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

- Apartment
- Power Center
- Warehouse
- Secondary Office
Gas Prices

NATIONAL AVERAGE GAS PRICE COMPARISON, 2014 TO 2017

January 2, 2017

$4.00
$3.50
$3.00
$2.50
$2.00
$1.50


$2.34
Mortgage Delinquency Rates (CMBS)
1990-2016
CMBS Delinquency Rates Since 2016
Office Markets
Columbus CBD Office Rental Rates

Full Service Gross Basis

Source: CBRE Marketview Columbus Office
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
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
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
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 Rents per Square Foot

Source: ARA Columbus Survey
Columbus Apartment Occupancy

Source: ARA Columbus Survey

Graph showing the percentage of apartment occupancy over time from November 2005 to March 2016 for various regions: Central, East, Northeast, West, Northwest, and Averages.
Multifamily Capitalization Rates

Korpacz National Apartment Market: Average OAR

Source: Korpacz Investor
OSU STUDENT HOUSING

The Ohio State University Enrollment

- Professional Students
- Graduate Students
- Undergraduates
- % Fr. Living On Campus
- % U.G. off-Campus
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 vs. Monthly Rent

- Mortgage Payment
- Effective Monthly Rent

Monthly Payment:

- $1,800
- $1,450
- $1,100
- $750
- $400

Years:

- 00
- 02
- 04
- 06
- 08
- 10
- 12
- 14
- 16**
Mortgage Rate Trends
2011-Present

30-Year Fixed National Average Rate

Source: Freddie Mac Primary Mortgage Market Survey (PMMS)
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

Home and Lot Price vs. Building Permits

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
- Existing-home sales

New-home sales as a percentage of total sales
- 2000: 28.4%
- 2002: 30%
- 2004: 25%
- 2006: 20%
- 2008: 15%
- 2010: 10%
- 2012: 7.9%
- 2014: 7.9%
- 2016: 7.9%

Sources: Binns Real Estate Services; Columbus Realtors; Dispatch research

Source: The Columbus Dispatch
Retail Markets

POLARIS IKEA OPENING SUMMER 2017

Image: Columbus Business First
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

Sources: Colliers International and CoStar Property
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

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

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

Source: Korpacz/PwC Real Estate Investor Surveys, 2009-2016
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

Source: Colliers International
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

Retail Sales Growth by Sector 2010-2016

Sources: Marcus & Millichap Research Services; U.S. Census Bureau

Graph: Marcus & Millichap
Sales Growth & e-Commerce

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

Chart: Marcus & Millichap

Restaurant Spending Outstripping Numerous Consumer Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Year-over-Year Change in Retail Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Stores</td>
<td>-8%</td>
</tr>
<tr>
<td>Electronics &amp; Appliances</td>
<td>-4%</td>
</tr>
<tr>
<td>Gas Stations</td>
<td>0%</td>
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<tr>
<td>Clothing &amp; Accessories</td>
<td>4%</td>
</tr>
<tr>
<td>Grocery Stores</td>
<td>8%</td>
</tr>
<tr>
<td>Core Retail Sales</td>
<td>12%</td>
</tr>
<tr>
<td>Home Furnishings</td>
<td></td>
</tr>
<tr>
<td>Health &amp; Personal Care</td>
<td></td>
</tr>
<tr>
<td>Food &amp; Drinking Establishments</td>
<td></td>
</tr>
<tr>
<td>Internet Retailers</td>
<td></td>
</tr>
</tbody>
</table>

* Through September
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Moody’s Analytics
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%

Graph: Marcus & Millichap
“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

- 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.

Historical Deliveries 1982 - 2016

Source: CoStar Property®
* Future deliveries based on current under construction buildings.
<table>
<thead>
<tr>
<th>SUBMARKET</th>
<th>TOTAL SF</th>
<th>VACANT SF</th>
<th>VACANCY %</th>
<th>CURRENT</th>
<th>YTD</th>
<th>CONSTRUCTION</th>
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<tr>
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<td>CURRENT</td>
<td>COMPLETED</td>
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<tr>
<td>CBD</td>
<td>1,129,426</td>
<td>38,299</td>
<td>3.4%</td>
<td>-</td>
<td>20,329</td>
<td>15,000</td>
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<td>Fairfield</td>
<td>3,960,854</td>
<td>217,513</td>
<td>5.5%</td>
<td>5,275</td>
<td>20,831</td>
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<td>Licking</td>
<td>3,964,649</td>
<td>92,915</td>
<td>2.3%</td>
<td>(2,470)</td>
<td>73,180</td>
<td>-</td>
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<td>Madison</td>
<td>214,406</td>
<td>20,643</td>
<td>9.6%</td>
<td>-</td>
<td>(11,783)</td>
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<td>North Delaware</td>
<td>2,637,806</td>
<td>163,012</td>
<td>6.2%</td>
<td>7,740</td>
<td>322,655</td>
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<td>Northeast</td>
<td>16,946,921</td>
<td>765,423</td>
<td>4.5%</td>
<td>51,282</td>
<td>166,012</td>
<td>621,190</td>
<td>110,000</td>
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<td>Northwest</td>
<td>13,655,451</td>
<td>375,136</td>
<td>2.7%</td>
<td>169,819</td>
<td>236,114</td>
<td>164,414</td>
<td>168,000</td>
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<td>Pickaway</td>
<td>656,177</td>
<td>20,724</td>
<td>3.2%</td>
<td>-</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Southeast</td>
<td>10,149,885</td>
<td>1,092,316</td>
<td>10.8%</td>
<td>144,406</td>
<td>132,032</td>
<td>99,030</td>
<td>140,000</td>
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<td>Southwest</td>
<td>6,560,179</td>
<td>511,061</td>
<td>7.8%</td>
<td>3,643</td>
<td>(44,783)</td>
<td>-</td>
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<tr>
<td>Union</td>
<td>1,201,203</td>
<td>25,020</td>
<td>2.1%</td>
<td>-</td>
<td>90,265</td>
<td>123,000</td>
<td>39,700</td>
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<tr>
<td>Grand Total</td>
<td>61,076,957</td>
<td>3,322,062</td>
<td>5.4%</td>
<td>379,965</td>
<td>1,004,845</td>
<td>1,022,634</td>
<td>347,700</td>
</tr>
</tbody>
</table>

