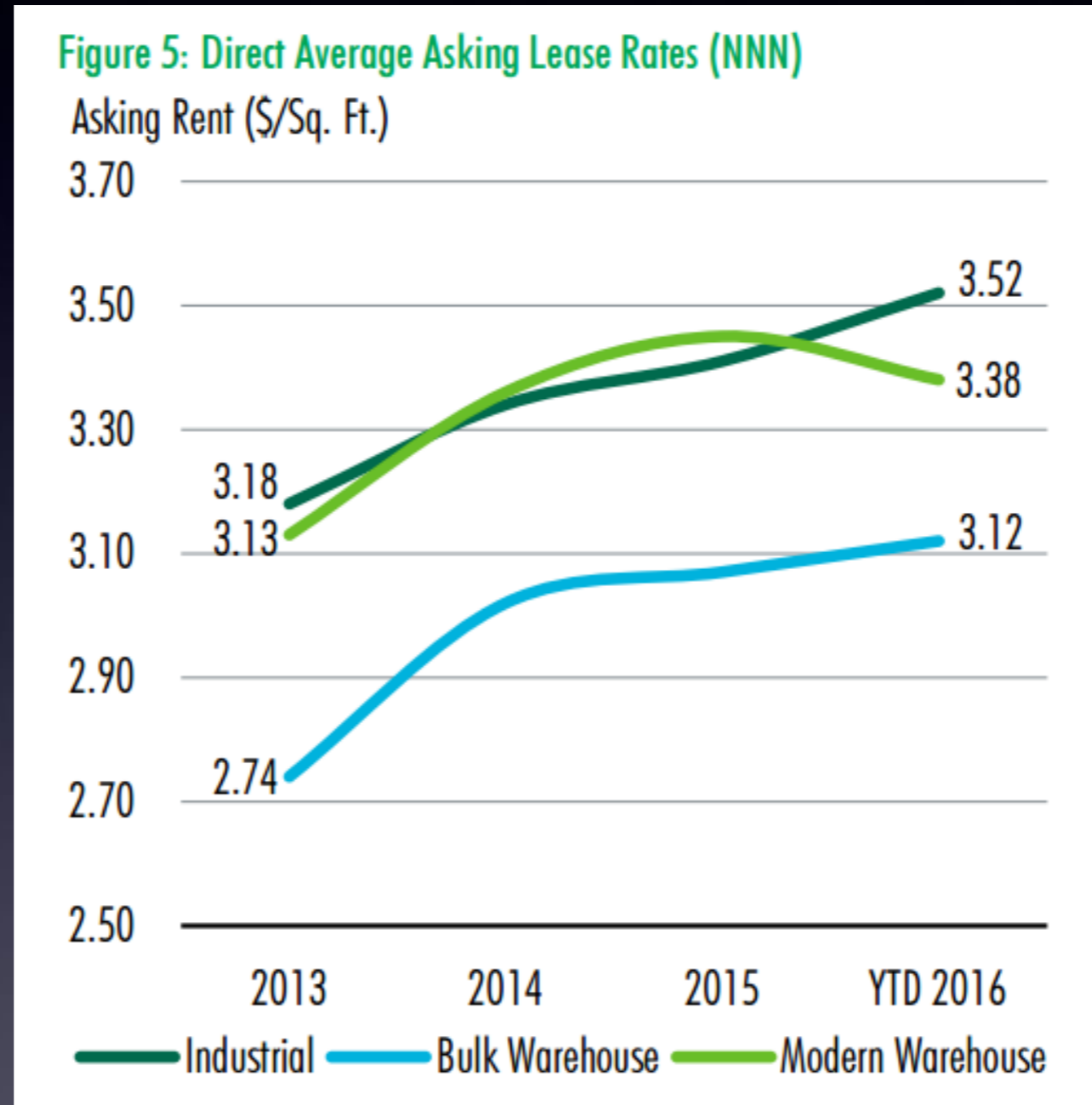
INDUSTRIAL RENTAL RATE TRENDS

Colliers: Rising rental rates in Central Ohio since 2013 have fueled new construction