(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
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)
- 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 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

- 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

(Graph/Source: Marcus & Millichap)
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
Amazon’s new 1 million SF fulfillment center in Rickenbacker Global Logistics Park in Obetz, completed by Duke Realty in 2016.
INDUSTRIAL SUBMARKETS

OVERVIEW

- 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.
• 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)
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

Source: Colliers International, Industrial Trends Report
INDUSTRIAL RENTAL RATE TRENDS

CBRE: Asking Rents since 2013 are up nearly 10%

Source: CBRE Columbus Industrial MarketView, 4th Quarter 2016
INDUSTRIAL LEASING TRENDS

2016 Central Ohio Leasing Activity (through Q3)

## Geographic Submarkets

### All Industrial, 4th Quarter 2016

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Total SF</th>
<th>Vacant SF</th>
<th>Vacancy %</th>
<th>Current</th>
<th>YTD</th>
<th>Current</th>
<th>Completed</th>
<th>WH/Dist</th>
<th>R&amp;D/Flex</th>
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<tbody>
<tr>
<td>CBD</td>
<td>5,335,716</td>
<td>200,000</td>
<td>3.70%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>East</td>
<td>20,677,823</td>
<td>1,061,827</td>
<td>5.10%</td>
<td>(152,504)</td>
<td>29,604</td>
<td>28,000</td>
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<tr>
<td>Fairfield</td>
<td>6,194,787</td>
<td>139,876</td>
<td>2.30%</td>
<td>(60,176)</td>
<td>(30,176)</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Licking</td>
<td>23,473,297</td>
<td>1,613,079</td>
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<td>926,700</td>
<td>915,730</td>
<td>264,000</td>
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<tr>
<td>Madison</td>
<td>10,304,748</td>
<td>-</td>
<td>0.00%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>North</td>
<td>17,513,031</td>
<td>553,301</td>
<td>3.20%</td>
<td>9,198</td>
<td>(6,434)</td>
<td>620,000</td>
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<td>$4.06</td>
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<td>North Delaware</td>
<td>8,906,109</td>
<td>257,217</td>
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<td>458,755</td>
<td>250,650</td>
<td>105,000</td>
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<td>$3.33</td>
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<td>Pickaway</td>
<td>4,084,446</td>
<td>465,812</td>
<td>11.40%</td>
<td>(10,000)</td>
<td>248,838</td>
<td>1,950,000</td>
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<tr>
<td>Southeast</td>
<td>72,297,879</td>
<td>5,655,815</td>
<td>7.80%</td>
<td>1,441,334</td>
<td>2,965,351</td>
<td>1,116,064</td>
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<tr>
<td>Southwest</td>
<td>19,199,027</td>
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<td>283,391</td>
<td>33,800</td>
<td>275,869</td>
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<td>Union</td>
<td>6,890,610</td>
<td>304,925</td>
<td>4.40%</td>
<td>(65,211)</td>
<td>149,872</td>
<td>10,000</td>
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<tr>
<td>West</td>
<td>35,030,803</td>
<td>1,632,758</td>
<td>4.70%</td>
<td>110,318</td>
<td>294,959</td>
<td>103,000</td>
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<td>$2.79</td>
<td>$5.96</td>
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<tr>
<td><strong>Grand Total</strong></td>
<td><strong>229,908,276</strong></td>
<td><strong>13,101,644</strong></td>
<td><strong>5.70%</strong></td>
<td><strong>2,941,805</strong></td>
<td><strong>4,852,194</strong></td>
<td><strong>4,471,933</strong></td>
<td><strong>1,871,116</strong></td>
<td><strong>$2.97</strong></td>
<td><strong>$6.26</strong></td>
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</tbody>
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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.
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](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

Source: Colliers International, Industrial Market Outlook, 3rd Quarter 2016