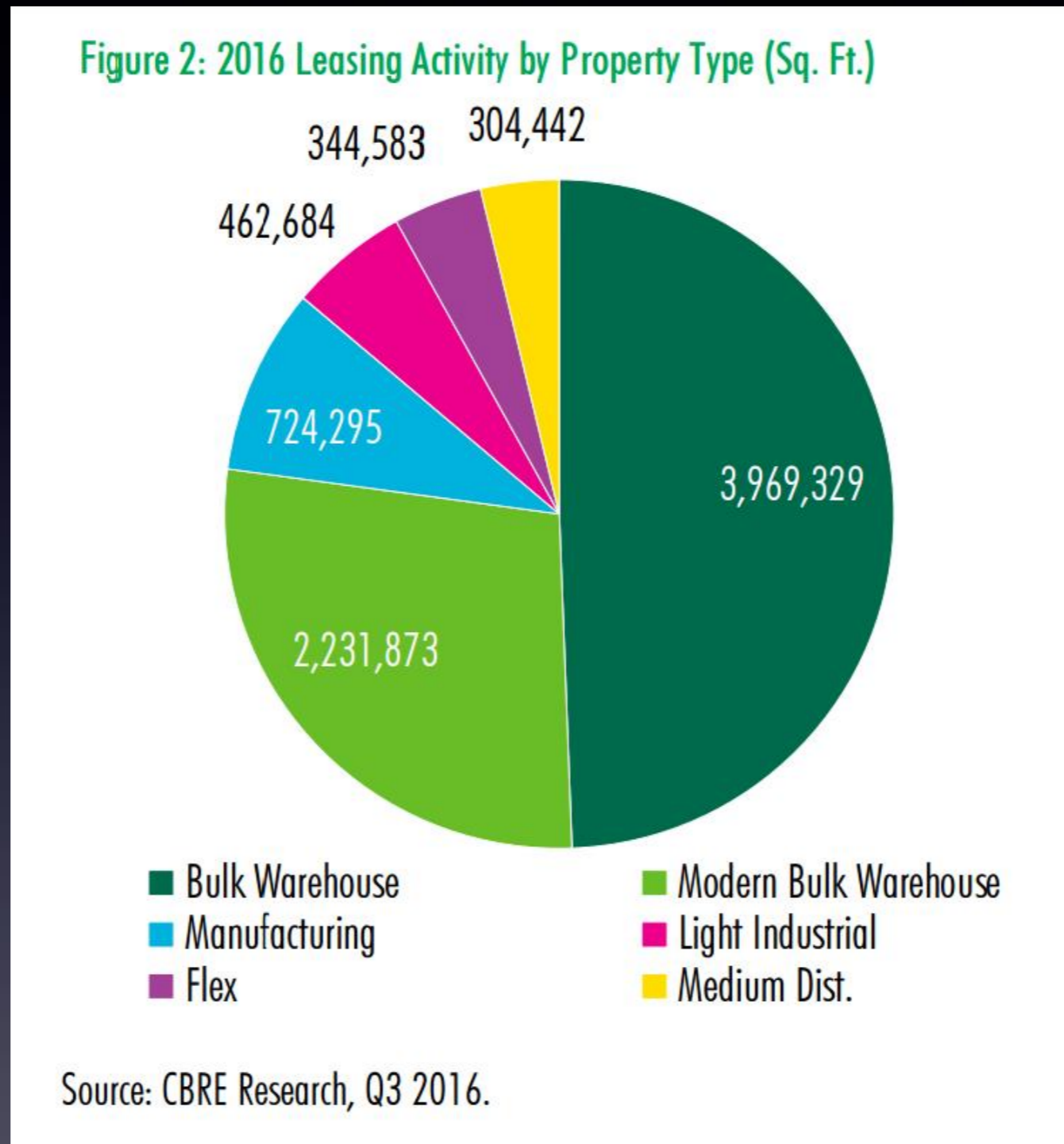
INDUSTRIAL RENTAL RATE TRENDS

CBRE: Asking Rents since 2013 are up nearly 10%

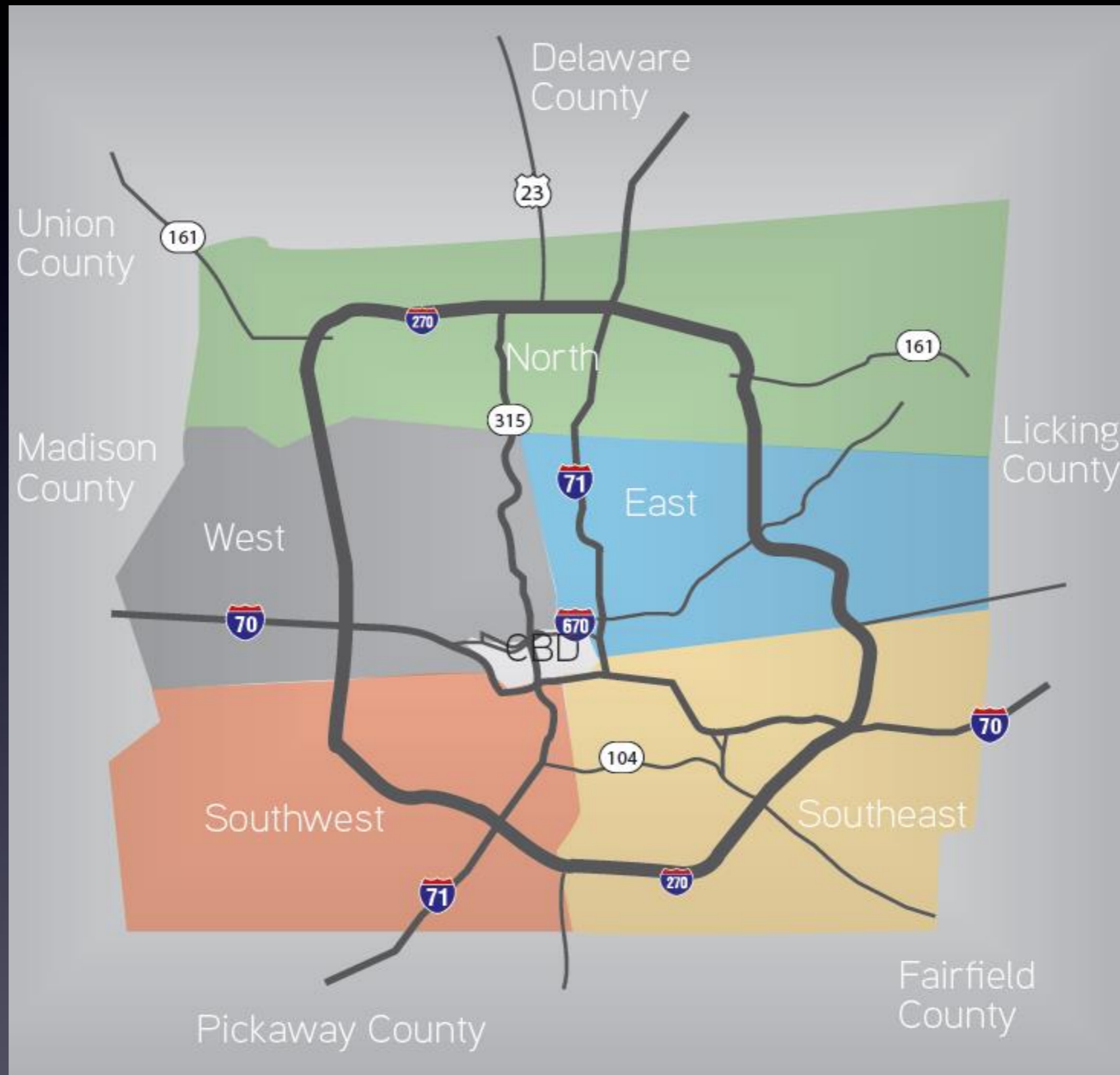


INDUSTRIAL LEASING TRENDS

2016 Central Ohio Leasing Activity (through Q3)



GEOGRAPHICAL SUBMARKETS



GEOGRAPHIC SUBMARKETS

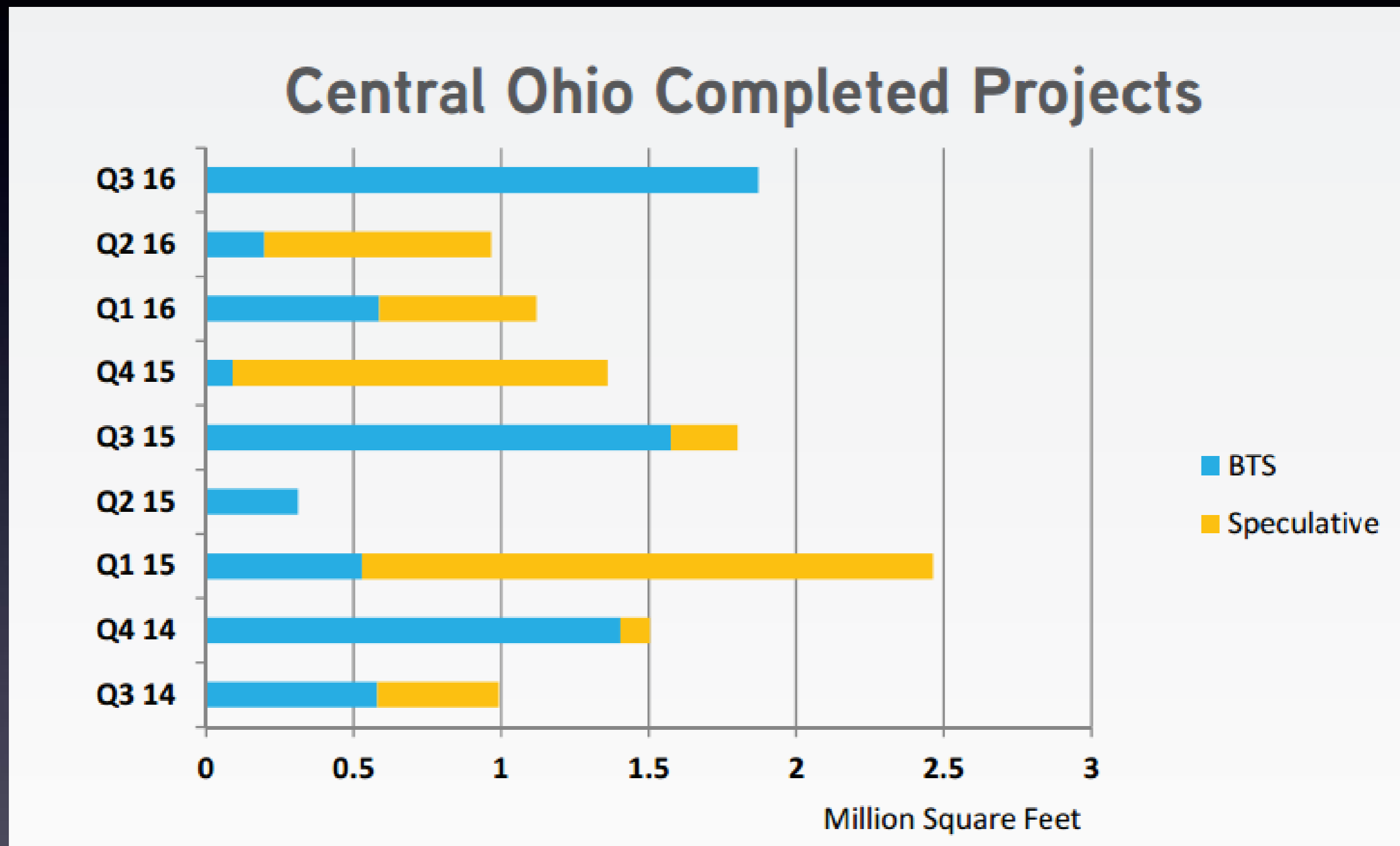
All Industrial, 4th Quarter 2016

SUBMARKET	TOTAL SF	VACANT SF	VACANCY %	ABSORPTION		CONSTRUCTION		ASKING PRICE	
				CURRENT	YTD	CURRENT	COMPLETED	WH/DIST	R&D/FLEX
CBD	5,335,716	200,000	3.70%	-	-	-	-	-	-
East	20,677,823	1,061,827	5.10%	(152,504)	29,604	28,000	-	\$2.54	\$6.65
Fairfield	6,194,787	139,876	2.30%	(60,176)	(30,176)	-	-	-	-
Licking	23,473,297	1,613,079	6.90%	926,700	915,730	264,000	855,000	\$2.98	\$4.50
Madison	10,304,748	-	0.00%	-	-	-	-	-	-
North	17,513,031	553,301	3.20%	9,198	(6,434)	620,000	-	\$4.06	\$6.67
North Delaware	8,906,109	257,217	2.90%	458,755	250,650	105,000	-	\$3.33	\$7.31
Pickaway	4,084,446	465,812	11.40%	(10,000)	248,838	1,950,000	-	\$3.75	-
Southeast	72,297,879	5,655,815	7.80%	1,441,334	2,965,351	1,116,064	-	\$2.86	\$5.32
Southwest	19,199,027	1,217,034	6.30%	283,391	33,800	275,869	1,016,116	\$3.14	\$5.50
Union	6,890,610	304,925	4.40%	(65,211)	149,872	10,000	-	\$4.61	\$6.91
West	35,030,803	1,632,758	4.70%	110,318	294,959	103,000	-	\$2.79	\$5.96
Grand Total	229,908,276	13,101,644	5.70%	2,941,805	4,852,194	4,471,933	1,871,116	\$2.97	\$6.26

Source: Colliers International, *Industrial Trends Report*, 4th Quarter 2016

INDUSTRIAL DEVELOPMENT TRENDS

Significant Speculative Warehouse Development since 2014



INDUSTRIAL DEVELOPMENT TRENDS

New Construction

- Over 4.5 million additional SF under construction, as of 4th quarter 2016
- 3.5 million SF to be completed during 1st quarter of 2017, including 1.3 million SF of speculative warehouse space
- Construction driven by high absorption, record low vacancy rates since 2014, and modest but sufficient rent growth since 2013
- E-commerce growth is a major factor in increased demand for inland distribution markets like Columbus, Indianapolis, Atlanta, etc.

NOTABLE COMPLETIONS

- Amazon.com – 855,000 SF fulfillment center in Etna Township Park, completed by Prologis
- Amazon.com – 1 million SF fulfillment center at Rickenbacker Global Logistics Park in Obetz, completed by Duke Realty Corp.



Amazon.com's new 855,000 SF fulfillment center in Etna Township



Duke Realty's Intermodal North 9224 at Rickenbacker

NOTABLE BUILD-TO-SUIT PROJECTS

UNDER DEVELOPMENT

- Rogue Fitness – 620,000 SF headquarters and manufacturing facility on former Timken manufacturing site in Milo-Grogan neighborhood
- https://www.youtube.com/watch?v=Z0A_8KtO22g
- Italy- based tissue maker Sofidel Group is currently constructing a 1.4 million SF factory in Circleville
- Scotland-based craft brewer BrewDog USA Inc. has completed their \$30.4 million 100,000 square foot site in Canal Winchester. The company is already looking to expand its presence in Central Ohio.



Aerial photo of the Rogue Fitness construction site at 1047 Cleveland Ave in Milo-Grogan (Summer 2016)

COLUMBUS INDUSTRIAL MARKET

Looking Ahead

According to Colliers International:

The strength of the modern distribution warehouse market in Central Ohio will continue to influence:

- 1. Landlord concessions to existing tenants
- 2. Developers to continue to add new product in response to low vacancy rates and high demand from new and existing users in the Central Ohio market
- 3. Below average unemployment rates in Central Ohio (warehousing jobs are one of the fastest growing employment sectors in the country, with over 180,000 million square feet currently under construction nationwide)
- 4. Continued economic growth for the region